

## BANCO BPI 1ST HALF 2019 CONSOLIDATED RESULTS

Porto, 29 July 2019

### **BPI with consolidated net profit of €134.5 million in first half 2019; growth of deposits, net interest income and loans**

- **Customer deposits grow by €1,084 million** in the 1st half of 2019 (+5.1% vs. December 2018);
- **Corporate loans portfolio expands by 6.8% YoY**, with the market share in the segment increasing to 10% (April 2019);
- **Mortgage loans production grows by 26% in the quarter;**
- **Net interest income rises by 3.7% YoY**, to €214.8 million, driven by the growth of the total loan book.
- **BPI with best credit risk quality in Portugal**, with a **NPE ratio of 3.3%** in June 2019; **126% coverage of NPEs** by impairments and collaterals.
- **BPI maintains high capitalisation**: CET1 of 13.4%<sup>1</sup> and total capital ratio of 15.2%<sup>1</sup>.
- **Ratings: BPI with best baseline credit assessment and deposits rating in Portugal**, assigned by Moody's. **BPI's long-term debt rated in the second level of investment grade (BBB)** by Fitch and Standard & Poors.
- **Regular users of BPI's digital banking increase by 7% YoY**, totalling 645 thousand Clients. **The number of BPI App users soared by 37% YoY**, to 342 thousand Clients.

In the first six months of 2019 BPI recorded a consolidated net profit of €134.5 million. The comparison with the 1st half of 2018 should take into account that the evolution of consolidated net profit (-63%) is heavily influenced by extraordinary positive impacts in the 1st half of 2018 (+€118 million, essentially gains on the sale of equity holdings), that did not repeat in 2019, and by the change of the accounting classification of BFA at the end of 2018, as a result of which the consolidated net profit now only reflects BFA's dividends.

The recurring net profit of the activity in Portugal was €86.9 million, corresponding to a 17% YoY decrease, largely explained by impairments in recovery funds of €11 million, and a €5 million reduction in gains on financial assets and liabilities and other.

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<sup>1</sup>) Includes the 1st half 2019 results minus dividends, in accordance with the upper limit of the dividend policy, subject to approval by the supervisor.

BFA's contribution to the 1st half of 2019 consolidated net profit was €38.1 million, reflecting the 2018 net dividends attributed to BPI. As to BPI's equity holding in Mozambique, BCI gave a positive contribution of €9.5 million in the 1st half of 2019.

### **Total customer resources grow, underpinned by the expansion of deposits and capitalisation insurance**

The strength of BPI's commercial activity in the domestic market is reflected in the €905 million increase (+2.7% ytd) in total customer resources - these include off-balance sheet customer resources - which totalled €34,100 million at the end of June 2019.

Customer deposits were up by €1,084 million, to €22,192 million (+5.1% ytd). Deposits, accounting for 74% of assets, are the main source of the balance sheet funding, which shows a balanced funding structure and comfortable liquidity position. Capitalisation insurance also registered significant growth, up by 5.7% since the start of the year.

### **Corporate loans show sustained growth pace. Market share at 10%**

The total customer loans portfolio (gross) expanded by €336 million in the 1st half of 2019 (+1.4% ytd), to €23,823 million.

The portfolio of corporate loans in Portugal increased by 6.8% YoY, to €9,424 million. The increase in the portfolio of loans to corporates (net) reached €135 million in the period (+1.5% ytd). The market share in corporate loans continued to rise, reaching 10% in April 2019.

New mortgage loans production reached €292 million in the 2nd quarter of 2019, up by 26% quarter on quarter.

The mortgage loans portfolio remained relatively stable in the 1st half of 2019 (-0.5% ytd), totalling €11,112 million in June 2019. BPI's market share in this segment was 11.4% in April.

The consumer loans portfolio grew by 7.5% relative to December 2018, reaching €1,491 million. New consumer loans production increased by 17% in the second quarter, relative to the previous quarter.

### **Sharp increase in net interest income, driven by credit growth**

Net interest income increased by 3.7% YoY, to €214.8 million, driven by the growth of the loan book.

Net fee and commission income decreased by €7.4 million YoY, to €127.2 million, as it no longer benefited from the contribution of the cards, acquiring and investment banking businesses, which were sold in 2018. On a like-for-like basis (comparable scope), net fee and commission income increased by €10.6 million (+9.1% YoY).

## **BPI with best NPE ratio in Portugal**

Reflecting the quality of its assets, BPI continues to boast a robust Non-performing exposures (NPE) ratio - the best in the financial sector in Portugal -, which stood at 3.3% (EBA criteria) in June 2019 vs. 3.5% in December 2018. The coverage of NPEs by impairments and collaterals stands at 126%.

The high quality of the loan book enabled the reversal of loan impairments in the amount of €4.9 million and the recovery of €5.9 million in loans previously written off from assets. Thus the cost of credit risk, measured by impairments net of loan recoveries previously written off from assets, was -€11 million (-0.09% of the loan portfolio in annualised terms) in the first half of 2019.

## **Strong capitalisation**

The CET1 ratio (fully loaded) and the total ratio (fully loaded) were 13.4%<sup>2</sup> and 15.2%<sup>2</sup>, respectively. The leverage ratio stood at 7.3% in June 2019.

## **Efficiency ratio of 61%**

BPI's recurring operating expenses increased by 4.6% YoY, which is explained by the scheduled plan of investments, namely in the technological area. Staff expenses were up by 2.5% YoY.

The evolution of revenues and costs has allowed the efficiency ratio to improve by 8.3 percentage points since December 2016, currently standing at 61%. BPI expects to achieve a cost-to-income ratio of close to 50% by 2021.

In June 2019 Banco BPI had a workforce of 4,830 employees (a net reduction of 58 employees since December 2018).

At the end of June, BPI had 486 commercial units, including 412 branches, 37 premier centres, 1 mobile branch, and 36 corporate centres.

## **Recurring ROTE in Portugal at 7.7%**

In the last 12 months BPI reached a recurring return on tangible equity (ROTE) in the domestic activity of 7.7%. The Bank expects to achieve a sustainable ROTE of around 11% in 2021.

## **BPI with best deposits ratings and baseline credit assessment**

In July Moody's upgraded the baseline credit assessment (BCA) of BPI by one notch, from ba1 to baa3, reaching investment grade level. BPI maintains the best baseline credit assessment in the Portuguese financial system.

Moody's highlighted the Bank's enhanced capital levels, its low level of non-performing assets, well below the Portuguese system average and Banco BPI improving profitability metrics in the activity in Portugal.

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2) Includes the 1st half 2019 results minus dividends, in accordance with the upper limit of the dividend policy, subject to approval by the supervisor.

The rating agency reaffirmed its other ratings of Banco BPI, namely the Baa1 investment grade rating of long-term deposits, with “Stable” Outlook. BPI has the best deposits rating in Portugal. Customer deposits are BPI's main source of funding, recently complemented by the successful issue of mortgage covered bonds, with an investment grade rating of Aa3.

As to the Bank's long-term senior unsecured debt, in June 2019, for methodological reasons, Moody's had lowered BPI's rating from Baa2 to Ba1, reaffirming the Ba1 rating, with “Stable” Outlook, in its last rating action, in July.

S&P Global Ratings and Fitch Ratings both rate BPI's long-term debt in the second level of investment grade (BBB), with “Stable” Outlook.

### **Digital users in sharp growth**

The total number of regular users of BPI's digital banking services increased by 7% YoY, to 645 thousand. The number of BPI App's regular mobile users soared by 37% YoY, to 342 thousand Clients.

The Bank is market leader in homebanking penetration (individual customers), according to BASEF data. 43% of the Bank's customers are active digital clients.

It should be noted that BPI has recently launched a service in connection to the Payment Services Directive 2 (PSD2), which allows its customers to view their accounts in other Banks through the BPI APP (with no need to enter the other accounts' codes). At the same time, the Bank has continued to introduce new MBWay options in its app, which are entirely free of charge for its Customers.

### **BPI launches service designed for small businesses**

BPI launched in the second quarter a new campaign, labelled 'BPI Commerce', which will cover the banking products and services for the “small businesses” segment, reinforcing proximity to the Clients and their long-term relationship with the Bank. In the 2nd quarter of 2019, BPI captured more than 21,000 new BPI Commerce “Valor” Accounts and made available 3,200 new Point of Sale Terminals (POS) for the segment.

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. The launch of the 3rd edition of the Empreendedor XXI Awards, a joint initiative of BPI and Dayone - a division of CaixaBank that specialises in innovative technology companies and investors in these companies - is scheduled for October 2019.

### **Courts side with BPI on the sale of BFA shares to Unitel**

Banco BPI was recently notified of the ruling of the Vila Nova de Gaia Commercial Section of the Judicial Court of the Porto District regarding the action brought against it with a view to obtaining a declaration of nullity/annulment of the decision taken by the Bank's General Meeting of 13.12.2016, which approved the sale to Unitel of BFA shares corresponding to 2% of its share capital.

This ruling dismissed the action as completely unfounded and consequently acquitted Banco BPI of the claim made for a declaration of nullity/annulment. The reasoning of the ruling makes it clear that, among others, the court acknowledged that the sale in question and consequent loss of control of BFA was necessary to remove an actual danger of BPI incurring damages due the possibility of the ECB imposing very large fines if it did not put an end to the breach of the large-risk threshold deriving from BPI's control of BFA. It should be noted that this ruling is still subject to appeal and therefore has not yet become final.

### **"la Caixa" Foundation invests €20 million in social work in 2019**

"la Caixa" Foundation's second year of activity in Portugal will be marked by an 83% increase of its investment in our country, from an allocation of €12 million in 2018 to a global budget of €20 million in 2019. This sum will contribute to step up "la Caixa" Foundation and BPI's joint social work, permitting to launch new programmes to combat child poverty and programmes designed for priority areas such as active and healthy ageing.

In the second quarter it was also announced that "la Caixa" Foundation, BPI and Nova SBE had launched the Social Equity Initiative, under a partnership designed to help transform the social sector in Portugal and address the needs and challenges felt by the sector, philanthropists and social investors.

The BPI "la Caixa" Awards 2019 will be delivered in the second half of the year. This is a joint initiative of BPI and the "la Caixa" Foundation designed 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.

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

Banco BPI, S.A.

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