

BANCO BPI 1ST QUARTER 2019 CONSOLIDATED RESULTS

Porto, 2 May 2019

BPI records consolidated net profit of €49.2 million; Activity in Portugal contributes with €45.5 million

- **Total customer resources increase by €427 million in the quarter** (+1.3% vs. December 2018)
- **Customer deposits grow by €152 million** in the 1st quarter 2019 (+0.7% vs. December 2018);
- **Corporate loans portfolio expands by 8.5% YoY**, with the market share in the segment increasing to 9.9% (January 2019);
- **Net interest income rises by 5.2% YoY**, to €106.8 million, driven by the growth of the loan book.
- **BPI posts the best credit risk indicators in Portugal; NPE ratio of 3.3%** in March 2019 (0.2 p.p. improvement vs. December 2018). **Coverage of NPEs by impairments and collaterals stands at 127%.**
- **BPI meets capital ratios requirements (fully loaded) by a significant margin:** CET1 of 13.5% and total capital ratio of 15.2%;
- **Ratings continue to improve:** in March 2019, S&P upgraded by one notch BPI's long-term debt rating. **BPI's long-term debt rated in the second level of investment grade** by Fitch, Moody's and Standard & Poors.
- **Regular users of BPI's digital banking increase by 10% YoY**, totalling 646 thousand Clients. **The number of BPI App users soared by 48% YoY**, to 331 thousand Clients.

In the first three months of 2019 BPI recorded a consolidated net profit of €49.2 million. The net profit from the activity in Portugal contributed with €45.5 million, or 92.5%, to the consolidated net profit.

The consolidated net profit is 60% lower than in the 1st quarter of 2018 (excluding the appropriation of BFA's net earnings by the equity method), largely as a result of the positive impact of two non-recurring factors in the 1st quarter of 2018: sale of the equity holding in Viacer; and reversal of impairments in the amount of €11 million.

As to BPI's equity holding in Mozambique, BCI gave a positive contribution of €3.7 million in the 1st quarter of 2019.

Net interest income advances, supported by credit growth

Net interest income increased by 5.2% YoY, to €106.8 million, driven by the growth of the loan book.

Net fee and commission income contracted by €5.2 million relative to the 1st quarter of 2018, to €60.4 million. On a like-for-like basis, i.e., excluding the effect of the sale of the cards, acquiring and investment banking businesses, net fee and commission income increased by €3.3 million YoY.

Recurring gross income in Portugal slowed down, dropping by €8 million (-4.4% YoY), to €174.1 million, essentially through the contraction in gains on financial assets / liabilities and other operating income (-€8.1 million).

Total Customer resources rise by €427 million

The good results of BPI's commercial activity in the domestic market are reflected in the €427 million increase (+1.3% ytd) in total customer resources - these include off-balance sheet customer resources - which totalled €33,622 million at the end of March 2019.

Customer deposits were up by €152 million, to €21,312 million (+0.7% ytd). Deposits accounted for 71% of assets and are the main source of the balance sheet funding.

BPI consolidates market shares in credit

The total loan portfolio to corporates in Portugal registered a remarkable increase of 8.5% YoY, reaching €9,349 million. The loan portfolio to large and medium-sized Companies and Corporate & Investment Banking increased by 1.6% ytd, to €7,230 million, while the small businesses portfolio registered a small decline, dropping by 2.5% ytd, to €2,119 million. The market share in corporate loans continued to rise, reaching 9.9% in January 2019.

New mortgage loan production totalled €231 million in the 1st quarter of 2019. The mortgage loans portfolio remained relatively stable in the 1st quarter of 2019 (-0.5% ytd), totalling €11,116 million in March 2019. BPI's market share in this segment remained flat at 11.5%.

The consumer loans portfolio grew by 3.1% relative to December 2018, reaching €1,430 million. New consumer loans production contracted in the first quarter of the year (-11.7% QoQ), being penalised by the natural slowdown of demand that typically occurs in the early part of each year.

The total customer loans portfolio (gross) increased by 0.3% in the 1st quarter of 2019, to €23,546 million.

Quality of the loan portfolio continues to improve. NPE ratio at 3.3%

BPI continued to improve its Non-Performing Exposures (NPE) ratio - the best in the Portuguese Financial sector -, which dropped to 3.3% in March 2019, down from 3.5% in

December 2018 (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 remained stable at 127%.

The high quality of the loan book enabled the recovery of €3.3 million in loans previously written off from assets. Loan impairments registered up to March totalled €1.9 million. Thus the cost of credit risk, measured by impairments net of loan recoveries previously written off from assets, was -€1 million (-0.02% of the loan portfolio in annualised terms) in the first quarter of 2019.

BPI meets ECB minimum regulatory ratios by a significant margin

The CET1 ratio (fully loaded) was 13.5% and the total ratio (fully loaded) was 15.2%. The leverage ratio stood at 7.2% in March 2019. BPI meets by a significant margin the European Central Bank (ECB)'s new minimum requirements for the CET1, Tier 1 and total ratios in 2019.

BPI's recurring operating expenses, excluding extraordinary costs, increased by 2.4% YoY, which is explained by the scheduled investment plan. Staff expenses remained stable (-0.3% YoY), despite incorporating a 0.5% wage rise for all BPI's employees.

The evolution of revenues and costs has allowed the efficiency ratio to improve by 9.2 percentage points since December 2016, currently standing at 60.1%. BPI expects to achieve a cost-to-income ratio of close to 50% by 2021.

In March 2019 Banco BPI had a workforce of 4,821 employees (a net reduction of 67 since December 2018).

At the end of March, BPI had 497 commercial units, including 421 branches, 39 premier centres, 1 mobile branch, and 36 corporate centres.

Recurring ROTE in Portugal at 8.0%

In the last 12 months BPI reached a recurring return on tangible equity (ROTE) in the domestic activity of 8.0%. The Bank expects to achieve a sustainable ROTE of around 11% in 2021.

Ratings continue to make progress

In March 2019, S&P upgraded by one notch BPI's long-term debt rating. At present, BPI's long-term debt is rated in the second level of investment grade by Fitch (BBB), Moody's (Baa2), and Standard & Poors (BBB).

These rating classifications are a strong sign of the Bank's strength and of its capacity to support the Portuguese economy, which is further attested by the success of its €500 million mortgage covered bonds issue, where demand was six times as high as supply and the coupon was historically low.

BPI resumes dividend distribution

On 29 April the shareholder CaixaBank approved the Board of Directors' proposal for a dividend distribution of €140 million, which corresponds to a 31% payout of BPI's individual net profit in 2018 (excluding the potential capital gain resulting from the revaluation of the stake in BFA). This dividend payment reflects the normalisation of the Bank's activity, after nine years when no dividends were paid.

Digital transformation in BPI

The total number of regular users of BPI's digital banking services increased by 10% YoY, to 646 thousand. The number of BPI App's regular mobile users soared by 48% YoY, to 331 thousand Clients.

BPI is market leader in homebanking penetration (individual and corporate customers), according to BASEF data, with active digital clients representing 43% of the total clients in these segments (+4 p.p. YoY).

Commercial dynamism

BPI launched in the first quarter a new campaign, labelled 'BPI Family', which will cover the retail banking products and services, reinforcing proximity to the Clients and their long-term relationship with the Bank. This campaign aims to position BPI as "A Bank in the life of all families".

In the corporate area, BPI is market leader in the IFRRU 2020 urban renewal programme, with a 46% share of financing contracted under the programme (February 2019 data).

The Bank has been developing strategic initiatives of proximity to the business community, which included the launch of the 8th edition of the National Agriculture Award, and the 1st edition of the National Tourism Award.

BPI "la Caixa" 2019 Awards will distribute €3.75 million

The BPI "la Caixa" Awards 2019 are a joint initiative of BPI and the "la Caixa" Foundation to provide financial support to projects that promote the improvement of the quality of life and equal opportunities of people living in a situation of social vulnerability. There are five BPI "la Caixa" Awards, totalling €3.75 million, which support projects of non-for-profit private institutions.

This year, two new awards will be launched to support children and social initiatives in rural communities: the BPI "la Caixa" *Infância* and the BPI "la Caixa" Rural Awards. These new initiatives will supplement the support already provided through BPI's various awards: *BPI Capacitar* for disabled persons, *BPI Seniores* for people over 65 years old, and *BPI Solidário* for people at risk of social exclusion. Each of the five awards will be in the amount of €750 thousand.

Following BPI's inclusion in the CaixaBank Group, the two entities established a cooperation agreement to develop social and cultural projects in Portugal.



Grupo  CaixaBank

In 2018 BPI and the "la Caixa" Foundation contributed with more than €15 million to support Science, Education, Culture and Social Solidarity, with the latter representing nearly half of the total aid distributed in Portugal.

Banco BPI, S.A.

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