

## BANCO BPI 9 MONTHS 2018 CONSOLIDATED RESULTS

Porto, 23 October 2018

### **BPI reports consolidated net profit of €529.1 million; Activity in Portugal contributes with €324.4 million, of which €164.2 from recurring business (+20% yoy)**

- **Domestic activity generates €324.4 million profit**, representing 61% of consolidated net profit.
- **Recurring net profit from the activity in Portugal, of €164.2 million**, increases 20% relative to the same period in 2017;
- **Dynamic commercial performance boosts customer deposits, which increase by €1,343 million** (+6,9% relative to December 2017).
- **Corporate loans portfolio in Portugal grows by €846 million (+12% compared to December 2017)**; this strong growth drives up the market share to 9.2% (from 8.4% in the previous year).
- **New mortgage loans production reached €1,050 million in the first nine months**, representing a 36% year-on-year increase;
- **Financial margin rises by 9.1%** year-on-year, to €315.2 million, underpinned by the growth of the loan book.
- **Recurring operating income from banking activity in Portugal surges by 7.4%**, to €541.4 million.
- **BPI maintains the best credit risk indicators in Portugal**, with a NPE ratio of 3.8% in September 2018; **coverage of NPE by impairments and collaterals reaches 126%**.
- **Capital ratios** (fully loaded): **CET1 of 13.1% and total of 14.8%**;
- **BPI long-term debt rated “investment grade”** by Fitch, Moody’s and Standard & Poors.

BPI reported a consolidated net profit of €529.1 million in the first nine months of 2018, which compares with €22.6 million in the same period of 2017. The activity in Portugal contributed with €324.4 million (61% of the total) to the consolidated net profit. Over half of this result corresponds to the recurring net profit from the activity in Portugal, of €164.2 million, 20% higher than in the 9M2017. The remainder includes extraordinary gains on the sale of equity holdings in Viacer (€59.6m, accounted for in the 1Q) and in BPI Gestão de Ativos and BPI GIF (€61.8m, booked in the 2Q) and on the sale of the acquiring/TPA operations (€42.0m, accounted for in the 3Q).

Recurring operating income from banking activity in Portugal grew by 7.4% yoy, to €541.4 million. This result was supported by:

- the increase in the financial margin by 9.1% yoy (+€26.2 million), to €315.2 million;
- the increase in net commissions income by 5.6% (or +€10.7 million) yoy, to €201.5 million, driven by stronger commercial activity across all business segments: commissions on banking services were up by +2.8%, on mutual funds by 13.1% and on insurance brokerage by 8.6%.

Regarding BPI's equity holdings in Angola, BFA gave a positive contribution of €193.7 million (which compares with a negative €58.0 million contribution in the 9M 2017); this includes the impacts from the recognition of this holding under IAS 29 and the devaluation of the kwanza. In Mozambique, BCI contributed with €10.8 million (€6.7 million in the same period of 2017).

### **Customer deposits soar by €1,343 million**

The good results of BPI's commercial activity in the domestic market underpinned a €1,343 million increase in customer deposits, to €20,711 million (+6.9% ytd). Deposits from institutional and financial investors registered an already expected decline (-44%), explained by BPI's active policy of reducing its offer of these products to optimise its liquidity ratios.

Total customer resources, which include off-balance sheet customer resources, were up by 1.6% ytd, to €33,153 million.

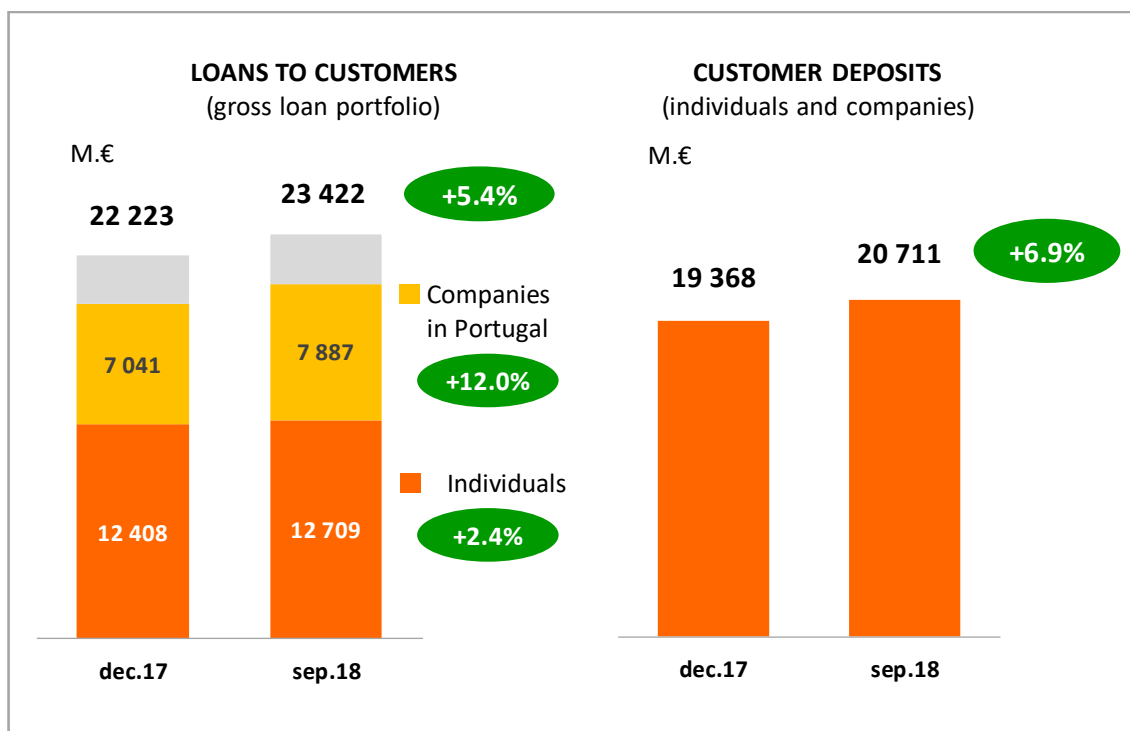
### **Loans to companies increase by 12% (ytd). New mortgage loans rise by 36%**

The portfolio of loans to companies in Portugal increased by €846 million (+12.0% ytd), to €7,887 million (this does not include project finance and the Madrid branch portfolio). The loan portfolio to large and medium-sized companies and Corporate & Investment Banking increased by 13.8% up to September 2018, to €5,750 million, whereas the small businesses portfolio grew by 7.4% since the start of the year, to €2,137 million.

New mortgage loans production reached €1,050 million in the first nine months of 2018, climbing by 36% relative to the same period in 2017. In the domestic market this increase was 25% up to the end of August.

The mortgage loans portfolio increased by 1.3% (ytd), reaching €11,233 million. BPI's market share in mortgage loans has trended consistently upwards (11.4% in August 2018), in a segment that is still contracting in Portugal.

The total customer loans portfolio (gross) swelled by 5.4% in the nine months to September, reaching €23,422 million.



### BPI with best-quality loan portfolio in Portugal. Indicators continue to improve.

BPI reported the best Non-Performing Exposures (NPE) ratio in the Portuguese Financial sector, of 3.8% (EBA criteria) in September 2018, down from 5.1% in December 2017. This ratio reflects the quality of the Bank's assets, supported by the rigour of the lending policy and risk analysis that has always been a hallmark of BPI. The coverage of NPEs by impairments and collaterals reached 126%.

The high quality of the loan portfolio permitted to reverse impairments for a total of €10 million at 30 September 2018. In addition, a total of €18 million in loans previously written off from assets was recovered. Thus, the cost of credit risk, measured by impairments net of loan recoveries previously written off from assets, decreased to -€28 million (-0.17% of the loan portfolio in annualised terms) in the first nine months of 2018.

### Strong capitalisation

The CET1 ratio (fully loaded) was 13.1% in September 2018, having increased by 0.8 p.p. since the end of 2017 (12.3%). The total ratio (fully loaded) was 14.8% on the same date (+0.8 p.p., from 14.0% in December 2017), while the leverage ratio stood at 7.2%.

BPI's recurring overhead costs (excluding extraordinary costs) were reduced by 0.5% year-on-year.

The evolution of revenues and costs has allowed the efficiency ratio to improve by 7.8 percentage points since December 2016, currently standing at 61.5%. BPI expects to achieve a cost-to-income of close to 50% by 2020.

In September 2018 Banco BPI had a workforce of 4,898 employees (32 less than in December 2017). In the 3rd quarter the Bank's payroll was increased by 55 employees (over June 2018). This increase is explained by BPI's growth in a number of areas, which required hiring highly-qualified professionals in specific fields of the Bank's activity.

At the end of September, BPI had 496 commercial units, including 421 branches, 39 premier centres, 1 mobile branch and 35 corporate centres.

### **BPI reaches a recurrent ROTE of 8.6% in Portugal**

In the last twelve months BPI reached a consolidated return on tangible capital (ROTE) of 17.7% and a recurring ROTE in the domestic activity of 8.6%. The Bank expects to achieve a sustainable ROTE in Portugal above 10% by 2020.

### **BPI rated investment grade by three rating agencies**

BPI's long-term debt is currently rated investment grade by all three major international rating agencies – Fitch (BBB), Moody's (Baa2) and Standard & Poors (BBB-).

In its recent rating action, Moody's stresses the improved macro profile for the banking activity in Portugal and the Bank's strengthened credit profile following the progressive alignment of BPI's business strategies and operations with those of CaixaBank, while also citing the high likelihood of affiliate support from CaixaBank, insofar as the Portuguese market is strategic for the Spanish bank, which controls 95% of BPI's share capital.

Moody's underlines BPI's enhanced capital levels, its good credit risk quality indicators, significantly better than the industry average, and improved profitability in the domestic activity.

### **BPI: Official National Teams' Bank**

In the 3rd quarter BPI entered an agreement with the Portuguese Football Federation ("FPF") under which it became the "Official National Teams' Bank". BPI will be the official sponsor of the women and men A teams and the under21 team until 2022. The Bank is also the main sponsor of the 1st Women's Football League, the so-called "BPI League".

The agreement also covers support for the youth teams, as well as joint Corporate Social Responsibility initiatives. Under the agreement BPI is rewarded with a set of advantages, including collective image rights, hospitality packages for Clients of the Bank, and advertising on the Federation's various promotion channels.

### **BPI Seniors delivers 750 thousand euros to 33 institutions that care for the elderly**

Within the scope of the 6th edition of the BPI Seniors Awards, BPI and the Fundación Bancaria "la Caixa" delivered 750 thousand euros to 33 institutions that support projects that promote the improvement of the quality of life and the active ageing of people over 65 years of age.

## Prizes and awards

BPI was for the first time distinguished with the “BEST Bank in Portugal” award, attributed by the Euromoney magazine in the Euromoney Awards for Excellence 2018.

In the third quarter BPI earned Superbrands’ accolade of “Brand of Excellence”. This award, received for the 5th year in a row, acknowledges BPI’s brand growth strategy, service quality and social commitment.

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