



INVESTOR DAY 2015

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Head of Technology and Operations

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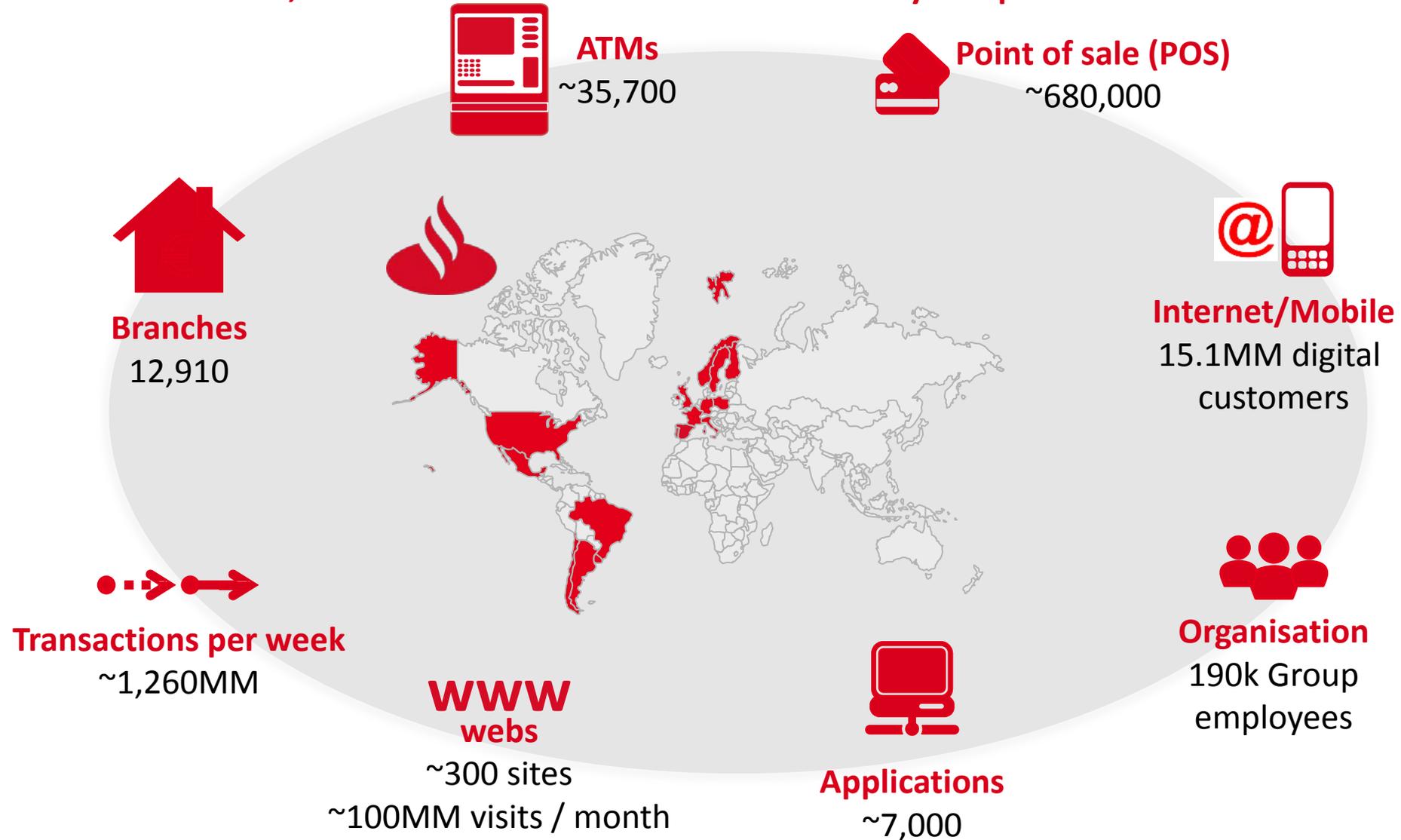
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Note: The businesses included in each of our geographical segments and the accounting principles under which their results are presented here may differ from the businesses included in our public subsidiaries in such geographies and the accounting principles applied locally. Accordingly, the results of operations and trends shown for our geographical segments may differ materially from those disclosed locally by such subsidiaries.

The IT&Ops division's aim is to deliver excellent customer service to our 117MM customers, with best in class efficiency: Operational excellence



We focus on the elements that will help Santander become the best retail and commercial bank

Service quality



Execution speed



Digital architecture



Efficiency



Service company culture



Providing an **excellent service** to banks and lines of business, by delivering **simple, flexible, reliable and efficient platforms and processes** to be the **best retail and commercial bank** that earns the lasting loyalty of our **people, customers, shareholders and communities**

The division is organised in a 3 layer model

Corporate Division



Banks



Shared Services Centres

IT

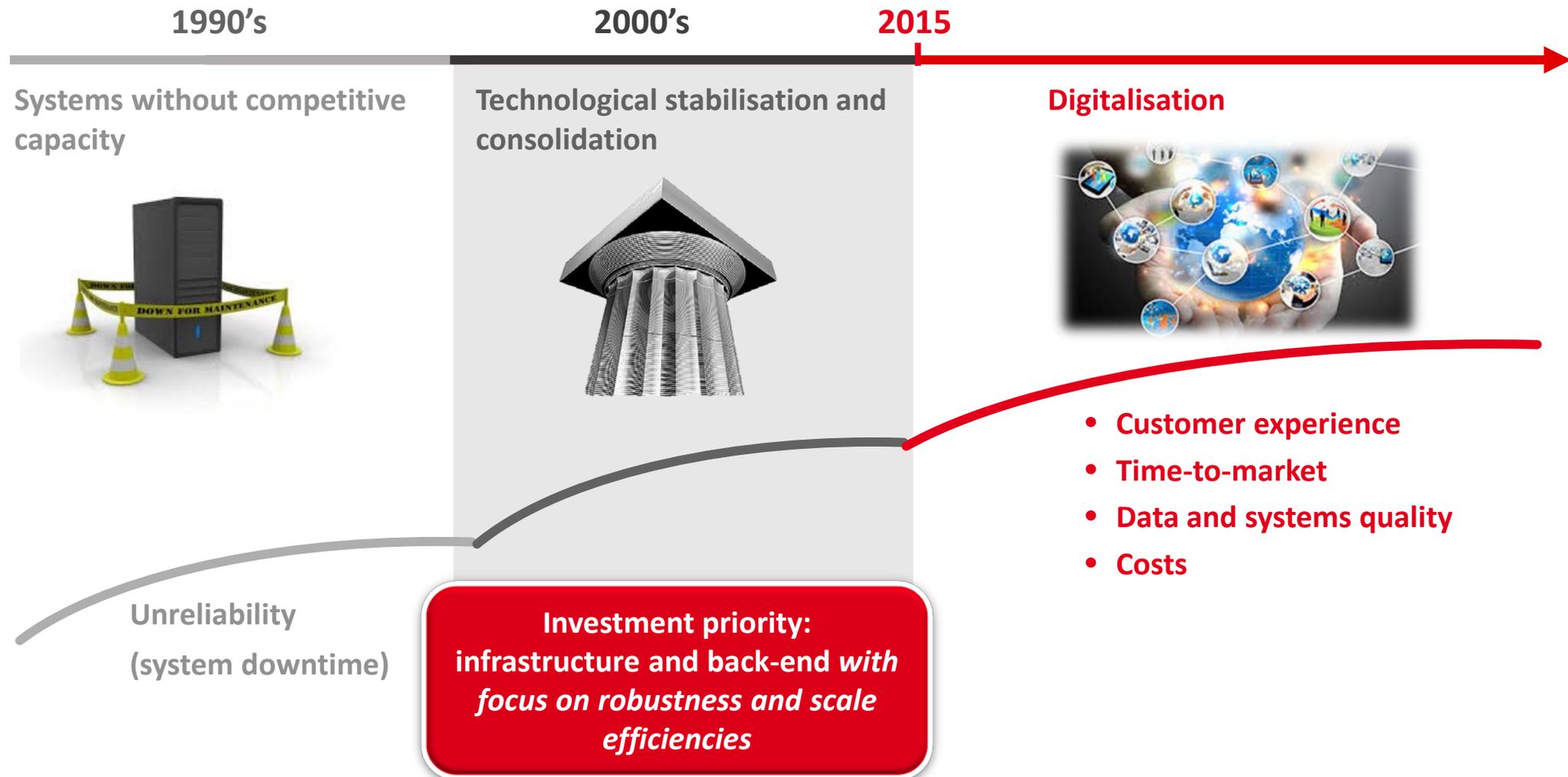


Back Offices



Santander Back-Offices
Globales Mayoristas, S.A.

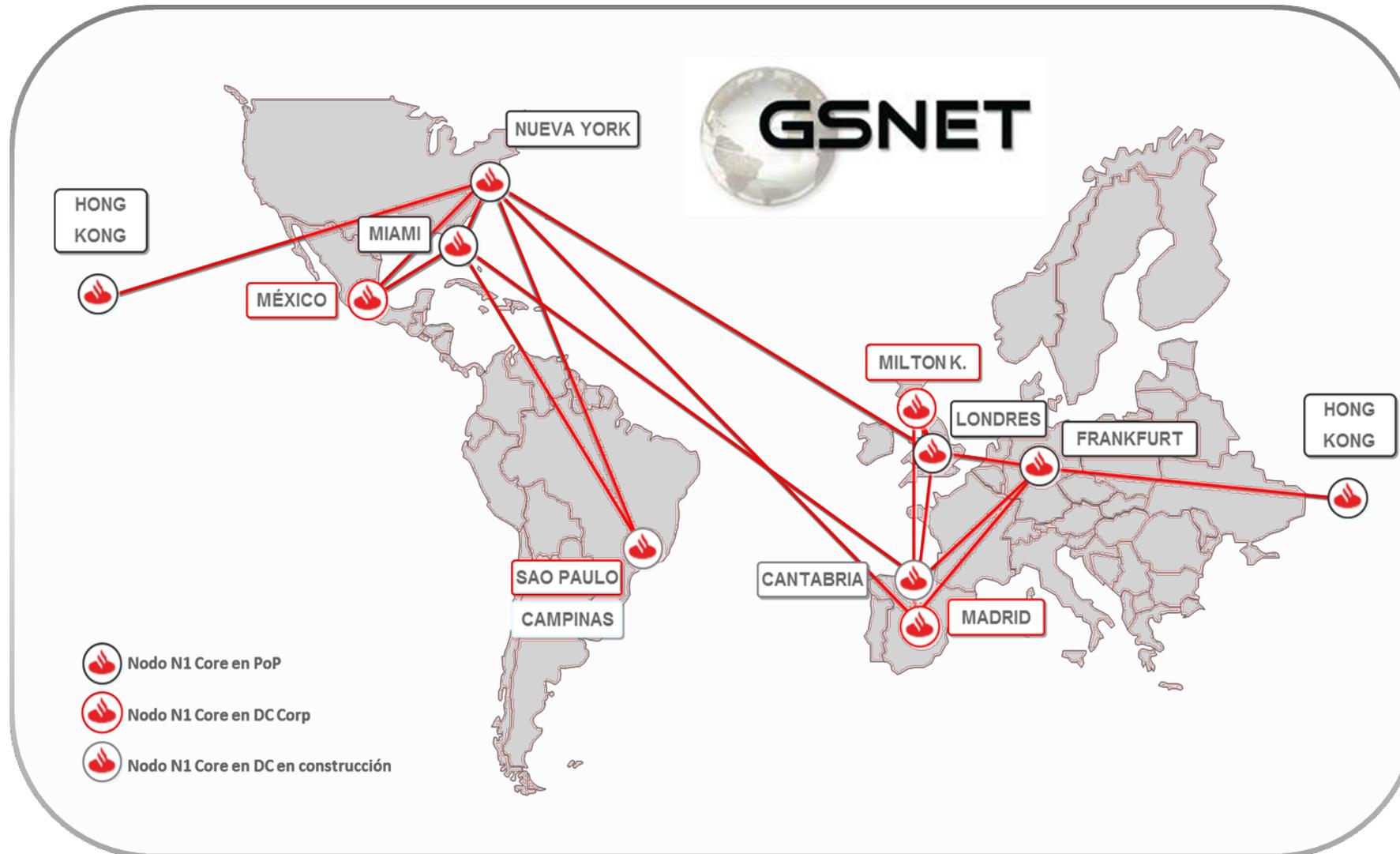
To date, the Group has invested in robust technology capabilities that are the foundations of our digitalisation



The Group has a shared infrastructure of five state-of-the-art Data Centres that manage all customer data and reduce operational risks



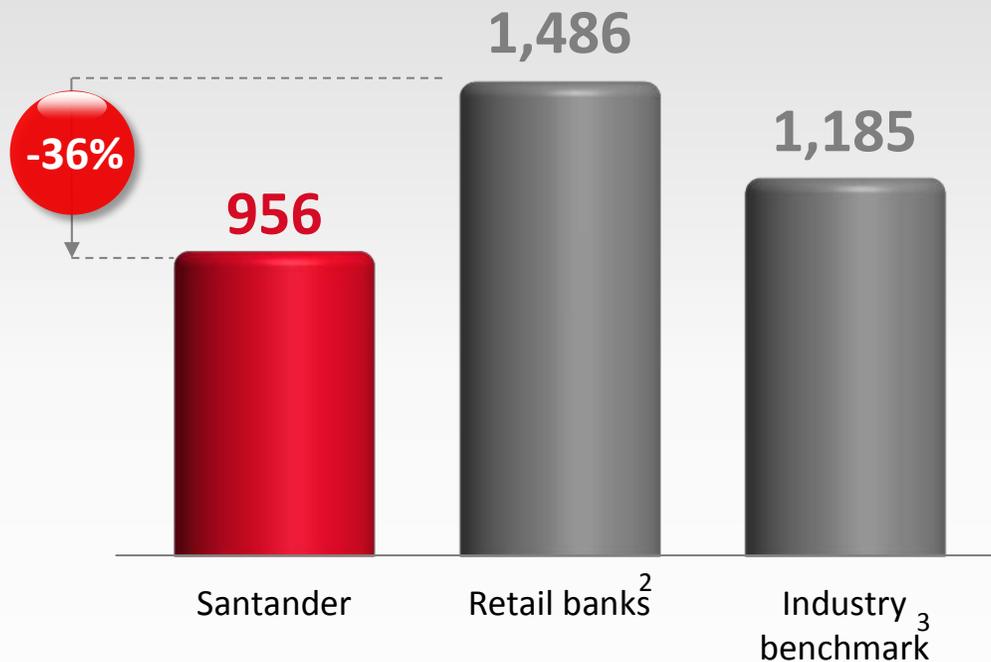
Our local banks and Data Centres are interconnected through a proprietary network (GSNET)



Shared infrastructure results in lower platform costs

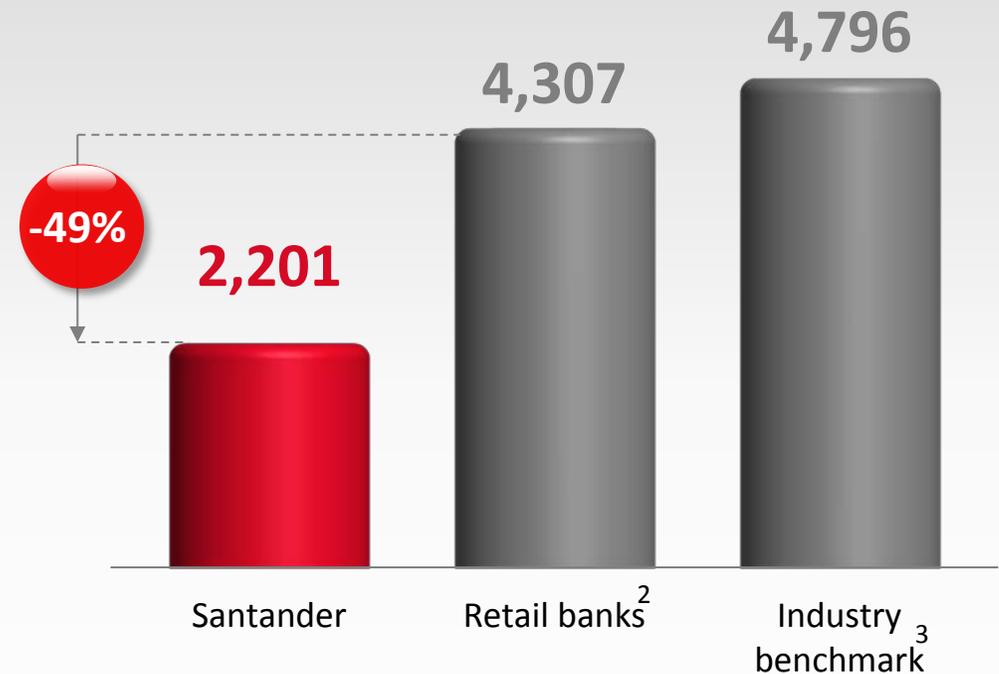
Annual mainframe cost per installed MIPS¹

(€ / MIPS)



Annual storage cost per terabyte

(€ / Terabyte Installed)



(1) MIPS: Microprocessor without Interlocked Pipeline Stages

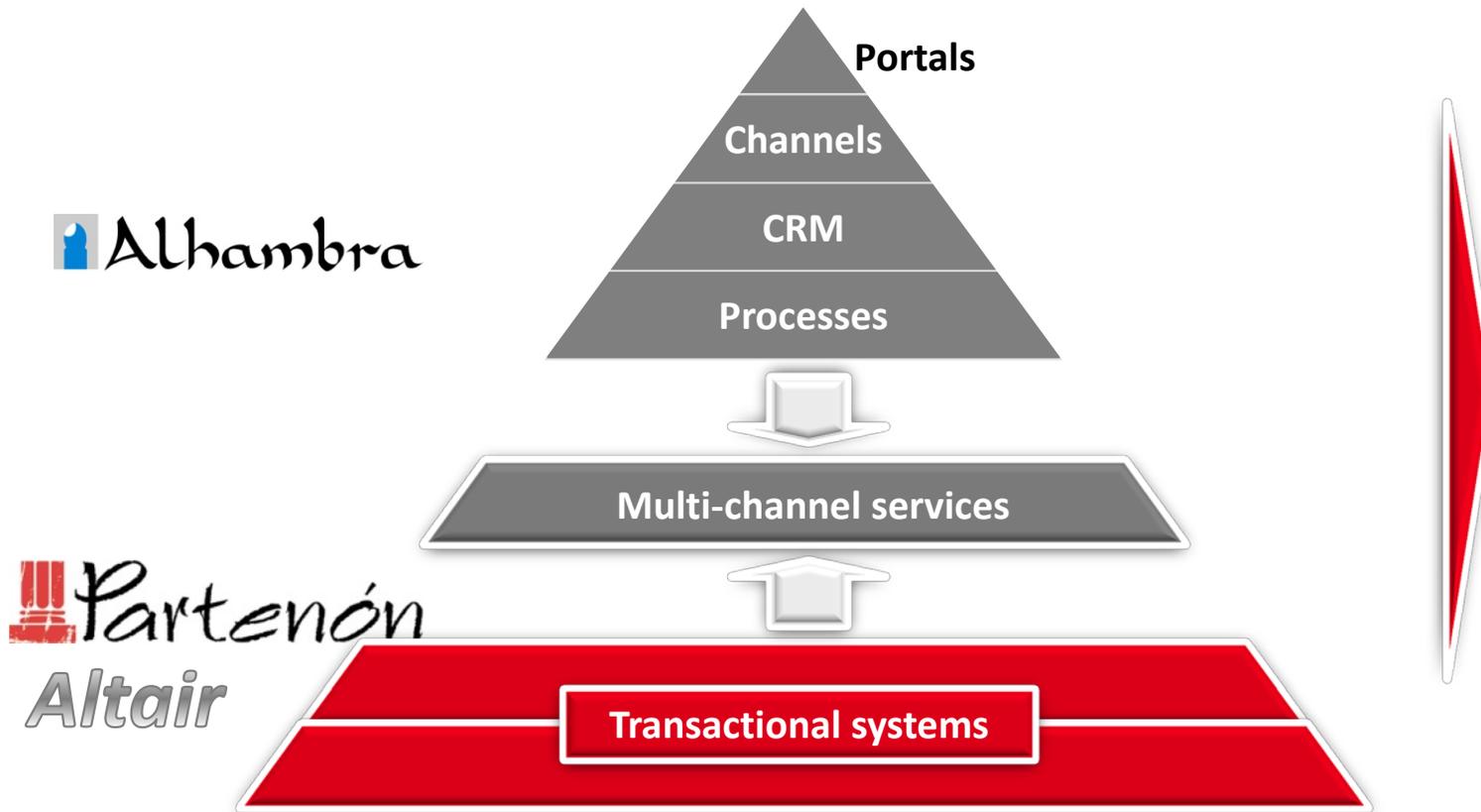
(2) Retail banks: Those 4 entities (among the 13) closest to Santander in terms of banking profile (Société Générale, Wells Fargo, Unicredito, BBVA)

(3) Industry benchmark: HSBC, BNP Paribas, JP Morgan Chase, Barclays, Mitsubishi, Bank of America, Citigroup, Société Générale, Royal Bank of Scotland, Wells Fargo, Lloyds, Unicredito, BBVA

Source: IBM Global Technology Services benchmark. November 2014

The Group has a shared core banking structure that is considered among the best in the world

Core banking structure



**Top 3
overall**

Category specific ranking

Breadth of functionality: 2nd

Platform agility: 3rd

Service capability: 4th

Partenon/Alhambra as a core banking system platform ranks 3rd against top market players¹

(1) Source: Oliver Wyman benchmark, November 2013. This benchmark is a comparison of vendor platforms: Infosys, TCS, Partenon/Alhambra, Temenos, SAP, Accenture, Misy, Sopra, FIS, Fiserv

Shared Service Centres serve banks on an 'arms length' basis, providing expert knowledge and economies of scale: a unique model that creates a sustainable strategic advantage

Technology



- Software Development



- IT Production

Banking operations



- Back-Office



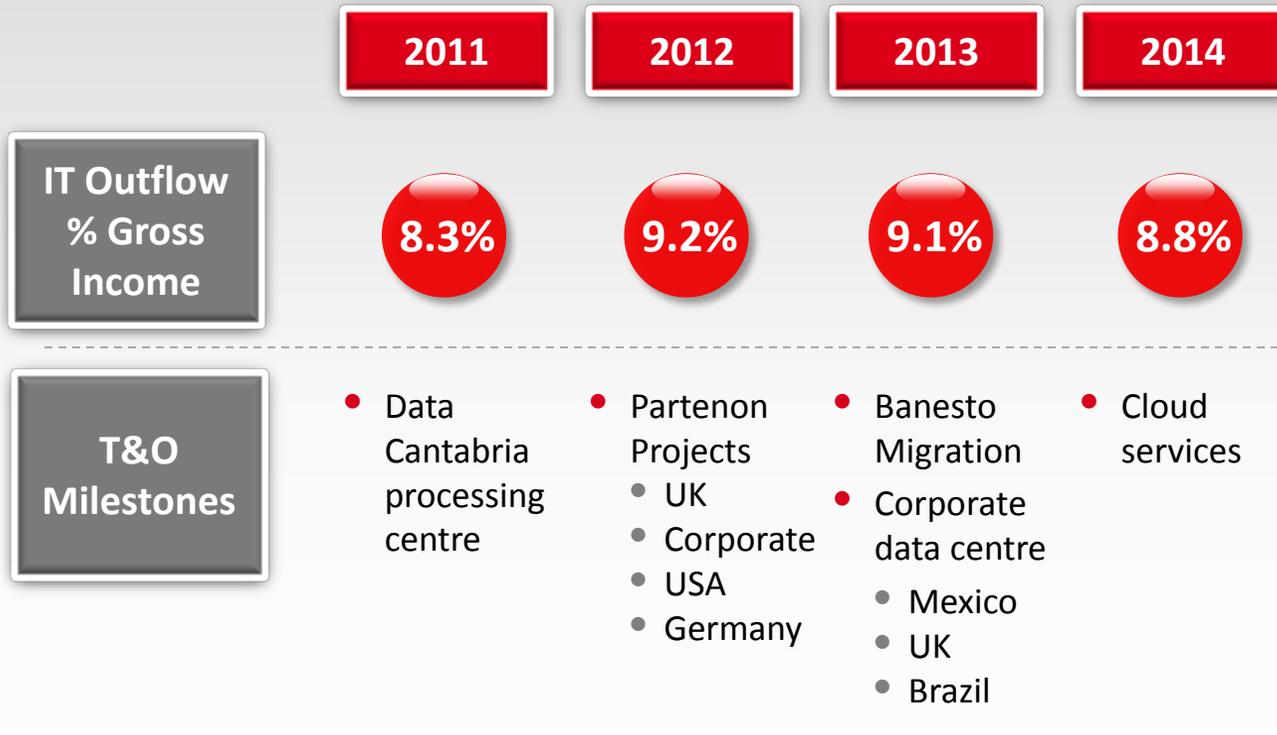
- Santander Back-Offices
Globales Mayoristas, S.A.

Benefits

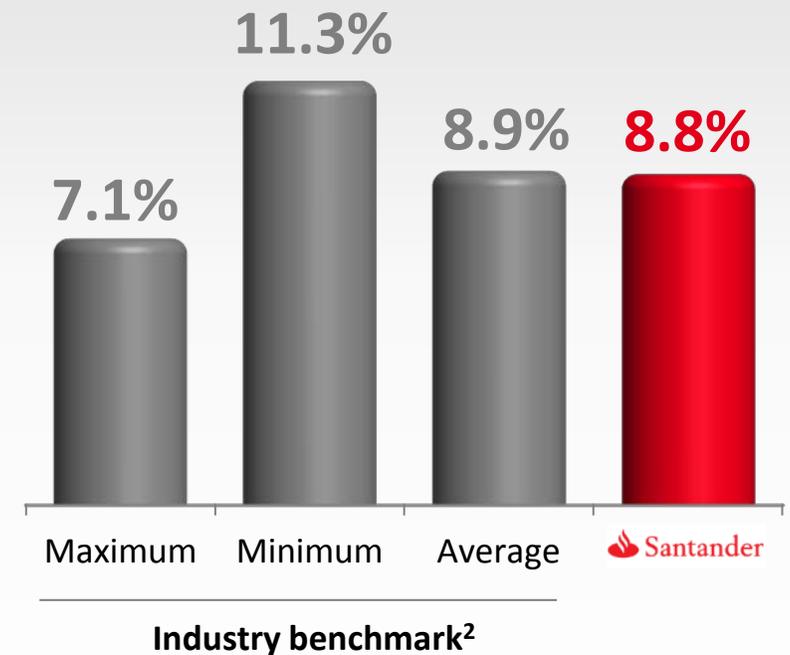
- High **specialisation**
- **Global reach** and **local action**
- Centres of **excellence**
- **Economies of scale**
- **Recognised by regulators** since it decouples service continuity from the banks' financial situation (**living wills**)
- **Best practices** transfer vehicle
- **Alignment** with Group policies

This efficiency management has helped to maintain low costs of IT, despite a very intensive agenda to build the infrastructure

IT Outflow



IT outflow¹ (% of gross income)



Santander Group is leader in R&D³ expenditure versus peers⁴

(1) Outflow: IT actual cash expenditure (2) Source: McKinsey benchmark 2014 (3) Research and development (4) European Commission, public data of R&D expenditure in 2014

Going forward further efficiencies will allow us to undertake investments in digitalisation

Digitalisation

Business as usual savings



- **Improve** business as usual (BAU) maintenance costs
- **Synergies derived from cross projects** developments: ATMs, mobile, International Trade...

IT&Ops Transformation Plan



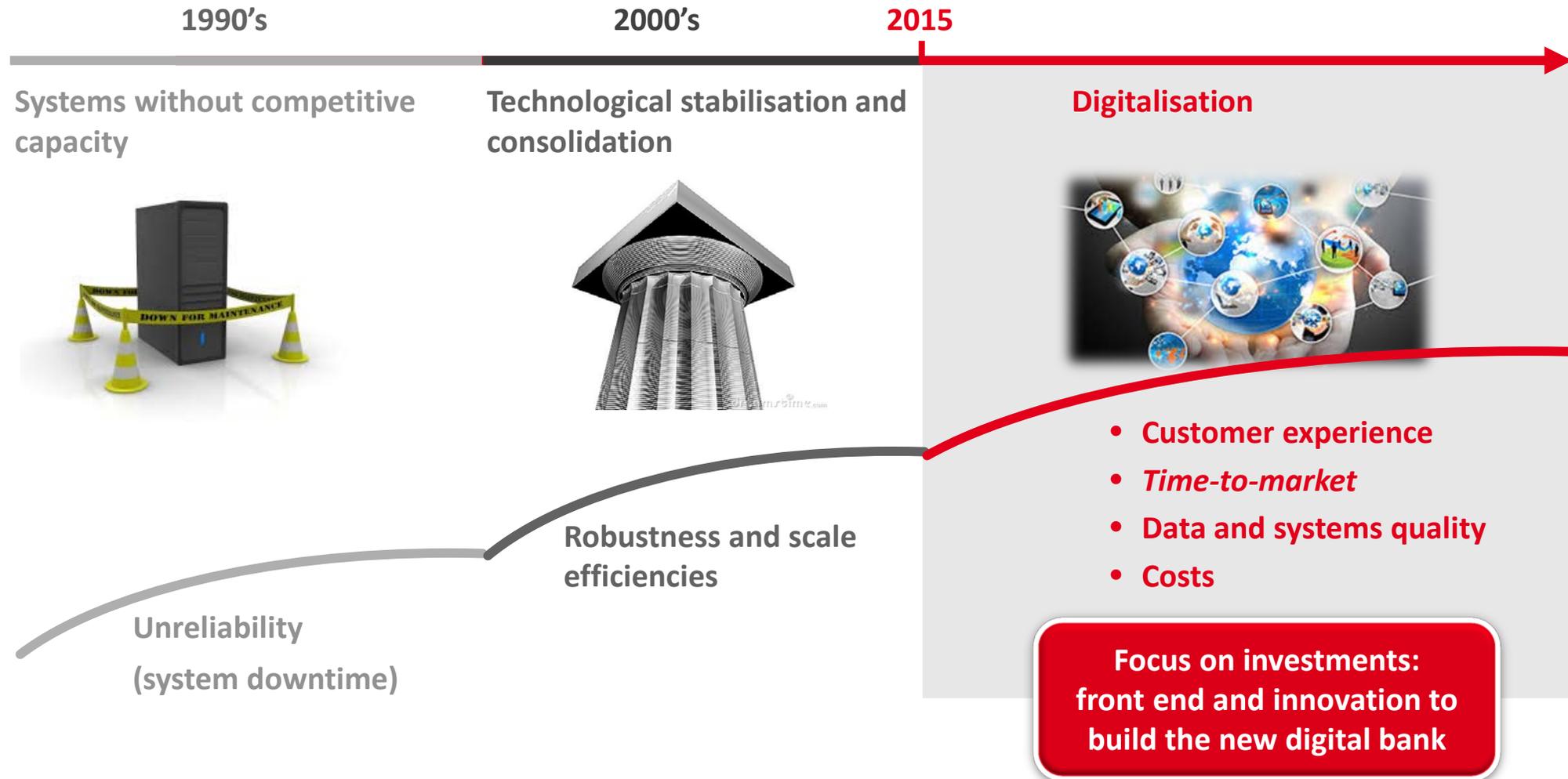
- A **3 years IT&Ops Plan** that should provide **additional savings**

Upgrade franchises

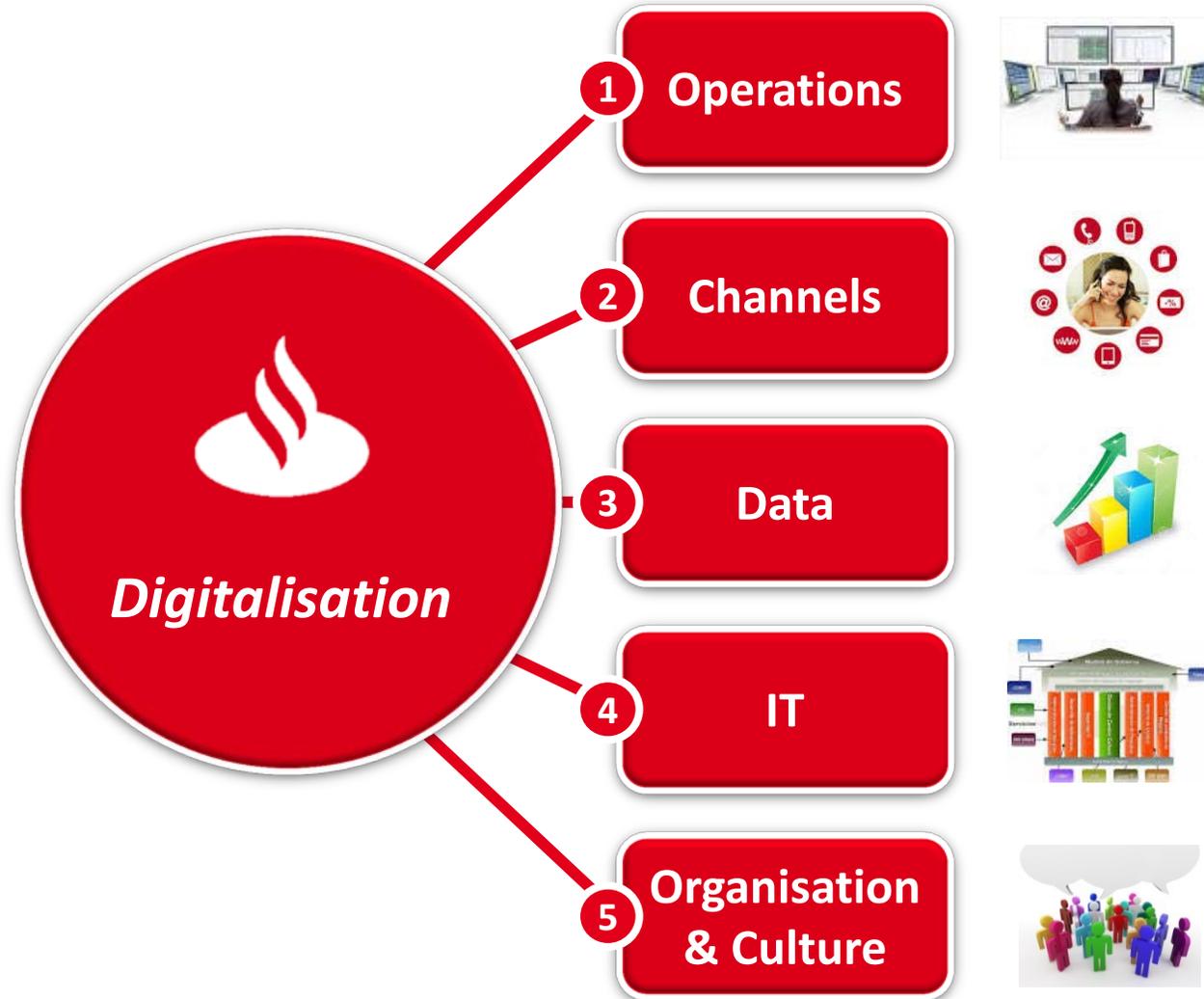


- Reduce **obsolescence**
- **Digital**
- **No manual** processes
- Better **customer journeys**
- New **business applications**

Now it is time for customer experience (operational excellence) and innovation



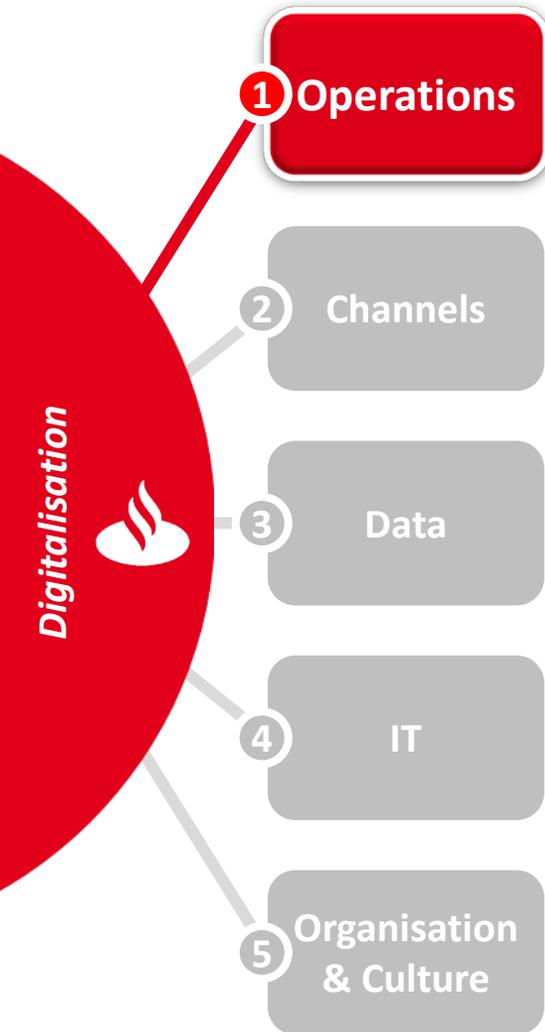
We have already started the digitalisation around 5 themes



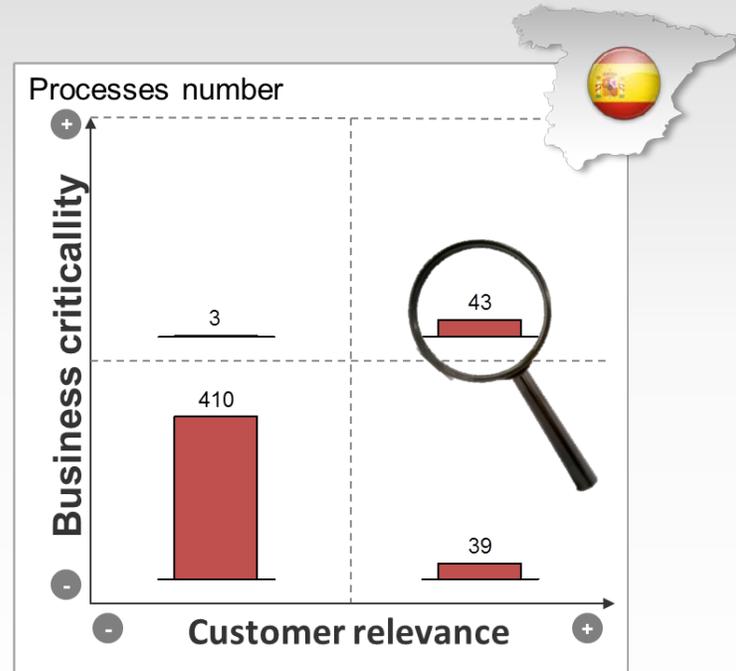
- **Processes simplification**
- **Shared Services Centres (SSC)** as centres of excellence
- Boosting investments in the Front
- **Mobile** (SmartBank, P2P¹, Personal Financial Management,...)
- **New ATMs**
- **Customer experience** project
- Risk Data Aggregation (RDA)
- **New CRM²** platforms (Neo CRM, ADN, Certo, One,...)
- **Big Data**
- **Agile methodologies**
- **New architecture**
- **Cloud** infrastructure
- Managing **cyber security**
- **Simplify** organisation
- **Service company culture**
- **Simple | Personal | Fair**

(1) P2P: Peer-to-peer banking (2) CRM: Customer relationship management

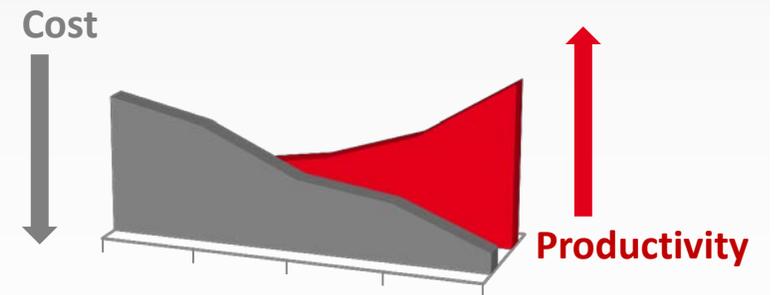
Developing operational excellence



Process simplification

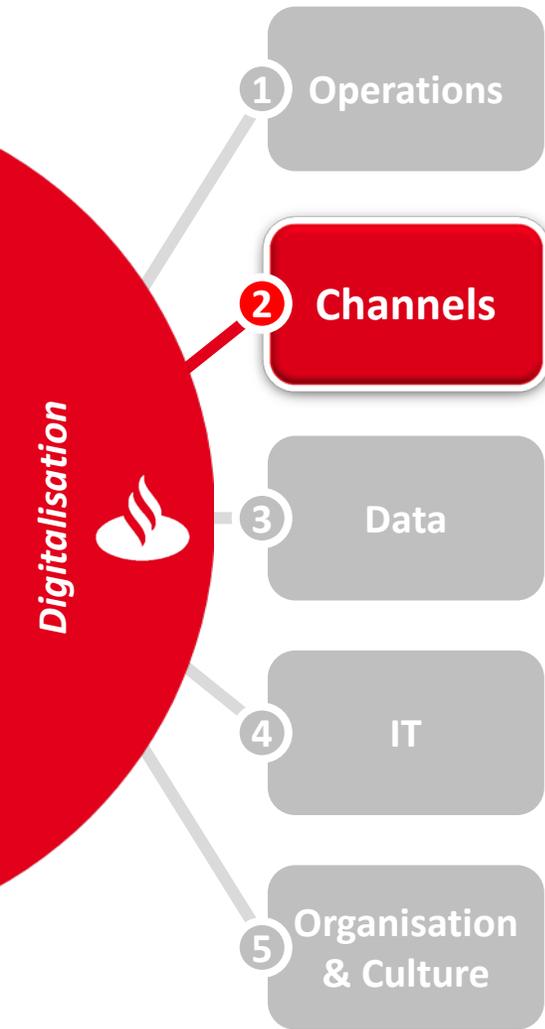


Shared Service Centres

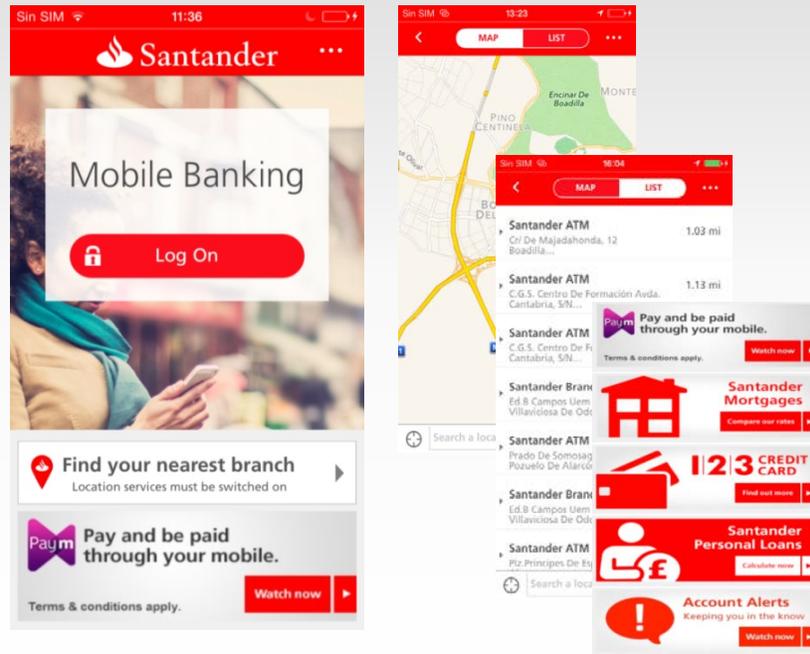


Evolving as centres of Excellence

Boosting front applications and improving customer experience

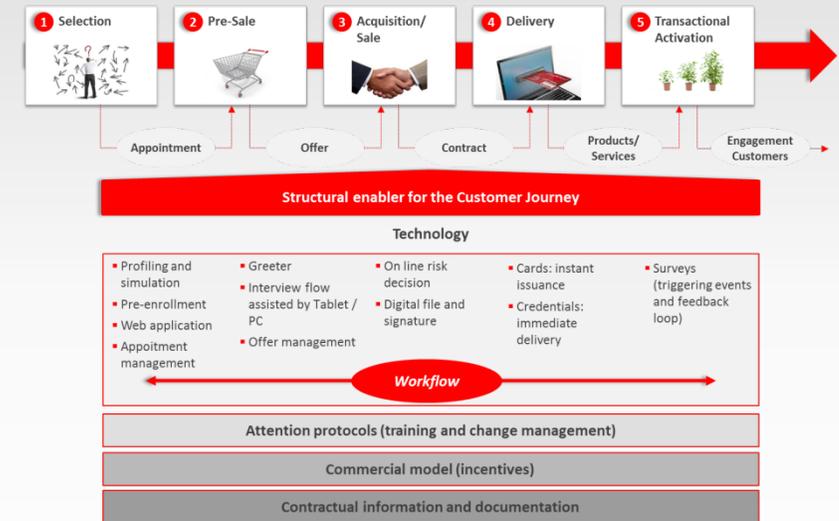


Mobile



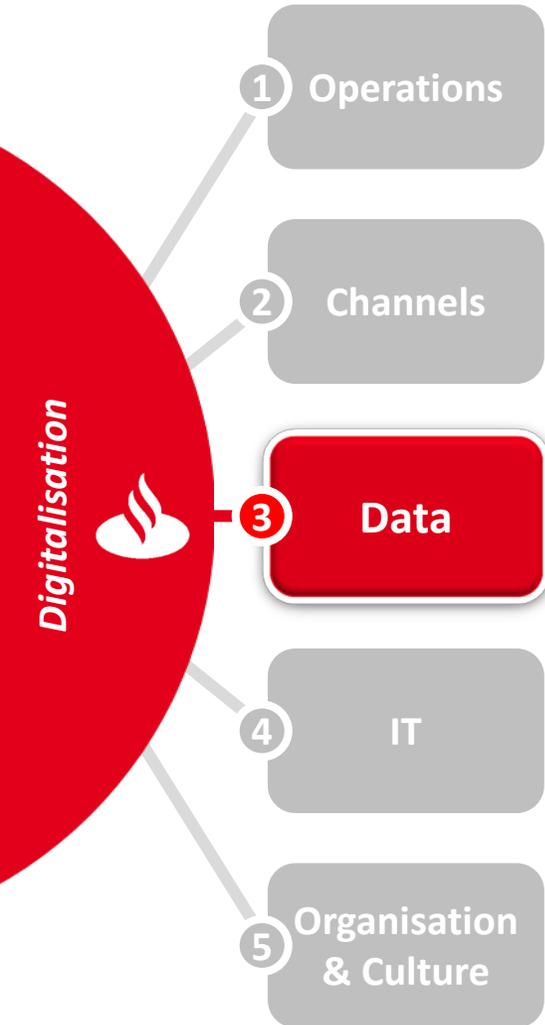
Putting mobile at the heart of the customer experience

Customer journeys



Improving customer experience through customer journeys

Focusing on data challenges from the regulatory world to new business opportunities

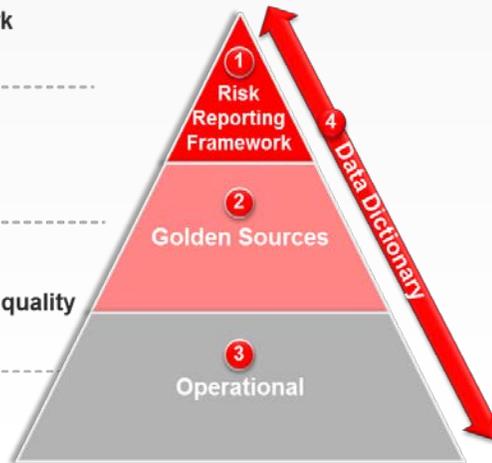


Risk Data Aggregation (RDA)

Compliance with the **Risk Reporting Framework (RRF) & Risk Data Aggregation (RDA)** principles involves a series of action lines in terms of framework, criteria and concepts, **repositories and data quality**

KEY ELEMENTS

- 1 Risk reporting framework
- 2 Golden Sources
- 3 Operational information quality
- 4 Data Dictionary



Neo CRM



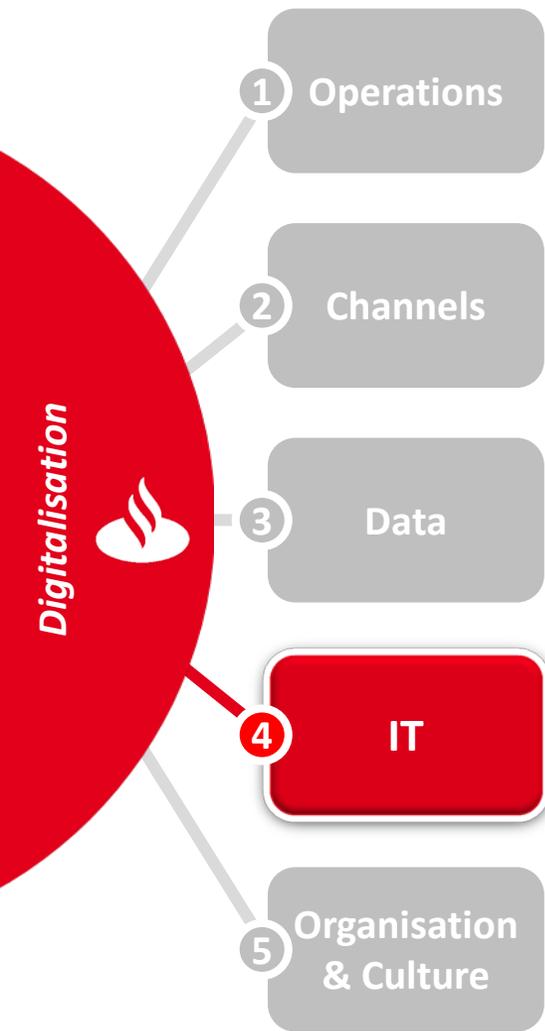
- Customer 360º
- Just one tool
- Easy to use

Big data

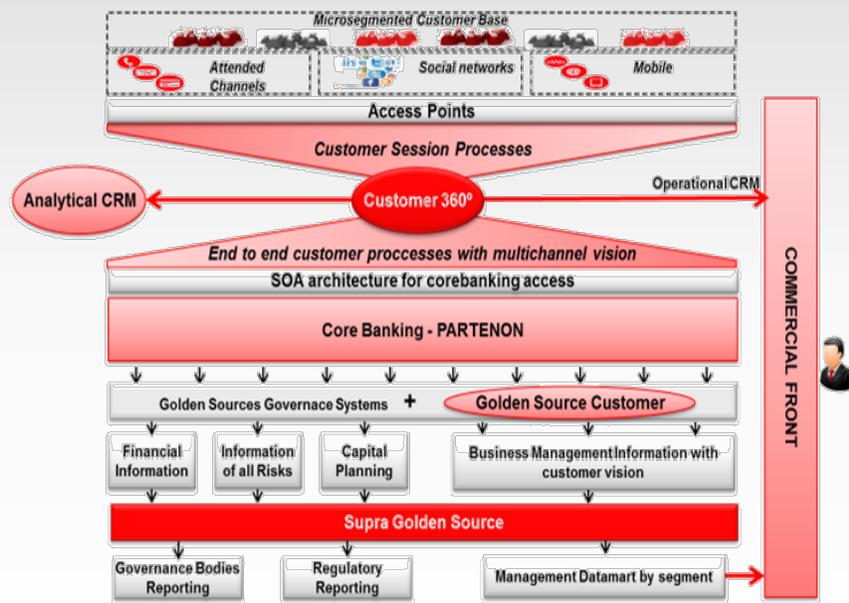
- More **granularity**
- **Real time** information
- **More sources** of information
- More **accurate and sophisticated techniques** of data analysis



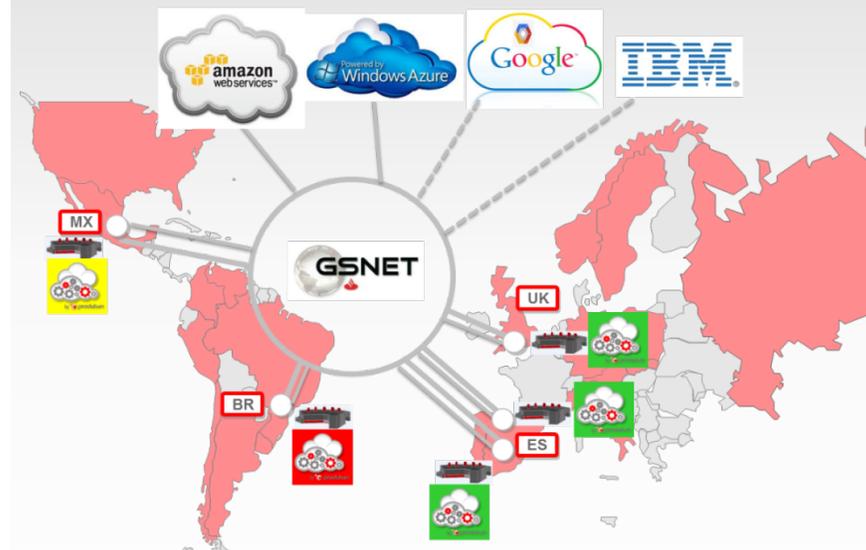
Developing a new architecture and more flexible and efficient technologies



New architecture



Cloud infrastructure

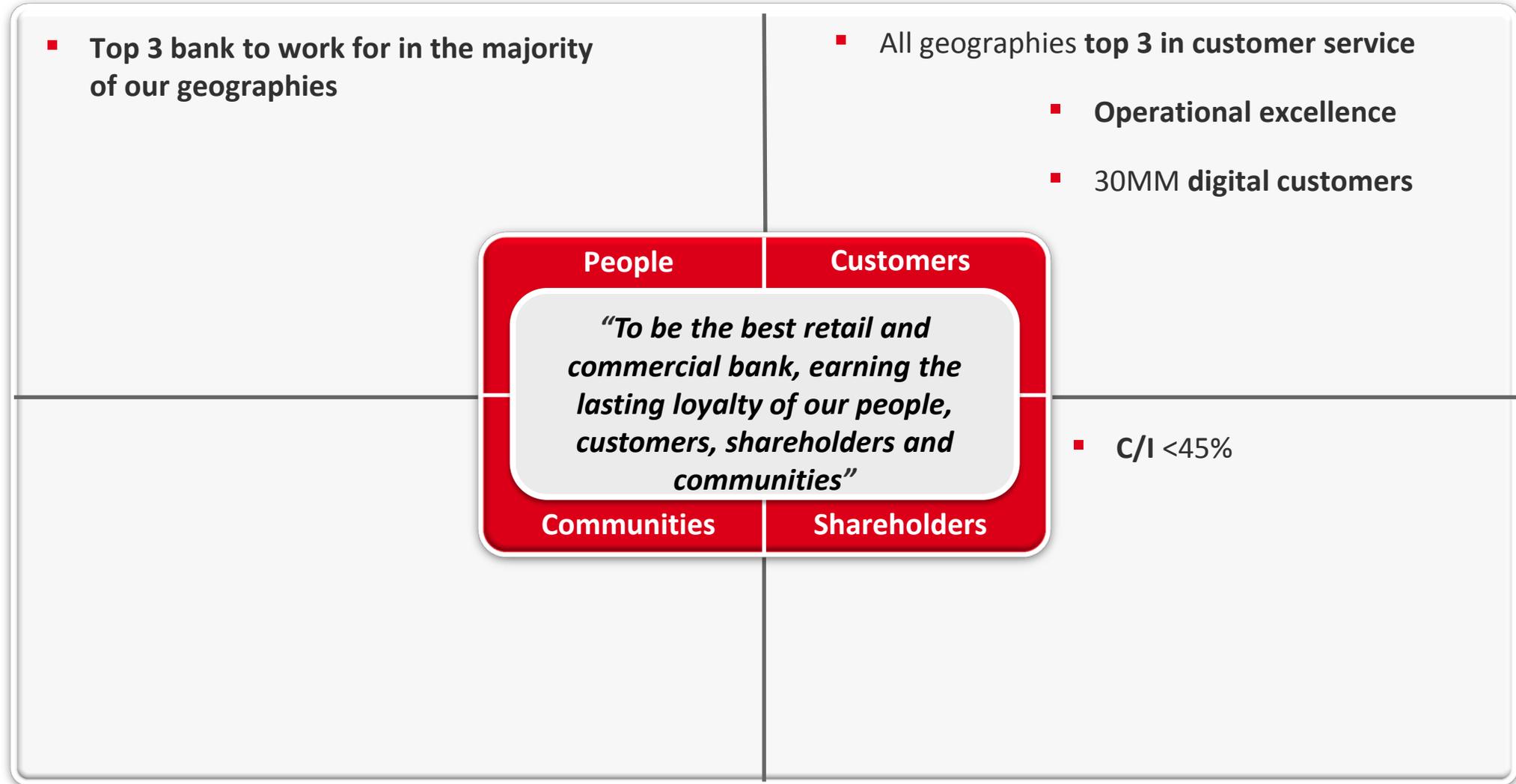


For non-transactional, non-critical data

Changing our culture



2018 targets



Key takeaways



Our **IT&Ops 3 layer model** (Corporate Division, banks and SSC) **is unique** and drives **significant efficiencies**



This model also helps to increase **service quality** and guarantees a deep **control** of the **technological and operational risk**



So far, the Group has invested in **robust technology capabilities that are the foundations of our digitalisation**



Now it is time for customer experience (operational excellence) and innovation, whilst maintaining our resilience



Simple | Personal | Fair