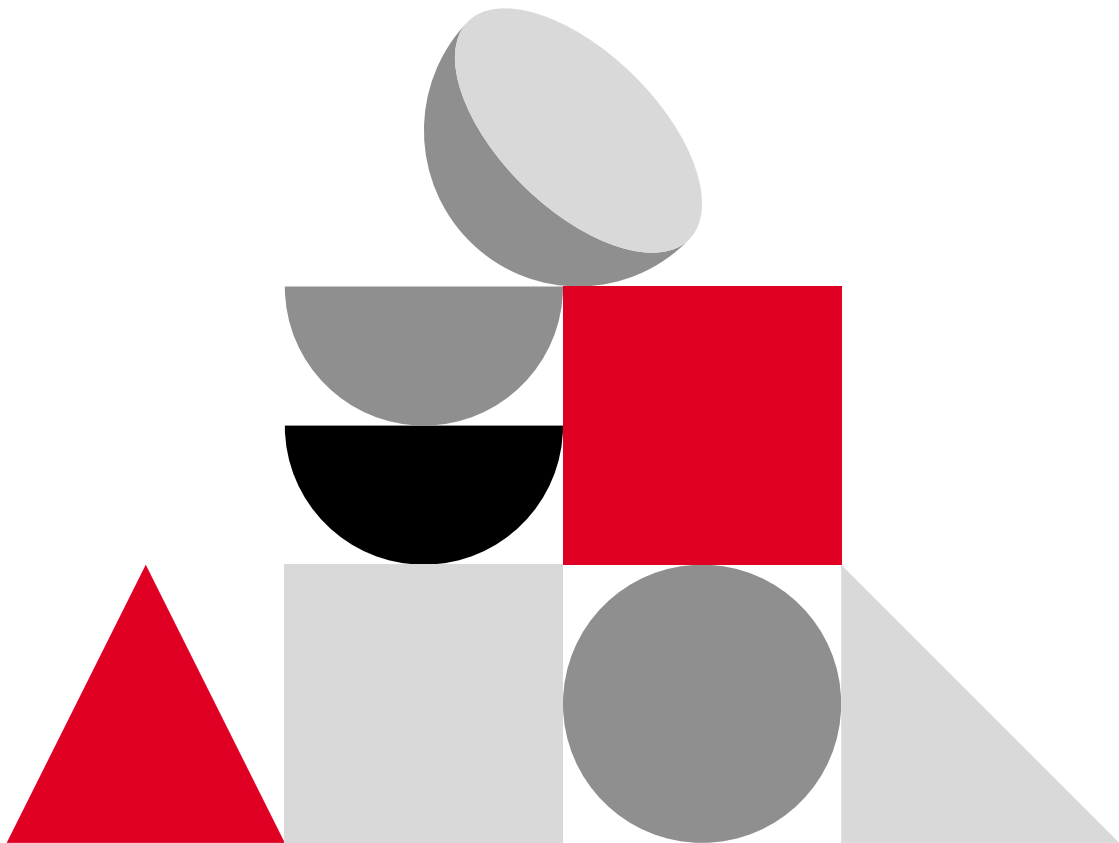


Annual Report **2021**

# From balance to growth



# ANNUAL REPORT 2021

## **Banco CTT, S.A.**

Registered Office: Avenida D. João II, nº 13, Edifício Báltico, Piso 11º, 1999-001 Lisboa

Sole registration and taxpayer number at the Commercial Registry Office: 513 412 417

Share capital: € 296,400,000.00

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Fax: +351210 471777

**bancocct.pt**

(hereinafter “Bank”, “Banco CTT” or “Company”)

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## CHAIRMAN'S STATEMENT



The present Board of Directors of Banco CTT was sworn in September 2019. Our term of office is approaching its end. It is with pride in the Banco CTT team and gratitude for the trust deposited by our customers that I make a very positive assessment of this achievement-filled period.

Our term of office began with the approval of the strategic plan for Banco CTT, whose execution we have been monitoring. Since 2019, the number of accounts opened by new customers has continued to increase, including in months when the economy shut down due to the pandemic caused by Covid-19. We ended 2019 with 460,000 accounts open and we now have more than 570,000 accounts. Deposits from customers more than doubled from 1,283 million euros to 2,800 million euros at the end of 2021. 321Crédito, a company that was integrated into the Banco CTT Group as of May 2019, went from a loan portfolio of 447 million euros at the end of 2019 to 600 million euros at the end of 2021. Savings products, another priority area of the defined strategy, also doubled in volume between 2019 and 2021, from just over 350 million euros to 700 million euros. The product

offering to customers has more than doubled, increasing choice and including an ESG-focused product. And in a very difficult context, in the midst of a pandemic, the Bank reached its break-even point in 2020.

One business area identified as strategic in the approved 2019 plan was consumer credit. Banco CTT's presence in this market was extended with the partnership with the SONAE Group within the framework of the Universo card, which already contributes around 300 million euros to the stock of credit granted by the Bank. However, Banco CTT starts 2022 with a digital personal credit offer, which was developed from scratch by the bank in partnership with Cetelem.

The development of the bank's digital capacity was substantial during this three-year period, with the multiplication of functionalities and an increasing rate of use by customers.

During this term, a Chief Risk Officer was appointed, as well as new Risk, Compliance and Data Protection Directors. The reorganisation of the bank's control functions was closely monitored by the Board of Directors and the Audit Committee.

This Board of Directors, always supported by the diligent work of the Audit Committee, paid special attention to updating the bank's policies and regulations. It worked in constant liaison with the internal audit function, following up on the resolution of any major issues identified.

I would also like to highlight, following the message from our CEO, the quality of the relationship that Banco CTT maintained with Banco de Portugal during this three-year period.

The Board of Directors ends its term with great pride in the work done by the Bank during this period, thanks to the executive committee's capacity to execute, the commitment and dedication of all employees of the Banco CTT Group and the support of its shareholder.

**João Moreira Rato**

Chairman of the Board of Directors

14 March 2022

## CEO'S STATEMENT



### A great year, in a challenging context

In 2021, following the break-even achieved in 2020, and in only the fifth full year of life, Banco CTT presents a very positive financial performance: 16 million euros of consolidated net income.

This result was made possible by the 24% growth in net operating income, to a total of 100 million euros, supported by the increase in net interest income and in commissions, combined with gains from the sale of financial assets.

This performance is even more significant if we take into account the challenging context, still marked by the health crisis and exceptionally low interest rates.

After this period, we unequivocally reaffirm: Banco CTT resiliently went through the pandemic, presenting an enviably healthy balance sheet and

an increased capacity to finance the Portuguese economy in the recovery that is already underway.

The year was marked by important advances in all business segments.

In **retail banking**, we now have a base of more than 670,000 customers, with a growing relationship with Banco CTT.

In fact, more than 50% of the customers recognize Banco CTT as their "Main Bank", and 40% already deposit their salary or process their recurring expenses with the Bank.

Confirming this loyalty, we also observed the frequent use of digital channels by more than half of customers - above the industry average -, the 21% growth in deposits from customers and the growth of more than 30% in the volume of customer transactions. The significant scale increases in all aspects were adequately supported by the Bank's technological solutions.

Also in this area, we highlight the evolution of off-balance savings solutions, in partnership with several leading insurers in the national market. Banco CTT is today a distinctive platform for the placement of PPR-type savings and capitalisation insurance products, with a portfolio of more than 700 million euros at the end of the year and a market share of more than 4% in gross premiums written.

In **consumer credit**, Banco CTT became one of the relevant players in the national market, with a total portfolio of over 1 billion euros. Last year, the accelerated growth strategy in this business area, with significant margins, was marked by the partnership with the SONAE Group, with Banco CTT becoming the exclusive financier of the Universo card, with more than 1 million subscribers. With this long-term partnership, Banco CTT materialises a substantial and diversified presence in the consumer finance market, now based on 3 "growth engines": (i) 321 Crédito, a franchise specialised in used car loans, (ii) the Universo card, a point-of-sale platform, in partnership with the largest national retailer and (iii) Banco CTT's own network, deepening the relationship with the customer base, here in partnership with Cetelem.

In the **payments business**, the year was marked by the go-live of a new unified platform for the central processing of financial payment transactions. Payshop is now prepared for the "digital age", completing its core business model, based on physical agents, and becoming an integrated payment provider, with the capacity to process all types of payments and an increased focus on e-commerce platforms.

### Future focused on scale in high-return segments

In the coming years, Banco CTT's focus will continue to be on profitable growth.

To this end, we focus our strategy on the profitability of banking relationships, which are still recent, and on the accelerated growth of consumer credit.

In the franchise core, we will deepen relationships, increasing the level of customer engagement with the Bank, through a competitive offer and an increasingly complete and distinctive digital platform, with capacity for service, but also for marketing credit and savings products, in a simple and convenient way.

In this area, special emphasis is placed on PPR savings and capitalisation insurance, where Banco CTT will continue to enhance the value of its brand, as well as the tradition of the CTT Group.

In addition, the commitment to consumer credit will not lose momentum. In the coming years, Banco CTT will be one of the main players in the consumer finance market, gaining scale and specialisation in a high-return segment, in full cooperation with its strategic partners and always adopting the best risk assessment practices, underpinned by a "responsible credit" paradigm.

For the coming years, we also aim to strengthen the "ESG (Environment, Social and Governance) agenda".

This is an early concern of Banco CTT, created from scratch with a governance model that promotes checks and balances and transparency.

In addition to this model, in recent years we have instilled in the organisation a culture focused on sustainability, visible in the design of the offer, with emphasis on the "Banco CTT Sustainable Investment" product. In the future we will do more, namely by incorporating "ESG criteria" in the selection of partners and suppliers and by reinforcing the training of our employees in sustainability practices.

I conclude by once again thanking our employees for their diligence and dedication, which are even more relevant given this very peculiar period of our lives.

I also extend my gratitude to our shareholder CTT, the Bank's governing bodies and all our business partners.

I would also like to express a word of appreciation to the Supervisory Authorities, in particular Banco de Portugal.

The year 2021 was only the fifth full year of our institution's life.

During this period, we created a brand that is already indisputable in Portugal, with more than 600,000 customers and more than 2,700 million euros in assets.

The next 5 years will witness a Bank CTT increasingly present in the Portuguese economy and society.

**Luís Pereira Coutinho**

Chairman of the Executive Committee

14 March 2022

# MANAGEMENT REPORT



# INFORMATION ON THE BANCO CTT GROUP

## BANCO CTT GROUP

### History

2013	
<b>August</b>	On 5 August 2013, CTT submitted request to Banco de Portugal to grant a concession for creation of the postal bank.
<b>November</b>	On 27 November 2013, Banco de Portugal issued authorisation for the creation of the postal bank.
2015	
<b>February</b>	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.
<b>August</b>	On 24 August 2015, after authorisation of Banco de Portugal, CTT Serviços was transformed into Banco CTT, with share capital of 34 million euros.
<b>November</b>	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.
2016	
<b>March</b>	Banco CTT opened to the public on 18 March, with 52 branches simultaneously, spread over the 18 districts of Portugal and with a strong presence in digital channels.
<b>May</b>	Share capital increase of 26 million euros, to 60 million euros.
<b>July</b>	Banco CTT opened its one hundredth branch on 22 July.
<b>October</b>	Share capital increase of 25 million euros, to 85 million euros.
<b>December</b>	Banco CTT achieves a presence of 202 branches.
2017	
<b>January</b>	With 9 months of activity, Banco CTT reaches 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.
<b>April</b>	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.
2018	
<b>January</b>	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.
<b>March</b>	Share capital increase of 25 million euros, to 156.4 million euros.
<b>July</b>	Banco CTT agreed to purchase 321 Crédito, a specialised consumer credit institution (used motor vehicles in the retail market), which has expanded the business portfolio of Banco CTT.
<b>October</b>	Introduction of off-balance sheet saving products with the launch of the offer of PPR (Retirement Savings Plans).
2019	
<b>April</b>	Share capital increase of 110 million euros, to 266.4 million euros.
<b>May</b>	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.
<b>December</b>	Share capital increase of 20 million euros, to 286.4 million euros.
2020	
<b>September</b>	Banco CTT enters the Business and Companies segment Banco CTT created a simple, transparent and competitive commercial offer geared to the needs of SMEs and micro-enterprises, thus announcing its entry into a new Business and Companies segment. In this start-up phase, this new business area of Banco CTT will be supported by a complete offer of factoring solutions, to be later gradually and progressively extended to other products and services.
<b>December</b>	Banco CTT reaches breakeven in its 5th full year of existence, with a consolidated net result of 233 thousand euros.
2021	
<b>January</b>	Share capital increase of 10 million euros, to 296.4 million euros.
<b>April</b>	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.
<b>September</b>	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).



### Corporate Governance

Banco CTT endorses the Anglo-Saxon governance model, with the members of its corporate bodies in office on the present date having been appointed at the General Meeting for the term of office corresponding to the three-year period 2019-2021.

This model is based on a Board of Directors, an Audit Committee (composed of Non-Executive Directors, but especially appointed by the General Meeting) and a Statutory Auditor (permanent and alternate).

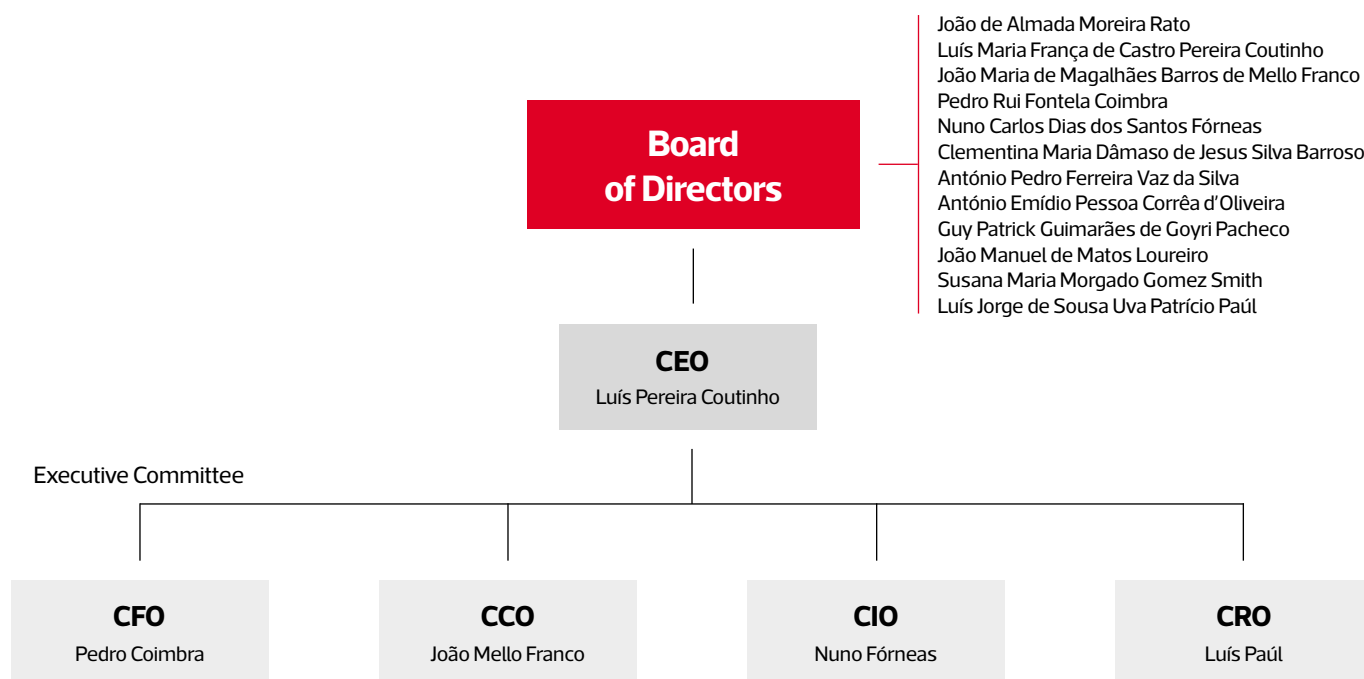
There is also a Selection and Remuneration Committee, elected by the General Meeting, with powers related to the selection and assessment of the adequacy of the members of the corporate bodies and holders of key positions, pursuant to the policy on selection and assessment of the adequacy of the members of the management and supervisory bodies and the holders of key positions (available on the Bank’s website at [www.bancoctt.pt](http://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 as at 31 December 2021, was composed of 12 Directors, with 7 Non-Executive Directors (including the Chairman of The Board of Directors and 3 independent Members) and 5 Executive Directors (including the Chairman of the Executive Committee), having the following management organisation:



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 shares admitted to trading on regulated markets, has adopted a significant series of recommendations in the Corporate Governance Code issued by the Portuguese Securities Market (CMVM), Banco CTT has benefited 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 Conduct of CTT and Subsidiaries, which reiterates its Mission, Vision and Values and endorses best 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, 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 institution's 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<sup>1</sup>

### BOARD OF THE GENERAL MEETING

**Chairman:**

Rui Afonso Galvão Mexia de Almeida Fernandes

### BOARD OF DIRECTORS

**Chairman:**

João de Almada Moreira Rato

**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

Clementina Maria Dâmaso de Jesus Silva Barroso

Susana Maria Morgado Gomez Smith

António Pedro Ferreira Vaz da Silva

Guy Patrick Guimarães de Goyri Pacheco

António Emídio Pessoa Corrêa d'Oliveira

### 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)

### AUDIT COMMITTEE

**Chairman:**

João Manuel de Matos Loureiro

**Members:**

Clementina Maria Dâmaso de Jesus Silva Barroso

Susana Maria Morgado Gomez Smith

### SELECTION AND REMUNERATION COMMITTEE

**Chairman:**

Raúl Catarino Galamba de Oliveira

**Members:**

João Afonso Ramalho Sopas Pereira Bento

Maria da Graça Farinha de Carvalho

### REMUNERATION COMMITTEE

**Chairman:**

João de Almada Moreira Rato

**Members:**

Clementina Maria Dâmaso de Jesus Silva Barroso

Susana Maria Morgado Gomez Smith

### STATUTORY AUDITOR<sup>2</sup>

**Statutory Auditor (ROC):**

Ernst & Young Audit & Associados – SROC, S.A.,

represented by Sílvia 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

<sup>1</sup>The members of the corporate bodies and internal committees in office on the present date and as at 31 December 2021 are indicated herein.

<sup>2</sup>In the financial year of 2021, he took office as STATUTORY AUDITOR for the 2021/2023 term of office



**Pedro Coimbra**  
CFO

**Luís Paúl**  
CRO

**Luís Pereira  
Coutinho**  
CEO

**João Mello  
Franco**  
CCO

**Nuno Fórneas**  
CIO

## Brief Summary of the Year and Main Highlights

The year 2021 was the second year of the Covid-19 outbreak, classified as a pandemic by the World Health Organization on 11 March 2020. In this chapter, the year 2021 is marked by the massive vaccination of the Portuguese population, which opened a window of hope for the return to pre-Covid normality.

Banco CTT's focus was, similar to what happened in 2020, **the protection of employees' health** (with the adoption of measures that were appropriate at each moment) and the **continuity, without any disruption, of the provision of essential financial services**.

Also with regard to the pandemic and moratoria, it should be noted that Banco CTT had only 4% of its credit portfolio in moratoria (about 4 times less than the average of the system) at the end of the 2020. No cliff effects were recorded at the end of the moratoria, which demonstrates the quality of the Group's credit portfolio and the support provided to customers during the critical period of the pandemic. As at 31 December 2021, there were no active moratoria.

The growth of the customer base, the trust deposited in the Banco CTT brand and the increase in household savings (resulting from the reduction in consumption due to the pandemic context) meant that, in 2021, Banco CTT raised 713 million euros in deposits from customers (combining on- and off-balance sheet values), which compares with 477 million euros in 2020.

Thus, balance sheet deposits from customers increased by 433 million euros, with credit granted increasing by 463 million euros (heavily leveraged on the contribution of credit cards), increasing the loan-to-deposit ratio from 66% in 2020 to 74% in 2021.

In April 2021, Banco CTT and Sonae Financial Services started a new consumer credit partnership through which the Bank began to finance the credit of the Universo card and conduct the respective credit risk management.

With a view to managing the Group's balance sheet, in order to accommodate this new line of business (as at 31 December 2021, the gross amount of credit granted through the Universo credit card was 299 million euros) the Bank adopted the following measures:

- ▲ Sale of 204 million euros (nominal value) of securities resulting in a capital gain of 17,777 thousand euros;
- ▲ In 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). The implicit spread for all credits was 0.64%.

The credit card portfolio contributed 10,166 thousand euros to net interest income, with 6,618 thousand euros of impairment recognised.

In 2021, Banco CTT continued on the path of efficiency and profitability, with cost-to-income declining from 114% in 2019 and 84% in 2020 to 65% in 2021. Excluding the non-recurring effect of capital gains on the sale of securities (at the aforementioned value of 17,777 thousand euros), cost-to-income would still be 79%, which represents an improvement on the previous year.

In 2021, Banco CTT recorded a consolidated net income of 16,148 thousand euros (compared to 233 thousand euros in 2020), a result that incorporates 12,962 thousand euros of specific items that resulted mainly from the gross capital gains generated from the sale of securities.

## Main Highlights

### January 2021

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

### April 2021

- ▲ Banco CTT initiates a consumer credit partnership with Sonae Financial Services, through which it finances the Universo card and conducts the respective credit risk exposure management.

### July 2021

- ▲ Banco CTT and BNP Paribas Personal Finance (Cetelem) renew their existing partnership agreement. The agreement will allow Banco CTT to continue to develop its offer and reinforce its position as a reference player in financing and means of payment in Portugal.

### September 2021

- ▲ Banco CTT and Zurich launch a Sustainable Investment product: life insurance linked to an autonomous (unit-linked) investment fund, which invests in the financial assets of companies and institutions that pursue and promote the Sustainable Development Goals (SDGs) enshrined by the United Nations, giving priority whenever possible to the SDGs defined as priorities by the Portuguese Government in the implementation of the 2030 Agenda for Sustainable Development

- ▲ 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).

The securitisation operation was subscribed by several European and North American institutional investors, and demand exceeded supply by more than twice. The implicit spread for all credits was 0.64%.

The operation will serve to finance the growth of Banco CTT's activity, optimizing its capital and diversifying sources of liquidity.

### October 2021

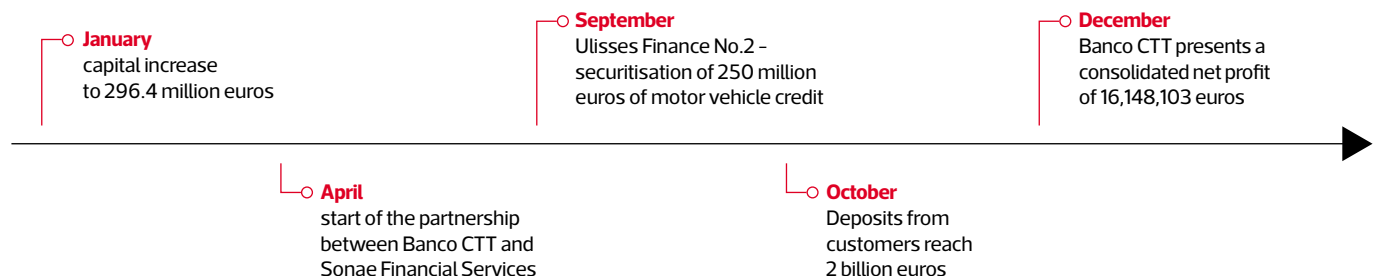
- ▲ Banco CTT is a pioneer member of the "Merece" movement, which aims to give a sustainable end to bank cards.

In addition to giving new life to cards, by transforming them into urban furniture, for each kg of collected cards a tree will be planted and maintained for 5 years, thus offsetting the emissions generated by each card (a bank card is equivalent to a 150gr carbon footprint). As part of this partnership, Banco CTT also acquired debit cards made entirely from recycled plastic.

- ▲ Deposits from customers reach 2 billion euros.

### November 2021

- ▲ Best month ever in terms of deposit-taking (+71 million euros variation in deposits).



## BANCO CTT AWARDS 2021

In 2021, Banco CTT was once again distinguished with awards and distinctions attributed by independent entities, which recognise the excellence of our products and services.



### Deco Proteste Right Choice in the Mortgage Loan category

The Banco CTT Mortgage Loan was distinguished with the RIGHT CHOICE award attributed by DECO PROTESTE. With a competitive and comprehensive offer, the Banco CTT Mortgage Loan was distinguished for presenting the best relationship between quality and price. Banco CTT's offer presents credit solutions with variable or mixed rates for different purposes, namely acquisition, construction/building or investment. The monitoring of the entire process through the Casa Banco CTT App allows our Customers to apply for credit online and accompany the entire process without leaving home, with the support of a specialised team.

The attribution of this stamp of approval was based on comparative tests on products and services, aimed at informing and defending the interests of the consumer so that they are able to make informed choices when taking decisions, thus facilitating daily life.



### 2021 Five Stars Award for Customer Service

Banco CTT's Customer Service was considered by consumers as Five Stars, from among five evaluated banks, having obtained an overall satisfaction of 73.7% by U-Scoot Lda. The attribution of the 2021 Five Stars Award was based on the criteria of Satisfaction-Experimentation, Brand Trust, Innovation and in particular, the Intention to Recommend.

Brand evaluation tests are carried out with regular consumers, and only the best brands are awarded the Five Stars distinction.

These awards are the sole responsibility of the entities that awarded them.

## 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.

### 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.

### VALUES TO UPHOLD

- ▲ Simplicity
- ▲ Efficiency
- ▲ Proximity
- ▲ Trust
- ▲ Solidity



## KEY FIGURES

### CONSOLIDATED RESULTS

#### Net Income

In 2021, Banco CTT achieved a consolidated net profit of 16,148 thousand euros, which compares with a positive net profit of 233 thousand euros in the same period of the previous year, representing a positive variation of 15,915 thousand euros.

The net result for 2021 includes the positive net impact of 12,962 thousand euros from a set of specific items, namely capital gains from sales in the securities portfolio, in a gross total of 17,777 thousand euros.

(amounts in thousand euros)

Income Statement	2021	2020	Δ	
			%	Abs.
Net Interest Income	55,714	44,572	25%	11,142
Net Commissions	25,378	20,204	26%	5,174
Other Results	715	1,197	-40%	(482)
<b>Operating Income</b>	<b>81,807</b>	<b>65,973</b>	<b>24%</b>	<b>15,834</b>
Staff costs	(25,171)	(21,806)	15%	(3,365)
General Administrative Expenses	(31,886)	(27,152)	17%	(4,734)
Depreciation	(7,691)	(6,451)	19%	(1,240)
<b>Operating Costs</b>	<b>(64,748)</b>	<b>(55,409)</b>	<b>17%</b>	<b>(9,339)</b>
Impairment and Provisions	(12,159)	(9,352)	30%	(2,807)
<b>Profit / (loss) before taxation</b>	<b>4,900</b>	<b>1,212</b>	<b>304%</b>	<b>3,688</b>
Taxes	(1,714)	(979)	75%	(735)
<b>Net Result (No specific items)</b>	<b>3,186</b>	<b>233</b>	<b>1267%</b>	<b>2,953</b>
Net Specific Items	12,962	-	...	12,962
<b>Net Income</b>	<b>16,148</b>	<b>233</b>	<b>6830%</b>	<b>15,915</b>

Explanations for the most relevant variations are presented as follows:

#### Net Interest Income

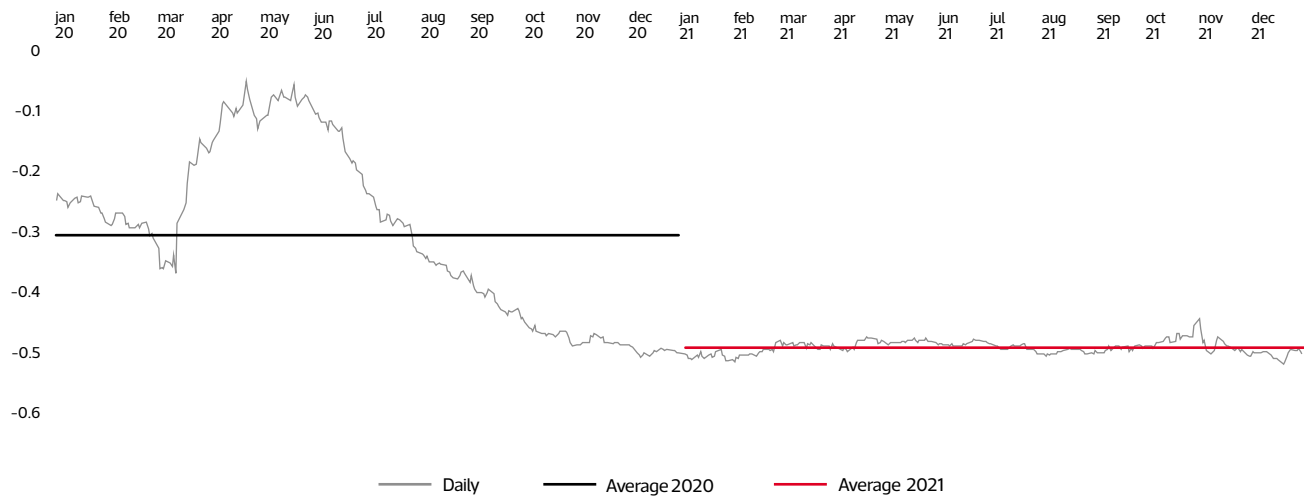
Net Interest Income reached 55,714 thousand euros (2020: 44,572 thousand euros), which represents an increase of 11,142 thousand euros (+25%).

▲ **Interest on car credit** amounted to 37,627 thousand euros (2020: 33,311 thousand euros), representing an increase of 4,316 thousand euros, driven by the increase in average volume.

▲ **Credit card interest** amounted to 10,166 thousand euros. This interest results from the portfolio acquired under the Universo Partnership with Sonae Financial Services, starting in the second quarter of 2021.

▲ **Interest on mortgage loans lending** reached 3,824 thousand euros (2020: 4.156 thousand euros), representing a decrease of 333 thousand euros, as the increase in the average volume was not sufficient to offset the effect of the reduction in the Euribor index (see figure below, with 12-month Euribor data).

### Euribor 12M



Source: Bloomberg

#### Commissions

The net fees and commissions income amounted to 25,378 thousand euros (2020: 20,204 thousand euros), which represents an increase of 5,174 thousand euros (+26%).

This increase is mainly explained by:

- ▲ Extension of the debit card fee to the first card in the second quarter of 2020: + 1,882 thousand euros.
- ▲ Increase in transactional / interbank fees explained by the gradual increase in customer involvement with Banco CTT and, consequently, the greater use of the Banco CTT account for day-to-day management (+ 1,117 thousand euros).
- ▲ Commissions on insurance mediation services reached 5,969 thousand euros (2020: 4,304 thousand euros), with the increase of 1.665 thousand euros being mainly explained by the increase in the commission of off-balance savings products related to the PPR and Life Financial Insurance offer.

#### Operating Costs

Operating costs amounted to 65,839 thousand euros (2020: 55,409 thousand euros), resulting in an adjusted cost-to-income (excluding specific items) of 79%, which compares with 84% in 2020.

##### Staff costs

- ▲ Staff costs reached 25,171 thousand euros (2020: 21,806 thousand euros), representing an increase of 3,365 thousand euros.
- ▲ The increase is explained by (i) the increase in multi-employer staff costs in the context of the use of the Stores Network, (ii) the salary updates that, in 2020, only occurred in the second half and (iii) the increase in commercial incentives compared to 2020.

##### General Administrative Expenses

- ▲ General administrative expenses reached 31,886 thousand euros (2020: 27,152 thousand euros), representing an increase of 4,734 thousand euros.
- ▲ The increase is explained by (i) the increase in expenses incurred with the use of the CTT store chain, (ii) the initial and operating expenses of the new business segment (credit cards) and (iii) the increase in IT and consulting expenses.

### Amortisation and depreciation for the year

- ▲ Amortisation of intangible assets for the period came to 5,795 thousand euros (2020: 4,700 thousand euros).
- ▲ Depreciation of other tangible assets for the period amounted to 1,896 thousand euros (2020: 1,752 thousand euros).

### **Impairment and Provisions**

#### Impairment and Credit Provisions

- ▲ The net allocation for impairment and credit provisions came to 12,914 thousand euros in 2021 (2020: 10,028 thousand euros).
- ▲ This variation is explained by:
  - Recognition of 5,254 thousand euros of impairment for the new credit card portfolio.
  - In the remaining portfolios, especially in motor vehicle loans, there was a net reduction of 2,512 thousand euros in impairment compared to 2020, the year in which impairment losses resulting from the Covid-19 pandemic situation were recognised.

#### Other Impairments

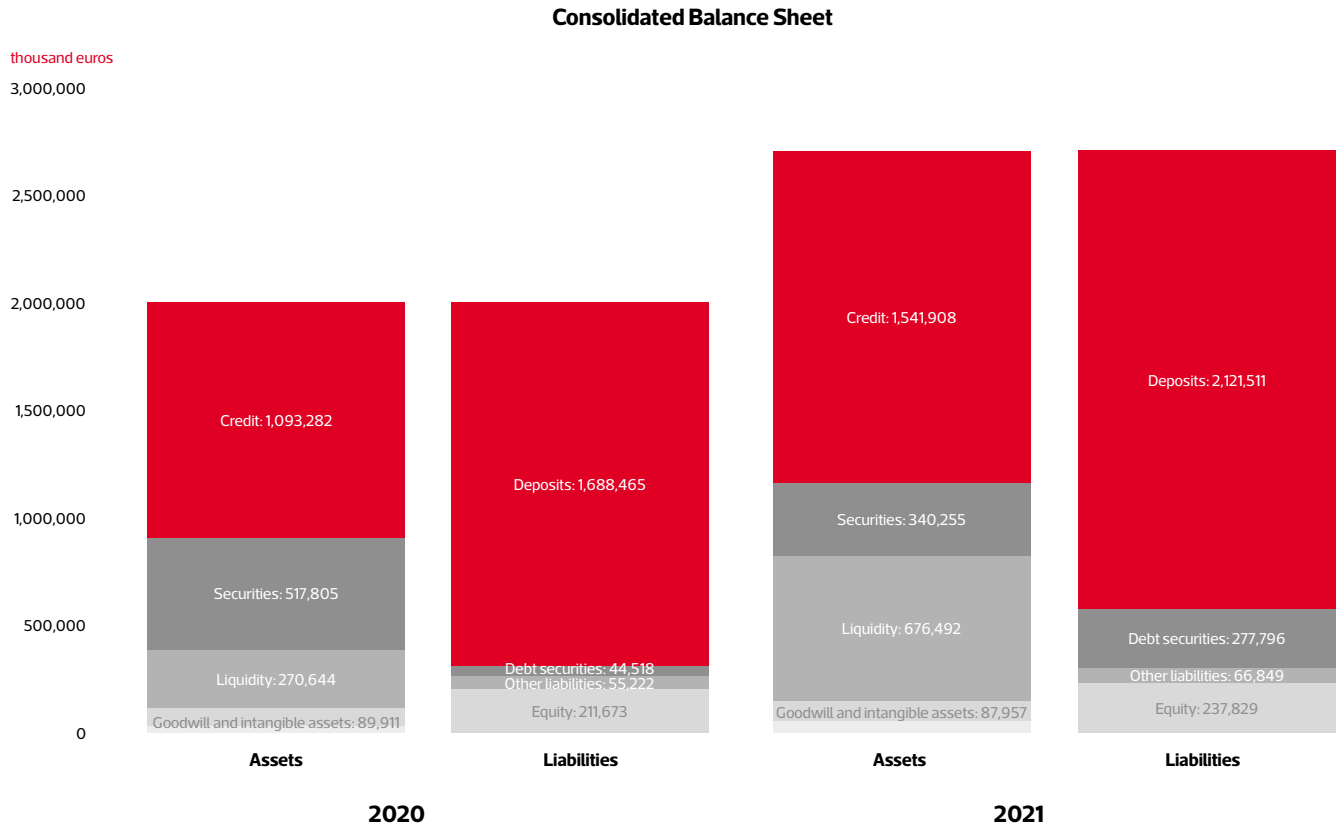
- ▲ In impairments of other financial assets there was a net reversal of 92 thousand euros (2020: net reversal of 171 thousand euros).
- ▲ In impairments to other assets there was a net reversal of 12 thousand euros (2020: net reversal of 833 thousand euros).

### **Specific items**

Due to their materiality and nature, the after-tax effects of significant items considered specific in 2021 are described below in order to facilitate year-on-year comparability of performance:

- 1) Net gains arising from trading activity:
  - a. During 2021, Banco CTT made sales of securities at amortised cost, which resulted in a gross gain of 17,777 thousand euros. These sales of securities resulted from the Group's balance sheet management in the context of the entry into a new business segment (credit cards) resulting from the partnership with Sonae Financial Services.
  - b. Gross gain of 1,083 thousand euros from the valuation of the derivative contracted by the Ulisses Finance No.2 operation.
- 2) Credit impairments: 1,364 thousand euros related to Day 1 impairment, attributable to the initial acquisition of a credit card portfolio of around 104 million euros.
- 3) Operating costs: 1,091 thousand euros referring to costs with specific projects, including the partnership with Sonae Financial Services.

**CONSOLIDATED BALANCE SHEET**



As at 31 December 2021, the Bank’s assets amounted to 2,703,986 thousand euros (2020: 1,999,879 thousand euros), with 237,830 thousand euros funded by equity (2020: 211,673 thousand euros) and 2,466,156 thousand euros by borrowed capital (2020: 1,788,206 thousand euros).

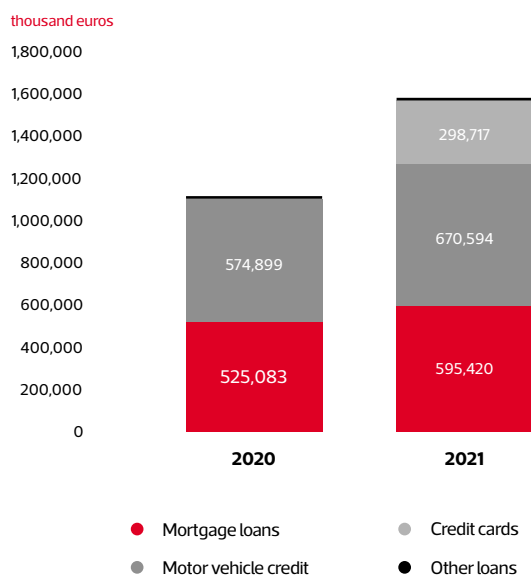
**Loans and advances to customers**

Loans and advances to customers (gross) stood at 1,572,998 thousand euros as at 31 December 2021 (2020: 1,109,947 thousand euros), representing an increase of 463,051 thousand euros (+ 42%), of which 70,337 thousand euros from mortgage loans, 95,697 thousand euros from car loans and 298,717 thousand euros from the new credit card portfolio acquired under the Universo Partnership with Sonae Financial Services.

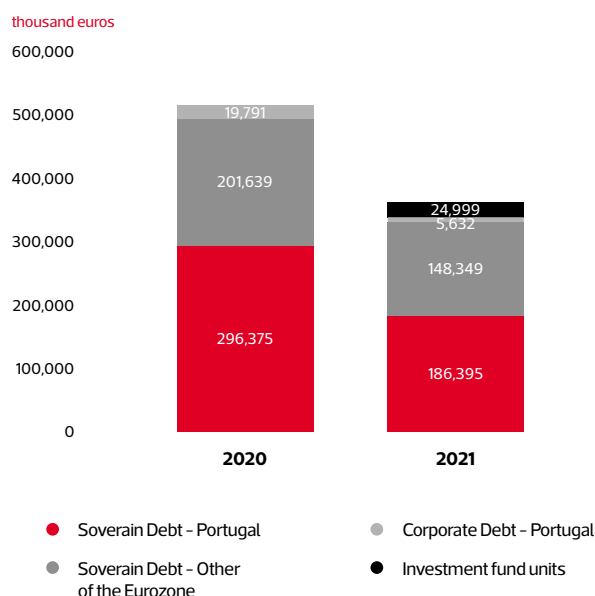
Despite the record volume of deposits taken (+433,046 thousand euros), the loan-to-deposit ratio increased from 65% in 2020 to 73% as at 31 December 2021, an increase that is highly leveraged on the contribution of the volume of credit cards.

The portfolio impairment ratio as at 31 December 2021 was 1.98% (2020: 1.50%; 2019: 0.45%).

### Loans to customers (gross)



### Investment in Securities



Under public moratoria, the Banco CTT Group had, as at 31 December 2020, 724 live moratoria, which corresponded to 40,390 thousand euros and which represented 3.6% of the (gross) loans to customers portfolio, essentially consisting of mortgage loans. There were no living public or private moratoria as at 31 December 2021.

### Investment in securities

The portfolio of investment in securities had a net value of 365,255 thousand euros as at 31 December 2021 (2020: 517,806 thousand euros), of which around 96% are sovereign debt securities of the Eurozone.

Almost all (91%) of the Bank's securities investment portfolio is carried at amortised cost.

As at 31 December 2020, the securities investment portfolio had a fair value of 562,871 thousand euros (a positive difference of 45 million euros compared to its book value).

The securities investment portfolio had, as at 31 December 2021, a fair value of 379,576 thousand euros (a positive difference of 14 million euros compared to its book value).

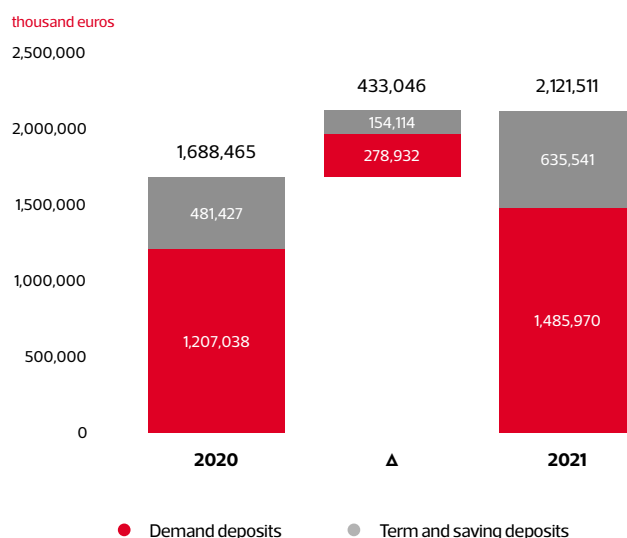
The decrease in the difference between book value and fair value results from sales made in 2021, resulting in a gain of 17,777 thousand euros.

### Deposits from customers

Deposits from customers reached, as at 31 December 2021, 2,121,511 thousand euros (2020: 1,688,465 thousand euros), resulting in an increase of 433,046 thousand euros (+ 26%) compared to the previous year, which reflects the increase in household savings and their trust in Banco CTT, in parallel with the institution's growing notoriety.

It should be noted that 2021 was the year with the highest increase in funds raised (+433,046 thousand euros). The increase is mainly due to demand deposits, which demonstrates the trust placed in the Bank and that it is increasingly the first bank of its customers.

### Deposits from Customers



## CONSOLIDATED INDICATORS

(amounts in thousand euros)

		2021	2020	△	
				Abs.	%
<b>Results</b>	Net Interest Income	55,714	44,572	11,142	25%
	Operating Income	100,666	65,973	34,693	53%
	Operating Costs	(65,839)	(55,409)	(10,430)	19%
	Impairment and Provisions	(13,523)	(9,352)	(4,171)	45%
	Taxes	(5,156)	(979)	(4,177)	427%
	Net Income	16,148	233	15,915	6830%
	Result without specific items	3,186	233	2,953	1267%
<b>Balance Sheet</b>	Total Assets	2,703,986	1,999,879	704,107	35%
	Deposits and Investments at Credit Institutions	55,023	75,279	(20,256)	-27%
	Investment in securities	365,255	517,806	(152,551)	-29%
	Loans and Advances to Customers	1,541,908	1,093,282	448,626	41%
	Total Liabilities	2,466,156	1,788,206	677,950	38%
	Deposits from Customers	2,121,511	1,688,465	433,046	26%
	Total Equity	237,830	211,673	26,157	12%
<b>Payments Retail for Individuals</b>	Number of Branches opened	212	212	-	0%
	Number of Accounts	573,201	517,431	55,770	11%
	Mortgage Loan Production	130,744	189,406	(58,662)	-31%
	Mortgage Loan Stock (gross)	595,419	525,084	70,335	13%
	Stock of savings products (mediation)	708,609	356,557	352,052	99%
	Personal Credit Production (intermediation)	41,695	43,902	(2,207)	-5%
	Deposits from Customers (pro forma)*	2,830,120	2,045,022	785,098	38%
<b>Consumer credit</b>	No. of agents (Motor Vehicle)	1,450	1,365	85	6%
	Motor Vehicle Credit Production	213,785	143,104	70,681	49%
	Motor Vehicle Credit Stock (gross)	670,594	447,708	222,886	50%
	Credit Card Stock (gross)	298,717	-	298,717	...
<b>Payments Business</b>	No. of Payshop agents	5,261	4,821	440	9%
	No. of payments processed - thousand	28,039	28,248	(209)	-1%
<b>Profitability and Efficiency</b>	Loan-to-Deposit Ratio	73%	65%	8%	12%
	Cost-to-Income**	79%	84%	-19%	-22%
	Return on Assets (ROA)	1%	0%	1%	5026%
	Return on Equity (ROE)	7%	0%	7%	6068%
<b>Funding and Liquidity</b>	Own Funds***	167,112	130,900	36,212	28%
	Risk-Weighted Assets (RWA)	1,043,231	780,104	263,127	34%
	Common Equity Tier 1 Ratio (transitional)***	16.0%	16.8%	-0.8%	-5%
	Leverage ratio (transitional)	6.3%	6.7%	-0.4%	-6%
	Liquidity Coverage Ratio (LCR)	881%	1066%	-185%	-17%

\* Includes deposits from customers and deposits from customers captured via mediation of savings products.

\*\* Excluding specific items.

\*\*\* Includes the net result for 2021.

## MACROECONOMIC ENVIRONMENT

### International Economy

After the historic contraction in 2020 due to the Covid-19 pandemic, with the output of the world economy shrinking by 3.1%, the recovery in 2021 was significant, with<sup>1</sup> the IMF estimating world growth of 5.9%. The world economy will have recovered in 2021 the levels of economic activity of 2019. The development of vaccines and the implementation of vaccination programmes contributed to restore economic confidence, with 58% of the world's population<sup>2</sup> vaccinated with at least one dose by the end of the year. Even so, the emergence of new variants like Delta and Omicron throughout 2021, brought in enforced periods of activity containment measures, albeit more directed than those experienced in 2020, with their impact on economic activity having been lower and with economic agents showing greater capacity to adapt. The year of 2021 was also marked by disruptions in supply chains and increased commodity prices, greatly influenced by the strong recovery of demand.

In the eurozone, the economic recovery of 2021 is estimated to have reached 5.1%<sup>3</sup>, largely underpinned by strong domestic demand. The consumer price index of the eurozone grew by 2.6% in 2021, reflecting the significant impact of commodity prices. The evolution of the consumer price index followed an upward trend over the year: standing at merely 1% in the first quarter, but having evolved to 4.7% in the last quarter of 2021, corresponding to a quarterly peak since the beginning of the single currency. The labour market in the eurozone was enormously dynamic, with an unemployment rate of 7.7% in 2021. Reference is made to its very positive evolution, with the rate falling from 8.2% in December 2020 to a historic minimum figure of 7.0% in December 2021. Meanwhile, pandemic crisis support measures still continue to weigh on public finances, with the eurozone's aggregate budget deficit estimated at 5.9% of GDP, down from 7.2% in 2020.

The European Central Bank ("ECB") upheld an expansionary monetary policy throughout the year, keeping reference interest rate levels at historically low figures. However, because of the economic upswing throughout the year, the ECB reduced the asset purchase rate of the Pandemic Emergency in the last quarter and announced that it should be discontinued in March 2022. The ECB recently announced a decrease in the pace of purchases of the Asset Purchase Programme until the second quarter of 2022, with its continuation in the third quarter depending on the evolution of the economic environment.

Expectations of global economic recovery for 2022 may be conditioned by the latest international developments in Ukraine, undermining economic confidence and in particular the inflation outlook for the near future, impacted by the appreciation of energy goods. The inflation rate is expected to remain high, and the reaction of Central Banks to the possibility of a stagflation scenario is particularly uncertain.

<sup>1</sup> World Economic Outlook – Update, International Monetary Fund | January 2022

<sup>2</sup> Our World in Data

<sup>3</sup> ECB Economic Bulletin, Issue 8 / 2021

## National Economy

Portuguese Gross Domestic Product (GDP) grew by 4.9% in 2021, the highest annual growth since 1990, in the wake of the historic contraction of 8.4% in 2020, following the pandemic's negative effects on the economy. The growth of 2021 was greatly marked by the contribution of domestic demand, with private consumption and investment showing strong recovery. The contribution of external demand was far less penalising than in 2020, with significant growth of exports of products and services.

The recovery of the economy boosted job creation and a reduction in the unemployment rate. Employment is estimated to have risen by 2.5% in 2021, after the 1.9% contraction experienced in 2020. The hours worked are estimated to have increased by 8.3%, after the 9.3% reduction in 2020. The difference between the net change of employment and hours worked over the last two years reflects the support measures implemented during the pandemic crisis. The evolution of the unemployment rate was very favourable, ending the year at 5.8%, a record low since 2002, which compares with 6.9% in December 2020 and 8.2% at the peak of the pandemic crisis in August 2020. Real disposable income is estimated to have increased by 1.2% in 2021, reflecting the increased employment and some buoyancy in wages.

The Consumer Price Index recorded an annual average variation of 1.3% for 2021, following the price stability registered in 2020. Excluding energy and food products, the variation rate was 0.8% in 2021. The inflation rate showed a strong upward movement throughout the year, in particular in the second half. The year-on-year variation rate reached 2.7% in December 2021.

The economic recovery and increased employment improved the national public deficit in 2021 at 4.3% of the GDP. The government debt ratio decreased by 7.7 percentage points of GDP to 127.5% of GDP at the end of 2021, mainly driven by the increase in output and a slight reduction in the nominal value of debt<sup>3</sup>.

The first half of 2022 should mark the resumption of economic activity to pre-pandemic levels, although conditioned by the impacts that may arise from the situation in Eastern Europe. Banco de Portugal's projections point to economic growth of 5.8% in 2022, 3.1% in 2023 and 2% in 2024<sup>4</sup>, made before the most recent developments arising from the situation in Eastern Europe.

## Financial Markets<sup>5</sup>

In 2021, the trend of the previous year continued, with increases recorded in the main risky assets. Developed stock markets and commodities recorded gains, in contrast to the bond market that recorded devaluations.

The stock market, when evaluated by the FTSE Global All Cap Total Return Index, which encompasses developed and emerging markets, appreciated by 18.5% in 2021. The stock market was bullish practically throughout the entire year. Within the stock market, the main emphasis is on the European banking sector, which appreciated by 42%, largely supported by the prospects for the resumption of dividend distribution and an increase in interest rates.

The evolution of the German 10-year interest rate was characterised by distinct moments. In the first half of 2020, the expectations of economic recovery, supported by the progress in vaccination, raised interest rates from -0.57% at the end of 2020 to -0.20% at the end of June. In the summer period, with the appearance of the Delta variant, interest rates were once again pushed back down to -0.50%. In the months of September and October 2021, fears that inflation levels could be longer-lasting than had previously been expected, further raised the interest rate to -0.10%. The last month of the year saw abrupt movements, such that at first initial fears of the new Omicron variant lowered interest rates, but as a less nefarious variant was contemplated, they quickly recovered to -0.18% by the end of the year.

The credit spread of Portuguese sovereign debt against German sovereign debt registered a relatively stable performance, with an average value of 60 basis points throughout the year, varying approximately between 50 and 70 basis points. The Spanish spread also showed a stable performance, with an average value of 67 basis points. Italy recorded an average spread of 109 basis points, with an evident increase in the last months of the year.

Corporate credit spreads also recorded somewhat stable performance, with the 5-year Markit iTraxx Europe Senior CDS index averaging 49 basis points, having ended the year at exactly the same value as at the end of 2020.

<sup>1</sup> Statistics Portugal (INE) – Quarterly National Accounts (Base 2016) – 30 days Flash Estimate (31 January 2022)

<sup>2</sup> Statistics Portugal (INE), Consumer Price Index (12 January 2022)

<sup>3</sup> Statement from the Ministry of Finance

<sup>4</sup> Economic Bulletin | December 2021 – Banco de Portugal

<sup>5</sup> Source: Bloomberg



The price of raw materials rose very significantly, particularly energy. The price of Brent appreciated by 50%, having closed the year at \$77.8 per barrel. In the European market, the spotlight was on the price of natural gas, with futures contracts for the next month in the market of the Netherlands having appreciated by 243%. In Portugal and Spain, the price of electricity for the next month in the OMIP wholesale market appreciated by 274% in 2021, to €210/MWh (having reached a peak of €408/MWh in December).

Stock market volatility was relatively contained in 2021, albeit at higher values than in pre-pandemic 2019, with an average value of 20 points observed in the EuroStoxx 50 volatility index. On the other hand, it is important to highlight the significant rise in volatility implicit in the interest rate market in the last quarter of the year. Observing the Merrill Lynch Swaption Option Volatility Estimate Euro 6 Month, there was an appreciation from the 31 basis points at the end of 2020 to 61 basis points at the end of 2021.

In the foreign exchange market, the Euro depreciated nominally by 5.2% when compared to the 19 currencies of the main trading partners in the Euro area, depreciated 7% against the US dollar and depreciated 6% against the British Pound.

### **Portuguese Banking System<sup>1</sup>**

Analysis of the data for the first 9 months of 2021 of the Portuguese banking system shows an aggregated balance sheet structure with an increase in total assets of 7% (compared to 2020) to 440.7 billion euros. This variation was primarily driven by the increased deposits at central banks repayable on demand, with a negative contribution of the portfolio of public debt securities. Customer deposits continue to be at very high values, accounting for 67.7% of the assets, and funding from central banks reached 9.2% of the assets in September, a trend shared with other banks of the eurozone in the context of the monetary policy of supporting the banking system's liquidity. The loan-to-deposit ratio fell from 84.7% at the end of 2020 to 82.5% in September 2021.

Asset quality maintained its improvement trend that started in 2016, with the gross non-performing loans (NPL) ratio reaching 4% (1.8% when considered net of impairments). Referring to the latest information available up to November 2021, we highlight the amount of only 0.1% of the portfolio of loans to individuals still in moratorium, under the terms in which they were introduced in the context of the pandemic. Non-financial companies accounted for 1.4% of the total loans under moratorium, representing a significant reduction in relation to the 33.3% recorded at the end of 2020.

The profitability of the system in the first 9 months of 2021 showed improvement, with return on assets reaching 0.46% and return on equity standing at 5.4%. The increased profitability was primarily the result of the reduction of credit impairment, with the cost of risk amounting to 0.37%. The cost-to-income ratio also maintained its downward trend, reaching 53.3% at the end of the period.

With regard to solvency, the system's total own funds ratio reached 17.8% and the common equity tier 1 ratio was 15.2%, compared with 18.0% and 15.3% respectively at the end of 2020.

<sup>1</sup> Portuguese Banking System: recent developments 3rd Quarter 2021- Banco de Portugal

## Regulatory Framework

In 2021, the European and national regulatory agenda was once again dominated by the Covid-19 pandemic crisis. The concern to ensure the funding of companies and households was extended during 2021, not only through the moratorium measures but also through additional protection offered under the Action Plan for Default Risk (PARI) and the Extrajudicial Procedure to Settle Situations of Default (PERSI).

Due to the pandemic crisis, in the national and European sphere, the beginning of 2021 was marked by the updating of the deadline for subscription and application for the General Moratoriums of payment, in order to ensure the continuous funding of companies and households. In December 2020, in order to monitor the reactivation of the European Banking Authority (EBA) Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the Covid-19 crisis, Banco de Portugal published Circular Letter No. CC/2021/00000001 in January. This Circular Letter, as well as the EBA Guidelines, stipulated a deadline of 31 March 2021 as the deadline for joining and applying the Moratoria, but applied two restrictions, namely a maximum time limit and the introduction of reporting requirements. The time limit determined that moratoria granted after 30 September 2020 could only benefit from the extraordinary measures for a maximum period of 9 months. The second restriction imposed mandatory reporting requirements of documentation on the assessment of the likelihood of payment, requiring the institutions to submit, to the competent authorities, a plan describing the process, information sources and responsibilities inherent to the assessment of potential situations of “unlikeliness to pay” due to exposures/borrowers subject to general moratoriums of payment.

The end of the support measures regarding public banking moratorium was followed by the publication of Decree-Law No. 70-B/2021 of 6 August, which established protection measures for bank customers covered by the exceptional and temporary loan protection measures, and also changed the arrangement for prevention and settlement of situations of default on loan contracts. This decree-law defined that, under PARI, an assessment should be made of any signs of deterioration of the bank customer’s financial situation within 30 days prior to the end date of the moratorium, and proposals should be submitted taking into account the financial situation, objectives and needs of the customers with a view to preventing default, within 15 days prior to the end date of that moratorium. Concerning PERSI, the decree-law also defined that any customers included in this procedure during the 90 days following the termination of the moratorium,

maintain the guarantees established in Decree-Law No. 227/2012 of 25 October, for the period of 90 days counted from the date of inclusion in PERSI (if the payment or an agreement between the parties does not take place in the meantime), namely the guarantee against the cancellation of the contract or against the lending institution filing judicial proceedings.

The year of 2021 was also marked by the regulation of matters related to the organisation of institutions subject to the supervision of Banco de Portugal, particularly on matters of internal governance, and organisational, technical, material and advertising resources.

In order to clarify the arrangement applicable to payment and electronic money institutions, Banco de Portugal published Notice 2/2021 concerning the definition of the regulatory framework applicable to these entities, which include Payshop. This notice updated the regulatory framework on the matters that payment institutions and electronic money institutions are subject to under the supervision of Banco de Portugal. As a result, this notice makes a selective reference to certain provisions of Banco de Portugal Notice 3/2020, where its rules on internal governance become applicable to those institutions.

Also in the national sphere, Banco de Portugal published Notice 4/2021 that regulates the type and registration of branches and the framework applicable to branch extensions. This notice defines the separation of spaces of the branches when shared with other institutions, whether financial or not, and determined that their branches should be endowed with technical, material and advertising means that ensure their exclusive use by the actual institution as well as the clear identification of the acting institution.

Furthermore, due to the need for entities to ensure a high degree of resilience, the National Council of Financial Supervisors (CNSF) approved new recommendations on business continuity management in 2021, aimed at reflecting the Portuguese legal system, the harmonised legislative and regulatory framework at a European level, and the principles of the Basel Committee on Banking Supervision on the management of operational risk and operational resilience.

In the European sphere, the EBA revised the Guidelines on sound remuneration policies, on internal governance, and on the assessment of the suitability of members of the management body and key function holders. The Guidelines on sound remuneration policies (EBA/GL/2021/04) were updated so as to clarify various provisions contained in the previous Guidelines on

severance pay and retention bonuses with a view to reinforcing the specific framework applicable to these types of remuneration. The Guidelines on internal governance (EBA/GL/2021/05) updated the previous guidelines in accordance with the relevant legislation in the European Union, with Banco de Portugal having disclosed that most of the amendments were made early, in advance of their mandatory requirement, being established in Banco de Portugal Notice 3/2020. Finally, the Joint ESMA and EBA Guidelines on the assessment of the suitability of members of the management body and key function holders (EBA/GL/2021/06) also aimed to enshrine the European legislative amendments, primarily concerning the combat of money laundering and terrorist financing.

Regarding insurance activity, it is important highlight the publication by the Insurance and Pension Funds Supervisory Authority (ASF) of Circular Letter No. 1/2021 of 6 April on market information related to reporting duties concerning insurance and reinsurance distribution. The aim of this Circular Letter was to facilitate the preparation of the different reports established in ASF Regulatory Standard No. 13/2020-R of 30 December, that the entities bound to such must carry out during 2021, in particular (i) Information about insurance brokers and insurance brokers acting on an ancillary basis used for distribution of insurance products, and excluded entities; (ii) publication of the annual financial statements; (iii) list of persons directly involved in the insurance distribution activity (PDEDS); and (iv) report on the management of complaints.

The growing concern with the combat to corruption led to the publication of Decree-Law No. 109-E/2021, creating the National Anti-Corruption Mechanism and establishing the general arrangement for prevention of corruption. Pursuant to this decree-law, it should be noted that legal persons in Portugal (or branches on national territory) that employ 50 or more workers should implement a programme of regulatory compliance that includes at least a plan for prevention of risks of corruption and related offences, a code of conduct, a training programme and a whistleblowing channel.

Finally, the year of 2021 closed with the publication of Law No. 93/2021 of 20 December, that establishes the general arrangement for protection of whistleblowers, transposing Directive (EU) 2019/1937 of the European Parliament and Council of 23 October 2019, on the protection of persons who report breaches of Union law. This law foresees the creation of a general arrangement for protection of those that, in good faith and based on information obtained in a professional context that they reasonably consider to be true, report on breaches or disclose offences to European Union law, or acts of crime, especially when violent or highly organised. To this end, and apart from the necessary measures of protection against acts of retaliation, it is stipulated that legal persons of a certain size or engaged in certain activities should create channels for reporting breaches and establish procedures for analysis of breaches that assure the confidentiality and security of the information received.

## BUSINESS MODEL

### RETAIL BANKING FOR INDIVIDUALS

bancoctt

payshop

321 crédito

#### 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.

## PEOPLE

Despite the challenges caused by the pandemic situation that is still being experienced, 2021 was also a year in which the Banco CTT Group sought to convey a certain stability to its Employees, maintaining and reinforcing moments of sharing, whether in person or remotely, distance training, events and volunteering, initiatives that are already recognised as an integral part of the Group Culture.

The required teleworking regime, alternating with the hybrid regime implemented whenever possible, was also part of the Banco CTT Group's reality, as in 2020, but assumed with greater naturalness and with responses that were more agile and adjusted to the reality of each Group company.

However, in 2021, the Banco CTT Group faced new challenges, namely with regard to the more active and competitive labour market, with an impact on the Recruitment and Retention areas.

The year ends with the certainty that the Group will have to develop the necessary skills to succeed in this new reality, as well as define the future work regime that will certainly be different from that which existed until 2020.

### Assess and Recognise

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

Banco CTT Group's performance evaluation models value and foment a culture of performance and meritocracy through a consistent and transparent form of performance evaluation and differentiation, translated into ambitious, realistic, measurable and specific individual goals, which represent the objectives of the Group and of each company. Additionally, the models include the evaluation of behaviours and competencies in line with the Group's culture and values. On the other hand, they are also based on a process of building an individual development plan, providing opportunities for feedback between hierarchies and their employees throughout the year, stimulating a culture of personal accountability for the development of their respective careers.

In 2021, the following initiatives stand out:

- ▲ Launch and start of a project to computerise the performance assessment process at Banco CTT, which will become operational in 2022;
- ▲ Definition and implementation of a new methodology that

ensures the approval and disclosure to employees of the Banco CTT Group's Remuneration Policy and respective Performance Evaluation Models at the beginning of the year in which they take effect.

### Benefits

Banco CTT and Payshop provide all Employees with free Health Insurance, which can be extended to their families. In the case of 321 Crédito, Employees have a complementary medical assistance system - SAMS (Medical-Social Assistance Services), which can be extended to their families, as provided for in the Company Agreement.

With regards to benefits, the Banco CTT Group remains concerned with providing employees with a range of advantages that represent added value in day-to-day life, namely access to special conditions in partner establishments and services, as well as CTT Group products and services. These benefits are constantly updated with new partners and are subdivided into two programmes:

- ▲ CTT Group discount programme - this programme grants discounts to all CTT Group employees, on CTT and Banco CTT products and services, including special conditions on mortgage loans or insurance;
- ▲ Sou CTT - a group of CTT partner companies allows employees to access discounts on products and services in stores, gyms, hotels, banks, telecommunications companies, and health services, among many others.

Also in the health area, in view of the pandemic context and in order to safeguard everyone's safety, the Banco CTT Group provided employees who so wished with free self-tests on a fortnightly basis.

### Training

Training is one of the Banco CTT Group's priorities, and special attention is given to transversal training and to training that is mandatory for all Employees, namely training on the "General Data Protection Regulation", "Code of Conduct", "Code of Good Conduct and Combating Harassment", "Prevention of Money Laundering and Financing of Terrorism", "Ethics and Fraud Awareness", "Information Security Awareness", "Mortgage Credit or Consumer Credit Marketing or Credit Intermediation", "Health and Safety at Work", as well as training regarding "People Directly Involved in the Activity of Insurance Agents", among others.



For the Governing Bodies and holders of Essential Functions, due to the relevance of the functions they perform in the organisation, a dedicated training plan adapted to their needs was developed, and training was provided such as “The role of the supervisory body in the internal control of a Financial Group”, “International Advanced Certificate in Regulatory Compliance”, “The future of Banking and the transformation of the financial sector”, and “Corporate Governance: acting on boards”.

With regard to technical/functional and behavioural training, the format was almost 100% online, with remote sessions being predominant. In the behavioural area, training courses such as “Time Management”, “Leadership” or “Negotiation” stand out, whose aim is to contribute to the development and growth of professionals. In technical terms, 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. In the case of Payshop, a project was also launched that cuts across all the areas involved in product development and which involves training on topics related to “Design Thinking” and other Agile methodologies, which will continue in 2022.

In 2021, there was an increase in investment in highly differentiated training such as postgraduate courses and advanced certifications, which shows a growing concern for the development of employees and investment in their growth.

Also at 321 Crédito, the commitment to constant training, valuing and motivating the institution’s human resources was maintained in 2021 through various training courses of a specific nature, such as “Effective Communication with Customers in a situation of default”, “Bank Accounting”, “Duties of Credit Intermediaries”, “PARI and PERSI”, as well as in matters of Internal Control. The training process on Accipiens (core system adopted in 2020) and on the new Nubitalk platform adopted in 2021 was also continued.

Regarding training for CTT Retail Network Employees, the Banco CTT team maintained intense collaboration, designing and delivering the various initial training actions to Employees who are part of the Network and its banking activity, and which focus on Banco CTT products and systems, as well as General Banking concepts.

A total of 13,739 training hours were provided to Banco CTT Group Employees, 58% more than in 2020.

### **Internal Recruitment and Mobility**

In recent years, the labour market has undergone major changes. Candidates are increasingly receptive to learning about new projects and assessing their market value, which is facilitated by the fact that they are telecommuting and therefore are more available to participate in selection processes. However, this higher volume of applicants does not always translate into faster or more efficient processes.

This change in the labour market also had the impact of increasing the turnover risk of the Banco CTT Group. This challenge proved to be an opportunity for the Banco CTT Group, reinforcing its strategy initiated in the previous year of giving priority to internal mobility as a source of resources for filling open positions. This practice has received good feedback from the organisation due to its relevance in motivating its employees and creating development opportunities for them.

Accounting for internal mobility figures, in 2021, 8 Employees accepted new challenges in another company within the CTT universe and, in the Banco CTT Group, there were 21 employees who changed their role within their company.

The strengthening of the Banco CTT Group team continued to be a focus of special attention, mainly due to the partnership established between Banco CTT and Sonae FS within the scope of the Universo card, which required the creation of new functions and the reinforcement of existing teams dedicated to the management of this product.

As at 31 December 2021 there were 444 employees, 5% more than in the previous year. The hiring of 59 new Employees was conducted for the different areas, maintaining high qualification standards, different levels of seniority and expertise, and always observing diversity criteria, namely gender criteria. Currently, taking into account the context of telework, technological skills, particularly in terms of the use of online collaboration tools, have assumed special relevance, along with the soft skills needed to perform remote functions.

### **Community Support**

The Banco CTT Group maintained its support to the community in 2021, in various locations and in various ways.

Within the scope of the Corporate Volunteering project, Banco CTT maintained the protocol with Crevide - Creche Popular de Moscavide, a non-profit association. Despite the challenges and

limitations arising from the pandemic situation that continued into 2021, the following initiatives were carried out with Crevide involving Banco CTT and Payshop employees:

- ▲ The making of a book - the children of Crevide together with volunteer employees created, developed and wrote the story "A Windy Day". The children of employees and the children from Crevide were also invited to illustrate it;
- ▲ For a week Crevide was in the lobby of the CTT head office building in Lisbon with a stall selling Christmas items. In this case, Crevide was also able to enjoy a place of passage of CTT Employees who also contributed to the success of this initiative;
- ▲ Finally, the well-known initiative, the offer of food baskets during the Christmas season to families supported by Crevide, stands out. The Bank maintained its contribution, also offering a basket for each basket offered by Banco CTT and Payshop Employees. This year it was possible to support around 60 families, 10 more families than in 2020.

It is also worth highlighting a solidarity initiative that took place in November, promoted by the Commercial Department of Banco CTT, which consisted of a team building dynamic, in which the 25 employees of this Board, organised into 4 teams, built a chicken coop, cleared the land and recovered 2 porches of a solidarity residence in Sintra.

This solidarity residence aims to provide accommodation with decent living conditions, proximity psychosocial monitoring and permanent technical supervision to around 25 users. The project is part of the Associação Vida Autónoma (AVA), which is based on the fight against social exclusion of homeless and socially vulnerable people.

321 Crédito also held a Christmas campaign, to collect food and non-food items for distribution to institutions in Lisbon, Porto and Leiria.

Also in this context, Banco CTT joined VilacomVida, an association whose mission is to reveal talents of people with intellectual disabilities through an innovative and inclusive training model, enhancing employability, and was challenged to participate in a project promoting autonomous generations. A decision was thus made to move forward with social inclusion and recruit a young woman accompanied by the association, who, in early October 2021, started working at Banco CTT through a practical training agreement in a work context.

## Culture / Internal Communication

With regard to culture and considering that 2021 was a year in which the employees of the central services were alternately in a rotating office/teleworking model or in a teleworking model, the Banco CTT Group was concerned with maintaining proximity to its Employees, and of the Employees among themselves, seeking to preserve stability and motivation, maintaining familiar dynamics that are part of the Culture of the Banco CTT Group.

Beat News, an internal newsletter sharing testimonies, projects, reading suggestions, recipes, etc., maintained the weekly cadence started in 2020, and since July it also included the contribution of 321 Crédito employees.

The Banco CTT Group General Meeting, an annual meeting, was held on 18 March, the day on which the Bank celebrated its 5th Anniversary, and for the first time was held in a digital format. In this live streaming event, the Board of Directors shared the Group's main indicators, achievements and projects. In the post-summer holiday *rentrée*, Banco CTT brought employees together for the first time during the pandemic period in a face-to-face outdoor event, providing the opportunity for Employees to meet up again and for many who had joined in the last few months, the chance to get to know their colleagues personally.

During this year, new initiatives were also introduced, such as the Cross Conversation Snacks, which bring together, in a digital format, the CEO and a group of Employees from different areas of the 3 Group companies. This initiative is an alternative to the previous face-to-face lunches, in which Employees informally share professional experiences and ask the CEO questions. In the last few months of the year, 3 lunches were organised between the second-line managers and the members of the Executive Committee. These lunches aimed to bring these Employees closer to Directors with whom contact was less direct and daily. This sharing of ideas, in an informal context, facilitates communication and gives visibility to everyone within the organisation.

In April, and because the family has played a fundamental and challenging role throughout the pandemic, the Bank and Payshop surprised the children of their employees. They were sent a thank you letter for making a positive contribution to everything running smoothly while their parents were at home, along with a box of pencils to draw a picture of what that period represented. The drawings were later revealed in an internal video.

Several team building activities were also carried out, some at a distance and others in person, which reinforced the team spirit and provided interaction between colleagues in an informal environment and without the daily pressure of work.

321 Crédito celebrated its 6th Anniversary on 25 September with a team building event, which brought together in person a large part of the team, on a day of celebration and reunion of some colleagues from different geographical locations.

The company also brought together employees at the General Commercial Meeting and the 321 Crédito Christmas Dinner, which had a very significant participation. Also throughout the year, there were several moments of celebration of results and of thematic dates, such as Halloween. Small gestures that made for great moments with the Employees.

Payshop celebrated its 20th anniversary on 25 November, in a face-to-face event that brought together around 50 employees and in which the main results were shared, the achievements of the year were celebrated, and projects currently underway were presented.

A face-to-face Christmas event was scheduled for Banco CTT, which was cancelled due to the increasing number of Covid-19 cases. To mark the festive season, a pastime was launched for Employees, the Banco CTT Advent Calendar, with 4 challenges around the Banco CTT brand and image. A large number of Employees participated in the initiative, and the 5 participants who answered correctly and in the least amount of time received a Tablet as a prize.

It is believed that through the various initiatives all employees were able to become involved in the reality of the Banco CTT Group, reinforcing their spirit of belonging.

**Staff <sup>1</sup>**

In 2021, the Banco CTT Group’s structure continues to present a marked gender equality, with a distribution close to 50% for each gender. With regard to Banco CTT, this distribution remains fairly balanced for most of the different hierarchical levels.

Number of employees	2021	2020
Employees*	444	425

\*not considering employees with a multiple employer arrangement.

Gender	2021	2020
Female	52%	50%
Male	48%	50%

In terms of age, 63% of employees in the Banco CTT Group are under 45 years of age.

Age group	2021	2020
< 30 years	10%	9%
30 – 34 years	11%	16%
35 – 44 years	42%	45%
≥ 45 years	37%	30%

More than 50% of Employees have an academic degree or higher.

Level of Qualification	2021	2020
Elementary Education	2%	3%
Secondary Education	30%	31%
Bachelors	3%	3%
Licentiate Degree	48%	43%
Postgraduation/Masters	18%	19%

<sup>1</sup> Not considering employees with a multiple-employer arrangement

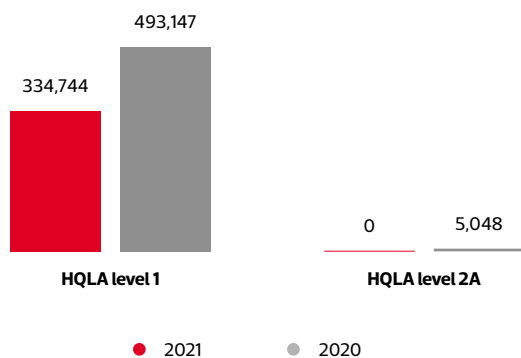
# LIQUIDITY AND CAPITAL MANAGEMENT

## 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 2021, the Group held a portfolio of assets eligible for the Eurosystem which amounted to approximately 334,744 thousand euros (2020: 493,147 thousand euros).

**Eurosystem eligible securities (by HQLA level)**

thousand euros



In addition, the Group had deposited 593 million euros (168 million euros in 2020) with Banco de Portugal, well above the required minimum reserves, reflecting high liquidity and the ability to raise financing.

Thus, the consolidated liquidity indicator, Liquidity Coverage Ratio (LCR), registered a very comfortable value of 881% at the end of 2021 (1066% at the end of 2020), significantly above the minimum regulatory requirements.

In the financing of its Assets, the Group gives preference to deposits from Customers. These amounted to around 2,122 million euros as at 31 December 2021 (2020: 1,688 million euros), which represented approximately 78% 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 timeframes 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.

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.

As a liquidity contingency plan, the Group has defined a series of measures that, when activated, will enable addressing and/or mitigating the effects of a liquidity crisis. 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 and Risk Committee, which held 14 meetings in 2021, 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.

## 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 resulting from re-securitisation operations originated by third parties, nor is it part of its current investment policy to do so in the short term. 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 originator

As at 31 December 2021, the Group had 4 asset securitisation operations originated by 321 Crédito in progress:

#### 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.

The assets underlying the Ulisses Finance No.1 operation were not derecognised from the balance sheet as the Group substantially kept the risks and benefits associated to holding them.

#### 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 assets underlying the Chaves Funding No.8 operation were not derecognised from the balance sheet as the Group substantially kept the risks and benefits associated to 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.

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

321Crédito 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 (Ulysses) 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 321Crédito,

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 2021.

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

The Ulisses 2 operation is STS (simple, transparent and standardised) and SRT (significant risk transfer).

For accounting purposes, securitised claims and bonds issued (not retained) remain recorded in the company's balance sheet, as the company substantially retains the risks and benefits associated with the claims.

For the purpose of calculating the capital ratio, due to the fact that the Ulysses 2 operation complies with Article 244.1 (b) of European Regulation 575/2013 (full capital deduct approached), the company decreased its 'Risk Weight Assets' in respect of the contracts securitised under this operation.

The assets underlying the Ulisses Finance No.2 operation were not derecognised from the balance sheet as the Group substantially kept the risks and benefits associated to holding them.

As at 31 December 2021, 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 2021 and 2020, 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)

	2021			
	Chaves Funding No.8	Ulisses Finance No.1	Ulisses Finance No.2	Fenix
<b>Securitisation operation</b>	<b>Chaves Funding No. 8</b>	<b>Ulisses Finance No.1</b>	<b>Ulisses Finance No.2</b>	<b>Fenix</b>
<b>Objective of the Securitisation Operation</b>	Obtain Funding	Obtain Funding	Obtain Funding and reduce risk weighted assets	Obtain Funding
<b>Type of Securitisation Operation</b>	Traditional securitisation	Traditional securitisation	Traditional securitisation	Traditional securitisation
<b>Sponsors</b>	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), Law Debenture (Common Representative), Servdebt (Backup Servicer)	Gamma (Issuer) Banco Efisa (Arranger, Transaction Manager and Paying Agent) Santander (Transaction Accounts Bank)
<b>Information on the Securitisation:</b>				
<b>Start Date</b>	28/11/2019	10/07/2017	28/09/2021	12/12/2014
<b>Legal Maturity</b>	01/11/2034	20/03/2033	28/09/2038	30/06/2037
<b>Step-up Date</b>				
<b>Revolving Period (years)</b>	2	1	1	-
<b>Securitized Assets (initial)</b>	310,500	141,300	250,000	75,052
<b>Value in Debt (closing of 2021)</b>	297,462	33,081	244,698	37,567
<b>Value in Debt of the Securities</b>				
<b>Class A / Single Class</b>	270,526	10,421	203,700	37,567
<b>Class B</b>	27,096	7,000	10,000	n.a.
<b>Class C</b>	n.a.	7,100	20,000	n.a.
<b>Class D</b>	n.a.	7,100	11,300	n.a.
<b>Class E</b>	n.a.	3,500	3,700	n.a.
<b>Class F</b>	n.a.	n.a.	1,300	n.a.
<b>Class G</b>	n.a.	n.a.	1,275	n.a.
<b>Class Z</b>	n.a.	n.a.	1	n.a.
<b>Existence of situations of "implicit support" pursuant to Art. 449 (r) of the CRR</b>	No	No	No	No
<b>Percentage of assets assigned</b>	0.0000%	69.8186%	99.9996%	100.0000%
<b>Initial capital gain / Value of reacquired first-loss positions</b>	16,025	3,500	1	0



(amounts in thousand euros)

	2020		
	Chaves Funding No.8	Ulisses Finance No.1	Fenix
<b>Securitisation operation</b>	<b>Chaves Funding No. 8</b>	<b>Ulisses Finance No.1</b>	<b>Fenix</b>
<b>Objective of the Securitisation Operation</b>	Obtain Funding	Obtain Funding	Obtain Funding
<b>Type of Securitisation Operation</b>	Traditional securitisation	Traditional securitisation	Traditional securitisation
<b>Sponsors</b>	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)	Gamma (Issuer) Banco Efisa (Arranger, Transaction Manager and Paying Agent) Santander (Transaction Accounts Bank)
<b>Information on the Securitisation:</b>			
<b>Start Date</b>	28/11/2019	10/07/2017	12/12/2014
<b>Legal Maturity</b>	01/11/2034	20/03/2033	30/06/2037
<b>Step-up Date</b>			
<b>Revolving Period (years)</b>	2	1	-
<b>Securitized Assets (initial)</b>	310,500	141,300	75,052
<b>Value in Debt (closing of 2020)</b>	454,955	52,172	38,823
<b>Value in Debt of the Securities</b>			
<b>Class A / Single Class</b>	437,904	30,402	38,823
<b>Class B</b>	24,451	7,000	n.a.
<b>Class C</b>	n.a.	7,100	n.a.
<b>Class D</b>	n.a.	7,100	n.a.
<b>Class E</b>	n.a.	3,500	n.a.
<b>Existence of situations of "implicit support" pursuant to Art. 449 (r) of the CRR</b>	No	No	No
<b>Percentage of assets assigned</b>	0%	81%	100%
<b>Value of first loss positions reacquired</b>	16,025	3,500	-

During 2021, the main events related to securitisation operations were as follows:

Ulisses Finance No.2:

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

The Operation structure 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 2021.

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

The Ulisses 2 operation is STS (simple, transparent and standardised) and SRT (significant risk transfer).

For accounting purposes, securitised claims and bonds issued (not retained) remain recorded in the company's balance sheet, as the company substantially retains the risks and benefits associated with the operation.

For capital ratio purposes, due to the fact that the operation Ulisses 2 complies with Article 244.1(b) of European Regulation 575/2013 (full capital deduct approached), the company decreased its 'Risk Weight Assets' in respect of the contracts securitised under this operation.

The assets underlying the Ulisses Finance No.2 operation were not derecognised from the balance sheet as the Group substantially kept the risks and benefits associated to holding them.



During 2020, there were no relevant events related to securitisation operations.

### Risks underlying the securitisation operations

As an investor, the Group takes on the following risks:

- ▲ Liquidity risk, in any impossibility of trading the assets due to market conditions;
- ▲ Market risks, related to the possibility of incurring losses due to unexpected price variations of the assets or interest rates applied by the market at any given time;
- ▲ Regulatory risks, related to dynamics in the regulations, legislation and legal framework applicable to the positions held;
- ▲ Risk of “prepayment”, related to the possibility of the early redemptions being different from the expected, leading to the redemption rate being different from that projected;
- ▲ Credit risk, associated to the potential variation of the value of the assets due to the deterioration of the risk quality of the issuer or collateral of the operation.

With respect to agreements for additional funding of the operations, as established in article 449, subparagraph j) vi) of the CRR, the Group has deposited 3,649 thousand euros in cash reserve accounts at the Transaction Managers. This sum may be used to pay interest of the transactions in the event of insufficient funds. This agreement is reflected in the Group's balance sheet, and there are no other agreements to provide financial support to the operations.

### 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 2021, 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 2021, these positions amounted to 445,914 thousand euros.

In the particular case of the Next Funding No.1 securitisation operation, set up under the Universe Partnership, the Bank applies the residual treatment and considers an RW of 100% for the entire exposure, since it does not comply with the formal securitisation requirements, within the meaning of the CRR.

With regard to securitisation operations in which the Group acts as originator, it was concluded that, in the case of operations that do not meet the derecognition criteria set out in Article 243 of the CRR, the exposures considered for prudential purposes are the securitised claims. This treatment arises from the fact that the Group holds the residual tranches, thus being subject to the main risks and benefits. Therefore, capital requirements are not calculated for the securitisation positions held in the form of notes, but rather on the underlying credit portfolios. For the Ulisses Finance No.2 securitisation, 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 test the Bank’s capital adequacy, given the risks of its activity, the sustainability of the strategic plan of its budget in the medium-term and the respective framework of the risk limits defined in its 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 management 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	
IT Risk*	Basic Indicator Approach
Compliance Risk	
Reputation Risk*	
Credit Risk	Internal Models
Market Risk	VaR Model
Interest Rate Risk	Instruction 34/2018
Exchange Rate Risk	n/a

\* These risks are treated together 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. The Group does not have any additional tier 1 capital or tier 2 capital.

As at 31 December 2021 and 31 December 2020, own funds and consolidated capital ratios are as follows:

(amounts in thousand euros)

	2021		2020	
	CRR Phasing in	CRR Fully Implemented	CRR Phasing in	CRR Fully Implemented
<b>OWN FUNDS</b>				
Share capital	296,400	296,400	286,400	286,400
Retained earnings	(73,954)	(73,954)	(74,159)	(74,159)
Legal reserve	29	29	-	-
Eligible Results <sup>(1)</sup>	16,148	16,148	-	-
Other Reserves	(126)	(126)	(190)	(190)
Prudential Filters	21	21	64	64
Fair value reserves <sup>(2)</sup>	27	27	83	83
Additional Valuation Adjustment (AVA) <sup>(3)</sup>	(6)	(6)	(19)	(19)
<b>Deductions to common equity tier 1</b>	<b>(71,406)</b>	<b>(79,117)</b>	<b>(81,213)</b>	<b>(81,699)</b>
Losses for the period	-	-	-	-
Intangible assets	(17,336)	(17,336)	(19,919)	(19,919)
Goodwill	(61,085)	(61,085)	(61,085)	(61,085)
Adoption of IFRS 9	7,016	(695)	(209)	(695)
Securitisation deduction (1250%)	(1)	(1)	-	-
<b>Items not deducted from Equity pursuant to article 437 of the CRR</b>	<b>1,817</b>	<b>1,817</b>	<b>1,929</b>	<b>1,929</b>
Deferred tax assets	1,817	1,817	1,929	1,929
Holdings in financial entities	-	-	-	-
<b>Common Equity Tier 1</b>	<b>167,112</b>	<b>159,401</b>	<b>130,902</b>	<b>130,416</b>
<b>Tier 1 Capital</b>	<b>167,112</b>	<b>159,401</b>	<b>130,902</b>	<b>130,416</b>
<b>Total Own Funds</b>	<b>167,112</b>	<b>159,401</b>	<b>130,902</b>	<b>130,416</b>
<b>RWA</b>	<b>1,043,231</b>	<b>1,036,419</b>	<b>780,104</b>	<b>779,672</b>
Credit Risk	918,727	918,727	695,218	695,218
Operational Risk	124,504	124,504	84,768	84,768
Market Risk	-	-	118	118
IFRS 9 adjustments	-	(6,812)	-	(432)
<b>CAPITAL RATIOS</b>				
Common Equity Tier 1	16.02%	15.38%	16.78%	16.73%
Tier 1 Ratio	16.02%	15.38%	16.78%	16.73%
Total Capital Ratio	16.02%	15.38%	16.78%	16.73%
<b>REGULATORY MINIMUM RATIOS <sup>(4)</sup></b>				
Common Equity Tier 1	7.00%	7.00%	7.00%	7.00%
Tier 1 Ratio	8.50%	8.50%	8.50%	8.50%
Total Capital Ratio	10.50%	10.50%	10.50%	10.50%

(1) Includes net result for the year in 2021.

(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.

(4) The figures do not take into account the effects of quick-fix measures in the context of the Covid-19 pandemic.

With regard to Common Equity Tier 1, the incorporation of the 2021 net result into the equity of 16,148 thousand euros and the effect of the capital increase of 10,000 thousand euros should be noted. Regarding capital requirements, the increase in the value of the weighted risks of exposures with credit risk stands out despite the reduction of weighted risks through the Ulisses Finance No.2 securitisation operation.

As at 31 December 2021, the risk-weighted assets amounted to 1,043,231 thousand euros (31 December 2020: 780,104 thousand euros) of which 918,727 thousand euros (31 December 2020: 695,218 thousand euros) refer to credit risk.

The following table shows the geographic distribution of the relevant exposures for calculating the countercyclical buffer. It is important to note that as at 31 December 2021, the Banco CTT Group has no relevant exposure to geographic regions whose countercyclical buffer is different from zero.

(amounts in thousand euros)

Exposures	2021	2020
Portugal	575,897	662,160

The breakdown of risk-weighted assets with regard to credit risk at the end of 2021 and 2020 was as follows:

(amounts in thousand euros)

Risk headings	2021			
	Original risk position	Risk-weighted assets <sup>(1)</sup>	Risk weight <sup>(2)</sup>	Capital Requirement <sup>(2)</sup>
Central Authorities or Central Banks	927,808	-	0%	-
Regional governments or local authorities	-	-	n.a.	-
Other Credit Institutions	39,521	11,335	29%	907
Companies	324,283	310,799	96%	24,864
Retail customers	628,818	278,689	44%	22,295
Loans secured by immovable assets	610,646	217,819	36%	17,426
Non-performing loans	32,226	32,880	102%	2,630
Collective investment undertakings (CIUs)	24,999	21,145	85%	1,692
Other items	71,645	46,061	64%	3,685
<b>Total</b>	<b>2,659,946</b>	<b>918,728</b>	<b>35%</b>	<b>73,499</b>

(1) Risk weight: Risk-weighted assets / Original risk position

(2) Pursuant to the CRR, article 438(c).

(amounts in thousand euros)

Risk headings	2020			
	Original risk position	Risk-weighted assets <sup>(1)</sup>	Risk weight <sup>(2)</sup>	Capital Requirement <sup>(2)</sup>
Central Authorities or Central Banks	660,449	-	0%	-
Regional governments or local authorities	5,043	1,009	20%	81
Other Credit Institutions	100,726	23,042	23%	1,843
Companies	25,888	17,929	69%	1,434
Retail customers	546,933	398,914	73%	31,913
Loans secured by immovable assets	537,977	191,315	36%	15,305
Non-performing loans	16,986	18,754	110%	1,500
Other items	69,223	44,255	64%	3,540
<b>Total</b>	<b>1,963,225</b>	<b>695,218</b>	<b>35%</b>	<b>55,616</b>

(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;

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)*

Rating	Degree of Credit Quality	2021			2020		
		Institutions, residual maturity >3m	Companies	Sovereign debt	Institutions, residual maturity >3m	Companies	Sovereign debt
AAA   AA	1	-	-	-	10,000	-	6,435
A	2	11,424	5,632	75,176	19,419	15,485	99,988
BBB	3	2,350	-	259,568	9,300	-	386,727
BB	4	-	-	-	-	-	5,048
B	5	-	-	-	-	-	-
<B	6	-	-	-	-	-	-
No rating	No rating	-	5,246	-	210	4,315	-

## 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 2021, the leverage ratio was 6.3% (31 December 2020: 6.7%), 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 2021 and 31 December 2020, 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	2021	2020
<b>Total assets recorded in the financial statements</b>	<b>2,703,986</b>	<b>1,999,879</b>
Intangible assets deducted from own funds	(77,857)	(81,005)
Adjustment for derivative financial instruments	-	378
Revaluation reserves	(27)	(83)
Adjustment for securities financing transactions (SFT)	-	-
Adjustment for off-balance sheet items	43,351	43,623
Other adjustments	6,812	432
Prudential adjustments	(16,319)	-
<b>Total exposure to the leverage ratio - transitional</b>	<b>2,659,946</b>	<b>1,963,224</b>

(amounts in thousand euros)

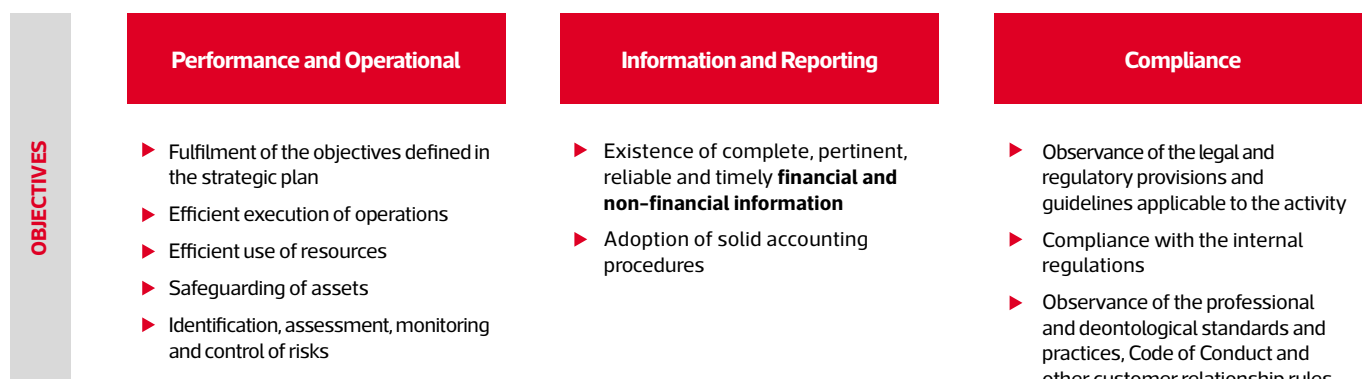
Leverage Ratio	2021	2020
<b>Value of positions at risk</b>		
Off-balance sheet exposures pursuant to Article 429(10) of the CRR	43,351	43,623
Other assets pursuant to Article 429(5) of the CRR	2,616,595	1,919,601
Value of the deducted assets - Tier 1 capital - full implemented	(6,812)	(432)
Total exposure to the leverage ratio - fully implemented	2,653,134	1,962,792
Total exposure to the leverage ratio - transitional	2,659,946	1,963,224
<b>Capital and regulatory adjustments</b>		
Tier 1 capital - fully phased-in definition	159,401	130,416
Tier 1 capital - transitional definition	167,112	130,902
<b>Leverage ratio - fully implemented tier 1 capital</b>	<b>6.0%</b>	<b>6.6%</b>
<b>Leverage ratio - transitional tier 1 capital</b>	<b>6.3%</b>	<b>6.7%</b>

In 2021 the transitional leverage ratio decreased by 0.4 percentage points, explained by the growth of assets.

# INTERNAL CONTROL SYSTEM

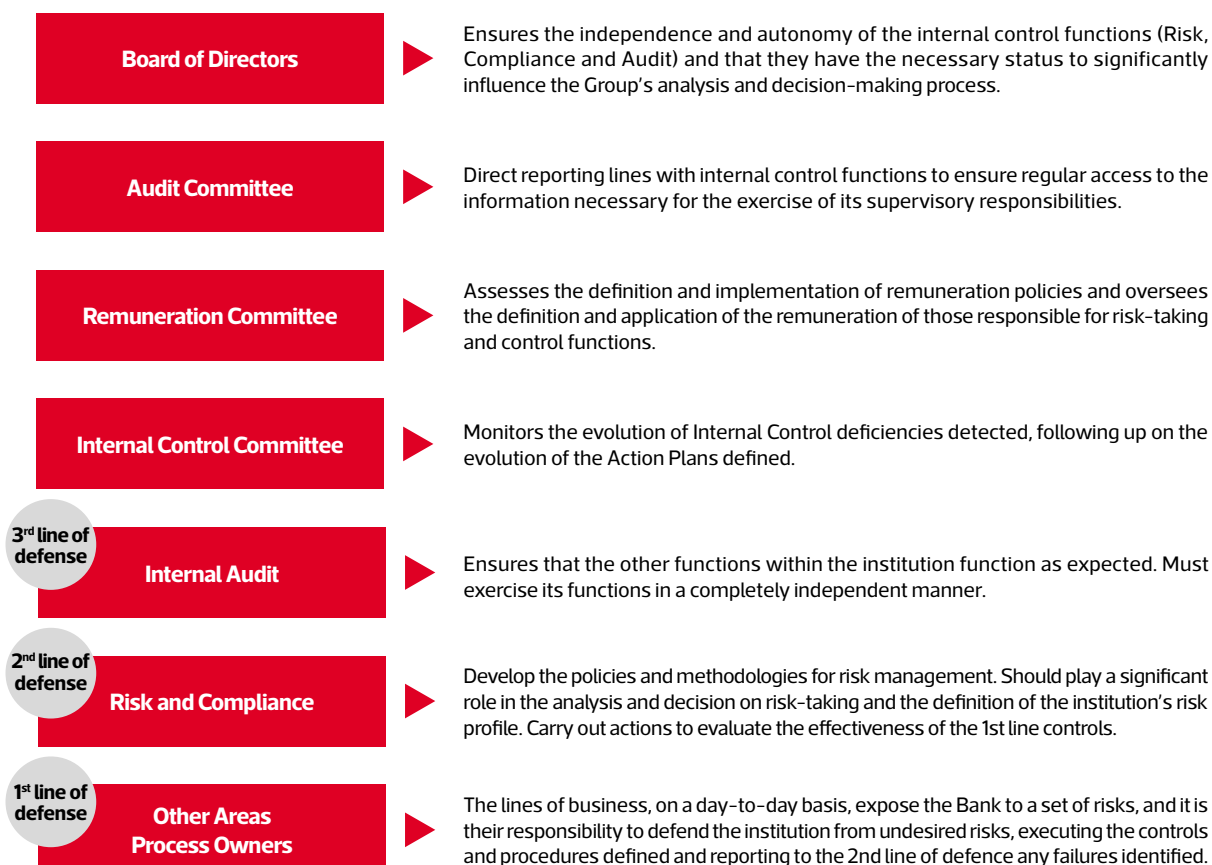
## OBJECTIVES

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:



## GOVERNANCE MODEL

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



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** has responsibilities for assessing and supervising the remuneration policies and practices of all employees, including members of the Corporate Bodies, as detailed in chapter D - 'Remuneration' 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. In 2021 the Committee held monthly meetings.

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 Department — 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 CTT's 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 and Human Resources.

A **third line of defence**, 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.

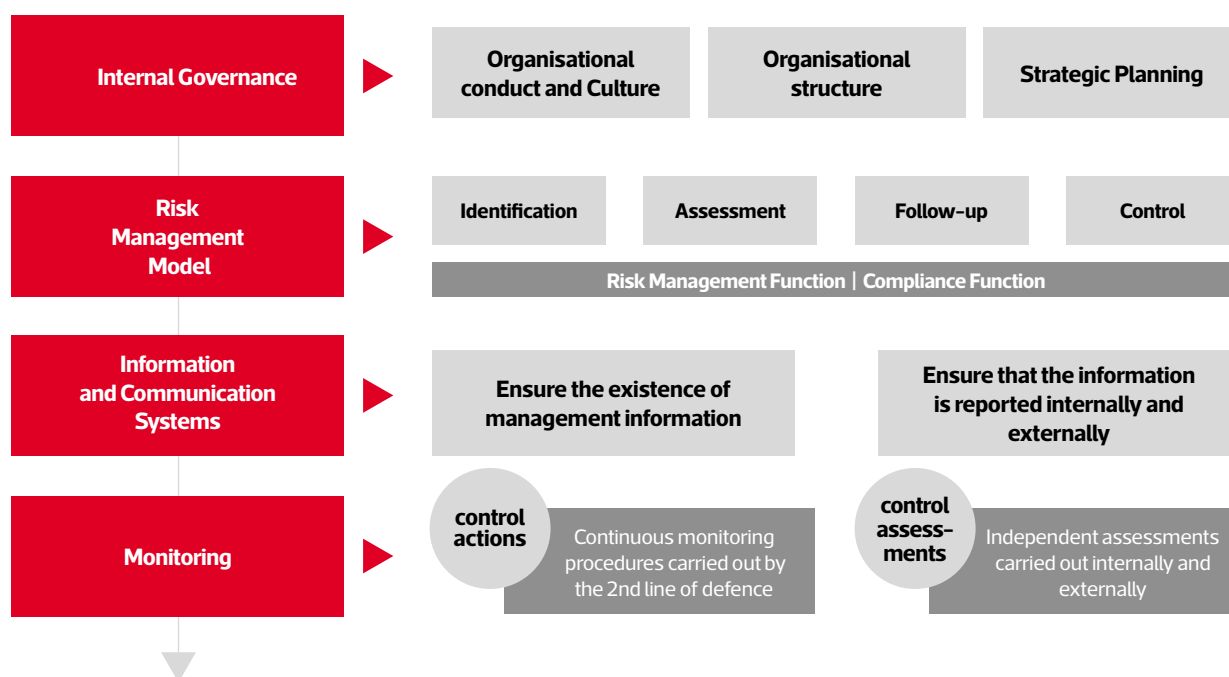


## FRAMEWORK

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

- ▶ Internal Governance
- ▶ Risk Management System
- ▶ Information and Communication System
- ▶ Monitoring

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



### Internal Governance

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 Bodies and the 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.



In this regard, it should be noted that, in 2021, the risk taxonomy adopted by the Group was revised, in the light of the provisions of Annex I of Banco de Portugal Instruction 18/2020, taking into account the adaptation of the subcategories to the activity of the Bank and its subsidiaries.

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.

**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 subsidiaries operate.

**Risk Management Model**

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:

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.

Within the scope of the risk management processes and resulting from the internal control system, several reports are made with different responsible persons, categories and periodicities. 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, the Group began to forward to 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 each of its subsidiaries covered by Banco de Portugal Notice 3/2020. In 2021, the implementation of this Notice was ensured, more fully detailed in the chapter ‘Implementation of Notice 3/2020’, which included the preparation of the aforementioned Report, submitted to Banco de Portugal in March (only in the first financial year) and in December.

## Monitoring

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 respect, we highlight the revision, in 2021, of the methodology for assessing these deficiencies, in the light of the provisions of Annex II of Banco de Portugal Instruction 18/2020.

## IMPLEMENTATION OF NOTICE 3/2020

The implementation project of Notice No 3/2020, which took place between 2020 and 2021, was coordinated by the Bank's Compliance Department, as a parent company, in close collaboration with other areas of the Group, in particular the Internal Control Functions (Risk Department and Internal Audit Department), the Area of Internal Control of 321 Crédito and the Legal Services Department and General Secretariat of the Bank, as its parent company, and was closely monitored by the management and supervisory bodies of the Bank and its subsidiaries, in order to ensure the coherence of the internal control systems and corporate governance of the Group.

The work undertaken in relation to the adoption of the Notice included the following main activities:

- ▲ Gap Analysis exercise
- ▲ Review of organisational structure and responsibilities
- ▲ Review of internal regulations
- ▲ Strengthening the processes of obtaining, producing and processing data and information circuits.

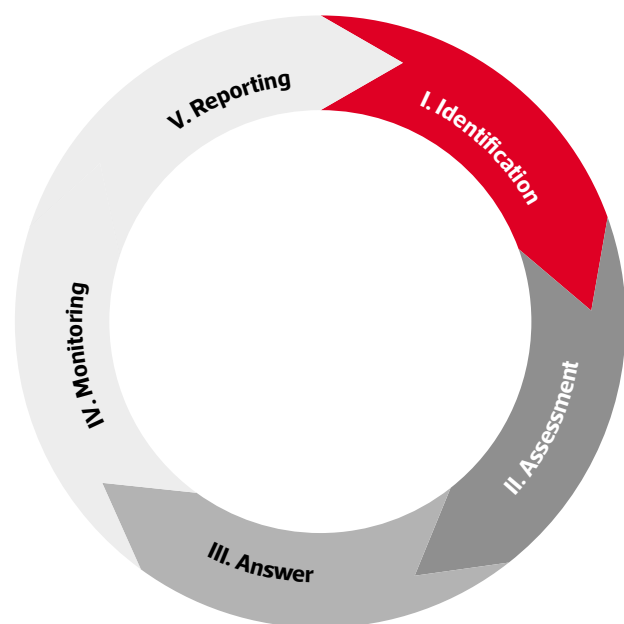
The self-assessment reports of the Group's Internal Control System and its constituent entities are summarised in the 'Summary of the Self-Assessment Report' attached to this document, in compliance with the provisions of Article 60 of that Notice.

# RISK MANAGEMENT

## 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 covers five essential stages, namely: identification, assessment, response, monitoring and reporting of risks.



Risk management cycle

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 risk management and internal control policy aims to maintain an adequate relationship between its own funds and the activity developed, as well as the corresponding risk profile assessment / return by line of business.

The risk management policy 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, it is important to monitor and control the main types of risks faced by the Group's activity.

The monitoring and management of risk in each area is based on the risk profile defined annually, in order to ensure that the pre-defined levels of risk appetite are complied with during the Group's activity.

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 Risk 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 instituted risk 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 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, 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 and Risk 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 area of 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 for the mitigation of risk. 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 fulfil 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 loans and overdraft facilities associated with a current account with payment/pension domiciliation, credit cards through the Universo Partnership and specialised credit at the point of sale through the activity of 321 Crédito.

Furthermore, the Group is also currently exposed to credit risk from other activities, namely its direct exposure to credit risk from investments and deposits in other credit institutions, Eurozone public debt securities, debt instruments from other issuers (credit institutions and companies) and securities from credit securitisations of the factoring of the Portuguese tariff deficit.

The control and mitigation of credit risk is carried out through the early detection of signs of portfolio deterioration, mainly 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 counterparties 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 counterparties. 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 counterparties 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 counterparties show some level of concentration in investment in public debt products, namely in eurozone countries. However, this concentration is in accordance with the Group's policy on risk appetite and is part of the liquidity risk management performed by the Group.

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 Capital and Risk Committee, Audit Committee and Board of Directors regularly monitor the Group's credit risk profile, in particular with respect to the evolution of credit exposures and monitoring losses. 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 2021 and 31 December 2020:

*(amounts in thousand euros)*

	2021	2020
Central Authorities or Central Banks	927,784	660,475
Regional governments or local authorities	-	5,043
Credit institutions	39,520	100,724
Companies	322,646	25,886
Retail customers	627,393	546,768
Loans secured by immovable assets	610,488	537,959
Non-performing loans	27,808	16,690
Collective investment undertakings (CIUs)	24,999	-
Other items	71,645	69,223
<b>Risk Headings</b>	<b>2,652,283</b>	<b>1,962,768</b>

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

(amounts in thousand euros)

2021										
	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)	Other items	Total
Portugal	779,478	-	34,929	322,646	627,393	610,488	27,808	24,999	71,645	2,499,386
Spain	75,163	-	-	-	-	-	-	-	-	75,163
France	-	-	1	-	-	-	-	-	-	1
Italy	73,143	-	-	-	-	-	-	-	-	73,143
United Kingdom	-	-	4,590	-	-	-	-	-	-	4,590
<b>Total</b>	<b>927,784</b>	<b>-</b>	<b>39,520</b>	<b>322,646</b>	<b>627,393</b>	<b>610,488</b>	<b>27,808</b>	<b>24,999</b>	<b>71,645</b>	<b>2,652,283</b>

(amounts in thousand euros)

2020									
	Central Authorities or Central Banks	Regional governments or local authorities	Credit institutions	Companies	Retail customers	Loans secured by immovable assets	Non-performing loans	Other items	Total
Portugal	458,836	5,043	78,626	25,886	546,768	537,959	16,690	69,223	1,739,031
Spain	94,407	-	-	-	-	-	-	-	94,407
France	6,434	-	9,029	-	-	-	-	-	15,463
Italy	95,233	-	-	-	-	-	-	-	95,233
Austria	-	-	9,986	-	-	-	-	-	9,986
Ireland	5,565	-	-	-	-	-	-	-	5,565
United Kingdom	-	-	2,738	-	-	-	-	-	2,738
Germany	-	-	345	-	-	-	-	-	345
<b>Total</b>	<b>660,475</b>	<b>5,043</b>	<b>100,724</b>	<b>25,886</b>	<b>546,768</b>	<b>537,959</b>	<b>16,690</b>	<b>69,223</b>	<b>1,962,768</b>

At the end of 2021 and 2020, the exposures by sector of activity were as follows:

(amounts in thousand euros)

	2021					
	Companies		SME		Individuals	
	Performing Loans	Non Performing Loans	Performing Loans	Non Performing Loans	Performing Loans	Non Performing Loans
<b>Companies</b>						
Construction	470	102	7,931	727	-	-
Wholesale/retail trade, rep. of autom., motorc., personal and domestic. goods	1,314	1,578	7,917	370	-	-
Transport, storage and communications	537	14	3,707	119	-	-
Accommodation and catering (restaurants and similar)	196	-	3,434	211	-	-
Real estate activities	86	-	1,500	16	-	-
Textile industry	28	-	2,266	278	-	-
Agriculture, animal husbandry, hunting, forestry and fisheries	21	-	438	53	-	-
Health and social welfare	78	-	939	-	-	-
Education	31	-	667	14	-	-
Unspecified manufacturing industries	49	-	723	21	-	-
Heavy metalworking industries and metal products	10	-	1,062	51	-	-
Paper pulp, cardboard, publishing and printing industries	25	-	391	-	-	-
Food, beverage and tobacco industries	3	-	937	70	-	-
Electricity, water and gas production and distribution	-	-	124	-	-	-
Leather and leather product industry	26	-	1,510	59	-	-
Mining industries except for energy products	-	-	10	-	-	-
Financial intermediation auxiliary activities	11	-	318	3	-	-
Work, cork and derived work industries	19	-	348	21	-	-
Manufacture of other non-metallic mineral products	-	-	165	-	-	-
Manufacture of electrical and optical equipment	-	-	6	-	-	-
Manufacture of machinery and equipment	-	-	249	-	-	-
Manufacture of rubber articles and plastics	-	-	78	-	-	-
Manufacture of transport material	-	-	28	-	-	-
Financial intermediation excluding insurance and pension funds	41,165	-	-	-	-	-
Manufacture of chemical products and synthetic or artificial fibres	-	-	43	18	-	-
Public administration, defence and mandatory social security:	-	-	3	-	-	-
Other	8,933	965	16,448	628	-	-
<b>INDIVIDUALS</b>						
Housing/Mortgage	-	-	-	-	595,420	-
Consumer	-	-	-	-	596,430	28,906
Credit cards	-	-	-	-	262,587	36,129
	<b>53,002</b>	<b>2,659</b>	<b>51,242</b>	<b>2,659</b>	<b>1,454,437</b>	<b>65,035</b>



(amounts in thousand euros)

	2020					
	Companies		SME		Individuals	
	Performing Loans	Non Performing Loans	Performing Loans	Non Performing Loans	Performing Loans	Non Performing Loans
<b>Companies</b>						
Construction	631	846	5,361	562	-	-
Wholesale/retail trade, rep. of autom., motorc., personal and domestic goods	248	2,525	4,645	59	-	-
Transport, storage and communications	235	897	1,174	78	-	-
Accommodation and catering (restaurants and similar)	192	66	1,375	63	-	-
Real estate activities	237	25	1,102	-	-	-
Textile industry	14	41	1,533	267	-	-
Agriculture, animal husbandry, hunting, forestry and fisheries	76	-	985	61	-	-
Health and social welfare	71	4	627	-	-	-
Education	46	4	530	-	-	-
Unspecified manufacturing industries	28	182	395	3	-	-
Heavy metalworking industries and metal products	20	136	314	15	-	-
Paper pulp, cardboard, publishing and printing industries	20	40	252	-	-	-
Food, beverage and tobacco industries	30	96	194	74	-	-
Electricity, water and gas production and distribution	-	103	144	-	-	-
Leather and leather product industry	1	6	218	50	-	-
Mining industries except for energy products	-	-	149	-	-	-
Financial intermediation auxiliary activities	13	12	158	3	-	-
Work, cork and derived work industries	24	22	75	-	-	-
Manufacture of other non-metallic mineral products	-	21	39	-	-	-
Manufacture of electrical and optical equipment	-	-	7	-	-	-
Manufacture of machinery and equipment	-	4	21	-	-	-
Manufacture of rubber articles and plastics	-	5	12	-	-	-
Manufacture of transport material	-	9	-	-	-	-
Financial intermediation excluding insurance and pension funds	64,574	-	-	-	-	-
Manufacture of chemical products and synthetic or artificial fibres	-	27	-	-	-	-
Other	4,953	1,328	21,544	472	-	-
<b>Individuals</b>						
Housing/Mortgage	-	-	-	-	525,083	-
Consumer	-	-	-	-	524,150	18,154
	<b>71,413</b>	<b>6,399</b>	<b>40,854</b>	<b>1,707</b>	<b>1,049,233</b>	<b>18,154</b>

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

(amounts in thousand euros)

Residual Maturity	2021									
	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)	Other items	Total
Up to 1 year	629,401	-	39,520	298,161	619,990	-	-	-	-	1,587,072
1 to 5 years	98,503	-	-	4,882	-	-	-	-	-	103,385
More than 5 years	199,880	-	-	-	-	594,144	-	-	-	794,024
Undetermined *	-	-	-	19,603	7,403	16,344	27,808	24,999	71,645	167,802
<b>Total</b>	<b>927,784</b>	<b>-</b>	<b>39,520</b>	<b>322,646</b>	<b>627,393</b>	<b>610,488</b>	<b>27,808</b>	<b>24,999</b>	<b>71,645</b>	<b>2,652,283</b>

(amounts in thousand euros)

Residual Maturity	2020									
	Central Authorities or Central Banks	Regional governments or local authorities	Credit institutions	Companies	Retail customers	Loans secured by immovable assets	Non-performing loans	Other items	Total	
Up to 1 year	203,125	-	73,016	11,554	539,895	-	-	-	-	827,590
1 to 5 years	152,308	-	2,608	14,012	-	-	-	-	-	168,928
More than 5 years	305,042	5,043	-	-	-	526,629	-	-	-	836,714
Undetermined *	-	-	25,100	320	6,873	11,330	16,690	69,223	-	129,536
<b>Total</b>	<b>660,475</b>	<b>5,043</b>	<b>100,724</b>	<b>25,886</b>	<b>546,768</b>	<b>537,959</b>	<b>16,690</b>	<b>69,223</b>	<b>-</b>	<b>1,962,768</b>

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

### Impairment Model

During the year 2021, 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.

The year 2021 was the second year marked by the pandemic caused by Covid-19 and with a major impact on economic activity. The unexpected and rapidly spreading emergence of Covid-19 in 2020 required the implementation of measures and the adjustment of priorities, changing the focus on growth to a focus on defence and consequently on the reinforcement of preventive impairments to deal with expected adversities.

In addition to the legislative measures to support the economy already in force in Portugal, namely those provided for in Decree-Laws 10-J/2020, 26/2020 and 78-A/2020 of 26 March, 16 June and 29 September, respectively, which introduced an exceptional moratorium regime, adjustments were made to the impairment model in order to incorporate this potentially prolonged effect in time.

The recognition of impairment should be based on historical information. However, due to the absence of historical data for some segments, namely Mortgage Loans and Credit Cards, the Group bases its calculations on benchmarks of PD (Probability of Default, only for Mortgage Loans) and LGD (Loss given default) of other national banks or rating agencies. Nevertheless, when existing, historical data are used in the estimates of the model parameters.

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 PDs and LGDs 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.

For portfolios with a historical profile that enable the use of more sophisticated statistical models, in particular Car Credit and Credit Card, the portfolio is segmented by financial product and by purpose, being subsequently subdivided into operations with (asset-backed) and without associated collateral. A new segmenting, based on the various criteria presented in Circular Letter 2018/0000062, enable a division by stage which, in turn, can be subdivided into intervals of days in arrears – risk classes – into intervals of 30 days, from 0 to 90 days in arrears.

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:

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.
		Overdraft	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.
		Credit Cards	Includes the Universo Credit Card offer
	Sovereign debt		Eurozone public debt securities and exposures obtained through the credit assignment contract.
	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.

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:

Stage	Substage	2021				2020			
		Mortgage Credit		Overdrafts	Credit Cards	Mortgage Credit		Overdrafts	
		PD	LGF	LGF	LGF	PD	LGF	PD	LGF
1	Performing	0.4%	31.9%	65.5%	45.0%	0.3%	29.2%	4.0%	53.4%
	With indications	1.1%	31.9%	65.5%	45.0%	1.1%	29.2%	12.0%	53.4%
2	31-60 days	30.0%	31.9%	65.5%	45.0%	30.0%	29.2%	75.0%	53.4%
	61-90 days	65.0%	31.9%	65.5%	45.0%	65.0%	29.2%	80.0%	53.4%
Non-default average PD		0.63%				0.3%		4.9%	
3	Default	100.0%	31.9%	65.5%	45.0%	100.0%	29.2%	100.0%	58.0%

Rating	Expected Loss			
	2021		2020	
	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-	0.047%	0.023%	0.047%	0.023%
A+	0.053%	0.027%	0.053%	0.027%
A	0.060%	0.030%	0.060%	0.030%
A-	0.100%	0.050%	0.100%	0.050%
BBB+	0.140%	0.070%	0.140%	0.070%
BBB	0.180%	0.090%	0.180%	0.090%
BBB-	0.350%	0.193%	0.350%	0.200%
BB+	0.520%	0.297%	0.520%	0.310%
BB	0.690%	0.400%	0.690%	0.420%
BB-	1.383%	0.890%	1.387%	0.840%
B+	2.077%	1.380%	2.083%	1.260%
B	2.770%	1.870%	2.780%	1.680%
B-	11.825%	10.880%	11.620%	9.845%
CCC/C	20.880%	19.890%	20.460%	18.010%
SI Rating	1.383%	0.890%	1.387%	0.840%

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

	2021						2020			
	Overdrafts		Motor Vehicle Credit		Credit Cards		Motor Vehicle Credit		Other	
	PD	PD	LGF	PD	PD	LGF	PD	LGF	PD	LGF
Stage 1	3.50%	2.21%	27.37%	2.07%	5.29%	27.37%	3.12%	40.54%	2.01%	40.54%
Stage 2	23.99%	15.63%	27.37%	17.27%	18.26%	27.37%	9.65%	40.54%	2.03%	40.54%
Stage 3	100.00%	100.00%	44.28%	100.00%	100.00%	89.91%	100.00%	51.08%	100.00%	98.29%

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

(amounts in thousand euros)

		2021								
		Central Authorities or Central Banks	Financial institutions	Other titles	Credit Portfolio					Total
					Mortgage Loans	Overdrafts	Motor Vehicle Credit	Credit Cards	Other	
Stage 1	Gross exposure	927,904	55,026	5,635	593,852	1,063	573,015	262,587	4,246	2,423,328
	Impairment losses	(121)	(4)	(3)	(569)	(24)	(3,444)	(2,378)	(58)	(6,601)
	Net exposure	<b>927,783</b>	<b>55,022</b>	<b>5,632</b>	<b>593,283</b>	<b>1,039</b>	<b>569,571</b>	<b>260,209</b>	<b>4,188</b>	<b>2,416,727</b>
Stage 2	Gross exposure	-	-	-	1,534	225	53,541	31,813	54	87,167
	Impairment losses	-	-	-	(16)	(41)	(2,246)	(2,297)	(2)	(4,602)
	Net exposure	-	-	-	<b>1,518</b>	<b>184</b>	<b>51,295</b>	<b>29,516</b>	<b>52</b>	<b>82,565</b>
Stage 3	Gross exposure	-	-	-	34	1,324	40,988	4,316	235	46,897
	Impairment losses	-	-	-	(11)	(1,083)	(15,484)	(1,942)	(31)	(18,551)
	Net exposure	-	-	-	<b>23</b>	<b>241</b>	<b>25,504</b>	<b>2,374</b>	<b>204</b>	<b>28,346</b>
POCI (Stage 3)	Gross exposure	-	-	-	-	-	3,050	-	1,123	4,173
	Impairment losses	-	-	-	-	-	(850)	-	(613)	(1,463)
	Net exposure	-	-	-	-	-	<b>2,200</b>	-	<b>510</b>	<b>2,710</b>
Total	Gross exposure	927,904	55,026	5,635	595,420	2,612	670,594	298,716	5,658	2,561,565
	Impairment losses	(121)	(4)	(3)	(596)	(1,148)	(22,024)	(6,617)	(704)	(31,217)
	Net exposure	<b>927,783</b>	<b>55,022</b>	<b>5,632</b>	<b>594,824</b>	<b>1,464</b>	<b>648,570</b>	<b>292,099</b>	<b>4,954</b>	<b>2,530,348</b>

(amounts in thousand euros)

		2020								
		Central Authorities or Central Banks	Financial institutions	Other titles	Credit Portfolio					Total
					Mortgage Loans	Overdrafts	Motor Vehicle Credit	Other		
Stage 1	Gross exposure	665,669	71,732	19,793	517,065	935	502,336	5,978	1,783,508	
	Impairment losses	(182)	(28)	(9)	(445)	(164)	(3,500)	(52)	(4,380)	
	Net exposure	<b>665,487</b>	<b>71,704</b>	<b>19,784</b>	<b>516,620</b>	<b>771</b>	<b>498,836</b>	<b>5,926</b>	<b>1,779,128</b>	
Stage 2	Gross exposure	-	-	-	3,764	195	47,748	338	52,045	
	Impairment losses	-	-	-	(44)	(43)	(2,077)	(61)	(2,225)	
	Net exposure	-	-	-	<b>3,720</b>	<b>152</b>	<b>45,671</b>	<b>277</b>	<b>49,820</b>	
Stage 3	Gross exposure	-	-	-	34	1,063	20,935	96	22,128	
	Impairment losses	-	-	-	(10)	(898)	(8,422)	(27)	(9,357)	
	Net exposure	-	-	-	<b>24</b>	<b>165</b>	<b>12,513</b>	<b>69</b>	<b>12,771</b>	
POCI (Stage 3)	Gross exposure	-	-	-	-	-	3,878	1,361	5,239	
	Impairment losses	-	-	-	-	-	(658)	(264)	(922)	
	Net exposure	-	-	-	-	-	<b>3,220</b>	<b>1,097</b>	<b>4,317</b>	
Total	Gross exposure	665,669	71,732	19,793	520,863	2,193	574,897	7,773	1,862,920	
	Impairment losses	(182)	(28)	(9)	(499)	(1,105)	(14,657)	(404)	(16,884)	
	Net exposure	<b>665,487</b>	<b>71,704</b>	<b>19,784</b>	<b>520,364</b>	<b>1,088</b>	<b>560,240</b>	<b>7,369</b>	<b>1,846,036</b>	

The Group considers that the more sensitive parameters, because they are based on benchmarks or because they are more susceptible to changes in the economic cycle, are the reference PDs or the LGD (for the case of credit cards). 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)

2021	Impairment					Impairment with shock					Impact
	Stage 1	Stage 2	Stage 3		Total	Stage 1	Stage 2	Stage 3		Total	
			Stage 3	POCI				Stage 3	POCI		
Sovereign debt	121	-	-	-	121	133	-	-	-	133	12
Financial institutions	4	-	-	-	4	5	-	-	-	5	1
Corporate	3	-	-	-	3	3	-	-	-	3	-
Credit Portfolio	6,473	4,602	18,551	1,463	31,089	7,099	4,977	18,745	1,463	32,284	1,194
Mortgage Loans	569	16	11	-	596	626	18	11	-	655	59
Overdrafts	24	41	1,083	-	1,148	27	45	1,083	-	1,155	6
Motor Vehicle Credit	3,444	2,246	15,484	850	22,024	3,767	2,385	15,484	850	22,486	462
Credit Cards	2,378	2,297	1,942	-	6,617	2,616	2,527	2,136	-	7,279	662
Other	58	2	31	613	704	63	2	31	613	709	5
<b>Total</b>	<b>6,601</b>	<b>4,602</b>	<b>18,551</b>	<b>1,463</b>	<b>31,217</b>	<b>7,240</b>	<b>4,977</b>	<b>18,745</b>	<b>1,463</b>	<b>32,425</b>	<b>1,207</b>

(amounts in thousand euros)

2020	Imparidade					Imparidade com choque					Impact
	Stage 1	Stage 2	Stage 3		Total	Stage 1	Stage 2	Stage 3		Total	
			Stage 3	POCI				Stage 3	POCI		
Sovereign debt	182	-	-	-	182	201	-	-	-	201	19
Financial institutions	28	-	-	-	28	31	-	-	-	31	3
Corporate	9	-	-	-	9	10	-	-	-	10	1
Retail	4,161	2,225	9,357	922	16,665	4,560	2,394	9,356	922	17,232	567
Mortgage Loans	445	44	10	-	499	489	48	10	-	547	48
Overdrafts	164	43	898	-	1,105	181	47	898	-	1,126	21
Motor Vehicle Credit	3,500	2,077	8,422	658	14,657	3,833	2,232	8,421	658	15,144	487
Other	52	61	27	264	404	57	67	27	264	415	11
<b>Total</b>	<b>4,380</b>	<b>2,225</b>	<b>9,357</b>	<b>922</b>	<b>16,884</b>	<b>4,802</b>	<b>2,394</b>	<b>9,356</b>	<b>922</b>	<b>17,474</b>	<b>590</b>

## Moratoria

Decree-Law 10-J/2020 of 26 March established exceptional measures to protect the credit of families, businesses, private charities and other social economy entities, as well as a special scheme of personal guarantees from the State, within the scope of the Covid-19 pandemic.

In the course of 2020, the said regulation was amended by Law 8/2020 of 10 April, Decree-Law 26/2020 of 16 June, Law 27-A/2020 of 24 July and Decree-Law 78-A/2020 of 29 September.

With the various legislative changes, the end of the moratorium period, initially scheduled for September 2020, was extended until December 2021. The legislative changes also allowed for the extension of the deadline for customers to formalise moratorium requests. The conditions of access and the types of credits

covered have also been changed. The measures provided for in the legislation described above - Public Moratoria -, materialise in the granting of a grace period for principal or principal and interest to debtors of credit agreements.

In addition to the Public Moratorium, ASFAC - Association of Specialised Credit Institutions - created the ASFAC Private Moratorium, which established exceptional measures to support and protect families resulting from the financial impacts of the pandemic caused by Covid-19, similar to those provided for in the Public Moratorium and applicable to 321 Crédito's motor vehicle credit portfolio.

As at 31 December 2021, the Banco CTT Group did not have any active moratorium in any credit segment.

In accordance with the EBA Guidelines on reporting and disclosure of exposures subject to Covid-19 crisis response measures (EBA/GL/2020/07), the total number of moratoria requests, moratoria assigned and gross carrying amount of loans and advances as at 31 December 2021 and 2020 are presented below:

(amounts in thousand euros)

	2021								
	Number of debtors		Of which: legislative moratoria	Of which: expired	Gross carrying amount				
					Residual maturity of moratoria				
					≤ 3 months	> 3 months ≤ 6 months	> 6 months ≤ 9 months	> 9 months ≤ 12 months	> 1 year
Loans and advances which have been offered a moratorium	7,080	81,279							
Loans and advances subject to a moratorium (applied)	4,424	64,019	42,220	64,019	-	-	-	-	-
of which: households		54,496	33,041	54,496	-	-	-	-	-
of which: secured by residential property		33,023	33,023	33,023	-	-	-	-	-
of which: non-financial corporations		9,523	9,179	9,523	-	-	-	-	-
of which: small and medium-sized enterprises		8,011	7,684	8,011	-	-	-	-	-
of which: secured by commercial real estate		2,610	2,610	2,610	-	-	-	-	-

(amounts in thousand euros)

	2020								
	Número de devedores		Of which: legislative moratoria	Of which: expired	Gross carrying amount				
					Residual maturity of moratoria				
					≤ 3 months	> 3 months ≤ 6 months	> 6 months ≤ 9 months	> 9 months ≤ 12 months	> 1 year
Loans and advances which have been offered a moratorium	7,018	103,470							
Loans and advances subject to a moratorium (applied)	4,364	82,151	54,213	41,761	9,423	389	30,578	-	-
of which: households		71,837	44,356	40,719	152	389	30,578	-	-
of which: secured by residential property		44,335	44,335	13,223	146	389	30,578	-	-
of which: non-financial corporations		10,313	9,857	1,042	9,271	-	-	-	-
of which: small and medium-sized enterprises		9,131	8,674	1,015	8,115	-	-	-	-
of which: secured by commercial real estate		2,958	2,958	165	2,794	-	-	-	-



## 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, with actions for continuous process improvement and business continuity management.

### Collection of operational risk management events

The recording of operational risk events is the instrument used to 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 is 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.

Information and Communication Technology Systems Risk is managed by the Information Systems 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 involves 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 also 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.

To guide and formalise the management of this risk, the Bank, as the parent company, has defined a Policy and a Procedures Manual, which stipulate 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 (residual) compliance risk to which the Group is exposed should be low, avoiding the application of serious or very serious administrative offences, the management of this risk follows the following principles: Existence of an independent Compliance Function; Offer of products and services subject to a prior analysis of compliance risk; Variable remuneration/incentive models that reduce conflicts of interest; Implementation of control actions in the areas of greatest inherent risk; Mandatory initial training of employees on compliance and PBCFT issues; Conservative client acceptance policy and with enhanced levels of diligence on clients and operations with a high risk of BCFT;

▲ **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, with emphasis, in 2020, on the regulatory projects associated with the implementation of the new legislation on the prevention of money laundering (Law 58/2020), as well as the new regulatory framework for governance systems, internal control and organisational culture, through Notice 3/2020 and Instruction 18/2020.

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 the significant change 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 a 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 management of compliance monitoring actions and testing of first line controls completes the compliance risk management cycle. In this regard, particular note should be made of the monitoring, in 2021, of the process of approval of new products and services, of the procedures of control of transactions with related parties, and of the remuneration policies.

## MARKET RISKS

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 does not have a Trading portfolio, and almost all of its investment portfolio is recorded as financial assets at amortised cost and residually as financial assets at fair value through other comprehensive income, with the main risk arising from its investments being credit risk rather than market risk. In addition, the Bank holds participation units totalling 25 million euros in a real estate investment fund which is accounted at fair value through profit and loss.

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.

## INTEREST RATE RISK

Interest rate risk is the risk of any loss of an economic value on balance sheet items that are interest rate-sensitive due to changing 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 variation-sensitive 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.

To date, the Group has been managing the interest rate risk of its balance sheet structurally using natural hedges in the composition of the investment portfolio, without resorting to

derivatives, without prejudice to the placement of interest rate hedge derivatives in securitisation vehicles aligned with market practice and investor expectations.

## 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. 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 and Risk Committee.

The Capital and Risk 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 Treasury Department of Banco CTT is responsible for ensuring the cash flow management and necessary short-term liquidity levels. In particular, it is responsible for holding High Quality Liquid Assets (HQLA) and implementing the medium and long-term funding plans through cash management and interbank relationships, 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.

The Risk Department is responsible for identifying, assessing, controlling and monitoring the Group's liquidity risk, ensuring its management within the risk appetite defined by the Board of Directors, supporting the definition of liquidity limits, ensuring the ongoing monitoring of its compliance, supporting the Capital and Risk Committee in the definition of key risk indicators (KRIs), and monitoring their evolution.

The different assets are constantly monitored as regards their eligibility to be involved in transactions, duly limited by what can be undertaken in each market.

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.

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 enable 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 a comfortable figure of 881% (1.066% at the end of 2020), significantly higher than the minimum requirements, reflecting the Group's liquidity management, during 2021.

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 2021, the ALMM shows a positive liquidity mismatch (difference between contracted outflows and inflows) of 128,810 thousand euros.

Additionally, this positive liquidity mismatch was reinforced by financial assets and reserves at the Central Bank of close to 781,858 thousand euros.

### **BUSINESS MODEL RISK**

Strategy 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, having constant concern with its level of capital and the risks taken in its strategic decisions and the established capitalisation plan. Its monitoring is ensured regularly by the Executive Committee, Audit Committee and the Board of Directors through the follow-up of budget deviations.

**BOARD OF DIRECTORS' STATEMENT ARTICLE 435(1)(e) OF THE CRR**

It is hereby stated that the institution's risk management measures and the implemented risk management systems are appropriate to the Bank's risk profile and strategy.

Lisbon, 14 March 2022

**THE BOARD OF DIRECTORS**

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João Manuel de Matos Loureiro

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Luís Jorge de Sousa Uva Patrício Paúl

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António Emídio Pessoa Corrêa d'Oliveira

## BOARD OF DIRECTORS' STATEMENT ARTICLE 435(1)(f) OF THE CRR

### Concise risk appetite statement:

The Banco CTT Group carries out its activity in a prudent and sustainable manner. The established goals for the business are, at any given time, limited by the risk tolerance levels defined according to the Group's long-term sustainability and profitability.

The risk tolerance levels are defined in the Risk Appetite Statement (RAS) of the Group, with this instrument being used in the Bank's management and decision-making process in its consolidated activity. The first and foremost objective of the RAS is to lead the Group, in general, and its governing bodies, in particular, to reflect on the Bank's risk positioning. Accordingly, the RAS is reflected in a continuous and ever present concern in the different strategic planning and business cycles, being one of the core components for the definition of the Group's growth and profitability goals, and defines the main qualitative principles and quantitative limits for the management of the different risks arising from the activity, thus conditioning the criteria on decision-making and management operatives of the different risks.

The RAS is divided into two main components: a) Governance Model that, based on the General Policy on Internal Control and Risk Management, assigns responsibilities to the different corporate bodies and structural units; and b) Risk Assessment and Indicators that include an assessment of the different risks, identification of the material risks and definition of their limits.

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

The 2022-24 version of the RAS, approved by the Board of Directors in December 2021, includes 18 indicators as limits that the Group considers essential for its sustainability in various aspects of its business: capital, liquidity risks, operational, credit, interest rate, reputational, compliance and information systems management.

In the last 2 years, the Banco CTT Group presented the following consolidated risk and liquidity indicators:

	Dec/21	Dec/20
Common equity tier 1 ratio [CRR] (1)	16.0%	16.8%
Total own funds ratio [CRR] (1)	16.0%	16.8%
Leverage ratio [CRR] (1)	6.3%	6.7%
Liquidity coverage ratio [CRR]	881%	1,066%
Net stable funding ratio [CRR]	168%	170%

(1) It includes the net result for the year in 2021.

Lisbon, 14 March 2022

### THE BOARD OF DIRECTORS

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## SUPPLEMENTARY INFORMATION

### CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Income Statements for the years ended on 31 December 2021 and 2020

(amounts in thousand euros)

	2021	2020
Interest and similar income calculated through the effective interest rate	57,815	45,963
Interest and similar expenses	(2,101)	(1,391)
<b>Net Interest Income</b>	<b>55,714</b>	<b>44,572</b>
Net fee and commission income	25,378	20,204
Net gains/(losses) of assets and liabilities at fair value through profit or loss	1,101	-
Net gains/(losses) of other financial assets at fair value through other comprehensive income	-	389
Results from financial assets and liabilities at amortised cost	17,777	34
Net gains/(losses) from divestment of other assets	(80)	(230)
Other operating income/(expenses)	776	1,004
<b>Operating Income</b>	<b>100,666</b>	<b>65,973</b>
Staff costs	(25,171)	(21,806)
General administrative expenses	(32,977)	(27,152)
Amortisation and depreciation for the year	(7,691)	(6,451)
<b>Operating Costs</b>	<b>(65,839)</b>	<b>(55,409)</b>
<b>Operating Profit/(Loss) Before Provisions and Impairment</b>	<b>34,827</b>	<b>10,564</b>
Credit impairment	(14,134)	(10,028)
Impairment of other financial assets	92	171
Impairment of other assets	12	833
Provisions	507	(328)
<b>Operating Profit/(Loss)</b>	<b>21,304</b>	<b>1,212</b>
<b>Profit/(Loss) Before Tax</b>	<b>21,304</b>	<b>1,212</b>
Taxes		
Current	(4,883)	(766)
Deferred	(273)	(213)
<b>Net Income for the Year</b>	<b>16,148</b>	<b>233</b>
Earnings per share (in euros)		
Basic	0.05	0.00
Diluted	0.05	0.00



Consolidated Balance Sheets as at 31 December 2021 and 2020

(amounts in thousand euros)

	2021	2020
<b>Assets</b>		
Cash and deposits at central banks	621,470	195,364
Deposits at other credit institutions	41,252	36,377
Financial assets at amortised cost		
Investments at credit institutions	13,771	38,902
Loans and advances to customers	1,541,908	1,093,282
Debt securities	334,161	498,251
Financial assets at fair value through profit or loss	27,261	2
Financial assets at fair value through other comprehensive income		
Debt securities	6,095	19,555
Non-current assets held for sale	606	966
Other tangible assets	7,205	3,872
Goodwill and intangible assets	87,957	89,911
Deferred tax assets	1,592	1,929
Other assets	20,708	21,468
<b>Total Assets</b>	<b>2,703,986</b>	<b>1,999,879</b>
<b>Liabilities</b>		
Financial liabilities at amortised cost		
Deposits from customers	2,121,511	1,688,465
Debt securities issued	277,796	44,518
Provisions	1,346	1,780
Current tax liabilities	1,362	1,363
Deferred tax liabilities	49	103
Other liabilities	64,092	51,977
<b>Total Liabilities</b>	<b>2,466,156</b>	<b>1,788,206</b>
<b>Equity</b>		
Share capital	296,400	286,400
Legal reserves	29	-
Fair value reserves	27	83
Other reserves and retained earnings	(74,774)	(75,043)
Net income for the year	16,148	233
<b>Total Equity</b>	<b>237,830</b>	<b>211,673</b>

## INDIVIDUAL FINANCIAL STATEMENTS

Individual Income Statements for the years ended on 31 December 2021 and 2020

(amounts in thousand euros)

	2021	2020
Interest and similar income calculated through the effective interest rate	23,681	17,600
Interest and similar expenses	(1,470)	(861)
<b>Net Interest Income</b>	<b>22,211</b>	<b>16,739</b>
Net fee and commission income	15,474	10,871
Net gains/(losses) of assets and liabilities at fair value through profit or loss	(1)	-
Net gains/(losses) of other financial assets at fair value through other comprehensive income	-	389
Results from financial assets and liabilities at amortised cost	17,777	34
Other operating income/(expenses)	(262)	(261)
<b>Operating Income</b>	<b>55,199</b>	<b>27,772</b>
Staff costs	(17,087)	(14,303)
General administrative expenses	(24,243)	(21,063)
Amortisation and depreciation for the year	(6,328)	(5,520)
<b>Operating Costs</b>	<b>(47,658)</b>	<b>(40,886)</b>
<b>Operating Profit/(Loss) Before Provisions and Impairment</b>	<b>7,541</b>	<b>(13,114)</b>
Credit impairment	(1,106)	(1,075)
Impairment of other financial assets	(5,652)	234
Impairment of other assets	(112)	15
Provisions	(118)	(151)
<b>Operating Profit/(Loss)</b>	<b>553</b>	<b>(14,091)</b>
<b>Net gains/(losses) of investments in subsidiaries and associates</b>	<b>14,689</b>	<b>11,292</b>
<b>Profit/(Loss) Before Tax</b>	<b>15,242</b>	<b>(2,799)</b>
Taxes		
Current	26	3,030
Deferred	156	54
<b>Net Income for the Year</b>	<b>15,424</b>	<b>285</b>
Earnings per share (in euros)		
Basic	0.05	0.00
Diluted	0.05	0.00

Individual Balance Sheets as at 31 December 2021 and 2020

(amounts in thousand euros)

	2021	2020
<b>Assets</b>		
Cash and deposits at central banks	613,012	191,613
Deposits at other credit institutions	4,158	14,578
Financial assets at amortised cost		
Investments at credit institutions	69,898	52,999
Loans and advances to customers	631,673	525,672
Debt securities	864,041	936,089
Financial assets at fair value through profit or loss	24,999	-
Financial assets at fair value through other comprehensive income		
Debt securities	6,095	19,555
Other tangible assets	4,919	1,746
Intangible assets	21,614	24,236
Investments in subsidiaries and associates	133,721	144,692
Deferred tax assets	683	526
Other assets	18,211	18,514
<b>Total Assets</b>	<b>2,393,024</b>	<b>1,930,220</b>
<b>Liabilities</b>		
Financial liabilities at amortised cost		
Amounts owed to other credit institutions	43	34
Deposits from customers	2,122,817	1,689,110
Provisions	429	165
Deferred tax liabilities	6	20
Other liabilities	32,571	29,166
<b>Total Liabilities</b>	<b>2,155,866</b>	<b>1,718,495</b>
<b>Equity</b>		
Share capital	296,400	286,400
Legal reserves	29	-
Fair value reserves	27	83
Other reserves and retained earnings	(74,722)	(75,043)
Net income for the year	15,424	285
<b>Total Equity</b>	<b>237,158</b>	<b>211,725</b>

## APPROPRIATION OF NET INCOME

Whereas:

in the financial year of 2021, Banco CTT S.A. recorded a positive net income of 15,424,261.88 euros,

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 1,542,426.19 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 13,881,835.69 euros be transferred to Retained Earnings.

Lisbon, 14 March 2022

### THE BOARD OF DIRECTORS

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António Emídio Pessoa Corrêa d'Oliveira

# ACCOUNTS AND NOTES TO THE ACCOUNTS



## ACCOUNTS AND NOTES TO THE CONSOLIDATED ACCOUNTS OF 2021

### CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Income Statements for the years ended on 31 December 2021 and 2020

(amounts in thousand euros)

	Notes	2021	2020
Interest and similar income calculated through the effective interest rate	4	57,815	45,963
Interest and similar expenses	4	(2,101)	(1,391)
<b>Net Interest Income</b>	4	<b>55,714</b>	<b>44,572</b>
Net fee and commission income	5	25,378	20,204
Net gains/(losses) of assets and liabilities at fair value through profit or loss	6	1,101	-
Net gains/(losses) of other financial assets at fair value through other comprehensive income	7	-	389
Results from financial assets and liabilities at amortised cost	8	17,777	34
Net gains/(losses) from divestment of other assets		(80)	(230)
Other operating income/(expenses)	9	776	1,004
<b>Operating Income</b>		<b>100,666</b>	<b>65,973</b>
Staff costs	10	(25,171)	(21,806)
General administrative expenses	11	(32,977)	(27,152)
Amortisation and depreciation for the year	21 and 22	(7,691)	(6,451)
<b>Operating Costs</b>		<b>(65,839)</b>	<b>(55,409)</b>
<b>Operating Profit/(Loss) Before Provisions and Impairment</b>		<b>34,827</b>	<b>10,564</b>
Credit impairment	16	(14,134)	(10,028)
Impairment of other financial assets	15, 17 and 19	92	171
Impairment of other assets	20, 22 and 24	12	833
Provisions net of annulments	27	507	(328)
<b>Operating Profit/(Loss)</b>		<b>21,304</b>	<b>1,212</b>
<b>Profit/(Loss) Before Tax</b>		<b>21,304</b>	<b>1,212</b>
Taxes			
Current	23	(4,883)	(766)
Deferred	23	(273)	(213)
<b>Net Income for the Year</b>		<b>16,148</b>	<b>233</b>
Earnings per share (in euros)			
Basic	12	0.05	0.00
Diluted	12	0.05	0.00

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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Consolidated Comprehensive Income Statements for the years ended on 31 December 2021 and 2020

(amounts in thousand euros)

	Notes	2021	2020
<b>Net Income for the Year</b>		<b>16,148</b>	<b>233</b>
<b>Comprehensive income recognized directly in Equity after taxes</b>		<b>9</b>	<b>84</b>
<b>Items that may be reclassified to the income statement</b>			
Fair value reserve	30	(56)	67
<b>Items that shall not be reclassified to the income statement</b>			
Actuarial gains/(losses) for the year			
Employee benefits	36	65	17
<b>Total Comprehensive Income for the Year</b>		<b>16,157</b>	<b>317</b>

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

**THE CHARTERED ACCOUNTANT**

\_\_\_\_\_  
Nuno Filipe dos Santos Fernandes

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António Emídio Pessoa Corrêa d'Oliveira

Consolidated Balance Sheets as at 31 December 2021 and 2020

(amounts in thousand euros)

	Notes	2021	2020
<b>Assets</b>			
Cash and deposits at central banks	13	621,470	195,364
Deposits at other credit institutions	14	41,252	36,377
Financial assets at amortised cost			
Investments at credit institutions	15	13,771	38,902
Loans and advances to customers	16	1,541,908	1,093,282
Debt securities	17	334,161	498,251
Financial assets at fair value through profit or loss	18	27,261	2
Financial assets at fair value through other comprehensive income			
Debt securities	19	6,095	19,555
Non-current assets held for sale	20	606	966
Other tangible assets	21	7,205	3,872
Goodwill and intangible assets	22	87,957	89,911
Deferred tax assets	23	1,592	1,929
Other assets	24	20,708	21,468
<b>Total Assets</b>		<b>2,703,986</b>	<b>1,999,879</b>
<b>Liabilities</b>			
Financial liabilities at amortised cost			
Deposits from customers	25	2,121,511	1,688,465
Debt securities issued	26	277,796	44,518
Provisions	27	1,346	1,780
Current tax liabilities	23	1,362	1,363
Deferred tax liabilities	23	49	103
Other liabilities	28	64,092	51,977
<b>Total Liabilities</b>		<b>2,466,156</b>	<b>1,788,206</b>
<b>Equity</b>			
Share capital	29	296,400	286,400
Legal reserves	30	29	-
Fair value reserves	30	27	83
Other reserves and retained earnings	30	(74,774)	(75,043)
Net income for the year		16,148	233
<b>Total Equity</b>		<b>237,830</b>	<b>211,673</b>

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

**THE CHARTERED ACCOUNTANT**

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Statements of Changes in Consolidated Equity for the years ended 31 December 2021 and 2020

(amounts in thousand euros)

	Notes	Share Capital	Fair Value Reserves	Legal Reserves	Other Reserves	Retained Earnings	Net Income for the Year	Total Equity
<b>Balance on 31 December 2019</b>		<b>286,400</b>	<b>16</b>	<b>-</b>	<b>(902)</b>	<b>(66,148)</b>	<b>(8,011)</b>	<b>211,355</b>
Share capital increase		-	-	-	-	-	-	-
Appropriation of net income		-	-	-	-	(8,011)	8,011	-
Actuarial gains/(losses)		-	-	-	17	-	-	17
Other variations		-	-	-	1	-	-	1
Comprehensive income for the year								
Fair value reserves		-	67	-	-	-	-	67
Net income for the year		-	-	-	-	-	233	233
<b>Balance on 31 December 2020</b>		<b>286,400</b>	<b>83</b>	<b>-</b>	<b>(884)</b>	<b>(74,159)</b>	<b>233</b>	<b>211,673</b>
Share capital increase		10,000	-	-	-	-	-	10,000
Appropriation of net income		-	-	29	-	204	(233)	-
Actuarial gains/(losses)	36	-	-	-	65	-	-	65
Other variations		-	-	-	-	-	-	-
Comprehensive income for the year								
Fair value reserves	19	-	(56)	-	-	-	-	(56)
Net income for the year		-	-	-	-	-	16,148	16,148
<b>Balance on 31 December 2021</b>		<b>296,400</b>	<b>27</b>	<b>29</b>	<b>(819)</b>	<b>(73,955)</b>	<b>16,148</b>	<b>237,830</b>

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

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Consolidated Cash Flow Statements for the years ended on 31 December 2021 and 2020

(amounts in thousand euros)

	Notes	2021	2020
<b>Cash flow from operating activities</b>		<b>18,913</b>	<b>204,490</b>
Interest income received		52,810	42,205
Interest paid		(2,074)	(1,619)
Commissions income received		21,007	18,302
Commissions paid		(3,927)	(3,525)
Payments to employees		(23,217)	(21,180)
Income tax payments		(3,121)	(6,405)
Sectoral contributions		(373)	(518)
Other payments and revenues		(19,526)	(22,972)
Variation in operational assets and liabilities		(2,666)	200,203
<i>Other operational assets and liabilities</i>		12,397	3,155
<i>Loans and advances to customers</i>		(448,172)	(208,132)
<i>Deposits from Customers</i>		433,109	405,180
<b>Cash flow from investment activities</b>		<b>170,582</b>	<b>(65,157)</b>
Deposits at Banco de Portugal		(4,142)	10,128
Investment in securities		155,311	(65,699)
<i>Investment</i>		(287,409)	(307,332)
<i>Repayment/divestment</i>		442,720	241,633
Investments at credit institutions		25,145	(4,110)
Acquisitions of tangible fixed assets and intangible assets		(5,732)	(5,476)
<b>Cash flow from financing activities</b>		<b>239,915</b>	<b>(70,935)</b>
Share capital increases		10,000	-
Amounts owed to other credit institutions		-	(37,881)
Debt securities issued		231,369	(31,536)
Leases		(1,454)	(1,518)
<b>Cash and cash equivalents at the beginning of the year</b>		<b>212,371</b>	<b>143,973</b>
<b>Net changes in cash and cash equivalents</b>		<b>429,410</b>	<b>68,398</b>
<b>Cash and cash equivalents at the end of the year</b>		<b>641,781</b>	<b>212,371</b>
<b>Cash and cash equivalents cover:</b>		<b>641,781</b>	<b>212,371</b>
Cash	13	28,309	27,862
Demand deposits at Banco de Portugal	13	573,223	151,707
Deposits at credit institutions	14	40,249	32,802

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

**THE CHARTERED ACCOUNTANT**

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 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 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 Group 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 Banco CTT Group is composed of the following subsidiaries:

	2021		2020	
	Holding (%)	Voting rights (%)	Holding (%)	Voting rights (%)
Payshop (Portugal), S.A.	100%	100%	100%	100%
321 Crédito - Instituição Financeira de Crédito, S.A.	100%	100%	100%	100%

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

(\*) 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 pieces) 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 37 – Securitisation of assets).

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

	(amounts in thousand euros)	
	2021	2020
Cash and deposits at credit institutions	20,092	9,896
Financial assets at amortised cost – Loans and advances to customers	298,716	-
Financial liabilities at amortised cost – Debt securities issued (see Note 26)	277,796	44,518

The Bank's financial statements, presented herein, reflect the results of the operations of the Bank and its subsidiaries (together "Group"), referring to the year ended on 31 December 2021, having been prepared in accordance with current IFRS as endorsed in the European Union by 31 December 2021.

The financial statements are expressed in thousands of euros and were prepared on a going concern basis and under the historical cost convention, with the exception of assets and liabilities recorded at their fair value. The Group 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 Group to make judgments 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 judgment or complexity or areas where assumptions and estimates that 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 14 March 2022.

## Note 2 – Main Accounting Policies

The main accounting policies used in the preparation of these financial statements are 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 Financial investments in associates

Financial investments in associates are recorded by the equity method from the date when the Group acquires significant influence up to the date when it ends. Associates are entities in which the Group has significant influence but does not exercise control over its financial and operating policy. It is assumed that the Group has significant influence when it has the power to exercise more than 20% of the voting rights of the associate. If the Group directly or indirectly holds less than 20% of the voting rights, it is presumed that the Group does not have significant influence, unless such influence can be clearly demonstrated.

The existence of significant influence by the Group 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 Group and the investee;
- iv) interchange of the management team;
- v) provision of essential technical information.

The consolidated financial statements include the part attributable to the Group, of the total reserves and profits and losses of the associated company recorded by the equity method. When the Group'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 Group has incurred in a legal obligation to assume those losses on behalf of the associate.

As at 31 December 2021 and 2020, the Bank does not have any associates.

### *2.1.3 Acquisition and dilution of non-controlling interests*

The acquisition of non-controlling interests that does not give rise to a change of control over a subsidiary is recorded as a transaction with shareholders and, as such, additional goodwill is not recognised as a result of this transaction. The difference between the acquisition cost and the fair value of non-controlling interests acquired is recognised directly in reserves. Likewise, gains and losses derived from the divestment of non-controlling interests, that does not give rise to loss of control over a subsidiary, are always recognised against reserves.

### *2.1.4 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.

### *2.1.5 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.

### *2.1.6 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 Foreign Currency Transactions

Transactions in foreign currency (a currency different from the Group's functional currency) are recorded at the exchange rates in force on the transaction date. At each reporting date, the book values of the monetary items in foreign currency are updated at the exchange rates on that date. The book values of non-monetary items recorded at historical cost in foreign currency are not updated.

Favourable and unfavourable currency translation differences arising from the use of different exchange rates in force on the transaction dates and those in force on the recovery, payment or reporting dates are recognised in the profit or loss for the year.

## 2.3 Financial Instruments – IFRS 9

### 2.3.1 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; 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 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 periodified 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.

#### 2.3.1.1 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 of financial assets at amortised cost are recognised under the heading “Interest and similar income calculated through the effective rate”, based on the effective interest rate and pursuant to the criteria described in Note 2.11.

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

#### 2.3.1.2 Financial assets at fair value through other comprehensive income

##### Classification

A financial asset is classified in the category of “Financial assets at fair value through other comprehensive income” if it cumulatively complies with the following conditions:

- ▲ the financial asset is held in a business model where the objective is the collection of its contractual cash flows and the sale of that financial asset;
- ▲ its contractual cash flows occur on specific dates and correspond only to payments of principal and interest of the amount in debt (SPPI).

Furthermore, upon the initial recognition of an equity instrument, which is not held for trading, nor for a contingent retribution recognised by an acquirer in a business combination subject to IFRS 3, the Group can irrevocably decide to classify it in a category of “Financial assets at fair value through other comprehensive income” (FVOCI). This option is decided on a case-by-case basis for each investment and is only available for financial instruments that comply with the definition of equity instruments established in IAS 32, and cannot be used for financial instruments whose classification as an equity instrument in the sphere of the issuer is done under the exceptions foreseen in paragraphs 16A to 16D of IAS 32.

##### 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”, 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 rate”, based on the effective interest rate and pursuant to the criteria described in Note 2.11.

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.

### 2.3.1.3 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.

### 2.3.1.4 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.

#### 2.3.1.5 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.

#### 2.3.1.6 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, Gross Domestic Product, the Unemployment Rate and 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.

#### 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 02/2014/DSP.

#### 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 over involving suspected fraud or confirmed fraud.

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 75,000 euros or whose LTV ratio is more than 50% or non-existent.

Estimated expected loan losses – Individual 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.
		Credit cards	Includes the Universo Credit Card offer
	Sovereign debt		Eurozone public debt securities and exposures obtained through the credit assignment contract.
	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 – 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 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. The Group estimates LGD parameters based on benchmarks and the historical recovery records, for the segments where they exist. 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 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” 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.

#### 2.3.1.7 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, with the principles described in Note 2.3.1.4 Derecognition of financial assets being applicable.

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.

### 2.3.2 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.

### 2.3.3 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).

## 2.4 Offsetting financial instruments

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

## 2.5 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.

## 2.6 Tangible Assets

Tangible assets are recorded at their acquisition or production cost, minus accumulated depreciation and impairment losses, when applicable. The acquisition cost includes:

- (i) the purchase price of the asset;
- (ii) the expenses directly imputable to the purchase.

The depreciation of tangible assets, minus their residual estimated value, is calculated in accordance with the straight-line method, from the month when the assets are available for use, over their useful lives, which are determined according to their expected economic utility.

The depreciation rates that are applied correspond, on average, to the following estimated useful lives for the different categories of assets:

	Years of useful life
Works in rented properties	1-10
Security equipment	1-8
Other equipment	1-5

Depreciation terminates when the assets are re-classified as held for sale.

On each reporting date, the Group assesses whether there is any indication that an asset might be impaired. Whenever such indicators exist, the tangible assets are subject to impairment tests, where any excess of the carrying value relative to the recoverable amount, should this exist, is recognised in the consolidated income statement. The recoverable amount corresponds to the highest figure between the fair value of an asset minus the costs of selling it and its value in use, calculated based on the present value of the future cash flows that are expected to be obtained from its continued use.

Tangible assets in progress correspond to tangible assets that are still under construction/production and are recorded at acquisition or production cost. These assets are depreciated from the month when they fulfil the necessary conditions to be used for their intended purpose.

Costs related to maintenance and repair of current nature are recorded as costs in the period these are incurred. Major repairs which lead to increased benefits or increased in expected useful life are recorded as tangible assets and depreciated at the rates corresponding to their expected useful life. Any replaced component is identified and written off.

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

## 2.7 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 analysis of the expected period of its use, it was decided that its amortisation should take place over a period of 15 years.

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)".

## 2.8 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.

### 2.8.1 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.

#### *2.8.2 As lessor*

When the Group acts as a lessor, at the beginning of the lease it determines whether this lease should be classified as an operating lease or a finance lease.

In order to classify each lease, the Group makes an overall assessment as to whether the lease substantially transfers all the risks and benefits inherent to the ownership of the underlying asset. If the lease substantially transfers all the risks and benefits inherent to the ownership of the underlying assets, this entails a finance lease, otherwise it shall be considered an operating lease. As part of this assessment, the Group considers various indicators such as whether the lease is conducted for the majority of the asset's economic life.

When the Group is an intermediary lessor, the Group records its interests in the main lease and in the sublease separately. The classification of the sublease is made by reference to the right-of-use asset derived from the original lease, and not by reference to the underlying asset. If the original lease is a short-term lease contract to which the Group applies the exemption of recognition described above, the Group classifies the sublease as an operating lease.

If a contract contains lease and non-lease components, the Group shall apply IFRS 15 to impute the retribution established in the contract.

## 2.9 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 for tax purposes.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for deductible temporary differences. However, this 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 IRC payments to CTT are settled through the use/reduction of the amount receivable, with effective payment only after there are no historical amounts receivable.

## 2.10 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.

## 2.11 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 is 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.

### **2.12 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.

### **2.13 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.

### **2.14 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 exclude restricted balances with central banks.

### **2.15 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".

## 2.16 Employee Benefits

### Career Bonus

Pursuant to Clause 69 of the collective bargaining agreement (ACT) of the banking sector, published in the Bulletin of Work and Employment (BTE) number 38/2017 of 15 October, 321 Crédito undertook the commitment to, on the date of moving into a situation of retirement, due to disability or old age, grant the employee a bonus of the value of 1.5 times the effective monthly retribution 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 in Clause 92 of the collective bargaining agreement of the banking sector published in Bulletin 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 or interest and similar expenses 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.

### **2.17 Non-Current Assets held for Sale**

IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations 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 foreclosure 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 2018/0000062) 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 valuers specialised in these types of services.

### **2.18 Securitisation operations**

The Group has three consumer credit securitisation operations in progress (Ulisses Finance No.1, Chaves Funding No. 8 and Ulisses Finance No. 2) and one financial lease securitisation operation (Fénix 1), in which it originated the securitised assets. Regarding the operations Ulisses Finance No.1, Chaves Funding No. 8 and Ulisses Finance No. 2, 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.

In addition, the Banco CTT Group is the sole investor in the Next Funding No.1 securitisation operation, which has as underlying asset the credit card balances originated by the Universo credit card issued by Sonae Financial Services. This entity is 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 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 Group and their disclosure.

A broad description of the main accounting principles used by the Group is presented in Note 2 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. This is based on the difference between the contractual cash flows and those that the Group expects to receive, via cash flows generated by the business of the client or 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.

### **3.2 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 2.1.6. 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.

### **3.4 Evolution of the SARS-COV-2 (Covid-19) situation**

The general spread of vaccination in the second half of 2021 allowed for a gradual lifting of the restriction measures that were imposed throughout 2021. The evolution of business activity is expected to be conditioned in the short term by a new wave of the pandemic in Europe and by problems in global supply chains. The reintroduction of restrictive measures to contain the pandemic, including on international mobility, alongside increased uncertainty, will impact the pace of recovery, in particular for tourism-related services. In addition, disruptions in global supply chains, which have been reflected in the scarcity of raw materials and other goods and an increase in their costs, are assumed to dissipate from the second half of 2022 onwards. In the light of the above, management will continue to monitor the threat and its implications on the business and provide all necessary information to its stakeholders and act in accordance with the recommendations issued by the World Health Organisation and public health authorities.

## Note 4 – Net Interest Income

This heading is composed of:

*(amounts in thousand euros)*

	2021	2020
<b>Interest and similar income calculated through the effective interest rate</b>	<b>57,815</b>	<b>45,963</b>
Interest on financial assets at amortised cost		
Investments at credit institutions	282	417
Loans and advances to customers	51,972	37,853
Debt securities	5,461	7,520
Interest on financial assets at fair value through other comprehensive income		
Debt securities	102	175
Other interest	(2)	(2)
<b>Interest and similar expenses</b>	<b>2,101</b>	<b>1,391</b>
Interest on financial liabilities at amortised cost		
Amounts owed to other credit institutions	1	2
Deposits from Customers	472	863
Debt securities issued	528	460
Interest on deposits at Banco de Portugal (assets)	1,000	19
Other interest	100	47
<b>Net Interest Income</b>	<b>55,714</b>	<b>44,572</b>

The heading “Interest and similar income” for the year ended on 31 December 2021 presents a total of 2,229 thousand euros (2020: 1,365 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 -9,689 thousand euros (2020: -7,394 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 2.11.

The item Interest on deposits at Banco de Portugal (assets) has a value of 1,000 thousand euros (2020: 19 thousand euros) which represents interest expenses for amounts deposited with the Central Bank that exceed the minimum reserve requirements. From the reserve counting period started on 30 October 2019, the ECB introduced the tiering regime, in which 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 the central bank’s lending rate.



## Note 5 – Net Fee and Commission Income

This heading is composed of:

*(amounts in thousand euros)*

	2021	2020
<b>Fees and commissions received</b>	<b>31,729</b>	<b>26,055</b>
Due to payment operations	9,936	9,554
Due to banking services provided	14,058	10,450
Due to credit intermediation services	1,766	1,748
Due to insurance mediation services	5,969	4,304
Other fees and commissions received	-	(1)
<b>Fees and commissions paid</b>	<b>6,351</b>	<b>5,851</b>
Due to banking services provided by third parties	3,805	3,391
Due to payment operations	2,397	2,302
Dues to operations with securities	117	108
Other fees and commissions paid	32	50
<b>Net Fee and Commission Income</b>	<b>25,378</b>	<b>20,204</b>

The heading “Fees and commissions received – Due to payment operations” refers to commissions related to the payment acceptance activity of the payment entity Payshop.

The heading “Fees and commissions paid – Due to payment operations” refers to commissions paid by the payment acceptance activity of the payment entity Payshop.

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

This heading is composed of:

*(amounts in thousand euros)*

	2021	2020
<b>Earnings on transactions with assets and liabilities at fair value through profit or loss</b>	<b>1,102</b>	-
Derivatives	1,102	-
<b>Losses on transactions with assets and liabilities at fair value through profit or loss</b>	<b>(1)</b>	-
Investment fund units	(1)	-
<b>Results from Assets and Liabilities at Fair Value Through Profit or Loss</b>	<b>1,101</b>	-

Earnings on transactions with assets and liabilities at fair value through profit or loss refer to the change in the fair value of derivatives associated with the securitisation operations Ulisses Finance No.1 and Ulisses Finance No.2.

## Note 7 – Net Gains/(Losses) of Other Financial Assets at Fair Value Through Other Comprehensive Income

This heading is composed of:

(amounts in thousand euros)

	2021	2020
<b>Earnings on transactions with other financial assets at fair value against other comprehensive income</b>	-	<b>389</b>
Debt securities	-	389
<b>Net Gains/(Losses) of Other Financial Assets at Fair Value Through Other Comprehensive Income</b>	-	<b>389</b>

## Note 8 – Results from Financial Assets and Liabilities at Amortised Cost

This heading is composed of:

(amounts in thousand euros)

	2021	2020
<b>Earnings on operations with financial assets and liabilities at amortised cost</b>	<b>17,916</b>	<b>34</b>
Debt securities	17,916	34
<b>Losses on operations with financial assets and liabilities at amortised cost</b>	<b>(139)</b>	-
Debt securities	(139)	-
<b>Results from Financial Assets and Liabilities at Amortised Cost</b>	<b>17,777</b>	<b>34</b>

During 2021, the Group made sales of securities at amortised cost, resulting in a gain of 17,777 thousand euros. These sales of securities resulted from the Group's balance sheet management in the context of the entry into a new business segment (credit cards) resulting from the partnership with Sonae Financial Services.

## Note 9 – Other Operating Income/(Expenses)

This heading is composed of:

(amounts in thousand euros)

	2021	2020
<b>Operating income</b>	<b>3,914</b>	<b>3,794</b>
Credit recovery	1,281	1,297
Other operating income	2,633	2,497
<b>Operating expenses</b>	<b>3,138</b>	<b>2,790</b>
Royalties	191	238
Levies and donations	53	68
Contribution of the banking sector	127	304
Contribution to the Single Resolution Fund	185	82
Contribution to the Resolution Fund	47	128
Annual supervisory fees (SSM)	7	-
Taxes	182	138
Annual supervisory fees (ASF)	4	2
Contribution to the Deposit Guarantee Fund	4	3
Other operating expenses	2,338	1,827
<b>Other Operating Income/(Expenses)</b>	<b>776</b>	<b>1,004</b>

The heading “Credit recovery” refers to values recovered, via judicial or other means, of contracts written off from the assets.

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.

The heading “Royalties” records the amounts payable to CTT Contacto, S.A. for use of the Payshop brand.

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 of the core own funds (Tier 1 Capital), supplementary own funds (Tier 2 Capital) 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 10 – Staff Costs

This heading is composed of:

	<i>(amounts in thousand euros)</i>	
	<b>2021</b>	<b>2020</b>
Remuneration	15,152	14,301
Social charges on remunerations	3,659	3,435
Employees with a multiple employer arrangement	3,328	1,843
Incentives and performance bonuses	2,357	1,624
Occupational accident and disease insurance	484	378
Other costs	191	225
<b>Staff costs</b>	<b>25,171</b>	<b>21,806</b>

The total amount of fixed remunerations attributed to the Management and Supervisory Bodies of Banco CTT, during 2021, recorded in the heading “Remunerations”, reached 1,640 thousand euros (2020: 1,501 thousand euros). During 2021, costs related to Social Security contributions of the Management and Supervisory Bodies were also paid of the value of 388 thousand euros (2020: 353 thousand euros). As at 31 December 2021, the heading “Incentives and performance bonuses” includes 689 thousand euros of bonuses attributable to the Management Bodies (2020: 133 thousand euros). In 2021, the Bank recorded under the heading “Other costs” 35 thousand euros of costs related to retirement savings plans attributed to Management Bodies (2020: 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 2021 the cost related to these employees shared with CTT amounted to 3,240 thousand euros (2020: 1,843 thousand euros).

In 2021 the Management Bodies were paid 226 thousand euros of variable remuneration (2020: 202 thousand euros).

On the date of the end of 2021 and 2020, the permanent staff, excluding employees under the multiple employer arrangement, distributed by major professional category, was as follows:

	2021	2020
Administration	12	12
<i>Executive</i>	5	5
<i>Non-executive</i>	7	7
<i>of which: Audit Committee</i>	3	3
Corporate Bodies (subsidiaries)	5	6
<i>of which: Supervisory Bodies</i>	4	4
Heads of functional areas	44	41
Technical and secretarial staff	383	366
	<b>444</b>	<b>425</b>

The heading Other costs includes, at 31 December 2021, 121 thousand euros (2020: 113 thousand euros) relative to defined benefit plans, as referred to in Note 36.

## Note 11 – General Administrative Expenses

This heading is composed of:

	<i>(amounts in thousand euros)</i>	
	<b>2021</b>	<b>2020</b>
Water, electricity and fuel	254	212
Consumables	151	172
Hygiene and cleaning supplies	10	27
Rental and hire charges	276	360
Communications	2,092	2,012
Travel, hotel and representation costs	499	429
Advertising	1,774	1,371
Maintenance and related services	296	34
Training costs	175	97
Insurance	122	140
IT	10,580	9,279
Consulting and advisory services	2,514	2,232
Other specialised services	3,263	3,083
Other supplies and services	10,971	7,704
<b>General Administrative Expenses</b>	<b>32,977</b>	<b>27,152</b>

The heading “IT” records the costs incurred with the implementation and maintenance of information technology 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 the banking and transaction operative.

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 3,713 thousand euros (2020: 2,745 thousand euros).

The costs incurred with audit and legal review of accounts services provided by the Statutory Auditor are as follows:

	<i>(amounts in thousand euros)</i>	
	<b>2021</b>	<b>2020</b>
Review of accounts services	281	285
Reliability assurance services	109	260
Services other than review of accounts	-	83
	<b>390</b>	<b>628</b>

## Note 12 – Earnings per Share

Earnings per share are calculated as follows:

	2021	2020
Net income for the year (thousand euros)	16,148	233
Average number of shares	295,742,466	286,400,000
Basic earnings per share (euros)	0,05	0,00
Diluted earnings per share (euros)	0,05	0,00

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 2021 and 2020, 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 13 – Cash and Deposits at Central Banks

This heading is analysed as follows:

	<i>(amounts in thousand euros)</i>	
	2021	2020
Cash	28,310	27,862
Demand deposits at Banco de Portugal	593,160	167,502
<b>Cash and Deposits at Central Banks</b>	<b>621,470</b>	<b>195,364</b>

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 2021, the amount of the minimum cash reserves was 19,938 thousand euros.

Pursuant to Regulation (EU) 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. From the reserve counting period started on 30 October 2019, the ECB introduced the tiering regime, in which 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 the central bank's lending rate.

## Note 14 – Deposits at Other Credit Institutions

This heading is analysed as follows:

	<i>(amounts in thousand euros)</i>	
	<b>2021</b>	<b>2020</b>
Credit institutions in Portugal	20,158	22,906
Credit institutions abroad	20,092	9,896
Cheques for collection	1,002	3,575
Impairment for deposits at other credit institutions	-	-
<b>Deposits at Other Credit Institutions</b>	<b>41,252</b>	<b>36,377</b>

The heading “Cheques for collection” represents drawn by third parties at other credit institutions, which are pending collection.

## Note 15 – Financial Assets at Amortised Cost – Investments at Credit Institutions

This heading is analysed as follows:

	<i>(amounts in thousand euros)</i>	
	<b>2021</b>	<b>2020</b>
Investments at credit institutions in Portugal	2,350	10,000
Loans to credit institutions in Portugal	11,425	18,929
Investments at credit institutions abroad	-	10,000
Impairment for investments in credit institutions	(4)	(27)
<b>Investments at Credit Institutions</b>	<b>13,771</b>	<b>38,902</b>

The scheduling of this heading by maturity periods is presented as follows:

	<i>(amounts in thousand euros)</i>	
	<b>2021</b>	<b>2020</b>
Up to 3 months	2,338	12,871
3 to 12 months	6,198	14,633
1 to 3 years	5,239	10,463
More than 3 years	-	962
<b>Investments at Credit Institutions</b>	<b>13,775</b>	<b>38,929</b>

The heading “Investments at credit institutions” showed an annual average rate of 1.191% in 2020 (2019: 1.179%).

Impairment of investments in credit institutions for the Bank is analysed as follows:

(amounts in thousand euros)

	2021 Stage 1	2020 Stage 1
<b>Opening balance</b>	<b>27</b>	<b>216</b>
<b>Movement for the period:</b>		
Financial assets originated or acquired	1	23
Variations due to change in exposure or risk parameters	(1)	(162)
Derecognised financial assets excluding write-offs	(23)	(50)
<b>Impairment of investments in credit institutions</b>	<b>4</b>	<b>27</b>

The reconciliation of the accounting movements related to impairment losses are presented below:

(amounts in thousand euros)

	2021 Stage 1	2020 Stage 1
<b>Opening balance</b>	<b>27</b>	<b>216</b>
<b>Movement for the period:</b>		
Variations in the expected credit loss of the Portfolio	(23)	(189)
<b>Impairment of investments in credit institutions</b>	<b>4</b>	<b>27</b>

## Note 16 – Financial Assets at Amortised Cost – Loans and Advances to Customers

This heading is analysed as follows:

(amounts in thousand euros)

	2021	2020
Mortgage credit	595,420	525,083
Motor vehicle credit	660,983	568,273
Credit cards	297,944	-
Finance leases	4,975	6,937
Overdrafts	1,331	1,148
<b>Outstanding loans</b>	<b>1,560,653</b>	<b>1,101,441</b>
Overdue loans - less than 90 days	1,165	1,009
Overdue loans - more than 90 days	11,180	7,497
<b>Overdue loans</b>	<b>12,345</b>	<b>8,506</b>
<b>Impairment for credit risk</b>	<b>(31,090)</b>	<b>(16,665)</b>
<b>Loans and Advances to Customers</b>	<b>1,541,908</b>	<b>1,093,282</b>

The credit cards item represents the portfolio of credit cards acquired under the Universo Partnership with Sonae Financial Services. As mentioned in note 37 (Securitisation of Assets), this portfolio has been recognised in the Group's financial statements to the extent that the Group is the sole investor in the Next Funding No.1 securitisation operation and therefore subject to the conditions set out in IFRS 10 (Consolidated Financial Statements)) the securitisation operation is consolidated.



The scheduling of this heading by maturity periods is presented as follows:

(amounts in thousand euros)

	2021						Total
	At sight	Up to 3 months	3 to 12 months	1 to 3 years	More than 3 years	Overdue loans	
Mortgage credit	-	4,529	13,058	35,360	542,473	-	595,420
Motor vehicle credit	-	27,206	73,257	188,259	372,261	9,611	670,594
Credit cards	-	297,944	-	-	-	773	298,717
Finance leases	-	460	1,281	2,717	517	77	5,052
Other loans	-	-	-	-	-	606	606
Overdrafts	1,331	-	-	-	-	1,278	2,609
<b>Loans and Advances to Customers</b>	<b>1,331</b>	<b>330,139</b>	<b>87,596</b>	<b>226,336</b>	<b>915,251</b>	<b>12,345</b>	<b>1,572,998</b>

(amounts in thousand euros)

	2020						Total
	At sight	Up to 3 months	3 to 12 months	1 to 3 years	More than 3 years	Overdue loans	
Mortgage credit	-	3,679	10,650	29,886	480,869	-	525,084
Motor vehicle credit	-	24,671	62,937	163,220	317,445	6,624	574,897
Finance leases	-	365	1,390	3,068	2,113	210	7,146
Other loans	-	-	-	-	-	627	627
Overdrafts	1,148	-	-	-	-	1,045	2,193
<b>Loans and Advances to Customers</b>	<b>1,148</b>	<b>28,715</b>	<b>74,977</b>	<b>196,174</b>	<b>800,427</b>	<b>8,506</b>	<b>1,109,947</b>

The distribution of this heading by type of rate is presented as follows:

(amounts in thousand euros)

	2021	2020
Fixed rate	926,351	528,331
Variable rate	646,647	581,616
<b>Loans and Advances to Customers</b>	<b>1,572,998</b>	<b>1,109,947</b>

The analysis of this heading by type of collateral is presented as follows:

(amounts in thousand euros)

	2021				
	Loans that have not yet fallen due	Overdue loans	Gross loans	Impairment	Net loans
Asset-backed loans	600,434	1,510	601,944	(2,409)	599,535
Personal guaranteed loans	645,072	4,776	649,848	(17,150)	632,698
Unsecured loans	315,147	6,059	321,206	(11,531)	309,675
	<b>1,560,653</b>	<b>12,345</b>	<b>1,572,998</b>	<b>(31,090)</b>	<b>1,541,908</b>

(amounts in thousand euros)

	2020				
	Loans that have not yet fallen due	Overdue loans	Gross loans	Impairment	Net loans
Asset-backed loans	531,955	924	532,879	(1,513)	531,366
Personal guaranteed loans	562,615	3,768	566,383	(10,184)	556,199
Unsecured loans	6,871	3,814	10,685	(4,968)	5,717
	<b>1,101,441</b>	<b>8,506</b>	<b>1,109,947</b>	<b>(16,665)</b>	<b>1,093,282</b>

The analysis of this heading by type of loan is presented as follows:

(amounts in thousand euros)

	2021				
	Loans that have not yet fallen due	Overdue loans	Gross loans	Impairment	Net loans
Mortgage credit	595,420	-	595,420	(596)	594,824
Motor vehicle credit	660,983	9,611	670,594	(22,024)	648,570
Credit cards	297,944	773	298,717	(6,618)	292,099
Finance leases	4,975	77	5,052	(98)	4,954
Other loans	-	606	606	(606)	-
Overdrafts	1,331	1,278	2,609	(1,148)	1,461
	<b>1,560,653</b>	<b>12,345</b>	<b>1,572,998</b>	<b>(31,090)</b>	<b>1,541,908</b>

(amounts in thousand euros)

	2020				
	Loans that have not yet fallen due	Overdue loans	Gross loans	Impairment	Net loans
Mortgage credit	525,083	-	525,083	(499)	524,584
Motor vehicle credit	568,273	6,624	574,897	(14,657)	560,240
Finance leases	6,937	210	7,147	(282)	6,865
Other loans	-	627	627	(122)	505
Overdrafts	1,148	1,045	2,193	(1,105)	1,088
	<b>1,101,441</b>	<b>8,506</b>	<b>1,109,947</b>	<b>(16,665)</b>	<b>1,093,282</b>

The analysis of this heading by activity sector is presented as follows:

(amounts in thousand euros)

	2021				
	Loans that have not yet fallen due	Overdue loans	Gross loans	Impairment	Net loans
<b>Companies</b>					
Agriculture, forestry, animal husbandry and fisheries	4,234	39	4,273	(132)	4,141
Mining industry	695	-	695	(5)	690
Manufacturing industries	6,007	137	6,144	(174)	5,970
Water	124	-	124	-	124
Construction	9,894	301	10,195	(387)	9,808
Wholesale and retail trade	10,126	428	10,554	(531)	10,023
Transport and storage	4,168	88	4,256	(115)	4,141
Restaurants and hotels	4,182	91	4,273	(146)	4,127
Information and communication	645	-	645	(5)	640
Financial and insurance sector	308	2	310	(4)	306
Real estate activities	1,707	2	1,709	(21)	1,688
Professional, scientific and technical activities	1,657	8	1,665	(46)	1,619
Administrative and support services	3,471	329	3,800	(380)	3,420
Education	721	1	722	(10)	712
Health services and social assistance	1,305	15	1,320	(23)	1,297
Artistic, sports and recreational activities	897	73	970	(66)	904
Other services	5,867	71	5,938	(183)	5,755
<b>Individuals</b>					
Mortgage loans	595,516	-	595,516	(598)	594,918
Consumer	909,129	10,760	919,889	(28,264)	891,625
	<b>1,560,653</b>	<b>12,345</b>	<b>1,572,998</b>	<b>(31,090)</b>	<b>1,541,908</b>

(amounts in thousand euros)

	2020				
	Loans that have not yet fallen due	Overdue loans	Gross loans	Impairment	Net loans
<b>Companies</b>					
Agriculture, forestry, animal husbandry and fisheries	1,571	20	1,591	(47)	1,544
Mining industry	257	-	257	(5)	252
Manufacturing industries	3,048	94	3,142	(105)	3,037
Water	144	6	150	(6)	144
Construction	6,186	325	6,511	(292)	6,219
Wholesale and retail trade	4,781	471	5,252	(253)	4,999
Transport and storage	1,325	56	1,381	(80)	1,301
Restaurants and hotels	1,639	23	1,662	(67)	1,595
Information and communication	252	2	254	(3)	251
Financial and insurance sector	171	2	173	(3)	170
Real estate activities	1,354	11	1,365	(17)	1,348
Professional, scientific and technical activities	885	5	890	(32)	858
Administrative and support services	1,408	294	1,702	(95)	1,607
Education	573	1	574	(9)	565
Health services and social assistance	806	15	821	(34)	787
Artistic, sports and recreational activities	411	31	442	(37)	405
Other services	23,392	121	23,513	(453)	23,060
<b>Individuals</b>					
Mortgage loans	525,083	-	525,083	(499)	524,584
Consumer	528,155	7,029	535,184	(14,628)	520,556
	<b>1,101,441</b>	<b>8,506</b>	<b>1,109,947</b>	<b>(16,665)</b>	<b>1,093,282</b>

The movement of credit impairment in the period is detailed as follows:

(amounts in thousand euros)

	2021			
	Stage 1	Stage 2	Stage 3	Total
<b>Opening balance</b>	<b>4,161</b>	<b>2,225</b>	<b>10,279</b>	<b>16,665</b>
<b>Movement for the period:</b>				
Financial assets originated or acquired	3,754	2,937	2,507	9,198
Variations due to change in exposure or risk parameters	(1,623)	(370)	8,187	6,194
Derecognised financial assets excluding write-offs	(407)	(155)	(696)	(1,258)
<i>Write-offs</i>	-	-	(685)	(685)
Transfers to:				
Stage 1	1,012	(361)	(651)	-
Stage 2	(204)	1,687	(1,483)	-
Stage 3	(164)	(1,482)	1,646	-
Other movements	(55)	121	910	976
<b>Credit impairment</b>	<b>6,474</b>	<b>4,602</b>	<b>20,014</b>	<b>31,090</b>
<i>Of which: POCI</i>	-	-	1,463	1,463

(amounts in thousand euros)

	2020			
	Stage 1	Stage 2	Stage 3	Total
<b>Opening balance</b>	<b>2,063</b>	<b>871</b>	<b>1,044</b>	<b>3,978</b>
<b>Movement for the period:</b>				
Financial assets originated or acquired	1,555	654	725	2,934
Variations due to change in exposure or risk parameters	558	(308)	7,606	7,856
Derecognised financial assets excluding write-offs	(226)	(50)	(486)	(762)
Write-offs	-	-	(752)	(752)
Transfers to:				
Stage 1	450	(177)	(273)	-
Stage 2	(252)	934	(682)	-
Stage 3	(234)	(116)	350	-
Other movements	247	417	2,747	3,411
<b>Credit impairment</b>	<b>4,161</b>	<b>2,225</b>	<b>10,279</b>	<b>16,665</b>
<i>Of which: POCI</i>	-	-	922	922

The reconciliation of the accounting movements related to impairment losses are presented below:

(amounts in thousand euros)

	2021			
	Stage 1	Stage 2	Stage 3	Total
<b>Opening balance</b>	<b>4,161</b>	<b>2,225</b>	<b>10,279</b>	<b>16,665</b>
<b>Movement for the period:</b>				
Variations in the expected credit loss of the credit portfolio	1,724	2,412	9,998	14,134
Transfers of Stage (net)	644	(156)	(488)	-
Write-offs	-	-	(685)	(685)
Other movements	(55)	121	910	976
<b>Credit impairment</b>	<b>6,474</b>	<b>4,602</b>	<b>20,014</b>	<b>31,090</b>

(amounts in thousand euros)

	2020			
	Stage 1	Stage 2	Stage 3	Total
<b>Opening balance</b>	<b>2,063</b>	<b>871</b>	<b>1,044</b>	<b>3,978</b>
<b>Movement for the period:</b>				
Variations in the expected credit loss of the credit portfolio	1,887	296	7,845	10,028
Transfers of Stage (net)	(36)	641	(605)	-
Write-offs	-	-	(752)	(752)
Other movements	247	417	2,747	3,411
<b>Credit impairment</b>	<b>4,161</b>	<b>2,225</b>	<b>10,279</b>	<b>16,665</b>

The credit portfolio detailed by stage as defined in IFRS 9 is presented as follows:

*(amounts in thousand euros)*

	2021	2020
<b>Stage 1</b>	<b>1,428,288</b>	<b>1,026,605</b>
Gross Value	1,434,762	1,030,766
Impairment	(6,474)	(4,161)
<b>Stage 2</b>	<b>82,565</b>	<b>49,989</b>
Gross Value	87,167	52,214
Impairment	(4,602)	(2,225)
<b>Stage 3</b>	<b>31,055</b>	<b>16,688</b>
Gross Value	51,069	26,967
Impairment	(20,014)	(10,279)
	<b>1,541,908</b>	<b>1,093,282</b>

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.

### Moratoria

Decree-Law 10-J/2020 of 26 March established exceptional measures to protect the credit of families, businesses, private charities and other social economy entities, as well as a special scheme of personal guarantees from the State, within the scope of the Covid-19 pandemic.

In the course of 2020, the said regulation was amended by Law 8/2020 of 10 April, Decree-Law 26/2020 of 16 June, Law 27-A/2020 of 24 July and Decree-Law 78-A/2020 of 29 September.

With the various legislative changes, the end of the moratorium period, initially scheduled for September 2020, was extended until December 2021. The legislative changes also allowed for the extension of the deadline for customers to formalise moratorium requests. The conditions of access and the types of credits covered have also been changed. The measures provided for in the legislation described above - Public Moratoria -, materialise in the granting of a grace period for principal or principal and interest to debtors of credit agreements.

In addition to the Public Moratorium, ASFAC - Association of Specialised Credit Institutions - created the ASFAC Private Moratorium, which established exceptional measures to support and protect families resulting from the financial impacts of the pandemic caused by Covid-19, similar to those provided for in the Public Moratorium and applicable to 321 Crédito’s motor vehicle credit portfolio.

As at 31 December 2021, the Banco CTT Group has no active moratorium on any credit segment.

In accordance with the EBA Guidelines on the reporting and disclosure of exposures subject to measures applied in response to the Covid-19 crisis (EBA/GL/2020/07), the total number of moratorium requests, moratoriums assigned and gross carrying amount of loans and advances as at 31 December 2021 and 2020: are presented below:

(amounts in thousand euros)

	2021								
	Number of debtors	Total	Of which: legislative moratoria	Of which: expired	Gross carrying amount				
					Residual maturity of moratoria				
					≤ 3 months	> 3 months ≤ 6 months	> 6 months ≤ 9 months	> 9 months ≤ 12 months	> 1 year
Loans and advances which have been offered a moratorium	7,080	81,279							
Loans and advances subject to a moratorium (applied)	4,424	64,019	42,220	64,019	-	-	-	-	-
of which: households		54,496	33,041	54,496	-	-	-	-	-
of which: secured by residential property		33,023	33,023	33,023	-	-	-	-	-
of which: non-financial corporations		9,523	9,179	9,523	-	-	-	-	-
of which: small and medium-sized enterprises		8,011	7,684	8,011	-	-	-	-	-
of which: secured by commercial real estate		2,610	2,610	2,610	-	-	-	-	-

(amounts in thousand euros)

	2020								
	Number of debtors	Total	Of which: legislative moratoria	Of which: expired	Gross carrying amount				
					Residual maturity of moratoria				
					≤ 3 months	> 3 months ≤ 6 months	> 6 months ≤ 9 months	> 9 months ≤ 12 months	> 1 year
Loans and advances which have been offered a moratorium	7,018	103,470							
Loans and advances subject to a moratorium (applied)	4,364	82,151	54,213	41,761	9,423	389	30,578	-	-
of which: households		71,837	44,356	40,719	152	389	30,578	-	-
of which: secured by residential property		44,335	44,335	13,223	146	389	30,578	-	-
of which: non-financial corporations		10,313	9,857	1,042	9,271	-	-	-	-
of which: small and medium-sized enterprises		9,131	8,674	1,015	8,115	-	-	-	-
of which: secured by commercial real estate		2,958	2,958	165	2,794	-	-	-	-

The heading “Loans and advances to customers” includes the following amounts related to finance lease contracts:

*(amounts in thousand euros)*

	2021	2020
Value of future minimum payments	5,352	7,458
Interest not yet due	(377)	(521)
<b>Present value</b>	<b>4,975</b>	<b>6,937</b>

The value of the future minimum payments of finance lease contracts, by maturity period, is analysed as follows:

*(amounts in thousand euros)*

	2021	2020
Up to 1 year	2,107	1,763
1 to 5 years	2,727	4,602
More than 5 years	518	1,093
<b>Value of future minimum payments</b>	<b>5,352</b>	<b>7,458</b>

The analysis of the finance lease contracts by type of customer is presented as follows:

*(amounts in thousand euros)*

	2021	2020
<b>Individuals</b>	<b>623</b>	<b>773</b>
Mortgage	91	96
Other	532	677
<b>Companies</b>	<b>4,352</b>	<b>6,164</b>
Furniture	199	315
Real estate	4,153	5,849
	<b>4,975</b>	<b>6,937</b>

## Note 17 – Financial Assets at Amortised Cost – Debt Securities

This heading is analysed as follows:

*(amounts in thousand euros)*

	2021	2020
Public debt securities		
Portuguese	185,545	288,879
Foreign	148,350	201,696
Bonds of other issuers		
Portuguese	387	7,858
Impairment	(121)	(182)
<b>Financial Assets at Amortised Cost – Debt Securities</b>	<b>334,161</b>	<b>498,251</b>

During 2021, sales amounting to 204 million euros (nominal value) were made, resulting in a gain of 17,777 thousand euros (note 8).

The financial assets in this portfolio are managed based on a business model whose objective is the receipt of its contractual cash flows (note 2.3.1.1).



The analysis of investments in securities as at 31 December 2021 and 2020, by residual maturity, is as follows:

(amounts in thousand euros)

	2021				
	Up to 3 months	3 to 12 months	1 to 3 years	More than 3 years	Total
Public debt securities					
Portuguese	2,521	22,264	38,565	122,195	185,545
Foreign	1,013	12,997	11,098	123,242	148,350
Bonds of other issuers					
Portuguese	387	-	-	-	387
<b>Financial Assets at Amortised Cost – Debt Securities</b>	<b>3,921</b>	<b>35,261</b>	<b>49,663</b>	<b>245,437</b>	<b>334,282</b>

(amounts in thousand euros)

	2020				
	Up to 3 months	3 to 12 months	1 to 3 years	More than 3 years	Total
Public debt securities					
Portuguese	4,493	13,931	60,600	209,855	288,879
Foreign	993	20,556	24,543	155,604	201,696
Bonds of other issuers					
Portuguese	5,193	-	2,665	-	7,858
<b>Financial Assets at Amortised Cost – Debt Securities</b>	<b>10,679</b>	<b>34,487</b>	<b>87,808</b>	<b>365,459</b>	<b>498,433</b>

The movement of the impairment of debt securities at amortised cost is analysed as follows:

(amounts in thousand euros)

	2021 Stage 1	2020 Stage 1
<b>Opening balance</b>	<b>182</b>	<b>173</b>
<b>Movement for the period:</b>		
Financial assets originated or acquired	35	11
Variations due to change in exposure or risk parameters	(78)	2
Derecognised financial assets excluding write-offs	(18)	(4)
<b>Impairment of debt securities at amortised cost</b>	<b>121</b>	<b>182</b>

The reconciliation of the accounting movements related to impairment losses are presented below:

(amounts in thousand euros)

	2021 Stage 1	2020 Stage 1
<b>Opening balance</b>	<b>182</b>	<b>173</b>
<b>Movement for the period:</b>		
Variations in the expected credit loss of the portfolio	(61)	9
<b>Impairment of debt securities at amortised cost</b>	<b>121</b>	<b>182</b>

## Note 18 – Financial Assets at Fair Value Through Profit or Loss

This heading is analysed as follows:

	<i>(amounts in thousand euros)</i>	
	2021	2020
Derivatives	2,262	2
Investment fund units	24,999	-
Real-estate Investment Funds	24,999	-
<b>Financial Assets at Fair Value Through Profit and Loss</b>	<b>27,261</b>	<b>2</b>

The item Derivatives represents the fair value of derivative financial instruments whose objective is the mitigation of interest rate risk for securitisation operations and their investors, as detailed in note 37.

The item Real Estate Investment Funds in the amount of 24,999 thousand euros refers to an investment in an open-ended real estate investment fund domiciled in Portugal, representing 10.7% of the total units issued on 31 December 2021.

## Note 19 – Financial Assets at Fair Value through Other Comprehensive Income – Debt Securities

This heading is analysed as follows:

	<i>(amounts in thousand euros)</i>	
	2021	2020
Public debt securities		
Portuguese	849	7,621
Bonds of other issuers		
Portuguese	5,246	11,934
<b>Financial Assets at Fair Value through Other Comprehensive Income – Debt Securities</b>	<b>6,095</b>	<b>19,555</b>

Fair value changes are reflected in other comprehensive income, as described in note 2.3.1.2. (see note 30).

The analysis of investments in securities as at 31 December 2021 and 2020, by residual maturity, is as follows:

	<i>(amounts in thousand euros)</i>				
	2021				
	Up to 3 months	3 to 12 months	1 to 3 years	More than 3 years	Total
Public debt securities					
Portuguese	4	845	-	-	849
Bonds of other issuers					
Portuguese	339	-	4,907	-	5,246
<b>Financial Assets at Fair Value through Other Comprehensive Income – Debt Securities</b>	<b>343</b>	<b>845</b>	<b>4,907</b>	<b>-</b>	<b>6,095</b>

(amounts in thousand euros)

	2020				
	Up to 3 months	3 to 12 months	1 to 3 years	More than 3 years	Total
Public debt securities					
Portuguese	45	6,715	861	-	7,621
Bonds of other issuers					
Portuguese	521	-	11,413	-	11,934
<b>Financial Assets at Fair Value through Other Comprehensive Income – Debt Securities</b>	<b>566</b>	<b>6,715</b>	<b>12,274</b>	<b>-</b>	<b>19,555</b>

The movement of the impairment of debt securities at fair value through other comprehensive income is analysed as follows:

(amounts in thousand euros)

	2021 Stage 1	2020 Stage 1
<b>Opening balance</b>	<b>9</b>	<b>-</b>
<b>Movement for the period:</b>		
Financial assets originated or acquired	-	9
Variations due to change in exposure or risk parameters	(4)	-
Derecognised financial assets excluding write-offs	(2)	-
<b>Impairment of debt securities at fair value through other comprehensive income</b>	<b>3</b>	<b>9</b>

The reconciliation of the accounting movements related to impairment losses are presented below:

(amounts in thousand euros)

	2021 Stage 1	2020 Stage 1
<b>Opening balance</b>	<b>9</b>	<b>-</b>
<b>Movement for the period:</b>		
Variations in the expected credit loss of the portfolio	(6)	9
<b>Impairment of debt securities at fair value through other comprehensive income</b>	<b>3</b>	<b>9</b>

The impairment of these assets is reflected in other comprehensive income, as described in note 2.3.1.2. (see note 30).

## Note 20 – Non-Current Assets Held for Sale

This heading is analysed as follows:

*(amounts in thousand euros)*

	2021	2020
<b>Assets</b>	<b>771</b>	<b>1,249</b>
Real estate properties	770	1,248
Equipment	1	1
<b>Impairment</b>	<b>(165)</b>	<b>(283)</b>
Real estate properties	(164)	(282)
Equipment	(1)	(1)
<b>Non-Current Assets Held for Sale</b>	<b>606</b>	<b>966</b>

Non-current assets held for sale correspond to real estate properties and equipment recovered following the dissolution of finance and operating lease contracts, for which, in the applicable cases, impairment was recorded in conformity with accounting policy 2.18.

The movement during 2021 is presented as follows:

*(amounts in thousand euros)*

	2020			Additions	Divestment and Write-off	Transfers	Impairment for the year	2021		
	Gross value	Accumulated impairment	Net value					Gross value	Accumulated impairment	Net value
Real estate properties	1,248	(282)	966	29	(478)	(29)	118	770	(164)	606
Equipment	1	(1)	-	-	-	-	-	1	(1)	-
	<b>1,249</b>	<b>(283)</b>	<b>966</b>	<b>29</b>	<b>(478)</b>	<b>(29)</b>	<b>118</b>	<b>771</b>	<b>(165)</b>	<b>606</b>

The movement during 2020 is presented as follows:

*(amounts in thousand euros)*

	2019			Additions	Divestment and Write-off	Transfers	Impairment for the year	2020		
	Gross value	Accumulated impairment	Net value					Gross value	Accumulated impairment	Net value
Real estate properties	990	(184)	806	258	-	-	(98)	1,248	(282)	966
Equipment	1	(1)	-	-	-	-	-	1	(1)	-
	<b>991</b>	<b>(185)</b>	<b>806</b>	<b>258</b>	<b>-</b>	<b>-</b>	<b>(98)</b>	<b>1,249</b>	<b>(283)</b>	<b>966</b>

The movements in impairment for non-current assets held for sale are analysed as follows:

*(amounts in thousand euros)*

	2021	2020
<b>Opening balance</b>	<b>283</b>	<b>185</b>
Allocation for the period	15	99
Reversal for the period	(133)	(1)
<b>Impairment for non-current assets held for sale</b>	<b>165</b>	<b>283</b>

## Note 21 – Other Tangible Assets

This heading is analysed as follows:

*(amounts in thousand euros)*

	<b>2021</b>	<b>2020</b>
<b>Acquisition Cost</b>	<b>13,953</b>	<b>9,640</b>
<b>Real estate properties</b>		
Works in rented properties	493	522
<b>Equipment</b>		
Furniture	621	599
Machinery and tools	3,791	2,941
Computer equipment	687	1,003
Interior installations	14	14
Transport material	6	6
Security equipment	132	130
Other equipment	104	101
<b>Rights of use</b>		
Real estate properties	6,587	3,042
Motor vehicles	1,507	1,279
<b>Other tangible assets</b>	11	3
<b>Accumulated Depreciation</b>	<b>(6,748)</b>	<b>(5,768)</b>
Related to previous years	(4,852)	(4,016)
Related to the current year	(1,896)	(1,752)
<b>Other Tangible Assets</b>	<b>7,205</b>	<b>3,872</b>

The movement of the heading "Other Tangible Assets" during 2021 is analysed as follows:

(amounts in thousand euros)

	2021					
	Balance on 1 January	Acquisitions / Allocations	Transfers	Divestment / Write-off	Other variations	Balance on 31 December
<b>Acquisition cost</b>	<b>9,640</b>	<b>5,161</b>	-	<b>(1,070)</b>	<b>222</b>	<b>13,953</b>
<b>Real estate properties</b>						
Works in rented properties	522	5	-	(34)	-	493
<b>Equipment</b>						
Furniture	599	22	-	-	-	621
Machinery and tools	2,941	858	-	(8)	-	3,791
Computer equipment	1,003	81	-	(397)	-	687
Interior installations	14	-	-	-	-	14
Transport material	6	-	-	-	-	6
Security equipment	130	2	-	-	-	132
Other equipment	101	3	-	-	-	104
<b>Rights of use</b>						
Real estate properties	3,042	3,698	-	(375)	222	6,587
Motor vehicles	1,279	484	-	(256)	-	1,507
<b>Other tangible assets</b>	<b>3</b>	<b>8</b>	-	-	-	<b>11</b>
<b>Accumulated depreciation</b>	<b>(5,768)</b>	<b>(1,896)</b>	-	<b>916</b>	-	<b>(6,748)</b>
<b>Real estate properties</b>						
Works in rented properties	(311)	(40)	-	34	-	(317)
<b>Equipment</b>						
Furniture	(536)	(11)	-	-	-	(547)
Machinery and tools	(2,406)	(196)	-	8	-	(2,594)
Computer equipment	(893)	(98)	-	397	-	(594)
Interior installations	(7)	-	-	-	-	(7)
Transport material	(6)	-	-	-	-	(6)
Security equipment	(95)	(8)	-	-	-	(103)
Other equipment	(71)	(3)	-	-	-	(74)
<b>Rights of use</b>						
Real estate properties	(924)	(1,190)	-	235	-	(1,879)
Motor vehicles	(518)	(349)	-	242	-	(625)
<b>Other tangible assets</b>	<b>(1)</b>	<b>(1)</b>	-	-	-	<b>(2)</b>
<b>Other Tangible Assets</b>	<b>3,872</b>	<b>3,265</b>	-	<b>(154)</b>	<b>222</b>	<b>7,205</b>

The movement of the heading "Other Tangible Assets" during 2020 is analysed as follows:

(amounts in thousand euros)

	2020					Balance on 31 December
	Balance on 1 January	Acquisitions / Allocations	Transfers	Divestment / Write-off	Other variations	
<b>Acquisition cost</b>	<b>9,291</b>	<b>1,711</b>	-	<b>(1,362)</b>	-	<b>9,640</b>
<b>Real estate properties</b>						
Works in rented properties	522	-	-	-	-	522
<b>Equipment</b>						
Furniture	621	2	-	(24)	-	599
Machinery and tools	2,822	127	-	(8)	-	2,941
Computer equipment	868	139	-	(4)	-	1,003
Interior installations	14	-	-	-	-	14
Transport material	19	-	-	(13)	-	6
Security equipment	127	8	-	(5)	-	130
Other equipment	101	-	-	-	-	101
<b>Rights of use</b>						
Real estate properties	2,866	909	-	(733)	-	3,042
Motor vehicles	1,328	526	-	(575)	-	1,279
<b>Other tangible assets</b>	<b>3</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3</b>
<b>Accumulated depreciation</b>	<b>(5,378)</b>	<b>(1,752)</b>	<b>-</b>	<b>1,362</b>	<b>-</b>	<b>(5,768)</b>
<b>Real estate properties</b>						
Works in rented properties	(267)	(44)	-	-	-	(311)
<b>Equipment</b>						
Furniture	(544)	(16)	-	24	-	(536)
Machinery and tools	(2,263)	(151)	-	8	-	(2,406)
Computer equipment	(812)	(86)	-	5	-	(893)
Interior installations	(7)	-	-	-	-	(7)
Transport material	(19)	-	-	13	-	(6)
Security equipment	(90)	(8)	-	3	-	(95)
Other equipment	(71)	-	-	-	-	(71)
<b>Rights of use</b>						
Real estate properties	(562)	(1,096)	-	734	-	(924)
Motor vehicles	(742)	(351)	-	575	-	(518)
<b>Other tangible assets</b>	<b>(1)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1)</b>
<b>Other Tangible Assets</b>	<b>3,913</b>	<b>(41)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,872</b>

## Note 22 – Goodwill and Intangible Assets

This heading is analysed as follows:

*(amounts in thousand euros)*

	2021	2020
<b>Goodwill</b>	<b>61,085</b>	<b>61,085</b>
Payshop (Portugal), S.A.	406	406
321 Crédito – Instituição Financeira de Crédito, S.A.	60,679	60,679
<b>Intangible Assets</b>	<b>26,872</b>	<b>28,826</b>
<b>Acquisition Cost</b>	<b>49,757</b>	<b>45,958</b>
Software in use	47,161	41,387
Other intangible assets	542	645
Software in progress	2,054	3,926
<b>Impairment</b>	<b>(61)</b>	<b>-</b>
<b>Accumulated Amortisation</b>	<b>(22,824)</b>	<b>(17,132)</b>
Related to previous years	(17,029)	(12,433)
Related to the current year	(5,795)	(4,699)
<b>Goodwill and Intangible Assets</b>	<b>87,957</b>	<b>89,911</b>

The intangible assets essentially include expenses related to the acquisition and development of software, namely the core banking system, implementation projects and their customisation.

The movement of the headings “Goodwill” and “Intangible Assets” during 2021 is analysed as follows:

*(amounts in thousand euros)*

	2021				Balance on 31 December
	Balance on 1 January	Acquisitions / Allocations	Transfers	Divestment / Write-off	
<b>Goodwill</b>	<b>61,085</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>61,085</b>
Consolidation and revaluation differences	61,085	-	-	-	61,085
Impairment	-	-	-	-	-
<b>Intangible Assets</b>	<b>28,826</b>	<b>(1,954)</b>	<b>-</b>	<b>-</b>	<b>26,872</b>
<b>Acquisition Cost</b>	<b>45,958</b>	<b>3,902</b>	<b>-</b>	<b>(103)</b>	<b>49,757</b>
Software in use	41,387	144	5,630	-	47,161
Other intangible assets	645	-	-	(103)	542
Software in progress	3,926	3,758	(5,630)	-	2,054
<b>Impairment</b>	<b>-</b>	<b>(61)</b>	<b>-</b>	<b>-</b>	<b>(61)</b>
<b>Accumulated amortisation</b>	<b>(17,132)</b>	<b>(5,795)</b>	<b>-</b>	<b>103</b>	<b>(22,824)</b>
Software in use	(16,532)	(5,780)	-	-	(22,312)
Other intangible assets	(600)	(15)	-	103	(512)
<b>Goodwill and Intangible Assets</b>	<b>89,911</b>	<b>(1,954)</b>	<b>-</b>	<b>-</b>	<b>87,957</b>



The movement of the headings “Goodwill” and “Intangible Assets” during 2020 is analysed as follows:

(amounts in thousand euros)

	2020				
	Balance on 1 January	Acquisitions / Allocations	Transfers	Divestment / Write-off	Balance on 31 December
<b>Goodwill</b>	<b>61,085</b>	-	-	-	<b>61,085</b>
Consolidation and revaluation differences	61,085	-	-	-	61,085
Impairment	-	-	-	-	-
<b>Intangible Assets</b>	<b>27,624</b>	<b>1,283</b>	-	<b>(81)</b>	<b>28,826</b>
<b>Acquisition Cost</b>	<b>40,515</b>	<b>5,982</b>	-	<b>(539)</b>	<b>45,958</b>
Software in use	33,959	113	7,723	(408)	41,387
Other intangible assets	680	16	-	(51)	645
Software in progress	5,876	5,853	(7,723)	(80)	3,926
<b>Accumulated amortisation</b>	<b>(12,891)</b>	<b>(4,699)</b>	-	<b>458</b>	<b>(17,132)</b>
Software in use	(12,272)	(4,668)	-	408	(16,532)
Other intangible assets	(619)	(31)	-	50	(600)
<b>Goodwill and Intangible Assets</b>	<b>88,710</b>	<b>1,282</b>	-	<b>(81)</b>	<b>89,911</b>

### 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 2021 and 31 December 2020, based on the following assumptions:

Corporate Name	2021			
	Basis of determination of recoverable amount	Explicit period for cash flows	Discount rate	Growth rate in perpetuity
Payshop (Portugal), S.A.	Equity Value / DCF	5 years	7.6%	1.4%
321 Crédito – Instituição Financeira de Crédito, S.A.	Equity Value / DCF	9 years	10.0%	1.5%

Corporate Name	2020			
	Basis of determination of recoverable amount	Explicit period for cash flows	Discount rate	Growth rate in perpetuity
Payshop (Portugal), S.A.	Equity Value / DCF	10 years	10.0%	1.5%
321 Crédito – Instituição Financeira de Crédito, S.A.	Equity Value / DCF	10 years	10.0%	1.5%

Payshop (Portugal), S.A.

Cash flows were estimated based on historical performance and the 5-year business plan.

Sensitivity analyses were performed on the results of these impairment tests, namely regarding the following key assumptions: (i) reduction of 50 basis points in the growth rate in perpetuity and (ii) increase of 50 basis 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 2021.

321 Crédito – Instituição Financeira de Crédito, S.A.

Cash flows were estimated on the basis of projections of results and of evolution of activity based on the entity's business plan. This business plan covers a period up to 2030 and considers an annual compound growth rate of 7.5% of assets over this period.

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 (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 2021.

## Note 23 – 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 2021 and 2020 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 2.9, 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).

The reconciliation of the tax rate, in the portion relative to the amount recognised through profit or loss, may be analysed as follows:

*(amounts in thousand euros)*

	2021	2020
Profit/(Loss) before tax	21,304	1,212
Current tax rate	21%	21%
<b>Expected income tax</b>	<b>4,474</b>	<b>255</b>
Surcharges	930	656
<b>Total expected tax</b>	<b>5,404</b>	<b>911</b>
Accruals/(deductions) for calculation purposes	(110)	(104)
Autonomous tax	78	72
Other adjustments	(201)	(7)
<b>Recorded current tax for the year</b>	<b>5,171</b>	<b>872</b>
<b>Recorded deferred tax</b>	<b>273</b>	<b>213</b>
<b>Recorded total tax</b>	<b>5,444</b>	<b>1,085</b>
<b>Effective rate</b>	<b>25.6%</b>	<b>89.5%</b>
<b>Corrections relative to previous years</b>	<b>(288)</b>	<b>(106)</b>
<b>Taxes</b>	<b>5,156</b>	<b>979</b>

### Current tax

Pursuant to the accounting policy described in Note 2.9, the tax of entities included in the special regime applicable to the taxation of groups of companies (RETGS) is recorded as a value receivable or payable by the shareholder CTT (see notes 24 and 28).

The heading "Current tax liabilities", in the amount of 1,362 thousand euros (2020: 1,363 thousand euros), includes sums falling under IFRIC 23 as well as the estimated income tax of 321 Crédito.

### Deferred tax

The movement of the deferred tax assets in the period is presented as follows:

*(amounts in thousand euros)*

	2021	2020
<b>Opening balance</b>	<b>1,929</b>	<b>2,093</b>
Change of the consolidation perimeter	-	-
Recognised through profit or loss	(313)	(213)
Recognised through other reserves	(24)	49
<b>Deferred Tax Assets</b>	<b>1,592</b>	<b>1,929</b>

The value of deferred tax assets as at 31 December 2021 and 2020 primarily arises from temporary differences derived from impairments not deductible for tax purposes.

The movement of the deferred tax liabilities in the period is presented as follows:

	<i>(amounts in thousand euros)</i>	
	<b>2021</b>	<b>2020</b>
<b>Opening balance</b>	<b>103</b>	<b>83</b>
Change of the consolidation perimeter	(40)	-
Recognised through other reserves	(14)	20
<b>Deferred Tax Liabilities</b>	<b>49</b>	<b>103</b>

### ***New tax system for impairment losses***

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).

### ***SIFIDE***

The Group's accounting policy recognises tax credit relative to the system of tax incentives for business research and development (SIFIDE) upon receiving the statement of the competent body formalising the eligibility of the expenses presented in the corresponding application.

In the financial year 2018, the Group incurred R&D expenses of approximately 17,153 euros, for which it benefited from a tax credit - deferred in 2021 - under corporate income tax (IRC) in the amount of 14,152 euros.

In the financial year 2019, the Group incurred R&D expenses of approximately 197,803 euros, for which it benefited from a tax credit - deferred in 2021 - under corporate income tax (IRC) in the amount of 158,900 euros.

In the financial year 2020, the Group incurred R&D expenses of approximately 441,186 euros for which it will benefit - deferred in 2022 - from a tax credit under corporate income tax (IRC) in the amount of 310,239 euros.

As for the 2021 financial year, the Group is still identifying and quantifying the expenses incurred with R&D that will integrate the applications that will be submitted during 2022.

## Note 24 – Other Assets

This heading is analysed as follows:

*(amounts in thousand euros)*

	2021	2020
IRC RETGS	11,796	13,651
Receivables due to payment operations	1,834	1,560
Operations to be cleared	1,185	1,953
Escrow accounts	318	320
Other receivables	2,875	6,139
Expenses with deferred charges	2,059	792
Administrative Public Sector	1,034	1,161
Receivables due to advances	5	106
Income receivable	2,410	52
Impairment of other assets	(2,808)	(4,266)
<b>Other assets</b>	<b>20,708</b>	<b>21,468</b>

The heading “Other Assets” includes the amount of 11,796 thousand euros (2020: 13,651 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), pursuant to point 2.9 of Note 2. This amount is classified as a financial instrument at amortised cost, being remunerated at a market rate.

The heading “Receivables due to payment operations” primarily consists of amounts receivable from Payshop agents.

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 1,804 thousand euros (2020: 3,262 thousand euros).

The movement of impairment of other assets is analysed as follows:

*(amounts in thousand euros)*

	2021	2020
<b>Opening balance</b>	<b>4,266</b>	<b>4,789</b>
Allocation for the period	109	73
Reversal for the period	(63)	(1,004)
Usage for the period	(1,504)	(217)
Transfers	-	625
<b>Impairment of other assets</b>	<b>2,808</b>	<b>4,266</b>

## Note 25 – Financial Liabilities at Amortised Cost – Deposits from Customers

This heading is analysed as follows:

(amounts in thousand euros)

	2021	2020
Demand deposits	1,485,970	1,207,038
Term deposits	223,067	178,176
Saving accounts	412,474	303,251
<b>Financial Liabilities at Amortised Cost – Deposits from Customers</b>	<b>2,121,511</b>	<b>1,688,465</b>

In 2021, the average rate of return on deposits from customers was 0.02% (2020: 0.06%).

The analysis of the heading “Deposits from Customers”, by contractual residual maturity, is as follows:

(amounts in thousand euros)

	2021	2020
Demand deposits and saving accounts	1,898,444	1,510,289
Term deposits		
Up to 3 months	106,310	81,534
3 to 12 months	116,757	96,642
<b>Financial Liabilities at Amortised Cost – Deposits from Customers</b>	<b>2,121,511</b>	<b>1,688,465</b>

## Note 26 – Financial Liabilities at Amortised Cost – Debt Securities Issued

This heading is analysed as follows:

(amounts in thousand euros)

	2021	2020
Securitisations (see note 37)	277,796	44,518
<b>Financial Liabilities at Amortised Cost – Debt Securities Issued</b>	<b>277,796</b>	<b>44,518</b>

As at 31 December 2021, debt securities issued and not retained are analysed as follows:

(amounts in thousand euros)

Name	2021				
	Issue date	Redemption date	Remuneration	Nominal value	Book value
<b>Ulisses Finance No.1</b>				<b>24,521</b>	<b>24,533</b>
Ulisses Finance No.1 – Class A	July 2017	March 2033	Euribor 1M + 85 bps	10,421	10,424
Ulisses Finance No.1 – Class B	July 2017	March 2033	Euribor 1M + 160 bps	7,000	7,002
Ulisses Finance No.1 – Class C	July 2017	March 2033	Euribor 1M + 375 bps	7,100	7,107
<b>Ulisses Finance No.2</b>				<b>251,275</b>	<b>253,263</b>
Ulisses Finance No.2 – Class A	September 2021	September 2038	Euribor 1M + 70 bps	203,700	205,736
Ulisses Finance No.2 – Class B	September 2021	September 2038	Euribor 1M + 80 bps	10,000	9,987
Ulisses Finance No.2 – Class C	September 2021	September 2038	Euribor 1M + 135 bps	20,000	19,976
Ulisses Finance No.2 – Class D	September 2021	September 2038	Euribor 1M + 285 bps	11,300	11,291
Ulisses Finance No.2 – Class E	September 2021	September 2038	Euribor 1M + 368 bps	3,700	3,698
Ulisses Finance No.2 – Class F	September 2021	September 2038	Euribor 1M + 549 bps	1,300	1,300
Ulisses Finance No.2 – Class G	September 2021	September 2038	Euribor 1M + 500 bps	1,275	1,275
				<b>275,796</b>	<b>277,796</b>

As at 31 December 2020, the debt securities issued are analysed as follows:

(amounts in thousand euros)

Name	2020				
	Issue date	Redemption date	Remuneration	Nominal value	Book value
<b>Ulisses Finance No.1</b>				<b>44,502</b>	<b>44,518</b>
Ulisses Finance No.1 – Class A	July 2017	March 2033	Euribor 1M + 85 bps	30,402	30,429
Ulisses Finance No.1 – Class B	July 2017	March 2033	Euribor 1M + 160 bps	7,000	6,992
Ulisses Finance No.1 – Class C	July 2017	March 2033	Euribor 1M + 375 bps	7,100	7,097
				<b>44,502</b>	<b>44,518</b>

The movement of this heading for 2021 is presented as follows:

(amounts in thousand euros)

Name	2021				
	Opening balance	Emissions	Redemptions	Other movements	Closing balance
Ulisses Finance No.1	44,518	-	(19,981)	(5)	24,532
Ulisses Finance No.2	-	251,500	(225)	1,989	253,264
	<b>44,518</b>	<b>251,500</b>	<b>(20,206)</b>	<b>1,984</b>	<b>277,796</b>

The movement of this heading for 2020 is presented as follows:

(amounts in thousand euros)

Name	2020				
	Opening balance	Emissions	Redemptions	Other movements	Closing balance
Ulisses Finance No.1	76,077	-	(31,148)	(411)	44,518
	<b>76,077</b>	-	<b>(31,148)</b>	<b>(411)</b>	<b>44,518</b>

The scheduling of this heading by maturity periods is presented as follows:

(amounts in thousand euros)

	2021				
	Up to 3 months	3 to 12 months	1 to 3 years	More than 3 years	Total
Securitisations	35	-	-	277,761	277,796
	<b>35</b>	-	-	<b>277,761</b>	<b>277,796</b>

(amounts in thousand euros)

	2020				
	Up to 3 months	3 to 12 months	1 to 3 years	More than 3 years	Total
Securitisations	11	-	-	44,507	44,518
	<b>11</b>	-	-	<b>44,507</b>	<b>44,518</b>

## Note 27 – Provisions

This heading is analysed as follows:

*(amounts in thousand euros)*

	2021	2020
Provisions for other risks and charges	1,032	1,780
Provisions for commitments	314	-
<b>Provisions</b>	<b>1,346</b>	<b>1,780</b>

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. In 2021, a credit impairment transfer of 170 thousand euros (note 16) was made to provisions.

On each reporting date, the Group reassess 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)*

	2021	2020
<b>Opening balance</b>	<b>1,780</b>	<b>1,723</b>
Allocation for the period	508	1,084
Reversal for the period	(1,015)	(756)
Uses	(79)	-
Transfers	152	(271)
<b>Provisions</b>	<b>1,346</b>	<b>1,780</b>

The transfer of 271 thousand euros in 2020 is a reclassification to the heading impairment of other assets relating to values recorded under the heading of administrative public sector (note 24).



## Note 28 – Other Liabilities

This heading is analysed as follows:

*(amounts in thousand euros)*

	2021	2020
Payables		
Suppliers	13,514	12,076
Related parties	1,073	1,066
Other payables	3,360	2,114
Staff costs	7,159	6,201
Operations to be cleared	26,987	21,475
Revenue with deferred charge	288	428
Payables due to payment operations	4,078	3,736
IRC RETGS	-	74
Administrative Public Sector	1,735	1,635
Escrow accounts	265	263
Lease liabilities	5,633	2,909
<b>Other Liabilities</b>	<b>64,092</b>	<b>51,977</b>

The heading “Operations to be cleared” primarily records the balance of banking operations pending financial settlement.

The heading “Payables due to payment operations” records the values pending settlement with customers of the payment business of the company Payshop.

The heading “Escrow accounts” records the value of sureties received from Payshop agents.

The heading “Lease liabilities” corresponds to the lease liabilities recognised under IFRS 16, as described in accounting policy 2.8.

## Note 29 – 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 2021, the Bank’s share capital is 100% held by CTT – Correios de Portugal, S.A. (public company).

## Note 30 – Fair Value Reserves, Other Reserves and Retained Earnings

This heading is analysed as follows:

*(amounts in thousand euros)*

	2021	2020
Fair value reserves		
Other financial assets at fair value through other comprehensive income	27	83
Legal reserves	29	-
Other reserves	(820)	(884)
Retained earnings	(73,954)	(74,159)
<b>Reserves and Retained Earnings</b>	<b>(74,718)</b>	<b>(74,960)</b>

## Note 31 – Guarantees and Other Commitments

This heading is analysed as follows:

*(amounts in thousand euros)*

	2021	2020
Guarantees provided	21,988	17,050
Guarantees received	1,832,086	1,533,342
Commitments to third parties		
Revocable commitments		
Credit lines	567,603	32,294
Irrevocable commitments		
Credit lines	16,344	11,330
Commitments from third parties		
Revocable commitments		
Credit line	16,137	12,690

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 basically includes sureties and mortgages on properties for collateralization of operations mortgage loans.

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.

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 27.

## Note 32 – 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 2021, 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)

	2021			
	Balance Sheet		Income Statement	
	Assets	Liabilities	Operating costs	Operating income
CTT – Correios de Portugal, S.A.	12,893	3,887	6,292	3,103
CTT Expresso – Serviços Postais e Logística, S.A.	12	12	91	-
CTT Contacto, S.A.	-	21	-	-
	<b>12,905</b>	<b>3,920</b>	<b>6,383</b>	<b>3,103</b>

As at 31 December 2020, 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)

	2020			
	Balance Sheet		Income Statement	
	Assets	Liabilities	Operating costs	Operating income
CTT – Correios de Portugal, S.A.	14,372	1,724	5,279	2,694
CTT Expresso – Serviços Postais e Logística, S.A.	1	12	113	41
CTT Contacto, S.A.	-	18	238	-
	<b>14,373</b>	<b>1,754</b>	<b>5,630</b>	<b>2,735</b>

As at 31 December 2021, the value of the deposits placed by the members of the Corporate Bodies at the Group amounted to 253 thousand euros (2020: 150 thousand euros).

## Note 33 – Fair Value

The fair value of the financial assets and liabilities, as at 31 December 2021, is analysed as follows:

(amounts in thousand euros)

	2021				
	At fair value through profit or loss	At fair value through reserves	Amortised cost	Book value	Fair Value
Cash and deposits at central banks	-	-	621,470	621,470	621,470
Deposits at other credit institutions	-	-	41,252	41,252	41,252
Financial assets at amortised cost					
Investments at credit institutions	-	-	13,771	13,771	13,771
Loans and advances to customers	-	-	1,541,908	1,541,908	1,541,382
Debt securities	-	-	334,161	334,161	348,482
<i>Bonds issued by public entities</i>	-	-	333,774	333,774	348,100
<i>Bonds of other issuers</i>	-	-	386	386	382
Financial assets at fair value through profit or loss					
Derivatives	2,262	-	-	2,262	2,262
Investment fund units	24,999	-	-	24,999	24,999
Financial assets at fair value through other comprehensive income					
Debt securities	-	6,095	-	6,095	6,095
<i>Bonds issued by public entities</i>	-	849	-	849	849
<i>Bonds of other issuers</i>	-	5,246	-	5,246	5,246
<b>Financial Assets</b>	<b>27,261</b>	<b>6,095</b>	<b>2,552,562</b>	<b>2,585,918</b>	<b>2,599,713</b>
Financial liabilities at amortised cost					
Deposits from Customers	-	-	2,121,511	2,121,511	2,121,511
Debt securities issued	-	-	277,796	277,796	277,392
<b>Financial liabilities</b>	<b>-</b>	<b>-</b>	<b>2,399,307</b>	<b>2,399,307</b>	<b>2,398,903</b>

The fair value of the financial assets and liabilities, as at 31 December 2020, is analysed as follows:

(amounts in thousand euros)

	2020				
	At fair value through profit or loss	At fair value through reserves	Amortised cost	Book value	Fair Value
Cash and deposits at central banks	-	-	195,364	195,364	195,364
Deposits at other credit institutions	-	-	36,377	36,377	36,377
Financial assets at amortised cost					
Investments at credit institutions	-	-	38,902	38,902	38,902
Loans and advances to customers	-	-	1,093,282	1,093,282	1,098,652
Debt securities	-	-	498,251	498,251	543,316
<i>Bonds issued by public entities</i>	-	-	490,394	490,394	535,452
<i>Bonds of other issuers</i>	-	-	7,856	7,856	7,865
Financial assets at fair value through profit or loss					
Derivatives	2	-	-	2	2
Financial assets at fair value through other comprehensive income					
Debt securities	-	19,555	-	19,555	19,555
<i>Bonds issued by public entities</i>	-	7,621	-	7,621	7,620
<i>Bonds of other issuers</i>	-	11,934	-	11,934	11,934
<b>Financial Assets</b>	<b>2</b>	<b>19,555</b>	<b>1,862,176</b>	<b>1,881,733</b>	<b>1,932,168</b>
Financial liabilities at amortised cost					
Deposits from Customers	-	-	1,688,465	1,688,465	1,688,465
Debt securities issued	-	-	44,518	44,518	44,518
<b>Financial liabilities</b>	<b>-</b>	<b>-</b>	<b>1,732,983</b>	<b>1,732,983</b>	<b>1,732,983</b>

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 2021:

(amounts in thousand euros)

	2021			
	Valuation methods			Total
	Level 1	Level 2	Level 3	
Cash and deposits at central banks	621,470	-	-	621,470
Deposits at other credit institutions	41,252	-	-	41,252
Financial assets at amortised cost				
Investments at credit institutions	-	-	13,771	13,771
Loans and advances to customers	-	-	1,541,382	1,541,382
Debt securities	348,100	382	-	348,482
<i>Bonds issued by public entities</i>	348,100	-	-	348,100
<i>Bonds of other issuers</i>	-	382	-	382
Financial assets at fair value through profit or loss				
Derivatives	-	-	2,262	2,262
Investment fund units	-	-	24,999	24,999
Financial assets at fair value through other comprehensive income				
Debt securities	849	5,246	-	6,095
<i>Bonds issued by public entities</i>	849	-	-	849
<i>Bonds of other issuers</i>	-	5,246	-	5,246
<b>Financial Assets</b>	<b>1,011,671</b>	<b>5,628</b>	<b>1,582,414</b>	<b>2,599,713</b>
Financial liabilities at amortised cost				
Deposits from Customers	-	-	2,121,511	2,121,511
Debt securities issued	-	277,392	-	277,392
<b>Financial liabilities</b>	<b>-</b>	<b>277,392</b>	<b>2,121,511</b>	<b>2,398,903</b>

Sensitivity analysis

The Loans and advances to customers item which, as at 31 December 2021, has a fair value of 1,541,382 thousand euros has a sensitivity of +9,170 thousand euros and -26,042 thousand euros to 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 2020:

*(amounts in thousand euros)*

	2020			
	Valuation methods			Total
	Level 1	Level 2	Level 3	
Cash and deposits at central banks	195,364	-	-	195,364
Deposits at other credit institutions	36,377	-	-	36,377
Financial assets at amortised cost				
Investments at credit institutions	-	-	38,902	38,902
Loans and advances to customers	-	-	1,098,652	1,098,652
Debt securities	535,451	4,065	3,800	543,316
<i>Bonds issued by public entities</i>	535,452	-	-	535,452
<i>Bonds of other issuers</i>	-	4,065	3,800	7,865
Financial assets at fair value through profit or loss				
Derivatives	-	-	2	2
Financial assets at fair value through other comprehensive income				
Debt securities	8,135	11,420	-	19,555
<i>Bonds issued by public entities</i>	7,620	-	-	7,620
<i>Bonds of other issuers</i>	515	11,419	-	11,934
<b>Financial Assets</b>	<b>775,327</b>	<b>15,485</b>	<b>1,141,356</b>	<b>1,932,168</b>
Financial liabilities at amortised cost				
Deposits from Customers	-	-	1,688,465	1,688,465
Debt securities issued	-	44,518	-	44,518
<b>Financial liabilities</b>	<b>-</b>	<b>44,518</b>	<b>1,688,465</b>	<b>1,732,983</b>

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, so the balance sheet 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 a defined maturity date*

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 they do not exist, 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 34 – 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 and Risk Committee.

As at 31 December 2021, the exposure of the mortgage loan product (net of impairment and including off-balance sheet exposures) is 611,167 thousand euros (535,914 thousand euros as at 31 December 2020).

Credit in the retail segment, more specifically in motor vehicle credit at the point of sale, is 653,782 thousand euros of exposure (net of impairment and including off-balance sheet exposures) which compares to 567,827 thousand euros in 2020.

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 (counterparty risk), to public debt securities issued by eurozone countries (Portugal, Italy 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)

	2021		2020	
	Loans and advances to customers	Fair value of the collateral	Loans and advances to customers	Fair value of the collateral
Mortgage loans	595,420	1,021,371	520,340	879,528
Motor vehicle credit	670,594	713,328	538,971	561,938
Credit cards	298,717	-	-	-
Other	8,267	23,764	50,636	27,384
	<b>1,572,998</b>	<b>1,758,463</b>	<b>1,109,947</b>	<b>1,468,850</b>

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 2021 and 31 December 2020:

(amounts in thousand euros)

	2021	2020
Central Authorities or Central Banks	927,785	660,474
Regional governments or local authorities	-	5,043
Credit institutions	39,520	100,724
Companies	322,647	25,886
Retail customers	627,393	546,768
Loans secured by immovable assets	610,488	537,960
Collective investment undertakings (CIUs)	24,999	-
Non-performing loans	27,808	16,690
Other items	71,645	69,223
<b>Risk Headings</b>	<b>2,652,285</b>	<b>1,962,768</b>

The information on the risk headings (including off-balance sheet) as at 31 December 2021 and 31 December 2020 is detailed as follows:

(amounts in thousand euros)

	2021			2020		
	Gross Value	Impairment	Net value	Gross Value	Impairment	Net value
Demand deposits	593,161	-	593,161	167,502	-	167,502
Other financial assets at fair value through other comprehensive income	850	-	850	7,623	(2)	7,621
Investment securities measured at amortised cost	333,895	(121)	333,774	485,526	(175)	485,351
<b>Central Authorities or Central Banks</b>	<b>927,906</b>	<b>(121)</b>	<b>927,785</b>	<b>660,651</b>	<b>(177)</b>	<b>660,474</b>

(amounts in thousand euros)

	2021			2020		
	Gross Value	Impairment	Net value	Gross Value	Impairment	Net value
Investment securities measured at amortised cost	-	-	-	5,048	(5)	5,043
<b>Regional governments or local authorities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,048</b>	<b>(5)</b>	<b>5,043</b>

(amounts in thousand euros)

	2021			2020		
	Gross Value	Impairment	Net value	Gross Value	Impairment	Net value
Demand deposits	25,750	-	25,750	36,411	(34)	36,377
Investments at financial institutions	13,774	(4)	13,770	64,030	(28)	64,002
Other	-	-	-	345	-	345
<b>Credit institutions</b>	<b>39,524</b>	<b>(4)</b>	<b>39,520</b>	<b>100,786</b>	<b>(62)</b>	<b>100,724</b>

(amounts in thousand euros)

	2021			2020		
	Gross Value	Impairment	Net value	Gross Value	Impairment	Net value
Other financial assets at fair value through other comprehensive income	5,249	(3)	5,246	6,214	(46)	6,168
Investment securities measured at amortised cost	324,218	(6,817)	317,401	19,727	(9)	19,718
<b>Companies</b>	<b>329,467</b>	<b>(6,820)</b>	<b>322,647</b>	<b>25,941</b>	<b>(55)</b>	<b>25,886</b>

(amounts in thousand euros)

	2021			2020		
	Gross Value	Impairment	Net value	Gross Value	Impairment	Net value
Loans and advances to customers	633,231	(5,838)	627,393	552,506	(5,738)	546,768
<b>Retail customers</b>	<b>633,231</b>	<b>(5,838)</b>	<b>627,393</b>	<b>552,506</b>	<b>(5,738)</b>	<b>546,768</b>

(amounts in thousand euros)

	2021			2020		
	Gross Value	Impairment	Net value	Gross Value	Impairment	Net value
Loans and advances to customers	611,134	(646)	610,488	538,555	(595)	537,960
<b>Loans secured by immovable assets</b>	<b>611,134</b>	<b>(646)</b>	<b>610,488</b>	<b>538,555</b>	<b>(595)</b>	<b>537,960</b>

(amounts in thousand euros)

	2021			2020		
	Gross Value	Impairment	Net value	Gross Value	Impairment	Net value
Financial assets at fair value through profit or loss	24,999	-	24,999	-	-	-
<b>Collective investment undertakings (CIUs)</b>	<b>24,999</b>	<b>-</b>	<b>24,999</b>	<b>-</b>	<b>-</b>	<b>-</b>

(amounts in thousand euros)

	2021			2020		
	Gross Value	Impairment	Net value	Gross Value	Impairment	Net value
Loans and advances to customers	45,912	(18,104)	27,808	26,975	(10,285)	16,690
<b>Non-performing loans</b>	<b>45,912</b>	<b>(18,104)</b>	<b>27,808</b>	<b>26,975</b>	<b>(10,285)</b>	<b>16,690</b>

The exposure to public debt, net of impairment, of eurozone countries is detailed as follows:

(amounts in thousand euros)

	2021			2020		
	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	849	185,468	186,317	7,620	288,754	296,374
Spain	-	75,163	75,163	-	94,407	94,407
Italy	-	73,143	73,143	-	95,233	95,233
France	-	-	-	-	6,434	6,434
Ireland	-	-	-	-	5,565	5,565
	<b>849</b>	<b>333,774</b>	<b>334,623</b>	<b>7,620</b>	<b>490,393</b>	<b>498,013</b>

The analysis of the portfolio of financial assets by stages is presented as follows:

(amounts in thousand euros)

	2021					2020				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
<b>Deposits at Central Banks and other credit institutions</b>	634,412	-	-	-	634,412	203,879	-	-	-	203,879
Impairment losses	-	-	-	-	-	-	-	-	-	-
<b>Net value</b>	<b>634,412</b>	-	-	-	<b>634,412</b>	<b>203,879</b>	-	-	-	<b>203,879</b>
<b>Investments at credit institutions</b>	13,775	-	-	-	13,775	38,929	-	-	-	38,929
Impairment losses	(4)	-	-	-	(4)	(27)	-	-	-	(27)
<b>Net value</b>	<b>13,771</b>	-	-	-	<b>13,771</b>	<b>38,902</b>	-	-	-	<b>38,902</b>
<b>Financial assets at fair value through other comprehensive income – Debt securities</b>	6,098	-	-	-	6,098	19,564	-	-	-	19,564
Impairment losses	(3)	-	-	-	(3)	(9)	-	-	-	(9)
<b>Net value</b>	<b>6,095</b>	-	-	-	<b>6,095</b>	<b>19,555</b>	-	-	-	<b>19,555</b>
<b>Financial assets at amortised cost – Debt securities</b>	334,282	-	-	-	334,282	498,433	-	-	-	498,433
Impairment losses	(121)	-	-	-	(121)	(182)	-	-	-	(182)
<b>Net value</b>	<b>334,161</b>	-	-	-	<b>334,161</b>	<b>498,251</b>	-	-	-	<b>498,251</b>
<b>Financial assets at amortised cost – Loans and advances to customers</b>	1,434,762	87,167	51,069	4,173	1,577,171	1,030,766	52,214	26,967	5,239	1,109,947
Impairment losses	(6,474)	(4,602)	(20,014)	(1,463)	(32,553)	(4,161)	(2,225)	(10,279)	(922)	(16,665)
<b>Net value</b>	<b>1,428,288</b>	<b>82,565</b>	<b>31,055</b>	<b>2,710</b>	<b>1,544,618</b>	<b>1,026,605</b>	<b>49,989</b>	<b>16,688</b>	<b>4,317</b>	<b>1,093,282</b>

### 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 and Risk Committee.

The Capital and Risk 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 2021, the assets and liabilities by residual and contractual maturity are analysed as follows:

(amounts in thousand euros)

	2021						Total
	At sight	Up to 3 months	3 to 12 months	1 to 3 years	More than 3 years	Undetermined maturity	
<b>Assets</b>							
Cash and deposits at central banks	621,470	-	-	-	-	-	<b>621,470</b>
Deposits at other credit institutions	41,252	-	-	-	-	-	<b>41,252</b>
Financial assets at amortised cost							
Investments at credit institutions	-	2,338	6,198	5,239	-	-	<b>13,775</b>
Loans and advances to customers	1,333	330,139	87,596	226,336	915,249	12,345	<b>1,572,998</b>
Debt securities	-	3,921	35,261	49,663	245,437	-	<b>334,282</b>
Financial assets at fair value through profit or loss							
Derivatives	-	-	-	-	2,262	-	<b>2,262</b>
Investment fund units	-	-	-	-	-	24,999	<b>24,999</b>
Financial assets at fair value through other comprehensive income							
Debt securities	-	343	845	4,907	-	-	<b>6,095</b>
<b>Total Assets</b>	<b>664,055</b>	<b>336,741</b>	<b>129,900</b>	<b>286,145</b>	<b>1,162,948</b>	<b>37,344</b>	<b>2,617,133</b>
<b>Liabilities</b>							
Financial liabilities at amortised cost							
Deposits from Customers	1,898,444	106,310	116,757	-	-	-	<b>2,121,511</b>
Debt securities issued	-	35	-	-	277,761	-	<b>277,796</b>
<b>Total Liabilities</b>	<b>1,898,444</b>	<b>106,345</b>	<b>116,757</b>	<b>-</b>	<b>277,761</b>	<b>-</b>	<b>2,399,307</b>
<b>Gap (Assets-Liabilities)</b>	<b>(1,234,389)</b>	<b>230,396</b>	<b>13,143</b>	<b>286,145</b>	<b>885,187</b>	<b>37,344</b>	<b>217,826</b>
<b>Accumulated Gap</b>	<b>(1,234,389)</b>	<b>(1,003,993)</b>	<b>(990,850)</b>	<b>(704,705)</b>	<b>180,482</b>	<b>217,826</b>	

As at 31 December 2020, the assets and liabilities by residual and contractual maturity are analysed as follows:

(amounts in thousand euros)

	2020						Total
	At sight	Up to 3 months	3 to 12 months	1 to 3 years	More than 3 years	Undetermined maturity	
<b>Assets</b>							
Cash and deposits at central banks	195,364	-	-	-	-	-	<b>195,364</b>
Deposits at other credit institutions	36,377	-	-	-	-	-	<b>36,377</b>
Financial assets at amortised cost							
Investments at credit institutions	-	12,871	14,633	10,463	962	-	<b>38,929</b>
Loans and advances to customers	1,148	28,715	74,977	196,174	800,427	8,506	<b>1,109,947</b>
Debt securities	-	10,679	34,487	87,808	365,459	-	<b>498,433</b>
Financial assets at fair value through profit or loss							
Financial assets held for trading	-	-	-	-	2	-	<b>2</b>
Financial assets at fair value through other comprehensive income							
Debt securities	-	566	6,715	12,274	-	-	<b>19,555</b>
<b>Total Assets</b>	<b>232,889</b>	<b>52,831</b>	<b>130,812</b>	<b>306,719</b>	<b>1,166,850</b>	<b>8,506</b>	<b>1,898,607</b>
<b>Liabilities</b>							
Financial liabilities at amortised cost							
Deposits from Customers	1,510,289	81,534	96,642	-	-	-	<b>1,688,465</b>
Debt securities issued	-	11	-	-	44,507	-	<b>44,518</b>
<b>Total Liabilities</b>	<b>1,510,289</b>	<b>81,545</b>	<b>96,642</b>	<b>-</b>	<b>44,507</b>	<b>-</b>	<b>1,732,983</b>
<b>Gap (Assets-Liabilities)</b>	<b>(1,277,400)</b>	<b>(28,714)</b>	<b>34,170</b>	<b>306,719</b>	<b>1,122,343</b>	<b>8,506</b>	<b>165,624</b>
<b>Accumulated Gap</b>	<b>(1,277,400)</b>	<b>(1,306,114)</b>	<b>(1,271,944)</b>	<b>(965,225)</b>	<b>157,118</b>	<b>165,624</b>	

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 2021, the ALMM shows a positive liquidity mismatch (difference between contracted outflows and inflows) of 128,810 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 2021, 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 2021, 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)

2021						
Timeframe	Assets	Liabilities	Off-Balance Sheet	Net Position	Economic Value Delta (+200 bps)	Economic Value Delta (-200 bps)
At sight	778,434	607,321	471,785	642,898	(36)	8
At sight – 1 month	114,383	350,265	16,063	(219,819)	195	(44)
1 – 3 months	128,357	84,526	487	44,318	(147)	33
3 – 6 months	192,350	104,017	1,931	90,264	(673)	146
6 – 9 months	198,284	86,491	1,699	113,492	(1,405)	397
9 – 12 months	233,016	87,244	2,398	148,170	(2,564)	737
1 – 1.5 years	97,752	90,360	1,853	9,245	(227)	83
1.5 – 2 years	107,562	90,367	-	17,195	(587)	248
2 – 3 years	166,907	169,113	-	(2,206)	106	(53)
3 – 4 years	140,622	142,835	-	(2,213)	147	(80)
4 – 5 years	397,348	119,030	-	278,318	(23,390)	13,200
5 – 6 years	80,540	95,652	-	(15,112)	1,527	(887)
6 – 7 years	63,407	81,611	-	(18,204)	2,133	(1,299)
7 – 8 years	51,813	62,512	-	(10,699)	1,413	(926)
8 – 9 years	41,403	51,844	-	(10,441)	1,521	(1,090)
9 – 10 years	8,756	42,215	-	(33,459)	5,297	(4,069)
10 – 15 years	92,529	201,536	-	(109,007)	21,195	(16,829)
15 – 20 years	3,848	-	-	3,848	(973)	588
> 20 years	2,509	-	-	2,509	(879)	250
<b>Total</b>	<b>2,899,820</b>	<b>2,466,939</b>	<b>496,216</b>	<b>929,097</b>	<b>2,653</b>	<b>(9,587)</b>

As at 31 December 2020, 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)

2020						
Timeframe	Assets	Liabilities	Off-Balance Sheet	Net Position	Economic Value Delta (+200 bps)	Economic Value Delta (-200 bps)
At sight	306,048	294,927	(49,951)	(38,830)	2	(1)
At sight - 1 month	107,392	98,774	7,022	15,640	(14)	3
1 - 3 months	108,765	67,037	66	41,724	(139)	32
3 - 6 months	160,359	86,225	157	74,291	(554)	126
6 - 9 months	170,258	68,865	136	101,529	(1,260)	283
9 - 12 months	202,972	73,019	546	130,499	(2,265)	478
1 - 1.5 years	67,983	87,644	10,564	(9,097)	225	(47)
1.5 - 2 years	78,555	87,644	-	(9,089)	314	(65)
2 - 3 years	134,743	172,257	-	(37,514)	1,843	(372)
3 - 4 years	119,503	154,121	-	(34,618)	2,365	(468)
4 - 5 years	98,388	151,089	-	(52,701)	4,590	(944)
5 - 6 years	86,877	108,633	-	(21,756)	2,291	(510)
6 - 7 years	82,037	96,563	-	(14,526)	1,783	(448)
7 - 8 years	69,707	96,563	-	(26,856)	3,743	(1,056)
8 - 9 years	48,703	72,422	-	(23,719)	3,681	(1,156)
9 - 10 years	67,629	72,422	-	(4,793)	814	(287)
10 - 15 years	47	-	-	47	(10)	4
15 - 20 years	-	-	-	-	-	-
> 20 years	-	-	-	-	-	-
<b>Total</b>	<b>1,909,966</b>	<b>1,788,205</b>	<b>(31,460)</b>	<b>90,301</b>	<b>17,409</b>	<b>(4,428)</b>

In view of the interest rate gaps observed, as at 31 December 2021, the impact on the economic value of instantaneous and parallel shifts of the interest rates by -200 basis points is -9,587 thousand euros (2020: -4,428 thousand euros).

The main assumptions used in 2020 in the Group's analyses were the following:

- ▲ For Demand Deposits: 15% at sight, 85% distributed non-linearly over 10 years, giving rise to a duration of 3.9 years;
- ▲ Saving Accounts: 18% at sight, 82% distributed non-linearly over 5 years, giving rise to a duration of 1.9 years;
- ▲ Motor Vehicle Credit: constant annual pre-payment rate of 10%.

In 2021 they were revised, and the following changes were introduced:

- ▲ For Demand Deposits: 25.21% at sight, 74.79% distributed non-linearly over 15 years, giving rise to a duration of 3.7 years;
- ▲ Saving Accounts: 39.49% at sight, 60.51% distributed non-linearly over 15 years, giving rise to a duration of 2.9 years;
- ▲ Introduction of an annual mortgage prepayment rate of 8.59%, distributed proportionally by each time bucket interval;



### 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 does not have a Trading portfolio, and almost all of its investment portfolio is recorded as financial assets at amortised cost and residually as financial assets at fair value through other comprehensive income, with the main risk arising from its investments being credit risk rather than market risk. In addition, the Bank holds participation units totalling 25 million euros in a real estate investment fund which is accounted at fair value through profit and loss.

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)

	2021			
	Encumbered assets		Unencumbered assets	
	Book value	Fair value	Book value	Fair value
Equity instruments	-	-	24,999	24,999
Debt securities	17,845	19,206	322,411	329,622
Other assets	276,464	n/a	2,062,267	n/a
	<b>294,309</b>		<b>2,409,677</b>	

(amounts in thousand euros)

	2020			
	Encumbered assets		Unencumbered assets	
	Book value	Fair value	Book value	Fair value
Debt securities	14,055	14,055	503,751	548,635
Other assets	52,988	n/a	1,429,085	n/a
	<b>67,043</b>		<b>1,932,836</b>	

(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	
	2021	2020	2021	2020
<b>Collateral received</b>	<b>406,367</b>	<b>527,266</b>	<b>1,156,138</b>	<b>969,000</b>
Debt securities	-	-	-	-
Other collateral received	406,367	527,266	1,156,138	969,000
<b>Own Debt Securities Issued other than Covered Own Bonds or ABS</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

(amounts in thousand euros)

	Book value of the selected financial liabilities	
	2021	2020
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	-	-

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 1,777,800 thousand euros (2020: 983,426 thousand euros), approximately 5% (2020: 10%) refer to items that cannot be encumbered (other tangible assets, intangible assets, current and deferred taxes).

## Note 35 – 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%.

In order to promote the banking system's capacity to adequately perform this function, and cumulatively with monetary policy measures, the financial regulatory and supervisory authorities introduced a wide range of measures. These measures included the relaxation of a wide range of requirements usually required of institutions. In the case of the banking system, the European Central Bank and Banco de Portugal allowed the institutions directly supervised by them to operate temporarily with a level below the own funds guidance and the combined own funds buffer, and with liquidity levels below the liquidity coverage requirement.

In the course of 2020, several measures were disclosed - by the national supervisor and the European Union - easing regulatory and supervisory requirements to alleviate the contingency situation arising from the Covid-19 outbreak, by reducing regulatory capital requirements, including macro-prudential capital buffers.

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 2021 and 31 December 2020, the Group presented the following capital ratios, calculated in accordance with the transitional provisions established in the CRR:

(amounts in thousand euros)

	2021		2020		Notes
	CRR Phased-in	CRR Fully Implemented	CRR Phased-in	CRR Fully Implemented	
<b>OWN FUNDS</b>					
Share capital	296,400	296,400	286,400	286,400	29
Retained earnings	(73,954)	(73,954)	(74,159)	(74,159)	30
Legal reserve	29	29	-	-	
Eligible results (1)	16,148	16,148	-	-	
Other Reserves	(126)	(126)	(190)	(190)	
Prudential Filters	21	21	64	64	30
Fair value reserves (2)	27	27	83	83	
Additional Valuation Adjustment (AVA) (3)	(6)	(6)	(19)	(19)	
<b>Deductions to common equity tier 1</b>	<b>(71,406)</b>	<b>(79,117)</b>	<b>(81,213)</b>	<b>(81,699)</b>	
Losses for the period	-	-	-	-	
Intangible assets	(17,336)	(17,336)	(19,919)	(19,919)	22
Goodwill	(61,085)	(61,085)	(61,085)	(61,085)	
Adoption of IFRS 9	7,016	(695)	(209)	(695)	
Securitisation deduction (1250%)	(1)	(1)	-	-	
<b>Items not deducted from Equity pursuant to article 437 of the CRR</b>	<b>1,817</b>	<b>1,817</b>	<b>1,929</b>	<b>1,929</b>	23
Deferred tax assets	1,817	1,817	1,929	1,929	
<b>Common Equity Tier 1</b>	<b>167,112</b>	<b>159,401</b>	<b>130,902</b>	<b>130,416</b>	
<b>Tier 1 Capital</b>	<b>167,112</b>	<b>159,401</b>	<b>130,902</b>	<b>130,416</b>	
<b>Total Own Funds</b>	<b>167,112</b>	<b>159,401</b>	<b>130,902</b>	<b>130,416</b>	
<b>RWA</b>	<b>1,043,231</b>	<b>1,036,419</b>	<b>780,104</b>	<b>779,672</b>	
Credit Risk	918,727	918,727	695,218	695,218	
Operational Risk	124,504	124,504	84,768	84,768	
Market Risk	-	-	118	118	
IFRS 9 adjustments	-	(6,812)	-	(432)	
<b>CAPITAL RATIOS</b>					
Common Equity Tier 1	16.02%	15.38%	16.78%	16.73%	
Tier 1 Ratio	16.02%	15.38%	16.78%	16.73%	
Total Capital Ratio	16.02%	15.38%	16.78%	16.73%	

(1) Includes net result for the year in 2021.

(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 36 – Employee Benefits

As mentioned in Note 2.16, 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 in 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 December 2021 and 31 December 2020.

The main actuarial assumptions used in the calculation of the liabilities are as follows:

(amounts in thousand euros)

	2021	2020
<b>Financial assumptions</b>		
Discount rate	1.42%	1.30%
Salary growth rate (considering progressions)	1.25%	1.25%
Average inflation rate	1.00%	1.00%
<b>Demographic assumptions</b>		
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*	66*

\* 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 projection exercise" produced by the Planning, Strategy, Assessment and International Relations Office (GPEAR) 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 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, which laid the grounds for the adjustment of the rate to 1.42% (2020: 1.30%).

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 2021 and 2020, is presented below:

(amounts in thousand euros)

	2021			2020		
	Healthcare – SAMS	Other post-employment benefits	Total	Healthcare – SAMS	Other post-employment benefits	Total
<b>Opening balance</b>	<b>1,432</b>	<b>216</b>	<b>1,648</b>	<b>1,286</b>	<b>198</b>	<b>1,484</b>
Change of the consolidation perimeter	-	-	-	-	-	-
Cost of the current service	107	14	121	97	16	113
Cost of interest (note 4)	19	3	22	19	2	21
Benefits paid	(1)	-	(1)	(1)	-	(1)
Actuarial gains and losses for the year	(89)	(29)	(118)	31	-	31
<b>Closing balance</b>	<b>1,468</b>	<b>204</b>	<b>1,672</b>	<b>1,432</b>	<b>216</b>	<b>1,648</b>

The best estimate that the Group has at this date for expenses to be recognised in 2022 with employee benefits is about -89 thousand euros for Health Care (SAMS) and about -29 thousand euros with other post-employment benefits.

In the period ended on 31 December 2021 and 2020, 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)

	2021	2020
Expenses recognised in the income statement		
Healthcare – SAMS	126	116
Other post-retirement benefits	16	18
	<b>142</b>	<b>134</b>
Actuarial deviations recorded under the balance sheet heading "Other changes in equity"		
Healthcare – SAMS	73	162
Other post-retirement benefits	14	14
	<b>87</b>	<b>176</b>

The average duration of the liabilities related to Healthcare (SAMS) and other employee benefits is approximately 24.55 years (2020: 24.75 years).

### Sensitivity Analysis

The analysis of sensitivity to change in assumptions, pursuant to IAS 19, is as follows:

#### Discount rate:

(amounts in thousand euros)

2021	Discount rate		Δ	
	1.50%	1.75%	Value	%
Liabilities	1,672	1,574	(98)	-5.9%

(amounts in thousand euros)

2020	Discount rate		Δ	
	1.30%	1.75%	Value	%
Liabilities	1,648	1,551	(97)	-5.9%

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 5.9%. (2020: 5.9%).

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 6.2% (2020: 6.3%).

#### 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 2.4% (2020: 2.3%), increasing to 1,711 thousand euros (2020: 1,686 thousand euros).

(amounts in thousand euros)

2021	Mortality Table		Δ	
	Men: TV 88/90 Women: TV 88/90 (-1)	Men: TV 73/77 (-2) Women: TV 88/90 (-3)	Value	%
Liabilities	1,671	1,711	40	2.4%

(amounts in thousand euros)

2020	Mortality Table		Δ	
	Men: TV 88/90 Women: TV 88/90 (-1)	Men: TV 73/77 (-2) Women: TV 88/90 (-3)	Value	%
Liabilities	1,648	1,686	38	2.3%

## Note 37 – Asset Securitisation

As at 31 December 2021 and 2020, the Group had in progress the following securitisation operations:

*(amounts in thousand euros)*

2021						
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	July 2017	March 2033	141,300	10,600	33,081
Chaves Funding No.8	Consumer credit	November 2019	November 2034	310,500	16,025	297,462
Ulisses Finance No.2	Consumer credit	September 2021	September 2038	250,000	1,500	244,698
Next Funding No.1	Consumer credit	April 2021	December 2033	104,118	104,118	298,296
				<b>805,918</b>	<b>132,243</b>	<b>873,537</b>

*(amounts in thousand euros)*

2020						
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	July 2017	March 2033	141,300	10,600	52,172
Chaves Funding No.8	Consumer credit	November 2019	November 2034	310,500	16,025	454,955
				<b>451,800</b>	<b>26,625</b>	<b>507,127</b>

### Ulisses Finance No.1

The assets underlying the Ulisses Finance No.1 operations were not derecognised from the balance sheet as the Group substantially kept the risks and benefits associated to holding them.

The Group guarantees the debt service (servicer) of the traditional securitisation operations, 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.

Ulisses Finance No.1 operation incorporates an interest rate cap, which is a mechanism to mitigate interest rate risk for the operations and their investors, among which the Group is included, but that were not contracted directly by the Group, but rather by the issuer of the securitisation operations (Sagres – STC).

### Ulisses Finance No.2

The assets underlying the Ulisses Finance No.2 operation were not derecognised from the balance sheet as the Group substantially kept the risks and benefits associated to holding them.

The Group guarantees the debt service (servicer) of the traditional securitisation operations, 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.

Ulisses Finance No.2 operation incorporates an interest rate cap, which is a mechanism to mitigate interest rate risk for the operations and their investors, among which the Group is included, but that were not contracted directly by the Group, but rather by the issuer of the securitisation operations (Tagus – STC, S.A.).

### Chaves Funding No.8

The underlying assets of the Chaves Funding No.8 operation were not derecognised from the balance sheet as the Group retained all the risks and benefits associated with their holding, insofar as this operation was fully subscribed by the Banco CTT Group.





(amounts in thousand euros)

	2020											
	Nominal Value		Redemption date	Remuneration	Initial Rating				Rating atual			
	Initial	Current			Fitch	Moody's	S&P	DBRS	Fitch	Moody's	S&P	DBRS
<b>Ulisses Finance No.1</b>												
Class A	120,100	30,402	Mar 2033	Euribor 1M + 85 bps	-	A2	-	A	-	A1	-	<b>AA</b>
Class B	7,000	7,000	Mar 2033	Euribor 1M + 160 bps	-	Baa3	-	BBB	-	Aa3	-	<b>A</b>
Class C	7,100	7,100	Mar 2033	Euribor 1M + 375 bps	-	Ba2	-	BB(low)	-	A3	-	<b>BBB</b>
Class D	7,100	7,100	Mar 2033	Euribor 1M + 400 bps	-	-	-	-	-	-	-	-
Class E	3,500	3,500	Mar 2033	-	-	-	-	-	-	-	-	-
<b>Chaves Funding No.8</b>												
Class A	294,975	437,904	Nov 2034	Euribor 1M + 125 bps	-	-	-	-	-	-	-	-
Class B	16,025	24,451	Nov 2034	-	-	-	-	-	-	-	-	-
	<b>455,800</b>	<b>517,457</b>										

Furthermore, as at 31 December 2021, 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 38 – Provision of Insurance or Reinsurance Mediation Services

As at 31 December 2021 and 2020, the remunerations derived from the provision of insurance and reinsurance mediation services were broken down as follows:

(amounts in thousand euros)

	2021	2020
Life Business	5,300	3,822
Non-Life Business	669	482
	<b>5,969</b>	<b>4,304</b>

The values receivable and payable associated to the insurance mediation activity are presented as follows:

(amounts in thousand euros)

	2021	2020
Values receivable	1,193	828
Values payable	1,718	899

## Note 39 – Standards, Interpretations, Amendments and Revisions that Entered into Force in the Financial 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 1 January 2021:

### **Amendments to IFRS 16 – Leases – Covid-19-Related Rent Concessions beyond 30 June 2021**

On 28 May 2020, the amendment to IFRS 16 called 'COVID-19-related concessions' was issued, introducing the following practical expedient: a lessee may choose not to assess whether a Covid-19 rental concession is a lease modification.

Lessees electing to apply this expedient account for the change to rental payments resulting from a concession related to COVID-19 in the same way as they account for a change that is not a lease modification in accordance with IFRS 16.

Initially, the practical expedient applied to payments originally due by 30 June 2021, however, due to the extension of the impact of the pandemic, on 31 March 2021, it was extended to payments originally due by 30 June 2022. The amendment applies to annual reporting periods beginning on or after 1 April 2021.

In short, the practical expedient can be applied as long as the following criteria are met:

- ▶ the change in the lease payments results in a revised consideration for the lease that is substantially the same as, or less than, the consideration immediately prior to the change;
- ▶ any reduction in lease payments only affects payments due on or by 30 June 2022; and
- ▶ there are no material changes to other terms and conditions of the lease.

#### ***Amendments to IFRS 4 - Insurance Contracts - Deferral of the application of IFRS 9***

This amendment refers to the temporary accounting consequences that result from the difference between the date of entry into force of IFRS 9 - Financial Instruments and the future IFRS 17 - Insurance Contracts. Specifically, the amendment made to IFRS 4 postpones until 1 January 2023 the expiry date of the temporary exemption from applying IFRS 9 in order to align the effective date of the latter with that of the new IFRS 17.

The temporary exemption referred to is of optional application and only available to entities whose activities are predominantly insurance-related.

#### ***Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 - Reform of reference interest rates - phase 2***

These amendments are part of the second phase of the IASB's "IBOR reform" project and allow for exemptions related to the reform of the benchmark for reference interest rates by an alternative interest rate (Risk Free Rate, RFR). The amendments include the following practical expedients:

- ▶ a practical expedient that requires contractual changes, or changes in cash flows that are directly required by the reform, are treated in the same way as a fluctuating interest rate change, equivalent to a movement in the market interest rate;
- ▶ Allow changes required by the reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued;
- ▶ Provide temporary operational relief to entities that have to comply with the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

These standards and changes had no material impact on the consolidated financial statements of the Grupo Banco CTT.

## Note 40 – 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 IFRS 3 – References to the Conceptual Framework for Financial Reporting***

This amendment updates the references to the Conceptual Framework in the text of IFRS 3 and no changes have been made to the accounting requirements for business combinations.

It also clarifies the accounting treatment to be adopted for liabilities and contingent liabilities under IAS 37 and IFRIC 21, incurred separately versus those included in a business combination.

The amendment is forward-looking in its application.

The amendment should be applied for annual periods beginning on or after 1 January 2022.

### ***Amendments to IAS 16 – Income obtained before going into operation***

It clarifies the accounting treatment given to the consideration obtained from the sale of products resulting from the test phase production of tangible fixed assets, prohibiting their deduction from the acquisition cost of the assets. The entity recognises the income obtained from the sale of such products and the costs of their production in profit or loss.

The amendment should be applied for annual periods beginning on or after 1 January 2022.

### ***Amendments to IAS 37 – Onerous contracts – cost of fulfilling a contract***

This amendment specifies that in assessing whether or not a contract is onerous, only expenses directly related to the fulfilment of the contract can be considered, such as incremental costs related to direct labour and materials and the allocation of other directly related expenses such as the allocation of depreciation expenses of tangible assets used to perform the contract.

General and administrative costs are not directly related to a contract and are excluded unless they are explicitly charged to the counterparty in accordance with the contract.

This amendment should be applied to contracts that, at the beginning of the first annual reporting period to which the amendment is applied, still include unfulfilled contractual obligations, without there being a need to restate the comparative.

The amendment should be applied for annual periods beginning on or after 1 January 2022.

### ***Amendments to IFRS 1 – Subsidiary as a first-time adopter of IFRSs (included in the annual improvements to the 2018–2020 cycle)***

This improvement clarifies that when the subsidiary chooses to measure its assets and liabilities at the amounts included in the parent company’s consolidated financial statements (assuming no adjustment to the consolidation process has occurred), the measurement of the cumulative translation differences of all foreign operations can be made at the amounts that would be recorded in the consolidated financial statements, based on the parent company’s date of transition to IFRS.

The amendment should be applied for annual periods beginning on or after 1 January 2022.

**Amendments to IFRS 9 – Derecognition of financial liabilities – Fees to be included in the ‘10 per cent’ variation test (included in the annual improvements to the 2018– 2020 cycle)**

This improvement clarifies which fees an entity should include when assessing whether the terms of a financial liability are materially different from the terms of the original financial liability. This improvement clarifies that under derecognition tests performed on renegotiated liabilities, only fees paid or received between the debtor and the creditor should be included, including fees paid or received by the debtor or the creditor on behalf of the other.

The amendment should be applied for annual periods beginning on or after 1 January 2022.

**Amendments to IAS 41 – Taxation in fair value measurement (included in the annual improvements to the 2018–2020 cycle)**

This improvement eliminates the requirement to exclude tax cash flows when measuring the fair value of biological assets, ensuring consistency with the principles of IFRS 13 – Fair Value.

The amendment should be applied for annual periods beginning on or after 1 January 2022.

**IFRS 17 – Insurance Contracts**

IFRS 17 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.

The amendment should be applied for annual periods beginning on or after 1 January 2023.

The Group did not early apply any of these standards in the financial statements for the twelve months period ended 31 December 2021. No significant impacts on the financial statements are expected as a result of its adoption.

**Note 41 – 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 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.

#### **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 1 – Disclosure of accounting policies**

These changes are intended to assist the 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 12 – Deferred tax related to assets and liabilities arising from a single transaction**

The amendments clarify that payments that settle a liability are tax deductible, 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 important to determine whether there are temporary differences in the initial recognition of the asset or liability.

According to these amendments, the initial recognition exception is not applicable to transactions that originated equal taxable and deductible temporary differences. It is only applicable if the recognition of a leasing asset and a leasing liability gives rise to taxable and deductible temporary differences that are not the same.

#### **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.

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 2021. No significant impacts on the financial statements are expected as a result of its adoption.

## **Note 42 – Subsequent Events**

No other events with a material impact on the Group’s Financial Statements have occurred up to the date of this report and after the end of the financial year 2021.

It is anticipated that 2022 will see a portuguese economic recovery, but this could be conditioned by the latest international developments in Ukraine, damaging economic confidence. The Banco CTT Group has no credit risk exposures to Ukraine or Russia.

## ACCOUNTS AND NOTES TO THE INDIVIDUAL ACCOUNTS OF 2021

### INDIVIDUAL FINANCIAL STATEMENTS

Individual Income Statements for the years ended 31 December 2021 and 2020

(amounts in thousand euros)

	Notes	2021	2020
Interest and similar income calculated through the effective interest rate	4	23,681	17,600
Interest and similar expenses	4	(1,470)	(861)
<b>Net Interest Income</b>	<b>4</b>	<b>22,211</b>	<b>16,739</b>
Net fee and commission income	5	15,474	10,871
Net gains/(losses) of assets and liabilities at fair value through profit or loss		(1)	-
Net gains/(losses) of other financial assets at fair value through other comprehensive income	6	-	389
Results from financial assets and liabilities at amortised cost	7	17,777	34
Other operating income/(expenses)	8	(262)	(261)
<b>Operating Income</b>		<b>55,199</b>	<b>27,772</b>
Staff costs	9	(17,087)	(14,303)
General administrative expenses	10	(24,243)	(21,063)
Amortisation and depreciation for the year	19 and 20	(6,328)	(5,520)
<b>Operating Costs</b>		<b>(47,658)</b>	<b>(40,886)</b>
<b>Operating Profit/(Loss) Before Provisions and Impairment</b>		<b>7,541</b>	<b>(13,114)</b>
Credit impairment	15	(1,106)	(1,075)
Impairment of other financial assets	14, 16 and 18	(5,652)	234
Impairment of other assets	20 and 23	(112)	15
Provisions	26	(118)	(151)
<b>Operating Profit/(Loss)</b>		<b>553</b>	<b>(14,091)</b>
<b>Results of Investments in Subsidiaries and Associates</b>		<b>14,689</b>	<b>11,292</b>
<b>Profit/(Loss) Before Tax</b>		<b>15,242</b>	<b>(2,799)</b>
Taxes			
Current	22	26	3,030
Deferred	22	156	54
<b>Net Income for the Year</b>		<b>15,424</b>	<b>285</b>
Earnings per share (in euros)			
Basic	11	0.05	0.00
Diluted	11	0.05	0.00

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

#### THE CHARTERED ACCOUNTANT

Nuno Filipe dos Santos Fernandes

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Individual Comprehensive Income Statements for the years ended on 31 December 2021 and 2020

	Notes	2021	2020
<i>(amounts in thousand euros)</i>			
<b>Net Income for the Year</b>		<b>15,424</b>	<b>285</b>
<b>Comprehensive income recognized directly in Equity after taxes</b>		<b>9</b>	<b>84</b>
Items that may be reclassified to the income statement			
Fair value reserve	29	(56)	67
Items that shall not be reclassified to the income statement			
Actuarial gains / (losses) for the year			
Employee benefits	29	65	17
<b>Total Comprehensive Income for the Year</b>		<b>15,433</b>	<b>369</b>

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

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Individual Balance Sheets as at 31 December 2021 and 2020

(amounts in thousand euros)

	Notes	2021	2020
<b>Assets</b>			
Cash and deposits at central banks	12	613,012	191,613
Deposits at other credit institutions	13	4,158	14,578
Financial assets at amortised cost			
Investments at credit institutions	14	69,898	52,999
Loans and advances to customers	15	631,673	525,672
Debt securities	16	864,041	936,089
Financial assets at fair value through profit or loss	17	24,999	-
Financial assets at fair value through other comprehensive income			
Debt securities	18	6,095	19,555
Other tangible assets	19	4,919	1,746
Intangible assets	20	21,614	24,236
Investments in subsidiaries and associates	21	133,721	144,692
Deferred tax assets	22	683	526
Other assets	23	18,211	18,514
<b>Total Assets</b>		<b>2,393,024</b>	<b>1,930,220</b>
<b>Liabilities</b>			
Financial liabilities at amortised cost			
Amounts owed to other credit institutions	24	43	34
Deposits from customers	25	2,122,817	1,689,110
Provisions	26	429	165
Deferred tax liabilities	22	6	20
Other liabilities	27	32,571	29,166
<b>Total Liabilities</b>		<b>2,155,866</b>	<b>1,718,495</b>
<b>Equity</b>			
Share capital	28	296,400	286,400
Legal reserves	29	29	-
Fair value reserves	29	27	83
Other reserves and retained earnings	29	(74,722)	(75,043)
Net income for the year		15,424	285
<b>Total Equity</b>		<b>237,158</b>	<b>211,725</b>

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

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Individual Statements of Changes in Equity for the years ended on 31 December 2021 and 2020

(amounts in thousand euros)

	Notes	Share capital	Fair Value Reserves	Legal Reserves	Other Reserves	Retained earnings	Net Income for the Year	Total Equity
<b>Balance on 31 December 2019</b>		<b>286,400</b>	<b>16</b>	-	<b>(902)</b>	<b>(66,148)</b>	<b>(8,011)</b>	<b>211,355</b>
Share capital increase		-	-	-	-	-	-	-
Appropriation of net income		-	-	-	-	(8,011)	8,011	-
Actuarial gains/(losses)		-	-	-	17	-	-	17
Other variations		-	-	-	1	-	-	1
Comprehensive income for the year								
Fair value reserves		-	67	-	-	-	-	67
Net income for the year		-	-	-	-	-	285	285
<b>Balance on 31 December 2020</b>		<b>286,400</b>	<b>83</b>	-	<b>(884)</b>	<b>(74,159)</b>	<b>285</b>	<b>211,725</b>
Share capital increase	28	10,000	-	-	-	-	-	10,000
Appropriation of net income		-	-	29	-	256	(285)	-
Actuarial gains/(losses)		-	-	-	65	-	-	-
Other variations		-	-	-	-	-	-	-
Comprehensive income for the year								
Fair value reserves	29	-	(56)	-	-	-	-	(56)
Net income for the year		-	-	-	-	-	15,424	15,424
<b>Balance on 31 December 2021</b>		<b>296,400</b>	<b>27</b>	<b>29</b>	<b>(819)</b>	<b>(73,903)</b>	<b>15,424</b>	<b>237,158</b>

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

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Individual Statements of Cash Flows for the years ended on 31 December 2021 and 2020

(amounts in thousand euros)

	Notes	2021	2020
<b>Cash flow from operating activities</b>		<b>340,722</b>	<b>284,898</b>
Interest income received		26,803	21,016
Interest paid		(1,457)	(1,131)
Commissions income received		18,771	16,348
Commissions paid		(3,745)	(3,341)
Payments to employees		(15,613)	(13,797)
Sectoral contributions		(181)	(189)
Other payments and revenues		(25,693)	(23,742)
Variation in operational assets and liabilities		341,837	289,734
<i>Other operational assets and liabilities</i>		14,306	3,021
<i>Loans and advances to customers</i>		(106,238)	(119,112)
<i>Deposits from Customers</i>		433,769	405,825
<b>Cash flow from investment activities</b>		<b>59,799</b>	<b>(178,060)</b>
Deposits at Banco de Portugal		(4,142)	10,128
Investment in securities		58,362	(191,014)
<i>Investment</i>		(646,572)	(432,648)
<i>Repayment/Divestment</i>		704,934	241,634
Investments at credit institutions		(16,855)	4,190
Acquisitions of tangible fixed assets and intangible assets		(3,291)	(3,764)
Dividends received		25,725	2,400
<b>Cash flow from financing activities</b>		<b>8,889</b>	<b>(39,178)</b>
Share capital increases		10,000	-
Amounts owed to other credit institutions		10	(38,131)
Leases		(1,121)	(1,047)
<b>Cash and cash equivalents at the beginning of the year</b>		<b>186,820</b>	<b>119,160</b>
<b>Net changes in cash and cash equivalents</b>		<b>409,410</b>	<b>67,660</b>
<b>Cash and cash equivalents at the end of the year</b>		<b>596,230</b>	<b>186,220</b>
<b>Cash and cash equivalents cover:</b>		<b>596,230</b>	<b>186,820</b>
Cash	12	28,307	27,860
Demand deposits at Banco de Portugal	12	564,767	147,957
Deposits at credit institutions	13	3,156	11,003

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

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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 2021, and were prepared in accordance with the current IFRS as endorsed in the European Union by 31 December 2021.

The financial statements are expressed in thousands of euros and were prepared on a going concern basis and under the historical cost convention, with the exception of assets and liabilities recorded at their 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 judgment or complexity or areas where assumptions and estimates that 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 14 March 2022.

### Note 2 – Main Accounting Policies

The main accounting policies used in the preparation of these financial statements are as follows:

#### 2.1 Foreign Currency Transactions

Transactions in foreign currency (a currency different from the Bank’s functional currency) are recorded at the exchange rates in force on the transaction date. At each reporting date, the book values of the monetary items in foreign currency are updated at the exchange rates on that date. The book values of non-monetary items recorded at historical cost in foreign currency are not updated.

Favourable and unfavourable currency translation differences arising from the use of different exchange rates in force on the transaction dates and those in force on the recovery, payment or reporting dates are recognised in the profit or loss for the year.

## 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 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.
- ▶ assessment as to whether the contractual cash flows correspond only to the receipt of principal and interest (SPPI – Solely Payments of Principal and Interest).

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.

#### 2.2.1.1 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 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 of financial assets at amortised cost are recognised under the heading “Interest and similar income calculated through the effective rate”, based on the effective interest rate and pursuant to the criteria described in note 2.11.

Gains or losses generated at the time of their derecognition are recorded in the heading "Net gains/(losses) of financial assets at amortised cost".

#### 2.2.1.2 *Financial assets at fair value through other comprehensive income*

##### Classification

A financial asset is classified in the category of "Financial assets at fair value through other comprehensive income" if it cumulatively complies with the following conditions:

- ▲ the financial asset is held in a business model where the objective is the collection of its contractual cash flows and the sale of that financial asset;
- ▲ its contractual cash flows occur on specific dates and correspond only to payments of principal and interest of the amount in debt (SPPI).

Furthermore, upon the initial recognition of an equity instrument, which is not held for trading, nor for a contingent retribution recognised by an acquirer in a business combination subject to IFRS 3, the Group can irrevocably decide to classify it in a category of "Financial assets at fair value through other comprehensive income" (FVOCI). This option is decided on a case-by-case basis for each investment and is only available for financial instruments that comply with the definition of equity instruments established in IAS 32, and cannot be used for financial instruments whose classification as an equity instrument in the sphere of the issuer is done under the exceptions foreseen in paragraphs 16A to 16D of IAS 32.

##### 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 rate", based on the effective interest rate and pursuant to the criteria described in note 2.11.

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.

#### 2.2.1.3 *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 Bank 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 Bank 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.

#### 2.2.1.4 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.

#### 2.2.1.5 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.

#### 2.2.1.6 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 Circular Letter 02/2014/DSP.

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 over involving suspected 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 – Individual 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:

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.
	Sovereign debt		Eurozone public debt securities and exposures obtained through the credit assignment contract.
	Corporate		Deposits and investments in other credit institutions, other financing granted to other credit institutions and corporate debt securities.

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 benchmarks. 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:

- iii) a probability of default that derives from the external rating of the issuer or counterparty, respectively; and
- iv) 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.

### 2.2.1.7 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, with the principles described in Note 2.2.1.4 Derecognition of financial assets being applicable.

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.

### 2.2.2 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 Bank 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 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).

## 2.3 Offsetting financial instruments

Financial assets and liabilities are offset with their net amount reported in the balance sheet, when there is a legally enforceable right to offset the recognised amounts and the intention to settle on a net basis or 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 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.

### 2.6 Tangible Assets

Tangible assets are recorded at their acquisition or production cost, minus accumulated depreciation and impairment losses, when applicable. The acquisition cost includes:

- (I) the purchase price of the asset;
- (II) the expenses directly imputable to the purchase.

The depreciation of tangible assets, minus their residual estimated value, is calculated in accordance with the straight-line method, from the month when the assets are available for use, over their useful lives, which are determined according to their expected economic utility.

The depreciation rates that are applied correspond, on average, to the following estimated useful lives for the different categories of assets:

	Years of useful life
Works in rented properties	1-10
Security equipment	1-8
Other equipment	1-5

Depreciation terminates when the assets are re-classified as held for sale.

On each reporting date, the Bank assesses whether there is any indication that an asset might be impaired. Whenever such indicators exist, the tangible assets are subject to impairment tests, where any excess of the carrying value relative to the recoverable amount, should this exist, is recognised in the consolidated income statement. The recoverable amount corresponds to the highest figure between the fair value of an asset minus the costs of selling it and its value in use, calculated based on the present value of the future cash flows that are expected to be obtained from its continued use.

Tangible assets in progress correspond to tangible assets that are still under construction/production and are recorded at acquisition or production cost. These assets are depreciated from the month when they fulfil the necessary conditions to be used for their intended purpose.

Costs related to maintenance and repair of current nature are recorded as costs in the period these are incurred. Major repairs which lead to increased benefits or increased in expected useful life are recorded as tangible assets and depreciated at the rates corresponding to their expected useful life. Any replaced component is identified and written off.

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

## **2.7 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)".

## **2.8 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.

#### 2.8.1 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.

#### *2.8.2 As lessor*

When the Bank acts as a lessor, at the beginning of the lease it determines whether this lease should be classified as an operating lease or a finance lease.

In order to classify each lease, the Bank makes an overall assessment as to whether the lease substantially transfers all the risks and benefits inherent to the ownership of the underlying asset. If the lease substantially transfers all the risks and benefits inherent to the ownership of the underlying assets, this entails a finance lease, otherwise it shall be considered an operating lease. As part of this assessment, the Bank considers various indicators such as whether the lease is conducted for the majority of the asset's economic life.

When the Bank is an intermediary lessor, the Bank records its interests in the main lease and in the sublease separately. The classification of the sublease is made by reference to the right-of-use asset derived from the original lease, and not by reference to the underlying asset. If the original lease is a short-term lease contract to which the Bank applies the exemption of recognition described above, the Bank classifies the sublease as an operating lease.

If a contract contains lease and non-lease components, the Bank shall apply IFRS 15 to impute the retribution established in the contract.

### **2.9 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 for tax purposes.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for deductible temporary differences. However, this 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.

## **2.10 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.

## **2.11 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 is 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.

## **2.12 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.

### **2.13 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.

### **2.14 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 exclude restricted balances with central banks.

### **2.15 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".

### **2.16 Employee Benefits**

#### **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.

## 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 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 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 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. This is based on the difference between the contractual cash flows and those that the Bank expects to receive, via cash flows generated by the business of the client or credit collateral. Loss given default is calculated based on, among other aspects, the different scenarios of recovery, market information, the costs involved in the recovery process and the estimated valuation of the collateral associated to credit operations.

### **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 2.2.1.6. 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.

### **3.4 Evolution of the SARS-COV-2 (Covid-19) situation**

The general spread of vaccination in the second half of 2021 allowed for a gradual lifting of the restriction measures that were imposed throughout 2021. The evolution of the activity is expected to be conditioned in the short term by a new wave of the pandemic in Europe and by problems in global supply chains. The reintroduction of restrictive measures to contain the pandemic, including on international mobility, alongside increased uncertainty, will impact the pace of recovery, in particular for tourism-related services. In addition, disruptions in global supply chains, which have been reflected in the scarcity of raw materials and other goods and an increase in their costs, are assumed to dissipate from the second half of 2022 onwards. In the light of the above, management will continue to monitor the threat and its implications on the business and provide all necessary information to its stakeholders and act in accordance with the recommendations issued by the World Health Organisation and public health authorities.

## Note 4 – Net Interest Income

This heading is composed of:

*(amounts in thousand euros)*

	2021	2020
<b>Interest and similar income calculated through the effective interest rate</b>	<b>23,681</b>	<b>17,600</b>
Interest on financial assets at amortised cost		
Investments at credit institutions	579	759
Loans and advances to customers	4,048	4,347
Debt securities	18,954	12,321
Interest on financial assets at fair value through other comprehensive income		
Debt securities	102	175
Other interest	(2)	(2)
<b>Interest and similar expenses</b>	<b>1,470</b>	<b>861</b>
Interest on financial liabilities at amortised cost		
Amounts owed to other credit institutions	-	(17)
Deposits from Customers	472	863
Interest on deposits at Banco de Portugal (assets)	979	-
Other interest	19	15
<b>Net Interest Income</b>	<b>22,211</b>	<b>16,739</b>

The heading “Interest and similar income” for the year ended on 31 December 2021 presents a total of 44 thousand euros (2020: 33 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 -655 thousand euros (2020: -431 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 2.11.

Interest on amounts owed to other credit institutions in the amount of -17 thousand euros as at 31 December 2020 refers to sale operations with a repurchase agreement, contracted at market rates.

The item Interest on deposits with Banco de Portugal (assets) has a value of 979 thousand euros, representing interest expenses for amounts deposited with the Central Bank that exceed the minimum reserve requirements. From the reserve counting period started on 30 October 2019, the ECB introduced the tiering regime, in which 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 the central bank’s lending rate instead of the deposit rate.

## Note 5 – Net Fee and Commission Income

This heading is composed of:

	<i>(amounts in thousand euros)</i>	
	<b>2021</b>	<b>2020</b>
<b>Fees and commissions received</b>	<b>19,219</b>	<b>14,213</b>
Due to banking services provided	12,250	8,779
Due to credit intermediation services	1,766	1,748
Due to insurance mediation services	4,634	3,145
Due to commitments to third parties	540	514
Due to guarantees provided	29	29
Other fees and commissions received	-	(2)
<b>Fees and commissions paid</b>	<b>3,745</b>	<b>3,342</b>
Due to banking services provided by third parties	3,602	3,215
Dues to operations with securities	117	108
Other fees and commissions paid	26	19
<b>Net Fee and Commission Income</b>	<b>15,474</b>	<b>10,871</b>

## Note 6 – Net Gains/(Losses) of Other Financial Assets at Fair Value Through Other Comprehensive Income

This heading is composed of:

	<i>(amounts in thousand euros)</i>	
	<b>2021</b>	<b>2020</b>
<b>Earnings on transactions with other financial assets at fair value against other comprehensive income</b>	<b>-</b>	<b>389</b>
Debt securities	-	389
<b>Net Gains/(Losses) of Other Financial Assets at Fair Value Through Other Comprehensive Income</b>	<b>-</b>	<b>389</b>

## Note 7 – Results from Financial Assets and Liabilities at Amortised Cost

This heading is composed of:

	<i>(amounts in thousand euros)</i>	
	<b>2021</b>	<b>2020</b>
<b>Earnings on operations with financial assets and liabilities at amortised cost</b>	<b>17,916</b>	<b>34</b>
Debt securities	17,916	34
<b>Losses on operations with financial assets and liabilities at amortised cost</b>	<b>(139)</b>	<b>-</b>
Debt securities	(139)	-
<b>Results from Financial Assets and Liabilities at Amortised Cost</b>	<b>17,777</b>	<b>34</b>

During 2021, the Bank made sales of securities at amortised cost, resulting in a gain of 17,777 thousand euros. These sales of securities resulted from the Group's balance sheet management in the context of the entry into a new business segment (credit cards) resulting from the partnership with Sonae Financial Services.

## Note 8 – Other Operating Income/(Expenses)

This heading is composed of:

*(amounts in thousand euros)*

	2021	2020
<b>Operating income</b>	<b>208</b>	<b>196</b>
Other operating income	208	196
<b>Operating expenses</b>	<b>470</b>	<b>457</b>
Levies and donations	34	50
Contribution of the banking sector	87	122
Contribution to the Single Resolution Fund	48	16
Contribution to the Resolution Fund	32	47
Annual supervisory fees (SSM)	7	-
Taxes	154	137
Annual supervisory fees (ASF)	3	2
Contribution to the Deposit Guarantee Fund	4	3
Other operating expenses	101	80
<b>Other Operating Income/(Expenses)</b>	<b>(262)</b>	<b>(261)</b>

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 of the core own funds (Tier 1 Capital), supplementary own funds (Tier 2 Capital) and deposits covered by the Deposit Guarantee Fund.

## Note 9 – Staff Costs

This heading is composed of:

	<i>(amounts in thousand euros)</i>	
	<b>2021</b>	<b>2020</b>
Remuneration	9,751	9,167
Social charges on remunerations	2,334	2,169
Employees with a multiple employer arrangement	3,328	1,860
Incentives and performance bonuses	1,460	920
Occupational accident and disease insurance	122	124
Other costs	92	63
<b>Staff Costs</b>	<b>17,087</b>	<b>14,303</b>

The total amount of fixed remunerations attributed to the Management and Supervisory Bodies of Banco CTT, during 2021, recorded in the heading “Remunerations”, reached 1,640 thousand euros (2020: 1,501 thousand euros). During 2021, costs related to Social Security contributions of the Management and Supervisory Bodies were also paid of the value of 388 thousand euros (2020: 353 thousand euros). As at 31 December 2021, the heading “Incentives and performance bonuses” includes 689 thousand euros of bonuses attributable to the Management Bodies (2020: 133 thousand euros). In 2021, the Bank recorded under the heading “Other costs” 35 thousand euros of costs related to retirement savings plans attributed to Management Bodies (2020: 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 2021 the cost related to these employees shared with CTT amounted to 3,240 thousand euros (2020: 1,843 thousand euros).

In 2021 the Management Bodies were paid 226 thousand euros of variable remuneration (2020: 202 thousand euros).

On the date of the end of 2021 and 2020, the permanent staff, excluding employees under the multiple employer arrangement, distributed by major professional category, was as follows:

	<i>(amounts in thousand euros)</i>	
	<b>2021</b>	<b>2020</b>
Administration	12	12
<i>Executive</i>	5	5
<i>Non-executive</i>	7	7
<i>of which: Audit Committee</i>	3	3
Heads of functional areas	37	35
Technical and secretarial staff	202	196
	<b>251</b>	<b>243</b>



## Note 10 – General Administrative Expenses

This heading is composed of:

*(amounts in thousand euros)*

	2021	2020
Water, electricity and fuel	92	75
Consumables	40	50
Hygiene and cleaning supplies	(2)	8
Rental and hire charges	122	120
Communications	1,219	1,134
Travel, hotel and representation costs	68	81
Advertising	1,489	1,195
Maintenance and related services	3	5
Training costs	85	58
Insurance	114	105
IT	9,163	8,306
Consulting and advisory services	1,587	1,067
Other specialised services	2,868	2,708
Other supplies and services	7,395	6,151
<b>General Administrative Expenses</b>	<b>24,243</b>	<b>21,063</b>

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 the banking and transaction operative.

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 3,713 thousand euros (2020: 2,745 thousand euros).

The costs incurred with audit and legal review of accounts services provided by the Statutory Auditor are as follows:

*(amounts in thousand euros)*

	2021	2020
Review of accounts services	201	210
Reliability assurance services	93	183
Services other than review of accounts	-	50
	<b>294</b>	<b>443</b>

## Note 11 – Earnings per Share

Earnings per share are calculated as follows:

	<i>(amounts in thousand euros)</i>	
	<b>2021</b>	<b>2020</b>
Net income for the year (thousand euros)	15,424	285
Average number of shares	295,742,466	286,400,000
Basic earnings per share (euros)	0.05	0.00
Diluted earnings per share (euros)	0.05	0.00

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 2021 and 2020, 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 12 – Cash and Deposits at Central Banks

This heading is analysed as follows:

	<i>(amounts in thousand euros)</i>	
	<b>2021</b>	<b>2020</b>
Cash	28,307	27,860
Demand deposits at Banco de Portugal	584,705	163,753
<b>Cash and Deposits at Central Banks</b>	<b>613,012</b>	<b>191,613</b>

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 2021 the amount of the minimum cash reserves was 19,938 thousand euros.

Pursuant to Regulation (EU) 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. From the reserve counting period commenced on 30 October 2019, the ECB 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 the central bank's lending rate instead of the deposit rate.

## Note 13 – Deposits at Other Credit Institutions

This heading is analysed as follows:

	<i>(amounts in thousand euros)</i>	
	<b>2021</b>	<b>2020</b>
Credit institutions in Portugal	3,156	11,003
Cheques for collection	1,002	3,575
<b>Deposits at Other Credit Institutions</b>	<b>4,158</b>	<b>14,578</b>

The heading “Cheques for collection” represents drawn by third parties at other credit institutions, which are pending collection.

## Note 14 – Financial Assets at Amortised Cost – Investments at Credit Institutions

This heading is analysed as follows:

	<i>(amounts in thousand euros)</i>	
	<b>2021</b>	<b>2020</b>
Investments at credit institutions in Portugal	2,350	10,000
Loans to credit institutions in Portugal	67,558	33,027
Investments at credit institutions abroad	-	10,001
Impairment for investments in credit institutions	(10)	(29)
<b>Investments at Credit Institutions</b>	<b>69,898</b>	<b>52,999</b>

The scheduling of this heading by maturity periods is presented as follows:

	<i>(amounts in thousand euros)</i>	
	<b>2021</b>	<b>2020</b>
Up to 3 months	2,337	15,875
3 to 12 months	6,198	25,728
1 to 3 years	61,373	10,463
More than 3 years	-	962
<b>Investments at Credit Institutions</b>	<b>69,908</b>	<b>53,028</b>

The heading “Investments at credit institutions” showed an annual average rate of 1.379% in 2020 (2019: 1.496%).

Impairment of investments in credit institutions for the Bank is analysed as follows:

*(amounts in thousand euros)*

	2021 Stage 1	2020 Stage 1
<b>Opening balance</b>	<b>29</b>	<b>216</b>
<b>Movement for the period:</b>		
Financial assets originated or acquired	7	24
Variations due to change in exposure or risk parameters	(1)	(161)
Derecognised financial assets excluding write-offs	(25)	(50)
<b>Impairment of investments in credit institutions</b>	<b>10</b>	<b>29</b>

The reconciliation of the accounting movements related to impairment losses are presented below:

*(amounts in thousand euros)*

	2021 Stage 1	2020 Stage 1
<b>Opening balance</b>	<b>29</b>	<b>216</b>
<b>Movement for the period:</b>		
Variations in expected credit loss	(19)	(187)
<b>Impairment of investments in credit institutions</b>	<b>10</b>	<b>29</b>

## Note 15 – Financial Assets at Amortised Cost – Loans and Advances to Customers

This heading is analysed as follows:

*(amounts in thousand euros)*

	2021	2020
Mortgage credit	595,420	525,083
Other loans	36,183	-
Overdrafts	1,331	1,148
<b>Outstanding loans</b>	<b>632,934</b>	<b>526,231</b>
Overdue loans - less than 90 days	59	72
Overdue loans - more than 90 days	1,220	973
<b>Overdue loans</b>	<b>1,279</b>	<b>1,045</b>
<b>Impairment for credit risk</b>	<b>(2,540)</b>	<b>(1,604)</b>
<b>Loans and Advances to Customers</b>	<b>631,673</b>	<b>525,672</b>

The item Other credits in the amount of 36,183 thousand euros represents the credit granted (Liquidity Facility) to the Next Funding No.1 securitisation operation, in which Banco CTT is the sole investor, with the sole 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 16).

The scheduling of this heading by maturity periods is presented as follows:

(amounts in thousand euros)

	2021						Total
	At sight	Up to 3 months	3 to 12 months	1 to 3 years	More than 3 years	Overdue loans	
Mortgage credit	-	4,529	13,058	35,360	542,472	-	595,419
Other loans	36,183	-	-	-	-	-	36,183
Overdrafts	1,331	-	-	-	-	1,280	2,611
<b>Loans and Advances to Customers</b>	<b>37,514</b>	<b>4,529</b>	<b>13,058</b>	<b>35,360</b>	<b>542,472</b>	<b>1,280</b>	<b>634,213</b>

(amounts in thousand euros)

	2020						Total
	At sight	Up to 3 months	3 to 12 months	1 to 3 years	More than 3 years	Overdue loans	
Mortgage credit	-	3,679	10,650	29,886	480,869	-	525,084
Overdrafts	1,148	-	-	-	-	1,044	2,192
<b>Loans and Advances to Customers</b>	<b>1,148</b>	<b>3,679</b>	<b>10,650</b>	<b>29,886</b>	<b>480,869</b>	<b>1,044</b>	<b>527,276</b>

The distribution of this heading by type of rate is presented as follows:

(amounts in thousand euros)

	2021	2020
Fixed rate	38,793	2,193
Variable rate	595,420	525,083
<b>Loans and Advances to Customers</b>	<b>634,213</b>	<b>527,276</b>

The analysis of this heading by type of collateral is presented as follows:

(amounts in thousand euros)

	2021				
	Loans that have not yet fallen due	Overdue loans	Gross loans	Impairment	Net loans
Asset-backed loans	595,420	-	595,420	(596)	594,824
Unsecured loans	37,514	1,279	38,793	(1,944)	36,849
	<b>632,934</b>	<b>1,279</b>	<b>634,213</b>	<b>(2,540)</b>	<b>631,673</b>

(amounts in thousand euros)

	2020				
	Loans that have not yet fallen due	Overdue loans	Gross loans	Impairment	Net loans
Asset-backed loans	525,083	-	525,083	(499)	524,584
Unsecured loans	1,148	1,045	2,193	(1,105)	1,088
	<b>526,231</b>	<b>1,045</b>	<b>527,276</b>	<b>(1,604)</b>	<b>525,672</b>

The analysis of this heading by type of loan is presented as follows:

(amounts in thousand euros)

	2021				
	Loans that have not yet fallen due	Overdue loans	Gross loans	Impairment	Net loans
Mortgage credit	595,420	-	595,420	(596)	594,824
Other loans	36,183	-	36,183	(796)	35,387
Overdrafts	1,331	1,279	2,610	(1,148)	1,462
	<b>632,934</b>	<b>1,279</b>	<b>634,213</b>	<b>(2,540)</b>	<b>631,673</b>

(amounts in thousand euros)

	2020				
	Loans that have not yet fallen due	Overdue loans	Gross loans	Impairment	Net loans
Mortgage credit	525,083	-	525,083	(499)	524,584
Overdrafts	1,148	1,045	2,193	(1,105)	1,088
	<b>526,231</b>	<b>1,045</b>	<b>527,276</b>	<b>(1,604)</b>	<b>525,672</b>

The analysis of this heading by activity sector is presented as follows:

(amounts in thousand euros)

	2021				
	Loans that have not yet fallen due	Overdue loans	Gross loans	Impairment	Net loans
<b>Companies</b>					
Financial and insurance sector	36,183	-	36,183	(796)	35,387
<b>Individuals</b>					
Mortgage	595,420	-	595,420	(596)	594,824
Consumer	1,331	1,279	2,610	(1,148)	1,462
	<b>632,934</b>	<b>1,279</b>	<b>634,213</b>	<b>(2,540)</b>	<b>631,673</b>

(amounts in thousand euros)

	2020				
	Loans that have not yet fallen due	Overdue loans	Gross loans	Impairment	Net loans
<b>Individuals</b>					
Mortgage	525,083	-	525,083	(499)	524,584
Consumer	1,148	1,045	2,193	(1,105)	1,088
	<b>526,231</b>	<b>1,045</b>	<b>527,276</b>	<b>(1,604)</b>	<b>525,672</b>

The movement of credit impairment in the period is detailed as follows:

(amounts in thousand euros)

	2021			
	Stage 1	Stage 2	Stage 3	Total
<b>Opening balance</b>	<b>609</b>	<b>87</b>	<b>908</b>	<b>1,604</b>
<b>Movement for the period:</b>				
Financial assets originated or acquired	823	20	43	886
Variations due to change in exposure or risk parameters	99	13	172	284
Derecognised financial assets excluding write-offs	(38)	(7)	(19)	(64)
Transfers to:				
Stage 1	45	(35)	(10)	-
Stage 2	(2)	13	(11)	-
Stage 3	(3)	(26)	29	-
Other movements	(144)	(8)	(18)	(170)
<b>Credit impairment</b>	<b>1,389</b>	<b>57</b>	<b>1,094</b>	<b>2,540</b>
Of which: POCI	-	-	-	-

(amounts in thousand euros)

	2020			
	Stage 1	Stage 2	Stage 3	Total
<b>Opening balance</b>	<b>55</b>	<b>81</b>	<b>393</b>	<b>529</b>
<b>Movement for the period:</b>				
Financial assets originated or acquired	138	23	79	240
Variations due to change in exposure or risk parameters	384	56	421	861
Derecognised financial assets excluding write-offs	(3)	(5)	(18)	(26)
Transfers to:				
Stage 1	37	(37)	-	-
Stage 2	(1)	1	-	-
Stage 3	(1)	(32)	33	-
<b>Credit impairment</b>	<b>609</b>	<b>87</b>	<b>908</b>	<b>1,604</b>
Of which: POCI	-	-	-	-

The reconciliation of the accounting movements related to impairment losses are presented below:

(amounts in thousand euros)

	2021			
	Stage 1	Stage 2	Stage 3	Total
<b>Opening balance</b>	<b>609</b>	<b>87</b>	<b>908</b>	<b>1,604</b>
<b>Movement for the period:</b>				
Variations in the expected credit loss of the credit portfolio	884	26	196	1,106
Transfers of Stage (net)	40	(48)	8	-
Other movements	(144)	(8)	(18)	(170)
<b>Credit impairment</b>	<b>1,389</b>	<b>57</b>	<b>1,094</b>	<b>2,540</b>

(amounts in thousand euros)

	2020			
	Stage 1	Stage 2	Stage 3	Total
<b>Opening balance</b>	<b>55</b>	<b>81</b>	<b>393</b>	<b>529</b>
<b>Movement for the period:</b>				
Variations in the expected credit loss of the credit portfolio	519	74	482	1,075
Transfers of Stage (net)	35	(68)	33	-
<b>Credit impairment</b>	<b>609</b>	<b>87</b>	<b>908</b>	<b>1,604</b>

The credit portfolio detailed by stage as defined in IFRS 9 is presented as follows:

(amounts in thousand euros)

	2021	2020
<b>Stage 1</b>	<b>629,707</b>	<b>521,575</b>
Gross Value	631,096	522,184
Impairment	(1,389)	(609)
<b>Stage 2</b>	<b>1,702</b>	<b>3,909</b>
Gross Value	1,759	3,996
Impairment	(57)	(87)
<b>Stage 3</b>	<b>31,055</b>	<b>16,688</b>
Gross Value	51,069	26,967
Impairment	(20,014)	(10,279)
	<b>631,673</b>	<b>525,672</b>

## Moratoria

Decree-Law 10-J/2020 of 26 March established exceptional measures to protect the credit of families, businesses, private charities and other social economy entities, as well as a special scheme of personal guarantees from the State, within the scope of the Covid-19 pandemic.

In the course of 2020, the said regulation was amended by Law 8/2020 of 10 April, Decree-Law 26/2020 of 16 June, Law 27-A/2020 of 24 July and Decree-Law 78-A/2020 of 29 September.

With the various legislative changes, the end of the moratorium period, initially scheduled for September 2020, was extended until December 2021. The legislative changes also allowed for the extension of the deadline for customers to formalise moratorium requests. The conditions of access and the types of credits covered have also been changed. The measures provided for in the legislation described above - Public Moratoria -, materialise in the granting of a grace period for principal or principal and interest to debtors of credit agreements.

As at 31 December 2021, Banco CTT has no active moratoria on any credit segment.





## Note 16 – Financial Assets at Amortised Cost – Debt Securities

This heading is analysed as follows:

*(amounts in thousand euros)*

	2021	2020
Public debt securities		
Portuguese	185,545	288,879
Foreign	148,350	201,696
Bonds of other issuers		
Portuguese	536,222	445,914
Impairment	(6,076)	(399)
<b>Financial Assets at Amortised Cost – Debt Securities</b>	<b>864,041</b>	<b>936,089</b>

As at 31 December 2021, the caption Bonds of other national issuers includes 265,217 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 is 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 grants the operation an overdraft facility (Liquidity Facility) for the sole purpose of acquiring receivables (credit card balances) between the interest payment dates (see note 15). At each interest payment date (IPD) the Liquidity Facility balance will be settled by converting it to the value of the note.

During 2021, sales amounting to 204 million euros (nominal value) were made, resulting in a gain of 17,777 thousand euros (note 7).

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 investments in securities as at 31 December 2021 and 2020, by residual maturity, is as follows:

*(amounts in thousand euros)*

	2021				
	Up to 3 months	3 to 12 months	1 to 3 years	More than 3 years	Total
Public debt securities					
Portuguese	2,521	22,264	38,565	122,195	185,545
Foreign	1,013	12,997	11,098	123,242	148,350
Bonds of other issuers					
Portuguese	1,177	-	-	535,045	536,222
<b>Financial Assets at Amortised Cost – Debt Securities</b>	<b>4,711</b>	<b>35,261</b>	<b>49,663</b>	<b>780,482</b>	<b>870,117</b>

*(amounts in thousand euros)*

	2020				
	Up to 3 months	3 to 12 months	1 to 3 years	More than 3 years	Total
Public debt securities					
Portuguese	4,493	13,931	60,600	209,854	288,878
Foreign	993	20,556	24,543	155,604	201,696
Bonds of other issuers					
Portuguese	5,345	-	2,665	437,904	445,914
<b>Financial Assets at Amortised Cost – Debt Securities</b>	<b>10,831</b>	<b>34,487</b>	<b>87,808</b>	<b>803,362</b>	<b>936,488</b>

The movement of the impairment of debt securities at amortised cost is analysed as follows:

(amounts in thousand euros)

	2021 Stage 1	2020 Stage 1
<b>Opening balance</b>	<b>399</b>	<b>455</b>
<b>Movement for the period:</b>		
Financial assets originated or acquired	5,856	11
Variations due to change in exposure or risk parameters	(161)	(63)
Derecognised financial assets excluding write-offs	(18)	(4)
<b>Impairment of debt securities at amortised cost</b>	<b>6,076</b>	<b>399</b>

The reconciliation of the accounting movements related to impairment losses are presented below:

(amounts in thousand euros)

	2021 Stage 1	2020 Stage 1
<b>Opening balance</b>	<b>399</b>	<b>455</b>
<b>Movement for the period:</b>		
Variations in expected credit loss	5,677	(56)
<b>Impairment of debt securities at amortised cost</b>	<b>6,076</b>	<b>399</b>

## Note 17 – Financial Assets at Fair Value Through Profit or Loss

This heading is analysed as follows:

(amounts in thousand euros)

	2021	2020
Investment fund units	24,999	-
Real-estate Investment Funds	24,999	-
<b>Financial Assets at Fair Value Through Profit or Loss</b>	<b>24,999</b>	<b>-</b>

The item Real Estate Investment Funds in the amount of 24,999 thousand euros refers to an investment in an open-ended real estate investment fund domiciled in Portugal, representing 10.7% of the total units issued on 31 December 2021.

## Note 18 – Financial Assets at Fair Value through Other Comprehensive Income – Debt Securities

This heading is analysed as follows:

*(amounts in thousand euros)*

	2021	2020
Public debt securities		
Portuguese	849	7,621
Bonds of other issuers		
Portuguese	5,246	11,934
<b>Financial Assets at Fair Value through Other Comprehensive Income – Debt Securities</b>	<b>6,095</b>	<b>19,555</b>

Fair value changes are reflected in other comprehensive income, as described in note 2.2.1.2. (see note 29).

The analysis of investments in securities as at 31 December 2021 and 2020, by residual maturity, is as follows:

*(amounts in thousand euros)*

	2021				
	Up to 3 months	3 to 12 months	1 to 3 years	More than 3 years	Total
Public debt securities					
Portuguese	4	845	-	-	849
Bonds of other issuers					
Portuguese	339	-	4,907	-	5,246
<b>Financial Assets at Fair Value through Other Comprehensive Income – Debt Securities</b>	<b>343</b>	<b>845</b>	<b>4,907</b>	<b>-</b>	<b>6,095</b>

*(amounts in thousand euros)*

	2020				
	Up to 3 months	3 to 12 months	1 to 3 years	More than 3 years	Total
Public debt securities					
Portuguese	45	6,715	861	-	7,621
Bonds of other issuers					
Portuguese	521	-	11,413	-	11,934
<b>Financial Assets at Fair Value through Other Comprehensive Income – Debt Securities</b>	<b>566</b>	<b>6,715</b>	<b>12,274</b>	<b>-</b>	<b>19,555</b>

The movement of the impairment of debt securities at fair value through other comprehensive income is analysed as follows:

*(amounts in thousand euros)*

	2021 Stage 1	2020 Stage 1
<b>Opening balance</b>	<b>9</b>	<b>-</b>
<b>Movement for the period:</b>		
Financial assets originated or acquired	-	9
Variations due to change in exposure or risk parameters	(4)	-
Derecognised financial assets excluding write-offs	(2)	-
<b>Impairment of debt securities at fair value through other comprehensive income</b>	<b>3</b>	<b>9</b>

The reconciliation of the accounting movements related to impairment losses are presented below:

(amounts in thousand euros)

	2021 Stage 1	2020 Stage 1
<b>Opening balance</b>	9	-
<b>Movement for the period:</b>		
Variations in the expected credit loss of the Portfolio	(6)	9
<b>Impairment of debt securities at fair value through other comprehensive income</b>	<b>3</b>	<b>9</b>

The impairment of these assets is reflected in other comprehensive income, as described in note 2.2.1.2. (see note 29).

## Note 19 – Other Tangible Assets

This heading is analysed as follows:

(amounts in thousand euros)

	2021	2020
<b>Acquisition Cost</b>	<b>7,297</b>	<b>3,066</b>
<b>Real estate properties</b>		
Works in rented properties	102	102
<b>Equipment</b>		
Furniture	385	384
Machinery and tools	640	292
Computer equipment	362	329
Interior installations	1	1
Security equipment	68	68
Other equipment	9	6
<b>Rights of use</b>		
Real estate properties	4,812	1,212
Motor vehicles	918	672
<b>Accumulated Depreciation</b>	<b>(2,378)</b>	<b>(1,320)</b>
Related to previous years	(1,168)	(221)
Related to the current year	(1,210)	(1,099)
<b>Other Tangible Assets</b>	<b>4,919</b>	<b>1,746</b>

The movement of the heading "Other Tangible Assets" during 2021 is analysed as follows:

(amounts in thousand euros)

	2021					Balance on 31 December
	Balance on 1 January	Acquisitions / Allocations	Transfers	Divestment / Write-off	Other variations	
<b>Acquisition cost</b>	<b>3,066</b>	<b>4,388</b>	-	(157)	-	<b>7,297</b>
<b>Real estate properties</b>						
Works in rented properties	102	-	-	-	-	102
<b>Equipment</b>						
Furniture	384	1	-	-	-	385
Machinery and tools	292	348	-	-	-	640
Computer equipment	329	33	-	-	-	362
Interior installations	1	-	-	-	-	1
Security equipment	68	-	-	-	-	68
Other equipment	6	3	-	-	-	9
<b>Rights of use</b>						
Real estate properties	1,212	3,600	-	-	-	4,812
Motor vehicles	672	403	-	(157)	-	918
<b>Accumulated depreciation</b>	<b>(1,320)</b>	<b>(1,210)</b>	-	152	-	<b>(2,378)</b>
<b>Real estate properties</b>						
Works in rented properties	(77)	(3)	-	-	-	(80)
<b>Equipment</b>						
Furniture	(326)	(11)	-	-	-	(337)
Machinery and tools	(53)	(34)	-	-	-	(87)
Computer equipment	(314)	(40)	-	-	-	(354)
Interior installations	(1)	-	-	-	-	(1)
Security equipment	(39)	(7)	-	-	-	(46)
Other equipment	(6)	(3)	-	-	-	(9)
<b>Rights of use</b>						
Real estate properties	(266)	(916)	-	-	-	(1,182)
Motor vehicles	(238)	(196)	-	152	-	(282)
<b>Other Tangible Assets</b>	<b>1,746</b>	<b>3,178</b>	-	<b>(5)</b>	-	<b>4,919</b>

The movement of the heading "Other Tangible Assets" during 2020 is analysed as follows:

(amounts in thousand euros)

	2020					Balance on 31 December
	Balance on 1 January	Acquisitions / Allocations	Transfers	Divestment / Write-off	Other variations	
<b>Acquisition cost</b>	<b>2,976</b>	<b>1,386</b>	-	<b>(1,296)</b>	-	<b>3,066</b>
<b>Real estate properties</b>						
Works in rented properties	102	-	-	-	-	102
<b>Equipment</b>						
Furniture	384	-	-	-	-	384
Machinery and tools	290	2	-	-	-	292
Computer equipment	279	50	-	-	-	329
Interior installations	1	-	-	-	-	1
Security equipment	68	-	-	-	-	68
Other equipment	6	-	-	-	-	6
<b>Rights of use</b>						
Real estate properties	1,069	876	-	<b>(733)</b>	-	1,212
Motor vehicles	777	458	-	<b>(563)</b>	-	672
<b>Accumulated depreciation</b>	<b>(1,518)</b>	<b>(1,099)</b>	-	<b>1,296</b>	<b>1</b>	<b>(1,320)</b>
<b>Real estate properties</b>						
Works in rented properties	(71)	(6)	-	-	-	(77)
<b>Equipment</b>						
Furniture	(316)	(10)	-	-	-	(326)
Machinery and tools	(19)	(34)	-	-	-	(53)
Computer equipment	(266)	(49)	-	-	1	(314)
Interior installations	(1)	-	-	-	-	(1)
Security equipment	(32)	(7)	-	-	-	(39)
Other equipment	(6)	-	-	-	-	(6)
<b>Rights of use</b>						
Real estate properties	(200)	(799)	-	733	-	(266)
Motor vehicles	(607)	(194)	-	563	-	(238)
<b>Other Tangible Assets</b>	<b>1,458</b>	<b>287</b>	-	-	<b>1</b>	<b>1,746</b>

## Note 20 – Intangible Assets

This heading is analysed as follows:

(amounts in thousand euros)

	2021	2020
<b>Acquisition Cost</b>	<b>42,042</b>	<b>39,484</b>
Software in use	41,702	38,952
Other intangible assets	16	16
Software in progress	324	516
<b>Impairment</b>	<b>(61)</b>	-
<b>Accumulated Amortisation</b>	<b>(20,367)</b>	<b>(15,248)</b>
Related to previous years	(15,249)	(10,827)
Related to the current year	(5,118)	(4,421)
<b>Intangible Assets</b>	<b>21,614</b>	<b>24,236</b>

The intangible assets essentially include expenses related to the acquisition and development of software, namely the core banking system, implementation projects and their customisation.

The movement of the heading "Intangible assets" during 2021 is analysed as follows:

(amounts in thousand euros)

	2021				
	Balance on 1 January	Acquisitions / Allocations	Transfers	Divestment / Write-off	Balance on 31 December
<b>Acquisition Cost</b>	<b>39,484</b>	<b>2,558</b>	-	-	<b>42,042</b>
Software in use	38,952	13	2,737	-	41,702
Other intangible assets	16	-	-	-	16
Software in progress	516	2,545	(2,737)	-	324
<b>Impairment</b>	-	<b>(61)</b>	-	-	<b>(61)</b>
<b>Accumulated Amortisation</b>	<b>(15,248)</b>	<b>(5,118)</b>	<b>(1)</b>	-	<b>(20,367)</b>
Software in use	(15,239)	(5,116)	(1)	-	(20,356)
Other intangible assets	(9)	(2)	-	-	(11)
<b>Intangible Assets</b>	<b>24,236</b>	<b>(2,621)</b>	<b>(1)</b>	-	<b>21,614</b>

The movement of the heading "Intangible assets" during 2020 is analysed as follows:

(amounts in thousand euros)

	2020				
	Balance on 1 January	Acquisitions / Allocations	Transfers	Divestment / Write-off	Balance on 31 December
<b>Acquisition Cost</b>	<b>35,992</b>	<b>3,492</b>	-	-	<b>39,484</b>
Software in use	32,469	106	6,377	-	38,952
Other intangible assets	16	-	-	-	16
Software in progress	3,507	3,386	(6,377)	-	516
<b>Accumulated Amortisation</b>	<b>(10,827)</b>	<b>(4,421)</b>	-	-	<b>(15,248)</b>
Software in use	(10,819)	(4,420)	-	-	(15,239)
Other intangible assets	(8)	(1)	-	-	(9)
<b>Intangible Assets</b>	<b>25,165</b>	<b>(929)</b>	-	-	<b>24,236</b>



## Note 21 – Investments in Subsidiaries and Associates

This heading is analysed as follows:

(amounts in thousand euros)

	2021		2020	
	Holding (%)	Book Value	Holding (%)	Book Value
Payshop (Portugal), S.A.	100%	8,247	100%	8,053
321 Crédito - Instituição Financeira de Crédito, S.A.	100%	125,474	100%	136,639
<b>Investments in Subsidiaries and Associates</b>		<b>133,721</b>		<b>144,692</b>

The financial data relative to the more important associates are presented in the following table:

(amounts in thousand euros)

	Assets		Liabilities		Equity		Net Income	
	2021	2020	2021	2020	2021	2020	2021	2020
Payshop (Portugal), S.A.	15,070	14,564	7,230	6,917	7,840	7,647	1,918	2,235
321 Crédito - Instituição Financeira de Crédito, S.A.	679,101	581,189	614,368	505,320	64,733	75,869	12,799	8,968

During 2021, Banco CTT received 1,725,000 euros (2020: 2,400,000 euros) of dividends from Payshop (Portugal), S.A. and 24,000,000 euros of dividends from 321 Crédito - Instituição de Crédito, S.A..

### 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 2021 and 31 December 2020, based on the following assumptions:

Corporate Name	2021			
	Basis of determination of recoverable amount	Explicit period for cash flows	Discount rate	Growth rate in perpetuity
Payshop (Portugal), S.A.	Equity Value / DCF	5 years	7.6%	1.4%
321 Crédito - Instituição Financeira de Crédito, S.A.	Equity Value / DCF	9 years	10.0%	1.5%

Corporate Name	2020			
	Basis of determination of recoverable amount	Explicit period for cash flows	Discount rate	Growth rate in perpetuity
Payshop (Portugal), S.A.	Equity Value / DCF	10 years	10.0%	1.5%
321 Crédito - Instituição Financeira de Crédito, S.A.	Equity Value / DCF	10 years	10.0%	1.5%

Payshop (Portugal), S.A.

Cash flows were estimated based on historical performance and 5-year business plan.

Sensitivity analyses were performed on the results of these impairment tests, namely regarding the following key assumptions: (i) reduction of 50 basis points in the growth rate in perpetuity and (ii) increase of 50 basis 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 2021.

321 Crédito – Instituição Financeira de Crédito, S.A.

Cash flows were estimated on the basis of projections of results and of evolution of activity based on the entity's business plan. This business plan covers a period up to 2030 and considers an annual compound growth rate of 7.5% of assets over this period.

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 (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 2021.

## Note 22 – 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 2021 and 2020 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 2.9, 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).

The reconciliation of the tax rate, in the portion relative to the amount recognised through profit or loss, may be analysed as follows:

(amounts in thousand euros)

	2021	2020
Profit/(Loss) before tax	15,242	(2,799)
Current tax rate	21.0%	21.0%
<b>Expected income tax</b>	<b>3,201</b>	<b>(588)</b>
Surcharges	8	-
<b>Total expected tax</b>	<b>3,209</b>	<b>(588)</b>
Elimination of the equity method of accounting	(3,085)	(2,371)
Accruals/(deductions) for calculation purposes	117	8
Autonomous tax	15	25
<b>Recorded current tax for the year</b>	<b>256</b>	<b>(2,926)</b>
<b>Recorded deferred tax</b>	<b>(156)</b>	<b>(54)</b>
<b>Recorded total tax</b>	<b>100</b>	<b>(2,980)</b>
<b>Effective rate</b>	<b>0.7%</b>	<b>106.5%</b>
<b>Effective Rate (except equity method)</b>	<b>18.1%</b>	<b>21.2%</b>
<b>Corrections relative to previous years</b>	<b>(282)</b>	<b>(104)</b>
<b>Taxes*</b>	<b>(182)</b>	<b>(3,084)</b>

\*negative values represent tax to be recovered.

### Current tax

Pursuant to the accounting policy described in Note 2.9, the value related to tax is recorded as a value receivable by the shareholder CTT (see note 23).

### Deferred tax

The movement of the deferred tax assets in the period is presented as follows:

(amounts in thousand euros)

	2021	2020
<b>Opening balance</b>	<b>526</b>	<b>472</b>
Recognised through profit or loss	156	54
Other	1	-
<b>Deferred Tax Assets</b>	<b>683</b>	<b>526</b>

The value of deferred tax assets as at 31 December 2021 and 2020 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:

	<i>(amounts in thousand euros)</i>	
	<b>2021</b>	<b>2020</b>
<b>Opening balance</b>	<b>20</b>	-
Recognised through other reserves	(14)	20
<b>Deferred Tax Liabilities</b>	<b>6</b>	<b>20</b>

### ***New tax system for impairment losses***

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).

### ***SIFIDE***

The Bank's policy is to recognise tax credit relative to the system of tax incentives for business research and development (SIFIDE) upon receiving the statement of the competent body formalising the eligibility of the expenses presented in the corresponding application.

In the financial year 2018, the Bank incurred R&D expenses of approximately 17,153 euros, for which it benefited from a tax credit - granted in 2021 - under Corporate Income Taxes (IRC) in the amount of 14,152 euros.

In the financial year 2019, the Bank incurred R&D expenses of approximately 197,803 euros, for which it benefited from a tax credit - granted in 2021 - under Corporate Income Taxes (IRC) in the amount of 158,900 euros.

In the financial year 2020, the Bank incurred R&D expenses of approximately 441,186 euros for which it will benefit - granted in 2022 - from a tax credit under Corporate Income Taxes (IRC) in the amount of 310,239 euros.

As for 2021, the Bank is still identifying and quantifying the expenses incurred with R&D that will integrate the applications that will be submitted during 2022.

## Note 23 – Other Assets

This heading is analysed as follows:

	<i>(amounts in thousand euros)</i>	
	2021	2020
IRC RETGS	13,677	13,651
Operations to be cleared	1,212	1,978
Escrow accounts	272	276
Other receivables	2,430	2,140
Expenses with deferred charges	750	494
Administrative Public Sector	163	122
Receivables due to advances	-	105
Impairment of other assets	(293)	(252)
<b>Other assets</b>	<b>18,211</b>	<b>18,514</b>

The heading “Other Assets” includes the amount of 13,677 thousand euros (2020: 13,651 thousand euros) under corporate income tax (IRC) resulting from the application of the Special Corporate Group Taxation Regime (RETGS), in accordance with point 2.9 of note 2, of which 11,796 thousand euros are amounts receivable from the dominant company CTT (2020: 13,651 thousand euros) and 1,881 thousand euros from the Bank’s subsidiaries.

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:

	<i>(amounts in thousand euros)</i>	
	2021	2020
<b>Opening balance</b>	<b>252</b>	<b>267</b>
Allocation for the period	51	-
Reversal for the period	-	(15)
Uses for the period	(10)	-
<b>Impairment of other assets</b>	<b>293</b>	<b>252</b>

## Note 24 – Financial Liabilities at Amortised Cost – Amounts owed to Credit Institutions

This heading is analysed as follows:

*(amounts in thousand euros)*

	2021	2020
Amounts owed to credit institutions in Portugal		
Demand deposits	43	344
<b>Financial liabilities at Amortised Cost – Amounts owed to Credit Institutions</b>	<b>43</b>	<b>34</b>

## Note 25 – Financial Liabilities at Amortised Cost – Deposits from Customers

This heading is analysed as follows:

*(amounts in thousand euros)*

	2021	2020
Demand deposits	1,487,276	1,207,683
Term deposits	223,067	178,176
Saving accounts	412,474	303,251
<b>Financial Liabilities at Amortised Cost – Deposits from Customers</b>	<b>2,122,817</b>	<b>1,689,110</b>

In 2021, the average rate of return on deposits from customers was 0.02% (2020: 0.06%).

The analysis of the heading "Deposits from Customers", by contractual residual maturity, is as follows:

*(amounts in thousand euros)*

	2021	2020
Demand deposits and saving accounts	1,899,750	1,510,934
Term deposits		
Up to 3 months	106,310	81,534
3 to 12 months	116,757	96,642
<b>Financial Liabilities at Amortised Cost – Deposits from Customers</b>	<b>2,122,817</b>	<b>1,689,110</b>

## Note 26 – Provisions

This heading is analysed as follows:

*(amounts in thousand euros)*

	2021	2020
Provisions for other risks and charges	115	165
Provisions for commitments	314	-
<b>Provisions</b>	<b>429</b>	<b>165</b>

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.

Provisions for commitments refer to provisions for indirect credit. In 2021, a credit impairment transfer of 170 thousand euros (note 15) was made to provisions.

On each reporting date, the Bank reassess 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)*

	2021	2020
<b>Opening balance</b>	<b>165</b>	<b>14</b>
Transfers	170	-
Allocation for the period	242	155
Reversal for the period	(124)	(4)
Uses for the period	(24)	-
<b>Provisions</b>	<b>429</b>	<b>165</b>

## Note 27 – Other Liabilities

This heading is analysed as follows:

*(amounts in thousand euros)*

	2021	2020
Payables		
Suppliers	2,006	2,099
Related parties	966	958
Other payables	-	1
Staff costs	3,973	3,577
Operations to be cleared	20,486	20,090
Administrative Public Sector	570	640
Deferred income	286	419
Lease liabilities	4,284	1,382
<b>Other Liabilities</b>	<b>32,571</b>	<b>29,166</b>

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 28 – 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 2021, the Bank's share capital is 100% held by CTT – Correios de Portugal, S.A. (public company).

## Note 29 – Fair Value Reserves, Other Reserves and Retained Earnings

This heading is analysed as follows:

	<i>(amounts in thousand euros)</i>	
	2021	2020
Fair Value Reserves		
Other financial assets at fair value through other comprehensive income	27	83
Legal reserves	29	-
Other reserves	(820)	(884)
<i>of which: equity method</i>	(66)	(131)
Retained earnings	(73,902)	(74,159)
<b>Reserves and Retained Earnings</b>	<b>(74,666)</b>	<b>(74,960)</b>

## Note 30 – Guarantees and Other Commitments

This heading is analysed as follows:

	<i>(amounts in thousand euros)</i>	
	2021	2020
Guarantees provided	23,765	18,827
Guarantees received	1,092,909	941,936
Commitments to third parties		
Revocable commitments		
Credit lines	21,403	87,973
Irrevocable commitments		
Credit lines	79,636	23,426
Commitments from third parties		
Revocable commitments		
Credit lines	16,137	12,690



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 basically includes sureties and mortgages on properties for collateralization of operations mortgage loans.

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 2021, 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 18,818 thousand euros (see note 15).

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 26.

## Note 31 – 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 2021, 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)

	2021			
	Balance Sheet		Income Statement	
	Assets	Liabilities	Operating costs	Operating income
CTT - Correios de Portugal, S.A.	12,268	3,671	5,396	-
CTT Expresso – Serviços Postais e Logística, S.A.	-	8	83	-
CTT Contacto, S.A.	-	-	-	-
Payshop (Portugal), S.A.	322	1,306	-	131
321 Crédito, S.A.	57,774	148	-	395
Chaves Funding No.8	270,628	-	-	5,719
Next Funding No.1	301,411	-	-	8,314
	<b>642,403</b>	<b>5,133</b>	<b>5,479</b>	<b>14,559</b>

As at 31 December 2020, 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)

	2020			
	Balance Sheet		Income Statement	
	Assets	Liabilities	Operating costs	Operating income
CTT - Correios de Portugal, S.A.	14,116	1,527	4,209	-
CTT Expresso – Serviços Postais e Logística, S.A.	1	9	89	-
CTT Contacto, S.A.	-	-	-	-
Payshop (Portugal), S.A.	31	645	-	175
321 Crédito, S.A.	14,128	51	-	372
Chaves Funding No.8	438,058	-	-	5,315
	<b>466,334</b>	<b>2,232</b>	<b>4,298</b>	<b>5,862</b>

As at 31 December 2021, the value of the deposits placed by the members of the Corporate Bodies at the Bank amounted to 253 thousand euros (2020: 150 thousand euros).

## Note 32 – Fair Value

The fair value of the financial assets and liabilities, as at 31 December 2021, is analysed as follows:

(amounts in thousand euros)

	2021				
	At fair value through profit or loss	At fair value through reserves	Amortised cost	Book value	Fair Value
Cash and deposits at central banks	-	-	613,012	613,012	613,012
Deposits at other credit institutions	-	-	4,158	4,158	4,158
Financial assets at amortised cost					
Investments at credit institutions	-	-	69,898	69,898	69,898
Loans and advances to customers	-	-	631,673	631,673	635,405
Debt securities	-	-	864,041	864,041	884,318
<i>Bonds issued by public entities</i>	-	-	333,774	333,774	348,100
<i>Bonds of other issuers</i>	-	-	530,267	530,267	536,218
Financial assets at fair value through profit or loss					
Investment fund units	24,999	-	-	24,999	24,999
Financial assets at fair value through other comprehensive income					
Debt securities	-	6,095	-	6,095	6,095
<i>Bonds issued by public entities</i>	-	849	-	849	849
<i>Bonds of other issuers</i>	-	5,246	-	5,246	5,246
<b>Financial Assets</b>	<b>24,999</b>	<b>6,095</b>	<b>2,182,782</b>	<b>2,213,876</b>	<b>2,237,885</b>
Financial liabilities at amortised cost					
Amounts owed to other credit institutions	-	-	43	43	43
Deposits from Customers	-	-	2,122,817	2,122,817	2,122,817
<b>Financial liabilities</b>	<b>-</b>	<b>-</b>	<b>2,122,860</b>	<b>2,122,860</b>	<b>2,122,860</b>

The fair value of the financial assets and liabilities, as at 31 December 2020, is analysed as follows:

(amounts in thousand euros)

	2020				
	At fair value through profit or loss	At fair value through reserves	Amortised cost	Book value	Fair Value
Cash and deposits at central banks	-	-	191,613	191,613	191,613
Deposits at other credit institutions	-	-	14,578	14,578	14,578
Financial assets at amortised cost					
Investments at credit institutions	-	-	52,999	52,999	52,999
Loans and advances to customers	-	-	525,672	525,672	527,915
Debt securities	-	-	936,089	936,089	981,372
<i>Bonds issued by public entities</i>	-	-	490,394	490,394	535,452
<i>Bonds of other issuers</i>	-	-	445,695	445,695	445,920
Financial assets at fair value through other comprehensive income					
Debt securities	-	19,555	-	19,555	19,555
<i>Bonds issued by public entities</i>	-	7,621	-	7,621	7,621
<i>Bonds of other issuers</i>	-	11,934	-	11,934	11,934
<b>Financial Assets</b>	<b>-</b>	<b>19,555</b>	<b>1,720,951</b>	<b>1,740,506</b>	<b>1,788,032</b>
Financial liabilities at amortised cost					
Amounts owed to other credit institutions	-	-	34	34	34
Deposits from Customers	-	-	1,689,110	1,689,110	1,689,110
<b>Financial liabilities</b>	<b>-</b>	<b>-</b>	<b>1,689,144</b>	<b>1,689,144</b>	<b>1,689,144</b>

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 2021:

(amounts in thousand euros)

	2021			
	Valuation methods			Total
	Level 1	Level 2	Level 3	
Cash and deposits at central banks	613,012	-	-	613,012
Deposits at other credit institutions	4,158	-	-	4,158
Financial assets at amortised cost				
Investments at credit institutions	-	-	69,898	69,898
Loans and advances to customers	-	-	635,405	635,405
Debt securities	348,100	382	535,836	884,318
<i>Bonds issued by public entities</i>	348,100	-	-	348,100
<i>Bonds of other issuers</i>	-	382	535,836	536,218
Financial assets at fair value through profit or loss				
Investment fund units	-	-	24,999	24,999
Financial assets at fair value through other comprehensive income				
Debt securities	849	5,246	-	6,095
<i>Bonds issued by public entities</i>	849	-	-	849
<i>Bonds of other issuers</i>	-	5,246	-	5,246
<b>Financial Assets</b>	<b>966,119</b>	<b>5,628</b>	<b>1,266,138</b>	<b>2,237,885</b>
Financial liabilities at amortised cost				
Amounts owed to other credit institutions	-	-	43	43
Deposits from Customers	-	-	2,122,817	2,122,817
<b>Financial liabilities</b>	<b>-</b>	<b>-</b>	<b>2,122,860</b>	<b>2,122,860</b>

Sensitivity analysis

The item Loans and advances to customers which, as at 31 December 2021, has a fair value of 527,915 thousand euros has a sensitivity of +1,816 thousand euros and -9,355 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 2020:

(amounts in thousand euros)

	2020			
	Valuation methods			Total
	Level 1	Level 2	Level 3	
Cash and deposits at central banks	191,613	-	-	191,613
Deposits at other credit institutions	14,578	-	-	14,578
Financial assets at amortised cost				
Investments at credit institutions	-	-	52,999	52,999
Loans and advances to customers	-	-	527,915	527,915
Debt securities	535,452	442,120	3,800	981,372
<i>Bonds issued by public entities</i>	535,452	-	-	535,452
<i>Bonds of other issuers</i>	-	442,120	3,800	445,920
Financial assets at fair value through other comprehensive income				
Debt securities	19,555	-	-	19,555
<i>Bonds issued by public entities</i>	7,621	-	-	7,621
<i>Bonds of other issuers</i>	11,934	-	-	11,934
<b>Financial Assets</b>	<b>761,198</b>	<b>442,120</b>	<b>584,714</b>	<b>1,788,032</b>
Financial liabilities at amortised cost				
Amounts owed to other credit institutions	-	-	34	34
Deposits from Customers	-	-	1,689,110	1,689,110
<b>Financial liabilities</b>	<b>-</b>	<b>-</b>	<b>1,689,144</b>	<b>1,689,144</b>

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*

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 33 – 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 and Risk Committee.

In the first quarter of 2017, the Bank launched the granting of the mortgage loan product. As at 31 December 2021, the exposure (net of impairment and including off-balance sheet exposures) to this product was in the amount of 611,167 thousand euros (535,914 thousand euros as at 31 December 2020).

The Bank 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 (counterparty risk), to public debt securities issues by eurozone countries (Portugal, Italy, Spain and France), debt instruments of other issuers (credit institutions and companies), securitisation operations relative to the tariff deficit.

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)*

	2021		2020	
	Loans and advances to customers	Fair value of the collateral	Loans and advances to customers	Fair value of the collateral
Mortgage loans	595,420	1,021,371	520,340	879,528
Other	38,793	-	6,937	-
	<b>634,213</b>	<b>1,021,371</b>	<b>527,277</b>	<b>879,528</b>

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 2021 and 31 December 2020:

(amounts in thousand euros)

	2021	2020
Central Authorities or Central Banks	919,330	656,725
Regional governments or local authorities	-	5,043
Credit institutions	89,993	150,615
Companies	319,049	19,718
Retail customers	8,525	7,796
Loans secured by immovable assets	606,218	531,669
Non-performing loans	234	189
Collective investment undertakings (CIUs)	24,999	-
Shares	133,721	144,692
Other items	63,619	60,778
<b>Risk Headings</b>	<b>2,165,688</b>	<b>1,577,225</b>

The information on the risk headings (including off-balance sheet) as at 31 December 2021 and 31 December 2020 is detailed as follows:

(amounts in thousand euros)

	2021			2020		
	Gross Value	Impairment	Net value	Gross Value	Impairment	Net value
Demand deposits	584,705	-	584,705	163,753	-	163,753
Other financial assets at fair value through other comprehensive income	850	-	850	7,623	(2)	7,621
Investment securities measured at amortised cost	333,895	(120)	333,775	485,526	(175)	485,351
<b>Central Authorities or Central Banks</b>	<b>919,450</b>	<b>(120)</b>	<b>919,330</b>	<b>656,902</b>	<b>(177)</b>	<b>656,725</b>

(amounts in thousand euros)

	2021			2020		
	Gross Value	Impairment	Net value	Gross Value	Impairment	Net value
Investment securities measured at amortised cost	-	-	-	5,048	(5)	5,043
<b>Regional governments or local authorities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,048</b>	<b>(5)</b>	<b>5,043</b>

(amounts in thousand euros)

	2021			2020		
	Gross Value	Impairment	Net value	Gross Value	Impairment	Net value
Demand deposits	4,158	-	4,158	14,578	-	14,578
Investments at financial institutions	83,907	(10)	83,897	134,128	(29)	134,099
Other	1,938	-	1,938	1,938	-	1,938
<b>Credit institutions</b>	<b>90,003</b>	<b>(10)</b>	<b>89,993</b>	<b>150,644</b>	<b>(29)</b>	<b>150,615</b>

(amounts in thousand euros)

	2021			2020		
	Gross Value	Impairment	Net value	Gross Value	Impairment	Net value
Investment securities measured at amortised cost	325,852	(6,803)	319,049	19,727	(9)	19,718
<b>Companies</b>	<b>325,852</b>	<b>(6,803)</b>	<b>319,049</b>	<b>19,727</b>	<b>(9)</b>	<b>19,718</b>



(amounts in thousand euros)

	2021			2020		
	Gross Value	Impairment	Net value	Gross Value	Impairment	Net value
Loans and advances to customers	8,689	(164)	8,525	8,003	(207)	7,796
<b>Retail customers</b>	<b>8,689</b>	<b>(164)</b>	<b>8,525</b>	<b>8,003</b>	<b>(207)</b>	<b>7,796</b>

(amounts in thousand euros)

	2021			2020		
	Gross Value	Impairment	Net value	Gross Value	Impairment	Net value
Loans and advances to customers	606,804	(586)	606,218	532,158	(489)	531,669
<b>Loans secured by immovable assets</b>	<b>606,804</b>	<b>(586)</b>	<b>606,218</b>	<b>532,158</b>	<b>(489)</b>	<b>531,669</b>

(amounts in thousand euros)

	2021			2020		
	Gross Value	Impairment	Net value	Gross Value	Impairment	Net value
Loans and advances to customers	1,360	(1,126)	234	1,097	(908)	189
<b>Non-performing loans</b>	<b>1,360</b>	<b>(1,126)</b>	<b>234</b>	<b>1,097</b>	<b>(908)</b>	<b>189</b>

(amounts in thousand euros)

	2021			2020		
	Gross Value	Impairment	Net value	Gross Value	Impairment	Net value
Financial assets at fair value through profit or loss	24,999	-	24,999	-	-	-
<b>Organismos de investimento coletivo (OIC)</b>	<b>24,999</b>	<b>-</b>	<b>24,999</b>	<b>-</b>	<b>-</b>	<b>-</b>

The exposure to public debt, net of impairment, of eurozone countries is detailed as follows:

(amounts in thousand euros)

	2021			2020		
	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	849	185,468	186,317	7,620	288,754	296,374
Spain	-	75,163	75,163	-	94,407	94,407
Italy	-	73,143	73,143	-	95,233	95,233
France	-	-	-	-	6,434	6,434
Ireland	-	-	-	-	5,565	5,565
	<b>849</b>	<b>333,774</b>	<b>334,623</b>	<b>7,620</b>	<b>490,393</b>	<b>498,013</b>

The analysis of the portfolio of financial assets by stages is presented as follows:

(amounts in thousand euros)

	2021				2020			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>Deposits at Central Banks and other credit institutions</b>	588,863	-	-	588,863	178,331	-	-	178,331
Impairment losses	-	-	-	-	-	-	-	-
<b>Net value</b>	<b>588,863</b>	<b>-</b>	<b>-</b>	<b>588,863</b>	<b>178,331</b>	<b>-</b>	<b>-</b>	<b>178,331</b>
<b>Financial assets at amortised cost – Investments at credit institutions</b>	69,908	-	-	69,908	53,028	-	-	53,028
Impairment losses	(10)	-	-	(10)	(29)	-	-	(29)
<b>Net value</b>	<b>69,898</b>	<b>-</b>	<b>-</b>	<b>69,898</b>	<b>52,999</b>	<b>-</b>	<b>-</b>	<b>52,999</b>
<b>Financial assets at fair value through other comprehensive income – Debt securities</b>	6,098	-	-	6,098	19,564	-	-	19,564
Impairment losses	(3)	-	-	(3)	(9)	-	-	(9)
<b>Net value</b>	<b>6,095</b>	<b>-</b>	<b>-</b>	<b>6,095</b>	<b>19,555</b>	<b>-</b>	<b>-</b>	<b>19,555</b>
<b>Financial assets at amortised cost – Debt securities</b>	870,117	-	-	870,117	936,488	-	-	936,488
Impairment losses	(6,076)	-	-	(6,076)	(399)	-	-	(399)
<b>Net value</b>	<b>864,041</b>	<b>-</b>	<b>-</b>	<b>864,041</b>	<b>936,089</b>	<b>-</b>	<b>-</b>	<b>936,089</b>
<b>Financial assets at amortised cost – Loans and advances to customers</b>	631,096	1,759	1,358	634,213	522,184	3,996	1,096	527,276
Impairment losses	(1,389)	(57)	(1,094)	(2,540)	(609)	(87)	(908)	(1,604)
<b>Net value</b>	<b>629,707</b>	<b>1,702</b>	<b>264</b>	<b>631,673</b>	<b>521,575</b>	<b>3,909</b>	<b>188</b>	<b>525,672</b>

### 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 and Risk Committee.

The Capital and Risk 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 2021, the assets and liabilities by residual and contractual maturity are analysed as follows:

(amounts in thousand euros)

	2021						Total
	At sight	Up to 3 months	3 to 12 months	1 to 3 years	More than 3 years	Undetermined maturity	
<b>Assets</b>							
Cash and deposits at central banks	613,012	-	-	-	-	-	<b>613,012</b>
Deposits at other credit institutions	4,158	-	-	-	-	-	<b>4,158</b>
Financial assets at amortised cost							
Investments at credit institutions	-	2,337	6,198	61,373	-	-	<b>69,908</b>
Loans and advances to customers	37,514	4,529	13,058	35,360	542,472	1,280	<b>634,213</b>
Debt securities	-	4,711	35,261	49,663	780,482	-	<b>870,117</b>
Financial assets at fair value through profit or loss							
Investment fund units	-	-	-	-	-	24,999	<b>24,999</b>
Financial assets at fair value through other comprehensive income							
Debt securities	-	343	845	4,907	-	-	<b>6,095</b>
<b>Total Assets</b>	<b>654,684</b>	<b>11,920</b>	<b>55,362</b>	<b>151,303</b>	<b>1,322,954</b>	<b>26,279</b>	<b>2,222,502</b>
<b>Liabilities</b>							
Financial liabilities at amortised cost							
Amounts owed to other credit institutions	43	-	-	-	-	-	<b>43</b>
Deposits from Customers	1,899,750	106,310	116,757	-	-	-	<b>2,122,817</b>
<b>Total Liabilities</b>	<b>1,899,793</b>	<b>106,310</b>	<b>116,757</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,122,860</b>
<b>Gap (Assets-Liabilities)</b>	<b>(1,245,109)</b>	<b>(94,390)</b>	<b>(61,395)</b>	<b>151,303</b>	<b>1,322,954</b>	<b>26,279</b>	<b>99,642</b>
<b>Accumulated Gap</b>	<b>(1,245,109)</b>	<b>(1,339,499)</b>	<b>(1,400,894)</b>	<b>(1,249,591)</b>	<b>73,363</b>	<b>99,642</b>	

As at 31 December 2020, the assets and liabilities by residual and contractual maturity are analysed as follows:

(amounts in thousand euros)

	2020						Total
	At sight	Up to 3 months	3 to 12 months	1 to 3 years	More than 3 years	Undetermined maturity	
<b>Assets</b>							
Cash and deposits at central banks	191,613	-	-	-	-	-	<b>191,613</b>
Deposits at other credit institutions	14,578	-	-	-	-	-	<b>14,578</b>
Financial assets at amortised cost							
Investments at credit institutions	-	15,875	25,728	10,463	962	-	<b>53,028</b>
Loans and advances to customers	1,148	3,679	10,650	29,886	480,869	1,044	<b>527,276</b>
Debt securities	-	10,831	34,487	87,808	803,362	-	<b>936,488</b>
Financial assets at fair value through other comprehensive income							
Debt securities	-	566	6,715	12,274	-	-	<b>19,555</b>
<b>Total Assets</b>	<b>207,339</b>	<b>30,951</b>	<b>77,580</b>	<b>140,431</b>	<b>1,285,193</b>	<b>1,044</b>	<b>1,742,538</b>
<b>Liabilities</b>							
Financial liabilities at amortised cost							
Amounts owed to other credit institutions	34	-	-	-	-	-	<b>34</b>
Deposits from Customers	1,510,934	81,534	96,642	-	-	-	<b>1,689,110</b>
<b>Total Liabilities</b>	<b>1,510,968</b>	<b>81,534</b>	<b>96,642</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,689,144</b>
<b>Gap (Assets-Liabilities)</b>	<b>(1,303,629)</b>	<b>(50,583)</b>	<b>(19,062)</b>	<b>140,431</b>	<b>1,285,193</b>	<b>1,044</b>	<b>53,394</b>
<b>Accumulated Gap</b>	<b>(1,303,629)</b>	<b>(1,354,212)</b>	<b>(1,373,274)</b>	<b>(1,232,843)</b>	<b>52,350</b>	<b>53,394</b>	

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 2021, the ALMM shows a positive liquidity mismatch (difference between contracted outflows and inflows) of 18,569 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 2021, 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, which revokes Instruction 19/2005. 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 2021, 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)

2021							
Timeframe	Assets	Liabilities	Off-Balance Sheet	Net Position	Economic Value Delta (+200 bps)	Economic Value Delta (-200 bps)	
At sight	804,879	573,851	(8,445)	222,583	(12)	3	
At sight - 1 month	57,729	72,482	15,985	1,232	(1)	-	
1 - 3 months	100,832	84,552	128	16,408	(54)	12	
3 - 6 months	149,325	104,054	1,749	47,020	(351)	76	
6 - 9 months	157,101	86,528	1,642	72,215	(894)	253	
9 - 12 months	193,651	87,282	2,390	108,759	(1,882)	541	
1 - 1.5 years	49,364	90,424	1,853	(39,207)	963	(354)	
1.5 - 2 years	71,666	90,431	-	(18,765)	641	(271)	
2 - 3 years	51,967	169,236	-	(117,269)	5,651	(2,809)	
3 - 4 years	49,270	142,939	-	(93,669)	6,218	(3,392)	
4 - 5 years	331,290	119,117	-	212,173	(17,831)	10,063	
5 - 6 years	31,556	95,721	-	(64,165)	6,483	(3,767)	
6 - 7 years	30,263	81,671	-	(51,408)	6,022	(3,667)	
7 - 8 years	30,728	62,557	-	(31,829)	4,204	(2,753)	
8 - 9 years	29,750	51,881	-	(22,131)	3,223	(2,311)	
9 - 10 years	4,216	42,245	-	(38,029)	6,021	(4,625)	
10 - 15 years	362,987	201,681	-	161,306	(31,363)	24,904	
15 - 20 years	3,848	-	-	3,848	(973)	588	
> 20 years	2,509	-	-	2,509	(879)	250	
<b>Total</b>	<b>2,512,931</b>	<b>2,156,652</b>	<b>15,302</b>	<b>371,581</b>	<b>(14,814)</b>	<b>12,741</b>	

As at 31 December 2020, 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)

2020							
Timeframe	Assets	Liabilities	Off-Balance Sheet	Net Position	Economic Value Delta (+200 bps)	Economic Value Delta (-200 bps)	
At sight	376,096	269,158	7,940	114,879	(6)	2	
At sight - 1 month	51,862	54,262	6,939	4,539	(4)	1	
1 - 3 months	94,658	67,049	25	27,634	(92)	21	
3 - 6 months	132,667	86,242	132	46,557	(347)	79	
6 - 9 months	154,656	68,882	82	85,856	(1,065)	239	
9 - 12 months	177,042	73,037	461	104,466	(1,813)	382	
1 - 1.5 years	19,194	87,680	10,564	(57,922)	1,433	(298)	
1.5 - 2 years	33,875	87,680	-	(53,805)	1,858	(386)	
2 - 3 years	57,051	172,327	-	(115,276)	5,663	(1,143)	
3 - 4 years	56,480	154,184	-	(97,704)	6,675	(1,321)	
4 - 5 years	49,195	151,151	-	(101,956)	8,879	(1,827)	
5 - 6 years	50,250	108,691	-	(58,441)	6,154	(1,370)	
6 - 7 years	57,003	96,615	-	(39,611)	4,862	(1,222)	
7 - 8 years	54,000	96,615	-	(42,615)	5,940	(1,676)	
8 - 9 years	39,593	72,461	-	(32,868)	5,100	(1,602)	
9 - 10 years	64,522	72,461	-	(7,939)	1,349	(476)	
10 - 15 years	437,838	-	-	437,838	(92,369)	36,582	
15 - 20 years	-	-	-	-	-	-	
> 20 years	-	-	-	-	-	-	
<b>Total</b>	<b>1,905,982</b>	<b>1,718,495</b>	<b>26,143</b>	<b>213,632</b>	<b>(47,783)</b>	<b>25,985</b>	

In view of the interest rate gaps observed, as at 31 December 2021, the impact on the economic value of instantaneous and parallel shifts of the interest rates by +200 basis points is approximately -14,814 thousand euros (2020: -47,783 thousand euros).

The main assumptions used in 2020 in the Bank's analysis were the following:

- ▲ For Demand Deposits: 15% at sight, 85% distributed non-linearly over 10 years, giving rise to a duration of 3.9 years;
- ▲ Saving Accounts: 18% at sight, 82% distributed non-linearly over 5 years, giving rise to a duration of 1.9 years;

In 2021 they were revised and the following changes were introduced:

- ▲ For Demand Deposits: 25.21% at sight, 74.79% distributed non-linearly over 15 years, giving rise to a duration of 3.7 years;
- ▲ Saving Accounts: 39.49% at sight, 60.51% distributed non-linearly over 15 years, giving rise to a duration of 2.9 years;
- ▲ Introduction of an annual mortgage prepayment rate of 8.59%, distributed proportionally to each bucket time interval;

### 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)

	2021			
	Encumbered assets		Unencumbered assets	
	Book value	Fair value	Book value	Fair value
Equity instruments	-	-	24,999	24,999
Debt securities	17,845	19,206	852,291	865,130
Other assets	2,621	n/a	1,495,268	n/a
	<b>20,466</b>		<b>2,372,558</b>	

(amounts in thousand euros)

	2020			
	Encumbered assets		Unencumbered assets	
	Book value	Fair value	Book value	Fair value
Debt securities	14,055	14,262	941,589	986,266
Other assets	2,624	n/a	971,952	n/a
	<b>16,679</b>		<b>1,913,541</b>	

(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	
	2021	2020	2021	2020
	<b>Collateral received</b>	-	-	<b>1,021,371</b>
Debt securities	-	-	-	-
Other assets	-	-	-	-
Other collateral received	-	-	1,021,371	879,528
<b>Own Debt Securities Issued other than Covered Own Bonds or ABS</b>	-	-	-	-

(amounts in thousand euros)

	Book value of the selected financial liabilities	
	2021	2020
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	-	-

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 1,495,268 thousand euros (2020: 971,952 thousand euros), approximately 11% (2020: 18%) refer to items that cannot be encumbered (investments in subsidiaries and associates, other tangible assets, intangible assets, current and deferred taxes).

## Note 34 – 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/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 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.

In order to promote the banking system’s capacity to adequately perform this function, and cumulatively with monetary policy measures, the financial regulatory and supervisory authorities introduced a wide range of measures. These measures included the relaxation of a wide range of requirements usually required of institutions. In the case of the banking system, the European Central Bank and Banco de Portugal allowed the institutions directly supervised by them to operate temporarily with a level below the own funds guidance and the combined own funds buffer, and with liquidity levels below the liquidity coverage requirement.

During 2020, several measures were disclosed – by the national supervisor and the European Union – easing regulatory and supervisory requirements to alleviate the contingency situation arising from the Covid-19 outbreak, by reducing regulatory capital requirements, including macro-prudential capital reserves.

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 2021 and 31 December 2020, the Bank presented the following capital ratios, calculated in accordance with the transitional provisions established in the CRR:

(amounts in thousand euros)

	2021		2020		Notes
	CRR Phased-in	CRR Fully Implemented	CRR Phased-in	CRR Fully Implemented	
<b>OWN FUNDS</b>					
Share capital	296,400	296,400	286,400	286,400	28
Retained earnings	(73,902)	(73,902)	(74,159)	(74,159)	29
Legal reserve	29	29	-	-	29
Eligible Results	15,424	15,424	-	-	
Other Reserves	(126)	(126)	(190)	(190)	
Prudential Filters	21	21	64	64	
Fair value reserves	27	27	83	83	29
Additional Valuation Adjustment (AVA)	(6)	(6)	(19)	(19)	
<b>Deductions to common equity tier 1</b>	<b>(9,948)</b>	<b>(15,736)</b>	<b>(16,532)</b>	<b>(17,019)</b>	
Losses for the period	-	-	-	-	20
Intangible assets	(15,041)	(15,041)	(16,324)	(16,324)	
Adoption of IFRS 9	5,093	(695)	(208)	(695)	
<b>Items not deducted from Own Funds</b>	<b>134,404</b>	<b>134,404</b>	<b>144,692</b>	<b>144,692</b>	
Holdings in financial entitie	134,404	134,404	144,692	144,692	
<b>Common Equity Tier 1</b>	<b>227,898</b>	<b>222,110</b>	<b>195,583</b>	<b>195,096</b>	
<b>Tier 1 Capital</b>	<b>227,898</b>	<b>222,110</b>	<b>195,583</b>	<b>195,096</b>	
<b>Total Own Funds</b>	<b>227,898</b>	<b>222,110</b>	<b>195,583</b>	<b>195,096</b>	
<b>RWA</b>					
Credit Risk	1,007,363	1,007,363	757,035	757,035	
Operational Risk	64,479	64,479	36,248	36,248	
Market Risk	-	-	-	-	
IFRS 9 adjustments	-	(5,182)	-	(268)	
<b>Total RWA</b>	<b>1,071,842</b>	<b>1,066,660</b>	<b>793,283</b>	<b>793,015</b>	
<b>CAPITAL RATIOS</b>					
Common Equity Tier 1	21.26%	20.82%	24.65%	24.60%	
Tier 1 Ratio	21.26%	20.82%	24.65%	24.60%	
Total Capital Ratio	21.26%	20.82%	24.65%	24.60%	

## Note 35 – Provision of Insurance or Reinsurance Mediation Services

As at 31 December 2021 and 2020, the remunerations derived from the provision of insurance and reinsurance mediation services were broken down as follows:

*(amounts in thousand euros)*

	2021	2020
Life Business	4,210	2,965
Non-Life Business	424	180
	<b>4,634</b>	<b>3,145</b>

The values receivable and payable associated to the insurance mediation activity are presented as follows:

*(amounts in thousand euros)*

	2021	2020
Values receivable	184	320
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 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 1 January 2021:

### **Amendments to IFRS 16 – Leases – Covid-19-Related Rent Concessions beyond 30 June 2021**

On 28 May 2020, the amendment to IFRS 16 called ‘COVID-19-related concessions’ was issued, introducing the following practical expedient: a lessee may choose not to assess whether a Covid-19 rental concession is a lease modification.

Lessees electing to apply this expedient account for the change to rental payments resulting from a concession related to COVID-19 in the same way as they account for a change that is not a lease modification in accordance with IFRS 16.

Initially, the practical expedient applied to payments originally due by 30 June 2021, however, due to the extension of the impact of the pandemic, on 31 March 2021, it was extended to payments originally due by 30 June 2022. The amendment applies to annual reporting periods beginning on or after 1 April 2021.

In short, the practical expedient can be applied as long as the following criteria are met:

- ▶ the change in the lease payments results in a revised consideration for the lease that is substantially the same as, or less than, the consideration immediately prior to the change;

- ▲ any reduction in lease payments only affects payments due on or by 30 June 2022; and
- ▲ there are no material changes to other terms and conditions of the lease.

#### ***Amendments to IFRS 4 - Insurance Contracts - Deferral of the application of IFRS 9***

This amendment refers to the temporary accounting consequences that result from the difference between the date of entry into force of IFRS 9 - Financial Instruments and the future IFRS 17 - Insurance Contracts. Specifically, the amendment made to IFRS 4 postpones until 1 January 2023 the expiry date of the temporary exemption from applying IFRS 9 in order to align the effective date of the latter with that of the new IFRS 17.

The temporary exemption referred to is of optional application and only available to entities whose activities are predominantly insurance-related.

#### ***Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 - Reform of reference interest rates - phase 2***

These amendments are part of the second phase of the IASB's "IBOR reform" project and allow for exemptions related to the reform of the benchmark for reference interest rates by an alternative interest rate (Risk Free Rate, RFR). The amendments include the following practical expedients:

- ▲ A practical expedient that requires contractual changes, or changes in cash flows that are directly required by the reform, are treated in the same way as a fluctuating interest rate change, equivalent to a movement in the market interest rate;
- ▲ Allow changes required by the reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued;
- ▲ Provide temporary operational relief to entities that have to comply with the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

These standards and amendments had no material impact on the individual financial statements of 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 IFRS 3 – References to the Conceptual Framework for Financial Reporting***

This amendment updates the references to the Conceptual Framework in the text of IFRS 3 and no amendments have been made to the accounting requirements for business combinations.

It also clarifies the accounting treatment to be adopted for liabilities and contingent liabilities under IAS 37 and IFRIC 21, incurred separately versus those included in a business combination.

The amendment is forward-looking in its application.

The amendment should be applied for annual periods beginning on or after 1 January 2022.

**Amendments to IAS 16 – Income obtained before going into operation**

It clarifies the accounting treatment given to the consideration obtained from the sale of products resulting from the test phase production of tangible fixed assets, prohibiting their deduction from the acquisition cost of the assets. The entity recognises the income obtained from the sale of such products and the costs of their production in profit or loss.

The amendment should be applied for annual periods beginning on or after 1 January 2022.

**Amendments to IAS 37 – Onerous contracts – cost of fulfilling a contract**

This amendment specifies that in assessing whether or not a contract is onerous, only expenses directly related to the fulfilment of the contract can be considered, such as incremental costs related to direct labour and materials and the allocation of other directly related expenses such as the allocation of depreciation expenses of tangible assets used to perform the contract.

General and administrative costs are not directly related to a contract and are excluded unless they are explicitly charged to the counterparty in accordance with the contract.

This amendment should be applied to contracts that, at the beginning of the first annual reporting period to which the amendment is applied, still include unfulfilled contractual obligations, without there being a need to restate the comparative.

The amendment should be applied for annual periods beginning on or after 1 January 2022.

**Amendments to IFRS 1 – Subsidiary as a first-time adopter of IFRSs (included in the annual improvements to the 2018–2020 cycle)**

This improvement clarifies that when the subsidiary chooses to measure its assets and liabilities at the amounts included in the parent company's consolidated financial statements (assuming no adjustment to the consolidation process has occurred), the measurement of the cumulative translation differences of all foreign operations can be made at the amounts that would be recorded in the consolidated financial statements, based on the parent company's date of transition to IFRS.

The amendment should be applied for annual periods beginning on or after 1 January 2022.

**Amendments to IFRS 9 – Derecognition of financial liabilities – Fees to be included in the '10 per cent' variation test (included in the annual improvements to the 2018–2020 cycle)**

This improvement clarifies which fees an entity should include when assessing whether the terms of a financial liability are materially different from the terms of the original financial liability. This improvement clarifies that under derecognition tests performed on renegotiated liabilities, only fees paid or received between the debtor and the creditor should be included, including fees paid or received by the debtor or the creditor on behalf of the other.

The amendment should be applied for annual periods beginning on or after 1 January 2022.

**Amendments to IAS 41 – Taxation in fair value measurement (included in the annual improvements to the 2018–2020 cycle)**

This improvement eliminates the requirement to exclude tax cash flows when measuring the fair value of biological assets, ensuring consistency with the principles of IFRS 13 – Fair Value.

The amendment should be applied for annual periods beginning on or after 1 January 2022.

**IFRS 17 – Insurance Contracts**

IFRS 17 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.

The amendment should be applied for annual periods beginning on or after 1 January 2023.

The Bank has not early applied any of these standards in the financial statements for the twelve-month period ended 31 December 2021. No significant impacts on the financial statements are expected as a result of its 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 1 – Presentation of financial statements – Classification of liabilities as current or non-**

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.

**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 1 – Disclosure of accounting policies**

These changes are intended to assist the 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 12 – Deferred tax related to assets and liabilities arising from a single transaction**

The amendments clarify that payments that settle a liability are tax deductible, 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 important to determine whether there are temporary differences in the initial recognition of the asset or liability.

According to these amendments, the initial recognition exception is not applicable to transactions that originated equal taxable and deductible temporary differences. It is only applicable if the recognition of a leasing asset and a leasing liability gives rise to taxable and deductible temporary differences that are not the same.

**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.

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 2021. No significant impacts on the financial statements are expected as a result of their adoption.

## Note 39 – Subsequent Events

No other events with a material impact on the Bank's Financial Statements have occurred up to the date of this report and after the end of the financial year 2021.

It is anticipated that 2022 will see a Portuguese economic recovery, but this could be conditioned by the latest international developments in Ukraine, damaging economic confidence. CTT Bank does not present credit risk exposures to Ukraine or Russia.

## 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 2021 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, 14 March 2022

### The Board of Directors,

#### Chairman of the Board of Directors

João de Almada Moreira Rato

#### Member of the Board of Directors and Chairman of the Audit Committee

João Manuel de Matos Loureiro

#### 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 Audit Committee

Clementina Maria Dâmaso de Jesus Silva Barroso

#### 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 Audit Committee

Susana Maria Morgado Gomez Smith

#### Member of the Board of Directors and of the Executive Committee

Pedro Rui Fontela Coimbra

#### Member of the Board of Directors

António Pedro Ferreira Vaz da Silva

#### Member of the Board of Directors and of the Executive Committee

Nuno Carlos Dias dos Santos Fórneas

#### Member of the Board of Directors

Guy Patrick Guimarães de Goyri Pacheco

#### Member of the Board of Directors and of the Executive Committee

Luís Jorge de Sousa Uva Patrício Paúl

#### Member of the Board of Directors

António Emídio Pessoa Corrêa d'Oliveira

## **ANNUAL REPORT OF THE AUDIT COMMITTEE**



**Report of the Audit Committee  
Banco CTT, S.A.  
for the financial year of 2021**

## 1. Introduction

The Audit Committee of Banco CTT, S.A. ("Bank" or "Banco CTT") hereby presents the report on its supervisory activities for the financial year of 2021, pursuant to article 423-F(g) of the 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;
- ▲ Continually supervising and safeguarding the solidity and effectiveness of the Bank's internal governance system;
- ▲ Supervising the effectiveness of the Bank's risk management control and internal audit systems, monitoring the Bank's risk strategy and risk appetite;
- ▲ Being aware of the irregularities reported, namely through the Ethics Channel, participating in and/or accompanying the corresponding decisions taken by 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;
- ▲ Supervising the Statutory Auditor's activities regarding the Bank's financial reporting documents and supervising its independence.

The Audit Committee, as a supervisory body, further acts as Banco CTT's risk committee, pursuant to and for the purposes of article 115-L of the Legal Framework of Credit Institutions and Financial Companies approved by Decree-Law 298/92 of 31 December, in its current wording ("RGICSF"), as extent Banco CTT is not considered a significant credit institution in terms of size, internal organisation and 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, risk strategy, current and future, assisting it in supervising the execution of the institution's risk strategy;
- ▲ 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 request that a corrective plan be submitted to the Board of Directors, whenever necessary;
- ▲ Examining if incentives set out in the Bank's remuneration policy take into account risk, capital, liquidity and expectations regarding results.

On 13 September 2019, the General Meeting elected the Board of Directors for the term of office corresponding to the three-year period 2019/2021. On the same occasion, it 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, and the original composition of the Committee remained unchanged at the time of drafting this Report.

## 2. Audit Committee operating regulations

On 25 June 2021, the Audit Committee revised its Regulations in order to (i) comply with the provisions of Banco de Portugal Notice 3/2020 and Instruction 18/2020 regarding matters of internal control and organisational conduct and culture; (ii) extend the scope of some provisions relating to the scope, powers and responsibilities of the Audit Committee at the level of the Banco CTT Group and vis-à-vis its subsidiaries; (iii) adjust the wording of some provisions relating to the meetings of the Audit Committee (in particular the extension of telematics resources for carrying out its meetings and the process of drawing up and signing the corresponding minutes); (iv) adapt the process of prior approval of the provision of services other than audit services by the Statutory Auditor (ROC)/Statutory Audit Firm (SROC) to the provisions of Article 77 of the Statute of the Order of Statutory Auditors; and (v) adapt the Regulations to the new version of the Banco CTT Group's Policy for Prevention, Communication and Remediating of Conflicts of Interest.

Subsequently, on 23 November 2021, the Audit Committee Regulations were slightly adjusted to (i) clarify the scope of action of the Audit Committee in terms of overseeing the implementation of the Bank's policies and other internal regulations and the periodicity of their review; (ii) include the power, assigned to the Audit Committee, to promote independent evaluations, by an entity external to the Bank, on the adequacy and effectiveness of the Internal Audit Function, to be carried out periodically, at least every five years; and (iii) introduce a periodicity (every three years and where appropriate) for the promotion of periodic and independent evaluations, to be carried out by an external entity, regarding its own conduct and values, as an expression of a commitment to carry out such evaluations, the necessity of which came to be imposed with the entry into force of Banco de Portugal Notice 3/2020.

## 3. Supervisory activities carried out in 2021

During 2021, 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 Ethics Forum, reports of irregularities, and participated in or accompanied the decisions taken by the Ethics Forum in relation to these irregularities;**
- h. Supervised and assessed the Statutory Auditor's activity;**
- i. Monitored the institution's risks (in carrying out risk committee duties).**

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, and 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 exercising these powers and performing these duties, the Committee held 29 (twenty-nine) formal meetings during 2021, with minutes having been drawn up of all the meetings.

It should be noted that, following the pandemic outbreak of COVID-19 and the consequent need to adopt social distancing rules, the Audit Committee meetings were held, during the year 2021, through telematic means.

The meetings of the Audit Committee were regularly attended by the Bank's Executive Directors, in particular the Chairman of the Executive Committee (CEO), the Executive Director responsible for the financial area (CFO), the Executive Director responsible for the Compliance, Risk and Security and Data Protection areas, the Executive Director responsible for the Operations and IT areas (CIO), and the Executive Director responsible for the Marketing and Commercial areas (CCO).

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 clarifications on the governance model, regulations of the Bank's governing bodies, commissions and committees, as well as other legal issues related to the Committee's activities; (e) the Planning and Control Director and the Accounting Director 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 Commission monitored the approval and review process of the Bank's internal control environment and governance model, in particular, assessing (i) the revision of the Organisational Structure Model (MEO), aiming to formalise, in particular (a) the closure of internal control deficiencies; (b) the adjustment of MEO to the new requirements contained in Banco de Portugal Notice 3/2020, namely through the inclusion of two new chapters on the powers and responsibilities of each Body, Commission and Committee and dissemination and review of MEO; (c) the adjustment of the current organisational chart; and (d) the possibility of the various structure units to adapt/update their functional descriptions; and (ii) the termination of the Board of Directors Committees that had been established on 13 September 2019 (namely, the Capital and Risk Committee, the Commercial and Product Committee, the Credit Committee, the Technology and Operational Efficiency Committee, the Cost and Investment Committee and the Internal Control Committee), which subsequently, under the delegated powers, were reconstituted by the Executive Committee to support its management activity.

The Commission monitored the approval or review and/or revocation process at the Bank of some relevant Policies, Regulations and processes, in particular (i) the Credit Policy, the General Internal Control and Risk Management Policy, the Operational Risk Policy, the Outsourcing Policy of the Banco CTT Group, the Information Security Policy, the Remuneration Policy of the Banco CTT Group (for the 2021 and 2022 assessment cycles), the Employee Remuneration Policy of the Multi-Employer Staff of the Retail Network (also for the 2021 and 2022 assessment cycles), the Policy for Transactions with Related Parties of the Banco CTT Group, the Banco CTT Group's Policy for the Prevention, Communication and Remedying of Conflicts of Interests, the Policy for the Approval of New Products and Partners of the Banco CTT Group, the Policy for the Reporting of Irregularities (Whistleblowing), the Policy for Remuneration of Credit Intermediaries for 2022, the Complaint Handling Policy and the Compliance Policy; (ii) the Regulations of the Board of Directors, the Remuneration Committee, the Costs and Investments Committee, the Compliance Function, the Risk Management Function, the Internal Audit Function and the Audit Committee itself, as described above; and (iii) the delegation of powers of the Board of Directors to directors with executive functions and to the Executive Committee.

For the performance assessment cycles for 2021 and 2022, 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 2020 and, when applicable, the deferred component of variable remuneration relative to previous assessment cycles.

In addition, the Audit Committee assessed (i) version 1.0 of the Manual of Rules for the Identification of Relevant Employees of Banco CTT (individual perspective) – MR0021; and (ii) version 3.0 of the Manual of Rules for the Identification of Relevant Employees of the Banco CTT Group – MR0020.

Also during the year 2021, following the entry into force of Banco de Portugal Notice 3/2020, regarding matters of internal control and organisational conduct and culture, the Audit Committee monitored the implementation process of the new regulatory requirements provided for in the identified regulatory diploma.

In 2022, by reference to the financial year 2021, the Audit Committee took note of the activity and self-assessment reports, as well as the opinions issued regarding said reports, the Remuneration Committee and the Bank's Selection and Remuneration Committee.

In addition, the Audit Committee assessed the activity reports of the Internal Audit Function, the Risk Management Function and the Compliance Function for the financial years 2020 and 2021.

#### **b. Monitoring of developments of the Bank's activity throughout 2021**

The Audit Committee monitored the development of the Bank's activity in terms of its offer and commercial activity and analysed, discussed and monitored the Bank's strategic projects.

Since March 2019, following the confinement of the country as a result of the COVID-19 pandemic, the Audit Committee has monitored the adaptation of the Bank's activity, human resources and operations to the challenges of remote working. It has also followed all the other new issues that stemmed from the pandemic crisis, including credit moratoria.

#### **c. Monitoring the activity of the Bank's subsidiaries**

During 2021, the Audit Committee monitored the activities of Payshop (Portugal), S.A. and 321 Crédito, Credit Financial Institution, S.A. ("321 Credit") through financial information submitted on a monthly basis by the CFO, the Director of Planning and Control and the Chief Accounting Officer.

In addition, it held regular meetings with the members of the supervisory bodies of the two subsidiaries.

#### **d. Supervision of the Bank's conclusion of agreements and other transactions with related parties**

In accordance with the Related Party Transactions Policy approved by the Board of Directors on 28 June 2021 (as a result of the splitting of the Conflict of Interest and Related Parties Policy into two autonomous Policies), the Commission assessed and issued a favourable opinion concerning the conclusion, by the Bank, of transactions with related parties during the financial year 2021, namely the following:

- (i) signing the Contract for Common Risk Management Services to be provided by Banco CTT to 321 Crédito;
- (ii) conclusion of the Common Compliance Services Contract to be provided by Banco CTT to 321 Crédito;
- (iii) signing the Shared Services Audit Charter to be provided by Banco CTT to 321 Crédito;
- (iv) opening a bank account held by CTT - Correios de Portugal, S.A. ("CTT") with specific handling conditions and including the deposit of checks;
- (v) signing of an Amendment to the Protocol for Collaboration and Provision of Internal Audit Services by CTT;
- (vi) conclusion of an Amendment to the Contract regarding the provision of resources inherent to the CTT Store Network and the CTT/ Banco CTT partnership related to the CTT channel; and
- (vii) conclusion of an Amendment to the Protocol on Multi-Employer Staff in the context of an Employment Contract with Workers of the CTT Store Network.

In November 2021, the Audit Committee became aware of the list of parties related to the Bank approved by the Board of Directors, in compliance with Article 33(1) and (2) of Banco de Portugal Notice 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 Planning and Control Directors and the Chief Accounting Officer.

In 2021, but with reference to the financial year 2020, 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 2022, the Commission monitored and prepared the annual financial statements for the financial year 2021 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 2021, 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. This entire process was closely monitored by the Audit Committee.

In addition, also in the context of the entry into force of Banco de Portugal Notice 3/2020, the Audit Committee appraised the Self-Assessment Reports ("RAA") on the adequacy and effectiveness of the organisational culture and governance and internal control systems of Banco CTT, S.A., for the periods between 1 July 2020 and 31 January 2021 and between 1 February and 30 November 2021. In this context, the Audit Committee issued, for the above reference periods, 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 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 3/2020.

Also during the financial year 2021, and in compliance with the provisions of Banco de Portugal Notice 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 for the financial year 2020.

The Audit Committee monitored the activity of the Compliance Department, having assessed its Annual Activity Plan for 2021 and the respective degree of compliance (including the Compliance Plan and the Plan for Money Laundering and Terrorism Financing Prevention Activities proposed by that Department), the Function's Activity Report for the year 2020 and also the Annual Activity Plan for 2022.

The Audit Committee monitored the activity of the Risk Department, having assessed its Annual Activity Plan for 2021 and the respective degree of compliance, the Function's Activity Report for the year 2020 and the Annual Activity Plan for 2022. 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 activity of the Internal Audit Department, namely through monthly presentations made by the respective manager, having assessed the Multi-annual Audit Plan and the Strategic Plan for 2021- 2023, the respective degree of compliance and the proposed amendments (prompted by the COVID-19 pandemic outbreak and unexpected increase in requests), the Function's Activity Report for the financial year 2020 and also the Multi-annual Audit Plan and the Strategic Plan for 2022- 2024.

**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 Ethics Channel and to 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 Ethics Forum is composed of the Bank's Compliance, Internal Audit and Risk Managers, as well as a member of the Audit Committee, appointed by the latter, who chairs the Forum and has a casting vote. In March 2020, the Audit Committee appointed its Member Susana Maria Gomez Smith as the member of the Audit Committee appointed to join and chair the Ethics Forum.

In February and December 2021, the Audit Committee approved the Annual Reports on the Participation of Irregularities, to be submitted to Banco de Portugal under the terms and for the purposes of Article 116-AA(7) of the RGICSF and of Article 35 of Banco de Portugal Notice 3/2020, with reference to respectively, the period between 1 January 2020 and 31 January 2021 and the period between 1 February 1 and 30 November 2021. These Reports describe the process of reception and treatment of irregularities adopted by Banco CTT, as well as the irregularities reported in the periods in question.

During the reference periods, seven reports were received in the Ethics Channel, of which four were Customer complaints that were forwarded to the Complaints Management area and dealt with as such, and three related to fraud, which were dealt with by the Fraud Area, thus concluding that, during the indicated reference periods, no reports of irregularities were received under the terms of the European Banking Authority (EBA) Guidelines on Internal Governance (EBA/GL/2021/05), the Bank's Code of Conduct, the aforementioned Irregularity Reporting 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 new term of office corresponding to 2021/2023, with effect from 1 January 2021, 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. Both were in office on 31 December 2021.

Under the provisions of paragraph 3.3 d) 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.

It should also be noted that the Audit Committee approved the payment of additional fees to those initially established for the issue of the Limited Review Report on the Condensed Consolidated Financial Statements and the Report on the quantification process of impairment losses on loans, both carried out with reference to June 2021. This circumstance was due to the inclusion in the review of the impacts of the transaction concluded in April 2021 with Sonae Financial Services ("Partnership Next") and the review of the methodology of calculation of impairment losses developed by the Bank related to the credit cards acquired under the Partnership Next. This partnership was entered into by the Bank after the Statutory Auditor selection contest and, therefore, not included in it.

Throughout 2021, 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, having decided, 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. It 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 in question are not eligible for inclusion in the list of prohibited services pursuant to Article 77(8) of the Statute of the Portuguese Institute of Statutory Auditors ('EOROC') because they do not fall under any of the subparagraphs of that standard and do not constitute a threat to the Statutory Auditor's independence and objectivity in the context of the statutory audit work, namely by not giving rise to 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 do not exceed the limits of fees for non-audit services (not prohibited) provided for in Article 77(1) of the EOROC, (iii) that the services under review 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 works, presenting the necessary conditions to be provided with independence and objectivity.

Throughout 2021, 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 2021. Also the external auditor's reports on the credit portfolio impairment quantification process with reference to 31 December 2020 and 30 June 2021 were presented and discussed in meetings of the Audit Committee.

In 2021, the Audit Committee analysed the conclusions of the review of the individual and consolidated financial statements of the Bank for the year 2020, prepared by KPMG, 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.

Already in 2022, the Committee analysed the conclusions of the review of the Bank's individual and consolidated financial statements for the year 2021, 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 2021, including the independence aspect, and also received a confirmation of independence from EY.

#### **i. Monitoring of the institution's risks (in carrying out risk committee duties)**

The Audit Committee monitored the definition of the Bank's risk strategy and risk appetite, and also monitored the risks to which the Bank is exposed (namely, strategic risk, credit and concentration risk, operational risk, market and interest rate risk, liquidity risk, risk of excessive leverage and the evolution of the Bank's own funds and capital requirements), in this way supporting the Board of Directors in the supervision of the execution of the Bank's risk strategy.

In this respect, the Audit Committee favourably assessed and recommended to the Board of Directors the approval of the following items:

- (i) Report on the "Liquidity adequacy self-assessment process (ILAAP)";
- (ii) Report on the "Internal Capital Adequacy Assessment Process (ICAAP)";
- (iii) The temporary suspension of the ceiling for securities accounted for at Fair Value provided for in the Investment Policy;
- (iv) The limited review of indicators and limits of the Risk Appetite Statement for 2021- 2023;
- (v) The revision of the Recovery Plan;
- (vi) The Risk Appetite Statement for 2022- 2024.

#### **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 from the Executive Committee, as well as from all the Bank's Bodies, Commissions, Committees, structural units and operational areas, all the requested information in a timely and appropriate fashion.

The Audit Committee expresses its gratitude to the rest of the corporate bodies and all those involved in its activities for their cooperation.

Lisbon, 14 March 2022

#### **The Chairman of the Audit Committee,**

João Manuel de Matos Loureiro

#### **The Members of the Audit Committee,**

Clementina Maria Dâmaso de Jesus Silva Barroso

Susana Maria Morgado Gomez Smith



## **OPINION OF THE AUDIT COMMITTEE**

**Opinion on the Annual Report of  
Banco CTT, S.A.  
for the financial year of 2021**

The Audit Committee, in light of the powers and duties entrusted to it, examined the Management Report and the Individual and Consolidated Statements of Banco CTT, S.A. (“Bank”) relative to the financial year of 2021, 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 preparation of the Management Report and Financial Statements was followed by the Audit Committee, which attended the meeting of the Executive Committee that approved the respective 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, the Company Secretary 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 Legal Certifications of Accounts include the “Key Audit Matters” that EY identified, on a consolidated basis, as being:

- ▲ Calculation of credit impairment losses; and
- ▲ Recoverability of Goodwill.

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 2021, 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.

The Financial Statements of the Bank and the Group give a true and fair view of the assets and liabilities, the financial position and the results of the Bank and the companies included in the consolidation perimeter and the Management Report faithfully sets out the evolution of the business, performance and position of the Bank and the companies included in the consolidation perimeter, containing a description of the main risks and uncertainties that they face.

Accordingly, the Audit Committee recommends to the General Meeting of Banco CTT that, with reference to the financial year ended 31 December 2021, 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 15,424,261.88 euros, determined in the individual balance sheet, as follows: (i) reinforcement of the Legal Reserve, 1,542,426,19 euros and (ii) Retained Earnings, 13,881,835.69 euros.

Lisbon, 14 March 2022

**The Chairman of the Audit Committee,**

João Manuel de Matos Loureiro

**The Members of the Audit Committee,**

Clementina Maria Dâmaso de Jesus Silva Barroso

Susana Maria Morgado Gomez Smith

## **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. ('GBCTT' or '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 subsidiaries and the internal control system of the parent company, Banco CTT, S.A. ('BCTT' or 'Bank'), with reference to 30 November 2021.

The Report includes a state of play on the specific, on-going and planned activities to ensure full compliance with the Notice and Instruction at the level of the GBCTT.

The project to implement the Notice and Instruction involved an in-depth analysis of the Group's internal control and risk management systems. This process was initiated in 2020 and coordinated by the Compliance Department of BCTT, as the parent company, in close collaboration with other areas of the Group, in particular the other Control Functions (Risk Department and Internal Audit Department of the Bank), the Internal Control Area of 321 Crédito - Instituição Financeira de Crédito, S.A. ('321 Crédito' or 'Company') and the Legal Services Department and General Secretariat of the Bank, and was closely monitored by the Management and Supervisory Bodies of BCTT, as parent company, and of its subsidiary 321 Crédito, in order to ensure the consistency of the Group's internal control and corporate governance systems.

The work undertaken in relation to the adoption of the Notice included the following main activities:

- ▲ Gap Analysis exercise;
- ▲ Review of organisational structure and responsibilities;
- ▲ Review of internal regulations;
- ▲ Strengthening the processes of obtaining, producing and processing data and information circuits.

The gap analysis exercise in relation to the requirements of the new Notice, whose results were analysed by the Internal Control Committee and reported to the Bank's Management and Supervisory Bodies, as parent company, showed a high degree of alignment of the internal control system and the Group's governance model with most of the requirements already contained in the internal regulations, with the main gaps having been identified in the new matters regulated by the Notice and in those which it altered in greater depth.

For the requirements regarding which gaps were identified, an implementation plan was defined. In the individual self-assessment reports of the Bank, as a parent company, and its subsidiaries, a status of the activities completed, in progress, or to be started on 30 November 2021 was included.

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.

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 context of the Supervisory Body's assessment of the Group's parent company, the Bank's Audit Committee concludes, in the light of the work carried out, the cumulative evidence collected, weighing the current and potential impacts of the deficiencies that remain open, with the exception of those deficiencies and the need to develop an additional set of procedures for adoption in full of the provisions of the Notice, as to the adequacy and effectiveness of the internal control system of the financial group, as well as the consistency of the internal control systems of the subsidiaries with the internal control system of the parent company, in all material respects, in accordance with the requirements set out in the Notice.

In turn, the Bank's Board of Directors concludes, considering the referred open deficiencies and gaps in the adoption of the Notice, on the effectiveness of the internal control system of the financial Group, in view of the requirements defined in the Notice.

Lisbon, 14 March 2022

**The Chairman of the Audit Committee,**

João Manuel de Matos Loureiro

**The Members of the Audit Committee,**

Clementina Maria Dâmaso de Jesus Silva Barroso

Susana Maria Morgado Gomez Smith

### 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 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 Banco CTT, S.A.. ('BCTT' or 'Bank') 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 2021.

This report includes a description of the activities specifically developed, ongoing, and planned, to ensure full compliance with the provisions of the Notice and Instruction.

The process of adoption of the Notice and Instruction was coordinated by the Compliance Function of BCTT, with the intervention of several areas of the Bank, in particular the Control Functions (Risk Management Function and Internal Audit Function), and was closely monitored by the Management and Supervisory Bodies of BCTT. The gap analysis exercise, whose results were analysed by the Internal Control Committee and reported to the Management and Supervisory Bodies of the Bank, showed a high degree of alignment of BCTT's internal control system and governance model with most of the requirements already contained in Banco de Portugal Notice 5/2008, with the main gaps identified in the new matters regulated by the Notice 3/2020 and in those which it altered in greater depth.

For the requirements regarding which gaps were identified, an implementation plan was defined in 2020, the state of play of which is described in the Report, including reference to the activities completed or in progress as at 30 November 2021.

The Report also includes a description of the Bank's organisational structure and governance model, which are considered to be aligned with the best corporate governance market practices.

The organisational structure and governance model of BCTT are 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.

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). These Reports also include a number of open deficiencies classified as F1 ('low') or F2 ('moderate') and 3 deficiencies classified as F3 ('high') attributed to BCTT's internal control functions (2 attributed to the Risk Management Function and 2 attributed to the Compliance Function), with no deficiencies classified as F4 ('severe').

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 an additional 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, under the terms of the requirements defined in the Notice.

In turn, the Board of Directors concluded, considering these open deficiencies and gaps in the adoption of the Notice, as to the adequacy and effectiveness of BCTT's organisational culture and governance and internal control systems, including the Bank's remuneration practices and policies, in view of the requirements defined in the Notice.

Lisbon, 14 March 2022

**The Chairman of the Audit Committee,**

João Manuel de Matos Loureiro

**The Members of the Audit Committee,**

Clementina Maria Dâmaso de Jesus Silva Barroso

Susana Maria Morgado Gomez Smith

## **EXTERNAL AUDITORS' REPORT**



## STATUTORY AUDITOR'S REPORT (CONSOLIDATED)



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## 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 2021 (showing a total of 2.703.986 thousands of euros and a total equity of 237.830 thousands of euros, including a net profit for the year of 16.148 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 a summary of significant accounting policies.

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 2021, 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
<p>As of 31 December 2021, Credit to banking clients, according to note 16 of the notes to the consolidated financial statements, amounts to 1,541.908 thousands euros (1.093.282 thousands of euros as of 31 December 2020) corresponding to credit to bank customers net of impairment charges (note 16) amounting to 31.090 thousands of euros (525.672 thousands of euros as of 31 December 2020). The detail of impairment on credit to banking clients and the accounting policies, methodologies, concepts and assumptions used are disclosed in the notes to the consolidated financial statements (Notes 2.3.1.6, 3.1.2 and 16).</p> <p>The impairment on credit to clients represents Management best estimate of the expected credit loss of the credit portfolio to customers. 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</p>	<p>Our audit approach to impairment on credit to customers 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:</p> <ul style="list-style-type: none"> <li>▶ obtaining the understanding, assessment of the design and testing of the operational effectiveness of internal control procedures existing in the process of quantifying impairment losses for credit to customers;</li> <li>▶ conducting analytical review tests on the evolution of the amount of impairment on credit to clients, comparing it with the same period and with the expectations, which highlight the understanding of the variations occurred in</li> </ul>



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Description of the most significant assessed risks of material misstatement	Summary of our response to the most significant assessed risks of material misstatement
<p>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.</p> <p>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. Additionally, the effects of the COVID-19 pandemic may not be completely overcome or fully materialized, and its full extent is still uncertain. In this sense, the impairment on credit should weigh on the potential impacts on asset quality.</p> <p>In view of 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.</p>	<p>the credit portfolio and changes in the impairment assumptions and methodologies;</p> <ul style="list-style-type: none"> <li>▶ reading the minutes of the Equity and Risk Committee and Global Risk Committee and correspondence with Banco de Portugal;</li> <li>▶ 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;</li> <li>▶ with the support of specialists, we performed tests on the reasonableness of the parameters used in the calculation of the impairment, namely:                         <ul style="list-style-type: none"> <li>i. understanding of the methodology formalized and approved by Management and comparison with the one actually used;</li> <li>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;</li> <li>iii. on a sampling basis, comparison of the data used in the clearance of risk parameters with source information;</li> <li>iv. inquiries to the Bank's experts responsible for the models and inspection of internal audit reports and regulators; and</li> <li>v. inspection of the reports with the results of the operational evaluation of the model (back-testing);</li> </ul> </li> <li>▶ 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 effects of the COVID-19 pandemic, including the end of the moratoriums and understanding of the management process associated with those adjustments; and</li> <li>▶ 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.</li> </ul>



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**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
<p>As of 31 December 2021, goodwill and intangible assets, as described in note 22 of consolidated financial statements include the amount of 61.085 thousands of euros (61.085 thousands of euros as of 31 December 2020), of which 60.679 thousands of euros (60.679 thousands of euros as of 31 December 2020), relate with the acquisition of the subsidiary 321 Crédito – Instituição Financeira de Crédito, S.A. in May 2019.</p> <p>Goodwill’s recoverability analysis requires Management to define a set of estimates and assumptions based on economic and market forecasts, in particular those relating to the projection of future cash-flows, market shares, margin developments and discount rates (Note 2.1.6).</p> <p>The materiality of the amounts and the degree of judgment associated with the assessment of Goodwill’s recoverability require the definition of complex estimates and assumptions by Management, in an environment of constant volatility and increasing uncertainty arising from the macroeconomic impacts of the COVID-19 pandemic, determines that we consider this topic as a key audit matter.</p>	<p>Our approach included carrying out the following procedures:</p> <ul style="list-style-type: none"> <li>▶ Understanding of the internal control procedures regarding the process of calculating the recoverable value of the cash generating unit;</li> <li>▶ We evaluated, with the support of internal specialists, the reasonableness of the assumptions that present highest sensitivity and judgment in determining the recoverable value, namely, discount rate, growth rate in the perpetuity and dividends distribution;</li> <li>▶ Reconciliation of future cash flows with approved budgets and forecast plans and financial indicators for 2021, as well as the reasonableness assessment of estimates through a retrospective analysis of the actual versus budgeted; and</li> <li>▶ Sensitivity analyses evaluation on the assumptions of the impairment model.</li> <li>▶ Our approach has also included checking the adequacy of the applicable disclosures, based on IFRS Standards.</li> </ul>

**Other matters**

The consolidated financial statements as at 31<sup>st</sup> December 2020, for comparison purposes were examined by another firm of certified auditors, whose legal certification of accounts, dated March 15<sup>th</sup> 2021, which had no limitations or qualifications.

**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 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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### Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are 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 cause the Group to cease to continue as a going concern;
- ▶ 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;



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- ▶ 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, and the verifications under nr. 4 and nr. 5 of article 451 of the Commercial Companies Code.



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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. As referred to in article 451, nr. 7 of the Commercial Companies Code this opinion is not applicable to the non-financial statement included in the Consolidated Management Report.

### 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 77, nr. 8, of the Statute of the Institute of Statutory Auditors, 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 2021;
  - Assessment of the adequacy and effectiveness of the internal control system of Banco CTT, S.A., 321 Crédito - Sistema Financeira de Crédito, S.A. and Payshop (Portugal), S.A., in relation to the prevention of money laundering and terrorist financing in accordance with Banco de Portugal notice No. 2/2018; and
  - Procedures for issuing the semi-annual evaluation report of the process of quantifying the impairment of the Group's credit portfolio pursuant to Banco de Portugal instruction 5/2013 republished by Banco de Portugal Instruction 18/2018.

Lisbon, 14 March 2022

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 2021 (showing a total of 2.393.024 thousands of euros and a total equity of 237.158 thousands of euros, including a net profit for the year of 15.424 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 a summary of significant accounting policies.

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 2021, 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 2021, Credit to banking clients, according to note 15 of the notes to the individual financial statements, amounts to 631.673 thousands of euros (525.672 thousands of euros as of 31 December 2020) corresponding to credit to bank customers net of impairment charges (note 15) amounting to 2.540 thousand of euros (1.604 thousands of euros as of 31 December 2020). The detail of impairment on credit to banking 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 15).	Our audit approach to impairment on credit to customers 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: <ul style="list-style-type: none"> <li>▶ obtaining the understanding, assessment of the design and testing of the operational effectiveness of internal control procedures existing in the process of quantifying impairment losses for credit to customers;</li> <li>▶ conducting analytical review tests on the evolution of the amount of impairment on credit to clients, comparing it with the same period and with the expectations, which highlight the understanding of the variations occurred in the credit portfolio and changes in the impairment assumptions and methodologies;</li> </ul>



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Description of the most significant assessed risks of material misstatement	Summary of our response to the most significant assessed risks of material misstatement
<p>The impairment on credit to clients represents Management best estimate of the expected credit loss of the credit portfolio to customers. 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.</p> <p>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. Additionally, the effects of the COVID-19 pandemic may not be completely overcome or fully materialized, and its full extent is still uncertain. In this sense, the impairment on credit should weigh on the potential impacts on asset quality.</p> <p>In view of 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.</p>	<ul style="list-style-type: none"> <li>▶ reading the minutes of the Equity and Risk Committee and Global Risk Committee and correspondence with Banco de Portugal;</li> <li>▶ 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;</li> <li>▶ with the support of specialists, we performed tests on the reasonableness of the parameters used in the calculation of the impairment, namely:                         <ul style="list-style-type: none"> <li>i. understanding of the methodology formalized and approved by Management and comparison with the one actually used;</li> <li>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;</li> <li>iii. on a sampling basis, comparison of the data used in the clearance of risk parameters with source information;</li> <li>iv. inquiries to the Bank's experts responsible for the models and inspection of internal audit reports and regulators; and</li> <li>v. inspection of the reports with the results of the operational evaluation of the model (back-testing);</li> </ul> </li> <li>▶ 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 effects of the COVID-19 pandemic, including the end of the moratoriums and understanding of the management process associated with those adjustments; and</li> <li>▶ 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.</li> </ul>



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**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
<p>As of 31 December 2021, the Investments in associates, as described in note 21, amounts to 125.474 thousands of euros (136.639 thousands of euros as of 31 December 2020), which corresponds to the subsidiary 321 Crédito – Instituição Financeira de Crédito S.A. acquired in May 2019.</p> <p>As referred in Note 21, the recoverable amount of investments in associates is evaluated annually or in the presence of an objective loss event.</p> <p>Investments in associates recoverability analysis requires Management to define a set of estimates and assumptions based on economic and market forecasts, in particular those relating to the projection of future cash-flows, market shares, margin developments and discount rates.</p> <p>The materiality of the amounts and the degree of judgment associated with the assessment of Goodwill's recoverability requires the definition of complex estimates and assumptions by Management, in an environment of constant volatility and increasing uncertainty arising from the macroeconomic impacts of the COVID-19 pandemic, determines that we consider this topic as a key audit matter.</p>	<p>Our approach included carrying out the following procedures:</p> <ul style="list-style-type: none"> <li>▶ Understanding of the internal control procedures regarding the process of calculating the recoverable value of the cash generating unit;</li> <li>▶ We evaluated, with the support of internal specialists, the reasonableness of the assumptions that present highest sensitivity and judgment in determining the recoverable value, namely, discount rate, growth rate in the perpetuity and dividends distribution;</li> <li>▶ Reconciliation of future cash flows with approved budgets and forecast plans and financial indicators for 2021, as well as the reasonableness assessment of estimates through a retrospective analysis of the actual versus budgeted; and</li> <li>▶ Sensitivity analyses evaluation on the assumptions of the impairment model.</li> </ul> <p>Our approach has also included checking the adequacy of the applicable disclosures of separate financial statements, based on the IFRS Standards.</p>

**Other matters**

The separate financial statements as of 31<sup>st</sup> December 2020, for comparison purposes were examined by another firm of certified auditors, whose legal certification of accounts, dated March 15<sup>th</sup> 2021, which had no limitations or qualifications.

**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 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.



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### Auditor's responsibilities for the audit of the financial statements

Our objectives are 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.

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 cause the Bank to cease to continue as a going concern;
- ▶ 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.



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#### **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.
- ▶ 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 77, nr. 8, of the Statute of the Institute of Statutory Auditors, and we have remained independent of the Bank 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 2021;
  - Assessment of the adequacy and effectiveness of the internal control system of Banco CTT, S.A., in relation to the prevention of money laundering and terrorist financing in accordance with Banco de Portugal notice No. 2/2018; and
  - Procedures for issuing the semi-annual evaluation report of the process of quantifying the impairment of the Bank's credit portfolio pursuant to Banco de Portugal Instruction 5/2013, republished by Banco de Portugal Instruction 18/2020;

Lisbon, 14 March 2022

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

# 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 registered, book-entry shares, with no nominal value (where there are no different categories of shares).

On 25 January 2021, the Bank registered a capital increase, fully subscribed and paid up, in cash, by the sole shareholder CTT- Correios de Portugal, S.A. ("CTT"), in the amount of 10,000,000.00 euros, increasing the share capital from 286,400,000.00 euros to 296,400,000.00 euros.

As mentioned above, the Bank's shares are entirely held by 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.

As at 31 December 2021 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 2021, the members of the Bank's management and supervisory bodies did not hold any shares issued by the Bank, nor did they, during 2021, 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 Article 447(5) of the CSC, during the financial year 2021 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//2020 (b)	Date	Acquisition	Encumbrance	Divestment	Price	No. of Shares as at 31//2021 (b)
João de Almada Moreira Rato	-	-	-	-	-	-	-
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 (b)	-	-	-	-	-	-	-
João Manuel de Matos Loureiro	-	-	-	-	-	-	-
Clementina Maria Dâmaso de Jesus Silva Barroso	-	-	-	-	-	-	-
Susana Maria Morgado Gomez Smith	-	-	-	-	-	-	-
António Pedro Ferreira Vaz da Silva	7,000	-	-	-	-	-	7,000
Guy Patrick Guimarães de Goyri Pacheco	8,000	-	-	-	-	-	8,000
António Emídio Pessoa Corrêa d'Oliveira	25,000	Annex II	Annex II	-	-	Annex II	-(c)

Statutory Auditor	No. of Shares as at 31//2021	Date	Acquisition	Encumbrance	Divestment	Price	No. of Shares as at 31//2021
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 2021, as disclosed to the Company.

In 2021, 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 Article 12(1) 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 2021 by Catarina Morais Bastos Gonçalves de Oliveira, the current Company Secretary. As at 31 December 2021, the Chairman of the Board of the General Meeting was Rui Afonso Galvão Mexia de Almeida Fernandes, having been appointed for the 2019/2021 term of office at the General Meeting on 13 September 2019.

The establishment of the Bank's Selection and Remuneration Committee, resulting from the merger of the previous Selection Committee and the Remuneration Committee, was decided at the General Meeting on 13 September 2019, and its members were elected for a term coinciding with the current terms of office of the governing bodies (2019/ 2021). On 15 June 2020, following the resignations submitted by António Sarmento Gomes Mota and José Manuel Baptista Fino from their positions on the Bank's Selection and Remuneration Committee, the sole shareholder resolved to elect Raúl Catarino Galamba de Oliveira and Maria da Graça Farinha de Carvalho to replace the resigning members in the exercise of the functions of Chairman and Member of the Bank's Selection and Remuneration Committee, respectively, until the end of the current term of office.

In this context, on 31 December 2021, the Bank’s Selection and Remuneration Committee was composed of the following members:

Members	Position
Raúl Catarino Galamba de Oliveira	Chairman
João Afonso Ramalho Sopas Pereira Bento	Member
Maria da Graça Farinha de Carvalho	Member

In accordance with the Internal Policy for the Selection and Evaluation of the Suitability of the Members of the Management and Supervisory Bodies and the Holders of Essential Functions, as approved at the General Meeting of 24 August 2015, amended by the same body on 10 March 2016 and subsequently amended by the Management and by the General Meeting on 22 and 24 January 2019, respectively (“Selection Policy”), as well as with the Banco CTT Group’s Remuneration Policy approved by the Board of Directors and the Selection and Remuneration Committee on 27 April and 30 June 2020, amended by the same bodies on 29 March and 20 and 23 December 2021, respectively, (“Remuneration Policy”) and, also, with the respective Internal Regulations, all in force on 31 December 2021, it is the responsibility of the Selection and Remuneration Committee, under powers delegated to it by the General Meeting, in particular:

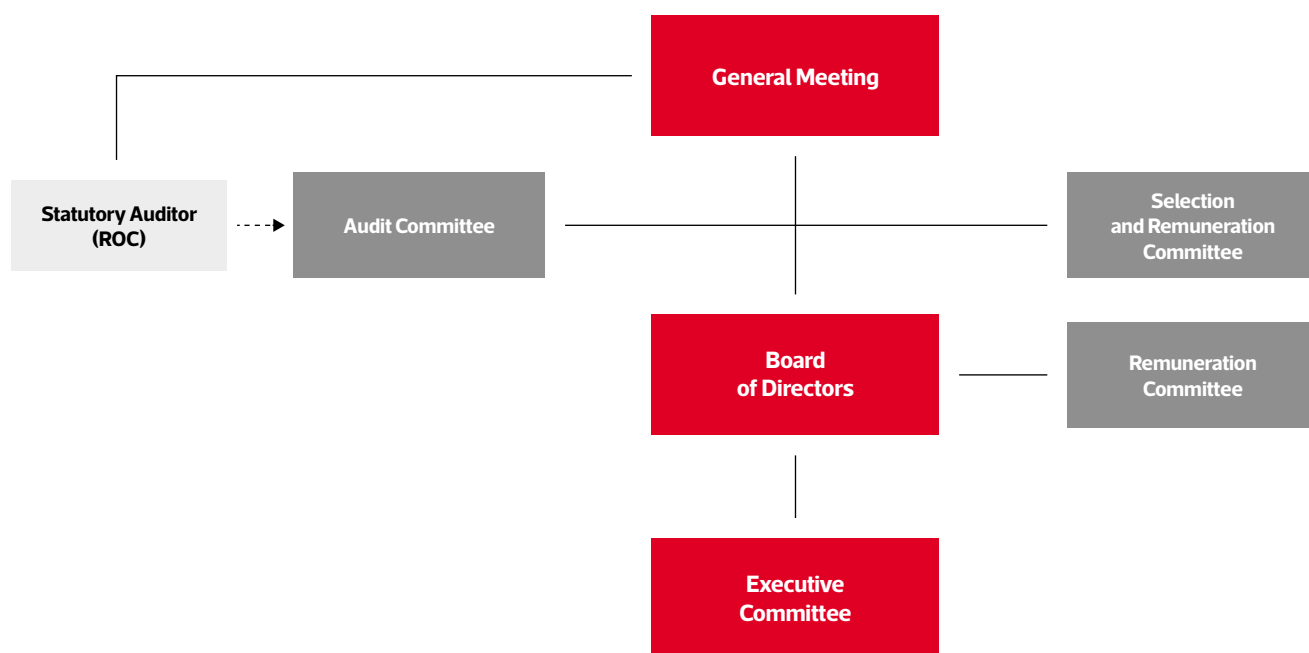
- ▲ Identifying, selecting and recommending possible members of management and supervisory bodies and holders of key positions, checking whether these candidates meet the necessary adequacy requisites (both individual and collective);
- ▲ Preparing the adequacy assessment and reassessment reports and preparing the instruction of requests for authorisation and registration with Banco de Portugal;
- ▲ Ensuring the representation of men and women and the diversity of qualifications and skills, professional experience, age and geographical origin necessary for the performance of their duties;
- ▲ Periodically reviewing the Selection Policy;
- ▲ Assessing the structure and dimension of the management and supervisory bodies, their suitability, professional qualifications diversity and availability, as well as the performance in terms of suitability of its members and the holders of key positions;

- ▲ Assessing and discussing the annual training plan with the competent bodies and committees;
- ▲ Establishing the remuneration of the members of the Board of the General Meeting, the Board of Directors, the Audit Committee and the Statutory Auditor; and,
- ▲ Approving and reviewing the Remuneration Policy at least annually, defining, in particular, 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 ROC, 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 13 September 2019, 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 Board (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 exclusively composed of independent members of the Board of Directors) is responsible for making informed and independent judgements on the Bank’s remuneration policy and practices that are consistent with the sound and prudent management of the risks and incentives created for the purposes of risk, capital and liquidity management (as described in 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 12 members and the Executive Committee is composed of 3 to 5 Directors, appointed for three-year terms of office.

The Company’s Board of Directors in office as at 31 December 2021 was composed of the following 12 Directors, appointed for the 2019/2021 term of office of, whose curricula are presented in Annex I attached herewith:

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
Clementina Maria Dâmaso de Jesus Silva Barroso	Member		Member	Yes
Susana Maria Morgado Gomez Smith	Member		Member	Yes
António Pedro Ferreira Vaz da Silva	Member			
Guy Patrick Guimarães de Goyri Pacheco	Member			
António Emídio Pessoa Corrêa d’Oliveira	Member			

1) According to the criteria established in Article 414(5) of the CSC (applicable by virtue of Article 31-A(3) 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) Approving the annual, half-yearly and quarterly reports and accounts;
- b) Defining the strategic orientation (including the approval of strategic, activity and business plans), policies, as well as the organisational model and corporate structure of the Bank;
- c) Approving annual and multi-annual budgets and investment and financial plans, and monitoring their implementation;
- d) 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;

e) 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;

f) Promoting a control environment that values internal control as an essential element for the long-term resilience and good performance of the Bank and the Banco CTT Group, ensuring that the Bank and the Group have an effective internal control system that ensures their sustainability in the medium and long term and the prudent exercise of their activity, consistently applied to the Bank and its subsidiaries, and monitoring their operation;

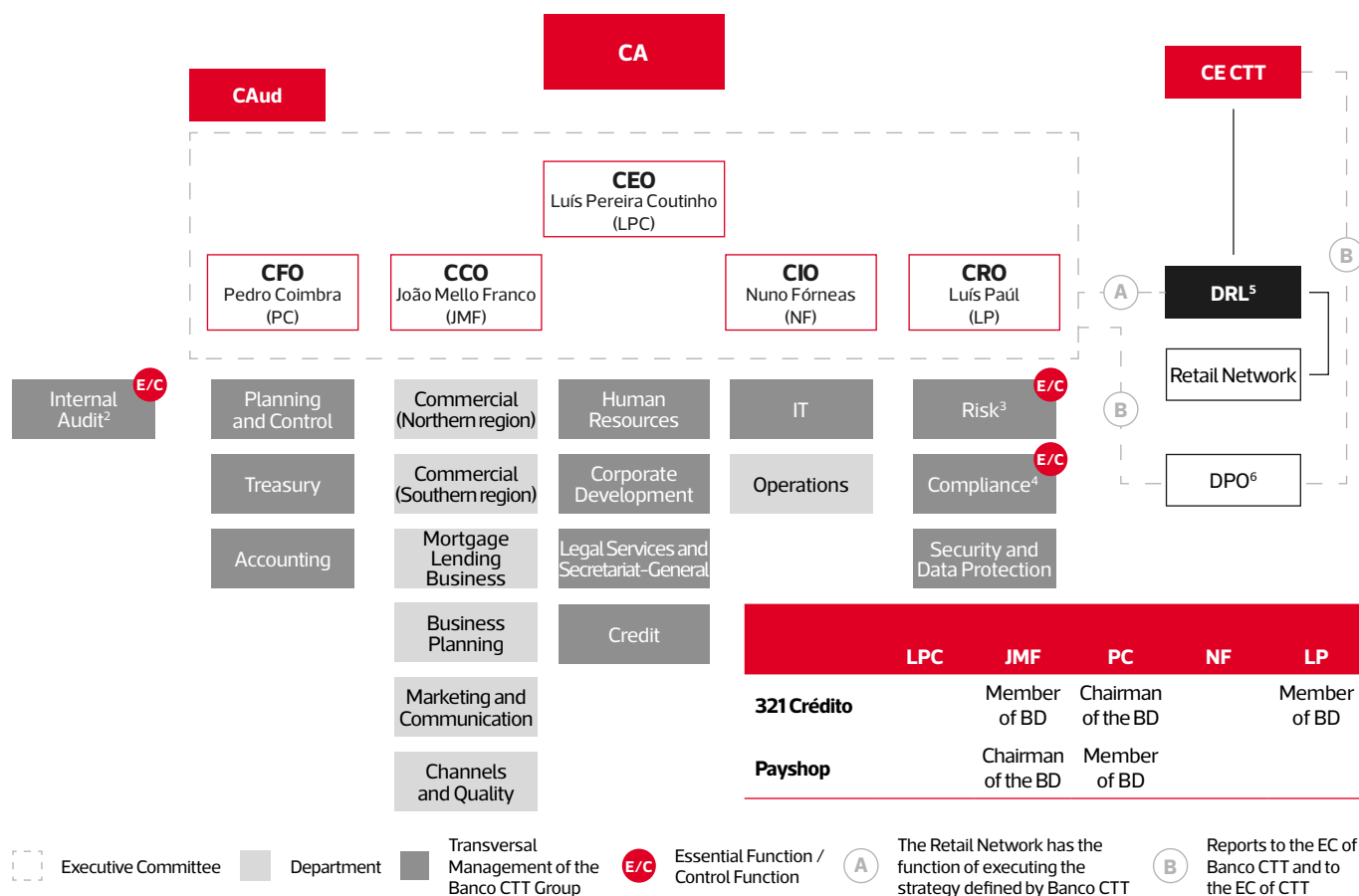
- g) Ensuring the soundness and effectiveness of (i) the processing of information, including the accounting and financial information systems and the processes of disclosure and compliance with reporting duties to Banco de Portugal, and (ii) of the processes of identification, management, control and communication of risks, under the terms of the law and applicable regulations;
- h) 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;
- i) Defining the Bank's internal governance system and organizational structure, to ensure the Bank's effective and prudent management, including the division of powers within the organization and prevention of conflicts of interest; and

- j) Appointing, replacing or removing those responsible for the Compliance, Risk Management and Internal Audit functions of the Bank and the Banco CTT Group, on the recommendation of the Selection and Remuneration Committee and after prior assessment by the Audit Committee.

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 2021, the areas of responsibility of the Bank's Executive Committee and its organisational structure were distributed as follows:



<sup>1</sup> Special project units may be set up by decision of the EC when projects that are justified by their complexity and duration are approved.  
<sup>2</sup> The Internal Audit Officer is responsible for the Internal Audit Control Function of the Bank and its subsidiaries, without prejudice to the possible existence of Internal Audit officers at the level of each of the subsidiaries.  
<sup>3</sup> The Risk Director is responsible for the Risk Management Control Function of the Bank and its subsidiaries without prejudice to the possible existence of Risk Management officers at the level of each of the subsidiaries.  
<sup>4</sup> The compliance officer is responsible for the Compliance Control Function of the Bank and its subsidiaries, without prejudice to the possible existence of compliance officers at the level of each of the subsidiaries.  
<sup>5</sup> DRL – Store Network Director (s): top of the Store Network structure in plurality of employers, with hierarchical relationship with CEO and functional relationship with all departments within the EC and the Control Functions.  
<sup>6</sup> DPO – Data Protection Officer of the CTT group.

At its meeting of 24 September 2021, the Board of Directors resolved to amend its Regulations and the delegation of powers to the Executive Committee in order to expressly provide for the possibility of sub-delegating some of the powers delegated to the Executive Committee to specialised committees set up by the latter, as well as to terminate the Capital and Risk Committee, the Commercial and Product Committee, the Credit Committee, the Technology and Operational Efficiency Committee, the Costs and Investments Committee and the Internal Control Committee.

On 6 October 2021, under the powers delegated at the time, the Executive Committee set up six new Committees to support its management activities, with the same designation as those previously appointed by the Board of Directors, namely: the Capital and Risk Committee, the Commercial and Product Committee, the Credit Committee, the Technology and Operational Efficiency

Committee, the Costs and Investments Committee and the Internal Control 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 2021, the existing Committee structure, both in terms of the Bank’s Executive Committee and regarding governance of the partnership with CTT, was as follows:

<b>Committees supporting the Executive Committee</b>	Capital and Risk Committee
	Commercial and Product Committee
	Credit Committee
	Technology and Operational Efficiency Committee
	Costs and Investments Committee
	Internal Control Committee
<b>Committees governing the partnership with CTT</b>	Partnership Governance Committee
	Business Coordination Committee
	Shared Services Committee

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.

**III. Oversight**

According to the Bank’s Articles of Association, the Audit Committee is composed of 3 non-executive directors, one of which is the

respective Chairman, all elected at the General Meeting (for the 2019/2021 term of office), together with the other Directors, and the lists proposed for the composition of the Board of Directors must specify the members intended to form the Audit Committee and indicate respective Chairman.

The Bank’s Audit Committee, in office as at 31 December 2021, was composed of the following members (appointed for the 2019/2021 term of office):

Members	Position
João Manuel de Matos Loureiro	Chairman
Clementina Maria Dâmaso de Jesus Silva Barroso	Member
Susana Maria Morgado Gomez Smith	Member

All such members are independent within the meaning of Article 414(5) of the CSC, applicable by reference to Article 31-A(5) 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 2021, were assigned to the Audit Committee:

- a) Supervising the Bank's management;
- b) Promoting an organisational culture based on high standards of ethical requirements and that ensures the promotion of sound and prudent management;
- c) 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;
- d) 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;
- e) 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;
- f) Supervising the activity of the Statutory Auditor or the Statutory Audit Firm ("SROC"), as appropriate and monitoring its independence; and,
- g) Overseeing the review of accounts of the financial statements of the Bank.

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 CTT Bank 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 ROC/SROC 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 ROC/SROC 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 ROC/SROC 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 115I 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

Bywritten resolution by the sole shareholder of the Company, on 30 July 2020, Ernst & Young Audit & Associados - SROC, S.A. ("EY"), Statutory Audit Firm No. 178, represented by Sílvia Maria Teixeira Silva, Statutory Auditor No. 1636, and as Alternate Statutory Auditor of the Bank, Ana Rosa Ribeiro Salcedas Montes Pinto, Statutory Auditor No. 1230, who were in office on 31 December 2021, were elected for the new term of office corresponding to 2021/2023, effective from 1 January 2021.

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") approved by the General Meeting of Banco CTT on 3 July 2020, and amended by the same body on 12 August 2021 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 Law 140/2015 of 7 September, which approved the Statutes of the Portuguese Institute of Statutory Auditors, and in Law 148/2015 of 9 September, which establishes the Legal Framework for Audit Supervision.

In 2021, the following non-audit / additional services were contracted/provided to Banco CTT Group by EY, hereinafter the "Non-Audit Services Contracted in 2021":

- ▲ Limited review of Banco CTT's financial statements for the period ended on 30 June 2021;
- ▲ 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 under the terms set out in Banco de Portugal Instruction No. 5/2013, republished by Banco de Portugal Instruction 18/2018, with reference to June and December of each year of the audit mandate; and
- ▲ Technical support to the supervisory bodies of the Bank, Payshop (Portugal), S.A. ("Payshop") and 321 Crédito, Instituição Financeira de Crédito, S.A. ("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 2021, required by Banco de Portugal Notice 2/2018.

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 2021 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 2021, relative to Banco CTT, Payshop and 321 Crédito, as entities that are fully part of the Group:



(amounts in euros)

	Engaged Services <sup>1</sup>		Accounted Services <sup>2</sup>		Paid Services <sup>3</sup>	
	Amount (€)	%	Amount (€)	%	Amount (€)	%
<b>By the Company</b>	<b>697,594.50</b>	<b>72.0%</b>	<b>294,095.43</b>	<b>77.2%</b>	<b>201,781.50</b>	<b>80.4%</b>
Value of the audit services	569,367.00	58.8%	200,606.40	52.7%	150,736.50	60.0%
Value of the reliability assurance services	128,227.50	13.2%	93,489.03	24.5%	51,045.00	20.3%
Value of the tax advisory services	-	0.0%	-	0.0%	-	0.0%
Value of non-audit services	-	0.0%	-	0.0%	-	0.0%
<b>By entities that are part of the Group<sup>4</sup></b>	<b>271,461.00</b>	<b>28.0%</b>	<b>86,826.40</b>	<b>22.8%</b>	<b>49,261.50</b>	<b>19.6%</b>
Value of the audit services	227,550.00	23.5%	71,386.36	18.7%	49,261.50	19.6%
Value of the reliability assurance services	43,911.00	4.5%	15,440.04	4.1%	-	0.0%
Value of the tax advisory services	-	0.0%	-	0.0%	-	0.0%
Value of non-audit services	-	0.0%	-	0.0%	-	0.0%
<b>Total</b>	<b>969,055.50</b>	<b>100.00%</b>	<b>380,921.83</b>	<b>100.0%</b>	<b>251,043.00</b>	<b>100.00%</b>
<b>Value of the audit services</b>	<b>796,917.00</b>	<b>82.24%</b>	<b>271,992.76</b>	<b>71.4%</b>	<b>199,998.00</b>	<b>79.7%</b>
<b>Value of non-audit services</b>	<b>-</b>	<b>0.00%</b>	<b>-</b>	<b>0.0%</b>	<b>-</b>	<b>0.0%</b>

<sup>1</sup>Includes VAT at the legal rate in force.

<sup>2</sup>Includes invoiced values and specialised values in the year.

<sup>3</sup>The paid services refer to services hired in 2021 as well as in previous years whose conditions of payment occurred in 2021.

<sup>4</sup>Payshop and 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](http://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, handle and file serious irregularity reports 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, the Bank's Code of Conduct, in section 7.4, provides mechanisms for reporting irregularities on matters of accounting, internal accounting controls, the Bank's internal management or supervision, prudential requirements, risk control, insider dealing, fraud or anti-corruption, banking and financial crime, money laundering or the financing of terrorism, involving shareholders,

employees, customers, suppliers, based on the specific rules defined by the Bank, namely in its Whistleblowing Policy.

As at 31 December 2021, the Bank had a Whistleblowing Policy (resulting from the revision on 2 November 2021 of the former Whistleblowing Policy), the purpose of which is to define the procedures to receive, treat and file communications on the practice of irregularities received by Banco CTT Group entities in matters related to the administration, accounting organisation and internal supervision of the Bank and its subsidiaries, as well as in matters related with the infringement of duties incumbent upon Banco CTT Group entities, namely the prevention of money laundering and terrorism financing, insider trading, fraud or corruption in the performance of professional activities by Members of the Corporate Bodies, Employees or any third party that has a commercial, business or partnership relationship with the Group, namely as a service provider or supplier. Pursuant to what is defined in this Policy, any irregularities can be communicated by employees of the Banco CTT Group as well as by any stakeholders, namely shareholders, partners, suppliers, service providers or customers, through the "Channel of Ethics". The Whistleblowing Model, through the Channel of Ethics, 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.

In 2019, the Manual for the Treatment of Irregularity Communications - Ethics Channel was also created, which aims to define and detail the process and responsibilities in the context of handling reports of irregularities, and is divided into three parts, the first related to screening, the second referring to the treatment of reports of irregularities relating to harassment and discrimination and the third concerning the treatment of other irregularities covered by the Irregularity Reporting Policy (Whistleblowing).

Under the terms of the identified Policy, the Audit Committee delegated to the Compliance Department support functions related to the management of the Channel of Ethics and to the Ethics Forum the handling of reports 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 Ethics 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 9 March 2020, the Audit Committee elected Member Susana Maria Gomez Smith as the member of the Audit Committee appointed to join and chair the Ethics Forum.

The Whistleblowing Policy further establishes, without prejudice to other reporting duties established by law, that: (i) the Audit Committee or any member of the management or supervisory bodies, as well as the holders of qualified holdings, shall immediately report to Banco de Portugal any serious irregularity of which they become aware relating to the management, accounting organisation and internal auditing of the Bank and which is likely to place the Bank in a situation of financial imbalance; and (ii) employees of the areas responsible for control functions (internal audit, risk management and compliance) shall report to the Audit Committee any serious irregularity of which they become aware related to the management, accounting organisation and internal

supervision of the Bank or indications of breaches of duties established in the RGICSF or Regulation (EU) 575/2013 of the European Parliament and of the Council of 26 June, which is likely to place the Bank in a situation of financial imbalance.

In February and December 2021, 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 Article 116-AA(7) of the RGICSF and Article 35 of Banco de Portugal Notice 3/2020, with reference to the period between 1 January 2020 and 31 January 2021 and the period between 1 February and 30 November 2021, respectively. These Reports describe the process of receipt and treatment of irregularities adopted by Banco CTT, as well as the irregularities reported in the reference periods.

During the aforementioned periods, the Ethics Channel received seven reports, of which four were Customer complaints that were forwarded to the Complaints Management area and dealt with as such, and three related to fraud, which were dealt with by the Fraud Area, thus concluding that, during these periods, no reports of irregularities were received 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 said Reporting of Irregularities 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.

Within the context of the entry into force of Banco de Portugal Notice 3/2020 and Banco de Portugal Instruction 18/2020, a project was started 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](http://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 13 September 2019, it was decided to set up a Selection and Remuneration Committee of the Bank, resulting from the merger of the previous Selection Committee and the Remuneration Committee.

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, created within the Board of Directors and whose term of office matches that of the Board of Directors, had the following composition as at 31 December 2021:

Members	Position
João de Almada Moreira Rato	Chairman
Clementina Maria Dâmaso de Jesus Silva Barroso	Member
Susana Maria Morgado Smith Gomez	Member

In accordance with the provisions of its Internal Regulations, in force on 31 December 2021, the Remuneration Committee was responsible, among other duties, for:

- ▲ Preparing proposals and recommendations for General Meeting decisions on matters of remuneration of governing body members (notwithstanding delegation to the Salary Committee), as well as for Board of Directors decisions (notwithstanding delegation to the Executive Committee) on the remuneration of relevant employees pursuant to Article 115-C of the RGICSF. This includes decisions on the remuneration policies and decisions affecting 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, reviewing and evaluating the remuneration policies and remuneration practices applicable to employees and multi-employer employees involved in the marketing or provision of banking products and services to consumers, in particular to verify how the gender neutrality of the remuneration policy is guaranteed and to ensure that remuneration policies do not prevent employees of the institution from acting honestly, fairly, transparently and professionally, taking into account the rights and interests of consumers;

- ▶ 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 2021, the Remuneration Committee met 12 times.

### III. Remuneration disclosure

The following tables indicate the gross remuneration amounts due, by reference to the period from 1 January to 31 December 2021, 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 <sup>(1)</sup>
João Manuel de Matos Loureiro	Non-Executive Director and Chairman of the Audit Committee	84,642.84
Clementina Maria Dâmaso de Jesus Silva Barroso	Non-Executive Director, Member of the Audit Committee and Member of the Remuneration Committee	65,000.04
Susana Maria Morgado Gomez Smith	Non-Executive Director, Member of the Audit Committee and Member of the Remuneration Committee	65,000.04
<b>Total of the Audit Committee</b>		<b>214,642.92</b>
João de Almada Moreira Rato	Chairman of the Board of Directors and of the Remuneration Committee	124,999.98
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
António Emídio Corrêa d'Oliveira	Non-Executive Director	47,619.07
<b>Total of the Remuneration of the Non-Executive Directors who are not part of the Audit Committee</b>		<b>172,619.05</b>
<b>Total Non-Executive Directors</b>		<b>387,261.97</b>

(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 2021.

Remuneration of Executive Committee members in 2021

(amounts in euros)

Members	Position	Fixed Remuneration <sup>(1)</sup>	Variable Remuneration paid in 2021 <sup>(2)</sup>	Deferred Variable Remuneration payable in 2022 <sup>(2)</sup>	Deferred Variable Remuneration payable in 2023 <sup>(2)</sup>	Deferred Variable Remuneration payable in 2024 <sup>(2)</sup>	Total Variable Remuneration awarded in 2021 <sup>(2)</sup>	Total Fixed Remuneration 2021 and Variable 2020 paid in 2021	Total Remuneration awarded in 2021
Luís Maria França de Castro Pereira Coutinho	Chairman of the Executive Committee (CEO)	395,447.03	35,875.00	11,958.33	11,958.33	11,958.33	71,750.00	431,322.03	467,197.03
João Maria Magalhães Barros Mello Franco	Member of the Executive Committee (CCO)	249,642.05	20,895.00	6,965.00	6,965.00	6,965.00	41,790.00	270,537.05	291,432.05
Pedro Rui Fontela Coimbra	Member of the Executive Committee (CFO)	241,128.34	20,895.00	6,965.00	6,965.00	6,965.00	41,790.00	262,023.34	282,918.34
Nuno Carlos Dias dos Santos Fôrneas	Member of the Executive Committee (CIO)	217,111.71	20,265.00	6,755.00	6,755.00	6,755.00	40,530.00	237,376.71	257,641.71
Luís Jorge de Sousa Uva Patrício Paúl	Member of the Executive Committee (CRO)	217,153.01	13,620.74	4,540.25	4,540.25	4,540.25	27,241.48	217,153.01	217,153.01
<b>Total of the Executive Committee</b>		<b>1,320,482.14</b>	<b>111,550.74</b>	<b>37,183.58</b>	<b>37,183.58</b>	<b>37,183.58</b>	<b>223,101.48</b>	<b>1,418,412.14</b>	<b>1,516,342.14</b>

(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 use.

(2) Variable Remuneration relative to 2020.

Variable Remuneration of Executive Committee members relative to 2017

(amounts in euros)

Members	Position	Variable Remuneration paid in 2018	Deferred Variable Remuneration paid in 2019	Deferred Variable Remuneration paid in 2020	Deferred Variable Remuneration paid in 2021	Total Variable Remuneration
Luís Maria França de Castro Pereira Coutinho	Chairman of the Executive Committee (CEO)	47,513.00	15,838.00	15,838.00	15,838.00	95,027.00
Luís Miguel Agoas Correia Amado	Member of the Executive Committee (COO)	23,020.00	7,673.00	7,673.00	7,673.00	46,039.00
João Maria Magalhães Barros Mello Franco	Member of the Executive Committee (CCO)	30,980.00	10,327.00	10,327.00	10,327.00	61,961.00
Pedro Rui Fontela Coimbra	Member of the Executive Committee (CFO)	30,980.00	10,327.00	10,327.00	10,327.00	61,961.00
<b>Total of the Executive Committee</b>		<b>132,493.00</b>	<b>44,165.00</b>	<b>44,165.00</b>	<b>44,165.00</b>	<b>264,988.00</b>

Variable Remuneration of Executive Committee members relative to 2018

(amounts in euros)

Members	Position	Variable Remuneration paid in 2019	Deferred Variable Remuneration paid in 2020	Deferred Variable Remuneration paid in 2021	Deferred Variable Remuneration payable in 2022	Total Variable Remuneration
Luís Maria França de Castro Pereira Coutinho	Chairman of the Executive Committee (CEO)	53,550.00	17,850.00	17,850.00	17,850.00	107,100.00
Luís Miguel Agoas Correia Amado	Member of the Executive Committee (COO)	17,992.80	5,997.60	5,997.60	5,997.60	35,985.60
João Maria Magalhães Barros Mello Franco	Member of the Executive Committee (CCO)	39,028.50	13,009.50	13,009.50	13,009.50	78,057.00
Pedro Rui Fontela Coimbra	Member of the Executive Committee (CFO)	39,028.50	13,009.50	13,009.50	13,009.50	78,057.00
<b>Total of the Executive Committee</b>		<b>149,599.80</b>	<b>49,866.60</b>	<b>49,866.60</b>	<b>49,866.60</b>	<b>299,199.60</b>

Variable Remuneration of Executive Committee members relative to 2019

(amounts in euros)

Members	Position	Variable Remuneration paid in 2020	Deferred Variable Remuneration paid in 2021	Variable Remuneration paid in 2022 <sup>(1)</sup>	Deferred Variable Remuneration payable in 2022	Deferred Variable Remuneration payable in 2023	Deferred Variable Remuneration payable in 2024	Deferred Variable Remuneration payable in 2025	Total Variable Remuneration
Luís Maria França de Castro Pereira Coutinho	Chairman of the Executive Committee (CEO)	-	-	61,225.50	-	20,408.50	20,408.50	20,408.50	122,451.00
João Maria Magalhães Barros Mello Franco	Member of the Executive Committee (CCO)	25,714.71	8,571.57	-	8,571.57	8,571.57	-	-	51,429.42
Pedro Rui Fontela Coimbra	Member of the Executive Committee (CFO)	25,714.71	8,571.57	-	8,571.57	8,571.57	-	-	51,429.42
Nuno Carlos Dias dos Santos Fórneas	Member of the Executive Committee (CIO)	8,752.53	2,917.51	-	2,917.51	2,917.51	-	-	17,505.07
<b>Total of the Executive Committee</b>		<b>60,181.95</b>	<b>20,060.65</b>	<b>61,225.50</b>	<b>81,286.15</b>	<b>40,469.15</b>	<b>20,408.50</b>	<b>20,408.50</b>	<b>242,814.91</b>

(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).

In 2021 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, applicable since 2020, for the 2020-2022 three-year period, with the attribution occurring and the payment being due only in 2023, conditional on compliance with the provisions of the current Remuneration Policy, in order to ensure an alignment of this component with the Bank's strategic plan defined for 2020-2022, even if not coinciding with the term of office of the governing bodies (2019- 2021).

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 2021.

### Remuneration of Relevant Employees

The gross remuneration amounts due, by reference to the period between 1 January and 31 December 2021, to Relevant Employees, as defined in the Remuneration Policy in force on 31 December 2021 (whose universe comprised 20 Relevant Employees of the Bank, one of whom started duties in April and another in November 2021 and a Relevant Employee who ceased his duties in March and another in September 2021), amounted, in aggregate terms, to 1,823,409.00 euros. The distribution of this remuneration was as follows:

### Remuneration of Relevant Employees in 2021

(amounts in euros)

Relevant Employees (1)	Fixed Remuneration (2)	Variable Remuneration paid in 2021 (3)	Deferred Variable Remuneration payable in 2022 (3)	Deferred Variable Remuneration payable in 2023 (3)	Deferred Variable Remuneration payable in 2024 (3)	Total Variable Remuneration awarded in 2021 (3)	Total Fixed Remuneration 2021 and Variable 2020 paid in 2021	Total Remuneration awarded in 2021
A – Responsible for Control Functions (3 employees)	236,482.00	14,587.00	4,862.00	4,862.00	4,862.00	29,173.00	251,069.00	265,656.00
B – Top Management employees with commercial functions (5 employees) (a)	366,066.00	41,421.00	13,807.00	13,807.00	13,807.00	82,841.00	407,487.00	448,907.00
C – Top Management employees with support functions (12 employees) (b)	923,181.00	92,832.00	30,944.00	30,944.00	30,944.00	185,664.00	1,016,014.00	1,108,846.00
<b>Total Relevant Employees</b>	<b>1,525,730.00</b>	<b>148,839.00</b>	<b>49,613.00</b>	<b>49,613.00</b>	<b>49,613.00</b>	<b>297,679.00</b>	<b>1,674,570.00</b>	<b>1,823,409.00</b>

(a) Includes a Relevant Employee who started his duties in April 2021 and includes a Relevant Employee who ceased his duties in March 2021.

(b) Includes a Relevant Employee who started his duties in November 2021 and includes a Relevant Employee who ceased his duties in September 2021.

(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 2020.

Variable Remuneration of Relevant Employees relative to 2017

(amounts in euros)

Relevant Employees <sup>(1)</sup>	Variable Remuneration paid in 2018	Deferred Variable Remuneration paid in 2019	Deferred Variable Remuneration paid in 2020	Deferred Variable Remuneration paid in 2021	Total Variable Remuneration
A — Responsible for Control Functions (3 employees)	21,631.00	7,210.00	7,210.00	7,210.00	43,261.00
B — Top Management employees with commercial functions (4 employees)	34,062.00	11,354.00	11,354.00	11,354.00	68,124.00
C — Top Management employees with support functions (9 employees)	65,355.00	21,785.00	21,785.00	21,785.00	130,710.00
<b>Total Relevant Employees</b>	<b>121,048.00</b>	<b>40,349.00</b>	<b>40,349.00</b>	<b>4,034.00</b>	<b>242,095.00</b>

(1) The definition of Relevant Employees considered employees appointed by the Bank's competent corporate bodies to perform the duties in question.

Variable Remuneration of Relevant Employees relative to 2018

(amounts in euros)

Relevant Employees <sup>(1)</sup>	Variable Remuneration paid in 2019	Deferred Variable Remuneration paid in 2020	Deferred Variable Remuneration paid in 2021	Deferred Variable Remuneration payable in 2022	Total Variable Remuneration
A — Responsible for Control Functions (3 employees)	20,210.00	6,737.00	6,737.00	6,737.00	40,421.00
B — Top Management employees with commercial functions (4 employees)	36,120.00	12,040.00	12,040.00	12,040.00	72,241.00
C — Top Management employees with support functions (9 employees)	71,899.00	23,966.00	23,966.00	23,966.00	143,799.00
<b>Total Relevant Employees</b>	<b>128,230.00</b>	<b>42,744.00</b>	<b>42,744.00</b>	<b>42,744.00</b>	<b>256,461.00</b>

(1) The definition of Relevant Employees considered employees appointed by the Bank's competent corporate bodies to perform the duties in question.

Variable Remuneration of Relevant Employees relative to 2019

(amounts in euros)

Relevant Employees <sup>(1)</sup>	Variable Remuneration paid in 2020	Deferred Variable Remuneration paid in 2021	Deferred Variable Remuneration payable in 2022	Deferred Variable Remuneration payable in 2023	Total Variable Remuneration
A — Responsible for Control Functions (2 employees)	15,541.00	5,180.00	5,180.00	5,180.00	31,082.00
B — Top Management employees with commercial functions (4 employees)	44,561.00	14,854.00	14,854.00	14,854.00	89,122.00
C — Top Management employees with support functions (12 employees)	100,884.00	33,628.00	33,628.00	33,628.00	201,769.00
<b>Total Relevant Employees</b>	<b>160,987.00</b>	<b>53,662.00</b>	<b>53,662.00</b>	<b>53,662.00</b>	<b>321.973.00</b>

(1) The definition of Relevant Employees considered employees appointed by the Bank's competent corporate bodies to perform the duties in question.



In 2021 there is no deferred remuneration subject to reduction as a result of adjustments made according to the individual performance of Relevant Employees.

In 2021 there were no payments due to early termination of employment contract relative to Relevant Employees.

#### **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 according to the Remuneration Policy, namely defined in terms of the nature, scope and complexity of the Bank's activity, the variable remuneration of executive members of the Board of Directors and of Relevant Employees can be paid in cash and/or in the form of non-monetary benefits, namely through flexible benefits. It is the responsibility of 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 may be implemented as defined by the competent bodies, where half of the variable remuneration (including the deferred portion) may be paid in financial instruments and subject to a retention policy.

## E. RELATED PARTY TRANSACTIONS

### I. Control mechanisms and procedures

According to the Banco CTT Group's Related Party Transactions Policy approved by the Board of Directors on 28 June 2021 (as a result of the splitting of the Conflict of Interest and Related Party Policy into two autonomous policies), the Executive Committee and/or the Board of Directors and/or the area owner submits to the Audit Committee any transaction with a related party, and there is the obligation to issue a prior opinion by the Audit Committee, which applies to:

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 – paragraph 9 (a) (iii) shall also be taken into account.

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.

Excluded from this provision are transactions within the Company's own trade and where no special advantage is granted to the director or intermediary (according to the reasoning presented at the time of decision making).

Within this scope, the following in particular are subject to assessment: (i) the terms and conditions of the transaction; (ii) the amount of the transaction; (iii) the objectives and timeliness of the transaction; (iv) the duration of the transaction; (v) the contracting process, (vi) respect for the Bank's interests, namely: (a) whether the transactions are within the scope of the Bank's business, established in full respect of the interests of the companies of the Group and in accordance with market conditions and the rules in force; (b) their impact on the financial situation of the Bank and/or the Group; (c) whether the Related Party's interest in the transaction is direct or indirect; (d) their continuous or one-off nature; (e) the prevention and resolution of conflicts of interests; and (f) other aspects that it considers relevant; (vii) if the transaction involves the sale of an asset, its description, year of acquisition and net book value; (viii) any limitations that may be imposed on Banco CTT and its subsidiaries as a result of the conclusion or completion of the transaction; (ix) reputational and compliance risk; and (x) any other information that is considered relevant.

Only after obtaining the prior opinions of the Risk Management and Compliance Functions and the Audit Committee, does the Board of Directors decide on Transactions with a Related Party, which must be approved by a minimum of two thirds of the respective members.

### II. Transaction information

The relevant transactions with related parties are described in Note 32 (Transactions with related parties) attached to the consolidated financial statements and in Note 31 (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 de Almada Moreira Rato**

Chairman of the Board of Directors

Date of birth - 29 September 1971, Portugal

Date of 1st appointment - 13 September 2019

Term of office 2019 / 2021

**Education****1995 - 2000:** PhD in Economics (specialising in financial subjects and economic mathematics), University of Chicago (USA)**1989 - 1993:** Degree in Economics, Nova School of Business and Economics**Internal management and supervisory positions****2019 - ...:** Non-executive chairman of the Board of Directors of Banco CTT, S.A.**Other internal positions****2019 - ...:** Chairman of the Remuneration Committee of Banco CTT, S.A.**Professional experience**

For over 20 years, he has held positions in the financial sector, including several positions in Portugal and abroad in the areas of investment banking, capital markets, public debt management, commercial banking and financial sector advisory.

He also works as a teacher, both in Portugal and abroad, with a special focus on financial macroeconomics, having taught specialised courses in the areas of corporate finance, financial derivatives, financial management for sovereigns and portfolio management.

**Management and supervisory positions in other companies (last 5 years)****2018 - 2020:** Non-executive member of the Board of Directors of Omtel, Estruturas de Comunicações, S.A.**Other external positions****2020:** Provision of services / book publication by Palgrave, part of the Springer Nature Switzerland AG group**2016 - 2020:** External Consultant / Expert at Oliver Wyman (United Kingdom and Dubai)**2016 - ...:** Research Associate at the Systemic Risk Centre of the London School of Economics**2015 - ...:** Senior Advisor at Morgan Stanley (United Kingdom) and Executive Director between 2010 and 2012**2015 - 2016:** Senior Advisor at Incus Capital Advisors (Spain)**2014 - ...:** Guest Associate Professor at Nova School of Business and Economics, Nova Law School and Nova Information Management School**2014:** Member of the Board of Directors and Executive Committee (Chief Financial Officer) at Novo Banco, S.A.**July 2014:** Member of the Board of Directors and Executive Committee (Chief Financial Officer) at Banco Espírito Santo, S.A.**2012 - 2014:** Chairman of the Board of Directors of IGCP (Portuguese Treasury and Public Debt Management Agency)**2008 - 2010:** Partner in Nau Capital, head of risk and operational areas (United Kingdom)**2003 - 2008:** Executive Director at Lehman Brothers (United Kingdom)**2000 - 2003:** Associate at Goldman Sachs (United Kingdom)**1999:** Lecturer at the College and Teaching Assistant on the PhD programme of the University of Chicago (USA) between 1996 and 1997.**1997 - 1998:** Associate at Banco Bozano (Brazil)

**Luís Maria França de Castro Pereira Coutinho**

CEO, Chairman of the Executive Committee

Date of birth - 02 March 1962, Portugal

Date of 1st appointment - 24 August 2015 (1)

Term of office 2019 / 2021

**Education****2015 - 2016:** Training Programme for Senior Managers of Banco CTT, S.A., Institute of Bank Management**2001 - 2002:** Senior Business 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 more than 30 years he has performed functions in various areas in 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)**

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**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)**2017-...:** Chairman of the Supervisory Board of the Portuguese Banking Association in representation of Banco CTT, S.A.**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)**1995 - 2000:** Member of the Executive Committee (Vice-Chairman of the Executive Committee since 1998) and member of the Board of Directors of Banco Mello S.A.<sup>1)</sup> Date of appointment after the incorporation of Banco CTT, S.A.

**João Maria de Magalhães Barros de Mello Franco**

CCO, Executive Director

Date of birth - 03 March 1972, Portugal

Date of 1st appointment - 14 January 2016

Term of office 2019 / 2021

**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, Sociedade Financeira de Crédito, S.A.**2018-...:** Chairman of the Board of Directors of Payshop (Portugal) 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 20 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 has also held management duties in credit institutions, including as Chief Marketing Officer and Chief Risk Officer at Novo Banco, S.A.

**Management and supervisory positions in other companies (last 5 years)**

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**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 the Board of Directors of Novo Banco dos Açores, S.A.**2014 - 2015:** General Manager of Retail Banking and Remote Channels at Novobanco, S.A.**2013 - 2014:** Coordinating Manager of the Department of Marketing, Innovation and Channels at Banco Espírito Santo, S.A.**2007 - 2012:** Coordinating Manager of the Department of Marketing for Retail and Business Clients at Banco Espírito Santo, S.A.**2003 - 2006:** Coordinating Manager of the Department of Strategic Marketing at 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 - 04 August 2016

Term of office 2019 / 2021

**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.**2019 - 2021:** Member of the Board of Directors of 321 Crédito, Instituição Financeira de Crédito, S.A.**2018 - ...:** Member of the Board of Directors of Payshop (Portugal) 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 (last 5 years)****2015 - 2016:** Manager of Notícias Direct - Distribuição ao Domicílio, Lda.**2015 - 2016:** Manager of Empresa Gráfica Funchalense, Lda.**2015 - 2016:** Manager 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:** Manager of RJN - Rádio Jornal do Norte, Lda.**2014 - 2016:** Manager of TSF - Rádio Jornal de Lisboa, Lda.**2014 - 2016:** Manager 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:** Manager of Jornal do Fundão Editora, Lda.**Other external positions****2011 - 2014:** Corporate Banking Manager of the Portuguese Branch of Barclays Bank**2009 - 2011:** Member of the Board of Directors and Executive Committee (CFO) at Banco Millennium**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 2019 / 2021

**Education****2012:** Design Thinking pela 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 the development of solutions and information technologies (particularly in the financial sector, in Portugal and abroad, with emphasis on Spain and the United Kingdom).

The technical and management skills developed, well as the professional experience of more than 18 years in executive management positions, with emphasis on the positions held in the Novabase and Glinnt Groups, are also Noteworthy.

**Management and supervisory positions in other companies (last 5 years)****2018:** Head of the Advanced Analytics Competence Center at the National Association of Pharmacies (ANF)**2017 - 2018:** Member of the Board of Directors and of the Executive Committee at Glinnt - Global Intelligent Technologies, S.A.**2017 - 2018:** Member of the Board of Directors of Glinnt UK, Limited**2017 - 2018:** Member of the Board of Directors of Glinnt Ireland Solutions, Limited**2016 - 2018:** Member of the Management Board of Glinnt - Business Solutions, Lda.**2016 - 2018:** Member of the Board of Directors of Glinnt - Healthcare Solutions, S.A.**2014 - 2016:** Manager of Livian Technologies, Lda.**2012 - 2016:** Manager 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.)**Other external positions****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:** Non-executive member of the Board of Directors of NOVABASE Infraestruturas SGPS, S.A.**2009 - 2015:** Member of the Board of Directors of NOVABASE Infraestruturas 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 2019 / 2021

**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****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 25 years he has been working in the banking sector, especially in the financial and risk area, with strong technical expertise in planning, valuations, financial markets, credit and risk, through functional and coordination experience in these various 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).

In the last 5 years, he was responsible for Risk Management 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 - 04 October 1959, Portugal

Date of 1st appointment - 13 September 2019

Term of office 2019 / 2021

**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 35 years, he has been a teacher 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. In the last 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.

**Clementina Maria Dâmaso de Jesus Silva Barroso**

Non-Executive Director and member of the Audit Committee

Date of birth – 10 May 1958, Angola

Date of 1st appointment – 24 August 2015(1)

Term of office – 2019 / 2021

**Education**

**2017:** The Internal Control Functions – Risk Management System, Banking Training Institute

**2015 – 2016:** Training Programme for Senior Managers of Banco CTT, S.A., Instituto Superior de Gestão Bancária and Portuguese Banking Association

**2015:** PhD in Applied Business Management, ISCTE – Instituto Universitário de Lisboa

**1984 – 1985:** Master's in Business Organisation and Management (attendance of lectures), ISEG – Lisboa School of Economics & Management

**1976 – 1981:** Degree in Business Organisation and Management, ISCTE – Instituto Universitário de Lisboa

**Internal management and supervisory positions**

**2015 – ...:** Member of the Board of Directors and of the Audit Committee of Banco CTT, S.A.

**Other internal positions**

**2015 – ...:** Member of the Remuneration Committee (within the Board of Directors) of Banco CTT, S.A.

**Professional experience**

For 35 years, she has held academic positions, namely in the fields of management, financial management, marketing, finance and accounting, risk management, human resource management and remuneration practices. Professor at ISCTE – Instituto Universitário de Lisboa since 1982. She has performed duties as a statutory auditor (Chartered Accountant number 734 since 1990) and has carried out supervisory duties in financial sector companies.

**Management and supervisory positions in other companies (last 5 years)**

**2021 – ...:** Member of the Board of Directors of Greenvolt – Energias Renováveis, S.A.

**2018 – 2021:** Member of the General and Supervisory Board and of the Financial Matters Committee of EDP – Energias de Portugal, S.A.

**2016 – 2019:** Non-executive member of the Board of Directors and Chairman of the Audit Committee of Fundbox, Sociedade Gestora de Fundos de Investimento Mobiliário, S.A.

**2012 – 2016:** Non-executive member of the Board of Directors and member of the Audit Committee of Fundbox, Sociedade Gestora de Fundos de Investimento Imobiliário, S.A.

**2011 – 2016:** Non-executive member of the Board of Directors and of the Audit Committee of Fundbox, Sociedade Gestora de Fundos de Investimento Mobiliário, S.A.

**Other external positions**

**2016 – ...:** Member of the Board of IPCG – Instituto Português de Corporate Governance

**2014 – 2020:** Chairman of the Board of the General Meeting of Science4you, S.A.

**2008 – 2014:** Board of the Management Degree of ISCTE Business School

**2001 – 2013:** Member of the Board of the Institute for Business Management Development (INDEG/PROJETOS)

**1999 – 2013:** General Manager and Member of the Board of the Institute for Business Management Development (INDEG/ISCTE)

<sup>(1)</sup> Date of appointment after the incorporation of Banco CTT, S.A.

**Susana Maria Morgado Gomez Smith**

Non-Executive Director and member of the Audit Committee

Date of birth - 20 February 1973, Portugal

Date of 1st appointment - 13 September 2019

Term of office 2019 / 2021

**Education**

**2018:** Advanced Programme for Non-Executive Directors, IPCG – Instituto Português de Corporate Governance

**2017:** Certification in Non-Executive Administration, CASS Business School - CITY University of London

**2017:** Certification in Non-Executive Administration, ICSA - The Governance Institute (UK)

**2016:** International Directors Program, INSEAD

**2012:** Investor Relations Certification, IR Society - Investor Relations Society

**2011 - 2013:** Post-graduation in Risk Management, College of Business and Finance - HKU The University of Hong Kong

**2004 - 2006:** Post-graduation in Political Science and International Relations, Universidade Católica Portuguesa

**1995 - 1998:** Master's in Monetary and Financial Economics, Institute of Economics and Management - Universidade Técnica de Lisboa

**1991 - 1995:** Licentiate degree in Economics, Faculty of Economics, Universidade Nova de Lisboa

**Internal management and supervisory positions**

**2019 - ...:** Member of the Board of Directors and of the Audit Committee of Banco CTT, S.A.

**Other internal positions**

**2019 - ...:** Member of the Remuneration Committee (within the Board of Directors) of Banco CTT, S.A.

**Professional experience**

Currently Non-Executive Director in the financial sector in Portugal and Switzerland. For more than 20 years, she has performed executive functions in the financial sector, in Portugal and abroad, particularly in the areas of investment banking, capital markets and corporate banking, as well as in strategic change, strengthening of risk environments, regulatory compliance, internal governance, control and operational efficiency.

She also worked as a lecturer for about 5 years at the beginning of her career, having obtained specialised training in economics and management throughout her career.

**Management and supervisory positions in other companies (last 5 years)**

**2020 - ...:** Member of the Audit and Risk Committee of Leonteq AG

**2019 - ...:** Member of the Board of Directors and of the Remuneration and Nominating Committee of Leonteq AG

**Other external positions**

**2000 - ...:** Member of the Board of Directors of the INSEAD Alumni Association, Portugal

**2013 - 2018:** Managing Director at Santander UK plc (Santander Global Corporate Banking)

**2017 - ...:** Volunteer (Ambassador to the International Directorship Network - Portugal; Mentoring Committee of the Mentoring Program), INSEAD

**2016 - 2019:** Member of the Board of Directors (Trustee), Mind in Camden

**2012 - 2013:** Advisor at Banco Nacional Ultramarino Macau, S.A. (BNU)

**2007 - 2012:** Director at Citigroup Global Markets Asia Limited

**2005 - 2006:** Member of the Board of Directors - representing Citibank International Plc, Portugal Branch - and Treasurer, Junior Achievements Portugal

**2002 - 2007:** Vice President at Citibank International plc - Portuguese branch (now Citibank Europe Plc - Portuguese branch)

**1998 - 2002:** Director at Banco Espírito Santo de Investimento, S.A. (now Haitong Bank, S.A.)

**1998 - 2000:** Assistant Professor, Universidade Católica Portuguesa

**1995 - 1998:** Assistant Professor, Universidade Lusíada

**António Pedro Ferreira Vaz da Silva**

Non-Executive Director

Date of birth - 13 November 1966, Portugal

Date of 1st appointment- 01 September 2017

Term of office 2019 / 2021

**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****2021 - ...:** Member of the Board of Directors of CTT IMO - Sociedade Imobiliária, S.A.**2021 - ...:** Member of the Board of Directors of HCCM Outsourcing Investment, S.A.**2020 - ...:** Member of the Board of Directors of CTT Soluções Empresariais, S.A.**2018 - ...:** Member of the Board of Directors of Payshop (Portugal) S.A.**2017 - ...:** Member of the Board of Directors and of the Executive Committee of CTT-Correios de Portugal, S.A.**2017 - ...:** Member of the Board of Directors of CTT Expresso - Serviços Postais e Logística, S.A.**2017 - ...:** Non-executive member of the Board of Directors of Banco CTT, S.A.**Other internal positions**

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**Professional experience**

As a member of CTT's Executive Committee, he is responsible for the areas of Philately, B2C External Channels Management, Own Stores Management, B2C Product Management, B2C Segment Management, Physical Resources and People and Culture (shared responsibility).

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- Correios de Portugal, S.A. 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). Throughout this period of 12 years, he was involved in various initiatives and key projects related to the optimisation and rationalisation of the Retail Network and its portfolio, as well as the promotion of the proximity and capillarity associated to this network.

His long history at CTT has contributed to making the Retail Network a channel of sales and services of increasing importance in the growth of CTT's revenues in all business units, and a national platform of convenience and multiple services. More recently, he played an active role in the launch of Banco CTT in 2016 which is supported by this Network. He is also a member of the Business Coordination Committee created jointly by CTT and Banco CTT (which is a key forum for discussing and agreeing on issues related to the CTT / Banco CTT partnership related to Retail Network Channel).

**Management and supervisory positions in other companies (last 5 years)**

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**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 2019 / 2021

**Education****2018 – 2019:** Training Programme for Senior Managers, Bank Training Institute, Portuguese Banking Association**2011:** Leaders who transform, The Lisbon MBA – Católica/Nova**2010:** Leadership Executive Program, Universidade Católica Portuguesa**1995 – 2000:** Licentiate degree in Economics, Faculty of Economics, Universidade do Porto**Internal management and supervisory positions****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.**2021 – ...:** Member of the Board of Directors of HCCM Outsourcing Investment, S.A.**2020 – ...:** Member of the Board of Directors of CTT Soluções Empresariais, S.A.**2018 – ...:** Non-executive member of the Board of Directors of Banco CTT, S.A.**2018 – 2019:** Member of the Board of Directors of Tourline Express Mensajería, S.L.U.**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.**Other internal positions**

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**Professional experience**

As CTT's Chief Financial Officer, he is currently responsible for Investor Relations, Corporate Finance, Procurement and Logistics, Accounting and Taxation, Planning and Control and IT.

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 financial, planning and control, financial reporting and operational areas, having held management and senior management positions in these fields within the PT universe over the course of 17 years.

With extensive experience and a transformational profile in positions related to strategic transformation in the sector of telecommunications and digital business, with national and international presence (having worked from 2001 to 2017 in markets marked by a challenging regulatory, technological and competition context, and having been especially involved, from 2007 to 2011, in projects of continuous improvement and transformation) and, more recently, leading as CFO for close to 2 years, plans for optimisation and rationalisation of costs in the same sector.

**Management and supervisory positions in other companies (last 5 years)****2017 – ...:** Non-executive member of the Board of Directors of Finerge, S.A.**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 Digital Plc.**2015 – 2017:** Chairman of the Supervisory Board of Fibroglobal – Comunicações Electrónicas, S.A.**2015 – 2017:** Member of the Board of Directors of PT Pay, S.A.**Other external positions (last 5 years)****2018 – ...:** Member of the Board of AEM (Association of Companies Issuing Listed Securities)

**António Emídio Pessoa Corrêa D'Oliveira**

Non-Executive Director

Date of birth - 30 October 1976, Portugal

Date of 1st appointment - 01 September 2017

Term of office 2019 / 2021

**Education****2018 - 2019:** Training Programme for Senior Managers, Bank Training Institute, Portuguese Banking Association**2010:** Breakthrough Program for Senior Executives (BPSE), IMD Business School (Lausanne, Switzerland)**1994 - 1999:** Degree in Business Management, ISCTE - Instituto Universitário de Lisboa**Internal management and supervisory positions****2017 - ...:** Non-executive member of the Board of Directors of Banco CTT, S.A.**Other internal positions**

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**Professional experience**

After 6 years as a consultant at Deloitte, he took on senior duties in the Gestmin Group (currently Manuel Champalimaud Group) in 2005 in the areas of corporate finance and business development, focused on the planning, identification, structuring, financing and implementation of the Manuel Champalimaud Group's investments and on management of the portfolio of assets held by the Group. Between 2016 and 2020, these senior duties also focused on the financial area, as Chief Financial Officer of Manuel Champalimaud SGPS, S.A. <sup>(1)</sup>

**Management and supervisory positions in other companies (last 5 years)****2016 - 2020:** Member of the Board of Directors and of the Executive Committee (CFO) of Manuel Champalimaud SGPS, S.A. (1)**2016 - 2020:** Manager at Gestmin - Serviços, Unipessoal, Lda**2017 - 2020:** Member of the Board of Directors of Sogestão - Administração e Gerência, S.A.**2016 - 2017:** Non-executive member of the Board of Directors of OZ Energia, S.A.**2015 - 2017:** Non-executive member of the Board of Directors of GLN - Engineering, Molding and Plastics, S.A.**2015 - 2017:** Manager at GLN México, S. de R.L. de C.V. (Sociedade de Responsabilidad Limitada de Capital Variable)**2015 - 2016:** Non-executive member of the Board of Directors of GLNmolds, S.A.**2015 - 2016:** Non-executive manager at T.P.S. - Engenharia de Moldes, Lda**Other external positions****2015:** Non-executive member of the Board of Directors of GLNplast, S.A.**2011 - 2013:** Chairman of the Board of Directors of OZ Energia Gás, S.A.**2010 - 2013:** Manager at OZ Energia Canalizado, Lda**2009 - 2013:** Manager at Gestmin - Serviços, Unipessoal, Lda**2009 - 2013:** Manager at OZ Energia Jet, Unipessoal, Lda**2009 - 2013:** Manager at OZ Energia Fuels, Unipessoal, Lda**2009 - 2013:** Manager at Silos de Leixões - Unipessoal, Lda**2008 - 2010:** Member of the Board of Directors of Gestfin SGPS, S.A.**2007 - 2012:** Non-executive member of the Board of Directors of Winreason - S.A.**2007 - 2010:** Non-executive member of the Board of Directors of Oni SGPS, S.A.<sup>(1)</sup> Named Gestmin SGPS, S.A. up to 28 February 2019, when the change of corporate name took effect

## ANNEX II

### TRANSACTIONS INVOLVING CTT SHARES IN 2021

Details of transactions by Directors and closely related parties during 2021, as disclosed to the Company.

#### António Emídio Pessoa Corrêa d'Oliveira

Tipo de transação	Local	Preço unitário (€)	Quantidade	Data da transação
Divestment	XLIS	3.180	3,000	24.03.2021
Divestment	XLIS	3.170	3,000	24.03.2021
Divestment	XLIS	3.151	3,000	24.03.2021
Divestment	XLIS	3.160	3,000	24.03.2021
Divestment	XLIS	3.200	3,000	24.03.2021
Divestment	XLIS	3.190	3,000	24.03.2021
Divestment	XLIS	3.220	3,100	24.03.2021
Divestment	XLIS	3.230	3,900	24.03.2021





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