

01

## Information on the Banco CTT Group



### **We Grow in Customers**

With us, trust grows in a close  
and prosperous community.

1.1

# Banco CTT Group

## History

2013

**AUGUST** On 5 August 2013, CTT submitted request to Banco de Portugal to grant a concession for creation of the postal bank.  
**NOVEMBER** On 27 November 2013, Banco de Portugal issued authorisation for the creation of the postal bank.

2015

**FEBRUARY** CTT's constitution of CTT Serviços, S.A. for purposes of development of the preparatory work as necessary and/or convenient for the constitution of the Bank.  
**AUGUST** On 24 August 2015, after authorisation of Banco de Portugal, CTT Serviços was transformed into Banco CTT, with share capital of 34 million euros.  
**NOVEMBER** On 18 November 2015, Banco CTT presented its corporate identity, with Proximity, Simplicity and Transparency being its main attributes.  
Banco CTT started to operate on 27 November 2015, under the soft opening model available only for employees of CTT and Banco CTT.

2016

**MARCH** Banco CTT opened to the public on 18 March, with 52 branches simultaneously, spread over the 18 districts of Portugal and with a strong presence in digital channels.  
**MAY** Share capital increase of 26 million euros, to 60 million euros.  
**JULY** Banco CTT opened its one hundredth branch on 22 July.  
**OCTOBER** Share capital increase of 25 million euros, to 85 million euros.  
**DECEMBER** Banco CTT achieves a presence of 202 branches.  
With 9 months of activity, Banco CTT reaches 100 thousand customers.

2017

**JANUARY** Banco CTT launched Mortgage Lending, presenting a simple and low-cost solution for those wishing to purchase a house or move, maintaining the values associated to its launch: that of an accessible, comprehensive and useful offer.  
**APRIL** April 2017 Banco CTT received authorisation from ASF (Portuguese Insurance and Pension Funds Supervisory Authority) to present insurance products to its customers, enabling the offer of Life Insurance, Housing and Health Multi-Risk Insurance.  
Share capital increase of 25 million euros, to 125 million euros.

2018

**JANUARY** Incorporation of Payshop (Portugal), S.A. in the consolidation perimeter of Banco CTT, through a share capital increase in kind of 6.4 million euros, fully underwritten and paid-up by the sole shareholder, CTT – Correios de Portugal, S.A., elevating the share capital to 131.4 million euros.  
**MARCH** Share capital increase of 25 million euros, to 156.4 million euros.  
**JULY** Banco CTT agreed to purchase 321 Crédito, a specialised consumer credit institution (used motor vehicles in the retail market), which has expanded the business portfolio of Banco CTT.  
**OCTOBER** Introduction of off-balance sheet saving products with the launch of the offer of PPR (Retirement Savings Plans).

2019

**APRIL** Share capital increase of 110 million euros, to 266.4 million euros.  
**MAY** May 2019 On 2 May, Banco CTT completed the acquisition of the entirety of the share capital of 321 Crédito, a company granting loans for used motor vehicles to individuals.  
Banco CTT reached 1,000 million euros of customer deposits.  
**DECEMBER** Share capital increase of 20 million euros, to 286.4 million euros.

## Corporate Governance

Banco CTT endorses the Anglo-Saxon governance model, with the members of its corporate bodies in office on the present date having been appointed at the General Meeting for the term of office corresponding to the three-year period 2019-2021.

This model is based on a Board of Directors, an Audit Committee (composed of Non-Executive Directors, but especially appointed by the General Meeting) and a Statutory Auditor (permanent and alternate).

There is also a Selection and Remuneration Committee, elected by the General Meeting, with powers related to the selection and assessment of the adequacy of the members of the corporate bodies and holders of key positions, pursuant to the policy on selection and assessment of the adequacy of the members of the management and supervisory bodies and the holders of key positions (available on the Bank's website at [www.bancocctt.pt](http://www.bancocctt.pt)) and with powers to establish the remuneration of the Directors.

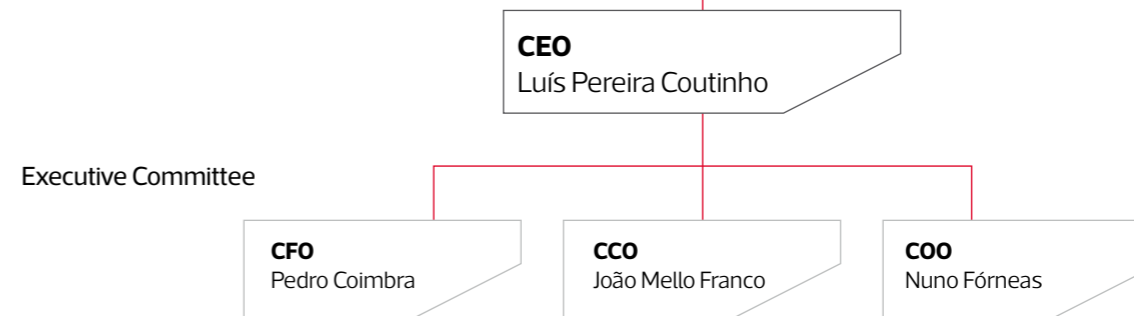
In turn, the Board of Directors has delegated daily management powers to the Bank's Executive Committee, pursuant to article 407 of the Portuguese Companies Code.

This governance structure also includes a Remuneration Committee created within the Board of Directors, in line with the provisions in Banco de Portugal Notice 10/2011.

Thus, the Bank's Board of Directors, in office as at 31 December 2019, was composed of 11 Directors, with 7 Non-Executive Directors (including the Chairman of The Board of Directors and 3 independent Directors) and 4 Executive Directors (including the Chairman of the Executive Committee), showing the following management organisation:

### Board of Directors

João de Almada Moreira Rato  
Luís Maria França de Castro Pereira Coutinho  
João Maria de Magalhães Barros de Mello Franco  
Pedro Rui Fontela Coimbra  
Nuno Carlos Dias dos Santos Fórneas  
Clementina Maria Dâmaso de Jesus Silva Barroso  
António Pedro Ferreira Vaz da Silva  
António Emídio Pessoa Corrêa d'Oliveira  
Guy Patrick Guimarães de Goyri Pacheco  
João Manuel de Matos Loureiro  
Susana Maria Morgado Gomez Smith



For further details on the composition of the corporate bodies and on the governance model and practices of Banco CTT see the Corporate Governance Report.

As it is part of the CTT Group and because CTT-Correios de Portugal, S.A. (“CTT”), as an issuer of shares admitted to trading on regulated markets, has adopted a significant series of recommendations in the Corporate Governance Code issued by the Portuguese Securities Market (CMVM), Banco CTT has benefitted from the best governance practices of the CTT Group established over various years. This has also contributed to the improvement of these practices within the CTT Group, in particular the Code of Conduct of CTT and Subsidiaries, which reiterates its Mission, Vision and Values and endorses best practices in line with the financial sector’s benchmarking.

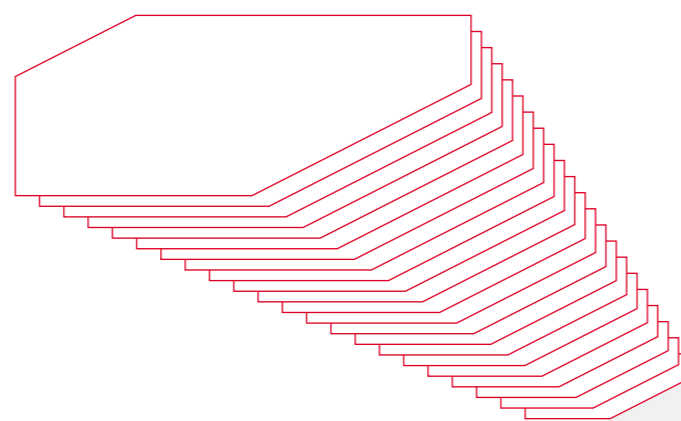
Pursuant to article 17 of the Legal Framework of Credit Institutions and Financial Companies (“RGICSF”), Banco CTT has solid mechanisms for matters of corporate governance that are complete and proportional to the nature, level and complexity of the institution, which include:

- A clear organisational structure, with well defined, transparent and coherent lines of responsibility;
- Effective processes for identification, management, control and communication of the risks to which it is or may be exposed in the future; and
- Adequate internal control mechanisms, including solid administrative and accounting procedures, as well as remuneration policies and practices that promote and are coherent with healthy and prudent risk management.

He governance practices and principles indicated above were thus associated to a solid organisational structure where the Bank’s control functions should be highlighted, and, in the case of Banco CTT, enable achieving the following goals:

- Assure the Bank’s operational capacity based on adequately dimensioned human, material and technical resources;
- Assure the provision of bank services to customers based on multi-employer staff in CTT’s Retail Network, after completing a rigorous training programme and with the follow-up and support of the Bank’s employees with previous banking experience;
- Articulate non-core functions (especially in terms of shared services) with CTT’s structure; and

Create a “control environment” that is appropriate to the particularities of Banco CTT, supported by the institution’s Code of Conduct, by the internal control and risk management policies and procedures, and by an internal organisation based on the model of three lines of defence.



## Corporate Bodies<sup>1</sup>

### Board of the General Meeting

#### Chairman

Rui Afonso Galvão Mexia de Almeida Fernandes

### Board of Directors

#### Chairman

João de Almada Moreira Rato

#### Members

Luís Maria França de Castro Pereira Coutinho  
João Maria de Magalhães Barros de Mello Franco  
Pedro Rui Fontela Coimbra  
Nuno Carlos Dias dos Santos Fórneas  
Clementina Maria Dâmaso de Jesus Silva Barroso  
António Pedro Ferreira Vaz da Silva  
António Emídio Pessoa Corrêa d’Oliveira  
Guy Patrick Guimarães de Goyri Pacheco  
João Manuel de Matos Loureiro  
Susana Maria Morgado Gomez Smith

### Executive Committee

#### Chairman

Luís Maria França de Castro Pereira Coutinho (CEO)

#### Members

João Maria de Magalhães Barros de Mello Franco (CCO)  
Pedro Rui Fontela Coimbra (CFO)  
Nuno Carlos Dias dos Santos Fórneas (COO)

### Audit Committee

#### Chairman

João Manuel de Matos Loureiro

#### Members

Clementina Maria Dâmaso de Jesus Silva Barroso  
Susana Maria Morgado Gomez Smith

### Statutory Auditor

#### Statutory Auditor (ROC)

KPMG & Associados, SROC, S.A., representada por Vítor Manuel da Cunha Ribeirinho

### Alternate Statutory Auditor

Maria Cristina Santos Ferreira

### Company Secretary

#### Permanent

Catarina Morais Bastos Gonçalves de Oliveira

#### Alternate

Maria Filipa Rebelo Pereira de Matos Alves Torgo

<sup>1</sup> The members of the corporate bodies in office on the present date and as at 31 December 2019 are indicated herein.

## Executive Committee



Pedro  
Coimbra  
CFO



Luís  
Pereira  
Coutinho  
CEO



João  
Mello  
Franco  
CCO



Nuno  
Fórneas  
COO

## Brief Summary of the Year and Main Highlights

The year of 2019 was marked by the continuation of the consistent growth of the Bank's retail banking customer base, maintaining an opening rate of around 10 thousand accounts per month, with customer funds on the balance sheet (deposits) having reached the historical milestone of 1,000 million euros in May 2019, and ended the year with over 1,200 million euros.

Simultaneously with the capture of funds on the balance sheet in the year of the value of 400 million euros, the Bank mediated the capture of more than 300 million euros of the retirement savings plan (PPR) product, accounting for an impressive market share, elevating the amount of pro forma customer funds to 1,640 million euros, representing an increase of 80% year-on-year.

The gross credit portfolio increased during the year by 641 million euros, both via the gradual growth of the mortgage loan portfolio (167 million euros), and via auto loans, through the entrance of 321 Crédito into the consolidation perimeter of Grupo Banco CTT (473 million euros). The payments business, operated by the subsidiary Payshop, stands out due to the continued expansion of its network of agents and growth of 7%, above 30 million, of the number of payments processed, during 2019.

The year of 2019 was also marked by the accomplishment of the acquisition of 321 Crédito, successfully culminating a process initiated in July 2018. The suspensive conditions established in the purchase and sale agreement of 321 Crédito were met by CTT on 22 April 2019, including non-objection by the competent banking supervision entities and the Competition Authority, with the transaction having been completed on 2 May 2019.

The acquisition of 321 Crédito is part of Banco CTT's development strategy, introducing a new business line, generating funding synergies and optimising the consolidated balance sheet through a significant increase of the loan portfolio and loan-to-deposit ratio from about 30% to more than 70%.

The transaction is also aligned with CTT'S strategy, reinforcing the commitment to the diversification of its business, through strategic investment in the growth of Banco CTT.

The Elective General Meeting of the Corporate Bodies of Banco CTT for the period 2019/2021 was held on 13 September 2019.

### January 2019

The Mortgage Lending of Banco CTT was considered to be a Five Star product by the Portuguese.

Among the five banks assessed in the same category, Banco CTT was awarded first place in the criteria of satisfaction, price-quality, recommendation and innovation.

### April 2019

Share capital increase of 110 million euros, fully underwritten and paid-up by the sole shareholder, CTT – Correios de Portugal, S.A., increasing the share capital to 266.4 million euros.

### May 2019

On 2 May, Banco CTT completed the acquisition of the entirety of the share capital of 321 Crédito, a company granting loans for used motor vehicles to individuals.

Banco CTT reached 1,000 million euros of customer deposits.

### September 2019

The Elective General Meeting of the Corporate Bodies of Banco CTT for the period 2019/2021 was held on 13 September 2019, with the following composition having been approved unanimously:

#### Board of Directors (term of office 2019/2021):

Chairman: João de Almada Moreira Rato, (com funções não executivas);  
Members: Luís Maria França de Castro Pereira Coutinho; António Pedro Ferreira Vaz da Silva; Guy Patrick Guimarães de Goyri Pacheco; João Maria de Magalhães Barros de Mello Franco; Pedro Rui Fontela Coimbra; Nuno Carlos Dias dos Santos Fórneas; Clementina Maria Dâmaso de Jesus Silva Barroso; António Emídio Pessoa Corrêa d'Oliveira; João Manuel de Matos Loureiro; Susana Maria Morgado Gomez Smith.

#### Executive Committee:

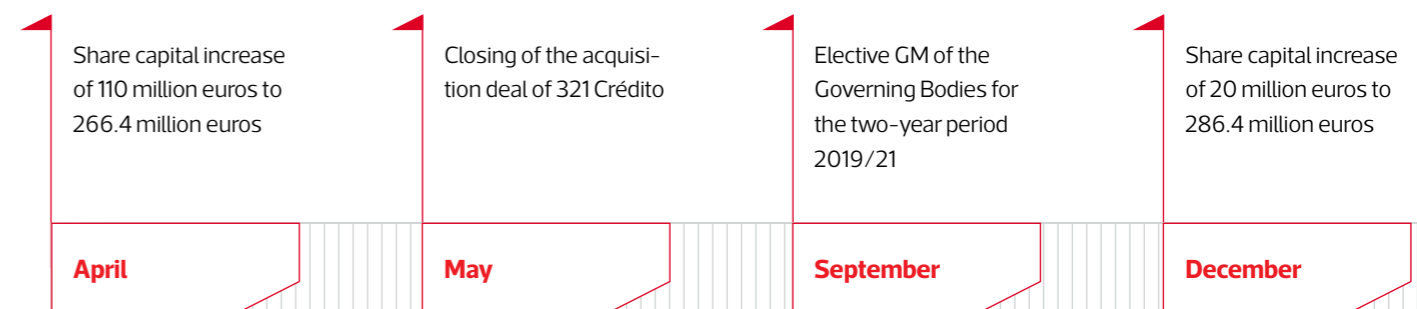
Chairman: Luís Maria França de Castro Pereira Coutinho;  
Members: João Maria de Magalhães Barros de Mello Franco; Pedro Rui Fontela Coimbra; Nuno Carlos Dias dos Santos Fórneas.

#### Audit Committee:

Chairman: João Manuel de Matos Loureiro;  
Members: Clementina Maria Dâmaso de Jesus Silva Barroso e Susana Maria Morgado Gomez Smith.

### December 2019

Share capital increase of 20 million euros, fully underwritten and paid-up by the sole shareholder, CTT – Correios de Portugal, S.A., increasing the share capital to 286.4 million euros.



## 1.2 Awards and Recognitions



### Awards and Effectiveness of Communication 2019

In 2019, Banco CTT was distinguished with the Gold Effectiveness Award, in the category of Financial Services and Insurance, with the campaign "Crédito Habitação Sem Blá Blá Blá" (Mortgage Loans without Bla Bla Bla).

This award distinguishes the contribution of communication in the achievement of business goals.

Its award is based on a detailed assessment of the cases presented, including the strategy used and results attained, with the selection panel being composed of 12 members, including highly reputed professionals of advertising agencies, advertising companies, market research companies and the academic sphere.

The "Crédito Habitação Sem Blá, Blá, Blá" campaign, starring the actor Albano Jerónimo, was the most recalled campaign of the national banking system in 2019, having reached 1st place in confirmed TV recall and 2nd place in spontaneous recall.

As a consequence, in this period there was substantial growth in the number of mortgage loan simulations and proposals made at Banco CTT.



### Banco CTT wins the Five Star Award for the 2nd year consecutively

The Mortgage Lending of Banco CTT was considered to be a Five Star product by the Portuguese.

Among the five banks assessed in

the same category, Banco CTT was awarded first place, having received the overall grade of 74%.

The distinction of the Portuguese was based on the criteria that influence the purchase decision: Satisfaction-Experimentation, Price-Quality, Intended Recommendation, Innovation, and particularly Trust in the Brand.

The Five Star Award, attributed in the Mortgage Lending category by U-Scout Lda., is a system of assessment of brands, products and services that measures the degree of satisfaction of the consumers, carried out by an independent entity, which uses a complete and rigorous method based on tests and market studies conducted during the 2nd semester of 2019.

### Meios & Publicidade Marketing Awards 2019



The "Crédito Habitação Sem Blá, Blá, Blá" campaign was awarded twice in the Meios & Publicidade Marketing Awards: Gold in the Banking, Finance and Insurance category, and Silver in the Multi-media/integrated campaign category.

Every year, the Marketing Awards, promoted by Meios & Publicidade, distinguish the best marketing strategies, campaigns, actions and decisions that can make all the difference for brands and companies, thus contributing to their brand awareness, reputation and growth. The awards are given by the majority of the selection panel's votes.

The selection panel is composed of 17 professionals with a recognised career path in the areas of marketing, advertising and media, and chaired by the director of Meios & Publicidade.

1.3

## Vision, Mission and Values of the Bank

### Vision

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

Its operating strategy is driven by the principles of solidity, transparency, trustworthiness, proximity and simplicity.

### Mission

Banco CTT's mission is to offer the customer financial products that are simple and competitive but also accessible, based on quality of service and innovation, while maintaining sustainable relations with all stakeholders.

### Values to uphold

- Customer satisfaction
- Excellence of service
- Innovation in solutions
- Trust and accountability in relation to partners
- Employee dedication and effort

1.4

## Key Figures

### Consolidated Results

For the first time, the results of 2019 incorporate 321 Crédito - Instituição Financeira de Crédito, S.A., which is now included in the consolidation perimeter of Banco CTT following the acquisition that took place in May. Therefore, the negative consolidated net income of 8,011 thousand euros (2018: -17,487 thousand euros) includes the contribution of 3,101 thousand euros relative to Payshop and 12,537 thousand euros relative to 321 Crédito.

Net interest income stood at 29,260 thousand euros (2018: 7,872 thousand euros), representing an increase of 21,388 thousand euros in relation to 2018 (growth of 272%), of which 19,620 thousand euros refer to auto loans, 7,120 thousand euros to interest from investment in securities and 3,317 thousand euros to interest from mortgage loans. The interest on deposits of customers that reached 974 thousand euros and 766 thousand euros of interest on securities issued represent the main items of interest and similar expenses.

Net commissions reached 15,455 thousand euros (2018: 11,082 thousand euros) corresponding to an increase of 4,373 thousand euros, in which special reference is made to the commissions received by the payment acceptance operations in the Payshop sphere of 8,241 thousand euros, the commissions of off-balance sheet savings products related to the retirement savings plan (PPR) offer with 1,131 thousand euros, and the commissions arising from the personal credit and credit card offer of the value of 2,310 thousand euros.

Operating income reached 45,819 thousand euros (2018: 18,542 thousand euros), representing an increase of 27,277 thousand euros which is due to i) the increase of banking activity (+8,646 thousand euros), and ii) the incorporation of 321 Crédito in the consolidation perimeter (+18,708 thousand euros).

Operating expenses reached 52,451 thousand euros (2018: 40,279 thousand euros) representing an increase of 12,172 thousand euros. This increase was basically the result of:

- inclusion of 321 Crédito in the consolidation perimeter, relative to 8 months of activity ( $\Delta$  18/19: +6,768 thousand euros);
- increase of general administrative expenses ( $\Delta$  18/19: +1,824 thousand euros) through the increased variable costs due to the larger banking operation;
- increased amortisation and depreciation ( $\Delta$  18/19: +1,621 thousand euros);
- increased staff costs ( $\Delta$  18/19: +1,757 thousand euros) which reflects the strengthening of team capacity-building.

Special note should be made of the Group's increased efficiency levels, with the cost-to-income ratio having improved from 217% in 2018 to 114% in 2019.

Net impairments amounted to 3,093 thousand euros in 2019 (2018: 362 thousand euros), of which 2,983 thousand are derived from the integration of 321 Crédito.

### Consolidated Balance Sheet

As at 31 December 2019, the Bank's assets amounted to 1,665,878 thousand euros (2018: 1,001,774 thousand euros), with 211,355 thousand euros funded by equity (2018: 89,504 thousand euros) and 1,454,523 thousand euros by borrowed capital (2018: 912,270 thousand euros).

During 2019 there were 2 share capital increases of the aggregate amount of 130 million euros fully underwritten and paid-up by the sole shareholder, CTT - Correios de Portugal, S.A., where the first was carried out on 26 April 2019 involving a total of 110 million euros and the second was carried out on 23 December 2019 involving a total of 20 million euros.

Deposits of customers reached 1,283,567 thousand euros as at 31 December 2019 (2018: 883,950 thousand euros) representing an increase of 399,617 thousand euros ( $\Delta$ : +45%) year-on-year, reflecting the ability and dynamism of attracting funds of the Banco CTT Retail Network. It should be noted in particular that the increased funds attracted are fundamentally non-remunerated demand deposits, demonstrating the confidence entrusted in the Bank by its customers, and that it is increasingly the customers' first bank.

Loans and advances to customers (gross) stood at 889,799 thousand euros as at 31 December 2019 (2018: 248,508 thousand euros), corresponding to an increase of 637,770 thousand euros, essentially explained by the increase of the gross auto loans portfolio of 447,708 thousand euros, arising from the acquisition of 321 Crédito and the evolution of mortgage loans with an annual variation of 166,501 thousand euros.

The portfolio of investment in securities had a net value of 451,360 thousand euros as at 31 December 2019 (2018: 454,102 thousand euros), of which around 90% are sovereign debt securities of the Eurozone.

The loan-to-deposit ratio stood at 69% in 2019 (2018: 28%) which reflects the full integration of the credit portfolio of 321 Crédito and the continuous increase of the capacity to create loans, despite the competitive environment observed in 2019 in the mortgage loan market.

## Consolidated Indicators

(amounts in thousand euros)

	2019	2018 reported	Δ	
			Abs.	%
<b>Results</b>				
Net Interest Income	29,260	7,872	21,388	272%
Operating Income	45,819	18,542	27,277	147%
Operating Expenses	(52,451)	(40,279)	(12,172)	30%
Impairment and Provisions	(2,869)	(342)	(2,527)	739%
Income Tax	1,490	4,592	(3,102)	-68%
Net Income	(8,011)	(17,487)	9,476	-54%
<b>Balance Sheet</b>				
Total Assets	1,665,878	1,001,774	664,104	66%
Deposits and Investments at Credit Institutions	151,313	228,478	(77,165)	-34%
Investment in securities	456,411	454,102	2,309	1%
Loans and Advances to Customers	885,821	248,049	637,772	257%
Intangible Assets	27,624	24,981	2,643	11%
Total Liabilities	1,454,523	912,270	542,253	59%
Deposits from Customers	1,283,567	883,950	399,617	45%
Total Equity	211,355	89,504	121,851	136%
<b>Retail Banking for Individuals</b>				
No. of Branches opened	212	212	-	-
No. of Accounts	461,271	347,941	113,330	33%
Mortgage Loan Production	189,406	178,788	10,618	6%
Mortgage Loan Stock (gross)	405,168	238,667	166,501	70%
Retirement Savings Plan Stock (mediation)	356,557	25,605	330,952	1,293%
Personal Credit Production (intermediation)	43,902	41,640	2,262	5%
Customer funds (pro forma)*	1,640,124	909,555	730,569	80%
<b>Point of Sale Specialised Credit Business</b>				
No. of agents	1,103	...	...	...
Auto Loans Production **	143,104	...	...	...
Auto Loans Stock (gross)	447,708	...	...	...
<b>Payments Business</b>				
No. of Payshop agents	4,821	4,600	221	5%
No. of payments processed - thousand	31,636	29,572	2,064	7%
<b>Profitability and Efficiency</b>				
Loan-to-Deposit Ratio	69%	28%	41%	146%
Cost-to-Income	114%	217%	-103%	-47%
Return on Assets (ROA)	0%	-2%	1%	-72%
Return on Equity (ROE)	-4%	-20%	16%	-81%
<b>Funding and Liquidity</b>				
Own Funds	122,645	64,116	58,529	91%
Risk-Weighted Assets (RWA)	646,266	274,706	371,560	56%
Common Equity Tier 1 (fully implemented)	18.98%	23.34%	-4.36%	-23%
Leverage Ratio (fully implemented)	7.6%	6.4%	1.20%	16%
Liquidity Coverage Ratio (LCR)	1,896%	3,102%	-1,206%	-39%

\* Includes deposits from customers and customer funds captured via mediation of the Retirement Savings Plan product (PPR).

\*\* 8 months of activity.

## 1.5 Macroeconomic Environment

## International Economy

The global economy is estimated to have grown at 2.9%<sup>1</sup> in 2019, the slowest rate of the last 10 years, showing a slowdown in relation to the 3.6% of 2018. This slowdown was experienced in a synchronised manner in various countries, as a consequence of the barriers to international trade and geopolitical uncertainty, which significantly affected the global manufacturing sector, especially the production of motor vehicles. The increase and uncertainty of customs tariffs, in particular between the United States of America and China, have undermined confidence for new investments and global trade relations. According to OECD estimates, the real growth of international trade should slow down from 3.7% in 2018 to 1.2% in 2019<sup>2</sup>. In contrast, the service sector maintained its buoyancy, which enabled keeping the labour market with unemployment rates at low levels and signs of rising salaries, especially in the developed economies. Domestic demand was the main driver of growth, in particular private consumption. Despite the buoyancy in the labour market, in 2019, inflation remained at low levels, in most cases at rates below the targets of the Central Banks of each country, and this was a year marked by even more expansionary monetary policies.

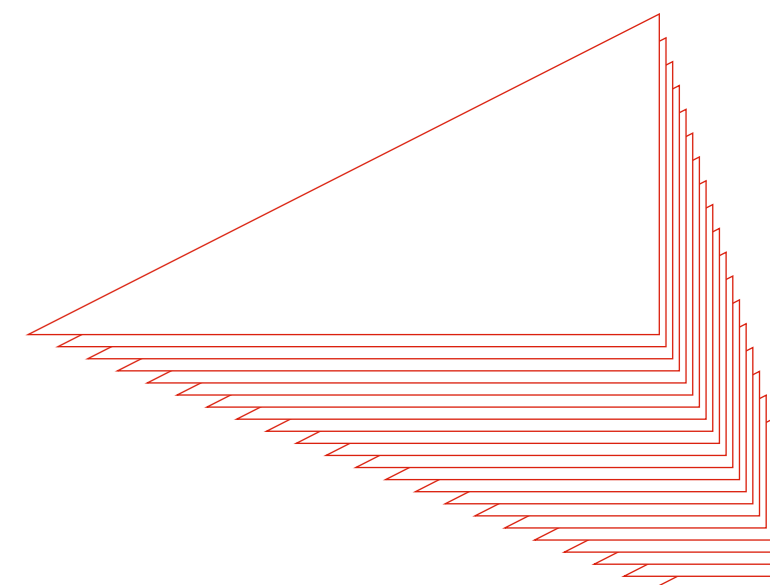
Economic activity in the eurozone slowed down, particularly affected by the contraction of industrial activity, with visible effects on the contraction of the German economy in the second quarter of 2019. Exports declined, experiencing the weakening of demand by China. The uncertainty as to the United Kingdom staying in the European Union was a recurrent theme throughout 2019, and it was only in December, with the victory of the Conservatives, that the deadlock underway was broken. In Spain, after two elections in 2019, it was still not possible to form a government throughout the entire year. In Italy, the Five Star Movement and Lega government coalition came to an end, with a new coalition between the Five Star Movement and the Democratic Party having been formed, with the same Prime Minister.

In the United States, the economy slowed down from 2.9% growth in 2018 to around 2.3%<sup>3</sup> in 2019, with a particularly strong slowdown in the investment component. The greatest contribution came from private consumption, underpinned by an unemployment rate at minimum levels of the last 50 years and increased salaries.

Monetary Policy in the eurozone became even more expansionary in 2019. After the end of the asset purchase programme of the European Central Bank (ECB) in 2018, the expectations for 2019

pointed to a period of normalisation and possible increase in reference interest rates of the single currency. This did not actually take place, with the ECB having cut the interest rate on deposits by 0.1% to -0.50% in September, resuming the purchase of assets for an indefinite period at a rate of 20 billion euros per month and announcing a new programme of targeted longer-term refinancing operations (TLTRO), with slightly lower rates and longer maturities. In order to mitigate the adverse effects of negative interest rates, the European Central Bank decided that a current multiple of 6 times the minimum bank reserves would not be subject to the deposit interest rate. The leadership of the European Central Bank changed, with Mário Draghi ending his term of office and being replaced by Christine Lagarde, who announced that during 2020 there would be a strategic review of the remit and clarification of ECB goals.

In the United States of America, the monetary policy also became more expansionary, reversing the increase rate rises of 2018. The Federal Reserve cut the reference interest rate by 0.75%, ending the year in the range of 1.50%-1.75%. The gradual reduction of the Federal Reserve Balance sheet was suspended, with the Federal Reserve starting to buy short-term assets following some difficulties in the repo market in September.

<sup>1</sup> OECD Economic Outlook, Interim Report March 2020<sup>2</sup> OECD Economic Outlook, Volume 2019 Issue 2<sup>3</sup> OECD Economic Outlook, Interim Report March 2020

## National Economy

The Portuguese economy recorded growth of 2.2%<sup>1</sup> in 2019, after growth of 2.6% in 2018. This slowdown reflects an approximation to the potential growth rate of the economy. The external context became less favourable in 2019, with a slowdown of exports and industry. The service sector remained relatively immune, which enabled maintaining the positive trend in the labour market. Domestic demand, in particular investment, was the main contributor to the growth of the national economy. The buoyancy of domestic demand elevated the growth rate of imports and the lower external demand, especially of countries outside the eurozone, slowed down the growth rate of exports, which would lead Portugal to return to a deficit in the Balance of Trade in Goods and Services in 2019, after the surpluses recorded between 2013 and 2018.

Budget implementation in 2019 maintained its trend of improvement, with an estimated almost balanced public budget. Public debt levels also maintained their downward trend, with a lower implicit interest rate and a longer redemption profile. In 2019, the rating agencies Standard & Poor's and Fitch upgraded the risk rating and the agency Moody's changed the outlook to Positive.

The labour market continued to show a positive trend, with the unemployment rate at historically low levels and job creation increasing. The growth of employment reflects an absorption of workers coming from situations of unemployment and an increase, albeit minor, of the active population, due to the higher female participation, increased retirement age and a positive migration balance.

The inflation rate in 2019 is estimated to have slowed down to 0.3%<sup>2</sup>, especially influenced by the evolution of energy products, affected by the reduction of the price of oil and the lower electricity and gas prices due to administrative measures in regulated pricing and lower tax rate. The inflation rate, excluding energy products, also decelerated, with various legislative measures significantly reducing the price of some goods and services.

## Financial Markets

The year of 2019 was a positive in practically all classes of assets. During 2019, the trade negotiations between the USA and China, the accommodative turnaround of the Central Banks, Brexit and the fears of slowdown of economic growth dictated both the improvements and devaluations in the markets.

In the stock market, the main stock exchanges of the advanced economies showed gains above 20% and the emerging markets had gains above 10%. Part of these appreciations were a recovery of the devaluations occurred at the end of 2018, a particularly volatile period, but even so the share indices significantly surpassed the historical peaks recorded in the summer of 2018. The FTSE Global ALL

Cap Total Return Index, which includes developed and emerging markets, appreciated by 27.09% in 2019 and 7.28% in relation to the peaks recorded in 2018<sup>3</sup>.

The bond market was marked by the changes in the expectations of the Central Banks. During 2019 the Bund interest rate at 10 years in German fell from 0.43% to -0.19%, and in the United States the Treasury interest rate at 10 years fell from 0.77% to 1.92%. It should be noted that this movement was not linear, with sharp decreases up to August, at which time the Bund reached -0.71% and the entire German yield curve traded at negative interest rates, followed by a rise in the interest rate in the last 4 months of the year. In the month of August, the Bloomberg Barclays Global Aggregate index, which only includes debt with investment rating in various currencies, recorded more than USD 17 billion of securities with a yield below zero to maturity, around 30% of total issuances.

The Portuguese credit spread at 10 years, compared to Germany, decreased by 0.85%, ending the year at 0.63%, a figure below the spread at 10 years of Spain. The Italian spread showed high volatility during 2019, having recorded a maximum of 2.87% after the elections for the European Parliament in May, a period of rapid spread widening in August with the heightening of expectations of early elections, followed by a period of reduction when the new parliamentary coalition of the Democratic Party and Five Stars Movement formed a government, ending the year at 1.60% compared to Germany.

The European credit spread, observed by the CDS Markit iTraxx Europe Senior index at 5 years, showed a reverse performance to that of 2018 in this last year: the regular rise from 45 bps to 87 bps during 2018 was fully reversed, also in a relatively regular form, to 44 bps at the end of 2019. The trend of the credit spread of issuers of speculative level in euros was identical, ending the year at historical minimum figures of around 200 bps in the iTraxx Crossover 5Y index. The credit spreads of financial debt in euros fell by more than half, with senior debt falling by 56 bps to 52 bps and subordinated debt falling by 115 bps to 114 bps throughout the year.

The barrel of Brent appreciated by 23% to \$66 per barrel, in particular due to OPEC's decision in December to prolong the production cuts and reduce the production quotas by more than 500 thousand barrels a day. Copper showed a lower appreciation of 6.3% and gold stood out by its 18% appreciation, when observing the price per ounce in dollars, having reached historical maximum figures when observing the price per ounce in euros.

The euro devalued by 1.60% in relation to the 19 currencies of the main trading partners of the eurozone<sup>1</sup>. The euro devalued by 1.95% in relation to the North American dollar, and by 5.76% in relation to the pound sterling, a movement exacerbated by the result of the elections in the English Parliament and reduction of the uncertainty

<sup>1</sup> National Accounts - 4th Quarter of 2019 and Year of 2019 - National Institute of Statistics (INE)

<sup>2</sup> Consumer Price Index - December 2019 - National Institute of Statistics (INE)

<sup>3</sup> Source: Bloomberg

enshrouding Brexit. Special note should also be made of the renminbi, with the Chinese currency having devalued in relation to the dollar, surpassing the psychological barrier of 7 yuan per USD in August and ending the year at 6.96, after the expectations of concordance and signing of the first phase agreement between the two countries.

## Portuguese Banking System<sup>2</sup>

In 2019, the Portuguese banking system continued to consolidate the progress that has been observed over the last year. There was an increase of profitability, reflecting factors of structural nature and developments partly of more circumstantial nature, such as the reduction of costs related to provisions and impairments.

The non-performing loan ratio (NPL) continued on the downward trend started in June 2016, essentially reflecting the reduction of its volume on the balance sheet, in line with the guidelines and plans to reduce non-performing assets submitted to the supervisory authorities, which have been progressively implemented by the banks.

Special reference should be made to the fact that the banking system continued the trend of strengthening its capital ratios. The increase of own funds was essentially the result of the evolution of common equity tier 1 (CET 1), reflecting, in particular, the evolution of the components of retained earnings and other comprehensive income.

In a context of downward revision of the economic growth forecasts in the eurozone and persistence of inflation below the target, the ECB announced a package of monetary stimulus measures in September 2019, embodied in lower interest rates for a more prolonged period (lower-for-longer). The reduction of medium and long-term interest rates signals that the Euribor should only return to positive figures in a considerably longer horizon.

The context of very low interest rates has been reflected in funding costs at a global level, being particularly favourable to economic agents with high debt levels, enabling, on the one hand, the relief of debt service, but also improving capacity for their funding at lower costs and/or at longer maturities.

In contrast to this scenario of short-term gains, the maintenance of the environment of lower-for longer interest rates could constitute a challenge to the sustainability of the net interest income of new loans, exacerbating the need for the expansion of loan granting, aimed at an offsetting quantity effect.

In Portugal there has been a differentiation of interest rate spreads by risk class in new loans to non-financial companies by the main banks of the system. There has also been a progressive improvement of the risk profile of new loans. In the case of individuals, new mortgage loans have also been granted to customers with lower risk profiles,

following the indications of the macroprudential policy measure endorsed by Banco de Portugal. In the consumer credit segment, two factors should be highlighted, the stock has maintained a high annual variation rate (close to 10%), but on the other hand, the new consumer credit, especially personal credit, has interrupted the decelerating trajectory observed since mid-2018. Furthermore, the prolongation of maturity periods associated to new auto credit and personal credit has continued to be observed.

Banco de Portugal announced that it shall continue to monitor the developments in the credit market, appraising, as a factor able to enhance vulnerability, especially in consumer credit, the ongoing increase of maturities in auto credit and personal credit.

The Portuguese banking sector is materially exposed to some asset classes the value of which could be affected in the event of an abrupt and significant revaluation of risk premiums in international financial markets, with potential to negatively affect the profitability and capital of the sector. These assets include real estate assets, exposures secured by real estate and public debt securities, in particular domestic sovereign debt but also of other European geographies whose values show high correlation in markets. Concerning public debt, not only has there been an increase of exposure to these securities, but also an extension of their maturities and average duration, which implies greater sensitivity to market risks. Moreover, the majority of these assets are stated at fair value, with impact on capital. Therefore, notwithstanding the more favourable regulatory treatment of this exposure, it is crucial for banks to have suitable capital buffers for the possible materialisation of this risk, which could also be mitigated by the adoption of hedge mechanisms.

With respect to the exposure to assets of real estate nature or backing, it should be noted that the evolution of prices in the real estate market has benefited from the strong dynamics of tourism and direct investment by non-resident, thus continuing to increase market sensitivity to the action of non-residents. It should also be noted that, in the more recent quarters, there is continued evidence of overvaluation in residential real estate in aggregate terms, which advises particular prudence in carrying out operations that have assets of this nature as security, where it should be ensure that the credit granting criteria are appropriate to the risk incurred.

Additionally, banks are encouraged to adjust their business models, in particular via investment in digitalisation, in order to remain technologically efficient and competitive, especially in view of the entry of new participants in the financial intermediation activity (Bigtechs). Reflecting not only the technological developments associated to the access, maintenance and management of information, but also regulatory changes, this investment will be an essential route to the preservation of the utility of the traditional operators for customers of financial services and, accordingly, the value of their activity. The strengthening of investment in information technology could



be complemented by the development of partnerships with the new players that could add value to the development of the activity, by making the most of economies of scale, experience and range. Technological security aspects should be protected appropriately (minimising cyber risk, more likely to occur in the new context, where communication and information technologies will become increasingly prominent), as well as risk management in general and internal control.

Likewise, the adequacy of the internal control systems allocated to the prevention of money laundering and terrorist financing is extremely important. In this context, special reference is made to the completion, expected to be soon, of the exercise taking place at a national level, of updating the national assessment of the risks of money laundering and terrorist financing. This exercise should enable a mapping of the main national threats in this sphere, combined with an assessment of the main vulnerabilities and sector controls, based on which response measures shall be defined to correct the detected weaknesses.

## Regulatory Framework

A decade after the financial crisis, the regulatory reforms implemented as a consequence of this crisis are practically completed and the agendas of the regulators now seem to be focused on the challenges posed by the technological changes, on the growing concern with security and privacy and with environmental sustainability.

Indeed, although the European regulatory agenda was dominated by Brexit in 2019, the attention of the regulators of the financial sector has also been directed to new areas, in response to the growing digitalisation of the banking sector and consequently to its greater vulnerability to cybercrime, to incidents related to failures in IT or excessive dependence on service providers under outsourcing arrangements.

Concerns related to the prevention of money laundering and terrorist financing also grew in the last year, in particular in view of the failures that were detected in various European institutions, leading to the scrutiny of the regulators and the proposed measures being increasingly challenging for the financial sector.

At a national level, 2019 started with the publication of the Insurance and Reinsurance Distribution law (Law 7/2019, of 16 January) which significantly changed the legal framework on distribution of insurance and reinsurance, considerably strengthening the series of rules and procedures applicable transversally to the sector, with special impact on the organisation and activity of insurance mediators. A large number of regulatory interventions are foreseen by the Insurance and Pension Funds Supervisory Authority; hence, more novelties are awaited that shall complete this system. It is important to highlight the additional requirements of vocational training, in particular the new requirements of continuous professional enhancement, as well as the reinforcement of the obligations related

to the policies of design and approval of insurance products, duties of pre-contractual information and the special duty of the insurance distributor appraising the suitability of the product to the insured person. With respect to investment products based on insurance, a more exacting framework is established, in view of the nature of the products and without prejudice to compliance with the obligations arising from Regulation (EU) 1286/2014 (Legal System of Packaged Retail and Insurance-based Investment Products (PRIIPs)) and Law 35/2018, of 20 July. In the marketing of these products and according to the type of marketing (sale without advice or sale with advice), the mediators should comply with specific duties, identical to those defined in the Markets in Financial Instruments Directive (MiFID II).

A review was also made of the system of mandatory reporting of financial information (Law 17/2019, of 14 February), extending the requirement that financial institutions report, to the Tax Authority, the accounts held by residents in Portugal, when the balance or aggregate value exceeds 50,000 euros at the end of each year.

Regarding the protection of bank deposits, with Law 23/2019, of 13 March, prior ranking is now given to most deposits in relation to all other ordinary credit (it should be noted that the previous system prior ranking only benefited deposits up to the amount covered by the Deposit Guarantee Fund and the deposits of individuals and micro, small and medium-sized enterprises for the amount that exceeded this limit). Thus, the deposits, still classified as ordinary or subordinated, of the so-called "large depositors" now also benefit from prior ranking (although they continue to be classified at a lower level in the credit hierarchy, in case of insolvency, relative to credit due to deposits that currently already benefit from prior ranking). A category of «non-privileged» senior debt has been created, which should have a priority position, in the insolvency hierarchy, higher than that of equity instruments and subordinated liabilities that are not considered equity instruments, but lower than that of other senior liabilities.

The regulatory technical rules of the duties of reporting of financing operations through real estate values (referred to as Securities Financing Transactions Regulation - SFTR) were published in April 2019, and shall enter into force from April 2020.

Concerning outsourcing, the European Banking Authority Guidelines (GL/2019/02) were published and entered into force, specifying the provisions on internal governance, including healthy risk management, that the institutions should implement when outsourcing duties, in particular when outsourcing essential and important duties.

Law 58/2019, of 8 August, was finally published on the topic of Data Protection, seeking to enforce certain aspects of the General Data Protection Regulation (GDPR), amending the law that regulates the organisation and operation of the National Data Protection Commission (CNPD) and (explicitly) revoking Law 67/98, of 26 June (Data Protection Law). Special reference is made to the fact that

the new Law adds various duties to the data protection officer established in the GDPR, namely, "ensure the conduct of audits, both periodic and unscheduled; raise the awareness of the users on the importance of the time detection of security incidents and on the need to immediately inform the security manager; and ensure relations with the data subjects on issues covered by the GDPR and by the national legislation on data protection issues".

2019 was also the first year of effective application of the revised Payment Services Directive (PSD2), transposed to Portugal by Decree-Law 91/2018, of 12 November, which approved the Legal System of Payment Services and Electronic Currency currently in

force. In this context, the banks completed the development of the Application Programming Interfaces (APIs) that enable access to payment accounts and the initiation of payments of third party entities, and implemented the new requirements on strong authentication. In this regard, it is important to highlight the postponement of the application of the customer's strong authentication for card-based payments through the Internet (following the publication of the Opinion of the European Banking Authority on 16 October), from 14 September 2019 to 31 December 2020, due to the complexity of the adaptations that will need to be done by the card issuers, as well as by the merchants that accept this method of payment in online shopping.

## 1.6 Business Model

bancoctt

payshop

321 crédito

### Retail Banking for Individuals

#### 2019, the year of consolidation of the banking offer

Providing a simple and competitive offer, Banco CTT has consistently increased its customer base, maintaining the opening rate of around 10 thousand accounts per month, during 2019.

The value proposition, based on accessible pricing, has proved appealing to all age cohorts, especially the population that is younger and of active age, that together represent 86% of the customer base of Banco CTT.

Focused on an offer designed for the majority of the needs of Portuguese families, Banco CTT provides solutions for daily life, which includes demand deposits and the respective means of transaction, plus term deposits, free saving accounts and retirement savings plans, in the areas of personal loans, credit cards and mortgage loans.

Moreover, seeking to respond to the wishes of its customers and aimed at deepening its commercial relations, also at the end of 2018 and during 2019, Banco CTT continued to expand its line of products, while never overlooking the principles of simplicity and accessibility of the commercial offer. Thus, 2019 was marked by enormous success in the placement of the retirement savings plan product "PPR Poupança BCTT", developed in partnership with the insurer Zurich, with a subscription volume of more than 350 million euros, confirming the trust and confidence in the Banco CTT brand and its vocation to attract savings in the retail market for individuals.

Furthermore, in the saving category, the retirement savings plan "PPR Mais Banco CTT" was launched at the end of 2019, one again in partnership with Zurich, maintaining a conservative risk profile, but giving Banco CTT customers the possibility to invest in a product with higher returns and without guaranteed capital.

In 2019 there was also evolution in the mortgage loan product, extending the offer to Construction Works thus giving the customers the possibility of taking out home equity loans, based on real estate properties already held.

In Mortgage Lending, the year was also marked by the launch of the first "Portal de Parceiros" (Portal of Partners) in Portugal, enabling the creation of requests for mortgage loans by the intermediaries of Banco CTT.

Finally, 2019 was also the year when Banco CTT enlarged its insurance offer, and now offers a complete line of products. Thus, added to the life and multi-risk insurance, associated to mortgage loans, and Multicare health insurance, in partnership with Fidelidade, Banco CTT now begins to deliver motor vehicle insurance in partnership with Generali, as well as personal accident insurance in partnership with Mapfre.

Daily life, savings, loans and insurance, Banco CTT ends 2019 with a competitive offer, driven by the needs of the customers and promoting the Bank's core values: transparency, simplicity and accessibility.

#### Presential channel, promotion of the principle of proximity

Proximity, based on human relations and on a capillary network of branches, is also one of the founding principles of Banco CTT.

Since its opening, in March 2016, Banco CTT is present in all Portuguese districts.

With a network of 212 branches, Banco CTT operates during extended working hours, from 9:00 to 18:00, sharing the branch's physical space with the postal attendance operation, but maintaining segregated attendance, promoting greater specialisation in financial services and assuring higher quality of service.



#### Digital Channels, Banco CTT available 24/7

Complementing the physical and presential channel, digital channels are one of the key elements of the service proposition of Banco CTT.

Through the digital channels, Banco CTT customers can access the Bank at any time of the day or night, whether through their mobile app, available for iOS and Android, or through Home Banking, optimised for personal computers and tablets.

Confirming the success of these platforms, around half of the Bank's customers are frequent users of the digital solutions provided by the Bank, which also includes the MBway service.

Use through mobile devices is increasingly significant, representing 85% of accesses. Half of the transfers and payments of the Bank's customers are carried out by Digital Channels and, in the case of the constitution of term deposits, this figure already surpasses 80%.

It is in this context that the Bank shall continue to reinforce its digital agenda, by strengthening the technology supporting the channels, which shall enable higher speed in the launch of new functionalities, as well as significant evolutions in user interfaces and user experience.



BancoCTT Net and BancoCTT App. Simple, flexible and customisable.

## Payments

The payments business of the Banco CTT Group is divided between daily life products associated to the retail business, and Payshop, a subsidiary of Banco CTT, that owns a national network of acceptance of payments.

Payshop is primarily based on the offer of an attendance service in person, in cash, that enables carrying out payments (invoices, toll charges, taxes, purchases online), reloading (mobile phones, public transport tickets) and purchases (vouchers and other pre-paid items).

The services are available at an enormous Network of Payshop Agents, which surpasses the milestone of 4,800 points of sale throughout the entire country, as well as in CTT Post Offices and many Postal Agencies.

In 2019, the Payshop Network processed over 30 million transactions, involving more than 650 million euros, thus returning to a trend of growth, through the offer of new services and the conquest of new institutional customers.

This year, the Network also benefited from various investments in improvements, such as the launch of new image articles at the agents and the implementation of advertising campaigns promoting Payshop services.

In 2020, Payshop shall follow its strategy of diversification of the offer, channels and means of payment.

To this end, the implementation of a new transaction system is underway, which shall serve all the Group's payment businesses, and shall enable strengthening the provision of integrated payment solutions to our institutional customers, as well as the launch of digital channels and the introduction of payments by debit card of the services offered at the Network of Agents.

## Specialised Credit at the Point of Sale

### A synergetic acquisition

2019 was also marked by the acquisition of 321 Crédito, a company specialising in auto loans at the point of sale.

In May, after authorisations of Banco de Portugal and the Competition Authority, Banco CTT acquired 100% of the equity of 321 Crédito in an operation with a total value of 110,782 thousand euros, entirely funded by a share capital increase of the shareholder.

With this acquisition, Banco CTT consolidates its presence in consumer credit, a market segment undergoing accelerated growth with distinctive profitability levels. Specifically, this operation enables

the immediate capture of a significant funding synergy, accelerating the loan-to-deposit ratio of Banco CTT from 28% to 69%, optimising the use of the enormous low-cost funding synergy obtained through the retail banking network.

### 321 Crédito, reference in auto loans in Portugal

321 Crédito is one of the largest national players in the used motor-vehicle credit market, specialising in operations at point of sale.

With a business based on partnerships with more than 1,000 dealers of used motor vehicles, 321 Crédito achieved a production of new credit of more than 200 million euros, corresponding to a market share already above 10%.

In 2020 and in the following years, now in the Banco CTT context, 321 Crédito shall grow to a new threshold, accomplishing its vocation of proximity and its capacity to develop business with its partners, credit intermediaries.

This growth shall be materialised through a much larger commercial footprint and with a technological evolution already in course, which shall enable reaching a new level of excellence and response speed in credit processes.

With 321 Crédito, Banco CTT has become more solid and diversified, accelerating its credit management capacity and taking a significant step towards ensuring the profitability of the investment that has been made.

## Outlook for 2020

The year of 2019 was marked by the consolidation and diversification of the Banco CTT project.

On the one hand, the retail banking offer was completed, maintaining the high rate of capture of accounts and continuing the deepening of productive commercial relations.

On the other hand, the year was characterised by inorganic growth brought by the acquisition of 321 Crédito, enabling an important acceleration in credit stocks.

The year of 2020, merely the fourth full year in the history of Banco CTT, shall bring new challenges, transversal to the 3 business units that now comprise the Banco CTT Group:

- In **retail banking**, continuation of the deepening of the banking relations that have already been achieved, promoting the positioning of Banco CTT as the "first Bank" of its customers, thus boosting the profitability of the created franchise, both in terms of savings – in particular the retirement savings plan offer – and in terms of credit;

- In the **payments business**, acceleration in the Payshop transformation programme, accomplishing the planned technological investments, which shall enable repositioning the company for the "digital era", while strengthening the extraction of value from its enormous network of agents;

- In **specialised credit at point of sale**, acceleration to an unprecedented level of production at 321 Crédito, from now onwards financed by the funding pool of Banco CTT, and achieved through a reinforcement of the commercial capacity and the consolidation of the new credit workflows.

## 1.7 People

During 2019, the focus of the Banco CTT Group continued to be based on Talent Management. In order to build the capacity of the Employees to respond more effectively to the challenges placed before them, the Banco CTT Group has focused on the development of skills through the definition of an ambitious continuous training plan.

In this regard, special reference is made to the specific training in Banking Activity particularly focused on regulatory matters, namely concerning the Personal Data Protection Regulation, the Marketing of Mortgage Loans and Credit Intermediation, training of Persons Directly Involved in Insurance Mediation Activity, the Code of Conduct and Ethics, the Prevention of Money Laundering and Terrorist Financing, Awareness-Raising on Ethics and Fraud, Awareness-Raising on Information Security, among others.

The Banco CTT Group also invested in training in soft skills during 2019, where particular reference is made to the areas of Communication, Teamwork and Emotional Intelligence.

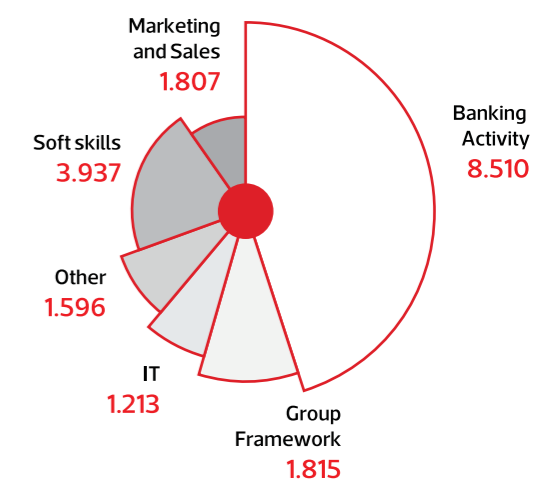
Concerning the training of the CTT Retail Network, the Banco CTT team maintained intense collaboration both in designing and ministering various training actions focused on banking topics.

A total of 18,878 hours of training were given to the Employees of the Banco CTT Group, 17% more than in the previous year. In 2019, the average number of training hours per Employee was 48 hours.

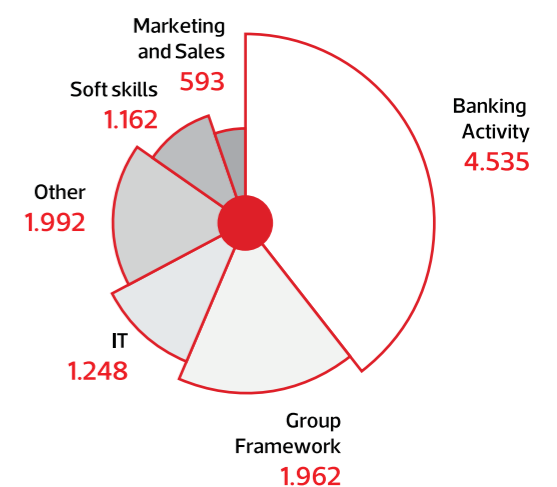
In order to implement a structure of functions able to support the accomplishment of the goals of Banco CTT, the existing functions at the Bank were mapped, with a description of each function, so as to clarify the structure of responsibilities and the expected performance of the Employees in each function, by delineating their scope of action and the expected behaviours.

At 321Crédito, 2019 was the year of consolidation of the Performance Assessment model implemented in the previous year, with a new HR – Upward Feedback process also having been implemented, with a view to the Assessment of the Line Managers by their direct Employees.

### Training hours in 2019



### Training hours in 2018



In order to better understand the experience/satisfaction of the Employees at their workplace and aimed at creating an increasingly prosperous workplace, where all the Employees feel motivated, challenged and competent, 321 Crédito carried out an Organisational Climate study. The results, despite being very satisfactory, enabled identifying opportunities for improvement which the companies have strongly considered and sought to address.

Under the Corporate Voluntary project, Banco CTT maintained the agreement with Crevide – Creche Popular de Moscavide, a non-profit making association, with an activity plan having been defined with the participation and involvement of all the Employees, thus encouraging in-house mobilisation directed outwards in favour of community service. Particular reference is made to the initiatives “Não deixes nenhuma criança de fora” (Don't leave any child out), relative to fund-raising for works to be carried out on Crevide premises, with the Bank having tripled the value of the Employees' donation, the support to stimulating the Arraial da Crevide (Crevide Festivities) as well as the offer of baskets of food and hygiene products during the Christmas season to the families supported by Crevide.

The strengthening of the Banco CTT Group's team continued to be a concern within the remit of Human Resources. As at 31 December 2019, the staff was composed of 397 Employees, 60% more than in the previous year. The hiring of 64 new Employees was conducted for the different areas, maintaining high standards of qualification, different levels of seniority and expertise, and observing criteria on diversity, especially related to gender.

**Characterisation of the Banco CTT Group Personnel as at 31 December 2019 and 2018**

Level of Qualification	2019	2018
Elementary Education	2%	1%
Secondary Education	32%	26%
Bachelors	4%	1%
Licentiate Degree	44%	55%
Postgraduation/Masters	18%	17%

Gender	2019	2018
Female	50%	49%
Male	50%	51%

Age group	2019	2018
< 30 years	10%	11%
30 – 34 years	16%	28%
35 – 44 years	45%	44%
>= 45 years	29%	17%

