

BUSINESS MODEL

RETAIL BANKING FOR INDIVIDUALS





Offer

In keeping with the purpose of providing a simple and complete offer aimed at the needs of our Customers, Banco CTT offers solutions for everyday life, which include Current Deposit Accounts, Debit Cards with contactless technology and Digital Channels, Savings Solutions, such as the Free Savings Account or several Financial Insurance, Credit Solutions, in the areas of Mortgage Loans, Personal Loans and Credit Cards and also Protection Solutions offering Health Insurance, Motor Vehicle Insurance and a diversified range of Personal Accident Insurance.

Maintaining the commitment to respond to the different needs of its customers at all times, in a context of reduced interest rates on deposits, in 2021 the Savings offer was once again reinforced with the launch of the new Unit Linked Sustainable Investment and Unit Linked Assets products, in partnership with Companhia de Seguros Zurich.

Additionally, Banco CTT increased the offer of Personal Credit Solutions, with the introduction of Consolidated Credit and new purposes such as Health Credit, Education Credit or Renewable Energy Credit. In the case of Mortgage Loans, and in view of the growing concerns about the evolution of reference interest rates, Banco CTT launched a new option to fix the loan instalment in the 2nd semester.

In the Companies segment, launched in 2020, which already had Factoring solutions, aimed at the short-term financing needs and treasury support of SMEs and Micro-enterprises, in 2021 Bond Insurance was also launched, in partnership with Abarca Seguros.

Face-to-face Channel

Banco CTT has been present in all Portuguese districts since it opened. The Bank's network, with 212 branches, operates during extended working hours, from 9:00 to 18:00, sharing the branch's physical space with the postal attendance operation, but maintaining segregated attendance, ensuring greater specialisation in financial services. Proximity, based on human relations and on a capillary network of branches, is also one of the founding principles of Banco CTT.

Despite the very challenging pandemic context of the last two years, the Bank has always managed to ensure the normal functioning of Banco CTT's chain of stores, with minimal disturbances, and complying with all the defined health rules.

In order to provide employees with better tools, with the aim of improving the service provided to Customers, more quickly and efficiently, the Bank has an ongoing programme for the evolution of store systems, which involves two lines of development. The first concerns the optimisation and dematerialisation of processes, making it possible, for an increasingly large number of requests, such as account opening and maintenance, card applications, etc. to complete the entire process in the store extremely quickly and without the need for paper. The second refers to the new Store Platform, which will allow greater integration capacity of all systems used, owned and of partners, facilitating the work of employees and allowing an integrated view of all relevant customer information (360° view). The roll-out is currently underway and will be completed by the end of the 1st semester of 2022.

Digital Channels

Digital channels are one of the key elements of the service proposition of Banco CTT. Through the digital channels, customers can access the Bank at any time of the day or night, whether through their mobile app, available for iOS and Android, or through Home Banking, optimised for personal computers and tablets. In addition, Banco CTT Customers have access to the MBWay service.

The use of the channels at Banco CTT has a very significant expression in the customer base - around 75% are adherents and more than 50% regular users. It is important to highlight that use through mobile devices is increasingly significant, representing over 90% of accesses.

The Bank continues to progressively expand the functional range it offers to its Customers, taking advantage of its new digital channel architecture, which allows for faster developments and with high-quality interfaces and user experience. In 2021, new services were made available, such as debit card management (PIN recovery, temporary blocking, replacement request, etc.), self-service credential recovery, integrated position of all wealth products and, more recently, the possibility of requesting personal credit entirely online.

CONSUMER CREDIT

Motor Vehicle Credit

321 Crédito is today a national reference institution and one of the major players in the financing market for the purchase of used, semi-new or classic cars, specialising in credit operations originated through the credit intermediary channel.

The business model is based on an approach that values proximity, simplicity and agility, and the distribution strategy is supported on 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.

The year 2021 was a particularly challenging year for the automotive industry and its value chain, with a visible impact on the used car financing business. On the one hand, there were constraints in the production of new vehicles, due to a worldwide shortage of semiconductors, which led to an increase in demand for used cars. On the other hand, the decrease in sales of new vehicles resulted in a gradual reduction in the stock of used cars, which caused additional pressure on prices and the search for financing solutions.

It was in this challenging context that 321 Crédito reached a production volume of around 214 million euros in car financing, corresponding to an increase of 10.4% compared to 2020. This performance allowed for a reinforcement of market share to 11.3% in the credit segment for used vehicles with reservation of ownership (based on data from Banco de Portugal on the evolution of new consumer loans), which compares with 10.9% in 2020.

The year 2021 was also marked by the completion of the migration process to the new ERP (Enterprise Resource Planning) platform, which began in 2020, allowing the implementation of a more integrated, faster, more efficient and more digital credit process. This platform was also decisive as an accelerator of operational efficiencies, with a consequent improvement in internal processes and in the quality of service provided to Customers and Partners.

Credit Card

The year was also marked by the establishment of a partnership with Sonae Financial Services, with Banco CTT becoming responsible for the exclusive financing of one of the most significant credit cards in the national market, the Universo card.

This partnership reinforces Banco CTT's presence in the consumer credit market, promoting broad skills in this value chain, from credit decision to recovery capacity.

PAYMENTS

The payments business of the Banco CTT Group is divided between daily life products associated to the retail business, and Payshop, a subsidiary of Banco CTT, that owns a national payment acceptance network.

Payshop offers a wide range of collection services in a multi-channel logic (banking and face-to-face) and multi-payment means (card, wallet, transfer, direct debit, and cash). It is especially prominent in offering a face-to-face service, with cash payments, allowing payments (invoices, tolls, taxes, online shopping), top-ups (mobile phones, public transportation tickets), and purchases (vouchers and other pre-paid) in a vast Network that exceeds the 7,000 Payshop Payment Points mark, including more than 5,000 Payshop Agents, as well as CTT Stores and many Post Offices.

In 2021, the payment services supported by Payshop (own and CTT's) processed over 45 million transactions, moving more than 1,100 million euros. Although there has been a recovery compared to 2020, the Covid-19 health crisis and the various confinement regimes imposed continued to have a significant impact on the transactional volumes processed - accelerating trends towards migration to digital and reducing upstream demand for services (namely in business lines such as mobility - tolls and transport tickets - where the reduction in traffic volumes had a strong repercussion on the volume of ticket sales and collections).

In 2021, new products continued to be introduced following the diversification strategy followed by Payshop. Thus, the Western Union remittance service was launched, the sale of own Multibanco entities, the sale of LycaMobile cards, and the number of prepaid voucher services was also expanded. There was also a continuity of commercial roll-outs of products launched in previous years, namely the growth in the volume of transactions in the Multibanco payment reference service and the growth in the number of municipalities subscribing to the prepaid school account service.

Payshop has a simple, safe and reliable technological platform that is available 24 hours a day and 365 days a year. In 2021, the technological transformation process (started in 2019) continued, with the go-live of a new unified platform for central processing and operational support of financial payment transactions. These actions aim at building the capacity of Payshop for the new challenges of the market, namely in the areas of digitisation and omni-channels.

OUTLOOK FOR 2022

The year 2021 was marked by the growing diversification and resilience of Banco CTT's business model, reflected in very positive results and the reinforcement of its structural presence in highly profitable segments.

- ▲ **In banking retail**, continued deepening of the banking relationships achieved, increasing the penetration of the various credit and savings products, promoting Banco CTT's position as the "first Bank" of its customers and thus boosting the profitability of the franchise created;
- ▲ **In consumer credit**, continued accelerated growth, with gains in market share, both in car loans and credit cards, through the partnership with Sonae Financial Services;
- ▲ **In the payments business**, completion of the implementation of a new transactional system that will serve the entire payments business of the CTT Group, as well as the launch of a new digital payments gateway product that aims to address the needs of current payment and remittance customers of the CTT Group.