

## BANCO BPI 1ST HALF 2021 CONSOLIDATED RESULTS

Porto, 30 July 2021

### **CONSOLIDATED NET PROFIT OF 185 M.€, RESULTS IN PORTUGAL MATCH PRE-PANDEMIC LEVEL**

- Consolidated net profit of 185 M.€ (43 M.€ in the same period of 2020); recurring net profit in Portugal of 89 M.€ (6 M.€ in 1H2020 and 87 million in 1H2019).

#### **REVENUES GROW, EFFICIENCY AND PROFITABILITY IMPROVE**

- Gross income rises 11.5% yoy.
- Core cost to income improves to 56.2%, down by 1.8 p.p. since Dec.2020.
- Profitability increases to 5.9% in the last 12 months.

#### **CUSTOMER LOANS AND RESOURCES INCREASE:**

- Total customer resources increase by 3 Bn.€ yoy (8.4%). Deposits expand by 10.5% yoy.
- Loan portfolio grows by 1.5 Bn.€ YoY (+5.9%). Market share rises to 10.8%.

#### **HIGH ASSET QUALITY AND SOUND CAPITALISATION**

- NPE ratio (EBA definition) drops to 1.5%. Coverage of NPEs by impairments and collaterals increases to 156%.
- Capital ratios: CET1 of 14.3%, Tier 1 of 15.8%, and total capital ratio of 17.4%.

#### **DIGITAL AND MOBILE STRONG EXPANSION**

- 740 thousand clients are regular users of digital banking. Nine out of 10 digital individual clients (1<sup>st</sup> account holders) use the BPI App.
- 71% of sales of financial products are digitally initiated (+8 p.p. yoy)

#### **BPI RATING AT INVESTMENT GRADE BY THE THREE INTERNATIONAL AGENCIES**

- Senior debt: Moody's upgrades rating to Baa2; BBB+ by Fitch and BBB by S&P.

#### **SOCIAL COMMITMENT REINFORCED: BPI AND "LA CAIXA" FOUNDATION**

- 30 M.€ to social programmes, culture and science, research and health, education and scholarships.
- BPI "la Caixa" Foundation Awards increase to 4 M.€ in 2021.
- 1 M.€ to support local social projects through BPI's Commercial Networks.
- #*TodosJuntos* initiative raises 2.5 M.€ for food aid, with the support of BPI, another nine banks and more than 30 companies.

## **RESULTS AND COMMERCIAL ACTIVITY**

**In the first half of 2021 BPI recorded a consolidated net profit of 185 M.€ (vs. 43 M.€ in the same period of 2020).**

**In the activity in Portugal, BPI's recurring net profit reached 89 M.€, which compares with 6 M.€ in the same period of last year,** when significant impairment charges were booked to provide for potential impacts of the pandemic. **Net profit from the activity in Portugal matches pre-pandemic levels:** in the first half of 2019, BPI had posted a net profit of 87 M.€.

In the second quarter, BFA approved the 2020 ordinary dividend and a distribution of free reserves, with payment to shareholders in 3 instalments: 40% in September 2021, 30% in June 2022 and 30% in June 2023. BPI recognised 40 M.€ of the 2020 ordinary dividend in the income statement, and 79 M.€ of the distribution of reserves, of which 50 M.€ were taken to the income statement and 29 M.€ directly to reserves. The 119 M.€ will be recognised under Common Equity T1 (CET1) as they are received in Portugal.

The contribution of the holding in BFA to the consolidated net profit was thus 92 M.€ (which includes 40 M.€ from the 2020 dividend and 50 M.€ from the distribution of reserves taken to the income statement). The contribution of the holding in BCI was 9 M.€ in the first half of the year.

**João Pedro Oliveira e Costa, BPI's CEO,** highlights: *"In the 1st half of 2021, BPI continued to show strong commercial dynamics, driving the growth of net interest income and fee and commission income and, combined with strict cost control, the improvement of profitability. Recurring net income in the activity in Portugal has already reached pre-pandemic levels. As a penalising factor of the results, a total of 41.6 M.€ in regulatory costs was fully booked in the period. I should also stress that BPI is committed to supporting families and business and, with the "la Caixa" Foundation, to contributing to support social and development projects in the country to drive the desired recovery".*

### **Customer deposits grew by 10.5%**

Customer deposits registered an expressive increase of 10.5% yoy. Customer deposits, in the amount of 27 543 M.€ and accounting for 66% of assets, are the main source of on-balance sheet funding. The market share in deposits reached 10.8% in May 2021.

Assets under management totalled 10 068 M.€ (+8.4% yoy), with mutual funds growing by 20.7% yoy.

Total customer resources grew by 8.4%, to 38 664 M.€ at the end of June 2021.

### **Total loan book expanded by 5.9% yoy**

The total customer loans portfolio (gross) expanded by 5.9% yoy, or 1 482 M.€, to 26 459 M.€. The market share stood at 10.8% in May 2021, which represents an increase of 20 bps relative to the same month in 2020.

The portfolio of corporate loans grew by 4.4%, to 10 216 M.€.

The mortgage loans portfolio totalled 12 454 M.€. (+7% yoy). Mortgage loans production increased by 35% yoy, to 1 091 M.€. BPI's market share in cumulative production up to May was 14.9%, while its market share of mortgage loans in portfolio reached 12.4% in May.

The portfolio of other loans to individuals rose by 5.7% yoy, to 1 768 M.€. Car and personal loans production, at 291 M.€ in the 1st half of 2021, expanded by 10% yoy.

### **REVENUES GROW, EFFICIENCY AND PROFITABILITY IMPROVE**

#### **Gross income grows by 11.5%**

Gross income registered a significant increase of 11.5% yoy, driven by the strong performance of core income (+6.5% yoy) and the increase in gains on financial assets and liabilities.

Net interest income increased by 3.2% yoy, to 227 M.€, underpinned by credit volume growth and the contribution of Asset/Liability Management (ALCO), notwithstanding the narrowing of the intermediation margin and the challenges arising from the persisting context of negative market interest rates.

Net fee and commission income increased by 11% yoy, to 130 M.€, fuelled by the growth of mutual funds and capitalisation insurance volume, and of insurance intermediation, and also by the increase in bank fees and commissions on loans and accounts, which made up for the decrease in fees and commissions on payment means.

#### **Cost of credit risk falls to zero**

The Non performing Exposures ratio (NPE ratio, EBA criteria) improved from 1.7% in Dec.20 to 1.5% (-0.2 p.p.) at the end of the first half of the year. 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 156%.

From January to June, the Non-Performing Loans ratio (NPL ratio, EBA criteria) dropped by 0.3 percentage points, to 1.8%. At the end of the first half of 2021 the coverage of NPLs by impairments and collaterals was 157%.

In the first half of the year BPI recognised loan impairments net of recoveries of 10 M.€. This amount was reached through:

- 39 M.€ in impairments; and
- on the positive side, loan recoveries in the amount of 29 M.€, which include a gain of 23 M.€ (pre-tax)<sup>1</sup> on the sale in January 2021 of 30 M.€ in non-performing loans and 266 M.€ in loans written off from assets;

The cost of credit risk fell to 0.04% in the 1st half of 2021 (non annualised).

At the end of June 2021, BPI had a cumulative total of 75 M€ in unallocated impairments in the balance sheet, set up in 2020 as a precautionary measure in the context of COVID.

### **BPI maintains high capitalisation**

BPI meets by a significant margin the European Central Bank (ECB)'s minimum requirements for 2021, with the following ratios: CET1 of 14.3%, Tier 1 of 15.8%, and total capital ratio of 17.4%. The leverage ratio stands at 7.2%. The MDA Buffer - Capital buffer without limitations on results distribution - was 4.5% at the end of June 2021.

BPI meets the MREL requirements established for 1 January 2022:

- MREL to RWAs ratio of 19.8% in June 2021, versus the intermediate requirement of 19.05% set for 1 January 2022 (including the combined capital buffer requirement (CBR)). The final MREL requirement to be met from 1 January 2024 is 23.95% of RWAs (including CBR).
- MREL to LRE (Leverage Risk Exposure) ratio of 9.1%, versus the final requirement of 5.91% set for 1 January 2022.

### **Recurring operating expenses decreased by 0.6%**

BPI registered a 0.6% yoy decrease in recurring operating expenses, reflecting: a 5.9% reduction in recurring staff expenses, which benefited from the departures for early retirement and voluntary terminations in the last quarter of 2020; a 0.4% contraction in Other administrative expenses; and a 27.1% increase in depreciation and amortisation, essentially explained by investment in software and works in buildings.

The core cost-to-income improved to 56.2%, which represents a 1.8 p.p. decrease since the start of the year.

At the end of June 2021 Banco BPI had a workforce of 4 562 employees (a net reduction of 60 since December 2020). On the same date the Bank's distribution network comprised 386 commercial units, including 326 branches, 25 premier centres, 1 mobile branch, and 34 corporate centres.

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<sup>1</sup> In addition, a gain of 2.3 M.€ (reversals of impairments) was booked in December, therefore the total gain on the sale of loans came up to 25.7 M.€.

### **Recurring ROTE in Portugal at 5.9%**

Recurring return on tangible equity (ROTE) from the activity in Portugal stood at 5.9% in the last 12 months (vs 5.4% in June 2020).

### **Investment grade rating by three international rating agencies**

On 13 July 2021, Moody's upgraded the ratings of BPI and its senior LT debt from Baa3 to Baa2, with stable Outlook, and reaffirmed the LT deposits rating at Baa1, improving the Outlook on deposits to positive. Banco BPI's long-term debt is rated investment grade by the three major international agencies – Fitch Ratings (BBB+), Moody's (Baa2) and S&P Global Ratings (BBB)-, while its long-term deposits are also rated investment grade by Fitch Ratings (BBB+) and Moody's (Baa1).

These ratings attest to the Bank's adequate capitalisation, low risk profile, and comfortable liquidity position that shore up its capacity to provide support to the Portuguese economy. Moreover, the Bank counts with the support of its sole shareholder, CaixaBank, the largest financial institution in Spain.

### **DIGITAL AND MOBILE WITH STRONG EXPANSION**

#### **Digital channels account for 97% of transactions; 740 thousand digital clients, with strong growth in mobile; high satisfaction**

In the first half of 2021 BPI had a total of 740 thousand digital banking regular users. Nine out of 10 individual digital clients (1st account holders) are regular users of the BPI App (mobile), which posted an increase of 65 thousand active users in the last 12 months.

71% of sales of saving solutions, personal loans and non-financial products were initiated in the net and mobile digital channels (+8 p.p. yoy). At present, 97% of the transactions carried out by BPI's clients are made through digital channels (Net, Mobile or ATM). Every month there are 16 million logins on BPI's digital channels, 71% of which are mobile.

BPI ranks #2 in the digital channels satisfaction index for individual clients and #2 in internet and mobile banking penetration, also for individual clients<sup>2</sup>.

### **SUPPORT TO FAMILIES AND BUSINESSES**

BPI maintains its commitment to support the economy - Families and Businesses. At 30 June there remained outstanding moratoria on 3.9 Bn.€ (of which 1.6 Bn.€ only in principal and interest), corresponding to 15% of the loan portfolio.

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<sup>2</sup>BASEF (May 2021), and CSI Banks 2nd Wave 2020 – CSI Digital Channels Index (main banks)

On the same date, 98% of the Loan Moratoria were performing (loans classified in stage 1 and stage 2):

- Mortgage loans (1.5 Bn.€), 99.2% performing;
- Corporate loans (2.4 Bn.€), 97.1% performing.

At the beginning of April, moratoria on a total of 1.2 Bn.€ in loans (of which 1.0 Bn.€ in mortgage loans) came to an end. It is worth noting the good performance of loans after resuming payment obligations.

### **Credit lines**

- BPI received approximately 11 thousand applications to the COVID-19 State guaranteed credit lines, corresponding to 885 M.€ under loans contracted by BPI.

### **MORE SOCIAL COMMITMENT IN ASSOCIATION WITH "LA CAIXA" FOUNDATION**

The "la Caixa" Foundation maintains its commitment to Portugal, with a budget allocation of 30 M€ in 2021, distributed across four areas: social programmes; culture and science; research and health; education and scholarships.

Among other programmes, there stand out the BPI "la Caixa" Foundation Awards, for which the total allocation was increased to 4 M.€ in 2021, to support projects of social solidarity institutions. This programme was distinguished in the "Equality and Diversity" category of the National Sustainability Awards, an initiative of the Cofina Group, attributed this year for the first time.

In the 1st half of 2021, BPI and the "la Caixa" Foundation launched the 2nd edition of the Decentralised Social Initiative 2021 (ISD 2021) which is designed to support local social projects of non-profit solidarity institutions, through the Bank's Commercial Networks - Individuals, Companies and Institutionals. ISD 2021 is financed by 1 million euros from the "la Caixa" Foundation and relies on the collaboration of all of BPI's commercial units - branches and corporate centres - which, in all districts of Portugal and in the autonomous regions of the Azores and Madeira, can select and support local social projects.

At the end of the first half of the year, BPI, another 9 banks and more than 30 companies joined forces in the solidarity initiative *#TodosJuntos*, which raised 2.5 M.€ for food support to families in the context of the current crisis. The amount raised will enable the purchase of basic foodstuffs (milk, cereals, rice, oil, beans, pasta, tuna, etc.) and 20% of the total will go towards the purchase of urgent medicines.

BPI and the "la Caixa" Foundation, through their initiatives, contribute to all the 17 United Nations Sustainable Development Goals, in all their dimensions.

BANCO BPI, S.A.

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