

3Q2011 Financial Results

Banco Pastor reinforces its solvency and earns €50.9Mn

- **Core capital grew 74 bps in 12 months to reach 9.09%, and exceeds Basel III requirements**
- **Customer deposits increased by 5.9% up to €15.6Bn, whilst the sector average dropped by 0.3%**
- **Robust growth and leadership in Galicia: expanding customer base, market share gains and leader in ICO loan granting**

A Coruña, October 26th 2011.- At a time when European authorities are analysing ways of reinforcing the capital base of financial institutions, Banco Pastor –in an ongoing process of merging with Banco Popular– continues to increase its solvency, which grew compared to 3Q10. The core capital ratio thus reached 9.09% vs. 8.35% 12 months ago, with total BIS capital now standing at €2Bn. Income attributed to the Group Banco Pastor was €50.9Mn at the end of 3Q2011.

On the subject of capital requirements for financial institutions, José María Arias, Chairman of Banco Pastor, pointed out that “capital needs are important, but the most essential matter right now to put an end to the crisis is to get credit flowing again. It is crucial that the markets reopen, otherwise the crisis will take longer to end”.

In this context, Arias noted that “Banco Pastor has succeeded, at a time of fierce competition, in growing its customer deposits, up by 5.9% to €15.6Bn. This achievement, a result of a team effort by everybody at Banco Pastor, demonstrates that our customers are increasingly placing their trust in us”.

Besides growth in customer deposits, Banco Pastor has strengthened its position in Galicia, gaining close on 20,000 new individual customers in the region in the first 9 months of the year, 8.3% up on 2010. The number of business customers has also risen by 7.5% yoy, thanks to over 2,000 companies that have become the Bank’s customers in the same period.

This growth in customer numbers and deposits is the driver behind the improvement of the commercial gap (customer deposits to loans), which reached 75.2%, after a 194bps yoy increase, and a year to date rise of more than 300bps.

Continuing with the subject of liquidity, it should be noted that Banco Pastor enjoys a relatively position regarding wholesale funding maturities, due to its first line of liquidity, which amounts to €1.7Bn at the end of September.

A stronger commitment to Galicia: new SME branches

Banco Pastor's growth in customers reinforces its commitment to the region bringing its business volume to over €12.7Bn, with a portfolio of half a million customers and solid growth, as demonstrated by having attained an 11.1% market share as of June 2011.

Jorge Gost, CEO of Pastor, pointed out that "we are multiplying our commitment when it is most needed. For example, while overall domestic mortgages have fallen by 28%, we've increased ours by 2.6%. At the present moment, Galicia accounts for half the deposit base of the Bank".

Gost also stated that the Bank is not only supporting families, but it is also doing the same for SMEs, "for and because of which we are the number 1 ICO (Spanish Institute of Official Credit) underwriter in the region, with a market share of 17.5% and a loan volume up by 60% on September 2010.

The upward trend comes as no surprise, boosted by the opening of three new dedicated SME branches in A Coruña, Santiago and Vigo during the last 9 months.

A solid strategy, visible results

Banco Pastor's customer strategy has not only reinforced its solvency, but it has also led to an improvement in other crucial financial aspects.

Thus, one of the burning issues in the sector, namely NPLs, is under control, and the ratio stood at 5.98%, after an increase of only 25bps in the last quarter. Furthermore, regulatory coverage ratio neared the 100% mark (98%).

Regarding losses from impairment of financial assets, for which the yoy figure fell by 47% to €85.5Mn, the CEO of Pastor pointed out that "it's significant to note the major decrease on the specific allowance, down by almost half, whilst NPL recoveries almost doubled".

Net interest income, meanwhile, stood at €323.1Mn, its decline slowing down from 12% in 1H2011 to 10.7% at the end of 3Q2011, thanks, in part, to the contribution of higher loan yields.

The same is true of net fees and commissions, which amounted to €72Mn, fuelled by a series of correct strategic decisions that have produced the mentioned expansion in the customer base and cross selling (in the form of 2,600 new pension schemes and 8.2% in insurance products). Debit and credit cards fees also rose by 9.1%, those from direct debits, 11.2%, and fees from current and savings accounts administration increased by 6.4% yoy. The growth in traditional sight deposits is particularly significant, having registered a 10.6% yoy, €834Mn in absolute terms.

Income before taxes stood at €67.6Mn, after a significant slowdown in the trend, from a 37% drop to 19.4% down.

Cost to income -the lower, the better- stood at 51%, 10.9 percentage points below sector average, 61.9%. For yet another quarter in a row, an appropriate cost management policy has driven down administrative expenses by 0.7%.

The positive outcome of commercial activity is based on a business model which places the customer at the focal point of all the bank's activities, benefitting from top quality service, as shown by the "2011 Customer Satisfaction Survey", carried out by an independent agency, which noted that 2 out of every 3 customers give us top grades in personal attention.

Consolidated P&L Account

(€ Thousands)	Sep. 11	Sep. 10	Difference	
			Absolute	%
= NET INTEREST INCOME (ex-dividends)	323.131	361.922	(38.791)	(10,7)%
(+) Dividend Income	580	3.872	(3.292)	(85,0)%
= NET INTEREST INCOME	323.711	365.794	(42.083)	(11,5)%
(+/-) Income from equity method	3.394	2.824	570	20,2%
(+) Net fees and commissions	71.973	97.768	(25.795)	(26,4)%
(+/-) Results from financial transactions+Other results	107.195	137.646	(30.451)	(22,1)%
= GROSS OPERATING INCOME	506.273	604.032	(97.759)	(16,2)%
(-) Administrative expenses	262.687	264.455	(1.768)	(0,7)%
(-) Personnel expenses	172.692	174.513	(1.821)	(1,0)%
(-) Other general administrative expenses	89.995	89.942	53	0,1%
(-) Amortisation and depreciation	20.532	21.280	(748)	(3,5)%
(+/-) Net provisions to allowances	(7.982)	(14.305)	6.323	(44,2)%
(+/-) Losses from impairment of financial assets (net)	85.465	161.115	(75.650)	(47,0)%
(-) Loan book charge offs	82.401	164.377	(81.976)	(49,9)%
(-) Other financial assets	3.064	(3.262)	6.326	N/A
= NET OPERATING PROFIT	145.571	171.487	(25.916)	(15,1)%
(+/-) Other results (net)	(77.975)	(87.623)	9.648	(11,0)%
= INCOME BEFORE TAXES	67.596	83.864	(16.268)	(19,4)%
(+/-) Income tax	16.488	23.858	(7.370)	(30,9)%
= NET PROFIT FROM CONTINUOUS OPERATIONS	51.108	60.006	(8.898)	(14,8)%
(+/-) Results from discontinued transactions (net)	0	2.301	(2.301)	N/A
= CONSOLIDATED NET PROFIT	51.108	62.307	(11.199)	(18,0)%
= INCOME ATTRIBUTED TO THE GROUP	50.893	61.807	(10.914)	(17,7)%

Further information:

Communication Department
+34 981 12 75 20
comunicacion@bancopastor.es

Head of Communication
Alejandro Kowalski
+34669077383

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