bancoctt

FUTURE IN ACTION

Annual 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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Message from the Chairmen

Chairman's Statement

At the General Meeting of Banco CTT on 3 January 2024, I had the honour of being sworn in as Chairman of the Board of Directors of Banco CTT.

In the first eight years of its life, I have had the opportunity to observe the Bank's remarkable track record and the momentum it has achieved in a very competitive market dominated by fully established incumbents.

Foundations were established, with a simple offer that works for most Portuguese. A network of capillary branches was set up, which humanises and brings relationships closer together, being present where digital franchises cannot reach. Technology has been and continues to be developed, already allowing for a level of "digital intensity" in line with the sector.

With all this, Banco CTT now has a high-potential franchise, of a critical size, based on a historic brand that conveys trust and solidity to the Portuguese population.

Finally, the core business was completed with the acquisition of 321 Crédito, a platform that has established itself as the TOP 3 in Portugal in an important and high-potential segment.

It is in this context that we have the privilege of being able to look ahead to the coming years with ambition and boldness. Banco CTT has earned this right.

The Bank can become even more relevant to the Portuguese. The new strategic plan envisages more commercial muscle and more technology, to better serve our customers, those who have already placed their trust in Banco CTT and the many who are yet to come.

The Board of Directors will accompany this new phase with total commitment, underlining its full confidence in the management capacity of the Bank's Team and its Executive Committee to continue down this successful path.

I would like to end by thanking all the employees of the Banco CTT Group. What has already been achieved is nothing short of remarkable. It is a privilege to be able to join you in this project at this critical time. You can count on me!

João Castello Branco
Chairman of the Board of Directors
18 March 2024

CEO's Statement

Eight years of achievements

When Banco CTT opened to the public in March 2016, there was a certain level of scepticism, which is normal for "big launches". A new banking franchise, with a shared distribution model, and based on a historic national brand, but not associated with banking... will it work?

After a few months, the pace of account openings helped to dispel all doubts. We heard from our customers that Banco CTT was "the bank with the products that mattered", "with a professional and friendly service", "a bank you could trust".

We started from scratch. Less than 8 years later, we have surpassed the 646,000 accounts and 760,000 customers mark.

A second doubt that was voiced by the market concerned the type of customers the franchise would attract. The various opinions converged into one basic idea: the difficulty in creating relationships of trust, with substantial business involvement and truly productive profiles.

Less than 8 years on, our clients have entrusted us with more than 4 billion euros of their savings and investments. That sums up our success to the letter.

We have a productive, digital, mostly urban franchise, with an average age and socio-economic profile in line with the national market.

We are attackers in our "way of being" and in results. In a year marked by the "deposit war", which also involved the competitiveness of public debt products in the first half, Banco CTT grew its balance sheet funds by 826 million euros (+36%), while the market contracted by 2.7 billion euros (-1.5%).

If the idea of building a new banking franchise, in a mature and saturated market, with an innovative distribution model, generated "reasonable doubts" ... Banco CTT has effectively destroyed that myth: we're here, and we're here to stay.

In addition to the success of the retail banking operation, we would also like to point out two important developments in 2023.

At 321 Crédito, we once again broke records, with more than 270 million euros in auto loan production, to close the year with a portfolio of more than 900 million euros.

In the Universo partnership, we finalised the operation, having sold all the associated credit exposure.

It is in this context that the watchword for the future has been set: focus on the organic growth of our franchise. Invest to develop the very high latent potential.

Capture potential: new plan, more investment, more growth

All banks and companies regularly carry out strategic planning exercises. Banco CTT is no exception. But the plan we laid out in 2023 has an important novelty: it's the first one we defined in a normalised monetary environment, which is expected to last.

To this, one adds a valuable franchise, with a productive profile, but with (a lot of) value yet to be developed.

We see the potential to at least double the average level of engagement we have with our customers. We want to be "the main bank" in more than half of our banking relationships. We want to be distinctive in the area of savings and investments, where the CTT brand has a legacy and unrivalled levels of trust.

To this end, we are embarking on a new investment cycle in 2 structural areas: technology and commercial capacity.

In terms of technology, the sales channels and digital service stand out. We will complete the migration of the current platform to a proprietary, fully customised solution, allowing for more agile evolution.

In terms of commercial capacity, we will once again invest in the Branch Network. Close, personal relationships, with first and last names, are essential to our identity. We will progressively promote a more specialised service, more focused on deepening the relationships created.

For the next few years, we also aim to continue our "ESG agenda" (Environment, Social and Governance), an intrinsic priority in Banco CTT's original design. In this regard, we would like to highlight our way of working, with a new head office tailored to our needs, promoting hybrid and productive working models.

I conclude by reiterating my gratitude to our employees for their dedication. We have an exceptional group of people, with an informal culture, yet never once compromising the rigour that is essential to our business.

I also extend my acknowledgement to our shareholder CTT, to the Bank's Corporate Bodies, to all our business partners, as well as to the Supervision Authorities, in particular to Banco de Portugal.

In less than 8 years, Banco CTT has earned the trust of more than 760,000 Portuguese. The next few years will be focused on raising the bar in terms of our capabilities. We will have more relationship banking, more service, better technology, a stronger presence in the market, and assume an increasingly important role in the national financial system.

Luís Pereira Coutinho
Chairman of the Executive Committee
18 March 2024

02

Management Report

Information on the Banco CTT Group

Banco CTT Group

History

August 2013 — On 5 August 2013, CTT submitted request to Banco de Portugal to grant a concession for creation of the postal bank.

November 2013 — On 27 November 2013, Banco de Portugal issued authorisation for the creation of the Postal Bank.

February 2015 — CTT's constitution of CTT Serviços, S.A. for purposes of development of the preparatory work as necessary and/or convenient for the constitution of the Bank.

August 2015 — On 24 August 2015, after authorisation of Banco de Portugal, CTT Serviços was transformed into Banco CTT, with share capital of 34 million euros.

November 2015 — On 18 November 2015, Banco CTT presented its corporate identity, with Proximity, Simplicity and Transparency being its main attributes.

Banco CTT started to operate on 27 November 2015, under the soft opening model available only for employees of CTT and Banco CTT.

March 2016 — Banco CTT opened to the public on 18 March, with 52 branches simultaneously, spread over the 18 districts of Portugal and present in digital channels.

May 2016 — Share capital increase of 26 million euros, to 60 million euros.

July 2016 — Banco CTT opened its one hundredth branch on 22 July.

October 2016 — Share capital increase of 25 million euros, to 85 million euros.

December 2016 — Banco CTT achieves a presence of 202 branches.

January 2017 — With 9 months of activity, Banco CTT reached 100 thousand customers.

Banco CTT launched Mortgage Lending, presenting a simple and low-cost solution for those wishing to purchase a house or move, maintaining the values associated to its launch: that of an accessible, comprehensive and useful offer.

April 2017 — Banco CTT received authorisation from ASF (Portuguese Insurance and Pension Funds Supervisory Authority) to present insurance products to its customers, enabling the offer of Life Insurance, Housing and Health Multi-Risk Insurance.

Share capital increase of 25 million euros, to 125 million euros.

January 2018 — Incorporation of Payshop (Portugal), S.A. in the consolidation perimeter of Banco CTT, through a share capital increase in kind of 6.4 million euros, fully underwritten and paid-up by the sole shareholder, CTT – Correios de Portugal, S.A., elevating the share capital to 131,4 million euros.

March 2018 — Share capital increase of 25 million euros, to 156,4 million euros.

July 2018 — Banco CTT agreed to purchase 321 Crédito, a specialised consumer credit institution (used motor vehicles), which expanded the business portfolio of the Banco CTT Group.

October 2018 — Introduction of off-balance sheet saving products with the launch of the offer of PPR (Retirement Savings Plans).

April 2019 — Share capital increase of 110 million euros, to 266,4 million euros.

Information on the Banco CTT Group

May 2019

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

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

December 2019

Share capital increase of 20 million euros, to 286.4 million euros.

December 2020

Banco CTT achieves breakeven in its 5th full year of existence, with a consolidated net income of 233 thousand euros.

January 2021

Share capital increase of 10 million euros, to 296.4 million euros.

April 2021

Banco CTT and Sonae Financial Services start a new partnership in consumer credit with Banco CTT as the entity responsible for the Universo card credit financing and respective credit risk management.

September 2021

The Banco CTT Group, through its subsidiary 321 Crédito, securitised and placed on the market a motor vehicle loan portfolio in the amount of 250 million euros (Ulisses Finance No.2).

June 2022

The Banco CTT Group, through its subsidiary 321 Crédito, securitised and placed on the market a motor vehicle loan portfolio in the amount of 200 million euros (Ulisses Finance No.3).

November 2022

A strategic partnership between the Banco CTT Group and Generali Seguros, S.A. was announced, which includes:

- A long-term agreement for the distribution of Tranquilidade/Generali Seguros life and non-life insurance products, with exclusivity period renewable every 5 years.
- Subscription by Tranquilidade/Generali Seguros of a reserved share capital increase of 25 million euros in Banco CTT in exchange for a shareholding of approximately 8.71%.

The transaction is subject to suspensive conditions, including approvals from banking and insurance regulators.

December 2022

Banco CTT and Universo, IME, SA ("Universo") reviewed the terms of the Partnership Agreement in the area of financial services with a view to ending the partnership by December 2023.

July 2023

Banco CTT was informed by Banco de Portugal that it no longer fulfils the criteria to be classified as a "small and non-complex institution" (SNCI). This development stems from the Group's growth in different areas, and subjects the Group to additional regulatory requirements (e.g. reporting and disclosures to the market).

August 2023

The sale of Payshop (Portugal), S.A. to CTT – Correios de Portugal, S.A., which had been approved on 8 July 2022 by the Board of Directors and had been pending non-opposition from the regulator since then, was completed.

September 2023

Banco de Portugal, as the national resolution authority (ANR), is now considering 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 amount of exposures ("TREA") was determined, including 2.5% of the combined requirement for own funds reserves ("CBR") and 5.29% of the total exposure measure ("LRE").

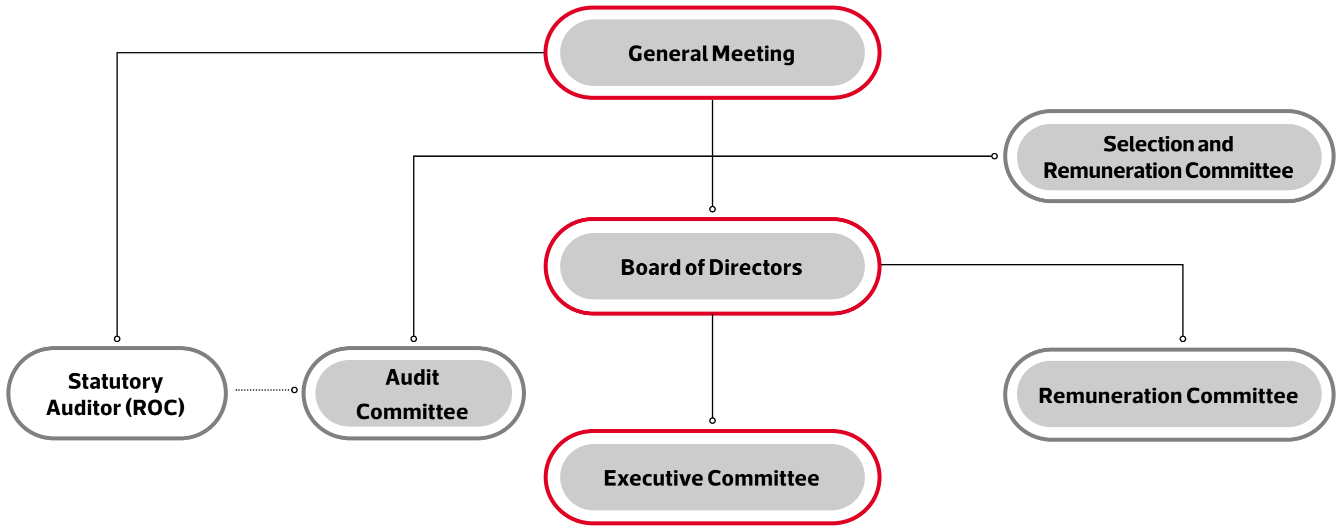
December 2023

The termination of the partnership with Universo, IME, S.A., which had been announced to the market in December 2022, was completed. The operation freed up around 300 million euros of liquidity and risk-weighted assets (RWA), strengthening the Group's capital position.

Banco CTT reached 4,000 million euros of customer deposits (including the mediation of savings products).

Corporate Governance

Banco CTT endorses the Anglo-Saxon governance model, based on a Board of Directors, an Audit Committee (composed of Non-Executive Directors, but especially appointed by the single shareholder) and a Statutory Auditor (permanent and alternate).



There is also a Selection and Remuneration Committee, elected by the single shareholder, with powers related to the selection and assessment of the adequacy of the members of the corporate bodies pursuant to the Policy on Selection, Assessment and Succession of the Adequacy of the Members of the Management and Supervisory Bodies of Banco CTT (available on the Bank's website at www.bancoctt.pt) and with powers to establish the remuneration of the members of the Board of the General Meeting, the Board of Directors, the Audit Committee and the Statutory Auditor.

In turn, the Board of Directors delegated day-to-day management powers to the Bank's Executive Committee, pursuant to Article 407 of the Portuguese Companies Code.

This governance structure also includes a Remuneration Committee created within the Board of Directors.

Thus, the Bank's Board of Directors in office today – for the 2022/2024 term of office – is made up of 12 Directors, comprising 7 Non-Executive Directors and 5 Executive Directors (including the Chairman of the Executive Committee).

Members	Board of Directors	Executive Committee	Audit Committee
João Nuno de Sottomayor Pinto de Castello Branco [1]	Chairman		
Luís Maria França de Castro Pereira Coutinho	Member	Chairman (CEO)	
João Maria de Magalhães Barros de Mello Franco	Member	Member (CCO)	
Pedro Rui Fontela Coimbra	Member	Member (CFO)	
Nuno Carlos Dias dos Santos Fórneas	Member	Member (CIO)	
Luís Jorge de Sousa Uva Patrício Paúl	Member	Member (CRO)	
João Manuel de Matos Loureiro	Member		Chairman
Ana Maria Machado Fernandes	Member		Member
Maria Rita Mégre de Sousa Coutinho [2]	Member		Member
António Pedro Ferreira Vaz da Silva	Member		
Guy Patrick Guimarães de Goyri Pacheco	Member		
António Domingues	Member		

(1) Elected to the position of Chairman of the Board of Directors, to hold office from 1 February 2024 until the end of the 2022/2024 term of office.
(2) Elected to the position of Member of the Audit Committee, to hold office from 2 January 2024 until the end of the 2022/2024 term of office.

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

Since it is part of the CTT Group and because CTT – Correios de Portugal, S.A. ("CTT"), as an issuer of shared admitted to trading on regulated markets, has adopted a significant series of recommendations in the Corporate Governance Code issued by the Portuguese Corporate Governance Institute (IPCG), Banco CTT also benefits from the best governance practices of the CTT Group established over various years. This has also contributed to the improvement of these practices within the CTT Group, in particular the Code of Ethics, which conveys an integrated vision of the CTT Group's position on matters that have a transversal impact on its governance and management practices, in line with the financial sector's benchmarking.

Pursuant to Article 17 of the General Regime of Credit Institutions and Financial Companies ("RGICSF") and the provisions of Banco de Portugal Notice 3/2020, Banco CTT has robust corporate governance mechanisms, complete and proportional to the nature, level and complexity of the institution, which include:

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

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

- Promote an integrated risk culture that covers all areas of activity of the institution and ensures the identification, assessment, monitoring and control of the risks to which the Bank is or may be exposed;
- Assure the Bank's operational capacity based on adequately dimensioned human, material and technical resources;
- Assure the provision of bank services to customers based on multi-employer staff in CTT's Retail Network and, at the same time, through the Bank's hiring of employees to perform duties in Specialised Branches, after completing a rigorous training programme and with the follow-up and support of the Bank's employees with previous banking experience;
- Articulate non-core functions (especially in terms of shared services) with CTT's structure; and
- Create a "control environment" appropriate to the specificities of Banco CTT and an organisational culture based on high ethical standards, supported by the CTT Group Code of Ethics and the Banco CTT Group Code of Conduct, internal control and risk management policies and procedures, as well as an internal organisation based on the three lines of defence model.

Corporate Bodies and Internal Committees [1]

Board of the General Meeting

Chairman:
Rui Afonso Galvão Mexia de Almeida Fernandes

Board of Directors

Chairman:
João Nuno de Sottomayor Pinto de Castello Branco

Members:
Luís Maria França de Castro Pereira Coutinho
João Maria de Magalhães Barros de Mello Franco
Pedro Rui Fontela Coimbra
Nuno Carlos Dias dos Santos Fórneas
Luís Jorge de Sousa Uva Patrício Paúl
João Manuel de Matos Loureiro
Ana Maria Machado Fernandes
Maria Rita Mégre de Sousa Coutinho
António Pedro Ferreira Vaz da Silva
Guy Patrick Guimarães de Goyri Pacheco
António Domingues

Executive Committee

Chairman:
Luís Maria França de Castro Pereira Coutinho (CEO)

Members:
João Maria de Magalhães Barros de Mello Franco (CCO)
Pedro Rui Fontela Coimbra (CFO)
Nuno Carlos Dias dos Santos Fórneas (CIO)
Luís Jorge de Sousa Uva Patrício Paúl (CRO)

(1) The members of the corporate bodies and internal committees in office on the present date are indicated herein.

Audit Committee

Chairman:
João Manuel de Matos Loureiro

Members:
Ana Maria Machado Fernandes

Selection and Remuneration Committee

Chairman:
Raúl Catarino Galamba de Oliveira

Members:
João Afonso Ramalho Sopas Pereira Bento
Ana da Paz Ferreira da Câmara Perestrelo de Oliveira

Remuneration Committee

Members:
António Pedro Ferreira Vaz da Silva
Maria Rita Mégre de Sousa Coutinho

Statutory Auditor

Statutory Auditor (ROC):
Ernst & Young Audit & Associados – SROC, S.A., represented by Silvia Maria Teixeira da Silva

Alternate Statutory Auditor:
Ana Rosa Ribeiro Salcedas Montes Pinto

Company Secretary

Permanent:
Catarina Morais Bastos Gonçalves de Oliveira

Alternate:
Maria Filipa Rebelo Pereira de Matos Alves Torgo

CCO
João Mello Franco

CFO
Pedro Coimbra

CEO
Luís Pereira Coutinho

CIO
Nuno Fórneas

CRO
Luís Paúl

Main Highlights of the Year

2022 had been a historic year with records in terms of attracting resources, number of accounts, loans granted and revenue, with operating income surpassing the 100 million euros mark. The year 2023 once again managed to outperform the previous year, with operating income surpassing 120 million euros, customer funds exceeding the 3 billion euros mark, and car and mortgage loan production reaching 270 million euros and 212 million euros, respectively, boosting turnover to over 5.8 billion euros.

Net income of 17.0 million euros was also a record for the Group, largely driven by net interest income, which increased by 24 million euros (+32%) as a result of the increase in turnover and market interest rates, which made it possible to increase interest on loans by 26 million euros and interest on cash and deposits at the central bank by 24 million euros. Conversely, interest on debt securities issued increased by 13 million euros and interest on customer funds increased by 16 million euros.

The level of Return on Tangible Equity (management ROTE) reached 8.8% (4.4% in 2022, on a comparable basis), reflecting a result of 15.9 million euros in 2021 compared to 7.1 million euros in 2022 (without specific items and excluding the contribution of the discontinued Payshop unit). In terms of efficiency, the cost-to-income ratio continued its trajectory of improvement, ending at 61.4% in 2023, compared to 65.6% in 2022 (on a comparable basis).

Banco CTT further strengthened its solidity levels, with a Total Capital Ratio of 21.0% (2022: 15.6%), reflecting strong business growth, the ability to generate capital during the year and the sale of the exposure to Universo credit cards. Liquidity levels were also high, with LCR and NSFR indicators well above the regulatory requirements.

In July 2023, Banco CTT was informed by the Bank of Portugal that it no longer met the criteria to be classified as a "small and non-complex institution" (SNCI). This development stems from the Group's growth in different areas, and subjects the Group to additional regulatory obligations (e.g. reporting and disclosures to the market).

In August 2023, the sale of Payshop (Portugal), S.A. to CTT – Correios de Portugal, S.A. took place, which had been approved on 8 July 2022 by the Board of Directors and following the regulator's decision not to oppose it.

In September 2023, Banco de Portugal, as the national resolution authority, began to consider the application of a resolution measure as the preferred resolution strategy for the Banco CTT Group. This decision replaces the previous liquidation strategy, and is based on the potential adverse impacts that the liquidation of the Group could have on national financial stability, specifically with regard to the materiality of the Group's "Retail Deposits" sub-function. This decision also results in new obligations for the Group, particularly with regard to the MREL requirement (Minimum requirement for own funds and eligible liabilities) with binding effect in 2026, additional initiatives relating to Resolution Planning and additional information requirements before the Regulator.

In December 2023, Banco CTT and Universo, IME, SA ("Universo") concluded the partnership, as announced to the market in December 2022, with Universo acquiring all the existing credit exposures.

The strategic partnership between the Banco CTT Group and Generali Seguros, S.A., announced in November 2022, which includes: i) a long-term agreement for the distribution of Tranquilidade/Generali Seguros life and non-life insurance products, with exclusivity period renewable every 5 years; and ii) the subscription by Tranquilidade/Generali Seguros of a reserved share capital increase of 25 million euros in Banco CTT in exchange for a shareholding of approximately 8.71%, is still awaiting approval from the banking regulators.

The strategic update, communicated to the market in September, builds on the success of building a relevant franchise with more than 700,000 customers with enormous potential, and in the future the focus will be on:

1) Growing and deepening banking relations with customers, developing bancassurance and consolidating the Banco CTT Group's position in the mortgage and automobile financing market;
2) Invest significantly in key platforms, both in terms of the commercial network with greater specialisation and in the digital area.

With a view to growing turnover (with a target of over 7 billion euros by 2025) and increasing profitability levels (profit before tax with a target of between 25-30 million euros by 2025).

Key Figures

(amounts in thousand euros)

	'23	'22	Δ Abs.	Δ %
Results				
Net Interest Income	98,257	74,393	23,864	32%
Operating Income	120,324	110,278	10,046	9%
Operating Costs	(73,936)	(66,570)	(7,366)	11%
Impairments and Provisions	(25,548)	(24,919)	(629)	3%
Taxes	(5,055)	(5,828)	773	-13%
Net Income	17,023	14,716	2,307	16%
Result without specific items and discontinued operations	17,114	8,897	8,217	92%
Balance Sheet				
Total Assets	3,827,132	3,104,914	722,218	23%
Loans and Advances to Customers	1,593,214	1,777,565	(184,351)	-10%
Deposits from Customers	3,106,179	2,280,392	825,787	36%
Total Equity	270,018	252,992	17,026	7%
Loan-to-Deposit Ratio	51%	78%	-27%	-34%
Loan Quality				
Cost of Risk	1.3%	1.5%	-0.1%	-8%
NPE (Non-performing exposures) ratio / Loans to customers (Gross)	4.7%	4.1%	0.6%	15%
NPE coverage	48.8%	53.0%	-4.2%	-8%
Business Indicators				
Number of Accounts	646,852	602,165	44,687	7%
Mortgage Loan Production	212,231	145,576	66,655	46%
Stock of savings products (mediation)	938,219	891,727	46,492	5%
Deposits from Customers (*pro forma*)[1]	4,044,398	3,172,119	872,279	27%
Motor vehicle credit production	270,327	262,383	7,944	3%
Turnover[5] (without Universo)	5,795	4,718	1,077	23%
Profitability and Efficiency				
Return on Assets (ROA)	0.5%	0.5%	0.0%	3%
Management Return on Tangible Equity (ROTCE)	8.8%	4.4%	4.4%	99%
Return on Equity (ROE)	6.5%	5.9%	0.6%	11%
Cost-to-Income[2]	61.4%	65.6%	-4.2%	-6%
Net operating revenues / Net average assets	3.6%	3.5%	0.1%	2%
Funding and Liquidity				
Own Funds[3]	198,896	184,876	14,020	8%
Risk-Weighted Assets (RWA)	947,577	1,182,594	(235,017)	-20%
Common Equity Tier 1 (Transitional) Ratio[3]	21.0%	15.6%	5.4%	34%
Leverage ratio (*Transitional*)	5.8%	7.0%	-1.2%	-18%
Liquidity Coverage Ratio (LCR)	943%	601%	342%	57%
Net Stable Funding Ratio (NSFR)[3]	229%	169%	60%	36%
Employees and Distribution network				
Number of employees [4]	493	447	46	10%
No. of Branches opened (branches/service points)	212	212	-	0%

(1) Deposits from customer and deposits from customer captured via mediation of savings products.
(2) Excluding specific items.
(3) It includes the net income for 2023 and 2022.
(4) Does not include the employees of the discontinued unit Payshop (Portugal), S.A. sold in 2023.
(5) Pro forma customer funds + Loans and advances to customers (gross).

Vision, Mission, Principles and Values of the Bank

VISION

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

MISSION

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

VALUES TO UPHOLD

- Simplicity
- Efficiency
- Proximity
- Trust
- Solidity

PRINCIPLES

Banco CTT's performance strategy is governed by the following Principles:

CUSTOMER ORIENTATION
Your success is our success. To that end, we will work proactively on meeting your interests as well as your needs.

ENTHUSIASM
We will work with passion and commitment, relying on a team of dedicated and qualified professionals.

TRUST
Always comply. We will be an upstanding, responsible and reliable partner that guarantees the commitments undertaken on a day-to-day basis.

EXCELLENCE
Always do better. Guarantee a service of excellence, with quality and efficiency.

INNOVATION
Create future. We will continuously explore new ideas, processes and solutions.

Business Model

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Retail Banking for Individuals

Offer

Banco CTT provides a simple and accessible offer of financial products and services, directed at the main needs of Individual Customers.

In addition to its day-to-day solutions, which include Current Accounts, Cards and access to Digital Channels, Banco CTT stands out for its offer of Savings and Mortgage Lending solutions, together with Personal Loans for different purposes.

The launch of new products during 2023 provided a boost in financial turnover, both through new customers and the current account base. An example of this is the Super DPs, launched at the beginning of the year, which raised more than 1 billion euros in new customer funds at Banco CTT. In the case of Mortgage Loans, the new Mixed Rate offer with fixed instalments for the first two years of the contract was met with strong demand from customers who, given the economic uncertainty surrounding market rates, are looking for a solution that provides greater stability to their recurring costs.

In 2023, Banco CTT deepened its relationship with Tranquilidade, launching two series of Unit Linked savings products, as well as new Life and Multi-risk Home insurance.

Face-to-face Channel

Banco CTT has a network of 212 branches in all districts of Portugal. The branches operate during extended hours, from 9:00 to 18:00, sharing the physical space with the postal services, but maintaining a separate service to ensure specialisation in financial services. Proximity, based on human relations and a comprehensive network of branches, is one of Banco CTT's fundamental principles.

The Bank maintains a continuous investment in improving its processes, aimed at providing a quality, fast and efficient service to its customers. The evolution of branch systems focuses essentially on two aspects.

The first consists of continually optimising and reducing the use of paper in processes, with the aim of completing service requests quickly and swiftly. As a highlight, at the end of 2023 a pilot was launched, which will be expanded to all branches over the course of 2024, which allows accounts to be opened on the spot with just a citizen card. This allows customers to leave the branch with their account validated and ready to use. In addition, the continuous dematerialisation of processes has significantly simplified customer service, with more than 90% of customer requests being supported by fully digital and dematerialised processes.

The second aspect refers to the new Store Platform (MAP), the implementation of which was completed in May 2022 and which has been at the centre of the evolution of in-branch processes. With this platform, the branches are able to achieve a better integration of systems, both internal and those of partners. This development simplified the work of staff in the shops and also allowed access to an integrated view of all relevant customer information (360º view), contributing to a higher quality service.

Finally, during 2023, Banco CTT further developed the concept of "Specialised Branches" in locations with an already consolidated customer base and growth potential. These branches seek to offer a differentiated service and greater commercial capacity, with a differentiated organisational structure and reinforcement of employee skills. By the end of 2023, the Bank already had 32 Specialised Branches, and will attain 62 by the end of 2024, ensuring an important coverage of the national territory.

The use of digital channels at Banco CTT has evolved progressively with 75% of customers are subscribers and more than 50% use them regularly.

Digital Channels

Since its inauguration, Banco CTT has offered its customers digital channels to carry out operations such as consulting account information, account movements, constitution of products and other services.

The digital channels, essential elements of Banco CTT's service proposal, include its mobile application (available in the iOS, Android and Huawei stores) and Homebanking, optimised for PCs and tablets. In addition, Banco CTT customers have access to the MB WAY service.

The use of digital channels at Banco CTT has evolved progressively and already represents a significant proportion: 75% of customers are subscribers and more than 50% use them regularly. Also noteworthy is the high intensity of use, with (i) close to 1 login per day per active user, (ii) close to 70% of customers subscribing to digital documentation, or (iii) around half of Term Deposits subscribed to digitally.

It is in this context that Banco CTT is now investing in a renewed architecture, based on proprietary technology, aimed at (i) new functionalities and (ii) a superior experience. New functionalities include the introduction of the possibility of subscribing to products such as "prompt salary" and "personal credit" and the consultation of the integrated net worth and credit position. In terms of user experience, development is progressive, with the launch of new service payment and top-up functions and the new menu and navigation module in Homebanking.

Specialised Credit

Motor Vehicle Credit

321 Crédito has progressively consolidated a significant position in the motor vehicle credit market and is currently a reference institution at a national level, and one of the major players in specialised financing for the purchase of used or semi-new vehicles.

The business model is based on an approach that values proximity, simplicity and agility, with the distribution strategy supported by partnerships with more than 1,100 credit intermediaries, on an accessory or tied basis, which guarantee a network of points of sale with wide coverage of the national territory, it is also based on the efficiency of the integrated credit process, predominantly digital and with an automatic decision model.

In 2023, while the new car market gradually normalised, the used car market remained resilient, registering growth in relation to the previous year, contributing to strong demand for used car loans, which reached the highest figure on record.

It was against this backdrop that 321 Crédito reached a production volume of around 270 million euros in vehicle financing in 2023, which after a 22% increase in 2022 corresponded to a further increase of around 3% in 2023, and a new record in loan production. With this growth, the company also surpassed 110,000 customers with active credit agreements.

This performance enabled it to end 2023 with a market share of 11.00% in the consumer credit segment for used vehicles (Source: Banco de Portugal – Evolution of New Consumer Loans – Credit with reservation of ownership and others).

The year 2023 was also marked by the rebranding process of the 321 Crédito brand, realising an opportunity to renew and update its image, with the transition to a new, more modern and cohesive visual identity, which preserves the value and autonomy of the brand, while ensuring standardisation and a natural association with the Banco CTT Group. This rebranding process was accompanied by the launch of a new public website.

Awards 2023

Recommended Brand

In 2023, 321 Crédito was distinguished as a Recommended Brand by the Complaint Portal, for having achieved a 70% satisfaction rate, resulting exclusively from consumer evaluations, once the complaint process had been completed, which shows care for customer satisfaction, support and follow-up.

The Satisfaction Index is only available for brands with a minimum of 5 complaints, and objectively expresses the performance of brands on the Complaint Portal based on interaction with users who have made complaints. Good brand performance thus increases the Satisfaction Index.

It is therefore an important indicator of trust and positive reputation, which should be taken into account when making more informed and conscious decisions.

In 2023, 138 brands, including 321 Crédito, stood out for their positive consumer support and were awarded the Recommended Brand seal.

Brand of the month

321 Crédito was also distinguished for four consecutive months (September, October, November and December) with the Complaint Portal's Brand of the Month seal, in the Car Finance category.

This award is the sole responsibility of consumers, as it depends on their assessment at the end of each complaint process carried out on the Complaint Portal.

The distinctions are awarded by the Complaint Portal by Consumers Trust, a reputable marketplace that allows you to search for, complain about and compare any brand.

The Banco CTT Group is grateful for the recognition given to 321 Crédito by complaining customers for the way in which the brand responds to the situations that gave rise to complaints, seeking to resolve them and improve the customer experience.

Sustainability at Banco Ctt

Strategic axes of Action

Faced with the major challenges and trends of the Sustainability agenda, we act to collaborate and contribute to the achievement of the Sustainable Development Goals and, within the scope of our activity, we are involved in the achievement of these goals, based on three strategic pillars, which include a set of initiatives that the Banco CTT Group intends to implement and achieve.

Pillars of the Environment, Social and Governance (ESG) strategy for the next few years:

- **ENERGY TRANSITION:** minimise the negative impact on the environment due to the Group's activities and operations and help our Customers in the transition to a less carbon-intense economic model.
- **SOCIAL AND FINANCIAL WELLBEING:** maximise the Group's companies positive impact on Society, prioritising the focus on our Employees and Partners.
- **RESPONSIBLE BANKING:** acting within a robust governance model, with transparency and ethics, promoting a corporate culture of equity and equality in the Banco CTT Group's teams.

PILLARS	ESG INITIATIVES / COMMITMENTS
ENERGY TRANSITION	• Replace debit cards with cards produced with 100% recycled plastic; • Provide green financing products (Mortgage Loans for properties with A/B energy certification, Electric Motor Vehicle Credit, Loans for Renewable Energy); • Reduce paper consumption through the dematerialisation of internal processes and promotion of communication by e-mail with Customers; • Adopt recyclable materials at events, meetings and in the Bank's new branches.
SOCIAL AND FINANCIAL WELLBEING	• Establish a product offer that encourages the adoption of regular saving habits, boosted through investment in increasing the Customers' financial literacy by providing clear information accessible to everyone; • Promote a people management model based on respect, flexibility, inclusion, commitment, continuous improvement, quality and sustainability; • By obtaining the Family Responsible Company (EFR) Certification, we intend to continue creating and disseminating measures that effectively reconcile employees' professional, personal and family lives.
RESPONSIBLE BANKING	• Take measures to enable the integration of people with special needs and that promote the adaptation of workplaces, whenever necessary; • Promote the fundamental principles that are required in the conduct of each and every Employee in performing daily tasks and in relations with the Bank's different stakeholders; • Promote an adequate representation of women and men in the Governing Bodies; • Implement procedures and measurements that enable ensuring and monitoring compliance with the principle of gender neutrality in matters of remunerative nature.

Contributing to a more balanced and sustainable society

The Banco CTT Group's approach to recognising and incorporating sustainability practices into its corporate management strategy reflects its commitment to ESG (Environmental, Social and Governance) principles, and seeks to respond to the challenge launched by the Government for the implementation of the Sustainable Development Goals (SDGs) deemed a priority in the 2030 Agenda for Sustainable Development.

Aware that this is not just a matter of compliance, but also an opportunity for innovation and the creation of long-term value, the Banco CTT Group remains committed to contributing to a more balanced and sustainable society, promoting and reflecting to its customers, employees and the community a culture oriented towards sustainability issues, presenting an offer of financial products and promoting actions and initiatives in line with ESG principles.

As part of its range of sustainable financial products, the Bank offers products such as Sustainable Mortgage Loans, which favours the purchase of energy-efficient homes with special conditions on mortgage loans so that you can save on nature as well as on your mortgage and energy bills. In the Renewable Energy credit, Banco CTT also offers special financing conditions for the purchase of solar panels and other equipment that contributes to a more sustainable future. In auto loans, Banco CTT offers advantages for those who want to buy an electric and environmentally friendly car, contributing to environmental sustainability.

Currently, 70% of the customer base receives their statements in digital format, thus helping to reduce paper consumption and save the environment, and by the end of 2023, 70% of all Banco CTT debit cards will be made from 100% recycled plastic, thus reducing the environmental impact of the Bank's activity.

Also with regard to cards, and as part of Banco CTT's membership of the Merece Movement, with the contribution of our customers, in two years we collected 322 kg of cards, which corresponds to around 53,600 cards, guaranteeing the planting of 1,200 trees by the end of 2023, offsetting 30,000kg of CO2 for the environment. The Merece programme guarantees the recycling of your cards and for every kg of cards collected, a tree is planted. A bank card leaves a carbon footprint of 150 grams.

For the planting of some of the trees, the Bank organised initiatives internally with employees who participated in the planting of trees.

The initiatives promoted by the Banco CTT Group, as well as the products designed with the sustainability brand, are presented with the "Banco CTT pela Sustentabilidade" identity. The aim is to generate recognition and notoriety for the initiatives, as well as facilitating their presentation and dissemination.

1 kg of cards = +25 kg of CO_2

1 tree in five years = -25 kg of CO_2

bancoctt pela sustentabilidade

People

Developing the Skills of Banco CTT Group Employees

In a troubled and uncertain global context, the Banco CTT Group aims to be a place of development and stability for its employees.

In 2023, the Banco CTT Group inaugurated its new head office in Saldanha, a space designed to provide employees with a working dynamic that is in line with the organisation's culture, fostering interaction between employees and promoting flexibility. At the new headquarters, employees can take advantage of shared spaces for exchanging ideas and working as a team. In addition, there are spaces set aside for employees to hold meetings remotely or to devote themselves to tasks that require greater concentration.

This way of organising space is fully in line with the Banco CTT Group's working model. Currently, the Mixed Work Regime, in person and remote, is perfectly rooted in the organisation's culture and is valued by employees as it promotes a balance between professional, personal and family life. Since the implementation of this model, employees with functions that are compatible with it have proactively shown a willingness to maintain face-to-face contact with colleagues and the organisation, despite the value placed on remote working, which reinforces the organisation's culture and creates a good atmosphere among employees.

Also in the sphere of professional, personal and family balance, at the end of February 2023 the Banco CTT Group was certified as a Family Responsible Company by the Fundación Másfamilia. EFR Certification is based on the development and implementation of a People Management Model, centered on improving the employee experience and based on respect, flexibility, inclusion, commitment, continuous improvement, quality and sustainability. This first step allowed the Banco CTT Group to "look inwards" and understand that these concerns already existed in the organisation, and this model made it possible to structure these issues and serve as a basis for continuous improvement and refinement of this model, always based on the Employees.

As part of the management of the risk of gender discrimination, an analysis of the gender pay gap was carried out with the support of the consultancy AON, which conducted a simultaneous study of internal equity and pay differences between men and women at Banco CTT. In addition, the Bank implemented an initiative aimed at systematically monitoring pay equity and correcting identified differences, particularly those that could be considered attributable to gender discrimination.

In 2023, the Banco CTT Group consolidated itself even more as a Financial Group, increasingly fostering synergies between Banco CTT and 321 Crédito, having aligned its image in a way that allowed the employees of both companies to reinforce a sense of unity.

In terms of IT platforms, Banco CTT implemented SAP Success Factors for administrative management, salary processing and training management. One of the great advantages of this solution was the launch of the Employee Portal, with the aim of improving the relationship between the company and the employee. In the "MY PROFILE" module, each employee will be able to view and edit their personal data, consult and save their payslips, access statements and download them for printing (if necessary) or send them to their e-mail, as well as view their organisational data.

Conduct and Ethics

In 2023, the Banco CTT Group thoroughly updated the Code of Conduct applicable to the Banco CTT Group. The Code of Conduct complements the Code of Ethics, containing specific rules applicable to banking activity. This document reflects the principles that the institution holds dear and which should guide all actions and decisions. The Code of Conduct is more than a set of rules: it is the foundation of the organisational culture and a commitment to ethics, integrity and quality in everything we do.

For the development of the organisation, it is essential that everyone follows the guidelines set out in the Code and applies them in their daily dealings with the various internal and external stakeholders. By adhering to the principles of the Code of Conduct, the organisation strengthens the trust of our customers, business partners and society as a whole.

Ethical responsibility is an indivisible part of corporate responsibility. Individual conduct has a direct impact on the reputation of the Banco CTT Group. Employees have therefore been encouraged to read and understand this Code and to put it into practice and promote it on a daily basis.

The Code of Conduct is not static; it evolves according to the needs and challenges the organisation faces on a daily basis.

Ethical conduct is the basis of the Banco CTT Group's success, fostering the capacity to face the challenges of a highly demanding sector.

Assess and Recognise

The Banco CTT Group's growth ambition is based on a Performance Management methodology that seeks to promote the best and most effective performance from its Employees.

Thus, the Banco CTT Group maintains and annually improves a policy of recognition of the merit and individual commitment of each Employee, in particular through variable remuneration based on the performance assessment model.

Social Benefits

Recognising that the so-called Flexible Benefits are generally highly valued, Banco CTT has developed a Flexible Benefits Plan (Banco CTT Flex plan) for its Employees. The Banco CTT Flex plan consists of providing a set of social benefits with advantageous conditions for Employees and their families, through the award of an individual monthly grant (Bolsa Flex) which can be easily used through the BCTT Flexible Benefits Portal (a digital platform that allows the management of this plan). This Portal allows Employees to select the benefits that best suit their personal and family situation. These benefits aim to help improve the psychological, social, financial and physical well-being, adapting to the lifestyle of employees and their families.

321 Crédito, for its part, maintained in 2023 its Employee Support Program (321 EAP), launched in 2022. This programme aims to help the employees to deal with personal and/or professional difficulties that may be negatively affecting their performance at work, as well as their good health and well-being. 321 Crédito thus continues to provide its employees with free advice and various reference services for them and their families.

Family Responsible Company

As mentioned above, the topics of reconciliation of professional, personal and family life have always been on the Banco CTT Group's agenda, where there is a concern to foster an environment that enables balance between these different aspects. With the achievement of Family Responsible Company (efr) certification, these topics were formalised and disclosed, involving continuous work to improve and develop the benefits offered to the employees.

In 2023, the Banco CTT Group decided to appoint "efr Ambassadors". Each Ambassador is expected to:

- Know about and disseminate the efr measures within their team;
- Support employees in using the measures, clarifying procedures and eligibility;
- Listen to and collect the common needs of employees in terms of efr;
- Adapt these needs to the reality of the workplace and convert them into proposals for new efr measures;
- Put efr issues on the agenda of monthly team meetings;

This group of Ambassadors started meeting regularly (monthly) with the aim of sharing with the efr model management team the main issues raised by the different teams.

In terms of initiatives launched in 2023, we would highlight the launch of a subsidised mortgage loan for employees, with a zero spread, and the significant reduction in the health insurance co-payment for the household, which will now be a symbolic amount per family member.

Training

The Banco CTT Group values the professional and personal development of its Employees, which enables them not only to acquire more tools to perform their duties, but also to maintain high levels of motivation, since it fosters individual training and the improvement of skills in general.

Employees play an active role in this development process, and are encouraged to constantly seek professional development and update their knowledge, skills and qualifications, with a view to maintaining, growing and improving their personal, technical and professional performance capabilities, not forgetting compliance with legal and regulatory standards and internal rules, and providing the best service to customers, with competence and diligence.

We promote participation, with interest and commitment, in the training courses offered to the Employees by the Group and its branches, aimed at endowing them with the technical skills and knowledge of ethics and conduct that are indispensable for the performance of their duties.

The normative training that is compulsory to all the Employees was of significant weight in 2023, in particular training on the "General Data Protection Regulation", "Code of Conduct", "Code of Good Conduct and Combating Harassment", "Anti-Money Laundering and Countering the Financing of Terrorism", "Ethics and Fraud Awareness ", "Information Security Awareness", "Mortgage Credit Marketing", "Health and Safety at Work", as well as training for "People Directly Involved in Insurance Agent Activity", among others.

With regard to technical/functional and behavioural training, the format was almost 100% online, with remote sessions being predominant. In terms of technical training, in addition to training on different topics relevant to the functions in question, carried out with the support of several suppliers, the training provided through the Udemy platform was maintained, which has been widely accepted by employees who value the flexibility and comprehensiveness of the training on this platform. Also noteworthy are the "Excel" and "Power BI" trainings, which are part of a technical component transversal to most of the functions of the Banco CTT Group. Special reference is also made to the focus on the more operative duties, with various training actions having been organised by SIBS and the Banking Training Institute. In terms of training in Negotiation, advanced training was provided for lawyers and jurists and Behavioural Training in negotiation was promoted for employees in the commercial areas. Of particular note was the effort to promote training related to the Family Responsible Company certification, with specific training for Ambassadors and general training for all Employees.

Investment continued in high-differentiation training such as post-graduations and advanced certifications, upholding Banco CTT's concern with the Employees' development by investment in their professional growth and contributing to talent retention. An example of this type of training was the partnership with ISCTE, which enabled a group of Banco CTT employees to take part in a pilot course on "Leadership Tools for Resilience and Self Knowledge".

Also noteworthy is the continuation of training in leadership skills, the "Leadeship Trust", a Leadership Programme aimed at the Group's Middle Management team. This programme, with duration of about 1 year, seeks to debate topics related to Leadership and equip Leaders with tools to help them make a difference within their teams and the organisation. In 2023, the 1st Edition of this training programme was completed and the second edition began. This programme is expected to be completed in 2025, with training for the 4th group. In all, this program will cover more than 40 employees.

For the commercial team, around 30 Banco CTT employees, refresher training and the development of commercial leadership skills was completed: BIT GROW. The first stage of this training took place in 2017 in which materials such as DiSC methodology, indirect leadership, organisation, definition of strategy and on the job monitoring were addressed. Five years later and with all the changes undergone by the business and market, it was felt that it was necessary to strengthen the knowledge acquired in the past, and now reinforce direct leadership skills through off-site means, workshops, sharing and once again on the job monitoring of teams.

As for 321 Crédito, its commitment to constantly training, valuing and motivating its human resources continued in 2023 through various training courses, both specific and general, namely in more behavioural subjects, such as Sales Techniques, Customer Service, Complaints Management, Communication and Interpersonal Relations, as well as on topics such as IT tools, cybersecurity, insurance, health and safety at work, certifications in credit intermediation, consumer credit marketing and mortgage credit marketing, and the Prevention of Money Laundering and Terrorist Financing (PBCFT).

For the second year running, 321 Crédito made 321 Learning available – an internal self-management training platform that permanently provides employees with content in various areas (technical and behavioural), which has once again been very well received by employees, with very significant use.

With regard to the training of CTT Retail Network Employees, the Banco CTT team continued to collaborate closely since Banco CTT's fundamental objective is the continuous improvement of the quality of the services provided to its Customers, and it is therefore of the utmost importance to provide the Commercial Network Employees with all the tools and competences they need. With this in mind, the Banco CTT team continued to provide various training sessions for Employees who are part of the Network and perform banking functions, focusing on Banco CTT's products and services, the operation of Banco CTT's systems, as well as general banking concepts.

Banco CTT Group Employees recorded 20,299 training hours (12,312 for Banco CTT, 7,888 for 321 Crédito), 2% more than in 2022.

Internal Recruitment and Mobility

Recruiting new talent for the Banco CTT Group, along with retention, has been a challenge for the organisation in recent years, given the Bank's accelerated growth and the current labour market context. This is a path that has led the organisation to understand the market differently and to increasingly analyse what motivates employees to stay motivated at the Banco CTT Group.

With this challenge, Banco CTT took out a licence for the LinkedIn platform, which allows the vacancies advertised to have a wider and more accurate reach, reaching the public looking for these opportunities. The results of this strategy are positive, although the percentage of success is not the same for all areas of activity, with greater difficulty in technological profiles.

Internal mobility continued to be one of the sources of recruitment, simultaneously being an effective strategy to retain and develop talent. In 2023, 12 employees changed their duties in the context of internal mobility, within the actual company or moving to another Group company.

Community Support

Since 2017, Banco CTT has been carrying out Social Responsibility activities at various levels, having focused above all on the partnership with Crevide, based in Moscavide, thus acting on the social and financial literacy side, through volunteer actions and contributions from Employees and the Bank, offering Christmas hampers to families in need and a one-off monetary amount. However, due to the change in the Bank's premises and the need to promote greater participation in volunteer actions, there was a need to listen to employees in order to redefine and strengthen the Group's approach to Social Responsibility.

Thus, in 2023, a questionnaire was launched for employees and, on the other hand, the Social Responsibility team was consolidated with new members, so that this issue is now seen in a comprehensive way for the entire Banco CTT Group.

Based on the analysis of the results of the questionnaire, the main conclusions of the diagnosis are:

- Maintain the availability of time during working hours for employees to take part in the various actions;
- Diversify the areas in which these actions take place so that a greater number of employees feel motivated to contribute;
- Ensure greater geographical coverage, allowing more employees to be involved.

The following partnerships were therefore chosen:

In 2023, a number of initiatives were carried out with the following partners:

- Junior Achievement (JA) is a non-governmental organisation whose mission is to inspire and prepare young people to be successful in the future.

Present in more than 100 countries, JA is supported by almost half a million volunteers. Its programmes, which reach more than 12 million students a year, offer young people a set of employment and entrepreneurship skills that will be useful to them as they develop their personal and professional careers.

Banco CTT Group employees were invited to take part in the Basic Education programme. This programme is based on the teaching of pre-defined syllabuses organised by JA in the classroom, to students from 1st to 9th grade. The contents fall under three themes: Financial Literacy, Skills for Employability and Education for Entrepreneurship and Citizenship. Registered volunteers must select the subject they want to teach in five classes, which will be organised between each volunteer and the respective school, preferably in consecutive weeks.

- Banco do Bebé – Associação de Ajuda ao Recém-Nascido has been an IPSS since 1996, based at the Alfredo da Costa Maternity Hospital. Its mission is to promote dignity at the beginning of life, guaranteeing essential goods for babies and children from 0 to 6 years old and empowering parents and parental figures to care for their babies.

The Toque Vidas | Apadrinhe uma família (Touch Lives | Sponsor a family) initiative took place in November and consisted of sponsoring families from the Association's Home Support Centre. This sponsorship involves a donation that guarantees close monitoring by a team of technicians and volunteers at home, thus promoting skills for parents and caregivers in providing care for the correct development of the child, as well as guiding and supporting the definition of the family's life project. In order for the aid to reach more families, the Banco CTT Group has pledged to double the aid given by its employees, helping one more family.

Contribution	Area of activity	South	North
Financial literacy	Children / Youth	Junior Achievement	Junior Achievement
Volunteering	Social Support / Children	Banco do Bebé (Lisbon)	Amor Perfeito (Porto)
Volunteering	Animal	Animalife	Animalife
Volunteering	Environment	League for the Protection of Nature (Greater Lisbon area)	League for the Protection of Nature (Greater Lisbon area)

The Amor Perfeito Association is 10 years old and is made up of a group of volunteers whose mission is to support homeless people in the city of Porto. They also provide transitional support to people who are reintegrated into shelters.

The Amor Perfeito Association's initiative consisted of preparing Christmas hampers to be delivered to needy and homeless families in the Porto area and the participation of a group of volunteers from 321 Crédito in the distribution of meals on the streets of Porto.

The partnership with Associação Salvador, joining its mission to promote the inclusion of persons with motor disabilities in society and improve their quality of life, by enhancing their talents and raising awareness on equal opportunities. Throughout the year, 321 Crédito carried out a number of initiatives to raise awareness of this issue, took part in the 2nd Walkathon in Porto and in the Gala celebrating the Association's 20th anniversary.

Culture / Internal Communication

The Banco CTT Group's internal culture is characterised by valuing a horizontal and close organizational structure, promoting a working environment of collaboration and open and direct communication between hierarchies, thus encouraging innovation, the exchange of ideas and the rapid resolution of problems.

This culture has also been cemented through various initiatives promoted among employees, some of which in response to feedback received from them.

Thus, in 2023 the publication of Beatnews, the weekly newsletter that shares testimonies, projects and suggestions from Banco CTT Group employees, was maintained and, following a consultation with employees to ensure greater alignment with expectations regarding this publication, contributions were collected that will be progressively implemented next year, fostering continuous improvement of the publication.

The Cross-Conversations initiative, in which the CEO invites a group of employees for an informal meal each month, also continued in a remote format until the third quarter of the year. Since September, these meetings have returned to the pre-pandemic format of face-to-face lunches, now with the presence of two Directors, where employees have the chance to share professional experiences and ask questions. This sharing of ideas, in an informal context, facilitates communication and gives visibility to everyone within the organisation. In order to reach even more Banco CTT Group employees, these meetings are now being held in Lisbon (Banco CTT premises) and Porto (321 Crédito premises).

The General Meeting of the Banco CTT Group, the annual meeting where an assessment of the year that has passed is made and the objectives for the following year are presented, resumed its face-to-face format, after two years in digital format, and was held on March 18, the date on which the Bank also celebrated its 7th anniversary. The event was attended by Rui Unas, who led the nominations for the Best Of Banco CTT 2022 Awards and presented the Commercial Network Performance Awards.

In September, Banco CTT once again brought its employees together for a return to work event and the start of the final sprint of the year, which began with a cocktail party in an open-air space, followed by dinner, a magic show and a party, also providing an opportunity for employees to meet and socialise after their holidays and, for those who had joined in recent months, the chance to get to know colleagues outside the strictly professional context.

Also promoting moments of fraternisation among employees, some initiatives were organized in the Lounge of Banco CTT's Head Office, such as the "Quintas com Gelo e Limão" (Thursdays with Ice and Lemon), which consisted of happy hours on Thursdays during the month of July, and other themed events, namely the Magusto in the week of São Martinho and Christmas Snacks in December. Taking into account the mixed work regime, Banco CTT is concerned with organising these events on at least two days, allowing Employees to manage their trip to the office in the most convenient way.

Taking advantage of the younger generation's school holidays, the Banco CTT Group relaunched Kids Day in December, when Employees' children were invited to visit their parents' workspace. At the Lisbon and Porto facilities, children and young people were able to watch a magic show and take part in other activities, as well as meet their parents' work colleagues and the (new) office.

Throughout the year, several face-to-face team-building activities were also carried out by various departments, which strengthened team spirit and promoted interaction between colleagues in an informal environment without the daily pressure of work.

The company also brought the Employees together at the 321 Crédito Christmas Dinner, which was particularly special occasion and had a very significant participation. A new initiative – Career Awards – was implemented to recognise and pay tribute to all employees who have worked for the company for 25 years. In 2023, the first edition, 10 employees were honoured, some of whom had been there for more than 25 years.

By promoting these initiatives, the Banco CTT Group seeks to strengthen its culture, contributing to the involvement and experience of its employees and reinforcing their spirit of belonging. We believe that this involvement and sense of belonging has a positive impact on productivity, talent retention and the company's success.

Staff[1]

As at 31 December 2023, the staff comprised 493 Employees (333 at Banco CTT, 160 at 321 Crédito), 13% more than in the previous year. This increase is due not only to the hiring of new employees for different areas, maintaining high standards of qualification, different levels of seniority and expertise, but mainly to the integration of employees as part of the project to strengthen the capacity of the Commercial Network through the development of the Specialised Stores concept.

Number of employees	'23	'22
Employees*	493	447

*not considering employees with a multiple employer arrangement.

In 2023, the Banco CTT Group structure will continue to have a higher number of female employees.

Gender	'23	'22
Female	56%	54%
Male	44%	46%

In terms of age, 59% of employees in the Banco CTT Group are under 45 years of age.

Age group	'23	'22
<30 years	12%	10%
30 – 34 years	14%	14%
35 – 44 years	34%	38%
>= 45 years	41%	38%

63% of Employees have an academic degree or higher.

Level of Qualification	'23	'22
Elementary Education	2%	2%
Secondary Education	30%	31%
Bachelors	5%	4%
Licentiate Degree	47%	45%
Postgraduation/Masters	16%	18%

Outlook for 2024

For the future, Banco CTT will continue to focus on a combination of growth and the materialisation of profitability, with two main areas of development:

On the one hand, we will continue to grow the customer base, with a greater depth of relationships. We will endeavour to (i) extend "1st bank relationships" to more customers (greater relationship intensity, particularly in the use of means of payment and digital channels), (ii) reach a level of excellence in Family Savings, broadening the offer and deepening bancassurance competencies, now with our partner Generali and (iii) maintain growth in loans, both for housing and vehicles.

On the other hand, we will make an important evolution in our capabilities, as enablers of our vision for the growth of the franchise. In this regard, we would highlight the progressive investment in the "Specialised Stores" concept, with a more capable sales force and a better adaptation of store layouts to customer needs, as well as the significant investment in the Bank's technological systems, doubling the pace in delivering more digital services.

(1) Does not include employees with multiple employers; in 2022 does not include employees of Payshop (Portugal), S.A., a subsidiary sold in 2023.

Financial Information

Macroeconomic Environment

International Economy

The world economy has shown resilience over the last year. Since 2020 it has overcome a pandemic, a war in Europe and supply chain bottlenecks, which have triggered a very significant increase in the inflation rate and the most aggressive cycle of interest rate rises in decades. Growth expectations for the world economy have been exceeded, with the IMF[1] pointing to growth of 3.1% in 2023.

World inflation showed signs of slowing down. After the 8.7% recorded in 2022, it fell to 6.8% in 2023. The pressure on energy prices has been easing, as has the pressure on food prices, with the United Nations price index expected to fall by 11% by 2023. In advanced economies, the inflation rate fell from 7.3% to 4.6%. The IMF estimates a return to normality, with 2.6% in 2024 and 2% in 2025.

The Euro area economy is expected to have grown by a mere 0.5%, with the downturn in economic activity in Germany standing out. A positive note for Greece, which saw its debt rating returned to Investment Grade after a hiatus of more than a decade.

The United States maintained its dynamic economic activity. Expectations for 2023 pointed to a slowdown, with discussions as to whether it would be a soft or hard landing after the significant interest rate rises, but the economy grew by 2.5% and the labour market remained benign.

In China, expectations of a strong post-pandemic recovery have not materialised. At the same time, the economies of India, Mexico and Vietnam have benefited from changes in international trade patterns.

The year 2023 was also marked by advances in Artificial Intelligence (AI). It was the year ChatGPT democratised access to AI. The next few years could see advances and productivity gains as technology evolves.

National Economy

After growing by 6.8% in 2022, the highest growth since 1987, the Portuguese economy slowed down to 2.3%[2] in 2023. Despite the slowdown in private consumption and investment, domestic demand made a positive contribution to annual growth. Net external demand was also positive, although exports and imports of goods and services fell in volume.

The inflation rate has slowed down. After the peak was reached in October 2022 of more than 10% in the consumer price index, in December 2023 the rate was just 1.4%. Average inflation in 2023 was 4.3%.

The labour market remained robust, with employment increasing by 2% to almost 5 million people. The unemployment rate rose slightly to 6.5%. The Bank of Portugal estimates nominal wage growth of 7.5% in 2023.

The European Commission estimates that the budget balance will return to a positive figure of 0.8% of GDP in 2023.

The deleveraging of the Portuguese economy continued. Public debt fell by 13.7 percentage points in 2023 to 98.7%. This trend removes Portugal from the top of the most indebted economies in the Euro area, something that has been reflected in the improvement in ratings, with Moody's upgrading to A3 and Fitch to A-. Companies and families have also seen a reduction in the weight of debt in GDP. In the last decade[3] households have seen their debt burden fall by more than 30 percentage points to 57.8% of GDP, and non-financial companies by more than 50 percentage points to 114.3% of GDP.

(1) World Economic Outlook – Update, International Monetary Fund | January 2024
(2) Quarterly National Accounts (Base 2016) – 30 days Flash Estimate 4th Quarter 2023 and Year of 2023 – INE
(3) BPStat – 3rd quarter 2023 values

Financial Markets[1]

After the very negative year of 2022, there was a recovery in the financial markets. The resilience of the economy and the prospect that the peak in the inflation rate is behind us have changed perceptions that there will be room for monetary policy to become less restrictive over the course of 2024.

The stock market, when evaluated by the FTSE Global All Cap Total Return Index, which encompasses developed and emerging markets, devalued by 22% in 2023. Within the stock market, the technology sector was the one that saw the biggest gains, particularly the so-called Magnificent Seven (Alphabet, Amazon, Apple, Meta, Microsoft, Nvidia and Tesla). European banking rose 31.6%. Despite the bankruptcies in March of regional banks in the United States and the crisis of Credit Suisse, the situation was contained.

The European Central Bank raised the deposit interest rate from 2% at the start of the year to 4% in September, and there is some consensus that the peak in interest rates has already been reached. The US Federal Reserve also raised its federal funds rate from 4.5% to 5.5% in June.

The interest rate on 10-year public debt in Germany reached almost 3% in October but ended 2023 at 2%. In the United States, 10-year Treasuries also peaked at almost 5%, but ended the year at 3.9%.

The spread of Portuguese 10-year sovereign debt against German debt averaged, 76 bps, down from 97 bps in 2022, but still higher than the average spread of 60 bps during 2021.

Corporate credit spreads as measured by the Markit iTraxx Europe Senior 5-year CDS index peaked in March at 104 bps, at a time of increased financial stress, and ended 2023 at 58 bps, down from 91 bps at the end of 2022.

Portuguese Banking System[2]

National banks' total assets fell by 1.7% (compared to 2022) to €399.9b, with customer loans falling by 1.2%. Customer deposits declined by 2.3% to €315.9b, €7b less than at the end of 2022. Within retail, the ratio of demand deposits to total deposits fell from 51% to 46%, with an increase in retail term deposit rates, which saw the average remuneration rise from 0.4% to 3.1% for new contracts.

The loan-to-deposit ratio remained stable at 79% in September 2023.

Financing from Central Banks fell from €40.3b in the 3rd quarter of 2022 to €4.7b in the 3rd quarter of 2023, as a result of repayments under the European Central Bank's Long-Term Refinancing Operations programme.

Asset quality maintained its improvement trend that started in 2016, with the gross non-performing loans ratio reaching 2.9% (1.3% when considered net of impairments). The ratio of non-performing loans to individuals remained stable at 2.3% compared to the end of last year, with the ratio of mortgage loans at 1.2% and consumer loans at 6.4%. Also noteworthy is the increase in the ratio of stage 2 mortgage loans from 7.5% at the end of 2022 to 9.1% in September 2023.

The system's profitability in the first 9 months of 2023 improved significantly, with return on assets reaching 1.3% and return on equity standing at 14.6%. The increase in profitability was mainly due to the rise in net interest income, which reached 2.7%. Compared to the 3rd quarter of 2022, net profit increased by 82.1%.

The system remains well capitalised, with the total equity ratio standing at 18.9% and the core capital ratio at 16.4%.

(1) Source: Bloomberg
(2) Portuguese Banking System: recent developments 3rd Quarter 2023 – Banco de Portugal

RESULTS AND BALANCE

Consolidated Results

Net Income

In 2023, Banco CTT achieved a consolidated net profit of 17,023 thousand euros, which compares with a positive net profit of 14,716 thousand euros in the same period of the previous year, representing a positive variation of 2,307 thousand euros (+16%).

Excluding the effect of the specific Discontinued operations items and discontinued operations, Banco CTT's net income for 2023 stood at 15,876 thousand euros (2022: 7,142 thousand euros), which represents an increase of 8,733 thousand euros in relation to 2022 (+ 122%).

(amounts in thousand euros)

	'23	'22	Δ Abs.	Δ %
Net Interest Income	98,257	74,393	23,864	32%
Net Commissions	22,435	22,459	(24)	0%
Other Results	(245)	3,760	(4,005)	-107%
Operating Income	**120,447**	**100,612**	**19,835**	**20%**
Staff costs	(27,867)	(24,714)	(3,153)	13%
General Administrative Expenses	(38,794)	(34,113)	(4,681)	14%
Depreciation	(7,275)	(7,176)	(99)	1%
Operating Costs	**(73,936)**	**(66,003)**	**(7,933)**	**12%**
Impairment and Provisions	(25,548)	(24,919)	(629)	3%
Profit / (loss) before taxation	**20,963**	**9,690**	**11,274**	**116%**
Taxes	(5,088)	(2,547)	(2,540)	100%
Net Income from continuing operations (without specific items)	**15,876**	**7,142**	**8,733**	**122%**
Discontinued operations	1,238	1,755	(517)	-29%
Net Specific Items	(91)	5,819	(5,909)	-102%
Net Income	**17,023**	**14,716**	**2,307**	**16%**

Explanations for the most relevant variations are presented as follows:

Net Interest Income

Net Interest Income reached 98,257 thousand euros (2022: 74,393 thousand euros), with net interest income of 2.9% (2022: 2.5%), which represents an increase of 23,864 thousand euros (+ +32%).

- **Interest on car credit** amounted to 53,662 thousand euros (2022: 45,413 thousand euros), representing an increase of 8,519 thousand euros (+19%), primarily due to the growth of the portfolio.
- **Credit card interest** amounted to 20,851 thousand euros (2022: 21,365 thousand euros), representing a decrease of 784 thousand euros (-4%). This portfolio, acquired as part of the partnership with Universo IME, S.A., was in run-off during 2023, with the partnership ending in December 2023, and as at 31 December 2023 the Bank had no exposure to these credit cards.
- **Interest on mortgage loans lending** reached 23,249 thousand euros (2022: 5,605 thousand euros), representing an increase of 17,644 thousand euros (+315%). The increase is fundamentally due to the rise in interest rates, but also to the increase in stock over the course of the year.
- **Interest on cash and deposits at the Central Bank** amounted to 24,670 thousand euros (2022: 755 thousand euros), representing a positive variation in net interest income of 23,915 thousand euros, due to the effect of interest rates and, to a lesser extent, an increase in the volume invested. In 2022 the European Central Bank (ECB) reversed its expansionary monetary policy of the last few years in order to halt inflation levels. In July 2022, the ECB elevated the deposit rate from -0.5% to 0%, followed by strong rises during its remaining meetings of the year until reaching 2.0% at the end of 2022 and 4.0% at the end of 2023.
- **Interest on customer funds** amounted to 16,397 thousand euros (2022: 493 thousand euros), representing an increase of 15,904 thousand euros (3,226%) due to the increase in interest rates on deposits as well as the increase in the volume of deposits taken. The volume of interest-bearing deposits rose from 637,007 thousand euros at the end of 2022 to 1,747,665 thousand euros at the end of 2023, representing an increase of 1,110,658 thousand euros (+174%).
- **Interest on securities issued** reached 17,969 thousand euros (2022: 4,877 thousand euros), representing an increase of 13,092 thousand euros (268%). This increase results from the increase in the (variable) index during 2023. As at 31 December 2023, there are 2 outstanding issues (Ulisses Finance No. 2 and 3) with a book value of 347,375 thousand euros (2022: 445,578 thousand euros).

Commissions

The net fees and commissions income amounted to 22,435 thousand euros (2022: 22,459 thousand euros), which represents a residual decrease of 24 thousand euros (-0%).

This variation is mainly explained by:

- Commissions received from insurance mediation services reached 8,124 thousand euros (2022: 7,673 thousand euros), with an increase of 451 thousand euros (+6%) explained by the increase in non-life insurance brokerage commissions (+146 thousand euros) and off-balance sheet savings products relating to the PPR offer and Life Financial Insurance (+305 thousand euros).
- Commissions received from debit card issuance and management reached 6,341 thousand euros (2022: 5,651 thousand euros), representing an increase of 690 thousand euros (+12%).
- A decrease in net interbank commissions of around 932 thousand euros, explained by the change in the pricing of interbank commissions, despite the increase in customer involvement with Banco CTT and the greater use of the Banco CTT account for day-to-day customer management.
- Commissions received from credit intermediation services reached 2,437 thousand euros (2022: 2,741 thousand euros), representing a decrease of 304 thousand euros (-11%).

Other Results

Other Results amounted to -245 thousand euros (2022: 3,760 thousand euros), which results in a decrease of 4,005 thousand euros and is mainly due to:

- Appreciation of the heading of Real-estate Investment Funds, recorded at fair value through profit or loss, amounting to 990 thousand euros (2022: 1,479 thousand euros), which represents a decrease of 489 thousand euros. As at 31 December 2023, the Group no longer held any investments of this nature.
- Recognition of 1,930 thousand euros in other operating income in 2022, which reflected at the time the present value of the compensation receivable owed by Universo, IME, S.A. under the agreement to terminate the Universo partnership, which was settled at the end of the partnership in December 2023. In 2023, the remaining amount of 70 thousand euros was recognised, which represents a decrease of 1,860 thousand euros.
- Sector contributions of 702 thousand euros (2022: 526 thousand euros), which represents an additional negative impact on the Group's operating account of 176 thousand euros.

- Recovery of loans written off in the amount of 1,139 thousand euros (2022: 1,475 thousand euros), representing a decrease of 336 thousand euros.
- Decrease in processing fees with a negative impact on results of 801 thousand euros. The decrease is related to the entry into force of Law 24/2023, of 29 May, which prohibited the charging of instalment processing fees on a part of existing loans.

Operating Costs

Operating costs amounted to 73,936 thousand euros (2022: 66,003 thousand euros), resulting in an adjusted cost-to-income (excluding specific items) of 61%, which compares with 66% in 2022.

Staff costs

- Staff costs reached 27,867 thousand euros (2022: 24,714 thousand euros), representing an increase of 3,153 thousand euros (+ 13%), explained by the increased number of employees in 2023 in relation to the previous year (from 447 to 493) and by salary updates.

General Administrative Expenses

- General administrative expenses reached 38,794 thousand euros (2022: 34,113 thousand euros), representing an increase of 4,681 thousand euros (+ 14%).
- The increase is explained by the rise in IT costs (+1,427 thousand euros), consultancy costs (+404 thousand euros) and miscellaneous costs related to transactional banking, servicing of banking operations and use of payment networks.
- The cost of using the physical and technical resources of the CTT Post Office Network amounted to 4,783 thousand euros (2022: 4,697 thousand euros), representing an increase of 86 thousand euros (+2%).

Amortisation and depreciation for the year

- Amortisation of intangible assets for the period came to 5,629 thousand euros (2022: 5,482 thousand euros).
- Depreciation of other tangible assets for the period amounted to 1,646 thousand euros (2022: 1,694 thousand euros).

Impairments and Provisions

Impairments and Credit Provisions

The net allocation for impairments and credit provisions came to 25,021 thousand euros in 2023 (2022: 24,529 thousand euros), representing an increase of 492 thousand euros (+2%) and a cost of risk of 1.3%.

- This variation is explained by:
  - Credit Cards:
    - Net allocation of impairment of 10,863 thousand euros (2022: 13,379 thousand euros), representing a decrease of 2,516 thousand euros (-19%).
    - This decrease is explained by the reduction and sale of the portfolio during 2023.
  - Motor Vehicle Credit
    - Net allocation of impairment of 13,292 thousand euros (2022: 10,993 thousand euros), representing an increase of 2,299 thousand euros (+21%).
    - This increase is explained by the growth of the portfolio and updating of risk parameters.
    - As at 31 December 2023, the ratio of coverage of this portfolio stood at 5.0% (2022: 4.1%).
  - Mortgage credit
    - Net allocation of impairment of 506 thousand euros (2022: 317 thousand euros), representing an increase of 189 thousand euros (+ 60%).
    - As at 31 December 2023, the ratio of coverage of this portfolio stood at 0.19% (2022: 0.14%).

Other Impairments

- In impairments of other financial assets there was a net reversal of 28 thousand euros (2022: net allocation of 6 thousand euros).
- In impairments to other assets there was a net reversal of 80 thousand euros (2021: net allocation of 133 thousand euros).

Other Provisions

- Net allocation of 474 thousand euros (2022: net allocation of 497 thousand euros), giving rise to a positive annual variation in the profit and loss account amounting to 22 thousand euros.

Discontinued operations

As part of the Group's ongoing corporate reorganisation, on 8 July 2022 Banco CTT's Board of Directors approved the sale of Payshop, and its terms, to CTT – Correios de Portugal, S.A., and the sale was completed in August 2023, following the regulator's non-opposition decision.

As at 30 June 2022 the assets and liabilities of Payshop (Portugal), S.A. were reclassified to Discontinued Assets and Liabilities as the company was being sold and was considered a major line of business within the Group due to its contribution to the profit and loss account, among others.

The net income attributable to the subsidiary Payshop (Portugal), S.A. for 2023 stood at 1,238 thousand euros (2022: 1,755,000 euros), representing a decrease of 517,000 euros (-29%) due to the fact that in 2023 only 7 months of income were appropriated.

Specific items

Due to their materiality and nature, the after-tax effects of significant items considered specific in 2023 and 2022 are described below in order to facilitate year-on-year comparability of performance:

2023

1) Net gains arising from trading activity:
   a. Gross loss of 79 thousand euros due to the net appreciation of derivative financial instruments contracted for economic hedging against interest rate risk in financing operations through securitisations.
   b. Gross loss of 45 thousand euros on the sale of financial assets at amortised cost.

2022

2) Net gains arising from trading activity:
   a. Gross gain of 9,666 thousand euros due to the net appreciation of derivative financial instruments contracted for economic hedging against interest rate risk in financing operations through securitisations.
3) Operating costs: 410 thousand euros of costs related to specific projects, including the project for the strategic partnership between the Banco CTT Group and Generali Seguros, S.A.

Consolidated Balance Sheet

As at 31 December 2023, the Bank's assets amounted to 3,827,132 thousand euros (2022: 3,104,914 thousand euros), with 270,018 thousand euros funded by equity (2022: 252,992 thousand euros) and 3,557,114 thousand euros by borrowed capital (2022: 2,851,922 thousand euros).

Loans and advances to customers

Loans and advances to customers (gross) stood at 1,641,030 thousand euros as at 31 December 2023 (2022: 1,832,301 thousand euros), representing a decrease of 191,271 thousand euros (-10%), explained by the termination of the partnership with Universo IME, S.A. in 2023, which resulted in the extinction of exposure to credit cards (- 373,812 thousand euros).

Excluding the credit card portfolio, which was in run-off during 2023, the Group's credit portfolio grew by 182,543 thousand euros (+13%), as detailed below:

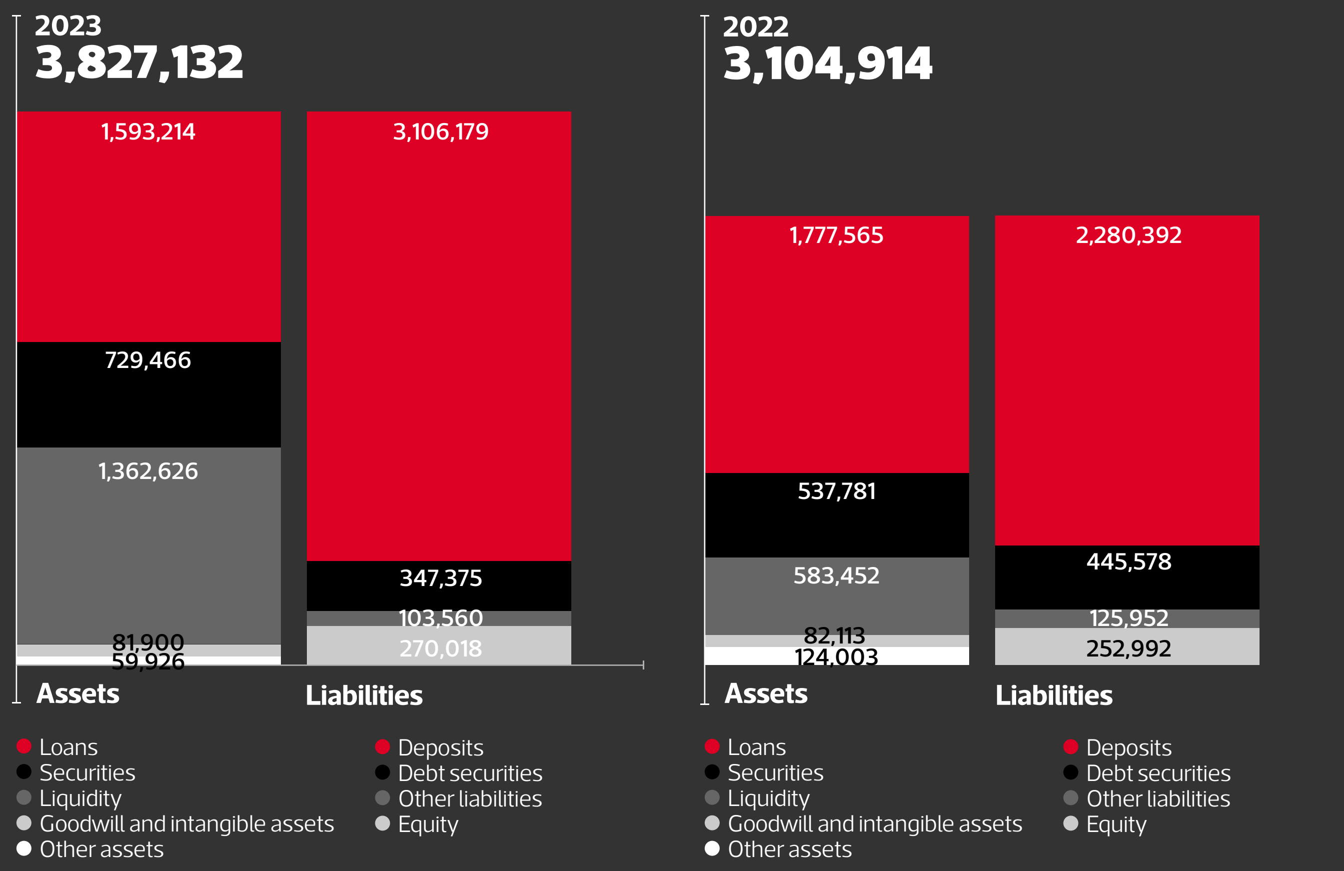
The transformation ratio, which had been rising consecutively and consistently (2020: 65%; 2021: 73%; 2022: 78%), fell to 51% as a result of i) the aforementioned termination of the partnership with Universo and ii) a significant increase in customer deposits (+36%), much higher than the growth in mortgage and auto loans.

The impairment ratio, excluding the effect of the exit from the credit card portfolio, grew from 2.38% in 2022 to 2.91% as at 31 December 2023. The non-performing loans ratio (NPL ratio) stood at 4.71% as at 31 December 2023 (2022: 4.11%).

Loans to customers (Gross)	'23	'22	Δ	Δ%
Mortgage credit	728,888	659,541	69,347	11%
Motor vehicle credit	905,850	792,870	112,980	14%
Credit cards	-	373,812	(373,812)	-100%
Other loans	6,292	6,078	214	4%
Loans to customers (Gross)	**1,641,030**	**1,832,301**	**(191,271)**	**-10%**
Impairment	**(47,816)**	**(54,736)**	**6,920**	**-13%**
Loans and advances to customers (net)	**1,593,214**	**1,777,565**	**(184,351)**	**-10%**
Impairment coverage ratio	2.91%	2.99%	-0.07%	-2%
Loans and advances to customers (gross; without credit cards)	**1,641.030**	**1,458.489**	**182,541**	**13%**
Impairment (without credit cards)	**(47,816)**	**(34,739)**	**(13,077)**	**38%**
Impairment coverage ratio (without credit cards)	2.91%	2.38%	0.53%	22%

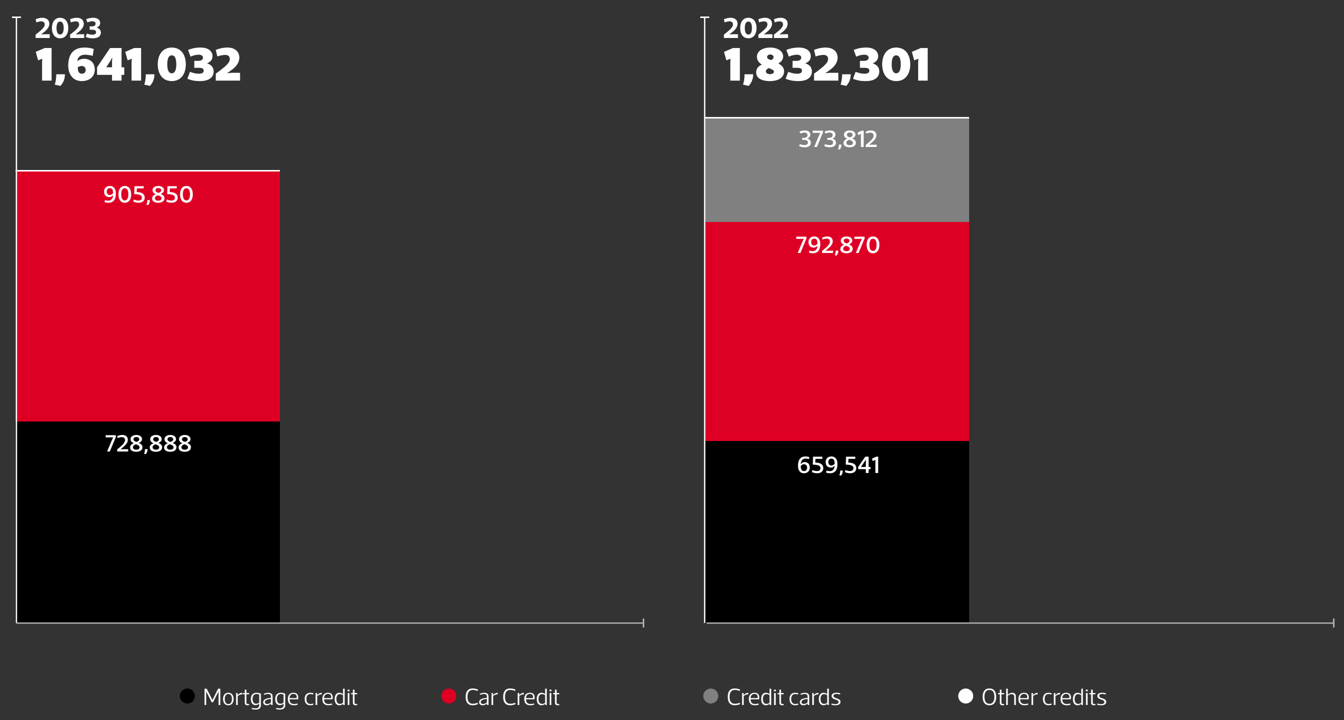
Consolidated Balance Sheet

(Values in thousands of euros)



Credit to Customers (gross)

(Values in thousands of euros)



Investment in securities

The portfolio of investment in securities had a gross value of 729,563 thousand euros as at 31 December 2023 (2022: 564,391 thousand euros), of which around 89% are sovereign debt securities of the eurozone (2022: 95%) and the remainder in supranational debt securities, with this portfolio increasing by 165,172 thousand euros (+29%).

The Bank's securities investment portfolio is recorded in its entirety at amortised cost (2022: 95%).

The securities investment portfolio had, as at 31 December 2023, a fair value of 700,065 thousand euros (a negative difference of 29 million euros compared to its book value). The securities investment portfolio had, as at 31 December 2022, a fair value of 509,995 thousand euros (a negative difference of 54 million euros compared to its book value).

The difference between the book value and the fair value of these assets is explained by the very significant rise in interest rates since 2021. The interest rate on 5-year German public debt rose from -0.45% on 31 December 2021 to 2.58% at the end of 2022 and 1.95% at the end of 2023. Even so, the gap between book value and market value in the portfolio at amortised cost decreased by 25 million euros between 31 December 2022 and 31 December 2023.

Liquidity

Liquidity – which includes cash, deposits and investments in credit institutions and central banks – amounted to 1,362,634 thousand euros (2022: 583,454 thousand euros), which represents an increase of 779,180 thousand euros.

Cash and deposits at central banks came to 1,289,173 thousand euros as at 31 December 2023 (2022: 488,886 thousand euros), representing an increase of 800,287 thousand euros which is related to the increase in deposits taken (+825,797 thousand euros).

In the first half of 2022, Banco CTT did not invest in the Central Bank as the interest rate on the Eurosystem's deposit facility was in negative territory (-0.5%), rising to 0.0% in July 2022 and to positive territory (0.75%) in September 2022.

In 2023, this rate was between 2.0% and 4.0%, and Banco CTT made investments with the Central Bank which generated 24,054 thousand euros in interest (2022: 1,815 thousand euros).

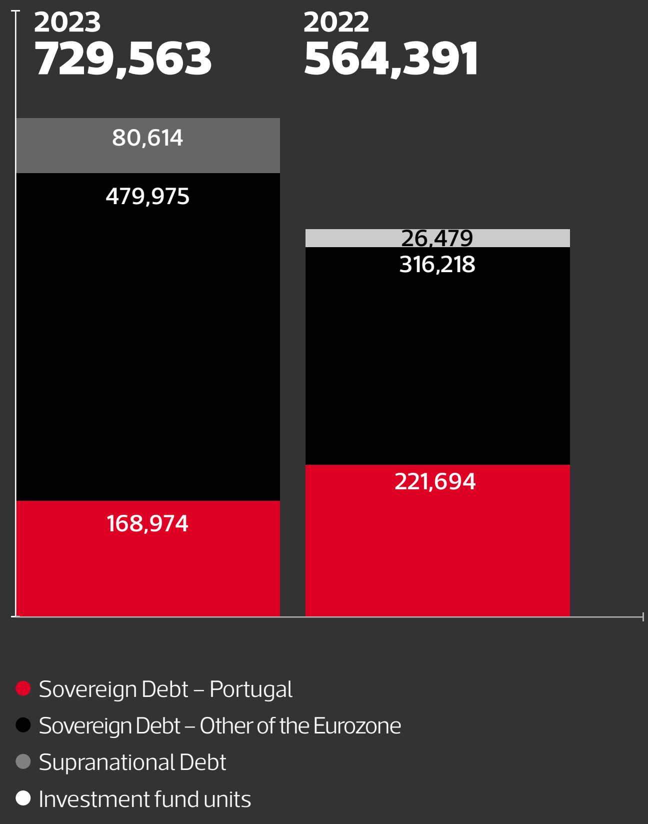
Deposits at Central Banks amounted to 29,096 thousand euros as at 31 December 2023 (2022: 38,636 thousand euros) and include mandatory deposits in order to meet legal minimum cash reserve requirements. As at 31 December 2023, the average daily minimum mandatory availability for the period in force was 28,626 thousand euros (2022: 23,186 thousand euros).

Deposits from customers

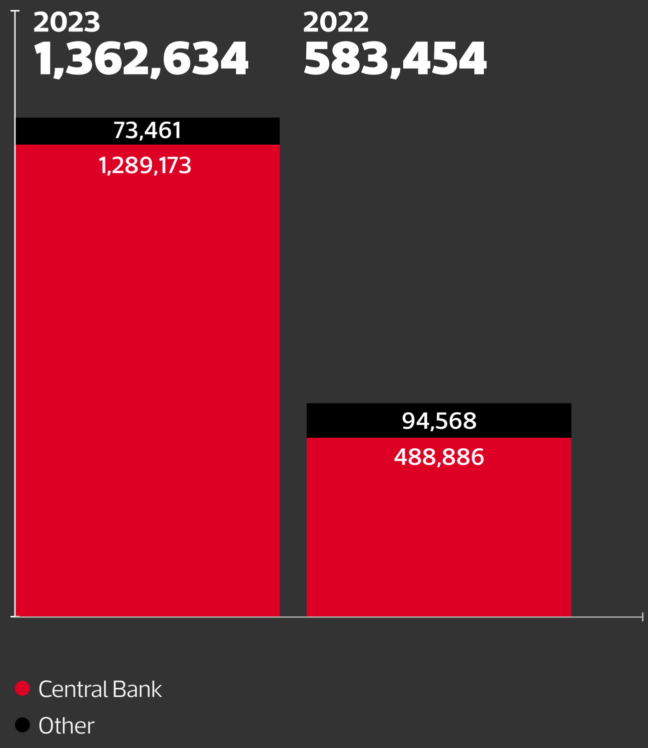
Deposits from customers reached, as at 31 December 2023, 3,106,179 thousand euros (2022: 2,280,392 thousand euros), reflecting an increase of 825,787 thousand euros (+36%) in relation to the previous year. As a result of the increase in interest rates on term deposits, there was a rebalancing of demand deposits towards interest-bearing deposits (term and savings), with demand deposits falling by 284,871 thousand euros (-17%), representing 44% of the total. Interest-bearing deposits amounted to 1,747,665 thousand euros (2022: 637,007 thousand euros), which represents an increase of 1,110,658 thousand euros (+174%).

Of the total customer deposits as at 31 December 2023, 3,090,963 thousand euros (2022: 2,245,329 thousand euros) are deposits from private individuals and 15,216 thousand euros (2022: 35,062 thousand euros) are company deposits.

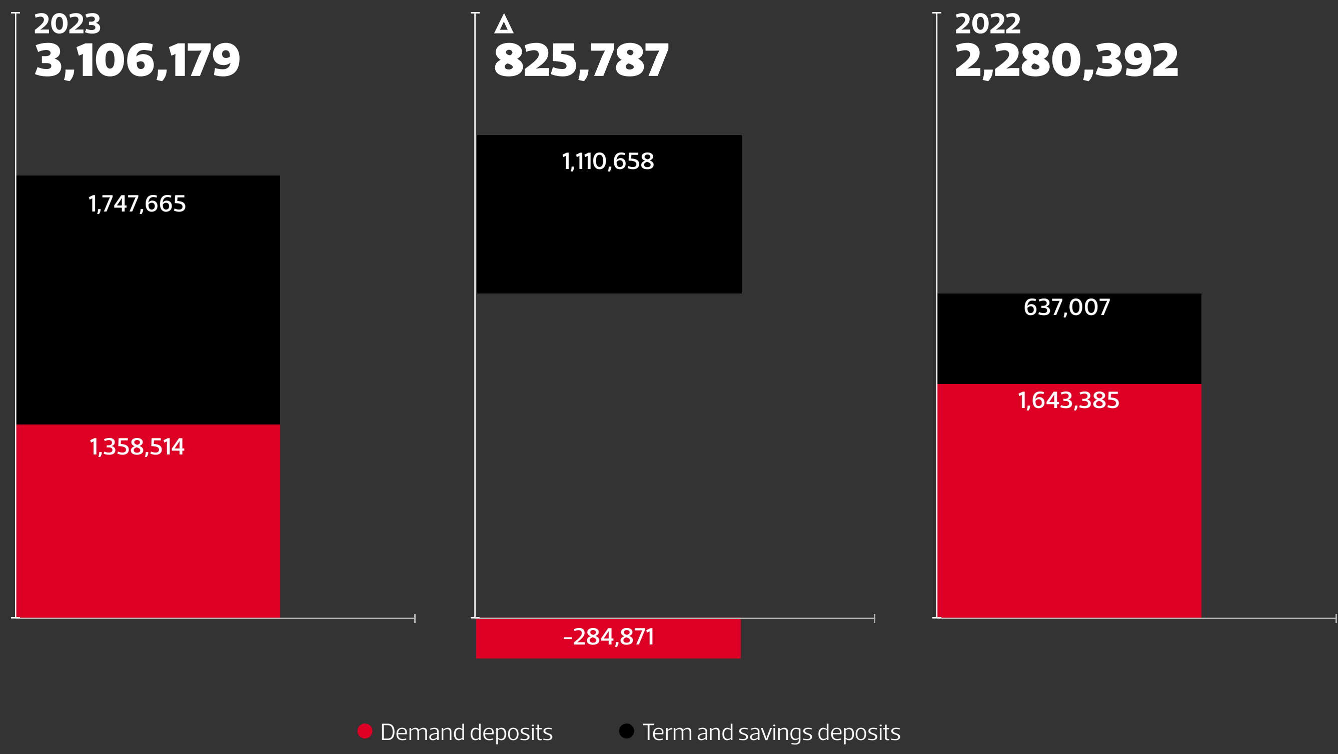
Investment in securities
(Values in thousands of euros)



Liquidity
(Values in thousands of euros)



Deposits from Customers
(Values in thousands of euros)



Debt securities issued

As at 31 December 2023, debt securities issued amounted to 347,375 thousand euros (2022: 455,578 thousand euros), reflecting a decrease of 98,203 thousand euros (-22%) in relation to the previous year.

As at 31 December 2023 there are 2 active securitisation operations, placed on the market in institutional investors (Ulisses Finance No. 2 and Ulisses Finance No. 3).

In June 2022, the Group securitised a portfolio of consumer credit originated by 321 Crédito, whose initial total value was 200,000 thousand euros (Ulisses Finance No.3). With a view to funding the growth of Banco CTT's activity, optimising its capital and diversifying its liquidity sources, the securitisation operation enables reducing the volume of risk-weighted assets, and its collateralised tranches had an average implicit spread of 1.62% plus the 1 month Euribor.

The Ulisses Finance No.1 securitisation operation, originated by 321 Crédito in 2017, included a consumer credit portfolio of 141,300 thousand euros. The operation included a clean-up call clause that could be exercised by the originator when the securitised portfolio fell by 10% of the initial value, i.e. 14,130 thousand euros. This occurred after the interest payment date (IPD) of June 2023, and the clean-up call was exercised on the IPD of July 2023, with the Group reacquiring the entire securitised portfolio and closing the operation.

Liquidity and Funding

One of the main components of liquidity management is the investment and financing policy, which prioritises diversification by country and sector. Thus, as at 31 December 2023, the Group held a portfolio of assets eligible for the Eurosystem which amounted to approximately 729,563 thousand euros (2022: 537,912 thousand euros).

In addition, the Group had deposited 1,288 million euros (489 million euros in 2022) with Banco de Portugal, reflecting high liquidity and the ability to raise financing.

Thus, the consolidated liquidity indicator, Liquidity Coverage Ratio (LCR), registered a very comfortable value of 943% at the end of 2023 (601% at the end of 2022), significantly above the minimum regulatory requirements.

In the financing of its Assets, the Group gives preference to deposits from Customers. These amounted to around 3,106 million euros as at 31 December 2023 (2022: 2,280 million euros), which represented approximately 81% of total Assets.

Despite its surplus liquidity condition, the Bank occasionally performs tests for access to the line of financing established by the ECB and repos with other financial institutions.

The Group analyses residual maturities for different bank sheet assets and liabilities. The volumes of cash inflows and outflows are shown by time frames according to the residual time period when they occurred and, based on this, the respective liquidity gaps are determined both for the period and the accrued. These analyses are conducted both from a contractual maturity perspective and on the basis of behavioural maturities.

Liquidity risk management is conducted considering:

- Short-term liquidity;
- Structural liquidity; and
- Contingency liquidity.

The Group monitors its short-term liquidity levels through daily mismatch reports, including eligible assets, liquidity buffers, the main cash inflows and outflows, the evolution of deposits, fixed asset investment and capital flows.

As regards structural liquidity, the Group draws up a monthly liquidity report that takes into account not only the effective maturity date of the different products, but also their behavioural maturity, through which structural mismatches are determined for each time bucket. Based on this report and in light of the stipulated budgetary targets, an annual plan for financing the activity is prepared, which is periodically reviewed.

The Group conducts liquidity stress tests aimed at identifying the main liquidity risk factors affecting its balance sheet and testing the Bank's resilience to liquidity crises.

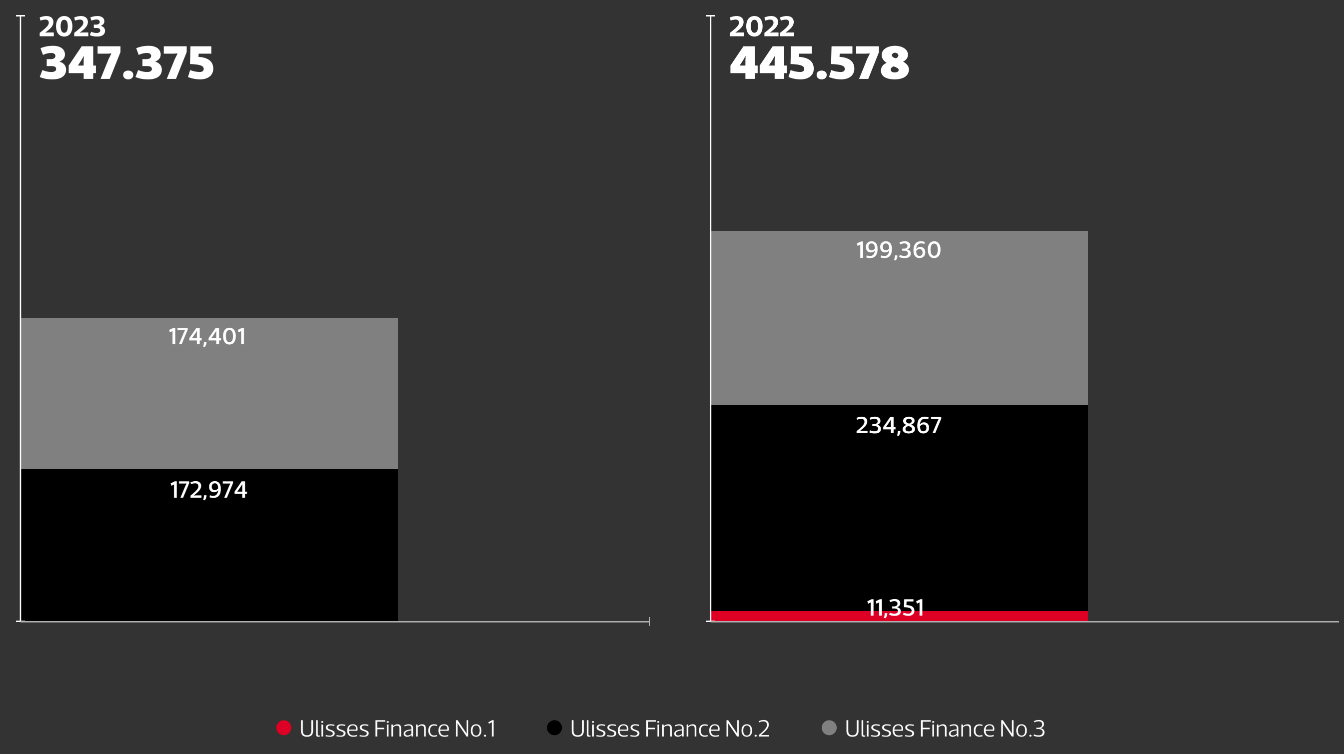
The Group has defined a series of measures that, when activated, will enable addressing and/or mitigating the effects of a liquidity crisis – its Liquidity Contingency Plan. These measures aim to respond to liquidity needs in stress scenarios.

Furthermore, the Group conducts Internal Liquidity Adequacy Assessment Process (ILAAP) analyses, thus complying with Banco de Portugal Instruction 2/2019 and the European Banking Authority (EBA) guidelines (EBL/GL/2016/10).

The Capital, Risk and Sustainability Committee, which held 18 meetings in 2023, analyses the Bank's liquidity position, namely, the evolution of the balance sheet, the analysis of gaps and key activity indicators (liquidity and commercial gaps, deposit and credit rates). In brief, a comprehensive assessment is carried out of liquidity risk and its evolution, with special focus on current liquidity buffers and the generation/maintenance of eligible assets.

Debt securities issued

(Values in thousands of euros)



Eurosystem eligible securities (por HQLA level)

(Values in thousands of euros)

2023

729,563	HQLA level 1
0	HQLA level 2A

2022

537,912	HQLA level 1
0	HQLA level 2A

Securitisation activities

The Banco CTT Group, in structuring securitisation operations, may have the following objectives:

- Diversify funding sources through:
  - A securitisation enables transforming illiquid assets into liquid assets and, in this way, obtain funding through the sale of these assets;
  - Withholding of securitisations to obtain liquidity, namely by using the more senior tranches as collateral in funding operations in the market and/or Eurosystem.
- Reduce the cost of financing, as the securitisation of assets allows liquidity to be obtained at a cost normally lower than would be incurred in non-collateralised senior debt operations.
- Manage capital and credit risk more appropriately through the diversification of assets in the Balance Sheet, considering that securitisation operations and the subsequent sale of securities on the market contribute to reduce/manage the credit risk that arises (naturally) from commercial activity.
- Manage concentration risk through the selective sale of assets so as to reduce the exposure to specific borrowers, as well as certain classes of assets (business lines, activity sectors, etc.).

Every year, upon preparing its liquidity plan, the Group, based on the available assets, may include, when considered appropriate, the use of securitisation operations.

Description of the Asset Securitisation Activities and Operations of the Banco CTT Group

As Investor

The Group does not hold, from a prudential point of view, significant positions in credit securitisation operations originated by third parties or in securities arising from re-securitisation operations originated by third parties. The Next Funding No.1 securitisation operation is not considered a securitisation from a prudential point of view due to the absence of tranching. However, in order to comply with the provisions in Article 449(f) of the Capital Requirements Regulation (CRR), the Bank developed and implemented a risk management and control process which includes the monitoring of the credit risk and market risk of the securitisation positions held in its balance sheet. Furthermore, and in view of the low significance of the risks involved, pursuant to Article 449(g) of the CRR, there are no hedge operations or any other type of personal protection contracted for the purpose of reducing the risk in these positions. As of December 31, 2023, the Group has no position or involvement with the Next Funding No.1 securitisation operation.

As Originator

As at 31 December 2023, the Group had 4 asset securitisation operations originated by 321 Crédito in progress:

Chaves Funding No.8

This private securitisation operation was issued in November 2019 by Tagus, Sociedade de Titularização de Créditos, S.A., and included a Consumer Credit portfolio originated by 321. The assembly of the operation was carried out with the collaboration of the law firm PLMJ and Deutsche Bank. The structure of the operation includes a Tranche A and a Tranche B in the notes issued, both being entirely held by the Group.

This operation includes an optional early repayment clause which enables the issuer to redeem the notes of all the classes issued, when the residual value of the credit represents 10% or less than the value of the Credit Portfolio on the date of the assembly of the securitisation operation.

The underlying assets of the Chaves Funding No.8 transaction were not derecognised from the Statement of Financial Position as the Group substantially retained the risks and rewards associated with holding them.

Fénix 1

This operation started in December 2014, having been issued by Gamma – Sociedade de Titularização de Créditos, S.A., and securitised a significant part of the finance lease portfolio of 321 Crédito à data.

321 Crédito did not withhold any tranche, hence the securitised portfolio was derecognised from the balance sheet.

321 Crédito maintained the management of the securitised portfolio, having been remunerated for this provision of services by charging a servicer fee.

Ulisses Finance No. 2

This securitisation operation was created in September 2021 and issued by Tagus – Sociedade de Securitização de Créditos, S.A. and corresponds to a public credit securitisation program (Ulisses) with the Ulisses Finance No.2 operation being placed on the market. The operation was set up with the collaboration of the PLMJ Law Firm and Deutsche Bank and included a consumer credit portfolio originated by 321 Crédito, whose initial total value was 250,000 thousand euros, to be maintained over the 12 months of the revolving period.

The structure of the Operation includes six collateralised Tranches from A to F, in addition to tranches G and Z. All tranches are dispersed on the capital market with the exception of class Z, whose initial value was 1.5 million euros and which presents a value of 1,000 euros on 31 December 2023.

This operation obtained ratings by DBRS and Moody's for the tranches placed on the market, i.e., Tranches A to G.

The Ulisses Finance No. 2 operation is STS (simple, transparent and standardised).

For the purpose of calculating the capital ratio, due to the fact that the Ulysses Finance No.2 operation complies with Article 244.1 (b) of European Regulation 575/2013 (full capital deduction), the company decreased its risk-weighted assets concerning the contracts securitised under this operation.

The operation incorporates an interest rate cap, which is a mechanism to mitigate interest rate risk for the operation and its investors, among which the Group is included, but that was not contracted directly by the Group, but rather by the issuer of the securitisation operation (Tagus – STC, S.A.). The Group also has a back-to-back interest rate cap.

The underlying assets of the Ulisses Finance No. 2 transaction were not derecognised from the Statement of Financial Position as the Group substantially retained the risks and benefits associated with holding them.

Ulisses Finance No. 3

This securitisation operation was created in June 2022 and issued by Tagus – Sociedade de Securitização de Créditos, S.A. and corresponds to a public credit securitisation program (Ulisses) with the Ulisses Finance No. 3 operation being placed on the market. The operation was set up with the collaboration of the law firm VdA, Vieira de Almeida and Deutsche Bank and included a consumer credit portfolio originated by 321 Crédito, whose initial total value was 200,000 thousand euros, to be maintained over the 12 months of the revolving period.

The structure of the Operation includes six collateralised Tranches from A to F, in addition to tranches G and Z. All tranches are dispersed on the capital market with the exception of class Z, whose initial value was 1.8 million euros and which presents a value of 1,000 euros on 31 December 2023.

This operation obtained ratings by DBRS and Moody's for the tranches placed on the market, i.e., Tranches A to G.

The Ulisses Finance No. 3 operation is STS (simple, transparent and standardised).

For the purpose of calculating the capital ratio, due to the fact that the Ulysses Finance No.3 operation complies with Article 244.1 (b) of European Regulation 575/2013 (full capital deduction), the company decreased its risk-weighted assets concerning the contracts securitised under this operation.

The operation incorporates an interest rate cap, which is a mechanism to mitigate interest rate risk for the operation and its investors, among which the Group is included, but that was not contracted directly by the Group, but rather by the issuer of the securitisation operations (Tagus – STC, S.A.). The Group also has a back-to-back interest rate swap.

The underlying assets of the Ulisses Finance No. 3 transaction were not derecognised from the Statement of Financial Position as the Group substantially retained the risks and benefits associated with holding them.

As at 31 December 2023, there are no credit portfolios pending securitisation.

As Servicer

Through 321 Crédito, the Group ensures the management of the securitised portfolios, being remunerated for this provision of services by charging a servicer fee.

The tables below, with reference to 31 December 2023 and 2022, present a description of the key features of each asset securitisation operation originated by the Group, namely its level of involvement, the existence or not of a significant transfer of the credit risk, the values initially securitised and in debt, the start date, legal maturity and revolving.

(amounts in thousand euros)

'23

	Chaves Funding No. 8	Ulisses Finance No. 2	Ulisses Finance No. 3	Fenix
Securitisation operation	Chaves Funding No. 8	Ulisses Finance No. 2	Ulisses Finance No. 3	Fenix
Objective of the Securitisation Operation	Obtain Funding	*Obtain Funding and reduce risk weighted assets*	*Obtain Funding and reduce risk weighted assets*	Obtain Funding and transfer credit risk
Type of Securitisation Operation	Traditional securitisation	Traditional securitisation	Traditional securitisation	Traditional securitisation
Sponsors	Tagus (Issuer) Deutsche Bank (Transaction Manager, Paying Agent and Transaction Accounts Bank)	Tagus (Issuer) Deutsche Bank (Transaction Manager, Paying Agent and Transaction Accounts Bank)	Tagus (Issuer) Deutsche Bank (Transaction Manager, Paying Agent and Transaction Accounts Bank), Law Debenture (Common Representative), Servdebt (Backup Servicer)	Gamma (Issuer) Banco Efisa (Arranger, Transaction Manager and Paying Agent) Santander (Transaction Accounts Bank)
Information on the Securitisation:				
Start Date	28/11/2019	28/09/2021	01/06/2022	12/12/2014
Legal Maturity	22/11/2034	23/09/2038	23/06/2039	30/06/2037
Step-up Date				
Revolving Period (years)	2	1	1	-
Securitised Assets (initial)	310,500	250,000	200,000	75,052
Value in Debt (closing of 2023)	396,548	173,482	174,846	33,991
Value in Debt of the Securities				
Class A / Single Class	349,823	140,142	147,129	42,152
Class B	38,940	6,880	7,006	n.a.
Class C	n.a.	13,760	10,509	n.a.
Class D	n.a.	7,774	5,255	n.a.
Class E	n.a.	2,546	4,379	n.a.
Class F	n.a.	894	876	n.a.
Class G	n.a.	0	0	n.a.
Class Z	n.a.	1	1	n.a.
Existence of situations of "implicit support" pursuant to Art. 449 (r) of the CRR	No	No	No	No
% securities placed on the market	0.0000%	99.9994%	99.9994%	100.0000%
Initial capital gain / Value of reacquired first-loss positions	16,025	1	1	0

(amounts in thousand euros)

'22

	Chaves Funding No. 8	Ulisses Finance No. 1	Ulisses Finance No. 2	Ulisses Finance No. 3	Fenix
Securitisation operation	Chaves Funding No. 8	Ulisses Finance No. 1	Ulisses Finance No. 2	Ulisses Finance No. 3	Fenix
Objective of the Securitisation Operation	Obtain Funding	Obtain Funding	*Obtain Funding and reduce risk weighted assets*	*Obtain Funding and reduce risk weighted assets*	Obtain Funding and transfer credit risk
Type of Securitisation Operation	Traditional securitisation	Traditional securitisation	Traditional securitisation	Traditional securitisation	Traditional securitisation
Sponsors	Tagus (Issuer) Deutsche Bank (Transaction Manager, Paying Agent and Transaction Accounts Bank)	Sagres (Issuer) Citibank (Transaction Manager, Paying Agent and Transaction Accounts Bank) Law Debenture (Common Representative), Servdebt (Backup Servicer)	Tagus (Issuer) Deutsche Bank (Transaction Manager, Paying Agent and Transaction Accounts Bank)	Tagus (Issuer) Deutsche Bank (Transaction Manager, Paying Agent and Transaction Accounts Bank), Law Debenture (Common Representative), Servdebt (Backup Servicer)	Gamma (Issuer) Banco Efisa (Arranger, Transaction Manager and Paying Agent) Santander (Transaction Accounts Bank)
Information on the Securitisation:					
Start Date	28/11/2019	10/07/2017	28/09/2021	01/06/2022	12/12/2014
Legal Maturity	22/11/2034	20/03/2033	23/09/2038	23/06/2039	30/06/2037
Step-up Date					
Revolving Period (years)	2	1	1	1	-
Securitised Assets (initial)	310,500	141,300	250,000	200,000	75,052
Value in Debt (closing of 2023)	184,551	20,345	230,137	196,149	35,538
Value in Debt of the Securities					
Class A / Single Class	149,833	0	189,826	168,000	42,152
Class B	26,991	4,233	9,319	8,000	n.a.
Class C	n.a.	7,100	18,638	12,000	n.a.
Class D	n.a.	7,100	10,530	6,000	n.a.
Class E	n.a.	3,500	3,448	5,000	n.a.
Class F	n.a.	n,a,	1,211	1,000	n.a.
Class G	n.a.	n.a.	375	600	n.a.
Class Z	n.a.	n.a.	1	1	n.a.
Existence of situations of "implicit support" pursuant to Art. 449 (r) of the CRR	No	No	No	No	No
% securities placed on the market	0.0000%	51.6710%	99.9996%	99.9995%	100.0000%
Initial capital gain / Value of reacquired first-loss positions	16,025	3,500	1	1	0

During 2023, the main events related to securitisation operations were as follows:

Ulisses Finance No. 1
This operation included an optional early repayment clause which enables the issuer to redeem the notes of all the classes issued, when the residual value of the credit represents 10% or less than the value of the Credit Portfolio on the date of the assembly of the securitisation operation (clean-up call).

This clean-up call was exercised in July 2023, and the Group reacquired the entire securitised portfolio on that date, closing the operation.

During 2022, the main events related to securitisation operations were as follows:

Ulisses Finance No. 3
This securitisation operation was created in June 2022 and issued by Tagus - Sociedade de Securitização de Créditos, S.A. and corresponds to a public credit securitisation program (Ulisses) with the Ulisses Finance No. 3 operation being placed on the market. The operation was set up with the collaboration of the Law Firm VdA – Vieira de Almeida and Deutsche Bank and included a consumer credit portfolio originated by 321 Crédito, whose initial total value was 200,000 thousand euros, to be maintained over the 12 months of the revolving period.

The structure of the Operation includes six collateralised Tranches from A to F, in addition to tranches G and Z. All tranches are dispersed on the capital market with the exception of class Z, whose initial value was 1.8 million euros and which presented a value of 1,000 euros on 31 December 2022.

This operation obtained ratings by DBRS and Moody's for the tranches placed on the market, i.e., Tranches A to G.

The Ulisses Finance No.3 operation embodies simple, transparent and standardised (STS) features.

For the purpose of calculating the capital ratio, due to the fact that the Ulysses Finance No.3 operation complies with Article 244.1 (b) of European Regulation 575/2013 (full capital deduction), the company decreased its risk-weighted assets concerning the contracts securitised under this operation.

The operation incorporates an interest rate cap, which is a mechanism to mitigate interest rate risk for the operation and its investors, among which the Group is included, but that was not contracted directly by the Group, but rather by the issuer of the securitisation operations (Tagus – STC, S.A.). The Group also has a back-to-back interest rate swap.

The underlying assets of the Ulisses Finance No. 3 transaction were not derecognised from the Statement of Financial Position as the Group substantially retained the risks and benefits associated with holding them.

Management of the investments in securitisation operations and calculation of the capital requirements

The investments in debt instruments derived from the securitisation or re-securitisation operations comply with the investment policies in force at the Group at any given time, aligned with the policy on risk appetite, and respect the limits defined under risk management.

During 2023, the group did not act in securitisations, in compliance with the Capital Requirements Regulation (CRR), as an investor.

At the individual level, for the positions where the Bank acts as an investor in the securitisation operations originated by 321 Crédito, and since there is no external rating assigned, but given that the Bank has detailed knowledge of the underlying credit portfolio, the Bank performed the look-through, treating the positions in accordance with Article 253 (1) of the CRR. As at 31 December 2023, these positions amounted to 347,375 thousand euros.

For the Ulisses Finance No.2 and Ulisses Finance No. 3 securitisation operations, the Group applies the provisions of Article 244 -1 (b) of the CRR, opting for the deduction from own funds of the retained tranche and disregarding the exposures of the securitised claims.

Capital Management

Group Banco CTT strives for high financial solidity by maintaining a ratio of total own funds (ratio between own funds and risk-weighted assets), above the minimum established in Directive 2013/36/EU and Regulation (EU) 575/2013 ("CRR", Capital Requirements Regulation), approved on 26 June 2013 by the European Parliament and European Council. The definition of the strategy to be adopted in terms of capital management is the responsibility of the Board of Directors.

ICAAP

ICAAP (Internal Capital Adequacy Assessment Process) is a relevant process for managing the Group's risk aimed at identifying the capital the Bank requires to adequately cover the risks it runs in undertaking its current business strategy.

The Group carries out an annual self-assessment exercise to determine the adequate capital levels given the business model. This process, which is regulated by Banco de Portugal Instruction 3/2019 and the EBA guidelines, seeks to ensure that the risks to which institutions are exposed are correctly assessed and that their internal capital is adequate in relation to their risk profile.

ICAAP is a tool that enables the Board of Directors to examine the Group's capital adequacy, given the risks of its activity, assessing the sustainability of the strategic plan of its budget in the medium-term and the respective framework of the limits defined in the Risk Appetite Statement. The ICAAP allows the Group to assess and quantify the main risks to which it may be exposed, thus also constituting an important tool in decision-making regarding the levels of risk to be assumed and the activities to be undertaken.

The Group calculates internal capital by using the regulatory models, where its internal capital is composed up of its regulatory own funds.

The approaches to quantify economic capital are, for each of the risks, the following:

Types of Risk	Measurements
Strategic Risk	Internal Model
Operational Risk	Basic Indicator Approach
IT Risk*	
Compliance Risk*	
Reputation Risk*	
Credit Risk	Internal Models
Market Risk	VaR Model
Banking Book Interest Rate Risk	Instruction 34/2018
Exchange Rate Risk	n/a

* These risks are treated as a whole with Operational Risk

Regulatory Capital

The prudential solvency indicators are based on the applicable regulatory standards, namely the European Regulation on Prudential Requirements (CRR), as well as Banco de Portugal Notices 6/2013 and 10/2017 regulating the transitional regime provided for in the Regulation on own funds.

The CRR includes a series of transitional provisions enabling the phased application of the requirements, providing the possibility for credit institutions to gradually accommodate the new requirements both in terms of own funds and minimum capital ratios.

In calculating capital requirements, the Group used the standard approach for credit and counterparty risk, the basic indicator method for operational risk and the standard approach based on maturity for market risk.

The Group's Common Equity Tier 1 includes: (a) paid-up capital, retained and eligible reserves and earnings, (b) regulatory deductions related to intangible assets, goodwill and losses related to the current year, and (c) prudential filters. As at 31 December 2023, the Group does not have any additional Tier 1 or Tier 2 capital instruments, so all its regulatory capital is made up of core Tier 1 capital.

As at 31 December 2023 and 31 December 2022, own funds and consolidated capital ratios are as follows:

(amounts in thousand euros)

	'23		'22	
	CRR Phasing in	*CRR Fully Implemented*	*CRR Phasing in*	*CRR Fully Implemented*
Own funds				
Share capital	**296,400**	**296,400**	**296,400**	**296,400**
Retained earnings	**(46,098)**	**(46,098)**	**(59,348)**	**(59,348)**
Legal reserve	**3,037**	**3,037**	**1,571**	**1,571**
Eligible Results (1)	**17,023**	**17,023**	**14,716**	**14,716**
Other Reserves	**350**	**350**	**347**	**347**
Prudential Filters	**(23)**	**(23)**	**-**	**-**
Fair value reserves (2)	-	-	-	-
Additional Valuation Adjustment (AVA) (3)	(23)	(23)	-	-
Deductions to Common Equity Tier 1	**(71,793)**	**(74,550)**	**(68,810)**	**(76,172)**
Losses for the period	-	-	-	-
Intangible assets	(13,174)	(13,174)	(14,796)	(14,796)
Goodwill	(60,679)	(60,679)	(60,679)	(60,679)
Adoption of IFRS 9	2,062	(695)	6,667	(695)
Securitisation deduction (1250%)	(2)	(2)	(2)	(2)
Items not deducted from Equity pursuant to article 437 of the CRR	**1,753**	**1,753**	**1,732**	**1,732**
Deferred tax assets	1,753	1,753	1,732	1,732
Holdings in financial entities	-	-	-	-
Common Equity Tier 1	**198,896**	**196,139**	**184,876**	**177,514**
Tier 1 Capital	**198,896**	**196,139**	**184,876**	**177,514**
Total Own Funds	**198,896**	**196,139**	**184,876**	**177,514**
RWA	**947,577**	**945,528**	**1,182,594**	**1,176,298**
Credit Risk	728,877	728,877	1,000,303	1,000,303
Operational Risk	188,984	188,984	148,925	148,925
Market Risk	-	-	-	-
CVA	29,716	29,716	33,366	33,366
IFRS 9 adjustments	-	(2,049)	-	(6,296)
Capital Ratios				
Common Equity Tier 1	21.0%	20.7%	15.6%	15.1%
Tier 1 Ratio	21.0%	20.7%	15.6%	15.1%
Total Capital Ratio	21.0%	20.7%	15.6%	15.1%
Srep Requirement				
Common Equity Tier 1	8.7%	8.7%	8.7%	8.7%
Tier 1 Ratio	10.8%	10.8%	10.8%	10.8%
Total Capital Ratio	13.5%	13.5%	13.5%	13.5%

(1) Includes net income for the year in 2022 and 2023.
(2) Fair value reserve relative to gains or losses of financial assets stated at fair value.
(3) Additional value adjustments required to adjust the assets and liabilities stated at fair value.

With regard to Common Equity Tier 1, reference is made to the incorporation of the net income for 2023 in the equity of 17,023 thousand euros (31 December 2022: 14,716 thousand euros). With regard to capital requirements, we would highlight the reduction in risk-weighted assets relating to credit risk due to the termination of the Universo partnership agreement.

As at 31 December 2023, the risk-weighted assets amounted to 947,577 thousand euros (31 December 2022: 1,182,594 thousand euros) of which 728,877 thousand euros (31 December 2022: 1,000,303 thousand euros) refer to credit risk.

The following table shows the geographical distribution of the relevant exposures for calculating the countercyclical capital reserve. It is important to note that as at 31 December 2023, the Banco CTT Group has no relevant exposure to geographic regions whose countercyclical buffer is different from zero.

(amounts in thousand euros)

Exposures	'23	'22
Portugal	703,553	558,183

The breakdown of risk-weighted assets with regard to credit risk at the end of 2023 and 2022 was as follows:

(amounts in thousand euros)

'23

Risk headings	Original risk position	Risk-weighted assets (1)	Risk weight (2)	Capital Requirement (2)
Central Authorities or Central Banks	1,938,034	-	0%	-
Multilateral development banks	9,854	-	0%	-
International organisations	70,756	-	0%	-
Other Credit Institutions	58,562	20,615	35%	1,649
Companies	5,829	3,657	63%	293
Retail customers	506,268	361,640	71%	28,931
Loans secured by immovable assets	743,524	264,767	36%	21,181
Non-performing loans	29,790	30,023	101%	2,402
Other items	70,927	48,176	68%	3,854
Total	**3,433,544**	**728,878**	**21%**	**58,310**

(1) Risk weight: Risk-weighted assets / Original risk position
(2) Pursuant to the CRR, article 438(c).

(amounts in thousand euros)

'22

Risk headings	Original risk position	Risk-weighted assets (1)	Risk weight (2)	Capital Requirement (2)
Central Authorities or Central Banks	1,026,699	-	0%	-
Regional governments or local authorities	-	-	n.a.	-
Other Credit Institutions	68,142	20,650	30%	1,652
Companies	382,583	373,409	98%	29,873
Retail customers	320,739	230,392	72%	18,431
Loans secured by immovable assets	671,537	239,762	36%	19,181
Non-performing loans	27,499	27,908	101%	2,233
Collective investment undertakings (CIUs)	31,962	31,617	99%	2,529
Shares	14,786	14,786	100%	1,183
Other items	84,669	61,781	73%	4,942
Total	**2,628,616**	**1,000,305**	**38%**	**80,024**

(1) Risk weight: Risk-weighted assets / Original risk position
(2) Pursuant to the CRR, article 438(c).

Use of External Ratings:

The Banco CTT Group uses the ratings of External Credit Assessment Institutions (ECAI), namely issued by Moody's, S&P, Fitch and DBRS, for exposures to credit institutions with a residual maturity greater than 3 months and for exposure to companies. The Bank thus uses the standard relationship published by the EBA between ECAIs and credit quality levels.

In the determination of the risk weight to be applied in the calculation of RWA, the allocation of the credit assessments of the issuer are as follows:

a) positions in debt securities receive the ratings attributed specifically to these issues;
b) If there are no specific risk ratings for the issues, as referred to in a), the risk ratings attributed to their issuers are considered, if they exist; and
c) positions at risk of lending nature that are not represented by debt securities receive only, and when existing, the risk ratings of the issuers.

As at the reporting dates, the Bank had the following exposures:

(amounts in thousand euros)

	'23				'22		
Degree of Credit Quality	Institutions, residual maturity >3m	Sovereign debt	Central Bank	Supranational	Institutions, residual maturity >3m	Sovereign debt	Central Bank
1	-	206,707	-	80,614	-	-	-
2	962	167,646	-	-	5,239	206,334	-
3	11,050	274,582	-	-	4,701	331,578	-
4	-	-	-	-	-	-	-
5	-	-	-	-	-	-	-
6	-	-	-	-	-	-	-
No rating	-	-	1,260,077	-	-	-	450,250

Leverage Ratio

The management of leverage risk falls within the adopted capital management strategy and is entrusted to the Board of Directors.

The Leverage Ratio was introduced by the CRR in order to monitor the level of leverage of institutions.

Banco CTT monitors this ratio regularly and ensures its total and continuous compliance in its strategic planning.

As at 31 December 2023, the leverage ratio was 5.8% (31 December 2022: 7.0%), significantly above the minimum benchmark set by the Basel Committee on Banking Supervision (3%), which has become a mandatory compliance requirement since 28 June 2021. The ratio is calculated using Tier 1 Capital.

The exposures used to calculate the leverage ratio, as at 31 December 2023 and 31 December 2022, are presented in the table below:

(amounts in thousand euros)

Summary of the reconciliation of the book value and the exposures of the leverage ratio	'23	'22
Total assets recorded in the financial statements	**3,827,132**	**3,104,914**
Intangible assets deducted from own funds	(73,855)	(75,477)
Adjustment for derivative financial instruments	(17,323)	(16,945)
Revaluation reserves	-	-
Adjustment for securities financing transactions (SFT)	-	-
Adjustment for off-balance sheet items	37,436	38,268
Other adjustments	2,049	6,296
Prudential adjustments	(341,895)	(428,441)
Total exposure to the leverage ratio – transitional	**3,433,544**	**2,628,615**

(amounts in thousand euros)

Leverage Ratio	'23	'22
Value of positions at risk		
Off-balance sheet exposures pursuant to Article 429(10) of the CRR	37,436	38,268
Other assets pursuant to Article 429(5) of the CRR	3,396,107	2,590,348
Value of the deducted assets – Tier 1 capital – full implemented	(2,049)	(6,296)
Total exposure to the leverage ratio – fully implemented	3,431,494	2,622,320
Total exposure to the leverage ratio – transitional	3,433,543	2,628,616
Capital and regulatory adjustments		
Tier 1 capital – fully phased-in definition		177,514
Tier 1 capital – transitional definition	196,139	184,876
Leverage ratio – fully implemented tier 1 capital	**5.7%**	**6.8%**
Leverage ratio – transitional tier 1 capital	**5.8%**	**7.0%**

In 2023, the transitional leverage ratio fell by 1.24 percentage points, justified by the respective increase in total assets.

Internal Control and Risks

Regulatory Framework

The way in which institutions pursue their activity, carry out their mission, plan and design their strategy is decisively influenced by the national and international regulatory framework in force at any given time, and it is naturally essential to correctly identify and contextualise the regulations that have the greatest impact, enabling them to obtain a comprehensive view of regulatory changes and, knowing them, act accordingly.

In a context marked by geopolitical tensions, high inflation and the resulting rapid rise in interest rates (after a prolonged period of low interest rates) and still recovering from a global pandemic, with inevitable repercussions on the global economic scenario and affecting its dynamics and functioning, a series of legislative packages were published in 2023 that sought to meet the special concerns of consumer protection and from which obligations arise, according to which institutions need to guide their actions, with regulations that promote and test institutions' resilience and firmness, both by adapting loan conditions to the payment capacity of their consumer clients, but also by applying prudent impairment and capital conservation policies, allocating part of the profits generated to increasing their capacity to absorb losses and maintaining financing for the economy.

This is followed by a brief look at the main regulatory developments that took place in 2023, with special emphasis on those produced by the national legislator and the Bank of Portugal, in terms of supervision and increased scrutiny of the practices and behaviour of banking institutions.

Anticipating the potential increase in defaults by the most vulnerable households, bearing in mind the aforementioned rise in inflation and short-term interest rates, particularly on mortgage loans, the national legislator paid special attention to this issue and:

a) created extraordinary support for families to pay rent and instalments on credit agreements through Decree-Law 20-B/2023 of 22 March, in addition to the set of procedures provided for in Decree-Law 80-A/2022 of 25 November and amended by Decree-Law 74-A/2017 of 23 June. Also noteworthy was the creation of a protocol between the institutions and the DGTF (Directorate-General for the Treasury and Finance) for its operationalisation (later amended by Law 56/2023 of 6 October, Decree-Law 91/2023 of 11 October and Decree-Law 103-B/2023 of 9 November);
b) approved consumer protection rules for financial services, amending several relevant laws, with a ban or limitation on charging a range of commissions, through the publication of Law 24/2023 of 29 May;
c) established the measure to temporarily fix the instalment of credit agreements for the purchase or construction of own and permanent housing and reinforced the extraordinary measures and support for mortgage loans, by approving Decree-Law 91/2023 of 11 October; and,
d) the law that approved the 2024 state budget – Law 82/2023 of 29 December – amended Law 19/2022, extending the exceptional and temporary regime for the redemption/reimbursement of savings plans until 31 December 2024.

In line with this concern, the Bank of Portugal issued two noteworthy regulations in this area: Instruction 23/2023 of 9 October, which defines the criteria for weighing up the impact on consumers' solvency of increases in the index applicable to variable interest rate or mixed interest rate credit agreements, and Instruction 24/2023 of 30 October on providing information to bank customers and reporting information to the Bank of Portugal on the implementation of the temporary instalment fixing and temporary interest subsidy schemes for permanent home loan contracts.

Also seeking to safeguard the interests of consumers in their right to correct information, the Bank of Portugal updated the models that banking institutions must comply with and disclose to the public about the minimum banking services account, in order to reflect the recent expansion of the list of services included in said account, with Instruction 19/2023 of 30 August.

Stressing the need for institutions to comply with the Guidelines on risk management associated with information and communication technologies and security (EBA/GL/2019/044) and seeking to prevent the occurrence of scams, fraud or similar situations using phishing techniques, Banco de Portugal produced Circular Letter 2023/25 of 21 June, containing Recommendations on the prudential treatment of phishing incidents involving customers.

Within the banking sector, the Bank of Portugal endeavoured to ensure that institutions are able to adapt, having generated regulations such as:

a) Circular Letter 2023/01 on the annual disclosure of non-performing and restructured exposures;
b) Circular Letter 2023/04, which publishes the Guidelines of the Committee of European Banking Supervisors (CEBS) on the exclusion of certain very short-term exposures for the purposes of calculating the value of risk under the large exposures regime and states that these should also be followed and applied by less significant credit institutions;
c) Circular Letter 2023/05, which discloses the models for reporting the Financing and Capital Plans, the description of the macroeconomic and financial scenario and other guidelines necessary for the institutions to carry out the exercise and provide information;
d) Circular Letter 2023/20, regarding the implementation of EBA/GL/2022/14, namely regarding compliance with the criteria for the identification, assessment, management and reduction of risks resulting from potential changes in interest rates ("IRRBB") and on the assessment and monitoring of credit spread risk resulting from activities not included in the trading book ("CSRBB"), especially important in the current context of rising interest rates.

As far as the Insurance and Pension Funds Supervisory Authority (ASF) is concerned, with a view to adopting a different approach to reporting regulations, we would highlight the publication of Regulatory Standard No. 4/2023-R and Regulatory Standard No. 5/2023-R, both of 11 July, on the provision of information for supervisory purposes to the ASF by insurance and reinsurance companies and pension fund management companies.

Although they are aimed at Member States and have transposition deadlines of 2025, the Banco CTT Group has taken note of and analysed Directives 2023/2225 of 30 October and 2023/2673 of 22 November of the European Parliament, given the relevance of the issue, the former relating to consumer credit agreements and the latter to financial services agreements concluded at a distance.

Aware that cybersecurity is a priority issue for regulators and supervisors, Banco CTT Group is closely following developments in the Public Consultation launched by the European Supervisory Authorities (EBA, EIOPA and ESMA – the ESAs) on 19 June, on the first batch of policy products under the Digital Operational Resilience Act (DORA).

Internal Control System

Objectives

The Group's Internal Control System (ICS) is based on the set of strategies, policies, processes, systems and procedures whose associated controls aim to ensure the sustainability of the Bank and its subsidiaries in the medium and long term, as well as the prudent exercise of their activity, through the objectives illustrated in the following figure:

Objectives

Performance and Operational

Fulfilment of the objectives defined in the strategic plan

Efficient execution of operations

Efficient use of resources

Safeguarding of assets

Identification, assessment, monitoring and control of the risks

Information and Reporting

Existence of complete, pertinent, reliable and timely financial and non-financial information

Adoption of solid accounting procedures

Compliance

Observance of the legal and regulatory provisions and guidelines applicable to the activity

Compliance with the internal regulations

Observance of the professional and deontological standards and practices, Code of Conduct and other customer relationship rules

Governance Model

The composition of the governance model of the Group's Internal Control System is summarized in the following figure:

Board of Directors	Ensures the independence and autonomy of the internal control functions (Risk, Compliance and Audit) and that they have the necessary status to significantly influence the Group's analytical and decision-making process.
Audit Committee	Direct reporting lines with the internal control functions so as to ensure regular access to the information required for performance of their supervisory responsibilities.
Remuneration Committee	Assesses the definition and implementation of remuneration policies and supervises the definition and application of the remuneration of those responsible for risk-taking and the control functions.
Internal Control Committee	Monitors the evolution of the detected internal control flaws, ensuring follow-up of the evolution of the defined Action Plans.
Internal audit function (3rd line of defence)	Ensures that all the other functions within the institution operate as expected. Should perform its duties in an fully independent manner.
Risk and Compliance (2nd line of defence)	Develop the policies and methods for risk management. Should have a significant intervention in analysis and decision-making on risk-taking and in the definition of the institution's risk profile. Carry out actions to assess the efficacy of the 1st line controls.
Other areas Process Owners (1st line of defence)	The business lines expose the Bank to a series of unintended risks on a daily basis, where the process owners are entrusted with defending the institution from unintended risk-taking, implementing the defined controls and procedures, and reporting any detected failures to the 2nd line of defence.

The Board of Directors is primarily responsible for the Group's internal control system and for ensuring its implementation, robustness and efficacy, in compliance with internal and external regulations on the matter. The Board of Directors is also responsible for monitoring the management information regarding Internal Control shortcomings, analysing the internal control system's assessment report and issuing an overall opinion on the adequacy and effectiveness of the internal control system.

The Audit Committee is responsible for the monitoring and constructive critique of the Group's strategy, and should appraise and constructively influence the control functions, namely with respect to its annual activities plan, assuring the Board of Directors that the persons responsible for the internal control functions have the necessary conditions to act with independence, by providing an appropriate endowment of human and material resources for them to be able to perform their duties in an effective manner.

The Remuneration Committee is responsible for assessing and supervising the policies and practices applicable to the remuneration of all employees, including the members of Corporate Bodies, as detailed in Chapter D ("Remunerations") of the Corporate Governance Report.

The Bank´s Internal Control Committee, composed of all members of the Bank's Executive Committee, is the body responsible for defining the criteria and implementation of the non-financial risk management instruments and for the monitoring and continuous assessment of the efficacy of the internal control system, namely by following-up on any detected flaws. The Committee held 8 meetings in 2023.

On the other hand, the governance model of the Group's internal control system is based on a three line of defence approach, which comprises:

A first line of defence, entrusted with risk and control management, composed of the Retail Network — with front office duties responsible for carrying out level one controls — and the Operations Department (with back-office duties responsible for a second check ("4-eyes check") of most processes that are essentially initiated by the Retail Network.

A second line of defence, entrusted with monitoring risk, advising and supporting the first line of defence in identifying risks and controls. The second line of defence consists of Compliance and Risk, responsible for the monitoring process, carrying out periodic tests on the effectiveness of the first-line controls, as well as the areas of Planning and Control, Security and Data Protection, Legal Services and Human Resources.

The third line of defence is ensured by Internal Audit, which is responsible for independently examining and assessing the adequacy and effectiveness of policies, processes and procedures that support the internal control system, namely by carrying out effectiveness tests on implemented controls.

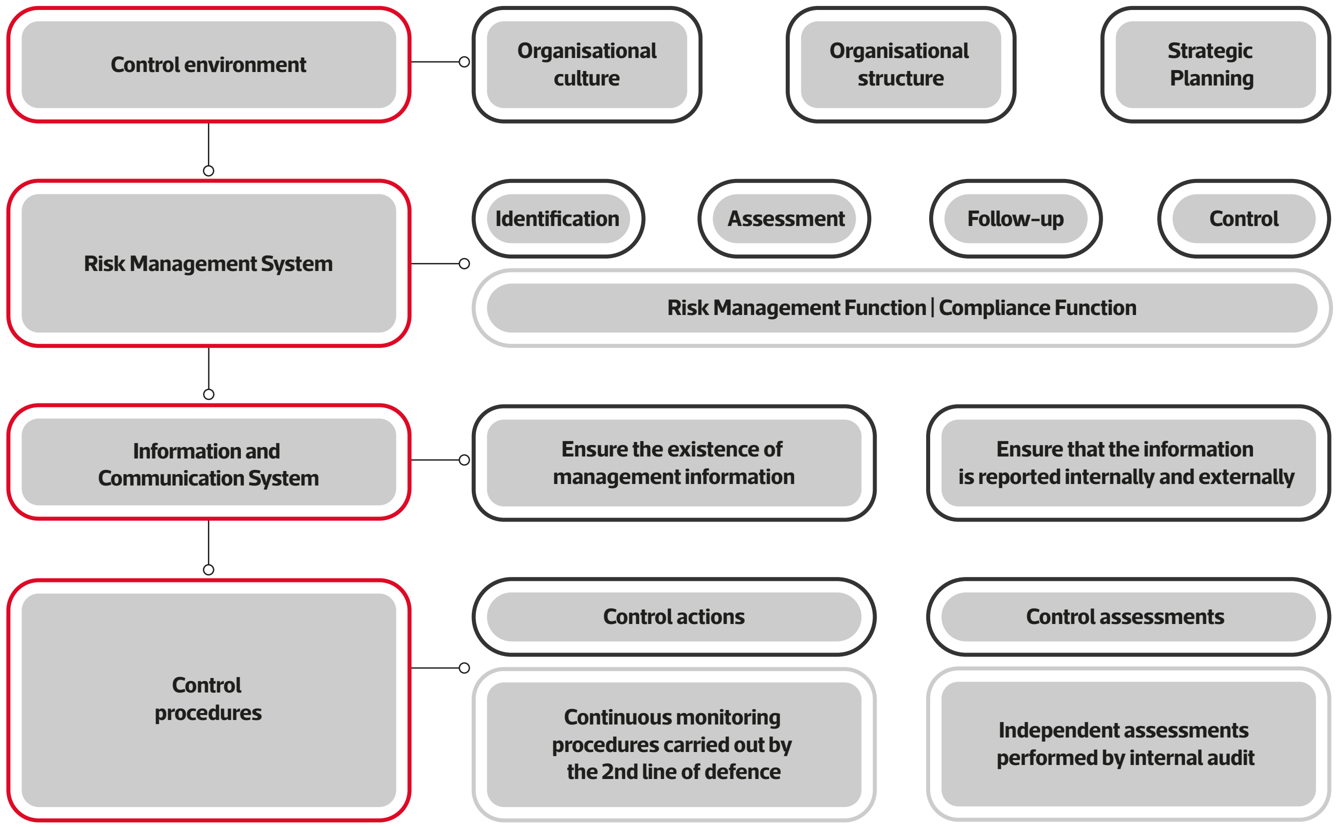
Framework

The Group's internal control framework is based on four main components:

- Control Environment
- Risk Management System
- Information and Communication System
- Control Procedures

The following figure summarises these components of the internal control system adopted by the Group, which are described in greater detail below:

Internal control system adopted by the Group



Control Environment

In the development of its organisational culture, the Group implements clear risk management and internal control methodologies that aim, among others, to ensure a robust control environment involving and holding all employees accountable. The Management and Supervisory Bodies have a fundamental role in creating the conditions for the development of an effective control environment that allows the Group to achieve its objectives, essentially through the commitment to integrity and ethical values reflected in the Code of Conduct, and their behaviour should serve as an example for all employees ("lead by example") and the exercise of supervision, accountability and authority in the management and monitoring of risk management and internal control, formalised in the strategy, objectives, policies, processes and day-to-day action and deliberation.

On the other hand, the Group's Organisational Structure, which is defined in an integrated, objective, transparent and perceptible manner in the organisation and structure manual, supports the development of the Group's activity and the implementation of its internal control system, ensuring that the management and control of operations are carried out in a prudent manner. The Group's organisational structure is based on a coherent, clear and objective definition of the lines of reporting and authority, of the powers and responsibilities of each body, structure unit and function, as well as the degree and scope of cooperation between them and includes an adequate segregation of duties, ensuring that any situations of potential conflict of interest are identified in advance, minimised and subject to careful and independent monitoring and is based on a sufficient number of members of the top management and middle management, as well as other employees, to carry out the defined responsibilities and duties.

Strategic planning is performed on the basis of well-founded assumptions, which are subject to sensitivity analyses and on reliable and understandable information, ensuring its timely adaptation in case of significant changes in assumptions, the definition of precise, clear and sustainable objectives for the Group's activity, covering its main products, activities, systems and processes, the determination of Risk Management Policies and the establishment of guidelines that support the development of the Group's internal control system.

Risk Management System

The risk management model outlined by the Group is supported by a set of policies, procedures and appropriate risk tolerance limits, clearly defined and approved, which are periodically reviewed in compliance with the respective regulatory framework.

The risk management model includes four essential steps, namely: risk strategy definition, risk identification and assessment, risk response, and risk monitoring, control and reporting, as illustrated in the figure below:

In this regard, it should be noted that in 2023 the risk taxonomy was revised and the role of the control functions in strategic planning, new products and initiatives with an impact on the Group's risk profile was clarified. Additionally, it is particularly important that the Group's risk management system covers all its products, activities, processes and systems and integrates the provisions of recovery plans, incorporating policies and procedures aimed at ensuring the timely recovery of situations of financial imbalance of the Group, as well as the provisions of other processes and policies related to risk management.

Risk Management System

Information and Communication System

The Group ensures the implementation of mechanisms to collect, produce and process information to support management, decision-making and compliance with obligations to supervisory bodies.

The Group's information and communication is governed by the principles of substance, timeliness, comprehensibility, consistency, punctuality and reliability and ensures a complete and integral vision of its financial situation, the development of its activities, the execution of its strategy and the fulfilment of the objectives defined, its overall risk profile, and the behaviour, evolution and risk profile of the market in which the Bank and its subsidiary operate. With regard to communication, the Group has formal, transparent, relevant processes which are adjusted to its needs, ensuring effective communication throughout the organisation and facilitating the decision-making process. In this regard, and in compliance with the provisions in Articles 29 and 30 of Notice 3/2020, the Group promoted the conduct of an independent assessment, by an external entity, of the adequacy of the implemented processes for obtaining, production and processing of information, the associated control mechanisms and the compliance of the information flows, which gave rise to a series of recommendations that are being implemented by the Group, with a view to alignment with the requirements in this notice.

Within the scope of the risk management processes and resulting from the internal control system, several reports are made. These include current reports, which should be prepared by the Risk and Compliance Departments based on the monitoring of risks and risk events, and cyclical reports, which are drawn up by the different structure bodies with a predefined frequency, as part of their specific activities and procedures under the aegis of risk management and internal control.

Indeed, in the context of internal control, in compliance with Article 5 of Banco de Portugal Instruction 18/2020, since 2021, the Group has sent Banco de Portugal, by the end of December of each year, its annual self-assessment report, provided for in Article 4, as well as an individual report for the Bank and its subsidiary. In 2023, this report was drafted, and submitted to Banco de Portugal in December.

Control Procedures

The Group's internal control includes a set of processes whose main goal is to ensure the effectiveness and/or efficiency of the implemented controls. In this sense, the internal control system establishes the use of controls as a means to mitigate risk or to mitigate the occurrence of certain risk events whose impact could jeopardise the Group's activity, especially in the case of those that are above the defined risk appetite.

In order to operationalise the internal control model, procedures were defined to promote efficient and effective management of the internal control system, which enhances the ability of the Bank and its subsidiaries to achieve objectives and adapt to operational and business changes. This methodology also defines the procedures to be followed by the various areas in the identification and management of internal control deficiencies, as well as the monitoring of the respective Action Plans by the control areas and the performance of the Compliance function in the systematisation of information, in order to ensure the effectiveness of the internal control system.

The information that results from the continuous monitoring of the Internal Control System is materialised in the deficiencies resulting from the internal control system, which, particularly those with a material impact on the Bank and its subsidiaries, are recorded, documented and communicated to senior management, ensuring their effective treatment and the timely implementation of immediate corrective measures. In this regard, the internal control system framework will be reviewed in 2023, with a view to changing it to Group level.

Risk Management

The risk management system is part of the Group's internal control system (SCI), creating an appropriate control environment in which the Group carries out its activities, within the limits of its Risk Appetite Statement (RAS).

The risk management system delineated by the Banco CTT Group is based on a number of concepts, principles and rules, and on an applicable organisational model adjusted to Group, respecting its regulatory framework. The risk management model includes five essential stages, namely defining the risk strategy, identifying, evaluating, responding to risks and monitoring, controlling and reporting risks.

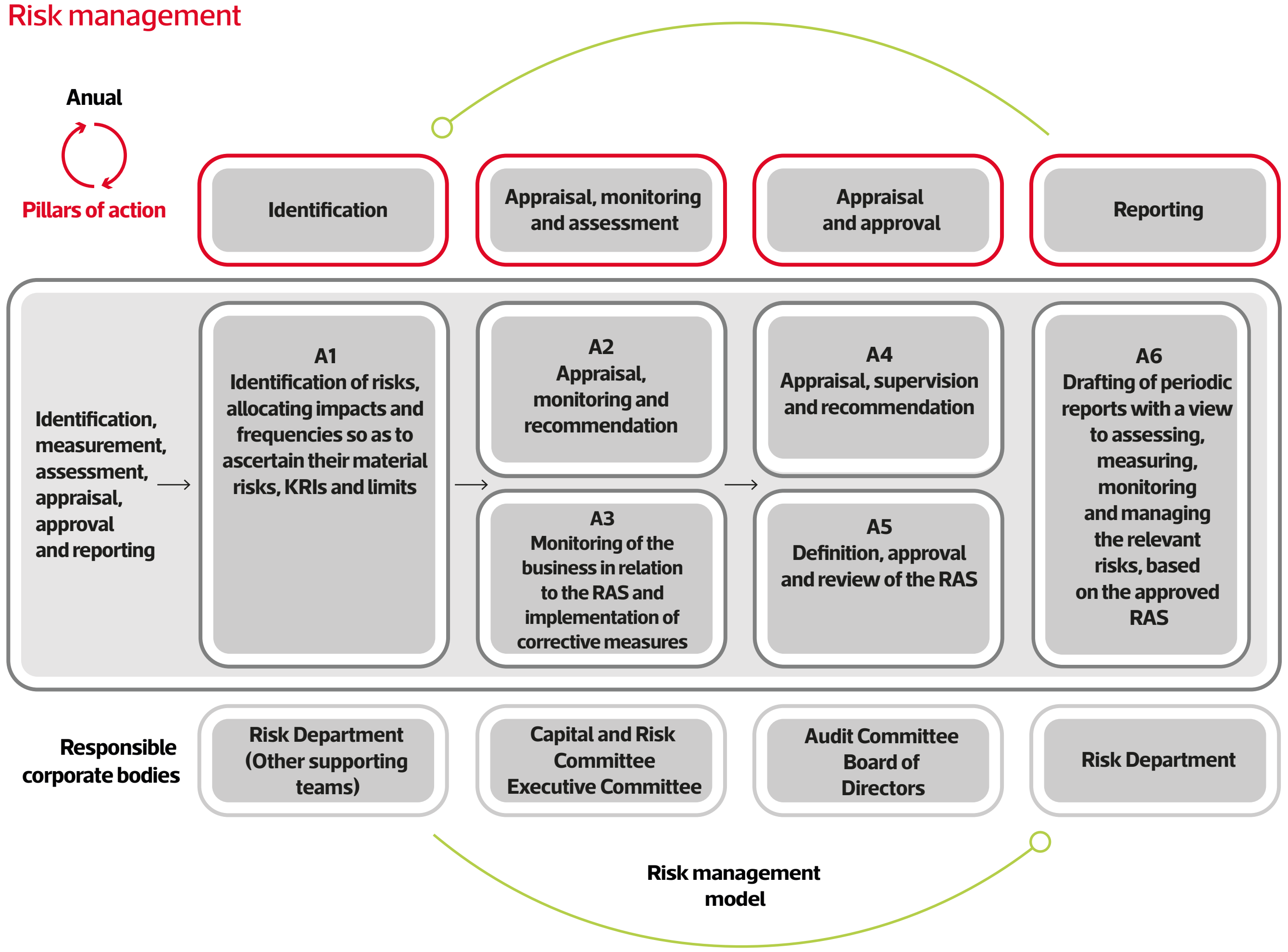
In carrying out its activity, the Group is exposed to various types of risk arising from both external and internal factors, mainly depending on the characteristics of the market in which it operates.

The risk strategy is reviewed annually and defines the qualitative principles, rules and the quantitative rules and limits for the management of the different risks arising from the Group's activity. These are formalised in its RAS, presenting the risk appetite framework for the business growth of the Banco CTT Group in the next 3 years of activity.

The Group's General Internal Control and Risk Management Policy is aimed at permanently maintaining an adequate relationship between its own funds and the activity carried out, as well as the corresponding assessment of the risk/return profile by business line. The risk management also seeks to support the decision-making process, thereby enhancing the Group's short and long-term capability to manage the risks to which it is exposed and enabling clear communication on how business risk should be managed, in order to create the basis for a solid operational environment.

In this context, monitoring and controlling the main types of risk to which the Group is exposed is particularly important. This monitoring and control is carried out initially by the departments that constitute the first line of defence in relation to the risks they manage, and subsequently by the departments of the second line of defence in relation to all risk categories and the Group's overall risk profile.

Risk management



In defining risk management processes, the Group adopts tools and methods that enable it to identify, assess, monitor and report risk both from an individual standpoint and in an integrated perspective. This ensures a comprehensive vision of the risks to which the Group is exposed, and an early understanding and appraisal of the potential impact these risks may have on the institution's solvency and liquidity.

Governance of Risk Management

The Board of Directors is responsible for defining and maintaining the Banco CTT Group's General Internal Control and Risk Management Policy, including the approval of its principles at the highest level, ensuring its compliance with the risk management model in force. The Board of Directors is also responsible for defining the Group's strategic orientation and the acceptable risk levels, ensuring that the business is conducted according to the the provisions of that Policy and that the material risks to which the Group is exposed stay at the predefined level.

The Audit Committee of Banco CTT, as a supervisory body, is responsible for overseeing the efficacy of the risk management system, the internal control system and internal audit system by way of internal audit duties and the External Auditor. It also acts as the risk committee, under the terms of and for the purposes established in Article 115-L of the RGICSF. The Audit Committee is responsible for (i) assisting the Board of Directors in supervising the execution of the Bank's risk strategy by the Executive Committee. It also advises on risk appetite by presenting a corrective plan to the Board of Directors, whenever necessary, and (ii) accessing information on the Bank's risk situation and, if necessary, accessing the risk management function and external expert advisers.

In order to make the control and preparation of the strategic decisions of the Board of Directors more efficient, the Executive Committee set up support committees for the Executive Board (Capital, Risk and Sustainability Committee and the Internal Control Committee), whose meetings are held on a recurring basis for the purpose of monitoring risks that, in line with the decisions of the Board of Directors, play an important role in the management and control of financial and non-financial risks.

These Committees are responsible for the definition and execution of the risk management criteria and instruments, capital allocation, liquidity management, management of non-financial risks, continuous monitoring and assessment of the efficacy of the internal control system, namely by monitoring the detected flaws and events, as well as by monitoring the risks, with a view to supporting the Executive Committee on the related issues.

Risk management duties are operationally centralised in the Risk Department and are independent from the business units, consistently incorporating the concepts of risk and capital in the Group's business strategy and decisions.

The Risk Department is responsible for implementing the risk policies set out by the Board of Directors and ensuring the integrated management of risks to which the Group is or may become exposed, ensuring these are managed appropriately by the Group's various Departments within the established limitations. In addition, the Risk Department identifies and assesses risks, develops methods and metrics for risk measurement and monitors and controls the evolution of risk, while defining effective and adequate controls to mitigate it. It is also responsible for reporting the relevant risks, preparing periodic and timely reports that enable a reliable assessment of risk exposure and identifying the implemented control procedures to manage these risks, supporting the decision-making process in the risk management area of the Group.

The main responsibility of the Compliance Department is to manage compliance and reputational risk.

This department independently promotes and controls the adoption of the best banking practices by all the Group's bodies and employees. It also ensures they comply with the ethical principles and internal and external standards that govern the Bank's activity not only to avoid any monetary or reputational losses that may arise from a breach thereof, but also to contribute to customer satisfaction and the long-term sustainability of the business.

In addition, the Compliance Department prevents the Group's involvement in criminal money laundering and the financing of terrorism, by monitoring the customer acceptance policy and the transactions performed by the customers, always notifying the competent authorities whenever there is cause for suspicion.

Internal audit duties are carried out by the Internal Audit Department. This department is integral part of the process of monitoring the internal control system, carrying out autonomous supplementary assessments of the controls made and identifying possible shortcomings and recommendations. All of this is documented and reported to the management body, thereby protecting the institution's value, its reputation and solvency.

The three control functions (Risk Management, Compliance and Internal Audit) perform their functions in a transversal manner to the different entities of the Banco CTT Group.

Credit Risk

Credit risk is related to the degree of uncertainty of attaining the expected returns as a result of the inability either of the borrower (and guarantors, if any) or of the issuer of a security or of the counterparty to an agreement to fulfils their obligations.

As the Group's main activity is commercial banking, with special emphasis on the retail segment, the Bank offers simple credit products (mortgage lending and overdraft facilities associated to current bank accounts with salary/pension domiciliation) and specialised credit at the point of sale through the activity of 321 Crédito.

In addition, the Group is exposed to credit risk in other of its activities, namely direct exposure to credit risk from investments and deposits in other credit institutions, sovereign and supranational debt securities from the euro zone, debt instruments from other issuers (supranational), and other portfolios of 321 Crédito which are essentially in the run-off phase.

The control and mitigation of credit risk is carried out through the early detection of signs of portfolio deterioration, namely through early warning systems and the pursuit of appropriate actions to prevent risk of default, the remedying of actual default and the creation of conditions that maximise recovery results.

The Group considers that there is a concentration of risk when various counterparts are located in a common geographic region, develop activities or have economic features that are similar which affect their capacity to comply with contractual obligations in the event of significant changes in macroeconomic conditions or other relevant changes for the activities carried out by the counterparts. Banco CTT has defined and implemented limits of concentration to mitigate this risk.

The analysis of risk concentration is essentially based on geographic concentration and concentration in the economic sector in which the counterparts operate.

The exposure subject to credit risk by country and risk class are detailed in this section, portraying the increased geographic diversification of the Group's investments.

The activities developed by the counterparts show some level of concentration in investment in sovereign debt instruments, namely in Euro Area countries. This concentration is in line with the Group's risk appetite and is part of its liquidity risk management.

Credit risk is quantified/measured on a monthly basis by assessing the impairments required to cover customer credit, resulting from the application of the collective and individual impairment model.

The Group's credit risk profile, including monitoring the evolution of credit exposures and the respective losses, is regularly monitored by the Capital, Risk and Sustainability Committee, the Audit Committee and the Board of Directors. Compliance with approved credit requirements and limits are also subject to review on a regular basis.

The following table presents information on the Group's exposures to credit risk (net of impairment and including off-balance sheet exposures) as at 31 December 2023 and 31 December 2022:

(amounts in thousand euros)

	'23	'22
Central Authorities or Central Banks	1,938,029	1,026,811
Multilateral development banks	9,853	-
International organisations	70,756	-
Credit institutions	58,561	68,143
Companies	5,828	399,764
Retail customers	505,935	324,204
Loans secured by immovable assets	743,461	672,247
Non-performing loans	28,007	47,780
Collective investment undertakings (CIUs)	-	31,962
Shares	-	14,786
Other items	70,927	84,669
Risk Headings	**3,431,357**	**2,670,366**

The Banco CTT Group, according to its national matrix, predominantly has exposures to credit risk in Portugal. At the reference date, it presented the following exposures per country:

(amounts in thousand euros)

'23

	Central Authorities or Central Banks	Multilateral development banks	International organisations	Credit institutions	Companies	Non-performing loans	Loans secured by immovable assets	Non-performing loans	Other items	Total
Portugal	1,458,119	-	-	33,124	5,828	505,935	743,461	28,007	70,927	2,845,401
Spain	167,623	-	-	-	-	-	-	-	-	167,623
France	169,893	-	-	18,282	-	-	-	-	-	188,175
Italy	105,595	-	-	-	-	-	-	-	-	105,595
United Kingdom	-	-	-	7,155	-	-	-	-	-	7,155
Germany	36,799	-	-	-	-	-	-	-	-	36,799
Luxembourg	-	9,853	70,756	-	-	-	-	-	-	80,609
Total	**1,938,029**	**9,853**	**70,756**	**58,561**	**5,828**	**505,935**	**743,461**	**28,007**	**70,927**	**3,431,357**

(amounts in thousand euros)

'22

	Central Authorities or Central Banks	Credit institutions	Companies	Retail customers	Loans secured by immovable assets	Non-performing loans	Collective investment undertakings (CIUs)	Shares	Other items	Total
Portugal	710,594	46,441	399,764	324,204	672,247	47,780	31,962	14,786	84,669	2,332,447
Spain	106,438	-	-	-	-	-	-	-	-	106,438
France	99,896	18,790	-	-	-	-	-	-	-	118,686
Italy	109,883	-	-	-	-	-	-	-	-	109,883
United Kingdom	-	2,912	-	-	-	-	-	-	-	2,912
Total	**1,026,811**	**68,143**	**399,764**	**324,204**	**672,247**	**47,780**	**31,962**	**14,786**	**84,669**	**2,670,366**

At the end of 2023 and 2022, the gross exposures by sector of activity were as follows:

(amounts in thousand euros)

'23

	Companies		SME		Individuals	
	Performing Loans	*Non Performing Loans*	*Performing Loans*	*Non Performing Loans*	*Performing Loans*	*Non Performing Loans*
Companies						
Construction	396	54	16,282	1,203	-	-
Wholesale/retail trade, rep. of autom., motorc., personal and domestic goods	1,047	103	13,102	536	-	-
Transport, storage and communications	471	39	11,465	789	-	-
Accommodation and catering (restaurants and similar)	302	-	6,682	360	-	-
Real estate activities	247	-	1,763	40	-	-
Textile industry	46	-	3,264	342	-	-
Agriculture, animal husbandry, hunting, forestry and fisheries	9	-	109	110	-	-
Health and social welfare	78	-	1,214	-	-	-
Education	4	-	841	13	-	-
Unspecified manufacturing industries	75	10	1,218	34	-	-
Heavy metalworking industries and metal products	21	-	1,767	167	-	-
Paper pulp, cardboard, publishing and printing industries	4	-	433	-	-	-
Food, beverage and tobacco industries	27	3	1,628	113	-	-
Electricity, water and gas production and distribution	-	-	119	-	-	-
Leather and leather product industry	21	-	8,300	598	-	-
Mining industries except for energy products	-	-	-	-	-	-
Financial intermediation auxiliary activities	-	-	323	33	-	-
Work, cork and derived work industries	35	47	710	39	-	-
Manufacture of other non-metallic mineral products	-	-	231	12	-	-
Manufacture of electrical and optical equipment	-	-	2	-	-	-
Manufacture of machinery and equipment	-	-	158	67	-	-
Manufacture of rubber articles and plastics	-	-	327	9	-	-
Manufacture of transport material	-	-	9	-	-	-
Financial intermediation excluding insurance and pension funds	40,321	-	20	-	-	-
Manufacture of chemical products and synthetic or artificial fibres	-	-	377	44	-	-
Public administration, defence and mandatory social security:	-	-	85	-	-	-
Other	1,210	40	18,101	1,206	-	-
Individuals						
Housing/Mortgage	-	-	-	-	728,921	-
Consumer	-	-	-	-	771,289	44,809
	44,314	**296**	**88,530**	**5,715**	**1,500,210**	**44,809**

(amounts in thousand euros)

'22

	Companies		SME		Individuals	
	Performing Loans	*Non Performing Loans*	*Performing Loans*	*Non Performing Loans*	*Performing Loans*	*Non Performing Loans*
Companies						
Construction	376	88	12,085	637	-	-
Wholesale/retail trade, rep. of autom., motorc., personal and domestic goods	1,067	90	9,643	400	-	-
Transport, storage and communications	457	5	7,306	389	-	-
Accommodation and catering (restaurants and similar)	177	-	5,194	248	-	-
Real estate activities	213	-	1,609	63	-	-
Textile industry	32	-	2,982	248	-	-
Agriculture, animal husbandry, hunting, forestry and fisheries	16	-	193	115	-	-
Health and social welfare	66	-	981	-	-	-
Education	26	-	753	13	-	-
Unspecified manufacturing industries	46	10	1,116	6	-	-
Heavy metalworking industries and metal products	16	-	1,442	50	-	-
Paper pulp, cardboard, publishing and printing industries	19	-	208	-	-	-
Food, beverage and tobacco industries	-	3	1,314	62	-	-
Electricity, water and gas production and distribution	-	-	76	-	-	-
Leather and leather product industry	24	-	5,637	170	-	-
Mining industries except for energy products	-	-	2	-	-	-
Financial intermediation auxiliary activities	9	-	244	35	-	-
Work, cork and derived work industries	50	-	487	19	-	-
Manufacture of other non-metallic mineral products	-	-	172	-	-	-
Manufacture of electrical and optical equipment	-	-	4	-	-	-
Manufacture of machinery and equipment	-	-	188	29	-	-
Manufacture of rubber articles and plastics	-	-	162	11	-	-
Manufacture of transport material	-	-	12	-	-	-
Financial intermediation excluding insurance and pension funds	23,948	-	-	-	-	-
Manufacture of chemical products and synthetic or artificial fibres	-	-	180	17	-	-
Public administration, defence and mandatory social security:	-	-	96	-	-	-
Other	1,036	5	15,775	744	-	-
Individuals						
Housing/Mortgage	-	-	-	-	659,543	-
Consumer	-	-	-	-	692,095	31,906
Credit cards	-	-	-	-	314,747	59,066
	27,578	**201**	**67,861**	**3,256**	**1,666,385**	**90,972**

At the reference dates, the Bank's exposures had the following maturity profile:

(amounts in thousand euros)

'23

Residual Maturity	Central Authorities or Central Banks	Multilateral development banks	International organisations	Credit institutions	Companies	Retail customers	Loans secured by immovable assets	Non-performing loans	Shares	Other items	Total
Up to 1 year	1,598,115	9,853	70,756	58,561	3,114	496,172	-	-	-	-	2,236,571
1 to 5 years	99,882	-	-	-	-	-	-	-	-	-	99,882
More than 5 years	240,032	-	-	-	-	-	718,502	-	-	-	958,534
Undetermined *	-	-	-	-	2,714	9,763	24,959	28,007	-	70,927	136,370
Total	**1,938,029**	**9,853**	**70,756**	**58,561**	**5,828**	**505,935**	**743,461**	**28,007**	**-**	**70,927**	**3,431,357**

(*) Off-balance sheet exposures were considered in the Undetermined maturity category.

(amounts in thousand euros)

'22

Residual Maturity	Central Authorities or Central Banks	Regional governments or local authorities	Credit institutions	Companies	Retail customers	Loans secured by immovable assets	Non-performing loans	Collective investment undertakings (CIUs)	Shares	Other items	Total
Up to 1 year	605,484	-	68,143	232,758	318,445	-	-	-	-	-	1,224,830
1 to 5 years	97,104	-	-	-	-	-	-	-	-	-	97,104
More than 5 years	324,223	-	-	149,891	-	656,852	-	-	-	-	1,130,966
Undetermined *	-	-	-	17,115	5,759	15,395	47,780	31,962	14,786	84,669	217,466
Total	**1,026,811**	**-**	**68,143**	**399,764**	**324,204**	**672,247**	**47,780**	**31,962**	**14,786**	**84,669**	**2,670,366**

Impairment Model

During the year 2023, the Group used an impairment model based on IFRS 9 requirements and the respective benchmark criteria of Banco de Portugal defined in Circular Letter 62/2018. Moreover, the model also takes into account definitions and criteria that have been published by the EBA.

During this period, Banco CTT implemented improvements to the approaches used to calibrate the risk parameters of the Mortgage Loan impairment model, from which some assumptions based on benchmarks were eliminated and replaced with available historical data.

For portfolios with a historical profile that enable the use of more sophisticated statistical models, the portfolios are segmented by financial product and by purpose, being subsequently subdivided into operations with (asset-backed) and without associated collateral.

For some portfolios with limited history, the Group bases its impairment calculations on benchmarks of the 'Probability of Default' (PD) and 'Loss Given Default' (LGD) parameters of other national banks or rating agencies.

The use of benchmarks has some pertinent implications:

- Banco CTT assumes that the data obtained at portfolio level for conversion of the parameters by stage of impairment assume distributions that it considers to be its expected mature portfolio;
- Potential particularities of Banco CTT, negative or positive, are not captured by these benchmarks;

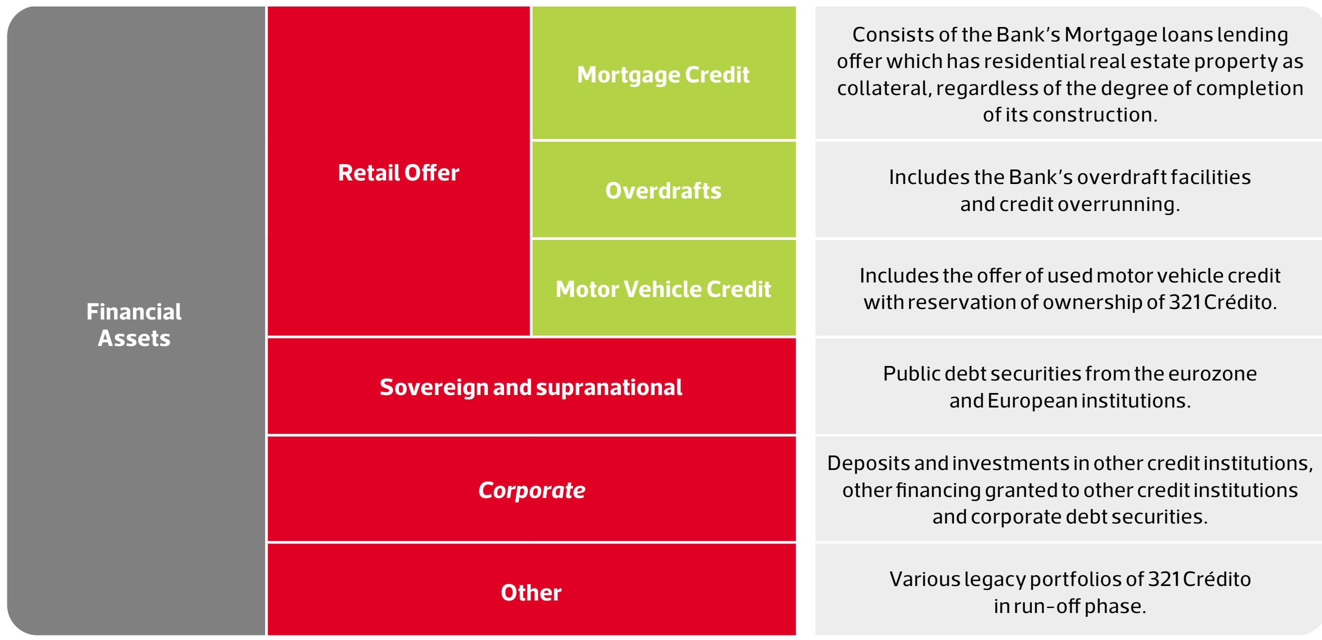
Banco CTT transforms annual PD and LGD into Lifetime Expected Losses using a survival rate methodology. The PD for each period of the instrument's life is multiplied by the Loss Given Default (LGD), which in turn is a function of the expected exposure in each period and the collateral existing in the operation. Finally, the Bank updates the expected value of all the periods considered.

The main inputs used for the measurement of expected credit losses on a collective basis, obtained through internal models, and other relevant historical data, taking into account existing models adapted to the requirements of IFRS 9, include the following variables:

- Probability of Default (PD): Probability of default represents the risk associated to the default of a particular operation throughout a particular time horizon. This parameter is used directly for the calculation of the expected credit loss (ECL) of operations in Stages 1 and 2, where, pursuant to IFRS 9, the period considered for calculation of the PD varies according to the Stage. Thus, for Stage 1, the period of 12 months, or the estimated maturity if lower, should be considered, and for Stage 2 the useful life of the operation should be considered. The dataset for calculation of PDs is composed of all the contracts of the risk class that, in the first observation of the selected interval, are in a regular situation. The calculation is made in terms of number of occurrences, per period, and by vintage in order to follow the macroeconomic indicators.
- Loss Given Default (LGD): Loss given default represents the estimated loss of a particular operation after entry into default. This parameter is used directly for calculation of the expected losses of operations in Stage 1, 2 or 3. LGD can incorporate two components:
- Collateral LGD, which estimates recoveries via foreclosure on collateral;
- Cash LGD, which estimates recoveries via other means (e.g. payments made by the debtor).
- Exposure at Default (EAD):

EAD represents the expected exposure in the event that the exposer and/or customer enters into default. The Group obtains the EAD values based on the current exposure of the counterparty and includes the loans that have not yet fallen due, periodic calculation of interest, overdue interest not annulled and overdue loans.

In calculating impairment, the Group considers the following main segments:



For segments whose lack of history implied the use of benchmarks, the reference parameters considered to calculate impairment in the various stages were, at the reference dates, the following:

		'23	'22		
		Overdrafts	Mortgage Credit		Overdrafts
Stage	*Substage*	LGF	PD	LGF	LGF
1	*Performing*	57.4%	0.4%	31.9%	59.2%
2	With indications	57.4%	1.1%	31.9%	59.2%
	31-60 days	57.4%	30.0%	31.9%	59.2%
	61-90 days	57.4%	65.0%	31.9%	59.2%
Non-default average PD			0.6%		
3	*Default*	57.4%	100.0%	31.9%	59.2%

	Expected Loss			
	'23		'22	
Rating	*Corporate*	Sovereign debt	*Corporate*	Sovereign debt
AAA	0.030%	0.015%	0.030%	0.015%
AA+	0.035%	0.018%	0.035%	0.018%
AA	0.040%	0.020%	0.040%	0.020%
AA-	0.043%	0.022%	0.043%	0.022%
A+	0.047%	0.023%	0.047%	0.023%
A	0.050%	0.025%	0.050%	0.025%
A-	0.090%	0.033%	0.090%	0.045%
BBB+	0.130%	0.042%	0.130%	0.065%
BBB	0.170%	0.050%	0.170%	0.085%
BBB-	0.337%	0.153%	0.333%	0.183%
BB+	0.503%	0.257%	0.497%	0.282%
BB	0.670%	0.360%	0.660%	0.380%
BB-	1.337%	0.880%	1.333%	0.847%
B+	2.003%	1.400%	2.007%	1.313%
B	2.670%	1.920%	2.680%	1.780%
B-	11.170%	9.300%	11.390%	9.770%
CCC/C	19.670%	16.680%	20.100%	17.760%
SI Rating	1.337%	0.880%	1.333%	0.847%

For segments that use parameters based on historical or internal data, the average parameters considered to calculate impairment in the various stages were, at the reference dates, the following:

'23

	Mortgage Credit		Overdrafts	Motor Vehicle Credit		Other	
	PD	LGF	PD	PD	LGF	PD	LGF
Stage 1	0.37%	11.0%	2.50%	1.72%	25.34%	7.70%	25.35%
Stage 2	14.4%	11.5%	12.51%	34.91%	25.34%	97.40%	25.35%
Stage 3	100.0%	10.2%	100.00%	100.00%	52.82%	100.00%	99.72%

'22

	Overdrafts	Motor Vehicle Credit		Credit Cards		Other	
	PD	PD	LGF	PD	LGF	PD	LGF
Stage 1	2.50%	1.75%	28.36%	1.73%	53.00%	6.62%	28.36%
Stage 2	14.69%	35.41%	28.36%	12.74%	53.00%	100.00%	28.36%
Stage 3	100.00%	100.00%	49.60%	100.00%	76.69%	100.00%	83.75%

At the reference dates, the Banco CTT Group presented the following breakdown of its credit risk exposures and impairment amounts:

(amounts in thousand euros)

'23

					Credit Portfolio					
		Central Authorities or Central Banks	Supranational	Financial institutions	Mortgage Loans	Overdrafts	Motor Vehicle Credit	Credit Cards	Other	Total
Stage 1	Gross exposure	1,937,702	80,614	48,080	692,108	2,712	770,156	-	1,379	3,532,751
	Impairment losses	(93)	(5)	(8)	(280)	(40)	(3,356)	-	(22)	(3,804)
	Net exposure	**1,937,609**	**80,609**	**48,072**	**691,828**	**2,672**	**766,800**	**-**	**1,357**	**3,528,947**
Stage 2	Gross exposure	-	-	-	33,315	716	63,339	-	91	97,461
	Impairment losses	-	-	-	(790)	(58)	(5,597)	-	-	(6,445)
	Net exposure	**-**	**-**	**-**	**32,525**	**658**	**57,742**	**-**	**91**	**91,016**
Stage 3	Gross exposure	-	-	-	3,466	946	71,273	-	4	75,689
	Impairment losses	-	-	-	(350)	(695)	(36,049)	-	-	(37,094)
	Net exposure	**-**	**-**	**-**	**3,116**	**251**	**35,224**	**-**	**4**	**38,595**
POCI (Stage 3)	Gross exposure	-	-	-	-	-	1,081	-	444	1,525
	Impairment losses	-	-	-	-	-	(579)	-	-	(579)
	Net exposure	**-**	**-**	**-**	**-**	**-**	**502**	**-**	**444**	**946**
Total	Gross exposure	1,937,702	80,614	48,080	728,889	4,374	905,849	-	1,918	3,707,426
	Impairment losses	(93)	(5)	(8)	(1,420)	(793)	(45,581)	-	(22)	(47,922)
	Net exposure	**1,937,609**	**80,609**	**48,072**	**727,469**	**3,581**	**860,268**	**-**	**1,896**	**3,659,504**

(amounts in thousand euros)

'22

					Credit Portfolio					
		Central Authorities or Central Banks	Financial institutions	Other titles	Mortgage Loans	Overdrafts	Motor Vehicle Credit	Credit Cards	Other	Total
Stage 1	Gross exposure	1,026,749	69,081	-	654,166	1,161	695,284	314,747	2,541	2,763,729
	Impairment losses	(132)	(2)	-	(692)	(18)	(3,439)	(3,320)	(45)	(7,648)
	Net exposure	**1,026,617**	**69,079**	**-**	**653,474**	**1,143**	**691,845**	**311,427**	**2,496**	**2,756,081**
Stage 2	Gross exposure	-	-	-	4,913	152	43,404	40,579	62	89,110
	Impairment losses	-	-	-	(85)	(17)	(4,347)	(2,499)	(6)	(6,954)
	Net exposure	**-**	**-**	**-**	**4,828**	**135**	**39,057**	**38,080**	**56**	**82,156**
Stage 3	Gross exposure	-	-	-	462	1,509	52,351	18,487	196	73,005
	Impairment losses	-	-	-	(136)	(1,136)	(23,884)	(14,178)	(7)	(39,341)
	Net exposure	**-**	**-**	**-**	**326**	**373**	**28,467**	**4,309**	**189**	**33,664**
POCI (Stage 3)	Gross exposure	-	-	-	-	-	1,831	-	456	2,287
	Impairment losses	-	-	-	-	-	(927)	-	-	(927)
	Net exposure	**-**	**-**	**-**	**-**	**-**	**904**	**-**	**456**	**1,360**
Total	Gross exposure	1,026,749	69,081	-	659,541	2,822	792,870	373,813	3,255	2,928,131
	Impairment losses	(132)	(2)	-	(913)	(1,171)	(32,597)	(19,997)	(58)	(54,870)
	Net exposure	**1,026,617**	**69,079**	**-**	**658,628**	**1,651**	**760,273**	**353,816**	**3,197**	**2,873,261**

The Group considers that the most sensitive assumed parameters, because they are based on benchmarks or because they are more susceptible to changes in the economic cycle, are the reference PDs for Sovereigns, Supranationals, Financial Institutions, Overdrafts and Home Loans and Others, the LGD for credit cards, and the PD and LG for Auto Loans. In this context, a sensitivity analysis is presented below about what the impairment of the global portfolio would be if those parameters were 10% higher than the values considered.

(amounts in thousand euros)

'23

	Impairment					Impairment with shock					
	Stage 1	Stage 2	Stage 3		Total	Stage 1	Stage 2	Stage 3		Total	Impact
			Stage 3	POCI				Stage 3	POCI		
Sovereign debt	93	–	–	–	93	102	–	–	–	102	9
Supranational	5	–	–	–	5	5	–	–	–	5	-
Financial institutions	8	–	–	–	8	9	–	–	–	9	1
Corporate	–	–	–	–	–	–	–	–	–	–	-
Credit Portfolio	3,698	6,445	37,094	579	47,816	4,433	7,460	39,908	624	52,425	4,609
Mortgage Loans	280	790	350	–	1,420	307	836	350	–	1,493	73
Overdrafts	40	58	695	–	793	43	64	695	–	802	9
Motor Vehicle Credit	3,356	5,597	36,049	579	45,581	4,057	6,560	38,863	624	50,104	4,523
Credit Cards	–	–	–	–	–	–	–	–	–	–	-
Other	22	–	–	–	22	26	–	–	–	26	4
Total	**3,804**	**6,445**	**37,094**	**579**	**47,922**	**4,549**	**7,460**	**39,908**	**624**	**52,541**	**4,619**

Operational Risk

Operational risk arises from the probability of losses derived from the inadequacy or failure of internal procedures, systems, people or external events.

The operational risk management *framework* of the Banco CTT Group is a fundamental factor for risk management and control, with the continuous development of a strong risk culture and management being essential for its proper implementation.

Duly documented concepts, principles and practices have been endorsed for the management of this type of risk, which are reflected in control mechanisms subject to continuous improvement.

The objective in terms of control and management of operational risk is directed towards identification, assessment, reporting and monitoring.

Governance of operational risk management

The Operational Risk management *framework* is based on a three-line of defence model, in which the first, composed of all employees of the Banco CTT Group and Process Owners, is primarily responsible for the day-to-day management of risks, in accordance with the policies, procedures and controls that are defined.

These policies, procedures and controls aim, among others, at the clear definition of responsibilities, segregation of functions, adequate access control (physical and logical), reconciliation activities, exception reports, the structured process for the approval of new products, monitoring of the Group's outsourcing contracts and internal training on processes, products and systems.

The second line of defence ensures the monitoring of operational risk, advises and supports the first line of defence in identifying risks and controls associated to the various existing processes. The Control Functions (Risk and Compliance Departments) play a preponderant role in the second line of defence.

The third line of defence is ensured by Internal Audit, the Control Function which 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, by testing the effectiveness of the controls implemented.

The approach to operational risk management is supported by the structure of end-to-end processes. A vision that cuts across all operational areas within the organisation's structure is deemed the most appropriate approach to perceiving risks and estimating the impact of corrective mitigation measures. The *framework* has a defined process structure per Group entity, which is adjusted according to business evolution.

Process Owners are responsible for defining the processes from an end-to-end perspective, ensuring the effective adequacy of controls, reporting the operational risk events detected by its database processes, identifying and assessing the risks and controls of processes through active participation in RSA (Risk Self-Assessment) exercises, detecting and implementing appropriate measures to mitigate risk exposure and monitor *key risk indicators* (KRIs) and performance indicators (KPIs) of processes.

The operational risk management *framework* includes instruments such as the process of identifying and recording operational risk events, the self-assessment of risks and controls ("RSA") process and the identification and quantification of *Key Risk Indicators* (KRIs), which allow the identification, assessment, monitoring and mitigation of operational risk, ensuring the minimisation of losses associated with this risk and promoting effective operational risk management.

In addition to the aforementioned operational risk management instruments, there are also other initiatives aimed at the continuous improvement of processes and business continuity management.

Collection of operational risk management events

The recording of operational risk events is the instrument used to qualitatively and quantitatively measure the historical exposure to operational risk events, and to underpin subsequent analysis to the real efficacy of the existing controls.

This activity essentially consists of the use of a dynamic repository of all the risk events that may have occurred, supported by procedures that ensure the effective analysis of the most relevant events, whether due to their impact, their recurrence or other pertinent feature.

Therefore, the analysis of loss and near-miss events provides indications on the main risks and enables determining whether any failures are isolated events or systemic. On the other hand, this practice accelerates the identification of emerging events, enabling rapid response.

The detection and reporting of operational losses are the responsibility of all the employees, while Process Owners have a decisive role in recording and describing operational risk events, which includes detailing the respective cause and effect, quantifying the loss and describing the risk mitigation action plans.

The Risk Department is responsible for recording and characterising operational risk events for all Group entities and for validating and monitoring them. Furthermore, the department monitors and identifies shortcomings in the processes and respective mitigation actions.

Fraud Risk

Operational risk includes events or risks related to fraud, for which a fraud risk management policy has also been approved. This policy formalizes the way in which fraud is addressed concerning its prevention, detection and investigation. Fraud can materialise through different channels, both via products and services and through the different entities with which the Bank interacts. In this sense, the main types of fraud are the following: fraud in contracting credit products, accounting fraud, online fraud, card fraud, transaction fraud, supplier and service provider fraud, and partner fraud.

The fraud management model adopted includes several aspects, namely prevention, detection, investigation and monitoring. The approach to fraud management focuses mainly on the prevention and detection phases, in terms of defining processes, procedures and controls, as well as the implementation of detection tools. These phases contribute to the effectiveness of the fraud management process, namely in the prevention stage, thereby minimising the impact of any losses associated with fraud risk events.

IT Risk

Information and communication technology risk refers to the possibility of constraints caused by failure, breakdown or other interruption in information systems and other technological infrastructures.

In turn, information security risk is the inability of information systems to resist actions that compromise the confidentiality, integrity, availability, authenticity or non-repudiation of stored, transmitted or processed data, or of the services provided by those information systems, including data theft, phishing campaigns, financial crime, dissemination of malware, and denial of critical services with high operational, reputational and financial impacts.

The main objective of the Banco CTT Group's information security strategy is to ensure the implementation of adequate and relevant protection measures to meet business objectives, while simultaneously safeguarding the Group's interests and the trust of its customers and employees. The Information Security framework, defined and adopted by the Data Security and Protection Department, is based on the following areas of action: governance and compliance, cybersecurity, data protection, identity and access management, vulnerability management, coordination and response to security incidents, and systems development, maintenance and acquisition.

In addition, business continuity plans were implemented in each Group entity, periodically tested, revised and improved, based on risk analysis and in compliance with legal and regulatory requirements.

The Business Continuity Plan aims to formalise and promote the adoption of adequate response procedures that, in the event of a disaster, ensure, both from an organisational and technological point of view, the continuity of the Group's processes and the mitigation of any losses involved.

The Business Continuity Plan includes, in an integrated manner, an operational continuity component and a technological recovery component, and in each plan the adjacent continuity solutions are described, as well as the respective recovery/contingency operation procedures and the Business Continuity Plan teams involved.

In addition, the response and resolution service levels of both the internal teams and the main suppliers and partners and the level of availability of the main systems are monitored.

IT and Communication Risk is managed by the IT Department, Information Security Risk is managed by the Security and Data Protection Department and the Business Continuity Plan is under the responsibility of the Risk Department.

Compliance Risk

Compliance risk is defined by the Basel Committee on Banking Supervision as the risk of an institution incurring legal and/or regulatory sanctions and financial or reputational damage due to failure to comply with laws, regulations, codes of conduct and best practice. The prevention and mitigation of the Banco CTT Group's compliance risk requires the involvement of the management and supervisory bodies and the control functions, in particular the Group's Compliance Function, in decision-making processes, particularly those related to product governance. The management of this risk in the Group is intrinsically associated with the promotion of a culture and conduct based on ethical values and socially responsible behaviour, also ensuring the alignment of incentive policies with the best interests of customers.

In the pursuit of this objective, the Banco CTT Group has adopted an internal governance model that promotes the effectiveness of its internal control system, namely through the independent and influential performance of the control functions, the implementation of policies and regulations that prevent conduct risks, including the definition of remuneration and incentive policies that prevent the occurrence of conflicts of interest in the sales process.

In order to supervise and formalise the management of this risk, the Bank, as the parent company, has defined a procedures manual, which stipulates the fundamental principles of compliance, the objectives, players and responsibilities in the field of compliance control and the principles that must be respected by its employees.

As the Group operates in a highly regulated sector, it is crucial that it have an efficient and comprehensive compliance risk management cycle that reduces any possible penalties arising from breaches of legal and regulatory requirements. In this way, and in line with its General Risk Management and Internal Control Policy, the Bank defined the following stages in its cycle:

- Risk strategy definition: Considering that the Group has defined that the compliance risk (residual) to which it is exposed must be low, preventing penalties due to severe or very severe administrative offences, the management of this risk is guided by the following principles: existence of an independent Compliance Function; offer of products and services conditional to prior compliance risk analysis; variable remuneration models/incentives designed in a manner so as to minimise the occurrence of conflicts of interest and subject to prior validation by the control functions; implementation of control actions in areas of greater inherent risk; compulsory initial training of Employees on topics of compliance, anti-money laundering and countering the financing of terrorism; conservative customer acceptance policy and enhanced diligence levels for customers and operations with high risk of money laundering and financing of terrorism.
- Identification and evaluation: In the case of compliance risks, this stage involves identifying all the compliance requirements that the Group Bank should fulfil, whether derived from applicable legal and regulatory provisions or from rules contained in codes of conduct, policies or procedures defined internally. The Compliance Function is responsible for systematising the "compliance requirements" and the risks associated with them; Likewise, the potential risks associated with the "compliance requirements" identified must be assessed so that their inherent and residual risk is known.
- Response: Once the residual risk has been assessed, action priorities should be defined, together with the areas, in order to mitigate the risks that are above the defined risk appetite.
- Monitoring and reporting: compliance with requirements is monitored on an on-going basis by the Compliance Function, ensuring that any detected breaches are identified and acted upon in a timely fashion. On the other hand, the overall state of the Bank's compliance with the legal and regulatory requirements is periodically reported to the supervisory and management bodies.

Compliance risk management involves continuous monitoring of the regulatory initiatives with the greatest impact on the Group. In 2023, we should highlight the regulatory projects associated with measures to support families, resulting from the rise in inflation and interest rates (Decree-Law 20-B/2023 of 22 March) and the establishment of the measure to temporarily fix the instalment of credit contracts for the purchase or construction of own permanent housing and reinforced the extraordinary measures and support for housing loans (Decree-Law 91/2023 of 11 October).

The Group's Compliance risk management also involves the preventive action by the Compliance Function in processes considered critical for this purpose, in particular, sign-off on new policies and procedures, relevant communications with customers, pre-contractual or contractual documentation or advertising materials. Likewise, the launch of new products/services or significant changes of existing products/services implies the conduct of risk assessments in which potential compliance or reputational risks are identified, for which actions or controls shall have to be implemented to enable their mitigation whether at stage before the launch of the product or after the beginning of its marketing. The follow-up of the handling of customer complaints also merits special attention, not only with a view to the identification of compliance risks, but also to ensure that customer complaints were properly addressed.

The implementation of actions for monitoring compliance and tests of front-line controls completes the compliance risk management cycle, where we highlight the accomplishment in 2023 of actions for monitoring compliance with variable remuneration policies and models, the response capacity in the event of activation of the Deposit Guarantee Fund, the process of approval of new products and services, in particular concerning the validation of actions to mitigate risks identified in sign-off processes, the requirements to disclose information, the transactions with related parties, and the commercialisation of investment products.

Market Risks

Market risk generally represents the possibility of negative impacts on earnings or capital due to unfavourable movements in the market price of 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 has no trading portfolio, and as at 31 December 2023 its entire debt securities portfolio is carried at amortised cost, the main risk arising from its investments being credit risk rather than market risk.

To limit any negative impacts from turmoil in the market, sector or issuer, the Group defined a number of limitations to manage its own portfolio in order to ensure that the risk levels incurred in the Group's portfolio comply with the predefined levels of risk tolerance. These limits are regularly reviewed and are monitored regularly by the Capital, Risk and Sustainability Committee, Audit Committee and Board of Directors.

Interest Rate Risk

Interest rate risk in the banking book (IRRBB) consists of the possibility of negative impacts on results or capital due to adverse movements in interest rates on items in the banking book, due to maturity mismatches or interest rate reset periods, the lack of perfect correlation between the rates received and paid on the different instruments, or the existence of embedded options in financial instruments on the balance sheet or off-balance sheet items.

The Group monitors the exposure to interest rate risk of the banking portfolio both from the perspective of economic value and net interest income, monitoring the sensitivity of these two indicators to changes in interest rates.

One of the main instruments in monitoring the interest rate risk of the balance sheet is the repricing gap on assets and liabilities susceptible to interest rate changes. This model groups those assets and liabilities into fixed timeframes (maturity dates or first interest rate review dates when the interest rate is indexed, or behavioural when appropriate), from which a potential impact on the Group's financial margin and economic value, resulting from interest rate variations, is calculated and for which the Group has defined specific tolerance limits.

The repricing gap reports are prepared monthly and are an essential tool in defining the investment strategy for each cycle in order for the Group to ensure that time mismatches between assets and liabilities are aligned at all times with the appetite stipulated in the risk strategy.

The Group continues to manage the interest rate risk of its balance sheet in a structural manner, using natural hedges whenever possible in the composition of the investment portfolio.

Liquidity Risk

Liquidity risk is the risk of the Group's potential inability to meet its funding repayment obligations without incurring in significant losses, due to more onerous financing conditions or the sale of assets under market values.

The Group is exposed to the liquidity risk inherent to its business of transforming maturities, lending in the longer-term (essentially in Mortgage Lending) and borrowing liquidity, primarily in the form of deposits, where prudent management of liquidity risk is thus crucial.

Management Practices

The Banco CTT Group has established a liquidity risk management structure with clearly identified responsibilities and processes in order to ensure that all participants in liquidity risk management are perfectly coordinated and that the management controls are effective. The overall liquidity risk management is entrusted to the Board of Directors, which delegates the Executive Committee with the responsibility for the current liquidity management activities in the measurement, action, communication and liquidity control stages. In the Risk Appetite Statement, the Board of Directors defines limits for liquidity risk, including the survival horizon of stress tests, delegating the Capital, Risk and Sustainability Committee with the responsibility of (i) supervision of the instituted liquidity management model and (ii) monitoring of the relevant ratios to assure the Group's financial solidity, (iii) definition of the methods and assumptions used in the liquidity stress tests, (iv) approval of the Liquidity Contingency Plan, (v), definition of the liquidity limits by Bank Counterparty and by Asset encumbrance, and (vi) determining the intragroup funding structure, including direct and indirect funding of the branches.

The Capital, Risk and Sustainability Committee is responsible for proposing the Group's Liquidity Management Policy to the Board of Directors, taking into account business objectives and opportunities, as well as legal and regulatory requirements, assessing the risk inherent in the balance sheet structure and in carrying out financial operations, taking into account the need to optimise available financial resources and maintain liquidity at levels compatible with the effective and efficient operation of the Group as a whole, but also at the level of the Bank and its subsidiaries. The Capital, Risk and Sustainability Committee is also responsible for defining, with the support of the Risk and Treasury Departments, the Group's key risk indicators (KRIs) and monitoring their evolution, defining the liquidity limits per Bank Counterparty and per asset encumbrance, approving, on a proposal from the Risk Department, the methodologies and assumptions used in the Group's liquidity stress tests and assessing, on a proposal from the Risk Department, the Liquidity Contingency Plan.

The Treasury Department of Banco CTT is responsible for (i) ensuring the cash flow management and necessary short-term liquidity levels. In particular, it is responsible for maintaining High Quality Liquid Assets (HQLA), (ii) implementing the medium and long-term funding plans through cash management and interbank relationships, (iii) ensuring compliance with the established liquidity risk limits, minimum cash reserves, position limits and other regulatory ratios or those defined by the Executive Committee or Board of Directors, (iv) supporting the Capital, Risk and Sustainability Committee in the definition of the Group's KRIs, and (v) monitoring their evolution and ensuring the timely detection of situations of non-compliance with the liquidity ratio requirements, promptly informing the Executive Committee and Risk Department.

The Risk Department is responsible for (i) identifying, assessing, controlling and monitoring the Group's liquidity risk, ensuring that it is managed within the risk appetite defined by the Board of Directors, (ii) assisting in the definition of liquidity limits, ensuring continuous monitoring of compliance, (iii) assisting the Capital, Risk and Sustainability Committee in the definition of KRIs, and monitoring their evolution, (iv) keeping the Treasury Department informed of the behaviour of variables with a potential impact on the Group's liquidity risk profile, (v) preparing and drafting reports to support liquidity management, making them available to members of the Capital, Risk and Sustainability Committee and other relevant entities, (vi) coordinating the drafting of and proposing the Liquidity Contingency Plan to the Board of Directors, after consideration by the Capital, Risk and Sustainability Committee and (vii) proposing to the Capital, Risk and Sustainability Committee the methodologies and assumptions used in the liquidity stress tests.

Constant vigilance is kept on the transaction potential of the different assets, duly framed by limits for operating in each market.

As regards structural liquidity, the Group draws up a monthly liquidity report that takes into account not only the contractual maturity date of the different products, but also their behavioural maturity, through which structural mismatches are determined for each time bucket.

In this context, in addition to the internal analyses for monitoring this risk (e.g. ongoing assessment of liquidity gaps and/or duration, analysis of the composition and availability of assets, etc.), the Group also adopts the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) quantifications, as well as regularly monitoring their evolution and anticipating potential impacts. The Group also monitors additional liquidity monitoring metrics (ALMM) which enable checking for liquidity mismatches and the Group's capacity to offset negative mismatches (outflows greater than inflows).

The LCR aims to promote the resilience of banks to short-term liquidity risk by ensuring that they hold high-quality liquid assets, sufficient to survive a severe stress scenario, over a period of 30 days.

The implementation of NSFR seeks to ensure banks maintain stable financing for their off-balance sheet assets and operations for a 1-year period.

Due to having higher granularity than the LCR (30 days), the ALMM enabling a greater control over the liquidity mismatch, taking into account the contracted outflow and inflows, and also enable knowing the concentration of counterbalancing capacity.

Analysis of Liquidity Risk

The Liquidity Coverage Ratio (LCR) reached, as at 31 December 2023, a comfortable figure of 943% (601% at the end of 2022), significantly higher than the minimum requirements, reflecting the Group's liquidity management, during the period.

The Banco CTT Group continues to follow all the legislative changes in order to comply with the regulatory obligations, namely in relation to the Capital Requirements Regulation (CRR) – Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR).

As at 31 December 2023, the ALMM show a positive liquidity mismatch (difference between contracted outflows and inflows) of 227,159 thousand euros (261,695 thousand euros at the end of 2022).

Furthermore, this positive liquidity mismatch already considers the inflows due to financial assets and reserves at the Central Bank of close to 1,949,971 thousand euros (1,463,855 thousand euros at the end of 2022).

Business Model Risk

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

The Group actively manages its strategic risk through periodic reviews of its Business Plan according to the evolution of the actual business, changes of economic and competitive circumstances and market conditions, constantly monitoring its level of capital and the risks taken in its strategic decisions and the established capital plan. Its monitoring is ensured regularly by the Executive Committee, Audit Committee and the Board of Directors through the follow-up of budget deviations.

Supplementary Information

Consolidated Financial Statements

Consolidated Income Statements for the years ended on 31 December 2023 and 2022

(amounts in thousand euros)

	'23	'22
Interest and similar income calculated through the effective interest rate	132,759	81,084
Interest and similar expenses calculated through the effective interest rate	(34,502)	(6,691)
Net Interest Income	**98,257**	**74,393**
Net fee and commission income	22,435	22,459
Results from assets and liabilities at fair value through profit or loss	862	11,110
Net gains/(losses) of other financial assets at fair value through other comprehensive income	-	(1)
Results from financial assets and liabilities at amortised cost	(45)	-
Net gains/(losses) from divestment of other assets	12	(154)
Other operating income/(expenses)	(1,187)	2,471
Operating Income	**120,323**	**110,278**
Staff costs	(27,867)	(24,871)
General administrative expenses	(38,794)	(34,523)
Amortisation and depreciation for the year	(7,275)	(7,176)
Operating Costs	**(73,936)**	**(66,570)**
Operating Profit/(Loss) Before Provisions and Impairments	**46,388**	**43,708**
Credit impairment	(24,992)	(24,719)
Impairment of other financial assets	28	(6)
Impairment of other assets	(80)	113
Provisions	(504)	(307)
Operating Profit/(Loss)	**20,840**	**18,789**
Profit/(Loss) before tax of continuing business premises	**20,840**	**18,789**
Taxes		
Current	(8,747)	1,012
Deferred	3,692	(6,840)
Profit/(Loss) after taxes of continuing business premises	**15,785**	**12,961**
Profit/(Loss) of discontinued business premises	**1,238**	**1,755**
Net Income for the Year	**17,023**	**14,716**
Earnings per share (in euros)		
Basic	0.06	0.05
Diluted	0.06	0.05
Earnings per share from continuing activities (in euros)		
Basic	0.05	0.04
Diluted	0.05	0.04

Consolidated Statements of Financial Position as at 31 December 2023 and 2022

(amounts in thousand euros)

	'23	'22
Assets		
Cash and deposits at central banks	54,477	64,123
Deposits at other credit institutions	36,069	59,141
Financial assets at amortised cost		
Investments at credit institutions	1,272,080	460,188
Loans and advances to customers	1,593,214	1,777,565
Debt securities	729,466	537,781
Financial assets at fair value through profit or loss	13,532	52,699
Non-current assets and disposal groups classified as held for sale	-	14,786
Other tangible assets	5,338	5,096
Goodwill and intangible assets	81,900	82,113
Deferred tax assets	1,753	1,732
Other assets	39,303	49,690
Total Assets	**3,827,132**	**3,104,914**
Liabilities		
Financial liabilities at fair value through profit or loss	13,744	26,345
Financial liabilities at amortised cost		
Deposits from Customers	3,106,179	2,280,392
Debt securities issued	347,375	445,578
Provisions	1,692	1,384
Current tax liabilities	1,362	1,362
Deferred tax liabilities	3,607	7,276
Other liabilities	83,155	82,064
Liabilities included in disposal groups classified as held for sale	-	7,521
Total Liabilities	**3,557,114**	**2,851,922**
Equity		
Share capital	296,400	296,400
Legal reserves	3,037	1,571
Fair value reserves	-	-
Other reserves	(344)	(347)
Retained earnings	(46,098)	(59,348)
Net income for the year	17,023	14,716
Total Equity	**270,018**	**252,992**

Individual Financial Statements

Individual Income Statements for the years ended on 31 December 2023 and 2022

(amounts in thousand euros)

	'23	'22
Interest and similar income calculated through the effective interest rate	92,059	38,185
Interest and similar expenses calculated through the effective interest rate	(17,086)	(1,729)
Net Interest Income	**74,973**	**36,456**
Net fee and commission income	18,924	19,175
Results from assets and liabilities at fair value through profit or loss	6,491	(11,634)
Net gains/(losses) of other financial assets at fair value through other comprehensive income	-	(1)
Results from financial assets and liabilities at amortised cost	(45)	-
Net gains/(losses) from divestment of other assets	5	-
Other operating income/(expenses)	(351)	1,868
Operating Income	**99,997**	**45,864**
Staff costs	(20,745)	(18,458)
General administrative expenses	(29,472)	(26,308)
Amortisation and depreciation for the year	(6,409)	(6,334)
Operating Costs	**(56,626)**	**(51,100)**
Operating Profit/(Loss) Before Provisions and Impairments	**43,371**	**(5,236)**
Credit impairment	1,432	(1,819)
Impairment of other financial assets	(12,347)	(11,848)
Impairment of other assets	(58)	(3)
Provisions	(527)	(128)
Operating Profit/(Loss)	**31,871**	**(19,034)**
Net gains/(losses) of investments in subsidiaries and associates	**(7,922)**	**29,141**
Results of disposals of non-current assets held for sale	**2,124**	**-**
Profit/(Loss) Before Tax	**26,073**	**10,107**
Taxes		
Current	(8,692)	4,754
Deferred	554	(205)
Net Income for the Year	**17,935**	**14,656**
Earnings per share (in euros)		
Basic	0.06	0.05
Diluted	0.06	0.05

Individual Statements of Financial Position as at 31 December 2023 and 2022

(amounts in thousand euros)

	'23	'22
Assets		
Cash and deposits at central banks	54,006	48,733
Deposits at other credit institutions	11,045	28,010
Financial assets at amortised cost		
Investments at credit institutions	1,421,279	592,860
Loans and advances to customers	731,051	700,952
Debt securities	1,074,582	1,007,448
Financial assets at fair value through profit or loss	-	26,479
Non-current assets held for sale	-	8,911
Other tangible assets	4,506	4,129
Intangible assets	20,088	20,221
Investments in subsidiaries and associates	136,105	148,024
Deferred tax assets	1,032	870
Other assets	37,521	48,404
Total Assets	**3,491,215**	**2,635,041**
Liabilities		
Financial liabilities at fair value through profit or loss	13,744	26,345
Financial liabilities at amortised cost		
Amounts owed to other credit institutions	35,442	15,023
Deposits from Customers	3,106,179	2,283,288
Provisions	812	477
Deferred tax liabilities	-	392
Other liabilities	64,840	57,256
Total Liabilities	**3,221,017**	**2,382,781**
Equity		
Share capital	296,400	296,400
Legal reserves	3,037	1,571
Fair value reserves	-	-
Other reserves	(344)	(347)
Retained earnings	(46,830)	(60,020)
Net income for the year	17,935	14,656
Total Equity	**270,198**	**252,260**

Appropriation of Net Income

Whereas:

in the financial year of 2023, Banco CTT S.A. recorded a positive net income of 17,935,329.65 euros, it

Is proposed,

In accordance with Article 66 (5) (f) and for the purposes of Article 376 (1) (b), both of the Commercial Companies Code:

- that 10% of the net profit, in the amount of 1,793,532.97 euros, be transferred to legal reserves, in accordance with article 97(1) of the General Regime of Credit Institutions and Financial Companies; and
- that the remaining amount of 16,141,796.68 euros be transferred to Retained Earnings.

Lisbon, 18 March 2024

The Board of Directors

João Nuno de Sottomayor Pinto de Castello Branco
Luís Maria França de Castro Pereira Coutinho
João Maria de Magalhães Barros de Mello Franco
Pedro Rui Fontela Coimbra
Nuno Carlos Dias dos Santos Fórneas
Luís Jorge de Sousa Uva Patrício Paúl

João Manuel de Matos Loureiro
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Maria Rita Mégre de Sousa Coutinho
António Pedro Ferreira Vaz da Silva
Guy Patrick Guimarães de Goyri Pacheco
António Domingues

03

Accounts and Notes to the Accounts

Accounts and notes to the consolidated accounts of 2023

Consolidated Financial Statements

Consolidated Income Statements for the years ended on 31 December 2023 and 2022

(amounts in thousand euros)

	Notes	'23	'22
Interest and similar income calculated through the effective interest rate	4	132,759	81,084
Interest and similar expenses calculated through the effective interest rate	4	(34,502)	(6,691)
Net Interest Income	4	**98,257**	**74,393**
Net fee and commission income	5	22,435	22,459
Results from assets and liabilities at fair value through profit or loss	6	852	11,110
Net gains/(losses) of other financial assets at fair value through other comprehensive income		-	(1)
Results from financial assets and liabilities at amortised cost		(45)	-
Net gains/(losses) from divestment of other assets		12	(154)
Other operating income/(expenses)	7	(1,187)	2,471
Operating Income		**120,324**	**110,278**
Staff costs	8	(27,867)	(24,871)
General administrative expenses	9	(38,794)	(34,523)
Amortisation and depreciation for the year	18 e 19	(7,275)	(7,176)
Operating Costs		**(73,936)**	**(66,570)**
Operating Profit/(Loss) Before Provisions and Impairments		**46,388**	**43,708**
Credit impairment	14	(24,992)	(24,719)
Impairment of other financial assets	13 e 15	28	(6)
Impairment of other assets	17, 19 e 20	(80)	113
Provisions net of annulments	24	(504)	(307)
Operating Profit/(Loss)		**20,840**	**18,789**
Profit/(Loss) before tax of continuing business premises		**20,840**	**18,789**
Taxes			
Current	20	(8,747)	1,012
Deferred	20	3,692	(6,840)
Profit/(Loss) after taxes of continuing business premises		**15,785**	**12,961**
Profit/(Loss) of discontinued business premises	17	**1,238**	**1,755**
Net Income for the Year		**17,023**	**14,716**
Earnings per share (in euros)			
Basic	10	0.06	0.05
Diluted	10	0.06	0.05
Earnings per share from continuing activities (in euros)			
Basic		0.05	0.04
Diluted		0.05	0.04

The accompanying notes form an integral part of these financial statements,

The Chartered Accountant

Nuno Filipe dos Santos Fernandes

The Board of Directors

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António Domingues

Individual Comprehensive Income Statements for the years ended on 31 December 2023 and 2022

(amounts in thousand euros)

	Notes	'23	'22
Net Income for the Year		**17,023**	**14,716**
Comprehensive income recognized directly in Equity after taxes		**3**	**446**
Items that may be reclassified to the income statement			
Fair value reserve	27	-	(27)
Items that shall not be reclassified to the income statement			
Actuarial gains/(losses) for the year			
Employee benefits	27	3	473
Total Comprehensive Income for the Year		**17,026**	**15,162**

The accompanying notes form an integral part of these financial statements.

The Chartered Accountant

Nuno Filipe dos Santos Fernandes

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Consolidated Statements of Financial Position as at 31 December 2023 and 2022

(amounts in thousand euros)

	Notes	'23	'22
Assets			
Cash and deposits at central banks	11	54,477	64,123
Deposits at other credit institutions	12	36,069	59,141
Financial assets at amortised cost			
Investments at credit institutions	13	1,272,080	460,188
Loans and advances to customers	14	1,593,214	1,777,565
Debt securities	15	729,466	537,781
Financial assets at fair value through profit or loss	16	13,532	52,699
Non-current assets and disposal groups classified as held for sale	17	-	14,786
Other tangible assets	18	5,338	5,096
Goodwill and intangible assets	19	81,900	82,113
Deferred tax assets	20	1,753	1,732
Other assets	21	39,303	49,690
Total Assets		**3,827,132**	**3,104,914**
Liabilities			
Financial liabilities at fair value through profit or loss	16	13,744	26,345
Financial liabilities at amortised cost			
Deposits from Customers	22	3,106,179	2,280,392
Debt securities issued	23	347,375	445,578
Provisions	24	1,692	1,384
Current tax liabilities	20	1,362	1,362
Deferred tax liabilities	20	3,607	7,276
Other liabilities	25	83,155	82,064
Liabilities included in disposal groups classified as held for sale	17	-	7,521
Total Liabilities		**3,557,114**	**2,851,922**
Equity			
Share capital	26	296,400	296,400
Legal reserves	27	3,037	1,571
Fair value reserves	27	-	-
Other reserves	27	(344)	(347)
Retained earnings	27	(46,098)	(59,348)
Net income for the year		17,023	14,716
Total Equity		**270,018**	**252,992**

The accompanying notes form an integral part of these financial statements.

The Chartered Accountant

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Consolidated Statements of Changes in Equity for the years ended on 31 December 2023 and 2022

(amounts in thousand euros)

	Notes	Share capital	Fair Value Reserves	Legal Reserves	Other Reserves	Retained earnings	Net Income for the Year	Total Equity
Balance on 31 December 2021		**296,400**	**27**	**29**	**(820)**	**(73,954)**	**16,148**	**237,830**
Appropriation of net income		-	-	1,542	-	14,606	(16,148)	-
Comprehensive income for the year		-	(27)	-	473	-	14,716	15,162
Actuarial gains/(losses)	33	-	-	-	473	-	-	473
Fair value reserves		-	(27)	-	-	-	-	(27)
Net income for the year		-	-	-	-	-	14,716	14,716
Balance on 31 December 2022		**296,400**	**-**	**1,571**	**(347)**	**(59,348)**	**14,716**	**252,992**
Appropriation of net income		-	-	1,466	-	13,250	(14,716)	-
Comprehensive income for the year		-	-	-	3	-	17,023	17,026
Actuarial gains/(losses)	33	-	-	-	3	-	-	3
Net income for the year		-	-	-	-	-	17,023	17,023
Balance on 31 December 2023		**296,400**	**-**	**3,037**	**(344)**	**(46,098)**	**17,023**	**270,018**

The accompanying notes form an integral part of these financial statements.

The Chartered Accountant

Nuno Filipe dos Santos Fernandes

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Consolidated Cash Flow Statements for the years ended on 31 December 2023 and 2022

(amounts in thousand euros)

	Notes	'23	'22
Cash flow from operating activities		**1,054,913**	**(67,276)**
Interest income received		128,697	70,977
Interest paid		(28,966)	(7,432)
Commissions income received		29,744	24,257
Commissions paid		(4,855)	(4,545)
Payments to employees		(26,347)	(23,377)
Income tax payments		277	429
Sectoral contributions		(701)	(525)
Credit recovery		1,139	1,475
Other payments and revenues		(41,071)	(28,171)
Variation in operational assets and liabilities		996,996	(100,364)
Other operational assets and liabilities		(17,444)	(17,842)
Loans and advances to customers	14	203,607	(242,913)
Deposits from Customers	22	810,833	160,391
Cash flow from investment activities		**(978,934)**	**(658,095)**
Deposits at Banco de Portugal		(5,440)	(3,248)
Investment in securities		(167,229)	(203,795)
Investment		(405,659)	(663,070)
Repayment/divestment		238,430	459,275
Investments at the Central Bank	13	(809,457)	(450,200)
Investments in other credit institutions	13	(2,030)	3,825
Investment		(36,750)	(4,800)
Redemptions		34,720	8,625
Acquisitions of tangible fixed assets and intangible assets		(5,813)	(4,677)
Acquisitions/sales of subsidiaries and associates		11,035	-
Cash flow from financing activities		**(99,405)**	**168,178**
Debt securities issued	23	(98,131)	169,485
Issue		-	201,500
Redemptions		(98,131)	(32,015)
Leases		(1,274)	(1,307)
Cash and cash equivalents at the beginning of the year		**77,587**	**634,780**
Net changes in cash and cash equivalents		**(23,426)**	**(557,193)**
Cash and cash equivalents at the end of the year		**54,161**	**77,587**
Cash and cash equivalents cover:		**54,161**	**77,587**
Cash	11	25,381	25,487
Demand deposits at Banco de Portugal	11	470	15,451
Deposits at credit institutions	12	28,310	36,649

The accompanying notes form an integral part of these financial statements.

The Chartered Accountant

Nuno Filipe dos Santos Fernandes

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Notes to the Consolidated Financial Statements

Introductory Note

Banco CTT, S.A. (hereinafter referred to as "Banco CTT" or "Bank") 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 in August 2015.

The Bank is dedicated to obtaining third party funds, in the form of deposits or other, which the Bank invests, together with its own funds, in various sectors of the economy, mostly in the form of loans granted to customers or debt securities, while also providing other banking services to its customers.

The consolidated financial statements presented herein reflect the results of the operations of the Bank and all its subsidiaries, Payshop (Portugal), S.A. and 321 Crédito – Instituição Financeira de Crédito, S.A. (together referred to as "Group").

The stake in the subsidiary Payshop (Portugal), S.A. was considered a discontinued activity, with reference to 31 December 2022. This stake was sold in August 2023, so the results of Payshop (Portugal), S.A.'s operations only contribute 7 months to the Group's consolidated results.

Note 1 – Basis of Presentation

In accordance with Regulation (EC) 1606/2002 of the European Parliament and Council, of 19 July 2002 and Banco de Portugal Notice 5/2015, the financial statements of the Group are prepared in accordance with the International Reporting Financial Standards (IFRS), as endorsed in the European Union (EU) on the reporting date.

IFRS includes accounting standards issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretation Committee (IFRIC), and their predecessor bodies.

The Banco CTT Group is composed of the following subsidiaries:

	'23		'22	
	Holding (%)	Voting rights (%)	*Holding (%)*	Voting rights (%)
Payshop (Portugal), S.A. (*)	–	–	100%	100%
321 Crédito - Instituição Financeira de Crédito, S.A.	100%	100%	100%	100%

(*) Shareholding sold during 2023.

Moreover, considering the requirements of IFRS 10, the Group's consolidation perimeter includes the following structured entities:

	Year of Incorporation	Place of Issue	Consolidation Method
Ulisses Finance No.1 (*) (**)	2017	Portugal	Full
Chaves Funding No.8 (*)	2019	Portugal	Full
Ulisses Finance No.2 (*)	2021	Portugal	Full
Next Funding No.1 (**)	2021	Portugal	Full
Ulisses Finance No.3 (*)	2022	Portugal	Full

(*) Entities incorporated under securitisation operations, recorded in the consolidated financial statements according to the Group's continued involvement, determined on the basis of the holding of the residual interests (equity piece or excess spread) of the respective vehicles and to the extent that the Group substantially holds all the risks and benefits associated with the underlying assets and has the capacity to affect those same risks and benefits (see Note 34 — Securitisation of assets).
(**) Entities left the consolidation perimeter during 2023.

The main impacts of the consolidation of these structured entities on the Group's accounts are presented below:

(amounts in thousand euros)

	'23	'22
Cash and deposits at credit institutions	14,948	22,640
Financial assets at fair value through profit or loss – Derivatives	13,532	26,220
Financial assets at amortised cost – Loans and advances to customers (Credit cards)	-	353,816
Financial assets at amortised cost – Loans and advances to customers (Other loans and advances)	-	(40,672)
Financial assets at amortised cost – Debt securities	-	(319,776)

The consolidated financial statements, presented herein, reflect the results of the operations of the Bank and its subsidiaries for the year ended on 31 December 2023 having been prepared in accordance with current IFRS as adopted in the European Union by 31 December 2023.

The financial statements are expressed in thousands of euros, rounded to the nearest thousand, and have been prepared on a going concern basis and under the historical cost convention, except for the assets and liabilities accounted at fair value, namely other financial assets at fair value through other comprehensive income. The Group has no projects or intentions for actions that could jeopardise the continuity of its operations.

The accounting policies used by the Group in preparing the statements as at 31 December 2023 are consistent with those used in preparing the financial statements as at 31 December 2022. The material accounting policies are described in Note 2.

The preparation of financial statements in conformity with IFRS requires the Group to make judgements and use estimates that affect the application of the accounting policies and the reported amounts of income, expenses, assets and liabilities. Changes to these assumptions or if they are different from reality could imply that the actual results in the future may differ from those reported. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

These financial statements were approved by the Board of Directors in the meeting held on 18 March 2024.

Note 2 – Material Accounting Policies

The material accounting policies used in the preparation of the financial statements were as follows:

2.1. Basis of consolidation

The Group applies IFRS 3 for the accounting recognition of business combinations, except in situations of business combinations between companies under common control (Transactions under common control), pursuant to article 2 c) and paragraph B1 of the appendix to Annex B of this standard.

The consolidated financial statements presented herein reflect the assets, liabilities, income and costs of the Bank and its subsidiaries (Group).

2.1.1. Financial stakes in subsidiaries
Subsidiaries are entities controlled by the Group. The Group controls an entity when it has the power to direct the entity's core activities and, when it is exposed, or has rights, to the variability in the returns derived from its involvement with this entity and might claim them through the power held over the core activities of this entity (de facto control). The financial statements of the subsidiaries are included in the consolidated financial statements from the date when the Group acquires control up to the date when the control ends.

The accumulated losses are attributed to non-controlling interests in the proportions held, which could imply the recognition of negative non-controlling interests.

In a step acquisition operation giving rise to the acquisition of control, when the goodwill is calculated, the revaluation of any stake previously acquired is recognised through profit or loss. At the time of a partial sale, resulting in loss of control over a subsidiary, any remaining stake is revalued at market value on the sale date and the gain or loss derived from this revaluation is recorded through profit or loss.

2.1.2. Loss of control
Gains or losses derived from the dilution or sale of a financial stake in a subsidiary, with loss of control, are recognised by the Group in the income statement.

2.1.3. Transactions eliminated on consolidation
Balances and transactions between Group companies, and any unrealised gains and losses arising from these transactions, are eliminated in the preparation of the consolidated financial statements. Unrealised gains and losses arising from transactions with associates and jointly controlled entities are eliminated in the proportion of the Group's stake in these entities.

2.1.4. Goodwill
Business combinations are recorded by the purchase method. The acquisition cost corresponds to the fair value determined on the acquisition date of the assets assigned and liabilities incurred or assumed. Costs directly attributable to the acquisition of a subsidiary are directly recorded through profit or loss.

Positive goodwill arising from acquisitions is recognised as an asset and recorded at acquisition cost and is not subject to amortisation. Goodwill resulting from the acquisition of shareholdings in subsidiaries and associates is defined as the difference between the value of the acquisition cost and the total or proportional fair value of the acquiree's contingent assets and liabilities, depending on the option taken.

If the goodwill determined is negative, it is recorded directly in the results of the period in which the concentration of activities occurs.

Goodwill is not adjusted according to the final determination of the value of the contingent price, with its impact being recognised through profit or loss, or equity, when applicable.

The recoverable amount of goodwill recorded in the Group's assets is analysed on an annual basis in the preparation of accounts with reference to the end of the year or whenever there is evidence of possible loss of value. Impairment losses are recognised in the income statement. The recoverable amount is determined based on the highest figure between the value of the assets in use and the market value minus selling costs, calculated using valuation methodologies supported by discounted cash flow techniques, considering market conditions, the time value of money and the business risks.

In the case of a transaction of a jointly controlled entity, the Group has decided to apply the option of recording the acquired company at the book value that this entity was stated at in the balance sheet of the entity that divested it. Thus, a new goodwill is not calculated, and the Bank records the goodwill that existed, if any, in the accounts of the selling entity.

2.2. Financial Instruments – IFRS 9

2.2.1. Financial Assets

Classification, initial recognition and subsequent measurement
At the time of their initial recognition, the financial assets are classified into one of the following categories:

i) Financial assets at amortised cost;
ii) Financial assets at fair value through other comprehensive income; or
iii) Financial assets at fair value through profit or loss.

The classification takes into account the following aspects:
i) the Group's business model for the management of the financial asset; and
ii) the features of the financial asset's contractual cash flows.

Assessment of the Business Model
The Group makes an assessment of the business model in which the financial asset is held, at the portfolio level, as this approach best reflects how the assets are managed and how the information is provided to the management bodies. The information considered in this assessment included:

- the policies and objectives established for the portfolio and the practical operation of these policies, including how the management strategy focuses on the receipt of contractual interest or the realisation of cash flows through the sale of assets;
- the way that the portfolio performance is assessed and reported to the Group's management bodies;
- the assessment of the risk that affect the performance of the business model (and of the financial assets held under this business model) and how these risks are managed;
- the frequency, volume and periodicity of the sales in previous periods, the motives for these sales and the expectations on future sales. However, information on sales should not be considered in isolation, but as part of an overall assessment of how the Group sets financial asset management objectives and how cash flows are obtained;
- Evaluation whether contractual cash flows correspond only to the receipt of principal and interest (SPPI – Solely Payments of Principal and Interest).

For purposes of this assessment, "principal" is defined as the fair value of the financial asset upon initial recognition. "Interest" is defined as compensation for the time value of money, for the credit risk associated to the amount in debt during a particular period of time and for other risks and costs associated to the activity (e.g. liquidity risk and administrative costs), as well as a profit margin.

In the assessment of financial instruments where contractual cash flows refer exclusively to the receipt of principal and interest, the Group considered the original contractual terms of the instrument. This assessment included analysis of the existence of situations in which the contractual terms could modify the periodicity and the amount of the cash flows so that they do not comply with the SPPI condition. In the assessment process, the Group took into account:

- contingent events that could modify the periodicity and amount of the cash flows;
- characteristics that give rise to leverage;

- clauses on early payment and extension of maturity;
- clauses that may limit the Group's right to claim cash flows in relation to specific assets (e.g. contracts with clauses that prevent access to assets in case of default – "non-recourse asset"); and
- characteristics that could modify the compensation for the time value of money.

Moreover, an early payment is consistent as a SPPI criterion, if:

- the financial asset was acquired or originated with a premium or discount relative to the contractual nominal value;
- the early payment substantially represents the nominal amount of the contract plus the periodic contractual interest, but that has not been paid (it may include reasonable compensation for the early payment); and
- the fair value of the early payment is insignificant upon initial recognition.

Reclassifications between financial instruments categories
If the Group changes its financial asset management business model, which is expected to take place infrequently and exceptionally, it reclassifies all the financial assets affected, in conformity with the requirements defined in IFRS 9 – "Financial instruments". The reclassification is applied prospectively from the date when it becomes effective. Pursuant to IFRS 9 – "Financial instruments", reclassifications are not permitted for equity instruments with the option of measurement at fair value through other comprehensive income or for financial assets and liabilities classified at fair value under the fair value option.

2.2.1.1. Financial assets at amortised cost

Classification
A financial asset is classified in the category of "Financial assets at amortised cost" if it cumulatively complies with the following conditions:

- the financial asset is held in a business model whose main objective is the holding of assets for collection of its contractual cash flows; and
- its contractual cash flows occur on specific dates and correspond only to payments of principal and interest of the amount in debt (SPPI).

The category of "Financial assets at amortised cost" includes investments at credit institutions, loans and advances to customers, and debt securities managed based on a business model whose objective is the receipt of their contractual cash flows (public debt bonds and bonds issued by companies).

Initial recognition and subsequent measurement
Investments at credit institutions and loans and advances to customers are recognised on the date when the funds are provided to the counterparty (settlement date). Debt securities are recognised on the date of their trading (trade date), i.e. on the date when Group makes a commitment to acquire them.

Financial assets at amortised cost are initially recognised at their fair value, plus transaction costs, and are subsequently measured at amortised cost. Furthermore, after their initial recognition, they are subject to the estimation of impairment losses due to expected loan losses, which are recorded against the heading "Impairment of other financial assets".

Interest arising from financial assets at amortised cost is recognised under the heading "Interest and similar income calculated through the effective interest rate", based on the effective interest rate method and pursuant to the criteria described in Note 2.9.

Gains or losses generated at the time of their derecognition are recorded under the heading "Results from financial assets and liabilities at amortised cost".

2.2.1.2. Financial assets at fair value through profit or loss

A financial asset is classified in the category of "Financial assets at fair value through profit or loss" (FVTPL) if the business model defined by the Group for its management or the characteristics of its contractual cash flow do not meet the conditions described above to be measured at amortised cost (2.3.1.1), nor at fair value through other comprehensive income (FVOCI) (2.3.1.2).

Financial assets held for trading or management whose performance is assessed on a fair value basis are measured at fair value through profit or loss due to neither being held for the collection of contractual cash flow nor for the sale of these financial assets.

Furthermore, the Group may irrevocably designate a financial asset, that meets the criteria to be measured at amortised cost or fair value through other comprehensive income, at fair value through profit or loss, at the time of its initial recognition, if this eliminates or significantly reduces an incoherence in its measurement or recognition (accounting mismatch), which would otherwise arise from the measurement of assets or liabilities or from the recognition of gains or losses from these assets or liabilities on a different basis.

2.2.1.3. Derecognition of financial assets

i) The Group derecognises a financial asset when, and only when:

- the contractual rights to the cash flows arising from the financial asset expire; or
- it transfers the financial asset as described in points ii) and iii) below and the transfer meets the conditions for derecognition pursuant to point iv).

ii) The Group transfers a financial asset if, and only if one of the following situations occurs:

- the contractual rights to receive the cash flows arising from the financial asset are transferred; or
- the contractual rights to receive the cash flows arising from the financial asset are withheld, but a contractual obligation is undertaken to pay the cash flows to one or more receivers in an agreement that meets the conditions established in point iii).

iii) When the Group withholds the contractual rights to receive the cash flows arising from a financial asset (the «original asset»), but undertakes a contractual obligation to pay these cash flows to one or more entities (the «final receivers»), the Group treats the transaction as a transfer of a financial asset if, and only if, all of the following three conditions are met:

- the Group has no obligation to pay amounts to the final receivers unless it receives equivalent amounts arising from the original asset. The short-term advances by the entity with the right to total recovery of the loaned amount plus the overdue interest at market rates are not in breach of this condition;
- the Group is prohibited by the terms of the transfer contract from selling or pledging the original asset other than to as guarantee to the final receivers for the obligation of paying them cash flows; and
- the Group has an obligation to send any cash flow that it receives on behalf of the final receivers without significant delays. Moreover, it does not have the right to reinvest these cash flows, except in the case of investments in cash or its equivalents (as defined in IAS 7 Cash Flow Statements) during the short period of settlement between the date of receipt and the required date of delivery to the final receivers, and the interest received as a result of these investments are passed on to the final receivers.

iv) When the Group transfers a financial asset (see point ii above), it should assess to what extent it retains the risks and benefits arising from the ownership of this asset. In this case:

- if the Group substantially transfers all the risks and benefits arising from the ownership of the financial asset, it derecognises the financial asset and separately recognises, as assets or liabilities, any rights and obligations created or retained with the transfer;
- if the Group substantially retains all the risks and benefits arising from the ownership of the financial asset, it will continue to recognise the financial asset;
- if the Group does not substantially transfer or retains all the risks and benefits arising from the ownership of the financial asset, it should determine whether it retained control of the financial asset. In this case:
  - if the Group did not retain control, it should derecognise the financial asset and separately recognise, as assets or liabilities, any rights and obligations created or retained with the transfer;
  - if the Group retained control, it should continue to recognise the financial asset in proportion to its continued involvement in the financial asset.

v) The transfer of the risks and benefits referred to in the previous point is assessed by comparison of the Group's exposure, before and after the transfer, to the variability of the amounts and time of occurrence of the net cash flows arising from the transferred asset.

vi) The question of knowing whether the Group retained control or not (see point iv above) of the transferred asset depends on the ability of whoever receives the transfer to sell the asset. If whoever receives the transfer has the practical ability to sell the asset as a whole to an unrelated third party and is able to exercise this ability unilaterally and without needing to impose additional restrictions to the transfer, it is considered that the entity did not retain control. In all other cases, it is considered that the entity retained control.

2.2.1.4. Loans written off from the assets ("write-off")

The Group recognises a loan written from the asset when it has no reasonable expectations of recovering an asset totally or partially. This record occurs after all the recovery actions developed by the Group have proved unsuccessful. Loans written off from the assets are recorded in off-balance sheet accounts.

2.2.1.5. Impairment losses

The Group determines the expected loan losses of each operation according to the deterioration of the credit risk observed since its initial recognition. For this purpose, operations are classified in one of the following three stages:

- Stage 1: operations in which there has not been a significant increase in credit risk since their initial recognition are classified as being at this stage. The impairment losses associated with operations classified at this stage correspond to the expected credit losses that result from a default event that may occur within a period of 12 months after the reporting date (credit losses expected at 12 months).
- Stage 2: operations in which there has been a significant increase in credit risk since their initial recognition, but that are not yet in situations of impairment, are classified as being at this stage. The impairment losses associated with operations classified at this stage correspond to the expected credit losses resulting from default events that may occur over the expected residual life of the operations (lifetime expected credit losses).
- Stage 3: operations in a situation of impairment are classified as being at this stage. The impairment losses associated to operations classified in this stage correspond to lifetime expected credit losses. Operations acquired or originated in situations of impairment (Purchased or Originated Credit-Impaired – POCI) are also classified under stage 3.

Forward Looking Information

For models based on historical records, namely those applicable to Motor Vehicle Credit, plans have been made to use a Forward Looking component based on macroeconomic variables with historical data series and forecasts of suitable bodies considered relevant for estimation of the probabilities of default. In this case the Gross Domestic Product, the Unemployment Rate and the Harmonised Index of Consumer Prices were selected.

On the reporting date, and as a result of the most recent review of the model, this component was not being applied as no explanatory and intuitive statistical relationships have been observed between these variables and the performance of the historical records used.

In the case of mortgage credit, where there is very little historical data on defaults, it proved impossible to apply a statistically-based forward-looking component, so we opted to apply a parameter based on judgement.

Significant increase of credit risk (SICR)

Significant increase of credit risk (SICR) is mainly determined according to quantitative criteria but also according to qualitative criteria, with a view to detecting significant increases of the Probability of Default (PD), supplemented with other type of information, in particular the behaviour of customers to entities of the financial system. However, regardless of the observation of a significant increase of credit risk in an exposure, it is classified under Stage 2 when any of the following conditions are met:

- Loans with payment in arrears for more than 30 days (backstop);
- Loans with qualitative triggers subject to risk, namely those presented in Banco de Portugal Circular Letter 62/2018.

Definition of financial assets in default and in a situation of impairment

Customers who meet at least one of the following criteria are considered in default:

- Existence of instalments of principal or interest overdue for more than 90 days;
- Debtors in a situation of bankruptcy, insolvency or liquidation;
- Loans in litigation;
- Cross-default credits;
- Loans restructured due to financial difficulties with economic loss;
- Default quarantined credits;
- Loans regarding which there is a suspicion of fraud or confirmed fraud;
- Loans with amounts written off from assets.

Estimated expected loan losses – Individual analysis

Customers in any of the following conditions are subject to individual analysis::

- Individual customers of Banco CTT with exposures above 500,000 euros;
- Exposures to credit institutions, sovereign entities, central banks or companies through debt securities in stage 2 or 3;
- 321 Crédito customers with factoring product;
- Customers with a securities leasing product whose active operations have an exposure of more than 70,000 euros; and
- Customers with a real estate leasing product whose active operations have an exposure of more than 30,000 euros or whose LTV ratio is more than 50% or non-existent, or a residual term of more than 12 months or a residual term of 12 months or less and an overdue balance (principal and interest) of more than 500 euros.

Estimated expected loan losses – Collective analysis

Operations that are subject to individual impairment analysis are grouped together according to their risk characteristics and subject to collective impairment analysis. The Group's loan portfolio is divided by degrees of internal risk and according to the following segments:

Financial Assets	Retail Offer	Mortgage Credit	Consists of the Bank's Mortgage loans lending offer which has residential real estate property as collateral, regardless of the degree of completion of its construction.
		Overdrafts	Includes the Bank's overdraft facilities and credit overrunning.
		Motor Vehicle Credit	Includes the offer of used motor vehicle credit with reservation of ownership of 321 Crédito.
	Sovereign and supranational		Public debt securities from the eurozone and European institutions.
	Corporate		Deposits and investments in other credit institutions, other financing granted to other credit institutions and corporate debt securities.
	Other		Various legacy portfolios of 321 Crédito in run-off phase.

Expected loan losses are estimated loan losses which are determined as follows:

- financial assets with no signs of impairment on the reporting date: the present value of the difference between the contractual cash flows and the cash flows that the Group expects to receive;
- financial assets with signs of impairment on the reporting date: the difference between the gross book value and the present value of the estimated cash flows;
- unused credit commitments: the present value of the difference between the resulting contractual cash flows if the commitment is realised and the cash flows that the Group expects to receive.

The main inputs used to measure the expected loan losses on a collective basis include the following variables:

- probability of default (hereinafter referred to as "Probability of Default" or "PD");
- loss given default (hereinafter referred to as "Loss Given Default" or "LGD"); and
- exposure at default (hereinafter referred to as "Exposure at Default" or "EAD").

These parameters are obtained through internal models and other relevant historical data, taking into account existing regulatory models adapted according to the requirements of IFRS 9.

The PDs are calculated based on historical records, when available, or benchmarks in all other cases. If the degree of risk of the counterpart or exposure changes, the associated estimated PD will also vary. The PDs are calculated considering the contractual maturities of the exposures.

The Group collects performance and default indicators about its credit risk exposures with analysis by types of customers and products.

LGD is the magnitude of the expected loss in the event that the exposure enters into default. In the case of contracts secured by real estate, LTV (loan-to-value) ratios are a highly relevant parameter in determining LGD. The Group generally estimates LGD parameters based on history – with regard to the Overdrafts product, and given the lack of historical data on this product, the Group uses market benchmarks to calculate LGD.

EAD represents the expected exposure in the event that the exposer and/or customer enters into default. The Group obtains the EAD values from the current exposure of the counterpart and potential changes to the respective present value as a result of the contractual conditions. For commitments, the EAD value considers both the value of credit used and the expected future potential value which could be used pursuant to the contract.

As described above, except for financial assets that consider a PD at 12 months due to not having shown a significant increase of credit risk, the Group calculates the value of the expected loan losses taking into account the risk of default during the maximum contractual maturity period even though, for risk management purposes, a longer period is considered. The maximum contractual period will be considered as the period up to the date when the Group has the right to demand the payment or terminate the commitment or guarantee.

For financial assets that are "Cash and deposits at other credit institutions", "Investments in other credit institutions", "Investments in securities" and "Other Assets" the impairments are calculated by attributing:

i) a probability of default that derives from the external rating of the issuer or counterparty, respectively; and
ii) a Loss Given Default (LGD) defined by the Group, based on data from Moody's rating agency, and depending on whether the entity is Corporate or Sovereign.

2.2.1.6. Modification of financial assets

If the conditions of a financial asset are modified, the Group assesses whether the asset's cash flows are substantially different.

If the cash flows are substantially different, the contractual rights to the cash flows of the original financial asset are considered expired and the principles described in Note 2.2.1.4 Derecognition of financial assets apply.

If the modification of a financial asset measured at amortised cost or fair value through other comprehensive income does not give rise to the derecognition of the financial asset, then the Group firstly recalculates the gross book value of the financial asset, applying the original effective interest rate of the asset and recognises the adjustment derived thereof as a modification gain or loss through profit or loss. For financial assets with variable rates, the original effective interest rate used to calculate the gain or loss of the modification is adjusted to reflect the current market conditions at the time of the modification. Any costs or commissions incurred and commissions received as part of the modification are incorporated to adjust the gross book value of the modified financial asset and are amortised during the remaining period of the modified financial asset.

2.2.2. Financial Liabilities

An instrument is classified as a financial liability when there is a contractual obligation of its settlement being made against the submission of cash or another financial asset, irrespective of its legal form.

Non-derivatives financial liabilities essentially include deposits from customers.

These financial liabilities are recorded (i) initially at fair value minus the transaction costs incurred, and (ii) subsequently at amortised cost, based on the effective interest rate method.

The Group derecognises financial liabilities when these are cancelled, extinguished or expire

2.2.3. Derivative financial instruments

Derivative financial instruments are recorded at fair value on the date the Group negotiates contracts and are subsequently measured at fair value. Fair value is obtained through market prices quoted on active markets, including recent market transactions, and valuation models, namely: discounted cash flow models and options valuation models. Derivatives are considered assets when their fair value is positive and as liabilities when their fair value is negative. Revaluation results are recognised in "Results from assets and liabilities at fair value through profit or loss".

Certain derivatives embedded in other financial instruments, such as the indexation of returns on debt instruments to the value of shares or share indices, are bifurcated and treated as separate derivatives when their risk and economic characteristics are not clearly related to those of the host contract and the host contract is not measured at fair value with changes recognised in profit or loss. These embedded derivatives are measured at fair value, with subsequent changes recognised in the income statement.

Derivatives are also recorded in off-balance sheet accounts at their theoretical value (notional value).

2.3. Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the balance sheet only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle them on a net basis, or to realise the asset and settle the liability simultaneously.

2.4. Equity Instruments

An instrument is classified as an equity instrument when there is no contractual obligation at settlement to deliver cash or another financial asset to another entity, irrespective of its legal form, showing a residual interest in the assets of an entity after deducting all of its liabilities.

Transaction costs directly attributable to the issue of equity instruments are recognised against equity as a deduction to the value of the issue. Amounts paid or received due to sales or acquisitions of equity instruments are recorded in equity, net of transaction costs.

Distributions to holders of equity instruments are debited directly from the equity as dividends when declared.

2.5. Intangible Assets

Intangible assets are registered at acquisition cost, minus amortisation and impairment losses, when applicable. Intangible assets are only recognised when it is probable that they will result in future economic benefits for the Group, and they can be measured reliably.

Intangible assets are essentially composed of expenses related to software (whenever this is separable from the hardware and associated to projects where the generation of future economic benefits is quantifiable), licenses and other rights of use. Also included are expenses related to the development of R&D projects whenever the intention and technical capacity to complete this development is demonstrated, for the purpose of the projects being available for marketing or use. Research costs incurred in the search of new technical or scientific knowledge or aimed at the search of alternative solutions, are recognised through profit or loss when incurred.

Intangible assets are amortised through the straight-line method, as of the month when they are available for use, during their expected useful life, which is situated in a period varying between 3 and 6 years. In the specific case of the base operational system, after specific analysis regarding the expected period of its effective use, it was decided to amortise it over a period of 15 years (until 2030).

The Group performs impairment testing whenever events or circumstances show that the book value exceeds the recoverable amount, with the difference, when existing, being recognised through profit or loss. The recoverable amount is the higher of net selling price and value in use, the latter being calculated by the present value of the estimated future cash flows obtained from continued use of the asset and its sale at the end of its useful life.

Income or expenses derived from the divestment of intangible assets are determined by the difference between the sale value and its book value, being recorded under the heading "Other operating income/(expenses)".

2.6. Leases

At the beginning of a contract, the Group assesses whether it is or contains a lease. A contract or part of a contract that transfer the right to use an asset (the underlying asset) during a certain period, in exchange of a retribution. In order to assess whether a contract transfer the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset – which could be specified explicitly or implicitly, and should be physically distinctive or substantially represent all the capacity of a physically distinctive asset. Even if the asset is specified, the Group does not have the right to use an identified asset if the supplier has the substantive right to replace this asset during its period of use;
- the Group has the right to substantially receive all the economic benefits from the use of the identified asset, throughout its entire period of use; and

- the Group has the right to direct the use of the identified asset. The Group has this right when it has the most relevant decision-making rights to change the way and purpose with which the asset is used throughout its entire period of use. In cases where the decision on how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if:
  - The Group has the right to make use of the asset (or order others to make use of the asset in the manner that the Group determines) throughout its entire period of use, where the supplier does not have the right to change these instructions on the asset's use; or
  - The Group designed the asset (or specific aspects of the asset) in a manner that previously determines how and for what purpose the asset shall be used throughout its entire period of use.

The Group applied this approach to the contracts concluded or amended on or after, 1 January 2019.

At the beginning or in the reassessment of a contract that contains a component of the lease, the Group imputes the retribution in the contract to each component of the lease based on their individual prices. However, for leases of land and buildings in which it is the lessee (tenant), the Group decided not to separate the components that do not belong to the lease, and to record the lease and non-lease components as a single component.

2.6.1. As lessee

The Group recognises a right-of-use asset and a liability related to the lease on the lease starting date. The right-of-use asset is initially measured at cost, which includes the initial value of the lease liability adjusted for all the expected lease payments on or before the starting date, plus any direct costs incurred and an estimate of the costs for dismantlement and removal of the underlying asset or to restore the underlying asset or the premises on which it is located, minus any lease incentives received.

Subsequently, the right-of-use asset is depreciated using the straight-line method from the starting date to the end of the useful life of the right-of-use asset or to the end of the lease period, according to what ends first. The useful life of right-of-use assets is determined by following the same principles as those applicable to Tangible Assets. Furthermore, the right-of-use asset is periodically deducted impairment losses, if any, and adjusted for particular remunerations of the lease liability.

The lease liability is initially measured at the present value of the lease payments that have not yet been made on that date, discounted by the implicit interest rate in the lease, if this rate can be easily determined. If this rate cannot be easily determined, the Group's incremental funding rate should be used. As a rule, the Group uses its incremental funding rate as the discount rate.

The lease payments included in the measurement of the lease liability consist of the following:

- fixed payments (including fixed payments in substance), minus the lease incentives;
- variable payments that depend on an index or rate, initially measured using the existing rate or index on the starting date;
- amounts that are expected to be paid to guarantee the residual value;
- the price of the exercise of a purchase option, if the Group is reasonably certain that it shall exercise this option; and
- payments of sanctions due to rescission of the lease, if the lease period reflects the exercise of an option for lease rescission by the Group.

The lease liability is measured at amortised cost using the effective interest rate method. This is remeasured when there is a change to the future lease payments derived from a change in an index or rate, when there is a change in the Group's estimate of the amount it expects to pay for a residual value guarantee, or whenever the Group changes its assessment of the expected exercise or not of a purchase, extension or rescission option.

Whenever the lease liability is remeasured, the Group recognises the remeasurement amount of the lease liability as an adjustment to the right-of-use asset. However, if the book value of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Group recognises this reduction in the income statement.

The Group presents the right-of-use assets that do not correspond to the definition of investment property under "Other Tangible Assets" and the lease liabilities under "Other Liabilities" in the statement of financial position.

Short-term leases and low-value leases

The rules allow a lessee not to recognise right-of-use assets and short-term leases with a lease period of 12 months or less, and leases of low-value assets, where the payments associated to these leases are recognised as an expense by the straight-line method during the enforcement of the contract.

2.7. Income Tax

Corporate income tax corresponds to the sum of current taxes and deferred taxes. Current taxes and deferred taxes are recorded under net income, unless they refer to items recorded directly in equity. In these cases, deferred taxes are also recorded under equity.

Current tax payable is based on the taxable profit for the period, calculated in accordance with the tax laws in force on the reporting date. Taxable income differs from accounting income, since it excludes various costs and revenues which will only be deductible or taxable in other financial years. Taxable income also excludes costs and revenues which will never be deductible or taxable.

Deferred taxes refer to temporary differences between the amounts of assets and liabilities for accounting purposes and the corresponding amounts considered for tax purposes.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for deductible temporary differences. However, recognition only takes place when there are reasonable expectations of sufficient future taxable profits to use these deferred tax assets, or when there are deferred tax liabilities whose reversal is expected in the same period that the deferred tax assets may be used. On each reporting date, a review is made of these deferred tax assets, which are adjusted according to expectations on their future use.

Deferred tax assets and liabilities are measured using the tax rates which are in force on the date of the reversal of the corresponding temporary differences, based on the taxation rates (and tax legislation) which are enacted, formally or substantially, on the reporting date.

The Bank and its subsidiaries – more than 75% held directly or indirectly, and for more than 1 year by the parent company CTT – are covered by the special regime applicable to the taxation of groups of companies (RETGS), which includes all the companies in which CTT directly or indirectly holds at least 75% of their share capital and which are simultaneously resident in Portugal and subject to corporate income tax (IRC). In this regard, and until 2020 inclusive, Banco CTT and its subsidiaries, eligible to application of the RETGS, receive from CTT the value relative to the tax loss which they contribute to the consolidated corporate income tax of the CTT Group and, likewise, pay to CTT the value relative to their positive contribution to the consolidated corporate income tax of the CTT Group. As of 2021, the Banco CTT Group is considered to be a "tax sub-consolidated" entity within the Regime in which CTT – Correios de Portugal, S.A. is the dominant company. In this way, Banco CTT's subsidiaries make corporate income tax (IRC) settlements to Banco CTT, and Banco CTT pays or receives the net amount determined for the Banco CTT Group to/from that dominant company. In the event that there are historical amounts receivable from CTT by the Group, any corporate income tax payments to CTT are settled through the use/reduction of the amount receivable, with effective payment only after there are no historical amounts receivable.

2.8. Provisions

Provisions are recognised when, cumulatively: (i) the Group has a present obligation (legal or implicit) arising from a past event, (ii) it is probable that its payment will be demanded, and (iii) there is a reliable estimate of the value of this obligation. The amount of the provisions corresponds to the present value of the obligation, with the financial updating being recorded as a financial cost under the heading "Interest and similar expenses".

The provisions are reviewed on every reporting date and are adjusted in order to reflect the best estimate at that date

2.9. Recognition of Interest

The net gains/(losses) of financial instruments measured at amortised cost and at fair value through other comprehensive income are recognised in the headings "Interest and similar income" or "Interest and similar expenses", using the effective interest method.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument (or, when appropriate, for a shorter period), to the net book value of the financial asset or financial liability. The effective interest rate is established upon the initial recognition of the financial assets and liabilities and us not reviewed subsequently.

When calculating the effective interest rate, the future cash flows are estimated considering all the contractual terms of the financial instrument but not considering possible future loan losses. The calculation includes all fees and commissions that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts directly related to the transaction. In the case of financial assets or groups of similar financial assets for which an impairment loss was recognised, the interest recorded in "Interest and similar income" is calculated using the interest rate used to measure the impairment loss.

The Group does not recognise interest for financial assets in arrears for more than 90 days.

2.10. Recognition of Income of Services, Fees and Commissions

The income from services, fees and commissions is recognised as follows:

- Fees and commissions that are earned in the execution of a significant act, are recognised as income when the significant act has been completed;
- Fees and commissions earned over the period in which the services are provided are recognised as income in the period that the services are provided; and
- Fees and commissions that are an integral part of the effective interest rate of a financial instrument are recorded through profit or loss using the effective interest rate method.

2.11. Earnings per Share

Basic earnings per share are calculated by dividing the net income by the weighted average number of ordinary shares in circulation during the year.

The earnings by diluted share are calculated by adjusting the effect of all the potential ordinary diluting shares to the weighted average number of ordinary shares in circulation.

2.12. Cash and Cash Equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balance sheet items with less than three months' maturity counted from the acquisition/contracting date, including cash and deposits at other credit institutions.

Cash and cash equivalents presented in the cash flow statement exclude restricted balances with central banks.

2.13. Provision of Insurance Mediation Services

Banco CTT and its subsidiary 321 Crédito (Group) are entities authorised by the Insurance and Pension Fund Supervision Authority ("ASF") to conduct the activity of insurance mediation in the category of Linked Insurance Broker, in accordance with article 8, subparagraph a), item i) of Decree-Law 144/2006, of July 31, developing the activity of insurance intermediation in the life and non-life insurance business.

Under the insurance mediation services, the Group sells insurance contracts. As remuneration for the insurance mediation services rendered, Banco CTT receive commissions for insurance contract mediation, which are defined in the agreements / protocols established with the Insurance Companies.

The commissions received for the insurance mediation services are recognised in accordance with the accrual principle. Therefore, commissions received at a different period from that to which they refer are recorded as an amount receivable under "Other Assets".

2.14. Employee Benefits

Career Bonus

Pursuant to Clause 69 of the collective bargaining agreement (ACT) of the banking sector, published in the Labour and Employment Bulletin (BTE) number 38/2017 of 15 October, 321 Crédito undertook the commitment to, on the date of retirement, due to disability or old age, grant the employee a bonus equal to 1.5 times the effective monthly remuneration earned on that date. In the event of death while actively employed, a bonus shall be paid of the value equal to 1.5 times the effective monthly retribution that the deceased employee earned on the date of death.

The basic salary, seniority payments and all the extra components are considered. It is presumed that their salary growth will be higher than that of the salary table in order to consider possible progressions.

The seniority payments are calculated according to the provisions established in Annex II of the collective bargaining agreement, and also foresees the increase arising from the number of years of service.

Allowance due to Death Arising from a Work Accident

In the sphere of 321 Crédito, death arising from a work accident shall give rise to the payment of a capital sum – death allowance – as defined in Clause 72 of the collective bargaining agreement referred to above. For the liability related to allowances due to death arising from a work accident, the calculation uses the value established in Annex II of the collective bargaining agreement, considering the growth rate of the salary table and the probabilities of death due to a work accident.

Post-Retirement Medical Care (SAMS)

The Group, through its subsidiary 321 Crédito, is liable for the payment of the medical care costs of all the employees of 321 Crédito, S.A. as well as those who move into a situation of retirement, and for the costs related to survivors' pensions. This medical care is provided by the Social Medical Assistance Service (SAMS) whose post-retirement costs to the member are defined are Clause 92 of the collective bargaining agreement of the banking sector published in Bulleting of Work and Employment (BTE) number 38/2017 of 15 October. The Group is liable for the payment of the aforesaid costs for all its employees as soon as they move into a situation of retirement and for the costs related to survivors' pensions. For the calculation the values of Annex III in the collective bargaining agreement (ACT) are considered, including the growth rate of the salary table for the counting of length of service, taking into account the seniority date in the group.

The value of the Group's liabilities related to the defined benefit plans for employees are calculated based on the Projected Unit Credit method, subject to annual review by independent actuaries. The actuarial assumptions used are based on expectations of future salary increases and mortality tables.

The discount rate is determined according to the Group's analysis of the evolution of the macroeconomic context and constant need to adjust the actuarial and financial assumptions to that context.

Remeasurement gains and losses, namely actuarial gains and losses arising from differences between the actuarial assumptions used and the figures effectively observed (experience gains and losses) and from changes of actuarial assumptions are recognised against equity under the heading "Other net changes in equity".

The Group recognises in its income statement a net total value that includes (i) the cost of current service; (ii) the interest of the benefit plan; (iii) costs of past services; and (iv) the effects of any settlement or cut occurred in the period. The interest related to the benefit plan for employees was recognised as interest and similar income calculated through the effective interest rate or interest and similar expenses calculated through the effective interest rate according to their nature.

Variable remunerations of the employees

Pursuant to IAS 19 – Employee benefits, the variable remunerations (profit-sharing, bonuses and other) attributed to the employees and, possibly, to executive members of the management bodies are recorded under profit or loss for the year to which they refer.

2.15. Non-Current Assets Held for Sale and Assets of Disposal Groups Classified as Held for Sale

IFRS 5 – Non-current Assets Held for Sale and Discontinued Business Premises is applicable to separate non-current assets, groups of non-current assets held for sale (groups of assets together with the respective liabilities, which include at least one non-current asset) and discontinued operations. These assets are classified as held for sale when there is the intention to divest these assets and liabilities, and the assets or groups of assets are available for immediate sale, subject to the terms of sale usually applicable to these types of assets and their sale is highly probable, pursuant to the provisions defined in IFRS 5.

During its current activity of granting loans, the Group incurs the risk of being unable to secure the full repayment of its loans. In the case of loans with collateral, the Group enforces the foreclose of these assets/award for settlement of the granted loan.

Pursuant to the provisions in the Legal Framework of Credit Institutions and Financial Companies (RGICSF), banks are precluded, unless authorisation has been granted by Banco de Portugal, from acquiring real estate properties that are not indispensable for their installation and operation or the pursuit of their corporate purpose (number 1 of article 112 of the RGICSF) but may, however, acquire real estate properties through repayment of their own loans, where the situations arising thereof should be cleared within the period of 2 years which, if there are grounds for such, may be extended by Banco de Portugal, under the conditions determined by the latter (article 114 of the RGICSF).

These assets are recorded, at their initial recognition, at the lowest figure between their fair value less the expected costs to sell and the book value of the granted loan under recovery (credit that has not yet fallen due in the case of finance lease contracts). These assets are subsequently measured at the lowest figure between the initial recognition value and the fair value less costs to sell and are not amortised.

Whenever the calculated fair value net of costs to sell and maintenance costs (including haircuts defined in the discount table presented in Annex II of Circular Letter 2018/00000062) is less than the value at which it is recognised in the Group's balance sheet, an impairment loss is recorded of the amount of the calculated decrease of value. Impairment losses are recorded through profit or loss for the year. If the net fair value of the costs to sell, at a time after the recognition of impairments, indicates a gain, the Group may reflect this gain up to the maximum amount of the impairment that has been constituted for this asset.

Periodic assessment of real estate properties is carried out by independent expert valuators specialised in these types of services.

2.16. Securitisation operations

The Group has three consumer credit securitisation operations in progress (Chaves Funding No. 8, Ulisses Finance No. 2 and Ulisses Finance No. 3) and one financial lease securitisation operation (Fénix 1), in which it was the originator of the securitised assets. With regard to the operations, Chaves Funding No. 8, Ulisses Finance No. 2 and Ulisses Finance No. 3, the Group maintained control over assets and liabilities to the extent that it acquired their residual tranches. These entities are consolidated in the Group's financial statements in accordance with accounting policy 2.1.

Note 3 – Main Estimates and Judgements Used in the Preparation of the Financial Statements

The IFRS establish a series of accounting treatments and require the Board of Directors to make the necessary judgments and estimates in deciding which treatment is most appropriate. The main accounting estimates and judgements used in applying the accounting principles by the Group are discussed in this Note in order to improve the understanding of how their application affects the Group's reported results and disclosures.

A broad description of the main accounting policies used by the Group is disclosed in Note 2 to the financial statements.

Considering that in some cases there are several alternatives to the accounting treatment chosen by Board of Directors, the results reported by the Group could differ if a different treatment were chosen.

The Board of Directors believes that the choices made are appropriate and that the financial statements present the Group's financial position and the results of its operations fairly in all material aspects.

3.1. Financial instruments – IFRS 9

3.1.1. Classification and measurement

The classification and measurement of financial assets depends on the results of the SPPI test (analysis of the characteristics of the contractual cash flows, to conclude on whether they correspond only to payments of principal and interest on the principal in debt) and the business model test.

The Group determine the business model taking into account the manner in which the groups of financial assets are managed as a whole to achieve a specific business goal. This assessment requires judgement, as the following aspects must be considered, among others: the way that asset performance is assessed; and the risks that affect the performance of the assets and how these risks are managed.

The Group monitors the financial assets measured at amortised cost and at fair value through other comprehensive income that are derecognised before their maturity, in order to understand the reasons underlying their divestment and to determine if they are consistent with the objective of the business model defined for these assets. This monitoring is inserted within the Group's process of continuous assessment of the business model of the financial assets that remain in the portfolio, in order to determine whether it is appropriate, and if it not, whether there has been a change of the business model and consequently a prospective change of the classification of these financial assets.

3.1.2. Impairment losses in financial assets at amortised cost and debt instruments at fair value through other comprehensive income

The determination of the impairment losses of financial instruments involves judgements and estimates relative to the following aspects, among others:

Significant increase of credit risk

Impairment losses correspond to the expected losses in the event of default over a 12-month time horizon, or the estimated maturity if lower, for assets at stage 1, and to the expected losses considering the probability of occurrence of a default event default at some point until the maturity date of the financial instrument, for assets in stage 2 and 3. An asset is classified at stage 2 whenever there has not been a significant increase in its credit risk since its initial recognition. The Group's assessment of the existence of a significant increase of credit risk considers qualitative and quantitative information, reasonable and sustainable.

Definition of group of assets with common credit risk features

When the expected loan losses are measured on a collective basis, the financial instruments are grouped together based on common risk features. This procedure is necessary to ensure that, in case there is a change of the credit risk features, the segmentation of the assets is reviewed. This review can give rise to the creation of new portfolios or to the transfer of the assets to existing portfolios, which better reflect their credit risk features.

Probability of default

The probability of default represents a determinant factor in the measurement of the expected loan losses. The probability of default corresponds to an estimate of the probability of default in a particular time period, calculated based on historical data, benchmarks or using market data.

Loss given default

Corresponds to an estimated loss in a default scenario. It is based on the difference between the contractual cash flows and those that the Group expects to receive, through the cash flows generated by the customer's income or business or by the execution of the credit collateral. Loss given default is calculated based on, among other aspects, the different scenarios of recovery, historical information, market information, the costs involved in the recovery process and the estimated valuation of the collateral associated to credit operations.

3.1.3. Fair value of derivative financial instruments

Fair values are based on listed market prices if available; otherwise fair value is determined either by dealer price quotations (both for that transaction or for similar instruments traded) or by pricing models, based on net present value of estimated future cash flows which take into account market conditions, time value, yield curve and volatility factors. These methodologies may require the use of assumptions or judgements in estimating fair value. Consequently, the use of different methodologies or of different assumptions or judgements in applying a particular model could give rise to results different from those reported.

3.2. Provisions

The Group exercises considerable judgement in the measurement and recognition of provisions. Due to the uncertainties inherent to the process of assessment, actual losses might be different from those originally estimated in the provision. These estimates are subject to changes as new information becomes available. Reviews to the estimates of these losses might affect future results.

When relevant, judgement includes assessment of the probability of a litigation having a successful outcome. Provisions are constituted when the Group expects that the ongoing lawsuits will lead to the outflow of funds, the loss is probable and may be estimated reasonably.

3.3. Goodwill impairment

The Group tests Goodwill, with the purpose of verifying if it is impaired, in accordance with the policy referred in Note 2.1.4. The calculation of the recoverable amounts of the cash generating units involves a judgment and substantially relies on the analysis of the Management related to the future developments of the respective subsidiary. The assessment underlying the calculations that have been made uses assumptions based on the available information, both concerning the business and macro-economic environment. The variations of these assumptions can influence the results and consequent recording of impairments.

Note 4 – Net Interest Income

This heading is composed of:

(amounts in thousand euros)

	'23	'22
Interest and similar income calculated through the effective interest rate	**132,759**	**81,084**
Interest on deposits at Central Banks and credit institutions	972	169
Interest on financial assets at amortised cost		
Investments at credit institutions	24,342	1,983
Loans and advances to customers	98,350	72,711
Debt securities	7,925	6,002
Interest on financial assets at fair value through other comprehensive income		
Debt securities	-	34
Other interest	1,170	185
Interest and similar expenses calculated through the effective interest rate	**(34,502)**	**(6,691)**
Interest on financial liabilities at amortised cost		
Amounts owed to other credit institutions	(1)	-
Deposits from Customers	(16,397)	(493)
Debt securities issued	(17,969)	(4,877)
Interest on deposits at Banco de Portugal (assets)	-	(1,202)
Other interest	(135)	(119)
Net Interest Income	**98,257**	**74,393**

Interest and similar income calculated using the effective rate for the year ended on 31 December 2023 totalled 2,887 thousand euros (2022: 2,034 thousand euros) related to impaired financial assets (Stage 3) as at the reference date.

The heading "Interest on loans and advances to customers" includes the amount of -15,784 thousand euros (2022: -11,943 thousand euros) related to commissions and other expenses and income recorded according to the effective interest method, as referred in the accounting policy described in Note 2.9.

The item Interest on deposits with Banco de Portugal (assets) presented a value of 1,202 euros on 31 December 2022, representing interest expenses for amounts deposited with the Central Bank that exceed the minimum reserve requirements. From the reserve counting period beginning on 30 October 2019, the ECB has introduced the tiering regime, whereby the balance with the Central Bank in excess of the minimum cash reserves, up to a calculated maximum of 6 times the reserves, is remunerated at a rate that is the minimum between the deposit facility rate and 0%. This tiering regime ceased to apply on 27 July 2022, following the decision of the Governing Council to raise the deposit facility rate to a non-negative value. Until October 2022, the interest rate paid was linked to the interest rate on the main refinancing operations. It was then reduced to reflect the rate on the deposit facility and in July 2023 it was set at 0%.

Note 5 – Net Fee and Commission Income

This heading is composed of:

(amounts in thousand euros)

	'23	'22
Fees and commissions received	**27,291**	**27,014**
Due to banking services provided	16,660	16,515
Due to credit intermediation services	2,437	2,741
Due to insurance mediation services	8,124	7,673
Other fees and commissions received	70	85
Fees and commissions paid	**(4,856)**	**(4,555)**
Due to banking services provided by third parties	(4,715)	(4,393)
Dues to operations with securities	(108)	(108)
Other fees and commissions paid	(33)	(54)
Net Fee and Commission Income	**22,435**	**22,459**

Income and charges for services and commissions relating to banking services provided and banking services provided by third parties, respectively, mainly relate to interbank commissions, which are settled net.

Note 6 – Results from Assets and Liabilities at Fair Value Through Profit or Loss

This heading is composed of:

(amounts in thousand euros)

	'23	'22
Earnings on transactions with assets and liabilities at fair value through profit or loss	**6,491**	**24,223**
Derivatives	5,501	22,744
Investment fund units	990	1,479
Losses on transactions with assets and liabilities at fair value through profit or loss	**(5,639)**	**(3,283)**
Derivatives	(5,639)	(13,113)
Investment fund units	-	-
Results from Assets and Liabilities at Fair Value Through Profit or Loss	**852**	**11,110**

The fair value of the assets and liabilities at fair value through profit and loss is presented in Note 16.

Note 7 – Other Operating Income/(Expenses)

This heading is composed of:

(amounts in thousand euros)

	'23	'22
Operating income	**2,490**	**5,700**
Credit recovery	1,139	1,475
Other operating income	1,351	4,225
Operating expenses	**(3,677)**	**(3,229)**
Levies and donations	(53)	(56)
Contributions / taxes on the banking sector	(313)	(158)
Contribution to the Single Resolution Fund	(284)	(270)
Contribution to the Resolution Fund	(55)	(54)
Annual supervisory fees (SSM)	(14)	(13)
Taxes	(192)	(197)
Annual supervisory fees (ASF)	(5)	(4)
Contribution to the Deposit Guarantee Fund	(31)	(27)
Other operating expenses	(2,730)	(2,450)
Other Operating Income/(Expenses)	**(1,187)**	**(2,471)**

The heading "Credit recovery" relates to amounts recovered, by judicial or other means, from contracts written off the assets of the company 321 Crédito.

The heading "Other operating income" refers to expenses charged to customers on account of costs incurred by the Group, namely administrative expenses, expenses related to lawsuits, dossier expenses and postage costs. In addition, in 2022, 1,930 thousand euros was recorded under this heading, relating to the compensation due from Universo, IME, S.A. under the agreement to terminate the Universo partnership, to be settled at the end of the partnership (it represented the present value of the amount to be settled i n 2023, corresponding to 2,000 thousand euros). In 2023, the remaining 70 thousand euros were recorded to make up the 2,000 thousand euros of this compensation.

The "Contribution of the banking sector" is calculated in accordance with the provisions in Law 55-A/2010, with the amount determined based on: (i) the annual average liability stated on the balance sheet, minus core own funds (Tier 1 Capital) and supplementary own funds (Tier 2 Capital) and the deposits covered by the Deposit Guarantee Fund; and (ii) the notional value of the derivative financial instruments.

The heading "Contribution to the Single Resolution Fund" refers to the ex-ante contribution to the Single Resolution Fund, under the Single Resolution Mechanism and pursuant to number 2 of article 70 of Regulation (EU) 806/2014 of the European Parliament and of the Council, of 15 July 2014.

The heading "Contribution to the Resolution Fund" corresponds to mandatory periodic contributions to the Fund, pursuant to Decree-Law 24/2013. The periodic contributions are calculated according to a basic rate applicable every year, determined by Banco de Portugal, by instruction, which can be adjusted according to the institution's risk profile, on the objective basis of assessment of these contributions. The periodic contributions are incident on the liabilities of the institutions participating in the Fund, defined under the terms of article 10 of the aforesaid Decree-Law, minus the liability items that are part of the core own funds, supplementary own funds and deposits covered by the Deposit Guarantee Fund.

The Single Supervisory Mechanism (SSM) is one of the three pillars of the Banking Union (the Single Supervisory Mechanism, the Single Resolution Mechanism and a Common System for Deposit Protection). The SSM model distinguishes between significant credit institutions (under direct supervision of the ECB) and less significant credit institutions (under indirect supervision of the ECB and direct supervision of the competent national authorities, with articulation and reporting to the ECB), based on quantitative and qualitative criteria. Banco CTT is classified as a Less Significant Entity (LSE).

The heading "Other operating expenses" essentially records expenses related to registry offices, ownership reservations and change of motor vehicle registration.

Note 8 – Staff Costs

This heading is composed of:

((amounts in thousand euros)

	'23	'22
Remuneration	16,816	14,647
Social charges on remunerations	3,968	3,447
Employees with a multiple employer arrangement	2,590	2,510
Incentives and performance bonuses	3,582	3,346
Occupational accident and disease insurance	631	501
Other costs	280	420
Staff costs	**27,867**	**24,871**

The total amount of fixed remunerations attributed to the Management and Supervisory Bodies of Banco CTT, during 2023, recorded in the heading "Remunerations", reached 1,708 thousand euros (2022: 1,652 thousand euros). During 2023, costs related to Social Security contributions of the Management and Supervisory Bodies were also paid of the value of 392 thousand euros (2022: 403 thousand euros). As at 31 December 2023, the heading "Incentives and performance bonuses" includes 469 thousand euros of bonuses attributable to the Management Bodies (2022: 1,065 thousand euros). In 2023, the Bank recorded under the heading "Other costs" 35 thousand euros of costs related to retirement savings plans attributed to Management Bodies (2022: 35 thousand euros).

The employees of the retail network are under a multiple employer arrangement, as established in article 101 of the Labour Code, accumulating positions with the CTT postal service. In 2023 the cost related to these employees shared with CTT amounted to 2,557 thousand euros (2022: 2,438 thousand euros).

In 2023 the Management Bodies were paid 870 thousand euros of variable remuneration (2022: 290 thousand euros).

On the date of the end of 2023 and 2022, the permanent staff, excluding employees under the multiple employer arrangement, distributed by major professional category, was as follows:

	'23	'22
Administration	11	12
Executive	5	5
Non-executive	6	7
of which: Audit Committee	2	3
Corporate Bodies (subsidiaries)	3	5
of which: Supervisory Bodies	3	4
Heads of functional areas	45	43
Technical and secretarial staff	434	439
	493	**499**

As of December 31, 2022, this staff includes 51 employees of the subsidiary Payshop (Portugal), S.A., which was sold in the course of 2023, as described in Note 17.

The heading "Other costs" includes, as at 31 December 2023, 84 thousand euros (2022: 124 thousand euros) relative to defined benefit plans, as referred to in Note 33.

Note 9 – General Administrative Expenses

This heading is composed of:

(amounts in thousand euros)

	'23	'22
Water, electricity and fuel	279	299
Consumables	118	113
Hygiene and cleaning supplies	11	9
Rental and hire charges	269	209
Communications	2,189	1,881
Travel, hotel and representation costs	1,109	799
Advertising	1,910	1,823
Maintenance and related services	111	33
Training costs	211	172
Insurance	142	118
IT	12,137	10,709
Consulting and advisory services	2,810	2,406
Other specialised services	3,763	3,064
Other supplies and services	13,735	12,888
General Administrative Expenses	**38,794**	**34,523**

The heading ""IT" records the costs incurred with the implementation and maintenance of IT systems and infrastructure.

The heading "Advertising" records the costs incurred with advertising and communication of the brand and products.

The heading "Other specialised services" records the costs incurred with banking and transactional operations.

The heading "Other supplies and services" records, among others, costs related to the use of the CTT Retail Network, servicing of banking operations and use of payments networks. The cost of using the physical and technical resources of the CTT Post Office Network amounted to 4,783 thousand euros (2022: 4,697 thousand euros).

The costs incurred with services provided by the Statutory Audit Firm to the Group are as follows:

(amounts in thousand euros)

	'23	'22
Review of accounts services	269	272
Reliability assurance services	98	72
Services other than review of accounts	71	106
	438	**450**

Note 10 – Earnings per Share

Earnings per share are calculated as follows:

	'23	'22
Net income for the year (thousand euros)	17,023	14,716
Profit/(Loss) after tax from continuing business premises (thousands of euros)	15,785	12,961
Average number of shares	296,400,000	296,400,000
Earnings per share (euros)		
Basic	0.06	0.05
Diluted	0.06	0.05
Earnings per share from continuing activities (in euros)		
Basic	0.05	0.04
Diluted	0.05	0.04

The Bank's share capital stands at 296,400,000 euros, represented by 296,400,000 ordinary shares without nominal value, and is fully paid-up.

Basic earnings per share are calculated by dividing the net income by the weighted average number of ordinary shares in circulation during the year.

The earnings by diluted share are calculated by adjusting the effect of all the potential ordinary diluting shares to the weighted average number of ordinary shares in circulation.

As at 31 December 2023 and 2022, the Bank did not hold potential dilutive ordinary shares: hence, the diluted earnings per share are the same as the basic earnings per share.

Note 11 – Cash and Deposits at Central Banks

This heading is analysed as follows:

(amounts in thousand euros)

	'23	'22
Cash	25,381	25,487
Demand deposits at Banco de Portugal	29,096	38,636
Cash and Deposits at Central Banks	**54,477**	**64,123**

The heading "Cash" is represented by notes and coins denominated in euros.

The heading "Demand deposits at Banco de Portugal" includes mandatory deposits with a view to meeting the minimum cash reserve requirements. As at 31 December 2023, the amount of the minimum cash reserves was 28,626 thousand euros (2022: 23,186 thousand euros).

Pursuant to Regulation (UE) 1358/2011 of the European Central Bank, of 14 December 2011, the minimum cash requirements kept as demand deposits at Banco de Portugal correspond to 1% of the deposits and other liabilities.

Note 12 – Deposits at Other Credit Institutions

This heading is analysed as follows:

(amounts in thousand euros)

	'23	'22
Credit institutions in Portugal	13,362	14,009
Credit institutions abroad	14,948	22,640
Cheques for collection	7,759	22,492
Deposits at Other Credit Institutions	**36,069**	**59,141**

The heading "Cheques for collection" represents drawn by third parties at other credit institutions, which are pending collection.

Note 13 – Financial Assets at Amortised Cost – Investments at Credit Institutions

This heading is analysed as follows:

(amounts in thousand euros)

	'23	'22
Investments in Central Banks		
Banco de Portugal	1,260,077	450,250
Investments in other credit institutions in Portugal		
Term deposits	11,049	4,701
Loans	962	5,239
Impairment for investments in credit institutions	(8)	(2)
Investments at Credit Institutions	**1,272,080**	**460,188**

The heading "Investments in Central Banks" includes very short-term (overnight) deposits with Banco de Portugal. As at 31 December 2023, these investments amounted to 1,260,077 thousand euros (2022: 450,250 thousand euros).

The scheduling of this heading by maturity periods is presented as follows:

(amounts in thousand euros)

	'23	'22
Up to 3 months	1,260,688	455,572
3 to 12 months	11,400	3,656
1 to 3 years	-	962
More than 3 years	-	-
Investments at Credit Institutions	**1,272,088**	**460,190**

The heading "Investments at credit institutions" showed an annual average rate of 2.435% in the period (2022: 1.314%).

Note 14 – Financial Assets at Amortised Cost – Loans and Advances to Customers

This heading is analysed as follows:

(amounts in thousand euros)

	'23	'22
Mortgage credit	728,847	659,529
Motor vehicle credit	882,758	780,322
Credit cards	-	364,276
Finance leases	1,820	3,098
Overdrafts	3,488	1,352
Outstanding loans	**1,616,913**	**1,808,577**
Overdue loans – less than 90 days	1,385	1,407
Overdue loans – more than 90 days	22,732	22,317
Overdue loans	**24,117**	**23,724**
Impairment for credit risk	**(47,816)**	**(54,736)**
Loans and Advances to Customers	**1,593,214**	**1,777,565**

The credit cards heading represents the portfolio of credit cards acquired under the Universo Partnership with Universo, IME: S.A..

As mentioned in Note 34 (Securitisation of Assets), this portfolio has been recognised in the Group's financial statements to the extent that the Group was, until December 2023, the sole investor in the Next Funding No.1 securitisation operation and therefore, given the conditions set out in IFRS 10 (Consolidated Financial Statements) the securitisation operation is consolidated.

In December 2022, Banco CTT and Universo, IME, SA ("Universo") reviewed the terms of the Partnership Agreement in the area of financial services, disclosed to the market on 1 April 2021. In that context, Banco CTT and Universo agreed on the terms for the termination of the Agreement with a view to ending the partnership at December 2023. Despite this agreement, the conditions set out in IFRS 10 for recognising the credit card portfolio in the Group's financial statements continued to apply as at 31 December 2022. Under this agreement, Banco CTT was entitled to compensation of 2,000 thousand euros, settled in December 2023, as disclosed in Note 7. In December 2023, the entire exposure to credit cards was sold to Universo, under the terms and principles agreed in December 2022.

The scheduling of this heading by maturity periods is presented as follows:

((amounts in thousand euros)

'23

	At sight	Up to 3 months	3 to 12 months	1 to 3 years	More than 3 years	Overdue loans	Total
Mortgage credit	-	4,850	8,999	25,127	689,871	41	728,888
Motor vehicle credit	-	35,075	92,025	246,411	509,247	23,092	905,850
Finance leases	-	195	648	521	456	99	1,919
Overdrafts	3,488	-	-	-	-	885	4,373
Loans and Advances to Customers	**3,488**	**40,120**	**101,672**	**272,059**	**1,199,574**	**24,117**	**1,641,030**

(amounts in thousand euros)

'22

	At sight	Up to 3 months	3 to 12 months	1 to 3 years	More than 3 years	Overdue loans	Total
Mortgage credit	-	4,636	12,112	33,651	609,130	12	659,541
Motor vehicle credit	-	31,351	83,953	218,528	446,490	12,548	792,870
Credit cards	-	364,276	-	-	-	9,536	373,812
Finance leases	-	344	802	1,277	675	156	3,254
Overdrafts	1,352	-	-	-	-	1,472	2,824
Loans and Advances to Customers	**1,352**	**400,607**	**96,867**	**253,456**	**1,056,295**	**23,724**	**1,832,301**

The distribution of this heading by type of rate is presented as follows:

(amounts in thousand euros)

	'23	'22
Fixed rate	1,039,230	1,147,499
Variable rate	601,800	684,802
Loans and Advances to Customers	**1,641,030**	**1,832,301**

The analysis of this heading by type of collateral is presented as follows:

(amounts in thousand euros)

'23

	Loans that have not yet fallen due	Overdue loans	Gross loans	Impairment	Net loans
Asset-backed loans	730,695	135	730,830	(1,514)	729,316
Personal guaranteed loans	861,230	5,405	866,635	(31,047)	835,588
Unsecured loans	24,988	18,577	43,565	(15,255)	28,310
	1,616,913	**24,117**	**1,641,030**	**(47,816)**	**1,593,214**

(amounts in thousand euros)

'22

	Loans that have not yet fallen due	Overdue loans	Gross loans	Impairment	Net loans
Asset-backed loans	662,648	147	662,795	(1,036)	661,759
Personal guaranteed loans	761,034	5,466	766,500	(25,918)	740,582
Unsecured loans	384,895	18,111	403,006	(27,782)	375,224
	1,808,577	**23,724**	**1,832,301**	**(54,736)**	**1,777,565**

The analysis of this heading by type of loan is presented as follows::

(amounts in thousand euros)

'23

	Loans that have not yet fallen due	Overdue loans	Gross loans	Impairment	Net loans
Mortgage credit	728,847	41	728,888	(1,419)	727,469
Motor vehicle credit	882,758	23,092	905,850	(45,581)	860,269
Finance leases	1,820	99	1,919	(24)	1,895
Overdrafts	3,488	885	4,373	(792)	3,581
	1,616,913	**24,117**	**1,641,030**	**(47,816)**	**1,593,214**

(amounts in thousand euros)

'22

	Loans that have not yet fallen due	Overdue loans	Gross loans	Impairment	Net loans
Mortgage credit	659,529	12	659,541	(914)	658,627
Motor vehicle credit	780,322	12,548	792,870	(32,597)	760,273
Credit cards	364,276	9,536	373,812	(19,997)	353,815
Finance leases	3,098	156	3,254	(59)	3,195
Overdrafts	1,352	1,472	2,824	(1,169)	1,655
	1,808,577	**23,724**	**1,832,301**	**(54,736)**	**1,777,565**

The analysis of this heading by activity sector is presented as follows:

(amounts in thousand euros)

'23

	Loans that have not yet fallen due	Overdue loans	Gross loans	Impairment	Net loans
Companies					
Agriculture, forestry, animal husbandry and fisheries	13,093	278	13,371	(677)	12,694
Mining industry	1,515	4	1,519	(46)	1,473
Manufacturing industries	7,293	211	7,504	(330)	7,174
Supply of electricity, gas, steam and air conditioning	8	-	8	-	8
Water	110	-	110	-	110
Construction	17,289	598	17,887	(934)	16,953
Wholesale and retail trade	13,804	269	14,073	(456)	13,617
Transport and storage	11,256	358	11,614	(586)	11,028
Restaurants and hotels	7,187	142	7,329	(350)	6,979
Information and communication	1,215	7	1,222	(29)	1,193
Financial and insurance sector	342	33	375	(26)	349
Real estate activities	2,007	42	2,049	(49)	2,000
Professional, scientific and technical activities	2,517	59	2,576	(111)	2,465
Administrative and support services	4,827	231	5,058	(312)	4,746
Public administration, defence and social security:	85	-	85	(2)	83
Education	844	13	857	(16)	841
Health services and social assistance	1,803	21	1,824	(40)	1,784
Artistic, sports and recreational activities	1,851	148	1,999	(130)	1,869
Other services	8,573	157	8,730	(387)	8,343
Individuals					
Mortgage loans	728,930	41	728,971	(1,421)	727,550
Consumer	792,364	21,505	813,869	(41,914)	771,955
	1,616,913	**24,117**	**1,641,030**	**(47,816)**	**1,593,214**

(amounts in thousand euros)

'22

	Loans that have not yet fallen due	Overdue loans	Gross loans	Impairment	Net loans
Companies					
Agriculture, forestry, animal husbandry and fisheries	8,953	111	9,064	(284)	8,780
Mining industry	1,276	2	1,278	(17)	1,261
Manufacturing industries	6,335	150	6,485	(209)	6,276
Water	76	-	76	(1)	75
Construction	12,764	393	13,157	(607)	12,550
Wholesale and retail trade	10,509	160	10,669	(313)	10,356
Transport and storage	7,191	189	7,380	(249)	7,131
Restaurants and hotels	5,522	97	5,619	(235)	5,384
Information and communication	826	-	826	(5)	821
Financial and insurance sector	281	7	288	(16)	272
Real estate activities	1,882	3	1,885	(38)	1,847
Professional, scientific and technical activities	2,199	20	2,219	(71)	2,148
Administrative and support services	3,877	90	3,967	(186)	3,781
Public administration, defence and social security:	96	-	96	-	96
Education	791	2	793	(14)	779
Health services and social assistance	1,357	47	1,404	(33)	1,371
Artistic, sports and recreational activities	1,196	93	1,289	(99)	1,190
Other services	8,386	67	8,453	(259)	8,194
Individuals					
Mortgage loans	659,618	12	659,630	(915)	658,715
Consumer	1,075,442	22,281	1,097,723	(51,185)	1,046,538
	1,808,577	**23,724**	**1,832,301**	**(54,736)**	**1,777,565**

The movement of credit impairment in the period is detailed as follows:

(amounts in thousand euros)

'23

	Stage 1	Stage 2	Stage 3	Total
Opening balance	**7,514**	**6,954**	**40,268**	**54,736**
Movement for the period:				
Financial assets originated or acquired	1,332	1,416	961	3,709
Variations due to change in exposure or risk parameters	(5,674)	2,324	26,533	23,183
Derecognised financial assets excluding write-offs	(1,106)	(2,500)	(29,153)	(32,759)
Write-offs	-	-	(1,349)	(1,349)
Transfers to:				
Stage 1	2,607	(1,457)	(1,150)	-
Stage 2	(703)	2,621	(1,918)	-
Stage 3	(279)	(2,931)	3,210	-
Other movements	7	18	271	296
Credit impairment	**3,698**	**6,445**	**37,673**	**47,816**
Of which: POCI	-	-	579	579

(amounts in thousand euros)

'22

	Stage 1	Stage 2	Stage 3	Total
Opening balance	**6,474**	**4,602**	**20,014**	**31,090**
Movimentação do período:				
Movement for the period:	2,039	1,488	2,647	6,174
Financial assets originated or acquired	(2,049)	2,296	19,878	20,125
Variations due to change in exposure or risk parameters	(642)	(236)	(702)	(1,580)
Derecognised financial assets excluding write-offs	-	-	(1,411)	(1,411)
Write-offs				
Transfers to:	2,335	(1,212)	(1,123)	-
Stage 1	(457)	1,877	(1,420)	-
Stage 2	(198)	(1,808)	2,006	-
Stage 3	12	(53)	379	338
Credit impairment	**7,514**	**6,954**	**40,268**	**54,736**
Of which: POCI	-	-	927	927

The reconciliation of the accounting movements related to impairment losses are presented below:

(amounts in thousand euros)

'23

	Stage 1	Stage 2	Stage 3	Total
Opening balance	**7,514**	**6,954**	**40,268**	**54,736**
Movement for the period:				
Variations in the expected credit loss of the credit portfolio	(5,128)	3,439	26,681	24,992
Transfers of Stage (net)	1,626	(1,767)	141	-
Sale of Loans	(321)	(2,199)	(27,517)	(30,037)
Use of impairment	-	-	(822)	(822)
Write-offs	-	-	(1,349)	(1,349)
Other movements	7	18	271	296
Credit impairment	**3,698**	**6,445**	**37,673**	**47,816**

(amounts in thousand euros)

'22

	Stage 1	Stage 2	Stage 3	Total
Opening balance	**6,474**	**4,602**	**20,014**	**31,090**
Movement for the period:				
Variations in the expected credit loss of the credit portfolio	(652)	3,548	21,823	24,719
Transfers of Stage (net)	1,680	(1,143)	(537)	-
Write-offs	-	-	(1,411)	(1,411)
Other movements	12	(53)	379	338
Credit impairment	**7,514**	**6,954**	**40,268**	**54,736**

The credit portfolio detailed by stage as defined in IFRS 9 is presented as follows:

(amounts in thousand euros)

	'23	'22
Stage 1	**1,462,657**	**1,660,384**
Gross Value	1,466,355	1,667,898
Impairment	(3,698)	(7,514)
Stage 2	**91,015**	**82,156**
Gross Value	97,460	89,110
Impairment	(6,445)	(6,954)
Stage 3	**39,542**	**35,025**
Gross Value	77,215	75,293
Impairment	(37,673)	(40,268)
	1,593,214	**1,777,565**

The heading "Loans and advances to customers" includes the effect of traditional securitisation transactions, carried out through securitisation vehicles, consolidated pursuant to IFRS 10 in accordance with accounting policy 2.1.

The heading "Loans and advances to customers" includes the following amounts related to finance lease contracts:

(amounts in thousand euros)

	'23	'22
Value of future minimum payments	2,244	3,548
Interest not yet due	(424)	(450)
Present value	**1,820**	**3,098**

The value of the future minimum payments of finance lease contracts, by maturity period, is analysed as follows:

(amounts in thousand euros)

	'23	'22
Up to 1 year	1,272	1,580
1 to 5 years	686	1,632
More than 5 years	286	336
Value of future minimum payments	**2,244**	**3,548**

The analysis of the finance lease contracts by type of customer is presented as follows:

(amounts in thousand euros)

	'23	'22
Individuals	**243**	**403**
Mortgage	75	83
Other	168	320
Companies	**1,577**	**2,695**
Furniture	161	179
Real estate	1,416	2,516
	1,820	**3,098**

Note 15 – Financial Assets at Amortised Cost – Debt Securities

This heading is analysed as follows:

(amounts in thousand euros)

	'23	'22
Public debt securities		
Portuguese	168,974	221,695
Foreign	479,975	316,218
Supranational debt securities	80,614	-
Impairment	(97)	(132)
Financial Assets at Amortised Cost – Debt Securities	**729,466**	**537,781**

The financial assets in this portfolio are managed based on a business model whose objective is the receipt of its contractual cash flows (Note 2.2.1.1).

The analysis of this heading as at 31 December 2023 and 2022, by residual maturity, is as follows:

(amounts in thousand euros)

'23

	Up to 3 months	3 to 12 months	1 to 3 years	More than 3 years	Total
Public debt securities					
Portuguese	6,729	-	18,576	143,669	168,974
Foreign	1,437	276,009	9,968	192,561	479,975
Supranational debt securities	408	80,206	-	-	80,614
Financial Assets at Amortised Cost – Debt Securities	**8,574**	**356,215**	**28,544**	**336,230**	**729,563**

(amounts in thousand euros)

'22

	Up to 3 months	3 to 12 months	1 to 3 years	More than 3 years	Total
Public debt securities					
Portuguese	3,011	17,990	38,028	162,666	221,695
Foreign	1,462	105,938	10,027	198,791	316,218
Financial Assets at Amortised Cost – Debt Securities	**4,473**	**123,928**	**48,055**	**361,457**	**537,913**

The movement of the impairment of debt securities at amortised cost is analysed as follows:

(amounts in thousand euros)

	'23	'22
	Stage 1	Stage 1
Opening balance	**132**	**121**
Movement for the period:		
Financial assets originated or acquired	29	27
Variations due to change in exposure or risk parameters	(42)	(7)
Derecognised financial assets excluding write-offs	(22)	(9)
Impairment of debt securities at amortised cost	**97**	**132**

The reconciliation of the accounting movements related to impairment losses are presented below:

(amounts in thousand euros)

	'23	'22
	Stage 1	Stage 1
Opening balance	**132**	**121**
Movement for the period:		
Variations in the expected credit loss of the portfolio	(35)	11
Impairment of debt securities at amortised cost	**97**	**132**

Note 16 – Financial Assets and Liabilities at Fair Value Through Profit or Loss

This heading is analysed as follows:

(amounts in thousand euros)

	'23	'22
Investment fund units	-	26,479
Real-estate Investment Funds	-	26,479
Derivatives	13,532	26,220
Financial Assets at Fair Value Through Profit or Loss	**13,532**	**52,699**
Derivatives	(13,744)	(26,345)
Financial Liabilities at Fair Value Through Profit or Loss	**(13,744)**	**(26,345)**

Derivatives represent the fair value of derivative financial instruments whose purpose is to mitigate interest rate risk.

As at 31 December 2022, the item Real Estate Investment Funds in the amount of 26,479 thousand euros refers to an investment in an open-ended real estate investment fund domiciled in Portugal, representing 10.4% of the total units issued on 31 December 2022. This position was sold during the 2023 financial year.

Associated to the derivative contracts, Banco CTT has, as at 31 December 2023, a captive amount of 25,830 thousand euros (2022: 26,040 thousand euros in cash accounts with other financial institutions as margin call, which are disclosed in the heading "Other assets" (Note 21).

The movement of the heading "Derivatives" is presented as follows:

(amounts in thousand euros)

	'23			'22		
	Notional	Fair Value		Notional	Fair Value	
		Assets	Liabilities		Assets	Liabilities
OTC Market						
Interest rate contracts						
Interest Rate Swaps						
Purchase	175,154	6,272	-	200,000	12,658	-
Sale	175,154	-	(6,380)	200,000	-	(12,810)
Interest Rate Options						
Purchase	200,576	7,260	-	263,790	13,562	-
Sale	200,576	-	(7,364)	237,003	-	(13,535)
Derivatives		**13,532**	**(13,744)**		**26,220**	**(26,345)**

The impact on the income statement of financial assets and liabilities at fair value through profit or loss is presented in Note 6.

Note 17 – Non-current Assets and Disposal Groups Classified as Held for Sale

This heading is analysed as follows:

((amounts in thousand euros)

	'23	'22
Non-Current Assets Held for Sale	-	-
Assets	**1**	**1**
Real estate properties	-	-
Equipment	1	1
Impairment	**(1)**	**(1)**
Assets of Disposal Groups Classified as Held for Sale	-	**14,786**
Payshop (Portugal), S.A.	-	14,786
Non-current Assets and Disposal Groups Classified as Held for Sale	-	**14,786**

Assets of Disposal Groups Classified as Held for Sale

In accordance with IFRS 5, a group of assets and liabilities shall be classified as held for sale if (i) its carrying amount will be recovered principally through a sale transaction rather than continuing use, (ii) it must be available for immediate sale in its present condition and its sale must be highly probable and (iii) management must be committed to a plan to sell the asset, and an active programme to locate a buyer and complete the plan must have been initiated, and the price must be reasonable in relation to its current fair value, with the sale expected to be completed within 12 months.

The detail of assets and liabilities included in disposal groups classified as held for sale is presented as follows:

(amounts in thousand euros)

	'23			'22		
	Assets	Liabilities	Results	Assets	Liabilities	Results
Payshop (Portugal), S.A.	-	-	1,238	14,706	7,521	1,755
	-	**-**	**1,238**	**14,706**	**7,521**	**1,755**

As part of a corporate reorganisation underway in the Group, on 8 July 2022 the Board of Directors of Banco CTT approved the sale, and its terms, to CTT – Correios de Portugal, S.A., its completion being dependent on the non-opposition of the regulator, which occurred in July 2023, and the sale was completed in August 2023.

As at 30 June 2022 the assets and liabilities of Payshop (Portugal), S.A. were reclassified to Discontinued Assets and Liabilities as the company was being sold and was considered a major line of business within the Group due to its contribution to the profit and loss account, among others.

The contributions of Payshop (Portugal), S.A. to the Consolidated Income Statements of the Group, are detailed as follows:

(amounts in thousand euros)

Profit/(Loss) of discontinued business premises	'23	'22
Interest and similar income calculated through the effective interest rate	-	-
Interest and similar expenses calculated through the effective interest rate	(2)	(5)
Net Interest Income	**(2)**	**(5)**
Net fee and commission income	4,518	7,677
Other operating income/(expenses)	392	636
Operating Income	**4,908**	**8,308**
Staff costs	(1,277)	(2,374)
General administrative expenses	(1,399)	(2,354)
Amortisation and depreciation for the year	(625)	(895)
Operating Costs	**(3,301)**	**(5,623)**
Operating Profit/(Loss) Before Provisions and Impairments	**1,607**	**2,685**
Impairment of other assets	(5)	-
Provisions	-	(415)
Operating Profit/(Loss)	**1,602**	**2,270**
Profit/(Loss) before tax	**1,602**	**2,270**
Taxes		
Current	(366)	(608)
Deferred	2	93
Net Income for the year	**1,238**	**1,755**

Note 18 – Other Tangible Assets

This heading is analysed as follows:

(amounts in thousand euros)

	'23	'22
Acquisition Cost	**9,801**	**8,456**
Real estate properties		
Works in rented properties	1,121	413
Equipment		
Furniture	516	481
Machinery and tools	1,148	1,035
Computer equipment	987	752
Interior installations	1	1
Transport material	-	6
Security equipment	86	86
Other equipment	46	39
Rights of use		
Real estate properties	4,123	4,122
Motor vehicles	1,727	1,520
Other tangible assets	1	1
Other tangible assets in progress	45	-
Accumulated Depreciation	**(4,463)**	**(3,360)**
Related to previous years	(2,817)	(1,666)
Related to the current year	(1,646)	(1,694)
Other Tangible Assets	**5,338**	**5,096**

The movement of the heading "Other Tangible Assets" during 2023 is analysed as follows:

(amounts in thousand euros)

'23

	Balance on 1 January	Acquisitions / Allocations	Transfers	Divestment / Write-off	Other variations	Balance on 31 December
Acquisition cost	**8,456**	**1,903**	**-**	**(558)**	**-**	**9,801**
Real estate properties						
Works in rented properties	413	767	-	(59)	-	1,121
Equipment						
Furniture	481	35	-	-	-	516
Machinery and tools	1,035	115	-	(2)	-	1,148
Computer equipment	752	241	-	(6)	-	987
Interior installations	1	-	-	-	-	1
Transport material	6	-	-	(6)	-	-
Security equipment	86	-	-	-	-	86
Other equipment	39	7	-	-	-	46
Rights of use						
Real estate properties	4,122	158	-	(157)	-	4,123
Motor vehicles	1,520	535	-	(328)	-	1,727
Other tangible assets	**1**	**-**	**-**	**-**	**-**	**1**
Other tangible assets in progress	**-**	**45**	**-**	**-**	**-**	**45**
Accumulated depreciation	**(3,360)**	**(1,646)**	**-**	**543**	**-**	**(4,463)**
Real estate properties						
Works in rented properties	(284)	(143)	-	59	-	(368)
Equipment						
Furniture	(414)	(18)	-	-	-	(432)
Machinery and tools	(190)	(133)	-	2	-	(321)
Computer equipment	(489)	(145)	-	6	-	(628)
Interior installations	(1)	-	-	-	-	(1)
Transport material	(6)	-	-	6	-	-
Security equipment	(66)	(7)	-	-	-	(73)
Other equipment	(9)	(1)	-	-	-	(10)
Rights of use						
Real estate properties	(1,176)	(794)	-	160	-	(1,810)
Motor vehicles	(724)	(405)	-	310	-	(819)
Other tangible assets	**(1)**	**-**	**-**	**-**	**-**	**(1)**
Other Tangible Assets	**5,096**	**257**	**-**	**(15)**	**-**	**5,338**

The movement of the heading "Other Tangible Assets" during 2022 is analysed as follows:

(amounts in thousand euros)

'22

	Balance on 1 January	Acquisitions / Allocations	Transfers	Divestment / Write-off	Other variations	Balance on 31 December
Acquisition cost	**10,429**	**3,463**	**-**	**(5,436)**	**-**	**8,456**
Real estate properties						
Works in rented properties	493	39	-	(119)	-	413
Equipment						
Furniture	556	6	-	(81)	-	481
Machinery and tools	898	153	8	(24)	-	1,035
Computer equipment	624	238	-	(110)	-	752
Interior installations	11	-	-	(10)	-	1
Transport material	6	-	-	-	-	6
Security equipment	132	-	-	(46)	-	86
Other equipment	39	-	-	-	-	39
Rights of use						
Real estate properties	6,366	2,663	-	(4,907)	-	4,122
Motor vehicles	1,293	364	-	(137)	-	1,520
Other tangible assets	**11**	**-**	**(8)**	**(2)**	**-**	**1**
Accumulated depreciation	**(3,917)**	**(1,896)**	**-**	**916**	**-**	**(6,748)**
Real estate properties						
Works in rented properties	(317)	(36)	-	69	-	(284)
Equipment						
Furniture	(479)	(15)	-	81	-	(414)
Machinery and tools	(129)	(86)	-	24	-	(190)
Computer equipment	(529)	(68)	-	110	-	(489)
Interior installations	(6)	-	-	4	-	(1)
Transport material	(6)	-	-	-	-	(6)
Security equipment	(103)	(9)	-	45	-	(66)
Other equipment	(9)	-	-	-	-	(9)
Rights of use						
Real estate properties	(1,835)	(1,122)	-	1,781	-	(1,176)
Motor vehicles	(503)	(358)	-	136	-	(724)
Other tangible assets	**(2)**	**-**	**-**	**1**	**-**	**(1)**
Other Tangible Assets	**6,512**	**1,769**	**-**	**(3,185)**	**-**	**5,096**

The write-off of 4,907 thousand euros in 2022 under the heading "Rights of use – Real estate" is related to the change of facilities with the consequent change of the head office.

Note 19 – Goodwill and Intangible Assets

This heading is analysed as follows:

(amounts in thousand euros)

	'23	'22
Goodwill	**60,679**	**60,679**
321 Crédito – Instituição Financeira de Crédito, S.A.	60,679	60,679
Intangible Assets	**21,221**	**21,434**
Acquisition Cost	**53,125**	**47,708**
Software in use	52,752	47,202
Other intangible assets	16	16
Software in progress	357	490
Impairment	**-**	**-**
Accumulated Amortisation	**(31,904)**	**(26,274)**
Related to previous years	(26,275)	(20,792)
Related to the current year	(5,629)	(5,482)
Goodwill and Intangible Assets	**81,900**	**82,113**

Intangible assets essentially include expenses with the acquisition and development of software, including the core banking system, implementation projects and their customisation.

The goodwill attributable to the investment in Payshop (Portugal), S.A. in the amount of 406 thousand euros was reclassified to "Non-current assets and disposal groups classified as held for sale" in 2022 (Note 17).

The movement of the headings "Goodwill" and "Intangible Assets" during 2023 is analysed as follows:

(amounts in thousand euros)

'23

	Balance on 1 January	Acquisitions / Allocations	Transfers	Divestment / Write-off	Balance on 31 December
Goodwill	**60,679**	**-**	**-**	**-**	**60,679**
Consolidation and revaluation differences	60,679	-	-	-	60,679
Impairment	-	-	-	-	-
Intangible Assets	**21,434**	**(212)**	**-**	**-**	**21,221**
Acquisition Cost	**47,708**	**5,417**	**-**	**-**	**53,125**
Software in use	47,202	142	5,408	-	52,752
Other intangible assets	16	-	-	-	16
Software in progress	490	5,275	(5,408)	-	357
Accumulated amortisation	**(26,274)**	**(5,629)**	**-**	**-**	**(31,904)**
Software in use	(26,262)	(5,628)	-	-	(31,890)
Other intangible assets	(12)	(1)	-	-	(13)
Goodwill and Intangible Assets	**82,113**	**(212)**	**-**	**-**	**81,900**

The movement of the headings "Goodwill" and "Intangible Assets" during 2022 is analysed as follows:

(amounts in thousand euros)

'22

	Balance on 1 January	Acquisitions / Allocations	Transfers	Divestment / Write-off	Balance on 31 December
Goodwill	**60,679**	**-**	**-**	**-**	**60,679**
Consolidation and revaluation differences	60,679	-	-	-	60,679
Impairment	-	-	-	-	-
Intangible Assets	**22,736**	**(1,302)**	**-**	**-**	**21,434**
Acquisition Cost	**44,334**	**4,180**	**-**	**(806)**	**47,708**
Software in use	43,799	325	3,760	(682)	47,202
Other intangible assets	76	-	-	(60)	16
Software in progress	459	3,855	(3,760)	(64)	490
Impairment	**(61)**	**-**	**-**	**61**	**-**
Accumulated amortisation	**(21,537)**	**(5,482)**	**-**	**745**	**(26,274)**
Software in use	(21,467)	(5,480)	-	685	(26,262)
Other intangible assets	(70)	(2)	-	60	(12)
Goodwill and Intangible Assets	**83,415**	**(1,302)**	**-**	**-**	**82,113**

Goodwill

The recoverable amount of Goodwill is assessed annually or whenever there is indication of a possible loss of value. The recoverable amount is determined based on the value in use of the assets, computed using calculation methodologies supported by discounted cash flow techniques, considering the market conditions, the time value and business risks.

In order to determine the recoverable amount of its investments, impairment tests were carried out, as at 31 December 2023 and 2022, based on the following assumptions:

'23

Corporate Name	Basis of determination of recoverable amount	Explicit period for cash flows	Discount rate	Growth rate in perpetuity
321 Crédito – Instituição Financeira de Crédito, S.A.	Equity Value / DDM	10 years	10,0%	1,5%

'22

Corporate Name	Basis of determination of recoverable amount	Explicit period for cash flows	Discount rate	Growth rate in perpetuity
321 Crédito – Instituição Financeira de Crédito, S.A.	Equity Value / DDM	10 years	10,0%	1,5%

321 Crédito – Instituição Financeira de Crédito, S.A.

Cash flows were estimated on the basis of projections of results and the evolution of activity, based on the business plan associated with the cash-generating unit, as approved by management. These projections cover a 10-year period (until 2033) which has been applied consistently since the acquisition of 321 Crédito and which, in the Management's judgement, best reflects the nature of the investment, the maturity of the portfolio and economic/interest rate cycles. The projections consider a compound annual growth rate of 4.3% of assets over this period.

The valuation was based on the Dividend Discount Model (DDM) methodology common in the banking sector. The logic of the methodology is that the investor observes two types of flows when valuing the asset, dividend/equity enhancement binomial and the value of future dividends in perpetuity. The discount rate of 10.0% (after tax) is consistent with internal benchmarks for evaluating projects and investments, and remains within the range typically used for the banking sector.

Sensitivity analyses were performed on the results of these impairment tests, namely regarding the following key assumptions: (i) reduction/increase of 0.5% in the target of the CET1 ratio or (ii) an increase of 50 points in the different discount rates used. As a result of the impairment test performed, as well as the sensitivity analyses carried out, no impairment loss was identified in the goodwill recorded on 31 December 2023.

Note 20 – Income Tax

The Group is subject to Corporate Income Tax (IRC) and corresponding Surcharge.

Income tax (current or deferred is reflected in the net income for the year, except in cases in which the transactions that originated this tax have been reflected in other equity headings. In these situations, the corresponding tax is likewise reflected through equity, not affecting the net income for the year.

The calculation of the current tax for 2023 and 2022 was based on a nominal corporate income tax rate of 21% pursuant to Law 107-B/2003, of 31 December, and Law 2/2007, of 15 January.

Deferred tax is calculated based on the tax rates that are expected to be applicable on the date of reversal of the temporary differences, which correspond to the rates approved or substantially approved on the reporting date.

As mentioned in Note 2.7, the Group is covered by the special regime applicable to the taxation of groups of companies (RETGS), which includes all the companies in which CTT directly or indirectly holds at least 90% of their share capital and which are simultaneously resident in Portugal and subject to corporate income tax (IRC).

Reconciliation of the Income Tax Rate

The reconciliation of the income tax rate, in the portion relative to the amount recognised through profit or loss, may be analysed as follows:

(amounts in thousand euros)

	'23	'22
Profit/(Loss) before tax	20,840	18,789
Current tax rate	21%	21%
Expected income tax	**4,376**	**3,946**
Surcharges	2,038	716
Total Expected Tax	**6,414**	**4,662**
Accruals/(deductions) for calculation purposes	428	(48)
Autonomous tax	60	111
Other adjustments	2,596	(5,026)
Recorded current tax for the year	**9,498**	**(301)**
Recorded deferred tax	**(3,692)**	**6,840**
Recorded total tax	**5,806**	**6,539**
Effective rate	**27.9%**	**34.8%**
Corrections relative to previous years	**(751)**	**(711)**
Taxes *	**5,055**	**5,828**

*negative values represent tax to be recovered.

The other adjustments stem from the consolidation process of the structured entities.

Current tax

Pursuant to the accounting policy described in Note 2.7, the amount related to the tax of entities included in the Special Regime for Taxation of Groups of Companies (RETGS) is recorded as an amount receivable from or payable to the shareholder CTT (see Notes 21 and 25).

The heading "Current tax liabilities", in the amount of 1,362 thousand euros (2022: 1,362 thousand euros), relates to amounts covered by IFRIC 23.

Deferred tax

The movement of the deferred tax assets in the period is presented as follows:

(amounts in thousand euros)

	'23	'22
Opening balance	**1,732**	**1,511**
Recognised through profit or loss	21	246
Recognised through other reserves	-	(24)
Other	-	(1)
Deferred Tax Assets	**1,753**	**1,732**

The value of deferred tax assets as at 31 December 2023 and 2022 arises mainly from temporary differences resulting from non-tax deductible impairments and long-term employee benefits, the tax deduction of which will occur when they are paid.

The movement of the deferred tax liabilities in the period is presented as follows:

(amounts in thousand euros)

	'23	'22
Opening balance	**7,276**	**49**
Recognised through profit or loss	(3,671)	7,086
Recognised through other reserves	2	141
Deferred Tax Liabilities	**3,607**	**7,276**

The value of deferred tax liabilities as at 31 December 2023 and 2022 is mainly due to temporary differences resulting from the consolidation of structured entities.

Tax system for impairment losses

In 2019 the Group exercised the option to definitively adopt the tax system applicable to the impairment losses of credit institutions and other financial institutions subject to the supervision of Banco de Portugal, established by articles 2 and 3 of Law 98/2019, of 4 September, under the terms stipulated in number 1 of article 4 of this same Law, taking effect from the tax period started on 1 January 2019 (inclusively).

Special Regime applicable to the Taxation of Groups of Companies (RETGS)

The Bank and its subsidiaries – more than 75% held directly or indirectly, and for more than 1 year by the parent company CTT – are covered by the special regime applicable to the taxation of groups of companies (RETGS), which includes all the companies in which CTT directly or indirectly holds at least 75% of their share capital and which are simultaneously resident in Portugal and subject to corporate income tax (IRC). In this regard, and until 2020 inclusive, Banco CTT and its subsidiaries, eligible to application of the RETGS, receive from CTT the value relative to the tax loss which they contribute to the consolidated corporate income tax of the CTT Group and, likewise, pay to CTT the value relative to their positive contribution to the consolidated corporate income tax of the CTT Group. As of 2021, the Banco CTT Group is considered to be a "tax sub-consolidated" entity within the Regime in which CTT – Correios de Portugal, S.A. is the dominant company. In this way, Banco CTT's subsidiaries make corporate income tax (IRC) settlements to Banco CTT, and Banco CTT pays or receives the net amount determined for the Banco CTT Group to/from that dominant company. In the event that there are historical amounts receivable from CTT by the Group, any corporate income tax payments to CTT are settled through the use/reduction of the amount receivable, with effective payment only after there are no historical amounts receivable.

As at 31 December 2023 the heading "Other Assets" includes the amount of 3,663 thousand euros (31 December 2022: 12,412 thousand euros) to be received from CTT through this mechanism.

SIFIDE

Considering the history associated to this reality, the Group started to recognise in the period to which the investments refer, an estimate of 70% of the tax credit that was submitted for certification by the competent authority (ANI – Agência Nacional de Inovação). The amount of corrections relating to previous years relates to differences in tax estimates, mainly arising from the recognition of tax credits relating to SIFIDE 2021 and 2022, amounting to 627,590 euros, which are shown below:

SIFIDE 2021
In the financial year 2021 the Group incurred R&D expenses for which it will benefit – deferred in 2023 – from a Corporate Income Tax (IRC) tax credit amounting to 454,612 euros (of which 318,229 euros were recognised in results in the financial year 2022 and 136,384 euros were recognised in results in the financial year 2023).

SIFIDE 2022
In the financial year 2022 the Group incurred R&D expenses for which it will benefit – deferred in 2023 and 2024 – from a Corporate Income Tax (IRC) tax credit amounting to 673,760 euros (of which 491,206 euros were recognised in results in the financial year 2023). No amounts relating to the 2022 SIFIDE have been recognised in the 2022 results.

Note 21 – Other Assets

This heading is analysed as follows:

(amounts in thousand euros)

	'23	'22
IRC RETGS	3,663	12,412
Operations to be cleared	2,846	2,008
Escrow accounts	26,419	26,622
Other receivables	4,047	3,206
Expenses with deferred charges	2,146	2,091
Administrative Public Sector	746	848
Income receivable	2,023	5,017
Impairment of other assets	(2,587)	(2,514)
Other assets	**39,303**	**49,690**

The heading "Escrow Accounts" includes the amount of 25,830 thousand euros (2022: 26,040 thousand euros) related to amounts deposited with other financial institutions as margin calls under derivative financial instruments operations.

The heading "Other Assets" includes the amount of 3,663 thousand euros (2022: 12,412 thousand euros) for corporate income tax as a result of the application of the special regime applicable to the taxation of groups of companies (RETGS), as described in Note 2.7. This amount is classified as a financial instrument at amortised cost, being remunerated at a market rate.

The heading "Other receivables" essentially records the amounts receivable due to credit intermediation and insurance mediation operations. This also includes overdue and uncollected amounts related to credit agreements granted to customers, namely, amounts for administrative expenses and Value Added Tax (VAT) on monthly finance lease payments totalling 1,829 thousand euros (2022: 1,822 thousand euros). These amounts show impairments of 1,821 thousand euros (2022: 1,806 thousand euros).

The movement of impairment of other assets is analysed as follows:

(amounts in thousand euros)

	'23	'22
Opening balance	**2,514**	**2,505**
Allocation for the period	88	59
Reversal for the period	(9)	(8)
Usage for the period	(6)	(42)
Transfers	-	-
Impairment of other assets	**2,587**	**2,514**

Note 22 – Financial Liabilities at Amortised Cost – Deposits from Customers

This heading is analysed as follows:

(amounts in thousand euros)

	'23	'22
Demand deposits	1,358,514	1,643,385
Term deposits	1,409,083	184,027
Saving accounts	338,582	452,980
Financial Liabilities at Amortised Cost – Deposits from Customers	**3,106,179**	**2,280,392**

In 2023, the average rate of return on resources from customers was 0.64% (2022: 0.02%).

The analysis of the heading "Deposits from Customers", by contractual residual maturity, is as follows:

(amounts in thousand euros)

	'23	'22
Demand deposits and saving accounts	1,697,096	2,096,365
Term deposits		
Up to 3 months	359,591	83,545
3 to 12 months	1,049,492	100,482
Financial Liabilities at Amortised Cost – Deposits from Customers	**3,106,179**	**2,280,392**

Note 23 – Financial Liabilities at Amortised Cost – Debt Securities Issued

This heading is analysed as follows:

(amounts in thousand euros)

	'23	'22
Securitisations (see Note 34)	347,375	445,578
Financial Liabilities at Amortised Cost – Debt Securities Issued	**347,375**	**445,578**

As at 31 December 2023 and 2022, debt securities issued and not retained are analysed as follows:

(amounts in thousand euros)

				'23		'22	
Name	Issue date	Redemption date	Remuneration	Nominal value	Book value	Nominal value	Book value
Ulisses Finance No.1				**-**	**-**	**11,333**	**11,351**
Class A	July 2017	March 2033	Euribor 1M + 85 bps	-	-	-	-
Class B	July 2017	March 2033	Euribor 1M + 160 bps	-	-	4,233	4,238
Class C	July 2017	March 2033	Euribor 1M + 375 bps	-	-	7,100	7,113
Ulisses Finance No.2				**171,996**	**172,973**	**233,347**	**234,867**
Class A	September 2021	September 2038	Euribor 1M + 70 bps	140,142	141,123	189,826	191,351
Class B	September 2021	September 2038	Euribor 1M + 80 bps	6,880	6,878	9,319	9,315
Class C	September 2021	September 2038	Euribor 1M + 135 bps	13,760	13,757	18,638	18,633
Class D	September 2021	September 2038	Euribor 1M + 285 bps	7,774	7,774	10,530	10,532
Class E	September 2021	September 2038	Euribor 1M + 368 bps	2,546	2,546	3,448	3,449
Class F	September 2021	September 2038	Euribor 1M + 549 bps	894	895	1,211	1,212
Class G	September 2021	September 2038	Euribor 1M + 500 bps	-	-	375	375
Ulisses Finance No.3				**175,154**	**174,402**	**200,600**	**199,360**
Class A	June 2022	June 2039	Euribor 1M + 90 bps	147,129	147,012	168,000	167,809
Class B	June 2022	June 2039	Euribor 1M + 200 bps	7,006	6,903	8,000	7,829
Class C	June 2022	June 2039	Euribor 1M + 370 bps	10,509	10,352	12,000	11,741
Class D	June 2022	June 2039	Euribor 1M + 525 bps	5,255	5,053	6,000	5,666
Class E	June 2022	June 2039	Euribor 1M + 650 bps	4,379	4,233	5,000	4,759
Class F	June 2022	June 2039	Euribor 1M + 850 bps	876	849	1,000	966
Class G	June 2022	June 2039	Euribor 1M + 785 bps	-	-	600	590
				347,150	**347,375**	**445,280**	**445,578**

The movement of this heading for 2023 is presented as follows:

(amounts in thousand euros)

'23

Name	Opening balance	Emissions	Redemptions	Other movements	Closing balance
Ulisses Finance No.1	11,351	-	(11,333)	(18)	-
Ulisses Finance No.2	234,867	-	(61,351)	(543)	172,973
Ulisses Finance No.3	199,360	-	(25,446)	488	174,402
	445,578	**-**	**(98,130)**	**(73)**	**347,375**

The movement of this heading for 2022 is presented as follows:

(amounts in thousand euros)

'22

Name	Opening balance	Emissions	Redemptions	Other movements	Closing balance
Ulisses Finance No.1	24,532	-	(13,188)	7	11,351
Ulisses Finance No.2	253,264	-	(17,927)	(470)	234,867
Ulisses Finance No.3	-	201,500	(2,699)	559	199,360
	277,796	**201,500**	**(33,814)**	**96**	**445,578**

Note 24 – Provisions

This heading is analysed as follows:

(amounts in thousand euros)

	'23	'22
Provisions for other risks and charges	1,538	1,260
Provisions for commitments	154	124
Provisions	**1,692**	**1,384**

The provisions for other risks and charges were established in order to cover contingencies related to the Group's activity and whose payment is considered probable.

Provisions for commitments refer to provisions for indirect credit.

On each reporting date, the Group revalues the amounts recorded under this heading, so as to ensure that it reflects the best estimate of amount and probability of occurrence.

The movement of the heading "Provisions" in the period is detailed as follows:

(amounts in thousand euros)

	'23	'22
Opening balance	**1,384**	**1,171**
Allocation for the period	690	642
Reversal for the period	(186)	(335)
Uses	(196)	(94)
Transfers	-	-
Provisions	**1,692**	**1,384**

Note 25 – Other Liabilities

This heading is analysed as follows:

(amounts in thousand euros)

	'23	'22
Payables		
Suppliers	17,461	16,680
Related parties	936	1,007
Other payables	3,347	4,455
Staff costs	8,005	7,557
Operations to be cleared	47,774	46,387
Revenue with deferred charge	490	313
Administrative Public Sector	1,784	1,796
Lease liabilities	3,358	3,869
Other Liabilities	**83,155**	**82,064**

The heading "Operations to be cleared" primarily records the balance of banking operations pending financial settlement.

The heading "Lease liabilities" corresponds to the lease liabilities recognised under IFRS 16, as described in accounting policy 2.8.

Note 26 – Share Capital

The share capital stands at 296,400,000 euros, represented by 296,400,000 ordinary shares without nominal value, and is fully underwritten and paid-up.

An increase of the Company's share capital was carried out on 25 January 2021 from 286,400,000 euros (two hundred and eighty-six million and four hundred thousand euros) to 296,400,000 euros (two hundred and ninety-six million and four hundred thousand euros), via a new cash entry by the Sole Shareholder (CTT – Correios de Portugal, S.A.), of the value of 10,000,000 euros (ten million euros) giving rise to the issue of 10,000,000 new ordinary, registered shares without nominal value with the issue value of 1 euro each.

As at 31 December 2023, the Bank's share capital is 100% held by CTT – Correios de Portugal, S.A. (public company).

Note 27 – Fair Value Reserves, Other Reserves and Retained Earnings

This heading is analysed as follows:

(amounts in thousand euros)

	'23	'22
Fair value reserves		
Other financial assets at fair value through other comprehensive income	-	-
Legal reserves	3,037	1,571
Other reserves	(344)	(347)
Retained earnings	(46,098)	(59,348)
Reserves and Retained Earnings	**(43,405)**	**(58,124)**

Note 28 – Guarantees and Other Commitments

This heading is analysed as follows:

(amounts in thousand euros)

	'23	'22
Guarantees provided	42,098	44,736
Guarantees received	2,387,064	2,079,897
Commitments to third parties		
Revocable commitments		
Credit lines	12,477	444,518
Irrevocable commitments		
Credit lines	24,852	15,395
Commitments from third parties		
Revocable commitments		
Credit lines	23,492	22,575

The amount recorded as Guarantees Provided primarily includes securities given as collateral to secure the settlement of inter-bank operations.

The amount recorded as Guarantees received primarily includes securities given as collateral to secure mortgage loan operations.

The revocable and irrevocable commitments present contractual agreements for the granting of credit to the Group's customers (for example, undrawn credit card facilities and bank overdrafts) which are generally contracted for fixed terms or with other expiry requirements. Substantially all the credit granting commitments in force require the customers to maintain certain requirements observed at the time the loans were granted.

The reduction in the value of commitments to third parties – revocable commitments – is related to the termination of the partnership with Universo, as explained in Note 14.

Notwithstanding the particularities of these commitments, the appraisal of these operations follows the same basic principles of any other commercial operation, namely the principle of the customer's solvency, where the Group requires that these operations should be duly collateralised when necessary. As it is expected that some of them shall expire without having been used, the indicated amounts do not necessarily represent future cash needs.

Provisions for commitments made to third parties are disclosed in Note 24.

Note 29 – Transactions with Related Parties

All the business and operations carried out by the Group with related parties are cumulatively concluded under normal market conditions for similar operations and are part of the Group's current activity.

For all due purposes, the concept of related parties is provided in Chapter 4 of the Banco CTT Group's Policy on Transactions with Related Parties (which refers to the provisions of IAS 24, the RGICSF and Banco de Portugal Notice 3/2020), available for consultation at https://www.bancoctt.pt/sobre-o-banco-ctt/governo-da-sociedade/estatutos-e-regulamentos.

As at 31 December 2023, the value of the Group's transactions with related parties, as well as the respective costs and income recognised for the year, were as follows:

(amounts in thousand euros)

'23

	Balance Sheet		Income Statement	
	Assets	Liabilities	Operating costs	Operating income
CTT – Correios de Portugal, S.A.	4,181	12,021	6,443	176
CTT Expresso – Serviços Postais e Logística, S.A.	-	11	100	-
NewSpring Services, S.A.	331	78	78	-
Wolfspring, ACE	-	-	117	-
Payshop (Portugal), S.A.	-	4,162	-	75
	4,512	**16,272**	**6,738**	**251**

The value of liabilities against CTT – Correios de Portugal S.A. includes 11,055 thousand euros of bank deposits.

As at 31 December 2022, the value of the Group's transactions with related parties, as well as the respective costs and income recognised for the year, were as follows:

(amounts in thousand euros)

'22

	Balance Sheet		Income Statement	
	Assets	Liabilities	Operating costs	Operating income
CTT – Correios de Portugal, S.A.	13,353	36,266	7,610	3,738
CTT Expresso – Serviços Postais e Logística, S.A.	13	9	99	84
CTT Contacto, S.A.	-	20	195	-
CTT Soluções Empresariais, S.A.	5	-	-	20
NewSpring Services, S.A.	53	92	73	-
	13,424	**36,387**	**7,977**	**3,842**

The value of liabilities against CTT – Correios de Portugal S.A. includes 35,062 thousand euros of bank deposits.

As at 31 December 2023, the value of the deposits placed by the members of the Corporate Bodies at the Group amounted to 154 thousand euros (2022: 303 thousand euros).

Note 30 – Fair Value

The fair value of the financial assets and liabilities, as at 31 December 2023, is analysed as follows:

((amounts in thousand euros)

'23

	At fair value through profit or loss	At fair value through reserves	Amortised cost	Book value	Fair Value
Cash and deposits at central banks	-	-	54,477	54,477	54,477
Deposits at other credit institutions	-	-	36,069	36,069	36,069
Financial assets at amortised cost					
Investments at credit institutions	-	-	1,272,080	1,272,080	1,272,080
Loans and advances to customers	-	-	1,593,214	1,593,214	1,599,416
Debt securities	-	-	729,466	729,466	700,065
Bonds issued by public entities	-	-	648,857	648,857	619,441
Bonds from supranational issuers	-	-	80,609	80,609	80,624
Bonds of other issuers	-	-	-	-	-
Financial assets at fair value through profit or loss					
Derivatives	13,532	-	-	13,532	13,532
Investment fund units	-	-	-	-	-
Financial assets at fair value through other comprehensive income					
Debt securities	-	-	-	-	-
Bonds issued by public entities	-	-	-	-	-
Bonds of other issuers	-	-	-	-	-
Other (financial) assets	-	-	30,082	30,082	29,592
Financial Assets	**13,532**	**-**	**3,715,388**	**3,728,920**	**3,705,231**
Financial liabilities at fair value through profit or loss					
Derivatives	13,744	-	-	13,744	13,744
Financial liabilities at amortised cost					
Deposits from Customers	-	-	3,106,179	3,106,179	3,106,179
Debt securities issued	-	-	347,375	347,375	346,971
Financial liabilities	**13,744**	**-**	**3,453,554**	**3,467,298**	**3,466,894**

The fair value of the financial assets and liabilities, as at 31 December 2022, is analysed as follows:

(amounts in thousand euros)

'22

	At fair value through profit or loss	At fair value through reserves	Amortised cost	Book value	Fair Value
Cash and deposits at central banks	-	-	64,123	64,123	64,123
Deposits at other credit institutions	-	-	59,141	59,141	59,141
Financial assets at amortised cost					
Investments at credit institutions	-	-	460,188	460,188	460,188
Loans and advances to customers	-	-	1,777,565	1,777,565	1,775,576
Debt securities	-	-	537,781	537,781	483,516
Bonds issued by public entities	-	-	537,781	537,781	483,516
Bonds of other issuers	-	-	-	-	-
Financial assets at fair value through profit or loss					
Derivatives	26,220	-	-	26,220	26,220
Investment fund units	26,479	-	-	26,479	26,479
Financial assets at fair value through other comprehensive income					
Debt securities	-	-	-	-	-
Bonds issued by public entities	-	-	-	-	-
Bonds of other issuers	-	-	-	-	-
Other (financial) assets	-	-	39,034	39,034	38,185
Financial Assets	**52,699**	**-**	**2,937,832**	**2,990,531**	**2,933,428**
Financial liabilities at fair value through profit or loss					
Derivatives	26,345	-	-	26,345	26,345
Financial liabilities at amortised cost					
Deposits from Customers	-	-	2,280,392	2,280,392	2,280,392
Debt securities issued	-	-	445,578	445,578	438,819
Financial liabilities	**26,345**	**-**	**2,725,970**	**2,752,315**	**2,745,556**

Fair value is based on market prices, whenever these are available. If market prices are not available, fair value is estimated through internal models based on discounted cash flow methods. The generation of cash flow of the different instruments is based on their financial characteristics, and the discount rates used incorporate both the market interest rate curve and the current risk levels of the respective issuer.

Therefore, the fair value obtained is influenced by the parameters used in the evaluation model, which necessarily incorporate some degree of subjectivity, and exclusively reflects the value attributed to the different financial instruments.

The Bank uses the following fair value hierarchy, with three levels in the valuation of financial instruments (assets or liabilities), which reflect the level of judgement, the observability of the data, and the importance of the parameters applied in the determination of the assessment of the fair value of the financial instrument, pursuant to IFRS 13:

Level 1: Fair value is determined based on unadjusted listed prices, captured in transactions in active markets involving financial instruments similar to the instruments to be assessed. Where there is more than one active market for the same financial instrument, the relevant price is that prevailing in the main market of the instrument, or the most advantageous market to which there is access;

Level 2: Fair value is calculated through valuation techniques based on observable data in active markets, whether direct data (prices, rates, spreads, etc.) or indirect data (derivatives), and valuation assumptions similar to those that a non-related party would use to estimate the fair value of the same financial instrument. This also includes instruments whose valuation is obtained through listed prices disclosed by independent entities, but whose markets show less liquidity; and,

Level 3: Fair value is determined based on data not observable in active markets, using techniques and assumptions that the market participants would use to assess the same instruments, including hypotheses about the inherent risks, the assessment method and inputs used, entailing process of review of the accuracy of the values obtained in this manner.

The Bank considers a market active for a particular financial instrument, on the measurement date, according to the turnover and liquidity of the operations carried out, the relative volatility of the listed prices, and the promptness and availability of the information, where the following minimum conditions must be met:

- Existence of frequent daily prices of trading in the last year;
- The prices mentioned above change regularly;
- Existence of enforceable prices of more than one entity.

A parameter used in the valuation method is considered to be observable market data if the following conditions are met:

- If its value is determined in an active market;
- If there is an OTC market and it is reasonable to assume that active market conditions are met, except for the condition of trading volumes; and,
- The value of the parameter can be obtained by the inverse calculation of the prices of the financial instruments and/or derivatives where all the other parameters required for the initial assessment are observable in a liquid market or OTC market that complies with the previous paragraphs.

The table below summarises, by valuation levels, the fair value of the financial assets and liabilities, as at 31 December 2023:

(amounts in thousand euros)

'23

	Valuation methods			
	Level 1	Level 2	Level 3	Total
Cash and deposits at central banks	54,477	-	-	54,477
Deposits at other credit institutions	36,069	-	-	36,069
Financial assets at amortised cost				
Investments at credit institutions	-	-	1,272,080	1,272,080
Loans and advances to customers	-	-	1,599,416	1,599,416
Debt securities	700,065	-	-	700,065
Bonds issued by public entities	619,441	-	-	619,441
Bonds from supranational issuers	80,624	-	-	80,624
Financial assets at fair value through profit or loss				
Derivatives	-	-	13,532	13,532
Investment fund units	-	-	-	-
Financial assets at fair value through other comprehensive income				
Debt securities	-	-	-	-
Bonds issued by public entities	-	-	-	-
Bonds of other issuers	-	-	-	-
Other (financial) assets	-	-	29,592	29,592
Financial Assets	**790,611**	**-**	**2,914,620**	**3,705,231**
Financial liabilities at fair value through profit or loss				
Derivatives	-	-	13,744	13,744
Financial liabilities at amortised cost				
Deposits from Customers	-	-	3,106,179	3,106,179
Debt securities issued	-	346,971	-	346,971
Financial liabilities	**-**	**346,971**	**3,119,923**	**3,466,894**

The table below summarises, by valuation levels, the fair value of the financial assets and liabilities, as at 31 December 2022:

(amounts in thousand euros)

'22

	Valuation methods			
	Level 1	Level 2	Level 3	Total
Cash and deposits at central banks	64,123	-	-	64,123
Deposits at other credit institutions	59,141	-	-	59,141
Financial assets at amortised cost				
Investments at credit institutions	-	-	460,188	460,188
Loans and advances to customers	-	-	1,775,576	1,775,576
Debt securities	483,516	-	-	483,516
Bonds issued by public entities	483,516	-	-	483,516
Financial assets at fair value through profit or loss				
Derivatives	-	-	26,220	26,220
Investment fund units	-	-	26,479	26,479
Financial assets at fair value through other comprehensive income				
Debt securities	-	-	-	-
Bonds issued by public entities	-	-	-	-
Bonds of other issuers	-	-	-	-
Other (financial) assets	-	-	38,185	38,185
Financial Assets	**606,780**	**-**	**2,326,648**	**2,933,428**
Financial liabilities at fair value through profit or loss				
Derivatives	-	-	26,345	26,345
Financial liabilities at amortised cost				
Deposits from Customers	-	-	2,280,392	2,280,392
Debt securities issued	-	438,819	-	438,819
Financial liabilities	**-**	**438,819**	**2,306,737**	**2,745,556**

Sensitivity analysis

The item Loans and advances to customers which, as at 31 December 2023, has a fair value of 1,599,416 thousand euros has a sensitivity of +14,433 thousand euros and -14,211 thousand euros for an interest rate change of -10% and +10%, respectively.

The item Loans and advances to customers which, as at 31 December 2022, has a fair value of 1,775,576 thousand euros has a sensitivity of +8,526 thousand euros and -7,775 thousand euros for an interest rate change of -10% and +10%, respectively.

The main methods and assumptions used to estimate the fair value of the financial assets and liabilities recorded in the balanced sheet are analysed as follows:

Cash and deposits at Central Banks, Deposits at other credit institutions and Investments at Central Banks and at other credit institutions

These financial instruments are very short-term and therefore their book value is a reasonable estimate of their fair value.

Other (financial) assets

Fair value is estimated based on the discount of the expected future cash flows of capital and interest for these instruments.

Loans and Advances to Customers

Loans and advances to customers with defined maturity date
Fair value is calculated by discounting, at the average rates of the production of December, the expected cash flows throughout the life of the contracts considering the historical pre-payment rates.

Loans and advances to customers without defined maturity date (bank overdrafts)
Considering the short-term nature of this type of instrument, the conditions of this portfolio are similar to those prevailing at the reporting date, and so its book value is considered a reasonable estimate of its fair value.

Financial assets at fair value through profit or loss (except derivatives)

These financial assets are accounted for at fair value. Fair value is based on market prices, when available. If these are not available, the calculation of the fair value is based on i) the use of numerical models, namely discounted cash flows of expected future capital and interest for these instruments or ii) the Net Asset Value (NAV) provided by the fund management companies..

Financial assets at fair value through profit or loss (Derivatives)

All derivatives are accounted for at their fair value. In the case of those that are quoted on organised markets, the respective market price is used. In the case of over-the-counter (OTC) derivatives, numerical models based on discounted cash flow techniques and option valuation models considering market and other variables are applied.

Financial assets at fair value through other comprehensive income

The fair value of these instruments is estimated based on market prices, when available. If market prices do not exist, their fair value is estimated based on the expected future principal and interest cash flows for these instruments.

Amounts Owed to Central Banks and Other Credit Institutions

These financial instruments are very short-term and therefore their book value is a reasonable estimate of their fair value.

Deposits from Customers

The fair value of these financial instruments is estimated based on the discounted expected principal and interest cash flows. The discount rate used is that which reflects the rates applied for deposits with similar features on the reporting date. Considering that the applicable interest rates are renewed for periods less than one year, there are no materially relevant differences in their fair value.

Debt securities issued

The fair value of these instruments is estimated based on market prices, when available. If market prices do not exist, their fair value is estimated based on the expected future principal and interest cash flows for these instruments.

Note 31 – Risk Management

The Group is exposed to various risks during the course of its business activity.

The Group's Policy on Risk Management and Internal Control aims to ensure the effective application of the risk management system, through the ongoing follow-up of its adequacy and efficacy, seeking to identify, assess, monitor and control all the materially relevant risks to which the institution is exposed, both internally and externally.

In this context, it is important to monitor and control the main types of financial risks – credit, liquidity, interest rate, market and operational – faced by the Group's activity.

Credit Risk

Credit risk reflects the degree of uncertainty of the expected returns, due to the inability either of the borrower, or of the counterpart of a contract, to comply with the respective obligations.

At the Group, credit risk management includes the identification, measurement, assessment and monitoring of the different credit exposures, ensuring risk management throughout the successive phases of the life of the credit process.

The monitoring and follow-up of credit risk, in particular with respect to the evolution of credit exposures and monitoring of losses, is regularly conducted by the Risk Department and by the Capital, Risk and Sustainability Committee.

As at 31 December 2023, the exposure of the housing loan product (net of impairment and including Off-balance exposures) is 727,484 thousand euros (658,628 thousand euros as at 31 December 2022). Loans in the retail segment, more specifically auto loans sold at the point of sale, have an exposure of 862,362 thousand euros (net of impairment and including Off-balance exposures), which compares with 763,725 thousand euros in 2022.

The Group is currently exposed to credit risk in other areas of its business activity. These necessarily include direct exposure to credit risk associated to investments and deposits at other credit institutions (counterpart risk), to public debt securities issues by eurozone countries (Portugal, Italy, France, Germany and Spain), debt instruments of other issuers (credit institutions and companies), securitisation operations relative to the tariff deficit and other portfolios of 321 Crédito that are essentially at a run-off stage.

In order to mitigate credit risk, the mortgage lending operations have associated collateral, namely mortgages. Except in situations of default, the Bank, under its activity, does not have permission to sell or pledge this collateral. The fair value of this collateral is determined as at the date of the granting of the loan, with its value being checked periodically. Motor vehicle credit operations are made with reservation of ownership, and the value of the vehicle is assessed at the time of granting the credit.

The acceptance of collateral to secure credit operations requires the need to define and implement techniques to mitigate the risks to which this collateral is exposed. Thus, and as an approach to this matter, the Group has stipulated a series of procedures applicable to collateral (namely real estate properties), that hedge, among others, the volatility of the value of the collateral.

The gross value of the loans and respective fair value of the collateral, limited to the value of the associated loan, are presented below:

(amounts in thousand euros)

	'23		'22	
	Loans and advances to customers	Fair value of the collateral	Loans and advances to customers	Fair value of the collateral
Mortgage loans	728,888	1,350,180	659,541	1,128,546
Motor vehicle credit	905,850	925,847	792,870	825,483
Credit cards	-	-	373,812	-
Other	6,292	42,311	6,078	48,213
	1,641,030	**2,318,338**	**1,832,301**	**2,002,242**

The following table presents information on the Group's exposures to credit risk (net of impairment and including off-balance sheet exposures) as at 31 December 2023 and 31 December 2022::

(amounts in thousand euros)

	'23	'22
Central Authorities or Central Banks	1,938,029	1,026,811
Regional governments or local authorities	-	-
Multilateral development banks	9,854	-
International organisations	70,756	-
Credit institutions	58,561	68,143
Companies	5,828	399,764
Retail customers	505,935	324,205
Loans secured by immovable assets	743,460	672,247
Collective investment undertakings (CIUs)	-	31,962
Non-performing loans	28,008	47,780
Shares	-	14,786
Other items	70,927	84,669
Risk Headings	**3,431,358**	**2,670,367**

The information on the risk headings (including off-balance sheet) as at 31 December 2023 and 31 December 2022 is detailed as follows:

(amounts in thousand euros)

	'23			'22		
	Gross Value	Impairment	Net value	Gross Value	Impairment	Net value
Sight deposits and investments	1,289,172	-	1,289,172	488,900	-	488,900
Other financial assets at fair value through other comprehensive income	-	-	-	-	-	-
Investment securities measured at amortised cost	648,949	(92)	648,857	537,912	(1)	537,911
Central Authorities or Central Banks	**1,938,121**	**(92)**	**1,938,029**	**1,026,812**	**(1)**	**1,026,811**

(amounts in thousand euros)

	'23			'22		
	Gross Value	Impairment	Net value	Gross Value	Impairment	Net value
Investment securities measured at amortised cost	-	-	-	-	-	-
Regional governments or local authorities	**-**	**-**	**-**	**-**	**-**	**-**

(amounts in thousand euros)

	'23			'22		
	Gross Value	Impairment	Net value	Gross Value	Impairment	Net value
Investment securities measured at amortised cost	9,855	(1)	9,854	-	-	-
Multilateral development banks	**9,855**	**(1)**	**9,854**	**-**	**-**	**-**

(amounts in thousand euros)

	'23			'22		
	Gross Value	Impairment	Net value	Gross Value	Impairment	Net value
Investment securities measured at amortised cost	70,760	(4)	70,756	-	-	-
International organisations	**70,760**	**(4)**	**70,756**	**-**	**-**	**-**

(amounts in thousand euros)

	'23			'22		
	Gross Value	Impairment	Net value	Gross Value	Impairment	Net value
Demand deposits	28,276	-	28,276	39,413	-	39,413
Investments at financial institutions	12,011	(8)	12,003	9,940	-	9,940
Other	18,282	-	18,282	18,790	-	18,790
Credit institutions	**58,569**	**(8)**	**58,561**	**68,143**	**-**	**68,143**

(amounts in thousand euros)

	'23			'22		
	Gross Value	Impairment	Net value	Gross Value	Impairment	Net value
Other financial assets at fair value through other comprehensive income	-	-	-	-	-	-
Investment securities measured at amortised cost	5,839	(11)	5,828	399,965	(201)	399,764
Companies	**5,839**	**(11)**	**5,828**	**399,965**	**(201)**	**399,764**

(amounts in thousand euros)

	'23			'22		
	Gross Value	Impairment	Net value	Gross Value	Impairment	Net value
Loans and advances to customers	511,741	(5,806)	505,935	324,245	(40)	324,205
Retail customers	**511,741**	**(5,806)**	**505,935**	**324,245**	**(40)**	**324,205**

(amounts in thousand euros)

	'23			'22		
	Gross Value	Impairment	Net value	Gross Value	Impairment	Net value
Loans and advances to customers	744,572	(1,112)	743,460	672,255	(8)	672,247
Loans secured by immovable assets	**744,572**	**(1,112)**	**743,460**	**672,255**	**(8)**	**672,247**

(amounts in thousand euros)

	'23			'22		
	Gross Value	Impairment	Net value	Gross Value	Impairment	Net value
Financial assets at fair value through profit or loss	-	-	-	31,962	-	31,962
Collective investment undertakings (CIUs)	**-**	**-**	**-**	**31,962**	**-**	**31,962**

(amounts in thousand euros)

	'23			'22		
	Gross Value	Impairment	Net value	Gross Value	Impairment	Net value
Loans and advances to customers	59,092	(31,084)	28,008	48,017	(237)	47,780
Non-performing loans	**59,092**	**(31,084)**	**28,008**	**48,017**	**(237)**	**47,780**

The exposure to public debt, net of impairment, of eurozone countries is detailed as follows:

(amounts in thousand euros)

	'23			'22		
	Other financial assets at fair value through other comprehensive income	Investment securities measured at amortised cost	Total	Other financial assets at fair value through other comprehensive income	Investment securities measured at amortised cost	Total
Portugal	-	168,947	168,947	-	221,627	221,627
Spain	-	167,623	167,623	-	106,421	106,421
Italy	-	105,595	105,595	-	109,840	109,840
France	-	169,893	169,893	-	99,892	99,892
Germany	-	36,799	36,799	-	-	-
	-	**648,857**	**648,857**	**-**	**537,780**	**537,780**

The analysis of the portfolio of financial assets by stages is presented as follows:

(amounts in thousand euros)

	'23					'22				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
Deposits at Central Banks and other credit institutions	65,165	-	-	-	65,165	97,777	-	-	-	97,777
Impairment losses	-	-	-	-	-	-	-	-	-	-
Net value	**65,165**	**-**	**-**	**-**	**65,165**	**97,777**	**-**	**-**	**-**	**97,777**
Investments at credit institutions	12,011	-	-	-	12,011	9,940	-	-	-	9,940
Impairment losses	(8)	-	-	-	(8)	(2)	-	-	-	(2)
Net value	**12,003**	**-**	**-**	**-**	**12,003**	**9,938**	**-**	**-**	**-**	**9,938**
Financial assets at amortised cost – Debt securities	729,563	-	-	-	729,563	537,913	-	-	-	537,913
Impairment losses	(97)	-	-	-	(97)	(132)	-	-	-	(132)
Net value	**729,466**	**-**	**-**	**-**	**729,466**	**537,781**	**-**	**-**	**-**	**537,781**
Financial assets at amortised cost – Loans and advances to customers	1,466,355	97,460	77,215	1,526	1,642,556	1,667,898	89,110	75,293	4,173	1,836,474
Impairment losses	(3,698)	(6,445)	(37,673)	(579)	(48,395)	(7,514)	(6,954)	(40,268)	(927)	(55,663)
Net value	**1,462,657**	**91,015**	**39,542**	**947**	**1,594,161**	**1,660,384**	**82,156**	**35,025**	**3,246**	**1,780,811**

Liquidity Risk

Liquidity risk reflects the possibility of significant losses being incurred as a result of deterioration of funding conditions (funding risk) and/or sale of assets for less than their market value (market liquidity risk).

Overall, the liquidity risk management strategy is entrusted to the Board of Directors, which delegates it to the Executive Committee, and is carried out by the Treasury Department, based on constant vigilance of exposure indicators, being closely monitored by the Capital, Risk and Sustainability Committee.

The Capital, Risk and Sustainability Committee is responsible for controlling liquidity risk exposure, by analysing liquidity positions and assessing their conformity with the applicable regulatory rules and limitations, as well as with the goals and guidelines defined by the Group.

The Group's liquidity risk is assessed through regulatory indicators defined by the supervision authorities, as well as through other internal metrics.

As at 31 December 2023, the assets and liabilities by residual and contractual maturity are analysed as follows:

(amounts in thousand euros)

'23

	At sight	Up to 3 months	3 to 12 months	1 to 3 years	More than 3 years	Undetermined maturity	Total
Assets							
Cash and deposits at central banks	54,477	-	-	-	-	-	54,477
Deposits at other credit institutions	36,069	-	-	-	-	-	36,069
Financial assets at amortised cost							
Investments at credit institutions	-	1,260,688	11,400	-	-	-	1,272,088
Loans and advances to customers	3,488	40,120	101,672	272,059	1,199,574	24,117	1,641,030
Debt securities	-	8,574	356,215	28,544	336,230	-	729,563
Financial assets at fair value through profit or loss							
Derivatives	-	-	-	-	13,532	-	13,532
Investment fund units	-	-	-	-	-	-	-
Financial assets at fair value through other comprehensive income							
Debt securities	-	-	-	-	-	-	-
Total Assets	**94,034**	**1,309,382**	**469,287**	**300,603**	**1,549,336**	**24,117**	**3,746,759**
Liabilities							
Financial liabilities at fair value through profit or loss							
Derivatives	-	-	-	-	13,744	-	13,744
Financial liabilities at amortised cost							
Deposits from Customers	1,697,096	359,591	1,049,492	-	-	-	3,106,179
Debt securities issued	-	243	-	-	347,132	-	347,375
Total Liabilities	**1,697,096**	**359,834**	**1,049,492**	**-**	**360,876**	**-**	**3,467,298**
Gap (Assets-Liabilities)	**(1,603,062)**	**949,548**	**(580,205)**	**300,603**	**1,188,460**	**24,117**	**279,461**
Accumulated Gap	**(1,603,062)**	**(653,514)**	**(1,233,719)**	**(933,116)**	**255,344**	**279,461**	

As at 31 December 2022, the assets and liabilities by residual and contractual maturity are analysed as follows:

(amounts in thousand euros)

'22

	At sight	Up to 3 months	3 to 12 months	1 to 3 years	More than 3 years	Undetermined maturity	Total
Assets							
Cash and deposits at central banks	64,123	-	-	-	-	-	64,123
Deposits at other credit institutions	59,141	-	-	-	-	-	59,141
Financial assets at amortised cost							
Investments at credit institutions	-	455,572	3,656	962	-	-	460,190
Loans and advances to customers	1,352	400,607	96,867	253,456	1,056,295	23,724	1,832,301
Debt securities	-	4,473	123,928	48,055	361,457	-	537,913
Financial assets at fair value through profit or loss							
Derivatives	-	-	-	52	26,168	-	26,220
Investment fund units	-	-	-	-	-	26,479	26,479
Financial assets at fair value through other comprehensive income							
Debt securities	-	-	-	-	-	-	-
Total Assets	**124,616**	**860,652**	**224,451**	**302,525**	**1,443,920**	**50,203**	**3,006,367**
Liabilities							
Financial liabilities at fair value through profit or loss							
Derivatives	-	-	-	-	26,345	-	26,345
Financial liabilities at amortised cost							
Deposits from Customers	2,096,365	83,545	100,482	-	-	-	2,280,392
Debt securities issued	-	352	-	-	445,226	-	445,578
Total Liabilities	**2,096,365**	**83,897**	**100,482**	**-**	**471,571**	**-**	**2,752,315**
Gap (Assets-Liabilities)	**(1,971,749)**	**776,755**	**123,969**	**302,525**	**972,349**	**50,203**	**254,052**
Accumulated Gap	**(1,971,749)**	**(1,194,994)**	**(1,071,025)**	**(768,500)**	**203,849**	**254,052**	

Furthermore, under the periodic monitoring of the liquidity situation, the Group calculates the liquidity mismatch, Additional Liquidity Monitoring Metrics (ALMM), pursuant to the addenda issued in 2018 to Regulation (EU) 680/2014 of the Commission.

ALMM takes into account all the contracted outflows and inflows and uses a maturity ladder which enables confirming the existence or not of the Group's liquidity mismatch, and also enables knowing its capacity to counterbalance any liquidity mismatch.

The liquidity mismatch is calculated for various timeframes, from overnight up to more than five years, taking into account the asset, liability and off-balance sheet positions with expected and estimated financial flows that are scheduled according to the corresponding residual maturities or inflow/outflow date of the monetary flow.

As at 31 December 2023, the ALMM shows a positive liquidity mismatch (difference between contracted outflows and inflows) of 664,043 thousand euros.

Interest Rate Risk

Interest Rate Risk refers to losses arising from the impact that interest rate fluctuations have on balance sheet or off-balance sheet items that are sensitive.

As at 31 December 2023, one of the main instruments in the monitoring of balance sheet interest rate risk is based on the recent Banco de Portugal Instruction 34/2018. This model groups variation-sensitive assets and liabilities into 19 fixed timeframes (maturity dates or date of first review of interest rates, when indexed), from which a potential impact on economic value is calculated. Economic value is calculated by the sum of the net present value of the discounted cash flows. This discount is based on an interest rate curve not subject to any type of shock, in which, for discount purposes, the average periods of the timeframes are assumed. As presented in the table below, the two standard scenarios that correspond to a positive and negative shock of 200 basis points are applied to the baseline scenario.

Given the interest rate gaps observed, on 31 December 2023, the impact on the economic value of instantaneous and parallel changes in interest rates of +200 basis points is -12,810 thousand euros (in 2022 the impact of the most severe shock was -8,507 thousand euros for the shock of -200 basis points).

The main assumptions used in 2022 in the Group's analyses were the following::

- For Demand Deposits: 26.04% at sight, 73.96% distributed non-linearly over 15 years, giving rise to a duration of 3.9 years;
- Saving Accounts: 50.64% at sight, 49.36% distributed non-linearly over 15 years, giving rise to a duration of 2.6 years;
- Introduction of an annual prepayment rate for Term Deposits of 1.27%, distributed proportionally over 12 months.

In 2023 they were revised and the following changes were introduced:

- For Demand Deposits: 18.20% at sight, 81.80% distributed non-linearly over 15 years, giving rise to a duration of 3.6 years;
- Saving Accounts: 51.45% at sight, 48.50% distributed non-linearly over 15 years, giving rise to a duration of 2.1 years;
- Increase in the annual prepayment rate for Mortgage Loans, from 8.6% to 10%, distributed proportionally over 12 months;
- Reduction in the annual prepayment rate for auto loans, from 10% to 9%, distributed proportionally over 12 months;
- Modelling of non-productive exposures to reflect the expected cash flows of these exposures based on the specific assumptions of the impairment model for each of the types considered, indicating the date of default of each contract and the projection of the outstanding amount, net of impairment and at the reference date of the analysis, to be received by time band until the Loss Given Default (LGD) parameter reaches 100% by means of monthly linear interpolation, i.e. the recognition of a total loss of the remaining capital associated with the contract.

In addition, the impact on 12-month net interest income of changes in market interest rates is calculated on a monthly basis. This exercise considers all assets, liabilities or off-balance sheet items that generate or pay interest cash flows. The calculation is based on repricing characteristics and maturities considering behavioural models and interest rate transmission coefficients (betas). All other things being equal, and a positive change in market interest rates of 50 b.p. on 31 December 2023, the consolidated net interest income would increase by 3,070.6 thousand euros (2022: decrease of 264.5 thousand euros), while a negative change in the rate of 50 b.p. would imply a decrease in the margin of 2,453.0 thousand euros (2022: decrease of 1,488.9 thousand euros). The lack of symmetry between the two impacts that occurred in 2022 is explained by the specific circumstances of the market on the reference date, namely by the fact that the remuneration of customer resources has not yet changed significantly and subsequent rises are expected to have high betas. This will no longer be the case in 2023 due to the increase in the return on customer funds.

Market Risk

Market Risk generally represents the possible loss resulting from an adverse change in the value of a financial instrument as a result of changes in interest rates, foreign exchange rates, share, commodity, or real estate prices, volatility and credit spreads.

The Group has no trading portfolio, and almost all its debt securities portfolio is recorded as financial assets at amortised cost, with the main risk arising from its investments being credit risk rather than market risk.

To limit any negative impacts from turmoil in the market, sector or issuer, the Group defined a number of limitations to manage its own portfolio in order to ensure that the risk levels incurred in the Group's portfolio comply with the predefined levels of risk tolerance. These limits are stipulated at least annually and are regularly monitored by the Capital and Risk Committee, Audit Committee and Board of Directors.

Operational Risk

The Group, in view of the nature of its activity, is exposed to potential losses or reputational risk, as a result of human errors, failures of systems and/or processing, unexpected stoppage of activity or failures on the part of third parties in terms of supplies, provisions or execution of services.

The approach to operational risk management is underpinned by the end-to-end structure, ensuring the effective adequacy of the controls involving functional units that intervene in the process. The Group identifies and assesses the risks and controls of the processes, ensuring their compliance with the requirements and principles of the Internal Control System.

Encumbered Assets

Pursuant to Banco de Portugal Instruction 28/2014, which addresses the guidance of the European Banking Authority relative to the disclosure of encumbered assets and unencumbered assets (EBA/GL/2014/3), and considering the recommendation issued by the European Systemic Risk Board, the following information is presented in relation to the assets and collateral:

(amounts in thousand euros)

'23

	Encumbered assets		Unencumbered assets	
	Book value	Fair value	Book value	Fair value
Equity instruments	-	-	-	-
Debt securities	36,103	36,021	693,363	654,092
Other assets	372,017	n/a	2,725,649	n/a
	408,120		**3,419,012**	

(amounts in thousand euros)

'22

	Encumbered assets		Unencumbered assets	
	Book value	Fair value	Book value	Fair value
Equity instruments	-	-	26.479	26.479
Debt securities	40,985	39,766	816,572	458,650
Other assets	475,118	n/a	1,745,760	n/a
	516,103		**2,588,811**	

(amounts in thousand euros)

	Fair value of the encumbered collateral received or own debt securities issued		Fair value of the encumbered collateral received or own debt securities issued and able to be encumbered	
	'23	'22	'23	'22
Collateral received	**817,414**	**719,241**	**1,480,188**	**1,267,439**
Debt securities	-	-	-	-
Other collateral received	817,414	719,241	1,480,188	1,267,439
Own Debt Securities Issued other than Covered Own Bonds or ABSS	-	-	-	-

(amounts in thousand euros)

	Book value of the selected financial liabilities	
	'23	'22
Associated liabilities, contingent liabilities and loaned securities	-	-
Assets, collateral received and own debt securities issued other than covered own bonds or ABS that are encumbered	25,830	26,040

The encumbered assets relate primarily to guarantees provided to the Central Bank (Debt securities) and to the value of the contracts securitised under the securitisation operations (Other Assets). The encumbered collateral received essentially refers to the collateral of the securitised contracts under securitisation operations.

The collateral received that is able to be encumbered essentially refers to the collateral received in non-securitised credit operations, namely in mortgage loan and motor vehicle credit contracts.

Of the total unencumbered total assets of the value of 2,725,649 thousand euros (2022: 1,723,574 thousand euros), approximately 3% (2022: 5%) refer to items that cannot be encumbered (other tangible assets, intangible assets, current and deferred taxes).

Note 32 – Capital Management and Solvency Ratio

The main objective of capital management is to ensure compliance with the Group's strategic goals concerning capital adequacy, respecting and assuring compliance with the minimum requirements for own funds defined by the supervision entities.

In calculating capital requirements, the Group used the standard approach for credit and counterparty risk, the basic indicator method for operational risk and the standard approach based on maturity for market risk.

The capital, calculated pursuant to Directive 2013/36/EU and Regulation (EU) 575/2013 approved by the European Parliament and Council, and Banco de Portugal Notice 10/2017, includes core own funds (Tier 1 capital) and supplementary own funds (Tier 2 capital). Tier 1 includes core own funds (Common Equity Tier 1 – CET1) and tier 1 additional capital.

The Group's Common Equity Tier 1 includes: a) paid-up capital, reserves and retained earnings; b) regulatory deductions related to intangible assets, goodwill and losses relative to the year in progress; and c) prudential filters. The Group does not have any additional tier 1 capital or tier 2 capital.

The legislation in force establishes a transition period between capital requirements pursuant to national legislation and that calculated pursuant to Community legislation in a phased fashion both for the non-inclusion/exclusion of items considered previously (phased-out) and the inclusion/deduction of new items (phased-in). At a prudential framework level, institutions should report Common Equity Tier 1, Tier 1 and totals not below 7%, 8.5% and 10.5%, respectively, including a conservation buffer of 2.5% and a countercyclical buffer of 0%, in the case of the Bank, 0%. For 2023, the regulatory requirements defined under the SREP (Supervisory Review and Evaluation Process) were 8.69%, 10.75% and 13.50% for Common Equity Tier 1, Tier 1 and total ratios, respectively.

Banco de Portugal Notice 10/2017 regulates the transitional arrangement established in the CRR concerning own funds, namely with respect to deductions related to deferred taxes generated before 2014 and to subordinated debt and hybrid instruments that are not eligible, both non-applicable to Banco CTT.

With the introduction of IFRS 9, the Bank opted for the phased recognition of the respective impacts of the static component pursuant to Article 473-A of the CRR.

As at 31 December 2023 and 31 December 2022, the Group presented the following capital ratios, calculated in accordance with the transitional provisions established in the CRR:

(amounts in thousand euros)

	'23		'22		
	CRR Phasing in	CRR Fully Implemented	CRR Phasing in	CRR Fully Implemented	Notes
Own funds					
Share capital	**296,400**	**296,400**	**296,400**	**296,400**	26
Retained earnings	**(46,098)**	**(46,098)**	**(59,348)**	**(59,348)**	27
Legal reserve	**3,037**	**3,037**	**1,571**	**1,571**	
Eligible results (1)	**17,023**	**17,023**	**14,716**	**14,716**	
Other Reserves	**350**	**350**	**347**	**347**	
Prudential Filters	**(23)**	**(23)**	**-**	**-**	27
Fair value reserves (2)	-	-	-	-	
Additional Valuation Adjustment (AVA) (3)	(23)	(23)	-	-	
Deductions to common equity tier 1	**(71,793)**	**(74,550)**	**(68,810)**	**(76,172)**	
Losses for the period	-	-	-	-	
Intangible assets	(13,174)	(13,174)	(14,796)	(14,796)	18
Goodwill	(60,679)	(60,679)	(60,679)	(60,679)	18
Adoption of IFRS 9	2,062	(695)	6,667	(695)	
Securitisation deduction (1250%)	(2)	(2)	(2)	(2)	
Items not deducted from Equity pursuant to article 437 of the CRR	**1,753**	**1,753**	**1,732**	**1,732**	
Deferred tax assets	1,753	1,753	1,732	1,732	20
Common Equity Tier 1	**198,896**	**196,139**	**184,876**	**177,514**	
Tier 1 Capital	**198,896**	**196,139**	**184,876**	**177,514**	
Total Own Funds	**198,896**	**196,139**	**184,876**	**177,514**	
RWA	**947,577**	**945,528**	**1,182,594**	**1,176,298**	
Credit Risk	728,877	728,877	1,000,303	1,000,303	
Operational Risk	188,984	188,984	148,925	148,925	
Market Risk	-	-	-	-	
CVA	29,716	29,716	33,366	33,366	
IFRS 9 adjustments	-	(2,049)	-	(6,296)	
Capital Ratios					
Common Equity Tier 1	21.0%	20.7%	15.6%	15.0%	
Tier 1 Ratio	21.0%	20.7%	15.6%	15.0%	
Total Capital Ratio	21.0%	20.7%	15.6%	15.0%	

(1) Includes net income for the year in 2022 and 2023.
(2) Fair value reserve relative to gains or losses of financial assets stated at fair value.
(3) Additional value adjustments required to adjust the assets and liabilities stated at fair value.

Note 33 – Employee Benefits

As mentioned in Note 2.14, pursuant to the collective bargaining agreement (ACT) of the banking sector, published in the Bulletin of Work and Employment (BTE) number 38/2017 of 15 October, the Group, at the company 321 Crédito undertook the following commitments in relation to the payment of benefits, which are described as follows:

Benefits

Career Bonus
The Career Bonus is established in Clause 69 of the collective bargaining agreement (ACT), where the content of numbers one state that on the date of moving into a situation of retirement, due to disability or old age, the employee shall be entitled to a bonus of the value equal to 1.5 times the effective monthly retribution earned on that date. In the event of death while actively employed, a bonus shall be paid calculated under the terms of number 1 and with reference to the effective monthly retribution that the deceased employee earned on the date of death.

Allowance due to Death Arising from a Work Accident
In the event of death of a Participant arising from a work accident, this shall give rise to the payment of a capital sum – death allowance – as defined in Clause 72 of the collective bargaining agreement referred to above.

Post-Retirement Medical Care (SAMS)
Medical care is provided by the Social Medical Assistance Service (SAMS) whose post-retirement costs to the Member are defined are Clause 92 of the collective bargaining agreement referred to above.

The calculation considers the figures of Annex III of the collective bargaining agreement, covering the growth rate of the salary table.

321 Crédito is liable for the payment of the aforesaid costs for all its employees as soon as they move into a situation of retirement and for the costs related to survivors' pensions.

The counting of time of service considered the seniority date in the Group.

Actuarial Assumptions

In order to obtain the estimate of the liabilities and costs to be recognised for each period, an actuarial study is performed by an independent entity every year, based on the "Projected Unit Credit" method, and according to assumptions that are considered appropriate and reasonable, with an actuarial study having been conducted as at 31 December 2023 and 2022.

The main actuarial assumptions used in the calculation of the liabilities are as follows:

(amounts in thousand euros)

	'23	'22
Financial assumptions		
Discount rate	3.60%	3.60%
Salary growth rate (considering progressions)	1.25%	1.25%
Average inflation rate	1.00%	1.00%
Demographic assumptions		
Rate of death due to work accidents	0.000035	0.000035
Mortality table	Men: TV 88 / 90 Women: TV 88 / 90 (-1)	Men: TV 88 / 90 Women: TV 88 / 90 (-1)
Disability table	Swiss RE	Swiss RE
Retirement Age	67*	67*

*The normal retirement age is in line with the provisions in Decree-Law 167-E/2013, of 31 December and with the forecasts carried out in the study entitled "2014 Ageing Working Group pension forecast exercise" produced by the Planning, Strategy, Assessment and International Relations Office (GPEARI) of the Ministry of Finance of Portugal

The discount rate is estimated based on interest rates of private debt bonds with high credit rating ("AA" or equivalent) at the date of the balance sheet and with a duration equivalent to that of the liabilities with healthcare.

The discount rate is determined on the basis of the Group's analysis of the evolution of the macroeconomic situation and the constant need to adapt the actuarial and financial assumptions to this situation, resulting in the rate remaining at 3.60% (2022: 3.60%).

The demographic assumptions are based on the mortality and disability tables considered appropriate for the actuarial assessment of this plan.

Liabilities

The evolution of the Group's liabilities related to healthcare and other post-employment benefits during the period ended on 31 December 2023 and 2022, is presented below:

(amounts in thousand euros)

	'23			'22		
	Healthcare – SAMS	Other post-employment benefits	Total	Healthcare – SAMS	Other post-employment benefits	Total
Opening balance	**953**	**173**	**1,126**	**1,468**	**204**	**1,672**
Cost of the current service	72	13	85	110	15	125
Cost of Interest	34	6	40	21	3	24
Benefits paid	(1)	-	(1)	(1)	-	(1)
Actuarial gains and losses for the year	(4)	(1)	(5)	(645)	(49)	(694)
Closing balance	**1,054**	**191**	**1,245**	**953**	**173**	**1,126**

The best estimate that the Group has at this date for expenses to be recognised in 2024 with employee benefits is about -4 thousand euros for Health Care (SAMS) and about -1 thousand euros with other post-employment benefits.

In the period ended on 31 December 2023 and 2022, the expenses related to employee benefits recognised in the consolidated income statement and the actuarial deviations recorded under the balance sheet heading "Other changes in equity" were as follows:

(amounts in thousand euros)

	'23	'22
Healthcare – SAMS	105	130
Other post-retirement benefits	18	(31)
Expenses recognised in the income statement	**123**	**99**
Healthcare – SAMS	(4)	(645)
Other post-retirement benefits	-	-
Actuarial deviations recorded under the balance sheet heading "Other changes in equity" (before the effect of deferred taxes)	**(4)**	**(645)**
Variation in liabilities	**119**	**(546)**

The average duration of the liabilities related to Healthcare (SAMS) and other employee benefits is approximately 20.65 years (2022: 21.25 years).

Sensitivity Analysis

The analysis of sensitivity to change in assumptions, pursuant to IAS 19, is as follows:

Discount rate:

(amounts in thousand euros)

'23	Discount rate 3.60%	Discount rate 3.85%	Δ Value	Δ %
Liabilities	**1,245**	**1,184**	**(61)**	**-4.9%**

(amounts in thousand euros)

'22	Discount rate 3.60%	Discount rate 3.85%	Δ Value	Δ %
Liabilities	**1,126**	**1,069**	**(57)**	**-5.1%**

Analysis of the table above enables us to conclude that an increase of 25 b.p.in the discount rate, ceteris paribus, could be reflected in a reduction of the liabilities due to past services by approximately 4.9%. (2022: -5.1%).

Inversely, a reduction of 25 b.p.in the discount rate, could be reflected in an increase of the liabilities due to past services by approximately 5.1% (2022: + 5.3%).

Mortality table:
Sensitivity analysis was also carried out with a view to measuring the impact on liabilities of a variation of the mortality table in which mortality table TV 73/77 (-2) was considered for men and TV 88/90 (-3) for women. This change of the tables could be reflected in an increase of liabilities due to past services by approximately 1.5% (2022: +1.5%), increasing to 1,264 thousand euros (2022: 1,143 thousand euros).

(amounts in thousand euros)

'23	Mortality Table: Men: TV 88/90 Women: TV 88/90 (-1)	Mortality Table: Men: TV 73/77 (-2) Women: TV 88/90 (-3)	Δ Value	Δ %
Liabilities	**1,245**	**1,264**	**19**	**1.5%**

(amounts in thousand euros)

'22	Mortality Table: Men: TV 88/90 Women: TV 88/90 (-1)	Mortality Table: Men: TV 73/77 (-2) Women: TV 88/90 (-3)	Δ Value	Δ %
Liabilities	**1,126**	**1,143**	**17**	**1.5%**

Note 34 – Asset Securitisation

As at 31 December 2023 and 2022, the Group had in progress the following securitisation operations:

(amounts in thousand euros)

'23

Issue	Securitised asset	Issue date	Redemption date	Initial value of the credit	Initial withheld interest	Current value of the credit
Chaves Funding No.8	Consumer credit	Nov/19	Nov/34	310,500	16,025	396,548
Ulisses Finance No.2	Consumer credit	Sep/21	Sep/38	250,000	1,500	173,482
Ulisses Finance No.3	Consumer credit	Jun/22	Jun/39	200,000	1,800	174,846
				760,500	**19,325**	**744,876**

(amounts in thousand euros)

'22

Issue	Securitised asset	Issue date	Redemption date	Initial value of the credit	Initial withheld interest	Current value of the credit
Ulisses Finance No.1	Consumer credit	Jul/17	Mar/33	141,300	10,600	20,345
Chaves Funding No.8	Consumer credit	Nov/19	Nov/34	310,500	16,025	184,551
Ulisses Finance No.2	Consumer credit	Sep/21	Sep/38	250,000	1,500	230,137
Next Funding No.1	Consumer credit	Apr/21	Dec/33	104,118	104,118	372,746
Ulisses Finance No.3	Consumer credit	Jun/22	Jun/39	200,000	1,800	196,149
				1,005,918	**134,043**	**1,003,928**

Ulisses Finance No.1

This securitisation operation was originated in July 2017 and issued by Sagres – Sociedade de Titularização de Créditos, S.A., and corresponds to a public programme of credit securitisation (Ulisses), with the Ulisses No.1 operation having been placed on the market. The assembly of the operation was carried out with the collaboration of Citibank and Deutsche Bank and included a Consumer Credit portfolio originated by 321 Crédito. The structure of the operation included five Tranches from A to E. The A to C Tranches are dispersed in the market while the D and E Tranches were withheld. This operation obtained ratings by DBRS and Moody's for the tranches placed on the market, Tranches A, B and C.

This operation includes an optional early repayment clause which enables the issuer to redeem the notes of all the classes issued, when the residual value of the credit represents 10% or less than the value of the Credit Portfolio on the date of the assembly of the securitisation operation (clean-up call).

This clean-up call was exercised in July 2023, and the Group reacquired the entire securitised portfolio on that date, closing the operation.

The operation included an interest rate cap, which is a mechanism to mitigate interest rate risk for the operation and its investors, among which the Group is included, but that was not contracted directly by the Group, but rather by the issuer of the securitisation operation (Sagres – STC, S.A.).

The Group guaranteed the debt service (servicer) of the operation, undertaking the collection of the credit that has been granted and channelling the residual values, by making the respective deposit at the credit securitisation firm.

While the operation was alive, the underlying assets of the Ulisses Finance No.1 operations were not derecognised from the Statement of Financial Position as the Group substantially retained the risks and rewards associated with holding them.

Chaves Funding No.8

This private securitisation operation was issued in November 2019 by Tagus – Sociedade de Titularização de Créditos, S.A.. included a Consumer Credit portfolio originated by 321 Crédito. The setting up of the operation was carried out with the collaboration of the law firm PLMJ. The structure of the operation includes a Tranche A and a Tranche B in the notes issued, both being entirely held by the Group.

This operation includes an optional early repayment clause which enables the issuer to redeem the notes of all the Classes issued, when the residual value of the credit represents 10% or less than the value of the Credit Portfolio on the date of the setting up of the securitisation operation.

The underlying assets of the Chaves Funding No.8 transaction were not derecognised from the Statement of Financial Position as the Group substantially retained the risks and rewards associated with holding them.

Ulisses Finance No.2

This securitisation operation was created in September 2021 and issued by Tagus – Sociedade de Titularização de Créditos, S.A. and corresponds to a public credit securitisation program (Ulisses) with the Ulisses Finance No.2 operation being placed on the market. The operation was set up with the collaboration of the PLMJ Law Firm and Deutsche Bank and included a consumer credit portfolio originated by 321 Crédito, whose initial total value was 250,000 thousand euros, to be maintained over the 12 months of the revolving period.

The structure of the Operation includes six collateralised Tranches from A to F, in addition to tranches G and Z. All tranches are dispersed on the capital market with the exception of class Z, whose initial value was 1.5 million euros and which presents a value of 1,000 euros on 31 December 2023.

This operation obtained ratings by DBRS and Moody's for the tranches placed on the market, i.e., Tranches A to G.

The Ulisses Finance No. 2 operation is STS (simple, transparent and standardised).

For the purpose of calculating the capital ratio, due to the fact that the Ulisses Finance No. 2 operation complies with Article 244.1(b) of European Regulation 575/2013 (full capital deduction), the company decreased its 'Risk Weight Assets' in respect of the contracts securitised under this operation.

The operation incorporates an interest rate cap, which is a mechanism to mitigate interest rate risk for the operation and its investors, among which the Group is included, but that was not contracted directly by the Group, but rather by the issuer of the securitisation operation (Tagus – STC, S.A.). The Group also has a back-to-back interest rate cap.

The underlying assets of the Ulisses Finance No. 2 transaction were not derecognised from the Statement of Financial Position as the Group substantially retained the risks and benefits associated with holding them.

Next Funding No.1

The Next Funding No.1 operation, issued by Tagus – STC, S.A. in April 2021 and in which Banco CTT was the sole investor until December 2023, has as its underlying asset the credit card balances originated by the Universo credit card issued by Sonae Financial Services. Additionally, Banco CTT granted the operation an overdraft line (Liquidity Facility) for the sole purpose of acquiring receivables (credit card balances) between the interest payment dates. At each interest payment date (IPD) the Liquidity Facility balance was settled by converting it to the value of the note.

Following the termination of the partnership with Universo, in December 2023 Banco CTT sold the note to Universo, IME, S.A. and on that date ceased to have any exposure to this portfolio. In addition, the overdraft facility (Liquidity Facility) was cancelled.

In the consolidated accounts, subject to the conditions set out in IFRS 10 (Consolidated Financial Statements), the securitisation operation is consolidated, insofar as Banco CTT substantially holds all the risks and rewards associated with the underlying assets and has the capacity to affect these risks and benefits.

As at 31 December 2023, there was no on- or off-balance sheet position for this portfolio.

Ulisses Finance No.3

This securitisation operation was created in June 2022 and issued by Tagus – Sociedade de Titularização de Créditos, S.A. and corresponds to a public credit securitisation program (Ulisses) with the Ulisses Finance No.3 operation being placed on the market. The operation was set up with the collaboration of the Law Firm VdA – Vieira de Almeida and Deutsche Bank and included a consumer credit portfolio originated by 321 Crédito, whose initial total value was 200,000 thousand euros, to be maintained over the 12 months of the revolving period.

The structure of the Operation includes six collateralised Tranches from A to F, in addition to tranches G and Z. All Tranches are dispersed on the capital market with the exception of class Z, whose initial value was 1.8 million euros.

This operation obtained ratings by DBRS and Moody's for the tranches placed on the market, i.e., Tranches A to G.

The Ulisses Finance No. 3 operation is STS (simple, transparent and standardised).

For the purpose of calculating the capital ratio, due to the fact that the Ulisses Finance No. 3 operation complies with Article 244.1(b) of European Regulation 575/2013 (full capital deduction), the company decreased its 'Risk Weight Assets' in respect of the contracts securitised under this operation.

The operation incorporates an interest rate cap, which is a mechanism to mitigate interest rate risk for the operation and its investors, among which the Group is included, but that was not contracted directly by the Group, but rather by the issuer of the securitisation operations (Tagus – STC, S.A.). The Group also has a back-to-back interest rate swap.

The underlying assets of the Ulisses Finance No. 3 transaction were not derecognised from the Statement of Financial Position as the Group substantially retained the risks and benefits associated with holding them.

The main features of these operations, with reference to 31 December 2023 and 2022, are analysed as follows:

(amounts in thousand euros)

'23

	Nominal Value		Redemption date	Remuneration	Initial Rating				Rating as at Dec-23			
	Initial	Current			Fitch	Moody's	S&P	DBRS	Fitch	Moody's	S&P	DBRS
Chaves Funding No.8												
Class A	349,823	349,823	Nov 2034	SWAP Rate + 90 bps	-	-	-		-	-	-	-
Class B	38,940	38,940	Nov 2034	-	-	-	-		-	-	-	-
Ulisses Finance No.2												
Class A	203,700	140,142	Sep 2038	Euribor 1M + 70 bps	-	Aa3	-	AA(low)	-	Aaa (sf)	-	AA(sf)
Class B	10,000	6,880	Sep 2038	Euribor 1M + 80 bps	-	A2	-	A(low)	-	Aa2 (sf)	-	A(high)(sf)
Class C	20,000	13,760	Sep 2038	Euribor 1M + 135 bps	-	Baa2	-	BBB(low)	-	A3 (sf)	-	BBB(low) (sf)
Class D	11,300	7,774	Sep 2038	Euribor 1M + 285 bps	-	Ba2	-	BB(low)	-	Ba1 (sf)	-	BB(low)(sf)
Class E	3,700	2,546	Sep 2038	Euribor 1M + 368 bps	-	B1	-	B(low)	-	Ba3 (sf)	-	B(low)(sf)
Class F	1,300	894	Sep 2038	Euribor 1M + 549 bps	-	-	-	-	-	-	-	-
Class G	1,500	0	Sep 2038	Euribor 1M + 500 bps	-	-	-	-	-	-	-	-
Class Z	1,500	1	Sep 2038	Euribor 1M + 600 bps	-	-	-	-	-	-	-	-
Ulisses Finance No.3												
Class A	168,000	147,129	Jun 2039	Euribor 1M + 90 bps	-	Aa2	-	AA	-	Aaa (sf)	-	AA
Class B	8,000	7,006	Jun 2039	Euribor 1M + 200 bps	-	A1	-	A(high)	-	Aa1 (sf)	-	A(high)
Class C	12,000	10,509	Jun 2039	Euribor 1M + 370 bps	-	Baa1	-	BBB	-	A2 (sf)	-	BBB
Class D	6,000	5,255	Jun 2039	Euribor 1M + 525 bps	-	Ba1	-	BB	-	Baa3 (sf)	-	BB
Class E	5,000	4,379	Jun 2039	Euribor 1M + 650 bps	-	Ba3	-	B	-	Ba2 (sf)	-	B
Class F	1,000	876	Jun 2039	Euribor 1M + 850 bps	-	B1	-	B(low)	-	Ba3 (sf)	-	B(low)
Class G	1,500	0	Jun 2039	Euribor 1M + 785 bps	-	-	-	-	-	-	-	-
Class Z	1,800	1	Jun 2039	Euribor 1M + 750 bps	-	-	-	-	-	-	-	-
	845,063	**735,915**										

(amounts in thousand euros)

'22

	Nominal Value		Redemption date	Remuneration	Initial Rating				Rating as at Dec-22			
	Initial	Current			Fitch	Moody's	S&P	DBRS	Fitch	Moody's	S&P	DBRS
Ulisses Finance No.1												
Class A	120,100	0	Mar. 2033	Euribor 1M + 85 bps	-	A2	-	A	-	Aa2	-	AAA
Class B	7,000	4,233	Mar. 2033	Euribor 1M + 160 bps	-	Baa3	-	BBB	-	Aa2	-	AAA
Class C	7,100	7,100	Mar. 2033	Euribor 1M + 375 bps	-	Ba2	-	BB(low)	-	Aa2	-	AA
Class D	7,100	7,100	Mar. 2033	Euribor 1M + 400 bps	-	-	-	-	-	-	-	-
Class E	3,500	3,500	Mar. 2033	-	-	-	-	-	-	-	-	-
Chaves Funding No.8												
Class A	294,975	149,833	Nov. 2034	Euribor 1M + 125 bps	-	-	-	-	-	-	-	-
Class B	16,025	26,991	Nov. 2034	-	-	-	-	-	-	-	-	-
Ulisses Finance No.2												
Class A	203,700	189,826	Sep 2038	Euribor 1M + 70 bps	-	Aa3	-	AA(low)	-	Aa2	-	AA(low)
Class B	10,000	9,319	Sep 2038	Euribor 1M + 80 bps	-	A2	-	A(low)	-	Aa3	-	A(low)
Class C	20,000	18,638	Sep 2038	Euribor 1M + 135 bps	-	Baa2	-	BBB(low)	-	Baa1	-	BBB(low)
Class D	11,300	10,530	Sep 2038	Euribor 1M + 285 bps	-	Ba2	-	BB(low)	-	Ba1	-	BB(low)
Class E	3,700	3,448	Sep 2038	Euribor 1M + 368 bps	-	B1	-	B(low)	-	Ba3	-	B(low)
Class F	1,300	1,211	Sep 2038	Euribor 1M + 549 bps	-	-	-	-	-	-	-	-
Class G	1,500	375	Sep 2038	Euribor 1M + 500 bps	-	-	-	-	-	-	-	-
Class Z	1,500	1	Sep 2038	-	-	-	-	-	-	-	-	-
Next Funding No.1												
Class A	112,118	335,544	Dec. 2033	indexed to portfolio performance	-	-	-	-	-	-	-	-
Ulisses Finance No.3												
Class A	168,000	168,000	Jun. 2039	Euribor 1M + 90 bps	-	Aa2	-	AA	-	Aa2	-	AA
Class B	8,000	8,000	Jun. 2039	Euribor 1M + 200 bps	-	A1	-	A(high)	-	A1	-	A(high)
Class C	12,000	12,000	Jun. 2039	Euribor 1M + 370 bps	-	Baa1	-	BBB	-	Baa1	-	BBB
Class D	6,000	6,000	Jun. 2039	Euribor 1M + 525 bps	-	Ba1	-	BB	-	Ba1	-	BB
Class E	5,000	5,000	Jun. 2039	Euribor 1M + 650 bps	-	Ba3	-	B	-	Ba3	-	B
Class F	1,000	1,000	Jun. 2039	Euribor 1M + 850 bps	-	B1	-	B(low)	-	B1	-	B(low)
Class G	1,500	600	Jun. 2039	Euribor 1M + 785 bps	-	-	-	-	-	-	-	-
Class Z	1,800	1	Jun. 2039	Euribor 1M + 750 bps	-	-	-	-	-	-	-	-
	1,024,218	**968,250**										

Furthermore, as at 31 December 2023, the Group, through 321 Crédito, maintained the Fénix operation as the only outstanding derecognised securitisation operation. The Group's only involvement in this operation was to provide serving for this operation.

Note 35 – Provision of Insurance or Reinsurance Mediation Services

As at 31 December 2023 and 2022, the remunerations derived from the provision of insurance and reinsurance mediation services were broken down as follows:

(amounts in thousand euros)

	'23	'22
Life Business	7.300	6.977
Non-Life Business	824	696
	8.124	**7.673**

The values receivable and payable associated to the insurance mediation activity are presented as follows:

(amounts in thousand euros)

	'23	'22
Values receivable	2.196	915
Values payable	689	1.458

Note 36 – Standards, Interpretations, Amendments and Revisions that Came into Force During the Year

The following standards, interpretations, amendments and revisions adopted ("endorsed") by the European Union are mandatory for the first time in the financial year beginning on 01 January 2023:

IFRS 17 – Insurance Contracts

IFRS 17 replaces IFRS 4 and applies to all insurance contracts (i.e., life, non-life, direct insurance and reinsurance), regardless of the type of entities that issue them, as well as to some guarantees and some financial instruments with discretionary participation features. In general terms, IFRS 17 provides an accounting model for insurance contracts that is more useful and more consistent for issuers. In contrast to the requirements of IFRS 4, which are based on previously adopted local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects.

Amendments to IFRS 17 – Insurance contracts – Initial application of IFRS 17 and IFRS 9 – Comparative information

This amendment to IFRS 17 refers to the presentation of comparative information about financial assets on initial application of IFRS 17.

The amendment adds a transition option that allows an entity to apply an 'overlay' to the classification of a financial asset in the comparative period(s) presented in initial application of IFRS 17. The 'overlay' allows all financial assets, including those held in relation to non-contractual activities within the scope of IFRS 17 to be classified, instrument by instrument, in the comparative period(s) in a manner aligned with how the entity expects those assets to be classified on initial application of IFRS 9.

Amendments to IAS 1 — Disclosure of accounting policies

These changes are intended to assist an entity in disclosing 'material' accounting policies, previously referred to as ' significant 'policies. However, due to the inexistence of this concept in IFRS standards, it was decided to replace it by the concept "materiality", a concept already known to users of financial statements.

In assessing the materiality of accounting policies, the entity has to consider not only the size of the transactions but also other events or conditions and the nature of these.

Amendments to IAS 8 — Definition of accounting estimates

The amendment clarifies the distinction between change in accounting estimate, change in accounting policy and correction of errors. In addition, it clarifies how an entity uses measurement techniques and inputs to develop accounting estimates.

Amendments to IAS 12 — Deferred tax related to assets and liabilities arising from a single transaction

IAS 12 now requires an entity to recognise deferred tax when its initial recognition gives rise to equal amounts of taxable temporary differences and deductible temporary differences.

However it is a matter of professional judgement whether such deductions are attributable to the liability that is recognised in the financial statements or to the related asset. This is particularly important when determining the existence of temporary differences in the initial recognition of assets or liabilities, as the initial recognition exception does not apply to transactions that give rise to equal taxable and deductible temporary differences.

Among the applicable transactions are the recording of (i) right-of-use assets and lease liabilities; (ii) provisions for dismantling, restoration or similar liabilities, and the corresponding amounts recognised as part of the cost of the related asset, when on the date of initial recognition they are not relevant for tax purposes.

This amendment is applicable retrospectively.

Amendments to IAS 12 – International Tax Reform – Second Pillar Model Rules

These changes come as part of the implementation of the OECD's Global Anti-Base Erosion ("Globe") rules, which may have significant impacts on the calculation of deferred taxes that are difficult to estimate at the time these changes were issued.

These amendments introduce a temporary exception to the accounting of deferred taxes arising from the application of the OECD second pillar model rules, and additionally establish new specific disclosure requirements for the affected entities.

These standards and changes had no material impact on the consolidated financial statements of the Grupo Banco CTT.

Note 37 – Standards, Interpretations, Amendments and Revisions that come into force in future years

The following standards, interpretations, amendments and revisions with mandatory application in future financial years have, up to the date of approval of these financial statements, been adopted ("endorsed") by the European Union:

Amendments to IAS 1 — Presentation of financial statements — Classification of liabilities as current or non-current

This amendment intends to clarify the classification of liabilities as current or non-current balances depending on the rights that an entity has to defer its payment, at the end of each reporting period.

The classification of liabilities is not affected by the entity's expectations (the assessment should determine whether a right exists, but should not consider whether the entity will exercise that right), or by events that occur after the reporting date, such as the breach of a covenant.

However, if the right to defer settlement for at least twelve months is subject to meeting certain conditions after the balance sheet date, those criteria do not affect the right to defer settlement for the purpose of classifying a liability as current or non-current.

This amendment also includes a new definition of "settlement" of a liability and is applied retrospectively.

The amendment should be applied for annual periods beginning on or after 01 January 2024.

Amendments to IFRS 16 – Lease liabilities in sale and leaseback transactions amendment

This amendment to IFRS 16 introduces guidance regarding the subsequent measurement of lease liabilities related to sale and leaseback transactions that qualify as a "sale" according to the principles of IFRS 15, with a greater impact when some or all of the lease payments are variable lease payments that do not depend on an index or a rate.

When subsequently measuring lease liabilities, sellers-lessees should determine the "lease payments" and "revised lease payments" so that they do not recognise gains/(losses) in relation to their retained right-of-use.

This amendment is applicable retrospectively.

The amendment should be applied for annual periods beginning on or after 01 January 2024.

The Group did not early apply any of these standards in the financial statements for the twelve months period ended 31 December 2023. No significant impacts on the financial statements are expected as a result of their adoption.

Note 38 – Standards, Interpretations, Amendments and Revisions not yet adopted by the European Union

The following standards, interpretations, amendments and revisions with mandatory application in future financial years have not yet been adopted ("endorsed") by the European Union, at the date of approval of these financial statements:

Amendments to IAS 7 and IAS 7 – Disclosures: Supplier financing agreements

These amendments to IAS 7 – Statement of Cash Flows and IFRS 7 – Financial Instruments: Disclosures aim to clarify the characteristics of a supplier financing agreement and introduce additional disclosure requirements when such agreements exist.

The disclosure requirements are intended to help users of financial statements understand the effects of supplier financing arrangements on the entity's liabilities, cash flows and exposure to liquidity risk.

The changes come into force for the period beginning on or after 1 January 2024. Early adoption is permitted, but must be disclosed.

Amendments to IAS 21 – The Effects of Changes in Foreign Exchange Rates: Lack of interchangeability

This amendment aims to clarify how to assess the exchangeability of a currency, and how the exchange rate should be determined when it is not exchangeable for a long period.

The amendment specifies that a currency should be considered exchangeable when an entity is able to obtain the other currency within a period that allows for normal administrative management, and through an exchange or market mechanism in which an exchange operation creates enforceable rights and obligations.

If a currency cannot be exchanged for another currency, an entity must estimate the exchange rate on the measurement date of the transaction. The objective will be to determine the exchange rate that would be applicable, on the measurement date, for a similar transaction between market participants. The amendments also state that an entity can use an observable exchange rate without making any adjustment.

The changes come into force for the period beginning on or after 01 January 2025. Early adoption is permitted, but the transition requirements applied must be disclosed.

These standards have not yet been adopted ("endorsed") by the European Union and, as such, have not been applied by the Group in the twelve-month period ending on 31 December 2023. No significant impacts on the financial statements are expected as a result of their adoption.

Note 39 – Subsequent Events

As disclosed in Note 20 –Taxes, in the course of 2024, the ANI (National Innovation Agency) decided to grant tax credits amounting to 517,554 in relation to the Group's application for SIFIDE II in 2022.

Apart from the above, no other events with a relevant impact on the Group's Financial Statements have occurred up to the date of this report and after the end of the 2023 financial year.

Accounts and Notes to the Individual Accounts Of 2023

Individual Financial Statements

Individual Income Statements for the years ended on 31 December 2023 and 2022

(amounts in thousand euros)

	Notes	'23	'22
Interest and similar income calculated through the effective interest rate	4	92,059	38,185
Interest and similar expenses calculated through the effective interest rate	4	(17,086)	(1,729)
Net Interest Income	4	**74,973**	**36,456**
Net fee and commission income	5	18,924	19,175
Results from assets and liabilities at fair value through profit or loss	6	6,491	(11,634)
Net gains/(losses) of other financial assets at fair value through other comprehensive income		-	(1)
Results from financial assets and liabilities at amortised cost		(45)	-
Net gains/(losses) from divestment of other assets		5	-
Other operating income/(expenses)	7	(351)	1,868
Operating Income		**99,997**	**45,864**
Staff costs	8	(20,745)	(18,458)
General administrative expenses	9	(29,472)	(26,308)
Amortisation and depreciation for the year	18 and 19	(6,409)	(6,334)
Operating Costs		**(56,626)**	**(51,100)**
Operating Profit/(Loss) Before Provisions and Impairments		**43,371**	**(5,236)**
Credit impairment	14	1,432	(1,819)
Impairment of other financial assets	13 and 15	(12,347)	(11,848)
Impairment of other assets	17, 19 and 22	(58)	(3)
Provisions	25	(527)	(128)
Operating Profit/(Loss)		**31,871**	**(19,034)**
Results of Investments in Subsidiaries and Associates	20	(7,922)	29,141
Results of disposals of non-current assets held for sale		2,124	-
Profit/(Loss) Before Tax		**26,073**	**10,107**
Taxes			
Current	21	(8,692)	4,754
Deferred	21	554	(205)
Net Income for the Year		**17,935**	**14,656**
Earnings per share (in euros)			
Basic	10	0.06	0.05
Diluted	10	0.06	0.05

The accompanying notes form an integral part of these financial statements.

The Chartered Accountant

Nuno Filipe dos Santos Fernandes

The Board of Directors

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Individual Comprehensive Income Statements for the years ended on 31 December 2023 and 2022

(amounts in thousand euros)

	Notes	'23	'22
Net Income for the Year		**17,935**	**14,656**
Comprehensive income recognized directly in Equity after taxes		**3**	**446**
Items that may be reclassified to the income statement			
Fair value reserve	28	-	(27)
Items that shall not be reclassified to the income statement			
Actuarial gains/(losses) for the year			
Employee benefits	28	3	473
Total Comprehensive Income for the Year		**17,938**	**15,102**

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Individual Statements of Financial Position as at 31 December 2023 and 2022

(amounts in thousand euros)

	Notes	'23	'22
Assets			
Cash and deposits at central banks	11	54,006	48,733
Deposits at other credit institutions	12	11,045	28,010
Financial assets at amortised cost			
Investments at credit institutions	13	1,421,279	592,860
Loans and advances to customers	14	731,051	700,952
Debt securities	15	1,074,582	1,007,448
Financial assets at fair value through profit or loss	16	-	26,479
Non-current assets held for sale	17	-	8,911
Other tangible assets	18	4,506	4,129
Intangible assets	19	20,088	20,221
Investments in subsidiaries and associates	20	136,105	148,024
Deferred tax assets	21	1,032	870
Other assets	22	37,521	48,404
Total Assets		**3,491,215**	**2,635,041**
Liabilities			
Financial liabilities at fair value through profit or loss	16	13,744	26,345
Financial liabilities at amortised cost			
Amounts owed to other credit institutions	23	35,442	15,023
Deposits from Customers	24	3,106,179	2,283,288
Provisions	25	812	477
Deferred tax liabilities	21	-	392
Other liabilities	26	64,840	57,256
Total Liabilities		**3,221,017**	**2,382,781**
Equity			
Share capital	27	296,400	296,400
Legal reserves	28	3,037	1,571
Fair value reserves	28	-	-
Other reserves	28	(344)	(347)
Retained earnings	28	(46,830)	(60,020)
Net income for the year		17,935	14,656
Total Equity		**270,198**	**252,260**

The accompanying notes form an integral part of these financial statements.

The Chartered Accountant

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Individual Statements of Changes in Equity for the years ended on 31 December 2023 and 2022

(amounts in thousand euros)

	Notes	Share capital	Fair Value Reserves	Legal Reserves	Other Reserves	Retained earnings	Net Income for the Year	Total Equity
Balance on 31 December 2021		**296,400**	**27**	**29**	**(820)**	**(73,902)**	**15,424**	**237,157**
Appropriation of net income		-	-	1,542	-	13,882	(15,424)	-
Actuarial gains/(losses)		-	-	-	473	-	-	473
Comprehensive income for the year								
Fair value reserves	28	-	(27)	-	-	-	-	(27)
Net income for the year		-	-	-	-	-	14,656	14,656
Balance on 31 December 2022		**296,400**	**-**	**1,571**	**(347)**	**(60,020)**	**14,656**	**252,260**
Appropriation of net income		-	-	1,466	-	13,190	(14,656)	-
Actuarial gains/(losses)		-	-	-	3	-	-	3
Comprehensive income for the year								
Net income for the year		-	-	-	-	-	17,935	17,935
Balance on 31 December 2023		**296,400**	**-**	**3,037**	**(344)**	**(46,830)**	**17,935**	**270,198**

The accompanying notes form an integral part of these financial statements.

The Chartered Accountant

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Individual Cash Flow Statements for the years ended on 31 December 2023 and 2022

(amounts in thousand euros)

	Notas	'23	'22
Cash flow from operating activities		**823,254**	**98,183**
Interest income received		90,577	40,025
Interest paid		(11,862)	(1,657)
Commissions income received		25,450	20,615
Commissions paid		(4,581)	(4,308)
Payments to employees		(19,435)	(16,467)
Income tax payments		4,367	4,635
Sectoral contributions		(320)	(243)
Other payments and revenues		(30,461)	(25,233)
Variation in operational assets and liabilities		769,519	80,816
Other operational assets and liabilities		(16,877)	(8,963)
Loans and advances to customers	14	(24,437)	(70,612)
Deposits from Customers	24	810,833	160,391
Cash flow from investment activities		**(845,076)**	**(677,247)**
Deposits at Banco de Portugal		(5,440)	(3,248)
Investment in securities		(22,734)	(153,852)
Investment		(595,793)	(833,335)
Repayment/Divestment		573,059	679,483
Investments at the Central Bank	13	(809,457)	(450,200)
Investments in other credit institutions	13	(17,030)	(72,175)
Investment		(367,750)	(377,800)
Redemptions		350,720	305,625
Acquisitions of tangible fixed assets and intangible assets		(5,450)	(4,172)
Acquisitions/disposals of subsidiaries and associates		11,035	-
Dividends received		4,000	6,400
Cash flow from financing activities		**19,426**	**13,898**
Amounts owed to other credit institutions		20,367	14,979
Leases		(941)	(1,081)
Cash and cash equivalents at the beginning of the year		**31,064**	**596,230**
Net changes in cash and cash equivalents		**(2,396)**	**(565,166)**
Cash and cash equivalents at the end of the year		**28,668**	**31,064**
Cash and cash equivalents cover:		**28,668**	**31,064**
Cash	11	25,380	25,486
Demand deposits at Banco de Portugal	11	1	61
Deposits at credit institutions	12	3,287	5,517

The accompanying notes form an integral part of these financial statements.

The Chartered Accountant

Nuno Filipe dos Santos Fernandes

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Notes to the Individual Financial Statements

Note 1 – Basis of Presentation

Pursuant to Regulation (EC) 1606/2002 of the European Parliament and Council, of 19 July 2002 and Banco de Portugal Notice 5/2015, the financial statements of Banco CTT are prepared in accordance with the International Reporting Financial Standards (IFRS), as endorsed in the European Union (EU) on the reporting date.

IFRS includes accounting standards issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretation Committee (IFRIC), and their predecessor bodies.

Banco CTT, S.A. (hereinafter referred to as "Banco CTT" or "Bank") is a credit institution with registered office at Avenida D. João II, N.º 13, Edifício Báltico, Piso 11.º, 1999-001 Lisboa, controlled by CTT – Correios de Portugal, S.A., having been incorporated in August 2015.

The Bank is dedicated to obtaining third party funds, in the form of deposits or other, which the Bank invests, together with its own funds, mostly in the form of loans granted to customers in the individual retail segment or debt securities, while also providing other banking services to its customers.

The Bank's financial statements, presented herein, refer to the year ended on 31 December 2023, and were prepared in accordance with the current IFRS as endorsed in the European Union by 31 December 2023.

The financial statements are expressed in thousands of euros, rounded to the nearest thousand, and have been prepared on a going concern basis and under the historical cost convention, except for assets and liabilities that are stated at fair value. The Bank has no projects or intentions for actions that could jeopardise the continuity of its operations.

The preparation of financial statements in conformity with IFRS requires the Bank to make judgements and use estimates that affect the application of the accounting policies and the reported amounts of income, expenses, assets and liabilities. Changes to these assumptions or if they are different from reality could imply that the actual results in the future may differ from those reported. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

These financial statements were approved by the Board of Directors in the meeting held on 18 March 2024.

Note 2 – Material Accounting Policies

The material accounting policies used in the preparation of the financial statements were as follows:

2.1. Financial Instruments – IFRS 9

2.1.1. Financial Assets

Classification, initial recognition and subsequent measurement
At the time of their initial recognition, the financial assets are classified into one of the following categories:

i) Financial assets at amortised cost;
ii) Financial assets at fair value through other comprehensive income; or
iii) Financial assets at fair value through profit or loss.

The classification takes into account the following aspects:

i) the Bank's business model for the management of the financial asset; and
ii) the features of the financial asset's contractual cash flows.

Assessment of the Business Model
The Bank makes an assessment of the business model in which the financial asset is held, at the portfolio level, as this approach best reflects how the assets are managed and how the information is provided to the management bodies. The information considered in this assessment included:

- the policies and objectives established for the portfolio and the practical operation of these policies, including how the management strategy focuses on the receipt of contractual interest or the realisation of cash flows through the sale of assets;
- the way that the portfolio performance is assessed and reported to the Bank's management bodies;
- the assessment of the risk that affect the performance of the business model (and of the financial assets held under this business model) and how these risks are managed; and
- the frequency, volume and periodicity of the sales in previous periods, the motives for these sales and the expectations on future sales. However, information on sales should not be considered in isolation, but as part of an overall assessment of how the Group sets financial asset management objectives and how cash flows are obtained.
- evaluation whether contractual cash flows correspond only to the receipt of principal and interest (SPPI – Solely Payments of Principal and Interest).

For purposes of this assessment, "principal" is defined as the fair value of the financial asset upon initial recognition. "Interest" is defined as compensation for the time value of money, for the credit risk associated to the amount in debt during a particular period of time and for other risks and costs associated to the activity (e.g. liquidity risk and administrative costs), as well as a profit margin.

In the assessment of the financial instruments in which the contractual cash flows refer exclusively to the receipt of principal and interest, the Bank considered the original contractual terms of the instrument. This assessment included analysis of the existence of situations in which the contractual terms could modify the periodicity and the amount of the cash flows so that they do not comply with the SPPI condition. In the assessment process, the Bank took into account:

- contingent events that could modify the periodicity and amount of the cash flows;
- characteristics that give rise to leverage;
- clauses on early payment and extension of maturity;
- clauses that could limit the Bank's right to claim cash flows of specific assets (e.g. contracts with clauses that prevent access to assets in case of default – non-recourse asset); and
- characteristics that could modify the compensation for the time value of money.

Moreover, an early payment is consistent as a SPPI criterion, if:

- the financial asset was acquired or originated with a premium or discount relative to the contractual nominal value;
- the early payment substantially represents the nominal amount of the contract plus the periodic contractual interest, but that has not been paid (it may include reasonable compensation for the early payment); and
- the fair value of the early payment is insignificant upon initial recognition.

Reclassifications between financial instruments categories
If the Bank changes its financial asset management business model, which is expected to take place infrequently and exceptionally, it reclassifies all the financial assets affected, in conformity with the requirements defined in IFRS 9 – "Financial instruments". The reclassification is applied prospectively from the date when it becomes effective. Pursuant to IFRS 9 – "Financial instruments", reclassifications are not permitted for equity instruments with the option of measurement at fair value through other comprehensive income or for financial assets and liabilities classified at fair value under the fair value option.

2.1.1.1. Financial assets at amortised cost

Classification
A financial asset is classified in the category of "Financial assets at amortised cost" if it cumulatively complies with the following conditions:

- the financial asset is held in a business model whose main objective is the holding of assets for collection of its contractual cash flows; and
- its contractual cash flows occur on specific dates and correspond only to payments of principal and interest of the amount in debt (SPPI)

The category of "Financial assets at amortised cost" includes investments at credit institutions, loans and advances to customers, and debt securities managed based on a business model whose objective is the receipt of their contractual cash flows (public debt bonds and bonds issued by companies).

Initial recognition and subsequent measurement
Investments at credit institutions and loans and advances to customers are recognised on the date when the funds are provided to the counterparty (settlement date). Debt securities are recognised on the trade date, that is, on the date on which the Bank undertakes to acquire them.

Financial assets at amortised cost are initially recognised at their fair value, plus transaction costs, and are subsequently measured at amortised cost. Furthermore, after their initial recognition, they are subject to the estimation of impairment losses due to expected loan losses, which are recorded against the heading "Impairment of other financial assets net of reversals and recoveries".

Interest arising from financial assets at amortised cost is recognised under the heading "Interest and similar income calculated through the effective interest rate", based on the effective interest rate method and pursuant to the criteria described in Note 2.9.

Gains or losses generated at the time of their derecognition are recorded in the heading "Net gains/(losses) of financial assets at amortised cost".

Initial recognition and subsequent measurement
Debt instruments at fair value through other comprehensive income are initially recognised at their fair value, plus transaction costs, and are subsequently measured at amortised cost. The fair value variations of these financial assets are recorded through other comprehensive income and, at the time of their divestment, the respective accumulated gains or losses in other comprehensive income are reclassified to a specific income statement heading named "Net gains/(losses) of other financial assets at fair value through other comprehensive income".

Debt instruments at fair value through other comprehensive income are also subject, since their initial recognition, to the calculation of impairment losses due to expected loan losses. The estimated impairment losses are recognised through profit or loss, in the heading "Impairment of other financial assets net of reversals and recoveries", through other comprehensive income, and do not reduce the book value of financial asset on the balance sheet.

The interest, premiums or discounts of financial assets at fair value through other comprehensive income are recognised under the heading "Interest and similar income calculated through the effective interest rate", based on the effective interest rate and pursuant to the criteria described in Note 2.9.

Equity instruments at fair value through other comprehensive income are initially recognised at their fair value, plus transaction costs, and are subsequently measured at fair value. Fair value variations of these financial assets are recorded through other comprehensive income. Dividends are recognised through profit or loss when the right to receive them has been attributed.

Impairment is not recognised for equity instruments at fair value through other comprehensive income, with the corresponding accumulated gains or losses recorded under fair value variations being transferred to Retained earnings upon their derecognition.

2.1.1.2. Derecognition of financial assets

i) The Bank derecognises a financial asset when, and only when:

- the contractual rights to the cash flows arising from the financial asset expire; or
- it transfers the financial asset as described in points ii) and iii) below and the transfer meets the conditions for derecognition pursuant to point iv).

ii) The Bank transfers a financial asset if, and only if one of the following situations occurs:

- the contractual rights to receive the cash flows arising from the financial asset are transferred; or
- the contractual rights to receive the cash flows arising from the financial asset are withheld, but a contractual obligation is undertaken to pay the cash flows to one or more receivers in an agreement that meets the conditions established in point iii).

iii) When the Bank withholds the contractual rights to receive the cash flows arising from a financial asset (the «original asset»), but undertakes a contractual obligation to pay these cash flows to one or more entities (the «final receivers»), the Bank treats the transaction as a transfer of a financial asset if, and only if, all of the following three conditions are met:

- the Bank has no obligation to pay amounts to the final receivers unless it receives equivalent amounts arising from the original asset. The short-term advances by the entity with the right to total recovery of the loaned amount plus the overdue interest at market rates are not in breach of this condition;
- the Bank is prohibited by the terms of the transfer contract from selling or pledging the original asset other than to as guarantee to the final receivers for the obligation of paying them cash flows; and
- the Bank has an obligation to send any cash flow that it receives on behalf of the final receivers without significant delays. Moreover, it does not have the right to reinvest these cash flows, except in the case of investments in cash or its equivalents (as defined in IAS 7 Cash Flow Statements) during the short period of settlement between the date of receipt and the required date of delivery to the final receivers, and the interest received as a result of these investments are passed on to the final receivers.

iv) When the Bank transfers a financial asset (see point ii above), it should assess to what extent it retains the risks and benefits arising from the ownership of this asset. In this case:

- if the Bank substantially transfers all the risks and benefits arising from the ownership of the financial asset, it derecognises the financial asset and separately recognises, as assets or liabilities, any rights and obligations created or retained with the transfer;
- if the Bank substantially retains all the risks and benefits arising from the ownership of the financial asset, it will continue to recognise the financial asset.
- if the Bank does not substantially transfer or retains all the risks and benefits arising from the ownership of the financial asset, it should determine whether it retained control of the financial asset. In this case:
  - if the Bank did not retain control, it should derecognise the financial asset and separately recognise, as assets or liabilities, any rights and obligations created or retained with the transfer;
  - if the Bank retained control, it should continue to recognise the financial asset in proportion to its continued involvement in the financial asset.

v) The transfer of the risks and benefits referred to in the previous point is assessed by comparison of the Bank's exposure, before and after the transfer, to the variability of the amounts and time of occurrence of the net cash flows arising from the transferred asset.

vi) The question of knowing whether the Bank retained control or not (see point iv above) of the transferred asset depends on the ability of whoever receives the transfer to sell the asset. If whoever receives the transfer has the practical ability to sell the asset as a whole to an unrelated third party and is able to exercise this ability unilaterally and without needing to impose additional restrictions to the transfer, it is considered that the entity did not retain control. In all other cases, it is considered that the entity retained control.

2.1.1.3. Loans written off from the assets ("write-off")

The Bank recognises a loan written from the asset when it has no reasonable expectations of recovering an asset totally or partially. This record occurs after all the recovery actions developed by the Group have proved unsuccessful. Loans written off from the assets are recorded in off-balance sheet accounts.

2.1.1.4. Impairment losses

The Bank determines the expected loan losses of each operation according to the deterioration of the credit risk observed since its initial recognition. For this purpose, operations are classified in one of the following three *stages*:

- *Stage* 1: operations in which there has not been a significant increase in credit risk since their initial recognition are classified as being at this stage. The impairment losses associated with operations classified at this stage correspond to the expected credit losses that result from a default event that may occur within a period of 12 months after the reporting date (credit losses expected at 12 months).
- *Stage* 2: operations in which there has been a significant increase in credit risk since their initial recognition, but that are not yet in situations of impairment, are classified as being at this stage. The impairment losses associated with operations classified at this *stage* correspond to the expected credit losses resulting from *default* events that may occur over the expected residual life of the operations (lifetime expected credit losses).
- *Stage* 3: operations in a situation of impairment are classified as being at this stage. The impairment losses associated to operations classified in this stage correspond to lifetime expected credit losses. Operations acquired or originated in situations of impairment (Purchased or Originated Credit-Impaired – POCI) are also classified under stage 3.

Forward Looking Information

The Bank's impairment model is constructed so as to be able to use public and other confirmable information from other market participants, where there is no history of default that would allow it to build sophisticated statistical models.

In addition, the Bank follows, whenever applicable and relevant to its circumstances, the provisions of the applicable accounting standards, national and community legislation, the recommendations of the EBA and the provisions and guidelines of Banco de Portugal.

Significant increase of credit risk (SICR)

Significant increase of credit risk (SICR) is mainly determined according to quantitative criteria but also according to qualitative criteria, with a view to detecting significant increases of the Probability of Default (PD), supplemented with other type of information, in particular the behaviour of customers to entities of the financial system. However, regardless of the observation of a significant increase of credit risk in an exposure, it is classified under Stage 2 when any of the following conditions are met:

- Loans with payment in arrears for more than 30 days (backstop);
- Loans with qualitative triggers subject to risk, namely those presented in Banco de Portugal Circular Letter 62/2018.

Definition of financial assets in default and in a situation of impairment

Customers who meet at least one of the following criteria are considered in default:

- Existence of instalments of principal or interest overdue for more than 90 days;
- Debtors in a situation of bankruptcy, insolvency or liquidation;
- Loans in litigation;
- Cross-default credits;
- Restructured loans due to financial difficulties;
- Default quarantined credits;
- Loans regarding which there is a suspicion of fraud or confirmed fraud.

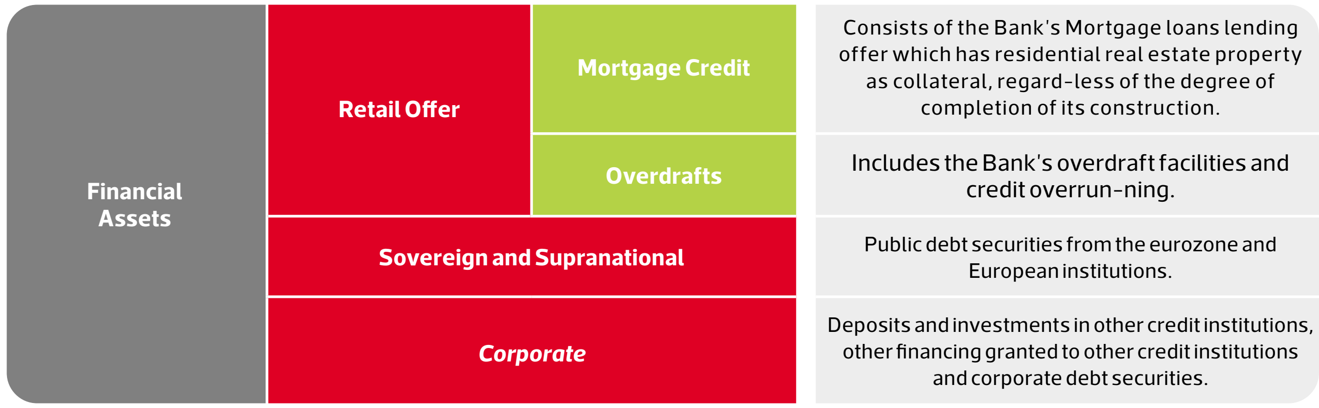
Estimated expected loan losses – Individual analysis

Customers in any of the following conditions are subject to individual analysis:

- Individual customers with exposures above 500,000 euros,
- Exposures to credit institutions, sovereign entities, central banks or corporations through debt securities that are in stage 2 or 3.

Estimated expected loan losses – Collective analysis

Operations that are subject to individual impairment analysis are grouped together according to their risk characteristics and subject to collective impairment analysis. The Bank's loan portfolio is divided by degrees of internal risk and according to the following segments:



Expected loan losses are estimated loan losses which are determined as follows:

- financial assets with no signs of impairment on the reporting date: the present value of the difference between the contractual cash flows and the cash flows that the Bank expects to receive;
- financial assets with signs of impairment on the reporting date: the difference between the gross book value and the present value of the estimated cash flows;
- unused credit commitments: the present value of the difference between the resulting contractual cash flows if the commitment is realised and the cash flows that the Bank expects to receive.

The main inputs used to measure the expected loan losses on a collective basis include the following variables:

- Probability of Default – PD;
- Loss Given Default – LGD; and
- Exposure at Default – EAD.

These parameters are obtained through internal models and other relevant historical data, taking into account existing regulatory models adapted according to the requirements of IFRS 9.

The PDs are calculated based on historical records, when available, or benchmarks in all other cases. If the degree of risk of the counterpart or exposure changes, the associated estimated PD will also vary. The PDs are calculated considering the contractual maturities of the exposures.

The Bank gathers performance and default indicators on its credit risk exposures with analyses by type of customer and product.

LGD is the magnitude of the expected loss in the event that the exposure enters into default. The Bank estimates the LGD parameters based on benchmarks. In the case of contracts secured by real estate, LTV (*loan-to-value*) ratios are a highly relevant parameter in determining LGD.

EAD represents the expected exposure in the event that the exposer and/or customer enters into default. The Bank obtains the EAD values based on the current exposure of the counterpart and includes the loans that have not yet fallen due, periodic calculation of interest, overdue interest not annulled and overdue loans. For commitments, the EAD value considers both the value of credit used and the expected future potential value which could be used pursuant to the contract.

As described above, except for financial assets that consider a PD at 12 months due to not having shown a significant increase of credit risk, the Bank calculates the value of the expected loan losses taking into account the risk of default during the maximum contractual maturity period even though, for risk management purposes, a longer period is considered. The maximum contractual period will be considered as the period up to the date when the Bank has the right to demand the payment or terminate the commitment or guarantee.

For financial assets that are "Cash and deposits at other credit institutions", "Investments in other credit institutions" and "Investments in securities" the impairments are calculated by attributing:

i) a probability of default that derives from the external *rating* of the issuer or counterparty, respectively; and
ii) a Loss Given Default (LGD) defined by the Group, based on data from Moody's rating agency, and depending on whether the entity is Corporate or Sovereign.

2.1.1.5. Modification of financial assets
If the conditions of a financial asset are modified, the Bank assesses whether the asset's cash flows are substantially different.

If the cash flows are substantially different, the contractual rights to the cash flows of the original financial asset are considered expired and the principles described in Note 2.1.1.4 Derecognition of financial assets apply.

If the modification of a financial asset measured at amortised cost or fair value through other comprehensive income does not give rise to the derecognition of the financial asset, then the Bank firstly recalculates the gross book value of the financial asset, applying the original effective interest rate of the asset and recognises the adjustment derived thereof as a modification gain or loss through profit or loss. For financial assets with variable rates, the original effective interest rate used to calculate the gain or loss of the modification is adjusted to reflect the current market conditions at the time of the modification. Any costs or commissions incurred and commissions received as part of the modification are incorporated to adjust the gross book value of the modified financial asset and are amortised during the remaining period of the modified financial asset.

2.1.2. Financial liabilities
An instrument is classified as a financial liability when there is a contractual obligation of its settlement being made against the submission of cash or another financial asset, irrespective of its legal form.

Non-derivatives financial liabilities essentially include deposits from customers.

These financial liabilities are recorded (i) initially at fair value minus the transaction costs incurred, and (ii) subsequently at amortised cost, based on the effective interest rate method.

The Bank derecognises financial liabilities when these are cancelled, extinguished or expire.

2.1.3. Derivative financial instruments
Derivative financial instruments are recorded at fair value on the date the Bank negotiates contracts and are subsequently measured at fair value. Fair value is obtained through market prices quoted on active markets, including recent market transactions, and valuation models, namely: discounted cash flow models and options valuation models. Derivatives are considered assets when their fair value is positive and as liabilities when their fair value is negative. Revaluation results are recognised in "Results from assets and liabilities at fair value through profit or loss".

Certain derivatives embedded in other financial instruments, such as the indexation of returns on debt instruments to the value of shares or share indices, are bifurcated and treated as separate derivatives when their risk and economic characteristics are not clearly related to those of the host contract and the host contract is not measured at fair value with changes recognised in profit or loss. These embedded derivatives are measured at fair value, with subsequent changes recognised in the income statement.

Derivatives are also recorded in off-balance sheet accounts at their theoretical value (notional value).

2.2. Offsetting Financial Instruments

Financial assets and liabilities are offset and the net amount is reported in the balance sheet only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle them on a net basis, or to realise the asset and settle the liability simultaneously.

2.3. Equity Instruments

An instrument is classified as an equity instrument when there is no contractual obligation at settlement to deliver cash or another financial asset to another entity, irrespective of its legal form, showing a residual interest in the assets of an entity after deducting all of its liabilities.

Transaction costs directly attributable to the issue of equity instruments are recognised against equity as a deduction to the value of the issue. Amounts paid or received due to sales or acquisitions of equity instruments are recorded in equity, net of transaction costs.

Distributions to holders of equity instruments are debited directly from the equity as dividends when declared.

2.4. Investments in Subsidiaries and Associates

Investments in subsidiaries and associates are recorded by the equity method from the date when the Bank acquires significant influence up to the date when it ends. Associates are entities in which the Bank has significant influence, but does not exercise control over its financial and operating policy. It is assumed that the Bank has significant influence when it has the power to exercise more than 20% of the voting rights of the associate. If the Bank directly or indirectly holds less than 20% of the voting rights, it is presumed that the Bank does not have significant influence, unless such influence can be clearly demonstrated.

The existence of significant influence by the Bank is usually demonstrated by one or more of the following ways:

i. representation on the Board of Directors or equivalent governing body;
ii. participation in policy-making processes, including participation in decisions about dividends or other distributions;
iii. material transactions between the Bank and the investee;
iv. interchange of the management team;
v. provision of essential technical information.

The individual financial statements include the part attributable to the Bank, of the total reserves and profits and losses of the associated company recorded by the equity method. When the Bank's share of losses exceeds its interest in the associate, the book value is reduced to zero and recognition of further losses is discontinued, except to the extent that the Bank has incurred in a legal obligation to assume those losses on behalf of the associate.

2.5. Intangible Assets

Intangible assets are registered at acquisition cost, minus amortisation and impairment losses, when applicable. Intangible assets are only recognised when it is probable that they will result in future economic benefits for the Bank, and they can be measured reliably.

Intangible assets are essentially composed of expenses related to software (whenever this is separable from the hardware and associated to projects where the generation of future economic benefits is quantifiable), licenses and other rights of use. Also included are expenses related to the development of R&D projects whenever the intention and technical capacity to complete this development is demonstrated, for the purpose of the projects being available for marketing or use. Research costs incurred in the search of new technical or scientific knowledge or aimed at the search of alternative solutions, are recognised through profit or loss when incurred.

Intangible assets are amortised through the straight-line method, as of the month when they are available for use, during their expected useful life, which is situated in a period varying between 3 and 6 years. In the specific case of the base operational system, after analysis of the expected period of its use, it was decided that its amortisation should take place over a period of 15 years.

The Bank performs impairment testing whenever events or circumstances show that the book value exceeds the recoverable amount, with the difference, when existing, being recognised through profit or loss. The recoverable amount is the higher of net selling price and value in use, the latter being calculated by the present value of the estimated future cash flows obtained from continued use of the asset and its sale at the end of its useful life.

Income or expenses derived from the divestment of intangible assets are determined by the difference between the sale value and its book value, being recorded under the heading "Other operating income/(expenses)".

2.6. Leases

At the beginning of a contract, the Bank assesses whether it is or contains a lease. A contract or part of a contract that transfer the right to use an asset (the underlying asset) during a certain period, in exchange of a retribution. In order to assess whether a contract transfer the right to control the use of an identified asset, the Bank assesses whether:

- the contract involves the use of an identified asset – which could be specified explicitly or implicitly, and should be physically distinctive or substantially represent all the capacity of a physically distinctive asset. Even if the asset is specified, the Bank does not have the right to use an identified asset if the supplier has the substantive right to replace this asset during its period of use;
- the Bank has the right to substantially receive all the economic benefits from the use of the identified asset, throughout its entire period of use; and
- the Bank has the right to direct the use of the identified asset. The Bank has this right when it has the most relevant decision-making rights to change the way and purpose with which the asset is used throughout its entire period of use. In cases where the decision on how and for what purpose the asset is used is predetermined, the Bank has the right to direct the use of the asset if:
  - The Bank has the right to make use of the asset (or order others to make use of the asset in the manner that the Group determines) throughout its entire period of use, where the supplier does not have the right to change these instructions on the asset's use; or
  - The Bank designed the asset (or specific aspects of the asset) in a manner that previously determines how and for what purpose the asset shall be used throughout its entire period of use.

The Bank applied this approach to the contracts concluded or amended on or after 1 January 2019.

At the beginning or in the reassessment of a contract that contains a component of the lease, the Bank imputes the retribution in the contract to each component of the lease based on their individual prices. However, for leases of land and buildings in which it is the lessee (tenant), the Bank decided not to separate the components that do not belong to the lease, and to record the lease and non-lease components as a single component.

2.6.1. As lessee

The Bank recognises a right-of-use asset and a liability related to the lease on the lease starting date. The right-of-use asset is initially measured at cost, which includes the initial value of the lease liability adjusted for all the expected lease payments on or before the starting date, plus any direct costs incurred and an estimate of the costs for dismantlement and removal of the underlying asset or to restore the underlying asset or the premises on which it is located, minus any lease incentives received.

Subsequently, the right-of-use asset is depreciated using the straight-line method from the starting date to the end of the useful life of the right-of-use asset or to the end of the lease period, according to what ends first. The useful life of right-of-use assets is determined by following the same principles as those applicable to Tangible Assets. Furthermore, the right-of-use asset is periodically deducted impairment losses, if any, and adjusted for particular remunerations of the lease liability.

The lease liability is initially measured at the present value of the lease payments that have not yet been made on that date, discounted by the implicit interest rate in the lease, if this rate can be easily determined. If this rate cannot be easily determined, the Bank's incremental funding rate should be used. As a rule, the Bank uses its incremental funding rate as the discount rate.

The lease payments included in the measurement of the lease liability consist of the following:

- fixed payments (including fixed payments in substance), minus the lease incentives;
- variable payments that depend on an index or rate, initially measured using the existing rate or index on the starting date;
- amounts that are expected to be paid to guarantee the residual value;
- the price of the exercise of a purchase option, if the Bank is reasonably certain that it shall exercise this option; and
- payments of sanctions due to rescission of the lease, if the lease period reflects the exercise of an option for lease rescission by the Bank.

The lease liability is measured at amortised cost using the effective interest rate method. This is remeasured when there is a change to the future lease payments derived from a change in an index or rate, when there is a change in the Bank's estimate of the amount it expects to pay for a residual value guarantee, or whenever the Bank changes its assessment of the expected exercise or not of a purchase, extension or rescission option.

Whenever the lease liability is remeasured, the Bank recognises the remeasurement amount of the lease liability as an adjustment to the right-of-use asset. However, if the book value of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Bank recognises this reduction in the income statement.

The Bank presents the right-of-use assets that do not correspond to the definition of investment property under "Other Tangible Assets" and the lease liabilities under "Other Liabilities" in the statement of financial position.

Short-term leases and low-value leases

The rules allow a lessee not to recognise right-of-use assets and short-term leases with a lease period of 12 months or less, and leases of low-value assets, where the payments associated to these leases are recognised as an expense by the straight-line method during the enforcement of the contract.

2.7. Income Tax

Corporate income tax corresponds to the sum of current taxes and deferred taxes. Current taxes and deferred taxes are recorded under net income, unless they refer to items recorded directly in equity. In these cases, deferred taxes are also recorded under equity.

Current tax payable is based on the taxable profit for the period, calculated in accordance with the tax laws in force on the reporting date. Taxable income differs from accounting income, since it excludes various costs and revenues which will only be deductible or taxable in other financial years. Taxable income also excludes costs and revenues which will never be deductible or taxable.

Deferred taxes refer to temporary differences between the amounts of assets and liabilities for accounting purposes and the corresponding amounts considered for tax purposes.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for deductible temporary differences. However, recognition only takes place when there are reasonable expectations of sufficient future taxable profits to use these deferred tax assets, or when there are deferred tax liabilities whose reversal is expected in the same period that the deferred tax assets may be used. On each reporting date, a review is made of these deferred tax assets, which are adjusted according to expectations on their future use.

Deferred tax assets and liabilities are measured using the tax rates which are in force on the date of the reversal of the corresponding temporary differences, based on the taxation rates (and tax legislation) which are enacted, formally or substantially, on the reporting date.

The Bank and its subsidiaries – more than 75% held directly or indirectly, and for more than 1 year by the parent company CTT – are covered by the special regime applicable to the taxation of groups of companies (RETGS), which includes all the companies in which CTT directly or indirectly holds at least 75% of their share capital and which are simultaneously resident in Portugal and subject to corporate income tax (IRC). In this regard, and until 2020 inclusive, Banco CTT and its subsidiaries, eligible to application of the RETGS, receive from CTT the value relative to the tax loss which they contribute to the consolidated corporate income tax of the CTT Group and, likewise, pay to CTT the value relative to their positive contribution to the consolidated corporate income tax of the CTT Group. As of 2021, the Banco CTT Group is considered to be a "tax sub-consolidated" entity within the Regime in which CTT – Correios de Portugal, S.A. is the dominant company. In this way, Banco CTT's subsidiaries make corporate income tax (IRC) settlements to Banco CTT, and Banco CTT pays or receives the net amount determined for the Banco CTT Group to/from that dominant company. In the event that there are historical amounts receivable from CTT by the Group, any corporate income tax payments to CTT are settled through the use/reduction of the amount receivable, with effective payment only after there are no historical amounts receivable.

2.8. Provisions

Provisions are recognised when, cumulatively: (i) the Bank has a present obligation (legal or implicit) arising from a past event, (ii) it is probable that its payment will be demanded, and (iii) there is a reliable estimate of the value of this obligation. The amount of the provisions corresponds to the present value of the obligation, with the financial updating being recorded as a financial cost under the heading "Interest and similar expenses".

The provisions are reviewed on every reporting date and are adjusted in order to reflect the best estimate at that date.

2.9. Recognition of Interest

The net gains/(losses) of financial instruments measured at amortised cost and at fair value through other comprehensive income are recognised in the headings "Interest and similar income" or "Interest and similar expenses", using the effective interest method.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument (or, when appropriate, for a shorter period), to the net book value of the financial asset or financial liability. The effective interest rate is established upon the initial recognition of the financial assets and liabilities and us not reviewed subsequently.

When calculating the effective interest rate, the future cash flows are estimated considering all the contractual terms of the financial instrument but not considering possible future loan losses. The calculation includes all fees and commissions that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts directly related to the transaction. In the case of financial assets or groups of similar financial assets for which an impairment loss was recognised, the interest recorded in "Interest and similar income" is calculated using the interest rate used to measure the impairment loss.

The Bank does not recognise interest for financial assets in arrears for more than 90 days.

2.10. Recognition of Income of Services, Fees and Commissions

The income from services, fees and commissions is recognised as follows:

- Fees and commissions that are earned in the execution of a significant act, are recognised as income when the significant act has been completed;
- Fees and commissions earned over the period in which the services are provided are recognised as income in the period that the services are provided; and
- Fees and commissions that are an integral part of the effective interest rate of a financial instrument are recorded through profit or loss using the effective interest rate method.

2.11. Earnings per Share

Basic earnings per share are calculated by dividing the net income by the weighted average number of ordinary shares in circulation during the year.

The earnings by diluted share are calculated by adjusting the effect of all the potential ordinary diluting shares to the weighted average number of ordinary shares in circulation.

2.12. Cash and Cash Equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balance sheet items with less than three months' maturity counted from the acquisition/contracting date, including cash and deposits at other credit institutions.

Cash and cash equivalents presented in the cash flow statement exclude restricted balances with central banks.

2.13. Provision of Insurance Mediation Services

Banco CTT is an entity authorised by the Insurance and Pension Fund Supervision Authority ("ASF") to conduct the activity of insurance mediation in the category of Linked Insurance Broker, in accordance with article 8, subparagraph a), item i) of Decree-Law 144/2006, of July 31, developing the activity of insurance intermediation in the life and non-life insurance business.

Under the insurance mediation services, Banco CTT sells insurance contracts. As remuneration for the insurance mediation services rendered, Banco CTT receive commissions for insurance contract mediation, which are defined in the agreements / protocols established with the Insurance Companies.

The commissions received for the insurance mediation services are recognised in accordance with the accrual principle. Therefore, commissions received at a different period from that to which they refer are recorded as an amount receivable under "Other Assets".

Note 3 – Main Estimates and Judgements Used in the Preparation of the Financial Statements

The IFRS establish a series of accounting treatments and require the Board of Directors to make the necessary judgments and estimates in deciding which treatment is most appropriate. The main accounting estimates and judgements used in the application of the accounting principles are discussed in this note in order to improve the understanding on how their application affects the results reported by the Bank and their disclosure.

A broad description of the main accounting principles used by the Bank is presented in Note 2 to the financial statements.

Considering that in some cases there are several alternatives to the accounting treatment chosen by Board of Directors, the results reported by the Bank could differ if a different treatment were chosen.

The Board of Directors believes that the choices made are appropriate and that the financial statements present the Bank's financial position and the results of its operations fairly in all material aspects.

3.1 . Financial instruments – IFRS 9

3.1.1. Classification and measurement
The classification and measurement of financial assets depends on the results of the SPPI test (analysis of the characteristics of the contractual cash flows, to conclude on whether they correspond only to payments of principal and interest on the principal in debt) and the business model test.

The Bank determine the business model taking into account the manner in which the groups of financial assets are managed as a whole to achieve a specific business goal. This assessment requires judgement, as the following aspects must be considered, among others: the way that asset performance is assessed; and the risks that affect the performance of the assets and how these risks are managed.

The Bank monitors the financial assets measured at amortised cost and at fair value through other comprehensive income that are derecognised before their maturity, in order to understand the reasons underlying their divestment and to determine if they are consistent with the objective of the business model defined for these assets. This monitoring is inserted within the Group's process of continuous assessment of the business model of the financial assets that remain in the portfolio, in order to determine whether it is appropriate, and if it not, whether there has been a change of the business model and consequently a pros-pective change of the classification of these financial assets.

3.1.2. Impairment losses in financial assets at amortised cost and debt instruments at fair value through other comprehensive income
The determination of the impairment losses of financial instruments involves judgements and estimates relative to the following aspects, among others:

Significant increase of credit risk
Impairment losses correspond to the expected losses in case of default over a time horizon of 12 months for assets at stage 1, or the estimated maturity if lower, and the expected losses considering the probability of occurrence of a default event any time up to the maturity date of the financial instrument for assets at stage 2 and 3. An asset is classified at stage 2 whenever there has not been a significant increase in its credit risk since its initial recognition. The Bank's assessment of the existence of a significant increase of credit risk considers qualitative and quantitative, reasonable and sustainable information.

Definition of group of assets with common credit risk features
When the expected loan losses are measured on a collective basis, the financial instruments are grouped together based on common risk features. This procedure is necessary to ensure that, in case there is a change of the credit risk features, the segmentation of the assets is reviewed. This review can give rise to the creation of new portfolios or to the transfer of the assets to existing portfolios, which better reflect their credit risk features.

Probability of default
The probability of default represents a determinant factor in the measurement of the expected loan losses. The probability of default corresponds to an estimate of the probability of default in a given period of time, which is calculated on the basis of benchmarks or through market data.

Loss given default
Corresponds to an estimated loss in a default scenario. It is based on the difference between the contractual cash flows and those that the Group expects to receive, through the cash flows generated by the customer's income or business or by the execution of the credit collateral. Loss given default is calculated based on, among other aspects, the different scenarios of recovery, historical information, market information, the costs involved in the recovery process and the estimated valuation of the collateral associated to credit operations.

3.1.3. Fair value of derivative financial instruments

Fair values are based on listed market prices if available; otherwise fair value is determined either by dealer price quotations (both for that transaction or for similar instruments traded) or by pricing models, based on net present value of estimated future cash flows which take into account market conditions, time value, yield curve and volatility factors. These methodologies may require the use of assumptions or judgements in estimating fair value. Consequently, the use of different methodologies or of different assumptions or judgements in applying a particular model could give rise to results different from those reported.

3.2. Provisions

The Bank exercises considerable judgement in the measurement and recognition of provisions. Due to the uncertainties inherent to the process of assessment, actual losses might be different from those originally estimated in the provision. These estimates are subject to changes as new information becomes available. Reviews to the estimates of these losses might affect future results.

When relevant, judgement includes assessment of the probability of a litigation having a successful outcome. Provisions are constituted when the Bank expects that the ongoing lawsuits will lead to the outflow of funds, the loss is probable and may be estimated reasonably.

3.3. Impairment Investments in Subsidiaries and Associates

The Bank tests investments in subsidiaries and associates for impairment, in accordance with the policy described in Note 2.1.1.6. The calculation of the recoverable amounts of the cash generating units involves a judgment and substantially relies on the analysis of the Management related to the future developments of the respective subsidiary. The assessment underlying the calculations that have been made uses assumptions based on the available information, both concerning the business and macro-economic environment. The variations of these assumptions can influence the results and consequent recording of impairments.

Note 4 – Net Interest Income

This heading is composed of:

(amounts in thousand euros)

	'23	'22
Interest and similar income calculated through the effective interest rate	**92,059**	**38,185**
Interest on deposits at Central Banks and credit institutions	511	1,945
Interest on financial assets at amortised cost		
Investments at credit institutions	31,113	2,248
Loans and advances to customers	23,683	5,822
Debt securities	35,581	27,950
Interest on financial assets at fair value through other comprehensive income		
Debt securities	-	34
Other interest	1,171	186
Interest and similar expenses calculated through the effective interest rate	**(17,086)**	**(1,729)**
Interest on financial liabilities at amortised cost		
Amounts owed to other credit institutions	(603)	-
Deposits from Customers	(16,397)	(493)
Interest on deposits at Banco de Portugal (assets)	-	(1,184)
Other interest	(86)	(52)
Net Interest Income	**74,973**	**36,456**

Interest and similar income calculated using the effective rate for the year ended on 31 December 2023 totalled 138 thousand euros (2022: 39 thousand euros) related to impaired financial assets (Stage 3) as at the reference date.

The heading "Interest on loans and advances to customers" includes the amount of -1,037 thousand euros (2022: -988 thousand euros) related to commissions and other expenses and income recorded according to the effective interest method, as referred in the accounting policy described in Note 2.9.

The item Interest on deposits with Banco de Portugal (assets) presented a value of 1,184 euros on 31 December 2022, representing interest expenses for amounts deposited with the Central Bank that exceed the minimum reserve requirements. From the reserve counting period beginning on 30 October 2019, the ECB has introduced the tiering regime, whereby the balance with the Central Bank in excess of the minimum cash reserves, up to a calculated maximum of 6 times the reserves, is remunerated at a rate that is the minimum between the deposit facility rate and 0%. This tiering regime ceased to apply on 27 July 2022, following the decision of the Governing Council to raise the deposit facility rate to a non-negative value. Until October 2022, the interest rate paid was linked to the interest rate on the main refinancing operations. It was then reduced to reflect the rate on the deposit facility and in July 2023 it was set at 0%.

Note 5 – Net Fee and Commission Income

This heading is composed of:

(amounts in thousand euros)

	'23	'22
Fees and commissions received	**23,505**	**23,484**
Due to banking services provided	14,420	14,498
Due to credit intermediation services	2,437	2,741
Due to insurance mediation services	6,255	6,079
Due to commitments to third parties	295	137
Due to guarantees provided	29	29
Other fees and commissions received	69	-
Fees and commissions paid	**(4,581)**	**(4,309)**
Due to banking services provided by third parties	(4,444)	(4,148)
Dues to operations with securities	(108)	(108)
Other fees and commissions paid	(29)	(53)
Net Fee and Commission Income	**18,924**	**19,175**

Income and charges for services and commissions relating to banking services provided and banking services provided by third parties, respectively, mainly relate to interbank commissions, the financial settlement of which occurs on a net basis.

Note 6 – Results from Assets and Liabilities at Fair Value Through Profit or Loss

This heading is composed of:

(amounts in thousand euros)

	'23	'22
Earnings on transactions with assets and liabilities at fair value through profit or loss	**6,491**	**1,479**
Derivatives	5,501	-
Investment fund units	990	1,479
Losses on transactions with assets and liabilities at fair value through profit or loss	**-**	**(13,113)**
Derivatives	-	(13,113)
Investment fund units	-	-
Results from Assets and Liabilities at Fair Value Through Profit or Loss	**6,491**	**(11,634)**

The fair value of the assets and liabilities at fair value through profit and loss is presented in Note 16.

Note 7 – Other Operating Income/(Expenses)

This heading is composed of:

(amounts in thousand euros)

	'23	'22
Operating income	**309**	**2,468**
Other operating income	309	2,468
Operating expenses	**(660)**	**(600)**
Levies and donations	(36)	(40)
Contributions / taxes on the banking sector	(186)	(111)
Contribution to the Single Resolution Fund	(53)	(53)
Contribution to the Resolution Fund	(32)	(38)
Annual supervisory fees (SSM)	(14)	(13)
Taxes	(172)	(178)
Annual supervisory fees (ASF)	(4)	(3)
Contribution to the Deposit Guarantee Fund	(31)	(27)
Other operating expenses	(132)	(137)
Other Operating Income/(Expenses)	**(351)**	**1,868**

The Single Supervisory Mechanism (SSM) is one of the three pillars of the Banking Union (the Single Supervisory Mechanism, the Single Resolution Mechanism and a Common System for Deposit Protection). The SSM model distinguishes between significant credit institutions (under direct supervision of the ECB) and less significant credit institutions (under indirect supervision of the ECB and direct supervision of the competent national authorities, with articulation and reporting to the ECB), based on quantitative and qualitative criteria. Banco CTT is classified as a Less Significant Entity (LSE).

The "Contribution of the banking sector" is calculated in accordance with the provisions in Law 55-A/2010, with the amount determined based on: (i) the annual average liability stated on the balance sheet, minus core own funds (Tier 1 Capital) and supplementary own funds (Tier 2 Capital) and the deposits covered by the Deposit Guarantee Fund; and (ii) the notional value of the derivative financial instruments.

The heading "Contribution to the Single Resolution Fund" refers to the ex-ante contribution to the Single Resolution Fund, under the Single Resolution Mechanism and pursuant No. 2 of article 70 of Regulation (EU) 806/2014 of the European Parliament and of the Council, of 15 July 2014.

The heading "Contribution to the Resolution Fund" corresponds to mandatory periodic contributions to the Fund, pursuant to Decree-Law 24/2013. The periodic contributions are calculated according to a basic rate applicable every year, determined by Banco de Portugal, by instruction, which can be adjusted according to the institution's risk profile, on the objective basis of assessment of these contributions. The periodic contributions are incident on the liabilities of the institutions participating in the Fund, defined under the terms of article 10 of the aforesaid Decree-Law, minus the liability items that are part of the core own funds, supplementary own funds and deposits covered by the Deposit Guarantee Fund.

In 2022, under other operating income, 1,930 thousand euros were recorded relating to the compensation owed by Universo, IME, S.A. under the agreement to terminate the Universo partnership, to be settled at the end of the partnership (it represented the present value of the amount to be settled in 2023, corresponding to 2,000 thousand euros). In 2023, the remaining 70 thousand euros were recorded to make up the 2,000 thousand euros of this compensation.

Note 8 – Staff Costs

This heading is composed of:

(amounts in thousand euros)

	'23	'22
Remuneration	12,143	10,453
Social charges on remunerations	2,846	2,455
Employees with a multiple employer arrangement	2,590	2,510
Incentives and performance bonuses	2,739	2,668
Occupational accident and disease insurance	240	145
Other costs	187	227
Staff costs	**20,745**	**18,458**

The total amount of fixed remunerations attributed to the Management and Supervisory Bodies of Banco CTT, during 2023, recorded in the heading "Remunerations", reached 1,708 thousand euros (2022: 1,652 thousand euros). During 2023, costs related to Social Security contributions of the Management and Supervisory Bodies were also paid of the value of 392 thousand euros (2022: 403 thousand euros). As at 31 December 2023, the heading "Incentives and performance bonuses" includes 469 thousand euros of bonuses attributable to the Management Bodies (2022: 1,065 thousand euros). In 2023, the Bank recorded under the heading "Other costs" 35 thousand euros of costs related to retirement savings plans attributed to Management Bodies (2022: 35 thousand euros).

The employees of the retail network are under a multiple employer arrangement, as established in article 101 of the Labour Code, accumulating positions with the CTT postal service. In 2023 the cost related to these employees shared with CTT amounted to 2,557 thousand euros (2022: 2,438 thousand euros).

In 2023 the Management Bodies were paid 870 thousand euros of variable remuneration (2022: 290 thousand euros).

On the date of the end of 2023 and 2022, the permanent staff, excluding employees under the multiple employer arrangement, distributed by major professional category, was as follows:

	'23	'22
Administration	11	12
Executive	5	5
Non-executive	6	7
of which: Audit Committee	2	3
Heads of functional areas	41	37
Technical and secretarial staff	281	244
	333	**293**

Note 9 – General Administrative Expenses

This heading is composed of:

(amounts in thousand euros)

	'23	'22
Water, electricity and fuel	125	138
Consumables	58	60
Hygiene and cleaning supplies	-	-
Rental and hire charges	94	65
Communications	1,434	1,223
Travel, hotel and representation costs	97	36
Advertising	1,796	1,725
Maintenance and related services	69	6
Training costs	154	107
Insurance	136	110
IT	10,576	9,392
Consulting and advisory services	1,750	1,511
Other specialised services	3,763	3,064
Other supplies and services	9,420	8,871
General Administrative Expenses	**29,472**	**26,308**

The heading "IT" records the costs incurred with the implementation and maintenance of information technology systems and infrastructure of the Bank.

The heading "Advertising" records the costs incurred with advertising and communication of the brand and products of Banco CTT.

The heading "Other specialised services" records the costs incurred with banking and transactional operations.

The heading "Other supplies and services" records, among others, costs related to the use of the CTT Retail Network, servicing of banking operations and use of payments networks. The cost of using the physical and technical resources of the CTT Post Office Network amounted to 4,783 thousand euros (2022: 4,697 thousand euros).

The costs incurred with services provided by the Statutory Audit Firm are as follows:

(amounts in thousand euros)

	'23	'22
Review of accounts services	211	207
Reliability assurance services	84	57
Services other than review of accounts	56	67
	351	**331**

Note 10 – Earnings per Share

Earnings per share are calculated as follows:

(amounts in thousand euros)

	'23	'22
Net income for the year (thousand euros)	17,935	14,656
Average number of shares	296,400,000	296,400,000
Basic earnings per share (euros)	0.06	0.05
Diluted earnings per share (euros)	0.06	0.05

The Bank's share capital stands at 296,400,000 euros, represented by 296,400,000 ordinary shares without nominal value, and is fully paid-up.

Basic earnings per share are calculated by dividing the net income by the weighted average number of ordinary shares in circulation during the year.

The earnings by diluted share are calculated by adjusting the effect of all the potential ordinary diluting shares to the weighted average number of ordinary shares in circulation.

As at 31 December 2023 and 2022, the Bank did not hold potential dilutive ordinary shares: hence, the diluted earnings per share are the same as the basic earnings per share.

Note 11 – Cash and Deposits at Central Banks

This heading is analysed as follows:

(amounts in thousand euros)

	'23	'22
Cash	25,380	25,486
Demand deposits at Banco de Portugal	28,626	23,247
Cash and Deposits at Central Banks	**54,006**	**48,733**

The heading "Cash" is represented by notes and coins denominated in euros.

The heading "Demand deposits at Banco de Portugal" includes mandatory deposits with a view to meeting the minimum cash reserve requirements. As at 31 December 2023, the amount of the minimum cash reserves was 28,626 thousand euros (2022: 23,186 thousand euros).

Pursuant to Regulation (UE) 1358/2011 of the European Central Bank, of 14 December 2011, the minimum cash requirements kept as demand deposits at Banco de Portugal correspond to 1% of the deposits and other liabilities.

Note 12 – Deposits at Other Credit Institutions

This heading is analysed as follows:

(amounts in thousand euros)

	'23	'22
Credit institutions in Portugal	3,287	5,517
Cheques for collection	7,758	22,493
Deposits at Other Credit Institutions	**11,045**	**28,010**

The heading "Cheques for collection" represents drawn by third parties at other credit institutions, which are pending collection.

Note 13 – Financial Assets at Amortised Cost – Investments at Credit Institutions

This heading is analysed as follows:

(amounts in thousand euros)

	'23	'22
Investments in Central Banks		
Banco de Portugal	1,260,077	450,250
Investments in other credit institutions in Portugal		
Term deposits	11,050	4,701
Loans	150,175	137,924
Impairment for investments in credit institutions	(23)	(15)
Investments at Credit Institutions	**1,421,279**	**592,860**

The heading "Investments in Central Banks" includes very short-term (overnight) deposits with Banco de Portugal. As at 31 December 2023, these investments amounted to 1,260,077 thousand euros (2022: 450,250 thousand euros).

The scheduling of this heading by maturity periods is presented as follows:

(amounts in thousand euros)

	'23	'22
Up to 3 months	1,260,688	455,573
3 to 12 months	11,400	3,656
1 to 3 years	128,554	133,646
More than 3 years	20,660	-
Investments at Credit Institutions	**1,421,302**	**592,875**

The heading "Investments at credit institutions" showed an annual average rate of 4.207% in the period (2022: 2.583%).

Impairment of investments in credit institutions for the Bank is analysed as follows:

(amounts in thousand euros)

	'23	'22
	Stage 1	*Stage 1*
Opening balance	**15**	**10**
Movement for the period:		
Financial assets originated or acquired	23	14
Variations due to change in exposure or risk parameters	-	(1)
Derecognised financial assets excluding write-offs	(15)	(8)
Impairment of investments in credit institutions	**23**	**15**

The reconciliation of the accounting movements related to impairment losses are presented below:

(amounts in thousand euros)

	'23	'22
	Stage 1	*Stage 1*
Opening balance	**15**	**10**
Movement for the period:		
Variations in expected credit loss	8	5
Impairment of investments in credit institutions	**23**	**15**

Note 14 – Financial Assets at Amortised Cost – Loans and Advances to Customers

This heading is analysed as follows:

(amounts in thousand euros)

	'23	'22
Mortgage credit	728,847	659,529
Other loans	-	42,941
Overdrafts	3,488	1,351
Outstanding loans	**732,335**	**703,821**
Overdue loans – less than 90 days	86	29
Overdue loans – more than 90 days	841	1,455
Overdue loans	**927**	**1,484**
Impairment for credit risk	**(2,211)**	**(4,353)**
Loans and Advances to Customers	**731,051**	**700,952**

As at 31 December 2022, the item Other credits in the amount of 42,941 thousand euros represents the credit granted (Liquidity Facility) to the Next Funding No.1 securitisation operation, in which Banco CTT was, at the date, the sole investor, with the purpose of acquiring receivables (credit card balances) between the interest payment dates. At each interest payment date (IPD) the Liquidity Facility balance will be settled by converting it to the value of the note (see Note 14). In December 2023, Banco CTT sold note Next Funding No.1 to Universo, IME, S.A. and, on the same date, the Liquidity Facility balance became zero. As part of the sale agreement, Banco CTT stopped granting this credit line to the aforementioned securitisation operation.

The scheduling of this heading by maturity periods is presented as follows:

(amounts in thousand euros)

'23

	At sight	Up to 3 months	3 to 12 months	1 to 3 years	More than 3 years	Overdue loans	Total
Mortgage credit	-	4,850	8,999	25,127	689,871	41	728,888
Overdrafts	3,488	-	-	-	-	886	4,374
Loans and Advances to Customers	**3,488**	**4,850**	**8,999**	**25,127**	**689,871**	**927**	**733,262**

(amounts in thousand euros)

'22

	At sight	Up to 3 months	3 to 12 months	1 to 3 years	More than 3 years	Overdue loans	Total
Mortgage credit	-	4,636	12,112	33,651	609,130	12	659,541
Other loans	42,941	-	-	-	-	-	42,941
Overdrafts	1,351	-	-	-	-	1,472	2,823
Loans and Advances to Customers	**44,292**	**4,636**	**12,112**	**33,651**	**609,130**	**1,484**	**705,305**

The distribution of this heading by type of rate is presented as follows:

(amounts in thousand euros)

	'23	'22
Fixed rate	168,950	65,974
Variable rate	564,312	639,331
Loans and Advances to Customers	**733,262**	**705,305**

The analysis of this heading by type of collateral is presented as follows:

(amounts in thousand euros)

'23

	Loans that have not yet fallen due	Overdue loans	Gross loans	Impairment	Net loans
Asset-backed loans	728,847	41	728,888	(1,419)	727,469
Unsecured loans	3,488	886	4,374	(792)	3,582
	732,335	**927**	**733,262**	**(2,211)**	**731,051**

(amounts in thousand euros)

'22

	Loans that have not yet fallen due	Overdue loans	Gross loans	Impairment	Net loans
Asset-backed loans	659,529	12	659,541	(914)	658,627
Unsecured loans	44,292	1,472	45,764	(3,439)	42,325
	703,821	**1,484**	**705,305**	**(4,353)**	**700,952**

The analysis of this heading by type of loan is presented as follows:

(amounts in thousand euros)

'23

	Loans that have not yet fallen due	Overdue loans	Gross loans	Impairment	Net loans
Mortgage credit	728,847	41	728,888	(1,419)	727,469
Overdrafts	3,488	886	4,374	(792)	3,582
	732,335	**927**	**733,262**	**(2,211)**	**731,051**

(amounts in thousand euros)

'22

	Loans that have not yet fallen due	Overdue loans	Gross loans	Impairment	Net loans
Mortgage credit	659,529	12	659,541	(914)	658,627
Other loans	42,941	-	42,941	(2,269)	40,672
Overdrafts	1,351	1,472	2,823	(1,170)	1,653
	703,821	**1,484**	**705,305**	**(4,353)**	**700,952**

The analysis of this heading by activity sector is presented as follows:

(amounts in thousand euros)

'23

	Loans that have not yet fallen due	Overdue loans	Gross loans	Impairment	Net loans
Individuals					
Mortgage	728,847	41	728,888	(1,419)	727,469
Consumer	3,488	886	4,374	(792)	3,582
	732,335	**927**	**733,262**	**(2,211)**	**731,051**

(amounts in thousand euros)

'22

	Loans that have not yet fallen due	Overdue loans	Gross loans	Impairment	Net loans
Companies					
Financial and insurance sector	42,941	-	42,941	(2,269)	40,672
Individuals					
Mortgage	659,529	12	659,541	(914)	658,627
Consumer	1,351	1,472	2,823	(1,170)	1,653
	703,821	**1,484**	**705,305**	**(4,353)**	**700,952**

The movement of credit impairment in the period is detailed as follows:

(amounts in thousand euros)

'23

	Stage 1	Stage 2	Stage 3	Total
Opening balance	**2,980**	**101**	**1,272**	**4,353**
Movement for the period:				
Financial assets originated or acquired	106	250	92	448
Variations due to change in exposure or risk parameters	(2,636)	547	(291)	(2,380)
Derecognised financial assets excluding write-offs	(131)	(8)	639	500
Write-offs	-	-	(710)	(710)
Transfers to:				
Stage 1	23	(17)	(6)	-
Stage 2	(20)	25	(5)	-
Stage 3	(3)	(50)	53	-
Other movements	-	-	-	-
Credit impairment	**319**	**848**	**1,044**	**2,211**
Of which: POCI	-	-	-	-

(amounts in thousand euros)

'22

	Stage 1	Stage 2	Stage 3	Total
Opening balance	**1,389**	**57**	**1,094**	**2,540**
Movement for the period:				
Financial assets originated or acquired	27	50	48	125
Variations due to change in exposure or risk parameters	1,618	22	162	1,802
Derecognised financial assets excluding write-offs	(63)	(9)	(36)	(108)
Write-offs	-	-	(6)	(6)
Transfers to:				
Stage 1	15	(5)	(10)	-
Stage 2	(3)	9	(6)	-
Stage 3	(3)	(23)	26	-
Other movements	-	-	-	-
Credit impairment	**2,980**	**101**	**1,272**	**4,353**
Of which: POCI	-	-	-	-

The reconciliation of the accounting movements related to impairment losses are presented below:

(amounts in thousand euros)

'23

	Stage 1	Stage 2	Stage 3	Total
Opening balance	**2,980**	**101**	**1,272**	**4,353**
Movement for the period:				
Variations in the expected credit loss of the credit portfolio	(2,661)	789	440	(1,432)
Transfers of Stage (net)	-	(42)	42	-
Write-offs	-	-	(710)	(710)
Credit impairment	**319**	**848**	**1,044**	**2,211**

(amounts in thousand euros)

'22

	Stage 1	Stage 2	Stage 3	Total
Opening balance	**1,389**	**57**	**1,094**	**2,540**
Movement for the period:				
Variations in the expected credit loss of the credit portfolio	1,582	63	174	1,819
Transfers of Stage (net)	9	(19)	10	-
Write-offs	-	-	(6)	(6)
Credit impairment	**2,980**	**101**	**1,272**	**4,353**

The credit portfolio detailed by stage as defined in IFRS 9 is presented as follows:

(amounts in thousand euros)

	'23	'22
Stage 1	**694,501**	**695,289**
Gross Value	694,820	698,269
Impairment	(319)	(2,980)
Stage 2	**33,182**	**4,964**
Gross Value	34,030	5,065
Impairment	(848)	(101)
Stage 3	**3,368**	**699**
Gross Value	4,412	1,971
Impairment	(1,044)	(1,272)
	731,051	**700,952**

Note 15 – Financial Assets at Amortised Cost – Debt Securities

This heading is analysed as follows:

(amounts in thousand euros)

	'23	'22
Public debt securities		
Portuguese	164,007	221,694
Foreign	479,974	316,218
Supranational debt securities	80,614	-
Bonds of other issuers		
Portuguese	350,211	487,458
Impairment	(224)	(17,922)
Financial Assets at Amortised Cost – Debt Securities	**1,074,582**	**1,007,448**

As at 31 December 2022, the caption Bonds of other national issuers includes 337,505 thousand euros referring to the note of the Next Funding No.1 securitisation operation.

The Next Funding No.1 operation, issued by Tagus – STC, S.A. in April 2021 and in which Banco CTT was the sole investor, has as its underlying asset the credit card balances originated by the Universo credit card issued by Sonae Financial Services. Additionally, Banco CTT granted the operation an overdraft facility (Liquidity Facility) for the sole purpose of acquiring receivables (credit card balances) between the interest payment dates (see Note 14). At each interest payment date (IPD) the Liquidity Facility balance was settled by converting it to the value of the note.

Following the termination of the partnership with Universo, in December 2023 Banco CTT sold the note to Universo, IME, S.A. and on that date ceased to have any exposure to this portfolio. In addition, the overdraft facility (Liquidity Facility) was cancelled.

The financial assets in this portfolio are managed based on a business model whose objective is the receipt of its contractual cash flows (Note 2.1.1.1).

The analysis of this heading as at 31 December 2023 and 2022, by residual maturity, is as follows:

(amounts in thousand euros)

'23

	Up to 3 months	3 to 12 months	1 to 3 years	More than 3 years	Total
Public debt securities					
Portuguese	1,762	-	18,576	143,669	164,007
Foreign	1,437	276,009	9,968	192,560	479,974
Supranational debt securities	408	80,206	-	-	80,614
Bonds of other issuers					
Portuguese	388	-	-	349,823	350,211
Financial Assets at Amortised Cost – Debt Securities	**3,995**	**356,215**	**28,544**	**686,052**	**1,074,806**

(amounts in thousand euros)

'22

	Up to 3 months	3 to 12 months	1 to 3 years	More than 3 years	Total
Public debt securities					
Portuguese	3,011	17,990	38,028	162,665	221,694
Foreign	1,462	105,938	10,027	198,791	316,218
Bonds of other issuers					
Portuguese	2,081	-	-	485,377	487,458
Financial Assets at Amortised Cost – Debt Securities	**6,554**	**123,928**	**48,055**	**846,833**	**1,025,370**

The movement of the impairment of debt securities at amortised cost is analysed as follows:

(amounts in thousand euros)

	'23	'22
	Stage 1	*Stage 1*
Opening balance	**17,922**	**6,076**
Movement for the period:		
Financial assets originated or acquired	29	27
Variations due to change in exposure or risk parameters	23	11,828
Derecognised financial assets excluding write-offs	(17,750)	(9)
Impairment of debt securities at amortised cost	**224**	**17,922**

The reconciliation of the accounting movements related to impairment losses are presented below:

(amounts in thousand euros)

	'23	'22
	Stage 1	*Stage 1*
Opening balance	**17,922**	**6,076**
Movement for the period:		
Variations in expected credit loss	12,339	11,846
Use of impairment	(30,037)	-
Impairment of debt securities at amortised cost	**224**	**17,922**

Note 16 – Financial Assets and Liabilities at Fair Value Through Profit or Loss

This heading is analysed as follows:

(amounts in thousand euros)

	'23	'22
Investment fund units	-	26,479
Real-estate Investment Funds	-	26,479
Financial Assets at Fair Value Through Profit or Loss	**-**	**26,479**
Derivatives	(13,744)	(26,345)
Financial Liabilities at Fair Value Through Profit or Loss	**(13,744)**	**(26,345)**

Derivatives represent the fair value of derivative financial instruments whose purpose is to mitigate interest rate risk.

As at 31 December 2022, the item Real Estate Investment Funds in the amount of 26,479 thousand euros refers to an investment in an open-ended real estate investment fund domiciled in Portugal, representing 10.4% of the total units issued on 31 December 2022. This position was sold during the 2023 financial year.

Associated to the derivative contracts, Banco CTT has, as at 31 December 2023, a captive amount of 25,830 thousand euros (2022: 26,040 thousand euros in cash accounts with other financial institutions as margin call, which are disclosed in the heading "Other assets" (Note 22).

The movement of the heading "Derivatives" is presented as follows:

(amounts in thousand euros)

	'23			'22		
	Notional	Fair Value		Notional	Fair Value	
		Assets	Liabilities		Assets	Liabilities
OTC Market						
Interest rate contracts						
Interest Rate Swaps						
Purchase	-	-	-	-	-	-
Sale	175,154	-	(6,380)	200,000	-	(12,810)
Interest Rate Options						
Purchase	-	-	-	-	-	-
Sale	200,576	-	(7,364)	237,003	-	(13,535)
Derivatives		**-**	**(13,744)**		**-**	**(26,345)**

The impact on the income statement of financial assets and liabilities at fair value through profit or loss is presented in Note 6.

Note 17 – Non-Current Assets Held for Sale

This heading is analysed as follows:

(amounts in thousand euros)

	'23	'22
Payshop (Portugal), S.A.	-	8,911
Non-current assets held for sale	**-**	**8,911**

Payshop (Portugal), S.A.

As part of a corporate reorganisation underway in the Group, on 8 July 2022 the Board of Directors of Banco CTT approved the sale, and its terms, to CTT – Correios de Portugal, S.A., its completion being dependent on the non-opposition of the regulator, which occurred in July 2023, and the sale was completed in August 2023.

As at 30 June 2022 the assets and liabilities of Payshop (Portugal), S.A. were reclassified to Non-current assets held for sale, as the company was being sold and was considered a "major line of business" within the Group, due to, among others, its contribution to the profit and loss account.

Note 18 – Other Tangible Assets

This heading is analysed as follows:

(amounts in thousand euros)

	'23	'22
Acquisition Cost	**7,382**	**6,098**
Real estate properties		
Works in rented properties	849	141
Equipment		
Furniture	422	389
Machinery and tools	905	793
Computer equipment	773	550
Interior installations	1	1
Security equipment	68	68
Other equipment	16	9
Rights of use		
Real estate properties	2,969	2,978
Motor vehicles	1,334	1,169
Tangible Assets in progress	45	-
Accumulated Depreciation	**(2,876)**	**(1,969)**
Related to previous years	(1,674)	(756)
Related to the current year	(1,202)	(1,213)
Other Tangible Assets	**4,506**	**4,129**

The movement of the heading "Other Tangible Assets" during 2023 is analysed as follows:

(amounts in thousand euros)

'23

	Balance on 1 January	Acquisitions / Allocations	Transfers	Divestment / Write-off	Other variations	Balance on 31 December
Acquisition cost	**6,098**	**1,598**	**-**	**(314)**	**-**	**7,382**
Real estate properties						
Works in rented properties	141	767	-	(59)	-	849
Equipment						
Furniture	389	33	-	-	-	422
Machinery and tools	793	114	-	(2)	-	905
Computer equipment	550	223	-	-	-	773
Interior installations	1	-	-	-	-	1
Security equipment	68	-	-	-	-	68
Other equipment	9	7	-	-	-	16
Rights of use						
Real estate properties	2,978	138	-	(147)	-	2,969
Motor vehicles	1,169	271	-	(106)	-	1,334
Tangible Assets in progress	-	45	-	-	-	45
Accumulated depreciation	**(1,969)**	**(1,202)**	**-**	**295**	**-**	**(2,876)**
Real estate properties						
Works in rented properties	(83)	(115)	-	59	-	(139)
Equipment						
Furniture	(347)	(14)	-	-	-	(361)
Machinery and tools	(127)	(87)	-	1	-	(213)
Computer equipment	(374)	(99)	-	-	-	(473)
Interior installations	(1)	-	-	-	-	(1)
Security equipment	(54)	(5)	-	-	-	(59)
Other equipment	(9)	(1)	-	-	-	(10)
Rights of use						
Real estate properties	(483)	(590)	-	147	-	(926)
Motor vehicles	(491)	(291)	-	88	-	(694)
Other Tangible Assets	**4,129**	**396**	**-**	**(19)**	**-**	**4,506**

The movement of the heading "Other Tangible Assets" during 2022 is analysed as follows:

(amounts in thousand euros)

'22

	Balance on 1 January	Acquisitions / Allocations	Transfers	Divestment / Write-off	Other variations	Balance on 31 December
Acquisition cost	**7,297**	**3,351**	**-**	**(4,550)**	**-**	**6,098**
Real estate properties						
Works in rented properties	102	39	-	-	-	141
Equipment						
Furniture	385	4	-	-	-	389
Machinery and tools	640	153	-	-	-	793
Computer equipment	362	188	-	-	-	550
Interior installations	1	-	-	-	-	1
Security equipment	68	-	-	-	-	68
Other equipment	9	-	-	-	-	9
Rights of use						
Real estate properties	4,812	2,653	-	(4,487)	-	2,978
Motor vehicles	918	314	-	(63)	-	1,169
Accumulated depreciation	**(2,378)**	**(1,213)**	**-**	**1,622**	**-**	**(1,969)**
Real estate properties						
Works in rented properties	(79)	(4)	-	-	-	(83)
Equipment						
Furniture	(337)	(10)	-	-	-	(347)
Machinery and tools	(88)	(39)	-	-	-	(127)
Computer equipment	(354)	(20)	-	-	-	(374)
Interior installations	(1)	-	-	-	-	(1)
Security equipment	(47)	(7)	-	-	-	(54)
Other equipment	(9)	-	-	-	-	(9)
Rights of use						
Real estate properties	(1,182)	(898)	-	1,597	-	(483)
Motor vehicles	(281)	(235)	-	25	-	(491)
Other Tangible Assets	**4,919**	**2,138**	**-**	**(2,928)**	**-**	**4,129**

Note 19 – Intangible Assets

This heading is analysed as follows:

(amounts in thousand euros)

	'23	'22
Acquisition Cost	**50,783**	**45,709**
Software in use	50,593	45,297
Other intangible assets	16	16
Software in progress	174	396
Impairment	-	-
Accumulated Amortisation	**(30,695)**	**(25,488)**
Related to previous years	(25,488)	(20,367)
Related to the current year	(5,207)	(5,121)
Intangible Assets	**20,088**	**20,221**

Intangible assets essentially include expenses with the acquisition and development of software, including the core banking system, implementation projects and their customisation.

The movement of the heading "Intangible assets" during 2023 is analysed as follows:

(amounts in thousand euros)

'23

	Balance on 1 January	Acquisitions / Allocations	Transfers	Divestment / Write-off	Balance on 31 December
Acquisition Cost	**45,709**	**5,074**	-	-	**50,783**
Software in use	45,297	-	5,296	-	50,593
Other intangible assets	16	-	-	-	16
Software in progress	396	5,074	(5,296)	-	174
Impairment	-	-	-	-	-
Accumulated amortisation	**(25,488)**	**(5,207)**	-	-	**(30,695)**
Software in use	(25,475)	(5,205)	-	-	(30,680)
Other intangible assets	(13)	(2)	-	-	(15)
Intangible Assets	**20,221**	**(133)**	-	-	**20,088**

Os movimentos da rubrica "Ativos Intangíveis" durante o ano de 2022 são analisados como segue:

(amounts in thousand euros)

'22

	Balance on 1 January	Acquisitions / Allocations	Transfers	Divestment / Write-off	Balance on 31 December
Acquisition Cost	**42,042**	**3,728**	-	**(61)**	**45,709**
Software in use	41,702	-	3,595	-	45,297
Other intangible assets	16	-	-	-	16
Software in progress	324	3,728	(3,595)	(61)	396
Impairment	**(61)**	-	-	**61**	-
Accumulated amortisation	**(20,367)**	**(5,121)**	-	-	**(25,488)**
Software in use	(20,356)	(5,119)	-	-	(25,475)
Other intangible assets	(11)	(2)	-	-	(13)
Intangible Assets	**21,614**	**(1,393)**	-	-	**20,221**

Note 20 – Investments in Subsidiaries and Associates

This heading is analysed as follows:

(amounts in thousand euros)

	'23		'22	
	Holding (%)	Book Value	Holding (%)	Book Value
321 Crédito – Instituição Financeira de Crédito, S.A. (321 Crédito)	100%	136,105	100%	148,024
Investments in Subsidiaries and Associates		**136,105**		**148,024**

Payshop (Portugal), S.A.

In the context of a corporate reorganisation underway in the Group, on 8 July 2022 the Board of Directors of Banco CTT approved the sale, and its terms, to CTT – Correios de Portugal, S.A., and its completion is still dependent on the non-opposition of the regulator, which is expected to occur during 2023.

As at 30 June 2022 the assets and liabilities of Payshop (Portugal), S.A. were reclassified to Non-current assets held for sale, as the company was being sold and was considered a "major line of business" within the Group, due to, among others, its contribution to the profit and loss account.

The financial data relative to the more important associates are presented in the following table:

(amounts in thousand euros)

	Assets		Liabilities		Equity		Net Income	
	'23	'22	'23	'22	'23	'22	'23	'22
Payshop (Portugal), S.A.	-	17,275	-	7,809	-	9,466	-	1,625
321 Crédito – Instituição Financeira de Crédito, S.A. (321 Crédito)	920,961	808,599	854,993	739,787	65,968	68,812	1,154	10,006

The detail of Investments in Subsidiaries and Associated Companies is presented as follows:

(amounts in thousand euros)

	'23	'22
Payshop (Portugal), S.A.	-	665
321 Crédito – Instituição Financeira de Crédito, S.A. (321 Crédito)	1,154	10,006
Adjustments to the Equity Method	(9,076)	18,470
Results of Investments in Subsidiaries and Associates	**(7,922)**	**29,141**

Adjustments to the equity method result mainly from the appropriation of results generated in the sphere of structured entities (securitisation vehicles) controlled by 321 Crédito, in accordance with paragraph 27 of IAS 28. Adjustments to the equity method are mainly the result of recognising the fair value of derivative financial instruments contracted by structured entities to mitigate interest rate risk.

The breakdown of the results of disposals of non-current assets held for sale is as follows:

(amounts in thousand euros)

	'23	'22
Payshop (Portugal), S.A.	2,124	-
Results of disposals of non-current assets held for sale	**2,124**	**-**

The dividends received by Banco CTT are as follows:

(amounts in euros)

	'23	'22
321 Crédito – Instituição Financeira de Crédito, S.A. (321 Crédito)	4,000,000	6,400,000

Impairment

The recoverable amount of investments in subsidiaries and associates is assessed annually or whenever there is indication of a possible loss of value. The recoverable amount is determined based on the value in use of the assets, computed using calculation methodologies supported by discounted cash flow techniques, considering the market conditions, the time value and business risks.

In order to determine the recoverable amount of its investments, impairment tests were carried out, as at 31 December 2023 and 2022, based on the following assumptions:

(amounts in thousand euros)

'23

Corporate Name	Basis of determination of recoverable amount	Explicit period for cash flows	Discount rate	Growth rate in perpetuity
321 Crédito – Instituição Financeira de Crédito, S.A.	Equity Value / DDM	10 years	10.0%	1.5%

(amounts in thousand euros)

'22

Corporate Name	Basis of determina-tion of recoverable amount	Explicit period for cash flows	Discount rate	Growth rate in perpetuity
321 Crédito – Instituição Financeira de Crédito, S.A.	*Equity Value / DDM*	10 years	10.0%	1.5%

321 Crédito – Instituição Financeira de Crédito, S.A.

Cash flows were estimated on the basis of projections of results and the evolution of activity, based on the business plan associated with the cash-generating unit, as approved by management. These projections cover a 10-year period (until 2033) which has been applied consistently since the acquisition of 321 Crédito and which, in the Management's judgement, best reflects the nature of the investment, the maturity of the portfolio and economic/interest rate cycles. The projections consider a compound annual growth rate of 4.3% of assets over this period.

The valuation was based on the Dividend Discount Model (DDM) methodology common in the banking sector. The logic of the methodology is that the investor observes two types of flows when valuing the asset, dividend/equity enhancement binomial and the value of future dividends in perpetuity. The discount rate of 10.0% (after tax) is consistent with internal benchmarks for evaluating projects and investments, and remains within the range typically used for the banking sector.

Sensitivity analyses were performed on the results of these impairment tests, namely regarding the following key assumptions: (i) reduction/increase of 0.5% in the target of the CET1 ratio or (ii) an increase of 50 points in the different discount rates used. As a result of the impairment test performed, as well as the sensitivity analyses carried out, no impairment loss was identified in the goodwill recorded on 31 December 2023.

Note 21 – Income Tax

The Bank is subject to Corporate Income Tax (IRC) and corresponding Surcharge.

Income tax (current or deferred is reflected in the net income for the year, except in cases in which the transactions that originated this tax have been reflected in other equity headings. In these situations, the corresponding tax is likewise reflected through equity, not affecting the net income for the year.

The calculation of the current tax for 2023 and 2022 was based on a nominal corporate income tax rate of 21% pursuant to Law 107-B/2003, of 31 December, and Law 2/2007, of 15 January.

Deferred tax is calculated based on the tax rates that are expected to be applicable on the date of reversal of the temporary differences, which correspond to the rates approved or substantially approved on the reporting date.

As mentioned in Note 2.7, the Bank is covered by the special regime applicable to the taxation of groups of companies (RETGS), which includes all the companies in which CTT directly or indirectly holds at least 90% of their share capital and which are simultaneously resident in Portugal and subject to corporate income tax (IRC).

Reconciliation of the Income Tax Rate

The reconciliation of the income tax rate, in the portion relative to the amount recognised through profit or loss, may be analysed as follows:

(amounts in thousand euros)

	'23	'22
Profit/(Loss) before tax	26,073	10,107
Current tax rate	21.0%	21.0%
Expected income tax	**5,475**	**2,122**
Surcharges	2,021	-
Total Expected Tax	**7,496**	**2,122**
Elimination of the equity method of accounting	1,218	(6,120)
Accruals/(deductions) for calculation purposes	467	(74)
Autonomous tax	17	17
Recorded current tax for the year	**9,198**	**(4,055)**
Recorded deferred tax	**(554)**	**205**
Recorded total tax	**8,644**	**(3,850)**
Effective Rate	**33.2%**	**-38.1%**
Effective Rate (except equity method)	**27.1%**	**20.2%**
Corrections relative to previous years	**(506)**	**(699)**
Taxes*	**8,138**	**(4,549)**

*negative values represent tax to be recovered.

Current tax

Pursuant to the accounting policy described in Note 2.7, the value related to tax is recorded as a value receivable by the shareholder CTT (see Note 24).

Deferred tax

The movement of the deferred tax assets in the period is presented as follows:

(amounts in thousand euros)

	'23	'22
Opening balance	**870**	**683**
Recognised through profit or loss	162	187
Deferred Tax Assets	**1,032**	**870**

The value of deferred tax assets as at 31 December 2023 and 2022 primarily arises from temporary differences derived from variable remunerations not deductible for tax purposes.

The movement of the deferred tax liabilities in the period is presented as follows:

(amounts in thousand euros)

	'23	'22
Opening balance	**392**	**6**
Recognised through profit or loss	(392)	392
Recognised through other reserves	-	(6)
Deferred Tax Liabilities	**-**	**392**

Tax system for impairment losses

In 2019 the Bank exercised the option to definitively adopt the tax system applicable to the impairment losses of credit institutions and other financial institutions subject to the supervision of Banco de Portugal, established by articles 2 and 3 of Law 98/2019, of 4 September, under the terms stipulated in number 1 of article 4 of this same Law, taking effect from the tax period started on 1 January 2019 (inclusively).

Special Regime applicable to the Taxation of Groups of Companies (RETGS)

The Bank and its subsidiaries – more than 75% held directly or indirectly, and for more than 1 year by the parent company CTT – are covered by the special regime applicable to the taxation of groups of companies (RETGS), which includes all the companies in which CTT directly or indirectly holds at least 75% of their share capital and which are simultaneously resident in Portugal and subject to corporate income tax (IRC). In this regard, and until 2020 inclusive, Banco CTT and its subsidiaries, eligible to application of the RETGS, receive from CTT the value relative to the tax loss which they contribute to the consolidated corporate income tax of the CTT Group and, likewise, pay to CTT the value relative to their positive contribution to the consolidated corporate income tax of the CTT Group. As of 2021, the Banco CTT Group is considered to be a "tax sub-consolidated" entity within the Regime in which CTT – Correios de Portugal, S.A. is the dominant company. In this way, Banco CTT's subsidiaries make corporate income tax (IRC) settlements to Banco CTT, and Banco CTT pays or receives the net amount determined for the Banco CTT Group to/from that dominant company. In the event that there are historical amounts receivable from CTT by the Group, any corporate income tax payments to CTT are settled through the use/reduction of the amount receivable, with effective payment only after there are no historical amounts receivable.

As at 31 December 2023 the heading "Other Assets" includes the amount of 3,663 thousand euros (31 December 2022: 12,412 thousand euros) to be received from CTT through this mechanism.

SIFIDE

Considering the history associated to this reality, the Bank started to recognise in the period to which the investments refer, an estimate of 70% of the tax credit that was submitted for certification by the competent authority (ANI – Agência Nacional de Inovação). The amount of corrections relating to previous years relates to differences in tax estimates, mainly arising from the recognition of tax credits relating to SIFIDE 2021 and 2022, amounting to 471,384 euros, which are shown below:

SIFIDE 2021

In the financial year 2021 the Group incurred R&D expenses for which it benefited – deferred in 2023 – from a Corporate Income Tax (IRC) tax credit amounting to 454,612 euros (of which 318,229 euros were recognised in results in the financial year 2022 and 136,384 euros were recognised in results in the financial year 2023).

SIFIDE 2022

In the financial year 2022 the Group incurred R&D expenses for which it will benefit – deferred in 2024 – from a Corporate Income Tax (IRC) tax credit amounting to 478,572 euros (of which 395,000 euros were recognised in results in the financial year 2023). No amounts relating to the 2022 SIFIDE have been recognised in the 2022 results.

Note 22 – Other Assets

This heading is analysed as follows:

(amounts in thousand euros)

	'23	'22
IRC RETGS	3,663	13,796
Balance against shareholder	3,663	12,412
Balance against subsidiaries	-	1,384
Operations to be cleared	2,776	1,967
Escrow accounts	26,374	26,577
Other receivables	3,831	5,472
Expenses with deferred charges	987	646
Administrative Public Sector	227	212
Values receivable from subsidiaries	17	30
Impairment of other assets	(354)	(296)
Other assets	**37,521**	**48,404**

The heading "Escrow Accounts" includes the amount of 25,830 thousand euros (2022: 26,040 thousand euros) related to amounts deposited with other financial institutions as margin calls under derivative financial instruments operations.

The heading "Other Assets" includes the amount of 3,663 thousand euros (2022: 13,796 thousand euros) under corporate income tax (IRC) resulting from the application of the Special Corporate Group Taxation Regime (RETGS), as described in Note 2.7, of which 3,663 thousand euros are amounts receivable from the dominant company CTT (2022: 12,412 thousand euros).

The item "Other debtors" mainly records the commission amounts to be received from partners, within the scope of the credit intermediation and insurance mediation activity.

The item Transactions to be settled records amounts of banking operations awaiting financial settlement.

The movement of impairment of other assets is analysed as follows:

(amounts in thousand euros)

	'23	'22
Opening balance	**296**	**293**
Allocation for the period	58	3
Reversal for the period	-	-
Uses for the period	-	-
Impairment of other assets	**354**	**296**

Note 23 – Financial Liabilities at Amortised Cost – Amounts owed to Credit Institutions

This heading is analysed as follows:

(amounts in thousand euros)

	'23	'22
Amounts owed to credit institutions in Portugal		
Demand deposits	390	15,023
Term deposits	35,052	-
Financial liabilities at Amortised Cost – Amounts owed to Credit Institutions	**35,442**	**15,023**

Note 24 – Financial Liabilities at Amortised Cost – Deposits from Customers

This heading is analysed as follows:

(amounts in thousand euros)

	'23	'22
Demand deposits	1,358,514	1,646,281
Term deposits	1,409,083	184,027
Saving accounts	338,582	452,980
Financial Liabilities at Amortised Cost – Deposits from Customers	**3,106,179**	**2,283,288**

In 2023, the average rate of return on resources from customers was 0.64% (2022: 0.02%).

The analysis of the heading "Deposits from Customers", by contractual residual maturity, is as follows:

(amounts in thousand euros)

	'23	'22
Demand deposits and saving accounts	1,697,096	2,099,260
Term deposits		
Up to 3 months	359,591	83,545
3 to 12 months	1,049,492	100,483
Financial Liabilities at Amortised Cost – Deposits from Customers	**3,106,179**	**2,283,288**

Note 25 – Provisions

This heading is analysed as follows:

(amounts in thousand euros)

	'23	'22
Provisions for other risks and charges	658	353
Provisions for commitments	154	124
Provisions	**812**	**477**

Provisions for other risks and charges were established in order to deal with contingencies related to the Bank's activity and whose payment appears to be probable.

On each reporting date, the Bank revalues the amounts recorded under this heading, so as to ensure that it reflects the best estimate of amount and probability of occurrence.

The movement of the heading "Provisions" in the period is detailed as follows::

(amounts in thousand euros)

	'23	'22
Opening balance	**477**	**429**
Transfers	-	-
Allocation for the period	644	384
Reversal for the period	(117)	(256)
Uses for the period	(192)	(80)
Provisions	**812**	**477**

Note 26 – Other Liabilities

This heading is analysed as follows:

(amounts in thousand euros)

	'23	'22
IRC RETGS	2,927	-
Payables		
Suppliers	4,583	3,561
Related parties	1,147	1,185
Other payables	3	2
Staff costs	5,446	5,207
Operations to be cleared	46,571	43,031
Administrative Public Sector	870	676
Deferred income	486	311
Lease liabilities	2,807	3,283
Other Liabilities	**64,840**	**57,256**

The heading "Operations to be cleared" primarily records the balance of banking operations pending financial settlement.

The heading "Lease liabilities" corresponds to the lease liabilities recognised under IFRS 16, as described in accounting policy 2.8.

Note 27 – Share Capital

The share capital stands at 296,400,000 euros, represented by 296,400,000 ordinary shares without nominal value, and is fully underwritten and paid-up.

As at 31 December 2023, the Bank's share capital is 100% held by CTT – Correios de Portugal, S.A. (public company).

Note 28 – Fair Value Reserves, Other Reserves and Retained Earnings

This heading is analysed as follows:

(amounts in thousand euros)

	'23	'22
Fair Value Reserves		
Other financial assets at fair value through other comprehensive income	-	-
Legal reserves	3,037	1,571
Other reserves	(344)	(347)
of which: equity method	410	407
Retained earnings	(46,830)	(60,020)
Reserves and Retained Earnings	**(44,137)**	**(58,796)**

Note 29 – Guarantees and Other Commitments

This heading is analysed as follows:

(amounts in thousand euros)

	'23	'22
Guarantees provided	44,036	46,674
Guarantees received	1,416,969	1,204,263
Commitments to third parties		
Revocable commitments		
Credit lines	62,763	33,759
Irrevocable commitments		
Credit lines	24,852	30,620
Commitments from third parties		
Revocable commitments		
Credit lines	23,492	22,575

The amount recorded as Guarantees Provided primarily includes securities given as collateral to secure the settlement of interbank operations.

The amount recorded as Guarantees Received primarily includes securities given as collateral to secure the settlement of interbank operations.

The revocable and irrevocable commitments present contractual agreements for granting credit to the Bank's customers (for example unused credit lines) which, generally speaking, are contracted for fixed periods or with other expiry requirements. Substantially all the credit granting commitments in force require the customers to maintain certain requirements observed at the time the loans were granted.

As at 31 December 2022, the item irrevocable commitments assumed by Banco CTT includes the credit line granted to the Next Funding No.1 securitisation operation in the amount of 15,059 thousand euros (see Note 14). This credit line was cancelled in December 2023 following the sale of note Next Funding No.1 (see Note 15) and the termination of the partnership with Universo, IME, S.A..

Notwithstanding the particularities of these commitments, the appraisal of these operations follows the same basic principles of any other commercial operation, namely the principle of the customer's solvency, where the Bank requires that these operations should be duly collateralised when necessary. As it is expected that some of them shall expire without having been used, the indicated amounts do not necessarily represent future cash needs.

Provisions for commitments made to third parties are disclosed in Note 25.

Note 30 – Transactions with Related Parties

All the business and operations carried out by the Bank with related parties are cumulatively concluded under normal market conditions for similar operations and are part of the Bank's current activity.

For all due purposes, the concept of related parties is provided in Chapter 4 of the Banco CTT Group's Policy on Transactions with Related Parties (which refers to the provisions of IAS 24, the RGICSF and Banco de Portugal Notice 3/2020), available for consultation at https://www.bancoctt.pt/sobre-o-banco-ctt/governo-da-sociedade/estatutos-e-regulamentos.

As at 31 December 2023, the value of the Bank's transactions with related parties, as well as the respective costs and income recognised for the year, were as follows:

(amounts in thousand euros)

'23

	Balance Sheet		Income Statement	
	Assets	Liabilities	Operating costs	Operating income
CTT – Correios de Portugal, S.A.	4,181	11,932	5,972	176
CTT Expresso – Serviços Postais e Logística, S.A.	-	9	94	-
NewSpring, S.A.	331	78	78	-
Wolfspring, ACE	-	-	117	-
Payshop (Portugal), S.A.	-	4,162	-	75
321 Crédito, S.A.	149,231	38,580	603	6,903
Chaves Funding No.8	350,211	-	-	9,919
Next Funding No.1	-	-	-	18,145
	503,954	**54,761**	**6,864**	**35,218**

The value of liabilities against CTT – Correios de Portugal S.A. includes 11,055 thousand euros of bank deposits.

As at 31 December 2022, the value of the Bank's transactions with related parties, as well as the respective costs and income recognised for the year, were as follows:

(amounts in thousand euros)

'22

	Balance Sheet		Income Statement	
	Assets	Liabilities	Operating costs	Operating income
CTT – Correios de Portugal, S.A.	12,976	36,061	6,306	220
CTT Expresso – Serviços Postais e Logística, S.A.	-	9	82	-
CTT Contacto, S.A.	-	-	-	-
NewSpring, S.A.	53	83	11	-
Payshop (Portugal), S.A.	289	2,896	-	130
321 Crédito, S.A.	133,793	15,200	-	2,181
Chaves Funding No.8	149,954	-	-	2,575
Next Funding No.1	380,446	-	-	19,510
	677,511	**54,249**	**6,399**	**24,616**

The value of liabilities against CTT – Correios de Portugal S.A. includes 35,062 thousand euros of bank deposits.

As at 31 December 2023, the value of the deposits placed by the members of the Corporate Bodies at the Bank amounted to 154 thousand euros (2022: 303 thousand euros).

Note 31 – Fair Value

The fair value of the financial assets and liabilities, as at 31 December 2023, is analysed as follows

(amounts in thousand euros)

'23

	At fair value through profit or loss	At fair value through reserves	Amortised cost	Book value	Fair Value
Cash and deposits at central banks	-	-	54,006	54,006	54,006
Deposits at other credit institutions	-	-	11,045	11,045	11,045
Financial assets at amortised cost					
Investments at credit institutions	-	-	1,421,279	1,421,279	1,421,279
Loans and advances to customers	-	-	731,051	731,051	731,141
Debt securities	-	-	1,074,582	1,074,582	1,045,177
Bonds issued by public entities	-	-	643,889	643,889	614,469
Supranational debt securities	-	-	80,609	80,609	80,624
Bonds of other issuers	-	-	350,084	350,084	350,084
Financial assets at fair value through profit or loss					
Investment fund units	-	-	-	-	-
Financial assets at fair value through other comprehensive income					
Debt securities	-	-	-	-	-
Bonds issued by public entities	-	-	-	-	-
Bonds of other issuers	-	-	-	-	-
Other (financial) assets	-	-	30,038	30,038	29,548
Financial Assets	**-**	**-**	**3,322,001**	**3,322,001**	**3,292,196**
Financial liabilities at fair value through profit or loss					
Derivatives	13,744	-	-	13,744	13,744
Financial liabilities at amortised cost					
Amounts owed to other credit institutions	-	-	35,442	35,442	35,442
Deposits from Customers	-	-	3,106,179	3,106,179	3,106,179
Other liabilities (financial)	-	-	2,927	2,927	2,536
Financial liabilities	**13,744**	**-**	**3,144,548**	**3,158,292**	**3,157,901**

The fair value of the financial assets and liabilities, as at 31 December 2022, is analysed as follows:

(amounts in thousand euros)

'22

	At fair value through profit or loss	At fair value through reserves	Amortised cost	Book value	Fair Value
Cash and deposits at central banks	-	-	48,733	48,733	48,733
Deposits at other credit institutions	-	-	28,010	28,010	28,010
Financial assets at amortised cost					
Investments at credit institutions	-	-	592,860	592,860	592,860
Loans and advances to customers	-	-	700,952	700,952	701,073
Debt securities	-	-	1,007,448	1,007,448	953,183
Bonds issued by public entities	-	-	537,781	537,781	483,516
Bonds of other issuers	-	-	469,667	469,667	469,667
Financial assets at fair value through profit or loss					
Investment fund units	26,479	-	-	26,479	26,479
Financial assets at fair value through other comprehensive income					
Debt securities	-	-	-	-	-
Bonds issued by public entities	-	-	-	-	-
Bonds of other issuers	-	-	-	-	-
Other (financial) assets	-	-	40,374	40,374	41,360
Financial Assets	**26,479**	**-**	**2,418,377**	**2,444,856**	**2,391,698**
Financial liabilities at fair value through profit or loss					
Derivatives	26,345	-	-	26,345	26,345
Financial liabilities at amortised cost					
Amounts owed to other credit institutions	-	-	15,023	15,023	15,023
Deposits from Customers	-	-	2,283,288	2,283,288	2,283,288
Financial liabilities	**26,345**	**-**	**2,298,311**	**2,324,656**	**2,324,656**

Fair value is based on market prices, whenever these are available. If market prices are not available, fair value is estimated through internal models based on discounted cash flow methods. The generation of cash flow of the different instruments is based on their financial characteristics, and the discount rates used incorporate both the market interest rate curve and the current risk levels of the respective issuer.

Therefore, the fair value obtained is influenced by the parameters used in the evaluation model, which necessarily incorporate some degree of subjectivity, and exclusively reflects the value attributed to the different financial instruments.

The Bank uses the following fair value hierarchy, with three levels in the valuation of financial instruments (assets or liabilities), which reflect the level of judgement, the observability of the data, and the importance of the parameters applied in the determination of the assessment of the fair value of the financial instrument, pursuant to IFRS 13:

Nível 1: Fair value is determined based on unadjusted listed prices, captured in transactions in active markets involving financial instruments similar to the instruments to be assessed. Where there is more than one active market for the same financial instrument, the relevant price is that prevailing in the main market of the instrument, or the most advantageous market to which there is access;
Nível 2: Fair value is calculated through valuation techniques based on observable data in active markets, whether direct data (prices, rates, spreads, etc.) or indirect data (derivatives), and valuation assumptions similar to those that a non-related party would use to estimate the fair value of the same financial instrument. This also includes instruments whose valuation is obtained through listed prices disclosed by independent entities, but whose markets show less liquidity; and
Nível 3: Fair value is determined based on data not observable in active markets, using techniques and assumptions that the market participants would use to assess the same instruments, including hypotheses about the inherent risks, the assessment method and inputs used, entailing process of review of the accuracy of the values obtained in this manner.

The Bank considers a market active for a particular financial instrument, on the measurement date, according to the turnover and liquidity of the operations carried out, the relative volatility of the listed prices, and the promptness and availability of the information, where the following minimum conditions must be met:

- Existence of frequent daily prices of trading in the last year;
- The prices mentioned above change regularly;
- Existence of enforceable prices of more than one entity.

A parameter used in the valuation method is considered to be observable market data if the following conditions are met:

- If its value is determined in an active market;
- If there is an OTC market and it is reasonable to assume that active market conditions are met, except for the condition of trading volumes; and,
- The value of the parameter can be obtained by the inverse calculation of the prices of the financial instruments and/or derivatives where all the other parameters required for the initial assessment are observable in a liquid market or OTC market that complies with the previous paragraphs.

The table below summarises, by valuation levels, the fair value of the financial assets and liabilities, as at 31 December 2023:

(amounts in thousand euros)

'23

	Valuation methods			
	Level 1	Level 2	Level 3	Total
Cash and deposits at central banks	54,006	-	-	54,006
Deposits at other credit institutions	11,045	-	-	11,045
Financial assets at amortised cost				
Investments at credit institutions	-	-	1,421,279	1,421,279
Loans and advances to customers	-	-	731,141	731,141
Debt securities	695,093	-	350,084	1,045,177
Bonds issued by public entities	614,469	-	-	614,469
Supranational debt securities	80,624	-	-	80,624
Bonds of other issuers	-	-	350,084	350,084
Financial assets at fair value through profit or loss				
Investment fund units	-	-	-	-
Financial assets at fair value through other comprehensive income				
Debt securities	-	-	-	-
Bonds issued by public entities	-	-	-	-
Bonds of other issuers	-	-	-	-
Other (financial) assets	-	-	29,548	29,548
Financial Assets	**760,144**	**-**	**2,532,052**	**3,292,196**
Financial liabilities at fair value through profit or loss				
Derivatives	-	-	13,744	13,744
Financial liabilities at amortised cost				
Amounts owed to other credit institutions	-	-	35,442	35,442
Deposits from Customers	-	-	3,106,179	3,106,179
Other liabilities (financial)	-	-	2,536	2,536
Financial liabilities	**-**	**-**	**3,157,901**	**3,157,901**

Sensitivity analysis

The item Loans and advances to customers which, as at 31 December 2023, has a fair value of 731,141 thousand euros has a sensitivity of -4,397 thousand euros and +4,619 thousand euros for an interest rate change of -10% and +10%, respectively.

The item Loans and advances to customers which, as at 31 December 2022, has a fair value of 701,073 thousand euros has a sensitivity of -5,933 thousand euros and +6,255 thousand euros for an interest rate change of -10% and +10%, respectively.

The table below summarises, by valuation levels, the fair value of the financial assets and liabilities, as at 31 December 2022:

(amounts in thousand euros)

'22	Valuation methods			
	Level 1	Level 2	Level 3	Total
Cash and deposits at central banks	48,733	-	-	48,733
Deposits at other credit institutions	28,010	-	-	28,010
Financial assets at amortised cost				
Investments at credit institutions	-	-	592,860	592,860
Loans and advances to customers	-	-	701,073	701,073
Debt securities	483,516	-	469,667	953,183
Bonds issued by public entities	483,516	-	-	483,516
Bonds of other issuers	-	-	469,667	469,667
Financial assets at fair value through profit or loss				
Investment fund units	-	-	26,479	26,479
Financial assets at fair value through other comprehensive income				
Debt securities	-	-	-	-
Bonds issued by public entities	-	-	-	-
Bonds of other issuers	-	-	-	-
Other (financial) assets	-	-	41,360	41,360
Financial Assets	**560,259**	**-**	**1,831,439**	**2,391,698**
Financial liabilities at fair value through profit or loss				
Derivatives	-	-	26,345	26,345
Financial liabilities at amortised cost				
Amounts owed to other credit institutions	-	-	15,023	15,023
Deposits from Customers	-	-	2,283,288	2,283,288
Financial liabilities	**-**	**-**	**2,324,656**	**2,324,656**

Sensitivity analysis

The item Loans and advances to customers which, as at 31 December 2022, has a fair value of 701,073 thousand euros has a sensitivity of -5,933 thousand euros and +6,255 thousand euros for an interest rate change of -10% and +10%, respectively.

The main methods and assumptions used to estimate the fair value of the financial assets and liabilities recorded in the balanced sheet are analysed as follows:

Cash and deposits at Central Banks, Deposits at other credit institutions and Investments at Central Banks and at other credit institutions

These financial instruments are very short-term and therefore their book value is a reasonable estimate of their fair value.

Investment securities measured at amortised cost

The fair value of these financial instruments is based on market prices, when available. If market prices do not exist, their fair value is estimated based on the expected future principal and interest cash flows for these instruments.

Loans and Advances to Customers

Loans and advances to customers with defined maturity date
Fair value is calculated by discounting, at the average rates of the production of December, the expected cash flows throughout the life of the contracts considering the historical pre-payment rates.

Loans and advances to customers without defined maturity date (bank overdrafts)
Considering the short-term nature of this type of instrument, the conditions of this portfolio are similar to those prevailing at the reporting date, and so its book value is considered a reasonable estimate of its fair value.

Financial assets at fair value through profit or loss (except derivatives)

These financial assets are accounted for at fair value. Fair value is based on market prices, when available. If these are not available, the calculation of the fair value is based on i) the use of numerical models, namely discounted cash flows of expected future capital and interest for these instruments or ii) the Net Asset Value (NAV) provided by the fund management companies.

Financial assets at fair value through profit or loss (Derivatives)

All derivatives are accounted for at their fair value. In the case of those that are quoted on organised markets, the respective market price is used. In the case of over-the-counter (OTC) derivatives, numerical models based on discounted cash flow techniques and option valuation models considering market and other variables are applied.

Financial assets at fair value through other comprehensive income

The fair value of these instruments is estimated based on market prices, when available. If market prices do not exist, their fair value is estimated based on the expected future principal and interest cash flows for these instruments.

Amounts Owed to Central Banks and Other Credit Institutions

These financial instruments are very short-term and therefore their book value is a reasonable estimate of their fair value.

Deposits from Customers

The fair value of these financial instruments is estimated based on the discounted expected principal and interest cash flows. The discount rate used is that which reflects the rates applied for deposits with similar features on the reporting date. Considering that the applicable interest rates are renewed for periods less than one year, there are no materially relevant differences in their fair value.

Debt securities issued

The fair value of these instruments is estimated based on market prices, when available. If market prices do not exist, their fair value is estimated based on the expected future principal and interest cash flows for these instruments.

Note 32 – Risk Management

The Bank is exposed to various risks during the course of its business activity.

The Bank's Policy on Risk Management and Internal Control aims to ensure the effective application of the risk management system, through the ongoing follow-up of its adequacy and efficacy, seeking to identify, assess, monitor and control all the materially relevant risks to which the institution is exposed, both internally and externally.

In this context, it is important to monitor and control the main types of financial risks – credit, liquidity, interest rate, market and operational – faced by the Bank's activity.

Credit Risk

Credit risk reflects the degree of uncertainty of the expected returns, due to the inability either of the borrower, or of the counterpart of a contract, to comply with the respective obligations.

At the Bank, credit risk management includes the identification, measurement, assessment and monitoring of the different credit exposures, ensuring risk management throughout the successive phases of the life of the credit process.

The monitoring and follow-up of credit risk, in particular with respect to the evolution of credit exposures and monitoring of losses, is regularly conducted by the Risk Department and by the Capital, Risk and Sustainability Committee.

The biggest *driver* of the Bank's credit risk is the mortgage lending product. As at 31 December 2023, the exposure (net of impairment and including off-balance sheet exposures) to this product was in the amount of 727,484 thousand euros (658,628 as at 31 December 2022).

The Bank is currently exposed to credit risk in other areas of its business activity. In particular, with regard to investments and deposits in other credit institutions (counterparty risk), sovereign debt securities issued by Euro Area countries.

In order to mitigate credit risk, the lending operations have associated collateral, namely mortgages. Except in situations of default, the Bank, under its activity, does not have permission to sell or pledge this collateral. The fair value of this collateral is determined as at the date of the granting of the loan, with its value being checked periodically.

The acceptance of collateral to secure credit operations requires the need to define and implement techniques to mitigate the risks to which this collateral is exposed. Thus, and as an approach to this matter, the Bank has stipulated a series of procedures applicable to collateral (namely real estate properties), that hedge, among others, the volatility of the value of the collateral.

The gross value of the loans and respective fair value of the collateral, limited to the value of the associated loan, are presented below:

(amounts in thousand euros)

	'23		'22	
	Loans and advances to customers	Fair value of the collateral	Loans and advances to customers	Fair value of the collateral
Mortgage loans	728,888	1,350,180	659,541	1,128,546
Other	4,374	-	45,764	-
	733,262	**1,350,180**	**705,305**	**1,128,546**

The following table presents information on the Bank's exposures to credit risk (net of impairment and including off-balance sheet exposures) as at 31 December 2023 and 31 December 2022:

(amounts in thousand euros)

	'23	'22
Central Authorities or Central Banks	1,932,600	1,011,291
Regional governments or local authorities	-	-
Multilateral development banks	9,854	-
International organisations	70,757	-
Credit institutions	245,469	219,347
Companies	-	375,445
Retail customers	13,008	6,991
Loans secured by immovable assets	741,966	668,746
Non-performing loans	3,412	681
Collective investment undertakings (CIUs)	-	31,962
Shares	136,105	156,935
Other items	57,692	63,922
Risk Headings	**3,210,863**	**2,535,320**

The information on the risk headings (including off-balance sheet) as at 31 December 2023 and 31 December 2022 is detailed as follows:

(amounts in thousand euros)

	'23			'22		
	Gross Value	Impairment	Net value	Gross Value	Impairment	Net value
Sight deposits and investments	1,288,703	-	1,288,703	473,511	-	473,511
Other financial assets at fair value through other comprehensive income	-	-	-	-	-	-
Investment securities measured at amortised cost	643,981	(84)	643,897	537,912	(132)	537,780
Central Authorities or Central Banks	**1,932,684**	**(84)**	**1,932,600**	**1,011,423**	**(132)**	**1,011,291**

(amounts in thousand euros)

	'23			'22		
	Gross Value	Impairment	Net value	Gross Value	Impairment	Net value
Investment securities measured at amortised cost	9,855	(1)	9,854	-	-	-
Multilateral development banks	**9,855**	**(1)**	**9,854**	**-**	**-**	**-**

(amounts in thousand euros)

	'23			'22		
	Gross Value	Impairment	Net value	Gross Value	Impairment	Net value
Investment securities measured at amortised cost	70,760	(3)	70,757	-	-	-
International organisations	**70,760**	**(3)**	**70,757**	**-**	**-**	**-**

(amounts in thousand euros)

	'23			'22		
	Gross Value	Impairment	Net value	Gross Value	Impairment	Net value
Demand deposits	11,045	-	11,045	28,010	-	28,010
Investments at financial institutions	214,225	(21)	214,204	170,625	(15)	170,610
Derivatives	18,282	-	18,282	-	-	-
Other	1,938	-	1,938	20,727	-	20,727
Credit institutions	**245,490**	**(21)**	**245,469**	**219,362**	**(15)**	**219,347**

(amounts in thousand euros)

	'23			'22		
	Gross Value	Impairment	Net value	Gross Value	Impairment	Net value
Investment securities measured at amortised cost	-	-	-	395,505	(20,060)	375,445
Companies	**-**	**-**	**-**	**395,505**	**(20,060)**	**375,445**

(amounts in thousand euros)

	'23			'22		
	Gross Value	Impairment	Net value	Gross Value	Impairment	Net value
Loans and advances to customers	13,187	(179)	13,008	7,068	(77)	6,991
Retail customers	**13,187**	**(179)**	**13,008**	**7,068**	**(77)**	**6,991**

(amounts in thousand euros)

	'23			'22		
	Gross Value	Impairment	Net value	Gross Value	Impairment	Net value
Loans and advances to customers	742,949	(983)	741,966	669,525	(779)	668,746
Loans secured by immovable assets	**742,949**	**(983)**	**741,966**	**669,525**	**(779)**	**668,746**

(amounts in thousand euros)

	'23			'22		
	Gross Value	Impairment	Net value	Gross Value	Impairment	Net value
Loans and advances to customers	4,386	(974)	3,412	1,971	(1,290)	681
Non-performing loans	**4,386**	**(974)**	**3,412**	**1,971**	**(1,290)**	**681**

(amounts in thousand euros)

	'23			'22		
	Gross Value	Impairment	Net value	Gross Value	Impairment	Net value
Financial assets at fair value through profit or loss	-	-	-	31,962	-	31,962
Collective investment undertakings (CIUs)	**-**	**-**	**-**	**31,962**	**-**	**31,962**

The exposure to public debt, net of impairment, of eurozone countries is detailed as follows:

(amounts in thousand euros)

	'23			'22		
	Other financial assets at fair value through other comprehensive income	Investment securities measured at amortised cost	Total	Other financial assets at fair value through other comprehensive income	Investment securities measured at amortised cost	Total
Portugal	-	163,979	163,979	-	221,627	221,627
Spain	-	167,623	167,623	-	106,421	106,421
Italy	-	105,595	105,595	-	109,840	109,840
France	-	169,893	169,893	-	99,892	99,892
Germany	-	36,799	36,799	-	-	-
	-	**643,889**	**643,889**	**-**	**537,780**	**537,780**

The analysis of the portfolio of financial assets by stages is presented as follows:

(amounts in thousand euros)

	'23				'22			
	Stage 1	*Stage 2*	*Stage 3*	Total	*Stage 1*	*Stage 2*	*Stage 3*	Total
Deposits at Central Banks and other credit institu-tions	39,671	-	-	39,671	51,257	-	-	51,257
Impairment losses	-	-	-	-	-	-	-	-
Net value	**39,671**	**-**	**-**	**39,671**	**51,257**	**-**	**-**	**51,257**
Financial assets at amortised cost – Investments at credit institutions	1,421,302	-	-	1,421,302	592,875	-	-	592,875
Impairment losses	(23)	-	-	(23)	(15)	-	-	(15)
Net value	**1,421,279**	**-**	**-**	**1,421,279**	**592,860**	**-**	**-**	**592,860**
Financial assets at amortised cost – Debt securities	1,074,806	-	-	1,074,806	1,025,370	-	-	1,025,370
Impairment losses	(224)	-	-	(224)	(17,922)	-	-	(17,922)
Net value	**1,074,582**	**-**	**-**	**1,074,582**	**1,007,448**	**-**	**-**	**1,007,448**
Financial assets at amortised cost – Loans and advances to customers	694,820	34,030	4,412	733,262	698,269	5,065	1,971	705,305
Impairment losses	(319)	(848)	(1,044)	(2,211)	(2,980)	(101)	(1,272)	(4,353)
Net value	**694,501**	**33,182**	**3,368**	**731,051**	**695,289**	**4,964**	**699**	**700,952**

Liquidity Risk

Liquidity risk reflects the possibility of significant losses being incurred as a result of deterioration of funding conditions (funding risk) and/or sale of assets for less than their market value (market liquidity risk).

Overall, the liquidity risk management strategy is entrusted to the Board of Directors, which delegates it to the Executive Committee, and is carried out by the Treasury Department, based on constant vigilance of exposure indicators, being closely monitored by the Capital, Risk and Sustainability Committee.

The Capital, Risk and Sustainability Committee is responsible for controlling liquidity risk exposure, by analysing liquidity positions and assessing their conformity with the applicable regulatory rules and limitations, as well as with the goals and guidelines defined by Banco CTT.

The liquidity risk of Banco CTT is assessed through regulatory indicators defined by the supervision authorities, as well as through other internal metrics.

As at 31 December 2023, the assets and liabilities by residual and contractual maturity are analysed as follows:

(amounts in thousand euros)

'23	At sight	Up to 3 months	3 to 12 months	1 to 3 years	More than 3 years	Undetermined maturity	Total
Assets							
Cash and deposits at central banks	54,006	-	-	-	-	-	54,006
Deposits at other credit institutions	11,045	-	-	-	-	-	11,045
Financial assets at amortised cost							
Investments at credit institutions	-	1,260,688	11,400	128,554	20,660	-	1,421,302
Loans and advances to customers	3,488	4,850	8,999	25,127	689,871	927	733,262
Debt securities	-	3,995	356,215	28,544	686,052	-	1,074,806
Financial assets at fair value through profit or loss							
Investment fund units	-	-	-	-	-	-	-
Financial assets at fair value through other comprehensive income							
Debt securities	-	-	-	-	-	-	-
Total Assets	**68,539**	**1,269,533**	**376,614**	**182,225**	**1,396,583**	**927**	**3,294,421**
Liabilities							
Financial liabilities at fair value through profit or loss							
Derivatives	-	-	-	-	13,744	-	13,744
Financial liabilities at amortised cost							
Amounts owed to other credit institutions	390	35,052	-	-	-	-	35,442
Deposits from Customers	1,697,096	359,591	1,049,492	-	-	-	3,106,179
Total Liabilities	**1,697,486**	**394,643**	**1,049,492**	**-**	**13,744**	**-**	**3,155,365**
Gap (Assets-Liabilities)	**(1,628,947)**	**874,890**	**(672,878)**	**182,225**	**1,382,839**	**927**	**139,056**
Accumulated Gap	**(1,628,947)**	**(754,057)**	**(1,426,935)**	**(1,244,710)**	**138,129**	**139,056**	

As at 31 December 2022, the assets and liabilities by residual and contractual maturity are analysed as follows:

(amounts in thousand euros)

'22

	At sight	Up to 3 months	3 to 12 months	1 to 3 years	More than 3 years	Undetermined maturity	Total
Assets							
Cash and deposits at central banks	48,733	-	-	-	-	-	48,733
Deposits at other credit institutions	28,010	-	-	-	-	-	28,010
Financial assets at amortised cost							
Investments at credit institutions	-	455,573	3,656	133,646	-	-	592,875
Loans and advances to customers	44,292	4,636	12,112	33,651	609,130	1,484	705,305
Debt securities	-	6,554	123,928	48,055	846,833	-	1,025,370
Financial assets at fair value through profit or loss							
Investment fund units	-	-	-	-	-	26,479	26,479
Financial assets at fair value through other comprehensive income							
Debt securities	-	-	-	-	-	-	-
Total Assets	**121,035**	**466,763**	**139,696**	**215,352**	**1,455,963**	**27,963**	**2,426,772**
Liabilities							
Financial liabilities at fair value through profit or loss							
Derivatives	-	-	-	-	26,345	-	26,345
Financial liabilities at amortised cost							
Amounts owed to other credit institutions	15,023	-	-	-	-	-	15,023
Deposits from Customers	2,099,260	83,545	100,483	-	-	-	2,283,288
Total Liabilities	**2,114,283**	**83,545**	**100,483**	**-**	**26,345**	**-**	**2,324,656**
Gap (Assets-Liabilities)	**(1,993,248)**	**383,218**	**39,213**	**215,352**	**1,429,618**	**27,963**	**102,116**
Accumulated Gap	**(1,993,248)**	**(1,610,030)**	**(1,570,817)**	**(1,355,465)**	**74,153**	**102,116**	

Furthermore, under the periodic monitoring of the liquidity situation, the Bank calculates the liquidity mismatch, Additional Liquidity Monitoring Metrics (ALMM), pursuant to the addenda issued in 2018 to Regulation (EU) 680/2014 of the Commission.

ALMM takes into account all the contracted outflows and inflows and uses a maturity ladder which enables confirming the existence or not of the liquidity mismatch of Banco CTT, and also enables knowing its capacity to counterbalance any liquidity mismatch.

The liquidity mismatch is calculated for various timeframes, from overnight up to more than five years, taking into account the asset, liability and off-balance sheet positions with expected and estimated financial flows that are scheduled according to the corresponding residual maturities or inflow/outflow date of the monetary flow.

As at 31 December 2023, the ALMM showed a positive liquidity mismatch (difference between contracted outflows and inflows) of 227,159 thousand euros (2022: 261,695 thousand euros).

Interest Rate Risk

Interest Rate Risk refers to losses arising from the impact that interest rate fluctuations have on balance sheet or off-balance sheet items that are sensitive.

As at 31 December 2023, one of the main instruments in the monitoring of balance sheet interest rate risk is based on the recent Banco de Portugal Instruction 34/2018. This model groups variation-sensitive assets and liabilities into 19 fixed timeframes (maturity dates or date of first review of interest rates, when indexed), from which a potential impact on economic value is calculated. Economic value is calculated by the sum of the net present value of the discounted cash flows. This discount is based on an interest rate curve not subject to any type of shock, in which, for discount purposes, the average periods of the timeframes are assumed. As presented in the table below, the two standard scenarios that correspond to a positive and negative shock of 200 basis points are applied to the baseline scenario.

As at 31 December 2023, the distribution of assets, liabilities and off-balance sheet items sensitive to the interest rate, according to the 19 timeframes and respective impact on economic value, are as follows:

(amounts in thousand euros)

'23

Timeframe	Assets	Liabilities	Off-Balance Sheet	Net Position	Economic Value Delta (+200 bps)	Economic Value Delta (-200 bps)
At sight	1,512,098	501,187	(35,343)	975,568	(52)	53
At sight – 1 month	83,462	225,075	(146,440)	(288,053)	244	(249)
1 – 3 months	133,818	273,805	14,982	(125,005)	394	(403)
3 – 6 months	201,285	447,995	17,996	(228,714)	1,606	(1,649)
6 – 9 months	191,770	413,147	15,954	(205,423)	2,378	(2,454)
9 – 12 months	373,666	427,674	14,819	(39,189)	630	(653)
1 – 1.5 years	193,561	87,073	24,218	130,706	(2,968)	3,100
1.5 – 2 years	153,093	87,107	22,188	88,174	(2,765)	2,917
2 – 3 years	103,500	129,597	30,411	4,314	(189)	202
3 – 4 years	119,631	107,475	19,689	31,845	(1,895)	2,069
4 – 5 years	113,954	90,640	12,390	35,704	(2,646)	2,945
5 – 6 years	92,063	77,181	7,323	22,205	(1,945)	2,208
6 – 7 years	83,864	66,135	4,053	21,782	(2,178)	2,521
7 – 8 years	64,957	57,024	1,782	9,715	(1,082)	1,277
8 – 9 years	87,541	50,850	112	36,803	(4,480)	5,392
9 – 10 years	44,562	46,538	34	(1,942)	255	(312)
10 – 15 years	69,651	153,130	109	(83,370)	12,862	(16,733)
15 – 20 years	5,150	-	116	5,266	(953)	1,367
> 20 years	2,827	-	228	3,055	(628)	1,044
Total	**3,630,453**	**3,241,633**	**4,621**	**393,441**	**(3,412)**	**2,642**

As at 31 December 2022, the distribution of assets, liabilities and off-balance sheet items sensitive to the interest rate, according to the 19 timeframes and respective impact on economic value, are as follows:

(amounts in thousand euros)

'22

Timeframe	Assets	Liabilities	Off-Balance Sheet	Net Position	Economic Value Delta (+200 bps)	Economic Value Delta (-200 bps)
At sight	769,852	733,639	(68,355)	(32,142)	2	(2)
At sight – 1 month	65,060	87,172	(185,490)	(207,602)	(210)	(107)
1 – 3 months	117,191	74,771	8,100	50,520	(923)	361
3 – 6 months	266,823	116,218	14,448	165,053	(2,274)	1,720
6 – 9 months	166,515	76,218	13,139	103,436	(2,250)	1,964
9 – 12 months	542,967	70,181	12,966	485,752	(8,855)	8,995
1 – 1.5 years	111,397	100,514	19,597	30,480	(2,472)	2,430
1.5 – 2 years	63,638	100,523	17,748	(19,137)	(968)	950
2 – 3 years	38,231	164,112	31,061	(94,820)	1,556	(1,790)
3 – 4 years	36,931	131,470	25,380	(69,159)	2,189	(2,514)
4 – 5 years	54,932	110,416	19,878	(35,606)	1,326	(1,563)
5 – 6 years	52,930	93,089	14,987	(25,172)	1,368	(1,600)
6 – 7 years	45,871	79,243	10,885	(22,487)	1,745	(2,041)
7 – 8 years	44,549	67,415	7,210	(15,656)	1,491	(1,766)
8 – 9 years	42,846	57,238	4,537	(9,855)	1,103	(1,326)
9 – 10 years	52,073	48,607	1,653	5,119	(633)	775
10 – 15 years	250,253	273,418	118	(23,047)	3,320	(4,314)
15 – 20 years	4,867	-	170	5,037	(851)	1,219
> 20 years	14,008	-	100	14,108	(2,765)	4,590
Total	**2,740,934**	**2,384,244**	**(51,868)**	**304,822**	**(8,101)**	**5,981**

In view of the interest rate gaps observed, as at 31 December 2023, the impact on the economic value of instantaneous and parallel shifts of the interest rates by +200 basis points is approximately -14,011 thousand euros (2022: -8,172 thousand euros).

The main assumptions used in 2022 in the Bank's analysis were the following:

- For Demand Deposits: 26.04% at sight, 73.96% distributed non-linearly over 15 years, giving rise to a duration of 3.9 years;
- Saving Accounts: 50.64% at sight, 49.36% distributed non-linearly over 15 years, giving rise to a duration of 2.6 years;
- Introduction of an annual prepayment rate for Term Deposits of 1.27%, distributed proportionally over 12 months.

In 2023 they were revised and the following changes were introduced:

- For Demand Deposits: 18.20% at sight, 81.80% distributed non-linearly over 15 years, giving rise to a duration of 3.6 years;
- Saving Accounts: 51.45% at sight, 48.50% distributed non-linearly over 15 years, giving rise to a duration of 2.1 years;
- Increase in the annual prepayment rate for Mortgage Loans, from 8.6% to 10%, distributed proportionally over 12 months;

Market Risk

Market Risk generally represents the possible loss resulting from an adverse change in the value of a financial instrument as a result of changes in interest rates, foreign exchange rates, share, commodity, or real estate prices, volatility and credit spreads.

Operational Risk

The Bank, in view of the nature of its activity, is exposed to potential losses or reputational risk, as a result of human errors, failures of systems and/or processing, unexpected stoppage of activity or failures on the part of third parties in terms of supplies, provisions or execution of services.

The approach to operational risk management is underpinned by the end-to-end structure, ensuring the effective adequacy of the controls involving functional units that intervene in the process. The Bank identifies and assesses the risks and controls of the processes, ensuring their compliance with the requirements and principles of the Internal Control System.

Encumbered Assets

Pursuant to Banco de Portugal Instruction 28/2014, which addresses the guidance of the European Banking Authority relative to the disclosure of encumbered assets and unencumbered assets (EBA/GL/2014/3), and considering the recommendation issued by the European Systemic Risk Board, the following information is presented in relation to the assets and collateral:

(amounts in thousand euros)

'23

	Encumbered assets		Unencumbered assets	
	Book value	Fair value	Book value	Fair value
Equity instruments	-	-	-	-
Debt securities	36,124	36,041	1,038,459	1,008,912
Other assets	32,196	n/a	2,384,436	n/a
	68,320		**3,422,895**	

(amounts in thousand euros)

'22

	Encumbered assets		Unencumbered assets	
	Book value	Fair value	Book value	Fair value
Equity instruments	-	-	26,479	26,479
Debt securities	40,985	39,766	966,463	928,317
Other assets	31,277	n/a	1,569,837	n/a
	72,262		**2,562,779**	

(amounts in thousand euros)

	Fair value of the encumbered collateral received or own debt securities issued		Fair value of the encumbered collateral received or own debt securities issued and able to be encumbered	
	'23	'22	'23	'22
Collateral received	-	-	1,350,180	1,128,546
Debt securities	-	-	-	-
Other assets	-	-	-	-
Other collateral received	-	-	1,350,180	1,128,546
Own Debt Securities Issued other than Covered Own Bonds or ABS	-	-	-	-

(amounts in thousand euros)

	Book value of the selected financial liabilities	
	'23	'22
Associated liabilities, contingent liabilities and loaned securities	-	-
Assets, collateral received and own debt securities issued other than covered own bonds or ABS that are encumbered	25,830	26,040

The collateral received that is able to be encumbered essentially refers to the collateral received (mortgages) in mortgage loan contracts.

Of the total unencumbered total assets of the value of 1,569,835 thousand euros (2022: 1,495,268 thousand euros), approximately 11% (2022: 11%) refer to items that cannot be encumbered (investments in subsidiaries and associates, other tangible assets, intangible assets, current and deferred taxes).

Note 33 – Capital Management and Solvency Ratio

The main objective of capital management is to ensure compliance with the Bank's strategic goals concerning capital adequacy, respecting and assuring compliance with the minimum requirements for own funds defined by the supervision entities.

In calculating capital requirements, Banco CTT used the standard approach for credit risk and the basic indicator method for operational risk.

The capital, calculated pursuant to Directive 2013/36/UE and Regulation (UE) 575/2013 approved by the European Parliament and Council, and Banco de Portugal Notice 10/2017, includes core own funds (Tier 1 capital) and supplementary own funds (Tier 2 capital). Tier 1 includes core own funds (Common Equity Tier 1 – CET1) and tier 1 additional capital.

The Bank's Common Equity Tier 1 includes; a) paid-up capital, reserves and retained earnings; b) regulatory deductions related to intangible assets and losses relative to the year in progress; and c) prudential filters. The Bank does not have any additional tier 1 capital or tier 2 capital.

The legislation in force establishes a transition period between capital requirements pursuant to national legislation and that calculated pursuant to Community legislation in a phased fashion both for the non-inclusion/exclusion of items considered previously (phased-out) and the inclusion/deduction of new items (phased-in). At a prudential framework level, institutions should report Common Equity Tier 1, Tier 1 and totals not below 7%, 8.5% and 10.5%, respectively, including a conservation buffer of 2.5% and a countercyclical buffer of 0%, in the case of the Bank.

Banco de Portugal Notice 10/2017 regulates the transitional arrangement established in the CRR concerning own funds, namely with respect to deductions related to deferred taxes generated before 2014 and to subordinated debt and hybrid instruments that are not eligible, both non-applicable to Banco CTT.

With the introduction of IFRS 9, the Bank opted for the phased recognition of the respective impacts of the static component pursuant to Article 473-A of the CRR.

As at 31 December 2023 and 31 December 2022, the Bank presented the following capital ratios, calculated in accordance with the transitional provisions established in the CRR:

(amounts in thousand euros)

	'23		'22		
	CRR Phased-in	*CRR Fully Implemented*	*CRR Phased-in*	*CRR Fully Implemented*	Notes
Own Funds					
Share capital	296,400	296,400	296,400	296,400	27
Retained earnings	(46,830)	(46,830)	(60,020)	(60,020)	28
Legal reserve	3,037	3,037	1,571	1,571	28
Eligible Results	17,935	17,935	14,656	14,656	
Other Reserves	350	350	348	348	
Prudential Filters	(150)	(150)	-	-	
Fair value reserves	-	-	-	-	28
Additional Valuation Adjustment (AVA)	(150)	(150)	-	-	
Deductions to common equity tier 1	(12,875)	(13,162)	(2,568)	(14,780)	
Losses for the period	-	-	-	-	
Intangible assets	(12,467)	(12,467)	(14,085)	(14,085)	19
Adoption of IFRS 9	(408)	(695)	11,517	(695)	
Items not deducted from Own Funds	137,137	137,137	157,805	157,805	
Holdings in financial entities	137,137	137,137	157,805	157,805	
Common Equity Tier 1	257,867	257,580	250,387	238,175	
Tier 1 Capital	257,867	257,580	250,387	238,175	
Total Own Funds	257,867	257,580	250,387	238,175	
RWA					
Credit Risk	863,169	863,169	1,111,805	1,111,805	
Operational Risk	126,745	126,745	81,483	81,483	
Market Risk	-	-	-	-	
CVA	29,716	29,716	33,366	33,366	
IFRS 9 adjustments	-	(158)	-	(11,666)	
Total RWA	1,019,630	1,019,472	1,226,654	1,214,988	
Capital Ratios					
Common Equity Tier 1	25.3%	25.3%	20.4%	19.6%	
Tier 1 Ratio	25.3%	25.3%	20.4%	19.6%	
Total Capital Ratio	25.3%	25.3%	20.4%	19.6%	

Note 34 – Provision of Insurance or Reinsurance Mediation Services

As at 31 December 2023 and 2022, the remunerations derived from the provision of insurance and reinsurance mediation services were broken down as follows:

(amounts in thousand euros)

	'23	'22
Life Business	5,776	5,623
Non-Life Business	479	456
	6,255	**6,079**

The values receivable and payable associated to the insurance mediation activity are presented as follows:

(amounts in thousand euros)

	'23	'22
Values receivable	1,798	86
Values payable	-	-

The Bank does not charge insurance premiums on account of the Insurers, nor does it carry out the movement of funds relative to insurance contracts. Therefore, there are no other assets, liabilities, income or expenses to report, relative to the insurance mediation service pursued by the Bank, apart from those already disclosed.

Note 35 – Standards, Interpretations, Amendments and Revisions that came into force during the year

IFRS 17 – Insurance Contracts

IFRS 17 replaces IFRS 4 and applies to all insurance contracts (i.e., life, non-life, direct insurance and reinsurance), regardless of the type of entities that issue them, as well as to some guarantees and some financial instruments with discretionary participation features. In general terms, IFRS 17 provides an accounting model for insurance contracts that is more useful and more consistent for issuers. In contrast to the requirements of IFRS 4, which are based on previously adopted local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects.

Amendments to IFRS 17 – Insurance contracts – Initial application of IFRS 17 and IFRS 9 – Comparative information

This amendment to IFRS 17 refers to the presentation of comparative information about financial assets on initial application of IFRS 17.

The amendment adds a transition option that allows an entity to apply an 'overlay' to the classification of a financial asset in the comparative period(s) presented in initial application of IFRS 17. The 'overlay' allows all financial assets, including those held in relation to non-contractual activities within the scope of IFRS 17 to be classified, instrument by instrument, in the comparative period(s) in a manner aligned with how the entity expects those assets to be classified on initial application of IFRS 9.

Amendments to IAS 1 — Disclosure of accounting policies

These changes are intended to assist an entity in disclosing 'material' accounting policies, previously referred to as ' significant 'policies. However, due to the inexistence of this concept in IFRS standards, it was decided to replace it by the concept "materiality", a concept already known to users of financial statements.

In assessing the materiality of accounting policies, the entity has to consider not only the size of the transactions but also other events or conditions and the nature of these.

Amendments to IAS 8 — Definition of accounting estimates

The amendment clarifies the distinction between change in accounting estimate, change in accounting policy and correction of errors. In addition, it clarifies how an entity uses measurement techniques and inputs to develop accounting estimates.

Amendments to IAS 12 — Deferred tax related to assets and liabilities arising from a single transaction

IAS 12 now requires an entity to recognise deferred tax when its initial recognition gives rise to equal amounts of taxable temporary differences and deductible temporary differences.

However it is a matter of professional judgement whether such deductions are attributable to the liability that is recognised in the financial statements or to the related asset. This is particularly important when determining the existence of temporary differences in the initial recognition of assets or liabilities, as the initial recognition exception does not apply to transactions that give rise to equal taxable and deductible temporary differences.

Among the applicable transactions are the recording of (i) right-of-use assets and lease liabilities; (ii) provisions for dismantling, restoration or similar liabilities, and the corresponding amounts recognised as part of the cost of the related asset, when on the date of initial recognition they are not relevant for tax purposes.

This amendment is applicable retrospectively.

Amendments to IAS 12 – International Tax Reform – Second Pillar Model Rules

These changes come as part of the implementation of the OECD's Global Anti-Base Erosion ("Globe") rules, which may have significant impacts on the calculation of deferred taxes that are difficult to estimate at the time these changes were issued.

These amendments introduce a temporary exception to the accounting of deferred taxes arising from the application of the OECD second pillar model rules, and additionally establish new specific disclosure requirements for the affected entities.

These standards and amendments had no material impact on the individual financial statements of Banco CTT.

Note 36 – Standards, Interpretations, Amendments and Revisions that come into force in future years

The following standards, interpretations, amendments and revisions with mandatory application in future financial years have, up to the date of approval of these financial statements, been adopted ("*endorsed*") by the European Union:

Amendments to IAS 1 — Presentation of financial statements — Classification of liabilities as current or non-current

This amendment intends to clarify the classification of liabilities as current or non-current balances depending on the rights that an entity has to defer its payment, at the end of each reporting period.

The classification of liabilities is not affected by the entity's expectations (the assessment should determine whether a right exists, but should not consider whether the entity will exercise that right), or by events that occur after the reporting date, such as the breach of a covenant.

However, if the right to defer settlement for at least twelve months is subject to meeting certain conditions after the balance sheet date, those criteria do not affect the right to defer settlement for the purpose of classifying a liability as current or non-current.

This amendment also includes a new definition of "settlement" of a liability and is applied retrospectively.

The amendment should be applied for annual periods beginning on or after 01 January 2024.

Amendments to IFRS 16 – Lease liabilities in sale and leaseback transactions amendment

This amendment to IFRS 16 introduces guidance regarding the subsequent measurement of lease liabilities related to sale and leaseback transactions that qualify as a "sale" according to the principles of IFRS 15, with a greater impact when some or all of the lease payments are variable lease payments that do not depend on an index or a rate.

When subsequently measuring lease liabilities, sellers-lessees should determine the "lease payments" and "revised lease payments" so that they do not recognise gains/(losses) in relation to their retained right-of-use.

This amendment is applicable retrospectively.

The amendment should be applied for annual periods beginning on or after 01 January 2024.

The Bank has not early applied any of these standards in the financial statements for the twelve-month period ended 31 December 2023. No significant impacts on the financial statements are expected as a result of their adoption.

Note 37 – Standards, Interpretations, Amendments and Revisions not yet adopted by the European Union

Amendments to IAS 7 and IAS 7 – Disclosures: Supplier financing agreements

These amendments to IAS 7 – Statement of Cash Flows and IFRS 7 – Financial Instruments: Disclosures aim to clarify the characteristics of a supplier financing agreement and introduce additional disclosure requirements when such agreements exist.

The disclosure requirements are intended to help users of financial statements understand the effects of supplier financing arrangements on the entity's liabilities, cash flows and exposure to liquidity risk.

The changes come into force for the period beginning on or after 1 January 2024. Early adoption is permitted, but must be disclosed.

Amendments to IAS 21 – The Effects of Changes in Foreign Exchange Rates: Lack of interchangeability

This amendment aims to clarify how to assess the exchangeability of a currency, and how the exchange rate should be determined when it is not exchangeable for a long period.

The amendment specifies that a currency should be considered exchangeable when an entity is able to obtain the other currency within a period that allows for normal administrative management, and through an exchange or market mechanism in which an exchange operation creates enforceable rights and obligations.

If a currency cannot be exchanged for another currency, an entity must estimate the exchange rate on the measurement date of the transaction. The objective will be to determine the exchange rate that would be applicable, on the measurement date, for a similar transaction between market participants. The amendments also state that an entity can use an observable exchange rate without making any adjustment.

The changes come into force for the period beginning on or after 01 January 2025. Early adoption is permitted, but the transition requirements applied must be disclosed.

These standards have not yet been adopted ("endorsed") by the European Union and, as such, have not been applied by the Bank in the twelve-month period ending 31 December 2023. No significant impacts on the financial statements are expected as a result of their adoption.

Note 38 – Subsequent Events

As disclosed in Note 21 – Taxes, on 18 January 2024, the decision of the ANI (National Innovation Agency) was issued in relation to the application process of Banco CTT, S.A. to SIFIDE II of 2022, consisting of the total deferment of the tax credit requested in the amount of 478,572 euros.

Apart from the above, no other events with a relevant impact on the Bank's Financial Statements have occurred up to the date of this report and after the end of the 2023 financial year.

Declaration of Conformity

The Board of Directors is responsible for drafting the management report and preparing the individual and consolidated financial statements of Banco CTT, S.A. ("Bank"). These must provide a true and fair view of the Bank's financial position and operational results, as well as the adoption of suitable accounting policies and criteria and the maintenance of an appropriate internal control system that enables the prevention and detection of possible errors or irregularities.

We confirm that, to the best of our knowledge and belief:

1. all the financial information contained in the documents presenting the accounts for 2023 was prepared in conformity with the applicable accounting standards, providing a true and fair view of the Bank's assets and liabilities, financial position and results; and
2. the management report faithfully presents the evolution of the business, performance and position of the Bank, in conformity with the legal requirements.

Lisbon, 18 March 2024

The Board of Directors,

Chairman of the Board of Directors
João Nuno de Sottomayor Pinto de Castello Branco

Member of the Board of Directors and Chairman of the Executive Committee
Luís Maria França de Castro Pereira Coutinho

Member of the Board of Directors and of the Executive Committee
João Maria de Magalhães Barros de Mello Franco

Member of the Board of Directors and of the Executive Committee
Pedro Rui Fontela Coimbra

Member of the Board of Directors and of the Executive Committee
Nuno Carlos Dias dos Santos Fórneas

Member of the Board of Directors and of the Executive Committee
Luís Jorge de Sousa Uva Patrício Paúl

Member of the Board of Directors and Chairman of the Audit Committee
João Manuel de Matos Loureiro

Member of the Board of Directors and of the Audit Committee
Ana Maria Machado Fernandes

Member of the Board of Directors and of the Audit Committee
Maria Rita Mégre de Sousa Coutinho

Member of the Board of Directors
António Pedro Ferreira Vaz da Silva

Member of the Board of Directors
Guy Patrick Guimarães de Goyri Pacheco

Member of the Board of Directors
António Domingues

Annual Report of the Audit Committee

Report of the Audit Committee Banco CTT, S.A. for the financial year of 2023

1. Introduction

The Audit Committee of Banco CTT, S.A. ("Bank" or "Banco CTT") hereby submits the report on its supervisory activities for the financial year 2023, in compliance with the provisions of Article 5(3)(f) of its Internal Regulations and Article 423-F(g) of the Commercial Companies Code.

Notwithstanding any further powers bestowed upon it legally and statutorily, the Audit Committee is, in particular, responsible for:

- Monitoring and supervising the activities of the Board of Directors;
- Overseeing compliance with legal and statutory rules governing the Bank's activity;
- Promoting an organisational culture based on high standards of ethical requirements, ensuring the promotion of sound and prudent management;
- Monitoring and ensuring the soundness and effectiveness of the risk management system, the internal control and compliance management system and the Internal Audit Function of the Bank and the Group in particular, and monitoring the Bank's risk strategy and risk appetite;
- To be aware of reports of irregularities submitted, in particular through the Conduct Channel (formerly known as the Ethics Channel), participating in and/or following up (on) the corresponding decisions taken by the Conduct Forum (formerly known as the Ethics Forum).
- Monitoring and supervising the preparation and disclosure of financial information, including the conformity and accuracy of the financial reporting books, records and documents and other accounting documentation, as well as making recommendations to ensure their integrity; and
- Supervising the Statutory Auditor's activities regarding the Bank's financial reporting documents and supervising its independence.

The Audit Committee, as a Supervisory Body, also assumes the functions of Risk Committee at Banco CTT, under the terms and for the purposes set out in Article 115-L of the General Regime for Credit Institutions and Financial Companies approved by Decree-Law 298/92, of 31 December, in its current wording ("RGICSF"), insofar as Banco CTT is not considered a significant credit institution in terms of size, internal organisation and the nature, scope and complexity of its activities. As the Risk Committee, it is responsible for, in particular:

- Advising the Board of Directors on the Bank's risk appetite and general current and future risk strategy;
- Assisting the Board of Directors in overseeing the execution of the Bank's risk strategy by Senior Management;
- Analyse whether the conditions of the products and services offered to customers take into account the Bank's business model and risk strategy, under the terms of the Banco CTT Group's New Products and Partners Approval Policy, and submit a correction plan to the Board of Directors when this analysis shows that these conditions do not adequately reflect the risks; and
- Examining whether the incentives set out in the Bank's remuneration policy(ies) take into account risk, capital, liquidity and earnings expectations, including revenue dates.

After the issuance of the corresponding prior authorisation for the exercise of functions by Banco de Portugal, dated 23 November 2022, Banco CTT's sole shareholder elected, on 5 December 2022, by unanimous resolution passed in writing, the members of the Board of Directors to exercise functions during the 2022/2024 term of office. On the same occasion, the sole shareholder elected, from among the members of the Board of Directors, an Audit Committee, composed of three independent non-executive members, to perform duties in that three-year period, namely:

- Chairman: João Manuel de Matos Loureiro
- Member: Ana Maria Machado Fernandes
- Member: António Domingues

In a letter issued on 23 March 2023 and which took effect on 30 April 2023, António Domingues resigned from the position of Member of the Audit Committee that he had been holding at the Bank.

As a result, and following the issue of the corresponding prior authorisation for the exercise of functions by Banco de Portugal, dated 21 November 2023, Banco CTT's sole shareholder elected Maria Rita Mégre de Sousa Coutinho on 12 December 2023 as a Member of the Audit Committee for the 2022/2024 term of office, starting on 2 January 2024.

2. Audit Committee operating regulations

On 15 December 2022, the Audit Committee approved its Internal Regulations, a document that was revised on 24 November 2023, with a view to adjusting said regulations to developments and changes in various internal regulations.

3. Supervisory activities carried out in 2023

During 2023, the Audit Committee monitored the management and evolution of the Bank's activity and exercised the powers and performed the duties referred to above, having, in particular:

a. Supervised the approval and implementation process of internal policies and rules, in particular, relating to the internal control environment, the Bank's governance model and its organisational culture;
b. Monitored the developments of the Bank's activity;
c. Monitored the activity of the Bank's subsidiaries;
d. Supervised the conclusion, by the Bank, of transactions with related parties;
e. Supervised the preparation of financial information and verified the adopted accounting policies, in particular regarding the annual financial reporting documents;
f. Supervised the effectiveness of the Bank's risk management, internal control and internal audit systems;
g. Received, namely through the Conduct Forum, reports of irregularities, and participated in or accompanied the decisions taken by the Conduct Forum in relation to these irregularities;
h. Supervised and assessed the Statutory Auditor's activity; and
i. Monitored the Institution's main risks, including financial, non-financial and emerging risks.

The aforementioned supervisory action was developed namely through (i) the participation of its members in meetings of the Board of Directors; (ii) contacts maintained with the members of the Executive Committee, with the Bank's senior management, including the Directors responsible for control functions, with the Statutory Auditor in office, Ernst & Young Audit & Associados – SROC, S.A., Statutory Audit Firm ("EY"); and (iii) the analysis of the financial, business and risk information made available, as well as the correspondence exchanged between the Bank and regulatory/supervisory entities, in particular Banco de Portugal.

In 2023, the Audit Committee approved its Multiannual Activity Plan for 2023 and 2024, including a description of the material, technical and human resources needed to assist the members of the Audit Committee in carrying out their duties. In 2024, the Audit Committee approved its Multiannual Plan of Activities for 2024 and 2025.

In exercising these powers and performing these duties, the Committee held 22 formal meetings during 2023, with minutes having been drawn up of all the meetings.

Several of the meetings of the Audit Committee held in 2023 were attended by the Bank's Executive Directors as guests, whenever the Committee deemed it appropriate, depending on the issues in question.

The Audit Committee also summoned other senior staff to its meetings to clarify and provide relevant information for the performance of the duties entrusted to this Body, in particular: (a) the Director of Internal Audit, present at most of the meetings and of the points analysed, with the purpose of closely monitoring the activity of the other areas of the institution and for the purpose of presenting and discussing, among others, the Internal Audit Function Regulation, the multi-annual activities plan, the resources and headcount of the Board and the activity of the internal audit control function; (b) the Compliance Officer and the Risk Officer for the purpose of presenting and discussing, among others, the respective annual activity plans, resources and headcount of the respective Departments and the activities of the compliance control and risk management functions, respectively; (c) the AML Officer for issues related to the Prevention of Money Laundering and Terrorist Financing ("PBCFT"); (d) the Director of Legal Services and Company Secretary to provide various clarifications, namely on the governance model, regulations of the Bank's Corporate Bodies, as well as other legal issues related to the Committee's activities; (e) the Director of Planning and Control and the Director of Accounting for the purpose of presenting financial information, as well as the respective preparation process; (f) the Director of Human Resources to discuss remuneration matters; and (g) the Bank's Statutory Auditor, who was invited to most meetings, allowing regular interaction and, at the same time, enabling the Audit Committee to accompany its activity and monitor its independence.

a. Supervision of the approval and implementation process of internal policies and rules, namely those relating to the internal control environment, the Bank's governance model and its organisational culture

The Committee monitored the process of approval or revision and/or revocation, at the Bank, of various internal institutional documents, namely those relating to the internal control environment, the Bank's governance model and its organisational culture, in particular, (i) the Organisational Structure Model (ii) the Policy for the Treatment of Policyholders, Insured Persons, Beneficiaries and Injured Third Parties; (iii) the Banco CTT Group's Diversity Policy; (iv) the Liquidity Management Policy; (v) the Complaints Handling Policy; (vi) the Banco CTT Group's Information Security Policy; (vii) the Data Governance Policy; (viii) the Whistleblowing Policy; (ix) the Banco CTT Group's Sustainability Policy; (x) the Investment Policy; (xi) the Banco CTT Group's Credit Policy for the Commercial Activity; (xii) the Market Risk and Interest Rate Management Policy of the Banking Portfolio of the Banco CTT Group; (xiii) the Banco CTT Group's Related Party Transactions Policy; (xiv) the Credit Intermediary Remuneration Policy for 2024; (xv) the Business Continuity Management Policy; (xvi) the Banco CTT Group's Conflicts of Interest Prevention, Communication and Remediation Policy; (xvii) the Policy for the Selection, Appointment and Assessment of Statutory Auditors (ROC) and Statutory Audit Firms (SROC) and for the Hiring of ROC/SROC Services; (xviii) the Banco CTT Group's General Internal Control and Risk Management Policy; (xix) the Policy for the Approval of New Products and Partners of the Banco CTT Group; (xx) the Banco CTT Group's Policy for the Selection, Assessment and Succession of Members of Management and Supervisory Bodies; (xxi) the Banco CTT Group's Policy for the Selection and Assessment of the Suitability of Key Function Holders; (xxii) the Banco CTT Group's Fraud Risk Management Policy; (xxiii) the Banco CTT Group's Policy for the Prevention of Money Laundering and Terrorist Financing; (xxiv) the Remuneration Policy of the Banco CTT Group (for the 2024 assessment cycle); (xxv) the Remuneration Policy for Employees of the Retail Network with Multiple Employers (also for the 2024 assessment cycle); (xxvi) the Code of Ethics of the CTT Group; (xxvii) the Code of Conduct of the Banco CTT Group; (xxviii) the Code of Conduct of Promoters; (xxix) the Regulation of the Audit Committee; (xxx) the Regulation of the Conduct Forum; (xxxi) the Regulation of the Internal Audit Function; (xxxii) the Regulation of the Compliance Function; (xxxiii) the Process Manual – Conduct of Audits; and (xxxiv) the Process Manual – Conduct of Audits to Branches.

For the performance assessment cycles for 2023, the Audit Committee also considered the proposals for reviewing the performance evaluation model (i) of the Executive Committee Members; (ii) the Relevant Employees; and (iii) the Employees (excluding Relevant Employees and the Multi-Employer Staff of the Retail Network). Also concerning remuneration, the Audit Committee appraised the verification of the adjustment mechanisms for members of the Executive Committee, Relevant Employees and all other Employees (excluding Relevant Employees and Multi-Employer Staff of the Retail Network) that could lead to the reduction or non-attribution of variable remuneration relative to the assessment cycle of 2022 and, when applicable, the deferred component of variable remuneration relative to previous assessment cycles.

In addition, the Audit Committee assessed (i) versions 4.0 and 5.0 of the Manual of Rules for the Identification of Relevant Employees of Banco CTT (individual perspective) – MR0021; and (ii) versions 6.0 and 7.0 of the Manual of Rules for the Identification of Relevant Employees of the Banco CTT Group – MR0020.

Also during 2023, following the entry into force of the Bank of Portugal Notice no. 3/2020, concerning matters of internal control and organisational conduct and culture, the Audit Committee continued to monitor the process of full implementation of the regulatory requirements provided for in the identified regulatory diploma.

Additionally, for the year 2022, the Audit Committee was informed and took account of the reports on activities and self-assessment of the Remuneration Committee and the Bank's Selection and Remuneration Committee.

In 2024, the Audit Committee took note of the activity and self-assessment reports of these two Committees for 2023.

b. Monitoring of developments of the Bank's activity throughout 2023

The Audit Committee monitored the development of the Bank's offer and commercial activity, which was regularly presented at meetings of the Board of Directors, and analysed, discussed and accompanied the Bank's strategic projects.

In particular, the monitoring of the implementation of the following strategic projects, during the 2023 financial year, should be highlighted: (i) the structuring and realisation of the strategic project internally called "Berlengas Project", which aims to reduce Banco CTT's dependence on its sole shareholder; (ii) the launch of the "BCTTX2 Plan" in the areas of evolution of the Retail Network and evolution and investments in the technological/digital platform; (iii) the termination of the partnership established with Universo, IME, S.A., internally referred to as "Project K", concluded in December 2023; (iv) the status of the project relating to the acquisition of a minority stake in the share capital of Banco CTT by an entity outside the CTT Group – Generali Seguros S.A. ("Generali"), internally referred to as the "Shanghai Project"; (v) the completion of the transfer of the entire share capital of Payshop (Portugal), S.A. ("Payshop") by Banco CTT to CTT – Correios de Portugal, S.A. ("CTT"), which took place on 11 August 2023; and (vi) the sale of the entire stake held by the Bank in the Fundo de Investimento Imobiliário Aberto IMOFID.

c. Monitoring the activity of the Bank's subsidiaries

During 2023, the Audit Committee monitored the activity of Payshop (until the date of its transfer to CTT in August 2023) and 321 Crédito, Instituição Financeira de Crédito, S.A. ("321 Credit") through financial information submitted on a monthly basis by the CFO, the Director of Planning and Control and the Director of Accounting.

The Audit Committee also regularly analysed the monitoring of risk indicators, the conclusions resulting from internal audits, and the follow-up of the resolution of deficiencies in the internal control system (including the PBCFT aspect) of its subsidiaries. The Audit Committee also had general access to management information also presented to the Board of Directors (which includes directors from subsidiaries).

In addition, it held regular (quarterly) meetings with the members of the Supervisory Bodies of the subsidiaries.

d. Supervision of the Bank's conclusion of agreements and other transactions with related parties

In accordance with the Policy on Transactions with Related Parties, the Committee assessed and issued a favourable opinion regarding the execution, by the Bank, of transactions with related parties throughout the 2023 financial year, namely the following:

(i) Signing of a sublease agreement for non-housing purposes for a property located in the parish of Taveiro, Coimbra, between Banco CTT and Payshop;
(ii) Constitution of term deposits by CTT with Banco CTT (and subsequent alteration of the rules governing the remuneration of such deposits);
(iii) Signing of the Addendum to the Motor Insurance Distribution Agreement signed by Banco CTT, Generali and CTT in December 2018;
(iv) Conclusion of a contract between Banco CTT and NewSpring Services S.A. for the provision of operational support services for the backoffice activity and subsequent contractual amendment;
(v) Opening of a Junior Account at Banco CTT for children of CTT employees up to one year of age;
(vi) Signing of the Cost Sharing Agreement between Banco CTT and CTT for the provision of legal consultancy services by Vieira de Almeida & Associados – Sociedade de Advogados, SP, RL, within the scope of the Shanghai Project;
(vii) Granting by Banco CTT to 321 Crédito of a short-term financing line whose remuneration model is based on money market rates;
(viii) Creation of term deposits by 321 Crédito with Banco CTT;
(ix) Conclusion of the financial insurance distribution contract between Banco CTT and Generali;
(x) Amendment of the contractual conditions of the Chaves 8 securitisation operation;
(xi) Signing of a Protocol between Banco CTT and CTT on the granting of preferential conditions in the mortgage loan product to CTT employees and employees of the other CTT Group entities (excluding the Banco CTT Group);
(xii) Creation of term deposits associated with the demand deposit accounts that Payshop already held with Banco CTT;
(xiii) Signing of an Addendum to the Protocol on the Multiple Employer Regime in the context of Employment Contracts with Employees of the CTT Retail Network between the Bank and CTT.

In September 2023, the Audit Committee favourably assessed the revision of the Banco CTT Group's Related Party Transactions Policy, which now includes a simplified procedure under which transactions with an aggregate annual value equal to or less than 75,000 euros with the same related party, except in the case of transactions provided for in Articles 85 or 109 of the RGICSF (credit to members of the Governing Bodies or holders of qualifying holdings), no longer require the prior assessment and approval of the Audit Committee and the Board of Directors, respectively. provided that (i) they fall within the scope of a prior aggregate authorisation, assessed by the Audit Committee and approved by the Board of Directors, reviewed at least quarterly, specifying the specific conditions under which such operations may be carried out; (ii) they are approved by the Executive Committee, following a prior favourable opinion from the Risk and Compliance functions; and (iii) the Risk Management and Compliance functions submit, on a quarterly basis, to the Audit Committee and the Board of Directors, a complete list of Related Party Transactions that have been the subject of procedures without their prior appraisal, with an indication of whether or not they have been approved, so that they are aware of them.

During 2023, the Audit Committee was made aware of the quarterly updates to the list of parties related to the Bank approved by the Board of Directors, in compliance with the provisions of paragraphs 1 and 2 of Article 33 of Banco de Portugal Notice No. 3/2020.

e. Supervision of the preparation of financial information and verification of the adopted accounting policies, in particular regarding the annual financial reporting documents

The Audit Committee assessed the financial information and the evolution of the Bank's business on a monthly basis and monitored the main prudential and business indicators, at the individual and consolidated level, provided by the Bank's Chief Financial Officer (CFO), the Director of Planning and Control and the Director of Accounting.

In 2023, but with reference to the financial year 2022, the Audit Committee monitored the preparation of the annual financial statements and assessed their content, analysed the proposal for the appropriation of results contained in the Annual Report, and issued its Opinion thereon. In 2024, the Commission monitored and prepared the annual financial statements for the financial year 2023 and assessed their content, analysed the corresponding proposal for the appropriation of results contained in the Annual Report, and issued its Opinion thereon.

f. Supervision of the effectiveness of the Bank's risk management, internal control and internal audit systems

During the financial year 2023, the Audit Committee continued to monitor the implementation of the defined plan following the entry into force of Banco de Portugal Notice 3/2020 regarding internal control and organisational conduct and culture, with a view to the full adoption of the new measures imposed, at the same time, ensuring the consistency of the internal control and corporate governance systems within the Group, with the intervention of several areas of the Bank, in particular the Control Functions.

In this context, the Audit Committee took note of the results of the independent assessment carried out by PricewaterhouseCoopers regarding the Institution's conduct and values (also covering the conduct and values of the Management and Supervisory Bodies and their support Committees), under the terms and for the purposes of Article 3(2) and (3) of Banco de Portugal Notice 3/2020.

Additionally, the Audit Committee assessed (i) the Self-assessment Report on the adequacy and effectiveness of the organisational culture and governance and internal control systems of Banco CTT, S.A.; and (ii) the Self-assessment Report on the adequacy and effectiveness of the organisational culture and governance and internal control systems of Banco CTT, S.A. Group, both for the period between 01 December 2022 and 30 November 2023. In this context, the Audit Committee issued, for the reference period, its opinions on (i) the adequacy and effectiveness of the current organisational culture in force and the governance and internal control systems of Banco CTT, on an individual basis, in accordance with the provisions of Article 55(a) of Banco de Portugal Notice No. 3/2020; and (ii) the adequacy and effectiveness of the Banco CTT Group's internal control system and the consistency between the subsidiaries' internal control systems and the internal control system of the parent company, in accordance with Article 58(1)(b) and (c) of Banco de Portugal Notice No. 3/2020.

In this context, the Audit Committee issued several recommendations, namely to reinforce initiatives to (i) avoid the delays observed in resolving some deficiencies and the failure to meet some of the deadlines initially set for their resolution; (ii) remedy deficiencies that are too old, regardless of the risk associated with them; and (iii) intensify the effectiveness of the main management processes for commercial network employees.

Also during the financial year 2023, and in compliance with the provisions of Banco de Portugal Notice No. 2/2018, the Audit Committee issued an opinion on the quality of the internal control system in terms of the prevention of money laundering and terrorist financing, after monitoring the preparation and assessment of the Money Laundering and Terrorist Financing Prevention Report, with reference to the period from 1 January 2022 to 31 December 2022.

The Audit Committee regularly monitored the evolution of internal control deficiencies (including the prevention of money laundering and terrorist financing), namely the implementation of recommendations and action plans aimed at their closure and compliance with the deadlines set for that purpose. In this context, the Audit Committee approved a revision to the methodology for monitoring overdue internal control deficiencies, which now includes summoning the members of the Bank's Executive Committee and the Boards of Directors of the subsidiaries that are the owners of the action plans that caused the delay to take part in Audit Committee meetings on a quarterly basis.

The Audit Committee monitored the activity of the Compliance Department, having assessed its Annual Activity Plan for 2023 and the respective degree of compliance (including the Compliance Plan and the Plan for Money Laundering and Terrorism Financing proposed by that Department), the Function's Activity Report for 2023, and also the Annual Activity Plan for 2024.

The Audit Committee monitored the activity of the Risk Department, namely through monthly presentations made by the person in charge, having assessed its Annual Activity Plan for 2023 and the respective degree of compliance, the Function's Activity Report for the year 2023 and the Annual Activity Plan for 2024. On a monthly basis, the Risk Department provided the Audit Committee with the necessary information for monitoring the main risk indicators.

The Audit Committee monitored the Internal Audit Department's activity, namely through monthly presentations made by the respective manager, having appraised the degree of compliance with the 2023 Audit Plan and the corresponding review in June 2023, the Function's Activity Report for 2023, and also the Multi-Annual Audit Plan and the Strategic Plan for 2024-2026.

g. Reception of reports on irregularities (whistleblowing) submitted by shareholders, Bank employees and others

The Bank has a Whistleblowing Policy, which establishes the existence of a specific channel for the communication of irregularities.

Under the terms of the identified Policy, the Audit Committee delegated to the Compliance Department the support functions related to the management of the Conduct Channel (formerly the Ethics Channel) and to the Conduct Forum (formerly the Ethics Forum) the handling of reports of irregularities in matters of its competence. In any case, it is the Audit Committee's responsibility to receive and register the reports, as well as the final decision as to the measures to be taken, including possible archiving.

The Conduct Forum is composed of the Bank's Directors of Compliance, Internal Audit and Risk, as well as a member of the Audit Committee, appointed by the latter, who chairs the Forum and has a casting vote. In December 2022, the Audit Committee indicated its Member Ana Maria Machado Fernandes as the member of the Audit Committee appointed to join and chair the Conduct Forum.

In December 2023, the Audit Committee approved the Annual Report on Reporting of Irregularities to be submitted to Banco de Portugal under the terms and for the purposes of the provisions of Article 116-AA (7) of the RGICSF and Article 35 of Banco de Portugal Notice No. 3/2020, with reference to the period between 01 December 2022 and 30 November 2023. This Report describes the process of receiving and processing irregularities endorsed by Banco CTT, as well as the irregularities communicated in the reference period.

During this period, one complaint was received through the Conduct Channel, but the Conduct Forum concluded that there was no evidence to support the commission of irregularities under the terms of the RGICSF, the European Banking Authority (EBA) Guidelines on Internal Governance (EBA/GL/2021/05), Notice 3/2020, the Bank's Code of Conduct, the Whistleblowing Policy and other applicable regulations.

h. Supervision and assessment of the Statutory Auditor's activity

By resolution passed in writing by the sole shareholder of the Company, on 30 July 2020, Ernst & Young Audit & Associados – SROC, S.A., Statutory Audit Firm No. 178, was elected as the Bank's effective Statutory Auditor for the term of office corresponding to 2021/2023, represented by Sílvia Maria Teixeira da Silva, ROC No. 1636, and Ana Rosa Ribeiro Salcedas Montes Pinto, ROC No. 1230, who was elected as the Bank's Alternate Statutory Auditor, who was in office on 31 December 2023.

Under the provisions of the Policy for the Selection, Appointment and Evaluation of a Statutory Auditor/Statutory Audit Firm and of Hiring the Services of a Statutory Auditor/Statutory Audit Firm and under the provisions of Article 5.5(5)(c) of the Regulations of the Audit Committee, the Audit Committee proposed to the Selection and Remuneration Committee the approval of the fees to be paid by the Bank to EY for providing the following services, in accordance with the proposal that had been submitted: (a) issuance of the Statutory Auditors' Report, Audit Opinion with reference to 31 December and quarterly monitoring, with presentation to the Audit Committee, on the Separate Financial Statements with reference to the financial years 2021, 2022 and 2023; (b) evaluation of the process of quantification of impairment of the customer loan portfolio, based on the issuance of the half-yearly reports provided for in Banco de Portugal Instruction 5/2013, amended by Banco de Portugal Instruction 18/2018, for the years 2021, 2022 and 2023.

Throughout 2023, the Audit Committee carried out a preliminary assessment of the proposals for the provision of services to be contracted from EY by the companies of the Banco CTT Group and the CTT Group, both for audit services and other non-audit services, in accordance with the Internal Regulations of the Audit Committee and the Policy for Selection, Appointment and Evaluation of Statutory Auditors (ROC) and Statutory Auditor Firms (SROC) and for the Contracting of Services to the ROC/SROC, and then proceeded to the respective prior approval/authorisation.

Regarding the non-audit services that are not required of the Statutory Audit by law, these were subject to prior approval/authorisation by the Audit Committee after analysis and confirmation, in particular, of the following aspects, as applicable: (i) that the services concerned do not fall within the list of prohibited services in accordance with the provisions of Article 5(4) of Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 ("Regulation") on specific requirements for the statutory audit of public interest entities, and do not pose a threat to the independence and objectivity of the statutory auditor in the context of statutory audit work, to the extent that the provision of such services does not entail any risk of self-review, of personal interest or participation in the management or decision making of any of the companies of the CTT Group subject to the statutory audit work, (ii) that the amounts of fees proposed for such services do not exceed the limits of fees for non-audit services (not prohibited) provided for in Article 4 of the Regulation, (iii) that the services under analysis are based on the best combination between the price presented and the expected quality of the work, as well as on the appropriate possession of the relevant information for such provision and on the experience in the development of similar work, presenting the necessary conditions to be provided with independence and objectivity.

Throughout 2023, the Audit Committee held meetings with the Statutory Auditor on various occasions and for various purposes. In particular, meetings were held for the presentation by the Statutory Auditor of the conclusions of the audit work, namely with reference to the annual accounts, as well as interim information with reference to 31 March, 30 June and 30 September 2023. Also the external auditor's reports on the credit portfolio impairment quantification process with reference to 31 December 2022 and 30 June 2023 were presented and discussed in meetings of the Audit Committee.

In 2023, the Audit Committee analysed the conclusions of the review of the individual and consolidated financial statements of the Bank for the year 2022, prepared by EY, having also received the Additional Report prepared by the Statutory Auditor for submission to the Supervisory Body. On the same occasion, the Commission formalised an assessment of the Statutory Auditor for that year, including the independence aspect, and received a confirmation of independence from him.

In this context, the Audit Committee was also presented with the Letter of Recommendations on internal control for the 2022 financial year issued by the Statutory Auditor on the analysis of the accounting and internal control systems carried out by EY within the scope of the audit carried out on the individual and consolidated financial statements of Banco CTT and its subsidiaries for the financial year ended on 31 December 2022, presenting a summary of the internal control procedures and other procedures identified by EY that could be improved, as well as the recommendations issued following the conclusions drawn from the situations analysed.

Also in 2023, the Audit Committee took cognisance of the conclusions resulting from EY's work to support the Governing Bodies in assessing the quality of the internal control system with regard to the Prevention of Money Laundering and Terrorist Financing, with reference to the period from 1 January 2022 to 31 December 2022.

Already in 2024, the Committee analysed the conclusions of the review of the Bank's individual and consolidated financial statements for the year 2023, prepared by EY, having also received the Additional Report that the Statutory Auditor prepared for presentation to the Supervisory Body. On the same occasion, the Commission formalised an assessment of the statutory auditor for 2023, including the independence aspect, and also received a confirmation of independence from EY.

Pursuant to its powers under Article 423-F(1)(m) of the Commercial Companies Code, Article 21(4)(e) of the Bank's Articles of Association, Article 5(4)(a) of the Audit Committee Regulations and the Selection, Appointment and Evaluation Policy for Statutory Auditors (ROC) and Statutory Audit Firms (SROC), the Bank's Audit Committee was appointed by the Board of Directors. In the second half of 2023, the Audit Committee conducted the process of selecting, appointing and evaluating Statutory Auditors (ROC) and Statutory Audit Firms (SROC) and contracting ROC/SROC services, the Audit Committee conducted the process of appointing the Statutory Auditor for the 2024/2026 term of office, having, for this purpose, (i) consulted various areas/people who worked most closely with EY throughout the 2021/2023 term of office, by completing a questionnaire, whose ratings and comments were analysed; (ii) reassessed the fulfilment of EY's independence and suitability criteria, which could support a possible proposal to renew its position; (iii) assessed the Statutory Auditor's performance in the 2021/2023 term of office, based on an analysis of the contributions received and weighing up various assumptions listed in the assessment model contained in the Policy for the Selection, Appointment and Assessment of Statutory Auditors (Statutory Auditors) and Statutory Audit Firms (SROC) and the Hiring of Statutory Auditor/SROC Services; (iv) weighed up the advantages and disadvantages of reappointing the Statutory Auditor; and (v) analysed the financial proposal submitted by EY and the curricula vitae of the people making up the team to be allocated to the Bank. As a result, the Audit Committee prepared and approved a proposal to be submitted to the General Meeting for the reappointment of the current Statutory Auditor (effective and alternate) for the 2024/2026 term of office (with effect from 1 January 2024).

i. Monitored the institution's main risks, including financial, non-financial and emerging risks.

The Audit Committee monitored the definition of the Bank's risk strategy and risk appetite, also monitoring the risks to which the Bank is exposed – (i) financial risks, namely strategic risk, credit and concentration risk, market and interest rate risk, liquidity risk, excessive leverage risk and the evolution of the Bank's own funds and capital requirements; and (ii) non-financial risks such as operational risk, compliance risk, PBCFT risk, risk associated with information and communication technologies, cybersecurity risk, reputational risk and emerging risks, with an emphasis on ESG (environmental, social and governance) risks, with a framework under development – thus supporting the Board of Directors in supervising the implementation of the Bank's risk strategy.

To this end, the Audit Committee took note of the following:

- **(i)** The monitoring of Banco CTT Group's main risk indicators, including financial risks (on a monthly basis), operational risk and ESG risks;
- **(ii)** The activity carried out by the Fraud Area;
- **(iii)** The facts that led to the issuance of supervisory measures related to disclosure requirements and policies ("Pillar 3");
- **(iv)** The status of the Business Continuity Plan; and
- **(v)** The main technological risks associated with information and communication systems.

Within the scope of its powers, the Audit Committee approved and/or favourably assessed and recommended to the Board of Directors the approval of the following items:

- **(i)** Self-assessment report on compliance with Banco de Portugal's recommendation regarding new credit agreements signed with consumers;
- **(i)** Report on the "Liquidity adequacy self-assessment process (ILAAP)" with reference to 31 December 2022;
- **(iii)** Report on the "Internal Capital Adequacy Assessment Process (ICAAP) with reference to 31 December 2022;
- **(v)** Revision of the Recovery Plan;
- **(vi)** Updating of loan portfolio impairment models;
- **(vii)** Proposal for modelling deposits with no defined maturity;
- **(viii)** Opinion on the Risk Management Function's assessment of the risks of the business partnership in force between Banco CTT and BNP Paribas Personal Finance, S.A. (Cetelem Partnership);
- **(x)** Opinion on the implementation of cybersecurity risk measures and controls.

Within the scope of its duties as Risk Committee and with the aim of ensuring (i) that the conditions of the products offered by the Bank are aligned with the risk strategy of the Institution and the Group; and (ii) that there is more active monitoring by the Supervisory Body of pricing methodologies, the Audit Committee led a project to change the approval process for new products and the pricing methodology and governance in the Group.

4. Conclusions

In exercising its powers and duties, the Committee requested and obtained all the information and clarifications that it considered relevant and did encounter any constraints to its actions and the effective pursuit of its duties.

The Committee received all the information requested from the Executive Committee, all the Bank's Bodies, Committees, structural units and functional areas, as well as from the Statutory Auditor.

The Audit Committee expresses its gratitude to the rest of the Corporate Bodies and all those involved in its activities for their cooperation.

Lisbon, 15 March 2024

The Chairman of the Audit Committee,

João Manuel de Matos Loureiro

The Members of the Audit Committee,

Ana Maria Machado Fernandes

Maria Rita Mégre de Sousa Coutinho

Opinion of the Audit Committee

Opinion on the Annual Report of Banco CTT, S.A. for the financial year of 2023

In the light of its duties, the Audit Committee examined the Management Report and the Individual and Consolidated Financial Statements of Banco CTT, S.A. ("Bank") relative to the financial year of 2023, which were prepared by the Bank's Executive Committee. It also appreciated the Statutory Auditor's Reports issued by Ernst & Young Audit & Associados — SROC, S.A. ("EY") on the financial statements, on an individual and consolidated basis, which do not contain any reservation or emphasis. The Audit Committee also appraised the Additional Report on the Supervisory Board issued by EY.

The Audit Committee monitored the preparation of the Management Report and Accounts and attended the meeting of the Executive Committee which approved the final version for submission to the Board of Directors. During the preparation of this opinion, the Audit Committee requested all the information and clarifications that it considered relevant, to this end questioning various senior personnel, including the Executive Director responsible for the financial area, the Director of Accounting, the Director of Risk, the Director of Compliance, the Director of Planning, and Control and the Statutory Auditor of the Bank.

The Financial Statements were prepared in accordance with the International Financial Reporting Standards (IFRS) as endorsed by the European Union, where the signatories declare that, to the best of their knowledge, these Financial Statements are compliant with the IFRS, and that the Individual and Consolidated Financial Statements appropriately reflect the net worth, financial position and results of the Bank and of the Group. The Management Report appropriately describes the evolution of the business activities, performance and main risks and uncertainties associated to the activity of the Bank and of all the other companies of the Banco CTT Group.

The Statutory Audit Certifications include the "Relevant Audit Matters" that EY identified, (i) on an individual basis as being (a) the calculation of loan impairment losses and (b) the recoverability of the investment in 321 Crédito; and (ii) on a consolidated basis, as being: (a) ascertainment of loan impairment losses and (b) recoverability of goodwill in 321 Crédito.

All these matters were duly monitored, throughout the year, by the Audit Committee, and were analysed jointly with the Executive Committee, with the Bank's pertinent Departments and with EY.

The Audit Committee, in view of its action, and in compliance with the provisions in Article 420(6) of the Portuguese Companies Code, applicable by reference to Article 423-F(2) of the same Code, agrees with the Management Report and Financial Statements of the Bank and of the Group, for the year ended on 31 December 2023, as well as the Proposed Appropriation of Net Income presented in the Management Report, which are in accordance with the applicable accounting, legal and statutory provisions.

Accordingly, the Audit Committee recommends to the General Meeting of Banco CTT that, with reference to the financial year ended 31 December 2023, it approve the Annual Report of the Bank and of the Group, as well as the Board of Directors' Proposal for the appropriation of the net profit of 17,935,329.65 euros, determined in the individual balance sheet, as follows: (i) reinforcement of the Legal Reserve, 1,793,532.97 euros and (ii) Retained Earnings, 16,141,796.68 euros.

Lisbon, 18 March 2024

The Chairman of the Audit Committee,

João Manuel de Matos Loureiro

The Members of the Audit Committee,

Ana Maria Machado Fernandes

Maria Rita Mégre de Sousa Coutinho

Summary of the Self-Assessment Report

Summary of the Self-Assessment Report (Group)

The Self-Assessment Report ('Report') prepared under the provisions of Article 54 of Banco de Portugal Notice 3/2020 ('Notice'), in force since 16 July 2020, and Banco de Portugal Instruction 18/2020 ('Instruction') contains the results of the assessment carried out by the Banco CTT, S.A. Group. regarding the adequacy and effectiveness of the financial group's internal control system to ensure compliance with the requirements set forth in Article 51 of the Notice, as well as regarding the consistency between the internal control systems of the subsidiary and the internal control system of the parent company, Banco CTT, S.A., with reference to 30 November 2023.

In line with the best practices in these matters, the gap analysis exercise in relation to the requirements of the Notice was reviewed, and the current results, analysed by the Internal Control Committee and reported to the Bank's Management and Supervisory Bodies, as parent company, showed a positive evolution in relation to the compliance of the internal control system and the Group's governance model with most of the requirements. Nevertheless, the residual set of requirements for which gaps have been maintained are duly reflected as internal control deficiencies in the individual self-assessment reports of the Bank as parent company and its subsidiaries.

The Report also includes a description of the Group's organisational structure and governance model, which is considered to be in line with the best market practices in matters of corporate governance.

The organisational structure and governance model of the BCTT Group are complemented by the methodology underlying the continuous monitoring process of the Group's Internal Control System, consisting essentially of the following phases: (i) identification and reporting of deficiencies, (ii) assessment and classification of deficiencies, (iii) prioritisation and decision-making, (iv) definition of action plans and (v) monitoring and reporting. In this regard, and in compliance with the provisions of the aforementioned regulation, the Bank, as the parent company, has defined and has periodically reviewed and updated its taxonomy of risks and the impairment classification model, implemented in the light of the provisions of Annexes I and II of Banco de Portugal Instruction No. 18/2020. The last process of reviewing this information, by updating the Group's General Internal Control and Risk Management Policy, took place in November 2023, with a view to reviewing the document annually, revising the risk taxonomy and clarifying the role of the control functions in strategic planning, new products and initiatives with an impact on the Group's risk profile;

Additionally, the Report includes a global analysis of the internal control deficiencies, which includes the description and characterisation of the deficiencies open on the reference date. In order to eliminate the effect of duplicating the presentation of the deficiencies reported in the individual self-assessment reports of the Group's entities, only those recommendations whose scope/nature of the process in question is effectively of the Group are presented in the Report.

In preparing the Report, the individual self-assessment reports of the Group entities subject to compliance with the Notice and the Instruction were included, which in turn include the annual self-assessment/independence reports of the persons responsible for the risk management, compliance and internal audit functions, pursuant to Articles 27, 28 and 32 of the Notice, respectively. In these annual self-assessment reports, the independence of each internal control function is confirmed by the respective persons in charge (no record of incidents).

The Report also includes the assessment of the Supervisory and Administrative Bodies of the different entities of the Group concerned, in accordance with Articles 56 and 57 of the Notice, respectively.

Within the scope of the assessment of the Supervisory Body of the Group's parent company, the Bank's Audit Committee concludes, based on the work carried out and the information and evidence gathered, weighing up the current and potential impacts of the deficiencies that remain open, that the financial group's internal control system is adequate and effective in all materially relevant aspects, as well as that there is overall consistency between the subsidiary's internal control system and the parent company's internal control system in all materially relevant aspects, under the terms of the requirements set out in the Notice.

In turn, the Bank's Board of Directors, based on the work carried out and analysing the F3 deficiencies or others that in aggregate could jeopardise the Group's risk profile, concludes that the internal control system of the financial group is adequate and effective, given the requirements defined in the Notice.

Lisbon, 18 March 2024

The Chairman of the Audit Committee,

João Manuel de Matos Loureiro

The Members of the Audit Committee,

Ana Maria Machado Fernandes

Maria Rita Mégre de Sousa Coutinho

Summary of the Self-Assessment Report (Individual Bank)

The Self-Assessment Report ('Report') prepared under the provisions of Article 54 of Banco de Portugal Notice No. 3/2020 ('Notice'), in force since 16 July 2020, and Banco de Portugal Instruction No. 18/2020 ('Instruction') contains the results of the assessment carried out by Banco CTT, S.A. regarding the adequacy and efficacy of the organisational culture in place, its governance and internal control systems, including remuneration practices and policies and the other matters addressed in the Notice, with reference to 30 November 2023.

The organisational structure and governance model of BCTT are described and complemented by the methodology underlying the continuous monitoring process of the Bank's Internal Control System, consisting essentially of the following phases: (i) identification and reporting of deficiencies, (ii) assessment and classification of deficiencies, (iii) prioritisation and decision-making, (iv) definition and follow-up of action plans and (v) monitoring and reporting. In compliance with Banco de Portugal's recommendation expressed in communication ref. CEX/2023/0000067280 of 19 October 2023, the framework of the internal control system was reviewed in 2023 in order to accommodate Banco de Portugal's recommendations on the Annual Self-Assessment Reports – AAR 2022.

Additionally, the Report includes a global analysis of the internal control deficiencies, which includes the description and characterisation of the deficiencies open on the reference date.

As part of the preparation of the report, the annual self-assessment/independence reports of the heads of the Risk Management, Compliance and Internal Audit Functions were also drawn up, pursuant to Articles 27, 28 and 32 of the Notice, respectively, and are included in the Report. In these annual self-assessment reports, the independence of each internal control function is confirmed by the respective persons in charge (no record of incidents).

The Report also includes the assessment of the Bank's supervisory and management bodies, pursuant to Articles 56 and 57 of the Notice, respectively.

In the context of the assessment of BCTT's Supervisory Body, the Audit Committee concluded, in the light of the work performed, the cumulative evidence gathered, weighing the current and potential impacts of the deficiencies that remain open, except for those deficiencies and the need to develop a residual set of procedures for full adoption of the provisions of the Notice, on the adequacy and efficacy of the organisational culture in force in the Bank and of its governance and internal control systems, in all materially relevant aspects, in accordance with the requirements defined in the Notice, considering that the Bank's values are conducive to an adequate control culture.

In turn, the Board of Directors concluded that BCTT's organisational culture and governance and internal control systems were appropriate and effective in all materially relevant aspects, including the Bank's remuneration practices and policies, in relation to the requirements set out in the Notice.

Lisbon, 18 March 2024

The Chairman of the Audit Committee,

João Manuel de Matos Loureiro

The Members of the Audit Committee,

Ana Maria Machado Fernandes

Maria Rita Mégre de Sousa Coutinho

External Auditors' Report

Statutory Auditor's Report (Consolidated)

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(Translation from the original document in the Portuguese language.
In case of doubt, the Portuguese version prevails)

Statutory and Auditor's Report

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the accompanying consolidated financial statements Banco CTT, S.A. (the Group), which comprise the Consolidated Statement of Financial Position as at 31 December 2024 (showing a total of 3.827.132 thousands of euros and a total equity of 270.018 thousands of euros, including a net profit for the year of 17.023 thousands of euros), and the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements give a true and fair view, in all material respects, of the consolidated financial position of Banco CTT, S.A. as of 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as endorsed by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA) and other technical and ethical standards and guidelines as issued by the Institute of Statutory Auditors. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section below. We are independent of the entities comprising the Group in accordance with the law and we have fulfilled other ethical requirements in accordance with the Institute of Statutory Auditors´ code of ethics.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters in the current year audit are the following:

1. **Impairment losses on loans to customers**

Description of the most significant assessed risks of material misstatement	Summary of our response to the most significant assessed risks of material misstatement
As of 31 December 2023, Loans and Advances to Clients amounts to 1.593.214 thousands euros, net of impairment charges amounting to 47.816 thousands of euros (1.777.565 thousands of euros and 54.736 thousands of euros, respectively, as of 31 December 2022). The detail of impairment on Loans and Advances to clients and the accounting policies, methodologies, concepts and assumptions used are disclosed in the notes to the consolidated financial statements (Notes 2.2.1.6, 3.1.2 and 14).	Our audit approach to impairment on Loans and Advances to clients included (i) an overall response to the way the audit was conducted and (ii) a specific response that resulted in the design, and subsequent implementation, of audit procedures that included, namely: ► obtaining the understanding, assessment of internal control procedures existing in the process of quantifying impairment losses for Loans and Advances to clients; ► conducting analytical review tests on the evolution of the amount of impairment on Loans and Advances to

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Contribuinte N.º 505 988 283 - C. R. Comercial de Lisboa sob o mesmo número
A member firm of Ernst & Young Global Limited

Description of the most significant assessed risks of material misstatement	Summary of our response to the most significant assessed risks of material misstatement
The impairment on Loan and Advances to clients represents Management best estimate of the expected credit loss of Loan and Advances client's portfolio. To calculate this estimate, Management made critical judgments such as the evaluation of the business model, the assessment of the significant increase in credit risk, the classification of exposures in default, the definition of an asset group with similar credit risk characteristics and the use of models and parameters. These parameters are calculated based on historical indicators, when available or benchmarks, in the remaining cases. For relevant individual exposures, the impairment is calculated based on judgments of experts in the credit risk assessment. In addition to the complexity of the models for quantifying impairment losses of loans and advances portfolio ("models"), its use requires the processing of significant data, the availability and quality of which may not be adequate. Given the degree of subjectivity and complexity involved, the use of alternative approaches, models or assumptions may have a material impact on the estimated impairment amount, which, together with its materiality, determines that we consider this topic as a key audit matter.	clients, comparing it with the same period and with the expectations, which highlight the understanding of the variations occurred in the loans and advances portfolio and changes in the impairment assumptions and methodologies; ► reading the minutes of the Equity and Risk Committee and Global Risk Committee and correspondence with Banco de Portugal; ► obtaining the understanding and evaluation of the design of the model of the expected loss calculation, test to the calculation, comparison of the information used in the model with source data, through the reconciliations prepared by the Bank, analysis of the assumptions used to fill gaps in the data, comparison of the parameters used with the results of the estimation models and comparison of the results of the models with the values recorded in the financial statements; ► with the support of specialists, we performed tests on the reasonableness of the parameters used in the calculation of the impairment, namely: i. understanding of the methodology formalized and approved by Management and comparison with the one actually used; ii. understanding of the changes to the models used by the Bank to determine the parameters used in the calculation of expected loss and results in the parameters; iii. on a sampling basis, comparison of the data used in the clearance of risk parameters with source information; iv. inquiries to the Bank's experts responsible for the models and inspection of internal audit reports and regulators; and v. inspection of the reports with the results of the operational evaluation of the model (back-testing); ► test the reasonableness of adjustments made to the model and outside the model, in particular those to respond to additional areas of judgment resulting from the increasing in interest rate and inflation and understanding the management process associated with those adjustments; and ► analysis of the disclosures included in the notes to the consolidated financial statements, based on the requirements of international financial reporting standards and accounting records.

2. 321 Crédito S.A. Goodwill recoverability

Description of the most significant assessed risks of material misstatement	Summary of our response to the most significant assessed risks of material misstatement
As of 31 December 2023, Goodwill and intangible assets, as described in note 19 of consolidated financial statements include Goodwill in the amount of 60.679 thousands of euros (60.679 thousands of euros as of 31 December 2022), related with the acquisition of the subsidiary 321 Crédito – Instituição Financeira de Crédito, S.A. in May 2019. As referred to in Note 2.1.6, the recoverable amount of Goodwill is analysed on an annual basis in the preparation of financial statements with reference to the end of the financial year or in presence of any indication of potential impairment. The recoverable amount is determined using evaluation methodologies supported by discounted cash flow techniques, considering market conditions, time value, and business risks. The potential impairment of Goodwill was considered a key audit matter given its significant amount and the complexity of impairment evaluation process, including the use of estimates and assumptions, including future market and economic conditions, market share, revenue and margin trends, and uncertainty remains associated with macroeconomic events felt in the market, such as increases in volatility, inflation, and interest rates.	We identified and evaluated the audit risk, which led to the definition of the audit approach to respond to the risk of material misstatement. This approach included (i) a global response that affected how the audit was conducted and (ii) a specific response that involved the design, and subsequent execution, of additional procedures that included tests of controls and substantive procedures, namely: ► We obtained an understanding of the existing internal control procedures in the impairment testing process; ► With the support of internal specialists, we evaluated the reasonableness of the assumptions used in the impairment testing, namely: (i) discount rate; (ii) perpetual growth rate; (iii) dividend distribution; ► We compared the financial projections with the approved budgets and plans and financial indicators of 2023; ► We analysed the financial statements of 321 Crédito - Instituição Financeira de Crédito, SA as of December 31, 2023; ► We performed sensitivity analyses of the assumptions; and ► We analysed the disclosures included in the notes to the consolidated financial statements, based on the requirements of international financial reporting standards and accounting records.

Responsibilities of management and the supervisory board for the consolidated financial statements

Management is responsible for:

- the preparation of consolidated financial statements that presents a true and fair view of the Group´s financial position, financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union;
- the preparation of the Management Report, the Corporate Governance Report, the Non-financial information statement and the Remunerations report, in accordance with the laws and regulations;
- designing and maintaining an appropriate internal control system to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;
- the adoption of accounting policies and principles appropriate in the circumstances; and
- assessing the Group's ability to continue as a going concern, and disclosing, as applicable, matters related to going concern that may cast significant doubt on the Group´s ability to continue as a going concern.

The supervisory body is responsible for overseeing the Group's financial reporting process.

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Banco CTT, S.A.
Statutory and Auditor's Report
(Translation from the original document in Portuguese language
In case of doubt, the Portuguese version prevails)
31 December 2023

Auditor's responsibilities for the audit of the consolidated financial statements

Our responsibility is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISA, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group 's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may lead the Group to discontinue its activities;
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion; and
- communicate with those charged with governance, including the supervisory body, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit;
- from the matters communicated with those charged with governance, including the supervisory body, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter; and
- we also provide the supervisory body with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Our responsibility includes the verification of the consistency of the Management Report with the consolidated financial statements.

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REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

On the Consolidated Management Report

Pursuant to article 451, nr. 3, paragraph e) of the Commercial Companies Code, it is our opinion that the Consolidated Management Report was prepared in accordance with the applicable legal and regulatory requirements and the information contained therein is consistent with the audited consolidated financial statements and, having regard to our knowledge and assessment over the Group, we have not identified any material misstatement.

On additional items set out in article 10 of the Regulation (EU) nr. 537/2014

Pursuant to article 10 of the Regulation (EU) nr. 537/2014 of the European Parliament and of the Council, of 16 April 2014, and in addition to the key audit matters mentioned above, we also report the following:

- We were appointed as auditors of Banco CTT S.A. (Group´s Parent Entity) for the first time in the shareholders' general meeting held on 30 July 2020 for a mandate from 2021 to 2023.
- Management has confirmed that they are not aware of any fraud or suspicion of fraud having occurred that has a material effect on the financial statements. In planning and executing our audit in accordance with ISAs we maintained professional scepticism and we designed audit procedures to respond to the possibility of material misstatement in the consolidated financial statements due to fraud. As a result of our work we have not identified any material misstatement to the consolidated financial statements due to fraud;
- We confirm that our audit opinion is consistent with the additional report that we have prepared and delivered to the supervisory body of the Group on this date;
- We declare that we have not provided any prohibited services as described in article 5 of the Regulation (EU) n.º 537/2014 of the European Parliament and the Council, of 16 of April 2014, and we have remained independent of the Group in conducting the audit; and
- We declare that, in addition to the audit, we provided the Group with the following services as permitted by law and regulations in force:
    - Limited review of the interim consolidated financial statements of Banco CTT, S.A., for the six-month period ended 30 June 2023, prepared in accordance with ISRE 2410 – Review of Interim Financial Information Performed by the Independent Auditor of the Entity;
    - Procedures for issuing the semi-annual evaluation report of the process of quantifying the impairment of the Group's loans and advances portfolio pursuant to Banco de Portugal instruction 5/2013 republished by Banco de Portugal Instruction 18/2018;
    - Agreed-upon procedures to support supervisory board of Banco CTT and its subsidiaries reporting to Banco de Portugal on the internal control system for the prevention of Money Laundering and terrorism financing, in accordance with No. 1/2022 of Banco de Portugal; and
    - Execution of agreed procedures within the scope of data verification for calculating the ex-ante contribution to the Single Resolution Fund to be reported to the Bank of Portugal.

Lisbon, 19 March 2024

Ernst & Young Audit & Associados – SROC, S.A.
Sociedade de Revisores Oficiais de Contas
Represented by:

(Signed)

Silvia Maria Teixeira da Silva - ROC n.º 1636
Registered with the Portuguese Securities Market Commission under license nr. 20161246

Statutory Auditor's Report (Individual)

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Statutory and Auditor's Report

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of Banco CTT, S.A. (the Bank), which comprise the Statement of Financial Position as at 31 December 2023 (showing a total of 3.491.215 thousands of euros and a total equity of 270.198 thousands of euros, including a net profit for the year of 17.935 thousands of euros), and the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements give a true and fair view, in all material respects, of the financial position of the Banco CTT, S.A. as of 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and other technical and ethical standards and guidelines as issued by the Institute of Statutory Auditors. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section below. We are independent of the Bank in accordance with the law and we have fulfilled other ethical requirements in accordance with the Institute of Statutory Auditors´ code of ethics.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters in the current year audit are the following:

1. **Impairment losses on loans to customers**

Description of the most significant assessed risks of material misstatement	Summary of our response to the most significant assessed risks of material misstatement
As of 31 December 2023, Loans and Advances to clients amounts to 731.051 thousands of euros, net of impairment charges amounting to 2.211 thousands of euros (700.952 thousands and 4.353 thousands of euros, respectively, as of 31 December 2022). The detail of impairment on Loans and Advances to clients and the accounting policies, methodologies, concepts and assumptions used are disclosed in the notes to the consolidated financial statements (Notes 2.2.1.6, 3.1.2, 14 and 32).	Our audit approach to impairment on Loans and Advances to clients included (i) an overall response to the way the audit was conducted and (ii) a specific response that resulted in the design, and subsequent implementation, of audit procedures that included, namely: ► obtaining the understanding, assessment of internal control procedures existing in the process of quantifying impairment losses for Loans and Advances to clients; ► conducting analytical review tests on the evolution of the amount of impairment on Loans and Advances to clients,

Description of the most significant assessed risks of material misstatement	Summary of our response to the most significant assessed risks of material misstatement
The impairment on Loan and Advances to clients represents Management best estimate of the expected credit loss of Loan and Advances client's portfolio. To calculate this estimate, Management made critical judgments such as the evaluation of the business model, the assessment of the significant increase in credit risk, the classification of exposures in default, the definition of an asset group with similar credit risk characteristics and the use of models and parameters. These parameters are calculated based on historical indicators, when available or benchmarks, in the remaining cases. For relevant individual exposures, the impairment is calculated based on judgments of experts in the credit risk assessment. In addition to the complexity of the models for quantifying impairment losses of the credit portfolio ("models"), its use requires the processing of significant data, the availability and quality of which may not be adequate. Given the degree of subjectivity and complexity involved, the use of alternative approaches, models or assumptions may have a material impact on the estimated impairment amount, which, together with its materiality, determines that we consider this topic as a key audit matter.	comparing it with the same period and with the expectations, which highlight the understanding of the variations occurred in the loans and advances portfolio and changes in the impairment assumptions and methodologies; ► reading the minutes of the Equity and Risk Committee and Global Risk Committee and correspondence with Banco de Portugal; ► obtaining the understanding and evaluation of the design of the model of the expected loss calculation, test to the calculation, comparison of the information used in the model with source data, through the reconciliations prepared by the Bank, analysis of the assumptions used to fill gaps in the data, comparison of the parameters used with the results of the estimation models and comparison of the results of the models with the values recorded in the financial statements; ► with the support of specialists, we performed tests on the reasonableness of the parameters used in the calculation of the impairment, namely: i. understanding of the methodology formalized and approved by Management and comparison with the one actually used; ii. understanding of the changes to the models used by the Bank to determine the parameters used in the calculation of expected loss and results in the parameters; iii. on a sampling basis, comparison of the data used in the clearance of risk parameters with source information; iv. inquiries to the Bank's experts responsible for the models and inspection of internal audit reports and regulators; and v. inspection of the reports with the results of the operational evaluation of the model (back-testing); ► test the reasonableness of adjustments made to the model and outside the model, in particular those to respond to additional areas of judgment resulting from the increasing in interest rate and inflation and understanding the management process associated with those adjustments; and ► analysis of the disclosures included in the notes to the consolidated financial statements, based on the requirements of international financial reporting standards and accounting records.

2. Recoverability of investments in associates

Description of the most significant assessed risks of material misstatement	Summary of our response to the most significant assessed risks of material misstatement
Investments in associates, as described in Note 20 of the Annex to the Financial Statements, as of December 31, 2023, includes an amount of 136.105 thousand euros (148.024 thousand euros as of December 31, 2022), corresponding to the subsidiary 321 Crédito - Instituição Financeira de Crédito, S.A., whose acquisition took place in May 2019. As referred in Note 20, the recoverable amount of investments in associates is evaluated annually or in the presence of an objective loss event. The recoverable amount is determined using methodologies supported by discounted cash flow techniques, considering market conditions, time value, and business risks. The potential impairment in the 321 Crédito Investment was considered a key audit matter given its significant amount and the complexity of impairment evaluation process, including the use of estimates and assumptions, including future market and economic conditions, market share, revenue and margin trends, and uncertainty remains associated with macroeconomic events felt in the market, such as increases in volatility, inflation, and interest rates.	We identified and evaluated the audit risk, which led to the definition of the audit approach to respond to the risk of material misstatement. This approach included (i) a global response that affected how the audit was conducted and (ii) a specific response that involved the design, and subsequent execution, of additional procedures that included tests of controls and substantive procedures, namely: ► We obtained an understanding of the existing internal control procedures in the impairment testing process; ► With the support of internal specialists, we evaluated the reasonableness of the assumptions used in the impairment testing, namely: (i) discount rate; (ii) perpetual growth rate; (iii) dividend distribution; ► We compared the financial projections with the approved budgets and plans and financial indicators of 2023; ► We analysed the financial statements of 321 Crédito - Instituição Financeira de Crédito, SA as of December 31, 2023; ► We performed sensitivity analyses of the assumptions; and ► We analysed the disclosures included in the notes to the consolidated financial statements, based on the requirements of international financial reporting standards and accounting records.

Responsibilities of management and the supervisory board for the financial statements

Management is responsible for:

- the preparation of financial statements that presents a true and fair view of the Bank´s financial position, financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union;
- the preparation of the Management Report in accordance with the laws and regulations;
- designing and maintaining an appropriate internal control system to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;
- the adoption of accounting policies and principles appropriate in the circumstances; and
- assessing the Bank's ability to continue as a going concern, and disclosing, as applicable, matters related to going concern that may cast significant doubt on the Bank´s ability to continue as a going concern.

The supervisory body is responsible for overseeing the Bank's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Banco CTT S.A.
Statutory and Auditor's Report
*(Translation from the original document in Portuguese language
In case of doubt, the Portuguese version prevails)*
31 December 2023

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may lead the Bank to discontinue its activities;
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- communicate with those charged with governance, including the supervisory body, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit;
- from the matters communicated with those charged with governance, including the supervisory body, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter; and
- we also provide the supervisory body with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Our responsibility includes the verification of the consistency of the Management Report with the financial statements.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

On the Management Report

Pursuant to article 451, nr. 3, paragraph e) of the Commercial Companies Code, it is our opinion that the Management Report was prepared in accordance with the applicable legal and regulatory requirements and the information contained therein is consistent with the audited financial statements and, having regard to our knowledge and assessment over the Bank, we have not identified any material misstatement.

On additional items set out in article 10 of the Regulation (EU) nr. 537/2014

Pursuant to article 10 of the Regulation (EU) nr. 537/2014 of the European Parliament and of the Council, of 16 April 2014, and in addition to the key audit matters mentioned above, we also report the following:

- We were appointed as auditors of the Bank for the first time in the shareholders' general meeting held on 30 July 2020 for a mandate from 2021 to 2023.

Banco CTT S.A.
Statutory and Auditor's Report
*(Translation from the original document in Portuguese language
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31 December 2023

- Management has confirmed that they are not aware of any fraud or suspicion of fraud having occurred that has a material effect on the financial statements. In planning and executing our audit in accordance with ISAs we maintained professional scepticism and we designed audit procedures to respond to the possibility of material misstatement in the financial statements due to fraud. As a result of our work we have not identified any material misstatement to the financial statements due to fraud;
- We confirm that our audit opinion is consistent with the additional report that we have prepared and delivered to the supervisory body of the Bank on this date;
- We declare that we have not provided any prohibited services as described in article 5 of the Regulation (EU) n.º 537/2014 of the European Parliament and the Council, of 16 of April 2014, and we have remained independent of the Group in conducting the audit; and
- We declare that, in addition to the audit, we provided the Bank with the following services as permitted by law and regulations in force:
    - Limited review of the interim consolidated financial statements of Banco CTT, S.A., for the six-month period ended 30 June 2023, prepared in accordance with ISRE 2410 – Review of Interim Financial Information Performed by the Independent Auditor of the Entity;
    - Procedures for issuing the semi-annual evaluation report of the process of quantifying the impairment of the Group's loans and advances portfolio pursuant to Banco de Portugal instruction 5/2013 republished by Banco de Portugal Instruction 18/2018;
    - Agreed-upon procedures to support supervisory body of Banco CTT reporting to Banco de Portugal on the internal control system for the prevention of Money Laundering and terrorism financing, in accordance with No. 1/2022 of Banco de Portugal; and
    - Execution of agreed procedures within the scope of data verification for calculating the ex-ante contribution to the Single Resolution Fund to be reported to the Bank of Portugal.

Lisbon, 19 March 2024

Ernst & Young Audit & Associados – SROC, S.A.
Sociedade de Revisores Oficiais de Contas
Represented by:

(Signed)

Silvia Maria Teixeira da Silva - ROC n.º 1636
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04

Corporate governance report

Corporate governance report

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A. Shareholder structure

I. Capital structure

The share capital of Banco CTT, S.A. ("Bank" or "Banco CTT") is 296,400,000.00 euros, fully underwritten and paid-up, represented by 296,400,000 ordinary shares (there are no different categories), registered, book-entry, with no nominal value.

As mentioned above, the Bank's shares are entirely held by CTT – Correios de Portugal, S.A. ("CTT") and are not subject to any statutory or legal limitations regarding their transfer or ownership, or the number of votes that may be exercised.

Without prejudice to the free transferability of the shares of the Bank and CTT, their acquisition implies, as of the date of the commercial registration of Banco CTT (credit institution wholly owned by CTT), compliance with the legal requirements regarding direct or indirect qualified holdings, provided for in the General Regime of Credit Institutions and Financial Companies, in the wording currently in force ("RGICSF").

In particular, and in accordance with Article 102 of the RGICSF, natural or legal persons wishing to hold a qualified holding in CTT and, indirectly, in the Bank (i.e., a direct or indirect participation equal to or greater than 10% of the share capital or voting rights or that, for whatever reason make it possible to exert significant influence on management) must previously communicate their project to Banco de Portugal for the purposes of non-opposition. In turn, the acts or facts resulting in the acquisition of a shareholding of at least 5% of the share capital or voting rights of CTT and indirectly of the Bank, must be communicated to Banco de Portugal within 15 days of the respective verification, in accordance with the provisions of Article 104 of the RGICSF.

Without prejudice to the above, we hereby inform that, in November 2022, a strategic partnership between Banco CTT Group and Generali Seguros, S.A. was announced, which includes (i) a long-term agreement for the distribution of life and non-life insurance of Tranquilidade/Generali Seguros, with an exclusivity period renewable every 5 years, and (ii) the subscription by Tranquilidade/Generali Seguros of a reserved share capital increase of 25 million euros in Banco CTT in exchange for a shareholding of approximately 8.71%. The accomplishment of the transaction awaits a decision of non-objection to the acquisition of a qualifying stake by Banco de Portugal/European Central Bank.

As at 31 December 2023 and up to the date of this report, the Bank did not have any of its own shares, with no transactions having been carried out by the Bank relative to its own shares.

II. Shareholdings and Bonds held

As at 31 December 2023, the members of the Bank's management and supervisory bodies did not hold any shares issued by the Bank, nor did they, during 2023, carry out any transactions in such relevant securities for the purposes of Article 447 of the Commercial Companies Code ("CSC"), in the wording currently in force.

Also in accordance with paragraph 5 of Article 447 of the CSC, during the financial year 2023 and in accordance with the communications made to the Company, the number of shares representing the share capital of companies in a domain or group relationship with the Bank, held by members of the management and supervisory bodies of the Bank and the entities closely related to them in accordance with that provision, as well as all acquisitions, encumbrances or cessations of ownership of said shares, are indicated in the following lists:

Board of Directors (a)	No. of Shares as at 31/12/2022 (b)	Date	Acquisition	Encumbrance	Divestment	Price	No. of Shares as at 31/12/2023 (c)
João de Almada Moreira Rato (d)	-	-	-	-	-	-	-
Luís Maria França de Castro Pereira Coutinho	500	-	-	-	-	-	500
João Maria de Magalhães Barros de Mello Franco	-	-	-	-	-	-	-
Pedro Rui Fontela Coimbra	-	-	-	-	-	-	-
Nuno Carlos Dias dos Santos Fórneas	-	-	-	-	-	-	-
Luís Jorge de Sousa Uva Patrício Paúl	-	-	-	-	-	-	-
João Manuel de Matos Loureiro	-	-	-	-	-	-	-
Ana Maria Machado Fernandes	-	-	-	-	-	-	-
Maria Rita Mégre de Sousa Coutinho	9,000	-	-	-	-	-	9,000
António Pedro Ferreira Vaz da Silva	7,000	(c)	(c)	-	-	(c)	14,000
Guy Patrick Guimarães de Goyri Pacheco	8,000	-	-	-	-	-	8,000
António Domingues	10,000	-	-	-	-	-	10,000

Statutory Auditor	No. of Shares as at 31/12/2022	Date	Acquisition	Encumbrance	Divestment	Price	No. of Shares as at 31/12/2023
Ernst & Young Audit & Associados – SROC, S.A.	-	-	-	-	-	-	-
Sílvia Maria Teixeira da Silva	-	-	-	-	-	-	-
Ana Rosa Ribeiro Salcedas Montes Pinto	-	-	-	-	-	-	-

a) Includes the members of the Executive Committee and Audit Committee.
b) Transaction in question conducted in a regulated market on shares of CTT – Correios de Portugal, S.A.
c) Annex II presents the details relative to the acquisitions and/or divestments made in 2023, as disclosed to the Company.
d) João de Almada Moreira Rato held office during 2023, having ceased to hold the positions of Chairman of the Board of Directors and of the Remuneration Committee of Banco CTT on 30 June 2023, and neither the aforementioned Director nor any person closely related to him having communicated to Banco CTT up to that date any transaction involving the acquisition, encumbrance or termination of ownership, for whatever reason, of shares and bonds of the Company or of companies with which Banco CTT is in a control or group relationship, under the terms and for the purposes of Article 447 of the Commercial Companies Code.

In 2023, neither Banco CTT nor the companies in a domain or group relationship with the Bank issued any bonds.

B. Corporate bodies and committees

I. General Meeting

In accordance with paragraph 1 of Article 12 of the Bank's Articles of Association, the Board of the General Meeting shall consist of a Chairman, elected at the General Meeting. According to the same statutory provision, the Chairman of the Board of the General Meeting is assisted by the Company Secretary, and the respective functions were performed in 2023 by Catarina Morais Bastos Gonçalves de Oliveira, the current Company Secretary. As at 31 December 2023, the Chairman of the Board of the General Meeting was Rui Afonso Galvão Mexia de Almeida Fernandes, having been appointed for the 2022/2024 term of office at the General Meeting on 5 December 2022.

The constitution of the Bank's Selection and Remuneration Committee was approved in the General Meeting of Shareholders held on 5 December 2022, and the following were elected as Chairman and members of the said Selection and Remuneration Committee for the 2022/2024 term of office, respectively: Raúl Catarino Galamba de Oliveira, João Afonso Ramalho Sopas Pereira Bento and Maria da Graça Farinha de Carvalho.

Following the resignation of Maria da Graça Farinha de Carvalho, the sole shareholder elected Ana da Paz Ferreira da Câmara Perestrelo de Oliveira to replace her on 1 December 2023. As a result, on 31 December 2023 and to date, the Bank's Selection and Remuneration Committee is made up of the following members:

Members	Position
Raúl Catarino Galamba de Oliveira	Chairman
João Afonso Ramalho Sopas Pereira Bento	Member
Ana da Paz Ferreira da Câmara Perestrelo de Oliveira	Member

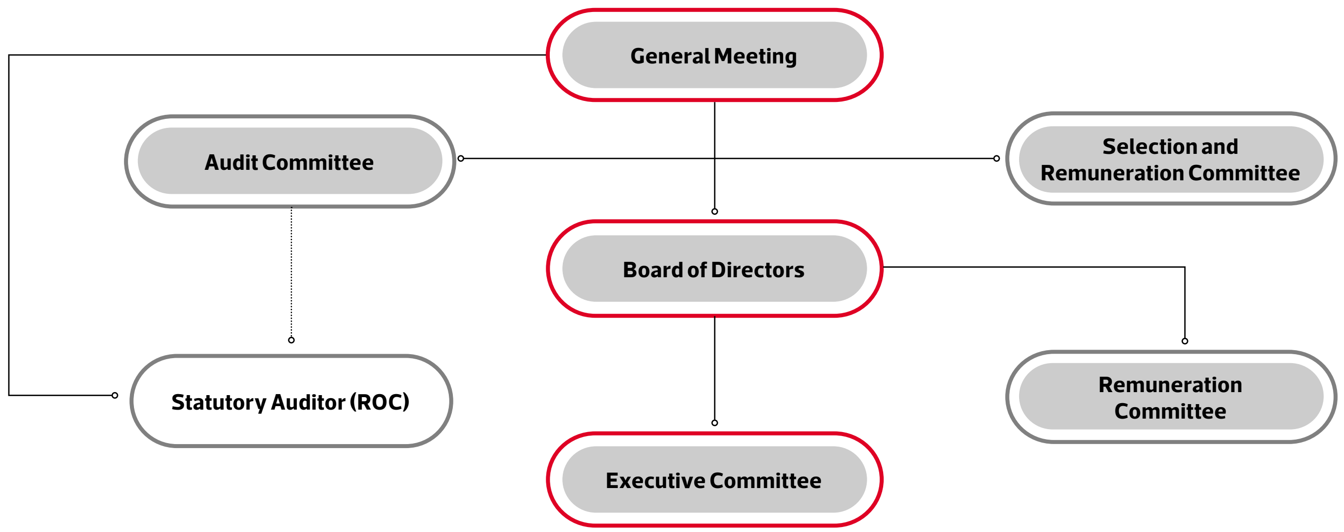
In accordance with the Policy for the Selection, Evaluation and Succession of Members of the Management and Supervisory Bodies of the Banco CTT Group and the Remuneration Policy of the Banco CTT Group (respectively, "Selection Policy" and "Remuneration Policy"), the Selection and Remuneration Committee, under the powers delegated to it by the General Meeting, is responsible in particular for:

- Identifying, selecting and recommending candidates for members of the Management and Supervisory Bodies and preparing the corresponding applications for authorisation to perform their duties;
- Present proposals for institutional integration and training programmes for the members of the Management and Supervisory Bodies and discuss the training plans submitted to it;
- Draw up and approve a Succession Plan and a list of possible successors to members of the Management and Supervisory Bodies;
- Present proposals for periodic revision of the Selection and Succession Policy to the General Meeting;
- Establishing the remuneration of the members of the Board of the General Meeting, the Board of Directors, the Audit Committee and the Statutory Auditor;
- Approving and reviewing at least annually the Remuneration Policy, namely defining its various components and possible benefits.

II. Management and Supervision

1) Adopted governance model

Banco CTT has adopted a governance model of Anglo-Saxon nature, according to which the Board of Directors is responsible for the Company's administration, and the Audit Committee (composed of non-executive and independent Directors) and the Statutory Auditor are responsible for its supervision.



This model has implemented a number of good governance practices and an appropriate and effective organisational culture, in line with the Bank's specific characteristics (namely its dimension and activity), as described in this Report, promoting sound and prudent management, the effective performance of functions and coordination of corporate bodies, the smooth operation of a checks and balances system and the accountability of management to its stakeholders.

In this regard, the General Meeting is responsible for: (i) electing the members of the governing bodies (including the members of the Board of the General Meeting, the Board of Directors and the Audit Committee, as well as the Statutory Auditor, the latter following a proposal submitted by the Audit Committee); (ii) assessing the report and accounts of the Board of Directors, as well as the opinion of the Audit Committee; (iii) deciding on the appropriation of results; (iv) deciding on amendments to the Articles of Association; and (v) fixing the remuneration of the members of the governing bodies or, alternatively and for that purpose, setting up a Selection and Remuneration Committee and electing the respective members. In this sense, the General Meeting established, on 5 December 2022, a Selection and Salary Committee composed of three independent members which is also responsible for identifying, selecting and assessing the adequacy of persons to be appointed as members of the management and supervisory bodies and holders of key functions of the Bank (as described in point B.I. above).

The Board of Directors, in turn, delegated, in the context of its administrative functions, day-to-day management powers to the Executive Committee (see section B.II.2. below).

The Audit Committee (currently exclusively composed of independent members), together with the Statutory Auditor, perform the duties of supervision that arise from the applicable legal and regulatory provisions, where the Audit Committee is responsible for promoting the independence of the Statutory Auditor and the Company's Internal Audit Function, with view to contributing to the quality of the financial information and the effectiveness of the internal control, risk management and internal audit systems (as described in point B.III. below).

The Remuneration Committee (currently composed of a majority of independent members of the Board of Directors) is responsible for making informed, independent judgements on the Bank's remuneration policy and practices that are consistent with sound and prudent risk management and the incentives created for risk, capital and liquidity management (see point D.II. below).

2) Board of Directors and internal committees

Pursuant to the Bank's Articles of Association, the Board of Directors is composed of 7 to 13 members and the Executive Committee is composed of 3 to 6 Directors, appointed for three-year terms of office.

On 5 December 2022, the sole shareholder elected the following members of the Board of Directors, to hold office during the 2022/2024 term of office:

Members	Board of Directors	Executive Committee	Audit Committee	Independent [1]
João de Almada Moreira Rato	Chairman			Yes
Luís Maria França de Castro Pereira Coutinho	Member	Chairman (CEO)		
João Maria de Magalhães Barros de Mello Franco	Member	Member (CCO)		
Pedro Rui Fontela Coimbra	Member	Member (CFO)		
Nuno Carlos Dias dos Santos Fórneas	Member	Member (CIO)		
Luís Jorge de Sousa Uva Patrício Paúl	Member	Member (CRO)		
João Manuel de Matos Loureiro	Member		Chairman	Yes
António Domingues	Member		Member	Yes
Ana Maria Machado Fernandes	Member		Member	Yes
António Pedro Ferreira Vaz da Silva	Member			
Guy Patrick Guimarães de Goyri Pacheco	Member			
Maria Rita Mégre de Sousa Coutinho	Member			Yes

1) According to the criteria established in paragraph 5 of Article 414 of the CSC (applicable by virtue of paragraph 3 of Article 31-A of the RGICSF).

By letter issued on 2 May 2023 and taking effect on 30 June 2023, João de Almada Moreira Rato resigned from the positions of Chairman of the Board of Directors and of the Remuneration Committee that he had been holding at the Bank. Also by letter issued on March 23, 2023 and which took effect on April 30, 2023, António Domingues resigned from the position of Member of the Audit Committee that he had been holding at the Bank.

This way, the Company's Board of Directors in office as at 31 December 2023 was composed of the following 11 Directors, appointed for the term of office of 2022/2024, whose attached herewith:

Members	Board of Directors	Executive Committee	Audit Committee	Independent [1]
Luís Maria França de Castro Pereira Coutinho	Member	Chairman (CEO)		
João Maria de Magalhães Barros de Mello Franco	Member	Member (CCO)		
Pedro Rui Fontela Coimbra	Member	Member (CFO)		
Nuno Carlos Dias dos Santos Fórneas	Member	Member (CIO)		
Luís Jorge de Sousa Uva Patrício Paúl	Member	Member (CRO)		
João Manuel de Matos Loureiro	Member		Chairman	Yes
Ana Maria Machado Fernandes	Member		Member	Yes
António Pedro Ferreira Vaz da Silva	Member			
Guy Patrick Guimarães de Goyri Pacheco	Member			
António Domingues	Member			Yes
Maria Rita Mégre de Sousa Coutinho	Member			Yes

1) According to the criteria established in paragraph 5 of Article 414 of the CSC (applicable by virtue of paragraph 3 of Article 31-A of the RGICSF).

After the end of the financial year, Maria Rita Mégre de Sousa Coutinho was elected a member of the Audit Committee by resolution of the sole shareholder with effect from 2 January 2024 and, also by resolution of the sole shareholder with effect from 1 February 2024, João Nuno de Sottomayor Pinto de Castello Branco was elected Chairman of the Board of Directors.

The Company's Board of Directors is currently composed of the following 12 Directors, appointed for the 2022/2024 term of office of, whose curricula are presented in Annex I attached herewith:

Members	Board of Directors	Executive Committee	Audit Committee	Independent [1]
João Nuno de Sottomayor Pinto de Castello Branco	Chairman			Yes
Luís Maria França de Castro Pereira Coutinho	Member	Chairman (CEO)		
João Maria de Magalhães Barros de Mello Franco	Member	Member (CCO)		
Pedro Rui Fontela Coimbra	Member	Member (CFO)		
Nuno Carlos Dias dos Santos Fórneas	Member	Member (CIO)		
Luís Jorge de Sousa Uva Patrício Paúl	Member	Member (CRO)		
João Manuel de Matos Loureiro	Member		Chairman	Yes
Ana Maria Machado Fernandes	Member		Member	Yes
Maria Rita Mégre de Sousa Coutinho	Member		Member	Yes
António Pedro Ferreira Vaz da Silva	Member			
Guy Patrick Guimarães de Goyri Pacheco	Member			
António Domingues	Member			Yes

1) According to the criteria established in paragraph 5 of Article 414 of the CSC (applicable by virtue of paragraph 3 of Article 31-A of the RGICSF).

The Board of Directors is the governing body responsible for the Company's management and representation, under the legal and statutory terms, being entrusted to practice all acts and operations relative to the corporate object that are outside the competence attributed to other bodies of the Bank.

Pursuant to the Articles of Association and its Internal Regulation, the Board of Directors is responsible, among other aspects, for:

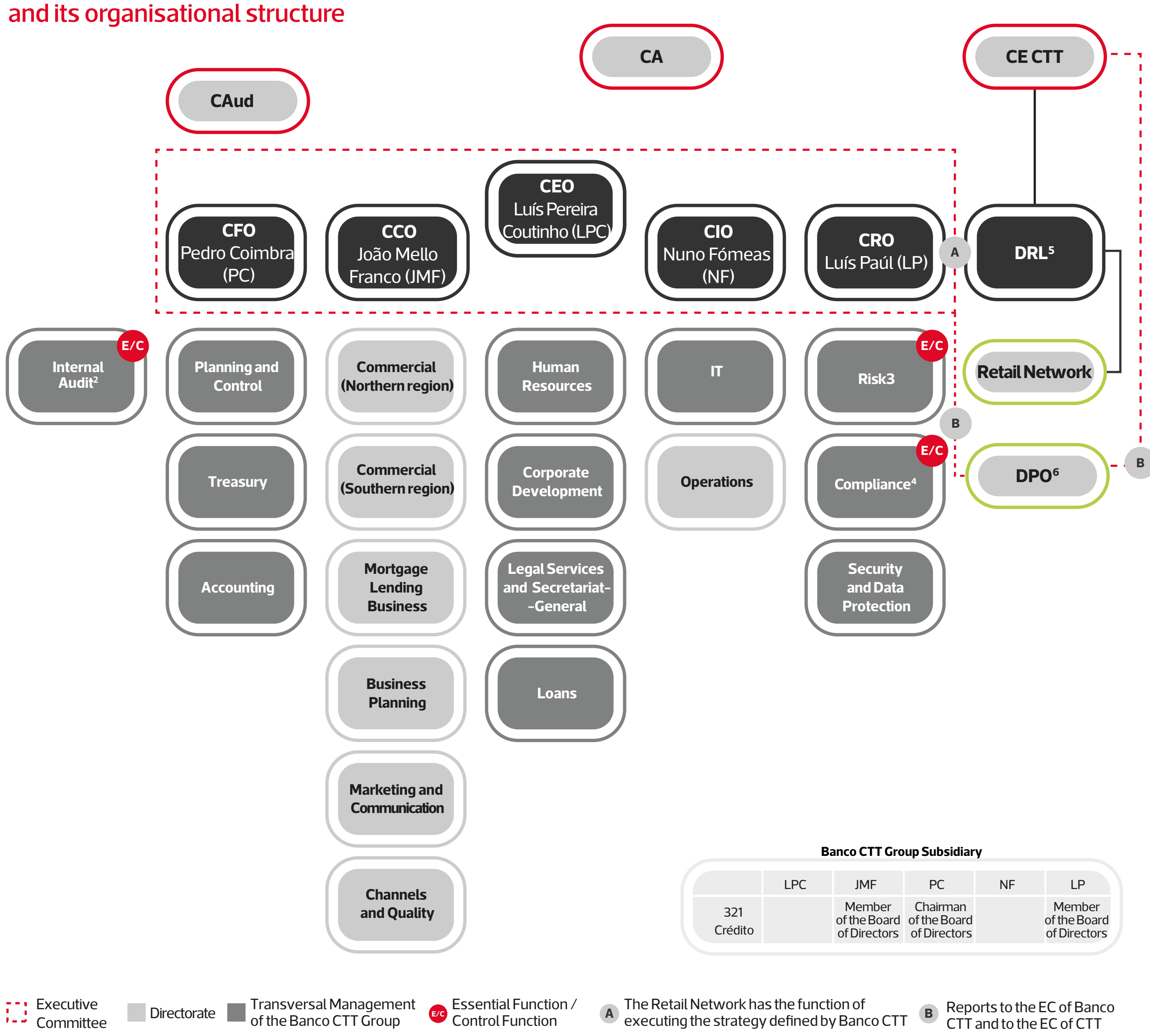
a) Approve the individual and consolidated annual, half-yearly and quarterly reports and accounts, as well as the proposals to be submitted to the General Meeting which are the responsibility of the management body, namely the proposal for the appropriation of profits;
b) Define the strategic orientation (including the approval of strategic, activity and business plans), through a formal planning process, as well as the Bank's organisational model and corporate structure, and monitor its execution;
c) Approving annual and multi-annual budgets and investment and financial plans, and monitoring their implementation;
d) Approve the Bank's Policies, ensuring that they are properly implemented and periodically reviewed;
e) Passing resolutions on merger, demerger and transformation projects, important expansions or down-sizing of the Bank's operations, the establishment, termination or amendment of any partnership, cooperation, sharing or joint venture agreements that are long-lasting and important;
f) Adopting an organisational culture that promotes a permanent integrated control of the risks to which the Bank and the Banco CTT Group are exposed, a responsible and prudent professional conduct of its employees and members of the management and supervisory bodies, guided by high standards of ethical requirements, and that contribute to the sound and prudent management of the institution and to strengthen the levels of trust and reputation of the Bank and the Group by monitoring and evaluating the adequacy and effectiveness of the organisational culture and of the governance and internal control systems of the Bank and its subsidiaries, regularly including matters relating to conduct and organisational culture in its meetings;
g) Promote a control environment that values internal control as an essential element for the resilience and good long-term performance of the Bank and the Banco CTT Group, ensuring that the Bank and the Group have an effective internal control system that guarantees their sustainability in the medium and long term and the prudent exercise of their activity, covering the entire institution and its subsidiaries, including the responsibilities and functions of the management and supervisory bodies, all its business segments, structural units, namely the Control Functions, subcontracted activities and product distribution channels, ensuring that the internal control system is applied consistently in all subsidiaries and monitoring its operation;
h) Ensuring the soundness and effectiveness of (i) the processing of information, including the accounting and financial information systems and the processes of disclosure and compliance with reporting duties to Banco de Portugal, and (ii) of the processes of identification, management, control and communication of risks, under the terms of the law and applicable regulations;
i) Implementing and monitoring the operation of the risk management system that allows the identification, assessment, monitoring and control of all risks to which the Bank and its subsidiaries may be exposed, in order to ensure that they remain at the level defined by the Board of Directors and that they do not significantly affect the financial situation of the Bank and the Group, and informing the different areas, through regular communications, of the Bank's and the Group's risk tolerance level, ensuring that all employees are aware of their responsibilities regarding risk taking and controlling;
j) Define, approve and implement the Bank's organisational structure at the level of governing bodies and respective committees, with a view to the effective and prudent management of the Bank, based on a coherent, clear and objective definition of the lines of reporting and authority, powers and responsibilities of each body, structural unit and function, with an adequate separation of potentially conflicting functions, promoting its dissemination to all employees, members of the Audit Committee and the Statutory Auditor, monitoring its operation and, at least every two years, assessing its timeliness, suitability and effectiveness and taking and proposing the appropriate measures to correct any shortcomings detected;
k) Establish and maintain the Compliance, Risk Management and Internal Audit Functions ("Control Functions") at Bank and Banco CTT Group level, with the responsibilities provided for in the applicable law and regulations;
l) Appointing, replacing or dismissing those responsible for the Compliance, Risk Management and Internal Audit Functions of the Bank and Banco CTT Group, after prior review by the Audit Committee;
m) Appointing, pursuant to the provisions of paragraph 4 of Article 13 of Law No. 83/2017 of 18 August and Article 3 of Bank of Portugal Notice No. 2/2018, a member of the management body who is responsible for the implementation of the provisions of that law and the Notice (or diplomas that may replace them) and other relevant regulations concerning the fight against money laundering and financing of terrorism;
n) Appointing, pursuant to the provisions of paragraph 1 of Article 16 of Law No. 83/2017, of 18 August, and Article 7 of Banco de Portugal Notice No. 2/2018, the person responsible for compliance with the regulatory framework on the prevention of money laundering and terrorist financing ("AML Officer");
o) Appointing the person responsible for regulatory compliance under the General Regime for the Prevention of Corruption for the purposes of paragraph 2 of Article 5 of Decree-Law No. 109-E/2021 of 9 December.

The Board of Directors delegated day-to-day management of the Company to the Executive Committee (having authorised one or more of its members to undertake certain matters and to sub-delegate the exercise of certain powers to one or more of its members).

In line with the law and best corporate governance practices, this delegation excludes, in addition to matters reserved by law and others detailed in the Internal Regulation of the Board of Directors, the matters set out in the subparagraphs of the preceding paragraph, as well as acts and operations that give rise to liabilities/obligations for the Bank above certain thresholds.

As at 31 December 2023, the areas of responsibility of the Bank's Executive Committee and its organisational structure were distributed as follows:

Bank's Executive Committee and its organisational structure



Banco CTT Group Subsidiary

	LPC	JMF	PC	NF	LP
321 Crédito		Member of the Board of Directors	Chairman of the Board of Directors		Member of the Board of Directors

1. Special Units may be set up by decision of the EC when projects are approved which, due to their complexity and duration, so justify.
2. 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 managers at Subsidiary level.
3. 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.
4. 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.
5. DRL Store Network Director(s) top of the Store Network structure in plurality of employers, with a hierarchical relationship with the CEO and a functional relationship with all the departments within the EC and the Control Functions.
6. DPO – Encarregado da Proteção de Dados do Grupo CTT.

At its meeting of 12 December 2022, the Board of Directors approved its Regulations, as well as the delegation of powers to the Executive Committee, which expressly provides for the possibility of sub-delegating some of the powers delegated to the Executive Committee to specialised committees created by it.

On 23 January 2023, the Executive Committee set up the following nine Committees to support its management activity: the Capital, Risk and Sustainability Committee, the Commercial and Product Committee, the Credit Committee, the Technology and Operational Efficiency Committee, the Costs and Investments Committee, the Internal Control Committee, the Security and Data Protection Committee, the Compliance Committee, the Human Resources and Social Responsibility Committee.

With regard to the management of the relationship with CTT, under the contracts signed between CTT and the Bank, on which the respective CTT/Bank contracting model is based, there are three discussion forums external to the Bank and created in the context of these contracts, referring to matters of plurality of employers, the availability of resources within the Retail Network and the CTT Channel partnership, and also the provision of services, namely the Business Coordination Committee, the Shared Services Committee and the Partnership Governance Committee.

As at 31 December 2023, the existing Committee structure, both in terms of the Bank's Executive Committee and regarding governance of the partnership with CTT, was as follows:

The Bank also has a Remuneration Committee, created and appointed by the Board of Directors, whose composition and powers are presented in section D. II. below.

Committees supporting the Executive Committee
Capital, Risk and Sustainability Committee
Commercial and Product Committee
Credit Committee
Technology and Operational Efficiency Committee
Costs and Investments Committee
Internal Control Committee
Human Resources and Social Responsibility Committee
Security and Data Protection Committee
Compliance Committee

Committees governing the partnership with CTT
Partnership Governance Committee
Business Coordination Committee
Shared Services Committee

III. Oversight

In accordance with the Bank's Articles of Association, the Audit Committee is composed of 3 non-executive directors, one of whom is the respective Chairman, all elected in the General Meeting (for the 2022/2024 term of office), together with the other directors, and the lists proposed for the composition of the Board of Directors must list the members intended to form the Audit Committee and indicate the respective Chairman. The General Assembly may appoint an alternate member to replace any full member who is permanently impeded or has ceased functions.

By unanimous resolution taken in writing on 5 December 2022, the sole shareholder elected, from among the members of the Board of Directors, an Audit Committee, composed of three independent non-executive members, to perform duties in the three-year period 2022/2024, namely:

Members	Position
João Manuel de Matos Loureiro	Chairman
Ana Maria Machado Fernandes	Member
António Domingues	Member

By letter issued on 23 March 2023, with effect from 30 April 2023, António Domingues resigned as a member of the Audit Committee that he had been holding at the Bank. In this context, on 31 December 2023, the Audit Committee was composed as follows:

Members	Position
João Manuel de Matos Loureiro	Chairman
Ana Maria Machado Fernandes	Member

To replace the resigning member, by resolution of the sole shareholder passed on 21 December 2023, Maria Rita Mégre de Sousa Coutinho was elected as a member of the Audit Committee, to take up office on 2 January 2024. The Audit Committee is currently composed of the following members:

Members	Position
João Manuel de Matos Loureiro	Chairman
Ana Maria Machado Fernandes	Member
Maria Rita Mégre de Sousa Coutinho	Member

All such members are independent within the meaning of paragraph 5 of Article 414 of the CSC, applicable by reference to paragraph 3 of Article 31-A of the RGICSF, have a university degree appropriate to the exercise of their duties and other qualifications and, as a whole, the experience required by law, as well as by the Articles of Association and the Bank's Selection Policy, with at least one of its members having knowledge of accounting.

The following main powers established by the law, the Articles of Association and the respective Rules of Procedure, in force on 31 December 2023, were assigned to the Audit Committee:

a) Monitoring and supervising the activities of the Board of Directors;
b) Overseeing compliance with legal and statutory rules;
c) Promoting an organisational culture based on high standards of ethical requirements, ensuring the promotion of sound and prudent management;
d) Issue a prior opinion on the Organisational Structure Model, the Code of Ethics, the Code of Conduct, as well as on the Policies and internal regulations that develop and implement them, and on all the Bank's Policies, overseeing their proper implementation in the institution and their periodic review;
e) Monitoring the effectiveness of the risk management system, the internal control and compliance management system and the Internal Audit Function of the Bank and the Group, as well as monitoring the Bank's risk strategy and risk appetite;
f) Promote actions to control the organisational culture and the governance and internal control systems of the Bank and the Banco CTT Group, within the scope of its legal and regulatory powers;
g) Being informed and taking account of the communications of irregularities presented, namely through the Ethics Channel, and participate in or accompany the decisions taken by the Ethics Forum concerning the same;
h) Monitoring and supervising the preparation and disclosure of financial information, including the conformity and accuracy of the financial reporting books, records and documents and other accounting documentation, as well as making recommendations to ensure their integrity;
i) Supervising the Statutory Auditor's activities regarding the Bank's financial reporting documents and supervising its independence.

Under these powers, the Audit Committee is particularly responsible for:

a) Assessing the appointment, replacement, dismissal and remuneration of those responsible for the Compliance, Risk Management and Internal Audit functions of the Bank and the Group and participating in the respective performance evaluation process, as applicable;
b) Overseeing the implementation of the Bank's strategic objectives, the strategy on risk and internal governance and, at least annually, assessing their efficacy;
c) Supervising the policy and processes of identification, management, control and communication of risks of the Bank and the Banco CTT Group;
d) Annually assessing and issuing an opinion on the adequacy and efficiency of the organisational culture and the governance and internal control systems of the Bank and the Banco CTT Group, the quality of the performance and adequate independence of the Control Functions, as well as the coherence between the internal control systems of the Bank and its subsidiaries;
e) Monitoring the integrity of the accounting and financial information systems, including financial and operational control and compliance with the laws and regulations applicable to the Bank and the Banco CTT Group, and supervising the process of disclosing and fulfilling the Bank's reporting obligations to Banco de Portugal;
f) Assessing whether the accounting policies and procedures and valuation criteria adopted by the Bank and the Banco CTT Group are consistent with generally accepted accounting principles and appropriate to the correct presentation and assessment of their assets, responsibilities and results;
g) Supervising compliance with and the correct application of the accounting principles and standards in force, the evolution of the relevant financial indicators and significant exposure to contingent risks or liabilities;
h) Preparing the annual activities report and issuing an opinion on the annual management report, the accounts for the financial year, both individual and consolidated, and the proposals submitted by the Board of Directors to the Annual General Meeting;
i) Selecting the Statutory Auditor/Statutory Audit Firm and proposing to the General Meeting its appointment and dismissal;
j) Verifying the appropriateness and giving prior approval to the provision of services other than audit services by the Statutory Auditor/Statutory Audit Firm to the Bank, as well as to the entities under its control and their parent companies identified as Public Interest Entities, and assessing the annual communication that the Statutory Auditor/Statutory Audit Firm makes on this matter; and,
k) Monitoring and supervising the statutory audit of the individual and consolidated annual accounts, namely its execution, and to assess the content of the statutory audit reports of the annual accounts and audit reports.

The Audit Committee, as a supervisory body, also assumes the functions of Risk Committee at Banco CTT, under the terms and for the purposes provided for in Article 115-L of the RGICSF, and is responsible for, in particular:

(a) Advising the Board of Directors on risk appetite and on the Bank's general, current and future risk strategies, assisting it in supervising the implementation of the institution's risk strategy;
(b) Analysing whether the conditions of the products and services offered by the Bank to its customers take into account the Bank's business model and risk strategy and submitting, when necessary, a correction plan to the Board of Directors; and
(c) Examining if incentives set out in the Bank's remuneration policy take into account risk, capital, liquidity and expectations regarding results.

IV. Statutory Auditor

By resolution passed by the sole shareholder of the Company on 30 July 2020, *Ernst & Young Audit* & Associados – SROC, S.A. was elected as the Bank's statutory auditor firm for the new mandate corresponding to 2021/2023, with effect from 1 January 2021. ("EY"), Statutory Audit Firm no. 178, represented by Sílvia Maria Teixeira da Silva, Statutory Auditor no. 1636, and as Alternate Statutory Auditor for the Bank, Ana Rosa Ribeiro Salcedas Montes Pinto, Statutory Auditor no. 1230, who were in office on 31 December 2023.

The rules to be followed in engaging audit services and non-audit services from the Statutory Auditor are set out in the Policy for the Selection, Appointment and Evaluation of Statutory Auditors (ROC) and Audit Firms (SROC) and for the engaging of services from the Statutory Auditor/Audit Firm ("Statutory Auditor Selection Policy"), in the wording approved by resolution of the sole shareholder of 16 November 2023, following the recommendation issued by Banco de Portugal expressed in the Circular Letter of 23 March 2020 (ref. CC/2020/00000020) and in line with the provisions of Regulation (EU) 537/2014 of the European Parliament and of the Council of 16 April 2014, which determines the requirements applicable to statutory audits of public interest entities, in the Statute of the Chartered Accountants Association and in the Legal Framework for Audit Supervision.

In 2023, the following non-audit/additional services were contracted/provided to Banco CTT Group by EY, hereinafter the "Non-Audit Services Contracted in 2023":

- Limited review of Banco CTT's financial statements for the period ended on 30 June 2023;
- Assessment of the adequacy of the process of quantification of the impairment of the loan portfolio by the External Auditor, as well as the reporting procedures of Banco CTT and 321 Crédito, Instituição Financeira de Crédito, S.A. ("321 Crédito"), under the terms set forth in Instruction no. 5/2013 of Banco de Portugal, republished by Instruction no. 18/2018 of Banco de Portugal, with reference to June and December of each year of the audit mandate;
- Verification of the data sent by Banco CTT and 321 Crédito, for calculation of the 2022 ex-ante contribution to the Single Resolution Fund ("FUR"), with reference to 31 December 2021, prepared by Banco CTT on an individual basis and reported to Banco de Portugal on 31 January 2023;
- Technical support to the supervisory bodies of the Bank and 321 Crédito regarding the adequacy and effectiveness of the internal control system for the prevention of money laundering and terrorism financing, reported as at 31 December 2022, as required by Banco de Portugal Notice 2/2018; and
- Supplementing the Report assessing the adequacy of the process for quantifying the impairment of the loan portfolio by the External Auditor.

Under the terms of the Statutory Auditor Selection Policy, the Bank's Audit Committee is responsible for assessing requests to engage non-audit services from the Statutory Auditor, and their engagement is subject to the prior approval of that body and conditioned, as applicable, to the prior approval by the Supervisory Bodies of its (their) parent company(ies) and the entity(ies) under its control that are Public Interest Entities, procedures that were adopted in the engaging of the non-audit services in 2023 indicated above.

The table below shows the values corresponding to the fees of EY for statutory audit, assurance, tax consultancy and non-audit services hired, accounted for and paid/invoiced in 2023, relative to Banco CTT and 321 Crédito, as entities that are fully part of the Group:

(amounts in euros)

	Engaged Services[1]		Accounted Services[2]		Paid Services[3]	
	Amount (€)	%	Amount (€)	%	Amount (€)	%
By the Company	**138,322**	**94.9%**	**351,677**	**80.2%**	**387,456**	**86.9%**
Value of the audit services	23,985	16.5%	211,042	48.1%	284,136	63.7%
Value of the reliability assurance services	67,597	46.4%	84,220	19.2%	56,580	12.7%
Value of the tax advisory services	-	0.0%	-	0.0%	-	0.0%
Value of non-audit services	46,740	32.1%	56,416	12.9%	46,740	10.5%
By entities that are part of the Group[4]	**7,380**	**5.1%**	**86,676**	**19.8%**	**58,517**	**13.1%**
Value of the audit services	-	0.0%	58,193	13.3%	21,740	4.9%
Value of the reliability assurance services	-	0.0%	13,750	3.1%	6,027	1.4%
Value of the tax advisory services	-	0.0%	-	0.0%	-	0.0%
Value of non-audit services	7,380	5.1%	14,732	3.4%	30,750	6.9%
Total	**145,702**	**100.00%**	**438,353**	**100.0%**	**445,973**	**100.00%**
Value of the audit services	23,985	16.46%	269,235	61.4%	305,876	68.6%
Value of non-audit services	54,120	37.14%	71,148	16.2%	77,490	17.4%

1) Includes VAT at the legal rate in force.
2) Includes invoiced values and specialised values in the year.
3) The paid services refer to services hired in 2023 as well as in previous years whose conditions of payment occurred in 2023.
4) 321 Crédito.

C. Internal organisation

I. Articles of Association

The definition of the Bank's Articles of Association (available on the Bank's website www.bancoctt.pt) and their amendment are entrusted to the General Meeting.

II. Reporting of irregularities

The RGICSF and the European Banking Authority (EBA) Guidelines on Internal Governance (EBA/GL/2021/05) require credit institutions to implement specific, independent and autonomous means to receive, process and file communications of serious irregularities related to their management, accounting organisation and internal oversight, as well as signs of serious breaches of duties related thereto, namely regarding conduct, professional secrecy, capital, risks or disclosure of information.

Consequently, section 5 of the Banco CTT Group's Code of Conduct provides for the existence of mechanisms for reporting irregularities in matters within the scope of the Bank's and its subsidiaries' activities, including violations of the values or ethical standards defined in the Code of Conduct, as well as any violations of the provisions of the Banco CTT Group's policies and manuals, involving shareholders, employees, customers, suppliers or others, in accordance with the rules defined in the Whistleblowing Policy.

On 31 December 2023, the Bank had a Whistleblowing Policy, the purpose of which is to define the procedures for receiving, processing and archiving reports of irregularities received by Banco CTT Group entities, understood as acts and omissions, whether intentional or negligent, attributed to the conduct of Employees or members of the Management and Supervisory Bodies of Banco CTT Group entities, as well as third parties provided that they affect a person or entity of the Banco CTT Group, related to (i) the respective administration, accounting organisation and internal supervision which, in a serious manner, are likely to (a) violate duties provided for in the RGICSF or in Regulation (EU) 575/2013 of the European Parliament and of the Council; (b) tampering with accounting records, internal accounting controls or the auditing of such records and controls; (c) involving the Group, Governing Bodies or Employees in corruption, fraud or banking and financial crime, including insider trading; and (ii) any unethical or illicit conduct, including violation of the values or ethical standards defined in the Code of Conduct or the Code of Good Conduct for Preventing and Combating Harassment at Work, as well as any violations of the provisions of Banco CTT Group policies and manuals. In accordance with this Policy, any irregularities may be reported by any member of the Governing Bodies and other Employees of the Banco CTT Group, and any interested third parties, namely shareholders, partners, suppliers, service providers or customers, may also report irregularities under the Policy, even if the professional relationship has ended in the meantime, through the "Conduct Channel". The Whistleblowing Model, through the Conduct Channel, guarantees the confidentiality of the communications received and the protection of the personal data of the whistleblower and suspect, pursuant to applicable legislation. On the other hand, the Group may not dismiss, threaten, suspend, reprimand, harass, withhold or suspend payments of salaries and/or benefits, or take any retaliatory action against anyone legally reporting an irregularity or providing any information or assistance in the investigation of the reports of irregularities presented and these reports may not in themselves serve as grounds for any disciplinary, civil or criminal proceedings against the whistleblower, unless they are deliberate and manifestly unfounded.

The Manual for the Treatment of Irregularity Communications is also in force, with the aim of defining and detailing the process and responsibilities in the context of processing communications of irregularities, and is divided into three parts, the first related to screening, the second referring to processing communications of irregularities relating to harassment and discrimination and the third concerning the treatment of other irregularities covered by the Whistleblowing Policy.

Under the terms of the identified Policy, the Audit Committee delegated to the Compliance Department support functions related to the management of the Conduct Channel and to the Conduct Forum the processing of communications of irregularities in matters of its competence, being, in any case, that supervisory body responsible for the reception and registration of the reports, as well as the final decision regarding the filing the communications or adoption of other measures.

The Conduct Forum is composed of the Directors of Compliance, Internal Audit, Risk and a member of the Audit Committee, appointed by the latter, who chairs the Forum and has a quality vote. On 22 December 2022, the Audit Committee elected Ana Maria Machado Fernandes as the Member of the Audit Committee designated to integrate and chair the Conduct Forum.

The Whistleblowing Policy further establishes, without prejudice to other reporting duties established by law, that: (i) Members of the Management and Supervisory Bodies, as well as holders of qualifying holdings, of Banco CTT and subsidiaries must immediately report to the Bank of Portugal any serious irregularity of which they become aware related to the Bank's administration, accounting organisation and internal supervision and which is likely to place it in a situation of financial imbalance; and (ii) employees in the areas responsible for control functions (internal audit, risk management and compliance) must report to the Audit Committee any serious irregularity of which they become aware relating to the Bank's administration, accounting organisation and internal supervision or indications of breach of the duties laid down in the RGICSF or in Regulation (EU) 575/2013 of the European Parliament and of the Council of 26 June, which could put the Bank in a situation of financial imbalance.

On 11 December 2023, the Audit Committee approved the Annual Report on Reporting of Irregularities to be submitted to Banco de Portugal under the terms and for the purposes of paragraph 7 of Article 116-AA of the RGICSF and Article 35 of Notice no. 3/2020 of Banco de Portugal, with reference to the period between 1 December 2022 and 30 November 2023. This Report describes the process of receiving and processing irregularities endorsed by Banco CTT, as well as the irregularities communicated in the reference period.

During the period in question, one complaint was received by the Conduct Channel, but the Conduct Forum concluded that there was no evidence to support the commission of irregularities under the terms of the RGICSF, the European Banking Authority (EBA) Guidelines on Internal Governance (EBA/GL/2021/05), Notice 3/2020, the Bank's Code of Conduct, the aforementioned Whistleblowing Policy and other applicable regulations.

III. Internal control and risk management

From the outset, Banco CTT's management and supervisory bodies have attributed a structural importance to its internal control, risk management and internal audit systems. On this issue, please see the section above of this Annual Report entitled "Internal Control System" and "Risk Management".

The Board of Directors ensures the effectiveness of the internal control, risk management and internal audit systems, fomenting a culture of control throughout the organisation. The Audit Committee, as the supervisory body of Banco CTT, is responsible for supervising the effectiveness of these systems, in accordance with the terms described in the respective Internal Regulations.

In the context of the entry into force of Bank of Portugal Notice 3/2020 and Bank of Portugal Instruction 18/2020, a project was carried out to implement various measures at Group level with a view to complying with the requirements set out in these regulations, which involved the intervention of various areas of the Bank, in particular the Internal Control Functions, and was closely monitored by the Bank's management and supervisory bodies.

As this is a project promoted by the Group, the Bank, as the parent company, issued the necessary instructions to its subsidiaries to ensure compliance with the provisions of the aforementioned regulation, having continuously monitored the activities developed in order to ensure the consistency of the Group's internal control and corporate governance systems.

IV. Investor Support

Because it is not a listed company with shares listed for trading, Banco CTT does not have an investor support office.

In turn, the Bank's sole shareholder, as an issuer of shares admitted to trading on a regulated market, has an Investor Relations Department whose mission is to ensure a solid and lasting relationship between, on the one hand, shareholders, investors and analysts, the Securities Market Commission ("CMVM"), Euronext Lisbon – Sociedade Gestora de Mercados Regulamentados, S.A. ("Euronext Lisbon") and the capital markets in general and, on the other, the company and its corporate bodies. It provides timely, clear and transparent information on CTT's current evolution in economic, financial and governance terms. In addition, this department ensures the proactive articulation of the company's strategy with investors and research analysts, and also that the company is aware of the markets' perception of it.

V. Website

Banco CTT's website address is as follows: www.bancoctt.pt.

D. Remuneration

I. Power to establish

Pursuant to the Bank's Articles of Association, the General Meeting or Remuneration Committee elected by the General Meeting are competent to determine the remunerations of corporate body members. At the General Meeting of 5 December 2022, it was resolved to establish a Selection and Remuneration Committee for the Bank.

The General Meeting and the Selection and Remuneration Committee are supported in the performance of their duties by the Remuneration Committee mentioned in section D.II. below.

II. Remuneration Committee

The Remuneration Committee, set up within the Board of Directors and whose term of office coincides with that of this body (2022/2024), was appointed on 12 December 2022 and was made up of the following members:

Members	Position
João de Almada Moreira Rato	Chairman
António Pedro Ferreira Vaz da Silva	Member
Maria Rita Mégre de Sousa Coutinho	Member

As mentioned above, by letter issued on 2 May 2023, with effect from 30 June 2023, João de Almada Moreira Rato resigned from the positions of Chairman of the Board of Directors and of the Remuneration Committee that he had been holding at the Bank.

As a result, the Remuneration Committee was composed as follows on 31 December 2023

Members	Position
António Pedro Ferreira Vaz da Silva	Member
Maria Rita Mégre de Sousa Coutinho	Member

By letter issued on 26 December 2023, with effect from 2 January 2024, Maria Rita Mégre de Sousa Coutinho resigned as a member of the Remuneration Committee. On 2 February 2024, João Nuno de Sottomayor Pinto de Castello Branco and António Domingues were appointed Chairman and Member of the Remuneration Committee, respectively.

The Remuneration Committee is currently made up of the following members:

Members	Position
João Nuno de Sottomayor Pinto de Castello Branco	Chairman
António Pedro Ferreira Vaz da Silva	Member
António Domingues	Member

In accordance with the provisions of its Internal Regulations, in force on 31 December 2023, the Remuneration Committee was responsible, among other duties, for:

- Prepare proposals and recommendations in the context of decisions on remuneration matters adopted by the General Meeting (without prejudice to its delegation to the Selection and Remuneration Committee) regarding the remuneration of the members of the corporate bodies[1] and by the Board of Directors (without prejudice to its delegation to the Executive Committee) regarding the remuneration of the relevant employees pursuant to Article 115-C of the RGICSF, including, in particular, remuneration policies and decisions with implications for the Bank's risk and risk management;
- At least annually, analysing and assessing the remuneration policies applicable to the members of the corporate bodies and relevant employees and their implementation, in particular their effect on risk management, capital and liquidity of the institution, namely with the aim of verifying compliance with the remuneration policies and procedures adopted by the competent corporate body, ensuring that (i) they are effectively applied and comply with the legislation and regulations in force and that (ii) the attribution and payment of remuneration are adequate, prevent the existence of conflicts of interest and that the risk profile and long-term objectives of the institution are adequately reflected;
- At least annually, the remuneration policies and remuneration practices applicable to employees involved in the marketing or provision of banking products and services to consumers should be analysed and assessed, namely to verify how the gender neutrality of the remuneration policy is guaranteed and to ensure that the remuneration policies do not prevent employees from acting in an honest, loyal, transparent and professional manner, taking into account the rights and interests of consumers;
- At least annually, carry out a centralised and independent internal analysis and assessment of the implementation of the Banco CTT Group Remuneration Policy, in articulation with the Risk Management, Compliance and Internal Audit functions and, if applicable, with the corporate bodies and other structural units of each of the Banco CTT Group's subsidiaries, including the respective control functions, which shall provide all information requested by the Remuneration Committee, whenever it deems necessary or convenient for the proper performance of its duties, with the purpose of verifying compliance with the remuneration policies and procedures adopted by Banco CTT Group;
- Preparing proposals and recommendations to the competent bodies regarding the definition, calculation and payment of the fixed and variable remuneration and other benefits of the members of the corporate bodies and relevant employees in accordance with the remuneration policies and the legislation and regulations in force; and,
- Preparing and submitting to the competent governing bodies or assessing, as applicable, the performance evaluation model(s) related to the variable component of remuneration and proposals as to the appraisal of the achievement of objectives in the light of said model(s).

During 2023, the Remuneration Committee met 13 times.

(1) During 2023, no proposals or recommendations were made regarding the fixed component of the remuneration of members of the governing bodies..

III. Remuneration disclosure

The following tables indicate the gross remuneration amounts due, by reference to the period from 1 January to 31 December 2023, to the members of the Board of Directors and the Audit Committee, in an aggregated and individual manner:

Remuneration of the non-executive members of the Board of Directors and Audit Committee

(amounts in euros)

Members	Position	Fixed Remuneration (1)
João Manuel de Matos Loureiro	Non-Executive Director and Chairman of the Audit Committee	101,259.86
Ana Maria Machado Fernandes	Non-Executive Director and Member of the Audit Committee	80,416.63
António Domingues (2)	Non-Executive Director and Member of the Audit Committee	73,704.22
Total of the Audit Committee		**255,380.71**
João de Almada Moreira Rato (3)	Chairman of the Board of Directors until 30 June 2023 and of the Remuneration Committee until 30 June 2023.	76,791.45
António Pedro Ferreira Vaz da Silva	Non-Executive Director	No remuneration paid by the Bank
Guy Patrick Guimarães de Goyri Pacheco	Non-Executive Director	No remuneration paid by the Bank
Maria Rita Mégre de Sousa Coutinho (4)	Non-Executive Director and Member of the Remuneration Committee	70,107.28
Total of the Non-Executive Directors who are not part of the Audit Committee		**146,898.73**
Total of the Non-Executive Directors		**402,279.44**

(1) Amount of fixed remuneration of the Non-Executive Directors and members of the Audit Committee, who do not earn any variable remuneration in accordance with the Remuneration Policy in force as at 31 December 2023.
(2) Ceased duties as a member of the Audit Committee on 30 April 2023. Took office as a member of the Remuneration Committee on 2 February 2024.
(3) Ceased duties on 30 June 2023.
(4) Ceased duties as a member of the Remuneration Committee on 2 January 2024, and began his duties as a member of the Audit Committee on the same date.

Remuneration of Executive Committee members in 2023

(amounts in euros)

Members	Fixed Remuneration (1)	Short-term variable remuneration paid in 2023 (2)	Short-term deferred variable remuneration payable in 2024(2)	Short-term deferred variable remuneration payable in 2025 (2)	Short-term deferred variable remuneration payable in 2026 (2)	Long-term variable remuneration paid in 2023 (2)	Long-term deferred variable remuneration payable in 2024(2)	Long-term deferred variable remuneration payable in 2025 (2)	Long-term deferred variable remuneration payable in 2026 (2)	Total Variable Remuneration awarded in 2023 (2)	Total Fixed Remuneration 2023 and Variable 2022 paid in 2023	Total Remuneration awarded in 2023
Chairman of the Executive Committee (CEO)	394,206.42	70,140.00	11,690.00	11,690.00	11,690.00	91,000.00	30,333.33	30,333.33	30,333.33	287,210.00	555,346.42	681,416.42
Member of the Executive Committee (CCO)	255,861.01	50,100.00	8,350.00	8,350.00	8,350.00	40,625.00	13,541.67	13,541.67	13,541.67	156,400.00	346,586.01	412,261.01
Member of the Executive Committee (CFO)	256,745.43	50,100.00	8,350.00	8,350.00	8,350.00	40,625.00	13,541.67	13,541.67	13,541.67	156,400.00	347,470.43	413,145.43
Member of the Executive Committee (COO)	225,784.74	42,084.00	7,014.00	7,014.00	7,014.00	34,125.00	11,375.00	11,375.00	11,375.00	131,376.00	301,993.74	357,160.74
Member of the Executive Committee (CRO)	227,307.41	49,644.00	8,274.00	8,274.00	8,274.00	6,825.00	2,275.00	2,275.00	2,275.00	88,116.00	283,776.41	315,423.41
	1,359,905.01	**262,068.00**	**43,678.00**	**43,678.00**	**43,678.00**	**213,200.00**	**71,066.67**	**71,066.67**	**71,066.67**	**819,502.00**	**1,835,173.01**	**2,179,407.01**

(1) Includes fixed basic remuneration, amount for annual meal allowance and, when applicable, the fixed amount paid monthly for allocation to a Retirement Savings Plan (PPR), health insurance, life insurance and personal accident insurance (including travel) and amount of payment in kind relative to permanent vehicle
(2) Variable Remuneration relative to 2022.

Variable Remuneration of Executive Committee members relative to 2019

(amounts in euros)

Members	Variable Remuneration paid in 2020	Deferred Variable Remuneration paid in 2021	Variable Remuneration paid in 2022 (1)	Deferred Variable Remuneration paid in 2022	Deferred Variable Remuneration paid in 2023	Deferred Variable Remuneration payable in 2024	Deferred Variable Remuneration payable in 2025	Total Variable Remuneration
Chairman of the Executive Committee (CEO)	-	-	61,225.50	-	20,408.50	20,408.50	20,408.50	122,451.00
Member of the Executive Committee (CCO)	25,714.71	8,571.57	-	8,571.57	8,571.57	-	-	51,429.42
Member of the Executive Committee (CFO)	25,714.71	8,571.57	-	8,571.57	8,571.57	-	-	51,429.42
Member of the Executive Committee (COO)	8,752.53	2,917.51	-	2,917.51	2,917.51	-	-	17,505.07
	60,181.95	**20,060.65**	**61,225.50**	**20,060.65**	**40,469.15**	**20,408.50**	**20,408.50**	**242,814.91**

(1) In 2020 the variable remuneration of the Chairman of Banco CTT's Executive Committee in respect of 2019 was attributed, which, given the prudential recommendations regarding the payment of variable remuneration in the context of the pandemic outbreak of COVID-19, was effectively paid only at the beginning of 2022 as regards the non-deferred part, with the remaining amount being deferred over three years counted from the date of payment of the non-deferred part (2022).

Variable Remuneration of Executive Committee members relative to 2020

(Short Term)

(amounts in euros)

Members	Variable Remuneration paid in 2021	Deferred Variable Remuneration paid in 2022	Deferred Variable Remuneration paid in 2023	Deferred Variable Remuneration payable in 2024	Total Variable Remuneration
Chairman of the Executive Committee (CEO)	35,875.00	11,958.33	11,958.33	11,958.33	71,750.00
Member of the Executive Committee (CCO)	20,895.00	6,965.00	6,965.00	6,965.00	41,790.00
Member of the Executive Committee (CFO)	20,895.00	6,965.00	6,965.00	6,965.00	41,790.00
Member of the Executive Committee (COO)	20,265.00	6,755.00	6,755.00	6,755.00	40,530.00
Member of the Executive Committee (CRO)	13,620.74	4,540.25	4,540.25	4,540.25	27,241.48
	111,550.74	**37,183.58**	**37,183.58**	**37,183.58**	**223,101.48**

(Long Term)

(amounts in euros)

Members	Long-term variable remuneration paid in 2023	Long-term deferred variable remuneration payable in 2024	Long-term deferred variable remuneration payable in 2025	Long-term deferred variable remuneration payable in 2026	Total short-term variable remuneration
Chairman of the Executive Committee (CEO)	91,000.00	30,333.33	30,333.33	30,333.33	182,000.00
Member of the Executive Committee (CCO)	34,125.00	11,375.00	11,375.00	11,375.00	68,250.00
Member of the Executive Committee (CFO)	34,125.00	11,375.00	11,375.00	11,375.00	68,250.00
Member of the Executive Committee (COO)	34,125.00	11,375.00	11,375.00	11,375.00	68,250.00
Member of the Executive Committee (CRO)	3,598.98	1,199.66	1,199.66	1,199.66	7,197.95
	196,973.98	**65,657.99**	**65,657.99**	**65,657.99**	**393,947.95**

Variable Remuneration of Executive Committee members relative to 2021

(Short Term)

(amounts in euros)

Members	Short-term variable remuneration paid in 2022	Short-term deferred variable remuneration paid in 2023	Short-term deferred variable remuneration payable in 2024	Short-term deferred variable remuneration payable in 2025	Total short-term variable remuneration
Chairman of the Executive Committee (CEO)	35,560.00	11,853.33	11,853.33	11,853.33	71,120.00
Member of the Executive Committee (CCO)	25,400.00	8,466.67	8,466.67	8,466.67	50,800.00
Member of the Executive Committee (CFO)	25,400.00	8,466.67	8,466.67	8,466.67	50,800.00
Member of the Executive Committee (COO)	21,336.00	7,112.00	7,112.00	7,112.00	42,672.00
Member of the Executive Committee (CRO)	13,860.00	4,620.00	4,620.00	4,620.00	27,720.00
	121,556.00	**40,518.67**	**40,518.67**	**40,518.67**	**243,112.00**

(Long Term)

(amounts in euros)

Members	Long-term variable remuneration paid in 2023	Long-term deferred variable remuneration payable in 2024	Long-term deferred variable remuneration payable in 2025	Long-term deferred variable remuneration payable in 2026	Total short- -term variable remuneration
Chairman of the Executive Committee (CEO)	91,000.00	30,333.33	30,333.33	30,333.33	182,000.00
Member of the Executive Committee (CCO)	40,625.00	13,541.67	13,541.67	13,541.67	81,250.00
Member of the Executive Committee (CFO)	40,625.00	13,541.67	13,541.67	13,541.67	81,250.00
Member of the Executive Committee (COO)	34,125.00	11,375.00	11,375.00	11,375.00	68,250.00
Member of the Executive Committee (CRO)	6,825.00	2,275.00	2,275.00	2,275.00	13,650.00
	213,200.00	**71,066.67**	**71,066.67**	**71,066.67**	**426,400.00**

In 2023 there is no deferred remuneration subject to reduction as a result of adjustments made according to the individual performance of Executive Committee members.

In addition, the Variable Remuneration of the members of the Executive Committee has a Long-Term component for the three-year period 2023/2025, which will be awarded in 2026, with payment from that year onwards, subject to compliance with the provisions of the Remuneration Policy in force, in order to ensure that this component is aligned with the time horizon of the Bank's strategic plan defined for 2023/2025, although not coinciding with the term of office of the management and supervisory bodies (2022/2024).

No compensation was paid or became payable to members of the Bank's Executive Committee related to the termination of their office during the financial year of 2023.

Remuneration of Relevant Employees

The gross remuneration amounts due, by reference to the period between 1 January and 31 December 2023, to Relevant Employees, as defined in the Remuneration Policy in force at 31 December 2023 (whose universe comprised 20 Relevant Employees of the Bank), amounted, in aggregate terms, to 1,910,491.28 euros. The distribution of this remuneration was as follows::

Remuneration of Relevant Employees in 2023

(mounts in euros)

Relevant Employees (1)	Fixed Remuneration (2)	Variable Remuneration paid in 2022 (3)	Total Fixed Remuneration 2023 and Variable Remuneration 2022 awarded and paid in 2023
A – Risk-Taking Officers and Control Officers (3 employees)	262,669.87	37,367.07	300,036.94
B –Top Management Employees with commercial responsibilities (5 employees)	478,875.96	45,588.11	524,464.07
C – Top Management Employees with support responsibilities (11 employees) (a)(b)	964,148.10	88,200.92	1,052,349.02
D – Employees with Management Responsibility in Control Functions (1 employees) (c)	33,641.25	-	33,641.25
Total Relevant Employees	**1,739,335.18**	**171,156.10**	**1,910,491.28**

(a) Includes a Relevant Employee who ceased duties in June 2023
(b) Includes a Relevant Employee who took office in July 2023
(c) Includes a Relevant Employee who took office in January 2023
(1) For the purpose of defining Relevant Employees, the employees identified under the "process of identification of Relevant Employees" set out in the Remuneration Policy were considered.
(2) Includes fixed basic remuneration relative to the annual meal allowance and, when applicable, amount of payment in kind derived from permanent vehicle use, and health insurance from the appointment date.
(3) Variable Remuneration relative to 2022

Variable Remuneration of Relevant Employees relative to 2019

(amounts in euros)

Relevant Employees (1)	Variable Remuneration paid in 2020	Deferred Variable Remuneration paid in 2021	Deferred Variable Remuneration paid in 2022	Deferred Variable Remuneration paid in 2023	Total Variable Remuneration
A – Risk-Taking Officers and Control Officers (2 employees)	15,541.22	5,180.41	5,180.41	5,180.41	31,082.43
B – Relevant employees with commercial responsibilities (4 employees)	44,561.08	14,853.69	14,853.69	14,853.69	89,122.16
C – Relevant employees with support responsibilities (12 employees)	100,884.33	33,628.11	33,628.11	33,628.11	201,768.65
Total Relevant Employees	**160,986.62**	**53,662.21**	**53,662.21**	**53,662.21**	**321,973.24**

(1) For the purpose of defining Relevant Employees, the employees identified under the "process of identification of Relevant Employees" set out in the Remuneration Policy were considered.

Variable Remuneration of Relevant Employees relative to 2020

(amounts in euros)

Relevant Employees (1)	Variable Remuneration paid in 2021	Deferred Variable Remuneration paid in 2022	Deferred Variable Remuneration paid in 2023	Deferred Variable Remuneration payable in 2024	Total Variable Remuneration
A – Risk-Taking Officers and Control Officers (3 employees)	14,586.65	4,862.22	4,862.22	4,862.22	29,173.30
B – Relevant employees with commercial responsibilities (5 employees)	47,191.05	15,730.35	15,730.35	4,862.22	83,513.96
C – Relevant employees with support responsibilities (10 employees)	87,061.66	29,020.55	29,020.55	29,020.55	174,123.32
Total Relevant Employees	**148,839.36**	**49,613.12**	**49,613.12**	**38,744.99**	**286,810.59**

(1) For the purpose of defining Relevant Employees, the employees identified under the "process of identification of Relevant Employees" set out in the Remuneration Policy were considered.

Variable Remuneration of Relevant Employees relative to 2021

(amounts in euros)

Relevant Employees (1)	Variable Remuneration paid in 2022	Deferred Variable Remuneration paid in 2023	Deferred Variable Remuneration payable in 2024	Deferred Variable Remuneration payable in 2025	Total Variable Remuneration
A – Risk-Taking Officers and Control Officers (3 employees)	17,526.28	5,842.09	5,842.09	5,842.09	35,052.57
B – Relevant employees with commercial responsibilities (5 employees)	45,755.50	15,251.83	15,251.83	15,251.83	91,511.00
C – Relevant employees with support responsibilities (10 employees)	80,325.79	26,775.26	26,775.26	26,775.26	160,651.58
Total Relevant Employees	**143,607.57**	**47,869.19**	**47,869.19**	**47,869.19**	**287,215.14**

(1) For the purpose of defining Relevant Employees, the employees identified under the "process of identification of Relevant Employees" set out in the Remuneration Policy were considered.

With regard to the 2022 assessment cycle, the Board of Directors approved the non-deferral of the variable remuneration of Relevant Employees, given the favourable assessment made by the Audit Committee and the Remuneration Committee on this matter.

In 2023 there is no deferred remuneration subject to reduction as a result of adjustments made according to the individual performance of Relevant Employees.

In 2023 there were no payments due to early termination of employment contract relative to Relevant Employees.

As part of the fight against gender discrimination, the Banco CTT Group carried out a project to analyse the Gender Pay Gap with the consultancy firm AON – which began in 2022 and ended in 2023 – having carried out an analysis of internal equity at Banco CTT and 321 Crédito and an analysis of the pay differences between men and women at these two institutions. The choice of the consultant AON was made by the Board of Directors at the proposal of the Remuneration Committee.

IV. Agreements with remuneration implications

According to the Remuneration Policy, the award of variable remuneration to executive members of the Board of Directors and to Relevant Employees depends on prior written commitment by its beneficiary that this person will refrain from entering into risk hedging or risk transfer agreements in relation to any deferred portion that may minimise the risk alignment effects inherent to the framework that applies to the referenced remuneration component or through the payment of the variable remuneration component through special purpose vehicles or other similar methods.

V. Share allocation or stock option plans

Also in accordance with the Remuneration Policy, defined, namely, according to the nature, scope and complexity of the Bank's activity, the variable remuneration of the executive members of the Board of Directors and Relevant Employees may be paid in monetary value and/or in the form of non-monetary benefits, namely through flexible benefits, and it is up to the competent bodies to define the method (or combination of methods, as applicable) for each period in question, without prejudice to the fact that until all or part of the variable remuneration is paid, an alternative model in this area defined by the competent bodies may be implemented on the Bank's sole initiative, in the sense that the variable remuneration may be paid in financial instruments and subject to a retention policy.

E. Transactions with related parties

I. Control mechanisms and procedures

According to the Banco CTT Group's Policy on Transactions with Related Parties, the area responsible for the process sends the Compliance Function and the Risk Management Function all the information necessary to prepare an opinion on the transaction, to be issued by the Compliance Function of the Group entity in question, complemented by an assessment by the Risk Management Function of the actual or potential risks associated with the product/service to be transacted, which is sent by the area responsible for the process to the Audit Committee for a prior opinion. The Audit Committee then assesses the proposed Related Party Transaction, taking into account the principles defined in the Policy, issues its opinion and informs the Board of Directors of its conclusions on carrying out the transaction under consideration.

After obtaining the prior opinions of the Risk Management and Compliance Functions and the Supervisory Body, the Board of Directors decides whether to carry out the Related Party Transaction, which must be approved by a minimum of two thirds of its members.

Without prejudice to the above, less relevant transactions do not require the prior assessment and approval of the Audit Committee and the Board of Directors, respectively, and are thus considered to be those with an annual aggregate value of 75,000 euros or less with the same Related Party, except in the case of transactions provided for in Articles 85 or 109 of the RGICSF (credit to members of the Governing Bodies or to holders of qualifying holdings), and provided that they comply with the simplified procedure described in the Policy, i.e., provided that (i) they fall within the scope of a prior aggregate authorisation, assessed by the Audit Committee and approved by the Board of Directors, reviewed at least quarterly, specifying the specific conditions under which such transactions may be carried out, namely the restricted limits within which, with reference to the market conditions applicable to other customers, the carrying out of the transactions covered is admissible, namely, in terms of pricing, amount, risk level, term and guarantees required; (ii) they are approved by the Executive Committee, after prior favourable opinion by the Risk and Compliance functions, which must in particular verify and validate compliance with the criteria on which the simplified procedure depends, as set out in the approved Model containing the aggregate authorisation indicated in the previous point; and (iii) the Risk Management and Compliance functions submit, on a quarterly basis, to the Audit Committee and the Board of Directors, a complete list of the Transactions with Related Parties that have been the subject of procedures without their prior assessment, indicating whether or not they have been approved, so that they are aware of them.

The procedures set out in the Banco CTT Group's Related Party Transactions Policy apply:

- Transactions with Related Parties, understood as such, under the terms of the Banco CTT Group Policy on Transactions with Related Parties (which refers to the provisions in IAS 24, in the RGICSF and in Banco de Portugal Notice 3/2020): (i) the holders of a qualified holding in the Institution and other persons or entities covered by the regime provided for in Article 109 of the RGICSF; (ii) the members of the Administrative and Supervisory Bodies; (iii) the spouse, unmarried partner, relative or related in the 1st degree of the members of the Administrative Bodies and of Supervision; (iv) the company in which any member of the Administrative or Surveillance Authority, or his or her spouse, unmarried partner, relative or related in the first degree, holds a qualifying holding equal to or greater than 10% of the capital or voting rights, or in which those persons exercise influence significant or senior management positions or administrative or supervisory functions; (v) the entities in relation to which there is a relationship of economic interdependence, namely due to their insertion in a cross-shareholding relationship with several other entities or which, because they are in such a way linked to the institution, in the event that one of them encounters financial problems, the institution will also have financial difficulties; (vi) persons or entities, including, in particular, depositors, creditors, debtors, entities owned by the institution, employees of the institution or employees of other entities belonging to the same group, whose relationship with the institution potentially allows them to influence their management, in order to achieve a commercial relationship outside normal market conditions. Other entities (other than companies) in which a member of the Board of Directors or the Authority, or his or her spouse, unmarried partner, relative or similar in the first degree holds a qualifying holding equal to or greater than 10% of the capital or of the voting rights, or in which these persons exercise significant influence or hold senior management positions or administrative or supervisory functions. For the purposes of the Related Party concept, the provisions of IAS 24 – no. 9, item a), paragraph iii) should also be taken into consideration: a "related party" is a person or entity related to the entity that is preparing its financial statements: (a) A person or a close family member is related to an entity if: (i) it has control or joint control of the entity; (ii) it has significant influence over the entity; or (iii) is a member of the key management staff of the entity

or of a parent company of that entity. (b) An entity is related to another if any of the following conditions are met: (i) the entities are members of the same group (which implies that parent companies, subsidiary and fellow subsidiaries are related to each other); (ii) one entity is an associate or joint venture of the other entity (or is an associate or joint venture of a member of a group to which the other entity belongs); (iii) both entities are joint ventures of the same third party; (iv) one entity represents a joint venture of the third entity and the other entity is an associate of the third entity (v) the entity is a post-employment benefit plan for the employees of the other entity or a related entity (if an entity is itself such a plan, the sponsoring employers are also related to the entity); (vi) the entity is controlled or jointly controlled by a person identified in (a); (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management staff of the entity (or a parent company of the entity). (viii) the entity, or any member of a group of which it is part, provides key management staff services to the reporting entity or its parent company.
- Transactions to be entered into with members of the management bodies of the entities belonging to the Group or with their Related Parties (or other persons or entities that may be considered as intermediaries), regardless of their value, under the terms and for the purposes of Articles 397 and 423 I-H of the Commercial Companies Code.

For the purposes of applying the Policy, a Related Party Transaction is not considered to be a transaction arising from the regular operation of the business, formalised by means of a standardised adhesion contract, which is not subject to negotiation or material alteration and which is entered into under normal market conditions, such as opening an account, setting up term deposits, the use of credit cards or overdraft facilities associated with the deposit account, making payment transactions (such as transfers) or making financial investments or taking out capitalisation insurance (Standardised Transaction), nor the conclusion of mortgage loan contracts with Employees of the Banco CTT Group, within the scope of the social policy in force. Transactions in which more than one Group entity participates in relation to one or more common counterparties are also excluded from the application of the Policy, provided that the criterion for sharing the costs or income inherent in that contract is measured according to the unit price, with the final value of the transaction being calculated according to the consumption or production of each of the entities.

II. Transaction information

The relevant transactions with related parties are described in Note 29 (Transactions with related parties) attached to the consolidated financial statements and in Note 30 (Transactions with related parties) attached to the individual financial statements included in the Annual Report.

Annex I

Curricula of the management and supervisory body members

João Nuno de Sottomayor Pinto de Castello Branco • Chairman of the Board of Directors

Date of birth	24 October 1960
Date of 1st appointment	3 January 2024, starting on 1 February 2024
Term of office	2022/2024

Education

2018: Postgraduate degree: Private Equity and Venture Capital, Harvard Business School
2018: Postgraduate degree: International Directors Program, INSEAD
2017: Postgraduate degree: Leading from the Chair, INSEAD
2017: Postgraduate degree: Making Corporate Boards More Effective, Harvard Business School
2016: Postgraduate degree: The Sustainable Family Business, London Business School
2015: Postgraduate degree: The Family Enterprise Challenge, INSEAD
1986: Master in Business Administration (MBA), INSEAD
1983: Degree in Mechanical Engineering, Instituto Superior Técnico, Universidade de Lisboa

Internal management and supervisory positions

2024 – ...: Non-Executive Chairman of the Board of Directors of Banco CTT, S.A.

Other internal positions

2024 – ...: Chairman of the Remuneration Committee of Banco CTT, S.A.

Professional experience

For 24 years, he worked for the consulting firm McKinsey & Company where he was a Senior Partner for 12 years, specializing in the financial area (Banking and Insurance). Throughout his career, he has worked directly with various banks and insurance companies in Portugal, Spain, various other European markets, North and South America and Africa.

Between July 2015 and December 2021, he served as CEO of SEMAPA – Sociedade de Investimento e Gestão, SGPS, S.A., the top company of one of Portugal's largest industrial groups. In the context of the above duties, he also held the positions of Chairman and CEO of The Navigator Company, S.A., as well as Chairman of the Board of Directors of SECIL – Companhia Geral de Cal e Cimento, S.A.

Other external positions (last 20 years)

2023 – ...: Member of the Board of Directors of REGAENERGY GROUP, S.A.
2022 – ...: Chairman of the Remuneration Committee of the General Meeting of Caixa Geral de Depósitos, S.A.
2022 – ...: Chairman of the Advisory Board of the BRP – Business Roundtable Association
2022 – ...: Member of the Board of Trustees of the Universidade Nova de Lisboa Foundation
2022 – ...: Chairman of the Board of the DNovo Association
2022 – ...: Managing Director of Almamater Investments, Lda.
2018 – 2021: Chairman of the Board of Directors of SEMAPA NEXT, S.A.
2015 – 2021: Member of the Board of Directors and Chief Executive Officer of SEMAPA – Sociedade de Investimento e Gestão, SGPS, S.A.
2015 – 2021: Vice-Chairman (2015-2018) and Chairman of the Board of Directors (2018-2021) and Chief Executive Officer of The Navigator Company, S.A.
2015 – 2021: Vice-Chairman (2015-2018) and Chairman of the Board of Directors (2018-2021) of SECIL – Companhia Geral de Cal e Cimento, S.A.
1991 – 2015: Senior Partner at McKinsey & Company

Luís Maria França de Castro Pereira Coutinho • CEO, Chairman of the Executive Committee

Date of birth	2 March 1962, Portugal
Date of 1st appointment	24 August 2015 (1)
Term of office	2022/2024

(1) Date of appointment after the incorporation of Banco CTT, S.A.

Education

2015 - 2016: Training Programme for Senior Managers of Banco CTT, S.A., Institute of Bank Management
2001 - 2002: Senior Management Programme, AESE Business School
1979 - 1984: Degree in Economics, Universidade Católica Portuguesa

Internal management and supervisory positions

2015 - ...: Member of the Board of Directors and Chairman of the Executive Committee (CEO) of Banco CTT, S.A.

Other internal positions

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Professional experience

For over 30 years he has worked in various areas of the banking sector in Portugal. He has also performed executive functions of leadership and strategy in international operations, namely in Bank Millennium SA (Poland), as well as non-executive functions in several operations of the Banco Comercial Português, S.A. universe. (Greece, Romania, Turkey, United States of America and Switzerland)

In Portugal, in the years before moving to Banco CTT, he performed executive management functions at Banco Comercial Português, S. A., in the areas of private and corporate banking, and digital banking at ActivoBank, S.A.

Management and supervisory positions in other companies (last 5 years)

2017-...: Chairman of the Supervisory Board of the Portuguese Banking Association in representation of Banco CTT, S.A.

Other external positions (last 20 years)

2012 - 2015: Member of the Board of Directors and of the Executive Committee of Banco Comercial Português, S.A.
2012 - 2015: Chairman of the Board of Directors of Banco ActivoBank, S.A.
2014 - 2015: Member of the Board of Directors of Pensões Gere – Sociedade Gestora de Fundos de Pensões, S.A.
2014 - 2015: Member of the Board of Directors of Millennium BCP Ageas, Grupo Segurador, SGPS, S.A.
2014 - 2015: Member of the Board of Directors of Ocidental – Companhia Portuguesa de Seguros de Vida, S.A.
2014-2015: Chairman of the Board of Directors of BCP Capital – Sociedade de Capital de Risco, S.A.
2009 - 2015: Member of the Supervisory Board of Bank Millennium, S.A. (Poland)
2008 - 2015: Chairman of the Board of Directors of Banca Millennium, S.A. (Romania)
2011 - 2013: Member of the Board of Directors of Millennium Bank, S.A. (Greece)
2008 - 2013: Chairman of the Board of Directors of Banque Privée BCP (Suisse), S.A.
2008 - 2012: Member of the Executive Board of Directors of Banco Comercial Português, S.A
2008-2012: Member of the Board of Directors of the Millennium BCP Foundation
2010 - 2011: Chairman of the Board of Directors of Millennium Bank, S.A. (Greece)
2003 - 2009: Vice-Chairman of the Executive Board of Directors of Bank Millennium, S.A. (Poland)
2008 - 2010: Vice-Chairman of the Board of Directors of Millennium Bank, S.A. (Greece)
2008-2010: Chairman of the Board of Directors of BCP Holdings (USA) INC.
2008 - 2009: Member of the Board of Directors of Banco ActivoBank, S.A.
2008 - 2009: Member of the Board of Directors of Millennium BCP – Prestação de Serviços, ACE
2003 - 2009: Member of the Supervisory Board of Millennium Lease Sp Zoo (Poland)
2003 - 2009: Member of the Supervisory Board of Millennium Dom Maklerski, S.A. (Poland)
2003 - 2009: Member of the Supervisory Board of Millennium Leasing Sp Zoo (Poland)

João Maria de Magalhães Barros de Mello Franco • CCO, Executive Director

Date of birth	3 March 1972, Portugal
Date of 1st appointment	14 January 2016
Term of office	2022/2024

Education

1998: Master in Business Administration (MBA), INSEAD (France)
1990 – 1995: Degree in Economics, Universidade Católica Portuguesa

Internal management and supervisory positions

2019 – ...: Member of the Board of Directors of 321 Crédito, Instituição Financeira de Crédito, S.A.
2016 –...: Member of the Board of Directors and of the Executive Committee (CCO) of Banco CTT, S.A.

Other internal positions

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Professional experience

For more than 30 years, he has held positions in sales and marketing, products and channels in the banking sector, namely coordinating consulting projects in this sector for 8 years (1995-2003 at McKinsey & Company); as a senior officer at Banco Espírito Santo, S.A. and Novobanco, S.A. for 12 years, focusing on the retail market, namely marketing, product, digital and face-to-face channels and innovation and participation in committees responsible mainly for product and risk areas. He also carried out management duties in credit institutions, including as Chief Marketing Officer and Chief Risk Officer at Novobanco, S.A.

Management and supervisory positions in other companies (last 5 years)

2018 – 2023: Chairman of the Board of Directors of Payshop (Portugal) S.A.

Other external positions

2014: Member of the Board of Directors and of the Executive Committee of Novobanco, S.A. (Chief Marketing Officer and Chief Risk Officer)
2008 – 2014: Non-Executive Director of Novo Banco dos Açores, S.A.
2014 – 2015: General Manager of Retail Banking and Remote Channels at Novobanco, S.A.
2013 – 2014: Coordinating Director of the Marketing, Innovation and Channels Department at Banco Espírito Santo, S.A.
2007 – 2012: Coordinating Director of the Private and Business Marketing Department of Banco Espírito Santo, S.A.
2003 – 2006: Coordinating Director of the Strategic Marketing Department of Banco Espírito Santo, S.A.
1995 – 2003: Associate Partner at Mckinsey & Company

Pedro Rui Fontela Coimbra • CFO, Executive Director

Date of birth	11 June 1974, Portugal
Date of 1st appointment	4 August 2016
Term of office	2022/2024

Education

2017: *Compliance Risk Management by Euromoney (United Kingdom)*
2006: *Master in Business Administration (MBA), INSEAD (France)*
2001 – 2003: *Chartered Financial Analyst (CFA) by CFA Institute*
1992 – 1997: Degree in Business Administration and Management, Universidade Católica Portuguesa

Internal management and supervisory positions

2021 – ...: Chairman of the Board of Directors of 321 Crédito, Instituição Financeira de Crédito, S.A.
2016 –...: Member of the Board of Directors and of the Executive Committee (CFO) of Banco CTT, S.A.

Other internal positions

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Professional experience

For over 20 years he has held positions essentially in the banking sector, more specifically in the finance area, as a financial analyst conducting institutional research in the banking sector, as well as positions involving the management of corporate projects related to mergers and acquisitions, asset valuation and share capital increases, at Millennium BCP. Also in that Group, he carried out duties as member of the Board of Directors and Executive Committee (CFO) at Banco Millennium BCP Angola. He was also Corporate Banking Manager of the Portuguese Branch of Barclays Bank. Later he held the position of member of the Board of Directors and of the Executive Committee (CFO) at Global Media Group, S.A. with responsibilities in the financial and administrative area, planning and management of assets at the level of the Group and its subsidiaries.

Management and supervisory positions in other companies

2019 – 2021: Member of the Board of Directors of 321 Crédito, Instituição Financeira de Crédito, S.A.
2018 – 2023: Member of the Board of Directors of Payshop (Portugal) S.A.
2015 – 2016: Managing Director of Notícias Direct – Distribuição ao Domicílio, Lda.
2015 – 2016: Managing Director of Empresa Gráfica Funchalense, Lda.
2015 – 2016: Managing Director of Urcaldas – Empreendimentos Urbanísticos, Lda
2014 – 2016: Member of the Board of Directors and of the Executive Committee (Chief Financial Officer) of Global Notícias – Media Group, S.A.
2014 – 2016: Member of the Board of Directors of Global Notícias Publicações, S.A.
2014 – 2016: Member of the Board of Directors of Global Notícias – Agência de Informação e Imagens, S.A.
2014 – 2016: Member of the Board of Directors of Rádio Notícias – Produção e Publicidade S.A.
2014 – 2016: Managing Director of RJN – Rádio Jornal do Norte, Lda.
2014 – 2016: Managing Director of TSF – Rádio Jornal de Lisboa, Lda.
2014 – 2016: Managing Director of Difusão de Ideias – Sociedade de Radiodifusão, Lda.
2014 – 2016: Member of the Board of Directors of TSF – Cooperativa Rádio Jornal do Algarve, CRL
2014 – 2016: Member of the Board of Directors of Naveprinter – Indústria Gráfica do Norte, S.A.
2014 – 2016: Member of the Board of Directors of Açormédia – Comunicação Multimédia e Edição de Publicações, S.A.
2014 – 2016: Managing Director of Jornal do Fundão Editora, Lda.
2009 – 2011: Member of the Board of Directors and of the Executive Committee (Chief Financial Officer) at Banco Millennium Angola, S.A.

Other external positions

2011 – 2014: Corporate Banking Manager of the Portuguese Branch of Barclays Bank
2007 – 2009: Director at the Corporate Centre at Banco Millennium BCP

Nuno Carlos Dias dos Santos Fórneas • CIO, Executive Director

Date of birth	24 February 1967, Portugal
Date of 1st appointment	13 September 2019
Term of office	2022/2024

Education

2012: Design Thinking by STANFORD University
2003: Leading the Professional Service Firm by HARVARD Business School
1999: Strategic Management in Banking by INSEAD
1994 - 1995: Master in Business Administration (MBA), Institute of Economics and Management of Universidade Técnica de Lisboa
1984 - 1989: Degree in Electrical and Computer Engineering, Instituto Superior Técnico, Universidade Técnica de Lisboa

Internal management and supervisory positions

2019 -...: Member of the Board of Directors and of the Executive Committee (CIO & COO) of Banco CTT, S.A.

Other internal positions

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Professional experience

For over 30 years, he has developed his professional career in the areas of systems engineering, process and systems consulting and in the development of solutions and information technologies (particularly in the financial sector, in Portugal and abroad, especially in Spain and the United Kingdom).

The technical and management skills developed, as well as the professional experience of more than 20 years in executive management positions, with emphasis on the positions held in the Novabase and Glintt Groups, are also Noteworthy.

Management and supervisory positions in other companies

2018: Head of Advanced Analytics Competence Center at Associação Nacional de Farmácias (ANF, or National Association of Pharmacies)
2017 – 2018: Member of the Board of Directors and of the Executive Committee at Glintt – Global Intelligent Technologies, S.A.
2017 – 2018: Member of the Board of Directors of Glintt UK, Limited
2014 – 2016: Managing Director of Livian Technologies, Lda.
2012 – 2016: Managing Director at Binómio – Máquinas e Sistemas de Informação, Lda.
2003 – 2016: Member of the Board of Directors of NOVABASE Business Solutions, S.A. (formerly Novabase Consulting S.A.)
2009 – 2015: Member of the Board of Directors of Novabase SGPS, S.A.
2009 – 2015: Member of the Board of Directors and of the Executive Committee of Novabase Serviços – Serviços de Gestão e Consultoria, S.A.
2009 – 2015: Member of the Board of Directors of NOVABASE Infraestruturas SGPS, S.A.
2009 – 2015: Member of the Board of Directors of NOVABASE Infraestructuras e Integración de Sistemas, S.A.
2012 – 2013: Member of the Board of Directors of NOVABASE Consulting, SA (Spain)

Luís Jorge de Sousa Uva Patrício Paúl • CRO, Executive Director

Date of birth	18 March 1971, Portugal
Date of 1st appointment	15 June 2020
Term of office	2022/2024

Education

2016 – 2017: "Financial Risk & Regulation" – FRR Certificate Program, GARP – Global Association of Risk Professionals
2015–2016: Training Programme for Senior Management "Corporate Governance Regulations and Models" by the Portuguese Bank Training Institute (IFB)
1990 – 1994: Degree in Economics, Faculty of Economics, Universidade Nova de Lisboa

Internal management and supervisory positions

2021 –...: Member of the Board of Directors of 321 Crédito, Instituição Financeira de Crédito, S.A.
2020 – ...: Member of the Board of Directors and of the Executive Committee (CRO) of Banco CTT, S.A.

Other internal positions

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Professional experience

For 28 years he has worked in the banking sector, especially in the financial and risk area, with a strong competence in planning, evaluations, financial markets, credit and risk, through functional and coordination experience in these different areas. In Banco Fomento e Exterior, S.A. (later integrated in BPI Group), he worked in the Middle Office Department of the Markets and Treasury Room, with participation in the control of risks and profitability of financial products and, still within the same financial Group, he joined the Planning Department, with functions at the level of the implementation of the profitability analysis model and in the budget preparation process. In Banco Mello, S.A. (subsequently merged into Banco Comercial Português, S.A.), he joined the Financial Department, with responsibility for the Asset & Liabilities Management ("ALM") model and for the analysis of financial margin control. Subsequently, in Banco Comercial Português, S.A., he performed the duties of Deputy Director of the Assets and Liabilities Management area, with participation in the implementation of the market and liquidity risk management methodology in five subsidiaries in Portugal and abroad and, subsequently, assumed the position of Deputy Director in the Risk area, within the same institution. More recently, he held the position of Director of Risk at Bank Millennium, S.A. (banking operation in Poland), having been responsible for proposing and implementing the Bank's policy on the management of credit, market, liquidity and operational risks and monitoring the Bank's exposure to these risks, including the respective capital management, having obtained the approval by the banking regulators of its application for the use of the advanced methods (IRB) for calculating capital requirements for credit risk.

In the last 8 years, he was responsible for Risk Management and CRO at Banco CTT, having participated in the Bank's launch and ensured the implementation of internal control and risk frameworks (financial and non-financial), through the definition of the risk management governance, Risk Appetite Statement, policies, processes, methodologies, controls and reporting for the different types of risk, with permanent participation in several internal Committees of the Bank.

Management and supervisory positions in other companies (last 5 years)

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Other external positions

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João Manuel de Matos Loureiro • Non-Executive Director, Chairman of the Audit Committee

Date of birth	4 October 1959, Portugal
Date of 1st appointment	13 September 2019
Term of office	2022/2024

Education

1987 - 1992: PhD in Economics, specialising in International Macroeconomics and Finance, School of Economics and Commercial Law, University of Gothenburg, Sweden
1978 - 1983: Licentiate degree in Economics, Faculty of Economics, Universidade do Porto

Internal management and supervisory positions

2019 -...: Member of the Board of Directors and Chairman of the Audit Committee of Banco CTT, S.A.

Other internal positions

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Professional experience

In the last 40 years, he has been a lecturer in the area of Economics, namely in programmes and curricular units of macroeconomics and finance at the Faculty of Economics of Universidade do Porto and in more specialised programmes for executives at Porto Business School. As an author he has published several works in those fields.

In parallel with his academic career he has maintained another professional activity, namely in the banking sector. For around 10 years, he has held non-executive management and supervisory positions at Banco Comercial Português, S.A., where he was Chairman of the Audit Committee (previously Financial Matters Committee) between 2009 and 2018. In the BCP Group he also performed supervisory functions in subsidiaries.

Management and supervisory positions in other companies (last 5 years)

2008 - ...: Lecturer and held academic/university management positions at Porto Business School
1984 - ...: Lecturer and held academic/university management positions at the Faculty of Economics, Universidade do Porto
2012 – 2018: Member of the Board of Directors and Chairman of the Audit Committee of Banco Comercial Português, S.A.

Other external positions

2012: Member of the Board of Directors of the Millenniumbcp Foundation
2010 – 2012: Chairman of the Audit Board of Banco BII – Banco de Investimento Imobiliário, S.A.
2009 – 2012: Chairman of the Supervisory Board of Banco ActivoBank, S.A.
2009 – 2012: Member of the General and Supervisory Board and Chairman of the Financial Matters Committee of Banco Comercial Português, S.A.

Ana Maria Machado Fernandes • Non-Executive Director and Member of the Audit Committee

Date of birth	1 November 1962
Date of 1st appointment	5 December 2022
Term of office	2022/2024

Education

2021: Advanced Program for NED (PAANE) at IPCG – Instituto Português de Corporate Governance, Portugal
2019: Course on Risk Management in Banking at INSEAD at Fontainebleau
2018 – 2019: International Directors Program (IDP) at INSEAD of Fontainebleau
2018: Course on Value Creation through Effective Boards at IESE Business School
2017: Course on Corporate Governance at Nova Business School and Economics
2016: Course on Corporate Governance at Deloitte/Spencer Stuart
2014: High Performance Leadership Programme at University of Oxford
1988 – 1989: Postgraduate degree in International Finance, Faculty of Economics, University of Porto
1988 – 1989: MBA in Management at Escola de Gestão do Porto
1981 – 1986: Degree in Economics from the Faculty of Economics of Porto

Internal management and supervisory positions

2022-...: Non-Executive Member of the Board of Directors and Audit Committee of Banco CTT, S.A.

Other internal positions

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Professional experience

Throughout his professional career of more than 35 years, he has developed experience in different sectors of activity, having been responsible for different projects and teams, having initially focussed his activity in the areas of investment and commercial banking, capital markets and, later, the energy sector, where he was ultimately responsible for the creation and development of EDP Renováveis. Since 2017, he has held non-executive positions on the Boards of Directors of several commercial banks. She has held executive and non-executive (including chairmanship) management positions in institutions and companies in Portugal and abroad.

Management and supervisory positions in other companies

2021 -...: Non-Executive Member of The Board of Directors of SDCL EDGE – Acquisition Corporation
2020 – 2023: Member of the Board of Directors (non-executive), Chairman of the Nominations, Evaluation and Remuneration Committee, member of the Risks Committee and member of the Audit and Control Committee of Banco Comercial e de Investimentos, S.A. in Mozambique
2017 – 2020: Non-Executive Member of the Board of Directors, Chairman of the Risk Committee, Member of the Appointments, Assessment and Remuneration Committee of Caixa Geral de Depósitos, S.A.
2015 – 2017: Vice-Chairman of the Board of Directors of EDP Renováveis Brasil, as well as Vice-Chairman of the Board of Directors of Instituto EDP Brasil and member of the Advisory Board of Fundação EDP
2014 – 2016: Chairman of the Board of Directors of EDP Energias do Brasil, S.A.
2012 – 2014: Chief Executive Officer (CEO) of EDP Energias do Brasil, S.A.
2007 – 2012: Chief Executive Officer of EDP Renováveis, S.A.
2009 – 2011: Member of the Board of Directors of COTEC Portugal
2006 – 2012: Member of the Executive Board of Directors of EDP – Energias de Portugal, S.A.
2004 – 2005: Chairman of the Board of Directors and Chief Executive Officer of Galp Power, S.A.
2004: Member of the Board of Directors (non-executive) of Galp Energia, S.A.
2000-2004: Member of the Board of Directors (non-executive) of Transgás, S.A.

Other external positions

2018 – 2021: Member of the Advisory Board of NOVA School of Science and Technology

Maria Rita Mégre de Sousa Coutinho • Non-Executive Director and Member of the Audit Committee

Date of birth	16 May 1974, Portugal
Date of 1st appointment	5 December 2022
Term of office	2022/2024

Education

2016: *Women on Boards:* Succeeding as a Corporate Director, Harvard Business School
2012: Advanced Management Program, Harvard Business School
2001: *Master of Business Administration*, INSEAD
1992 – 1997: Business Administration and Management, Católica Lisbon School of Business & Economics

Internal management and supervisory positions

2024 – ...: Member of the Audit Committee of Banco CTT, S.A.
2022 – ...: Non-Executive Member of the Board of Directors of Banco CTT, S.A.

Other internal positions

2022 –2023: Member of the Remuneration Committee of Banco CTT, S.A.

Professional experience

Throughout her professional career of more than 25 years, she has developed her activity in Portugal and abroad, both in the corporate field, as an executive and non-executive, as an advisor to global companies and as an entrepreneur, having contributed to the success of various international companies in the European, Asian, Latin American and, more recently, Middle Eastern markets, leading projects and teams in various sectors, particularly in the retail, consumer and e-commerce markets. Her collaboration with the Jerónimo Martins, Pão de Açúcar/Casino and Walmart groups stands out.

Recently, she became a member of the WomenExecsOnBoards network – invited for the role of Digital Transformation Leader, and is also a member of Instituto Português de Corporate Governance, since 2017.

Management and supervisory positions in other companies

2017-...: Director at Categorical World – Administração de Empresas, Unipessoal, Lda.
2017 – 2023: Director at Ollive Assessoria e Consultoria, Ltda.
2017 – 2019: Non-Executive Member of the Board of Directors at Brasmar S.A.
2015 – 2018: Non-executive member of the Board at Illycaffè Sud America Comércio, Importação e Exportação, Ltda.
2015 – 2019: Executive Member of the Board of Directors at Mundo dos Pães Participações, S.A.: 2015 – 2017: Member; 2017-2019: Vice-Chairman
2015 – 2020: Director/Managing Director of Ocean Participações, Investimentos e Consultoria, Ltda.
2009 – 2010: Vice-Chairman of the Board of Directors at APED – Associação Portuguesa das Empresas de Distribuição

Other external positions

2022 – ...: Member of the Editorial Board of MIT Technology Review in Portugal
2021 – ...: Member of the International Advisory Board at Católica Lisbon School of Business & Economics
2018 – ...: Adviser to the Portuguese Diaspora Council

António Pedro Ferreira Vaz da Silva • Non-Executive Director

Date of birth	13 November 1966, Portugal
Date of 1st appointment	1 September 2017
Term of office	2022/2024

Education

2020: Qualification Course for Insurance Agent, Insurance Broker or Reinsurance Broker – Non-Life businesses and Life business, Portuguese Insurers Association (APS)
2015 – 2016: Training Programme for Senior Managers of Banco CTT, S.A., Instituto Superior de Gestão Bancária and Portuguese Banking Association
2014: Business Management Programme, AESE Business School
1972 – 1984: Secondary Education, Amadora Secondary School

Internal management and supervisory positions

2017 – ...: Non-Executive Member of the Board of Directors of Banco CTT, S.A.
2018 – 2023: Member of the Board of Directors of Payshop (Portugal) S.A.

Other internal positions

2022 – ...: Member of the Remuneration Committee of Banco CTT, S.A.

Professional experience

Currently, as General Manager of CTT (COO), he is responsible for the Execution of Operations, which he combines with the positions of Chairman of the Board of Directors of Payshop (Portugal), S.A., and member of the Boards of Directors of the subsidiaries Banco CTT, S.A. (non-executive), CTT Expresso – Serviços Postais e Logística, S.A. and Medspring, S.A., and is also a member of the Remuneration Committee of Banco CTT, S.A.

With a professional career of 20 years in commercial and retail banking at Millennium BCP, he has held various positions within the group in Portugal and was part of the Private and Business team of Millennium BCP in 2000.

In 2004 he entered CTT as a Commercial Manager, having been responsible for the operations and sales of the south zone of the Retail Network. He successfully developed his career at CTT having taken up the position of Director of the Retail Network in 2013, acquiring extensive experience in management and motivation of teams and Human Resources as well as in sales of marketing of the different products placed through the Retail Network (from Mail, to Express & Parcels and to Financial Services, as well as services of general interest). Over this 20-year period he was involved in various key initiatives and projects related to the optimisation and rationalisation of the Retail Network and its portfolio, as well as promoting the proximity and capillarity associated with this network. Between 2017 and 2023 he was a member of the Board of Directors and the Executive Committee of CTT.

His long history in CTT has contributed to making the Retail Network an increasingly important sales and services channel in CTT's revenue growth in all business units, and a national convenience and multi-services platform, having namely played an active role in the launch of Banco CTT in 2016, which is supported by that Network.

Management and supervisory positions in other companies (last 5 years)

2023 – ...: Chairman of the Board of Directors of Payshop (Portugal) S.A.
2023 - ...: General Manager (COO) of CTT – Correios de Portugal, S.A.
2022 –...: Member of the Board of Directors of Medspring, S.A.
2017 – ...: Member of the Board of Directors of CTT Expresso – Serviços Postais e Logística, S.A.
2021 – 2023: Member of the Board of Directors of CTT IMO – Sociedade Imobiliária, S.A.
2020 – 2023: Member of the Board of Directors of CTT Soluções Empresariais, S.A.
2017 – 2023: Member of the Board of Directors and of the Executive Committee of CTT – Correios de Portugal, S.A.
2021 – 2022: Member of the Board of Directors of HCCM Outsourcing Investment, S.A.

Other external positions (last 5 years)

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Guy Patrick Guimarães de Goyri Pacheco • Non-Executive Director

Date of birth	25 May 1977, Portugal
Date of 1st appointment	15 June 2018
Term of office	2022/2024

Education

2018 - 2019: Training Programme for Senior Managers, Bank Training Institute, Portuguese Banking Association
2011: *Leaders who transform*, Universidade Católica Portuguesa | Universidade Nova of Business and Economics
2010: Leadership Executive Program, Universidade Católica Portuguesa
1995 – 2000: Licentiate degree in Economics, Faculty of Economics, Universidade do Porto

Internal management and supervisory positions

2018 –...: Non-executive member of the Board of Directors of Banco CTT, S.A.

Other internal positions

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Professional experience

As member of the Executive Committee (CFO), he is currently responsible in CTT for the areas of Costs and Transformation, which he accumulates with his positions as member of the Boards of Directors of the subsidiaries CTT Expresso – Serviços Postais e Logística, S.A., Banco CTT, S.A., CTT Soluções Empresariais, S.A., Newspring Services, S.A., CTT IMO – Sociedade Imobiliária, S.A. and Medspring, S.A.

His main professional occupation from 2015 to 2017 was CFO of PT Portugal, SGPS, S.A. and from 2011 to 2015 he was Director of Planning and Control of Portugal Telecom, SGPS, S.A. (company listed on the stock exchange).

He has skills in the areas of finance, planning and control, financial and operational reporting, with a career in management and senior management functions in these areas in the PT universe over a period of around 17 years.

With extensive experience and transformational profile in positions related to strategic transformation in the telecommunications sector and digital business, with national and international presence (working from 2001 to 2017 in markets marked by a challenging regulatory, technological and competitive context, having been, between 2007 and 2011, especially involved in continuous improvement and transformation projects), he led, as CFO, optimisation and cost rationalisation plans in the same sector.

Management and supervisory positions in other companies

2022 – ...: Member of the Board of Directors of Medspring, S.A.
2021 –...: Member of the Board of Directors of CTT IMO – Sociedade Imobiliária, S.A.
2021 –...: Member of the Board of Directors of Newspring Services, S.A.
2020 –...: Member of the Board of Directors of CTT Soluções Empresariais, S.A.
2017 –...: Member of the Board of Directors and of the Executive Committee (CFO) of CTT– Correios de Portugal, S.A.
2017 –...: Member of the Board of Directors of CTT Expresso – Serviços Postais e Logística, S.A.
2017 – ...: Member of the Board of Directors of Finerge, S.A.
2021 – 2022: Member of the Board of Directors of HCCM Outsourcing Investment, S.A.
2018 – 2019: Member of the Board of Directors of Tourline Express Mensajería, S.L.U.
2017 – 2019: Non-executive member of the Board of Directors of Âncora Wind – Energia Eólica, S.A.
2017 – 2018: Non-executive member of the Board of Directors of First State Wind Energy Investments, S.A.
2017 – 2017: Non-executive member of the Board of Directors of Sport TV Portugal, S.A.
2016 – 2017: Non-executive chairman of the Board of Directors of Janela Digital – Informática e Telecomunicações, S.A.
2016 – 2017: Non-executive member of the Board of Directors of Capital Criativo, SCR, S.A.
2015 – 2017: Member of the Executive Committee (Chief Financial Officer) of PT Portugal, SGPS, S.A.
2015 – 2017: Chairman of the Supervisory Board of Hungaro Digitel Plc.
2015 – 2017: Member of the Board of Directors of PT Pay, S.A.
2015 – 2016: Chairman of the Supervisory Board of Fibroglobal – Comunicações Electrónicas, S.A
2013 - 2015: Member of the Board of Directors of PT Centro Corporativo, S.A.
2013-2015: Member of the Supervisory Board of Fundação Portugal Telecom
2011–2014: Non-executive member of the Board of Directors of PT PRO – Serviços Administrativos e de Gestão Partilhados, S.A.

Other external positions

2018 - ...: Member of the Board of AEM (Association of Companies Issuing Listed Securities)

António Domingues • Non-Executive Director

Date of birth	30 December 1956
Date of 1st appointment	5 December 2022
Term of office	2022/2024

Education

1973 – 1979: Degree in Economics from Instituto Superior de Economia e Gestão of the University of Lisbon (ISEG)

Internal management and supervisory positions

2022 –...: Non-Executive Member of the Board of Directors of Banco CTT, S.A.
2022 – 2023: Member of the Audit Committee of Banco CTT, S.A.

Other internal positions

2024 –...: Member of the Remuneration Committee of Banco CTT, S.A.

Professional experience

Throughout his professional career of nearly 40 years, he has been responsible for different projects and teams, in particular in the areas of investment banking, capital markets and commercial banking, and in the financial, insurance and telecommunications sectors, namely through the exercise of executive and non-executive management functions in various institutions, positions that gave him solid technical skills in the areas of financial management, strategic planning, corporate governance, internal control and audit, financial markets, portfolio management and risk control and management.

Management and supervisory positions in other companies

2018 – ...: Non-Executive Member of the Board of Directors of Haitong Bank, S.A.
2016: Chairman of the Board of Directors and of the Executive Committee of Caixa Geral de Depósitos, S.A.
2002 – 2020: Vice-Chairman of the Board of Directors of Banco de Fomento Angola, S.A.
2004 – 2022: Member of the Board of Directors (non-executive) and Chairman of the Audit and Finance Committee of NOS, SGPS, S.A.
1995 – 2016: Member of the Board of Directors and Vice-Chairman of the Executive Committee (CFO – Chief Financial Officer) of Banco BPI, S.A.
1995 – 2016: Vice-Chairman of the Board of Directors of BPI-Banco Português de Investimento, S.A.
2004 – 2022: Member of the Board of Directors (non-executive) and Chairman of the Audit and Finance Committee of NOS, SGPS, S.A.
2003 – 2016: Non-Executive Member of the Board of Directors of Companhia de Seguros Allianz Portugal, S.A.
2002 – 2012: Vice-Chairman of the Board of Directors of BCI – Banco Comercial e de Investimentos, S. A.
1999 – 2012: Non-Executive Member of the Board of Directors of SIBS – Forward Payment Solutions, S.A.
1999 – 2008: Non-Executive Member of the Board of Directors of BCI – Banco Comercial e de Investimentos, S. A.

Other external positions

2023 – ...: Member of the Advisory Board of Fortitude Capital – Sociedade de Capital de Risco, S.A.

Annex II

Transactions involving ctt shares in 2023

Details of transactions by Directors and closely related parties during 2023, as disclosed to the Company.

António Pedro Ferreira Vaz da Silva

Transaction type	Place	Unit price (€)	Quantity	Transaction date
Acquisition	XLIS	3.690	7,000	28.04.2023

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