

CTT business units

- 3.1 Mail
- 3.2 Express & Parcels
- 3.3 Banco CTT
- 3.4 Financial Services
- 3.5 Future perspectives



3. CTT BUSINESS UNITS

3.1 Mail

GRI 2-6

In 2023, Mail & Other **revenues** amounted to €434.1m (-€26.8m; -5.8% y.o.y). This decline versus 2022 was impacted by two effects registered in 1Q22: (i) the revenues from the laptop sale project (€21.5m) in the **business solutions** segment; and (ii) additional revenues from **international outbound mail** in February 2022 due to the rerun of legislative elections in the European constituency (€3.5m), which specifically impacted transactional mail revenues.

Excluding those effects, the revenues of this business unit would have been flattish (-€1.8m; -0.4% y.o.y), benefiting from the growth in transactional mail (+€4.5m; +1.3% y.o.y, excluding the elections impact).

In 2023, **transactional mail** revenues reached €342.6m (+€1.0m; +0.3% y.o.y), due to the positive performances of **registered mail** (+€8.8m; +7.0% y.o.y) and **international inbound mail** (+€0.8m; +4.6% y.o.y). **International outbound mail** revenues decreased by €0.9m (-2.1% y.o.y) penalised by the additional revenues from the legislative elections in 1Q22. Excluding this impact, they would have grown by €2.6m (+6.7% y.o.y). There were declines in **ordinary mail** (-€6.2m; -4.7% y.o.y), **priority mail** (-€1.3m; -16.3% y.o.y) and **green mail** (-€0.4m; -4.4% y.o.y).

The other business lines posted decline: **editorial mail** (-€0.7m; -5.3% y.o.y), **advertising mail** (-€4.5m; -26.0% y.o.y), **parcels of the universal postal service** (-€0.1m; -1.5% y.o.y), **philately** (-€0.1m; -2.9% y.o.y), and **other mail products and services** (-€0.8m; -17.9% y.o.y).

In **philately**, special mention to the launch on 9 October, World Postal Day, of the philatelic issue "Saint Francis of Assisi - 800 Years of the Greccio Nativity Scene", the first one issued by CTT on 100% recycled paper.

In 2023, **business solutions** recorded revenues of €44.8m (-€22.5m; -33.5% y.o.y). Excluding the effect of the additional sale of laptops that took place in 1Q22, the decline would have been €1.0m (-2.2% y.o.y) and is related to the lack of investment in tradable goods businesses in 2023, unlike the previous year. The **business process services (BPO)** business grew with the full incorporation of Newspring, a company specialising in BPO and **contact centres**, acquired by CTT in 2021, and with the attraction and implementation of new businesses in different sectors. Noteworthy are (i) the increase in revenues from the solution for **managing administrative offences and administrative instructions**, (ii) the higher volume of hybrid mail produced by the new version of the "e-Carta" platform, which is a tool for the clients to optimise their internal mail sending processes, and (iii) the growth of the **digital components**, with the provision of mailing services (invoices) with Qualified Digital Signature pursuant to Decree-Law no. 28/2019 of 15 February.

In 2023, **addressed mail volumes** declined by 8.0% y.o.y. Excluding the one-off volumes of international outbound mail in February 2022, due to the rerun of the legislative elections in the European constituency, this decrease would have been 7.8% y.o.y.

Mail Volumes

	Million items							
	2022	2023	Δ	Δ%	4Q22	4Q23	Δ	Δ%
Transactional mail	391.5	365.1	(26.4)	(6.7%)	92.6	86.2	(6.3)	(6.8%)
Advertising mail	38.6	30.9	(7.7)	(19.9%)	10.4	9.0	(1.4)	(13.5%)
Editorial mail	27.6	25.1	(2.5)	(9.0%)	7.2	6.3	(0.9)	(12.0%)
Addressed mail	457.6	421.1	(36.5)	(8.0%)	110.1	101.5	(8.6)	(7.8%)
Unaddressed mail	424.6	259.1	(165.5)	(39.0%)	109.7	61.1	(48.6)	(44.3%)

Transactional mail volumes decreased by 6.7% y.o.y in 2023.

Ordinary mail declined by 7.5% y.o.y as a consequence of the intrinsic trend in the postal sector due to the digital transformation of communications.

In 2023, **international outbound mail** decreased by 10.0% y.o.y (-4.2% y.o.y excluding the volumes from the elections) and **international inbound mail** recorded a decrease of 8.9% y.o.y.

In the opposite direction, **registered mail** volumes continued to grow (+4.1% y.o.y), driven by the dynamics of contractual customers, especially the government and banking & insurance sectors.

The average price change of the universal postal service²² in 2023 was +6.24% y.o.y. At the revenue level, volume declines were more than compensated by the price increase and by the favourable evolution of the transactional mail volume mix.

Addressed advertising mail volumes posted a decrease of 19.9% y.o.y and **unaddressed advertising mail** decreased by 39.0% y.o.y. The rising price of paper has led some clients to opt for a more digital strategy. New strategic partnerships have been established with various institutions to extend and complement the digital advertising offer, thus seeking to anticipate needs and add value to customers.

Capillarity of the postal network

GRI 2-6, 2-25, GRI 203-1, 203-2, GRI 413-2

As the Universal Postal Service provider, CTT's activity is of an intrinsically social nature. By definition, all residents in Portugal are potential customers, whether active or passive (receivers of letter mail).

With 55,436 customers per day being served at CTT post offices (-16.0% versus 2022), and an average of 4,355 inhabitants per access point, accessibility is one of the company's hallmarks. The Company provides the largest contact network at a national level, operating as a structuring and determinant element for social cohesion of the national territory.

At the end of 2023, the network of contact with the public consisted of 2,375 access points in operation, comprising 569 CTT post offices and 1,806 postal agencies, as well as 4,089 postal delivery routes, ensuring the availability and accessibility of attendance and delivery services, establishing itself as a convenience and multi-service platform.

Supplementing this, the network also had 1,424 points of sale of stamps, 51 automatic stamp vending machines and 14 automatic vending machines of mail products. The network of letter boxes and mailboxes was composed of 10,730 items of equipment, located at 9,619 geographic points at a national level. Furthermore, there were also 5,063 Payshop agents.

²² Including letter mail, editorial mail and parcels of the Universal Postal Service, excluding international inbound mail.

The dimensioning of the postal network was determined by two critical factors: the capacity to generate business and the obligations to provide the aforesaid public service of universal character. This universal service implies that CTT is an operator committed to providing service throughout the entire country, in a permanent form, in the most far-flung and hidden corners, without exceptions and at the same price. This reality generates conflicting goals between the maintenance of the Company's economic sustainability and its social responsibility action towards the surrounding community, with the inherent costs. In this context and when necessary, CTT has established solutions with local partners, preferably Parish Councils, in this way keeping the relations of proximity and trust that CTT has upheld with the customers and population, and assuring the quality of service.

Any alteration and impact on the community of possible changes in the operating model are analysed internally, based on information collected on site by internal and external agents, so as to assure the satisfaction of the population.

As established in the Concession Agreement, postal network density goals were defined for the three-year period 2018/2020, considering factors such as the distance to be travelled by customers in order to reach the closest access point, weighted by the urban or rural nature of the geographic areas, as well as the citizens' accessibility to the various mail services and the opening hours when they can use them. Full compliance with the objectives defined reinforces the Company's intention to maintain a network offering proximity and convenience to its customers and the population in general.

These objectives were maintained in 2021, due to the extension of the Concession Agreement that was to remain in force until 2020. In 2022, the same objectives applied, to which is added the requirement to maintain one post office per municipality, and will be maintained until new ones are defined, under the procedure provided for in the new Concession Agreement, in force since 8 February 2022.

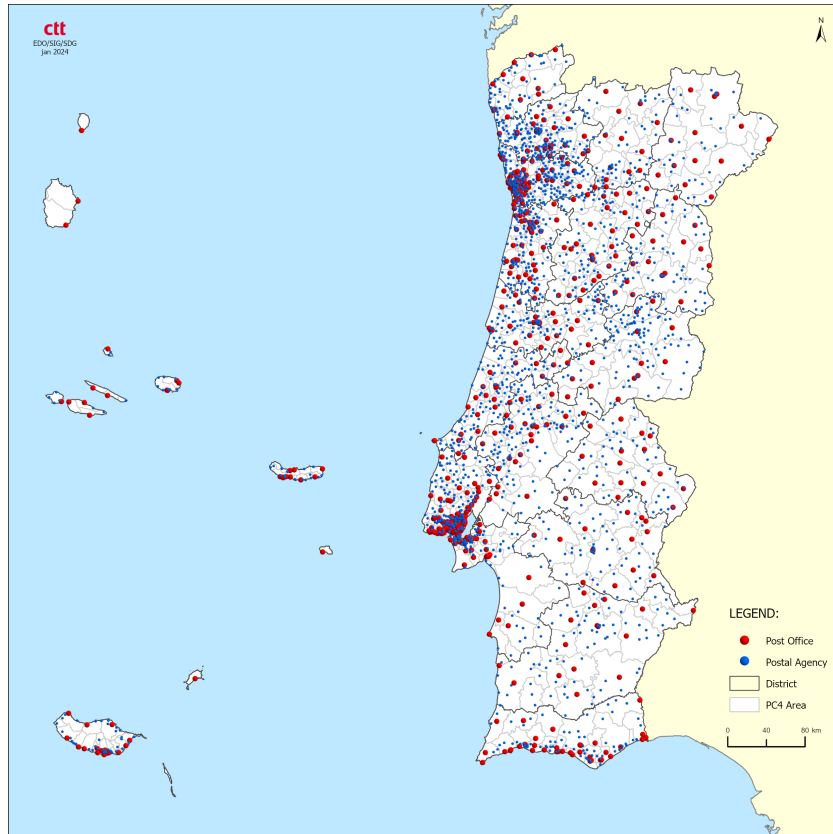
In European terms and based on the available data, shown in the table below, CTT continues to demonstrate a good level of penetration of the postal services, with a postal coverage above the EU average.

Density and postal coverage²³

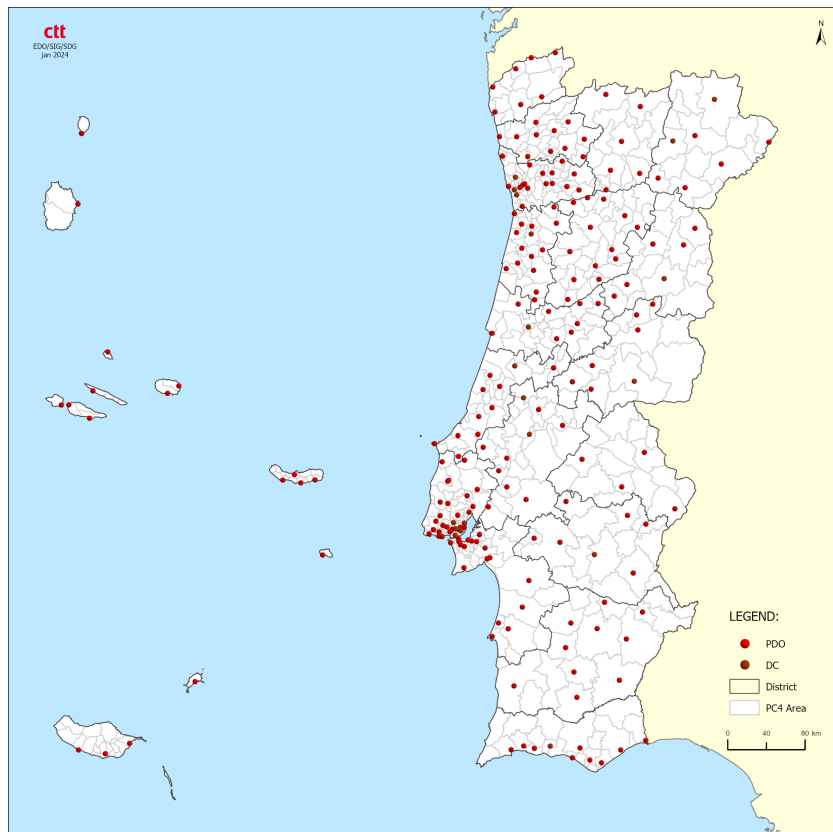
	Inhabitants per postal establishment					Km ² per postal establishment				
	2019	2020	2021	2022	2023	2019	2020	2021	2022	2023
EU average	5,030	4,967	5,081	5,080	n.a.	43	46	48	47	n.a.
Portugal	4,346	4,354	4,392	4,417	4,409	39	39	39	39	39

²³ Source: Universal Postal Union. For this purpose, fixed postal establishments were considered. European Averages data, not available in CTT Integrated Report 2022, were disclosed in the meantime. Portuguese data were slightly updated regarding the number of inhabitants per postal establishment.

Retail network of post offices and postal agencies



Network of postal delivery offices



Supervision

In the case of CTT, S.A., the National Authority for Communications (ANACOM) is responsible for the regulation and supervision of the postal sector. CTT's activity, as the provider of the universal postal service, is subject to two types of audits on an annual basis.

- Audit of the annual values of quality of service indicators and of CTT's complaints system, to verify the reliability of results and adequacy of the methodologies for determining the quality of service levels, as well as to the complaints management system. Following the audits for the years 2016 and 2017, concluded in 2018, ANACOM defined adjustments in the scope of the measurement system for the quality of service indicators, implemented on 1 July 2019. The results of the audit process relative to 2018, 2019 and 2020 are awaited.
- Audit of CTT's cost accounting system, to check the conformity of the system and the results obtained, as well as compliance with national and international rules, standards and good practices. The statement issued by ANACOM on 25 October 2022 on the audit to the results of the cost accounting system for 2019 indicates that the results were produced in accordance with the applicable legal and regulatory provisions.

Inspections and corruption cases

GRI 205-3

As a result of audits and inspections, 137 CTT post offices, 71 CTT agencies and 75 postal delivery offices were audited, representing respectively 24%, 20% and 35% of the eligible universe.

The following results were confirmed in the investigation of corruption cases:

- Appropriation of valuables: 29;
- Tampering with items/theft: 7;
- Abandoned mail: 3.

As a result of these cases, 22 workers were dismissed or penalised for corruption and there were three terminations of contracts with service providers.

In 2023, no corruption-related lawsuits were filed against CTT or its employees.

Sustainable portfolio

GRI 304-3, 305-5, 306-2

Since their launch in 2010, the total sales of the range of CTT eco products represent a revenue of approximately €163m. Over the course of 2023, there has been a reduction in the use of mail products that incorporate environmental protection features by the customers.

Among last year's results, the eco range of Green Mail recorded close to 5.2 million items sold, corresponding to a 12% decline in relation to the previous year. This fully ecological offer is committed to convenience combined with environmental protection, with the respective footprint in terms of direct emissions being compensated annually at no additional costs for customers. On average, 66.9 grams of CO_{2e} are emitted for each "green mail" item delivered by CTT, arising from the Company's direct activity. With this in mind, CTT is acquiring carbon credits by financing two projects: one national, for the conservation of river organisms and the preservation of some of the most endangered species of freshwater fish in our country, promoting actions to reproduce these species and measures to conserve their habitat and then return them to the wild; and the other international, located in Brazil and called

"Ituxi", which aims to protect the forest and prevent unplanned and illegal deforestation of the native Amazon forest, promoting sustainable forest management.

The range of eco direct marketing services provides a distinctive symbol for the campaigns which stand out positively due to their environmental performance, through compliance with various ecological criteria. This measure sought to project the use of the mail channel with ecological merit, through the use of ecological raw materials, responsible production processes and appropriate end-of-life cycle management. In 2023, the eco range presented a relative weight of 31% in the domestic volume of Direct Mail, with around 9.1 million items.

More sustainable options are favoured for mail solutions, especially in terms of the selection of materials used. It should be emphasised that CTT sachets and boxes and the green mail offer are FSC certified, with the Green Mail envelopes also being produced using 100% recycled paper.

Philately

GRI 2-6

From 1962 to 2023, CTT – Correios de Portugal was awarded 41 major philatelic design awards, to which must be added another 10 prizes for the graphic quality and contents of the books. With 51 of these distinctions granted, mostly by independent international juries, CTT's Philately is considered the most award-winning in Europe and one of the most awarded in the world.

Commemorative philatelic issues of 2023	
<ul style="list-style-type: none"> • Crypto Stamp CTT - "Caravel" • Figures from Portuguese History and Culture • Border Castles and Fortresses • The Monastery of Batalha - World Heritage of Unesco • Modern Art Centre - Calouste Gulbenkian Foundation • Portugal and Religion • Musical Instruments of Civil Wind Bands • 100 Years of the Portuguese Oncology Institute of Lisbon Francisco Gentil • 100 Years of Serralves Park - New West Building of Serralves Foundation • 100 Years of Portuguese Catholic Scouting • 150 Years of Alberto Santos-Dumont • Carris - 150 Years • 200 Years of Post Offices in Portugal • Casa dos Bicos - A 500-Year-Old House • 800 Years of the Greccio Nativity Scene - Saint Francis of Assisi • Mediterranean Festivals - EuroMed • Europa – Peace: The Highest Value of Humanity • World Youth Day Lisbon 2023 (2nd group) • World Figures from History and Culture 	<p>National and International Events</p>
<ul style="list-style-type: none"> • Portuguese Ethnobotany • Terrestrial Fauna of the Azores • Endemic Species of Madeira 	<p>Environment and Sustainability</p>

Book editions

- Castles and Fortresses on the Portuguese-Spanish Border
- Portugal and Religion - Heritage and Diversity
- Botanical Voyage in Portugal
- The Animals of the Postbox
- Portugal in Stamps 2023

The philatelic business also contributes to environmental awareness, with the regular launch of issues dedicated to biodiversity, nature or the national fauna and flora. In 2023, the tradition was maintained with the release into circulation of several philatelic issues and books, all produced on FSC-certified paper. The themes covered in 2023 were the "Terrestrial Fauna of the Azores", "Ethnobotany" and the "Endemic Species of Madeira", totalling 943,000 philatelic pieces, and a book on the theme "Botanical Voyage in Portugal". In 2023, the first brochures printed on 100% recycled uncoated paper were also launched, which also fulfils the strict environmental criteria of the Blue Angel certification. These were:

- The issue "Europa – Peace: The Highest Value of Humanity"; and
- The issue "Saint Francis of Assisi – The Greccio Nativity Scene".

Thematic books

This year, CTT dedicated the publication of small children's books to sustainability issues. Two collections were launched, CTT Mini, aimed at children aged 3-6, and CTT Junior, for so-called tweens, up to the age of 12. A total of 1,182 books were sold in 2023, generating around €6,000 in revenues.

The books published in the CTT Mini collection were:

- "*Apaga a Luz*" / "Switch off the light": a book about the importance of energy efficiency and electricity-saving habits at home;
- "*Tomar banho em cinco minutos (ou menos)*" / "Shower in five minutes (or less)": explanation of how, through a well-known song, you can reduce the time you spend in the shower, as well as other tips for reducing water consumption;
- "*Escrevi à minha avó e... ela respondeu*" / "I wrote to my grandmother and... she replied": on the advantages of communicating by letter as a more empathetic and emotional means, especially in contexts of physical distance and loneliness.

In the CTT Junior collection, the following books were released:

- "*Olh'ó passarinho! Aproveita a Natureza!*" / "Picture this! Enjoy Nature!": about the growing habit of consuming entertainment via digital devices and the importance of maintaining human contact with other people and the natural environment;
- "*A Chefa, a igualdade das palavras aos atos*" / "The Boss (woman), equality from words to deeds": dedicated to breaking taboos about gender leadership and the presence of women in traditionally masculinised professions;
- "*Vamos vestir um Futuro melhor*" / "Let's dress for a better future": about fast fashion trends and the generation of large amounts of waste, while participating (even if unconsciously) in a cycle of exploitation of the labour of people on the other side of the world, especially children.

More information on the plan of philatelic issues of CTT at:

<https://www.ctt.pt/particulares/filatelia/plano-emissoes/>

3.2 Express & Parcels

GRI 2-6

Express & Parcels **revenues** amounted to €340.6m in 2023 (+€81.6m; +31.5% y.o.y), due to high growth in volumes both in Spain and Portugal, benefiting from market share gains and increased adoption of e-commerce.

Revenues in Portugal recorded €149.1m in 2023 (+€16.9m; +12.8% y.o.y) and volumes totalled 38.9 million items (+17.6% y.o.y).

CEP revenues amounted to €135.8m in 2023 (+€16.9m; +14.3% y.o.y), with an 18.4% y.o.y. increase of volumes per working day. This growth was underpinned essentially by e-commerce (B2C) customers, particularly large global marketplaces and international e-sellers. The risk of business concentration is significantly low, given the high sectoral diversification of CEP customers.

The increase centred on e-commerce activity is a result of the significant growth in e-commerce, driven by greater access to the internet, convenience in transactions and the continuous development of payment systems, promoting a safer experience for consumers.

The **banking documents delivery** product line recorded revenues of €4.3m in 2023 and remained stable (-0.3% y.o.y) in a moment when the capillarity of banking networks and the collection/delivery frequency have been decreasing, partly offset by price increases.

Revenues of the **cargo** product line amounted to €4.0m in 2023 (-19.2% y.o.y). This decrease is related to the change in the operating strategy, which aimed at repositioning this product line within positive margin levels (the contribution margin²⁴ in 2023 was 18.5%). This implied the exit of some customers as well as the withdrawal from some activity sectors without operating synergies.

The **logistics** product line, which is a pillar of the development of the vertical integration strategy with CEP, recorded revenues of €3.9m in 2023 (+13.5% y.o.y). This evolution was underpinned by business growth from current and new customers, both in e-commerce and B2B.

CTT continued to roll out its **Locky locker network**, which surpassed 820 lockers installed in Portugal, plus circa 330 already contracted and more than 600 under negotiation. In total, the Locky locker network includes around 1,150 lockers installed and/or contracted. Locky lockers are part of the **CTT delivery points network**, the largest and most capillary national network, with more than 3,000 points where customers can collect and send as well as return their parcels with maximum convenience, 24 hours a day in most lockers, every day of the week. These lockers are available in various locations around the country, namely in shopping centres, supermarkets, gas stations and intermodal transport platforms or, in the case of private lockers, in condominiums and in office/business areas. Locky lockers are an agnostic network and, since 4Q23, another carrier, in addition to CTT, has been using this locker network. The work of the Locky offer was recognised at the Portugal Digital Awards, where CTT won in the "Best of Customer & Consumers Project" category.

Revenues in Spain stood at €186.8m in 2023 (+51.9% y.o.y), with 61.7 million items (+57.4% y.o.y). Of particular note is the remarkable double-digit growth from 2Q23 onwards both in revenues (+36.6% y.o.y in 2Q23; +58.0% y.o.y in 3Q23; +107.4% y.o.y in 4Q23) and volumes (+44.2% y.o.y in 2Q23; +68.9% y.o.y in 3Q23; +126.8% in 4Q23), with 4Q23 volumes more than doubling those of 4Q22.

The growth achieved is fuelled by strategic customers, namely international e-sellers, who continued to perform well, leveraged on the onboarding of relevant new customers. It is also underpinned by a stronger marketing and commercial activity more focussed on the customer portfolio of all segments,

²⁴ Revenues minus direct operating costs (excludes overheads, essentially buildings and fleet).

especially smaller clients (i.e. those with daily volumes below 20,000 items) who achieved a positive performance and thus contributed to improved revenue diversification. This growth was possible due to the investments made in anticipation of market expansion in Spain.

It should be emphasised that CTT Express maintained a quality service with high delivery efficiency rates and an increase in volumes per working day of +57.7% y.o.y in 2023.

The new unit in San Fernando de Henares is already operating at full capacity, adding to the capacity of the sorting network and providing the customs clearance service integrated in the last-mile delivery, thus significantly reducing delivery times for extra-EU volumes.

In addition, more than 10,000 convenience points in Spain have been incorporated into the network, which, when added to CTT's network in Portugal, is the largest convenience point network in the entire Iberian Peninsula.

This growth consolidated the profitability of CTT Express, which enabled it to achieve a positive recurring EBIT of €6.7m in 2023 in individual accounts, contributing to the good performance of the CTT Group. This recurring EBIT corresponds to a 3.4% margin. It should be noted that CTT Express had achieved recurring EBIT break-even in 2022.

Revenues in Mozambique in 2023 amounted to €4.7m (+21.0% y.o.y). This growth was driven by a partnership with a freight forwarder in Africa which started at the end of 1Q22.

For the latest innovations relating to Locky lockers, see [chapter 4.3.1](#).

Sustainable portfolio

GRI 2-29, GRI 302-5, 305-5, 306-2

The Ciclo CTT service is a sustainable solution that allows retailers to set up a circular economy operation. In partnership with Loop and FNAC, its aim is to promote the sale of reconditioned products from its customers, thus contributing to reducing the carbon footprint and promoting the reuse of items while maintaining their value and usefulness.

The Eco Reusable Packaging for parcel delivery with an expected resilience capacity of up to 50 shipments allows for the reduction of waste associated to single-use packaging solutions. By returning the packaging, buyers are contributing to a more sustainable distribution.

The Green Deliveries offer is available for business customers and enables all deliveries in the contracted places, currently in Lisbon and Porto, to be made exclusively with electric vehicles. This service fosters an improvement in the quality of the air in urban centres, as these vehicles do not imply emissions of pollutant particles. Since its launch in mid-2020, over 244k items have been delivered, representing a revenue of approximately €310k.

It should be noted that CTT also acquires 100% of the electricity it consumes through renewable sources, which positively affects the carbon footprint associated with this offer.

CTT has once again put the projects for carbon offsetting of its express services in Portugal to a public vote on the CTT website. This initiative adds to CTT's ongoing efforts to decarbonise the last mile by offsetting the carbon emissions resulting from its own parcel and express transport and distribution activities in Portugal. The winning projects, with positive environmental benefits in terms of biodiversity and the development of the local communities in which they operate, were the national "Wildlife recovery" project, which seeks to restore the wildlife biodiversity of Portuguese forests and make them more resilient to the effects of the climate change forecast for our country and the "Envira - Prevention

of deforestation" project, in Brazil, which aims to protect forests and prevent unplanned and illegal deforestation of native Amazonian forests by promoting sustainable forest management.

In Spain, the Spanish branch of CTT Expresso – Serviços Postais e Logística, S.A. (better known as CTT Express) launched new packaging formats that incorporate recycled plastic and are recyclable. This packaging possesses the Blue Angel stamp, a German certification that testifies to the endorsement of good ecological practices applied to the manufacture and functioning of a product or service.

3.3 Banco CTT

GRI 2-6

Banco CTT **revenues** reached €147.7m in 2023 (+€21.8m; +17.3% y.o.y). Revenue growth was due to the positive performance of **net interest income**, which totalled €98.8m in 2023 (+€24.4m; +32.9% y.o.y). Interest received increased by €51.7m compared to 2022, benefiting from higher interest rates and volume growth. Interest paid increased by €27.3m compared to 2022 due to the increase in interest rates on customer deposits and securitisations of auto loans.

Interest from **auto loans** amounted to €53.1m in 2023 (+€8.0m; +17.7% y.o.y), benefiting from the growth of the loan portfolio net of impairments of €860.3m (+13.2% vs. December 2022), as well as from a stable 6.2% average yield in 2023 compared to 2022. Auto loans production stood at €270.3m in 2023 (+3.0% y.o.y).

Interest from **mortgage loans** stood at €23.2m in 2023 (+€17.6m; +314.8% y.o.y), taking into account that Euribor rates were significantly higher than in the same period of the previous year. Base interest rates for mortgage loans reflected strong growth as a result of the rise in key interest rates defined by the European Central Bank (ECB), due to the increase in inflation in the Euro area. The mortgage loan portfolio net of impairments totalled €727.5m in 2023 (+10.5% vs. December 2022). Mortgage loan production amounted to €212.2m in 2023 (+€66.7m; +45.8% y.o.y).

Also worthy of note is other interest received, which increased by €22.5m in 2023 compared to 2022, to which essentially contributed the **liquidity surplus** at Banco de Portugal.

The **cartão Universo** consumer credit portfolio generated revenues of €20.9m in 2023 (-€0.8m; -3.6% y.o.y), based on an average RWA in 2023 amounting to €297.5m. The end of the partnership on 31 December 2023, in view of the current economic context, in particular interest rates and the associated cost of risk, will thus improve the risk profile and strengthen Banco CTT's balance sheet and solvency, increasing its flexibility.

Commissions received in this business unit reached €46.2m in 2023 (+€0.7m; +1.6% y.o.y), as under the current economic environment the focus has been placed on growing resources, namely on balance sheet.

Customer deposits (retail) stood at €3,091.0m in December 2023 (+37.7% vs. December 2022), with a 174.4% increase in remunerated deposits and a 16.5% reduction in sight deposits compared to December 2022. The **number of accounts** reached 647k at the end of 2023 (+45k y.o.y).

The **loan-to-deposit ratio** (consolidated) reached 51.0% as at the end of December 2023.

The **cost of risk** (consolidated and accumulated as at December 2023) stood at 1.3%, down by 0.1 p.p. compared to December 2022, influenced by higher levels of risk in the consumer credit portfolios, in particular with the Universo card. It should be noted that the end of the activity related to the Universo card will reduce the risk associated with the credit portfolio of Banco CTT.

Banco CTT is therefore well positioned to achieve the **2025 objectives** announced in September 2023:

- Reach 700k to 750k accounts (compared to 647k in 2023);
- Grow in customer resources and loans to customers to business volumes of over €7b (compared to €5.8b in 2023);
- Deliver on profitability, with pre-tax profits between €25m and €30m (compared to €21.0m in 2023).

Sustainable portfolio

GRI 2-29, GRI 301-3, 302-5, 304-3, 305-5, 306-2

Continuing its offer of sustainable financial products, Banco CTT marketed Sustainable Mortgage Loans, which foster the purchase of energy-efficient houses with special conditions in the mortgage, as well as the the Renewable Energy Personal Credit aimed at improving the energy efficiency of the home, with special conditions for the purchase of solar panels and other equipment, and the New Electric Auto Loan with special financing conditions for the purchase of an electric vehicle.

The offer of savings and investment solutions also included the Banco CTT Sustainable Investment product, marketed in partnership with Zurich insurance company. This is an insurance product linked to an investment fund for companies and institutions that carry out their activity by incorporating sustainable development principles and goals in line with the United Nations 2030 Agenda.

In an eco-friendly approach, the new Banco CTT debit cards sent to customers are made 100% from recycled plastic, a measure that has already reached 70% of the total cards. In two years of partnership with Movimento Merece, around 53,000 cards have been recycled. According to the dynamics of the project, the planting of 1,200 trees was guaranteed, which is equivalent to an estimated saving of 30 tonnes of CO₂e.

3.4 Financial Services

GRI 2-6

Financial Services & Retail **revenues** amounted to €62.8m in 2023 (+€2.1m; +3.4% y.o.y). This positive performance, when compared to 2022, stems from financial services, namely public debt certificates, especially savings certificates, which showed different performances over the course of the year.

In the first five months of 2023, public debt certificates reached record issuance levels, driven by the product's greater attractiveness. The change in marketing conditions, namely lower interest rates and a decrease in the maximum amount that can be placed by each subscriber, reduced the public debt certificates' attractiveness and limited their placement throughout the rest of the year.

Financial services (excluding other revenues) posted revenues of €50.7m in 2023 (+€8.8m; +21.1% y.o.y).

Public debt certificates (Savings Certificates and Treasury Certificates Savings Growth) posted revenues of €44.4m in 2023 (+€10.9m; +32.7% y.o.y).

Throughout 2023, subscriptions of these certificates amounted to €12,590.1m, with an average of €50.8m/day (€32.7m/day in 2022), which compares with €8,138.0m subscribed throughout 2022 (and with a €4.1b average in the 2019-21).

The favourable performance of public debt certificates made it possible to absorb the negative evolution of **money orders**, which recorded revenues of €4.2m in 2023 (-€1.8m; -30.3% y.o.y). This decrease was due to the fact that, in 2022, money orders were boosted by the issue of new social benefits, as part of the extraordinary support granted within the pandemic context, combined with the structural downturn resulting from the replacement of this means of payment, mostly by bank transfers.

CTT reinforced the commercial dynamism not only of **non-banking financial products**, in the area of non-life insurance, including auto, health, personal accidents, multi-risk, among others, by entering into a distribution agreement with Generali, but also in the **provision of services**, in particular the partnership with Prosegur for the sale of alarms, launched at the end of September.

Retail products and services (excluding other revenues) reached €10.8m in revenues in 2023 (-€7.3m; -40.2% y.o.y). The strategy defined for the retail network includes repositioning it as a retail service platform, distributing: (i) public debt; (ii) insurance products; (iii) mail and express and parcels products and services, primarily under self-service form; and (iv) convenience services for citizens. Naturally, this repositioning, including the decision to discontinue the marketing of some products, such as scratch cards in July 2023, impacted the evolution of this activity in 2023.

3.5 Future Perspectives

GRI 2-6

In 2023, CTT continued on its path of transformation and have already been able to reap the results of this strategy in the **Express & Parcels** segment, achieving record volumes in Portugal and Spain. The increase in volumes was driven not only by the growth of the Iberian e-commerce market, but also by CTT's gaining relevant customers. This was achieved thanks to the high capacity and quality of service derived from past investments. The Company therefore continues to grow in market share in order to lead the Iberian market.

CTT announced ambitious growth targets for **Banco CTT**, both in terms of the number of customer accounts and in terms of business volume and profitability. In line with these objectives, Banco CTT achieved a significant increase in accounts, deposits, credit volumes and profitability in 2023 and will continue to invest in improving the customer experience at Banco CTT (IT systems and application) with the aim of deepening and intensifying customer relations and thus increasing engagement with current and future customers.

The shift to a strategy focussed on selling services in CTT post offices is having an effect, with the development of partnerships for the sale of insurance (Generali) and recently for the sale of alarms (Prosegur).

Finally, in **Mail**, a price increase was successfully implemented in 2023 and a further increase took place in 2024 in order to offset the fall in volumes due to increased digitalisation. The focus remains, however, on controlling costs and selling business solutions to our customers in order to guarantee the sustainability of this business.

Taking into account the results registered in 2023 and the objectives set for 2025, in 2024 CTT intends to: (i) maintain the focus on expanding our presence in the Iberian express and parcel market in order to take advantage of the growing trend of e-commerce in Portugal and Spain; (ii) continue to foster Banco CTT's growth, which is underpinned by balance sheet optionality and potential equity and industry partnerships; (iii) continue to launch new services and products to increase the attractiveness of our retail offering; (iv) continue to carry out transformation initiatives, namely through inroads in business and logistics services, to drive revenue sustainability by reducing dependence on traditional mail services.

The Company will be watchful and will analyse inorganic expansion opportunities that may exist, namely in the logistics and fulfilment segments.

CTT will focus on minimising the impact of relevant and persistent macro and industry risks, including geopolitical uncertainty, inflation, cost of energy and raw materials, as well as of those severe risks that are affecting the functioning of logistics chains, namely in the Red Sea.

Against this backdrop, CTT's ambition, in 2024, is to continue to grow with consolidated revenues increasing by mid-single digit. Regarding consolidated recurring EBIT, on the back of strong growth in Iberian E&P, it is expected to be above €88m, assuming public debt placements of circa €3.0b. It should also be mentioned that the EBIT growth will be more geared towards 2H24 because of the abnormally strong performance of Financial Services in 1H23.

2024 should continue to be marked by high levels of uncertainty, both (i) economic, including the evolution of inflation and subsequent reaction of central banks on interest rates, and (ii) geopolitical, including the conflicts in Middle East and Europe that may continue to pose risks on global supply chains.

CTT aims to implement a remuneration policy that is attractive, constituting an adequate source of income for its shareholders, and that, simultaneously, continues to enable the Company's financial capacity to maintain strategic flexibility to meet the goals of investment in business growth and to continue to position CTT as a reference in logistics and e-commerce in Portugal and Spain. This remuneration policy includes an ordinary dividend component, which is intended to have a greater recurrence, and a share repurchase component, which will be more casuistic and applicable according to market conditions. Against this backdrop, on 19 March 2024, CTT announced the intention of its Board of Directors to propose to the 2024 AGM the payment of a dividend of 17 cents of euro per share. This proposal represents a dividend yield of 4.9% and a payout ratio of 35%. The proposal is subject to a number of conditions, namely market conditions, CTT's financial situation and assets, as well as legal and regularly applicable terms and conditions. Simultaneously, CTT also announced the intention of its Board of Directors to propose to the 2024 AGM, within the scope of the share buyback programme initiated in 2023 and that is undergoing, the cancellation of up to 7,650,000 representative shares of up to 5.3 % of the share capital already acquired or to be acquired under the share buyback programme, as well as related reserves.