

BANCO BPI 2017 CONSOLIDATED RESULTS

Porto, 30 January 2018

BPI's net profit in Portugal increases by 21% to 191 million euros, excluding non-recurring items

- BPI records **the best net profit in Portugal of the last 10 years**;
- **Consolidated profit "as reported" reached 10.2 million euros**, fully absorbing extraordinary costs and accounting effects related with the shareholding in Angola;
- **Total Client Funds increase by 1 800 million (+5.6% yoy)**, with the higher volume of transactions contributing to an 8.9% increase in commissions;
- **The loans to companies portfolio increases 411 million** in 2017 (+6.4% year), reinforcing the market share gains in recent years;
- **High quality of loan portfolio**: credit at risk stands as low as 2.9% and coverage by impairment and collaterals reaches 163%;
- **Financial margin narrow sense** increases 1.0% in 2017 to 368 million;
- **Recurring overhead costs** decrease 5.3%;
- **Synergies target achieved**: 122 million of synergies in costs and revenues from initiatives implemented or underway;
- **Strong capitalisation** with a CET1 of 13.0% (fully loaded) and a total capital ratio of 14.7% (fully loaded), including the impact from IFRS 9 and the sale of subsidiaries and operations announced at the end of 2017;
- **Return on tangible equity (ROTE)** of BPI in Portugal is expected to exceed 10% by 2020;
- **Cost-to-income** is expected to be close to 50% by 2020.

In 2017, BPI recorded a net profit of 191 million in the activity in Portugal (excluding non-recurring items), reflecting an improvement of 33 million (+21%) relative to the previous year. This is the higher domestic net profit since 2007.

Consolidated net income "as reported" was positive at 10.2 million euros, fully absorbing the accounting impact from the sale of 2% and deconsolidation of BFA (Banco de Fomento Angola, -212 M€), and the extraordinary impacts of the activity in Angola in Q4 (-107.4 M€), which include the classification of Angola as a high inflation economy by international auditing firms and respective effect in the accounting recognition of the shareholding in BFA in accordance with IAS 29 (estimated at -69 M€), the extraordinary costs associated with the voluntary terminations programme (-78 M€ after taxes), and, on the positive side, the capital gain resulting from the sale of BPI Vida e Pensões (Life and Pensions) (+9 M€).

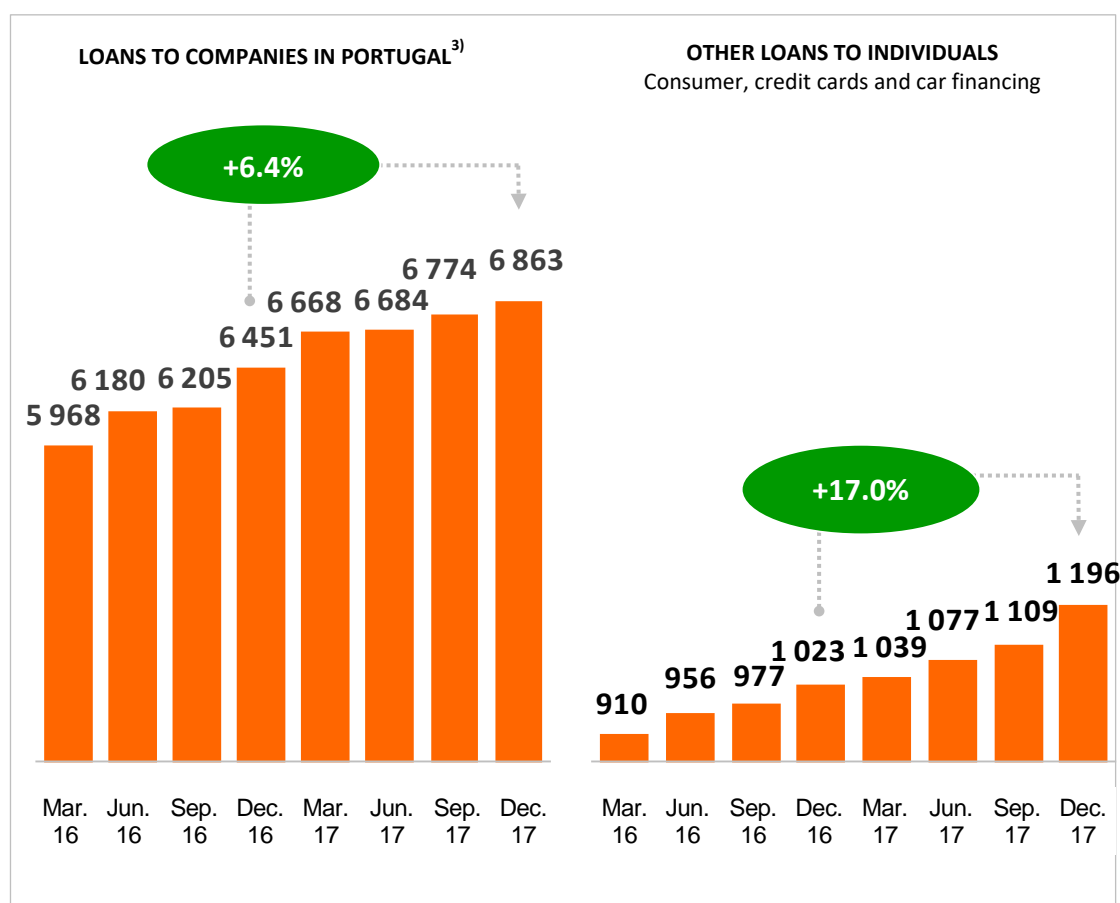
The strong commercial activity in the domestic market reflected an increase of 1 800 million euros in total client funds to 32 960 million euros (+5.6%), already considering the sale of BPI Vida e Pensões to CaixaBank Group, carried out at the end of 2017. The highlight in this context

lies in the strong expansion of investment funds, which increased 678 million euros (+12.7%) - including portfolio underwritings and securitisations -, while deposits grew by 380 million euros (+1.9%). BPI increased public offerings corresponding to client investments (almost all Floating Rate Government Bonds - FRGB) by 846 M€. In the fourth quarter alone, BPI handled 457 M€ of client investments in FRGB.

BPI maintains fast pace of gains in credit market share

The total volume of loans to companies in Portugal climbed 411 million euros (6.4%) to 6 863 million euros (excluding project finance and Madrid branch portfolio). The portfolio of large- and medium-sized companies increased by 4.6% and the small business portfolio grew by 10.5%.

Although gross lending to clients remains stable at 22 244 million euros, new loans to companies and individuals point to a trend of sustained growth. The market share of BPI's mortgage lending has been steadily increasing and currently stands at 11.2%, with a loan portfolio of 11 084 million euros. New mortgage loans increased 19% in 2017 as compared to the previous year. BPI's market share in loans to companies also confirmed the positive trend, increasing by 60 bps to 8.3% (November 2017).



1) Large and medium-sized companies and small business in Portugal. Excludes project finance and Madrid branch loan portfolio.

Financial margin narrow sense climbed 1.0% in 2017 to 368 M€, reflecting a lower average cost of deposits, which offset the decline in spreads in loans to companies. Net commission income

rose 8.9% in 2017, driven primarily by the growth in commissions on off-balance sheet products (+37.1% yoy) such as mutual and pension funds.

Best level of credit at risk in Portugal and high impairment coverage

At 2.9%, BPI has a low level of credit at risk, along with a 163% impairment and collateral coverage ratio, according to Bank of Portugal criteria. According to EBA (European Banking Authority) criteria, the non-performing exposures (NPE) ratio totals 5.1%, with 117% impairment and collateral coverage.

The high quality of the loan portfolio led to a reduction in impairments from 33 million euros in 2016 to 25.2 million euros in 2017. In annualised terms, the cost of credit risk fell from 0.15% in 2016 to 0.11% this year. The cost of credit risk, measured by impairment losses net of recovery of loans previously written off, fell from 19 million euros (0.09%) in 2016 to -5 million euros (-0.02%) in 2017.

Recurring overhead costs fell 5.3%

Recurring overhead costs, excluding extraordinary costs, declined by 25.5 million euros (-5.3%). In 2017, BPI reduced the cost-to-income by 5 p.p. to 63% and expects an improvement of this ratio to close to 50% by 2020.

The Executive Committee of BPI reports that approximately 122 million euros in cost and revenues synergies have already been implemented or are underway, with the target set for the end of 2019 already met. The planned investment in synergies and restructuring costs will be significantly below the initially announced amount of 250 million euros.

The evolution of revenues and costs in 2017 improved by 5 p.p. from the end of 2016 the efficiency ratio, which currently stands at 63%. The Bank remains strong in terms of capital, comfortably surpassing all SREP (Supervisory Review and Evaluation Process) minimum standards defined by the European Central Bank. BPI has a Common Equity Tier 1 fully loaded of 12.3% and a total capital ratio of 14.0% (fully loaded). Considering the full recognition of the impact from IFRS 9 and the sales of subsidiaries and businesses announced at the end of 2017, these ratios would be 13.0% for Common Equity Tier 1 fully loaded and 14.7% for the total capital ratio (fully loaded).

Sales to CaixaBank Group improve commercial offering and capital ratios

In November and December, the Board of Directors of Banco BPI approved the sale to CaixaBank Group of several businesses related to life insurance and pensions, asset management and investment banking activity, as well as the issuance of payment instruments and merchant acquiring.

These transactions, also approved by the Board of Directors of CaixaBank, BPI's main shareholder with 84.5% of capital, are primarily aimed at improving and expanding commercial offerings to BPI clients, establishing the Bank's focus on core banking activity and strengthening its capital ratios.

BPI expects to achieve a ROTE above 10% by 2020

In 2017, BPI's Return on Tangible Equity (ROTE) in Portugal was 9.6% (excluding non-recurring items), registering an increase of 1.0 p.p., and a ROTE of 6.2% "as reported". The Bank expects to achieve a sustainable ROTE above 10% by 2020 in Portugal.

BPI awarded Best Private Bank in Portugal in 2017

BPI was awarded "Best Private Bank" in Portugal in the "Global Private Banking Awards 2017", organised by the British magazines The Banker and PWM (Professional Wealth Management Magazine), published by the Financial Times group. This award is a result from an evaluation conducted by a panel of international banking specialists based on an annual study of key performance indicators for the Portuguese Private Banking sector, prepared by Scorpio Partnership.

Such award, received for the second time, confirms the success of an advisory model tailored to the Private Banking Client. The key to the relationship between BPI and the Client is the Financial Advisor, a highly qualified professional prepared to understand the personal situation of each investor and to identify the financial solutions that best meet such investor's needs.

Banco BPI, S.A.

Publicly held company

Head Office: Rua Tenente Valadim, no. 284, Porto, Portugal

Share capital: € 1 293 063 324.98

Registered in Oporto C.R.C. and corporate body no. 501 214 534