

BANCO BPI 1ST HALF 2020 CONSOLIDATED RESULTS

Porto, 31 July 2020

BPI posts consolidated net profit of €42.6 million in first half 2020, after booking an €83 million net loan impairment charge

- **BPI registered a net loan impairment charge of €83 million in the first half 2020, including preemptive non-allocated impairments arising from the update of the macroeconomic scenario in the context of COVID-19, which explains the reduction in the net profit from the activity in Portugal to €6.5 million**
- **Good commercial performance and stronger capital, liquidity and risk indicators**
 - **Customer deposits increased by €1,877 million** in six months (+8.3% ytd).
 - **Loan portfolio up by 5.6% yoy** (vs. June 2019) and by +2.4% ytd.
 - **Mortgage loan production grew by 54% yoy**, to €809 million in the first half of 2020. BPI reached its **highest mortgage-loan portfolio market share of the last 10 years**.
 - **Corporate loans production (new loans and renewals) expanded by +14%** over the same period in 2019.
 - **Positive performance of net interest income**, which rose by 2.4% yoy, to €220 million.
 - **NPE ratio (EBA definition) of 2% (0.5 p.p. ytd improvement)**. Coverage of NPEs by impairments and collaterals **increased to 134%**.
 - **Stronger capital ratios (*phasing in*)**: CET1 of 13.8%, T1 of 15.3%, and total capital ratio of 17.0%.
- **Renewed commitment with the economic recovery and the support of clients:**
 - **73.1 thousand approved moratoria requests on €5.7 billion loans**: mortgage loans (31.5 thousand approved requests on €2.6 billion loans); consumer and car loans (23.8 thousand approved requests on €373 million loans); corporate loans (17.9 thousand approved requests on €2.7 billion loans).
 - **More than 4 thousand applications to the COVID-19 public aid credit lines, corresponding to €549 million**.
 - **€3 billion in BPI Corporate credit lines** available for immediate use from the end of June 2020.
- **Regular digital banking users increased by 7% yoy**, totalling 690,000 clients. **BPI App used by 430,000 clients (+26% yoy)**.

1H20 Overview

In the first six months of 2020, BPI recorded a consolidated net profit of €42.6 million, of which €6.5 million correspond to the net profit from the activity in Portugal.

In the 1st half of 2020 BPI registered €83 million of net loan impairment charges, preemptively including non-allocated impairments arising from the update of the macroeconomic scenario in the context of COVID-19, which largely explains the reduction in the period's net profit (-68% yoy). The contribution of the equity holdings in BFA and BCI totalled €36.1 million in the 1st half of 2020.

In the current context of the COVID-19 crisis, BPI was able to maintain its **commercial dynamism**. The Bank remained fully operational during the long period of lock-up, growing in deposits and loans and achieving market share gains.

The Bank pursued and further accelerated its digital transformation process, now with specific developments to tackle the immediate needs arising from the COVID-19 crisis.

BPI took several measures in support of families, companies and society, stepping up its social commitment within the scope of the joint action with the "la Caixa" Foundation.

BPI has a **strong financial position** that allows it to face potentially adverse scenarios with confidence, supporting its customers and the recovery of the Portuguese economy:

- **Low risk profile**, with a NPE ratio of 2.0% and high coverage of NPEs;
- **Solid solvency position**;
- **Balanced funding structure and comfortable liquidity position**;
- **Investment grade ratings** by Fitch Ratings, Moody's and S&P Global.

Current business with strong performance. Growth of deposits and loans

The commercial activity had a good performance during the first half of the year, notwithstanding the significant slowdown of the Portuguese economic activity in the context of the COVID-19 crisis.

Customer deposits show significant growth

Customer deposits registered meaningful increase of 8.3% in the first half of the year, with €1,877 million new deposits collected since December 2019. The growth of deposits in the last 12 months was 10.8%.

Deposits represent 68% of assets and are the main source of funding.

Assets under management fell 5.2%, to €9,288 million, this decrease being in part explained by the drop in the market prices of the underlying financial assets portfolios due to market volatility.

Total customer resources grew by 3.7% ytd, to €35,658 million at the end of June 2020.

Strong growth of mortgage and corporate loans

The total customer loans portfolio (gross) expanded by €596 million, or +2.4% since December 2019, to €24,977 million. In the last 12 months, the loan portfolio grew by 5.6%. The market share in total loans continued to rise, having reached 10.5% in May 2020.

The corporate loan book in Portugal grew by 2.9%, to €9,788 million, relative to December 2019, and by 7.1% since June 2019.

Mortgage loan production expanded by 54% yoy, to €809 million in the first half of 2020. BPI reached its highest mortgage-loan portfolio market share of the last 10 years (12.1% in May). The market share in new mortgage loans production was 16.1% in the first quarter and 14% in April and May 2020.

The mortgage loans portfolio grew by 2.3% ytd, totalling €11,638 million in June 2020.

The portfolio of other loans to individuals remained stable, totalling €1,673 million. New consumer loans production contracted by 26% yoy, to €266 million, due to the situation of pandemic. May and June saw a gradual rebound in new production, with BPI posting a market share of 16% (production in April and May).

Asset quality improves. NPE ratio drops to 2%

BPI maintained a positive trend in the Non-performing Exposures (NPE) ratio - the best in the financial sector in Portugal -, which dropped by 0.5 p.p., to 2% (EBA criteria), reflecting the high quality of the Bank's loan assets. The coverage of NPEs by impairments and collaterals increased to 134%.

The NPL ratio ("crédito duvidoso") decreased from 2.9% in December 2019 to 2.8% in June 2020. At the end of June 2020, the coverage of non-performing loans by impairments and collaterals was 125%.

BPI registered €87 million of gross loan impairments in the 1st half 2020, preemptively including non-allocated impairments resulting from the update of the macroeconomic scenario in the context of Covid-19. In the first half of 2020 BPI registered €4 million in recoveries of loans previously written off. The cost of credit risk, measured by impairments net of loan recoveries previously written off, was €83 million (0.32% of the loan portfolio, non-annualised) in the first half of 2020.

Net interest income continues to grow

Net interest income proved resilient to the challenging environment, rising by 2.4% yoy, to €220 million, driven by the growth of the loan book.

Net fee and commission income dropped by 7.1% yoy, to €118.1 million, due to the slowdown of economic activity resulting from the pandemic - including the impact of the measures implemented by the Bank to support its clients -, and the performance of the capital markets, with an impact on fee and commission income from investment funds and capitalisation insurance. Commercial banking gross income in Portugal fell €5.9 million (-1.7% yoy), to €348.1 million.

Stronger financial position

Solid solvency and liquidity position

The capital ratios increased in the 1st half of 2020 (June 20 vs Dec. 2019): the CET1 ratio rose to 13.8% (13.4% in Dec.19), the Tier 1 ratio to 15.3% (14.9% in Dec.19) and the total capital ratio to 17.0% (16.6% in Dec.19). The leverage ratio stood at 7.2% in June 2020. BPI meets by a significant margin the European Central Bank (ECB)'s minimum requirements for the CET1, Tier 1 and total ratios.

In February, BPI issued €450 million of senior non-preferred debt, fully subscribed by CaixaBank, with the objective of reinforcing eligible assets for compliance with the future MREL requirement.

In April 2020, Banco BPI, together with its shareholder CaixaBank, decided to suspend the distribution of dividends on the 2019 results, thus reinforcing its capacity to support the economy.

Core efficiency ratio below 60%

BPI's operating expenses decreased by 3.6% yoy, largely due to the reduction in amortisation and depreciation of fixed assets (software) as well as in other administrative expenses. Staff expenses remained practically unchanged.

The core efficiency ratio (core cost to income) stood at 59.6% at the end of June 2020 (last 12 months).

In June 2020 Banco BPI had a workforce of 4,817 employees (a net reduction of 23 since December 2019). On the same date the Bank's distribution network comprised 448 commercial units, including 377 branches, 36 premier centres, 1 mobile branch, and 34 corporate centres.

Recurring ROTE in Portugal at 5.4%

In the last 12 months BPI reached a recurring return on tangible equity (ROTE) in the domestic activity of 5.4%.

Rating agencies recognise the Bank's strength

In the first half of 2020, both Moody's and Fitch rose by 1 notch BPI's long-term debt rating, to Baa3 and BBB+, respectively. Standard & Poor's maintains its rating of BPI at the second investment grade level (BBB).

Banco BPI's long-term debt is rated investment grade by the three big international agencies – Fitch Ratings, Moody's and S&P Global Ratings –, while its long-term deposits are also rated investment grade by Fitch Ratings and Moody's.

These ratings are a strong sign of the Bank's strength and of its capacity to provide support to the Portuguese economy.

Digital transformation process successfully progressing

BPI leads in internet penetration and mobile banking for individual customers

BPI has been making a strong investment in innovation and digital transformation across all the areas of the Bank. This permitted BPI to deliver an agile and efficient response to the clients in the present circumstances, by expanding the array of digital banking solutions, and simplifying processes for easier access to all categories of financial services. The high level of the Bank's digital development also allowed it to make a seamless transition to teleworking in just a few days.

In the first half of the 2020, the total number of regular users of BPI's digital banking services increased by 7% yoy, to 690 thousand. The number of BPI App's regular mobile users increased by 26% yoy, to 430 thousand.

BPI is the 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). 46% of the Bank's customers are active digital clients.

Amongst the measures taken to support its Clients in the context of the pandemic, BPI facilitated the subscription to the digital channels and expanded the functionalities for contact between Clients and their account managers, significantly reinforcing remote service capabilities and the subscription of new products and services (iFactoring 100% digital; BPI Drive for car dealers; enlarged retirement savings plans offering in the digital channels; among others).

In June, the PWM magazine (Financial Times Group) elected BPI's private banking as the best in Europe in terms of the digitisation of the customers portfolio ("Best Private Bank for portfolio management technology – Europe"). The PWM Wealth Tech Awards distinguish private banking entities that demonstrate excellence in their digital transformation strategy and stand out for their constant innovation.

Commitment to support families, companies and society

Since the outbreak of the crisis, BPI has developed an intense activity to support the Portuguese Companies and Families, including the most vulnerable groups. Among others, the following measures were taken:

Protection of clients and employees

Since 16 March, BPI's commercial networks have operated "behind closed doors", with conditional access to the service area, to ensure the safety of customers and employees. During lock-up the Bank always maintained in operation approximately nine in each 10 branches. At the end of June, the Bank maintained 46% of its employees in teleworking: 90% from the central services and 24% from the distribution network. As from June the Bank initiated a gradual return to onsite working in the central services (~20% in the 1st phase), under a rotation scheme.

Other support measures to the employees:

- Employees on leave of absence to look after their children, due to the closure of schools: 100% of salary + meals allowance

- Weakly rotation of the commercial teams
- Reinforced cleaning and protection materials
- Increased internal communication and training

Support to families

- Application of the legal moratoria, plus moratoria voluntarily assumed by the Bank, for all types of credit. In total, the Bank received 55.2 thousand requests for moratoria on family loans, in the amount of €3.0 billion, broken down as follows:
 - a) **Moratoria on mortgage loans:** 31.5 thousand requests approved, for €2.6 billion
 - b) **Moratoria on consumer and car loans:** 23.8 thousand requests approved, for €373 million
- Enlarging the range of services available to individual clients through the digital channels.
- Advance payment of pensions to Clients, at no cost, to avoid crowding at the branches on the usual payment dates, and to protect Clients and Employees during confinement.
- Under a partnership with Allianz, BPI has made available to all Customers a medical team that can be reached by a simple phone call, 24 hours a day, 7 days a week.

Support to companies

- **Moratoria for companies:** 17.9 thousand requests approved, for €2.7 billion
- BPI received more than **4 thousand applications to the COVID-19 public aid credit lines** corresponding to €549 million, under loans contracted by BPI and loans approved or under analysis by the Mutual Guarantee Societies. BPI created a simplified credit line permitting, at the request of the Client and subject to the Bank's approval, to anticipate the disbursement of funds corresponding to the portion of the loans not guaranteed by the State
- €3 billion in BPI Corporate credit lines available for immediate use from the end of June 2020.
- Exemption from commissions and monthly fees for merchants that had to close their establishments due to the pandemic.
- Specific credit lines with subsidised interest for Agriculture and Fishing, and for companies in Madeira and the Azores.

Support to society - In the social area, the "la Caixa" Foundation, in association with BPI, has maintained all the programmes scheduled for 2020, to which an annual budget of €30 million has been committed.

Since the onset of the crisis, the two entities have endorsed new initiatives of support to the most vulnerable:

- Promotion, together with RTP TV channel, of the "Food Emergency" campaign, with raised a total of €1.7 million in donations from private individuals, companies and institutions to the Food Emergency Network, jointly developed by ENTRAJUDA and the Portuguese Federation of Food Banks. BPI and the "La Caixa" Foundation donated €500,000.
- Distribution of 526 tablets to healthcare institutions and palliative care teams, to facilitate communication with hospitalised patients.
- €300,000 investment in a project to produce a Portuguese ventilator, resulting in the donation of 25 ventilators to Portuguese hospitals.

BANCO BPI, S.A.

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