



December 2012

Banesto Group. Key financial indicators

Data at 31 December 2012 and year-on-year comparison

(€ 000)

BALANCE SHEET	31/12/12	31/12/11	Change
Total assets	102,206,773	106,157,480	-3.7%
Equity	4,471,058	5,424,176	-17.6%
Total loans	62,864,777	69,225,280	-9.2%
Total customer funds	59,239,853	60,180,425	-1.6%
NPL ratio (%)	6.04%	4.94%	-
NPL coverage ratio (%)	72.10%	52.72%	-

OTHER OPERATING INDICATORS	31/12/12	31/12/11	Change
Employees	8,260	8,613	-353
Branches	1,647	1,714	-67
Bis Ratio	9.74%	10.65%	-
Core Capital	9.22%	9.02%	-
Closing share price	3.55	3.73	-4.8%

INCOME STATEMENT	31/12/12	31/12/11	Change
Net interest income	1,351,237	1,454,934	-7.1%
Net fee and commission income	595,175	615,966	-3.4%
Gross operating income	2,064,872	2,234,900	-7.6%
Operating expenses	957,283	963,819	-0.7%
Net operating income	1,107,589	1,271,081	-12.9%
Ordinary profit before tax	137,772	573,535	-76.0%
Real estate provisions	2,342,979	400,000	n.s.
Net attributable profit	-955,012	125,141	n.s.
Cost-to-income ratio (%)	46.36%	43.13%	-

Contents

Financial statements - explanatory notes	4
1.- Introduction	5
2.- Consolidated earnings performance	7
Consolidated income statement	7
Average yield on assets and average cost of liabilities	8
Net fee and commission income	9
Operating expenses	9
Gross operating income by business line	9
3.- Balance sheet analysis	10
Consolidated balance sheet	10
Lending and customer funds	11
Changes in equity	12
Capital adequacy	12
Doubtful loans and provisions	13
4.- Appendices. Quarterly breakdown	14

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 for 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 €138 million in profit before tax in 2012
- The Group unlocked non-recurring gains totalling €802 million and made provisions for real estate loans and assets totalling €2.34 billion, marking full compliance with its real estate provisioning requirements under recently-enacted Spanish legislation
- The NPL ratio remains below the sector average at 6.04%, while the coverage ratio stands at 72.1%
- The core capital ratio stands at 9.2%, above the stipulated regulatory minimum

2012 was marked by the swift and far-reaching progress made on restructuring the Spanish financial system. One of the crucial elements at the heart of this process is the new and more stringent provisioning requirements in respect of the banks' exposure to real estate loans and assets.

Moreover, these more stringent requirements have coincided with an extremely challenging business environment, which has resulted in low business volumes and interest rates coupled with non-payment verging on peak levels, all of which has substantially eroded sector profits, particularly the earnings of the pure-play domestic banks.

Net interest income narrowed 7.1% from 2011 to €1.35 billion. Proactive balance sheet management, coupled with a wider customer spread, went a long way to mitigating 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 it to defend its service revenue, which totalled €536.1 million (down just 0.5% year-on-year), despite the drop in business volumes. Fees from the management of mutual and pension funds amounted to €59.0 million, 23.7% lower than in 2011, due essentially to the ongoing shift by customers into alternative savings products. Overall, net fee and commission income declined by 3.4% year-on-year to €595.2 million.

Net trading income (net gains on financial instruments), the bulk of which generated by customer trades, amounted to €145.8 million, year-on-year growth of 22.3%.

The increase in 'Other operating income/expense' reflects a higher contribution to the Spanish Deposit Guarantee Fund, which implied additional expense of €47 million in 2012.

Gross operating income accordingly amounted to €2.06 billion in 2012, down 7.6%; note, however, that the year-on-year decline narrowed as the year progressed. Adjusting for the impact of the sales of investments in the insurance provider and fund manager and the higher contribution to the Deposit Guarantee Fund, the decline in gross operating income narrows to 3.4%.

Stringent cost control remained a management priority: as a result, operating expenses narrowed by 0.7% in 2012 to €957.3 million. The Group's cost-income ratio was 46.4% last year, the best of any Spanish bank according to the most recent data available.

Net operating income totalled €1.11 billion in 2012, down 12.9% year-on-year, similarly marking an improvement on the 9M12 performance in percentage terms. 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 5.6%.

Loan-loss provisions amounted to €859.4 million, compared to €660.7 million in 2011. The year-earlier figure included the combined impact of the release of €118.1 million of generic provisions and the recognition of €778.8 million of specific loan-loss provisions, while the 2012 charge relates almost entirely to specific provisions.

Elsewhere, Banesto generated non-recurring gains of €802.1 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 Group recognised impairment provisions on its exposure to real estate assets totalling €2.34 billion to write down its real state exposure, marking full compliance with its real estate provisioning requirements under recently-enacted Spanish legislation.

As a result of the foregoing, as well as the tax effect of the provisions recognised, the Group recognised a net loss attributable to owners of the parent of €955.0

2. Consolidated earnings performance

Banesto Group – Consolidated earnings performance

Data at 31 December 2012 and year-on-year comparison
(€ 000)

	31/12/12	31/12/11	Change	
			Absolute	%
Interest income	2,804,505	3,056,430	-251,925	-8.2
Interest expense	1,453,268	1,601,496	-148,228	-9.3
NET INTEREST INCOME	1,351,237	1,454,934	-103,697	-7.1
Income from capital instruments	37,387	32,570	4,817	14.8
Income from financial affiliates	-214	-1,518	1,304	-85.9
Net fee and commission income	595,175	615,966	-20,791	-3.4
Mutual and pension funds	59,041	77,354	-18,313	-23.7
Service fees	536,134	538,612	-2,478	-0.5
Gains on financial instruments	145,816	119,199	26,617	22.3
Other operating income/expense	-67,221	-35,195	-32,026	91.0
Income from non financial affiliates	2,692	48,944	-46,252	-94.5
GROSS OPERATING INCOME	2,064,872	2,234,900	-170,028	-7.6
Operating expenses	957,283	963,819	-6,536	-0.7
General and administrative expenses	849,494	857,261	-7,767	-0.9
a) Personnel expenses	592,945	600,007	-7,062	-1.2
b) General expenses	256,549	257,254	-705	-0.3
Depreciation and amortisation expense	107,789	106,558	1,231	1.2
NET OPERATING INCOME	1,107,589	1,271,081	-163,492	-12.9
Loan-loss provisions	859,423	660,664	198,759	30.1
Impairment losses on other assets	27,660	32,431	-4,771	-14.7
Other gains/losses	-82,734	-4,451	-78,283	n.s.
PROFIT BEFORE TAX	137,772	573,535	-435,763	-76.0
Non-recurring gains and write-downs	802,118	-43,161	845,279	n.s.
Real Estate provisions	2,342,979	400,000	1,942,979	n.s.
Income tax	-448,010	5,249	-453,259	n.s.
ATTRIBUTABLE PROFIT	-955,079	125,125	-1,080,204	n.s.
Minority interest	-67	-16	-51	n.s.
NET ATTRIBUTABLE PROFIT	-955,012	125,141	-1,080,153	n.s.

Average yield on assets (*)

(€ 000)

	4Q 2012			4Q 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	10,573,529	1.39	147,229	13,824,064	2.27	313,909	-73,811	-92,869	-166,680
Loans to customers in euros	59,827,562	3.81	2,276,886	63,409,581	3.81	2,417,383	-139,885	-612	-140,497
Public sector	3,257,431	3.20	104,291	2,758,211	2.90	80,012	14,482	9,797	24,279
Private sector	55,344,947	3.86	2,135,789	59,108,691	3.89	2,298,429	-146,352	-16,288	-162,640
Non-resident sector	1,225,184	3.00	36,806	1,542,679	2.52	38,942	-8,015	5,879	-2,136
Loans to customers in foreign currency	1,725,758	2.42	41,755	1,595,347	2.16	34,454	2,816	4,485	7,301
Securities portfolio and financial assets	15,504,300	2.25	349,316	12,526,203	2.36	296,026	70,380	-17,090	53,290
Average earning assets	87,631,149	3.21	2,815,186	91,355,196	3.35	3,061,772	-140,500	-106,086	-246,586
Investment in affiliates	332,955	0.00	0	373,681	0.00	0	0	0	0
Property and equipment	1,054,874	0.00	0	1,131,572	0.00	0	0	0	0
Other assets	4,721,203	0.57	26,706	5,410,631	0.50	27,228	-3,469	2,947	-522
Average total assets	93,740,181	3.03	2,841,892	98,271,079	3.14	3,089,000	-143,970	-103,138	-247,108

(*) Includes income from equity products

Average cost of liabilities

(€ 000)

	4Q 2012			4Q 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	9,784,275	1.18	115,898	2,753,825	1.43	39,278	100,276	-23,656	76,620
Deposits from customers in euros	50,640,446	1.57	792,617	55,155,011	1.62	892,052	-70,795	-28,640	-99,435
Public sector	4,333,145	2.45	106,315	4,199,884	2.05	86,094	2,732	17,489	20,221
Private sector	33,271,143	1.55	515,798	35,760,000	1.66	592,942	-41,268	-35,876	-77,144
Non-resident sector	5,972,640	1.78	106,028	8,557,945	1.47	125,410	-37,885	18,504	-19,381
Repos	7,063,518	0.91	64,476	6,637,182	1.32	87,606	5,627	-28,758	-23,130
Deposits from customers in foreign currency	2,127,670	1.38	29,274	2,441,384	1.46	35,721	-4,590	-1,858	-6,448
Marketable debt securities	22,932,389	1.98	453,344	27,436,725	1.98	542,516	-89,066	-106	-89,172
Subordinated liabilities and capital having the substance of a financial liability	438,871	3.03	13,290	2,024,706	2.30	46,662	-36,548	3,176	-33,372
Total interest bearing liabilities	85,923,651	1.63	1,404,423	89,811,652	1.73	1,556,229	-100,722	-51,083	-151,806
Other liabilities	2,600,673	1.88	48,845	2,930,367	1.54	45,267	-5,093	8,671	3,578
Equity	5,215,858	0.00	0	5,529,060	0.00	0	0	0	0
Average total liabilities	93,740,181	1.55	1,453,268	98,271,079	1.63	1,601,496	-105,815	-42,413	-148,228

Net fee and commission income

Data at 31 December 2012 and year-on-year comparison
(€ 000)

	31/12/12	31/12/11	Change	
			Absolute	%
Fee and commission income	641,600	650,988	-9,388	-1.4%
Collection and payment services	279,871	284,518	-4,647	-1.6%
Risk related	110,459	105,474	4,985	4.7%
Securities services	22,427	24,241	-1,814	-7.5%
Insurance	58,202	74,220	-16,018	-21.6%
Other	170,641	162,535	8,106	5.0%
Mutual and pension fund management	59,041	77,354	-18,313	-23.7%
Fee and commission expense	-105,466	-112,376	6,910	-6.1%
Net commission and fee income	595,175	615,966	-20,791	-3.4%

Operating expenses

Data at 31 December 2012 and year-on-year comparison
(€ 000)

	31/12/12	31/12/11	Change	
			Absolute	%
General and administrative expenses	849,494	857,261	-7,767	-0.9%
Personnel expenses	592,945	600,007	-7,062	-1.2%
Wages and salaries	435,212	441,947	-6,735	-1.5%
Social security costs	116,804	116,626	178	0.2%
Other	40,929	41,434	-505	-1.2%
General expenses	256,549	257,254	-705	-0.3%
Occupancy, furniture and equipment	81,663	77,092	4,571	5.9%
IT and communications	59,150	62,524	-3,374	-5.4%
Marketing and public relations	9,407	11,760	-2,353	-20.0%
Other expenses	88,997	87,338	1,659	1.9%
Levies and other contributions	17,332	18,540	-1,208	-6.5%
Depreciation and amortisation expense	107,789	106,558	1,231	1.2%
TOTAL	957,283	963,819	-6,536	-0.7%
COST-INCOME RATIO (*)	46.36%	43.13%		

(*) Including depreciation and amortisation expense.

Gross operating income by business line

Data at 31 December 2012 and year-on-year comparison
(€ 000)

	31/12/12	31/12/11	% Change
Commercial banking	1,689,174	1,822,827	-7.3%
Corporate banking	207,970	193,342	7.6%
Markets	188,147	191,003	-1.5%
Corporate activities	-20,419	27,728	n.s.
Total	2,064,872	2,234,900	-7.6%

3. Balance sheet analysis

Customer funds under management ended the year at €59.24 billion, down 1.6% on the year-end 2011 balance, due to the conservative approach taken to deposit price management.

Weak demand for credit coupled with higher credit and liquidity risk continued to shape trends in lending activity: the loan book ended 2012 at €62.87 billion, 9.2% below the year-earlier figure. This performance is in line with that of the broader sector. This trend was influenced substantially by the paring back of the Bank's exposure to real estate risk, which was cut by 29% year-on-year.

The ongoing economic deterioration drove an increase in additions to non-performing loans last year, which were heavily concentrated in the real estate sector. However, the recovery and sale of non-performing portfolios is mitigating the increase in non-performing loans, which totalled €4.45 billion at year-end, implying an NPL ratio of 6.04% and a NPL coverage ratio of 72.1%.

Liquidity management underpinned the Bank's ability to drive a reduction in its loan-deposit gap last year, enabling a reduction in wholesale funding of just over €6.3 billion.

Balance sheet management, coupled with reduced exposure to credit risk, particularly real estate risk, enabled continued organic growth in capital and allowed Banesto to absorb a substantial provisioning effort while keeping its solvency ratios above the minimum thresholds. At year-end 2012, the core capital ratio stood at 9.2%, up 0.2pp from December 2011.

Consolidated balance sheet

Data at 31 December 2012 year-on-year comparison

(€ 000)

Assets	31/12/12	31/12/11	Change	
			Absolute	%
Cash and balances with central banks	6,985,389	4,633,796	2,351,593	50.7
Financial assets held for trading, derivatives and other financial assets	15,913,361	18,374,677	-2,461,316	-13.4
Loans to customers	62,864,777	69,225,280	-6,360,503	-9.2
Other loans	11,695,831	7,381,342	4,314,489	58.5
Investments	386,024	253,695	132,329	52.2
Property and equipment	995,173	1,103,315	-108,142	-9.8
Intangible assets	59,877	72,241	-12,364	-17.1
Other assets	3,306,341	5,113,134	-1,806,793	-35.3
Total assets	102,206,773	106,157,480	-3,950,707	-3.7

Liabilities	31/12/12	31/12/11	Change	
			Absolute	%
Financial liabilities held for trading and financial liabilities	6,908,173	7,085,135	-176,962	-2.5
Deposits from customers	49,299,894	51,489,557	-2,189,663	-4.3
Marketable debt securities	20,875,461	24,410,770	-3,535,309	-14.5
Subordinated liabilities	174,704	1,365,819	-1,191,115	-87.2
Other financial liabilities at amortised cost	18,353,680	13,819,522	4,534,158	32.8
Other liabilities	412,298	544,503	-132,205	-24.3
Provisions	1,695,891	2,034,845	-338,954	-16.7
Minority interest	977	1,043	-66	-6.3
Net equity adjustments due to valuation changes	14,637	-17,890	32,527	-181.8
Capital and reserves	5,426,070	5,299,035	127,035	2.4
Profit for the year	-955,012	125,141	-1,080,153	-863.1
Total liabilities	102,206,773	106,157,480	-3,950,707	-3.7

Loans to customers

(€ 000)	31/12/12	31/12/11	% Change
Public sector	3,565,319	2,603,415	36.9
Private sector	55,928,342	62,095,239	-9.9
Commercial loan book	3,881,057	3,741,553	3.7
Secured loans	31,610,774	34,155,115	-7.4
Other loans and credit facilities	20,436,511	24,198,571	-15.5
Non-resident sector	2,178,006	2,741,330	-20.5
Total loans	61,671,667	67,439,984	-8.6
Doubtful loans	4,282,732	3,819,129	12.1
Less: loan-loss provisions	-3,160,007	-2,059,447	53.4
Valuation adjustments	70,385	25,614	174.8
Total net loans	62,864,777	69,225,280	-9.2

Customer funds

(€ 000)	31/12/12	31/12/11	% Change
Public sector	3,893,366	3,611,868	7.8
Private sector	45,080,175	45,133,783	-0.1
Current and savings accounts	16,229,744	17,280,200	-6.1
Term deposits	20,709,745	16,938,239	22.3
Repurchase agreements and other accounts	8,140,686	10,915,344	-25.4
Non-resident sector	2,255,299	3,208,742	-29.7
On-balance sheet customer funds	51,228,840	51,954,393	-1.4
Funds under management	8,011,013	8,226,032	-2.6
Investment funds	4,128,759	4,400,429	-6.2
Insurance accounts	2,624,432	2,588,197	1.4
Pension funds	1,257,822	1,237,406	1.6
Total customer funds	59,239,853	60,180,425	-1.6
Total private sector	53,091,188	53,359,815	-0.5

Statement of changes in equity

Data at 31 December 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			9,940			9,940
Profit for the period				125,141		125,141
Dividends				-177,345		-177,345
Gains/losses on trading in own shares		-3,476			13,210	9,734
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			32,527			32,527
Profit for the period				-955,012		-955,012
Gains/(losses) on trading in own shares		-3,775			5,669	1,894
31 December 2012 balance	543,036	4,905,319	14,637	-955,012	-22,285	4,485,695

Capital

(€ 000)

	December 2012	December 2011
Core Capital	4,472,354	5,429,164
Tier I	4,518,294	6,187,484
Tier II	204,890	226,519
Total equity	4,723,184	6,414,003
BIS ratio (%)	9.74%	10.65%
Tier 1 (%)	9.32%	10.28%
Core Capital (%)	9.22%	9.02%

Trend in doubtful loans

Data at 31 December 2012 and year-on-year comparison
(€ 000)

	31/12/12	31/12/11
Opening balance	3,943,581	3,541,277
Additions	2,576,809	1,699,954
Recoveries	-1,472,042	-981,521
Write-offs	-603,489	-316,129
Closing balance	4,444,859	3,943,581
NPL ratio	6.04%	4.94%

Trend in loan-loss provisions

(€ 000)

	31/12/12	31/12/11
Opening balance	2,078,887	1,911,691
Increase in impairment provisions	2,849,337	917,250
Reversal of impairment	-241,983	-217,387
Write-offs and other	-1,481,442	-532,667
Closing balance	3,204,799	2,078,887
NPL coverage ratio	72.10%	52.72%

Breakdown of loan-loss provisions

(€ 000)

Breakdown	31/12/12	NPL coverage ratio. %
Specific	3,140,103	70.65%
Generic	64,696	1.46%
Total	3,204,799	72.10%

4. Appendices: Quarterly Breakdown

Quarterly Income statement

(€ 000)

	2011				2012			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Interest income	775,931	777,502	765,463	737,534	747,205	719,351	678,941	659,008
Interest expense	395,544	388,479	403,725	413,748	399,413	366,606	345,736	341,513
NET INTEREST INCOME	380,387	389,023	361,738	323,786	347,792	352,745	333,205	317,495
Income from capital instruments	3,634	16,433	7,885	4,618	4,442	12,852	12,849	7,244
Income from financial affiliates	-189	-1,983	1,048	-394	-317	75	-183	211
Net fee and commission income	155,176	155,137	151,744	153,909	152,362	151,224	145,438	146,151
Mutual and pension funds	20,010	20,442	19,546	17,356	15,300	14,729	14,469	14,543
Service fees	135,166	134,695	132,198	136,553	137,062	136,495	130,969	131,608
Gains on financial instruments	41,191	36,480	11,068	30,460	39,469	39,103	30,725	36,519
Other operating income/expense	-9,958	-8,329	-7,876	-9,032	-19,709	-16,706	-13,278	-17,528
Income from non financial affiliates	13,442	13,668	12,998	8,836	9,144	-2,558	-1,894	-2,000
GROSS OPERATING INCOME	583,683	600,429	538,605	512,183	533,183	536,735	506,862	488,092
Operating expenses	245,417	244,063	240,419	233,920	244,687	243,401	239,279	229,916
General and administrative expenses	218,818	217,498	213,035	207,910	217,545	216,245	211,392	204,312
a) Personnel expenses	155,037	153,681	150,446	140,843	153,480	152,257	148,483	138,725
b) General expenses	63,781	63,817	62,589	67,067	64,065	63,988	62,909	65,587
Depreciation and amortisation expense	26,599	26,565	27,384	26,010	27,142	27,156	27,887	25,604
NET OPERATING INCOME	338,266	356,366	298,186	278,263	288,496	293,334	267,583	258,176
Loan-loss provisions	91,673	174,318	185,923	208,750	151,864	305,288	200,393	201,878
Impairment losses on other assets	1,434	209	4,994	25,794	629	-1,997	256	28,772
Other gains/losses	10,221	-2,559	-20,800	8,687	16,255	-27,998	-24,765	-46,226
PROFIT BEFORE TAX	255,380	179,280	86,469	52,406	152,258	-37,955	42,169	-18,700
Non-recurring gains and write-downs	-25,000	-37,731	-69,001	88,571	365,479	275,164	41,805	119,670
Real Estate provisions	0	0	0	400,000	501,598	220,616	82,516	1,538,249
Income tax	60,911	24,176	5,892	-85,730	-4,092	2,251	-14,076	-432,093
ATTRIBUTABLE PROFIT	169,469	117,373	11,576	-173,293	20,231	14,342	15,534	-1,005,186
Minority interest	2	18	-18	-18	-3	-17	-22	-25
NET ATTRIBUTABLE PROFIT	169,467	117,355	11,594	-173,275	20,234	14,359	15,556	-1,005,161

(€ 000)

Loans to customers	31-December-2011	31-March-2012	30-June-2012	30-September-2012	31-December-2012
Public sector	2,603,415	2,871,814	3,805,764	3,734,117	3,565,319
Private sector	62,095,239	60,147,937	57,817,171	57,152,021	55,928,342
Discounted bills	3,741,553	3,419,883	3,407,245	3,566,608	3,881,057
Secured Loans	34,155,115	33,698,729	32,685,949	31,946,055	31,610,774
Other loans and credit facilities	24,198,571	23,029,325	21,723,977	21,639,358	20,436,511
Non-resident sector	2,741,330	2,527,307	2,683,621	2,398,691	2,178,006
TOTAL LENDING	67,439,984	65,547,058	64,306,556	63,284,829	61,671,667
Doubtful loans	3,819,129	3,695,446	3,708,068	3,979,418	4,282,732
Less: loan-loss provisions	-2,059,447	-1,931,437	-1,576,411	-1,736,842	-3,160,007
Valuation adjustments	25,614	22,370	21,049	104,101	70,385
Total Net Lending	69,225,280	67,333,437	66,459,262	65,631,506	62,864,777

(€ 000)

Customer funds	31-December-2011	31-March-2012	30-June-2012	30-September-2012	31-December-2012
Public sector	3,611,868	7,664,906	4,316,459	4,362,361	3,893,366
Private sector	45,133,783	44,873,080	44,617,945	45,540,253	45,080,175
Current and savings accounts	17,280,200	16,717,687	16,790,096	15,986,199	16,229,744
Term deposits	16,938,239	17,675,295	17,805,818	18,586,182	20,709,745
Repurchase agreements and other accounts	10,915,344	10,480,098	10,022,031	10,967,872	8,140,686
Non-resident sector	3,208,742	2,888,038	2,616,308	2,180,453	2,255,299
On-balance sheet customer funds	51,954,393	55,426,024	51,550,712	52,083,067	51,228,840
Funds under management	8,226,032	8,197,917	7,969,042	8,036,603	8,011,013
Investment funds	4,400,429	4,357,202	4,162,122	4,221,990	4,128,759
Insurance accounts	2,588,197	2,600,971	2,615,093	2,591,267	2,624,432
Pension funds	1,237,406	1,239,744	1,191,827	1,223,346	1,257,822
Total Customer Funds	60,180,425	63,623,941	59,519,754	60,119,670	59,239,853
Total private sector	53,359,815	53,070,997	52,586,987	53,576,856	53,091,188

Average yield on assets (*)

(€ 000)

	4Q2011		1Q2012		2Q2012		3Q2012		4Q2012	
	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	8,094,779	2.21	9,675,340	2.02	9,988,312	1.35	11,646,630	1.04	10,983,836	1.25
Loans to customers in euros	62,689,003	3.92	60,861,530	3.94	60,087,851	3.92	59,783,156	3.72	58,577,710	3.65
Public sector	2,659,370	3.25	2,699,761	3.47	2,899,096	3.16	3,778,701	2.96	3,652,165	3.29
Private sector	58,570,894	3.98	56,894,120	3.98	55,957,670	3.97	54,747,607	3.79	53,780,391	3.69
Non-resident sector	1,458,739	2.80	1,267,649	2.89	1,231,085	3.23	1,256,849	2.99	1,145,154	2.90
Loans to customers in foreign currency	1,458,739	2.38	1,795,492	2.20	1,832,355	2.33	1,697,496	2.47	1,577,689	2.71
Securities portfolio and financial assets	12,370,229	2.20	16,173,056	2.17	16,352,399	2.25	14,489,366	2.44	15,002,379	2.12
Average earning assets	84,612,750	3.48	88,505,417	3.37	88,260,917	3.28	87,616,649	3.13	86,141,614	3.06
Investments in affiliates	355,236	0.00	197,493	0.00	386,542	0.00	380,456	0.00	367,330	0.00
Property and equipment	1,115,038	0.00	1,088,754	0.00	1,074,413	0.00	1,058,769	0.00	997,562	0.00
Other assets	5,428,369	0.43	5,148,356	0.46	5,005,868	0.48	4,953,926	0.56	3,776,661	0.83
Average total assets	91,511,393	3.24	94,940,020	3.17	94,727,739	3.09	94,009,799	2.94	91,283,167	2.92

(*) Includes income from equity products

Average cost of liabilities

(€ in 000's)

	4Q2011		1Q2012		2Q2012		3Q2012		4Q2012	
	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	1,127,454	1.86	7,725,293	1.24	7,605,054	1.23	10,615,009	1.21	13,191,745	1.10
Deposits from customers in euros	53,029,957	1.66	50,654,912	1.63	52,636,851	1.55	50,964,368	1.48	48,305,653	1.61
Public sector	4,201,443	2.22	4,089,829	2.30	4,203,520	2.38	4,753,163	2.52	4,286,069	2.59
Private sector	34,344,760	1.60	33,049,576	1.59	33,730,843	1.54	32,918,145	1.49	33,386,007	1.58
Non-resident sector	7,907,147	1.64	7,435,006	1.68	6,532,611	1.82	5,374,585	1.79	4,548,358	1.85
Repos	6,576,607	1.63	6,080,501	1.28	8,169,876	0.94	7,918,476	0.62	6,085,219	0.88
Deposits from customers in foreign currency	2,362,941	1.67	2,480,473	1.66	2,451,332	1.27	1,890,518	1.16	1,688,356	1.34
Marketable debt securities	25,008,046	2.49	24,772,581	2.26	23,588,168	1.96	22,461,266	1.87	20,907,539	1.78
Subordinated liabilities and capital having the substance of a financial liability	1,782,460	2.50	1,148,243	2.37	235,954	4.61	195,934	4.05	175,354	4.09
Total interest-bearing liabilities	83,310,858	1.93	86,781,502	1.78	86,517,358	1.63	86,127,095	1.55	84,268,647	1.57
Other liabilities	2,610,871	1.85	2,700,199	1.81	2,880,676	1.88	2,591,920	1.96	2,229,898	1.87
Equity	5,589,664	0.00	5,458,319	0.00	5,329,705	0.00	5,290,785	0.00	4,784,622	0.00
Average total liabilities	91,511,393	1.81	94,940,020	1.68	94,727,739	1.55	94,009,799	1.47	91,283,167	1.50

Gross operating income by business line

(€ 000)

	2011				2012			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Commercial banking	474,901	483,651	439,377	424,898	429,073	441,027	419,031	400,043
Corporate banking	49,616	51,472	49,515	42,739	49,332	49,855	54,311	54,472
Markets	53,658	55,843	41,655	39,847	48,782	50,187	42,930	46,248
Corporate activities	5,508	9,463	8,058	4,699	5,996	-4,334	-9,410	-12,671
Total	583,683	600,429	538,605	512,183	533,183	536,735	506,862	488,092

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,