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FUTURE IN ACTION

Market Discipline
Report **2023**

Banco CTT, S.A.

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bancoctt.pt
(hereinafter "Bank", "Banco CTT" or "Company")

We face the future with dynamism. We are committed to innovation and adding value, turning the "Future in Action" into reality. We are building an even more solid and promising tomorrow, driving the financial growth of the Bank and our clients.

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Glossary of Abbreviations

GM	General Meeting
AT1	Additional Tier 1 capital
BoD	Board of Directors
CAud	Audit Committee
CCP	Central Counterparty Clearing House
CCR	Counterparty Credit Risk
EC	Executive Committee
CET1	Common Equity Tier 1
CRD	Capital Requirements Directive
CRR	Capital Requirements Regulation
CCRS	Capital, Risk and Sustainability Committee
RMF	Risk Management Function
HQLA	High Quality Liquid Assets
ICAAP	Internal Capital Adequacy Assessment Process
IFRS9	International Financial Reporting Standard 9
IRB	Internal Ratings-Based Models
KRI	Key Risk Indicators
LGD	Loss Given Default
LRE	Leverage Ratio Exposure Measure
MREL	Minimum Requirement for own funds and Eligible Liabilities
PD	Probability of Default
RAS	Risk Appetite Statement
ROC	Statutory Auditor
TREA	Total Risk Exposure Amount

Introductory Note

This "Market Discipline Report"[1] (hereinafter referred to as the "report") falls within the scope of the prudential reporting requirements laid down in Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 26 2013 (hereinafter referred to as the "CRR") - Pillar III. The report complements the information disclosed in the Report and Accounts of Banco CTT, S.A. (hereinafter referred to as "BCTT" or "Bank"), providing the market with relevant and detailed information regarding its risk management policies and practices, solvency and liquidity levels.

In accordance with Part VIII of the CRR, this report strictly incorporates the appropriate disclosure requirements, with the aim of providing the Bank's various stakeholders with accurate and complete information on its risk profile.

In preparing this report, BCTT has applied the specifications introduced by Commission Implementing Regulation (EU) 637/2021 of 15 March 2021, which lays down implementing technical standards for the public disclosure by institutions of the information referred to in Part VII, Titles II and III of the CRR.

Unless otherwise expressly stated, the information disclosed in this report refers to the Banco CTT Group (or BCTT Group), as at 31 December 2023, and the amounts are presented in thousands of euros, having been ascertained through prudential consolidation.

1. The current version of the Market Discipline Report 2023 was published on 18th of March of 2025 and replaces the version previously published on the 14th of August of 2025.

1. Statement of Responsibility (Article 431)

This statement of responsibility, issued by the Board of Directors of BCTT, concerns the "Market Discipline Report" for 31 December 2023.

The 2023 Market Discipline Report was drawn up under Pillar III, complying with the requirements and criteria for disclosure of information and own funds presented in the CRR, namely those set out in Articles 431 to 455 of the aforementioned Regulation.

The Board of Directors of Banco CTT, S.A., in compliance with the provisions of the CRR, declares and certifies, for the due purposes, that:

- All the procedures deemed necessary for the preparation and public disclosure of the report have been carried out and that, to the best of its knowledge, all the information disclosed is true and reliable;
- The quality of the information disclosed was ensured, including the information originating from different Banco CTT Group entities;
- The risk management system implemented, including the measures defined to ensure compliance with the defined limits, is appropriate to the development of its business strategy, taking into account its profile and the nature and complexity of its operations;
- No information relating to what is described in Article 432(2) of the CRR has been omitted;
- It undertakes to disclose, in a timely manner, any significant changes that occur in the course of the financial year following that to which this report refers.

Lisbon, 24 February, 2025

The Board of Directors of the Banco CTT, S.A. Group

2. Scope of application (Article 436)

Banco CTT, S.A. is a credit institution with registered office at Praça Duque de Saldanha n.º 1, Edifício Atrium Saldanha, piso 3, 1050-094 Lisboa, controlled by CTT - Correios de Portugal, S.A., having been incorporated on 24 August 2015, following the transformation of CTT Serviços, S.A. (a vehicle company created specifically for the Bank's implementation process in its project phase).

The Bank is dedicated to obtaining resources from third parties, in the form of deposits and other financing instruments, which it invests, together with its own resources, in various sectors of the economy and, for the most part, in the form of loans to customers and debt securities.

In January 2018, Payshop Portugal S.A. was incorporated into the BCTT Group's consolidation perimeter through a capital increase subscribed and fully paid up by the sole shareholder CTT - Correios de Portugal, S.A.

In July 2018, BCTT agreed to buy 321 Crédito - Instituição Financeira de Crédito, S.A. (hereinafter "321 Crédito"), which expanded the BCTT Group's business portfolio and was consolidated in 2019. 321 Crédito's main objective is to grant specialised consumer credit. It has built up a relevant position in the car credit market and is today a benchmark institution at national level, positioning itself as one of the biggest players in specialised financing for the purchase of used cars.

In November 2019, the private securitisation operation Chaves Funding no. 8 was issued by Tagus, Sociedade de Titularização de Créditos, S.A., under a Consumer Credit portfolio originated by 321 Crédito. The operation involved the issue of notes in two tranches (Tranche A and Tranche B), both of which are wholly owned by the BCTT Group.

In July 2022, as part of a corporate reorganisation of the Group, BCTT's Board of Directors approved the sale of Payshop Portugal, S.A. to CTT - Correios de Portugal, S.A., the completion of which was dependent on the non-opposition of the regulator, whose decision was communicated in 2023. As such, Payshop Portugal, S.A. is no longer part of the BCTT Group's consolidation perimeter.

As at 31 December 2023, the BCTT Group is made up of the following entities:

	Year	Activity	Holding (%)	Consolidation method [1]
Banco CTT (Holding)				
Subsidiaries				
321 Crédito	2019	Credit financial institution	100%	Full
Structured entities				
Chaves Funding n.º 8	2019	Securitisation vehicle	-	Full

Table 1 - Composition of Grupo BCTT

[1] According to Article 18 of the CRR

3. Risk Management Objectives and Policies (Article 435)

3.1. Risk Management

3.1.1. Risk Management Governance Model

The BCTT Group's risk management system aims to establish a set of policies and processes that ensure the correct identification, assessment, monitoring, control and reporting of risks. To this end, it assesses the relevant risks and ensures their effective, consistent and timely management.

In order to ensure that the risk to which it is exposed is adequately managed and controlled, the BCTT Group has defined a governance structure that ensures the different needs for action at both strategic and operational levels. In this governance structure of the risk management system, the main players assume the following responsibilities, in accordance with the "General Internal Control and Risk Management Policy of the Banco CTT Group":

Risk Management Governance Model

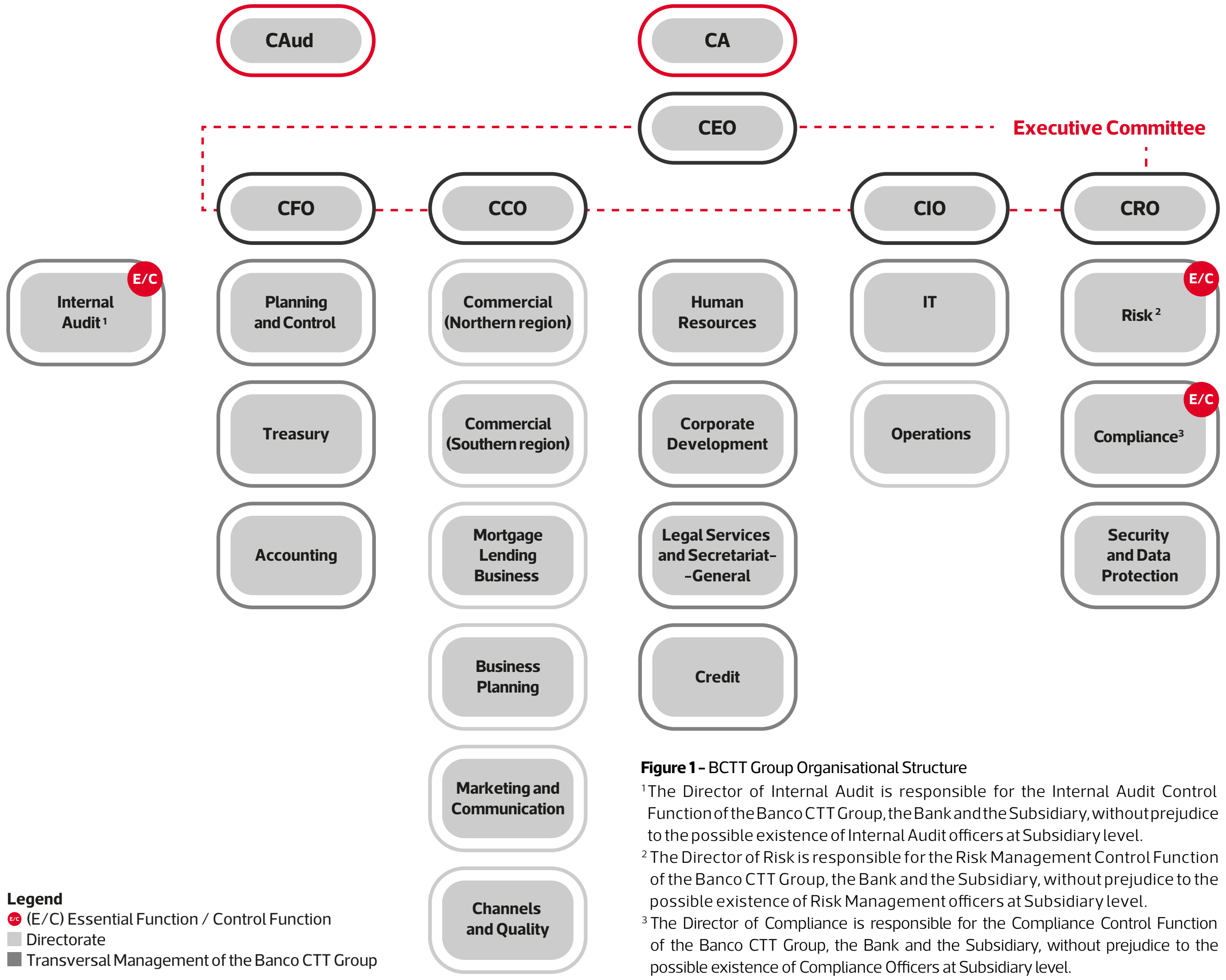

Figure 1 - BCTT Group Organisational Structure

[1] The Director of Internal Audit is responsible for the Internal Audit Control Function of the Banco CTT Group, the Bank and the Subsidiary, without prejudice to the possible existence of Internal Audit officers at Subsidiary level.

[2] The Director of Risk is responsible for the Risk Management Control Function of the Banco CTT Group, the Bank and the Subsidiary, without prejudice to the possible existence of Risk Management officers at Subsidiary level.

[3] The Director of Compliance is responsible for the Compliance Control Function of the Banco CTT Group, the Bank and the Subsidiary, without prejudice to the possible existence of Compliance Officers at Subsidiary level.

Banco CTT's **Board of Directors** (hereinafter "BoD") is ultimately responsible for the risk management system. The Board of Directors is responsible for defining, implementing and reviewing the risk management model, guaranteeing business continuity. The Board of Directors is also responsible for monitoring the strategy defined for the BCTT Group, taking into account the risks identified by the defined risk management model.

The **Audit Committee** (hereinafter "CAud") of Banco CTT is the Bank's Supervisory Body and is responsible for supervising the risk management system as well as advising the Board of Directors on risk appetite and risk strategy, performing the functions of the Risk Committee, as provided for in Article 115 - L of the General Regime for Credit Institutions and Financial Companies (RGICSF).

Banco CTT 's **Executive Committee** (hereinafter "EC") is responsible for ensuring the implementation and maintenance of the risk management and internal control system defined by the Board of Directors, namely the supervision of current risk management activities and their alignment with the strategy and risk appetite limits.

The EC is also responsible for the regular and timely disclosure to the Board of Directors and the Supervisory Body of deficiencies and risks that could affect the Group. Analysing the results of actions to monitor and evaluate the risk management system and the necessary corrective measures is therefore the joint responsibility of the Board of Directors and the Audit Committee.

As part of its duties, the Executive Committee has set up various specialised committees to monitor different areas of risk management and business performance, in accordance with the Figure 2.

Structure of Committees supporting the Executive Committee

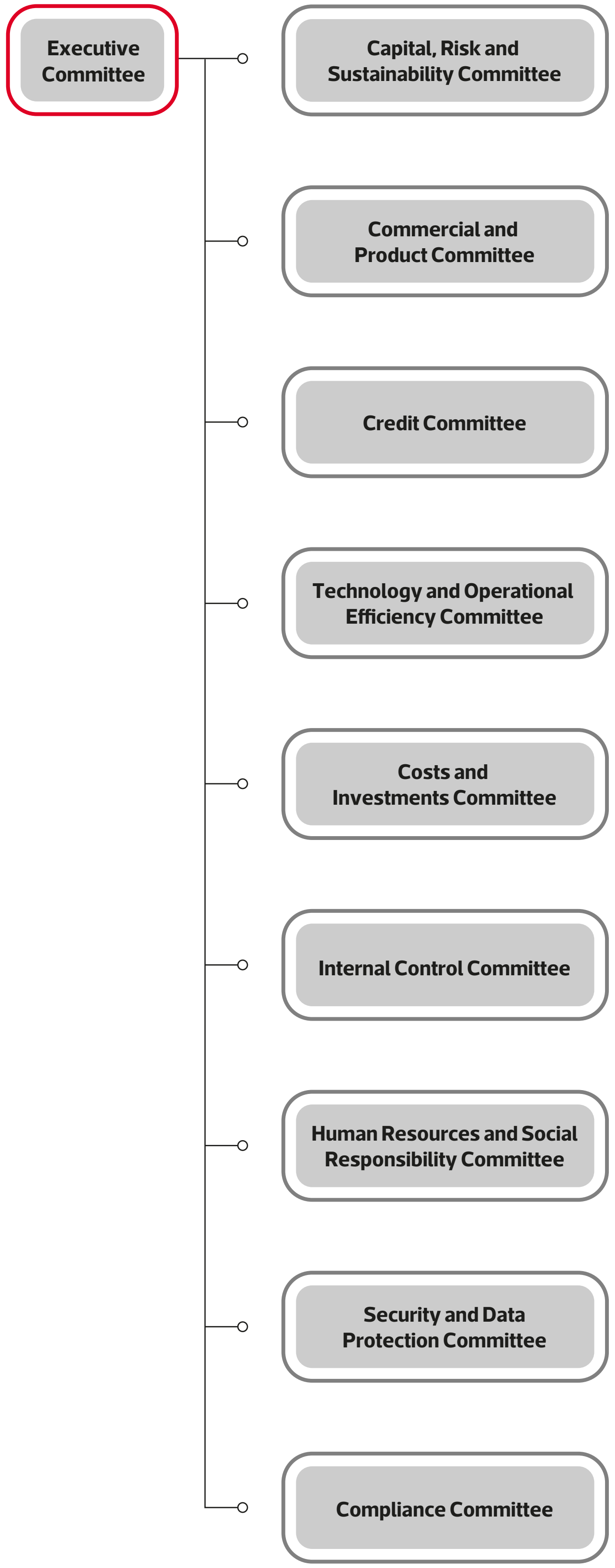

Figure 2 - Structure of Committees supporting the Executive Committee

In order to develop a solid and effective internal governance and risk management framework, the **Capital, Risk and Sustainability Committee** and the **Internal Control Committee** were also set up, with an emphasis on the risk management system.

The **Capital, Risk and Sustainability Committee** is responsible for supporting the Executive Committee in monitoring the risk strategy, supervising its execution and implementing a sustainability framework.

The **Internal Control Committee** is responsible for assisting the Executive Committee in monitoring the BCTT Group's internal control system and supervising the implementation of the non-financial risk management strategy.

In addition to the functions carried out by the committees supporting the Executive Committee, and as far as risk management is concerned, the control functions assume the following responsibilities:

- **Risk Management Function** ("RMF"): (i) identify, assess, monitor and report to the management and supervisory bodies on the risks relevant to the Group; (ii) ensure the integrated management of the Group's risks, proposing the risk strategy to the Board of Directors and developing methodologies for its measurement and control, which are validated periodically; (iii) develop scenarios and stress tests to ensure compliance with obligations in adverse scenarios; and (iv) draw up periodic reports for the Board of Directors, Supervisory Body and relevant Committees, providing essential information for decision-making;
- **Compliance function:** (i) promote the identification and continuous mitigation of compliance and reputational risks and (ii) implement a monitoring programme for the detection and correction of non-compliance and for the prevention of criminal activities or sanctioned entities; and
- **Internal Audit function:** (i) Ensuring independent risk assessments and key controls for business units, processes, products and systems and (ii) verifying the processes and controls relevant to strategic decisions, ensuring alignment between the information disclosed to the Board of Directors and the Body exercising executive functions and the risks associated with these strategies.

The governance model of the BCTT Group's risk management system follows the principle of segregation of duties, presenting a functional separation between the responsibilities of the three lines of defence, guaranteeing the dissociation between the areas of origination (or risk takers) and those of control and independent review, in addition to the management and supervisory bodies.

The **first line of defence** is made up of the business generating units and related areas, which are directly involved in day-to-day risk management. They are responsible for identifying, assessing, monitoring and controlling the risks inherent in their activities, as well as identifying and reporting internal control deficiencies and operational risk events, including the implementation of action plans aimed at mitigating the risks identified.

The **second line of defence** monitors risks, supporting the first line in identifying and managing risks, and evaluates the effectiveness of the controls implemented for risk management. It is made up of support and control functions, namely Risk Management and Compliance. In addition, areas such as Planning and Control, Security and Data Protection, Legal Services and Human Resources support the Control Functions in monitoring and controlling the first line.

The **third line of defence** is carried out by Internal Audit, which is responsible for independently examining and assessing the adequacy and effectiveness of the policies, processes and procedures that underpin the system of governance, risk management and internal control, by testing the effectiveness of the controls implemented..

The Group's risk management model complies with internationally recognised and accepted principles, such as the "Guidelines on Internal Governance" (EBA/GL/2021/05) issued by the European Banking Authority (EBA), and nationally in line with Banco de Portugal Notice No. 3/2020 on governance and internal control systems.

3.1.2. Governance Systems

As a means of complying with Article 435(2)(a), (b) and (c) of the CRR, the BCTT Group discloses information related to the governance system, specifically on the management positions held by the members of the management body, the recruitment policy, the technical knowledge and skills of the members of the management body and the diversification policy in relation to the selection of the respective members.

At the end of 2023, the BCTT Group's Board of Directors consisted of 11 members, who were appointed for the 2022/2024 term of office.

The "Policy for the Selection, Evaluation and Succession of Members of the Management and Supervisory Bodies of the Banco CTT Group" (available on the Bank's website - www.bancoctt.pt) establishes the principles to be observed by the BCTT Group (i) in the assessment of the individual suitability of the members of the Management and Supervisory Bodies for the exercise of their specific duties or specific position, as well as in the collective assessment of the composition of those Bodies; and (ii) in the succession of the members of the Management and Supervisory Bodies, in which the defined individual, collective and diversity assessment criteria are taken into account.

The BCTT Group carries out an individual assessment of the suitability of the members of the Management and Supervisory Bodies, considering the criteria of suitability, qualifications, professional experience, independence and availability, always valuing the demonstration of high ethical principles, namely diligence, neutrality, loyalty, discretion and respect for the interests entrusted, which are compatible with the standards required by the Institution, its risk culture, its governance model, its strategy, its business model and the risks to which the BCTT Group is exposed, as well as the ability of the members of the Management and Supervisory Bodies to exercise thoughtful, constructive and independent critical judgement.

Without prejudice to individual assessment, the members of the Management and Supervisory Bodies must have the appropriate professional qualifications and experience, considering the diversity of qualifications, skills and competencies required, taking into account the role of its members in the context of the BCTT Group's governance model, strategy and business model, and the risks to which it is exposed.

As shown in Figure 1 above, the BCTT Group's governance structure includes a Selection and Remuneration Committee, elected by the shareholder, with powers to select and assess the suitability of the members of the Management and Supervisory Bodies, and with powers to set the remuneration of the members of the Board of the General Meeting, the Board of Directors, the Audit Committee and the Statutory Auditor.

3.2. Risk categories

In order to monitor all the materially relevant risks to which the BCTT Group is exposed, the Group has the "General Internal Control and Risk Management Policy of the Banco CTT Group", which contains all the risk categories to which the BCTT Group is exposed, applicable to all the Group's products and services, systems, areas, processes, procedures and activities. The Risk Department is responsible for drawing up this policy and it is submitted for approval by the Executive Committee, for subsequent appraisal by the Audit Committee and approval by the Board of Directors.

In addition, at least once a year or whenever there are significant situations that justify it, the BCTT Group reviews its Risk Appetite Statement ("RAS"), which defines the materially relevant risks in the Group's context, according to the risk categories defined in the Group's Risk Taxonomy, as well as the respective tolerance limits for each risk, in order to achieve the defined strategic objectives.

The main risks to which the BCTT Group is subject are listed below.

3.2.1. Credit Risk

Credit risk is related to the possibility of negative impacts on results or capital due to the inability of a counterparty (borrower or its guarantors) to fulfil its obligations to the Group.

As the Group's main activity is commercial banking, with an emphasis on the retail segment, it is highly exposed to credit risk. In addition, the Group is exposed to credit risk in other activities, namely direct exposure to credit risk in investments and deposits in other credit institutions, eurozone public debt securities and debt instruments from other issuers.

Throughout the credit life cycle, the BCTT Group seeks to create and maintain an appropriate management process that includes prudent policies and procedures for identifying, measuring, evaluating, monitoring, reporting, controlling and mitigating risk, as well as creating conditions that maximize recovery results. Credit risk is quantified/measured on a monthly basis by assessing expected credit losses using a collective and individual impairment model.

The Capital, Risk and Sustainability Committee, the Audit Committee and the Board of Directors regularly monitor the Group's credit risk profile, namely the evolution of credit exposures and the monitoring of losses as well as approved credit requirements and limits.

Credit concentration risk

The Group identifies credit concentration risk as the possibility of losses associated with significant exposures to an individual counterparty, or to a group of related counterparties, or exposures with other types of concentration such as economic sectors, geographical regions, currencies or products.

The analysis of risk concentration is therefore based on geographical concentration and the economic sector in which the counterparties are located, in order to ensure that this concentration is aligned with the Group's risk appetite policy.

Impairment model

As stated in the Annual Report of 31 December 2023 (available on the Bank's website - www.bancoctt.pt), the impairment model adopted by the Group follows the requirements set out in IFRS 9 and the criteria established in Banco de Portugal Circular Letter 62/2018.

Accordingly, impairment is calculated taking into account the classification of the credit in three *stages*, taking into account changes in the asset's credit risk since its initial recognition. Credit can therefore be classified as:

- Stage 1: operations that have not seen a significant increase in credit risk since their initial recognition for which the expected losses result from a default event that could occur within 12 months of the reporting date (12-month expected credit losses);
- Stage 2: operations that have seen a significant increase in credit risk since their initial recognition, which are not impaired, for which the expected losses result from a default event that could occur over the expected residual life of the operations (lifetime expected credit losses);
- Stage 3: impaired operations whose expected loss results from verified events of default. In addition, Purchased or Originated Credit-Impaired (POCI) operations are classified in stage 3.

The main inputs used to measure expected credit losses on a collective basis are obtained through internal models and other relevant historical data and include risk parameters such as Probability of Default (PD), Loss Given Default (LGD), and Exposure Given Default (EAD).

Quantitative information

The following tables present quantitative information on credit risk, specifically on the description of exposures and asset quality:

- EU CR1 – Performing and non-performing exposures and related provisions
- EU CQ1 – Credit quality of forborne exposures
- EU CQ3 – Credit quality of performing and non-performing exposures by past due days
- EU CQ7 – Collateral obtained by taking possession and execution processes

(amounts in thousands of euros)

		Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	Collateral and financial guarantees received	
		Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				On performing exposures	On non-performing exposures
			of which Stage 1	of which Stage 2		of which Stage 2	of which Stage 3		of which Stage 1	of which Srtage 2		of which Stage 2	of which Stage 3			
005	Cash balances at central banks and other demand deposits	1,317,029	1,317,029	–	–	–	–	(0)	(0)	–	–	–	–	–	–	–
010	Loans and advances	1,575,824	1,478,363	97,460	77,218	–	75,692	(10,151)	(3,706)	(6,445)	(37,673)	–	(37,094)	–	1,438,361	30,606
020	Central banks	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
030	General governments	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
040	Credit Institutions	12,011	12,011	–	–	–	–	(8)	(8)	–	–	–	–	–	–	–
050	Other financial corporations	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
060	Non-financial corporations	90,065	83,196	6,869	8,125	–	7,807	(1,003)	(370)	(633)	(3,478)	–	(3,448)	–	76,462	3,392
070	Of which, SMEs	86,096	79,615	6,481	7,829	–	7,572	(977)	(351)	(626)	(3,381)	–	(3,357)	–	74,278	3,254
080	Households	1,473,747	1,383,156	90,591	69,093	–	67,885	(9,140)	(3,329)	(5,811)	(34,195)	–	(33,647)	–	1,361,899	27,214
090	Debt securities	729,563	729,563	–	–	–	–	(97)	(97)	–	–	–	–	–	–	–
100	Central banks	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
110	General governments	719,709	719,709	–	–	–	–	(96)	(96)	–	–	–	–	–	–	–
120	Credit Institutions	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
130	Other financial corporations	9,855	9,855	–	–	–	–	(1)	(1)	–	–	–	–	–	–	–
140	Non-financial corporations	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
150	Off-balancesheet exposures	80,508	79,548	960	59	–	59	(120)	(94)	(26)	(34)	–	(34)		–	–
160	Central banks	–	–	–	–	–	–	–	–	–	–	–	–		–	–
170	General governments	37,438	37,438	–	–	–	–	–	–	–	–	–	–		–	–
180	Credit Institutions	5,800	5,800	–	–	–	–	–	–	–	–	–	–		–	–
190	Other financial corporations	–	–	–	–	–	–	–	–	–	–	–	–		–	–
200	Non-financial corporations	2,714	2,714	–	–	–	–	–	–	–	–	–	–		–	–
210	Households	34,556	33,596	960	59	–	59	(120)	(94)	(26)	(34)	–	(34)		–	–
220	**Total**	**3,702,924**	**3,604,504**	**98,420**	**77,277**	**–**	**75,751**	**(10,368)**	**(3,898)**	**(6,470)**	**(37,707)**	**–**	**(37,128)**	**–**	**1,438,361**	**30,606**

Table 2 – EU CR1 – Performing and non-performing exposures and related provisions

(amounts in thousands of euros)

		Gross carrying amount/nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	
		Performing forborne	Non-performing forborne			On performing forborne exposures	On non-performing forborne exposures		Of which collateral and financial guarantees received on non-performing exposures with forbereance measures
				Of which defaul-ted	Of which impaired				
005	Cash balances at central banks and other demand deposits	-	-	-	-	-	-	-	-
010	Loans and advances	21,640	15,942	15,920	15,920	(1,081)	(7,005)	20,873	8,854
020	Central banks	-	-	-	-	-	-	-	-
030	General governments	-	-	-	-	-	-	-	-
040	Credit institutions	-	-	-	-	-	-	-	-
050	Other financial corporations	-	-	-	-	-	-	-	-
060	Non-financial corporations	518	749	749	749	(38)	(298)	451	350
070	Households	21,122	15,193	15,172	15,172	(1,044)	(6,707)	20,423	8,503
080	Debt securities	-	-	-	-	-	-	-	-
090	Loan commitments given	-	-	-	-	1	7	-	-
100	**Total**	**21,640**	**15,942**	**15,920**	**15,920**	**(1,081)**	**(6,998)**	**20,874**	**8,853**

Table 3 – EU CQ1 – Credit quality of forborne exposures

(amounts in thousands of euros)

		Gross carrying amount/nominal amount			Gross carrying amount/nominal amount								
		Perfoming exposures			Non-performing exposures								
			Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted
005	Cash balances at central banks and other demand deposits	1,317,029	1, 317,029	-	-	-	-	-	-	-	-	-	-
010	Loans and advances	1,575,824	1,564,880	10,943	77,218	27,016	12,208	11,668	11,012	14,616	641	56	77,218
020	Central banks	-	-	-	-	-	-	-	-	-	-	-	-
030	General governments	-	-	-	-	-	-	-	-	-	-	-	-
040	Credit institutions	12,011	12,011	-	-	-	-	-	-	-	-	-	-
050	Other financial corporations	-	-	-	-	-	-	-	-	-	-	-	-
060	Non-financial corporations	90,065	88,338	1,727	8,125	2,221	1,447	1,666	1, 301	1,222	217	50	8,125
070	Of which SMEs	86,096	8,4 570	1,526	7,829	2,196	1,400	1,571	1,280	1,165	217	-	7,829
080	Households	1,473,747	1464,531	9,216	69,093	24,795	10,761	10,002	9,711	13,394	424	6	69,093
090	Debt securities	729,563	729,563	-	-	-	-	-	-	-	-	-	-
100	Central banks	-	-	-	-	-	-	-	-	-	-	-	-
110	General governments	719,709	719,709	-	-	-	-	-	-	-	-	-	-
120	Credit institutions	-	-	-	-	-	-	-	-	-	-	-	-
130	Other financial corporations	9,855	9,855	-	-	-	-	-	-	-	-	-	-
140	Non-financial corporations	-	-	-	-	-	-	-	-	-	-	-	-
150	Off-balance sheet-exposures	80,508	-	-	59	-	-	-	-	-	-	-	-
160	Central banks	-	-	-	-	-	-	-	-	-	-	-	-
170	General governments	37,438	-	-	-	-	-	-	-	-	-	-	-
180	Credit institutions	5,800	-	-	-	-	-	-	-	-	-	-	-
190	Other financial corporations	-	-	-	-	-	-	-	-	-	-	-	-
200	Non-financial corporations	2,714	-	-	-	-	-	-	-	-	-	-	-
210	Households	34,556	-	-	59	-	-	-	-	-	-	-	-
220	**Total**	**3,702,924**	**3,611,472**	**10,943**	**77,277**	**27,016**	**12,208**	**11,668**	**11,012**	**14,616**	**641**	**56**	**77,218**

Table 4 – EU CQ3 – Credit quality of performing and non-performing exposures by past due days

(amounts in thousands of euros)

		Collateral obtained by taking possession and execution processes	
		Value at initial recognition	Accumulated negative changes
010	Property Plant and Equipment (PP&E)	-	-
020	Other than PP&E	1	(1)
030	Residential immovable property	-	-
040	Commercial immovable property	-	-
050	Movable property (auto, shipping, etc.)	1	(1)
060	Equity and debt instruments	-	-
070	Other	-	-
080	**Total**	**1**	**(1)**

Table 5 – EU CQ7 – Collateral obtained by taking possession and execution processes

3.2.2. Market Risk

Market risk generally represents the possibility of negative impacts on results or capital due to unfavourable movements in the market price of the instruments in the trading portfolio, including fluctuations in interest rates, exchange rates, share prices and commodity prices. Market risk arises mainly from short-term positions in debt and equity securities, foreign currency, commodities and derivatives.

The Group does not have a trading portfolio, and as at 31 December 2023 its entire debt securities portfolio is carried at amortized cost, with the main risk arising from its investments being credit risk and not market risk.

In order to limit possible negative impacts due to difficulties in any market, sector or issuer, the Group has defined a set of limits for the management of its own portfolio, to ensure that the levels of risk incurred in the Group's portfolios are in line with pre-defined levels of risk tolerance. These limits are regularly reviewed and monitored by the Capital, Risk and Sustainability Committee, the Audit Committee and the Board of Directors..

3.2.3. Interest Rate Risk

The interest rate risk of the banking portfolio is related to the possibility of negative impacts on results or capital due to adverse movements in the interest rates of elements of the banking portfolio, through maturity mismatches or interest rate re-setting. In this way, the risk results from the lack of perfect correlation between the rates received and the rates paid on the different instruments.

Interest rate risk is monitored monthly on the basis of repricing gap reports, by monitoring interest rate sensitive assets and liabilities. These reports present sensitive assets and liabilities grouped into fixed time intervals from which it is possible to ascertain the potential impact on the Group's net interest income and economic value resulting from interest rate variations and for which the BCTT Group has defined limits.

The Group hedges the interest rate risk of the banking portfolio through the repricing structure of the investment portfolio, as well as by contracting derivative hedging instruments.

3.2.4. Liquidity and Funding Risk

Liquidity and Funding Risk is related to the occurrence of negative impacts on results or capital, resulting from the Group's inability to have liquid funds to meet its financing repayment obligations without incurring significant losses.

The BCTT Group is exposed to liquidity risk due to the fact that its business is based on longer maturities, namely mortgage lending, and its main source of liquidity is deposits from private customers.

The Treasury Department is responsible for ensuring the management of cash flows and the necessary levels of short-term liquidity , namely High Quality Liquid Assets (HQLA), as well as the execution of medium and long-term funding plans. It is also responsible for ensuring the liquidity risk limits established in the RAS and the minimum cash reserves, as well as other ratios, whether regulatory or defined by the Board of Directors, and for detecting any situations of non-compliance with the liquidity ratio requirements in a timely manner, informing the Executive Committee and the Risk Department.

The Risk Department is responsible for supporting (i) the Board of Directors in defining liquidity limits, ensuring the identification, assessment and continuous monitoring of compliance with the defined limits; (ii) keeping the Treasury Department informed of the behaviour of variables that imply changes in risks with an impact on the Group's liquidity and (iii) proposing to the Capital, Risk and Sustainability Committee (CCRS) the methodologies and assumptions to be used in liquidity stress tests. The Risk Department is also responsible for coordinating and preparing liquidity management support reports and the Liquidity Contingency Plan for presentation to the CCRS and, subsequently, to the Board of Directors.

The Risk Department, together with the Treasury Department, are responsible for supporting the CCRS in defining and monitoring specific Key Risk Indicators (KRIs) to support liquidity risk management.

The CCRS is responsible for proposing the "Banco CTT Group Liquidity Management Policy" to the Board of Directors, taking into account business objectives and opportunities, as well as legal and regulatory requirements. In addition, the CCRS is responsible for (i) assessing the risk inherent in the balance sheet structure and in carrying out financial operations, taking into account the need to optimise the financial resources available and maintain liquidity at levels compatible with the effective and efficient functioning of the Group as a whole; (ii) defining liquidity limits by Bank Counterparty and by asset encumbrance; (iii) approving the methodologies and assumptions to be used in the Group's liquidity stress tests, as well as the Liquidity Contingency Plan, both presented by the Risk Department.

Within the scope of the RAS, the Board of Directors sets limits for liquidity risk, including the survival horizon for stress tests, delegating to the CCRS the responsibility for supervising the liquidity management model put in place and monitoring the relevant ratios to guarantee the Group's financial soundness.

3.2.5. Operational Risk

Operational risk arises from the likelihood of negative impacts on results or capital arising from inadequate or failed internal procedures, systems, people or the occurrence of external events.

Operational risk management focuses on identifying, assessing, reporting and monitoring risk. The Group therefore uses an operational risk management model based on three main instruments:

- Process for identifying and recording operational risk events;
- Process for identifying and quantifying KRIs; and
- Risk Self-Assessment ("RSA") process, as the Group develops.

The operational risk management framework is based on 3 lines of defence. The first line of defence is the BCTT Group employees and Process Owners responsible for day-to-day risk management, in accordance with the policies, procedures and controls that have been put in place. The second line of defence is provided by the Control Functions, namely the Risk Department and the Compliance Department. In this sense, the second line of defence is responsible for monitoring operational risk, supporting the first line in identifying the risks and controls associated with the various processes. Internal Audit is the third line of defence and is responsible for independently examining and evaluating the adequacy and effectiveness of the policies, processes and procedures that support the governance and risk management system.

3.2.6. Business Model Risk

Business Model risk results from the possibility of negative impacts on results or capital arising from inadequate strategic decisions, poor implementation of decisions or the inability to respond to changes in the environment or the Group's business environment.

The Group actively manages its strategic risk through continuous reviews of its Business Plan, depending on the evolution of the business itself, the economic and competitive environment and market conditions, taking into account its level of capital and the risks assumed in strategic decisions, as well as the planned capitalisation plan.

Monitoring is carried out regularly by the Executive Committee, the Audit Committee and the Board of Directors, by monitoring budget deviations.

3.2.7. Compliance Risk

Compliance risk arises from the possibility of negative impacts on the Group's results, capital or activity, due to legislative and regulatory changes, non-compliance with internal management policies, processes or procedures (e.g. resulting in fines, penalties, sanctions or compensation), non-compliance with specific determinations by supervisory authorities, as well as the failure to obtain, or maintain the requirements necessary to maintain, the authorisations or requirements necessary to carry out the activity.

The prevention and mitigation of the BCTT Group's compliance risk is the responsibility of the Group's Compliance Function, with the involvement of the Management and Supervisory Bodies.

With a focus on compliance risk management, the Group has adopted an internal governance model that promotes the effectiveness of its internal control system, through the independent and influential performance of the control functions and the implementation of policies and regulations that prevent conduct risks, namely the definition of remuneration and incentive policies that prevent the occurrence of conflicts of interest.

3.2.8. IT Risk

The Information Systems risk arises from the possibility of constraints caused by failure, breakdown or other interruption in information systems and/or other technological infrastructures.

The Information Security framework adopted by the Group is based on the following areas: governance and compliance, cybersecurity, data protection, identity and access management, vulnerability management, coordination and response to security incidents, and systems development, maintenance and acquisition.

The Security and Data Protection Department is responsible for managing and monitoring the risk of information systems

3.2.9. Climate and Environmental Risks

Climate and environmental risk is related to the possibility of negative impacts due to climate change and environmental degradation and consequent structural changes that affect economic activity and therefore the financial system. Climate and environmental risks are considered to comprise two fundamental risk factors:

i. physical risks - The possibility of negative impacts from climate change, including more frequent extreme weather events and gradual climate change, as well as environmental degradation, namely air, water and soil pollution, pressure on water resources, loss of biodiversity and deforestation; and
ii. transition risks - The possibility of negative impacts that may result, directly or indirectly, from the adjustment process towards a low-carbon and more environmentally sustainable economy.

With regard to climate and environmental risks, the BCTT Group's medium and long-term objectives are (i) to support the energy transition through its commercial offer and (ii) to create a limited ecological footprint in the Group's operations. To this end, the Group has already adopted metrics for managing climate and environmental risks, initially from a monitoring perspective, without defined tolerance levels or alert or activation limits.

3.3. Board of Directors' Statement – Article 435(1) (e) of the CRR

The Board of Directors of the BCTT Group declares that the risk management system implemented, as well as the Group's risk management processes and measures, are adequate, taking into account the Group's complexity, size, risk profile and strategy.

3.4. Board of Directors' Statement – Article – 435(1) (f) of the CRR

The BCTT Group conducts its business in a prudent and sustainable manner. The objectives set for the business are, at all times, limited by risk tolerance levels, ensuring the Group's long-term sustainability and profitability.

Risk tolerance levels are defined in the Group's Risk Appetite Statement, which is an instrument used in the Bank's management and decision-making process in its consolidated activity. The first and foremost objective of the RAS is to lead the Group, in general, and its governing bodies, in particular, to reflect on the Bank's risk positioning.

The RAS is divided into two main components: (a) Governance Model which, based on the "General Internal Control and Risk Management Policy", assigns responsibilities to the various governing bodies and structural units and (b) Risk Assessment and Indicators, which includes an assessment of the various risks, identification of material risks and definition of limits for these.

The RAS is reviewed at least annually, both with regard to the assessment of risks and identification of those that are material and with regard to the choice of relevant indicators and the established limits.

The 2023-25 version of the RAS, approved by the Board of Directors in December 2022, includes 19 indicators with limits that the Group considers essential for the sustainability of its business: capital management, liquidity, operational, credit, interest rate, reputational, compliance and information system risks. In December 2023, the Board of Directors approved the RAS that will be in force from 2024-2026, expanding the range of indicators to 27 and carrying out a full review of the indicators and limits.

In the last 2 years, the BCTT Group has presented the following consolidated indicators:

	'23	'22
Total Capital Ratio	21.0%	15.6%
Liquidity Coverage Ratio (LCR)	942.7%	601.2%
Leverage Ratio	5.8%	6.8%
Return on Tangible Equity (ROTE) – business view	8.8%	4.4%

Table 6 - Key metrics — Values as at 31 december 2023 and 2022.

In addition, under the terms and for the purposes of Article 453(1)(f)(ii) of the CRR of the CRR, during the 2023 financial year there were no intra-group transactions with a significant impact on the Group's risk profile. With regard to transactions with related parties with a significant impact on the Group's risk profile, during 2023, Banco CTT, S.A.'s stake in Payshop Portugal, S.A. was sold in its entirety to CTT - Correios de Portugal, S.A., thus ending its shareholding relationship with the BCTT Group.

4. Capital Adequacy (Articles 437 and 438)

4.1. Own Funds

This section presents the information in compliance with Article 437(a) and (b) of the CRR and Article 438(c) and (d) of the CRR, in accordance with the requirements set out in the EU CCA and EU OVC templates of Commission Implementing Regulation (EU) 637/2021.

In the complex regulatory environment of the banking sector, calculating the amount of own funds is a fundamental pillar for guaranteeing the financial stability and resilience of any institution. In essence, this calculation involves the careful assessment and aggregation of the various components that make up the BCTT Group's capital base. These components include regulatory capital elements - such as Common Equity Tier 1 capital (CET1), Additional Tier 1 capital (AT1) and Tier 2 capital (T2) - as well as certain deductions and adjustments provided for in the applicable regulations. Each element has different characteristics and eligibility criteria, reflecting its capacity to absorb losses and contribute to the BCTT Group's overall financial resilience.

Own funds are calculated in accordance with the prudential framework established by the CRR and Directive 2013/36/EU ("CRD", Capital Requirements Directive), both of the European Parliament and of the Council, of 26 June 2013, which together transpose the Basel III framework into European regulations.

The BCTT Group's own funds are calculated from the financial statements, based on the accounting own funds and taking into account the prudential framework established by the CRR and the CRD.

The BCTT Group's regulatory own funds include the following components as at 31 December 2023:

- Paid-in capital
  At the end of 2023, the BCTT Group's share capital was 296,400 thousand euros, represented by 296,400 thousand ordinary shares, with no par value, 100% held by CTT - Correios de Portugal S.A.
- Revaluation reserves, reserves and retained earnings, and net profit for the year
  Information on the composition of these items is detailed in the Annual Report for 2023 (available on the Bank's website - www.bancoctt.pt), in the notes to the financial statements No. 27.
- Prudential filters
- Additional Valuation Adjustment (AVA)
  The AVA is calculated according to the simplified approach defined in Chapter II of Commission Delegated Regulation (EU) 2016/101, which considers the application of 0.1% to the sum, in absolute value, of the assets and liabilities valued at fair value, representing around 23 thousand euros as at 31 December 2023.
- Deductions to common equity tier 1
- Intangible assets
  This component mainly includes the amounts resulting from investment in software and totalled 13,174 thousand euros as at 31 December 2023.
- Goodwill
  This amount refers to the difference between the amount paid by the BCTT for the acquisition of 100% of the capital of 321 Crédito - Instituição Financeira de Crédito, S.A. and the fair value of the assets, liabilities and contingent liabilities that were acquired, totalling 60,679 thousand euros as at 31 December 2023
- Positions on securitisations that can be assigned a risk weight of 1,250%.
  Amounts relating to exposures on securitisations deducted from own funds in accordance with Article 36(1)(k) of the CRR, amounting to 2 thousand euros as at 31 December 2023.
- Impact of adopting IFRS9
  The Bank adopted the option of recognising the impacts of IFRS9 in stages, in accordance with the provisions of article 473-A of the CRR.

The composition of regulatory own funds for the year ended 31 December 2023 is described in Table 3 below. As at 31 December 2023, the BCTT Group has no additional Tier 1 capital (AT1) or Tier 2 capital (T2).

(amounts in thousands of euros)

		'23	EU CC2 Reference
Common Equity Tier 1 (CET1) capital: instruments and reserves			
1	Capital instruments and the related share premium accounts	296,400	a)
	of which: Instrument type 1	296,400	a)
	of which: Instrument type 2	-	
	of which: Instrument type 3	-	
2	Retained earnings	(46,098)	b)
3	Accumulated other comprehensive income (and other reserves)	2,692	b)
EU-3a	Funds for general banking risk	-	
4	Amount of qualifying items referred to in Article 484 (3) CRR and the related share premium accounts subject to phase out from CET1	-	
5	Minority interests (amount allowed in consolidated CET1)	-	
EU-5a	Independently reviewed interim profits net of any foreseeable charge or dividend	17,023	c)
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**270,018**	
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
7	Additional value adjustments (negative amount)	(23)	
8	Intangible assets (net of related tax liability) (negative amount)	(73,853)	d)
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) CRR are met) (negative amount)	-	e)
11	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value	-	
12	Negative amounts resulting from the calculation of expected loss amounts	-	
13	Any increase in equity that results from securitised assets (negative amount)	-	
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-	
15	Defined-benefit pension fund assets (negative amount)	-	
16	Direct, indirect and synthetic holdings by an institution of own CET1 instruments (negative amount)	-	
17	Direct, indirect and synthetic holdings of the CET 1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	
18	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	
EU-20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	(2)	
EU-20b	of which: qualifying holdings outside the financial sector (negative amount)	-	

(continue)

(continuation)

(amounts in thousands of euros)

		'23	EU CC2 Reference
EU-20c	of which: securitisation positions (negative amount)	(2)	
EU-20d	of which: free deliveries (negative amount)	-	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met) (negative amount)	-	
22	Amount exceeding the 17,65% threshold (negative amount)	-	
23	of which: direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities	-	
25	of which: deferred tax assets arising from temporary differences	-	
EU-25a	Losses for the current financial year (negative amount)	-	
EU-25b	Foreseeable tax charges relating to CET1 items except where the institution suitably adjusts the amount of CET1 items insofar as such tax charges reduce the amount up to which those items may be used to cover risks or losses (negative amount)	-	
27	Qualifying AT1 deductions that exceed the AT1 items of the institution (negative amount)	-	
EU-27a	Other regulatory adjustments	2,756	
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**(71,122)**	
29	**Common Equity Tier 1 (CET1) capital**	**198,896**	
Additonal Tier 1 (AT1) capital: Instruments			
30	Capital instruments and the related share premium accounts	-	
31	of which: classified as equity under applicable accounting standards	-	
32	of which: classified as liabilities under applicable accounting standards	-	
33	Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1	-	
EU-33a	Amount of qualifying items referred to in Article 494a(1) subject to phase out from AT1	-	
EU-33b	Amount of qualifying items referred to in Article 494b(1) subject to phase out from AT1	-	
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties	-	
35	of which: instruments issued by subsidiaries subject to phase out	-	
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	-	

(continue)

(continuation)

(amounts in thousands of euros)

		'23	EU CC2 Reference
Additional Tier 1 (AT1) capital: regulatory adjustments			
37	Direct and indirect holdings by an institution of own AT1 instruments (negative amount)	-	
38	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	
39	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	
40	Direct, indirect and synthetic holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	-	
41	Not applicable	-	
42	Qualifying T2 deductions that exceed the T2 items of the institution (negative amount)	-	
42a	Other regulatory adjustments to AT1 capital	-	
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**	**-**	
44	**Additional Tier 1 (AT1) capital**	**-**	
45	**Tier 1 capital (T1 = CET1 + AT1)**	**198,896**	
Tier 2 (T2) capital: Instruments			
46	Capital instruments and the related share premium accounts	-	
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2 as described in Article 486 (4) CRR	-	
EU-47a	Amount of qualifying items referred to in Article 494a (2) subject to phase out from T2	-	
EU-47b	Amount of qualifying items referred to in Article 494b (2) subject to phase out from T2	-	
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	-	
49	of which: instruments issued by subsidiaries subject to phase out	-	
50	Credit risk adjustments	-	
51	**Tier 2 (T2) capital before regulatory adjustments**	-	

(continue)

(continuation)

(amounts in thousands of euros)

		'23	EU CC2 Reference
Tier 2 (T2) capital: regulatory adjustments			
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	-	
53	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	
54	Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	
54a	Not applicable	-	
55	Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	-	
56	Not applicable	-	
EU-56a	Qualifying eligible liabilities deductions that exceed the eligible liabilities items of the institution (negative amount)	-	
56b	Other regulatory adjustments to T2 capital	-	
57	**Total regulatory adjustments to Tier 2 (T2) capital**	**-**	
58	**Tier 2 (T2) capital**	**-**	
59	**Total capital (TC = T1 + T2)**	**198,896**	
60	**Total risk exposure amount**	**947,577**	
Capital ratios and requirements including buffers			
61	Common Equity Tier 1	21.0%	
62	Tier 1	21.0%	
63	Total capital	21.0%	
64	Institution CET1 overall capital requirements	8.7%	
65	of which: capital conservation buffer requirement	2.5%	
66	of which: countercyclical capital buffer requirement	0.0%	
67	of which: systemic risk buffer requirement	0.0%	
EU-67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer requirement	0.0%	
EU-67b	of which: additional own funds requirements to address the risks other than the risk of excessive leverage	1.7%	
68	**Common Equity Tier 1 capital (as a percentage of risk exposure amount) available after meeting the minimum capital requirements**	**10.0%**	
69	**Not applicable**		
70	**Not applicable**		
71	**Not applicable**		

(continue)

(continuation)

(amounts in thousands of euros)

		'23	EU CC2 Reference
Amounts below the thresholds for deductions (before risk weighting)			
72	Direct and indirect holdings of own funds and eligible liabilities of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	-	
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 17.65% thresholds and net of eligible short positions)	-	
74	Not applicable	-	
75	Deferred tax assets arising from temporary differences (amount below 17.65% threshold, net of related tax liability where the conditions in Article 38 (3) are met)	-	
Applicable caps on the inclusion of provisions in Tier 2			
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	-	
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	8,964	
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	-	
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	-	
Capital instruments subject to phase-out arrangements (only apply between 1 Jan 2014 and 1 Jan 2022)			
80	**Current cap on CET1 instruments subject to phase out arrangements**	-	
81	**Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)**	-	
82	**Current cap on AT1 instruments subject to phase out arrangements**	-	
83	**Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)**	-	
84	**Current cap on T2 instruments subject to phase out arrangements**	-	
85	**Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)**	-	

Table 7 - EU CC1 - Composition of regulatory own funds at 31.12.2023

Values as at 31 december 2023.

The reconciliation of regulatory own funds with the balance sheet of the audited financial statements as at 31 December 2023 is as follows:

(amounts in thousands of euros)

'23

	Balance sheet as in published financial statements 31-12-2023	Under regulatory scope of consolidation 31-12-2023	EU CC1 Reference
Assets			
Cash and deposits at central banks	54,477	54,477	
Deposits at other credit institutions	36,069	28,276	
Financial assets at amortised cost			
Investments at credit institutions	1,272,080	1,272,080	
Loans and advances to customers	1,593,214	1,593,214	
Debt securities	729,466	729,466	
Financial assets at fair value through profit or loss			
Derivatives	13,532	-	
Investment Fund Units	-	-	
Financial assets at fair value through other comprehensive income			
Debt securities	-	-	
Repurchase agreements	-	-	
Hedging derivatives	-	-	
Non-current assets and disposal groups classified as held for sale			
Non-current assets held for sale	0	0	
Assets of Disposal Groups Classified as Held for Sale	-	-	
Investment properties	-	-	
Other tangible assets	5,338	5,338	
Goodwill and intangible assets	81,900	81,900	d)
Investments in subsidiaries, associates, and jointly controlled entities	-	9,487	
Current tax assets	-	-	
Deferred tax assets	1,753	1,753	e)
Other assets	39,303	39,288	
Total Assets	**3,827,132**	**3,815,280**	
Liabilities			
Deposits from central banks	-	-	
Financial liabilities classified as held for sale	-	-	
Financial liabilities at fair value through profit or loss	13,744	13,744	
Financial liabilities at amortised cost			
Deposits from other credit institutions	-	-	
Deposits from customers	3,106,179	3,106,179	
Debt securities issued	347,375	-	
Financial liabilities associated with transferred assets	0	338,943	
Hedging derivatives	-	-	
Non-current liabilities classified as held for sale	-	-	
Provisions	1,692	1,692	
Current tax liabilities	1,362	1,362	
Deferred tax liabilities	3,607	186	
Other subordinated liabilities	-	-	
Other liabilities	83,156	83,156	
Liabilities included in disposal groups classified as held for sale	-	-	
Total Liabilities	**3,557,114**	**3,545,262**	
Equity			
Share Capital	296,400	296,400	a)
Share premium	-	-	
Other equity instruments	-	-	
Own shares	-	-	
Fair value reserves	-	-	
Legal reserves	3,037	3,037	b)
Retained earnings	(46,442)	(46,442)	b)
Net Income for the year	17,023	17,023	c)
Expected dividends	-	-	
Total Equity	**270,018**	**270,018**	

(continue)

(continuation)

(amounts in thousands of euros)

'23

Table 8 - EU CC2 - Reconciliation of regulatory own funds to balance sheet in the audited financial statements

Values as at 31 december 2023.

The main differences between the prudential and accounting perimeters relate essentially to securitisation operations, particularly with regard to securitisation vehicles - Ulisses Finance No. 2 and Ulisses Finance No. 3 - which are not included in the prudential perimeter.

4.2. Own funds requirements and risk-weighted exposure amounts

This section aims to comply with Article 438(d) of the CRR, in accordance with the requirements set out in the EU OV1 template of Commission Implementing Regulation (EU) 637/2021.

When calculating capital requirements, the BCTT Group applies the Standardised Approach for credit risk, in accordance with current prudential regulations, set out in Chapter 2 of Title II of Part III of the CRR. With regard to determining the amount of exposure at risk both in the calculation of own funds risk for CVA and for counterparty credit risk, the BCTT Group has adopted the Standardised Approach, as set out in Chapter 6 of Title II of Part III and in Article 275 of the CRR.

With regard to market risk, the BCTT Group does not hold a trading book and does not intend to take on any material exchange rate risk (exposure to currencies other than EUR that represent more than 1% of assets). As such, this risk is not relevant for the purposes of calculating capital requirements.

Finally, for the calculation of operational risk capital requirements, the BCTT Group uses the basic indicator method, in line with Chapter 2 of Title III of Part III of the CRR.

The total amount of risk exposure and the corresponding capital requirements for the year ended 31 December 2023 are as follows:

(amounts in thousands of euros)

		Total risk exposure amounts (TREA)		Total own funds requirements	
		'23	'22	'23	'22
1	**Credit risk (excluding CCR)**	**719,736**	**990,909**	**57,579**	**79,273**
2	Of which the standardised approach	719,736	990,909	57,579	79,273
3	Of which the Foundation IRB (F-IRB) approach	-	-	-	-
4	Of which slotting approach	-	-	-	-
EU 4a	Of which equities under the simple risk weighted approach	-	-	-	-
5	Of which the Advanced IRB (A-IRB) approach	-	-	-	-
6	**Counterparty credit risk - CCR**	**38,857**	**42,761**	**3,109**	**3,421**
7	Of which the standardised approach	9,141	9,395	731	752
8	Of which internal model method (IMM)	-	-	-	-
EU 8a	Of which exposures to a CCP	-	-	-	-
EU 8b	Of which credit valuation adjustment — CVA	29,716	33,366*	2,377	2,669*
9	Of which other CCR	-	-	-	-
15	**Settlement risk**	**-**	**-**	**-**	**-**
16	**Securitisation exposures in the non-trading book (after the cap)**	**25**	**25**	**2**	**2**
17	Of which SEC-IRBA approach	-	-	-	-
	Of which SEC-ERBA (including IAA)	-	-	-	-
19	Of which SEC-SA approach	-	-	-	-
EU 19a	Of which 1250%/deduction	-	-	-	-
20	**Position, foreign exchange and commodities risks (Market risk)**	**-**	**-**	**-**	**-**
21	Of which the standardised approach	-	-	-	-
22	Of which IMA	-	-	-	-
EU 22a	**Large exposures**	**-**	**-**	**-**	**-**
23	**Operational risk**	**188,984**	**148,925**	**15,119**	**11,914**
EU 23a	Of which basic indicator approach	188,984	148,925	15,119	11,914
EU 23b	Of which standardised approach	-	-	-	-
EU 23c	Of which advanced measurement approach	-	-	-	-
24	**Amounts below the thresholds for deduction (subject to 250% risk weight)**				
29	**Total**	**947,602**	**1,182,619**	**75,808**	**94,610**

Table 9 - EU OV1 - Overview of total risk exposure amounts

Values as at 31 december 2023 and 2022.

* This figure replaces the figure published for the same reference date, and for the same item, in the Report "Disclosure of Information under Part VIII of Regulation (EU) 75/2013" for the year 2022.

4.3. Capital Adequacy

According to Article 92 of the CRR, the minimum ratios to be met are 8% for total own funds, 6% for Tier 1 and 4.5% for CET1.

In addition to the minimum requirements established in the CRR, as part of the Supervisory Review and Evaluation Process (SREP), the Banco de Portugal determined compliance with the Pillar II capital requirements of 8.69%, 10.75% and 13.50% for the Common Equity Tier 1, Tier 1 and Total ratios, respectively, which remained unchanged in 2023 compared to the levels defined in 2022.

The following table shows the capital ratios and minimum requirements to be met by the BCTT Group, which shows that the ratios calculated by the Group are in full compliance with the minimum regulatory ratios.

It should be emphasised that the regulatory capital excesses / insufficiencies, at their various levels, shown in the table above, only take into account the minimum ratios to be complied with, as stipulated in Article 92 of the CRR.

Banco de Portugal, as the national resolution authority (NRA), now considers the application of a resolution measure as the preferred resolution strategy, with a single point of entry ("SPE"), for the Banco CTT Group. In this context, a minimum requirement for own funds and eligible liabilities ("MREL") to be met at the consolidated level as of 30 June 2026 of 23.33% of the total exposure amount ("TREA"), including 2.5% of the combined capital reserve requirement ("CBR") and 5.29% of the total exposure measure ("LRE") was determined."

To ensure compliance with the aforementioned requirements, the BCTT Group has established a plan to ensure its financing activities and its ability to recapitalise in the event of a resolution scenario.

(amounts in thousands of euros)

	'23				'22			
	Total	Pillar I	Pillar II	Buffers	Total	Pillar I	Pillar II	Buffers
Common Equity Tier 1 Surplus (+) / Shortfall (-)	156,255	-	-	-	131,660	-	-	-
Common Equity Tier 1 Ratio	21.0%				15.6%			
Common Equity Tier 1 requirement		4.5%	6.2%	8.7%		4.5%	6.2%	8.7%
Tier 1 Surplus (+) / Shortfall (-)	142,041	-	-	-	113,921	-	-	-
Tier 1 Ratio	21.0%				15.6%			
Tier 1 requirement		6.0%	8.3%	10.8%		6.0%	8.3%	10.8%
Total Capital Surplus (+) / Shortfall (-)	123,090	-	-	-	90,269	-	-	-
Total Capital Ratio	21.0%				15.6%			
Total Capital requirement		8.,0%	11.0%	13.5%		8.0%	11.0%	13.5%

Table 10 - Capital ratios and requirements

Values as at 31 december 2023 and 2022.

4.4. Internal Capital Adequacy Self-Assessment Process (Article 438)

This chapter aims to comply with Article 438(c) of the CRR, in accordance with the requirements set out in the EU OVC model of Commission Implementing Regulation (EU) 637/2021.

The BCTT Group carries out an annual self-assessment exercise in order to determine the levels of capital adequacy ("ICAAP") to mitigate the risks inherent to its business model, in accordance with the provisions of Banco de Portugal Instruction 3/2019 of 25 January and the EBA's "Guidelines on ICAAP and ILAAP information collected for SREP purposes" (EBA/GL/2016/10). The assessment and determination of internal capital requirements falls within the scope of Pillar II of the Basel Accord.

The ICAAP should not be interpreted as a purely regulatory exercise, but also plays a fundamental role in the BCTT Group's risk management insofar as, when developed in a solid, effective and exhaustive manner, it allows for a clear assessment of its risks in terms of capital consumption, under a base scenario and an adverse scenario and over a prospective time horizon of 3 years.

In terms of governance, the ICAAP is coordinated by the Risk Department, in collaboration with the other functional areas, and is subject to an independent assessment by Internal Audit. The report is validated by the Capital, Risk and Sustainability Committee, assessed by the Audit Committee and approved by the Board of Directors. In addition to the above-mentioned regulatory reporting, the Group monitors the various alert limits defined for the different risks in the Capital, Risk and Sustainability Committee and the Audit Committee on a quarterly basis.

The ICAAP begins with the process of identifying all the relevant risks to which the BCTT Group is or may be exposed from an economic perspective, which must be in accordance with its internal risk taxonomy. Therefore, the identification of the risks considered relevant must be based on the Group's risk appetite framework. The calculation of internal capital requirements for the material risks identified is based on quantification methodologies adapted to the Group's activity and risk profile, which are fully understood and used for internal risk management and decision-making. After quantifying the material risks, the BCTT Group assesses the degree of adequacy of internal capital by comparing it with the capital requirements previously calculated. In this context, the BCTT Group seeks to ensure that internal capital is sufficient and has a high degree of permanence, so that it is immediately available to absorb losses.

The following graph shows the distribution of capital requirements for each of the materially relevant risks, according to the results of the last ICAAP exercise, with reference to 31 December 2022. The most relevant risks for the BCTT Group are credit risk (74% of total capital requirements) and interest rate risk (15% of total capital requirements).

Taking into account the complexity and size of the BCTT Group, as well as the fact that its regulatory capital requirements are higher than its internal capital needs, the Group has not, to date, identified the need to have a formal process for monitoring internal capital consumption, considering the monthly monitoring of regulatory capital consumption to be sufficient.

Weight of each risk in the value of internal capital requirements

Figure 3 - Weight of each risk in internal capital requirements

5. Key Metrics (Article 447)

This chapter presents the information provided for in Article 447 of the CRR, in accordance with the requirements set out in the EU KM templates of Commission Implementing Regulation (EU) 637/2021.

(amounts in thousands of euros)

		31-12-2023	30-09-2023	30-06-2023	31-03-2023
Available own funds (amounts)					
1	Common Equity Tier 1 (CET1) capital	198,896	188,708	189,077	182,237
2	Tier 1 capital	198,896	188,708	189,077	182,237
3	Total capital	198,896	188,708	189,077	182,237
Risk-weighted exposure amounts					
4	Total risk exposure amount	947,577	1,228,137	1,193,168	1,175,373
Capital ratios (as a percentage of risk-weighted exposure amount)					
5	Common Equity Tier 1 ratio (%)	21.0%	15.4%	15.9%	15.5%
6	Tier 1 ratio (%)	21.0%	15.4%	15.9%	15.5%
7	Total capital ratio (%)	21.0%	15.4%	15.9%	15.5%
Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)					
EU 7a	Additional own funds requirements to address risks other than the risk of excessive leverage (%)	3.0%	3.0%	3.0%	3.0%
EU 7b	of which: to be made up of CET1 capital (percentage points)	1.7pp	1.7pp	1.7pp	1.7pp
EU 7c	of which: to be made up of Tier 1 capital (percentage points)	2.3pp	2.3pp	2.3pp	2.3pp
EU 7d	Total SREP own funds requirements (%)	11.0%	11.0%	11.0%	11.0%
Combined buffer and overall capital requirement (as a percentage of risk-weighted exposure amount)					
8	Capital conservation buffer (%)	2.5%	2.5%	2.5%	2.5%
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	0.0%	0.0%	0.0%	0.0%
9	Institution specific countercyclical capital buffer (%)	0.0%	0.0%	0.0%	0.0%
EU 9a	Systemic risk buffer (%)	0.0%	0.0%	0.0%	0.0%
10	Global Systemically Important Institution buffer (%)	0.0%	0.0%	0.0%	0.0%
EU 10a	Other Systemically Important Institution buffer (%)	0.0%	0.0%	0.0%	0.0%
11	Combined buffer requirement (%)	2.5%	2.5%	2.5%	2.5%
EU 11a	Overall capital requirements (%)	13.5%	13.5%	13.5%	13.5%
12	CET1 available after meeting the total SREP own funds requirements (%)	10.0%	10.9%	11.3%	11.0%
Leverage ratio					
13	Total exposure measure	3,433,544	3,085,540	2,710,074	2,570,045
14	Leverage ratio (%)	5.8%	6.1%	7.0%	7.1%
Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)					
EU 14a	Additional own funds requirements to address the risk of excessive leverage (%)	0.0%	0.0%	0.0%	0.0%
EU 14b	of which: to be made up of CET1 capital (percentage points)	0.0pp	0.0pp	0.0pp	0.0pp
EU 14c	Total SREP leverage ratio requirements (%)	3.0%	3.0%	3.0%	3.0%
Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)					
EU 14d	Leverage ratio buffer requirement (%)	0.0%	0.0%	0.0%	0.0%
EU 14e	Overall leverage ratio requirement (%)	3.0%	3.0%	3.0%	3.0%
Liquidity Coverage Ratio					
15	Total high-quality liquid assets (HQLA) (Weighted value -average)	1,185,283	1,028,868	992,191	983,501
EU 16a	Cash outflows - Total weighted value	224,286	210,878	201,517	192,447
EU 16b	Cash inflows - Total weighted value	56,694	53,803	54,674	60,071
16	Total net cash outflows (adjusted value)	167,592	157,075	146,843	124,129
17	Liquidity Coverage Ratio (%)	702.7%	659.7%	692.1%	804.6%
Net Stable Funding Ratio					
18	Total available stable funding	3,464,027	3,132,598	2,812,211	2,666,092
19	Total required stable funding	1,512,705	1,854,464	1,631,943	1,607,120
20	NSFR ratio (%)	229.0%	168.9%	172.3%	165.9%

Table 11 - EU KM1 - Key metrics template (2023)

(amounts in thousands of euros)

		31-12-2022	30-09-2022	30-06-2022	31-03-2022
Available own funds (amounts)					
1	Common Equity Tier 1 (CET1) capital	184,876	174,288	173,016	165,321
2	Tier 1 capital	184,876	174,288	173,016	165,321
3	Total capital	184,876	174,288	173,016	165,321
Risk-weighted exposure amounts					
4	Total risk exposure amount	1,182,594	1,091,765	1,028,019	1,086,739
Capital ratios (as a percentage of risk-weighted exposure amount)					
5	Common Equity Tier 1 ratio (%)	15.6%	16.0%	16.8%	15.2%
6	Tier 1 ratio (%)	15.6%	16.0%	16.8%	15.2%
7	Total capital ratio (%)	15.6%	16.0%	16.8%	15.2%
Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)					
EU 7a	Additional own funds requirements to address risks other than the risk of excessive leverage (%)	3.0%	3.0%	3.0%	3.0%
EU 7b	of which: to be made up of CET1 capital (percentage points)	1.7pp	1.7pp	1.7pp	1.7pp
EU 7c	of which: to be made up of Tier 1 capital (percentage points)	2.3pp	2.3pp	2.3pp	2.3pp
EU 7d	Total SREP own funds requirements (%)	11.0%	11.0%	11.0%	11.0%
Combined buffer and overall capital requirement (as a percentage of risk-weighted exposure amount)					
8	Capital conservation buffer	2.5%	2.5%	2.5%	2.5%
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	0.0%	0.0%	0.0%	0.0%
9	Institution specific countercyclical capital buffer (%)	0.0%	0.0%	0.0%	0.0%
EU 9a	Systemic risk buffer (%)	0.0%	0.0%	0.0%	0.0%
10	Global Systemically Important Institution buffer (%)	0.0%	0.0%	0.0%	0.0%
EU 10a	Other Systemically Important Institution buffer (%)	0.0%	0.0%	0.0%	0.0%

(continue)

(continuation)

(amounts in thousands of euros)

		31-12-2022	30-09-2022	30-06-2022	31-03-2022
11	Combined buffer requirement (%)	2.5%	2.5%	2.5%	2.5%
EU 11a	Overall capital requirements (%)	13.5%	13.5%	13.5%	13.5%
12	CET1 available after meeting the total SREP own funds requirements (%)	11.1%	11.5%	12.3%	10.7%
Leverage ratio					
13	Total exposure measure	2,628,616	2,619,963	2,569,854	2,715,379
14	Leverage ratio (%)	7.0%	6.7%	6.7%	6.1%
Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)					
EU 14a	Additional own funds requirements to address the risk of excessive leverage (%)	0.0%	0.0%	0.0%	0.0%
EU 14b	of which: to be made up of CET1 capital (percentage points)	0.0pp	0.0pp	0.0pp	0.0pp
EU 14c	Total SREP leverage ratio requirements (%)	3.0%	3.0%	3.0%	3.0%
Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)					
EU 14d	Leverage ratio buffer requirement (%)	0.0%	0.0%	0.0%	0.0%
EU 14e	Overall leverage ratio requirement (%)	3.0%	3.0%	3.0%	3.0%
Liquidity Coverage Ratio					
15	Total high-quality liquid assets (HQLA) (Weighted value -average)	949,919	1,002,034	1,067,116	894,771
EU 16a	Cash outflows - Total weighted value	212,731	179,074	181,131	171,168
EU 16b	Cash inflows – Total weighted value	54,727	71,158	81,320	61,860
16	Total net cash outflows (adjusted value)	158,004	107,917	99,811	109,308
17	Liquidity Coverage Ratio (%)	601.2%	928.5%	1069.1%	818.6%
Net Stable Funding Ratio					
18	Total available stable funding*	2,717,031	2,681,401	2,646,139	2,430,834
19	Total required stable funding*	1,611,209	1,541,277	1,491,637	1,434,329
20	NSFR ratio (%)*	168.6%	174.0%	177.0%	169.5%

Table 12 - EU KM1 - Key metrics template (2022)

* These figures replace the figures published for the same reference dates, and for the same items, in the Report "Disclosure of Information under Part VIII of Regulation (EU) 575/2013" for the year 2022.

Since the Group is not classified as a Global Systemically Important Institution (G-SII), the disclosure of information referred to in Article 437a and Article 447(h) of the CRR is not applicable.

6. Remuneration Policy (Article 450)

This chapter presents the information provided for in Article 459 of the CRR, in accordance with the requirements set out in the EU REMA templates of Commission Implementing Regulation (EU) 637/2021, on the remuneration policies defined by the BCTT Group. In addition to this report, compliance with this regulatory requirement must take into account: a) the "Remuneration Policy of the Banco CTT Group" (available on the Bank's website - www.bancoctt.pt), which includes the "Remuneration Policy for Members of the Management and Supervisory Bodies and Relevant Employees" and the "Employee Remuneration Policy" (excluding Relevant Employees and Employees with multiple employers) of the Banco CTT Group, having been updated in December 2022, as part of its annual review, in accordance with what is defined in said policy; and b) the information contained in the 2023 Annual Report (available on the Bank's website -) www.bancoctt.pt).

6.1. General Principles of Remuneration

The Remuneration Policy, approved by BCTT as the parent company of the BCTT Group, is adopted by all the subsidiaries in the consolidation perimeter, and each entity is responsible for drawing up and approving the respective remuneration models in accordance with the principles laid down in the Group's policy.

The General Meeting is responsible for approving, reviewing and updating the Remuneration Policy with regard to the remuneration of the Governing Bodies, on a proposal from the Remuneration Committee set up within the Bank's Board of Directors. The Board of Directors is responsible for approving, reviewing and updating the Remuneration Policy with regard to the remuneration of Relevant Employees, on a proposal from the Executive Committee, subject to the Remuneration Committee's appraisal. The Remuneration Committee is responsible for assessing and supervising the remuneration policies and practices of all employees.

In terms of governance structure, the BCTT Group has a Selection and Remuneration Committee, set up on 5 December 2022 at the General Meeting, and a Remuneration Committee. The Selection and Remuneration Committee is made up of three non-executive members of the Board of Directors. Its main duties are to (i) identify, select and assess the suitability of the members of the Management and Supervisory Bodies and Key Function Holders; and (ii) set the remuneration of the members of the Board of the General Meeting, the Board of Directors, the Audit Committee and the Statutory Auditor. The Remuneration Committee is made up of three non-executive members of the Board of Directors, appointed for a period equivalent to the term of office of the members of the Board. This Committee is responsible for making informed and independent judgements on the BCTT Group's remuneration policy and practices, supporting the relevant governing bodies, and for preparing the respective resolutions on setting the remuneration of the members of the Board of Directors, the Audit Committee and the relevant categories of employees. At the end of 2023, the Remuneration Committee consisted of two members and the Selection and Remuneration Committee consisted of a Chairman and two members.

During 2023, 13 meetings of the Remuneration Committee and 11 meetings of the Selection and Remuneration Committee were held.

As part of its duties, namely to supervise Remuneration Policies, the Remuneration Committee proposed to the Board of Directors that it hire consultancy services from the external company AON, which developed a study, delivered in 2023, on the gender pay gap.

In compliance with Article 450(1)(k) of the CRR, the BCTT Group is covered by the derogation provided for in Article 94(3) of the CRD for Article 94(1)(l) and 94(1)(m), given that, as stated in the respective point (a), BCTT or any entity of the BCTT Group does not meet the requirements to be classified as a large institution. It should be noted that the BCTT Group does not have a pension policy in place within the meaning of Article 94(3)(c) of the CRD.

The BCTT Group's remuneration policy has been designed so that employee compensation is adequate and not dependent on the award of variable remuneration, avoiding incentives for excessive short-term risk-taking. In this sense, there is no guaranteed variable remuneration.

6.1.1. Remuneration of the members of the Supervisory Body

The remuneration of the members of the Supervisory Body consists exclusively of a fixed annual component and, as such, is not related to the Group's performance or results. The General Meeting is responsible for defining the amount of this fixed annual remuneration and it may be reviewed annually.

6.1.2. Remuneration of the members of the Management Body

The remuneration of the members of the Board of Directors with executive functions is made up of three components: a fixed component, a variable component and additional benefits. Non-executive members receive a fixed annual remuneration.

The annual fixed component of the remuneration of the members of the Board of Directors is defined by the General Meeting, taking into account the competencies and responsibilities in the performance of the various functions of the Board: i) Chairman of the Board of Directors; ii) Chairman of the Executive Committee; iii) Members of the Executive Committee; iv) Non-executive members of the Board of Directors; and v) Members in day-to-day management functions, including those who are members of committees within the Board of Directors. The fixed remuneration of the members of the Board of Directors is not dependent on the Group's performance or results and can be reviewed annually.

In the case of members of the Executive Committee, the fixed remuneration component must exceed 50% of each member's total annual remuneration. The variable component of the remuneration of the members of the Executive Committee is set in accordance with the BCTT Group's Remuneration Policy and may not exceed 100% of the annual fixed remuneration of each of its members each year, as defined in Article 94(2)(g) of the CRD.

The Group's remuneration policy stipulates a short-term variable remuneration component for the members of BCTT's Executive Committee, to be assessed on an annual basis, and a long-term variable remuneration component, to be assessed on a multi-annual basis which may or may not coincide with the period of the respective mandate and/or the relevant strategic plans, in accordance with what is established in the performance assessment model. The parameters defined in the Governing Bodies Performance Model for defining the performance measurement criteria and the levels of achievement and weighting of each criterion, as well as the criteria for the total or partial reduction (malus) or reversal (clawback) of variable remuneration, are described in the Group's Remuneration Policy. BCTT subsidiaries must consider the implementation of the long-term variable remuneration component in accordance with the principle of proportionality. The criteria for defining variable remuneration are approved by the General Meeting, on a proposal from the Remuneration Committee (BCTT) or the Supervisory Body (Subsidiaries). Payment of the defined variable remuneration may be deferred by up to 50% of the amount for a maximum period of 4 years, depending on the BCTT Group's financial conditions in relation to the macroeconomic environment on the date of the decision to award it.

The additional benefits component may be awarded to members of the Executive Committee, in a manner to be defined by the General Meeting, on the proposal of the Remuneration Committee in cases where it exists, or if it does not exist, on the proposal of the Supervisory Body. Benefits can include, among others, insurance policies, the allocation of vehicles and meal allowances

6.1.3. Remuneration of Relevant Employees

Under the terms of the BCTT Group's Remuneration Policy, and without prejudice to the evaluation process, "Relevant Employees" are classified as follows:

- Employees who perform executive duties and are directly responsible to the Board of Directors and the Executive Committee ("Senior Management");
- Employees responsible for risk-taking ("Risk-takers");
- Employees responsible for a control function - Risk Management, Compliance and Internal Audit ("Control Function Managers") or who assume management responsibilities in one of these internal control functions, reporting to the person directly responsible for that function ("Employees Responsible for the Management of Control Functions");
- Other employees with a remuneration equal to or greater than 500,000 euros and equal to or greater than the average remuneration attributed to members of the management and supervisory bodies and senior management, provided that they perform duties in a significant business unit with an impact on the risk profile of the BCTT Group or the entity on an individual basis;
- Any employee who may be indicated in the process of identifying "Relevant Employees" whose professional activity has an impact on the Bank's risk profile. The process of identifying these employees takes place at least once a year.

The remuneration of Relevant Employees is made up of three components: a fixed component, a variable component and additional benefits.

The fixed monthly component is defined by the Board of Directors, on a proposal from the Executive Committee, subject to appraisal by the Remuneration Committee, and is in accordance with the terms defined in the respective individual contract and the applicable labour regime. The fixed remuneration component must correspond to a sufficiently high proportion of the total remuneration and must take into account the relevant professional experience and the responsibility assumed by the Employee within the organisation. The remuneration of Control Function Managers and Employees with Management Responsibility in Control Functions is directly supervised by the Remuneration Committee (BCTT) or the Supervisory Body (Subsidiaries).

The variable remuneration of Relevant Employees depends on the decision of the respective competent bodies, taking into account the sustainable performance of the BCTT Group, the performance of the structural unit to which the employee belongs and individual performance. In the case of Control Function Managers and Employees with Management Responsibility in Control Functions, the allocation of the variable remuneration component is decided by the Board of Directors, on a proposal from the Remuneration Committee. In this way, the BCTT Group ensures that staff with control functions are remunerated independently of the activities they supervise. In the case of the other Relevant Employees, the allocation of this component must be proposed by the Executive Committee to the Board of Directors and is subject to assessment by the Remuneration Committee (in the case of Banco CTT) or the Supervisory Body (in the case of subsidiaries). Any allocation of this component must comply with the principles and rules defined for the variable remuneration of executive directors, whenever these principles and rules are not expressly referred to as being applicable only to executive directors.

The other benefits component depends on any Company Agreement applicable to them, under the terms approved by the Board of Directors or the Executive Committee.

6.1.4. Compensation for termination of office of Members of the Governing Bodies and Relevant Employees

In addition to the legal provisions applicable to the BCTT Group, severance pay may be paid to Members of the Governing Bodies with executive functions or to Relevant Employees, in a manner to be determined, which will be decided by the following bodies:

- By the General Meeting (without prejudice to the statutory power to delegate to a Remuneration Committee), in the case of Members of the Governing Bodies with executive duties;
- By the Board of Directors, in the case of Control Function Managers and Employees with Management Responsibility in Control Functions, on the proposal of the Remuneration Committee;
- By the Executive Committee, in the case of other Relevant Employees (not covered in the previous paragraph), subject to the favourable appraisal/recommendation of the Remuneration Committee; and
- In the case of subsidiaries where there is no Remuneration Committee, by the Board of Directors, subject to the favourable appraisal of the supervisory body.

For the purposes of the possible payment of compensation, the Compliance and Risk functions of the Group entity in question must, upon request, draw up an opinion to be sent to the bodies with competence for proposing, defining and/or approving severance pay.

When determining the amount of the severance payment, account should be taken of performance over time and the seriousness of any failure (either of the Group or of the person identified) assessed where appropriate.

6.2. Quantitative Information

The table below shows the quantitative information on the total amount of remuneration awarded in 2023 and the respective breakdown by business area and employee category.

The remuneration awarded during the 2023 financial year to Banco CTT's management and supervisory bodies and to other Relevant Employees, reported in accordance with Article 450(1)(i) and (ii) of the CRR, is as follows:

For the purposes of complying with Article 450(1)(h)(v), (vi) and (vii) of the CRR and the provisions of the "EU REM2 - Special payments to staff whose professional activity has a significant impact on the risk profile of institutions (identified staff)" template of Commission Implementing Regulation (EU) 637/2021, the BCTT Group has no figures to report, which is why this information is not detailed in this report.

(amounts in thousands of euros)

			MB Supervisory function	MB Management function	Other senior management	Other identified staff
1	Fixed Remuneration	Number of identified staff	5	5	19	1
2	Fixed Remuneration	Total fixed remuneration	402,279	1,359,905	1,705,694	33,641
3	Fixed Remuneration	Of which: cash-based	402,279	1,359,905	1,705,694	33,641
EU-4a	Fixed Remuneration	Of which: shares or equivalent ownership interests	-	-	-	-
5	Fixed Remuneration	Of which: share-linked instruments or equivalent non-cash instruments	-	-	-	-
EU-5x	Fixed Remuneration	Of which: other instruments	-	-	-	-
7	Fixed Remuneration	Of which: other forms	-	-	-	-
9	Variable Remuneration	Number of identified staff	5	5	18	1
10	Variable Remuneration	Total variable remuneration	-	688,468	171,156	
11	Variable Remuneration	Of which: cash-based	-	688,468	171,156	-
12	Variable Remuneration	Of which: deferred	-	344,234	-	-
EU-13a	Variable Remuneration	Of which: shares or equivalent ownership interests	-	-	-	-
EU-14a	Variable Remuneration	Of which: deferred	-	-	-	-
EU-13b	Variable Remuneration	Of which: share-linked instruments or equivalent non-cash instruments	-	-	-	-
EU-14b	Variable Remuneration	Of which: deferred	-	-	-	-
EU-14x	Variable Remuneration	Of which: other instruments	-	-	-	-
EU-14y	Variable Remuneration	Of which: deferred	-	-	-	-
15	Variable Remuneration	Of which: other forms	-	-	-	-
16	Variable Remuneration	Of which: deferred	-	-	-	-
17		**Total remuneration (2 + 10)**	**402,279**	**2,048,373**	**1,876,850**	**33,641**

table 13 - EU REM1 - Remuneration awarded for the financial year

Deferred remuneration, reported in accordance with sub-sections iii) and iv) of Article 450(1)(h) of the CRR, is as follows:

(amounts in thousands of euros)

(continue)

(continuation)

(amounts in thousands of euros)

		Total amount of deferred remun eration awarded for previous performance periods	Of which due to vest in the financial year	Of which vesting in subsequent financial years	Amount of performance adjustment made in the financial year to deferred remune-ration that was due to vest in the financial year	Amount of performance adjustment made in the financial year to deferred remune-ration that was due to vest in future performance years	Total amount of adjustment during the financial year due to ex post implicit adjustments (i.e. changes of value of deferred remunera-tion due to the changes of prices of instruments)	Total amount of deferred remun eration awarded before the financial year actually paid out in the financial year	Total amount of deferred re-muneration awarded for previous performance period that has vested but is subject to retention periods
1	**MB Supervisory function**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2	Cash-based	-	-	-	-	-	-	-	-
3	Shares or equivalent ownership interests	-	-	-	-	-	-	-	-
4	Share-linked instruments or equivalent non-cash instruments	-	-	-	-	-	-	-	-
5	Other instruments	-	-	-	-	-	-	-	-
6	Other forms	-	-	-	-	-	-	-	-
7	**MB Management function**	**1,375,851**	**462,405**	**913,446**	**-**	**-**	**-**	**462,405**	**913,446**
8	Cash-based	1,375,851	462,405	913,446	-	-	-	462,405	913,446
9	Shares or equivalent ownership interests	-	-	-	-	-	-	-	-
10	Share-linked instruments or equivalent non-cash instruments	-	-	-	-	-	-	-	-
11	Other instruments	-	-	-	-	-	-	-	-
12	Other forms	-	-	-	-	-	-	-	-
13	**Other senior management**	**285,628**	**151,145**	**134,483**	**-**	**-**	**-**	**151,145**	**134,483**
14	Cash-based	285,628	151,145	134,483	-	-	-	151,145	134,483
15	Shares or equivalent ownership interests	-	-	-	-	-	-	-	-
16	Share-linked instruments or equivalent non-cash instruments	-	-	-	-	-	-	-	-
17	Other instruments	-	-	-	-	-	-	-	-
18	Other forms	-	-	-	-	-	-	-	-
19	**Other identified staff**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
20	Cash-based	-	-	-	-	-	-	-	-
21	Shares or equivalent ownership interests	-	-	-	-	-	-	-	-
22	Share-linked instruments or equivalent non-cash instruments	-	-	-	-	-	-	-	-
23	Other instruments	-	-	-	-	-	-	-	-
24	Other forms	-	-	-	-	-	-	-	-
25	**Total Amount**	**3,322,958**	**1,227,100**	**2,095,859**	**-**	**-**	**-**	**1,227,100**	**2,095,859**

Table 14 – EU REM3 – Deferred remuneration

In the 2023 financial year, there is no remuneration equal to or greater than 1 million euros awarded to BCTT Group employees within the meaning of Article 450(1)(i) of the CRR and the "EU REM4 – Remuneration equal to or greater than €1 million per year" template of Commission Implementing Regulation (EU) 637/2021.


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