



**CAPITAL
MARKETS
DAY** LISBON
2015

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I Company overview

II Three-year performance highlights

III Strategic update

IV Banco CTT strategic update

V 2020 business ambition



Company overview

The postal services industry is going through a significant transformation phase



**Globalisation
Liberalisation
Privatisation**

**Much more scrutiny
and competition**



**Digitalisation
Substitution
effect**

**What can be digital...
will be digital**

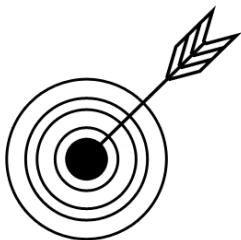


E-Commerce

**Online shopping...a new
paradigm and an opportunity**



**Fine-tuning of the
business model**



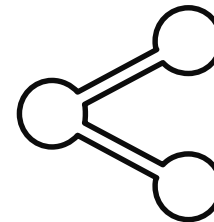
Efficiency

**Continuous operational
/ cost optimisation**



**Data-driven
marketing**

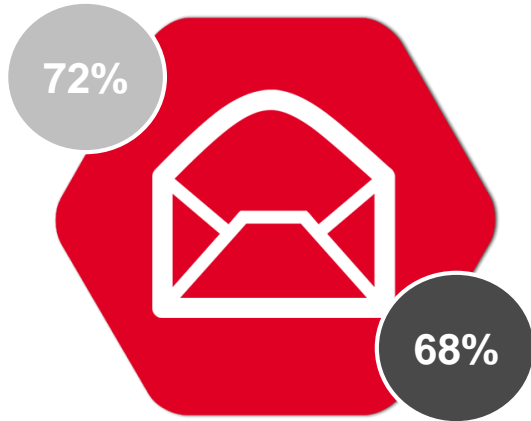
**Leverage on data to explore
new opportunities**



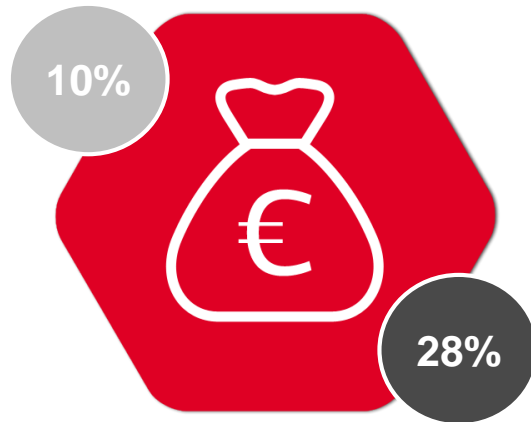
**Diversification
(e.g. retail networks)**

**Leverage on established
networks (e.g. government &
other services)**

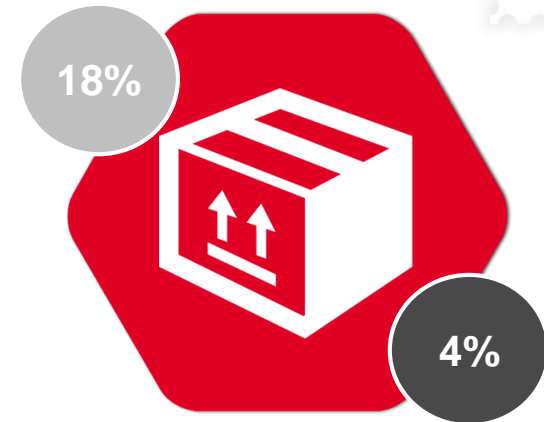
CTT is a dynamic postal services operator with a balanced portfolio of businesses...



Mail & other



Financial Services



Express & Parcels

MAIL & other			Financial Services			Express & Parcels		
MAIL	BUSINESS SOLUTIONS	RETAIL SERVICES	SAVINGS & INSURANCE	PAYMENTS	TRANSFERS	PORTUGAL	SPAIN	MOZAMBIQUE
Transactional	Printing & finishing	Outsourcing		PAYSHOP NETWORK	CREDIT OTHER			
Editorial	Storage & document management (Mailtec)	Citizen's Bureau Areas		(cash payments through an electronic platform, e.g. mobile phone top-ups)	(tolls)			50% JV with Correios de Moçambique
Advertising								
USO Parcels								
Philately								

Indisputable market leader with industry-leading margins

Leveraging on a strong brand name, historical track record and a Retail Network comparable in size to those of the major Portuguese banks

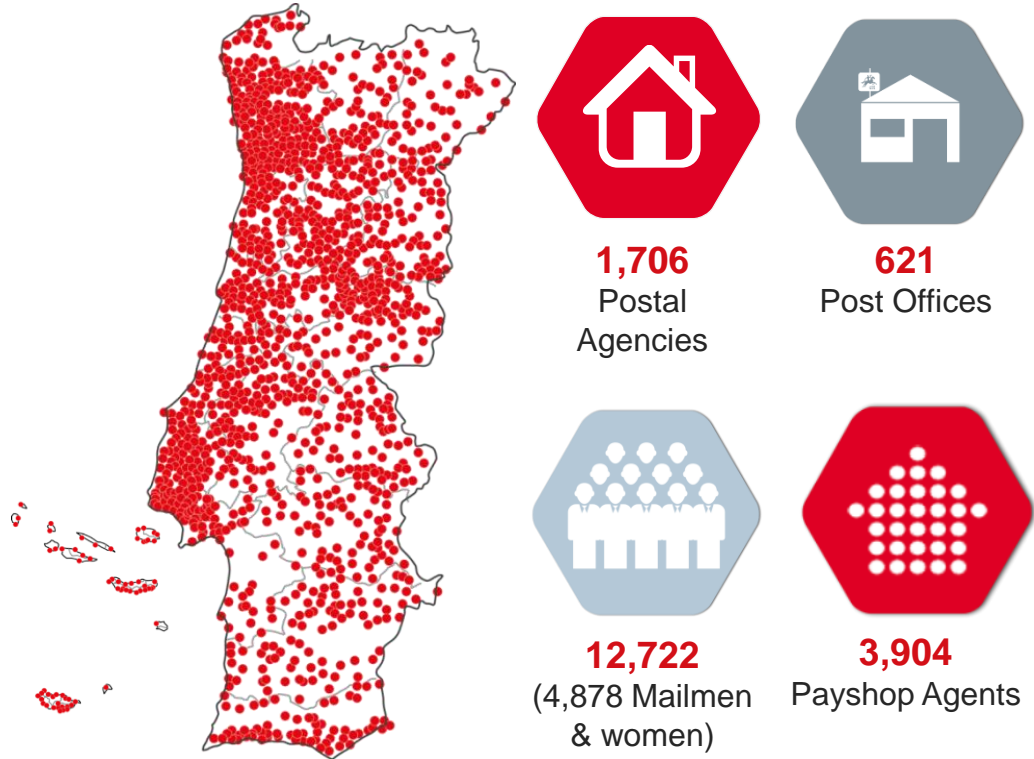
Economies of scale and market leader in Portugal; franchisee model of operation in Spain

% % 2014 Recurring revenues ¹ (€718m) **%** % 2014 Recurring EBITDA (€135m)

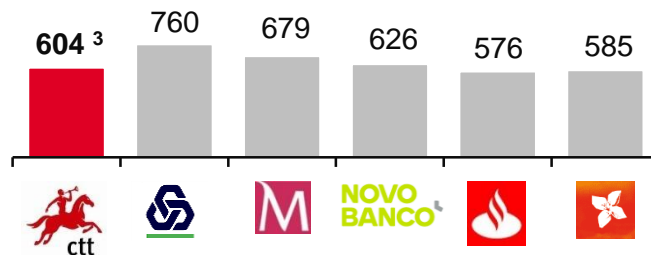
¹ Revenues by business unit including CTT Central Structure and Intragroup Eliminations.

... leveraging on its unique networks and iconic brand

CTT Retail & Distribution networks ¹




Portuguese banks' retail networks – # of branches ²



National and international recognition (awards)



“Trusted Brand and Trusted Brand for the Environment 2015”
Reader's Digest



“Trusted Brand 2015”
Superbrands Portugal



“No. 1 Firm Corporate Best for Investor Relations – Portugal – Mid & Small Cap”
Extel WeConvence 2015 IR Awards



“European Equities Deal of the Year 2014”
The Banker – CTT IPO

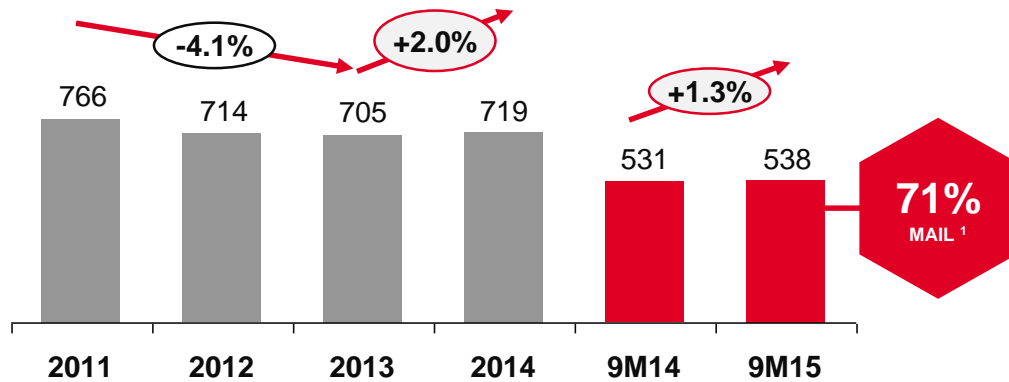


¹ As at 30 September 2015; ² 1H15, except for BPI and Millennium which have reported the number of branches as at 30 September 2015; ³ Ramp-up of Banco CTT to up to 603 CTT post offices in the first three years and 1 own branch.

Reporting consistently strong results since the IPO, delivering on the promise...

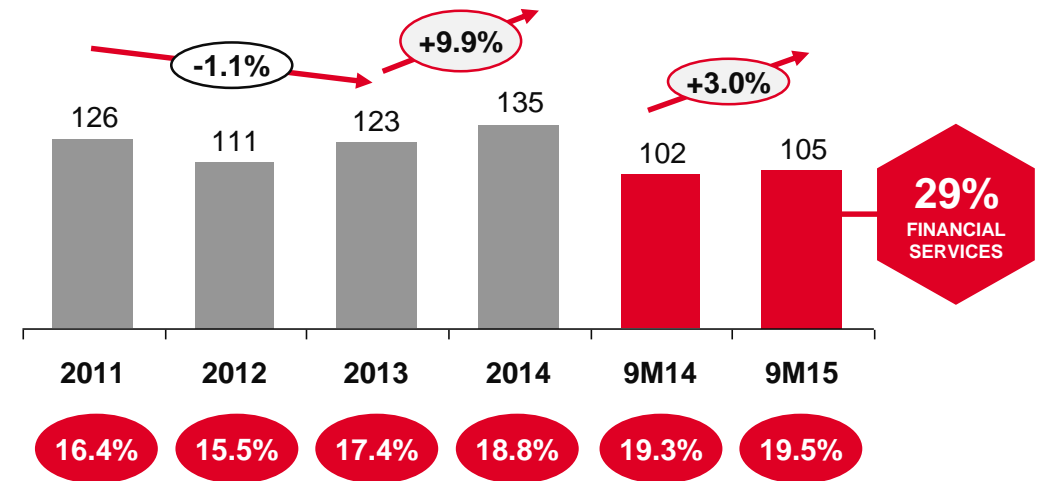
Reversing the reported revenues declining trend (since 2013)

€ million ○ CAGR 2011-2013 ○ % growth vs. previous year



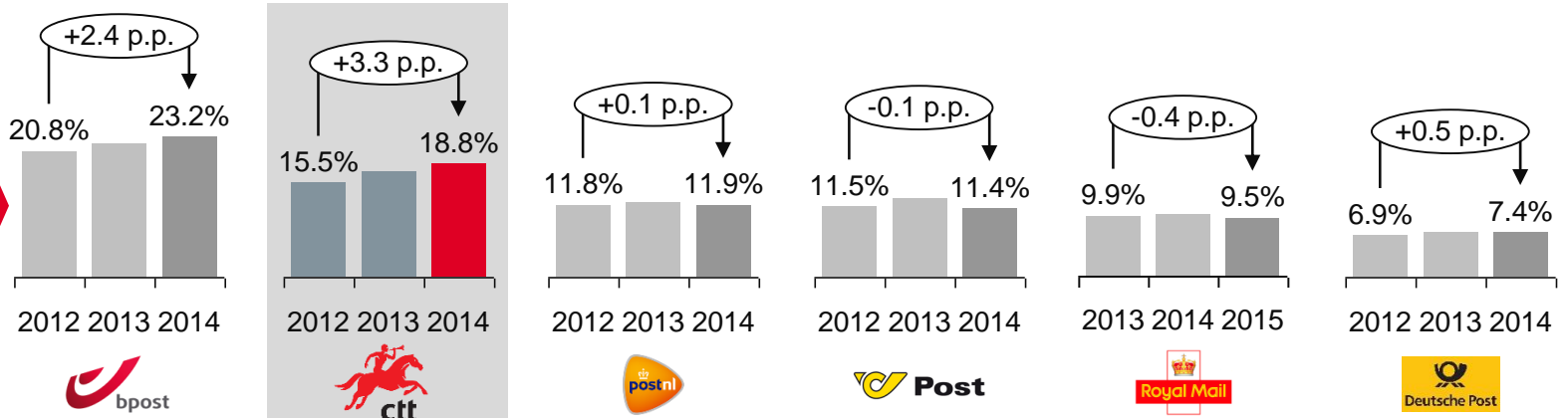
Strong recurring EBITDA² growth (since 2012)

€ million ○ CAGR 2011-2013 ○ % growth vs. previous year ● Recurring EBITDA marg.



Industry-leading EBITDA margins³

- Focus on efficiency through continuous transformation programmes in order to adjust the company structure and sustain an operation of excellence
- Optimisation of resources, not only in terms of staff but also in operations, distribution and retail
- No government subsidies

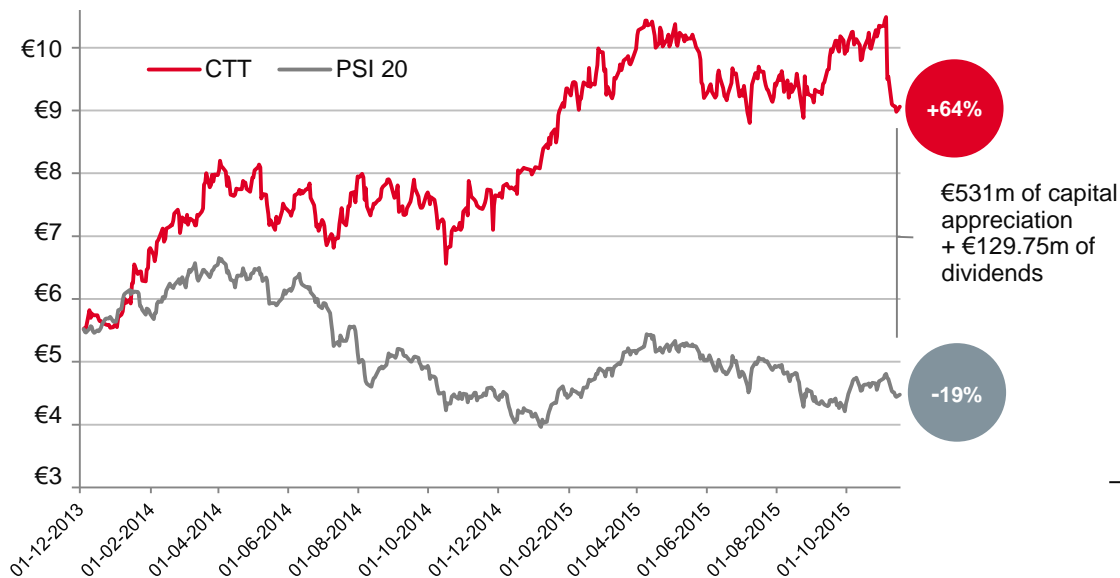


¹ Reported revenues including income related to CTT Central Structure and Intragroup Eliminations; ² Excluding non-recurring revenues and non-recurring costs; ³ Source: Annual Reports – excluding non-recurring items. Royal Mail fiscal year ends in March (e.g. 2015 refers to the period between Apr-14 and Mar-15).

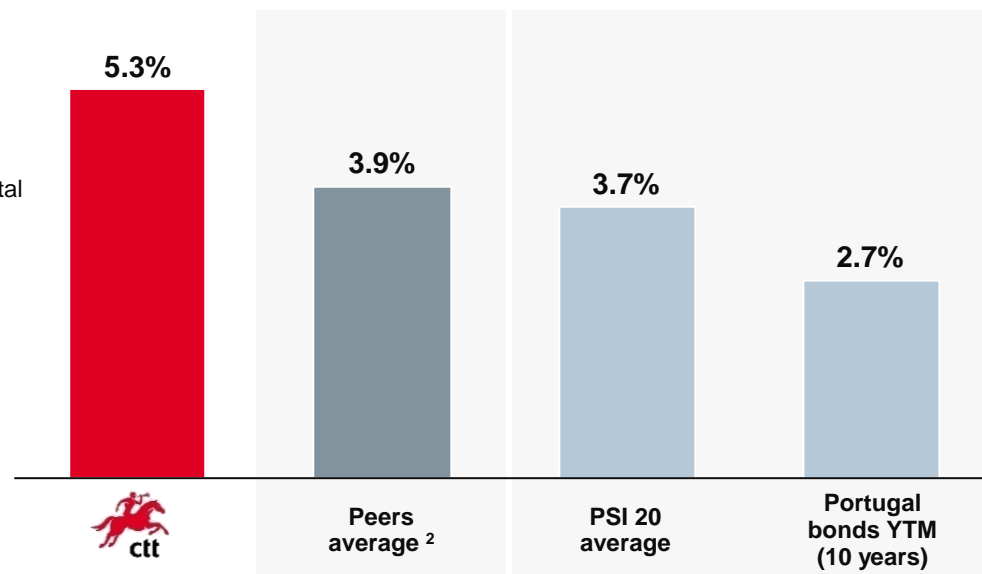
...with a proven track record of shareholder value creation



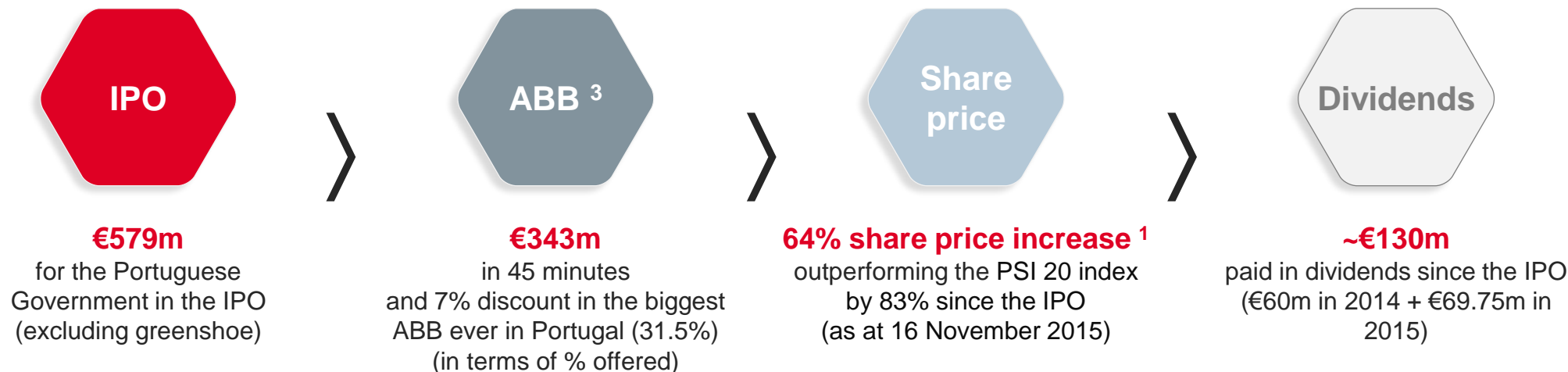
Share price significantly outperforming the benchmark ¹



Offering an attractive dividend yield ¹



Value creation story



¹ Bloomberg, 16 November 2015; PSI20 rebased to CTT IPO share price; ² Peers included are: Austrian Post, Bpost, Deutsche Post, Royal Mail Group and Post NL; ³ Accelerated bookbuilding (ABB).

CTT presents a distinctive and attractive equity story



Unique networks

- Extensive nationwide Retail Network
- High capillarity
- Backbone to all business activity



Two independent growth levers (FS and E&P)

- Diversified business model leveraging on competitive skills
- Significant shared cost base (operating leverage)



Visible and highly trusted brand

- High consumer recognition of the CTT brand
- Strong Financial Services business with further opportunity for growth (Banco CTT)



Strong profitability and cash generation

- Company-wide focus on efficiency
- High cash flow generation capacity
- Track record of shareholder value creation



Established and sustainable business model

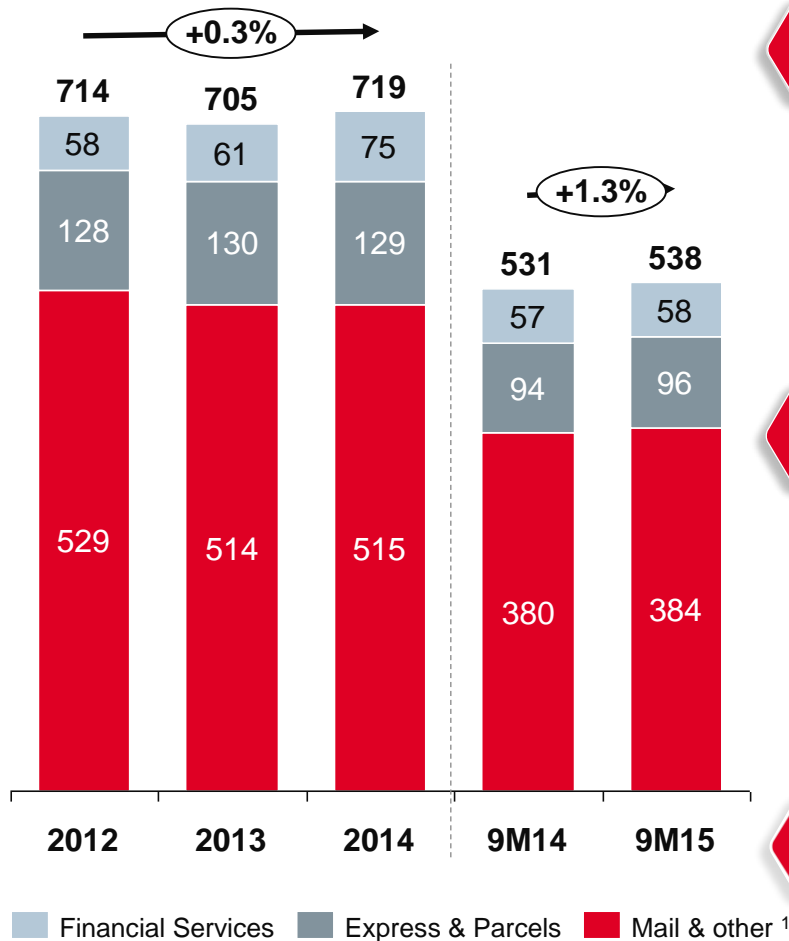


Three-year performance highlights

Reversing the revenues declining trend sets CTT on a sustainable growth path

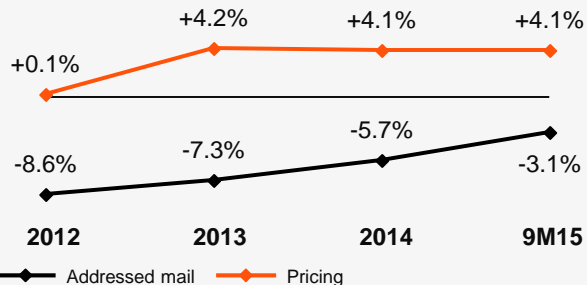
Reported revenues

€ million; CAGR %



Volumes

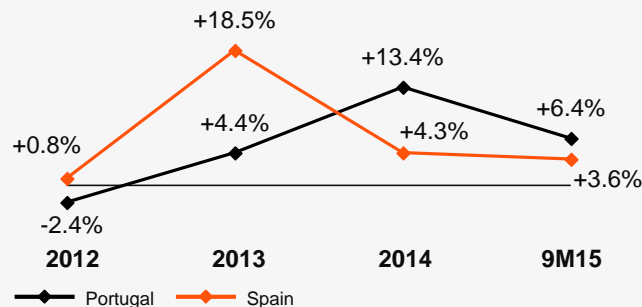
Mail volumes & Pricing (% change y.o.y.)



- Addressed mail volumes decline slowing down as the Portuguese economy provides a tailwind
- Utilisation of the pricing lever to mitigate the impact of the volumes decline



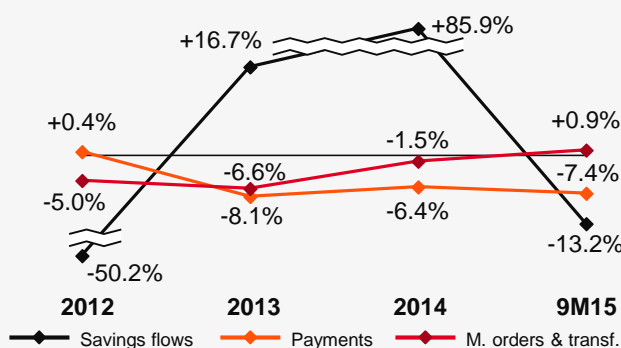
E&P volumes (% change y.o.y.)



- E&P revenues impacted by the decline in the banking-related business in Portugal and the reorganisation in Spain
- E-commerce still emergent in Portugal; volumes growing at double-digit rates from a small base



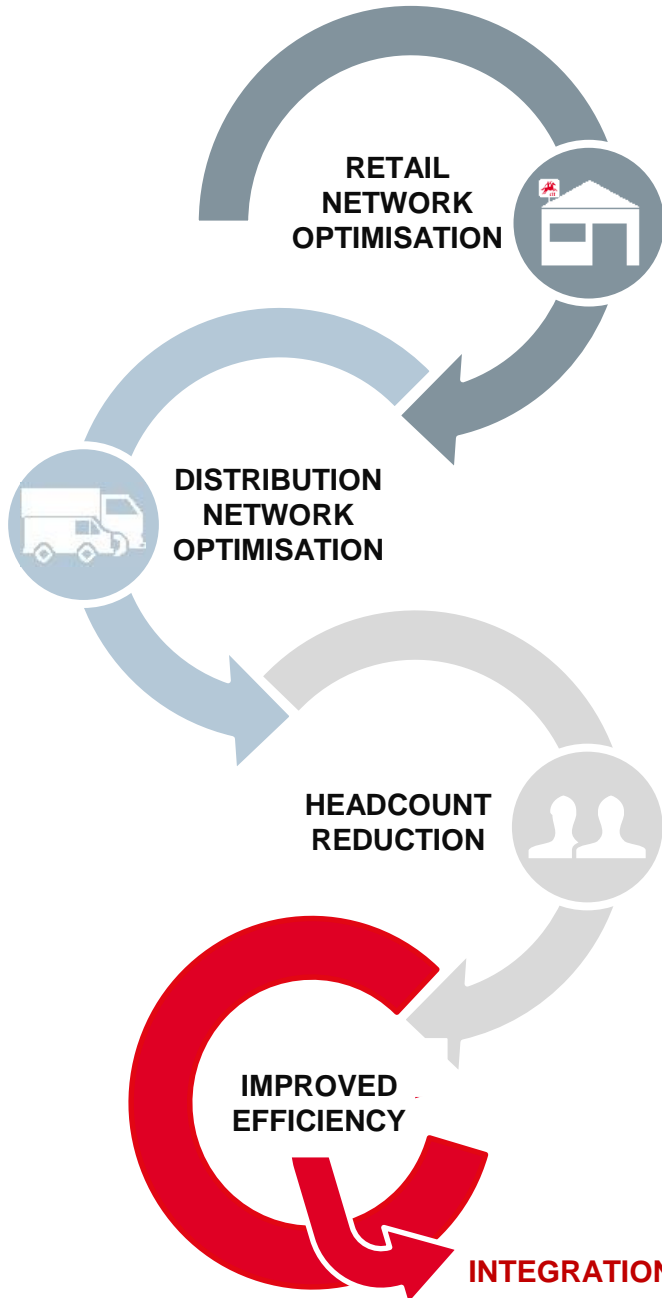
FS volumes (% change y.o.y.)



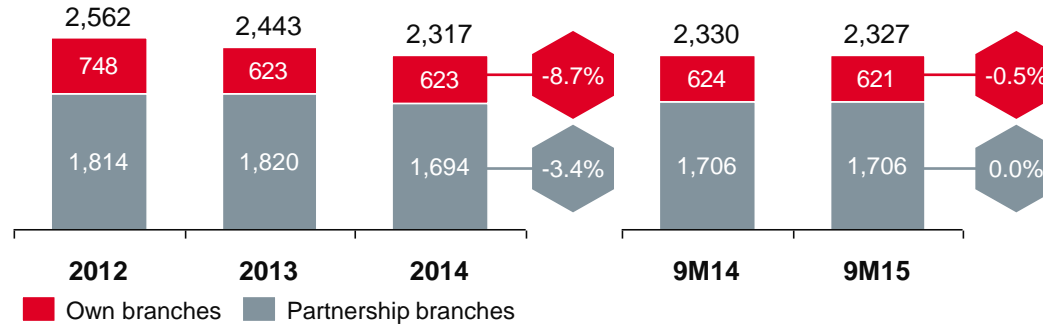
- Product diversification strategy drives strong FS growth – contracts' renegotiations, launch of credit and insurance products, etc.
- Well positioned to launch a retail bank in the Portuguese market, leveraging on existing capacity

¹ Including income related to CTT Central Structure and Intragroup Eliminations.

Networks and headcount optimisation measures produce efficiency improvements

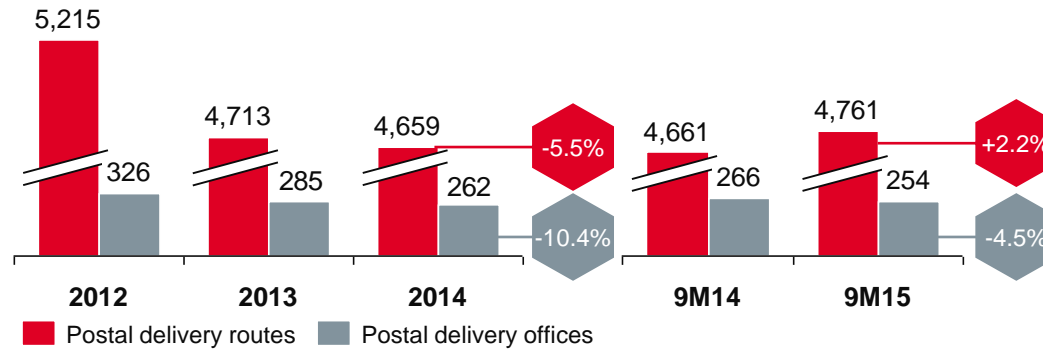


RETAIL NETWORK (# of branches; CAGR %)



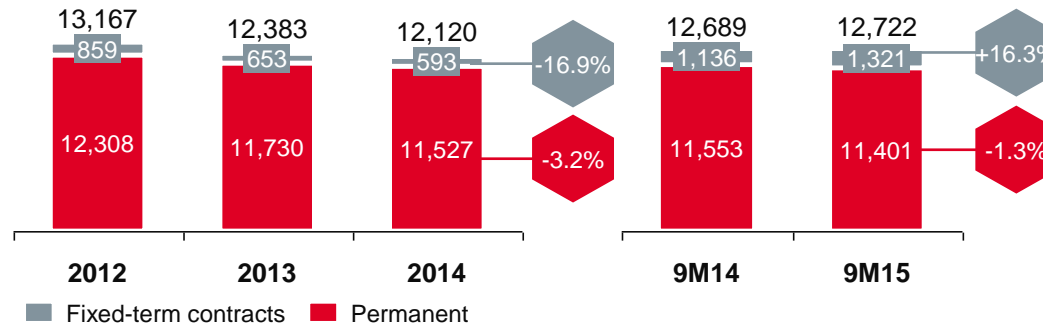
- Adjusting the network based on population needs & profit potential

DISTRIBUTION NETWORK (# of routes / delivery offices; CAGR %)



- Route optimisation & aggregation of postal delivery offices
- Mail and E&P distribution networks integration

HEADCOUNT (# of employees; CAGR %)

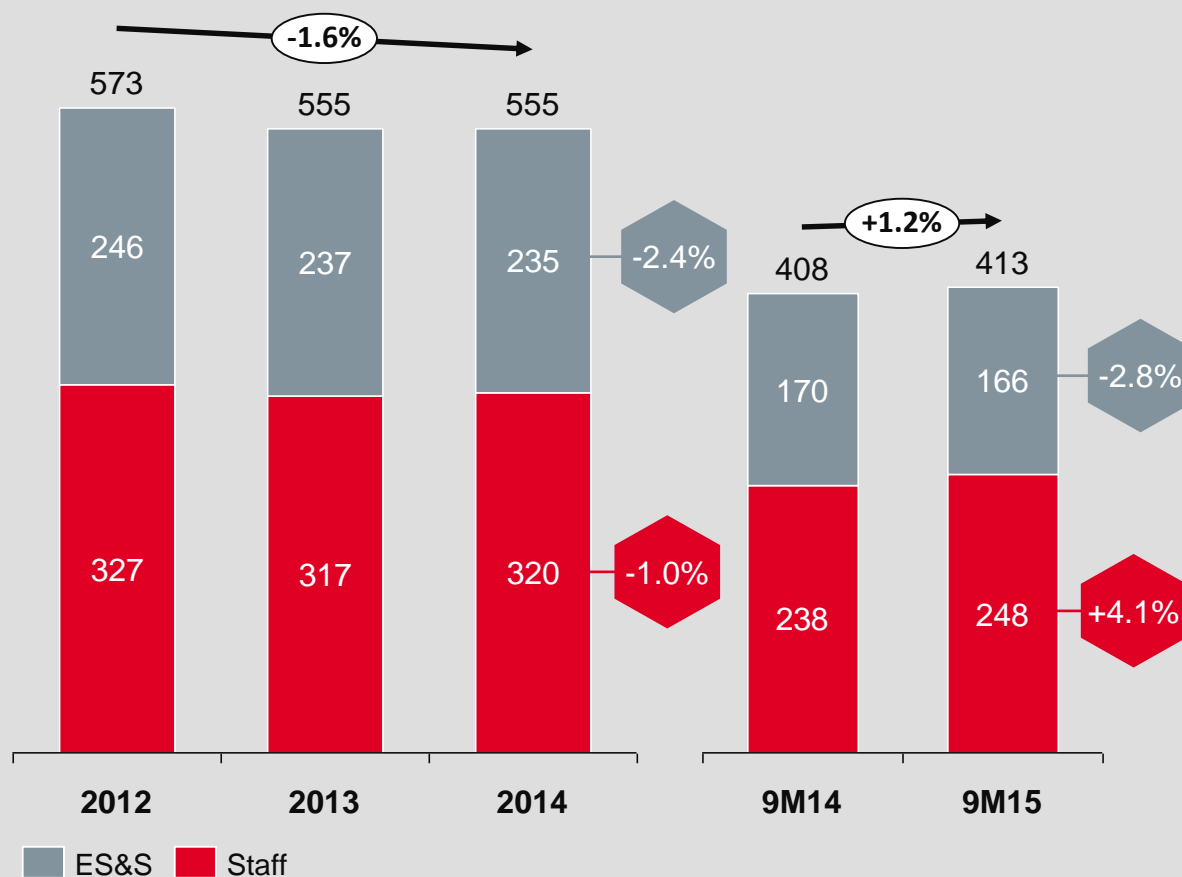


- Permanent employees take advantage of early retirements
- Increase of fixed-term contracts in 9M15 as a result of the network integration process

Transformation Programme initiatives result in Staff and ES&S costs reductions

Recurring Staff and External Supplies & Services costs

€ million; CAGR %



Circa 5% of the 2012 recurring Staff and ES&S costs base taken out of the business in 3 years (excluding Banco CTT project costs)

RENEGOTIATION OF THE IT AND COMMUNICATION SERVICES CONTRACTS COMPLETED IN 2014

- Resulting in €14m annual cost savings (with IT and telecoms) from 2015 onwards

INTEGRATION OF THE MAIL AND E&P DISTRIBUTION NETWORKS COMPLETED IN 2015

- Resulting in €2.7m cost savings (with outsourced parcel distribution), of which ~€1m in 2015 and the remaining from 2016 onwards

HEALTHCARE PLAN PROVIDER CHANGE / RENEGOTIATION AND NEW COMPANY AGREEMENT

- 2016 – additional €1m savings net of salary increase of 2% in 2015 (only in 2H16)
- 2017 – additional €2.5m savings net of salary increase of 2% in 2015

2015 COSTS IMPACTED BY BANCO CTT LAUNCH (WITH NO REVENUES YET)

- €2.8m of Banco CTT recurring Staff, ES&S and other costs included in the 9M15 accounts

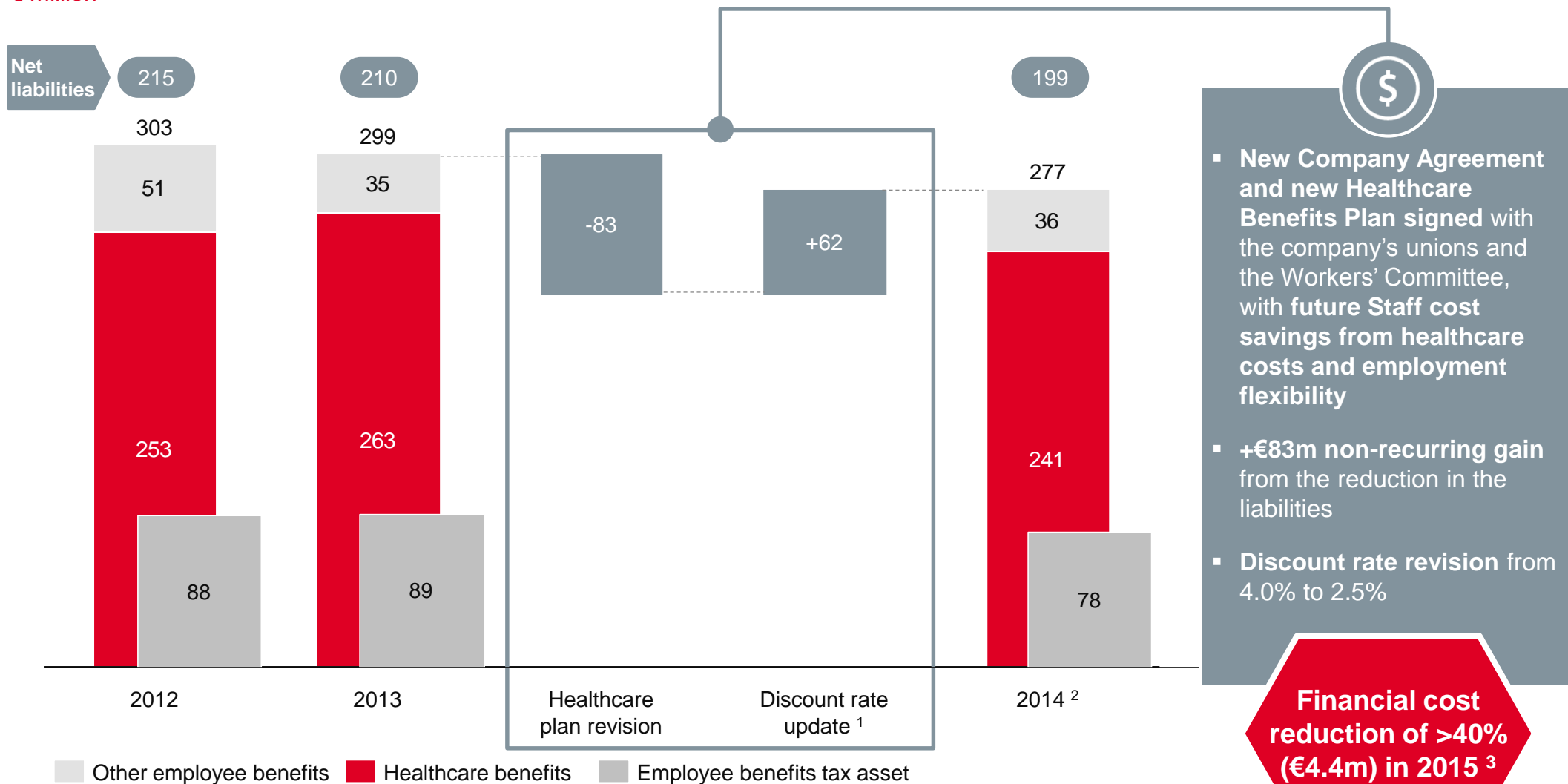
REINSTATEMENT OF VARIABLE REMUNERATION

- In 2014 accounted for only at the end of 4Q and considered as non-recurring

Healthcare benefits optimisation measures strengthen the Balance Sheet

Evolution of the value of the post-employment benefits (Healthcare & Other)

€ million



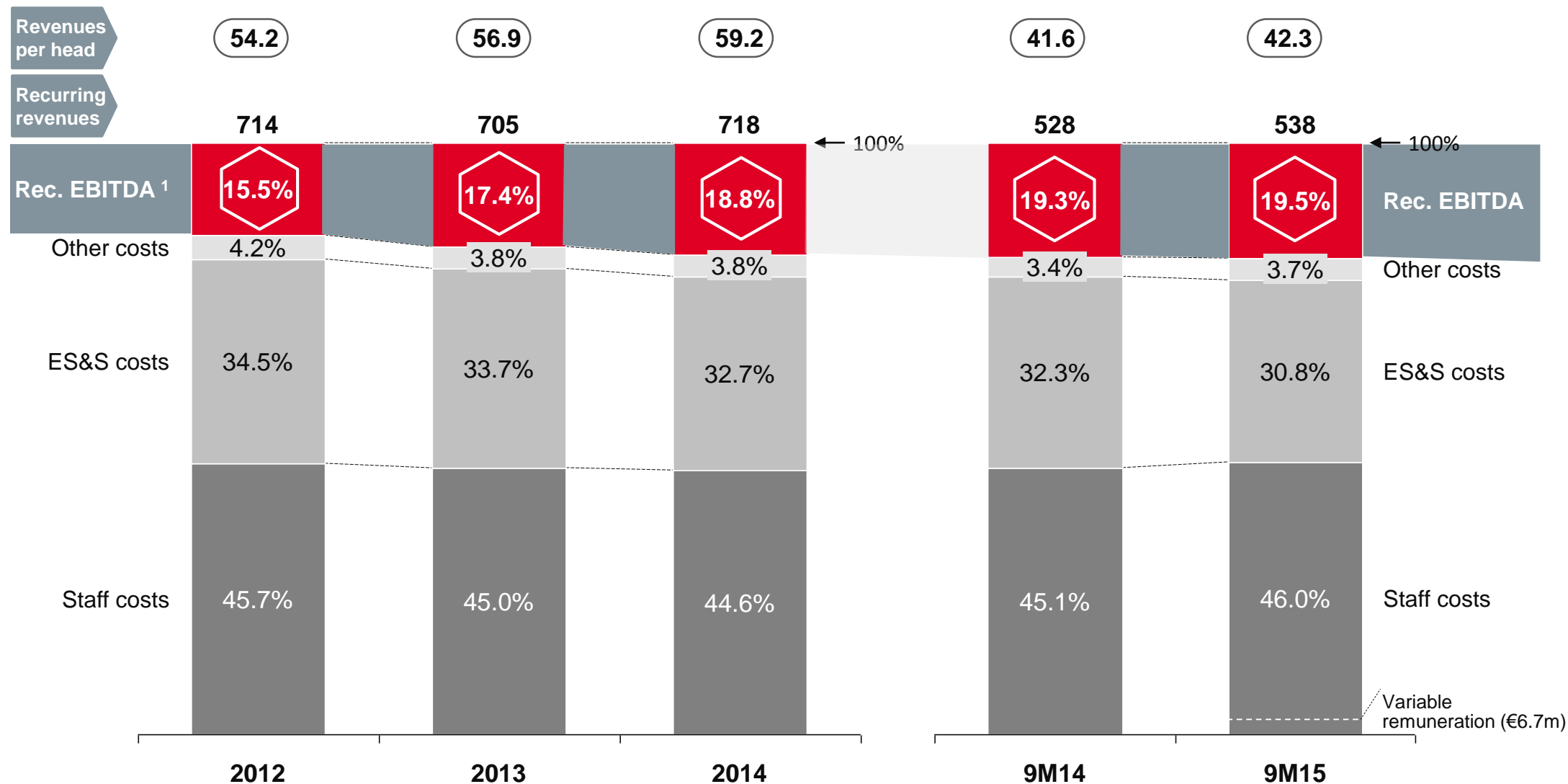
Liabilities reduced by €21m

¹ Mainly due to discount rate revision from 4.0% to 2.5%; ² Excluding share plan; ³ Annualised estimate. 9M15 financial cost reduction of €3.3m.

Revenues stabilisation & cost optimisation measures drive strong EBITDA growth

Financial performance

Revenues in € million; revenues per head in € thousand; costs & EBITDA as % of recurring revenues



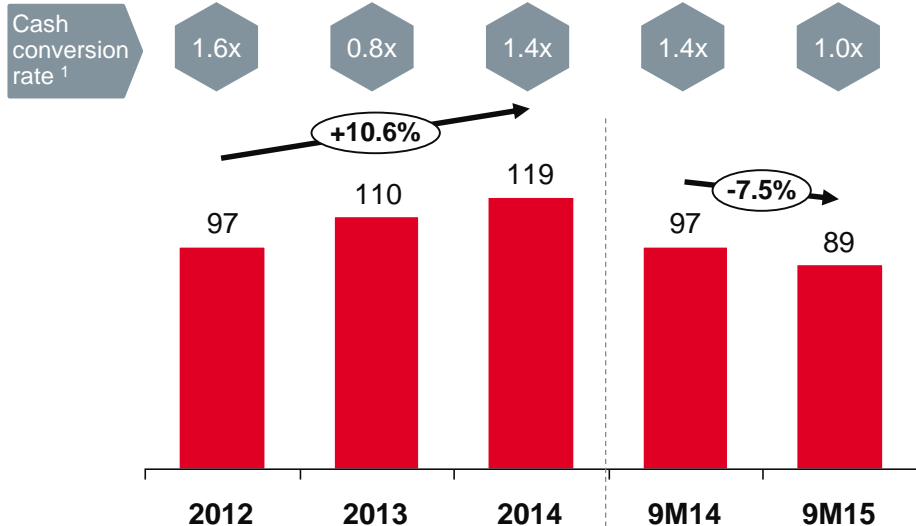
“Jaws” (revenues growth – costs growth) aligned in the right direction

¹ Excluding non-recurring revenues and non-recurring operating costs affecting EBITDA.

Solid cash flow generation & low Capex needs result in strong dividend payment growth

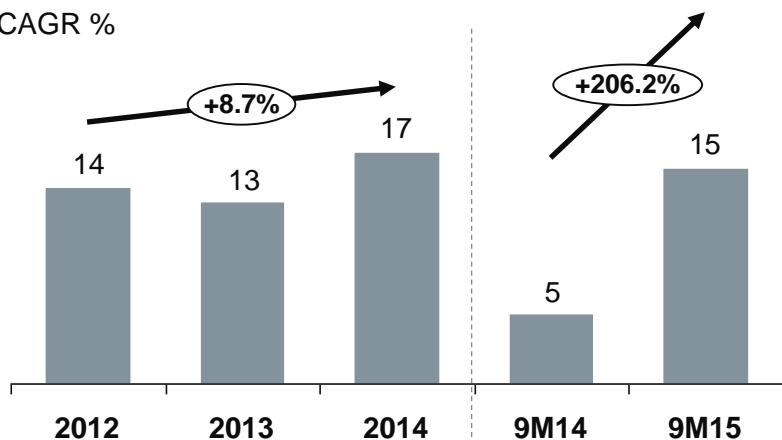
Recurring EBITDA – Capex

€ million; CAGR %

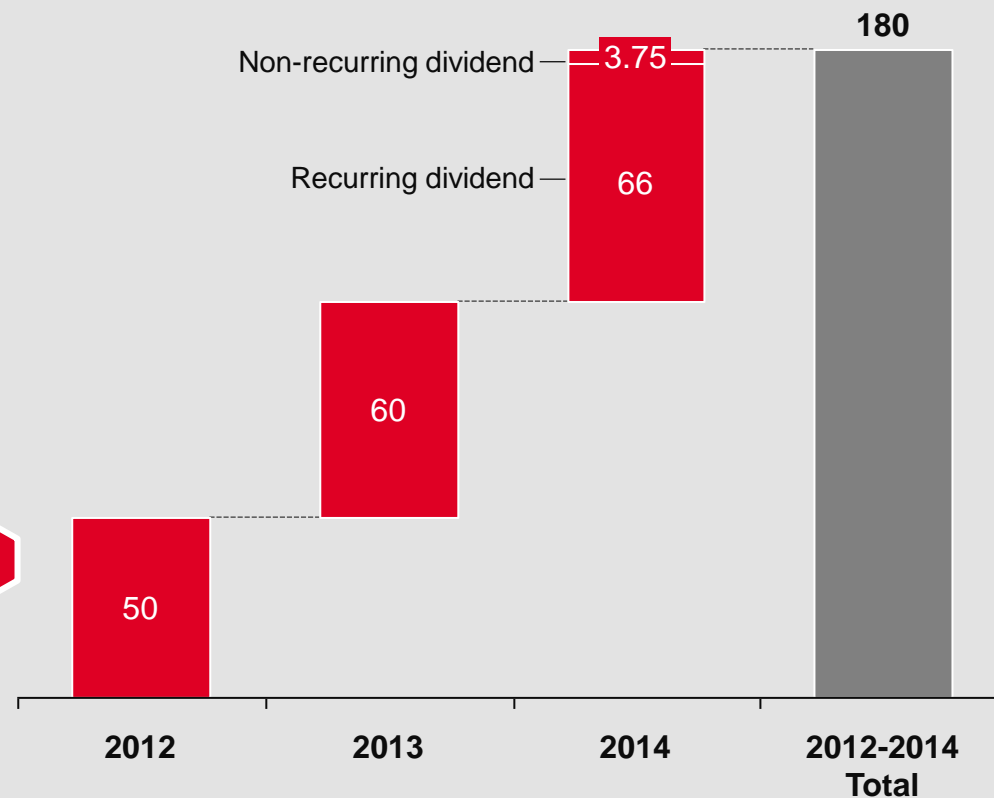


Capex

€ million; CAGR %



DIVIDEND DISTRIBUTION (€ million)



- ~40% growth in dividends in two years (18.1% CAGR)
- Policy of dividend growth (at a steady pace)

¹ Adjusted operating free cash flow as percentage of Net income (i.e. excluding changes in net Financial Services payables).

Revenues & volumes

- **Addressed mail volumes estimated to decline in the [-3% ; -4%] range**, better than the -5% initial target
- **Growth in revenues** for a second year in a row, supported by all business units and Altice's MoU

Operating costs & EBITDA

- Like-for-like (excluding Banco CTT project) recurring costs to decline, **but full impact of efficiency measures only in 2016**
- **Management is confident in high single-digit growth in "like-for-like" recurring EBITDA (excluding Banco CTT project costs)**

Earnings & dividend

- **The Board is confident that it will be able to propose a minimum dividend of €0.47 per share (€70.5m for 150m shares outstanding, 6.8% growth on a recurring base) for the financial year 2015, payable in 2016**



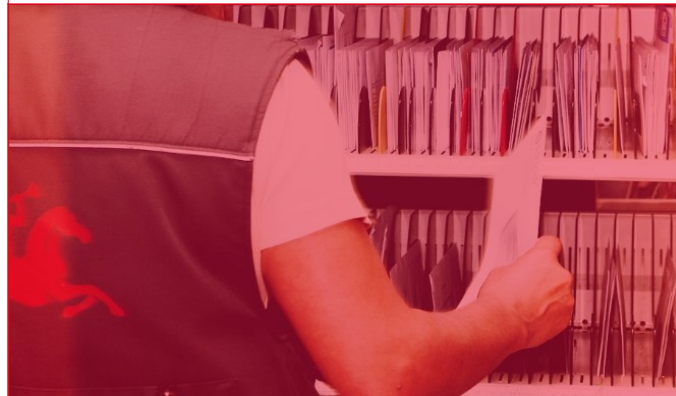
Strategic update

CTT has a well-defined strategy leveraging on its competitive skills and advantages

PHYSICAL & DIGITAL CONVERGENCE



PRESERVE THE VALUE OF THE MAIL BUSINESS



E-COMMERCE GROWTH



CAPTURE THE GROWTH TREND IN PARCELS



CTT AS ONE-STOP-SHOP



LAUNCH BANCO CTT TO EXPAND FINANCIAL SERVICES



LEVERAGE ON THE SCALABILITY OF OUR ASSETS



FINANCIAL STRENGTH

OPERATIONAL EFFICIENCY

PHYSICAL PROXIMITY

HUMAN CAPITAL

CTT has a well-defined strategy leveraging on its competitive skills and advantages

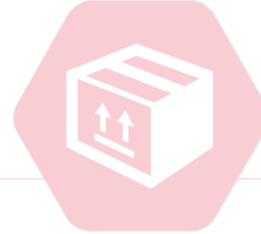
PHYSICAL & DIGITAL CONVERGENCE



PRESERVE THE VALUE OF THE MAIL BUSINESS

- I. REGULATORY MANAGEMENT (PRICING & OTHER)
- II. DEVELOP SPECIALISED SEGMENTS (e.g. DIRECT MAIL)
- III. PHYSICAL / DIGITAL MAIL TRANSITION
- IV. EFFICIENCY PROGRAMMES

E-COMMERCE GROWTH



CAPTURE THE GROWTH TREND IN PARCELS



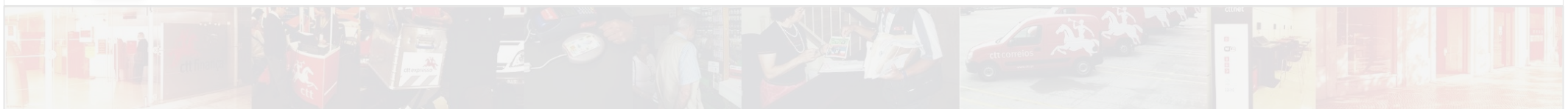
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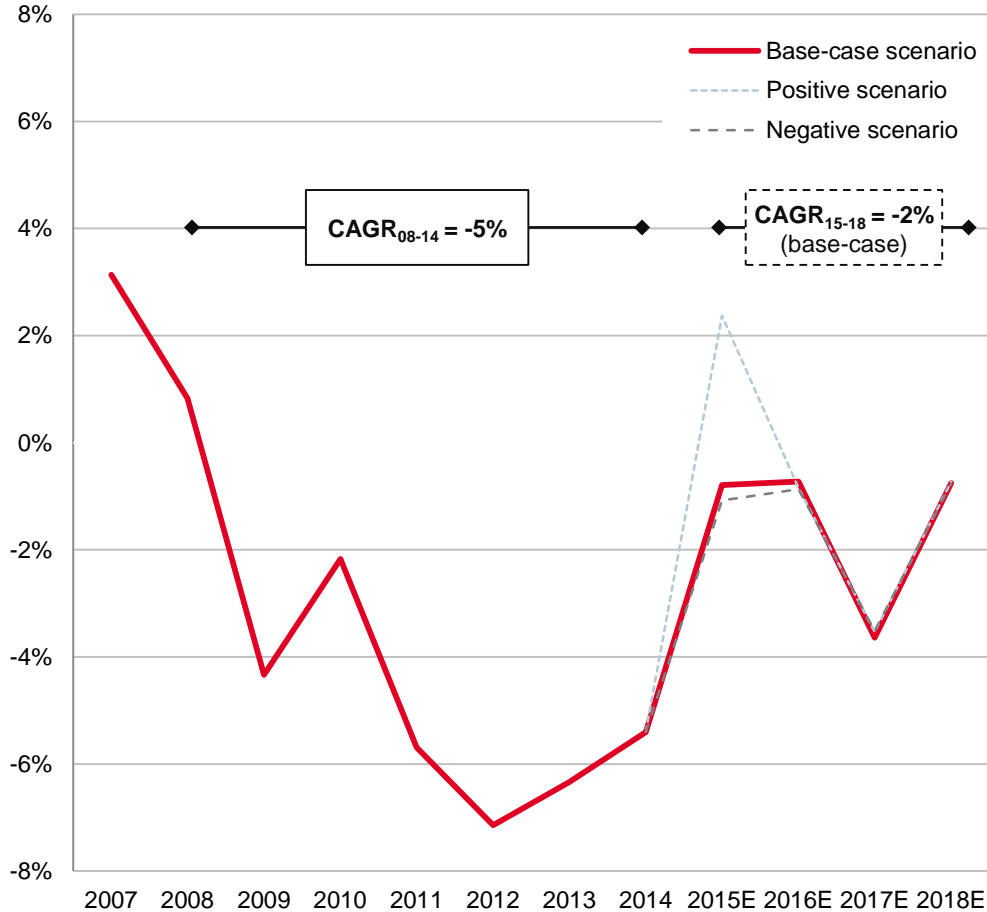
HUMAN CAPITAL



I. Regulatory management – pricing and other

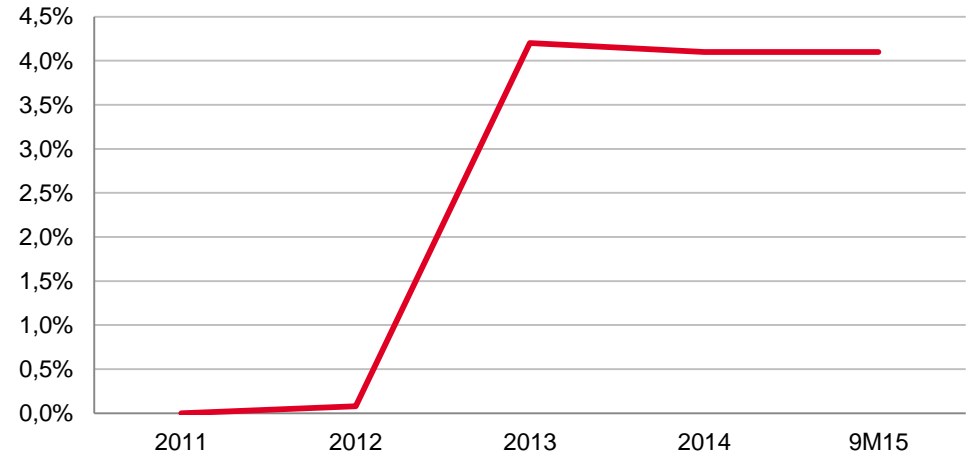
Mail volumes decline expected to continue

Volumes evolution and ANACOM forecasts ¹ (% change y.o.y.)



CTT prices have increased, but are still lower than peers' ²

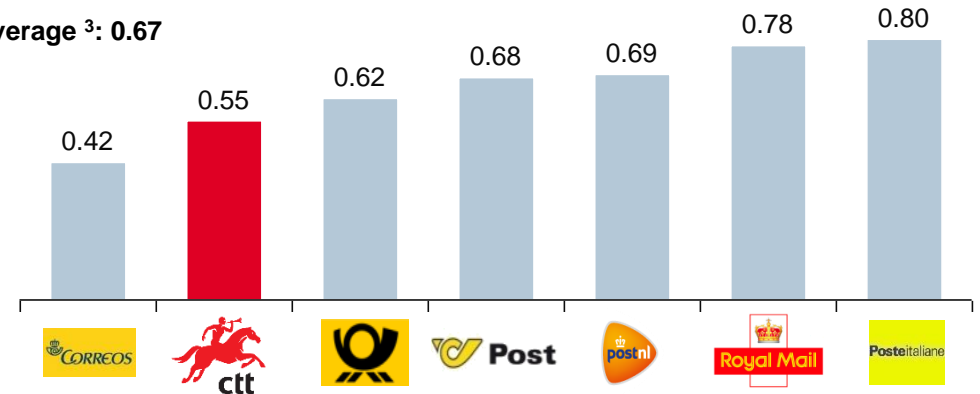
Price evolution 2011 – 2015 (% change y.o.y.)



Nominal price for a domestic standard letter – selected peers ²

Nominal price, reference year 2015; €

Average ³: 0.67



¹ ANACOM – Transactional mail only; ² Source: DHL in “Letter prices in Europe”, April 2015. Considers the fastest letter mail product; ³ Average excludes CTT.



II. Develop specialised segments – Advertising Mail strategy

More aggressive market approach, positioning CTT as an expert in Advertising Mail within the advertising market (i.e. for agencies, advertisers and clients...)

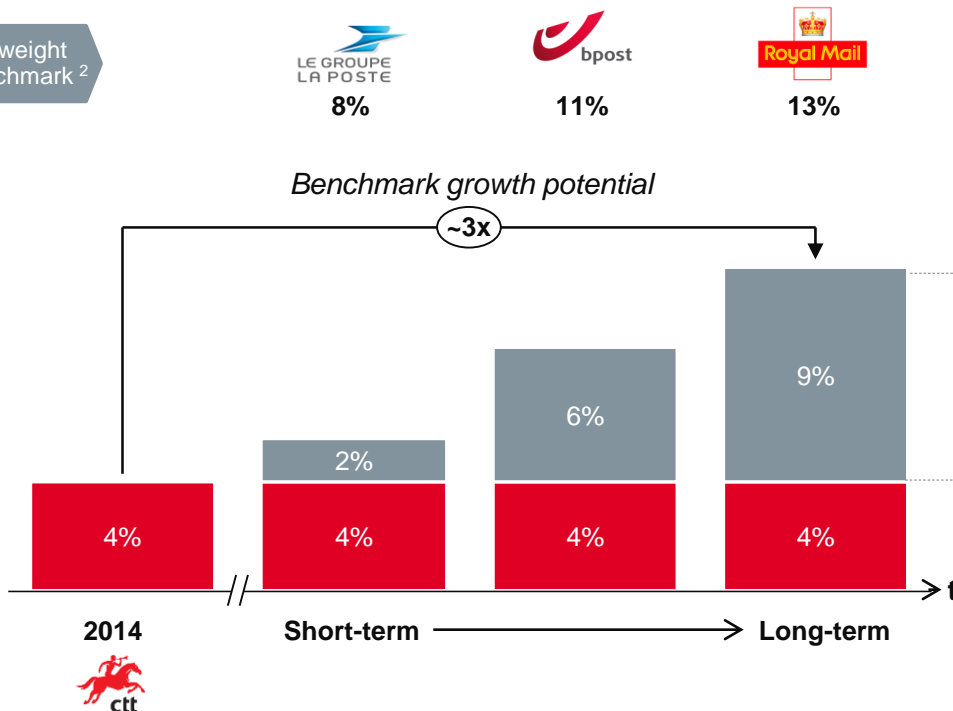


... increasing the budget allocated to Advertising Mail in advertising investments in Portugal and capturing value in the digital Direct Mail (DM) market

Target weight of Advertising Mail in CTT revenues ¹

- CTT Advertising Mail revenues as % of 2014 reported revenues (base-case)
- CTT potential additional revenues from planned initiatives as % of 2014 reported revenues

DM weight benchmark ²



Key initiatives to implement

Creation of an online platform to enable SMEs to create and manage Advertising Mail campaigns

- End-to-end solution that enables clients to buy, manage and send Advertising Mail campaigns from an online platform

Inclusion of digital marketing solutions in the platform

- Provide digital solutions such as e-mail, sms, social media and voice messages enabling the management and implementation of hybrid DM campaigns

Rebrand the Advertising Mail product offer

- Creation of a new name for the Advertising Mail offer aiming to reinforce the CTT repositioning in this business

Approach to creative and media agencies through dedicated teams and knowledge sharing

- Create incentive campaigns in order to influence agencies' recommendations to advertisers
- Knowledge sharing to align mindsets and communicate DM effectiveness

¹ Calculated based on CTT 2014 reported revenues; ² Advertising Mail revenues as % of 2014 reported revenues (Annual Reports).

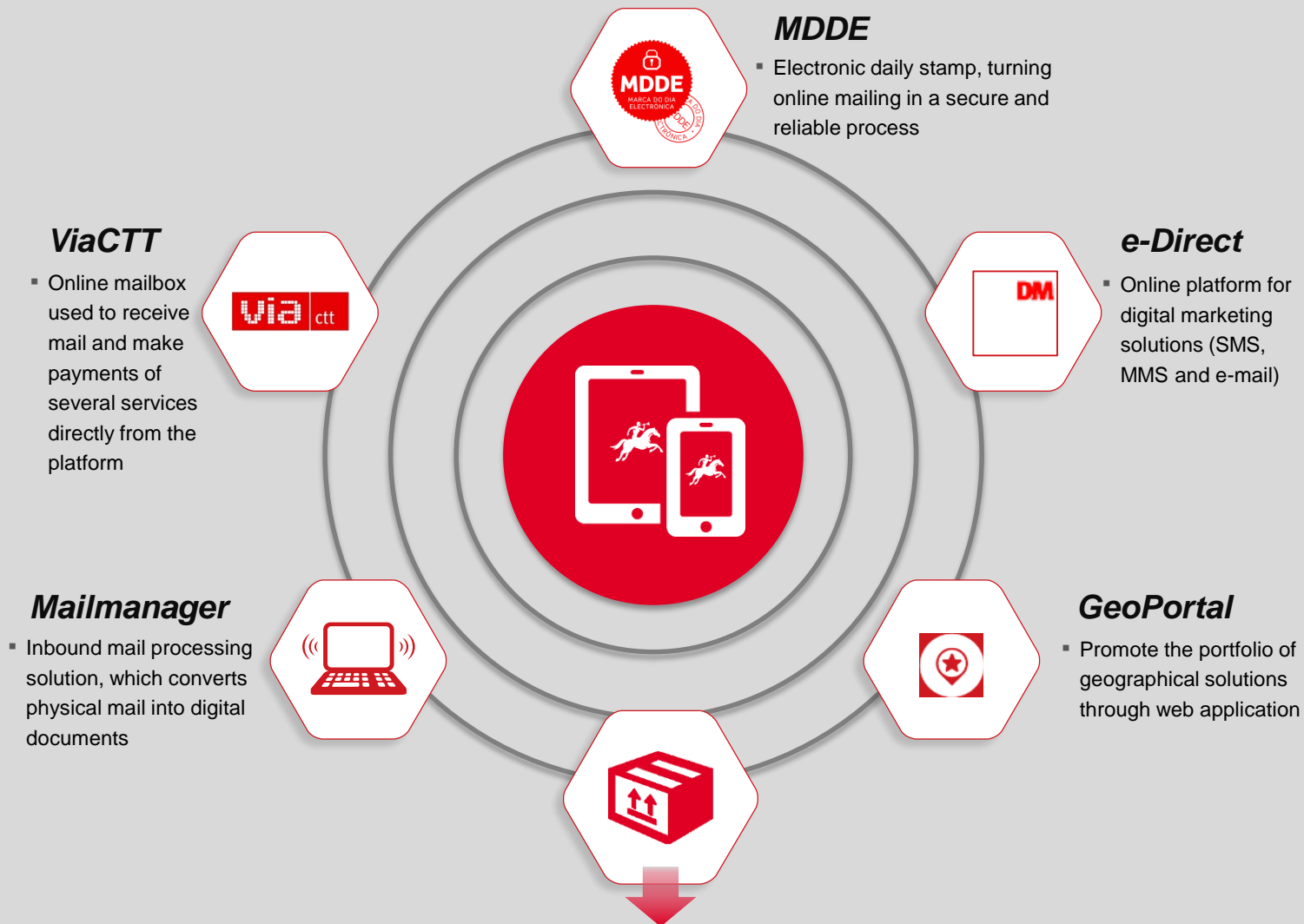


III. Physical / digital mail transition – complement the postal offer

CTT digital offer transition positioning

- Combine purely digital communication with mixed approaches i) physical / digital and ii) digital / physical to mitigate the negative impact on mail volumes declines and leverage the power of physical communication
- Offer integrated solutions based on cutting-edge technology and several other CTT services, in order to ensure end-to-end business solutions
- Upgrade the digital offering with new services adding value for our customers that have already decided to communicate digitally
- Make our digital mobile offering customer-friendly
- Provide mechanisms to ensure greater autonomy and convenience to customers (e.g. SMEs) in the delivery of digital documents for distribution
- Promote easy and convenient usage of services through web application that exhibits the portfolio of geographical services

COMPLEMENT POSTAL OFFER AND KEEP UP WITH INDUSTRY INNOVATIONS

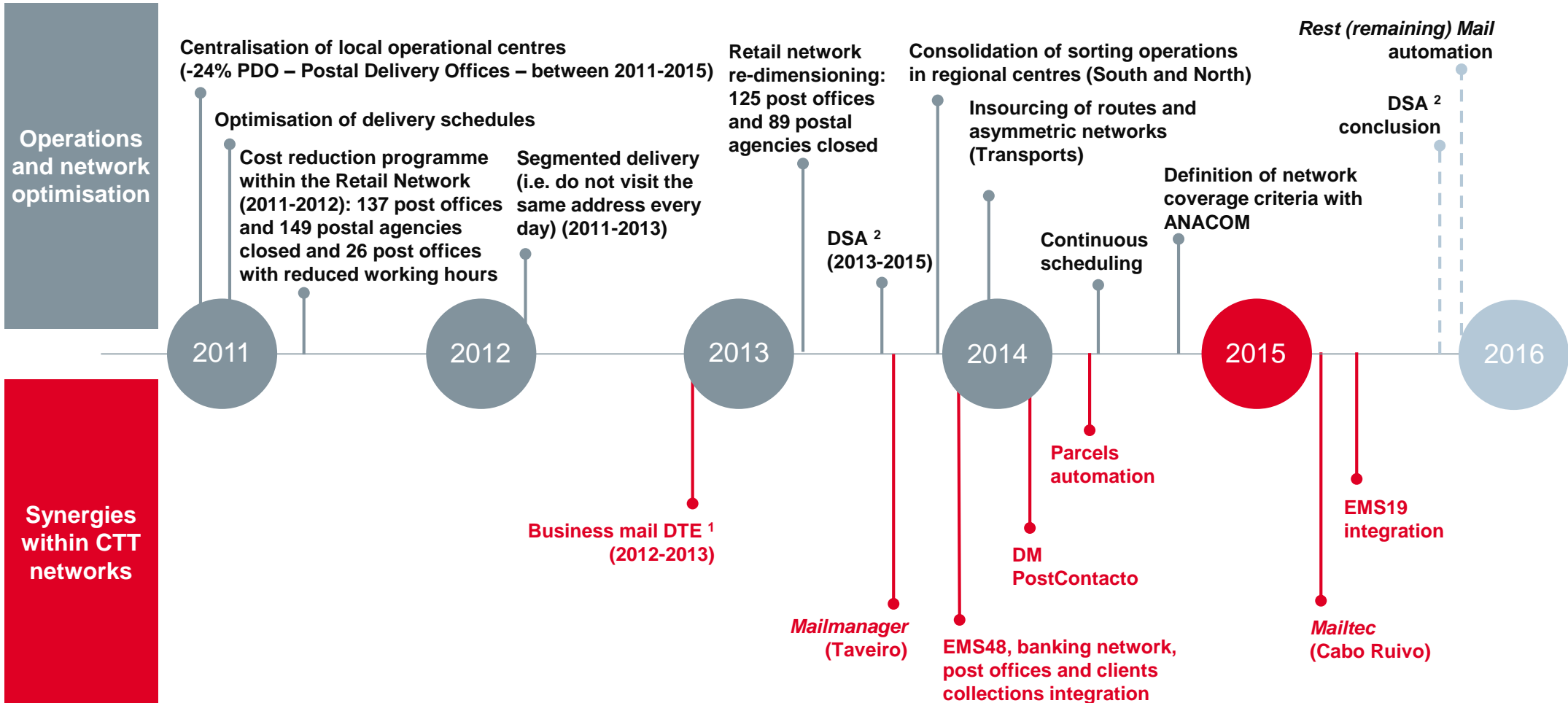


Not forgetting e-commerce initiatives (further detailed in the next chapter)



IV. Efficiency programmes – initiatives for operations and network optimisation

Maintaining a strong focus on efficiency in order to sustain an operation of excellence



Optimisation of the transport network, sorting operations and distribution network

Note: Network integration is further detailed in the next pages; ¹ Insourcing of the delivery to corporate clients in the CTT network; ² Automatically Sequenced Delivery (mail).

CTT has a well-defined strategy leveraging on its competitive skills and advantages

PHYSICAL & DIGITAL CONVERGENCE



PRESERVE THE VALUE OF THE MAIL BUSINESS



E-COMMERCE GROWTH



CAPTURE THE GROWTH TREND IN PARCELS

- I. OFFER UPGRADE
- II. E-COMMERCE INITIATIVES
- III. NETWORK INTEGRATION
- IV. MONITOR GROWTH OPPORTUNITIES
- V. SPAIN: TURNAROUND

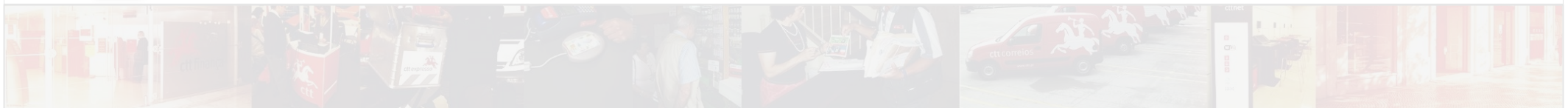
CTT AS ONE-STOP-SHOP



LAUNCH BANCO CTT TO EXPAND FINANCIAL SERVICES



LEVERAGE ON THE SCALABILITY OF OUR ASSETS



FINANCIAL STRENGTH

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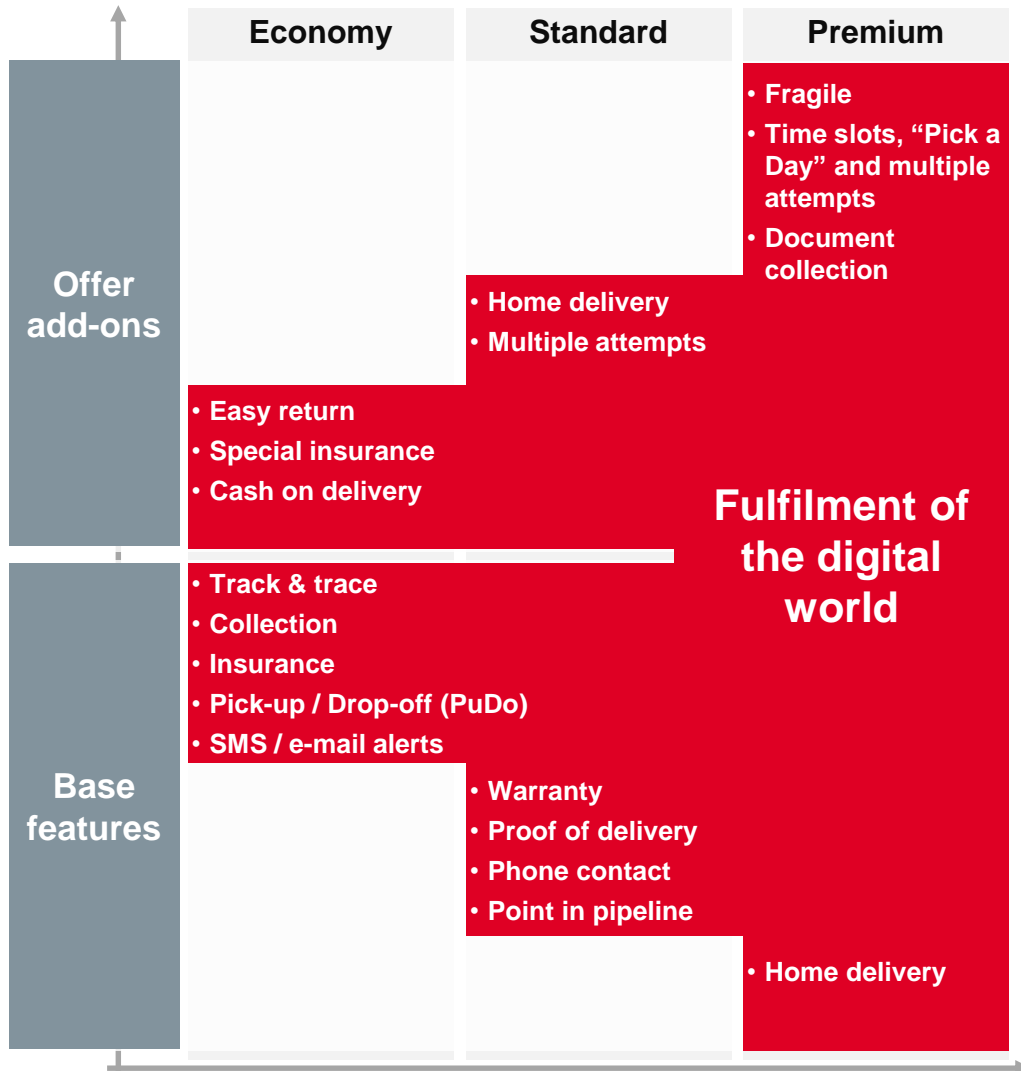
PHYSICAL PROXIMITY

HUMAN CAPITAL



I. Offer upgrade – innovative solutions to the product portfolio

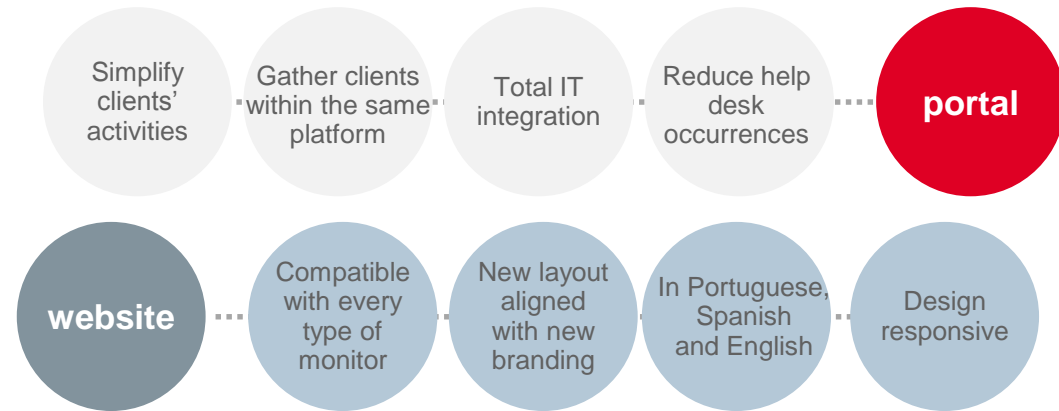
New modular and upgraded offer being developed



Fulfilment of the digital world

Seize the opportunity in e-commerce: full adaptation to customers' needs and required product features

New CTT Expresso digital channel strategy



Extended PuDo network (>1,000 points)



- **621** post offices operating
- Working to extend to **>300** partnership branches (postal agencies)



- **>140** stores of the largest appliance / electronics retailer in Portugal



- **3** large e-retailers already using the service

Keep up with technological trends and improve customer experience



II. E-commerce initiatives – promoting innovation

E-commerce defines a new paradigm for B2C / C2X offer...



Simplicity

The delivery experience as part of the online process – avoid complexity shock



Convenience

Adjust for different lifestyles and schedules (anywhere / anytime)



Flexibility

More propensity to changes in plans during the process and adaptation to “customers’ needs and wants”



Interactivity

Information, predictability, interaction and track & trace

... to which CTT is adapting by promoting innovation



1. Postal virtualisation solution

- Enable e-buyers to order their products from several sellers to a **virtual address in the e-seller’s country**, being shipped in bulk to a local warehouse
- After payment, **CTT undertakes to pay duties and taxes** to customs on behalf of the e-buyer and deliver the parcel



2. Easy shipping for C2C

- **Partnership with the biggest Portuguese C2C online platform** (OLX, 150,000 registered users and 3,000 new daily advertisements)
- **Online pre-advice information fulfilment** that enables a simplified process of physical shipment at a CTT post office



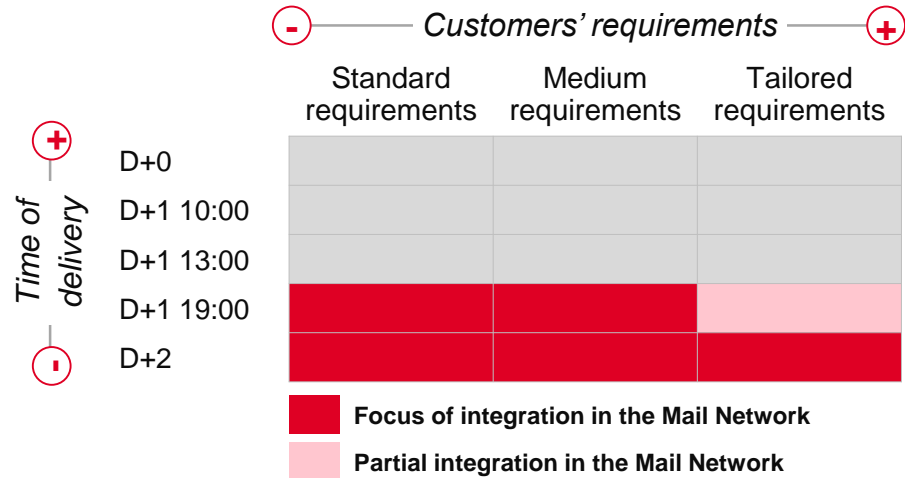
3. Linehaul solution

- **Modification of the physical and informational flow** aiming to simplify the process and implement best delivery timings
- E.g. items will be packed with proper label by seller allowing the last-mile delivery without relabelling

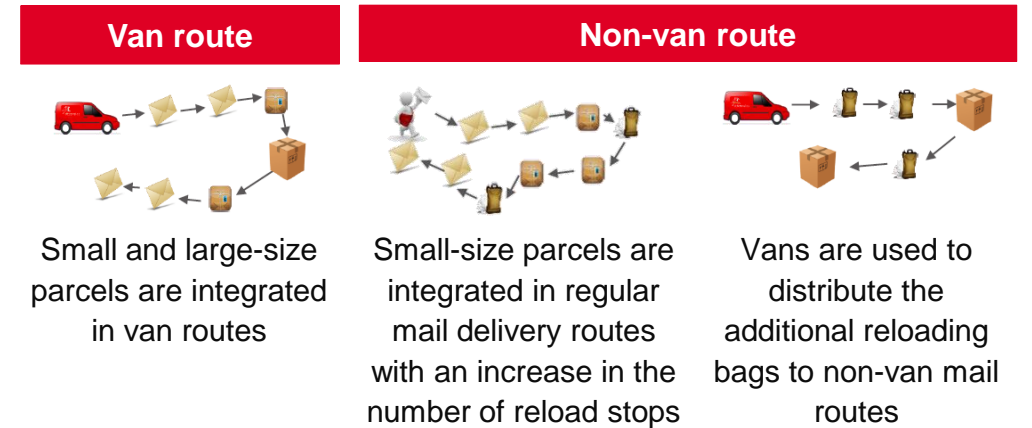


III. Network integration – Mail and Express & Parcels distribution networks

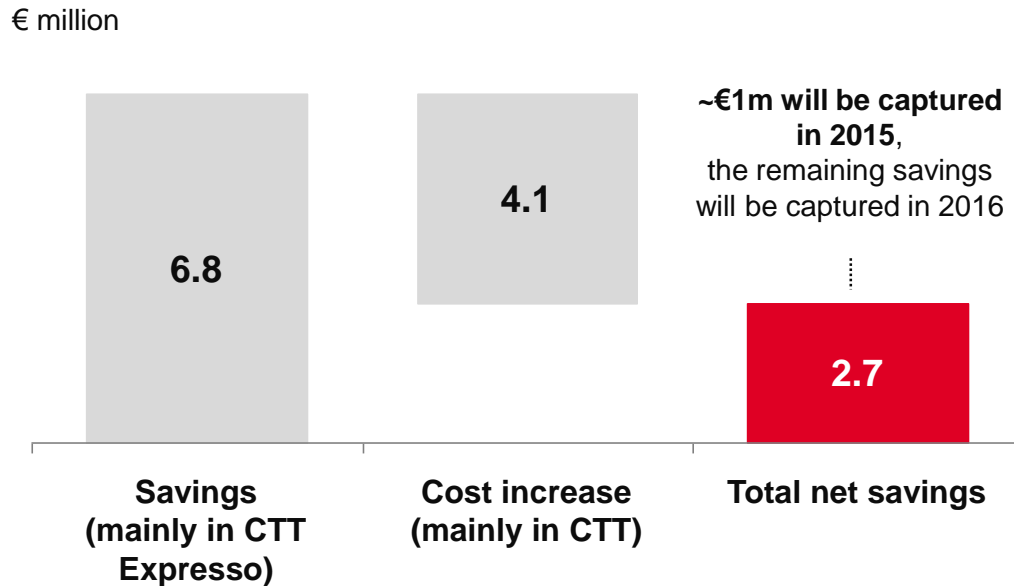
Integration focus – low speed and standardised products



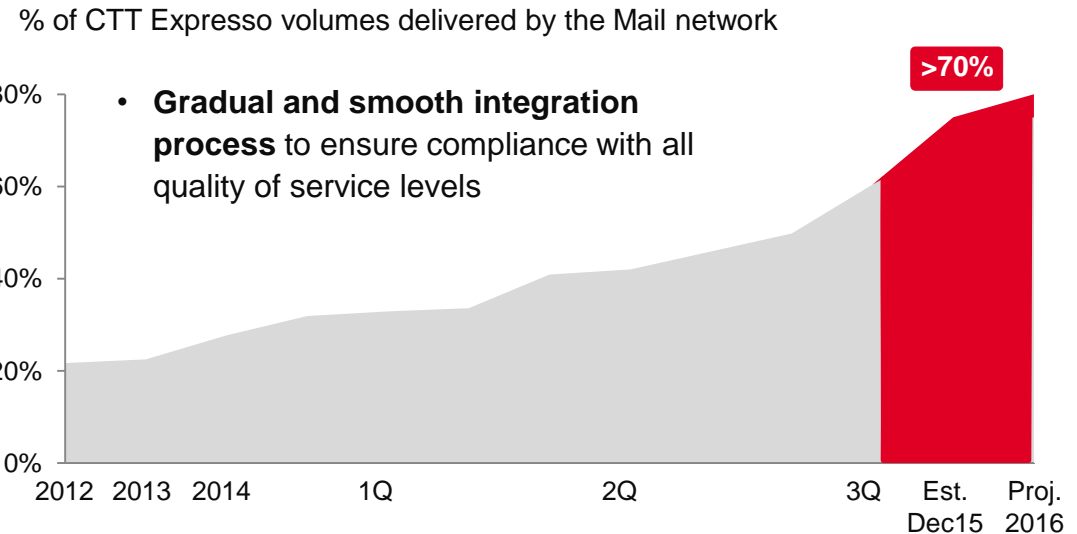
Delivery process description



Estimated cost savings



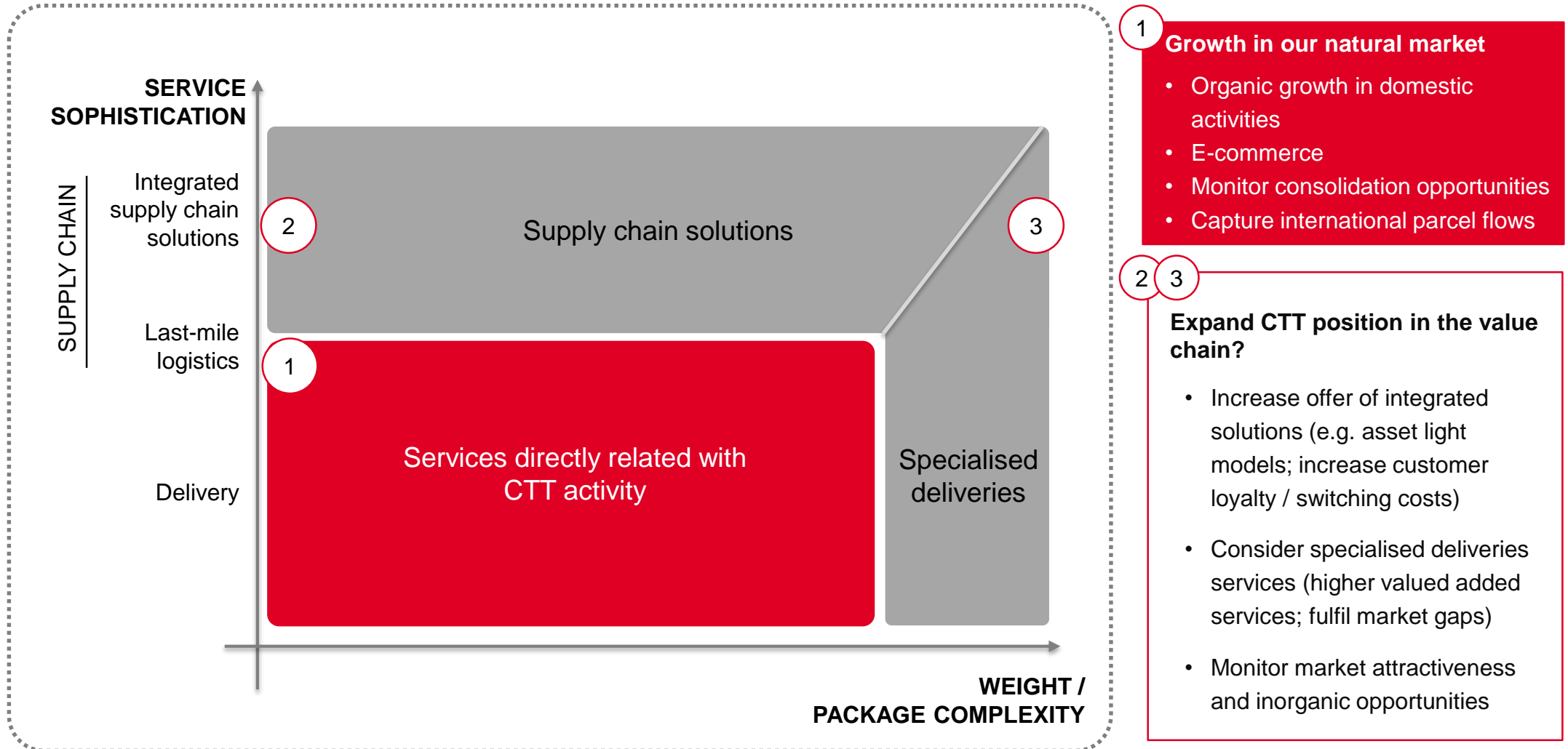
Evolution of the integration process





IV. Monitor growth opportunities – attentive and proactive approach

Ability to pursue new opportunities in related and synergetic activities to follow a growth strategy





V. Spain: Turnaround – focus on improving the profitability of Tourline

Initiatives

Key actions

Short-term impact (YTD)

Future levers

Maximise the value of the franchisees

- **Reorganisation / rationalisation** of the network of franchisees
- **Increase control and scrutiny** over the network of franchisees, mostly new entries
- **New franchisee distributors** to increase capillarity

- Loss of business due to exit of franchisees
- Write-offs / impairments
- Increased operating costs by expanding direct operations (temporary)

Improve performance in direct operations

- **Improve commercial effectiveness** by creating a new commercial task force and strengthening direct relationship with clients

- + Average price increase in own areas (still marginal) and improvement in the pricing structure (price vs. weight vs. delivery times)

Optimise central costs

- **HR optimisation – adjust the cost structure** of Tourline to its current operations

- Increase in non-recurring Staff costs

Organisational structure and information

- **New management team with strong local experience**
- **New management information systems** (e.g. data reliability and accountability)

N.A.

- **Capture full market potential**
 - ~€3.5b market with 4.4% y.o.y. growth (in 2014) ¹
 - Consolidation upside (highly fragmented market with ~7 thousand companies ¹)
- **Lever on a robust, commercial-driven and nationwide network of franchisees** to ensure:
 - Optimisation of delivery costs
 - Scale and capillarity
 - Volume increase
- **Increase efficiency** in central and own operations and **price optimisation** in line with market boundaries
- Reinforce our **integrated Iberian offer**, important for large clients with cross-border needs

Turnaround plan in motion with medium / long-term initiatives

Negative impact on short-term results

Close monitoring of results to ensure sound strategic decisions

¹ DBK Informa – Mensajería y Paquetería (July 2015).

CTT has a well-defined strategy leveraging on its competitive skills and advantages

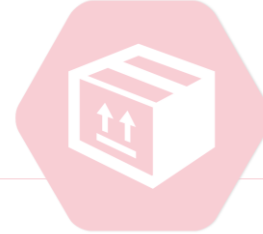
PHYSICAL & DIGITAL CONVERGENCE



PRESERVE THE VALUE OF THE MAIL BUSINESS



E-COMMERCE GROWTH



CAPTURE THE GROWTH TREND IN PARCELS



CTT AS ONE-STOP-SHOP

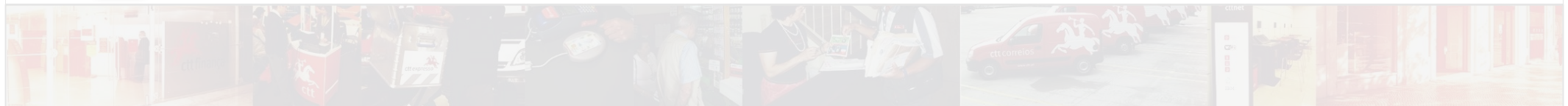


LAUNCH BANCO CTT TO EXPAND FINANCIAL SERVICES

- I. WIDEN THE FINANCIAL SERVICES OFFER
- II. SUCCESS OF BANCO CTT
- III. MIGRATION OF FINANCIAL SERVICES TO BANCO CTT



LEVERAGE ON THE SCALABILITY OF OUR ASSETS



FINANCIAL STRENGTH

OPERATIONAL EFFICIENCY

PHYSICAL PROXIMITY

HUMAN CAPITAL

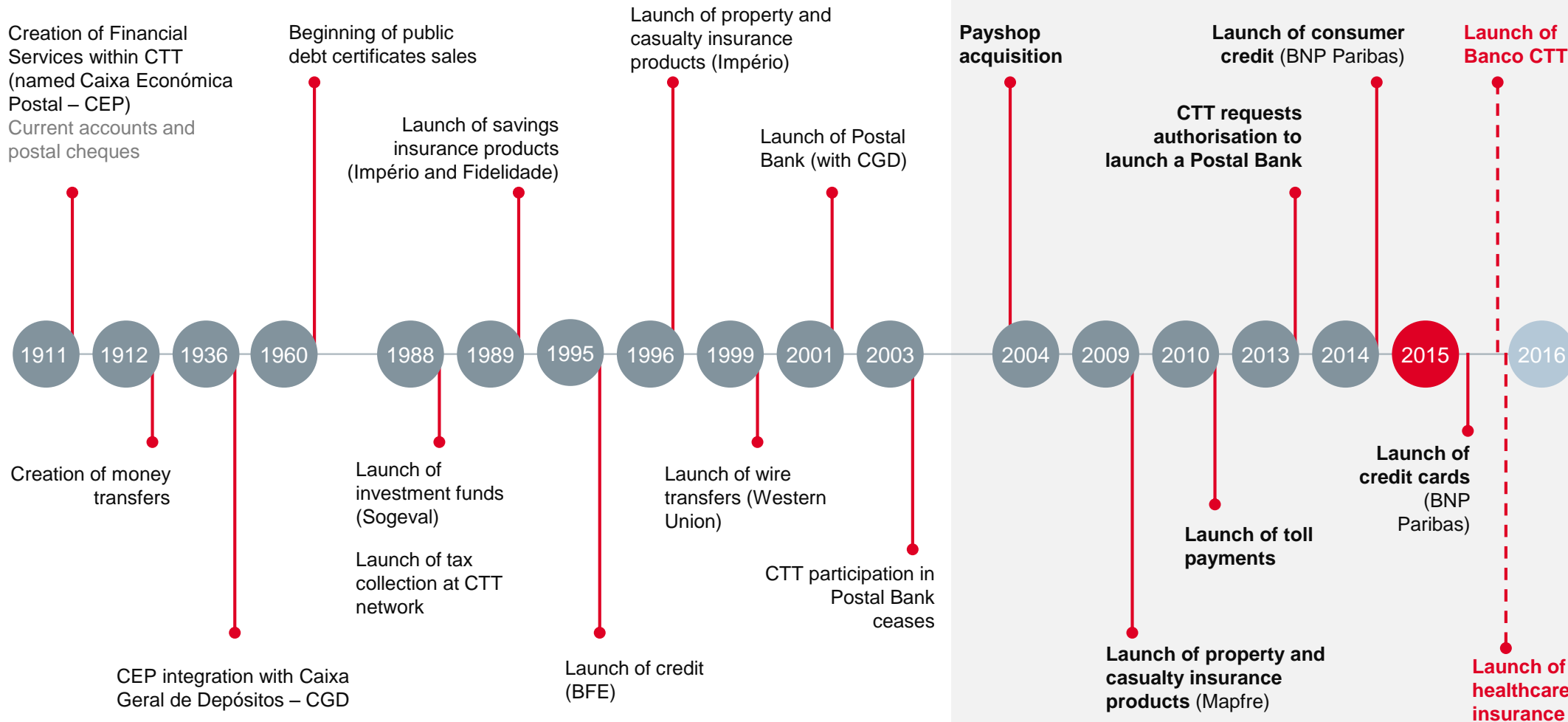


I. Widen the Financial Services offer – track record

Creation of the Financial Services offer

Consolidation of the Financial Services offer

Offer diversification and strategic vision implementation





I. Widen the Financial Services offer – new initiatives

Successful track record in selling financial services products

	Partnerships	Weight ¹	Future objectives
<p>Savings and insurance</p> <ul style="list-style-type: none"> Public debt certificates Retirement savings plans Life insurance Non-life insurance 		41%	<ul style="list-style-type: none"> Maintain the well-established relation with the Government (IGCP) for the sale of public debt certificates Launch of healthcare insurance expanding to a full offer of insurance products
<p>Payments</p> <ul style="list-style-type: none"> Postal charges Tax collection Toll collection 		39%	<ul style="list-style-type: none"> Expanded tax payments in the Payshop network Enlarged commercial offer for bill issuers integrating physical and remote payment channels
<p>Transfers</p> <ul style="list-style-type: none"> National money orders International money orders Western Union 		16%	<ul style="list-style-type: none"> Fixed customer base (~700,000 people) for social benefits money orders, of which ~50% collect their money within the CTT Retail Network Potential to maximise the value of these customers to CTT by transferring them to Banco CTT
<p>Credit & other</p> <ul style="list-style-type: none"> Consumer credit Credit cards 		4%	<ul style="list-style-type: none"> Launched in mid-2014 Credit cards launched in April 2015 Increase commercial effort on existing products

Highlight on future Healthcare Insurance product

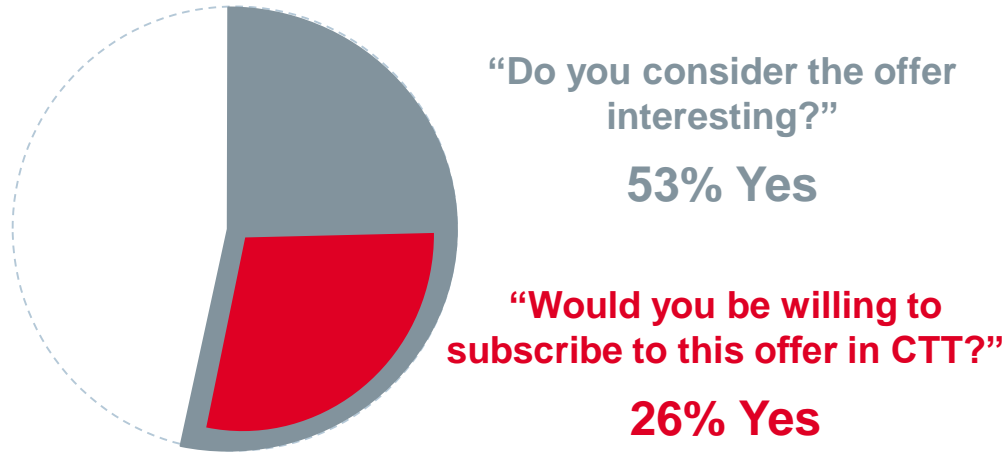
- Partnership with a leading provider to sell healthcare insurance
- Associated features: home healthcare services, emergency transportation, hotline for emergencies and support, equipment rental, etc.

¹ Weight in 2014 Financial Services recurring revenues. **Revenues in 2014: €73.9m**

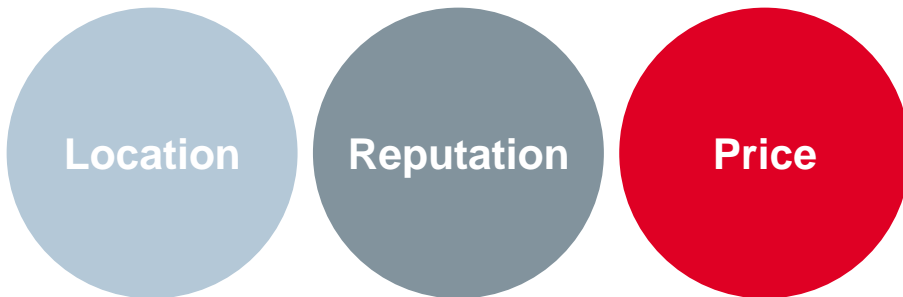


II. Success of Banco CTT – “no-frills” concept

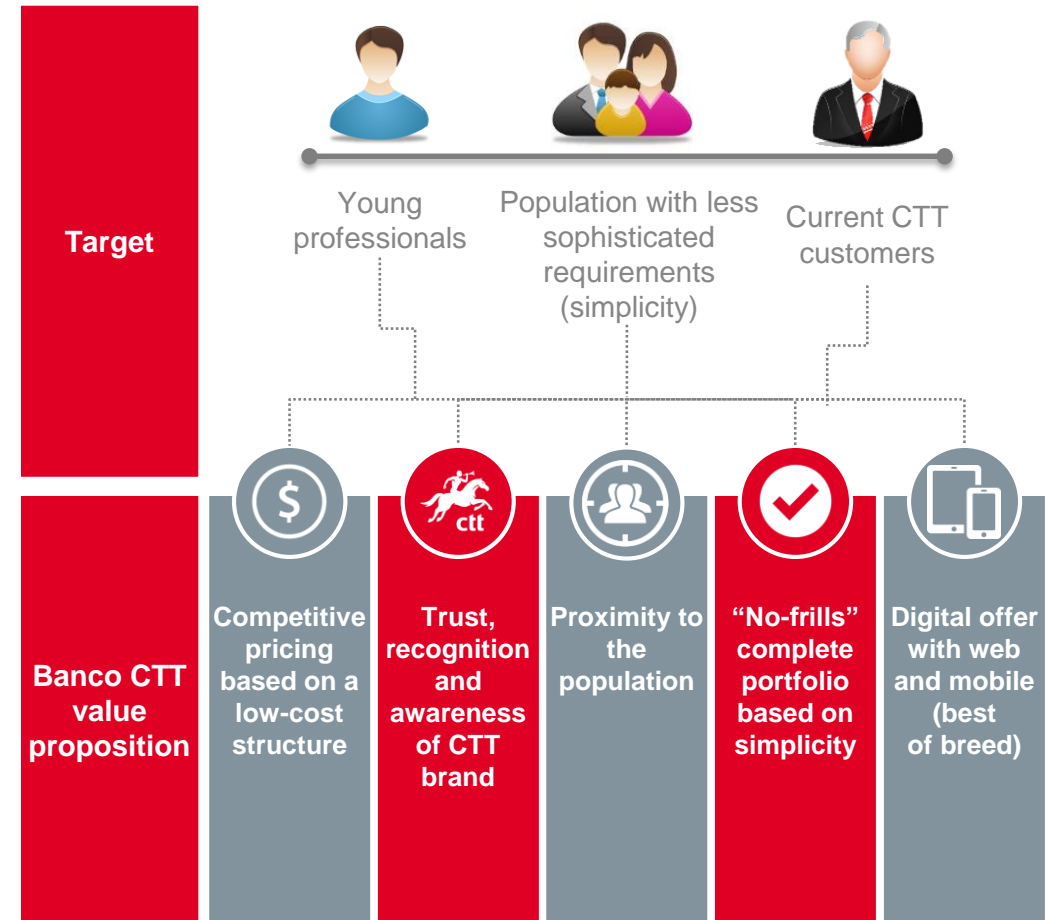
Market research – Banco CTT acceptance



Main factors considered when choosing a bank



Banco CTT target and value proposition



CTT has identified an opportunity to launch a banking operation based on a no-frills concept which the market may consider better than their current offer



III. Migration of Financial Services to Banco CTT

			Migration to Banco CTT		2014 revenues ¹			
			Initial plan	Revised plan	Staying in FS		Migrating to bank	
	Provider							
SAVINGS & INSURANCE	Public debt certificates	IGCP Agência de Gestão da Tesouraria e da Dívida Pública	X	X	€29m		€2m	
	Life insurance	FIDELIDADE SEGUROS DESDE 1883 MAPFRE	Year 1	with ramp-up				
	Non-life insurance	MAPFRE	Year 0	with ramp-up				
PAYMENTS	Post offices	Multiple	Year 0	Year 3	€0m	€16m	€29m	€13m
	Tax collection	AT autoridade tributária e aduaneira	Year 0	X				
	Payshop	payshop	Year 0	X				
TRANSFERS	National money orders	SEGURANÇA SOCIAL	X	X	€8m		€3m	
	International money orders	EUROGIRO UNIVERSAL POSTAL UNION	X	X				
	Western Union	WESTERN UNION	Year 0	Year 3				
CREDIT & OTHER	Consumer credit	Cetelem	Year 1	with ramp-up	€0m		€1m	
	Credit cards	Cetelem	Year 1	with ramp-up				

NO MIGRATION OR MIGRATION WITH RAMP-UP (OR AT A LATER STAGE) WILL MEAN LESS REVENUES FOR THE BANK

¹ Excluding interest income from FS float.

CTT has a well-defined strategy leveraging on its competitive skills and advantages

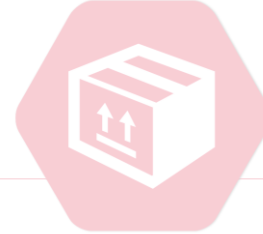
PHYSICAL & DIGITAL CONVERGENCE



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LAUNCH THE BANCO CTT TO EXPAND FINANCIAL SERVICES



LEVERAGE ON THE SCALABILITY OF OUR ASSETS

- I. OPTIMISATION INITIATIVES – POST OFFICES SEGMENTATION AND PORTFOLIO DEFINITION
- II. DISTRIBUTION / RETAIL PARTNERSHIPS (CITIZEN'S BUREAU SERVICES, OTHERS)

FINANCIAL STRENGTH

OPERATIONAL EFFICIENCY

PHYSICAL PROXIMITY

HUMAN CAPITAL



I. Optimisation initiatives – post offices segmentation and portfolio definition

Assessment of 3rd party product portfolio to sell in the Retail Network

Analysis aimed at maximising value generated per minute and per sq. meter

- Core criteria:
 - i. Idleness
 - ii. Banco CTT opening with specific service desks within post offices

4 types of post offices have been defined:

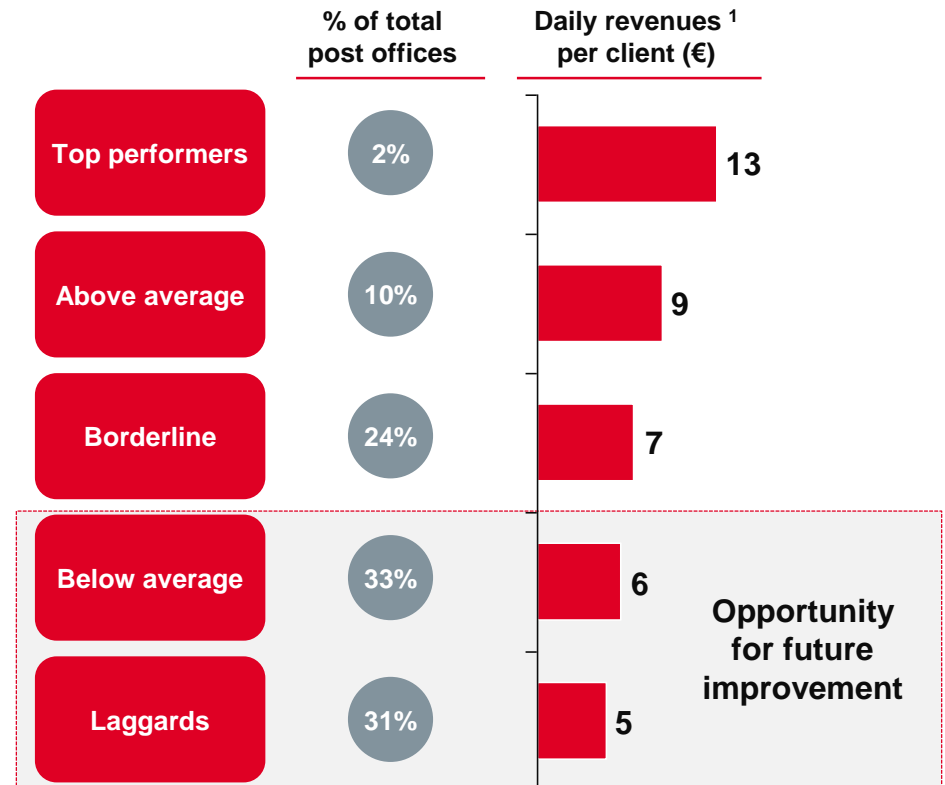
	CTT DNA	CTT DNA with books	CTT extended DNA	Optimised CTT bazaar
% of total revenues	14%	25%	50%	11%
Postal Services	✓	✓	✓	✓
Financial Services	✓	✓	✓	✓
Services partnerships	✓	✓	✓	✓
Banco CTT implementation	1 st year	2 nd priority	2 nd priority	3 rd priority
3 rd party retail products	<ul style="list-style-type: none"> • Top 10 books • Telco 	<ul style="list-style-type: none"> • Books • Telco 	<ul style="list-style-type: none"> • Books • Telco • CDs • DVDs 	<ul style="list-style-type: none"> • Books • Telco • CD / DVDs • Gifts • Special cards

Segmentation of post offices for future optimisation

Goals and future application of post offices segmentation:

- Support the prioritisation of future investments
- Define turnaround action plans for post offices below their full potential

Brief characterisation of the 5 defined segments:



Note: The analysis considered 601 CTT post offices. The remaining post offices at the time were 5 post offices established in partnerships, 12 corporate mail delivery desks, 4 mobile post offices and 1 post office opened in 2014 (Cascais II) with no representative data; ¹ Revenues for which each post office is accountable.



II. Distribution / Retail partnerships – increase value added services

Examples of CTT partnerships

Citizen's Bureau Areas



- E-government services

PT Portugal

Telecommunications & multimedia operator



- Sale of PT Portugal products and services

EDP

Leading company in the energy sector



- Integrated payment offer for utilities
- Client capture and contract signature

BRISA

Transport infrastructure company



- Toll payments

Available services

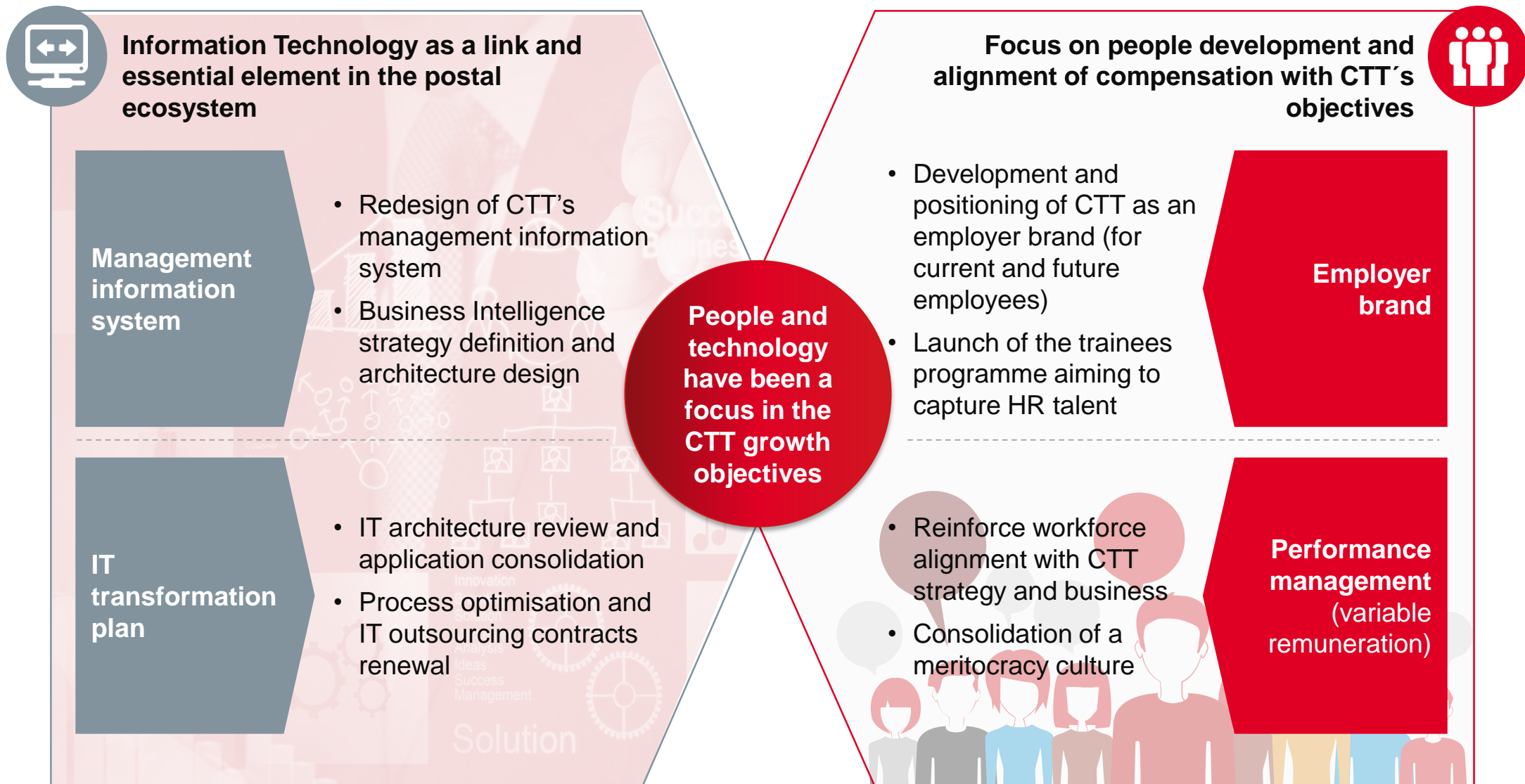


- Driving license renewal
- Residence permit scheduling renewal
- Registering foreign workers' contracts
- Registering intellectual property
- Notarial or judiciary certificates requests
- Scheduling an appointment at the hospital or healthcare centre
- Real Estate, Civil or Commercial certificates requests
- Reimbursement requests concerning health expenses

Implementation timeline



People and technology are key for the CTT growth objectives



CTT has implemented a new organisation model to approach innovation



CTT UNIVERSE

~ 5 YEARS

- Identification of market trends and discussion of future scenarios
- Definition of CTT strategic positioning
- Organisation of innovation workshops and conferences



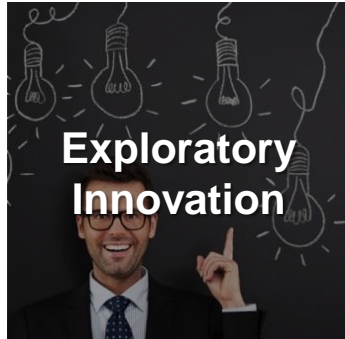
1-3 YEARS

- Turning ideas, generated under Idea Management, Exploratory Innovation or other, into projects and detailed business models



~ 1 YEAR

- Capturing innovative ideas aligned with CTT strategic priorities and develop business plans
- Implementation of an idea management tool which guarantees the contribution and involvement of the whole organisation



**Exploratory
Innovation**



**Planned
Innovation**



**Idea
Management**

CTT OBSERVATORY

Ongoing monitoring of universities and idea incubators or start-ups applicable to CTT innovation scenarios

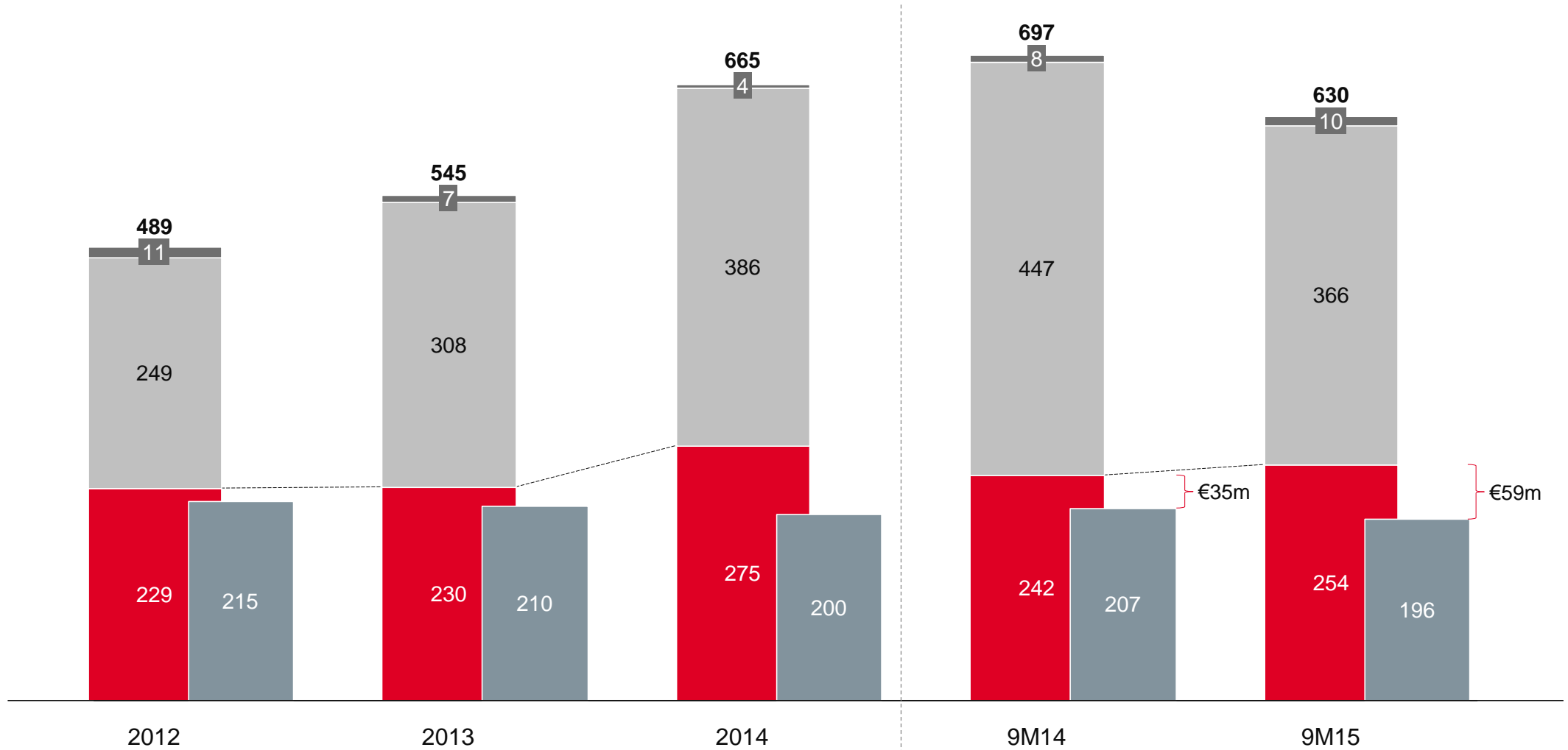


Strategic development backed by solid financial position



Breakdown of cash position

€ million

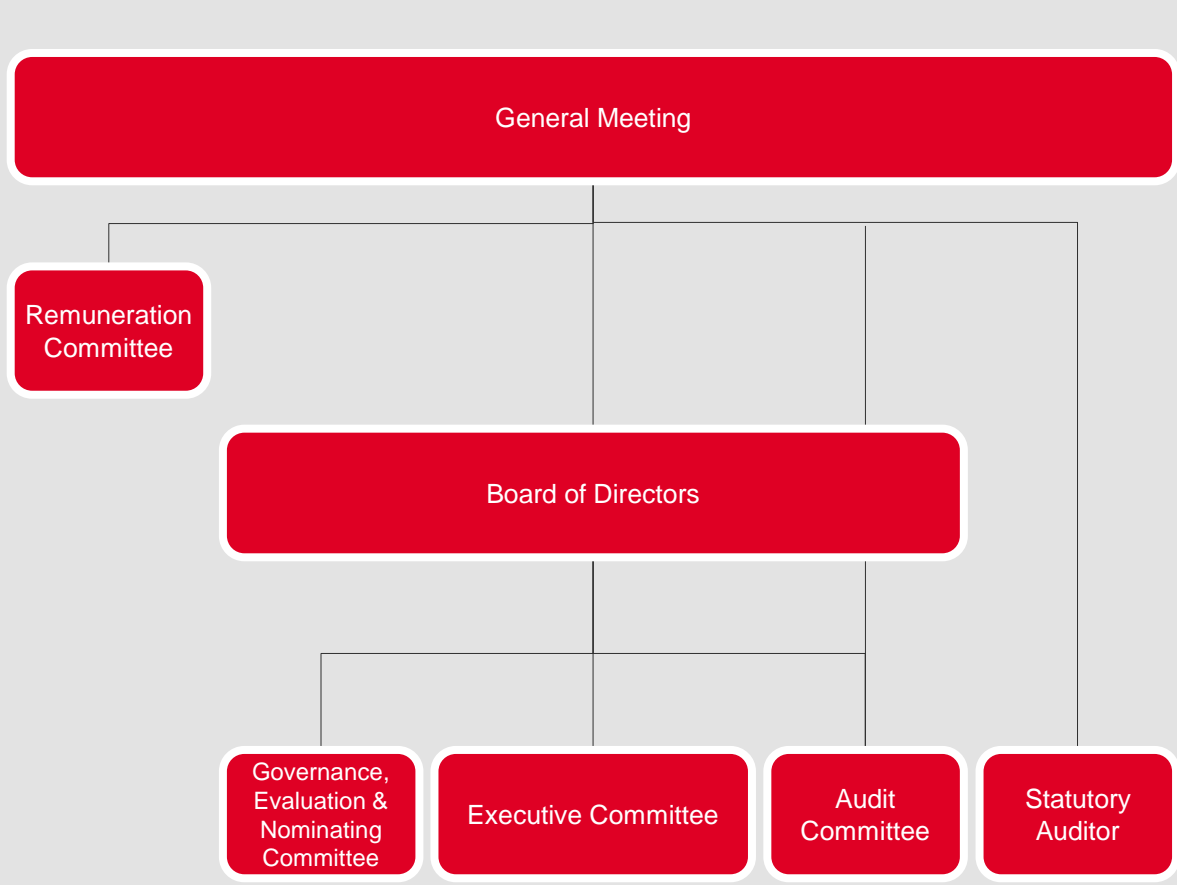


Financial debt Net FS payables Net financial cash Employee benefits, net

Anglo-Saxon corporate governance model adopted



CTT GOVERNANCE MODEL – STRUCTURE



BOARD COMPOSITION

- 5 executive directors and 6 independent non-executive directors (majority)



LEAD INDEPENDENT DIRECTOR

- Senior Vice-Chairman with a leadership role in relation to the non-executive directors ¹



AUDIT COMMITTEE

- 3 non-executive independent directors with relevant expertise and knowledge



GOVERNANCE, EVALUATION AND NOMINATING COMMITTEE ²

- Lead Independent Director, 3 other independent directors and the CEO

¹ Full compliance with CMVM's Corporate Governance Code recommending (i) separation of Chairman / CEO or (ii) combined Chairman / CEO and Lead Independent Director promoting the non-executives' oversight role and an informed decision-making process; ² Committee responsible for assisting the Board and the Remuneration Committee (as applicable) on governance matters, directors' and key officers' selection, succession plans, remuneration policy and performance evaluation; Chairman / CEO prevented from voting in case of conflict of interest.



EXTERNAL FRAMEWORK

Legal and regulatory framework

- Portuguese Companies Code
- Portuguese Securities Code
- Regulation 4/2013 of CMVM

Best practices (comply or explain)

- CMVM Corporate Governance Code
- IPCG Corporate Governance Code

INTERNAL RULES & PRACTICES

Articles of Association

Rules of Procedure

- Board of Directors
- Executive Committee
- Audit Committee
- Governance, Evaluation & Nominating Committee

Code of Ethics and Code of Conduct for Senior Officers and Insiders

Regulation on Whistleblowing Procedures

Regulation on Related Parties' Transactions

Regulation on the Provision of Non-audit Services by the Statutory and External Auditor

Governance model – main allocation of responsibilities

BOARD OF DIRECTORS

- Approving CTT's strategic and risk profile, objectives and policies
- Establishing the strategic, business, investment and financial plans
- Ensuring the effectiveness of the risk management system, internal control and internal audit
- (Dis)Investments above certain thresholds or within / outside certain geographic or business areas and financing above €150m or 5 years
- Approving the financial statements and dividend policy (both presented to be voted in the General Meeting)
- In general, approving the transactions above €50m and oversight of the management

EXECUTIVE COMMITTEE

- Day-to-day management of CTT

AUDIT COMMITTEE

- Oversight of the quality and integrity of the financial information, in particular (i) monitoring the compliance with the accounting standards and (ii) issuing an opinion on the financial statements
- Supervision of the risk management system, internal control and internal audit
- Hiring, evaluation and replacement of the statutory and external auditor and monitoring the respective independence

GOVERNANCE, EVALUATION & NOMINATING COMMITTEE

- Supervision of governance matters, formulating to the Board recommendations concerning corporate governance requirements and good practices, conflicts of interest, incompatibilities, independence and expertise
- Leading the annual evaluation of the Board's performance
- Proposing policies to the Board regarding appointments, succession planning and Board qualifications
- Assisting the Remuneration Committee on the remuneration policy and performance evaluation of the Executive Directors of the Board



Banco CTT strategic update

Banco CTT – Strategic update

Network and distribution model

Product strategy

Key financials ambition

Capital and investments estimates

Calendar and conclusions

CTT is well positioned to launch a differentiating bank in the Portuguese market

There is an **opportunity to launch a banking operation in the Portuguese market, with a bias towards more conservative clients of average / low income**

CTT's Retail Network is highly dense and has available capacity, allowing for low marginal costs

CTT already possesses a vast experience in a wide range of financial services

Launch of a banking operation based in CTT's Retail Network and on the principles of proximity, simplicity, transparency and value for money

Main value proposition

Customer base

Product strategy

Network and distribution model

Ownership structure

Return

Balance Sheet structure

Many postal banks have common characteristics along key dimensions...

... which are also being replicated by Banco CTT

- 1** Value proposition structured around four key principles: **proximity, simplicity, transparency** and **value for money**



Main value proposition

Customer base

Many postal banks have common characteristics along key dimensions...

... which are also being replicated by Banco CTT

Product strategy

Network and distribution model

Ownership structure

Return

Balance Sheet structure

2 Main target is the **retail market**, with a bias towards the **mass market**

Large and homogeneous potential customer base coming from the postal operator's daily activities



Main value proposition

Customer base

Product strategy

Network and distribution model

Ownership structure

Return

Balance Sheet structure

Many postal banks have common characteristics along key dimensions...

... which are also being replicated by Banco CTT

3 Simple / more transactional core product range¹
including current and savings accounts

Hook product to attract customers

- Most **successful players expanded their offering at a later stage**, e.g. loans, SME segment
- **SME** segment to be **potentially addressed in the long run**

¹ Along the life of postal banks, product offering is enlarged to more value added services.

Main value proposition

Customer base

Product strategy

**Network and
distribution model**

Ownership structure

Return

Balance Sheet structure

**Many postal banks have
common characteristics
along key dimensions...**

**... which are also being
replicated by Banco CTT**

4 Strong leverage of the **postal operator's retail
infrastructure** by the banking player

- **Up to 603 CTT post offices**¹
with fast ramp-up (positioning
itself as one of the largest
banking networks in Portugal)

¹The maximum number of Banco CTT branches is 604, with a maximum of 603 post offices and 1 Banco CTT own branch. The remaining post offices do not meet the minimum requirements to accommodate the bank (e.g. mobile post offices).

Banco CTT will replicate the success factors common to postal banking players

Main value proposition

Customer base

Product strategy

Network and distribution model

Ownership structure

Return

Balance Sheet structure

Many postal banks have common characteristics along key dimensions...

... which are also being replicated by Banco CTT

- 5 **Close control** of postal banks by the postal operator, with selected partnerships for certain financial products / services (from fully owned to JVs)

- **CTT as the sole shareholder of Banco CTT**



Banco CTT will replicate the success factors common to postal banking players

Main value proposition

Customer base

Product strategy

Network and distribution model

Ownership structure

Return

Balance Sheet structure

Many postal banks have common characteristics along key dimensions...

... which are also being replicated by Banco CTT

6 **Strong profitability**, leveraging on existing infrastructures (physical and human) and low-cost operations

- Banco CTT expected to reach **break-even in the 3rd year** (before shared costs with CTT)

Banco CTT will replicate the success factors common to postal banking players

Main value proposition

Customer base

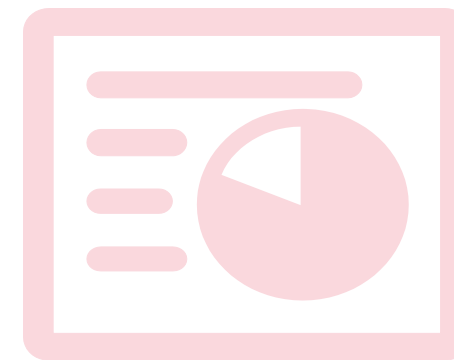
Product strategy

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Many postal banks have common characteristics along key dimensions...

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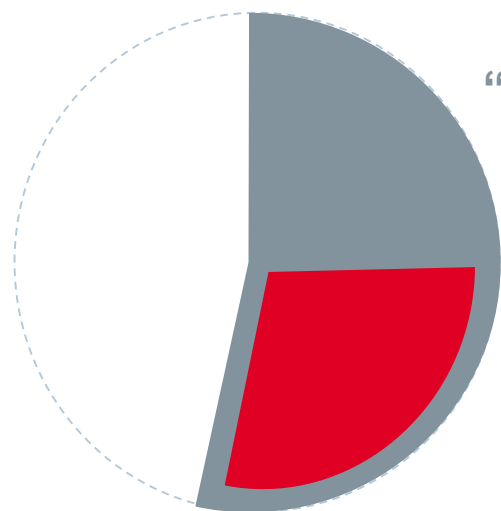
Postal banks with **low Loan-to-deposit ratios**¹, denoting a lower risk appetite

- Target Loan-to-deposit ratio of Banco CTT **circa 50%**

¹ Calculated as total customers' credits over total customers' deposits.

CTT clients and 35-54 years old segment most interested in the bank's value proposition

Participants interested in subscribing to Banco CTT's offer



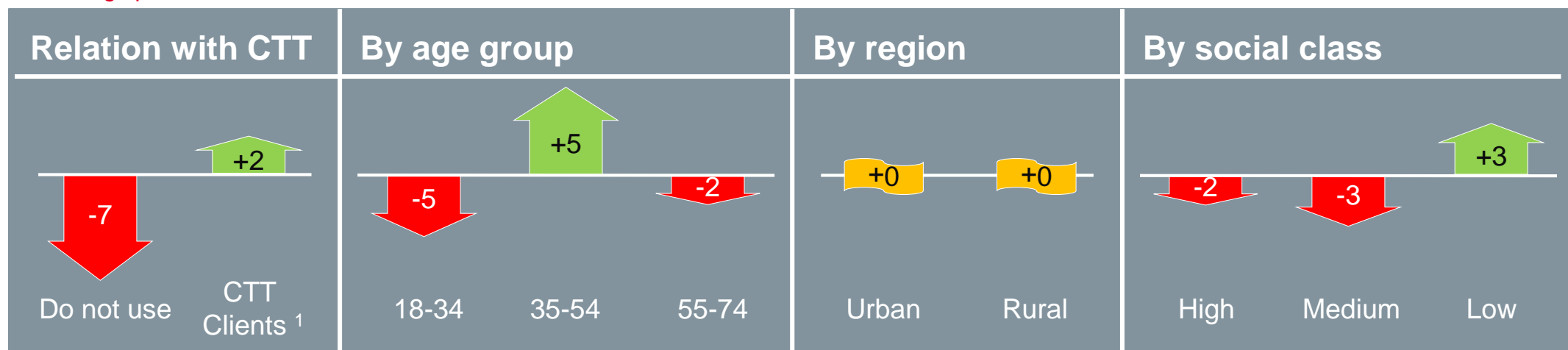
“Do you consider the offer interesting?”

53% Yes

“Would you be willing to subscribe to this offer in CTT?”

26% Yes

Delta vs. average
Percentage points



¹ Clients that made at least one transaction in CTT post offices in the last six months (estimated clients ~3.7m in 2014).

Source: Market study performed by CTT (1,507 interviews representative of the Portuguese population conducted during May 2015).

Banco CTT – Strategic update

Network and distribution model

Product strategy

Key financials ambition

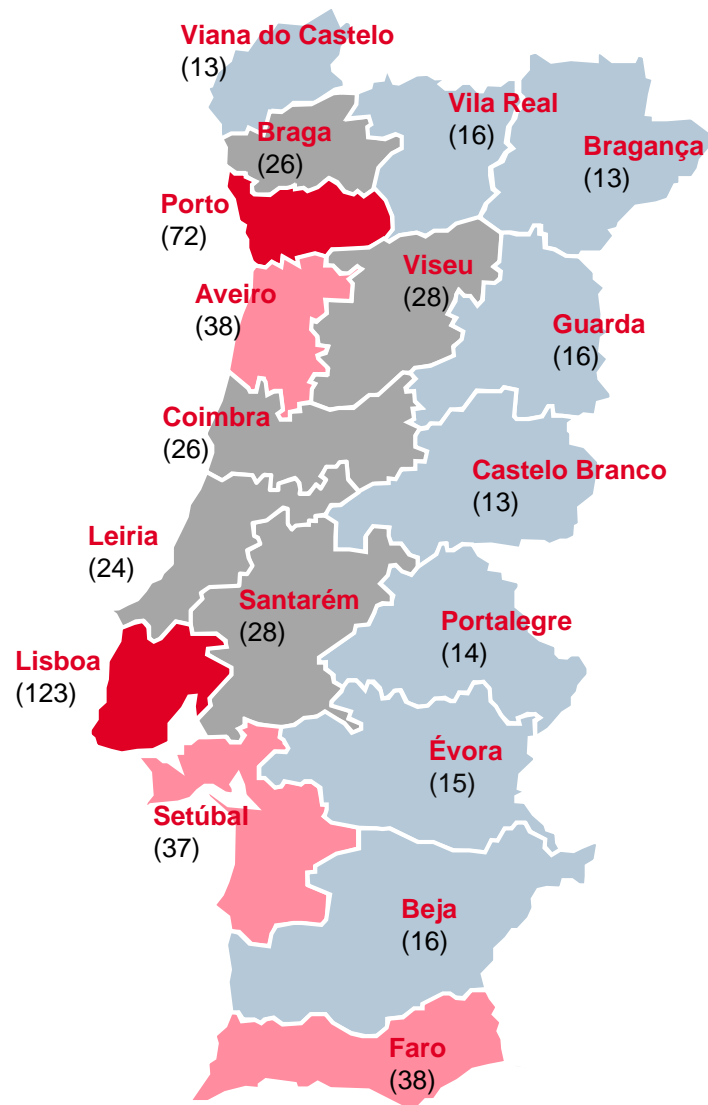
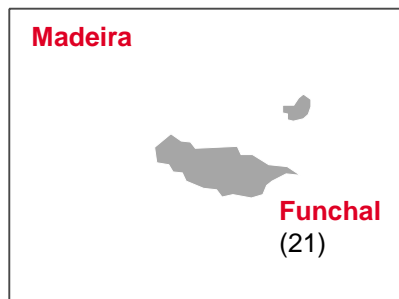
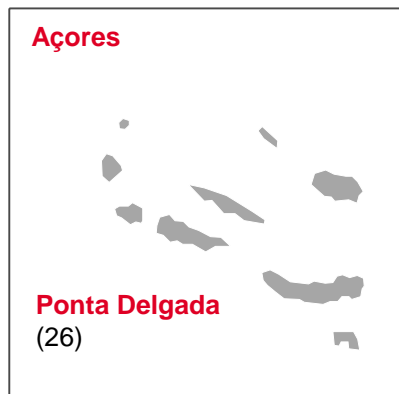
Capital and investments estimates

Calendar and conclusions

Banco CTT will leverage on the existing CTT network

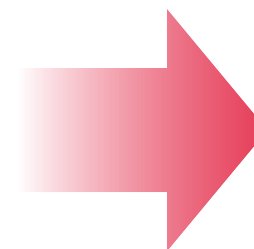


Geographical distribution of CTT's post offices



Legend:

- <20 post offices
- 20 to 30 post offices
- 31 to 40 post offices
- >40 post offices



Banco CTT expected to benefit from the capillarity of its network, with a higher share of presence (measured in terms of total number of post offices) **in rural areas than other Portuguese banks**

Roll-out of Banco CTT will be completed in 3 years, with a clear operational delivery model in place



Operational delivery model ¹

83

Post offices with Banco CTT dedicated space



250

Post offices with Banco CTT dedicated counter

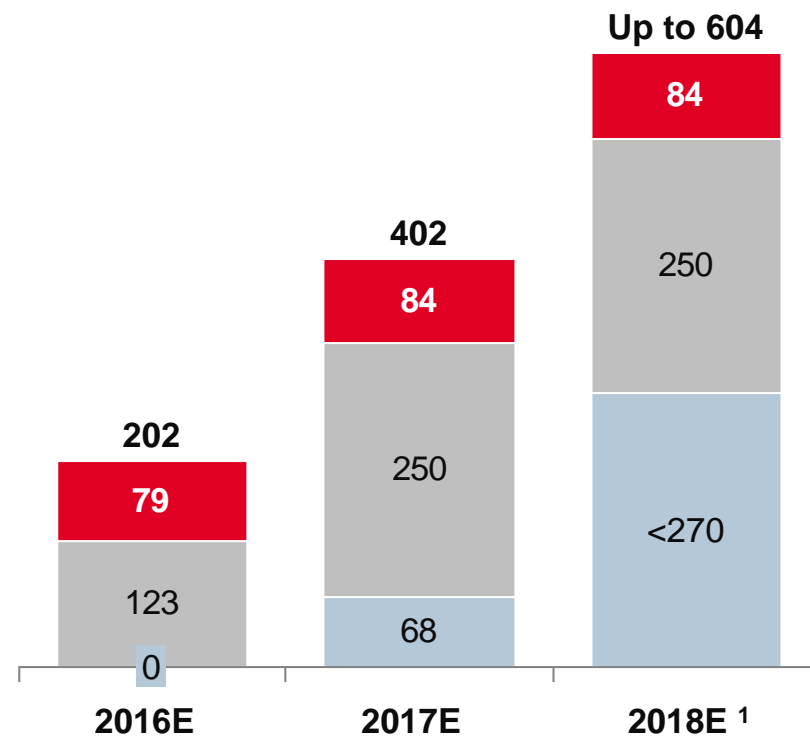


Up to 270

Post offices with multifunctional counters



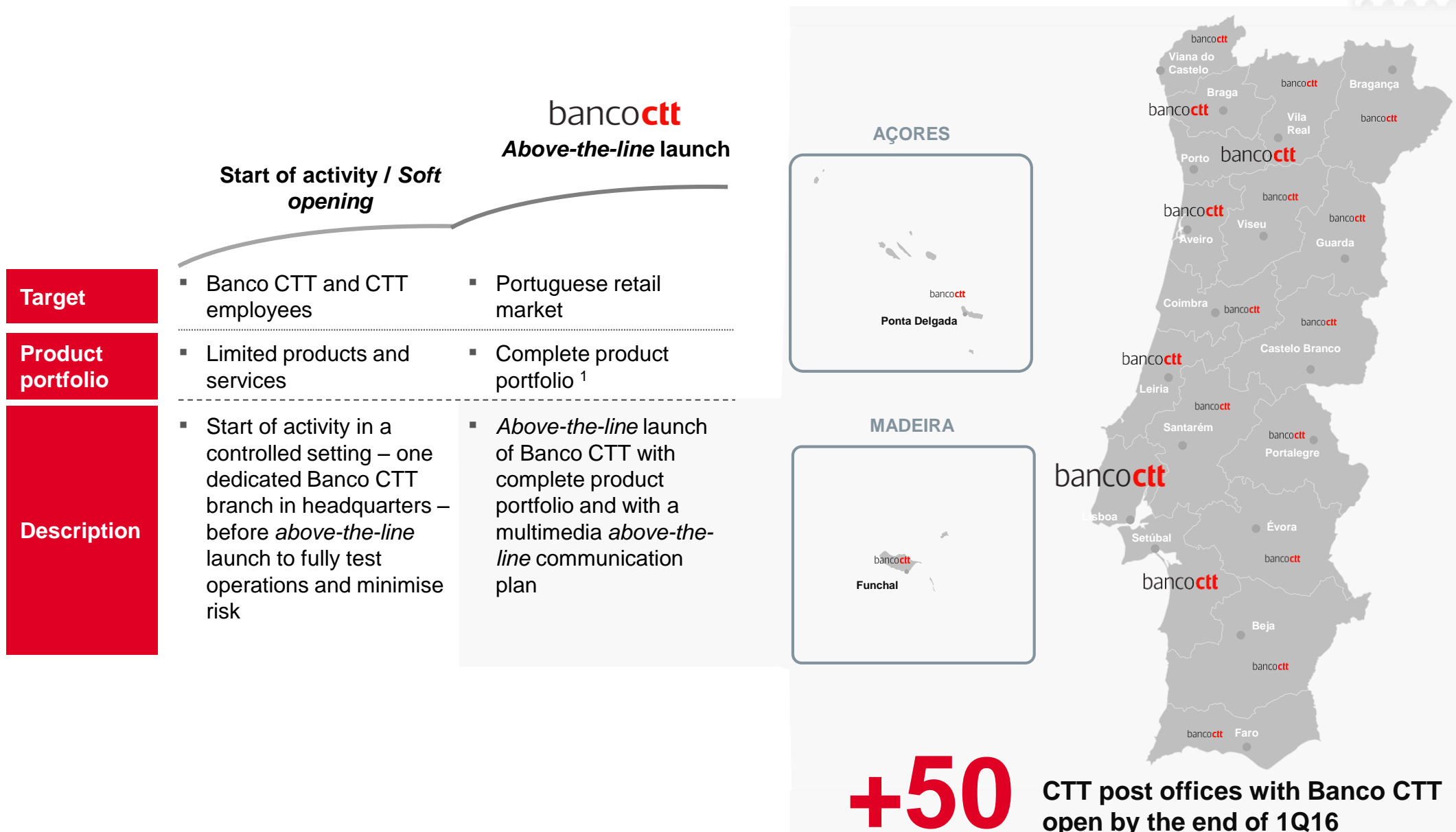
Roll-out



■ Dedicated space
 ■ Dedicated counter
 ■ Multifunctional counters

¹ 604 represents the maximum number of Banco CTT branches, with a maximum of 603 post offices and 1 Banco CTT own branch (dedicated space).

Banco CTT's launch will be a two-stage process



¹ Adjusted to the date of availability of each product as described further on.
 Note: image is illustrative, therefore not representing the exact location of Banco CTT branches.

Banco CTT is investing significantly in training of postal employees

1	Banking training	2	Offer, processes & systems	3	Behavioural & commercial	4	Money laundering prevention
	<ul style="list-style-type: none"> Training in banking to develop the technical and commercial skills required for providing high-standard banking services to clients Topics covered include, among others: <ul style="list-style-type: none"> Financial system Bank accounts & deposits Savings & investments Payment systems Credit to individuals Commercial activity 		<ul style="list-style-type: none"> Provide an overview of Banco CTT's strategy, positioning, operating model and product portfolio Instil Banco CTT's value proposition Train front-office processes, namely: <ul style="list-style-type: none"> Account opening, deposits & withdrawals and product activation & management Branch management & cash handling Payments services Digital channels 		<ul style="list-style-type: none"> Improve employees' soft skills necessary to implement Banco CTT's strategy Train desired behaviours in practical contexts related to a banking activity Shape employees' interactions with clients to the requirements of a banking setting Support understanding of the new organisational setting with the bank's launch and prepare employees to act as change agents 		<ul style="list-style-type: none"> Improve understanding on money laundering impact and importance of robust controls Discuss most common signs of suspicion and their applicability in CTT's daily operation Train employees on Banco CTT's controls and on how to deal with likely day-to-day situations



hours in banking training up to now



employees have concluded the initial banking training



investment in training of Retail Network employees until the end of roll-out

TRAINING OF THE RETAIL NETWORK EMPLOYEES AS A KEY SUCCESS ELEMENT OF BANCO CTT

Banco CTT – Strategic update

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Key financials ambition

Capital and investments estimates

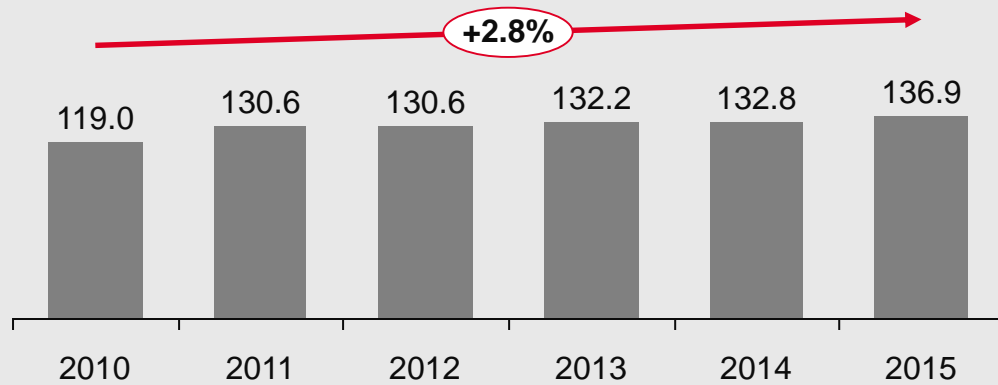
Calendar and conclusions

Portuguese market figures form the base for our planning

○ CAGR %

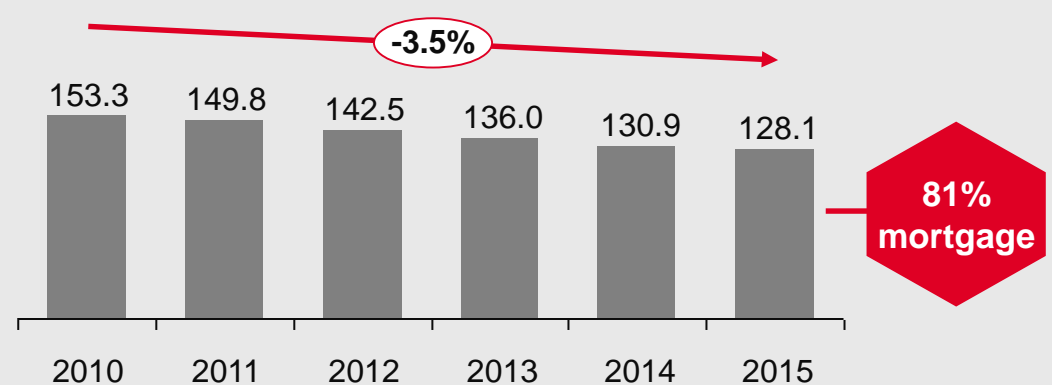
Average households deposits ¹

€ billion



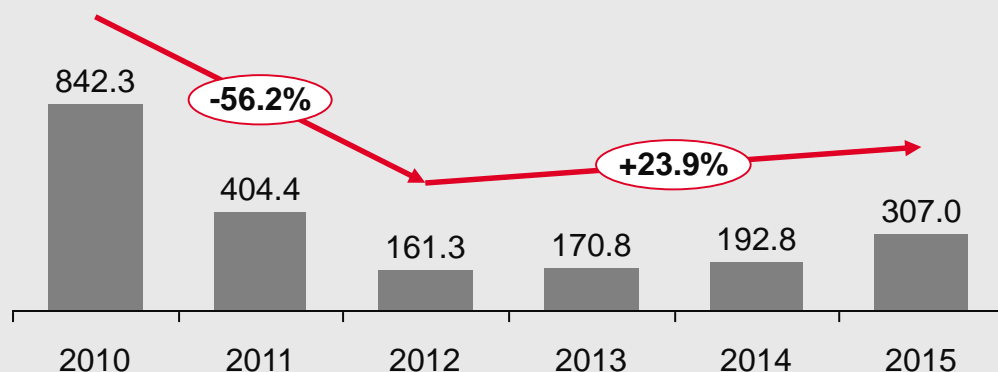
Total households loans ¹

€ billion



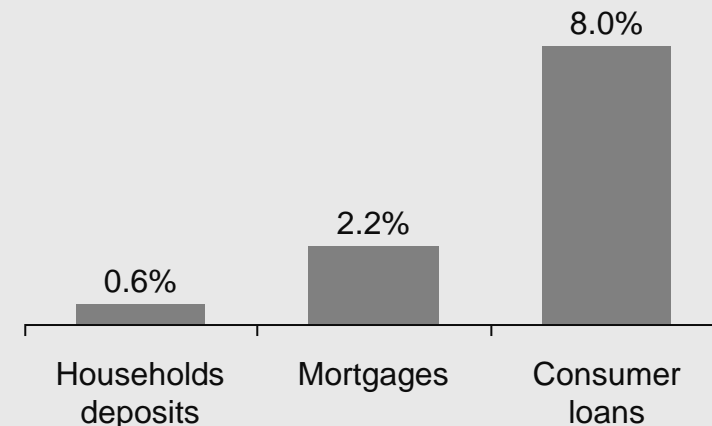
New mortgage production ²

Monthly average; € million



Average interest rates (new production) ²

%



¹ Information from the Bank of Portugal as at December of each year (except for 2015, where data refers to September); ² Information from the Bank of Portugal as at September 2015.

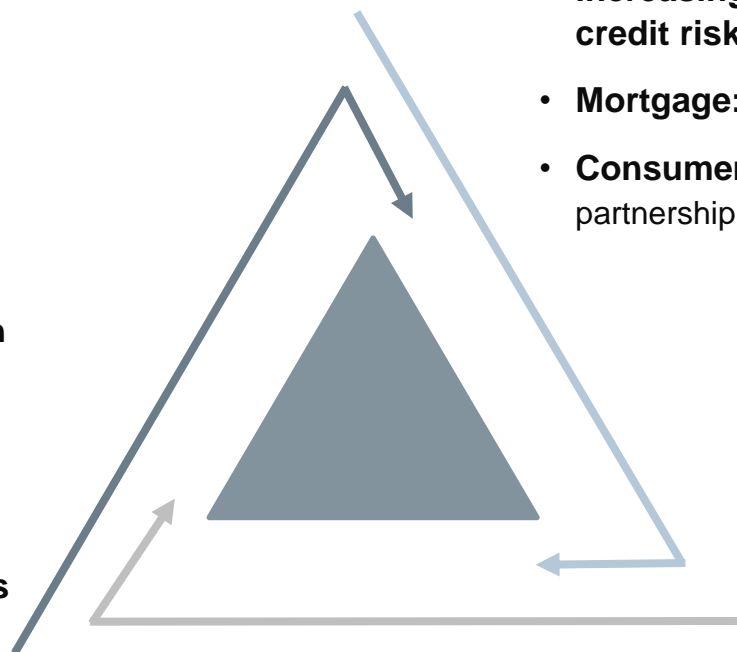
A clear product strategy guides this offering

DEPOSITS

- **Appealing value proposition** (simplicity, proximity, transparency and value for money) and **Banco CTT's perceived low risk and absence of legacy as competitive advantages to attract customers** in current flight-to-safety environment
- **Bulk part of funding** to be derived from customer deposits
 - **Deposits and savings products: pricing in line with the market**, relying on value proposition to attract depositors
 - **Currents accounts: no maintenance fees**
- Bias towards **mass market translated into a higher market share in customer accounts than deposits**

CREDIT

- **Credit strategy: low cost of risk, gradually increasing Balance Sheet exposure to credit risk** as operation matures
- **Mortgage: low risk and competitive pricing**
- **Consumer loans: competitive through a partnership with Cetelem**



FEE-GENERATING BUSINESS

- **Transactional products as a core** characteristic of the bank's DNA
- **Strong cross-selling potential** with CTT's existing **Financial Services products**, providing a complete and unique offering to target customers

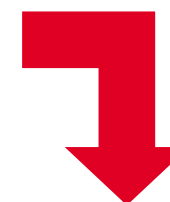
Banco CTT's offer reflects the company's principles of simplicity and value for money



Banco CTT's offer

	Type	Positioning	Provider	Date of availability ¹
ACCOUNTS & TRANSACTIONS	Current accounts		banco ctt	1H16
	Debit cards		banco ctt	1H16
	Pre-paid cards		banco ctt	2H16
	Payments ("cobranças")		banco ctt Multiple	1H16 2018
	International transfers		banco ctt 	1H16 2018
CREDIT	Mortgages		banco ctt	2H16
	Overdrafts		banco ctt	1H16
	Credit cards			1H16
	Consumer loans			1H16
SAVINGS	Term deposits		banco ctt	1H16
	Savings accounts		banco ctt	2H16
	Life insurance			1H16
INSURANCE	Health insurance		tba	1H16
	Risk insurance			1H16

- More competitive positioning than market average
- Positioning aligned with the market



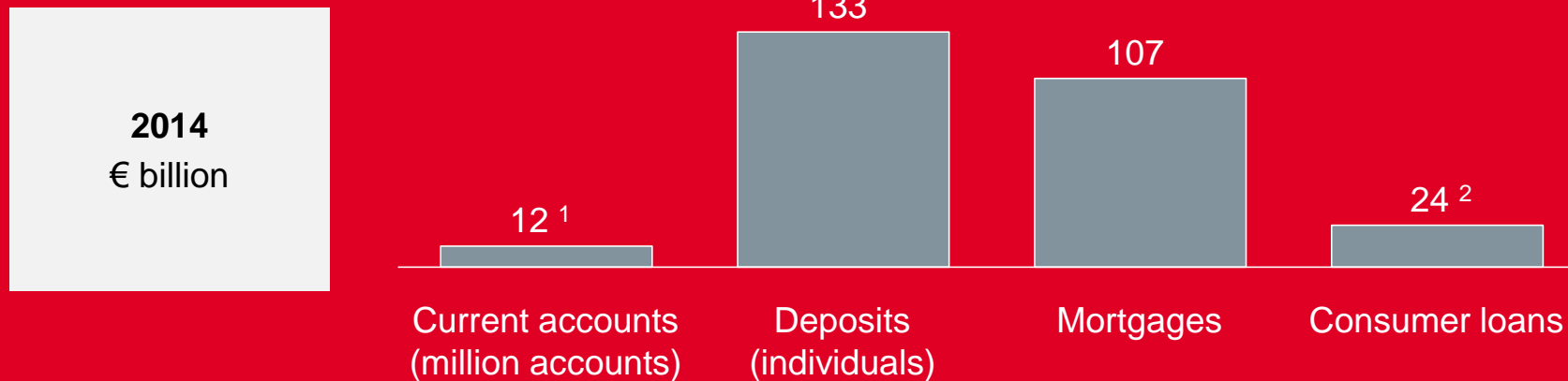
Product offer and commercial strategy coordinated with CTT Financial Services

¹ Migration will happen progressively as the bank is rolled-out to CTT post offices; ² Retirement savings plans.
Note: Migration dates subject to future revision as they are contingent on on-going negotiations with partners.

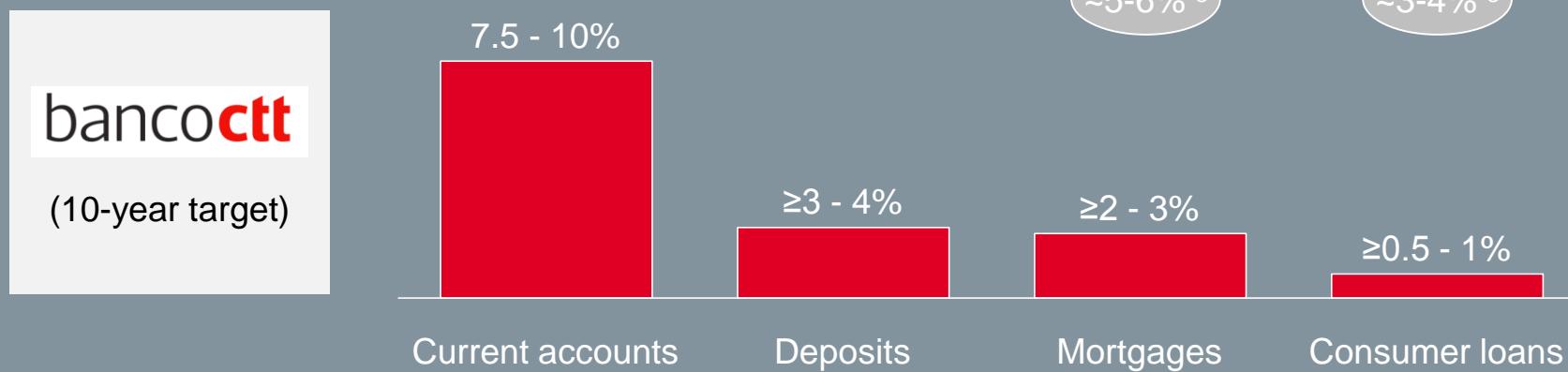
Banco CTT is expected to have a higher market share in accounts than in deposits



OVERALL MARKET



MARKET SHARE TARGETS



● New production

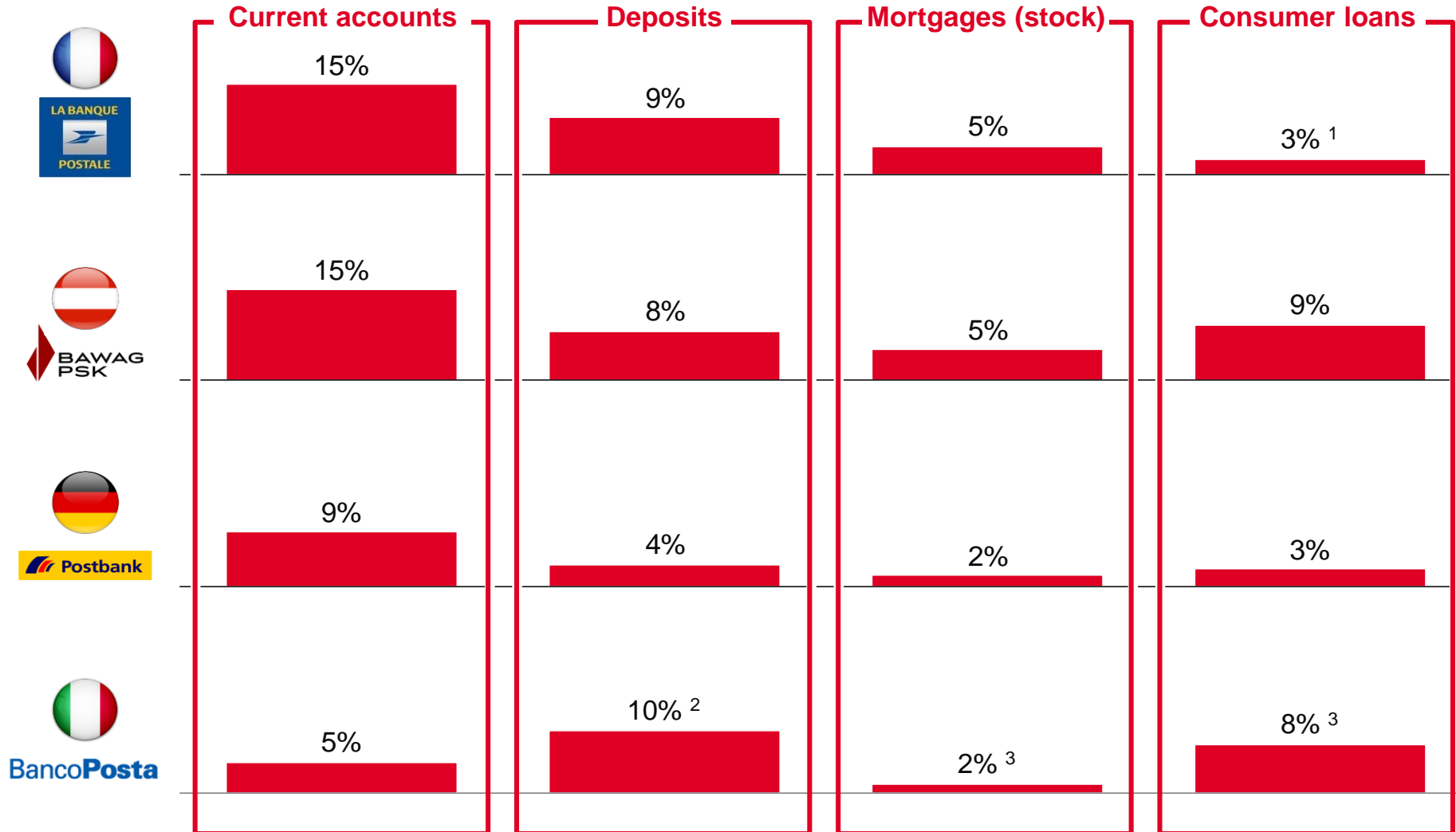
¹ Excluding estimated 1 million enterprise accounts from "Associação Portuguesa de Bancos" (APB – Portuguese Banking Association) reported figure 12.6 million active accounts in 2014;
² Including consumer and other loans; ³ Market share estimates based on the assumption that in the long run the credit market will progressively recover to historical levels.
 Source: Bank of Portugal; Associação Portuguesa de Bancos.

Both client acquisition and product penetration ambition is aligned with other EU postal banks



Market share by product for the local postal banking player

Postal banks with more than 10 years of activity; 2014



¹ La Banque Postale only introduced consumer loans in 2010; ² BancoPosta market share in deposits driven by its stronghold in savings accounts (market share of ~18%); ³ BancoPosta does not have banking license to issue credit, only sells third-party credit products (2011 figures).

Source: Bank of Italy; Banque de France; La Poste Annual Report; Poste Italiane Annual Report; Postabank Annual Report, Bawag Annual Report; GfK market research.

Banco CTT – Strategic update

Network and distribution model

Product strategy

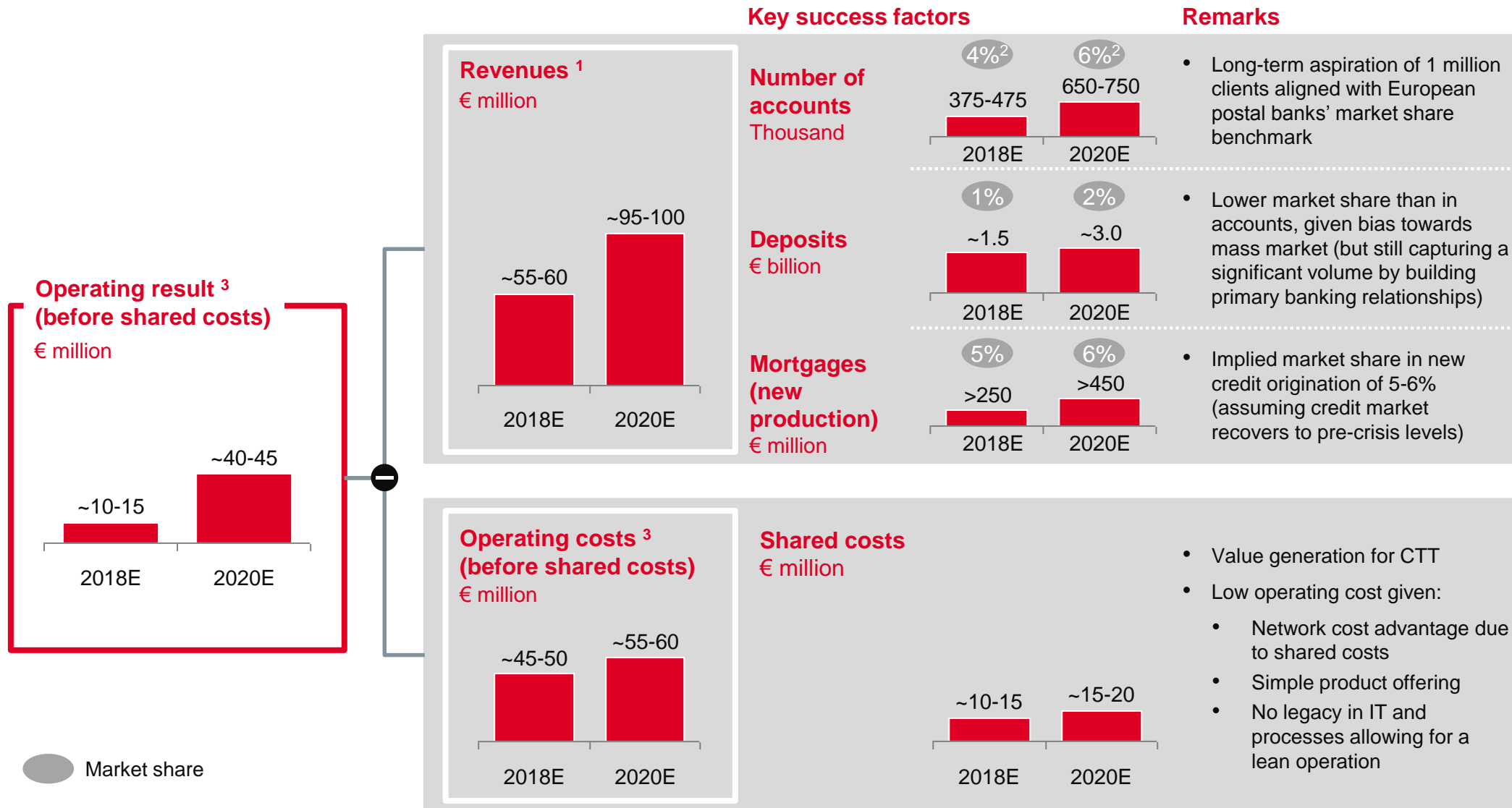
Key financials ambition

Capital and investments estimates

Calendar and conclusions

Sustained improvement in value creation over time is anchored in 4 main key success factors

Banco CTT's financials ambition



¹ Including net interest income (both from credit operation and financial investments) and net commission income.

² Market share calculated as a percentage of active bank accounts in Portugal (12.6m according to Associação Portuguesa de Bancos).

³ Excluding shared costs with CTT, impairments, provisions and taxes.

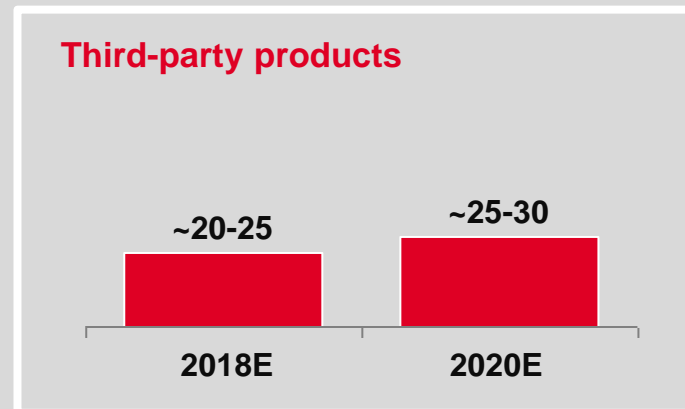
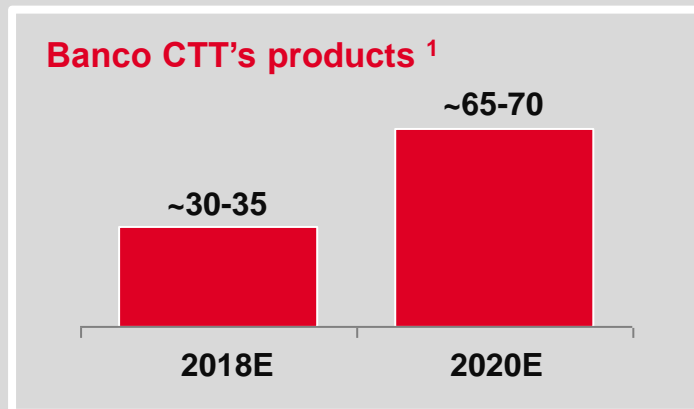
Long run aspiration for Cost-to-income ratio to lean towards ~50%



Banco CTT's financials ambition

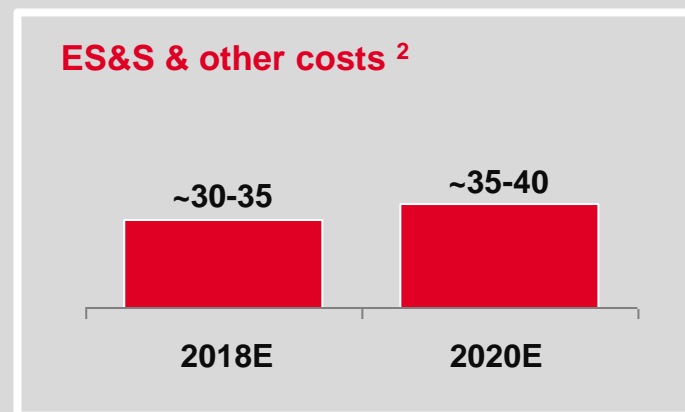
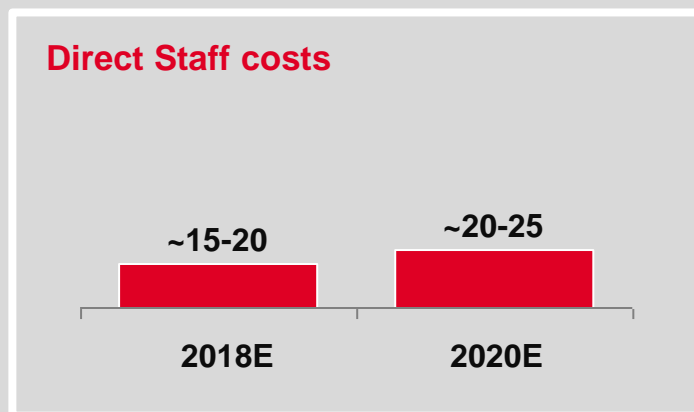
REVENUES

€ million



OPERATING COSTS (before shared costs with CTT)

€ million



¹ Including net interest income and commission income from Banco CTT's products; ² External Supplies and Services and other costs.

Banco CTT – Strategic update

Network and distribution model

Product strategy

Key financials ambition

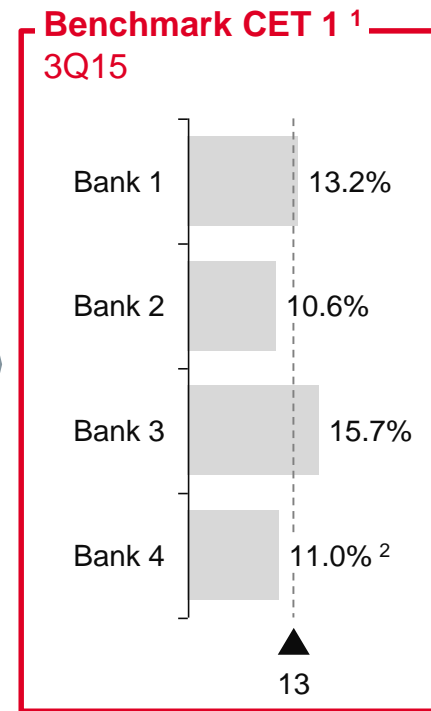
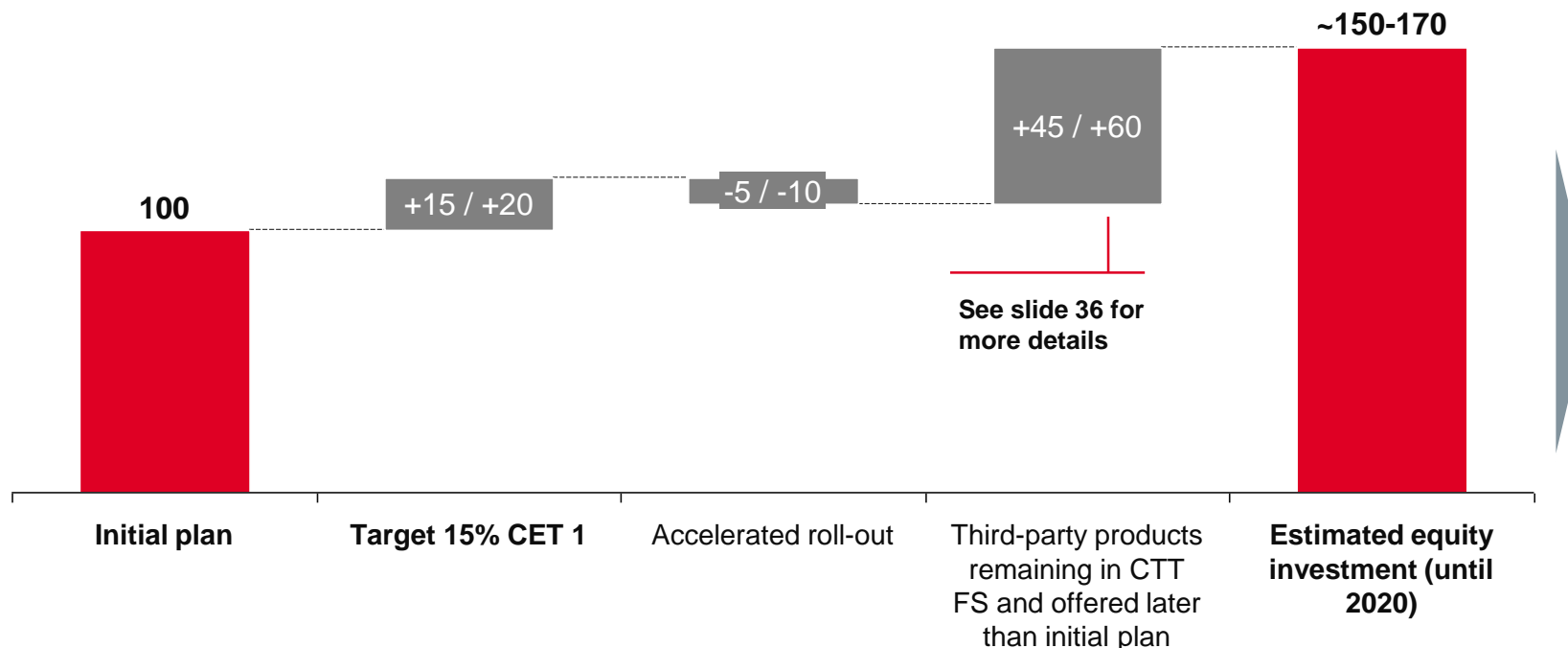
Capital and investments estimates

Calendar and conclusions

Business plan update led to upward adjustments in capital needs until 2020

Total equity investment until 2020

€ million



- **Target capital (additional capital to meet 15% CET 1 target)** – Banco CTT intends to launch and implement its strategy with solid capital ratios, in line with its value proposition and CTT’s robustness
- **Accelerated roll-out** – The faster implementation of Banco CTT throughout CTT’s network will strengthen banking activity in the initial years, thus improving results and adjusting capital needs downwards
- **Third-party products remaining in CTT FS** – Some third-party products will continue to be offered by CTT FS (e.g. Payshop and tax collection, but having an “integrated” approach in the front-office)
- **Third-party products offered later than initial plan** – Initial plan considered that third-party products would be offered by Banco CTT from day 1 in all the post offices but they will now migrate with the ramp-up of bank branches

¹ Phased-in.

² Half-year results.

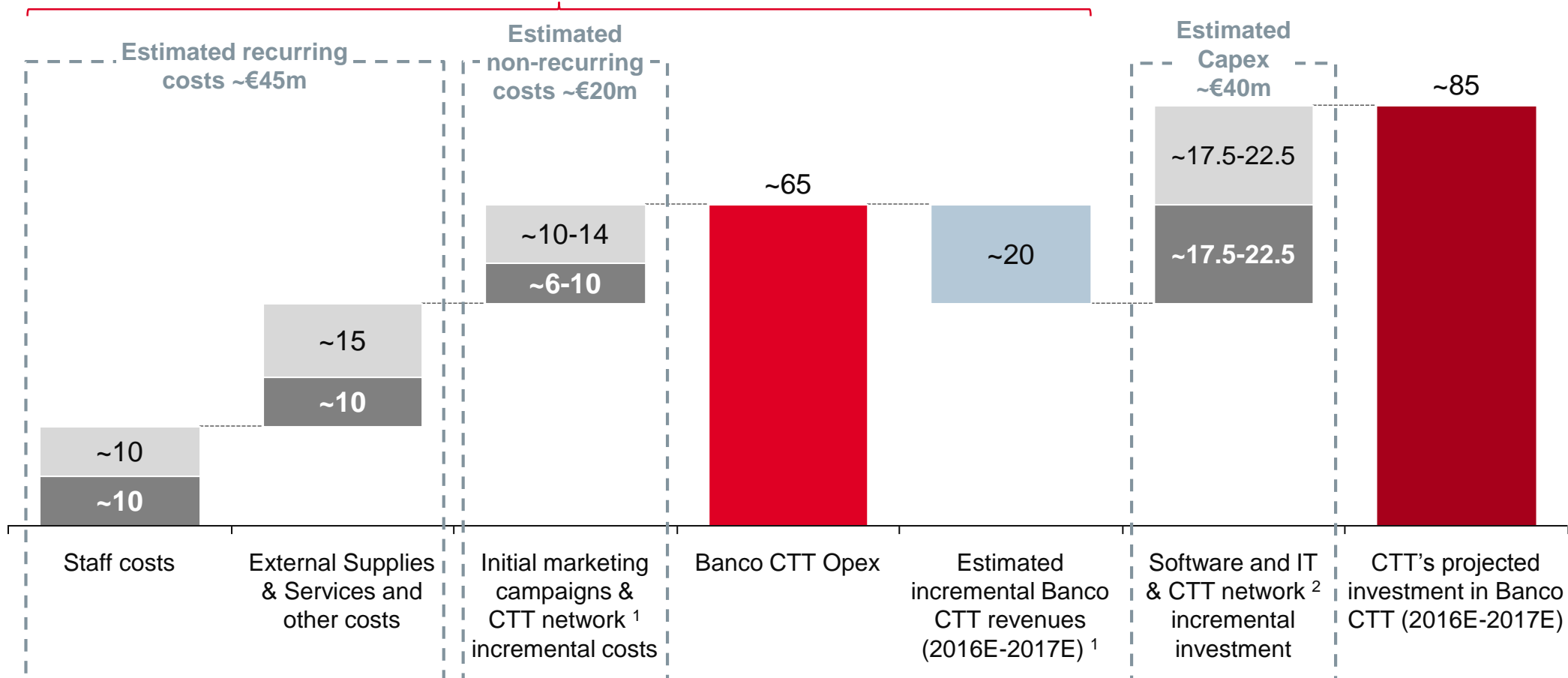
Strong investment needed in the initial years to support the bank's launch

CTT's projected investment in Banco CTT (2016E-2017E)

€ million

2016E 2017E

Impacting reported EBITDA



Alignment between CTT and Banco CTT to successfully deliver the project

¹ Excluding revenues that migrate from CTT; ² Incremental spending related with the implementation of the bank in the CTT post offices.

Banco CTT – Strategic update

Network and distribution model

Product strategy

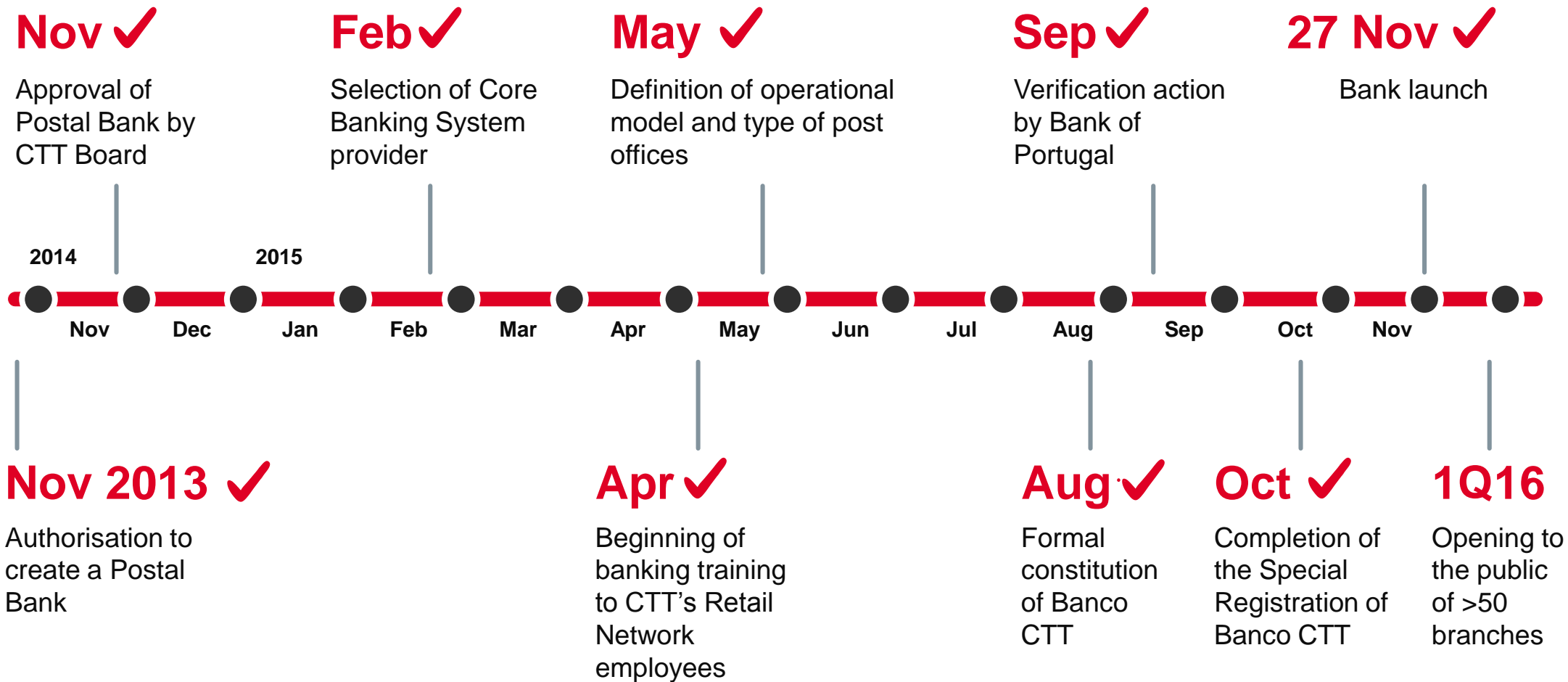
Key financials ambition

Capital and investments estimates

Calendar and conclusions



The implementation of the project is on track



To summarise...

Banco CTT's objectives

- ✓ Capture the strong market opportunity (more than 25% of the Portuguese market willing to subscribe to Banco CTT's offer), leveraging existing CTT clients and an appealing value proposition
- ✓ Benefit from the capillarity of the CTT Retail Network and its proximity with customers
- ✓ Focus on a complete but simple product portfolio, with strong positioning on current accounts, savings accounts, cards and mortgages
- ✓ Sustain a solid performance, leveraging cost advantage arising from synergies with CTT (HR and real estate) and low cost operations
- ✓ Maintain a conservative Balance Sheet with low Loan-to-deposit ratios, focusing on low-risk mortgages and on the partnership with Cetelem for consumer loans

Banco CTT long-term aspiration ¹

- Customer accounts ~1m
- Mkt share in deposits & savings 3-4%
- Mkt share in mortgage production 5-6%
- Cost-to-income ratio <50%
- Break-even (before shared costs) 3 years
- ROE ~15%
- Loan-to-deposit ratio ~50%
- Core-tier 1 ratio ~15%

¹ After 2020.



**2020
business
ambition**

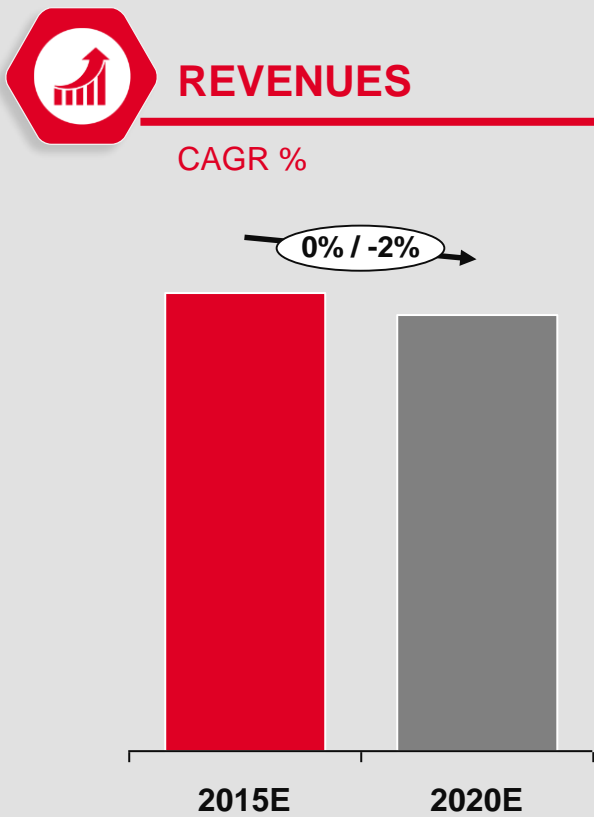
CTT 2020 ambition – Mail



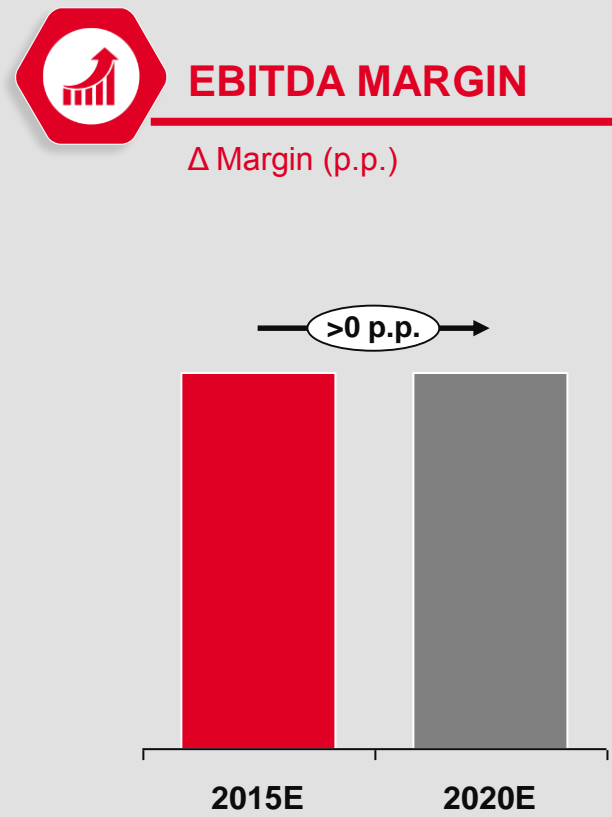
Mail (including Retail Network offer)

VOLUMES & PRICING

- 3% to -5% volumes declines p.a. in the mid-term
 - Dependent on the growth of the economy (domestic consumpt.)
- Utilisation of the pricing lever to mitigate volumes declines
 - Non-bulk mail – at current levels of volumes declines and inflation, the result will be 1% to max. 2% price increases in the near future
- Potential of competition in some products / areas



Objective of flat revenues to slight declines p.a.



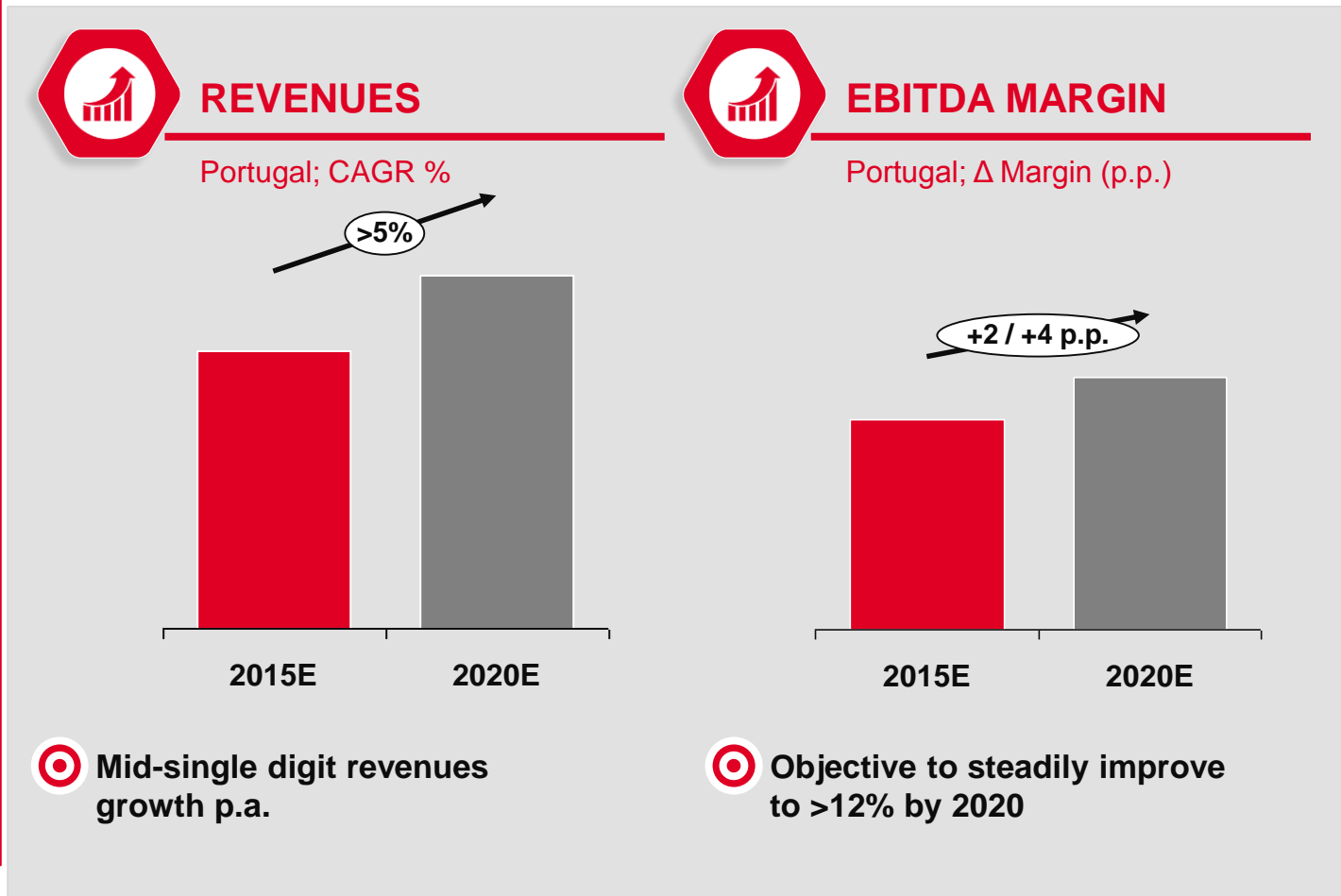
Objective to “preserve the value” – flat-to-growing recurring EBITDA margin



Express & Parcels Portugal

VOLUMES

- Relevant B2C / e-commerce volumes growth – ~30% of the revenues
 - Double-digit growth in volumes p.a.
- Small B2B volumes growth – ~70% of the revenues, including banking services (EMS Banca)
 - 2% – 4% growth in volumes p.a. when the economy is growing



Given the ongoing restructuring process in place, no outlook is provided for Spain

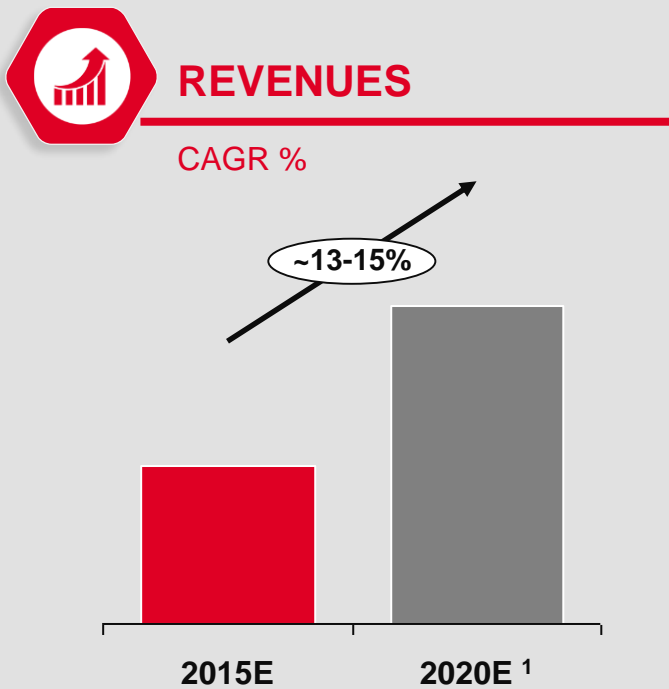
CTT 2020 ambition – Financial Services (including Banco CTT)



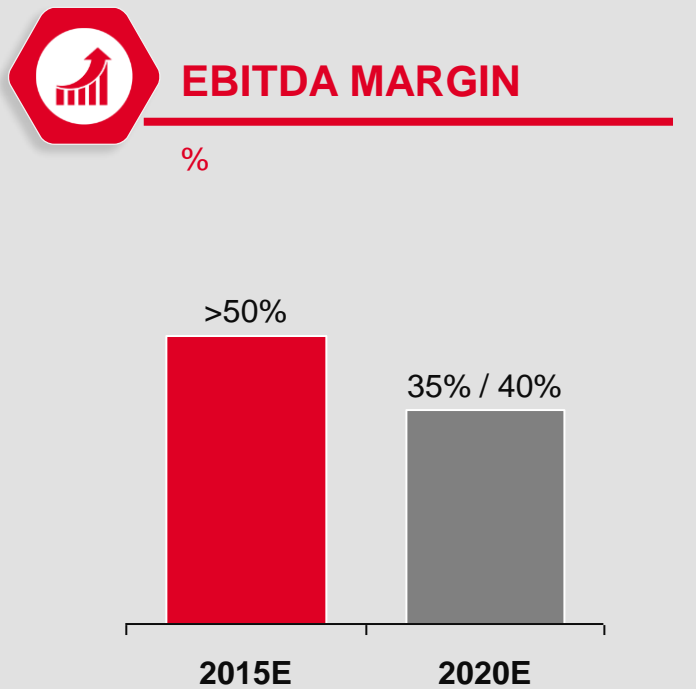
Financial Services (including Banco CTT)

PRODUCT OFFER

- Some products will migrate to Banco CTT to stimulate cross-selling
- Integrated offer of Banco CTT's products with existing FS products to generate a higher profit pool from each customer



- Existing FS revenues will decline due to migration
- Objective of ~€95m-€100m of Banco CTT's revenues in 2020



- Recurring EBITDA margin expected to be above 35% in the long run, after Banco CTT's ramp-up

¹ Including Banco CTT's revenues.



**CAPITAL
MARKETS
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2015

CTT Investor Relations

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