

Rating Action: Banco Santander S.A. (Brazil)

Moody's upgrades Banco Santander's financial strength to C; local currency deposits to A2

New York, November 17, 2008 -- Moody's Investors Service upgraded to C from C- (C minus) the bank financial strength rating (BFSR) assigned to Banco Santander S.A. (Santander). The rating agency also raised Santander's global local currency deposit rating to A2 from A3, with a stable outlook, and short-term rating to Prime-1 from Prime-2. The Ba2/Not Prime global foreign currency deposit ratings, currently constrained by the foreign currency deposit ceiling, and Aaa.br/BR-1 Brazilian national scale deposit ratings for Santander were affirmed. In a corresponding action, Moody's withdrew ratings for Banco ABN AMRO Real S.A. (Banco Real).

The existing long-term foreign currency junior subordinated debt rating of Baa3 assigned to Banco Santander S.A., Cayman Branch, was also affirmed.

The rating actions follow the completion of the acquisition of Banco Real by Banco Santander effective on August 29, 2008, following the shareholders' meeting, and the presentation of its combined consolidated financial statements on October 31, 2008.

Moody's said the upgrade of Santander's BFSR to C is prompted by the more robust franchise in terms of market share and scale that results from the acquisition, together with increased geographic and customer diversification. The combined institution forms the 4th largest bank by assets in Brazil, with deposit and loan market shares of 11.4% and 11.8% respectively, and with substantially enhanced earnings capacity in all major market segments.

Although Santander intends to keep the two brands separated until 2010, the banks' operations were already consolidated and are managed by Santander.

Moody's indicated that the Santander Group in Brazil will benefit considerably from the acquisition of Banco Real's complementary business platforms. Banco Real's strong positioning in the retail segment should boost the group's competitiveness in the highly competitive first-tier segment of the Brazilian banking industry. The acquisition is also consistent with Santander's strategy to consolidate and strengthen its retail brand, in keeping with its approach in other Latin American countries. Management expects to achieve throughout 2011 R\$2.4 billion in expense savings and an additional R\$300 million in revenue gains through employing best practices and through synergies within its global units.

Nevertheless, Moody's says the integration process carries potential risks given the large size of the operation. Delays beyond management's expectations may occur and restructuring costs may be higher than predicted. Such challenges could constrain growth prospects, and thus compromise profitability targets.

Moody's adds that Santander's A2 deposit ratings incorporate three main elements: (1) the bank's BFSR of C, which translates into a baseline credit assessment of A3; (2) Moody's assessment of moderate support from its owner, Banco Santander S.A. (Spain); and (3) Moody's assessment of a good probability of support from the Brazilian authorities, given the bank's significant participation in the Brazilian deposit market.

As of September 30, 2008, Banco Santander S.A., including Banco Real, presented pro-forma total assets of R\$301.7 billion (US\$158.8 billion) and pro-forma equity of R\$24.2 billion (US\$12.8 billion).

The following ratings of Banco Santander S.A. were upgraded:

Bank financial strength rating: to C from C-, with stable outlook

Long-term global local currency deposit rating: to A2 from A3, with stable outlook;

Short-term global local currency deposit rating: to Prime-1 from Prime-2.

The following ratings were affirmed:

Banco Santander S.A.: Long and short-term foreign currency deposit ratings of Ba2 / Not Prime, respectively; long and short-term national scale ratings in Brazil of Aaa.br/BR-1, respectively; with stable outlook

Banco Santander S.A. -- Cayman Branch: long-term foreign currency junior subordinate debt rating: Baa3, with stable outlook

The following ratings of Banco ABN AMRO Real S.A. were withdrawn:

Bank financial strength rating -- C;

Long and short-term foreign currency deposit ratings -- Ba2/Not Prime, respectively

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