



London 29<sup>th</sup> & 30<sup>th</sup> September 2011

# INVESTOR DAY

DELIVERING PROFITABLE GROWTH

**José García Cantera**

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

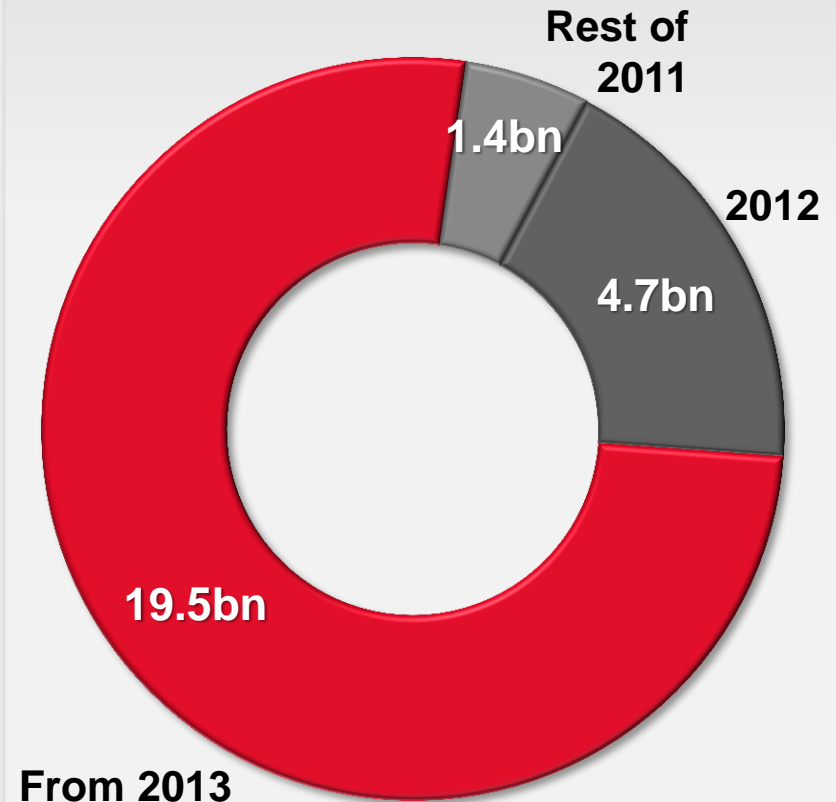
## To enhance the bank's franchise

- Focus on clients
- Quality and innovation
- Human capital

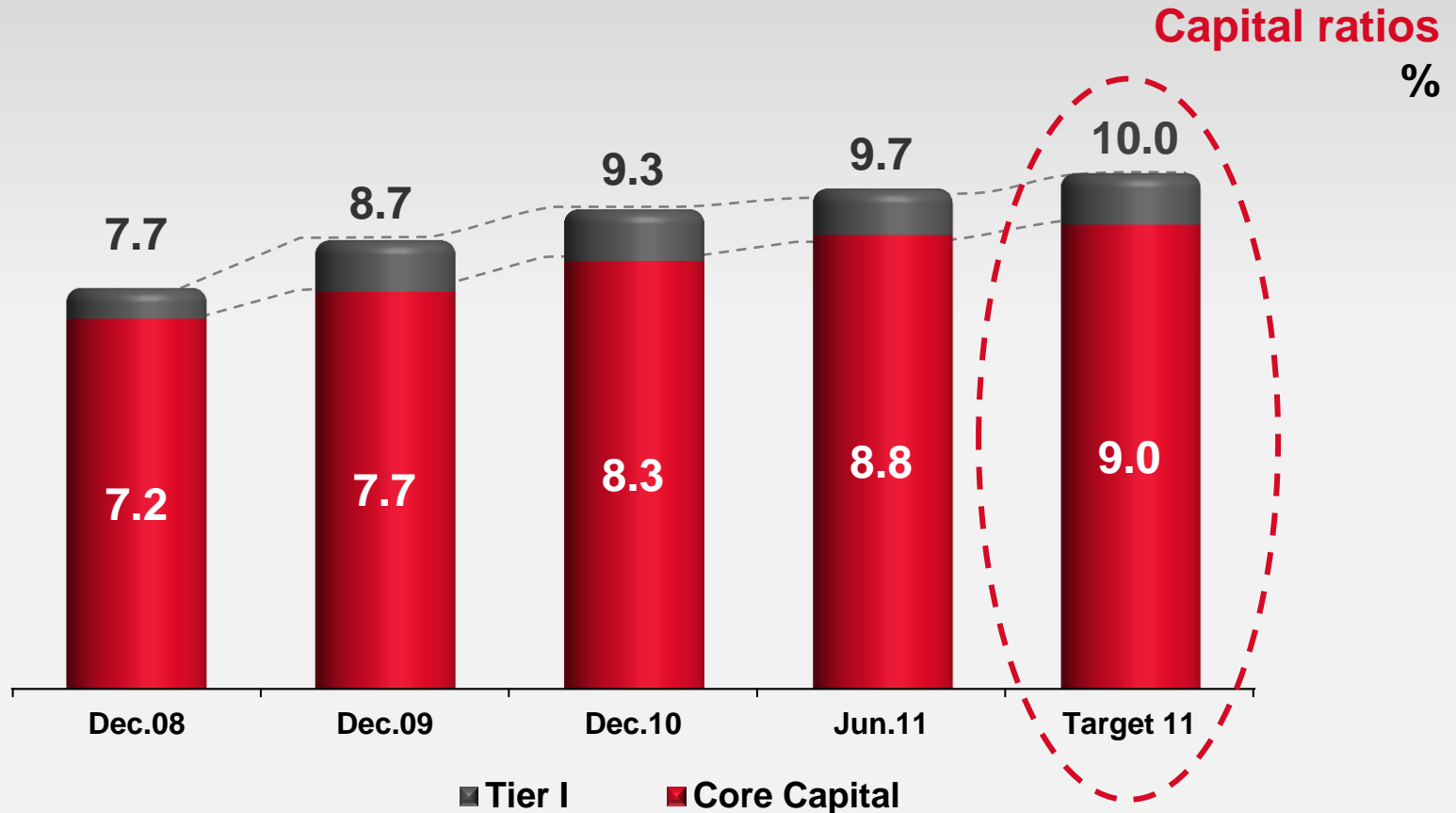
# Balance Sheet - Liquidity

- 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)



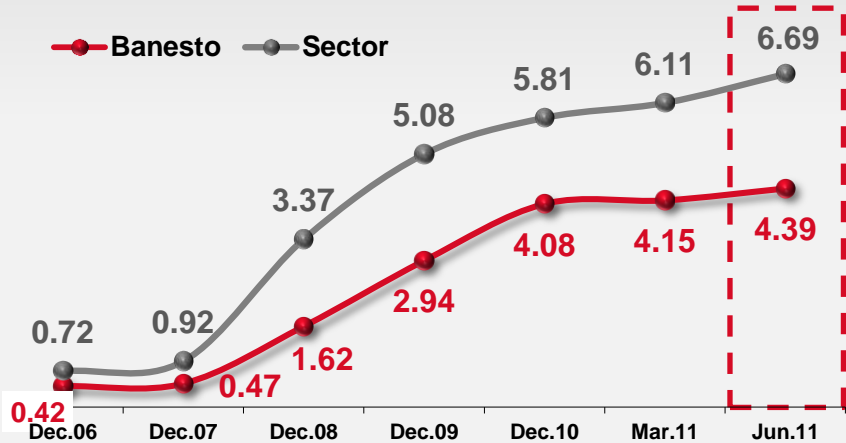
# Balance Sheet - Capital



- 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

## NPL ratio (%)



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
<b>Total</b>	<b>4.39</b>	<b>100</b>

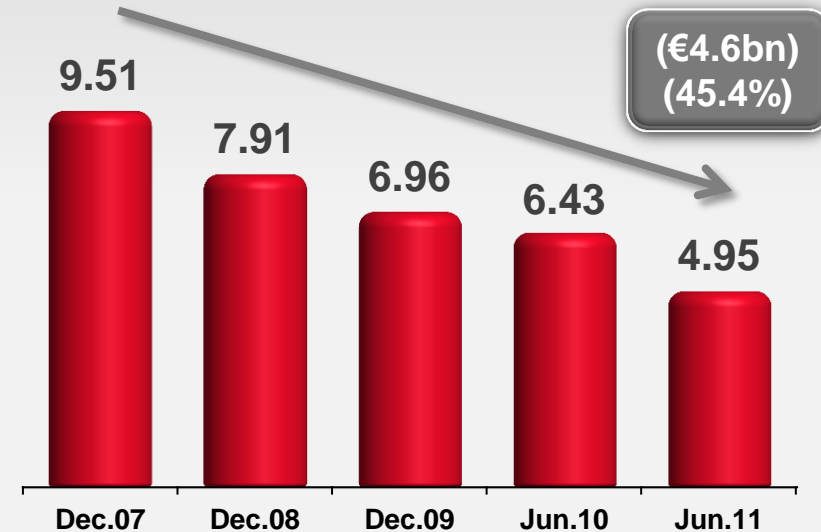
# Balance Sheet - Asset quality

## Lending to RE (as % of total assets, 2010)



2<sup>nd</sup> lowest RE exposure as % of assets in Spain

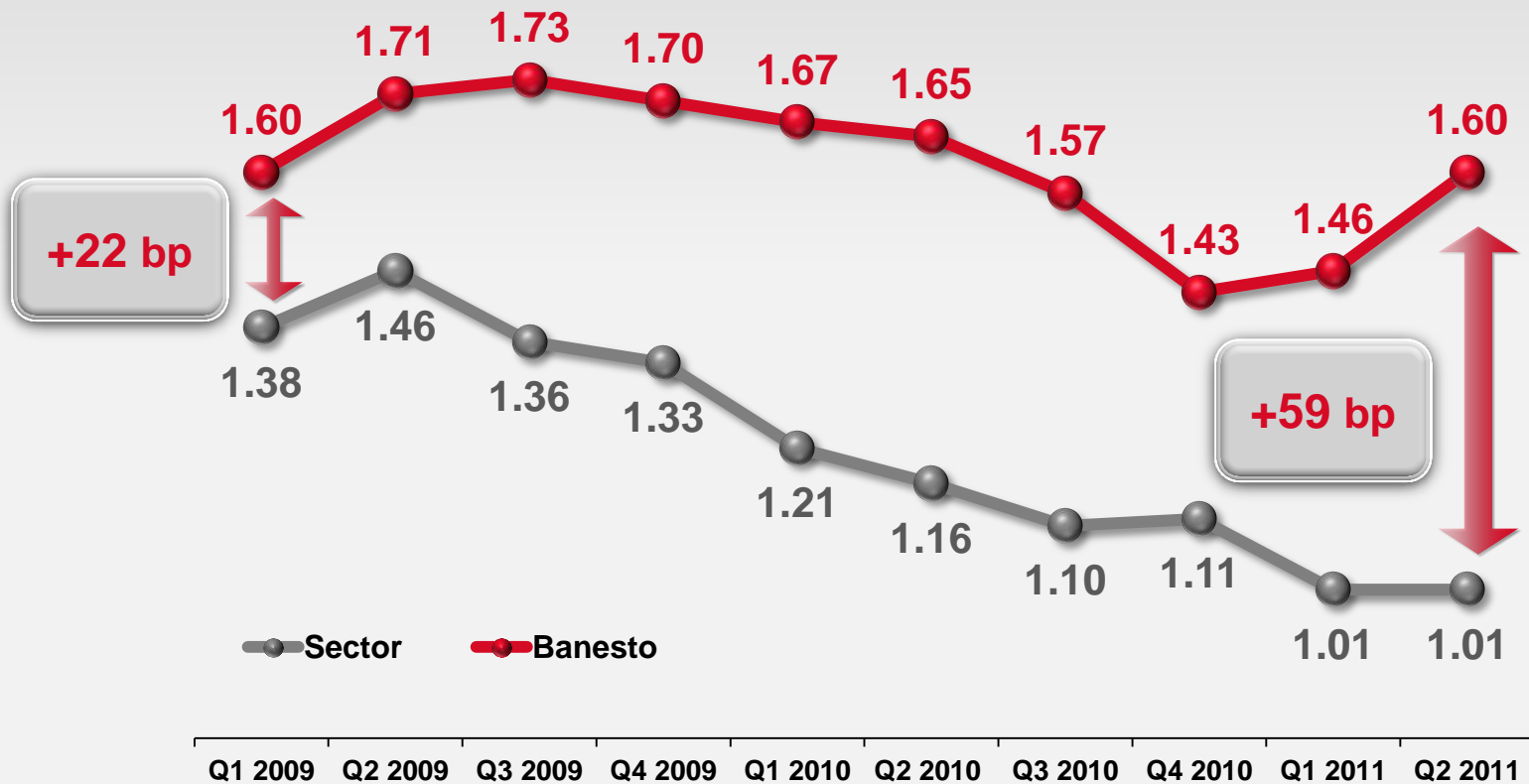
## Loans to developers



In billions of Euros

# Profitability

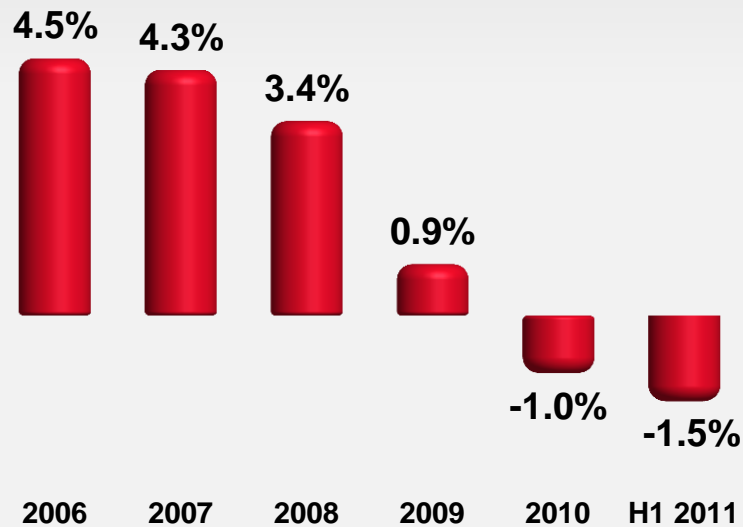
## Net interest margin (% ATA)



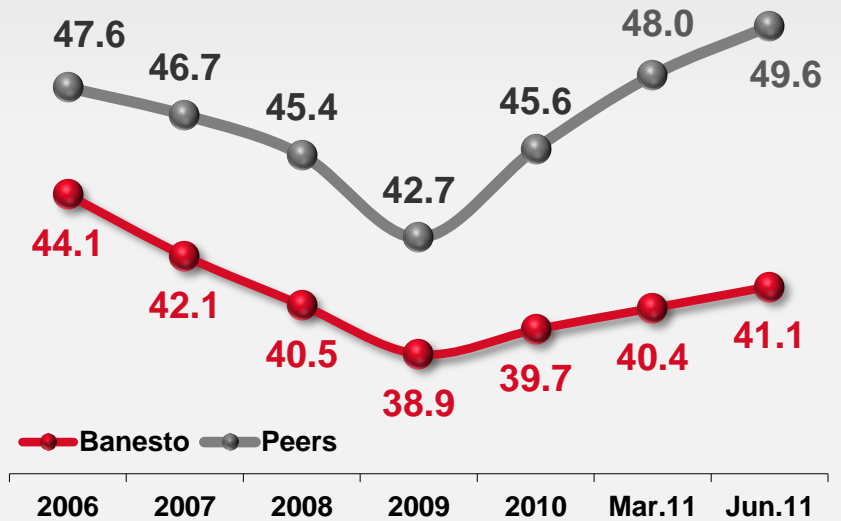


# Profitability

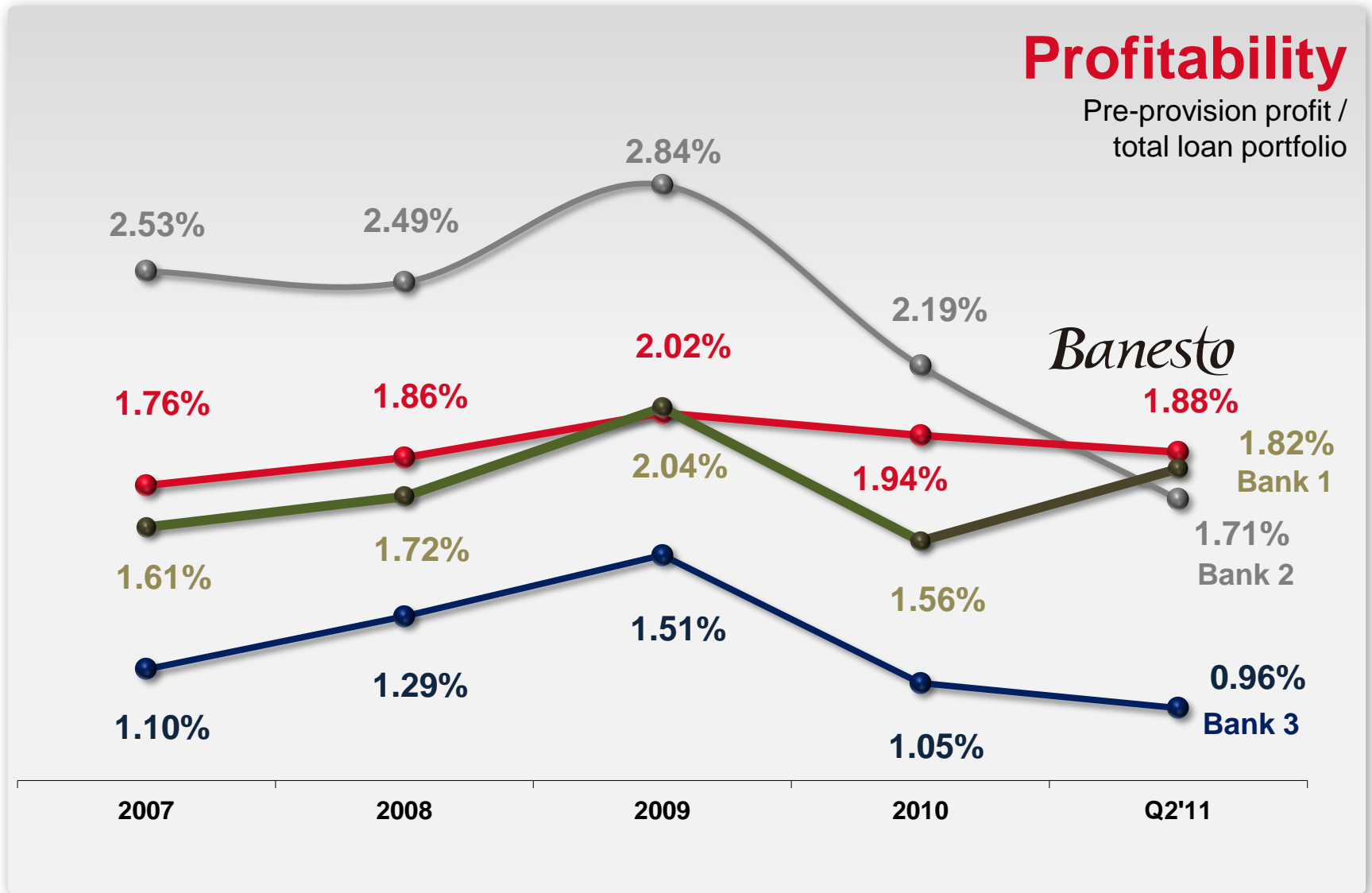
## Cost evolution



## Cost to income (%)

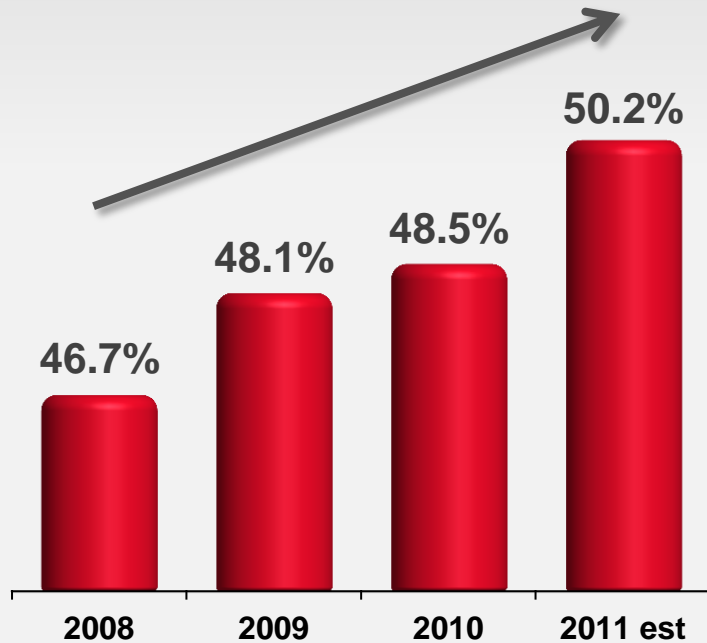


# Profitability

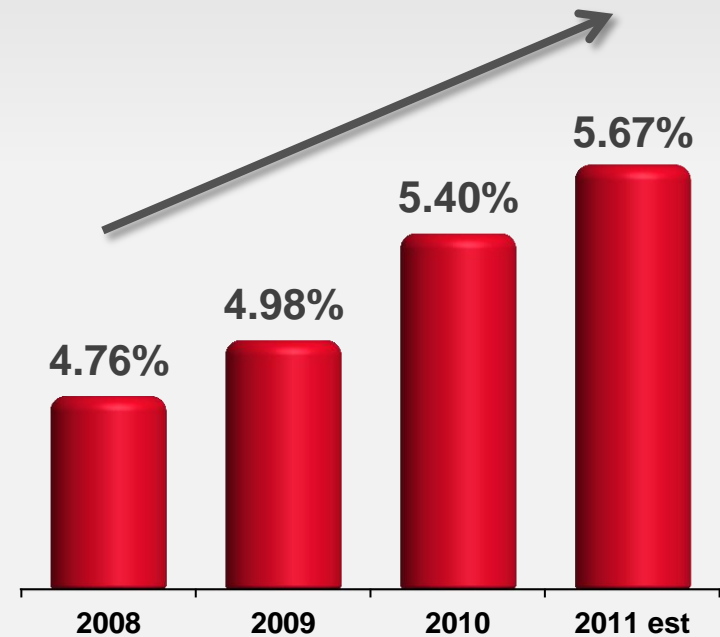


# Bank's franchise - Focus on clients

Clients with payroll accounts (% of total)



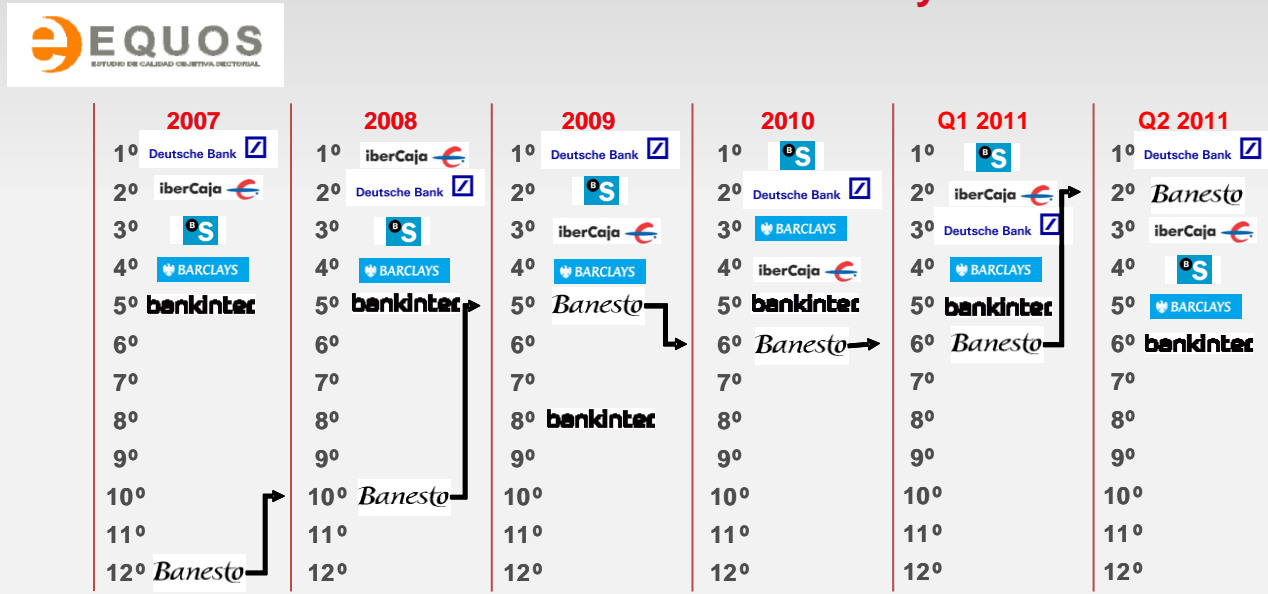
Market share (%)



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

# Bank's franchise - Quality

## Global Service Quality on branch network



## Contact center service quality



Retail customers  
Customer service

Companies  
Customer service

**#1**  
entity

**#1**  
entity

**#1**  
entity

# 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  $\approx 120\%$ .

