

A Coruña,
July 29th, 2011









1H2011 Results Presentation



Banco Pastor

H1 2011, no room for boredom

Second quarter 2011:

-  Rising interest rates, again
-  Sovereign debt crisis deepened
-  Spanish 10Y Bond Risk Premium at historic maximum levels
-  Greece has become the first Western country to produce a selective default in more than 60 years
-  A comprehensive plan that for the first time takes a holistic view of the crisis
-  Ongoing transformation of the Spanish banking system
 -  Spanish savings banks IPOs
 -  CAM

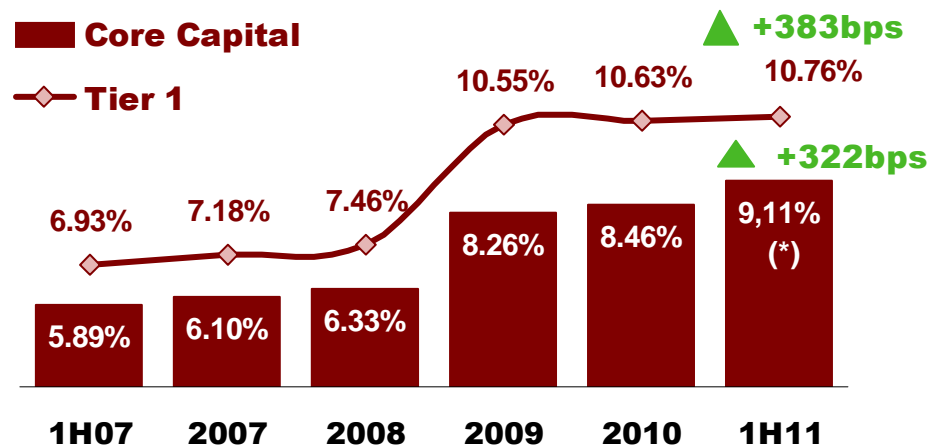


Banco Pastor

**Without
straying from
the right path:
business as
usual**

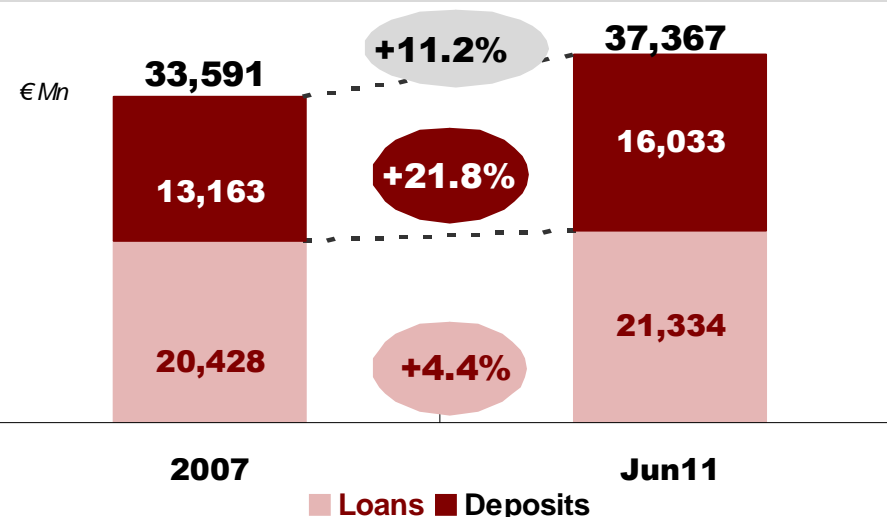
4 years into the crisis

Tier1 and Core Capital

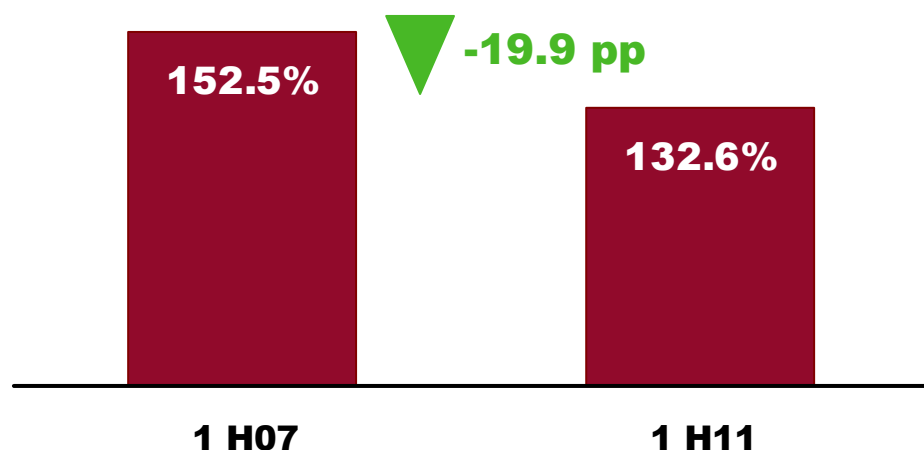


(*) Core Capital and Tier 1 under Basel III

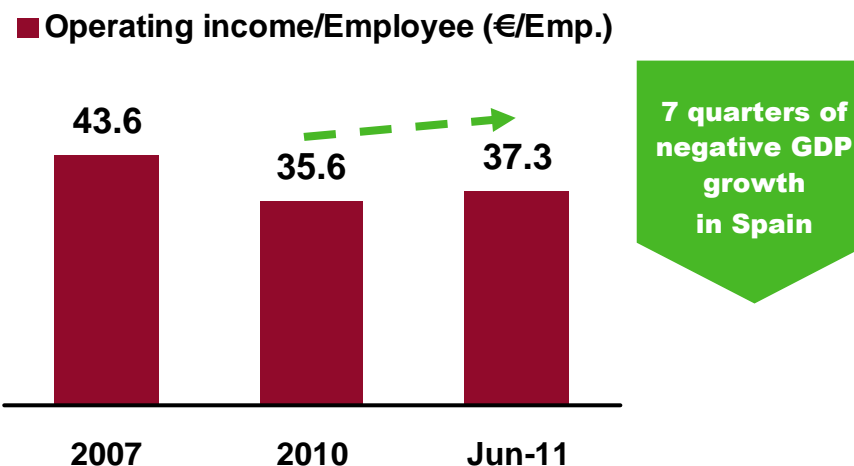
Business Volume



Liquidity: Gap loans/deposits

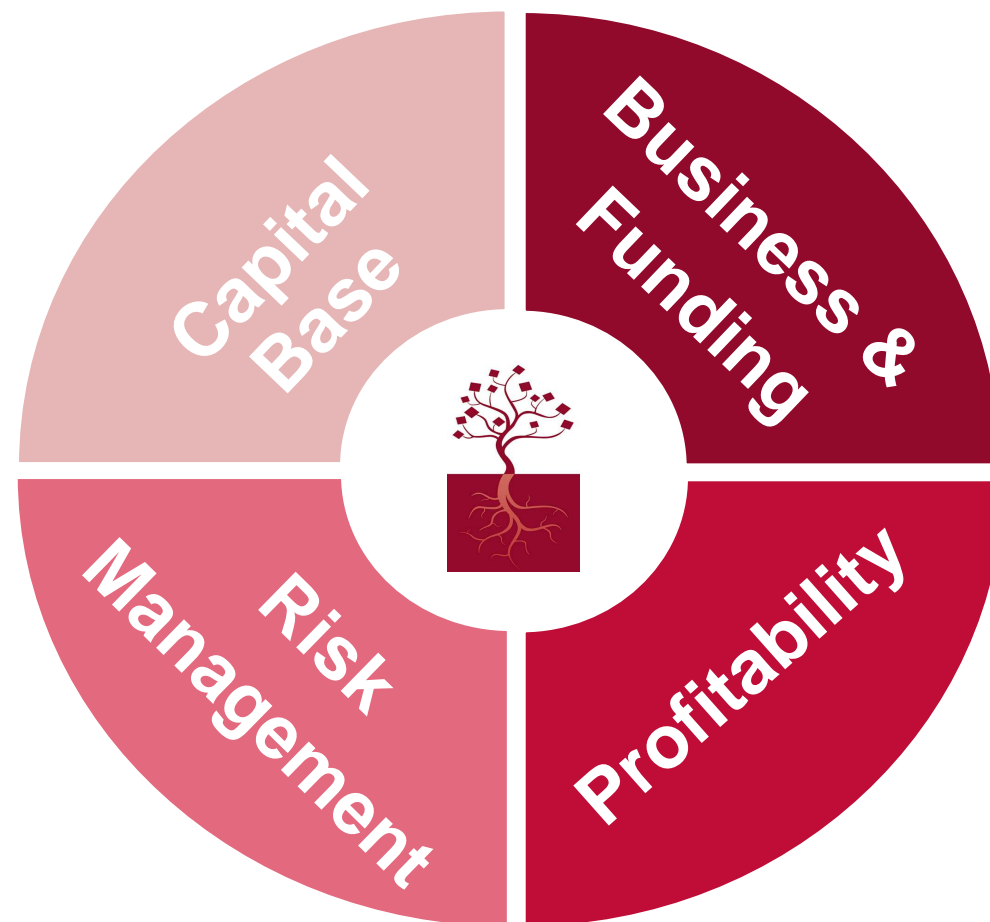


Profitability (in quarterly terms)



A remarkable capacity to analyse unprecedented situations, make appropriate decisions and reposition

Contents



Capital Base

Reality bites



Banco Pastor: Tier 1 and Core Capital performance



Anticipating Basel III:

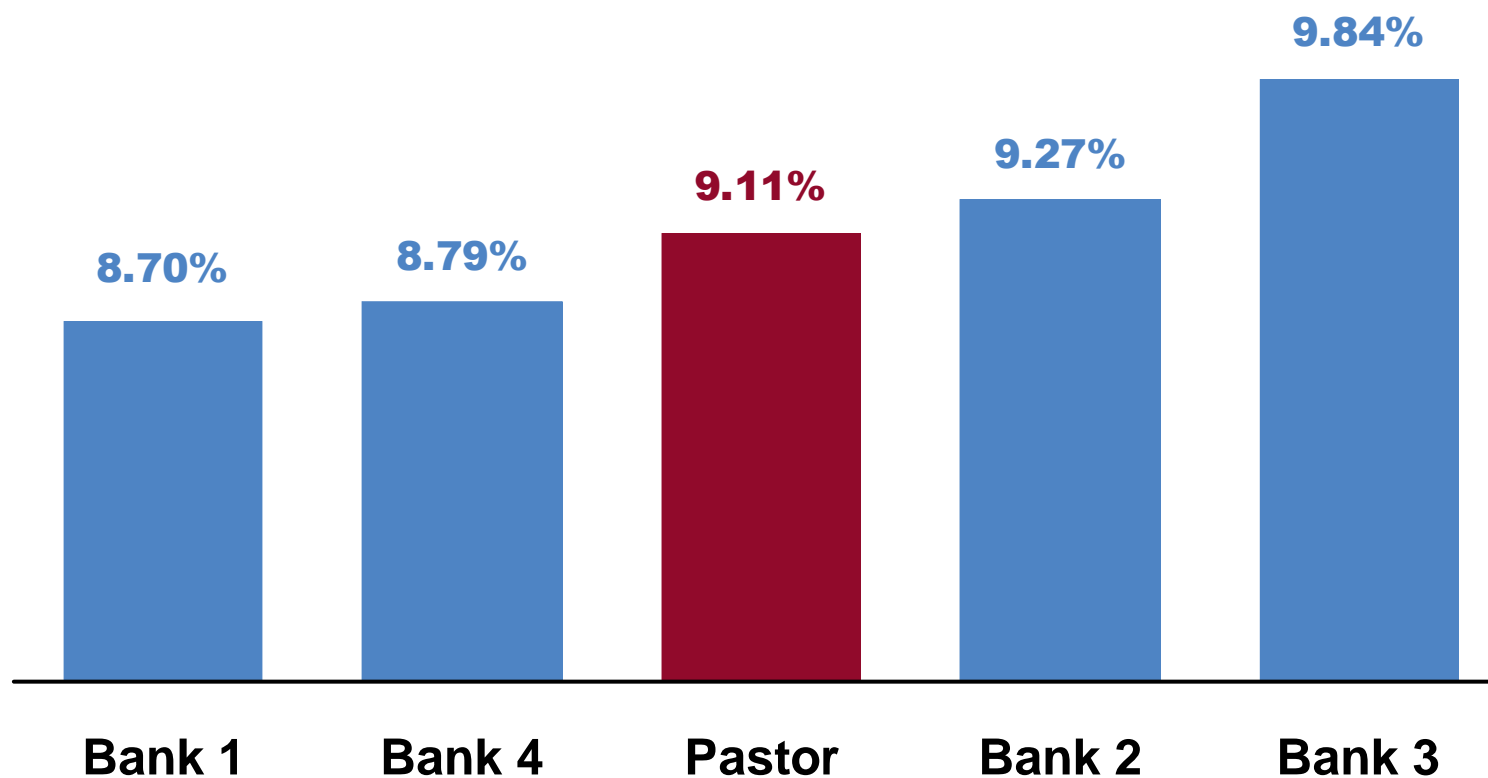
- Eliminating €152Mn of minority interests
- Including €252Mn of mandatory convertible bond issue
- €1.97 Bn of Tier1 and €1.67 Bn of Core Capital
- Tier 1 ratio reaches 10.76%
- BIS ratio stands at 11.16%

Increased solvency levels

Capital Base

So far, so good

Sound capital position (Core Tier 1)



“When I use a word... it means just what I choose it to mean”



*Note: This passage was used in Britain by Lord Atkin and in his dissenting judgement in the seminal case *Liversidge v. Anderson* (1942), where he protested about the distortion of a statute by the majority of the House of Lords.*

Humpty Dumpty appears in Lewis Carroll's *Through the Looking-Glass* (1872), where he discusses semantics and pragmatics with Alice:

**“When I use a word,”
Humpty Dumpty said, in rather
a scornful tone, “it means just
what I choose it to mean,
neither more nor less.”**

**“The question is,” said Alice,
“whether you *can* make words
mean so many different
things.”**

**“The question is,” said
Humpty Dumpty, “which is to
be master, that’s all.”**

Capital Base

Banco Pastor exceeded in 60 bps the pass mark set by EBA EU Stress Test in the adverse scenario



Pastor reached a 5.6% Core Tier 1 capital ratio including existing provisions and the mandatory convertible bond issue

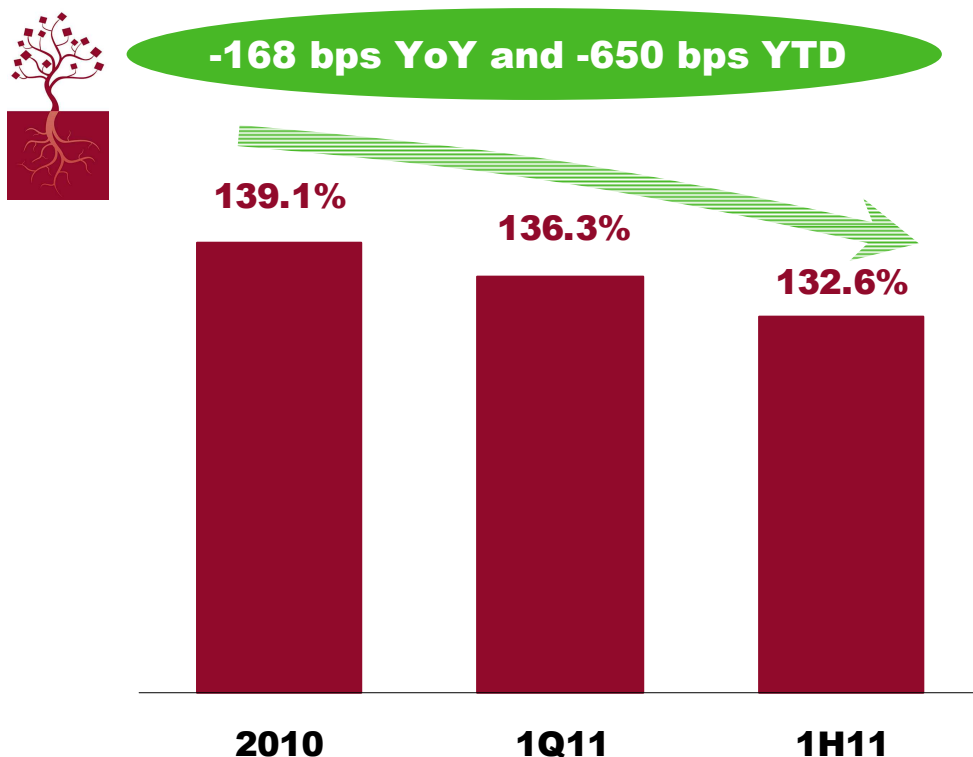
- ❑ No need to increase capital post stress test.
- ❑ No public funds: 2011 Stress Test impairs financial entities that chose to issue mandatory convertible bonds and to capitalise profits by allocating provisions for generic and substandard funds to cover credit risk, while favouring entities that received public funds from the Orderly Bank Restructuring Fund (FROB).
- ❑ An unlikely scenario: The adverse scenario, based upon macroeconomic hypotheses which are particularly tough for Spain, is only 0.5% likely to occur.
- ❑ Measures taken by Banco Pastor in order to strengthen core capital have been already put in place and accounted for. Therefore they should not be treated as “taken or planned” mitigating measures, eliminating uncertainty regarding its effectiveness on the bank’s resilience.
- ❑ The calculation method for impairment losses penalizes Banco Pastor which does not use the Advanced IRB System.
- ❑ Our mandatory convertible bond issue provides equity-like benefits and is recognised as such by the Spanish Supervisor: Exceptional clause included: Should it be deemed necessary, conversion will take place any time before it is due upon the decision of BoE or another competent authority.

Business & Funding

Resilient deposit base

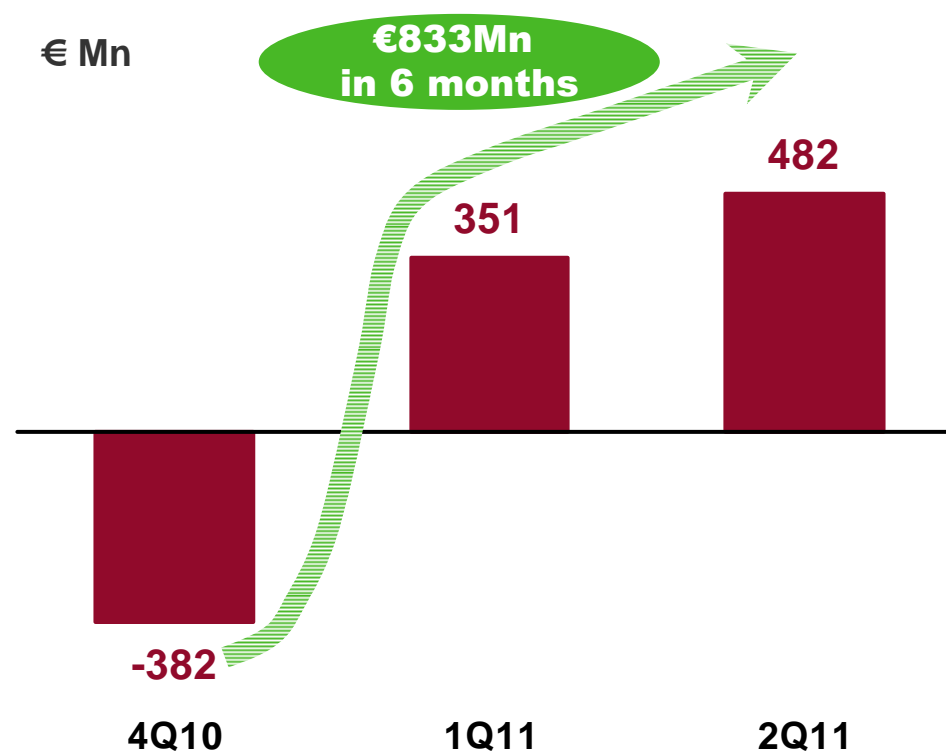


Loan / Deposit Ratio (%)



Giving a twist to the commercial gap

€ Mn



-650 bps YTD improvement driven by the Smart Growth Plan

Business & Funding

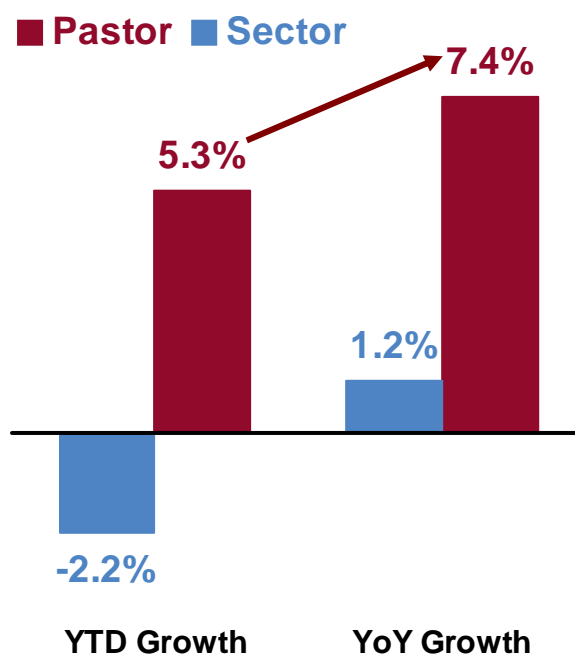
Gathering deposits from households and SMEs at an accelerating pace

Deposit growth drivers

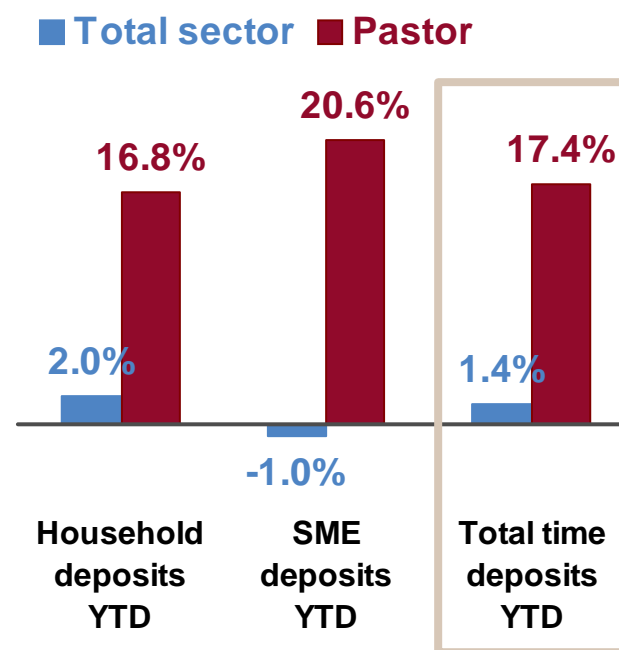
	1H 2011 €Mn	% Var. YoY	% Total
TOTAL DEPOSITS	15,833	7.4%	100%
Spanish PP.AA.	437	-38.5%	2.8%
Other domestic sectors	13,813	12.1%	87.2%
Other non-resident sectors	1,583	-7.4%	10.0%

Note: Deposits at amortised cost

Total deposit growth (%)



Household and SME deposits



Sector Data as of May 2011

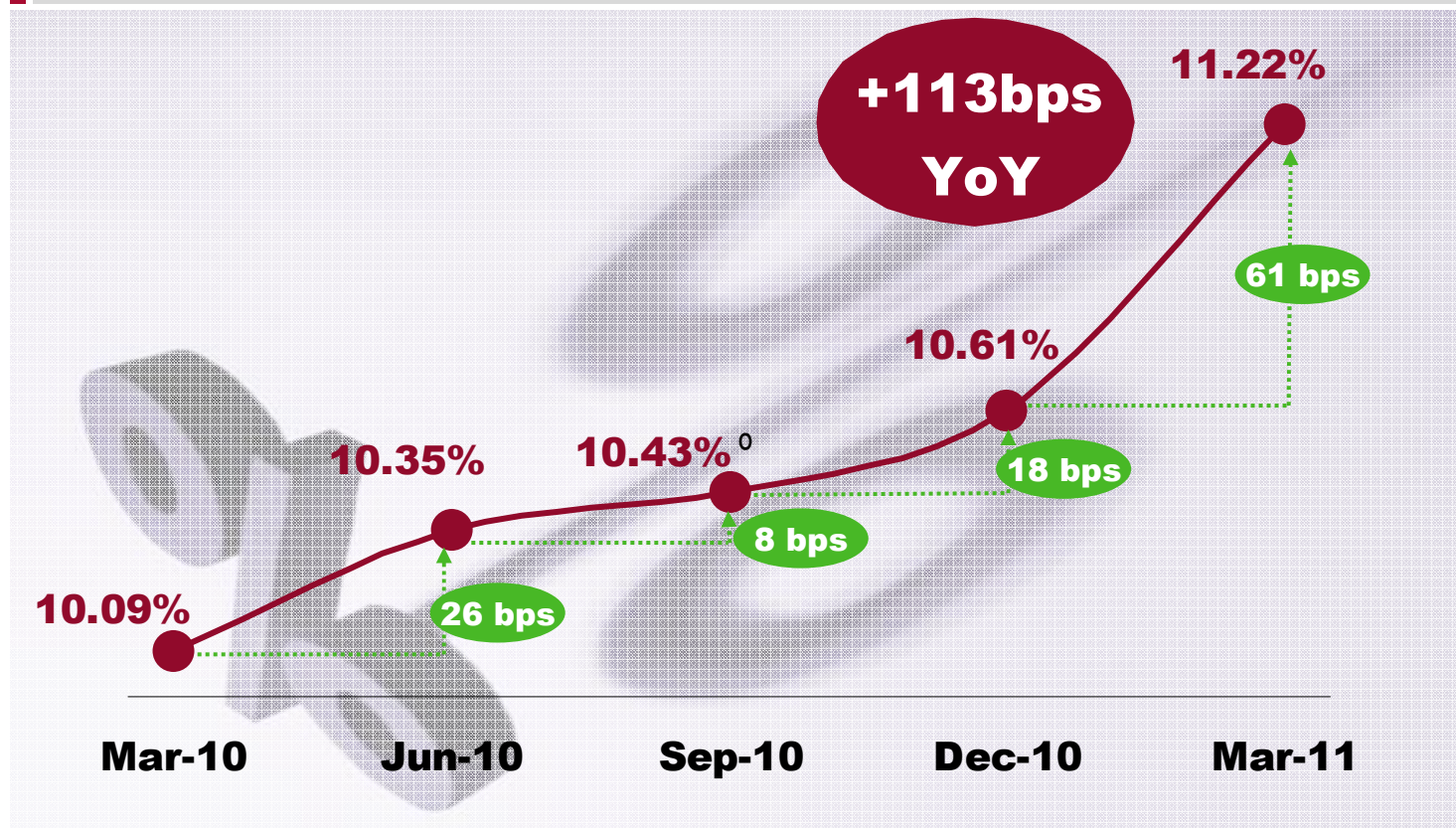
In the first 6 months, 43,364 new customers (+3.1% YoY) and +7.4% growth in deposits

From an average of 3,000 customers/month to more than 7,200 new customers/month in H1

Business & Funding

Market share skyrocketing in Galicia

Business Volume Market Share in Galicia



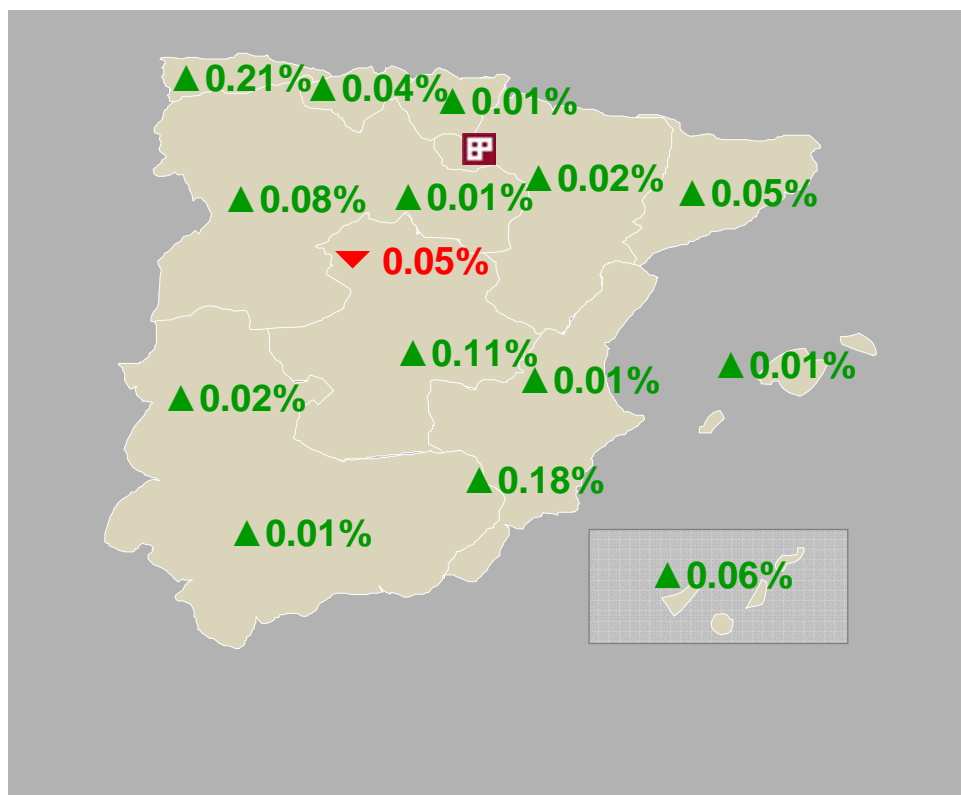
Data as of March 2011 on Banks and Savings Banks

+113 bps in one year and +61 bps in just 3 months

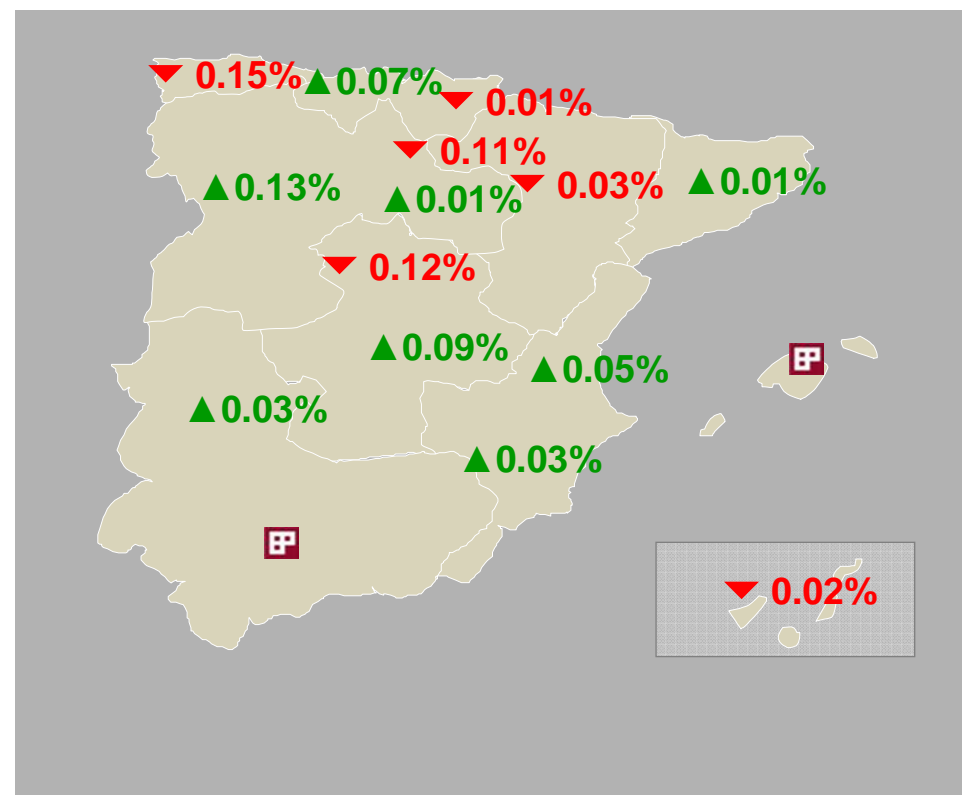
Business & Funding

And maintaining a “▲green” evolution in the rest of Spain

Banco Pastor Market share growth March 2011 YoY:
Lending



Banco Pastor Market share growth March 2011 YoY:
Deposits

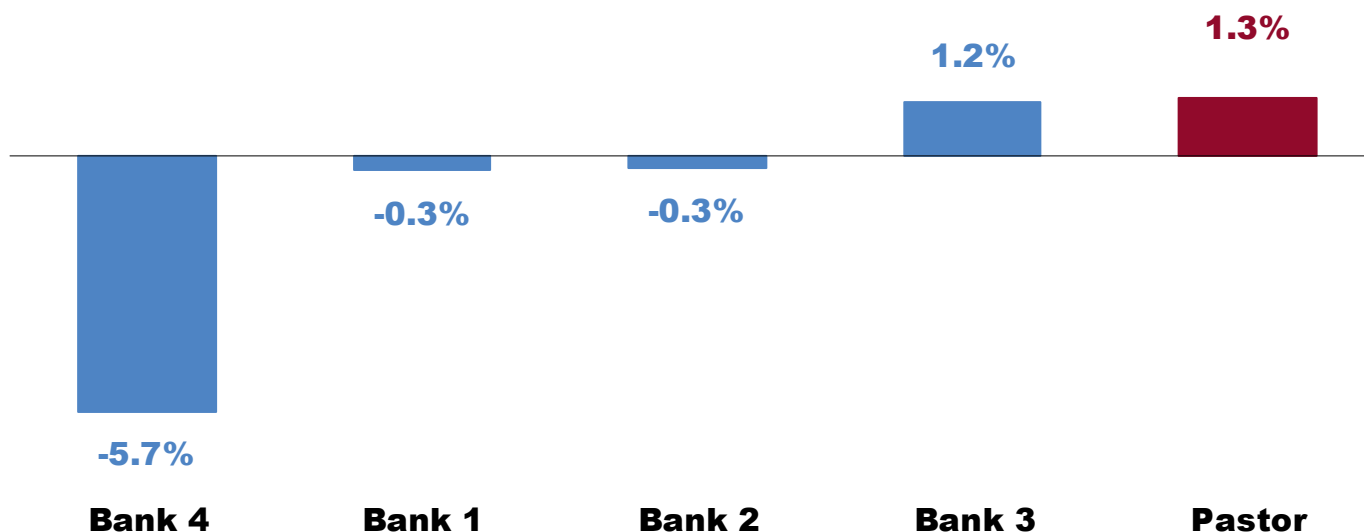


 Regions where the presence of Banco Pastor remains the same

Business & Funding

In a deleveraging world...

Loan Book growth (YoY %)



PASTOR
+4% growth
in
commercial
bills

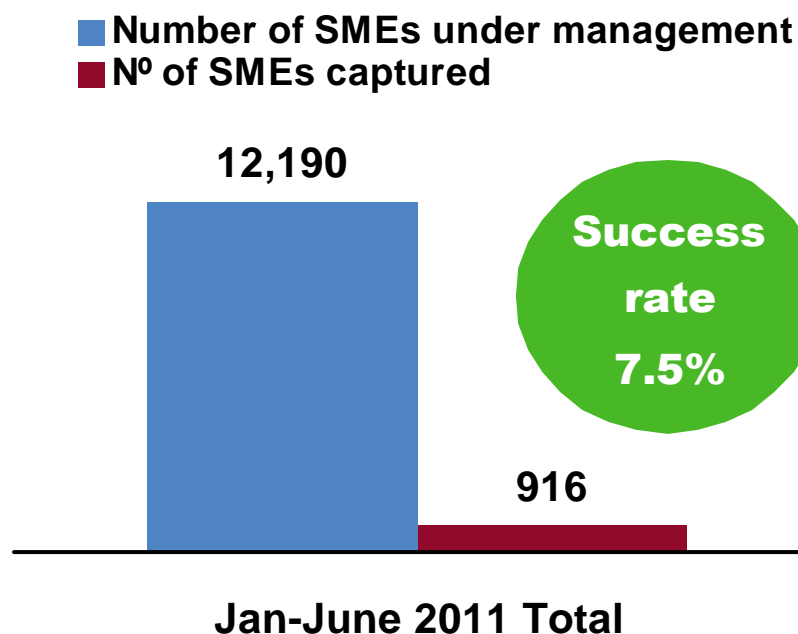
Commercial plan aimed at 60,000 top quality SMEs:

- ▶ Banco Pastor's CIRBE share in Top and Mid quality SMEs grew by 250 bps
- ▶ Top 10 ICO loan underwriter in Spain
- ▶ #1 Spanish Financial Institution for ICO loans in Galicia, with a market share of 17.5%.

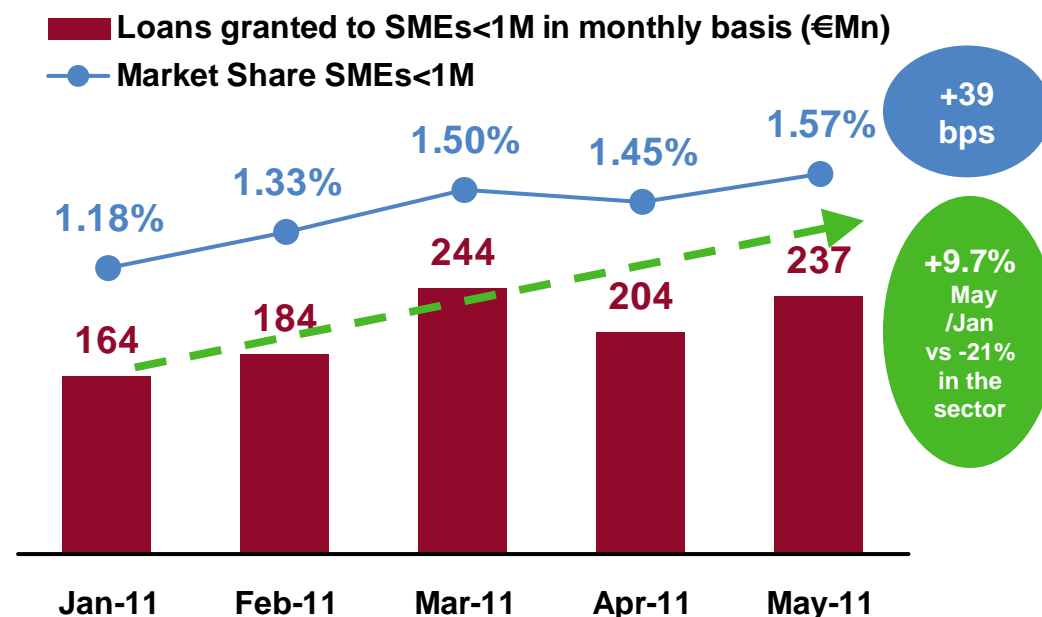
Business & Funding

916 new SMEs captured through the new campaign in 2011...

Analysis of the 2011 “Customer acquisition campaign” (Scope: 60,000 SMEs)



New loan production




... contributing €67Mn in Loans and €54Mn in Deposits in the first six months of 2011

Business & Funding

A new distribution model already in place...

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	✓					



New territorial concept:
ALL-IN-ONE
GEOGRAPHICAL
AREAS

Since January 2011:

- ▶ 20 basic branches closed
- ▶ 3 new SMEs branches opened

Banco Pastor Branches in June 2011 vs. 2008



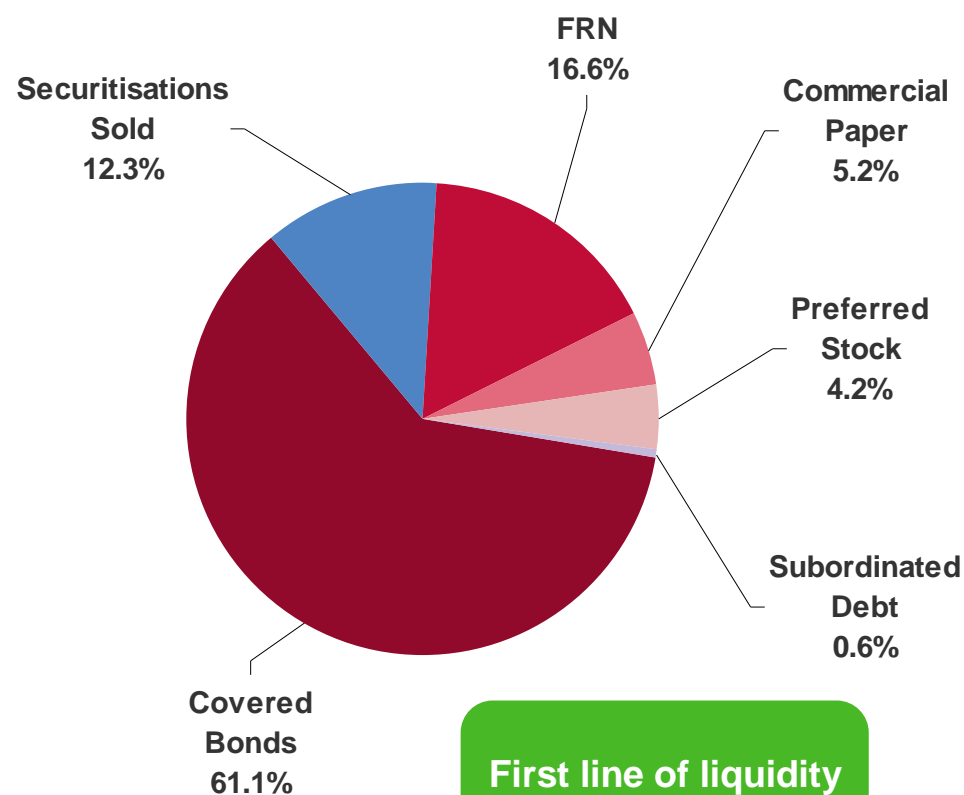
 Where the presence of Banco Pastor remains the same

... that is being successfully implemented

Business & Funding

A comfortable liquidity position...

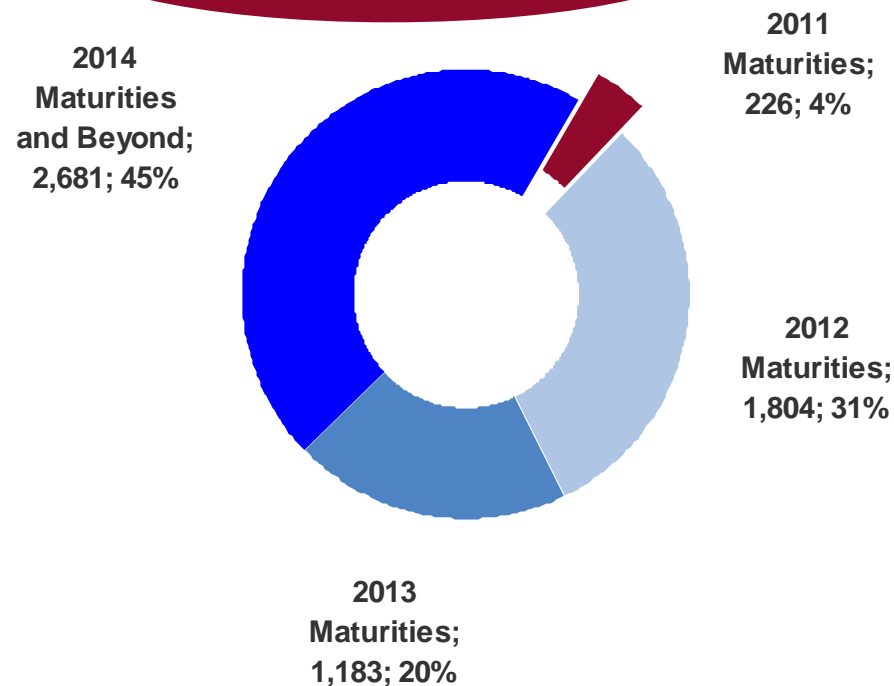
Total Institutional Funding: €7.1Bn



First line of liquidity
over €2.2 Billion

Wholesale funding maturity profile

Almost 100% of 2012 maturities
already rolled-over!

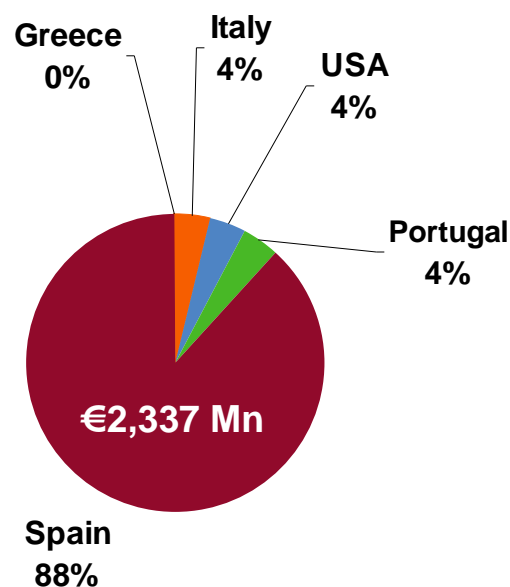
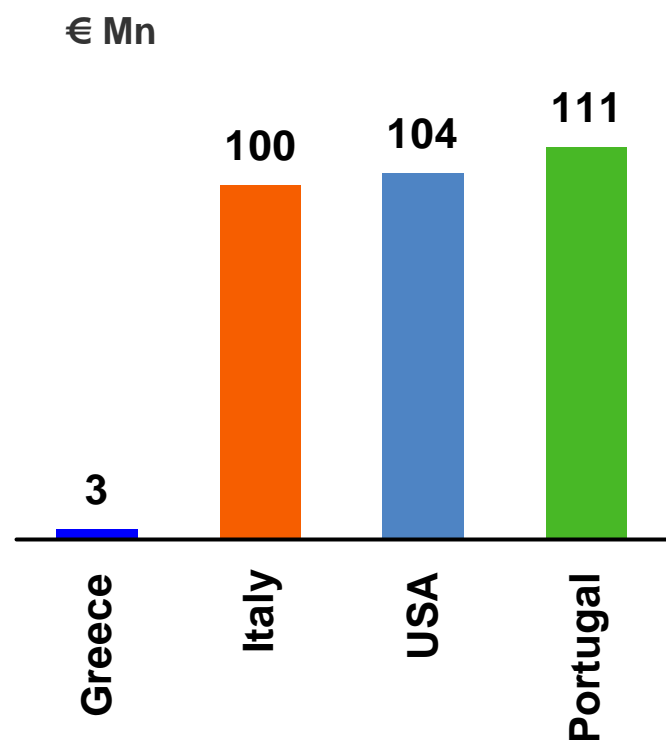


...with limited maturities

Business & Funding

Limited exposure to sovereign debt

European sovereign debt: balance and maturities



Greece:
Maturity: August 20th 2011



Italy:
Maturity: April 15th 2012



USA:
Maturity: May 15th 2021



Portugal:
Maturity: June 15th 2012



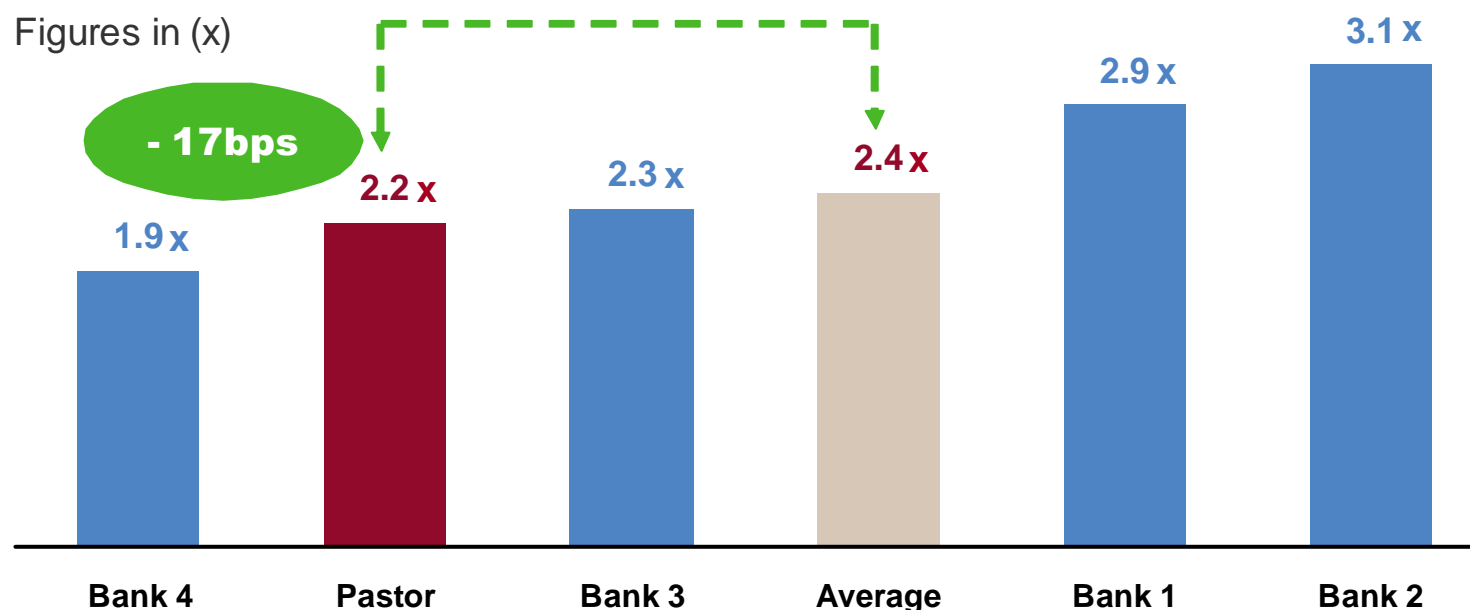
The Spanish sovereign debt has an average duration of 2 years

Risk Management

A comprehensive focus on asset quality



NPLs + NPAs + Write-offs growth (100 base at Dec 2008)

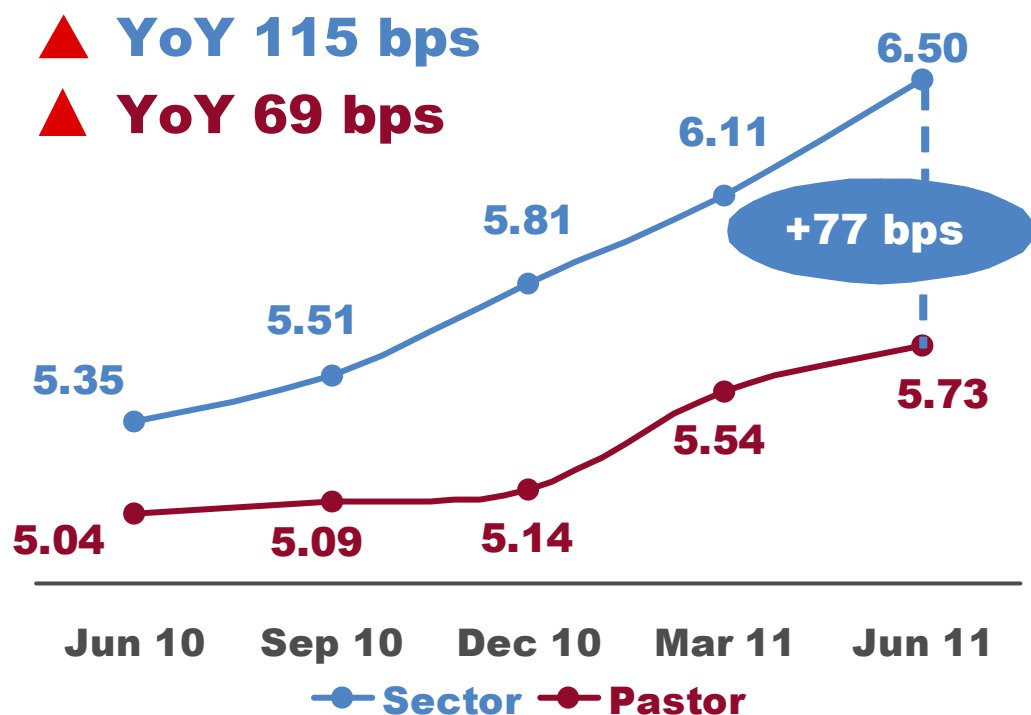


A prudent long term approach that is paying off now

Risk Management

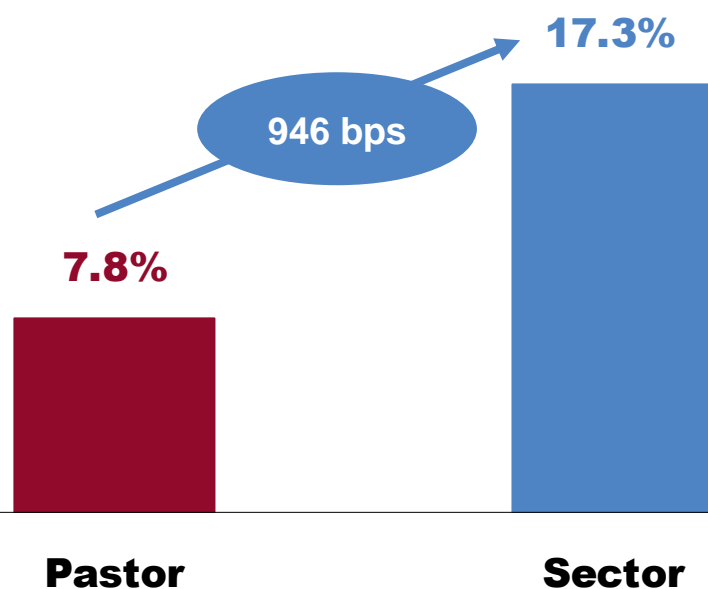
Resilient performance on the asset quality front

NPL Ratio Pastor vs. Sector (%)



NPL YoY growth rates

NPLs: €1,714 Mn



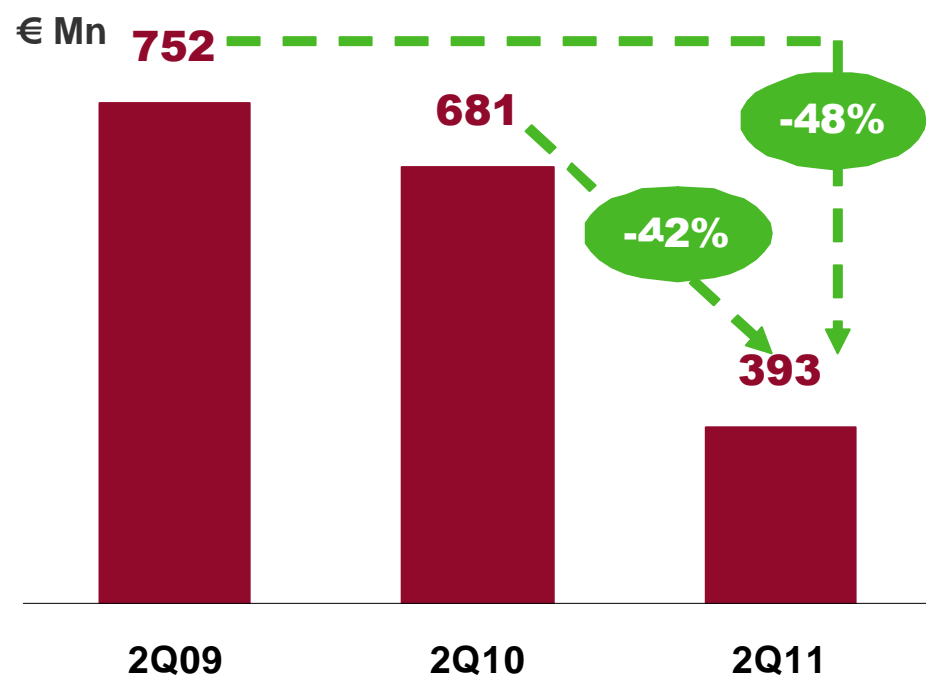
Source: Bank of Spain, data as of May 2011

Decelerating NPL growth

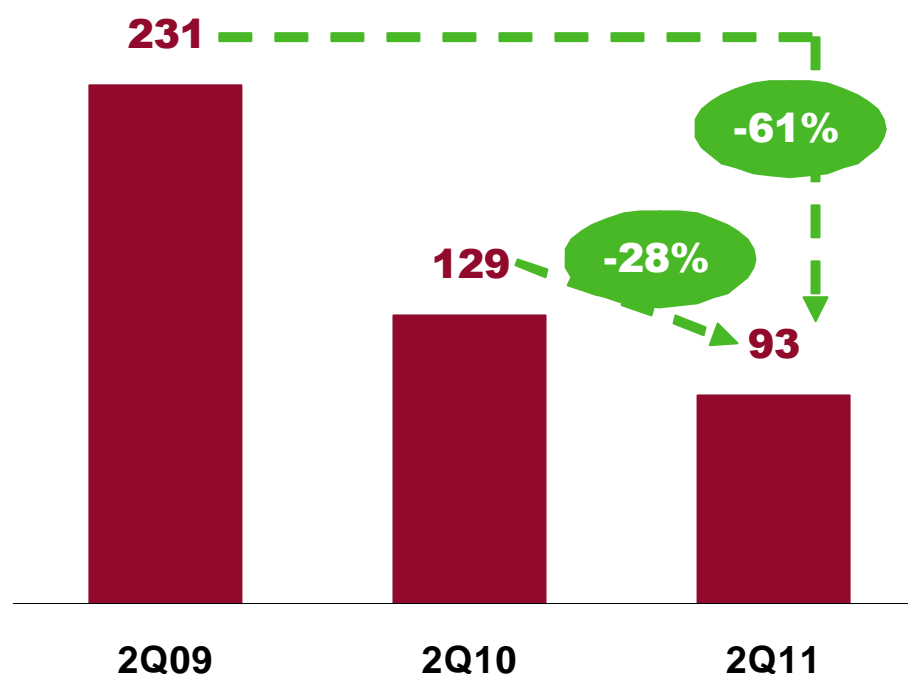
Risk Management

Gross and net new NPLs entries decreased QoQ and YoY

Gross entries (Quarterly figures)



Net entries (Quarterly figures)

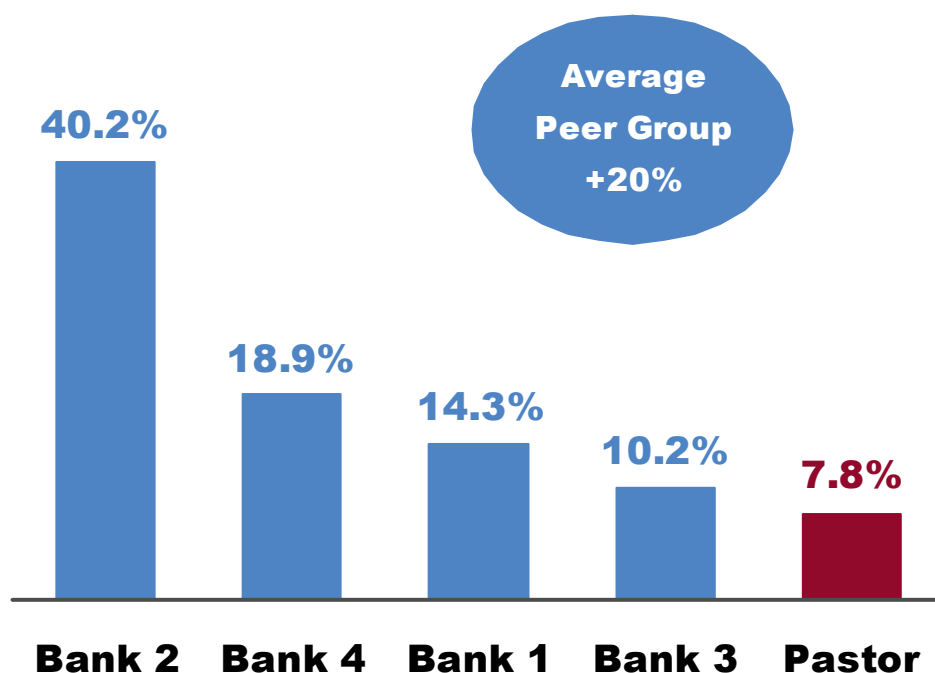


Decelerating NPL formation

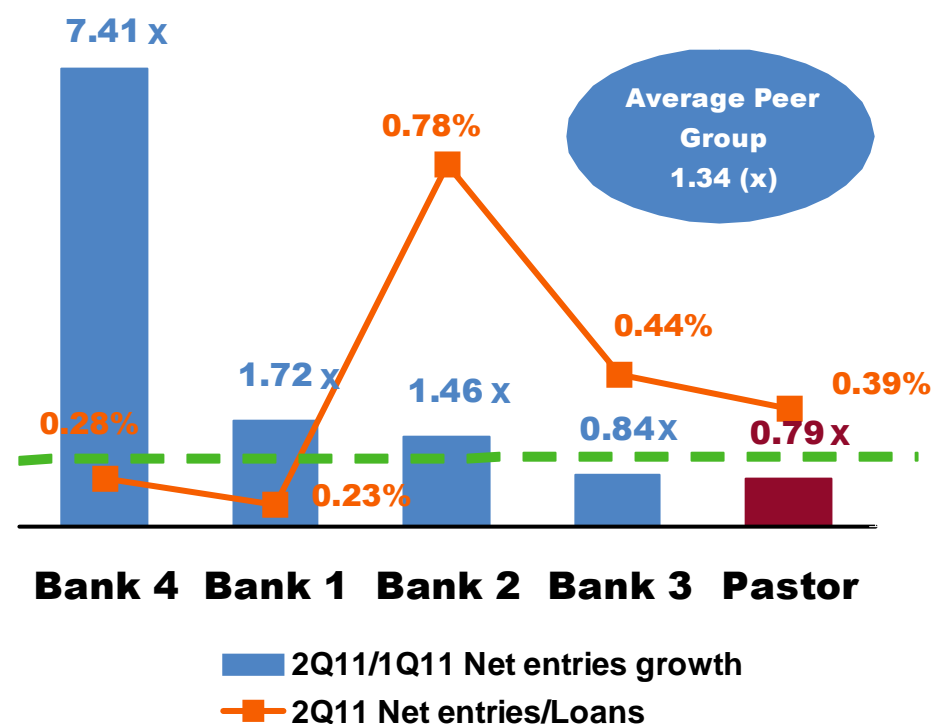
Risk Management

NPL formation compares well with other domestics

NPLs: YoY growth



Net Entries: 2Q11 vs 1Q11 growth (x)



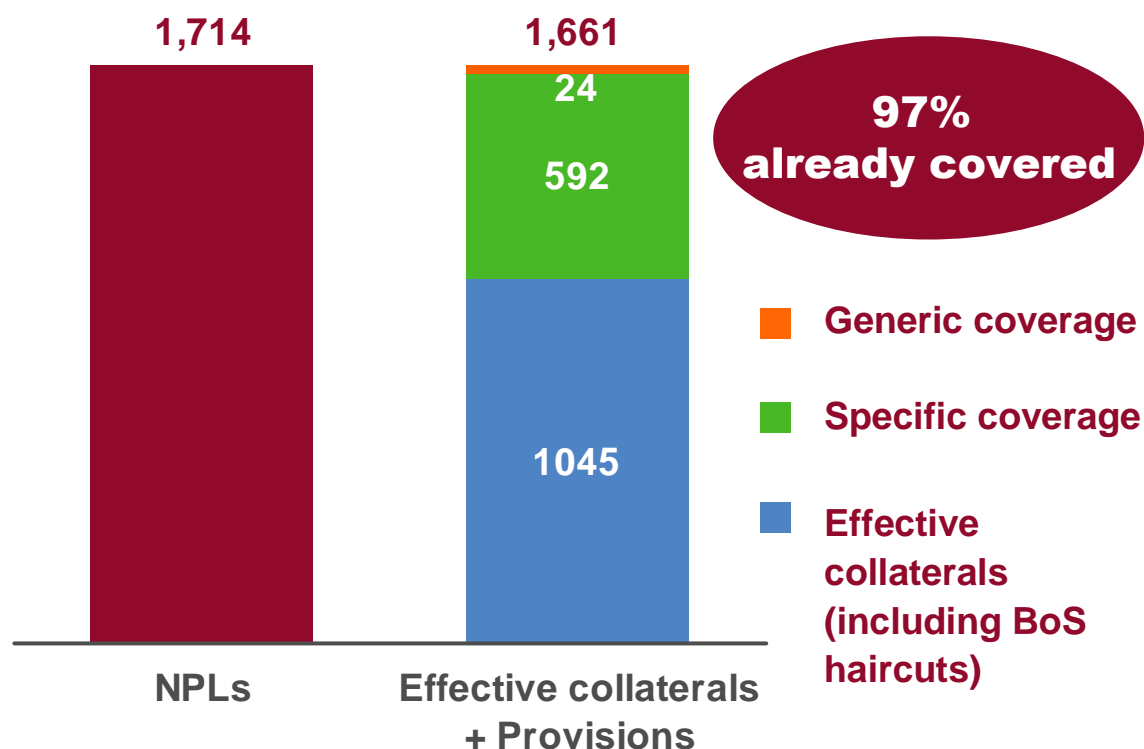
Source: Banks Quarterly Financial Reports

Note: Growth calculated in number of times (x)

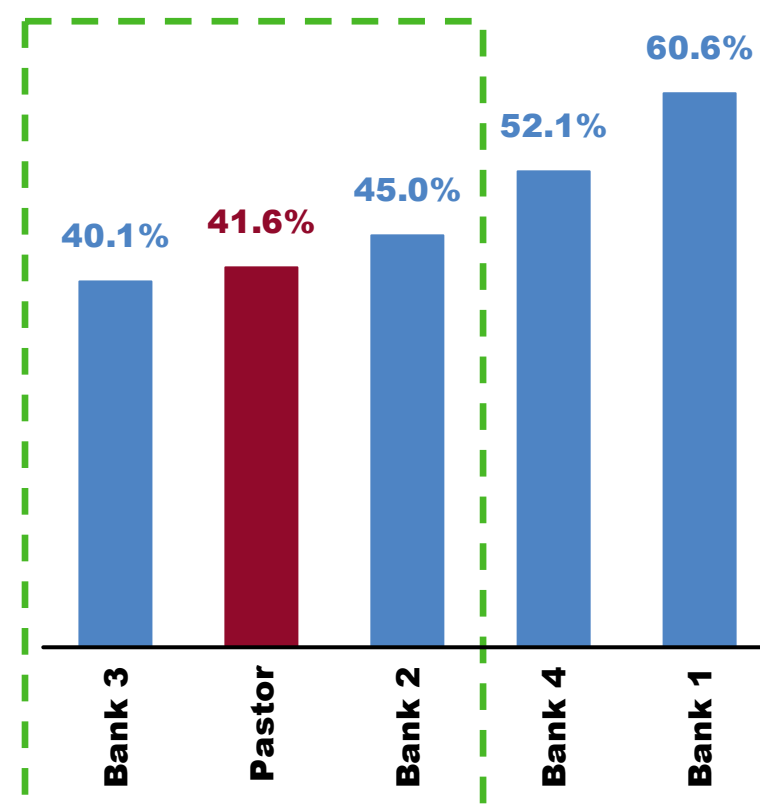
Risk Management

NPL coverage stood at 97% under new BoS regulation

Provisioning Base (€ Mn)



Accounting Coverage (%)



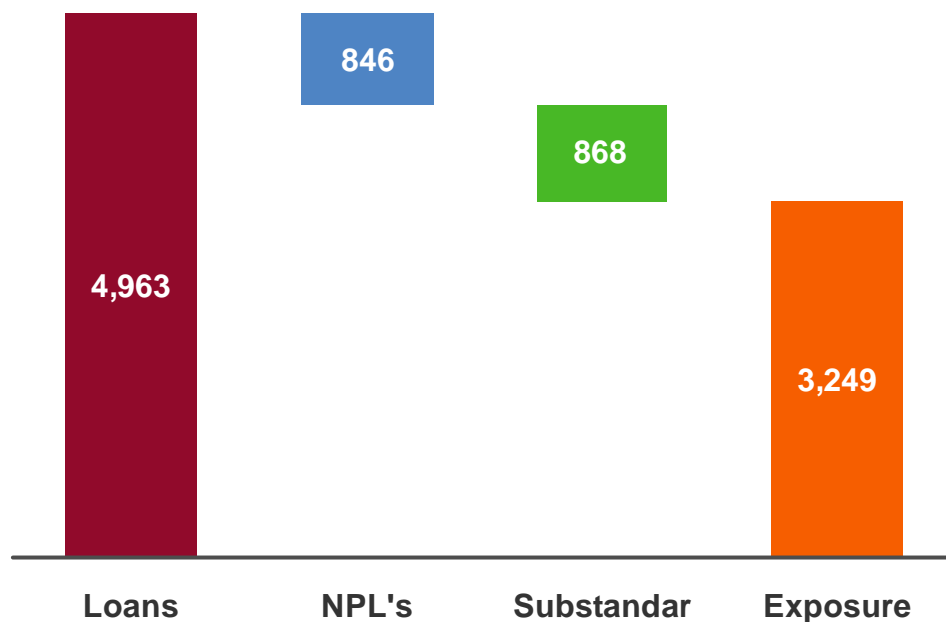
Effective collaterals cover 61% of NPLs

Risk Management

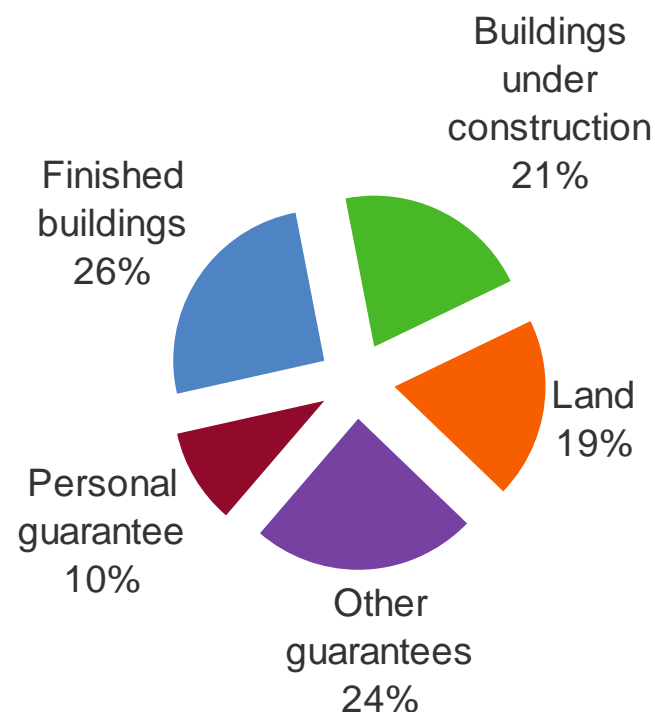
Loans to Real Estate & Construction

Loans to Real Estate & Construction

Mn€



Breakdown by guarantee type

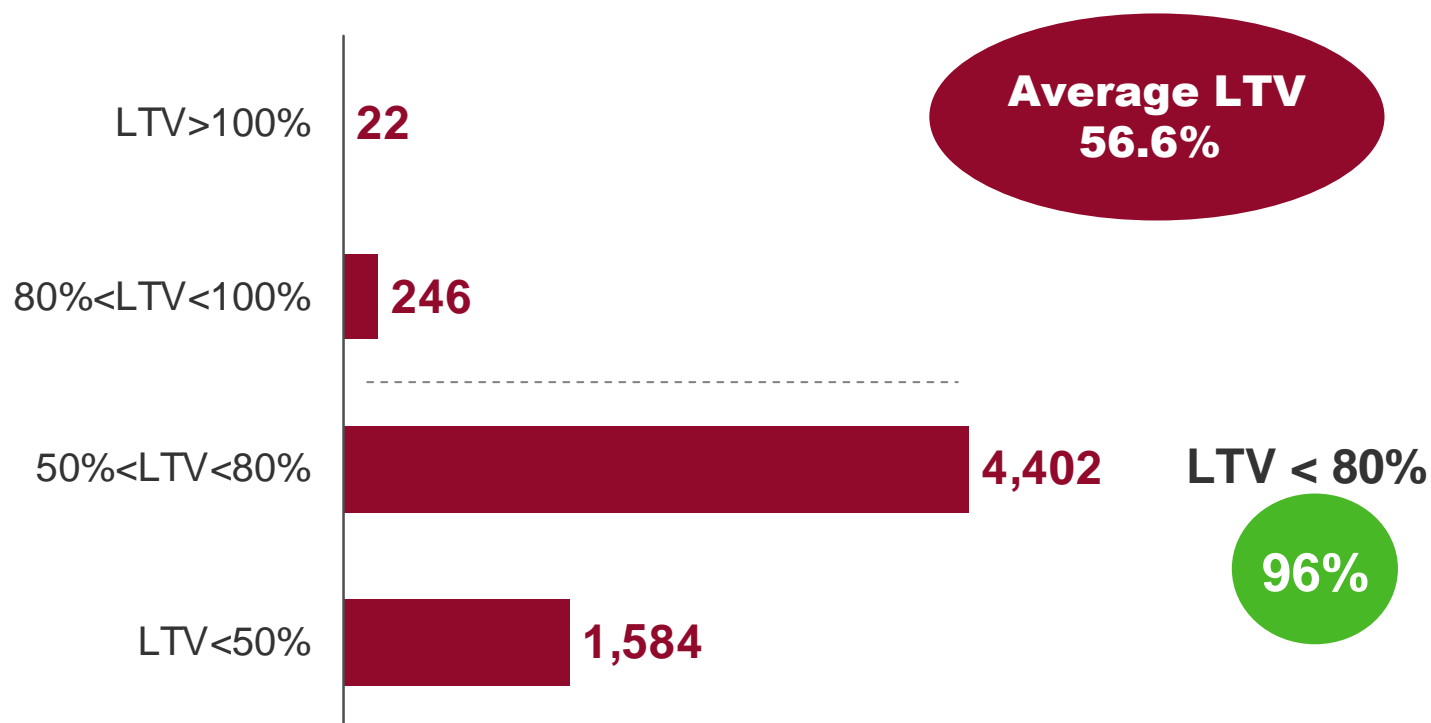


97% RE & Construction NPL's covered, only €45Mn remaining to provision

Risk Management

€6.2Bn Mortgage loans to households with very prudent LTVs

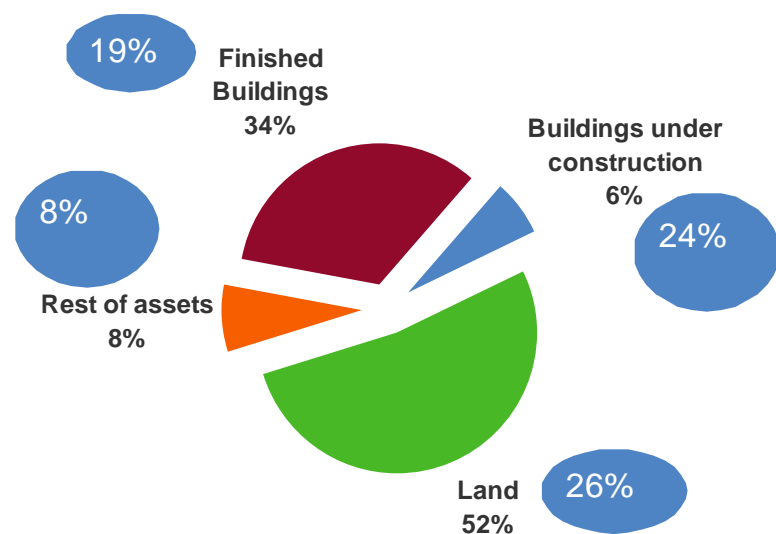
Breakdown of mortgage loans to households



Risk Management

NPAs held

Real Estate assets by type



Net value

€1.68Bn

Accounting coverage

€0.5Bn

Market value (appraisals)

€2.3Bn

37%

Buffer to absorb further price decreases

Risk Management

Selling the OREOS

NUEVO DESARROLLO EN EL SOLAR DEL ANTIGUO HOTEL MINDANAO



How to sell 100 luxury homes in 50 days


Mindanao Project: A record in commercialisation thanks to its privileged location in central Madrid and its innovative offer of services to home owners

- Disposals in H12011 amount to €26Mn, however the volume of sales in FY2011 is expected to double FY2010 volumes
- €160Mn of land sales generating positive gross margin in 2H2011
- The targets for the last two years were surpassed
- Disposals made over the last two years produced capital gains



El residencial



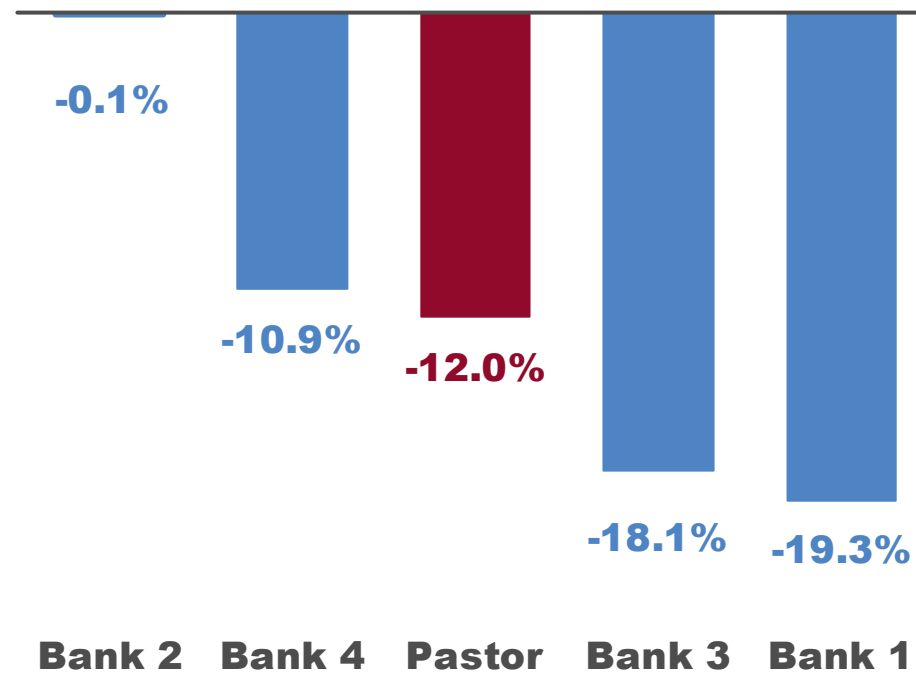
 Banco Pastor
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Profitability

Net Interest Income overview



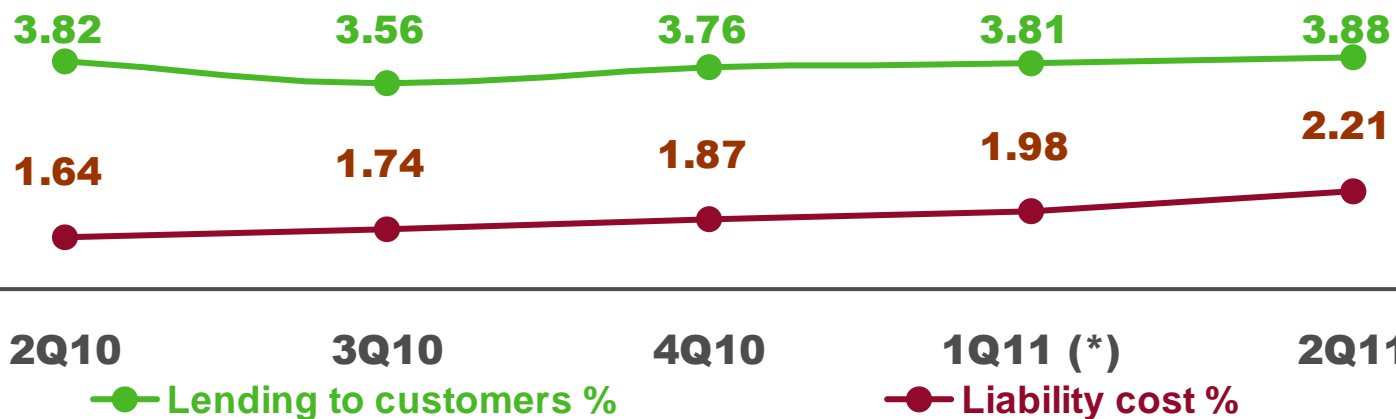
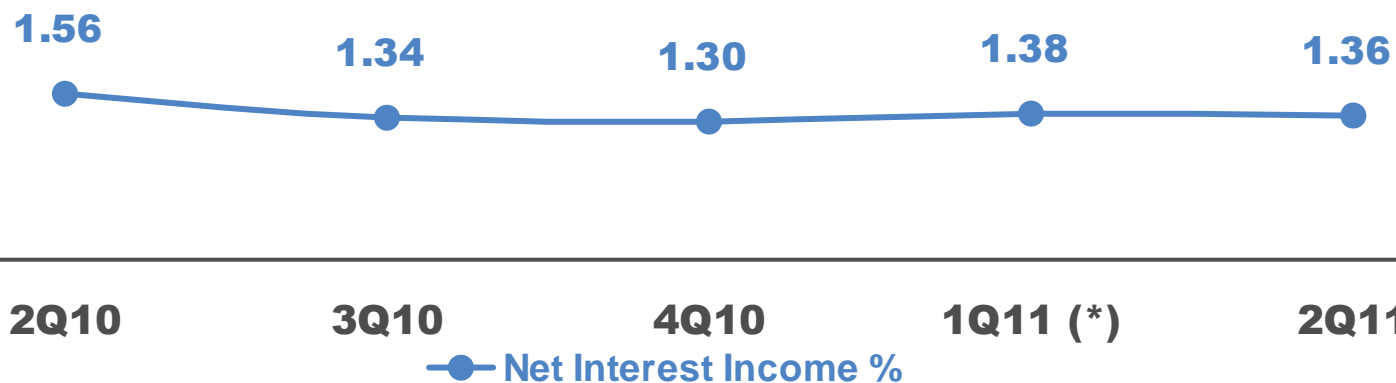
Net Interest Income YoY (%)



Profitability

Preserving Balance Sheet Profitability

NIM Evolution



(*) 1Q11 Excludes an extraordinary NII recovery of €20Mn

NIM remained stable over the last twelve months

Profitability

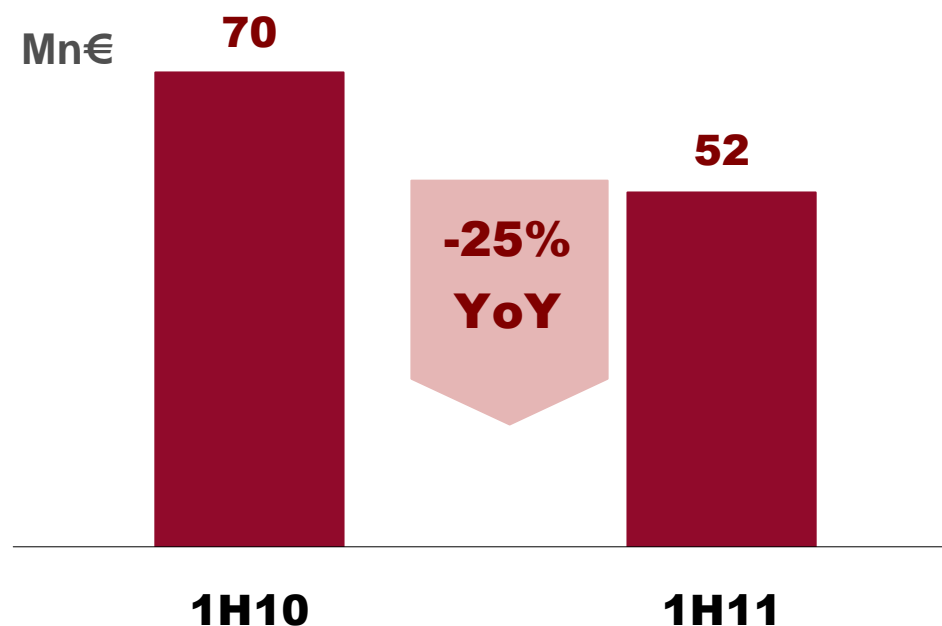
Non-Interest Income affects Gross Operating Income YoY performance

Net Fees

€ Mn	1H2011	1H2010	% Var
Net Fees	48.6	69.3	-29.9%
Fees related to securitisations	2.7	14.4	-81.0%
Adjusted fees	45.9	55.0	-16.5%

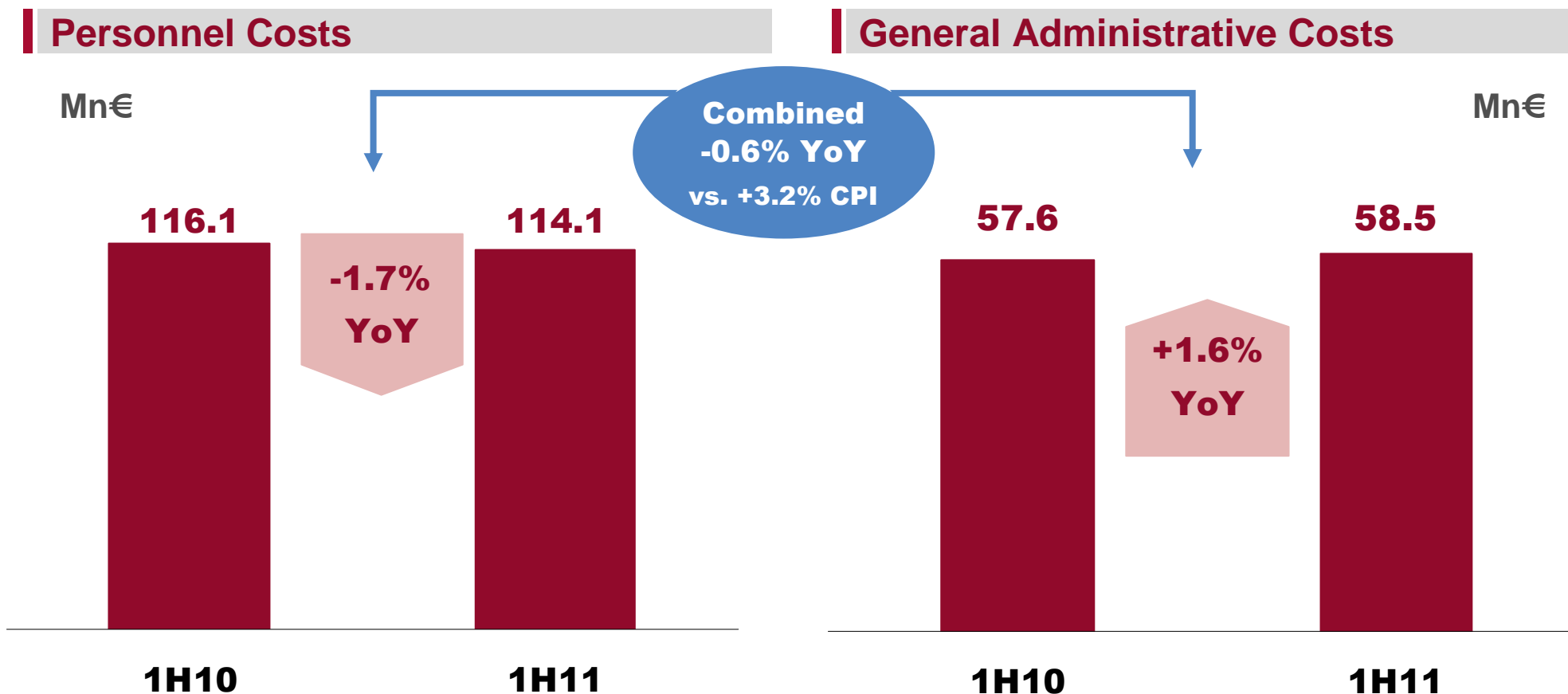
▣ Direct debit Payments	+10.9%
▣ Credit Cards	+9.3%
▣ Insurance	+4.0%
▣ Pension Plans	+2.4%

Trading Income Performance



Profitability

Efficiency master plan: Cost management, a permanent focus

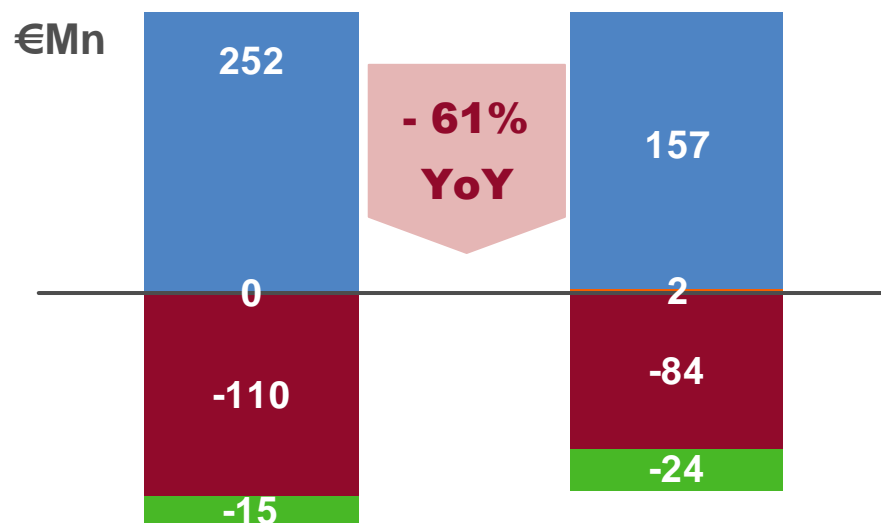


Profitability

Risk premium almost halved in just one year

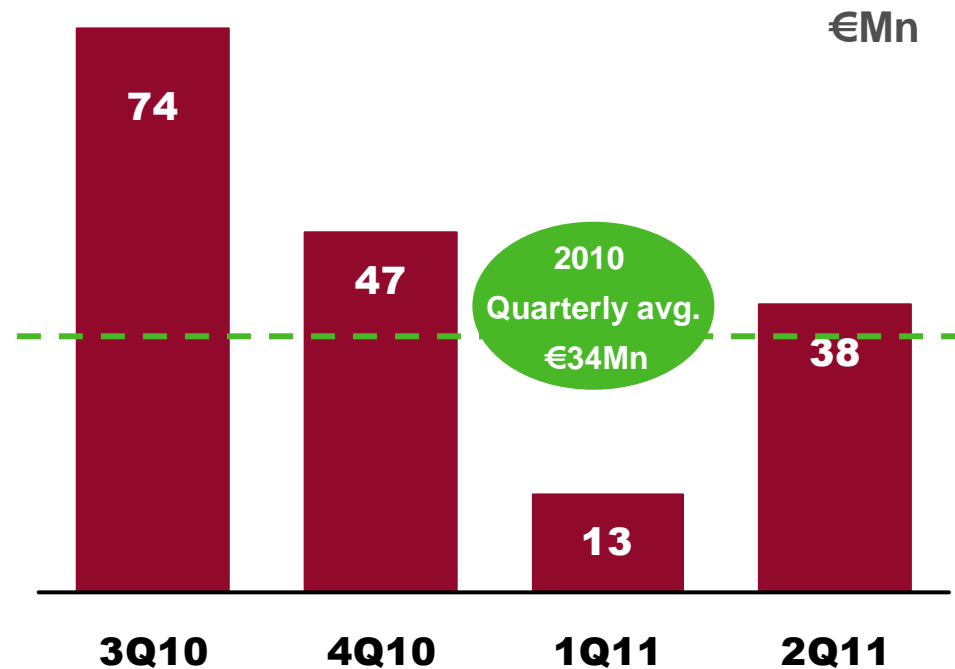
Total Charge-Offs 1H11 vs.1H10

Total 1H10 126Mn€ Total 1H11 49Mn€



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

Non-performing Assets impairment evolution

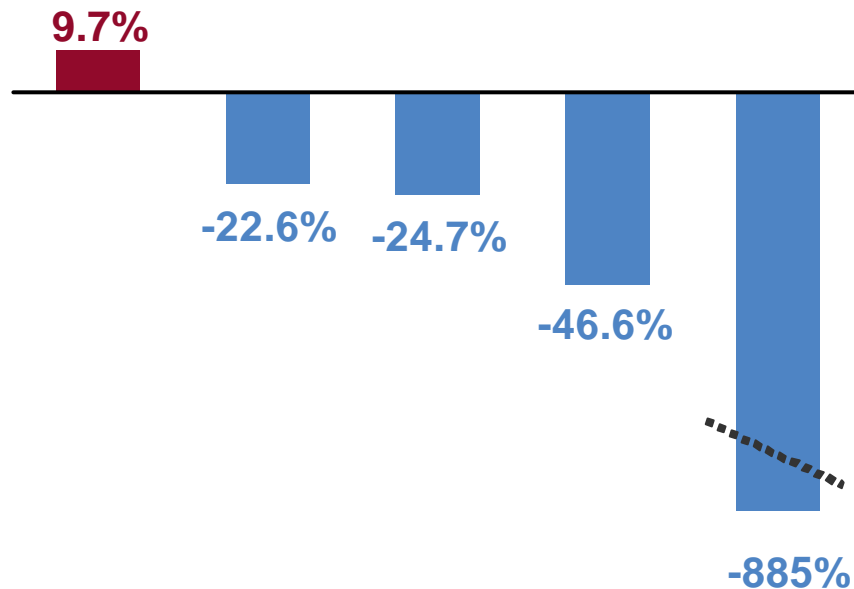


Lower LLP

Profitability

Earnings-wise

Net operating profit YoY



Pastor Bank 1 Bank 4 Bank 3 Bank 2

1H11 (€Mn)

PASTOR

Profit before taxes

52.9

Net profit

38.9

Positive net operating profit

Summary and Conclusions

All in all

- ▣ 235 years of continuous profitability, sound capital base and good liquidity
- ▣ Focus on targeted growth in core market, strong service culture and a strong franchise in Galicia
- ▣ Continuing to perform well in a challenging environment
- ▣ Leveraging our underwriting and pricing disciplines to maintain profitable and competitive margins
- ▣ Delivering our promise of Smart Growth



Banco Pastor

Going forward, in respect to underlying trends:

On the capital front, no further capital needs.

On the funding side, we expect to keep improving the commercial gap and working on 2013 maturities.

From the business perspective, despite a challenging environment, we will continue to address customer needs.

We foresee 18% of land sales to be made in 2H2011, producing positive gross margins.

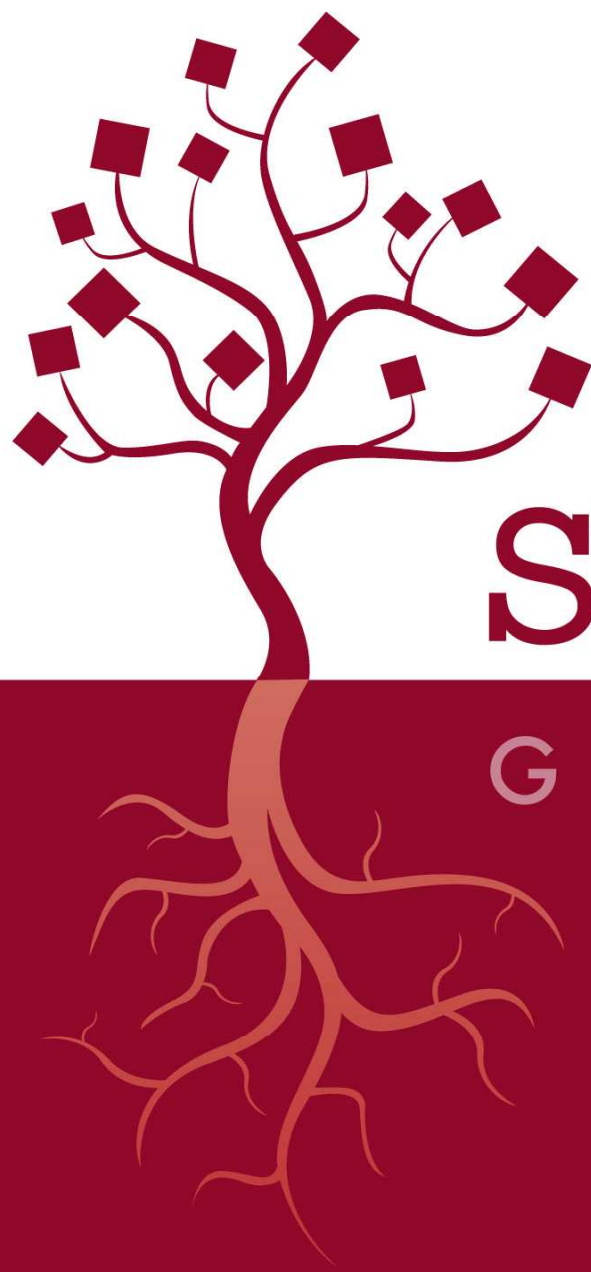
On the asset quality front, we expect a better performance in 2H2011, both in terms of NPL formation and recoveries

Appendix

1H 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
- ▣ 100% 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

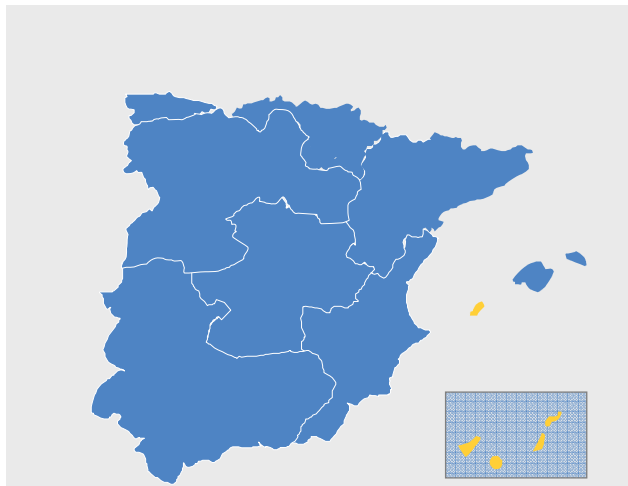
- ▣ Increasing commercial capacity by over 20%, freeing up administrative staff
- ▣ Cost savings plan will finance investments in advertising and technology

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

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

P&L account breakdown

(€ Thousands)	Jun. 11	Jun. 10	Difference	
			Absolute	%
= NET INTEREST INCOME (ex-dividends)	226,374	257,129	(30,755)	(12.0)%
(+) Dividend Income	465	3,267	(2,802)	(85.8)%
= NET INTEREST INCOME	226,839	260,396	(33,557)	(12.9)%
(+/-) Income from equity method	2,323	1,974	349	17.7%
(+) Net fees and commissions	48,606	69,309	(20,703)	(29.9)%
(+/-) Results from financial transactions+Other results	62,842	76,701	(13,859)	(18.1)%
= GROSS OPERATING INCOME	340,610	408,380	(67,770)	(16.6)%
(-) Administrative expenses	172,616	173,700	(1,084)	(0.6)%
(-) Personnel expenses	114,087	116,088	(2,001)	(1.7)%
(-) Other general administrative expenses	58,529	57,612	917	1.6%
(-) Amortisation and depreciation	13,786	14,138	(352)	(2.5)%
(+/-) Net provisions to allowances	(7,426)	(6,371)	(1,055)	16.6%
(+/-) Losses from impairment of financial assets (net)	51,127	126,205	(75,078)	(59.5)%
= NET OPERATING PROFIT	110,507	100,708	9,799	9.7%
(+/-) Other results (net)	(57,552)	(16,681)	(40,871)	N/A
= INCOME BEFORE TAXES	52,955	84,027	(31,072)	(37.0)%
(+/-) Income tax	14,099	23,762	(9,663)	(40.7)%
(+/-) Results from discontinued transactions (net)	0	1,418	(1,418)	N/A
= CONSOLIDATED NET PROFIT	38,856	61,683	(22,827)	(37.0)%
= INCOME ATTRIBUTED TO THE GROUP	38,176	61,532	(23,356)	(38.0)%

Balance Sheet breakdown: Assets

Figures in € Thousands

Assets	Jun. 11	Jun. 10	Difference	
			Absolute	%
Cash and due from central banks	273,005	476,143	(203,138)	(42.7)
Trading portfolio	187,008	1,063,078	(876,070)	(82.4)
Other financial assets at fair value	202,197	1,000,386	(798,189)	(79.8)
Available for sale financial assets	2,286,233	4,244,799	(1,958,566)	(46.1)
Loans and advances to customers	23,124,367	22,402,602	721,765	3.2
Lending to customers	21,333,521	21,057,672	275,849	1.3
Held-to-maturity investments	2,091,100	731,560	1,359,540	185.8
Macro-Hedge adjustments to financial assets	4,932	19,034	(14,102)	(74.1)
Hedging derivatives	101,042	219,763	(118,721)	(54.0)
Non current assets for sale	1,273,076	1,021,580	251,496	24.6
Participating interests	101,373	32,933	68,440	207.8
Pension-linked insurance contracts	25,086	0	25,086	N/A
Reinsurance assets	0	4,990	(4,990)	(100.0)
Tangible assets	174,831	192,739	(17,908)	(9.3)
Intangible assets	27,217	25,667	1,550	6.0
Tax assets	254,292	234,352	19,940	8.5
Other assets	829,365	963,605	(134,240)	(13.9)
TOTAL ASSETS	30,955,124	32,633,231	(1,678,107)	(5.1)

Balance Sheet breakdown: Liabilities

Figures in € Thousands

Liabilities	Jun. 11	Jun. 10	Difference	
			Absolute	%
Trading portfolio	94,860	90,316	4,544	5.0
Other financial liabilities at fair value	199,996	1,211,799	(1,011,803)	(83.5)
Financial liabilities at amortised cost	28,565,148	29,286,514	(721,366)	(2.5)
Customer deposits	15,833,386	14,745,655	1,087,731	7.4
Hedging derivatives	38,534	85,867	(47,333)	(55.1)
Insurance contract liabilities	2,777	140,921	(138,144)	(98.0)
Allowances	90,111	115,701	(25,590)	(22.1)
Tax liabilities	18,143	24,507	(6,364)	(26.0)
Other liabilities accounts	63,244	45,834	17,410	38.0
TOTAL LIABILITIES	29,072,813	31,001,459	(1,928,646)	(6.2)

Equity	Jun. 11	Jun. 10	Difference	
			Absolute	%
Shareholder's equity	1,754,194	1,488,806	265,388	17.8
Issued capital	90,041	88,083	1,958	2.2
Paid in capital	144,763	146,720	(1,957)	(1.3)
Reserves	1,244,111	1,201,406	42,705	3.6
Other equity instruments	252,548	819	251,729	N/A
(-) Adjustment reserve	(15,445)	(9,754)	(5,691)	58.3
Income attributed to the Group	38,176	61,532	(23,356)	(38.0)
Valuation adjustments	(32,757)	(27,787)	(4,970)	17.9
Minority interests	160,874	170,753	(9,879)	(5.8)
TOTAL EQUITY	1,882,311	1,631,772	250,539	15.4
TOTAL EQUITY AND LIABILITIES	30,955,124	32,633,231	(1,678,107)	(5.1)

Disclaimer

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