

TECHNOLOGY & OPERATIONS

Investors' Day

Boadilla del Monte. September 14th, 2007

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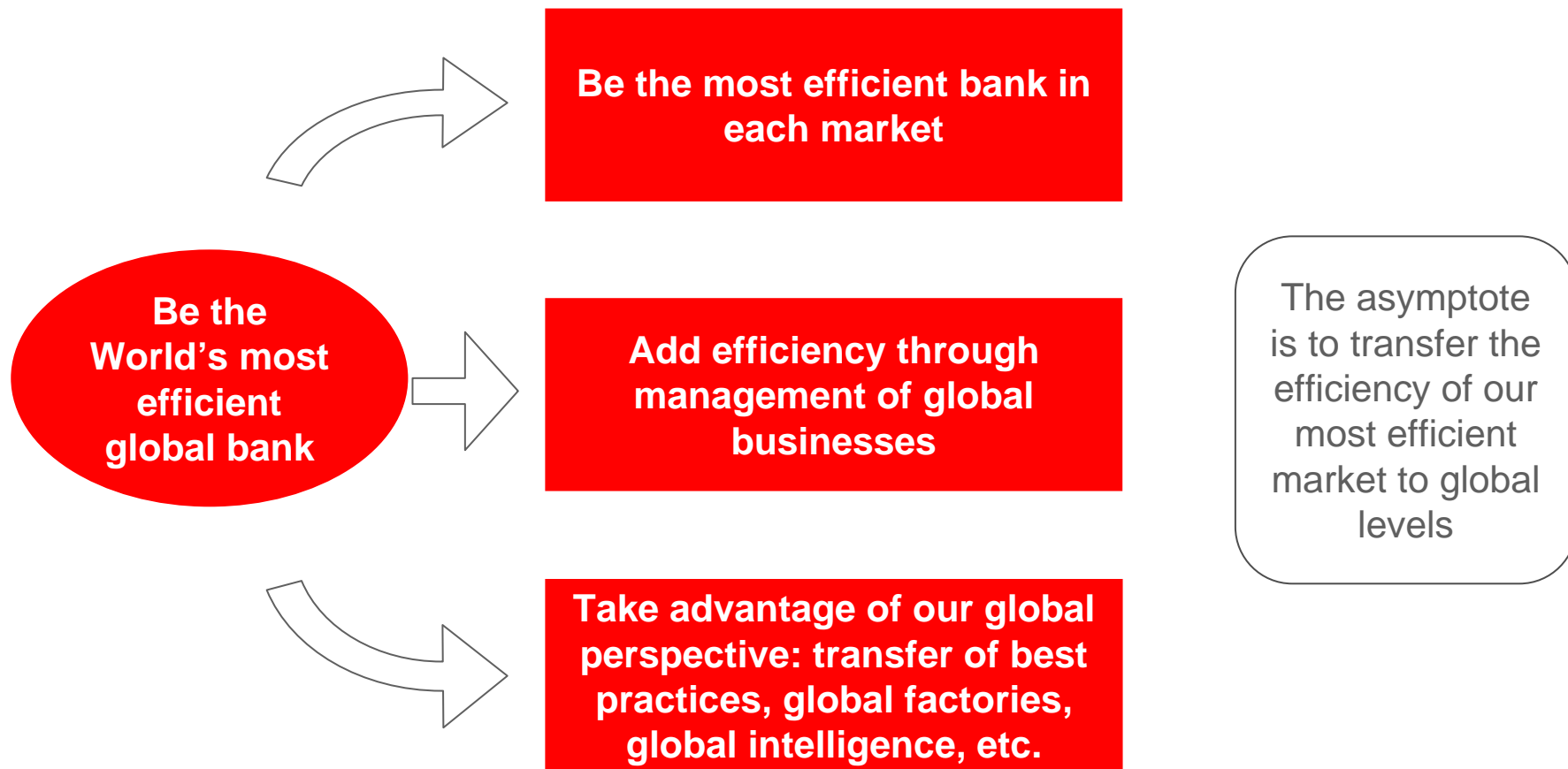
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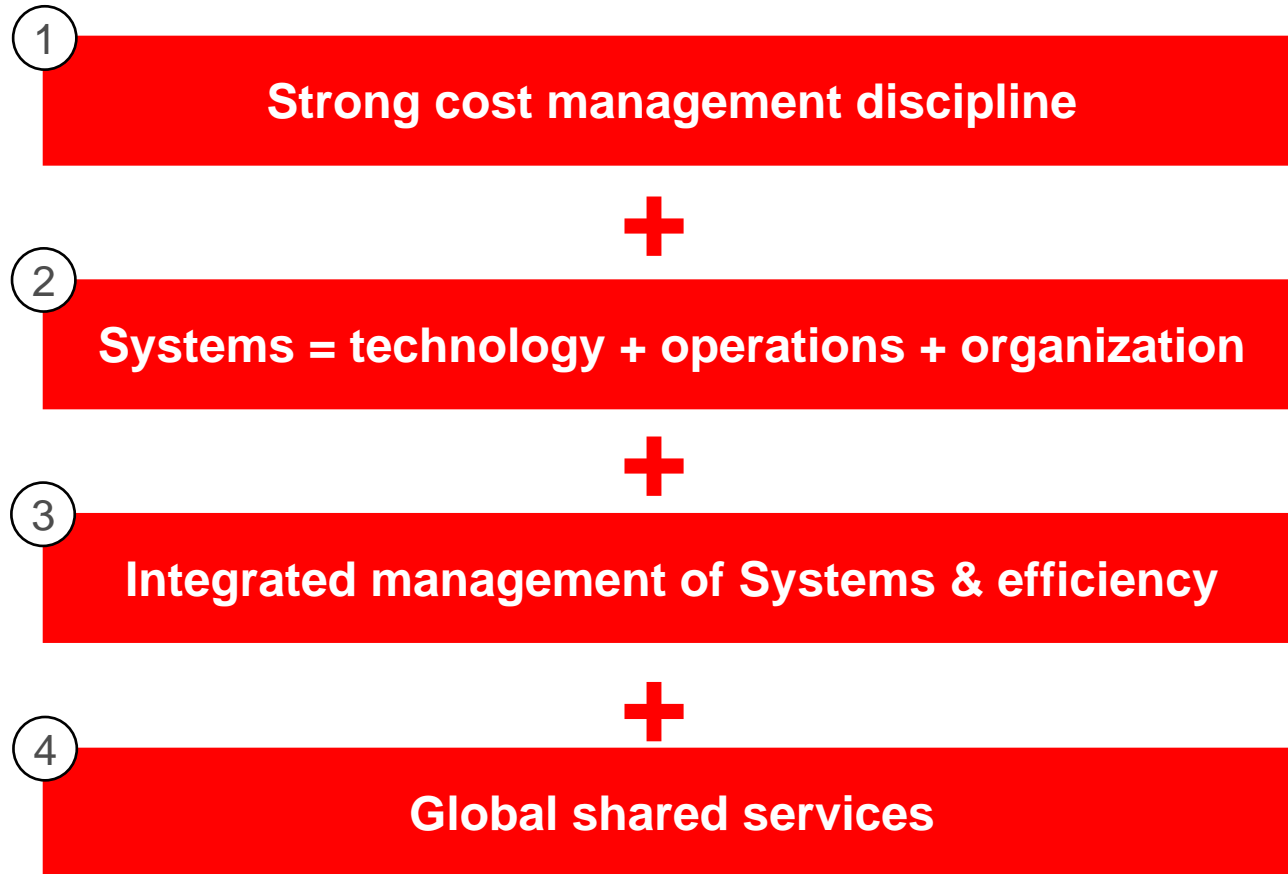
■ Technology & Operations' strategy

- “Opening of Jaws” by business

Santander integrates Technology, Operations & Cost under the same management to be the most efficient global bank



Our Technology, Operations & Cost Model has four building blocks



1 Group expansion of a cost management model that covers the complete cycle of expenses

STAFF EXPENSES
 (proxy headcount: 129,749)
€6,004mill.



Programs of structures

GENERAL EXPENSES
€4,021mill.



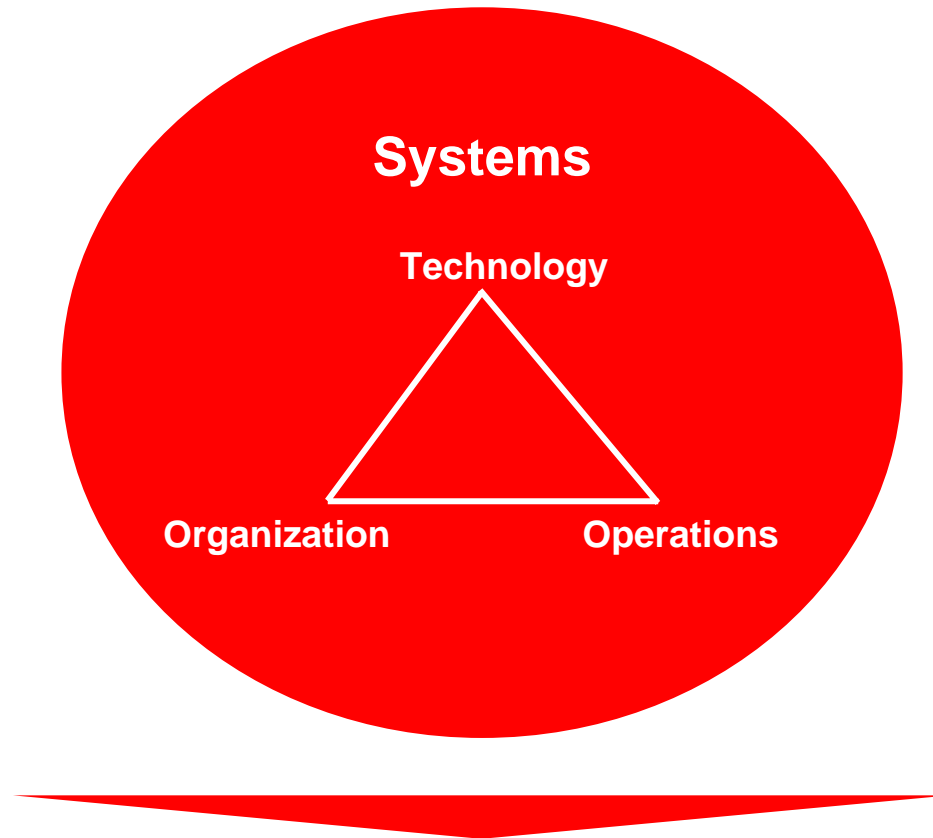
Programs of efficiency improvement

OUTFLOW INVERSION(*)
€1,151mill.

(*) Amortisations
 Note: 2006 Grupo Santander consolidated figures



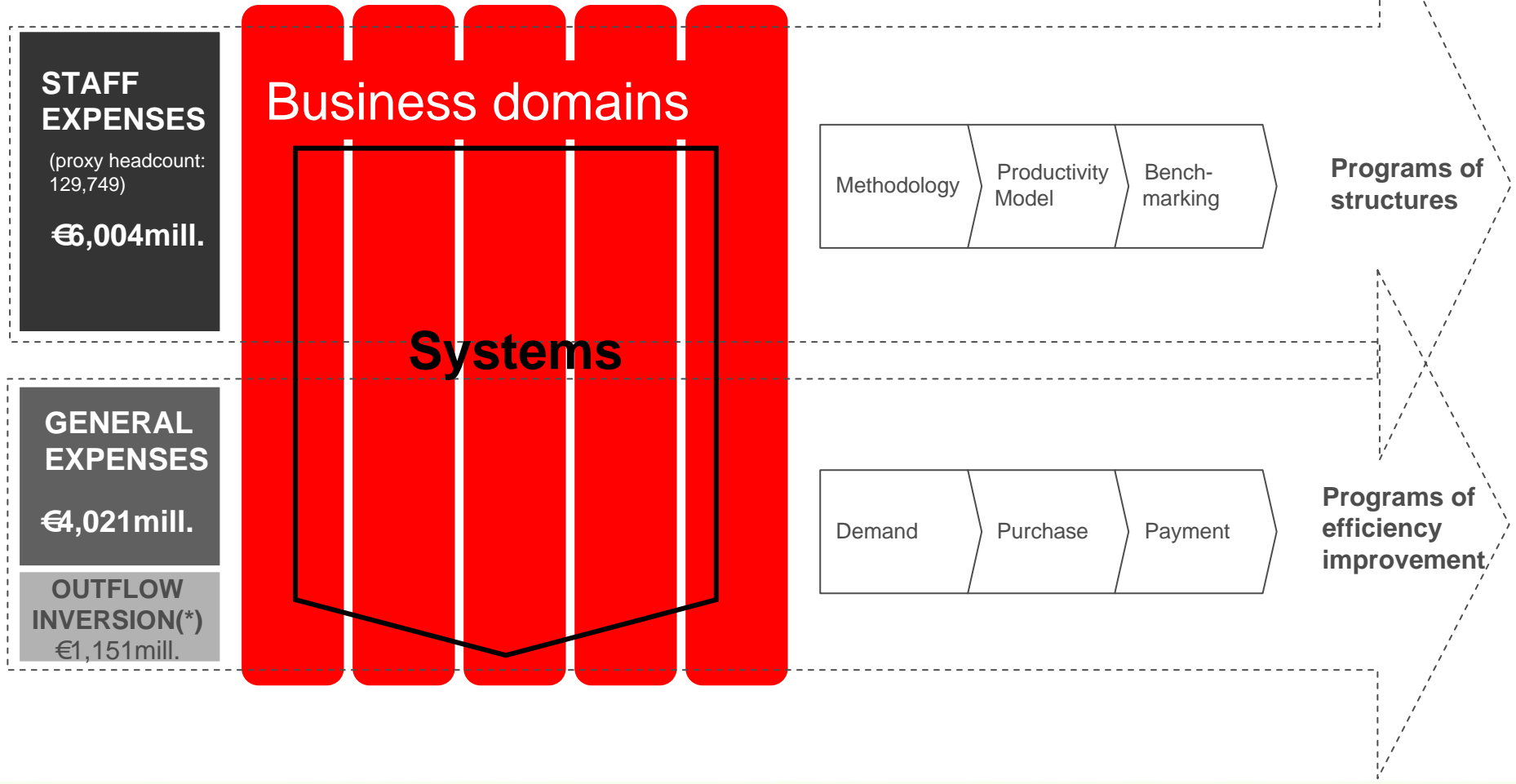
- ② **The systems concept, which is not only the technology, allows us to implement the business model**



The system is a group of applications, operating models and processes, organized in a way that provides comprehensive services to a business area

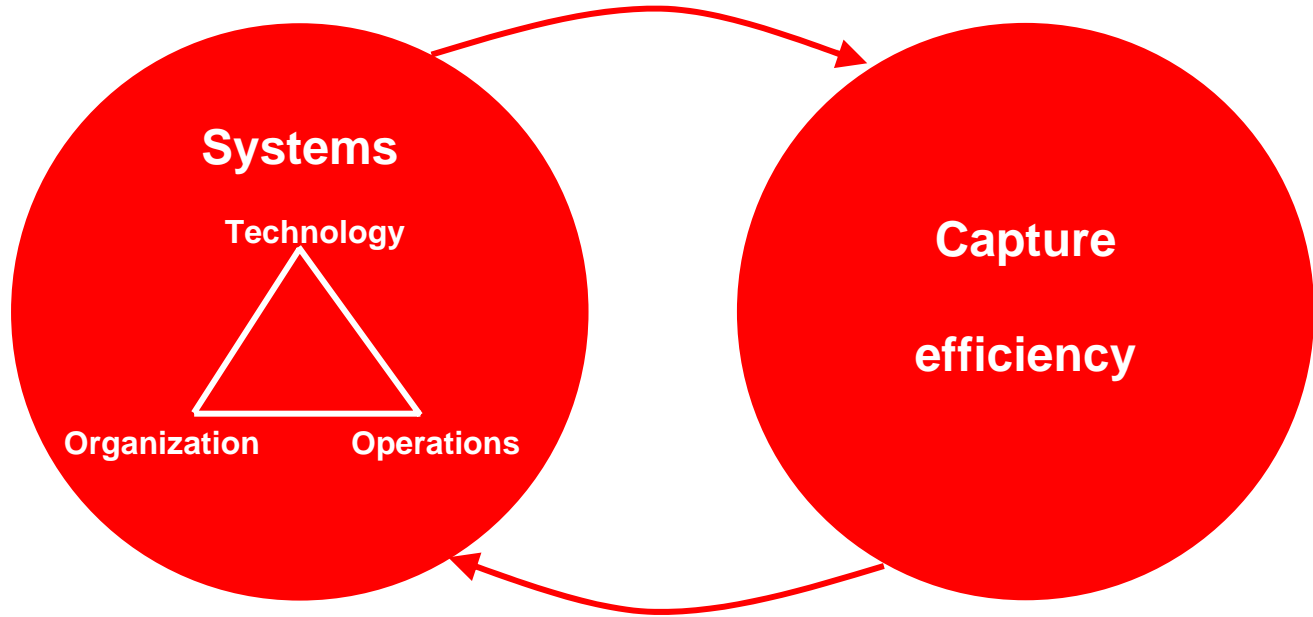


② The systems management is integrated with the cost management model



(*) Amortisations
Note: 2006 Grupo Santander consolidated figures

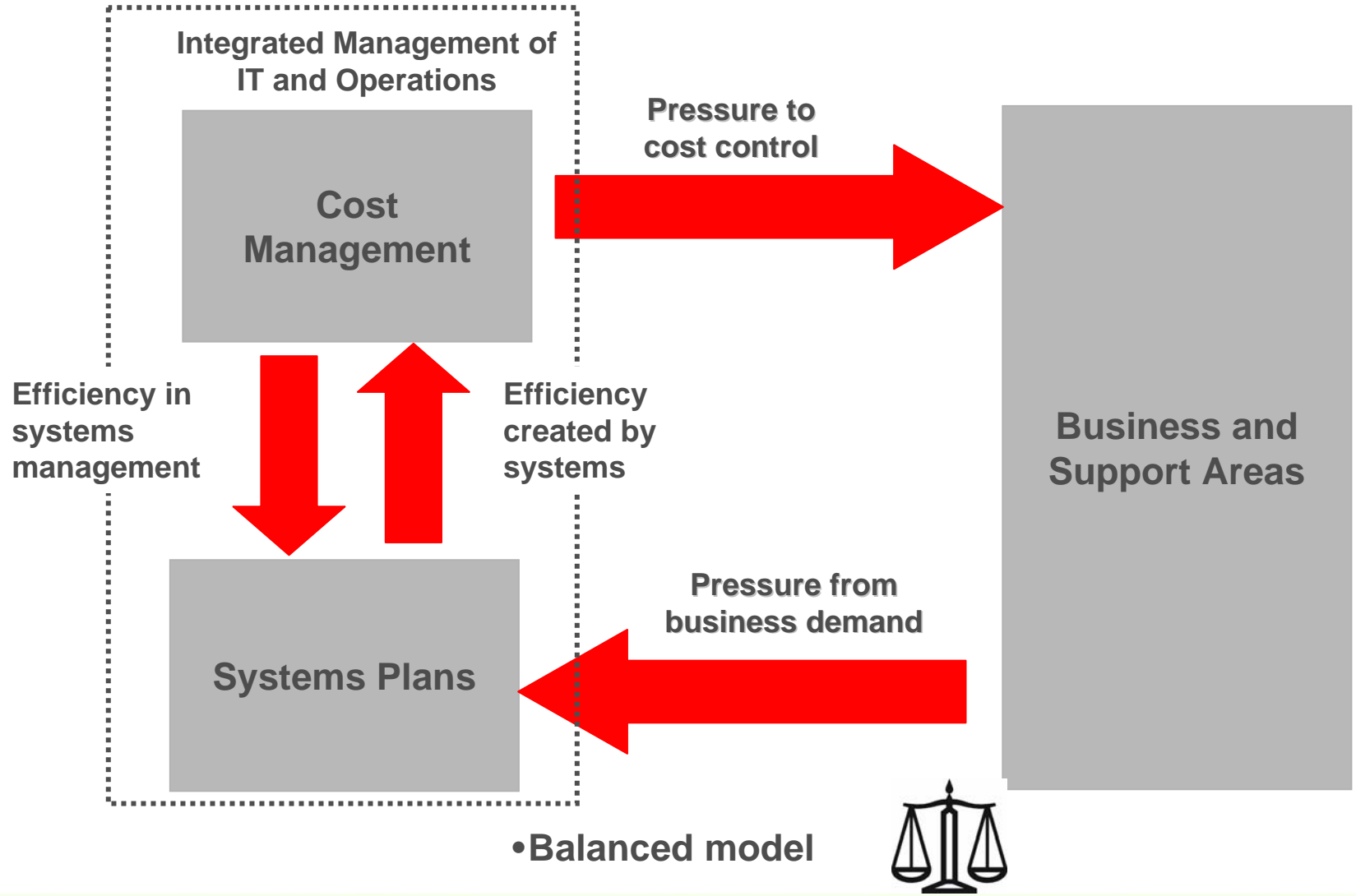
③ **The model implies joint discussions about systems and efficiency...**



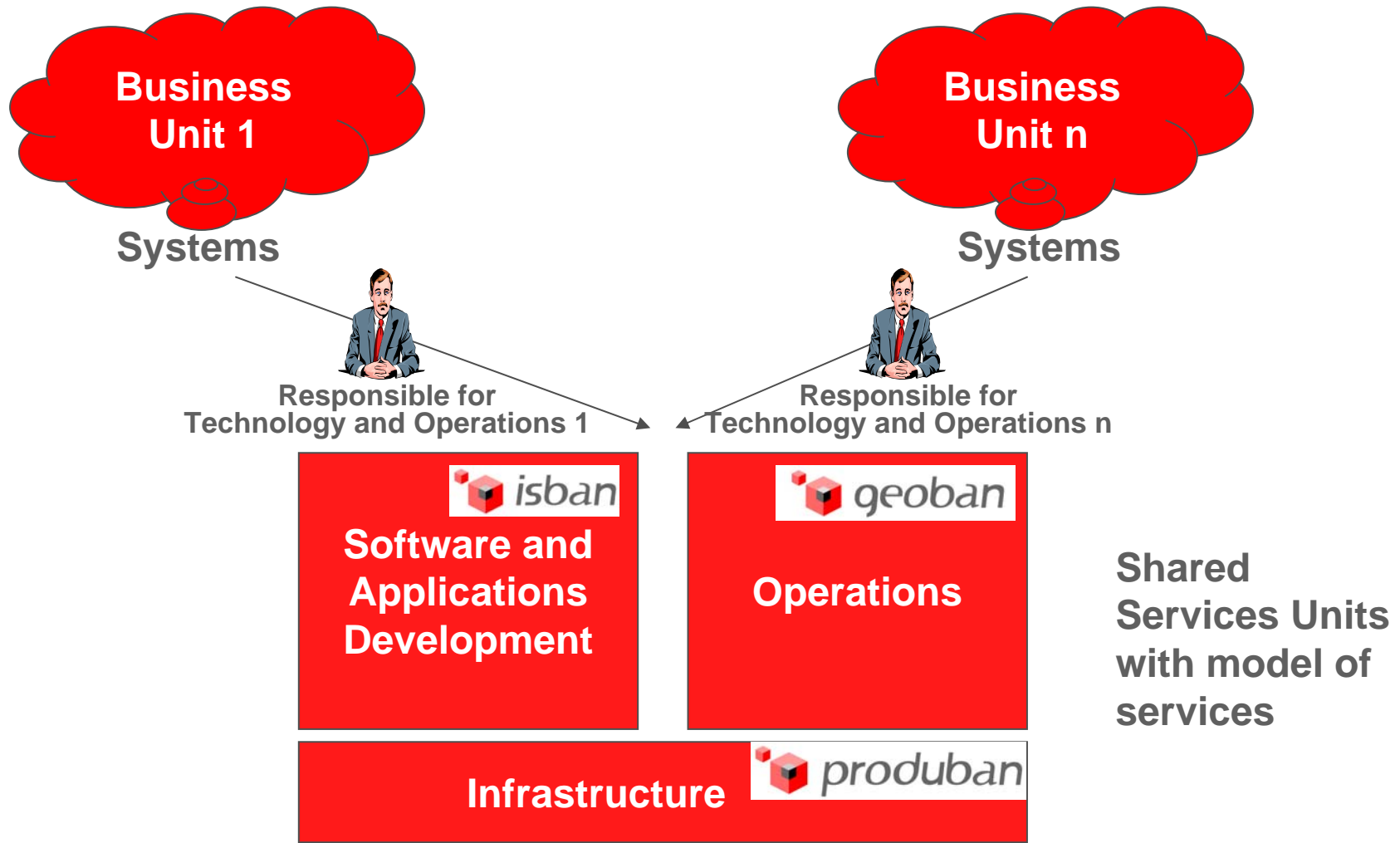
Systems discussion must be undertaken jointly with the efficiency discussion

Key role: Responsible for Technology and Operations, dealing jointly with both variables and being close to business

3 ... the integration results in a balanced management model



4 Global shared services help us capture synergies in cost & knowledge

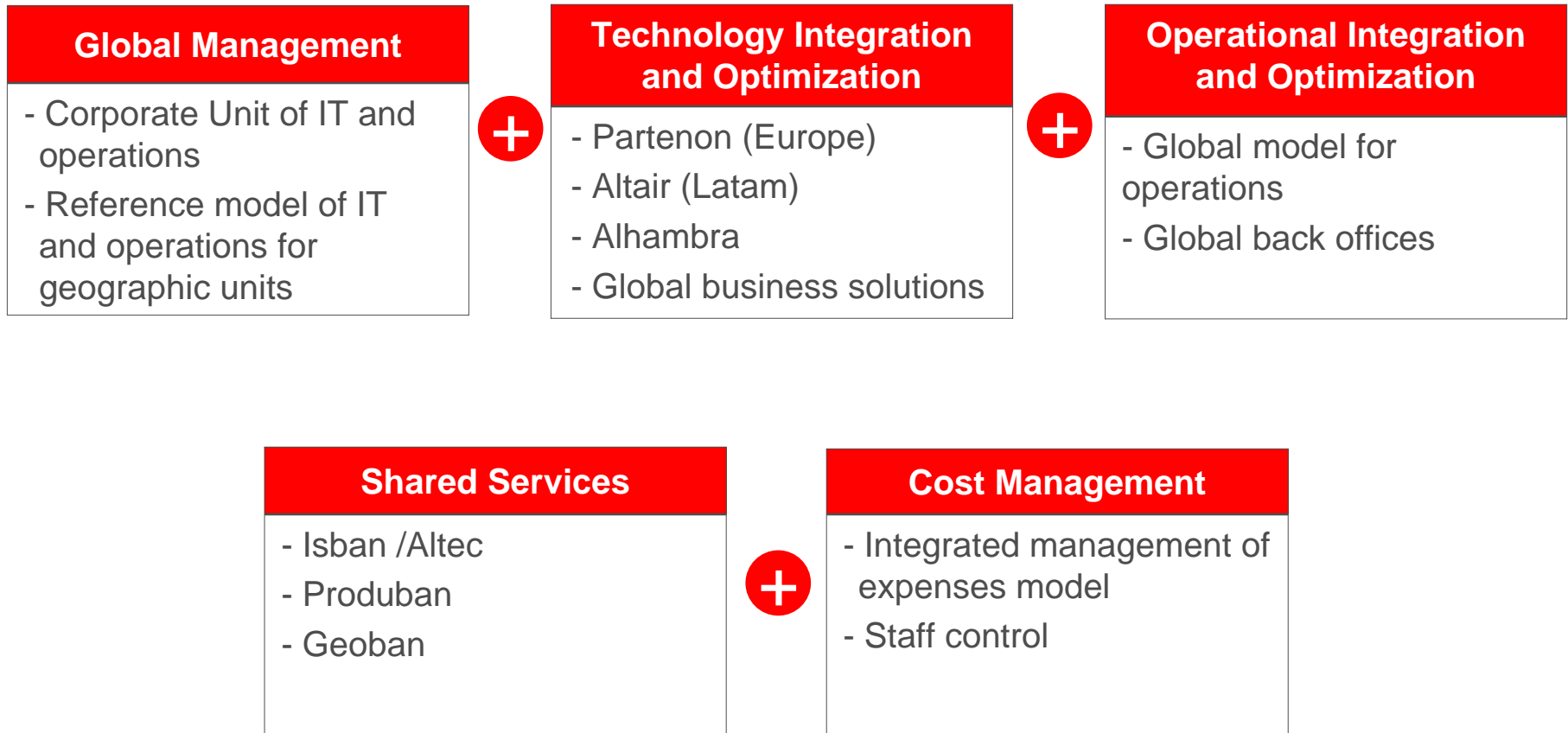


This model is the foundation for “opening de jaws”: global business building and cost control



- By redefining our processes using technology, we can support a growing business and at same time become a “Low Cost Producer” with excellent quality service
- In short, this is the key to achieving the Industrialization of Banking

To implement the model, our efforts are focused on five strategic levers



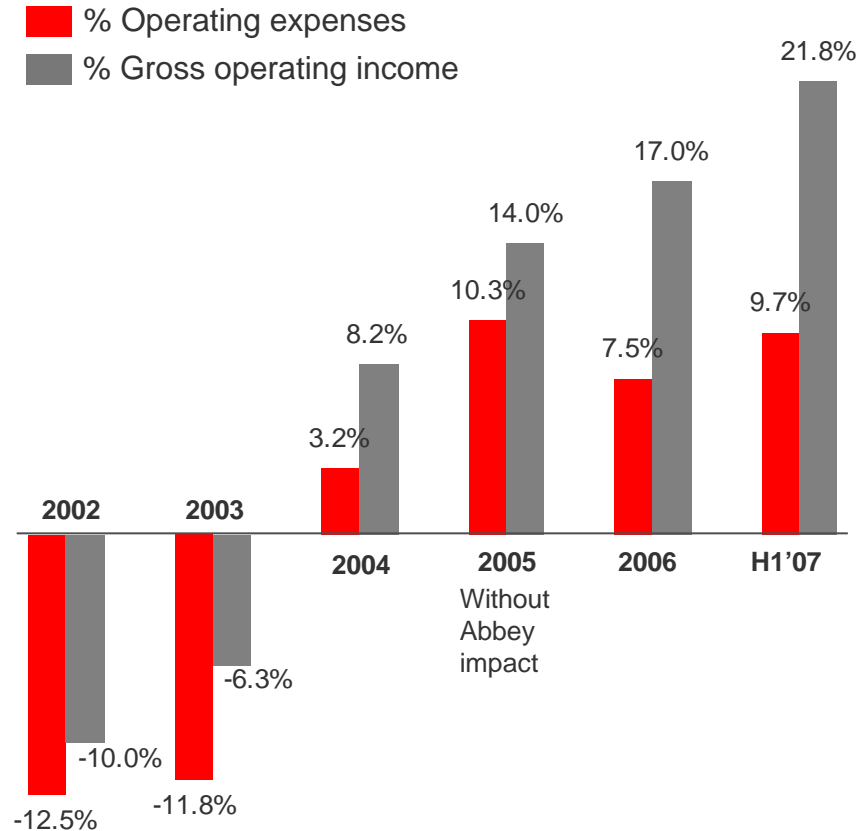
- Technology & Operations' strategy

- **“Opening of Jaws” by business**

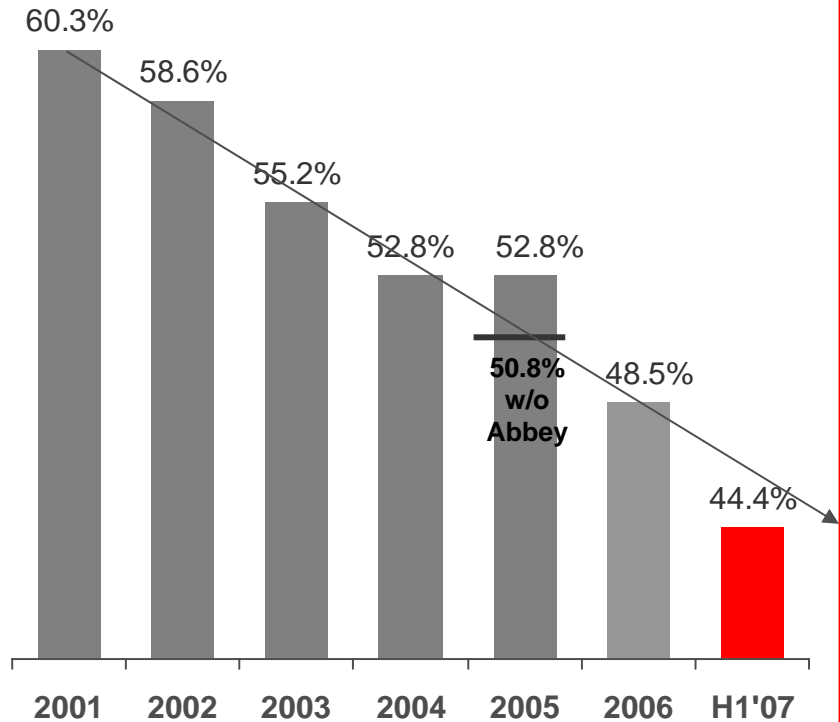
Technology & Operations helped improve the Group's "opening the Jaws" and efficiency

Group's revenues, costs and efficiency 2001- H1'07

"Jaws Opening"



Cost to Income*




Note: Y-o-Y variations in Euros

(*) Cost to income ratio with amortisation.

Source: Annual and quarterly reports. Figures from 2004 on according to IFRS

In Europe, our main focus is on improving commercial and operational efficiency and implementing Partenon...

Santander Branch Network

- “We Want to be your Bank” web portal

- Operating efficiency in branches improved: reduction of ~15% operations
- Commercial tools implemented in branches (Alhambra)
- Program of customer service optimization

Banesto

- Banespymes network
- Customer portfolio management web portal
- Operating and commercial efficiency project (Menara): savings of € 65 million in 3 years
- 300 new branches (2006 and 2007) with centralized operating centers

Abbey

- Cost savings plan (Britania) completed
- Partenon implementation in progress

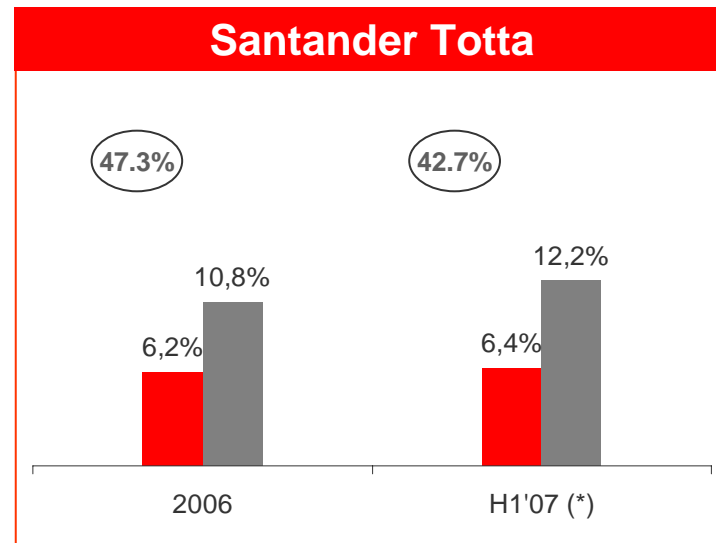
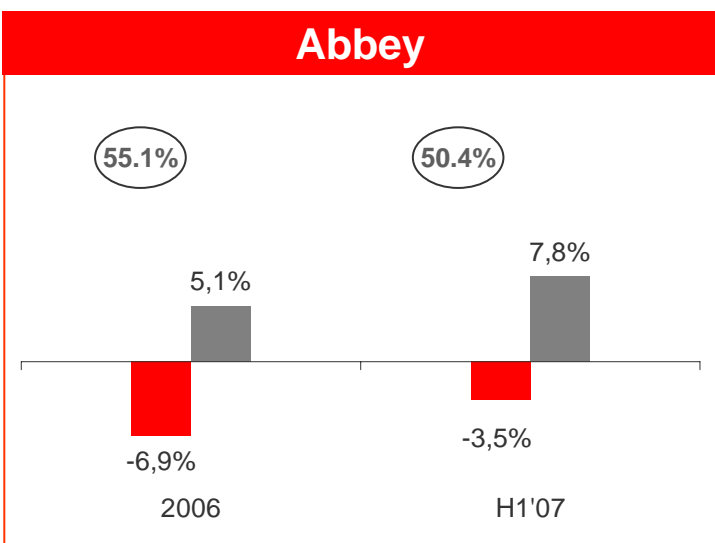
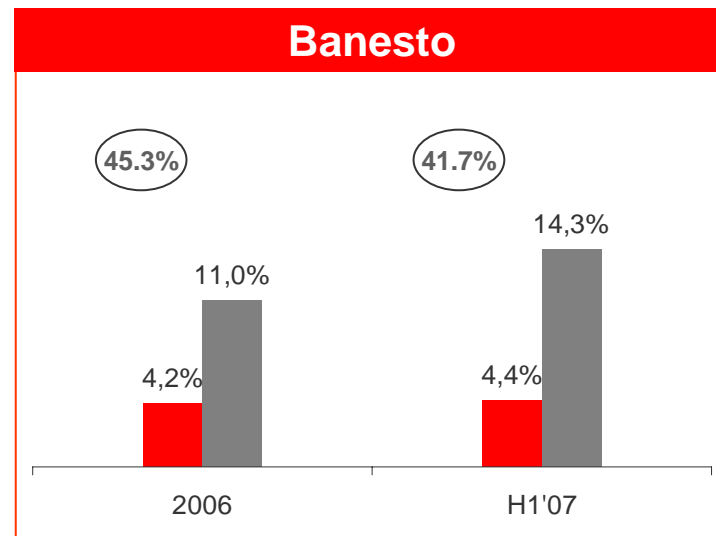
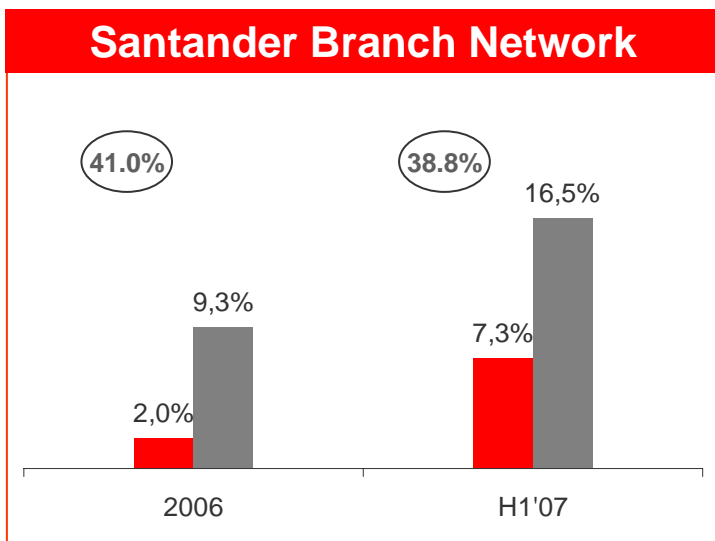
Committed savings for 3 first years (£ 300 million) reached in 2.5 years

Santander Totta

- Partenon implementation in progress
- Outsourcing of operating functions: € 5 million cost savings in 3 years
- Process rationalization in central services: € 7 million savings in 3 years
- Cash desk automation and mortgage digitalization: € 8.5 million savings in 3 years

... achieving significant “opening of jaws” in all banks in Europe

■ % var. operating expenses
■ % var. gross operating income
○ Cost to income



Note: Y-o-Y variations in local currencies

(*) Without BPI impact. Including this impact: operating expenses, +7.7%; gross operating income, +26.2%; cost to income ratio: 38.5%

Latin America continued to work on IT integration and capacity growth ...

Brazil

- Altair regional platform implementation completed: integration of all banks platform
- Network expansion (2006-2007)
 - ATM: ~340
 - Branches: ~280
- Launching of new cards (e.g. Light) supported by the global payments platform (Pampa)

Mexico

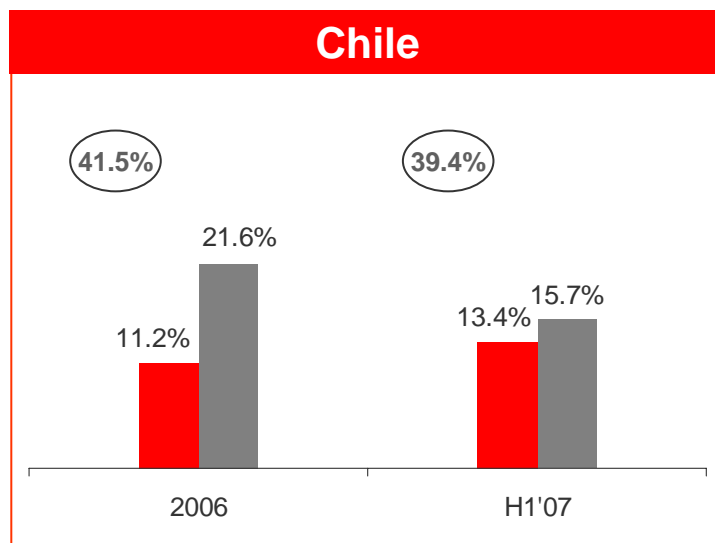
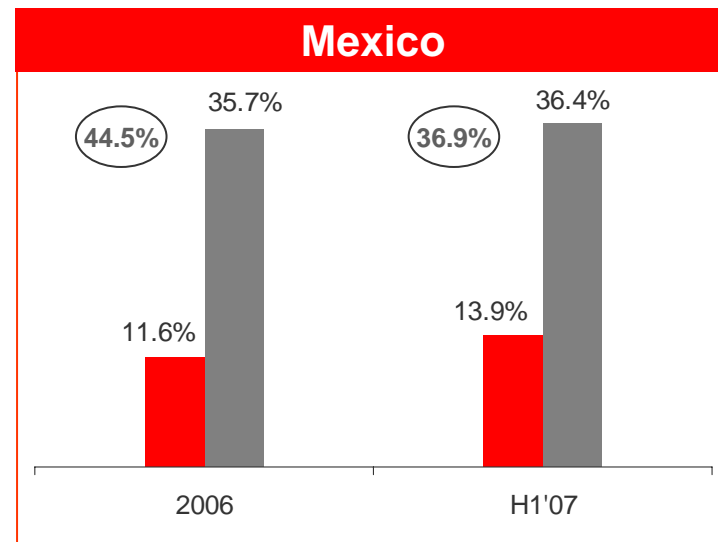
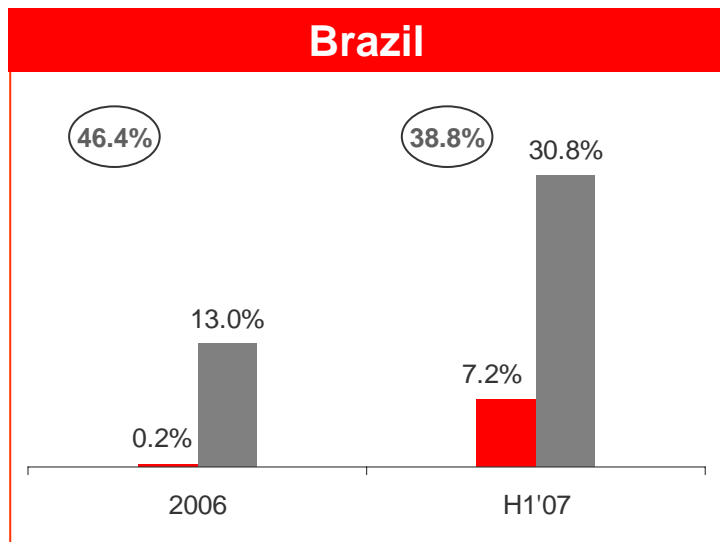
- Network expansion (2006-2007)
 - ATM: ~1,250
 - Branches: ~75
- New products: cards, mortgages and structured funds products
- Global data center centralization in Altec Mexico

Chile

- Network expansion (2006-2007)
 - ATM: ~580
 - Branches: ~120
- New products: cards, mortgages and consumer credits
- Regional development and maintenance centralized in Altec Chile

...allowing significant revenue growth with lower cost increase

■ % var. operating expenses **19**
■ % var. gross operating income
○ Cost to income



Note: Y-o-Y variations in local currencies

In global businesses, implementation of global model and operational efficiency have been the priorities...

Global Banking & Markets

- Implementation of a global treasury platform for retail, corporate and institutional
- Process centralization in a Treasury Back Office

Santander Consumer

- Implementation of Partenon in main locations
 - Germany in progress
- Implementation of a Front-End Global solution Ficres / Alhambra

Cards

- UK: Implementation of cards administration (PCAS) and switcher (PAS) platforms
- Creation of a new Cards Global Back Office

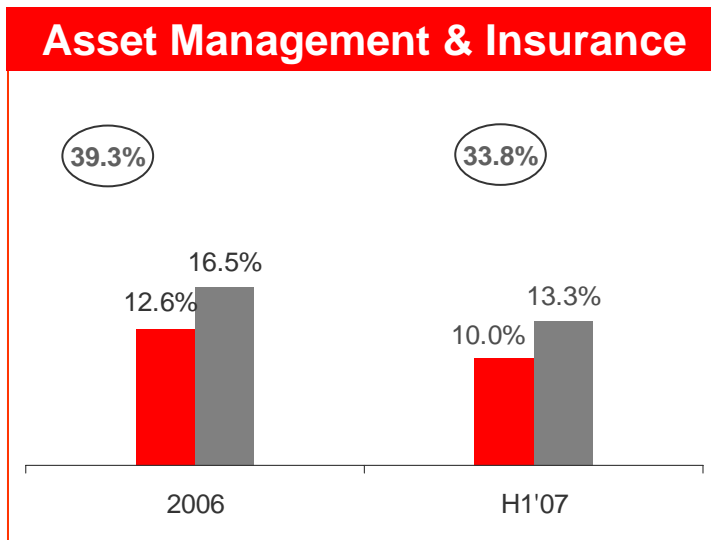
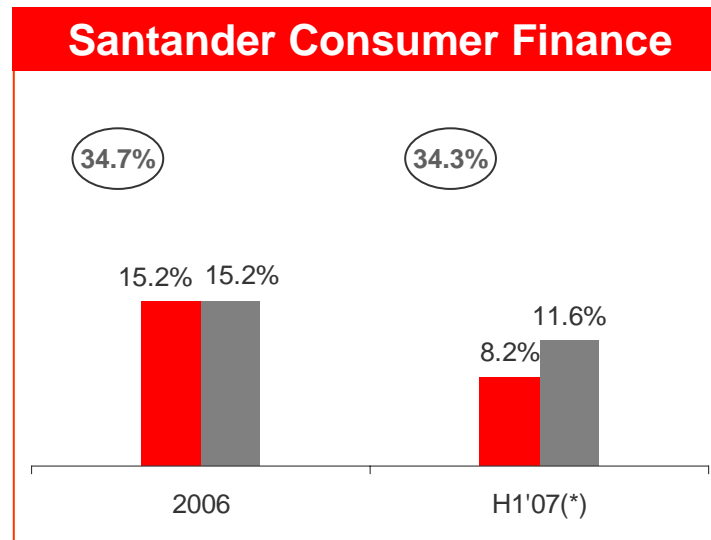
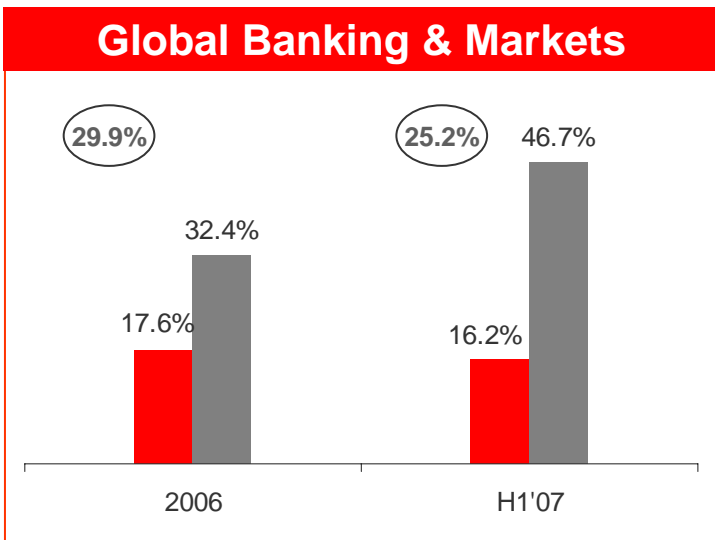
Asset Management & Insurance

- AM UK
 - Global Back Office platform implementation
 - Replacement of external asset managers by internal ones and implementation of a global tool
 - Implementation of Partenon platform
- Insurance
 - UK: Partenon implementation and insourcing of support functions. Annual cost savings of €5 M
 - Spain: platform consolidation and outsourcing of functions to Geoban
 - New products to support business growth

...supporting the growth of global businesses

■ % var. operating expenses
■ % var. gross operating income
○ Cost to income

21



Note: Y-o-Y variations in Euros

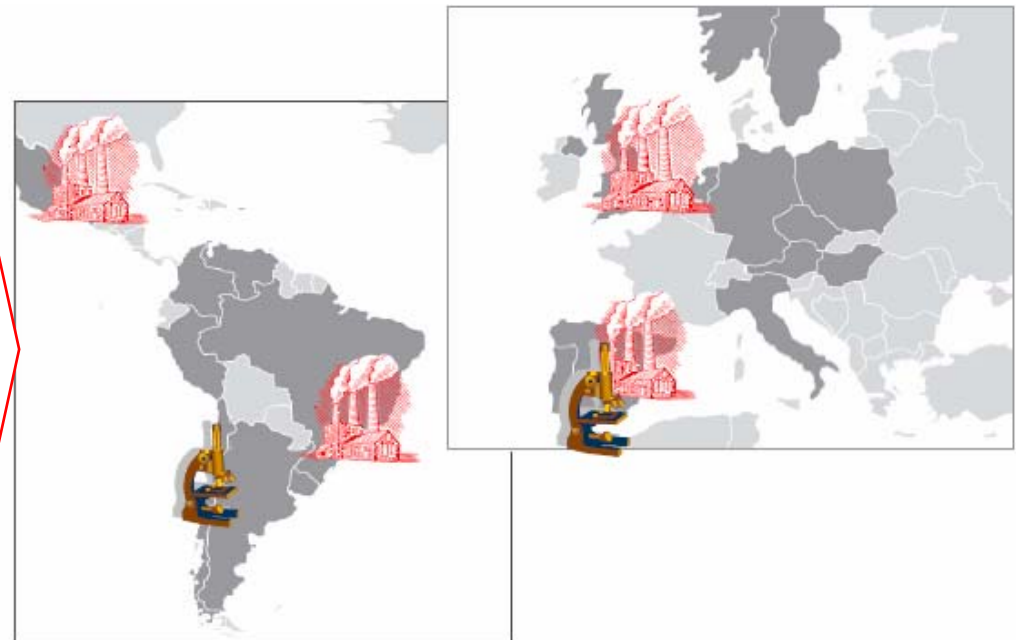
(*) Without Drive. Including Drive, operating expenses: +21.3%; gross operating income: +47.9%; cost to income ratio: 29.2%

Santander will achieve a complete technological and operational integration in 2010

- **Technological platforms:** continue **Partenon's** implementation in **Europe** (finish Abbey; then SCF and Portugal) and consolidate **Altair in Latin America**.
- **Global operations:** deepen the development and integration of global operating methods compatible with Partenon y Altair

VISION 2010

1. **Single technological platform** due to convergence of Partenon (Europe) and Altair (Latam) to global platform Alhambra
2. **Two regional IT development centres:** Madrid and Chile
3. **Four regional IT operating centres:**
 - Madrid (Spain)
 - Milton Keynes (UK)
 - Queretaro (Mexico)
 - Sao Paulo (Brazil)



- **Our aim is to be the most efficient global bank by building an Integrated IT and Operations Management Model, that is the foundation for “opening of jaws ”**
- **To implement this model, our efforts are focused on five strategic levers: global management, IT & operations optimisation, shared services and cost management**
- **In 2010, Santander will achieve a complete technological and operational integration**
- **The efforts in IT and Operations contributed and will continue to contribute to the Group’s efficiency improvement: from 60.3% in 2001 to 48.5% in 2006 and 44.4% in H1 2007**

