

BANCO BPI 2018 CONSOLIDATED RESULTS

Porto, 01 February 2019

BPI records consolidated annual net profit of €491 million; Recurrent business in Portugal generates net profit of €218 million (+28.5% yoy)

- **Net profit from banking activity in Portugal grows by 28.5%, to €218 million**, with no extraordinary effects.
- **Extraordinary gains on the sale of equity holdings drive up the net profit from the activity in Portugal to €396 million**, which represents 81% of the consolidated results.
- The **€491 million consolidated net profit (€10.2 million in 2017)** includes the negative impact from the accounting reclassification of BPI's investment in BFA.
- **Customer deposits grow by €1,792 million, to €21,160 million** (+9.3% vs. December 2017), underpinned by stronger commercial activity.
- **Corporate loans portfolio in Portugal grows by €1,136 million (+16.1% compared to December 2017)**; this strong growth drives up the market share to 9.5% in October 2018, from 8.4% at the end of 2017.
- **New mortgage loans production reached €1,287 million in 2018, up by 21% year on year.**
- **Consumer loans portfolio grows by 4.8%**, reflecting the successful sales of the new personal and car loans solutions launched in 2018.
- **Net interest income rises by 8.8%**, to €422.6 million, driven by the growth of the loan book.
- **Recurring gross income surges by 9%**, to €721.6 million.
- **BPI further improves its credit risk indicators, already the best in Portugal**, with a NPE ratio of 3.5% in December 2018 (improves 1.6 p.p. vs. December 2017). **Coverage of NPEs by impairments and collaterals reaches 127%.**
- **Capital ratios (fully loaded): CET1 of 13.2% (+0.9 p.p. vs. Dec.17), and Total Ratio of 15% (+1.0 p.p. vs. Dec.17).**
- **BPI long-term debt rated "investment grade" by Fitch, Moody's and Standard & Poors.**

In 2018, BPI recorded a net profit of €218 million in its banking business in Portugal (excluding non-recurring items), which represents an improvement of €48.4 million (+28.5%) relative to the previous year.

BPI reported a consolidated net profit of €490.6 million in 2018, which compares with €10.2 million in 2017.

The activity in Portugal contributed with €396.3 million (81% of the total) to the consolidated profit. This figure includes extraordinary gains on the sale of the equity holdings in Viacer (€59.6m, accounted for in the 1Q), BPI Gestão de Ativos and BPI GIF (€61.8m, booked in the 2Q), and on the sale of the acquiring/TPA and cards operations (€71.7m, accounted for in the 3Q and 4Q, respectively).

Regarding BPI's equity holding in Angola, BFA gave a positive contribution of €73.2 million (which compares with a €119.5 million negative contribution in 2017); this includes the impacts from the accounting reclassification of BFA and from the devaluation of the kwanza.

BFA's contribution includes a negative impact of €139 million resulting from the change of the accounting classification of BPI's investment in BFA, from "associated company", consolidated by the equity method, to "financial investment", recognised under "investments at fair value through other comprehensive income". BPI believes that this is the more prudent accounting option and that adequately reflects its current position in BFA (with no significant influence). After this change, the net profit of Banco BPI will reflect only BFA's dividends attributed to BPI and not the appropriation of profits, as it was until now.

In Mozambique, BCI contributed with €20.5 million (€8.1 million in 2017).

Commercial activity grows across all business segments

Recurring gross income from the activity in Portugal grew by 9% yoy, to €721.6 million. This result was supported by:

- the increase in net interest income by 8.8% (+€34.3 million), to €422.6 million;
- the increase in net fee and commission income by 5.6% (+€14.8 million), to €277.8 million, driven by stronger commercial activity across all business segments: commissions on banking services were up by +6.5%, on mutual funds by +6.6% and on insurance brokerage by +2.7%.

Customer deposits soar by €1,792 million

The good results of BPI's commercial activity in the domestic market underpinned a €1,792 million increase in customer deposits, to €21,160 million (+9.3% yoy). Deposits from institutional and financial investors registered an already expected decline (-34%), 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 1.8% yoy, to €33,195 million.

BPI maintains fast pace of gains in credit market share

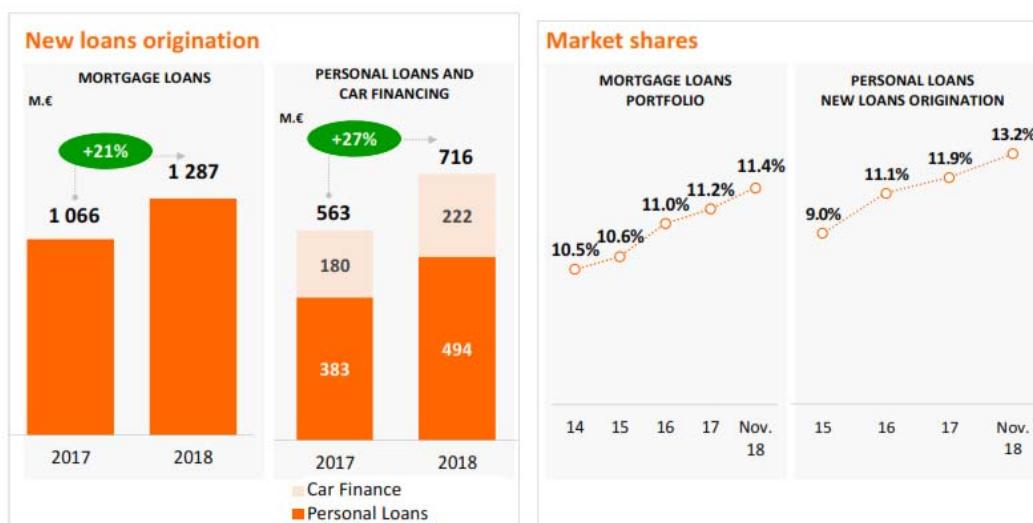
The total volume of corporate loans in Portugal climbed by €1,136 million (+16.1% yoy), to €8,177 million (this does not include project finance). The loan portfolio to large and medium-sized Companies and Corporate & Investment Banking increased by 18.9% in 2018, to €6,004 million, whereas the small businesses portfolio grew by 9.2%, to €2,173 million. The market share rose to 9.5% in October 2018, up by 1.1 p.p. on December 2017.



New mortgage loans production reached €1,287 million in 2018, which represents a yoy increase of 21%. The mortgage loans portfolio increased by 0.8%, reaching €11,171 million. BPI's market share in mortgage loans has trended consistently upwards (11.4% in November 2018), in the context of a contracting segment in the Portuguese market (-1.1% year-on-year).

The consumer loans portfolio grew by 4.8%. In 2018 BPI launched new personal loan solutions ("Crédito Imediato BPI") as well as car loan solutions ("Renting automóvel BPI" for individual and corporate clients). In 2018, BPI advanced its market share in personal loans production by 1.3 p.p.

The total customer loans portfolio (gross) swelled by 5.7% in 2018, reaching €23,487 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 3.5% in December 2018, down from 5.1% in December 2017 (EBA criteria). 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 127%.

The high quality of the loan portfolio permitted to reverse impairments for a total of €8 million in 2018. In addition, a total of €37 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 -€45 million (-0.20% of the loan portfolio) in 2018.

Strong capitalisation

The CET1 ratio (fully loaded) was 13.2% in 2018, having increased by 0.9 p.p. since the end of 2017 (12.3%). The total ratio (fully loaded) was 15.0% on the same date (+1 p.p., from 14.0% in December 2017), while the leverage ratio stood at 7.0%.

Operating expenses continue to shrink

BPI's recurring operating expenses in 2018 (excluding extraordinary costs) were reduced by 0.1% compared to 2017.

The evolution of revenues and costs has allowed the efficiency ratio to improve by 8.9 percentage points since December 2016, currently standing at 60.4%. BPI expects to achieve a cost-to-income ratio of close to 50% by 2021.

In December 2018 Banco BPI had a workforce of 4,888 employees (a net reduction of 42 since December 2017).

At the end of December, BPI had 495 commercial units, including 421 branches, 39 premier centres, 1 mobile unit branch, and 34 corporate centres.

BPI reaches a recurrent ROTE of 8.8% in Portugal

In 2018 BPI reached a consolidated return on tangible equity (ROTE) of 16.3% and a recurring ROTE in the domestic activity of 8.8%. The Bank expects to achieve a sustainable ROTE in Portugal of around 11% by 2021.

BPI rated investment grade by three rating agencies

In 2018 BPI's long-term debt was rated 'investment grade' by all three major international rating agencies – Fitch (BBB), Moody's (Baa2) and Standard & Poors (BBB-).

Digital transformation in BPI at high speed

In 2018 the total number of regular users of BPI's digital banking services increased by 12%, to 631,000. Regular users of the BPI APP reached 307,000 at the end of 2018, which represents a 60% increase over the previous year.

The Bank is market leader in homebanking penetration (individual customers), with nearly half its customers using this channel, according to BASEF data. And the same happens with its corporate clients, with 84.5% of them using the Bank's digital channels.

BPI's commitment to the digital transformation also entails an investment in the commercial network. At present, 1,300 employees working in the commercial network have a SmartPC and 100% of employees at the commercial network have a smartphone.

2019-2021 Strategic Plan "Creating Value with Values"

In November 2018 BPI announced its 2019-2021 Strategic Plan, which sets as key priorities to achieve sustained profitability growth, accelerate the transformation of the customer's experience, develop talent, improve efficiency, and consolidate its leading position in terms of quality, trust and reputation within its customer base and the community.

Under the motto "Creating value with values", the plan will be deployed with the mission to contribute to the financial well-being of BPI's clients and to the progress of the entire community, aiming to offer the best possible service to the client, and to establish a benchmark in socially responsible banking, based on the values of quality, trust and social commitment.

Profitability will be driven by growth and diversification: expansion in corporate and small businesses banking, consumer loans and financial advisory services (insurance, mutual funds and medium- and long-term savings). Specifically, BPI is set to reach an annual growth rate of 5% in loans, above the market's expected growth, and of 3% in customer resources, with a key contribution from off-balance sheet resources (mutual funds and insurance).

BPI looks to reach an annual growth rate of 7% in core revenues up to 2021 while simultaneously keeping recurrent costs flat. On this basis, the Bank expects to achieve an efficiency ratio of close to 50% in 2021. The Bank also aims to maintain the best credit risk indicators in Portugal, consolidating the NPL ratio below 3%.

The Bank estimates it will achieve a sustainable ROTE in Portugal of around 11% by 2021.

BPI and the "la Caixa" Foundation provide €15.6 million support to Portugal in 2018

In 2018 BPI and the "la Caixa" Foundation contributed with a total of €15.6 million to support Culture, Education, Science, Research, and Entrepreneurship and Social Solidarity, the latter representing nearly half of the total aid distributed in Portugal. The launch of new BPI Solidarity Awards is planned for 2019, which will back up support projects to Children and Adolescents, as well as social work in rural communities. These new initiatives complement the aid already provided through the 'BPI Seniores', 'BPI Solidário' and 'BPI Capacitar' awards, which aim to provide support to the more vulnerable segments of the population.

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