



Annual Report **2017**

banco**ctt**

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# 1. *Information on Banco CTT*

## **Banco CTT, S.A.**

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Sole registration and taxpayer number with the Commercial  
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**bancocctt.pt**

(hereinafter “Bank”, “Banco CTT” or “Company”)

## Chairman's Statement

**Francisco de Lacerda**

Chairman of the Board of Directors

In 2017, the first complete year in Banco CTT's activities, the Bank's position in the national market solidified. Following 2015's soft opening and 2016's market launch, 2017 saw a very positive evolution in Banco CTT's commercial acceptance and the strengthening of its offer.

We are gradually taking our place in Portuguese banking, not only through the CTT brand, but also through the dedication of everyone involved in this project. Despite such a short period of activity, the trust the Portuguese have in Banco CTT has been clearly shown in the growing number of accounts, which more than trebled to 226 thousand as compared to 2016, and in the significant increase in deposits to more than 619 million euros.

We also reached another very important milestone this year: Banco CTT launched mortgage lending, thereby completing our retail offer to the general public. It is a competitive offer, characterised by its simplicity and is being well accepted by the market. More than 65 million euros in mortgage loans were granted from March to December.

Despite the positive evolution in operating income from 0.6 million euros to 6.4 million euros in 2017, it is crucial that the Bank increasingly continue to grant credit and launch new services in order to generate additional revenue and increase profitability. Banco CTT has maintained rigorous cost and investment control, but, as planned and duly disclosed, has not yet reached breakeven.

My congratulations to the team behind this project, in whose abilities I trust. As one of the group's growth drivers, the Bank has an extremely important role in CTT's strategy and is therefore critical to its future development.

We remain highly invested in building a Bank "like others but different from the rest".

My thanks to all those who have contributed to the success of this bank.

6 March 2018



## CEO's Statement

**Luís Pereira Coutinho**  
Chief Executive Officer

If the highlight of 2016 was the opening of 52 branches at once to the general public, in 2017, Banco CTT's first complete year of operation, it was the launch of Mortgage Lending.

Banco CTT's Mortgage Lending, for those intending to purchase or move home, is a solution designed to be as simple as possible, with a fast and personalised application process that can be monitored by customers easily and conveniently through the App Casa BCTT.

Throughout 2017, trust and proximity between the Bank and its customers has been reinforced, both through the retail network of 208 branches, and the digital channels (homebanking and the mobile app). This explains the extraordinary growth in the number of accounts to more than 226 thousand, in deposits to 619 million euros at the year end and the significant rise in consumer credit intermediation.

The achieved results show that, despite fierce competition, it is possible to create a useful and desirable banking offer for the public by adhering to principles of solidity, simplicity and transparency. A retail value proposal free from inappropriate costs, easy to understand and accessible to all.

Investment in infrastructure and IT systems, which exceeded 4 million euros in 2017, is an essential pillar for developing a flexible technological architecture prepared to face the various market and regulatory hurdles. This is the basis of Banco CTT's future development.

Team expansion and training remained a priority, in line with the Bank's growth strategy. The Bank is committed to developing the skills of its Employees', which numbered 191 at the year end, and pursued this goal by stipulating a medium-term Training Plan, which included more than 5,500 hours of training in 2017 alone.

We also continue to reinforce our organisational, risk control, commercial ambition and professional standards culture, by promoting various initiatives centred around 6 axis: the External Client, Internal Communication, Cooperation and Trust, Procedures, Leadership and Engagement.

In parallel and with the participation of a strong and committed in-house team, we carried out our first Corporate Social Responsibility project with the more vulnerable communities of the Moscavide area.

Pursuant to the regulatory guidelines, governance remained robust and appropriate to the Bank's size and to the partnership on which its retail physical distribution model is based.

On behalf of the Executive Committee and my staff, I share in the sentiment of enormous recognition to all those that arduously work for this challenging Project within the great Banco CTT and CTT team, which works hand in hand and has contributed so much to the gradual recognition of Banco CTT as a reference in the banking sector.

A note of appreciation to the Regulatory Authorities, in particular to the Bank of Portugal, that have monitored the Bank's activity with skill and rigour.

I would further like to highlight the strong involvement and support of the Bank's sole shareholder and main partner, CTT. Buttressed by its nearly five centuries worth of proximity, which we too wish to uphold, it has supported us on a daily basis in developing Banco CTT and pursuing its new initiatives.

6 March 2018

# Key Figures

## Results

The results attained in 2017 for the first full year of operation show an important reinforcement of commercial capacity, which translated into operating product growth, while maintaining control of both risks and costs, in a year where new products were developed and there was a continuous investment in empowering the human and technological structure.

At the end of 2017, Banco CTT had negative net earnings of 21,302 thousand euros and negative pre-tax earnings of 27,073 thousand euros.

Banco CTT's net interest income was 3,390 thousand euros, a year-on-year increase influenced by growth in credit and financial investments, despite the current market context of low interest rates across the entire financial sector.

Net commissions were 3,047 thousand euros, compared to the year-on-year amount of 421 thousand euros. Revenue from consumer credit, car credit and credit card agreements entered into at Banco CTT Branches, in the amount of 1,073 thousand euros, and insurance mediation commissions, in the amount of 1,011 thousand euros, contributed greatly to this figure.

Thereby, operating income in 2017 were at 6,440 thousand euros, compared to the year-on-year amount of 624 thousand euros.

Operating expenses were 33,320 thousand euros, thereby validating the Bank's efficiency improvement strategy, and included personnel costs (12,195 thousand euros) for the Bank's team expansion, which was mainly in the commercial areas; general and administrative expenses (18,423 thousand euros), including technological implementation and development expenses, advertising and communication expenses for the new mortgage loan product; and amortisations and depreciations (2,702 thousand euros).

## Balance Sheet

As at 31 December 2017, the Bank's assets totalled 720,792 thousand euros (31 December 2016: 318,634 thousand euros), financed in 76,389 thousand euros by equity (2016: 57,654 thousand euros) and 644,403 thousand euros by debt (2016: 260,980 thousand euros).

The most significant changes to the Bank's balance sheet structure as compared to 31 December 2016 were the increase in deposits from customers (+365,285 thousand euros) and in share capital (+40,000 thousand euros). These changes fundamentally reflect the increase in the securities portfolio (+165,759 thousand euros) and in deposits and investments at credit institutions (+113,795 thousand euros).

Regarding loans and advances to customers, it was at 79,347 thousand euros on 31 December 2017, of which 66,145 thousand euros is related to Mortgage Lending launched in the first quarter of 2017.

Deposits from customers reached 619,230 thousand euros at the end of 2017, with 408,639 thousand euros under current accounts, 210,590 thousand euros as time deposits and savings accounts, showing Banco CTT's retail network's strong ability to attract resources.

The Transformation Ratio was therefore 13% in 2017 (3% in 2016), which reflects the continued rise in the Bank's ability to grant credit.

## Indicators

		(amounts in euros)			
		2017	2016	Δ Abs	Δ %
<b>Results</b>	Net Interest Income	3,390	26	3,364	...
	Operating Income	6,440	624	5,816	932%
	Operating Expenses	(33,320)	(27,607)	(5,713)	21%
	Impairment and Provisions	(194)	(21)	(173)	824%
	Taxes	5,772	5,566	206	4%
	Net Income	(21,302)	(21,439)	137	1%
<b>Balance Sheet</b>	Total Assets	720,792	318,634	402,158	126%
	Deposits and investments at credit institutions	278,887	165,092	113,795	69%
	Financial Investments (securities)	267,301	101,542	165,759	163%
	Loans and advances to customers (net)	79,347	7,104	72,243	1017%
	Intangible Assets	21,000	18,456	2,544	14%
	Deposits from Customers	619,230	253,945	365,285	144%
	Total Liabilities	644,403	260,980	383,423	147%
	Total Equity	76,389	57,654	18,735	32%
<b>Business</b>	No. of Branches opened	208	202	6	3%
	No. of Accounts	226,001	74,135	151,866	205%
	No. of Credit Cards (stock)	49,454	8,285	41,168	497%
<b>Profitability and Efficiency</b>	Transformation Ratio	13%	3%	10%	333%
	Cost-to-Income	517%	4,427%	...	...
	Gross Return on Assets (ROA)	-3%	-7%	4%	-57%
	Gross Return on Equity (ROE)	-28%	-37%	9%	-24%
<b>Capital and Liquidity</b>	Own Funds	55,384	39,198	16,186	41%
	Risk Weighted Assets (RWA)	208,988	89,645	119,343	133%
	Common Equity Tier 1 (fully implemented)	26,5%	43,7%	-17,2%	-39%
	LCR	2,925%	2,572%	353%	14%



Brief Summary of the Year and Main Highlights

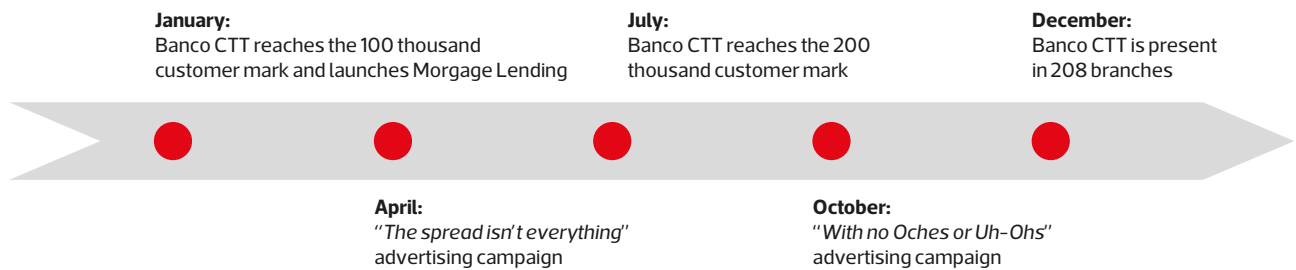
At the end of 2017, Banco CTT reached a new hallmark, its first full year of operation, with more than 20 months since it opened to the public in March 2016. Banco CTT is present in the entire country with more than 208 branches and has earned the trust of nearly 285 thousand clients, through the opening of 226 thousand current accounts.

The focus on simplifying the daily lives of the Portuguese and the diversification of the Bank’s offer in 2017, namely by launching Mortgage Lending, has enabled Banco CTT to reinforce the trust and proximity that ties it to its clients. This can be seen in the continuous growth of the banking operations, namely deposits in excess of 619 million euros, 409 million of which are held in current accounts. We also highlight the success of the Cetelem partnership through which Banco CTT offers Credit Cards, wherein more than 49 thousand cards have been issued, and intermediates Consumer and Car Credit, which is available both at Branches and on the Bank’s website and whose available credit volume surpassed 36 million euros in 2017.

In the 4th quarter of 2017, Banco CTT continued to reinforce its focus on Mortgage Lending by launching a new advertising campaign that ended on 26 November and was disseminated across various media platforms, namely television, radio, billboards, online and in store communication, with the motto “Mortgage Lending with no Ouches or Uh-Ohs”. The campaign emphasised the reduced spread, simple access conditions and cost transparency with no need to commit to extra products. The amount of credit granted to customers at the end of 2017 totalled nearly 79 million euros.

Banco CTT aims to offer its clients accessible, convenient, trustworthy and innovative services. Therefore, in 2018, we intend to continue pursuing the strategy of simplicity, transparency and competitiveness throughout our offer, in order to grow in terms of clients, resources and granted credit, thereby solidifying Banco CTT’s presence and enhancing growth in the Portuguese banking sector.

- January 2017: with 9 months of operation, Banco CTT reached the 100 thousand customer mark.
- January 2017: Banco CTT launched Mortgage Lending, with a simple low-cost solution for those intending to purchase or move home, while maintaining the value associated with Banco CTT’s launch – an accessible, understandable and useful offer.
- February 2017: launch of the 203rd branch in Fatima.
- April 2017: Banco CTT launched a multimedia advertising campaign with the messages “The spread isn’t everything” and “When you buy a home, look at the big picture. At Banco CTT you can pay less.” The campaign’s goal was to make the Portuguese public aware of the bank’s most recent product, as well as to instil curiosity about its terms and benefits.
- April 2017: Banco CTT was authorised by the Regulator for Insurance and Pension Funds (ASF) to present its clients with insurance products, allowing it to offer Life Insurance, Multi-risk Home Insurance and Health Insurance.
- April 2017: share capital increase of 25 million euros, to 125 million euros.
- April 2017: Banco CTT launched a Mobile App, “BCTT Home App”, to monitor the mortgage lending process. This app allows customers not only to see the real time status of their application, but also notifies them of any status changes, while also allowing them to upload documents without having to head out to a Banco CTT Branch.
- July 2017: at a rate of 700 new customers a day in 2017, Banco CTT reaches the 200 thousand client mark.
- October 2017: opening of 5 branches (Valença, Castelo da Maia, Lagoa, Olhão and Sines), thereby reaching the 208 branch mark.
- October 2017: Banco CTT launched the multimedia advertising campaign with the motto “Mortgage Lending with no Ouches or Uh-Ohs” in order to advertise the Mortgage Lending product and highlight the reduced spread, simplified application process and cost transparency associated thereto.



Corporate Bodies and Management

Board of the General Meeting

Chairman:  
Maria da Graça Farinha de Carvalho e Sousa Góis

Secretary:  
Magda Alexandra Jesus Viçoso

Board of Directors<sup>1 and 2</sup>

Chairman:  
Francisco José Queiroz de Barros de Lacerda

Members:  
Luís Maria França de Castro Pereira Coutinho  
Luís Miguel Agoas Correia Amado  
João Maria de Magalhães Barros de Mello Franco  
Pedro Rui Fontela Coimbra  
José Manuel Gonçalves de Morais Cabral  
Rui Afonso Galvão Mexia de Almeida Fernandes  
Clementina Maria Dâmaso de Jesus Silva Barroso  
António Pedro Ferreira Vaz da Silva<sup>3</sup>  
António Emídio Pessoa Corrêa d’Oliveira<sup>4</sup>

Executive Committee

Chairman:  
Luís Maria França de Castro Pereira Coutinho (CEO)

Members:  
Luís Miguel Agoas Correia Amado (COO)  
João Maria de Magalhães Barros de Mello Franco (CCO)  
Pedro Rui Fontela Coimbra (CFO)

Audit Committee

Chairman:  
José Manuel Gonçalves de Morais Cabral

Members:  
Rui Afonso Galvão Mexia de Almeida Fernandes  
Clementina Maria Dâmaso de Jesus Silva Barroso

Statutory Auditor

Statutory Auditor:  
KPMG & Associados, SROC, S.A., represented by Vítor Manuel da Cunha Ribeirinho

Alternate Statutory Auditor:  
Maria Cristina Santos Ferreira

<sup>1</sup> The Members of the Board of Directors in office as at the present date and 31 December 2017 are set out below.  
<sup>2</sup> The Director André Manuel Pereira Gorrão de Andrade Costa carried out duties during the 2017 financial year and tendered his resignation as Non-Executive Member of Banco CTT’s Board of Directors on 19 December 2017, effective 31 January 2018.  
<sup>3</sup> Appointed Non-Executive Member of the Board of Directors by way of a General Meeting resolution of 1 September 2017.  
<sup>4</sup> Appointed Non-Executive Member of the Board of Directors by way of a General Meeting resolution of 1 September 2017.

Executive  
Committee



**Luís Correia Amado**  
**COO**



**João Mello Franco**  
**CCO**



**Luís Pereira Coutinho**  
**CEO**



**Pedro Coimbra**  
**CFO**



Corporate Governance

Banco CTT has adopted the Anglo-Saxon governance model and its corporate body members were appointed by the General Meeting for the term of office underway (2015/2018).

This model entails a Board of Directors, an Audit Committee (integrated therein and comprised of Non-Executive Directors, especially appointed by the General Meeting) and a Statutory Auditor (effective and alternate).

Two further committees were created: a Selection Committee, elected by the General Meeting, with powers over the selection and adequacy assessment of corporate body members and key function holders, pursuant to the selection and adequacy assessment policy for management and supervisory body members and key function holders (available on the Bank’s website at [www.bancoctt.pt](http://www.bancoctt.pt)) and a Salary Committee, elected by the General Meeting, with powers to stipulate Director remuneration.

In turn, the Board of Directors delegated day-to-day management powers to the Bank’s Executive Committee, pursuant to article 407 of the Portuguese Companies Code.

This governance structure also has a Remuneration Committee within the Board of Directors, in line with Bank of Portugal Notice 10/2011.

Therefore, the Bank’s Board of Directors, in office as at 31 December 2017, was made-up of 11 Directors, including 7 Non-Executive Directors (including the Chairperson, who is also the Chairman of the Salary Committee, and 3 Independent Directors) and 4 Executive Directors (including the CEO), with the following management organization:



<sup>1</sup>André Manuel Pereira Gorjão de Andrade Costa tendered his resignation as Non-Executive Member of the Board of Directors on 19 December 2017, effective 31 January 2018.  
<sup>2</sup>Appointed Non-Executive Member of the Board of Directors by way of a General Meeting resolution of 1 September 2017.  
<sup>3</sup>Appointed Non-Executive Member of the Board of Directors by way of a General Meeting resolution of 1 September 2017.

For further detail on corporate body composition and Banco CTT’s governance model and practices, please see the Corporate Governance Report below.

Because it is part of the CTT Group and because CTT – Correios de Portugal, S.A. (“CTT”), as an issuer of shares admitted to trading on the regulated market, has adopted a significant number of the recommendations issued by the Portuguese Securities Commission (PSCoM) under its Corporate Governance Code, Banco CTT has benefitted from the CTT Group’s best governance practices, as implemented throughout various financial years. It has also contributed toward the improvement of those practices within the CTT Group. Case in point is CTT’s and its Subsidiaries’ Code of Conduct, which reiterates its Mission, Vision and Values, while adopting best conduct practices in line with the financial sector benchmark.

Pursuant to article 17 of the Legal Framework of Credit Institutions and Financial Companies (LFCIFC), Banco CTT has solid corporate governance mechanisms that are thorough and proportional to its nature, level and institutional complexity and that include:

- A clear organizational structure, with well defined, transparent and consistent lines of responsibility;
- Effective processes to identify, manage, control and report risks it is or may become exposed to;
- Adequate internal control mechanisms, including solid administrative and accounting procedures, as well as remuneration policies and practices that promote and are consistent with sound and prudent risk management.

The governance practices and principles described above were therefore joined by a solid organizational structure where the Bank’s control duties stand out and, in the case of Banco CTT, allowed the following goals to be attained:

- Ensure the Bank’s operational capacity based on adequately sized human, material and technical resources;
- Ensure the provision of banking services to customers via multiple-employer staff in CTT’s Retail Network, after such staff has completed a rigorous training programme. Such staff has the support and supervision of Bank employees with prior banking experience;
- Leverage the CTT structure for non-core duties (mainly as regards shared services);

- Create a “controlled environment” adapted to Banco CTT’s specificities and based on the institution’s Code of Conduct, internal control and risk management procedures and policies, as well as by an internal organization founded on three lines of defence.

Economic Framework

International Economy

The IMF’s forecasts for the world economy indicate an increased growth rate in 2017 (3.7%, as compared to 3.2% in 2016). This development is the result of the joint effect of the increased growth rate both in advanced economies (2.3% in 2017, as compared to 1.7% in 2016), as well as in emerging and developing market economies (4.7% in 2017 and 4.4% in 2016).

The growth rate in the U.S. was 2.3% in 2017, mainly due to improved private investment and a recovery in exports. The growth rate in the United Kingdom decelerated (1.7% in 2017, as compared to 1.9% in 2016), due to the deceleration in household expenditure. The economies in emerging markets accelerated and continued to benefit from accommodative financing conditions and, in the case of raw material exports, from the rise in those prices at the end of 2016. Although China grew 6.8%, the credit growth rate there raises some concern for medium-term financial stability. In the Eurozone, the GDP grew to 2.4% due to acceleration in exports, which reflects a solid external demand originating in world economic recovery. Investment was more moderate, although financing conditions remained favourable and the ECB continued pursuing its accommodative approach to monetary policy. Private consumption continued to grow moderately, benefitting from improved labour market conditions and progress in reducing household debt. As one of the largest economies in the Eurozone, Spain registered the strongest growth in 2017 at 3.1%, followed by Germany (2.5%), France (1.8%) and Italy (1.6%). World trade grew robustly in 2017 at 4.7%, as compared to 2.5% in 2016.

In average annual terms, the price of oil had a year-on-year growth of more than 20% in 2017, thereby breaking the downward trend registered in the 2013–2016 period.

In the context of contained inflationary pressure and negative output gaps in most advanced economies, monetary policy was expansionist in 2017, especially in the Eurozone, Japan and the United Kingdom. On the other hand, in the U.S., following the initial monetary policy normalisation at the end of 2015, the Federal Reserve decided to increase federal interest rates three times in 2017, in March, June and December. The ECB’s Council decided to extend the asset purchase programmes launched in recent years until September 2018 and left the reference interest rates unchanged, thereby leaving them at historically low levels.

Short-term interest rates in the Eurozone fell throughout 2017, renewing historically low levels, with 3-month Euribor at, on average, -0.33% in 2017 (0.26% in 2016). In 2017, the Euro's effective exchange rate appreciated.

In a prospective analysis, the ECB expects world economic growth to remain generally stable. The forecast for advanced economies indicates sustained growth, with a slight slowdown over the next years. In emerging economies, the forecast is more dynamic, due to the slow strengthening of activity in countries that export raw materials, in particular Brazil and Russia, and resilient growth in India and China, despite the expected deceleration in the latter country. According to the projections, the world growth rate (excluding the Eurozone) will be between 3.7% and 3.9% until 2020.

#### National Economy

According to the National Institute of Statistics' National Quarterly and Preliminary Annual Accounts for 2017, GDP grew 2.7% in 2017 (1.6% in 2016). Domestic demand's contribution to GDP growth rose to 2.9 p.p. (1.6 p.p. in 2016), reflecting mainly the 8.4% acceleration in investment (0.8% in 2016), while private consumption grew slightly from 2.1% to 2.2%. The evolution in investment mainly reflects the 9% growth in Gross Fixed Capital Formation (GFCF) (1.5% in 2016), with GFCF in construction contributing the most to the GFCF's total growth, with an increase of 9.2% (after having fallen 0.3% in 2016). Net external demand went from a null contribution in 2016 to -0.2 p.p. in 2017, with a 7.9% growth in both the export of goods and services and in the import of goods and services (4.4% and 4.2% in 2016, respectively). In nominal terms, the External Balance of Goods and Services represented 1.0% of GDP (1.1% of GDP in 2016), with slightly worse terms of trade.

Inflation, measured by the growth rate of the Harmonised Consumer Price Index (H CPI), greatly increased in 2017 to 1.6%, after a 0.6% rise in 2016. Both the energy and non-energy components contributed to price acceleration in 2017 (namely the significant growth in prices for services in tourism-related activities).

In 2017, the labour market improved, with total employment increasing 3.3% (1.6% in 2016), greater than GDP growth, and a lower unemployment rate of 8.9% (11.1% in the previous year).

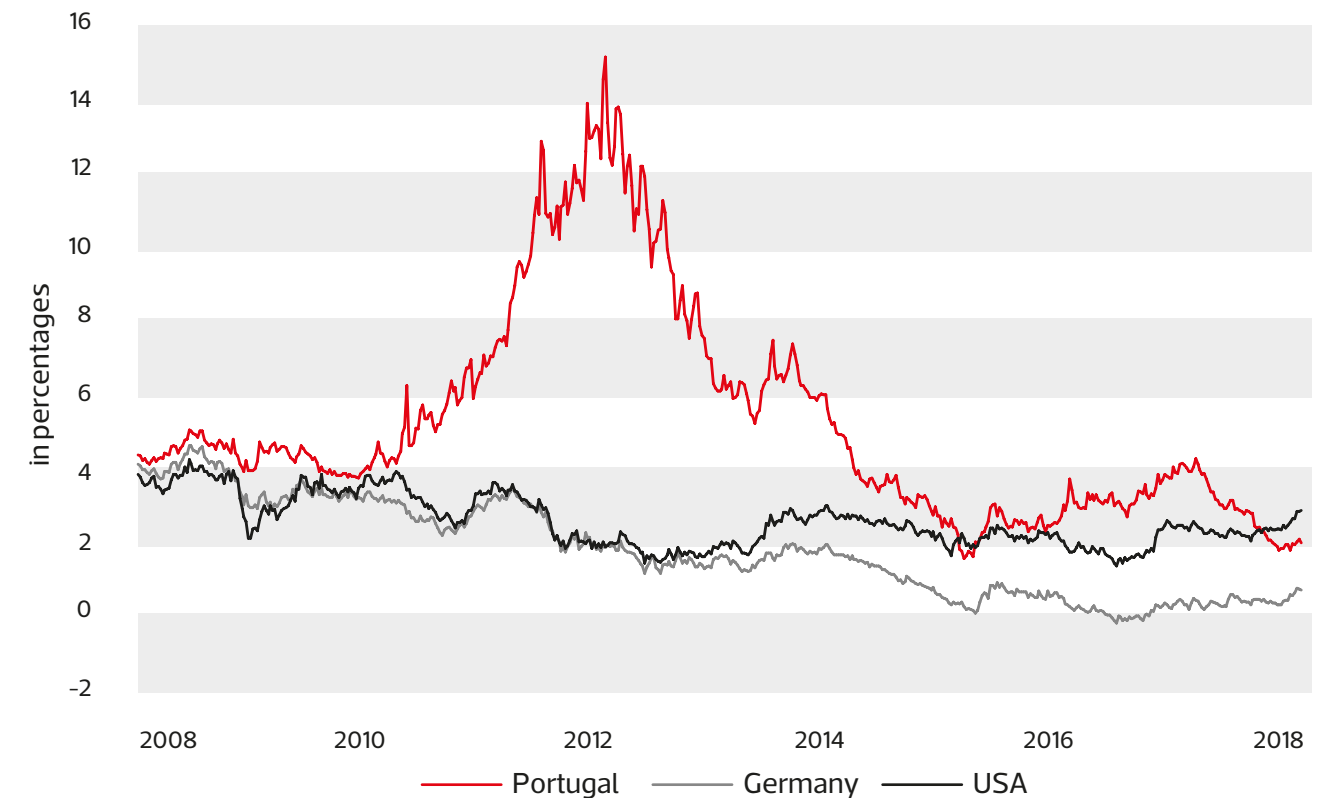
In June 2017, the Council of the European Union decided, following a recommendation from the European Commission, to close the excessive deficit procedure, which Portugal had been under since 2009. In the aftermath of that decision, Portugal's budget has been analysed under the preventive arm of the Stability and Growth Pact. For 2017, the general government deficit should be -1.4% of GDP, 0.1 p.p. of GDP below the target set by the 2017-2021 Stability Programme and the 0.2 p.p. of GDP below the 2017 State Budget. This fall was due to the rise in revenue, on the one hand, namely the rise in revenue from taxes on production and imports, especially value added tax (VAT), and welfare contributions and, on the other hand, the fall in expenditure, namely less expenditure on welfare payments (due to a drop in unemployment) and public debt interest.

#### Financial Markets

2017 was marked by greater economic growth in the Eurozone than expected, with real GDP growth of 2.4%<sup>1</sup>, as compared to the initial 1.7% forecast<sup>2</sup>. Real GDP growth in the Eurozone is expected to remain stable, with a forecast of 2.3%<sup>1</sup> for 2018, due to improvements in the labour market, continued global economic recovery and favourable financing conditions, namely low interest rates due to stability and continuity in the ECB's monetary policy, which will allow private consumption and investment to remain stable.

With a favourable macroeconomic framework, the sentiment in the financial markets remained strong in advanced economies, with gains in shareholder markets and a new fall in price volatility. The European Central Bank (ECB)<sup>1</sup> estimates that short-term interest rates, as measured by 3-month Euribor, will be at the average level of -0.3% in 2017 and 2018, -0.1% in 2019 and 0.1% in 2020. Market expectations for nominal yields on 10-year public debt bonds in the Eurozone entail an average level of 1.1% in 2017 and 2018, 1.4% in 2019 and 1.7% in 2020.

#### TB yield evolution (10 years)



Source: Bloomberg

Currently, reference interbank interest rate levels continue to reflect the stability in monetary policy, namely as regards the ECB's asset purchase programme. Interest rates remain unchanged since March 2016, with the permanent deposit facility rate at -0.40%<sup>3</sup>, the rate of main refinancing operations at 0%<sup>3</sup> and the marginal lending rate at 0.25%<sup>3</sup>.

Budget policy is expected to remain unchanged, with deficit and public debt ratios showing a downward trajectory due to improved cyclicity and reduced interest payments. The public debt ratio vis-à-vis GDP is expected to maintain its downward trajectory, based on the favourable differential between the interest rate and growth rate and the primary surplus.

As regards the prices of raw materials, the forecast is that the price of the barrel of Brent crude oil will rise from USD 54.3 in 2017 to USD 61.6 in 2018. The average exchange rate is expected to go from USD 1.13 per euro in 2017 to USD 1.17 per euro in the 2018-2020 period. Recent rises in oil prices and the prices of non-energy raw materials, as well as increased global inflationary pressures indicate an upward trajectory for global inflation, which is expected to be, on average, 1.5% in 2017, 1.4% in 2018, 1.5% in 2019 and 1.7% in 2020.

<sup>1</sup>ECB, Eurosystem: Macroeconomic projections for the Eurozone prepared by Eurosystem specialists – December 2017

<sup>2</sup>ECB, Eurosystem: Macroeconomic projections for the Eurozone prepared by Eurosystem specialists – December 2016

<sup>1</sup>ECB, Eurosystem: Macroeconomic projections for the Eurozone prepared by Eurosystem specialists – December 2017

<sup>2</sup>ECB, Eurosystem: Macroeconomic projections for the Eurozone prepared by Eurosystem specialists – December 2016

<sup>3</sup> Bank of Portugal, Portuguese Banking System. Recent Developments – 3rd quarter 2017

	December			
	2017	2018	2019	2020
3-month EURIBOR (as a percentage per year)	(0.3)	(0.3)	(0.1)	0.1
Yields for ten-year public debt bonds (as a percentage per year)	1.1	1.1	1.4	1.7
Oil Price (USD/barrel)	54.3	61.6	58.9	57.3
Prices of non-energy raw materials, in United States dollars (annual growth, as a percentage)	7.9	3.3	3.4	4.3
USD/EUR Exchange rate	1.13	1.17	1.17	1.17
Actual nominal exchange rate for the Euro (TCE 38) (annual growth, as a percentage)	2.2	2.8	-	-

Source: ECB, Macroeconomic projections for the Eurozone prepared by Eurosystem specialists – December 2017.

Save for the United Kingdom, which is in the process of leaving the European Union (so called Brexit), developed economies have revised their short-term growth forecasts upwards. Greater external demand and slightly lower long-term interest rates also led to upward revisions of growth forecasts for 2018 and 2019.

The feeling of confidence in the financial markets is expected to hold-up throughout 2018, weighted in prudent and conservative economic and monetary policies on both sides of the Atlantic. Two big risks shall nonetheless be present: on the positive side, the advancing fiscal stimulation plan in the U.S. and, on the negative side, the advance and consequences of Brexit.

Portuguese Banking System

Within a favourable context, both as regards macroeconomic conditions in Portugal and conditions in the international financial markets, 2017 was a positive year for the Portuguese banking system, insofar as it was able to reinforce its ability to regularly carry out its role of financial intermediation. There was a significant drop in non-performing loans (NPL), in terms of nominal value and as a percentage of loans, and a recovery in returns, despite short-term effects from operational adjustment procedures in some institutions, as regards personnel costs. The demonstrated ability to reinforce prudential capital ratios is also noteworthy.

Various developments have contributed to normalising the banking sector, namely corporate governance changes in Millennium BCP and Banco Português de Investimento (BPI), capital reinforcements in Caixa Geral de Depósitos (CGD), Millennium BCP and Caixa Económica Montepio Geral (CEMG), maturity extensions on loans to the resolution fund and the closing of the sale of Novo Banco in the last quarter of the year.

The asset reduction trend has been maintained, following both a drop in international activity and the capitalisation of certain institutions. As compared to the first semester of 2010, when it peaked, assets fell by nearly 27.3% <sup>4</sup> in the first semester of 2017. In general, the customer loan portfolio shrank (-1.4%<sup>4</sup> in the first semester), while the debt securities portfolio grew (+1.5%<sup>4</sup> in the first semester), made-up essentially of securities issued by Government entities, especially Portuguese treasury bonds. However, a recent trend has been noted, whereby the weight of treasury bond portfolios in Spain and Italy has increased.

In terms of financing assets, there was a rise in the amount of customer deposits and a drop in the weight of liabilities represented by securities. The evolution in retail deposits should be read in the light of low interest rates on new deposit transactions, thereby encouraging the channelling of resources to alternative, real estate and financial investments. Savings products issued by the State with yields greater than those of deposits are worthy of note. The transformation ratio, defined by the quotient between loans (net of impairments) and client deposits, fell 1.9 p.p. <sup>4</sup> in the first semester of 2017 as compared to the end of 2016, arriving at 93.6%. As compared to June 2010, the ratio fell nearly 65 p.p.<sup>4</sup>. Financing obtained from central banks rose by 3%<sup>4</sup> in the first semester of 2017, mainly due to long-term refinancing operations (LTRO). As for interbank financing (net of investments and funds in other credit institutions) fell 3.7%<sup>4</sup> in the first semester of 2017.

In terms of liquidity, levels remain comfortable and higher than the regulatory requirements. In the first semester of 2017, the liquidity coverage ratio (LCR) in the banking sector was 185%, which is a 31 p.p. increase as compared to the end of 2016. This essentially reflects the increase in the liquidity buffer and the slight fall in the exit of net funds. The liquidity buffer is mainly made up of public

debt securities, funds in central banks and cash. The ratio observed in the banking sector is greater than the minimum requirement of 100%, applicable as of 1 January 2018.

As regards returns in the Portuguese banking system, the results were again positive in the first semester of 2017, mainly due to a fall in costs with impairments and provisions, in particular credit impairments, and the stabilisation of financial margins that, together with a trend to reduce assets, contributed to improved return on assets (ROA). In the context of stabilised personnel costs and amortisations for the financial year, operational costs continued to fall, with a fall in general and administrative expenditure (representing nearly 35%<sup>5</sup> of total operating costs) and stabilised personnel costs (representing nearly 58%<sup>5</sup> of total operating costs) influenced by non-recurring expenses associated with restructurings in some institutions. In the first semester of 2017, the level of operational efficiency in the Portuguese Banking System saw a year-on-year improvement, reflected in a 1.4 p.p.<sup>5</sup> fall in the cost-to-income ratio, to 60.5%<sup>5</sup>.

Less interest was generated from transactions with customers due to the decrease in the credit portfolio, accompanied by a fall in implicit interest rates on loans. On the other hand, there was a fall in interest expenses, due to lower costs from customer deposits, in the retail segment in particular, in addition to the reduced interest payments on securities issued by institutions. The spread for customer transactions, in domestic activity, increased slightly, due to a fall in the average cost of deposits, which was greater than the fall in the implicit interest rate on loan balances to the resident non-financial private sector.

Solvability levels remained on their trajectory of reinforcement in the first semester of 2017, with the Portuguese banking sector's Common Equity Tier 1 (CET 1) capital ratio at 13.2%, taking into account the transitional provisions in EU Regulation no. 575/2013 (Capital Requirement Regulation – CRR). Portuguese institutions are expected to generally comply with the minimum 3% leverage ratio requirement, which should become effective in 2018 in light of the Basel III accord. This is because the leverage ratio is generally quite higher than this minimum amount, even under the more demanding capital Tier 1 definition (fully implemented).

Despite the present recovery, the Portuguese banking system will continue to face regulatory, operating and competitive hurdles. On the one hand, there are various requirements that must be complied with as regards capital and liquidity and, on the other hand, competition is expected to increase in some banking activity segments, namely in the expanding offer driven by technological

innovation inherent to the new Payment Services Directive 2 (PSD2)'s coming into force. The availability of new ways to provide financial services through digital platforms, despite their residual presence in the Portuguese banking services and payment markets, poses a challenge to traditional financial institutions to generating returns by providing services. But, additionally, growing technological innovation may enable the expansion of the customer base and lead to the creation of new products and financial services, in addition to allowing efficiency gains in information management and analysis.

In the next years, the goal is to return to profit levels that allow shareholders to be remunerated and to enhance access to the financial markets. The evolution of the international macroeconomic and financial climate will be decisive in this regard, in particular the ECB's monetary policy decisions, which may have an important impact on institutions' ability to generate levels of revenue greater than in recent years. In terms of regulation, we should mention the possible need for institutions to access the financial markets to issue securities capable of absorbing losses (minimum capital requirements and eligible liabilities, MREL), with an expected higher cost than other securities, which could affect the sector's returns.

Regulatory Framework

New requirements and demands, with implications at various levels, namely on the business model, have affected banking over the last years.

The Basel Committee for Banking Supervision (BCBS) published new reforms to the Basel III accord (also informally known as Basel IV) that include new rules on the calculation of risk weighted assets (RWA), standardised methods that are more sensitive to risk and greater limitations on the use of internal models. As concerns changes to the calculation of RWA, they will not be allowed to fall below the capital floor of 72.5%, when based on internal models. For all risk types that fall under Pillar 1, the calculation of capital requirements will be affected across all banks, regardless of their line of business, size or calculation model. Furthermore, this accord also introduced new changes to the leverage ratio, by including an additional capital buffer for the so called Globally Systematically Important Banks (G-SIBS). These changes add greater capital demands on banks, in order to improve their quality and ability to absorb losses and survive a liquidity shortage scenario. Therefore, these directives will have an impact on some European banks, due to the significant increase in their RWA, thereby putting pressure on their capital ratios.

<sup>4</sup> Bank of Portugal – Financial Stability Report – December 2017

<sup>5</sup> Bank of Portugal – Financial Stability Report – December 2017



The implementation of the new accounting standard designated as International Financial Reporting Standard 9 (IFRS 9), as of January 2018, is a new challenge to the financial sector, mainly due to the new impairment provision policy in which financial institutions are required to recognise expected losses on loans sooner. Therefore, banks will need to define risk segments, plan the future behaviour of the various contracts, forecast cash flows and, consequently, determine the different risk parameters that, for each time frame, depend on macroeconomic scenarios and models.

In addition to these new directives, two more come into effect in 2018 and may affect the performance of financial institutions, namely the payment services directive (PSD2) and the markets in financial instruments directive (MIFID II). The PSD 2 (Payment Services Directive 2) is a European Directive for payment services, whose goal is to enable greater transparency and innovation in payment institutions. This new regulation will have a profound effect on the banking sector on a global level, as it will enable any entity to access a payment account or current account (as duly authorised by the account holder), bypassing the need for bank intermediation. The goal of MIFID II is to strengthen investor protection and enhance the transparency and quality of operation of the financial markets and of services provided by encompassing all entities that take part in the financial instruments markets. This directive reinforces the duties of financial institutions, namely as regards collecting information from clients, selling and monitoring financial instruments and, also, the duty to record and document communications between financial institutions and their clients.

The Bank’s Vision, Mission and Values

Vision

Banco CTT means to be acknowledged as a credit institution of reference in terms of quality, efficiency and creation of value for customers, employees and the society as a whole.

The operating strategy is driven by principles of solidity, transparency, trust, proximity and simplicity.

Mission

Banco CTT’s mission is to offer simple competitive, but also accessible financial products to customers, through quality of service and innovation, while maintaining a sustainable relationship with all stakeholders.

Values to Uphold

- Customer satisfaction
- Excellence of service

- Solution innovation
- Trust and responsibility toward partners
- Employee dedication and effort

Business Model

Banco CTT’s offer

Banco CTT is a natural evolution and stems from the financial services already rendered by CTT and is supported by the Portuguese public’s trust and an over 500-year history and experience of serving the general public. 18 March 2016 marks the beginning of Banco CTT’s presence and expansion, with the simultaneous opening of 52 branches throughout the entire country, covering all district capitals and the Islands.

Capitalising on a value proposition based on simplicity and geared toward restoring the Portuguese public’s relationship with its bank, Banco CTT presented itself to the general public with a simple and uncomplicated offer, with solutions to manage day-to-day finances, based on a zero euro account maintenance commission, zero euro annuity on the debit card and zero euro national transfers via the digital channels.

To further address customer needs, in 2016 the Bank launched a zero-annuity Banco CTT Credit Card in partnership with Cetelem, thereby adding another zero to the advantages of Banco CTT’s offer and making it ever more complete and competitive. Also during 2016, Banco CTT, again in partnership with Cetelem, began offering Consumer Credit and Car Credit products, based on flexible, transparent and trustworthy solutions.

Given its positioning as a partner to its customers and as a way of pursuing its strategy of simplicity, transparency and competitiveness across its entire offer, Banco CTT diversified the products and services it offers by launching Mortgage Lending at the beginning of 2017. This offer entails a reduced spread and simple access conditions for those wanting credit to purchase or move home, with no need to purchase extra products and no hidden costs. The values of proximity, convenience and innovation are also behind the BCTT Home App, a free app that allows customers to monitor all stages in the mortgage lending process without leaving their home and with no need to visit a branch regularly.

As a supplement to Mortgage Lending, in 2017, Banco CTT registered as an insurance broker and, together with Mapfre, launched Multi-risk Home Insurance and Home Life Insurance, which can be obtained at any Banco CTT branch. In addition, the Bank begins offering non-financial products based on financing through the Banco CTT Credit Card.

In addition, Banco CTT also began selling Multicare health insurance, in partnership with Companhia de Seguros Fidelidade, thereby allowing its clients to access one of the largest networks of healthcare providers in the country.

The ties of trust and proximity with customers have made the institution grow and has strengthened the focus and diversification of the offer, in order to better serve the Portuguese public.

In-person Channel – Retail Network

Banco CTT’s network operates from 9:00 a.m. to 6:00 p.m. and shares the same physical space as the postal customer operations.

In order to ensure the best banking practices, Banco CTT provides customers with banking services separately from postal services, with designated areas therefor.

Therefore, in addition to identifying the bank with outdoor signs, service desks inside the post office are also distinctively signposted, with separate waiting lines, independent commercial operations and cash flows.

If 2016 was marked by the opening of 202 branches to the public, 2017 was a year of consolidation of Banco CTT’s commercial operations, by maturing procedures and focusing the Network on optimising quality of service and increasing commercial proactivity.

Even so, in 2017, Banco CTT reinforced its physical presence by opening up in 6 new locations (Fatima, Valença, Castelo da Maia, Lagoa, Olhão and Sines), operating a total of 208 branches by the end of the year.



Digital Channels – Homebanking and the Mobile Application

Digital Channels are one of Banco CTT’s fundamental axes.

At any time, the customer can interact with the Bank, through the Homebanking channel (which has been optimised for PCs/ Tablets) or the mobile applications for iOS and Android. The acceptance and use of the Digital Channels remained quite above the average for national retail banking. In December 2017, nearly 39% of Customers were active Digital Channel users. Our Mobile channel grew considerably and already represents 65% of total Client accesses in 2017. Nearly 42% of Banco CTT’s transfers, payments and term deposits are carried out through Digital Channels and, in the particular case of term deposits, this figure is nearly 70%.

In order to provide excellent service in Mortgage Lending, Banco CTT launched a Mobile App, “APP Casa BCTT”, to monitor the mortgage lending process. This app, available for iOS and Android, allows customers not only to see the real time status of their application, but also notifies them of any status changes, while also allowing them to upload documents without having to head out to a Banco CTT Branch. This level of service is unique in Portugal and is the result of Banco CTT’s continuous focus on providing simplified innovative services to customers.

Throughout 2017, Banco CTT joined the MBWay mobile payment service, thereby allowing its customers to make purchases online and in person with maximum convenience and security.

Outlook for 2018

2017 was Banco CTT’s first complete year as a commercial operation open to the general public.

The attained results were very positive, which is indicative of how attractive the Bank’s value proposal is, as shown through the high number of accounts opened and the new offer of credit products to customers.

The year of 2018 brings with it various new challenges for Banco CTT, of which we highlight the following:

- Deepening its banking relationship with Banco CTT customers, by increasing the penetration of the Bank’s various products, namely through salary domiciliation and recurring banking transactions;
- Consolidating mortgage lending activities, by completing the existing offer, improving the Retail Network’s commercial capacity and deepening existing partnerships with Real Estate Agencies;
- Consolidating the Retail Network’s skills and capacities, by reinforcing training and the level of commercial proactivity, namely by launching an integrated programme for Customer Relationship Management, based on the latest technological solutions.

People

During 2017, the main areas of activity were the expansion of Banco CTT’s team, the Culture project, the first Corporate Social Responsibility project and, finally, Talent Development and Management.

Given Banco CTT’s growth strategy, team expansion continued to be a priority in 2017. Personnel as at 31 December 2017 was 191 employees, 14% more than the previous year (2016: 167 employees). 46 new employees were hired for different functions across all areas of the Bank.

As regards Human Resource management, one of the main priorities for 2017 was designing a project to foster organisational culture. Thereunder, various measures were defined and implemented around 6 axes: the External Client, Internal Communication, Cooperation and Trust, Procedures, Leadership and Engagement.

In order to encourage internal mobilisation in service of the Community, Banco CTT created a Corporate Volunteer project in partnership with Crevide – Creche Popular de Moscavide, Associação sem Fins Lucrativos (a local nursery in Moscavide). With Employee participation, two initiatives were carried out to support the most vulnerable members of the local community where the bank is located.

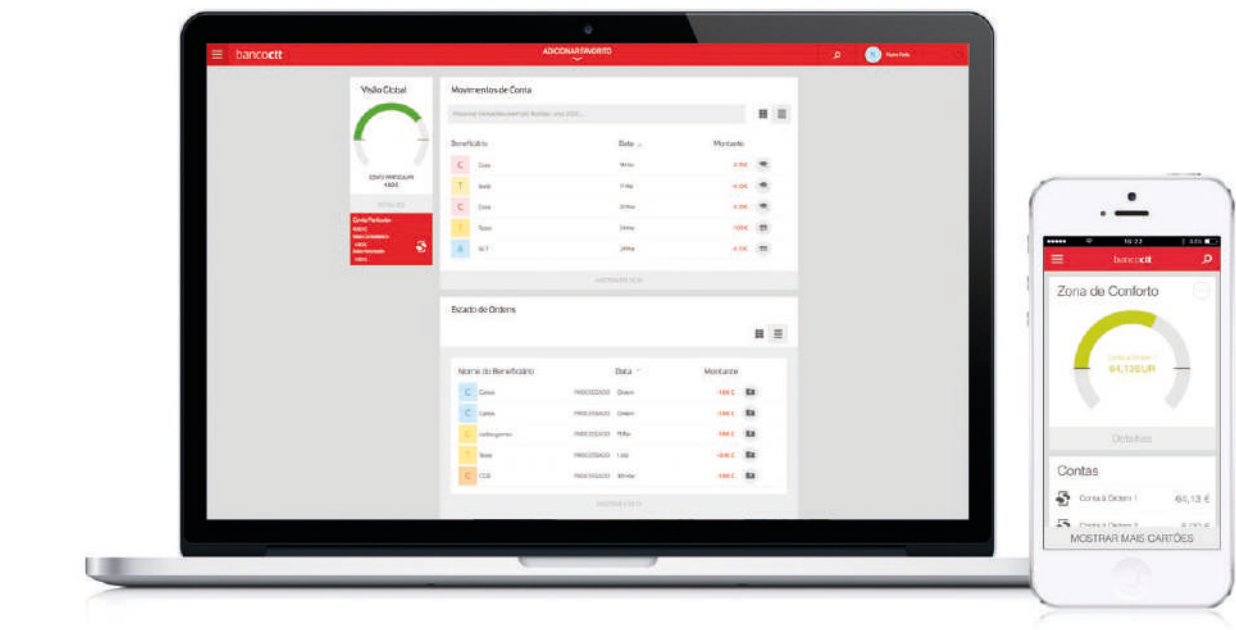
Regarding Talent Management and in order to endow Employees to address the proposed challenges, the Bank has focused on developing skills by creating a 2-year training plan. In 2017, a number of training sessions were held in various areas, namely in regulation, product, continuous improvement, safety and IT systems. In total, 5,594 hours of training took place (96% more than in the previous year).

Characteristics of Banco CTT’s personnel at 31 December 2017 and 2016

Level of Qualification	2017	2016
High School Diploma	22%	23%
Undergraduate Degree	60%	55%
Graduate Studies / Masters’ Degree	18%	22%

Gender	2017	2016
Female	46%	48%
Male	54%	52%

Age Bracket	2017	2016
< 30 years old	15%	17%
30 – 34 years old	30%	35%
35 – 44 years old	42%	42%
>= 45 years old	13%	6%



BancoCTT Homebanking and BancoCTT App: Simple, flexible and customizable



*We are  
Innovation*

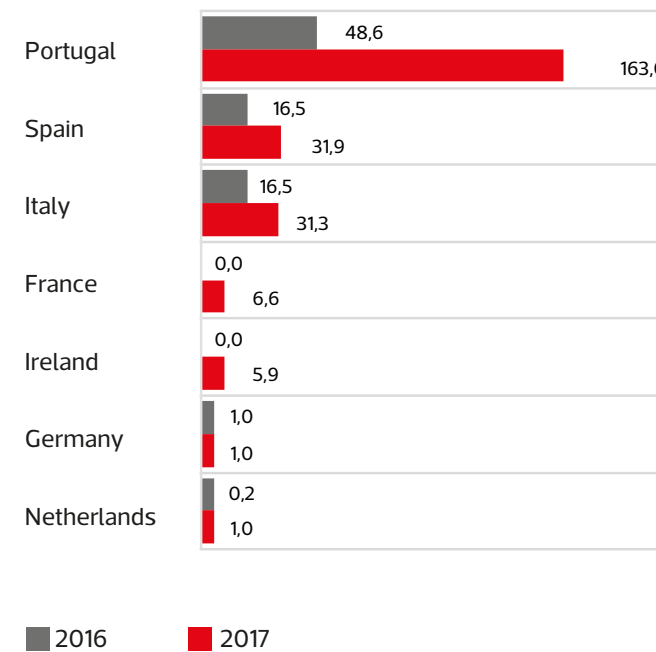


## 2. Liquidity and Capital Management

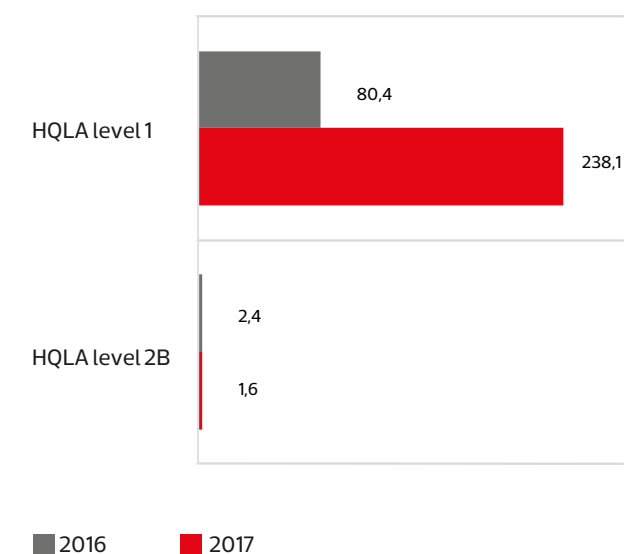
### Liquidity and Funding

One of the main components of liquidity management is its investment and financing policy, which prioritizes diversification by country and sector. However, the investment policy in 2017 allowed a Eurosystem eligible collateral portfolio to be created, totalling nearly 239.8 million euros at 31 December 2017 (2016: 83 millions of euros).

**Eurosystem eligible securities (by country)**  
(millions of euros)



**Eurosystem eligible securities (by HQLA level)**  
(millions of euros)



The liquidity indicator, the Liquidity Coverage Ratio (LCR) reached a comfortable value of 2925% (2572% at the end of 2016 and 2319% at the end of 2015), significantly surpassing the minimum requirements and in line with the Bank's investment policy during 2017.

Given its high liquidity, the Bank did not require funding from the market in 2017 nor did it participate in any financing facility set-up by the ECB to finance its operations. It financed its assets through Customer deposits, which totalled nearly 619 million euros as at 31 December 2017 (2016: 254 million euros).

The Bank analyses residual maturities for different assets and liabilities on the balance sheet. The volumes of cash inflows and outflows are shown by time frames depending on the residual time period when they occurred. Thereafter, the respective liquidity gaps are determined both for the period and accrued.

Liquidity risk management is carried out taking into consideration:

- Short-term liquidity;
- Structural liquidity; and
- Contingent liquidity.

Banco CTT monitors its short-term liquidity levels through daily mismatch reports, including eligible collateral, liquidity buffers, main cash inflows and outflows and the evolution of deposits, fixed-asset investment and capital flows.

As regards structural liquidity, Banco CTT drafts a monthly liquidity report that takes into consideration not only the effective maturity date of the various products, but also their behavioural maturity, through which structural mismatches are determined for each time bucket. Based on this report and in light of the stipulated budgetary targets, an annual plan for financing operations is prepared and is periodically reviewed.

As a liquidity contingency plan, the Bank determined a number of measures that, when enacted, will allow the effects of a liquidity crisis to be addressed and/or minimized. These measures intend to address liquidity needs in stress scenarios.

The Financial Risk Committee is entrusted with analysing the Bank’s liquidity position, namely, the evolution of the balance sheet, the analysis of gaps and key activity indicators (liquidity and commercial gaps, deposit and credit rates). In short, a far reaching assessment is carried out of both liquidity risk and its evolution, with a special focus on current liquidity buffers and eligible collateral creation/maintenance.

Capital Management

It is the Board of Directors responsibility to define the capital management strategy.

ICAAP

ICAAP (Internal Capital Adequacy Assessment Process) is an important process for managing the Bank’s risk by identifying the capital the Bank requires to adequately cover the risks it runs in undertaking its current business strategy.

The Bank carries out an annual self-assessment exercise to determine the adequate capital levels given the business model. This process is set out in Bank of Portugal Instruction 15/2007 and complies with the Pillar II goals of the Basel II Accord, to ensure the risks institutions are exposed to are adequately assessed and that the internal capital available to them is adequate given their respective risk profile.

ICAAP is a tool that allows the Board of Directors to test the Bank’s capital adequacy, given the risks of its activity, sustainability of the strategic plan, medium-term budget and the respective framework of the risk limits set out in the Bank’s Risk Strategy. ICAAP guides Banco CTT in assessing and quantifying the main risks to which it may be exposed and is also an important management tool for decision-making as regards the level of risk to be undertaken and activities to be carried out.

The Bank calculates internal capital by using the regulatory models, thereby its internal capital is made-up of its regulatory capital.

Concerning risk analysis, the Bank has opted for simpler models, often based on regulatory models and considers that the estimated economic capital for Operational Risk encompasses the IT, Compliance and Reputational Risks.

The approaches to quantify economic capital for each of the risks were as follows:

Types of Risk	Metrics
Strategic Risk	Internal Model
Operational Risk	
IT Risk*	Basic Indicator Method
Compliance Risk*	
Reputational Risk*	
Credit Risk	Internal Models
Market Risk	VaR Model
Interest Rate Risk	Instruction 19/2005
Exchange Rate Risk	N/A
* These risks are treated together with Operational Risk	

Regulatory Capital

Banco CTT strives for high financial solidity by maintaining a total capital ratio (own funds as compared to risk-weighted assets), comfortably above 9.250% (including the capital conservation buffer), corresponding to the minimum legal amount set out in Directive (EU) no. 2013/36/UE and Regulation (EU) no. 575/2013 of the European Parliament and of the Council of 26 June 2013 (“CRR”, Capital Requirements Regulation).

The CRR includes a number of transitory provisions that enable the gradual application of requirements and allows credit institutions to implement the new requirements gradually, both as regards own funds and minimum capital ratios.

Prudential solvency indicators are based on the applicable regulatory standards, the CRR, as well as Bank of Portugal Notice 6/2013 that regulates the transitory regime provided for in the Regulation regarding own funds.

In calculating capital requirements, the Bank used the credit and counterparty risk standardised approach and the basic indicator method for the purpose of operational risk.

The Bank’s Common Equity Tier 1 (CET1) includes: i) paid-up capital and retained earnings, ii) prudential filters (including fair value reserves and AVA - Additional Valuation Adjustment) and iii) regulatory deductions related to intangible assets and losses for the financial year underway.

As at 31 December 2017 and 31 December 2016, own funds and capital ratios were as follows:

(amounts in euros)					
	2017		2016		
	CRR Phasing in	CRR Fully Implemented	CRR Phasing in	CRR Fully Implemented	Notes
OWN FUNDS					
Share Capital	125,000,000	125,000,000	85,000,000	85,000,000	24
Retained Earnings	(27,359,256)	(27,359,256)	(5,920,685)	(5,920,685)	26
Prudential Filters	35,658	44,572	8,084	13,474	26
Fair value reserve <sup>1</sup>	40,259	50,323	8,084	13,474	
Additional Valuation Adjustment (AVA) <sup>2</sup>	(4,601)	(5,751)	-	-	
Deduction to the main Tier 1 elements	(42,301,446)	(42,301,446)	(39,894,394)	(39,894,394)	
Losses for the period	(21,301,636)	(21,301,636)	(21,438,571)	(21,438,571)	
Intangible Assets	(20,999,810)	(20,999,810)	(18,455,823)	(18,455,823)	18
Common Equity Tier 1 (CET 1)	55,374,956	55,383,870	39,193,005	39,198,395	
Tier 1 Capital	55,374,956	55,383,870	39,193,005	39,198,395	
Total Own Funds	55,374,956	55,383,870	39,193,005	39,198,395	
RWA					
Credit Risk	198,329,594	198,329,594	75,557,706	75,557,706	
Operational Risk <sup>3</sup>	10,658,383	10,658,383	14,087,682	14,087,682	
Market Risk	-	-	-	-	
	208,987,977	208,987,977	89,645,388	89,645,388	
CAPITAL RATIOS					
Common Equity Tier 1	26.50%	26.50%	43.72%	43.73%	
Tier 1 Ratio	26.50%	26.50%	43.72%	43.73%	
Total Capital Ratio	26.50%	26.50%	43.72%	43.73%	
MINIMUM REGULATORY RATIOS					
Common Equity Tier 1	5.750%	7.000%	5.125%	7.000%	
Tier 1 Ratio	7.250%	8.500%	6.625%	8.500%	
Total Capital Ratio	9.250%	10.500%	8.625%	10.500%	

<sup>1</sup>Fair value reserve for gains or losses from financial assets assessed at fair value.

<sup>2</sup>Additional valuation adjustments necessary to adjust assets and liabilities assessed at fair value.

<sup>3</sup>RWA calculated based on conservative estimates for the banking product.

The capital assessed as at 31 de December 2017 taken into consideration when calculating CET1 (Common Equity Tier 1) includes capital, retained earnings, fair value reserves, results from the current financial year, minus intangible assets and after applying the prudential filters.

Regarding Common Equity Tier 1, we highlight the positive contribution in 2017 of the share capital increase carried out, despite the negative impact of recorded net profits and the increment in intangible assets. Regarding capital requirements, we highlight the significant rise in the value of weighted risks in credit risk exposures.

As at 31 December 2017, risk-weighted assets totalled 208,988 thousand euros (31 December 2016: 89,645 thousand euros), of which 198,330 thousand euros (31 December 2016: 75,558 thousand euros) regard credit risk.

The following table shows the geographic distribution of the exposures relevant to calculating the countercyclical buffer. Please note that as at 31 December 2017, Banco CTT has no exposure to geographies whose countercyclical buffer is different from zero:

(amounts in euros)

	Exposures
Germany	1,541,915
Spain	512,864
France	528,170
Luxembourg	813,452
Netherlands	113,413
Portugal	58,873,361
United Kingdom	200,098

Risk-weighted assets as regards credit risk are detailed as follows:

(amounts in euros)

	2017		
Risk line item	Original risk position	Risk weighted assets	Risk weight <sup>1</sup>
Central Authorities or Central Banks	270,864,474	-	0%
Other Credit Institutions	289,930,680	126,940,139	44%
Companies	41,424,570	28,915,656	70%
Retail clients	1,916,232	226,864	12%
Loans secured by immovable assets	73,351,228	25,715,081	35%
Defaulted credit	10,973	10,973	100%
Other elements	41,829,376	16,520,881	39%
Total	719,327,533	198,329,594	28%

<sup>1</sup> Risk weight: Risk Weighted Assets / Original risk position

(amounts in euros)

	2016		
Risk line item	Original risk position	Risk weighted assets	Risk weight <sup>1</sup>
Central Authorities or Central Banks	91,248,017	-	0%
Credit Institutions	165,249,900	46,746,543	28%
Companies	5,264,156	4,761,474	90%
Retail clients	299,948	51,810	17%
Securitisation	15,142,555	15,142,555	100%
Other elements	23,204,258	8,855,324	38%
Total	300,408,834	75,557,706	25%

<sup>1</sup> Risk weight: Risk Weighted Assets / Original risk position

Use of External Ratings

Banco CTT uses the ECAI (External Credit Assessment Institutions) ratings for exposures to credit institutions with a residual maturity greater than 3 months and for exposure to companies. In this way, the Bank uses the standard relationship published by the EBA between ECAIs and credit quality levels.

As at the reference date, the Bank had the following exposures:

(amounts in euros)

Degree of Credit Quality	Institutions, residual maturity >3m	Companies
1	-	-
2	713,423	25,017,828
3	-	1,608,347
4	48,666,808	1,849,411
5	-	-
6	-	-
No rating	36,528,163	-



Leverage Ratio

The management of leverage risk falls within the adopted capital management strategy and is entrusted to the Board of Directors.

The Leverage Ratio was introduced by the CRR with the goal of monitoring the institution's level of leverage.

Banco CTT monitors this ratio regularly and ensures total and continuous compliance therewith in its strategic planning.

As at 31 December 2017, the leverage ratio was 8% (31 December 2016: 13%), given the Bank's early stage of operation, which is well above the 3% regulatory limit. The ratio is calculated using the Tier 1 Capital.

The exposures used in calculating the leverage ratio, as at 31 December 2017 and 31 December 2016, are shown in the table below:

	(amounts in euros)	
Leverage Ratio	2017	2016
Exposure		
Total exposure to the leverage ratio - fully implemented	668,750,860	300,201,054
Total exposure to the leverage ratio - transitional	668,733,031	300,201,054
Capital and regulatory adjustments		
Tier 1 capital - fully phased-in definition	55,383,870	39,198,395
Tier 1 capital - transitional definition	55,374,956	39,193,005
Leverage ratio - fully implemented Tier 1 Capital	8%	13%
Leverage ratio - transitional Tier 1 Capital	8%	13%

In 2017, the transitional leverage ratio fell 5 percentage points, due to increased exposure in almost all asset classes.

# 3. Internal Control System

## Internal Control system

### Internal Control System

Banco CTT’s internal control system includes a number of strategies, systems, processes, policies and procedures reviewed and approved by the Board of Directors, following an Audit Committee assessment. The Audit Committee, in turn, supervises the independence, adequacy and effectiveness of the internal control system as a whole.

As a basic principle, any of the Bank’s policies, processes or procedures are controlled in a number of ways, all of which strive to ensure that the following goals for the internal control system are met:

- Prudent management of the risks the Bank is exposed to in order to ensure the business’ medium- and long-term sustainability (performance goals);

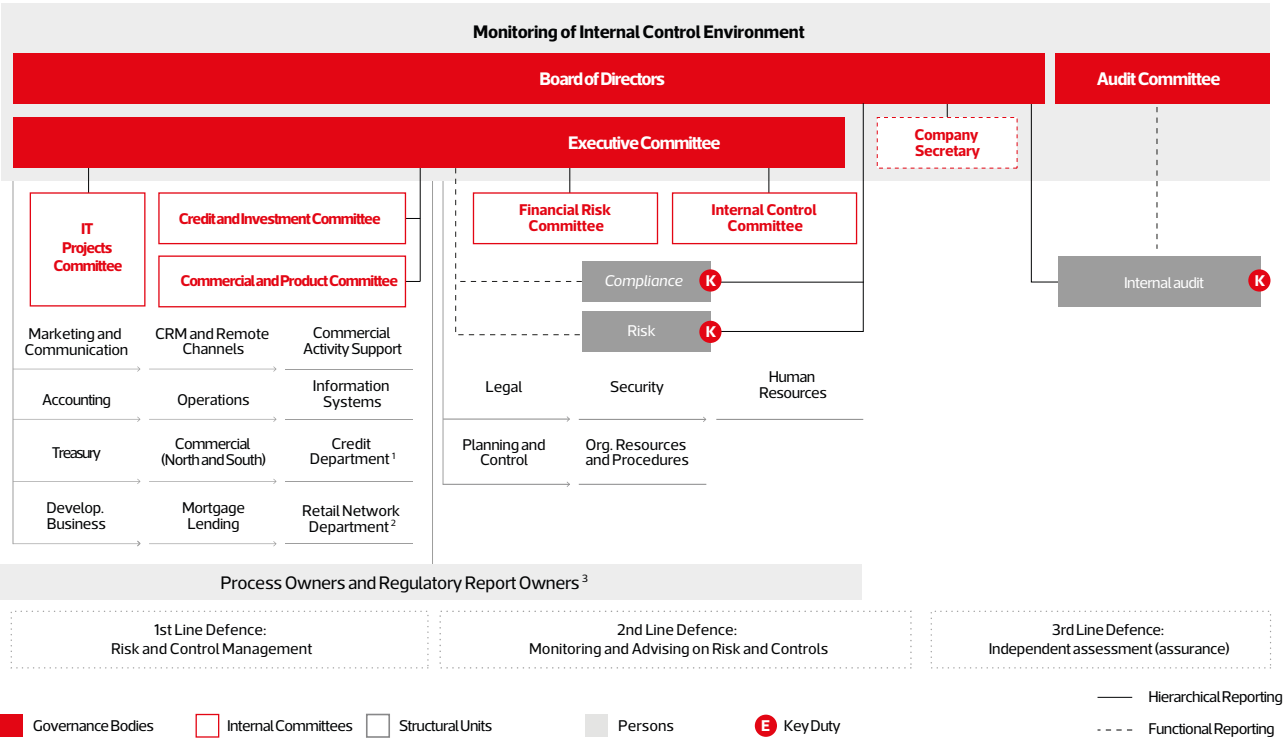
- The existence of timely, complete and trustworthy financial and management information and independent reporting mechanisms of that information to the management and oversight bodies and to internal control officers (information goals); and
- Compliance with legal and regulatory provisions of either a prudential or behavioural nature, including naturally those pertaining to the prevention of money laundering and the financing of terrorism (compliance goals).

### Goals of the internal control system

Set of strategies, systems, processes, policies, controls and procedures entrusted to Management, in order to ensure		
Performance and Operational Goals	Information and Reporting Goals	Compliance Goals
<ul style="list-style-type: none"><li>• Efficient and profitable business performance in the M/L term</li><li>• On-going business</li><li>• Risk management and control</li><li>• Prudent assessment assets &amp; liabilities</li><li>• Anti-fraud protection</li></ul>	<ul style="list-style-type: none"><li>• The existence of complete, relevant, trustworthy and timely <b>financial information</b></li><li>• The existence of complete, relevant, trustworthy and timely <b>management information</b> to support decision-making</li></ul>	<ul style="list-style-type: none"><li>• Respect for legal and regulatory provisions, for professional and ethical standards and practices, for the Code of Conduct and other internal rules and bylaws</li></ul>

The Bank’s governance model for the internal control system was built on three lines of defence, as specified below:

Lines of defence of the Governance Model for the internal control system



<sup>1</sup> The Credit Department will be created when so justified.  
<sup>2</sup> The Retail Network Manager is at the top of the Retail Network structure under the multiple-employer regime with CTT, in a hierarchical relationship with the CEO and a functional relationship with all remaining EC purviews and control officers.  
<sup>3</sup> The Process Owners and Regulatory Report Owners have specific duties, notably Banco CTT’s Internal Control System

- A first line of defence, entrusted with risk and control management and which is made up, namely, of the Retail Network Department — with front office duties responsible for carrying out level one controls — and the operational area (with back office duties responsible for a second check (4-eyes check) of most processes that are essentially begun by CTT’s Retail Network.
  - A second line of defence, entrusted with monitoring risk, advising and supporting the first line of defence in identifying risks and controls. Compliance and Risk, which are entrusted with monitoring the process and carrying out regular tests to the effectiveness of the first line controls, and Planning and Control, Security, Legal, as well as the Human Resources and the Resource and Process Organisation areas are all part of the second line of defence.
- The third line of defence is ensured by Internal Audit, which is responsible for independently examining and assessing the adequacy and effectiveness of policies, processes and procedures that support the internal control system, namely by carrying out effectiveness tests on implemented controls.

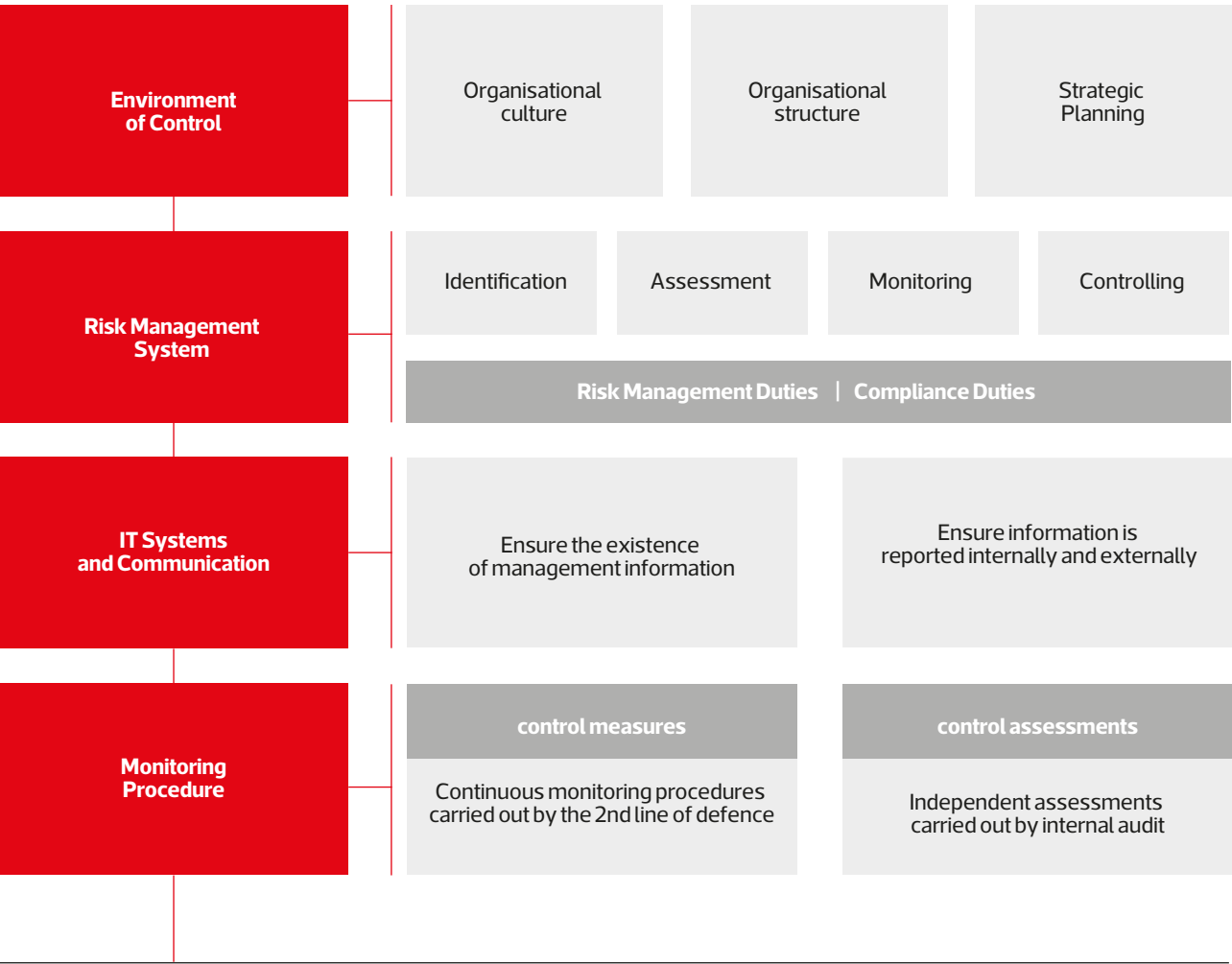
The Board of Directors is ultimately responsible for the internal control system. It is entrusted with defining, implementing, overseeing and periodically reviewing the implemented governance model and ensuring it is optimised and effective. The Board of Directors is also entrusted with monitoring management information regarding Internal Control shortcomings, analysing the internal control system’s assessment report and issuing an overall opinion on the adequacy and effectiveness of the internal control system and, therein, issue a statement on compliance with the Bank’s remuneration policy.

In the first quarter of 2017, the Board of Directors approved the creation of an Internal Control Committee, a body that became responsible for defining and executing the criteria and instruments to manage non-financial risk (operational, compliance and reputational risk) and for continuously monitoring and assessing the effectiveness of the Bank’s internal control system, namely by monitoring the detected shortcomings. This body seeks to support the Board of Directors and Executive Committee in the referenced matters and is made up of all Executive Committee members. The heads of Risk, Compliance, Internal Audit, Resource and Process Organisation and Safety participate therein on a permanent basis. The Committee meets on a monthly basis.

The governance model of the internal control system in Banco CTT is duly documented and is aligned with the prescriptions of Bank of Portugal Notice 5/2008 and with the Guidelines of the European Banking Authority on the internal governance of institutions (GL 44). In addition, it further relies on internationally recognised and accepted guidelines and methodologies, namely the “Enterprise Risk Management – Integrated Framework” (COSO II) and the recommendations issued by the Basel Committee for Banking Supervision through the “Framework for Internal Control Systems in Banking Operations”.

In line with regulatory requirements and best practices, Banco CTT’s internal control system is built on four components:

Internal Control Components



Aim to ensure internal control goals are attained



- **Environment of Control** – the basis of the internal control system to the extent that it reflects the management bodies’ and other employees’ commitment thereto. In this regard, note should be made to the organization’s culture, which is geared towards integrity of behaviour and ethical values, as set out in the Bank’s Code of Conduct. In parallel, the entire organization has been made aware of the importance of complying with the established procedures and of carrying out the defined controls.
- **Risk Management System** – this pertains to the identification, assessment, monitoring and control of all material risks the Bank is exposed to, while striving to ensure that these remain at the levels previously defined by the management body. The operation of the Risk Management system is detailed in the following chapter.
- **Information and Communication System** – this component is pivotal for controls to be understood and carried out by the organization. On the other hand, the existence of timely and trustworthy management information is essential to making business decisions and to compliance with strategies and goals set by the management body.
- **Monitoring Procedures** – this is broken-up into control procedures carried out by the second line of defence and the independent assessment carried out by internal audit. Therefore, the main goal of this component is to test the effectiveness of the implemented procedures and controls, given the stipulated risk tolerance, in order to ensure that the residual risk resulting from those controls falls below that value for the respective category of risk. It mainly includes the effectiveness measures and tests continually or occasionally developed by the risk and compliance officers. The goal is to identify shortcomings in the processes or controls that allow corrective measures to be adopted in a timely fashion. The autonomous and independent assessments performed by internal audit are particularly relevant in ascertaining the effectiveness of the internal control system as a whole.

Throughout 2017, the internal control system was fleshed out and fine-tuned, with a special focus on reviewing and strengthening the existing control procedures, creating the Internal Control Committee and formalizing the procedures to stipulate and manage mitigation measures for the identified risks.

Carrying out a self-assessment exercise was relevant to perfecting the Bank’s internal control system, in compliance with the prescriptions of Bank of Portugal Notice 5/2008 and with the Guidelines of the European Banking Authority (EBA) on the internal governance of institutions (GL 44). The final results of this exercise were analysed by the Internal Control Committee and reported to the Bank’s management and supervisory bodies. Nearly 280 requirements were assessed and Banco CTT proved to be highly compliant with most of the national (Bank of Portugal) and European (EBA) regulator’s internal governance requirements. The implementation of the flagged opportunities for improvement and correction of certain identified shortcomings further strengthened the Bank’s internal control system.

# 4. Risk Management

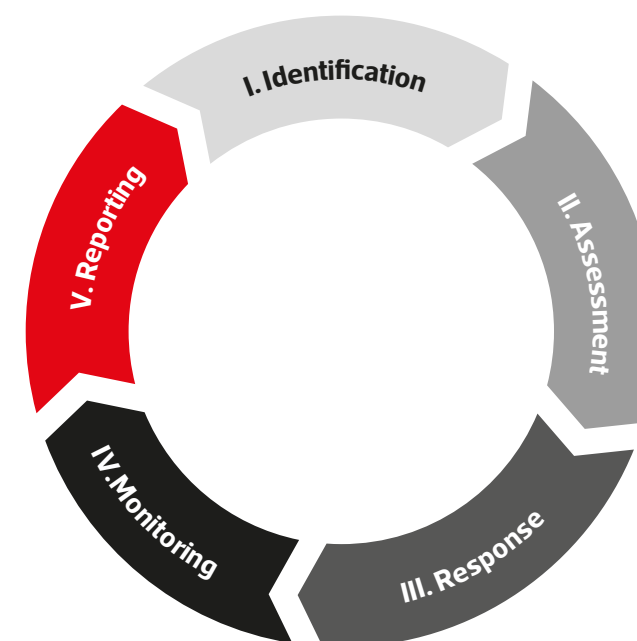
## Risk Management

### Risk Management

The risk management system is part of the Bank's internal control system (ICS), creating an adequate control environment within which the Bank carries out its activities.

The Bank's risk management system is based on a number of concepts, principles and rules. It is also based on an organizational model that has been applied and adjusted to Banco CTT, while respecting its regulatory framework. The risk management model comprises five essential stages, namely: risk identification, assessment, response, monitoring and reporting.

### Risk management cycle



In carrying out its activity, the Bank is exposed to various types of risk arising from both external and internal factors, depending namely on the characteristics of the market where it operates.

The Bank reviews its risk strategy annually, wherein it defines its qualitative principles and the quantitative rules and limits for the management of the various risks arising from the Bank's activity. It presents the risk appetite framework that will guide Banco CTT's business growth in the next 3 years of activity.

The Bank's risk management policy and internal control seeks to permanently maintain an adequate relationship between its equity and the activity carried out, as well as the corresponding assessment of the risk / return profile for each business area.

The risk management policy also seeks to support the decision-making process, thereby enhancing the Bank's short- and long-term ability to manage the risks to which it has exposure and enabling clear communication across the entire organisation as regards how business risk should be managed. This creates the basis for a solid operational environment.

In this regard, it is important to monitor and control the main types of risk to which the Bank's activity is exposed.

Monitoring and managing risk in each of the areas is based on the risk profile stipulated annually by the Bank, in order to ensure that the pre-defined levels of risk appetite are complied with in the Bank's activity.

In defining risk management processes, the Bank adopts tools and methodologies that enable it to identify, assess, monitor and report risk both from an individual standpoint and from an integrated standpoint. Understanding and assessing early on the potential impact these risks may have on the institution's solvability and liquidity provides an ample view of the risks the Bank has exposure to.

### Risk Management Governance

Risk management governance is made up of various bodies:

The Bank's Board of Directors is responsible for defining and maintaining the risk policy, including the approval of its broadest principles, and ensuring its compliance with the risk management model in force. The Board of Directors is further responsible for defining the Bank's strategic orientation and the acceptable levels of risk, ensuring that activities are carried out according to the terms of its risk policy and that material risks the Bank is exposed to stay at pre-defined level.

The Audit Committee, as a supervisory body, is responsible for overseeing the effectiveness of the Bank's risk management system, the internal control system and internal audit system by way of internal audit duties and the External Auditor. It also acts as the risk committee, pursuant to and for the purposes set out in article 115-L of the LFCIFC. The Audit Committee is entrusted with: assisting the Board of Directors in supervising the execution of the Bank's risk strategy by the Executive Committee. It also advises on risk appetite by presenting a corrective plan to the Board of Directors, whenever necessary, accessing information on the Bank's risk situation and, if necessary and appropriate, accessing those with risk management duties within the Bank and external expert advice.

In order to make the control of the Board of Directors’ strategic decisions more efficient, as well as the preparation of those decisions, a Financial Risk Committee and an Internal Control Committee were created which have, in line with the Board of Directors’ decisions, an important role in the management and control of financial and non-financial risks, respectively. The Financial Risk Committee and an Internal Control Committee meet on a monthly basis and are made up of all the members of the Executive Committee, in addition to the heads of other relevant departments.

The Financial Risk Committee is responsible for defining and executing risk management criteria and instruments, capital allocation and liquidity management, as well as for monitoring risks, thereby supporting the Bank’s Board of Directors and Executive Committee in related matters.

The Internal Control Committee is responsible for defining and executing the criteria and instruments to manage non-financial risk (operational, compliance and reputational risk) and for continuously monitoring and assessing the effectiveness of the internal control system, namely by monitoring the detected shortcomings. It supports the Bank’s Board of Directors and Executive Committee in related matters.

Risk management duties are operationally centralised in the Risk Department and are independent from the business units. This department consistently incorporates the concepts of risk and capital in the Bank’s business strategy and decisions. The Risk Department is subordinate to the Board of Directors and reports to the Executive Committee.

The Risk Department is responsible for implementing the risk policies set out by the Board of Directors and ensuring the integrated management of risks to which the Bank is or may become exposed, ensuring these are managed appropriately by the Bank’s various Departments within the set limitations. In addition, the Risk Department identifies and assesses risks, develops methodologies and metrics for risk measurement and monitors and controls the evolution of risk, while defining effective and adequate controls for the mitigation of risk. It is further responsible for reporting risks relevant to the institution, preparing internal reports that allow a trustworthy assessment of risk exposure to be carried out and supporting the Bank’s risk management area in its decision-making processes.

The main responsibility of the Compliance Department is to manage compliance and reputational risk. It is subordinate to the Board of Directors and reports to the Executive Committee.

This department independently carries out and controls the adoption of the best banking practices by all the Bank’s bodies and employees. It also ensures they comply with the ethical principles and internal and external standards that govern the Bank’s activity not only to avoid any monetary or reputational losses that may arise from a breach thereof, but also to contribute to customer satisfaction and the long-term sustainability of the business.

In addition, the Compliance Department prevents the Bank’s involvement in criminal money laundering and the financing of terrorism. It monitors the Bank’s new customer policy and the transactions performed thereby, giving notice to the competent authorities whenever there is cause for suspicion.

Internal audit duties are carried out by the Internal Audit Department. This department is integral to monitoring the internal control system, carrying out autonomous supplementary assessments of controls made and identifying possible shortcomings and recommendations, all of which are documented and reported to the management body, thereby protecting the institution’s value, its reputation and solvency. The Internal Audit Department is subordinate to the Board of Directors and reports to the Audit Committee..

Credit Risk

Credit risk is related to the degree of uncertainty of attaining the expected returns due to a borrower’s (or surety’s, if there is one), a securities issuer’s or a contractual counterparty’s inability to satisfy his / her undertakings.

Given the Bank’s main activity is commercial banking, with a special emphasis on the retail segment, in an initial stage, the Bank offers simple credit products – mortgage loans and overdraft facilities associated with current bank accounts with salary / pension domiciliation.

At the present date, the Bank’s credit portfolio also included exposures to the State through a credit assignment agreement for Central Authorities in the amount of 12,949 thousand euros.

Furthermore, the Bank is also currently exposed to credit risk from other activities, namely its direct exposure to credit risk from investments and deposits in other credit institutions, Eurozone public debt securities, debt instruments from other issuers (credit institutions and companies) and securities from credit securitisations of the factoring of the Portuguese tariff deficit.

The control and mitigation of credit risk is carried out through the early detection of signs of portfolio depreciation, namely through early warning systems and the appropriate default risk prevention measures, the remedy of actual defaults and the creation of conditions that maximise recovery results.

The quantification/measurement of credit risk is carried out on a monthly basis by the Risk Department, by assessing the impairments necessary to cover customer credit and resulting in the application of the collective and individual impairment model.

In 2017, the Bank used an impairment model based on IAS 39 and the respective Bank of Portugal reference criteria set out in Circular Letter 2/2014. Additionally, the model takes into account definitions and criteria published by the EBA and IFRS 9 standards, in force as of 2018.

The Financial Risk Committee and Board of Directors regularly monitor the Bank’s credit risk profile, namely by monitoring the evolution of credit exposures and monitoring losses. Compliance with approved credit levels is also reviewed regularly.

The following table shows information on exposures to the Bank’s credit risk (net of impairment and including off-balance sheet exposures) as at 31 December 2017 and 31 December 2016:

	(amounts in euros)	
	2017	2016
Central Authorities or Central Banks*	270,864,474	91,248,017
Credit Institutions	289,930,680	165,249,900
Companies*	41,424,570	5,264,156
Retail clients	1,916,232	299,948
Loans secured by immovable assets	73,351,228	-
Defaulted credit	10,973	-
Securitisation*	-	15,142,555
Other elements	41,829,376	23,204,258
<b>Risk line item</b>	<b>719,327,533</b>	<b>300,408,834</b>

\* In 2017 some exposures were reclassified due to new interpretations of the prudential regime with effects, as at 31 December 2017, of -24,013,513 Euros on the Securitisation class, -12,948,985 Euros on the Central Authorities class and +36,962,498 on the Companies class.



Banco CTT has been geographically diversifying its credit risk exposures and at the reference date had the following exposures by country:

(amounts in euros)

2017								
	Central Authorities or Central Banks	Credit Institutions	Companies	Retail clients	Loans secured by immovable assets	Defaulted credit	Other elements	Total
Portugal	195,754,358	206,389,322	37,212,500	1,916,232	73,351,228	10,973	41,829,376	556,463,989
Spain	31,369,033	44,504,868	512,864	-	-	-	-	76,386,765
France	6,608,080	30,329,993	528,170	-	-	-	-	37,466,243
Italy	31,251,725	-	-	-	-	-	-	31,251,725
Austria	-	8,500,614	-	-	-	-	-	8,500,614
Ireland	5,881,278	-	-	-	-	-	-	5,881,278
Others	-	205,883	3,171,036	-	-	-	-	3,376,919
<b>Total</b>	<b>270,864,474</b>	<b>289,930,680</b>	<b>41,424,570</b>	<b>1,916,232</b>	<b>73,351,228</b>	<b>10,973</b>	<b>41,829,376</b>	<b>719,327,533</b>

(amounts in euros)

2016								
	Central Authorities or Central Banks	Credit Institutions	Companies	Retail clients	Loans secured by immovable assets	Defaulted credit	Other elements	Total
Portugal	59,463,702	136,526,241	-	299,948	15,142,555	-	23,204,258	234,636,704
Spain	15,326,953	28,517,967	519,009	-	-	-	-	44,363,929
France	-	-	552,308	-	-	-	-	552,308
Italy	16,457,362	-	-	-	-	-	-	16,457,362
Austria	-	-	-	-	-	-	-	-
Ireland	-	-	-	-	-	-	-	-
Others	-	205,692	4,192,839	-	-	-	-	4,398,531
<b>Total</b>	<b>91,248,017</b>	<b>165,249,900</b>	<b>5,264,156</b>	<b>299,948</b>	<b>15,142,555</b>	<b>-</b>	<b>23,204,258</b>	<b>300,408,834</b>

The Bank's exposure has the following maturity profiles:

(amounts in euros)

2017									
Residual Maturity	Central Authorities or Central Banks	Credit Institutions	Companies	Retail clients	Loans secured by immovable assets	Securitisation	Defaulted credit	Other elements	Total
Up to 1 year	44,961,036	267,030,449	16,503,296	302,486	1,812,169	-	-	-	330,609,4
From 1 to 5 years	70,179,455	12,528,423	24,921,274	-	7,396,927	-	-	-	107,629,152
More than 5 years	155,723,983	-	-	-	56,547,836	-	-	-	221,480,915
Undetermined*	-	10,371,808	-	1,613,746	7,594,296	-	10,973	41,829,376	61,420,199
<b>Total</b>	<b>270,864,474</b>	<b>289,930,680</b>	<b>41,424,570</b>	<b>1,916,232</b>	<b>73,351,228</b>	<b>-</b>	<b>10,973</b>	<b>41,829,376</b>	<b>719,327,533</b>

\*Off-balance sheet exposures were taken into consideration in the Undetermined Maturity class.

(amounts in euros)

2016									
Residual Maturity	Central Authorities or Central Banks	Credit Institutions	Companies	Retail clients	Loans secured by immovable assets	Securitisation	Defaulted credit	Other elements	Total
Up to 1 year	10,952,572	164,535,602	2,020,079	69,081	-	-	-	-	177,577,334
From 1 to 5 years	60,001,063	714,298	3,244,077	-	-	15,142,555	-	-	79,101,993
More than 5 years	20,294,382	-	-	-	-	-	-	-	20,294,382
Undetermined	-	-	-	230,867	-	-	-	23,204,258	23,435,125
<b>Total</b>	<b>91,248,017</b>	<b>165,249,900</b>	<b>5,264,156</b>	<b>299,948</b>	<b>-</b>	<b>15,142,555</b>	<b>-</b>	<b>23,204,258</b>	<b>300,408,834</b>

\* Off-balance sheet exposures were taken into consideration in the Undetermined Maturity class.

Operational Risk

Operational risk arises from losses caused by inadequate or faulty internal control procedures, faulty human resources and systems or external events.

Banco CTT's operational risk framework was defined under its operational risk management. The implementation of an operational risk framework became a fundamental factor in defining the Bank's risk profile and creating a strong risk culture in the organization.

The Bank's operational risk management model is based on a series of concepts, principles and rules. It is also based on an organizational model that has been applied and adjusted to the Bank as per its regulatory framework. This translates into control mechanisms that can be continuously improved. The goal of controlling and managing operational risk is geared towards flagging and assessing, reporting and monitoring that risk.

#### Governance of operational risk management

The Board of Directors is responsible for establishing, approving and periodically reviewing the operational risk management framework, ensuring that policies, processes and systems are actually enforced at all decision-making levels and defining the operational risk appetite through risk levels defined in the operational risk matrix.

The Executive Committee is responsible for implementing a management framework for operational risk and internal control that is able to flag, measure, monitor and control risks the Bank may be exposed to.

The Operational Risk management framework is based on a model with 3 lines of defence, where the responsibility for daily management of the institution's operational risk and controls is entrusted to all employees and Process Owners (first line of defence). The Risk, Compliance, Planning and Control Departments and other areas with control duties shall be responsible for fostering and controlling / monitoring risk management and the effectiveness of the Bank's internal control system (2nd line of defence). The Internal Audit Department is responsible for independently examining and assessing the adequacy and effectiveness of policies, processes and procedures that support the governance and risk management system (3rd line of defence). The approach to operational risk management is supported by the structure of end-to-end processes. A vision that cuts across all operational areas within the organization's structure is deemed the most adequate approach to perceiving risks and estimating the impact of corrective mitigation measures. The framework has a structure of processes that is adjusted in terms of the business' evolution.

Already appointed Process Owners are responsible for defining the processes from an end-to-end perspective, ensuring the effective adequacy of controls, recording and reporting operational risk events detected by its database processes, identifying and assessing the risks and controls of processes through the active participation in RSA (Risk Self-Assessment) exercises, detecting and implementing adequate measures to mitigate risk exposure and monitor risk indicators – KRLs and performance indicators – process KPIs.

In the Bank's operational risk management framework, the main operational risk management instruments are the collection of operational risk events, the RSA processes (under development) and the identification and quantification of Key Risk Indicators (KRLs) (also under development). These flag, assess, monitor and mitigate operational risk, thereby ensuring minimum losses associated with this risk and promoting the effective management of operational risk.

#### Collection of operational risk events

The Bank records events of loss from operational risk, which includes information on events that have taken place and contributes to identifying and monitoring operational risk.

Flagging and reporting operational losses is the responsibility of all Bank employees. Process Owners shall have a decisive role in recording and describing operational risk events in the database to be created for this purpose, which includes detailing the respective cause and effect, quantifying the loss and describing the risk mitigation action plans.

The Risk Department is responsible for providing support in recording and describing operational risk events in the database, as well validating and monitoring them. Furthermore, the department flags shortcomings in the processes and respective mitigation initiatives.

#### Fraud Risk

As regards operational risk, the Bank includes events or risks related to fraud, for which a fraud risk management policy was approved. It formalizes the way in which fraud is addressed by the Bank, particularly as concerns its prevention, detection and investigation. Fraud can affect the Bank through various channels, be it by its products and services or through the various entities with which it interacts. In that sense, the main types of fraud are considered to be: credit fraud, digital channel fraud, card fraud, fraud on the part of suppliers or service providers and of partners.

The fraud management model defined by the Bank covers various stages, namely prevention, detection, investigation and monitoring. The Bank's approach to fraud management, especially in this early stage of consolidation of its operations, shall mainly focus on prevention and detection, in terms of defining processes, procedures and controls, as well as the implementation of tools. These phases contribute to the effectiveness of the fraud management process, namely in the prevention stage, thereby minimising the impact of any losses associated with fraud risk events.

#### **Compliance Risk**

As defined by the Basel Committee on Banking Supervision, compliance risk is the risk the Bank incurs legal and/or regulatory penalties and financial or reputational damages due to failing to comply with laws, regulations, codes of conduct and best practice standards.

The Bank sees compliance with the ethical and deontological principles, laws and regulations that govern its activity (including its own internal rules) as inseparable from its business activities and as an integral part of the company's culture. In this regard, it

gives equal importance to mandatory rules and to guidelines and recommendations from supervisory authorities, while also taking into consideration the customer's best interests.

Regulators and customers now expect a qualitative change in the practices of financial institutions. Banco CTT makes it a compliance priority to ensure transparency of information to customers and regulators, to refrain from misselling practices and to combat financial crime, particularly in the form of money laundering and financing terrorism. In that regard, the Bank is equipped with policies and procedural manuals that seek to prevent conduct risk, safeguard independent and influential actions by control officers and remuneration and benefit practices that deter conflicts of interest.

As the Bank operates in a highly regulated sector, it is pivotal that it have an efficient and far reaching compliance risk management cycle that reduces any possible penalties arising from breaches of legal and regulatory requirements. In this way, and in line with its General Risk Management and Internal Control Policy, the Bank stipulated the following stages in its cycle:

- I. Identification: The Bank, through the Compliance Department together with the Legal Service Department, should be able to identify all applicable legal and regulatory requirements. The Compliance Department organises those requirements and discloses them to the respective areas.
- II. Assessment: Once requirements have been disclosed to the various areas, the latter shall (together with the Compliance Department) assess their level of compliance, as well as the impact of their breach.
- III. Response: The Compliance Department shall list the requirements that have not been met as required by law, by level of impact on the Bank. From there, an action plan regarding the shortcoming shall be set out with the areas in order to comply with the identified requirement.
- IV. Monitoring: Compliance with requirements is monitored on an on-going basis by the Compliance Department, by ensuring that flagged breaches are identified and acted upon in a timely fashion.
- V. Reporting: The overall state of the Bank's compliance with the legal and regulatory requirements is periodically reported to the Board of Directors and to the Audit Committee.

In 2017, the risks of money laundering and financing of terrorism and breach of international sanctions (MLFT and BIS) were assessed in order to identify the risks to which the Bank is exposed to in the context of its operations, as well as to identify and assess the respective existing controls, thereby determining the Bank's residual risk to MLFT and BIS. The MLFT and BIS risk

assessment methodology culminates in identifying the residual risk to which the Bank is exposed, resulting from the combination of risk inherent to the Bank's activity and the existing control environment.

The result of this assessment exercise indicated low MLFT and BIS residual risk, in line with the risk appetite stipulated in Banco CTT's risk strategy.

Compliance with first line controls was also monitored and tested, notably, by having "mystery clients" open accounts, consumer credit and mortgage loan applications, controls for handling complaints and control exercises in the cash recirculation process.

A Compliance Risk assessment model is also being developed to strengthen the described process, as well as to formalise the Bank's exposure management procedures for this type of risk event. The details of this process cover all activities necessary to risk assessment, by determining residual risk and the resulting definition of action plans to mitigate shortcomings or address opportunities for improvement, as well as risk assessment reporting and respective communication. Notwithstanding the formalisation underway, the Bank's internal control system already includes this type of risk in its classification of flagged incidents, ensuring its timely assessment and response.

#### **Market Risk**

Market Risk broadly signifies any loss arising from an adverse change in the value of a financial instrument as a result of a variation in interest rates, exchange rates, share prices, prices of goods or real estate, volatility and credit spreads.

The Bank does not have a trading portfolio and almost all of its investment portfolio is recorded as Held-to-maturity investments and residually as assets available for sale. Credit risk, and not market risk, is the main risk arising from its investments.

To limit any negative impacts from turmoil in the market, sector or issuer, the Bank defined a number of limitations to manage its own portfolio in order to ensure that the level of risk incurred in the Bank's portfolio complies with the pre-defined level of risk tolerance. These limits are stipulated at least annually and are regularly monitored by the Financial Risk Committee and by the Board of Directors.

#### Interest Rate Risk

Interest rate risk is the risk of any loss of an economic value on balance sheet items that are interest rate-sensitive due to changing interest rates.

One of the main instruments used to monitor interest rate risk on the balance sheet is the repricing gap on assets and liabilities susceptible to changes in interest rates. This model groups variation-sensitive assets and liabilities into fixed time frames (maturity dates or date of first review of interest rates, when floating), from which the potential impact on the Bank’s financial margin and economic value are calculated, due to changes in interest rate and for which the Bank stipulated specific tolerance limits.

The repricing gap reports are prepared regularly and are an essential tool in defining the investment strategy for each cycle in order for the Bank to ensure that time mismatches between assets and liabilities are aligned at all times with the appetite stipulated in the risk strategy.

Until now, the Bank has been managing interest rate risk in its balance sheet structurally by using natural hedges in the composition of the investment portfolio, without recourse to derivative instruments.

**Liquidity Risk**

Liquidity risk is the risk of the Bank’s potential inability to satisfy its financing repayment obligations without incurring in significant losses, due to more onerous financing conditions or the sale of assets under market values.

The Bank is exposed to the liquidity risk inherent to its business of transforming maturities, granted in the long-term (as credit and securities) and usually taken in the short-term (deposits). Therefore, the prudent management of liquidity risk is crucial.

Management Practices

Banco CTT created a liquidity risk management structure with clear cut responsibilities and processes in order to ensure that all participants in liquidity risk management are perfectly coordinated and that management controls are effective. Overall, the liquidity risk management strategy is entrusted to the Executive Committee and carried out by the Treasury Department. It is based on constant vigilance of exposure indicators and is closely monitored by the Financial Risk Committee.

The Financial Risk Committee is responsible for controlling liquidity risk exposure. It does so by analysing liquidity positions and assessing their conformity to the applicable regulatory rules and limitations, as well as to the Bank’s goals and guidelines.

The Bank’s Treasury Department is responsible for ensuring cash flow management and the necessary short-term liquidity levels. In particular, it is responsible for holding High Quality Liquid Assets (HQLA). Furthermore, the Treasury Department executes medium- and long-term funding plans through cash management

and interbank relationships and ensures compliance with the established liquidity risk limits, minimum cash reserves, position limits and other regulatory ratios or limits defined by the Executive Committee or Board of Directors.

The Risk Department is responsible for flagging, assessing, controlling and monitoring the Bank’s liquidity risk, ensuring it is managed within the guidelines set by the Board of Directors and offering support in the definition of liquidity limits, while continuously monitoring compliance therewith.

The various assets are constantly monitored as regards their eligibility to be involved in transactions, as duly limited by what can be undertaken in each market.

As regards structural liquidity, the Bank drafts a monthly liquidity report that takes into consideration not only the effective maturity date of the various products, but also their behavioural maturity, through which structural mismatches are determined for each time bucket.

In this context, in addition to the internal analyses for monitoring this risk (i.e., on-going assessment of liquidity gaps and/or duration, analysis of the composition and availability of assets, etc.), the Bank also adopts the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) quantifications, while regularly monitoring their evolution and anticipating potential impacts.

The LCR seeks to encourage bank resilience to short-term liquidity risk, ensuring it has sufficient high quality net assets to survive a severe stress test for 30-day period.

The implementation of NSFR seeks to ensure banks maintain stable financing for their off-balance sheet assets and operations for a 1-year period.

Liquidity Risk Analysis

The Liquidity Gap, as defined in Bank of Portugal Instruction 13/2009, described the wholesale liquidity risk position of institutions.

Banco CTT’s 1-year liquidity gap was 333% as at 31 December 2017 (2016: 464%).

Banco CTT continues to monitor legislative changes in order to comply with all its regulatory obligations, namely in relation to new CRR liquidity ratios – LCR (Liquidity Coverage Ratio) and NSFR (Net Stable Funding Ratio).

The Liquidity Coverage Ratio (LCR) sat comfortably at 2,925% (2016: 2.572%), significantly surpassing the minimum requirements and in line with the Bank’s investment policy for 2017.

**Board of Directors’ Statement – Article 435(1)(e) of the CRR**

It is hereby stated that the institution’s risk management measures and the implemented risk management systems are adequate relative to the Bank’s risk profile and strategy.

Lisbon, 6 March 2018

By the Board of Directors,

Francisco José Queiroz de Barros de Lacerda

José Manuel Gonçalves de Morais Cabral

Luís Maria França de Castro Pereira Coutinho

Rui Afonso Galvão Mexia de Almeida Fernandes

Luís Miguel Agoas Correia Amado

Clementina Maria Dâmaso de Jesus Silva Barroso

João Maria de Magalhães Barros de Mello Franco

António Pedro Ferreira Vaz da Silva

Pedro Rui Fontela Coimbra

António Emídio Pessoa Corrêa d’Oliveira

**Board of Directors’ Statement – Article 435(1)(f) of the CRR**

Banco CTT’s banking operation is essentially based on CTT’s retail network, thereby benefitting from the existing (physical and human) infrastructure. This allows it to carry out low-cost operations focused on a complete portfolio of simple products, strongly positioned in current and savings accounts, payment cards and mortgage loans. These operations are governed by principles of proximity, simplicity, transparency and value. Its main target is the retail market with a tendency towards the mass market.

Banco CTT carries out its strategy with solid capital ratios, in line with its value proposal and CTT’s strength. It keeps a conservative balance sheet structure, with low transformation rates of deposits into loans and focuses on low-risk mortgage loans. This strategy allows it to build a significant portfolio of liquid and diversified assets from various geographies. This provides great resilience in times of adversity in the liquidity and credit markets.

Lisbon, 6 March 2018

By the Board of Directors,

Francisco José Queiroz de Barros de Lacerda

José Manuel Gonçalves de Morais Cabral

Luís Maria França de Castro Pereira Coutinho

Rui Afonso Galvão Mexia de Almeida Fernandes

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António Emídio Pessoa Corrêa d’Oliveira



# 5. Complementary Information

## Financial Statements

Income Statement for the years ended at December, 2017 and 2016

	(amounts in euros)	
	2017	2016
Interest and similar income	4,199,520	416,006
Interest and similar expense	(809,955)	(389,955)
<b>Net Interest Income</b>	<b>3,389,565</b>	<b>26,051</b>
Fee and commission income / (expense)	3,046,612	421,416
Net gains / (losses) arising from available for sale financial assets	-	11,671
Other operating income and expenses	4,278	164,489
<b>Operating Income</b>	<b>6,440,455</b>	<b>623,627</b>
Staff costs	12,194,947	9,626,317
General and administrative expenses	18,423,382	16,439,019
Depreciation and amortisation	2,701,505	1,541,550
<b>Operating Expenses</b>	<b>33,319,834</b>	<b>27,606,886</b>
<b>Profit / (loss) before provisions and impairment</b>	<b>(26,879,379)</b>	<b>(26,983,259)</b>
Loans impairment	117,234	417
Other provisions	76,880	20,927
<b>Operational profit / (loss)</b>	<b>(27,073,493)</b>	<b>(27,004,603)</b>
<b>Profit / (loss) before income tax</b>	<b>(27,073,493)</b>	<b>(27,004,603)</b>
Income tax		
Current	(5,604,149)	(5,524,519)
Deferred	(167,708)	(41,513)
<b>Net income / (loss) for the year</b>	<b>(21,301,636)</b>	<b>(21,438,571)</b>
Earnings per share (in Euros)		
Basic	(0.19)	(0.39)
Diluted	(0.19)	(0.39)

Balance Sheet as at 31 December, 2017 and 2016

	(amounts in euros)	
	2017	2016
<b>Assets</b>		
Cash and deposits at central banks	58,064,476	18,141,268
Deposits with banks	176,975,449	106,373,978
Available for sale financial assets	5,751,374	6,447,325
Investments at credit institutions	101,911,808	58,718,171
Loans and advances to customers	79,347,390	7,103,905
Financial assets held to maturity	261,549,132	95,094,543
Other tangible assets	193,348	59,727
Intangible assets	20,999,810	18,455,823
Deferred income tax assets	209,221	41,513
Other assets	15,790,298	8,197,538
<b>Total Assets</b>	<b>720,792,306</b>	<b>318,633,791</b>
<b>Liabilities</b>		
Deposits from customers	619,229,680	253,944,840
Provisions	85,927	20,927
Other liabilities	25,087,268	7,013,806
<b>Total Liabilities</b>	<b>644,402,875</b>	<b>260,979,573</b>
<b>Equity</b>		
Share Capital	125,000,000	85,000,000
Fair value reserve	50,323	13,474
Retained earnings	(27,359,256)	(5,920,685)
Net income / (loss) for the year	(21,301,636)	(21,438,571)
<b>Total Equity</b>	<b>76,389,431</b>	<b>57,654,218</b>

Proposed Application of Results

Whereas:

In 2017, the Banco CTT S.A. recorded a net loss of 21,301,636 euros,

Is proposed:

In accordance with paragraph 5(f) of Article 66 and for the purposes of paragraph 1(b) of Article 376, both of the Commercial Companies Code, the negative net losses to be transferred for retained earnings.

Lisbon, 6 March 2018

By the Board of Directors,

Francisco José Queiroz de Barros de Lacerda

José Manuel Gonçalves de Morais Cabral

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Rui Afonso Galvão Mexia de Almeida Fernandes

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António Pedro Ferreira Vaz da Silva

Pedro Rui Fontela Coimbra

António Emídio Pessoa Corrêa d’Oliveira

# 6. Financial Statements and Notes to the Financial Statements of 2017

## Financial Statements

### Income Statement for the years ended at December, 2017 and 2016

		(amounts in euros)	
	Notes	2017	2016
Interest and similar income		4,199,520	416,006
Interest and similar expense		(809,955)	(389,955)
<b>Net Interest Income</b>	<b>4</b>	<b>3,389,565</b>	<b>26,051</b>
Fee and commission income / (expense)	5	3,046,612	421,416
Net gains / (losses) arising from available for sale financial assets	6	-	11,671
Other operating income and expenses	7	4,278	164,489
<b>Operating Income</b>		<b>6,440,455</b>	<b>623,627</b>
Staff costs	8	12,194,947	9,626,317
General and administrative expenses	9	18,423,382	16,439,019
Depreciation and amortisation	17 e 18	2,701,505	1,541,550
<b>Operating Expenses</b>		<b>33,319,834</b>	<b>27,606,886</b>
<b>Profit / (loss) before provisions and impairment</b>		<b>(26,879,379)</b>	<b>(26,983,259)</b>
Loans impairment	15	117,234	417
Other provisions	22	76,880	20,927
<b>Operational profit / (loss)</b>		<b>(27,073,493)</b>	<b>(27,004,603)</b>
<b>Profit / (loss) before income tax</b>		<b>(27,073,493)</b>	<b>(27,004,603)</b>
Income tax			
Current	21	(5,604,149)	(5,524,519)
Deferred	21	(167,708)	(41,513)
<b>Net income / (loss) for the year</b>		<b>(21,301,636)</b>	<b>(21,438,571)</b>
Earnings per share (in Euros)			
Basic	10	(0.19)	(0.39)
Diluted	10	(0.19)	(0.39)

#### By the Chartered Accountant

Nuno Filipe dos Santos Fernandes

#### By the Board of Directors

Francisco José Queiroz de Barros de Lacerda  
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Statement of Comprehensive Income for the years ended at 31 December, 2017 and 2016

		(amounts in euros)	
	Notes	2017	2016
<b>Items that may be reclassified to the income statement</b>			
Fair value reserve	26	36,849	14,014
<b>Other Comprehensive Income / (Loss) for the year</b>		<b>36,849</b>	<b>14,014</b>
Net income / (loss) for the year		(21,301,636)	(21,438,571)
<b>Total Comprehensive Income / (Loss) for the year</b>		<b>(21,264,787)</b>	<b>(21,424,557)</b>

**By the Chartered Accountant**

Nuno Filipe dos Santos Fernandes

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Balance Sheet as at 31 December, 2017 and 2016

		(amounts in euros)	
	Notes	2017	2016
<b>Assets</b>			
Cash and deposits at central banks	11	58,064,476	18,141,268
Deposits with banks	12	176,975,449	106,373,978
Available for sale financial assets	13	5,751,374	6,447,325
Investments at credit institutions	14	101,911,808	58,718,171
Loans and advances to customers	15	79,347,390	7,103,905
Financial assets held to maturity	16	261,549,132	95,094,543
Other tangible assets	17	193,348	59,727
Intangible assets	18	20,999,810	18,455,823
Deferred income tax assets	21	209,221	41,513
Other assets	19	15,790,298	8,197,538
<b>Total Assets</b>		<b>720,792,306</b>	<b>318,633,791</b>
<b>Liabilities</b>			
Deposits from customers	20	619,229,680	253,944,840
Provisions	22	85,927	20,927
Other liabilities	23	25,087,268	7,013,806
<b>Total Liabilities</b>		<b>644,402,875</b>	<b>260,979,573</b>
<b>Equity</b>			
Share Capital	24	125,000,000	85,000,000
Fair value reserve	26	50,323	13,474
Retained earnings	26	(27,359,256)	(5,920,685)
Net income / (loss) for the year		(21,301,636)	(21,438,571)
<b>Total Equity</b>		<b>76,389,431</b>	<b>57,654,218</b>

**By the Chartered Accountant**

Nuno Filipe dos Santos Fernandes

**By the Board of Directors**

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Statement of changes in Equity for the years ended at 31 December, 2017 and 2016

	(amounts in euros)				
	Share Capital	Fair Value Reserves	Retained Earnings	Net income / (loss) for the year	Total Equity
<b>Balance on 31 December 2015</b>	<b>34,000,000</b>	<b>(540)</b>	-	<b>(5,920,685)</b>	<b>28,078,775</b>
Share Capital increase	51,000,000	-	-	-	51,000,000
Fair Value Reserves	-	14,014	-	-	14,014
Retained Earnings	-	-	(5,920,685)	5,920,685	-
Net income / (loss) for the year	-	-	-	(21,438,571)	(21,438,571)
<b>Balance on 31 December 2016</b>	<b>85,000,000</b>	<b>13,474</b>	<b>(5,920,685)</b>	<b>(21,438,571)</b>	<b>57,654,218</b>
Share Capital increase	40,000,000	-	-	-	40,000,000
Fair Value Reserves	-	36,849	-	-	36,849
Retained Earnings	-	-	(21,438,571)	21,438,571	-
Net income / (loss) for the year	-	-	-	(21,301,636)	(21,301,636)
<b>Balance on 31 December 2017</b>	<b>125,000,000</b>	<b>50,323</b>	<b>(27,359,256)</b>	<b>(21,301,636)</b>	<b>76,389,431</b>

By the Chartered Accountant

Nuno Filipe dos Santos Fernandes

By the Board of Directors

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Cash Flow Statement for the years ended at 31 December, 2017 and 2016

		(amounts in euros)	
	Notes	2017	2016
Cash flows arising from operating activities		281.349.687	223.775.096
Interest and commissions received		9.014.628	2.006.525
Interest and commissions paid		(2.002.110)	(235.567)
Payments to employees		(11.442.542)	(8.014.221)
Other payments and receipts		(18.578.662)	(15.594.260)
		(23.008.686)	(21.837.523)
Decrease / Increase in operating assets / liabilities		304.358.373	245.612.619
Other operating assets / liabilities		10.966.178	(829.255)
Loans and advances to customers		(71.995.568)	(7.103.546)
Deposits from customers		365.387.763	253.545.420
Cash flows arising from investment activities		(240.007.137)	(156.698.602)
Deposits with Bank of Portugal		(28.963.648)	(3.776.486)
Investments in credit institutions		(43.170.000)	(40.800.000)
Available-for-sale financial assets		536.582	(6.375.224)
Financial assets held to maturity		(163.030.147)	(95.770.325)
Acquisition of tangible and intangible assets		(5.379.924)	(9.976.567)
Cash flows arising from financing activities		40.000.000	51.000.000
Share capital increase		40.000.000	51.000.000
Cash and cash equivalents at the beginning of the year		119.549.394	1.472.900
Net changes in cash and cash equivalents		81.342.550	118.076.494
Cash and cash equivalents at the end of the year		200.891.944	119.549.394
Cash and cash equivalents comprises:		200.891.944	119.549.394
Cash	11	25.308.495	14.348.934
Deposits with banks	12	175.583.449	105.200.460

By the Chartered Accountant

Nuno Filipe dos Santos Fernandes

By the Board of Directors

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## Notes to the Financial Statements

### Introductory Note

Banco CTT, S.A was incorporated on 24 August 2015 through the transformation of CTT Serviços, S.A. – a company incorporated on 6 February 2015 specifically to implement the Bank, in its Project phase. During this phase, it needed to collect all the information stipulated as a condition precedent to beginning its activity and present it to the Bank of Portugal, as detailed in the Bank of Portugal authorisation granted in 2013 and renewed in 2014.

The process began with the 2013 authorisation request to create the Postal Bank. Authorisation was granted by the Bank of Portugal, following which CTT carried out various market surveys and in-depth reflections on the business model, by which it confirmed the Project's timeliness and worth.

Thereby, CTT's Board of Directors approved, on 4 November 2014, the launch of the then Postal Bank, thereby continuing to pursue its strategy of expanding the offer of financial products and services. It was authorised by the Bank of Portugal to begin operating on 27 November 2015.

On 18 March 2016, Banco CTT opened to the public and at the same time 52 Banco CTT stores, counting on December 31, 2017 with 208 stores, dispersed throughout Mainland Portugal and the Autonomous Regions of the Azores and Madeira.

Banco CTT is headquartered at Avenida Dom João II, nº 11, Torre A, Piso 11º, 1999-002 in Lisbon and has, as of December 31, 2017, a share capital of 125,000,000 euros, fully subscribed and paid by the sole shareholder, CTT – Correios de Portugal, SA.

Banco CTT's mission is to provide competitive no frills financial products, excellent service and to forge relationships built on trust and innovation, while ensuring:

- An integrated solution for each customer's needs;
- Trust as one of the institution's assets and outcomes;
- Development of a sustainable corporate strategy and risk profile;
- Continuous innovation that ensures the success of its mission both today and in the future.

### Note 1 – Basis of preparation

In accordance with regulation (EC) no. 1606/2002 of European Parliament and the Council, of 19 July 2002 and Notice no. 5/2015 from the Bank of Portugal, the financial statements of Banco CTT are prepared in accordance with the International Reporting Financial Standards (IFRS), as adopted in the European Union (EU) as at the date of its presentation, in replacement of the Adjusted Accounting Standards (NCA), as established by the Bank of Portugal.

Accordingly, and in accordance with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002 and in the Notice of Banco do Portugal No 5/2015, the financial statements of the Bank are, as of January 1, 2016, prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted in the European Union at the date of presentation of the financial statements.

IFRS comprise accounting standards issued by the International Accounting Standards Board (IASB), as well as interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and its predecessor bodies.

The Bank's financial statements, now presented, relate to the year ended December 31, 2017 and have been prepared in accordance with current IFRS as adopted in the European Union until December 31, 2017.

These financial statements are expressed in euros and have been prepared under the historical cost convention, except for the assets and liabilities accounted for at fair value, namely available-for-sale financial assets.

The preparation of financial statements in conformity with IFRS requires the application of judgment and the use of estimates and assumptions by management that affects the process of applying the Bank's accounting policies and the reported amounts of income, expenses, assets and liabilities. Actual results in the future may differ from those reported. The areas involving a higher degree of judgment or complexity or areas where assumptions and estimates that are significant to the financial statements are disclosed in Note 3.

These financial statements were approved by the Board of Directors in a meeting held on 6 March 2018.

### Note 2 – Main Accounting Policies

The main accounting policies used in the preparation of these financial statements are as follows:

#### 2.1 Foreign Currency Transactions

Foreign currency transactions are translated into the functional currency using the exchange rates in force at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated to euro at the foreign exchange rates in force at the balance sheet date. Non-monetary assets and liabilities in a foreign currency that are measured at historical cost are not updated.

Foreign exchange differences arising on translation are recognized in the income statement.

The bank has not made any operation in foreign currency to date.

#### 2.2 Loans and Advances to Customers

Loans and advances to customers include loans and advances originated by the bank, which are not intended to be sold in the short term. Loans and advances to customers are recognized when cash is advanced to borrowers.

Loans and advances to customers are derecognized from the balance sheet when (i) the contractual rights to receive their cash flows have expired, (ii) the bank has transferred substantially all risks and rewards of ownership or (iii) although retaining some but not substantially all of the risks and rewards of ownership, the bank has transferred the control over the assets.

Loans and advances to customers are initially recognized at fair value, plus transaction costs, and are subsequently valued at amortized cost, based on the effective interest rate method, and are presented in the balance sheet, net of impairment losses.

The bank assesses, regularly, whether there is objective evidence of impairment within its loan portfolio. Impairment losses identified are recognized in the income statement and are subsequently reversed through the income statement if, in a subsequent period, the amount of the impairment losses decreases.

A loan or a loan portfolio, defined as a group of loans with similar credit risk characteristics, is impaired when: (i) there is objective evidence of impairment as a result of one or more events that occurred after its initial recognition and (ii) that event (or events) has an impact on the estimated future cash flows of the loan or of the loan portfolio, that can be reliably estimated.

According to the IFRS, Loan and Advances to customers' value must be corrected, based on rigor and prudence criteria, to reflect its realizable value at all times.

When a loan is considered by the bank as uncollectible and an impairment loss of 100% was recognized, it is written off against the related allowance for loan impairment.

#### Impairment Losses

The Bank's policy is to regularly assess the existence of objective evidence of impairment in its credit portfolio. The identified impairment losses are recorded against income and subsequently reversed through the income statement if there is a reduction in the amount of estimated loss in the subsequent year. After initial recognition, a credit or client credit portfolio, defined as a pool of credit with similar risk characteristics, may be classified as impaired when there is objective evidence of impairment resulting from one or more events and when have an impact on the estimated future cash flows of the credit or loan portfolio that can be estimated reliably. In accordance with IAS 39, there are two methods for calculating impairment losses: (i) collective analysis; and (ii) Individual analysis.

##### (i) Collective analysis

The credits are grouped based on similar risk characteristics in order to determine the impairment losses in collective terms. This analysis allows the Bank to recognize losses whose identification, in individual terms, will only occur in future years.

Impairment losses based on the collective analysis can be calculated from two perspectives:

- For homogeneous groups of credits not considered individually significant; or
- In relation to losses incurred but not reported (IBNR) in credits for which there is no objective evidence of impairment (see paragraph (ii)).

Impairment losses in collective terms are determined based on probabilities of default (PD) and loss given default (LGD) parameters based on benchmarks, due to the absence of an historical performance.

##### (ii) Individual analysis

The assessment of the existence of impairment losses in individual terms is determined by analyzing the total credit exposure on a case-by-case basis.

For each loan considered individually significant, the Bank evaluates, at each balance sheet date, the existence of objective evidence of impairment. In determining the impairment losses, in individual terms, the following factors, among others, are considered:

- the total exposure of each client to the Bank and the existence of overdue credit;
- the client’s ability to service debt in the future;
- the existence, nature and estimated value of the collaterals associated with each credit;
- the nature and cause of identified signs of impairment;
- the estimated recovered amount and time to recovery.

Impairment losses are calculated by comparing the present value of expected future cash flows discounted at the original effective interest rate of each contract and the book value of each credit, and the losses are recorded against the income statement. The book value of impaired loans is presented in the balance sheet net of impairment losses. For loans with a floating interest rate, the discount rate used corresponds to the effective annual interest rate applicable in the year in which the impairment was determined.

When in the individual analysis no objective evidence of impairment is identified, the credits are treated as “IBNR” (see paragraph (i)).

2.3 Other Financial Assets

Classification, initial recognition and subsequent measurement

Financial assets are recognized on trade date – the date on which the bank commits to purchase asset – and are classified considering the underlying intention in the following categories.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that: (i) the bank intends to held for an indefinite period of time, (ii) are designated as available for sale at initial recognition or (iii) that are not classified as financial assets at fair value through profit or loss or held-to-maturity investments.

Available-for-sale financial assets are initially recognized at fair value plus transaction costs. Available for sale financial assets are subsequently carried at fair value. Gains and losses arising from changes in their fair value are recognized directly in equity,

until the financial assets are derecognized or impaired, at which time the cumulative gain or loss previously recognized in equity is recognized in the income statement.

Accumulated gains and losses recognized in fair value reserves arising from the sale of available for sale financial assets are recognized in the income statement, in the caption “Income/ (expense) from available for sale financial assets”.

Interests from debt instruments are recognized using the effective interest rate method under Net Interest Income, including a premium or discount, when applicable. Dividends are recognized in results when the right to receive is attributed.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the bank’s management has the positive intention and ability to hold until its maturity and that are not classified to any other category of financial assets. These financial assets are recognized at fair value in the inception date and are subsequently measured at amortized cost.

Interest is calculated through the effective rate method and recognized in the income statement. Impairment losses are recognized in the income statement when identified.

Any reclassification or sale of assets recognized in this category made not close to the maturity, or that does not fall within the exceptions laid down in the IFRS, will oblige the bank to reclassify this entire portfolio as Available-for-sale financial assets and will unable the bank for two years to classify any financial asset in this category.

Impairment Losses

At each balance sheet date, the Bank assesses the existence of objective evidence of impairment. A financial asset or group of financial assets is impaired whenever there is objective evidence of impairment resulting from one or more events that occurred after its initial recognition, such as: (i) for listed securities, a continued devaluation or (ii) for unlisted securities, when such event (or events) has an impact on the estimated future cash flows of the financial asset, or group of financial assets, which can be estimated with reasonableness.

If impairment is identified in an available-for-sale financial asset, the accumulated loss (measured as the difference between the acquisition cost and the fair value, excluding impairment losses previously recognized in the income statement) is transferred from fair value reserve and recognized in results. If, in a subsequent period, the fair value of debt instruments classified as available-for-sale financial assets increases and this increase can

be objectively associated with an event occurring after recognition of the impairment loss, the impairment loss is reversed through profit and loss. The recovery of impairment losses recognized in equity instruments, classified as available-for-sale financial assets, is recorded as a gain on fair value reserves when it occurs (there is no reversal against the income statement).

2.4 Financial Liabilities

An instrument is classified as a financial liability when it contains a contractual obligation to transfer cash or another financial asset, independently from its legal form.

Non-derivatives financial liabilities include mainly deposits from customers.

The financial liabilities are recognized (i) initially at fair value less transaction costs and (ii) subsequently at amortized cost, using the effective interest rate method.

2.5 Financial Instruments Offsetting

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

2.6 Equity Instruments

An instrument is classified as an equity instrument when it does not contain a contractual obligation to deliver cash or another financial asset, independently from its legal form, being a contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Transaction costs directly attributable to the issue of equity instruments are recognized under equity as a deduction from the proceeds. Amounts paid or received related to acquisitions or sales of equity instruments are recognized in equity, net of transaction costs.

Distributions to holders of an equity instrument are deducted directly to equity as dividends, when declared.

2.7 Tangible Assets

Tangible assets are measured at cost less accumulated depreciation and impairment losses, when applicable. The acquisition cost includes:

- (i) the acquisition price of the asset;
- (ii) the expenditure that is directly attributable to the acquisition of the items.

Depreciation of tangible assets, net of residual value, is calculated using the straight-line method, starting in the month when they become available for use and during their estimated useful lives, which is determined considering their expected usage.

The depreciation rates in place correspond, in average, to the following estimated useful lives for the different class of assets:

	Years of useful life
Improvements in leasehold property	1-10
Security equipment	1-8
Other equipment	1-5

Depreciation ceases when assets are reclassified to held for sale category.

At each balance sheet date, an assessment is performed by the Bank as to whether there is objective evidence of impairment. When there is an indication that an asset may be impaired, IAS 36 requires that its recoverable amount be estimated and an impairment loss recognized in the income statement when the net book value of the asset exceeds its recoverable amount. The recoverable amount is determined as the greater of its net selling price and value in use.

Assets under construction represent tangible assets in construction/production phase, being recorded at acquisition cost or production cost. These assets start to be depreciated after being available for use.

Repair and maintenance costs are charged in the income statement as incurred. Big repairs that originate an increase in benefits or in the estimated useful life are recorded as tangible assets and depreciated at the expected useful life rates. The replaced component is identified and written off.

Income and expenses generated in the sale of tangible assets are determined by the difference between the selling value and the book value and are recorded in the income statement under the caption “Other operating income” or “Other operating expense”.

2.8 Intangible Assets

Intangible assets are measured at cost less accumulated depreciation and impairment losses, when applicable. Intangible assets are only recognized when it is probable that future economic benefits flow to the bank and that those can be reliably measured.

Intangible assets include essentially software expenditures (whenever this is separable from hardware and be associated to projects in which is possible to measure the generation of

economic benefits), licenses and other usage rights. Also include development costs of R&D every time there is an intent and technical ability to fulfil that development, with the objective of being available to sell or use. Research expenditure when searching new technical or scientific knowledge or in the search of alternative solutions are recognized in the income statement when incurred.

Intangible assets are amortized using the straight-line method, starting in the month when they become available for use and during their estimated useful lives, which is usually between three to five years. In the specific case of the core business system, after specific analysis on the expected effective useful life of the asset, the bank decided to apply an amortization period of 15 years.

The bank performs impairment tests whenever there is events or circumstances that indicate that the net book value exceeds the recoverable amount, being the difference recognized in the income statement. The recoverable amount is determined as the greater of its net selling price and value in use, the latter being calculated by the present value of the estimated future cash flows obtained from continued use of the asset and its sale at the end of its useful life.

Income and expenses generated in the sale of intangible assets are determined by the difference between the selling value and the book value and are recorded in the income statement under the caption “Other operating income” or “Other operating expense”.

## 2.9 Leases

The Bank classifies its lease agreements as finance leases or operating leases taking into consideration the substance of the transaction rather than its legal form. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. All other leases are classified as operating leases.

Finance leases are registered at the inception of the lease, as assets and liabilities at the fair value of the leased assets, or if lower, to the present value of the future lease payments. The discount rate to be used should be the lease implicit rate. If this rate is not disclosed than the bank’s financing rate for this types of investments should be used. The depreciation policy of this assets follows the tangible assets policy of the bank. The financial interest included in the rentals as well as the depreciation of the tangible asset are recognize in the income statement of the period they relate.

In operational leases, rentals are recognized as an expense in the income statement during the lease term (Note 9).

## 2.10 Employee benefits

In accordance with IAS 19 – Employee benefits, the variable remuneration (profit sharing, bonus and others) to employees and to the Board of Directors is recognized in the income statement in the year to which they relate.

## 2.11 Income Tax

Income tax for the period comprises current tax and deferred tax. Income tax is recognized in the income statement except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. In this case, deferred tax are also recognized in equity.

Current tax is the tax expected to be paid on the taxable profit for the period, calculated using tax rates enacted or substantively enacted at the balance sheet date. Taxable profit differs from the profit for the period, once excludes several expenses and income that will only be deductible or taxable in other periods. Taxable profit also excludes expenses and income that will never be deductible or taxable.

Deferred taxes refer to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences to the extent it is probable that future taxable profits will be available against which deductible temporary differences can be deducted or when deferred tax liabilities exists and its reversal is expectable to occur in the same period of the deferred tax assets. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax is calculated using the tax rates enacted or substantively enacted at the balance sheet date and that are expected to be applied when the temporary difference is reversed.

The Bank is under the Special Taxation of Corporate Groups Regime (RETGS) that includes all companies were CTT have, directly or indirectly, at least 90% of the share capital and that simultaneously are residents in Portugal and taxable under Corporate Income Tax. In this context, Banco CTT receives from its shareholder the amount related with its fiscal loss that contributes to the Groups’ consolidated Corporate Income Tax and, equally, pays to its shareholder the amount related with its positive contribute to the consolidated Corporate Income Tax of the group.

## 2.12 Provisions

Provisions are recognized when: (i) the Bank has present legal or constructive obligation, based in past events (ii) it is probable that settlement will be required in the future and (iii) a reliable estimate of the obligation can be made. The provision corresponds to the net present value of the expected future payments, discounted at an appropriate rate charged as a financial expense in the caption “Interest and other similar charges”.

Provisions are reviewed at each balance sheet date and adjusted to reflect the best estimate at that date.

## 2.13 Interest income and expenses

Interest income and expense are recognized in the income statement under interest and similar income and interest expense and similar charges for all non-derivative financial instruments measured at amortized cost, using the effective interest rate method.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. The effective interest rate is calculated at inception and it is not subsequently revised.

When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and commissions paid or received that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. In the case of financial assets or groups of similar financial assets for which an impairment loss was recognized, interest income is calculated using the interest rate used to measure the impairment loss.

## 2.14 Recognition of fees and commission income

Fees and commissions income are recognized as follows:

- Fees and commissions that are earned on the execution of a significant act, are recognized as income when the significant act has been completed;
- Fees and commissions earned over the period in which the services are provided are recognized as income in the period the services are provided;
- Fees and commissions that are an integral part of the effective interest rate of a financial instrument are recognized as income using the effective interest rate method.

## 2.15 Earnings per share

Basic earnings per share is calculated by dividing net income available to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

For the diluted earnings per share, the weighted average number of ordinary shares outstanding is adjusted to assume conversion of all dilutive potential ordinary shares.

## 2.16 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than three months’ maturity from the inception date, including cash and deposits with banks.

Cash and cash equivalents exclude restricted balances with Central Banks.

## 2.17 Insurance Mediation Services

Banco CTT is an entity authorized by the ‘Autoridade de Supervisão de Seguros e Fundos de Pensões’ (ASF, portuguese insurance regulator) to practice the activity of insurance mediation in the category of Online Insurance Broker, in accordance with Article 8., Paragraph a), point i) of Decree Law no. 144/2006, of 31 July, developing the activity of insurance mediation in life and non-life sectors.

Within the insurance mediation services, Banco CTT sells insurance contracts. As compensation for the services rendered for insurance mediation, Banco CTT receives commissions, which are defined in the agreements/protocols established with the Insurance Companies.

## Note 3 – Critical Accounting Estimates and Judgements In Applying Accounting Policies

IFRS set forth a range of accounting treatments and require management to apply judgment and make estimates in deciding which treatment is most appropriate. The most significant of these accounting policies are discussed in this section in order to improve understanding of how their application affects the Bank’s reported results and related disclosure.

A broader description of the accounting policies employed by the Bank is shown in Note 2 to the Financial Statements.

Because in many cases there are other alternatives to the accounting treatment chosen by management, the Bank’s reported results would differ if a different treatment were chosen.



Management believes that the choices made by it are appropriate and that the financial statements present the Bank's financial position and results fairly in all material respects.

### 3.1 Impairment of available for sale financial assets

The Bank determines that available for sale financial assets are impaired when there has been a significant or prolonged decline in the fair value below its cost or when it has identified an event with impact on the estimated future cash flows of the assets. This determination requires judgment based on all available relevant information, including the normal volatility of the financial instruments prices. Considering the high volatility of the markets, the Bank has considered the following parameters when assessing the existence of impairment losses:

(i) Equity securities: significant decline in market value in relation to the acquisition cost or market value below the acquisition cost for a prolonged period;

(ii) Debt securities: objective evidence of events that have an impact on the estimated future cash flows of these assets. In addition, valuations are generally obtained through market quotation (mark to market) or valuation models (mark to model) that may require assumptions or judgment in making estimates of fair value.

Alternative methodologies and the use of different assumptions and estimates could result in a higher level of impairment losses recognized with a consequent impact in the income statement of the Bank.

### 3.2 Held-to-maturity Investments

The bank classifies its non-derivate financial instruments with fixed or defined payments and maturities as held-to-maturity, according to the requirements of IAS 39. This classification requires significant judgment.

In assessing the judgment, the bank evaluates its intention and capacity to retain this asset until maturity. If the bank does not retain this asset until maturity date, except for specific circumstances – for example, selling an insignificant part close to maturity – is required to reclassify the entire portfolio to Available-for-sale financial assets, with its measurement at fair value.

Held-to-maturity investments are subject to impairment tests made by the bank. The use of different assumptions and estimates could have an impact on the income statement.

### 3.3 Deferred taxes

The recognition of the deferred tax assets relating to tax losses assumes the existence of future taxable income. Deferred tax assets and liabilities were determined based on the tax legislation currently in place for the bank, using the tax rates enacted or substantively enacted at the balance sheet date. Changes in the tax legislation can influence the value of deferred taxes.

### 3.4 Provisions

The bank makes considerable judgment when measuring and recognizing provisions. Due to the inherent uncertainties in the evaluation process, real losses can be different from the originally estimated. These estimates are subject to changes as new information becomes available. Reviews to these estimations can affect future results.

When relevant, judgment includes the gauging the probabilities that a litigation has to be successful. Provisions are recorded when the bank expects that litigations in course will result in outflows for the bank, the loss is probable and can be reliably estimated.

### 3.5 Impairment for Loans and Advances to Customers

The Bank periodically reviews its loan portfolio in order to assess the existence of impairment losses, as referred to in the accounting policy described in Note 2.2.

The process of evaluating the loan portfolio in order to determine whether an impairment loss is to be recognized is subject to various estimates and judgments. This process includes factors such as probability of default, credit ratings, collateral value associated with each transaction, recovery rates and estimates of future cash flows and the timing of their receipt.

Alternative methodologies and the use of other assumptions and estimates could result in different levels of impairment losses recognized, with a consequent impact on the Bank's results.

### Note 4 – Net interest income

This balance includes:

	(amounts in euros)	
	2017	2016
<b>Interest and similar income</b>	<b>4,199,520</b>	<b>416,006</b>
Interest on held to maturity financial assets	3,383,428	306,145
Interest on deposits and investments at credit institutions	197,587	64,721
Interest on loans and advances	588,817	29,329
Interest on available for sale financial assets	29,688	15,811
<b>Interest expense and similar charges</b>	<b>809,955</b>	<b>389,955</b>
Interest on deposits from customers	748,742	386,168
Others	61,213	3,787
<b>Net interest income</b>	<b>3,389,565</b>	<b>26,051</b>

### Note 5 – Net fees and commissions income

This balance includes:

	(amounts in euros)	
	2017	2016
<b>Fees and commissions received</b>	<b>4,138,847</b>	<b>614,028</b>
From banking services	3,128,104	614,028
From insurance mediation services	1,010,743	-
<b>Fees and commissions paid</b>	<b>1,092,235</b>	<b>192,612</b>
From banking services	1,054,211	164,920
From securities operations	32,921	10,763
From other services	5,103	16,929
<b>Net fees and commissions income</b>	<b>3,046,612</b>	<b>421,416</b>

The caption Fees and commissions received – From banking services includes 1,073,250 euros (2016: 237,097 euros) related to commissions from intermediation of credit products.

### Note 6 – Net gains / (losses) arising from available for sale financial assets

This balance includes:

	(amounts in euros)	
	2017	2016
<b>Gains arising from available for sale financial assets</b>	<b>-</b>	<b>12,459</b>
Fixed Income	-	12,459
<b>Losses arising from available for sale financial assets</b>	<b>-</b>	<b>788</b>
Fixed Income	-	788
<b>Net gains / (losses) arising from available for sale financial assets</b>	<b>-</b>	<b>11,671</b>

### Note 7 – Other operating income/ (expenses)

This balance includes:

	(amounts in euros)	
	2017	2016
<b>Operating income</b>	<b>86,536</b>	<b>309,984</b>
Other operating income	86,536	309,984
<b>Operating expenses</b>	<b>82,258</b>	<b>145,495</b>
Donations and contributions	49,674	60,651
Annual supervisory fee (SSM)	3,173	1,896
Contribution over the banking sector	14,862	744
Contribution for the resolution fund	3,147	600
Contribution for the deposit guarantee fund	110	80
Indirect taxes	2,419	48
Contribution for the single resolution fund	1,000	-
Other operating expenses	7,873	81,476
<b>Other operating income / (expenses)</b>	<b>4,278</b>	<b>164,489</b>

The Single Supervisory Mechanism (SSM) is one of the three pillars of the Banking Union (Single Supervisory Mechanism, Single Resolution Mechanism and Common Deposit Guarantee Scheme). The SSM's supervision model distinguishes between the significant credit institutions (under the direct supervision of the ECB) and the less significant credit institutions (under indirect supervision of the ECB and direct supervision of the national competent authorities, articulating with and reporting to the ECB), based on quantitative and qualitative criteria. Banco CTT is classified as a 'less significant credit institution', having paid in 2017, 3,173 euros of supervisory fee (2016: 1,896 euros).

The balance Contribution over the banking sector is estimated according to the terms of the Decree-Law no. 55-A/2010. The determination of the amount payable is based on: (i) the annual average liabilities deducted by core capital (Tier 1) and supplementary (Tier 2) and deposits covered by the Deposit Guarantee Fund, and (ii) notional amount of derivatives.

The balance Contribution to the Resolution Fund corresponds to the periodic contributions that must be paid to the Fund, as set forth in Decree-Law no. 24/2013. The periodic contributions are determined by a base rate, established by the Bank of Portugal, through an Instruction, to be applied in each year and which may be adjusted to the credit institution's risk profile. Periodical contributions are calculated based on the liabilities of credit institution, as per the article 10 of the above referred Decree-Law, deducted from the elements that are part of the Tier 1 and Tier 2 capital and from the deposits covered by the Deposit Guarantee Fund.

The caption Contribution for the single resolution fund refers to the estimate of the ex ante contribution for the Single Resolution Fund, under the Unique Resolution Mechanism and in accordance with paragraph 2 of Article 70 of Regulation (EU) No. 806/2014 of the European Parliament and of the Council of 15 July 2014.

#### Note 8 – Staff costs

This balance includes:

	(amounts in euros)	
	2017	2016
Salaries	7,245,352	6,314,301
Mandatory social security charges	1,835,133	1,462,865
Employees with a plurality of employers regime	1,967,901	528,552
Incentives and performance premiums	927,372	1,192,894
Insurance for accidents at work and occupational diseases	99,278	71,845
Other costs	119,911	55,860
<b>Staff costs</b>	<b>12,194,947</b>	<b>9,626,317</b>

The total amount of fixed remuneration of the Management and Supervisory Board, in 2017 recorded in the caption remunerations amounted to 1,150,288 euros (2016: 999,631 euros). During 2017, regarding the Management and Supervisory Boards, were also incurred costs with contributions to Social Security in the amount of 272,128 euros (2016: 235,918 euros). Within the caption Incentives and performance premiums, as at 31 December 2017, there are 319,928 euros attributable to the Management (2016: 525,550 euros). The caption Other costs included 35,000 euros of retirement savings plan granted to the Management (2016: 35,000 euros).

The staff of the branch network is in a plurality of employers' regime, as set in the article 101 of the Labor Code, accumulating functions with the postal service of CTT. During 2017, the cost with these shared employees with CTT was 1,967,901 euros (2016: 528,552 euros).

In 2017, the Bank paid to the Board of Directors 143,609 euros of variable remunerations. In 2016, Management and Supervisory Boards were not granted with any amounts relating to variable remunerations.

As at the end of 2017 and 2016, effective workers in the service of the Bank, excluding employees with a plurality of employers regime, distributed by professional category, were as follows:

	2017	2016
Board of directors (*)	11	9
Intermediary management	24	22
Technical functions	154	134
Administrative	2	2
	<b>191</b>	<b>167</b>

(\*) 2016: Includes 2 non-executive directors and 3 members of the Audit Committee.  
2017: Includes 4 non-executive directors and 3 members of the Audit Committee.

#### Note 9 – General and administrative expenses

This balance includes:

	(amounts in euros)	
	2017	2016
Water, electricity and fuel	106,515	99,001
Consumables	96,117	58,579
Hygiene and cleaning supplies	-	5,801
Rents	910,952	948,161
Communications	954,137	382,315
Travel, hotel and representation costs	107,970	120,611
Advertising	3,358,321	3,583,955
Maintenance and related services	67,870	46,452
Training costs	93,501	41,253
Insurance	91,525	72,853
Information technology services	6,818,196	6,533,381
Consulting and advisory services	2,017,882	2,172,280
Other specialized services	1,665,239	1,079,353
Other supplies and services	2,135,157	1,295,024
<b>General and administrative expenses</b>	<b>18,423,382</b>	<b>16,439,019</b>

Consulting and advisory services and Information technology services balances record costs incurred with the implementation and operation of the Bank, namely information technology, processes and procedures consultancy and IT infrastructure, maintenance and development.

The caption Advertising refers to costs incurred with advertising and communication of the brand and products of Banco CTT.

The caption Other specialized services records the costs incurred with banking and transactional operations.

The caption Other supplies and services records, among other things, the costs of outsourcing some support functions.

The Bank has entered into operating leases contracts whose outstanding due rents as at 31 December 2017 amounts to 950,576 euros (2016: 1,844,770 euros). These contracts are considered operating leases since they do not meet the criteria to be considered financial leases, in accordance with the International Accounting Standard 17 – Leases. The above mentioned amount is payable as follows:

(amounts in euros)						
	<b>2017</b>			<b>2016</b>		
	<b>Property</b>	<b>Vehicles</b>	<b>Total</b>	<b>Property</b>	<b>Vehicles</b>	<b>Total</b>
Up to 1 year	567,696	205,322	773,018	629,124	231,497	860,621
1 to 5 years	-	177,558	177,558	524,607	459,542	984,149
	<b>567,696</b>	<b>382,880</b>	<b>950,576</b>	<b>1,153,731</b>	<b>691,039</b>	<b>1,844,770</b>

Costs incurred with statutory audit and related services rendered by the Statutory Auditor of the Bank are presented as follows:

(amounts in euros)		
	<b>2017</b>	<b>2016</b>
Legal certification services	192,679	123,338
Other assurance services	70,523	108,240
Tax services	-	33,213
Other services	10,950	99,015
	<b>274,152</b>	<b>362,806</b>

#### Note 10 – Earnings per Share

Earnings per share is calculated as follows:

	<b>2017</b>	<b>2016</b>
Net income (euros)	(21,301,636)	(21,438,571)
Average number of shares	112,287,671	54,909,836
Basic earnings per share (euros)	(0.19)	(0.39)
Diluted earnings per share (euros)	(0.19)	(0.39)

The Bank's share capital is €125,000,000 and is fully subscribed and paid-up. It is represented by 125,000,000 ordinary registered, book-entry shares, with no nominal value and there are no different categories of shares.

Basic earnings per share are calculated by dividing net profit/ (loss) for the period by the weighted average number of common shares outstanding during the year.

Diluted earnings per share are calculated by adjusting the effect of all dilutive potential ordinary shares to the weighted average number of common shares outstanding and net profit/ (loss) for the period.

As at 31 December 2017 and 2016, the Bank didn't have dilutive potential ordinary shares and therefore the diluted earnings per share is equal to basic earnings per share.

#### Note 11 – Cash and deposits at central banks

This balance is analysed as follows:

(amounts in euros)		
	<b>2017</b>	<b>2016</b>
Cash	25,308,495	14,348,934
Demand deposits at Bank of Portugal	32,755,981	3,792,334
<b>Cash and deposits at central banks</b>	<b>58,064,476</b>	<b>18,141,268</b>

Cash balance in the amount of 25,308,495 euros (2016: Euros 14,348,934 euros) is represented by banknotes and coins denominated in euros.

As at 31 December 2017, the balance Demand deposits at Bank of Portugal includes mandatory deposits in order to meet the legal requirements to maintain a minimum cash reserve.

In accordance with Regulation (EU) No 1358/2011 of European Central Bank of 14 December 2011, minimum cash requirements kept as demand deposits at Bank of Portugal amounts to 1% of deposits and other liabilities. As at 31 December 2017, the minimum reserve period in place was from 20 December 2017 to 30 January 2018. For this period, the daily average requirement for the period was 5,557,100 euros.

As at 31 December 2017, the minimum reserve period in place was from 14 December 2016 to 24 January 2017. For this period, the daily average requirement for the period was 1,928,000 euros.

Demand deposits at Bank of Portugal are remunerated at a negative rate of 0.4% for the amount that exceeds the minimum reserve requirement.

#### Note 12 – Deposits with banks

This balance is analysed as follows:

(amounts in euros)		
	<b>2017</b>	<b>2016</b>
Credit institutions in Portugal	175,583,449	105,200,460
Amounts due for collection	1,392,000	1,173,518
<b>Deposits with banks</b>	<b>176,975,449</b>	<b>106,373,978</b>

The balance Amounts due for collection represents cheques due for collection on other financial institutions.

#### Note 13 – Available for sale financial assets

This balance is analysed as follows:

(amounts in euros)				
	<b>Amortised Cost</b>	<b>Fair value reserve</b>	<b>Fair value reserve</b>	<b>2017</b>
<b>Total</b>				
Bonds and other fixed income securities				
Government bonds				
Domestic	545,545	30,335	-	575,880
Other issuers				
Domestic	250,002	-	-	250,002
Foreign	4,905,504	19,988	-	4,925,492
<b>Available for sale financial assets</b>	<b>5,701,051</b>	<b>50,323</b>	<b>-</b>	<b>5,751,374</b>

(amounts in euros)				
	<b>Amortised Cost</b>	<b>Fair value reserve</b>	<b>Fair value reserve</b>	<b>2016</b>
<b>Total</b>				
Bonds and other fixed income securities				
Government bonds				
Domestic	679,406	174	-	679,580
Other issuers				
Foreign	5,754,445	13,300	-	5,767,745
<b>Available for sale financial assets</b>	<b>6,433,851</b>	<b>13,474</b>	<b>-</b>	<b>6,447,325</b>

The analysis of Available for sale financial assets by remaining maturity, as at 31 December 2017, is as follows:

(amounts in euros)					
	<b>2017</b>				
	<b>Up to 3 months</b>	<b>From 3 to 12 months</b>	<b>From 1 to 3 years</b>	<b>More than 3 years</b>	<b>Total</b>
Bonds and other fixed income securities					
Government bonds					
Domestic	13,765	-	-	562,115	575,880
Other issuers					
Domestic	250,002	-	-	-	250,002
Foreign	239,942	2,072,485	2,500,506	112,559	4,925,492
<b>Available for sale financial assets</b>	<b>503,709</b>	<b>2,072,485</b>	<b>2,500,506</b>	<b>674,674</b>	<b>5,751,374</b>

The analysis of Available for sale financial assets by remaining maturity, as at 31 December 2016, is as follows:

(amounts in euros)					
	<b>2016</b>				
	<b>Up to 3 months</b>	<b>From 3 to 12 months</b>	<b>From 1 to 3 years</b>	<b>More than 3 years</b>	<b>Total</b>
Bonds and other fixed income securities					
Government bonds					
Domestic	14,866	124,314	-	540,400	679,580
Other issuers					
Foreign	562,258	1,272,273	3,614,529	318,685	5,767,745
<b>Available for sale financial assets</b>	<b>577,124</b>	<b>1,396,587</b>	<b>3,614,529</b>	<b>859,085</b>	<b>6,447,325</b>

In accordance with the accounting policy described in Note 2.3, the Bank periodically assesses whether there is objective evidence of impairment on the available for sale financial assets, following the judgment criteria described in Note 3.1.

In 2017 and 2016 no impairment losses were identified and recognized in the financial statements of the bank.

#### Note 14 – Investments at credit institutions

This balance is analysed as follows:

(amounts in euros)		
	<b>2017</b>	<b>2016</b>
Placements at Credit Institutions in Portugal	73,720,671	58,718,171
Loans to Credit Institutions in Portugal	19,690,523	-
Placements at Credit Institutions abroad	8,500,614	-
<b>Investments at credit institutions</b>	<b>101,911,808</b>	<b>58,718,171</b>

The scheduling of this balance by maturity is presented as follows:

(amounts in euros)		
	<b>2017</b>	<b>2016</b>
Up to 3 months	16,716,838	42,111,692
From 3 to 6 months	16,078,185	4,500,135
From 6 months to 12 months	57,285,663	12,106,344
From 1 to 3 years	7,473,850	-
More than 3 years	4,357,272	-
<b>Investments at credit institutions</b>	<b>101,911,808</b>	<b>58,718,171</b>

Investments at credit institutions presented during the period an average interest rate of 0.267% (2016: 0.162%)

#### Note 15 – Loans and advances to customers

This balance is analysed as follows:

(amounts in euros)		
	<b>2017</b>	<b>2016</b>
Mortgage loans	66,145,178	-
Other loans	12,948,985	7,034,824
Overdrafts	299,170	69,498
<b>Performing loans</b>	<b>79,393,333</b>	<b>7,104,322</b>
<b>Overdue loans</b>	<b>71,708</b>	<b>-</b>
<b>Impairment for credit risk</b>	<b>(117,651)</b>	<b>(417)</b>
<b>Loans and advances to customers</b>	<b>79,347,390</b>	<b>7,103,905</b>

The scheduling of this balance by maturity, as at 31 December 2017, is presented as follows:

(amounts in euros)							
	<b>2017</b>						
	<b>At sight</b>	<b>Up to 3 months</b>	<b>From 3 to 12 months</b>	<b>From 1 to 3 years</b>	<b>More than 3 years</b>	<b>Undetermined</b>	<b>Total</b>
Mortgage loans	-	465,590	1,357,066	3,680,670	60,641,852	-	66,145,178
Other loans	-	12,948,985	-	-	-	-	12,948,985
Overdrafts	299,170	-	-	-	-	71,708	370,878
<b>Loans and advances to customers</b>	<b>299,170</b>	<b>13,414,575</b>	<b>1,357,066</b>	<b>3,680,670</b>	<b>60,641,852</b>	<b>71,708</b>	<b>79,465,041</b>

(amounts in euros)							
	<b>2016</b>						
	<b>À vista</b>	<b>Até 3 meses</b>	<b>De 3 a 12 meses</b>	<b>De 1 a 3 anos</b>	<b>Mais de 3 anos</b>	<b>Indeterminado</b>	<b>Total</b>
Other loans	-	7,034,824	-	-	-	-	7,034,824
Overdrafts	69,498	-	-	-	-	-	69,498
<b>Loans and advances to customers</b>	<b>69,498</b>	<b>7,034,824</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,104,322</b>

The analysis of loans and advances to customers, by type of interest rate, is presented as follows:

(amounts in euros)		
	<b>2017</b>	<b>2016</b>
Fixed rate	370,878	69,498
Floating rate	79,094,163	7,034,824
<b>Loans and advances to customers</b>	<b>79,465,041</b>	<b>7,104,322</b>

The movement of the impairment for credit risk is presented as follows:

(amounts in euros)		
	<b>2017</b>	<b>2016</b>
<b>Balance on 1 January</b>	<b>417</b>	<b>-</b>
Charge for the year	133,578	417
Write-back for the year	(16,344)	-
Loans charged-off	-	-
<b>Impairment for credit risk</b>	<b>117,651</b>	<b>417</b>



## Note 16 – Financial assets held to maturity

This balance is analysed as follows:

	(amounts in euros)	
	2017	2016
Bonds and other fixed income securities		
Government bonds		
Domestic	162,425,502	47,956,965
Foreign	75,110,116	31,784,315
Other issuers		
Domestic	24,013,514	15,142,554
Foreign	-	210,709
<b>Financial assets held to maturity</b>	<b>261,549,132</b>	<b>95,094,543</b>

The analysis of Financial assets held to maturity by remaining maturity, as at 31 December 2017, is as follows:

	(amounts in euros)				
	2017				
	Up to 3 months	From 3 to 12 months	From 1 to 3 years	More than 3 years	Total
Bonds and other fixed income securities					
Government bonds					
Domestic	3,370,516	5,083,554	11,789,808	142,181,624	162,425,502
Foreign	275,308	-	20,888,425	53,946,383	75,110,116
Other issuers					
Domestic	1,683,085	5,308,910	14,603,866	2,417,653	24,013,514
Foreign	-	-	-	-	-
<b>Financial assets held to maturity</b>	<b>5,328,909</b>	<b>103,92,464</b>	<b>47,282,099</b>	<b>198,545,660</b>	<b>261,549,132</b>

The analysis of Financial assets held to maturity by remaining maturity, as at 31 December 2016, is as follows:

	(amounts in euros)				
	2016				
	Up to 3 months	From 3 to 12 months	From 1 to 3 years	More than 3 years	Total
Bonds and other fixed income securities					
Government bonds					
Domestic	800,279	-	12,256,862	34,899,824	47,956,965
Foreign	77,837	-	-	31,706,478	31,784,315
Other issuers					
Domestic	19,603	-	-	15,122,951	15,142,554
Foreign	3,214	207,495	-	-	210,709
<b>Financial assets held to maturity</b>	<b>900,933</b>	<b>207,495</b>	<b>12,256,862</b>	<b>81,729,253</b>	<b>95,094,543</b>

## Note 17 – Other tangible assets

This balance is analysed as follows:

	(amounts in euros)	
	2017	2016
<b>Acquisition cost</b>		
<b>Buildings</b>		
Improvements in leasehold property	206,134	40,311
<b>Equipment</b>		
Furniture	249,788	2,527
Machinery	32,141	-
Computer equipment	158,934	107,475
Interior installations	7,237	1,082
Security equipment	43,433	32,037
Other equipment	5,892	5,741
	<b>703,559</b>	<b>189,173</b>
<b>Accumulated depreciation</b>		
Accumulated charge for the previous years	129,446	6,051
Charge for the year	380,765	123,395
	<b>510,211</b>	<b>129,446</b>
<b>Other tangible assets</b>	<b>193,348</b>	<b>59,727</b>

The movements in tangible assets, during 2017, are analysed as follows:

	(amounts in euros)				
	2017				
	Balance on 1 january	Aquisitions / Charge	Transfers	Disposals / Charged-off	Balance on 31 december
<b>Acquisition cost</b>					
<b>Buildings</b>					
Improvements in leasehold property	40,311	165,823	-	-	206,134
<b>Equipment</b>					
Furniture	2,527	247,261	-	-	249,788
Machinery	-	32,141	-	-	32,141
Computer equipment	107,475	51,459	-	-	158,934
Interior installations	1,082	6,155	-	-	7,237
Security equipment	32,037	11,396	-	-	43,433
Other equipment	5,741	151	-	-	5,892
	<b>189,173</b>	<b>514,386</b>	<b>-</b>	<b>-</b>	<b>703,559</b>
<b>Accumulated depreciation</b>					
<b>Buildings</b>					
Improvements in leasehold property	5,999	78,862	-	-	84,861
<b>Equipment</b>					
Furniture	2,527	241,152	-	-	243,679
Machinery	-	1,351	-	-	1,351
Computer equipment	107,475	48,812	-	-	156,287
Interior installations	1,082	4,104	-	-	5,186
Security equipment	6,622	6,333	-	-	12,955
Other equipment	5,741	151	-	-	5,892
	<b>129,446</b>	<b>380,765</b>	<b>-</b>	<b>-</b>	<b>510,211</b>
<b>Other tangible assets</b>	<b>59,727</b>	<b>133,621</b>	<b>-</b>	<b>-</b>	<b>193,348</b>

The movements in tangible assets, during 2016, are analysed as follows:

(amounts in euros)					
					<b>2016</b>
	<b>Balance on 1 january</b>	<b>Aquisitions / Charge</b>	<b>Transfers</b>	<b>Disposals / Charged-off</b>	<b>Balance on 31 december</b>
<b>Acquisition cost</b>					
<b>Buildings</b>					
Improvements in leasehold property	35,637	4,674	-	-	40,311
<b>Equipment</b>					
Furniture	-	2,527	-	-	2,527
Computer equipment	-	107,475	-	-	107,475
Interior installations	-	1,082	-	-	1,082
Security equipment	28,910	3,127	-	-	32,037
Other equipment	2,146	3,595	-	-	5,741
	<b>66,693</b>	<b>122,480</b>	<b>-</b>	<b>-</b>	<b>189,173</b>
<b>Accumulated depreciation</b>					
<b>Buildings</b>					
Improvements in leasehold property	1,962	4,037	-	-	5,999
<b>Equipment</b>					
Furniture	-	2,527	-	-	2,527
Computer equipment	-	107,475	-	-	107,475
Interior installations	-	1,082	-	-	1,082
Security equipment	1,943	4,679	-	-	6,622
Other equipment	2,146	3,595	-	-	5,741
	<b>6,051</b>	<b>123,395</b>	<b>-</b>	<b>-</b>	<b>129,446</b>
<b>Other tangible assets</b>	<b>60,642</b>	<b>(915)</b>	<b>-</b>	<b>-</b>	<b>59,727</b>

#### Note 18 – Intangible assets

This balance is analysed as follows:

(amounts in euros)		
	<b>2017</b>	<b>2016</b>
<b>Aquisition cost</b>		
Software in use	22,718,903	18,699,246
Other intangible assets	15,968	15,968
Work in progress	2,134,864	1,289,794
	<b>24,869,735</b>	<b>20,005,008</b>
<b>Accumulated depreciation</b>		
Accumulated charge for the previous years	1,549,185	131,030
Charge for the year	2,320,740	1,418,155
	<b>3,869,925</b>	<b>1,549,185</b>
<b>Intangible assets</b>	<b>20,999,810</b>	<b>18,455,823</b>

Intangible assets include mainly expenditure with the acquisition and development of software, namely with the core banking system and its setup and customization.

The movements in intangible assets, during 2017, are analysed as follows:

(amounts in euros)					
					<b>2017</b>
	<b>Balance on 1 january</b>	<b>Aquisitions / Charge</b>	<b>Transfers</b>	<b>Disposals / Charged-off</b>	<b>Balance on 31 december</b>
<b>Aquisition cost</b>					
Software in use	18,699,246	2,473,819	1,545,838	-	22,718,903
Other intangible assets	15,968	-	-	-	15,968
Work in progress	1,289,794	2,390,908	(1,545,838)	-	2,134,864
	<b>20,005,008</b>	<b>4,864,727</b>	<b>-</b>	<b>-</b>	<b>24,869,735</b>
<b>Accumulated amortisation</b>					
Accumulated charge for the previous years	1,546,888	2,319,143	-	-	3,866,031
Charge for the year	2,297	1,597	-	-	3,894
	<b>1,549,185</b>	<b>2,320,740</b>	<b>-</b>	<b>-</b>	<b>3,869,925</b>
<b>Intangible assets</b>	<b>18,455,823</b>	<b>2,543,987</b>	<b>-</b>	<b>-</b>	<b>20,999,810</b>

The movements in intangible assets, during 2016, are analysed as follows:

(amounts in euros)					
					<b>2016</b>
	<b>Balance on 1 january</b>	<b>Aquisitions / Charge</b>	<b>Transfers</b>	<b>Disposals / Charged-off</b>	<b>Balance on 31 december</b>
<b>Aquisition cost</b>					
Software in use	721,791	8,867,483	9,109,972	-	18,699,246
Other intangible assets	15,968	-	-	-	15,968
Work in progress	9,109,972	1,289,794	(9,109,972)	-	1,289,794
	<b>9,847,731</b>	<b>10,157,277</b>	<b>-</b>	<b>-</b>	<b>20,005,008</b>
<b>Accumulated amortisation</b>					
Accumulated charge for the previous years	131,030	1,415,858	-	-	1,546,888
Charge for the year	-	2,297	-	-	2,297
	<b>131,030</b>	<b>1,418,155</b>	<b>-</b>	<b>-</b>	<b>1,549,185</b>
<b>Intangible assets</b>	<b>9,716,701</b>	<b>8,739,122</b>	<b>-</b>	<b>-</b>	<b>18,455,823</b>

## Note 19 – Other assets

This balance is analysed as follows:

	(amounts in euros)	
	2017	2016
Corporate Income Tax (RETGS)	11,131,017	7,120,649
Operations pending settlement	1,329,382	332,615
Amounts given as pledge	281,920	280,000
Debtors	2,330,934	246,363
Deferred costs	306,257	172,125
Public sector	61,486	28,834
Prepayments	342,288	13,435
Amounts receivable	7,014	3,517
<b>Other assets</b>	<b>15,790,298</b>	<b>8,197,538</b>

Other assets includes the amount of Euros 11,131,017 euros (2016: 7,120,649 euros) referring to Corporate Income Tax as a result from the application of Special Taxation of Corporate Groups Regime (RETGS), in accordance with paragraph 2.11 of Note 2.

## Note 20 – Deposits from customers

This balance is analysed as follows:

	(amounts in euros)	
	2017	2016
Demand deposits	408,639,274	114,041,001
Time deposits	129,945,220	131,417,483
Saving accounts	80,645,186	8,486,356
<b>Deposits from customers</b>	<b>619,229,680</b>	<b>253,944,840</b>

This balance is analysed, by remaining maturity, as follows:

	(amounts in euros)	
	2017	2016
Demand deposits and saving accounts	489,284,460	122,527,357
Time deposits		
Up to 3 months	63,510,961	73,693,366
From 3 to 12 months	66,434,259	57,724,117
<b>Deposits from customers</b>	<b>619,229,680</b>	<b>253,944,840</b>

## Note 21 – Income Tax

The Bank is subject to taxation in accordance with the corporate income tax code (IRC) and local taxes.

Income taxes (current or deferred) are recognised in the income statement, except in cases where the underlying transactions have been reflected in equity items. In these situations, the corresponding tax is also charged to equity, not affecting the net result for the period.

The current tax of the period 2015 was calculated based on a nominal corporate income tax rate (“IRC”) of 21%, in accordance with Law no. 107-B/2003, of 31 December, and Law no. 2/2007, of 15 January.

Deferred taxes are calculated based on tax rates anticipated to be in force at the temporary differences reversal date, which corresponds to the rates enacted or substantively enacted at the balance sheet date.

As mentioned in Note 2.11, the Bank is covered by the Special Taxation of Corporate Groups Regime that includes all companies were CTT have, directly or indirectly, at least 90% of the share capital and that simultaneously are residents in Portugal and taxable under Corporate Income Tax.

The reconciliation of the income tax rate, regarding the amount recognised in the income statement, can be analysed as follows:

	(amounts in euros)	
	2017	2016
Profit / (loss) before income tax	(27,073,493)	(27,004,603)
Current tax rate	21%	21%
<b>Expected tax</b>	<b>(5,685,434)</b>	<b>(5,670,967)</b>
Accruals/(deductions) for the purpose of calculating the taxable income	115,350	139,514
Autonomous tax	14,321	4,586
<b>Current income tax for the period - booked</b>	<b>(5,555,763)</b>	<b>(5,526,867)</b>
<b>Deferred income tax for the period - booked</b>	<b>(167,708)</b>	<b>(41,513)</b>
<b>Effective tax rate</b>	<b>(5,723,471)</b>	<b>(5,568,380)</b>
<b>Prior years' corrections</b>	<b>21.1%</b>	<b>20.6%</b>
<b>Income Tax</b>	<b>(48,386)</b>	<b>2,348</b>
<b>Impostos</b>	<b>(5.771.857)</b>	<b>(5.566.032)</b>

In accordance with the accounting policy described in the note 2.11, the amount related to the corporate income tax is recorded as a receivable from the shareholder CTT (refer to note 19). As at the date of these financial statements, the amount due for the year of 2016, in the amount of 5,575,253 euros, had already been received.

## Note 22 – Provisions

This balance is analysed as follows:

	(amounts in euros)	
	2017	2016
Provisions for other risks and charges	85,927	20,927
<b>Provisions</b>	<b>85,927</b>	<b>20,927</b>

These provisions were recognised in order to face contingencies related to the Bank’s activity and whose payment is likely to happen.

At each reporting date, the Bank revalues the amounts recorded under this caption so that it reflects the best estimate of amount and probability of occurrence.

The movement of this caption, during 2017 and 2016, is presented as follows:

	(amounts in euros)	
	2017	2016
<b>Balance on 1 January</b>	<b>20,927</b>	<b>-</b>
Charge for the year	80,533	20,927
Write-back for the year	(3,653)	-
Use of provisions	(11,880)	-
<b>Provisions for other risks and charges</b>	<b>85,927</b>	<b>20,927</b>

## Note 23 – Other liabilities

This balance is analysed as follows:

	(amounts in euros)	
	2017	2016
Creditors		
Suppliers	3,431,866	3,003,031
Related parties	361,026	321,173
Other creditors	750	5,759
Due to employees	2,892,716	2,105,249
Operations pending settlement	13,743,771	1,218,206
Public sector	518,750	360,388
Securities pending settlement	4,138,389	-
<b>Other liabilities</b>	<b>25,087,268</b>	<b>7,013,806</b>

The caption Operations pending settlement records mainly banking transactions pending settlement.

## Note 24 – Share Capital

Share capital is €125,000,000 and is fully subscribed and paid-up. It is represented by 125,000,000 shares, with no nominal value.

On 27 April 2017, the Company’s share capital was increased from €85,000,000 (eighty five million euros) to €125,000,000 (one hundred and twenty five million euros), via a new cash contribution by the Sole Shareholder (CTT – Correios de Portugal, S.A.), in the amount of €40,000,000 (twenty six million euros). This led to the issue of 40,000,000 new ordinary, registered shares with no nominal value at the issue price of €1 (one euro).

As at 31 de December 2017, the Bank’s share capital is fully held by CTT – Correios de Portugal, S.A. (a public company).

## Note 25 – Legal reserve

The legal reserve can only be used to absorb accumulated losses or to increase the amount of share capital. Portuguese legislation applicable to the banking sector requires that the legal reserve be credited each year with at least 10% of annual net income, up to a limit equal to the amount of share capital or the sum of the free reserves and retained earnings, if higher.

## Note 26 – Reserves and retained earnings

This balance is analysed as follows:

	(amounts in euros)	
	2017	2016
Fair value reserve		
Available for sale financial assets	50,323	13,474
Retained earnings		
Year 2015	(5,920,685)	(5,920,685)
Year 2016	(21,438,571)	-
<b>Reserves and retained earnings</b>	<b>(27,308,933)</b>	<b>(5,907,211)</b>

**Note 27 – Contingent liabilities and commitments**

This balance is analysed as follows:

	(amounts in euros)	
	2017	2016
Guarantees given	4,120,456	1,544,578
Guarantees received	122,573,003	25,769
Commitments to thrid parties		
Revocable Commitments		
Credit facilities	11,943,746	230,867
Revocable Commitments		
Credit facilities	7,594,296	-
Commitments from thrid parties		
Revocable Commitments		
Credit facilities	3,000,000	-
Other off balance sheet accounts		
Assets under custody	208,450	-

The amounts recorded as Guarantees given includes mainly securities given as collateral to guarantee the settlement of interbank transactions.

The amounts recorded as Guarantees received includes mainly mortgages over residential real estate to secure mortgage loans operations.

**Note 28 – Related parties**

All business and operations conducted by the Bank with related parties in the domain or group relationship are cumulatively undertaken under normal market conditions for similar operations and are part of the current activity of the Bank.

As at 31 December 2016, the list of related parties was as follows:

Shareholder / Qualified holdings
CTT – Correios de Portugal, S.A. (Public company)
Gestmin, SGPS, S.A. <sup>1</sup>

<sup>1</sup> Qualified participation in the sole shareholder, CTT – Correios de Portugal, S.A. (Public company). This shareholding is attributable to Manuel Carlos de Mello Champalimaud, consisting of a component of 0.19% held directly and a component of 11.156% held indirectly through Gestmin, SGPS, S.A., a company controlled by Manuel Carlos de Mello Champalimaud.

Board Members <sup>1</sup>	Board of Directors	Executive Committee	Audit Committee
Francisco José Queiroz de Barros de Lacerda	Chairman	-	-
Luís Maria França de Castro Pereira Coutinho	Member	Chairman (CEO)	-
Luís Miguel Agoas Correia Amado	Member	Member (COO)	-
João Maria de Magalhães Barros de Mello Franco	Member	Member (CCO)	-
Pedro Rui Fontela Coimbra	Member	Member (CFO)	-
André Manuel Pereira Gorjão de Andrade Costa <sup>2</sup>	Member	-	-
José Manuel Gonçalves de Morais Cabral	Member	-	Chairman
Rui Afonso Galvão Mexia de Almeida Fernandes	Member	-	Member
Clementina Maria Dâmaso de Jesus Silva Barros	Member	-	Member
António Pedro Ferreira Vaz da Silva <sup>3</sup>	Member	-	-
António Emídio Pessoa Corrêa d’Oliveira <sup>4</sup>	Member	-	-

<sup>1</sup>Listed above are the Board Members in office as at 31 December 2017.  
<sup>2</sup> André Pereira Pereira Gorjão de Andrade Costa, exercised his duties during 2017, having resigned as Non-Executive Member of the Board of Directors of Banco CTT on 19 December 2017 with effect from 31 January 2018  
<sup>3</sup>Appointed as Non-Executive Member of the Board of Directors by resolution of the General Meeting of 1 September 2017.  
<sup>4</sup>Appointed as Non-Executive Member of the Board of Directors by resolution of the General Meeting of 1 September 2017

Other related parties
CTT Expresso – Serviços Postais e Logística, S.A.
Payshop (Portugal), S.A.
CTT Contacto, S.A.
Mailtec Comunicação S.A.
Tourline Express Mensajería, SLU.
Correio Expresso de Moçambique, S.A.
Escrita Inteligente, S.A.
Transporta – Transporte Porta a Porta, S.A.

As at 31 December 2017, the Bank’s transactions amounts with related parties, as well as the respective expenses and income recognized in the period are analysed as follows:

	(amounts in euros)			
	2017			
	Balance Sheet		Income Statement	
	Assets	Liabilities	Expenses	Income
CTT – Correios de Portugal, S.A.	11,140,086	309,929	1,012,604	-
Mailtec Comunicação, S.A.	-	4,267	64,165	-
CTT Expresso – Serviços Postais e Logística, S.A.	-	46,830	240,740	-
CTT Contacto, S.A.	-	-	-	-
	11,140,086	361,026	1,317,509	-

As at 31 December 2016, the Bank’s transactions amounts with related parties, as well as the respective expenses and income recognized in the period are analysed as follows:

(amounts in euros)				
2016				
Balance Sheet		Income Statement		
Assets	Liabilities	Assets	Liabilities	
CTT – Correios de Portugal, S.A.	7,120,649	289,844	467,117	-
Mailtec Comunicação, S.A.	-	1,315	17,027	-
CTT Expresso – Serviços Postais e Logística, S.A.	-	18,386	104,708	-
CTT Contacto, S.A.	-	11,628	21,258	-
7,120,649	321,173	610,110	-	-

As at 31 December 2017 the amount of Board Members deposits with the Bank is 170,341 euros (2016: 72,607 euros).

**Note 29 – Fair value**

The fair value of financial assets and liabilities, as at 31 December 2017, is analysed as follows:

(amounts in euros)					
2017					
	Fair value through P&L	Fair value through OCI	Amortised cost	Book value	Fair value
Cash and deposits at central banks	-	-	58,064,476	58,064,476	58,064,476
Deposits with banks	-	-	176,975,449	176,975,449	176,975,449
Available for sale financial assets	-	5,751,374	-	5,751,374	5,751,374
<i>Bonds – public issuers</i>	-	575,880	-	575,880	575,880
<i>Bonds – other issuers</i>	-	5,175,494	-	5,175,494	5,175,494
Investments at credit institutions	-	-	101,911,808	101,911,808	101,911,808
Loans and advances to customers	-	-	79,347,390	79,347,390	79,347,390
Financial assets held to maturity	-	-	261,549,132	261,549,132	275,438,176
<i>Bonds – public issuers</i>	-	-	237,535,618	237,535,618	251,244,393
<i>Bonds – other issuers</i>	-	-	24,013,514	24,013,514	24,193,783
<b>Financial Assets</b>	-	<b>5,751,374</b>	<b>677,848,255</b>	<b>683,599,629</b>	<b>697,488,673</b>
Deposits from customers	-	-	619,229,680	619,229,680	619,229,680
<b>Financial Liabilities</b>	-	-	<b>619,229,680</b>	<b>619,229,680</b>	<b>619,229,680</b>

The fair value of financial assets and liabilities, as at 31 December 2016, is analysed as follows:

(amounts in euros)					
2016					
	Fair value through P&L	Fair value through OCI	Amortised cost	Book value	Fair value
Cash and deposits at central banks	-	-	18,141,268	18,141,268	18,141,268
Deposits with banks	-	-	106,373,978	106,373,978	106,373,978
Available for sale financial assets	-	6,447,325	-	6,447,325	6,447,325
<i>Bonds – public issuers</i>	-	679,580	-	679,580	679,580
<i>Bonds – other issuers</i>	-	5,767,745	-	5,767,745	5,767,745
Investments at credit institutions	-	-	58,718,171	58,718,171	58,718,171
Loans and advances to customers	-	-	7,103,905	7,103,905	7,103,905
Financial assets held to maturity	-	-	95,094,543	95,094,543	93,800,938
<i>Bonds – public issuers</i>	-	-	79,741,280	79,741,280	78,470,486
<i>Bonds – other issuers</i>	-	-	15,353,263	15,353,263	15,330,452
<b>Financial Assets</b>	-	<b>6,447,325</b>	<b>285,431,865</b>	<b>406,620,361</b>	<b>405,326,756</b>
Deposits from customers	-	-	253,944,840	253,944,840	253,944,840
<b>Financial Liabilities</b>	-	-	<b>253,944,840</b>	<b>253,944,840</b>	<b>253,944,840</b>

The fair value is based on market prices, whenever available. When unavailable, the fair value is estimated via internal models based on discounted cash flow techniques. Cash flow generated from different instruments is carried out based on their respective financial characteristics. The used discount rates are part of both the market interest rate’s curve and the respective issuer’s current levels of risk.

Therefore, the obtained fair value is influenced by the parameters used in the assessment model, which necessarily contain a certain degree of subjectivity and only reflect the value attributed to the various financial instruments.

The Bank uses the following fair value hierarchy, with three levels for evaluating financial instruments (assets and liabilities), which reflects the degree of judgement, the observability of the data used and the importance of the applied parameters in determining the instrument’s fair value valuation, according to IFRS 13:

**Level 1:** The fair value is determined based on non-adjusted quoted prices from transactions in active markets involving financial instruments identical to the instruments being evaluated. If there is more than one active market for the same financial instrument, the relevant price is the one that prevails in the instrument’s main market or the most advantageous market to which there is access;

**Level 2:** The fair value is calculated using valuation techniques based on observable data in active markets, whether direct data (prices, rates, spreads) or indirect data (derivatives) and valuation assumptions similar to those which a non-related party would use in estimating the fair value of the same financial instrument. It also includes instruments whose valuation is obtained via disclosed prices by independent entities whose markets have a lesser degree of liquidity; and

**Level 3:** The fair value is determined based on non-observable data in active markets, with recourse to techniques and assumptions that market participants would use to assess those



same instruments, including hypotheses on inherent risks, the used valuation technique, the input used and expected revision processes of the acumen of the values obtained thereby.

The Bank takes into consideration an active market for a financial instrument, on the measurement date, depending on the turnover and liquidity of the transactions carried out, the volatility of quoted prices and the readiness and availability of information and shall, therefore, verify the following minimum conditions:

- Existence of frequent daily trading prices in the last year;
- If the above-mentioned prices change regularly;
- If there are executable prices from more than one entity;

A parameter used in a valuation technique is considered to be observable market data if the following conditions are met:

- If its value is determined in an active market;
- If there is an OTC market and it is reasonable to assume that the conditions for an active market have been met, save for trading volume conditions; and
- The value of the parameter may be obtained by inverse calculation of the financial instrument's prices and/or derivatives, where the remaining parameters needed for an initial valuation are observable in a liquid market or in an OTC market that complies with the foregoing paragraphs.

The following table summarizes, by valuation levels, the fair value of financial assets and liabilities of the Bank, as at 31 December 2017:

(amounts in euros)

**2017**

	Valuation techniques			
	Level 1	Level 2	Level 3	Total
Cash and deposits at central banks	58,064,476	-	-	58,064,476
Deposits with banks	176,975,449	-	-	176,975,449
Available for sale financial assets	5,751,374	-	-	5,751,374
<i>Bonds – public issuers</i>	575,880	-	-	575,880
<i>Bonds – other issuers</i>	5,175,494	-	-	5,175,494
Investments at credit institutions	-	-	101,911,808	101,911,808
Loans and advances to customers	-	-	79,347,390	79,347,390
Financial assets held to maturity	251,244,393	24,193,783	-	275,438,176
<i>Bonds – public issuers</i>	251,244,393	-	-	251,244,393
<i>Bonds – other issuers</i>	-	24,193,783	-	24,193,783
<b>Financial Assets</b>	<b>492,035,692</b>	<b>24,193,783</b>	<b>181,259,198</b>	<b>697,488,673</b>
Deposits from customers	-	-	619,229,680	619,229,680
<b>Financial Liabilities</b>	<b>-</b>	<b>-</b>	<b>619,229,680</b>	<b>619,229,680</b>

The following table summarizes, by valuation levels, the fair value of financial assets and liabilities of the Bank, as at 31 December 2016:

(amounts in euros)

**2016**

	Valuation techniques			
	Level 1	Level 2	Level 3	Total
Cash and deposits at central banks	18,141,268	-	-	18,141,268
Deposits with banks	106,373,978	-	-	106,373,978
Available for sale financial assets	5,751,374	-	-	5,751,374
<i>Bonds – public issuers</i>	575,880	-	-	575,880
<i>Bonds – other issuers</i>	5,175,494	-	-	5,175,494
Investments at credit institutions	-	-	101,911,808	101,911,808
Loans and advances to customers	-	-	79,347,390	79,347,390
Financial assets held to maturity	78,681,810	15,119,128	-	93,800,938
<i>Bonds – public issuers</i>	78,470,486	-	-	78,470,486
<i>Bonds – other issuers</i>	211,324	15,119,128	-	15,330,452
<b>Financial Assets</b>	<b>208,948,430</b>	<b>15,119,128</b>	<b>181,259,198</b>	<b>405,326,756</b>
Deposits from customers	-	-	253,944,840	253,944,840
<b>Financial Liabilities</b>	<b>-</b>	<b>-</b>	<b>253,944,840</b>	<b>253,944,840</b>

The main methodologies and assumptions used in estimating the fair value of the assets and liabilities registered in the balance sheet at the amortised cost are analysed as follows:

**Cash and deposits with Central Banks, Deposits with other credit institutions and Investments in Central Banks and other credit institutions**

These assets have very short maturities and therefore the book value is a reasonable estimate of their respective fair value.

**Held-to-maturity investments**

The fair value of these financial instruments is based on market prices, when available. If unavailable, the fair value is estimated based on updated expected cash flows from capital and interest for those instruments in the future.

**Customer Credit**

Mortgage Loans

The contracts included in the balance sheet of the Bank were all granted during 2017, at market rates, so the book balance is a reasonable estimate of their respective fair value.

Other

Customer credit has very short maturities overall and, therefore, the book value is a reasonable estimate of its respective fair value.

**Resources from Central Banks and Other Credit Institutions**

These assets have very short maturities and, therefore, the book value is a reasonable estimate of its respective fair value.

Client Resources and Other Loans

The fair value of these financial instruments is based on updated expected cash flows from capital and interest. The used discount rate is the one that reflects the rates used for deposits with similar characteristics, as at the balance sheet date. Given that the applicable interest rates are renewed for periods of less than a year, there is no material difference in their fair value.

Note 30 – Risk Management

The Bank is exposed to various risks within the activity it carries out.

The Bank’s Risk Management and Internal Control policy strives to ensure the effective implementation of a risk management system, by continuously monitoring its adequacy and efficiency, while flagging, assessing, monitoring and controlling all material risks to which the instruction has exposure, both internally and externally.

In this regard, it is important to monitor and control the main types of financial risk – credit, liquidity, interest rate, market and operational risk – to which the Bank’s activity is exposed.

Credit Risk

Credit risk is related to the degree of uncertainty of attaining expected returns due to either a borrower’s or a contractual counterparty’s inability to satisfy his / her undertakings.

Credit risk management in the Bank includes flagging, measuring, assessing and monitoring different credit exposures, ensuring risk management across the various stages of the credit process.

The Risk Department and Risk Committee will regularly monitor credit risk, namely the evolution of credit exposures and monitoring losses.

In the first quarter of 2017, the Bank began granting mortgage loans. As at 31 December 2017, the exposure (net of impairment losses and including off balance sheet exposures) to this product

was in the amount of 73,351,228 euros. As at this date, the Bank’s credit portfolio also included exposures to Central Authorities, through a loans’ cession agreement.

The Bank is also currently exposed to credit risk from its other activities. These necessarily include direct exposure to credit risk from investments and deposits in other credit institutions (counterparty risk), public debt securities issued by Eurozone countries (Portugal, Spain, Italy France and Ireland), debt instruments from other issuers (credit institutions and companies), securitisation transactions related to the electricity tariff deficit.

The following table shows information on exposures to the Bank’s credit risk (net of impairment losses and including off balance sheet exposures), by risk classes, as at 31 December 2017 and 2016:

	(amounts in euros)	
	2017	2016
Central authorities or central banks *	270,864,474	91,248,017
Credit institutions	289,930,680	165,249,900
Companies*	41,424,570	5,264,156
Retail customers	1,916,232	299,948
Mortgage loans	73,351,228	-
Defaulted loans	10,973	-
Securitisation*	-	15,142,555
Other elements	41,829,376	23,204,258
<b>Risk line item</b>	<b>719,327,533</b>	<b>300,408,834</b>

\*In 2017 some reclassifications of exposures occurred due to new interpretations of the prudential regime with impacts on 31 December 2017 of -24,013,513 Euros in the Securitisation class, -12,948,985 Euros in the Central Authorities or Central Banks class and +36,962,498 in the class of Companies.

The details of the information relating to risk items (including off-balance sheet items) as of 31 December and 2016 are presented as follows:

	(amounts in euros)		
	2017		
	Gross value	Impairment	Net value
Cash and deposits at central banks	32,752,976	-	32,752,976
Available for sale financial assets	575,880	-	575,880
Loans and advances to customers	-	-	-
Financial assets held to maturity	237,535,618	-	237,535,618
<b>Central authorities or central banks*</b>	<b>270,864,474</b>	<b>-</b>	<b>270,864,474</b>
	<b>91,248,017</b>	<b>-</b>	<b>91,248,017</b>

\* From 2016 to 2017 some reclassifications of exposures occurred due to new interpretations of the prudential regime.

	(amounts in euros)		
	2017		
	Gross value	Impairment	Net value
Deposits with banks	175,583,449	-	175,583,449
Investments at credit institutions	101,911,808	-	101,911,808
Available for sale financial assets	713,423	-	713,423
Others	11,722,000	-	11,722,000
<b>Credit institutions</b>	<b>289,930,680</b>	<b>-</b>	<b>289,930,680</b>
	<b>165,249,900</b>	<b>-</b>	<b>165,249,900</b>

	(amounts in euros)		
	2017		
	Gross value	Impairment	Net value
Available for sale financial assets	4,462,071	-	4,462,071
Loans and advances to customers	12,948,985	-	12,948,985
Financial assets held to maturity	24,013,514	-	24,013,514
<b>Companies *</b>	<b>41,424,570</b>	<b>-</b>	<b>41,424,570</b>
	<b>5,264,156</b>	<b>-</b>	<b>5,264,156</b>

\* From 2016 to 2017 some reclassifications of exposures occurred due to new interpretations of the prudential regime.

	(amounts in euros)		
	2017		
	Gross value	Impairment	Net value
Loans and advances to customers	1,922,221	(5,989)	1,916,232
<b>Retail customers</b>	<b>1,922,221</b>	<b>(5,989)</b>	<b>1,916,232</b>
	<b>300,365</b>	<b>(417)</b>	<b>299,948</b>

	(amounts in euros)		
	2017		
	Gross value	Impairment	Net value
Loans and advances to customers	73,411,461	(60,233)	73,351,228
<b>Mortgage loans</b>	<b>73,411,461</b>	<b>(60,233)</b>	<b>73,351,228</b>
	<b>-</b>	<b>-</b>	<b>-</b>

	(amounts in euros)		
	2017		
	Gross value	Impairment	Net value
Loans and advances to customers	62,402	(51,429)	10,973
<b>Defaulted loans</b>	<b>62,402</b>	<b>(51,429)</b>	<b>10,973</b>
	<b>-</b>	<b>-</b>	<b>-</b>

	(amounts in euros)		
	2017		
	Gross value	Impairment	Net value
Financial assets held to maturity	-	-	-
<b>Securitisation*</b>	<b>-</b>	<b>-</b>	<b>-</b>
	<b>15,142,555</b>	<b>-</b>	<b>15,142,555</b>

\* From 2016 to 2017 some reclassifications of exposures occurred due to new interpretations of the prudential regime.

Gross exposure to public debt of Eurozone countries is detailed as follows:

(amounts in euros)						
2017			2016			
	Available for sale financial assets	Financial assets held to maturity	Total	Available for sale financial assets	Financial assets held to maturity	Total
Portugal	575,880	162,425,502	163,001,382	679,580	47,956,965	48,636,545
Spain	-	31,369,033	31,369,033	-	15,326,953	15,326,953
Italy	-	31,251,725	31,251,725	-	16,457,362	16,457,362
France	-	6,608,080	6,608,080	-	-	-
Ireland	-	5,881,278	5,881,278	-	-	-
	575,880	237,535,618	238,111,498	679,580	79,741,280	80,420,860

Liquidity Risk

Liquidity risk reflects the possibility of incurring significant losses arising from worsening financial conditions (financing risk) and/or the sale of assets under market value (market liquidity risk).

Overall, the liquidity risk management strategy is entrusted to the Executive Committee and executed by the Treasury Department. It is based on constant vigilance of exposure indicators and is closely monitored by the Financial Risks' Committee.

The Risk Committee is responsible for controlling liquidity risk exposure. It does so by analysing liquidity positions and assessing their conformity to the applicable regulatory rules and limitations, as well as to the Bank's goals and guidelines.

The Bank's liquidity risk is assessed by using regulatory indicators stipulated by the supervisory authorities, as well as other internal metrics.

As at 31 December 2017, assets and liabilities by residual and contractual maturity are analysed as follows:

(amounts in euros)							
2017							
	At sight	Up to 3 months	From 3 to 12 months	From 1 to 3 years	More than 3 years	Undeter-mined	Total
<b>Assets</b>							
Cash and deposits at central banks	58,064,476	-	-	-	-	-	58,064,476
Deposits with banks	176,975,449	-	-	-	-	-	176,975,449
Available for sale financial assets	-	503,709	2,072,485	2,500,506	674,674	-	5,751,374
Investments at credit institutions	-	16,716,838	73,363,848	7,473,850	4,357,272	-	101,911,808
Loans and advances to customers	299,171	13,414,575	1,357,066	3,680,670	60,641,851	71,708	79,465,041
Financial assets held to maturity	-	5,328,909	10,392,464	47,282,099	198,545,660	-	261,549,132
Total Assets	235,339,096	35,964,031	87,185,863	60,937,125	264,219,457	71,708	683,717,280
<b>Liabilities</b>							
Deposits from customers	489,284,460	63,510,961	66,434,259	-	-	-	619,229,680
Total Liabilities	489,284,460	63,510,961	66,434,259	-	-	-	619,229,680
Gap (Assets-Liabilities)	(253,945,364)	(27,546,930)	20,751,604	60,937,125	264,219,457	71,708	64,487,600
Accumulated Gap	(253,945,364)	(281,492,294)	(260,740,690)	(199,803,565)	64,415,892	64,487,600	

As at 31 December 2016, assets and liabilities by residual and contractual maturity are analysed as follows:

(amounts in euros)							
2016							
	At sight	Up to 3 months	From 3 to 12 months	From 1 to 3 years	More than 3 years	Undeter-mined	Total
<b>Assets</b>							
Cash and deposits at central banks	18,141,268	-	-	-	-	-	18,141,268
Deposits with banks	106,373,978	-	-	-	-	-	106,373,978
Available for sale financial assets	-	577,124	1,396,587	3,614,529	859,085	-	6,447,325
Investments at credit institutions	-	42,111,692	16,606,479	-	-	-	58,718,171
Loans and advances to customers	69,498	7,034,824	-	-	-	-	7,104,322
Financial assets held to maturity	-	900,933	207,495	12,256,862	81,729,253	-	95,094,543
Total do Ativo	124,584,744	50,624,573	18,210,561	15,871,391	82,588,338	-	291,879,607
<b>Liabilities</b>							
Deposits from customers	122,527,357	73,693,366	57,724,117	-	-	-	253,944,840
Total Liabilities	122,527,357	73,693,366	57,724,117	-	-	-	253,944,840
Gap (Assets-Liabilities)	2,057,387	(23,068,793)	(39,513,556)	15,871,391	82,588,338	-	37,934,767
Accumulated Gap	2,057,387	(21,011,406)	(60,524,962)	(44,653,571)	37,934,767	37,934,767	

In addition, as regards the regular monitoring of the liquidity situation, the Bank calculated the liquidity gap according to Bank of Portugal Instruction 13/2009.

The Bank's one-year liquidity gap is calculated in light of the asset, liability and off-balance sheet positions with expected and estimated financial flows for a one year time frame. They shall be tiered by their corresponding residual maturities or the monetary flows' entry/exit date or, when applicable, behavioural maturities, based on the following time periods: on demand and up to 1 week, over 1 week up to 1 month, over 1 month up to 3 months, over 3 months and up to 6 months and over 6 months up to 12 months. The remaining asset, liability and off-balance sheet positions that fall under the line items set out in the reporting tables shall be recorded in the time period greater than 12 months.

As at 31 December 2017, the liquidity gap was 333%, which compares with 464% as of 31 December 2016.

Interest Rate Risk

Interest Rate risk pertains to losses arising from the impact of interest rate fluctuations on sensitive balance sheet or off-balance-sheet items.

As at 31 December 2017 and 2016, pursuant to Bank of Portugal Instruction 19/2005, the balance sheet positions and off-balance sheet elements that are interest rate-sensitive and included in the banking portfolio, distributed among the various time tiers, are as follows:

(amounts in euros)

**2017**

Time tier	Assets	Liabilities	Off balance sheet	Exposure
At sight - 1 month	230,908,190	127,781,528	10,244,296	113,370,958
1 - 3 months	12,753,926	65,034,602	-	(52,280,676)
3 - 6 months	29,395,446	54,619,796	-	(25,224,350)
6 - 12 months	113,333,302	77,606,362	-	35,726,940
1 - 2 years	20,979,642	32,687,488	-	(11,707,846)
2 - 3 years	28,513,197	32,687,488	-	(4,174,291)
3 - 4 years	43,738,981	32,687,488	-	11,051,493
4 - 5 years	22,574,625	32,687,488	-	(10,112,863)
5 - 7 years	43,947,312	65,374,976	-	(21,427,664)
7 - 10 years	111,776,670	98,062,464	-	13,714,206
10 - 15 years	-	-	-	-
15 - 20 years	-	-	-	-
> 20 years	-	-	-	-
<b>Total</b>	<b>657,921,291</b>	<b>619,229,680</b>	<b>10,244,296</b>	<b>48,935,907</b>

(amounts in euros)

**2016**

Time tier	Assets	Liabilities	Off balance sheet	Exposure
At sight - 1 month	116,997,117	155,843,173	230,867	(38,615,189)
1 - 3 months	45,394,378	40,117,797	-	5,276,581
3 - 6 months	9,076,640	23,457,626	-	(14,380,986)
6 - 12 months	13,730,220	34,179,246	-	(20,449,026)
1 - 2 years	6,500,324	-	-	6,500,324
2 - 3 years	8,478,954	-	-	8,478,954
3 - 4 years	25,915,405	-	-	25,915,405
4 - 5 years	29,969,737	-	-	29,969,737
5 - 7 years	-	-	-	-
7 - 10 years	20,294,382	-	-	20,294,382
10 - 15 years	-	-	-	-
15 - 20 years	-	-	-	-
> 20 years	-	-	-	-
<b>Total</b>	<b>276,357,157</b>	<b>253,597,842</b>	<b>230,867</b>	<b>22,990,182</b>

Given the observed interest rate gaps, as at 31 December 2017, an instantaneous and parallel positive change in interest rates of 100 base points would have led to an impact in the expected economic value of the banking portfolio of nearly 744 thousand euros (2016: 6.744 thousand euros).

The main assumptions used as of the date in 2017 in the Bank's analyzes are:

- Non interest bearing demand deposits: 20% at sight, 80% distributed on a straight-line basis up to 10 years.
- Saving accounts: follow the same distribution as Time Deposits.

#### Market Risk

Market Risk broadly signifies any loss arising from an adverse change in the value of a financial instrument as a result of a variation in interest rates, exchange rates, share prices, prices of goods or real estate, volatility and credit spreads.

The Bank does not have a trading portfolio and most of its investment portfolio is recorded as Held-to-maturity investments and residually as assets available for sale. Credit risk, and not the risk of market prices, is the main risk arising from its investments.

#### Operational Risk

Given the nature of its activity, the Bank is exposed to potential losses or reputational risk, as a result of human error, system and/or procedural failures, unexpected interruptions in activity or third-party failure in terms of procurement or the provision of services.

The approach to operational risk management is based on end-to-end processes, ensuring the effective adequacy of the controls involving operational units that intervene therein. Throughout 2016, the Bank began flagging and assessing procedural risks and controls thereby ensuring compliance thereof with the Internal Control System's requirements and principles.

#### Note 31 – Capital Management and Solvability Ratio

The main goal of capital management is ensuring compliance with the Bank's strategic goals as regards capital adequacy, thereby complying and enforcing compliance with the minimum capital requirements stipulated by the supervisory authorities.

In calculating capital requirements, Banco CTT used the standard method for credit risk and the basic indicator method for operational risk.

Capital, calculated pursuant to Directive 2013/36/EU and Regulation (EU) no. 575/2013 of the European Parliament and of the Council and Bank of Portugal Notice 6/2013, include Tier 1 and Tier 2 capital. Tier 1 includes Common Equity Tier 1 (CET1) and additional Tier 1 capital.

The Bank's Common Equity Tier 1 includes: a) paid-up capital and retained earnings and reserves, b) regulatory deductions related to intangible assets and losses for the financial year underway. The Bank has no additional Tier 1 capital, nor Tier 2 capital.

The legislation in force stipulates a transition period for capital requirements under national law and those calculated under EU law, in order to gradually phase-out previously included elements and to phase-in new elements. Under the new prudential framework, institutions shall report Common Equity Tier 1, Tier 1 and total ratios of no less than 7%, 8.5% and 10.5% respectively, including a 2.5% conservation buffer and a 0% countercyclical buffer, but with the benefit of a transition period until the end of 2019.

Bank of Portugal Notice 6/2013 governs the transition period set out in the CRR as regards capital, by stipulating capital preservation measures and providing a Common Equity Tier 1 (CET1) ratio of no less than 7% during the transition period, in order to ensure adequate compliance with forecast capital requirements.

As at 31 December 2017 and 2016, the Bank had the following capital ratios, calculated pursuant to the transitory provisions set out in the CRR:

(amounts in euros)					
	2017		2016		
	CRR Phasing in	CRR Fully Implemented	CRR Phasing in	CRR Fully Implemented	Notes
<b>OWN FUNDS</b>					
Share Capital	125,000,000	125,000,000	85,000,000	85,000,000	24
Retained Earnings	(27,359,256)	(27,359,256)	(5,920,685)	(5,920,685)	26
Prudential Filters	35,658	44,572	8,084	13,474	26
Fair value reserve	40,259	50,323	8,084	13,474	
Additional Valuation Adjustment (AVA)	(4,601)	(5,751)	-	-	
Deduction to the main Tier 1 elements	(42,301,446)	(42,301,446)	(39,894,394)	(39,894,394)	
Losses for the period	(21,301,636)	(21,301,636)	(21,438,571)	(21,438,571)	
Intangible assets	(20,999,810)	(20,999,810)	(18,455,823)	(18,455,823)	18
Common Equity Tier 1	55,374,956	55,383,870	39,193,005	39,198,395	
Tier 1 Capital	55,374,956	55,383,870	39,193,005	39,198,395	
Total Own Funds	55,374,956	55,383,870	39,193,005	39,198,395	
<b>RWA</b>					
Credit Risk	198,329,594	198,329,594	75,557,706	75,557,706	
Operational Risk <sup>1</sup>	10,658,383	10,658,383	14,087,682	14,087,682	
Market Risk	-	-	-	-	
	208,987,977	208,987,977	89,645,388	89,645,388	
<b>CAPITAL RATIOS</b>					
Common Equity Tier 1	26.50%	26.50%	43.72%	43.73%	
Tier 1 Ratio	26.50%	26.50%	43.72%	43.73%	
Total Capital Ratio	26.50%	26.50%	43.72%	43.73%	

<sup>1</sup> RWA calculated based on conservative estimates of the operating income.

Note 32 – Business Combinations

Payshop (Portugal), SA (Payshop), a company previously owned 100% by CTT – Correios de Portugal, SA (CTT), now incorporates the consolidation perimeter of Banco CTT, through a capital increase via contribution in kind, in the amount of 6,400,000 euros, which occurred on 4 January 2018.

Following this capital increase, the Bank now holds all the shares representing Payshop's share capital and controls its operating and financial activities. As such, the interest in Payshop, qualifies as an investment in subsidiary and therefore the respective financial statements will be fully consolidated on 4 January 2018 onwards.

This transaction was accounted for in accordance with paragraph B1 of IFRS 3 relating to concentrations of business activities. Considering that CTT and Payshop were 100% owned by CTT, this is a transaction between companies under common control, whereby Payshop was recorded in the consolidated accounts of Banco CTT for the same amounts as recorded in the consolidated accounts of CTT, including goodwill amounting to Euro 406,101.

The balance sheet of Payshop reported on 4 January 2018 and used for the purposes of the first consolidation in the consolidated financial statements of the Banco CTT Group was as follows:

(amounts in euros)	
	Payshop 04.01.2018
<b>Assets</b>	
Cash and deposits at central banks	450
Deposits with banks	7,169,022
Investments at credit institutions	635,593
Other tangible assets	621,860
Intangible assets	211,896
Other assets	1,715,859
Total Assets	10,354,680
<b>Liabilities</b>	
Other liabilities	4,413,468
Total Liabilities	4,413,468
<b>Equity</b>	
Share Capital	1,500,000
Reserves and Retained Earnings	4,441,212
Total Equity	5,941,212

Note 33 – Recently Issued Accounting Standards and Interpretations

Recently issued pronouncements already adopted by the Bank in the preparation of the financial statements are the following:

It was issued by IASB:

- On 19 January 2016, and applicable for annual periods beginning on or after 1 January 2017, amendments to IAS 12 clarifying the requirements on recognition of deferred tax assets for unrealised losses, to address diversity in practice (endorsed by EU Commission Regulation 1989/2017, 6 November).
- On 29 January 2016, and applicable for annual periods beginning on or after 1 January 2017, amendments to IAS 7 Disclosure initiative require companies to provide information about changes in their financing liabilities in order to provide

information that helps the investors to better understand changes in a company's debt (endorsed by EU Commission Regulation 1990/2017, 6th November).

- The annual improvements cycle 2014–2016, issued by IASB on 8 December 2016, introduce amendment to IFRS 12 (clarification of the scope of the Standard), with effective date for annual periods beginning on or after, 1 July 2018. Nenhuma destas modificações tiveram impacto nas desmonstrações financeiras do Banco.

None of those amendments had impact on the Bank's financial statements.

Note 34 – Standards, Interpretations, Amendments and Adopted Revisions by European Union and Which the Bank Decided To Not To Early Apply

The Bank decided to opt for not having an early application of the following standards endorsed by EU:

IFRS 9 Financial instruments (issued in 2009 and revised in 2010, 2013 and 2014)

IFRS 9 was endorsed by EU Commission Regulation 2067/2016, 22nd December 2016 (with an effective date of application for periods beginning on or after 1 January 2018).

IFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. IFRS 9 (2010) introduces additions relating to financial liabilities. IFRS 9 (2013) introduces the hedging requirements. IFRS 9 (2014) introduces limited amendments to the classification and measurement requirements of IFRS 9 and new requirements to address the impairment of financial assets.

IFRS 9 New requirements

The IFRS 9 (2009) requirements represent a significant change from the existing requirements in IAS 39 in respect of financial assets. The standard contains three measurement categories for financial assets: amortised, fair value through other comprehensive income (FVTOCI) and fair value through profit and loss (FVTPL).

A financial asset would be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and the asset's contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal outstanding. If the debt instrument that are SPPI are held under a business model whose objective achieved both by collecting contractual cash



flows and by selling, the measurement would be at fair value through other comprehensive income (FVOCI), keeping the revenue form interest presenting in profit or loss.

For an investment in an equity instrument that is not held for trading, the standard permits an irrevocable election, on initial recognition, on an individual share-by-share basis, to present all fair value changes from the investment in OCI (FVOCI). Those amounts recognized in OCI would ever be reclassified to profit or loss at a later date. However, dividends on such investments would be recognised in profit or loss, rather than OCI, unless they clearly represent a partial recovery of the cost of the investment.

All other financial assets, either the financial assets held under a business model of trading, either other financial instruments who do not comply with SPPI criteria, would be measured at fair value through profit and loss (FVTPL).

In this situation, includes Investments in equity instruments in respect of which an entity does not elect to present fair value changes in OCI that would be measured at fair value with changes in fair value recognised in profit or loss (FVTPL).

The standard requires derivatives embedded in contracts with a host that is a financial asset in the scope of the standard not to be separated; instead, the hybrid financial instrument is assessed in its entirety, confirming that exist embedded derivatives, it should be measured at fair value through profit and loss (FVTPL).

The standard eliminates the existing IAS 39 categories of held-to-maturity, available-for-sale and loans and receivables.

IFRS 9 (2010) introduces a new requirement in respect of financial liabilities designated under the fair value option to generally present fair value changes that are attributable to the liability's credit risk in OCI rather than in profit or loss. Apart from this change, IFRS 9 (2010) largely carries forward without substantive amendment the guidance on classification and measurement of financial liabilities from IAS 39.

IFRS 9 (2013) introduces new requirements for hedge accounting that align hedge accounting more closely with risk management. The requirements also establish a more principles-based approach to hedge accounting and address inconsistencies and weaknesses in the hedge accounting model in IAS 39.

IFRS 9 (2014) establishes a new impairment model base on "expected losses" that replace the current "incurred losses" in IAS 39.

So, loss event will no longer need to occur before an impairment allowance is recognised. This new model will accelerate recognition of losses form impairment on debt instruments held that are measured at amortised cost or FVOCI.

If the credit risk of financial asset has not increased significantly since its initial recognition, the financial asset will attract a loss allowance equal to 12 month expected credit losses.

If its credit risk has increased significantly, it will attract an allowance equal to lifetime expected credit losses thereby increasing the amount of impairment recognised.

As soon as the loss event occur (what is current define as "objective evidence of impairment"), the impairment allowance would be allocated directly to financial asset affected, which provide the same accounting treatment, from that point, similar to the current IAS 39, including the treatment of interest revenue.

The mandatory effective date of IFRS 9 is 1 January 2018.

#### Adoption of IFRS 9 by Banco CTT

##### *Classification and measurement*

The Bank has assessed its financial assets portfolio at the date of transition, testing its adherence to the Business Model as well as to the intended economic purpose (SPPI test; 'Solely Payments of Principal and Interest' test). From the analysis made it is not expected that there will be reclassifications of categories in relation to the previous standard.

##### *Impairment*

The adoption of IFRS 9 represents a significant change in the methodology and calculation of impairment in banks. Due to the absence of historical data, the Bank will support the calculation in parameter benchmarks, making the necessary adjustments to migrate from the vision of loss incurred to the vision of expected credit loss.

The credit risk analysis framework is based on a collective and individual analysis model.

In the collective analysis, and in general terms, the Bank will consider that the probability of default (PD) is constant over the life of the instruments and apply in stage 2 a survival rate methodology to calculate the PD of each period of the life of the instrument which is multiplied by the Loss Given Default (LGD), which is a function of the expected exposure in each period and the collateral existing in the operation. Finally, the Bank updates the expected value of all the periods considered (12 months in stage 1, life time in stage 2 and 3).

In the individual analysis, the Bank will begin by evaluating the existence of objective evidence of impairment; If there is objective evidence of impairment, impairment losses are calculated by comparing the present value of expected future cash flows

discounted at the original effective interest rate of each contract and the amount accounting for each credit, and the losses are recorded against profit and loss.

In the portfolio of securities and cash and investments at banks, impairments are calculated by assigning i) a probability of default that derives from the rating of the issuer or counterparty, and ii) a Loss Given Default (LGD) that results from market parameters.

##### *Impact on transition*

The Bank estimates that the transition to IFRS 9 will have a negative impact on shareholders' equity, after the tax effect, at approximately 700 thousand euros, due to the impairment of the financial assets on the balance sheet as of 31 December 2017.

The quantification of the impact of the implementation of IFRS 9 on 1 January 2018 is still preliminary and may change once the Bank continues to refine and validate the models and the framework, being this work and the quantification of the impacts underway. In addition, new accounting policies, assumptions, judgments and estimation techniques used are still subject to changes that may occur until the Bank finalizes the financial statements for the year 2018.

#### **IFRS 15 – Revenue from Contracts with Customers**

The IASB, issued on 28 May 2014, IFRS 15 Revenue from Contracts with Costumers. IFRS 15 was endorsed by EU Commission Regulation 1905/2016, 22 September 201, with an effective date of application for periods beginning on or after 1 January 2018.

An early applications is allowed. This standard will revoke IAS 11 Construction Contracts, IAS 18 – Revenue, IFRIC 13 – Customer Loyalty Programs, IFRIC 18 – Transfers of Assets from Customers and SIC 31 – Revenue- Barter Transactions Involving Advertising Services.

IFRS 15 provides a model based on 5 steps of analysis in order to determine when revenue should be recognized and the amount. The model specifies that the revenue should be recognized when an entity transfers goods or services to the customer, measured by the amount that the entity expects to be entitled to receive. Depending on the fulfilment of certain criteria, revenue is recognized:

- At a time when the control of the goods or services is transferred to the customer; or ao longo do período, na medida em que retrata a *performance* da entidade.
- Over the period, to the extent that represents the performance of the entity.

The Bank is still evaluating the impacts arising from the adoption of this standard, but does not expect to be materially impacted by its adoption.

#### **IFRS 16 – Leases**

The IASB, issued on 13 January 2016, IFRS 16 Leases, effective (with early application if applied at the same time IFRS 15) for annual periods beginning on or after 1 July 2019. The standard was endorsed in European Union by EU Regulation 1986/2017, of 31th October. This new standard replaces IAS 17 Leases.

In accordance with IFRS 16, the lessee applies a single model of lease accounting, which does not classify leases as operational or financial. The lessee must recognize all leases in the balance sheet at the beginning of the agreement, recognizing:

- a right of use (RoU) asset, which represents the right to use the underlying asset during the term of the agreement, and,
- a lease liability corresponding to the payments to be made up to the end of the contract.

The adoption of IFRS 16 will also have impact on the income statement, with the depreciation of the ROU and the interest associated with the lease liability being recognized separately, instead of the rents currently recognized under the caption General and administrative expenses. IFRS 16 allows the lessee to choose not to apply the above-mentioned accounting model to:

- leases with a lease term of up to 12 months that do not contain a purchase option; and
- leases of low value assets.

At the date of publication of the financial statements, the Bank has already gathered and analyzed its lease contracts and service contracts that may include rights of use assets, and is analyzing its framework in light of the provisions of IFRS 16. Additionally, the Bank is analyzing the impacts of the different transition options and recognition exemptions permitted by IFRS 16. Thus, it is not yet possible for the Bank to quantify the impacts of adopting IFRS 16.

The Bank decided to opt for the non early adoption of IFRS 16 in the period beginning on 1 January 2018.

**Note 35 – Recently Issued Pronouncements That Are Not Yet Effective For The Bank**

**IFRIC 22 – Foreign Currency Translations and Advance Consideration**

It has been issued on 8 December 2016, IFRIC 22, effective for annual periods beginning on or after 1 January 2018.

This new IFRIC 22 defines that, has been an advance in foreign currency for an asset, expense or revenue, applying paragraphs 21-22 of IAS 21, the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration in a foreign currency (or if there are multiple payments or receives, the foreign currency exist at each advance consideration date).

The Bank does not expect a significant impact form this interpretation.

**IFRIC 23 – Uncertainty over Income Tax Treatment**

On June 7, 2017 was issued an interpretation on how to handle, in an accounting manner, uncertainties about the tax treatment of income taxes, especially when tax legislation requires that a payment be made to the Authorities in the context of a tax dispute and the entity intends to appeal to appeal a tax examination which resulted in a payment to a taxation authority

The interpretation has determined that the payment can be considered as a tax asset, if it is related to income taxes, in accordance with IAS 12 applying the criterion of probability defined by the standard as to the favorable outcome in favor of the entity on the matter concerned.

In this context, the entity may use the most likely amount method or, if the resolution can dictate ranges of values, use the expected value method.

IFRIC 23 becomes effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.

The Bank does not expect a significant impact form this interpretation.

**Other Amendments**

- On 20 June 2016, and applicable for annual periods beginning on or after 1 January 2018, amendments to IFRS 2 on Classification and Measurement of Share-based Payment Transactions.
- On 8 December 2016, and applicable for annual periods beginning on or after 1 January 2018, amendments to IAS 40 on Transfers of Investment Property to clarify whether an entity should transfer property under construction or development to, or from, investment property when there is a change in the use of such property which is supported by evidence other than specifically listed in paragraph 57 of IAS 40.
- The annual improvements cycle 2014-2016, issued by IASB on 8 December 2016, introduce amendments, with effective date for annual periods beginning on or after, 1 July 2018, to the standards IFRS 1 (deletion of short-term exemption for first-time adopters) and IAS 28 (measuring an associate or joint venture at fair value).
- The annual improvements cycle 2015-2017, issued by IASB on 12 December 2017, introduce amendments, with effective date for annual periods beginning on or after, 1 July 2018, to the standards IFRS 3 (remeasure its previously held interest in a joint operation when it obtains control of the business), IFRS 11 (not remeasure its previously held interest in a joint operation when it obtains joint control of the business), IAS 12 (accounts for all income tax consequences of dividend payments in the same way), IAS 23 (treat as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale).

**Note 36 –Subsequent Events**

On 4 January 2018 occurred a capital increase in the amount of 6,400,000 euros, which was fully subscribed via contribution in kind by the sole shareholder, CTT-Correios de Portugal, SA, by incorporation of Payshop (Portugal), SA, raising the Bank’s share capital to 131,400,000 euros. As a result of this capital increase, Banco CTT now holds 100% of Payshop (Portugal), S.A..

# 7. Declaration of Conformity

## Declaration of Conformity

The Board of Directors is responsible for drafting the management report and preparing the financial statements. These must provide a true and fair view of the Bank's financial position, operational results. The Board of Directors is further responsible for the adoption of adequate accounting policies and criteria and the maintenance of an appropriate internal control system that allows possible errors or irregularities to be prevented and flagged.

2. the management report faithfully describes the business evolution, the performance and position of the Bank, in compliance with legal requirements.

Lisbon, 6 March 2018

We confirm that, to the best of our knowledge and belief:

1. all financial information contained in the financial reporting documents for the 2017 financial year was prepared in compliance with the applicable accounting standards, and provides a true and fair view of the Bank's assets and liabilities, financial position and results;

### The Board of Directors ,

#### Chairman

Francisco José Queiroz de Barros de Lacerda

#### Member of Board of Directors and Chairman of the Audit Committee

José Manuel Gonçalves de Moraes Cabral

#### Member of Board of Directors and C.E.O.

Luís Maria França de Castro Pereira Coutinho

#### Member of the Board of Directors and Audit Committee

Rui Afonso Galvão Mexia de Almeida Fernandes

#### Member of the Board of Directors and Executive Committee

Luís Miguel Agoas Correia Amado

#### Member of the Board of Directors and Audit Committee

Clementina Maria Dâmaso de Jesus Silva Barroso

#### Member of the Board of Directors and Executive Committee

João Maria de Magalhães Barros de Mello Franco

#### Member of Board of Directors

António Pedro Ferreira Vaz da Silva

#### Member of the Board of Directors and Executive Committee

Pedro Rui Fontela Coimbra

#### Member of Board of Directors

António Emídio Pessoa Corrêa d'Oliveira

# 8. Annual Report of the Audit Committee

## Audit Committee Report Banco CTT, S.A. for the 2017 Financial Year

### 1. Introduction

Banco CTT, S.A (“Bank” or “Banco CTT”)’s Audit Committee hereby presents the report on its supervisory activities for the 2017 financial year, pursuant to article 423-F(g) of the Portuguese Companies Code.

Notwithstanding any further powers bestowed upon it by law and the Articles of Association, the Audit Committee is namely entrusted with:

- a. Monitoring and overseeing the Board of Directors’ activities;
- b. Overseeing compliance with rules prescribed by law, regulation and the Articles of Association;
- c. Continually supervising and safeguarding the solidity and effectiveness of the Bank’s internal governance system;
- d. Supervising the effectiveness of the Bank’s risk management, internal control and internal audit systems, in particular, monitoring the Bank’s risk strategy and risk appetite;
- e. Receiving irregularity reports from shareholders, Bank employees and others (whistleblowing);
- f. Monitoring and supervising the preparation and disclosure of financial information, including the conformity and precision of financial reporting books, records and documents and other accounting documents, as well as making recommendations to ensure the integrity thereof;
- g. Supervising the Statutory Auditor’s activities regarding the Bank’s financial reporting documents and supervising its independence.

The Audit Committee, as a supervisory body, further acts as Banco CTT’s risk committee, pursuant to and for the purposes of article 115-L of the General Regime for Credit Institutions and Financial Companies approved by Decree-Law 298/92 of 31 December, in its current wording, to the extent Banco CTT is not considered a significant credit institution in terms of size, internal organisation and nature, scope and complexity of its activities. In this regard, it is namely entrusted with:

- a. Advising the Board of Directors on the Bank’s risk appetite, general risk strategy, current and future, assisting it in supervising the execution of the institution’s risk strategy;
- b. Analysing whether the terms and conditions of products and services offered by the Bank to its clients take into account the Bank’s business model and risk strategy and presenting a corrective plan to the Board of Directors, whenever necessary;
- c. Examining if incentives set out in the Bank’s remuneration policy take into account risk, capital, liquidity and result forecasts.

### 2. Supervisory activities carried out in 2017

During the period of 2017 in which it carried out its duties, the Audit Committee monitored the management and evolution of the Bank’s activities and exercised the powers set forth above, having namely:

- a. **Supervised the approval and implementation of policies and internal rules on, namely, the Bank’s internal control environment and governance model;**
- b. **Monitored developments in the Bank’s activity;**
- c. **Supervised agreements and other transactions entered into by the Bank with related parties;**
- d. **Supervised the preparation of financial information and verified the adopted accounting policies, in particular as regards the annual financial reporting documents;**
- e. **Supervising the effectiveness of the Bank’s risk management, internal control and internal audit systems;**
- f. **Being available to receive irregularity reports (whistleblowing) from shareholders, Bank employees and others;**
- g. **Supervising the Statutory Auditor’s activity;**
- h. **Monitoring the institution’s risks (in carrying out risk committee duties).**

The referenced oversight activity was carried out namely by (a) its members participation in Board of Directors' meetings, (b) contacts with the Bank's Executive Committee and top tier officers, including control officers and (c) the analysis of available financial and business information, as well as correspondence between the Bank and regulators, especially, the Bank of Portugal.

While exercising those powers, the Committee held 17 (seventeen) meetings throughout 2017, both in person and remotely. The meetings were regularly attended by the Bank's Executive Directors, in particular the CEO, the Bank's Executive Director with the Financial purview (CFO), the Executive Director with the Operations and IT purviews (COO) and the Executive Director with, inter alia, the Marketing and Commercial purview (CCO).

The Audit Committee also summoned the following people to its meetings to clarify and provide information relevant to the exercise of the powers entrusted to this body: (a) the head of Internal Audit, as regards mainly the analysis of the Internal Audit's status, activity plan, resources and headcount therefor; (b) the head of Compliance and the head of Risk, as regards in particular the activity plan, resources and headcount of those departments; (c) the head of Legal Services, to clarify the Bank's governance model and internal control procedures, as well as other matters of a legal nature related to the activities of this body; and (d) the heads of Planning and Control and Accounting, as regards the monitoring and preparation of financial information.

**a. Supervising the approval and implementation of policies and internal rules, namely on the Bank's internal control environment and governance model**

The Committee monitored the Bank's approval and review of its more relevant policies and processes, in particular (i) Credit Policies, Physical Safety and Prevention, Business Continuation Management, Liquidity Management, Information Security, Supplier and Partner Management and Investment Management; (ii) Manuals for Risk Assessment of Money Laundering and Financing of Terrorism and Breach of Sanctions, the Internal Control System Framework, Operational Risk Management, Client Analysis and Monitoring within the Prevention of Money Laundering and Financing of Terrorism, the Maintenance of Methodologies for the Prevention of Money Laundering and Financing of Terrorism; and (iii) the Liquidity Contingency Plan and Recovery Plan.

The Audit Committee further assessed amendments to the Remuneration Policy for Management and Supervisory Body Members and Relevant Employees for the 2015-2018 period (notwithstanding its annual review), as well as the Performance Assessment Models for Executive Directors and Relevant Employees for the 2017 assessment cycle.

Also in terms of internal governance, in 2018 with reference to the 2017 financial year, the Audit Committee monitored the activities of the Bank's Board of Directors (including its Executive Committee), Remuneration Committee and Selection Committee, the Board of Directors' and Remuneration Committee's activity and self-assessment reports for 2017. The Audit Committee also analysed all the minutes of the Executive Committee's meetings held in 2017, as well as those of the Board of Directors' internal committees, namely, the Credit and Investment Committee, the Financial Risk Committee, the Commercial and Product Committee, the IT Projects Committee and the Internal Control Committee, the latter two created by the Board of Directors in 2017, while also positively assessing the respective internal regulation projects that were amended in 2017.

**b. Monitored developments in the Bank's activity throughout the 2017 financial year**

Additionally, the Audit Committee monitored developments in the Bank's activity as regards both the Bank's offer and commercial activity, as well as operational activity and development of the IT platform, having further assessed the amendments made to the agreements entered into with CTT – Correios de Portugal, S.A. ("CTT") under the engagement model.

Additionally, the Audit Committee analysed and discussed the Bank's strategic projects, both organisational and non-organisational, including the transfer to the Bank of the whole of the shares representing the share capital of Payshop (Portugal), S.A. ("Payshop"), by way of a share capital increase in Banco CTT from €125,000,000 to €131,400,000, an increase of €6,400,000 through contributions in kind, subscribed and paid-up by its sole shareholder, CTT, as approved by this Committee.

**c. Supervised agreements and other transaction entered into by the Bank with related parties**

During the 2017 financial year, this Committee assessed and issued a favourable opinion regarding 16 agreements and other transactions the Bank entered into with related parties, Group CTT companies, under the engagement model stipulated therefor. Note is made to the agreements entered into with CTT under the engagement model and the transfer to the Bank of the whole of the shares representing the share capital of Payshop referenced in Section 2.b. above.

**d. Supervising the preparation of financial information and verifying the adopted accounting policies, in particular as regards the annual financial reporting documents**

The Audit Committee has carried out monthly assessments of financial information and the evolution of the Bank's business, as provided by the Bank's CFO and the Bank's Planning and Control and Accounting Heads. In 2018 and with reference to the 2017

financial year, this body analysed the annual financial reporting documents and the profit allocation proposal included in the 2017 Annual Report and shall issue its Opinion thereon following the respective Qualified Audit Report.

**e. Supervising the effectiveness of the Bank's risk management, internal control and internal audit systems**

The Audit Committee monitored the review of the Bank's Internal Control System Framework Manual. It also monitored the drafting of the Internal Control Report entrusted to the Board of Directors, with the participation of control officers (Compliance, Risk, Internal Audit), and issued a favourable opinion thereon, which was sent to the Bank of Portugal in June 2017.

Simultaneously, the Audit Committee monitored the drafting of the Prevention of Money Laundering and Financing of Terrorism Report, for which it issued a favourable opinion.

In addition and throughout 2017, it monitored the action plans and implementation of recommendations set out in the Internal Control Report and Prevention of Money Laundering and Financing of Terrorism Report.

**f. Receiving irregularity reports (whistleblowing) from shareholders, Bank employees and others**

The Bank has a Whistleblowing Policy that enacts the rules set out in its Code of Conduct and sets out the procedures for receiving, handling and closing irregularity reports received by Banco CTT, on matters related to the Bank's management, accounting organisation and internal oversight or the breach of the Bank's duties, namely regarding money laundering and financing of terrorism, insider dealing, fraud or corruption under a professional capacity by corporate body members, employees or any supplier of goods or services, as well as the breach of Banco CTT's values or ethical standards as set out in Banco CTT's Code of Conduct, as long as related thereto.

During the reference period, the Audit Committee received only one report, which concerned the possible breach of the Bank's Code of Conduct and the breach of internal procedures and policies or banking legislation - the investigation of which has since been closed. The latter did not fall under the abovementioned definition of irregularity and, as such, fell outside of the scope of the Whistleblowing Policy.

**g. Supervising the Statutory Auditor's activity**

The Audit Committee also met with the Statutory Auditor, KPMG & Associados – Sociedade de Revisores Oficiais de Contas, S.A. ("KPMG"), to discuss their interaction model and to monitor the works carried out thereby during the 2017 financial year, as well as the analysis and assessment of the respective results and conclusions.

The Committee carried out a prior assessment of the Bank's proposals to engage the services of KPMG, as its Statutory Auditor, including fees, regarding the services described below and granted its prior assessment/approval, pursuant to the powers set out in the Audit Committee's Internal Regulation and the Regulation on the Provision of Services by the Statutory Auditor: (a) annual audit of Banco CTT's financial statements for the financial year ending on 31 December 2017 and (b) non-audit services as interpreted by the Portuguese Securities Commission in the "Answers to FAQs on the entry into force of the new Bylaws of the Portuguese Institute of Statutory Auditors and of the Legal Regime for Audit Oversight", disclosed on its website last 17 April ("PSCom's FAQ"), namely: (i) limited review of Banco CTT's the financial statements for the six-month period ending on 30 June 2017; (ii) issue of the opinion set out in article 25(5)(b) of Bank of Portugal Notice 5/2008, on the Bank's internal control system; (iii) issue of the external auditor's report on the adequacy assessment of the quantification process of the credit portfolio's impairment and the reasonableness of individual and collective impairment pursuant to Bank of Portugal Instruction 5/2013.

The Committee also carried out a prior assessment of CTT's and other Group CTT companies' (excluding Banco CTT) proposals to engage the services of KPMG, as their Statutory Auditor, including fees. The Audit Committee granted its prior assessment/approval to the provision of non-audit services, according to the PSCom's FAQs, by the Statutory Auditor to CTT and Group CTT companies, pursuant to the powers set out in the Audit Committee's Internal Regulation and the Regulation on the Provision of Services by the Statutory Auditor.

As regards non-audit services, the Audit Committee granted its prior approval/assessment therefor following the analysis and verification of the following, in particular: (i) that the services under analysis do not fall under the list of prohibited services and do not pose a threat to the Statutory Auditor's independence and impartiality, regarding the statutory audit, namely the provision of such services does not entail any risk of self-assessment, of personal interest, nor the participation in making decisions in any Group CTT company that falls within the scope of the statutory audit, (ii) that the proposed fees do not exceed the fee caps for (non-prohibited) non-audit services as provided by law and (iii) that, in most cases, the services under analysis are based on the possession of information appropriate to the provision of that



service and on experience with similar services, while providing the necessary conditions for them to be rendered with the same level of independence and impartiality.

This Committee further oversaw the Statutory Auditor’s independence by obtaining a statement confirming that independence with reference to 2017.

Throughout 2017, the Audit Committee analysed reports on the activities carried out by the Statutory Auditor and, in 2018 and with reference to the 2017 financial year, analysed the conclusions of the review of the Bank’s financial statements with reference to the 2017 financial year and shall issue its Opinion on the Annual Report following the respective Qualified Audit Report.

**h. Monitoring the institution’s risks (in carrying out risk committee duties)**

The Audit Committee monitored the Bank’s definition of its risk strategy, while also monitoring the risks to which the Bank is exposed, namely strategic risk, credit and concentration risk, operational risk, market risk, interest rate risk and the evolution of capital and the Bank’s capital requirements. It also favourably assessed the Risk Strategy approved by the Board of Directors, including the Risk Appetite Statement.

**3. Conclusions**

With its powers, the Committee requested and obtained all information and clarifications relevant therefor and faced no constraints to its actions and effective exercise thereof.

The Committee received from the Executive Committee, as well as from all the Bank’s bodies, committees and structural units and operational areas, all requested information in a timely and adequate fashion.

The Audit Committee expresses its gratitude to the remaining corporate bodies and all those involved in the activities it carries out, especially the Company Secretary, for their cooperation.

Lisbon, 6 March 2018

**The Chairman of the Audit Committee**

José Manuel Gonçalves de Morais Cabral

**The Members of the Audit Committee**

Rui Afonso Galvão Mexia de Almeida Fernandes

Clementina Maria Dâmaso de Jesus Silva Barroso

# 9. Audit Committee Opinion

## Opinion on the Annual Report of

The Audit Committee of Banco CTT, S.A (Banco CTT) examined Banco CTT's Management Report and Financial Statements for the financial year ended on 31 December 2017, which include the balance sheet, income statement, comprehensive income statement, change in equity statement and cash flow statement, as well as the respective annexes, all of which have earned its approval.

The Financial Statements were prepared according to the International Financial Reporting Standards (IFRS), as adopted by the European Union.

The Audit Committee assessed the terms of the Qualified Audit Report on the Financial Statements approved by the Board of Directors and issued on 6 March 2018 by KPMG & Associados – Sociedade de Revisores Oficiais de Contas, S.A., which states its favourable opinion on those Financial Statements, with no reservations or qualifications.

Given the abovementioned and the actions it carried out itself, and in compliance with article 420(5) and (6) of the Portuguese Companies Code, applicable by reference of article 423-F(2) thereof, the Audit Committee is of the opinion that Banco CTT's Management Report and Financial Statements, for the financial year ended on 31 December 2017, as well as the Profit Allocation Proposal found in the Management Report are in accordance with the applicable accounting, legal and bylaw provisions.

Therefore, the Audit Committee recommends Banco CTT's General Meeting approve Banco CTT's Annual Report, as well as the Profit Allocation Proposal for the financial year ended on 31 December 2017.

Lisbon, 6 March 2018

### The Chairman of the Audit Committee

José Manuel Gonçalves de Moraes Cabral

### The Members of the Audit Committee

Rui Afonso Galvão Mexia de Almeida Fernandes

Clementina Maria Dâmaso de Jesus Silva Barroso

# 10. Statutory Auditor



KPMG & Associados - Sociedade de Revisores Oficiais de Contas, S.A.  
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## STATUTORY AUDITOR'S REPORT

(Free translation from a report originally issued in Portuguese language. In case of doubt the Portuguese version will always prevail.)

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Opinion

We have audited the accompanying financial statements of **Banco CTT, S.A.** (the Entity), which comprise the statement of financial position as at 31 December 2017 (showing a total of 720,792,306 euro and total equity of 76,389,431 euro, including a net loss for the year of 21,301,636 euro), the income statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the accompanying notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view, in all material respects, of the financial position of **Banco CTT, S. A.** as at 31 December 2017 and of its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS), as adopted by the European Union.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and further technical and ethical standards and guidelines as issued by Ordem dos Revisores Oficiais de Contas (the Portuguese Institute of Statutory Auditors). Our responsibilities under those standards are further described in the "Auditors' Responsibilities for the Audit of the Financial Statements" section below. We are independent of the Entity in accordance with the law and we have fulfilled other ethical requirements in accordance with the Ordem dos Revisores Oficiais de Contas' code of ethics.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.





## Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<b>Start of activity</b>	
<b>Risk</b> <p>As referred in the introductory note of the notes to the financial statements, the Bank started its activity in late 2015, being 2017 a year of continuation of the investment strategy, consolidation of the branches network and the launch of new products, namely mortgage loans. The development stage of a bank's activity is relevant for the audit strategy, being particularly relevant the adjustment and the monitoring of the financial model, approved by the shareholder, to the market conditions in each moment, having in consideration the risks and opportunities.</p>	<b>Our Response</b> <p>Among other procedures, we analyzed the evolution of activity during 2017, as well as the revised budget for 2018 and the new medium term business plan as well as the adjustments made to the plan approved in late 2016. We discussed with the management the entity's future expectations, namely the development of the lending activity, funding strategy, shareholder support and expected profitability.</p>
<b>Computer systems and controls</b>	
<b>Risk</b> <p>The Bank's IT systems (IT) have a fundamental role in the processes associated with to financial reporting, having these been implemented recently and subject to continuous development and improvement. The potential risks associated with information technologies have implications in a strategic, financial, operational, regulatory and reputational level. For these reasons, we considered this area as a significant matter for our audit.</p>	<b>Our Response</b> <p>For the relevant IT systems to produce the financial reporting, our procedures included, among other:</p> <ul style="list-style-type: none"> <li>- In what relates to General IT Controls (GITC), we evaluated the controls over software changes, access to software and data and IT operations, and identified and tested controls that mitigate in those cases where controls were ineffective; and,</li> <li>- In what relates to application level controls, we evaluated the design and implementation and tested the operational efficiency of automatic and manual with automatic component controls identified as having a material impact on financial reporting.</li> </ul> <p>To perform the referred procedures, we used the services of our IT specialists, which performed audit procedures, on the extension we considered relevant for our work.</p>



<b>Credit concession</b>	
<b>Risk</b> <p>The Bank started in March 2017 to grant mortgage credit to its customers. This process was developed by the Bank from the ground up, based on a workflow developed in partnership with an external partner. Having in consideration the recent integration of this process in the Bank, the objectives defined for the management and the importance in the operational activity of the Bank, we considered this area as a significant matter for our audit.</p>	<b>Our Response</b> <p>Our procedures included, among other:</p> <ul style="list-style-type: none"> <li>- Obtaining an understanding of the credit granting process, from the reception of the credit proposals to the final accounting record and the related financial reporting, identifying the respective risk points and associated controls;</li> <li>- Analysis of the Credit Committee minutes, where are discussed the credit proposals with higher risk and defined the guidelines of the concession process;</li> <li>- Analysis of the integration processes between the Banks' systems and the partner's systems, as well as between the operations and accounting systems;</li> <li>- Evaluation of the design and implementation and operational effectiveness of the controls associated with the process of credit granting and to the impairments model implemented by the Bank; and,</li> <li>- Evaluation of the disclosures made by the Entity, in accordance with applicable accounting rules.</li> </ul>

## Responsibilities of management and those charged with governance for the financial statements

Management is responsible for:

- the preparation of financial statements that give a true and fair view of the Entity's financial position, financial performance and the cash flows, in accordance with the International Financial Reporting Standards, as adopted by the European Union;
- the preparation of the management report, in accordance with applicable laws and regulations;
- designing and maintaining an appropriate internal control system to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;
- the adoption of accounting policies and principles appropriate in the circumstances; and
- assessing the Entity's ability to continue as a going concern, and disclosing, as applicable, the matters that may cast significant doubt about the Entity's ability to continue as a going concern.





Those charged with governance are responsible for overseeing the Entity's financial reporting process.

#### Auditor's responsibilities for the audit of the financial statements

Our responsibility is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- communicate with those charged with governance, including the oversight body, regarding, among other matters, the planned scope and timing of the audit, and significant audit findings including any significant deficiencies in internal control that we identify during our audit;
- determine, from the matters communicated with those charged with governance, including the oversight body, those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes their public disclosure; and,



- provide the oversight body with a statement that we have complied with the relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Our responsibility also includes the verification that the information contained in the management report is consistent with the financial statements.

#### REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

##### On the management report

Pursuant to article 451, nr. 3, al. (e) of the Portuguese Companies' Code, it is our opinion that the management report was prepared in accordance with the applicable legal and regulatory requirements and the information contained therein is consistent with the audited financial statements and, having regard to our knowledge and assessment of the Entity, we have not identified any material misstatements.

##### On the additional matters provided in article 10 of the Regulation (EU) nr. 537/2014

Pursuant to article 10 of the Regulation (EU) nr. 537/2014 of the European Parliament and of the Council, of 16 April 2014, and in addition to the key audit matters mentioned above, we also report the following:

- We were first appointed as auditors of the Entity in the shareholders general assembly held on the 24th of August of 2015 for a first mandate comprised between 2015 and 2017.
- Management confirmed to us that they are not aware of any fraud or suspicion of fraud having occurred that has a material effect on the financial statements. In planning and executing our audit in accordance with ISAs we maintained professional skepticism, and we designed audit procedures to respond to the possibility of material misstatement in the financial statements due to fraud. As a result of our work, we have not identified any material misstatement of the financial statements due to fraud.
- We confirm that the audit opinion we issue is consistent with the additional report that we prepared and delivered to the supervisory body of the Entity on 5 of March of 2018.
- We declare that we have not provided any prohibited services as described in article 77, nr. 8 of the Ordem dos Revisores Oficiais de Contas statutes, and we have remained independent of the Entity in conducting the audit.





- We inform that, in addition to the audit, we provided to the Entity the following services as permitted by law and regulations in force:
  - Opinion, according to the terms of paragraph b) of no. 5 of article 25 of Aviso nr. 5/2008 from Bank of Portugal, regarding the internal control system of the Entity;
  - Support to the Entity's oversight body in verifying the adequacy and effectiveness of the internal control system regarding Anti-Money Laundering and Terrorism Financing.

Lisbon, 6 March 2018

SIGNED ON THE ORIGINAL

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**KPMG & Associados**  
**Sociedade de Revisores Oficiais de Contas, S.A. (nr. 189)**  
 represented by  
 Vítor Manuel da Cunha Ribeirinho (ROC nr. 1081)



*We are*

*Transparency*

# 11. Corporate Governance Report

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A. Shareholder Structure

I. Capital Structure

Banco CTT, S.A. (“Bank” or “Banco CTT”)’s share capital is €131,400,000 and is fully subscribed and paid-up. It is represented by 131,400,000 ordinary registered, book-entry shares, with no nominal value and there are no different categories of shares.

The Bank’s shares are fully owned by CTT- Correios de Portugal, S.A. (“CTT”) and are not subject to any limitations (whether by law or the articles of association) regarding their transfer or ownership or the number of votes that may be exercised.

Although the Bank’s and CTT’s shares are freely transferable, the acquisition thereof entails, following the commercial registration date of Banco CTT (a credit institution fully owned by CTT), compliance with the legal requirements on direct or indirect qualified shareholdings, set out in the Legal Framework of Credit Institutions and Financial Companies, in its current version (“LFCIFC”).

In particular and pursuant to article 102 of the LFCIFC, anyone intending to hold a qualified shareholding in CTT and indirectly in the Bank (i.e. a direct or indirect holding equal to or higher than 10% of the share capital or voting rights or which, for whatever reason, enables significant influence over management to be

exercised) should previously inform the Bank of Portugal of their project for the purpose of the latter’s non-opposition thereto. In turn, the Bank of Portugal shall also be informed of any of the acts or facts that trigger the acquisition of a shareholding of at least 5% of the share capital or voting rights in CTT, and indirectly in the Bank, within 15 days of its occurrence, pursuant to article 104 of the LFCIFC.

As at 31 December 2017 and until the date of this report, the Bank held no own shares and no transactions were carried out by the Bank over its own shares.

II. Share and Bond Holdings

Members of the Bank’s management and supervisory bodies, as at 31 December 2017, held no shares issued by the Bank, nor did they enter into any transactions involving those securities in 2017 that would be relevant for the purposes of article 447 of the Portuguese Companies Code (“PCC”), in its current version.

Also under article 447(5) of the PCC, during 2017 and pursuant to the communications made to the Company, the number of shares representing the share capital of companies in a controlling or group relationship with the Bank held by members of the Bank’s management and supervisory bodies and their closely related parties pursuant to that provision, as well as all their acquisitions, encumbrances or disposals of ownership, were as indicated in the following lists:

Board of Directors <sup>a</sup>	No. of Shares as at 31.12.2016 <sup>b</sup>	Date	Acquisition	Encumbrance	Disposal	Price	No. of Shares as at 31.12.2017 <sup>b</sup>
Francisco José Queiroz de Barros de Lacerda	3,110	Annex II	Annex II	-	Annex II	Annex II	67,982 <sup>f</sup>
Luís Maria França de Castro Pereira Coutinho	500	-	-	-	-	-	500
Luís Miguel Agoas Correia Amado	-	-	-	-	-	-	-
João Maria de Magalhães Barros de Mello Franco	-	-	-	-	-	-	-
Pedro Rui Fontela Coimbra	-	-	-	-	-	-	-
André Manuel Pereira Gorjão de Andrade Costa	3,890	Annex II	Annex II	-	Annex II	Annex II	55,508 <sup>f</sup>
José Manuel Gonçalves de Moraes Cabral	-	-	-	-	-	-	-
Rui Afonso Galvão Mexia de Almeida Fernandes	-	-	-	-	-	-	-
Clementina Maria Dâmaso de Jesus Silva Barroso	-	-	-	-	-	-	-
António Pedro Ferreira Vaz da Silva <sup>c</sup>	-	-	-	-	-	-	-
António Emídio Pessoa Corrêa d’Oliveira <sup>d</sup>	3,000 <sup>e</sup>	Annex II	Annex II	-	Annex II	Annex II	16,620 <sup>f</sup>

<sup>a</sup> Such members do not hold nor carried out transactions on shares representing share capital of other companies in a controlling or group relationship with the Bank. Includes members of Executive Committee and Audit Committee.

<sup>b</sup> Such transaction was carried out in the regulated market.

<sup>c</sup> Appointed Non-Executive Member of the Board of Directors on 1 September 2017.

<sup>d</sup> AppoinNon-Executive Member of the Board of Directors on 1 September 2017.

<sup>e</sup> Number of share held as at the date of appointment.

<sup>f</sup> Annex II details the purchases and/or disposals carried out in 2017, as disclosed to the Company.

<sup>g</sup> Person closely related to André Manuel Pereira Gorjão de Andrade Costa.

<sup>h</sup> Person/entity closely related to António Emídio Pessoa Corrêa d’Oliveira.ted

Closely related party	No. of Shares as at 31.12.2016 <sup>a</sup>	Date	Acquisition	Encumbrance	Disposal	Price	No. of Shares as at 31.12.2017 <sup>b</sup>
Susana Gorjão Costa <sup>a</sup>	3,110	-	-	-	-	-	3,110
GESTMIN, SGPS, S.A. <sup>h</sup>	14,576,115	Annex II	Annex II	-	Annex II	Annex II	16,642,862 <sup>f</sup>

Statutory Auditor	No. of Shares as at 31.12.2016 <sup>b</sup>	Date	Acquisition	Encumbrance	Disposal	Price	No. of Shares as at 31.12.2017 <sup>b</sup>
KPMG & Associados SROC, S.A.	-	-	-	-	-	-	-
Vitor Manuel da Cunha Ribeiroinho	-	-	-	-	-	-	-
Maria Cristina Santos Ferreira	-	-	-	-	-	-	-

<sup>a</sup> Such members do not hold nor carried out transactions on shares representing share capital of other companies in a controlling or group relationship with the Bank. Includes members of Executive Committee and Audit Committee.

<sup>b</sup> Such transaction was carried out in the regulated market.

<sup>c</sup> Appointed Non-Executive Member of the Board of Directors on 1 September 2017.

<sup>d</sup> AppoinNon-Executive Member of the Board of Directors on 1 September 2017.

<sup>e</sup> Number of share held as at the date of appointment.

<sup>f</sup> Annex II details the purchases and/or disposals carried out in 2017, as disclosed to the Company.

<sup>g</sup> Person closely related to André Manuel Pereira Gorjão de Andrade Costa.

<sup>h</sup> Person/entity closely related to António Emídio Pessoa Corrêa d’Oliveira.ted

In 2017, neither Banco CTT nor companies in a controlling or group relationship with the Bank issued any debt securities.

B. Corporate Bodies and Committees

I. General Meeting

Under the Bank’s Articles of Association, the Board of the General Meeting is made-up of a Chairperson and Secretary, elected at the General Meeting. In 2017 and at present, the composition of the Board of the General Meeting is as follows (members appointed for the 2015/2018 term of office):

Members	Office
Maria da Graça Farinha de Carvalho e Sousa Góis	Secretary
Magda Alexandra Jesus Viçoso	Chairman

As at 31 December 2017, the Bank’s Selection Committee, elected at the General Meeting was made-up of (members appointed for a term of office matching that of the corporate body’s):

Members <sup>1</sup>	Office
António Sarmento Gomes Mota	Chairman
Francisco José Queiroz de Barros de Lacerda	Member <sup>2</sup>
José Manuel Baptista Fino	Member

<sup>1</sup>Rui Miguel de Oliveira Horta e Costa tendered his resignation as a Member of the Selection Committee on 8 February 2017, effective immediately.

<sup>2</sup> Because Francisco José Queiroz de Barros de Lacerda is the Bank’s Chairman, he is barred from participating and voting in resolutions where there is a conflict of interest, namely in his individual assessment.

Under the policy for the selection and adequacy assessment of management and supervisory body members and key function holders, as approved in the General Meeting of 24 August 2015 and amended thereby on 10 March 2016 (“Selection Policy”) and its Internal Regulation, the Selection Committee is entrusted with:

- Identifying, selecting and recommending possible members of management and supervisory bodies and senior officers, verifying if such candidates meet the necessary adequacy requisites (both individual and collective);
- Drafting the adequacy assessment model, assessing the adequacy assessment and reassessment reports and preparing the authorisation and registration applications with the Bank of Portugal;
- Ensuring the representation of both men and women and the diversity of the necessary qualifications and skills;
- Assessing at least annually the selection policy, structure and size of management and supervisory bodies, the integrity, professional qualification, independence, diversity and availability, as well as adequacy performance of its members and key function holders;
- Assessing and discussing the annual training plan with the competent bodies and committees.

As at 31 December 2017, the Bank’s Salary Committee, elected at the General Meeting was made-up of (members appointed for the 2016/2018 term of office):

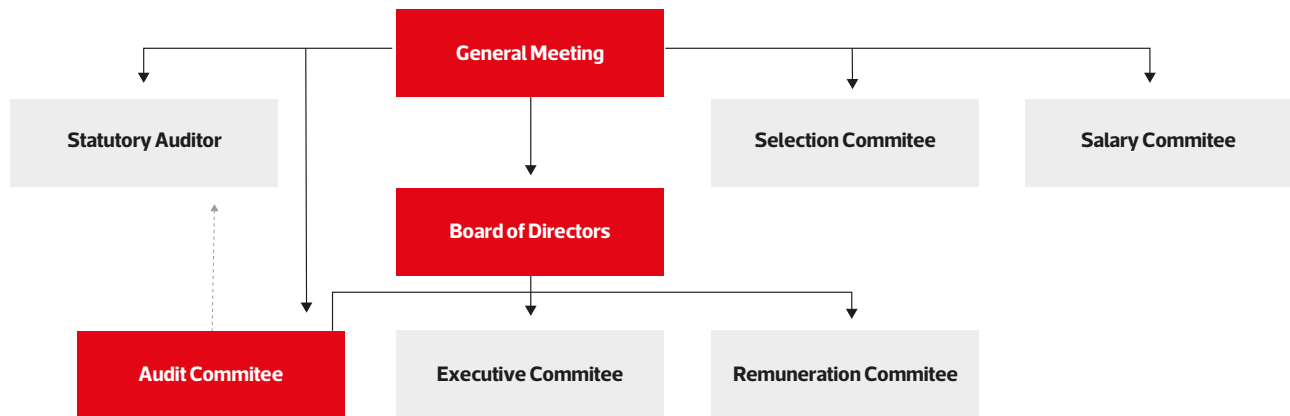
Members <sup>1</sup>	Office
Francisco José Queiroz de Barros de Lacerda	Chairman
António Sarmento Gomes Mota	Member
Rafael Caldeira de Castel-Branco Valverde <sup>2</sup>	Member

<sup>1</sup> Rui Miguel de Oliveira Horta e Costa tendered his resignation as a Member of the Salary Committee on 8 February 2017, effective immediately.  
<sup>2</sup> Rafael Caldeira de Castel-Branco Valverde elected as a Member of the Salary Committee by a General Meeting resolution of 18 September 2017.

II. Management and Supervision

1) Adopted governance model

Banco CTT adopts the Anglo-Saxon governance model, according to which the Board of Directors is responsible for the Company’s management and the Audit Committee (comprised of non-executive independent Directors) and Statutory Auditor are responsible for its oversight.



This model has implemented a number of good governance practices in line with the Bank’s specificities (namely its size and activity), as described in this Report. This promotes the effective performance of duties and coordination of corporate bodies, in addition to the smooth operation of a checks and balances system and the accountability of management to its stakeholders.

In this context, the General Meeting has powers to: (i) elect corporate body members (including the members of the Board of the General Meeting, Board of Directors and Audit Committee, as well as the Statutory Auditor, the latter elected following a proposal by the Audit Committee); (ii) assess the Board of Directors’ annual report and Audit Committee’s opinion; (iii) stipulate the allocation of profits; and (iv) pass resolutions amending the Articles of

Association; and (v) stipulate remuneration of corporate body members. Director remuneration shall be stipulated by the General Meeting or the Salary Committee, whose members are elected by the General Meeting. For this purpose, the General Meeting created a Salary Committee and elected its three members.

In turn, in the context of its management duties, the Board of Directors delegated day-to-day management powers to the Executive Committee (as described in section B.II.2. below).

The Audit Committee (presently made up exclusively of independent members), together with the Statutory Auditor, performs the oversight duties resulting from applicable legal and regulatory provisions. The Audit Committee is responsible,

in particular, for promoting the independence of the Statutory Auditor and of the internal audit of the Company, with a view to contributing to the quality of financial information and the effectiveness of internal control, risk management and internal audit systems (as described in section B.III. below).

The Remuneration Committee (made up exclusively of non-executive, mostly independent, members of the Board of Directors) is responsible for making informed and independent judgements on the Bank’s remuneration policy and practices that are consistent with the sound and prudent management of the risks and incentives created for the purposes of risk, capital and liquidity management (as described in section D.II. below).

In addition, the Selection Committee (made up of independent members, according to the Bank’s Selection Policy and elected by the General Meeting) is responsible for identifying, selecting and

assessing the adequacy of persons to be appointed as members of the Bank’s management and supervisory bodies, Statutory Auditor and senior officers (as described in section B.I. above).

2) Board of Directors and internal committees

Pursuant to the Bank’s Articles of Association, the Board of Directors is made-up of 7 to 11 members and the Executive Committee is made-up of 3 to 5 Directors, for a 4-year 2015–2018 term of office.

The Company Board of Directors in office as at 31 December 2017, was made up of 11 Directors, appointed for the 2015/2018 term of office. Their curricula are attached in Annex I hereto, save for André Manuel Pereira Gorjão de Andrade Costa who tendered his resignation as Non-Executive Member of Banco CTT’s Board of Directors on 19 December 2017, effective 31 January 2018:

Members	Board of Directors	Executive Committee	Audit Committee	Independent <sup>1</sup>
Francisco José Queiroz de Barros de Lacerda	Chairman			
Luís Maria França de Castro Pereira Coutinho	Member	Chief Executive Officer (CEO)		
Luís Miguel Agoas Correia Amado	Member	Member (COO)		
João Maria de Magalhães Barros de Mello Franco	Member	Member (CCO)		
Pedro Rui Fontela Coimbra	Member	Member (CFO)		
André Manuel Pereira Gorjão de Andrade Costa <sup>2</sup>	Member			
José Manuel Gonçalves de Moraes Cabral	Member		Chairman	Yes
Rui Afonso Galvão Mexia de Almeida Fernandes	Member		Member	Yes
Clementina Maria Dâmaso de Jesus Silva Barroso	Member		Member	Yes
António Pedro Ferreira Vaz da Silva <sup>3</sup>	Member			
António Emídio Pessoa Corrêa d’Oliveira <sup>4</sup>	Member			

<sup>1</sup> Pursuant to the criteria set out in article 414(5) of the PCC (applicable by reference of article 31-A(3) of the LFCIFC).  
<sup>2</sup> André Manuel Pereira Gorjão de Andrade Costa carried out duties during the 2017 financial year and tendered his resignation as Non-Executive Member of Banco CTT’s Board of Directors on 19 December 2017, effective 31 January 2018.  
<sup>3</sup> Appointed Non-Executive Member of the Board of Directors by way of a General Meeting resolution of 1 September 2017.  
<sup>4</sup> Appointed Non-Executive Member of the Board of Directors by way of a General Meeting resolution of 1 September 2017.

The Board of Directors is the corporate body responsible for the Company’s management and representation, both by law and the Articles of Association. It is entrusted with all acts and operations pertaining to the corporate purpose that do not fall within the powers of the Bank’s other corporate bodies.

Under the Articles of Association and its internal Regulation, the Board of Directors is responsible, namely, for:

- a. Approving annual, half-yearly and quarterly reports and accounts;
- b. Defining and monitoring the execution of the Bank’s strategic guidelines, risk policy and other general policies, as well as the Bank’s corporate structures, budgets and investment and financial plans;



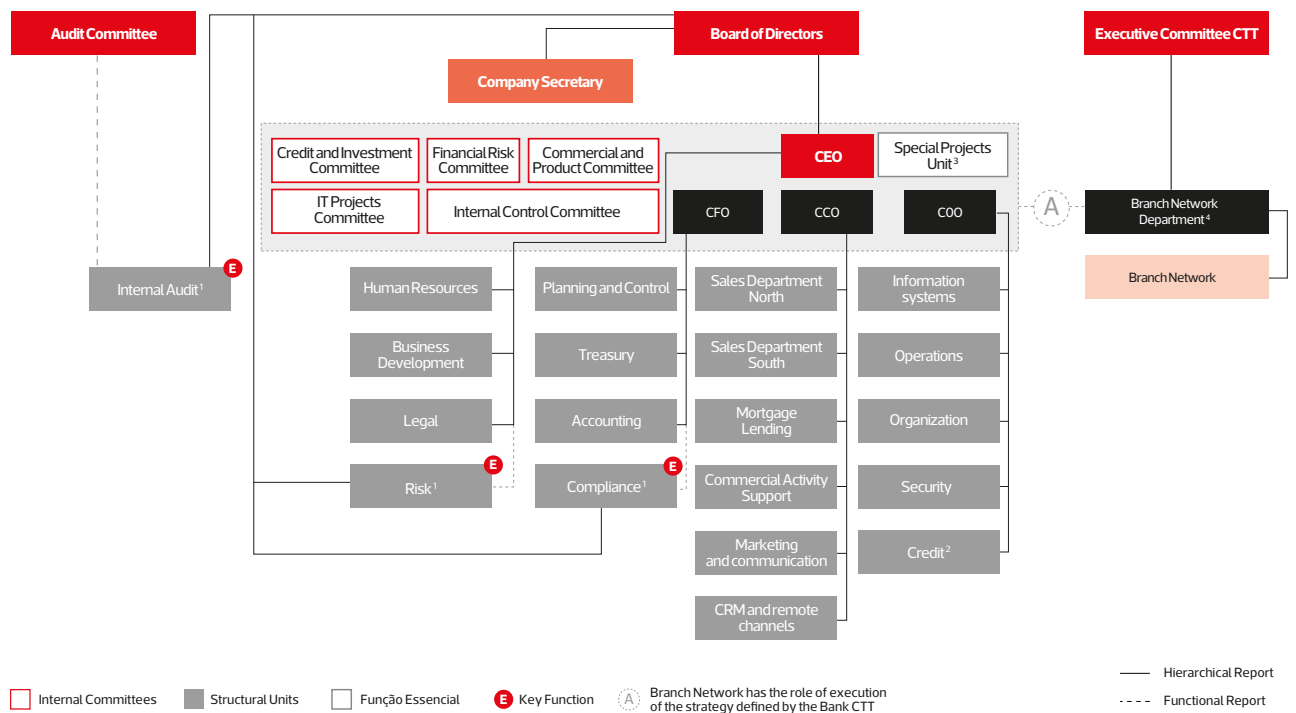
- c. Passing resolutions on merger, demerger and transformation projects, important expansions or down-sizing of the Bank's operations, entering into, terminating or amending any partnership, cooperation, sharing or joint venture agreements that are long-lasting and important;

d. Supervising and ensuring the Bank is equipped with effective systems for internal control and internal audit and for information processing and disclosure and compliance with information duties with the Bank of Portugal, as well as risk identification, management, control and communication processes;

e. Defining the Bank's internal governance system and organizational structure, to procure the Bank's effective and prudent management, including the division of powers within the organization and prevention of conflicts of interest; and
- f. Appointing and removing those responsible for risk management, compliance and internal audit, as well as stipulating their remuneration and the resources allocated thereto.

The Board of Directors delegated day-to-day management of the Company to the Executive Committee (having authorised one or more of its members to undertake certain matters and to sub-delegate to one or more of its members the exercise of certain powers). In line with the law and best practices, the aforesaid delegation excludes, in addition to matters reserved by law, the matters set out in the sub-paragraphs of the preceding paragraph, as well as acts and operations that give rise to liabilities / obligations for the Bank above certain thresholds.

As at 31 December 2017, the purviews of the Bank's Executive Committee and its organizational structure were distributed as follows:



<sup>1</sup> The appointment, dismissal, determination of remuneration and allocation of resources to the functions of Internal Audit, Risk and Compliance for the performance of its function is the responsibility of the Board of Directors.

<sup>2</sup> Credit Department will be created when the Bank's credit activity justifies its constitution.

<sup>3</sup> Special Project Units will be constituted upon the approval of projects that, due to their complexity and duration, justify this.

<sup>4</sup> Top of the structure of the Branch Network in a plurality of employers regime, with hierarchical relationship with the CEO and functional relation with all the functions within the executive committee and the control functions.

After defining the governance model, the Bank's Board of Directors created five internal Committees, in order to ensure better coordination among the various departments, better involvement in the decision-making process and better support for the Executive Committee's management activities. The committees are the Credit and Investment Committee, the Financial Risk Committee, the Commercial and Product Committee, the IT Projects Committee and the Internal Control Committee.

As regards managing the relationship with CTT under the agreements entered into between CTT and the Bank, on which the respective CTT / Bank engagement model is based, there are three discussion forums that are external to the Bank. These were created in the context of the referenced agreements and cover the multiple-employer regime, availability of resources in the Retail Network and CTT Channel partnership, as well as the provision of services. They are the Business Coordination Committee, the Shared Services Committee and the Partnership Governing Committee.

On 31 December 2017, the existing Committee structure, as regards the Bank's Executive Committee and governance of the partnership with CTT, was as follows:

Committees supporting the Executive Committee	Credit and Investment Committee
	Financial Risk Committee
	Commercial and Product Committee
	IT Projects Committee
	Internal Control Committee
Committees governing the CTT partnership	Partnership Governing Committee
	Business Coordination Committee
	Shared Services Committee
	Comité de Serviços Partilhados

The Bank also has the benefit of a Remuneration Committee, created and appointed by the Board of Directors, namely for the purposes set out in Bank of Portugal Notice 10/2011, whose composition and powers are set out in section D. II. below.

III. Oversight

According to the Bank's Articles of Association, the Audit Committee is made-up of 3 Board Members, including its Chairperson, all elected at the General Meeting (for the current 4-year term of office) together with the remaining Board Members. The lists of candidates for the Board of Directors must indicate which members will serve on the Audit Committee and who shall be its Chairperson.

The Bank's Audit Committee in office as at 31 December 2017 and at the present date, is made-up of the following members (appointed for the 2015/2018 term of office):

Members	Office
José Manuel Gonçalves de Morais Cabral	Chairman
Rui Afonso Galvão Mexia de Almeida Fernandes	Member
Clementina Maria Dâmaso de Jesus Silva Barroso	Member

All the referenced members are independent, pursuant to article 414(5) of the PCC, by reference of article 31-A(3) of the LFCIFC, and have higher education and skills adequate to their duties and responsibilities. Together they have the necessary experience, according to the law and the Bank's Articles of Association and Selection Policy and at least 1 member has accounting knowledge.

The Audit Committee is entrusted by law, the Articles of Association and its internal Regulation with the following main powers:

- a. Overseeing the Company's management;

b. Verifying the precision of the financial reporting documents;

c. Overseeing the preparation and disclosure of financial information;

d. Overseeing the effectiveness of the risk management, the internal control and the internal audit systems;

e. Proposing the appointment of the Statutory Auditor to the General Meeting;

f. Overseeing the statutory audit of the Bank's financial reporting documents; and

g. Overseeing the Statutory Auditor's independence, namely as concerns the engagement of additional services.

Within those powers, the Audit Committee is namely responsible for:

- a. Overseeing the implementation of the Bank's strategic goals, risk strategy and internal governance and assessing its effectiveness at least annually;

b. Giving a technical opinion on the appointment and removal of the person responsible for internal audit, issuing a statement on his / her work plan and resources, assessing his / her objectivity, resources and independence, as well as analysing his / her reports;

c. Supervising the Bank's risk identification, management, control and communication policy and processes;

d. Drafting the detailed annual opinion on the adequacy and effectiveness of the Bank's internal control system;

e. Overseeing the integrity of accounting and financial information systems and supervising the Bank's disclosure and compliance with information duties to the Bank of Portugal;

- f. Assessing whether the adopted accounting policies and procedures and valuation criteria are consistent with Generally Accepted Accounting Principles and whether they are suitable to the correct presentation and valuation of the Bank’s assets, liabilities and results;
- g. Supervising compliance with and correct application of the accounting principles and standards in force, the evolution of the relevant financial indicators and significant exposure to contingent risks or liabilities; and
- h. Drafting an annual activity report and issuing an opinion on the annual management report, the year’s accounts and the proposals presented by the Board of Directors to the Annual General Meeting.

The Audit Committee, as a supervisory body, acts as Banco CTT’s risk committee, pursuant to and for the purposes of article 115-L of the LFCIFC and is namely entrusted with:

- a. Advising the Board of Directors on the Bank’s risk appetite, general risk strategy, current and future, assisting it in supervising the execution of the institution’s risk strategy;
- b. Analysing whether the terms and conditions of products and services offered by the Bank to its clients take into account the Bank’s business model and risk strategy and presenting a corrective plan to the Board of Directors, whenever necessary;
- c. Examining if incentives set out in the Bank’s remuneration policy take into account risk, capital, liquidity and result forecasts.

IV. Statutory Auditor

As at 31 December 2017 and at present, for the 2015/2018 term of office, KPMG & Associados, SROC, S.A. (“KPMG”), Statutory Auditor no. 189, represented by its partner Vítor Manuel da Cunha Ribeirinho (Statutory Auditor no. 1081), renders statutory audit services to the Company. The Company’s Alternate Statutory Auditor is Maria Cristina Santos Ferreira (Statutory Auditor no. 1010).

The rules to be followed in engaging audit and non-audit services / additional services from the Statutory Auditor are set out in the Regulation on the Provision of Services by the Statutory Auditor, adopted by Banco CTT, approved in line with the provisions of Law 140/2015 of 7 September and Law 148/2015 of 9 September, which review the Legal Framework for Audit Oversight and the Bylaws of the Portuguese Institute of Statutory Auditors (“Regulation”). The Regulation also takes into account the Portuguese Securities Commission’s understanding as made public on 17 April 2017 by way of update of the “Answers to FAQs

on the entry into force of the new Bylaws of the Portuguese Institute of Statutory Auditors and of the Legal Regime for Audit Oversight”.

Under this Regulation, the Bank’s Audit Committee is responsible for assessing requests to engage non-audit / additional services from the Statutory Auditor. That engagement is subject to the prior authorisation of the Audit Committee, which is in turn limited by the need for similar authorisation from the supervisory body of CTT, as the Bank’s parent company.

In 2017, the Bank engaged KPMG to provide the following non-audit / additional services (in light of the Portuguese Securities Commission’s understanding made public on 17 April 2017 by way of update of the “Answers to FAQs on the entry into force of the new Bylaws of the Portuguese Institute of Statutory Auditors and of the Legal Regime for Audit Oversight”), hereinafter “Non-Audit Services Engaged in 2017”:

From KPMG

- Limited review of Banco CTT’s financial statements for the six-month period ended on 30 June 2017;
- Adequacy and effectiveness assessment of the internal control system that underlies the preparation and disclosure of Banco CTT’s financial information, with an opinion issued by the Statutory Auditor, pursuant to Bank of Portugal Notice 5/2008;
- Adequacy assessment of the quantification process of Banco CTT’s credit portfolio’s impairment and the reasonableness of individual and collective impairment pursuant to Bank of Portugal Instruction 5/2013 and issue of a Report.

The Regulation includes procedures for the engagement of non-audit / additional services by Banco CTT and subjects them to the prior authorisation of both Banco CTT’s Audit Committee and CTT’s Audit Committee. These were verified for Non-Audit Services Engaged in 2017, wherein the following elements, in particular, were analysed and verified: (i) that the services under analysis do not fall under the list of prohibited services and do not pose a threat to the Statutory Auditor’s independence and impartiality, within the statutory audit, namely the provision of such services does not entail any risk of self-assessment, of personal interest, nor the participation in making decisions in any Group CTT company that falls within the scope of the statutory audit, (ii) that the proposed fees do not exceed the fee caps for (non-prohibited) non-audit services as provided by law and (iii) that, in most cases, the services under analysis are substantively inherent to the audit, even if the end product is deemed a non-audit service, under the Portuguese Securities Commission’s understanding made public on 17 April 2017 by way of update of the “Answers to

FAQs on the entry into force of the new Bylaws of the Portuguese Institute of Statutory Auditors and of the Legal Regime for Audit Oversight”, based on the possession of information appropriate to the provision of that service (considering in particular the nature of the vast majority of the non-audit services involved) and on experience with similar services, while providing the conditions necessary for them to be rendered with the same level of independence and impartiality.

Besides the Non-Audit Services Engaged in 2017, services engaged in 2016 were partially rendered during 2017, as regards: a) the adequacy and effectiveness assessment of the part of the internal control system inherent to the preparation and disclosure of financial information; and b) the quality of the internal control system in preventing money laundering and the financing of terrorism.

The table below shows the values corresponding to the fees of KPMG for statutory audit, assurance, tax consultancy and services other than statutory audit, engaged, accounted for and paid / invoiced in 2017:

	Engaged Services <sup>1</sup>		Accounted Services <sup>2</sup>		Paid Services <sup>3</sup>	
	Amount (€)	%	Amount (€)	%	Amount (€)	%
By the Company	270,600	100.0%	274,152	100.0%	263,676	100.0%
Amount for statutory auditing services	193,110	71.4%	192,679	70.3%	123,763	46.9%
Amount for assurance services	77,490	28.6%	70,523	25.7%	76,260	28.9%
Amount for tax consulting services	-	-	-	-	2,768	1.0%
Amount for other services non-auditing services	-	-	10,950	4.0%	60,885	23.1%
TOTAL	270,600	100.0%	274,152	100.0%	263,676	100.0%
Amount for statutory auditing services	193,110	71.4%	192,679	70.3%	123,763	46.9%
Amount for other services non-auditing services	77,490	28.6%	81,473	29.7%	139,913	53.1%

<sup>1</sup>Includes VAT at the applicable legal rate.  
<sup>2</sup>Includes invoiced amounts and specialised amounts of the financial year.  
<sup>3</sup>See previous table on services engaged and accounted for. The paid services refer both to services engaged in 2017 and engaged in previous years, but whose conditions of payment only took place in 2017. By way of example, the amount corresponding to tax consultancy pertains to a service engaged in 2015.

C. Internal Organisation

I. Articles of Association

The General Meeting is responsible for approving and passing resolutions amending the Bank’s Articles of Association (available on the Bank’s website at [www.bancocctt.pt](http://www.bancocctt.pt)).

II. Reporting irregularities (whistleblowing)

The LFCIFC and the European Banking Authority’s Guidelines on Internal Governance (GL44) require credit institutions implement specific, independent and autonomous means to receive, handle and file serious irregularity reports related to their management, accounting organisation and internal oversight, as well as signs of serious breaches of duties related thereto, namely regarding conduct, professional secrecy, capital, risks or disclosure of information.

As result of those requirements, the Bank’s Code of Conduct, in section 7.4., provides mechanisms for reporting irregularities in matters of accounting, internal accounting controls, the Bank’s internal management or oversight, prudential requirements, risk control, insider dealing, fraud or anti-corruption, banking and financial crime, money laundering or the financing of terrorism, involving shareholders, employees, customers, suppliers, with reference to the specific rules set out by the Bank, namely the Whistleblowing Policy. The Bank further undertakes that those who file reports will suffer no retaliation and those flagged will be treated fairly. In particular, the Employee that reports or prevents an illegality from being carried out by acting reasonably and carefully cannot be harmed in any way therefor. Any such notifications shall

be treated confidentially and may not give rise, in of themselves, to any disciplinary, civil or criminal proceedings against its author, save if they are intentionally and manifestly groundless.

The Bank has a Whistleblowing Policy that enacts the provisions set forth in its Code of Conduct. According to the provisions of that Policy, any irregularities may be reported by employees, shareholders, clients, suppliers and other stakeholders to the following e-mail address: irregularidades@bancocctt.pt. According to the Bank’s Articles of Association, the referenced Policy and the respective Regulation, the Audit Committee is responsible for receiving submitted irregularity reports, having delegated to the Compliance Department powers to support receiving, handling and filing submitted reports. The Audit Committee, nonetheless, retains its decision power relative to closing a submitted report or adopting other adequate measures (ex. reporting to the competent regulatory authorities; initiating judicial proceedings, filing a criminal complaint or analogous measure; disciplinary proceedings or loss of corporate body member status within the Bank).

The Whistleblowing Policy also implements procedures to ensure confidential treatment of submitted reports and protection of the whistleblower’s and suspect’s personal data, further stipulating that all control officers have a duty to give the Audit Committee notice of any irregularities they become aware of.

During the 2017 financial year, no irregularities were reported to the Audit Committee that showed a breach of the duties set out in LFCIFC or in EU Regulation no. 575/2013 of the European Parliament and Council, adulterated accounting records, internal accounting controls or the audit of those records and controls, or Bank, Corporate Body or Employee involvement in crimes of corruption, fraud, banking and financing crime, namely the prevention of money laundering and financing of terrorism and insider dealing.

During the reference period, the Audit Committee received only one report, concerning possible breaches of the Bank’s Code of Conduct and non-compliance with internal procedures or policies or applicable banking legislation. The latter did not fall under the abovementioned definition of irregularity and, as such, fell outside of the scope of the Whistleblowing Policy. Although the report was generic and did not specifically identify any facts, situations or persons that carried out the alleged irregularity(ies), the Audit Committee decided to open an investigation in order to determine if the reported situations had occurred and identify those involved in order to take adequate measures. The

proceeding was closed following the results of the investigation.

III. Internal control and risk management

From the outset, Banco CTT’s management and supervisory bodies have attributed an edifying importance to its internal control, risk management and internal audit systems. For further information, please see the section of this Annual Report entitled “Internal Control System” and “Risk Management” found above.

The Board of Directors ensures the effectiveness of the internal control, risk management and internal audit systems, encouraging a culture of control throughout the organization. The Audit Committee, as Banco CTT’s supervisory body, is responsible for the effective oversight of these systems, as described in its Internal Regulation.

IV. Investor Relations

Because it is not a listed company with shares admitted to trading, Banco CTT does not have an Investor Relations Department.

However, the Bank’s sole shareholder, as a listed company with shares admitted to trading on the regulated market, has an Investor Relations Department, which is responsible for ensuring a solid and lasting relationship with, on one hand, shareholders, investors and analysts, the Portuguese Securities Commission (PSCom), Euronext Lisbon – Sociedade Gestora de Mercados Regulamentados, S.A. (Euronext Lisbon) and the capital markets in general and, on the other, the company and its corporate bodies. It provides timely, clear and transparent information on the current evolution of CTT, in economic, financial and governance terms.

V. Website

Banco CTT’s website is: [www.bancocctt.pt](http://www.bancocctt.pt).

D. Remuneration

I. Powers to stipulate remuneration

Pursuant to the Bank’s Articles of Association, the General Meeting or Salary Committee appointed by the General Meeting are entrusted with stipulating the remunerations of corporate body members. The General Meeting and the Salary Committee receive support from the Remuneration Committee mentioned in section D.II. above.

II. Remuneration Committee

The Remuneration Committee was created within the Board of Directors with the following members and its term of office matches that of the Board of Directors:

Members	Office
Francisco José Queiroz de Barros de Lacerda	Chairman
José Manuel Gonçalves de Morais Cabral	Member
Clementina Maria Dâmaso de Jesus Silva Barroso	Member

Under its Internal Regulation, this Committee is responsible, namely, for:

- a. Preparing proposals and recommendations for General Meeting decisions on matters of remuneration of corporate body members (notwithstanding delegation to the Salary Committee), as well as for Board of Directors decisions (notwithstanding delegation to the Executive Committee) on the remuneration of relevant employees pursuant to article 115-C of the LFCIFC. This includes decisions on the remuneration policy and decisions affecting the Bank’s risk and risk management;
- b. Analysing and assessing, at least annually, the remuneration policies for corporate body members and the mentioned relevant employees, especially their effect on the institution’s management of risk, capital and liquidity; and
- c. Preparing proposals and recommendations for the competent bodies on the stipulation, calculation and payment of the variable remuneration component and on proposals assessing whether or not goals under that model have been met.

III. Remuneration Structure

1. Annual policy statement on the remuneration of management and supervisory body members in 2017

Reproduced below is the remuneration policy statement for members of the Bank’s management and supervisory bodies:

“Annual policy statement on the remuneration of Banco CTT, S.A’s Management and Supervisory Body Members for the 2017 financial year

I. Introduction

*The present annual statement for 2017 was approved by Banco CTT, S.A. (“Bank” or “Company”)’s Remuneration Committee and assessed by its Board of Directors and Audit Committee, to the extent of their respective powers and the terms and purposes of Law 28/2009 of 19 June of the Legal Framework for Credit Institutions and Financial Companies (“LFCIFC”) and Bank of Portugal Notice 10/2011 (“Notice 10/2011”), for the purposes of its approval by the Bank’s Annual General Meeting.*

*This statement concerns the remuneration of members of the Bank’s management and supervisory bodies (“Remuneration Policy”) that was approved by the Bank’s General Meeting in November 2015 following the Bank’s special registration and was amended on 22 July 2016 and 4 April 2017, by resolution of the Bank’s Salary Committee, based on a Remuneration Committee proposal/recommendation, with the participation in the meeting thereof of the control, human resources and legal officers. It further took into account the recommendation of Mercer (Portugal) – Recursos Humanos, Lda. (an external human resources consultant for services related to the stipulation / adjustment of the Variable Remuneration Model – Banco CTT Executive Directors and Relevant Employees), following an assessment carried out by the Audit Committee under its respective powers. The updated version of the Remuneration Policy is available on the Bank’s website at [www.bancocctt.pt](http://www.bancocctt.pt).*

*The Bank’s Remuneration Committee was created within the Board of Directors with the following members and its term of office matches that of the Board of Directors (2015/2018):*

Members	Office
Francisco José Queiroz de Barros de Lacerda	Chairman
José Manuel Gonçalves de Morais Cabral	Member
Clementina Maria Dâmaso de Jesus Silva Barroso	Member

*In 2017, the General Meeting held 6 meetings in which it passed resolutions on matters of remuneration. The Salary Committee held 2 meetings and the Remuneration Committee 5 meetings on matters of remuneration.*

*The Remuneration Policy was stipulated in light of the Bank’s activity, structure and size (in particular, given its size, internal organization and nature, scope and complexity of its operations in the term of office of the Bank’s launch), as well as market practices, for 2015-2018 (notwithstanding its possible amendment given the nature, scope and complexity of the Bank’s activity, its structure, size and any possible regulatory developments).*

II. General principles and components of the remuneration of Board of Directors and Executive Committee members



The Remuneration Policy strives to attain the following goals, among others:

- a. Attract, motivate and retain highly talented employees, that enable the creation of long-term value and an increase in the organisation's productivity;
- b. To foster people's commitment and motivation and enhance excellent performance by acknowledging and rewarding merit, rewarding professional responsibility and ensuring internal equity and external competitiveness;
- c. To create incentives that ensure risk-taking is compatible with the credit institution's strategy, tolerance and risk culture, as well as the sound and prudent management of risk, by discouraging risk-taking beyond the credit institution's tolerated risk level;
- d. To sustainably implement the Bank's long-term strategic goals, values and interests, in a way compatible with its strategy (namely with the business plan, financial model and budget);
- e. To include measures preventing conflicts of interest;
- f. To develop an offer that meets the banking and financial needs of depositors and customers, aligned with high levels of banking availability and financial inclusion; and
- g. To create long-term value for shareholders and other institution stakeholders.

Given its responsibilities and dedication to the performance of these duties, the Remuneration Policy distinguishes members of the Audit Committee (as non-executive members with a supervisory duty), remaining non-executive members of the Board of Directors, members of the Executive Committee (for their role in implementing the strategy defined for the institution) and the respective members that chair and / or carry out duties as members of the Board of Directors' internal committees.

The remuneration of Audit Committee members and of the remaining non-executive members of the Board of Directors shall only include a fixed component, paid 14 times a year, regardless and unrelated in any way to the institution's performance or results.

The amount of that fixed remuneration is stipulated by the General Meeting or Salary Committee in light of the skills, responsibilities, dedication, availability, experience and professional qualifications associated to the performance of each office.

The remuneration of members of the Executive Committee shall include, in addition to that fixed component, a variable component, under the terms set out in the Remuneration Policy and further detailed in section III. below. That variable component: (i) shall not limit the Bank's ability to reinforce its capital base and will take into

account, when awarded, all types of risk, both present and future; (ii) shall be subject to a number of conditions, criteria, assumptions and limitations; and (iii) shall serve to align interests of management body members with the Bank's interests, in line with the Bank's risk strategy, tolerance and culture.

Other benefits may be granted to members of the Executive Committee under terms specified by the General Meeting or Salary Committee, including namely insurance-related benefits, vehicles and meal allowances. No supplementary pension or early retirement schemes have been provided for.

In the event members of the Board of Directors terminate office, the compensation rules prescribed by law shall apply, as no compensation clauses were agreed upon or established in the remuneration policy. No compensation was paid or became due to members of the Bank's Board of Directors relating to the termination of their office during the financial year of 2017.

### III. Variable remuneration component of Executive Committee members

The Remuneration Policy provides for a variable component in the remuneration of Executive Directors.

The variable remuneration in question is paid in cash. Notwithstanding, until the full or partial payment of the variable remuneration and at the Bank's exclusive initiative, an alternative model may be implemented therefor by the General Meeting or Salary Committee, namely wherein half of that variable remuneration (including the deferred portion described below) be paid in financial instruments and be subject to a lock-up policy.

Pursuant to the Remuneration Policy, the variable remuneration component is subject to the rules set out therein, as well as to the criteria, assumptions and limitations provided in the EC Performance Assessment Model approved for 2017 by the Salary Committee. This follows a Remuneration Committee recommendation, in consultation with control, human resources and legal officers and an Audit Committee assessment under its respective powers, as briefly described below:

- a. Pursuant to the Remuneration Policy, this component depends on a number of performance assessment criteria being met (of both a qualitative and quantitative nature, as well as financial and non-financial). These shall be analysed on an annual and multi-annual basis, as set out in the EC Performance Assessment Model;
- b. Further pursuant to the terms of the Remuneration Policy, the fixed remuneration component shall represent at least 2/3 of the total annual remuneration of each member and the variable remuneration component shall not exceed, in each year, 1/3 of

the annual fixed remuneration of each Executive Committee member, notwithstanding the annual review of those ratios by the General Meeting or Salary Committee;

- c. In addition, according to the Bank's Articles of Association, a variable component may be added to the fixed remuneration, as provided by law, in a maximum percentage of consolidated profits for that financial year of no more than 10% annually;
- d. In turn, the EC Performance Assessment Model provides for two distinct remuneration systems that depend on differentiated conditions and criteria (qualitative, quantitative and non-communicating) corresponding to "Corporate Performance VR" with a 60% weight in the total annual variable remuneration and to "Individual Performance VR" with a 40% weight in the total annual variable remuneration;
- e. Notwithstanding these two separate remuneration systems, the awarding of variable remuneration under any of these systems is subject to awarding eligibility conditions related to: (i) a minimum level of attainment of the goals identified in the EC Assessment Model; and (ii) the starting date and continued duties in the Bank and beneficiary commitments, as required under section q) below;
- f. In order to discourage excessive risk-taking and encourage alignment with the institution's interests, the awarding of variable remuneration under any of the referenced systems is subject, as set out in the EC Performance Assessment Model for 2017, to the following caps and the ratios referenced in section b) above are adjusted accordingly. Overall reference targets are also stipulated (equivalent to 100% satisfaction of Corporate KPIs and Skills referenced below regarding respectively Corporate Performance VR (60%) and Individual Performance VR (40%)), notwithstanding its award depending on various levels of attainment of the performance criteria and assessment levels set forth therein: (i) as regards the CEO, variable remuneration shall not exceed 33% of total annual remuneration if the overall target is attained, nor 42% of the total annual remuneration in the event of maximum attainment; and (ii) as regards Members of the Executive Committee, variable remuneration shall not exceed 26% of total annual remuneration if the overall target is obtained, nor 34% of total annual remuneration in the event of maximum attainment;
- g. Awarding of Corporate Performance VR depends on and its amount is calculated depending on the weighted average of attainment of the following quantitative indicators/goals exclusively related to the Bank's performance ("Corporate KPIs") with various weights: (i) as regards "Efficiency", the Opex, the Bank Project Capex and operational losses; (ii) as regards "Business", the opening of new accounts (accepted and validated) and the volume of generated mortgage lending; and (iii) as regards "Results", the banking product and net results;

- h. Awarding Individual Performance VR depends on and the respective amount is calculated based on the weighted average of skill assessment (associated with qualitative performance criteria) of each Executive Director ("Skills") weighted differently and related to: leadership; strategic vision and knowledge of the business and activity; composition and image; quality of the activity; contribution to the Bank's reputation; relationship with stakeholders; alignment with the Bank's risk appetite; and business and activity expertise in the respective areas of activity;
- i. In stipulating variable remuneration, adjustment mechanisms that may limit its award and payment on a multi-annual basis (namely, taking into consideration the types of risk exposure, the cost of capital and the institution's liquidity needs and sustainability, given the financial situation) shall also be taken into consideration, as detailed in the EC Performance Assessment Model;
- j. Therefore and in line with the Remuneration Policy, the annual and multi-annual assessment for 2017 under the EC Performance Assessment Model takes into account (i) the institution's performance (in a manner fitting its long-term risk profile and aligned with the business plan, financial model and budget), (ii) the performance of the structural unit of which the beneficiary is part and (iii) the beneficiary's individual performance in light of his / her goals, in order to promote the institution's sustainability, the creation of long-term value and the beneficiary's surpassing what is required of him / her;
- k. The calculation of Corporate Performance VR and Individual Performance VR is carried out under the mentioned model by the Remuneration Committee, whose proposal shall be put to the approval of the General Meeting or Salary Committee;
- l. Corporate Performance VR and Individual Performance VR are awarded within one month as of the General Meeting that approves the 2017 accounts, notwithstanding the applicable adjustment and deferral rules;
- m. The payment of half of the awarded variable remuneration (whether Corporate Performance VR or Individual Performance VR) is made within 45 days of the General Meeting or Salary Committee resolution awarding it, pursuant to paragraphs k) and l). In order to align the variable component with the institution's long-term performance, the remaining amount is deferred over a minimum of three years as of the payment date of the und deferred portion of the Corporate Performance VR and Individual Performance VR;
- n. The right to payment of the deferred portion is vested proportionally throughout the deferral period and is conditional during that three-year period on (i) the Bank's positive performance and the Bank's sustainable financial situation, to the extent there is a positive evolution of both the Bank's

net position and net results in each of those financial years as compared to the preceding year (based on the accounts therefor), notwithstanding any adjustments or revision of this payment condition as approved by the General Meeting or Salary Committee, following a favourable Remuneration Committee proposal/recommendation; and (ii) a positive assessment of the beneficiary's performance; in both cases as specified in the EC Performance Assessment Model;

- o. The variable remuneration has therefore been subject, to the extent applicable by law and regulation and pursuant to the referenced model, to mechanisms that may totally or partially reduce the awarded and deferred component, whose payment is not yet an acquired right (malus) and that may reverse remuneration already paid or whose payment has already become and acquired right (clawback);

- p. As further regards adjustments, the conditions and mechanisms referenced in paragraphs i), n) and o) above are especially taken into consideration, namely, the following situations pertaining to the beneficiary and detailed in the EC Performance Assessment Model: (i) action that resulted in significant losses for the Bank and approval (whether individual or within the structural unit of which the beneficiary is a part) of transactions or acts that resulted in significant losses for the Bank; (ii) failure to comply with adequacy and integrity criteria, pursuant to the selection and assessment policy in force at any time; (iii) serious breach of the Bank's code of conduct or internal rules; (iv) false statements in the Bank's financial statements; (v) the Bank being subject to a penalty with a significant impact thereon to which the objective conduct of the beneficiary made a decisive contribution; (vi) significant deviation/depreciation in the evolution of the Bank's net position; (vii) serious failure in the Bank's or structural unit's control or risk management; (viii) failure to comply with capital and liquidity ratios and/or limits to the ability to reinforce its capital; for all the previously referenced situations, pursuant to the EC Performance Assessment Model;

- q. Awarding variable remuneration depends on the beneficiary's commitment to: (i) accepting the mechanisms referenced in paragraph o); and (ii) refraining from entering into agreements to hedge / transfer risk or for payment via special purpose vehicles or similar methods.

#### IV. Conclusions

Pursuant to article 115-C(6) of the LFCIFC and articles 7 and 14 of Notice 10/2011, the Bank's Remuneration Committee carried out the annual review of the Remuneration Policy described above and in particular of its implementation. It took into account that the policy was approved under the Bank's opening for business on 27 November 2015 and was amended on 22 July 2016 within the approval of the EC Performance Assessment Model on 4 April 2017 and know-how collected from implementation thus far, by way of

a Salary Committee resolution. For this purpose, it consulted the Bank's control officers, who actively participated in developing the referenced assessment exercise, and submitted the assessment report and present statement to the Bank's Audit Committee and Board of Directors, within its duties and for the purpose of obtaining approval of the Bank's General Meeting.

In turn, and pursuant to article 2(1) of Law 28/2009 of 19 June and article 115-C(4) of LFCIFC, the Bank's Board of Directors puts the present statement on the remuneration policy of members of the Bank's management and supervisory bodies (also found in the Bank's Corporate Governance Report) to the approval of the General Meeting."

#### 2. Annual policy statement on the remuneration of relevant employees in 2017

##### I. Introduction

The present statement concerns the remuneration policy for the following Bank employees:

- Bank employees that carry out executive duties and report directly (first line) to the Board of Directors and Executive Committee for day-to-day management, save for employees that fall under all of the remaining sub-paragraphs ("Top Tier Officers");
- Bank employees responsible for taking-on risk ("Risk Takers");
- Bank employees responsible for control duties or that carry out risk management duties ("Control Officers" or "Risk Officers");
- Bank employees whose total remuneration places them in the same remuneration bracket as provided for corporate bodies or the categories referenced in paragraphs a) or b), as long as the respective professional activities have a material impact on the credit institution's risk profile ("Other Risk Takers"); save for employees under the multiple-employer regime;

and all the referenced categories are hereinafter jointly referenced as "Relevant Employees".

The identification of Relevant Employees is based on a list of names approved by the Executive Committee, as proposed by the Human Resources, Legal and Compliance and Risk Departments, duly substantiated and subject to the assessment of the Remuneration Committee, Audit Committee and Board of Directors. (Such list is reviewed whenever relevant changes occur and at least annually.)

This statement concerns the policy approved by the Board of Directors on 27 November 2015 following the Bank's special registration and was amended on 21 July 2016 and 22 March 2017, by resolution of the Board of Directors, based on a Remuneration

Committee proposal/recommendation, with the participation in the meeting thereof of the control, human resources and legal officers. It further took into account the recommendation of Mercer (Portugal) – Recursos Humanos, Lda. (an external human resources consultant for services related to the stipulation / adjustment of the Variable Remuneration Policy Model – Banco CTT Executive Directors and Relevant Employees), following an assessment carried out by the Audit Committee under its respective powers. The updated version of the Remuneration Policy is available on the Bank's website at [www.bancoctt.pt](http://www.bancoctt.pt).

#### II. General principles and components of the remuneration of Relevant Employees

Pursuant to the referenced policy, Relevant Employees receive a fixed monthly remuneration paid out 14 times a year, under their individual employment agreements and the applicable labour regime. The fixed remuneration is stipulated by the Board of Directors or Executive Committee to the extent of the delegation of powers, pursuant to a favourable Remuneration Committee proposal/recommendation.

The stipulation of the referenced fixed remuneration shall be a sufficiently high proportion of the total remuneration to make the application of the policy fully flexible as regards variable remuneration (including the non-payment thereof). Furthermore, it shall essentially take into account the relevant professional experience, organisational responsibility and nature of the employee's duties, as well as the size of the respective structural unit.

Top Tier Officers, Risk Takers and Other Risk Takers may come to receive variable remuneration, if a resolution therefor is passed by the Board of Directors or the Executive Committee to the extent of their delegated powers. This resolution shall be proposed by the Remuneration Committee, namely given Banco CTT's sustainable performance, the performance of its structural unit and individual performance, as well as each employee's responsibilities and duties.

Risk Officers and Control Officers may come to receive variable remuneration, if a resolution therefor is passed by the Board of Directors, pursuant to a Remuneration Committee proposal. The possible awarding of this component shall comply with the following principles: (i) remuneration shall be mainly based on the fixed component; and (ii) the variable component shall be stipulated mainly depending on the individual attainment of specific goals associated with his / her duties and independently from the performance of the structural units under his / her control.

The variable remuneration in question is paid in cash. Notwithstanding, until the full or partial payment of the variable remuneration and at the Bank's exclusive initiative, an alternative model may be implemented therefor by the competent bodies, namely wherein half of that variable remuneration (including the deferred portion described below) be paid in financial instruments and be subject to a lock-up policy.

Relevant Employees may receive other benefits under the terms that may be approved by the Board of Directors or the Executive Committee to the extent of its delegated powers. For the financial year underway, those benefits, as regards first line Managers, entailed the use of a vehicle (including a fuel stipend) and healthcare insurance.

#### III. Variable remuneration component of Relevant Employees

Pursuant to the approved remuneration policy, and notwithstanding the provisions of individual employment agreements and the applicable labour regime, any award of a variable remuneration component to Relevant Employees is subject to the principles and rules set out above for the variable remuneration of Executive Committee members, as well as the criteria, assumptions and limitations provided in the RE Performance Assessment Model approved for 2017 by the Board of Directors and Executive Committee, to the extent of the respective delegation of powers, following a favourable Remuneration Committee assessment, in consultation with the control, human resources and legal officers and Audit Committee under its respective powers, as briefly described below:

- This component depends on a number of performance assessment criteria being met (of both a qualitative and quantitative nature, as well as financial and non-financial). These shall be analysed on an annual and multi-annual basis, as set out in the RE Performance Assessment Model;
- In turn, the RE Performance Assessment Model provides for two distinct remuneration systems that depend on differentiated conditions and criteria (qualitative, quantitative and non-communicating) corresponding to "Corporate Performance VR" (based on quantitative criteria) with a 40% weight in the total annual variable remuneration and to "Individual Performance VR" with a 60% weight in the total annual variable remuneration (save for Control Officers and Risk Officers in which those relative weights correspond to 30% and 70% respectively);
- Notwithstanding these two separate remuneration systems, awarding variable remuneration under any of these systems is subject to awarding eligibility conditions referenced above under the remuneration policy statement for management and supervisory body members;
- In order to discourage excessive risk-taking and encourage alignment with the institution's interests, the awarding of variable remuneration under any of the referenced systems is subject, as set out in the RE Performance Assessment Model for 2017, to the following caps and overall reference targets (equivalent to 100% satisfaction of Corporate KPIs, Structural Unit KPIs and Skills referenced below regarding respectively Corporate Performance VR and Individual Performance VR), notwithstanding its award depending on various levels of attainment of the performance



- criteria and assessment levels set forth therein: (i) as regards Control Officers and Risk Officers, variable remuneration shall not exceed 13% of total annual remuneration if the overall target is attained, nor 18% of total annual remuneration in the event of maximum attainment; and (ii) as regards the remaining Relevant Employees, variable remuneration shall not exceed 17% of total annual remuneration if the overall target is attained, nor 23% of total annual remuneration in the event of maximum attainment;
- e. Awarding Corporate Performance VR is limited to and the respective amount calculated based on the weighted average of the level of attainment of the Corporate KPIs referenced above, under the remuneration policy statement for management and supervisory body members;
- f. Awarding Individual Performance VR depends on and the respective amount is calculated based on the weighted average of the assessment (a) of a number of quantitative performance indicators/goals of the structural unit of which the employee is a part (“Structural Unit KPIs”), weighted 30% in the total Individual Performance VR (save for Control Officers e Risk Officers, where the relative weight is 40%) and (b) a number of skills (related to qualitative performance criteria) of each employee (“Skills”) weighted 30% in total Individual Performance VR, regarding mainly leadership and resilience, collaboration, focus on results, focus on clients and a culture of control, as further detailed in the referenced RE Performance Assessment Model and pursuant to the considerations set out therein for Relevant Employees that are Commercial Officers and other Officers;
- g. In stipulating variable remuneration, adjustment mechanisms that may limit its award and payment on a multi-annual basis (namely, taking into consideration the types of risk exposure, the cost of capital and the institution’s liquidity needs and sustainability, given the financial situation) shall also be taken into consideration, as detailed in the RE Performance Assessment Model;
- h. Therefore and in line with the Remuneration Policy, the annual and multi-annual assessment for 2017 under the RE Performance Assessment Model takes into account (i) the institution’s performance (in a manner fitting its long-term risk profile and aligned with the business plan, financial model and budget), (ii) the performance of the structural unit of which the beneficiary is part and (iii) the individual performance of that beneficiary in light of his / her goals, in order to promote the institution’s sustainability, the creation of long-term value and the beneficiary’s surpassing what is required of him / her;
- i. The calculation of Corporate Performance VR and Individual Performance VR under the mentioned model is (i) as regards variable remuneration to be awarded to Control Officers and Risk Officers, carried out by the Remuneration Committee (starting with operational reporting assessment) under a proposal put to the approval of the Board of Directors and (ii) as regards other Relevant Employees, subject to an Executive Committee resolution (starting with an assessment by the Director with that purview), subject to a favourable opinion/recommendation of the Remuneration Committee;
- j. Corporate Performance VR and Individual Performance VR are awarded within one month as of the General Meeting that approves the 2017 accounts, notwithstanding the applicable adjustment and deferral rules;
- k. The payment of half of the awarded variable remuneration (whether Corporate Performance VR or Individual Performance VR) is made within 45 days of the approval and award resolution referenced in paragraphs i) and j) and, in order to align the variable component with the institution’s long-term performance, the remaining amount is deferred over a minimum of three years as of the payment date of the undeferred portion of the Corporate Performance VR and Individual Performance VR;
- l. The right to payment of the deferred portion is vested proportionally throughout the deferral period and is conditional upon the Bank’s sustainable financial situation and the positive assessment of its beneficiary’s performance throughout that 3-year period, in both cases in compliance with the RE Performance Assessment Model;
- m. The variable remuneration has therefore been subject, to the extent applicable by law and regulation and pursuant to the referenced model, to mechanisms that may totally or partially reduce the awarded and deferred component, whose payment is not yet an acquired right (malus) and that may reverse remuneration already paid or whose payment has already become an acquired right (clawback);
- n. As further regards adjustments, the conditions and mechanisms referenced in paragraphs g), l) and m) above are especially taken into consideration, namely, the following situations pertaining to the beneficiary and detailed in the RE Performance Assessment Model: (i) action that resulted in significant losses for the Bank and approval (whether individual or within the structural unit of which the beneficiary is a part) of transactions or acts that resulted in significant losses for the Bank; (ii) as applicable, failure to comply with adequacy and integrity criteria, pursuant to the selection and assessment policy in force at any time; (iii) serious breach of the Bank’s code of conduct or internal rules; (iv) false statements in the Bank’s financial statements and/or material omissions therein; (v) the Bank being subject to a penalty with a significant impact thereon to which the objective conduct of the beneficiary made a decisive contribution; (vi) significant deviation/depreciation in the evolution of the Bank’s net profit; (vii) serious failure in the Bank’s or structural unit’s control or risk management; (viii) failure to comply with capital and liquidity

- ratios and/or limits to the ability to reinforce its capital; for all the previously referenced situations, pursuant to the RE Performance Assessment Model;
- o. Awarding variable remuneration depends, to the extent permitted by law and regulation (namely mandatory labour provisions), on the beneficiary: (i) accepting the mechanisms referenced in paragraph m); and (ii) refraining from entering into agreements to hedge / transfer risk or for payment via special purpose vehicles or similar methods.

IV. Conclusions

Pursuant to article 115-C(5) and (6) of the LFCIFC and articles 7 and 14 of Notice 10/2011, the Bank’s Remuneration Committee carried out the annual review of the remuneration policy for Relevant Employees and in particular of its implementation. It took into account that the policy was approved under the Bank’s opening for business

on 27 November 2015 and was amended on 21 July 2016, within the approval of the RE Performance Assessment Model, and on 22 March 2017, due to the know-how collected from implementation thus far, by way of a Board of Directors resolution. For this purpose, it consulted the Bank’s control officers, who actively participated in developing the referenced assessment exercise, and submitted the assessment report and present statement to the Bank’s Audit Committee and Board of Directors, within its duties.

IV. Disclosure of Remuneration

The following table shows the aggregate and individual gross amount of remuneration, with reference to the period from 01 January 2017 to 31 December 2017, for Board of Directors and Audit Committee members. During 2017, António Pedro Ferreira Vaz da Silva and António Emídio Pessoa Corrêa d’Oliveira were appointed as Non-Executive Members of the Board of Directors on 1 September 2017:

Remuneration of Non-Executive Members of the Board of Directors and Audit CommitteeRemuneração dos membros Não Executivos do Conselho de Administração e Comissão de Auditoria

(amounts in euros)		
Members	Office	Fixed Remuneration <sup>1</sup>
José Manuel Gonçalves de Morais Cabral	Non-Executive Director, Audit Committee Chairman and Member of the Remuneration Committee	70,000
Rui Afonso Galvão Mexia de Almeida Fernandes	Non-Executive Director, Member of the Audit Committee and Member of the Remuneration Committee	60,000
Clementina Maria Dâmaso de Jesus Silva Barroso	Non-Executive Director, Member of the Audit Committee and Member of the Remuneration Committee	60,000
Total for the Audit Committee		190,000
Francisco José Queiroz de Barros de Lacerda	Chairman of the Board of Directors and of the Remuneration Committee	-
André Manuel Pereira Gorjão de Andrade Costa	Non-Executive Director	-
António Pedro Ferreira Vaz da Silva	Non-Executive Director	-
António Emídio Corrêa D’Oliveira	Non-Executive Director	13,350
Total for Non-Executive Directors that are not part of the Audit Committee		13,350
Total for Board of Directors (Non-Executive Directors)		203,350

<sup>1</sup> Amount of fixed remuneration for Non-Executive Directors and members of the Audit Committee that do not receive any variable remuneration according to the remuneration policy for management and supervisory bodies currently in force.

Remuneration of Executive Committee members

(amounts in euros)								
Members	Fixed Remuneration <sup>1</sup>	Variable Remuneration paid in 2017 <sup>2</sup>	Deferred Variable Remuneration to be paid in 2018 <sup>2</sup>	Deferred Variable Remuneration to be paid in 2019 <sup>2</sup>	Deferred Variable Remuneration to be paid in 2020 <sup>2</sup>	Total Variable Remuneration awarded in 2017 <sup>2</sup>	Total Fixed and Variable Remuneration paid in 2017	Total Remuneration for 2017
Luís Maria França de Castro Pereira Coutinho <i>Chief Executive Officer (CEO)</i>	400,827	77,350	25,783	25,783	25,783	154,700	478,177	555,527
Luís Miguel Agoas Correia Amado <i>Member of the Executive Committee (COO)</i>	174,570	20,257	6,752	6,752	6,752	40,513	194,827	215,083
João Maria de Magalhães Barros de Mello Franco <i>Member of the Executive Committee (CCO)</i>	217,550	31,333	10,444	10,444	10,444	62,666	248,883	280,216
Pedro Rui Fontela Coimbra <i>Member of the Executive Committee (CFO)</i>	218,202	14,670	4,890	4,890	4,890	29,339	232,872	247,541
<b>Total for the Executive Committee</b>	<b>1,011,149</b>	<b>143,609</b>	<b>47,870</b>	<b>47,870</b>	<b>47,870</b>	<b>287,218</b>	<b>1,154,758</b>	<b>1,298,367</b>
<sup>1</sup> Includes the fixed base remuneration, amounts regarding annual meal allowance and, when applicable, the fixed amount paid on a monthly basis to be allocated to a Retirement Savings Plan (RSP), health insurance, life insurance and personal accident insurance (including travel) and amount of payment in kind regarding permanent vehicle use. <sup>2</sup> Variable Remuneration concerns the 2016 financial year, but was paid out in 2017 or, as applicable, will be paid in 2018, 2019 and 2020.								

In 2017, there is no deferred remuneration reduced due to adjustments based on the individual performance of Executive Committee members.

During the financial year of 2017, no compensation was paid or became due to members of the Bank’s Executive Committee relating to the termination of their office during the financial year.

Remuneration of Relevant Employees

Gross remuneration due to Relevant Employees, with reference to the period from 1 January 2017 to 31 December 2017, as set out in the remuneration policy for management and supervisory body members and relevant employees (in a total of 20 Bank Relevant Employees, 3 of which were new hires and 2 terminations) amounted to an aggregate of €1,591,543. This remuneration was distributed as follows:

(amounts in euros)								
Members	Fixed Remuneration <sup>1</sup>	Variable Remuneration paid in 2017 <sup>2</sup>	Deferred Variable Remuneration to be paid in 2018 <sup>2</sup>	Deferred Variable Remuneration to be paid in 2019 <sup>2</sup>	Deferred Variable Remuneration to be paid in 2020 <sup>2</sup>	Total Variable Remuneration awarded in 2017 <sup>2</sup>	Total Fixed and Variable Remuneration paid in 2017	Total Remuneration for 2017
A – Risk Takers and Control Officers (3 employees)	270,623	18,693	6,231	6,231	6,231	37,386	289,316	308,009
B – Other Top Tier Officers (17 employees) <sup>2</sup>	1,226,337	80,214	26,738	26,738	26,738	160,428	1,306,551	1,386,765
<b>Total for Relevant Employees</b>	<b>1,496,960</b>	<b>98,907</b>	<b>32,969</b>	<b>32,969</b>	<b>32,969</b>	<b>197,814</b>	<b>1,595,867</b>	<b>1,694,774</b>
<sup>1</sup> For the purpose of defining Relevant Employees, we took into consideration employees appointed by the Bank’s competent corporate bodies to carry out the duties in question. <sup>2</sup> Includes 2 Relevant Employees that terminated their offices in April and in June 2017. <sup>3</sup> Includes the fixed base remuneration, amounts regarding annual meal allowance and, when applicable, health insurance and payment in kind regarding permanent vehicle use. <sup>4</sup> Variable Remuneration concerns the 2016 financial year, but was paid out in 2017 or, as applicable, will be paid in 2018, 2019 and 2020.								

In 2017, there is no deferred remuneration reduced due to an adjustment based on the individual performance of Relevant Employees.

No payment was made in 2017 due to early termination of a labour agreement with Relevant Employees.

V. Agreements affecting remuneration

According to the remuneration policy for management and supervisory body members and relevant employees, awarding variable remuneration to executive members of the Board of Directors and to Relevant Employees depends on the prior written undertaking by its beneficiary that it will refrain from entering into risk hedging or risk transfer agreements in relation to any deferred portion that may minimise the risk alignment effects inherent to the framework that applies to the referenced remuneration component or through the payment of the variable remuneration component through special purpose vehicles or other similar methods.

VI. Share allocation or stock option plans

Also according to the remuneration policy for management and supervisory body members and relevant employees, namely defined in terms of the nature, scope and complexity of the Bank’s activity, the variable remuneration of executive members of the Board of Directors and of Relevant Employees will be paid in cash. Notwithstanding, at the Bank’s exclusive initiative and until partial or full payment of the variable remuneration, an alternative model therefor may be implemented as defined by the competent bodies, wherein half of that variable remuneration (including the deferred portion) be paid in financial instruments subject to a lock-up policy.

E. Transactions with Related Parties

I. Control mechanisms and procedures

According to the Regulation of the Audit Committee, the Audit Committee shall issue a prior opinion on transactions to be carried out (directly or through a third party) between the Bank, on the one hand, and, on the other, qualifying shareholders (or persons or entities related thereto pursuant to article 13-A(1) of the LFCIFC) or members of the Bank’s Board of Directors or Audit Committee (or a third party related to any of these by any relevant business or personal interest).

In this regard and if so requested by the Board of Directors and / or Executive Committee, the engagement process, the main terms and conditions and goals of the transaction, consistency with the Bank’s interests, with market conditions and with the rules in force and further conflict of interest prevention and remedy mechanisms, will be subject to scrutiny.

II. Transaction information

Relevant related party transactions are described in Note 28 (Related party transactions), attached to the financial statements in the Annual Report.

We are  
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and Supervisory  
Body Members

annex

Management and oversight body members

<b>Francisco de Lacerda</b> Chairman	<b>Date of birth</b>	24 September 1960, Portugal
	<b>Date of 1st appointment</b>	24 August 2015 <sup>1</sup>
	<b>Term of office</b>	2015/2018
<b>Education</b>		
<ul style="list-style-type: none"><li>• <b>2015 – 2016:</b> Training Programme for Top Tier Officers of Banco CTT, S.A, Instituto Superior de Gestão Bancária and Portuguese Banking Association</li><li>• <b>1982:</b> Degree in Business Administration and Management, Universidade Católica Portuguesa</li></ul>		For 25 years, until 2008, he carried out several roles in investment, corporate and retail banking, including as CEO of Banco Mello and Executive Member of the Board of Directors of Millennium BCP, the largest Portuguese bank listed on the stock exchange and with prominent operations in Central and Eastern Europe, for which he was responsible.
<b>Internal management and supervisory roles</b>		He carried out other relevant roles in listed companies active in Portugal and abroad, having been CEO of Cimpor – Cimentos de Portugal SGPS, S.A. (an international cement group, operating at the time in 12 countries and one of the 5 largest companies in the NYSE Euronext Lisbon stock market) from 2010 to 2012 and Non-Executive Director and Member of the Audit Committee of EDP Renováveis (then the 3rd largest renewable energy company in the world) from 2008 to 2012.
<ul style="list-style-type: none"><li>• <b>2015 – ...:</b> Non-Executive Chairman of the Board of Directors of Banco CTT, S.A.</li><li>• <b>2014 – ...:</b> Chairman of the Board of Directors of CTT Expresso – Serviços Postais e Logística, S.A. and Tourline Express Mensajería, S.L.U. (as well as CEO of Tourline as of January 2018)</li><li>• <b>2012 – ...:</b> CEO of CTT – Correios de Portugal, S.A. (as well as Chairman from 2012 to 2017) and Vice-Chairman of CTT – Correios de Portugal, S.A since 2017</li></ul>		<b>Management and supervisory roles held in other companies (last 5 years)</b>
<b>Other internal roles</b>		<ul style="list-style-type: none"><li>• <b>2015 – ...:</b> Non-Executive Member of the Board of Directors, Audit Committee, Compliance Committee and Appointment and Remuneration Committee of Endesa Energia, S.A.</li><li>• <b>May – October 2014:</b> Non-Executive Member of the Board of Directors of Norfin – Portuguese Property Group, S.A.</li></ul>
<ul style="list-style-type: none"><li>• <b>2016 – ...:</b> Chairman of the Salary Committee (appointed by the General Meeting) of Banco CTT, S.A.</li><li>• <b>2015 – ...:</b> Chairman of the Remuneration Committee (of the Board of Directors) and Member of the Selection Committee of Banco CTT, S.A.</li><li>• <b>2013 – ...:</b> Chairman of the Board of the General Meeting of Correio Expresso de Moçambique, S.A.</li><li>• <b>2014 – 2016:</b> Member of the Corporate Governance, Evaluation and Nominating Committee of CTT – Correios de Portugal, S.A.</li></ul>		<b>Other external roles</b>
<b>Professional experience</b>		<ul style="list-style-type: none"><li>• <b>2015 – ...:</b> Chairman of the Board of COTEC Portugal – Associação Empresarial para a Inovação (Business Association for Innovation)</li><li>• <b>2012 – ...:</b> Member of the Board of Directors of the Portuguese Foundation for Communications (<i>Fundação Portuguesa das Comunicações</i>) (ex-General Council)</li><li>• <b>2009 – ...:</b> Member of the Salary Committee of PHAROL SGPS, S.A. (he suspended his activity between August 2012 and March 2014)</li><li>• <b>2006 – ...:</b> Member of the General Council of the Naval Club of Cascais (appointed Vice-Commodore of this body in 2016)</li><li>• <b>2014 – 2016:</b> Member of the Board of Directors of the International Post Corporation</li></ul>
CEO of CTT-Correios de Portugal, S.A. since 2012, this being his main professional occupation. He is responsible for Corporate Strategy and Development, Human Resource Development, General Secretariate and Legal, Branding and Communication, Institutional and Audit and Quality, which are in addition to the roles of Chairman of Banco CTT and the Express & Parcels subsidiaries (CTT Expresso in Portugal and Tourline Express Mensajería in Spain). He is also Non-Executive Director of Endesa Energia (with registered office in Spain) and Chairman of the Board of COTEC Portugal.		

<sup>1</sup> Date of appointment after the incorporation of Banco CTT, S.A.

**Luís Pereira Coutinho**  
Chief Executive Officer (CEO)

**Date of birth**02 March 1962, Portugal  
**Date of 1st appointment**24 August 2015<sup>1</sup>  
**Term of office**2015/2018

**Education**

- **2015 – 2016:** Training Programme for Top Tier Officers of Banco CTT, S.A, Instituto Superior de Gestão Bancária and Portuguese Banking Association
- **2001 – 2002:** Senior Officer Programme, AESE Business School
- **1984:** Degree in Economics, Universidade Católica Portuguesa

**Internal management and supervisory roles**

- **2015 – ...:** Member of the Board of Directors and Chief Executive Officer (CEO) of Banco CTT, S.A.

**Other internal roles**

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**Professional experience**

Over 30 years, he has carried out roles in the Portuguese banking sector and in international operations for the Portuguese bank Millennium BCP (namely, in Poland, Greece, Romania, the United States and Switzerland), where he held positions of executive and strategic leadership mainly from 2003 to 2015 in Bank Millennium, S.A (Poland). In Portugal, he carried out duties in recent years in corporate banking in Banco Comercial Português, S.A. and in digital banking in ActivoBank, S.A.

**Management and supervisory roles held in other companies (last 5 years)**

- **2012 – 2015:** Member of the Board of Directors and Executive Committee of Banco Comercial Português, S.A.
- **2008 – 2012:** Executive Member of the Board of Directors of Banco Comercial Português, S.A.
- **2009 – 2015:** Member of the Supervisory Board of Bank Millennium, S.A. (Poland)
- **2012 – 2015:** Chairman of the Board of Directors of Banco ActivoBank, S.A.
- **2008 – 2015:** Chairman of the Board of Directors of Banca Millennium, S.A. (Romania)
- **2008 – 2013:** Chairman of the Board of Directors of Banque Privée BCP (Suisse), S.A.

- **2014 – 2015:** Member of the Board of Directors of Pensões Gere – Sociedade Gestora de Fundos de Pensões, S.A.
- **2014 – 2015:** Member of the Board of Directors of Millennium BCP Ageas, Grupo Segurador, SGPS, S.A.
- **2014 – 2015:** Member of the Board of Directors of Ocidental – Companhia Portuguesa de Seguros de Vida, S.A.
- **2014 – 2015:** Chairman of the Board of Directors of BCP Capital – Sociedade de Capital de Risco, S.A.
- **2011 – 2013:** Member of Board of Directors of Millennium Bank, S.A. (Greece)
- **2010 – 2011:** Chairman of Board of Directors of Millennium Bank, S.A. (Greece)
- **2003 – 2009:** Executive Vice-Chairman of the Board of Directors of Bank Millennium, S.A. (Poland)
- **2008 – 2010:** Vice-Chairman of the Board of Directors of Millennium Bank, S.A. (Greece)
- **2008 – 2009:** Member of the Board of Directors of Banco ActivoBank, S.A.
- **2008 – 2009:** Member of Board of Directors of Millennium BCP – Prestação de Serviços, ACE
- **2008 – 2010:** Chairman of the Board of Directors of BCP Holdings (USA) INC.
- **2003 – 2009:** Member of the Supervisory Board of Millennium Lease Sp Zoo (Poland)
- **2003 – 2009:** Member of the Supervisory Board of Millennium Dom Maklerski, S.A. (Poland)
- **2003 – 2009:** Member of the Supervisory Board of Bank Millennium Leasing Sp Zoo (Poland)
- **1998 – 2000:** Vice-Chief Executive Officer and Vice-Chairman of Banco Mello S.A.
- **1993 – 1998:** Member of the Executive Committee and Board of Directors of Banco Mello S.A.
- **1991 – 1993:** Member of Board of Directors of Geofinança-Sociedade de Investimentos, S.A.

**Other external roles**

- **2017 – ...:** Chairman of the Audit Board of the Portuguese Banking Association in representation of Banco CTT, S.A.
- **2008 – 2012:** Member of Board of Directors of Fundação Millennium BCP

**Luís Correia Amado**  
COO, Executive Director

**Date of birth**24 January 1972, Portugal  
**Date of 1st appointment**24 August 2015<sup>1</sup>  
**Term of office**2015/2018

**Education**

- **2015 – 2016:** Training Programme for Top Tier Officers of Banco CTT, S.A, Instituto Superior de Gestão Bancária and Portuguese Banking Association
- **2010 – 2012:** Attendance of X MBA – AESE/IESE at AESE – School of Leadership and Business (*Escola de Direção e Negócios*)
- **2003:** Executive Post-graduate Studies in Management, Universidade Católica Portuguesa
- **1997:** Degree in Industrial Manufacturing and Management Engineering, Universidade Beira Interior

**Internal management and supervisory roles**

Member of the Board of Directors and Executive Committee (COO) of Banco CTT, S.A.

**Other internal roles**

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**Professional experience**

For 18 years, he carried out roles in the technological area with a focus on the financial sector, with positions of leadership, project coordination, system maintenance, namely coordination of international projects (gaining knowledge and experience of the regulatory framework as applies to technology, operations, control processes and systems in various geographies), particularly as the Technology Manager at Barclays, PLC (2011-2014). From 1998 to 2011, he carried out consulting activities in information technology, particularly at Accenture PLC (1998-2005), Novabase, S.A. (2005-2008 and 2010-2011) and Safira Tecnologias de Informação (2008-2010).

**Management and supervisory roles held in other companies (last 5 years)**

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<sup>1</sup> Date of appointment after the incorporation of Banco CTT, S.A.

<sup>1</sup> Date of appointment after the incorporation of Banco CTT, S.A.



<b>João Mello Franco</b> CCO, Executive Director	<b>Date of birth</b> 03 March 1972, Portugal
	<b>Date of 1st appointment</b> 16 January de 2016
	<b>Term of office</b> 2015/2018

<p><b>Education</b></p> <ul style="list-style-type: none"> <li>• <b>1998:</b> MBA, INSEAD (France)</li> <li>• <b>1995:</b> Degree in Economics, Universidade Católica Portuguesa</li> </ul> <p><b>Internal management and supervisory roles</b></p> <ul style="list-style-type: none"> <li>• <b>2016 - ...:</b> Member of the Board of Directors and Executive Committee (CCO) of Banco CTT, S.A.</li> </ul> <p><b>Other internal roles</b></p> <p>--</p> <p><b>Professional experience</b></p>	<p><b>Other external roles</b></p> <ul style="list-style-type: none"> <li>• <b>2014 - 2015:</b> General Manager of Retail Banking and Remote Channels at Novobanco, S.A.</li> <li>• <b>2013 - 2014:</b> Coordinating Manager of Marketing, Innovation and Channels Department at Banco Espírito Santo, S.A.</li> <li>• <b>2007 - 2012:</b> Coordinating Manager of Marketing for Retail and Business Clients at Banco Espírito Santo, S.A.</li> <li>• <b>2003 - 2006:</b> Coordinating Manager of the Strategic Marketing at Banco Espírito Santo, S.A.</li> </ul>
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For nearly 20 years, he has carried out roles in marketing, products and channels in the banking sector, namely coordinating consulting projects in this sector for 8 years (1995–2003 at McKinsey & Company); as a senior officer at Banco Espírito Santo, S.A. and Novobanco, S.A. for 12 years, with a focus on the retail market, namely marketing, product, digital and face-to-face channels and innovation and participation in committees responsible mainly for product and risk areas. He also carried out management duties in credit institutions, including as Chief Marketing Officer and Chief Risk Officer at Novobanco, S.A.

## Management and supervisory roles held in other companies (last 5 years)

- **2014:** Member of the Board of Directors and Executive Committee of Novobanco, S.A. (Chief Marketing Officer and Chief Risk Officer)
- **2008 – 2014:** Non-Executive Member of the Board of Directors of BES dos Açores, S.A.

<b>Pedro Coimbra</b> CFO, Executive Director	<b>Date of birth</b> 11 June 1974, Portugal
	<b>Date of 1st appointment</b> 04 August 2016
	<b>Term of office</b> 2015/2018

<p><b>Education</b></p> <ul style="list-style-type: none"> <li>• <b>2006:</b> MBA, INSEAD (France)</li> <li>• <b>1997:</b> Undergraduate Degree in Business and Management from Universidade Católica Portuguesa</li> </ul> <p><b>Internal management and supervisory roles</b></p> <p>Member of the Board of Directors and Executive Committee (CFO) of Banco CTT, S.A.</p> <p><b>Other internal roles</b></p> <p>--</p> <p><b>Professional experience</b></p>	<p><b>Management and supervisory roles held in other companies</b></p> <ul style="list-style-type: none"> <li>• <b>2014 - 2016:</b> Member of the Board of Directors and Executive Committee (CFO) of Global Noticias – Media Group, S.A.</li> <li>• <b>2009 - 2011:</b> Member of the Board of Directors and Executive Committee (CFO) at Banco Millennium BCP Angola</li> </ul> <p><b>Other external roles</b></p> <ul style="list-style-type: none"> <li>• <b>2011 - 2014:</b> Manager of Corporate Banking at Barclays Bank Sucursal em Portugal</li> <li>• <b>2007 - 2009:</b> Manager of Corporate Centre at Banco Millennium BCP</li> </ul>
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For over 19 years he has carried out duties essentially in the banking sector, more specifically in the finance area, as a financial analyst for international research in the banking sector, as well as carrying out managing duties in corporate projects related to mergers and acquisitions, asset assessment and share capital increases, at Millennium BCP. Also in that Group, he carried out duties a Member of the Board of Directors and Executive Committee (CFO) at Banco Millennium BCP Angola. He was also Corporate Banking Manager of the Portuguese Branch of Barclays Bank. More recently he was Member of Board of Directors and Executive Committee (CFO) at Global

**José Manuel Morais Cabral**  
Non-Executive Director, Chairman of the Audit Committee

**Date of birth**25 October 1946, Portugal  
**Date of 1st appointment**24 August 2015<sup>1</sup>  
**Term of office**2015/2018

Education

- **2015 – 2016:** Training Programme for Top Tier Officers of Banco CTT, S.A, Instituto Superior de Gestão Bancária and Portuguese Banking Association
- **1970:** Degree in Economics, Instituto Superior de Ciências Económicas e Financeiras

Internal management and supervisory roles

- **2015 – ...:** Member of the Board of Directors and Chairman of the Audit Committee of Banco CTT, S.A.

Other internal roles

- **2015 – ...:** Member of the Remuneration Committee (within the Board of Directors) of Banco CTT, S.A.

Professional experience

As of 1970 and for 45 years, he carried out roles as an advisor, financial manager and director in various companies of relevant size, including Banco de Fomento, S.A., Lisnave S.A., CUF, SGPS, S.A., Efacec Capital SGPS, S.A., José de Mello Energia, LDA, EDP- Energias de Portugal, S.A. and ONI SGPS, S.A.. More recently, he has carried out supervisory duties in various companies of relevant size. Member of the Advisory Board of the Bank of Portugal from 2014-2015.

Management and supervisory roles held in other companies

- **2015 – ...:** Chairman of the Audit Board of EFACEC Power Solutions, SGPS, S.A.
- **2014 – ...:** Chairman of the Audit Board of José de Mello Saúde, S.A.
- **2011 – 2017:** Chairman of the Audit Board of Generis Farmacêutica, S.A.
- **2014 – 2015:** Member of the Advisory Board of the Bank of Portugal

**Rui Almeida Fernandes**  
Non-Executive Director and Member of the Audit Committee

**Date of birth**10 October 1947, Portugal  
**Date of 1st appointment**24 August 2015<sup>1</sup>  
**Term of office**2015/2018

Education

- **2015 – 2016:** Training Programme for Top Tier Officers of Banco CTT, S.A, Instituto Superior de Gestão Bancária and Portuguese Banking Association
- **1971:** Degree in Economics, Instituto Superior de Ciências Económicas e Financeiras

Internal management and supervisory roles

- **2015 – ...:** Member of the Board of Directors and Audit Committee of Banco CTT, S.A.

Other internal roles

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Professional experience

For 17 years, he has carried out duties of leadership and management in retail banking, in institutions specialized in consumer credit, mortgage loans, leasing and payment methods for retail, namely as Executive Director at Banco Mello from 1991 to 2000 and as General Manager of Banco Comercial Português, S.A from 2000 to 2006. Over the last 9 years, he has focused on studying and deepening his knowledge of economic theory, in particular as regards monetary and economic policy.

Management and supervisory roles held in other companies

- **2000 – 2006:** General Manager of Banco Comercial Português, S.A.
- **2001 – 2006:** General Manager of Classis (renting finance unit of the Millennium BCP Group in partnership with GE Capital)
- **2000 – 2002:** Director of Credibanco – Banco de Crédito Pessoal, S.A.
- **1989 – 2001:** Director at União Internacional Financeira (UFI)
- **1991 – 2000:** Executive Director at Banco Mello

<sup>1</sup> Date of appointment after the incorporation of Banco CTT, S.A.

<sup>1</sup> Date of appointment after the incorporation of Banco CTT, S.A.

<b>Clementina Barroso</b> Non-Executive Director and Member of the Audit Committee		<b>Date of birth</b> 10 May 1958, Portugal <b>Date of 1st appointment</b> 24 August de 2015 <sup>1</sup> <b>Term of office</b> 2015/2018		<b>António Pedro Silva</b> Non-Executive Director		<b>Date of birth</b> 13 November 1966, Portugal <b>Date of 1st appointment</b> 1 September 2017 <b>Term of office</b> 2015/2018	
<b>Education</b>		<b>Management and supervisory roles held in other companies (last 5 years)</b>		<b>Education</b>		<div>In 2004, he joined CTT – Correios de Portugal, S.A as a commercial manager and was responsible for Retail Network operations and sales in the southern region. His career within CTT progressed and in 2013 he took on the role of Retail Network Manager, where he gained vast experience in team management and motivation and Human Resources, as well as sales and marketing of the various products placed through the Retail Network (from Mail, to Express &amp; Parcels to Financial Services, as well as services of general interest). Over a 12-year period, he was involved in various initiatives and key-projects for optimising and rationalising the Retail Network and its portfolio, as well as promoting the proximity and capillarity associated with the network.</div> <div>His involvement with CTT- Correios de Portugal, S.A. contributed toward making the Retail Network a sales and services channel of growing importance as regards CTT’s revenue across all business units, and a national multi-service platform of convenience. More recently, he had an active role in launching Banco CTT in 2016, which is supported by the referenced Retail Network. He is also a member of the Business Coordination Committee created between CTT and Banco CTT (which is a key forum to discuss and agree on matters pertaining to the CTT /Banco CTT partnership and the Retail Network Channel)..</div>	
<ul style="list-style-type: none"><li>• <b>2015 – 2016:</b> Training Programme for Top Tier Officers of Banco CTT, S.A, Instituto Superior de Gestão Bancária and Portuguese Banking Association</li><li>• <b>2015:</b> PhD in Applied Company Management, ISCTE – Instituto Universitário de Lisboa</li><li>• <b>1984/1985:</b> Masters in Corporate Organization and Management (Attendance of Lectures), ISE</li><li>• <b>1981:</b> Degree in Corporate Organization and Management, ISCTE- Instituto Universitário de Lisboa</li></ul>		<ul style="list-style-type: none"><li>• <b>2016 – ...:</b> Non-executive member of Board of Directors and Chairman of the Audit Committee of Fundbox, Sociedade Gestora de Fundos de Investimento Mobiliário, S.A.</li><li>• <b>2012 – 2016:</b> Non-executive member of Board of Directors and Member of the Audit Committee of Fundbox, Sociedade Gestora de Fundos de Investimento Mobiliário, S.A.</li><li>• <b>2011 – 2016:</b> Non-executive member of Board of Directors and Audit Committee of Fundbox, Sociedade Gestora de Fundos de Investimento Mobiliário, S.A.</li></ul>		<ul style="list-style-type: none"><li>• <b>2015 – 2016:</b> Training Programme for Top Tier Officers of Banco CTT, S.A, Instituto Superior de Gestão Bancária and Portuguese Banking Association</li><li>• <b>2014:</b> Senior Officer Programme, AESE Business School</li><li>• <b>1991:</b> Amadora High School</li></ul>			
<b>Internal management and supervisory roles</b>		<b>Other external roles</b>		<b>Internal management and supervisory roles</b>			
<ul style="list-style-type: none"><li>• <b>2015 – ...:</b> Member of the Board of Directors and Audit Committee of Banco CTT, S.A.</li></ul>		<ul style="list-style-type: none"><li>• <b>2016 – ...:</b> Member of the Board of IPCG – Instituto Português de <i>Corporate Governance</i></li><li>• <b>2014 – ...:</b> Chairwoman of the Board of the General Meeting of Science4you, S.A.</li><li>• <b>2008 – 2014:</b> Director of the Management Degree at ISCTE Business School</li><li>• <b>2001 – 2013:</b> Member of Management at Instituto para o Desenvolvimento da Gestão Empresarial (INDEG/PROJETOS)</li><li>• <b>1999 – 2013:</b> General Manager and Member of Management at Instituto para o Desenvolvimento da Gestão Empresarial (INDEG/ISCTE)</li></ul>		<ul style="list-style-type: none"><li>• <b>2017 – ...:</b> Member of the Board of Directors and Executive Committee of CTT – Correios de Portugal, S.A.</li><li>• <b>2017 – ...:</b> Member of Board of Directors of CTT Expresso – Serviços Postais e Logística, S.A.</li><li>• <b>2017 – ...:</b> Non-Executive Member of the Board of Directors of Banco CTT, S.A.</li></ul>			
<b>Other internal roles</b>				<b>Other internal roles</b>			
<ul style="list-style-type: none"><li>• <b>2015 – ...:</b> Member of the Remuneration Committee (within the Board of Directors) of Banco CTT, S.A.</li></ul>				--			
<b>Professional experience</b>				<b>Professional experience</b>			
For 30 years, she has carried out academic roles, namely in management, financial management, marketing, finance and accounting, risk management, human resource management and remuneration practices. Since 1982, she is an Associate Guest Professor at ISCTE- Instituto Universitário de Lisboa. She has also acted as statutory auditor (Statutory Auditor no. 734 since 1990) and has carried out supervisory duties in financial sector companies.				Currently responsible for the Retail Network and for the areas of Philately, Payments (including PayShop), Human Resource Management and Legal and Employment of CTT- Correios de Portugal, S.A.			
				With a 20-year career in commercial and retail banking at Millennium BCP, he carried out various roles within the group in Portugal and was part of the Private and Business team at Millennium BCP in 2000.			
				<b>Management and supervisory roles held in other companies (last 5 years)</b>			
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				<b>Other external roles</b>			
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<sup>1</sup> Date of appointment after the incorporation of Banco CTT, S.A.

**António Corrêa d'Oliveira**  
Non-Executive Director

**Date of birth**30 October 1976, Portugal  
**Date of 1st appointment**1 September 2017  
**Term of office**2015/2018

**Education**

**2010:** Breakthrough Program for Senior Executives (BPSE), IMD Business School (Lausanne, Switzerland)  
**1999:** Degree in Business Management, ISCTE- Instituto Universitário de Lisboa

**Internal management and supervisory roles**

- **2017 - ...:** Non-Executive Member of the Board of Directors of Banco CTT, S.A.

**Other internal roles**  
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**Professional experience**

After 6 years as a consultant for Deloitte, he took a leadership position with the Gestim Group in 2005 in corporate finance and business development, focused on planning, identifying, structuring, financing and implementing investments for the Gestim Group and managing the portfolio of assets held by the Group. Since 2016, these leadership duties have taken a financial focus, as Chief Financial Officer for Gestmin SGPS, S.A

**Management and supervisory roles held in other companies**

- **2017 - ...:** Member of Board of Directors of Sogestão – Administração e Gerência, S.A.
- **2016 - ...:** Member of the Board of Directors and Executive Committee (CFO) of Gestmin SGPS, S.A.
- **2016 - ...:** Manager at Gestim – Serviços Unipessoal, Lda.

- **2016 - 2017:** Non-Executive Member of the Board of Directors of OZ Energia, S.A.
- **2015 - 2017:** Non-Executive Member of the Board of Directors of GLN – Engineering, Molding and Plastics, S.A.
- **2015 - 2017:** Manager at GLN México, S. de R.L. de C.V. (Sociedade de Responsabilidad Limitada de Capital Variable)
- **2015 - 2016:** Non-Executive Member of the Board of Directors of GLNmolds, S.A.
- **2015 - 2016:** Non-Executive Manager of T.P.S. – Engenharia de Moldes, Lda.
- **2015:** Non-Executive Member of the Board of Directors of GLNplast, S.A.
- **2011 - 2013:** Chairman of the Board of Directors of OZ Energia Gás, S.A.
- **2010 - 2013:** Manager of OZ Energia Canalizado, Lda.
- **2009 - 2013:** Manager at Gestim – Serviços Unipessoal, Lda.
- **2009 - 2013:** Manager of OZ Energia Jet, Unipessoal, Lda.
- **2009 - 2013:** Manager of OZ Energia Fuels, Unipessoal, Lda.
- **2009 - 2013:** Manager of Silos de Leixões – Unipessoal, Lda.
- **2007 - 2012:** Non-Executive Member of the Board of Directors of Winreason, S.A.
- **2008 - 2010:** Member of the Board of Directors of Gestfin SGPS, S.A.
- **2007 - 2010:** Non-Executive Member of the Board of Directors of Oni SGPS, S.A.

**Other external roles**  
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Transactions involving  
CTT Shares in 2017

annex

Details of transactions by Directors and closely related parties  
during 2017, as disclosed to the Company.

**Francisco José Queiroz de Barros de Lacerda**  
Chairman

Transaction Type	Location	Price	Quantity	Date of Transaction	Transaction Type	Location	Price	Quantity	Date of Transaction
Purchase	Outside a trading venue	0.000 €	148,142	31/01/17	Sale	XLIS	5.023 €	104	01/02/17
Sale	XLIS	4.950 €	618	01/02/17	Sale	XLIS	5.026 €	203	01/02/17
Sale	XLIS	4.951 €	284	01/02/17	Sale	XLIS	5.027 €	72	01/02/17
Sale	XLIS	4.952 €	700	01/02/17	Sale	XLIS	5.029 €	133	01/02/17
Sale	XLIS	4.955 €	869	01/02/17	Sale	XLIS	5.030 €	1,700	01/02/17
Sale	XLIS	4.956 €	1,234	01/02/17	Sale	XLIS	5.031 €	417	01/02/17
Sale	XLIS	4.960 €	1,319	01/02/17	Sale	XLIS	5.034 €	740	01/02/17
Sale	XLIS	4.963 €	371	01/02/17	Sale	XLIS	5.035 €	1,282	01/02/17
Sale	XLIS	4.965 €	370	01/02/17	Sale	XLIS	5.040 €	2,232	01/02/17
Sale	XLIS	4.970 €	2,590	01/02/17	Sale	XLIS	5.042 €	132	01/02/17
Sale	XLIS	4.980 €	4,262	01/02/17	Sale	XLIS	5.043 €	133	01/02/17
Sale	XLIS	4.981 €	158	01/02/17	Sale	XLIS	5.044 €	119	01/02/17
Sale	XLIS	4.982 €	446	01/02/17	Sale	XLIS	5.045 €	1,577	01/02/17
Sale	XLIS	4.983 €	554	01/02/17	Sale	XLIS	5.049 €	987	01/02/17
Sale	XLIS	4.984 €	587	01/02/17	Sale	XLIS	5.050 €	1,734	01/02/17
Sale	XLIS	4.985 €	1,074	01/02/17	Sale	XLIS	5.051 €	669	01/02/17
Sale	XLIS	4.986 €	1,564	01/02/17	Sale	XLIS	5.055 €	300	01/02/17
Sale	XLIS	4.987 €	247	01/02/17	Sale	XLIS	5.056 €	1,119	01/02/17
Sale	XLIS	4.989 €	25	01/02/17	Sale	XLIS	5.060 €	3,674	01/02/17
Sale	XLIS	4.990 €	4,542	01/02/17	Sale	XLIS	5.065 €	246	01/02/17
Sale	XLIS	4.991 €	2,988	01/02/17	Sale	XLIS	5.070 €	1,974	01/02/17
Sale	XLIS	4.992 €	439	01/02/17	Sale	XLIS	5.075 €	493	01/02/17
Sale	XLIS	4.993 €	295	01/02/17	Sale	XLIS	5.080 €	1,418	01/02/17
Sale	XLIS	4.994 €	4,403	01/02/17	Sale	XLIS	5.090 €	863	01/02/17
Sale	XLIS	4.995 €	3,507	01/02/17	Sale	XLIS	5.100 €	1,442	01/02/17
Sale	XLIS	4.999 €	3,517	01/02/17	Sale	XLIS	5.101 €	318	01/02/17
Sale	XLIS	5.000 €	12,246	01/02/17	Sale	XLIS	5.102 €	369	01/02/17
Sale	XLIS	5.001 €	299	01/02/17	Sale	XLIS	5.104 €	126	01/02/17
Sale	XLIS	5.005 €	1,592	01/02/17	Sale	XLIS	5.120 €	493	01/02/17
Sale	XLIS	5.010 €	1,295	01/02/17	Sale	XLIS	5.140 €	290	01/02/17
Sale	XLIS	5.011 €	389	01/02/17	Sale	XLIS	5.160 €	1,110	01/02/17
Sale	XLIS	5.013 €	119	01/02/17	Sale	XLIS	5.163 €	247	01/02/17
Sale	XLIS	5.014 €	95	01/02/17	Sale	XLIS	5.168 €	149	01/02/17
Sale	XLIS	5.015 €	1,974	01/02/17	Sale	XLIS	5.170 €	494	01/02/17
Sale	XLIS	5.016 €	197	01/02/17	Sale	XLIS	5.171 €	247	01/02/17
Sale	XLIS	5.020 €	297	01/02/17	Sale	XLIS	5.175 €	75	01/02/17
					Sale	XLIS	5.180 €	123	01/02/17

**André Manuel Pereira Gorção de Andrade Costa**  
Non-Executive Director

Transaction Type	Location	Price	Quantity	Date of Transaction	Transaction Type	Location	Price	Quantity	Date of Transaction
Acquisition	Outside a trading venue	0.000 €	117,876	31/01/17	Sale	XLIS	5.023 €	83	01/02/17
					Sale	XLIS	5.026 €	161	01/02/17
Sale	XLIS	4.950 €	492	01/02/17	Sale	XLIS	5.027 €	57	01/02/17
Sale	XLIS	4.951 €	226	01/02/17	Sale	XLIS	5.029 €	106	01/02/17
Sale	XLIS	4.952 €	557	01/02/17	Sale	XLIS	5.030 €	1,353	01/02/17
Sale	XLIS	4.955 €	692	01/02/17	Sale	XLIS	5.031 €	332	01/02/17
Sale	XLIS	4.956 €	982	01/02/17	Sale	XLIS	5.034 €	588	01/02/17
Sale	XLIS	4.960 €	1,049	01/02/17	Sale	XLIS	5.035 €	1,020	01/02/17
Sale	XLIS	4.963 €	295	01/02/17	Sale	XLIS	5.040 €	1,777	01/02/17
Sale	XLIS	4.965 €	295	01/02/17	Sale	XLIS	5.042 €	105	01/02/17
Sale	XLIS	4.970 €	2,061	01/02/17	Sale	XLIS	5.043 €	106	01/02/17
Sale	XLIS	4.980 €	3,391	01/02/17	Sale	XLIS	5.044 €	94	01/02/17
Sale	XLIS	4.981 €	126	01/02/17	Sale	XLIS	5.045 €	1,255	01/02/17
Sale	XLIS	4.982 €	355	01/02/17	Sale	XLIS	5.049 €	786	01/02/17
Sale	XLIS	4.983 €	441	01/02/17	Sale	XLIS	5.050 €	1,380	01/02/17
Sale	XLIS	4.984 €	467	01/02/17	Sale	XLIS	5.051 €	533	01/02/17
Sale	XLIS	4.985 €	855	01/02/17	Sale	XLIS	5.055 €	239	01/02/17
Sale	XLIS	4.986 €	1,245	01/02/17	Sale	XLIS	5.056 €	891	01/02/17
Sale	XLIS	4.987 €	197	01/02/17	Sale	XLIS	5.060 €	2,923	01/02/17
Sale	XLIS	4.989 €	20	01/02/17	Sale	XLIS	5.065 €	196	01/02/17
Sale	XLIS	4.990 €	3,613	01/02/17	Sale	XLIS	5.070 €	1,571	01/02/17
Sale	XLIS	4.991 €	2,378	01/02/17	Sale	XLIS	5.075 €	392	01/02/17
Sale	XLIS	4.992 €	349	01/02/17	Sale	XLIS	5.080 €	1,128	01/02/17
Sale	XLIS	4.993 €	234	01/02/17	Sale	XLIS	5.090 €	687	01/02/17
Sale	XLIS	4.994 €	3,504	01/02/17	Sale	XLIS	5.100 €	1,147	01/02/17
Sale	XLIS	4.995 €	2,790	01/02/17	Sale	XLIS	5.101 €	253	01/02/17
Sale	XLIS	4.999 €	2,799	01/02/17	Sale	XLIS	5.102 €	293	01/02/17
Sale	XLIS	5.000 €	9,744	01/02/17	Sale	XLIS	5.104 €	99	01/02/17
Sale	XLIS	5.001 €	238	01/02/17	Sale	XLIS	5.120 €	392	01/02/17
Sale	XLIS	5.005 €	1,267	01/02/17	Sale	XLIS	5.140 €	231	01/02/17
Sale	XLIS	5.010 €	1,030	01/02/17	Sale	XLIS	5.160 €	883	01/02/17
Sale	XLIS	5.011 €	310	01/02/17	Sale	XLIS	5.163 €	197	01/02/17
Sale	XLIS	5.013 €	94	01/02/17	Sale	XLIS	5.168 €	118	01/02/17
Sale	XLIS	5.014 €	75	01/02/17	Sale	XLIS	5.170 €	393	01/02/17
Sale	XLIS	5.015 €	1,571	01/02/17	Sale	XLIS	5.171 €	197	01/02/17
Sale	XLIS	5.016 €	157	01/02/17	Sale	XLIS	5.175 €	59	01/02/17
Sale	XLIS	5.020 €	236	01/02/17	Sale	XLIS	5.180 €	98	01/02/17

**António Emídio Pessoa Corrêa d’Oliveira**  
Non-Executive Director

Transaction Type	Location	Price	Quantity	Date of Transaction
Purchase	XLIS	3.749 €	600	20/12/17
Purchase	XLIS	3.749 €	2,400	20/12/17
Purchase	XLIS	3.749 €	292	20/12/17
Purchase	XLIS	3.750 €	500	20/12/17
Purchase	XLIS	3.750 €	2,400	20/12/17
Purchase	XLIS	3.750 €	808	20/12/17
Purchase	XLIS	3.700 €	7,000	20/12/17
Sale	XLIS	3.515 €	380	29/12/17

Gestmin SGPS, S.A.

Transaction Type	Location	Price	Quantity	Date of Transaction	Transaction Type	Location	Price	Quantity	Date of Transaction	Transaction Type	Location	Price	Quantity	Date of Transaction	Transaction Type	Location	Price	Quantity	Date of Transaction
Purchase	XLIS	5.043 €	60,000	06/02/17	Purchase	XLIS	4.855 €	5,000	10/03/17	Purchase	XLIS	5.299 €	6,662	02/08/17	Purchase	XLIS	5.308 €	522	07/08/17
Purchase	XLIS	4.745 €	200	10/03/17	Purchase	XLIS	4.860 €	1,000	10/03/17	Purchase	XLIS	5.300 €	14,500	02/08/17	Purchase	XLIS	5.310 €	426	07/08/17
Purchase	XLIS	4.748 €	1,000	10/03/17	Purchase	XLIS	4.864 €	1,000	10/03/17	Purchase	XLIS	5.310 €	5,398	02/08/17	Purchase	XLIS	5.311 €	796	07/08/17
Purchase	XLIS	4.750 €	1,000	10/03/17	Purchase	XLIS	4.865 €	2,500	10/03/17	Purchase	XLIS	5.311 €	500	02/08/17	Purchase	XLIS	5.315 €	1,022	07/08/17
Purchase	XLIS	4.756 €	1,000	10/03/17	Purchase	XLIS	4.870 €	4,000	10/03/17	Purchase	XLIS	5.313 €	1,128	02/08/17	Purchase	XLIS	5.316 €	1,582	07/08/17
Purchase	XLIS	4.760 €	1,000	10/03/17	Purchase	XLIS	4.875 €	3,000	10/03/17	Purchase	XLIS	5.315 €	6,504	02/08/17	Purchase	XLIS	5.316 €	2,418	07/08/17
Purchase	XLIS	4.781 €	1,000	10/03/17	Purchase	XLIS	4.880 €	2,000	10/03/17	Purchase	XLIS	5.317 €	333	02/08/17	Purchase	XLIS	5.321 €	735	07/08/17
Purchase	XLIS	4.782 €	1,000	10/03/17	Purchase	XLIS	4.902 €	500	10/03/17	Purchase	XLIS	5.318 €	500	02/08/17	Purchase	XLIS	5.328 €	785	07/08/17
Purchase	XLIS	4.785 €	5,000	10/03/17	Purchase	XLIS	4.904 €	2,109	10/03/17	Purchase	XLIS	5.319 €	240	02/08/17	Purchase	XLIS	5.336 €	756	07/08/17
Purchase	XLIS	4.786 €	800	10/03/17	Purchase	XLIS	4.905 €	2,391	10/03/17	Purchase	XLIS	5.320 €	3,952	02/08/17	Purchase	XLIS	5.338 €	842	07/08/17
Purchase	XLIS	4.787 €	4,000	10/03/17	Purchase	XLIS	4.911 €	300	10/03/17	Purchase	XLIS	5.240 €	500	03/08/17	Purchase	XLIS	5.340 €	1,558	07/08/17
Purchase	XLIS	4.790 €	3,500	10/03/17	Purchase	XLIS	4.912 €	2,386	10/03/17	Purchase	XLIS	5.244 €	1,500	03/08/17	Purchase	XLIS	5.343 €	3,675	07/08/17
Purchase	XLIS	4.791 €	2,500	10/03/17	Purchase	XLIS	4.913 €	9,143	10/03/17	Purchase	XLIS	5.250 €	500	03/08/17	Purchase	XLIS	5.345 €	1,567	07/08/17
Purchase	XLIS	4.792 €	7,500	10/03/17	Purchase	XLIS	4.915 €	1,500	10/03/17	Purchase	XLIS	5.255 €	1,363	03/08/17	Purchase	XLIS	5.345 €	1,345	07/08/17
Purchase	XLIS	4.793 €	1,000	10/03/17	Purchase	XLIS	4.973 €	500	10/03/17	Purchase	XLIS	5.257 €	500	03/08/17	Purchase	XLIS	5.346 €	4,384	07/08/17
Purchase	XLIS	4.794 €	1,000	10/03/17	Purchase	XLIS	4.981 €	500	10/03/17	Purchase	XLIS	5.267 €	1,500	03/08/17	Purchase	XLIS	5.347 €	240	07/08/17
Purchase	XLIS	4.795 €	11,000	10/03/17	Purchase	XLIS	4.990 €	500	10/03/17	Purchase	XLIS	5.270 €	1,500	03/08/17	Purchase	XLIS	5.347 €	755	07/08/17
Purchase	XLIS	4.797 €	2,400	10/03/17	Purchase	XLIS	4.993 €	500	10/03/17	Purchase	XLIS	5.280 €	17,710	03/08/17	Purchase	XLIS	5.349 €	6,520	07/08/17
Purchase	XLIS	4.798 €	2,583	10/03/17	Purchase	XLIS	4.995 €	1,000	10/03/17	Purchase	XLIS	5.283 €	3,637	03/08/17	Purchase	XLIS	5.350 €	9,815	07/08/17
Purchase	XLIS	4.799 €	1,440	10/03/17	Purchase	XLIS	5.015 €	1,500	10/03/17	Purchase	XLIS	5.295 €	898	03/08/17	Purchase	XLIS	5.333 €	70	08/08/17
Purchase	XLIS	4.800 €	9,072	10/03/17	Purchase	XLIS	5.020 €	3,000	10/03/17	Purchase	XLIS	5.300 €	602	03/08/17	Purchase	XLIS	5.336 €	25	08/08/17
Purchase	XLIS	4.801 €	2,500	10/03/17	Purchase	XLIS	4.825 €	2,987	13/03/17	Purchase	XLIS	5.256 €	500	04/08/17	Purchase	XLIS	5.340 €	2,334	08/08/17
Purchase	XLIS	4.802 €	1,500	10/03/17	Purchase	XLIS	4.829 €	2,500	13/03/17	Purchase	XLIS	5.260 €	1,537	04/08/17	Purchase	XLIS	5.346 €	122	08/08/17
Purchase	XLIS	4.803 €	150	10/03/17	Purchase	XLIS	4.830 €	4,000	13/03/17	Purchase	XLIS	5.261 €	500	04/08/17	Purchase	XLIS	5.348 €	646	08/08/17
Purchase	XLIS	4.804 €	3,350	10/03/17	Purchase	XLIS	4.833 €	3,000	13/03/17	Purchase	XLIS	5.263 €	645	04/08/17	Purchase	XLIS	5.350 €	3,638	08/08/17
Purchase	XLIS	4.805 €	1,605	10/03/17	Purchase	XLIS	4.835 €	9,500	13/03/17	Purchase	XLIS	5.264 €	774	04/08/17	Purchase	XLIS	5.331 €	2,676	09/08/17
Purchase	XLIS	4.806 €	2,500	10/03/17	Purchase	XLIS	4.836 €	2,000	13/03/17	Purchase	XLIS	5.265 €	1,603	04/08/17	Purchase	XLIS	5.335 €	3,326	09/08/17
Purchase	XLIS	4.807 €	1,000	10/03/17	Purchase	XLIS	4.840 €	11,000	13/03/17	Purchase	XLIS	5.266 €	2,995	04/08/17	Purchase	XLIS	5.336 €	589	09/08/17
Purchase	XLIS	4.808 €	792	10/03/17	Purchase	XLIS	4.845 €	28,069	13/03/17	Purchase	XLIS	5.267 €	500	04/08/17	Purchase	XLIS	5.337 €	1,489	09/08/17
Purchase	XLIS	4.809 €	991	10/03/17	Purchase	XLIS	4.850 €	1,500	13/03/17	Purchase	XLIS	5.269 €	1,135	04/08/17	Purchase	XLIS	5.340 €	8,937	09/08/17
Purchase	XLIS	4.810 €	25,536	10/03/17	Purchase	XLIS	4.854 €	431	13/03/17	Purchase	XLIS	5.270 €	32,728	04/08/17	Purchase	XLIS	5.341 €	770	09/08/17
Purchase	XLIS	4.812 €	500	10/03/17	Purchase	XLIS	4.855 €	2,500	13/03/17	Purchase	XLIS	5.275 €	5,000	04/08/17	Purchase	XLIS	5.342 €	47	09/08/17
Purchase	XLIS	4.813 €	2,500	10/03/17	Purchase	XLIS	4.859 €	1,343	13/03/17	Purchase	XLIS	5.278 €	1,000	04/08/17	Purchase	XLIS	5.343 €	863	09/08/17
Purchase	XLIS	4.815 €	12,750	10/03/17	Purchase	XLIS	4.860 €	13,046	13/03/17	Purchase	XLIS	5.280 €	11,583	04/08/17	Purchase	XLIS	5.344 €	2,286	09/08/17
Purchase	XLIS	4.820 €	10,000	10/03/17	Purchase	XLIS	4.864 €	893	13/03/17	Purchase	XLIS	5.285 €	2,500	04/08/17	Purchase	XLIS	5.345 €	2,340	09/08/17
Purchase	XLIS	4.825 €	10,927	10/03/17	Purchase	XLIS	4.865 €	4,607	13/03/17	Purchase	XLIS	5.290 €	2,810	04/08/17	Purchase	XLIS	5.348 €	3,120	09/08/17
Purchase	XLIS	4.827 €	3,494	10/03/17	Purchase	XLIS	4.868 €	2,000	13/03/17	Purchase	XLIS	5.292 €	543	04/08/17	Purchase	XLIS	5.350 €	14,533	09/08/17
Purchase	XLIS	4.830 €	3,000	10/03/17	Purchase	XLIS	4.870 €	3,000	13/03/17	Purchase	XLIS	5.295 €	1,647	04/08/17	Purchase	XLIS	5.338 €	1,759	10/08/17
Purchase	XLIS	4.835 €	5,000	10/03/17	Purchase	XLIS	4.874 €	2,500	13/03/17	Purchase	XLIS	5.300 €	832	07/08/17	Purchase	XLIS	5.340 €	1,147	10/08/17
Purchase	XLIS	4.842 €	300	10/03/17	Purchase	XLIS	4.875 €	18,794	13/03/17	Purchase	XLIS	5.301 €	1,145	07/08/17	Purchase	XLIS	5.341 €	1,710	10/08/17
Purchase	XLIS	4.843 €	400	10/03/17	Purchase	XLIS	4.878 €	250	13/03/17	Purchase	XLIS	5.303 €	448	07/08/17	Purchase	XLIS	5.343 €	4,023	10/08/17
Purchase	XLIS	4.844 €	518	10/03/17	Purchase	XLIS	4.880 €	9,795	13/03/17	Purchase	XLIS	5.304 €	1,591	07/08/17	Purchase	XLIS	5.344 €	3,189	10/08/17
Purchase	XLIS	4.848 €	600	10/03/17	Purchase	XLIS	4.885 €	17,500	13/03/17	Purchase	XLIS	5.305 €	922	07/08/17	Purchase	XLIS	5.345 €	4,930	10/08/17
Purchase	XLIS	4.849 €	870	10/03/17	Purchase	XLIS	4.890 €	22,670	13/03/17	Purchase	XLIS	5.306 €	2,600	07/08/17	Purchase	XLIS	5.346 €	2,201	10/08/17
Purchase	XLIS	4.850 €	6,893	10/03/17	Purchase	XLIS	5.297 €	500	02/08/17	Purchase	XLIS	5.307 €	767	07/08/17	Purchase	XLIS	5.348 €	3,124	10/08/17

Transaction Type	Location	Price	Quantity	Date of Transaction	Transaction Type	Location	Price	Quantity	Date of Transaction	Transaction Type	Location	Price	Quantity	Date of Transaction	Transaction Type	Location	Price	Quantity	Date of Transaction
Purchase	XLIS	5.349 €	1,938	10/08/17	Purchase	CHIX	3.628 €	1,493	20/12/17	Purchase	XLIS	3.664 €	6,598	20/12/17	Purchase	XLIS	3.680 €	3,112	20/12/17
Purchase	XLIS	5.350 €	24,576	10/08/17	Purchase	XLIS	3.630 €	1,320	20/12/17	Purchase	BATE	3.665 €	1,412	20/12/17	Purchase	TRQX	3.681 €	1,306	20/12/17
Purchase	XLIS	5.269 €	393	11/08/17	Purchase	TRQX	3.631 €	1,343	20/12/17	Purchase	XLIS	3.665 €	3,002	20/12/17	Purchase	XLIS	3.681 €	8,483	20/12/17
Purchase	XLIS	5.272 €	804	11/08/17	Purchase	CHID	3.634 €	5,332	20/12/17	Purchase	BATD	3.666 €	2,417	20/12/17	Purchase	XUBS	3.682 €	1,669	20/12/17
Purchase	XLIS	5.276 €	798	11/08/17	Purchase	XLIS	3.635 €	998	20/12/17	Purchase	CHIX	3.666 €	1,432	20/12/17	Purchase	TRQX	3.682 €	1,461	20/12/17
Purchase	XLIS	5.280 €	1,746	11/08/17	Purchase	XLIS	3.640 €	6,080	20/12/17	Purchase	XLIS	3.666 €	3,270	20/12/17	Purchase	XLIS	3.682 €	10,648	20/12/17
Purchase	XLIS	5.281 €	1,218	11/08/17	Purchase	XLIS	3.643 €	2,507	20/12/17	Purchase	BATD	3.667 €	4,137	20/12/17	Purchase	XLIS	3.683 €	1,160	20/12/17
Purchase	XLIS	5.282 €	814	11/08/17	Purchase	BATE	3.644 €	138	20/12/17	Purchase	BATE	3.667 €	956	20/12/17	Purchase	BATE	3.684 €	1,748	20/12/17
Purchase	XLIS	5.283 €	817	11/08/17	Purchase	TRQX	3.644 €	471	20/12/17	Purchase	CHIX	3.667 €	1,480	20/12/17	Purchase	CHIX	3.684 €	1,511	20/12/17
Purchase	XLIS	5.285 €	1,635	11/08/17	Purchase	XLIS	3.644 €	3,238	20/12/17	Purchase	TRQX	3.667 €	1,822	20/12/17	Purchase	XLIS	3.684 €	1,089	20/12/17
Purchase	XLIS	5.286 €	230	11/08/17	Purchase	XUBS	3.645 €	2,417	20/12/17	Purchase	XLIS	3.668 €	5,683	20/12/17	Purchase	XUBS	3.684 €	3,726	20/12/17
Purchase	XLIS	5.287 €	890	11/08/17	Purchase	CHIX	3.645 €	2,100	20/12/17	Purchase	CHIX	3.669 €	604	20/12/17	Purchase	BATE	3.685 €	1,398	20/12/17
Purchase	XLIS	5.288 €	1,614	11/08/17	Purchase	BATE	3.648 €	296	20/12/17	Purchase	TRQX	3.669 €	1,550	20/12/17	Purchase	CHIX	3.685 €	854	20/12/17
Purchase	XLIS	5.289 €	636	11/08/17	Purchase	CHIX	3.648 €	334	20/12/17	Purchase	XLIS	3.669 €	5,745	20/12/17	Purchase	XLIS	3.685 €	3,484	20/12/17
Purchase	XLIS	5.289 €	1,530	11/08/17	Purchase	XLIS	3.648 €	500	20/12/17	Purchase	TRQX	3.670 €	1,306	20/12/17	Purchase	XUBS	3.686 €	2,749	20/12/17
Purchase	XLIS	5.290 €	747	11/08/17	Purchase	CHIX	3.649 €	648	20/12/17	Purchase	XLIS	3.670 €	2,711	20/12/17	Purchase	CHID	3.687 €	2,417	20/12/17
Purchase	XLIS	5.292 €	897	11/08/17	Purchase	XLIS	3.649 €	4,775	20/12/17	Purchase	TRQX	3.671 €	1,425	20/12/17	Purchase	CHIX	3.687 €	1,219	20/12/17
Purchase	XLIS	5.295 €	3,143	11/08/17	Purchase	BATE	3.650 €	1,080	20/12/17	Purchase	XLIS	3.671 €	1,321	20/12/17	Purchase	TRQX	3.687 €	1,390	20/12/17
Purchase	XLIS	5.297 €	66	11/08/17	Purchase	CHIX	3.650 €	1,783	20/12/17	Purchase	TRQX	3.672 €	2,381	20/12/17	Purchase	XLIS	3.687 €	4,217	20/12/17
Purchase	XLIS	5.297 €	360	11/08/17	Purchase	TRQX	3.650 €	1,158	20/12/17	Purchase	BATE	3.673 €	385	20/12/17	Purchase	BATE	3.688 €	1,754	20/12/17
Purchase	XLIS	5.298 €	324	11/08/17	Purchase	XLIS	3.650 €	8,419	20/12/17	Purchase	CHIX	3.673 €	663	20/12/17	Purchase	BATE	3.689 €	1,402	20/12/17
Purchase	XLIS	5.299 €	606	11/08/17	Purchase	CHIX	3.651 €	610	20/12/17	Purchase	TRQX	3.673 €	543	20/12/17	Purchase	CHIX	3.689 €	2,233	20/12/17
Purchase	XLIS	5.300 €	723	11/08/17	Purchase	XLIS	3.651 €	1,383	20/12/17	Purchase	XLIS	3.673 €	6,076	20/12/17	Purchase	TRQX	3.689 €	1,357	20/12/17
Purchase	XLIS	5.301 €	3,942	11/08/17	Purchase	XLIS	3.652 €	4,238	20/12/17	Purchase	BATE	3.674 €	225	20/12/17	Purchase	XLIS	3.689 €	2,723	20/12/17
Purchase	XLIS	5.304 €	484	11/08/17	Purchase	XLIS	3.653 €	1,524	20/12/17	Purchase	CHIX	3.674 €	3,297	20/12/17	Purchase	BATE	3.690 €	401	20/12/17
Purchase	XLIS	5.304 €	2,145	11/08/17	Purchase	BATD	3.654 €	1,029	20/12/17	Purchase	TRQX	3.674 €	2,858	20/12/17	Purchase	CHIX	3.690 €	3,886	20/12/17
Purchase	XLIS	5.305 €	763	11/08/17	Purchase	BATE	3.654 €	362	20/12/17	Purchase	XLIS	3.674 €	3,305	20/12/17	Purchase	TRQX	3.690 €	565	20/12/17
Purchase	XLIS	5.307 €	366	11/08/17	Purchase	CHIX	3.654 €	625	20/12/17	Purchase	BATE	3.675 €	380	20/12/17	Purchase	XLIS	3.690 €	10,523	20/12/17
Purchase	XLIS	5.308 €	376	11/08/17	Purchase	TRQX	3.654 €	510	20/12/17	Purchase	CHIX	3.675 €	654	20/12/17	Purchase	BATE	3.691 €	1,497	20/12/17
Purchase	XLIS	5.312 €	1,000	11/08/17	Purchase	XLIS	3.654 €	2,044	20/12/17	Purchase	TRQX	3.675 €	535	20/12/17	Purchase	XUBS	3.691 €	2,417	20/12/17
Purchase	XLIS	5.312 €	4,696	11/08/17	Purchase	BATE	3.655 €	339	20/12/17	Purchase	XLIS	3.675 €	6,532	20/12/17	Purchase	BATE	3.692 €	1,156	20/12/17
Purchase	XLIS	5.313 €	600	11/08/17	Purchase	CHIX	3.655 €	585	20/12/17	Purchase	BATE	3.676 €	216	20/12/17	Purchase	CHIX	3.692 €	3,410	20/12/17
Purchase	XLIS	5.313 €	100	11/08/17	Purchase	TRQX	3.655 €	477	20/12/17	Purchase	CHIX	3.676 €	306	20/12/17	Purchase	TRQX	3.692 €	2,747	20/12/17
Purchase	XLIS	5.315 €	5,559	11/08/17	Purchase	XLIS	3.655 €	48,504	20/12/17	Purchase	TRQX	3.676 €	286	20/12/17	Purchase	XLIS	3.692 €	10,297	20/12/17
Purchase	XLIS	5.317 €	864	11/08/17	Purchase	XLIS	3.656 €	2,741	20/12/17	Purchase	XLIS	3.676 €	9,238	20/12/17	Purchase	XUBS	3.692 €	2,752	20/12/17
Purchase	XLIS	5.319 €	778	11/08/17	Purchase	CHIX	3.657 €	2,606	20/12/17	Purchase	BATE	3.677 €	3,416	20/12/17	Purchase	CHIX	3.693 €	705	20/12/17
Purchase	XLIS	5.320 €	800	11/08/17	Purchase	XLIS	3.657 €	2,313	20/12/17	Purchase	XLIS	3.677 €	1,057	20/12/17	Purchase	XLIS	3.693 €	546	20/12/17
Purchase	XLIS	5.325 €	826	11/08/17	Purchase	CHIX	3.658 €	1,500	20/12/17	Purchase	CHIX	3.678 €	4,078	20/12/17	Purchase	TRQM	3.694 €	2,417	20/12/17
Purchase	XLIS	5.331 €	881	11/08/17	Purchase	CHIX	3.659 €	1,414	20/12/17	Purchase	XLIS	3.678 €	1,363	20/12/17	Purchase	XLIS	3.694 €	3,853	20/12/17
Purchase	XLIS	5.335 €	887	11/08/17	Purchase	XLIS	3.659 €	4,005	20/12/17	Purchase	BATD	3.679 €	2,763	20/12/17	Purchase	TRQX	3.695 €	1,813	20/12/17
Purchase	XLIS	5.337 €	1,000	11/08/17	Purchase	CHID	3.660 €	2,417	20/12/17	Purchase	BATE	3.679 €	546	20/12/17	Purchase	XLIS	3.695 €	1,196	20/12/17
Purchase	XLIS	5.340 €	757	11/08/17	Purchase	TRQX	3.660 €	1,311	20/12/17	Purchase	CHIX	3.679 €	2,596	20/12/17	Purchase	XUBS	3.695 €	561	20/12/17
Purchase	XLIS	3.589 €	18,294	20/12/17	Purchase	XLIS	3.660 €	500	20/12/17	Purchase	TRQM	3.679 €	2,417	20/12/17	Purchase	BATD	3.696 €	2,805	20/12/17
Purchase	BATE	3.599 €	1,790	20/12/17	Purchase	XLIS	3.661 €	2,926	20/12/17	Purchase	TRQX	3.679 €	770	20/12/17	Purchase	TRQM	3.696 €	1,521	20/12/17
Purchase	XLIS	3.610 €	1,332	20/12/17	Purchase	CHIX	3.662 €	1,698	20/12/17	Purchase	XLIS	3.679 €	3,081	20/12/17	Purchase	CHIX	3.696 €	2,373	20/12/17
Purchase	CHIX	3.612 €	1,768	20/12/17	Purchase	XLIS	3.662 €	1,800	20/12/17	Purchase	XUBS	3.679 €	748	20/12/17	Purchase	TRQX	3.696 €	2,884	20/12/17
Purchase	XLIS	3.620 €	1,395	20/12/17	Purchase	CHIX	3.663 €	1,421	20/12/17	Purchase	BATD	3.680 €	1,497	20/12/17	Purchase	XLIS	3.696 €	1,950	20/12/17
Purchase	XLIS	3.624 €	1,547	20/12/17	Purchase	XLIS	3.663 €	7,557	20/12/17	Purchase	CHIX	3.680 €	581	20/12/17	Purchase	BATD	3.697 €	2,417	20/12/17

Transaction Type	Location	Price	Quantity	Date of Transaction	Transaction Type	Location	Price	Quantity	Date of Transaction	Transaction Type	Location	Price	Quantity	Date of Transaction	Transaction Type	Location	Price	Quantity	Date of Transaction
Purchase	BATE	3.697 €	1,593	20/12/17	Purchase	CHID	3.723 €	2,417	20/12/17	Purchase	XLIS	3.774 €	1,526	20/12/17	Purchase	CHIX	3.806 €	1,276	20/12/17
Purchase	CHIX	3.697 €	1,096	20/12/17	Purchase	XLIS	3.724 €	600	20/12/17	Purchase	CHIX	3.775 €	1,989	20/12/17	Purchase	TRQX	3.806 €	1,044	20/12/17
Purchase	TRQX	3.697 €	371	20/12/17	Purchase	CHID	3.725 €	2,723	20/12/17	Purchase	XLIS	3.775 €	967	20/12/17	Purchase	XLIS	3.806 €	4,177	20/12/17
Purchase	XLIS	3.697 €	2,776	20/12/17	Purchase	XLIS	3.725 €	2,125	20/12/17	Purchase	XLIS	3.776 €	1,403	20/12/17	Purchase	XLIS	3.810 €	50	20/12/17
Purchase	XUBS	3.697 €	2,029	20/12/17	Purchase	XLIS	3.726 €	1,901	20/12/17	Purchase	BATD	3.778 €	1,400	20/12/17	Purchase	BATE	3.811 €	491	20/12/17
Purchase	XLIS	3.698 €	2,818	20/12/17	Purchase	BATD	3.727 €	2,417	20/12/17	Purchase	XLIS	3.779 €	764	20/12/17	Purchase	CHIX	3.811 €	845	20/12/17
Purchase	CHIX	3.699 €	2,806	20/12/17	Purchase	CHID	3.727 €	2,417	20/12/17	Purchase	BATD	3.780 €	2,000	20/12/17	Purchase	TRQX	3.811 €	691	20/12/17
Purchase	XLIS	3.699 €	1,915	20/12/17	Purchase	TRQM	3.727 €	2,417	20/12/17	Purchase	XUBS	3.780 €	403	20/12/17	Purchase	XLIS	3.811 €	4,405	20/12/17
Purchase	BATD	3.700 €	2,000	20/12/17	Purchase	XUBS	3.727 €	15,192	20/12/17	Purchase	XLIS	3.781 €	1,394	20/12/17	Purchase	BATE	3.830 €	500	20/12/17
Purchase	BATE	3.700 €	1,876	20/12/17	Purchase	XLIS	3.728 €	1,314	20/12/17	Purchase	CHIX	3.782 €	1,983	20/12/17	Purchase	CHIX	3.830 €	770	20/12/17
Purchase	CHIX	3.700 €	500	20/12/17	Purchase	TRQX	3.729 €	2,711	20/12/17	Purchase	XLIS	3.782 €	1,669	20/12/17	Purchase	XLIS	3.830 €	2,948	20/12/17
Purchase	TRQX	3.700 €	1,450	20/12/17	Purchase	XLIS	3.729 €	1,460	20/12/17	Purchase	XLIS	3.783 €	1,453	20/12/17	Purchase	XLIS	3.836 €	1,447	20/12/17
Purchase	XLIS	3.700 €	10,254	20/12/17	Purchase	XLIS	3.730 €	2,017	20/12/17	Purchase	CHIX	3.784 €	1,366	20/12/17	Purchase	BATE	3.837 €	500	20/12/17
Purchase	BATE	3.701 €	1,478	20/12/17	Purchase	BATE	3.732 €	500	20/12/17	Purchase	XLIS	3.785 €	1,549	20/12/17	Purchase	CHIX	3.837 €	651	20/12/17
Purchase	BATE	3.702 €	1,430	20/12/17	Purchase	TRQX	3.732 €	1,457	20/12/17	Purchase	TRQX	3.786 €	1,877	20/12/17	Purchase	BATE	3.840 €	357	20/12/17
Purchase	XLIS	3.702 €	2,911	20/12/17	Purchase	XLIS	3.733 €	1,339	20/12/17	Purchase	XLIS	3.786 €	3,337	20/12/17	Purchase	CHIX	3.840 €	616	20/12/17
Purchase	XUBS	3.703 €	2,417	20/12/17	Purchase	XLIS	3.734 €	156	20/12/17	Purchase	BATE	3.787 €	1,597	20/12/17	Purchase	TRQX	3.840 €	504	20/12/17
Purchase	BATE	3.703 €	510	20/12/17	Purchase	CHIX	3.735 €	1,382	20/12/17	Purchase	CHIX	3.787 €	1,411	20/12/17	Purchase	XLIS	3.840 €	3,288	20/12/17
Purchase	CHIX	3.703 €	2,408	20/12/17	Purchase	XLIS	3.735 €	1,205	20/12/17	Purchase	XLIS	3.787 €	1,327	20/12/17	Purchase	BATE	3.845 €	523	20/12/17
Purchase	TRQX	3.703 €	718	20/12/17	Purchase	BATE	3.737 €	232	20/12/17	Purchase	BATE	3.788 €	568	20/12/17	Purchase	CHIX	3.845 €	899	20/12/17
Purchase	XLIS	3.703 €	2,876	20/12/17	Purchase	XLIS	3.737 €	1,455	20/12/17	Purchase	CHIX	3.788 €	659	20/12/17	Purchase	TRQX	3.845 €	737	20/12/17
Purchase	XLIS	3.705 €	1,469	20/12/17	Purchase	BATE	3.738 €	500	20/12/17	Purchase	TRQX	3.788 €	28	20/12/17	Purchase	XLIS	3.845 €	2,946	20/12/17
Purchase	XLIS	3.706 €	1,562	20/12/17	Purchase	XLIS	3.739 €	1,384	20/12/17	Purchase	XLIS	3.788 €	1,118	20/12/17	Purchase	AQXE	3.849 €	1,393	20/12/17
Purchase	XUBS	3.707 €	2,023	20/12/17	Purchase	XLIS	3.740 €	1,328	20/12/17	Purchase	XUBS	3.788 €	14	20/12/17	Purchase	XLIS	3.850 €	196	20/12/17
Purchase	TRQX	3.708 €	2,277	20/12/17	Purchase	XLIS	3.742 €	1,319	20/12/17	Purchase	CHIX	3.789 €	1,413	20/12/17	Purchase	BATE	3.863 €	374	20/12/17
Purchase	XLIS	3.708 €	1,340	20/12/17	Purchase	XLIS	3.745 €	800	20/12/17	Purchase	XLIS	3.790 €	1,783	20/12/17	Purchase	CHIX	3.863 €	233	20/12/17
Purchase	CHID	3.709 €	2,417	20/12/17	Purchase	BATE	3.750 €	1,535	20/12/17	Purchase	BATD	3.791 €	2,417	20/12/17	Purchase	TRQX	3.863 €	511	20/12/17
Purchase	BATD	3.709 €	1,501	20/12/17	Purchase	CHIX	3.750 €	2,839	20/12/17	Purchase	CHIX	3.791 €	1,417	20/12/17	Purchase	XLIS	3.863 €	4,733	20/12/17
Purchase	CHID	3.709 €	2,738	20/12/17	Purchase	XLIS	3.750 €	1,428	20/12/17	Purchase	XLIS	3.793 €	768	20/12/17	Purchase	BATE	3.867 €	694	20/12/17
Purchase	TRQM	3.709 €	761	20/12/17	Purchase	TRQX	3.751 €	1,428	20/12/17	Purchase	CHID	3.795 €	2,417	20/12/17	Purchase	CHIX	3.867 €	1,194	20/12/17
Purchase	BATE	3.710 €	467	20/12/17	Purchase	XLIS	3.753 €	1,344	20/12/17	Purchase	BATD	3.796 €	3,349	20/12/17	Purchase	TRQX	3.867 €	976	20/12/17
Purchase	CHIX	3.710 €	1,098	20/12/17	Purchase	XLIS	3.755 €	1,464	20/12/17	Purchase	CHIX	3.796 €	1,407	20/12/17	Purchase	XLIS	3.867 €	3,910	20/12/17
Purchase	TRQX	3.710 €	1,420	20/12/17	Purchase	TRQX	3.757 €	1,341	20/12/17	Purchase	BATE	3.797 €	500	20/12/17	Purchase	XLIS	3.868 €	1,000	20/12/17
Purchase	XLIS	3.710 €	5,377	20/12/17	Purchase	XLIS	3.757 €	1,444	20/12/17	Purchase	CHIX	3.797 €	193	20/12/17	Purchase	XLIS	3.871 €	4,768	20/12/17
Purchase	BATE	3.712 €	391	20/12/17	Purchase	XLIS	3.759 €	1,351	20/12/17	Purchase	TRQX	3.798 €	2,636	20/12/17	Purchase	BATE	3.879 €	645	20/12/17
Purchase	CHIX	3.712 €	674	20/12/17	Purchase	XLIS	3.762 €	1,523	20/12/17	Purchase	BATE	3.799 €	660	20/12/17	Purchase	XLIS	3.500 €	5,000	21/12/17
Purchase	TRQX	3.712 €	552	20/12/17	Purchase	XUBS	3.764 €	1,000	20/12/17	Purchase	CHIX	3.799 €	500	20/12/17	Purchase	XLIS	3.525 €	5,000	21/12/17
Purchase	XLIS	3.712 €	2,207	20/12/17	Purchase	CHIX	3.764 €	1,538	20/12/17	Purchase	XLIS	3.799 €	1,000	20/12/17	Purchase	XLIS	3.528 €	10,000	21/12/17
Purchase	XLIS	3.713 €	4,405	20/12/17	Purchase	TRQX	3.765 €	1,380	20/12/17	Purchase	BATE	3.800 €	405	20/12/17	Purchase	XLIS	3.530 €	10,000	21/12/17
Purchase	XLIS	3.714 €	1,436	20/12/17	Purchase	XLIS	3.767 €	1,500	20/12/17	Purchase	CHIX	3.800 €	698	20/12/17	Purchase	XLIS	3.540 €	3,000	21/12/17
Purchase	XLIS	3.715 €	2,363	20/12/17	Purchase	BATE	3.768 €	1,208	20/12/17	Purchase	TRQX	3.800 €	570	20/12/17	Purchase	XLIS	3.542 €	8,085	21/12/17
Purchase	TRQX	3.716 €	2,844	20/12/17	Purchase	CHIX	3.768 €	663	20/12/17	Purchase	XLIS	3.800 €	7,122	20/12/17	Purchase	XLIS	3.543 €	1,353	21/12/17
Purchase	XLIS	3.716 €	2,985	20/12/17	Purchase	XLIS	3.768 €	2,203	20/12/17	Purchase	XLIS	3.802 €	2,104	20/12/17	Purchase	XLIS	3.545 €	7,562	21/12/17
Purchase	BATE	3.720 €	833	20/12/17	Purchase	XLIS	3.769 €	2,577	20/12/17	Purchase	BATE	3.805 €	344	20/12/17	Purchase	XLIS	3.550 €	5,000	21/12/17
Purchase	CHIX	3.720 €	573	20/12/17	Purchase	XLIS	3.770 €	12,586	20/12/17	Purchase	CHIX	3.805 €	592	20/12/17	Purchase	XLIS	3.555 €	893	21/12/17
Purchase	TRQX	3.720 €	468	20/12/17	Purchase	XUBS	3.770 €	2,000	20/12/17	Purchase	TRQX	3.805 €	484	20/12/17	Purchase	XLIS	3.556 €	100	21/12/17
Purchase	XLIS	3.720 €	1,877	20/12/17	Purchase	XLIS	3.771 €	1,444	20/12/17	Purchase	XLIS	3.805 €	1,938	20/12/17	Purchase	XLIS	3.557 €	1,800	21/12/17
Purchase	XLIS	3.722 €	1,532	20/12/17	Purchase	XLIS	3.773 €	1,758	20/12/17	Purchase	BATE	3.806 €	741	20/12/17	Purchase	XLIS	3.560 €	32,207	21/12/17



Transaction Type	Location	Price	Quantity	Date of Transaction	Transaction Type	Location	Price	Quantity	Date of Transaction
Purchase	XLIS	3.570 €	5,000	21/12/17	Purchase	XLIS	3.675 €	500	21/12/17
Purchase	XLIS	3.580 €	5,000	21/12/17	Purchase	XLIS	3.676 €	1,466	21/12/17
Purchase	XLIS	3.590 €	5,000	21/12/17	Purchase	XLIS	3.677 €	1,519	21/12/17
Purchase	XLIS	3.595 €	5,000	21/12/17	Purchase	BATD	3.679 €	305	21/12/17
Purchase	XLIS	3.600 €	20,000	21/12/17	Purchase	BATE	3.680 €	1,746	21/12/17
Purchase	XLIS	3.605 €	5,000	21/12/17	Purchase	CHIX	3.682 €	1,396	21/12/17
Purchase	XLIS	3.610 €	10,000	21/12/17	Purchase	TRQX	3.682 €	1,339	21/12/17
Purchase	XLIS	3.620 €	5,000	21/12/17	Purchase	XLIS	3.682 €	1,433	21/12/17
Purchase	XLIS	3.624 €	1,360	21/12/17	Purchase	TRQX	3.683 €	1,678	21/12/17
Purchase	XLIS	3.625 €	5,000	21/12/17	Purchase	AQXE	3.685 €	1,100	21/12/17
Purchase	XLIS	3.630 €	1,699	21/12/17	Purchase	CHIX	3.685 €	198	21/12/17
Purchase	BATE	3.635 €	836	21/12/17	Purchase	BATD	3.686 €	2,000	21/12/17
Purchase	XLIS	3.635 €	5,000	21/12/17	Purchase	CHIX	3.686 €	140	21/12/17
Purchase	BATE	3.636 €	644	21/12/17	Purchase	XLIS	3.686 €	280	21/12/17
Purchase	XLIS	3.637 €	7,500	21/12/17	Purchase	CHIX	3.687 €	200	21/12/17
Purchase	XLIS	3.640 €	10,000	21/12/17	Purchase	XLIS	3.687 €	2,431	21/12/17
Purchase	TRQX	3.641 €	1,349	21/12/17	Purchase	CHIX	3.688 €	816	21/12/17
Purchase	XLIS	3.642 €	500	21/12/17	Purchase	TRQX	3.688 €	290	21/12/17
Purchase	AQXE	3.644 €	711	21/12/17	Purchase	XLIS	3.688 €	259	21/12/17
Purchase	CHIX	3.644 €	1,534	21/12/17	Purchase	BATP	3.689 €	2,305	21/12/17
Purchase	XLIS	3.644 €	5,000	21/12/17	Purchase	TRQX	3.689 €	581	21/12/17
Purchase	BATD	3.647 €	2,305	21/12/17	Purchase	XLIS	3.689 €	1,070	21/12/17
Purchase	BATP	3.647 €	2,305	21/12/17	Purchase	XLIS	3.690 €	1,439	21/12/17
Purchase	BATD	3.649 €	2,786	21/12/17	Purchase	CHIX	3.691 €	1,351	21/12/17
Purchase	CHID	3.649 €	4,655	21/12/17	Purchase	BATD	3.693 €	552	21/12/17
Purchase	TRQM	3.649 €	5,059	21/12/17	Purchase	XLIS	3.693 €	1,428	21/12/17
Purchase	XLIS	3.650 €	24,048	21/12/17	Purchase	XLIS	3.694 €	952	21/12/17
Purchase	XLIS	3.652 €	1,454	21/12/17	Purchase	CHIX	3.697 €	1,318	21/12/17
Purchase	CHIX	3.653 €	1,780	21/12/17	Purchase	CHIX	3.698 €	1,614	21/12/17
Purchase	TRQX	3.653 €	420	21/12/17	Purchase	BATD	3.701 €	2,728	21/12/17
Purchase	XLIS	3.653 €	567	21/12/17	Purchase	CHIX	3.703 €	120	21/12/17
Purchase	CHIX	3.656 €	777	21/12/17	Purchase	XLIS	3.705 €	2,104	21/12/17
Purchase	TRQX	3.658 €	1,505	21/12/17	Purchase	CHIX	3.708 €	130	21/12/17
Purchase	XLIS	3.660 €	3,145	21/12/17	Purchase	CHIX	3.710 €	160	21/12/17
Purchase	XLIS	3.661 €	350	21/12/17	Purchase	XLIS	3.710 €	1,100	21/12/17
Purchase	XLIS	3.664 €	1,321	21/12/17	Purchase	CHIX	3.715 €	190	21/12/17
Purchase	AQXE	3.665 €	1,100	21/12/17	Purchase	XLIS	3.715 €	500	21/12/17
Purchase	TRQX	3.665 €	82	21/12/17	Purchase	XLIS	3.520 €	5,000	22/12/17
Purchase	XLIS	3.673 €	930	21/12/17	Purchase	XLIS	3.525 €	15,000	22/12/17
Purchase	CHIX	3.674 €	210	21/12/17	Purchase	XLIS	3.530 €	69,474	22/12/17
Purchase	CHIX	3.675 €	330	21/12/17	Purchase	XLIS	3.535 €	15,526	22/12/17

Transaction Type	Location	Price	Quantity	Date of Transaction
Purchase	XLIS	3.539 €	5,000	22/12/17
Purchase	XLIS	3.540 €	17,007	22/12/17
Purchase	XLIS	3.550 €	5,000	22/12/17
Purchase	XLIS	3.559 €	914	22/12/17
Purchase	XLIS	3.560 €	39,086	22/12/17
Purchase	XLIS	3.570 €	10,000	22/12/17
Purchase	XLIS	3.580 €	5,000	22/12/17
Purchase	XLIS	3.480 €	7,500	29/12/17
Purchase	XLIS	3.481 €	2,500	29/12/17
Purchase	XLIS	3.488 €	5,000	29/12/17
Purchase	XLIS	3.490 €	2,927	29/12/17
Purchase	XLIS	3.495 €	5,000	29/12/17
Purchase	XLIS	3.500 €	15,338	29/12/17
Purchase	XLIS	3.505 €	16,000	29/12/17
Purchase	XLIS	3.507 €	17,500	29/12/17
Purchase	XLIS	3.509 €	15,000	29/12/17
Purchase	XLIS	3.510 €	15,000	29/12/17
Purchase	XLIS	3.514 €	66	29/12/17
Purchase	XLIS	3.515 €	6,162	29/12/17
Purchase	XLIS	3.517 €	4,507	29/12/17
Purchase	XLIS	3.520 €	12,500	29/12/17





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