

Banesto

Delivering Quality outperformance

European Banks and Insurance

CEO Conference

London, September 28th 2010



I. A best-in-class track record vs. peers

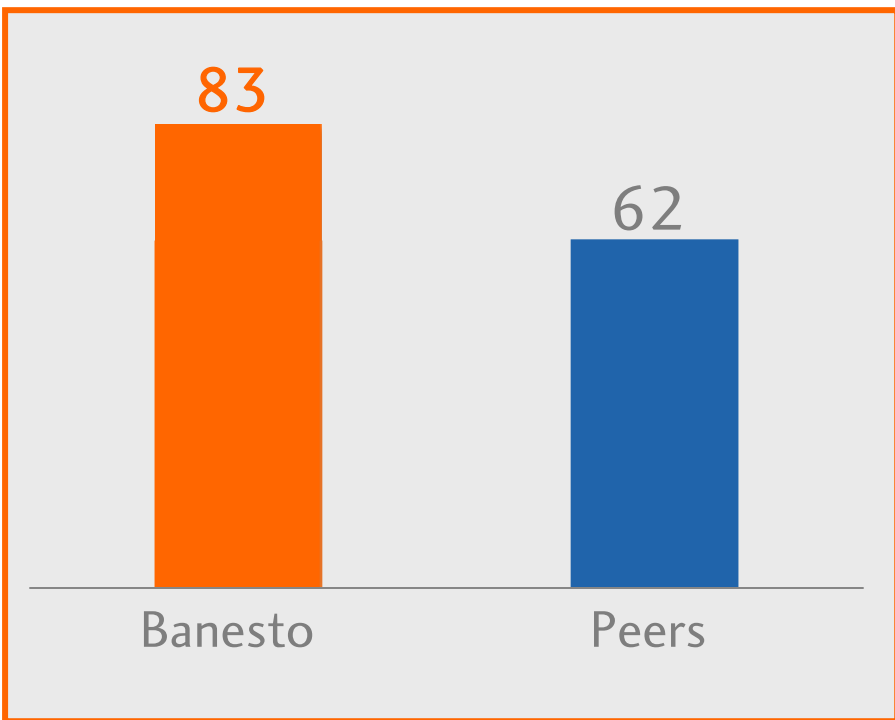
II. Our levers to continue to outperform:

- Customer oriented strategy
- A committed and experienced team
- Growth in quality diversified businesses, with predictable revenues
- Prudent credit risk, liquidity/funding management
- Excellence in commercial and operational efficiency

Banesto has a track record of **EPS outperformance**

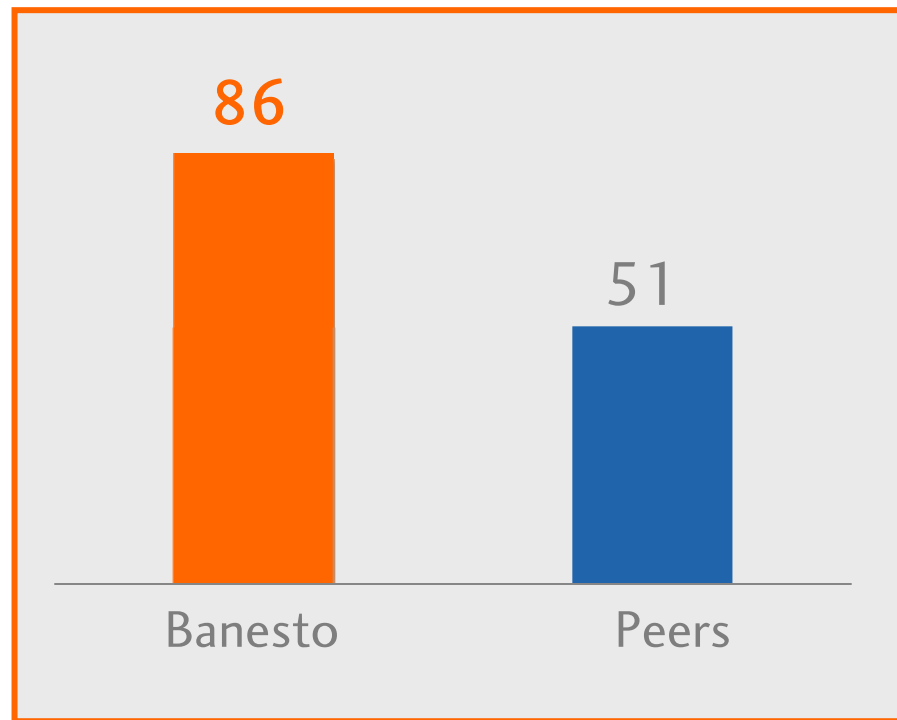
EPS 2009 vs. 2007

(2007 = 100 basis)



EPS 1H10 vs. 1H08

(1H08 = 100 basis)



In 1H10, Banesto again **delivered better results** than its competitors

Gross Operating Income

(YoY % chg. vs. 1H09)



Pre-provision Income

(YoY % chg. vs. 1H09)

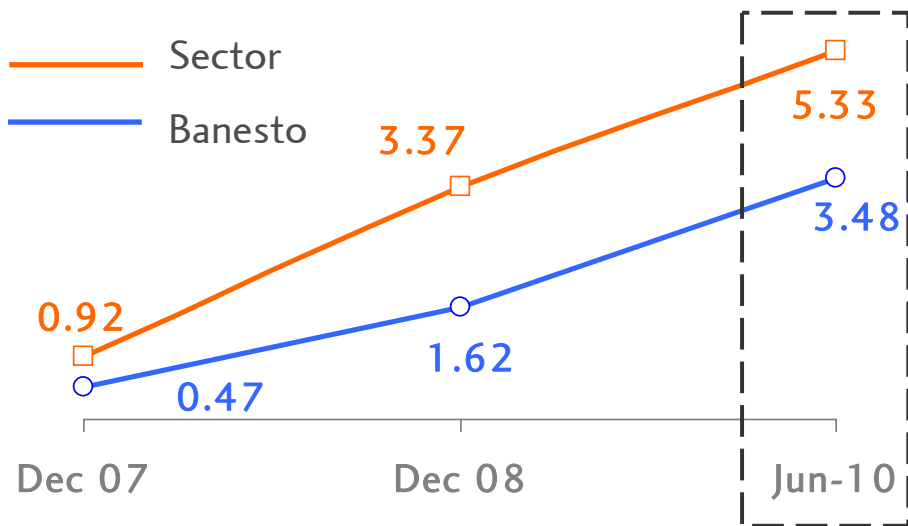


Net Profit

(YoY % chg. vs. 1H09)

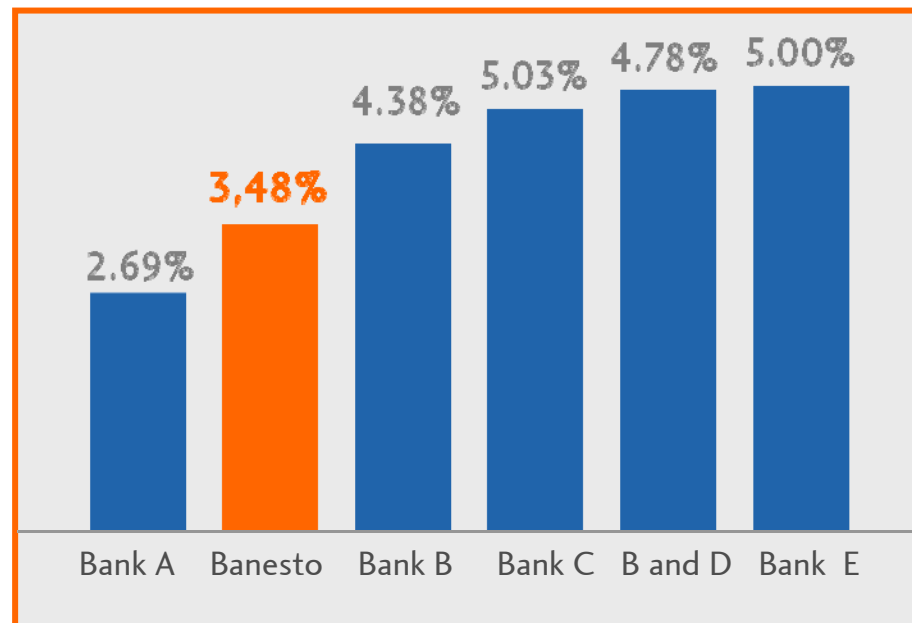


...with better **asset quality**

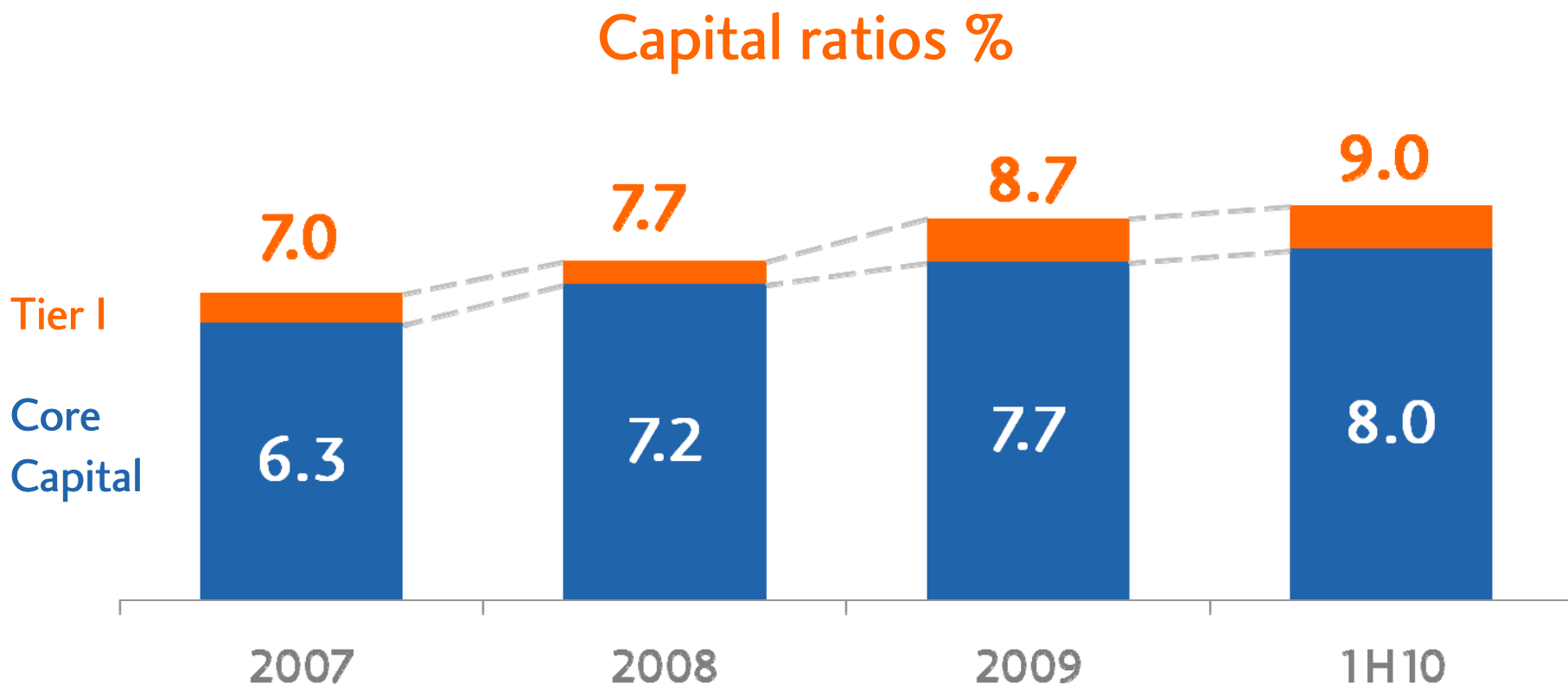


NPL ratio (%)

Data as of June 2010



And a strong capital generation with **no capital increase** in the last 7 years



...and Banesto will **continue to outperform**

Thanks to the combination of a superior business model + financial strength position :

Revenues

- Organic growth, taking advantage of the opportunities offered by the restructuring and mergers
- Selective growth in strategic niches (i.e. Affluent customers and Medium sized enterprises)
- Continuous improvements in cross-selling

Costs

- New efficiency plan: Alhambra (2002-06), Menara (2007-09)...Elan (2010-12)

Credit risk

- Maintain NPL ratio gap with peers

Recoveries

- Optimize recoveries process and Real Estate Assets disposal

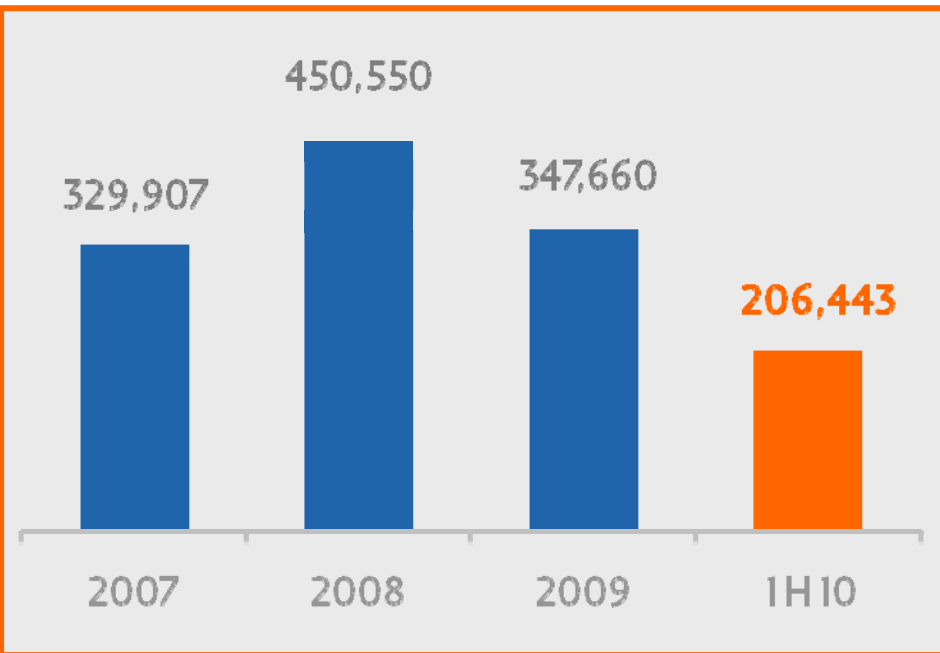
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II. Our levers to continue to outperform:

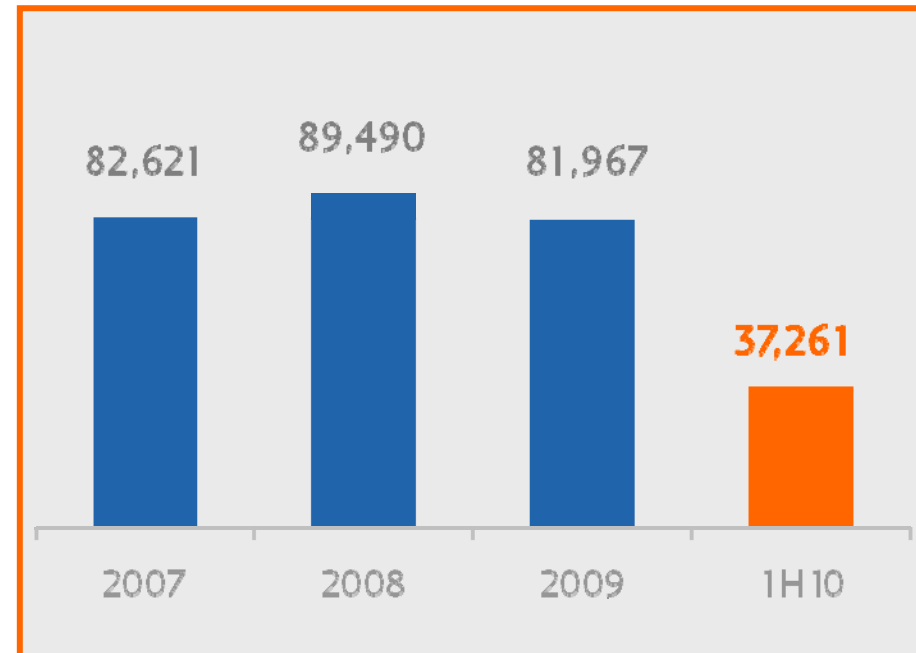
- Customer oriented strategy
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Successful customer acquisition

New Individual Customers



New SME customers

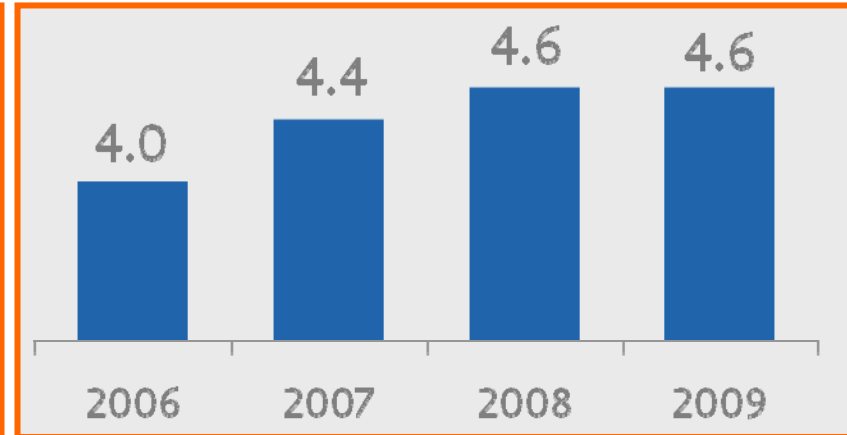
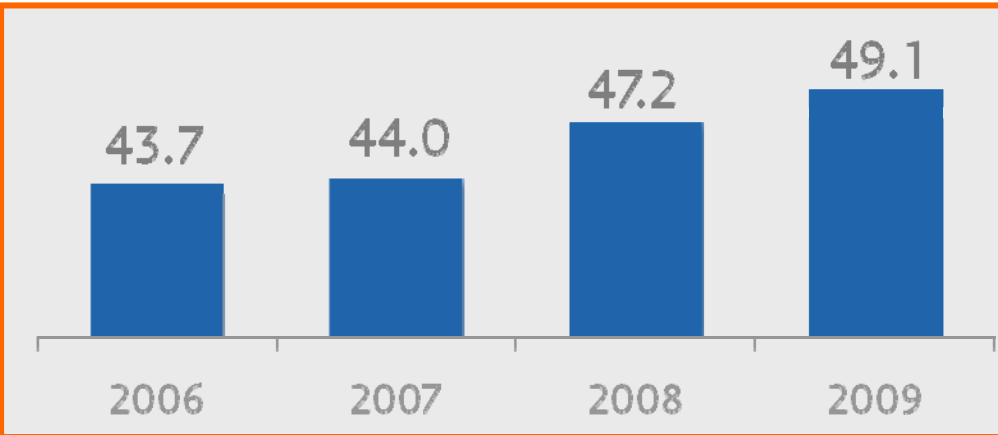


1.- Customer-oriented strategy

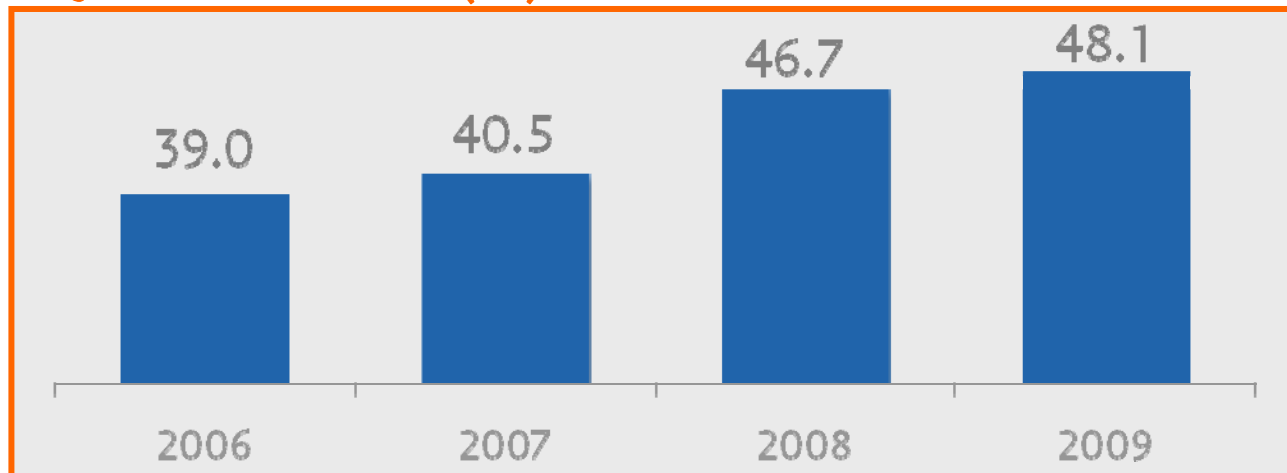
...supported by **strong cross-selling...**

Cross-sold customers (%)
> 4 products

Products per customer



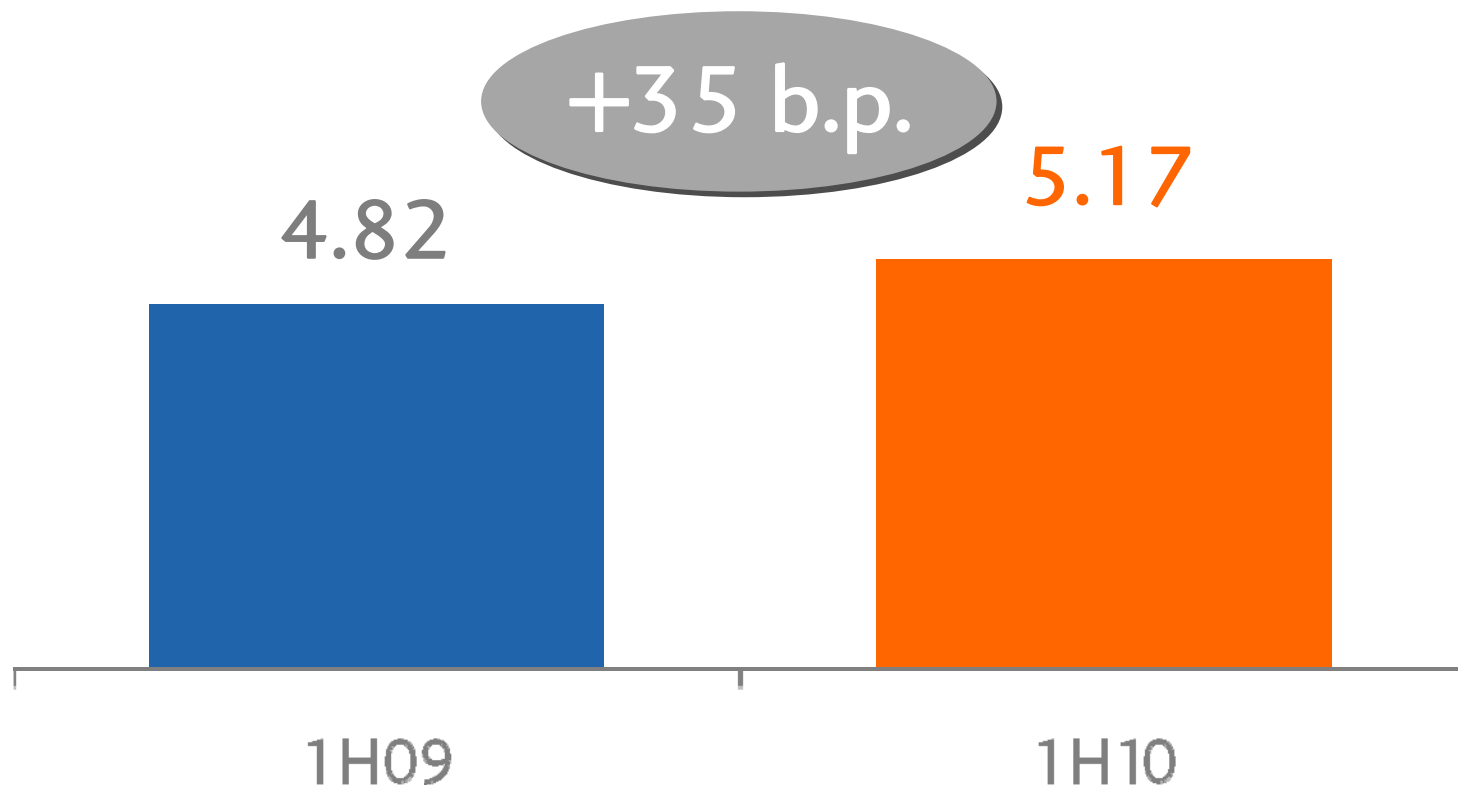
Payroll accounts (%)



1.- Customer-oriented strategy

...with **transactional business** market share gains

Transactional business market share*

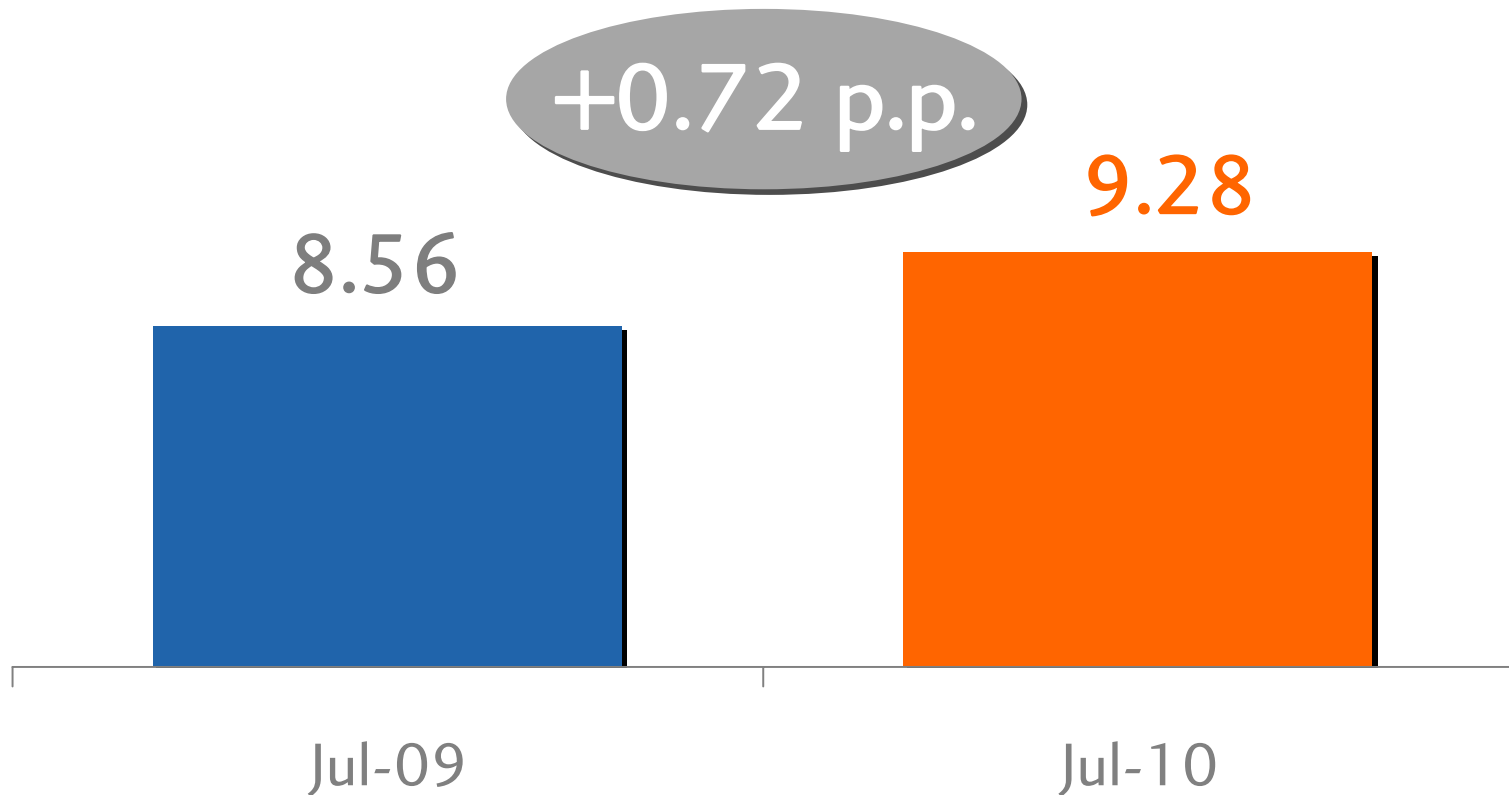


**Transactional business volume through SNCE system*

1.- Customer-oriented strategy

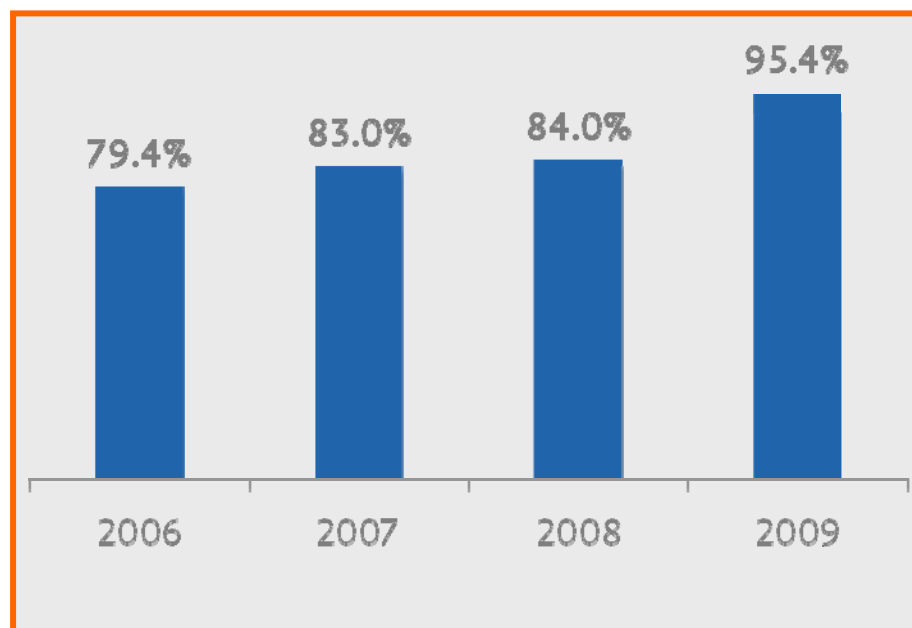
With a significant market share growth
in customer funds

% market share o/banks in customer funds

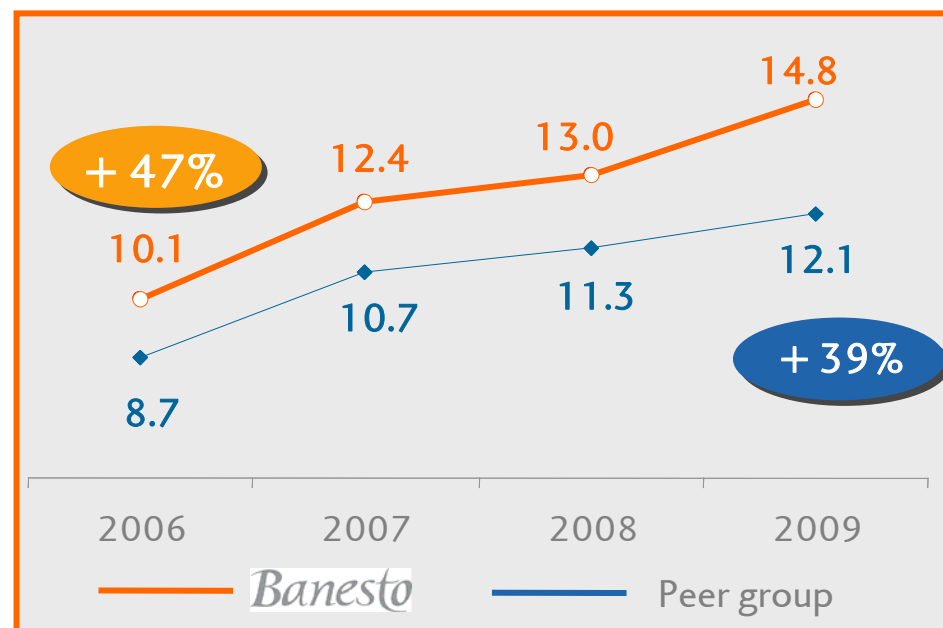


2.- A committed and experienced team

% Commercial roles at distribution network (in % over total)



Business volume per employee (EUR mn)



Banesto has been selected for the sixth straight year as one of the **top five companies to work for in Spain** (*Actualidad Economica*)

Diversified revenues by segments and businesses

Gross operating Income (EUR mn)

| | 1H10 | % Chg. |
|-------------------------------|----------------|-------------|
| Individuals | 528.7 | (2.5%) |
| Small business and retailers | 248.3 | 0.2% |
| Medium-size companies | 253.0 | 4.0% |
| Wholesale customers & markets | 237.7 | 6.0% |
| Corporative activities | 20.7 | (6.8%) |
| Total | 1,288.4 | 0.7% |

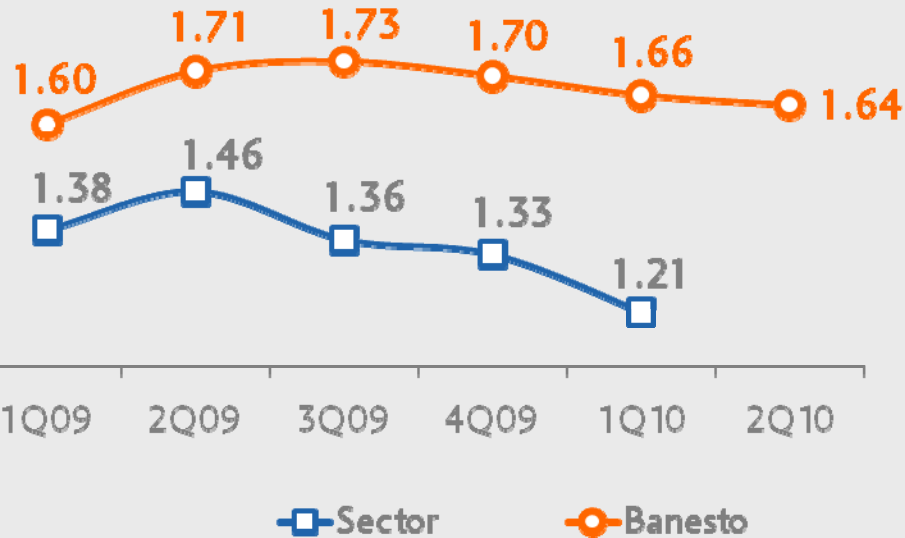
3.- Diversified business with recurrent revenue generation

Managing **margins** and consistently **gaining** market share in service fees

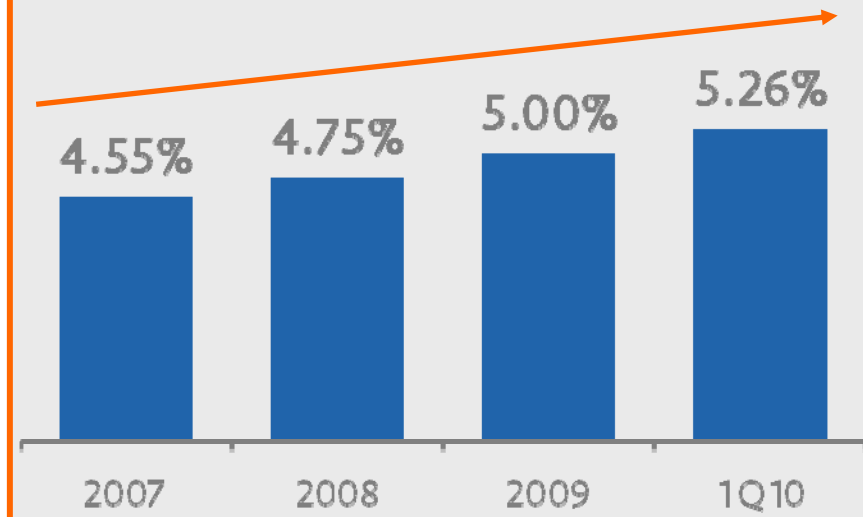
Commission income market share

(% market share among depository financial institutions)

Net interest margin (%)



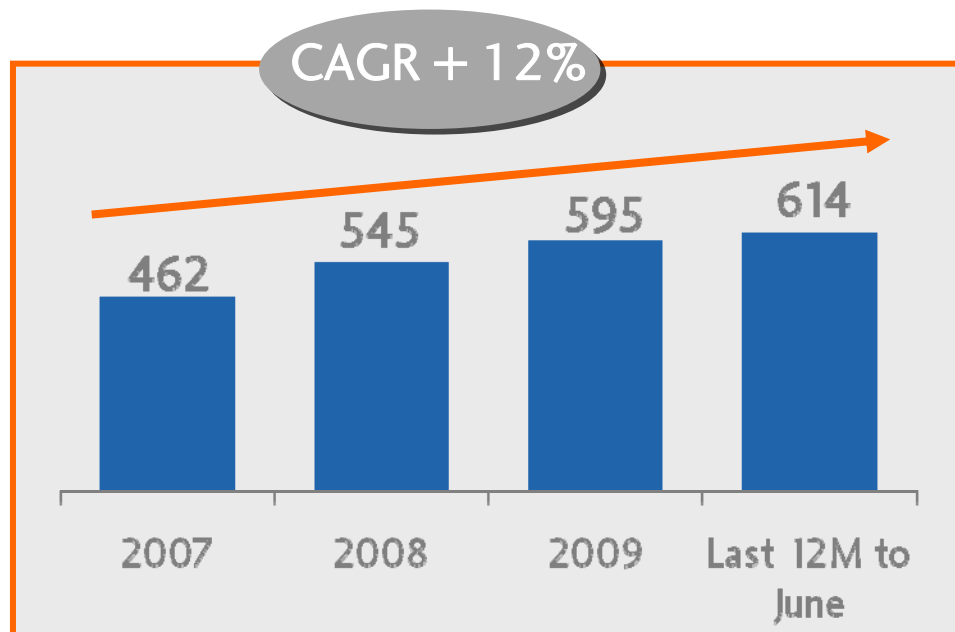
+0.71 p.p.



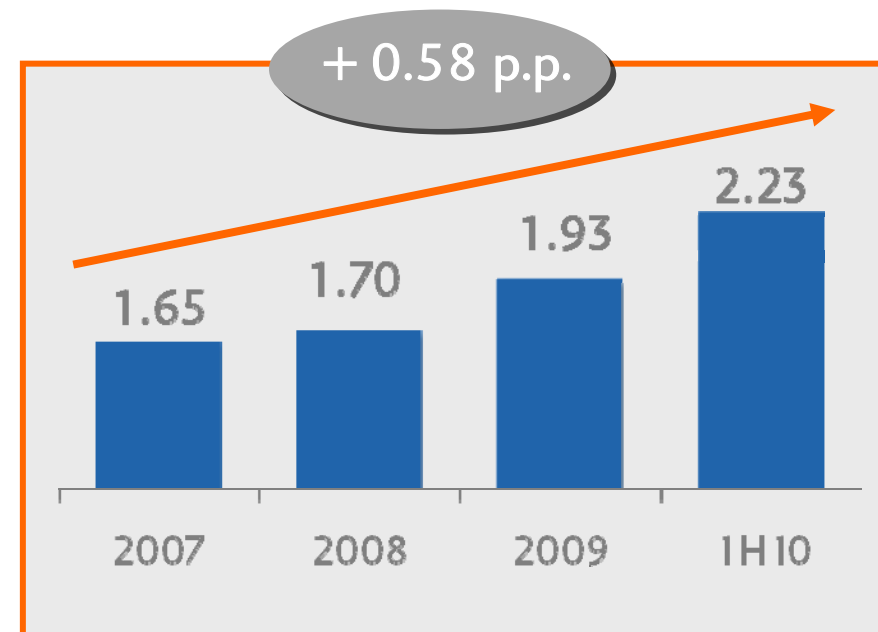
3.- Diversified business with recurrent revenue generation

Focus on growth in **higher rated corporates** and on **higher value-added business**

Gross Operating Income (Eur mn)



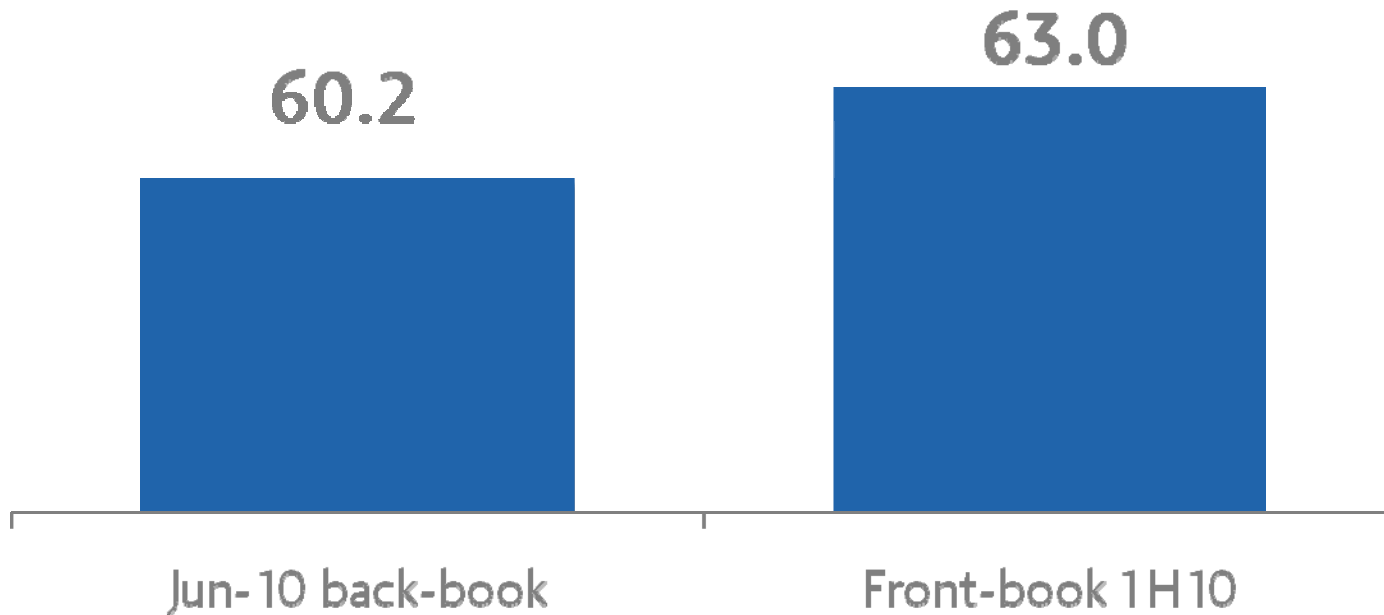
GOI / EAD (%)



3.- Diversified business with recurrent revenue generation

Focus on growth in **higher rated corporates** and on **higher value-added business**

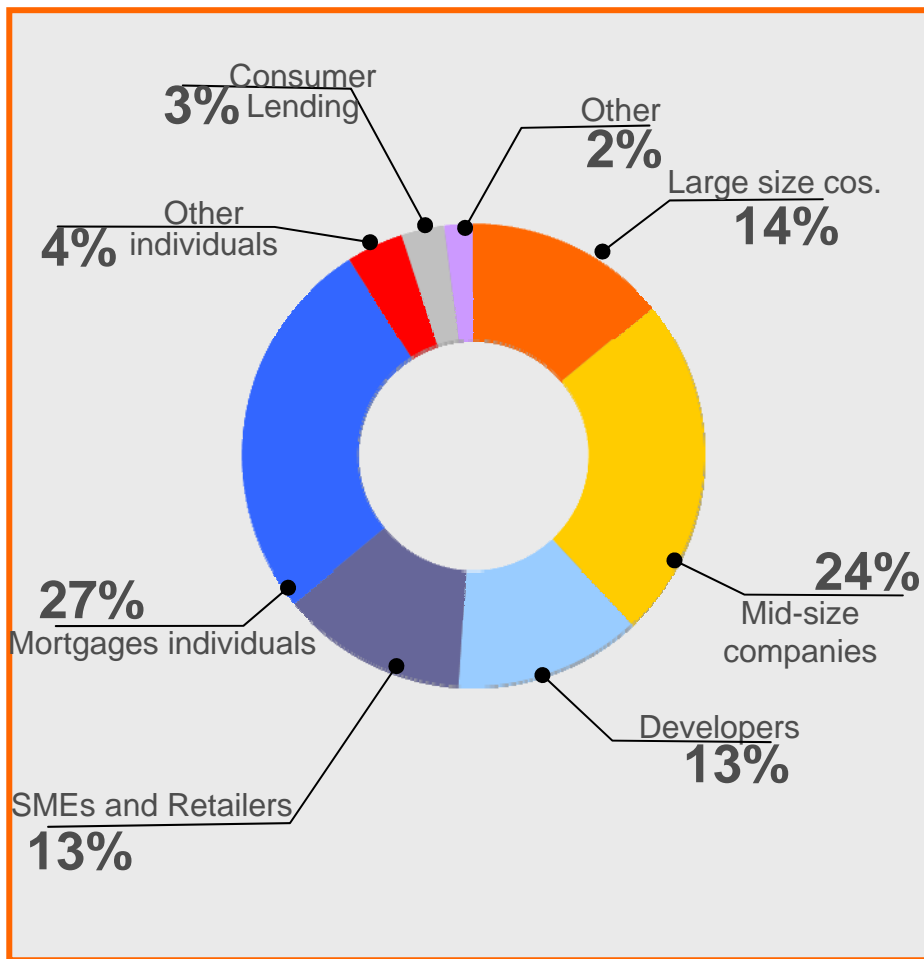
Internal Corporate Risk Rating



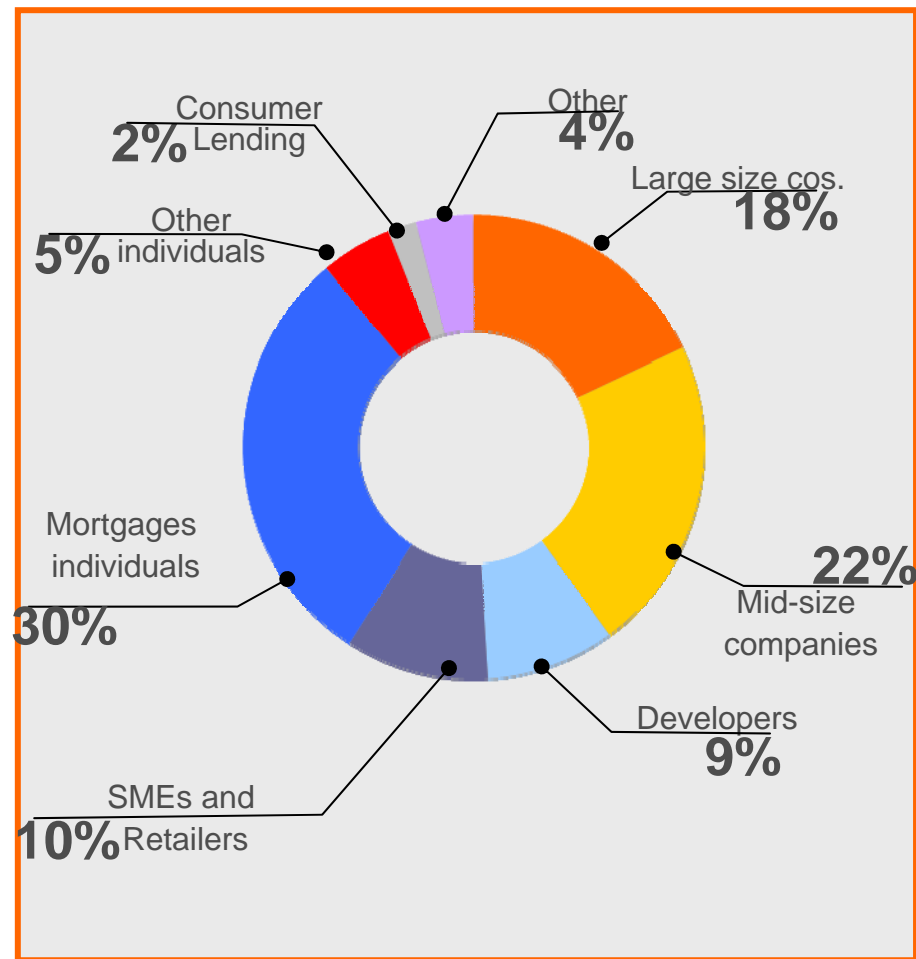
4.- Prudent credit risk management

Well **diversified** and move to a **lower risk profile**

Loan Portfolio 2007



Loan Portfolio Jun 10



Anticipation of downturn as proven by:

2006 Real estate risk reduction (mkt share in Jan. 06 was 4.6%, by Dec. 07 3.9%)

2006 Sale of Urbis with a €1.1 bn capital gain

2007 Sale of lower rated performing mortgage portfolio (3% total portfolio)

2007 €2.3 bn risk reduction in lower rated corporates

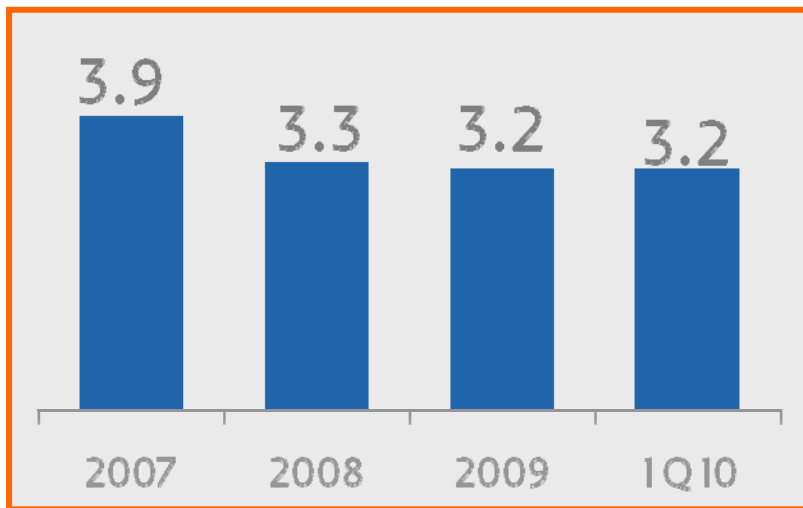
2007 Closure of Credinet (dealers' car consumer business)



...reinforcing **credit risk policies, organization and teams** (admission, approval, monitoring, recoveries...) since 2007

Reducing Real Estate exposure

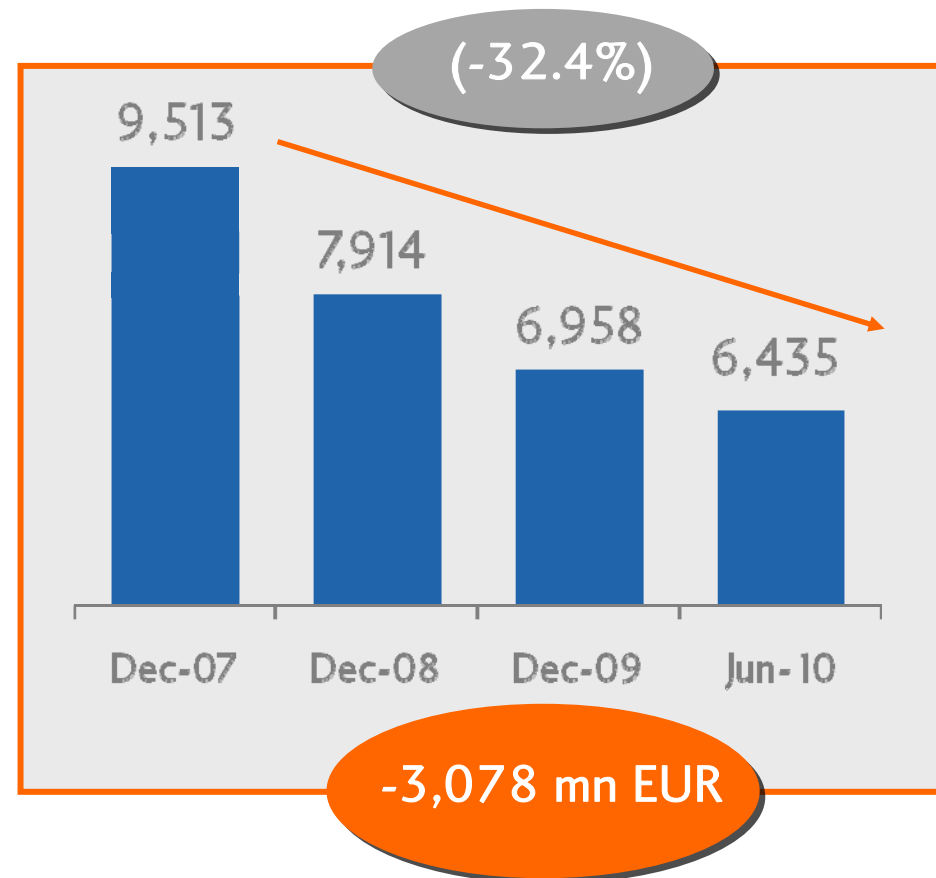
Market share in real estate %



Market share in lending all private sector: 4.7%

Loans to property developers

(EUR mn)

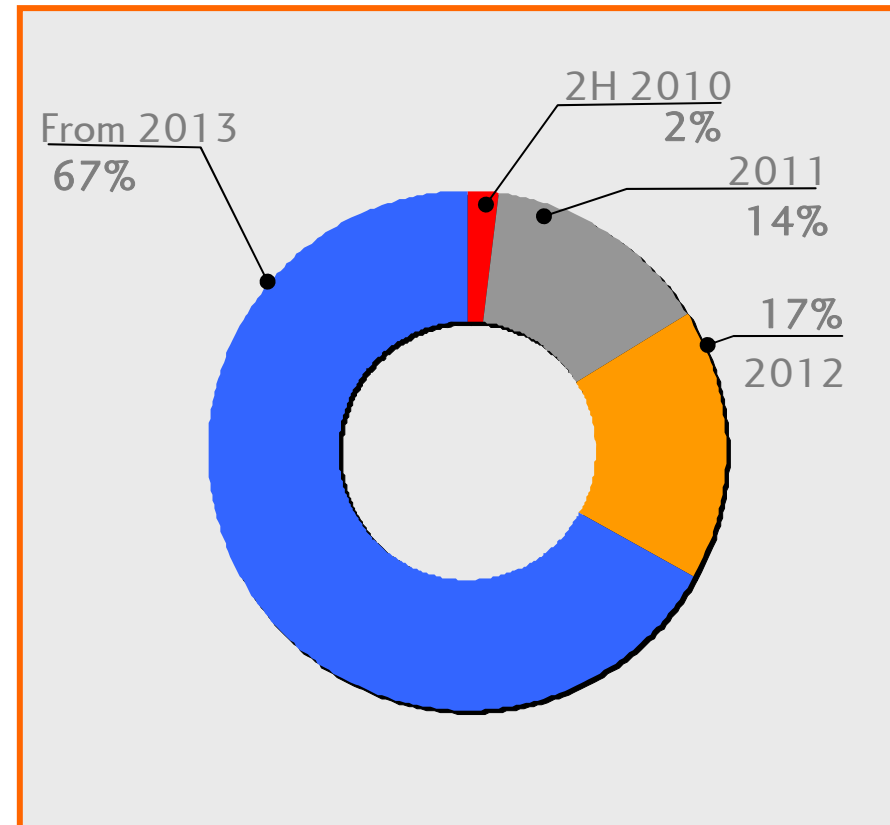


Comfortable **liquidity position** and balanced **maturity profile**

- Net liquidity position: EUR 6 bn as of June 30th
- Sufficient for maturities to 2012
- Commercial paper is only 10% of total wholesale funding

Wholesale Issue Maturities*

(EUR 24.6 bn at 30/06/10)

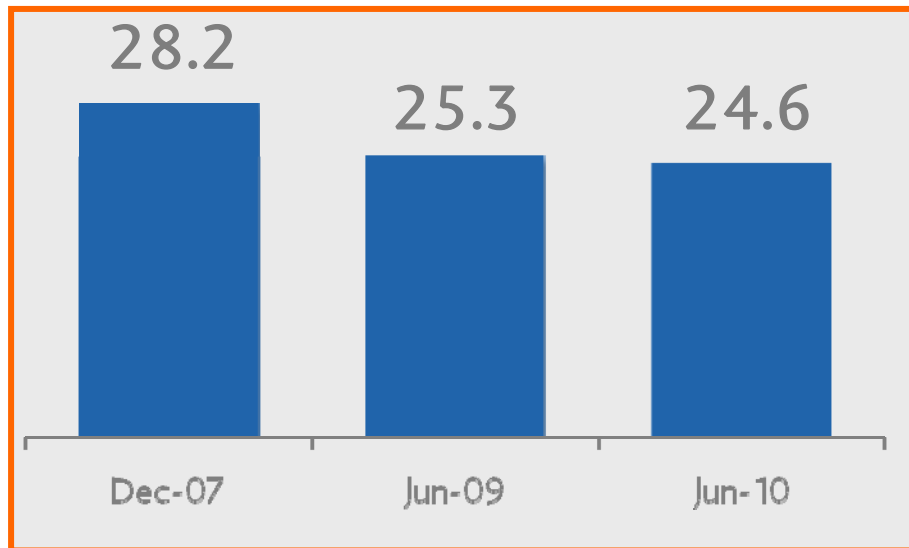


* Covered bonds and senior debt

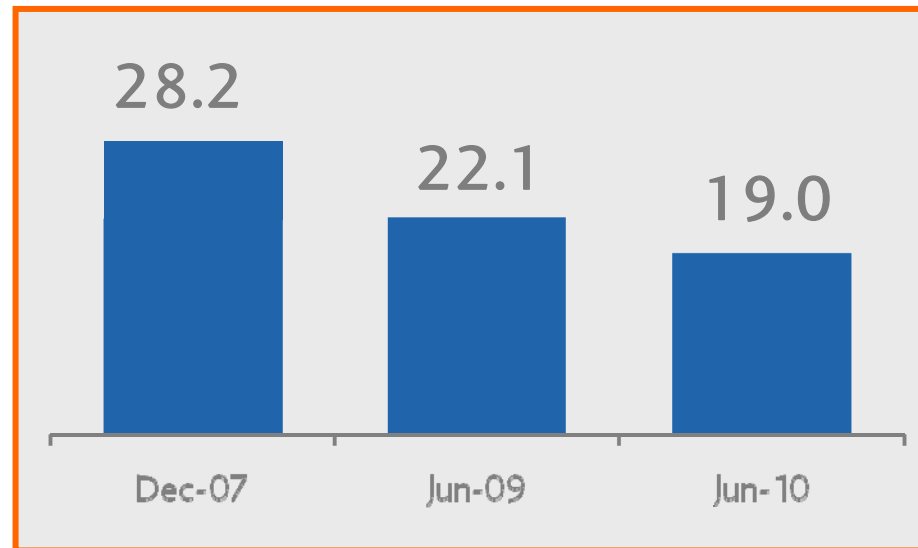
4.- Prudent liquidity/funding risk management

And reliance on wholesale funding has diminished
since the beginning of the crisis...

MT & LT Wholesale Funding ⁽¹⁾
(EUR Bn)



Net Wholesale Funding ⁽²⁾
(EUR Bn)

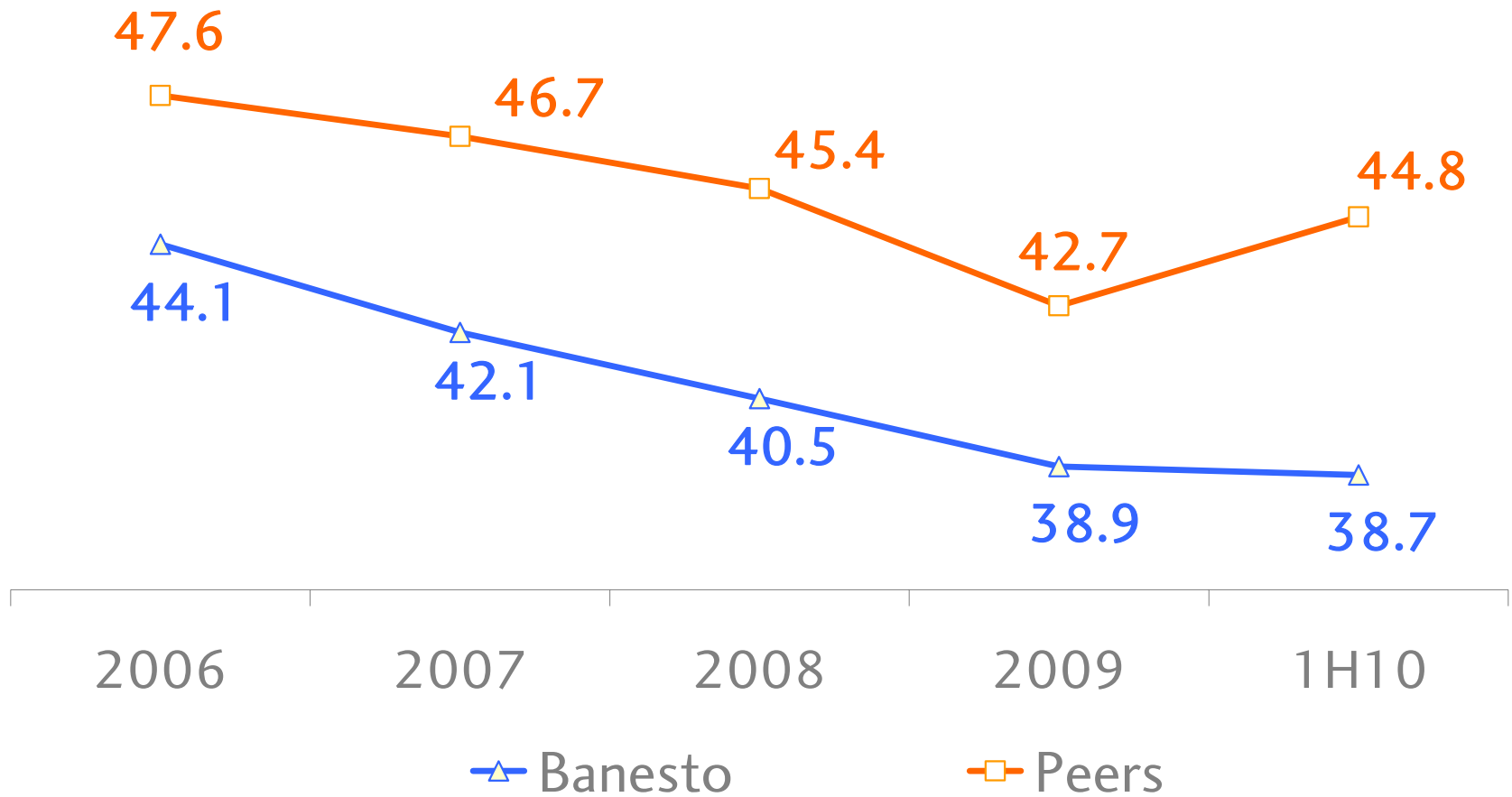


(1) Includes senior debt, covered bonds and subordinated debt

(2) Gross wholesale funding net of liquidity

Outperforming in efficiency...

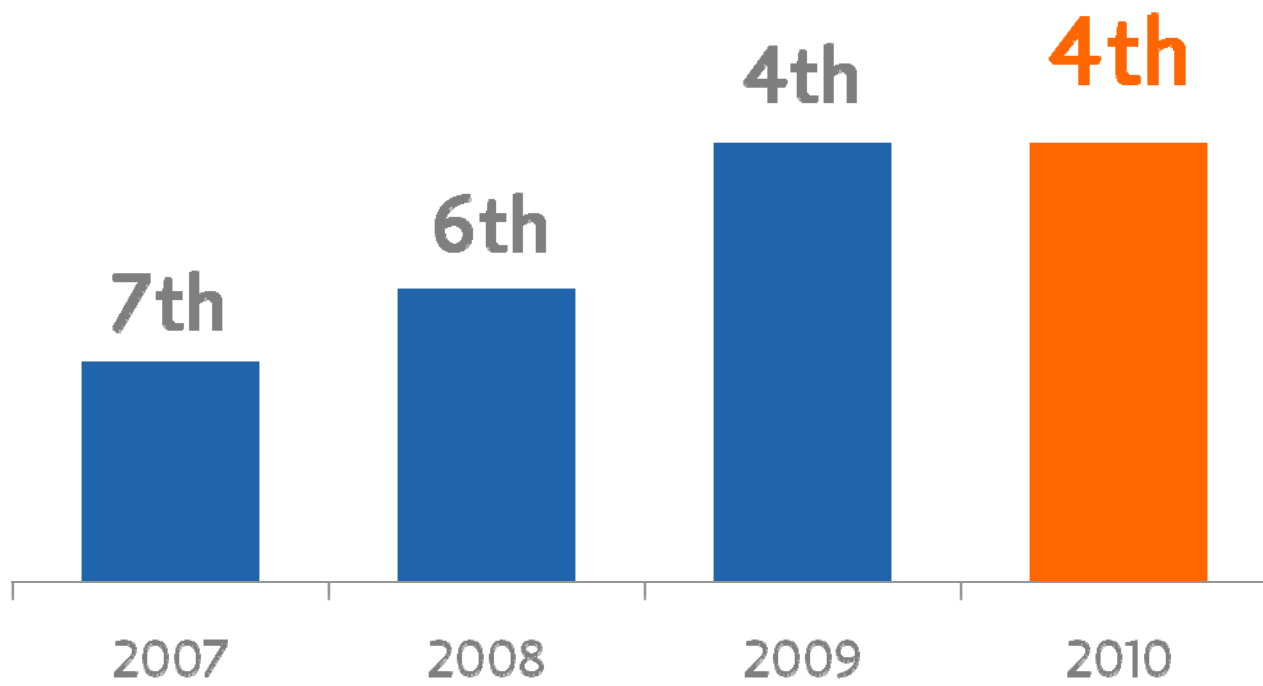
Cost/Income Ratio (%)



5.- Excellence in commercial and operational efficiency

...whilst achieving high standards in **service quality**

Global ranking by customer satisfaction (FRS Inmark)



Banesto

Concluding remarks

Our differential relative position is **recognized by the market**

Ratings

| | <u>Dec 07</u> | <u>Present</u> |
|----------------|---------------|----------------|
| S&P | AA | AA |
| Moody's | Aa2 | Aa3 |
| Fitch | AA | AA |

Global Finance "World's 50 Safest Banks"

3rd Spanish institution

GLOBAL
FINANCE

24. Banesto

25. Caisse centrale Desjardins

26. Credit Suisse

27. Nordea

28. La Caixa

29. Svenska

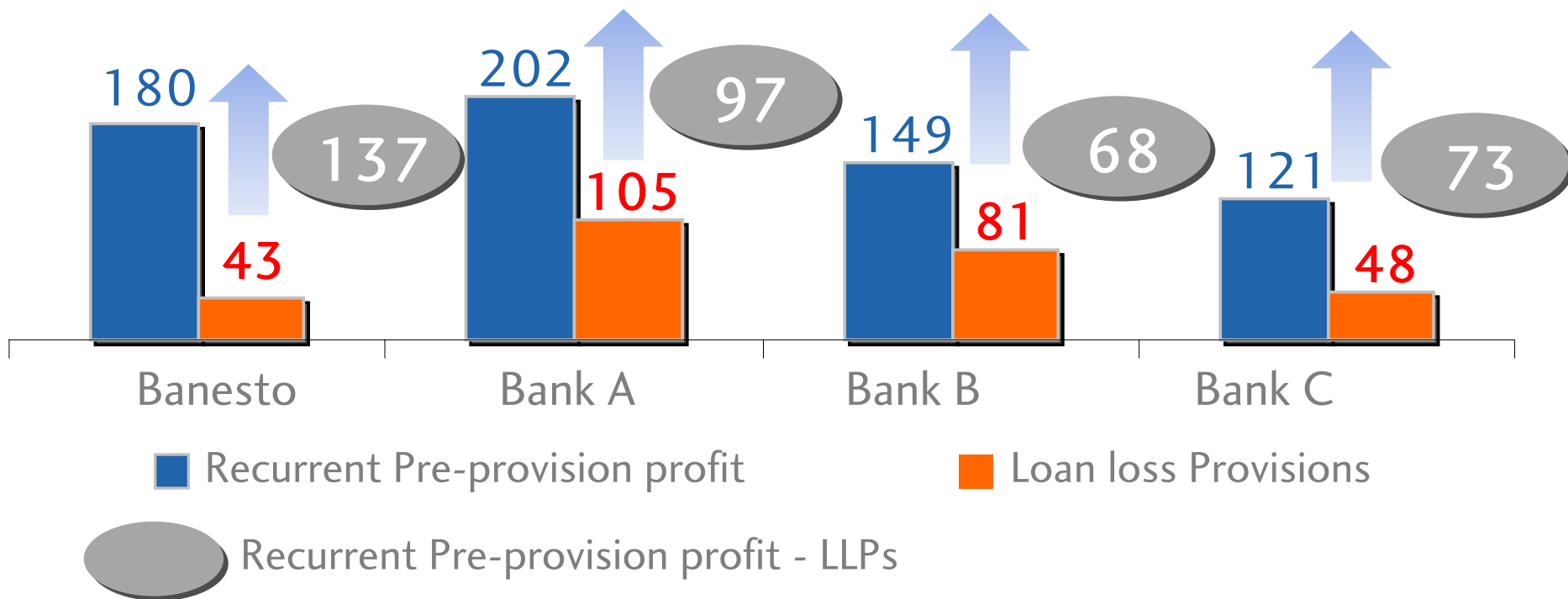
30. The Bank of New York

Mellon Corporation

Strong revenues, cost control and better asset quality result in **higher profitability**

Pre-provision profit vs. LLP's (B.p. over Average credit risk)

1H2010



Banks A, B & C being our most comparable Spanish peers

Closing remarks

- Our business model has proven **winner** over the business cycle, delivering **EPS outperformance and higher profitability**
- Best-in-class **B/S strength**: Asset quality, capital and liquidity position.
- **Future drivers**: Organic growth opportunities in a restructuring market, efficiency improvements and above sector credit quality

**Proven track record that will continue to deliver
above sector performance**

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