



CTT – Correios de Portugal, S.A.

Public Company

Avenida D. João II, 13

1999-001 LISBON

Lisbon commercial registry and fiscal no. 500 077 568

Share Capital EUR 75,000,000.00

Announcement – Lisbon, 24 July 2018

Material Information

CTT – Correios de Portugal, S.A. (“CTT”), hereby informs that today, through its subsidiary Banco CTT, S.A. (“Banco CTT”), has entered into an agreement with Firmus Investimentos SGPS, S.A. (“Seller”), an entity controlled by Cabot Square Capital LLP and Eurofun, Lda (“Shareholders”), for the acquisition of 100% of the share capital of 321 Crédito, Instituição Financeira de Crédito, S.A. (“321 Crédito”), for a price of €100m payable in cash at completion.

321 Crédito is a high-performing specialised consumer credit institution, operating through a large network of car dealers in the attractive used auto loans market, which is expected to continue to show strong growth dynamics.

321 Crédito’s key operational and financial data as of 31 December 2017 were as follows:

- Market share in used auto loans production: 9.2% (top 5 in the market) as per ASFAC – Association of Specialised Credit Institutions (vs. 7.5% in 2016)
- Net loan book: €251m (62% growth vs. 2016)
- Annual used auto loans production: €133m (54% growth vs. 2016)
- Net profit: €7.9m

During the first half of 2018, 321 Crédito continued to exhibit a strong growth, having originated more than €80m in used auto loans (Net loan book of more than €300m as of 30 June 2018). The company expects to reach Net profit of c.€9m by year end.

The completion of the transaction is subject to the satisfaction of a set of conditions precedent, including inter alia the customary approvals from the competition and banking regulatory authorities.

The final price is subject to a post completion price adjustment mechanism to reflect variations in the regulatory capital of 321 Crédito from 31 December 2017 onwards.

CTT expects the acquisition to be concluded during the 1st quarter of 2019.

In parallel to the acquisition of the share capital of 321 Crédito, Banco CTT has also agreed to take from AL Securitisation Limited, an entity also controlled by the Shareholders, the loans made to 321 Crédito outstanding at completion (the principal of which amounting to €30.6m at the date hereof), by applying Banco CTT’s existing liquidity.

Two years since the launch of its operation, Banco CTT has already attracted more than 350,000 customers and captured over €730m in deposits (as at the end of the first semester of 2018). This acquisition represents a logical and important step in Banco CTT’s strategy of becoming an integrated player in retail financial services.



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321 Crédito will enable the diversification of Banco CTT's product portfolio with a profitable and resilient consumer credit business, which has historically shown high returns on equity and low credit default levels. Moreover, the acquisition will allow for the optimisation of the bank's Balance Sheet by improving its loan-to-deposits ratio from c.20% to over 60%.

With this transaction and the expected future organic growth, Banco CTT intends to contribute positively to CTT's EBITDA already in 2019 and reach positive Net profit in 2020, with estimated additional capital requirements until then of c.€20m, in addition to the capital increase required to finance the aforementioned final acquisition price.

The transaction is aligned with CTT's strategy to diversify its business portfolio, investing in Banco CTT, while maintaining the capacity to pursue future growth opportunities in other growth levers, such as Express & Parcels.

CTT also discloses on this date a presentation further detailing the key terms of the transaction and its strategic and financial impact on Banco CTT and on CTT, which should be read in conjunction with this announcement.

StormHarbour Securities LLP acted as financial advisor and Morais Leitão, Galvão Teles, Soares da Silva & Associados acted as legal advisor for CTT and Banco CTT in this transaction.

This information to the market and the public is made under the terms and for the purposes of article 248 of the Portuguese Securities Code and other legislation in force. It is also available on CTT's Investor Relations website at:

<http://www.ctt.pt/ctt-e-investidores/relacoes-com-investidores/comunicados.html?com.dotmarketing.htmlpage.language=1>.

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