

2011 Financial Results

Banco Pastor strengthens its solvency and obtains a Net Profit of €50.9Mn

- In 2011 core capital grew by 724 bps, up to 9.09%, exceeding Basel III requirements and showing a positive growth on the level reported as of September 2011
- Customer deposits increased by 7.1% as compared to 2010
- Robust growth and leadership in Galicia where Banco Pastor remains expanding the customer base and the market share.

A Coruña, February 16th 2012.- With the takeover bid from Popular already accomplished, since the percentage acceptance of the bid by Pastor shareholders reached more than 96%, Banco Pastor Group releases 2012 Results with a Net attributed Profit of €51.9Bn, 16.3% lower than in 2010, and a improved solvency ratio (Core Capital) of 9.18%, 72bps above the level reported in 2010. Thus, total BIS capital currently stands at €2.03Bn.

Mr. José María Arias, Chairman of Banco Pastor, stated that "In the context of economic downturn experienced in 2011, these results show that all the bank's professionals have demonstrated excellent commercial skills and commitment."

GROWTH

In 2011 Banco Pastor posted a Net Operating Profit – the line that better reflects the performance of the ordinary banking activity – of €151.5Bn, a 55% increase in YoY terms. In the upper lines of the P&L Account, it should be highlighted that the Net Interest Income reached €425.4Bn, showing a 9.4% drop as compared to 2010 but a 5.7% rise vs. the figure reported as of January-September 2011.

Mr. Arias also noted that "The positive performance of commercial activity is also reflected in the solid growth experienced by our customer deposits, which rose by 7.1% in 2011".

GALICIA

Besides the gains in terms of customer deposits, in 2011 Banco Pastor financial volume in Galicia exceeded €12.8Bn. As a result, Banco Pastor continues gaining market share in Galicia so that, according to the latest available data as of September 2011, it increased by 104bps in YoY terms, up to 11.47%. In 2011 Banco Pastor captured almost 25,000 new individual customers and 2,500 new SMEs, thus making total new customers to advance by 6% as compared to 2010.

In global terms, throughout Spain the focus on boosting commercial activity towards SMEs resulted in Banco Pastor being ranked #10 financial entity in Spain in terms of ICO granting. On the deposits side, funds from enterprises advanced by 10% and deposits from individual customers soared by 14.7% as compared to 2010.

It is precisely due to these efforts on both customers and deposits sides, that allowed for the bank to enjoy a solid liquidity position evident in terms of the commercial gap (customer deposits/customer loans) that reached 79.74%, improving in 459bps in the last quarter of the year and 787bps since the beginning of 2011, a better performance than the average of the banking sector, that showed a 66.99% figure last September 2011.

Mr Arias highlighted that "while redoubling our commitment when it is most needed, by investing in our involvement with Galicia, in 2011 Banco Pastor opened three new dedicated SMEs branches, in A Coruña, Santiago and Vigo."

MARGINS AND CUSTOMERS

Banco Pastor posted Net Interest Income of €425.4Bn or 9.4% decline in YoY terms, mainly due to the impact of higher loan yields experienced in the sector. However, the margin shows a slowdown in the year-on-year decline as compared to the negative rates seen in June (-12%) or September (-10.7%). Thus, the Q4-11 Net Interest Income is 5.7% higher than the previous quarter, given a 5bps improvement in the customer yields.

Net fees and commissions amounted to €94.7Bn, a drop of 25.3% in YoY terms. However, it has been offset by the large number of new customers captured, more than 80,000 over the last twelve months, and the stronger current customer bonding by means of product cross-selling, as evidenced by a 8.4% rise in credit card commissions, as well as a boost of 10.8% in direct debit orders and of 13.6% in sight deposit accounts.

Results from financial transactions amounted to €98.6Bn, showing a 17.1% drop in YoY terms.

Gross Operating Income stood at €649.5Bn, a 13.7% fall as compared to the figure reported in 2010. In 2011, Administrative Expenses remained stable, as a result of a combination of a slight decline of Personnel Expenses (-0.12%) and a good performance of Other General Administrative Expenses that rose by a mere 0.7%.

Losses from impairment of financial assets have been reduced by 56% in YoY terms, to €124.9Bn. It is relevant to highlight that the specific provision has been cut down by almost a half, as well as non-performing assets recoveries doubled the amount of 2010. As a result, the negative impact of Non-performing loans in the P&L account has lessened. The NPL ratio as of December 2011 stood at 6.12%.

Following the performance of the losses from impairment together with the positive takes from the financial business development, Net Operating Income, as already stated, reached €151.5Bn, with a 55% increase as compared to 2010.

It is worth noting that in 2010 the Results from Discontinued Transactions included the capital gains achieved from the disposal of Pastor Vida for €36.89Bn, but there are no capital gains recorded from it in 2011.

(€ Thousands)	Dec. 11	Dec. 10	Difference	
			Absolute	%
= NET INTEREST INCOME (ex-dividends)	425,405	469,434	(44,029)	(9.4)%
(+) Dividend Income	1,810	3,964	(2,154)	(54.3)%
= NET INTEREST INCOME	427,215	473,398	(46,183)	(9.8)%
(+/-) Income from equity method	5,615	3,554	2,061	58.0%
(+) Net fees and commissions	94,651	126,781	(32,130)	(25.3)%
(+/-) Results from financial transactions+Other results	121,996	148,583	(26,587)	(17.9)%
= GROSS OPERATING INCOME	649,477	752,316	(102,839)	(13.7)%
(-) Administrative expenses	356,791	356,199	592	0.2%
(-) Personnel expenses	233,574	233,845	(271)	(0.1)%
(-) Other general administrative expenses	123,217	122,354	863	0.7%
(-) Amortisation and depreciation	27,114	28,291	(1,177)	(4.2)%
(+/-) Net provisions to allowances	(10,849)	(13,709)	2,860	(20.9)%
(+/-) Losses from impairment of financial assets (net)	124,957	283,819	(158,862)	(56.0)%
(-) Loan book charge offs	117,794	283,448	(165,654)	(58.4)%
(-) Other financial assets	7,163	371	6,792	N/A
= NET OPERATING PROFIT	151,464	97,716	53,748	55.0%
(+/-) Other results (net)	(90,304)	(84,344)	(5,960)	7.1%
= INCOME BEFORE TAXES	61,160	13,372	47,788	357.4%
(+/-) Income tax	9,032	(12,471)	21,503	N/A
= NET PROFIT FROM CONTINUOUS OPERATIONS	52,128	25,843	26,285	101.7%
(+/-) Results from discontinued transactions (net)	0	36,930	(36,930)	N/A
= CONSOLIDATED NET PROFIT	52,128	62,773	(10,645)	(17.0)%
= INCOME ATTRIBUTED TO THE GROUP	51,939	62,062	(10,123)	(16.3)%

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