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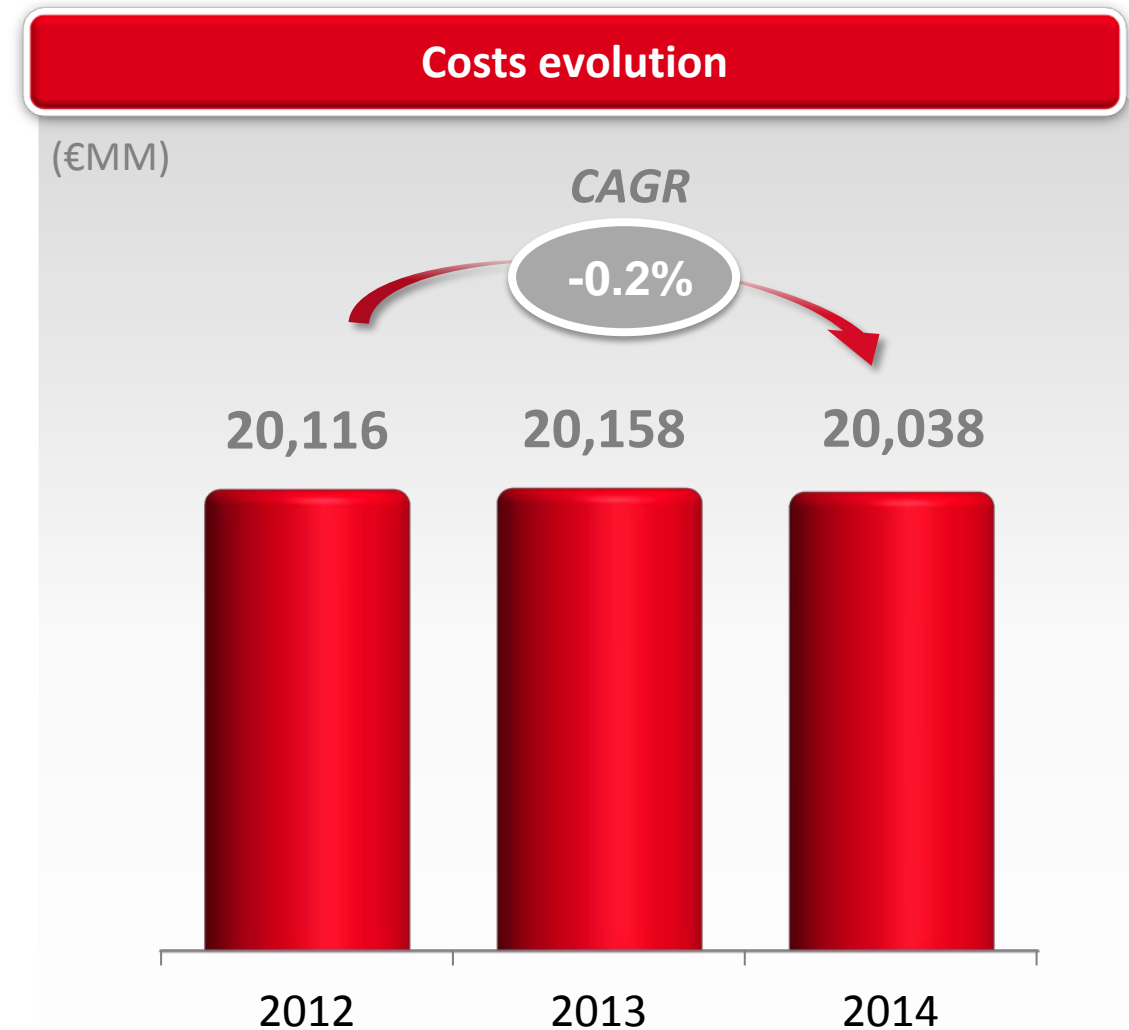
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Note: The businesses included in each of our geographical segments and the accounting principles under which their results are presented here may differ from the businesses included in our public subsidiaries in such geographies and the accounting 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.

Santander has a unique model for cost management that enables us to a superior efficiency performance

- **Tight cost control and budgeting** - offsetting increases derived from BAU¹, inflation, regulatory requirements, new commercial projects and perimeter modifications
- **Positive jaws** - revenue growth above cost growth



(1) Business as usual

We leverage our global scale while keeping accountability at a local level

Corporate / Global initiatives

Efficiency Plan Definition

- Corporate methodology
- Continuous monitoring
- Best practices sharing

Global Factories and IT Systems

- Partenón, Altair and Alhambra
- Geoban, Isban, Produban, Aquanima, etc.

Headquarters Rationalisation

- Corporate role redefinition (from 15 to 10 Divisions)
- 'Zero base' Plan

Local efficiency plans implementation

Network Rationalisation



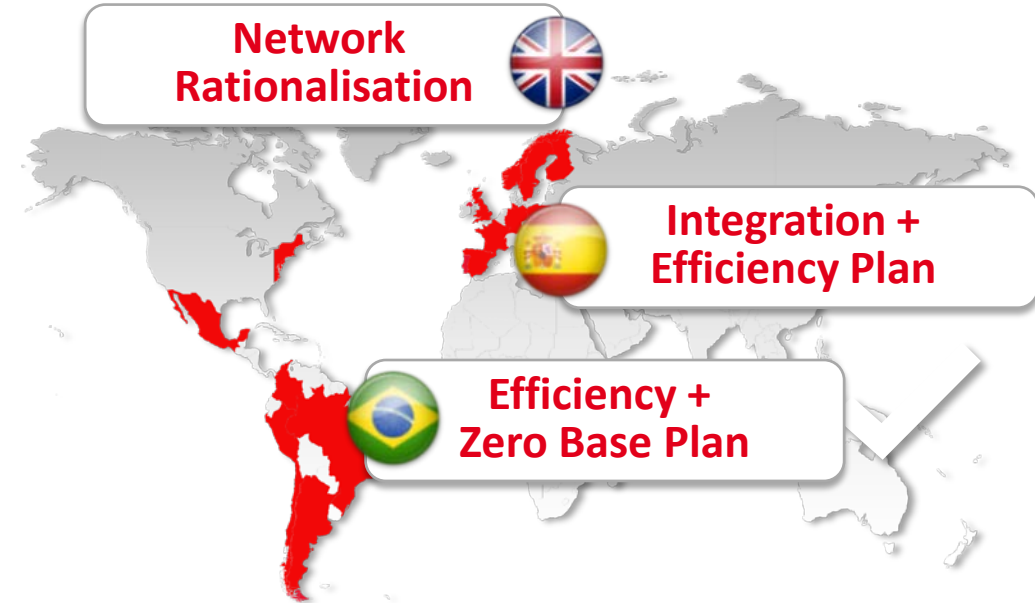
Integration + Efficiency Plan



Efficiency + Zero Base Plan



Strong execution culture in all local units



Additionally, best practices are systematically transferred to all countries (Example of best practice)

Levers

Impact

Santander Group has a **Global Purchasing Model** that leverages **global capabilities** to realise savings in all units

1. Global Model

- Annual Purchases Plan and monthly reports
- Purchases consolidation / catalogues usage
- Global and local negotiations integration to guarantee best deals

2. Global Platform

- Aquanima Purchasing Platform
- Best-in-class online negotiation technology (above 40% volume negotiated online)

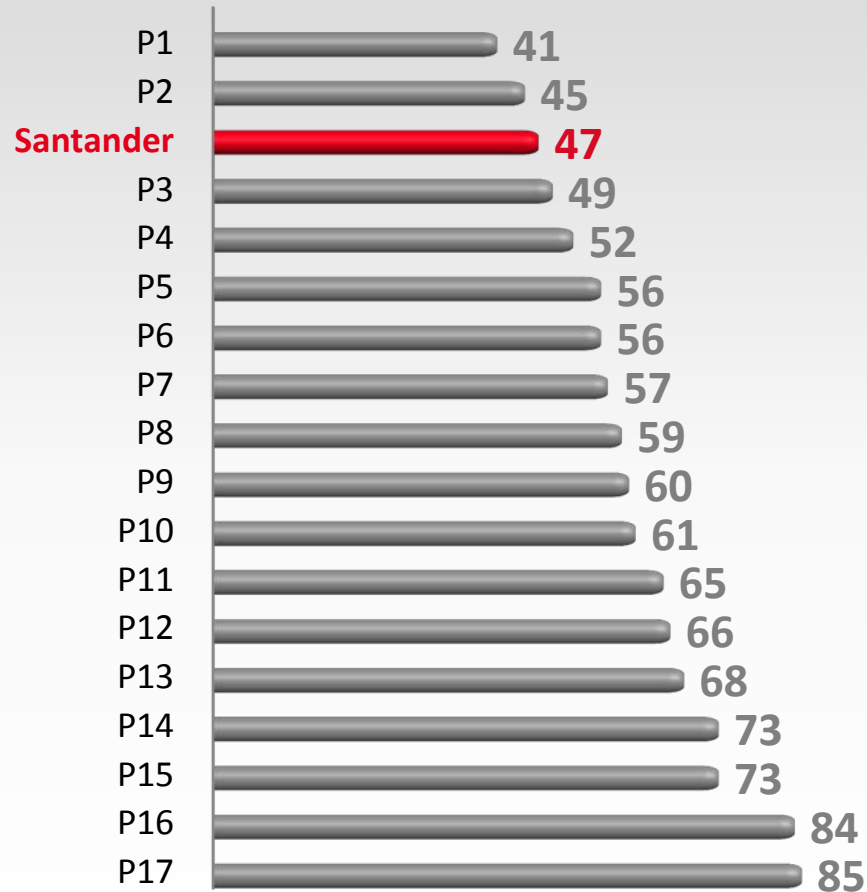
- **€4.5bn purchases centrally managed**
- **Average cost savings of ~10% per year**

Model implementation dates

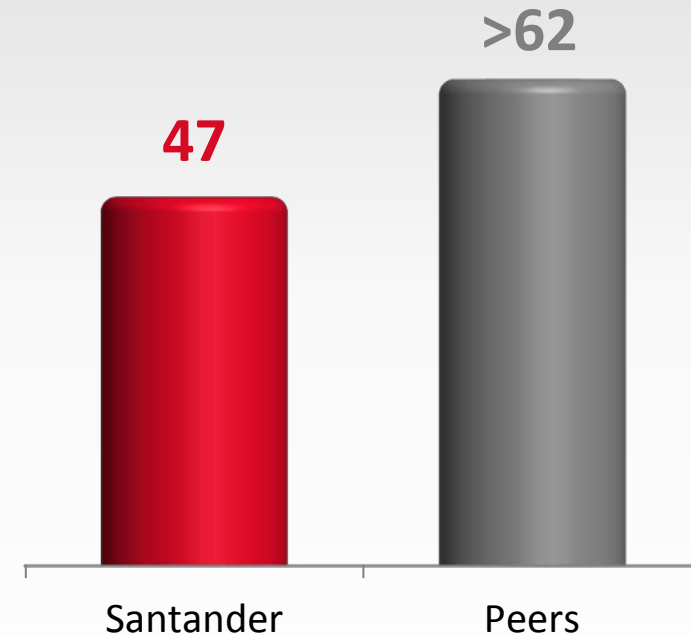


Efficiency is a significant competitive advantage vs. peers

Efficiency ratio¹ vs. Peers²



Advantage vs. Peers (15 p.p.)



(1) Expenses / Revenues in 1H'15 (2) Peer Group: Bank of America, Barclays, BBVA, BNP Paribas, Citigroup, Deutsche Bank, HSBC, ING, Intesa Sanpaolo, JP Morgan, Banco Itaú, Lloyds, Standard Chartered, Societe Generale, UBS, UniCredito, and Wells Fargo

Building on our principles, we adapt our cost strategy across economic cycles

Phase I – Growth cycle

Model implementation and integrations' execution
2005- 2009

- Roll-out of Santander model in all geographies
- Capture integration synergies of acquisitions

Limited growth of costs contributes to 'Positive jaws'

Phase II – Crisis management

Model enhancements and cost management
2010- 2014

- Enhance Santander model
- Efficiency plans in all geographies
- Headquarters and factories rationalisation

Efficiency plans allow for 'Flat jaws'

Phase III – New challenges

Model transformation
2015- 2018

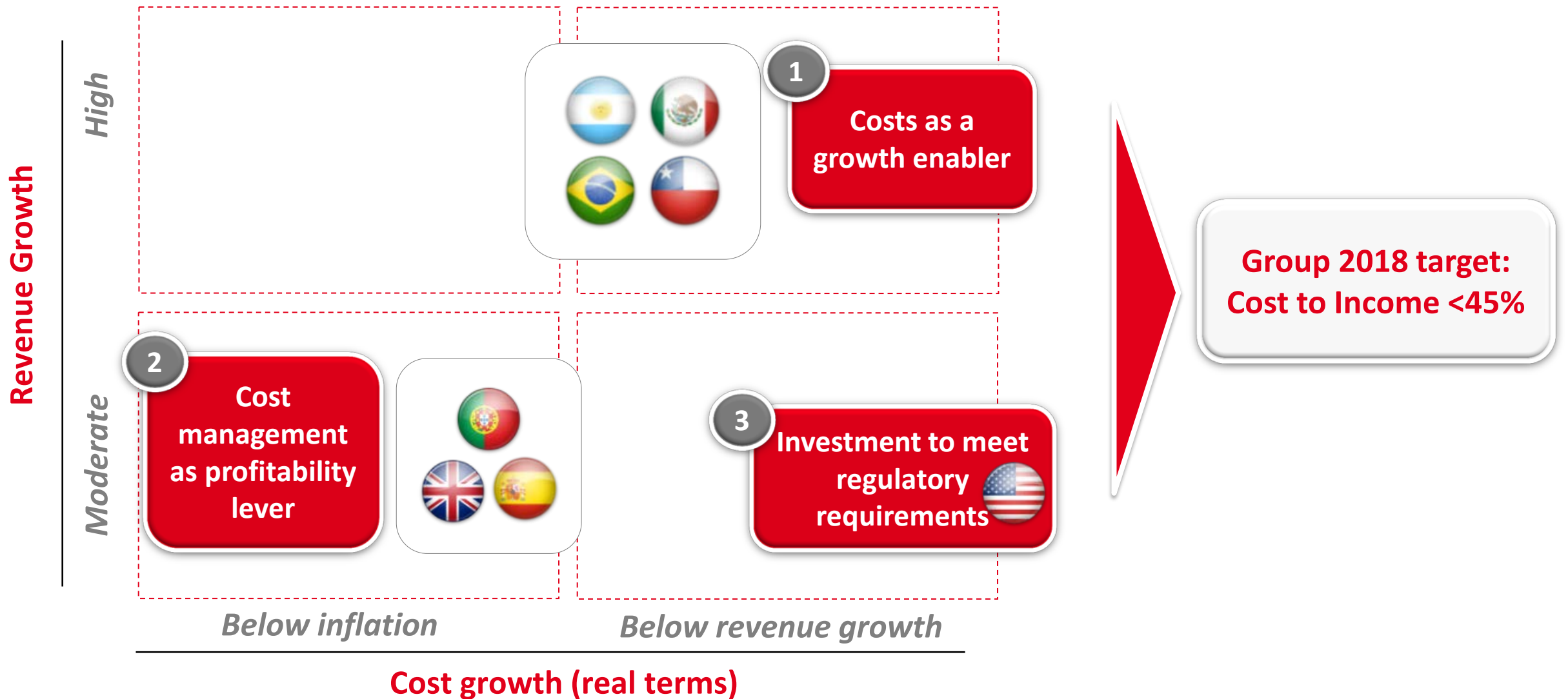
- Further economies of scale
- Invest in commercial transformation and digital banking ...
- ...to guarantee a superior and sustainable efficiency model...
- ...under a new regulatory environment

Model transformation drives 'Positive jaws'

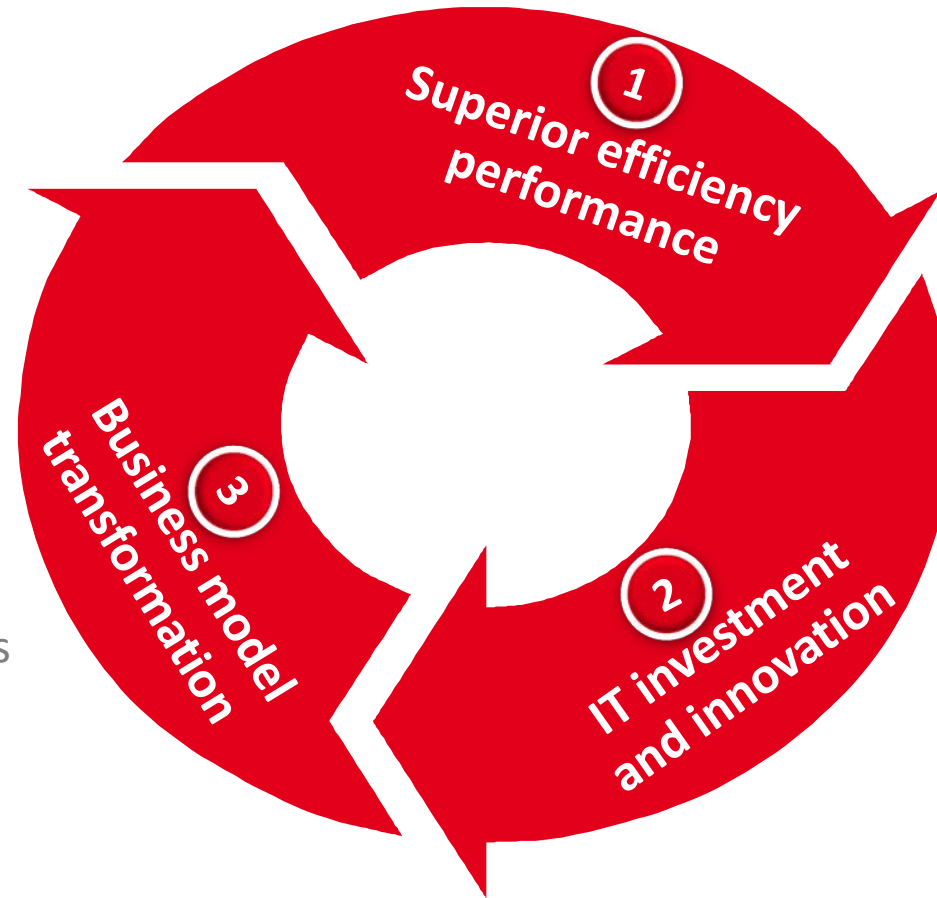
Efficiency levers

From cost efficiencies to operational excellence

And we tailor it on a country basis, but with an overall Group target:
Cost to Income below 45% in 2018



Looking forward, investment in commercial transformation and digital banking will guarantee a superior and sustainable efficiency model

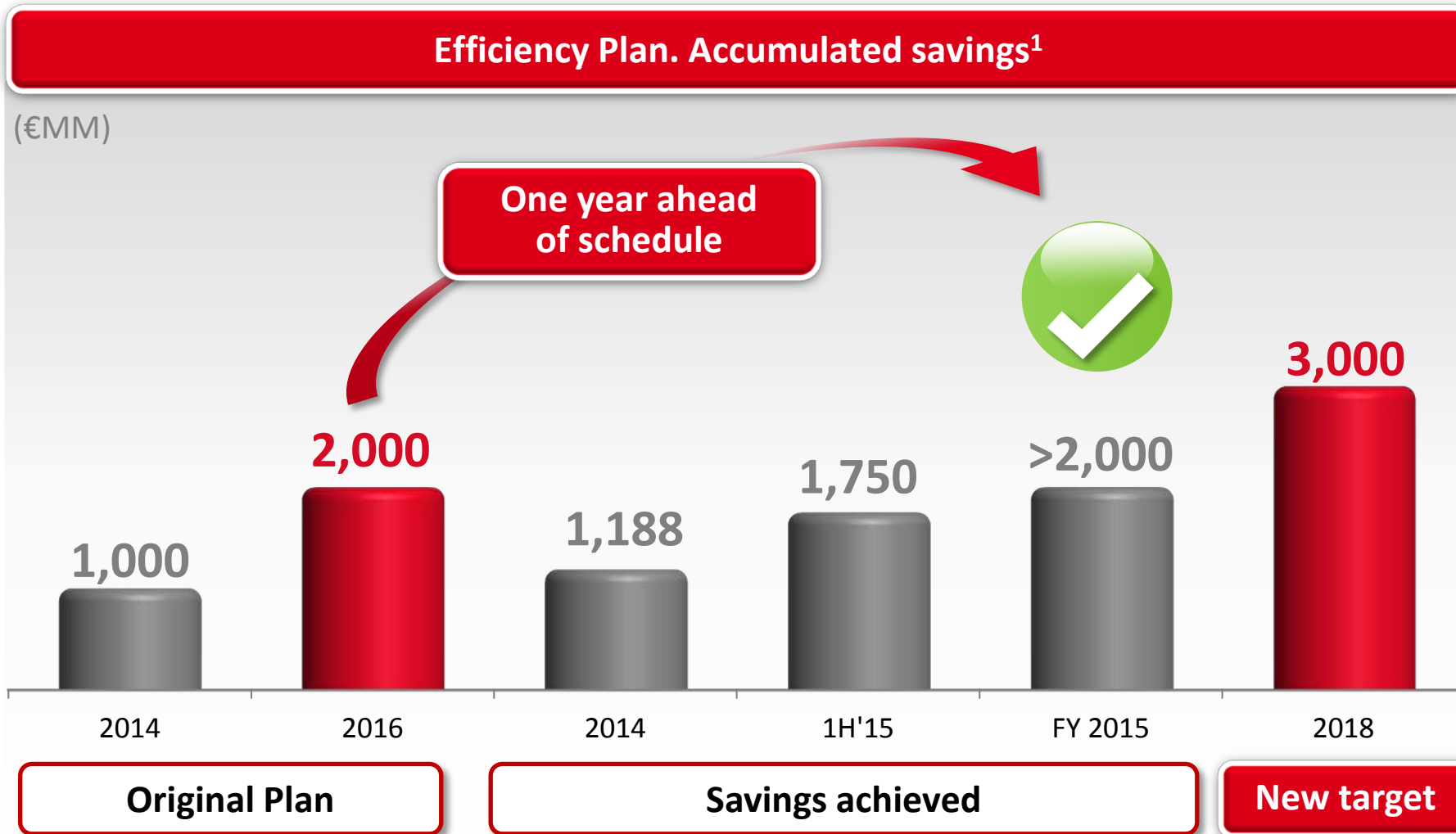


- New distribution models
- Further network optimisations

- Network optimisation
- Lean Corporate Centre
- Local HQ / Intermediate structures
- General expenses management

- IT infrastructure investments
- Innovation projects and channel enhancements
- Regulatory requirements

We expect to achieve our €2bn cost savings target, one year ahead of schedule and we have set a new target: €3bn by 2018 vs. 2013



Main levers

- **Network optimisation**
leveraging digital banking
- **Lean Corporate Centre:**
cost efficient, value adding, transparent and favouring accountability
- **Local HQ / Intermediate structures** optimisation
- **General expenses** management

(1) Gross savings calculated with a bottom up approach adding all efficiency initiatives. This Efficiency Plan is a key lever to improve our cost to income to the committed 45%

Key takeaways



Efficient cost management has always been a **top priority** and **distinctive capability** for Santander



Looking forward, investment in **commercial transformation** and **digital banking** will guarantee a superior and sustainable efficiency model



In order to maintain our efficiency while investing, **we are extending our Efficiency Plan: €3bn target for 2018**



2018 Target: **Cost to Income below 45%**



Simple | Personal | Fair