

Banesto

June 2012

Banesto Group. Key financial indicators

Data at 30 June 2012 and year-on-year comparison

(€ 000)

BALANCE SHEET	30/06/12	30/06/11	Change	OTHER OPERATING INDICATORS	30/06/12	30/06/11	Change
Total assets	102,887,827	105,392,466	-2.4%	Employees	8,357	8,649	-292
Equity	5,460,223	5,659,039	-3.5%	Branches	1,698	1,717	-19
Total loans	66,459,262	71,978,016	-7.7%	Bis Ratio	10.00%	10.78%	
Total customer funds	59,519,754	63,550,720	-6.3%	Core Capital	9.40%	8.79%	
NPL ratio (%)	5.04%	4.39%	-	Closing share price	2.57	5.33	-51.7%
NPL coverage ratio (%)	41.45%	52.13%	-				

INCOME STATEMENT	30/06/12	30/06/11	Change
Net interest income	700,537	769,410	-9.0%
Net fee and commission income	303,586	310,313	-2.2%
Gross operating income	1,069,918	1,184,112	-9.6%
Operating expenses	488,088	489,480	-0.3%
Net operating income	581,830	694,632	-16.2%
Ordinary profit before tax	55,489	434,660	-87.2%
Net attributable profit	34,593	286,822	-87.9%
Cost-to-income ratio (%) (*)	45.38%	41.12%	-

(*) Over last 12 months

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Notes to the financial statements

The financial statements presented in this report have been prepared in conformity with the International Financial Reporting Standards adopted by the European Union (IFRS-EU), as enacted and adapted to the banking sector in Spain by Bank of Spain Circular 4/2004, subsequently amended by Bank of Spain Circulars 6/2008 and 3/2010.

The basis of presentation of the accompanying financial statements, the consolidation principles followed and the accounting policies and measurement criteria used are detailed in notes 1 and 2 to the consolidated financial statements of the Banco Español de Crédito Group for 2011.

There have been no changes in any of the rules or principles outlined in the notes to the aforementioned annual financial statements.

Under IFRS-EU, the consolidation scope includes all companies within the Group over which the parent has management control, regardless of the core businesses.

Notwithstanding the foregoing, in order to provide a reporting structure that allows users of these financial statements to perform a financial analysis of the Group's core business performance, the earnings generated by the Group's investment in Santander Seguros and those contributed by the other subsidiaries in which the Group has an equity interest of over 50% are aggregated under 'Net profit/(loss) from non-financial investees' to the extent of the Group's ownership interest. The earnings contributed

by non-financial entities in which the Group holds an equity interest of less than 50% are presented under 'Share of profit/(loss) of entities accounted for using the equity method'. A logical consequence of this reporting structure is that the dividends paid out by these companies are eliminated from the consolidated financial statements. Further, and with the same goal of enhancing reader analysis, the non-recurring write-downs and gains recognised in both years are presented within 'Profit before tax'. By the same token, the headcount figures refer to the employees of the companies falling within the Banesto Group's consolidation scope for financial reporting purposes.

1. Introduction

- Banesto generated a profit of 34.6 million in 1H12
- The Group provisioned 663.4 million of its real estate loans and assets and obtained 640.6 million of extraordinary gains
- The NPL ratio remains below the sector average at 5.04%, while the NPL coverage ratio stands at 41.5%
- The Group once again generated a notable 2.15 billion of liquidity in the first half
- The core capital ratio stood at 9.4%, stronger than the year-end figure of 9.0%

The first-half 2012 results were shaped by prevailing economic weakness and intense market volatility.

Against this backdrop, Banesto's management priorities were to boost profitability, maximise liquidity generation and strengthen the capital structure, all of which put the Group on track as of the June close to meet guidance for the year.

Thanks to this management focus, net interest income fell by 9.0% year-on-year to 700.5 million, albeit rising quarter-on-quarter. The improvement in the customer spread, coupled with proactive balance sheet management, enabled Banesto to mitigate the dual impact of the slump in banking business volumes and the low-rate environment.

The Bank's commercial strategy, customer bundling initiatives and strategic focus on higher-growth business areas drove year-on-year growth of 1.4% in net service fees to 273.6 million. Fees from the management of mutual and pension funds were 30.0 million, 25.8% lower than in 1H11, due essentially to the ongoing shift by customers into alternative savings products. In all, net fee and commission income narrowed 2.2% year-on-year to 303.6 million.

Gains on financial instruments totalled 78.6 million, up 1.2% on the 1H11 performance. These gains were generated in their entirety by recurring customer transactions that are part of the Group's ordinary business operations.

'Other operating income/expense' and 'Income from non-financial affiliates' reflect the sale in the first quarter of 26% of the investment in Santander Seguros and a higher contribution to the Spanish Deposit Guarantee Fund (which implied additional expense of 22 million in 1H12).

Gross operating income in the first half of 2012 totalled 1.07 billion, down 9.6% on 1H11 but firming somewhat on recent quarters. Adjusting for the impact of sales of investments in the insurance and fund management companies and the higher contribution to the Deposit Guarantee Fund, the decline in gross operating income narrows to 6%.

Stringent cost control remained a management priority: as a result, first-half operating expenses narrowed by 0.3% to 488.1 million. The Group's cost-income ratio was 45.4% in 1H12, having outperformed its Spanish peers on this metric as of 1Q12, when the last set of comparable figures was reported

Net operating income in the first half of 2012 totalled 581.8 million, down 16.2% on 1H11; this marked an extension of the recent trend of quarter-on-quarter improvement. On a like-for-like basis (as before), the decline in this metric narrows to 10%.

Loan-loss provisions amounted to 457.2 million, compared to 266.0 million in 1H11. The year-earlier figure included the combined impact of the release of 105 million of generic provisions and the recognition

of 371 million of specific loan-loss provisions, while the 1H12 charge relates almost entirely to specific provisions.

Elsewhere, Banesto generated non-recurring gains of 640.6 million, 372.3 million from the sale of equity investments and fully-provisioned loan portfolios and 268.3 million from other financial and corporate transactions. In parallel, Banesto recognised 663.4 million of provisions to cover its real estate exposure, in keeping with the more stringent requirements laid down under Spanish Royal Decree 2/2012 published in February and the Spanish Royal Decree 18/2012 published in May (which implied additional gross provisioning requirements of €0.8 bn).

As a result of the foregoing, attributable profit came to 34.6 million, down 87.9% on 1H11 and in line with guidance for the full year.

2. Consolidated earnings performance

Banesto Group – Consolidated earnings performance

Data at 30 June 2012 and year-on-year comparison
(€ 000)

	30/06/12	30/06/11	Change	
			Absolute	%
Interest income	1,466,556	1,553,433	-86,877	-5.6
Interest expense	766,019	784,023	-18,004	-2.3
NET INTEREST INCOME	700,537	769,410	-68,873	-9.0
Income from capital instruments	17,294	20,067	-2,773	-13.8
Income from financial affiliates	-242	-2,172	1,930	n.s.
Net fee and commission income	303,586	310,313	-6,727	-2.2
Mutual and pension funds	30,029	40,452	-10,423	-25.8
Service fees	273,557	269,861	3,696	1.4
Gains on financial instruments	78,572	77,671	901	1.2
Other operating income/expense	-36,415	-18,287	-18,128	99.1
Income from non financial affiliates	6,586	27,110	-20,524	-75.7
GROSS OPERATING INCOME	1,069,918	1,184,112	-114,194	-9.6
Operating expenses	488,088	489,480	-1,392	-0.3
General and administrative expenses	433,790	436,316	-2,526	-0.6
a) Personnel expenses	305,737	308,718	-2,981	-1.0
b) General expenses	128,053	127,598	455	0.4
Depreciation and amortisation expense	54,298	53,164	1,134	2.1
NET OPERATING INCOME	581,830	694,632	-112,802	-16.2
Loan-loss provisions	457,152	265,991	191,161	71.9
Impairment losses on other assets	-1,368	1,643	-3,011	n.s.
Other gains/losses and provisions	-70,557	7,662	-78,219	n.s.
PROFIT BEFORE TAX	55,489	434,660	-379,171	-87.2
Non-recurring gains and write-downs	640,643	-62,731	703,374	n.s.
Real Estate Provisiones RDL	663,400	0	663,400	n.s.
Income tax	-1,841	85,087	-86,928	n.s.
ATTRIBUTABLE PROFIT	34,573	286,842	-252,269	-87.9
Minority interest	-20	20	-40	n.s.
NET ATTRIBUTABLE PROFIT	34,593	286,822	-252,229	-87.9

Average yield on assets (*)

(€ 000)

	1H2012			1HJ2011			Year-on-year change		
	Average balance	Average yield %	Interest income	Average balance	Average yield %	Interest income	By volume	By yield	Total
Assets									
Cash and due from banks	9,831,826	1.68	82,675	18,310,756	2.30	210,963	-97,688	-30,600	-128,288
Loans to customers in euros	60,474,690	3.93	1,187,163	63,737,666	3.71	1,183,796	-59,892	63,259	3,367
Public sector	2,799,428	3.31	46,325	2,760,562	2.61	35,993	507	9,825	10,332
Private sector	56,425,895	3.98	1,121,731	59,413,757	3.80	1,130,021	-56,828	48,538	-8,290
Non-resident sector	1,249,367	3.06	19,107	1,563,346	2.27	17,782	-3,571	4,896	1,325
Loans to customers in foreign currency	1,813,924	2.27	20,551	1,632,822	1.98	16,197	1,796	2,558	4,354
Securities portfolio and financial assets	16,412,727	2.21	181,549	12,811,043	2.37	151,767	42,668	-12,886	29,782
Average earning assets	88,533,167	3.33	1,471,938	96,492,286	3.24	1,562,723	-113,116	22,331	-90,785
Investment in affiliates	142,018	0.00	0	378,662	0.00	0	0	0	0
Property and equipment	1,081,583	0.00	0	1,139,561	0.00	0	0	0	0
Other assets	5,077,112	0.47	11,912	5,299,145	0.41	10,777	-452	1,587	1,135
Average total assets	94,833,879	3.13	1,483,850	103,309,654	3.05	1,573,500	-113,568	23,918	-89,650

(*) Includes income from equity products

Average cost of liabilities

(€ 000)

	1H 2012			1H 2011			Year-on-year change		
	Average balance	Average cost %	Interest expense	Average balance	Average cost %	Interest expense	By volume	By rate	Total
Liabilities									
Due to banks and other financial liabilities	7,665,174	1.24	47,415	4,235,349	1.34	28,437	23,029	-4,051	18,978
Deposits from customers in euros	51,645,881	1.59	409,698	57,321,897	1.61	460,409	-47,286	-3,425	-50,711
Public sector	4,146,674	2.34	48,564	4,373,980	1.99	43,564	-2,264	7,264	5,000
Private sector	33,390,210	1.57	261,412	37,543,975	1.71	320,737	-35,485	-23,840	-59,325
Non-resident sector	6,983,809	1.75	61,017	8,733,472	1.37	59,916	-12,004	13,104	1,101
Repos	7,125,188	1.09	38,706	6,670,471	1.09	36,192	2,467	47	2,514
Deposits from customers in foreign currency	2,465,903	1.47	18,120	2,452,504	1.30	15,901	87	2,132	2,219
Marketable debt securities	24,180,375	2.11	255,558	28,536,640	1.65	234,766	-35,838	56,630	20,791
Subordinated liabilities and capital having the substance of a financial liability	692,098	2.75	9,511	2,161,515	2.15	23,205	-15,775	2,082	-13,693
Total interest bearing liabilities	86,649,430	1.71	740,303	94,707,906	1.61	762,718	-75,783	53,368	-22,415
Other liabilities	2,790,438	1.84	25,716	3,105,173	1.37	21,305	-2,159	6,570	4,411
Equity	5,394,012	0.00	0	5,496,575	0.00	0	0	0	0
Average total liabilities	94,833,879	1.62	766,019	103,309,654	1.52	784,023	-77,943	59,939	-18,004

Net fee and commission income

Data at 30 June 2012 and year-on-year comparison
(€ 000)

	30/06/12	30/06/11	Change	
			Absolute	%
Fee and commission income	324,992	325,786	-794	-0.2%
Collection and payment services	139,679	141,549	-1,870	-1.3%
Risk related	54,985	52,257	2,728	5.2%
Securities services	13,527	12,346	1,181	9.6%
Insurance	31,095	39,639	-8,544	-21.6%
Other	85,706	79,995	5,711	7.1%
Mutual and pension fund management	30,029	40,452	-10,423	-25.8%
Fee and commission expense	-51,435	-55,925	4,490	-8.0%
Net commission and fee income	303,586	310,313	-6,727	-2.2%

Operating expenses

Data at 30 June 2012 and year-on-year comparison
(€ 000)

	30/06/12	30/06/11	Change	
			Absolute	%
General and administrative expenses	433,790	436,316	-2,526	-0.6%
Personnel expenses	305,737	308,718	-2,981	-1.0%
Wages and salaries	224,934	230,584	-5,650	-2.5%
Social security costs	58,964	58,573	391	0.7%
Other	21,839	19,561	2,278	11.6%
General expenses	128,053	127,598	455	0.4%
Occupancy, furniture and equipment	40,652	37,200	3,452	9.3%
IT and communications	29,893	30,451	-558	-1.8%
Marketing and public relations	5,729	7,014	-1,285	-18.3%
Other expenses	44,306	43,911	395	0.9%
Levies and other contributions	7,473	9,022	-1,549	-17.2%
Depreciation and amortisation expense	54,298	53,164	1,134	2.1%
TOTAL	488,088	489,480	-1,392	-0.3%
COST-INCOME RATIO (*)	45,38%	41,12%		

(*) Including depreciation and amortisation expense. Over last 12 months.

Gross operating income by business line

Data at 30 June 2012 and year-on-year comparison
(€ 000)

	30/06/12	30/06/11	% Change
Commercial banking	870,100	958,552	-9.2%
Corporate banking	99,187	101,088	-1.9%
Markets	98,969	109,501	-9.6%
Corporate activities	1,662	14,971	-88.9%
Total	1,069,918	1,184,112	-9.6%

3. Balance sheet analysis

Private sector customer deposits ended June 2012 at 44.62 billion, down 4.8% on the year-earlier balance, due to the conservative approach taken to deposit price management.

Weak demand for credit coupled with higher credit risk and the need for greater liquidity buffers continued to shape trends in lending activity: the loan book ended the first half at 66.46 billion, 7.7% below the year-earlier figure. This performance is in line with that of the broader sector. The overall trend was shaped substantially by the paring back of the Bank's exposure to real estate risk (via provisioning, among other measures), which was cut by 22% year-on-year.

The economic decline drove an increase in additions to non-performing loans, which were highly concentrated in the real estate segment. However, bad loan recoveries and loan portfolio sales offset this trend to leave the overall non-performing debt balance stable at 3.84 billion, below the year-end 2011 balance and equivalent to 5.04% of the bank's total credit risk.

Reduced exposure to risk, particularly real estate risk, combined with balance sheet management, is paving the way for continued organic growth in solvency: the Bank's capital ratios stand above the minimum thresholds. At 30 June 2012, the BIS capital ratio stood at 10.0%, while the core capital ratio was 9.4%, a year-on-year improvement of 0.61 pp. This margin means that the Group already has enough of a capital buffer to cover its extraordinary real estate asset and loan provisioning obligations under Spanish Royal Decree 2/2012.

Consolidated balance sheet

Data at 30 June 2012 year-on-year comparison

(€ 000)

Assets	30/06/12	30/06/11	Change	
			Absolute	%
Cash and balances with central banks	3,851,051	959,029	2,892,022	301.6
Financial assets held for trading, derivatives and other financial assets	19,634,608	16,227,831	3,406,777	21.0
Loans to customers	66,459,262	71,978,016	-5,518,754	-7.7
Other loans	6,747,783	9,313,981	-2,566,198	-27.6
Investments	85,395	378,793	-293,398	-77.5
Property and equipment	1,063,583	1,134,131	-70,548	-6.2
Intangible assets	76,568	69,127	7,441	10.8
Other assets	4,969,577	5,331,558	-361,981	-6.8
Total assets	102,887,827	105,392,466	-2,504,639	-2.4

Liabilities	30/06/12	30/06/11	Change	
			Absolute	%
Financial liabilities held for trading and financial liabilities	6,807,185	4,783,775	2,023,410	42.3
Deposits from customers	50,172,770	54,735,333	-4,562,563	-8.3
Marketable debt securities	23,588,239	28,092,591	-4,504,352	-16.0
Subordinated liabilities	221,410	1,985,848	-1,764,438	-88.9
Other financial liabilities at amortised cost	13,987,959	7,416,677	6,571,282	88.6
Other liabilities	726,319	626,412	99,907	15.9
Provisions	2,065,563	2,118,689	-53,126	-2.5
Minority interest	1,024	1,079	-55	-5.1
Net equity adjustments due to valuation changes	-142,865	-26,977	-115,888	429.6
Capital and reserves	5,425,630	5,372,217	53,413	1.0
Profit for the year	34,593	286,822	-252,229	-87.9
Total liabilities	102,887,827	105,392,466	-2,504,639	-2.4

Loans to customers

(€ 000)	30/06/12	30/06/11	% Change
Public sector	3,805,764	3,024,701	25.8
Private sector	57,817,171	64,491,745	-10.3
Commercial loan book	3,407,245	3,117,665	9.3
Secured loans	32,685,949	35,843,842	-8.8
Other loans and credit facilities	21,723,977	25,530,238	-14.9
Non-resident sector	2,683,621	2,850,410	-5.9
Total loans	64,306,556	70,366,856	-8.6
Doubtful loans	3,708,068	3,509,306	5.7
Less: loan-loss provisions	-1,576,411	-1,862,370	-15.4
Valuation adjustments	21,049	-35,776	n.s
Total net loans	66,459,262	71,978,016	-7.7

Customer funds

(€ 000)	30/06/12	30/06/11	% Change
Public sector	4,316,459	3,831,327	12.7
Private sector	44,617,945	46,851,461	-4.8
Current and savings accounts	16,790,096	18,462,208	-9.1
Term deposits	17,805,818	16,520,718	7.8
Repurchase agreements and other accounts	10,022,031	11,868,535	-15.6
Non-resident sector	2,616,308	4,052,545	-35.4
On-balance sheet customer funds	51,550,712	54,735,333	-5.8
Funds under management	7,969,042	8,815,387	-9.6
Investment funds	4,162,122	4,902,304	-15.1
Insurance accounts	2,615,093	2,592,159	0.9
Pension funds	1,191,827	1,320,924	-9.8
Total customer funds	59,519,754	63,550,720	-6.3

Statement of changes in equityData at 30 June 2012 and year-on-year comparison
(€ 000)

	Capital	Reserves	Valuation adjustments	Profit for the period	Less: own shares	Total equity
31 December 2010 balance	543,036	4,691,671	-27,830	273,103	-41,164	5,438,816
Appropriation of profit		219,487		-219,487		0
Income and expense recognised directly in equity			853			853
Profit for the period				286,822		286,822
Dividends				-108,607		-108,607
Gains/losses on trading in own shares		-1,040			15,218	14,178
30 June 2011 balance	543,036	4,910,118	-26,977	231,831	-25,946	5,632,062
31 December 2011 balance	543,036	4,907,682	-17,890	1,412	-27,954	5,406,286
Appropriation of profit		1,412		-1,412		0
Income and expense recognised directly in equity			-124,975			-124,975
Profit for the period				34,593		34,593
Gains/(losses) on trading in own shares		-2,377			3,831	1,454
30 June 2012 balance	543,036	4,906,717	-142,865	34,593	-24,123	5,317,358

Capital

(€ 000)

	June 2012	June 2011
Core Capital	5,338,599	5,565,188
Tier I	5,455,840	6,118,581
Tier II	219,164	703,294
Total equity	5,675,004	6,821,875
BIS ratio (%)	10.00%	10.78%
Tier 1 (%)	9.61%	9.67%
Core Capital (%)	9.40%	8.79%

Trend in doubtful loans

Data at 30 June 2012 and year-on-year comparison

(€ 000)

	30/06/12	30/06/11
Opening balance	3,943,581	3,541,277
Additions	1,413,650	763,497
Recoveries	-1,132,876	-537,530
Write-offs	-384,994	-158,866
Closing balance	3,839,361	3,608,378
NPL ratio	5.04%	4.39%

Trend in loan-loss provisions

(€ 000)

	30/06/12	30/06/11
Opening balance	2,078,887	1,911,691
Increase in impairment provisions	491,398	474,843
Reversal of impairment	-127,281	-188,054
Write-offs and other	-851,684	-317,605
Closing balance	1,591,320	1,880,875
NPL coverage ratio	41.45%	52.13%

Breakdown of loan-loss provisions

(€ 000)

Breakdown	30/06/12	NPL coverage ratio. %
Specific	1,524,814	39.72%
Generic	66,506	1.73%
Total	1,591,320	41.45%

4. Appendices: Quarterly Breakdown

Quarterly Income statement

(€ 000)

	2011				2012	
	1Q	2Q	3Q	4Q	1Q	2Q
Interest income	775,931	777,502	765,463	737,534	747,205	719,351
Interest expense	395,544	388,479	403,725	413,748	399,413	366,606
NET INTEREST INCOME	380,387	389,023	361,738	323,786	347,792	352,745
Income from capital instruments	3,634	16,433	7,885	4,618	4,442	12,852
Income from financial affiliates	-189	-1,983	1,048	-394	-317	75
Net fee and commission income	155,176	155,137	151,744	153,909	152,362	151,224
Mutual and pension funds	20,010	20,442	19,546	17,356	15,300	14,729
Service fees	135,166	134,695	132,198	136,553	137,062	136,495
Gains on financial instruments	41,191	36,480	11,068	30,460	39,469	39,103
Other operating income/expense	-9,958	-8,329	-7,876	-9,032	-19,709	-16,706
Income from non financial affiliates	13,442	13,668	12,998	8,836	9,144	-2,558
GROSS OPERATING INCOME	583,683	600,429	538,605	512,183	533,183	536,735
Operating expenses	245,417	244,063	240,419	233,920	244,687	243,401
General and administrative expenses	218,818	217,498	213,035	207,910	217,545	216,245
a) Personnel expenses	155,037	153,681	150,446	140,843	153,480	152,257
b) General expenses	63,781	63,817	62,589	67,067	64,065	63,988
Depreciation and amortisation expense	26,599	26,565	27,384	26,010	27,142	27,156
NET OPERATING INCOME	338,266	356,366	298,186	278,263	288,496	293,334
Loan-loss provisions	91,673	174,318	185,923	208,750	151,864	305,288
Impairment losses on other assets	1,434	209	4,994	25,794	629	-1,997
Other gains/losses and provisions	10,221	-2,559	-20,800	8,687	-9,854	-60,703
PROFIT BEFORE TAX	255,380	179,280	86,469	52,406	126,149	-70,660
Non-recurring gains and write-downs	-25,000	-37,731	-69,001	88,571	365,479	275,164
Real Estate Provisions RDL	0	0	0	400,000	475,489	187,911
Income tax	60,911	24,176	5,892	-85,730	-4,092	2,251
ATTRIBUTABLE PROFIT	169,469	117,373	11,576	-173,293	20,231	14,342
Minority interest	2	18	-18	-18	-3	-17
NET ATTRIBUTABLE PROFIT	169,467	117,355	11,594	-173,275	20,234	14,359

(€ 000)

Loans to customers	30-June-2011	30-September-2011	31-December-2011	31-March-2012	30-June-2012
Public sector	3,024,701	2,726,246	2,603,415	2,871,814	3,805,764
Private sector	64,491,745	62,071,144	62,095,239	60,147,937	57,817,171
Discounted bills	3,117,665	3,354,925	3,741,553	3,419,883	3,407,245
Secured Loans	35,843,842	35,014,763	34,155,115	33,698,729	32,685,949
Other loans and credit facilities	25,530,238	23,701,456	24,198,571	23,029,325	21,723,977
Non-resident sector	2,850,410	2,890,386	2,741,330	2,527,307	2,683,621
TOTAL LENDING	70,366,856	67,687,776	67,439,984	65,547,058	64,306,556
Doubtful loans	3,509,306	3,584,289	3,819,129	3,695,446	3,708,068
Less: loan-loss provisions	-1,862,370	-1,941,349	-2,059,447	-1,931,437	-1,576,411
Valuation adjustments	-35,776	34,265	25,614	22,370	21,049
Total Net Lending	71,978,016	69,364,981	69,225,280	67,333,437	66,459,262

(€ 000)

Customer funds	30-June-2011	30-September-2011	31-December-2011	31-March-2012	30-June-2012
Public sector	3,831,327	3,769,273	3,611,868	7,664,906	4,316,459
Private sector	46,851,461	45,511,525	45,133,783	44,873,080	44,617,945
Current and savings accounts	18,462,208	16,990,171	17,280,200	16,717,687	16,790,096
Term deposits	16,520,718	16,501,069	16,938,239	17,675,295	17,805,818
Repurchase agreements and other accounts	11,868,535	12,020,285	10,915,344	10,480,098	10,022,031
Non-resident sector	4,052,545	2,983,637	3,208,742	2,888,038	2,616,308
On-balance sheet customer funds	54,735,333	52,264,435	51,954,393	55,426,024	51,550,712
Funds under management	8,815,387	8,572,619	8,226,032	8,197,917	7,969,042
Investment funds	4,902,304	4,687,524	4,400,429	4,357,202	4,162,122
Insurance accounts	2,592,159	2,655,832	2,588,197	2,600,971	2,615,093
Pension funds	1,320,924	1,229,263	1,237,406	1,239,744	1,191,827
Total Customer Funds	63,550,720	60,837,054	60,180,425	63,623,941	59,519,754

Average yield on assets (*)

(€ 000)

	2Q2011		3Q2011		4Q2011		1Q2012		2Q2012	
	Average balance	Average Yield %	Average balance	Average Yield %	Average balance	Average Yield %	Average balance	Average Yield %	Average balance	Average Yield %
ASSETS										
Cash and due from banks	16,463,065	2.34	10,579,966	2.20	8,094,779	2.21	9,675,340	2.02	9,988,312	1.35
Loans to customers in euros	63,512,414	3.76	63,473,991	3.90	62,689,003	3.92	60,861,530	3.94	60,087,851	3.92
Public sector	2,698,727	2.83	2,852,350	3.15	2,659,370	3.25	2,699,761	3.47	2,899,096	3.16
Private sector	59,221,567	3.84	59,036,356	3.97	58,570,894	3.98	56,894,120	3.98	55,957,670	3.97
Non-resident sector	1,592,120	2.46	1,585,285	2.76	1,458,739	2.80	1,267,649	2.89	1,231,085	3.23
Loans to customers in foreign currency	1,457,078	2.07	1,657,006	2.32	1,458,739	2.38	1,795,492	2.20	1,832,355	2.33
Securities portfolio and financial assets	12,860,947	2.70	12,112,498	2.52	12,370,229	2.20	16,173,056	2.17	16,652,399	2.25
Average earning assets	94,293,504	3.34	87,823,461	3.47	84,612,750	3.48	88,505,417	3.37	88,560,917	3.28
Investments in affiliates	379,138	0.00	382,162	0.00	355,236	0.00	197,493	0.00	86,542	0.00
Property and equipment	1,140,559	0.00	1,132,127	0.00	1,115,038	0.00	1,088,754	0.00	1,074,413	0.00
Other assets	5,359,006	0.44	5,615,863	0.75	5,428,369	0.43	5,148,356	0.46	5,005,868	0.48
Average total assets	101,172,207	3.14	94,953,614	3.26	91,511,393	3.24	94,940,020	3.17	94,727,739	3.09

(*) Includes income from equity products

Average cost of liabilities

(€ in 000's)

	2Q2011		3Q2011		4Q2011		1Q2012		2Q2012	
	Average balance	Average Yield %	Average balance	Average Yield %	Average balance	Average Yield %	Average balance	Average Yield %	Average balance	Average Yield %
LIABILITIES										
Due to banks and other financial liabilities	4,116,546	1.47	1,417,151	1.58	1,127,454	1.86	7,725,293	1.24	7,605,054	1.23
Deposits from customers in euros	55,333,858	1.55	52,946,294	1.60	53,029,957	1.66	50,654,912	1.63	52,636,851	1.55
Public sector	3,988,401	1.98	3,850,134	2.00	4,201,443	2.22	4,089,829	2.30	4,203,520	2.38
Private sector	35,655,267	1.66	33,607,291	1.60	34,344,760	1.60	33,049,576	1.59	33,730,843	1.54
Non-resident sector	9,240,450	1.23	8,857,690	1.50	7,907,147	1.64	7,435,006	1.68	6,532,611	1.82
Repos	6,449,740	1.16	6,631,180	1.49	6,576,607	1.63	6,080,501	1.28	8,169,876	0.94
Deposits from customers in foreign currency	2,401,687	1.38	2,497,586	1.60	2,362,941	1.67	2,480,473	1.66	2,451,332	1.27
Marketable debt securities	28,763,777	1.77	27,665,573	2.20	25,008,046	2.49	24,772,581	2.26	23,588,168	1.96
Subordinated liabilities and capital having the substance of a financial liability	1,992,398	2.28	1,993,333	2.47	1,782,460	2.50	1,148,243	2.37	235,954	4.61
Total interest-bearing liabilities	92,608,266	1.63	86,519,937	1.81	83,310,858	1.93	86,781,502	1.78	86,517,358	1.63
Other liabilities	3,042,932	1.49	2,900,250	1.64	2,610,871	1.85	2,700,199	1.81	2,880,676	1.88
Equity	5,521,009	0.00	5,533,427	0.00	5,589,664	0.00	5,458,319	0.00	5,329,705	0.00
Average total liabilities	101,172,207	1.54	94,953,614	1.70	91,511,393	1.81	94,940,020	1.68	94,727,739	1.55

Gross operating income by business line

(€ 000)

	2011				2012	
	1Q	2Q	3Q	4Q	1Q	2Q
Commercial banking	474,901	483,651	439,377	424,898	429,073	441,027
Corporate banking	49,616	51,472	49,515	42,739	49,332	49,855
Markets	53,658	55,843	41,655	39,847	48,782	50,187
Corporate activities	5,508	9,463	8,058	4,699	5,996	-4,334
Total	583,683	600,429	538,605	512,183	533,183	536,735

FORWARD-LOOKING STATEMENTS

This presentation contains forward-looking statements with respect to the business, financial condition, results of operations, strategy, plans and objectives of the Banesto Group. Some, but not all, of these statements may be identified by the use of words such as “anticipates”, “targets”, “objectives”, “should”, “expects”, “estimates”, “believes” or similar expressions. These statements are intended as “Forward-Looking Statements” under the U.S. Private Securities Litigation Reform Act of 1995. By their nature, forward-looking statements involve risk and uncertainty because they reflect the Banesto Group’s

current expectations and assumptions as to future events and circumstances that may not prove accurate. A number of factors, including political, economic and regulatory developments in Spain and the European Union, shortages of customer deposits, changes in interest or exchange rates, the impact of competition and developments relating to our controlling shareholder, could cause the Banesto Group’s actual results and developments to differ materially from those expressed or implied in any forward-looking statements contained herein.