

BANCO BPI'S CONSOLIDATED RESULTS FROM THE 1ST HALF OF 2017

Oporto, July 25, 2017

BPI recorded recurring consolidated net income of 188 million euros (+77%) in the first half of 2017 with a significant increase in customer resources

- **Strong commercial activity generated 4.7% growth in total customer resources** in the first half of 2017.
- **BPI achieved leadership in mutual funds with a market share of over 30%¹, evident by the growth of 1 billion euros in assets under management** in the first half of 2017.
- **Strong liquidity position** with customer resources accounting for 73% of the assets, the loan-to-deposit ratio reaching 106% and the liquidity coverage ratio standing at 179%.
- **High quality loan portfolio:** Impairments for loans and guarantees decrease from 35.8 M.€ in the 1st half of 2016 (0.32% of the loan portfolio, annualized) to 16.6 M.€ in the same period of this year (0.15%).
- **Rationalization** results in a reduction of 22 M.€ (-8.5%) in recurring overhead costs in the first half of this year.

In the first half of 2017, BPI recorded consolidated net income of 188 M.€, excluding non-recurring items, which represents an increase of 77%, compared to the 106 M.€ in consolidated net income from the same period of 2016. Taking into account the specific impact related to the accounting for the 2% sale and deconsolidation of BFA (-212 M.€, after taxes) and the total cost of 106 M.€ due to the voluntary exit program, the net result "as reported", was negative by 102 M.€.

The increase in commercial activity and customer confidence translated into an increase of 1,553 M.€ in total customer resources to 34,523 M.€ (+4.7%), with particular emphasis on the strong expansion of mutual funds, which increased by 1,042 M.€ (+20%) – including portfolio inflows and valuations – and deposits, which grew by 315 M.€ (+1.6%). It should be noted that, in the period under review, BPI, in which CaixaBank owns an 84.5% stake, achieved leadership in the management of mutual funds, with a market share of assets under management of 30.4%¹.

BPI's new Board of Directors, chaired by Fernando Ulrich, received the authorization from the ECB for all the directors. Pablo Forero becomes the new CEO of BPI.

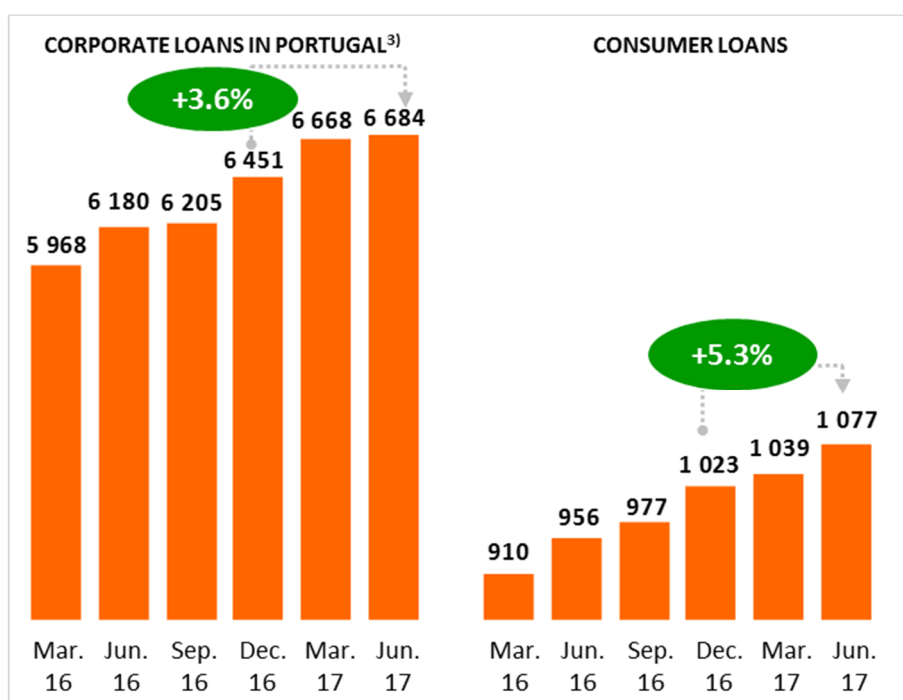
¹ Source: APFIPP - Ass. Portuguesa de Fundos de Investimento, Pensões e Patrimónios (Portuguese Association of Mutual Funds, Pensions and Assets), June 2017

Positive trends in market share

The total volume of loans to companies in Portugal increased by 3.6%, to 6,684 M.€ (excluding project finance and the loan portfolio of the Madrid branch). The portfolio of the large and medium-sized business segment rose 3.7% and loans to small business increased 3.5%.

The mortgage loan portfolio stabilized at 11,069 M.€, and it should be noted that the new mortgage loans increased by 19% in the 1st half (yoy) to 494 M.€.

Although gross credit to customers remained stable at 23,494 M.€, the new loan portfolio to individuals (particularly in the consumer segment) and to companies showed signs of a reversal in trend and a recovery in growth. The market share of BPI's mortgage loan portfolio has been steadily increasing, standing currently at over 11%. The market share in corporate credit also confirmed the upward trend, increasing by 20 bps.



3) Excludes project finance and Madrid branch loan portfolio.

In the context of minimum interest rates, the financial margin (narrow sense) rose slightly in the first half (2% yoy) to 182 M.€, and net commission income rose 4.8% in the first half of 2017, largely due to the growth in off balance sheet products, such as investment and pension funds, in year-on-year terms compared to the previous year.

Quality of the loan portfolio leads to significant improvement in the cost of credit risk

The high quality of the loan portfolio led to a decrease in impairments, in annualised terms from 35.8 M.€ in the first half of 2016 (0.32% of the loan portfolio) to 16.6 M.€ (0.15%) in the first half of this year. The cost of credit risk, measured by impairments net of



recoveries on loans previously written off, decreased from 28.6 M.€ (0.25%) to 7.5 M.€ (0.07%) over the same periods.

Overhead costs fell significantly in the first half of 2017

Overhead costs, excluding costs related to voluntary terminations and early retirements, decreased by 22 M.€ (-8.5%) in the first half of 2017 as a result of the ongoing effort to rationalize and contain costs.

It should be noted that in the first half of 2017, 617 employees voluntarily agreed to leave the Bank, of which 519 correspond to the voluntary departures program announced in April, which implies a future annual reduction of 36 M.€ in BPI's overhead costs.

The BPI Executive Board considers that the established objectives have been adequately met; consequently, no new programs in this area are foreseen.

The BPI Executive Board reaffirms the 120 M.€ synergies target announced for the end of 2019.

The change in revenues and costs during the first half of this year has allowed the efficiency ratio to be improved by two percentage points to 66%. The company maintains its strong capital strength, with a "fully loaded" Common Equity Tier 1 (CET1) of 10.9%, a "phasing in" CET1 of 11.9% and a total "phasing in" capital ratio of 13.3%.

Customer satisfaction and trust

In the first half of the year, BPI's performance in several areas of financial activity was publicly recognized by independent national and international entities.

For the second consecutive year, BPI was ranked 1st in Customer Satisfaction, according to ECSI Portugal 2017 – National Customer Satisfaction Index. ECSI Portugal is an independent study developed annually by the Portuguese Quality Institute, the Portuguese Association for Quality and the Higher Institute of Statistics and Information Management – Universidade Nova de Lisboa, based on a common European methodology – the European Customer Satisfaction Index – which enables the evaluation of the quality of the goods and services available in the national market in several sectors of activity.

For the fourth consecutive year, BPI was voted the most trusted bank brand in Portugal in the 2017 edition of the Brands of Trust study that the "Selections from Reader's Digest" has been organizing for 17 years in 15 countries.

Social responsibility

In the scope of social responsibility, BPI and "la Caixa" Banking Foundation allocated 1 million euros for projects to support the victims of the Pedrógão Grande fire. In addition, BPI raised, through an account specially opened for this purpose, a total of approximately 144 thousand euros, from donations from customers. Together, these funds have been made available to the local authority and will be allocated primarily to projects for the reconstructing of first housing.