

## BANCO BPI 2019 CONSOLIDATED RESULTS

Porto, 3 February 2020

### **BPI consolidated annual net profit of €328 million; Recurrent business in Portugal generates net profit of €231 million (+6% yoy)**

- **Recurrent net profit in Portugal grew by €13 million**, underpinned by improvement of commercial banking gross income and positive impact from new mortgage and corporate loans production.
- **Dynamic commercial performance drives customer deposits evolution**, which were up by €1,599 million (+7.6% relative to December 2018), and **capitalisation insurance, which recorded a strong increase of 10.8%** (+€445 million yoy).
- **Total loan book grew by €1,033 million (+4.4% yoy)**; market share reached 10.2% in October 2019.
- **Corporate loan portfolio increased by €433 million (+4.7% yoy)**; market share rises to 10.2% in October 2019.
- **Mortgage loan production grew by 13% yoy, to €1,453 million** in 2019.
- **Net interest income was up by 3.2% yoy**, to €436.3 million, driven by the growth of the total loan book.
- **BPI sold non-performing loans and real estate assets worth €221 million** in the 4th quarter, **with a positive impact of €24 million** on pre-tax profits.
- **NPE ratio (EBA definition) of 2.5%** in December 2019, **down by 1.0 p.p. yoy**. **Coverage of NPEs by impairments and collaterals reached 124%**.
- **BPI maintains high levels of capital**: CET1 ratio of 13.4%, T1 ratio of 14.9% and total capital ratio of 16.6%.
- Banco BPI's Board of Directors proposal **to distribute €117 million dividends**, corresponding to a consolidated payout ratio of 36%.
- **Regular users of BPI's digital banking increased by 7% yoy**, totalling 674 thousand Clients. **The number of BPI App users grew by 31% yoy**, to 401 thousand Clients.

**In 2019, BPI recorded a net profit of €231 million in its banking business in Portugal (excluding one-off items), which represents an improvement of €13 million (+6%) relative to the previous year.**

Net income as reported in the activity in Portugal (including one-off items) was €230 million in 2019. The reduction relative to the previous year (-42% yoy) is explained by the sizeable one-off positive impacts booked in 2018 (€178 million), essentially corresponding to gains on the sale of equity holdings.

BFA's contribution to the 2019 consolidated net profit was €78.9 million (+8% yoy), while BCI, in Mozambique, contributed with €18.7 million (-11% yoy).

BPI reported a consolidated net profit of €328 million in 2019 (-33% yoy).

### **Solid growth of deposits, insurance and investment funds**

The growth dynamics in BPI's domestic commercial business is reflected in the following indicators:

- **Customer deposits** were up by €1,599 million, to €22,707 million (+7.6% yoy). The Bank's market share was 10.2% in October 2019.
- **Capitalisation insurance** showed a remarkable increase of 10.8% (+€445 million yoy), to €4,552 million. In November 2019, BPI's share of this market segment was 16%.
- **Investment funds** grew by 3.2% yoy, to €5,245 million. The Bank's market share was 11.6% in November 2019.

This performance contributed to the expansion of total customer resources (excluding deposits from institutional and financial investors) by €1,823 million, or +5.7% yoy, to €34,073 million at the end of the year. In addition, deposits from institutional and financial investors totalled €308 million, reflecting a yoy contraction of 67.4% that is in line with BPI's active policy of reducing these deposits in order to optimise its liquidity ratios.

### **Credit grows across all segments. Market share at 10.2%**

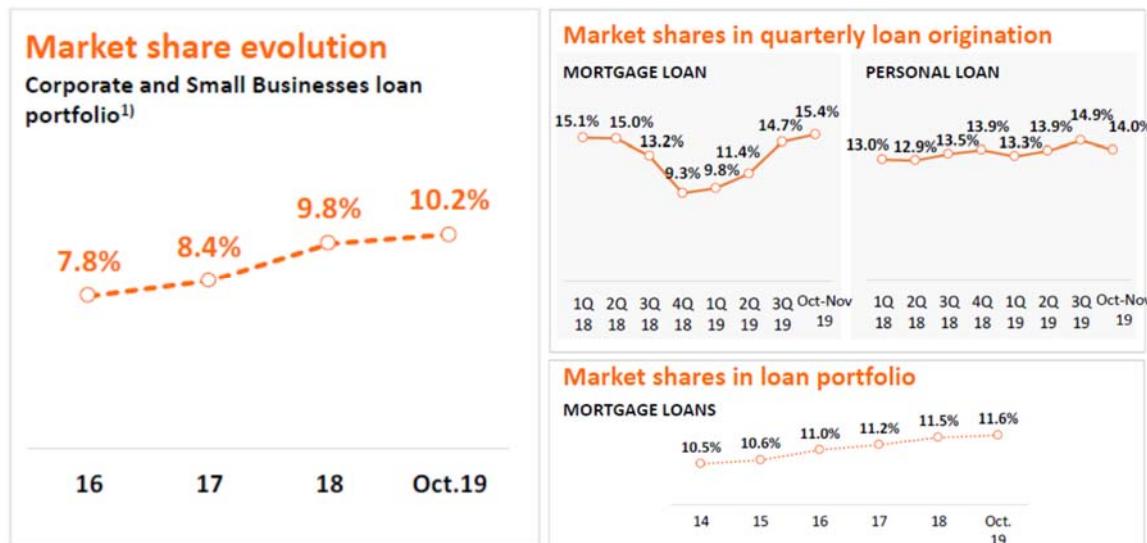
The total customer loans portfolio (gross) expanded by €1,033 million in 2019 (+4.4% yoy), to €24,520 million. The market share in total loans was 10.2% in October 2019.

The portfolio of corporate loans in Portugal increased by 4.7% yoy, to €9,722 million. The market share in corporate loans rose by 0.7 p.p. in the last 12 months (from October 2018 to October 2019), reaching 10.2%.

New mortgage loan production reached €1,453 million in 2019, corresponding to a yoy increase of 13% that translated into market share gains (the market share reached 15.4% in October and November 2019). For three consecutive quarters BPI reported a sharp increase in new mortgage loans, recovering from the levels observed at the end of 2018. This recovery was underpinned by a stronger promotional effort and a boost in commercial performance in the second half of the year.

The mortgage loans portfolio grew by 1.8% yoy, totalling €11,371 million in December 2019. BPI's market share in this segment was 11.6% in October 2019.

The portfolio of other loans to individuals expanded by 15.9% yoy, to €1,608 million. New production of consumer loans (personal loans and car finance) grew by 10% in 2019, to €790 million, with the cumulative market share in personal loans from January to November reaching 14% (+0.7 p.p. relative to 2018).



1) Loans to non-financial resident companies; Source: BPI and BoP.

### Net interest income maintains growing trend

Commercial banking gross income<sup>1</sup> increased by 1.2%, to €717.8 million in 2019. Net interest income maintained a positive evolution, rising by 3.2%, to €436.3 million, supported by the good commercial performance of BPI's teams.

Net fee and commission income decreased by €20 million yoy, to €257.9 million, as it did not include the contribution of the cards, acquiring and investment banking businesses, which were sold in 2018. On a like-for-like basis, net fee and commission income increased by €14 million (+5.7% yoy).

### BPI reaches NPE ratio of 2.5%, the best in the sector in Portugal

BPI continues to strengthen its credit quality indicators. The Non-performing exposures (NPE) ratio (EBA criteria) decreased (improved) from 3.5% in December 2018 to 2.5% in December 2019. This is the best NPE ratio in the financial sector in Portugal. The coverage of NPEs by impairments and collaterals stands at 124%.

The high quality of the loan book permitted, in 2019, the reversal of loan impairments in the amount of €20.7 million and the recovery of €22.6 million in loans previously written off. Thus the cost of credit risk, measured by impairments net of loan recoveries previously written off from assets, was -€43 million (-0.17% of the loan portfolio) in 2019.

In the 4th quarter of 2019 BPI sold a portfolio of non-performing loans (NPL) and real estate assets in the amount of €221 million, with a €24 million positive impact on pre-tax profits.

### Capital ratios

BPI maintains strong capital levels, with the following capital ratios (fully loaded) at December 2019: CET1 ratio of 13.4%, T1 ratio of 14.9% and Total capital ratio of 16.6%. These ratios already reflect the 2019 net income minus the €117 million dividend, as per

1 Net interest income, fees and commissions, dividends and share of profits of associates (equity accounted).

BPI's Board of Directors' dividend distribution proposal relative to 2019. This dividend distribution corresponds to a consolidated payout ratio of 36%.

In 2019 BPI issued €275 million of Additional Tier 1 (AT1) capital instruments, and distributed €150 million of free reserves. These transactions contributed to the Bank having a more optimised prudential capital composition, with a distribution of the CET1, Tier 1 and Total Capital elements better aligned with the levels set out in the Capital Requirements Regulation (CRR).

It should be noted that the capital requirements under SREP for BPI in 2020 are 9.38% for CET1, 10.88% for T1 and 12.88% for the total capital ratio (fully loaded), which gives BPI's capital ratios a very comfortable headroom.

### **Efficiency ratios steadily increasing over recent years**

Recurrent operating expenses increased by 2.7% yoy, which is explained by the investments that are being carried out, particularly in the digital transformation area. Staff expenses were up by 1.4% yoy.

The evolution of revenues and costs allowed the efficiency ratio to improve by 9.1 percentage points since December 2016, currently standing at 60.2%.

In December 2019 Banco BPI had 4,840 employees (a net reduction of 48 employees since December 2018).

At the end of 2019, BPI had a distribution network of 477 commercial units, including 406 branches, 36 premier centres, 1 mobile branch, and 34 corporate centres.

In the last 12 months BPI reached a recurrent Return on tangible equity (ROTE) of 8.9% (+0.1 p.p. yoy) in the activity in Portugal.

### **BPI maintains the best deposits ratings and baseline credit assessment**

BPI's long-term debt is rated BBB (second investment grade) by Fitch Ratings and S&P Global Ratings, with stable Outlook. Moody's has assigned an investment grade rating (Baa1) to BPI's long-term deposits and a Ba1 rating to its long-term debt, with a stable Outlook for both.

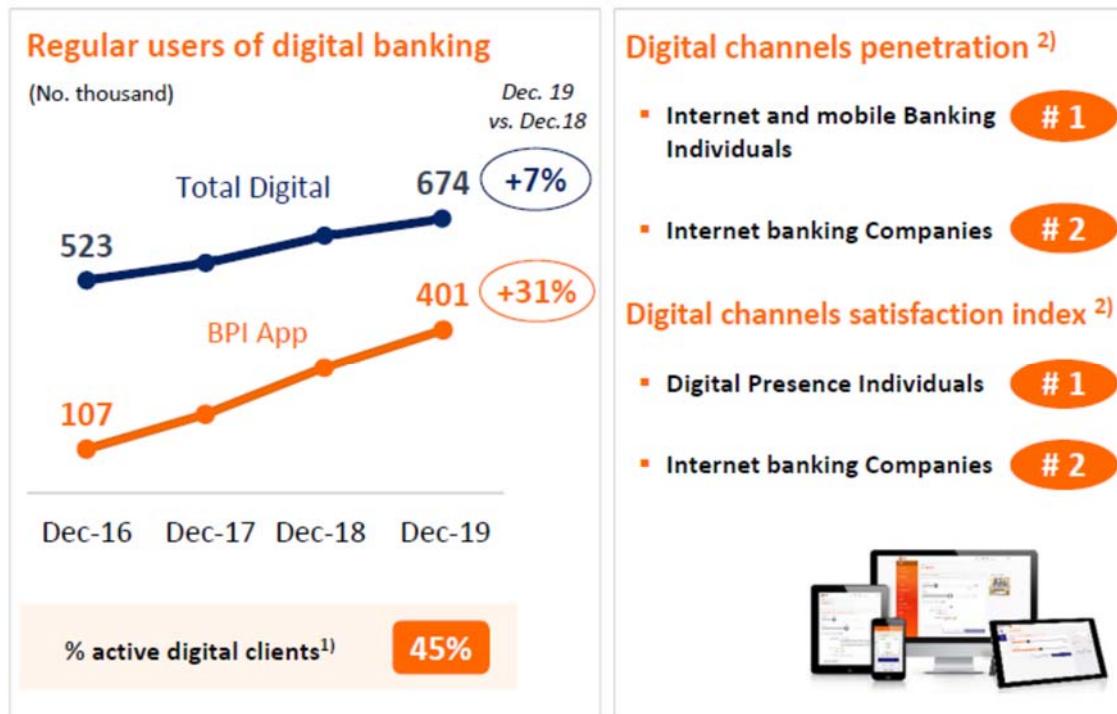
BPI maintains the best Baseline Credit Assessment (BCA) within the Portuguese financial system, with a baa3 investment grade classification by Moody's.

### **BPI speeds up digital transformation**

The total number of regular users of BPI's digital banking services increased by 7% yoy, to 674 thousand. The number of BPI App's regular mobile users increased by 31% yoy, to 401 thousand. This corresponds to nearly 100 thousand new users in 2019.

BPI is market leader in internet and mobile banking penetration (individual clients), according to BASEF data, and ranks first in the digital channels satisfaction index (ECSI). In the corporate segment, BPI holds the 2nd position in internet banking and in the digital channels satisfaction index (DATAE). 45% of the Bank's customers are active digital clients.

In addition to the offer of new digital solutions, BPI's digital transformation process also entails reinforcing the automated means made available to the clients in the branches, and optimising the commercial processes, so as to achieve greater speed and efficiency in customer service.



1) Active customers, 1st account holders, Individuals and Companies.

2) Individuals BASEF (12 months to Dec. 2019), ECSI (2019) and Companies DATAE (2019), main Banks.

### "la Caixa" Foundation invests €30 million in social work in 2020

"la Caixa" Foundation's second year of activity in Portugal was 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.

These were the main programmes developed in 2019:

- **"Incorpora" Programme**, which has already found 1,056 jobs for people in a vulnerable situation, in cooperation with 436 Portuguese companies.
- **"Humaniza" Programme**, a comprehensive care programme for people with advanced diseases that provides psychosocial and spiritual assistance to people who are at the end of their lives, as well as to their families. In its first year, this programme cared for more than 8,300 patients and their families, involving more than 16 thousand consultations.
- **BPI "la Caixa" Awards** support social institutions' projects, currently numbering 120 projects totalling €3.75 million in 2019.

- **Support to research**, a total of €4.6 million have been allocated to eight projects of excellence in biomedicine and health research.
- **Culture**, involving agreements with several institutions of reference, namely the Serralves Foundation, the Casa da Música and the Museu Nacional de Arte Antiga; under this programme, 115 thousand people visited the "The Forest" itinerant exhibition.
- **"Promove" Programme** aims to stimulate growth in hinterland areas bordering Spain, supported by five pilot-projects.

In 2020 the "la Caixa" Foundation will increase by 50% its social work budget for Portugal, which will correspond to an annual investment of €30 million. This sum will contribute to step up "la Caixa" Foundation and BPI's joint social work, allowing them to launch new programmes to combat child poverty and others in priority areas such as active and healthy ageing.

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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