

Banesto

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INVESTOR DAY

DELIVERING PROFITABLE GROWTH

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Banesto

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Managing the bank through the crisis

At the onset of the crisis, Banesto set three management priorities

To strengthen the Balance sheet

- Maintaining a sound liquidity position
- Raising capital ratios
- Keeping ex Real Estate asset quality above sector average
- Reducing Real Estate risk as fast as possible

To maximise profitability

- Managing loan and deposit spreads
- Keeping strict cost control

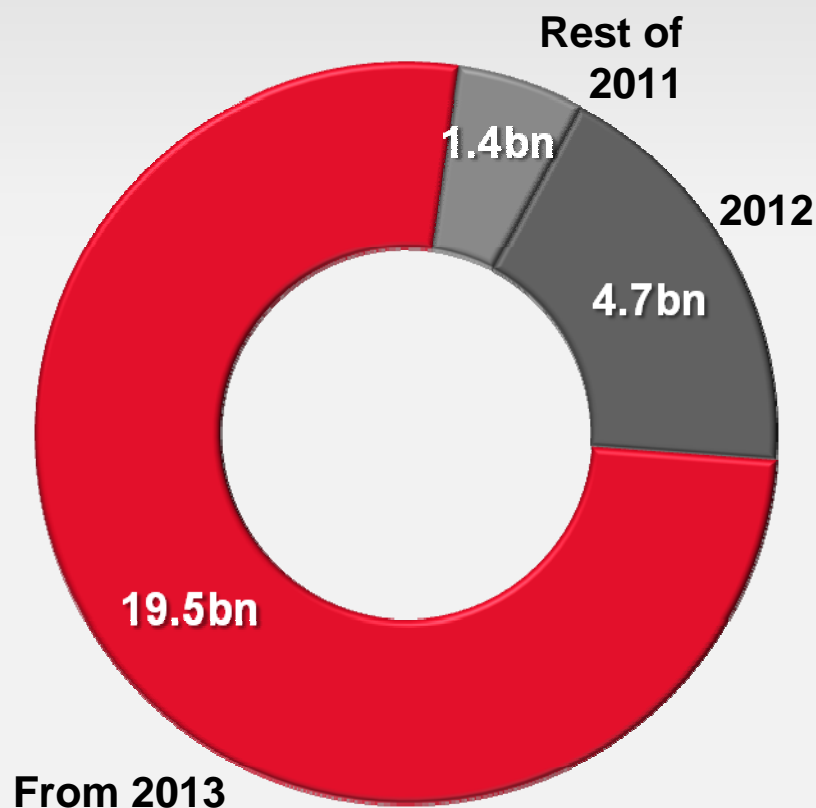
To enhance the bank's franchise

- Focus on clients
- Quality and innovation
- Human capital

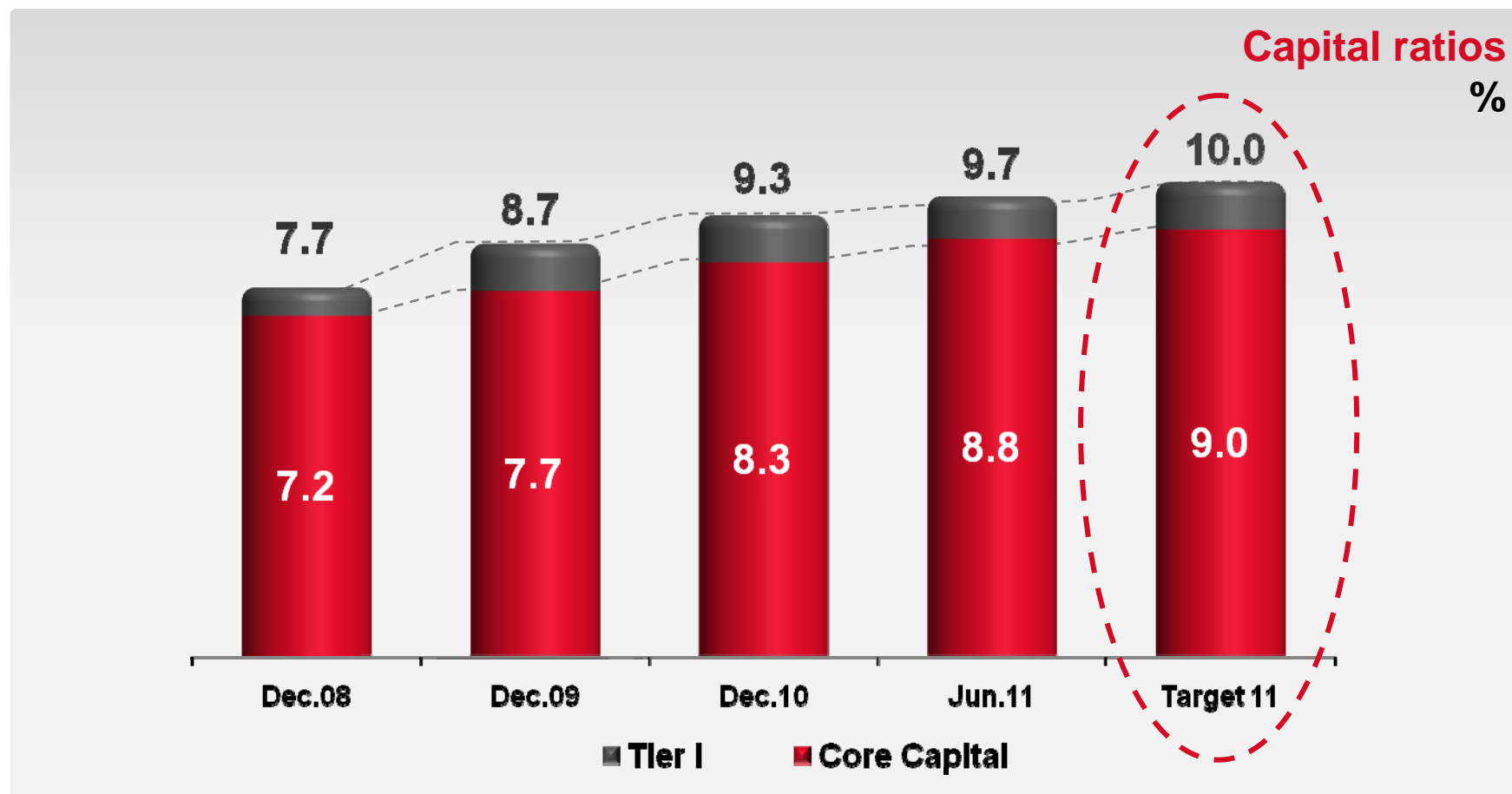
Balance Sheet - Liquidity

- Recurrent generation of internal liquidity by narrowing the commercial gap
- No ECB funding
- €2.8bn decline in reliance on markets in 1H11

M/T wholesale maturities*
(Total at 30/06/11 €25.6 bn)

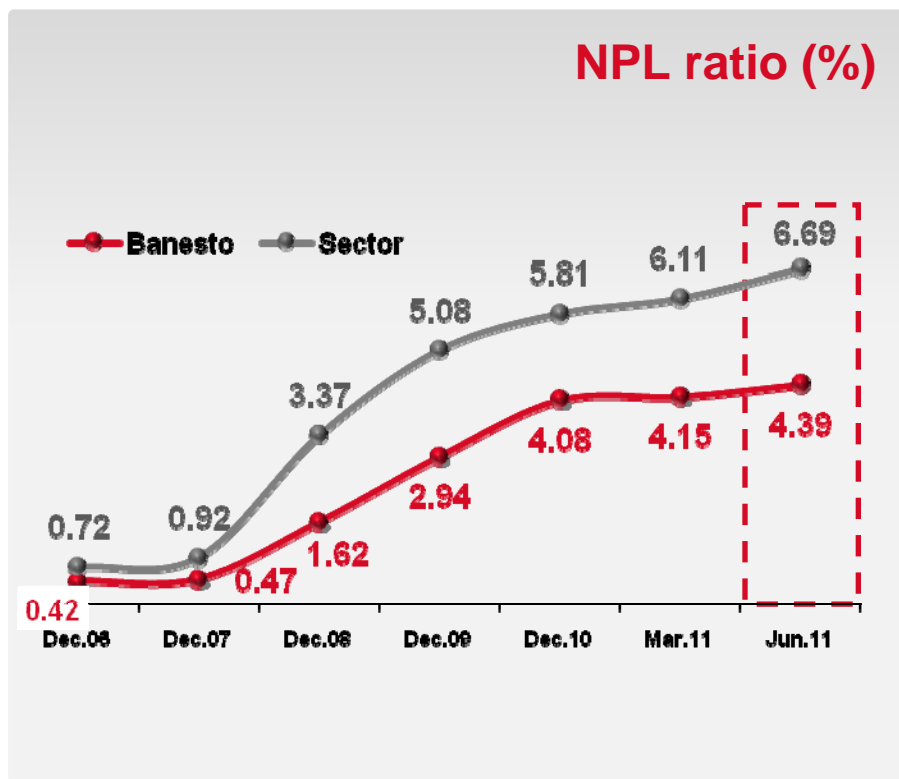


Balance Sheet - Capital



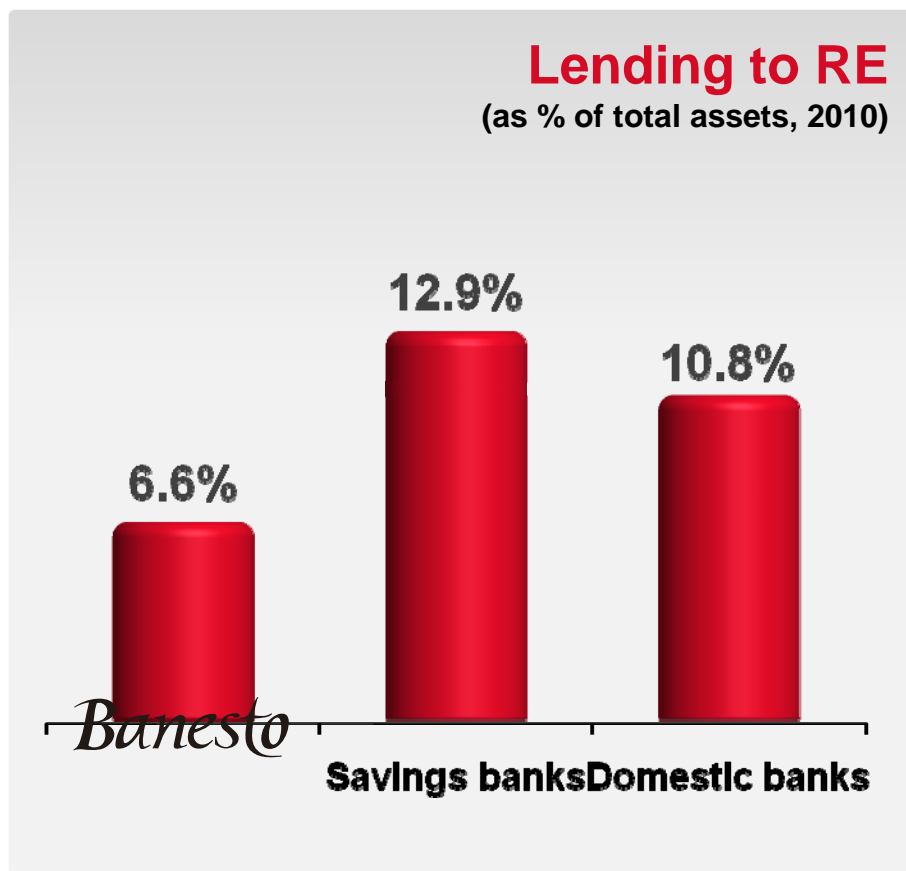
- Pure organic capital generation. Only listed bank not to have raised capital in the last 9 years.
- Capital not generated by capital gains.
- No hybrid instruments. Only best quality capital in CT1.

Balance Sheet - Asset quality

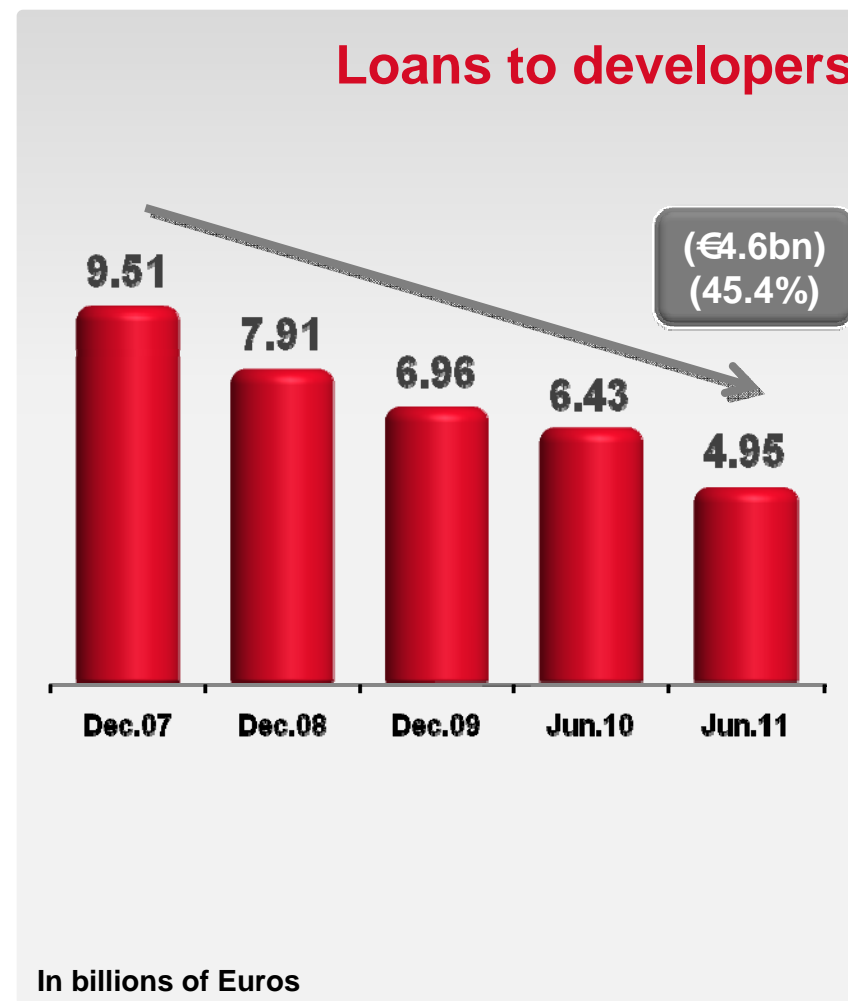


June 2011	NPLs%	EAD%
Individual mortgages	1.75	30
Other individual loans	6.15	5
Developers	28.59	6
Small businesses & retailers	5.71	14
Mid. size companies	4.94	24
Large size companies	1.11	21
Total	4.39	100

Balance Sheet - Asset quality

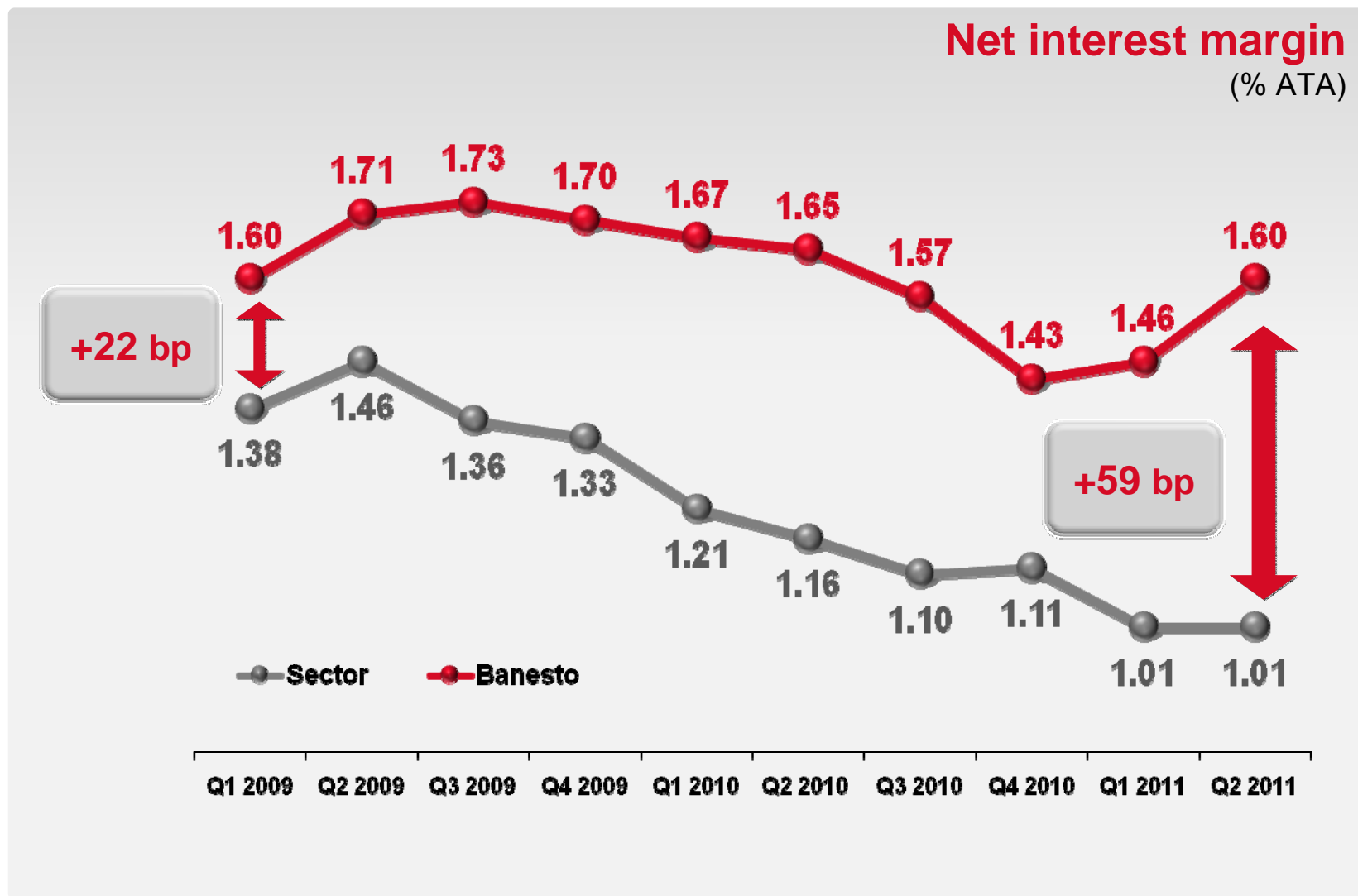


2nd lowest RE exposure as % of assets in Spain



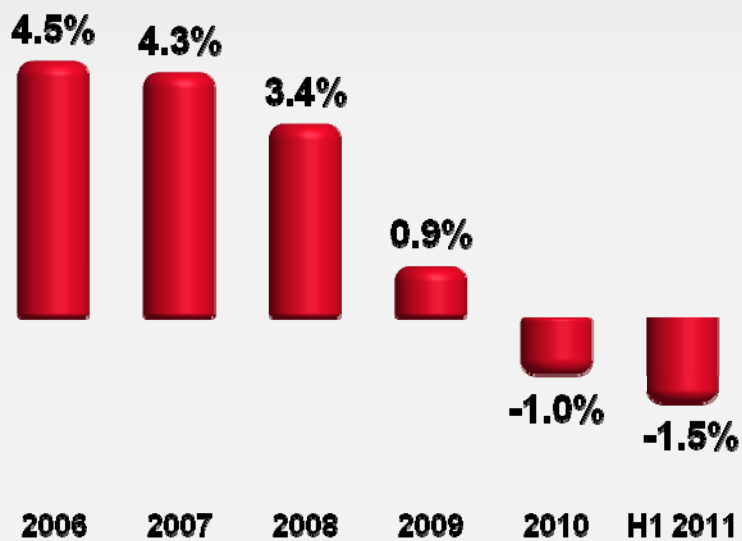
In billions of Euros

Profitability

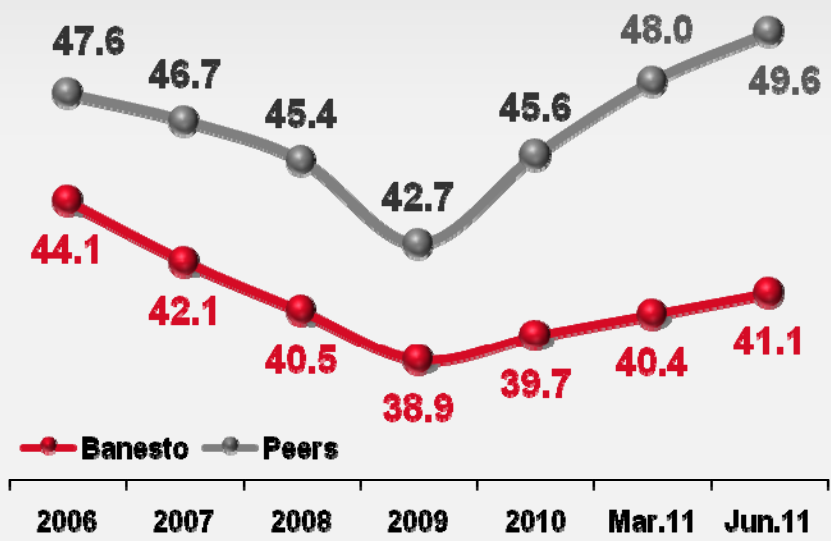


Profitability

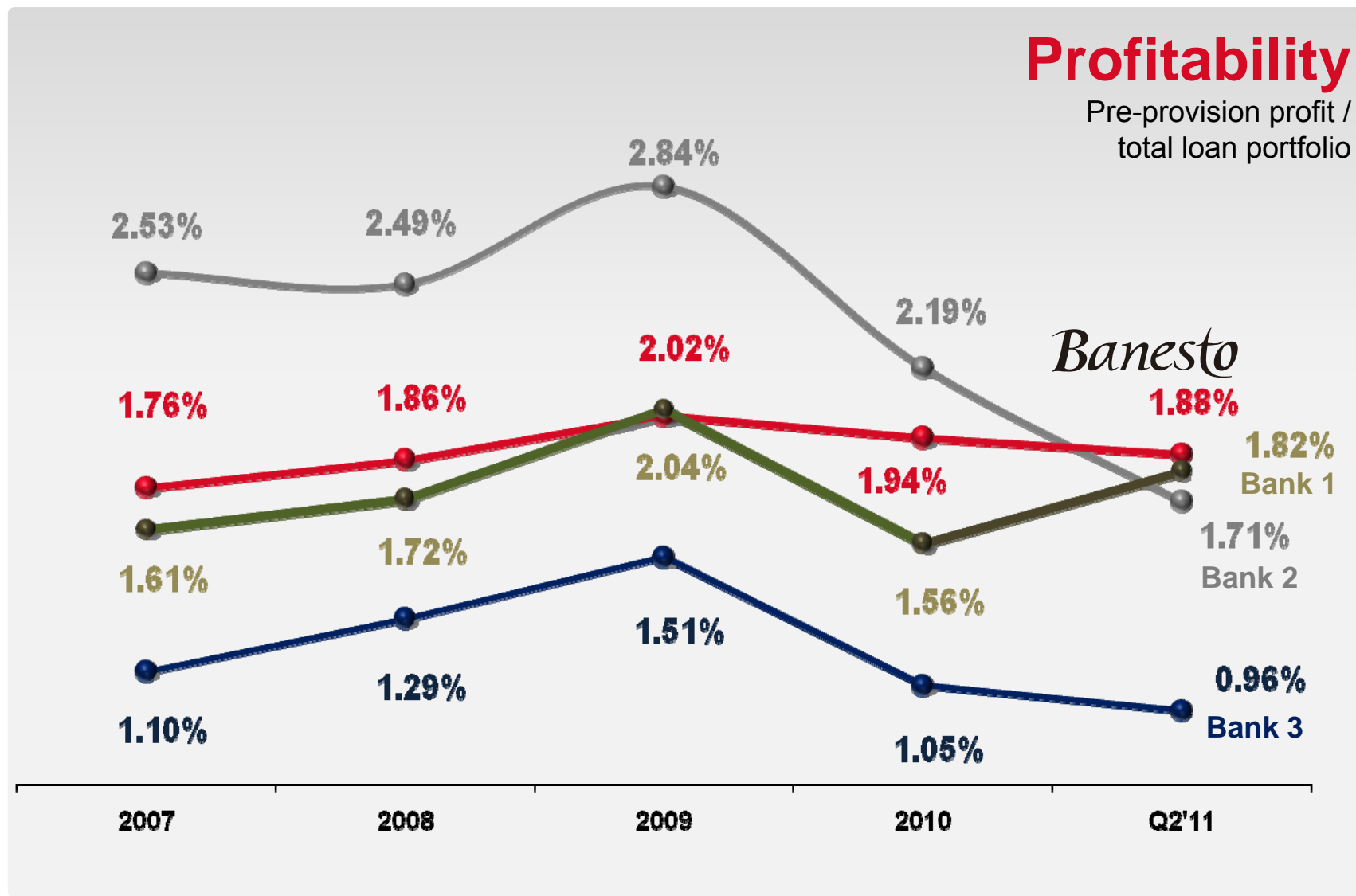
Cost evolution



Cost to income (%)

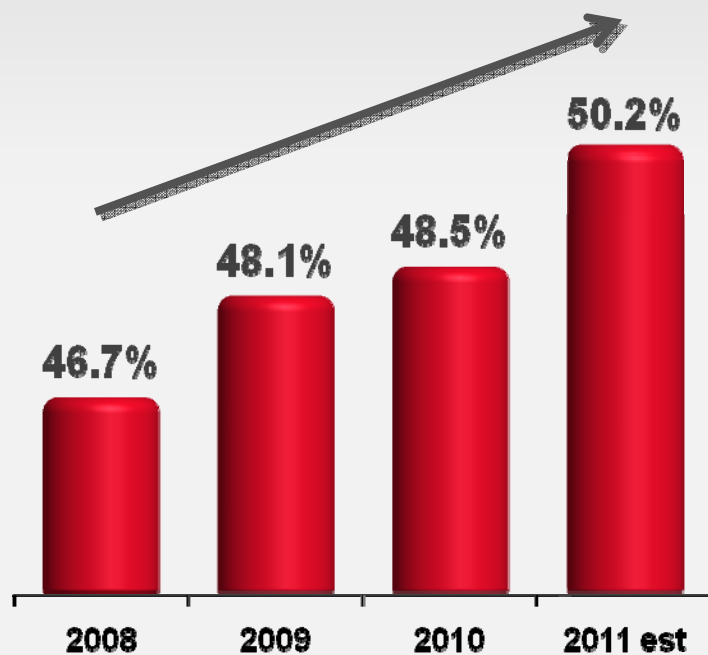


Profitability

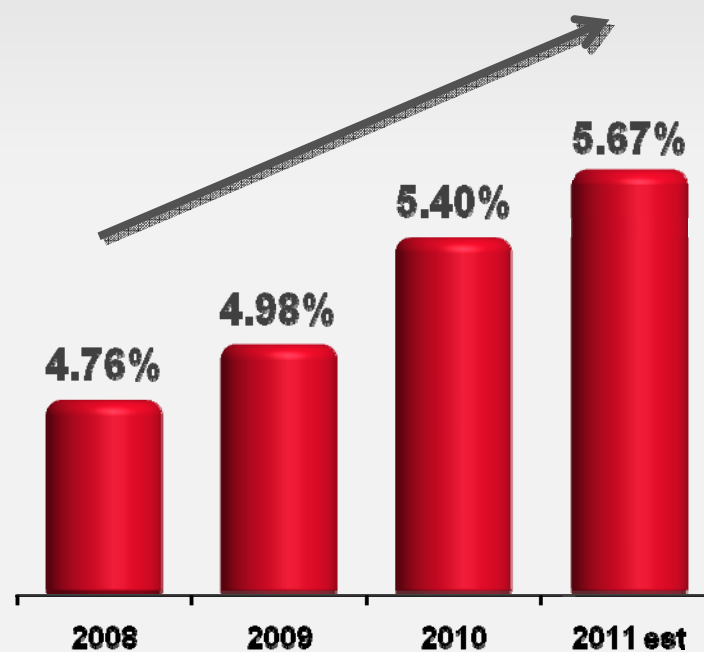


Bank's franchise - Focus on clients

Clients with payroll accounts (% of total)

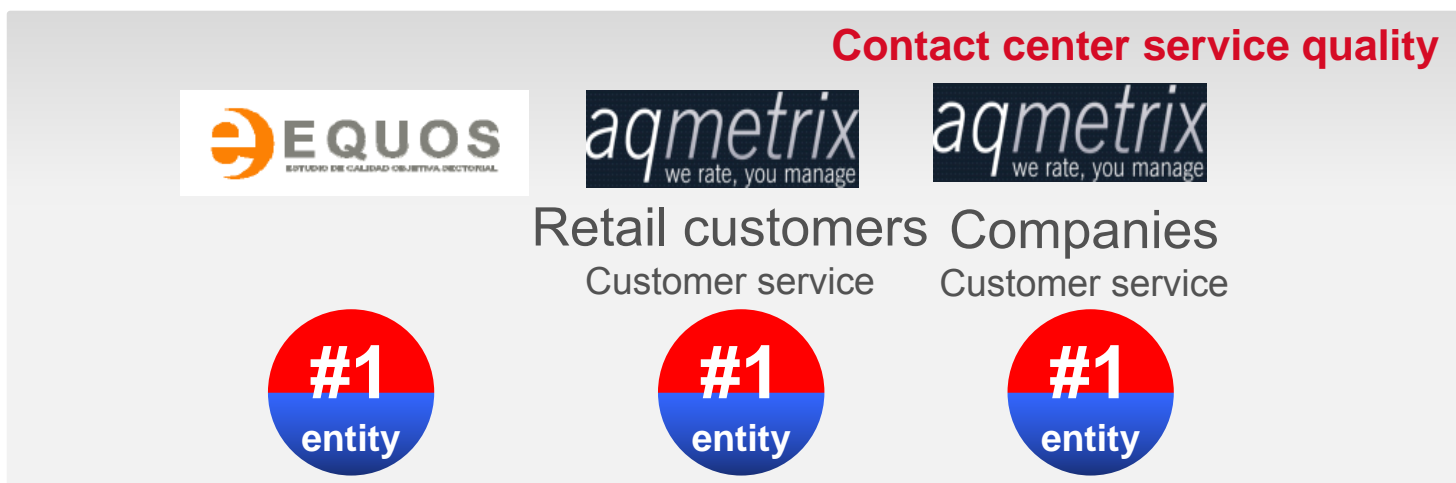
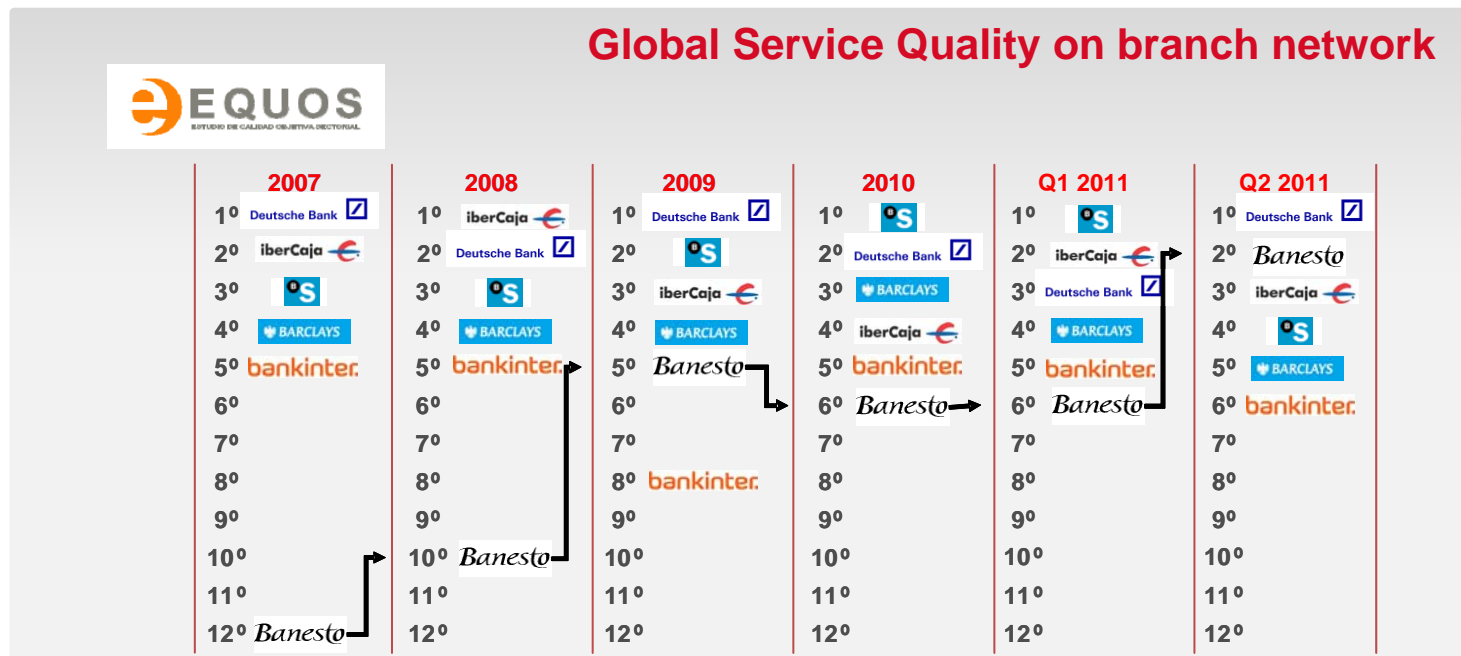


Market share (%)



Market share according to the Spanish national electronic clearing system, the SNCE (transfers, cheques, bills and direct debits)

Bank's franchise - Quality



Outlook 2013

Profitability:

- To continue managing spreads and costs control to bring C/I < 40%, with revenues 1-3% CAGR 11-13.
- To focus on profitable growth areas: private banking and SMEs

Asset quality:

- To complete the cleansing of the RE exposure by selling assets and shoring up provisions on remaining exposure.

GUIDANCE 2013

Capital:

- CT1 > 9% CT1 by 2013 under BIS III.

Liquidity:

- Self financing
- To reduce LTD by 10pp to ≈120%.