

BANCO BPI'S CONSOLIDATED RESULTS FOR THE FIRST 9 MONTHS OF 2020

Porto, 3 November 2020

BPI records a good 3rd quarter, based on strong commercial activity, with strengthened capital and liquidity indicators, maintaining high credit quality, and reports consolidated net profit of 85.5 M.€.

- **Between January and September, net profit on the activity in Portugal** totalled 47.4 M.€ (-69% yoy). Recovering from the two previous quarters the 3rd quarter net profit from the domestic activity was 40.9 M.€ (-38% yoy).
- **BPI registered 100 M.€ of net loan impairments** in the first nine months of 2020, including non-allocated impairments resulting from the updated macroeconomic scenario due to COVID-19.
- **Good performance of commercial activity:**
 - **Customer deposits increased 2,271 M.€** in nine months (+9.9% ytd).
 - **Loan portfolio increased 5.4% yoy** (vs. September 2019) and 3.5% ytd.
 - **Mortgage production grew 37% yoy** to 1,252 M.€ in the first nine months of 2020. BPI attained high market share in new mortgage loan, 15.4% from January to August, and a **12.1% share in mortgage loan portfolio** (August).
 - **Corporate loan production (new loans) up 13%** from the same period a year earlier to 3,168 M.€.
 - **NPE ratio** (EBA definition) **of 1.9%**. **NPE coverage increased to 138%**, including impairments and collaterals.
 - **Strengthened capital ratios** (phasing in): **CET1 of 13.9%**, **T1 of 15.4%** and **Total Capital of 17.1%**.
- **BPI at the forefront of digital banking. Regular digital banking users exceed 700,000 customers. BPI App used by 74% of digital retail customers.**
- **Reinforced its commitment to the economic recovery and the support of customers:**
 - **108,6 thousand contracts covered by moratoria** related to **6,127 M.€ of credit**.
 - **Almost 8,000 applications for the COVID-19 public support credit lines** corresponding to **704 M.€**.
 - **3,012 M.€ of BPI Corporate credit lines** available for immediate use at the end of September 2020.

In the first nine months of 2020, BPI recorded a consolidated net profit of 85.5 M.€, of which 47.4 M.€ correspond to the net profit recorded in the activity in Portugal (-69% yoy). In the 3rd quarter the net profit in the activity in Portugal was 40.9 M.€ (-38% vs. 3rd quarter 2019).

BPI's CEO-designate João Pedro Oliveira e Costa points out that "*3rd quarter data already reflect a very positive recovery in net results, with sharp recovery in the quarter despite an adverse context. In the first nine months, the Bank's core gross income showed strong resilience, supported by the growth in net interest income (+1.4%), even against a backdrop of negative rates.*"

Up to September, BPI registered 100 M.€ of net loan impairments, including non-allocated loan impairments resulting from the updated macroeconomic scenario due to COVID-19, which largely explains the reduction in the consolidated net profit (-66% compared to the same period of 2019). The contribution of financial holdings in BFA and BCI was 38.1 M.€ during this nine-month period.

Strong commercial dynamism. Deposits and credit grow

BPI reported strong commercial dynamism despite the unfavourable economic environment, with a significant increase in deposits, growth in loans and market share gains.

Nearly double-digit growth in customer deposits

Customer deposits rose significantly by 9.9% ytd, corresponding to an increase of 2,271 M.€ since December 2019. In the last 12 months deposits grew 11.5% yoy.

Deposits represent 69% of assets and are the main source of balance sheet financing.

Assets under management decreased by 5.4% to 9,266 M.€, partly due to the transfer of resources to risk-free investments, such as deposits, and the devaluation of the funds investment portfolios due to the volatility of capital markets.

Total customer resources grew 4.6% ytd, totalling 35,954 M.€ at the end of September of this year.

Largest mortgage loan market share in 10 years

Total customer loan portfolio (gross) increased by 861 M.€ compared to December 2019 (+3.5% ytd), to 25,243 M.€, growing across the retail and corporate lending segments. In the last 12 months, the loan portfolio increased by 5.4% yoy.

The corporate and SMEs loan portfolio increased 4.3% to 9,921 M.€ from December 2019 (+6.6% yoy).

The mortgage portfolio rose 3.7% ytd to 11,803 M.€ in September 2020. New loan production increased 37% year on year to 1,252 M.€, corresponding to a market share in new loans of 15.4% (January to August). BPI market share in terms of mortgage loan portfolio increased to 12.1% in August.

The portfolio of other retail loans increased by 2.1% ytd, totalling 1,703 M.€. New consumer loans has partially recovered after the end of the lockdown, however the



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accumulated production in the 9 months (412 M.€) was 30% lower year-on-year. BPI's market share in new personal loans during the period was 12.5% (January to August).

Strong financial position

Strong financial position, low risk profile (NPE ratio of 1.9%), solid solvency position, balanced funding structure, comfortable liquidity position and investment grade ratings by Fitch Ratings, Moody's and S&P Global.

Improved asset quality. NPE ratio decreases to 1.9%

BPI maintained its positive trajectory in the Non-Performing Exposures (NPE) ratio – the best in Portugal – which fell 0.6 p.p. since the beginning of the year to 1.9% (EBA criteria), reflecting the Bank's high-quality assets. NPE coverage by impairment and collateral rose to 138%.

The Non-Performing Loan ratio (NPL, according to EBA criteria) decreased from 3.1% in Dec. 2019 to 2.3% in Sept. 2020. NPL were 139% covered by impairment and collateral at the end of September 2020.

Up to September, loan impairment net of recoveries of 100 M.€ was recorded, corresponding to a cost of credit risk of 0.38% (% of loan portfolio, not annualised). That figure includes 47.5 M.€ of non-allocated impairments resulting from the updated macroeconomic scenario due to COVID-19.

Net interest income remains resilient

Despite the negative interest rate environment, net interest income remained resilient with a 1.4% yoy increase to 330.8 M.€, supported by loan portfolio growth.

Net commissions fell 7.8% year on year to 177.5 M.€, reflecting the slowdown in economic activity, the impact of customer support measures implemented by the Bank and the evolution of capital markets, which impacted commissions from investment funds and capitalisation insurance. Commercial banking gross income in Portugal decreased by 12.3 M.€ (-2.3% yoy) to 524.2 M.€.

Very robust capital ratios

BPI stands at the end of September with strengthened capital ratios: CET1 ratio of 13.9%, Tier 1 ratio of 15.4% and total capital ratio of 17.1%. The leverage ratio stands at 7.2%. By a significant margin, BPI meets the minimum ratios required by European Central Bank (ECB) for 2020 in terms of CET1, Tier 1 and the total ratio.

In March, BPI issued 450 M.€ of senior non-preferred debt, fully subscribed by CaixaBank, with the aim of strengthening the liabilities suitable to comply with future minimum requirements for own funds and eligible liabilities (MREL).

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.

Lower core efficiency ratio stands at 59.9%

BPI recorded a 3.1% yoy decrease in operating expenses, reflecting reductions in depreciation and amortisation, due to the revision of the estimated use life of software, and in general administrative expenses. Personnel costs remained virtually unchanged.

The core efficiency ratio (cost-to-income ratio) stood at 59.9% at the end of September 2020 (last 12 months).

In September 2020, Banco BPI had 4,766 employees (-74 relative to December 2019). On the same date, the distribution network totalled 429 commercial units, including branches (365), premier centres (29), 1 mobile branch and corporate centres (34).

Recurring ROTE in Portugal at 4.3%

In the last 12 months, BPI achieved a recurring return on tangible equity (ROTE) in the activity in Portugal of 4.3%, reflecting the impact of the economic slowdown on profitability.

Rating agencies recognise the Bank's soundness

Banco BPI's long-term debt has an investment grade rating from the three international agencies – Fitch Ratings, Moody's and S&P Global Ratings - and the long-term deposits have investment grade rating from both Fitch Ratings and Moody's.

Fitch Ratings and S&P recently reaffirmed BPI's ratings (in October).

These ratings are a strong sign of the Bank's soundness and capacity to support the Portuguese economy. In addition, it has the support of its sole shareholder, CaixaBank, which will become the largest financial entity in Spain once the merger with Bankia is completed.

Successful progress in the digital transformation process

BPI at the forefront of digital banking: more digital customers, increased usage, high satisfaction and new solutions in 2020.

In the first nine months, BPI recorded 5% growth yoy in total regular digital banking users, reaching 701,000 regular users, and an increase of 68,000 active BPI App users. About 74% of digital retail customers are regular users of the BPI App (mobile).

BPI ranks #1 in the digital channels satisfaction indicator for individuals (ECSI Banca, 1st wave 2020) and #2 in internet penetration and mobile banking for retail customers (BASEF, Sept.20). In the corporate segment, BPI leads in market share in net and mobile banking and is #2 for satisfaction in this segment (DATAE 2020).

Sales in digital channels (net and mobile) of savings solutions, personal credit and non-financial products in the 9 months 2020 grew by 40% yoy.

Within the scope of customer support measures in the context of the pandemic, BPI made it easier to sign up to digital channels and expanded the contact functions between customers and managers, with a significant increase in the capacity to purchase new products and services remotely (100% digital iFactoring; BPI Drive aimed at car dealers; extension of Retirement Savings Plan offerings to digital channels; among others).



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

BPI as a reference in Responsible Banking

BPI Asset Management with highest rating in the United Nations PRI

The United Nations' Principles for Responsible Investment awarded BPI Asset Management, of the CaixaBank Group, the highest rating (A+) in Strategy and Governance, in recognition of the entity's firm commitment to incorporating environmental, social and governance (ESG) criteria into investment decisions. The international organisation praised BPI Asset Management for the degree to which it has implemented the Principles for Responsible Investment (PRI), specifically within the scope of Strategy and Governance.

Only one third of all PRI signatories worldwide achieved this rating, and only one in ten entities that signed the commitment in 2019, as was the case with BPI Asset Management, achieved it.

BPI: first bank to obtain "COVID Safe" certification from APCER

BPI was the first bank to obtain the "COVID Safe" designation, awarded by the Portuguese Association of Certification (APCER), following an audit. This verification ensures that the Bank complies with the official protection and surveillance measures required to obtain the "COVID Safe" designation, based on the guidelines of the Directorate-General of Health (DGS), the Authority for Working Conditions (ACT) and the International Labour Organisation (ILO) to prevent COVID-19 contagion risks.

The "COVID Safe" verification audit applies to BPI's facilities, including the Commercial Network (Branches, Corporate Centres and Premier Centres) and Central Buildings. This recognition facilitates a growing trust on the part of employees, customers and stakeholders, while also demonstrating BPI's commitment and respect for the safety and health of all in the current context of a gradual return to face-to-face work and the reopening of the economy.

During the lockdown, the Bank always kept about nine out of every 10 branches in operation. At the end of September, 24% of BPI's overall workforce was working remotely: 48% in central services and 5% in the distribution network.

Strengthened commitment to economic recovery and customer support

Since the beginning of the crisis, BPI has developed significant activity to support the economy – families and companies. *"Banks are justly recognised for the role they have played in this pandemic, ensuring the maintenance of services without disruptions and with new facilities, avoiding additional concerns for Portuguese citizens in very challenging times. Sound banks are a fundamental pillar for the Portuguese economy's recovery. Customers at branches all over the country have recognised this. We must continue to carry out our activity well and rigorously," emphasises João Pedro Oliveira e Costa.*

Credit Moratoria

- **108,600 contracts covered by moratoria** corresponding to **6,127 M.€ in credit**:
 - mortgage loans, 2,721 M.€.
 - personal credit and car financing, 388 M.€.
 - corporate lending, 3,018 M.€.

Credit lines

- **BPI received about 8,000 applications for the COVID-19 public support credit lines corresponding to 704 M.€** in credit signed by BPI and credit approved or under analysis by MGS (mutual guarantee schemes).
- **3,012 M.€ of BPI Corporate credit lines** available for immediate use at the end of September 2020.

Support for society – BPI and "la Caixa" Foundation

In the social area, BPI and "la Caixa" Foundation have been implementing all their programmes planned for 2020, which have a total budget of 30 M.€.

*"It is in these challenging times for the country that banks must play even more of a socially responsible role, something that BPI has always done with its social programmes, reinforced in recent years with the collaboration of the "la Caixa" Foundation. I would like to mention that "la Caixa" redistributes to society the dividends it receives from the CaixaBank Group, to which Banco BPI belongs. The work of "la Caixa" Foundation and many BPI volunteers really changes the lives of many institutions and people in vulnerable situations in Portugal, especially at such a critical moment," says **João Pedro Oliveira e Costa**.*

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

With 26 completed editions over the last ten years, these awards have delivered approximately 17.3 M.€ to implement 591 social inclusion projects in Portugal. The supported projects have already helped over 138,000 Portuguese citizens.

BPI and "la Caixa" Foundation established a collaboration agreement to develop social and cultural projects in Portugal after BPI became part of the CaixaBank Group.

BANCO BPI, S.A.

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