



Banesto

September 2012

Banesto Group. Key financial indicators

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

(€ 000)

BALANCE SHEET	30/09/12	30/09/11	Change	OTHER OPERATING INDICATORS	30/09/12	30/09/11	Change
Total assets	99,953,409	101,990,446	-2.0%	Employees	8,303	8,631	-328
Equity	5,475,396	5,668,765	-3.4%	Branches	1,698	1,716	-18
Total loans	65,631,506	69,364,981	-5.4%	Bis Ratio	10.54%	11.08%	-
Total customer funds	60,119,670	60,837,054	-1.2%	Core Capital	10.06%	9.00%	-
NPL ratio (%)	5.51%	4.65%	-	Closing share price	2.78	4.50	-38.2%
NPL coverage ratio (%)	42.42%	52.86%	-				

INCOME STATEMENT	30/09/12	30/09/11	Change
Net interest income	1,033,742	1,131,148	-8.6%
Net fee and commission income	449,024	462,057	-2.8%
Gross operating income	1,576,780	1,722,717	-8.5%
Operating expenses	727,367	729,899	-0.3%
Net operating income	849,413	992,818	-14.4%
Ordinary profit before tax	156,472	521,129	-70.0%
Net attributable profit	50,149	298,416	-83.2%
Cost-to-income ratio (%) (*)	46.02%	42.33%	-

(*) 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 profit of €50.1 million in the first nine months of 2012
- The Group has unlocked non-recurring gains totalling €682.5 million and made provisions for real estate loans and assets totalling €804.7 million year-to-date
- The core capital ratio has risen from 9.0% at year-end 2011 to 10.1% at the September close
- The NPL ratio remains well below the sector average at 5.51%, while the NPL coverage ratio stands at 42.4%

Banesto's earning performance year-to-date should be viewed against the backdrop of economic weakness and market stress that is creating significant uncertainty.

In the current economic climate, Banesto's management priority has been to shore up capital, generating noteworthy sums of capital organically during the first nine months of the year. Other priorities have included liquidity optimisation and profitability enhancement.

Net interest income totalled €1.03 billion in the nine-month period, a year-on-year decline of 8.6%. Proactive balance sheet management, coupled with a wider customer spread, largely mitigated the impact of the slump in banking business volumes and the low-rate environment.

The Bank's commercial strategy, customer bundling and strategic focus on higher-growth business areas enabled year-on-year growth of 0.6% in service revenue to €404.5 million. Fees from the management of mutual and pension funds amounted to €44.5 million, 25.8% lower than in 9M11, due essentially to the ongoing shift by customers into alternative savings products. Overall, net fee and commission income declined by 2.8% year-on-year to €449.0 million.

Net trading income (net gains on financial instruments), the bulk of which generated by customer trades, amounted to €109.3 million, year-on-year growth of 23.2%.

The increase in 'Other operating income/expense' reflects a higher contribution to the Spanish Deposit Guarantee Fund, which implied additional expense of €35.4 million in 9M12.

Gross operating income in the first nine months of 2012 accordingly amounted to €1.58 billion, down 8.5% on 9M11; this marks an improvement of over one point on the 1H12 performance. Adjusting for the impact of the sales of investments in the insurance provider and fund manager as well as the higher contribution to the Deposit Guarantee Fund, the decline in gross operating income narrows to 4.4%.

Stringent cost control remained a management priority: as a result, operating expenses narrowed by 0.3% in 9M12 to €727.4 million. The Group's cost-income ratio was 42.4% in 9M12, having outperformed its Spanish peers on this metric in 1H12.

Net operating income totalled €849.4 million in 9M12, down 14.4% year-on-year, similarly marking an improvement on the first-half performance. On a like-for-like basis (stripping out the impact of the investment sales and the higher contribution to the Deposit Guarantee Fund), the decline in this metric narrows to 7.6%.

Loan-loss provisions amounted to €657.5 million, compared to €541.9 million in 9M11. The year-earlier figure included the combined impact of the release of €113 million of generic provisions and the recognition of €565 million of specific loan-loss provisions, while the 9M12 charge relates almost entirely to specific provisions.

Elsewhere, Banesto generated non-recurring gains of €682.5 million, €154 million from the restructuring and sale of equity investments, €218.5 million from the sale of fully-provisioned loan portfolios and the remainder from other financial and corporate transactions. Meanwhile, the Bank provisioned its exposure to real estate assets in the amount of €804.7 million.

As a result of the foregoing, attributable profit came to €50.1 million, down 83.2% on 9M11 and in line with guidance for the full year.

2. Consolidated earnings performance

Banesto Group – Consolidated earnings performance

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

	30/09/12	30/09/11	Change	
			Absolute	%
Interest income	2,145,497	2,318,896	-173,399	-7.5
Interest expense	1,111,755	1,187,748	-75,993	-6.4
NET INTEREST INCOME	1,033,742	1,131,148	-97,406	-8.6
Income from capital instruments	30,143	27,952	2,191	7.8
Income from financial affiliates	-425	-1,124	699	n.s.
Net fee and commission income	449,024	462,057	-13,033	-2.8
Mutual and pension funds	44,498	59,998	-15,500	-25.8
Service fees	404,526	402,059	2,467	0.6
Gains on financial instruments	109,297	88,739	20,558	23.2
Other operating income/expense	-49,693	-26,163	-23,530	89.9
Income from non financial affiliates	4,692	40,108	-35,416	-88.3
GROSS OPERATING INCOME	1,576,780	1,722,717	-145,937	-8.5
Operating expenses	727,367	729,899	-2,532	-0.3
General and administrative expenses	645,182	649,351	-4,169	-0.6
a) Personnel expenses	454,220	459,164	-4,944	-1.1
b) General expenses	190,962	190,187	775	0.4
Depreciation and amortisation expense	82,185	80,548	1,637	2.0
NET OPERATING INCOME	849,413	992,818	-143,405	-14.4
Loan-loss provisions	657,545	451,914	205,631	45.5
Impairment losses on other assets	-1,112	6,637	-7,749	n.s.
Other gains/losses	-36,508	-13,138	-23,370	n.s.
PROFIT BEFORE TAX	156,472	521,129	-364,657	-70.0
Non-recurring gains and write-downs	682,448	-131,732	814,180	n.s.
Real Estate provisions	804,730	0	804,730	n.s.
Income tax	-15,917	90,979	-106,896	n.s.
ATTRIBUTABLE PROFIT	50,107	298,418	-248,311	-83.2
Minority interest	-42	2	-44	n.s.
NET ATTRIBUTABLE PROFIT	50,149	298,416	-248,267	-83.2

Average yield on assets (*)

(€ 000)

	3Q 2012			3Q 2011			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	10,436,761	1.44	113,013	15,733,826	2.28	269,140	-90,611	-65,516	-156,127
Loans to customers in euros	60,244,179	3.86	1,742,906	63,649,774	3.78	1,802,596	-97,822	38,132	-59,690
Public sector	3,125,853	3.17	74,250	2,791,158	2.79	58,424	7,006	8,820	15,826
Private sector	55,866,466	3.91	1,640,162	59,287,957	3.86	1,715,450	-98,998	23,710	-75,288
Non-resident sector	1,251,861	3.03	28,494	1,570,659	2.44	28,722	-5,830	5,602	-228
Loans to customers in foreign currency	1,775,114	2.33	31,051	1,640,883	2.10	25,790	2,110	3,151	5,261
Securities portfolio and financial assets	15,671,607	2.30	269,804	12,578,194	2.42	227,973	56,066	-14,235	41,831
Average earning assets	88,127,661	3.26	2,156,774	93,602,678	3.31	2,325,499	-130,257	-38,468	-168,725
Investment in affiliates	321,497	0.00	0	379,829	0.00	0	0	0	0
Property and equipment	1,073,978	0.00	0	1,137,083	0.00	0	0	0	0
Other assets	5,036,050	0.50	18,866	5,404,718	0.53	21,349	-1,456	-1,027	-2,483
Average total assets	94,559,186	3.07	2,175,640	100,524,307	3.11	2,346,848	-131,713	-39,495	-171,208

(*) Includes income from equity products

Average cost of liabilities

(€ 000)

	3Q 2012			3Q 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	8,648,452	1.23	79,523	3,295,949	1.38	34,024	55,254	-9,755	45,499
Deposits from customers in euros	51,418,710	1.55	598,285	55,863,363	1.60	672,252	-53,465	-20,502	-73,967
Public sector	4,348,837	2.41	78,562	4,199,364	1.99	62,771	2,234	13,557	15,791
Private sector	33,232,855	1.54	383,672	36,231,747	1.68	455,553	-37,706	-34,175	-71,881
Non-resident sector	6,447,401	1.76	85,014	8,774,878	1.41	93,072	-24,687	16,629	-8,058
Repos	7,389,617	0.92	51,037	6,657,374	1.22	60,856	6,694	-16,513	-9,819
Deposits from customers in foreign currency	2,274,108	1.38	23,614	2,467,531	1.40	25,880	-2,029	-237	-2,266
Marketable debt securities	23,607,338	2.04	360,421	28,246,285	1.83	386,894	-63,540	37,068	-26,472
Subordinated liabilities and capital having the substance of a financial liability	526,710	2.91	11,496	2,105,455	2.25	35,513	-26,629	2,612	-24,018
Total interest bearing liabilities	86,475,318	1.65	1,073,340	91,978,583	1.67	1,154,563	-90,409	9,186	-81,224
Other liabilities	2,724,265	1.88	38,415	3,036,866	1.46	33,185	-3,416	8,647	5,231
Equity	5,359,603	0.00	0	5,508,859	0.00	0	0	0	0
Average total liabilities	94,559,186	1.57	1,111,755	100,524,307	1.58	1,187,748	-93,825	17,832	-75,993

Net fee and commission income

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

	30/09/12	30/09/11	Change	
			Absolute	%
Fee and commission income	483,157	486,712	-3,555	-0.7%
Collection and payment services	211,042	214,227	-3,185	-1.5%
Risk related	83,332	78,667	4,665	5.9%
Securities services	18,810	18,250	560	3.1%
Insurance	42,086	56,567	-14,481	-25.6%
Other	127,887	119,001	8,886	7.5%
Mutual and pension fund management	44,498	59,998	-15,500	-25.8%
Fee and commission expense	-78,631	-84,653	6,022	-7.1%
Net commission and fee income	449,024	462,057	-13,033	-2.8%

Operating expenses

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

	30/09/12	30/09/11	Change	
			Absolute	%
General and administrative expenses	645,182	649,351	-4,169	-0.6%
Personnel expenses	454,220	459,164	-4,944	-1.1%
Wages and salaries	334,440	340,949	-6,509	-1.9%
Social security costs	87,808	87,884	-76	-0.1%
Other	31,972	30,331	1,641	5.4%
General expenses	190,962	190,187	775	0.4%
Occupancy, furniture and equipment	61,454	56,307	5,147	9.1%
IT and communications	44,718	46,281	-1,563	-3.4%
Marketing and public relations	8,036	11,059	-3,023	-27.3%
Other expenses	64,946	63,263	1,683	2.7%
Levies and other contributions	11,808	13,277	-1,469	-11.1%
Depreciation and amortisation expense	82,185	80,548	1,637	2.0%
TOTAL	727,367	729,899	-2,532	-0.3%
COST-INCOME RATIO (*)	46.02%	42.33%		

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

Gross operating income by business line

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

	30/09/12	30/09/11	% Change
Commercial banking	1,289,131	1,397,929	-7.8%
Corporate banking	153,498	150,603	1.9%
Markets	141,899	151,156	-6.1%
Corporate activities	-7,748	23,029	-133.6%
Total	1,576,780	1,722,717	-8.5%

3. Balance sheet analysis

Private-sector deposits amounted to €45.54 billion at the September close, year-on-year growth of 0.1%. Total customer deposits, meanwhile, ended the third quarter at €60.12 billion, down 1.2% on the year-earlier balance, due to the conservative approach taken to deposit price management.

Weak demand for credit in the prevailing climate of higher credit and liquidity risk continued to shape the trend in lending activity: the loan book ended September at €65.63 billion, 5.4% below the year-earlier figure. This performance is in line with that of the broader sector. This trend was shaped substantially by the paring back of the Bank's exposure to real estate risk, which was cut by 23% year-on-year.

The deteriorating economy drove an increase in additions to non-performing loans, which were highly concentrated in the real estate segment. At the third-quarter close, non-performing loans amounted to €4.12 billion, implying an NPL ratio of 5.51%, significantly below the sector average.

Balance sheet management, coupled with reduced exposure to credit risk, particularly real estate risk, is generating sustained and organic growth in capital, thanks to which the Bank's solvency ratios stand above the minimum thresholds. At the September 2012 close, the core capital ratio stood at 10.1%, marking an increase of 1.04pp from December 2011.

Consolidated balance sheet

Data at 30 September 2012 year-on-year comparison

(€ 000)

Assets	30/09/12	30/09/11	Change	
			Absolute	%
Cash and balances with central banks	3,460,461	492,338	2,968,123	602.9
Financial assets held for trading, derivatives and other financial assets	16,661,165	16,881,935	-220,770	-1.3
Loans to customers	65,631,506	69,364,981	-3,733,475	-5.4
Other loans	7,863,815	8,399,304	-535,489	-6.4
Investments	359,576	381,332	-21,756	-5.7
Property and equipment	1,067,347	1,134,892	-67,545	-6.0
Intangible assets	78,591	67,617	10,974	16.2
Other assets	4,830,948	5,268,047	-437,099	-8.3
Total assets	99,953,409	101,990,446	-2,037,037	-2.0

Liabilities	30/09/12	30/09/11	Change	
			Absolute	%
Financial liabilities held for trading and financial liabilities	6,709,007	6,805,537	-96,530	-1.4
Deposits from customers	50,025,506	52,135,207	-2,109,701	-4.0
Marketable debt securities	21,268,729	26,423,915	-5,155,186	-19.5
Subordinated liabilities	177,090	1,990,287	-1,813,197	-91.1
Other financial liabilities at amortised cost	13,960,012	6,263,259	7,696,753	122.9
Other liabilities	577,815	632,896	-55,081	-8.7
Provisions	1,926,354	2,101,101	-174,747	-8.3
Minority interest	1,002	1,061	-59	-5.6
Net equity adjustments due to valuation changes	-167,502	-31,582	-135,920	430.4
Capital and reserves	5,425,247	5,370,349	54,898	1.0
Profit for the year	50,149	298,416	-248,267	-83.2
Total liabilities	99,953,409	101,990,446	-2,037,037	-2.0

Loans to customers

(€ 000)	30/09/12	30/09/11	% Change
Public sector	3,734,117	2,726,246	37.0
Private sector	57,152,021	62,071,144	-7.9
Commercial loan book	3,566,608	3,354,925	6.3
Secured loans	31,946,055	35,014,763	-8.8
Other loans and credit facilities	21,639,358	23,701,456	-8.7
Non-resident sector	2,398,691	2,890,386	-17.0
Total loans	63,284,829	67,687,776	-6.5
Doubtful loans	3,979,418	3,584,289	11.0
Less: loan-loss provisions	-1,736,842	-1,941,349	-10.5
Valuation adjustments	104,101	34,265	203.8
Total net loans	65,631,506	69,364,981	-5.4

Customer funds

(€ 000)	30/09/12	30/09/11	% Change
Public sector	4,362,361	3,769,273	15.7
Private sector	45,540,253	45,511,525	0.1
Current and savings accounts	15,986,199	16,990,171	-5.9
Term deposits	18,586,182	16,501,069	12.6
Repurchase agreements and other accounts	10,967,872	12,020,285	-8.8
Non-resident sector	2,180,453	2,983,637	-26.9
On-balance sheet customer funds	52,083,067	52,264,435	-0.3
Funds under management	8,036,603	8,572,619	-6.3
Investment funds	4,221,990	4,687,524	-9.9
Insurance accounts	2,591,267	2,655,832	-2.4
Pension funds	1,223,346	1,229,263	-0.5
Total customer funds	60,119,670	60,837,054	-1.2
Total private sector	53,576,856	54,084,144	-0.9

Statement of changes in equityData at 30 September 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			-3,752			-3,752
Profit for the period				298,416		298,416
Dividends				-108,607		-108,607
Gains/losses on trading in own shares		-2,422			14,732	12,310
30 September 2011 balance	543,036	4,908,736	-31,582	243,425	-26,432	5,637,183
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			-149,612			-149,612
Profit for the period				50,149		50,149
Gains/(losses) on trading in own shares		-3,602			4,673	1,071
30 September 2012 balance	543,036	4,905,492	-167,502	50,149	-23,281	5,307,894

Capital

(€ 000)

	September 2012	September 2011
Core Capital	5,370,125	5,567,105
Tier I	5,440,023	6,120,528
Tier II	187,730	730,156
Total equity	5,627,753	6,850,684
BIS ratio (%)	10.54%	11.08%
Tier 1 (%)	10.19%	9.90%
Core Capital (%)	10.06%	9.00%

Trend in doubtful loans

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

	30/09/12	30/09/11
Opening balance	3,943,581	3,541,277
Additions	1,964,505	1,176,307
Recoveries	-1,277,733	-774,548
Write-offs	-483,310	-236,505
Closing balance	4,147,043	3,706,531
NPL ratio	5.51%	4.65%

Trend in loan-loss provisions

(€ 000)

	30/09/12	30/09/11
Opening balance	2,078,887	1,911,691
Increase in impairment provisions	845,607	680,505
Reversal of impairment	-160,001	-198,241
Write-offs and other	-1,005,242	-434,723
Closing balance	1,759,251	1,959,232
NPL coverage ratio	42.42%	52.86%

Breakdown of loan-loss provisions

(€ 000)

Breakdown	30/09/12	NPL coverage ratio. %
Specific	1,694,562	40.86%
Generic	64,689	1.56%
Total	1,759,251	42.42%

4. Appendices: Quarterly Breakdown

Quarterly Income statement

(€ 000)

	2011				2012		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Interest income	775,931	777,502	765,463	737,534	747,205	719,351	678,941
Interest expense	395,544	388,479	403,725	413,748	399,413	366,606	345,736
NET INTEREST INCOME	380,387	389,023	361,738	323,786	347,792	352,745	333,205
Income from capital instruments	3,634	16,433	7,885	4,618	4,442	12,852	12,849
Income from financial affiliates	-189	-1,983	1,048	-394	-317	75	-183
Net fee and commission income	155,176	155,137	151,744	153,909	152,362	151,224	145,438
Mutual and pension funds	20,010	20,442	19,546	17,356	15,300	14,729	14,469
Service fees	135,166	134,695	132,198	136,553	137,062	136,495	130,969
Gains on financial instruments	41,191	36,480	11,068	30,460	39,469	39,103	30,725
Other operating income/expense	-9,958	-8,329	-7,876	-9,032	-19,709	-16,706	-13,278
Income from non financial affiliates	13,442	13,668	12,998	8,836	9,144	-2,558	-1,894
GROSS OPERATING INCOME	583,683	600,429	538,605	512,183	533,183	536,735	506,862
Operating expenses	245,417	244,063	240,419	233,920	244,687	243,401	239,279
General and administrative expenses	218,818	217,498	213,035	207,910	217,545	216,245	211,392
a) Personnel expenses	155,037	153,681	150,446	140,843	153,480	152,257	148,483
b) General expenses	63,781	63,817	62,589	67,067	64,065	63,988	62,909
Depreciation and amortisation expense	26,599	26,565	27,384	26,010	27,142	27,156	27,887
NET OPERATING INCOME	338,266	356,366	298,186	278,263	288,496	293,334	267,583
Loan-loss provisions	91,673	174,318	185,923	208,750	151,864	305,288	200,393
Impairment losses on other assets	1,434	209	4,994	25,794	629	-1,997	256
Other gains/losses	10,221	-2,559	-20,800	8,687	16,255	-27,998	-24,765
PROFIT BEFORE TAX	255,380	179,280	86,469	52,406	152,258	-37,955	42,169
Non-recurring gains and write-downs	-25,000	-37,731	-69,001	88,571	365,479	275,164	41,805
Real Estate provisions	0	0	0	400,000	501,598	220,616	82,516
Income tax	60,911	24,176	5,892	-85,730	-4,092	2,251	-14,076
ATTRIBUTABLE PROFIT	169,469	117,373	11,576	-173,293	20,231	14,342	15,534
Minority interest	2	18	-18	-18	-3	-17	-22
NET ATTRIBUTABLE PROFIT	169,467	117,355	11,594	-173,275	20,234	14,359	15,556

(€ 000)

Loans to customers	30-September-2011	31-December-2011	31-March-2012	30-June-2012	30-September-2012
Public sector	2,726,246	2,603,415	2,871,814	3,805,764	3,734,117
Private sector	62,071,144	62,095,239	60,147,937	57,817,171	57,152,021
Discounted bills	3,354,925	3,741,553	3,419,883	3,407,245	3,566,608
Secured Loans	35,014,763	34,155,115	33,698,729	32,685,949	31,946,055
Other loans and credit facilities	23,701,456	24,198,571	23,029,325	21,723,977	21,639,358
Non-resident sector	2,890,386	2,741,330	2,527,307	2,683,621	2,398,691
TOTAL LENDING	67,687,776	67,439,984	65,547,058	64,306,556	63,284,829
Doubtful loans	3,584,289	3,819,129	3,695,446	3,708,068	3,979,418
Less: loan-loss provisions	-1,941,349	-2,059,447	-1,931,437	-1,576,411	-1,736,842
Valuation adjustments	34,265	25,614	22,370	21,049	104,101
Total Net Lending	69,364,981	69,225,280	67,333,437	66,459,262	65,631,506

(€ 000)

Customer funds	30-September-2011	31-December-2011	31-March-2012	30-June-2012	30-September-2012
Public sector	3,769,273	3,611,868	7,664,906	4,316,459	4,362,361
Private sector	45,511,525	45,133,783	44,873,080	44,617,945	45,540,253
Current and savings accounts	16,990,171	17,280,200	16,717,687	16,790,096	15,986,199
Term deposits	16,501,069	16,938,239	17,675,295	17,805,818	18,586,182
Repurchase agreements and other accounts	12,020,285	10,915,344	10,480,098	10,022,031	10,967,872
Non-resident sector	2,983,637	3,208,742	2,888,038	2,616,308	2,180,453
On-balance sheet customer funds	52,264,435	51,954,393	55,426,024	51,550,712	52,083,067
Funds under management	8,572,619	8,226,032	8,197,917	7,969,042	8,036,603
Investment funds	4,687,524	4,400,429	4,357,202	4,162,122	4,221,990
Insurance accounts	2,655,832	2,588,197	2,600,971	2,615,093	2,591,267
Pension funds	1,229,263	1,237,406	1,239,744	1,191,827	1,223,346
Total Customer Funds	60,837,054	60,180,425	63,623,941	59,519,754	60,119,670
Total private sector	54,084,144	53,359,815	53,070,997	52,586,987	53,576,856

Average yield on assets (*)

(€ 000)

	3Q2011		4Q2011		1Q2012		2Q2012		3Q2012	
	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	10,579,966	2,20	8,094,779	2,21	9,675,340	2,02	9,988,312	1,35	11,646,630	1,04
Loans to customers in euros	63,473,991	3,90	62,689,003	3,92	60,861,530	3,94	60,087,851	3,92	59,783,156	3,72
Public sector	2,852,350	3,15	2,659,370	3,25	2,699,761	3,47	2,899,096	3,16	3,778,701	2,96
Private sector	59,036,356	3,97	58,570,894	3,98	56,894,120	3,98	55,957,670	3,97	54,747,607	3,79
Non-resident sector	1,585,285	2,76	1,458,739	2,80	1,267,649	2,89	1,231,085	3,23	1,256,849	2,99
Loans to customers in foreign currency	1,657,006	2,32	1,458,739	2,38	1,795,492	2,20	1,832,355	2,33	1,697,496	2,47
Securities portfolio and financial assets	12,112,498	2,52	12,370,229	2,20	16,173,056	2,17	16,352,399	2,25	14,489,366	2,44
Average earning assets	87,823,461	3,47	84,612,750	3,48	88,505,417	3,37	88,260,917	3,28	87,616,649	3,13
Investments in affiliates	382,162	0,00	355,236	0,00	197,493	0,00	386,542	0,00	380,456	0,00
Property and equipment	1,132,127	0,00	1,115,038	0,00	1,088,754	0,00	1,074,413	0,00	1,058,769	0,00
Other assets	5,615,863	0,75	5,428,369	0,43	5,148,356	0,46	5,005,868	0,48	4,953,926	0,56
Average total assets	94,953,614	3,26	91,511,393	3,24	94,940,020	3,17	94,727,739	3,09	94,009,799	2,94

(*) Includes income from equity products

Average cost of liabilities

(€ in 000's)

	3Q2011		4Q2011		1Q2012		2Q2012		3Q2012	
	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	1,417,151	1,58	1,127,454	1,86	7,725,293	1,24	7,605,054	1,23	10,615,009	1,21
Deposits from customers in euros	52,946,294	1,60	53,029,957	1,66	50,654,912	1,63	52,636,851	1,55	50,964,368	1,48
Public sector	3,850,134	2,00	4,201,443	2,22	4,089,829	2,30	4,203,520	2,38	4,753,163	2,52
Private sector	33,607,291	1,60	34,344,760	1,60	33,049,576	1,59	33,730,843	1,54	32,918,145	1,49
Non-resident sector	8,857,690	1,50	7,907,147	1,64	7,435,006	1,68	6,532,611	1,82	5,374,585	1,79
Repos	6,631,180	1,49	6,576,607	1,63	6,080,501	1,28	8,169,876	0,94	7,918,476	0,62
Deposits from customers in foreign currency	2,497,586	1,60	2,362,941	1,67	2,480,473	1,66	2,451,332	1,27	1,890,518	1,16
Marketable debt securities	27,665,573	2,20	25,008,046	2,49	24,772,581	2,26	23,588,168	1,96	22,461,266	1,87
Subordinated liabilities and capital having the substance of a financial liability	1,993,333	2,47	1,782,460	2,50	1,148,243	2,37	235,954	4,61	195,934	4,05
Total interest-bearing liabilities	86,519,937	1,81	83,310,858	1,93	86,781,502	1,78	86,517,358	1,63	86,127,095	1,55
Other liabilities	2,900,250	1,64	2,610,871	1,85	2,700,199	1,81	2,880,676	1,88	2,591,920	1,96
Equity	5,533,427	0,00	5,589,664	0,00	5,458,319	0,00	5,329,705	0,00	5,290,785	0,00
Average total liabilities	94,953,614	1,70	91,511,393	1,81	94,940,020	1,68	94,727,739	1,55	94,009,799	1,47

Gross operating income by business line

(€ 000)

	2011				2012		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Commercial banking	474,901	483,651	439,377	424,898	429,073	441,027	419,031
Corporate banking	49,616	51,472	49,515	42,739	49,332	49,855	54,311
Markets	53,658	55,843	41,655	39,847	48,782	50,187	42,930
Corporate activities	5,508	9,463	8,058	4,699	5,996	-4,334	-9,410
Total	583,683	600,429	538,605	512,183	533,183	536,735	506,862

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,