

A Coruña,
April 28th, 2011

1Q2011 Results Presentation



Banco Pastor

2011 A challenging environment

- ▣ New capital regulation
- ▣ Sovereign risk crisis
- ▣ Rising interest rate
- ▣ 50% of financial entities involved in consolidation process
- ▣ A unique opportunity to capture customers from competitors
- ▣ Sluggish volume growth in the sector
- ▣ Increasing NPLs and higher risk premiums



Banco Pastor

**Better
earnings
visibility**

First results from the “Smart Growth Plan”



Key factors are trading positive

3Y Smart Growth Plan in progress

Profitable growth

- ▣ Net profit to double
- ▣ ROE to reach double-digit

Solvency

- ▣ Core capital to remain above 9.5% through organic generation

Improving structural liquidity

- ▣ Capping loan growth to deposit generation

Benefiting from the sector restructuring

Increasing B/S profitability through customer and market repositioning

- ▣ Adds focus and increases productivity
- ▣ New commercial distribution model

Reduction of players in Galicia

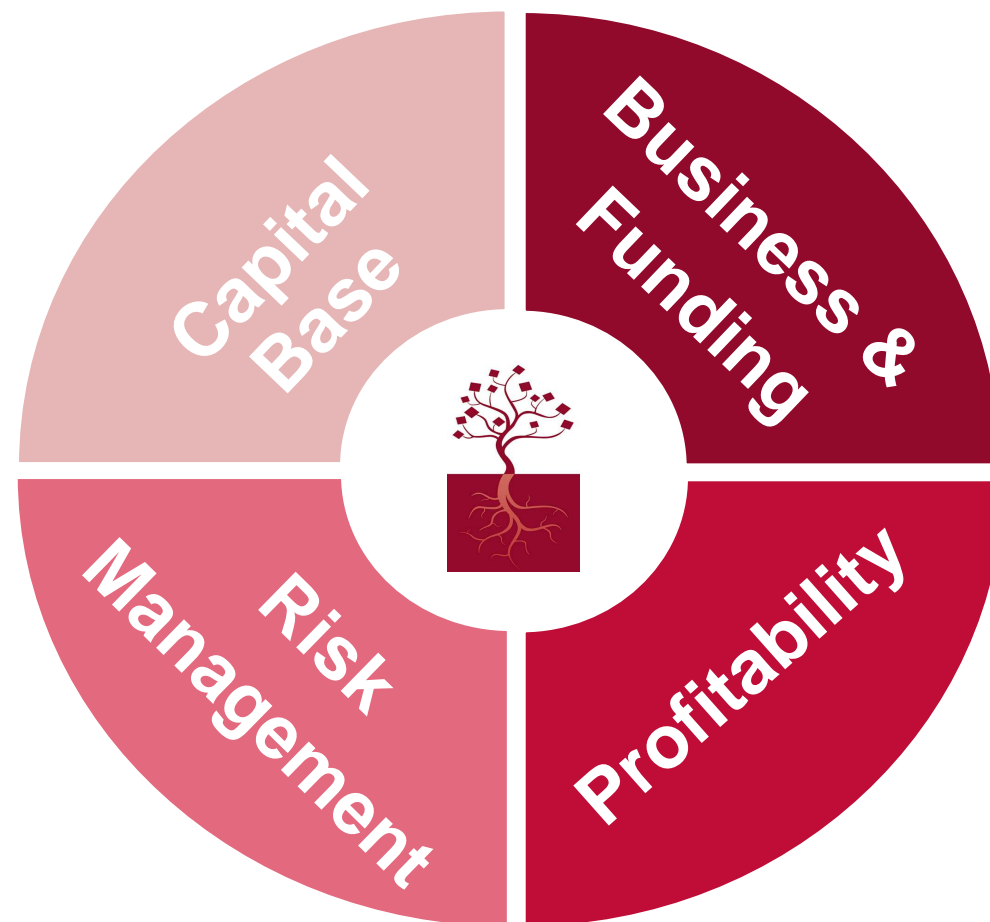
- ▣ Capturing customers from competitors

Pricing normalisation

1Q2011 achievements in context with the Smart Growth Plan

- ▣ Improving Balance sheet profitability
- ▣ €123Mn in NII, +14.5% QoQ, 2nd quarter of growth in a row
- ▣ Gross Operating Income +26% QoQ
- ▣ PBT after provisions €46m, -3.5% YoY
- ▣ Market Share in Galicia up to 10.6%
- ▣ Highest Core and Tier 1 among peers
- ▣ 73.4% of our loans are financed through an ample deposit base
- ▣ Only 4% of institutional funding maturing in 2011 and 72% beyond 2013

Contents

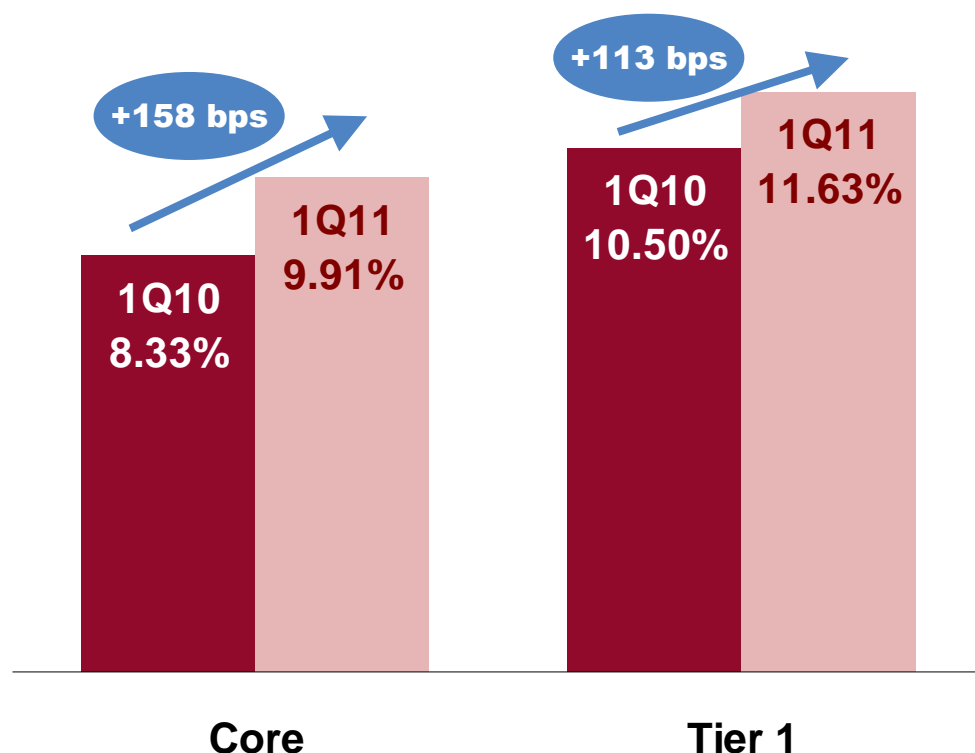


Business & Funding

A sound capital base,
well above BoS requirements...

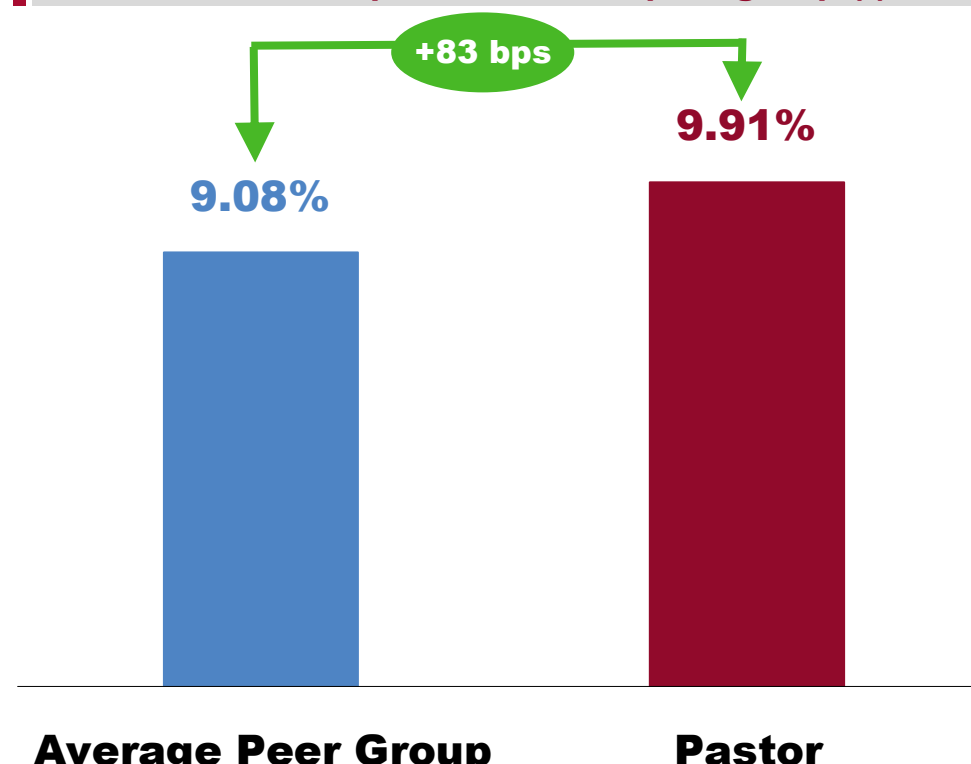


Banco Pastor: Tier 1 and Core Capital performance



€1.87 Bn of Tier1 and €1.56 Bn of Core Capital plus €252Mn of Mandatory Convertible Issue

Tier 1 and Core capital Pastor vs. peer group (*)



(*) Peer group data: Latest reported figure

Tier 1 ratio at 11.63% and Core Tier 1 under Basle III stands at 9.11%

Business & Funding

...strengthened by the €252Mn mandatory convertible bond issue



- ▣ Issue price: €100 (at par, with no premium or discount)
- ▣ Date of issue and payment: April 14th, 2011
- ▣ Date of maturity: April 14th, 2014
- ▣ Remuneration: 8.25% per annum
- ▣ Voluntary Annual Conversion into shares: April 2012 and April 2013
- ▣ Conversion price €3.70. €68.1Mn new shares will be issued

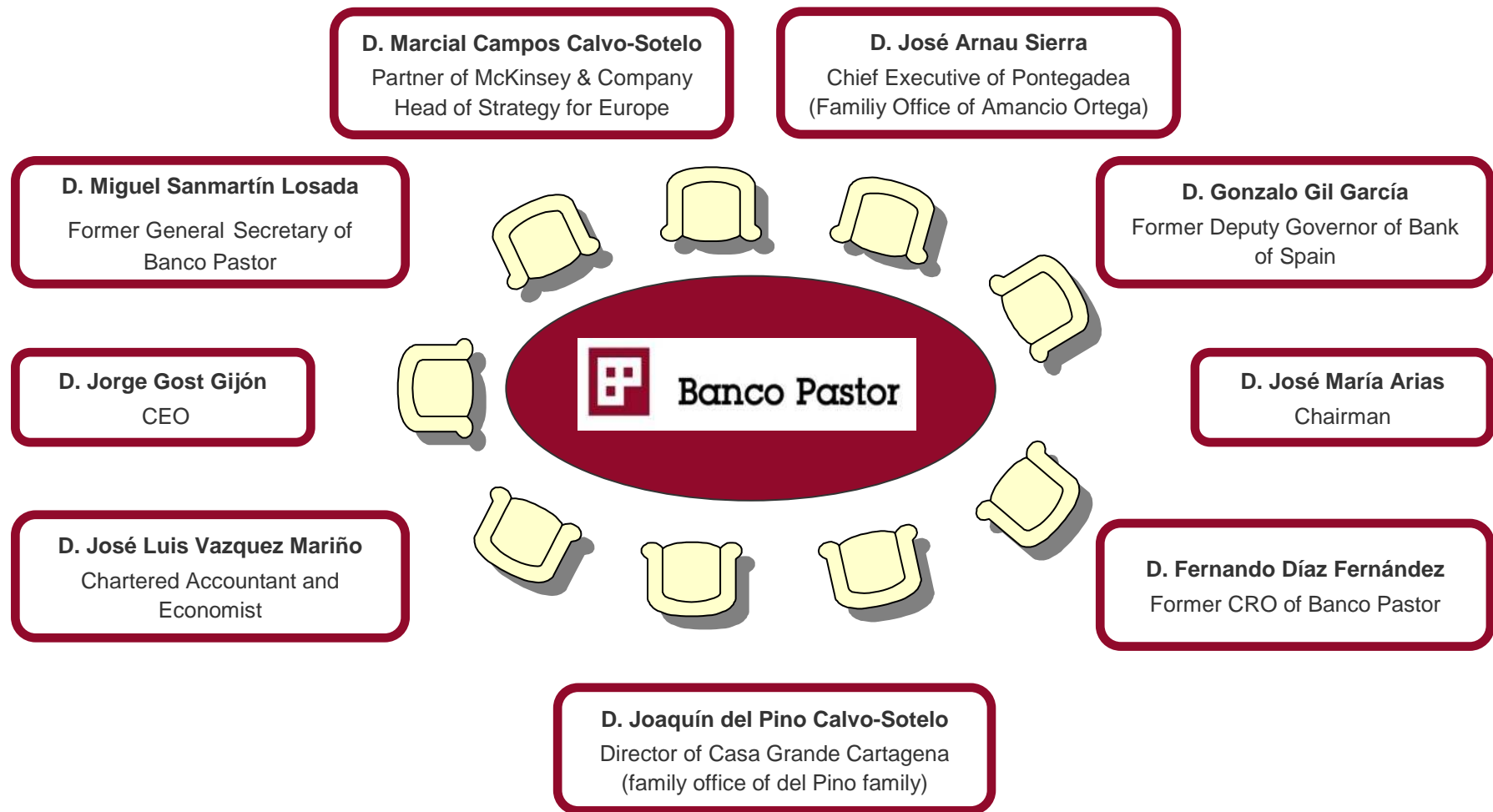
Provides equity-like benefits

- ▣ The three-year issue has been **fully subscribed**, raising €251.8Mn
- ▣ **Core capital calculation:** BoS classified this issue as core capital
- ▣ Should it be deemed necessary, the issue will be converted into pure equity on demand

Successfully subscribed by existing shareholder base

Business & Funding

A strong shareholder structure enables the Bank to adopt a L/T management focus

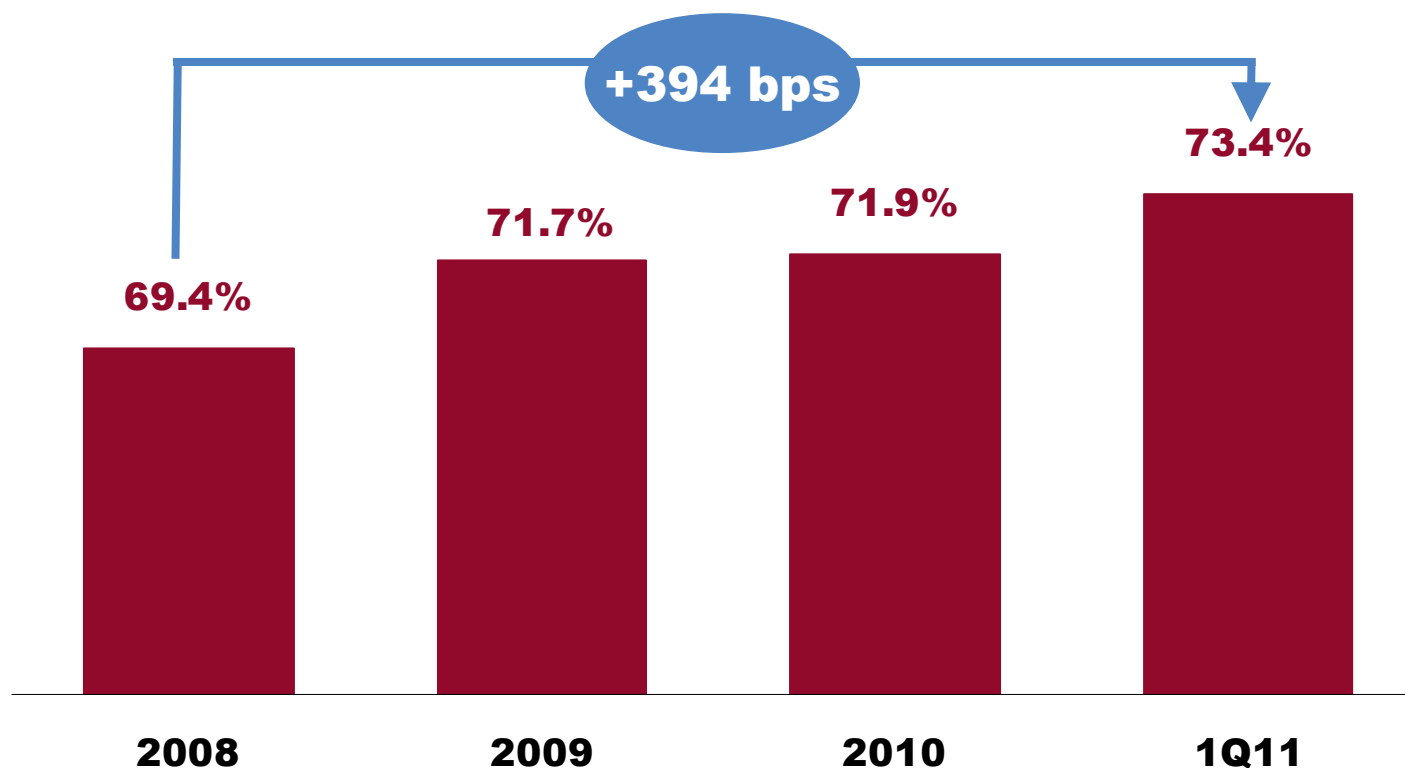


Business & Funding

Building up the Balance Sheet on the deposit side



Deposit / Loan Gap



Deposit/Loan gap improved by 151 bps in QoQ terms, driven by the Smart Growth Plan

Business & Funding

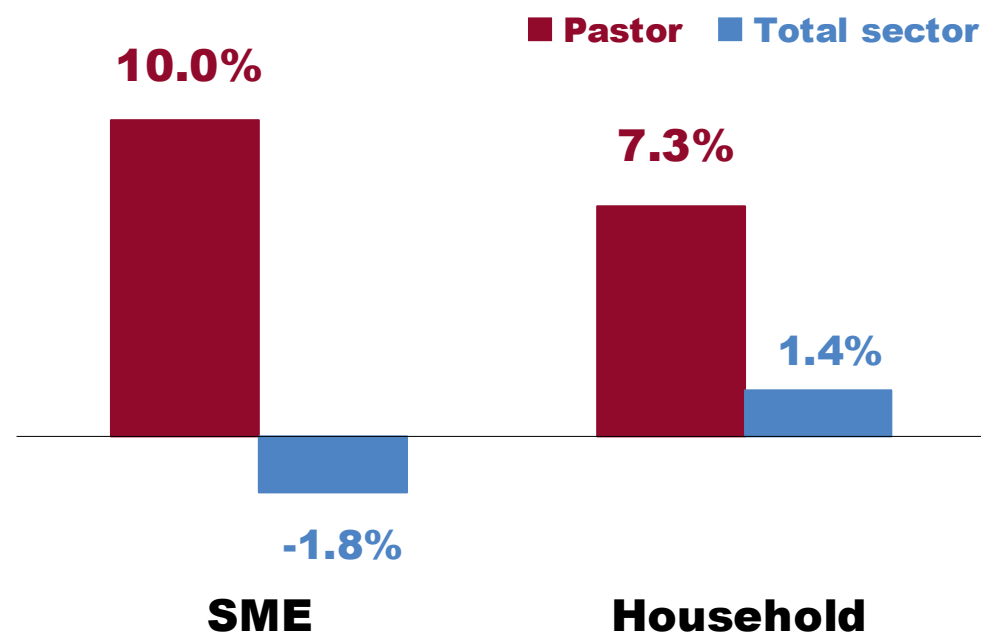
Gathering deposits from households and SMEs at an accelerating pace...

Deposit growth drivers

| | 1Q 2011 €Mn. | % Var. YoY | Var. € Mn |
|-----------------------|-----------------|---------------|--------------|
| TOTAL DEPOSITS | 15,740.1 | 4.6% | 686.0 |
| Public Authorities | 499.6 | -16.3% | -97.5 |
| Resident Sector | 13,634.6 | 6.4% | 821.8 |
| Non-resident Sector | 1,605.9 | -2.3% | -38.4 |

**Sector
+2.6% YoY**

1Q11 Time deposits growth



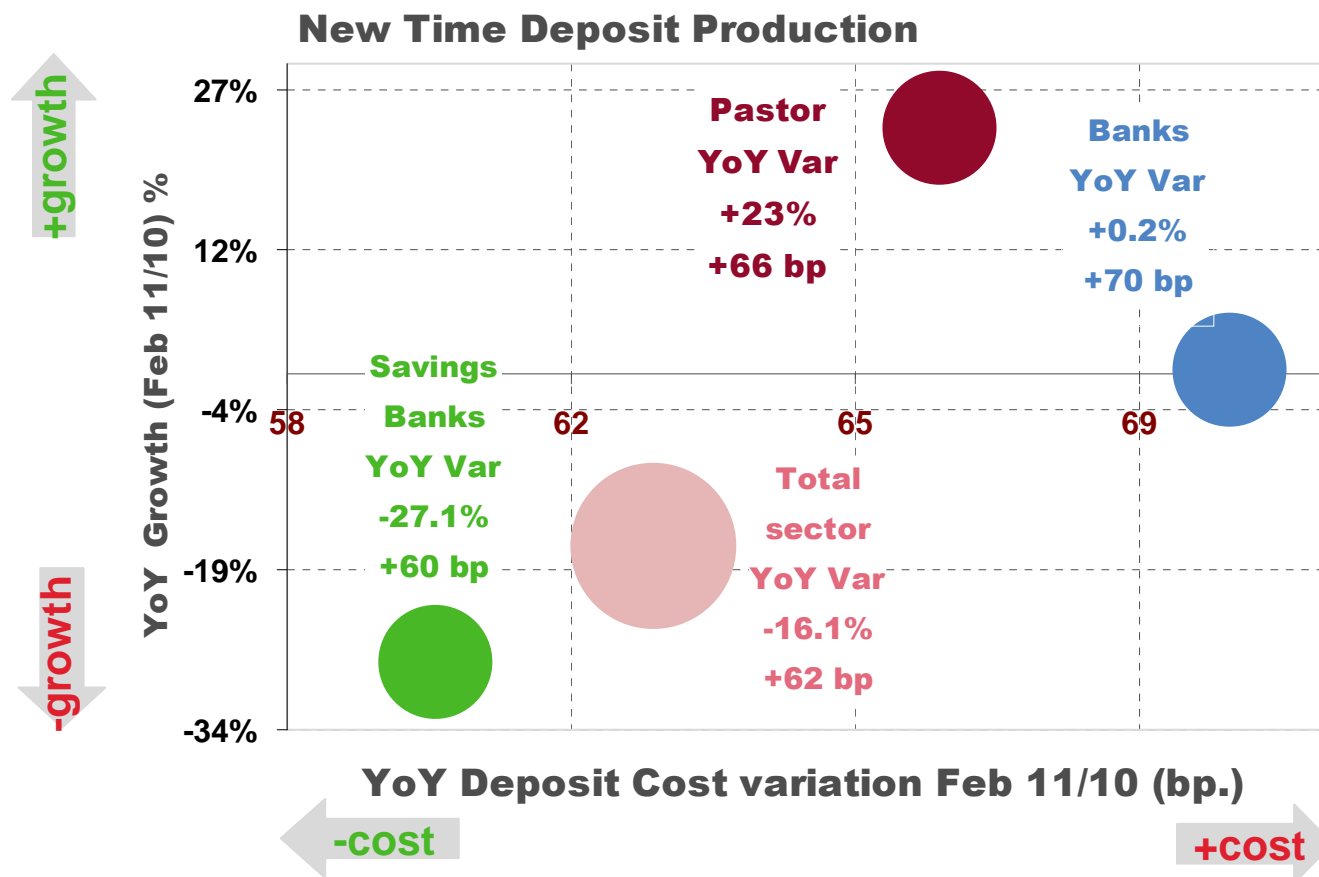
Sector data as of February 2011

...well above sector average and showing a track record of growth in successive quarters

Business & Funding

... and delivering the best trade-off between growth vs. cost within the new production

New Time deposits performance (YoY Feb 11/10)

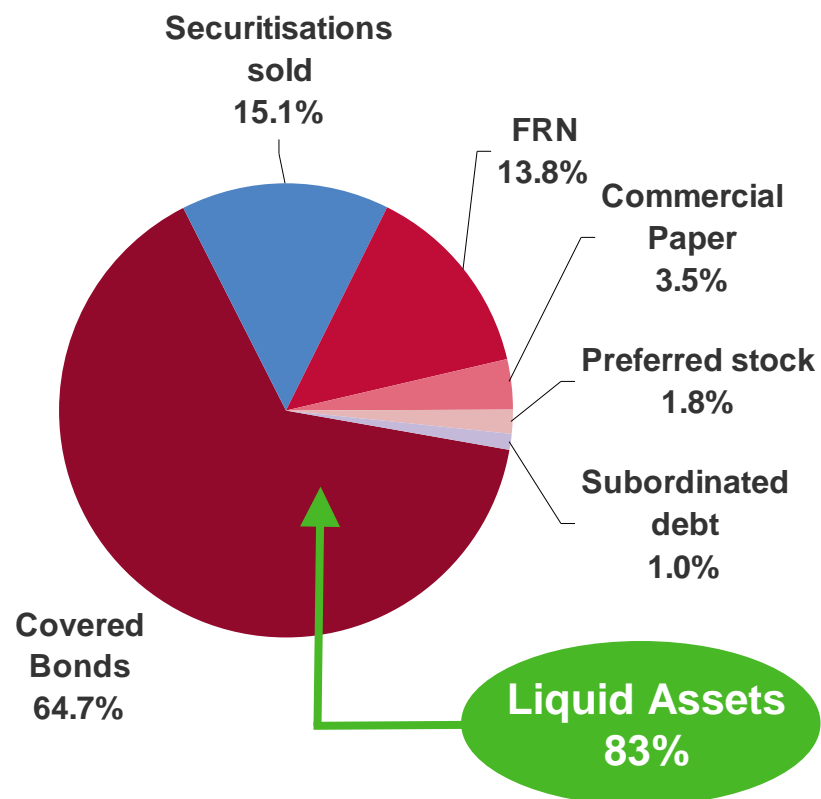


GARP: Growth At a Reasonable Price

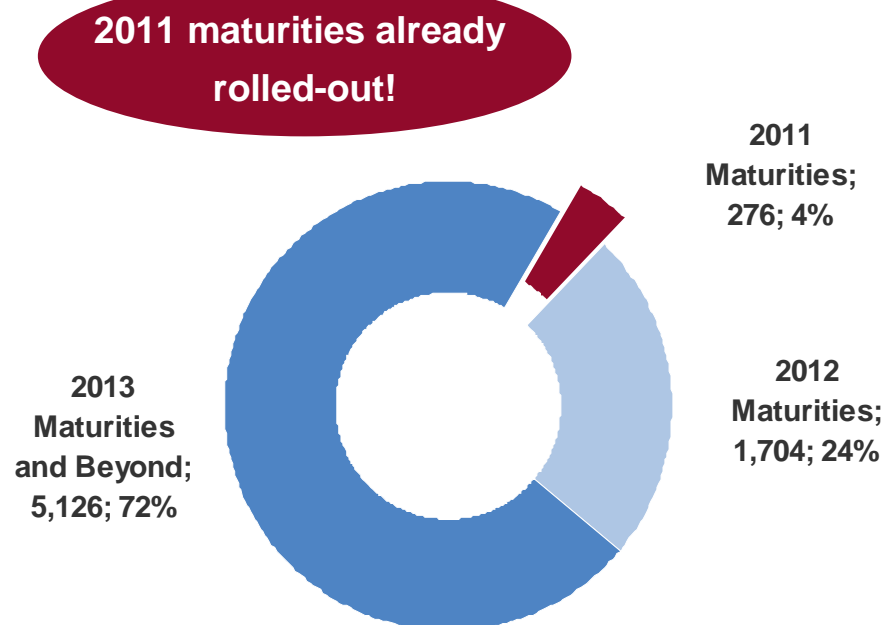
Business & Funding

A comfortable liquidity position...

Total Institutional Funding: €8.2Bn



Wholesale funding maturity profile



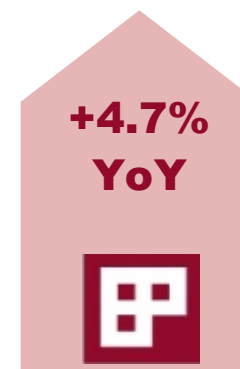
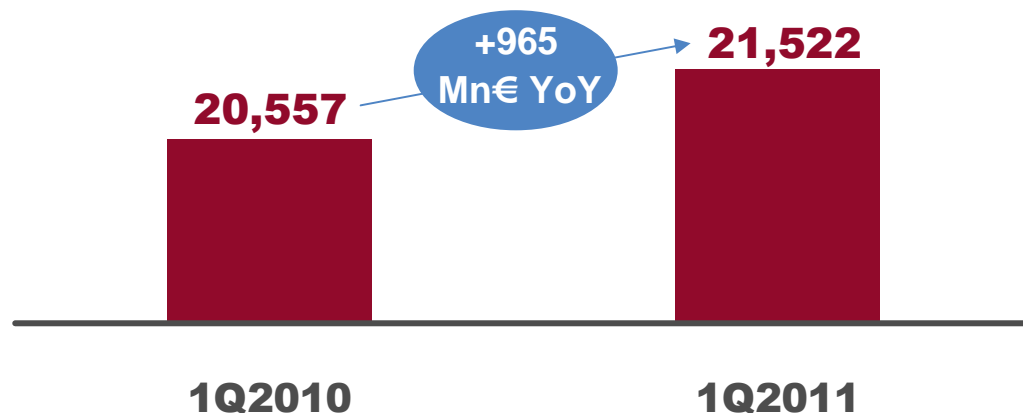
First line of liquidity over €1.2 Billion

...with limited maturities

Business & Funding

A targeted strategy to reach creditworthy borrowers, focused on SMEs

Net loans and advances to customers (€Mn)



Commercial plan aimed at 60,000 top quality SMEs

Providing support to sound companies:

| | |
|---------------------------|-------------------|
| New credit underwriting | +31.7% above 1Q10 |
| Commercial discount | +8.0% YoY |
| New ICO loan underwriting | +12.4% above 1Q10 |

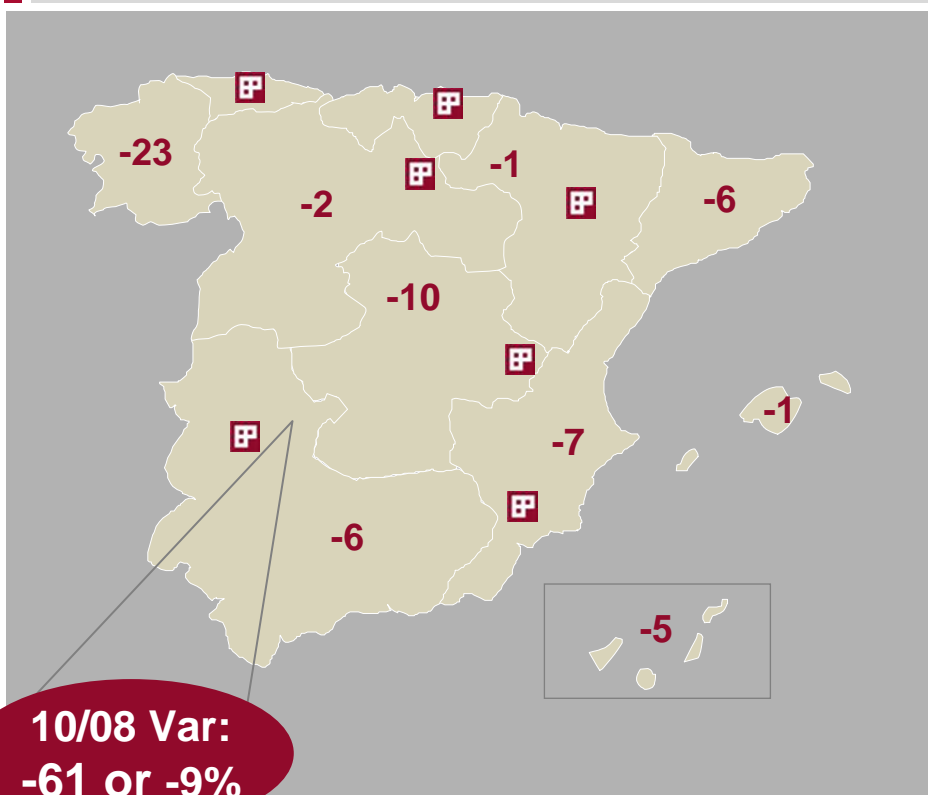
Top Galician ICO loan underwriter

(*) Sector Data as of February 2011

Business & Funding

Branch network restructuring almost accomplished and a new distribution model...

Banco Pastor Branches in 2010 vs. 2008



The presence of Banco Pastor remains the same

Smart Growth Distribution Model in progress



Individuals Self-employed Micro-enterprises Small companies Medium size companies Large companies

| | | | | | | |
|-----------------------------|---|---|---|---|---|---|
| SME branches | | | | | ✓ | ✓ |
| Comprehensive branches | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Extended branches | ✓ | ✓ | ✓ | ✓ | | |
| Basic branches | ✓ | ✓ | ✓ | | | |
| Private & internet branches | ✓ | | | | | |

A new territorial concept:
ALL-IN-ONE
GEOGRAPHICAL
AREAS

Execution to be achieved in May 2011

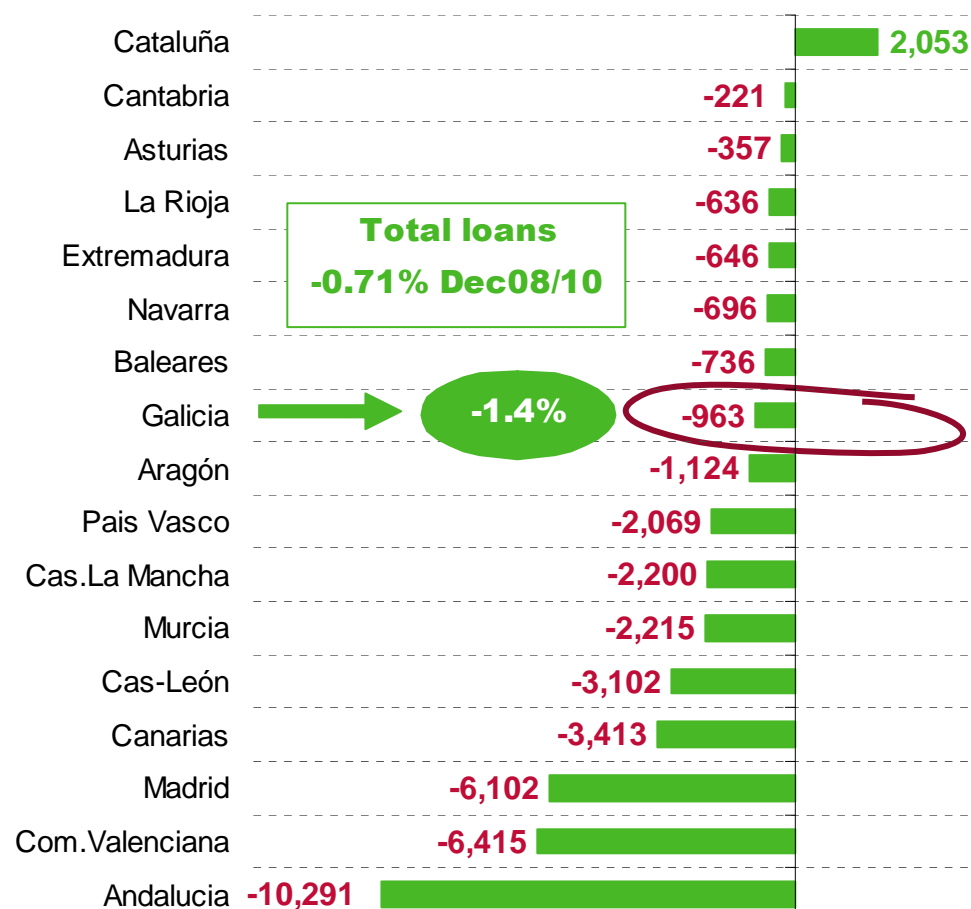
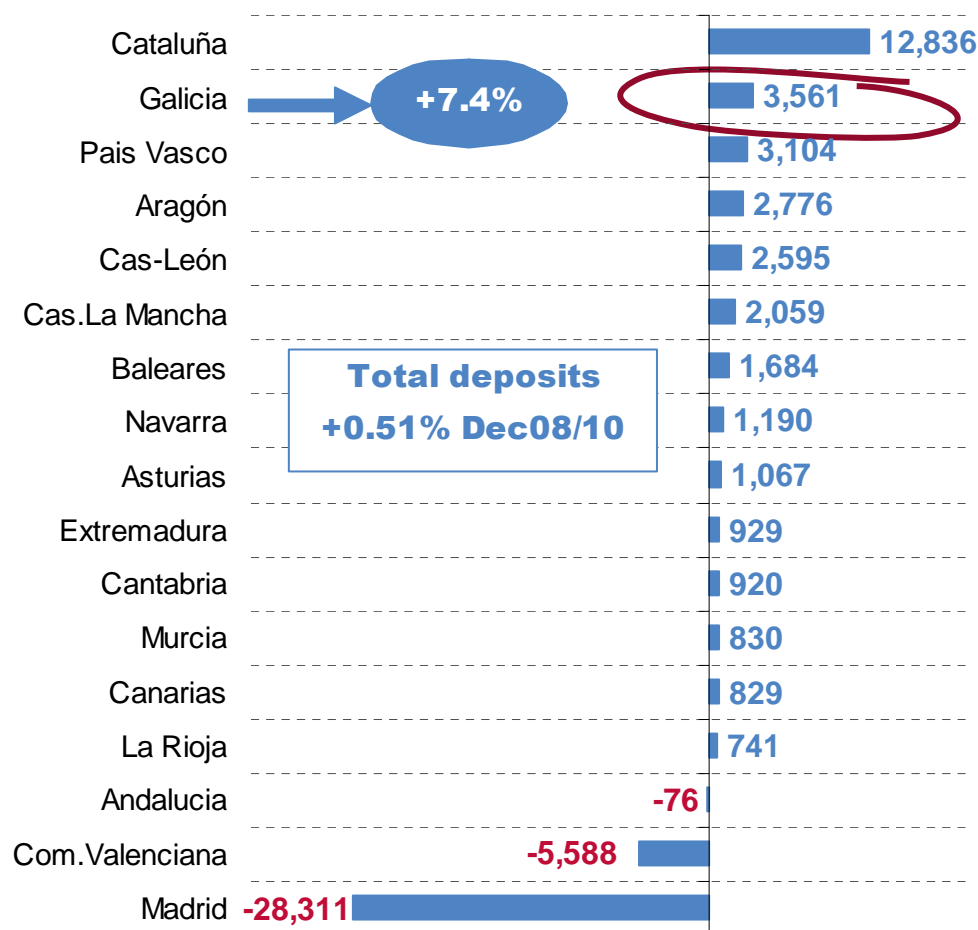
| Branches Distribution | GALICIA | OTHER REGIONS | TOTAL BRANCHES |
|-----------------------------|------------|---------------|----------------|
| Basic branches | 171 ✓ | 10 ✓ | 181 |
| Extended branches | 50 ✓ | 256 ✗ | 306 |
| Comprehensive branches | 4 ✓ | 48 ✓ | 52 |
| SME branches | 3 ✓ | 12 ✗ | 15 |
| Private & internet branches | 5 ✓ | 10 ✗ | 15 |
| PSF | 3 ✓ | 6 ✓ | 9 |
| TOTAL | 236 | 342 | 578 |

From the peak in April 2008: -11% branches and employees

Business & Funding

...In a market now offering opportunities...

Breakdown of Deposit & Lending Growth in the resident sector by region Dec 10/08 (€Mn)



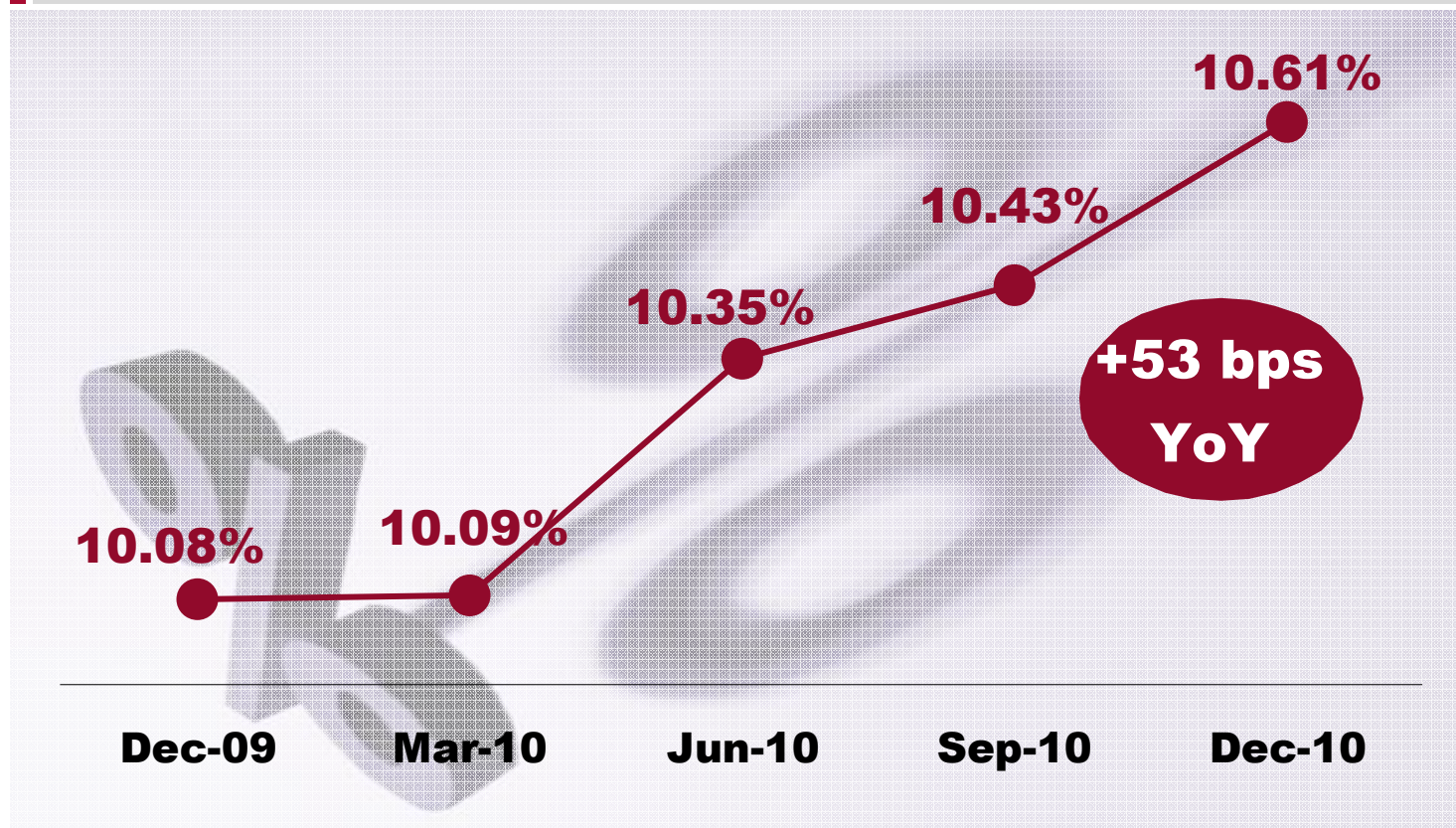
Source: BoS. Sector data as of December 2010

And Galicia a key region in savings

Business & Funding

... benefiting Banco Pastor good retail franchise...

Business Volume Market Share in Galicia



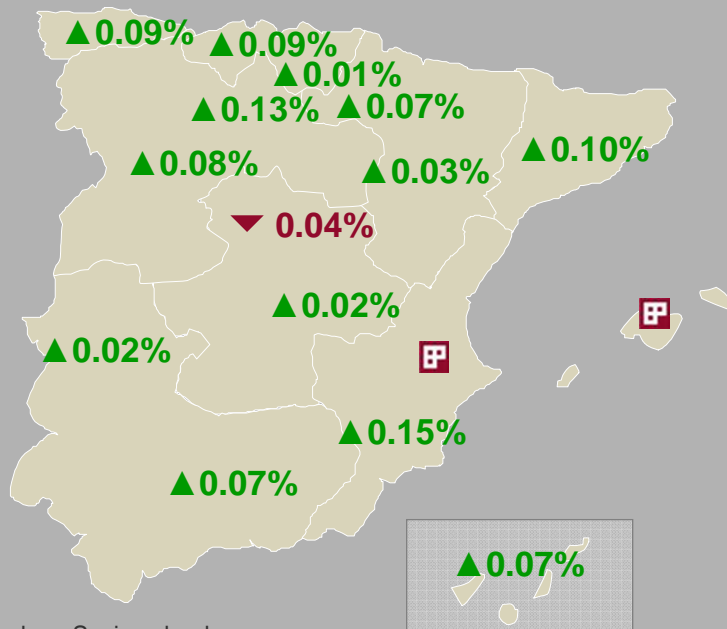
Sector data as of December 2010

... thus gaining market share in Galicia...


Business & Funding

...but also in the rest of Spain

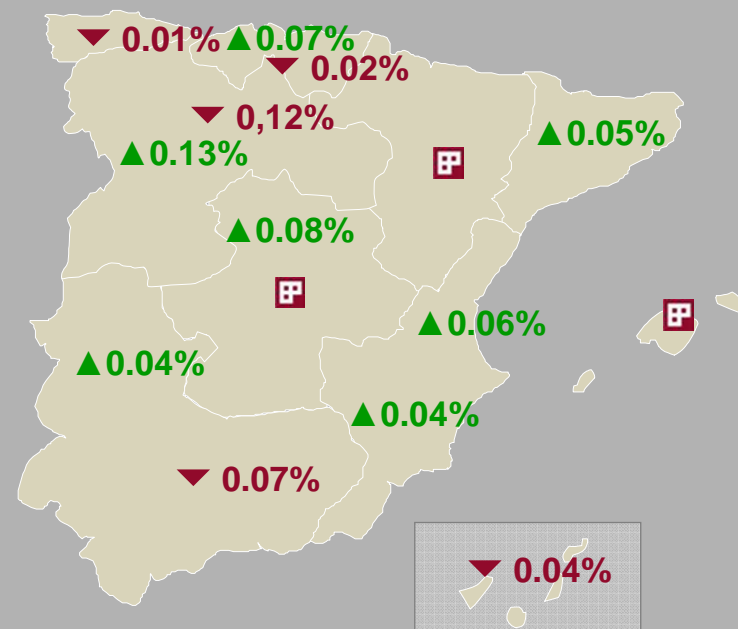
Banco Pastor Market share growth 09/10: Lending



Sector: Banks + Savings banks

 Regions where the presence of Banco Pastor remains the same

Banco Pastor Market share growth 09/10: Deposits

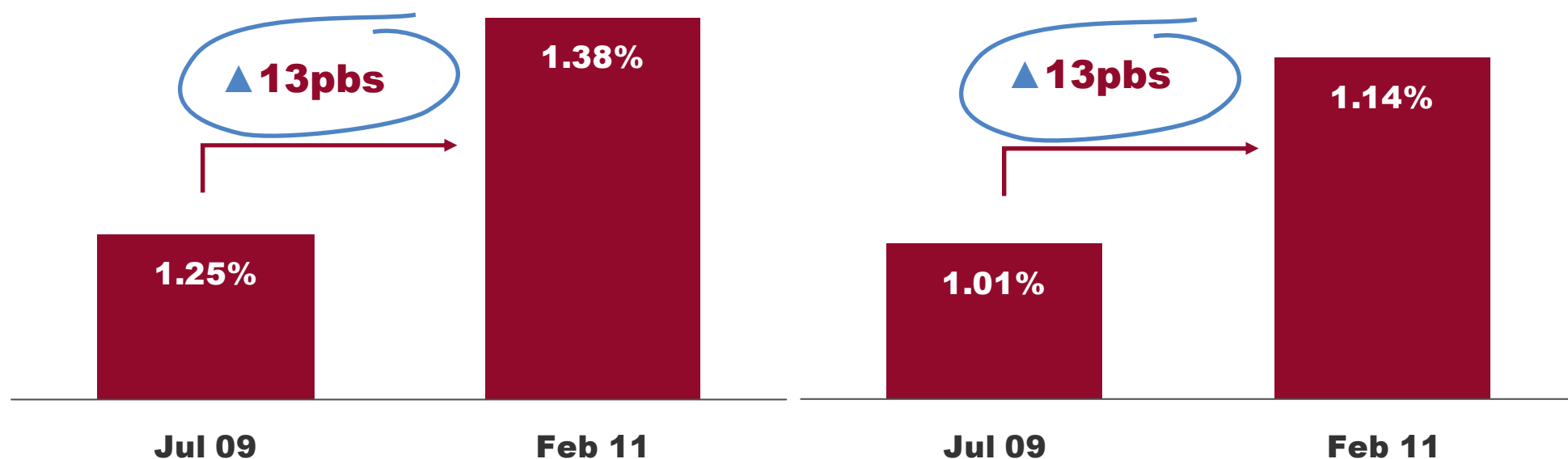


Business & Funding

Both in loans and deposits...

Total market share: Lending

Total market share: Deposits

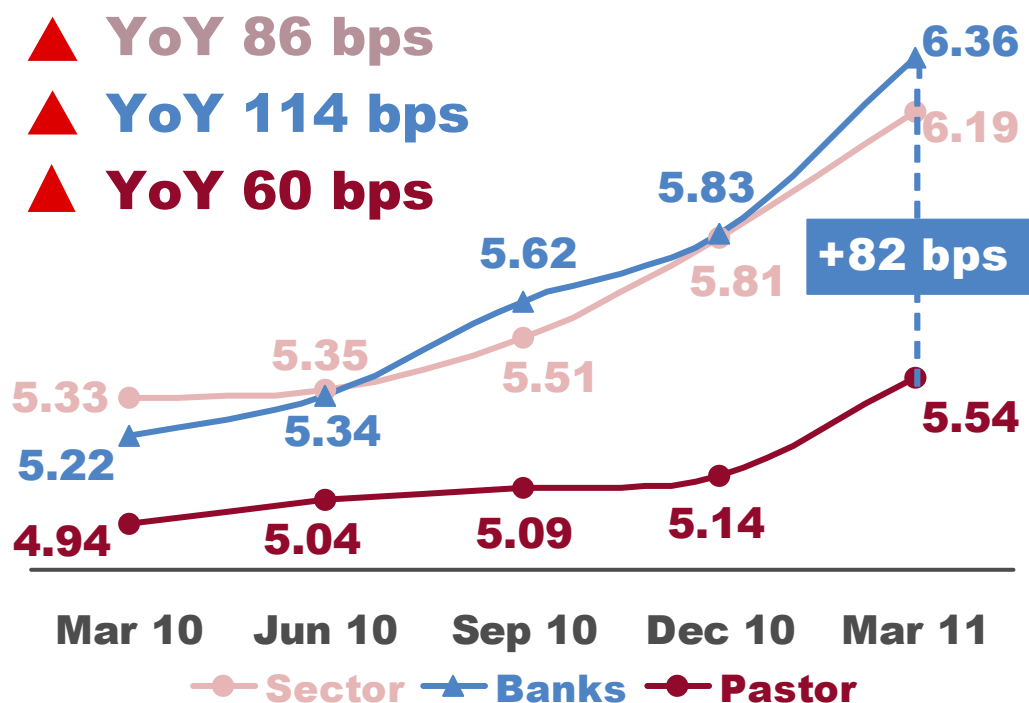


Risk Management

Resilient performance on the asset quality front

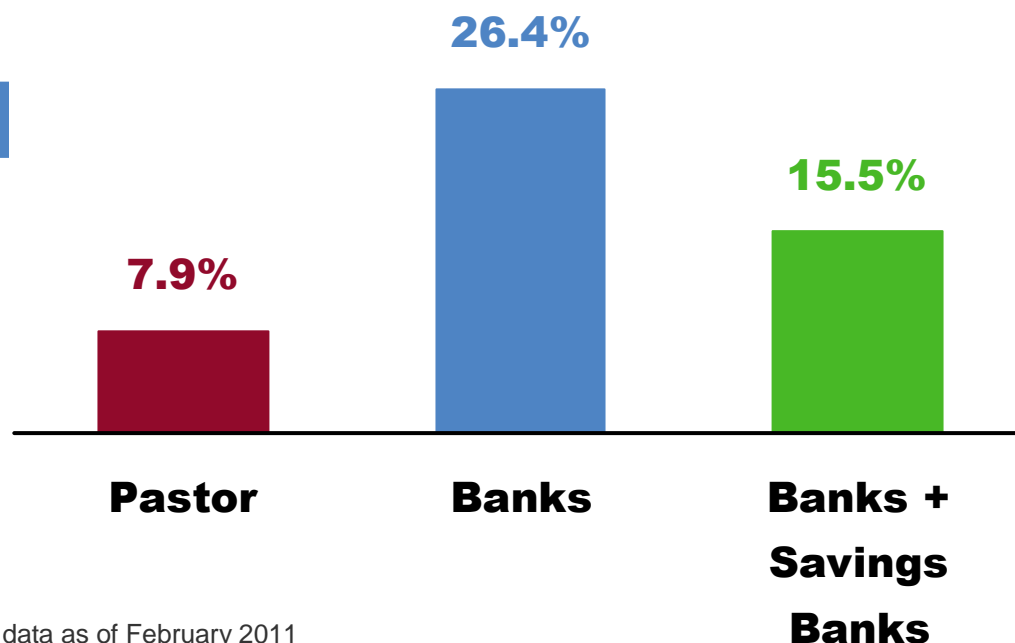


NPL Ratio Pastor vs. Sector (%)



NPL YoY growth rates

NPLs: €1,652 Mn

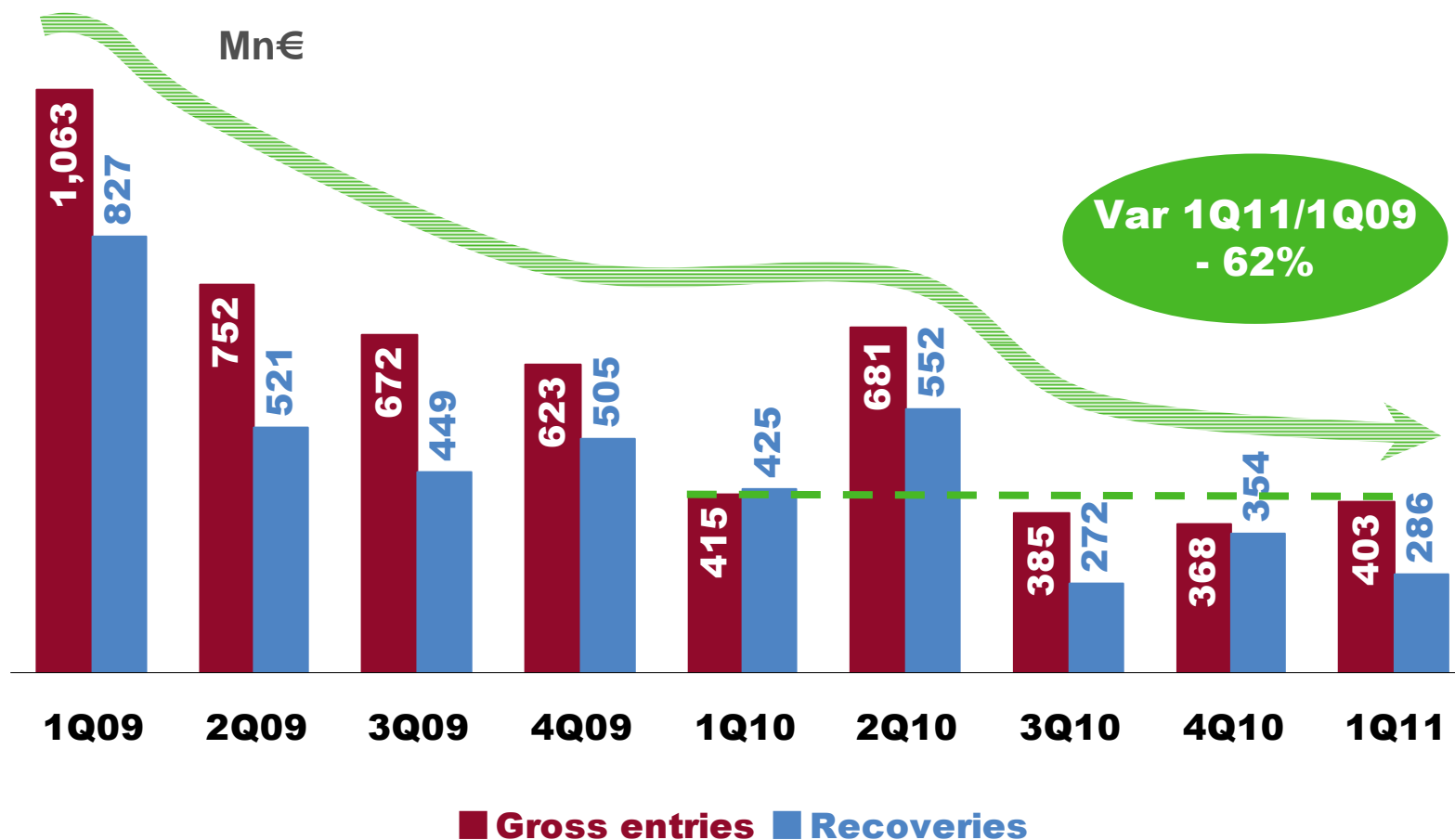


Source: Bank of Spain, data as of February 2011

The lowest NPL growth, pulling away from the sector

Stable gross entries and lower recoveries

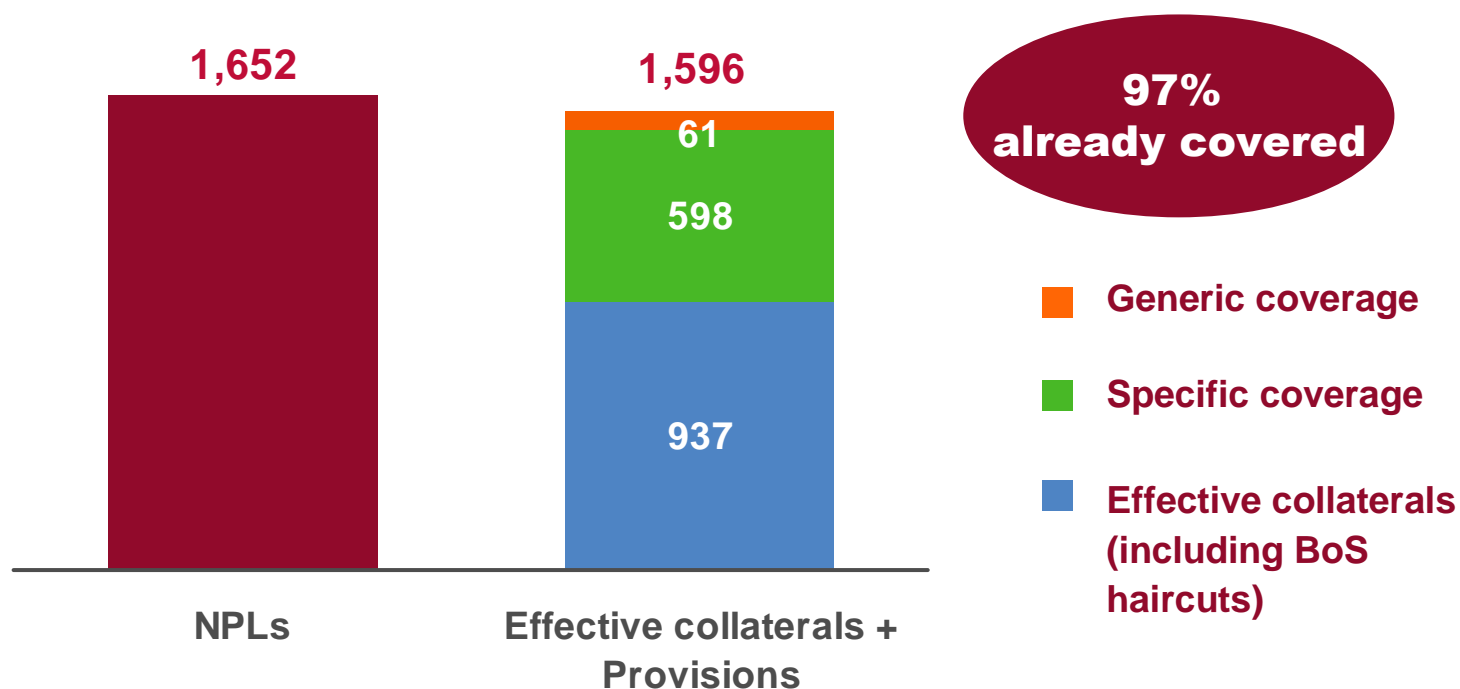
Quarterly evolution of gross entries and recoveries



Risk Management

NPL coverage stood at 97% under new BoS regulation

Provisioning base (Mn€)



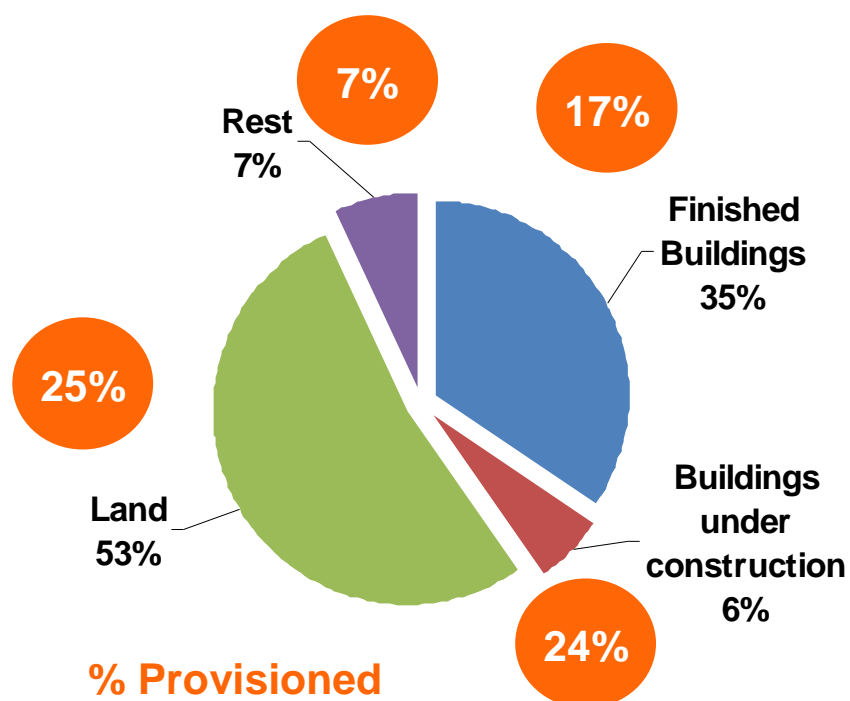
Reaping the first fruits of anticipation and long term focus

Risk Management

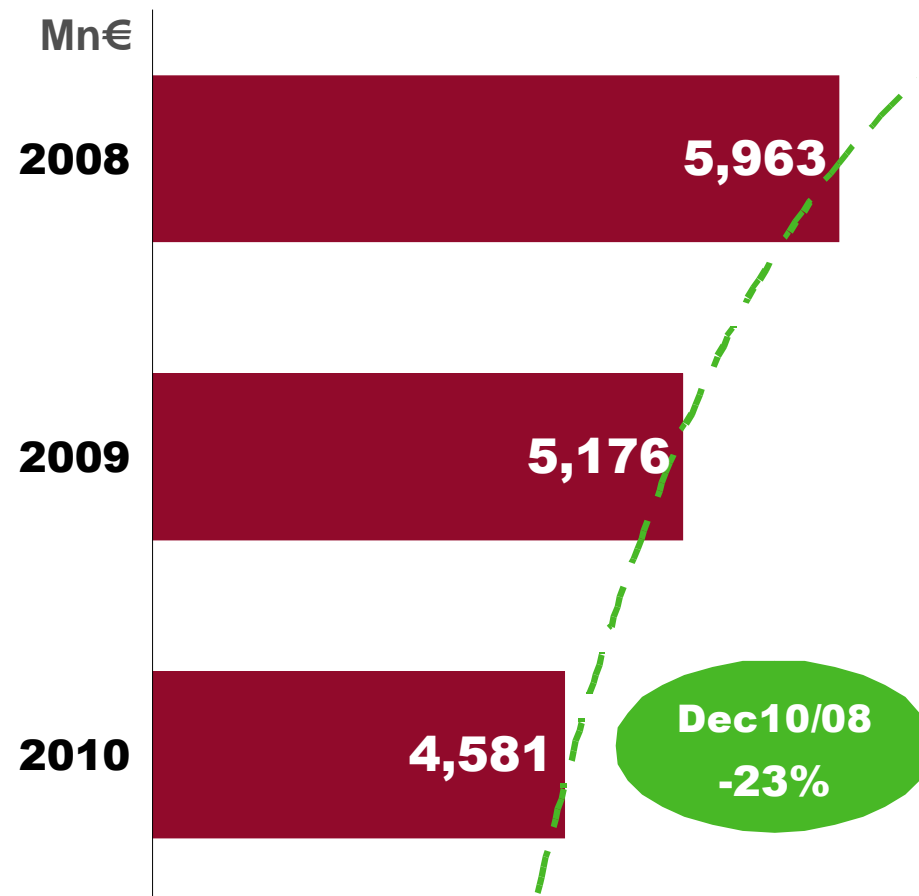
Loans to Real Estate & Construction

Non-performing asset breakdown

Total net value: €1,598Mn



Loans to developers



Risk Management

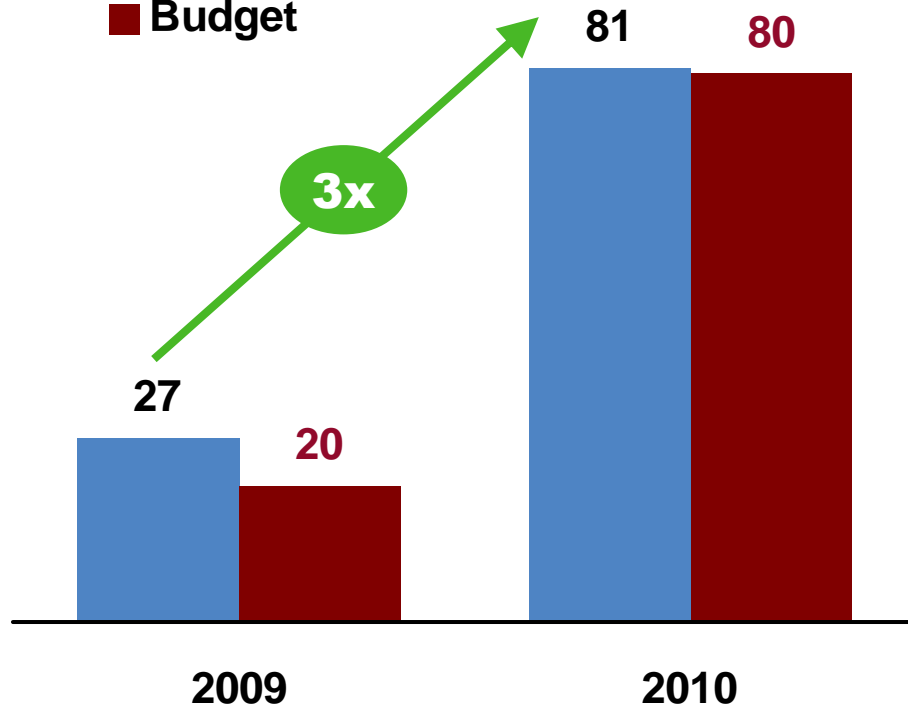
Real Estate management gains momentum

Disposals: Real vs. Budget

Mn€

■ Real

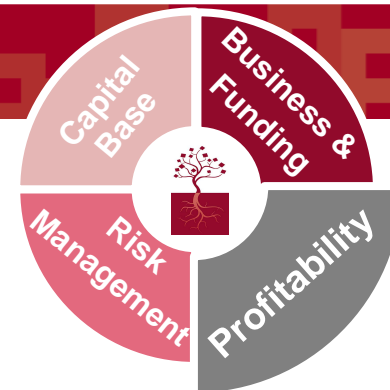
■ Budget



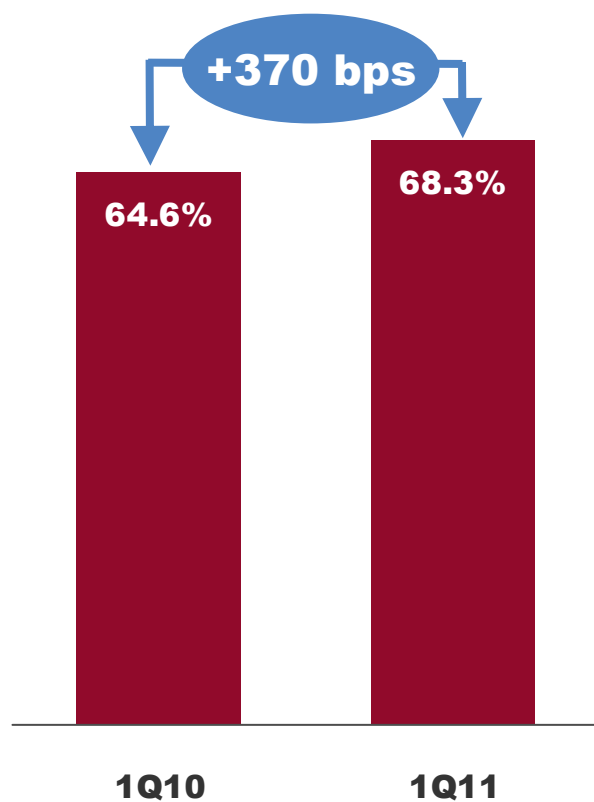
- ▣ Disposals in 2011 are expected to double 2010 volumes
- ▣ The targets for the last two years were surpassed
- ▣ Disposals made over the last two years produced capital gains
- ▣ Real Estate activity in Q1 is usually low for seasonal reasons

Profitability

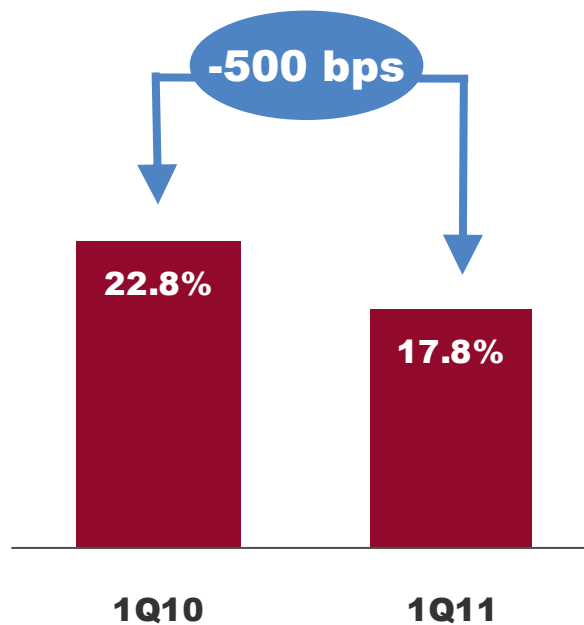
Smart Growth: towards a more commercial Balance Sheet



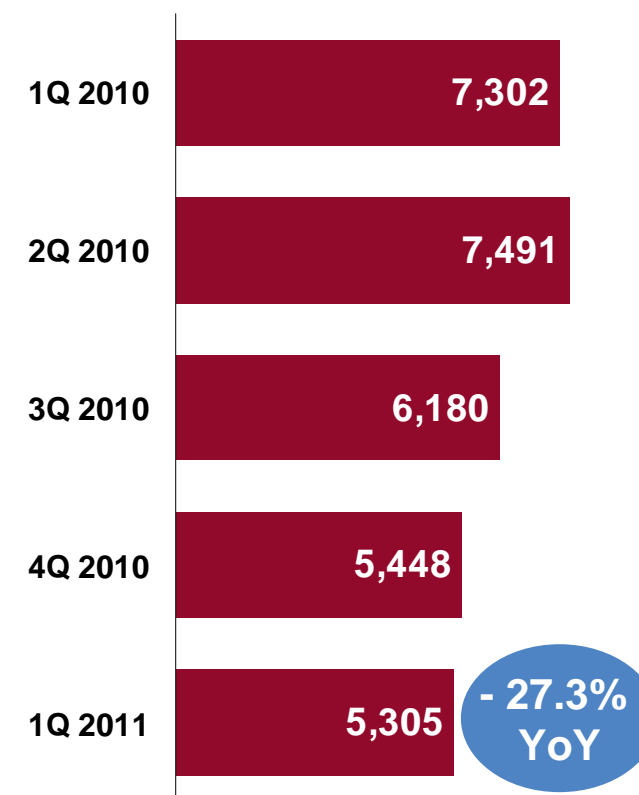
Loans/Total Assets



Fixed Income Port./Total Assets



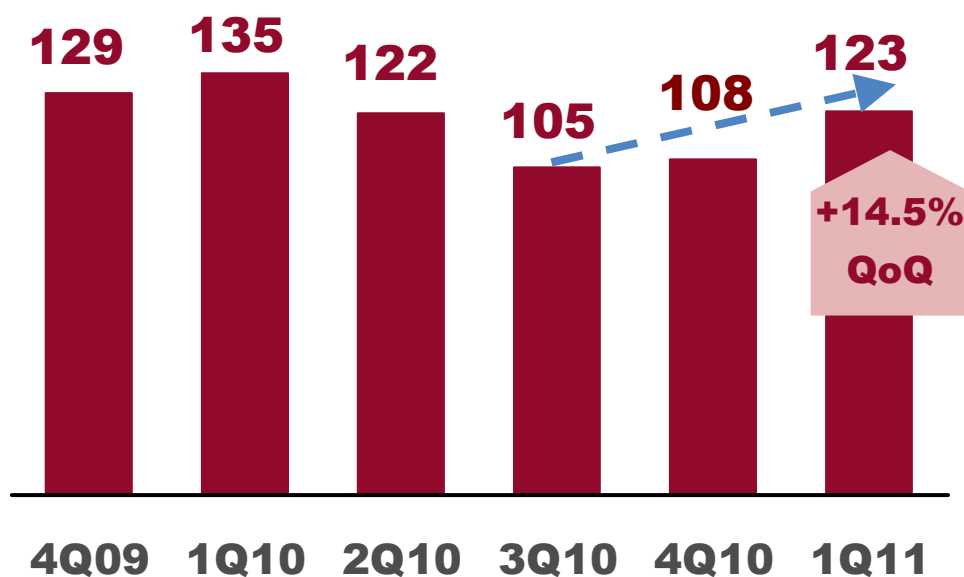
Fixed Income Portfolio Evolution



NII promising dynamics: 4Q2010 a turning point

Net Interest Income QoQ (*)

Mn€



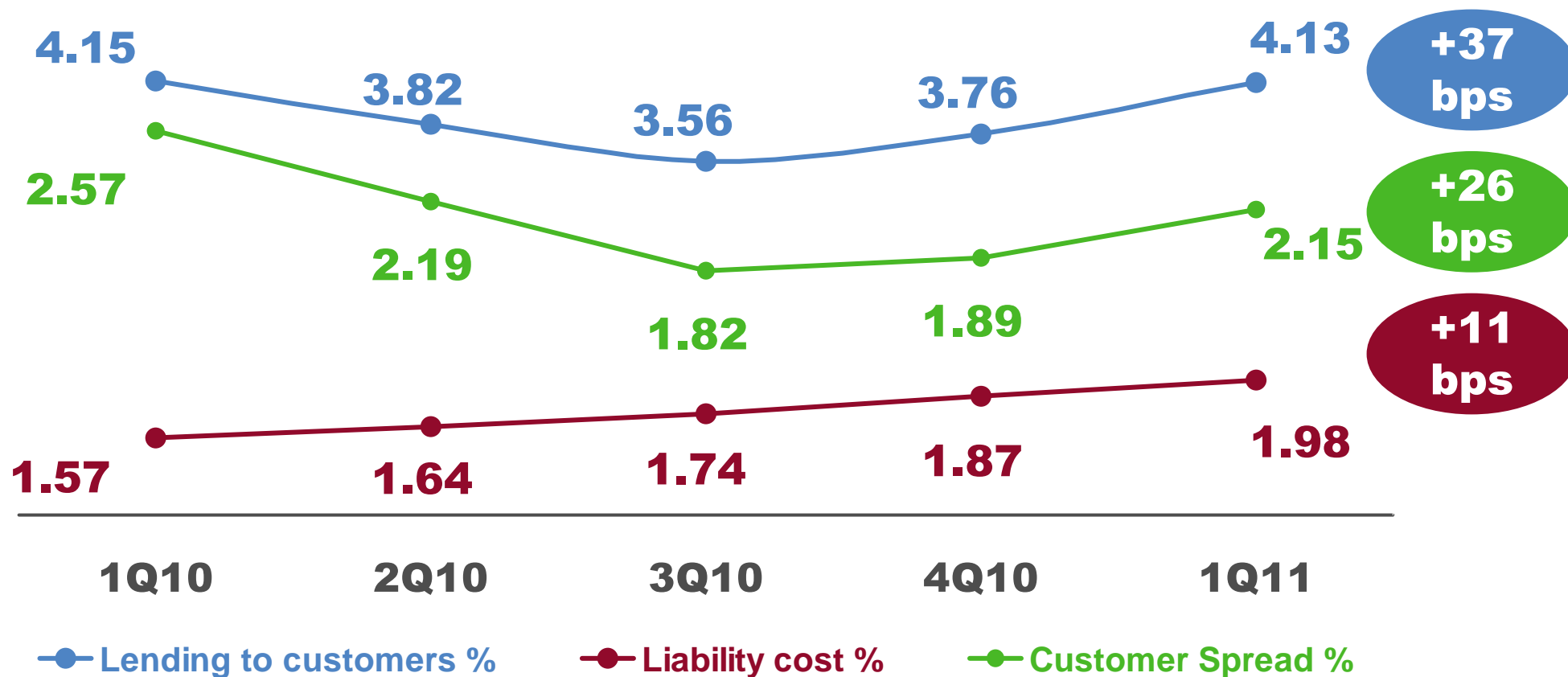
- ▣ Moving towards a new structural equilibrium characterized by:
- I. higher margins and lower volumes
 - II. further re-pricing of corporate lending at wider spreads
 - III. a change in mix

(*) Quarters have been adjusted for interrupted operations for comparative purposes

Profitability

The new retail equation

Commercial spread evolution



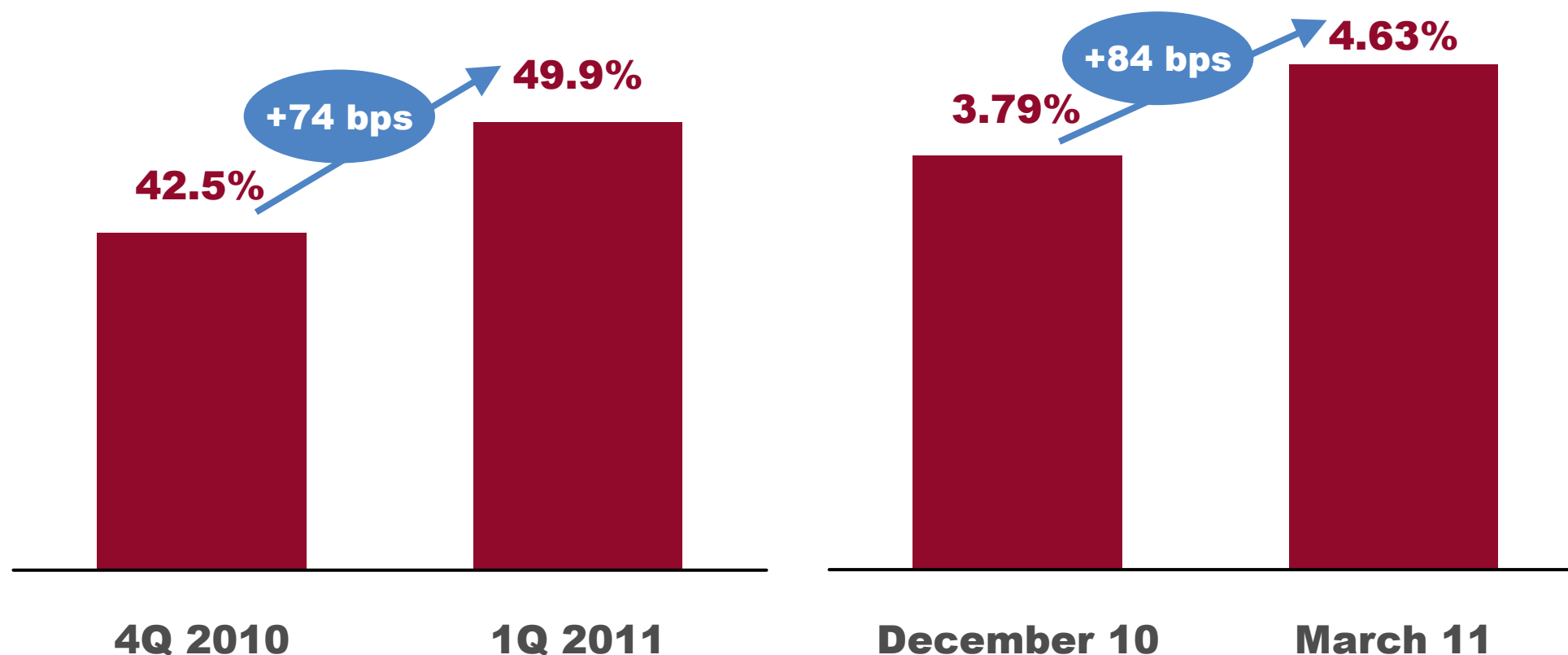
Customer spread shows a positive trend for the second quarter in a row

Profitability

A changing mix in line with Smart Growth Plan

Relative weight of SMEs < €1Mn
on new loan production

SME < €1Mn loan yield (%)

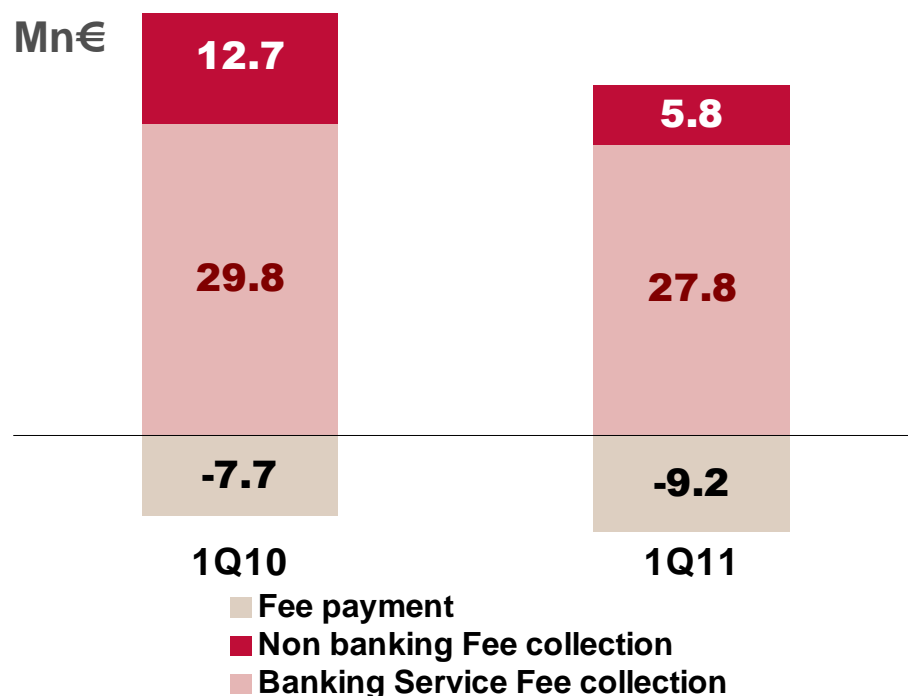


The relative weight of new loan underwriting to SMEs lifts up to 50% of new production

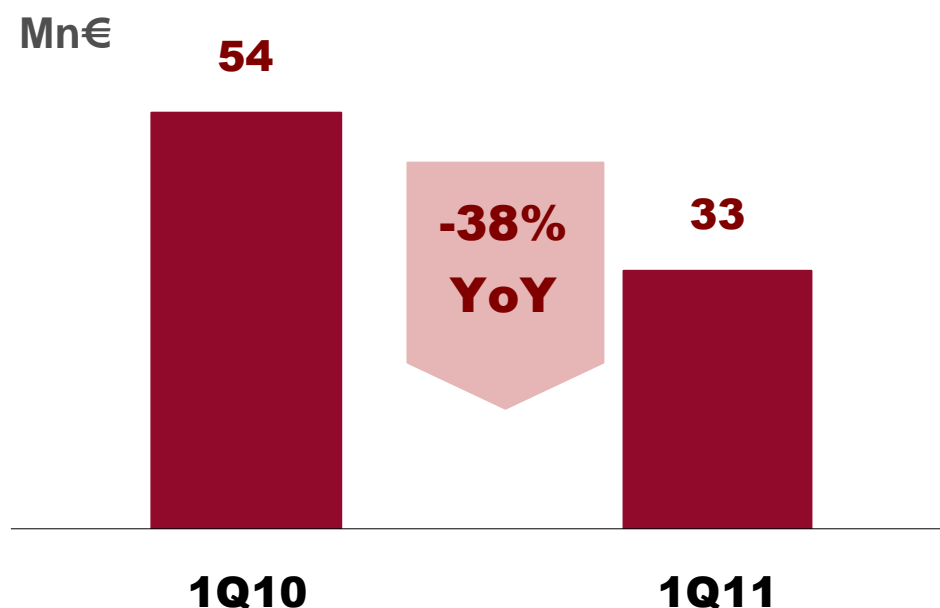
Profitability

Net Fees and ROF affect Gross Operating Income YoY performance

Net Fees



Trading Income Performance

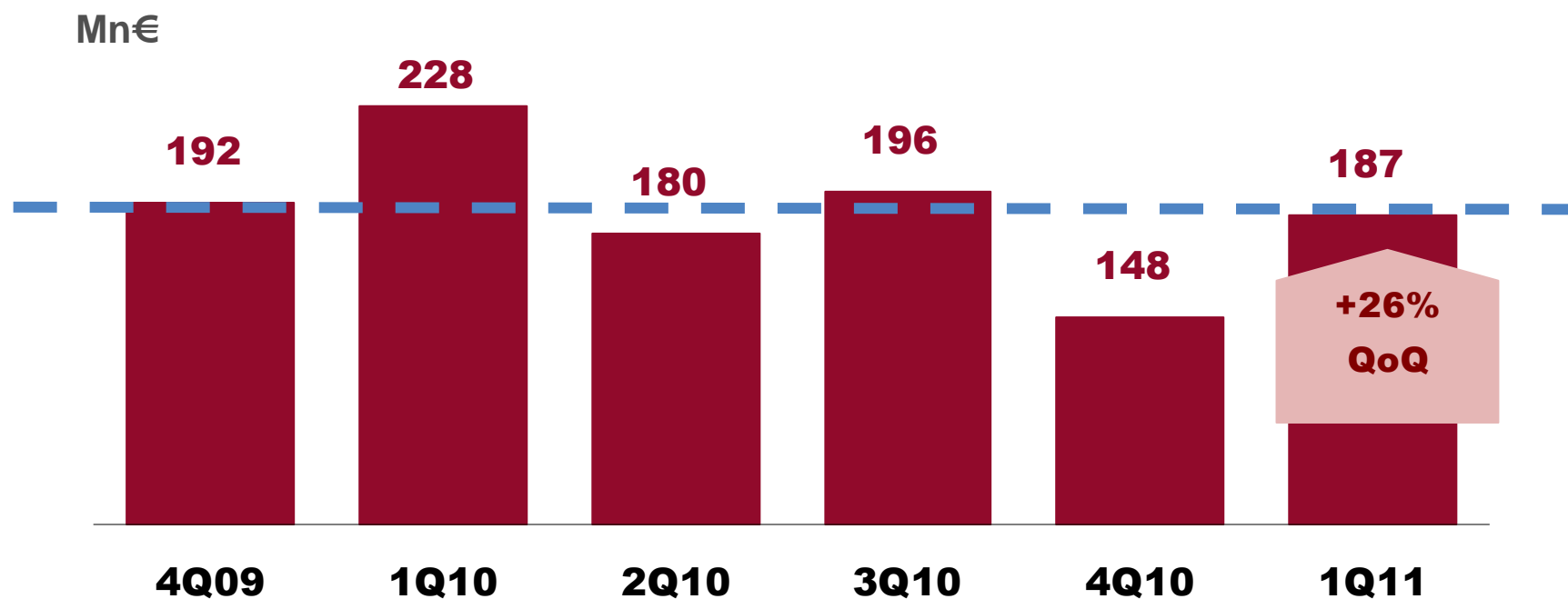


Securitisation fees more than halved in one year
Trading Income also affects ROF YoY evolution, with 40% decline

Profitability

Comparing positively in QoQ terms

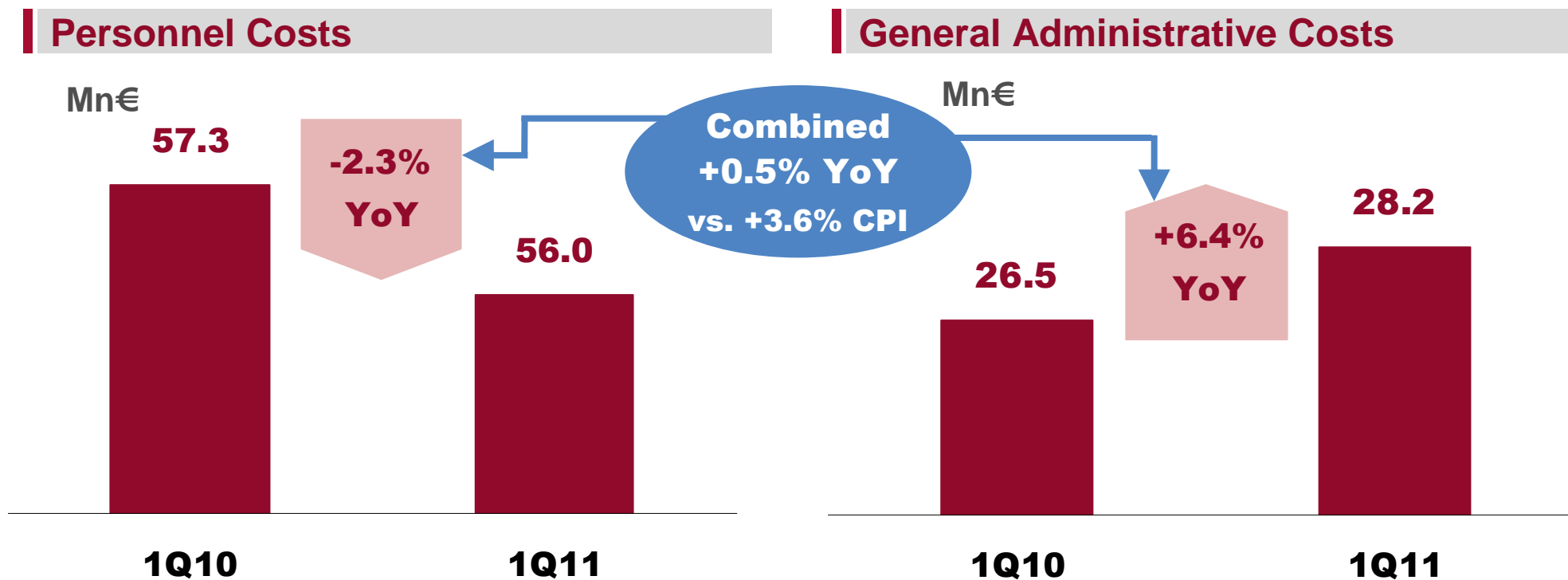
Gross Operating Income 1Q11 (Quarterly evolution)



Despite a lower contribution from trading, PBT increased by 92.6% in 1Q11

Profitability

Efficiency master plan: Cost management, a key issue



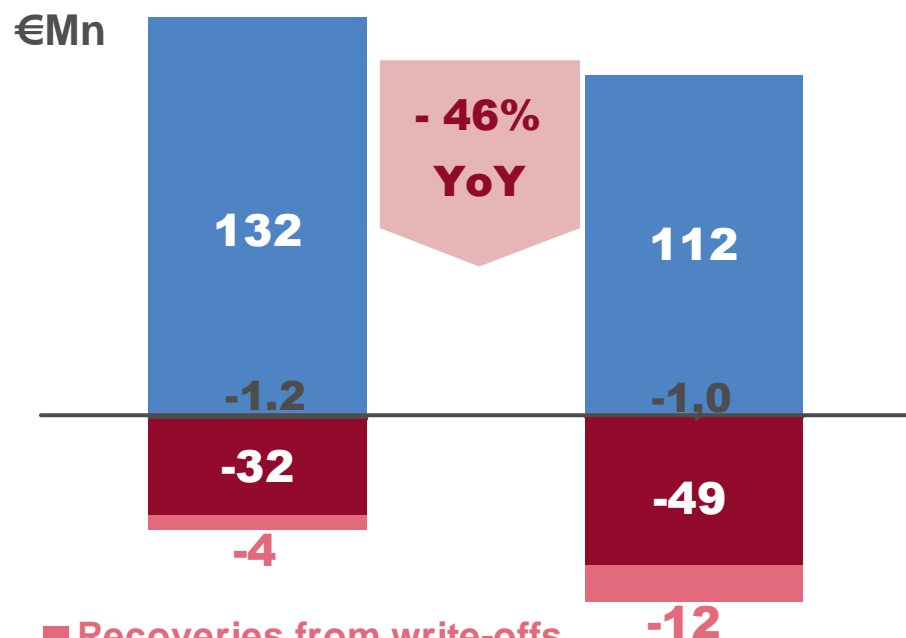
Improved efficiency: Cost to income improved 220 bps, down to 44.3%

Profitability

Managing impairments to the downside

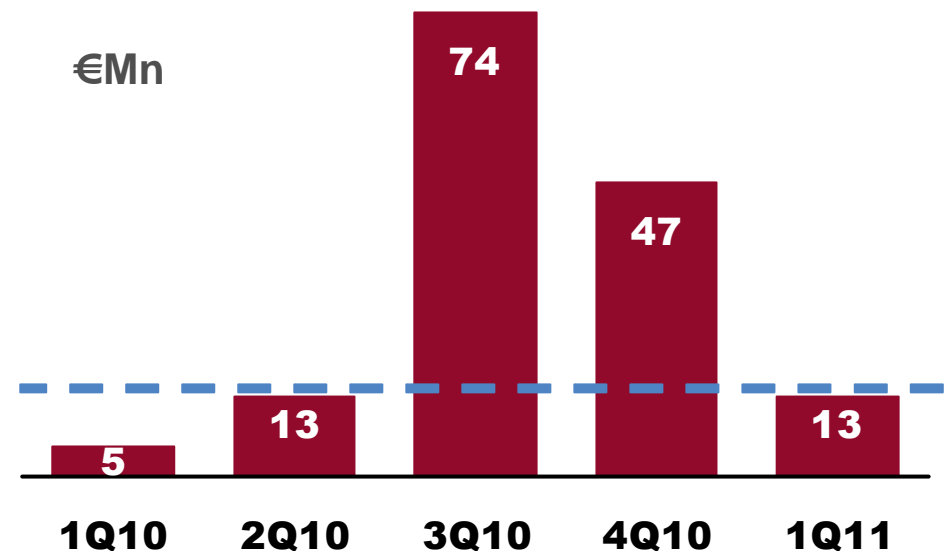
Total Charge-Offs 1Q11 vs.1Q10 (*)

Total 1Q10 94Mn€ **Total 1Q11 51Mn€**



■ Recoveries from write-offs
■ Specific
■ Generic
■ Other provisions

Non-performing Assets impairment evolution



(*) Data adjusted for interrupted operations for comparative purposes

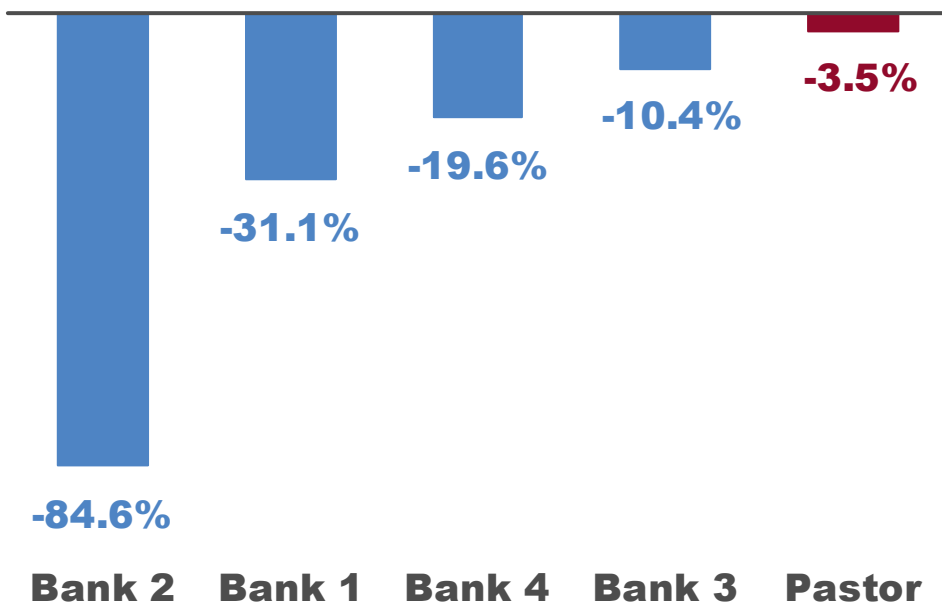
Risk premium almost halved in just one year

Profitability

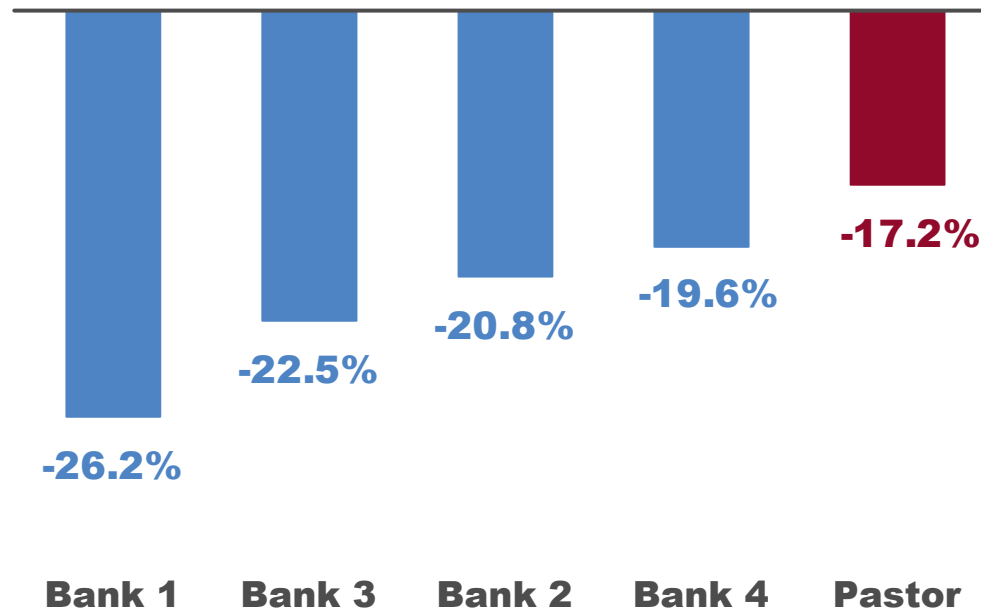
The key management focus shifts to PBT after provisions



Profit before taxes after provisions YoY



Consolidated net profit YoY



Source: Bank 3, data as of December 2010

The best performing domestic bank in terms of recurrent margin evolution

Profitability

“The trend is your friend”

QoQ % Var.

Net interest income

+14.5%

Basic margin

+8.0%

Gross operating income

+25.9%

Profit before taxes (PBT)

+92.6%

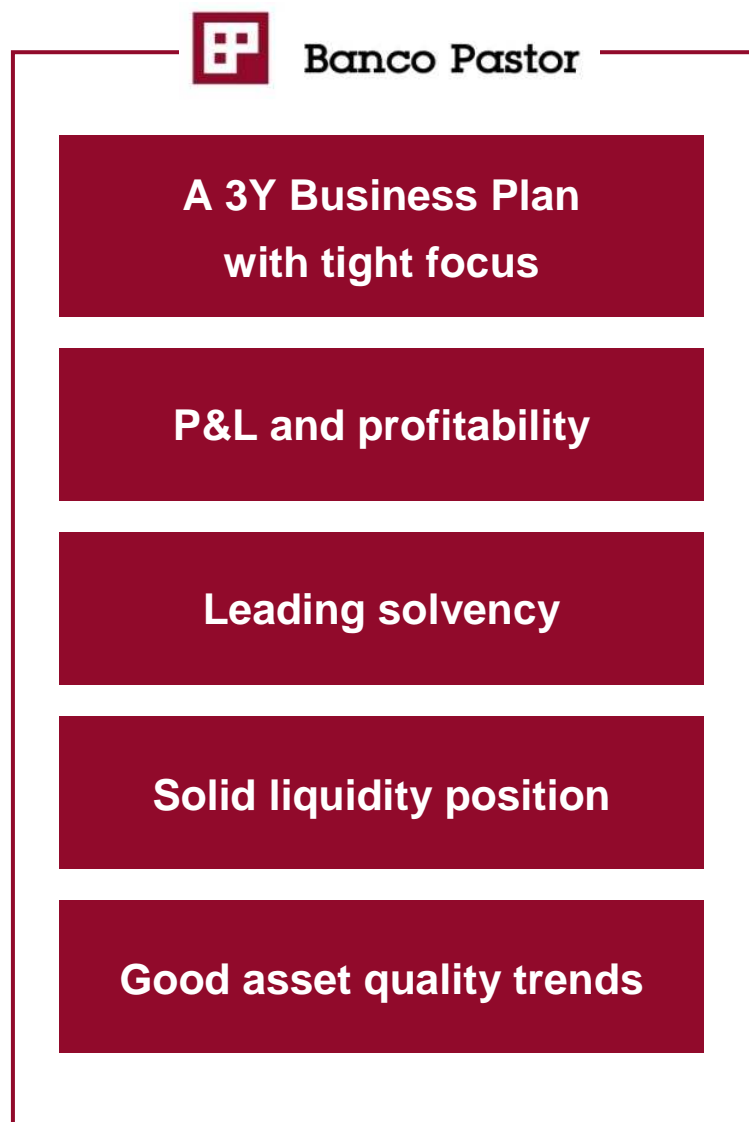
Recurrent PBT

+32.3%



Good underlying performance

Summary and Conclusions



The Butterfly Transformation: A Perfect Role Model

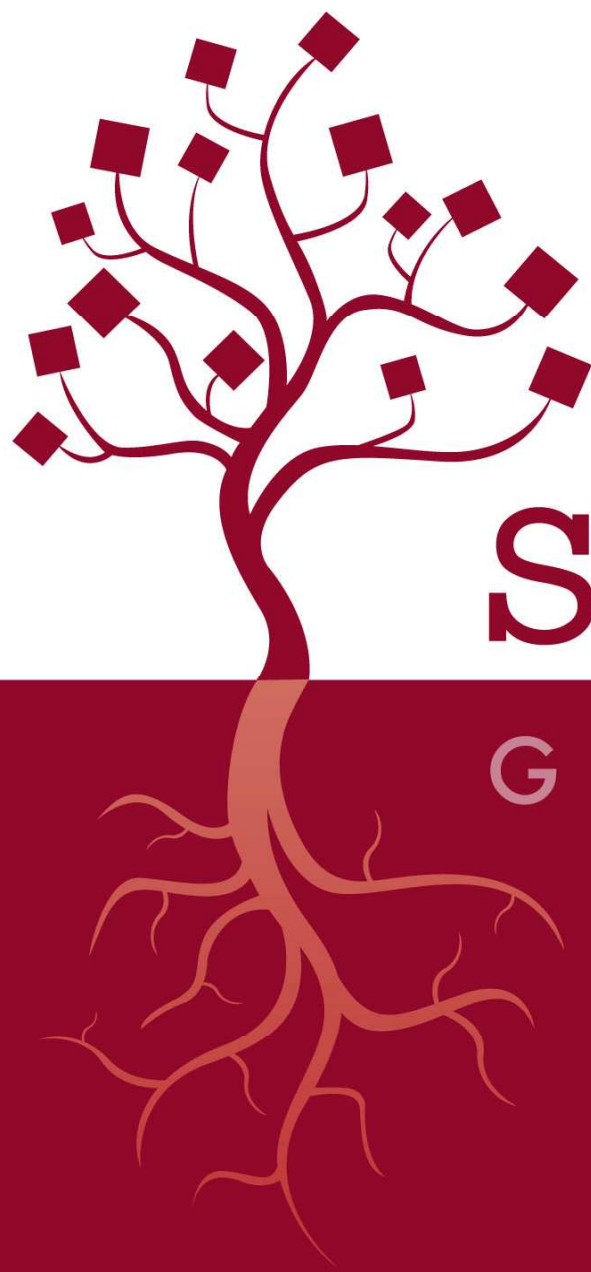


Appendix

1Q 2011 Financial Report



Banco Pastor



smart

G R O W T H



Banco Pastor

Smart growth in figures 2010-2013

2013 Targets

Profitability

- ▣ Double net profit and reach a double-digit ROE
- ▣ 80% of branches generating revenue
- ▣ 30% branch productivity improvement

Solvency

- ▣ Core capital above 9.50%
- ▣ Strengthen capital base via organic generation of 100bps of Core Capital

Liquidity

- ▣ 20% institutional funding over assets
- ▣ 750 bps commercial gap improvement

Levers

New commercial distribution model

- ▣ Based on channel integration and single territorial management
- ▣ Based on differentiation and specialization: Galicia vs. outside Galicia

Efficiency Master Plan

- ▣ Increasing commercial capacity by over 20%, freeing up administrative staff
- ▣ Cost savings plan will finance investments in advertising and technology

Risk management

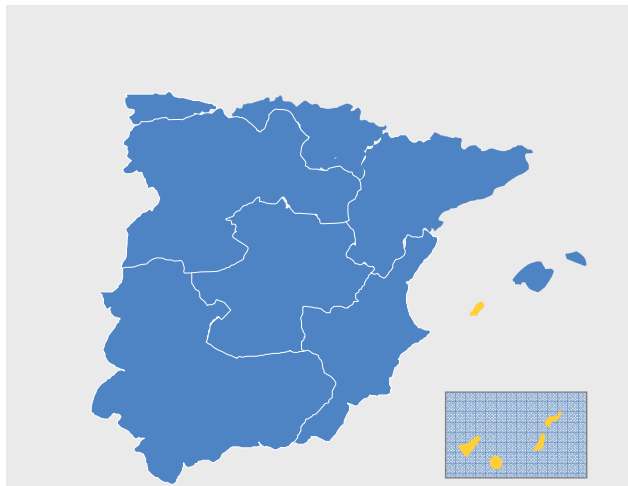
- ▣ Risk profile consistent with comfortable liquidity position and adequate solvency level
- ▣ Risk quality improvement and tighter control via higher exposure to existing customers and the introduction of customer rating

Optimum returns on real estate

- ▣ Reduction in non-performing assets will generate more than 900 Mn€ of liquidity throughout the 3-year period, and positive returns of 65 Mn€

A differentiated approach by market

Markets



Targets

Leader among urban households in Galicia

Reinforce our position in small towns and rural areas

Be the #1 choice for SMEs and self-employed customers

Gain market share in the middle-aged customer segment and medium to high income households

Be the #1 choice for SMEs and self-employed customers

In a nutshell

Consolidate leadership within the new competitive environment

Position ourselves as a specialised retail bank

Where specialisation is the key to success

A targeted and tightly focused commercial action...

... which significantly improves productivity

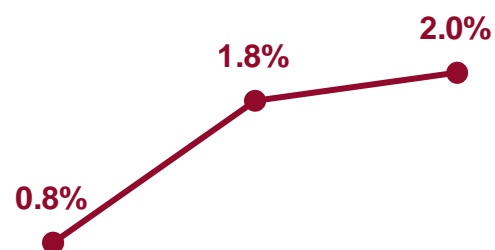


Agile decision-making process, industrialising pricing criteria

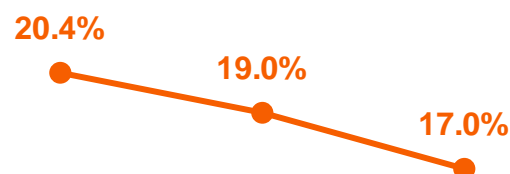
Macro view

Our forecast for

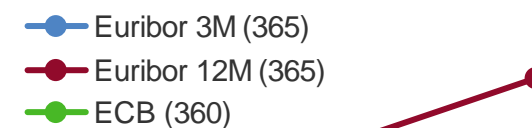
GDP growth



Unemployment



Interest rates



P&L account breakdown

| (€ Thousands) | Mar. 11 | Mar. 10 | Yoy Mar. 11/ Mar. 10 | |
|--|----------------|----------------|----------------------|----------------|
| | | | Absolute | % |
| = NET INTEREST INCOME (ex-dividends) | 123,080 | 134,901 | (11,821) | (8.8)% |
| (+) Dividend Income | 81 | 2,133 | (2,052) | (96.2)% |
| = NET INTEREST INCOME | 123,161 | 137,034 | (13,873) | (10.1)% |
| (+/-) Income from equity method | 1,022 | 966 | 56 | 5.8% |
| (+) Net fees and commissions | 24,334 | 34,715 | (10,381) | (29.9)% |
| (+/-) Results from financial transactions+ Other results | 38,180 | 55,614 | (17,434) | (31.3)% |
| = GROSS OPERATING INCOME | 186,697 | 228,329 | (41,632) | (18.2)% |
| (-) Administrative expenses | 84,265 | 83,851 | 414 | 0.5% |
| (-) Personnel expenses | 56,032 | 57,322 | (1,290) | (2.3)% |
| (-) Other general administrative expenses | 28,233 | 26,529 | 1,704 | 6.4% |
| (-) Amortisation and depreciation | 7,019 | 6,981 | 38 | 0.5% |
| (+/-) Net provisions to allowances | (1,264) | (4,138) | 2,874 | (69.5)% |
| (+/-) Losses from impairment of financial assets (net) | 50,824 | 94,135 | (43,311) | (46.0)% |
| = PBT AFTER PROVISIONS | 45,853 | 47,500 | (1,647) | (3.5)% |
| (+/-) Losses from impairments on other financial assets | 46 | (1,735) | 1,781 | (102.7)% |
| (+/-) Other results (net) | (6,784) | (2,444) | (4,340) | 177.6% |
| = INCOME BEFORE TAXES | 39,023 | 46,791 | (7,768) | (16.6)% |
| (+/-) Income tax | 10,937 | 12,857 | (1,920) | (14.9)% |
| = PROFIT AFTER TAX | 28,086 | 33,934 | (5,848) | (17.2)% |
| (+/-) Profit from discontinued operations | 0 | 732 | (732) | N/A |
| = CONSOLIDATED NET PROFIT | 28,086 | 34,666 | (6,580) | (19.0)% |
| = INCOME ATTRIBUTED TO THE GROUP | 27,767 | 34,442 | (6,675) | (19.4)% |

Balance Sheet breakdown: Assets

| (€ Thousands) | | | | |
|---|-------------------|-------------------|------------------|--------------|
| Assets | Mar.11 | Mar.10 | Difference | |
| | | | Absolute | % |
| Cash and due from central banks | 344,056 | 446,266 | (102,210) | (22.9) |
| Trading portfolio | 103,841 | 2,527,594 | (2,423,753) | (95.9) |
| Other financial assets at fair value | 518,939 | 985,979 | (467,040) | (47.4) |
| Available for sale financial assets | 1,713,665 | 2,601,987 | (888,322) | (34.1) |
| Loans and advances to customers | 23,200,159 | 21,735,130 | 1,465,029 | 6.7 |
| Lending to customers | 21,521,734 | 20,557,088 | 964,646 | 4.7 |
| Held-to-maturity investments | 2,141,824 | 748,198 | 1,393,626 | 186.3 |
| Macro-Hedge adjustments to financial assets | 909 | 0 | 909 | N/A |
| Hedging derivatives | 154,098 | 188,889 | (34,791) | (18.4) |
| Non current assets for sale | 1,130,463 | 1,055,659 | 74,804 | 7.1 |
| Participating interests | 103,289 | 33,007 | 70,282 | 212.9 |
| Pension-linked insurance contracts | 25,254 | 0 | 25,254 | N/A |
| Reinsurance assets | 0 | 4,686 | (4,686) | (100.0) |
| Tangible assets | 178,414 | 195,807 | (17,393) | (8.9) |
| Intangible assets | 26,395 | 23,994 | 2,401 | 10.0 |
| Tax assets | 254,306 | 247,926 | 6,379 | 2.6 |
| Other assets | 852,237 | 824,191 | 28,046 | 3.4 |
| TOTAL ASSETS | 30,747,849 | 31,619,313 | (871,464) | (2.8) |

Balance Sheet breakdown: Liabilities

| (€ Thousands) | | | | |
|--|-------------------|-------------------|------------------|---------------|
| Liabilities | Mar. 11 | Mar. 10 | Difference | |
| | | | Absolute | % |
| Trading portfolio | 105,506 | 92,769 | 12,737 | 13.7 |
| Other financial liabilities at fair value | 392,755 | 1,222,396 | (829,641) | (67.9) |
| Customer deposits | 392,755 | 900,645 | (507,890) | (56.4) |
| Financial liabilities at amortised cost | 28,405,247 | 28,234,590 | 170,657 | 0.6 |
| Customer deposits | 15,347,326 | 14,153,434 | 1,193,892 | 8.4 |
| Hedging derivatives | 49,326 | 76,954 | (27,628) | (35.9) |
| Insurance contract liabilities | 2,777 | 142,046 | (139,269) | (98.0) |
| Allowances | 103,118 | 122,713 | (19,595) | (16.0) |
| Tax liabilities | 15,528 | 29,116 | (13,588) | (46.7) |
| Other liabilities accounts | 58,488 | 62,453 | (3,965) | (6.3) |
| TOTAL LIABILITIES | 29,132,745 | 29,983,037 | (850,292) | (2.8) |
| Equity | | | | |
| Shareholder's equity | 1,492,561 | 1,462,093 | 30,468 | 2.1 |
| Issued capital | 88,083 | 86,356 | 1,727 | 2.0 |
| Paid in capital | 146,720 | 148,447 | (1,727) | (1.2) |
| Reserves | 1,259,853 | 1,200,827 | 59,026 | 4.9 |
| Other equity instruments | 758 | 839 | (81) | (9.7) |
| (-) Adjustment reserve | (14,605) | (8,818) | (5,787) | 65.6 |
| Income attributed to the Group | 27,767 | 34,442 | (6,675) | (19.4) |
| (-) Dividends and payments | (16,015) | 0 | (16,015) | N/A |
| Valuation adjustments | (38,053) | 3,354 | (41,407) | N/A |
| Minority interests | 160,596 | 170,829 | (10,233) | (6.0) |
| TOTAL EQUITY | 1,615,104 | 1,636,276 | (21,172) | (1.3) |
| TOTAL EQUITY AND LIABILITIES | 30,747,849 | 31,619,313 | (871,464) | (2.8) |
| Pro-memoria | | | | |
| Contingent risks | 923,194 | 961,794 | (38,600) | (4.0) |
| Contingent commitments | 2,489,574 | 2,898,525 | (408,951) | (14.1) |

Disclaimer

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