

BANCO BPI 2020 CONSOLIDATED RESULTS

Porto, 04 February 2021

€104.8 MILLION CONSOLIDATED NET PROFIT, SOLID FINANCIAL POSITION AND STRONG SUPPORT TO THE ECONOMY

- **Recurrent results from the activity in Portugal** reached €84.3 million, after **€151 million of net loan impairments**, including **€97 million of non-allocated impairments**, to provide for potential impacts of the pandemic.
- **Stable core earnings and commercial banking gross income, despite the crisis.**
- **STRONG COMMERCIAL GROWTH:**
 - **Deposits increased by €3 billion (+13%).** Market share rose to 10.6%
 - **Loans grew by €1.3 billion (+5.4%).** Market share rose 30 bps, to 10.7%.
 - **Mortgage loans production expanded by 20%,** to €1 741 million. **Market share in new loans production reached 15.1%** (Nov.20) and 12.2% in the loan portfolio.
 - **The corporate loan book grew by 5.9%, to €10 072 million.**
- **STRONG ECONOMIC AND FINANCIAL POSITION:**
 - **NPE ratio (EBA definition) of 1.7%.** Coverage of NPEs by impairments and collaterals increased to 140%.
 - **Capital ratios (phased in): CET1 of 14.1%, Tier 1 of 15.6%, and total capital ratio of 17.3%.**
 - **Acceleration of Digital Transformation and Innovation process.** 711 thousand clients are regular digital banking users, and of these 462 thousand have the BPI App (+ 61 thousand in 2020). 97% of the transactions were executed through digital channels.
- **MORE SOCIAL COMMITMENT**
 - **BPI and the "la Caixa" Foundation executed all their programmes and support planned for 2020, in all areas of social intervention, in a total of €26 million.**
 - **Special initiatives to support the more vulnerable, in association with other patrons,** €1.7 million raised for the Emergency Food Network; 1,000 new computers delivered to schools and over 500 tablets distributed to facilitate communication between patients and their families.

RESULTS AND COMMERCIAL ACTIVITY

In 2020 BPI recorded a consolidated net profit of €104.8 million. In the activity in Portugal the recurrent net profit was €84.3 million. In 2020, BPI registered €151 million of net loan impairments, including €97 million of non-allocated loan impairments to provide for future impacts of the pandemic, which explain the reduction in consolidated net profit (-68% yoy) and recurrent net profit in Portugal (-64%).

João Pedro Oliveira e Costa, BPI's CEO, stresses *"the strong dynamics of commercial banking activity, in an adverse context of unprecedented scale. Core income showed resilience, remaining virtually unchanged from 2019, and we managed to increase the net interest income, in counter cycle with the market. It was a challenging year, and one that demanded much from everyone, but in which BPI showed that it had the necessary muscle, and the commitment of all its employees, not only to support families and companies, but also to, together with the "la Caixa" Foundation, reinforce its social commitment"*.

The contribution of the minority equity holdings in BFA and BCI totalled €38.6 million in 2020.

BPI's commercial activity maintained the upward trend, with a significant increase in deposits, growth in loans and market share gains.

Customer deposits grew 13%

Customer deposits reported an expressive increase of 13%, or €2 994 million. Customer deposits, which amount to €26 009 million, account for 70% of assets and are the main source of on-balance sheet funding. The market share in deposits rose to 10.6% (Nov.20).

Assets under management amounted to €9 644 million, a 1.6% reduction that is in part explained by the transfer of resources to risk-free investments, such as deposits.

Total customer resources grew by 7.6%, reaching €36 989 million at the end of 2020.

Loan portfolio grows across all segments

The total customer loans portfolio (gross) expanded by €1 314 million, or +5.4% since December 2019, to €25 695 million, underpinned by growth in all segments of credit to individuals and companies. The market share stood at 10.7% in November 2020, which represents a ytd increase of 30 bps.

The portfolio of corporate loans in Portugal increased by 5.9% yoy, to €10 072 million. Production of new loans to companies and small businesses grew by 4% yoy, to €4 235 million.

The mortgage loan book totals €12 008 million (+5.5% yoy). Mortgage loans production was up by 20% relative to the previous year, reaching €1 741 million, which corresponds to a market share in new production of 15.1% (January to November). BPI's market share in mortgage loans portfolio was 12.2% in November.

The portfolio of other loans to individuals expanded by 4.1% yoy, to €1 737 million. New production of consumer and car loans gradually recovered after the lock-down, converging in the 4th quarter to pre-pandemic levels. However, at €573 million, it is still 27% lower than in 2019. BPI's market share in new personal loans production in the period was 12.8% (January to November).

ECONOMIC AND FINANCIAL STRENGTH

High capitalisation, low risk profile, solid and strengthened solvency position, balanced funding structure, comfortable liquidity position and investment grade ratings by Fitch Ratings, Moody's and S&P Global.

Best NPE ratio in the Portuguese financial sector: down to 1.7%

The Non-performing Exposures ratio (NPE ratio, EBA criteria) improved to 1.7%, from 2.5% in Dec.19 (-0.8 p.p.). BPI maintains the best NPE ratio within the Portuguese financial sector, reflecting the high quality of the Bank's assets. The coverage of NPEs by impairments and collaterals increased to 140%.

The Non-Performing Loans ratio (NPL ratio, EBA criteria) dropped by 1 percentage point, to 2.1% in 2020. At the end of 2020, the coverage of NPLs by impairments and collaterals was 141%.

Loan impairment net of recoveries totalled €151 million in 2020, including €97.4 million of non-allocated impairments to provide for future impacts from the pandemic. The cost of credit risk, at 0.57%, is lower than the 1.0% average for the banking sector in Portugal¹.

Net interest income grew 3.2%

Despite the very adverse economic environment, core income proved highly resilient, with commercial banking gross income remaining stable (-0.3%) compared to 2019.

Although still penalised by a context of negative market interest rates, net interest income increased by 3.2% yoy, to €450.1 million, underpinned by loan portfolio growth across all segments, and also benefiting from the increased contribution of Asset/Liability Management (ALCO).

Net fee and commission income contracted by 5% yoy, to €244.9 million, reflecting the slowdown of economic activity and the measures implemented by the Bank to support its clients.

Sound capitalisation

BPI met by a significant margin the European Central Bank (ECB)'s minimum requirements for capital ratios in 2020: CET1 ratio of 14.1%, Tier 1 ratio of 15.6% and total capital ratio of 17.3%. The leverage ratio stands at 7.3%.

¹ September 2020 annualised; source: Bank of Portugal

In March, 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.

Core efficiency ratio improved more than 11 pp in four years, reaching 58%

BPI recorded a 4.5% yoy reduction in recurrent operating expenses, stemming from:

- 2.1% reduction in staff expenses, which includes the effect of the executive directors' decision to waive their 2020 performance bonus;
- 6.6% reduction in other administrative expenses, benefiting from the gradual implementation of modernisation and efficiency streamlining measures, and also from the reduction of some business costs in the context of the pandemic crisis;
- 10% reduction in depreciation and amortisation, mainly explained by the revision of the estimated useful life of software (intangible fixed assets).

In the 4th quarter BPI recognised a non-recurring expense of €25.0 million incurred with 147 early retirements and voluntary terminations.

The core cost-to-income was 58% at the end of 2020, which represents an improvement of 2.2 p.p. relative to the previous year. In four years, BPI improved this ratio by more than 11 percentage points.

At the end of 2020 Banco BPI had a workforce of 4 622 employees (a net reduction of 218 since December 2019). On the same date the Bank's distribution network comprised 422 commercial units, including 360 branches, 27 premier centres, 1 mobile branch, and 34 corporate centres.

Recurrent ROTE in Portugal at 2.7%

Recurrent return on tangible equity (ROTE) from the activity in Portugal stood at 2.7% in 2020.

Investment grade by three international rating agencies

Banco BPI's long-term debt is rated investment grade by three 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.

Fitch Ratings and S&P reaffirmed in October the ratings assigned to BPI.

These ratings are a strong indication of the Bank's high capitalisation and comfortable liquidity position, which shore up its capacity to provide support to the Portuguese economy. Moreover, the Bank counts with the support of its sole shareholder, CaixaBank, which will become the largest financial institution in Spain after its merger with Bankia.

ACCELERATION OF INNOVATION AND DIGITAL TRANSFORMATION

Digital channels account for 97% of transactions; 711 thousand digital clients; high satisfaction; and innovative solutions

In 2020 BPI had 711 thousand digital banking regular users. Approximately 76% of its individual digital clients are regular users of the BPI App (mobile), which reported an increase of 61 thousand active users in 2020.

In 2020, sales of saving solutions, personal loans, and non-financial products through the digital channels (net and mobile) increased by 39% yoy. At present, 97% of the transactions carried out by BPI's clients are made through digital channels (Net, Mobile or ATM).

BPI ranks #1 in the digital channels satisfaction index for individual clients (ECSI Banca, 1st wave 2020) and #2 in internet and mobile banking penetration, also for individual clients (BASEF, Nov.20). In the corporate segment, BPI is market share leader in net and mobile banking, and ranks #2 in this segment's satisfaction index (DATAE 2020).

Amongst the measures taken to support its Clients in the context of the pandemic, BPI made it easier to sign up to the digital channels and expanded the contact functions between Clients and their account managers, with a significant increase in remote service and the capacity to purchase new products and services remotely (100% digital iFactoring; BPI Drive for car dealers; subscription of Life, Car and Home Insurance; BPI InTouch, a service using remote communication tools; among others).

Recently, BPI, through its Information Systems Division (DSI), was awarded "CMMI maturity level 3" for all its High Technical Complexity projects in the development of computer applications. BPI is the only financial institution in Portugal with this qualification.

In direct competition with technological giants and public international institutions, BPI was distinguished as Best Digital Leader in the World Agility Forum, which took place in September in Lisbon.

BANK OF THE YEAR 2020 FOR THE BANKER MAGAZINE

BPI was elected 'Bank of the Year 2020' in Portugal by The Banker, a British magazine of Financial Times Group. This accolade was awarded based on a review of BPI's financial strength and its capacity to respond to the pandemic, supporting its clients and the community, including the more vulnerable groups.

In Portugal, BPI also ranked in #1 in the Large Banks category of the Five Stars Awards, for the second consecutive year. Among the five banks assessed by consumers, BPI had an overall score of 77.1% (5.4 p.p. up on the previous edition), ranking #1 in the Satisfaction, Intention to Recommend and Brand Confidence criteria. The consumers surveyed improved BPI's scores on all criteria assessed, including quality and innovation of digital services, products, and customer service.

PERMANENT SUPPORT TO FAMILIES, COMPANIES AND THE PORTUGUESE ECONOMY

Since the outbreak of the crisis, BPI has developed an intense activity of support to the economy - Families and Businesses.

Loan Moratoria

- **97.5 thousand loan contracts covered by moratoria**, corresponding to a total of **€5 620 million (98.2% of which are performing loans)**:
 - mortgage loans - €2 495 million;
 - personal and car loans - €333 million;
 - corporate loans - €2 792 million.

Credit lines

- **BPI received approximately 8 400 applications to the COVID-19 public aid credit lines, corresponding to €722 million** under loans contracted by BPI and loans approved or under analysis by the Mutual Guarantee Societies.
- **€2 909 million in BPI Corporate credit lines** available for immediate use at the end of 2020.

MORE SOCIAL COMMITMENT

BPI and "la Caixa" Foundation reinforce commitment to Portugal and contribute to the United Nations' 17 Sustainable Development Goals

On the social front, BPI and the "la Caixa" Foundation executed all their programmes and support planned for 2020, **totalling €26 million**.

Among other programmes, the BPI "la Caixa" Awards, totalling €3.75 million, annually support projects of private non-profit institutions. The Awards – Childhood, Seniors, Solidarity, Capacitate and Rural – are part of BPI's social responsibility policy and are financed by the "la Caixa" Foundation.

To counter the effects of the pandemic, BPI and the "la Caixa" Foundation, in association with other patrons, also launched special initiatives to support the more vulnerable: €1.7 million raised for the Emergency Food Network; 1,000 new computers delivered to schools and over 500 tablets distributed to facilitate communication between patients and families.

In 2020, BPI and the "la Caixa" Foundation's initiatives contributed to all the 17 Sustainable Development Goals, through their commitment to: People, Society, Planet, and strategic Alliances and Partnerships.

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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