

BANCO BPI 1ST QUARTER 2018 CONSOLIDATED RESULTS

Porto, 20 April 2018

BPI reports consolidated profit of €210 million; Activity in Portugal contributes with €118 million

- **Net profit from domestic activity of €118 million (+175% year-on-year);**
- **Recurring net profit from the activity in Portugal of €58 million** increase 24% relative to the same period in 2017;
- **Customer deposits grow by €590 million** until March 2018 (+3.1% vs. December 2017);
- **Corporate loans portfolio increases by €251 million** (+3.5% compared to December 2017), strengthening the growth in market share in recent years;
- **New mortgage loans production reached €326 million in the first quarter**, representing a 35% increase on a year earlier;
- **Financial margin** rises by 3.6% year-on-year, to €101.5 million;
- **Recurring operating income from banking activity surges by 8.5%**, to €186 million;
- **BPI posts the best credit risk indicators in Portugal**, with a NPE ratio of 4.6% in the first quarter. **NPE coverage ratio reaches 122%**;
- **Capital ratios** (fully loaded)¹: **CET1 of 11.4% and total of 13.2%**
- **Contributions of equity holdings in BFA (€86m) and BCI (€5m)** total €91 million.

BPI reported a consolidated profit of €210 million in the first three months of 2018, which compares with a consolidated loss of €122 million in the same period of 2017. This result was underpinned by a net profit from the activity in Portugal of €118 million (+175%), which includes a gain of €60 million on the revaluation of the equity holding in Viacer to the agreed sale amount announced in February 2018. The activity in Portugal contributed with 56% to the consolidated profit.

Supported by intense commercial activity, BPI reached a recurring net profit from its activity in Portugal of €58 million in the first quarter, which is 24% higher than in the same period of 2017.

1) As there is no decision on the earnings distribution for the year, for regulatory and prudential reasons, the net income for the first quarter of 2018 was deducted in the calculation of the capital ratios.

Regarding the equity holdings in the African banks, BFA gave a positive contribution of €86 million (which includes the impacts from the recognition of this holding under IAS 29 and the devaluation of the *kwanza*) while BCI contributed with €5 million.

The good performance of the branch network in the domestic market drove a €590 million increase in customer deposits, to €19,615 million (+3.1% ytd), offsetting the decrease in deposits from institutional and financial investors, explained by BPI's active policy of reducing the offer of these products in order to optimise its liquidity ratios.

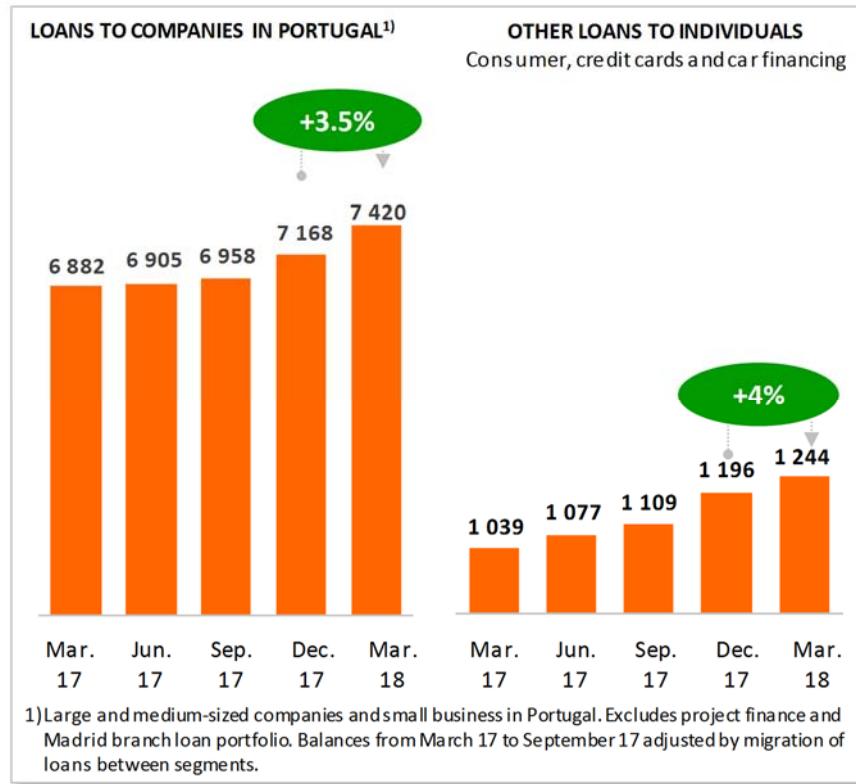
Recurring operating income from banking activity surged by 8.5% yoy, to €186 million; this result was supported by:

- The increase in the financial margin by 3.6% yoy (+€4 million), to €101.5 million, reflecting a reduction in the average cost of deposits and the volume effect of the expansion of the loan book in Portugal.
- The increase in net commissions income by 11.9% yoy, bolstered by stronger commercial activity across all business segments: commissions on banking services (+13%), on insurance brokerage (+8.6%) and on asset management (+11.7%).

BPI posts a steady pace of gains in credit market share

The total volume of corporate loans in Portugal climbed by €251 million (+3.5% ytd), to €7,420 million (excluding project finance and the Madrid branch portfolio). The portfolio of large- and medium-sized companies increased by 4.5% up to March 2018 while the small businesses portfolio grew by 1.2% since the start of the year.

The total customer loans portfolio swelled by 2% in the year to March, reaching €22,697 million. New mortgage loans production amounted to €326 million in the first quarter of 2018, climbing by 35% relative to the same period in 2017. The mortgage loans portfolio increased by 0.4% (ytd) in the quarter, reaching €11,127 million.



BPI reports the best credit risk indicators in Portugal

Under the EBA criteria, BPI reported the best Non-Performing Exposures (NPE) ratio in the Portuguese Financial sector of 4.6% in March 2018, down from 5.1% in December 2017. This ratio reflects the rigour of the lending policy and risk analysis that was always a hallmark of BPI. The coverage of NPEs by impairments and collaterals reached 122%.

The high quality of the loan portfolio permitted to reverse impairments for a total of €7.7 million. In addition, a total of €3.5 million in loans previously written off from assets was recovered. The cost of credit risk, measured by impairments net of loan recoveries previously written off from assets, thus decreased from -€6.3 million (-0.11% of the loan portfolio in annualised terms) in the first quarter of 2017, to -€11.2 million (-0.21% of the loan portfolio in annualised terms) in the first three months of 2018.

Capital ratios

The CET1 ratio (fully loaded) was 11.4% and total ratio (fully loaded) was 13.2% at 31 March 2018. As there is no decision on the earnings distribution for the year, for regulatory and prudential reasons, the net income for the first quarter of 2018 was deducted in the calculation of the capital ratios. The impact from IFRS9 is already factored in the capital ratios for 31 March 2018.

BPI's recurring overhead costs (excluding extraordinary costs) were reduced by 0.5%. The Bank increased general administrative costs by 11%. This increase was already expected due to the investment required to execute the synergies plan, the investment in new technologies and non-recurring legal costs. BPI expects that general administrative costs will initiate a downward trend in 2019. At the same time, personnel costs contracted by €4.8 million (-7.3% yoy).

The evolution of revenues and costs has allowed the efficiency ratio to improve by six percentage points since 2016, currently standing at 64%. BPI expects to achieve a cost-to-income close to 50% by 2020.

BPI expects to achieve a ROTE above 10% by 2020

In the last twelve months BPI reached a consolidated return on tangible capital (ROTE) of 13% and a recurring ROTE in the domestic activity of 8.8%. The Bank expects to achieve a sustainable ROTE in Portugal above 10% by 2020.

BPI and Fundación Bancaria "la Caixa": a commitment towards the more vulnerable

In the area of social solidarity it is worth mentioning the launch of new editions of the 'BPI Capacitar', 'BPI Seniores' and 'BPI Solidário' awards. Over the last nine years these awards have already delivered 9 million euros to enable the implementation of 311 social inclusion projects, making them one of the more relevant Corporate Social Responsibility initiatives in Portugal.

As a result of BPI's integration in the CaixaBank Group, the "la Caixa" Foundation has started to develop its social work in Portugal, for which it expects to reach an annual budget of €50 million over the next five years, allocated to supporting projects of a social and cultural nature. The "la Caixa" Foundation is a non-for-profit organisation that since the start of the 20th century has worked towards a more egalitarian society for all social groups.

In Portugal, the "la Caixa" Foundation will concentrate its activity along four main axes: its own programmes, launch of awards to support charity institutions' projects, a budget managed through BPI, and special projects, including a project on the Revitalisation of Cross-Border Regions.

In the course of 2018, the Foundation will assume and expand BPI's current social solidarity awards and implement in Portugal its own programmes of integration of people with difficulties in accessing the labour market, care for the elderly and assistance to people with advanced illnesses. This work will also include projects to support health research, itinerant exhibitions and partnerships with Portuguese museums and other cultural entities, such as the Serralves Foundation.

The "la Caixa" Foundation is the largest foundation in Spain and the third largest in the world, having committed an annual budget of €520 million for 2018. The largest share of this budget (59%) will be invested in the development of social programmes: 23% to the promotion of culture and education, and 18% to research and the award of grants.