Annual Report **2015**

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Chairman's statement

The Postal Bank – Banco CTT – is a long-time ambition of CTT's, a postponed dream for all those that have passed through the Company.

The privatisation consolidated the necessary conditions for the launch of this ambitious project. In effect, the trust we have earned from the Portuguese public, our experience in financial services and the capillarity and proximity that sets us apart are assets that CTT has developed throughout its history and which is now joined – in the capital markets – by a dynamic of sustained creation of value that has guided the entire decision-making and project implementation process. The Bank is, therefore, a transformative project for CTT and is geared toward the creation of value for all our stakeholders.

In the entire process – from the initial studies to the opening of the first branch in November – we ensured the project was pursued leveraged on CTT's competitive advantages, on the best international Postal Banking practices and with the continuous scrutiny and monitoring of the elements fundamental to the business model.

We've also relied on the indispensable support of CTT's shareholders, both before and after the privatisation. Recognition is also due on this occasion to the Bank of Portugal, the entity that, in legal terms, authorised the various steps after a detailed analysis of the relevant elements. It would not have been possible to come through on such a tight timeline without its dedication and rigorous collaboration.

It was a team effort of which I am very proud. Hundreds of CTT's people were involved and they embraced the challenge with enthusiasm from the outset. Throughout 2015, they were joined by a team that is still under expansion and that now makes up Banco CTT. It was from their professionalism and dedication, together with their very relevant experience in the sector, that the Bank was born and will emerge as a success story. A Bank like others, but set apart.

As I write to you, we are a few days away from the market test. I am certain we will be well received, but the high number of clients we aim to gain will only be attained with good products, good service and especially a great sales capacity, proximity and lots of enthusiasm.

To all my Thanks and acknowledgement. As usual, I count on you all.

Francisco de Lacerda
Chairman

10 March 2016

CEO'S statement

The year of 2015 will go down in Banco CTT's history as the year of its foundation, which brings into being one of CTT's longest standing aspirations and one of the most important strategic goals set by CTT in the 2013 IPO.

Banco CTT is born from the trust the CTT brand inspires in its Portuguese public, the Retail Network's proximity to its customers and its many years of experience in Financial Services.

In turn, market studies confirm the timing for launching a banking operation that is directed toward retail customers, based on a national network with dense capillarity, leveraged on innovative digital channels, with a distinctive value proposal, which is based on simplicity, transparency, convenience and competitive prices.

The implementation plan has been carried out by a wide array of people whose great professionalism, enthusiasm and commitment to this extraordinary project I have great pleasure in highlighting. They are Bank employees, CTT employees, consultants, partners and suppliers.

The involvement of all CTT employees has been and will continue to be absolutely decisive, not only in the launching phase, but above all in its future promotion and recommendation with customers and the community at large. The openness of many Retail Network employees to joining the multiple employer regime deserves a special note, as does the dedication and personal effort they have shown in the demanding training programme underway.

A very special word of thanks to the Banco CTT team, made up of 42 people on the day the Bank was incorporated, 24 August 2015. From then on, the team has been constantly growing, from 57 employees on 27 November, when Banco CTT opened for business, to 69 by the year-end. A young team, with very diverse professional experiences, lots of talent and commitment to the project.

As I write these lines, great enthusiasm binds us all as the day Banco CTT will open its first 52 branches to the public draws near. As of 18 March 2016, Banco CTT will face its first test, market reception.

Natural anxiousness is compensated by trust in our conservative positioning and simple offer. A Bank that starts from scratch, with no contingencies or historical asset problems, founded on its long-standing history of trust in the CTT brand and the close proximity of its network to people. Few products, straight forward, at low transparent prices. But very technologically innovative in channels and digital processes.

A note of appreciation to the Regulatory Authorities, in particular to the Bank of Portugal, that led Banco CTT's entire demanding authorisation and registration process clearly and quickly, with the skill and rigor that characterises it.

A Bank that starts from "scratch" under the solidity of a brand with a 500-year history.

Luís Pereira Coutinho
CEO

10 March 2016

Banco CTT, S.A.

Registered Office: Av. D. João II, no. 11, Edifício Adamastor, Torre A, Piso 11, 1999-002 Lisbon
Sole registration and taxpayer number with the Commercial Registry Office: 513 412 417
Share capital: € 34,000,000.00
Telephone: +351 210 471 786
Fax: +351 210 471 777

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(hereinafter "Banco", "Banco CTT" or the "Company")

Key Figures

The year of 2015 will go down as a unique year in terms of Banco CTT's financial statements, since it reflects the initial investment made to set-up and make the Bank operative. With only one month of activity in soft opening mode, the 2015 indicators are an example of just how atypical that banking activity was.

The negative net profit of 5,921 thousand euros is essentially a reflection of investment costs in systems and processes, developed in close cooperation and partnership with various specialized consultants, most of which were not only of international repute and extremely knowledgeable, but also have established track records in the sector. In addition, the Head Branch was opened in a controlled environment in order to ensure the robust implementation of all operational processes, especially support in opening bank accounts, as well as deposit-taking and transfer-making. Therefore, revenues in 2015 reflect the opening for business in the absence of banking revenues.

In terms of assets, we highlight both financial applications arising from liquidity made available from paid-up share capital and intangible assets that reflect the IT system (core banking and respective components).

Brief Summary of the Year and Main Highlights

- 4 November 2014: CTT's Board of Directors approves the creation of the Postal Bank project;
- 6 February 2015: CTT incorporates CTT Serviços, S.A. to carry out the preparatory works necessary and / or convenient to the incorporation of the Bank;
- 18 February 2015: the Agreement for the IT Core Banking System is signed and Banco CTT employees begin to be hired;
- May 2015: Banco CTT / CTT's Engagement Model is defined and the Multiple employer model presented to the Bank of Portugal;
- June 2015: corporate identity is chosen and the operational model and branch layout defined;
- 6 July 2015: the application and supporting file (including draft financial and CTT engagement models) are submitted to the Bank of Portugal for the special registration, as well as for the verification of the authorisation conditions stipulated by the Bank of Portugal;
- 24 August 2015: following the Bank of Portugal's authorization, CTT Serviços is transformed into Banco CTT, with a share capital of €34m, and its corporate bodies appointed;
- 8 October 2015: the Bank of Portugal gives notice that it considers the conditions stipulated by it in the granted authorization to be duly complied with and confirms the conclusion of Banco CTT, S.A.'s special registration;
- 18 November 2015: the relevant instruments for the engagement model that acts as a framework for the relationship between Banco CTT and CTT are signed, following the approval thereof and of the Bank's 3-year plan (2016-2018) by the Bank's Board of Directors;
- 19 November 2015: presentation of the Banco CTT Project to CTT investors, within Capital Markets Day;
- 27 November 2015: Banco CTT opens for business at the Head Branch.

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

Chairman:
Francisco José Queiroz de Barros de Lacerda

Members:
Luís Maria França de Castro Pereira Coutinho
Sílvia Maria Correia
Luiana Cristina Vieira Nunes Carvalho dos Santos
Luís Miguel Agoas Correia Amado
João Maria de Magalhães Barros de Mello Franco
André Manuel Pereira Gorjão de Andrade Costa
José Manuel Gonçalves de Morais Cabral
Rui Afonso Galvão Mexia de Almeida Fernandes
Clementina Maria Dâmaso de Jesus Silva Barroso

Executive committee

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

Members:
Sílvia Maria Correia (CCO)
Luiana Cristina Vieira Nunes Carvalho dos Santos (CFO)
Luís Miguel Agoas Correia Amado (COO)
João Maria de Magalhães Barros de Mello Franco (CMO)

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

Executive Committee

Governance

On 24 August 2015, the resolutions on incorporation of Banco CTT, S.A. were passed and its commercial registration was completed. On that date, Banco CTT adopted the Anglo-Saxon governance model and the members of its corporate bodies were appointed by the General Meeting for the 2015/2017 term of office.

This model provides for a Board of Directors, an Audit Committee (comprised of Non-Executive Directors who are especially appointed by the General Meeting) and a Statutory Auditor (one effective and one alternate).

A Selection Committee was also created by the General Meeting on the referenced date and following the approval of the Bank's selection policy. This committee has powers over the selection and adequacy assessment of corporate body members and key officers.

On 26 August 2015, the Board of Directors delegated day-to-day management to the Bank's Executive Committee, pursuant to article 407 of the Companies Code.

This governance structure also includes a Remuneration Committee within the Board of Directors, appointed on 26 August 2015, in line with Bank of Portugal Notice 10/2011.

Therefore, the Bank's Board of Directors as at 31 December 2015, was made up of 9 Directors, including 5 Non-Executive Directors (including the Chairman and 3 independent Directors) and 4 Executive Directors (including the CEO). In January 2016, the Board of Directors was made up of 10 members, including 5 Executive Directors. In this regard, the Bank established the following management structure:

(1) Appointed on 14 January 2016 as member of the Board of Directors and on 15 January 2016 as member of the Executive Committee.

For additional details on the composition of Banco CTT's corporate bodies, as well as on the governance model and practices, please see the Corporate Governance Report below.

As part of the CTT Group, the Bank reaped the benefits, but was also subject to the demands thereof. This was the case especially with the CTT Group's governance practices which were defined over various years. Given its status as an issuer of shares traded on the regulated market, CTT has adopted a significant number of the recommendations found in the Corporate Governance Code of the Portuguese Securities and Exchange Commission.

The creation of Banco CTT further strengthened 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 a 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 complexity and that include:

- A clear organizational structure, with well defined, transparent and consistent lines of responsibility;
- Effective processes to identify, manage, control and notify risks it is or may become exposed to; and
- 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 referenced above were joined by a solid organizational structure where the Bank's control functions stand out and, in the case of Banco CTT, allowed the following goals to be attained:

- To ensure the Bank's operational capacity based on adequately sized human, material and technical resources;
- To ensure the provision of customer services through employees of CTT's Retail Network;
- To leverage the CTT structure for non-core duties (mainly as regards shared services);
- To ensure core in-house structures, with partial outsourcing, namely for operational, IT and legal matters; and
- To create a "control environment" adapted to Banco CTT's specificities and fostered by the institution's Code of Conduct, internal control procedures and policies, as well as its organization and adequate human resources and materials.

Economic Framework

Global economic framework

The expansion of global activity slowed down in 2015, due to the dichotomy between the fall in growth of emerging economies and the recovery of more advanced economies. In 2016, the global economic climate is marked by uncertainty, mainly due to the downturn in emerging economies and the desynchronization in economic policies of the major powers.

According to the International Monetary Fund (IMF)[1], the world economy grew moderately in 2015 (3.1% vs. 3.4% in 2014), mainly due to the slowdown in emerging economies, especially Brazil, China and Russia. On the positive side, the more advanced economies were more dynamic, having benefitted from the resilience of the U.S. economy and the gradual recovery of the economies of the European Union.

Economic growth

	2014	2015e	2016p	2017p
World	**3.4%**	**3.1%**	**3.4%**	**3.6%**
Advanced economies	**1.8%**	**1.9%**	**2.1%**	**2.1%**
United States of America	2.4%	2.5%	2.6%	2.6%
Eurozone	0.9%	1.5%	1.7%	1.7%
Germany	1.6%	1.5%	1.7%	1.7%
France	0.2%	1.1%	1.3%	1.5%
Italy	-0.4%	0.8%	1.3%	1.2%
Spain	1.4%	3.2%	2.7%	2.3%
Japan	0.1%	0.6%	1.0%	0.3%
United Kingdom	2.5%	1.2%	1.7%	2.1%
Other advanced economies	2.8%	2.1%	2.4%	2.8%
Emerging and developing economies	**4.6%**	**4.0%**	**4.3%**	**4.7%**
Brazil	0.1%	-3.8%	-3.5%	0.0%
China	7.3%	6.9%	6.3%	6.0%
India	7.3%	7.3%	7.5%	7.5%
Russia	0.6%	-3.7%	-1.0%	1.0%

Source: IMF World Economic Outlook (WEO) Update (January 2016)

The Eurozone stayed on the path to recovery in 2015 with 1.5% growth according to the IMF. In this, it benefitted from monetary stimuli from the European Central Bank, reduced oil prices and the depreciation of the euro. These same factors should sustain the expansion of economic activity in 2016. The IMF has forecast 1.7% growth, despite different expected speeds of growth among Member-States. Regardless, the recovery period has not been sufficient to calm fears of deflationary pressures, mainly from the generalised fall in the price of raw materials, with inflation rising to 0.2% in 2015 and forcing the ECB to introduce new monetary stimuli. In turn, the slowdown of emerging economies is also an important challenge that may affect the development of external demand and the recovery of European economies.

Portuguese economy

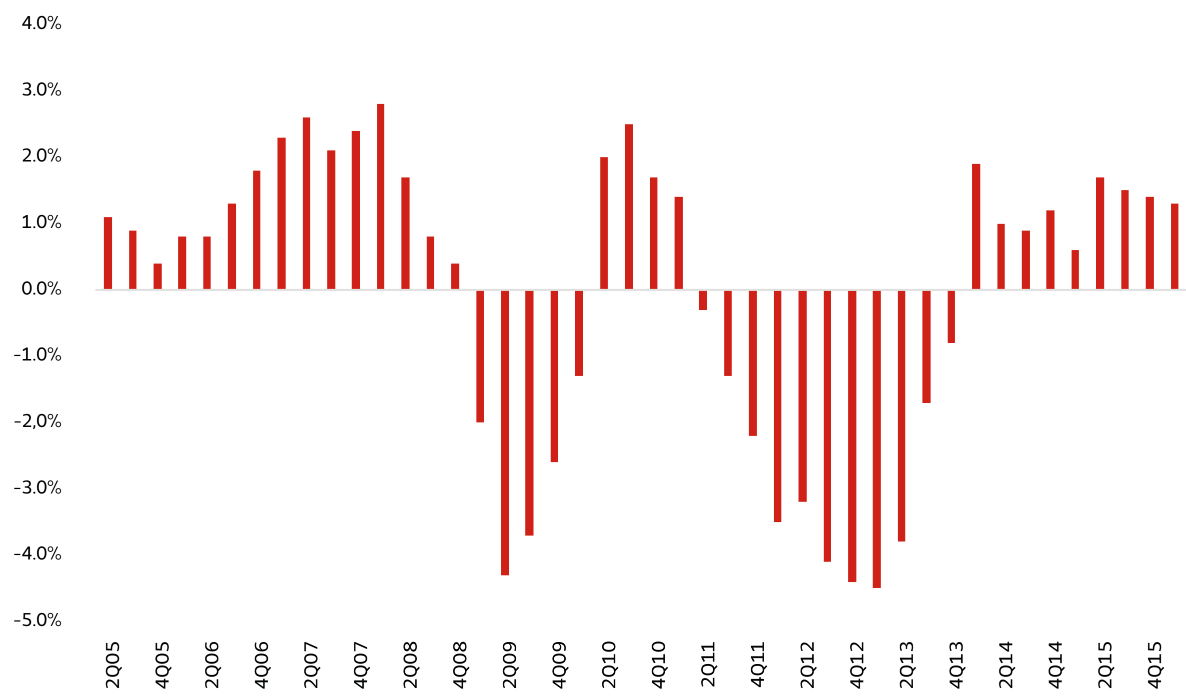
In 2015, the economy continued to show signs of recovery, fostered by the positive evolution in private consumption and investment, in a context of an improved job market, fall in oil prices and lower interest rates. Economic recovery is expected to be slightly more intense in 2016 due to dynamic private consumption and an acceleration in investment. However, uncertainties and challenges in the current global economic environment, and the possible impact on the main commercial partners, as well internal challenges concerning budgetary consolidation, may affect the recovery of the Portuguese economy.

After pulling out of a three-year recession in 2014, the Portuguese economy continued to show signs of recovery in 2015, with 1.5% growth. Internal demand was the main dynamic driver, strengthened particularly by private consumption given the recovery in disposable family income and the fall in savings rates, fuel prices and reduced interest rates. Investment, fostered by improved financial conditions and the consolidation of expectations of growth in internal and external demand also contributed significantly to that economic performance.

On the other hand, in growing 5.1%, exports also made quite a positive contribution, despite the sharp fall in exports to Angola. Notwithstanding, and despite the positive commercial balance for the year, the recovery in internal demand and the rise in imports of raw materials for the production of goods to be exported, resulted in an acceleration of imports.

Finally, inflation was 0.5%, higher than in 2014 (-0.3%) and higher than the 2015 forecast. This occurred, furthermore, at a time in which energy product prices were falling.

Annual growth rate of the GDP in Portugal by quarter



Source: BP stat, Bank of Portugal

In 2016, economic activity in Portugal should continue to show moderate growth, in line with the recovery forecast for the Eurozone. According to the Bank of Portugal[2], the economy should grow 1.7% in the next year, while the Ministry of Finance[3] points to a 1.8% growth rate. The difference is mainly explained by the intense evolution in private consumption and investment that is expected, as well as varying expectations concerning the evolution of external demand. In particular, the Ministry of Finance forecasts a more favourable evolution in private consumption as a result of decisions to replace family income (announced in the State Budget Law), an acceleration in private investment and, lastly, in case there be a positive evolution in the trade balance.

However, current uncertainties in the global economic and financial climate will pose important challenges in 2016. On the one hand, recent signs of a slowdown in the economy of some of the more important commercial partners could result in a fall in external demand toward the Portuguese economy, with an adverse effect on the growth of exports. On the other hand, current uncertainty has aggravated the volatility of financial markets. This has diminished the propensity for risk by investors and could lead to a rise in the cost of financing Portuguese public debt and national companies, thereby affecting economic evolution.

Financial Markets

In 2015, the behaviour of financial markets had an auspicious beginning, fostered by the accommodating policies of the main central banks that stimulated equity and debt markets. This was followed by a generalised slowdown brought about by fears regarding the Chinese economy, weak economic recovery in the Eurozone and desynchronised economic policies of the major powers.

The European debt market was affected by the beginning of the European Central Bank's asset purchase programme, with monthly volumes of 60 billion euros, which maintained the bond yields for Eurozone Member-States at historical lows. In turn, in the United States, the postponed beginning of the cycle to increase reference interest rates toward the end of the year, together with greater risk aversion given the downturn in emerging economies, went counter to expectations that U.S. bond yields would rise. In fact, these remained relatively stable throughout 2015.

In the equity market, European markets had the best performance in 2015, given the slowdown in the North American market and the disappointing year in emerging markets. On the other hand, intensified volatility was recorded, mainly due to fears of a downturn in emerging economies, particularly China, and the postponement of the cycle of rises in interest rates in the United States, which caused great turbulence in the markets.

[1] - References to IMF estimates and forecasts were based on the publication of the IMF World Economic Outlook (WEO) January 2016 Update

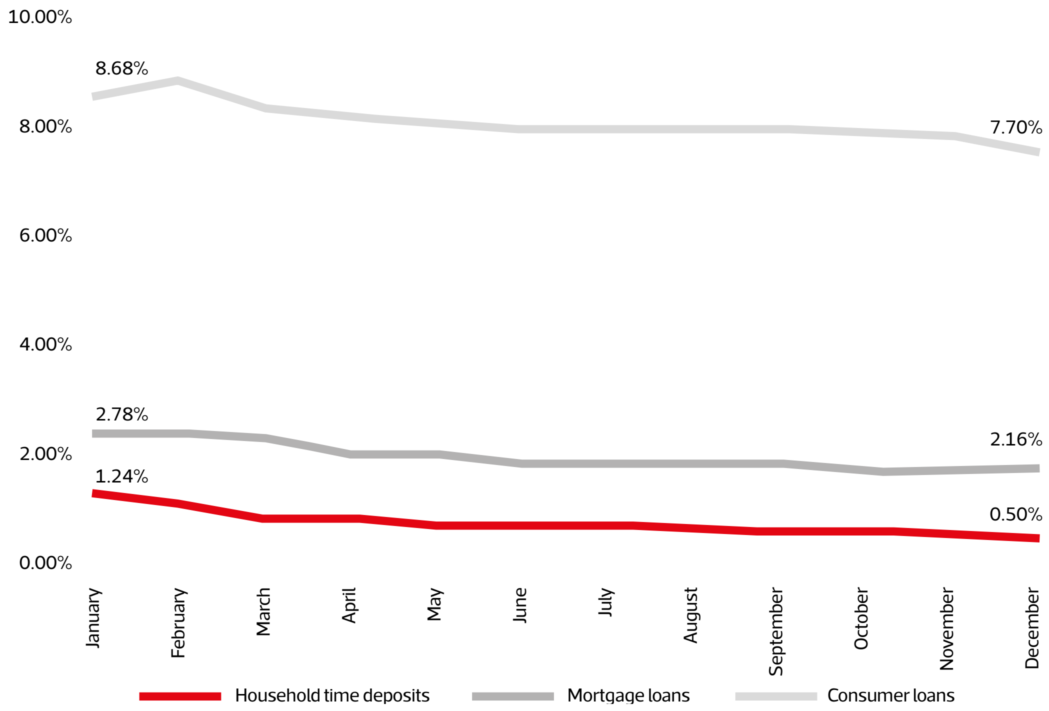
[2] - Economic bulletin - December 2015
[3] - 2016 State Budget Law

Banking system

In the banking sector, the year of 2015 was marked by a lack of definition in terms of competition. The shrinking of the banking business and the low interest rate environment, as well as resolution measures imposed on Banco Espírito Santo, S.A. and Banif - Banco Internacional do Funchal, S.A., gave rise to numerous rumours on mergers and acquisitions in the sector. These came to fruition with Bankinter's arrival in Portugal, through the acquisition of part of Barclays's operations and the consolidation of Banco Santander Totta, S.A.'s position through the acquisition of the operations and part of the assets and liabilities of Banif - Banco Internacional do Funchal, S.A..

However, despite these indicators, the Portuguese banking sector showed signs of improved profitability in 2015. This was mainly due to a significant decrease in impairments, which had penalised the sector's profits for various years now, as well as to realised capital gains from the sale of public debt securities, which more than offset the impact of lower interest rates on the financial margin.

Interest rates for new transactions – 2015



Source: BP stats, Bank of Portugal

In addition, the tendency for reduced operating costs, fostered mainly by the decrease in the number of employees and branches, was maintained over the last year, which decreased the system's cost-to-income ratio. In turn, balance sheets continued to be shrunk, mainly by reducing the amount of customer credit, thereby continuing to deleverage and weakening dependence on financing from the Eurosystem. Lastly, the consolidated upturn in volumes of new credit is worth highlighting, although they are still significantly lower than before 2011.

Indicators of the Portuguese banking system

	2010	2011	2012	2013	2014	9M15
Asset ratio / GDP Portugal	3.0	2.9	2.9	2.7	2.5	2.3
Credit ratio / deposits	157.8%	140.2%	127.9%	116.9%	107.2%	104.2%
Impairment ratio / gross credit	3.2%	4.2%	5.5%	6.2%	7.7%	7.9%
Cost-to-income	57.6%	61.5%	58.8%	71.9%	65.6%	58.8%
Return on Equity	7.7%	-6.3%	-5.5%	-11.7%	-19.2%	3.7%

Source: Report on the evolution of the Portuguese banking system, Bank of Portugal (3rd quarter 2015)

The challenges for the banking system in 2016 are multiple and of varying nature. The biggest challenges are improving profitability in the current climate of low interest rates, recovering credit volumes and possible changes to the regulatory framework under the E.U. Banking Union. In turn, recent resolutions that have taken place in the market, will have short- and medium-term implications, both as regards relations between regulators and financial institutions, as well as client trust and the sector's structure and competitiveness. Lastly, in the event Portuguese public debt is no longer accepted as collateral in liquidity-providing operations with the Eurosystem, the national banking sector will face additional challenges in financing itself. This would have adverse consequences on the system's liquidity position

Recent events in the banking sector's regulatory framework

Pricing review of the payment system at a European level

Despite the growing importance of transactions in the banking sector, this segment has come under increased scrutiny by regulators and has posed a challenge to the industry. An example of this is the recent European Union Regulation on interchange fees for card-based payment transactions published in 2015 (EU Regulation 2015/751 of the European Parliament and Counsel of 29 April 2015) that, in order to protect consumer interests, set a maximum limit to the commissions payment service providers can apply to transactions carried out with debit and credit cards. On the other hand, the creation of the SEPA (Single Euro Payments Area), whose goal is to reinforce European integration and promote the creation of a single payments market, has forced banking institutions to make changes to their payment method services. In Portugal, and although they have been available since 2008, only in August 2014 did payment service providers and their users completely migrate from the traditional credit transfer and direct debit schemes of the respective Interbank Compensation subsystems (SICOI) to SEPA. The effects of the previously mentioned Regulation on Banks is expected as early as 2016.

More demanding Anti-Money Laundering and Financing of Terrorism (AMLFT) laws at a European level and its impact on the sector

Money laundering, the financing of terrorism and organised crime are matters of utmost importance in the European Union. Their implications are capable of compromising the integrity and stability of credit and financial institutions, as well as the financial system as a whole. In order to better prevent and combat these phenomena, in 2015, the European Union published Directive (EU) 2015/849 of 20 May 2015 - the 4th AML Directive - thereby extending the scope and duties of financial institutions in carrying out that duty, by imposing the adoption of more restrictive control and monitoring practices of clients and their respective banking activity. Those demands have required financial institutions to adapt their information management systems and equip their teams with knowledge specific to detecting money laundering activity and the financing of terrorism, thereby placing greater pressure on their operating cost structure.

The Bank's Vision, Mission and Values

Vision

In carrying out its operations, Banco CTT means to be acknowledged as a credit institution of reference in terms of quality, efficiency and the creation of value. It intends to be characterised by:

- A wide offer of financial services;
- Sound and prudent management given the Bank's business model and risk profile; and
- Social and environmental responsibility.

Therefore, Banco CTT's main characteristics are: solidity, transparency, reliance, convenience and simplicity.

Mission

Banco CTT's mission is to provide accessible excellent financial products and to foster relationships built on trust and innovation, while ensuring:

- Solutions for an integrated response to each customer's needs;
- Trust, as one of the institution's assets and outcome;
- A sustainable corporate strategy and risk profile; and
- Continuous innovation that ensures the success of its mission, both today and in the future.

Values to Uphold

Banco CTT gears its activities towards a focus on the customer, enthusiasm, trust, excellence and innovation. Upholding those values entails:

- **Focus on the Customer:** working proactively toward meeting the customer's needs and interests;
- **Enthusiasm:** working with passion and dedication to succeed as a team, which is made up of the best people;
- **Trust:** being an upstanding, responsible and trustworthy partner that meets its commitments on a day-to-day basis;
- **Excellence**: ensuring excellence of service, with quality and efficiency; and
- **Innovation**: continually exploring new ideas, processes and solutions.

Business Model

Banco CTT attained its goal of opening for business in the last quarter of 2015. On 27 November, the Bank opened for business in a controlled environment, essentially for Bank and CTT employees.

Market studies showed that one in every four bank account-bearing Portuguese showed interest in a no-frills value proposal.

In this context, Banco CTT's offer strives to address essential needs in its customer's financial day-to-day. A proposal of simple products and services, that have a fair price, are accessible and reflect their real value.

Banco CTT intends to be a simple and transparent Bank with a straight-forward and widespread offer. An offer that reaches the entire public and cuts across all segments. In a first phase geared towards retail customers, Banco CTT means to be close to its customers. The Bank will capitalise on relationships of trust fostered by a sustainable strategy and risk profile. It will focus on a model of continuous innovation that proactively ensures quality of service and serves customer interests.

Therefore, 2016 will bring new challenges, of which we highlight the following:

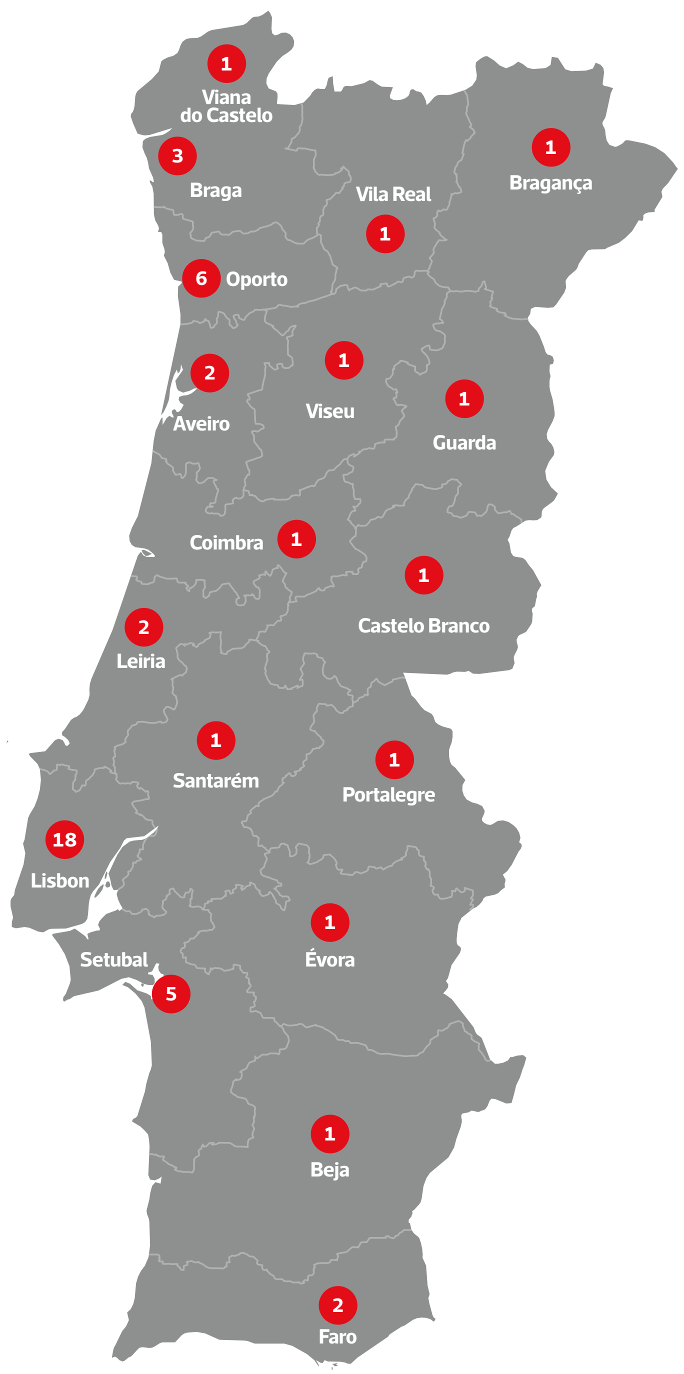
- Opening Bank branches in more than 200 CTT Post Offices with specific areas therefor, in mainland Portugal, Madeira and the Azores;
- Launching an institutional campaign;
- Opening to the general public and beginning commercial operations with a focus on gaining customers, transactions and financial day-to-day;
- Expanding the offer of products and services that truly present an added value to the customer and that address his / her actual needs; and
- Reinforcing the solidity of internal procedures, focusing on efficiency and the quality of service rendered to the client.

Banco CTT's Presence

CTT's widespread capillary Retail Network will be the basis for Banco CTT's organic growth. CTT's presence in areas where there is a weaker banking presence is a distinctive feature. Banco CTT's expansion into these areas will decisively contribute toward financial inclusion of the local population.

At the time of the initial opening, the goal will be to make the Banking service available in 51 CTT Post Offices. The first branches will be spread throughout mainland Portugal and the Islands with specific spaces and counters, thereby prioritising a nation-wide presence from the outset. In addition, Banco CTT will have a Head Branch at the Bank's registered office.

Mainland

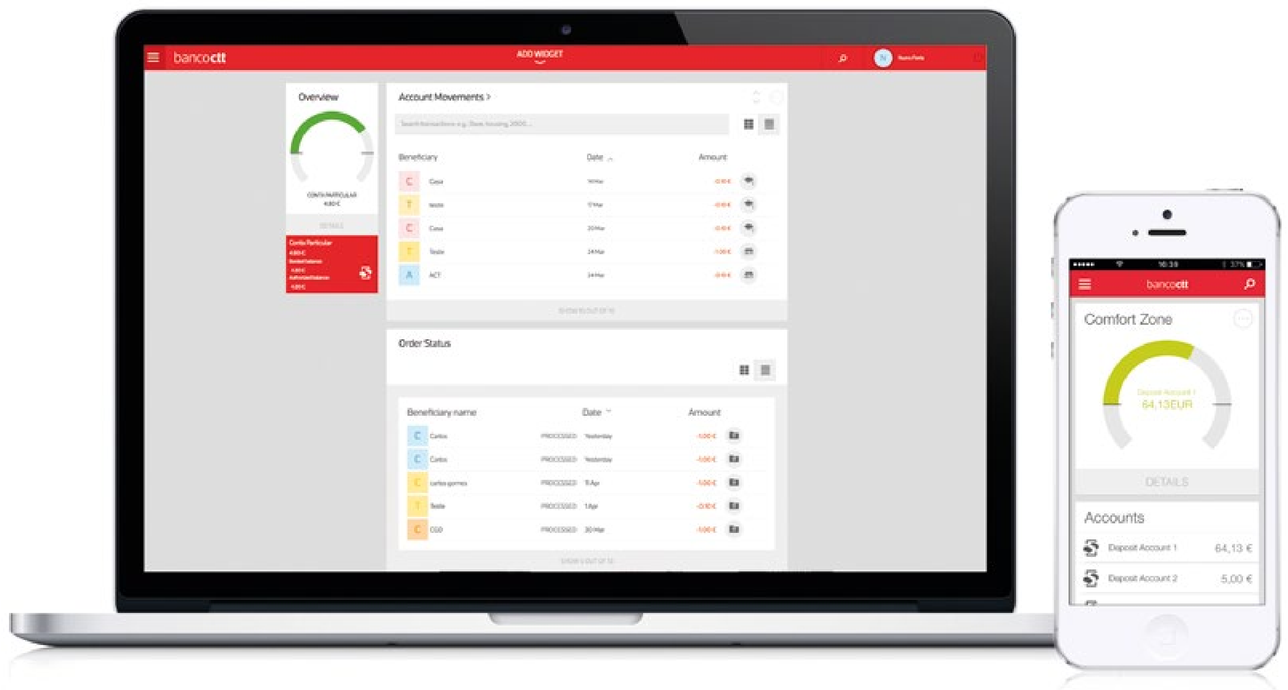


Azores

Madeira

Distribution of CTT Post Offices with the Banco CTT Service (Phase 1)

In addition to its physical presence, Banco CTT will also be present through Digital Channels. It will make home banking available through Banco CTT Net and mobile banking with the Banco CTT App, through which customers will be able to carry out their main day-to-day transactions.



BancoCTT Net and BancoCTT App: Simple, flexible and customised.

As an alternative, customers that do not frequently use Digital Channels may use the USSD Channel. This channel will enable remote access to the Bank with no need for internet. To do so, the customer need only carry out a process similar to a phone call to a number indicated by the Bank. This channel will also allow customers to carry out their main transactions with no need for last generation mobile equipment.

Banco CTT will focus on the constant improvement of its technological solutions and aspires to remain at the forefront of new trends in the sector.

Customer Service Model

The banking operation (carried out by Banco CTT) and the postal services and other operations offered by CTT in the Retail Network (including financial services) will be available in the same Post Office. In the same place, the customer will have access to an extended array of services, which only adds to convenience.

The Bank's presence in CTT's Retail Network will be limited by the layout and specificities of each space according to the following layout options:

- **Specific spaces:** special area where all banking activities / financial services will be carried out, notwithstanding the customer being able to request CTT postal services which would be provided to him / her in that special space in addition to CTT financial services;
- **Specific counters**: a waiting line with a specific counter where all banking activities will be carried out, notwithstanding the customer being able to request CTT postal services which would be provided to him / her in that special space in addition to CTT financial services; and
- **Multi-functional counters**: banking, financial and postal customers wait in the same line and are served at the same counter.

Regardless of the adopted customer service model or layout option, the same banking products and services will be available in all Post Offices that offer the Banco CTT service.

A CTT Post Office with a specific space for Banco CTT

solid

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Financial information

Liquidity and Funding

Banco CTT's liquidity management begins with the analysis of the 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 remaining maturity. Thereafter, the respective liquidity gaps are determined both for the period and accumulated.

Liquidity risk management is carried out taking into consideration:

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

One of the main components of liquidity risk management is its investment and financing policy, which prioritizes diversification by country and sector. However, given that Banco CTT only opened for business at the end of November, the focus of the investment policy until the end of December was geared toward the creation of collaterals that would ensure the settlement of interbank settlements.

Given the balance sheet's high liquidity, the Bank should not require funding from the market nor does it foresee its participation in any financing facility set-up by the ECB to finance its operations. It gives priority to financing its assets through Customer deposits.

Banco CTT monitors its short-term liquidity levels through daily mismatch reports, including eligible assets, liquidity buffers, main cash inflows and outflows and deposit evolution.

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.

In the liquidity contingency plan, the Bank will define 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 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).

Capital

Within its overall definition of goals, the Board of Directors also defines the capital management strategy.

The Bank is developing its Internal Capital Adequacy Assessment Process (ICAAP) methodology. This methodology will be set out in an autonomous, duly detailed and systemised document. The adopted methods and procedures will be based on the assessment and quantification of internal capital and risks through quantitative and qualitative methods. In particular, the Bank will identify all material risks which it is or may become exposed to and will calculate the adequate internal capital.

In 2015, the Bank used the credit risk standardised approach and the basic indicator approach in calculating capital requirements for the purpose of operational risk.

Prudential solvency indicators are based on the applicable regulatory standards, Regulation (EU) No 575/2013 of 26 June, (the Capital Requirements Regulation, "CRR"), as well Bank of Portugal Notice 6/2013.

The Bank's common equity tier 1 includes: a) paid-up capital, b) prudential filters (including reserves from changes to the fair value of Portuguese public debt securities in the portfolio), c) regulatory deductions related to intangible assets (including essentially the Bank's investment in software) and losses for the financial year underway. The Bank has no additional tier 1 capital, nor tier 2 capital.

In December 2015, given its recent opening for business, the Bank had high capital ratios, with the Common Equity Tier 1 ratio (CET 1) at 82.26% according to CRR rules. The fully implemented CET 1 ratio was 82.26%.

	CRR Phasing in	CRR Fully implemented
	2015 Euros	**2015 Euros**
Own funds		
Common equity tier 1 (CET1) / Core tier 1 (CT1)	18,362,398	18,362,074
Tier 1	18,362,398	18,362,074
Total own funds	**18,362,398**	**18,362,074**
RWA		
Credit risk	8,235,621	8,235,621
Operational risk (1)	14,087,682	14,087,682
Total RWA	**22,323,303**	**22,323,303**
Capital ratios		
CET 1 / CT1	**82.26%**	**82.26%**
Tier 1	**82.26%**	**82.26%**
Total	**82.26%**	**82.26%**

(1) RWA based on conservative estimates of operating income.

As at 31 December 2015, the credit risk-weighted assets were 8,235,621 euros, of which 6,352,625 euros pertain to counterparty risk of credit institutions.

Risk Weighted Assets as at 31 December 2015

			Euros
Risk classes	**Original Exposure**	**RWA**	**Risk Weight(1)**
Central Authorities and Central Banks	145,991	-	0%
Other Credit Institutions	19,360,822	6,352,625	33%
Others items	1,897,546	1,882,996	99%
Total	**21,404,359**	**8,235,621**	**38%**

(1) Risk Weight: RWA / Original Exposure

Banco CTT uses the ECAI (External Credit Assessment Institutions) ratings for exposures to institutions with residual maturities greater than 3 months (short-term deposits with a Portuguese credit institution). Therefore, the Bank uses the following CRR qualifications:

Credit quality step	Fitch	Moody's	S&P
1	AAA a AA-	Aaa a Aa3	AAA a AA-
2	A+ a A-	A1 a A3	A+ a A-
3	BBB+ a BBB-	Baa1 a Baa3	BBB+ a BBB-
4	BB+ a BB-	Ba1 a Ba3	BB+ a BB-
5	B+ a B-	B1 a B3	B+ a B-
6	<B-	<B3	<B-

Based on the CRR, a regulatory ratio was introduced to measure the institution's leverage.

As at 31 December 2015, this ratio (leverage ratio) was 86%, given the Bank's early stage, which is well above the 3% preliminary monitoring limit. The ratio is calculated using the Tier 1 Capital. In calculating leverage, the Bank does not apply the derogations set out in article 499(2) and (3) of the CRR.

The distribution of the exposure used in the ratio and in leverage levels, as at 31 December 2015, is shown in the table below:

Units in euros

Leverage Ratio	**2015**
Exposure	
Other Assets	21,404,360
Capital and regulatory adjustments	
Tier 1 capital - fully phased-in definition	18,362,074
Tier 1 capital - transitional definition	18,362,398
Regulatory adjustments - Tier 1 - *fully implemented*	(15,637,926)
Regulatory adjustments - Tier 1 - *transitional*	(15,637,602)
Leverage Ratio - fully implemented Tier 1 Capital	**86%**
Leverage Ratio - transitional Tier 1 Capital	**86%**

Results and Balance Sheet

Profitability Analysis

For the 2015 financial year, the Bank had a negative net profit of around 5.9 million euros, which reflects the year of investment in setting-up the entire banking operation.

Over the 11 months of activity (from February to December), nearly 70 people were hired and trained. General administrative costs represented nearly 67% of pre-tax profits of which the consulting and IT development costs are of note. Given this early stage, the nature of the specialised services engaged covered various fields such as recruitment support, the legal framework, the definition and implementation of processes, procedures and all IT tools.

Banking activity in 2015 pertained only to the opening of business in a controlled environment as referenced above and the financial activity related thereto was not significant.

Given its goal of validating the concept and fine-tuning application details with Group CTT employees before opening to the general public, this one-month period of activity is not reflected in the 2015 income statement.

In line with the other postal operators, the Bank's strategic vision is based on an agile and simple operation with a flexible structure. Operational efficiency leveraged by sharing CTT's delivery network will challenge the industry's cost to income.

Balance Sheet Analysis

At the end of the 2015 financial year, the Bank's balance sheet totalled 31,115 thousand euros, 90% financed through the Bank's equity, which has 34 million euros in share capital. Although the Bank has not yet opened its banking activity to the general public, the Bank's assets are essentially divided into applications in Portuguese credit institutions and intangible assets, with the recorded investment in technological capacity, especially the core banking IT platform and its integration with the main satellite systems.

Deposits with credit institutions are for a maximum 12-month period, mostly for 3 months, and have an annual average rate of 18.6 basis points.

02

Risk management

Risk Management

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

The Bank is drafting a document setting out its 3-year risk strategy. The document will be reviewed and updated annually and will be approved by the Board of Directors. The risk strategy is related to other strategic Bank documents such as: the Budget, Liquidity Plan and Capital Plan. The strategy sets out a number of goals for the types of risks considered to be material to the Bank and includes various objective indicators, namely indicators of the quality of the credit portfolio, cost of risk, capital requirements, liquidity structure and level, limits and rules for market and operational risk.

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 area of business.

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

The Bank's risk management and internal control policy sets out the principles to be taken into consideration in designing the Bank's risk strategy, in implementing a risk management system (and of the latter as a part of an internal control adequate to the strategy), as well as in the monitoring thereof.

The Bank is developing and implementing reporting and risk measurement systems to monitor and control these.

Risk duties entail identifying, assessing, monitoring and reporting all material risks to which the Bank is exposed or may become exposed, both internally and externally and carrying out those duties independently relative to functional areas.

Risk Management Governance

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 the level previously defined by the Board of Directors.

The Audit Committee is a supervisory body responsible for overseeing the effectiveness of the risk management system, the internal control system and the Bank's internal audit system, in particular by way of internal audit duties and the External Auditor. The Audit Committee is entrusted with: assisting the Board of Directors in supervising the execution of the credit institution's risk strategy by Senior Officers, accessing information on the Bank's risk situation and, if necessary and adequate, seeking out those with risk management duties within the Bank and external expert advice.

In order to make the control of Board of Directors strategic decisions more efficient, as well as the preparation of those decisions, a specialised Risk Committee was created which has, in line with the Board of Directors' decisions, an important role in risk management and control. The Risk Committee is made up of all the members of the Executive Committee.

The 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.

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 reports by hierarchy to the Board of Directors.

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.

Internal audit duties are carried out by the Internal Audit Department. This department is part of the internal control system monotoring process, carrying out autonomous supplementary assessments of controls made and identifying possible deficiencies and recommendations, all of which are documented and reported to the managing body. The Internal Audit Department reports by hierarchy to the Board of Directors and functionally to the Audit Committee.

The main responsibility of the Compliance Department is the management of compliance risk. It reports by hierarchy to the Board of Directors.

This Department independently promotes and controls the adoption of 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 activities and the financing of terrorism. It monitors the Bank's new customer policy and the transactions performed thereby, taking action whenever there is cause for suspicion.

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 perform his / her duties.

The Bank has defined a rigorous and conservative credit policy, which will allow it to mitigate the risk undertaken with customers in the various stages of the credit process. Based on guidelines that are defined in terms of business strategies, the credit policy is governed by the principles and rules for granting and monitoring credit set out in the risk management and internal control policy.

Given the Bank's main activity is commercial banking, with a special emphasis on the retail segment, the Bank shall initially offer simple credit products - current account bank overdrafts with salary /pension domiciliation and mortgage loans. In 2015, the Bank had still not made these products available to its clients and therefore had not yet undertaken the credit risk associated to direct exposures to customers.

The control and mitigation of credit risk will be 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, minimizing the need for impairments and the creation of conditions that maximise recovery results.

The Risk Committee will regularly monitor the Bank's credit risk profile, namely by monitoring the evolution of credit exposures and losses. Compliance with the approved credit requisites and limits and the correct operation of approval mechanisms for credit operations will also be regularly analysed.

The Bank is also currently exposed to credit risk from other activities, namely its direct exposure to credit risk from placements and deposits in other credit institutions (counterparty risk), Portuguese public debt securities and debt receivables.

The following table shows information on the Bank's credit risk exposures as at 31 December 2015:

Risk classes	2015 Euros
Central Authorities and Central Banks	145,991
Other Credit Institutions	19,360,822
	19,506,813

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, while respecting its regulatory framework. The goal for controlling and managing operational risk is geared towards flagging and assessing, reporting and monitoring the control of 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 set 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 (1st 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 a 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.

Process Owners, who are currently being appointed, 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 active participation in RSA (Risk Self-Assessment) exercises, detecting and implementing adequate measures to mitigate risk exposure and monitor risk indicators - KRI's and performance indicators - KRI's of the processes.

In the Bank's operational risk management framework, the collection of operational risk events, the RSA processes and the identification and quantification of Key Risk Indicators (KRI's) are worthy of note as operational risk management instruments. These flag, assess, monitor and mitigate operational risk, thereby ensuring minimum losses associated with this risk and promote the effective management of operational risk.

Self-assessment of operational risk

The main goals in self-assessing operational risk are the flagging of potential risks in the Bank (at each process-level), the assessment of the Bank's level of tolerance to operational risk exposure, based on frequency and severity, assessment of the effectiveness of the installed internal control environment and its influence on the reduction of risk and the implementation of mitigation measures, thereby diminishing the Bank's larger exposures to operational risk.

Self-assessment exercises are carried out through workshops with the active participation of Process Owners and / or through questionnaires. In the first quarter of 2016, self-assessment risk exercises have been carried out for the Bank's main business processes and may have an impact on its initial stage of activity.

Collection of operational risk events

Recording events of operational risk loss includes information on events that have taken place, which 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 characterizing operational risk events in the database (to be created for this purpose), which includes quantifying the loss and describing the risk mitigation action plans.

Key Risk Indicators (KRI's)

Key Risk Indicators (KRI's) identify potential risks and allow measures to be developed that are necessary to prevent such risks from materializing. The information collection process for KRI's shall encompass the Bank's most relevant processes.

Fraud Risk

As regards operational risk, the Bank includes events or risks related to fraud, for which a fraud risk management policy has been 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, service providers and partners.

The fraud management model defined by the Bank covers various stages, namely the prevention, detection, investigation and, ultimately, judicial proceedings. 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 the definition of 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.

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 commodities or real estate, volatility and credit spreads.

In the initial phase, the structure of the Bank's balance sheet does not have significant exposure to market risk. Nonetheless, the Bank has been developing and implementing the tools and methodologies necessary to monitor and manage this risk efficiently, in order to minimize any impact on its equity or results.

Market Price Risk

Given its goals of having a reduced deposit transformation ratio, the Bank estimates it will have a representative investment portfolio. To limit any negative impacts from market, sector or issuer turmoil, the Bank has defined a number of limitations to the management of its own portfolio.

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.

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 interest rate variations, pursuant to Bank of Portugal Instruction 19/2005. 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 financial margins are calculated.

In addition to the repricing gap, the Bank will regularly monitor the structural risk of interest rates based on sensitivity analyses of financial margins and the economic value relative to interest rate curve variations.

Within the Risk Committee and its monitoring of interest rate risk, the following information shall be analysed and discussed regularly: gap repricing, sensitivity analyses, average spread evolutions, including the analysis of average spread gaps, the evolution of balance sheet exposure to fixed interest rates and the evolution of market interest rates.

Liquidity Risk

An institution's inability to make payments as the responsabilities fall due without incurring in significant losses is called liquidity risk. Banks are inherently exposed to liquidity risk from their business of transforming maturities (granted in the long-term and usually taken in the short-term). Therefore, the prudent management of liquidity risk is crucial.

Liquidity risk may be subdivided into two types:

- Asset liquidity (market liquidity risk) - the impossibility of disposing of a certain asset type due to a lack of liquidity in the market.
- Financing (funding liquidity risk) - the impossibility of financing itself in the market and / or refinancing maturing debt, in the desired currency. (Re)financing risk should be minimised through the adequate diversification of financing sources and maturities.

Management Practices

Banco CTT has 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 management controls effective. 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 Risk 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 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.

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 the compliance therewith.

Liquidity risk is monitored in two ways: i) the possibility of various assets being involved in transactions; and ii) meeting treasury needs without incurring abnormal losses.

As regards the various assets, there is constant vigilance of the possibility of their being involved in transactions, according to various indicators (number of days to unwind positions, size and volatility of spreads and markets, etc.), duly limited by what can be undertaken in each market.

The Bank will perform stress tests, applying liquidity haircuts to each subcomponent and time frame of the ALM Balance Sheet, measuring the impact of the liquidity scenario on ratios and indicators, in order to ensure that the Bank complies with its obligations in a liquidity crisis scenario.

Liquidity Risk Analysis

Banco CTT's liquidity position is quite favourable and has remained constant since its date of opening. It is mainly the result of available capital, an increase in deposits and the fact that no credit has been granted.

According to Bank of Portugal Instruction 13/2009, the liquidity gap is defined as (Liquid assets – Volatile Liabilities) / (Assets – Liquid assets) in each cumulative bracket of residual maturity, where liquid assets include cash and liquid securities and volatile liabilities include cash, debt issues, commitment, derivatives and other liabilities. This indicator allows the institution's wholesale liquidity risk position to be characterised.

Banco CTT's 1-year liquidity gap was 159% at the end of 2015.

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).

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, 10 March 2016

For the Board of Directors,

Francisco José Queiroz de Barros de Lacerda

Luís Maria França de Castro Pereira Coutinho

Sílvia Maria Correia

Luiana Cristina Vieira Nunes Carvalho dos Santos

Luís Miguel Agoas Correia Amado

João Maria de Magalhães Barros de Mello Franco

André Manuel Pereira Gorjão de Andrade Costa

José Manuel Gonçalves de Morais Cabral

Rui Afonso Galvão Mexia de Almeida Fernandes

Clementina Maria Dâmaso de Jesus Silva Barroso

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 will implement its strategy with solid capital ratios, in line with its value proposal, and CTT's strength. It will keep a conservative balance sheet structure, with low transformation rates of deposits into loans and will focus on low-risk mortgage loans and overdraft credit collateralized on salaries and pensions. This strategy allows it to build a significant portfolio of liquid and diversified assets from various geographies and branches of activity. This provides great resilience in times of adversity in the liquidity and credit markets.

Lisbon, 10 March 2016

For the Board of Directors,

Francisco José Queiroz de Barros de Lacerda

Luís Maria França de Castro Pereira Coutinho

Sílvia Maria Correia

Luiana Cristina Vieira Nunes Carvalho dos Santos

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Clementina Maria Dâmaso de Jesus Silva Barroso

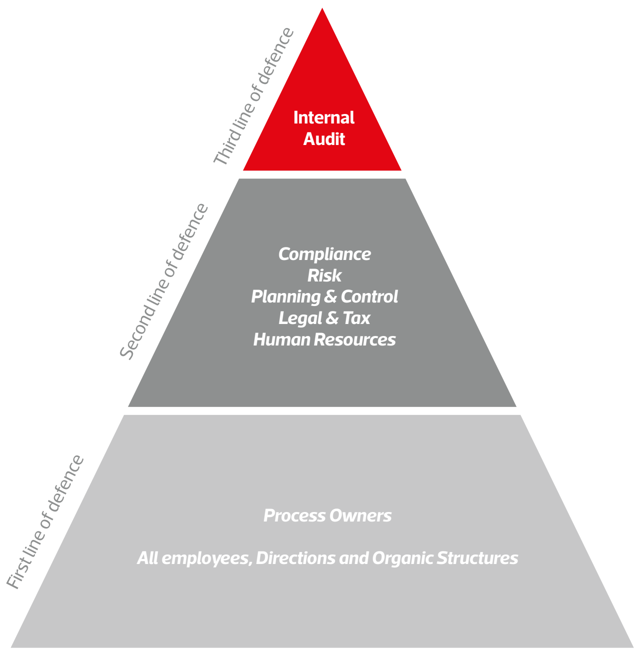
Internal Control System

Banco CTT's internal control system includes a number of strategies, systems, processes, policies and procedures reviewed and approved by the Board of Directors. In turn, the Audit Committee, oversees the independence, adequacy and effectiveness of the internal control system in its entirety.

As a basic principles, any of the Bank's policies, processes and 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:

- The 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 those entrusted with internal control (information goals); and
- Compliance with legal and regulatory provisions of either a prudential or behavioural nature, including naturally anti-money laundering and financing of terrorism provisions (compliance goals).

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



- On the first line of defence, there is the Retail Network (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) where most processes are essentially begun by CTT's Retail Network.
- On the second line of defence, there is the Compliance area and the Risk area, two independent control duties that are responsible both for the definition of level one controls and for continually monitoring and assessing the effectiveness of those controls.
- 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.

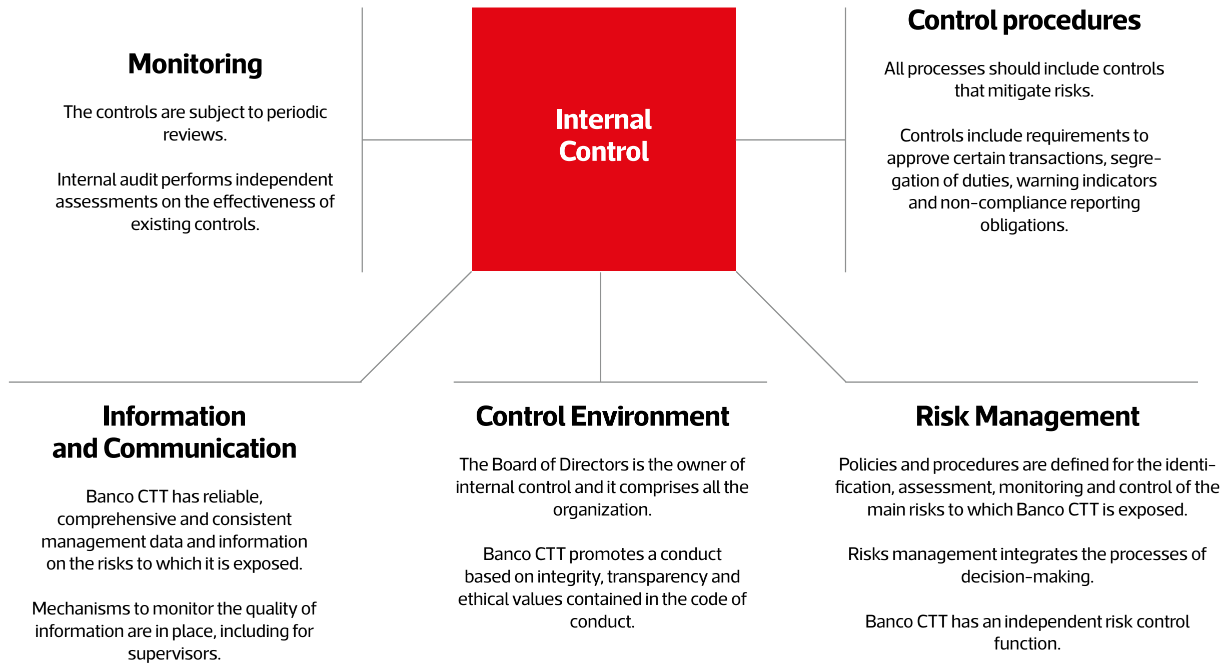
The Board of Directors, naturally, holds ultimate responsibility for the internal control system. It is entrusted with defining, implementing, overseeing and periodically reviewing the implemented governance model and ensuring it is optimised and effective.

The 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 Organizations".

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

- **Control Environment** – 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 the integrity in 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.
- **Information and Communication** – 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.
- **Risk Management** – 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 risk control and compliance areas (as regards compliance risk) contribute significantly to this component.
- **Control Procedures** – once risks have been flagged, it is indispensable to select the various controls that are the most adequate to their mitigation. Therefore, the main goal of this component is to select the most effective controls in light of the risk tolerance defined by the Bank, in order to ensure that the residual risk resulting from those controls falls below that value for the respective category of risk.
- **Monitoring Controls** – includes the control measures and assessments carried out by those entrusted with internal control duties to ensure the effectiveness and adequacy thereof. The goal is to identify shortcomings in the control processes that allows corrective measures to be adopted in a timely fashion. Autonomous and independent assessments performed by internal audit are particularly relevant in ascertaining the effectiveness of the internal control system.

The following graph shows the five components of the internal control system adopted by Banco CTT.



It is worth noting that 2015, because it was Banco CTT inaugural year, was marked by the definition of the internal control system to be adopted and by the appointment of those responsible for internal control duties. In that regard, it is natural that the internal control system come to be further fleshed-out and fine-tuned throughout 2016.

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03 Complementary information

Financial Statements

Income statement for the period between 6 February 2015 and 31 December 2015

	2015 Euros
Interest and similar income	18,187
Net interest income	**18,187**
Net fees and commisssion income	(22,760)
Other operating income	(53,846)
Operating income	**(58,419)**
Staff costs	2,252,301
General and administrative expenses	5,066,117
Depreciation and amortisation	137,081
Operating expenses	**7,455,499**
Profit/ (loss) before income tax	**(7,513,918)**
Current tax	(1,593,233)
Income tax expense	**(1,593,233)**
Net profit/ (loss) for the period	**(5,920,685)**
Basic Earnings per share	(0.28)
Diluted Earnings per share	(0.28)

Balance Sheet as at 31 December, 2015

	2015 Euros
Assets	
Cash and deposits at Central Banks	30,397
Deposits with banks	1,458,350
Available-for-sale financial assets	130,144
Investments in credit institutions	17,902,472
Property and equipment	60,642
Intangible assets	9,716,701
Other assets	1,816,304
Total Assets	**31,115,010**
Liabilities	
Deposits and other resources from customers	52,422
Other liabilities	2,983,813
Total Liabilities	**3,036,235**
Equity	
Share capital	34,000,000
Fair value reserves	(540)
Net profit/ (loss) for the period	(5,920,685)
Total Equity	**28,078,775**
Total Equity and Liabilities	**31,115,010**

Proposed Application of Results

Whereas:

In 2015, the Banco CTT S.A. recorded a net loss of 5,920,685 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, 10 March 2016

By the Board of Directors,

Francisco José Queiroz de Barros de Lacerda

Luís Maria França de Castro Pereira Coutinho

Sílvia Maria Correia

Luiana Cristina Vieira Nunes Carvalho dos Santos

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Clementina Maria Dâmaso de Jesus Silva Barroso

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Financial statements and notes to the financial statements

Financial statements

Income statement for the period between 6 February 2015 and 31 December 2015

	Notes	2015 Euros
Interest and similar income	4	18,187
Net interest income		**18,187**
Net fees and commisssion income	5	(22,760)
Other operating income	6	(53,846)
Operating income		**(58,419)**
Staff costs	7	2,252,301
General and administrative expenses	8	5,066,117
Depreciation and amortisation	14 and 15	137,081
Operating expenses		**7,455,499**
Profit/ (loss) before income tax		**(7,513,918)**
Current tax	18	(1,593,233)
Income tax expense		**(1,593,233)**
Net profit/ (loss) for the period		**(5,920,685)**
Basic Earnings per share	9	(0.28)
Diluted Earnings per share	9	(0.28)

CHIEF ACCOUNTANT

Maria de Fátima Enes Venâncio Cunha

Nuno Filipe dos Santos Fernandes

THE BOARD OF DIRECTORS

Francisco José Queiroz de Barros de Lacerda

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Balance Sheet as at 31 December 2015

	Notes	2015 Euros
Assets		
Cash and deposits at Central Banks	10	30,397
Deposits with banks	11	1,458,350
Available-for-sale financial assets	12	130,144
Investments in credit institutions	13	17,902,472
Property and equipment	14	60,642
Intangible assets	15	9,716,701
Other assets	16	1,816,304
Total Assets		**31,115,010**
Liabilities		
Deposits and other resources from customers	17	52,422
Other liabilities	19	2,983,813
Total Liabilities		**3,036,235**
Equity		
Share capital	20	34,000,000
Fair value reserves	21 and 22	(540)
Net profit/ (loss) for the period		(5,920,685)
Total Equity		**28,078,775**
Total Equity and Liabilities		**31,115,010**

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Cash Flow Statement for the period between 6 February 2015 and 31 December 2015

	Notes	2015 Euros
Cash flows from operating activities		
Interest and commissions received		15,385
Interest and commissions paid		(22,771)
Payments to employees		(1,726,742)
Other payments and receivables		(2,662,872)
		(4,397,000)
Increases / (decreases) in operating assets		
Other assets		221,910
		221,910
Increases / (decreases) in operating liabilities		
Resources from customers		52,422
		52,422
Cash flows from investing activities		
Deposits with Bank of Portugal		(15,847)
Investments in credit institutions		(17,900,000)
Available-for-sale financial assets		(130,342)
Acquisition of tangible and intagible assets		(9,914,423)
		(27,960,612)
Cash flows from financing activities		
Capital increase		34,000,000
		34,000,000
Net changes in cash and cash equivalents		1,472,900
Cash and cash equivalents at the beginning of the period		-
Cash and cash equivalents at the end of the period		**1,472,900**
Cash and equivalents includes:		
Cash	10	14,550
Deposits with banks	11	1,458,350
Total		**1,472,900**

CHIEF ACCOUNTANT

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Statement of changes in Equity for the period between 6 February 2015 and 31 December 2015

(Amounts in Euros)

	Total Equity	Share capital	Legal reserve	Fair value reserve	Other reserves	Retained earnings	Net profit/ (loss) for the period
Balance on 6 February 2015	**5,000,000**	**5,000,000**	**-**	**-**	**-**	**-**	**-**
Share capital increase	29,000,000	29,000,000	-	-	-	-	-
Fair value reserves	(540)	-	-	(540)	-	-	-
Net profit/ (loss) for the period	(5,920,685)	-	-	-	-	-	(5,920,685)
Balance on 31 December 2015	**28,078,775**	**34,000,000**	**-**	**(540)**	**-**	**-**	**(5,920,685)**

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Statement of comprehensive income for the period between 6 February 2015 and 31 December 2015

	2015 Euros
Items that may be reclassified to the income statement	
Fair value reserve	(540)
Comprehensive income recognized directly in Equity after taxes	(540)
Net profit/ (loss) for the period	(5,920,685)
Total comprehensive income for the period	**(5,921,225)**

CHIEF ACCOUNTANT

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Notes to the Financial Statements

Introduction

Banco CTT, S.A. was established in 24 August 2015 following the transformation of the company CTT Serviços, SA – a company created in 6 February 2015 solely for the implementation process of the bank, in its Project stage, during which was necessary to gather all the information required by Bank of Portugal to start activity, as explained in the support letter to the granting of the license, dated of 2013 and renewed on 2014.

Following the process initiated in 2013 with the request and award by Bank of Portugal of a license to create a Postal Bank, CTT have developed several market surveys and deep reflections regarding the business model, through which were able to confirm the timing and value of the Project.

Thus, the Board of Directors of CTT approved in 4 November the launch of the Postal Bank, prosecuting their expansion strategy based in the supply of products and financial services. Bank of Portugal has authorized the beginning of operations until 27 November 2015.

The Banco CTT model will be supported by a low cost principle, leveraged in the CTT stores network, aiming the mass market that searches for its daily bank operations and simple but competitive products. Using the wide network of stores with financial services experience and the physical proximity together with the supply of integrated channels (stores, online, mobile) will be the clear advantage of CTT to a competitive bank services supply. The business plan and forecasts estimate an amount of 170 million of Euros of investment requirements from CTT in the next 5 years. Banco CTT was projected to not have impact in the dividend policy of CTT and the main quantitative data were already disclosed in last November, in Capital Markets Day.

Presently Banco CTT has a share capital of 34 million Euros, the same amount that started operations with.

Note 1 – Basis of Preparation

In accordance with Regulation (EC) no. 1606/2002 of 19 July 2002 from the European Council and Parliament, and its adoption into Portuguese Law through Decree-Law no. 35/2005, of 17 February 2005, and Bank of Portugal Notice no. 1/2005, the financial statements of Banco CTT are prepared in accordance with the Adjusted Accounting Standards (NCA), as established by the Bank of Portugal.

NCA are composed by all the standards included in the International Financial Reporting Standards (IFRS) as adopted for use in the EU, with the exception of issues regulated by the Bank of Portugal, such as loan impairment and recognition in retained earnings of the adjustments related to pensions during the transition period.

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.

These financial statements of the Bank for the period from 6 February 2015 to 31 December 2015 were prepared in accordance with the Adjusted Accounting Standards (NCA), which includes the IFRS effective and adopted for use in the EU until 31 December 2015.

Having started its activity during 2015, comparative values are not presented.

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.

The preparation of financial statements in conformity with NCA 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 judgement 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 10 March 2016.

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 recognised in the income statement.

The exchange rates used to translate the financial statements in foreign currency are the closing exchange rates in each period for assets and liabilities and the average exchange rates for the income statement.

2.2. Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets (i) intended to be held for an indefinite period of time, (ii) 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 recognised at fair value plus transaction costs. Available for sale financial assets are also subsequently carried at fair value. Gains and losses arising from changes in their fair value are recognised directly in equity, until the financial assets are derecognised or impaired, at which time the cumulative gain or loss previously recognised in equity is recognised in the income statement.

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

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

2.3. 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 recognised under equity as a deduction from the proceeds. Amounts paid or received related to acquisitions or sales of equity instruments are recognised in equity, net of transaction costs.

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

2.4 Offsetting financial instruments

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 recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

2.5 Tangible assets

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

(i) the acquisiton 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	10
Security equipment	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 recognised 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".

2.6 Intangible assets

Intangible assets are measured at cost less accumulated depreciation and impairment losses, when applicable. Intangible assets are only recognised when it's 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 recognised in the income statement when incurred.

These costs are amortised on a straight line basis during their expected useful lives, which is usually between three to fifteen 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 recognised 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".

2.7 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 group´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 recognised as an expense in the income statement during the lease term (Note 8).

2.8 Income tax

Income tax for the period comprises current tax and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. In this case, deferred tax are also recognised 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 difers 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 recognised for all taxable temporary differences. Deferred tax assets are recognised 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. Deferred tax assets are reviewed at each reporting date and are reduced (or reversed) 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 taxed 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.

2.9 Provisions

Provisions are recognised 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

2.10 Interest income and expenses

Interest income and expense are recognised in the income statement under interest and similar income and interest expense and similar charges for all non-derivative financial instruments measured at amortised 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 recognised, interest income is calculated using the interest rate used to measure the impairment loss.

2.11 Recognition of fees and commission income

Fees and commissions income are recognised as follows::

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

2.12 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.

2.13 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.

Note 3 – Critical Accounting Estimates and Judgments in Applying Accounting Policies

NCA 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 recognised with a consequent impact in the income statement of the Bank.

3.2 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 in 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.

3.3 Provisions

The bank makes considerable judgment when measuring and recognizing provisions. Judgment is needed in order to infer the probability of success of a litigation. 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. Due to the inherent uncertainties to the evaluation process, real losses can be different from the original estimated. These estimates are subject to changes as new information becomes available. Reviews to this estimations can affect future results.

Note 4 – Net Interest Income

This balance includes:

	2015 Euros
Interest and similar income	
Interest on available for sale financial assets	342
Interest on deposits at credit institutions	17,845
	18,187

Note 5 – Net Fees and Commission Income

This balance includes:

	2015 Euros
Fees and commissions received	
From banking services	11
	11
Fees and commissions paid	
From banking services	22,771
	22,771
	(22,760)

Note 6 – Other Operating Income

This balance includes:

	2015 Euros
Operating income	
Other operating income	1,662
	1,662
Operating expenses	
Indirect taxes	4,435
Contribution for the single resolution fund	1,000
Contribution for the deposit guarantee fund	50,000
Other operating expenses	73
	55,508
	(53,846)

The initial contribution to the Deposit Guarantee Fund is in accordance with the Article 160 paragraph 1 of RGICSF, being the amount of 50,000 euros set in the Bank of Portugal Notice no. 7/2001.

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 7 – Staff Costs

This balance includes:

	2015 Euros
Top management salaries	584,176
Staff salaries	1,214,764
Mandatory social security charges - Management	138,152
Mandatory social security charges - Staff	280,041
Insurance for accidents at work and occupational diseases	15,792
Other costs	19,376
	2,252,301

The total amount of fixed remuneration of the Management and Supervisory Board, in 2015 recorded in the caption remunerations amounted to 584,176 euros. During 2015, regarding the Management and Supervisory Boards, were also incurred costs with contributions to Social Security in the amount of 138,152 euros.

In 2015, Management and Supervisory Boards were not granted with any amounts relating to variable remunerations.

As at the end of 2015 effective workers in the service of the Bank, distributed by professional category, were as follows:

	2015 Euros
Board of directors (*)	9
Intermediary management	14
Technical functions	45
Administrative	1
	69

(*) Includes non-executive directores and 3 members of the Audit Commission

Note 8 – General and Administrative Expenses

This balance includes:

	2015 Euros
Water, electricity and fuel	17,159
Consumables	5,265
Rents	209,095
Communications	4,699
Travel, hotel and representation costs	67,012
Advertising	144,760
Maintenance and related services	21,941
Training costs	48,128
Insurance	8,656
Information technology services	1,200,398
Consulting and advisory services	2,951,417
Other specialised services	246,566
Other supplies and services	141,021
	5,066,117

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

The Bank has entered into operating leases contracts whose outstanding due rents as at 31 December 2015 amounts to 422,971 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:

	2015 Euros
Up to 1 year	124,413
1 to 5 years	298,558
	422,971

Fees relating audit services and Statutory Audit of the financial statements billed by the Statutory Auditors are as follows:

	2015 Euros
Audit services and Statutory Audit	40,000
	40,000

Note 9 – Earnings Per Share

Earnings per share is calculated as follows:

	2015 Euros
Net income	(5,920,685)
Average number of shares	20,902,736
Basic earnings per share (euros)	(0.28)
Diluted earnings per share (euros)	(0.28)

The share capital of the Bank is 34,000,000 euros represented by 34,000,000 common shares without par value, being fully realised, as follows:

	Euros
06-feb-15	5,000,000
12-may-15	15,000,000
31-aug-15	14,000,000
	34,000,000

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 2015, the Bank didn´t have dilutive potential ordinary shares and therefore the diluted earnings per share is equal to basic earnings per share.

Note 10 – Cash and Deposits at Central Banks

This balance is analysed as follows:

	2015 Euros
Cash	14,550
Demand deposits at Bank of Portugal	15,847
	30,397

Cash balance in the amount of 14,550 euros is represented by banknotes and coins denominated in euros.

As at 31 December 2015, the balance Demand deposits at Bank of Portugal does not include, 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.

The reserve maintenance period in place as at 31 December 2015, had deposits and other liabilities as basis of incidence as at 31 October 2015. At this date, the Bank did not have any eligible liability to be considered in the calculation of the minimum cash reserves.

Note 11 – Deposits with Banks

This balance is analysed as follows:

	2015 Euros
Credit institutions in Portugal	1,458,350
	1,458,350

Note 12 – Available for Sale Financial Assets

This balance is analysed as follows:

(euros)

		Fair Value Reserve			
	Cost [(1)]	Positive	Negative	Impairment	Total
Bonds and other fixed income securities					
Government bonds					
Domestic	130,684	-	540	-	130,144
	130,684	**-**	**540**	**-**	**130,144**

[(1)] Acquisition cost for shares and other equity instruments and amortised cost for fixed income securities

In accordance with the accounting policy described in Note 2.2, 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.

Note 13 – Investments at Credit Institutions

This balance is analysed as follows:

	2015 Euros
Investments at Credit institutions in Portugal	17,902,472
	17,902,472

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

	2015 Euros
Up to 3 months	14,801,896
From 6 to 12 months	3,100,576
	17,902,472

Investments at credit institutions presented during the period an average annual rate of 0.186%.

Note 14 – Tangible Assets

This balance is analysed as follows:

	2015 Euros
Buildings	
Improvements in leasehold property	35,637
Equipment	
Security equipments	28,910
Other equipments	2,146
	66,693
Accumulated depreciation	
Charge for the period	6,051
	6,051
Net book value	**60,642**

The movements in Tangible Assets during 2015 are analysed as follows:

	Balance on 6 February Euros	Acquisitions / Charge Euros	Transfers Euros	Disposals / Charged-off Euros	Balance on 31 December Euros
Acquisition cost					
Buildings					
Improvements in leasehold property	-	35,637	-	-	35,637
Equipment					
Security equipments	-	28,910	-	-	28,910
Other equipments	-	2,146	-	-	2,146
	-	**66,693**	**-**	**-**	**66,693**
	Balance on 6 February Euros	**Charge for the period Euros**	**Transfers Euros**	**Disposals / Charged-off Euros**	**Balance on 31 December Euros**
Accumulated depreciation					
Buildings					
Improvements in leasehold property	-	1,962	-	-	1,962
Equipment					
Security equipments	-	1,943	-	-	1,943
Other equipments	-	2,146	-	-	2,146
	-	**6,051**	**-**	**-**	**6,051**
	-	**60,642**	**-**	**-**	**60,642**

Note 15 – Intangible Assets

This balance is analysed as follows:

	2015 Euros
Software	
Software in use	737,759
Work in progress	9,109,972
	9,847,731
Accumulated amortisation	
Charge for the period	131,030
	131,030
Net book value	**9,716,701**

The movements in Intangible Assets during 2015 are analyzed as follows:

	Balance on 6 February Euros	Acquisition / Charge Euros	Transfers Euros	Disposals / Charged-off Euros	Balance on 31 December Euros
Acquisition cost					
Software					
Software in use	-	737,759	-	-	737,759
Work in progress	-	9,109,972	-	-	9,109,972
	-	**9,847,731**	**-**	**-**	**9,847,731**
	Balance on 6 February Euros	**Acquisition / Charge Euros**	**Transfers Euros**	**Disposals / Charged-off Euros**	**Balance on 31 December Euros**
Accumulated amortisation					
Software					
Software in use	-	131,030	-	-	131,030
	-	**131,030**	**-**	**-**	**131,030**
	-	**9,716,701**	**-**	**-**	**9,716,701**

Note 16 – Other Assets

This balance is analysed as follows:

	2015 Euros
Corporate Income Tax (RETGS)	1,596,131
Deferred costs	193,171
Public sector	26,395
Prepayments	607
	1,816,304

Other assets includes the amount of 1,596,131 euros referring to Corporate Income Tax as a result from the application of Special Taxation of Corporate Groups Regime (RETGS), in accordance with paragraph 2.8 of Note 2.

Note 17 – Deposits and Other Resources from Customers

This balance is analysed as follows:

	2015 Euros
Demand deposits	52,422
	52,422

Note 18 – 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 2.8, 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:

	2015 Euros
Profit/(loss) before income taxes	(7,513,918)
Current Tax rate	21.0%
Expected tax	1,577,923
Deductions for the purpose of calculating the taxable income	15,494
Autonomous taxation	(184)
	1,593,233
Effective tax rate	21.2%

Note 19 – Other Liabilities

This balance is analysed as follows:

	2015 Euros
Creditors	
Suppliers	2,054,661
CTT	189,572
Due to Employees	525,561
Public sector	212,857
Others	1,162
	2,983,813

Note 20 – Share Capital

The share capital in the amount of 34,000,000 euros, represented by 34,000,000 shares without nominal value, is fully subscribed and paid.

As at 31 December 2015, CTT – Correios de Portugal, S.A. holds 100% of the share capital of Banco CTT

Note 21 – 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 22 – Reserves and Retained Earnings

This balance is analysed as follows:

	2015 Euros
Fair value reserve	(540)
	(540)

Note 23 – Contingent Liabilities and Commitments

As at 31 December 2015, the Bank does not have contingent liabilities or commitments assumed with third parties.

Note 24 – 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 2015, the list of related parties was as follows:

Shareholder:

CTT - Correios de Portugal, S.A. (Public Company)

Board Members:

Board of Directors	
Francisco José Queiroz de Barros de Lacerda	Chairman
Luís Maria França de Castro Pereira Coutinho	Member
Sílvia Maria Correia	Member
Luiana Cristina Vieira Nunes Carvalho dos Santos	Member
Luís Miguel Agoas Correia Amado	Member
André Manuel Pereira Gorjão de Andrade Costa	Member
José Manuel Gonçalves de Morais Cabral	Member
Rui Afonso Galvão Mexia de Almeia Fernandes	Member
Clementina Maria Dâmaso de Jesus Silva Barroso	Member
Executive Committee	
Luís Maria França de Castro Pereira Coutinho	Chairman
Sílvia Maria Correia	Member
Luiana Cristina Vieira Nunes Carvalho dos Santos	Member
Luís Miguel Agoas Correia Amado	Member
Audit Commission	
José Manuel Gonçalves de Morais Cabral	Chairman
Rui Afonso Galvão Mexia de Almeia Fernandes	Member
Clementina Maria Dâmaso de Jesus Silva Barroso	Member

Other Related Parties:

PostContacto – Correio Publicitário, Lda.
CTT Expresso – Serviços Postais e Logística, S.A.
Payshop Portugal, S.A.
CTT GEST – Gestão de Serviços e Equipamentos Postais, S.A.
CTT Contacto, S.A.
Mailtec Holding, SGPS, S.A.
Mailtec Comunicação S.A.
Mailtec Consultoria S.A.
Mailtec Processos, Lda.
Tourline Express Mensajería, SLU.
Correio Expresso de Moçambique, S.A.
Escrita Inteligente, S.A.

As at 31 December 2015, the Bank's transactions amounts with related parties, as well as the respective expenses and income recognised in the period are analysed as follows:

	2015			
	Balance Sheet		Income Statement	
	Assets Euros	Liabilities Euros	Expense Euros	Income Euros
CTT - Correios de Portugal, S.A.	1,596,131	189,572	197,223	-
	1,596,131	**189,572**	**197,223**	**-**

As at 31 December 2015 the amount of Board Members deposits with the Bank is 20,643 euros.

Note 25 – Fair Value

As at 31 December 2015, the fair value of financial assets and liabilities is analysed as follows:

	2015	
	Book value Euros	Fair value Euros
Financial assets		
Cash and deposits at Central Banks	30, 397	30,397
Deposits with banks	1,458,350	1,458,350
Available for sale financial assets	130,144	130,144
Investments in credit institutions	17,902,472	17,902,472
	19,521,363	**19,521,363**
Financial liabilities		
Deposits and other resources from customers	52,422	52,422
	52,422	**52,422**

The main methods and assumptions used in estimating the fair value of financial assets and liabilities recorded on the balance sheet at amortised cost are analysed as follows:

- *Cash and deposits at central banks, Deposits with banks, Investment in credit institutions, Deposits and other resources from customers and other loans*

  Considering the short term nature of these financial instruments, carrying value is a reasonable estimate of its fair value.

- *Available for sale financial assets*

  These financial assets are recorded at fair value. The fair value is based on market prices, whenever these are available.

Note 26 – Risk Management

The Bank is subject to several risks in the development of its activity.

The Bank´s risk management policy and internal control aims to ensure the effective implementation of the risk management system, through continuous monitoring of their adequacy and effectiveness, seeking to identify, assess, monitor and control all material risks to which the institution is exposed to, both internally and externally - risk, liquidity, market and operational risks.

In 2015, the Bank is mainly exposed to operational risk.

Credit Risk

Credit risk reflects the uncertainty of expected returns, through incapacity of the borrower (and its guarantor, if any) or the counterparty of a contract to comply with its obligations.

As at 31 December 2015, the Bank had not granted credit to customers, thus have no credit risk associated with loans granted.

The Bank, is currently exposed to credit risk in other of its activities. These include necessarily direct exposure to credit risk associated with the investments and deposits in other credit institutions (counterparty risk) and debt securities issued by the Republic of Portugal.

The following table shows the information concerning gross exposure to credit risk of the Bank (original exposure) as at 31 December 2015:

Risk classes	2015 Euros
Central Authorities and Central Banks	145.991
Other Credit Institutions	19.360.822
	19.506.813

Market Risk

Market risk is the possible loss resulting from an adverse change in the value of a financial instrument due to changes in interest rates, exchange rates, stock prices, commodities, or real estate, volatility and credit spread.

In the initial phase, the bank's balance sheet structure has no significant exposure to market risk.

Liquidity Risk

Liquidity risk reflects the possibility of incurring significant losses resulting from the deterioration of funding conditions (funding risk) and / or sale of assets at amounts below market values (market risk liquidity).

The assessment of the Bank's liquidity is performed using regulatory indicators defined by the supervisory authorities, as well as other internal metrics.

The Bank reports the ALMM (Additional Liquidity Monitoring Metrics), which allows the competent authorities to obtain a comprehensive view of the Bank's liquidity risk profile.

As at 31 December 2015, the total assets and liabilities by maturity are analysed as follows:

	At sight Euros	Up to 3 months Euros	From 3 to 12 months Euros	From 1 to 3 years Euros	More than 3 years Euros	Total Euros
Assets						
Cash and deposits at Central Banks	30,397	-	-	-	-	30,397
Loans and advances to credit institutions	1,458,350	-	-	-	-	1,458,350
Financial assets available for sale	-	-	-	130,144	-	130,144
Deposits at credit institutions	-	14,801,896	3,100,576	-	-	17,902,472
Total Assets	**1,488,747**	**14,801,896**	**3,100,576**	**130,144**	**-**	**19,521,363**
Liabilities						
Deposits and other resources from customers	52,422	-	-	-	-	52,422
Total Liabilities	**52,422**	**-**	**-**	**-**	**-**	**52,422**
GAP (Assets - Liabilities)	**1,436,325**	**14,801,896**	**3,100,576**	**130,144**	**-**	**19,468,941**
Accumulated GAP	**1,436,325**	**16,238,221**	**19,338,797**	**19,468,941**	**19,468,941**	

Operational Risk

The Bank, given the nature of its business, is exposed to potential losses or reputational risk as a result of human error, system and / or processing failures, unexpected activity interruptions or failures by third parties in terms of supplies or execution services.

The approach to operational risk management is supported by the structure of end-to-end processes, ensuring the effective adequacy of controls involving the Board that intervene in the process. During 2015 were also identified and assessed the risks and controls of processes ensuring process compliance with the requirements and principles of the Internal Control System.

Note 27 – Capital Management and Solvability Ratio

The main objective of capital management is to ensure the fulfillment of the strategic objectives of the Bank in terms of capital adequacy, respecting and enforcing the minimum capital requirements set by the supervision authorities.

Banco CTT used in the calculation of capital requirements, the standard approach for credit risk and the basic indicator approach for operational risk.

Own funds determined in accordance with CRR, include Tier 1 own funds (Tier 1) and Tier 2 own funds (Tier 2). Tier 1 includes the main level 1 own funds (common equity tier 1 - CET1) and additional Tier 1 own funds.

Common Equity Tier 1 of the bank includes: a) paid up capital and the reserves and retained earnings, b) regulatory deductions related to intangible assets and losses for the period. The Bank has no additional Tier 1 or Tier 2 own funds.

The current legislation covers a period of transition between the capital requirements required by national legislation and the ones calculated in accordance with EU legislation to phase in either the non-inclusion / exclusion of previously considered elements (phased-out) or the inclusion / deduction of new elements (phased-in). The phased transition period will last until the end of 2017 for most elements. In the new prudential framework, institutions must report ratios common equity tier 1, tier 1 and total not less than 7%, 8.5% and 10.5%, respectively including a capital conservation buffer of 2.5%, but benefiting from a transitional period until the end of 2018.

The Bank of Portugal Notice No. 6/2013 regulates the transitional regime provided in the CRR on own funds, establish measures to preserve capital and to determine a Common Equity Tier I ratio (CET1) not less than 7% during the transition period in order to ensure proper compliance with the capital requirements that are anticipated.

As at 31 December 2015, the Bank had the following capital ratios, calculated in accordance with the transitional measures included in the CRR:

Solvability Ratio

(Amounts in euros)

	CRR Phasing in 2015 Euros	CRR Fully implemented 2015 Euros	Notes
Own funds			
Share Capital	**34,000,000**	**34,000,000**	**20**
Prudential filters	**(216)**	**(540)**	
Reserves resulting of valuation at fair value	(216)	(540)	22
Deductions to the main Tier 1 elements	**(15,637,386)**	**(15,637,386)**	
Losses for the period	(5,920,685)	(5,920,685)	
Intangible assets	(9,716,701)	(9,716,701)	15
Common Equity Tier 1 (CET1)	**18,362,398**	**18,362,074**	
Tier 1 Capital	**18,362,398**	**18,362,074**	
Total own funds	**18,362,398**	**18,362,074**	
RWA			
Credit risk	8,235,621	8,235,621	
Operational risk [1]	14,087,682	14,087,682	
Market risk	-	-	
Total	**22,323,303**	**22,323,303**	
Capital ratios			
Common Equity Tier 1	82.26%	82.26%	
Tier 1 ratio	82.26%	82.26%	
Total Capital ratio	82.26%	82.26%	

[1] RWA based on conservative estimates of operating income.

Note 28 – Recently Issued Accounting Standards and Interpretations

The recently issued accounting standards and interpretations which entered into force and that the Bank considered in the preparation of its financial statements as at 31 December 2015, are as follows:

IFRIC 21 – Levies

The IASB, issued on 20th May 2013, this interpretation, effective (with retrospective application) for annual periods beginning on or after 1st January 2014. These interpretation was endorsed by EU Commission Regulation 634/2014, 13th July (defining the date of entry into force as the beginning of the first financial year starting on or after 17 June 2014).

IFRIC 21 defines a levy as an outflow from an entity imposed by a government in accordance with legislation. It confirms that an entity recognises a liability for a levy when – and only when – the triggering event specified in the legislation occurs.

Improvements to IFRS (2011-2013)

The annual improvements cycle 2011-2013, issued by IASB on 12th December 2013, introduce amendments, with effective date on, or after, 1st July 2014, to the standards IFRS 1, IFRS 3, IFRS 13 and IAS 40. These amendments were endorsed by EU Commission Regulation 1361/2014, 18th December (defining entry into force at the latest, as from the commencement date of first financial year starting on or after 1st January 2015).

IFRS 1 – Meaning of "effective IFRS"

IASB clarifies that if a new IFRS is not yet mandatory but permits early application, that IFRS is permitted, but not required, to be applied in the entity's first IFRS financial statements.

IFRS 3 – Scope exceptions for joint ventures

The amendment excludes the formation of all types of joint arrangements as defined in IFRS 11 Joint Arrangements from the scope of IFRS 3. The scope exception only applies to the financial statements of the joint venture or the joint operation itself.

IFRS 13 – Scope of paragraph 52 – portfolio exception

Paragraph 52 of IFRS 13 includes a scope exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis. The objective of this amendment was to clarify that the portfolio exception applies to all contracts within the scope of IAS 39 or IFRS 9, regardless of whether they meet the definitions of financial assets or financial liabilities as defined in IAS 32.

IAS 40 – Interrelationship with IFRS 3 when classify property as investment property or owner-occupied property

The objective of this amendment was to clarify that judgment is needed to determine whether the acquisition of investment property is the acquisition of an asset, a group of assets or a business combination in the scope of IFRS 3 and that this judgment is based on the guidance in IFRS 3..

Note 29 – Standards, Interpretations, Amendments and Adopted Revisions By European Union and Which the Bank Decided To Not To Early Apply

The Bank decided against early application of the following standards and interpretations, which were endorsed by the EU, considering that they do not fall under the 2015 scope of Banco CTT:

IAS 19 (Revised) – Defined Benefit Plans: Employee Contributions

The IASB, issued on 21th November 2013, this amendment, effective (with retrospective application) for annual periods beginning on or after 1st July 2014. These amendments were endorsed by EU Commission Regulation 29/2015, 17th December 2014 (defining entry into force at the latest, as from the commencement date of first financial year starting on or after 1 February 2015).

The Amendment clarifies the guidance on attributing employee or third party contributions linked to service and requires entities to attribute the contributions linked to service in accordance with paragraph 70 of IAS 19 (2011). Therefore, such contributions are attributed using plan's contribution formula or on a straight line basis.

The amendment addresses the complexity by introducing a practical expedient that allows an entity to recognise employee or third party contributions linked to service that are independent of the number of years of service (for example a fixed percentage of salary), as a reduction in the service cost in the period in which the related service is rendered.

The Bank expects no impact from the adoption of this amendment on its financial statements.

Improvements to IFRS (2010-2012)

The annual improvements cycle 2010-2012, issued by IASB on 12th December 2013, introduce amendments, with effective date on, or after, 1st July 2014, to the standards IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS16, IAS24 and IAS38. These amendments were endorsed by EU Commission Regulation 28/2015, 17th December 2014 (defining entry into force at the latest, as from the commencement date of first financial year starting on or after 1st February 2015).

IFRS 2 – Definition of vesting condition

The amendment clarify the definition of 'vesting conditions' in Appendix A of IFRS 2 Share-based Payment by separate the definition of performance condition and service condition from the definition of vesting condition to make the description of each condition clear.

IFRS 3 – Accounting for contingent consideration in a business combination

The objective of this amendment is to clarify certain aspects of accounting for contingent consideration in a business combination, namely the classification of contingent consideration in a business combination and subsequent measurement, considering if such contingent consideration is a financial instrument or a non-financial asset or liability.

IFRS 8 – Aggregation of operation segments and reconciliation of the total of the reportable segments' assets to entity's assets

The amendment clarify the criteria for aggregation of operating segments and requires entities to disclose those factors that are used to identify the entity's reportable segments when operating segments have been aggregated. To achieve consistency, reconciliation of the total of the reportable segments' assets to the entity's assets should be disclosed, if that amount is regularly provided to the chief operating decision maker.

IFRS 13 – Short-term receivables and payables

IASB amends the basis of conclusion in order to clarify that, by deleting IAS 39 AG79, IASB did not intend to change the measurement requirements for short-term receivables and payables with no interest, that should be discount if such discount is material, noting that IAS 8.8 already permits entities not apply accounting polices set out in accordance with IFRSs when the effect of applying them is immaterial.

IAS 16 and IAS 38 – Revaluation method – proportionate restatement accumulated depreciation or amortization

In order to clarify the calculation of the accumulated depreciation or amortization at the date of the revaluation, IASB amended paragraph 35 of IAS 16 and paragraph 80 of IAS 38 to clarify that: (i) the determination of the accumulated depreciation (or amortization) does not depend on the selection of the valuation technique; and (ii) the accumulated depreciation (or amortization) is calculated as the difference between the gross and the net carrying amounts.

IAS 24 – Related Party Transactions – Key management personal services

In order to address the concerns about the identification of key management personal (KMP) costs, when KMP services of the reporting entity are provided by entities (management entity e.g. in mutual funds), IASB clarifies that, the disclosure of the amounts incurred by the entity for the provision of KMP services that are provided by a separate management entity shall be disclosed but it is not necessary to present the information required in paragraph 17.

The Bank expects no impact from the adoption of this amendment on its financial statements.

Improvements to IFRS (2012-2014)

The annual improvements of the 2012-2014 cycle, issued by IASB on 25 September 2014, introduce amendments, with effective date on, or after, 1 January 2016, to the standards IFRS 5, IFRS 7, IAS 19 and IAS 34. These amendments were endorsed by EU Commission Regulation 2343/2015, of 15 December 2015.

IFRS 5 - Non-current Assets held for Sale and Discontinued Operations: Change of Disposal Method

The Amendments to IFRS 5 clarify that if an entity reclassifies an asset (or disposal group) directly from being 'held for sale' to being 'held for distribution to owners' (or vice versa) then the change in classification is considered a continuation of the original plan of disposal. Therefore, no re-measurement gain or loss is accounted for in the statement of profit or loss or other comprehensive income due to such change.

IFRS 7 - Financial Instruments: Disclosures: Servicing contracts

The Amendments to IFRS 7 Financial Instruments: Disclosures: Servicing contracts clarify – by adding additional application guidance – when servicing contracts constitute continuing involvement for the purposes of applying the disclosure requirements in paragraph 42C of IFRS 7.

IFRS 7 – Financial Instruments: Disclosures: Applicability of the Amendments to IFRS 7 on offsetting financial assets and financial liabilities to condensed interim financial statements

The Amendments to IFRS 7 clarify that the additional disclosures required that were introduced in December 2011 by the Amendments to IFRS 7 –Offsetting Financial Assets and Financial Liabilities – are not required in interim periods after the year of their initial application unless IAS 34 Interim Financial Reporting requires those disclosures.

IAS 19 – Employee Benefits: Discount rate: regional market issue

The Amendments to IAS 19 Employee Benefits clarify that the high quality corporate bonds used to estimate the discount rate should be determined considering the same currency in which the benefits are to be paid. Consequently, the depth of the market for high quality corporate bonds should be assessed at currency level rather than at country level. If such a deep market does not exist, the market yield on government bonds denominated in that currency shall be used.

IAS 34 – Interim Financial Reporting: Disclosure of information "elsewhere in the interim financial report"

The Amendments clarify that the 'other disclosures' required by paragraph 16A of IAS 34 shall be presented either in the interim financial statements or incorporated by cross-reference from the interim financial statements to some other statement (such as management commentary or a risk report) that is available to users of the financial statements on the same terms as the interim financial statements and at the same time.

The Amendments to IAS 34 also clarify that if users of the financial statements do not have access to the information incorporated by cross-reference on the same terms and at the same time, the interim financial report is incomplete.

The Bank expects no impact from the adoption of these amendments on its financial statements.

IAS 27- Equity Method in Separate Financial Statements

IASB issued, on 12 August 2014, amendments to IAS 27, with an effective date of application for periods beginning on or after 1 January 2016, introducing an option for the measurement of subsidiaries, associates or joint ventures with the equity method in the separate financial statements.

These amendments were endorsed by EU Commission Regulation 2441/2015, of 18 December 2015.

This standard is currently not applicable to the Bank.

IAS 39 – Financial Instruments

In 30 December 2015, Bank of Portugal issued the Notice no.5/2015 that establishes that entities under their supervision should prepare individual financial statements in accordance with the International Financial Reporting Standards (IFRS) as adopted, in each moment, by EU Regulation, revoking Notice no.1/2005, that established that individual financial statements of the Bank should be prepared in accordance with the Adjusted Accounting Standards (NCA). This new regulation is in force since 1 January 2016. The impacts arising from this amendments in the initial balances of 2016 financial statements result essentially from the revocation of Notice no.3/95 which refers to the recording of impairment over a credit portfolio on an individual basis.

Since the bank, as at 31 December 2015, does not have credit granted to customers, this change will not have any impact in its financial statements.

Other Amendments

It was also issued by IASB in 2014, and applicable effective by 1 January 2016, the following amendments:

- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortization (issued on 12 May 2014 and endorsed by EU Commission Regulation 2231/2015, of 2 December);
- Amendments to IAS 1: Disclosure Initiative (issued on 18 December 2014 and endorsed by EU Commission Regulation 2406/2015, of 18 December).

The Bank expects no impact from the adoption of this amendment on its financial statements.

Note 30 – Standards, Interpretations, Amendments And Not Yet Adopted Revisions By European Union

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

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.

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 recognised 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) established a new impairment model based on "expected losses" that will replace the current "incurred losses" model predicted 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 1st January 2018.

The Bank has started the process of evaluating the potential effect of this standard but given the nature of the Bank's operations, this standard is expected to have a pervasive impact on the Bank's financial statements.

IFRS 15 - Revenue from Contracts with Customers

The IASB, issued on 28th May 2014, IFRS 15 Revenue from Contracts with Costumers, effective (with early application) for annual periods beginning on or after 1st July 2017. 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 recognised and the amount. The model specifies that the revenue should be recognised 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 recognised:

i) At a time when the control of the goods or services is transferred to the customer; or

ii) Over the period, to the extent that represents the performance of the entity.

The Bank is still evaluating the impact from the adoption of this standard.

IFRS 16 - Leases

The IASB, issued on 13 January 2016, IFRS 16 – Leases, effective (with early application if applied at the same time as IFRS 15) for annual periods beginning on or after 1 January 2019. This new standard replaces IAS 17 – Leases.

IFRS 16 removes the classification of leases as either operating leases or finance leases (for the lessee—the lease customer), treating all leases as finance leases.

Short-term leases (less than 12 months) and leases of low-value assets (such as personal computers) are exempt from the requirements.

The bank has not yet carried out a full analysis of the application of the impact of this standard.

IFRS 14 – Regulatory Deferral Accounts

The IASB issued on 30 January 2014 a standard that defines interim measures for those adopting IFRS for the first time and has activity with regulated tariff.

The European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard.

This standard is not applicable to the bank.

Other Amendments

IASB also issued the following amendments:

- on 18/12/2014, and applicable to periods beginning on or after 1 January 2016, amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception;
- on 19/1/2016, and applicable to 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.

The bank expects no impact from the adoption of this amendment on its financial statements.

Note 31 – Subsequent Events

The Bank is scheduled to start its activity in 18 March 2016 to the general public with 52 stores, beginning the process of launching the Bank to the general public.

Consequently, Banco CTT will start on the same date making available to the market its offer which will include credit risk monitoring.

Considering the contracting model of Banco CTT/CTT it will also be at that same time that costs will be shared, namely human, physical and technical means.

The members of the Board of Directors and Executive Committee, Luiana Nunes and Sílvia Correia, presented in 2016 their resignation, both for personal reasons, as member of the Board of Directors and Executive Committee, respectively CFO and CCO of Banco CTT. These resignations take effect, respectively, on 12 March 2016 and on 31 March 2016.

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05

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.

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

1. all financial information contained in the financial reporting documents for the 2015 financial year were prepared in compliance with the applicable accounting standards, providing a true and fair view of the Bank's assets and liabilities, the financial position and the results; and

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

For the Board of Directors,

Chairman

Francisco José Queiroz de Barros de Lacerda

Member of the Board of Directors and CEO

Luís Maria França de Castro Pereira Coutinho

Member of the Board of Directors and Executive Committee

Sílvia Maria Correia

Member of the Board of Directors and Executive Committee

Luiana Cristina Vieira Nunes Carvalho dos Santos

Member of the Board of Directors and Executive Committee

Luís Miguel Agoas Correia Amado

Member of the Board of Directors and Executive Committee

João Maria de Magalhães Barros de Mello Franco [(1)]

Member of the Board of Directors

André Manuel Pereira Gorjão de Andrade Costa

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

José Manuel Gonçalves de Morais Cabral

Member of the Board of Directors and Audit Committee

Rui Afonso Galvão Mexia de Almeida Fernandes

Member of the Board of Directors and Audit Committee

Clementina Maria Dâmaso de Jesus Silva Barroso

[(1)] João Maria de Magalhães Barros de Mello Franco was appointed member of Banco CTT's Board of Directors after 2015 year-end, on January 14th 2016, as described in Section B.II.2 of Corporate Governance Report.

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Annual Report Of The Audit Committee

Annual Report of the Audit Committee

Audit Committee Report Banco CTT, S.A. for the 2015 financial year

1. Introduction

The Audit Committee of Banco CTT, S.A (Bank) hereby presents the report on its supervisory activities for the 2015 financial year, pursuant to article 423-F(g) of the 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 supervising 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;

e) Receiving irregularity reports from shareholders, Bank employees and others;

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 began carrying out its duties on 24 August 2015, within the incorporation process of Banco CTT, namely with the adoption of the institution's current governance model and the election of Audit Committee members in the General Meeting held on that same date.

2. Supervisory activities carried out in 2015

During the period of 2015 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. This took place in light of the Head Branch's opening for business and the preparation of the launch of the CTT Channel, which marked the near 4-month period since the Bank's incorporation. Namely, the Audit Committee:

a) Supervised the approval and implementation of policies and internal rules on the Bank's internal control environment, governance model and rules of conduct;

b) Monitored the preparation of the Bank's opening for business on 27 November 2015;

c) Monitored the Internal Audit, Risk and Compliance officers' appointment and taking-up of duties;

d) Supervised the agreements entered into by the Bank with related parties;

e) Supervised the preparation of financial information and verified the adopted accounting policies, in particular as regards the annual financial reporting documents.

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 and (c) the analysis of the available financial and business information, as well as the correspondence between the Bank and the Bank of Portugal.

While exercising those powers, the Committee held 8 meetings as of 24 August 2015. 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 the purview of the CTT Channel (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 Internal Audit officer, as regards the analysis of mainly the internal audit's scope, activity plan, resources and staff; (b) the Compliance officer and Risk officer, as regards in particular the activity plan, resources and staff of those departments; (c) the Legal Services officer, to clarify the Bank's governance model and internal control procedures; and (d) the Accounting officer, as regards the monitoring and preparation of financial information.

Therein, the Committee monitored the approval and implementation in the Bank of its more relevant policies and processes, in particular (a) the Internal Control System Manual, (b) the Anti-Money Laundering and Financing of Terrorism Policy, (c) the Risk Policy, (d) the Compliance Policy and (e) the Code of Conduct. Furthermore, the Audit Committee issued a technical opinion favourable to the appointment of those Banco CTT's Directors that have control duties.

Also in terms of internal governance, in 2016 with reference to the 2015 financial year, the Audit Committee monitored the activities of the Bank's Board of Directors (including its Executive

Committee), Remuneration Committee and Selection Committee. This culminated in the analysis of their activities and self-assessment reports for 2015. The Audit Committee also analysed all the minutes of the Executive Committee's meetings held in 2015.

Additionally, the Audit Committee monitored the preparation of the Bank's opening for business, in particular the exchange of correspondence with the Bank of Portugal, internal measures underway within the purviews monitored by the COO and CCO and the execution of the Bank's engagement model as regards material and human resources. This body also supervised the agreements the Bank entered into with related parties, given the Bank's main in-person channel is CTT's Retail Network and the engagement model defined therefor.

The Audit Committee also met with the Statutory Auditor / External Auditor, KPMG & Associados – Sociedade de Revisores Oficiais de Contas, S.A., to discuss their interaction model and to monitor the works carried out during the 2015 financial year, as well as the analysis and assessment of the respective profits.

The Committee made its prior assessment of proposals to engage services from the Bank's Statutory Auditor / External Auditor for the annual review of the financial statements and the issue of the opinion set out in article 25(5)(b) of Bank of Portugal Notice 5/2008. As regards the provision of additional services, the Audit Committee pre-approved, with good reason and to preserve the adequate independence safeguards, that the Statutory Auditor / External Auditor provide audit related and non-audit related services. This Committee further oversaw the Statutory Auditor / External Auditor's independence by obtaining a statement confirming that independence with reference to 2015.

On the other hand, throughout 2015, the Audit Committee analysed reports on the activities carried out by the Statutory Auditor / External Auditor and, in 2016 and with reference to the 2015 financial year, analysed the conclusions of the review of the Bank's financial statements with reference to the 2015 financial year, including the qualified audit report.

Additionally, the Audit Committee supervised the approval process of the Bank's plan (including its financial model and budget analysis) and, since the Bank opened for business, this Committee carried out monthly assessments of financial information and the evolution of the Bank's business, as provided by the Bank's CFO and Head of Accounting. In 2016 and with reference to the 2015 financial year, this body analysed the annual financial reporting documents and the profit allocation proposal and issued its respective opinion.

During the 2015 financial year, the first year in which it carried out its duties, the Audit Committee also gave special attention to organizational matters, namely the definition of its regulation, the detailed activities plan for interactions with the other corporate bodies, committees, operational areas and the Statutory Auditor / External Auditor, the regulation for the Provision of Services by the Statutory Auditor and its self-assessment model.

Within 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 operational areas, all requested information in a timely and adequate fashion.

The Audit Committee expresses its gratitude to all corporate bodies and all those involved in the activities it carries out.

Lisbon, 10 March 2016

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

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Audit Committee Opinion

Audit Committee Opinion

Opinion on the Annual Report of Banco CTT, S.A. for the 2015 financial year

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 2015, 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 Adjusted Accounting Standards, as defined by the Bank of Portugal.

The Audit Committee assessed the terms of the Qualified Audit Report on the Financial Statements approved by the Board of Directors and issued on 10 March 2016 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 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 2015, as well as the Application of Results 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 Application of Results Proposal for the financial year ended on 31 December 2015.

Lisbon, 10 March 2016

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

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Statutory Auditor's Report

STATUTORY AUDITOR'S REPORT

(This report is a free translation to English from the original Portuguese version. In case of doubt or misinterpretation the Portuguese version will prevail.)

Introduction

1 We have audited the financial statements of **Banco CTT, S.A.** ("the Bank"), which comprise the balance sheet as at 31 December 2015 (which shows total assets of Euro 31,115,010 and a total equity of Euro 28,078,775, including a net loss of Euro 5,920,685), the statements of income, changes in equity, comprehensive income and cash flows for the period from 6 February 2015 to 31 December 2015 and the corresponding Notes.

Responsibilities

2 Management is responsible for the preparation of financial statements in accordance with *Normas de Contabilidade Ajustadas* ("NCA's"), as established by the Central Bank of Portugal, that give a true and fair view of the financial position of the Bank, the results of its operations, the changes in equity, the comprehensive income and its cash flows, as well as for the adoption of adequate accounting policies and criteria and the maintenance of an appropriate internal control system.

3 Our responsibility is to express a professional and independent opinion on these financial statements based on our audit.

Scope

4 We conducted our audit in accordance with the Technical Standards and Guidelines issued by the Portuguese Institute of Statutory Auditors ("Ordem dos Revisores Oficiais de Contas"), which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements. For this purpose our audit included:

- verification, on a test basis, of the information underlying the figures and disclosures contained in the financial statements, and an assessment of the estimates, based on judgments and criteria defined by Management, used in their preparation;
- the assessment of the adequacy of the accounting principles used and their disclosure, considering the circumstances;
- the appropriateness of the going concern basis of accounting; and
- the assessment of the adequacy of the overall presentation of the financial statements.

5 Our audit also included the verification that the financial information included in the Management Report is consistent with the financial statements.

6 We believe that our audit provides a reasonable basis for our opinion.

Opinion

7 In our opinion, the financial statements referred to above, present fairly, in all material respects, the financial position of **Banco CTT, S.A.** as at 31 December 2015, the results of its operations, comprehensive income, changes in equity and its cash flows for the period from 6 February 2015 to 31 December 2015 in accordance with *Normas de Contabilidade Ajustadas* ("NCA's"), as defined by the Central Bank of Portugal.

Report on other legal requirements

8 It is also our opinion that the financial information included in the Management Report is consistent with the financial statements for the year.

Lisbon, 10 March 2016

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

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Corporate Governance Report

A. Shareholder Structure

I. Capital Structure

The Bank's share capital is €34,000,000 and is fully subscribed and paid-up. It is represented by 34,000,000 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 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, their acquisition entails, as of the commercial registration date of Banco CTT (a credit institution fully owned by CTT), compliance with the legal requirements on direct or indirect qualifying holdings, set out in the LFCIFC.

In particular and pursuant to article 102 of the LFCIFC, anyone intending to hold a qualifying holding 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 acts or facts triggering the acquisition of a holding which reaches at least 5% of the share capital or voting rights in CTT, and indirectly in the Bank, within 15 days thereof, pursuant to article 104 of the LFCIFC.

As at 31 December 2015 and until the date of this report, the Bank did not hold any of its own shares and no transactions were carried out by the Bank over its own shares.

II. Shareholdings and Bonds Held

Members of the Bank's managing and supervisory bodies, as at 31 December 2015, held no shares issued by the Bank, nor did they enter into any transactions involving those securities in 2015 that would be relevant for the purposes of article 447 of the Companies Code.

Also under article 447(5) of the Companies Code, during 2015 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 the members of the Bank's managing and supervisory bodies and their related parties pursuant to that provision, as well as all their acquisitions, encumbrances or disposals of ownership, are as indicated in the following lists:

Board of Directors [a]	No. of CTT Shares[b] as at Appointment date	Date	Acquisition	Encumbrance	Disposal	Price	No. of CTT Shares[b] as at 31.12.2015
Francisco José Queiroz de Barros de Lacerda	3,110	-	-	-	-	-	3,110
Luís Maria França de Castro Pereira Coutinho	500	-	-	-	-	-	500
Sílvia Maria Correia	2,500	06.10.2015	-	-	2,500	10.05€	-
Luiana Cristina Vieira Nunes Carvalho dos Santos	-	-	-	-	-	-	-
Luís Miguel Agoas Correia Amado	-	-	-	-	-	-	-
João Maria de Magalhães Barros de Mello Franco	-	-	-	-	-	-	-
André Manuel Pereira Gorjão de Andrade Costa [c]	3,110	14.05.2015	780	-	-	10.05€	3,890
José Manuel Gonçalves de Morais Cabral	-	-	-	-	-	-	-
Rui Afonso Galvão Mexia de Almeida Fernandes	-	-	-	-	-	-	-
Clementina Maria Dâmaso de Jesus Silva Barroso	-	-	-	-	-	-	-

Closely related Parties	No. of CTT Shares[b] as at Appointment date	Date	Acquisition	Encumbrance	Disposal	Price	No. of CTT Shares[b] as at 31.12.2015
Susana Gorjão Costa [d]	3,110	-	-	-	-	-	3,110

Statutory Auditor and External Auditor	No. of CTT Shares[b] as at Appointment date	Date	Acquisition	Encumbrance	Disposal	Price	No. of CTT Shares[b] as at 31.12.2015
KPMG & Associados, SROC, S.A.	-	-	-	-	-	-	-
Vítor Manuel da Cunha Ribeirinho	-	-	-	-	-	-	-
Maria Cristina Santos Ferreira	-	-	-	-	-	-	-

[a] Includes Executive Committee and Audit Committee members as at 31.12.2015. João Mello Franco, appointed on 14.01.2016, holds no shares representing CTT's share capital nor of other companies in a controlling or group relationship with the Bank.
[b] These members do not hold, nor carried out transactions over shares representing the share capital of other companies in a controlling or group relationship with the Bank.
[c] This transaction was carried out on the regulated market.
[d] Person related to André Gorjão Costa.

In 2015, 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 composed of a Chairperson and Secretary, elected every 3 years at the General Meeting. In 2015 and at present, the composition of the Board of the General Meeting is as follows (members appointed for the 2015/2017 term of office):

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

In the General Meeting held on 24 August 2015, the selection and adequacy assessment policy for members of managing and supervisory bodies and for key functions (available on the Bank's website at www.bancoctt.pt) was approved and the following members of the Bank's Selection Committee were elected as follows (members appointed for a term of office that matches that of the corporate bodies):

Members	Office
António Sarmento Gomes Mota	Chairman
Francisco José Queiroz de Barros de Lacerda	Member [1]
António Manuel de Carvalho Ferreira Vitorino	Member
Rui Miguel de Oliveira Horta e Costa	Member
José Manuel Baptista Fino	Member

[1] Since Francisco José Queiroz de Barros de Lacerda is the Bank's Chairman, he may not participate and vote in resolutions where there is a conflict of interest, namely in his individual assessment.

According to the mentioned policy and its internal Regulation, the Selection Committee is specifically entrusted with:

a) Identifying, selecting and recommending possible members of managing and supervisory bodies and key officers, verifying if such candidates meet the necessary adequacy requisites (both individual and collective);

b) Drafting the adequacy assessment model, assessing the reports thereof and preparing the authorisation and registration applications with the Bank of Portugal;

c) Ensuring the representation of both men and women and the diversity of the necessary qualifications and skills;

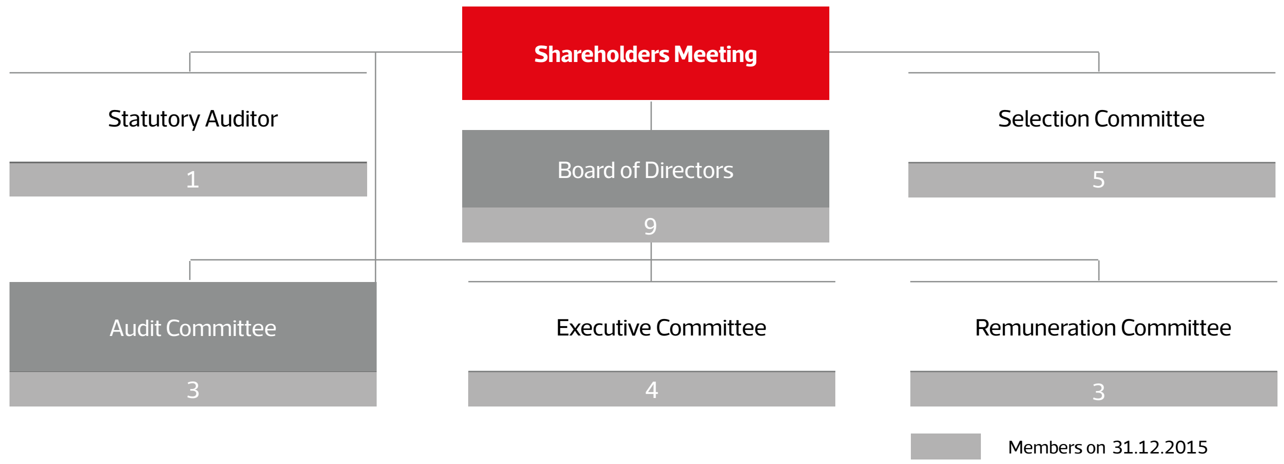
d) Assessing at least annually the selection policy, structure and size of management and supervisory bodies, the integrity, professional qualification, independence, diversity and availability, as well as adequacy performance of its members and key officers;

e) Assessing and discussing the annual training plan with the competent bodies and committees.

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 permitted a number of best governance practices to be implemented 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 is competent to: (i) elect members of corporate bodies (including members of the Board of the General Meeting, the Board of Directors and the Audit Committee as well as the Statutory Auditor, the latter elected following a proposal by the Audit Committee); (ii) appraise the Board of Directors' annual report and the Audit Committee's opinion; (iii) decide on the allocation of profits; (iv) pass resolutions on amendments to the Articles of Association; and (v) stipulate the remuneration of corporate body 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 (at present exclusively made up of independent members), together with the Statutory Auditor, perform 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 / External 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 key 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 composed of 7 to 11 members and the Executive Committee is composed of 3 to 5 members, for a 3-year term of office.

The Company's Board of Directors, in office as at 31 December 2015, was composed of the following 9 Directors, appointed for the 2015/2017 term of office, whose curricula can be found in Annex I hereto:

Members	Board of Directos	Executive Committee	Audit Committee	Independent [4]
Francisco José Queiroz de Barros de Lacerda [1]	Chairman			
Luís Maria França de Castro Pereira Coutinho [2]	Member	Chairman (CEO)		
Sílvia Maria Correia [1] [3]	Member	Member (CCO)		
Luiana Cristina Vieira Nunes Carvalho dos Santos [3]	Member	Member (CFO)		
Luís Miguel Agoas Correia Amado	Member	Member (COO)		
André Manuel Pereira Gorjão de Andrade Costa [1]	Member			
José Manuel Gonçalves de Morais Cabral	Member		Chairman	Yes
Rui Afonso Galvão Mexia de Almeida Fernandes	Member		Vogal	Yes
Clementina Maria Dâmaso de Jesus Silva Barroso	Member		Vogal	Yes

[1] All members were appointed as members of the Bank's Board of Directors on 24 August 2015 within the incorporation of Banco CTT, notwithstanding that these members hold offices in the management body of CTT Serviços, S.A. since 6 February 2015.
[2] All members were appointed as member of the Bank's Board of Directors on 24 August 2015 within the incorporation of Banco CTT, notwithstanding that this member hold office in the management body of CTT Serviços, S.A. since 16 June 2015.
[3] Resigned from offices held at Banco CTT, in the case of Luiana Nunes, on 29 January 2016 effective as from 12 March 2016 and, in the case of Sílvia Correia, on 19 February 2016 effective 31 March 2016.
[4] Pursuant to the criteria set out in article 414(5) of the Companies Code.

On 14 January 2016, João Maria de Magalhães Barros de Mello Franco was appointed member of Banco CTT's Board of Directors and member of Banco CTT's Executive Committee (CMO).

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;

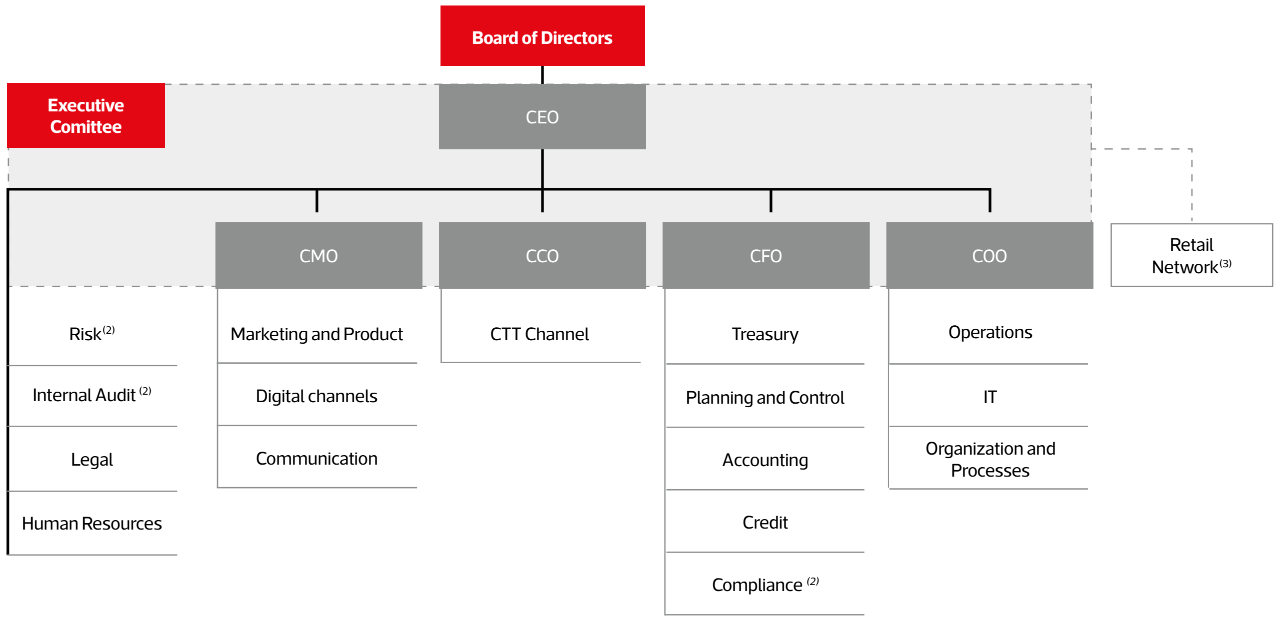
d) Supervising and ensuring the Bank is equipped with effective systems for internal control and internal audit and for information processing and disclosure and compliance with information duties with the Bank of Portugal, as well as risk identification, management, control and communication processes;

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;

f) Appointing and removing the officers responsible for risk management, compliance and internal audit functions, 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 on 26 August 2015 (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 2015, the powers of the Bank's Executive Committee and its organizational structure were distributed as follows[1]:



[1] This distribution of powers and organizational structure was approved for the purpose of preparing the Bank's opening for business and is currently being adapted in light of its opening in the Retail Network.
[2] Control functions that report by hierarchy to the Board of Directors, although operationally monitored by the referenced functions of the Executive Committee and despite the changes underway under the process mentioned in note (1). Namely, this means to ensure that Internal Audit reports functionally only to the Audit Committee and that Risk and Compliance reports functionally to the respective functions of the Executive Committee.
[3] As of 1 January 2016, the Head of the Retail Network is under the multiple employer regime and reports by hierarchy to Banco CTT's CEO.

Further pertaining to the opening of business in the Retail Network in 2016, Banco CTT is undertaking the necessary measures for the following committees to become operative:

Committees supporting the Executive Committee	Risk Committee
	Credit and Investment Committee
	Commercial and Product Committee
Committees to govern the partnership with CTT	Partnership Governing Committee
	Retail Network Committee
	Products Committee
	Shared Services Committee

Those committees correspond, on the one hand, to 3 supporting committees to the Bank's Executive Committee's decision-making process in specialised areas and, on the other hand, to the 4 discussion forums provided for in the agreements entered into between CTT and the Bank (on which the CTT / Bank engagement model is based), i.e.: (i) an agreement on the availability of means inherent to the Retail Network and the CTT / Bank partnership for the CTT Channel; (ii) a protocol on the multiple employer regime adopted for labour agreements with Retail Network employees; and (iii) an agreement on the provision of services between the parties.

On 26 August 2015, the Board of Directors also created a Remuneration Committee, 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

In accordance with the Bank's Articles of Association, the Audit Committee consists of 3 Directors, including its Chairperson, all elected at the General Meeting (for a renewable 3-year term of office) together with the other 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 as at 31 December 2015 and at the present date, consists of the following members (appointed for the 2015/2017 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 Companies Code, 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, Articles of Association and the Bank's 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 integrity 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 a detailed annual opinion on the adequacy and effectiveness of the Bank's internal control system, 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;

e) Assessing the accounting policies and procedures and the valuation criteria, the application of accounting principles and standards in force and the evolution of the relevant financial indicators; and

f) 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 to the Annual General Meeting.

IV. Statutory Auditor

As at 31 December 2015 and at present, 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 and the Company's Alternate Statutory Auditor is Maria Cristina Santos Ferreira (Statutory Auditor no. 1010).

The Statutory Auditor was appointed as such by the Bank on 24 August 2015, for the 2015/2017 term of office underway, notwithstanding that both the Statutory Auditor and Alternate Statutory Auditor already hold those positions in CTT Serviços, S.A. since 6 February 2015.

The rules to be followed in engaging additional services from the Statutory Auditor / External 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, that review the Legal Framework for Audit Oversight and the Bylaws of the Portuguese Institute of Statutory Auditors.

Under this Regulation, the Audit Committee is responsible for assessing requests to engage additional services from the Statutory Auditor / External Auditor. That engagement is subject to the prior authorisation of the Audit Committee.

V. External Auditor

As at 31 December 2015 and on the present date, the Bank's External Auditor is KPMG, represented by its partner Vítor Manuel da Cunha Ribeirinho, as described in section IV.

The Regulation for the Provision of Services by the Statutory Auditor sets out mandatory rotation rules to be followed by the Bank in line with the recent amendment of the Bylaws of the Portuguese Institute of Statutory Auditors.

The annual assessment of the External Auditor and the assessment of its independence falls within the Audit Committee's responsibilities.

The table below shows the values corresponding to the fees of KPMG for audit, statutory audit, assurance, tax consultancy and services other than statutory audit and audit services engaged, accounted for and paid / invoiced for in 2015:

	Engaged Services [1]		Accounted Services [2]		Invoiced / Paid Services [1]	
	Amount (€)	%	Amount (€)	%	Amount (€)	%
1. Statutory audit services and audit services	**132,225**	**79.9**	**40,000**	**97.6**	**-**	**-**
1.1. Audit and statutory audit	49,200	29.7	40,000	97.4	-	-
1.2. Assurance services	33,825	20.5	-	-	-	-
1.3. Other audit services [3]	49,200	29.7	-	-	-	-
2. Additional services	**33,210**	**20.1**	**997**	**2.4**	**-**	**-**
2.1. Tax consulting services	33,210	20.1	997	2.4	-	-
2.2. Other services	-	-	-	-	-	-
	165,435	**100**	**40,997**	**100**	**-**	**-**

[1] Includes VAT at the legally applicable rate.
[2] Includes invoiced amounts and specialised amounts in the financial year.
[3] Includes services related to audit services in relation to matters pertaining to anti-money laundering and financing of terrorism.

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.bancoctt.pt).

II. Reporting Irregularities

According to the Bank's Code of Conduct, employees that become aware or reasonably suspect that money laundering activities, the financing of terrorism, insider dealing, fraud or corruption under a professional capacity (by another employee or any supplier of goods or services) are taking place, should notify his / her superior and the department with compliance duties within the Bank.

A breach of the Bank's Code of Conduct should be reported to the department with compliance duties according to the applicable internal rules.

Reporting irregularities in matters of accounting, internal accounting controls, anti-corruption, banking and financial crime by shareholders, employees, customers, suppliers or others are also subject to specific rules set out by the Bank. According to the Articles of Association and the respective Regulation, the Audit Committee is responsible for receiving notices of irregularities from shareholders, Bank employees and others.

The notifications referenced in the preceding paragraphs will be handled according to the rules and procedures in force at the Bank. The Audit Committee received no such notifications in 2015.

The Bank undertakes that those who file notifications, as referenced in the preceding paragraphs, 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.

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 "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, does have 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 and Exchange Commission, 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.bancoctt.pt.

D. Remuneration

I. Powers to Stipulate Remuneration

Pursuant to the Bank's Articles of Association, the General Meeting is competent to stipulate the remuneration of corporate body members (notwithstanding the power provided by the Articles of Association to appoint a Remuneration Committee, which has not been appointed at present). The General Meeting receives support from the Remuneration Committee mentioned in section D.II. above.

II. Remuneration Committee

On 26 August 2015, the Board of Directors created a Remuneration Committee made up of the following members and whose 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, as well as 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 risk management, 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 2015

Reproduced below is the policy statement on the remuneration of members of the Bank's management and supervisory bodies to be submitted for approval by the Annual General Meeting to be held:

"Annual policy statement on the remuneration of Members of Banco CTT, S.A.'s Management and Supervisory Bodies – Financial Year of 2015

I. Introduction

The present annual statement for 2015 was approved by Banco CTT, S.A.'s ("Bank" or "Company") Remuneration Committee and assessed by its Board of Directors, to the extent of its 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 pertains to the policy approved in November 2015 following the conclusion of the Bank's special registration, under which the Bank of Portugal assessed if the conditions set out in the authorization to incorporate the Bank had been met, among those was the present policy. Such policy was prepared in that context with the support of legal (PLMJ – Sociedade de Advogados, RL) and human resource consultants (Mercer (Portugal) - Recursos Humanos, Lda., who also carried out benchmark studies on the remuneration of those entrusted with control functions, members of the Audit Committee and the Bank's executive team).

The part of the mentioned policy concerning the remuneration of members of the Bank's management and supervisory bodies was approved by the Bank's General Meeting following an assessment by the Remuneration Committee ("Remuneration Policy") and is available on the Bank's website at www.bancoctt.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 (2015/2017):

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 2015, the General Meeting held 3 meetings in which it passed resolutions on matters of remuneration and the Remuneration Committee held 6 meetings.

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 2015-2017 (notwithstanding its possible amendment given, in particular, the nature, scope and complexity of the Bank's activity, its structure, size and 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) To attract and retain talent that creates long-term value and fosters commitment and performance by acknowledging and rewarding merit and ensuring internal equity and external competitiveness;

b) To create incentives that ensure risk-taking is compatible with the Bank's strategy, tolerance and risk culture, as well as the sound and prudent management of risk, by discouraging risk-taking beyond the tolerated risk level;

c) To sustainably implement the Bank's long-term strategic goals, values and interests, in a way compatible with the its corporate strategy (namely with the business plan, financial model and budget);

d) To include measures preventing conflicts of interest, in particular for risk taking officers and control officers;

e) 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

f) 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), members of the Executive Committee (for their role in carrying out 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 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, inter alia: (i) shall not limit the Bank's ability to reinforce its own 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 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, following a proposal by the Remuneration 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. During the financial year of 2015, 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.

III. Variable remuneration component of Executive Committee members

As referenced above, the Remuneration Policy provides for a variable component in the remuneration of Executive Directors. Given the approval of that policy within the Bank's opening for business on 27 November 2015 and the recent approval of the Bank's 2016-2018 business plan, financial model and budget thereunder, the Bank's Executive Directors have not received variable component in 2015.

The variable remuneration in question is paid in cash. Notwithstanding, the General Meeting may pass resolutions, as proposed by the Remuneration Committee and depending on the Bank's size, activity and performance, wherein half of that remuneration (including the deferred portion) be paid in financial instruments and be subject to a withholding policy.

Under that policy's current implementation, this remuneration component shall comply with the following rules set out thereunder:

a) 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 (with reference to the 3-year term of office) and will be set out in a performance assessment model, which is currently being prepared by the Remuneration Committee and pending approval by the General Meeting;

b) The annual and multi-annual assessment will take 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 its 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;

c) In stipulating the variable remuneration, the following factors shall also be taken into consideration: (i) level of attainment of performance criteria (i.e., minimum assumptions and targets, as well as maximum limits to that component) in order to discourage excessive risk-taking and to align interests with those of the institution; and (ii) adjustment mechanisms that may limit its award and payment (namely taking into consideration the types of risk to which the institution is exposed, the cost of own capital and the liquidity necessary to the institution and its sustainability);

d) According to the Bank's Articles of Association, the variable component can be a percentage of consolidated profits for that financial year, in which case such percentage shall not exceed 10% on an annual basis, and, according to the Remuneration Policy, that component may not exceed in each year, 1/3 of the annual fixed remuneration of each of its members. This ratio may be reviewed annually by the General Meeting;

e) The performance assessment under the mentioned model is carried out by the Remuneration Committee, whose proposal shall be put to the approval of the General Meeting;

f) The variable remuneration is calculated and awarded within one month as of the General Meeting that approves the accounts for the applicable reference period;

g) The payment of half of the awarded variable remuneration is made within one month of the resolution approving and awarding it. In order to align the variable component with the institution's long-term performance, the remaining amount is deferred over three years as of the payment date of the non-deferred portion of the variable remuneration component;

h) The right to payment of the deferred portion is vested proportionally throughout the deferral period and is conditional upon (i) the institution's positive performance and it's sustainable financial situation, as well as (ii) a positive assessment of its beneficiary's performance, in both cases in such a way as to carry out the performance assessment model;

i) The awarding of variable remuneration depends on the beneficiary: (i) accepting mechanisms that may totally or partially reduce that awarded and deferred component, whose payment is not yet an acquired right (malus) and that may reverse remuneration already paid or vested (clawback); and (ii) refraining from entering into agreements to hedge / transfer risk or for payment via special purpose vehicles or other similar methods.

IV. Conclusions

Pursuant to article 115-C(6) of the LFCIFC and articles 7 and 14 of Bank of Portugal 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 recently approved within the Bank's opening for business on 27 November 2015. For this purpose, it consulted the Bank's control officers and submitted the assessment report and present statement to the Bank's Audit Committee and Board of Directors, within their purview.

As a result of that assessment, the Bank's Remuneration Committee considers the Remuneration Policy: (i) to be adequate in light of the Bank's activity, structure and size (in particular its size, internal organisation, nature, scope and complexity of its operations in the term of office of its launch); (ii) to be aligned with the principles and applicable legal and regulatory requirements and able to ensure consistency with sound and prudent risk management, alignment with the Bank's interests and discouragement of excessive risk-taking; (iii) provides for the creation of a performance assessment model for the purposes of the variable remuneration component referenced above, which shall be implemented following the recent approval of the Bank's 2016-2018 business plan, financial model and budget.

In light of the specific features of the Bank's activity, structure and size in 2015 and in the first quarter of 2016 (in particular, having the Bank been incorporated in 24 August 2015, opened business though a soft opening model on 27 November 2015 and taking place its opening for the public in 52 branches next 18 March), the Remuneration Committee finds adequate to consider a compensation to the members of the corporate bodies for their skills and responsibilities evidenced therein in terms to be timely proposed by such Committee to the 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 2015

The Board of Directors approved the remuneration policy for the following Bank employees, also following the Bank's special registration process mentioned above and within the opening for business on 27 November 2015, once assessed by the Bank's Remuneration Committee:

a) 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 under the multiple employer regime and those falling under any of the remaining sub-paragraphs ("Senior Officers");

b) Bank employees responsible for taking-on risk ("Risk Taking Officers");

c) Bank employees responsible for control functions ("Control Officers");

d) Bank employees whose total remuneration places them in the same remuneration bracket as provided for corporate bodies or the categories referenced in paragraph a) or b), as long as the respective professional activities have a material impact on the credit institution's risk profile ("Other Risk Takers"), hereinafter jointly referred to as "Relevant Employees".

This statement pertains to the policy approved in November 2015 following the conclusion of the Bank's special registration, under which the Bank of Portugal assessed if the conditions set out in the authorization to incorporate the Bank had been met, among those was the present policy. Such policy was prepared in that context with the support of legal (PLMJ – Sociedade de Advogados, RL) and human resource consultants (Mercer (Portugal) - Recursos Humanos, Lda., who also carried out benchmark studies on the remuneration of those entrusted with control functions, members of the Audit Committee and the Bank's executive team).

Under that policy, Senior Officers and Other Risk Takers may come to benefit from a variable remuneration component, if a resolution therefor is passed by the Board of Directors or the Executive Committee to the extent of their delegation of powers. This resolution shall be proposed by the Remuneration Committee, namely given Banco CTT's sustainable performance, the development of its structural unit and individual performance, as well as each employee's responsibilities and duties.

According to the approved policy, the possible awarding of this component shall comply with the principles and rules referenced above for the variable remuneration of Executive Committee members. The Board of Directors or the Executive Committee to the extent of its delegated powers shall, under a Remuneration Committee proposal, specify the maximum limits thereto (namely relative to the total annual remuneration), the performance assessment model, the awarding and vesting rules (notwithstanding the terms of individual labour agreements and the labour regime).

In any case, under that same policy, the fixed remuneration component of those employees shall be a sufficiently high proportion of the total remuneration to make the application of the policy fully flexible with what concerns the variable remuneration component, including the possibility of its not being paid out.

Risk Taking Officers and Control Officers may come to benefit from a variable remuneration component, if a resolution therefor is passed by the Board of Directors, under 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 depending on the individual attainment of specific goals associated with his / her duties and regardless of the performance of the structural units under his / her control.

In 2015, the Executive Committee and Remuneration Committee began a period of reflection on the general principles that apply to the variable remuneration model for the Bank's first line officers. The competent bodies shall define and approve the terms of that remuneration component and its application in due course.

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 officers, entailed the use of a vehicle (including fuel) and healthcare insurance.

Pursuant to article 115-C(6) of the LFCIFC and articles 7 and 14 of Bank of Portugal Notice 10/2011, the Bank's Remuneration Committee carried out the annual review of the remuneration policy of the Relevant Employees and in particular of its implementation. It took into account that the policy was recently approved within the Bank's opening for business on 27 November 2015. For this purpose, it consulted the Bank's control officers and submitted the assessment report and present statement to the Bank's Audit Committee and Board of Directors, within their purview.

As a result of that assessment, the Bank's Remuneration Committee considers such policy: (i) to be adequate in light of the Bank's activity, structure and size (in particular its size, internal organisation, nature, scope and complexity of its operations in the term of office of its launch); (ii) to be aligned with the principles and applicable legal and regulatory requirements and able to ensure consistency with sound and prudent risk management, alignment with the Bank's interests and discouragement of excessive risk-taking. The abovementioned reflection on the variable remuneration component shall continue to take place.

In light of the specific features of the Bank's activity, structure and size in 2015 and in the first quarter of 2016 (in particular, having the Bank been incorporated in 24 August 2015, opened business though a soft opening model on 27 November 2015 and taking place its opening for the public in 52 branches next 18 March), the Remuneration Committee finds adequate to consider a compensation to the Relevant Employees for their skills and responsibilities evidenced therein in terms to be timely proposed by such Committee to the competent corporate bodies.

IV. Disclosure of Remunerations

The table below shows the gross aggregate and individual remunerations paid by the Bank with reference to the period from 24 August 2015 (the Bank's date of incorporation) to 31 December 2015, to members of the Board of Directors and the Audit Committee (all of whom were appointed as corporate body members of the Bank on that date):

(Amount in Euros)

Members	Office	Fixed remuneration (1)	Variable remuneration (2)	Total
Luís Maria França de Castro Pereira Coutinho	Chairman of the Executive Committee (CEO)	140,925.82	-	140,925.82
Sílvia Maria Correia	Member of the Executive Committee (CCO)	37,292.27	-	37,292.27
Luiana Cristina Vieira Nunes Carvalho dos Santos	Member of the Executive Committee (CFO)	47,542.27	-	47,542.27
Luís Miguel Agoas Correia Amado	Member of the Executive Committee (COO)	47,488.72	-	47,488.72
Total for the Executive Committee		**273,249.10**	**-**	**273,249.10**

Members	Office	Amount (€) (3)
José Manuel Gonçalves de Morais Cabral	Non-Executive Director, Audit Committee Chairman and Member of the Remuneration Committee	24,932.33
Rui Afonso Galvão Mexia de Almeida Fernandes	Non-Executive Director and Member of the Audit Committee	21,370.56
Clementina Maria Dâmaso de Jesus Silva Barroso	Non-Executive Director, Member of the Audit Committee and Member of the Remuneration Committee	21,370.56
Total for the Audit Committee		**67,673.45**
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	-
Total for Non-Executive Directors that are not part of the Audit Committee (4)		**67,673.45**
Total for the Board of Directors and Audit Committee		**340,922.55**

(1) Includes the fixed base remuneration, amounts regarding annual meal allowance and, when applicable, the fixed amount paid monthly to be allocated to a pension fund and the amount of payment in kind through the permanent use of a vehicles. Additionally, Executive Directors in office at that time received the following supplementary non-monetary fixed value benefits, as applicable, that are estimated to amount to €6,040 with reference to the period from 24 August 2015 to 31 December 2015: healthcare insurance / plan, life insurance and personal injury insurance (including travel insurance).
(2) Although the principles and rules that apply to the variable remuneration component for the Bank's Executive Directors are provided for in the remuneration policy approved in November 2015, within the Bank's opening for business, the respective performance assessment model is still being defined in terms of the Bank's 2016-2018 business plan, financial model and budget, also approved thereunder. There is therefore no deferred remuneration.
(3) 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 approved by the Bank's General Meeting.
(4) The Bank's General Meeting passed a resolution, following a Remuneration Committee proposal, wherein non-executive members of the Bank's Board of Directors that carry out duties in company (ies) that control the Bank (in light of the concept of control found in article 486 of the Companies Code) shall be remunerated according to the policy of that (those) company(ies) and will receive or be paid no remuneration by the Bank. Therefore, the Directors Francisco José Queiroz de Barros de Lacerda and André Manuel Pereira Gorjão de Andrade Costa will receive no remuneration from the Bank or related to the performance of their duties in the Bank. They shall only be remunerated for the performance of their duties in CTT (the Bank's sole shareholder), as disclosed in that Corporate Governance Report, available on its website.

No compensation was paid or became due to members of the Bank's Executive Committee relating to the termination of their office during the 2015 financial year.

Gross remunerations paid by the Bank, with reference to the period from 24 August 2015 (the date of the Bank's incorporation) to 31 December 2015, to Relevant Employees (in a total of 10 Bank employees, all hired in 2015), amounted to an aggregate of 189,607.27 euros. They received no variable remuneration. The distribution of this remuneration among the abovementioned groups was as follows:

Relevant Employees[1]	Fixed Remuneration (€) [2]	Variable Remuneration (€)
A - Risk Taking and Control Officers (4 employees)	86,330.53	-
B - Other Senior Employees other than those in A (4 employees)	93 601.56	-
C - Other Risk Takers (2 employees)	9,675.18	-

[1] For the purpose of defining Relevant Employees, employees appointed by the Bank's competent corporate bodies to carry out the duties in question were taken into consideration.
[2] Includes the fixed base remuneration, amounts regarding annual meal allowance and, when applicable, the amount of payment in kind through the permanent use of a vehicle, as of the date of appointment. Relevant Employees received the following supplementary non-monetary fixed value benefits that are estimated to amount to €595.30 with reference to that period: healthcare insurance.

There is no (unvested) deferred remuneration awarded to Relevant Employees, nor deferred remuneration due, paid or reduced due to adjustments based on individual performance. No payment was made in 2015 due to early termination of a labour agreement with Relevant Employees.

V. Agreements Affecting Remuneration

According to the remuneration policy approved by the Bank's General Meeting, awarding variable remuneration to executive members of the Board of Directors depends on the prior written undertaking by its beneficiary that it will refrain from entering into risk hedging or 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 by special purpose vehicles or other equivalent methods.

VI. Share Allocation or Stock Option Plans

Also according to the remuneration policy approved by the Bank's General Meeting, 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 is paid in cash. Notwithstanding the General Meeting may pass resolutions, as proposed by the Remuneration Committee and depending on the evolution of the Bank's size, activity and performance, wherein half of that remuneration (including the portion deferred as described below) be paid in financial instruments and be subject to a withholding policy.

E. Transactions with Related Parties

I. Control Mechanisms and Procedures

According to the Regulation of the Audit Committee, that 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 holders (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 the 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

The relevant transactions with related parties are described in Note 24 - Related Parties to the financial statements in the Annual Report.

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Annex

Curricula of Management and Supervisory Body Members

Francisco de Lacerda

Chairman

Date of birth	24 September 1960, Portugal
Date of 1st appointment	24 August 2015 [1]
Term of office	2015 / 2017

Education

1982: Degree in Business Administration and Management, Universidade Católica Portuguesa

Internal management and supervisory roles

- Chairman of Banco CTT, S.A.
- Chairman of the Remuneration Committee and Member of the Selection Committee of Banco CTT, S.A.

Other internal roles

- Chairman & CEO of CTT - Correios de Portugal, S.A.
- Chairman of CTT Expresso - Serviços Postais e Logística, S.A.
- Chairman of Tourline Express Mensajería, S.L.U.
- Member of the Corporate Governance, Evaluation and Nominating Committee of CTT – Correios de Portugal, S.A.
- Chairman of the Board of the General Meeting of Correio Expresso de Moçambique, S.A.

Professional experience

For 25 years, until 2008, he carried out several roles in investment, corporate and retail banking, including CEO of Banco Mello and Member of the Executive Board of Directors of the Portuguese Bank Millennium BCP, listed on the stock exchange and with prominent operations in Central and Eastern Europe, for which he was responsible, after which he carried out roles in Portuguese listed companies, having been CEO of Cimpor - Cimentos de Portugal SGPS, S.A. - an international cement group operating in 12 countries and one of the 5 largest companies in the NYSE Euronext Lisbon stock market - and Non-Executive Director and Member of the Audit Committee of EDP Renováveis, the 2nd global renewable energy company.

Management and supervisory roles held in other companies (last 5 years)

2015 - ...: Non-Executive Director of Endesa Energia, S.A.
May - October 2014: Non-Executive Director of Norfin – Portuguese Property Group, S.A.
2010 - 2012: CEO of Cimpor - Cimentos de Portugal SGPS, S.A.
2010 - 2012: Chairman of Cimpor Inversiones, S.A.
2010 - 2012: Chairman of Sociedade de Investimento Cimpor Macau, S.A.
2008 - 2012: Non-executive Director of EDP Renováveis, S.A., Member of the Audit Committee in 2008-2011
2008 - 2012: Managing Partner of Deal Winds – Sociedade Unipessoal, Lda.

Other external roles

2015 - ...: Chairman of the Board of COTEC Portugal - Associação Empresarial para a Inovação (Business Association for Innovation)
2014 - ...: Director of the International Post Corporation
2014 - ...: Member of the Board of AEM - Associação de Empresas Emitentes de Valores Cotados em Mercado (Association of Issuers of Securities Listed on the Stock Market)
2012 - ...: Member of the Board of Directors of Fundação Portuguesa das Comunicações (Portuguese Foundation for Communication, formerly known as a General Council (Conselho Geral) due to an amendment to the Legal Framework for Foundations; this role was inherent to the duties carried out in CTT – Correios de Portugal, S.A.)
2011 - ...: Member of the Advisory Board of Nova School of Business and Economics
2009 - ...: Member of the Remuneration Committee of PHAROL SGPS, S.A. (he suspended his activity between August 2012 and March 2014)
2006 - ...: Member of the Advisory Board of the Master's Degree in Finance at Católica Lisbon School of Business & Economics
2006 - ...: Member of the General Council of Clube Naval de Cascais

[1] Date of appointment after the incorporation of Banco CTT, S.A.

Luís Pereira Coutinho
CEO

Date of birth	2 March 1962, Portugal
Date of 1st appointment	24 August 2015 (1)
Term of office	2015 / 2017

Education

1984: Degree in Economics, Universidade Católica Portuguesa

Internal management and supervisory roles

Member of the Board of Directors and 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, in the last years discharged functions in the corporate banking segment at Banco Comercial Português, S.A. and in digital banking at 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: Member of the Executive 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 Banco ActivoBank, S.A.
2008 - 2015: Chairman of Banca Millennium, S.A. (Romania)
2008 - 2013: Chairman 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 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 Millennium Bank, S.A. (Greece)

Other external roles

2003 - 2009: Vice-Chairman of the Executive Board of Directors of Bank Millennium, S.A. (Poland)
2008-2012: Member of Board of Directors of Fundação Millennium BCP
2008 - 2010: Vice-Chairman of Millennium Bank, S.A. (Greece)
2008-2009: Member of the Board of Directors of Banco Activo-Bank, S.A.
2008-2009: Member of Board of Directors of Millennium BCP – Prestação de Serviços, ACE
2008-2010: Chairman of of 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-CEO 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.

(1) Date of appointment after the incorporation of Banco CTT, S.A.

Sílvia Correia
CCO, Executive Director

Date of birth	10 April 1973, Portugal
Date of 1st appointment	24 August 2015 (1)
Term of office	2015 / 2017

Education

2012: General Management Degree, Universidade Nova de Lisboa
2000: Advanced Executive Marketing Programme, Universidade Católica Portuguesa
1995: Degree in Economics, Instituto Superior de Economia e Gestão

Internal management and supervisory roles

Member of the Board of Directors and Executive Committee (CCO) of Banco CTT, S.A.

Other internal roles

2013-...: Member of Board of Directors of Payshop (Portugal), S.A.

Professional experience

For more than 15 years, she carried out roles in CTT- Correios de Portugal, S.A., having recently been Head of Financial Services (since 2013). She was also Senior Officer of the Sales Management Department, Commercial Head and Senior Officer of the Business Management Department and Key Account Manager in CTT-Correios de Portugal, S.A..

Management and supervisory roles held in other companies (last 5 years)

2013-2015: Head of Financial Services of CTT-Correios de Portugal, S.A.

Other external roles

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Luiana Nunes
CFO, Executive Director

Date of birth	16 June 1977, Portugal
Date of 1st appointment	24 August 2015
Term of office	2015 / 2017

Education

2004: Post-graduate Studies in Finance, Universidade Nova de Lisboa
2001: Degree in Economics, Instituto Superior de Economia e Gestão da Universidade Técnica de Lisboa

Internal management and supervisory roles

Member of the Board of Directors and Executive Committee (CFO) of Banco CTT, S.A.

Other internal roles

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Professional experience

For more than 15 years, she has carried out roles in the financial area, in particular, in auditing in the financial sector, financial analysis in the Corporate Banking Department and as a head of Structured Finance (from 2004 to 2011 at Caixa-Banco de Investimento, S.A.). More recently, she took on a management role, namely with the financial and legal purviews, having also created the planning and management control departments.

Management and supervisory roles held in other companies (last 5 years)

2012-2015: Member of the Board of Directors and Chief Financial Officer of RTP – Rádio e Televisão de Portugal, S.A.

Other external roles

2004 - 2011: Head of Structured Finance at Caixa– Banco de Investimento, S.A.
2002 - 2004: Financial Analyst in the Corporate Banking Department of Banco Efisa, S.A.
2001 - 2002: Auditor (Experienced Assistant) in the Finance Area of Arthur Andersen, S.A.

(1) Date of appointment after the incorporation of Banco CTT, S.A.

Luís Correia Amado

COO, Executive Director

Date of birth	24 January 1972, Portugal
Date of 1st appointment	24 August 2015
Term of office	2015 / 2017

Education

Underway: MBA - AESE/IESE at AESE – School of Leadership and Business – drawing to a close
2003: Post-graduate Studies in Executive 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 geared toward the financial sector, with positions of leadership, project coordination, system maintenance and, in particular, coordination of international projects (gaining knowledge and experience of the regulatory framework as applies to technology, operations, control processes and systems in various geographies), especially as Head of Technology at Barclays PLC (2011-2014). Between 1998 and 2011, he was an IT consultant, namely 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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Other external roles

2014-2015: Chief Technical Officer at TIMWE Consult-Consultoria Serviços de Telecomunicações Móveis Afins, S.A.
2011- 2014: Head of Technology at Barclays, PLC
2008-2010: Senior officer of the Financial Services Business Unit of Safira Tecnologias de Informação

João Mello Franco

CMO, Executive Director

Date of birth	3 March 1972, Portugal
Date of 1st appointment	14 January 2016
Term of office	2015 / 2017

Education

1998: MBA, INSEAD (France)
1995: Degree in Economics, Universidade Católica Portuguesa

Internal management and supervisory roles

Member of the Board of Directors and Executive Committee (CMO) of Banco CTT, S.A.

Other internal roles

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Professional experience

For nearly 20 years, he has carried out roles in marketing, products and channels in the banking sector, namely: in the coordination of consulting projects in this sector for 8 years (from 1995-2003 at Mckinsey & Company); with head positions at Banco Espírito Santo, S.A. and Novobanco, S.A. for 12 years, with a focus on the retail market, from which he highlights his heading the marketing, product, digital and face-to-face channels and innovation and his participation in committees responsible mainly for product and risk areas. He also carried out management roles in credit institutions, including as Chief Marketing Officer and Chief Risk Officer in Novobanco, S.A..

Management and supervisory roles held in other companies (last 5 years)

2014: Member of 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.

Other external roles

2014- 2015: General Director of Private Banking and Remote Channels at Novobanco, S.A.
2013 –2014: Coordinating Director of the Marketing, Innovation and Channels Department at Banco Espírito Santo, S.A.
2007 – 2012: Coordinating Director of the Marketing for Retail and Business Clients at Banco Espírito Santo, S.A.
2003–2006: Coordinating Director of the Strategic Marketing at Banco Espírito Santo, S.A.

André Gorjão Costa

Non-Executive Director

Date of birth	1 June 1973, Portugal
Date of 1st appointment	24 August 2015 [1]
Term of office	2015 / 2017

Education

1996: Degree in Economics, Universidade Nova de Lisboa

Internal management and supervisory roles

Member of Board of Directors of Banco CTT, S.A.

Other internal roles

- Executive Director and Chief Financial Officer of CTT - Correios de Portugal, S.A.
- Member of Board of Directors of CTT Expresso - Serviços Postais e Logística, S.A.
- Member of Board of Directors of Tourline Express Mensajería, S.L.U.
- Chairman of Payshop (Portugal), S.A.

Professional experience

He has carried our role as Chief Financial Officer (CFO) and Member of the Board of Directors of CTT, being responsible for the Financial Services Business Unit and for the Regulation and Competition and Investor Relations areas, outside his direct CFO duties. With a 16-year professional career in commercial and investment banking with the Grupo Santander, he has held several roles in Portugal and abroad. He joined the Corporate Finance team of Banco Santander de Negócios in 1996 and subsequently led the cross border team in the Area of Mergers and Acquisitions where he was responsible for several acquisitions in Latin American countries. In 2000, he was appointed Director of Corporate Banking, being responsible for creating the Department of Global Customers of Santander and for relations with the key Portuguese corporate customers of the bank. He provided advisory services for Sonae in the acquisition of a participation in Modelo Continente from Carrefour and the Américo Amorim Group in the acquisition of 33.34% of Galp Energia, among many other prominent transactions in Portugal, Spain and Brazil. In 2007, he was appointed Executive Director of Credit Markets in Portugal, at which point Santander was Bookrunner in many issuances of Eurobonds, and Mandated Lead Arranger in some of the most important financing operations of projects in the renewable and infrastructure sectors in Portugal, as well as the financing of several acquisitions.

Management and supervisory roles held in other companies (last 5 years)

2015 -...: Vice-Chairman of Eurogiro A/S;
2012-2015: Member of Board of Directors of Eurogiro A/S;
2006 - 2012: Managing-Partner at Pleximyng, Lda.

Other external roles

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[1] Date of appointment after the incorporation of Banco CTT, S.A.

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
Term of office	2015 / 2017

Education

1970: Degree in Economics, Instituto Superior de Ciências Económicas e Financeiras

Internal management and supervisory roles

- Member of the Board of Directors and Chairman of the Audit Committee of Banco CTT, S.A.
- Member of the Remuneration Committee of Banco CTT, S.A.

Other internal roles

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Professional experience

As of 1970 and for 45 years, he carried out roles as an advisor, financial head 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 roles in various companies also of relevant size. He was a member of the Advisory Council of the Bank of Portugal from 2014-2015.

Management and supervisory functions held in other companies (last 5 years)

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 - ...: Chairman of the Audit Board of Generis Farmacêutica, S.A.

Other external roles

2014 - ...: Member of the Audit Board of Fórum Para a Competitividade – Associação Para o Desenvolvimento Empresarial (Competition Forum)
2014 - 2015: Member of the Advisory Board of the Bank of Portugal
2014 - 2015: Member of the Audit Board of PT Portugal, SGPS, S.A.
2011 - 2013: Director of Escala Vila - Franca – Sociedade Gestora do Estabelecimento, S.A.
2010-2013: Director of CUF – Companhia União Fabril, SGPS, S.A.
2009 - 2013: Director of Escala Braga – Sociedade Gestora do Estabelecimento, S.A.
2008 - 2013: Director of Efacec Capital, SGPS, S.A.
2007 - 2013: Director of José de Mello Energia, S.A.
2005 - 2007: Director of Imopólis, Sociedade Gestora de Fundos de Investimento Imobiliário, S.A.
2004 - 2006: Director of Efacec Capital, SGPS, S.A.
2003 - 2005: Director of ONI, SGPS, S.A.
2003 - 2005: Director of EDP, Energias de Portugal, S.A.
2002 - 2009: Director of SOPONATA – Sociedade Portuguesa de Navios Tanques, S.A.

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
Term of office	2015 / 2017

Education

1971: Degree in Economics, Instituto Superior de Ciências Económicas e Financeiras

Internal management and supervisory roles

• 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 credit institutions specialized in personal credit, mortgage loans, leasing and payment methods for retail, namely as Executive Director of Banco Mello from 1991 to 2000 and General Director of Banco Comercial Português, S.A. from 2000 to 2006. For the last 9 years he has been focused on the studying and researching economic theory, in particular in the economic and monetary policy fields.

Management and supervisory roles held in other companies (last 5 years)

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Other external roles

2000-2006: General Director of Banco Comercial Português, S.A.
2001-2006: General Director 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
1991-2000: Chairman of Melloleasing
1991-2000: Chairman of Mellocrédito
1991-2000: Chairman of Heller Factoring
1991-2000: Executive Director of Banco Mello Imobiliário

Clementina Barroso

Non-Executive Director and Member of the Audit Committee

Date of birth	10 May 1958, Portugal
Date of 1st appointment	24 August 2015
Term of office	2015 / 2017

Education

2015: Doctorate in Applied Corporate Management, ISCTE - Instituto Universitário de Lisboa
1984-1985: Masters in Corporate Organization and Management (classes part), ISE
1981: Degree in Corporate Organization and Management, ISCTE - Instituto Universitário de Lisboa

Internal management and supervisory roles

- Member of the Board of Directors and Audit Committee of Banco CTT, S.A.
- Member of the Remuneration Committee of Banco CTT, S.A.

Other internal roles

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Professional experience

For 30 years, she has carried out academic roles, namely in the areas of management, financial management, marketing, finance and accounting, risk management, human resources management and remuneration practices. Since 1982, she has been a Guest Associated Professor at ISCTE – Instituto Universitário de Lisboa. She has also carried out duties as a statutory auditor (Statutory Auditor no. 734, since 1990) and supervisory duties in various companies in the financial sector.

Management and supervisory roles held in other companies (last 5 years)

2012-...: Non-executive Member of the Board of Directors and Audit Committee of Fundbox, Sociedade Gestora de Fundos de Investimento Imobiliário, S.A.
2011 - ...: Non-executive Member of the Board of Directors and Audit Committee of Fundbox, Sociedade Gestora de Fundos de Investimento Mobiliário, S.A.

Other external roles

2014: Chairman of the Board of the General Meeting of Science4you, S.A.
2008-2014: Director of the Management Degree at ISCTE Business School
2001-2013: Member of Management at Instituto para o Desenvolvimento da Gestão Empresarial (INDEG/PROJETOS)
1999-2013: General Director and Member of Management at Instituto para o Desenvolvimento da Gestão Empresarial (INDEG/ISCTE)

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