

**A Coruña,  
October 30th 2009**

# **Results Presentation 3Q09**



**Banco Pastor**

# Summary

- ▣ PBT €165Mn; net profit €120Mn
- ▣ PPP rose to €617Mn and operating profit ex UNF increased 28%
- ▣ Strong commercial activity:
  - New loan origination growing at 22%
  - Multiplying by 3 times quarterly new mortgage origination of Q4 2008.
- ▣ Efficiency levels at the pole position
  - Operating cost flat
- ▣ Maturities for 2010 have been rolled over until 2012:
  - €1 billion 4.5 year covered bond issued in September
- ▣ Again Loan Loss Reserves have been reinforced
- ▣ Capital gains booked for €47 Mn after selling Accion de Cobro, part of the sale and lease back deal and other
- ▣ Leading capital ratios organically reinforced

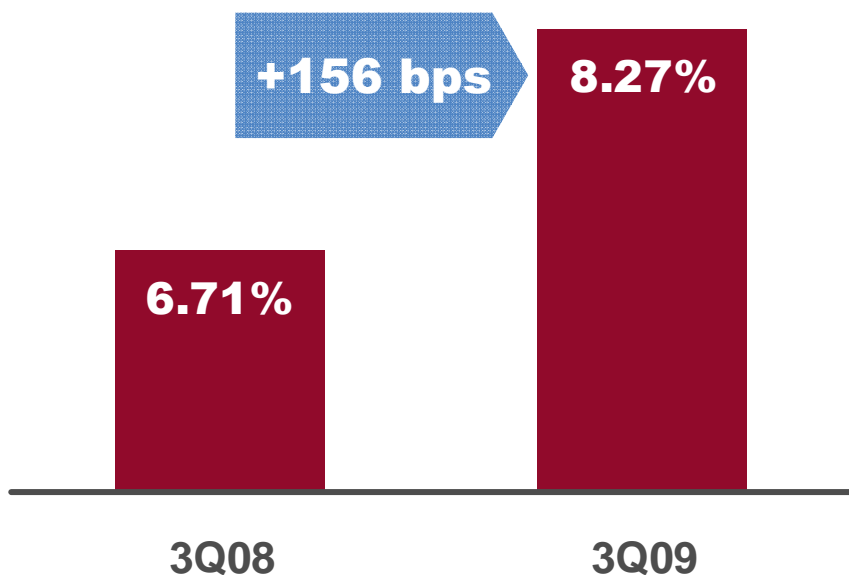
# Contents



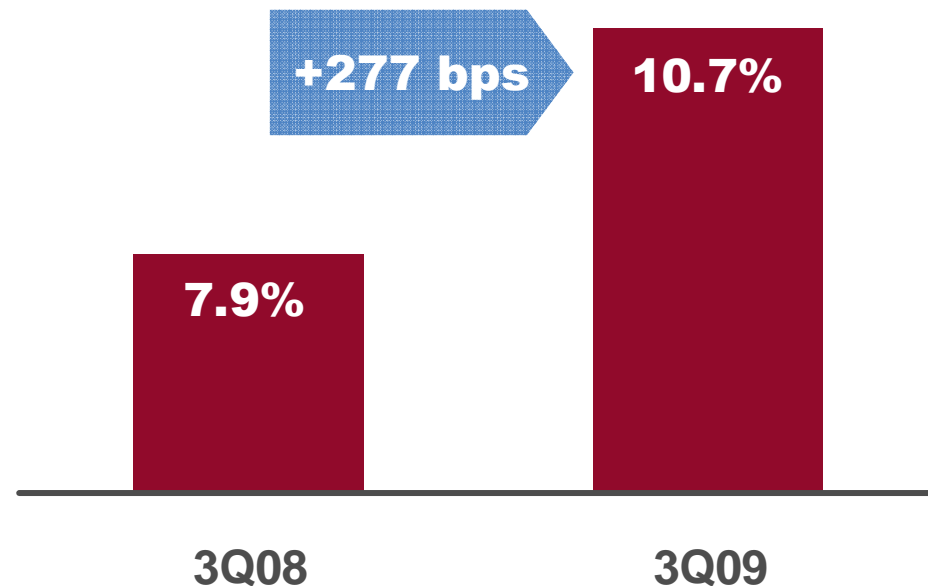
# Capital Base

## A leading capital position

### Core Capital



### Tier 1



### Actively managing capital

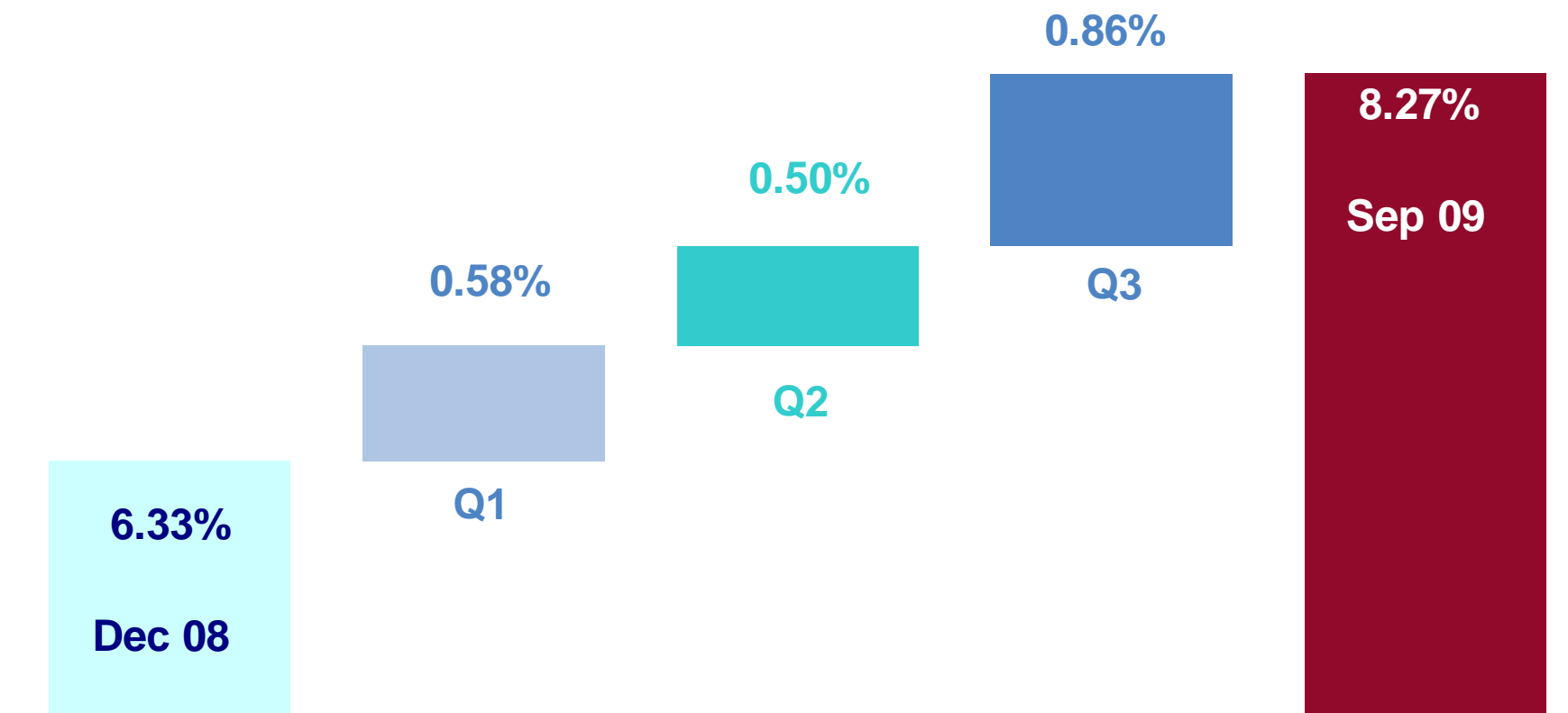
- ▣ Highest Core Capital Ratio in Spain
- ▣ €47 Mn preferred stock buy back

Pastor presents the strongest capital structure within the industry

# Capital Base

## Reinforced quarter after quarter...

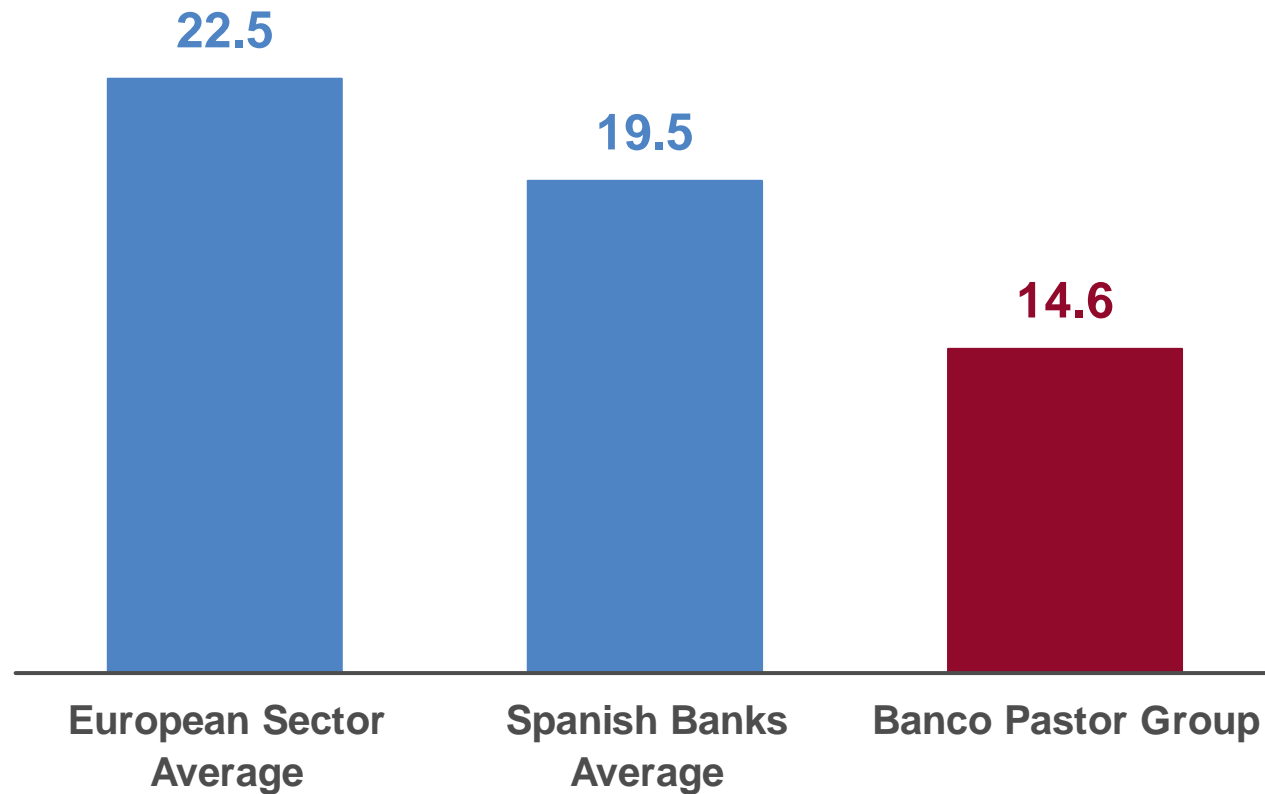
### Breakdown of Core Capital Evolution



# Capital Base

## A better leverage profile

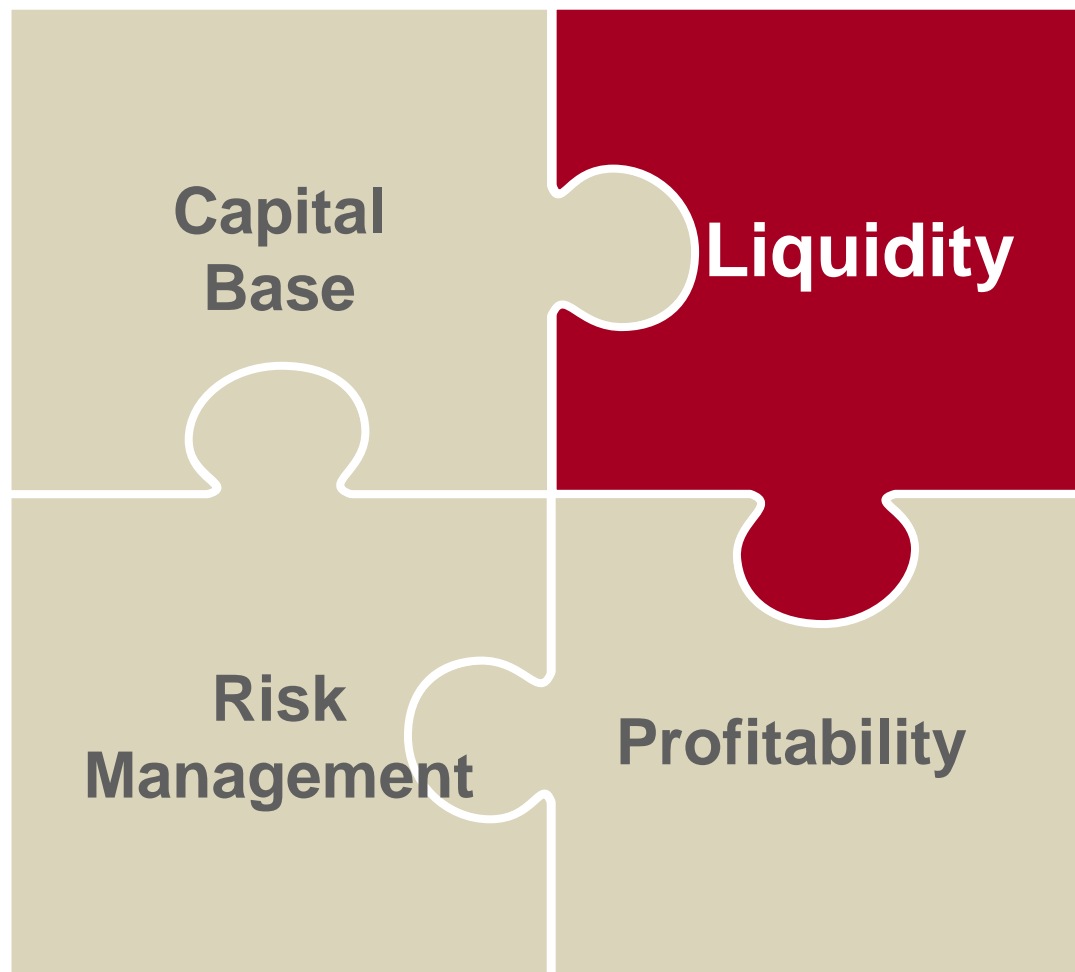
Assets/Tier 1



Source: Keefe, Bruyette & Woods Ltd.

**Stronger capital base than European and Spanish banks**

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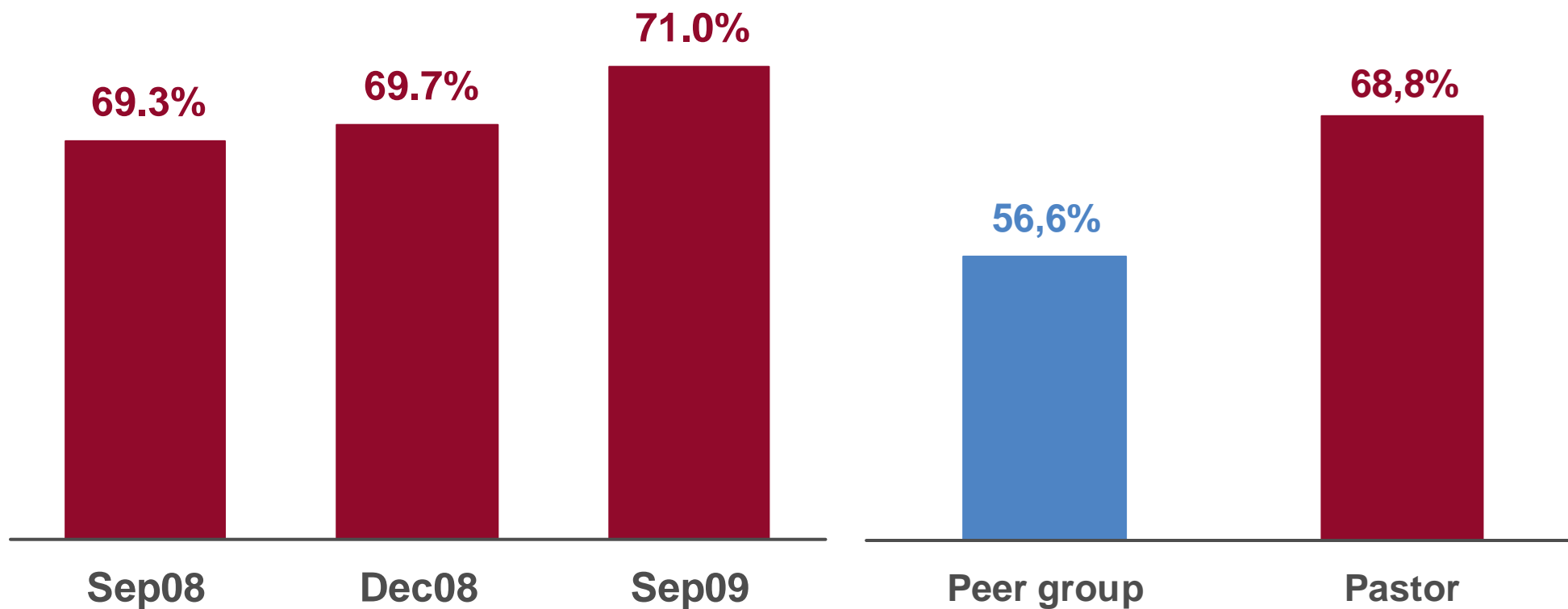


# Liquidity

## A robust commercial gap

Deposits to Loans ratio

Benchmark ex-repos



(\*) Reported

Pastor ranks number one



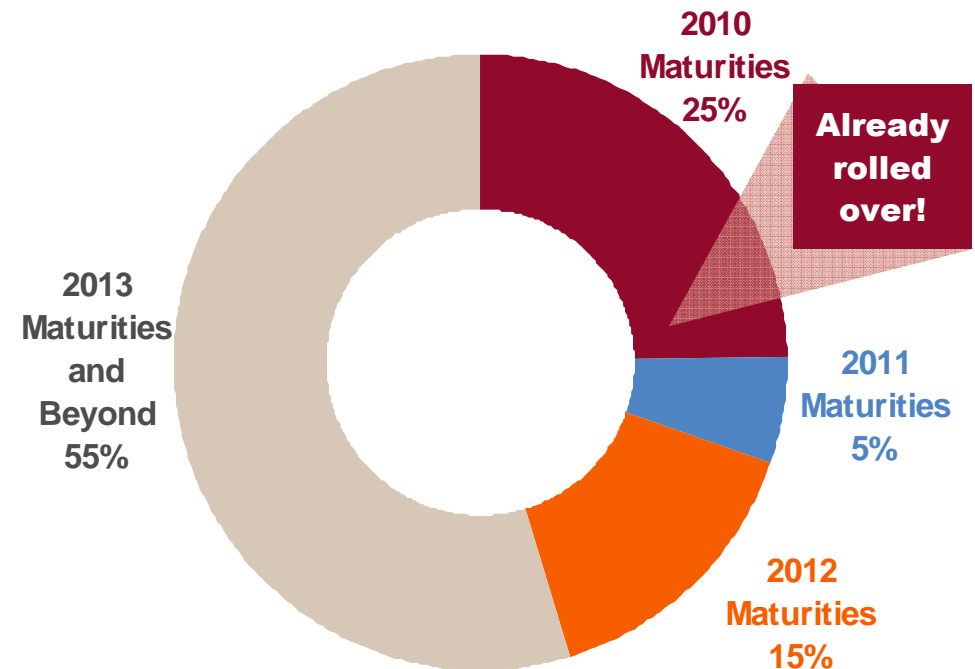
# Liquidity

## Reinforcing 1st line of liquidity while having no relevant maturities until 2012

First line of liquidity evolution



Maturity structure breakdown



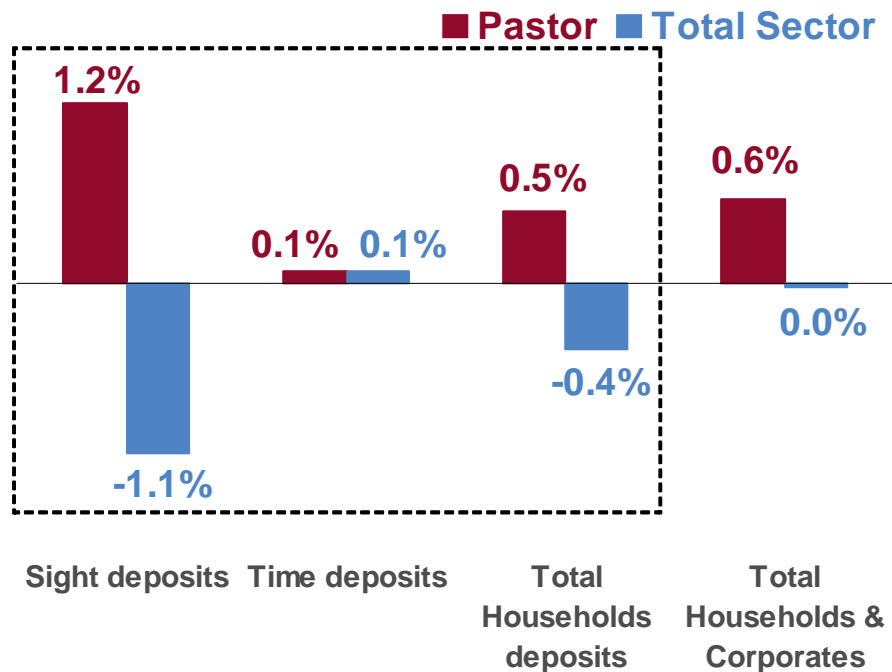
Spanish financial institutions maturities for 2010/11

€413Bn

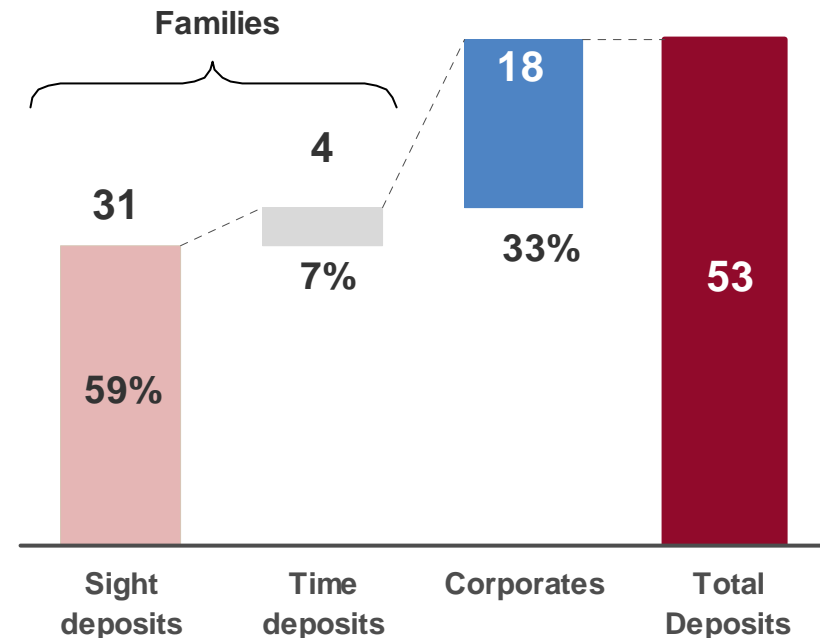
# Liquidity

## Beating the sector both in families and corporates

### Standalone 3Q09 Deposits growth



### QoQ Deposit growth breakdown



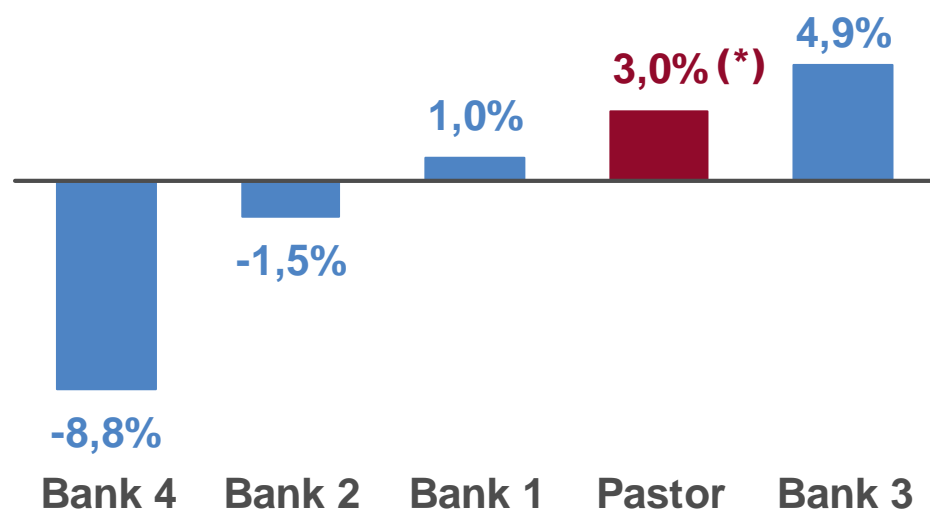
Source: BoS for the sector, August-June 09

A solid performance in a challenging market

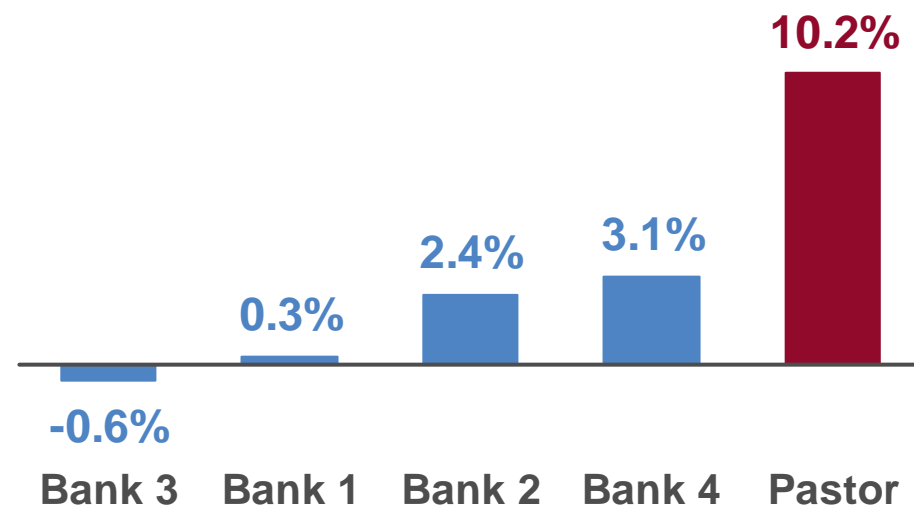
# Liquidity

## A shift in customer preferences towards funds and pension funds

### QoQ Time Deposits Growth



### QoQ Mutual Funds Growth



Source: Consolidated Financial Information.QoQ

(\*) Including preferred stock placed by the branch network

Taking advantage of the upcoming changing trend

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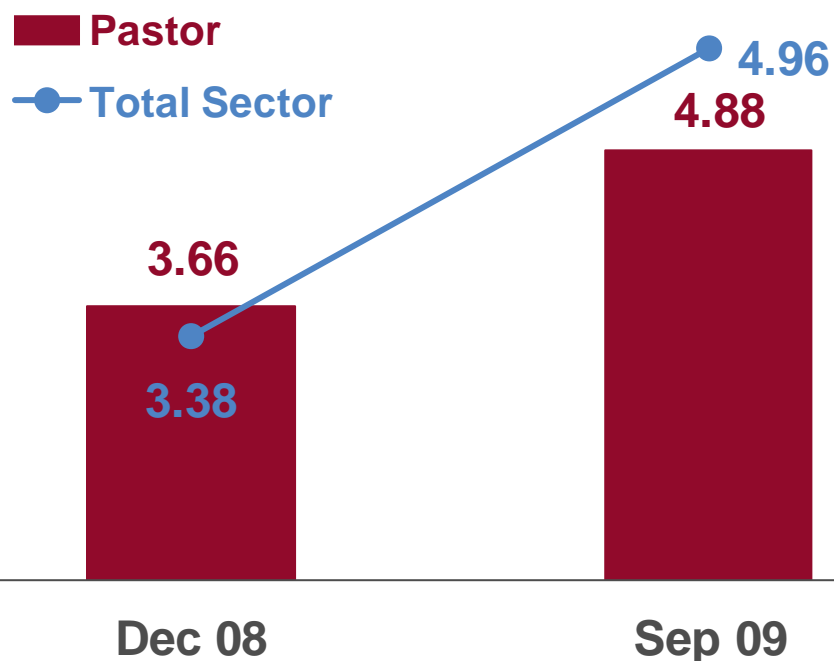


# Risk Management

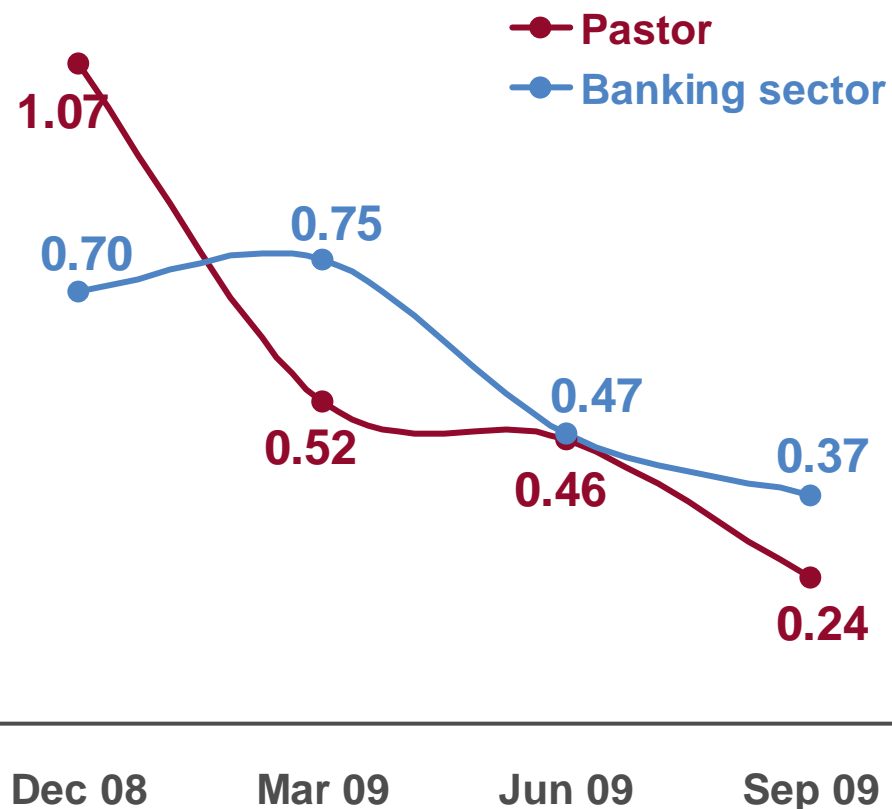
## Navigating the downturn

### NPL Pastor vs Sector

**NPL's 1,427 €Mn**



### NPL Ratio evolution



Source: BoS

Note: Last available data for the Sector as of August 2009.

The sector includes Banks, Savings banks and Credit cooperatives and other financial inst.

Source: BoS

Note: Last available data for the Banking Sector as of August 2009.

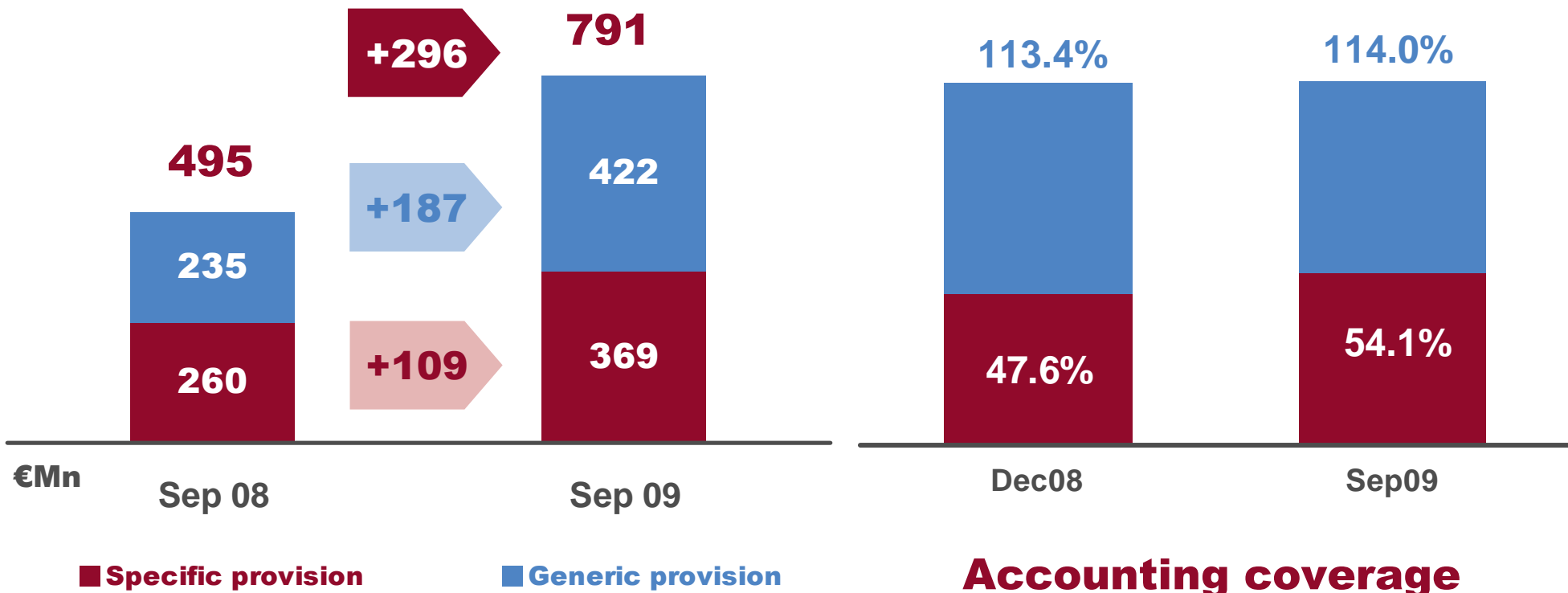
**Three consecutive quarters increasing the ratio below the banking sector's**

# Risk Management

## Reinforcing again loan loss reserves...

### Loan loss reserves evolution

### Coverage ratios



Source: BoS

Note: Last available data for the Banking Sector as of August 2009.

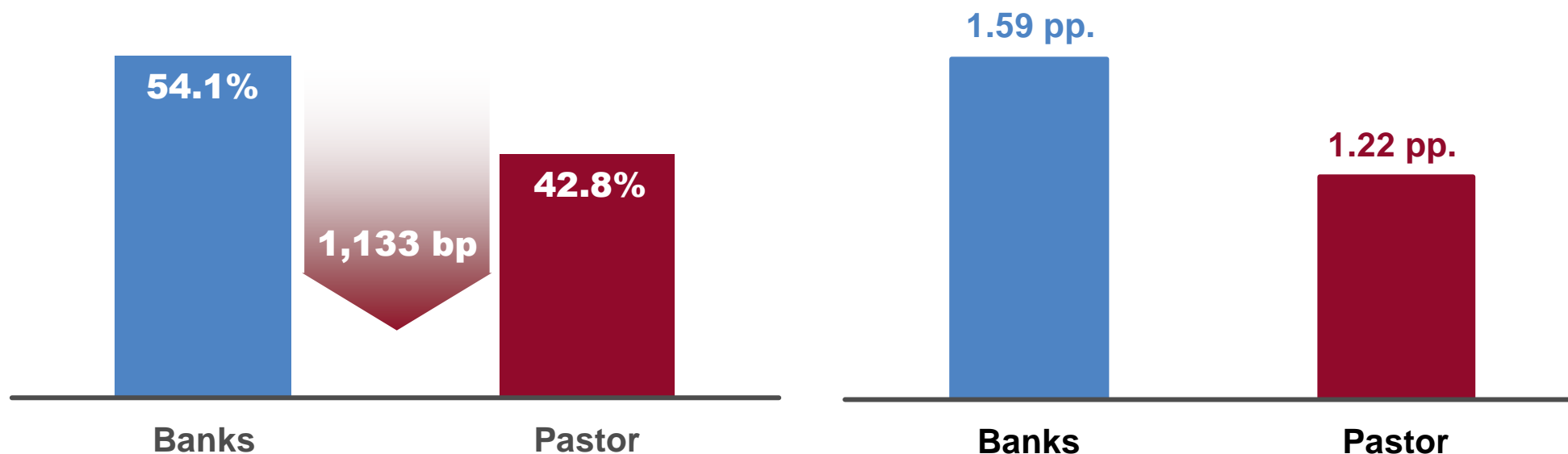
...to the highest level ever

# Risk Management

## A slowing npl formation

NPL Stock growth YTD

NPL Ratio YTD growth



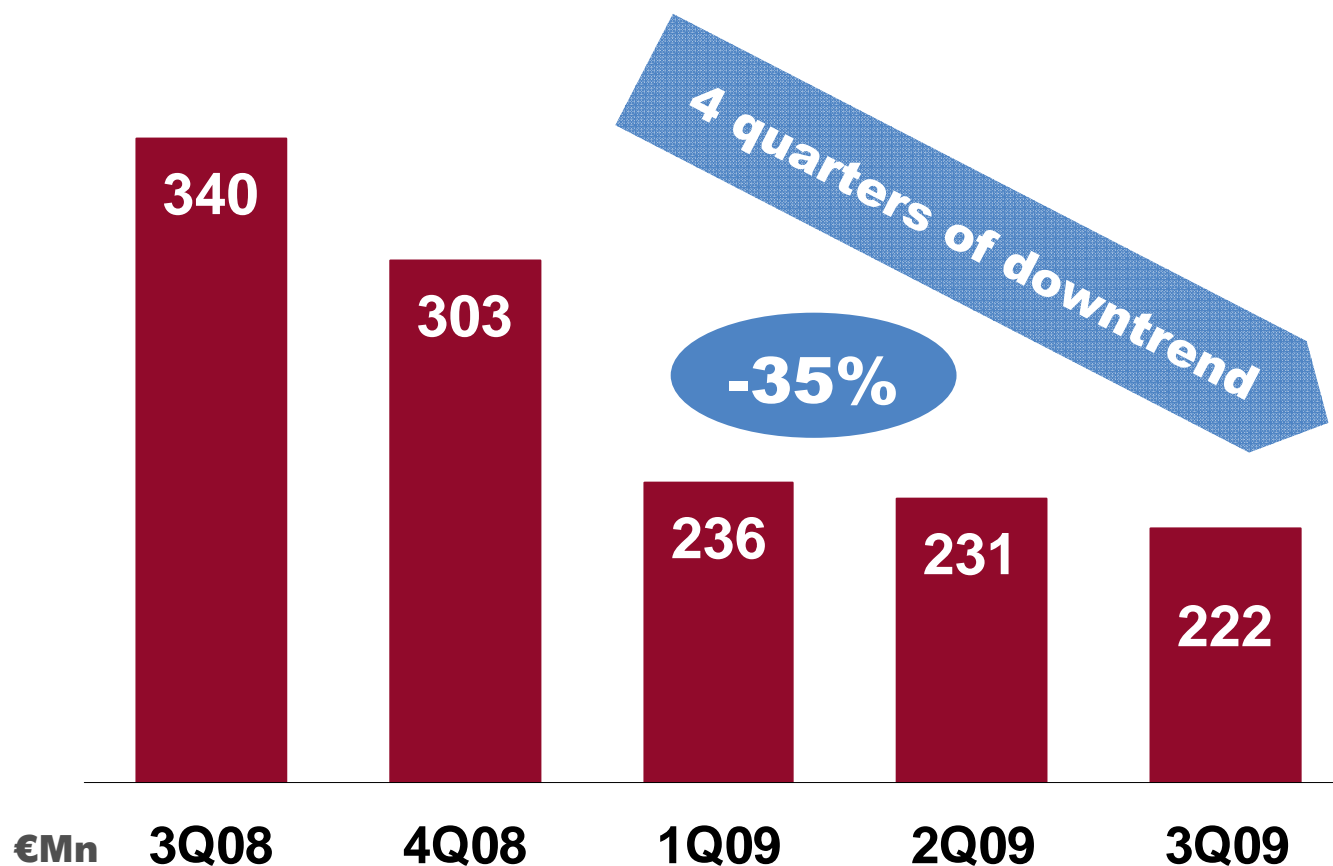
Source: BoS

Note: Last available data for the Banking Sector as of August 2009.

# Risk Management

**Net entries decreasing again and below last year's**

Quarterly net NPL entries



**Maintaining 1/3 of branches with recoveries higher than entries**

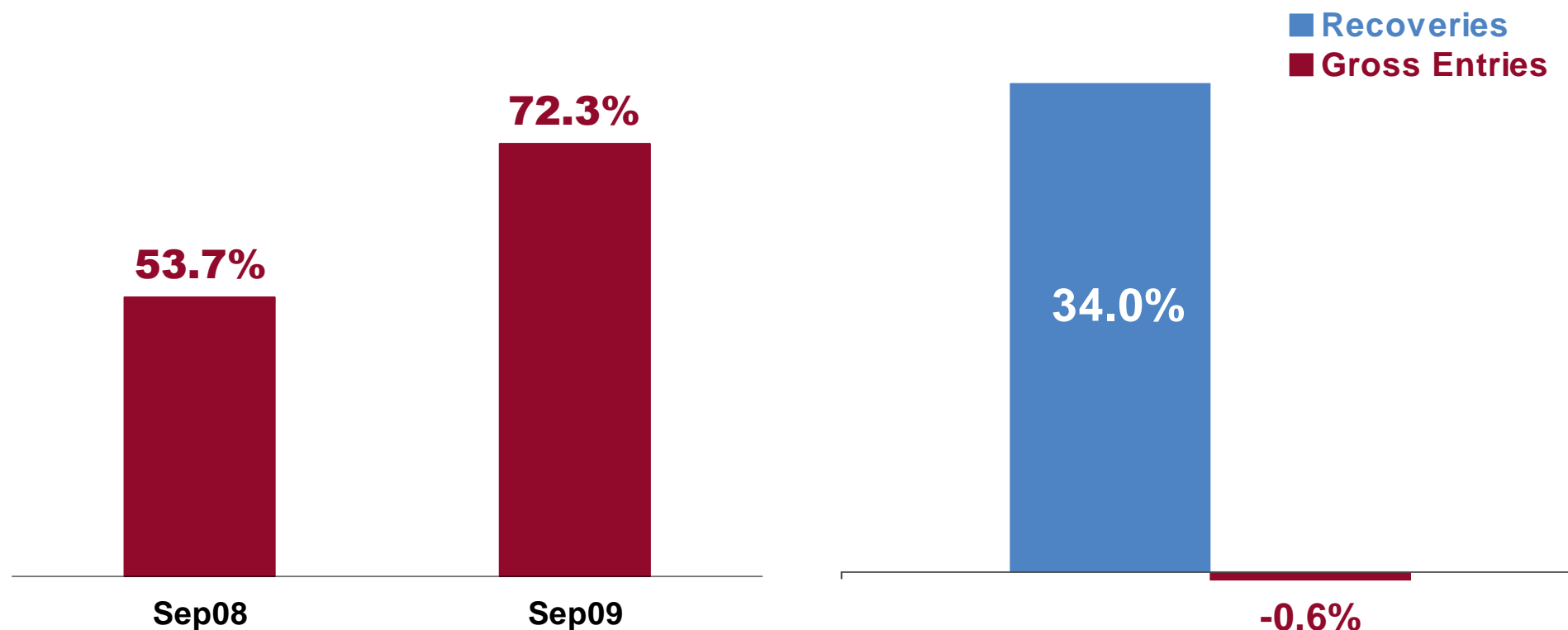


# Risk Management

## The pace of recoveries gathers momentum

Recoveries evolution YoY

3Q09 gross entries vs recoveries growth



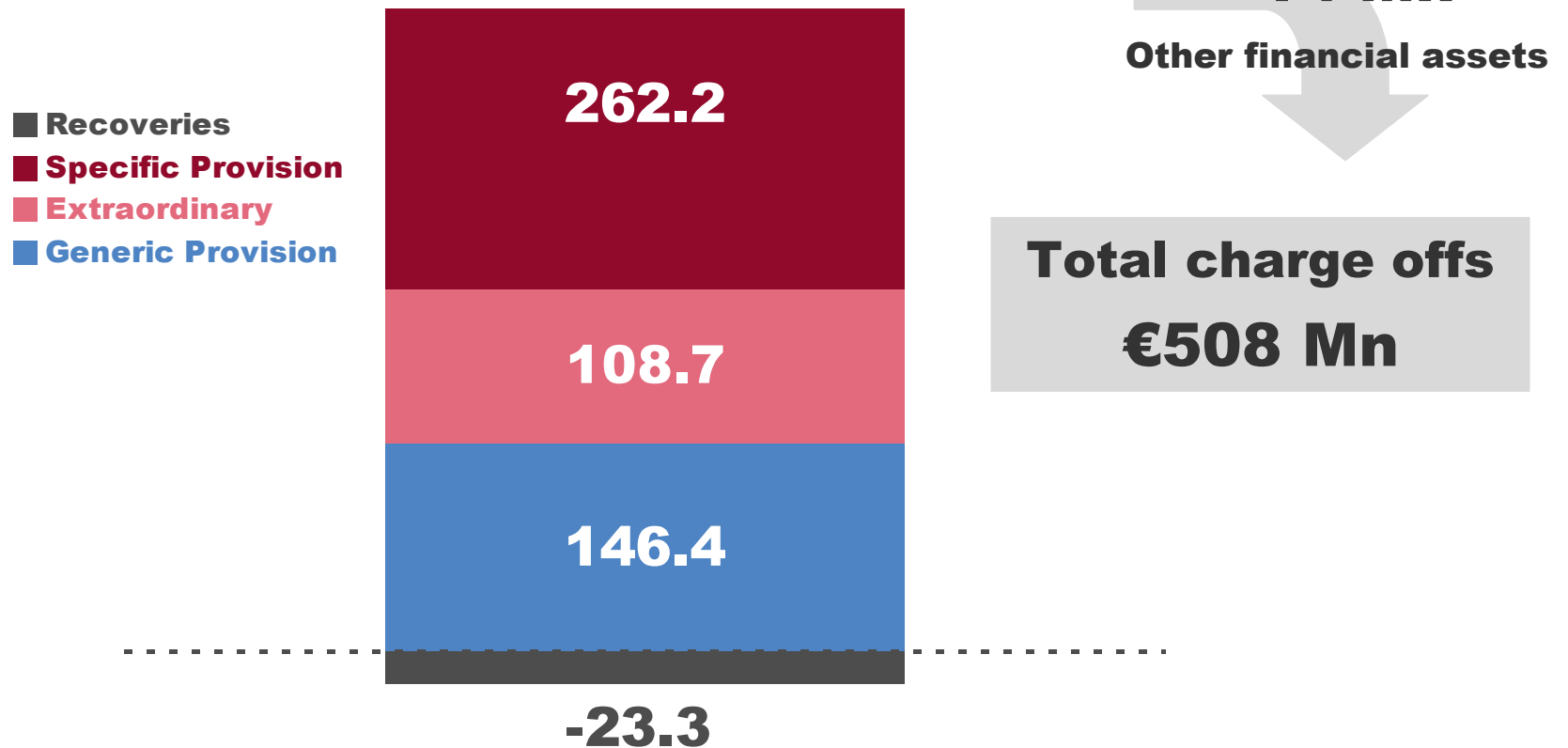
Further improving recoveries while gross entries stabilize

# Risk Management

## In terms of P/L....

Total credit charge offs Sep-09

**Loan Book Charge Offs 493,9**



Running through the calendar while boosting the generic

# Contents



# Profitability

**STRONG  
RECURRENT  
EARNING POWER**

**INCOME**

**COSTS**

**€332Mn**

**CAPITAL GAINS**

Disposal of Unión Fenosa stake c. €200m

Sale and lease back of branches €105m

Acción de cobro €19m and other divestitures €8m

**Still, additional capital gains to be released in 2009&2010**

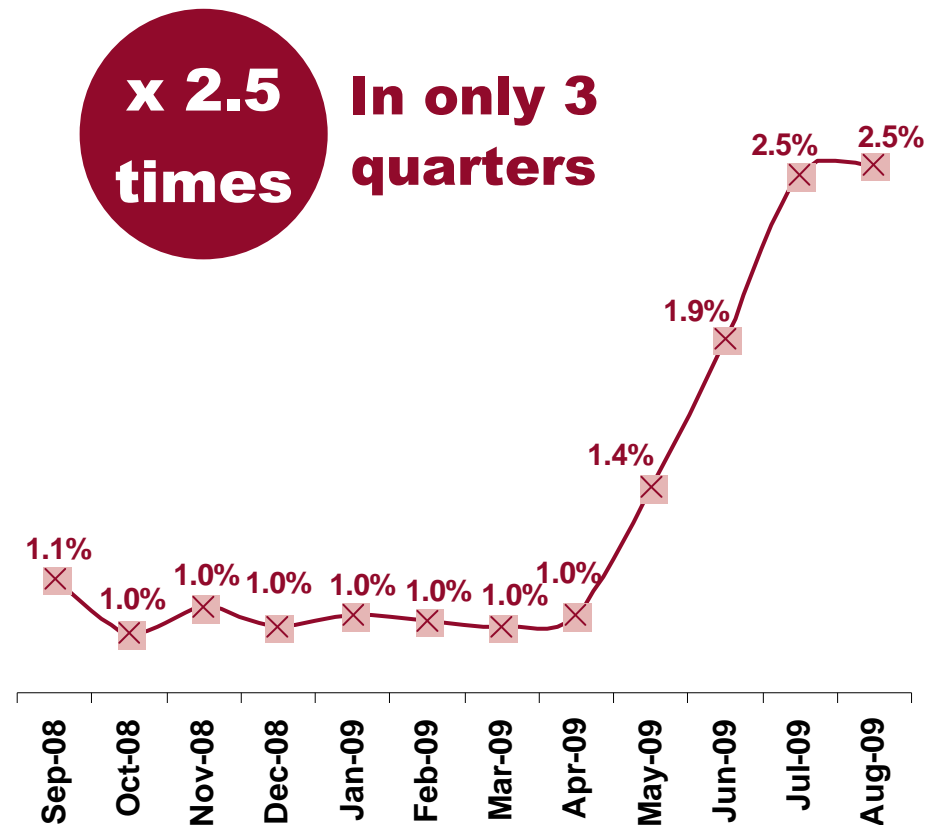
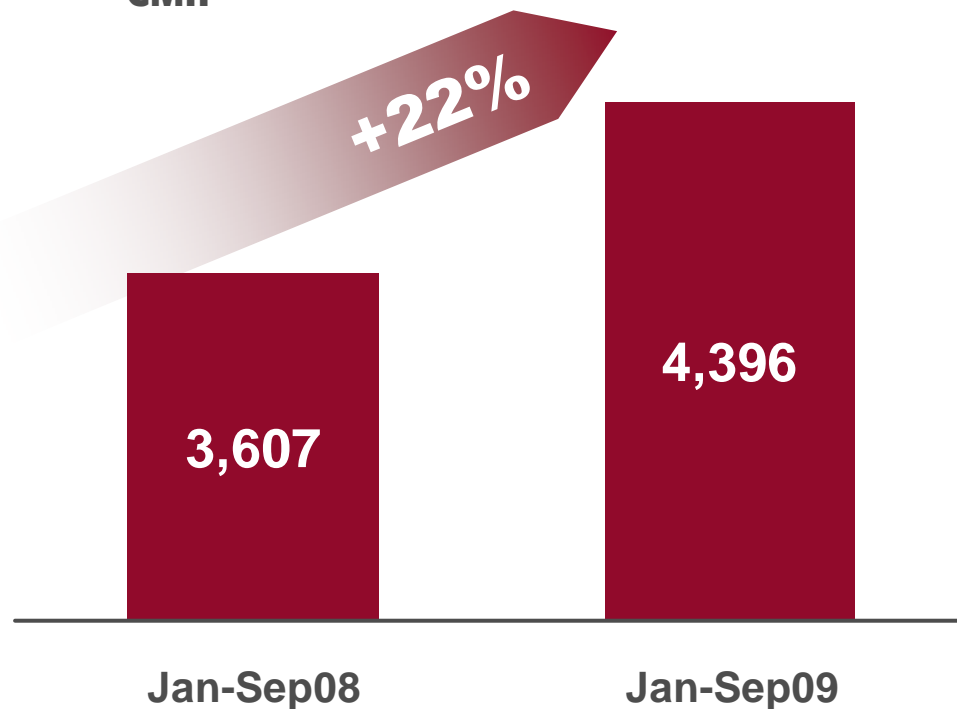
# Profitability

## Client acquisition initiatives: a successful driver of new guaranteed business

Accumulated new loan origination

Market share on new mortgage origination

€Mn

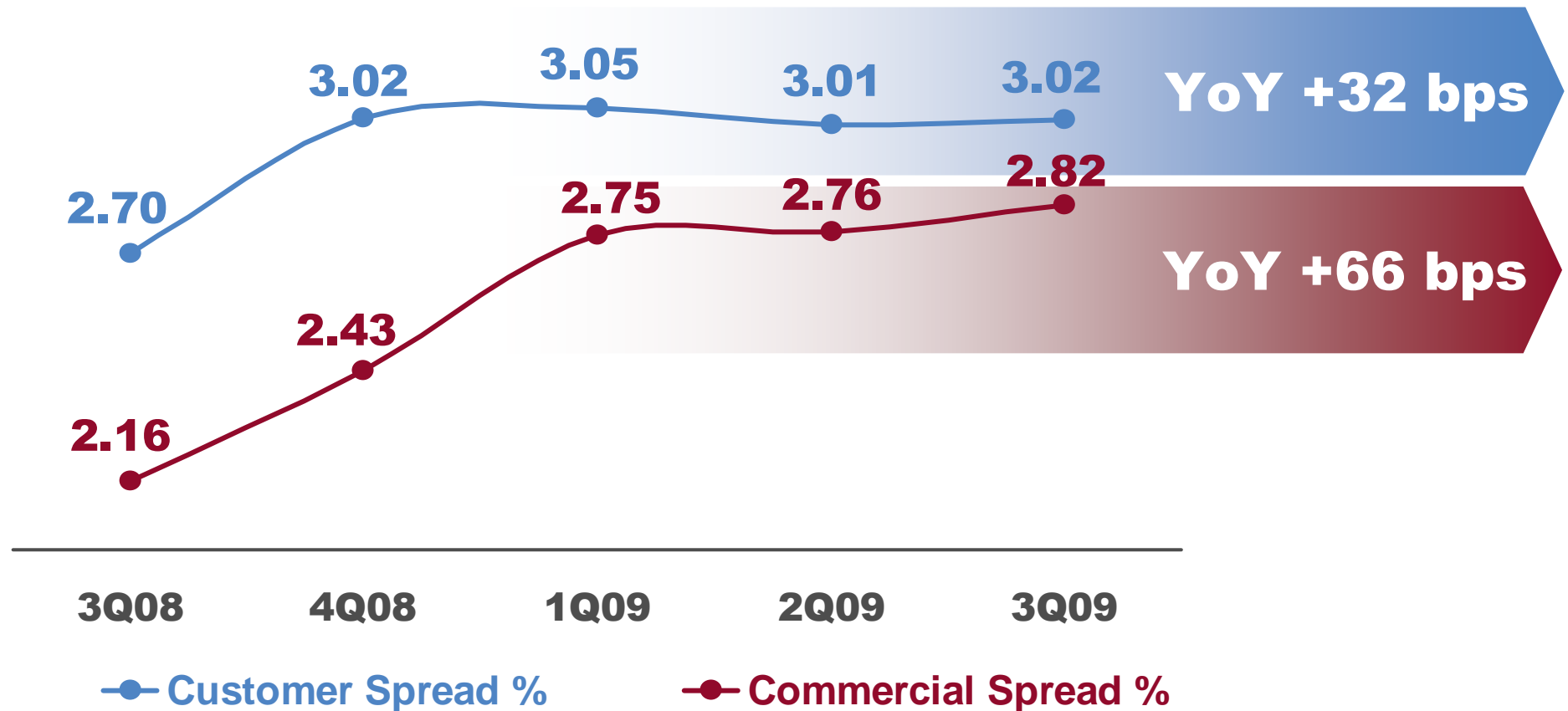


Multiplying by more than 3 times mortgage underwriting of Q1 09

# Profitability

Once again, showing a strong commercial spread

## Customer & Commercial Spread

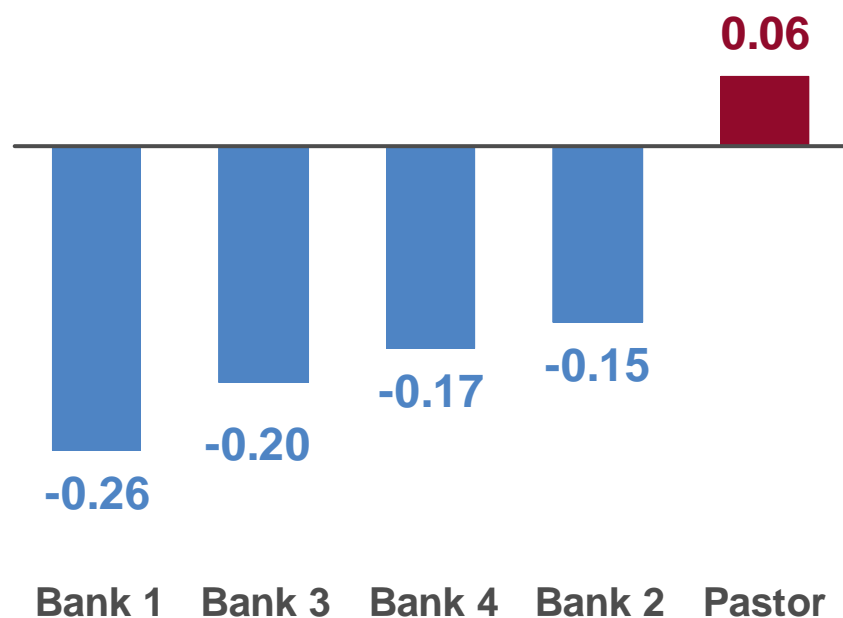


Protecting spreads under this lower rates scenario

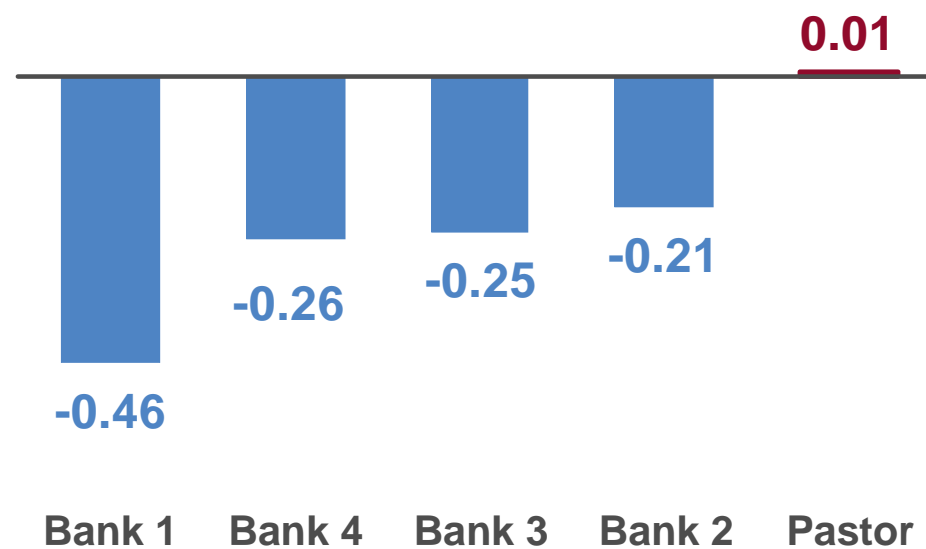
# Profitability

New production keeps adding value on a continuous basis, pushing up the stock's spread

Evolution qoq Commercial spread



Evolution qoq Customer spread

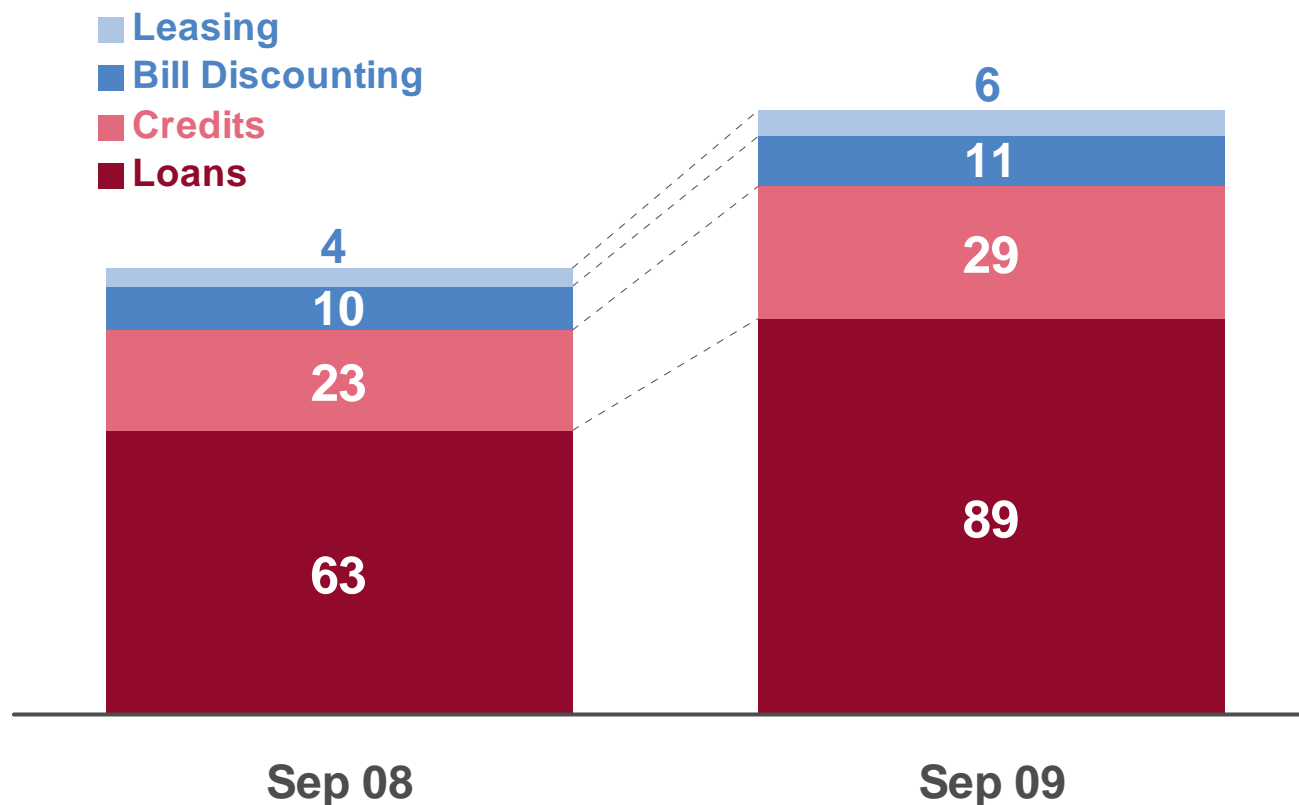


A resilient spread

# Profitability

## Shifting towards a more secured and profitable margin generation structure

Anatomy of margin evolution Q308 base 100 (%)



Source: Internal operating data

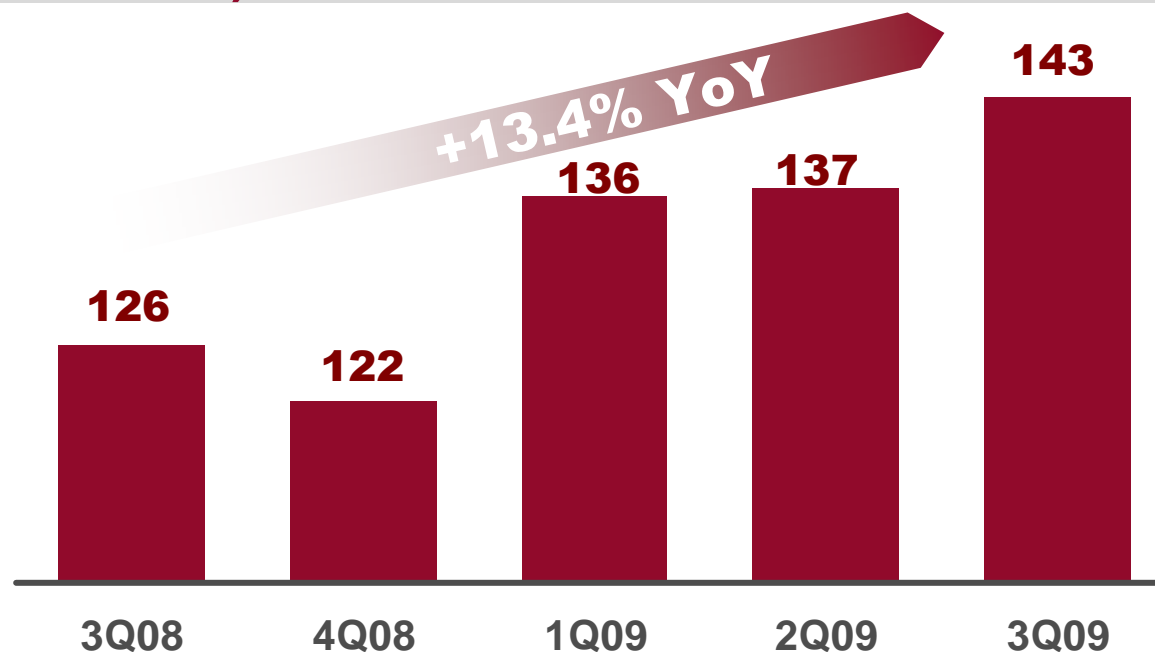
Preserving profitability while lowering exposure to bill discounting



# Profitability

## The highest quarterly Net Interest Margin in history

### NIM (quarterly evolution)



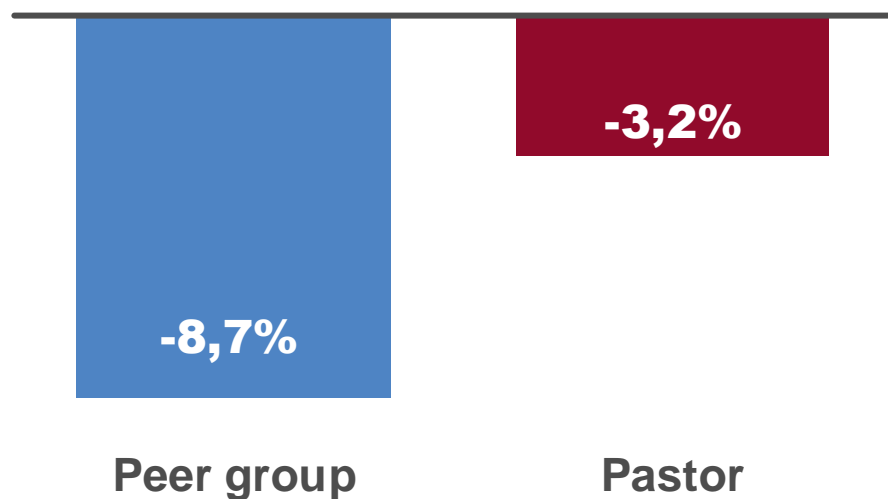
### In previous webcasts...

- ▣ Very profitable combination of volume growth plus spread advances....
- ▣ New origination of loans is gaining momentum
- ▣ Still over 40% of Floors have not yet been fully activated

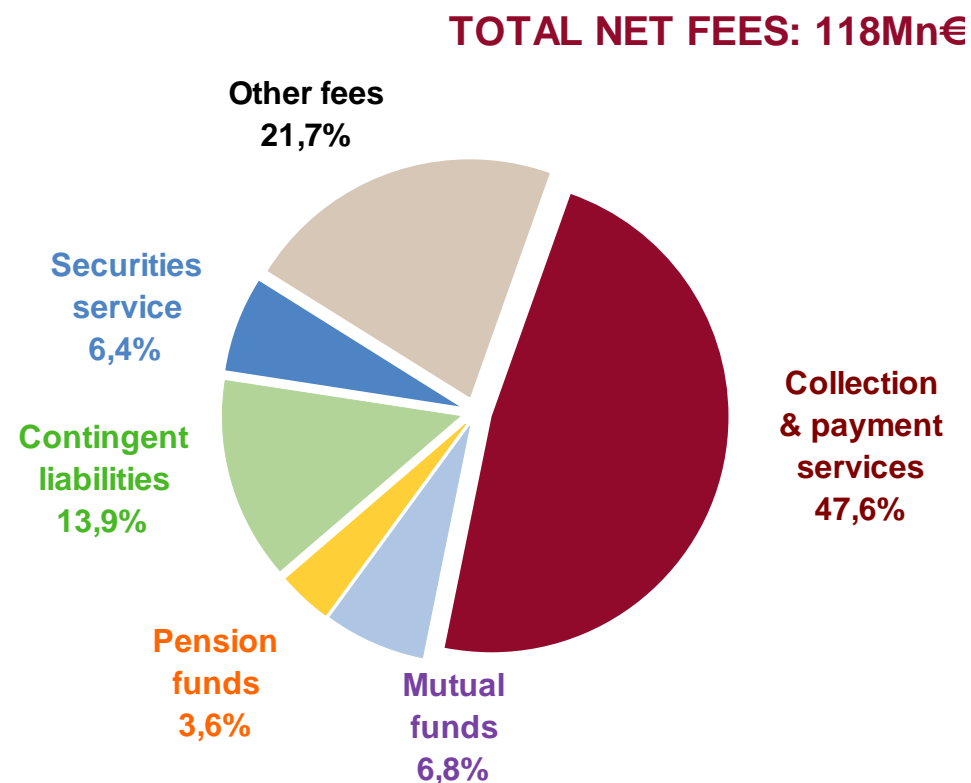
# Profitability

## Outperforming the industry even in hard times

### Net fees YoY evolution

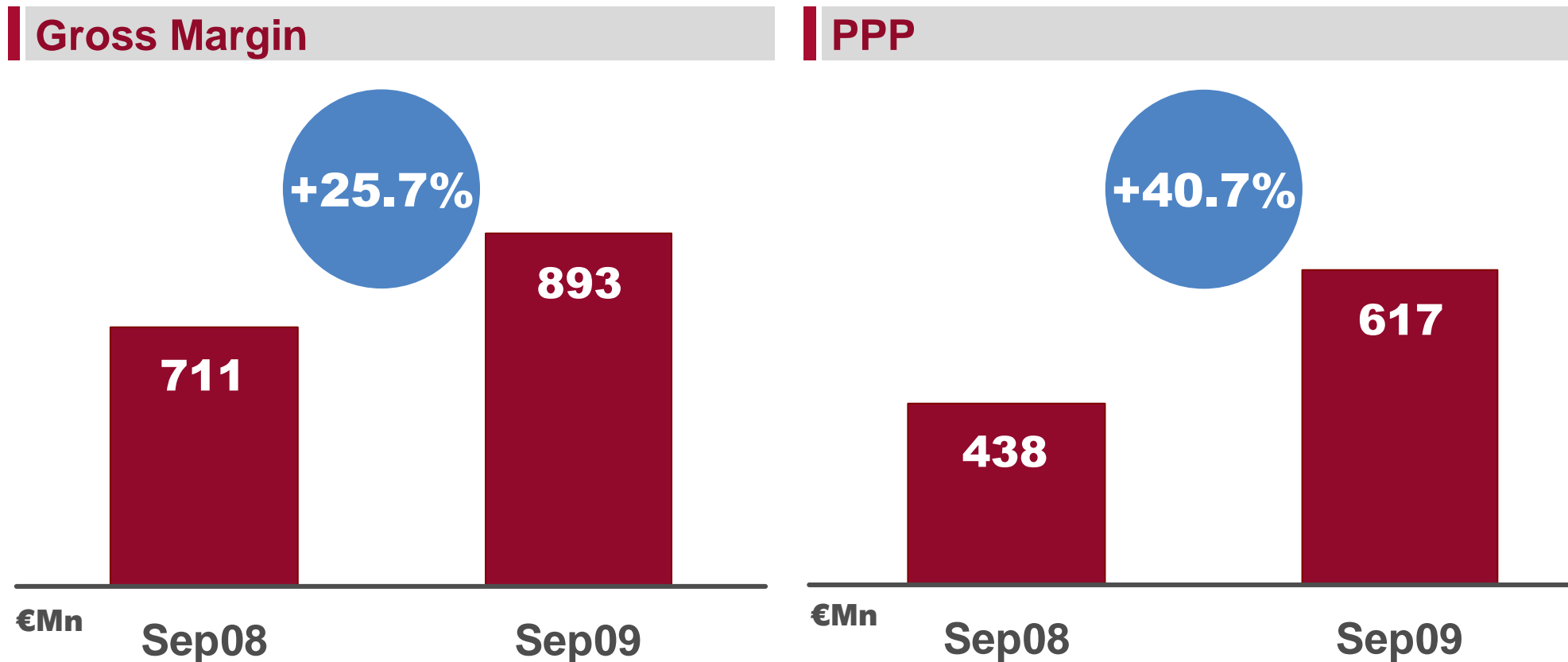


### Net fees



# Profitability

## Solid and sustainable margin growth



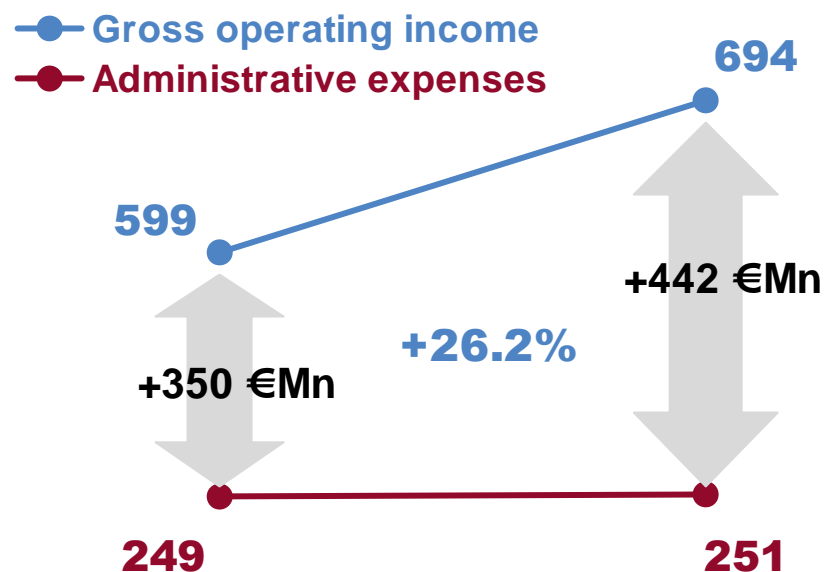
Mid to high double digit growth not seen in the sector !

# Profitability

## Combining resilient income growth with cost management

Gross operating income vs costs

Cost to income ratio



36.22

YoY -867bps

27.55

Dec 08

Sep 09

€Mn

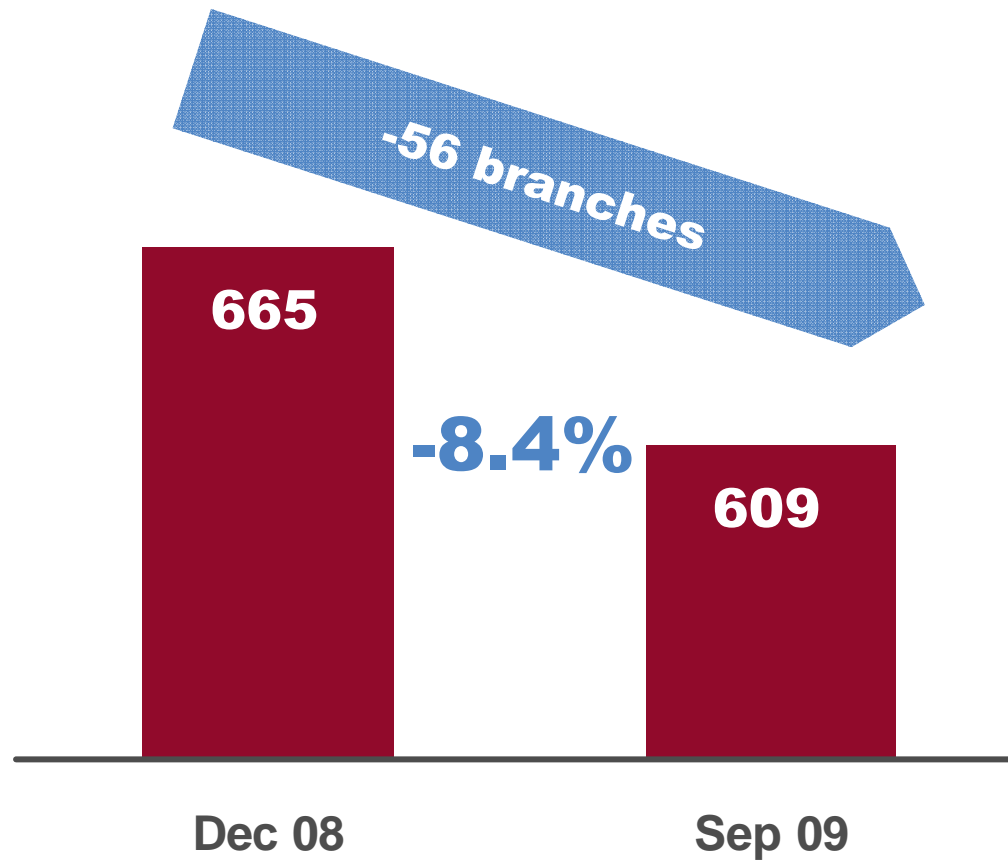
Note: Gross operating profit ex. UNF capital gains

### Making further inroads in efficiency

# Profitability

If you are going to win games...

Number of branches evolution

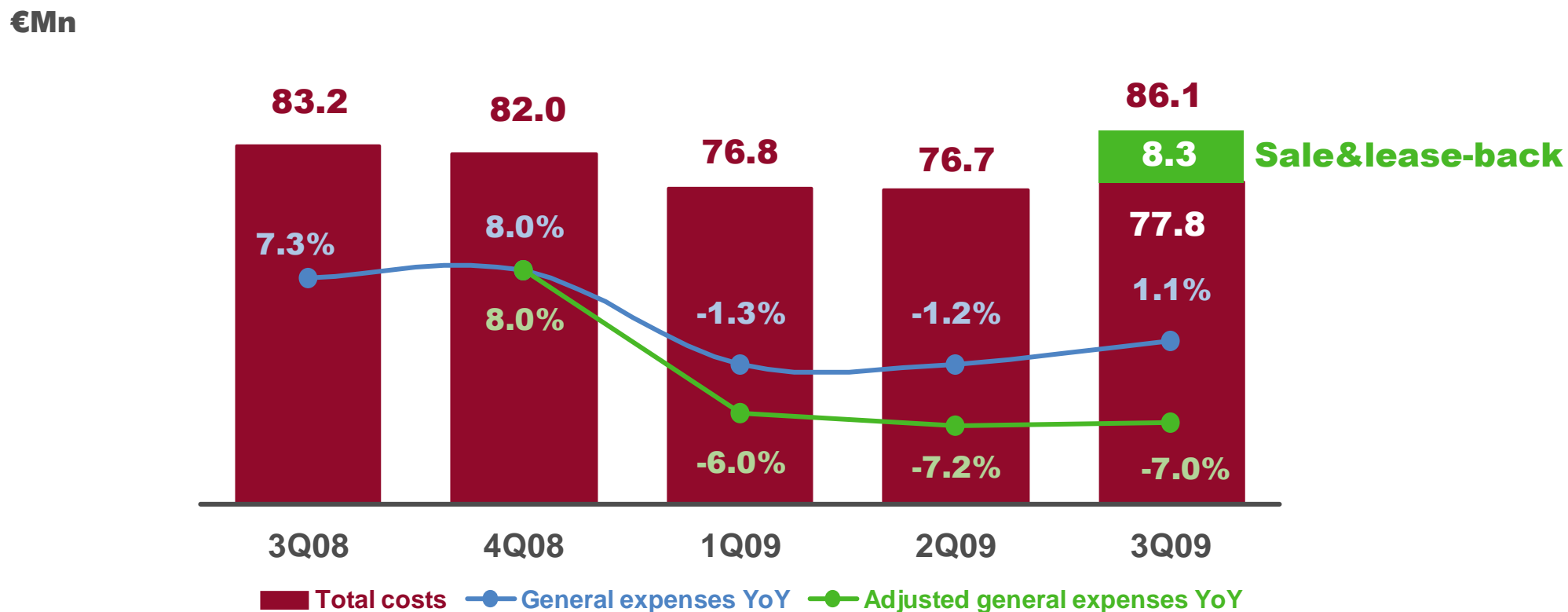


...You'd better be ready to adapt

# Profitability

## Staying lean

Total costs (€Mn) and General expenses: YoY evolution



A trade off: Tough on the short term while betting on the long run

# Profitability

**At the end of the day... a strong and visible bottom line!**

Net Income attributed to the group

**PBT €165Mn**

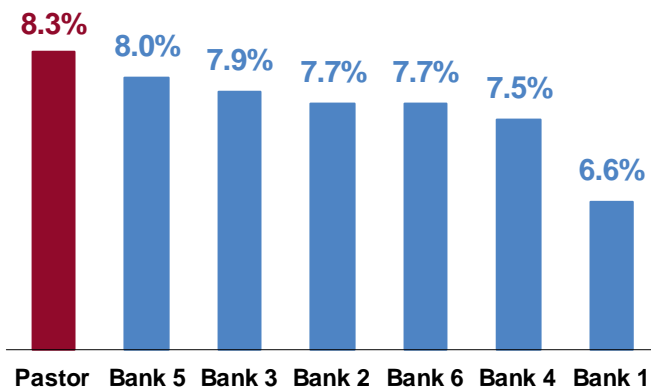
**Net Income €120Mn**

Leading to generate capital organically

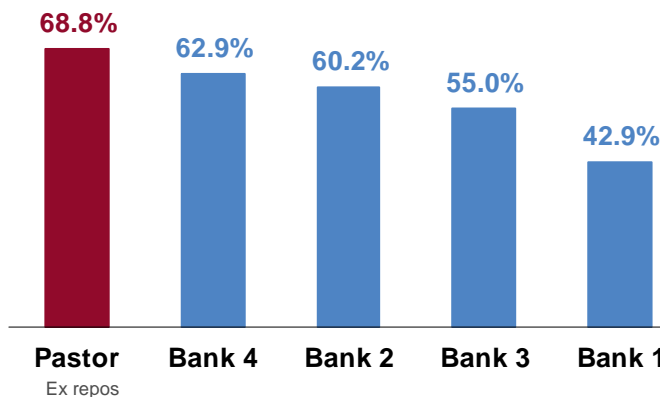
# The big picture

## Well positioned

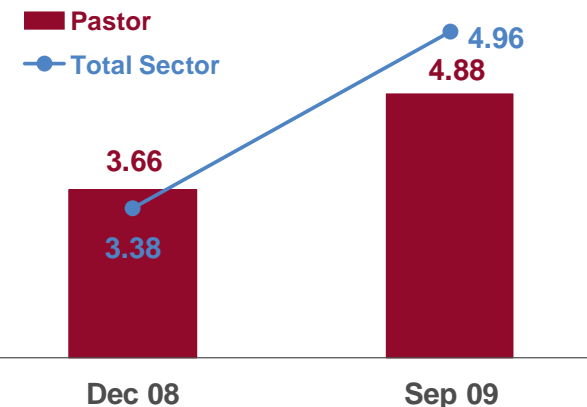
### Leading Core capital position



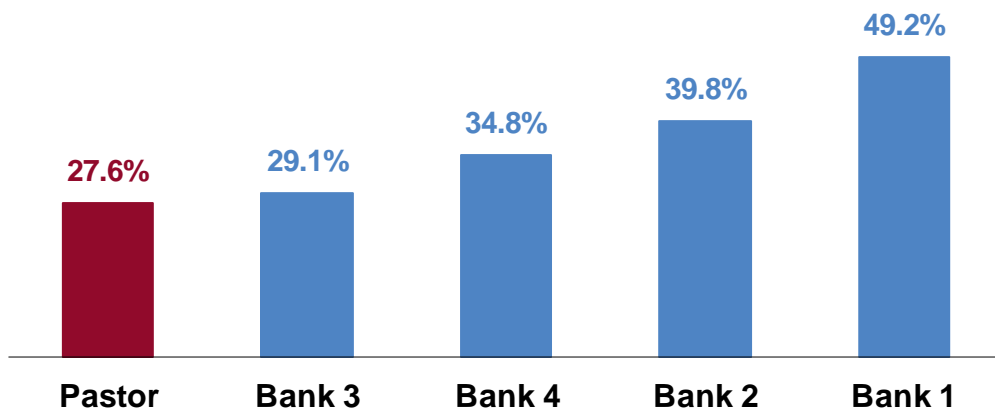
### Best in class liquidity



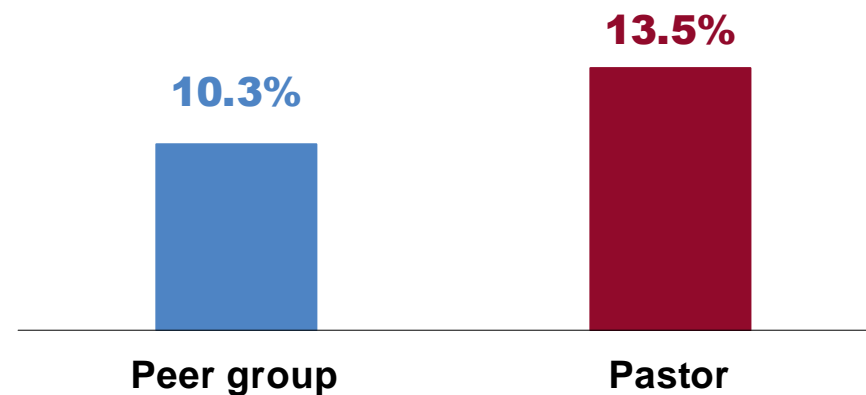
### NPLs below sector average



### Top efficiency among peers



### Sound recurrent operating revenue



Recurrent operating revenue: Standalone quarter for operating revenue ex trading

To deal with industry challenges and address opportunities



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