

# CTT – Correios de Portugal, S.A.

Full Year 2015 Results Roadshows

*Strong year while preparing the new growth era in Financial Services:  
Banco CTT*

15 March 2016



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01. FY15 key highlights

02. FY15 business units performance

03. 2016 Outlook

04. Banco CTT

05. 2020 business ambition



# Important 2015 milestones







OUTLOOK

2015 RESULTS

**Growth in revenues**, supported also by MoU with Altice

- Addressed mail volumes decline in the -3% / -4% range, better than the -5% initial target (1H15 upgrade)
- Double-digit volumes growth in Express & Parcels (Portugal), driven by e-commerce growth



**Recurring revenues grow by 1.3%**, supported by strong performance of the Mail business unit and also by MoU with Altice

- ✓ Addressed mail volumes decline 3.2% (lower bound of the range guidance)
- ✗ Single-digit overall volumes growth in Express & Parcels despite the strong double-digit growth in e-commerce volumes

**Decline in like-for-like recurring costs** (excluding Banco CTT project)



**Like-for-like recurring costs (excluding Banco CTT project) decline by 0.8%**

**High single-digit growth in like-for-like recurring EBITDA** (excluding Banco CTT project)



**Like-for-like recurring EBITDA (excluding Banco CTT project) grows by 10.3%**

**Total spending (capex and opex) in Banco CTT project of up to €30m**



**Banco CTT project spending of €23.2m** (lower than target, partially related to soft opening strategy). **Cash position of CTT not affected**

**Policy of stable growth of dividend**

**Minimum dividend of €0.47 per share** (€70.5m for 150m shares outstanding) for the financial year 2015



**The Board will propose a dividend of €0.47 per share (€70.5m), a 6.8% growth on a recurring basis**

## Solid recurring 2015 financial results despite Banco CTT project costs

### Financial and operational performance

€ million, except when indicated otherwise

Financial indicators:	2014	Including Banco CTT project		Excluding Banco CTT project (like-for-like) <sup>4</sup>	
		2015	Δ%	2015	Δ%
Recurring revenues <sup>1</sup>	717.8	727.2	+1.3%	727.2	+1.3%
Recurring operating costs <sup>2</sup>	582.7	583.2	+0.1%	578.2	-0.8%
Recurring EBITDA <sup>1,2</sup>	135.1	144.0	+6.6%	149.0	+10.3%
Recurring net profit <sup>3</sup>	72.5	81.6	+12.5%	85.2	+17.5%
Reported net profit	77.2	72.1	-6.6%	80.9 <sup>5</sup>	+4.8%

Metric	Addressed mail (m items)	Unaddressed mail (m items)	Parcels (m items)	Savings flows (€bn) / # of ops. (m) <sup>6</sup>
2015 volumes	814.7	473.4	28.5	5.3 / 536.3
2015 vs. 2014	-3.2%	-6.7%	+3.2%	-20.5% / -7.5%

<sup>1</sup> Excluding non-recurring revenues of €1.0m in 2014.

<sup>2</sup> Excluding amortisation, depreciation, provisions, impairment losses and non-recurring costs affecting EBITDA of -€59.5m in 2014 and €9.4m in 2015, €6.4m of the latter related to Banco CTT project set-up costs.

<sup>3</sup> Considers the nominal tax rate of CTT.

<sup>4</sup> Excluding Banco CTT business unit costs and Banco CTT project costs booked in the Financial Services business unit.

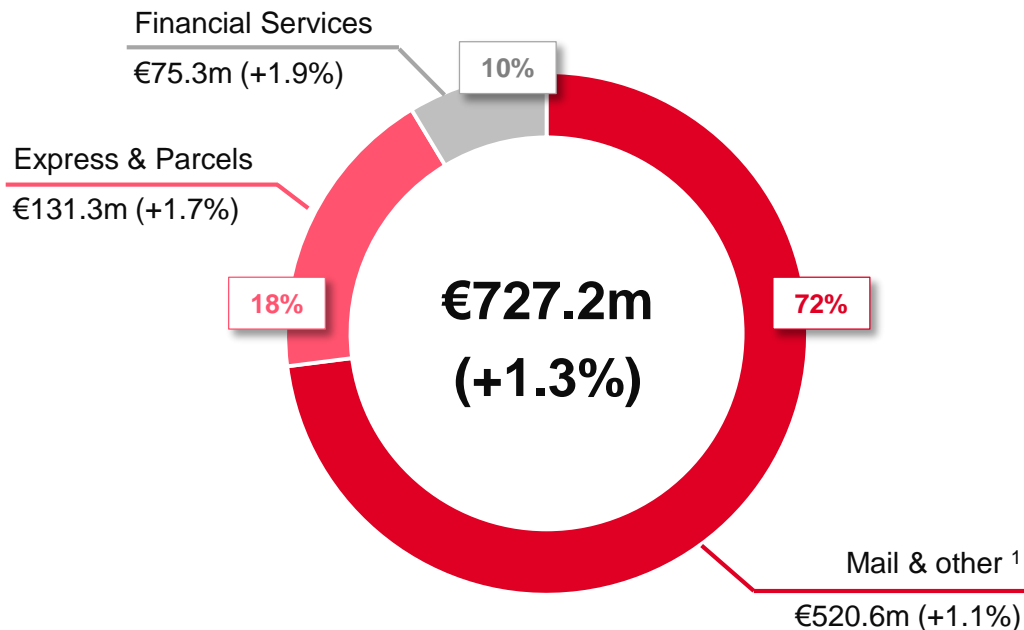
<sup>5</sup> Considers the corporate tax rate of Banco CTT and the effective tax rate of the year at CTT.

<sup>6</sup> Amount of savings & insurance placements and redemptions / Number of savings & insurance placements and redemptions operations.

# Diversified portfolio supports growth with positive impact from all businesses

## 2015 recurring revenues

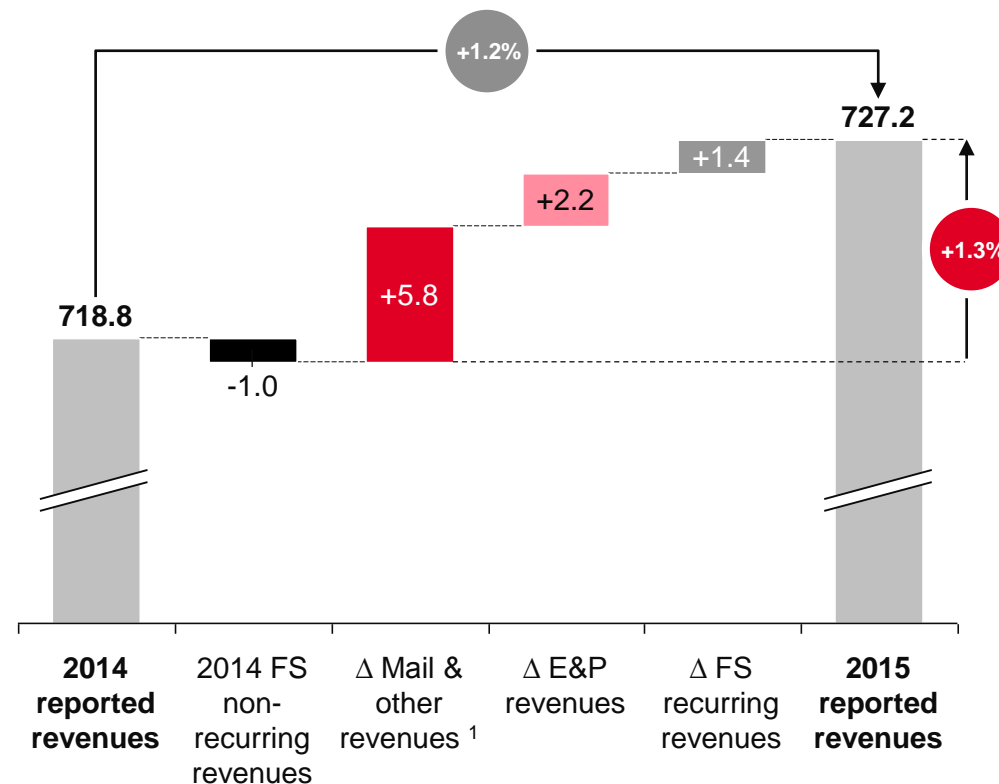
€ million; % change vs. prior year; % of total



X% % of total

## Revenues breakdown

€ million



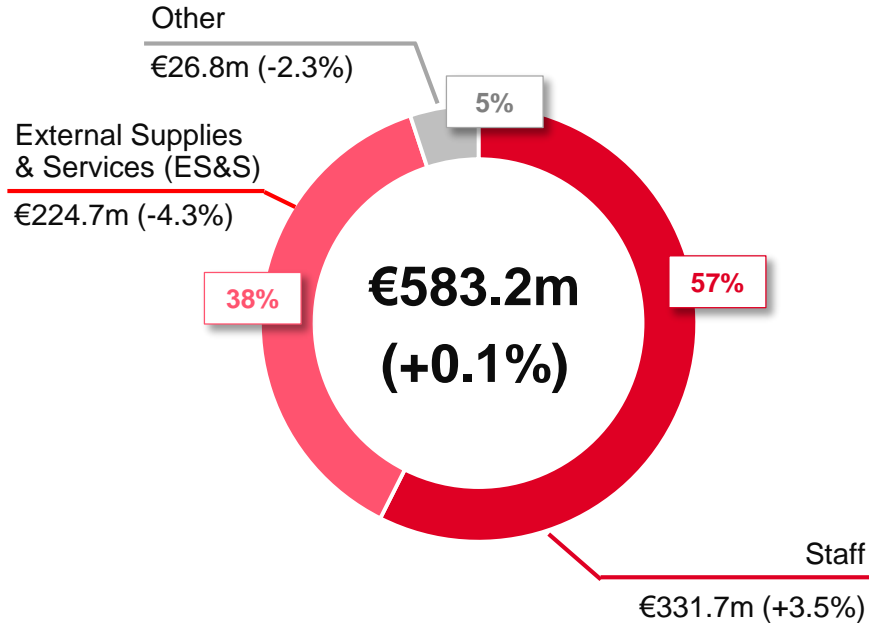
- **Mail positively impacted by lower than expected addressed mail volumes decline, growth in advertising mail and other revenues, and revenues from Express & Parcels network integration (+€2.8m)**
- **E&P benefits from volumes growth in Portugal and Mozambique and growth in other revenues**
- **FS supported by growth in savings & insurance revenues (+€2.4m), outstanding stock fees and other revenues**

<sup>1</sup> Including income related to CTT Central Structure and Intragroup Eliminations amounting to -€31.3m in 2014 and -€34.0m in 2015.

# Recurring costs remain flat despite recurring variable remuneration and Banco CTT project

## 2015 recurring operating costs <sup>1</sup>

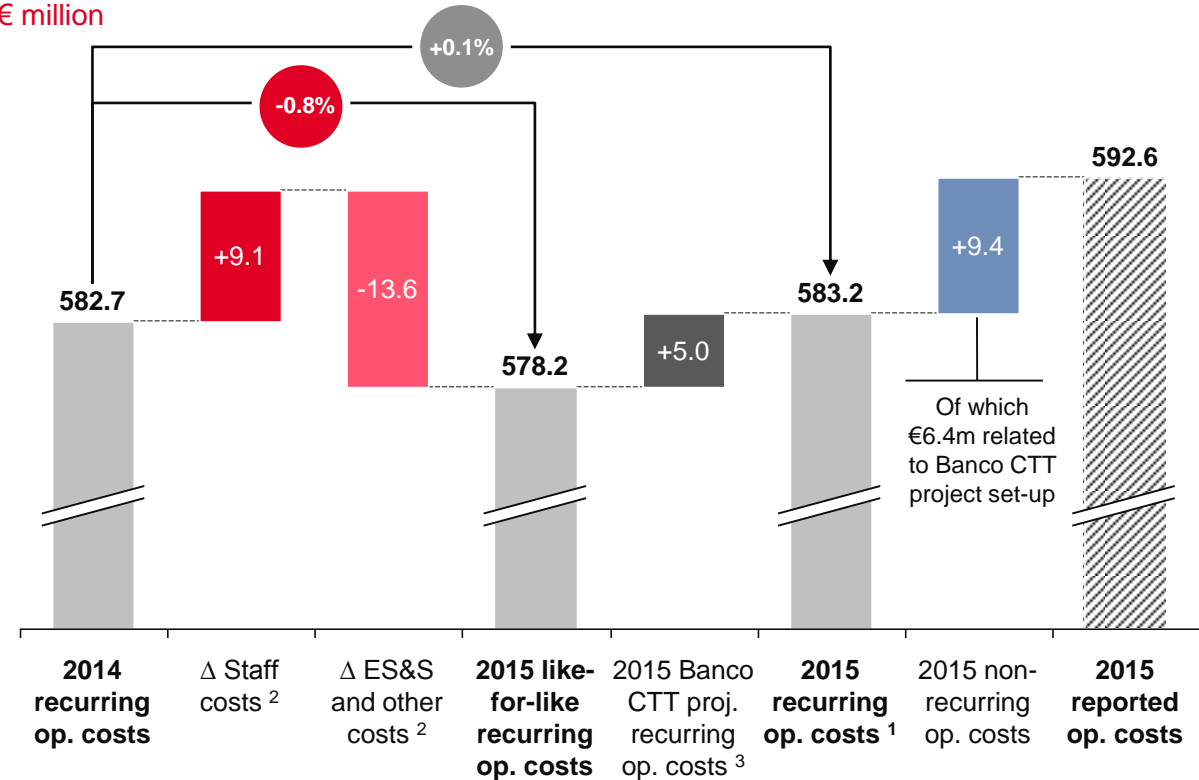
€ million; % change vs. prior year; % of total



X% % of total

## Operating costs breakdown

€ million



- **Staff costs increase** mainly due to the reintroduction of the variable remuneration as a recurring cost (+€9.7m) and the increase in the fixed salaries (+€3.9m), partly offset by lower healthcare costs (-€3.9m) as a result of the revision of the healthcare plan
- **ES&S costs decrease** mainly due to lower outsourcing costs as a result of the revised IT and communication services contracts (-€14.7m) and also the partial impact of Mail and E&P networks integration

<sup>1</sup> Excluding amortisation, depreciation, provisions, impairment losses and non-recurring costs affecting EBITDA of -€59.5m in 2014 and €9.4m in 2015, €6.4m of the latter related to Banco CTT project set-up costs.

<sup>2</sup> Excluding Banco CTT project recurring op. costs: €5.0m in 2015 (€4.7m booked in the Banco CTT business unit and €0.4m in the FS business unit), of which €2.3m staff costs and €2.8m ES&S costs and other costs.

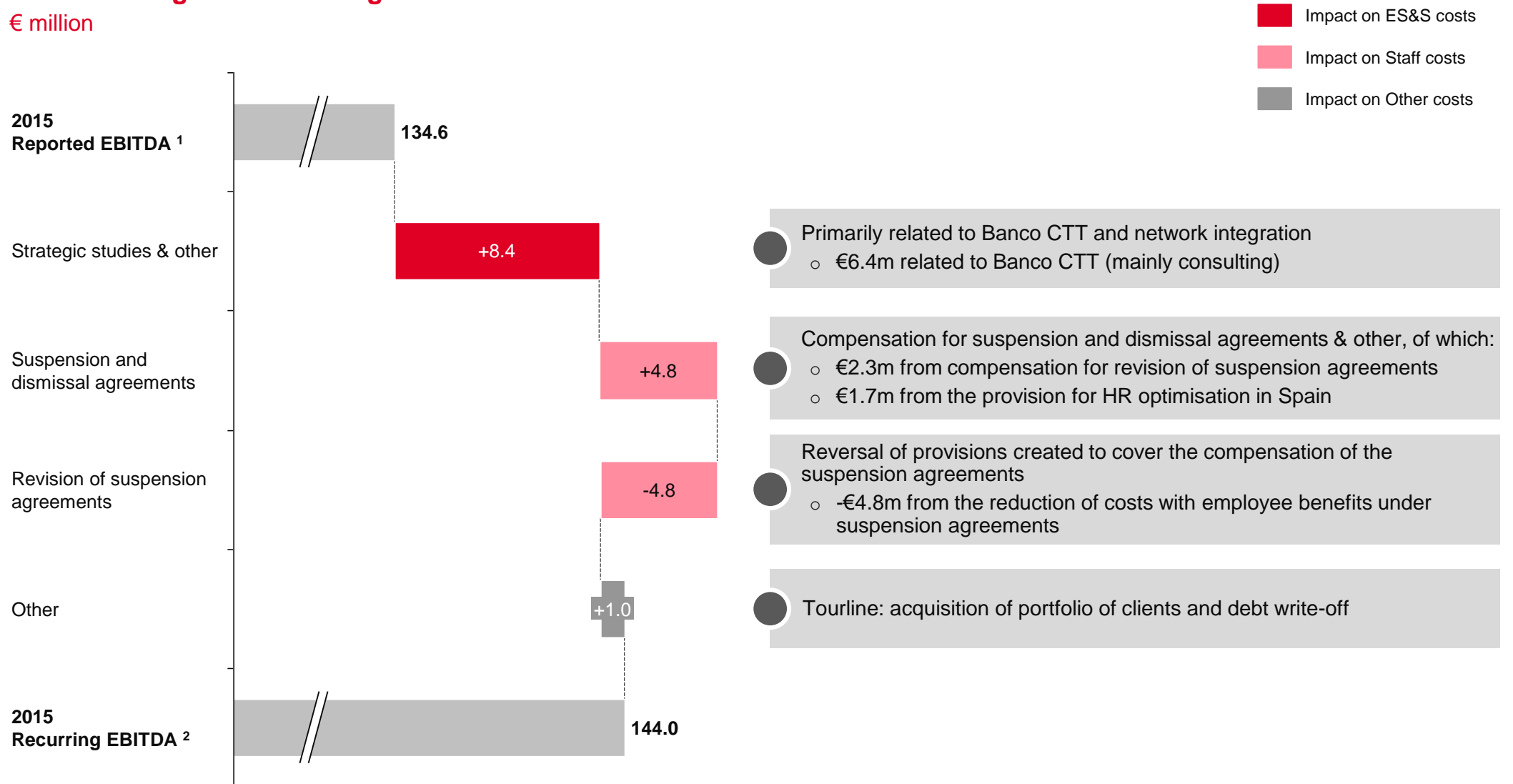
<sup>3</sup> Booked in the Banco CTT business unit (€4.7m) and in the Financial Services business unit (€0.4m).



# The majority of the 2015 non-recurring costs are associated with the Banco CTT set-up

## Non-recurring items affecting EBITDA

€ million



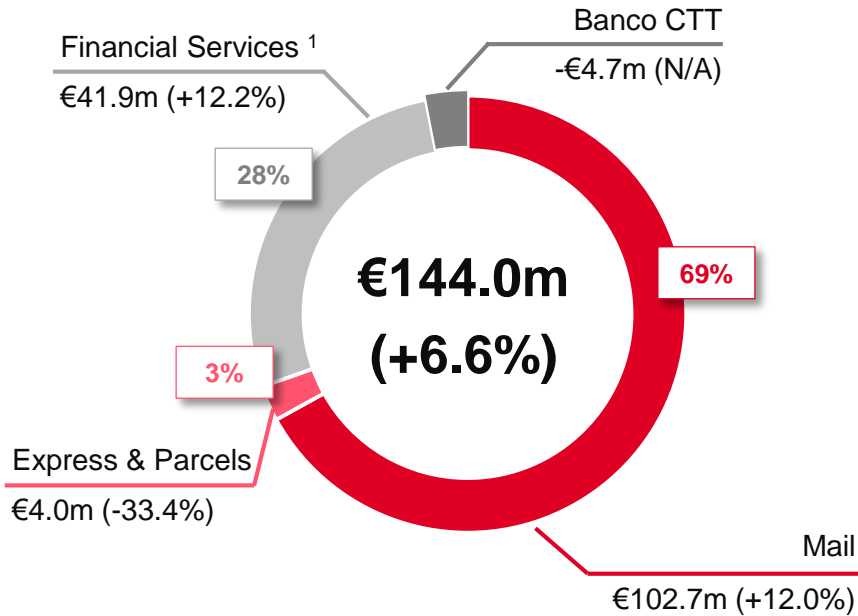
<sup>1</sup> Excluding amortisation, depreciation, provisions and impairment losses.

<sup>2</sup> Excluding amortisation, depreciation, provisions, impairment losses & non-recurring costs.

# Recurring EBITDA grows by 6.6% to €144.0m, driven mainly by efficiency projects

## 2015 recurring EBITDA

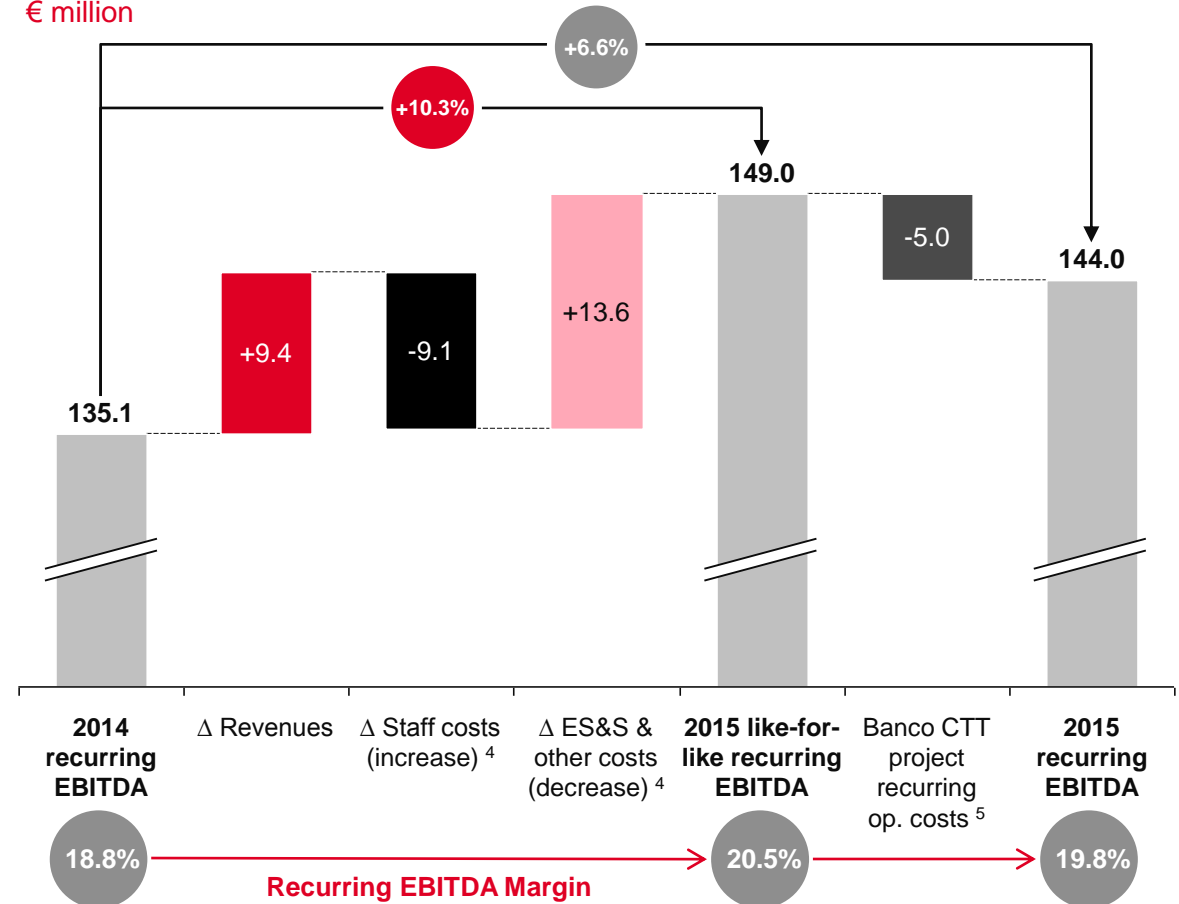
€ million; % change vs. prior year; % of total



X% % of total <sup>2</sup>

## Recurring EBITDA <sup>3</sup> breakdown

€ million



## Recurring EBITDA grows by 10.3% on a like-for-like basis

<sup>1</sup> Including €0.4m Banco CTT project recurring operating costs booked in the Financial Services business unit.

<sup>2</sup> Excluding -€4.7m Banco CTT recurring EBITDA.

<sup>3</sup> Excluding total non-recurring revenues of €1.0m in 2014 and non-recurring operating costs affecting EBITDA of -€59.5m in 2014 and €9.4m in 2015, €6.4m of the latter related to Banco CTT project set-up costs.

<sup>4</sup> Excluding Banco CTT project recurring op. costs: €5.0m in 2015 (€4.7m booked in the Banco CTT business unit and €0.4m in the FS business unit), of which €2.3m staff costs and €2.8m ES&S costs and other costs.

<sup>5</sup> Booked in the Banco CTT business unit (€4.7m) and in the Financial Services business unit (€0.4m).

## Cash flow generation supports higher capex and dividend payments

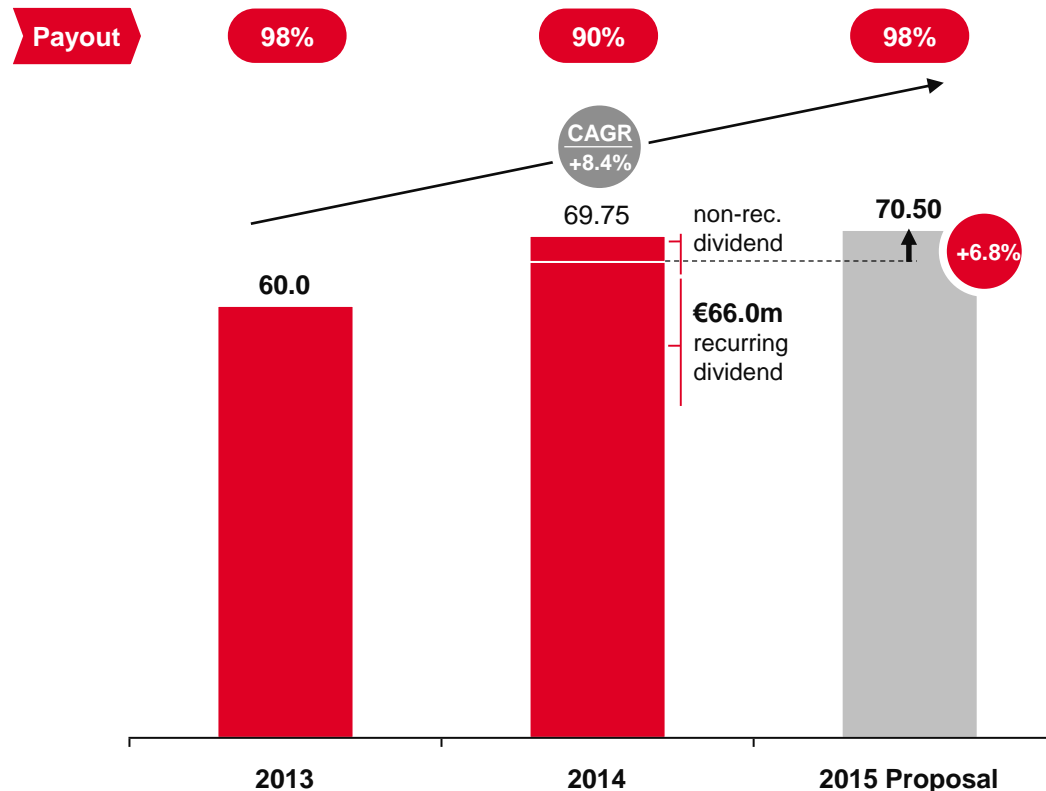
### Cash flow

€ million

	Reported		Adjusted <sup>1</sup>	
	2015	Δ %	2015	Δ%
<b>From operating activities</b>	<b>32.8</b>	<b>-82%</b>	<b>93.9</b>	<b>-7%</b>
<b>From investing activities</b>	<b>-25.5</b>	<b>-577%</b>	<b>-25.5</b>	<b>-577%</b>
Of which: Capex payments <sup>2</sup>	-28.4	-277%	-28.4	-277%
<b>Operating free cash flow</b>	<b>7.3</b>	<b>-96%</b>	<b>68.3</b>	<b>-36%</b>
<b>From financing activities</b>	<b>-68.2</b>	<b>-7%</b>	<b>-68.2</b>	<b>-7%</b>
Of which: Dividends	-69.8	-16%	-69.8	-16%
<b>Net change in cash <sup>3</sup></b>	<b>-60.9</b>	<b>-151%</b>	<b>0.1</b>	<b>-100%</b>
<b>Cash at end of period</b>	<b>603.6</b>	<b>-9%</b>	<b>279.0</b>	<b>0%</b>

### Dividend

€ million



**Dividend not affected by Banco CTT launch, as committed**

**The Board will propose a dividend of €70.5m (€0.47 per share), a 6.8% increase vs. the prior year recurring dividend base**

<sup>1</sup> Cash flow from operating activities excluding increase in Net Financial Services payables of €77.6m (2014) and decrease of €61.0m (2015). Cash at end of period excluding Net Financial Services payables of €385.7m (2014) and €324.7m (2015).

<sup>2</sup> Capex payments presented in table. 2015 capex was €32.3m, 95% above that of 2014 (€16.6m).

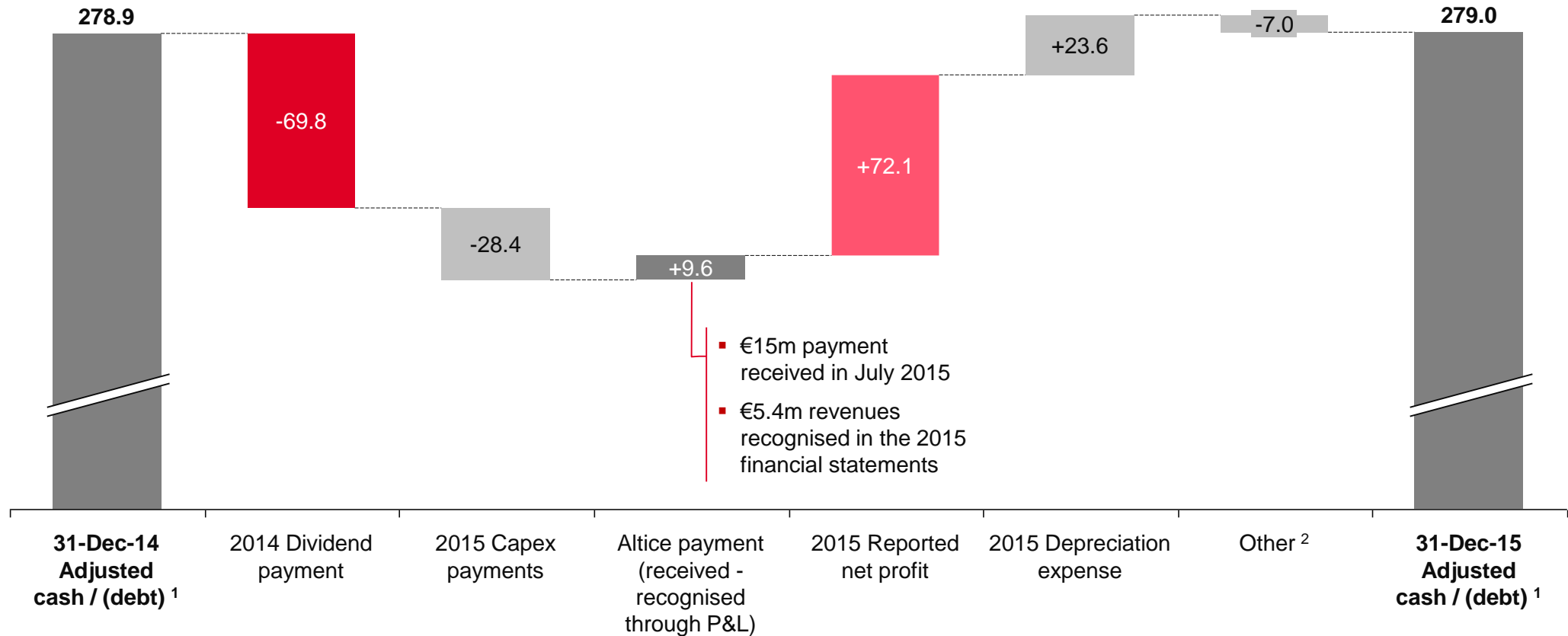
<sup>3</sup> Including -€0.7m change in consolidation perimeter in 2014.



## Strong cash position maintained in a year of high investment

### Adjusted cash at the end of the period <sup>1</sup>

€ million



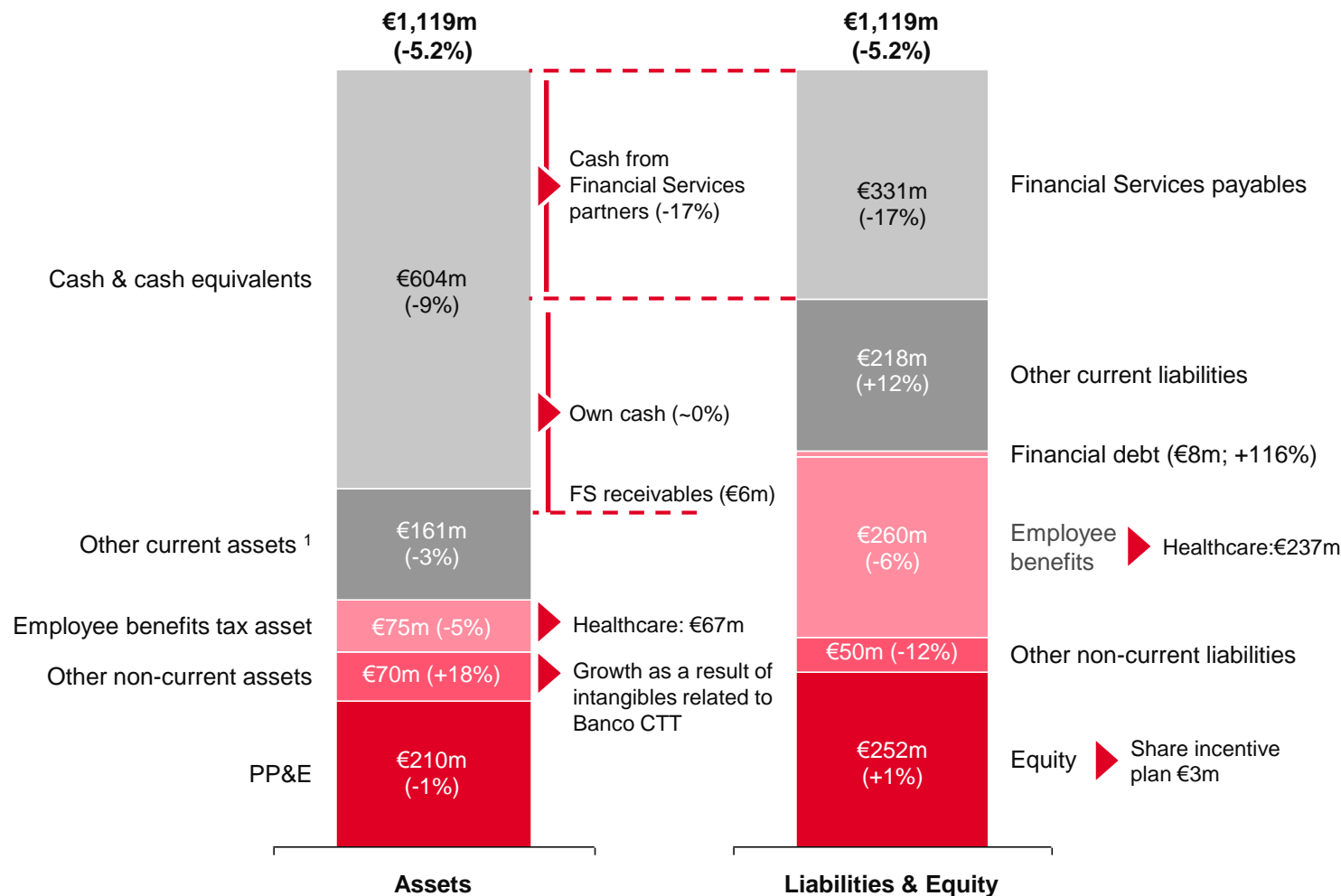
**High cash flow generation enables CTT to keep its strong cash position stable in a year of relevant investment in preparation of the launch of Banco CTT**

<sup>1</sup> Cash and cash equivalents excluding net Financial Services payables of €385.7m (Dec-14) and €324.7m (Dec-15).

<sup>2</sup> Includes €5.3m of P&L tax benefits (VAT) to be recovered in 2016.

**Balance Sheet – December 2015**

€ million; % change vs. Dec-14



Net financial debt (cash)	
+ ST&LT Debt:	€8m
+ Net FS payables:	€325m
- Cash and cash equivalents:	€604m
<b>=</b>	<b>€(271)m</b>

Net debt (cash)	
+ Employee benefits:	€260m
+ Share incentive plan :	€3m
- Employee benefits tax asset:	€75m
- Net financial cash:	€271m
<b>=</b>	<b>€(83)m</b>

**Strong liquidity position = 133%**

**Balance sheet optimisation initiatives to continue**

<sup>1</sup> Including Financial Services receivables of €12.4m and €6.4m as at Dec-14 and Dec-15, respectively.

01. FY15 key highlights

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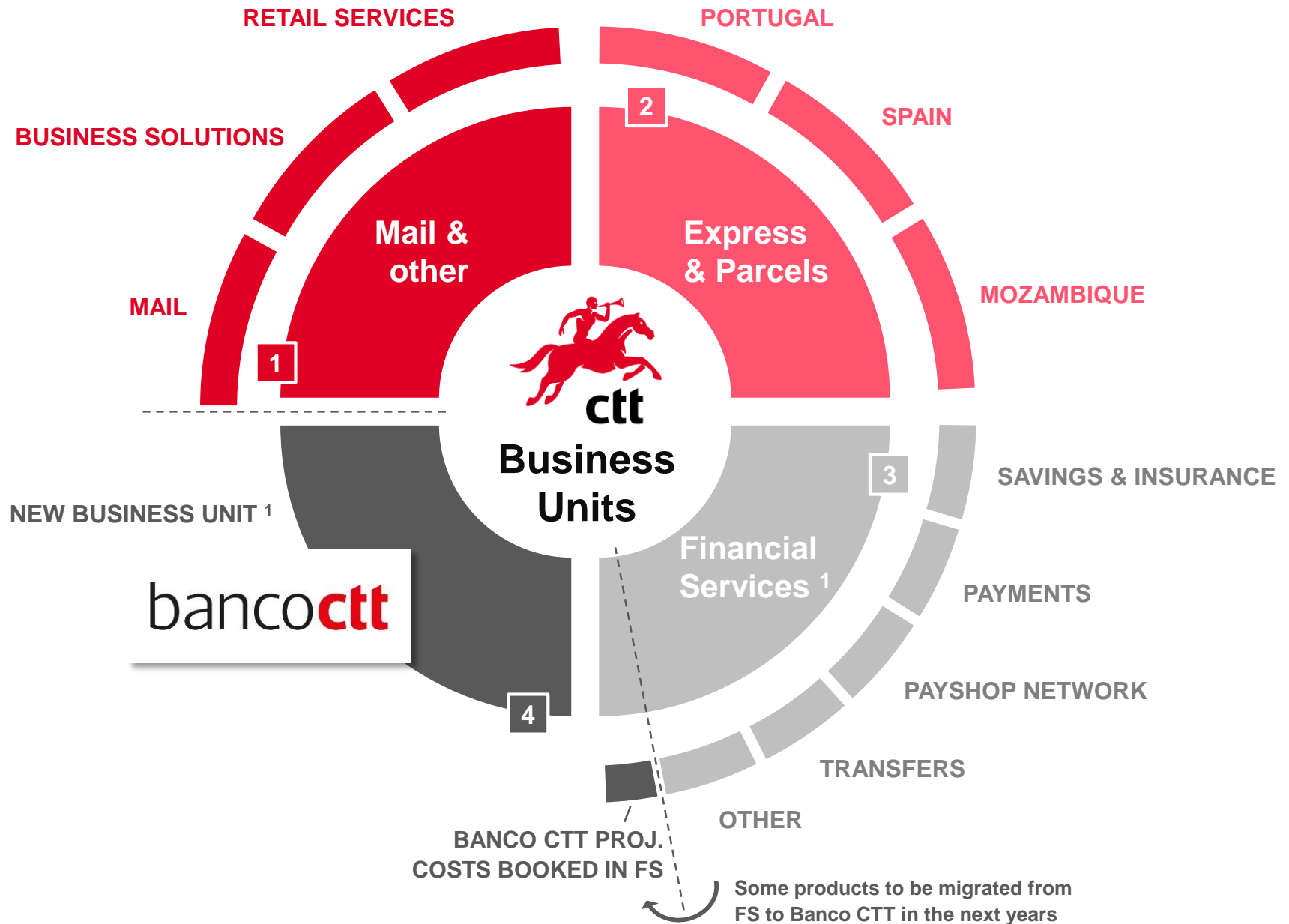
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## New business unit created – Banco CTT

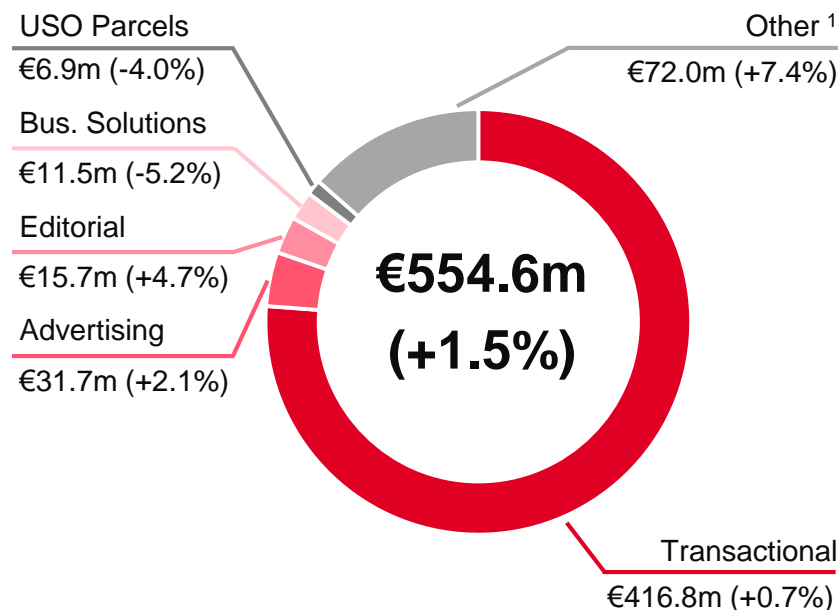


<sup>1</sup> Banco CTT costs in 2015 are booked partly in the new Banco CTT business unit and partly in the Financial Service business unit.

# 1 Mail benefits from lower volumes decline and growth in advertising & other revenues

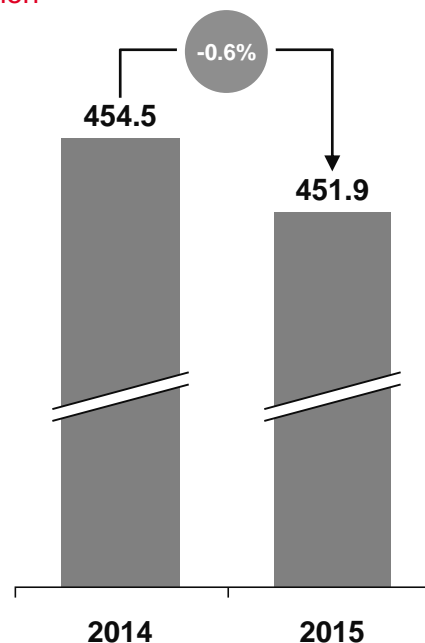
## 2015 Mail revenues by type

€ million, % change vs. prior year



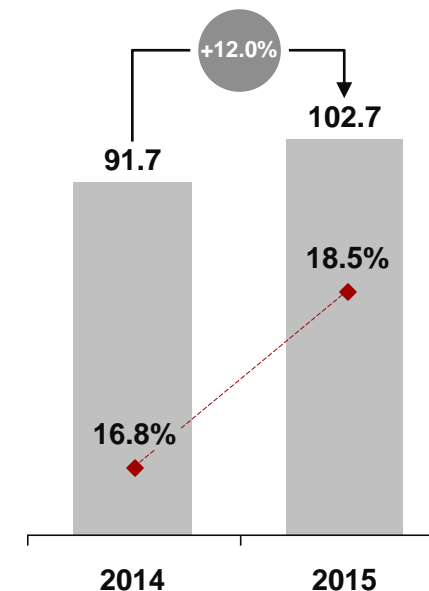
## Recurring operating costs<sup>2</sup>

€ million



## Recurring EBITDA<sup>2</sup>

€ million



■ Operating costs

◆ EBITDA Margin ■ EBITDA

## Mail volumes by type

Metric	Avg. mail prices <sup>4</sup>	Addressed mail	Transactional	Advertising	Editorial	Unaddressed mail
2015 volumes <sup>3</sup>	N/A	814.7	688.3	80.2	46.2	473.4
2015 vs. 2014	+4.1%	-3.2%	-4.1%	+6.0%	-2.9%	-6.7%

<sup>1</sup> Including +€2.8m of revenues that result from the network integration with CTT Expresso, +€1.8m from the MoU with Altice and +€3.6m from the improvements made in the VAT deduction methodology procedures in 2015.

<sup>2</sup> Excluding amortisation, depreciation, provisions, impairment losses & non-recurring costs. Including variable remuneration as recurring operating cost in 2015.

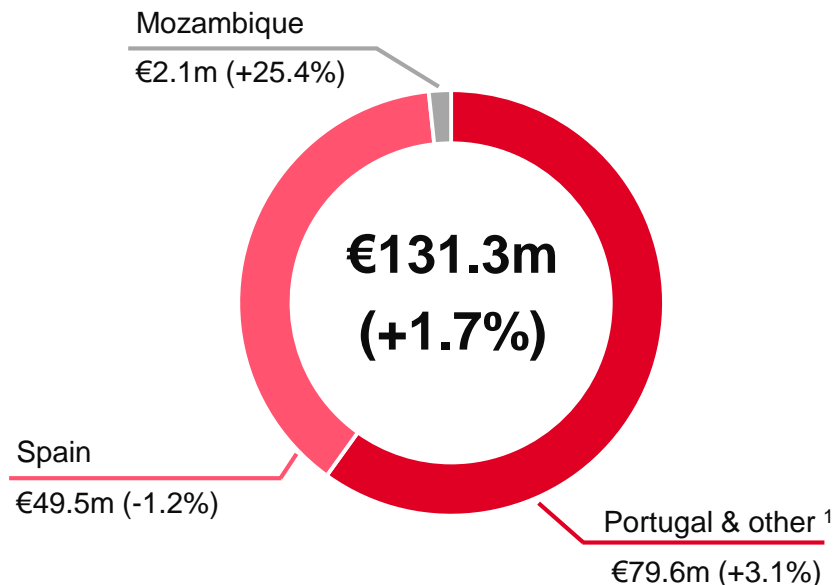
<sup>3</sup> Million items.

<sup>4</sup> USO, excluding international inbound mail.

## 2 Tourline restructuring overshadows the double-digit profitability in Portugal

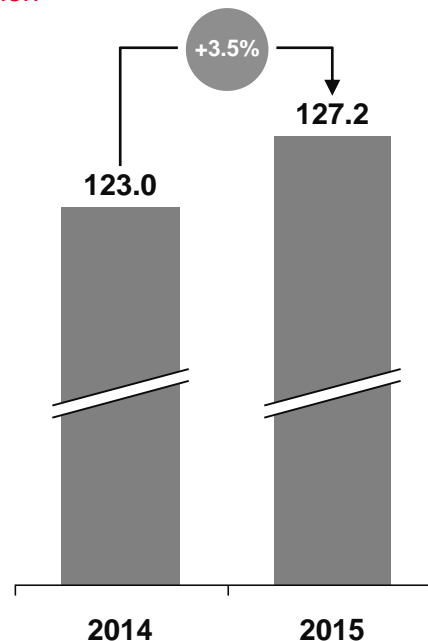
### 2015 E&P revenues by region

€ million, % change vs. prior year



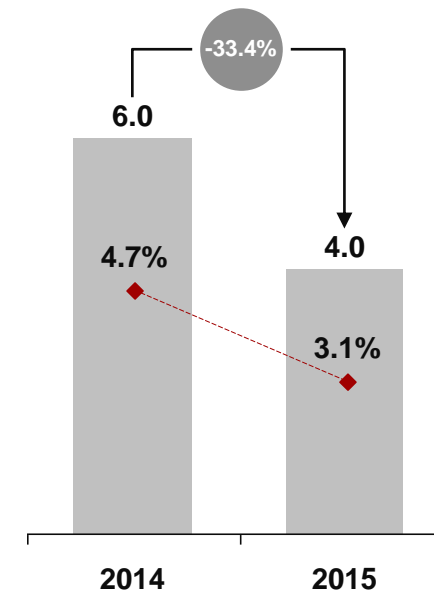
### Recurring operating costs<sup>2</sup>

€ million



### Recurring EBITDA<sup>2</sup>

€ million



■ Operating costs

◆ EBITDA Margin ■ EBITDA

### E&P volumes by region

Metric	Total	Portugal	Spain	Mozambique
2015 volumes <sup>3</sup>	28.5	14.4	14.0	0.1
2015 vs. 2014	+3.2%	+4.8%	+2.3%	N/A <sup>4</sup>

<sup>1</sup> Including internal and other revenues, and internal transactions with Spain and Mozambique. Including +€1.8m from the MoU with Altice in 2015.

<sup>2</sup> Excluding amortisation, depreciation, provisions, impairment losses & non-recurring costs. Including variable remuneration as recurring cost in 2015.

<sup>3</sup> Million items.

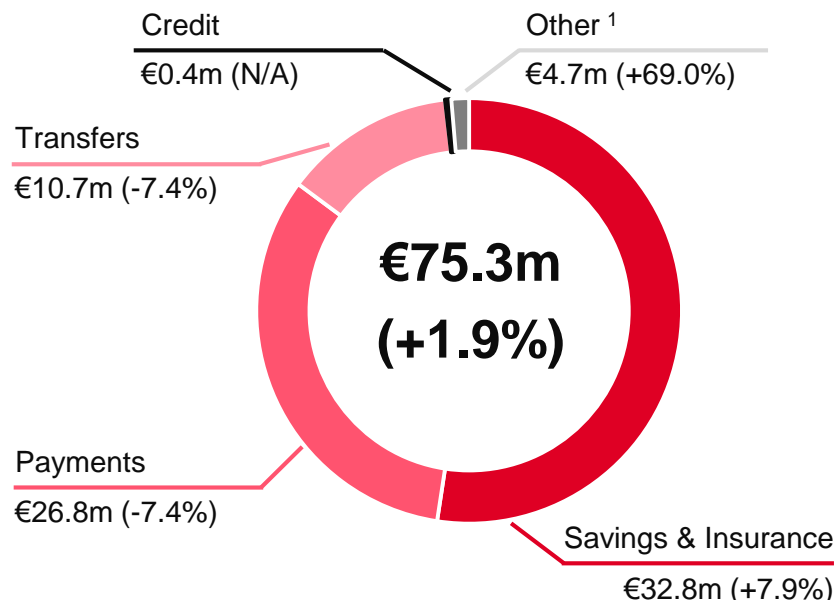
<sup>4</sup> Change in methodology, comparison to 2014 not meaningful.



### 3 Financial Services benefits from growth in revenues and lower sales incentives

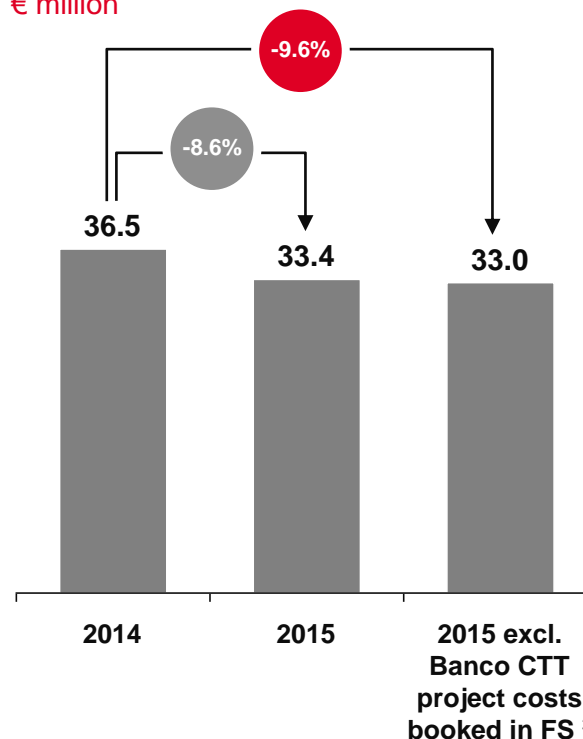
#### 2015 FS recurring revenues by type

€ million, % change vs. prior year



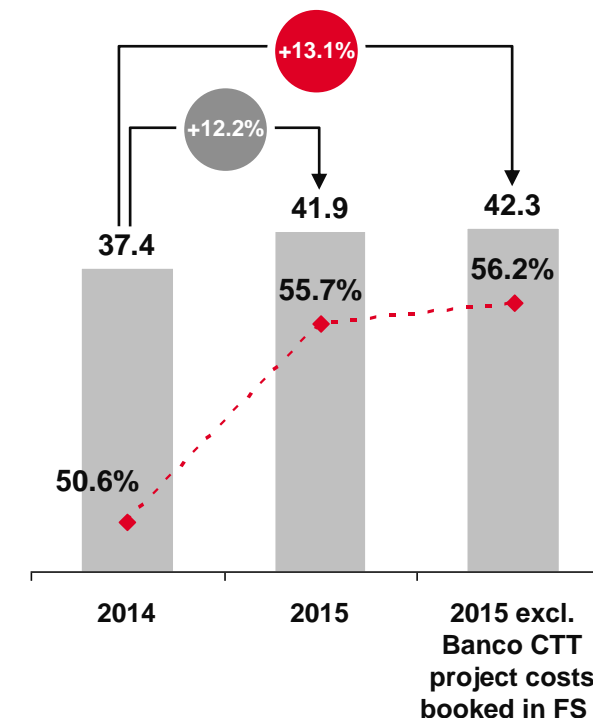
#### Recurring operating costs<sup>2</sup>

€ million



#### Recurring EBITDA<sup>2</sup>

€ million



#### FS volumes by type

Metric	Savings flows / # of ops. <sup>4</sup>	Payments <sup>5</sup>	Money orders & transfers <sup>5</sup>	Credit <sup>6</sup>
2015 volumes	5.3 / 536.3	61.5	19.4	8.3
2015 vs. 2014	-20.5% / -7.5%	-8.2%	-1.4%	N/A

<sup>1</sup> Includes +€1.8m from the MoU with Altice and +€1.8m from the improvements made in the VAT deduction methodology procedures in 2015.

<sup>2</sup> Excluding amortisation, depreciation, provisions, impairment losses & non-recurring costs. Including variable remuneration as recurring cost in 2015.

<sup>3</sup> €0.4m Banco CTT project op. costs booked in the Financial Services CTT business unit (the remaining €4.7m Banco CTT project recurring operating costs are booked in Banco CTT business unit).

<sup>4</sup> Amount of savings & insurance products placements and redemptions (€ billion) – €4.3bn of placements and €1.0bn of redemptions in 2015 / # of savings & insurance products placements and redemptions ops. (million).

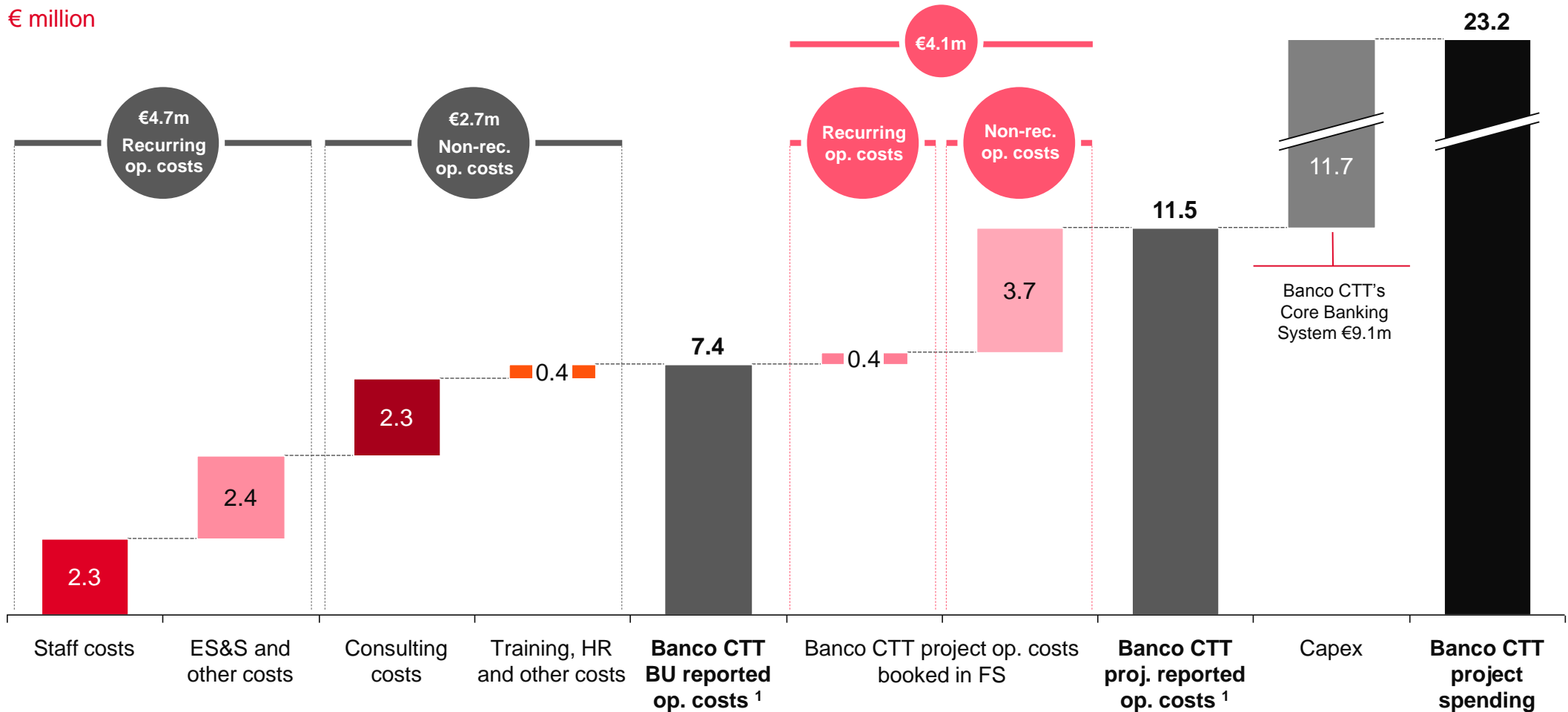
<sup>5</sup> Million operations.

<sup>6</sup> € million, new credit production, including consumer credit & credit cards.

## 4 Banco CTT project spending remained within the €30m target

### 2015 Banco CTT project operating costs <sup>1</sup> and spending

€ million



Due to soft opening in 2015, the kick-off media campaign will occur in 2016  
Opening on 18 March

<sup>1</sup> Excluding amortisation, depreciation, provisions and impairment losses.

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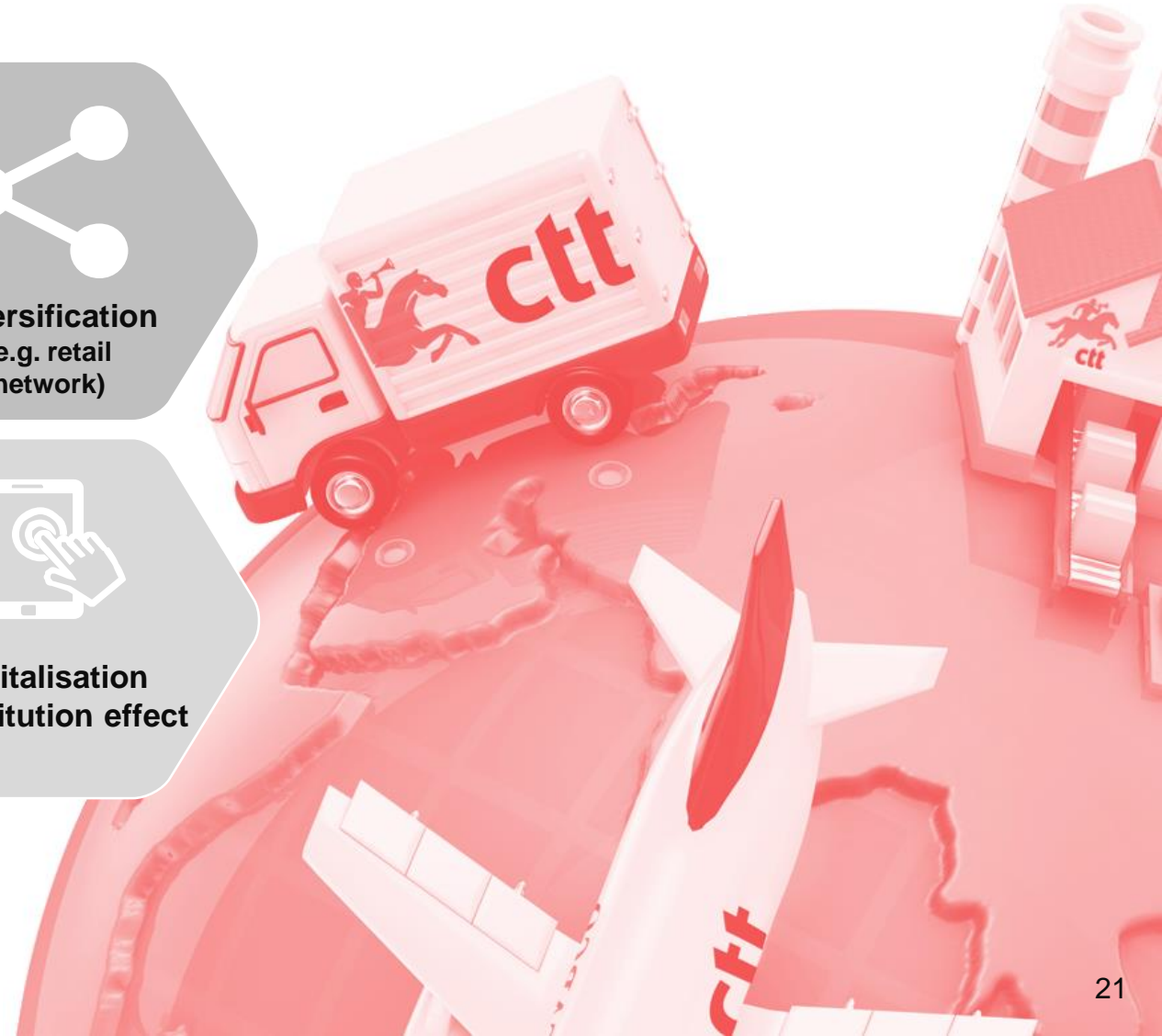
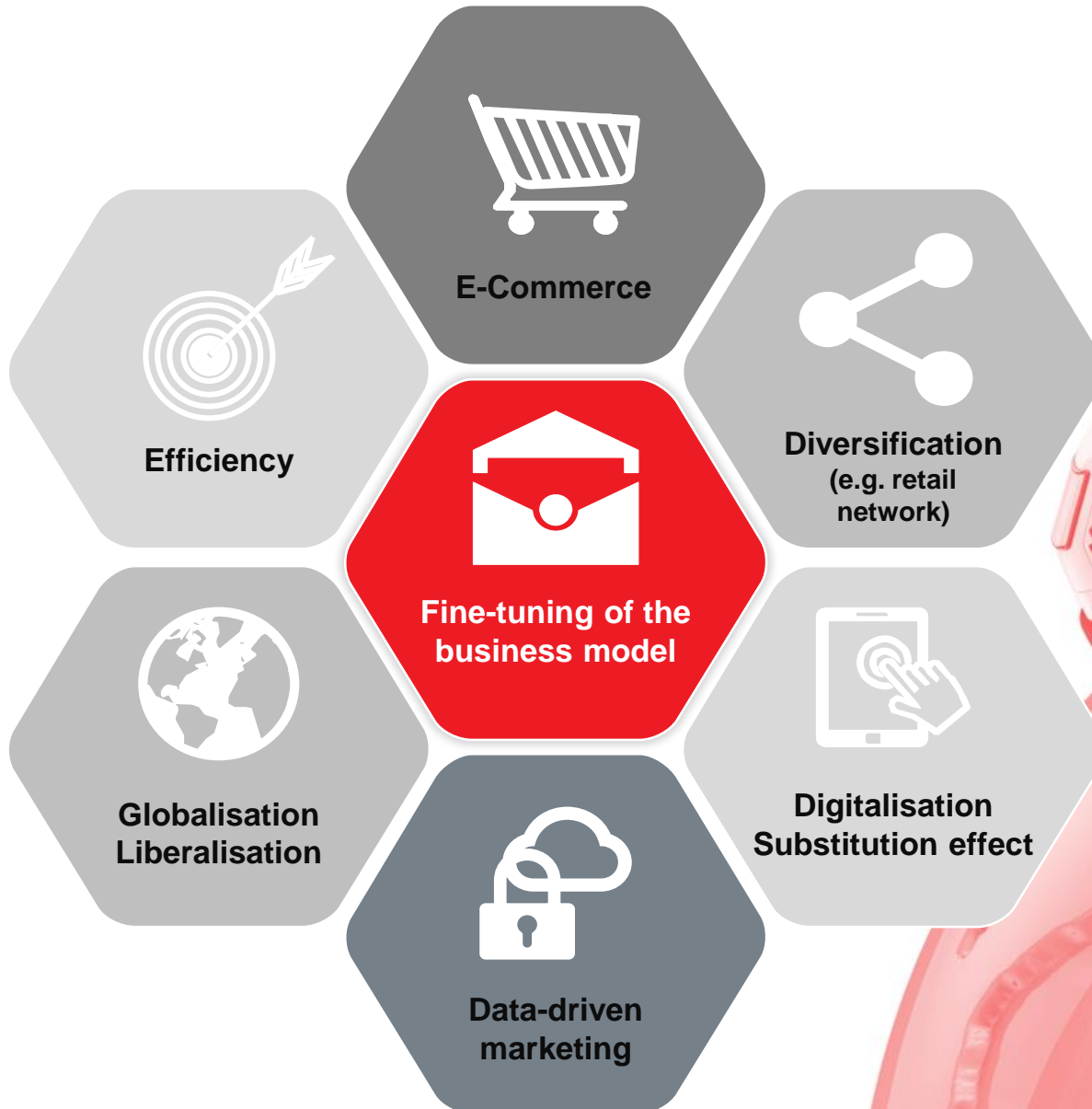
04. Banco CTT

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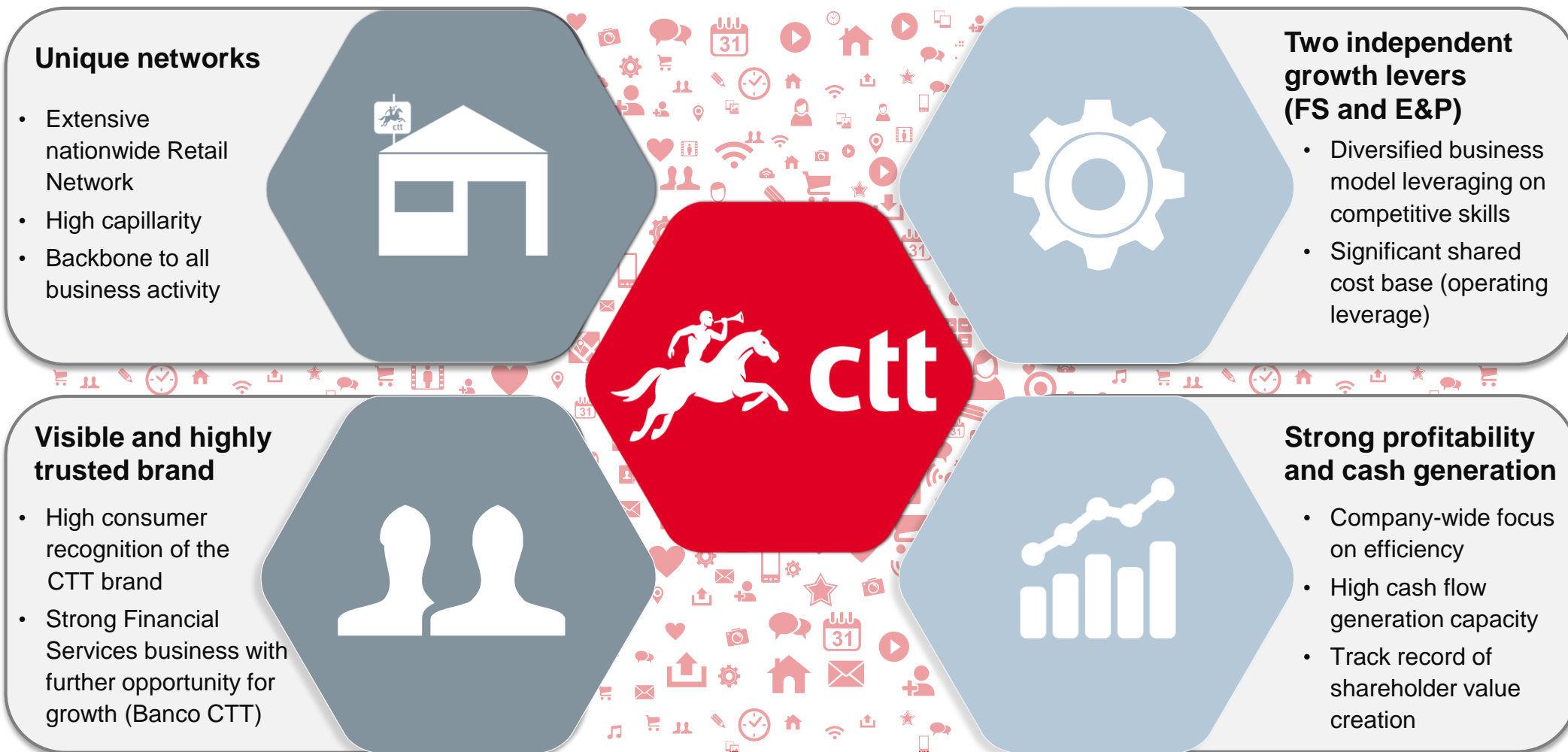




# The industry transformation trends are expected to continue to impact CTT in 2016



## CTT presents a distinctive and attractive equity story



**Established and sustainable business model**



PRESERVE THE VALUE OF THE MAIL BUSINESS



CAPTURE THE GROWTH TREND IN PARCELS



LAUNCHING BANCO CTT TO ACCELERATE GROWTH IN FINANCIAL SERVICES



LEVERAGE ON NETWORKS  
CAPITALISE ON OUR ASSETS



RETAIL NETWORK



DISTRIBUTION NETWORK



HUMAN CAPITAL



FINANCIAL STRENGTH



PHYSICAL PROXIMITY



OPERATIONAL EFFICIENCY

## Capital Markets Day guidance reaffirmed

### Revenues & volumes



- **Growth in revenues**, supported by Banco CTT launch:
  - **Decline in addressed mail volumes [-3% / -5%]**, dependent of the growth of GDP
  - **Banco CTT 2016 focus to be on customer acquisitions** (account openings)
  - **Banco CTT launch with marginal incremental revenues in 2016** to support growth

### Operating costs



- **Recurring costs (excluding Banco CTT) to reduce:**
  - **Full benefit of network integration and optimisation, new IT infrastructure and HR initiatives**
  - **Additional efficiency measures under development**
- **Operating costs to be impacted by Banco CTT** (~€20m recurring costs and ~€8m non-rec. costs)

### Earnings & dividend



- **Recurring EBITDA (excluding Banco CTT) to grow by mid-single digits**, positively impacted by optimisation measures implemented
- **Stable growth of dividend** supported by strong cash flow generation linked to Balance Sheet optimisation measures
- **Capex of ~€40m, ~€20m of which related to Banco CTT**



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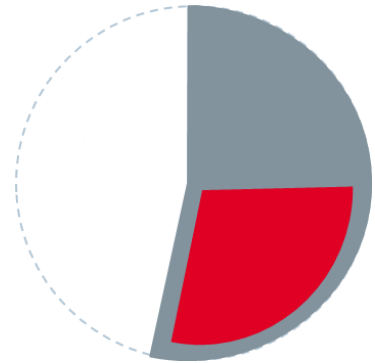
05. 2020 business ambition





# Success of Banco CTT – “no-frills” concept

## Market research – Banco CTT acceptance



“Do you consider the offer interesting?”

**53% Yes**

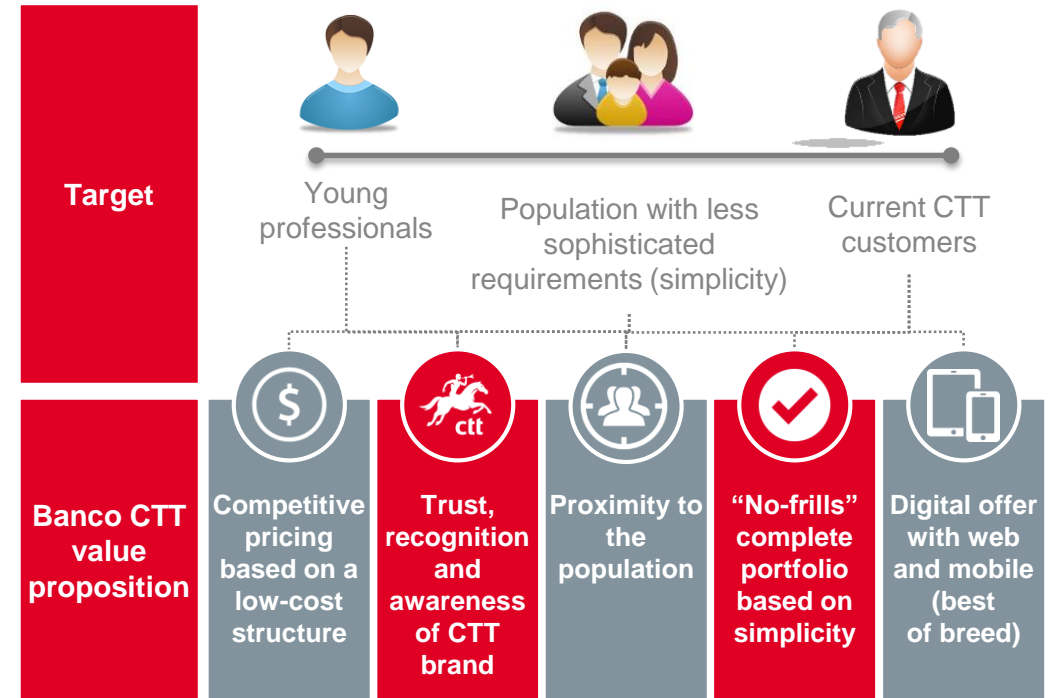
“Would you be willing to subscribe to this offer in CTT?”

**26% Yes**

Main factors considered when choosing a bank



## Banco CTT target and value proposition










## Delta vs. average (Percentage points)

Relation with CTT	By age group	By region	By social class
Do not use      CTT Clients <sup>1</sup>	18-34      35-54      55-74	Urban      Rural	High      Medium      Low

<sup>1</sup> 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 will replicate the success factors common to postal banking players

	Many postal banks have common characteristics along key dimensions...	... which are also being replicated by Banco CTT
<b>Main value proposition</b> 	<b>1</b> Value proposition structured around four key principles: <b>proximity, simplicity, transparency</b> and <b>value for money</b>	Value proposition structured around four key principles: <b>proximity, simplicity, transparency</b> and <b>value for money</b>
<b>Customer base</b> 	<b>2</b> <b>Large and homogeneous potential customer base</b> coming from postal operator's daily activities, with a bias towards the <b>mass market</b>	Main target of Banco CTT is the <b>retail market</b> , with a <b>bias towards the mass market</b>
<b>Product strategy</b> 	<b>3</b> <b>Simple / more transactional core product range</b> <sup>1</sup> including current and savings accounts (most successful players expanded their offering at a later stage, e.g. loans, SME segment) <ul style="list-style-type: none"> <li>▪ <b>Hook product</b> to attract customers</li> </ul>	<b>SME</b> segment to be <b>potentially addressed in the long run</b>  <b>Hook product</b> to attract customers
<b>Network and distribution model</b> 	<b>4</b> Strong leverage of the <b>postal operator's retail infrastructure</b> by the banking player	<b>Up to 603 CTT post offices</b> <sup>2</sup> with fast ramp-up (positioning itself as one of the largest banking networks in Portugal)
<b>Ownership model</b> 	<b>5</b> <b>Close control</b> of postal banks by the postal operator, with selected partnerships for certain financial products / services (from fully owned to JVs)	<b>CTT as the sole shareholder of Banco CTT</b>
<b>Return</b> 	<b>6</b> <b>Strong profitability</b> , leveraging on existing infrastructures (physical and human) and low-cost operations	Banco CTT expected to reach <b>break-even in the 3rd year</b> (before shared costs with CTT)
<b>Balance Sheet structure</b> 	<b>7</b> Postal banks with <b>low Loan-to-deposit ratios</b> <sup>3</sup> , denoting a lower risk appetite	Target Loan-to-deposit ratio of Banco CTT <b>circa 50%</b>

<sup>1</sup> Along the life of postal banks, product offering is enlarged to more value added services; <sup>2</sup> The 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); <sup>3</sup> Calculated as total customers' credits over total customers' deposits.

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

## Operational delivery model <sup>1</sup>

83

Post offices with Banco CTT dedicated space



250

Post offices with Banco CTT dedicated counter

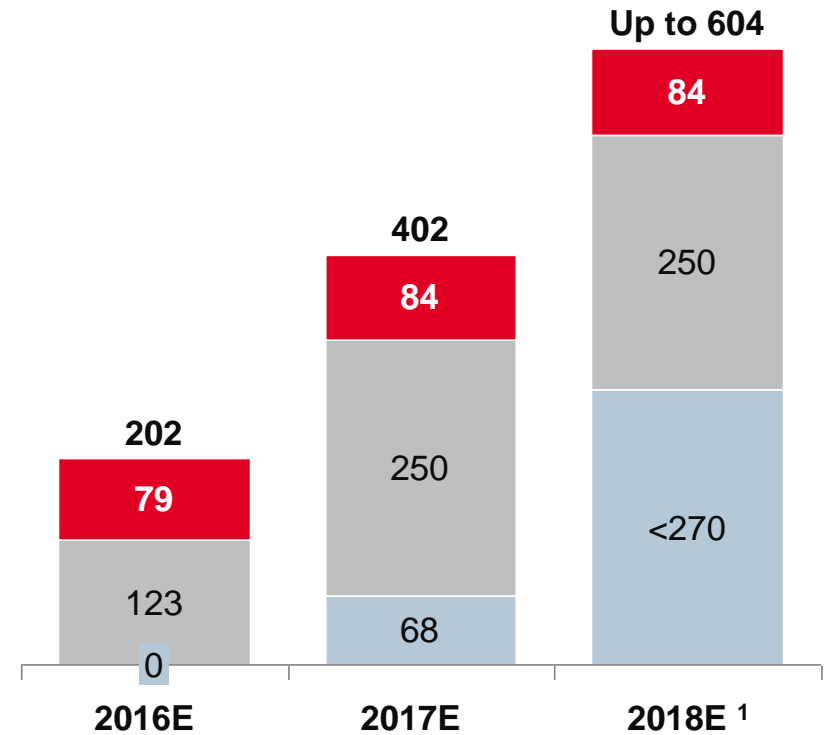


Up to 270

Post offices with multi-functional counters



## Roll-out



■ Dedicated space 
 ■ Dedicated counter 
 ■ Multifunctional counters

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

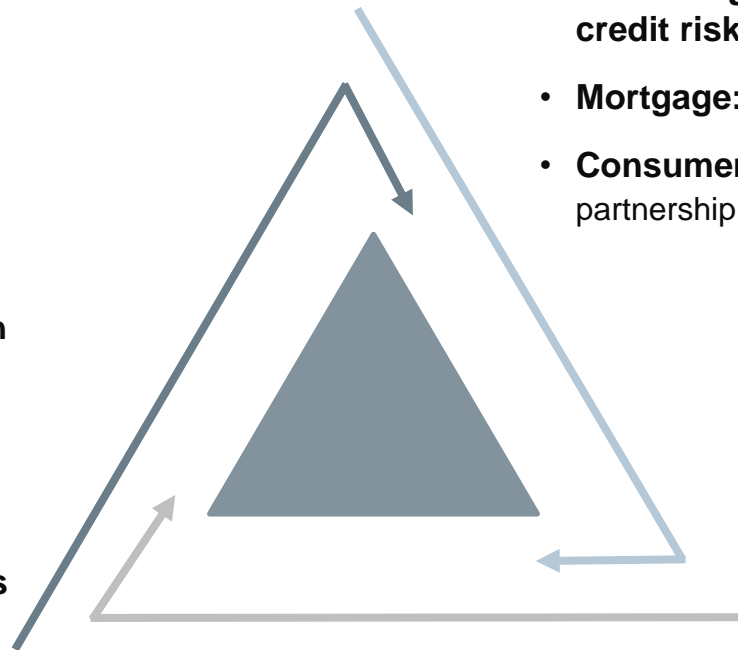
## A clear product strategy guides this offering

### 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

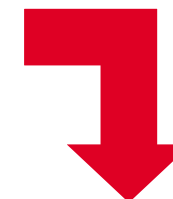
# Banco CTT's offer reflects the company's principles of simplicity and value for money

## Banco CTT's offer

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

More competitive positioning than market average

Positioning aligned with the market



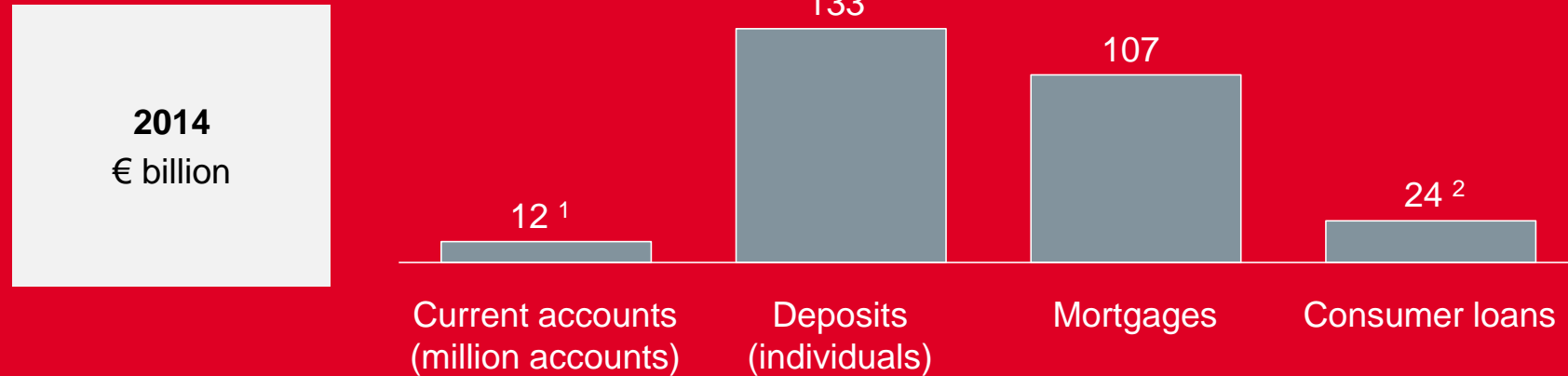
**Product offer and commercial strategy coordinated with CTT Financial Services**

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

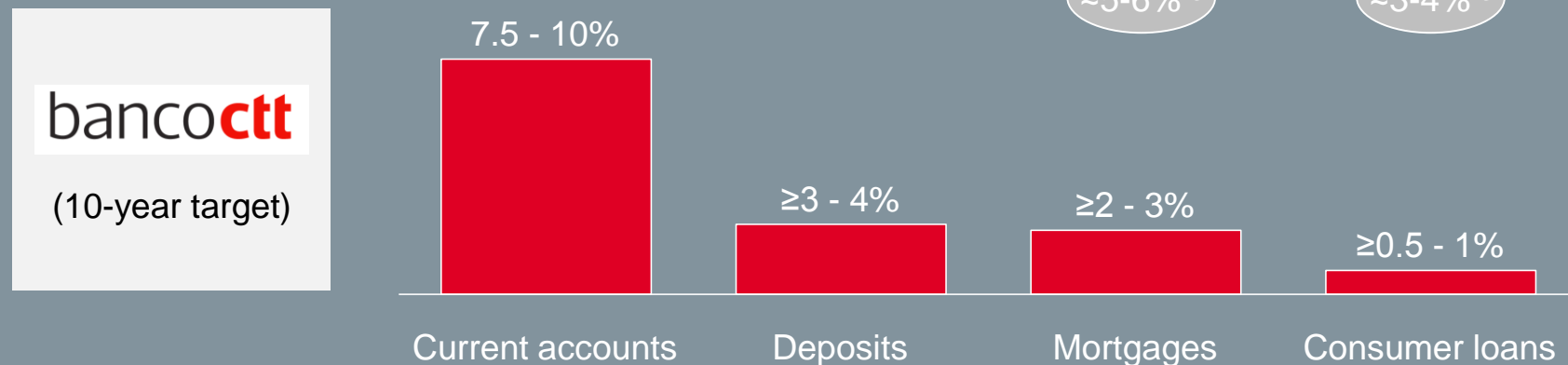


## Banco CTT is expected to have a higher market share in accounts than in deposits

### OVERALL MARKET



### MARKET SHARE TARGETS



● New production

<sup>1</sup> Excluding estimated 1 million enterprise accounts from "Associação Portuguesa de Bancos" (APB – Portuguese Banking Association) reported figure 12.6 million active accounts in 2014;

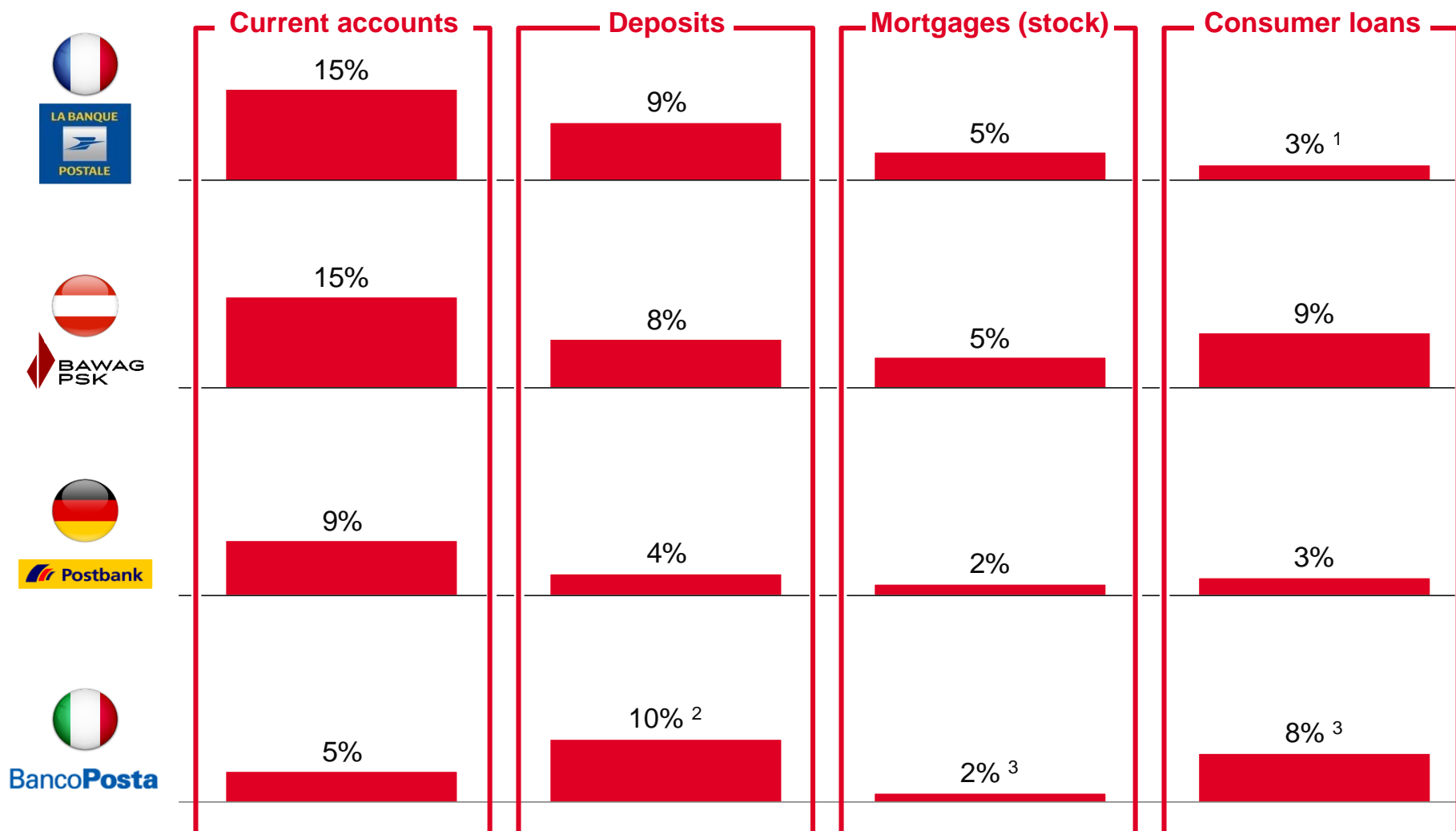
<sup>2</sup> Including consumer and other loans; <sup>3</sup> Market share estimates based on the assumption that in the long run the credit market will progressively recover to historical levels.

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

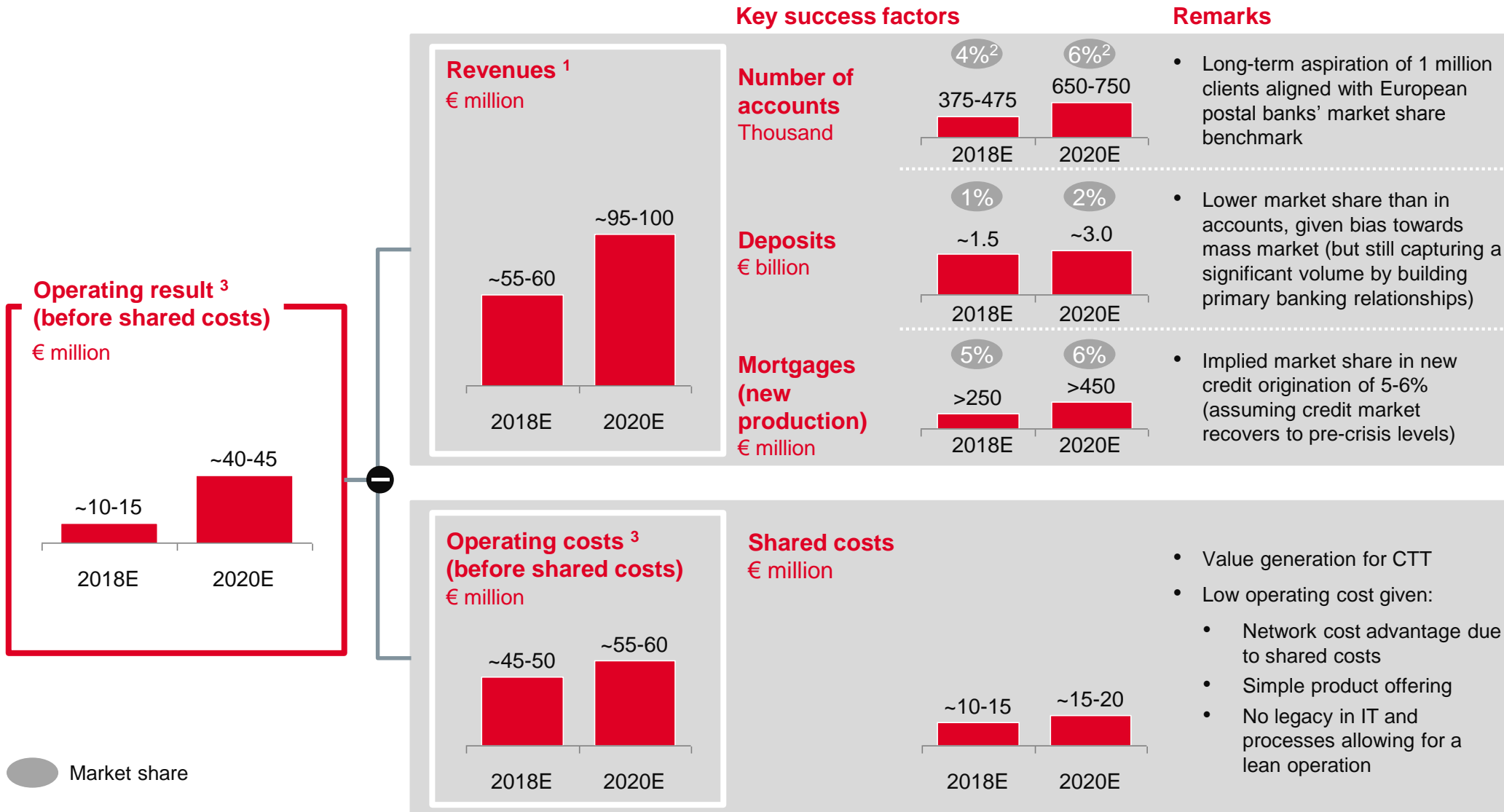


<sup>1</sup> La Banque Postale only introduced consumer loans in 2010; <sup>2</sup> BancoPosta market share in deposits driven by its stronghold in savings accounts (market share of ~18%); <sup>3</sup> BancoPosta does not have banking license to issue credit, only sells third-party credit products (2011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

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

## Banco CTT's financials ambition



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

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

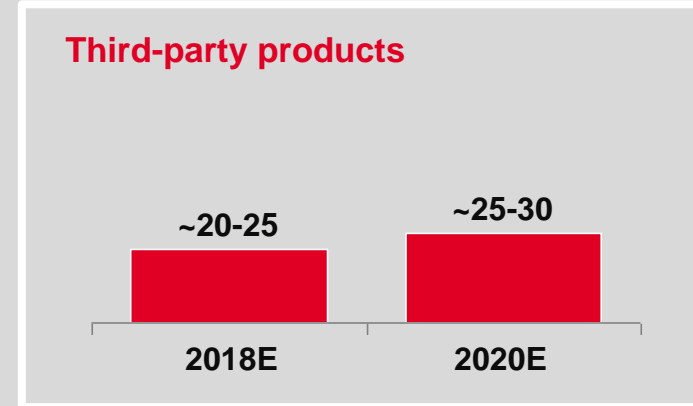
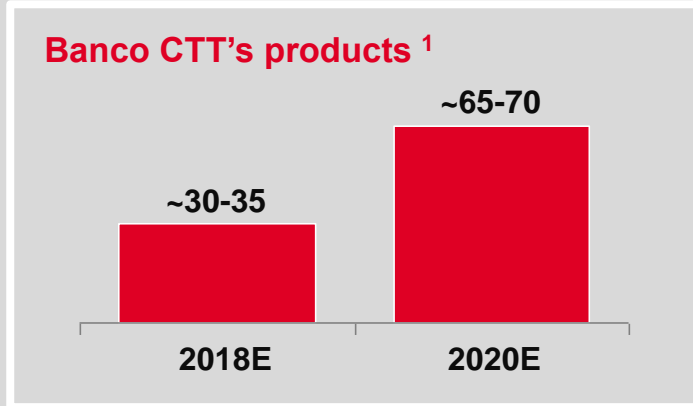
<sup>3</sup> Excluding shared costs with CTT, impairments, provisions and taxes.

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

**Banco CTT's financials ambition**

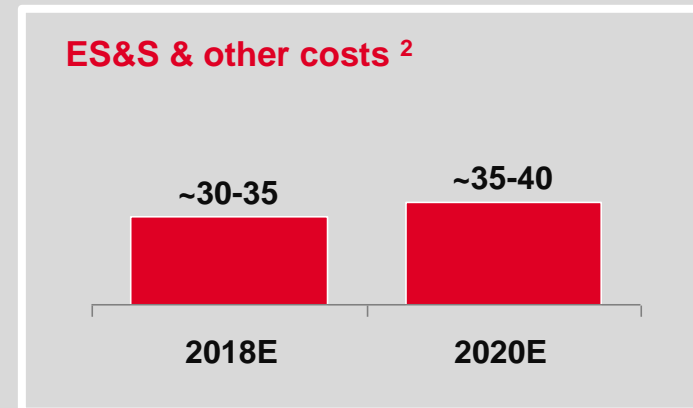
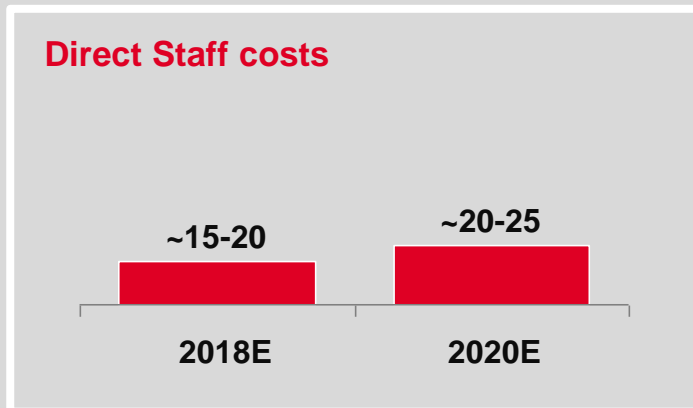
**REVENUES**

€ million



**OPERATING COSTS (before shared costs with CTT)**

€ million

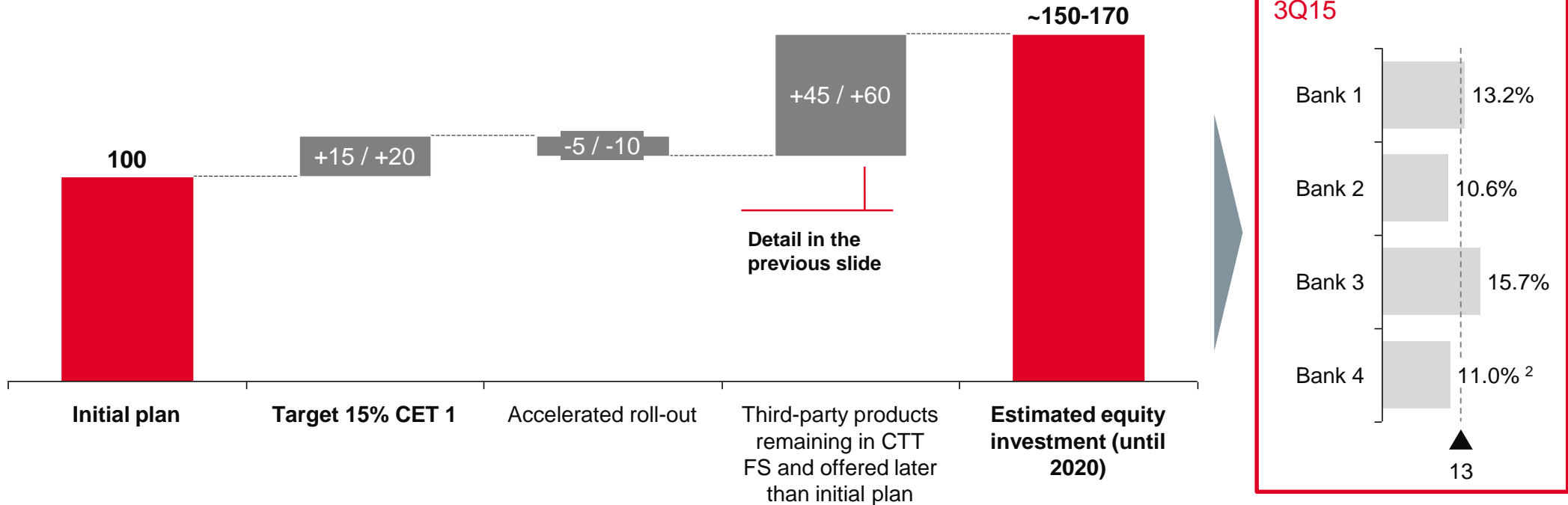


<sup>1</sup> Including net interest income and commission income from Banco CTT's products; <sup>2</sup> External Supplies and Services and other costs.

## 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

<sup>1</sup> Phased-in.

<sup>2</sup> Half-year results.



# The migration of Financial Services to Banco CTT was revised (+ capital)

			Migration to Banco CTT		2014 revenues <sup>1</sup>			
			Initial plan	Revised plan	Staying in FS		Migrating to bank	
Provider								
SAVINGS & INSURANCE	Public debt certificates							
	Life insurance		Year 1	with ramp-up				
	Non-life insurance		Year 0	with ramp-up				
PAYMENTS	Post offices	Multiple	Year 0	Year 3	Initial plan: Revised plan: Initial plan: Revised plan:			
	Tax collection		Year 0					
	Payshop		Year 0					
TRANSFERS	National money orders							
	International money orders							
	Western Union		Year 0	Year 3				
CREDIT & OTHER	Consumer credit		Year 1	with ramp-up				
	Credit cards		Year 1	with ramp-up				

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

<sup>1</sup> Excluding interest income from FS float.

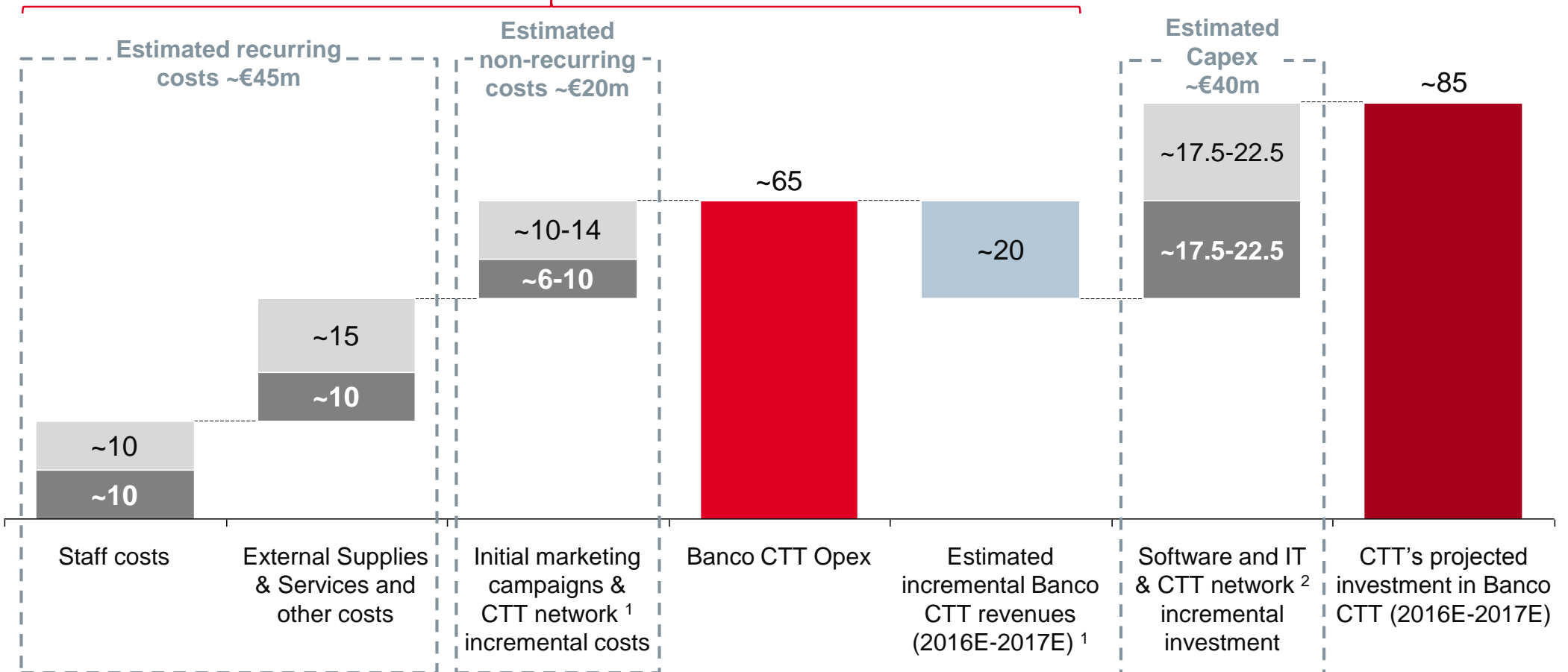
## Strong investment needed in the initial years to support the bank's launch

### 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


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


## 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 <sup>1</sup>

- 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%

<sup>1</sup> After 2020.

01. FY15 key highlights

02. FY15 business units performance

03. 2016 Outlook

04. Banco CTT

05. 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

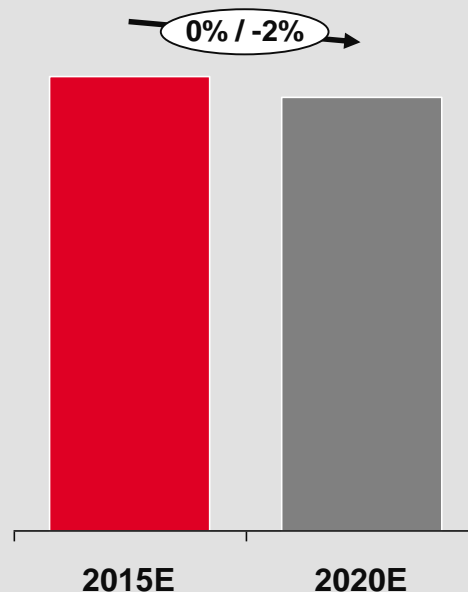


**Potential of competition in some products / areas**



#### REVENUES

CAGR %

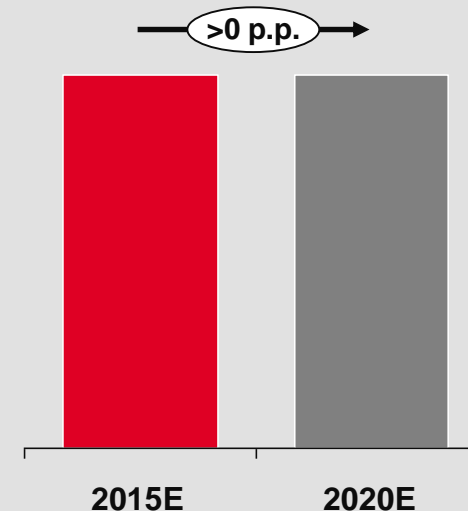


Objective of flat revenues to slight declines p.a.



#### EBITDA MARGIN

Δ Margin (p.p.)



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



## CTT 2020 ambition – Express & Parcels

### Express & Parcels Portugal



#### VOLUMES



**Relevant B2C / e-commerce volumes growth** – ~30% of the revenues

- Double-digit growth in volumes p.a.



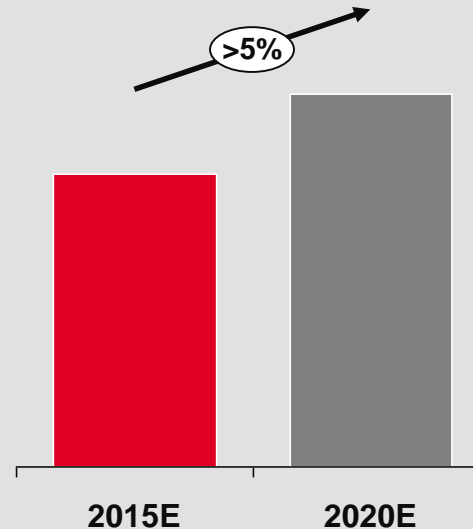
**Small B2B volumes growth** – ~70% of the revenues, including banking services (EMS Banca)

- 2% – 4% growth in volumes p.a. when the economy is growing



#### REVENUES

Portugal; CAGR %

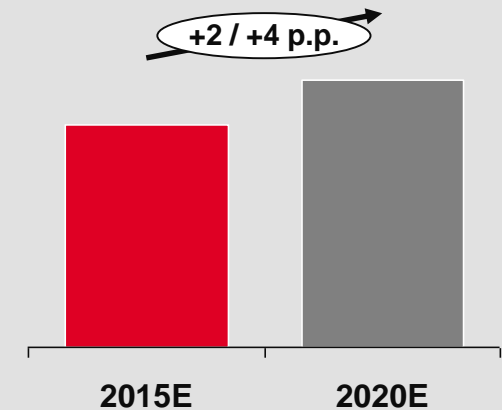


Mid-single digit revenues growth p.a.



#### EBITDA MARGIN

Portugal;  $\Delta$  Margin (p.p.)



Objective to steadily improve to >12% by 2020

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

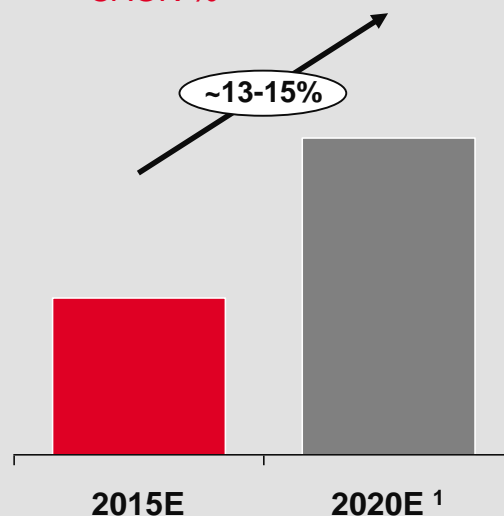


Integrated offer of Banco CTT's products with existing FS products to generate a higher profit pool from each customer



#### REVENUES

CAGR %



Existing FS revenues will decline due to migration

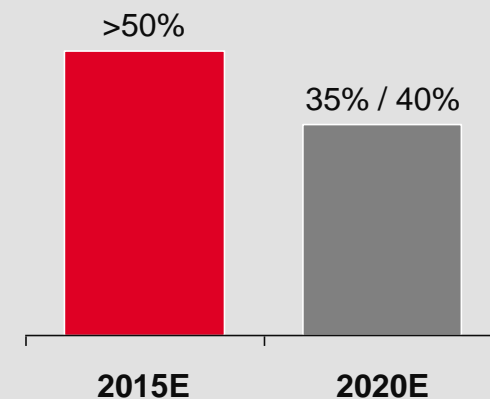


Objective of ~€95m-€100m of Banco CTT's revenues in 2020



#### EBITDA MARGIN

%



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

<sup>1</sup> Including Banco CTT's revenues.