07

Consolidated and individual financial statements

7. CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS

CTT-CORREIOS DE PORTUGAL, S.A.

CONSOLIDATED AND INDIVIDUAL STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022 AND 31 DECEMBER 2023 (Euros)

		Group		Company	
		31.12.2022	31.12.2023	31.12.2022	31.12.2023
ASSETS					
Non-current assets					
Tangible fixed assets	5	303,205,780	296,994,666	211,273,202	176,432,707
Investment properties	7	6,183,979	5,975,987	6,183,979	1,440,356
Intangible assets	6	69,408,609	70,639,785	33,238,829	33,842,415
Goodwill	9	80,256,739	80,256,739	—	—
Investments in subsidiary companies	10	—	—	295,250,006	488,885,561
Investments in associated companies	11	481	481	—	—
Investments in joint ventures	12	—	22,174	—	—
Other investments	13	961,394	3,200,797	6,394	6,394
Group Companies	53	—	—	50,430,000	11,980,000
Accounts receivable	19	—	—	617,421	596,036
Financial assets at fair value through profit or loss	15	26,219,905	13,532,000	—	—
Debt securities at amortised cost	14	409,388,745	364,706,177	—	—
Other non-current assets	24	1,177,648	3,533,009	463,657	2,764,552
Credit to banking clients	20	1,287,676,223	1,444,412,021	—	—
Other banking financial assets	16	961,446	—	—	—
Deferred tax assets	52	67,823,608	71,395,868	62,844,558	66,134,899
Total non-current assets		**2,253,264,557**	**2,354,669,703**	**660,308,046**	**782,082,919**
Current assets					
Inventories	18	8,040,976	6,663,470	6,963,458	6,116,951
Accounts receivable	19	147,130,876	153,061,555	98,063,438	77,599,554
Credit to banking clients	20	489,888,789	148,801,874	—	—
Group Companies	53	—	—	305,671	4,207,339
Income taxes receivable	38	1,102,700	8,268	2,244,123	—
Prepayments	21	9,011,875	9,946,772	4,346,353	4,821,962
Financial assets at fair value through profit or loss	15	26,478,525	—	—	—
Debt securities at amortised cost	14	128,391,899	364,759,821	—	—
Other current assets	24	76,482,423	92,545,537	33,100,526	46,108,082
Other banking financial assets	16	461,226,081	1,274,575,121	—	—
Cash and cash equivalents	23	456,469,298	351,609,634	330,100,458	221,989,472
		1,804,223,442	2,401,972,052	475,124,026	360,843,360
Non-current assets held for sale	22	200	200	—	—
Total current assets		**1,804,223,642**	**2,401,972,251**	**475,124,026**	**360,843,361**
Total assets		**4,057,488,199**	**4,756,641,954**	**1,135,432,072**	**1,142,926,281**
EQUITY AND LIABILITIES					
Equity					
Share capital	26	72,675,000	71,957,500	72,675,000	71,957,500
Own shares	27	(10,826,390)	(15,624,632)	(10,826,390)	(15,624,632)
Reserves	27	53,844,057	48,113,244	53,844,057	48,113,244
Retained earnings	27	64,647,067	83,269,152	64,452,619	74,330,434
Other changes in equity	27	6,857,207	3,402,039	6,379,500	2,971,088
Net profit		36,406,519	60,511,368	37,307,258	70,805,389
Equity attributable to equity holders of the Parent Company		223,603,460	251,628,671	223,832,044	252,553,022
Non-controlling interests	30	1,326,016	1,624,181	—	—
Total equity		**224,929,476**	**253,252,852**	**223,832,044**	**252,553,022**
Liabilities					
Non-current liabilities					
Accounts payable	34	—	—	309,007	309,007
Medium and long term debt	31	136,197,923	161,080,105	85,259,168	195,121,779
Employee benefits	32	185,257,617	149,740,115	183,936,635	148,302,105
Provisions	33	12,632,267	26,338,865	5,716,377	19,365,000
Debt securities issued at amortised cost	35	445,226,206	347,131,609		—
Prepayments	21	260,886	671,689	260,885	656,216
Deferred tax liabilities	52	9,847,476	4,670,707	2,150,912	768,975
Total non-current liabilities		**789,422,375**	**689,633,090**	**277,632,984**	**364,523,082**
Current liabilities					
Accounts payable	34	525,211,751	373,961,102	483,771,541	307,348,732
Banking clients' deposits and other loans	36	2,245,329,918	3,090,962,551	—	—
Group Companies	53	—	—	13,244,406	7,639,356
Employee benefits	32	22,091,681	22,049,283	22,064,174	21,994,957
Income taxes payable	38	—	6,666,412	—	5,047,516
Short term debt	31	59,756,744	107,934,852	42,948,290	92,554,629
Financial liabilities at fair value through profit or loss	15	26,344,517	13,744,154	—	—
Debt securities issued at amortised cost	35	351,654	243,468	—	—
Prepayments	21	3,678,140	5,110,098	3,071,642	2,376,096
Other current liabilities	37	114,161,276	145,324,271	68,866,991	88,888,890
Other banking financial liabilities	16	46,210,667	47,759,822	—	—
Total current liabilities		**3,043,136,348**	**3,813,756,012**	**633,967,044**	**525,850,176**
Total liabilities		**3,832,558,723**	**4,503,389,102**	**911,600,028**	**890,373,258**
Total equity and liabilities		**4,057,488,199**	**4,756,641,954**	**1,135,432,072**	**1,142,926,281**

The attached notes are an integral part of these financial statements.

CTT-CORREIOS DE PORTUGAL, S.A.

CONSOLIDATED AND INDIVIDUAL INCOME STATEMENT FOR THE TWELVE MONTH PERIODS ENDED 31 DECEMBER 2022 AND 31 DECEMBER 2023

Euros

		Group				Company			
	NOTES	Twelve months ended		Three months ended		Twelve months ended		Three months ended	
		31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023
Sales and services rendered	4/41	788,581,734	844,606,406	209,276,291	230,478,529	466,029,627	466,669,945	123,644,627	109,182,780
Financial margin	42	74,357,391	98,791,460	20,857,337	26,695,755	—	—	—	—
Other operating income	43	43,685,870	41,821,459	13,700,924	12,622,802	52,980,104	60,025,506	14,634,458	18,999,247
		906,624,995	985,219,324	243,834,552	269,797,086	519,009,731	526,695,450	138,279,085	128,182,027
Cost of sales	18	(46,905,936)	(14,245,311)	(11,358,795)	(3,363,774)	(18,434,842)	(12,122,329)	(5,714,808)	(2,868,623)
External supplies and services	44	(343,216,032)	(394,021,022)	(92,099,588)	(121,039,603)	(136,950,803)	(132,533,993)	(35,846,440)	(34,721,931)
Staff costs	45	(358,237,092)	(365,020,038)	(92,104,291)	(77,659,960)	(286,335,789)	(276,297,899)	(72,919,915)	(53,356,899)
Impairment of accounts receivable, net	46	(3,892,122)	(3,626,435)	(1,101,068)	(2,154,526)	(1,237,446)	845,007	(528,634)	333,813
Impairment of other financial banking assets	46	(24,772,102)	(24,986,597)	(7,607,607)	(6,903,191)	—	—	—	—
Fair value, net	13	—	181,827	—	181,827			—	—
Provisions, net	33	448,929	(1,108,602)	(2,147,921)	(88,866)	3,063,907	(355,424)	(213,857)	(362,346)
Depreciation/amortisation and impairment of investments, net	47	(68,413,148)	(65,735,145)	(20,339,956)	(13,824,557)	(44,433,236)	(38,830,229)	(13,663,996)	(4,928,510)
Net gains/(losses) of assets and liabilities at fair value through profit or loss	15/48	11,110,025	852,271	(1,161,505)	358,687	—	—	—	—
Net gains/(losses) of other financial assets at fair value through other comprehensive income	48	(1,486)	—	(1,486)	—	—	—	—	—
Gains / (losses) on derecognition of financial assets and liabilities at amortised cost	48	—	(44,730)	—	(44,730)	—	—	—	—
Other operating costs	49	(20,187,292)	(39,874,904)	(5,095,301)	(24,698,304)	(10,604,283)	(18,816,808)	(2,879,088)	(11,494,791)
Gains/losses on disposal/ remeasurement of assets	50	3,568,276	187,206	2,292,192	132,039	3,700,990	139,776	2,279,037	121,407
		(850,497,980)	(907,441,480)	(230,725,326)	(249,104,958)	(491,231,503)	(477,971,898)	(129,487,701)	(107,277,880)
		56,127,015	**77,777,844**	**13,109,226**	**20,692,128**	**27,778,228**	**48,723,552**	**8,791,385**	**20,904,147**
Interest expenses	51	(9,256,346)	(16,869,829)	(2,324,492)	(4,582,693)	(7,456,104)	(15,178,822)	(1,810,926)	(4,532,247)
Interest income	51	30,127	630,582	16,213	(19,577)	1,337,480	3,776,298	523,630	687,015
Gains/losses in subsidiary, associated companies and joint ventures	10/11/12	(186,962)	(458)	10,860	(452)	18,791,995	29,650,816	2,784,731	10,298,216
		(9,413,181)	(16,239,706)	(2,297,419)	(4,602,722)	12,673,372	18,248,292	1,497,435	6,452,984
Earnings before taxes		**46,713,834**	**61,538,139**	**10,811,807**	**16,089,406**	**40,451,600**	**66,971,844**	**10,288,820**	**27,357,131**
Income tax for the period	52	(10,371,649)	(1,095,699)	(2,751,515)	8,854,402	(3,144,342)	3,833,545	(2,193,381)	7,952,011
Net profit for the period		**36,342,185**	**60,442,439**	**8,060,292**	**24,943,808**	**37,307,258**	**70,805,389**	**8,095,439**	**35,309,142**
Net profit for the period attributable to:									
Equity holders		36,406,519	60,511,368	8,100,659	24,983,983	—	—	—	—
Non-controlling interests	30	(64,334)	(68,929)	(40,367)	(40,175)	—	—	—	—
Earnings per share:	29	**0.25**	**0.43**	**0.06**	**0.18**	**0.25**	**0.50**	**0.06**	**0.25**

The attached notes are an integral part of these financial statements.

CTT-CORREIOS DE PORTUGAL, S.A.

CONSOLIDATED AND INDIVIDUAL STATEMENT OF COMPREHENSIVE INCOME FOR THE TWELVE MONTH PERIODS ENDED 31 DECEMBER 2022 AND 31 DECEMBER 2023

Euros

		Group				Company			
	NOTES	Twelve months ended		Three months ended		Twelve months ended		Three months ended	
		31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023
Net profit for the period		**36,342,185**	**60,442,439**	**8,060,292**	**24,943,808**	**37,307,258**	**70,805,389**	**8,095,439**	**35,309,142**
Adjustments from application of the equity method (non re-classifiable adjustment to profit and loss)	27	(4,678)	32,674	(76,091)	30,903	502,214	(14,081)	95,660	(15,852)
Changes to fair value reserves	27	(26,746)	—	2,406	—	—	—	—	—
Employee benefits (non re-classifiable adjustment to profit and loss)	27/32	70,558,124	(5,716,054)	23,282,407	(5,716,054)	69,891,919	(5,713,716)	23,117,981	(5,713,716)
Deferred tax/Employee benefits (non re-classifiable adjustment to profit and loss)	27/52	(19,702,304)	1,555,423	(6,468,115)	1,555,423	(19,569,738)	1,599,841	(6,473,035)	1,599,841
Other changes in equity	27/30	827,244	(40,907)	(27,189)	(42,678)	—	—	—	—
Other comprehensive income for the period after taxes		**51,651,640**	**(4,168,864)**	**16,713,418**	**(4,172,406)**	**50,824,395**	**(4,127,956)**	**16,740,606**	**(4,129,727)**
Comprehensive income for the period		**87,993,824**	**56,273,576**	**24,773,710**	**20,771,402**	**88,131,653**	**66,677,433**	**24,836,045**	**31,179,415**
Attributable to non-controlling interests		762,910	(109,836)	(67,556)	(82,853)				
Attributable to shareholders of CTT		87,230,914	56,383,412	24,841,266	20,854,255				

The attached notes are an integral part of these financial statements.

CTT-CORREIOS DE PORTUGAL, S.A.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AS AT 31 DECEMBER 2022 AND 31 DECEMBER 2023

Euros

	NOTES	Share capital	Own Shares	Reserves	Other changes in equity	Retained earnings	Net profit for the year	Non-controlling interests	Total
Balance on 31 December 2021		**75,000,000**	**(6,404,963)**	**67,078,351**	**(43,998,612)**	**43,904,074**	**38,404,113**	**563,106**	**174,546,069**
Share capital decrease	26/27	(2,325,000)	17,152,548	(14,827,548)	—	—	—	—	—
Appropriation of net profit for the year of 2021		—	—	—	—	38,404,113	(38,404,113)	—	—
Dividends	28	—	—	—	—	(17,656,441)	—	—	(17,656,441)
Acquisition of own shares	27	—	(21,573,976)	—	—	—	—	—	(21,573,976)
Share plan	27	—	—	1,620,000	—	—	—	—	1,620,000
		(2,325,000)	**(4,421,428)**	**(13,207,548)**	**—**	**20,747,672**	**(38,404,113)**	**—**	**(37,610,417)**
Other movements	27/30	—	—	—	—	—	—	827,244	827,244
Actuarial gains/losses - Health Care, net from deferred taxes	27	—	—	—	50,855,819	—	—	—	50,855,819
Changes to fair value reserves	27	—	—	(26,746)	—	—	—	—	(26,746)
Adjustments from the application of the equity method	27	—	—	—	—	(4,678)	—	—	(4,678)
Net profit for the period		—	—	—	—	—	36,406,519	(64,334)	36,342,185
Comprehensive income for the period		**—**	**—**	**(26,746)**	**50,855,819**	**(4,678)**	**36,406,519**	**762,910**	**87,993,824**
Balance on 31 December 2022		**72,675,000**	**(10,826,390)**	**53,844,057**	**6,857,207**	**64,647,067**	**36,406,519**	**1,326,016**	**224,929,476**
Share capital decrease	26/27	(717,500)	5,293,313	(4,575,813)	—	—	—	—	—
Appropriation of net profit for the year of 2022	27	—	—	—	—	36,406,519	(36,406,519)	—	—
Dividends	28	—	—	—	—	(17,817,109)	—	—	(17,817,109)
Acquisition of own shares	27	—	(10,541,092)	—	—	—	—	—	(10,541,092)
Attribution of own shares	27	—	449,537	(1,155,000)	705,463	—	—	—	—
Other movements	27/30	—	—	—	—	—	—	408,000	408,000
		(717,500)	**(4,798,242)**	**(5,730,813)**	**705,463**	**18,589,410**	**(36,406,519)**	**408,000**	**(27,950,201)**
Other movements	27/30	—	—	—	—	—	—	(40,907)	(40,907)
Actuarial gains/losses - Health Care, net from deferred taxes	15	—	—	—	(4,160,631)	—	—	—	(4,160,631)
Adjustments from the application of the equity method	27	—	—	—	—	32,674	—	—	32,674
Net profit for the period		—	—	—	—	—	60,511,368	(68,929)	60,442,439
Comprehensive income for the period		**—**	**—**	**—**	**(4,160,631)**	**32,674**	**60,511,368**	**(109,836)**	**56,273,576**
Balance on 31 December 2023		**71,957,500**	**(15,624,632)**	**48,113,244**	**3,402,039**	**83,269,152**	**60,511,368**	**1,624,181**	**253,252,852**

The attached notes are an integral part of these financial statements.

CTT-CORREIOS DE PORTUGAL, S.A.

INDIVIDUAL STATEMENT OF CHANGES IN EQUITY AS AT 31 DECEMBER 2022 AND 31 DECEMBER 2023

Euros

	NOTES	Share capital	Own Shares	Reserves	Other changes in equity	Retained earnings	Net profit for the year	Total
Balance on 31 December 2021		**75,000,000**	**(6,404,963)**	**67,051,605**	**(43,942,681)**	**43,926,574**	**37,680,272**	**173,310,807**
Share capital decrease		(2,325,000)	17,152,548	(14,827,548)	—	—	—	—
Appropriation of net profit for the year of 2021		—	—	—	—	37,680,272	(37,680,272)	—
Dividends	28	—	—	—	—	(17,656,441)	—	(17,656,441)
Acquisition of own shares	27	—	(21,573,976)	—	—	—	—	(21,573,976)
Share plan	27	—	—	1,620,000	—	—	—	1,620,000
		(2,325,000)	**(4,421,428)**	**(13,207,548)**	**—**	**20,023,831**	**(37,680,272)**	**(37,610,417)**
Actuarial gains/losses - Health Care, net from deferred taxes	27	—	—	—	50,322,181	—	—	50,322,181
Adjustments from the application of the equity method	27	—	—	—		502,214	—	502,214
Net profit for the period		—	—	—	—		37,307,258	37,307,258
Comprehensive income for the period		**—**	**—**	**—**	**50,322,181**	**502,214**	**37,307,258**	**88,131,653**
Balance on 31 December 2022		**72,675,000**	**(10,826,390)**	**53,844,057**	**6,379,500**	**64,452,619**	**37,307,258**	**223,832,044**
Appropriation of net profit for the year of 2022	27	—	—	—	—	37,307,258	(37,307,258)	—
Share capital decrease	26/27	(717,500)	5,293,313	(4,575,813)	—	—	—	—
Dividends	28	—	—	—	—	(17,817,109)	—	(17,817,109)
Acquisition of own shares	27	—	(10,541,092)	—	—	—	—	(10,541,092)
Attribution of own shares	27	—	449,537	(1,155,000)	705,463	—	—	—
Other movements	27	—	—	—	—	(9,598,253)	—	(9,598,253)
		(717,500)	**(4,798,242)**	**(5,730,813)**	**705,463**	**9,891,896**	**(37,307,258)**	**(37,956,454)**
Actuarial gains/losses - Health Care, net from deferred taxes	27	—	—	—	(4,113,875)	—	—	**(4,113,875)**
Adjustments from the application of the equity method	27	—	—	—	—	(14,081)	—	(14,081)
Net profit for the period		—	—	—	—	—	70,805,389	70,805,389
Comprehensive income for the period		**—**	**—**	**—**	**(4,113,875)**	**(14,081)**	**70,805,389**	**66,677,433**
Balance on 31 December 2023		**71,957,500**	**(15,624,632)**	**48,113,244**	**2,971,088**	**74,330,434**	**70,805,389**	**252,553,023**

The attached notes are an integral part of these financial statements.

CTT-CORREIOS DE PORTUGAL, S.A.
CONSOLIDATED AND INDIVIDUAL CASH FLOW STATEMENT FOR THE TWELVE MONTH PERIODS ENDED 31 DECEMBER 2022 AND 31 DECEMBER 2023
Euro

	NOTES	Group		Company	
		31.12.2022	31.12.2023	31.12.2022	31.12.2023
Cash flow from operating activities					
Collections from customers		822,216,311	861,167,090	506,671,718	534,966,290
Payments to suppliers		(442,640,303)	(432,065,542)	(165,685,663)	(158,279,950)
Payments to employees		(333,526,412)	(361,411,760)	(264,486,791)	(275,825,335)
Banking customer deposits		123,738,597	833,574,737	—	—
Credit to bank clients		(242,912,761)	203,606,686	—	—
Cash flow generated by operations		**(73,124,568)**	**1,104,871,210**	**76,499,264**	**100,861,005**
Payments/receivables of income taxes		(16,360,094)	(1,582,874)	(13,290,780)	747,740
Other receivables/payments		249,493,641	(96,516,278)	166,974,469	(197,744,279)
Cash flow from operating activities (1)		**160,008,978**	**1,006,772,058**	**230,182,953**	**(96,135,534)**
Cash flow from investing activities					
Receivables resulting from:					
Tangible fixed assets		233,440	13,440	6,873,440	461,152
Investment properties		181,100	—	181,100	1,102,538
Investment subsidies		—	103,028	—	87,555
Financial investments		292	—	25,502	—
Investment in securities at fair value through other comprehensive income	14	7,193,951	—	—	—
Investment in securities at amortised cost	14	452,081,491	210,961,600	—	—
Investment in securities at fair value through profit or loss		—	27,468,531	—	—
Other banking financial assets	16	8,625,000	34,720,000	—	—
Interest income		147,988	2,362,479	56,478	2,143,231
Dividends		—	—	1,150,000	62,620
Loans granted		—	—	6,542,000	12,000,000
Payments resulting from:					
Tangible fixed assets		(16,059,208)	(14,832,739)	(8,524,682)	(9,290,065)
Intangible assets		(17,821,957)	(16,008,104)	(8,563,602)	(7,859,712)
Investment properties		—	—	—	—
Financial investments	8	(650,000)	(2,249,180)	(7,200,000)	(29,212,146)
Investment in securities at fair value through other comprehensive income	14	(1,146,911)	—	—	—
Investment in securities at amortised cost	14	(661,922,859)	(405,659,071)	—	—
Demand deposits at Bank of Portugal		(3,248,100)	(5,439,600)	—	—
Applications at the Central Bank		(450,200,000)	(809,457,000)	—	—
Other banking financial assets		(4,800,000)	(36,750,000)	—	—
Loans granted	53	—	—	(2,442,000)	(3,550,000)
Cash flow from investing activities (2)		**(687,385,773)**	**(1,014,766,616)**	**(11,901,764)**	**(34,054,827)**
Cash flow from financing activities					
Receivables resulting from:					
Loans obtained	31	51,533	94,757,177	—	94,686,630
Capital realisations and other equity instruments		867,000	408,000	—	—
Other credit institutions' deposits		1,084,308	1,000,000	—	—
Debt securities issued	35	201,500,000	—	—	—
Payments resulting from:					
Loans repaid	31	(15,812,839)	(16,964,205)	(15,364,146)	(16,641,983)
Other credit institutions' deposits		(1,084,308)	(1,000,000)	—	—
Interest expenses		(433,312)	(2,557,800)	(246,678)	(2,731,931)
Lease liabilities	31	(33,708,341)	(37,045,659)	(23,150,398)	(25,266,623)
Acquisition of own shares	27	(21,573,976)	(10,153,539)	(21,573,976)	(10,153,539)
Debt securities issued	35	(32,015,401)	(98,130,907)	—	—
Dividends	28	(17,656,441)	(17,888,170)	(17,656,441)	(17,817,109)
Cash flow from financing activities (3)		**81,218,224**	**(87,575,103)**	**(77,991,640)**	**22,075,445**
Net change in cash and cash equivalents (1+2+3)		(446,158,570)	(95,569,661)	140,289,549	(108,114,915)
Cash and equivalents at the beginning of the period		856,957,546	410,798,975	189,818,607	330,108,157
Cash and cash equivalents at the end of the period	23	410,798,975	315,229,314	330,108,157	221,993,241
Cash and cash equivalents at the end of the period		**410,798,975**	**315,229,314**	**330,108,157**	**221,993,241**
Sight deposits at Bank of Portugal		23,185,900	28,625,500	—	—
Outstanding checks of Banco CTT / Checks clearing of Banco CTT		22,492,340	7,758,807	—	—
Impairment of slight and term deposits		(7,917)	(3,988)	(7,699)	(3,768)
Cash and cash equivalents (Statement of financial position)		**456,469,298**	**351,609,634**	**330,100,458**	**221,989,472**

The attached notes are an integral part of these financial statements.

CTT – CORREIOS DE PORTUGAL, S.A.

Notes to the consolidated and individual financial statements
(Amounts expressed in Euros)

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1. Introduction

1.1 CTT – Correios de Portugal, S.A. (parent company)

CTT – Correios de Portugal, S.A. ("CTT" or "Company"), with head office at Avenida dos Combatentes, 43, 14º floor, 1643-001 in Lisbon, had its origin in the "Administração Geral dos Correios Telégrafos e Telefones" government department and its legal form is the result of successive re-organisations carried out by the Portuguese state business sector in the communications area.

Decree-Law no. 49.368, of 10 November 1969 founded the state-owned company CTT - Correios e Telecomunicações de Portugal, E. P., which started operating on 1 January 1970. By Decree-Law no. 87/92, of 14 May, CTT – Correios e Telecomunicações de Portugal, E. P., was transformed into a legal entity governed by private law, with the status of a state-owned public limited company. Finally, with the foundation of the former Telecom Portugal, S.A. by spin-off from Correios e Telecomunicações de Portugal, S.A. under Decree-Law no. 277/92, of 15 December, the Company's name was changed to the current CTT – Correios de Portugal, S.A..

On 31 January 2013 the Portuguese State through the Order 2468/12 – SETF, of 28 December, determined the transfer of the investment owned by the Portuguese State in CTT to Parpública – Participações Públicas, SGPS, S.A.

At the General Meeting held on 30 October 2013, the registered capital of CTT was reduced to 75,000,000 Euros, being from that date onward represented by 150,000,000 shares, as a result of a stock split which was accomplished through the reduction of the nominal value from 4.99 Euros to 0.50 Euros.

During the financial year ended 31 December 2013, CTT's capital was opened to the private sector. Supported by Decree-Law no. 129/2013, of 6 September and the Resolution of the Council of Ministers ("RCM") no. 62-A/2013, of 10 October, the RCM no. 62-B/2013, of 10 October and RCM no. 72-B/2013, of 14 November, the first phase of privatisation of the capital of CTT took place on 5 December 2013. From this date, 63.64% of the shares of CTT (95.5 million shares) were owned by the private sector, of which 14% (21 million shares) were sold in a Public Offering and 49.64% (74.5 million shares) by Institutional Direct Selling. On 31 December 2013 the Portuguese State, through Parpública - Participações Públicas, SGPS, S.A. held 36.36% of the shares of CTT, 30.00% by holding and 6.36% by allocation.

On 5 September 2014, the second phase of the privatisation of CTT took place. The shares held by Parpública - Participações Públicas, SGPS, S.A., which on that date represented 31.503% of CTT's capital, were subject to a private offering of Shares ("Equity Offering") via an accelerated book building process. The Equity Offering was addressed exclusively to institutional investors.

At the meeting of the Company's Board of Directors held on 16 March 2022, it was unanimously decided to approve the implementation of a Buy-back programme for the Company's own shares, including the related terms and conditions, with the sole purpose of reducing the Company's share capital through the cancellation of shares acquired under the aforementioned programme, subject to prior approval by the General Meeting.

At the General Meeting held on 21 April 2022, was approved the maximum number of shares to be acquired under the Buy-back Programme.

Subsequently, on 7 November 2022, the Company's share capital reduction in the amount of 2,325,000 euros, through the cancellation of 4,650,000 shares representing 3.1% of the share capital, was registered in the Commercial Register Office, with the Company's share capital to be composed of 145,350,000 shares with the nominal value of 0.50 Euros each.

Subsequently, at the Annual General Meeting held on 20 April 2023 and still following the share buyback programme mentioned above, and whose scope was extended on 27 July 2022, the share capital reduction of 717,500 Euros was approved. On 21 April 2023, the share capital reduction of the aforementioned amount was entered in the commercial register, through the extinction of 1,435,000 own shares representing 0.997% of the acquired CTT share capital.

Thus, CTT's share capital now amounts to 71,957,500 Euros, represented by 143,915,000 shares with a nominal value of fifty cents per share, with the Company's Articles of Association being consequently amended.

The financial statements attached herewith are expressed in Euros, as this is the functional currency of the **Group** and the **Company**.

The shares of CTT are listed on Euronext Lisbon.

These financial statements were approved by the Board of Directors and authorised for issue on 19 March 2024.

1.2 Business

GRI 2-1, 2-6, GRI 207-4

The main activity of CTT and its subsidiaries ("Group CTT" or "Group"): CTT - Expresso – Serviços Postais e Logística, S.A. and its branch in Spain, Payshop Portugal, S.A., CTT Contacto, S.A., Corre – Correio Expresso de Moçambique, S.A., Banco CTT, S.A., 321 Crédito – Instituição Financeira de Crédito, S.A., CTT Soluções Empresariais S.A., 1520 Innovation Fund (formerly known as Fundo TechTree), NewSpring Services, S.A., CTT IMO - Sociedade Imobiliária, S.A., Open Lockers, S.A., MedSpring, S.A., CTT IMO Yield, S.A. and CTT Services, S.A. is to ensure the provision of universal postal services, to render postal services and financial services.

During 2015, within the scope of its financial services, CTT Group extended the scope of its activity with the establishment of Banco CTT, S.A., whose main activity is performing banking activities, including all the accessory, connected and similar operations compatible with the banking activity and allowed by law.

In 2020, within the scope of the activities provided in business solutions, the group once again expanded the scope of its activity to provide business consulting and support for business management and administration, namely, in the areas of human resources, sustainability, administrative management, information technologies, advertising and communication.

In 2021, with the entry into the consolidation perimeter of the entities HCCM - Outsourcing Investment (merged by incorporation into CTT Soluções Empresariais as at to 1 January 2022) and NewSpring Services, the Group once again expanded the scope of its activity to provide technical back-office services, advice, support and logistical support for technological activities and processing and document production; provision of services and Know-how to companies in the area of new technologies and provision of services in the area of technical and commercial support.

Also in 2021, with the establishment of the company CTT IMO - Sociedade Imobiliária, S.A., the Group expanded the scope of its activity to the purchase, exchange, sale and lease of real estate, and the resale of those acquired for this purpose, the promotion and the real estate management, as well as the administration of own real estate.

With the establishment of the company Open Lockers, S.A., the Group activity begin to incorporate the management, purchase, sale, production, installation, storage and maintenance of electronic or automatic lockers or other equipment for the storage, storage and collection of goods and merchandise and/or the possibility for the respective return, namely in the context of electronic commerce or traditional commerce.

The CTT Group also provides complementary services, such as the marketing of goods or provision of services on its own account or on behalf of third parties, provided that they are related with the normal operations of the public postal network, namely, the provision of information services, and the provision of public interest or general interest services.

The postal service is provided by CTT under the Concession Agreement of the Universal Postal Service celebrated into on 6 January 2022 between the Portuguese Government and CTT, as well as Decree-Law no. 22-A/2022 published on 7 February 2022, which changed the legal framework applicable to the provision of postal services in Portugal that was laid down by Law no. 17/2012, of 26 April (Postal Law). This Agreement will remain in force until 31 December 2028.

In addition to the services under concession, CTT may provide other postal services, as well as carry out other activities, namely those allowing for the profitability of the universal service network, directly or by incorporating or holding stakes in companies or through other forms of cooperation between companies. Within these activities the provision of services of public interest or of general interest under conditions to be agreed with the Government stands out.

The amendments introduced by Directive 2008/6/EC of 20 February 2008 of the European Parliament and of the Council to the regulatory framework that governs the provision of postal services, in 2012 were transposed into the national legal order by Law no. 17/2012, of 26 April ("Postal Law"), which revoked Law No. 102/99, of 26 July, and is still force with the amendments introduced in the meantime by Decree-Law No. 160/2013, of 19 November and by Law No. 16/2014, of 4 April, by Decree-Law no. 49/2021, of 14 June, and by Decree-Law no. 22-A/2022 published on 7 February 2022. The Postal Law establishes the legal framework for the provision of postal services in full competition in the national territory, as well as international services with origin or destination in the national territory.

Thus, since 2012, the postal market in Portugal has been fully open to competition. For reasons of general interest, only the following activities and services remained reserved: sitting of letter boxes on the public highway intended for the deposit of postal items, issue and sale of postage stamps bearing the word "Portugal" and the registered mail service used in court or administrative proceedings.

The scope of the universal postal service thus includes the following services, of national and international scope:

- A postal service for letter mail (excluding direct mail), books, catalogues, newspapers and other periodicals up to 2 kg;
- A postal service for postal parcels up to 10 kg, as well as delivery in the country of parcels received from other Member States of the European Union weighing up to 20kg; and
- A delivery service for registered items and a service for insured items.

The concession agreement signed between the Portuguese Government and CTT covers:

- The universal postal service as defined above;
- The reserved services: (i) the right to place letter boxes on public highways for the acceptance of postal items, (ii) the issue and sale of postage stamps bearing the word "Portugal" and (iii) the service of registered mail used in court or administrative proceedings;

- The provision of special payment orders which allows the transfer of funds electronically and physically, at national and international level, designated by postal money order service, on an exclusive basis; and
- The Electronic Mailbox Service, on a non-exclusive basis.

On 23 December 2021, the Council of Ministers communicated the approval, on that date, of the decree that changed the legal framework applicable to the provision of postal services in Portugal, that was promulgated on 5 February 2022 and the Decree-Law no. 22-A/2022 published on 7 February 2022. The new Concession Agreement entered in force on 8 February 2022 and will have a duration of approximately seven years - until 31 December 2028. The main amendments of the new legal framework arising from the law and the new concession agreement are as follows:

1. With regard to pricing:

- Pursuant to the law, pricing criteria will be defined by agreement between CTT, ANACOM and the Consumer Directorate-General for periods of three years or, if no agreement is reached, by the Government. This definition shall take into consideration the sustainability and the economic and financial viability of the universal postal service (USO) provision, and shall also consider the variation in volumes, the change in relevant costs, the quality of the service provided and the incentive to an efficient provision of the universal service;
- In the context of the regulatory framework in force since February 2022 and the Agreement on the criteria to be met in setting the prices of the postal services that make up the universal service basket (Universal Postal Service Price Convention) for the three-year period 2023-2025, of 27 July 2022, the prices of these services were updated on 1 March 2023, as communicated to the market on 26 January 2023. The update corresponded to an average annual price change of 6.58%. The overall average annual price variation, which also reflects the effect of updating the special bulk mail prices, was 6.24%.
- Effective from 1 February 2024, in the context of the Universal Postal Service Price Convention for 2023-2025, which was entered into on 27 July 2022, the prices of the basket of letter mail, editorial mail and parcels services were updated, corresponding to an average annual price change of 9.49%. As part of the company's pricing policy for 2024, this update corresponds to an average annual price variation of 8.91%, which also reflects the effect of the update of the special prices for bulk mail.

2. With regard to quality of service indicators and performance targets:

- The indicators and performance targets defined by ANACOM on 29 April 2021 remain in force until the definition of new indicators and respective performance targets;
- On 24 October 2023, ANACOM approved the draft proposal for quality of service parameters and performance targets associated with the provision of the universal postal service, on which CTT commented on 27 December 2023. The quality criteria will be approved by the Government on a proposal from ANACOM, following a set of clear guidelines: to guarantee high levels of quality of service in line with current best practices in the European Union and the relative importance of the postal services that make up the universal postal service, and taking into account the average figures applicable to each indicator in European Union countries;
- With regard to the compensation mechanism applicable for any non-compliance with the quality of service indicators, as long as the current indicators remain in force, if penalties are applied, they will be translated into investment obligations that result in improvements for the benefit of the provision of services and end users, without prejudice to the possibility of

applying other fines or contractual penalties provided for in the law and the concession agreement. Following the definition of the new quality indicators, the penalties to be applied by the government will take the form of investment obligations or price revisions, in accordance with the principles of proportionality, adequacy, non-discrimination and transparency.

3. **Density of the postal network:**

- The criteria for density and minimum service offers remain in force, and it is up to CTT to propose changes, which depend on ANACOM's approval;

- On 7 November 2023, ANACOM approved changing the reporting of postal network density targets and minimum service offers by reference to the 2021 Census, replacing the 2011 Census, in order to update the data with recent information.

Under Article 6 of Regulation (EU) 2018/644 on cross-border parcel delivery services and the respective communication to the European Commission, ANACOM approved on 27 June 2023 the assessment of cross-border single-piece parcel tariffs for the year 2023.

2. Material accounting policies

The material accounting policies adopted by the **Group** and the **Company** in the preparation of the consolidated and individual financial statements are those mentioned hereinafter.

2.1 Basis of presentation

The consolidated and individual financial statements were prepared under the assumption of going concern and are prepared under the historical cost convention, except for the assets and liabilities accounted at fair value, and in accordance with the International Financial Reporting Standards, as adopted by the European Union as at 31 December 2023.

These standards include the IFRS issued by the International Accounting Standards Board ("IASB"), the IAS issued by the International Accounting Standards Committee ("IASC") and the respective interpretations – IFRIC and SIC, issued, respectively, by the International Financial Reporting Interpretation Committee ("IFRIC") and by the Standing Interpretation Committee ("SIC"). Hereinafter, these standards and interpretations are generally referred to as "IFRS".

In addition to the standards that became effective as of 1 January 2023, described in Note 2.1.1, and which are set out in the accounting policies adopted in the preparation of the consolidated and individual financial statements as at 31 December 2023 and described in Note 2.2 through Note 2.31, there are additional issued standards and interpretations, described in Note 2.1.2, which did not become mandatory in the year starting on 1 January 2023.

2.1.1 New standards or amendments adopted by the Group and the Company

The standards and amendments recently issued, already effective and adopted by the **Group** and the **Company** in the preparation of these financial statements, are as follows:

- **IFRS 17 – Insurance Contracts -** IFRS 17 replaces IFRS 4 and applies to all insurance contracts (i.e., life, non-life, direct insurance and reinsurance), regardless of the type of entity that issues them, as well as to some guarantees and some financial instruments with discretionary participation characteristics. In general terms, IFRS 17 provides an accounting model for insurance contracts that is most useful and consistent for issuers. In contrast to the requirements of IFRS 4, which are based on previously adopted local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects.

- **Amendments to IFRS 17 – Insurance contracts – Initial application of IFRS 17 and IFRS 9 – Comparative information -** This amendment to IFRS 17 refers to the presentation of comparative information of financial assets in the initial application of IFRS17. 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 the initial application of IFRS 17. The 'overlay' allows all financial assets, including those held in relation to non-contract 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 these assets to be classified in the initial application of IFRS 9.

- **Amendments to IAS 1 – Disclosure of accounting policies -** These amendments are intended to assist an entity in disclosing ‘material’ accounting policies, previously known as ‘significant’ policies. However, due to the non-existence of this concept in IFRS standards, it was decided to replace it with the concept “materiality”, a concept already known by users of financial statements. When assessing the materiality of accounting policies, the entity must consider not only the size of the transactions but also other events or conditions and their nature.

- **Amendments to IAS 8 – Definition of accounting estimates -** The amendment clarifies the distinction between changes in accounting estimates, changes in accounting policies and the correction of errors. Additionally, it clarifies how an entity uses measurement techniques and inputs to develop accounting estimates.

- **Amendments to IAS 12 – Deferred tax related to assets and liabilities arising from a single transaction -** IAS 12 now requires an entity to recognise deferred tax when its initial recognition gives rise to equal amounts of taxable temporary differences and deductible temporary differences. However, it is a matter of professional judgment whether such deductions are attributable to the liability that is recognised in the financial statements or the related asset. This fact is particularly important in determining the existence of temporary differences in the initial recognition of the asset or liability, as the initial recognition exception is not applicable to transactions that give rise to equal taxable and deductible temporary differences. Among the applicable transactions are the registration of (i) assets under right of use and lease liabilities; (ii) provisions for dismantling, restoration or similar liabilities, and the corresponding amounts recognised as part of the cost of the related asset, when on the date of initial recognition they are not relevant for tax purposes. This change is applicable retrospectively.

- **Changes to IAS 12 – International Tax Reform – Second Pillar Model Rules -** These changes arise within the scope of the implementation of the OECD Global Anti-Base Erosion (“Globe”) rules, which may have significant impacts on the calculation of deferred taxes that at the date of issuance of these changes they are difficult to estimate. These changes introduce a temporary exception to the accounting of deferred taxes arising from the application of the OECD second pillar model rules, and additionally establish new specific disclosure requirements for affected entities.

The **Group** and the **Company** did not register significant changes with the adoption of these standards and interpretations.

2.1.2 New standards, amendments and interpretations issued, but without effective application to the years starting on 1 January 2023 and not early adopted

2.1.2.1 The Group and the Company decided to opt for not having an early application of the following standards and/or interpretations endorsed by the EU:

- **Amendments to IAS 1 – Presentation of financial statements – Classification of current and non-current liabilities** – This amendment aims to clarify the classification of liabilities as current or non-current balances depending on the rights that an entity has to defer their 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 or not the entity will exercise that right), or by events occurring after the reporting date, such as default of a "covenant". However, if the right to defer settlement for at least twelve months is subject to compliance with certain conditions after the balance sheet date, these criteria do not affect the right to defer settlement the purpose of which is to classify a liability as current or non-current. This change also includes a new definition of "settlement" of a liability and is applicable retrospectively.

  These changes must be applied retrospectively for annual periods beginning on or after 1 January 2024.

- **Amendments to IFRS 16 - Lease liabilities in sale and leaseback transactions -** This amendment to IFRS 16 introduces guidance regarding the subsequent measurement of lease liabilities related to sale and leaseback transactions that qualify as "sale " in accordance with the principles of IFRS 15, with greater impact when some or all of the lease payments are variable lease payments that do not depend on an index or a rate. When subsequently measuring lease liabilities, seller-lessees must determine "lease payments" and "revised lease payments" in such a way that they will not recognise gains/(losses) in relation to the right of use they retain.

  These changes must be applied retrospectively for annual periods beginning on or after 1 January 2024.

The **Group** and the **Company** did not apply any of these standards in advance to the financial statements in the twelve-month period ended 31 December 2023. No significant impacts on the financial statements resulting from their adoption are estimated.

2.1.2.2 Standards, amendments and interpretations issued that are not yet effective for the Group and the Company:

- **Amendments to IAS 7 and IFRS 7 - Disclosures: Supplier financing agreements -** These amendments to IAS 7 - Statement of Cash Flows and IFRS 7 - Financial Instruments: Disclosures, aim to clarify the characteristics of a supplier financing agreement and introduce additional disclosure requirements where such agreements exist. Disclosure requirements are intended to help users of financial statements understand the effects of supplier financing arrangements on the entity's liabilities, cash flows and liquidity risk exposure.

The changes are effective for the period beginning on or after 1 January 2024. Early adoption is permitted, but must be disclosed.

- **Amendments to IAS 21 - The Effects of Changes in Exchange Rates: Lack of exchangeability** - This change aims to clarify how to assess the exchangeability of a currency, and how the exchange rate should be determined when it is not exchangeable for a long period. The amendment specifies that a currency should be considered exchangeable when an entity is able to obtain the other currency within a period that allows normal administrative management, and through an exchange or market mechanism in which an exchange transaction creates rights, obligations capable of execution. If a currency cannot be exchanged for another currency, an entity must estimate the exchange rate on the measurement date of the transaction. The objective will be to determine the exchange rate that would be applicable, on the measurement date, for a similar transaction between market participants. The amendments also state that an entity may use an observable exchange rate without making any adjustment.

  The changes are effective for the period beginning on or after 1 January 2025. Early adoption is permitted, however the applicable transition requirements must be disclosed.

These standards have not yet been adopted ("endorsed") by the European Union and, as such, were not applied by the **Group** and the **Company** in the twelve-month period ended 31 December 2023. No significant impacts are estimated on the financial statements arising from the its adoption.

2.2 Consolidation principles

The consolidated financial statements comprise financial statements of the **Company** and its subsidiaries.

Investments in companies in which the **Group** holds the control ("subsidiaries"), in other words, where the **Group** is exposed, or has rights, to variable returns from its involvement with the relevant activities of the investee and has the ability to affect those returns through its power over the investee activities, were consolidated in these financial statements by the full consolidation method. The companies consolidated by the full consolidation method are shown in Note 8.

Equity and net profit for the period corresponding to third-party participation in subsidiaries are reflected separately in the consolidated financial position statement and consolidated income statement and comprehensive income statement in the caption Non-controlling interests. The gains and losses attributable to non-controlling interests are allocated to them.

The **Group** applies the purchase method to account for the acquisition of subsidiaries. The acquisition cost is measured at the fair value of the assets delivered, the equity instruments issued and the liabilities incurred or assumed on the acquisition date.

The assets and liabilities of each **Group** company are initially measured at fair value as of the date of acquisition, as established in IFRS 3. Any excess of cost over the fair value of the net assets and liabilities acquired is recognised as goodwill. If the difference between the acquisition value and the fair value of the assets and liabilities acquired is negative, it is recorded as income of the year.

Transaction costs directly attributable to business combinations are immediately recognised in profit and loss.

Non-controlling interests include the third parties' portion of the fair value of the identifiable assets and liabilities as of the date of acquisition of the subsidiaries.

Subsidiaries are consolidated using the full method from the date on which control is transferred to the **Group**. In the acquisition of additional shares of capital in companies already controlled by the **Group**, the difference between the percentage of capital acquired and the respective acquisition value is recorded directly in equity under the caption Retained earnings. When, on the date of acquisition of control, the **Group** already holds a previously acquired shareholding, the fair value of that shareholding contributes to the determination of goodwill or negative goodwill.

In the case of disposals of shares resulting in the loss of control over a subsidiary, any remaining shareholding is revalued at market value on the date of sale and the gain or loss resulting from this revaluation is recorded in the income statement, as well as the gain or loss resulting from such disposal. Subsequent transactions involving the sale or acquisition of shares to non-controlling interests, which do not imply a change in control, do not result in the recognition of gains, losses or goodwill, and any difference between the transaction value and the book value of the transacted participation is recognised in the Equity, in “Other changes in equity”.

The results of subsidiaries acquired or sold during the year are included in the consolidated income statement from the date of acquisition up to the date of disposal.

Whenever necessary, adjustments are made to the financial statements of the subsidiaries to be in accordance with the **Group**’s accounting policies. Transactions (including unrealised gains and losses on sales between **Group** companies), balances and dividends distributed between **Group** companies are eliminated in the consolidation process.

The investments in associated companies and joint ventures are booked in the financial statements using the equity method.

2.3 Segment reporting

The **Group** presents the operational segments based on internal management information.

In accordance with IFRS 8, an operating segment is a **Group** component:

(i) that engages in business activities from which it may earn revenues and incur expenses;
(ii) whose operating results are reviewed regularly by the entity's chief operating decision maker in order to make decisions about resources to be allocated to the segment and assess its performance; and
(iii) for which distinct financial information is available.

The **Group** did not apply the aggregation criteria provided for in paragraph 12 of IFRS 8.

2.4 Transactions and balances in foreign currency

Transactions in foreign currency (a currency different from the **Group** and the **Company** functional currency) are recorded at the exchange rates in force on the transaction date. At each reporting date, the carrying values of the monetary items in foreign currency are updated at the exchange rates on that date. The carrying 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.

The elements included in the Statement of Financial Position of each **Group** entity included in the consolidation perimeter (note 8) are measured using the currency of the economic environment in which the entity operates (functional currency). The **Group**'s assets and liabilities expressed in a currency other than the Group's presentation currency (Euro) are translated using the exchange rates at the end of the period, and the average exchange rate in the case of the translation of results.

The following exchange rates were used in the translation of the balances and financial statements in foreign currency:

	2022		2023	
	Close	Average	Close	Average
Mozambican Metical (MZN) (1)	67.45000	66.38000	69.87000	68.49417
United States Dollar (USD) (1)	1.06660	1.04998	1.10500	1.08285
Special Drawing Right (SDR) (2)	1.25291	1.25651	1.21753	1.22668

(1) Source: Bank of Portugal
(2) Source: Deutsche Bundesbank Bank

2.5 Tangible fixed assets

Tangible fixed assets are recorded at their acquisition or production cost, minus accumulated depreciation and impairment losses, where applicable. The acquisition cost includes: (i) the purchase price of the asset, (ii) the expenses directly attributable to the purchase, and (iii) the estimated costs of dismantlement or removal of the asset and restoration of the location (Notes 2.21 and 33).

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
Buildings and other constructions	10 – 50
Basic equipment	4 – 10
Transport equipment	4 – 7
Tools and utensils	4
Office equipment	3 – 10
Other property, plant and equipment	5 – 10

Lands are not depreciated.

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

Tangible fixed assets in progress correspond to tangible fixed 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.

The 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 lives are recorded as tangible fixed assets and depreciated at the rates corresponding to their expected useful life. Any replaced component is identified and written off.

The gain or loss arising from the disposal of tangible fixed assets is defined by the difference between the sale proceeds and the carrying amount of the assets and is recorded in the consolidated income statement under the heading Gains/losses on disposal/remeasurement of assets.

2.6 Intangible assets

Intangible assets are registered at acquisition cost, less accumulated 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 the **Company**, and they can be measured reliably.

Intangible assets are essentially composed of expenses related to patents, software (whenever this is separable from the hardware and associated to projects where the generation of future economic benefits is quantifiable), licenses and other user rights. Also included the 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, from the month when they are available for use, during their expected useful life, which varies between 3 and 20 years:

	Years of useful life
Development projects	3 – 6
Industrial property	3 – 20
Customer Contracts	5
Software	3 – 10

The exceptions to the assets related to industrial property and other rights, which are amortised over the period of time during which their exclusive use takes place and intangible assets with indefinite useful life, which are not amortised, but, rather, are subject to impairment tests on an annual basis and whenever there is indication that they might be impaired.

Gains or losses arising from the disposal of intangible assets, are determined by the difference between the sales proceeds and the respective carrying value on the date of the disposal, are recorded in the consolidated income statement under the heading Gains/losses on disposal/remeasurement of assets.

2.7 Investment properties

Investment properties are properties (land or buildings) held by the **Group** and the **Company** to obtain rentals or for capital appreciation or both, rather than for:

a) use in the production or supply of goods or services or for administrative purposes, or
b) sale in the ordinary course of business.

Investment properties comprise mainly properties that the **Group** and the **Company** did not affect to the rendering of services and holds to earn rentals or for capital appreciation.

An Investment property is initially measured at its acquisition or production cost, including any transaction costs which are directly attributable to it. After their initial recognition, investment properties are measured at cost less any accumulated depreciation and accumulated impairment losses, when applicable.

The depreciation rates considered are between 10 and 50 years.

The **Group** and the **Company** ensure that an annual assessment of assets qualified as investment properties is carried out in order to determine any impairment and to disclose their fair value.

Costs incurred in relation to investment properties, namely with maintenance, repairs, insurance and property taxes are recognised as costs for the period in which they are incurred. Improvements which are expected to generate additional future economic benefits are capitalised.

2.8 Impairment of tangible fixed assets, intangible assets and rights of use, except goodwill

The **Group** and the **Company** carry out impairment assessments of its tangible, intangible assets and rights of use, whenever any event or situation occurs, which may indicate that the amount by which the asset is recorded might not be recovered. In case of the existence of such evidence, the recoverable amount of the asset is determined in order to measure the extent of the impairment loss. When it is not possible to determinate the recoverable amount of an individual asset, then the recoverable amount of the cash generating unit to which this asset belongs is estimated.

The recoverable amount of the asset or cash generating unit is the highest value between (i) its fair value minus the costs of selling it and (ii) its value in use. The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The value in use arises from the future estimated discounted cash flows of the assets during their estimated useful life. The discount rate used in the discounted cash flows reflects the current market assessments of the time value of money and the specific risk of the asset.

Whenever the carrying amount of the asset or cash generating unit is higher than its recoverable amount, an impairment loss is recognised. The impairment loss is recorded in the Consolidated and individual income statement.

The reversal of impairment losses recognised in prior years is recorded whenever there is evidence that the recognised impairment losses no longer exist or have decreased, being recognised in the Consolidated and individual income statement. However, the reversal of the impairment loss is made up to the amount that would have been recognised (net of amortisation or depreciation) if the impairment loss had not been recorded in the previous years.

2.9 Goodwill

Goodwill represents the excess of the acquisition cost compared with the fair value of the identifiable assets, liabilities and contingent liabilities of each entity that is acquired and included by the full consolidation method, or subsidiary, on the respective acquisition date, in accordance with IFRS 3 (Revised) – Business Combinations.

Goodwill is not amortised, but subject to impairment tests. In the assessment of the goodwill impairment, this amount is allocated to the cash generating unit or units it refers to. The value in use is determined by discounting the estimated future cash flows of the cash generating unit. The recoverable amount of the cash generating units to which the goodwill refers is determined based on the assets' value in use and is calculated using valuation methodologies which are supported by discounted cash flow techniques, considering the market conditions, the time value and business risks. The discount rate used for discounting cash flows corresponds to the WACC before taxes ("Weighted Average Cost of Capital") estimated according to the rates and capital structures of the entities sector. The impairment tests are carried out on each reporting date, or earlier if impairment risk indicators were identified.

Impairment losses related to Goodwill are not reversible.

In the sale or loss of control of a cash generating unit, the corresponding goodwill is included in the determination of the capital gain or loss.

2.10 Concentration of corporate activities

Subsidiary companies

Investments in subsidiary companies are recorded in the individual statement of financial position by the equity method (Note 10).

A subsidiary company is an entity over which the **Group** and/or the **Company** exercises control. Control is presumed to exist when the **Group** and / or the **Company** is exposed or has the right to variable returns arising from its involvement in the subsidiary relevant activities and has the ability to influence those returns due to its power over the subsidiary regardless of the percentage over its equity.

In accordance with the equity method, the investments are initially recorded at their cost and subsequently adjusted by the value corresponding to the investment in the net profit or loss of the subsidiary and associated companies against "Gain/losses in subsidiary, associated companies and joint ventures", and by other changes in equity in Other comprehensive income" and by the received dividends.

Additionally, investments in subsidiary and associated companies may also be adjusted through the recognition of impairment losses. Whenever there are indications that the assets may be impaired, an assessment is carried out and the existing impairment losses are recorded in the income statement.

The excess of the acquisition cost over the fair value of the identifiable assets and liabilities of each subsidiary and/or associated company at the date of acquisition is recognised as goodwill and presented as part of the financial investment in the caption Investments in subsidiaries and/or associates. If the difference between cost and fair value of the assets and liabilities acquired is negative, it is recognised in the income statement under "Gain/losses in subsidiary, associated companies and joint ventures", after confirmation of the fair value.

Whenever the losses in subsidiary and/or associated companies exceed the investment made in these entities, the investment carrying value is reduced to zero and the recognition of future losses will be discontinued, except in what concerns the part in which the **Group** and/or the **Company** incurs in any legal or constructive obligation of assuming all these losses on behalf of the subsidiary and/or associated company, in which case a provision is recorded (note 2.21).

With the exception of goodwill impairment, if the impairment losses recorded in previous years are no longer applicable, these are reversed.

The dividends received from subsidiary and associated companies are recorded as a decrease in the carrying value of "Investments in subsidiary companies" and "Investments in associated companies", respectively.

Unrealised gains and losses on transactions with subsidiary and associated companies are eliminated in proportion to the **Group**'s interest in the subsidiary and/or associated companies, recorded against the investment in the same entity. Unrealised losses are also eliminated but only up to the point that the losses do not reflect that the transferred asset is impaired.

In the case of business combinations between entities under common control, the **Group** and the **Company** apply the Book Value Method or Predecessor Accounting Method, and no goodwill is recognised.

A business combination between entities under common control is a combination in which the acquired companies or businesses are ultimately controlled by the same entity(ies), both before and after the merger.

By applying the Book-Value Method, the acquiring entity must recognise the assets acquired and the liabilities and contingent liabilities assumed at the respective cost, not needing carry out any measurement at fair value, nor is there any recognition of goodwill (or negative goodwill) or any impact in profit or loss in the individual financial statements of both entities.

2.11 Financial assets

Classification, initial recognition and subsequent measurement

At initial recognition, 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 is made taking into consideration the following aspects:

i) the **Group**'s and **Company**'s business model for financial asset management; and
ii) the characteristics of the contractual cash flows of the financial asset.

Business Model Evaluation

The **Group** carries out an evaluation of the business model in which the financial instrument is held at the portfolio level, since this approach reflects the best way assets are managed and how the information is made available to management bodies. The information considered in this evaluation included:

- the policies and objectives established for the portfolio and the practical operationality of these policies, including how the management strategy focuses on receiving contractual interest or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the **Group**'s management bodies;
- assessing the risks that affect the performance of the business model (and the financial assets held under this business model) and how these risks are managed;
- the frequency, volume and frequency of sales in previous periods, the reasons for such sales and expectations about future sales. However, sales information should not be considered in isolation but as part of an overall assessment of how the **Group** establishes financial asset management objectives and how cash flows are obtained;
  and
- Evaluation if the contractual cash flows correspond only to the receipt of principal and interest (SPPI - Solely Payments of Principal and Interest).

For the purposes of this assessment, "Principal" is defined as the fair value of the financial asset at initial recognition. "Interest" is defined as the consideration for the time value of money, the credit risk associated with the amount owed over a given period of time and for other risks and costs associated with the activity (e.g., liquidity risk and administrative costs), and as a profit margin.

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

- contingent events that may modify the periodicity and amount of cash flows;
- characteristics that result in leverage;
- prepayment and extension of maturity clauses;
- 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 default cases); and
- characteristics that may modify the compensation for the time value of money.

In addition, an advance payment is consistent with SPPI criteria, if:

- the financial asset is acquired or originated with a premium or discount in relation to the contractual nominal value;
- prepayment represents substantially the nominal amount of the contract plus accrued but unpaid contractual interest (may include reasonable compensation for prepayment); and
- the fair value of the prepayment is insignificant at the initial recognition.

Reclassification between categories of financial instruments

If the **Group** changes its financial asset management business model, which is expected to occur not frequently and exceptionally, it reclassifies all the affected financial assets in accordance with the requirements set forth in IFRS 9 - "Financial instruments". The reclassification is applied prospectively from the date it becomes effective. Pursuant to IFRS 9 - "Financial instruments", reclassifications of equity instruments for which the option to valuation at fair value has been included by the counterpart of other comprehensive income or to financial assets and liabilities classified at fair value in the fair value option are not allowed.

2.11.1 Financial assets at amortised cost

Classification

A financial asset is classified in the category "Financial assets at amortised cost" if it meets all of the following conditions:

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

The "Financial assets at amortised cost" category includes investments in credit institutions, credit to clients, debt securities managed based on a business model whose purpose is to receive their contractual cash flows (government and corporate bonds) and accounts receivable.

Initial recognition and subsequent measurement

Investments in credit institutions and credit to clients are recognised at the date the funds are made available to the counterparty (settlement date). Debt securities are recognised on the trade date, that is, on the date the **Group** commits itself to acquire them.

Financial assets at amortised cost are initially recognised at fair value, plus transaction costs, and subsequently measured at amortised cost. In addition, they are subject, from their initial recognition to the measurement of impairment losses for expected credit losses, which are recorded against the caption "Impairment of other financial banking assets".

Interest on financial assets at amortised cost is recognised under the caption "Financial margin", based on the effective interest rate method and in accordance with the criteria described in note 2.22.

The gains or losses generated at the time of their derecognition are recorded under the caption "Gains/(losses) on derecognition of financial assets and liabilities at amortised cost", under the caption "Impairment of other banking financial assets" and "Impairment of accounts receivable, net" in the case of accounts receivable.

2.11.2 Financial assets at fair value through profit and loss

A financial asset is classified in the category "Financial assets at fair value through profit and loss" if the business model defined by the **Group** for its management or the characteristics of its contractual cash flows does not meet the conditions described above to be measured at amortised cost (2.11.1) or at fair value through other comprehensive income (FVOCI) (2.11.2).

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

In addition, the **Group** may irrevocably designate a financial asset at fair value through profit or loss that meets the criteria to be measured at amortised cost or at FVOCI at the time of its initial recognition if this eliminates or significantly reduces measurement or recognition inconsistency (accounting mismatch), that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different basis.

The **Group** classifies equity instruments, which are held for trading, at fair value through profit or loss.

2.11.3 Derecognition of financial assets

i) The **Group** and the **Company** derecognises a financial asset when, and only when:
   - contractual rights to cash flows arising from the financial asset expire; or
   - transfers the financial asset as defined in points ii) and iii) below and the transfer meets the conditions for derecognition in accordance with point iv).

ii) The **Group** transfers a financial asset if, and only if, one of the following occurs:
   - transfer the contractual rights to receive the cash flows resulting from the financial asset; or
   - retain the contractual rights to receive the cash flows arising from the financial asset but assume a contractual obligation to pay the cash flows to one or more recipients in an agreement that satisfies the conditions set out in point (iii).

iii) When the **Group** retains the contractual rights to receive cash flows from a financial asset (the 'original asset') but assumes a contractual obligation to pay those cash flows to one or more entities (the 'final recipients'), the **Group** treats the transaction as a transfer of a financial asset if, and only if, all three conditions are satisfied:
   - the **Group** has no obligation to pay amounts to final recipients unless it receives equivalent amounts resulting from the original asset. The short-term advances by the entity with the right to full recovery of the amount borrowed plus interest at market rates do not violate this condition;
   - the **Group** is prohibited by the terms of the transfer agreement from selling or pledging the original asset other than as a guarantee to final recipients for the obligation to pay them cash flows; and
   - the **Group** has an obligation to remit any cash flow it receives on behalf of the final recipients without significant delays. In addition, you are not entitled to reinvest these cash flows, except in the case of investments in cash or cash equivalents (as defined in IAS 7 Cash Flow Statements) during the short liquidation period between the date of receipt and the date of delivery required of final recipients, and interest received as a result of such investments is passed on to final recipients.

iv) When the **Group** transfers a financial asset (see item ii above), it must assess to what extent it retains the risks and benefits arising from the ownership of that asset. In this case:
   - if the **Group** transfers substantially 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** retains substantially all the risks and rewards of ownership of the financial asset, it continues to recognise the financial asset.

- if the **Group** does not transfer or substantially retain all risks and rewards of ownership of the financial asset, it must determine whether it has retained control of the financial asset. In this case:
  - if the **Group** has not retained control, it must derecognise the financial asset and recognise separately as assets or liabilities any rights and obligations created or retained with the transfer; and
  - if the **Group** has retained control, it must continue to recognise the financial asset to the extent of its continued involvement in the financial asset.

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

vi) The question whether the **Group** retained the control or not (see item iv above) of the transferred asset depends on the ability of the transferee to sell the asset. If the transferee has the practical capacity to sell the asset in its entirety to an unrelated third party and is able to exercise that capacity unilaterally and without the need to impose additional restrictions on the transfer, the entity is deemed not to have retained control. In all other cases, the entity shall be deemed to have retained control.

2.11.4 Loans written off

The **Group** recognises a credit written off when it does not have reasonable expectations to recover an asset in whole or in part. This recognition occurs after all the recovery actions developed by the **Group** prove to be fruitless. Credits written-off from assets are recorded in off-balance sheet accounts.

2.11.5 Modification of financial assets

If the conditions of a financial asset are modified, the **Group** and the **Company** assesses whether the cash flows of the modified asset are substantially different.

If the cash flows are substantially different, the contractual rights to the cash flows of the original financial asset are considered to have expired and the principles described in note 2.11.3 Derecognition of financial assets.

If the modification of a financial asset measured at amortised cost or FVOCI does not result in the derecognition of the financial asset, then the **Group** first recalculates the gross book value of the financial asset by applying the original effective interest rate of the asset and recognises the resulting adjustment as gain or loss of the modification in the profit or loss statement. For variable rate financial assets, the original effective interest rate used to calculate the gain or loss of the modification is adjusted to reflect current market conditions at the time of the modification. Any costs or fees incurred, and fees received as part of the modification adjust the gross book value of the modified financial asset and are amortised over the remaining term of the modified financial asset.

2.12 Equity

As instrument is classified as an equity instrument when there is no contractual obligation for its settlement to be carried out through the delivery of cash or another financial asset, regardless of its legal form, showing a residual interest in the assets of an entity after deducting all 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.

Costs related to an issue of equity which has not been completed are recognised as costs.

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

Own shares are recorded at their acquisition value, as a reduction in equity, under the caption “Own shares” and the gains or losses inherent to their disposal are recorded in “Other reserves”.

When any subsidiary company acquires shares in the parent company (own shares) the payment, which includes directly attributable incremental expenses, is deducted from equity attributable to equity holders of the parent company until the shares are cancelled, reissued or disposed of.

When such shares are subsequently sold or reissued, any receipt, net of directly attributable transaction expenses and taxes, is reflected in the equity of the equity holders of the company, in other reserves.

The extinction of own shares is reflected in the financial statements as a reduction in share capital and in the caption Own shares, at nominal and acquisition value, respectively, with the difference between the two amounts recorded in Other reserves.

2.13 Financial liabilities

An instrument is classified as a financial liability when it contains a contractual obligation to transfer cash or another financial asset, independently from its legal form.

Debt
Loans are recorded as liabilities at the carrying value received, net of issuance expenses, corresponding to the respective fair value on that date. They are subsequently measured at amortised cost, with the corresponding financial costs calculated based on the effective interest rate and stated through the income statement according to the accrual basis assumption, with the due and unpaid amounts as at the reporting date being classified under the item of “Debt” (Note 31).

The effective interest rate is the rate that discounts future payments over the expected life of the financial instrument to the net carrying amount of the financial liability.

Accounts payable
Accounts payable classified as current liabilities are registered at their nominal value, which is substantially equivalent to their fair value.

Accounts payable classified as non-current liabilities, for which there is no contractual obligation to pay interest, are initially measured at their net present value and subsequently measured at their respective amortised cost, determined in accordance with the effective interest rate method.

Accounts payable (balances of suppliers and other creditors) are liabilities related to the acquisition of goods or services, in the normal course of its business. If their payment falls due within one year or less, then they are classified as current liabilities. Otherwise, they are classified as non-current liabilities.

Confirming

The **Group** contracts confirming operations with financial institutions, which are classified as reverse factoring agreements. Within the scope of these protocols, some suppliers freely enter into agreements with these financial institutions that allow them to anticipate the receivable of covered credits. When the economic substance of financial liabilities does not change, the **Group** maintains the accounting classification of those credits under the caption “Accounts payable” until their due date under the normal terms of the supply contract entered into between the **Group** and the supplier, which occurs whenever:

i. the maturity period corresponds to a period usually practised in the industry in which the **Group** operates, fact verified because there are no changes in payment terms for terms outside the range that is normally applicable to other suppliers that have not adhered to the aforementioned programme,

ii. The **Group** does not support additional charges with the advance payment operation, compared to the alternative payment on normal maturity.

When the nature of the operations does not meet the requirements defined above, the group reclassifies the liability to "Debt".

Supplier confirming operations are classified as "Cash flow from operating activities" in the statement of cash flows, when they meet the criteria defined above.

Derivative financial instruments

Derivative financial instruments are recorded at fair value on the date on which the Group negotiates the contracts and are subsequently measured at fair value. Fair value is obtained through quoted market prices in active markets, including recent market transactions, and valuation models, namely: discounted cash flow models and option valuation models. Derivatives are considered as 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 indexing the performance of 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 contract. host and this 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).

Non- derivatives banking financial liabilities
The non-derivatives banking financial liabilities include mainly deposits from costumers. These financial liabilities are recognised (i) initially at their fair value less the transaction costs and (ii) subsequently at amortised cost, based on the effective interest rate method.

The **Group** derecognise financial liabilities when they are cancelled, extinguished or expired.

2.14 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.15 Share-based payments

The benefits granted to the executive members of the Board of Directors and CTT's top management under the long-term remuneration plans are recorded in accordance with the requirements of IFRS 2 – Share-based payments.

In accordance with IFRS 2, the benefits granted to be paid on the basis of own shares (equity instruments), are recognised at fair value at the date of allocation.

Since it is not possible to estimate reliably the fair value of the services received from employees, their value is measured by reference to the fair value of equity instruments.

The fair value determined at the date of allocation of the benefit is recognised as a linear cost over the period in which it is acquired by the beneficiaries as a result of their services, with the corresponding increase in equity.

When settlement is made in cash, the amount of these liabilities is determined at the time of assignment and subsequently updated, at the end of each reporting period, depending on the number of shares or stock options assigned and their fair value at the date of reporting. The liability is recorded in "Staff costs" and "Other liabilities", in a straight-line manner between the date of attribution and the maturity date, in proportion to the time elapsed between those dates.

2.16 Securitisation operations

The **Group** has three consumer credit securitisation operations in progress (Chaves Funding No.8, Ulisses Finance No.2 and Ulisses Finance No.3) and one finance lease securitisation operation (Fénix 1), in which it was the originator of the securitised assets. Regarding the Chaves Funding No.8, Ulisses Finance No.2 and Ulisses Finance No.3 operations, the **Group** maintained control over the 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 2.2.

2.17 Impairment of financial assets

Impairment losses

The **Group** determines the expected credit losses of each operation as a result of the deterioration of credit risk since its initial recognition. For this purpose, operations are classified in one of the following three stages:

- Stage 1: operations in which there is no significant increase in credit risk since its initial recognition are classified in this stage. 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 12 months after the reporting date (credit losses expected to 12 months).
- Stage 2: operations in which there has been a significant increase in credit risk since its initial recognition, but which are not impaired, are classified in this stage. 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 (expected lifetime losses).
- Stage 3: operations in an impairment situation are classified in this stage. Impairment losses associated with operations classified at this stage correspond to expected lifetime losses. Credit operations purchased or originated in impairment situation (Purchased or Originated Credit-Impaired – POCI) are also classified in stage 3.

Forward looking information

For models based on historical data, namely those applicable to Auto Credit, the use of a Forward-Looking component based on macroeconomic variables with historical series and projections of suitable organisms that are considered relevant for the purposes of estimating default probabilities is expected.

In this case, the Gross Domestic Product, the Unemployment Rate and the Harmonised Index of Consumer Prices were selected.

At the reference date, and as a result of the last revision of the Model, this component was not being applied since there were no explanatory and intuitive statistical relationships between these variables and the behaviour of the historical data used.

Also for the credit card portfolio, whose model is also based on historical data, there is a forward looking methodology that is also based on economic variables (collected from the Economic Bulletins of Banco de Portugal with projections), namely the unemployment rate, Harmonised Index of Consumer Prices, Private consumption, Exports of goods and services and GDP at market prices. Performing several tests with several combinations, a set of statistical results is obtained that evaluate the correlation of the variables with the Default Probabilities. Up to the reference date, the results were neither relevant nor statistically robust enough for the inclusion of the component in the model.

Lastly, in the case of home loans, for which historical data on defaults are virtually non-existent, it proved impossible to apply a statistically based forward-looking component, which is why it was decided to apply special conservatism in the latest revisions of parameters based on benchmarks.

<u>Significant increase in credit risk (SICR)</u>

Banking activity

Significant increase in credit risk (SICR) is determined according to a set of mostly quantitative but also qualitative criteria, in order to detect significant increases in the Probability of Default (PD), complemented by another type of information in which it stands out the behaviour of customers to entities of the financial system. However, regardless of the observation of a significant increase in credit risk in an exposure, it is classified in Stage 2 when one of the following conditions is met:

- Credit with late payment over 30 days (backstop); or
- Credit with qualitative triggers subject to risk, namely those contained in Banco de Portugal Circular Letter No. 02/2014 / DSP.

Non-banking activity

A significant increase in credit risk occurs if there is an objective evidence that the financial asset is impaired, by the existence of observable data, such as the following loss events: significant financial difficulty of the debtor; restructuring of an amount due to the **Group** in terms that it would not consider otherwise; a breach of contract, such as a default or delay in interest or principal payments; if it becoming probable that the borrower will enter bankruptcy, among others factors.

<u>Definition of financial assets in default and in impairment</u>

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 bankruptcy, insolvency or liquidation;
- Claims in litigation;
- Cross-default credits;
- Credits restructured due to financial difficulties with economic loss;
- Credits in quarantine default;
- Claims for which there is a suspicion of fraud or confirmed fraud; and;
- Credits with amounts written-off from assets.

<u>Estimates of expected credit losses - Individual analysis</u>

Clients who meet one of the following conditions are the subject of an individual analysis:

- CTT Bank's private clients with exposures above 500,000 Euros,
- Exposures to credit institutions, sovereign entities, central banks or companies through debt securities in stages 2 or 3;
- Clients from 321 Crédito with a factoring product;
- Clients with an equipment leasing product, whose active operations have an exposure greater than 70,000 Euros;
- Clients with a real statement leasing product whose active operations have an exposure greater than 75,000 Euros or whose LTV ratio is greater than 50% or non-existent.

Estimates of expected credit losses - Collective analysis

Transactions that are not subject to an individual impairment analysis are grouped taking into account their risk characteristics and subject to a collective impairment analysis. The **Group**'s credit portfolio is divided by internal risk grades and according to the following segments:

Financial assets

Retail Offer	**Mortgage Loans**	Consists of the Bank's mortgage lending offer which has a residential real estate property as collateral, regardless of the degree of completion of its construction
	Overdrafts	Includes the Bank's overdraft offer and credit overrunning
	Car Credit	Includes 321 Crédito's used car loan with reservation of ownership
	Credit Cards	Includes the "Universo" Credit Card offer
Sovereign debt and Supranationals		Eurozone public debt securities and European institutions
Corporate		Deposits and investments in other credit institutions, other financing granted to other credit institutions and corporate debt securities
Other		Several legacy portfolios of 321 Credit in run-off phase

The expected credit losses are estimates of credit losses that are determined as follows:

- financial assets with no signs of impairment at 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 impairment at the reporting date: the difference between the gross accounting value and the current 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 made and the cash flows that the **Group** expects to receive;

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

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

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

PDs are calculated based on historical data, when available, or benchmarks, in the remaining cases. If there is a change in the degree of risk of the counterparty or exposure, the estimate of the associated PD also varies. The PDs are calculated considering the contractual maturities of exposures.

The **Group** collects performance and default indicators on its credit risk exposures with analysis by type of customers and products.

The LGD is the magnitude of the loss that is expected to occur if the exposure defaults. The **Group** estimates LGD parameters based on benchmarks and, in the segments where it exists, based on history. In the case of contracts secured by real estate, the LTV (loan-to-value) ratios are a highly relevant parameter in determining the LGD.

The EAD represents the expected exposure if the exposure and / or customer defaults. The **Group** derives EAD values from the counterparty's current exposure and potential changes to its current value as a result of contractual conditions. For commitments, the value of the EAD considers both the amount of credit used and the expectation of future potential value that may be used according to the contract.

As described above, with the exception of financial assets that consider a 12-month PD as they do not present a significant increase in credit risk, the **Group** calculates the amount of expected credit losses taking into account the risk of default during the maximum maturity period contract, even if, for the purposes of risk management, it is considered to be a longer period. The maximum contractual period shall be considered as the period up to the date on which the **Group** has the right to demand payment or terminate the commitment or guarantee.

For financial assets "Deposits in other credit institutions", "Investments in other credit institutions" and "Investments in securities", impairments are calculated by allocating:

i) a probability of default derived 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 it is a Corporate or Sovereign entity.

<u>Estimated expected credit losses - Receivables under IFRS 15</u>

For receivables under IFRS 15, the **Group** and the **Company** apply a simplified impairment model, applying the practical expedient foreseen in IFRS 9, whereby several matrices were applied for the expected loss calculation based on the experience of actual historical losses over the period considered to be statistically significant (2 years), estimating loss rates by company and / or customer typology for the entire asset period, and not only for 12 months. The expected credit losses also incorporate a Forward-Looking component based on macroeconomic variables with historical series and suitable organisms' projections that are considered relevant for the purposes of default probabilities estimation, in this case the Gross Domestic Product.

The **Company** and the **Group** applied several matrices to calculate the expected losses of amounts receivable under IFRS 15, segmenting the expected losses calculation according to the company and the type of customer, considering the following different matrices:

- CTT customers - general customers;
- CTT customers - foreign operators;
- CTT Contacto customers;
- CTT Expresso customers - three different head offices based on the segmentation of general customers; and
- CTT Expresso customers - foreign operators.

The historical losses incurred are reviewed in order to reflect the differences between the expected economic conditions and those of the historical period used.

The expected losses are updated whenever there is a significant change in the credit risk in the company, changes in the type of customers or changes in the business or macroeconomic environment.

2.18 Inventories

Goods and raw materials, subsidiary materials and consumables are valued at the lowest cost between the acquisition cost and net realisable value, using the weighted average cost as the costing method.

The acquisition cost includes the invoice price and transport and insurance costs.

Net realisable value corresponds to the normal selling price less costs to complete production and costs to sell.

Whenever cost exceeds net realisable value, the difference is recorded in the operating costs caption “Cost of sales”.

2.19 Distribution of dividends

The distribution of dividends, when approved by the shareholders at the Annual General Meeting of the **Company**, is recognised as a liability.

2.20 Employee benefits

GRI 201-3

The **Group** and the **Company** adopt the accounting policy for the recognition of its responsibilities for the payment of post-retirement healthcare and other benefits, the criteria set out in IAS 19, namely using the Projected unit credit method (Note 32).

In order to obtain an estimate of the value of the liabilities (Present value of the defined benefit obligation) and the cost to be recognised in each period, an annual actuarial study is prepared by an independent entity under the assumptions considered appropriate and reasonable. The present value of the defined benefit obligation is recorded as a liability under Employee benefits.

Actuarial gains and losses resulting from experience adjustments and changes in actuarial assumptions for post-employment benefits are recorded in other comprehensive income in the period in which they occur. Actuarial gains and losses resulting from experience adjustments and changes in actuarial assumptions for other long-term benefits are recorded in the “Staff costs” caption.

The **Company** and the **Group** recognise in the "Staff Costs" caption the costs of current and past services. The net interest on the liability is recognised as a financial result in the caption “Interest expenses”.

Liabilities for Past Services or plan changes are recognised in the income statement when incurred under Personnel Expenses.

Post-employment benefits – healthcare

- Plan of Social Action

Workers who are integrated in “Caixa Geral de Aposentações” ("CGA", General Retirement Pension Fund) and workers who are beneficiaries of the Portuguese state pension scheme (recruited as permanent staff of the Company after 19 May 1992 and up to 31 December 2009) are entitled to the healthcare benefits established in the CTT Social Works Regulation. These benefits are extended to all permanent workers of the company, whether they are still working, or are pensioners, or in a situation of pre-retirement or retirement.

Workers hired by the company after 31 December 2009, are only entitled to the benefits provided for in the CTT Social Works Regulation while they remain bound to the Company by an individual employment contract, having no rights when they become pensioners, or in a situation of pre-retirement or retirement.

Healthcare benefits include contributions to the cost of medication, medical and surgical and nursing services, as well as auxiliary diagnostic means and hospital services, as defined in the CTT Social Works Regulation.

With the aim of ensuring the future sustainability of the Social Works Regime, as well as its maintenance and quality, the Company entered into a negotiation process with the Workers' Collective Representation Structures (Estruturas de Representação Coletiva dos Trabalhadores - "ERCT") to reach an agreement with them, proposing and accommodating a set of measures to amend the aforementioned Regime. As it was not possible to reach an agreement with all ERCT and with the aim of having a continuity solution, the Social Works Regulation was denounced, with effect on 31 December 2023, and an equivalent internal regulation was approved where some healthcare conditions were adjusted, with the Plan of Social Action coming into force on 1 January 2024.

The financing of the post-retirement healthcare plan is ensured mostly by the Company and by the beneficiaries' co-payment upon the use of certain services, and the remaining costs are covered by the fees paid by the beneficiaries.

The maintenance of the post-employment healthcare plan benefits requires that the beneficiaries (retirees and pensioners) pay a fee corresponding to 2.75% of their respective pension. Resulting from the amendment to the Healthcare Plan, the fee was unified, and the same fee is paid for each family member enrolled. In certain special situations, an exemption from the payment of the fee may be granted, either for the beneficiaries or for family members.

The healthcare plan is regulated by CTT's Plan of Social Action and the management is ensured by Wellbeing Management of the CTT Human Resources Department,, which in turn, hired Médis – Companhia Portuguesa de Seguros de Saúde, S.A. (Médis - Portuguese healthcare insurance company) to provide healthcare services. The contract with Médis has been in force since 1 January 2015.

The future liabilities with post-employment benefits arising from the past services of the **Group**'s employees are reflected in the **Group**'s financial statements through the recognition of a specific liability, with no plan or funding arrangement having been constituted to cover these responsibilities, being its financing made through the **Group**'s regular activity.

- Insurance policy

Following the Human Resources Optimisation Programme, initiated in 2016, the Company assured the workers, as part of the incentive package, the maintenance of a Healthcare Plan through a health insurance with identical coverage and co-payments, as laid down in the Plan of Social Action ("PAS"), in accordance with the following criteria:

- Workers aged 50 and over: maintenance of healthcare benefits for themselves and their family members enrolled according to PAS, through a health insurance policy, with payment of quotas in the same amount as they were paying (2.75% of their income), or higher if the future payments (if they will exist) will be higher, with mandatory delivery of income proof;

- Workers under the age of 50: maintenance of healthcare benefits according to "PAS", through a health insurance policy, for a period of two years, exempt from the payment of the quota, after which they will not benefit from any healthcare solution supported by the Company.

At present, the management of this plan is carried out by Médis - Companhia Portuguesa de Seguros de Saúde, S.A..

- Post-Retirement Medical Care– SAMS

The company 321 Crédito, S.A. is responsible for paying medical care benefits to all its employees in a situation of retirement, as well as for survival pensioners.

The provision of this medical care is ensured by the Social Medical Assistance Service (SAMS) whose post-retirement charges, for the member, are defined in clause 92 of the ACT of the banking sector published in Labor and Employment Bulletin ("BTE") nº 38 of 2017 of 15 October.

For the liability calculation, the values of Annex III in the ACT are considered, which takes into consideration the growth rate of the salary table. For the length of service rendered, the seniority date in the group was considered.

On each reporting date, the company keeps a liability recorded based on an actuarial study prepared by a specialised and independent entity that quantifies the responsibilities for the payment of medical care charges as mentioned above.

The present value of the defined benefit obligation and the cost of current services and past services are measured using the projected unit credit method.

As at 31 December 2023, there were 157 active beneficiaries and 2 pensioners, benefiting from this type of health care.

Post-employment benefits – Pension Plan

The company CTT Expresso - Serviços Postais e Logística, S.A. pays to a closed group of employees of Transporta – Transportes Porta a Porta, S.A. (which was merged into CTT Expresso during the year 2019) in retirement situation, a supplementary retirement pension over the amounts paid by the Social Security.

At each reporting date, the **Group** maintains a liability based on an actuarial study prepared by a specialised and independent entity that quantifies the liabilities for the payment of supplementary pensions to employees of the company at the time it was acquired from the Portuguese State.

The present value of the defined benefit obligation and the cost of current services and past services are measured using the projected unit credit method.

As at 31 December 2023, there were 14 beneficiaries receiving this type of Complementary Pension Benefit.

Other long-term benefits

The **Group** and the **Company** also assumed, towards certain groups of workers, a series of constructive and contractual obligations, namely:

- Suspension of contracts, redeployment, pre-retirement contracts, and release from employment

The liability for the payment of salaries to employees in the above-mentioned situations or equivalent, is fully recognised in the income statement at the time they move into these conditions.

- Telephone subscription fee

CTT has assumed the obligation of the life-long payment, to a closed group of retired workers and surviving spouses (3,529 beneficiaries as at 31 December 2022 and 3,541 beneficiaries as at 31

December 2023) to those who benefited from it as at 01/06/2004, of the telephone rental charges, to a monthly amount of 15.30 Euros. During the year of 2013, the Board of Directors of CTT, decided to modify the economic benefit. Thus, from 1 January 2014, the cash payment was replaced by a benefit in kind.

- Pensions for work accidents

The liabilities related to the payment of pensions for work accidents is restricted to workers integrated in CGA.

According to the legislation in force concerning employees integrated in CGA, CTT is liable for the costs incurred with pensions that have been attributed for damages resulting from accidents at work, and which have resulted in permanent disability or death of the worker. The value of these pensions is updated pursuant to a legal diploma.

The liabilities incurred up to 31 December 2015 will continue to be borne by CTT. As of 1 January 2016, CTT contracted an insurance policy to cover these responsibilities, as is already the case for Social Security workers.

As at 31 December 2022 and 31 December 2023 there were 65 and 58 beneficiaries, respectively, receiving this type of pension.

- Monthly life annuity (SMV)

This is an annuity provided for in the family benefits legal system set out in Decree-Law no. 133-B/97, of 30 May, as amended by the Declaration of Rectification no. 15-F/97, of 30 September, amended by Decree-Law no. 248/99, of 2 July, no. 341/99 of 25 August, no. 250/2001, of 21 September, and no. 176/2003, of 2 August.

Beneficiaries are workers, still working or retired, who have descendants over 24 years old, with physical, organic, sensorial, motor or mental disabilities, who are in a situation that prevents them from normally providing for their subsistence through the exercise of professional activity. In the case of beneficiaries integrated in the CGA, the cost of the monthly life annuity is the responsibility of CTT.

However, the SMV has been replaced by the Social Provision for Inclusion (which is intended to support persons with disabilities with the costs due to disability), established by Decree-Law no. 126-A/2017, of 6 October. This supplement was in force until 31 December 2023 and, therefore, from 2024 onwards, it will no longer be paid by CTT.

On 31 December 2022, there were 6 beneficiaries in these conditions, receiving a monthly amount of 177.64 Euros, 12 months a year, until the end of 2023.

- End of Career Awards

Under clause 69 of the ACT of the banking sector published in BTE nº 38 of 2017 of 15 October, 321 Crédito, S.A. undertook the commitment to, on the retirement date, due to disability or old age, grant the employee a premium in the amount equal to 1.5 times the effective monthly remuneration earned on that date. In the event of death on the job, a premium shall be paid in the amount equal to 1.5 times the effective monthly remuneration that the worker earned at the date of death.

For this purpose, the base salary, seniority and all 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 periods are calculated according to the value established in Annex II of the ACT, including the increase resulting from the number of years of service.

The liability was established based on an actuarial study prepared by a specialised and independent entity and measured using the projected credit unit method.

- Death allowance resulting from an accident at work

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.

The liability was established based on an actuarial study prepared by a specialised and independent entity and measured using the projected unit credit method.

- Defined contribution plan – Open Pension Fund or Retirement Savings Plan

Following the remuneration model of the Statutory Bodies defined by the Remuneration Committee, a fixed monthly amount was determined to be allocated to an Open Pension Fund or Retirement Savings Plan to be attributed to the executive members of the Board of Directors.

This contribution falls into the definition of a defined contribution plan. Under a defined contribution plan, fixed contributions are paid into a fund but there is no legal or constructive obligation to further payments being made if the fund does not have sufficient assets to pay all of the employees' entitlements to post-employment benefits. The obligation is therefore effectively limited to the amount agreed to be contributed to the fund and the actuarial and investment risk is effectively placed on the employee. For defined contribution plans, the amount recognised in the period is the contribution payable in exchange for services rendered by employees during the period. Contributions to a defined contribution plan which are not expected to be wholly settled within 12 months after the end of the annual reporting period in which the employee renders the related service are discounted to their present value.

2.21 Provisions and contingent liabilities

Provisions (Note 33) are recognised when, cumulatively: (i) there is a present obligation (legal or constructive) 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 expenses (Note 51).

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

Provision for financial investments

Whenever losses in the subsidiaries or associated companies exceed the investment made in these entities, the carrying value is reduced to zero and the recognition of future losses is discontinued, except in what concerns the part in which the **Group** or the **Company** incurs in any legal or constructive obligation to assume all these losses on behalf of the associated or subsidiary company, in which case a Provision is recorded for investments in associated companies.

Restructuring provisions

Restructuring provisions are made whenever a detailed formal restructuring plan has been approved by the **Group** and it has been launched or publicly disclosed, which identifies:

- The business or part of the business concerned;

- The main affected locations;
- The location, function and approximate number of employees who will be compensated for the cease of their services;
- The expenditures that will be undertaken;
- When the plan will be implemented; and
- It raised a valid expectation in those affected that it would carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

The restructuring provision includes direct expenditures arising from the restructuring, which are those entailed by the restructuring.

The restructuring provision does not include the costs of retraining or relocating continuing staff, marketing and investments in new systems and distribution networks and are recognised on the same basis as if they appeared independently of a restructuring in the period that they occur.

The expected gains on assets disposals are not taken into account in a restructuring provision measurement, even if the assets sale is seen as part of the restructuring.

Dismantling costs provisions

Provisions are made for dismantling costs, costs of removal of the asset and costs of restoration of the site of certain assets, when these assets are in use and it is possible to reliably estimate the respective obligation, or when there is a contractual commitment to restore the spaces rented by third parties. When the time value effect is material, the environmental liabilities that are not expected to be settled in the near future are measured at their present value.

Provisions for litigations in progress

A provision for litigation in progress is recorded when there is a reliable estimate of costs to be incurred due to legal actions brought by third parties, based on the evaluation of the probability of payment based on the opinion of the lawyers.

Provision for onerous contracts

A provision for onerous contracts is measured at the present cost whenever the unavoidable costs to satisfy the contract's obligations exceeds the expected financial benefits that will be received under the same.

Contingent assets and liabilities

Whenever any of the conditions for the recognition of provisions is not met, the events are disclosed as contingent liabilities (Note 33). Contingent liabilities are: (i) possible obligations which arise from past events and whose existence will only be confirmed by the occurrence, or not, of one or more future events that are uncertain and not fully under the **Company**'s control, or (ii) present obligations which arise from past events, but which are not recognised because it is not probable that an outflow of resources which incorporates economic benefits will be necessary to settle the obligation, or the value of the obligation cannot be measured with sufficient reliability. Contingent liabilities are disclosed unless the possibility of an outflow of resources is remote.

Contingent assets and liabilities are evaluated continuously to assure that the developments are reflected properly in the financial statements.

If it becomes probable that an outflow of future economic benefits will be demanded for an item previously treated as a contingent liability, a provision is recognised in the financial statements of the period when that change in probability occurs.

If it becomes virtually certain that an economic benefits inflow will occur, the asset and related revenue are recognised in the financial statements of the period when the change will probably occur.

The **Group** does not recognise contingent assets and liabilities.

2.22 Revenue

The revenue is measured by the amount that the entity expects to be entitled to receive under the contract entered into with the customer.

The revenue recognition model is based on five steps in order to determine when the revenue should be recognised and the amount:

1) Identify the contract with a customer;
2) Identify the performance obligations in the contract;
3) Determine the transaction price;
4) Allocate the transaction price; and
5) Recognise revenue.

The revenue is recognised only when the “performance obligation” is met and depends on whether the “performance obligations” are satisfied over the period or, on the contrary, the control of the goods or services is transferred to the customer at a given point in time. Revenue is measured at the fair value of the consideration received or receivable, net of VAT, rebates and discounts.

The revenue regarding the provision of postal services, namely the sales of philatelic and pre-paid products, is recognised only when the performance obligation is satisfied, i.e., only at the moment of the effective utilisation of the products for mail delivery purposes. However, as some of these products have never been used by the clients, for example the philatelic products for stamps collection, CTT performed a customer survey in order to obtain information regarding the use pattern of these products and, in this way, assess the percentage of the products that are not expected to be used. In these situations, the revenue should be recognised at the time of the sale. In the remaining situations, the revenue is deferred in accordance with the referred standard of use.

The revenue from the rendering of express services is recognised only when the performance obligation is satisfied, i.e., only when the mail or parcel is delivered to the final customer, being the revenue deferred until that moment.

The revenue from the sale of merchandising products from postal business is recognised when the products are transferred to the buyer, which usually occurs at the time of the transaction, being at that time fulfilled the "performance obligation”.

The revenue from PO Boxes is recognised over the term of the contracts. By subscribing to the “PO Boxes” service, CTT customers can receive their mail at a PO box in a CTT store instead of receiving mail at their home or company headquarters. Customers pay a single annual fee for subscribing to the service, with no additional fee being paid depending on the amount of correspondence received. Thus, a single performance obligation was identified corresponding to the provision of the PO box over the period of 1 year, with revenue fully allocated to the only performance obligation identified and recognised linearly over the contract period (1 year).

The revenue and costs relative to international mail services, estimated based on surveys and indexes agreed with the corresponding postal operators, are recognised in temporary accounts in the month that the traffic occurs. The initial revenue amount is recognised in the caption “Sales and services rendered” and accounts receivable. Thus, a temporary account is an account receivable, whose amount is the best CTT’s estimate for the amount that will be invoiced by the corresponding postal operators.

This temporary amount is subject to the confirmation of the counterparties, namely the volume/ weights carried and the process is managed by a compensation camera.

At the time of the final confirmation moment, the differences between the temporary amount from account receivables and the confirmed amount is recognised in the caption "Sales and services rendered" in the income statement. Historically, these differences are not significant.

The fees from collections made and from the sale of financial products are recognised on the date that the client is charged. Only the fee from collections charged by CTT is recognised as revenue, as CTT acts as an agent. The recognised revenue corresponds only to the commission charged by CTT, which acts as an agent. The amounts are settled by offsetting accounts. Regarding this, CTT deducts to the amount delivered to its customers for the collections made on customers behalf and for the financial products sales in CTT stores, the commissions amount owed in the scope of its agent performance.

The performance obligation underlying the recognition of revenue resulting from collections made by the issuer and the sale of financial products corresponds to financial intermediation in the sale / placement / redemption of financial products and collection of invoices on behalf of counterparties in intermediation contracts. The remuneration of these contracts is variable according to IFRS 15, as CTT is entitled to receive a fixed amount as a "bonus performance" when selling / placing / redeeming financial products or collecting invoices on behalf of counterparties in intermediation contracts, considering the goals/ targets defined in the contracts. This component is estimated according to the "most likely amount", considering the intermediation amounts of the year.

Recognition of revenue in the "business solutions" line occurs when the performance obligation is satisfied, that is, on the effective date of the provision of the service to the customer. The contracts associated with each project are broken down by task (performance obligations), and the amount to be applied to each transaction is determined and the recognition made on the date on which it is satisfied. In the case of product sales, revenue is recognised only when the product is delivered to the customer. Revenue from outsourcing projects is recognised as a single performance obligation on a straight-line basis over the period, with the exception of projects that vary depending on the service actually provided whose revenue is recognised at the time this provision occurs.

The main entities with "customer" contractual position and the frequency of the account offset are as follow:

Product/ Service	Partner/ Customer	Frequency/ account offset
Postal savings certificates/ treasury	IGCP	daily
Postal collection	All entities that request the colletion service to CTT, but essentially are the utilities companies and city councils	daily
Insurance/ RSP	Fidelidade, Mapfre and Metlife	daily
Western Union	Western Union	twice a week
Penalties	ANSR	daily
Collection titles	Unions	daily

The **Group** acts as an agent in these transactions to the extent that:

- Does not obtain control of the goods or services provided to end customers;
- It does not have any inventory risk (not applicable in this type of services);
- It is not identified by the end customer as the party responsible for fulfilling the performance obligations; and
- The price of the financial product is not defined by the **Group.**

The definition of prices for services provided within the scope of the Universal Postal Service concession, it is explained in detail in note 1.2 - Activity.

The revenue from interest is recognised using the effective interest rate method, provided that it is probable that economic benefits will flow into the **Group** and the **Company**, and their amount can be measured reliably.

The **Group** and the **Company** register a portion of the interest received from deposits in other operating income, specifically interest from short-term deposits in the Financial Services segment. The **Group** and the **Company** consider the temporary investment of funds received and to be paid to third parties as one of the main operational objectives of its Financial Services segment. In the cash flow statement, this portion of interest is recognised as operating cash flow.

Within the scope of banking activity, 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.

In the banking activity, interest income and expense for financial instruments measured at amortised cost and at fair value through other comprehensive income are recognised in Financial margin, through the effective interest rate method.

The effective interest rate is the rate that 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 carrying amount of the financial asset or financial liability. The effective interest rate is established in the initial recognition of financial assets or liabilities and is not subsequently reviewed.

For calculating the effective interest rate, it is estimated future cash flows considering all contractual terms of the financial instrument but without considering future impairment losses. The calculation includes all fees paid or received considered as included in 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 impairment losses have been recognised, interest recorded in interest and similar income is determined based on the interest rate used to measure the impairment loss.

The **Group** and the **Company** do not recognise interest for financial assets in arrears for more than 90 days.

The revenue recognition criteria associated to the provision of the insurance mediation service is presented in note 2.28.

2.23 Subsidies obtained

Subsidies are recognised when there is reasonable assurance that they will be received and that the **Group** and the **Company** will comply with the conditions required for their attribution.

Investment subsidies associated to the acquisition or production of tangible fixed assets are initially recognised in non-current liabilities and are subsequently allocated, on a systematic basis, as revenue for the period, consistent and proportional to the depreciation of the assets acquired through these subsidies.

Operating subsidies, namely those for employee training, are recognised in the income statement, within the periods necessary to match them with the expenses incurred, to the extent that these subsidies are not refundable.

2.24 Leases

The **Group** leases several buildings and vehicles. Lease contracts are usually negotiated for fixed periods, but extension options may exist, although in most contracts the renewal periods require the agreement of the lessor and lessee. Rental terms and conditions are negotiated on an individual basis.

The **Group** and the **Company** determine whether a contract is a lease or includes a lease on the contract's start date.

When it comes to a lease agreement, the **Group** and the **Company** account right-of-use (RoU) assets, which are recognised in the item of Tangible fixed assets with the corresponding lease liabilities, on the date when the control over the use of the asset leased is transferred to the **Group** or the **Company.**

The **Group** and the **Company** do not use the practical expedients permitted by IFRS 16 of not considering short-term leases (12 months or less) or leases of low-value underlying assets, and the respective payments are considered for the determination of the right-of-use assets.

The **Group** and the **Company** use the practical expedient allowed by IFRS 16 to not separate the lease and non-lease components.

Lease liabilities are initially measured at the present value of the lease payments that fall due after the lease comes into effect, discounted at the implied interest rate of the contract. When this rate cannot be determined, the **Group'**s incremental interest rate is used, corresponding to the interest rate that the lessee would have to pay to obtain an asset of similar value in an economic environment with comparable terms and conditions.

Lease payments included in the measurement of lease liabilities include: fixed payments, less lease incentives receivable; variable payments that depend on an index or rate; amounts expected to be paid by the lessee as guarantees of residual value; the exercise price of a call option if the lessee is reasonably certain to exercise that option; penalty payments to terminate the lease, if the lease term reflects the exercise of the termination option.

The lease liability is measured at amortised cost, using the effective interest method and is remeasured when there are changes to future payments resulting from the application of indexes or rates or if there are other changes such as the change in the lease term, change in expectation about exercising a purchase option, renewing the term or terminating the contract. In these cases, the **Group** and the **Company** recognise the amount of the remeasurement of the Lease Liability as an adjustment to the Assets under the Right- of-Use. When the Liabilities remeasured are greater or less than the Assets of the right of use, the difference is recognised in the income statement under “Gains/losses on disposal/ remeasurement of assets”.

For the lease term determination, the **Group** and the **Company** consider:

- the broader economics of the contract, and not only contractual termination payments, evaluating if either a party has an economic incentive not to terminate the lease such that it would incur a penalty on termination that is more than insignificant, the contract is considered enforceable beyond the date on which the contract can be terminated; and

- whether each of the parties has the right to terminate the lease without permission from the other party with no more than an insignificant penalty, a lease is no longer enforceable only when both parties have such a right. Consequently, if only one party has the right to terminate the lease without permission from the other party with no more than an insignificant penalty, the **Group** and the **Company** consider that the contract is enforceable beyond the date on which the contract can be terminated by that party.

The Rights-of-Use assets are presented in an isolated class, integrating the item of Tangible fixed assets, initially measured at the cost model, which comprises the initial value of the lease liability, adjusted for any payment made before the start date of the contract. lease, plus any initial costs incurred and an estimate for costs of dismantlement (when applicable), less any incentives received. The Right-to-Use asset is subsequently depreciated using the straight-line method in accordance with the lease term. The Right-of-Use is periodically adjusted by certain remeasurements to the Lease liabilities, namely by updating indexes or price renegotiations, and by impairment losses (if any).

Variable rents that do not depend on an index or rate are not included in the measurement of the Lease Liability or the Right-of-Use asset. Such payments are recognised as expenses in the period in which the event or condition giving rise to payments occurs.

When the **Group** or the **Company** transfers an asset to a third party, and simultaneously enters into a lease agreement for the same asset with that third party, the **Group** and the **Company** apply the requirements of IFRS 15 to determine whether the transfer qualifies as a sale of the asset.

If the transfer qualifies as a sale transaction, the **Group** and the **Company** will measure the Right-of-Use asset of the leaseback as a proportion of the previous net book value that relates to the Right-of-Use retained by the **Group** or **Company**, recording a gain or loss in proportion to the rights transferred to the third party.

If the fair value of the sale's retribution of the asset is not equivalent to its fair value, or if the lease payments do not correspond to market values, the **Group** or **Company** will make the following adjustments to measure the results of the sale at fair value: Any terms below the market will be recorded as prepayment of the lease; and any terms above market will be accounted as an additional financing provided by the third party to the **Group** or **Company.**

When the **Group** or **Company** subleases part of the Right-of-Use asset to another entity, it starts to act as lessee in relation to the main lessor and as sublease in relation to the sublease.

As a sublease, the **Group** and the **Company** determine at the lease start date, whether the lease qualifies as financial or operational, considering: i) as the underlying asset of the sublease contract, the Right-of-Use asset recognised in the main lease agreement ; and ii) as the discount interest rate, the interest rate implicit in the sublease or the incremental interest rate of the main lease.

When the sublease contract qualifies as a finance lease, the **Group** and the **Company** derecognise the Right-of-Use asset, and record a balance receivable from the sub-leaseholder, which is subsequently settled by recording accrued interest and repayments made by the sub-leaseholder.

2.25 Borrowing costs

Financial charges related to loans are recognised in net profit, when incurred. However, interest expenses are capitalised when loans are directly attributable to the acquisition or construction of an asset that requires a substantial period of time (over one year) to reach its intended use.

Financial charges on loans obtained are recorded as financial expenses in accordance with the effective interest rate method.

2.26 Taxes

Corporate income tax ("IRC")

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 income for the period of the **Group** companies included in the consolidation, calculated in accordance with the tax criteria prevailing at the financial 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. The amount of current tax payable or receivable is the best estimate of the amount expected to be paid, reflecting the existence of uncertainty about the tax treatment of income taxes, if any, according to IFRIC 23 - Uncertainty about tax treatment of income tax. The estimate is made based on the most likely method, or, if the resolution can dictate ranges of values in question, use the expected value method.

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, reflecting the existence of uncertainty about the tax treatment of income taxes.

CTT is covered by the special regime applicable to the taxation of groups of companies, which includes all companies in which CTT holds, directly or indirectly, at least 75% of the share capital and which are simultaneously resident in Portugal and taxed under IRC except, 1520 Innovation Fund (previously designated as Fundo TechTree). The remaining companies are taxed individually according to their respective taxable income at the applicable tax rates.

Until 2020 inclusive, Banco CTT and its subsidiaries, eligible to be part of the RETGS, receive from CTT the amount referring to the tax loss with which it contributes to the consolidated IRC of the CTT group and, in the same way, pay CTT the amount referring to the its positive contribution to the consolidated IRC of the CTT group. As of 2021, Banco CTT Group is considered to be a "tax sub-consolidated" within the regime in which CTT – Correios de Portugal, S.A. are the dominant society. In this way, the subsidiaries of Banco CTT carry out the IRC settlements to Banco CTT, and the this pays or receives the net amount calculated for Grupo Banco CTT to the aforementioned parent company. In the event that there are historical amounts receivable from CTT by the Bank, any IRC payments to CTT are settled through the use/reduction of the amount receivable, with effective payment only taking place after there are no historical amounts receivable. The accounts payable by the parent company are currently a remunerated debt to the subsidiary.

Value Added Tax ("VAT")

For purposes of VAT, the **Company** follows the normal monthly regime, in accordance with the provisions of paragraph 1(a) of article 41 of the Portuguese VAT Code, having several exempted operations in its activity that fall under the provisions of article 9 of the Portuguese VAT Code, as well as to other non-exempted operations which are subject to VAT, and for this reason, using the effective allocation method and the pro rata method. In a similar situation is also Banco CTT, which due to the nature of its operations, essentially financial operations, also uses the pro rata method for VAT purposes. The other **Group** companies, with fiscal residence in Portugal, also follow the normal monthly regime, in accordance with the provisions of paragraph 1(a) of article 41 of the Portuguese VAT Code, performing mostly non-exempted operations, thus being subject to VAT.

2.27 Accrual basis

The revenues and costs are recorded according to the accrual basis, and therefore, are recognised as they are generated, regardless of the time they are received or paid. Differences between the revenues and costs generated and the corresponding amounts invoiced are recorded in “Other current assets” or in “Other current liabilities”. Prepaid revenues and costs paid in advance are recorded under the heading Prepayments, under liabilities and assets, respectively.

2.28 Provision of the insurance mediation service

CTT, S.A., Banco CTT, 321 Crédito, and MedSpring, S.A. are entities authorised by the Insurance and Pension Funds Supervisory Authority (“ASF”) to practice insurance mediation, in the category of Linked Insurance Mediator, according to the article 8, subparagraph a), subparagraph i), of Decree-Law no. 144/2006, of July 31, developing the activity of insurance mediation in the life and non-life lines.

Within the scope of insurance mediation services, the **Group** sells insurance contracts. As remuneration for insurance brokerage services, the **Group** receives insurance contract brokerage commissions, which are defined in agreements / protocols established with Insurance Companies.

Commissions received by insurance mediation services are recognised in accordance with the principle of accrual basis, so commissions whose receipt occurs at a different time in the period to which they refer are recorded as an amount receivable under an "Other current assets" caption.

2.29 Judgements and estimates

In the preparation of the consolidated and individual financial statements, judgements and estimates were used which affect the reported amounts of assets and liabilities, as well as the reported amounts of revenues and costs during the reporting period. The estimates and assumptions are determined based on the best existing knowledge and on the experience of past and/or current events considering certain assumptions relative to future events. However, situations might occur in subsequent periods which, due to not having been predictable on the date of approval of the financial statements, were not considered in these estimates. Changes to estimates which occur after the date of the financial statements will be corrected prospectively. For this reason and in view of the associated degree of uncertainty, the real outcome of the situations in question might differ from their corresponding estimates.

The main judgements and estimates made in the preparation of the financial statements arise in the following areas:

i) <u>Tangible fixed and intangible assets / estimated useful lives (notes 5 and 6)</u>

Depreciation/amortisation is calculated on the acquisition cost using the straight-line method, from the month when the asset is available for use. The depreciation/amortisation rates that are applied reflect the best knowledge on the estimated useful life of the assets. The residual values of the assets and their respective useful lives are reviewed and adjusted, when deemed necessary.

ii) Impairment of Goodwill and investment in subsidiaries, associated companies and joint ventures (notes 9, 10, 11 and 12)

The **Group** and the **Company** test the goodwill and investments in subsidiaries, associated and joint ventures are tested at least once a year, with the purpose of verifying if they are impaired, in accordance with the policy referred to in Note 2.9. 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.

iii) Impairment of accounts receivable (note 25)

The **Group** and the **Company** record expected credit losses of each operation as a result of the deterioration of the credit risk since its initial recognition. In case of expected losses in account receivables in the scope of IFRS 15 the **Group** and the **Company** applied the simplified method calculating expected credit losses until maturity for all account receivables based on past records of credit losses throughout the period considered statistically relevant, estimating the rate of expected losses by companies and customer typology.

iv) Financial instruments – IFRS 9

Classification and measurement (notes 14, 15, 20, 35 and 36)

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.

Impairment losses in financial assets at amortised cost and debt instruments at fair value through other comprehensive income (note 25)

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 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 **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 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.

Fair value of derivative financial instruments (note 15)

Fair value is based on market quotations when available and, in their absence, is determined based on the use of prices from recent, similar transactions carried out under market conditions or based on valuation methodologies, based on cash flow techniques. discounted cash futures considering market conditions, the effect of time, the yield curve and volatility factors. These methodologies may require the use of assumptions or judgments in estimating fair value. Consequently, the use of different methodologies or different assumptions or judgments in the application of a given model could lead to results different from those reported.

v) Deferred taxes (note 52)

The recognition of deferred tax assets assumes the existence of future net profit and taxable income. The deferred tax assets and liabilities were determined based on the tax legislation currently in force, or on legislation that has already been published for future application. Amendments to tax legislation may influence the value of the deferred taxes.

vi) Employee benefits (note 32)

The determination of the liabilities related to the payment of post-employment benefits, namely with healthcare plans, requires the use of assumptions and estimates, including the use of actuarial projections, discount rates and other factors that could have an impact on the costs and liabilities associated to these benefits. Any changes in the assumptions used, which are described in Note 32, will have an impact in the carrying amount of the employees' benefits. CTT has a policy of periodically reviewing the major actuarial assumptions.

vii) Provisions (note 33)

The **Group** and the **Company** exercise considerable judgement in the measurement and recognition of provisions. Judgement is required in order to assess the probability of litigation having a successful outcome. Provisions are recorded when the current lawsuits are expected to lead to the outflow of funds, the loss is probable and may be estimated reasonably. 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.

viii) Lease liabilities (note 31)

The lease liabilities amount calculation requires the determination of the lease enforceable period, considering the lease economic aspects, and not just the termination payments, namely the existence of economic incentive from either party not to terminate the lease . Any changes in the lease term will have an impact on the lease liabilities book value. CTT periodically review the lease terms.

Sources of estimation uncertainty:

The main sources of uncertainties in the estimates performed are detailed below:

i) Energy transition

Climate change and the energy transition impact the **Group**'s activities in several ways and will continue to influence business transformation in the future. The Integrated Report provides a broad discussion of the **Group**'s approach to identifying, assessing and managing risks and opportunities associated with climate change. Greater attention from different stakeholders to issues related to responding to climate change can affect the perception and image that they have of the CTT **Group**, with a potential impact, negative or positive, on the reputation and revenues of the **Group**. Additionally, European regulations on non-financial reporting have been increase in demand and complexity, bringing reporting requirements related to climate change and the value chain, among others, particularly demanding for companies. Therefore, it is essential to address the challenges associated with the energy transition and digital transformation to respond to multiple external forces and make informed and duly considered at all levels of the **Group**.

In this sense, the **Group** continues to advance in its commitment to leading the energy transition, having defined a strong decarbonisation plan to reduce its carbon emissions, both direct and indirect, by more than half by 2030 (base year 2021), offsetting the remainder with a view to achieving a carbon-neutral balance sheet. It is also fully committed to developing a business model sustainable medium and long term, being one of the signatory companies of the 10 principles of the UNGC – United Nations Global Compact. In particular, the Group considered the risks related to the respective ESG performance, energy transition and climate change and prioritised the contribution for the pursuit of the Sustainable Development Goals established by the United Nations in the preparation of the consolidated financial statements as of 31 December 2023, which adequately reflect the effect of these objectives on assets, liabilities, gains and losses, incorporating, if necessary, material and predictable impacts as required by regulations IFRS.

The Group also carefully assessed whether climate change issues affected the assumptions used to estimate expected cash flows. When necessary, the Group also took into account the long-term impact of changes climate.

ii) Economic situation

The year 2023 was marked, above all, by the continuation of the armed conflict in Ukraine and the escalation of violence in the Middle East, which culminated in an armed conflict that has been going on since October 2023, which was followed by a new conflict in the Red Sea, with economic and social consequences at a global level. The latest projections from Banco de Portugal predicted a gradual recovery of economic activity over the next year, benefiting from the acceleration of external demand, the effect of falling inflation on household income and the boost in European funds in investment. However, the escalation of conflicts in the Middle East and the Red Sea, where an important world trade route passes, make the impacts of these conflicts on world economy, and consequently on the Portuguese economy.

Next year will, therefore, once again be a challenging and uncertain year, with the economy conditioned by geopolitical uncertainty, whose impacts on the group are not quantifiable at the moment.

However, to face the current economic context, the **Group** continued to explore some mechanisms adopted in previous years that aim to mitigate the adverse impacts that arise therefrom, namely:

a. Diversification in terms of contracted suppliers;

b. Diversification in the Group's supply of goods and services;

c. Control and efficiency initiatives in internal cost management; and

d. As communicated to the market on 4 January 2024, the update of the prices for the basket of letter mail services, editorial mail and parcels services was established from 1 February 2024, corresponding to a 9.49% average annual price variation. This update is carried out in the context of the Universal Postal Service Price Convention for the 2023-2025 period entered into on 27 July 2022. As part of the **Company**'s pricing policy for 2024, this update corresponds to an average annual price variation of 8.91%, which also reflects the effect of the update of the special prices for bulk mail.

2.30 Cash Flow Statement

The Cash Flow Statement is prepared according to the direct method, through which cash receipts and payments relative to operating, investment and financing activities are disclosed.

Operating activities cover receipts from customers, payments to suppliers, payments to staff and other related to operating activity, namely income tax.

Investment activities namely include acquisitions and disposals in participated companies, payments and receipts arising from the purchase and sale of assets, and receipts of interest and dividends. Financing activities include payments and receipts relative to loans received, financial lease contracts, interest paid and payments of dividends.

Cash and cash equivalents
Cash and cash equivalents include the amounts recorded in the statement of financial position with a maturity less than three months from the balance sheet date, which includes cash and cash equivalents at credit institutions. It also includes other short-term investments, of high liquidity, insignificant risk of amount changes and convertible into cash, and also mandatory sight deposits with Banco de Portugal in order to satisfy the minimum cash reserves legal requirements (nota 23).

2.31 Subsequent events

Events occurring after the closing date until the date of approval of the financial statements by the Board of Directors, and which provide additional information about conditions existing at the date of the financial reporting, are reflected in the financial statements. Events occurring after the closing date, which indicate conditions arising after the date of the financial reporting, are disclosed in the notes to the financial statements, if considered relevant.

3. Changes to accounting policies, Errors and Estimates

In the year ended 31 December 2023, no accounting policy changes and no prior year's material errors were recognised in the preparation of the financial statements. The accounting policies have been consistently applied in all the present periods and for all **Group** companies.

The underlying estimates and assumptions were determined based on the best knowledge of the on-going events and transactions, at the time the financial statements were approved, as well as on the experience of past and/or current events. However, situations might occur in subsequent periods which, due to not having been predictable on the date of approval of the financial statements, were not considered in these estimates. Changes to estimates which occur after the date of the financial statements will be corrected prospectively. For this reason and in view of the associated degree of uncertainty, the real outcome of the transactions in question might differ from their corresponding estimates.

The **Group** and the **Company** recognised, prospectively, the following change in estimate in the preparation of financial statements:

- The **Group** reviewed the useful lives of some asset classes intangible assets, highlighting application software, belonging to the class of computer, extending them from 3 to 6 years. Service life review has been carried out as at 1 January 2023 and was based on the analysis of the history of the effective average use of assets allocated to the class underlying asset taking into account its current estimated economic life. The changes in Useful lives are accounted for prospectively. The impact of this change results in a reduction in the annual amortisation of 2023 of 1,772 thousand euros for the **Group** (note 6);

- The **Group** and the **Company** also reviewed the useful lives of some classes of tangible fixed assets, highlighting the following: computer equipment of the administrative equipment, essentially extending them from 3 to 6 years; ii) treatment machines of the basic equipment class, extending the same, essentially, from 8 to 15 years; and iii) works on other buildings in the class of Buildings and other constructions, in this case their useful life was evaluated together with the term of the underlying lease. The useful life review was carried out as at 1 January 2023 and based on historical analysis of the effective average use of assets allocated to the underlying class, taking into account the its current estimated economic life, as well as the analysis of the useful lives practiced for similar assets by CTT Group Peer Groups. Changes in useful lives, such as referred to above, are accounted for prospectively. The impact of this change results in a reduction in the depreciation of the period ended 31 December 2023 of 1,830 thousand of euros for the **Group** and 1,039 thousand Euros for the **Company**. (note 5).

4. Segment reporting

In accordance with IFRS 8, the **Group** discloses the segment financial reporting.

The Board of Directors regularly reviews segmental reports, using them to assess and communicate each segment performance, as well as to decide on how to allocate resources.

The CTT business is organised in the following segments:

- **Mail** – CTT Contacto, S.A., CTT Soluções Empresariais, S.A., New Spring Services S.A., CTT IMO - Sociedade Imobiliária, S.A., MedSpring, S.A., CTT IMO Yield, S.A., CTT Services, S.A. and CTT, S.A. excluding:
  - Business related to postal financial services and retail products - Financial Services & Retail; and
  - The business of payments related with collection of invoices and fines, Western Union transfers, integrated solutions and tolls – Bank.

- **Express & Parcels** – includes CTT Expresso S.A., CORRE S.A.,1520 Innovation Fund (formerly known as Fundo TechTree) and Open Lockers, S.A.;

- **Financial Services & Retail** - Postal Financial Services and the products and services' sales in the retail network of CTT, S.A.; and

- **Bank** – Banco CTT S.A., S.A., Payshop S.A., 321 Crédito S.A. and CTT's payment business (mentioned above).

The business segregation by segment is based on management information produced internally and presented to the chief operating decision maker.

The segments cover the three CTT business areas, as follows:

- Postal Market, covered by the Mail segment;
- Express and Parcels Market, covered by the Express & Parcels segment; and
- Financial Market, covered by the Financial Services and Bank segments.

The amounts reported in each business segment result from the aggregation of the subsidiaries and business units defined in each segment perimeter and the elimination of transactions between companies of the same segment.

The statement of financial position of each subsidiary and business unit is determined based on the amounts booked directly in the companies that compose the segment, including the elimination of balances between companies of the same segment, and excluding the allocation in the segments of the adjustments between segments.

The income statement for each business segment is based on the amounts booked directly in the companies' financial statements and related business units, adjusted by the elimination of transactions between companies of the same segment.

However, as CTT, S.A. has assets in more than one segment it was necessary to split its income and costs by the various operating segments. The Internal Services Rendered refer to services provided across the different CTT, S.A. business areas, and the income is calculated according to standard activities valued through internally set transfer prices. The Mail segment provides internal services essentially related to the retail network (included in the Mail segment). Additionally, the Financial Services Segment uses the Retail network to sell its products. The use of the Retail network by other segments, as Express & Parcels and CTT Bank is, equally, presented in the line "Internal Services Rendered".

Initially, CTT, S.A. operating costs are allocated to the different segments by charging the internal transactions for the services mentioned above. After this initial allocation, costs relating to corporate and support areas (CTT Central Structure) are allocated by nature to the Mail segment and others.

The consolidated income statement by nature and segment of 2022 and 2023 are as follows:

Thousand Euros	31.12.2022				
	Mail	Express & Parcels	Financial Services & Retail	Bank	Total
Revenues	**460,920**	**259,014**	**60,713**	**125,978**	**906,625**
Sales and services rendered	452,632	258,409	59,499	18,041	788,582
Services rendered	*417,257*	*258,386*	*45,247*	*18,041*	*738,932*
Sales	*35,375*	*23*	*14,252*	*—*	*49,650*
Financial Margin	—	—	—	74,357	74,357
Other operating income	8,288	605	1,214	33,580	43,686
Operating costs - EBITDA	**409,280**	**234,695**	**29,757**	**103,603**	**777,335**
Staff costs	293,488	29,756	1,017	27,582	351,843
External supplies and services	92,691	203,822	2,160	39,227	337,901
Other costs	36,636	1,847	13,433	9,370	61,286
Impairment and provisions	(2,460)	1,228	2,040	25,497	26,305
Internal services rendered	(11,075)	(1,958)	11,107	1,926	—
EBITDA	**51,639**	**24,319**	**30,955**	**22,376**	**129,290**
Depreciation/amortisation and impairment of investments, net	40,942	15,795	109	7,931	64,777
EBIT recurring	**10,697**	**8,525**	**30,847**	**14,444**	**64,512**
Specific items	14,198	3,113	10	(8,936)	8,385
Business restructurings	4,205	764	—	—	4,968
Strategic studies and projects costs	3,787	144	—	345	4,275
Other non-recurring income and expenses	6,207	2,206	10	(9,281)	(858)
EBIT	**(3,502)**	**5,411**	**30,837**	**23,380**	**56,127**
Financial results					(9,413)
Interest expenses					*(9,256)*
Interest income					*30*
Gains/losses in subsidiary, associated companies and joint ventures					*(187)*
Earnings before taxes (EBT)					**46,714**
Income tax for the period					10,372
Net profit for the period					**36,342**
Non-controlling interests					(64)
Equity holders of parent Company					**36,407**

Thousand Euros	31.12.2023				
	Mail	Express & Parcels	Financial Services & Retail	Bank	Total
Revenues	**434,113**	**340,586**	**62,780**	**147,740**	**985,219**
Sales and services rendered	425,558	339,497	61,116	18,435	844,606
Services rendered	*417,871*	*339,358*	*54,097*	*18,435*	*829,761*
Sales	*7,687*	*140*	*7,019*	*—*	*14,846*
Financial Margin	—	—	—	98,791	98,791
Other operating income	8,555	1,088	1,664	30,514	41,821
Operating costs - EBITDA	**388,184**	**305,025**	**26,249**	**113,880**	**833,338**
Staff costs	308,905	39,934	3,040	30,769	382,648
External supplies and services	81,792	263,008	2,188	44,480	391,467
Other costs	14,033	1,936	7,089	10,331	33,389
Impairment and provisions	(1,447)	1,672	7	25,603	25,835
Internal services rendered	(15,098)	(1,526)	13,927	2,697	—
EBITDA	**45,929**	**35,561**	**36,531**	**33,860**	**151,881**
Depreciation/amortisation and impairment of investments, net	39,950	15,826	136	8,419	64,330
EBIT recurring	**5,980**	**19,735**	**36,395**	**25,441**	**87,551**
Specific items	5,987	3,665	—	122	9,773
Business restructurings	(17,779)	384	—	—	(17,395)
Strategic studies and projects costs	1,694	412	—	—	2,106
Other non-recurring income and expenses	22,071	2,869	—	122	25,062
EBIT	**(7)**	**16,070**	**36,395**	**25,319**	**77,778**
Financial results					(16,240)
Interest expenses					*(16,870)*
Interest income					*631*
Gains/losses in subsidiary, associated companies and joint ventures					—
Earnings before taxes (EBT)					**61,538**
Income tax for the period					1,096
Net profit for the period					**60,442**
Non-controlling interests					69
Equity holders of parent Company					**60,511**

As at 31 December 2023, specific items amounted to 9.8 million euros due to (i) restructuring, namely agreements to suspend employment contracts (+21.3 million euros), (ii) new conditions defined in the Plan of Social Action (PAS) (-38.7 million euros), (iii) strategic projects (+2.1 million euros), (iv) reinforcement of impairment losses (+13.9 million euros), including extraordinary, and expenses related to early termination of the lease agreement with the former head office and (v) transaction costs associated with starting the Real Estate business (+10.9 million euros), including taxes paid on the acquisition of properties. Regarding the scope of the agreements to suspend employment contracts, it should be noted that the amount of 21.3 million euros refers to (i) a cost related to the exit that occurred during the year 2023 (116 employees for the global cost of 7.9 million euros) and (ii) a provision in the amount of 13.4 million euros already recorded in 2023, for the exit of around 200 employees, which is estimated to happen in 2024.

As at 31 December 2023, the revenue of “Mail”, “Express & Parcels” and “Bank” segments represented 44%, 35% and 15%, respectively, of the consolidated revenue. However, the external supplies and services costs allocated to those segments amounted to 21%, 67% and 11%, respectively, and the Staff costs amounted to 81%, 10% and 8%, respectively. The income statement captions for each segment have the underlying amounts booked directly in the companies’ financial statements and related business units, adjusted by the elimination of transactions between companies of the same segment.

Therefore, the distribution of external supplies and services caption by each business areas results directly from the cost structure and resources effectively consumed by each entity of the related segment. For example, CTT Expresso has a cost structure with increased use of internal labour (Staff costs). The differences in the business of the several segments, namely, the subcontracting or use of internal labour, explain the difference between the weighting of each segment for the revenue and the services and external supplies and staff costs, namely in the Mail and Express & Parcels segments. Additionally, these differences are explained either by the expense's allocation mechanism related to corporate areas and supporting to the several segments through the internal services rendered previously mentioned.

The revenues are detailed as follows:

Thousand Euros	2022	2023
Mail & Others	**460,920**	**434,113**
Transactional mail	341,650	342,620
Editorial mail	12,343	11,692
Parcels (USO)	7,690	7,575
Advertising mail	17,506	12,957
Philately	4,561	4,427
Business Solutions	67,258	44,751
Other	9,912	10,092
Express & Parcels	**259,014**	**340,586**
Portugal	132,185	149,078
Parcels	118,886	135,830
Cargo	4,889	3,950
Banking network	4,279	4,266
Logistics	3,433	3,895
Other	698	1,137
Spain	122,950	186,814
Mozambique	3,880	4,694
Financial Services & Retail	**60,713**	**62,780**
Savings & Insurance	34,152	44,862
Money orders	5,982	4,167
Payments	1,519	1,470
Retail	18,049	10,786
Other	1,011	1,494
Bank	**125,978**	**147,740**
Net interest income	74,357	98,791
Interest income (+)	80,960	132,653
Interest expense (-)	(6,602)	(33,862)
Fees & commissions income (+)	45,470	46,183
Credits	5,209	5,008
Savings & Insurance	7,660	8,114
Accounts and Cards	13,956	14,010
Payments	18,541	18,963
Other commissions received	105	89
Other	6,151	2,765
	906,625	**985,219**

The main changes in the **Group's** revenue compared with the previous year, are explained as follows:

- The 6% decrease in the "Mail and Others" segment was, above all, influenced by two effects recorded in 2022: revenue from the computer sales project from the business solutions business and additional revenue from outgoing international mail in February 2022, due to the repetition of legislative elections in the circle of Europe.

- The "Express & Parcels" segment saw an increase of 32% compared to the same period last year, mainly due to an increase in traffic in both Portugal and Spain. This growth was supported, essentially, by e-commerce (B2C) customers, with a particular focus on large global marketplaces and international e-sellers.

- The “Financial Services & Retail” segment saw an increase of 3%, when compared to 2022, mainly due to the subscription of public debt securities by consumers, especially savings certificates, which registered different behaviour throughout the year. In the first five months of 2023, public debt securities reached historic maximum issuance levels, driven by the greater attractiveness of the product. In the remaining months, with the change in marketing conditions, namely with lower maximum interest rates, the increase in the subscription period and the decrease in the maximum amount that can be applied, they reversed their position in the market, leading to a decrease of your subscription.

- The “Bank” segment saw a 17% increase in revenue. This growth included an increase in interest received from mortgage loans and auto loans, benefiting from the rise in interest rates and volume growth.

- The decrease shown in the line of retail products and services was mainly due to a strategy of repositioning the retail network, which included, in particular, the decision to discontinue the marketing of some products, such as “scratch cards” in July 2023, which impacted the evolution of this activity in 2023.

The revenue detail, related to sales and services rendered and financial margin, for the year ended 31 December 2022 and 31 December 2023, by the revenue’s sources identified in note 2.22 – Revenue, are detailed as follows:

Nature	2022				
	Mail	Express & Parcels	Financial Services & Retail	Bank	Total
Postal Services	437,156,214	—	—	—	437,156,214
Express services	—	258,409,137	—	—	258,409,137
Merchandising products sales	—	—	1,864,982	—	1,864,982
PO Boxes	—	—	1,581,315	—	1,581,315
International mail services (*)	15,475,878	—	—	—	15,475,878
Financial Services fees	—	—	56,052,807	92,398,793	148,451,600
"Sales and Services rendered" and "Financial Margin" total	**452,632,091**	**258,409,137**	**59,499,105**	**92,398,793**	**862,939,125**

(*) Inbound Mail

Nature	2023				
	Mail	Express & Parcels	Financial Services & Retail	Bank	Total
Postal Services	409,334,969	—	—	—	409,334,969
Express services	—	339,497,401	—	—	339,497,401
Merchandising products sales	—	—	1,363,871	—	1,363,871
PO Boxes	—	—	1,448,803	—	1,448,803
International mail services (*)	16,223,054	—	—	—	16,223,054
Financial Services fees	—	—	58,303,484	117,226,284	175,529,769
"Sales and Services rendered" and "Financial Margin" total	**425,558,023**	**339,497,401**	**61,116,157**	**117,226,284**	**943,397,866**

(*) Inbound Mail

The assets by segment are detailed as follows:

Assets (Euros)	Mail	Express & Parcels	Financial Services & Retail	Bank	Non allocated assets	Total
	31.12.2022					
Intangible assets	29,226,579	7,734,013	364,038	25,708,809	6,375,169	69,408,609
Tangible fixed assets	213,252,192	81,844,891	36,878	5,452,949	2,618,871	303,205,780
Investment properties	—	—	—	—	6,183,979	6,183,979
Goodwill	16,216,237	2,955,753	—	61,084,749	—	80,256,739
Deferred tax assets	—	—	—	—	67,823,608	67,823,608
Accounts receivable	—	—	—	—	147,130,876	147,130,876
Credit to bank clients	—	—	—	1,777,565,012	—	1,777,565,012
Financial assets at fair value through profit or loss	—	—	—	52,698,430	—	52,698,430
Debt securities at amortised cost	—	—	—	537,780,644	—	537,780,644
Other banking financial assets	—	—	—	462,187,527	—	462,187,527
Other assets	10,775,826	25,379,275	11,326,793	35,289,719	14,005,884	96,777,497
Cash and cash equivalents	—	23,442,625	—	130,359,498	302,667,177	456,469,298
Non-current assets held for sale	—	—	—	200	—	200
	269,470,834	**141,356,557**	**11,727,709**	**3,088,127,536**	**546,805,564**	**4,057,488,199**

Assets (Euros)	Mail	Express & Parcels	Financial Services & Retail	Bank	Non allocated assets	Total
	31.12.2023					
Intangible assets	33,064,911	9,372,295	370,257	25,116,537	2,715,785	70,639,785
Tangible fixed assets	211,328,362	78,938,956	2,440	5,589,055	1,135,853	296,994,666
Investment properties	—	—	—	—	5,975,987	5,975,987
Goodwill	16,216,237	2,955,753	—	61,084,749	—	80,256,739
Deferred tax assets	—	—	—	—	71,395,868	71,395,868
Accounts receivable	—	—	—	—	153,061,555	153,061,555
Credit to bank clients	—	—	—	1,593,213,895	—	1,593,213,895
Financial assets at fair value through profit or loss	—	—	—	13,532,000	—	13,532,000
Debt securities at amortised cost	—	—	—	729,465,998	—	729,465,998
Other banking financial assets	—	—	—	1,274,575,121	—	1,274,575,121
Other assets	14,782,642	33,497,865	14,756,030	36,747,820	16,136,151	115,920,508
Cash and cash equivalents	—	34,360,429	—	97,737,671	219,511,534	351,609,634
Non-current assets held for sale	—	—	—	200	—	200
	275,392,152	**159,125,299**	**15,128,727**	**3,837,063,045**	**469,932,733**	**4,756,641,954**

The non-current assets acquisitions by segment, are detailed as follows:

	2022				
	Mail	**Express & Parcels**	**Financial Services & Retail**	**Bank**	**Total**
Intangible assets	11,016,193	4,214,186	174,180	4,893,872	20,298,431
Tangible fixed assets	29,934,224	29,880,486	—	3,276,571	63,091,280
	40,950,416	**34,094,672**	**174,180**	**8,170,444**	**83,389,712**

	2023				
	Mail	**Express & Parcels**	**Financial Services & Retail**	**Bank**	**Total**
Intangible assets	8,694,521	3,417,750	173,119	6,114,698	18,400,088
Tangible fixed assets	13,644,454	15,872,734	26,888	1,778,632	31,322,707
	22,338,975	**19,290,484**	**200,006**	**7,893,330**	**49,722,794**

The detail of the underlying reasons to the non-allocation of the following assets to any segment, is as follows:

- "Intangible assets" (2,715,785 Euros): the unallocated amount is related to part of the intangible assets in progress, which are allocated to the underlying segment in the moment they become firm assets;
- "Tangible fixed assets" (1,135,853 Euros): This amount corresponds to part of the tangible fixed assets in progress and advances payments to suppliers, which are allocated to the respective segment at the time of the transfer to firm assets;
- "Investment properties" (5,975,987 Euros): These assets are not allocated to the operating activity, which is why they are not allocated to any segment;
- "Deferred tax assets" (71,395,868 Euros): These assets are mainly comprised of deferred tax assets associated with employee benefits, being those related to the CTT, S.A. Health Plan the most relevant amount, as detailed in note 52 - Income tax for the period. Bearing in mind that CTT, S.A. is allocated to different segments, as already mentioned, the allocation of these assets to the different segments does not seem possible to be carried out reliably;
- "Accounts receivables" (153,061,555 Euros): This amount cannot be allocated, due to the existence of multi-products customers, whose receivable amounts correspond to more than one segment;
- "Other assets" (16,136,151 Euros): This amount is mainly related to some captions of prepayments and other current and non-current assets, mostly related to CTT S.A., which are allocated to different segments and this allocation is not possible to be carried out reliably;
- "Cash and cash equivalents (219,511,534 Euros): the unallocated amount is related, essentially, to the cash and cash equivalents of CTT S.A., as this company concentrates the business segments' Mail, Financial Services & Retail and Bank, and it is not possible to split the amounts of cash and bank deposits by each CTT's businesses.

Debt by segment is detailed as follows:

	31.12.2022				
	Mail	**Express & Parcels**	**Financial Services & Retail**	**Bank**	**Total**
Non-current debt	**86,221,715**	**47,207,447**	**14,320**	**2,754,441**	**136,197,923**
Bank loans	40,706,101	—	—	—	40,706,101
Lease liabilities	45,515,614	47,207,447	14,320	2,754,441	95,491,822
Current debt	**43,016,079**	**15,550,912**	**18,221**	**1,171,532**	**59,756,744**
Bank loans	21,588,169	7,783,898	—	—	29,372,066
Lease liabilities	21,427,911	7,767,015	18,221	1,171,532	30,384,678
	129,237,794	**62,758,359**	**32,541**	**3,925,972**	**195,954,667**

	31.12.2023				
	Mail	**Express & Parcels**	**Financial Services & Retail**	**Bank**	**Total**
Non-current debt	**112,604,706**	**46,244,965**	**18,990**	**2,211,445**	**161,080,105**
Bank loans	33,390,061	—	—	—	33,390,061
Commercial Paper	34,947,466	—	—	—	34,947,466
Lease liabilities	44,267,179	46,244,965	18,990	2,211,445	92,742,578
Current debt	**89,576,284**	**17,185,189**	**6,940**	**1,166,439**	**107,934,852**
Bank loans	74,541,219	7,854,338	—	—	82,395,558
Commercial Paper	22,067	—	—	—	22,067
Lease liabilities	15,012,997	9,330,851	6,940	1,166,439	25,517,227
	202,180,990	**63,430,153**	**25,930**	**3,377,884**	**269,014,958**

The **Group** is domiciled in Portugal. The result of its Sales and services rendered by geographical segment is disclosed below:

Thousand Euros	**2022**	**2023**
Revenue - Portugal	602,999	582,827
Revenue - other countries	185,582	261,779
	788,582	844,606

The revenue rendered in other countries, includes the revenue from the Express & Parcels rendered in Spain by CTT Expresso branch in this country, in the amount of 178,893 thousand Euros (2022: 118,875 Euros).

5. Tangible fixed assets

During the years ended 31 December 2022 and 31 December 2023, the movements occurred in Tangible fixed assets, as well as the respective accumulated depreciation, regarding the **Group** were as follows:

Group	2022									
	Land and natural resources	Buildings and other constructions	Basic equipment	Transport equipment	Office equipment	Other tangible fixed assets	Tangible fixed assets in progress	Advance payments to suppliers	Rights of use	Total
Tangible fixed assets										
Opening balance	35,623,210	340,476,500	169,083,615	3,607,398	72,055,630	27,369,691	3,612,902	4,763,076	256,671,618	913,263,640
Acquisitions	—	510,894	4,542,226	175,677	2,448,334	1,112,055	6,899,239	1,008,038	—	16,696,462
New contracts	—	—	—	—	—	—	—	—	32,163,406	32,163,406
Disposals	(14,309)	(209,892)	(761,272)	—	(29,279)	—	—	—	—	(1,014,752)
Transfers and write-offs	—	2,475,616	8,272,318	(135,248)	(191,361)	(74,613)	(6,509,623)	(5,618,537)	(55,207,647)	(56,989,095)
Remeasurements	—	—	—	—	—	—	—	—	23,981,383	23,981,383
Adjustments	—	1,332	22,017	1,676	24,510	160,119	16,292	—	(4,192)	221,754
Closing balance	35,608,901	343,254,451	181,158,903	3,649,503	74,307,835	28,567,252	4,018,810	152,577	257,604,568	928,322,799
Accumulated depreciation										
Opening balance	3,562,627	229,858,304	138,852,469	3,441,543	66,789,717	21,267,005	—	—	153,184,938	616,956,602
Depreciation for the period	—	9,017,208	7,044,204	62,669	1,717,246	1,377,100	—	—	29,389,515	48,607,942
Disposals	(824)	(137,555)	(760,152)	—	(18,325)	—	—	—	—	(916,856)
Transfers and write-offs	—	(68,992)	(89,374)	—	(191,361)	(74,921)	—	—	(43,177,040)	(43,601,687)
Adjustments	—	526	65,316	1,429	2,300	1,547	—	—	347,773	418,891
Closing balance	3,561,803	238,669,491	145,112,462	3,505,640	68,299,578	22,570,731	—	—	139,745,187	621,464,892
Accumulated impairment										
Opening balance	—	—	—	—	—	19,460	—	—	—	19,460
Increases	—	218,840	—	—	—	(3,335)	—	—	3,417,162	3,632,667
Closing balance	—	218,840	—	—	—	16,125	—	—	3,417,162	3,652,127
Net Tangible fixed assets	**32,047,098**	**104,366,120**	**36,046,441**	**143,862**	**6,008,257**	**5,980,396**	**4,018,810**	**152,577**	**114,442,219**	**303,205,780**

Group	2023									
	Land and natural resources	Buildings and other constructions	Basic equipment	Transport equipment	Office equipment	Other tangible fixed assets	Tangible fixed assets in progress	Advance payments to suppliers	Rights of use	Total
Tangible fixed assets										
Opening balance	35,608,901	343,254,451	181,158,903	3,649,503	74,307,835	28,567,252	4,018,810	152,577	257,604,568	928,322,799
Acquisitions	—	377,331	5,907,723	38,854	4,397,337	992,122	5,963,623	18,583	—	17,695,573
New contracts	—	—	—	—	—	—	—	—	13,627,135	13,627,135
Disposals	—	—	(988,366)	(4,053)	(502)	—	—	—	—	(992,921)
Transfers and write-offs	—	3,575,999	2,315,415	—	195,229	(208,079)	(8,175,333)	(100,908)	(14,766,030)	(17,163,708)
Terminated contracts	—	—	—	—	—	—	—	—	(1,667,586)	(1,667,586)
Remeasurements	—	—	—	—	—	—	—	—	21,942,433	21,942,433
Adjustments	—	(1,000)	(85,934)	(1,893)	(1,903)	22,119	52,144	—	150,020	133,554
Closing balance	35,608,901	347,206,781	188,307,741	3,682,410	78,897,996	29,373,413	1,859,244	70,252	276,890,540	961,897,279
Accumulated depreciation										
Opening balance	3,561,803	238,669,491	145,112,462	3,505,640	68,299,578	22,570,731	—	—	139,745,187	621,464,892
Depreciation for the period	—	10,259,034	4,874,132	65,497	1,820,743	1,469,622	—	—	33,667,816	52,156,843
Disposals	—	—	(685,376)	(3,725)	(309)	—	—	—	—	(689,410)
Transfers and write-offs	—	(1,203,258)	(24,940)	—	(12,843)	(101,548)	—	—	(5,151,501)	(6,494,090)
Terminated contracts	—	—	—	—	—	—	—	—	(1,574,152)	(1,574,152)
Adjustments	—	(461)	(30,400)	(1,268)	(1,514)	(1,315)	—	—	59,681	24,724
Closing balance	3,561,803	247,724,805	149,245,878	3,566,144	70,105,656	23,937,490	—	—	166,747,031	664,888,807
Accumulated impairment										
Opening balance	—	218,840	—	—	—	16,125	—	—	3,417,162	3,652,127
Increases	—	280,550	—	—	—	—	—	—	4,896,310	5,176,860
Reversals	—	(499,390)	—	—	—	(2,319)	—	—	(8,313,472)	(8,815,181)
Closing balance	—	—	—	—	—	13,806	—	—	—	13,805
Net Tangible fixed assets	**32,047,098**	**99,481,976**	**39,061,863**	**116,266**	**8,792,340**	**5,422,117**	**1,859,244**	**70,252**	**110,143,510**	**296,994,666**

The depreciation recorded in the **Group** amounting to 52,156,843 Euros 48,607,942 Euros on 31 December 2022), is booked under the heading Depreciation/amortisation and impairment of investments, net (Note 47).

During the years ended 31 December 2022 and 31 December 2023, the movements occurred in Tangible fixed assets, as well as the respective accumulated depreciation, regarding the **Company** were as follows:

	2022									
Company	**Land and natural resources**	**Buildings and other constructions**	**Basic equipment**	**Transport equipment**	**Office equipment**	**Other tangible fixed assets**	**Tangible fixed assets in progress**	**Advance payments to suppliers**	**Rights of use**	**Total**
Tangible fixed assets										
Opening balance	32,536,732	317,375,819	128,874,630	2,507,407	63,024,828	24,728,644	1,146,447	740,005	193,942,512	764,877,025
Acquisitions	—	(46,648)	1,860,328	150,275	1,892,652	889,154	3,181,661	—	—	7,927,423
New contracts	—	—	—	—	—	—	—	—	8,224,815	8,224,815
Disposals	(14,309)	(159,112)	(665,449)	—	(1,348)	—	—	—	—	(840,219)
Transfers and write-offs	—	1,760,906	(459,952)	(135,248)	—	(808)	(1,760,906)	(688,337)	(51,293,236)	(52,577,582)
Remeasurements									21,473,018	21,473,018
Adjustments	—	—	—	—	—	156,488	—	—	—	156,488
Closing balance	32,522,423	318,930,965	129,609,557	2,522,434	64,916,132	25,773,478	2,567,203	51,668	172,347,109	749,240,967
Accumulated depreciation										
Opening balance	3,562,627	218,844,001	110,533,318	2,469,945	58,891,314	19,800,379	—	—	127,218,814	541,320,399
Depreciation for the period	—	7,853,086	3,955,756	11,108	1,131,765	1,203,809	—	—	20,433,241	34,588,766
Disposals	(824)	(94,527)	(664,721)	—	(1,134)	—	—	—	—	(761,205)
Transfers and write-offs	—	(79,155)	—	—	—	—	—	—	(41,100,888)	(41,180,043)
Adjustments	—	—	—	—	—	—	—	—	347,722	347,722
Closing balance	3,561,803	226,523,405	113,824,354	2,481,053	60,021,946	21,004,188	—	—	106,898,889	534,315,638
Accumulated impairment										
Opening balance	—	—	—	—	—	19,460	—	—	—	19,460
Other variations	—	218,840	—	—	—	(3,335)	—	—	3,417,162	3,632,667
Closing balance	—	218,840	—	—	—	16,125	—	—	3,417,162	3,652,127
Net Tangible fixed assets	**28,960,619**	**92,188,720**	**15,785,203**	**41,381**	**4,894,186**	**4,753,164**	**2,567,203**	**51,668**	**62,031,058**	**211,273,202**

Company	2023									
	Land and natural resources	Buildings and other constructions	Basic equipment	Transport equipment	Office equipment	Other tangible fixed assets	Tangible fixed assets in progress	Advance payments to suppliers	Rights of use	Total
Tangible fixed assets										
Opening balance	32,522,423	318,930,965	129,609,557	2,522,434	64,916,132	25,773,478	2,567,203	51,668	172,347,109	749,240,967
Acquisitions	—	—	1,903,992	38,854	3,738,840	736,994	2,533,736	18,583	—	8,971,000
New contracts	—	—	—	—	—	—	—	—	57,553,755	57,553,755
Disposals	(25,760,202)	(208,996,323)	(521,727)	—	—	—	—	—	—	(235,278,252)
Transfers and write-offs	—	2,333,242	(3,786)	—	(18,298)	(180,703)	(4,034,847)	—	(14,276,953)	(16,181,346)
Remeasurements									22,554,425	22,554,425
Adjustments	—	—	—	—	—	21,147	—	—	—	21,147
Closing balance	6,762,221	112,267,883	130,988,036	2,561,288	68,636,675	26,350,915	1,066,091	70,252	238,178,335	586,881,696
Accumulated depreciation										
Opening balance	3,561,803	226,523,405	113,824,354	2,481,053	60,021,946	21,004,188	—	—	106,898,889	534,315,638
Depreciation for the period	—	5,661,307	2,263,415	13,413	1,444,786	1,241,160	—	—	23,514,120	34,138,202
Disposals	(2,640,049)	(148,952,541)	(479,919)	—	—	—	—	—	—	(152,072,510)
Transfers and write-offs	—	(1,125,542)	(1,010)	—	(6,271)	(111,674)	—	—	(4,761,331)	(6,005,828)
Adjustments	—	79,155	(79,155)	—	—	—	—	—	59,681	59,681
Closing balance	921,754	82,185,784	115,527,685	2,494,467	61,460,461	22,133,674	—	—	125,711,359	410,435,183
Accumulated impairment										
Opening balance	—	218,840	—	—	—	16,125	—	—	3,417,162	3,652,127
Increases	—	280,550	—	—	—	—	—	—	4,896,310	5,176,860
Reversals	—	(499,390)	—	—	—	(2,319)	—	—	(8,313,472)	(8,815,181)
Closing balance	—	—	—	—	—	13,806	—	—	—	13,806
Net Tangible fixed assets	**5,840,467**	**30,082,100**	**15,460,351**	**66,821**	**7,176,213**	**4,203,436**	**1,066,091**	**70,252**	**112,466,976**	**176,432,707**

The depreciation recorded in the **Company** amounting to 34,138,202 Euros (34,588,766 Euros on 31 December 2022), is booked under the caption Depreciation/amortisation and impairment of investments, net (Note 47).

As part of the real estate asset transaction, described in detail in note 8, on 27 November 2023, the **Company** transferred 360 properties to CTT IMO Yield, resulting in the derecognition of tangible fixed assets at a net book value of 83,163 thousand Euros and investment properties with a net book value of 4,691 thousand Euros (note 7). The **Company** then carried out a leaseback operation for the properties used within the scope of its operational activity. This operation resulted in the recognition of a right of use of 54,050 thousand euros, as well as the respective lease liability of 85,578 thousand euros. The capital gains generated in the operation total 1,625 thousand euros for the Company. Considering that this is an operation between group companies, no impacts were recognised on the **Company**'s results for the period. It should also be noted that this operation had no impact on the **Group**'s consolidated accounts.

According to the concession contract in force (Note 1) at the end of the concession, the assets included in the public and private domain of the State revert automatically, at no cost, to the conceding entity. As the postal network belongs exclusively to CTT, not being a public domain asset, only the assets that belong to the State revert to it, and as such, at the end of the concession CTT will continue to own its assets. The Board of Directors, supported by CTT's accounting records and the statement of Directorate General of Treasury and Finance ("Direção Geral do Tesouro e Finanças"), the entity responsible for the Information System of Public Buildings ("Sistema de Informação de Imóveis do Estado" – SIIE) concludes that CTT's assets do not include any public or private domain assets of the Portuguese State.

As under the concession contract, the grantor does not control any significant residual interest in CTT's postal network and CTT being free to dispose of, replace or encumber the assets that integrate the postal network, IFRIC 12 - Service Concession Agreements is not applicable to the universal postal service concession contract.

As mentioned in Note 3, in the period ended 31 December 2023, the Group reviewed the useful lives of some classes of tangible fixed assets as at 1 January 2023, with the impact of this change resulting in a reduction of the depreciation in period ended 31 December 2023 for the year 2023 of 1,830 thousand euros in the **Group** and 1,039 thousand euros for the **Company.**

During the year ended 31 December 2023, the most significant movements in Tangible Fixed Assets were the following:

Buildings and other constructions:

The movements associated with acquisitions and transfers concern to capitalisation works in own and third-party buildings in several CTT and CTT Expresso facilities.

Basic equipment:

The amount related to acquisitions mainly relates to the acquisition of motorcycles in the amount of 1,325 thousand euros by CTT, the acquisition of several postal equipment amounting to 839 thousand euros and the upgrade of processing machines amounting approximately 572 thousand euros by CTT Expresso and to the acquisition of lockers amounting to 1,350 thousand euros by Open Lockers.

Office equipment:

The amount relating to acquisitions mainly relates to the acquisition of furniture worth 217 thousand euros, several medium and large IT equipment worth 1,281 thousand euros and microcomputer equipment worth 2,222 thousand euros at CTT, as well as the acquisition of several microcomputer equipment worth 352 thousand euros and the acquisition of furniture worth 61 thousand euros at CTT Expresso.

Other tangible fixed assets:

The acquisitions caption essentially records prevention and safety equipment worth approximately 430 thousand euros and the acquisition of fixed communication equipment for an approximate value of 158 thousand euros at CTT and the acquisition of prevention and safety equipment worth 113 thousand euros at CTT Expresso.

Tangible fixed assets in progress and advance payments to suppliers:

Under the caption of acquisitions of tangible fixed assets in progress and advances payment on suppliers, are essentially booked the construction works on the new headquarters building - Green Park at CTT, however, transferred to the related nature caption upon completion.

Rights of Use

The **Group** and **Company** recognised rights of use, detailed by type of asset, as follows:

Group	2022			
	Buildings	Vehicles	Other assets	Total
Tangible fixed assets				
Opening balance	221,150,166	33,910,310	1,611,141	256,671,618
New contracts	24,666,056	3,892,932	3,604,418	32,163,406
Transfers and write-offs	(55,627,031)	901,179	(481,795)	(55,207,647)
Remeasurements	23,900,634	80,749	—	23,981,383
Adjustments	(6,272)	2,080	—	(4,192)
Closing balance	214,083,554	38,787,250	4,733,764	257,604,568
Accumulated depreciation				
Opening balance	135,142,142	17,015,249	1,027,547	153,184,938
Depreciation for the period	21,125,315	7,383,869	880,331	29,389,515
Transfers and write-offs	(42,812,311)	(273,521)	(91,208)	(43,177,040)
Adjustments	268,566	79,207	—	347,773
Closing balance	113,723,712	24,204,805	1,816,670	139,745,187
Accumulated impairment				
Opening balance	—	—	—	—
Increases	3,417,162	—	—	3,417,162
Closing balance	3,417,162	—	—	3,417,162
Net Tangible fixed assets	**96,942,681**	**14,582,445**	**2,917,094**	**114,442,219**

Group	2023			
	Buildings	Vehicles	Other assets	Total
Tangible fixed assets				
Opening balance	214,083,554	38,787,250	4,733,764	257,604,568
New contracts	11,501,538	2,125,596	—	13,627,135
Transfers and write-offs	(14,678,516)	(87,514)	—	(14,766,030)
Terminated contracts	(1,398,631)	(268,955)	—	(1,667,586)
Remeasurements	20,056,802	1,885,631	—	21,942,433
Adjustments	143,433	6,588	—	150,020
Closing balance	229,708,181	42,448,596	4,733,764	276,890,540
Accumulated depreciation				
Opening balance	113,723,712	24,204,805	1,816,670	139,745,187
Depreciation for the period	24,192,899	8,421,222	1,053,695	33,667,816
Transfers and write-offs	(5,053,679)	(97,821)	—	(5,151,501)
Terminated contracts	(1,316,765)	(257,387)	—	(1,574,152)
Adjustments	59,681	—	—	59,681
Closing balance	131,605,848	32,270,818	2,870,365	166,747,031
Accumulated impairment				
Opening balance	3,417,162	—	—	3,417,162
Increases	4,896,310	—	—	4,896,310
Reversals	(8,313,472)	—	—	(8,313,472)
Closing balance	—	—	—	—
Net Tangible fixed assets	**98,102,333**	**10,177,778**	**1,863,399**	**110,143,510**

The depreciation recorded, in the **Group,** in the amount of 33,667,816 Euros (29,389,515 Euros on 31 December 2022), is booked under the caption Depreciation/amortisation and impairment of investments, net.

As at 31 December 2022, the caption “Transfers and write-offs” essentially books the adjustment of the right of use associated with the lease agreement of the former CTT headquarters building - Edifício

Báltico, following the remeasurement of the underlying liability, carried out within the scope of the decision to change headquarters premises. During 2022, an amendment to the lease in force was identified which, embodied in a negotiation process in the pre-completion phase, which, because i) is not a separate lease; and ii) reducing the lease term, resulting in the adjustment of the right of use corresponding to a gross amount of 52,413 thousand euros and accumulated amortisations in the amount of 40,990 thousand euros, which together with the adjustment of the corresponding lease liability in the amount of 14,847 thousand euros, originated a gain of 3,424 thousand euros recognised under the caption “Gains/losses on sale/remeasurement of assets”. Additionally, on 31 December 2022, a new amendment to the aforementioned lease agreement was recorded due to a breach of agreed pre-contractual conditions which, once again, because i) it was not a separate lease; and ii) increasing the lease term, implied the remeasurement and recognition of the liability for the remaining term of the lease contract, in the amount of 14,231 thousand Euros, taking into account the discount rate in force on the date of this new amendment, as well as the corresponding right-of-use asset recognised under “Remeasurements” caption, in the same amount. Also with reference to 31 December 2022, an impairment loss was recognised for the aforementioned right of use, in the amount of 3,636 thousand Euros, which corresponds to the period in which there is an expectation that the right of use do not generate economic benefits for the Group because the building is vacant. Additionally, an amount of 4,282 thousand Euros was recognised under the caption “New Contracts”, relating to the lease agreement for the new CTT headquarters building – Green Park.

As the building was not occupied during the year, the impairment loss initially recognised on 31 December 2022 was, on 30 June 2023, increased by 5.177 thousand Euros. On 31 December 2023, an early termination of this lease contract was agreed with the counterparty, which resulted in the derecognition of the existing lease and the reversal of the remaining amount of impairment recorded and which had been partially reversed during the year in proportion to the depreciation of the right of use. The costs of ending the contract, in the amount of 8,005 thousand Euros, are recorded under the caption “Other Expenses and Losses” (note 49).

Company	2022			
	Buildings	Vehicles	Other assets	Total
Tangible fixed assets				
Opening balance	163,196,935	29,642,606	1,102,970	193,942,512
New contracts	4,649,910	3,246,160	328,746	8,224,815
Transfers and write-offs	(52,576,774)	1,283,538	—	(51,293,236)
Remeasurements	21,473,018	—	—	21,473,018
Closing balance	136,743,089	34,172,304	1,431,716	172,347,109
Accumulated depreciation				
Opening balance	111,459,692	15,108,885	650,238	127,218,814
Depreciation for the period	13,772,344	6,436,814	224,083	20,433,241
Transfers and write-offs	(41,100,888)	—	—	(41,100,888)
Adjustments	268,566	79,155	—	347,722
Closing balance	84,399,714	21,624,854	874,320	106,898,889
Accumulated impairment				
Opening balance	—	—	—	—
Increases	3,417,162	—	—	3,417,162
Closing balance	3,417,162	—	—	3,417,162
Net Tangible fixed assets	**48,926,213**	**12,547,450**	**557,395**	**62,031,058**

Company	2023			
	Buildings	Vehicles	Other assets	Total
Tangible fixed assets				
Opening balance	136,743,089	34,172,304	1,431,716	172,347,109
New contracts	56,189,330	1,364,425	—	57,553,755
Transfers and write-offs	(14,276,953)	—	—	(14,276,953)
Remeasurements	20,761,675	1,792,750	—	22,554,425
Closing balance	199,417,141	37,329,479	1,431,716	238,178,335
Accumulated depreciation				
Opening balance	84,399,714	21,624,854	874,320	106,898,889
Depreciation for the period	15,883,556	7,379,856	250,709	23,514,120
Transfers and write-offs	(4,761,331)	—	—	(4,761,331)
Adjustments	59,681	—	—	59,681
Closing balance	95,581,620	29,004,710	1,125,029	125,711,359
Accumulated impairment				
Opening balance	3,417,162	—	—	3,417,162
Increases	4,896,310	—	—	4,896,310
Reversals	(8,313,472)	—	—	(8,313,472)
Closing balance	—	—	—	—
Net Tangible fixed assets	**103,835,521**	**8,324,769**	**306,687**	**112,466,976**

The depreciation recorded, in the **Company**, in the amount of 23,514,120 Euros (20,433,241 Euros on 31 December 2022), is booked under the caption “Depreciation/amortisation and impairment of investments, net”.

The information on the liabilities associated with these leases as well as the interest expenses can be found disclosed on Debt (Note 31) and Interest expenses and income (Note 51), respectively.

In 2023, no interest on loans was capitalised, in the **Group** and in the **Company**, as no loans were directly identified attributable to the acquisition or construction of an asset that requires a substantial period of time (greater than one year) to reach its status of use.

The **Group** and the **Company** assessed the existence of impairment indicators of tangible and intangible assets allocated to each segment as of 31 December 2023.

The tangible and intangible assets impairment allocated to the cash-generating unit Mailtec (Printing&Finishing), Transporta (Carga), Tourline and 321 Crédito was assessed together with the impairment tests on Goodwill and investments (Note 9).

Regarding the tangible and intangible assets associated with the mail business developed by CTT and the business developed by Banco CTT, the **Group** assessed the existence of signs of impairment, comparing the amount of non-current assets allocated to the respective businesses with the respective operating results, not indications of impairment were identified in the aforementioned segments.

The **Group** did not also identify any impairment indicators in tangible and intangible assets of the Express & Parcels business in CTT Expresso, whose ratio compared to the related operating profit improved in the current year.

Therefore, according to the impairment tests carried out and the analysis of signs of impairment, no other events or circumstances were identified that indicate that the amount at which the tangible fixed assets of the **Group** and the **Company** are recorded may not be recovered.

There are no carrying amounts with restricted ownership or carrying amounts of tangible fixed assets given as collateral for liabilities.

The **Group** and the **Company** contractual commitments, related to Tangible fixed assets at 31 December 2023, amount to 6,136,083 Euros and 3,618,341 Euros, respectively.

Sustainable investment

In 2023, the Group continued its programme of operating investments, which amounted to 40 million Euros that included acquisitions of tangible assets, intangible assets and investment properties, as disclosed in notes 5, 6, and 7.

As part of its work on the European taxonomy for sustainable activities, the Group has estimated its rate of investments validated as sustainable investments by the Green Taxonomy. In 2023, 16.0% (12.7% in 2022) of the Group's investments were compliant with the European taxonomy, that is, where considered aligned, representing 54.2% (56.5% in 2022) of the investments classified as eligible according to the European taxonomy.

The investments validated as sustainable ("aligned activities") correspond essentially to investments in electric fleet, locker systems installation, installation of vehicles electrical chargers, improvements in the air conditioning environment of the facilities, improvements of lighting systems, improvements of electrical panels, replacement of compressed air compressors and review of the compressed air distribution network, software that allows route optimisation and the reduction of greenhouse gas emissions, and replacement of the hot water system with solar panels.

See more information about the European Green Taxonomy in section 4.7.

6. Intangible assets

During the years ended 31 December 2022 and 31 December 2023, the movements which occurred in the main categories of the **Group** Intangible assets, as well as the respective accumulated amortisation, were as follows:

Group	2022					
	Development projects	Computer Software	Industrial property	Other intangible assets	Intangible assets in progress	Total
Intangible assets						
Opening balance	4,380,552	148,350,779	18,820,229	1,497,893	11,867,286	184,916,739
Acquisitions	—	2,324,541	861,415	—	17,112,475	20,298,431
Transfers and write-offs	—	18,791,615	(114,634)	(1,053,154)	(19,594,954)	(1,971,127)
Adjustments	—	—	24,387	—	50,177	74,564
Other movements - PPA New Spring	—	—	—	1,864,330	—	1,864,330
Closing balance	4,380,552	169,466,935	19,591,397	2,309,070	9,434,984	205,182,938
Accumulated amortisation						
Opening balance	4,379,539	102,371,559	13,099,884	1,497,893	—	121,348,875
Amortisation for the period	1,013	14,211,222	1,572,482	481,118	—	16,265,834
Transfers and write-offs	—	(686,343)	(114,564)	(1,053,154)	—	(1,854,061)
Adjustments	—	—	13,682	—	—	13,682
Closing balance	4,380,552	115,896,437	14,571,483	925,857	—	135,774,330
Accumulated impairment						
Opening balance	—	—	—	—	60,617	60,617
Impairment for the period	—	—	—	—	(60,617)	(60,617)
Closing balance	—	—	—	—		
Net intangible assets	**—**	**53,570,497**	**5,019,914**	**1,383,213**	**9,434,984**	**69,408,609**

Group	2023					
	Development projects	Computer Software	Industrial property	Other intangible assets	Intangible assets in progress	Total
Intangible assets						
Opening balance	4,380,552	169,466,935	19,591,397	2,309,070	9,434,984	205,182,938
Acquisitions	—	2,025,284	699,454	—	15,675,350	18,400,088
Transfers and write-offs	—	21,508,320	(440,115)	—	(21,198,220)	(130,015)
Adjustments	—	—	(14,639)	—	—	(14,639)
Closing balance	4,380,552	193,000,538	19,836,097	2,309,070	3,912,114	223,438,371
Accumulated amortisation						
Opening balance	4,380,552	115,896,437	14,571,483	925,857	—	135,774,330
Amortisation for the period	—	15,455,209	1,217,770	360,838	—	17,033,818
Transfers and write-offs	—	418,966	(418,966)	—	—	—
Adjustments	—	—	(9,561)	—	—	(9,561)
Closing balance	4,380,552	131,770,613	15,360,727	1,286,695	—	152,798,587
Net intangible assets	**—**	**61,229,926**	**4,475,370**	**1,022,375**	**3,912,114**	**70,639,785**

The amortisation in the **Group** for the year ended 31 December 2023, amounting to 17,033,818 Euros (16,265,834 Euros as at 31 December 2022) was recorded under Depreciation / amortisation and impairment of investments, net (Note 47).

In the period ended 31 December 2022, the caption “Other movements - PPA NewSpring Services” refers to the customer contracts portfolio acquired as part of the NewSpring Services’ shares acquisition transaction, and determined within the PPA scope (note 8).

During the years ended 31 December 2022 and 31 December 2023, the movements which occurred in the main categories of the **Company** Intangible assets, as well as the respective accumulated amortisation, were as follows:

Company	2022				
	Development projects	Computer Software	Industrial property	Intangible assets in progress	Total
Intangible assets					
Opening balance	3,717,326	80,240,104	9,781,872	8,266,141	102,005,443
Acquisitions	—	234,823	802,270	10,090,592	11,127,685
Transfers and write-offs	—	11,981,563	—	(11,981,563)	—
Closing balance	3,717,326	92,456,490	10,584,142	6,375,169	113,133,128
Accumulated amortisation					
Opening balance	3,717,326	63,891,279	6,144,400	—	73,753,005
Amortisation for the period	—	4,881,679	1,259,615	—	6,141,294
Closing balance	3,717,326	68,772,958	7,404,015	—	79,894,299
Net intangible assets	**—**	**23,683,533**	**3,180,127**	**6,375,169**	**33,238,829**

Company	2023				
	Development projects	Computer Software	Industrial property	Intangible assets in progress	Total
Intangible assets					
Opening balance	3,717,326	92,456,490	10,584,142	6,375,169	113,133,128
Acquisitions	—	135,034	699,454	8,046,910	8,881,399
Transfers and write-offs	—	11,706,294	—	(11,706,294)	—
Closing balance	3,717,326	104,297,819	11,283,596	2,715,785	122,014,526
Accumulated amortisation					
Opening balance	3,717,326	68,772,958	7,404,015	—	79,894,299
Amortisation for the period	—	7,215,944	1,061,868	—	8,277,813
Closing balance	3,717,326	75,988,902	8,465,883	—	88,172,111
Net intangible assets	**—**	**28,308,917**	**2,817,713**	**2,715,785**	**33,842,415**

The amortisation in the **Company,** for the year ended 31 December 2023, amounting to 8,277,813 Euros (6,141,294 Euros as at 31 December 2022) was recorded under Depreciation / amortisation and impairment of investments, net (Note 47).

As mentioned in note 3, in the year ended 31 December 2023, the **Group** reviewed the useful lives of some classes of intangible assets, in particular application software, as at 1 January 2023. The impact of this change results in a reduction for the year 2023 of 1,772 thousand euros for the **Group**.

The caption Industrial property in the **Group** includes the license of the trademark "Payshop International" of CTT Contacto, S.A., in the amount of 1,200,000 Euros. This license has an indefinite useful life, therefore it is not amortised, being subject to impairment tests on a minimum annual basis or when there are indications of impairment. See the main assumptions of the impairment test in note 9.

The transfers occurred in the year ended 31 December 2023 from Intangible assets in progress to Computer software refer to IT projects, which were completed during the year.

The amounts of 2,270,912 Euros and 1,550,479 Euros were capitalised in computer software or in Intangible assets in progress as at 31 December 2022 and 31 December 2023, respectively, related to **Company** staff costs incurred in the development of these projects.

During the year ended 31 December 2023, the most significant movements of the **Group** companies in Intangible assets were the following:

<u>Computer software:</u>

The acquisitions caption essentially records the acquisitions by CTT Expresso of the "Application Integration" software amounting 754 thousand Euros, the "Micro IO" software amounting 270 thousand Euros, and Micro IO migration consultancy amounting of 487 thousand Euros, in the "SalesForce" software amounting 304 thousand Euros.

<u>Industrial property:</u>

The acquisitions caption essentially records the acquisitions, by CTT, of "Desk Management" licenses worth 162 thousand euros and "Tenable-Redshift" licenses worth approximately 531 thousand euros.

As at 31 December 2023 the **Group** and the **Company** Intangible assets in progress, relate to IT projects which are under development, of which the most relevant are:

	Group	Company
Super App CTT	659,428	659,428
Client Area B2B - Software	625,891	625,891
MB Cards at Agents	371,324	—
Fleet management - Software	132,824	132,824
Upgrade software DSX	116,572	—
	1,906,038	**1,418,142**

The **Group** and the **Company** have not identified any relevant uncertainties regarding the conclusion of ongoing projects, nor about their recoverability. Even so, the recoverability of the amounts of intangible assets in progress was tested in the scope of impairment tests of the assets of the Cash Generating Unit to which they belong, with particularly emphasis on the assets related to the **Group'**s businesses (Note 9).

As mentioned in note 5, according to the impairment tests performed and impairment indicators analysis, no events or circumstances were identified that indicate that the carrying amount of **Group**'s and **Company**'s intangible assets may not be recovered.

Most of the projects are expected to be completed in 2024.

Regarding the economic period of 2023, the **Group** and the **Company** are still identifying and quantifying the expenses incurred with R&D, as disclosed in Note 52.

There are no Intangible assets with restricted ownership or any carrying amount relative to any Intangible assets which have been given as a guarantee of liabilities.

In 2023, no interest on loans was capitalised, in the **Group** and in the **Company**, as no loans were directly identified attributable to the acquisition or construction of an asset that requires a substantial period of time (greater than one year) to reach its status of use.

Contractual commitments relative to the **Group** and the **Company,** at 31 December 2023, amount to 6,892,706 Euros and 1,343,273 Euros, respectively.

7. Investment properties

As at 31 December 2022 and 31 December 2023, the **Group** have the following assets classified as investment properties:

	2022		
Group	**Land and natural resources**	**Buildings and other constructions**	**Total**
Investment properties			
Opening balance	2,889,422	11,230,168	14,119,589
Disposals	(27,175)	(177,275)	(204,450)
Closing balance	**2,862,247**	**11,052,892**	**13,915,139**
Accumulated depreciation			
Opening balance	158,649	7,240,580	7,399,229
Depreciation for the period	—	210,263	210,263
Disposals	(3,081)	(128,433)	(131,513)
Closing balance	**155,569**	**7,322,410**	**7,477,979**
Accumulated impairment			
Opening balance	—	392,936	392,936
Impairment for the period	—	(139,754)	(139,754)
Closing balance	—	253,181	253,181
Net Investment properties	**2,706,679**	**3,477,300**	**6,183,979**

Group	2023 Land and natural resources	Buildings and other constructions	Total
Investment properties			
Opening balance	2,862,247	11,052,892	13,915,139
Additions	—	—	—
Closing balance	**2,862,247**	**11,052,892**	**13,915,139**
Accumulated depreciation			
Opening balance	155,569	7,322,410	7,477,979
Depreciation for the period	—	183,591	183,591
Other movements	—	25,189	25,189
Closing balance	**155,569**	**7,531,191**	**7,686,759**
Accumulated impairment			
Opening balance	—	253,181	253,181
Impairment for the period	—	(788)	(788)
Closing balance	—	252,393	252,393
Net Investment properties	**2,706,679**	**3,269,308**	**5,975,987**

Depreciation for the year ended on 31 December 2023, of 183,591 Euros (210,263 Euros on 31 December 2022) was recorded in the caption Depreciation/amortisation and impairment of investments, net (Note 47) for the Group.

As at 31 December 2022 and 31 December 2023, the **Company** have the following assets classified as investment properties:

Company	2022 Land and natural resources	Buildings and other constructions	Total
Investment properties			
Opening balance	2,889,422	11,230,168	14,119,589
Disposals	(27,175)	(177,275)	(204,450)
Closing balance	**2,862,247**	**11,052,892**	**13,915,139**
Accumulated depreciation			
Opening balance	158,649	7,240,580	7,399,229
Depreciation for the period	—	210,263	210,263
Disposals	(3,081)	(128,433)	(131,513)
Closing balance	**155,569**	**7,322,410**	**7,477,979**
Accumulated impairment			
Opening balance	—	392,936	392,936
Impairment for the period	—	(139,754)	(139,754)
Closing balance	—	253,181	253,181
Net Investment properties	**2,706,679**	**3,477,300**	**6,183,979**

Company	2023		
	Land and natural resources	Buildings and other constructions	Total
Investment properties			
Opening balance	2,862,247	11,052,892	13,915,139
Disposals	(1,514,883)	(9,910,560)	(11,425,443)
Closing balance	**1,347,365**	**1,142,332**	**2,489,696**
Accumulated depreciation			
Opening balance	155,569	7,322,410	7,477,979
Depreciation for the period	—	53,322	53,322
Disposals	(141,050)	(6,593,303)	(6,734,354)
Closing balance	**14,518**	**782,429**	**796,947**
Accumulated impairment			
Opening balance	—	253,181	253,181
Impairment for the period	—	(788)	(788)
Closing balance	—	252,393	252,393
Net Investment properties	**1,332,847**	**107,509**	**1,440,356**

Depreciation for the year ended on 31 December 2023, of 53,322 Euros (210,263 Euros on 31 December 2022) was recorded in the caption Depreciation/amortisation and impairment of investments, net (Note 47) for the **Company**.

These assets are not allocated to the **Group** and the **Company** operating activities, being in the market available for lease.

The amount recorded in disposals corresponds to the transfer of investment properties with a net book value of 4,691 thousand euros, within the scope of the transaction of real estate assets to CTT IMO Yield, explained in detail in note 5.

The market value of these assets, which are classified as investment property, in accordance with the valuations obtained at the end of the fiscal year 2023 which were conducted by independent entities, amounts to 10,437,353 Euros (10,200,003 Euros as at 31 December 2022).

As at 31 December 2023, the rents amount charged by the **Group** and **Company** for properties and equipment leases classified as investment properties was 33,773 Euros (31 December 2022: 38,135 Euros).

For the period ended 31 December 2022, impairment losses, amounting to (139,754) Euros, were booked in the caption “Depreciation/amortisation and impairment of investments, net” and are explained by properties transferred to tangible fixed assets.

8. Companies included in the consolidation

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Subsidiary companies

As at 31 December 2022 and 31 December 2023, the parent company, CTT - Correios de Portugal, S.A. and the following subsidiaries were included in the consolidation:

Company name	Place of business	Head office	2022 Percentage of ownership			2023 Percentage of ownership		
			Direct	Indirect	Total	Direct	Indirect	Total
Parent company:								
CTT - Correios de Portugal, S.A.	Portugal	Avenida dos Combatentes Nr. 43, 14º Floor 1643-001 Lisbon	—	—	—	—	—	—
Subsidiaries:								
CTT Expresso - Serviços Postais e Logística, S.A. ("CTT Expresso")	Portugal	Avenida dos Combatentes Nr. 43, 14º Floor 1643-001 Lisbon	100	—	100	100	—	100
Payshop Portugal, S.A. ("Payshop")	Portugal	Avenida dos Combatentes Nr. 43, 14º Floor 1643-001 Lisbon	—	100	100	100	—	100
CTT Contacto, S.A. ("CTT Con")	Portugal	Avenida dos Combatentes Nr. 43, 14º Floor 1643-001 Lisbon	100	—	100	100	—	100
CTT Soluções Empresariais, S.A. ("CTT Sol")	Portugal	Avenida dos Combatentes Nr. 43, 14º Floor 1643-001 Lisbon	100	—	100	100	—	100
Correio Expresso de Moçambique, S.A. ("CORRE")	Mozambique	Av. 24 de Julho, Building 24, nr 1097, 3rd floor, Bairro da Polana Maputo - Mozambique	50	—	50	50	—	50
Banco CTT, S.A. ("BancoCTT")	Portugal	Building Atrium Saldanha 1 Floor 3 1050 -094 Lisbon	100	—	100	100	—	100
1520 Innovation Fund ("TechTree")	Portugal	Av Conselheiro Fernando de Sousa, 19 13º Left 1070-072 Lisbon	60	40	100	37.50	62.50	100
321 Crédito - Instituição Financeira de Crédito, S.A. ("321 Crédito")	Portugal	Avenida da Boavista, Nr 772, 1.º, Boavista Prime Bulding 4100-111 Oporto	—	100	100	—	100	100
NewSpring Services, S.A. ("NSS")	Portugal	Avenida dos Combatentes Nr. 43, 14º Floor 1643-001 Lisbon	—	100	100	—	100	100
CTT IMO - Sociedade Imobiliária, S.A. ("CTTi")	Portugal	Avenida dos Combatentes Nr. 43, 14º Floor 1643-001 Lisbon	100	—	100	100	—	100
Open Lockers, S.A. ("Lock")	Portugal	Avenida dos Combatentes Nr. 43, 14º Floor 1643-001 Lisbon	—	66	66	—	66	66
MedSpring, S.A. ("MEDS")	Portugal	Avenida dos Combatentes Nr. 43, 14º Floor 1643-001 Lisbon	—	100	100	—	100	100
CTT Services, S.A. ("Serv")	Portugal	Avenida dos Combatentes Nr. 43, 14º Floor 1643-001 Lisbon	—	100	100	—	100	100
CTT Imo Yield, S.A. ("IMOY")	Portugal	Avenida dos Combatentes Nr. 43, 14º Floor 1643-001 Lisbon	100	—	100	100	—	100

In relation to the company CORRE, as the **Group** has the right to variable returns arising from its involvement and the ability to affect those returns, it is included in the consolidation.

On 26 January 2022, CTT IMO was subject to a capital increase in the form of supplementary capital in the amount of 7,150,000 Euros.

On 9 March 2022, the entity MedSpring, S.A., owned by NewSpring Services, was established, whose corporate purpose is insurance mediation in the category of insurance agent.

As of 31 March 2022, CTT and CTT - Soluções Empresariais proceeded with the sale of their investments in Open Lockers, of 25.5% and 15%, respectively, to CTT Expresso, which now concentrates the CTT Group's investments in the entity. Therefore, this operation did not result in a change in the equity interests held by the **Group**.

On 20 April 2022, CTT Expresso subscribed for a share capital increase in the subsidiary Open Lockers, through a contribution in kind, in the amount of 492,232 Euros. The capital increase was subscribed in proportion to the shareholding held by each of the shareholders, CTT Expresso and Yun Express, and with the issuance of 750,000 new shares with no par value, ordinary, nominative and with an issue value of 1 euro each .

On 27 June 2022, the company HCCM was subject to a merger by incorporation into the company CTT Soluções Empresariais, through the global transfer of the assets of the merged company to the acquiring company, and subsequent dissolution of the merged company. The present merger operation is part of the simplification process of the CTT Group’s corporate structure. The merger took effect on 1 January 2022.

On 30 June 2022, Open Lockers was subject to a capital increase in the form of supplementary capital in the amount of 396,000 Euros.

As part of an ongoing corporate reorganisation within the Group, on 8 July 2022, the Board of Directors of Banco CTT approved the sale of its subsidiary Payshop Portugal, and its terms, to CTT. As of 31 December 2022, at the level of Banco CTT's individual and consolidated accounts, Payshop's assets and liabilities were classified as discontinued assets and liabilities. This reclassification did not, however, have an impact on the consolidated accounts of the CTT Group. The completion of this operation was dependent on the regulator's non-opposition, a fact that occurred on 7 July 2023. The transfer of shares occurred on 11 August 2023. The sale of the investment in Payshop to CTT will allow for the capture synergies with the remaining areas of CTT, namely product areas, commercial forces (B2B and store networks, points and agents), as well as full integration into the Group's strategy of a comprehensive value proposition for e-commerce and business solutions. The sale of the investment in Payshop by Banco CTT to CTT was carried out at the value of its own capital and had no impact on the **Group**'s consolidated accounts. In the case of the **Company**'s accounts, it was also not necessary to carry out any fair value measurement, nor was there any recognition of goodwill.

On 29 July 2022, Open Lockers was subject to a capital increase in the form of supplementary capital in the amount of 792,000 Euros.

On 31 October 2022, CTT established the subsidiary CTT IMO Yield, S.A. This company's corporate purpose is the leasing and exploitation of real estate assets, as well as the purchase and sale of real estate assets, the operation of which It is explained in detail in the “CTT IMO Yield” section of this note.

On 30 November 2022, the company CTT Services, S.A., owned by CTT Soluções Empresariais, was established, whose corporate purpose is to provide backoffice technical services, advice, support and logistical support for technological activities and document processing and production, the provision of services and "Know-how" to companies in the area of new technologies, as well as the provision of services in the area of technical and commercial support, software development, information technology projects and consultancy for carrying out studies and IT advisory.

On 29 March 2023 and 29 May 2023, Open Lockers was subject to capital increases in the form of a supplementary capital in the amount of 396,000 Euros in each of the periods.

CTT IMO Yield

Real Estate Assets

CTT's real estate assets are organised into two different portfolios, depending on their respective characteristics and functionality (Yield Portfolio and Development Portfolio).

Yield Portfolio

In 2022, CTT began exclusive negotiations, with a third party, to manage this portfolio, which essentially comprises:

1. properties associated with CTT's retail network; and

2. warehouses and logistics and distribution centres of CTT's operational network in Portugal.

As a result of this negotiation, the company CTT IMO Yield was created on 31 October 2022, with the purpose of holding and managing this yield portfolio.

On 4 May 2023, CTT entered into a Share Sale and Purchase Agreement with Sierra Investments, SGPS, S.A. ("Sierra"), under which Sierra and a group of institutional investors would acquire an investment of 30.1% of the share capital of CTT IMO Yield (assuming the carve-in of all properties in the yield portfolio), an operation that was concluded at the beginning of 2024, as disclosed in note 58 - Subsequent Events.

On 10 October 2023, and applying the provisions of paragraph b) of number 3 of article 22 of the Asset Management Regime, CMVM issued the SIC (collective investment company) registration code for CTT IMO Yield.

On 17 October 2023, the AdC (Competition Authority) also adopted a decision according to which the Transaction is not covered by the merger control procedure.

On 27 November 2023, the **Company** transferred its yield real estate portfolio, corresponding to 332 properties, to CTT IMO Yield in the form of a capital contribution in kind, in the amount of 116,858,055 Euros. This operation resulted in the issuance of 116,858,055 new shares with a nominal value of 1 Euro each. The remaining 31 properties were transferred to CTT IMO Yield through a purchase and sale transaction.

The amount of the contribution in kind corresponds to the fair value of the properties determined through an external assessment carried out by two independent experts. For each property subject to transfer, the average amount of the two valuations prepared by each of the independent experts was considered to determine its fair value. Subsequently, this operation was subject to evaluation by an Official Auditor independent of the Company, as established in the Commercial Companies Code.

On 9 November 2023 and 27 December 2023, CTT IMO Yield was subject to a capital increase through a cash contribution, in the amount of 17,600,000 Euros and 576,945 Euros, respectively. The capital increases resulted in the issuance of new shares in the amount of 17,600,000 shares and 576,945 shares, respectively, with a nominal value of 1 Euro each.

On 27 December 2023, the conversion of shareholders loans into share capital at CTT Expresso and CTT Soluções Empresariais was decided, through the conversion of 14,950,000 Euros of shareholders loans into capital at CTT Expresso and 14,500,000 of shareholders loans into capital at CTT Soluções

Empresariais. The capital increase in CTT Expresso was achieved through an increase in the nominal amount of the 1,150,000 shares, which increased from 5 Euros to 18 Euros each, with their global nominal amount being 20,700,000 Euros. The capital increase of CTT Soluções Empresariais took place through the issuance of 14,500,000 new shares with a nominal amount of 1 Euro each, with the global nominal value of the share capital as of 31 December 2023 being 14,750,000 Euros.

As also disclosed in note 58 - Subsequent events, CTT IMO Yield concluded at the beginning of January 2024, a conversion process into an alternative real estate investment organisation (OIA) in the form of a fixed capital and private subscription company, managed by a management entity that integrates the corporate universe of Sierra Investments, the company Sierra IG - SGOIC, S.A.

Joint ventures

As at 31 December 2022 and 31 December 2023, the **Group** held the following interests in joint ventures, registered through the equity method:

Company name	Place of business	Head office	2022			2023		
			Percentage of ownership			Percentage of ownership		
			Direct	Indirect	Total	Direct	Indirect	Total
NewPost, ACE	Portugal	Av. Fontes Pereira de Melo, 40 Lisbon	49	—	49	49	—	49
PTP & F, ACE	Portugal	Estrada Casal do Canas Amadora	51	—	51	51	—	51
Wolfspring, ACE	Portugal	Urbanização do Passil, nr 100-A 2890-1852 Alcochete	—	50	50	—	50	50

Associated companies

As at 31 December 2022 and 31 December 2023, the **Group** held the following interests in associated companies accounted for by the equity method:

Company name	Place of business	Head office	2022			2023		
			Percentage of ownership			Percentage of ownership		
			Direct	Indirect	Total	Direct	Indirect	Total
Mafelosa, SL (a)	Spain	Castellon - Spain	—	25	25	—	25	25
Urpacksur, SL (a)	Spain	Málaga - Spain	—	30	30	—	30	30

(a) Company held by CTT Expresso - Serviços Postais e Logística, S.A., branch in Spain (until 2018 was held by Tourline Mensajeria, SLU), which currently has no activity.

Structured entities

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

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

(*) Entities incorporated in the scope of securitisation operations, recorded in the consolidated financial statements in accordance with the Group's continued involvement, determined based on the percentage held in the residual interests (equity piece) of the respective vehicles and to the extent that the Group substantially owns the risks and rewards associated with the underlying assets and has the ability to affect these same risks and rewards.

(**) Entities left the consolidation perimeter during the period of 2023.

On 1 June 2022, the **Group** issued a new securitisation operation named Ulisses Finance nº 3, through its subsidiary 321 Crédito. This operation aimed to finance the growth of Banco CTT's activity, optimising its capital and diversifying its sources of liquidity, through the securitisation of 200 million euros of car loans. Considering the provisions of IFRS10, this operation became part of the **Group**'s consolidation perimeter.

The credit securitisation operation Ulisses No1, originated by 321 Crédito in 2017, included a consumer credit portfolio amounting to 141.2 million euros. The operation included a clean-up call option clause that could be exercised by the originator when the securitised portfolio dropped below 10% of the initial amount, i.e., 14.1 million euros. This occurred after the IPD ("interest payment date") of June 2023, with the clean-up call being exercised at the IPD of July 2023, with the **Group** reacquiring the entire securitised portfolio, closing the operation.

Following the termination of the partnership with Universo, described in greater detail in note 20, in December 2023, Banco CTT sold the note Next Funding Nº1 to Universo, IME, S.A. leaving on that date no exposure to this portfolio. Additionally, the overdraft line (Liquidity Facility) was cancelled. As part of the sale agreement, Banco CTT no longer granted this line of credit to the aforementioned securitisation operation.

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

	31.12.2022	31.12.2023
Cash and cash equivalents	22,640,074	14,947,776
Financial assets at fair value through profit and loss (Derivatives) - Note 15	26,219,905	13,532,000
Financial assets at amortised cost (Loans and advances to customers - Credit cards) - Note 20	353,815,583	—
Financial assets at amortised cost (Loans and advances to customers - Other credits)	(40,672,436)	—
Financial assets at amortised cost (Debt securities)	(319,776,400)	—

The captions related to Financial Assets do not show a balance on 31 December 2023 as they are related to the sale of the Next Funding No. 1 note in the current year, as explained previously.

Changes in the consolidation perimeter

On 16 June 2021, CTT, through its subsidiary CTT Soluções Empresariais, entered into a purchase agreement for the entire share capital of NewSpring Services and its holding company HCCM – Outsourcing Investment, which operate in the Business Process Outsourcing (BPO) and Contact Center market. The Purchase Price Allocation (PPA), which was in progress on 31 December 2021, was concluded during the financial year of 2022, as provided for in IFRS 3 – Business combinations.

The Goodwill recognition on the acquisition date of HCCM - Outsourcing Investment and NewSpring Services was as follows:

	Amount
Assets acquired (HCCM)	5,887,230
Liabilities acquired (HCCM)	50,992
Net assets acquired (HCCM)	**5,836,238**
Assets acquired (NSS)	9,875,561
Assets acquired (NSS)	6,995,252
Net assets acquired (NSS)	**2,880,309**
Net assets acquired (NSS) - CTT-SE Participation (*)	**139,292**
Fair Value Adjustments:	
Intangible Assets	1,864,330
Deferred Taxes Liabilities	(522,013)
Fair Value of the acquired assets (HCCM e NSS)	**7,317,847**
Contingent components	**4,500,000**
Acquisition Price	10,701,086
Goodwill	**7,883,238**

(*) Acquisition by CTT-SE of 4,84% of the share capital of NSS, with the remaining 95,16% belonging to HCCM.

The contingent components related to the contractually established earnouts, and with reference to 31 December 2022, were already materialised, with no discrepancies from the initial estimate having been found.

The goodwill is mainly attributable to NewSpring Services' human capital skills and the synergies expected to be achieved with the integration of the company into the Group's existing businesses.

The fair value measurement methods applied by the Group was detailed as follows:

- Intangible Assets: The intangible assets are related to the portfolio of customer contracts acquired as part of the NewSpring Services share acquisition transaction. These contracts were measured at fair value on the acquisition date in accordance with the requirements of IFRS 3 and IFRS 13. The fair value was estimated as the discounted value of expected future cash-flows of the acquired contracts, considering the term and their time value.

- Deferred tax liabilities: The estimated value for PPA purposes is related to the amount of deferred taxes resulting from differences between the fair value and the net book value of intangible assets related to customer contracts.

In the period ended 31 December 2022, the entities MedSpring, CTT IMO Yield e CTT Services were established and the structured entity Ulisses Finance no.3 was created, having both integrated the consolidation perimeter. The company HCCM - Outsourcing Investment was merged by incorporation into the company CTT Soluções Empresariais, through the global transfer of the assets of the acquired company to the acquiring company, and subsequent extinction of the incorporated company, with reference to 1 January 2022.

During the period ended 31 December 2023, the structured entities Ulisses Finance Nº.1 and Next Funding Nº. 1 left the consolidation perimeter. There were no other changes to the consolidation perimeter.

9. Goodwill

As at 31 December 2022 and 31 December 2023, the **Group** Goodwill was made up as follows:

Group	Year of acquisition	2022	2023
Mailtec Comunicação, S.A.	2004	6,161,326	6,161,326
Payshop Portugal, S.A.	2004	406,101	406,101
321 Crédito - Instituição Financeira de Crédito, S.A.	2019	60,678,648	60,678,648
Transporta, S.A.	2004	2,955,753	2,955,753
HCCM - Outsourcing Investment, S.A. / NewSpring Services, S.A.	2021	10,054,911	10,054,911
		80,256,739	**80,256,739**

During the years ended 31 December 2022 and 31 December 2023, the movements in Goodwill were as follows:

Group	2022	2023
Opening balance	81,471,314	80,256,739
PPA Movements	(1,342,317)	—
Other movements	127,741	—
Closing balance	**80,256,739**	**80,256,739**

As at 31 December 2022, the caption “PPA Transactions” refers to the amounts determined within the scope of the PPA carried out in the acquisition of NewSpring Services shares (note 8), namely the measurement at fair value on the date of acquisition of the customers portfolio contracts of the entity, in the amount of 1,864,330 Euros. This amount was transferred to the caption Intangible Assets (Note 6), and which deducts the effect of deferred tax liability, in the amount of 522,013 Euros, transferred to the respective caption (Note 52).

As at 31 December 2022, the caption “Other movements” refers to the materialisation of a contingent amount related to the purchase of NewSpring Services shares, paid to sellers, as stipulated in the share purchase and sale agreement.

<u>Goodwill impairment assessment</u>

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.

During the current year, in order to determine the recoverable amount of its investments, the **Group** performed impairment tests as at 31 December 2022 and 31 December 2023 based on the following assumptions:

Company name	Activity	2022				
		Base for determining the recoverable amount	Explicit period for cash flows	Discount rate (WACC)	Discount rate (Cost of Equity)	Perpetuity rate growth
Mailtec Comunicação, S.A.	Documental services	Equity Value/DCF	5 years	9.50%	—%	2.0%
Transporta - Transportes Porta a Porta, S.A.	Cargo and Logistics	Equity Value/DCF	5 years	9.20%	—%	2.0%
Payshop (Portugal), S.A.	Payment network management	Equity Value/DCF	5 years	8.50 %	—%	2.0%
321 Crédito - Instituição Financeira de Crédito, S.A.	Consumer Credit	Equity Value/ DDM	10 years	— %	10.00%	1.5%
NewSpring Services, S.A.	Back office technical services	Equity Value/DCF	5 years	9.50 %	—%	2.0%

Company name	Activity	2023				
		Base for determining the recoverable amount	Explicit period for cash flows	Discount rate (WACC)	Discount rate (Cost of Equity)	Perpetuity rate growth
Mailtec Comunicação, S.A.	Documental services	Equity Value/DCF	5 years	8.60%	—%	2.0%
Transporta - Transportes Porta a Porta, S.A.	Cargo and Logistics	Equity Value/DCF	5 years	8.70%	—%	2.0%
Payshop (Portugal), S.A.	Payment network management	Equity Value/DCF	5 years	7.80%	—%	2.0%
321 Crédito - Instituição Financeira de Crédito, S.A.	Consumer Credit	Equity Value/ DDM	10 years	—%	10.00%	1.5%
NewSpring Services, S.A.	Back office technical services	Equity Value/DCF	5 years	8.60 %	—%	2.0%

The generalised decrease in the discount rate (WACC) in the period ending 31 December 2023 resulted mainly from decrease in the country's risk estimate, which is incorporated in the calculation of cost of equity and cost of debt. The upward revision of the debt rating of the Portuguese Republic that took place during 2023 contributed to this.

Cash flow projections were based on historical performance and 5-year business plans, approved by the Board of Directors, with the exception of 321 Crédito, whose period is 10 years, which is applied consistently from the moment of acquisition of 321 Crédito and which, in Management's judgment, best captures the nature of the activity and investment.

In the case of 321C, cash flows were estimated based on projections of results and activity evolution, based on the business plan associated with the cash generating unit, as approved by Management. The aforementioned projections cover a period of 10 years (until 2033) which has been consistently applied since the moment of acquisition of 321 Crédito and which, in Management's judgment, best reflects the nature of the investment, the maturity of the portfolio and economic cycles / interest rate. Projections consider a compound annual asset growth rate of 4.3% over this period. The assessment was based on the Dividend Discount Model methodology common in the banking sector. The logic of the methodology is that the investor observes two types of flows when evaluating the asset, the binomial dividends/capital reinforcement and the value of future dividends in perpetuity. The discount rate of 10.0% (after taxes) is consistent with internal references for evaluating projects and investments, remaining within the range typically used for the banking sector.

Based on this analysis and the perspectives of future evolution, it was concluded that there are no signs of impairment related to the goodwill allocated to this cash-generating unit.

The assets carrying amount assessed in the impairment tests includes, in addition to goodwill, the amounts of tangible and intangible assets allocated to the related cash-generating units with reference to 31 December 2023.

As a consequence of this impairment analysis, the **Group** concluded that as at 31 December 2022 and 31 December 2023 there were no indications of impairment losses to be recognised.

As at 31 December 2022 and 31 December 2023, the impairment losses registered in the **Group** are as follows:

	2022			
	Year of acquisition	Initial amount of Goodwill	Accumulated impairment losses	Carrying amount
Tourline Express Mensajería, SLU	2005	20,671,985	20,671,985	—
Mailtec Comunicação, S.A.	2004	7,294,638	1,133,312	6,161,326
		27,966,623	**21,805,297**	**6,161,326**

	2023			
	Year of acquisition	Initial amount of Goodwill	Accumulated impairment losses	Carrying amount
Tourline Express Mensajería, SLU	2005	20,671,985	20,671,985	—
Mailtec Comunicação, S.A.	2004	7,294,638	1,133,312	6,161,326
		27,966,623	**21,805,297**	**6,161,326**

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

In the case of 321 Crédito, sensitivity analyses were carried out on the results of the impairment tests, namely the following key variables: (i) reduction/increase of 0.5% in the CET1 ratio target or (ii) increase of 50 points in the different interest rates discount used.

For Mailtec Comunicação (Printing&Finishing) and despite Management being committed to the Business Plan of this unit, given the ambition and increased risk of achievement, the results of the sensitivity analyzes reveal the first signs of impairment, even if immaterial at this stage. Over the next year, management will continue to monitor the evolution of the business and assess the need to carry out a new impairment test.

With the exception of the above mentioned, the results of the sensitivity analyse carried out do not determine the existence of signs of impairment in Goodwill.

10. Investments in subsidiary companies

During the years ended 31 December 2022 and 31 December 2023, the movements occurred in the **Company** in Investments in subsidiary companies were as follows:

	2022			2023		
	Investments in subsidiary companies	Provisions for investments in subsidiary companies	Total	Investments in subsidiary companies	Provisions for investments in subsidiary companies	Total
Opening balance	271,702,900	—	271,702,900	295,250,006	—	295,250,006
Equity method	18,787,944	—	18,787,944	31,016,357	—	31,016,357
Equity Method Adjustments (intra-group)	4,050	—	4,050	(1,365,540)	—	(1,365,540)
Distribution of dividends	(480,017)	—	(480,017)	(298,110)	—	(298,110)
Share capital increase	—	—	—	164,485,000	—	164,485,000
Supplementary Capital	7,150,000	—	7,150,000	—	—	—
Acquisitions and new investment	50,000	—	50,000	11,035,201	—	11,035,201
Disposals	(25,500)	—	(25,500)	—	—	—
Other	(1,939,369)	—	(1,939,369)	(11,237,353)	—	(11,237,353)
Closing balance	**295,250,006**	**—**	**295,250,006**	**488,885,561**	**—**	**488,885,561**

On 30 April 2022, a decision was taken to distribute dividends by CTT Contacto, in the amount of 400,000 Euros. On 30 September 2022, a decision was taken to distribute dividends by CORRE, in the amount of 9,866,155 MZN (80,017 Euros).

The amount recorded under the caption “supplementary capital contribution”, at 31 December 2022 corresponds to a supplementary capital contribution provided to CTT IMO in the amount of 7,150,000 Euros.

As at 31 December 2022, the caption “Acquisitions and New shares” includes the share capital subscription of the subsidiary CTT IMO Yield, S.A., established in 2022, in the amount of 50,000 Euros. The amount recognised in “disposals” corresponds to the derecognition of the investment in the entity “Open Lockers”, as a result of the sale of the investment to CTT Expresso, as explained in note 8.

The amount recorded under the caption “Other variations”, at 31 December 2022, essentially corresponds to variations in the equity captions of subsidiaries, in particular Banco CTT.

As of 31 December 2023, the capital increases item consists of: 1) Capital increase in kind at CTT IMO Yield in the amount of 116,858,055 Euros; 2) Capital increases in cash in the global amount of 18,176,945 Euros at CTT IMO Yield; 3) Conversion of supplies into capital at CTT Expresso and CTT Soluções Empresariais, in the amount of 14,950,000 Euros and 14,500,000 Euros, respectively. The operations are explained in detail in note 8.

The amount of acquisitions relates to the acquisition of the investment in Payshop from Banco CTT. In the case of a combination of business activities between entities under common control, the stake was acquired at the value of Payshop's equity at the date of the transaction, with no need to carry out any measurement of fair value, nor is there any recognition of goodwill.

As of 31 December 2023, the amount recorded under the caption “Other” essentially relates to variations in the subsidiaries' equity captions, highlighting the transaction costs of increasing capital through contributions in kind in CTT IMO Yield, as explained in greater detail, in note 27.

The amount recorded in “Equity method adjustments” refers to the adjustment in the equity method of transactions between Group companies and the standardisation of accounting policies of subsidiaries. In 2023, the main highlights are the impacts with the elimination of transactions between CTT IMO Yield and CTT arising from the asset transfer operation, described in notes 8 and 5.

As at 31 December 2022 and 31 December 2023, the detail by **Company** of Investments in subsidiaries of the Company was as follows:

	2022							
Company	**% held**	**Assets**	**Liabilities**	**Equity**	**Net profit**	**Goodwill (note 9)**	**Investments**	**Proportion of net profit**
CTT Expresso,S.A.	100%	197,660,443	181,248,497	181,248,497	1,346,529	2,955,753	16,414,189	1,348,360
CTT Contacto, S.A.	100%	7,089,258	1,236,216	5,853,042	430,525	—	5,853,245	431,028
CORRE - Correio Expresso Moçambique, S.A.	50%	2,914,783	2,000,803	913,980	90,978	—	534,839	45,489
Banco CTT, S.A.	100%	2,635,039,112	2,382,779,513	252,259,600	14,655,944	—	253,166,742	15,557,704
1520 Innovation Fund ("TechTree")	60%	4,783,225	12,670	4,770,555	(120,654)	—	2,862,333	(72,392)
CTT Soluções Empresariais, S.A.	100%	20,173,737	17,803,669	2,370,068	1,512,379	—	2,370,068	1,512,379
CTT IMO - Sociedade Imobiliária, S.A.	100%	7,585,156	97,501	7,487,655	122,227	—	4,885,012	(27,074)
CTT Imo Yield, S.A.	100%	50,000	3,500	46,500	(3,500)	—	46,500	(3,500)
Mailtec Comunicação S.A.		—	—	—	—	6,161,326	—	—
						9,117,079	**286,132,927**	**18,791,995**

	2023							
Company	**% held**	**Assets**	**Liabilities**	**Equity**	**Net profit**	**Goodwill (note 9)**	**Investments**	**Proportion of net profit**
CTT Expresso,S.A.	100%	225,267,711	185,338,838	39,928,873	8,571,788	2,955,753	40,956,481	9,597,142
CTT Contacto, S.A.	100%	8,130,940	1,860,449	6,270,490	686,623	—	6,270,491	686,421
CORRE - Correio Expresso Moçambique, S.A.	50%	3,127,898	1,985,150	1,142,749	319,067	—	653,466	159,534
Banco CTT, S.A.	100%	3,488,289,785	3,218,092,116	270,197,670	17,935,330	—	269,869,579	16,700,097
1520 Innovation Fund ("TechTree")	37.5%	7,820,939	35,481	7,785,456	21,411	—	2,873,817	11,484
CTT Soluções Empresariais, S.A.	100%	26,245,026	7,099,735	19,145,291	2,275,223	—	19,145,291	2,275,223
CTT IMO - Sociedade Imobiliária, S.A.	100%	7,754,443	106,839	7,647,604	159,949	—	4,891,948	6,937
CTT Imo Yield, S.A.	100%	130,814,708	3,130,731	127,683,977	2,200,729	—	123,669,798	(188,431)
Payshop, S.A.	100 %	21,507,379	10,476,013	11,031,366	1,565,691	406,101	11,031,511	402,410
Mailtec Comunicação S.A.		—	—	—	—	6,161,326	—	—
						9,523,180	**479,362,381**	**29,650,816**

The amount of investments in subsidiaries is assessed whenever there are indications of an eventual loss of value. The recoverable amount is determined using methodologies based on discounted cash flow techniques, considering market conditions, time value and business risks.

For the years ended 31 December 2022 and 31 December 2023, the gains and losses in subsidiary companies arising from the application of the equity method, and stated under Gains/losses in subsidiaries, associated companies and joint ventures in the Income statement were recognised against the following items on the balance sheet:

Company	2022	2023
Investment in subsidiaries		
CTT Expresso,S.A.	1,348,360	9,597,142
CTT Contacto, S.A.	431,028	686,421
CORRE - Correio Expresso Moçambique, S.A.	45,489	159,534
Banco CTT, S.A.	15,557,704	16,700,097
1520 Innovation Fund ("TechTree")	(72,392)	11,484
CTT Soluções Empresariais, S.A.	1,512,379	2,275,223
CTT IMO - Sociedade Imobiliária, S.A.	(27,074)	6,937
CTT Imo Yield, S.A.	(3,500)	(188,431)
Payshop, S.A.	—	402,410
	18,791,995	**29,650,816**

CTT Expresso, S.A. includes CTT Expresso Portugal and its branch in Spain. The Branch in Spain presented, in 2023, a net profit for the year of 3,802,359 Euros (2022: (4,131,376) Euros). This very relevant increase in the branch's results is due to a notable increase in both revenue and volumes, with emphasis on the 4th quarter of 2023, which more than doubled volumes of the 4th quarter of 2022.

The **Company** appropriated the net profit of Payshop from the acquisition date (11 August 2023) until 31 December 2023. In the previous period, the net profit of Payshop was recognised through the application of Banco CTT's equity method.

The company 321 Crédito – Instituição Financeira de Crédito, S.A. is owned by Banco CTT, and the bank's financial investment amount includes the gains and losses of this company.

The entities NewSpring Services, MedSpring, S.A. and CTT Services, S.A. are owned by CTT Soluções Empresariais. Open Lockers is 66% owned by CTT Expresso. Thus, the amount of the financial investment of CTT Soluções Empresariais and CTT Expresso includes the gains and losses of these companies.

11. Investments in associated companies

For the years ended 31 December 2022 and 31 December 2023, the **Group** and the **Company** investments in associated companies had the following movements:

	Group		Company	
	2022	2023	2022	2023
Gross carrying value				
Opening balance	481	481	—	—
Closing balance	**481**	**481**	**—**	**—**

As at 31 December 2022 and 31 December 2023, the detail by company of the **Group** and the **Company** investments in associated companies were as follows:

	Group		Company	
	2022	2023	2022	2023
Urpacksur, S.L.	481	481	—	—
	481	**481**	**—**	**—**

Group	2022						
	% held	Assets	Liabilities	Equity	Net profit	Investments	Proportion of net profit
Mafelosa, SL (b) (c)	25%	n.a.	n.a.	n.a.	n.a.	—	n.a.
Urpacksur (b) (c)	30%	n.a.	n.a.	n.a.	n.a.	481	n.a.
						481	**—**

[a] Company held by CTT Expresso - Serviços Postais e Logística, S.A., branch in Spain.
[b] Companies without activity

Group	2023						
	% held	Assets	Liabilities	Equity	Net profit	Investments	Proportion of net profit
Mafelosa, SL (a) (b)	25%	n.a.	n.a.	n.a.	n.a.	—	n.a.
Urpacksur (a) (b)	30%	n.a.	n.a.	n.a.	n.a.	481	n.a.
						481	**—**

[a] Company held by CTT Expresso - Serviços Postais e Logística, S.A., branch in Spain.
[b] Companies without activity

12. Investments in joint ventures

As at 31 December 2022 and 31 December 2023, the detail of the **Group** investments in joint ventures were as follows:

Group	2022								
	% held	Assets	Liabilities	Equity	Net profit	Investment	Impairment	Provisions	Proportion of net profit
PTP & F, ACE	51%	—	—	—	—	—	—	—	—
NewPost, ACE	49%	399,223	399,223	—	—	—	—	—	—
Wolfspring, ACE	50%	256,238	582,099	(325,861)	(373,929)	—	—	(168,972)	(186,964)
						—	**—**	**(168,972)**	**(186,964)**

Group	2023								
	% held	Assets	Liabilities	Equity	Net profit	Investment	Impairment	Provisions	Proportion of net profit
PTP & F, ACE	51%	—	—	—	—	—	—	—	—
NewPost, ACE	49 %	616,868	616,868	—	—	—	—	—	—
Wolfspring, ACE	50%	238,798	182,366	56,432	(916)	22,174	—	—	(458)
						22,174	**—**	**—**	**(458)**

As at 31 December 2022 and 31 December 2023, the detail of the **Company** investments in joint ventures were as follows:

Company	2022								
	% held	Assets	Liabilities	Equity	Net profit	Investment	Impairment	Provisions	Proportion of net profit
PTP & F, ACE	51%	—	—	—	—	—	—	—	—
NewPost, ACE	49%	399,223	399,223	—	—	—	—	—	—
						—	**—**	**—**	**—**

Company	% held	Assets	Liabilities	Equity	Net profit	Investment	Impairment	Provisions	Proportion of net profit
	2023								
PTP & F, ACE	51 %	—	—	—	—	—	—	—	—
NewPost, ACE	49%	—	—	—	—	—	—	—	—
						—	—	—	—

13. Other investments

The amount of Other investments as at 31 December 2022 and 31 December 2023, in the **Group** and the **Company**, were as follows:

Entity	Head office	Group	
		2022	**2023**
IPC-International Post Corporation	Brussels - Belgium	6,157	6,157
Lisgarante - SGM, S.A.	Lisbon - Portugal	5,000	5,000
KIT-AR LIMITED	London - UK	300,000	481,828
Sensefinity, Lda	Lisbon - Portugal	150,000	150,000
Habitat Analytics, Inc.	Delaware - USA	500,000	500,000
NeuralShift	Lisbon - Portugal	—	500,000
Ubirider, S.A.	Porto - Portugal	—	507,575
Paynest Portugal Unipessoal	Lisbon - Portugal	—	500,000
Fraudio Portugal Unipessoal	Lisbon - Portugal	—	550,000
CEPT	Copenhagen - Denmark	237	237
		961,394	**3,200,797**

Entity	Head office	Company	
		2022	**2023**
IPC-International Post Corporation	Brussels - Belgium	6,157	6,157
CEPT	Copenhagen - Denmark	237	237
		6,394	**6,394**

On 31 December 2022, in the **Group**, it should be noted the investments made by the 1520 Innovation Fund (previously designated as TechTree investment fund), launched by CTT in previous years to support innovation activities in small and medium-sized companies and start-ups, namely in the entity Habit Analytics, Inc., a company that acts as a specialist broker in embedded insurance.

On 31 December 2023, in the **Group**, the four new investments made by the 1520 Innovation Fund stand out.

During the year, no impairment loss was recognised in these investments.

On 31 December 2023, the fair value of the investment in the entity “KIT-AR” was updated in the amount of 181,827 Euros. This amount was calculated based on a “*Pre-Money*” assessment carried out as part of a new investment in the entity by external investors. For the remaining investments, there are still no market prices available and it is also not possible to determine fair value using comparable transactions. These instruments were not measured using discounted cash flows as these could not be determined reliably.

14. Debt securities

As at 31 December 2022 and 31 December 2023, the caption Debt securities, in the **Group**, showed the following composition:

	31.12.2022	31.12.2023
Non-current		
Financial assets at amortised cost		
Government bonds	409,510,672	364,773,835
Impairment	(121,927)	(67,657)
	409,388,745	**364,706,177**
	409,388,745	**364,706,177**
Current		
Financial assets at amortised cost		
Government bonds	128,401,573	284,175,167
Supranational bonds	—	80,614,379
Impairment	(9,674)	(29,726)
	128,391,899	**364,759,821**
	128,391,899	**364,759,821**
	537,780,644	**729,465,998**

The financial assets in this portfolio are managed based on a business model whose purpose is to receive contractual cash flows.

The increase in Debt securities balance caption is justified by the acquisition of 81 million euros of supranational debt, 61 million euros of Spanish public debt, 70 million euros of French public debt and 37 million euros of German public debt , as well as the sale of 37 million euros of Portuguese public debt.

The analysis of the Financial assets at amortised cost, by remaining maturity, as at 31 December 2022 and 31 December 2023 is detailed as follows:

	31.12.2022						
	Current			Non-current			
	Due within 3 months	Over 3 months and less than 1 year	Total	Over 1 year and less than 3 years	Over 3 years	Total	Total
Financial assets at amortised cost							
Government bonds							
National	3,011,149	17,990,243	21,001,392	38,028,368	162,664,338	200,692,706	221,694,098
Foreign	1,461,711	105,938,471	107,400,182	10,027,009	198,790,957	208,817,966	316,218,148
	4,472,860	**123,928,714**	**128,401,574**	**48,055,377**	**361,455,295**	**409,510,672**	**537,912,246**

	31.12.2023						
	Current			Non-current			
	Due within 3 months	Over 3 months and less than 1 year	Total	Over 1 year and less than 3 years	Over 3 years	Total	Total
Financial assets at amortised cost							
Government bonds							
National	6,729,393	—	6,729,393	18,576,142	143,668,654	162,244,796	168,974,189
Foreign	1,437,251	276,008,524	277,445,775	9,967,700	192,561,338	202,529,039	479,974,813
Supranational Bonds	408,333	80,206,046	80,614,379	—	—	—	80,614,379
	8,574,977	**356,214,570**	**364,789,547**	**28,543,843**	**336,229,992**	**364,773,835**	**729,563,381**

The impairment losses, for the period ended 31 December 2022 and 31 December 2023, are detailed as follows:

	2022					
	Opening balance	Increases	Reversals	Utilisations	Transfers	Closing balance
Non-current assets						
Debt securities at fair value through other comprehensive income	2,572	—	(2,572)	—	—	—
Debt securities at amortised cost	111,953	39,065	(28,784)	—	(307)	121,927
	114,525	**39,065**	**(31,356)**	**—**	**(307)**	**121,927**
Current assets						
Debt securities at fair value through other comprehensive income	623	—	(623)	—	—	—
Debt securities at amortised cost	8,551	3,100	(2,284)	—	307	9,674
	9,174	**3,100**	**(2,907)**	**—**	**307**	**9,674**
Financial assets at fair value through other comprehensive income	***3,195***	***—***	***(3,195)***	***—***	***—***	***—***
Financial assets at amortised cost	***120,504***	***42,165***	***(31,068)***	***—***	***—***	***131,602***
	123,698	**42,165**	**(34,262)**	**—**	**—**	**131,602**

	2023					
	Opening balance	Increases	Reversals	Utilisations	Transfers	Closing balance
Non-current assets						
Debt securities at amortised cost	121,927	20,146	(43,919)	—	(30,497)	67,657
	121,927	**20,146**	**(43,919)**	**—**	**(30,497)**	**67,657**
Current assets						
Debt securities at amortised cost	9,674	8,851	(19,296)	—	30,497	29,726
	9,674	**8,851**	**(19,296)**	**—**	**30,497**	**29,726**
Financial assets at fair value through other comprehensive income	***—***	***—***	***—***	***—***	***—***	***—***
Financial assets at amortised cost	***131,601***	***28,997***	***(63,215)***	***—***	***—***	***97,384***
	131,601	**28,997**	**(63,215)**	**—**	**—**	**97,384**

Regarding the movements in impairment losses of Financial assets at fair value through other comprehensive income by stages, in the periods ended on 31 December 2022 and 31 December 2023, they are detailed as follows:

	2022	2023
	Stage 1	Stage 1
Opening balance	**3,194**	**—**
Change in period:		
Increases due to origination and acquisition	—	—
Changes due to change in credit risk	—	—
Derecognised financial assets excluding write-offs	(3,194)	—
Impairment - Financial assets at fair value through other comprehensive income	**—**	**—**

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

	2022	2023
	Stage 1	Stage 1
Opening balance	**3,194**	**—**
Change in period:		
ECL income statement change for the period	(3,194)	—
Impairment - Financial assets at fair value through other comprehensive income	**—**	**—**

For the impairment losses of Financial assets at amortised cost, the movements by stages, in the periods ended on 31 December 2022 and 31 December 2023, they are detailed as follows:

	2022	2023
	Stage 1	Stage 1
Opening balance	**120,505**	**131,602**
Change in period:		
Increases due to origination and acquisition	26,972	28,628
Changes due to change in credit risk	(7,324)	(41,239)
Derecognised financial assets excluding write-offs	(8,552)	(21,607)
Impairment - Financial assets at amortised cost	**131,602**	**97,384**

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

	2022	2023
	Stage 1	Stage 1
Opening balance	**120,505**	**131,602**
Change in period:		
ECL income statement change for the period	11,097	(34,218)
Impairment - Financial assets at amortised cost	**131,602**	**97,384**

According to the accounting policy described in Note 2.11, the **Group** regularly assesses whether there is objective evidence of impairment in its financial asset portfolios at amortised cost, following the criteria described in Note 2.29.

15. Financial Assets and Liabilities at fair value through profit and loss

As at 31 December 2022 and 31 December 2023, in the **Group**, the captions “Financial Assets at fair value through profit and loss” and “Financial Liabilities at fair value through profit and loss” showed the following composition:

	31.12.2022	31.12.2023
Non-current assets		
Derivatives	26,219,905	13,532,000
	26,219,905	**13,532,000**
Current assets		
Shares - Real Estate Investment Fund	26,478,525	—
	26,478,525	**—**
	52,698,430	**13,532,000**
Non-current liabilities		
Derivatives	26,344,517	13,744,154
	26,344,517	**13,744,154**
	26,344,517	**13,744,154**

The Derivatives caption represents the fair value of derivative financial instruments contracted in the context of the **Group**'s interest rate risk management and associated with ongoing securitisation operations.. The change in the caption results from the MTM (Mark to Market) of interest rate derivatives in the form of Cap Agreement (associated with the Ulisses 2 securitisation operation) and

Interest Rate SWAP (associated with the Ulisses 3 securitisation operation and a derivative existing at Banco CTT).

As of 31 December 2022, the caption Real Estate Investment Funds in the amount of 26,479 thousand euros concerns an investment in a real estate investment fund domiciled in Portugal, representing 10.4% of the total participation units issued on 31 December 2022. This position was sold during the 2023 financial year.

Associated with derivative contracts, Banco CTT has, as at 31 December 2023, a cash and cash equivalents account with another Financial Institution, with an amount of 25,830 thousand euros (2022: 26,040 thousand euros) captive (margin call), being shown under the caption of “other current assets” (note 24).

The detail of the derivatives caption is presented as follows:

	31.12.2022			31.12.2023		
	Notional	Fair Values		Notional	Fair Values	
		Asset	Liability		Asset	Liability
Over-the-count						
Interest rate Contracts						
Interest rate Swaps						
Purchase	200,000,000	12,658,056	12,810,255	175,153,541	6,272,144	6,380,184
Sell	200,000,000			175,153,541		
Interest rate Options						
Purchase	263,790,387	13,561,849	13,534,262	200,575,978	7,259,856	7,363,970
Sell	237,002,644			200,575,978		
	—	**26,219,905**	**26,344,517**	—	**13,532,000**	**13,744,154**

The impact on results for the period of financial assets and liabilities at fair value through profit or loss is presented as follows:

	31.12.2022	31.12.2023
Profits from transactions with assets and liabilities at fair value through profit or loss		
Derivatives	22,744,056	5,501,463
Shares	1,479,387	990,005
	24,223,443	**6,491,468**
Losses from transactions with assets and liabilities at fair value through profit or loss		
Derivatives	(13,113,417)	(5,639,197)
	(13,113,417)	**(5,639,197)**
Results of Assets and Liabilities at Fair Value Through Profit or loss	**11,110,025**	**852,271**

The impact on results for the period of financial assets and liabilities at fair value through profit or loss is presented in note 48.

16. Other banking financial assets and liabilities

As at 31 December 2022 and 31 December 2023, the **Group** captions “Other banking financial assets” and “Other banking financial liabilities” showed the following composition:

	31.12.2022	31.12.2023
Non-current assets		
Loans to credit institutions	961,721	—
Impairment	(274)	—
	961,446	**—**
Current assets		
Investments in central banks	450,250,022	1,260,076,886
Investments in credit institutions	4,700,523	11,049,500
Loans to credit institutions	4,277,698	961,721
Impairment	(1,394)	(8,143)
Other	3,805,177	4,316,633
Impairment	(1,805,945)	(1,821,475)
	461,226,081	**1,274,575,121**
	462,187,528	**1,274,575,121**
Current liabilities		
Other	46,210,667	47,759,822
	46,210,667	**47,759,822**
	46,210,667	**47,759,822**

Investments in credit institutions and Loans to credit institutions

Regarding the above-mentioned captions, the scheduling by maturity is as follows:

	31.12.2022	31.12.2023
Up to 3 months	455,572,501	1,260,688,003
From 3 to 12 months	3,655,742	11,400,103
From 1 to 3 years	961,721	—
	460,189,964	**1,272,088,106**

The caption "Investments at credit institutions" showed an annual average return of 2,435% in 2023 (2022: 1.314%).

The amount of 1,260,076,886 Euros recorded in applications with central banks corresponds to overnight deposits with the Bank of Portugal. The increase in the balance compared to the previous period is related to the raising of funds from customers during the 2023.

Impairment

The impairment losses, for the period ended 31 December 2022 and 31 December 2023, are detailed as follows:

	2022					
	Opening balance	Increases	Reversals	Utilisations	Transfers	Closing balance
Non-current assets						
Investments and loans in credit institutions	1,709	140	(508)	—	(1,067)	274
	1,709	**140**	**(508)**	**—**	**(1,067)**	**274**
Current assets						
Investments and loans in credit institutions	2,197	712	(2,581)	—	1,067	1,395
Other	1,800,306	52,283	(4,548)	(42,097)	—	1,805,944
	1,802,504	**52,995**	**(7,129)**	**(42,097)**	**1,067**	**1,807,340**
	1,804,213	**53,135**	**(7,637)**	**(42,097)**	**—**	**1,807,614**

	2023					
	Opening balance	Increases	Reversals	Utilisations	Transfers	Closing balance
Non-current assets						
Investments and loans in credit institutions	274	—	—	—	(274)	—
	274	**—**	**—**	**—**	**(274)**	**—**
Current assets						
Investments and loans in credit institutions	1,394	8,099	(1,625)	—	274	8,143
Other	1,805,945	30,962	(8,982)	(6,450)	—	1,821,475
	1,807,339	**39,061**	**(10,607)**	**(6,450)**	**274**	**1,829,618**
	1,807,614	**39,061**	**(10,607)**	**(6,450)**	**—**	**1,829,618**

Regarding the movements in impairment losses on investments and loans to credit institutions by stages, in the periods ended on 31 December 2022 and 31 December 2023, they are detailed as follows:

	2022	2023
	Stage 1	Stage 1
Opening balance	**3,906**	**1,669**
Change in period:		
Increases due to origination and acquisition	852	8,099
Changes due to change in credit risk	(892)	(230)
Decrease due to derecognition repayments and disposals	(2,197)	(1,394)
Impairment	**1,669**	**8,143**

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

	2022	2023
	Stage 1	Stage 1
Opening balance	**3,906**	**1,669**
Change in period:		
ECL income statement change for the period	(2,237)	6,474
Impairment	**1,669**	**8,143**

The caption other current liabilities primarily record the banking operations' balances pending of financial settlement.

17. Financial risk management

The **Group** and the **Company** activities imply exposure to financial risks. Financial risk is defined as the probability of obtaining results that are different from those expected, whether positive or negative, thus changing the net worth of the **Group** in a material and unexpected way. Risk management focuses on the unpredictability of financial markets and seeks to mitigate the adverse effects arising from this unpredictability on the **Group** and the **Company'**s financial performance. Financial risks include credit risk, interest rate risk, exchange rate risk, liquidity risk, market risk, operational risk and capital risk.

Under the non-banking activity, financial risk management integrates the Risk Management System of the **Group** and the **Company** reporting directly to the Executive Committee. The Accounting and Tax department ensures the centralised management of financing operations, investment of surplus liquidity, exchange transactions as well as the counterparty risk management of the **Group** and the monitoring of the foreign currency exchange rate risk, according to the policies approved by the Executive Committee. Additionally, the Internal Audit, Compliance and Risk department is responsible for the identification, assessment, proposal and implementation of mitigating measures of financial risks that the **Group** and the **Company** are exposed to.

Under the banking activity, Banco CTT has an independent risk management system, based on a set of concepts, principles, rules and on an organisational model applicable and adjusted to the specificities and to the regulatory framework of its activity.

Banco CTT's risk management and internal control policy aims to maintain an adequate relationship between its equity and the activity developed, as well as the corresponding risk profile assessment/ return per business line. It also aims to support the decision-making process, being able to enhance, both in the short and long term, the ability to manage the risks to which Banco CTT is exposed and allow clear communication of the ways in which the risks arising from the business must be managed in order to create the basis for a solid operating environment. In this context, monitoring and control of the main types of risks to which the Bank's activity is subject becomes relevant.

Credit risk

Credit risk essentially refers to the risk that a third party fails on its contractual obligations, resulting in financial losses to the **Group** and the **Company**. Thus, credit risk basically resides in the accounts receivable from customers and other debtors, related to its operating and treasury activities.

The credit risk management is based on a set of standards and guidelines, part of the CTT's **Group** Credit Regulation ("Regulamento de Crédito Grupo CTT") and comprises the processes of credit granting, monitoring and debt recovery.

Considering the guiding principles of the **Group** and the **Company** Risk Management, a methodology of credit risk assessment is defined which allows, a priori, and based on the information available at the time, to evaluate the Customer's capacity to comply with all its obligations on time and within the conditions established. Based on this evaluation, a credit limit is defined for the customer, whose progress is regularly monitored.

The credit risk in the accounts receivable is monitored on a regular basis by each business of the **Group** companies and monthly monitored by the Credit Committee with the purpose of limiting the credit granted to Customers, considering the respective profile and the ageing of receivable of each customer, ensuring the follow-up of the evolution of credit that has been granted and analysing the recoverability of the receivables.

Under the non-banking activity, the deterioration of economic conditions or adversities which affect economies may lead to difficulty or incapacity of customers to pay their liabilities, with consequent negative effects on the net income of the **Group** companies. For this purpose, an effort has been made to reduce the average receivable term and amount of credit granted to clients.

Banking activity

Regarding the banking activity, 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.

Since its main activity is the commercial banking business, with special emphasis on the retail segment, in a first phase, Banco CTT offers simple credit products – mortgage loans and bank overdraft facilities associated with a current account with domiciled salary/ pension and, through the acquisition of 321 Crédito, the offer of specialised credit at the point of sale.

At Banco CTT, 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 control and mitigation of credit risk are carried out through the early detection of signs of deterioration in the portfolio, namely through early warning systems and the pursuit of appropriate actions to prevent the risk of default, to regularise the effective default and to create conditions that maximise recovery results.

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

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

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

The activities developed by the counterparts show some level of concentration in investment in public debt products, namely in eurozone countries. However, this concentration is in accordance with the **Group'**s policy and is part of the liquidity risk management performed by the **Group**.

The quantification / measurement of credit risk is carried out on a monthly basis, through the assessment of the necessary impairment to cover credit to customers, resulting from the application of a collective and individual impairment model.

The monitoring of the **Group** credit risk profile, in particular with regard to the evolution of credit exposures and the monitoring of losses, is carried out on a regular basis by the Capital and Risk Committee, by the Audit Committee and the Board of Directors. Compliance with approved credit requirements and limits are also subject to review on a regular basis.

The biggest driver of the Bank's credit risk is the mortgage loan product. As at 31 December 2023, the exposures (net of impairment and including off-balance exposures) to this type of loan of credit stood at 727,484 thousand Euros (658,628 thousand Euros as at 31 December 2022).

The retail segment credit, more specifically in auto loans at point of sale, is of 864,362 thousand Euros of exposures (net of impairment and including off-balance exposures) compare with 763,725 thousand Euros of 2022.

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 (counterpart risk), to public debt securities issues by eurozone countries (Portugal, Italy, France, Germany and Spain), debt instruments of other issuers (credit institutions and companies), securitisation operations 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.

Auto loans' 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, in which the collateral is limited to the value of the associated loan, are presented below:

	2022		2023	
	Loans and advances to customers	Fair value of the collateral	Loans and advances to customers	Fair value of the collateral
Mortgage loans	659,541,150	1,128,545,679	728,888,426	1,350,180,108
Auto loans	792,870,585	825,483,271	905,849,232	925,846,938
Credit Cards	373,812,649	—	—	—
Other	6,076,794	48,212,742	6,292,236	42,311,141
	1,832,301,179	**2,002,241,692**	**1,641,029,894**	**2,318,338,186**

Impairment

The impairment losses for accounts receivable are calculated considering essentially: (i) the ageing of the accounts receivable; (ii) the risk profile of each client; and (iii) the financial situation of the client. The amounts of accounts receivable were adjusted for bank guarantees and advance deposits for the purpose of calculating expected losses.

In the case of customers in the Mail, Express and Parcels and Financial Services segments, the existence of a reduced probability that the customer will pay in full its credit obligations is essentially determined based on the following criteria:

- Overdue credits with high seniority;
- Clients in bankruptcy, insolvency or liquidation; and
- Credits in litigation.

Regarding banking clients, those who meet at least one of the following criteria are considered to be default:

- Existence of payments of capital or interest overdue for more than 90 days;
- Debtors in bankruptcy, insolvency or liquidation;
- Credits in litigation;
- Cross-default credits;
- Restructured credits due to financial difficulties;
- Default quarantined credits; and
- Credits for which there is a suspected fraud or confirmed fraud.

Significant increase in credit risk (SICR) is determined according to a set of mostly quantitative but also qualitative criteria, to detect significant increases in the Probability of Default (PD), complemented by another type of information in which it stands out the behaviour of customers to entities of the financial system. However, regardless of the observation of a significant increase in credit risk in an exposure, it is classified in Stage 2 when one of the following conditions is met:

- Credit with late payment over 30 days (backstop);
- Credit with qualitative triggers subject to risk, namely those contained in Banco de Portugal Circular Letter No. 02/2014 / DSP.

The movement of impairment losses of accounts receivable is disclosed in Notes 25 and 46.

The impairment losses movements by financial instrument category, stage and movement type, are disclosed in each note, such as, Note 14 – Debt securities, Note 16 – Other banking financial assets and liabilities and Note 20 – Credit to banking clients.

As at 31 December 2023, the **Group** and the **Company** believe that impairment losses in accounts receivable are adequately estimated and recorded in the financial statements.

In addition, within the scope of treasury activities, the credit risk essentially results from the cash deposits investments made both by the **Group** and the **Company**. With the purpose of reducing that risk, the **Group** and the **Company** policy is to invest in short/medium-term periods negotiated with several financial institutions, all with a relatively high credit rating (considering the rating of the Portuguese Republic).

The **Group** and the **Company** credit risk quality, as at 31 December 2023, related to these types of assets (Cash and cash equivalents as stated in Note 23, excluding the cash amount) whose counterparties are financial institutions are detailed as follows:

Rating [1]	2023	
	Group	Company
Aa3	4,536	4,536
A1	15,152,650	204,873
A2	95,518	—
A3	81,789,736	40,669,952
Baa1	37,070,288	25,667,506
Baa2	37,618,836	6,186,212
Ba1	42,372,283	35,469,347
Ba2	40,730,595	40,711,304
Ba2 (2)	101	101
Ba3 (3)	3,728	—
Caa1	7,079	—
Outros (4)	10,628,595	12,383,892
	265,473,944	**161,297,724**

(1) Rating assigned by Moody's.
(2) Conversion of BB rating by Standard & Poor's
(3) Conversion of BB rating by Finch.
(4) Others with no rating.

As at 31 December 2023, the **Group** and the **Company** caption Cash and cash equivalents included term deposits, net of impairments, of 107,049,550 Euros e 102,446,674 Euros, respectively (126,769,299 Euros and 124,606,988 Euros as at 31 December 2022) (Note 23).

Due to the activity developed by CTT, namely, the requirements related to the Financial Services segment business, CTT are required to work with the majority of the financial institutions operating in Portugal, so the bank deposit amounts are spread over a wide range of financial institutions, some of which presenting a lower rate than the Portuguese Republic (Baa3). The assigned rating to the instruments rated below the Portuguese Republic was considered in the determination of Probability of Default ("PD") used to calculate the Expected Credit Loss ("ELC") as required by IFRS 9.

The following table includes the maximum exposure to credit risk associated with financial assets held by the **Group** and the **Company**. These amounts include only financial assets subject to credit risk and do not reconcile with the consolidated and individual balance sheet:

	Group		Company	
	2022	2023	2022	2023
Non-current				
Financial assets at fair value through profit or loss	26,219,905	13,532,000	—	—
Debt securities at amortised cost	409,388,745	364,706,177	—	—
Accounts receivable	—	—	617,421	596,036
Other assets	1,177,648	3,533,009	463,657	2,764,552
Credit to bank clients	1,287,676,223	1,444,412,021	—	—
Other banking financial assets	961,446	—	—	—
Current				
Accounts receivable	147,130,876	153,061,555	98,063,438	77,599,554
Credit to bank clients	489,888,789	148,801,874	—	—
Financial assets at fair value through profit or loss	26,478,525	—	—	—
Debt securities at amortised cost	128,391,899	364,759,821	—	—
Other assets	10,202,255	12,435,400	7,142,008	13,518,535
Other banking financial assets	459,242,817	1,272,087,916	—	—
Cash and cash equivalents	384,682,541	265,473,944	283,859,584	161,297,724
	3,371,441,669	**4,042,803,716**	**390,146,108**	**255,776,401**

The main changes in financial assets subject to credit risk are explained as follows:

- The increase in investments in debt securities at amortised cost, current and non-current, essentially concerns investment in Portuguese, Spanish, French and supranational debt securities.

- The increase in the caption "other banking financial assets" is explained by the increase in investments in central banks, namely in overnight deposits with the Bank of Portugal, due to an increase in available cash-flow.

- The decrease in the item "Cash and cash equivalents" is explained in detail in note 23.

The following table presents information on credit risk exposures of the banking activity (net of impairment and including off-balance exposures), on 31 December 2022 and 31 December 2023:

	2022	2023
Central administrations or Central banks	1,026,811,351	1,938,028,734
Multilateral developments banks	—	9,853,484
International organisations	—	70,755,998
Credit Institutions	68,143,012	58,561,158
Companies	399,764,137	5,828,301
Retail Clients	324,204,383	505,935,005
Real estate secured loans	672,246,535	743,460,667
Loans in default	47,779,757	28,007,367
Claims in the form of CIU	31,962,328	—
Other elements	84,669,017	70,926,949
Risk items	**2,655,580,521**	**3,431,357,663**

As mentioned before, the analysis of risk concentration is essentially based on geographic concentration and concentration in the economic sector in which the counterparts operate, so the respective details are as follows:

	2022								
	Central Authorities or Central Banks	Credit institutions	Companies	Retail customers	Loans secured by immovable assets	Non-performing loans	Claims in the form of CIU	Other Items	Total
Portugal	710,593,852	46,440,801	399,764,137	324,204,383	672,246,535	47,779,757	31,962,328	84,669,017	2,317,660,811
Spain	106,438,288	42	—	—	—	—	—	—	106,438,330
France	99,895,961	18,789,730	—	—	—	—	—	—	118,685,692
Italy	109,883,250	—	—	—	—	—	—	—	109,883,250
United Kingdom	—	2,912,439	—	—	—	—	—	—	2,912,439
Total	**1,026,811,351**	**68,143,012**	**399,764,137**	**324,204,383**	**672,246,535**	**47,779,757**	**31,962,328**	**84,669,017**	**2,655,580,520**

	2023									
	Central Authorities or Central Banks	Multilateral developments banks	International organisations	Credit institutions	Companies	Retail customers	Loans secured by immovable assets	Non-performing loans	Other Items	Total
Portugal	1,458,119,073	—	—	33,124,108	5,828,301	505,935,005	743,460,667	28,007,367	70,926,949	2,845,401,470
Spain	167,622,867	—	—	—	—	—	—	—	—	167,622,867
France	169,892,769	—	—	18,281,558	—	—	—	—	—	188,174,327
Italy	105,594,967	—	—	—	—	—	—	—	—	105,594,967
United Kingdom	—	—	—	7,155,492	—	—	—	—	—	7,155,492
Germany	36,799,059	—	—	—	—	—	—	—	—	36,799,059
Luxemburg	—	9,853,484	70,755,998	—	—	—	—	—	—	80,609,482
Total	**1,938,028,734**	**9,853,484**	**70,755,998**	**58,561,158**	**5,828,301**	**505,935,005**	**743,460,667**	**28,007,367**	**70,926,949**	**3,431,357,663**

The gross credit exposure and related impairment detail for banking activity, by stages (excluding off-balance exposures) is as follows:

		2022								
		Central Authorities or Central Banks	Credit institutions	Other securities	Credit Portfolio					Total
					Mortgage Loans	Overdrafts	Car Credit	Credit Cards	Others	
Stage 1	Gross Exposure	1,026,748,646	69,080,933	—	654,166,084	1,160,521	695,283,801	314,746,753	2,541,252	2,763,727,991
	Impairment Losses	(131,693)	(1,589)	—	(692,389)	(17,171)	(3,439,330)	(3,319,689)	(44,062)	(7,645,924)
	Net exposure	1,026,616,953	69,079,344	—	653,473,696	1,143,350	691,844,471	311,427,064	2,497,190	2,756,082,067
Stage 2	Gross Exposure	—	—	—	4,913,423	152,035	43,404,052	40,578,635	61,751	89,109,896
	Impairment Losses	—	—	—	(85,370)	(17,149)	(4,346,763)	(2,498,964)	(6,763)	(6,955,009)
	Net exposure	—	—	—	4,828,053	134,886	39,057,289	38,079,671	54,988	82,154,887
Stage 3	Gross Exposure	—	—	—	461,643	1,509,429	52,351,276	18,487,262	195,572	73,005,182
	Impairment Losses	—	—	—	(135,766)	(1,136,117)	(23,883,597)	(14,178,413)	(7,712)	(39,341,606)
	Net exposure	—	—	—	325,876	373,312	28,467,680	4,308,848	187,860	33,663,576
POCI (Stage 3)	Gross Exposure	—	—	—	—	—	1,831,455	—	456,234	2,287,689
	Impairment Losses	—	—	—	—	—	(926,887)	—	(23)	(926,910)
	Net exposure	—	—	—	—	—	904,568	—	456,211	1,360,779
Total	Gross Exposure	1,026,748,646	69,080,933	—	659,541,150	2,821,985	792,870,585	373,812,649	3,254,809	2,928,130,758
	Impairment Losses	(131,693)	(1,589)	—	(913,526)	(1,170,437)	(32,596,578)	(19,997,066)	(58,560)	(54,869,449)
	Net exposure	1,026,616,953	69,079,344	—	658,627,625	1,651,548	760,274,007	353,815,583	3,196,249	2,873,261,309

		2023							
		Central Authorities or Central Banks	Supranational	Credit institutions	Credit Portfolio				Total
					Mortgage Loans	Overdrafts	Car Credit	Others	
Stage 1	Gross Exposure	1,937,701,600	80,614,379	48,079,771	692,108,277	2,711,727	770,155,909	1,379,289	3,532,750,953
	Impairment Losses	(92,752)	(4,897)	(7,886)	(279,532)	(38,938)	(3,356,448)	(23,432)	(3,803,884)
	Net exposure	1,937,608,848	80,609,482	48,071,884	691,828,746	2,672,790	766,799,461	1,355,857	3,528,947,069
Stage 2	Gross Exposure	—	—	—	33,314,539	715,743	63,339,149	90,706	97,460,137
	Impairment Losses	—	—	—	(790,259)	(57,975)	(5,596,366)	(90)	(6,444,691)
	Net exposure	—	—	—	32,524,280	657,767	57,742,783	90,616	91,015,446
Stage 3	Gross Exposure	—	—	—	3,465,610	946,166	71,272,830	4,292	75,688,897
	Impairment Losses	—	—	—	(349,665)	(694,606)	(36,050,074)	(92)	(37,094,437)
	Net exposure	—	—	—	3,115,944	251,560	35,222,756	4,200	38,594,460
POCI (Stage 3)	Gross Exposure	—	—	—	—	—	1,081,344	444,313	1,525,657
	Impairment Losses	—	—	—	—	—	(578,502)	(20)	(578,523)
	Net exposure	—	—	—	—	—	502,842	444,292	947,134
Total	Gross Exposure	1,937,701,600	80,614,379	48,079,771	728,888,426	4,373,636	905,849,232	1,918,600	3,707,425,644
	Impairment Losses	(92,752)	(4,897)	(7,886)	(1,419,456)	(791,519)	(45,581,390)	(23,634)	(47,921,534)
	Net exposure	1,937,608,848	80,609,482	48,071,884	727,468,970	3,582,117	860,267,842	1,894,966	3,659,504,110

Banco CTT uses an impairment model that is based on IFRS 9 and the respective reference criteria of Bank of Portugal defined in Circular Letter nº 62 / 2018. In addition, the model considers the definitions and criteria that have been published by European Banking Authority (EBA).

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

	2022		2023	
	Other financial assets at amortised cost	Total	Other financial assets at amortised cost	Total
Portugal	221,627,387	221,627,387	168,946,854	168,946,854
Spain	106,420,662	106,420,662	167,622,867	167,622,867
Italy	109,840,122	109,840,122	105,594,967	105,594,967
France	99,892,472	99,892,472	169,892,769	169,892,769
Germany	—	—	36,799,059	36,799,059
	537,780,644	**537,780,644**	**648,856,515**	**648,856,515**

Interest rate risk

Changes in interest rates have a direct impact on the financial results of the **Group** and the **Company**. The interest rate risk manifests itself in three forms: (i) through the remuneration obtained with the application of the surplus liquidity, (ii) by the amount of the charges with the bank loans obtained and (iii) with the determination, through the impact on the discount rate, the estimate of liabilities with benefits to employees.

In order to reduce the impact of interest rate risk, the **Group** and the **Company** monitor market trends on a regular and systematic basis, with a view to leveraging the term/rate ratio on the one hand and risk/yield on the other.

The **Group** and the **Company** generally negotiate their deposits at fixed rates, while loans are negotiated at variable rates.

The application of surpluses liquidity follows criteria of diversification of financial risks, both in terms of terms and institutions, which are regularly reviewed and updated.

In the **Group** the investment of surplus liquidity, on 31 December 2022 and 31 December 2023, generated interest income of 30,127 Euros and 630,502 Euros, respectively (Note 51). Additionally, interest income is recorded for financial services in the caption Other operating income, in the years of 2022 and 2023, amounting to 51,832 Euros and 1,099,280 Euros, respectively (Note 43).

In the **Company** the investment of surplus liquidity, on 31 December 2022 and 31 December 2023, generated interest income of 13,316 Euros and 1,019,380 Euros, respectively (Note 51). Additionally, interest income is recorded for financial services in the caption Other operating income, in the years of 2022 and 2023, amounting to 51,832 Euros and 1,099,280 Euros, respectively (Note 43).

Under the non-banking activity, if the interest rates had a variation of 0.25 b.p., during the year ended 31 December 2023, the effect in the interest would have been 1260 thousand Euros in the **Group** and 878 thousand Euros in the **Company** (418 thousand Euros and 822 thousand Euros as at 31 December 2022, respectively).

In the scope of banking activity, Banco CTT manages the interest rate risk on a continuous basis and within the specific tolerance limits defined by its Board of Directors.

In the banking activity, as at 31 December 2023, one of the main instruments in the monitoring of balance sheet interest rate risk is based on the 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 2022 and 31 December 2023, the distribution of assets, liabilities and off-balance sheet items sensitive to the interest rate, according to the 19 timeframes and respective impact on economic value, are as follows:

2022 *(amounts in thousand Euros)*

Timeframe	Assets	Liabilities	Off-balance Sheet	Net position	Economic Value Delta (+200 bps)	Economic Value Delta (-200 bps)
At sight	746,113	759,346	338,410	325,177	(18)	18
At sight – 1 month	117,603	335,600	(185,484)	(403,481)	348	(356)
1 – 3 months	149,619	82,808	8,304	75,115	(242)	247
3 – 6 months	317,599	128,822	15,181	203,958	(1,461)	1,501
6 – 9 months	228,863	88,106	13,314	154,071	(1,812)	1,870
9 – 12 months	568,686	81,443	13,662	500,905	(8,126)	8,427
1 – 1,5 years	114,835	121,496	19,747	13,086	(297)	311
1,5 – 2 years	91,955	119,699	17,748	(9,996)	311	(328)
2 – 3 years	172,516	197,452	31,061	6,125	(264)	282
3 – 4 years	143,415	158,458	25,380	10,337	(599)	654
4 – 5 years	135,995	131,357	19,878	24,516	(1,756)	1,954
5 – 6 years	112,210	108,724	14,987	18,473	(1,554)	1,762
6 – 7 years	87,405	90,470	10,885	7,820	(747)	864
7 – 8 years	71,042	74,760	7,210	3,492	(370)	436
8 – 9 years	58,693	61,782	4,537	1,448	(167)	201
9 – 10 years	57,616	50,203	1,653	9,066	(1,120)	1,373
10 – 15 years	100,393	273,018	118	(172,507)	24,852	(32,289)
15 – 20 years	4,867	—	170	5,037	(851)	1,219
> 20 years	14,014	—	100	14,114	(2,766)	4,592
	3,293,439	**2,863,544**	**356,861**	**786,756**	**3,361**	**(7,262)**

(amounts in thousand Euros)

2023						
Timeframe	Assets	Liabilities	Off-balance Sheet	Net position	Economic Value Delta (+200 bps)	Economic Value Delta (-200 bps)
At sight	1,462,774	524,959	(90,281)	847,534	(45)	46
At sight – 1 month	126,754	368,088	(146,758)	(388,092)	328	(335)
1 – 3 months	162,261	285,035	14,552	(108,222)	341	(349)
3 – 6 months	245,988	463,732	17,298	(200,446)	1,407	(1,445)
6 – 9 months	234,186	427,656	15,082	(178,388)	2,065	(2,131)
9 – 12 months	413,334	441,089	14,155	(13,600)	219	(227)
1 – 1,5 years	138,724	110,870	23,499	51,353	(1,166)	1,218
1,5 – 2 years	218,336	107,194	21,587	132,729	(4,162)	4,390
2 – 3 years	209,701	160,074	29,090	78,717	(3,449)	3,692
3 – 4 years	185,217	127,762	18,782	76,237	(4,538)	4,954
4 – 5 years	152,179	103,517	11,842	60,504	(4,484)	4,991
5 – 6 years	118,551	84,868	7,020	40,703	(3,565)	4,047
6 – 7 years	95,697	70,446	3,922	29,173	(2,917)	3,376
7 – 8 years	66,198	58,974	1,754	8,978	(1,000)	1,180
8 – 9 years	81,531	51,034	112	30,609	(3,726)	4,484
9 – 10 years	41,914	46,550	34	(4,602)	604	(741)
10 – 15 years	69,673	153,130	109	(83,348)	12,859	(16,729)
15 – 20 years	5,150	—	116	5,266	(953)	1,367
> 20 years	2,827	—	228	3,055	(628)	1,044
	4,030,995	**3,584,978**	**(57,857)**	**388,160**	**(12,810)**	**12,832**

In view of the interest rate gaps observed, as at 31 December 2023, the impact on the economic value of instantaneous and parallel shifts of the interest rates by -200 basis points is (12,810) thousand Euros (2022: (6,210) thousand Euros).

The main assumptions used in 2022 in the Bank's analyses were the following:

a. For Demand Deposits: 26.04% on demand, 73.96% distributed non-linearly over 15 years, giving it a duration of 3.9 years;

b. Savings Accounts: 50.64% in cash, 49.36% distributed non-linearly over 15 years, giving them a duration of 2.6 years;

c. Introduction of an annual rate of prepayment of Mortgage Loan, of 1.27%, proportionally distributed by each time interval bucket;

In 2023, they were revised and the following changes were introduced:

a. For Demand Deposits: 18.20% in cash, 81.80% distributed non-linearly over 15 years, giving it a duration of 3.6 years;

b. Savings Accounts: 51.45% in cash, 48.50% distributed non-linearly over 15 years, giving it a duration of 2.1 years;

c. Increase in the annual prepayment rate for Mortgage Loan, from 8.6% to 10%, distributed proportionally over 12 months;

d. Reduction in the annual prepayment rate for Car Loan, from 10% to 9%, distributed proportionally over 12 months;

e. Modelling of non-productive exposures in order to reflect the expected cash flows of these exposures based on the specific assumptions of the impairment model relating to each of the types considered, indicating the default date of each contract and the projection of the amount in debt, net of impairment and at the reference date of the analysis, receivable by time band until the Loss Given Default (LGD) parameter reaches 100% via monthly linear interpolation, that is, the recognition of total loss of the remaining capital associated with the contract.

Additionally, the impact on the 12-month financial margin of changes in market interest rates is calculated on a monthly basis. In this exercise, all assets, liabilities or off-balance sheet elements that generate or pay interest cash flows are considered. The calculation is based on repricing characteristics and maturities, considering behavioural models and interest rate transmission coefficients (betas). Considering, everything else constant and, a positive variation of market interest rates of 50 b.p. on 31 December 2023, the net interest income would have increase by 3,071 thousand euros (2022: decrease of 264.5 thousand euros), while a negative rate variation of 50 b.p. would imply a decrease in the margin of 2,453 thousand euros (2022: decrease of 1 489 thousand euros). The lack of symmetry between the two impacts is explained by the specific circumstances of the market at the reference date, namely the fact that the remuneration of customer funds has not yet undergone significant changes and it is expected that subsequent increases will register high betas. This situation will no longer occur in 2023 due to the increase in remuneration for customer resources.

Foreign currency exchange rate risk

Under the non-banking activity, exchange rate risk is related to the existence of balances in currencies other than the Euro, in particular balances arising from transactions with foreign Postal Operators recorded in Special Drawing Rights (SDR) and the related changes on the fair value of the financial assets and liabilities, as a result of changes in foreign currency exchange rates.

The management of foreign exchange risk relies on the periodic monitoring of the degree of exposure to the exchange rate risk of assets and liabilities, with the reference of previously defined objectives based on the evolution of the international business activities.

As at 31 December 2022 and 31 December 2023, the net exposure (assets minus liabilities) of the **Group** amounted to (15,852,830) SDR ((19,862,170) Euros at the exchange rate €/SDR 1.25291), and (14,912,427) SDR ((18,156,328) Euros at the exchange rate €/SDR 1.21753), respectively.

As far as the **Company** is concerned, as at 31 December 2022 and 31 December 2023, the net exposure (assets minus liabilities) amounted to (15,524,784) SDR ((19,451,157) Euros at the exchange rate €/SDR 1.25291), and (14,416,819) SDR ((17,552,909) Euros at the exchange rate €/SDR 1.21753), respectively.

In the sensitivity analysis performed for the balances of accounts receivable and payable to foreign Postal Operators, on 31 December 2022 and 31 December 2023, assuming an increase / decrease of 10% in the exchange rate € / SDR, the **Group's** profit and losses would have been higher by (1,986,217) Euros and by (1,815,633) Euros, respectively. The impact on the **Company's** profit and losses would have been higher by (1,945,116) Euros and by (1,755,291) Euros, respectively.

In the scope of the banking activity, Banco CTT does not incur in foreign currency exchange rate risk, since it only operates in the Euro currency.

Liquidity risk

Liquidity risk may occur if the funding sources, such as cash balances, operating cash flows and cash flows from divestment operations, credit lines and cash flows obtained from financial operations, do not match the **Group's** financial needs, such as cash outflows for operating and financing activities and investments and shareholder remuneration. Based on the cash flow generated by operations and the available cash on hand, the **Group** and the **Company** believe that they have the capacity to meet their obligations.

The fact of the **Group'**s current liabilities is higher than its current assets as of 31 December 2023 does not derive from an effective liquidity risk but, mostly, is the result of 321 Crédito and Banco CTT subsidiaries consolidation, which, in view of its activities financial nature, they naturally present a current liability higher than the current asset, with the liquidity risk assessment of these activities carried out using regulatory indicators defined by the supervisory authorities.

Their main contractual obligations are related to the financing obtained (essentially financial leases) and respective interest, the operating leases and other non-contingent financial commitments.

The following tables detail the expected contractual obligations and financial commitments as at 31 December 2022 and 31 December 2023 for the **Group** and the **Company** and do not reconcile with the balance sheet:

	2022			
Group	**Due within 1 year**	**Over 1 year and less than 5 years**	**Over 5 years**	**Total**
Financial liabilities				
Debts	63,110,244	104,767,260	41,692,362	209,569,866
Accounts payable	491,966,724	—	—	491,966,724
Banking client deposits and other loans	2,245,329,918	—	—	2,245,329,918
Debt securities issued at amortised cost	351,654	445,226,206	—	445,577,860
Other current liabilities	50,938,850	—	—	50,938,850
Non-financial liabilities				
Non-contingent financial commitments (1)	4,912,774	—	—	4,912,774
	2,856,610,164	**549,993,466**	**41,692,362**	**3,448,295,992**

(1) The non-contingent financial commitments are essentially related to contracts signed with tangible fixed assets and intangible assets suppliers and a corresponding liability has not been recognised in the balance sheet (Notes 5 and 6).

	2023			
Group	**Due within 1 year**	**Over 1 year and less than 5 years**	**Over 5 years**	**Total**
Financial liabilities				
Debts	111,598,815	135,267,697	37,807,781	284,674,293
Accounts payable	344,342,348	—	—	344,342,348
Banking client deposits and other loans	3,090,962,551	—	—	3,090,962,551
Debt securities issued at amortised cost	243,468	347,131,609	—	347,375,077
Non-financial liabilities				
Non-contingent financial commitments (1)	12,767,987	—	—	12,767,987
	3,559,915,169	**482,399,306**	**37,807,781**	**4,080,122,255**

(1) The non-contingent financial commitments are essentially related to contracts signed with tangible fixed assets and intangible assets suppliers and a corresponding liability has not been recognised in the balance sheet (Notes 5 and 6).

Company	2022 Due within 1 year	Over 1 year and less than 5 years	Over 5 years	Total
Financial liabilities				
Debts	44,151,207	73,605,473	14,521,388	132,278,069
Accounts payable	458,593,234	309,007	—	458,902,241
Shareholders	12,412,010	—	—	12,412,010
Other current liabilities	20,586,137	—	—	20,586,137
Non-financial liabilities				
Non-contingent financial commitments (1)	1,357,457	—	—	1,357,457
	537,100,046	**73,914,480**	**14,521,388**	**625,535,914**

(1) The non-contingent financial commitments are essentially related to contracts signed with tangible fixed assets and intangible assets suppliers and a corresponding liability has not been recognised in the balance sheet (Notes 5 and 6).

Company	2023 Due within 1 year	Over 1 year and less than 5 years	Over 5 years	Total
Financial liabilities				
Debts	100,422,478	139,842,731	118,390,895	358,656,104
Accounts payable	283,442,438	309,007	—	283,751,445
Shareholders	3,663,372	—	—	3,663,372
Other current liabilities	35,057,618	—	—	35,057,618
Non-financial liabilities				
Non-contingent financial commitments (1)	4,951,346	—	—	4,951,346
	427,537,252	**140,151,738**	**118,390,895**	**686,079,885**

(1) The non-contingent financial commitments are essentially related to contracts signed with tangible fixed assets and intangible assets suppliers and a corresponding liability has not been recognised in the balance sheet (Notes 5 and 6).

Within the scope of banking activity, liquidity risk reflects the possibility of incurring significant losses arising from a deterioration in financing conditions (financing risk) and/or the sale of assets for values below market values (liquidity risk of market).

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.

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

At the level of the different assets, constant monitoring of the possibility of their transaction is maintained, duly framed by limits for operation in each market. Furthermore, under the periodic monitoring of the liquidity situation, the **Group** calculates the liquidity mismatch, Additional Liquidity Monitoring Metrics (ALMM), pursuant to the addenda issued in 2018 to Regulation (EU) 680/2014 of the Commission.

ALMM takes into account all the contracted outflows and inflows and uses a maturity ladder which enables confirming the existence or not of the **Group'**s liquidity mismatch, and also enables knowing its capacity to counterbalance any liquidity mismatch.

The liquidity mismatch is calculated for various timeframes, from overnight up to more than five years, taking into account the asset liability and off-balance sheet positions with expected and estimated financial flows that are scheduled according to the corresponding residual maturities or inflow/outflow date of the monetary flow.

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

Additionally, this positive liquidity mismatch is reinforced by the financial assets and reserves at the Central Bank of close to 1,949,971 thousand Euros (1,463,855 thousand years at 31 December 2022).

Market Risk

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

The Group does not have a trading portfolio, and as of 31 December 2023, its entire debt securities portfolio is accounted for at amortised cost, with the main risk arising from its investments being credit risk and not the risk of Marketplace.

In order to limit possible negative impacts due to difficulties in a market, sector or issuer, the **Group** has defined a set of limits for the management of its own portfolio in order to ensure that the levels of risk incurred in the Group's portfolios are in line with pre-defined levels. - Defined risk tolerance. These limits are established 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.

Capital risk

The **Group** and the **Company** manage their capital to safeguard the ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the **Group** and the **Company** may adjust the amount paid to shareholders in dividends, issue new debt or sell assets to reduce debt.

The balance of capital structure is monitored based on the adjusted solvency ratio, calculated as: Equity / Liabilities.

The solvency ratios at 31 December 2022 and 31 December 2023, were as follows:

	Group		Company	
	2022	2023	2022	2023
Equity	224,929,476	253,252,852	223,832,044	252,553,022
Liabilities	3,832,558,723	4,503,389,102	911,600,028	890,373,258
Amounts of third parties	362,607,756	191,333,681	362,607,764	191,318,407
Adjusted solvency ratio (1)	6.5%	5.9%	40.8%	36.1%

(1) Equity / (Liabilities - Amounts of third parties in Cash and cash equivalents)

Regarding Banco CTT, the definition of the strategy to be adopted in terms of capital management is the responsibility of the Board of Directors.

Banco CTT seeks to achieve high financial solidity by maintaining a total own funds ratio - the ratio between own capital and risk-weighted assets - comfortably above the legal minimum as set out in Directive 2013/36/EU and Regulation (EU) No. 575/2013 (CRR" - Capital Requirements Regulation), adopted on 26 June 2013 by the European Parliament and the Council.

The ICAAP (Internal Capital Adequacy Assessment Process) is an important process in the Group's risk management with the objective of identifying the necessary capital to adequately cover the risks that the Group incurs in the development of its current business strategy.

The Bank carries out this annual self-assessment exercise to determine the levels of capital adequacy in relation to its business model. This process, which is regulated by Bank of Portugal Instruction nº 3/2019 and the EBA guidelines, seeks to ensure that the risks to which institutions are exposed are correctly assessed and that the internal capital they have is adequate in relation to the respective risk profile.

The ICAAP is a tool that allows the Board of Directors to test the adequacy of the Bank's capitalisation to the risks of its activity, the sustainability of the strategic budget plan in the medium term and the respective framework within the risk limits defined in its Risk Appetite Statement. The ICAAP guides the Group in the assessment and quantification of 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 its internal capital using regulatory models, thus its internal capital is composed of its regulatory own funds.

Capital ratios – Banco CTT

The main goal of capital management is ensuring compliance with the Bank's strategic goals as regards capital adequacy, thereby complying and enforcing compliance with the minimum capital requirements stipulated by the supervisory authorities.

In calculating capital requirements, Banco CTT used the standard method for credit risk and risk of the counterpart, used the basic indicator method for operational risk and used the standard method with the maturity-based approach to market risk.

Capital, calculated pursuant to Directive 2013/36/UE and Regulation (UE) no. 575/2013 of the European Parliament and of the Council and Bank of Portugal Notice 10/2017, include Common and additional Equity Tier 1 and Tier 2 capital. Tier 1 includes Common Equity Tier 1 (CET1) and additional Tier 1 capital.

The Bank's Common Equity Tier 1 includes: a) paid-up capital and retained earnings and reserves, b) regulatory deductions related to intangible assets and losses for the financial year underway and c) prudential filters. The Bank has no additional Tier 1 capital, nor Tier 2 capital.

The current legislation contemplates a transition period between the own funds' requirements according to national legislation and those calculated according to Community legislation in order to phase both the non-inclusion/exclusion of elements previously considered (phased-out) or the inclusion/deduction of new elements (phased-in). At the prudential framework level, institutions should report Common Equity Tier 1, tier 1 and total ratios of not less than 7%, 8.5% and 10.5%, respectively, including a 2.5% conservation buffer and a countercyclical buffer, in the case of the Bank, 0%

In order to promote the banking system capacity to perform this function adequately, and cumulatively with monetary policy measures, financial regulatory and supervisory authorities have introduced a wide range of measures. These measures went through the easing of a wide range requirements usually required to institutions. In the case of the banking system, the European Central Bank and the Bank of Portugal allowed the institutions directly supervised by them to operate temporarily with a level of own funds below the orientations and of the combined reserve of own funds, and with levels of liquidity lower than the liquidity coverage requirement. Bank of Portugal Notice 10/2017 governs the transition period set out in the CRR as regards capital, namely regarding the deduction related to deferred taxes generated before 2014 and to the subordinated debt and non-eligible hybrid instruments, both of which are not applicable to Banco CTT.

With the introduction of IFRS 9 the Bank chose to recognise in stages the respective impacts of the static component in accordance with article 473-A of the CRR.

As at 31 December 2022 and 31 December 2023, the Bank had the following capital ratios, calculated pursuant to the transitory provisions set out in the CRR:

	2022		2023	
	CRR Phasing in	*CRR Fully Implemented*	*CRR Phasing in*	*CRR Fully Implemented*
OWN FUNDS				
Capital	**296,400,000**	**296,400,000**	**296,400,000**	**296,400,000**
Retained Earnings	**(59,348,171)**	**(59,348,171)**	**(46,098,200)**	**(46,098,200)**
Legal Reserves	**1,570,927**	**1,570,927**	**3,036,522**	**3,036,522**
Eligible Earnings	**14,715,565**	**14,715,565**	**17,023,433**	**17,023,433**
Other Reserves	**347,757**	**347,757**	**350,497**	**350,497**
Prudential Filters	**—**	**—**	**(23,231)**	**(23,231)**
Fair value reserve (1)	—	—	—	—
Additional Valuation Adjustment (AVA) (2)	—	—	(23,231)	(23,231)
Deduction to the main Tier 1 elements	**(68,809,596)**	**(76,171,372)**	**(71,793,078)**	**(74,549,381)**
Losses for the period	—	—	—	—
Intangible assets	(14,796,022)	(14,796,022)	(13,174,030)	(13,174,030)
Goodwill	(60,678,648)	(60,678,648)	(60,678,648)	(60,678,648)
IFRS 9 adoption	6,667,074	(694,703)	2,061,600	(694,703)
Securitisation deduction (1250%)	(2,000)	(2,000)	(2,000)	(2,000)
Items not deducted from Own Funds according to article 437 of CRR	**1,732,475**	**1,732,475**	**1,753,401**	**1,753,401**
Deferred tax assets	1,732,475	1,732,475	1,753,401	1,753,401
Common Equity Tier 1	**184,876,483**	**177,514,707**	**198,895,943**	**196,139,640**
Tier 1 Capital	**184,876,483**	**177,514,707**	**198,895,943**	**196,139,640**
Total Own Funds	**184,876,483**	**177,514,707**	**198,895,943**	**196,139,640**
RWA	1,182,594,054	1,176,297,814	947,577,336	945,528,243
Credit Risk	1,000,303,421	1,000,303,421	728,876,876	728,876,876
Operational Risk	148,924,759	148,924,759	188,984,037	188,984,037
Market Risk	—	—	—	—
CVA	33,365,873	33,365,873	29,716,423	29,716,423
IFRS 9 Adjustments	—	(6,296,240)	—	(2,049,093)
CAPITAL RATIOS				
Common Equity Tier 1	15.63%	15.09%	20.99%	20.74%
Tier 1 Ratios	15.63%	15.09%	20.99%	20.74%
Total Capital Ratio	15.63%	15.09%	20.99%	20.74%
REGULATORY MINIMUM RATIOS				
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) Fair value reserve relating to gains or losses on financial assets valued at fair value.
(2) Additional value adjustments necessary to adjust assets and liabilities valued at fair value.

Use of External Rating Assessments:

Banco CTT uses the ECAI's ratings (External Credit Assessment Institutions), in particular, the ratings issued by Moody's, S&P, Fitch and DBRS, for credit institutions exposures with a residual maturity greater than 3 months and for company exposures. Regarding this, the **Group** uses the standard relationship published by EBA between ECAIs and credit quality degrees.

Regarding the risk weight calculation to be applied in RWA calculation, the credit assessments allocation of the issuer occurs as follows:

a) debt securities positions are rated specifically for these issues;
b) If there are no specific credit ratings for the issues, as mentioned in a), the credit ratings attributed to the issuers of the same are considered, if any;
c) credit exposures that are not represented by debt securities receive only, and when they exist, the issuers' credit ratings.

At the reference dates, the Bank presented the following exposures:

		2022			2023			
Rating	Credit Quality Degree	Institutions, residual maturity > 3m	Sovereign	Central Bank	Institutions, residual maturity > 3m	Sovereign	Central Bank	Supranational
AAA AA	1	—	—	—	—	206,707,460	—	80,614,379
A	2	5,239,419	206,334,463	—	961,721	167,646,135	—	—
BBB	3	4,700,523	331,577,782	—	11,049,500	274,581,840	—	—
BB	4	—	—	—	—	—	—	—
B	5	—	—	—	—	—	—	—
<B	6	—	—	—	—	—	—	—
Without rating	Without rating	—	—	450,250,022	—	—	1,260,076,886	—
		9,939,942	**537,912,245**	**450,250,022**	**12,011,221**	**648,935,435**	**1,260,076,886**	**80,614,379**

18. Inventories

As at 31 December 2022 and 31 December 2023, the **Group** and the **Company** Inventories are detailed as follows:

	2022					
	Group			Company		
	Gross amount	Impairment losses	Net amount	Gross amount	Impairment losses	Net amount
Merchandise	7,644,305	2,747,401	4,896,905	6,604,998	2,747,401	3,857,597
Raw, subsidiary and consumable materials	4,314,685	922,314	3,392,372	4,276,475	922,314	3,354,162
Advances on purchases	(248,301)	—	(248,301)	(248,301)	—	(248,301)
	11,710,689	**3,669,714**	**8,040,976**	**10,633,172**	**3,669,715**	**6,963,458**

	2023					
	Group			Company		
	Gross amount	Impairment losses	Net amount	Gross amount	Impairment losses	Net amount
Merchandise	5,377,720	2,234,919	3,142,801	4,888,923	2,234,919	2,654,004
Raw, subsidiary and consumable materials	4,572,481	901,944	3,670,537	4,514,760	901,944	3,612,816
Advances on purchases	(149,869)	—	(149,869)	(149,869)	—	(149,869)
	9,800,332	**3,136,863**	**6,663,470**	**9,253,814**	**3,136,863**	**6,116,951**

Cost of sales

During the years ended 31 December 2022 and 31 December 2023, the details of Cost of sales related to the **Group** and the **Company**, were as follows:

	2022					
	Group			Company		
	Merchandise	Raw, subsidiary and consumable materials	Total	Merchandise	Raw, subsidiary and consumable materials	Total
Opening balance	7,386,718	3,647,788	11,034,506	6,989,647	3,617,626	10,607,273
Purchases	42,857,773	5,196,627	48,054,400	13,769,103	5,163,919	18,933,022
Offers	(34,505)	(44,213)	(78,718)	(34,505)	(44,213)	(78,718)
Adjustments	(14,442)	26,441	12,000	(14,442)	26,441	12,000
Impairment of inventories	(211,906)	54,645	(157,261)	(211,906)	54,645	(157,261)
Closing balance	(7,644,305)	(4,314,685)	(11,958,991)	(6,604,998)	(4,276,475)	(10,881,473)
Cost of sales	**42,339,333**	**4,566,603**	**46,905,936**	**13,892,899**	**4,541,943**	**18,434,842**

	2023					
	Group			Company		
	Merchandise	Raw, subsidiary and consumable materials	Total	Merchandise	Raw, subsidiary and consumable materials	Total
Opening balance	7,644,305	4,314,685	11,958,991	6,604,998	4,276,475	10,881,473
Purchases	7,524,671	5,028,916	12,553,587	5,977,921	4,983,998	10,961,919
Offers	(22,975)	(24,768)	(47,743)	(22,975)	(24,768)	(47,743)
Adjustments	(31,828)	(46,863)	(78,691)	(32,143)	(46,863)	(79,006)
Impairment of inventories	(283,414)	92,783	(190,632)	(283,414)	92,783	(190,632)
Closing balance	(5,377,720)	(4,572,481)	(9,950,201)	(4,888,923)	(4,514,760)	(9,403,683)
Cost of sales	**9,453,040**	**4,792,271**	**14,245,311**	**7,355,463**	**4,766,865**	**12,122,329**

Impairment

During the years ended 31 December 2022 and 31 December 2023, the movements in the **Group** and the **Company** Accumulated impairment losses (Note 25) were as follows:

	2022				
Group and Company	Opening balance	Increases	Reversals	Utilisations	Closing balance
Merchandise	3,131,405	—	(211,906)	(172,098)	2,747,401
Raw, subsidiary and consumable	867,668	68,233	(13,587)	—	922,313
	3,999,073	**68,233**	**(225,494)**	**(172,098)**	**3,669,714**

	2023				
Group and Company	Opening balance	Increases	Reversals	Utilisations	Closing balance
Merchandise	2,747,401	—	(283,414)	(229,068)	2,234,919
Raw, subsidiary and consumable	922,314	92,783	—	(113,152)	901,944
	3,669,714	**92,783**	**(283,414)**	**(342,220)**	**3,136,863**

For the years ended 31 December 2022 and 31 December 2023, impairment losses of inventories were recorded in the **Group** and the **Company** net of reversals amounting to (157,261) Euros and (190,632) Euros, respectively, in the caption “Cost of sales”.

19. Accounts receivable

As at 31 December 2022 and 31 December 2023 the **Group** and the **Company** heading Accounts receivable showed the following composition:

	Group		Company	
	31.12.2022	31.12.2023	31.12.2022	31.12.2023
Non-current				
Group companies (1)	—	—	617,421	596,036
	—	**—**	**617,421**	**596,036**
Current				
Third parties	125,451,093	130,969,841	50,910,203	37,860,117
Postal operators	21,469,695	21,680,644	19,526,611	19,344,916
Group companies (1)	210,088	411,070	27,626,623	20,394,521
	147,130,876	**153,061,555**	**98,063,438**	**77,599,554**
	147,130,876	**153,061,555**	**98,680,859**	**78,195,590**

(1) Includes subsidiary, associated and joint-ventures companies.

As at 31 December 2022 and 31 December 2023, the ageing of accounts receivable is detailed as follows:

	2022					
	Group			Company		
Accounts receivable	Gross amount	Accumulated impairment losses	Net amount	Gross amount	Accumulated impairment losses	Net amount
Non-overdue	80,929,727	(62,922)	80,866,805	45,505,023	(17,936)	45,487,088
Overdue (1):						
0-30 days	12,966,949	(41,899)	12,925,050	7,224,389	(47)	7,224,343
31-90 days	13,326,329	(42,621)	13,283,708	14,538,345	(608)	14,537,737
91-180 days	7,229,498	(39,395)	7,190,103	11,318,609	(5,510)	11,313,099
181-360 days	14,292,753	(1,137,324)	13,155,429	7,228,606	(224,585)	7,004,022
> 360 days	59,794,667	(40,084,887)	19,709,780	16,514,705	(3,400,135)	13,114,570
	188,539,923	**(41,409,047)**	**147,130,876**	**102,329,679**	**(3,648,820)**	**98,680,859**

(1) The amounts regarding the foreign operators, although being overdue over 360 days, are within the normal period for the presentation and regularisation of the accounts.

Accounts receivable	2023					
	Group			Company		
	Gross amount	Accumulated impairment losses	Net amount	Gross amount	Accumulated impairment losses	Net amount
Non-overdue	88,529,203	(56,422)	88,472,781	38,189,373	(33,790)	38,155,584
Overdue (1):						
0-30 days	23,611,584	59,398	23,670,983	8,813,129	(4,600)	8,808,530
31-90 days	9,975,361	(584,767)	9,390,594	10,159,199	(1,563)	10,157,636
91-180 days	5,703,708	(27,300)	5,676,409	2,916,841	(828)	2,916,013
181-360 days	3,543,777	(483,323)	3,060,454	360,665	(17,863)	342,802
> 360 days	66,973,577	(44,183,242)	22,790,335	21,460,590	(3,645,565)	17,815,025
	198,337,211	**(45,275,655)**	**153,061,555**	**81,899,798**	**(3,704,208)**	**78,195,590**

(1) The amounts regarding the foreign operators, although being overdue over 360 days, are within the normal period for the presentation and regularisation of the accounts.

The net amount of the Accounts receivable balances overdue over 360 days is broken down as follows:

	Group		Company	
	31.12.2022	31.12.2023	31.12.2022	31.12.2023
Other accounts receivable	8,767,791	5,547,464	2,960,794	1,353,783
Foreign operators	10,941,989	17,242,871	10,153,776	16,461,242
Total	**19,709,780**	**22,790,335**	**13,114,570**	**17,815,025**
Foreign operators - payable (Note 34)	**22,526,001**	**27,630,583**	**22,526,001**	**27,146,897**

The caption Foreign Operators relates to receivables associated with the distribution of postal items in Portugal with origin in other countries.

These operations fall within the scope of the regulations of the Universal Postal Union (UPU) that establishes the closing of the accounts on an annual basis which therefore is only made after the year end and originates the significant overdue balance with more than 360 days with these customers. It should also be mentioned that the referred regulation establishes a period of up to 22 months for the presentation of the accounts and, therefore, the foreign operators' balances reflect the expected trend of this specific business.

The **Group** does not have an unconditional right to settle the Foreign Operators amounts by net values, deducting unilaterally the receivable amounts from the payable amounts, for which the balances are presented in assets and liabilities. However, under the UPU regulations, the accounts between Foreign Operators are cleared by netting accounts, so the credit risk is mitigated by the accounts payable balances related to these entities and by the advance payments on the net receivables of the year (Note 34).

The accounts receivable and payable from foreign postal operators' detail by ageing (reference year) with reference of 31 December 2022 were as follows:

Group	2022	2021	2020 and previous	Total
Nature				
Customers	6,654,552	(228,729)	15,043,872	21,469,695
Suppliers	(23,285,207)	(13,773,335)	(13,049,869)	(50,108,412)

The accounts receivable and payable from foreign postal operators' detail by ageing (reference year) with reference of 31 December 2023 were as follows:

Group	2023	2022	2021 and previous	Total
Nature				
Customers	13,587,544	5,005,881	3,087,219	21,680,644
Suppliers	(16,650,509)	(18,136,634)	(11,816,709)	(46,603,852)

The revenue recognition impact of significant financing component effect associated to the contractual performance obligations with Foreign Operators is not significant. The **Group** and the **Company** did not recognise any amount.

The balance of national customers includes receivables of public entities and other clients that are also suppliers which will be netted with accounts payable balances and customers with debt payment plans.

In the universe of national customers, the level of coverage of customer debts by bank guarantees and prior customer deposits maintained a downward trend, standing at 31 December 2023 for the **Group** at 0.6% (31 December 2022: 0.9%), and 1.7% in the **Company** (31 December 2022: 1.4%). It should be noted that the current legislation does not allow the use of this type of customer risk protection mechanisms in essential public service contracts, which include mail credit sales contracts.

	Group		Company	
	31.12.2022	31.12.2023	31.12.2022	31.12.2023
Advance deposits	976,870	977,821	660,771	645,955
Bank guarantees	26,500	—	26,500	—
Total	**1,003,370**	**977,821**	**687,271**	**645,955**

Impairment losses

During the years ended 31 December 2022 and 31 December 2023, the movement in the **Group** Accumulated impairment losses caption (Note 25) was as follows:

Group	2022					
	Opening balance	Increases	Reversals	Utilisations	Other movements	Closing balance
Accounts receivable	39,883,599	3,835,005	(1,641,407)	(669,845)	1,695	41,409,047
	39,883,599	**3,835,005**	**(1,641,407)**	**(669,845)**	**1,695**	**41,409,047**

Group	2023					
	Opening balance	Increases	Reversals	Utilisations	Other movements	Closing balance
Accounts receivable	41,409,047	6,063,033	(1,580,637)	(614,647)	(1,140)	45,275,655
	41,409,047	**6,063,033**	**(1,580,637)**	**(614,647)**	**(1,140)**	**45,275,655**

For the years ended 31 December 2022 and 31 December 2023, impairment losses of accounts receivable were recorded in the **Group** (net of reversals) amounting to 2,193,598 Euros and 4,482,396 Euros, respectively, in the caption Impairment of accounts receivable, net (Note 46).

As at 31 December 2022 and 31 December 2023, companies in the Express segment continue to be the ones that most contribute to the evolution of accounts receivables impairments, this greater contribution being justified by the growth dynamics of this segment, combined with the strict application of internal rules for credit control, which translates into the end of the process, when there is no collection of the amounts owed, in the transfer of clients to litigation. Reversals are essentially justified by debt recovery, either through credit management or through the courts.

During the years ended 31 December 2022 and 31 December 2023, the movement in Accumulated impairment losses caption (Note 25) of the **Company** was as follows:

Company	2022				
	Opening balance	Increases	Reversals	Utilisations	Closing balance
Accounts receivable	4,061,443	984,939	(1,267,331)	(130,231)	3,648,820
	4,061,443	**984,939**	**(1,267,331)**	**(130,231)**	**3,648,820**

Company	2023				
	Opening balance	Increases	Reversals	Utilisations	Closing balance
Accounts receivable	3,648,820	1,442,846	(1,048,000)	(339,458)	3,704,208
	3,648,820	**1,442,846**	**(1,048,000)**	**(339,458)**	**3,704,208**

For the years ended 31 December 2022 and 31 December 2023, impairment losses of accounts receivable were recorded in the **Company** (net of reversals) amounting to (282,392) Euros and 394,846 Euros, respectively, in the caption Impairment of accounts receivable, net (Note 46).

20. Credit to banking clients

As at 31 December 2022 and 31 December 2023, the **Group** caption Credit to banking clients was detailed as follows:

	31.12.2022	31.12.2023
Performing loans	**1,808,576,514**	**1,616,912,775**
Mortgage Loans	659,528,828	728,846,938
Auto Loans	780,322,145	882,757,623
Credit Cards	364,276,261	—
Leasings	3,098,317	1,819,790
Overdrafts	1,350,964	3,488,425
Overdue loans	**23,724,664**	**24,117,118**
Overdue loans - less than 90 days	1,407,206	1,384,695
Overdue loans - more than 90 days	22,317,458	22,732,423
	1,832,301,179	**1,641,029,894**
Credit risk impairment	**(54,736,167)**	**(47,815,999)**
	1,777,565,012	**1,593,213,895**

The maturity analysis of the Credit to bank clients as at 31 December 2022 and 31 December 2023 is detailed as follows:

31.12.2022	Current					Non-current			
	At sight	Due within 3 months	>3 months - < 1 year	Overdue Loans	Total	> 1 year - > 3 years	Over 3 years	Total	Total
Mortgage loans	—	4,636,444	12,111,511	12,322	16,760,276	33,650,594	609,130,280	642,780,874	659,541,150
Auto Loans	—	31,350,940	83,953,302	12,548,440	127,852,682	218,528,051	446,489,852	665,017,903	792,870,584
Credit Cards	—	364,276,261	—	9,536,389	373,812,649	—	—	—	373,812,649
Leasings	—	343,726	802,179	156,492	1,302,398	1,277,212	675,199	1,952,411	3,254,809
Overdrafts	1,350,964	—	—	1,471,022	2,821,986	—	—	—	2,821,986
	1,350,964	**400,607,371**	**96,866,992**	**23,724,664**	**522,549,991**	**253,455,856**	**1,056,295,331**	**1,309,751,188**	**1,832,301,179**

31.12.2023	Current					Non-current			
	At sight	Due within 3 months	>3 months - < 1 year	Overdue Loans	Total	> 1 year - > 3 years	Over 3 years	Total	Total
Mortgage loans	—	4,850,143	8,998,954	41,489	13,890,586	25,126,922	689,870,918	714,997,840	728,888,426
Auto Loans	—	35,075,222	92,025,117	23,091,609	150,191,948	246,411,072	509,246,212	755,657,284	905,849,232
Leasings	—	194,548	647,891	98,810	941,249	520,532	456,819	977,351	1,918,600
Overdrafts	3,488,425	—	—	885,211	4,373,636	—	—	—	4,373,636
	3,488,425	**40,119,913**	**101,671,962**	**24,117,118**	**169,397,418**	**272,058,526**	**1,199,573,950**	**1,471,632,475**	**1,641,029,894**

The Credit Cards caption, essentially, represents a portfolio of credit cards acquired within the scope of the Universo Partnership with Universo, IME, S.A.. This portfolio was recognised in the Group's financial statements to the extent that the Group is a sole investor in the Next Funding No.1 securitisation operation and, therefore, in compliance with the conditions set out in IFRS 10 - Consolidated Financial Statements, the securitisation operation is consolidated.

In December 2022, Banco CTT and Universo, IME, SA ("Universo") revised the terms of the Partnership Agreement in the area of financial services, communicated to the market on 1 April 2021. In this context, the Banco CTT and Universo agreed the terms for the termination of the Agreement with a view to ending the partnership in December 2023. Notwithstanding this agreement, the conditions set out in IFRS 10 for recognising the credit card portfolio in the Group's financial statements continued to be occur on 31 December 2022. Under this agreement, Banco CTT was entitled to compensation of 2,000 thousand euros, settled in December 2023. In December 2023, the entire exposure to credit cards was sold to Universe, in accordance with the principles agreed in December 2022.

The breakdown of this heading by type of rate is as follows:

	31.12.2022	31.12.2023
Fixed rate	1,147,499,141	1,039,230,174
Floating rate	684,802,038	601,799,720
	1,832,301,179	**1,641,029,894**
Credit risk impairment	(54,736,167)	(47,815,999)
	1,777,565,012	**1,593,213,895**

As at 31 December 2022 and 31 December 2023, the analysis of this caption by type of collateral, is presented as follows:

	2022				
	Performing Loans	Overdue Loans	Gross amount	Impairment	Net amount
Asset-backed Loans	662,647,627	146,757	662,794,383	(1,036,479)	661,757,904
Other guaranteed Loans	761,033,646	5,465,861	766,499,507	(25,917,657)	740,581,850
Unsecured Loans	384,895,241	18,112,047	403,007,288	(27,782,031)	375,225,257
	1,808,576,514	**23,724,665**	**1,832,301,178**	**(54,736,167)**	**1,777,565,011**

	2023				
	Performing Loans	Overdue Loans	Gross amount	Impairment	Net amount
Asset-backed Loans	730,695,033	134,536	730,829,570	(1,514,397)	729,315,173
Other guaranteed Loans	861,229,849	5,404,733	866,634,583	(31,046,824)	835,587,759
Unsecured Loans	24,987,892	18,577,849	43,565,741	(15,254,779)	28,310,963
	1,616,912,775	**24,117,118**	**1,641,029,894**	**(47,815,999)**	**1,593,213,895**

The credit type analysis of the caption, as at 31 December 2022 and 31 December 2023 is detailed as follows:

	2022				
	Performing Loans	Overdue Loans	Gross amount	Impairment	Net amount
Mortgage Loans	659,528,828	12,322	659,541,150	(913,526)	658,627,625
Auto Loans	780,322,145	12,548,440	792,870,585	(32,596,578)	760,274,007
Credit Cards	364,276,261	9,536,389	373,812,649	(19,997,066)	353,815,583
Leasings	3,098,317	156,492	3,254,809	(58,560)	3,196,249
Overdrafts	1,350,964	1,471,022	2,821,986	(1,170,437)	1,651,548
	1,808,576,514	**23,724,665**	**1,832,301,179**	**(54,736,167)**	**1,777,565,012**

	2023				
	Performing Loans	Overdue Loans	Gross amount	Impairment	Net amount
Mortgage Loans	728,846,938	41,489	728,888,426	(1,419,456)	727,468,970
Auto Loans	882,757,623	23,091,609	905,849,232	(45,581,390)	860,267,842
Leasings	1,819,790	98,810	1,918,600	(23,634)	1,894,966
Overdrafts	3,488,425	885,211	4,373,636	(791,519)	3,582,117
	1,616,912,775	**24,117,118**	**1,641,029,894**	**(47,815,999)**	**1,593,213,895**

The analysis of credit to bank clients as at 31 December 2022 and 31 December 2023, by sector of activity, is as follows:

	2022				
	Performing Loans	Overdue Loans	Gross amount	Impairment	Net amount
Companies	**73,517,445**	**1,432,171**	**74,949,616**	**(2,636,453)**	**72,313,163**
Agriculture, forestry and fishing	8,953,383	111,188	9,064,571	(284,460)	8,780,112
Mining and quarrying	1,275,893	2,431	1,278,324	(17,045)	1,261,279
Manufacturing	6,335,183	149,505	6,484,688	(209,049)	6,275,639
Water supply	76,074	—	76,074	(877)	75,198
Construction	12,763,802	393,388	13,157,190	(607,158)	12,550,031
Wholesale and retail trade	10,508,686	160,442	10,669,128	(312,582)	10,356,546
Transport and storage	7,191,249	189,058	7,380,307	(249,279)	7,131,028
Accommodation and food service activities	5,522,098	97,047	5,619,145	(234,925)	5,384,220
Information and communication	825,977	165	826,142	(4,572)	821,570
Financial and insurance activities	281,488	6,662	288,150	(16,097)	272,052
Real estate activities	1,882,180	3,234	1,885,414	(38,052)	1,847,362
Professional, scientific and technical activities	2,199,136	19,674	2,218,810	(71,056)	2,147,754
Administrative and support service activities	3,876,731	90,129	3,966,861	(186,372)	3,780,489
Public administration and defence, compulsory social security	95,618	—	95,618	(488)	95,130
Education	790,979	1,941	792,920	(13,857)	779,063
Human health services and social work activities	1,356,996	46,801	1,403,797	(33,217)	1,370,580
Arts, entertainment and recreation	1,196,427	93,056	1,289,483	(98,709)	1,190,774
Other services	8,385,545	67,450	8,452,994	(258,658)	8,194,336
Individuals	**1,735,059,070**	**22,292,494**	**1,757,351,563**	**(52,099,713)**	**1,705,251,851**
Mortgage Loans	659,618,068	12,322	659,630,390	(915,248)	658,715,142
Consumer Loans	1,075,441,002	22,280,172	1,097,721,173	(51,184,465)	1,046,536,709
	1,808,576,515	**23,724,665**	**1,832,301,179**	**(54,736,166)**	**1,777,565,014**

	2023				
	Performing Loans	Overdue Loans	Gross amount	Impairment	Net amount
Companies	**95,619,127**	**2,570,833**	**98,189,960**	**(4,480,668)**	**93,709,293**
Agriculture, forestry and fishing	13,093,378	278,240	13,371,618	(677,075)	12,694,544
Mining and quarrying	1,514,584	4,063	1,518,646	(46,335)	1,472,312
Manufacturing	7,293,078	210,506	7,503,584	(329,907)	7,173,677
Electricity, gas, steam and air conditioning supply	8,313	—	8,313	(37)	8,276
Water supply	110,309	—	110,309	(461)	109,848
Construction	17,289,012	598,350	17,887,362	(934,282)	16,953,081
Wholesale and retail trade	13,804,106	268,963	14,073,069	(456,131)	13,616,938
Transport and storage	11,255,827	358,412	11,614,239	(586,252)	11,027,987
Accommodation and food service activities	7,186,598	142,029	7,328,627	(349,892)	6,978,735
Information and communication	1,214,554	6,923	1,221,477	(29,124)	1,192,352
Financial and insurance activities	341,563	33,415	374,978	(25,942)	349,037
Real estate activities	2,007,274	42,301	2,049,575	(49,053)	2,000,522
Professional, scientific and technical activities	2,516,816	58,613	2,575,429	(111,079)	2,464,351
Administrative and support service activities	4,827,494	230,701	5,058,195	(311,788)	4,746,408
Public administration and defence, compulsory social security	84,877	206	85,084	(2,494)	82,589
Education	844,145	12,967	857,112	(15,932)	841,180
Human health services and social work activities	1,803,171	21,167	1,824,339	(39,544)	1,784,794
Arts, entertainment and recreation	1,851,294	147,756	1,999,049	(129,751)	1,869,298
Other services	8,572,733	156,221	8,728,954	(385,589)	8,343,365
Individuals	**1,521,293,648**	**21,546,285**	**1,542,839,933**	**(43,335,332)**	**1,499,504,602**
Mortgage Loans	728,930,142	41,498	728,971,639	(1,421,117)	727,550,522
Consumer Loans	792,363,506	21,504,787	813,868,294	(41,914,214)	771,954,079
	1,616,912,775	**24,117,118**	**1,641,029,894**	**(47,815,999)**	**1,593,213,895**

The total credit portfolio, split by stage according to IFRS 9, is analysed as follows:

	2022	2023
Stage 1	**1,660,385,770**	**1,462,656,854**
Gross amount	1,667,898,411	1,466,355,203
Impairment	(7,512,642)	(3,698,349)
Stage 2	**82,154,887**	**91,015,446**
Gross amount	89,109,896	97,460,137
Impairment	(6,955,009)	(6,444,691)
Stage 3	**35,024,355**	**39,541,594**
Gross amount	75,292,871	77,214,554
Impairment	(40,268,516)	(37,672,959)
	1,777,565,012	**1,593,213,895**

The caption credit to bank clients includes the effect of traditional securitisation transactions, carried out through securitisation vehicles, consolidated pursuant to IFRS 10 in accordance with accounting policy 2.2.

The caption credit to bank clients includes the following amounts related to finance leases contracts:

	2022	2023
Amount of future minimum payments	3,548,810	2,244,282
Interest not yet due	(450,493)	(424,492)
Present value	**3,098,317**	**1,819,790**

The amount of future minimum payments of lease contracts, by maturity terms, is analysed as follows:

	2022	2023
Due within 1 year	1,580,023	1,272,469
Due between 1 to 5 years	1,632,323	686,206
Over 5 years	336,463	285,607
Amount of future minimum payments	**3,548,810**	**2,244,282**

The analysis of financial leases contracts, by type of client, is presented as follows:

	2022	2023
Individuals	**403,140**	**242,458**
Home	83,393	74,602
Others	319,747	167,857
Companies	**2,695,176**	**1,577,331**
Equipment	178,712	161,061
Real Estate	2,516,465	1,416,271
	3,098,317	**1,819,790**

Impairment losses

During the year ended 31 December 2022 and 31 December 2023, the movement in the **Group** under the Accumulated impairment losses caption (Note 25) was as follows:

	2022						
	Opening balance	Increases	Reversals	Utilisations	Transfers	Other movements	Closing balance
Non-current assets							
Credit to banking clients	15,601,705	17,177,617	(7,208,624)	(569,135)	(3,063,025)	136,426	22,074,965
	15,601,705	**17,177,617**	**(7,208,624)**	**(569,135)**	**(3,063,025)**	**136,426**	**22,074,965**
Current assets							
Credit to banking clients	15,488,685	25,415,289	(10,665,581)	(842,068)	3,063,025	201,852	32,661,202
	15,488,685	**25,415,289**	**(10,665,581)**	**(842,068)**	**3,063,025**	**201,852**	**32,661,202**
	31,090,390	**42,592,906**	**(17,874,205)**	**(1,411,203)**	**—**	**338,278**	**54,736,167**

	2023						
	Opening balance	Increases	Reversals	Utilisations	Transfers	Other movements	Closing balance
Non-current assets							
Credit to banking clients	22,074,965	29,865,366	(15,637,839)	(18,335,628)	9,084,969	168,623	27,220,455
	22,074,965	**29,865,366**	**(15,637,839)**	**(18,335,628)**	**9,084,969**	**168,623**	**27,220,455**
Current assets							
Credit to banking clients	32,661,202	22,596,738	(11,831,904)	(13,873,106)	(9,084,969)	127,583	20,595,544
	32,661,202	**22,596,738**	**(11,831,904)**	**(13,873,106)**	**(9,084,969)**	**127,583**	**20,595,544**
	54,736,167	**52,462,104**	**(27,469,743)**	**(32,208,734)**	**—**	**296,206**	**47,815,999**

For the years ended 31 December 2022 and 31 December 2023, impairment losses of Credit to banking clients were recorded in the **Group** (net of reversals) amounting to 24,718,701 Euros and 24,992,361 Euros, respectively in the caption Impairment of accounts receivable, net (Note 46).

Regarding the movements in impairment losses by stages, in the periods ended on 31 December 2022 and 31 December 2023, they are detailed as follows:

	2022			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Opening balance	**6,473,619**	**4,602,577**	**20,014,195**	**31,090,391**
Change in period:				
Increases due to origination and acquisition	2,038,514	1,487,610	2,647,941	6,174,065
Changes due to change in credit risk	(2,048,547)	2,295,799	19,878,455	20,125,706
Decrease due to derecognition repayments and disposals	(642,399)	(236,262)	(702,409)	(1,581,070)
Write-offs	(291)	—	(1,410,913)	(1,411,203)
Transfers to:				
Stage 1	2,334,939	(1,211,886)	(1,123,053)	—
Stage 2	(457,083)	1,877,211	(1,420,128)	—
Stage 3	(197,724)	(1,808,474)	2,006,199	—
Foreign exchange and other	11,616	(51,566)	378,228	338,278
Impairment	**7,512,642**	**6,955,009**	**40,268,516**	**54,736,167**
Of which: POCI	—	—	*926,910*	*926,910*

	2023			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Opening balance	**7,512,642**	**6,955,009**	**40,268,516**	**54,736,167**
Change in period:				
Increases due to origination and acquisition	1,331,542	1,416,045	961,291	3,708,878
Changes due to change in credit risk	(5,673,996)	2,324,258	26,532,908	23,183,170
Decrease due to derecognition repayments and disposals	(1,106,458)	(2,500,481)	(29,152,813)	(32,759,752)
Write-offs	—	—	(1,348,669)	(1,348,669)
Transfers to:				
Stage 1	2,606,546	(1,456,726)	(1,149,820)	—
Stage 2	(702,546)	2,620,554	(1,918,007)	—
Stage 3	(279,413)	(2,931,365)	3,210,779	—
Foreign exchange and other	10,032	17,398	268,777	296,206
Impairment	**3,698,349**	**6,444,691**	**37,672,959**	**47,815,999**
Of which: POCI	—	—	*578,523*	*578,523*

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

	2022			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Opening balance	**6,473,619**	**4,602,577**	**20,014,195**	**31,090,391**
Change in period:				
ECL income statement change for the period	(652,433)	3,547,147	21,823,987	24,718,701
Stage transfers (net)	1,680,131	(1,143,149)	(536,982)	—
Write-offs	(291)	—	(1,410,913)	(1,411,203)
Foreign exchange and other	11,616	(51,566)	378,228	338,278
Impairment	**7,512,642**	**6,955,009**	**40,268,516**	**54,736,167**

	2023			
	Stage 1	Stage 2	Stage 3	Total
Opening balance	**7,512,642**	**6,955,009**	**40,268,516**	**54,736,167**
Change in period:				
ECL income statement change for the period	(5,127,980)	3,438,509	26,681,832	24,992,361
Stage transfers (net)	1,624,587	(1,767,538)	142,951	—
Disposals	(320,931)	(2,198,687)	(27,517,324)	(30,036,942)
Utilisations during the period	—	—	(823,123)	(823,123)
Write-offs	—	—	(1,348,669)	(1,348,669)
Foreign exchange and other	10,032	17,398	268,777	296,206
Impairment	**3,698,349**	**6,444,691**	**37,672,959**	**47,815,999**

Sensitivity Analysis

Given the high uncertainty of macroeconomic projections and considering that deviations from the presented scenarios may have an impact on the value of estimated expected losses, sensitivity analyses were carried out on the distribution of the portfolio by stage and the respective impact on impairment.

The **Group** considers that the most sensitive or susceptible parameters assumed, as they are based on benchmarks, dependent on methodological options or because they are more susceptible to changes in the economic cycle, are the Probability of Default (PD) for most portfolios and the Loss Given Default (LGD) for the credit card case.

In this context, the sensitivity analysis carried out to determine what would be the impairment of the global portfolio if those parameters suffered a relative deterioration of 10%, concluded that the increase in impairment would be 740 thousand euros, corresponding to about 1,5%.

21. Prepayments

As at 31 December 2022 and 31 December 2023, the Prepayments included in current assets and current and non-current liabilities of the **Group** and the **Company** showed the following composition:

	Group		Company	
	31.12.2022	31.12.2023	31.12.2022	31.12.2023
Deferred Assets				
Current				
Rents payable	861,806	389,421	535,949	54,062
Meal allowances	1,360,349	1,315,703	1,360,349	1,315,703
Other	6,789,720	8,241,648	2,450,055	3,452,197
	9,011,875	**9,946,772**	**4,346,353**	**4,821,962**
Deferred Liabilities				
Non-current				
Investment subsidy	260,886	671,689	260,885	656,216
	260,886	**671,689**	**260,885**	**656,216**
Current				
Investment subsidy	11,201	11,201	11,201	11,201
Contractual liabilities	1,165,324	2,212,896	877,484	792,237
Other	2,501,616	2,886,001	2,182,957	1,572,659
	3,678,140	**5,110,098**	**3,071,642**	**2,376,096**
	3,939,026	**5,781,787**	**3,332,527**	**3,032,312**

The change in the caption “Other deferred assets” essentially results from the renewal of software license contracts and insurance contracts.

The caption “Contractual liabilities” results from the application of IFRS 15 - Revenue from Contracts with Customers and stands for the amount already invoiced, but not yet recognised as revenue because the performance obligations have not yet been met as recommended by the standard.

The “Contractual liabilities” recognised by the **Group** essentially refer to amounts related to stamps and prepaid postage of priority mail in the amount of 792,237 Euros (877,484 Euros on 31 December 2022), whose revenue is expected to be recognised in January 2024 (estimate of 80% of the item's value) and the remaining during 2024, and to objects invoiced and not delivered on 31 December 2023 in the express segment, in the amount of 1,420,660 Euros (287,840 Euros as of 31 December 2022), whose revenue is recognised upon delivery in the following month.

The revenue recognised by the **Group** and **Company** in the period, included in the balance of Contractual liabilities at the beginning of the period amounted to 1,165,324 Euros and 877,484 Euros, respectively.

No “Assets resulting from contracts” associated with the application of IFRS 15 - Revenue from contracts with customers were recognised.

22. Non-current assets held for sale and Discontinued operations

As at 31 December 2022 and 31 December 2023, the amounts recorded under this caption, in the **Group,** are detailed as follows:

	31.12.2022	31.12.2023
Non-current assets held for sale		
Real estate	—	—
Equipment	838	838
	838	**838**
Impairment	(638)	(638)
	200	**200**

As determined in IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations the associated depreciations of the assets referred above have ceased in the moment of transfer to Non-Current Assets Held for Sale.

Impairment losses

During the years ended at 31 December 2022 and 31 December 2023, the movement in impairment losses in the Group recognised under the caption “Depreciation / amortisation and impairment of investments (losses / reversals)” (Note 47) was as follows::

	2022				
	Opening balance	Increases	Reversals	Utilisations	Closing balance
Current assets					
Non-current assets held for sale	164,441	8,236	(172,038)	—	638
	164,441	**8,236**	**(172,038)**	**—**	**638**

	2023				
	Opening balance	Increases	Reversals	Utilisations	Closing balance
Current assets					
Non-current assets held for sale	638	—	—	—	638
	638	**—**	**—**	**—**	**638**

As at 31 December 2022 and 31 December 2023, there were no operations classified as discontinued operations.

23. Cash and cash equivalents

As at 31 December 2022 and 31 December 2023, cash and cash equivalents correspond to the value of cash, sight deposits, term deposits and cash investments on the monetary market, net of bank overdrafts and equivalent short-term bank financing, and is detailed as follows:

	Group		Company	
	31.12.2022	31.12.2023	31.12.2022	31.12.2023
Cash	71,794,674	86,139,678	46,248,572	60,695,516
Demand deposits	160,127,945	93,256,266	159,244,898	58,847,282
Deposits at Central Banks	38,636,396	29,095,592	—	—
Deposits at other credit institutions	59,140,984	36,068,548	—	—
Term deposits	126,769,299	107,049,550	124,606,988	102,446,674
Cash and cash equivalents (Statement of Financial Position)	**456,469,298**	**351,609,634**	**330,100,458**	**221,989,472**
Demand deposits at Banco de Portugal	(23,185,900)	(28,625,500)	—	—
Checks for collection / Checks clearing	(22,492,340)	(7,758,807)	—	—
Impairment of Demand and term deposits	7,917	3,988	7,699	3,768
Cash and cash equivalents (Cash Flow Statement)	**410,798,975**	**315,229,314**	**330,108,157**	**221,993,241**

The caption “Sight deposits at Bank of Portugal” includes mandatory deposits in order to meet the legal requirements to maintain a minimum cash reserve in accordance with the provisions of Regulation (EU) No. 1358/2011 of European Central Bank of 14 December 2011, which states that the minimum cash requirements kept as demand deposits at Bank of Portugal amounts to 1% of the average amount of deposits and other liabilities, over each reserve maintenance period. As at 31 December 2023,, the daily average of the minimum mandatory availability for the period in force was 28,625,500 Euros.

Therefore, the item Demand deposits at Bank of Portugal includes, as at 31 December 2023, a total amount of demand deposits of 29,095,592 Euros (31 December 2022: 38,636,396 Euros).

The Eurozone banks are required to hold a certain amount of funds in their current accounts with the national central bank. These funds are called “mandatory minimum reserves”. The amount of funds to be held as minimum reserves is calculated based on banks' balance sheets before the start of each maintenance period. Currently, banks are obliged to hold, at their respective national central bank, a minimum of 1% of specific liabilities, mainly customer deposits of up to 2 years.

From the reserve counting period starting on 30 October 2019, the ECB introduced the tiering regime, which exempted part of the excess reserves deposited by credit institutions with the central bank from the negative remuneration then associated with the deposit facility rate. This tiering regime ceased to apply on 27 July 2022, following the Governing Council's decision to increase the deposit facility rate to a non-negative amount. Until October 2022, the interest rate paid was linked to the interest rate on main refinancing operations. It was then reduced to reflect the deposit facility rate, and in July 2023 it was set at 0%.

The caption “Outstanding checks/ Checks clearing” represents checks drawn by third parties on other credit institutions, which are in collection.

In 2023, the **Group’**s Cash-flows decrease 95,569,661 Euros. The main changes in the **Group's** cash flow statement captions that contribute to the global change, are explained as follows:

- The caption “Deposits from bank customers”, from operational activities, amounts to 833,574,737 Euros (2022: 123,738,597 Euros). The increase is mainly explained by the growth in Banco CTT's activity with greater deposit capture compared to 2022.

- The caption “Credit to bank customers” of operational activities amounts to 203,606,686 Euros (2022: (242,912,761) Euros). The value of receipts in 2023 is due to the run-off of the credit card portfolio throughout 2023, which ended with its sale in December 2023.

- The caption “Other receipts/payments” of operational activities amounts to (95,393,472) Euros, compared to 249,493,641 Euros, explained mainly by a significant flow of subscription to savings certificates by consumers at the end of 2022, driven by the increase in rates Euribor, and consequent impact on the profitability of this investment product.

- The caption investments in the Central Bank, of investment activities, amounts to (809,457,000) Euros (2022: (450,200,000 Euros). The change compared to the previous period is related to the capture of resources from customers during 2023, which allowed a greater volume of applications at the Central Bank.

In 2023, the **Company’** Cash-flows decrease 108,114,916 Euros. The main changes in the **Company'**s cash flow statement captions that contribute to the global change, are explained as follows:

- The item “Other receipts/payments”, of operational activity, mainly records the amounts paid in relation to order vouchers, vouchers issued in stores, subscription and amortisation of savings/ treasury certificates and respective payments to the IGCP, tax collections, payment and receipts of foreign postal operators, among others. This caption recorded an amount of (197,744,279) Euros in 2023 (2022: 166,974,469 Euros), explained mainly by a significant flow of subscriptions to savings certificates by consumers at the end of 2022, driven by the increase in Euribor rates, and consequent impact on the profitability of this investment product.

- “Receipts relating to financing obtained” amounted (94,686,630) Euros, compared to a zero balance in 2022. The variation is explained, above all, by new bank financing in the form of commercial paper, as well as short-term financing in the amount of around 60 million euros (note 31).

- The variation in the item “Acquisition of own shares”, of financing activities, refers to the own share buyback programme, explained in detail in note 27.

Impairment

In the period ended 31 December 2022 and 31 December 2023, the movement recorded under the caption “Impairment of sight and term deposits” (Note 25) related to the **Group** is detail as follows:

	2022				
Group	**Opening balance**	**Increases**	**Reversals**	**Utilisations**	**Closing balance**
Slight and term deposits	24,913	1,715	(18,711)	—	7,917
	24,913	**1,715**	**(18,711)**	**—**	**7,917**

	2023				
Group	**Opening balance**	**Increases**	**Reversals**	**Utilisations**	**Closing balance**
Slight and term deposits	7,917	38	(3,967)	—	3,988
	7,917	**38**	**(3,967)**	**—**	**3,988**

For the year ended 31 December 2022 and 31 December 2023 impairment losses (increases net of reversals) of sight and term deposits amounted to (16,996) Euros and (3,930) Euros, respectively, and were booked under the caption Impairment of accounts receivable, net (Note 46).

Regarding the **Company,** in the period ended 31 December 2022 and 31 December 2023, the movement recorded under the caption “Impairment of sight and term deposits” (Note 25) related to the **Company** is detail as follows:

	2022				
Company	**Opening balance**	**Increases**	**Reversals**	**Utilisations**	**Closing balance**
Slight and term deposits	24,501	1,696	(18,499)	—	7,699
	24,501	**1,696**	**(18,499)**	**—**	**7,699**

	2023				
Company	**Opening balance**	**Increases**	**Reversals**	**Utilisations**	**Closing balance**
Slight and term deposits	7,699	—	(3,930)	—	3,768
	7,699	**—**	**(3,930)**	**—**	**3,768**

For the year ended 31 December 2022 and 31 December 2023 impairment losses (increases net of reversals) of sight and term deposits amounted to (16,803) Euros and (3,930) Euros, respectively, and were booked under the heading Impairment of accounts receivable, net (Note 46).

24. Other non-current and current assets

As at 31 December 2022 and 31 December 2023, the captions “Other non-current assets” and “Other current assets” of the **Group** and the **Company** had the following composition:

	Group		Company	
	31.12.2022	**31.12.2023**	**31.12.2022**	**31.12.2023**
Non-current				
Advances to staff	1,943	—	1,943	—
Other receivables from staff	2,497,656	2,210,093	2,497,656	2,210,093
Labour compensation fund	1,143,305	1,217,461	561,897	619,487
Other non-current assets	441,590	485,949	309,007	309,007
Impairment	(2,906,847)	(380,493)	(2,906,847)	(374,036)
	1,177,648	**3,533,009**	**463,657**	**2,764,552**
Current				
Advances to suppliers	256,409	257,860	256,409	257,860
Advances to staff	4,122,243	4,838,230	4,007,527	4,633,733
Postal financial services	1,717,260	4,836,892	1,717,259	4,836,891
State and other public entities	5,362,367	8,928,251	—	—
Debtors by accrued revenues	8,713,153	4,733,134	5,505,466	5,712,315
Amounts collected on CTT behalf	567,598	1,935,706	170,665	150,917
Guaranteed	1,108,469	1,116,247	—	—
Advances to lawyers	42,716	3,809	—	—
Debtors by asset disposals	29,534	16,094	29,534	16,094
Payshop agents	262,156	308,452	—	—
Mobility allowances for Autonomous Regions	6,647,062	11,224,439	6,647,062	11,224,439
Office for media	540,679	1,530,334	540,679	1,530,334
Sundry debtors	200,143	216,547	200,143	196,147
Collections	15,029,996	15,082,031	10,418,895	11,729,377
Deposits	27,234,053	27,043,588	251,430	235,830
Customs	2,437,022	4,724,859	2,437,022	4,724,859
Non-core billing	1,193,245	1,099,714	735,345	880,527
Billing to partners	1,366,601	2,178,264	—	—
Automatic payment terminals	—	3,221,868	—	—
Other current assets	11,199,512	10,898,628	10,554,442	10,356,256
Impairment	(11,547,796)	(11,649,410)	(10,371,352)	(10,377,497)
	76,482,423	**92,545,537**	**33,100,526**	**46,108,082**

The amounts recorded under the caption “Postal financial services” refer to amounts receivable relating to redemptions of savings products, insurance sales and settlement of postal orders, with an average age of less than 180 days.

Deposits

The amount in the caption "”Deposits” in the current year essentially concerns to a cash account with a Financial Institution, with a captive amount of 25,830 thousand euros (margin call) related to Banco CTT's derivative contracts.

Mobility allowances for Autonomous Regions

The Caption Mobility allowances for Autonomous Regions refers to the amounts paid to residents of the Autonomous Regions of Madeira and Azores on trips between the Mainland and the Autonomous Regions or between the Autonomous Regions, reimbursed by the Direção Geral do Tesouro e Finanças (Treasury and Finance General Department - “DGTF”) within 2 months.

The evolution seen in this balance is justified by the fact that the values of mobility subsidies relating to the Azores are experiencing a sharp increase. Remember that, contrary to what happens in the Autonomous Region of Madeira, where the law determined a maximum limit on the amounts to be reimbursed per trip, such a limitation is not included in the legislation for this subsidy for the Autonomous Region of the Azores.

The caption "Other current assets" is mainly constituted by several long-standing debt balances, for which were created the related impairment losses in previous years.

Debtors by accrued revenues

As at 31 December 2022 and 31 December 2023, the debtors by accrued revenues refer to amounts not invoiced namely regarding postal financial services, philatelic products, philatelic agents and other amounts, which present an average ageing lower than one year.

Impairment

For the years ended 31 December 2022 and 31 December 2023, the movement in the **Group** Accumulated impairment losses (Note 25) was as follows:

Group	2022				
	Opening balance	Increases	Reversals	Utilisations	Closing balance
Other current and non-current assets	13,074,874	1,796,674	(303,789)	(113,117)	14,454,642
	13,074,874	**1,796,674**	**(303,789)**	**(113,117)**	**14,454,642**

Group	2023				
	Opening balance	Increases	Reversals	Utilisations	Closing balance
Other current and non-current assets	14,454,642	344,272	(2,650,885)	(118,126)	12,029,903
	14,454,642	**344,272**	**(2,650,885)**	**(118,126)**	**12,029,903**

For the years ended 31 December 2022 and 31 December 2023, impairment losses (increases net of reversals) of Other current and non-current assets amounted to 1,492,885 Euros and (2,306,613) Euros, respectively, were booked under the caption "Impairment of accounts receivable, net" (Note 46).

Regarding the **Company,** during the years ended 31 December 2022 and 31 December 2023 the movement in the Accumulated impairment losses caption (Note 25) was as follows:

Company	2022				
	Opening balance	Increases	Reversals	Utilisations	Closing balance
Other current and non-current assets	11,992,311	1,686,929	(299,880)	(101,161)	13,278,199
	11,992,311	**1,686,929**	**(299,880)**	**(101,161)**	**13,278,199**

Company	2023				
	Opening balance	Increases	Reversals	Utilisations	Closing balance
Other current and non-current assets	13,278,200	182,704	(2,602,213)	(107,157)	10,751,534
	13,278,200	**182,704**	**(2,602,213)**	**(107,157)**	**10,751,534**

For the years ended 31 December 2022 and 31 December 2023, impairment losses of Other current and non-current assets were recorded in the **Company** (net of reversals) amounting to 1,387,049 Euros and (2,419,509) Euros, respectively in the caption Impairment of accounts receivable, net (Note 46).

25. Accumulated impairment losses

During the years ended 31 December 2022 and 31 December 2023, the following movements occurred in the **Group's** impairment losses:

	2022						
Group	Opening balance	Increases	Reversals	Utilisations	Transfers	Other movements	Closing balance
Non-current assets							
Tangible fixed assets	19,460	3,636,002	(3,335)	—	—	—	3,652,127
Investment properties	392,936	—	(139,754)	—	—	—	253,181
Intangible assets	60,617	—	—	(60,617)	—	—	—
	473,013	**3,636,002**	**(143,089)**	**(60,617)**	**—**	**—**	**3,905,309**
Debt securities at fair value through other comprehensive income	2,572	—	(2,572)	—	—	—	—
Debt securities at amortised cost	111,953	39,065	(28,784)	—	(307)	—	121,927
Other non-current assets	2,749,010	—	—	—	157,837	—	2,906,847
Credit to banking clients	15,601,705	17,177,617	(7,208,624)	(569,135)	(3,063,025)	136,426	22,074,965
Other banking financial assets	1,709	140	(508)	—	(1,067)	—	274
	18,466,949	**17,216,822**	**(7,240,487)**	**(569,135)**	**(2,906,562)**	**136,426**	**25,104,013**
	18,939,963	**20,852,823**	**(7,383,576)**	**(629,752)**	**(2,906,562)**	**136,426**	**29,009,322**
Current assets							
Accounts receivable	39,883,599	3,835,005	(1,641,407)	(669,845)	—	1,695	41,409,047
Credit to banking clients	15,488,685	25,415,289	(10,665,581)	(842,068)	3,063,025	201,852	32,661,202
Debt securities at fair value through other comprehensive income	623	—	(623)	—	—	—	—
Debt securities at amortised cost	8,551	3,100	(2,284)	—	307	—	9,674
Other current assets	10,325,865	1,796,674	(303,789)	(113,117)	(157,837)	—	11,547,796
Other banking financial assets	1,802,503	52,995	(7,129)	(42,097)	1,067	—	1,807,339
Slight and term deposits	24,913	1,715	(18,711)	—	—	—	7,917
	67,534,741	**31,104,778**	**(12,639,523)**	**(1,667,127)**	**2,906,562**	**203,547**	**87,442,978**
Non-current assets held for sale	164,441	8,236	(172,038)	—	—	—	638
	164,441	**8,236**	**(172,038)**	**—**	**—**	**—**	**638**
Merchandise	3,131,405	—	(211,906)	(172,098)	—	—	2,747,401
Raw, subsidiary and consumable	867,668	68,233	(13,587)	—	—	—	922,313
	3,999,073	**68,233**	**(225,494)**	**(172,098)**	**—**	**—**	**3,669,714**
	71,698,254	**31,181,246**	**(13,037,055)**	**(1,839,225)**	**2,906,562**	**203,547**	**91,113,329**
	90,638,215	**52,034,070**	**(20,420,631)**	**(2,468,977)**	**—**	**339,973**	**120,122,649**

Group	Opening balance	Increases	Reversals	Utilisations	Transfers	Other movements	Closing balance
	2023						
Non-current assets							
Tangible fixed assets	3,652,127	5,176,860	(8,815,181)	—	—	—	13,806
Investment properties	253,181	60,000	(60,788)	—	—	—	252,393
	3,905,309	**5,236,860**	**(8,875,970)**	**—**	**—**	**—**	**266,199**
Debt securities at amortised cost	121,927	20,146	(43,919)	—	(30,497)	—	67,657
Other non-current assets	2,906,847	6,458	(1,841,299)	—	(691,512)	—	380,493
Credit to banking clients	22,074,965	29,865,366	(15,637,839)	(18,335,628)	9,084,969	168,623	27,220,455
Other banking financial assets	274	—	—	—	(274)	—	—
	25,104,013	**29,891,969**	**(17,523,057)**	**(18,335,628)**	**8,362,686**	**168,623**	**27,668,606**
	29,009,322	**35,128,829**	**(26,399,026)**	**(18,335,628)**	**8,362,686**	**168,623**	**27,934,805**
Current assets							
Accounts receivable	41,409,047	6,063,033	(1,580,637)	(614,647)	—	(1,140)	45,275,655
Credit to banking clients	32,661,202	22,596,738	(11,831,904)	(13,873,106)	(9,084,969)	127,583	20,595,544
Debt securities at amortised cost	9,674	8,851	(19,296)	—	30,497	—	29,726
Other current assets	11,547,796	337,814	(809,586)	(118,126)	691,512	—	11,649,410
Other banking financial assets	1,807,339	39,061	(10,607)	(6,450)	274	—	1,829,618
Sight and term deposits	7,917	38	(3,967)	—	—	—	3,988
	87,442,978	**29,045,535**	**(14,255,998)**	**(14,612,329)**	**(8,362,686)**	**126,443**	**79,383,943**
Non-current assets held for sale	638	—	—	—	—	—	638
	638	**—**	**—**	**—**	**—**	**—**	**638**
Merchandise	2,747,401	—	(283,414)	(229,068)	—	—	2,234,919
Raw, subsidiary and consumable	922,313	92,783	—	(113,152)	—	—	901,944
	3,669,714	**92,783**	**(283,414)**	**(342,220)**	**—**	**—**	**3,136,863**
	91,113,329	**29,138,317**	**(14,539,412)**	**(14,954,549)**	**(8,362,686)**	**126,443**	**82,521,443**
	120,122,649	**64,267,146**	**(40,938,438)**	**(33,290,178)**	**—**	**295,066**	**110,456,246**

The amounts classified as “Other movements”, with reference to 31 December 2022 and 31 December 2023, refer to the movements resulting from adjustments to POCI credits (Purchase or Originated Credit Impaired) regarding the acquisition of 321 Crédito on 1 May 2019, according to IFRS 3 - Business Combinations.

Regarding the **Company,** during the years ended 31 December 2022 and 31 December 2023, the movement in the Accumulated impairment losses was as follows:

	2022					
Company	Opening balance	Increases	Reversals	Utilisations	Transfers	Closing balance
Non-current assets						
Tangible fixed assets	19,460	3,636,002	(3,335)	—	—	3,652,127
Investment properties	392,936	—	(139,754)	—	—	253,181
	412,396	**3,636,002**	**(143,089)**	**—**	**—**	**3,905,309**
Other non-current assets	2,749,010	—	—	—	157,837	—
	2,749,010	**—**	**—**	**—**	**157,837**	**2,906,847**
	3,161,406	**3,636,002**	**(143,089)**	**—**	**157,837**	**6,812,156**
Current assets						
Accounts receivable	4,061,443	984,939	(1,267,331)	(130,231)	—	3,648,820
Other current assets	9,243,301	1,686,929	(299,880)	(101,161)	(157,837)	10,371,352
Slight and term deposits	24,501	1,696	(18,499)	—	—	7,699
	13,329,245	**2,673,565**	**(1,585,709)**	**(231,392)**	**(157,837)**	**14,027,871**
Merchandise	3,131,405	—	(211,906)	(172,098)	—	2,747,401
Raw, subsidiary and consumable	867,668	68,233	(13,587)	—	—	922,314
	3,999,073	**68,233**	**(225,494)**	**(172,098)**	**—**	**3,669,714**
	17,328,318	**2,741,797**	**(1,811,203)**	**(403,490)**	**(157,837)**	**17,697,585**
	20,489,724	**6,377,799**	**(1,954,292)**	**(403,490)**	**—**	**24,509,741**

	2023					
Company	Opening balance	Increases	Reversals	Utilisations	Transfers	Closing balance
Non-current assets						
Tangible fixed assets	3,652,127	5,176,860	(8,815,181)	—	—	13,806
Investment properties	253,181	60,000	(60,788)	—	—	252,393
	3,905,309	**5,236,860**	**(8,875,969)**	**—**	**—**	**266,199**
Other non-current assets	2,906,847	—	(1,841,299)	—	(691,512)	374,036
	2,906,847	**—**	**(1,841,299)**	**—**	**(691,512)**	**374,036**
	6,812,156	**5,236,860**	**(10,717,268)**	**—**	**(691,512)**	**640,235**
Current assets						
Accounts receivable	3,648,820	1,442,846	(1,048,000)	(339,458)	—	3,704,208
Other current assets	10,371,352	182,704	(760,914)	(107,157)	691,512	10,377,497
Slight and term deposits	7,699	—	(3,930)	—	—	3,768
	14,027,871	**1,625,550**	**(1,812,844)**	**(446,615)**	**691,512**	**14,085,474**
Merchandise	2,747,401	—	(283,414)	(229,068)	—	2,234,919
Raw, subsidiary and consumable	922,314	92,783	—	(113,152)	—	901,944
	3,669,714	**92,783**	**(283,414)**	**(342,220)**	**—**	**3,136,863**
	17,697,585	**1,718,332**	**(2,096,258)**	**(788,835)**	**691,512**	**17,222,337**
	24,509,741	**6,955,192**	**(12,813,526)**	**(788,835)**	**—**	**17,862,572**

26. Equity

On 16 March 2022, the implementation of a share buyback programme was approved, with the sole purpose of reducing the **Company**'s share capital, through the extinction of the acquired shares. The implementation of this programme is explained in detail in note 27.

Subsequently, on 7 November 2022, the **Compa**ny's share capital reduction in the amount of 2,325,000 euros, through the cancellation of 4,650,000 shares representing 3.1% of the share capital, was registered in the Commercial Register Office. Thus, on 31 December 2022, the Company's share capital was composed of 145,350,000 shares with the nominal value of 0.50 Euros each. The share capital was fully underwritten and paid-up.

Subsequently, at the Annual General Meeting held on 20 April 2023 and also within the scope of the share buyback programme mentioned above, the share capital reduction of 717,500 Euros was approved. On 21 April 2023, the capital reduction of the aforementioned amount was registered in the

Commercial Register, through the extinction of 1,435,000 shares representing 0.997% of the share capital of CTT acquired.

Thus, on 31 December 2023, CTT's share capital was 71,957,500 Euros, represented by 143,915,000 shares with a nominal value of fifty cents per share, and the Company's Articles of Association were consequently amended. The capital was fully subscribed and paid up.

The information related to the shareholders with shareholdings equal to or greater than 2% can be found in chapter 5.2.1.2. section 7 of the Integrated Report.

27. Own shares, Reserves, Other changes in equity and Retained earnings

Own shares

As of 31 December 2022, the following movements were made in the **Group** caption "Own Shares":

	Quantity	Value	Average price
Balance at 31 December 2021	1,500,001	6,404,963	4.27
Acquisitions	6,084,999	21,573,976	3.55
Cancellation (due to share capital reduction)	(4,650,000)	(17,152,548)	3.69
Balance at 31 December 2022	**2,935,000**	**10,826,390**	**3.69**

As of 31 December 2023, the following movements were made in the **Group** caption "Own Shares":

	Quantity	Amount	Average Price
Balance 31 December 2022	2,935,000	10,826,390	3.69
Acquisitions	3,031,168	10,541,092	3.48
Cancellation (due to share capital reduction)	(1,435,000)	(5,293,313)	3.69
Shares Delivery - Long-term variable remuneration ("LTVR")	(121,868)	(449,537)	3.69
Balance at 31 December 2023	**4,409,300**	**15,624,632**	**3.54**

At the meeting of the Company's Board of Directors held on 16 March 2022, and as communicated to the market on the same date, it was unanimously decided to approve the implementation of a Buy-back programme for the Company's own shares, including the related terms and conditions, with the sole purpose of reducing the related share capital through the cancellation of shares acquired under the aforementioned programme, subject to prior approval by the General Meeting.

Thus, at the General Meeting held on 21 April 2022, the share capital reduction of up to 2,325,000 Euros was approved, with the purpose of releasing the excess of share capital, through the extinction of up to 4,650,000 shares representing up to 3.1% of the share capital already acquired or that were to be acquired within the scope of a share buyback programme. The maximum monetary amount of the approved Buyback Programme was 18,000,000 Euros.

Subsequently, on 27 July 2022, and still within the scope of the authorisation granted at the Annual General Meeting of Shareholders held on 21 April 2022, the Company's Board of Directors deliberated to increase the maximum pecuniary amount and number of shares that could be acquired under the share buyback programme of the **Company**, as follows:

- Maximum pecuniary amount of the Buy-back Programme: it is increased by 3,600,000 Euros, now being up to 21,600,000 Euros;

- Maximum number of shares to be acquired under the Buy-back Programme: it is increased by 1,900,000 shares, being now up to 6,550,000 CTT's shares, representing up to 4.37% of the respective share capital.

The other terms and conditions of the Buy-back Programme approved by the Board of Directors and the Annual General Meeting held in 2022 and communicated on 16 March 2022 remained unchanged.

The Buyback Programme started on 17 March 2022 and would last until 18 December 2022 unless, however, the maximum number of shares to be acquired or the maximum pecuniary amount of the Buyback Programme were reached, which happened to 8 September 2022, thus ending before the end of its maximum duration period.

Considering the resolution of the General Meeting of 21 April 2022 which authorised the reduction of the share capital, and the acquisition of own shares having been fulfilled for this purpose, the commercial register was registered, on 7 November 2022, reduction of the **Company**'s share capital in the amount of 2,325,000 euros, through the extinction of 4,650,000 own shares, as explained in note 26.

Considering that the Company's Annual General Meeting held in 2022 only approved the extinction of up to 4,650,000 own shares corresponding to 3.1% of the share capital, the General Meeting held on 20 April 2023 approved the capital reduction for cancellation of the remaining 1,435,000 shares acquired under the buy-back programme referred to above. On 21 April 2023, the capital reduction of the aforementioned amount was registered in the Commercial Register, through the extinction of 1,435,000 shares representing 0.997% of the share capital of CTT acquired.

Also on 21 April 2023, 121,868 of own shares were delivered to the Board of Directors and Top Management of CTT, corresponding to the first tranche of the Long-Term variable remuneration, as explained in detail in note 45 - Staff Costs.

At the Company's Board of Directors meeting held on 21 June 2023, and as communicated to the market on the same date, it was decided to approve the implementation of a new buy-back programme of the Company's own shares, in the global amount of up to 20,000,000 euros.

This programme, to be implemented over the following 12 months (beginning on 26 June 2023 and ending on 25 June 2024, without prejudice to ending on an earlier date if the maximum number of shares to be acquired or the pecuniary amount is reached), has the following purposes:

1. Repurchasing a maximum of up to 7,650,000 shares, representing a maximum nominal amount of 3,825,000 Euros, which corresponds to 5.3% of the share capital, and

2. Reducing the same amount of the share capital through cancellation of the acquired shares.

The programme will be carried out in the context of the authorisation for the acquisition of own shares conferred by the General Meeting. The reduction of capital through the extinction of the own shares acquired under the programme will be subject to approval by the next General Meeting of CTT.

As of 31 December 2022, the **Company** held, as a result of the acquisition and cancellation operations indicated herein, an accumulated amount of 2,935,000 own shares, representing 2.02% of the share capital, including 1,500,001 of own shares previously acquired, with par value of 0.50 Euros, with all inherent rights related to suspended shares, with the exception of those relating to the receipt of new shares in the case of capital increase by incorporation of reserves, as provided for in article 324(1)(a)) of the Commercial Companies Code.

As of 31 December 2023, the **Company** held an accumulated amount of 4,409,300 own shares, representing 3.064% of the share capital, with par value of 0.50 Euros, with all inherent rights related to suspended shares, with the exception of those relating to the receipt of new shares in the case of capital increase by incorporation of reserves, as provided for in article 324(1)(a)) of the Commercial Companies Code.

Own shares held by CTT are within the limits established by the Articles of Association of the Company and by the Portuguese Companies Code. These shares are recorded at acquisition cost.

Reserves

As at 31 December 2022 and 31 December 2023, the **Group**'s and **Company**'s caption Reserves showed the following composition:

	2022								
	Group					Company			
	Legal reserves	Own shares reserves	Fair Value reserves	Other reserves	Total	Legal reserves	Own shares reserves	Other reserves	Total
Opening balance	15,000,000	6,404,963	26,746	45,646,642	67,078,351	15,000,000	6,404,963	45,646,642	67,051,605
Share capital decrease	—	(17,152,548)	—	2,325,000	(14,827,548)	—	(17,152,548)	2,325,000	(14,827,548)
Own shares acquisitions	—	21,573,976	—	(21,573,976)	—	—	21,573,976	(21,573,976)	—
Assets fair value	—	—	(26,746)	—	(26,746)	—	—	—	—
Share Plan	—	—	—	1,620,000	1,620,000	—	—	1,620,000	1,620,000
Closing balance	**15,000,000**	**10,826,391**	**—**	**28,017,666**	**53,844,057**	**15,000,000**	**10,826,391**	**28,017,666**	**53,844,057**

	2023								
	Group					Company			
	Legal reserves	Own shares reserves	Fair Value reserves	Other reserves	Total	Legal reserves	Own shares reserves	Other reserves	Total
Opening balance	15,000,000	10,826,391	—	28,017,666	53,844,057	15,000,000	10,826,391	28,017,666	53,844,057
Share capital decrease	—	(5,293,313)	—	717,500	(4,575,813)	—	(5,293,313)	717,500	(4,575,813)
Own shares acquisitions	—	10,541,092	—	(10,541,092)	—	—	10,541,092	(10,541,092)	—
Own shares attribution	—	(449,537)	—	449,537	—	—	(449,537)	449,537	—
Share Plan (share delivery)	—	—	—	(1,155,000)	(1,155,000)	—	—	(1,155,000)	(1,155,000)
Closing balance	**15,000,000**	**15,624,633**	**—**	**17,488,611**	**48,113,244**	**15,000,000**	**15,624,633**	**17,488,611**	**48,113,244**

Legal reserves

The commercial legislation establishes that at least 5% of the annual net profit must be allocated to reinforce the legal reserve, until it represents at least 20% of the share capital. This reserve is not distributable except in the event of the liquidation of the **Company** but may be used to absorb losses after all the other reserves have been depleted or incorporated in the share capital.

Own shares reserve

The commercial legislation Code obliges, within the scope of the own shares regime provided in article 324, the existence of a reserve equal to the amount for which the shares are accounted for, which becomes unavailable as long as these shares remain in the company's possession. Additionally, applicable accounting standards determine that gains or losses on the sale of own shares are booked in reserves.

As at 31 December 2023, this caption includes the amount of 15,624,633 Euros related to the creation of an unavailable reserve for the same amount of the acquisition price of the own shares held.

Other reserves
This caption records the profits transferred to reserves that are not imposed by the law or articles of association, nor constituted pursuant to contracts signed by the **Company.**

In the period ended 31 December 2022, a reserve in the total amount of 1,620,000 Euros was recorded related with the stock option plan, as described in the note 45 – Staff Costs.

On 31 December 2023, an amount of reserves of (1,155,000) Euros was derecognised, corresponding to the proportional amount of the options awarded during the period within the scope of the long-term variable remuneration, as described in note 45 - Staff Costs.

Retained earnings

During the years ended 31 December 2022 and 31 December 2023, the following movements were made in the **Group** and the **Company** caption Retained earnings:

	Group		Company	
	2022	2023	2022	2023
Opening balance	43,904,074	64,647,067	43,926,574	64,452,619
Application of the net profit of the prior year	38,404,113	36,406,519	37,680,272	37,307,258
Distribution of dividends (Note 28)	(17,656,441)	(17,817,109)	(17,656,441)	(17,817,109)
Adjustments from the application of the equity method	(4,678)	32,674	502,214	(14,081)
Other movements	—	—	—	(9,598,253)
Closing balance	**64,647,067**	**83,269,152**	**64,452,619**	**74,330,434**

The amount of (9,598,253) Euros recognised under the caption "Other movements", in the **Company**, is related to the costs of the capital increase transaction by contribution in kind, which occurred in the subsidiary CTT IMO Yield, SA. and they essentially concern expenses with transaction taxes (Municipal Real Estate Transfer Tax ("IMT") and stamp duty), deeds and consultants directly related to the transaction. As costs incurred with the issuance of its own equity instruments, and in accordance with the provisions of IAS 32, they should be recognised as a deduction from equity as they are incremental costs directly attributable to the capital increase transaction.

Other changes in equity

The actuarial gains/losses associated to post-employment benefits, as well as the corresponding deferred taxes, are recognised in this caption (Note 32).

Thus, for the years ended 31 December 2022 and 31 December 2023, the movements occurred in this heading in the **Group** and in the **Company** were as follows:

	Group		Company	
	2022	2023	2022	2023
Opening balance	(43,998,612)	6,857,207	(43,942,681)	6,379,500
Actuarial gains/losses (Note 32)	70,558,124	(5,716,054)	69,891,919	(5,713,716)
Tax effect (Note 52)	(19,702,304)	1,555,423	(19,569,738)	1,599,841
Share Plan (share delivery) (Note 45)	—	705,463	—	705,463
Closing balance	**6,857,207**	**3,402,039**	**6,379,500**	**2,971,088**

As at 31 December 2023, the amount of 705,463 Euros related to the Share Plan, corresponds to the difference between the amount of (1,155,000) Euros derecognised from the caption "Reserves", corresponding to the proportional value of the options attributed (note 27) and the amount of own shares delivered within the scope of this operation in the amount of 449,537 Euros. The difference between the two amounts was recognised under the caption "Other changes in equity", under the terms of the IFRS.

28. Dividends

According to the dividend distribution proposal included in the 2021 Annual Report, at the General Meeting of Shareholders, which was held on 21 April 2022, a dividend distribution of 17,820,000 Euros, corresponding to a dividend per share of 0.12 Euros (amount that excludes the dividend attributable to own shares in the portfolio at that date), regarding the financial year ended 31 December 2021 was proposed and approved. The dividend amount assigned to own shares was transferred to Retained earnings, amounting to 343,559 Euros.

According to the dividend distribution proposal included in the 2022 Annual Report, at the General Meeting of Shareholders, which was held on 20 April 2023, a dividend distribution of 17,817,109 Euros, corresponding to a dividend per share of 0.125 Euros (amount that excludes the dividend attributable to own shares in the portfolio at that date), regarding the financial year ended 31 December 2022 was proposed and approved. The dividend amount assigned to own shares was transferred to Retained earnings, amounting to 172,267 Euros.

29. Earnings per share

During the years ended 31 December 2022 and 31 December 2023, the earnings per share for the **Group** and the **Company** were calculated as follows:

Group	2022	2023
Net income for the period	36,406,519	60,511,368
Average number of ordinary shares	147,179,218	141,773,213
Earnings per share		
Basic	0.25	0.43
Diluted	0.25	0.43

Company	2022	2023
Net income for the period	37,307,258	70,805,389
Average number of ordinary shares	147,179,218	141,773,213
Earnings per share		
Basic	0.25	0.50
Diluted	0.25	0.50

The average number of shares is detailed as follows:

	2022	2023
Shares issued at beginning of the period	150,000,000	145,350,000
Effect of extinction of shares during the period	(350,342)	(1,002,534)
Average number of actions taken	149,649,658	144,347,466
Own shares effect	2,470,440	2,574,252
Average number of shares during the period	147,179,218	141,773,213

The basic earnings per share are calculated dividing the net profit attributable to equity holders of the parent company by the average ordinary shares, excluding the average number of own shares held by the **Group**.

As at 31 December 2023, the number of own shares held is 4,409,300 and its average number for the year ended 31 December 2023 is 2,574,252, reflecting the fact that there were not only acquisitions, but also the extinction of own shares in the period, as mentioned in note 27.

There are no dilutive factors of earnings per share.

30. Non-controlling interests

During the years ended 31 December 2022 and 31 December 2023, the following movements occurred in non-controlling interests:

	2022	2023
Opening balance	563,106	1,326,016
Net profit for the year attributable to non-controlling interest	(64,334)	(68,929)
Distribution of dividends	(80,017)	(28,935)
Share capital increase	865,574	408,000
Other movements	41,687	(11,971)
Closing balance	**1,326,016**	**1,624,181**

As 31 December 2023, non-controlling interests are related to Correio Expresso de Moçambique, S.A. and Open Lockers, S.A.. As at 31 December 2022 and 31 December 2023, the item “Share capital increases” refers to a share capital increase in “Open Lockers”, in the part related to the minority shareholder.

31. Debt

As at 31 December 2022 and 31 December 2023, Debt of the **Group** and the **Company** showed the following composition:

	Group		Company	
	31.12.2022	**31.12.2023**	**31.12.2022**	**31.12.2023**
Non-current liabilities				
Bank loans	40,706,101	33,390,061	39,927,397	32,933,579
Commercial Paper	—	34,947,466	—	34,947,466
Lease liabilities	95,491,822	92,742,578	45,331,771	127,240,734
	136,197,923	**161,080,105**	**85,259,168**	**195,121,779**
Current liabilities				
Bank loans	29,372,066	82,395,558	21,265,947	74,218,997
Commercial Paper	—	22,067	—	22,067
Lease liabilities	30,384,677	25,517,227	21,682,343	18,313,565
	59,756,744	**107,934,852**	**42,948,290**	**92,554,629**
	195,954,667	**269,014,957**	**128,207,458**	**287,676,408**

As at 31 December 2023, the interest rates applied to bank loans were between 4,861% and 5,736% (31 December 2022: 3.693% and 4.568%).

Bank loans

As at 31 December 2022 and 31 December 2023, the details of the **Group** and **Company** bank loans were as follows:

Group	31.12.2022			31.12.2023		
	Limit	Amount used		Limit	Amount used	
		Current	Non-current		Current	Non-current
Bank loans						
Millennium BCP	12,350,926	8,106,120	778,704	12,028,704	8,176,561	456,482
BBVA / Bankinter	33,250,000	14,136,880	18,944,129	26,125,000	7,069,572	18,943,702
Novo Banco	28,000,000	7,129,066	20,983,268	21,000,000	7,196,811	13,989,877
Commercial Paper						
BBVA / Bankinter	—	—	—	15,000,000	8,886	14,976,038
Novo Banco	—	—	—	20,000,000	13,181	19,971,429
Bank overdrafts						
Novo Banco	—	—	—	—	59,952,614	—
	73,600,926	**29,372,066**	**40,706,101**	**94,153,704**	**82,417,625**	**68,337,527**

Company	31.12.2022			31.12.2023		
	Limit	Amount used		Limit	Amount used	
		Current	Non-current		Current	Non-current
Bank loans						
Millennium BCP	50,000	—	—	50,000	—	—
BBVA / Bankinter	33,250,000	14,136,880	18,944,129	26,125,000	7,069,572	18,943,702
Novo Banco	28,000,000	7,129,066	20,983,268	21,000,000	7,196,811	13,989,877
Commercial Paper						
BBVA / Bankinter	—	—	—	15,000,000	8,886	14,976,038
Novo Banco	—	—	—	20,000,000	13,181	19,971,429
Bank overdrafts						
Novo Banco	—	—	—	—	59,952,614	—
	61,300,000	**21,265,947**	**39,927,397**	**82,175,000**	**74,241,064**	**67,881,045**

On 27 September 2017, a financing contract between CTT and BBVA and Bankinter was signed, for an initial period of 5 years and for a total amount of 90 million Euros, with the possibility of using the funds until September 2018. As no amount was used until the mentioned date, the contract was renegotiated on 27 September 2018, having the total amount been altered to 75 million Euros, while maintaining the one-year term for the use of the funds. Subsequently, due to the non-use of all the funds, the limit was reduced throughout the contract period. As at 31 December 2023, the referred used amount, net of commissions and added by the amount of interests to be paid in the following period corresponded to corresponded to 26,013,274 Euros. By the Group decision, the remaining available amount will not be used.

On 22 April 2019, a simple credit agreement was signed between CTT and Novo Banco for a period of 60 months, with a grace period of two years, and may be extended for a period of 24 months, for a total amount of 35 million Euros. As at 31 December 2023, the 35 million Euros were used and are presented in the statement of financial position net of commissions and added by the amount of interests to be paid in the following period, in the total amount of 21,186,688 Euros.

As disclosed to the market on 7 March 2023, CTT contracted 35 million euros in bank loans in the form of commercial paper, indexed to sustainability goals, maturing in 2026, with two financial institutions - Novo Banco, S.A. and Banco Bilbao Vizcaya Argentaria S.A. - Portuguese Branch.

These bank loans are set within CTT's Sustainability Related Financing Reference Framework that was the subject of a Second Party Opinion disclosed by S&P Global Ratings. Therefore, the referred financing lines are indexed to the goal of reducing carbon emissions of CTT's activity (scopes 1, 2 and 3 emissions) by at least 30% by 2025 in relation to 2013, which is validated by the Science Based Targets initiative and aligned with the best practices of the sector.

As at 31 December 2023, the amount used presented in the statement of financial position, net of commissions and plus the amount of interest to be paid in the following period, amounts to 14,984,924 Euros in the case of BBVA/Bankinter and 19,984,610 Euros in Novo Banco. These commercial paper programmes are shown in non-current liabilities, since the Group's practice/expectation will be to use the contracts during their period of validity and having the right to roll-over these loans.

On 31 December 2023, the **Group** presented a bank overdraft with Novo Banco Bank, in the amount of 59,952,614 Euros, corresponding to short-term financing to meet specific treasury needs, regularised at the beginning of January 2024.

Bank loans obtained are subject to compliance with financial covenants, namely clauses of Cross default, Negative Pledge and Assets Disposal’s limits. Additionally, the loans obtained also require compliance with rations of Net Debt over EBITDA and financial autonomy. Compliance with financial covenants is regularly monitored by the **Group** and is measured by counterparties on an annual basis based on the Financial Statements as at 31 December. As at 31 December 2023, the **Group** is in compliance with financial covenants.

Lease Liabilities

The **Group** and the **Company** presents lease liabilities which future payments, undiscounted and discounted amounts presented in the financial position, are detailed as follows:

	Group		Company	
	31.12.2022	**31.12.2023**	**31.12.2022**	**31.12.2023**
Due within 1 year	33,738,178	29,181,190	22,885,261	26,181,414
Due between 1 to 5 years	64,061,159	66,930,170	33,678,076	71,961,686
Over 5 years	41,692,362	37,807,781	14,521,388	118,390,895
Total undiscounted lease liabilities	**139,491,699**	**133,919,141**	**71,084,725**	**216,533,995**
Current	30,384,677	25,517,227	21,682,343	18,313,565
Non-current	95,491,822	92,742,578	45,331,771	127,240,734
Lease liabilities included in the statement of financial position	**125,876,499**	**118,259,806**	**67,014,114**	**145,554,298**

The increase in the **Company**'s lease liabilities is mainly related to the Sale & Leaseback operation carried out within the scope of the transaction of real estate assets to CTT IMO Yield, detailed in note 5.

The discount rates used in lease contracts range between 0.68% and 11.50%, depending on the characteristics of the contract, namely their duration.

The amounts recognised in the income statement are detailed as follows:

	Group		Company	
	2022	**2023**	**2022**	**2023**
Lease liabilities interests (note 51)	3,167,709	3,549,120	1,468,414	1,939,845
Variable payments not included in the measurement of the lease liability	2,099,923	1,872,866	1,644,582	1,463,497

The amounts recognised in the Cash flow statement are as follows:

	Group		Company	
	2022	**2023**	**2022**	**2023**
Total of lease payments	(33,708,341)	(37,045,659)	(23,150,398)	(25,266,623)

The movement in the rights of use underlying these lease liabilities can be analysed in note 5.

Reconciliation of Changes in the responsibilities of Financing activities

The reconciliation of changes in the responsibilities of financing activities as of 31 December 2022 and 31 December 2023, in the **Group** and the **Company**, are detailed as follows:

Group	**2022**	**2023**
Opening Balance	201,119,450	195,954,666
Movements without cash	44,304,863	32,312,978
Contract changes	40,529,793	25,679,408
IFRS 16 Interests	3,124,941	3,396,453
Others	650,130	3,237,118
Loans:		
Inflow	51,533	94,757,177
Outflow	(15,812,839)	(16,964,205)
Lease liabilities:		
Inflow	—	—
Outflow	(33,708,341)	(37,045,659)
Closing balance	**195,954,667**	**269,014,957**

Company	**2022**	**2023**
Opening Balance	147,657,276	128,207,458
Movements without cash	19,064,727	106,690,927
Contract changes	16,078,364	101,958,483
IFRS 16 Interests	1,468,414	1,888,597
Others	1,517,948	2,843,847
Loans:		
Inflow	—	94,686,630
Outflow	(15,364,146)	(16,641,983)
Lease liabilities:		
Inflow	—	—
Outflow	(23,150,398)	(25,266,623)
Closing balance	**128,207,458**	**287,676,408**

32. Employee benefits

GRI 201-3

Liabilities related to employee benefits refer to (i) post-employment benefits – healthcare and pension plan (ii) other long-term employee benefits and (iii) other long-term benefits for the Statutory Bodies.

During the years ended 31 December 2022 and 31 December 2023, the **Group** and the **Company** liabilities presented the following movement:

	2022									
	Group						**Company**			
	Healthcare	**Healthcare - SAMS**	**Pension Plan**	**Other long-term employee benefits**	**Other long-term benefits statutory bodies**	**Total**	**Healthcare**	**Other long-term employee benefits**	**Other long-term benefits statutory bodies**	**Total**
Opening balance	263,526,615	1,467,881	268,954	16,221,007	411,429	281,895,886	263,526,615	16,017,008	411,429	279,955,052
Movement of the period	(73,161,248)	(515,643)	(45,479)	(592,371)	(231,847)	(74,546,588)	(73,161,248)	(561,149)	(231,846)	(73,954,243)
Closing balance	**190,365,367**	**952,238**	**223,475**	**15,628,636**	**179,582**	**207,349,298**	**190,365,367**	**15,455,859**	**179,583**	**206,000,809**

	2023									
	Group						Company			
	Healthcare	Healthcare - SAMS	Pension Plan	Other long-term employee benefits	Other long-term benefits statutory bodies	Total	Healthcare	Other long-term employee benefits	Other long-term benefits statutory bodies	Total
Opening balance	190,365,367	952,238	223,475	15,628,636	179,582	207,349,298	190,365,367	15,455,859	179,583	206,000,809
Movement of the period	(36,131,000)	101,871	(13,747)	662,558	(179,582)	(35,559,900)	(36,131,000)	606,836	(179,583)	(35,703,747)
Closing balance	**154,234,367**	**1,054,109**	**209,728**	**16,291,193**	**—**	**171,789,398**	**154,234,367**	**16,062,694**	**—**	**170,297,062**

The caption Other long-term employee benefits essentially refers to the benefit Pensions for work accidents, to the on-going staff reduction programme and to the benefit End of Career Awards.

The caption "Other long-term benefits for the Statutory Bodies" refers to the long-term variable remuneration assigned to the executive members of the Board of Directors.

The details of the **Group** and the **Company** liabilities related to employee benefits, considering their classification, are as follows:

	Group		Company	
	2022	2023	2022	2023
Non-current liabilities	185,257,617	149,740,115	183,936,635	148,302,105
Current liabilities	22,091,681	22,049,283	22,064,174	21,994,957
	207,349,298	**171,789,398**	**206,000,809**	**170,297,062**

As at 31 December 2022 and 31 December 2023, the costs related to employee benefits recognised in the consolidated and individual income statement and the amount recognised directly in Other changes in equity were as follows:

	Group		Company	
	2022	2023	2022	2023
Costs for the period				
Healthcare	7,880,000	(29,448,534)	7,880,000	(29,448,534)
Healthcare - SAMS	130,557	106,709	—	—
Pension plan	3,748	7,692	—	—
Other long-term employee benefits	3,273,936	7,189,420	3,305,159	7,172,052
Other long-term benefits statutory bodies	(231,847)	—	(231,847)	—
	11,056,393	**(22,144,714)**	**10,953,311**	**(22,276,483)**
Other changes in equity				
Healthcare	(69,891,919)	5,713,716	(69,891,919)	5,713,716
Healthcare - SAMS	(645,097)	(3,728)	—	—
Pension Plan	(21,042)	6,066	—	—
	(70,558,058)	**5,716,054**	**(69,891,919)**	**5,713,716**

As at 31 December 2022 and 31 December 2023, the amounts recognised as actuarial gains or losses detailed by nature, in the **Group** and in the **Company**, were as follows:

Group	2022			2023	
	Changes Financial Assumptions	Experience	Total	Experience	Total
Healthcare	(64,783,291)	(5,108,628)	(69,891,919)	5,713,716	5,713,716
Healthcare - SAMS	(647,855)	2,758	(645,097)	(3,728)	(3,728)
Pension Plan	(34,297)	13,255	(21,042)	6,066	6,066
Other benefits	(49,971)	1,185	(48,786)	(1,377)	(1,377)
Other long-term employee benefits	(1,302,559)	(48,144)	(1,350,703)	327,191	327,191
	(66,817,973)	**(5,139,574)**	**(71,957,547)**	**6,041,868**	**6,041,868**

Company	2022			2023	
	Changes Financial Assumptions	Experience	Total	Experience	Total
Healthcare	(64,783,291)	(5,108,628)	(69,891,919)	5,713,716	5,713,716
Other long-term employee benefits	(1,302,559)	(48,144)	(1,350,703)	327,191	327,191
	(66,085,850)	**(5,156,772)**	**(71,242,622)**	**6,040,907**	**6,040,907**

In 2022, actuarial gains/losses associated with changes in financial assumptions reflected the revision of the discount rate from 1.42% to 3.60%.

<u>Healthcare - Plan of Social Action ("PAS") and Insurance policy</u>

As mentioned in Note 2.20, CTT is responsible for financing each healthcare plans applicable to certain employees – Plan of Social Action and Insurance policy.

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 adequate and reasonable, an actuarial study has been performed as at 31 December 2023.

The main assumptions followed in the **Group** and the **Company** actuarial study of both plans were:

	2022	2023
Financial assumptions		
Discount rate	3.60%	3.60%
Salaries expected growth rate	2.25%	2.25%
Pensions growth rate	Law no. 53-B/2006 (with ∆ GDP < 2%)	Law no. 53-B/2006 (with ∆ GDP < 2%)
Inflation rate	1.50%	1.50%
Health costs growth rate	3.30%	3.60%
Stop-Loss	949.50	n.d
Duration	12.6	13.3
Demographic assumptions		
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

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 based on the analysis carried out by the **Group** and the **Company** of the evolution of the macroeconomic reality and the constant need to adapt actuarial and financial assumptions to this same reality, which is why the rate, in the year 2023, remained unchanged at 3.60%.

The salaries expected growth rate is determined according to the salary policy defined by the **Group** and the **Company**.

The pensions expected growth rate is determined considering the estimated evolution of inflation and GDP growth rate.

The healthcare costs growth rate reflects the best estimate for the future evolution of these costs, considering the history of the plan's data.

At the beginning of 2021, the entity that currently manages the Plan, Médis, accepted the introduction of Stop-loss coverage, with the introduction of a cap corresponding to an average annual cost per beneficiary of 949.50 Euros. Stop-Loss means insurance coverage where the risk is transferred from the policyholder (CTT) to the insurer (Médis) above a reference amount, in this case defined by the average annual cost per beneficiary. The contract between Médis and CTT had a minimum duration of 3 years, starting on 1 January 2021 and ending on 31 December 2023. Since these conditions ended on 31 December 2023 and did not occur, until the end from the year 2023, the renegotiation of the average annual cost amount per beneficiary with Médis, the application of Stop-Loss coverage was not considered in determining the responsibilities in the assessment. The impacts of this change were booked in equity, under the caption "Other changes in equity".

The demographic assumptions are based on the mortality and disability tables considered appropriate for the actuarial assessment of this plan.

The evolution of the present value of the **Group** and the **Company** liabilities related to the healthcare plans has been as follows:

Group and Company	2023	2022	2021	2020	2019
Liabilities at the end of the period					
Plan of Social Action	149,430,070	183,727,343	254,937,950	261,776,888	265,509,580
Insurance policy	4,804,297	6,638,024	8,588,665	9,381,426	8,918,960
	154,234,367	**190,365,367**	**263,526,615**	**271,158,313**	**274,428,540**

For the years ended 31 December 2022 and 31 December 2023, the movement which occurred in the present value of the defined benefits liability regarding the healthcare plans was as follows:

Group and Company	Total		Plan of Social Action		Insurance Policy	
	2022	2023	2022	2023	2022	2023
Opening balance	263,526,615	190,365,367	254,937,950	183,727,343	8,588,665	6,638,024
Service cost of the year	4,221,000	2,577,000	4,221,000	2,577,000	—	—
Interest cost of the year	3,659,000	6,658,000	3,540,000	6,425,000	119,000	233,000
Plan amendment	—	(38,683,534)	—	(37,051,640)	—	(1,631,894)
Pensioners contributions	4,889,650	4,980,984	4,622,171	4,737,693	267,479	243,292
(Payment of benefits)	(15,541,938)	(16,912,471)	(14,859,194)	(16,198,800)	(682,744)	(713,671)
(Other costs)	(497,041)	(464,695)	(476,327)	(446,014)	(20,714)	(18,681)
Actuarial (gains)/losses	(69,891,919)	5,713,716	(68,258,257)	5,659,489	(1,633,662)	54,227
Closing balance	**190,365,367**	**154,234,367**	**183,727,343**	**149,430,070**	**6,638,024**	**4,804,297**

The total costs for the period were recognised as follows:

Group and Company	Total		IOS Plan		Insurance policy	
	2022	2023	2022	2023	2022	2023
Staff costs/employee benefits (Note 45)	3,723,959	(36,571,229)	3,744,673	(34,920,655)	(20,714)	(1,650,575)
Other costs	497,041	464,695	476,327	446,014	20,714	18,681
Interest expenses (Note 51)	3,659,000	6,658,000	3,540,000	6,425,000	119,000	233,000
	7,880,000	**(29,448,534)**	**7,761,000**	**(28,049,640)**	**119,000**	**(1,398,894)**

As disclosed in note 2.20, at the end of 2023, CTT made changes to the conditions set out in the Health Plan, in order to improve the sustainability of healthcare offered to employees, with effect from 1 January 2024.

The introduction of these changes resulted in a decrease in the present value of the defined benefit obligation relating to CTT's health care plan, recognised as a "Plan amendment", with a gain of (38,683,534) Euros in the period ended 31 December 2023, recognised under the caption "Staff costs – Employee benefits" (Note 45).

As at 31 December 2022 and 31 December 2023, regarding the Plan of Social Action, the actuarial (gains)/losses in the amount of (68,258,257) Euros and 5,659,489 Euros, respectively, were recognised in equity under "Other changes in equity", net of deferred taxes of 19,112,312 Euros and -1,584,657 Euros as at 31 December 2022 and 31 December 2023, respectively.

Regarding the Plan of Social Action, the amount of actuarial (gains)/losses for the year 2022 essentially resulted from an increase in the discount rate from 1.42% to 3.60%. As of 31 December 2023, the discount rate remained at 3.60%.

In what refers to the Insurance Policy, as at 31 December 2022 and 31 December 2023, the amounts of (1,633,662) Euros and 54,227 Euros, respectively, related to the actuarial (gains)/losses were recognised in equity under "Other changes in equity", net of deferred taxes of 457,425 Euros and -15,184 Euros, respectively.

The best estimate the **Group** and the **Company** have at this date for costs related to the healthcare plan, which they expect to recognise in the next annual period is 8,167 thousand Euros.

The sensitivity analysis performed for the Plan of Social Action and Insurance policy leads to the following conclusions:

(i) If there was an increase of 100 b.p. in the growth rate of medical costs and keeping all other variables constant, the liabilities of the healthcare plan would be 189,787 thousand Euros, increasing by approximately 23.1%.

(ii) If the discount rate was reduced 25 b.p. and keeping all the remaining variables constant, the liabilities would increase by approximately 3.3%, amounting to 159,324 thousand Euros.

(iii) The use of adjusted mortality tables, differentiated between men and women (Men TV 73/77 (-2) and Women TV 88/90 (-3)), holding everything else constant, could translate into an increase of the health care plan liability for past services of about 1.6% amounting to a total of 156,644 thousand Euros.

<u>Healthcare - SAMS</u>

As mentioned in Note 2.20, the **Group** is responsible for paying medical care charges to all 321 Crédito, S.A. employees in a situation of retirement, as well as for survival pensioners.

The provision of this medical care is ensured by the Social Medical Assistance Service (SAMS) whose post-retirement charges, for the member, are defined in clause 92 of the ACT of the banking sector published in BTE nº 38 of 2017 of 15 October.

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 adequate and reasonable, an actuarial study has been performed as at 31 December 2023.

The main assumptions followed in the **Group** actuarial study were:

	2022	2023
Financial assumptions		
Discount rate	3.60%	3.60%
Salaries growth rate	1.25%	1.25%
Inflation rate	1.00%	1.00%
Demographic assumptions		
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

For the year ended 31 December 2022 and 31 December 2023, the movement of **Group** liabilities with the Healthcare – SAMS was as follows:

Group	2022	2023
Opening balance	1,467,881	952,238
Service cost of the year	109,729	72,472
Interest cost of the year	20,828	34,237
(Payment of benefits)	(1,103)	(1,110)
Actuarial (gains)/losses	(645,097)	(3,728)
Closing balance	**952,238**	**1,054,109**

The total costs for the period were recognised as follows:

Group	2022	2023
Staff costs/employee benefits (Note 45)	109,729	72,472
Interest expenses (Note 51)	20,828	34,237
	130,557	**106,709**

The best estimate the **Group** has at this date for costs related to the Healthcare – SAMS, which it expects to recognise in the next annual period, is 118,682 Euros.

The sensitivity analysis performed in the year ended 31 December 2023 for the Healthcare – SAMS leads to the conclusion that if the discount rate were reduced by 25 b.p. and keeping all the remaining variables constant, the liabilities for past services would increase by approximately by 5.1%, amounting to 1,107,869 Euros.

Pension Plan

As mentioned in Note 2.20, the **Group** is responsible for the payment of cash benefits in the form of supplementary retirement pension contributions over the amounts paid by Social Security to a closed group of employees of Transporta, which was merged into CTT Expresso during the year 2019.

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 adequate and reasonable, an actuarial study has been performed as at 31 December 2023.

The main assumptions followed in the **Group** actuarial study were:

	2022	2023
Financial assumptions		
Discount rate	3.60%	3.60%
Salaries growth rate	2.25%	2.25%
Inflation rate	1.50%	1.50%
Demographic assumptions		
Mortality table	Men: TV 88/90 Women: TV 88/90 (-1)	Men: TV 88/90 Women: TV 88/90 (-1)
Disability rate	SWISS RE	SWISS RE

For the year ended 31 December 2022 and 31 December 2023, the movement of **Group** liabilities with the Pension Plan was as follows:

Group	2022	2023
Opening balance	268,954	223,475
Service cost of the year	125	142
Interest cost of the year	3,623	7,550
(Payment of benefits)	(28,185)	(27,505)
Actuarial (gains)/losses	(21,042)	6,066
Closing balance	**223,475**	**209,728**

The total costs for the period were recognised as follows:

Group	2022	2023
Staff costs/employee benefits (Note 45)	125	142
Interest expenses (Note 51)	3,623	7,550
	3,748	**7,692**

The best estimate the **Group** has at this date for costs related to the pension plan, which it expects to recognise in the next annual period, is 7,174 Euros.

As at 31 December 2022 and 31 December 2023, the amounts of (21,042) Euros and 6,066 Euros, respectively, related to the actuarial (gains)/losses were recognised in equity under Other changes in equity, net of deferred taxes of 5,383 Euros and -1,626 Euros, respectively.

The sensitivity analysis performed in the year ended 31 December 2023 for the Pension Plan leads to the conclusion that if the discount rate were reduced by 25 b.p. and keeping all the remaining variables constant, the liabilities for past services would increase by approximately by 1.5%, amounting to 212,874 Euros.

Other long-term employee benefits

Following the mentioned note 2.20, the **Group** assumed the commitment regarding the payment of a “End of Career award” on the date of retirement, due to disability or old age, in the amount of 1.5 times the effective monthly remuneration earned in that date as well as the payment of a capital called “Death Allowance resulting from Work Accidents” to 321 Crédito, S.A. employees. Both benefits are attributed under the banking sector ACT published in BTE nº 38 of 2017 of 15 October, clauses 69 and 72, respectively.

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 adequate and reasonable, an actuarial study has been performed as at 31 December 2023.

The main assumptions followed in the **Group** actuarial study were:

	2022	2023
Financial assumptions		
Discount rate	3.60%	3.60%
Salaries growth rate	1.25%	1.25%
Demographic assumptions		
Mortality rate due to work accident	0.0035%	0.0035%
Mortality table	Men: TV 88/90 Women : TV 88/90 (-1)	Men: TV 88/90 Women: TV 88/90 (-1)

For the year ended 31 December 2022 and 31 December 2023, the movement of **Group** liabilities with the "Other post-employment benefits" related to "End Career Awards" and "Death Allowance resulting from work accidents", presented in the table below, was as follows:

Group	2022	2023
End of Career Awards		
Opening balance	197,170	166,561
Service cost of the year	13,900	11,834
Interest cost of the period	2,773	5,915
Actuarial (gains)/losses	(47,282)	(724)
Closing balance	**166,561**	**183,586**
Death Allowance resulting from Work Accidents		
Opening balance	6,829	6,215
Service cost of the year	798	787
Interest cost of the period	92	209
Actuarial (gains)/losses	(1,504)	(653)
Closing balance	**6,215**	**6,558**
Total	**172,776**	**190,144**

The total costs for the period were recognised as follows:

Group	2022	2023
Staff costs/employee benefits (Note 45)		
End of Career Awards	(33,382)	11,110
Death Allowance resulting from Work Accidents	(706)	134
	(34,088)	**11,244**
Interest expenses (Note 51)	2,865	6,124
	(31,223)	**17,368**

The best estimate the **Group** has at this date for costs related to the Other post-employment benefits, which it expects to recognise in the next annual period, is 20,674 Euros.

The sensitivity analysis performed in the year ended 31 December 2023, for the Other post-employment benefits leads to the conclusion that if the discount rate were reduced by 25 b.p. and keeping all the remaining variables constant, the liabilities for past services would increase by approximately by 5.3%, amounting to 200,222 Euros.

Additionally, and as mentioned in Note 2.20, in certain situations, the **Group** and the **Company** has liabilities related to the payment of salaries in situations of Suspension of contracts, redeployment and release of employment, the payment of the Telephone subscription fee, Pensions for work accidents, and Monthly life annuity. In order to obtain the estimate of the value of these liabilities and the costs to be recognised for each period, every year, an actuarial study is made by an independent entity, based on the Projected Unit Credit method, and according to assumptions that are considered adequate and reasonable. As at 31 December 2023, an actuarial study was requested to an independent entity to assess the liabilities at the reporting date.

The main assumptions followed in the assessment of the **Group** and the **Company** liabilities were:

	2022	2023
Financial assumptions		
Discount rate	3.60%	3.60%
Salaries growth rate (Suspension of contracts)	2.25%	2.25%
Pensions growth rate (Pension for work accidents, Monthly life annuity)	1.50%	1.50%
Inflation rate	1.50%	1.50%
Demographic assumptions		
Mortality table	Men: TV 88/90 Women: TV 88/90 (-1)	Men: TV 88/90 Women: TV 88/90 (-1)

For the years ended 31 December 2022 and 31 December 2023, the movement of **Group** and the **Company** liabilities with other long-term employee benefits, was as follows:

Group and Company	2022	2023
Suspension of contracts, redeployment and release of employment		
Opening balance	9,493,686	10,337,560
Interest cost of the period	119,616	327,973
Liabilities relative to new beneficiaries	4,447,043	6,341,245
Transfers of Provisions (Note 33)	1,250,000	—
(Payment of benefits)	(4,636,496)	(6,144,128)
Actuarial (gains)/losses	(336,289)	560,327
Closing balance	**10,337,560**	**11,422,976**
Telephone subscription fee		
Opening balance	383,961	285,252
Interest cost of the period	5,121	9,532
(Payment of benefits)	(30,490)	(16,037)
Actuarial (gains)/losses	(73,340)	(8,419)
Closing balance	**285,252**	**270,328**
Pension for work accidents		
Opening balance	6,113,602	4,820,286
Interest cost of the period	83,808	165,885
(Payment of benefits)	(438,220)	(356,279)
Actuarial (gains)/losses	(938,904)	(222,147)
Closing balance	**4,820,286**	**4,407,745**
Monthly life annuity		
Opening balance	25,760	12,762
Interest cost of the period	274	226
(Payment of benefits)	(11,102)	(10,418)
Actuarial (gains)/losses	(2,170)	(2,570)
Closing balance	**12,762**	**—**
Total	**15,455,859**	**16,101,048**

During the years ended 31 December 2022 and 31 December 2023, the total costs for the year were recognised as follows:

Group and company	2022	2023
Staff costs/employee benefits (Note 45)		
Suspension of contracts, redeployment and release of employment	4,110,754	6,901,572
Telephone subscription fee	(73,340)	(8,419)
Pension for work accidents	(938,904)	(222,147)
Monthly life annuity	(2,170)	(2,570)
	3,096,340	**6,668,436**
Interest expenses (Note 51)	208,819	503,616
	3,305,159	**7,172,052**

The liabilities related to new beneficiaries on 31 December 2023, in the Suspension of contracts, redeployment and release of employment benefit occur under the referred human resources optimisation process, following agreements of suspension of employment contracts entered into or terminated in the meantime.

The actuarial (gains)/losses regarding long-term employee benefits recognised as at 31 December 2022 mainly relates to the changes occurred in the discount rate as well as to the movements in the beneficiary population which, according to IAS 19 – Employee benefits, were recognised in the caption Staff costs in the income statement.

The best estimate that the **Company** has at this date for costs with other long-term benefits, which it expects to recognise in the next year is 463,423 Euros.

The sensitivity analysis performed on 31 December 2023 for the Other long-term benefits leads to the conclusion that, if the discount rate was reduced by 25 b.p., keeping everything else constant, this would give rise to an increase in liabilities for past services of approximately 0.7%, increasing to 16,214 thousand Euros.

33. Provisions, Guarantees provided, Contingent liabilities and commitments

Provisions

For the years ended 31 December 2022 and 31 December 2023 in order to face legal proceedings and other liabilities arising from past events, the **Group** and the **Company** recognised provisions, which showed the following movement:

Group	2022						
	Opening balance	Increases	Reversals	Utilisations	Transfers	Regularisations	Closing balance
Litigations	2,834,799	1,516,656	(1,304,899)	(114,458)	213,598	—	3,145,696
Onerous contracts	—	453,598	—	(293,450)	—	—	160,148
Other provisions	7,314,082	3,894,875	(4,819,453)	(155,924)	(213,598)	—	6,019,982
Commitments provisions	314,163	39,865	(229,571)	—	—	—	124,457
Sub-total - caption "Provisions (increases)/ reversals"	**10,463,043**	**5,904,994**	**(6,353,923)**	**(563,832)**	**—**	**—**	**9,450,283**
Investments in subsidiary and associated companies	—	168,972	—	—	—	—	168,972
Restructuring	1,455,737	145,993	(50,000)	—	(1,250,000)	(102,344)	199,386
Other provisions	2,760,741	158,488	—	(105,603)	—	—	2,813,626
	14,679,520	**6,378,447**	**(6,403,923)**	**(669,435)**	**(1,250,000)**	**(102,344)**	**12,632,267**

Group	2023					
	Opening balance	Increases	Reversals	Utilisations	Transfers	Closing balance
Litigations	3,145,696	988,027	(744,147)	(118,951)	(9,082)	3,261,544
Onerous contracts	160,148	—	(75,162)	(84,986)	—	—
Other provisions	6,019,982	1,000,439	(89,788)	(495,249)	9,082	6,444,466
Commitments provisions	124,457	103,423	(74,189)	—	—	153,691
Sub-total - caption "Provisions (increases)/reversals"	**9,450,283**	**2,091,889**	**(983,286)**	**(699,185)**	**—**	**9,859,701**
Investments in subsidiary and associated companies	168,972	6,480	—	(175,452)	—	—
Restructuring	199,386	13,441,228	—	—	—	13,640,614
Other provisions	2,813,626	25,924	—	(1,000)	—	2,838,550
	12,632,267	**15,565,521**	**(983,286)**	**(875,637)**	**—**	**26,338,865**

The net amount between increases and reversals of provisions was recorded in the consolidated income statement under the caption “Provisions, net” and amounted to (448,929) Euros as at 31 December 2022 and 1,108,602 Euros as at 31 December 2023.

Company	2022						
	Opening balance	Increases	Reversals	Utilisations	Transfers	Regularisations	Closing balance
Litigations	2,156,168	1,429,086	(1,138,720)	(81,402)	21,791	—	2,386,923
Onerous contracts	—	453,598	—	(293,450)	—	—	160,148
Other provisions	4,674,909	751,723	(4,559,594)	(22,251)	(21,791)	—	822,996
Sub-total - caption "Provisions (increases)/reversals"	**6,831,077**	**2,634,407**	**(5,698,314)**	**(397,103)**	**—**	**—**	**3,370,067**
Restructuring	1,352,344	9,451	—	—	(1,250,000)	(102,344)	9,451
Other provisions	2,285,971	156,488	—	(105,600)	—	—	2,336,859
	10,469,392	**2,800,346**	**(5,698,314)**	**(502,703)**	**(1,250,000)**	**(102,344)**	**5,716,377**

Company	2023					
	Opening balance	Increases	Reversals	Utilisations	Transfers	Closing balance
Litigations	2,386,923	959,317	(625,243)	(76,276)	—	2,644,721
Onerous contracts	160,148	—	(75,162)	(84,986)	—	—
Other provisions	822,996	108,322	(11,809)	(9,724)	—	909,785
Sub-total - caption "Provisions (increases)/reversals"	**3,370,067**	**1,067,639**	**(712,214)**	**(170,986)**	**—**	**3,554,506**
Restructuring	9,451	13,441,229	—	—	—	13,450,679
Other provisions	2,336,859	23,956	—	(1,000)	—	2,359,815
	5,716,377	**14,532,823**	**(712,214)**	**(171,986)**	**—**	**19,365,000**

The net amount between increases and reversals of provisions was recorded in the individual income statement under the caption “Provisions, net” and amounted to (3,063,907) Euros as at 31 December 2022 and 355,424 as at 31 December 2023.

A provision should only be used for expenditures for which the provision was originally recognised, so the **Group** and the **Company** reverse the provision when it is no longer probable that an outflow of resources that incorporate future economic benefits will be necessary to settle the obligation.

Litigations

The provisions for litigations were set up to face the liabilities resulting from lawsuits brought against the **Group** and the **Company** and are estimated based on information from their lawyers as well as on the termination of the mentioned lawsuits. The final amount and the timing of the outflows regarding the provision for litigations depend on the outcome of the respective proceedings.

The reversal of the provision for litigations, in the amount of (1,304,899) Euros as at 31 December 2022 and (744,147) Euros as at 31 December 2023, essentially results from lawsuits whose decision, which was made known in the course of 2022 or 2023, respectively, proved to be favourable to the **Group**, or, not being favourable, resulted in the condemnation to pay amounts that proved to be lower than the estimated amounts (and reflected in this provision item).

Other provisions

As at 31 December 2022, the amount of 3,780,356 Euros provisioned in previous years to cover possible contingencies related to labour litigation actions not included in the current court proceedings, related to remuneration differences that could be claimed by workers, was fully reversed, as it is understood that the probability of outflows associated with these contingencies is currently remote.

As at 31 December 2022, a provision is recognised in CTT Expresso branch in Spain to face the notification issued by the Spanish National Commission on Markets and Competition. This process was originated during the year 2016, based on the alleged contrary action to article 1 of the Law 15/2017 ("Law on Competition Defense") and article 101º of the Treaty on the Functioning of the European Union ("TFUE"). This notification amounted to 3,148,845 Euros and, in previous years, has already been subject of an appeal to the Spanish Audiencia Nacional (National High Court). Regarding this matter, CTT Expresso branch in Spain submitted a formal request to the coercive measure suspension, and the request was accepted under the condition of a guarantee presentation – a procedure that was duly and timely adopted. During 2022, the Spanish Audiencia Nacional dismissed the appeal and ratified the fine of 3,148,845 Euros plus final and unappealable costs. Regarding this subject, the provision booked in previous years, which amounted to 1,400,000 Euros, was increased by 1,800,000 Euros, amounting at 31 December 2022, the amount of 3,200,000 Euros and results from the evaluation carried out by the **Group**'s legal advisors. As at 31 December 2023, no relevant developments had occurred, with the provision remaining in the amount of 3,200,000 Euros.

The amount provisioned in 321 Crédito, S.A. amounting to 879,205 Euros as at 31 December 2023 (907,030 Euros at 31 December 2022) mainly results from the management assessment regarding the possibility of materialising contingencies and other processes.

As at 31 December 2023, in addition to the previously mentioned situations, this caption, essentially, also includes, in the **Group** and the **Company**:

- the amount of 268,827 Euros in the **Group** and the **Company** to cover costs of dismantlement of tangible fixed assets and/or removal of facilities and restoration of the site;
- the amount of 664,872 Euros in the **Group** and **Company**, which arise from the assessment made by the management regarding the possibility of materialising contingent amounts to be paid to third parties under the scope of contracts entered into;
- the amount of 309,007 Euros regarding the liability, recognised in the company CTT Expresso, with a labour legal proceeding;
- the amount of 2,051,590 Euros in the **Group** and 1,881,856 Euros in the **Company**, to cover costs of operational vehicles restoration.
- the amount of commitments for guarantees provided to third parties to cover promotional contests in the amount of 590,060 Euros.

<u>Commitments provisions</u>

Commitments provisions refer to provisions for indirect credit, amounting to 153,691 Euros in the period ended 31 December 2023 (31 December 2022: 124,457 Euros).

<u>Restructuring</u>

It is essential for the **Group** to implement policies that promote rationalisation, adaptation and increased productivity of all available resources, with reflection in the organisational management model of its human resources. In this context, actions were taken leading to the reorganisation of services, which led to the approval of a Human Resources optimisation programme. This programme is based on the conclusion of Suspension Agreements, Pre-Retirements and Termination Agreements by Mutual Agreement, and on 31 December 2023, a provision in the amount of 13,441,229 Euros was created for the respective operationalisation. This provision was recognised under the caption Staff Costs.

<u>Guarantees provided</u>

As at 31 December 2022 and 31 December 2023, the **Group** and the **Company** had provided bank guarantees to third parties as follows:

Description	Group		Company	
	31.12.2022	31.12.2023	31.12.2022	31.12.2023
Wiiv Portugal - SIC Imobiliária Fechada, S.A.	—	5,089,792	—	5,089,792
Contencioso Administrativo da Audiência Nacional (National Audience Administrative Litigation) and CNMC - Comission Nacional de los Mercados y la Competencia - Espanha (National Commission on Markets and Competition - Spain)	3,148,845	3,148,845	3,148,845	3,148,845
Autoridade Tributária e Aduaneira (Portuguese Tax and Customs Authority)	4,389,246	2,974,242	2,327,956	912,952
PLANINOVA - Soc. Imobiliária, S.A. (Real estate company)	2,033,582	2,033,582	2,033,582	2,033,582
LandSearch, Compra e Venda de Imóveis (Real estate company)	1,792,886	1,792,886	1,792,886	1,792,886
Fidelidade, Multicare, Cares - (Glintt BPO)	1,022,834	1,500,000	—	—
AMBIMOBILIÁRIA- INVESTIMENTOS E NEGÓCIOS, S.A. (Real estate company)	480,000	480,000	480,000	480,000
MARATHON (Closed investment fund)	810,435	432,000	—	—
O Feliz - Real State Company	—	378,435	—	—
Courts	339,230	339,230	333,230	333,230
EUROGOLD (Real estate company)	318,299	318,299	—	—
CIVILRIA (Real estate company)	224,305	224,305	—	—
TRANSPORTES BERNARDO MARQUES , S.A.	220,320	220,320	220,320	220,320
Repsol (Oil and Gas Company)	15,000	215,000	—	—
Garantia KTP Packaging Solutions (Packaging Solutions Supplier)	—	211,740		
TIP - Transportes Intermodais do Porto, ACE (Oporto intermodal transport)	150,000	150,000	—	—
Via Direta	150,000	150,000	—	—
Municipalities	118,658	79,362	118,658	79,362
EPAL - Empresa Portuguesa de Águas Livres (Multi-municipal System of Water Supply and Sanitation of the Lisbon Area)	68,895	68,895	68,895	68,895
INCM - Imprensa Nacional da Casa da Moeda (Portuguese Mint and Official Printing Office)	68,386	68,386	—	—
ANA - Aeroportos de Portugal (Airports of Portugal)	34,000	34,000	34,000	34,000
Águas do Norte (Water Supply of the Northern Region)	23,804	23,804	23,804	23,804
Instituto de Gestão Financeira Segurança Social (Social Security Financial Management Institute)	21,557	21,557	16,406	16,406
EMEL, S.A. (Municipal company managing parking in Lisbon)	19,384	19,384	19,384	19,384
Serviços Intermunicipalizados Loures e Odivelas (Inter-municipal Services of Water Supply and Sanitation of the Loures and Odivelas Areas)	17,000	17,000	17,000	17,000
Direção Geral do Tesouro e Finanças (Directorate General of Treasury and Finance)	16,867	16,867	16,867	16,867
Alegro Alfragide	—	16,837		
Portugal Telecom, S.A. (Telecommunication Company)	16,658	16,658	16,658	16,658
Refer (Public service for the management of the national railway network infrastructure)	16,460	16,460	—	—
Other entities	16,144	16,144	—	—
SMAS de Sintra (Services of Water Supply and Sanitation of the city of Sintra)	15,889	15,889	15,889	15,889
DOLCE VITA TEJO (Real State Company)	13,832	13,832	13,832	13,832
Águas do Porto, E.M (Services of Water Supply and Sanitation of the city of Porto)	10,720	10,720	—	—
ADRA - Águas da Região de Aveiro (Services of Water Supply and Sanitation of the city of Aveiro)	10,475	10,475	10,475	10,475
SMAS Torres Vedras (Services of Water Supply and Sanitation of the city of Torres Vedras)	9,910	9,910	9,910	9,910
ACT Autoridade Condições Trabalho (Authority for Working Conditions)	9,160	9,160	9,160	9,160
Consejeria Salud (Local Health Service/Spain)	4,116	4,116	—	—
GNB Companhia de seguros vida SA (Insurance company)	25,000	—	—	—
Instituto do Emprego e Formação Profissional (Employment and Professional Training Institute)	3,719	—	3,719	—
	15,635,616	**20,148,131**	**10,731,476**	**14,363,248**

Bank guarantees

As at 31 December 2023, the bank guarantees provided in favour of "Autoridade Tributária e Aduaneira" (Portuguese Tax and Customs Authority), in a global amount of 2,974,242 Euros, were essentially provided for the suspension of tax enforcement proceedings.

On 31 December 2023, a bank guarantee was provided to the entity Wiiv Portugal in the amount of 5,089,792 as part of the costs to be settled with the early termination of the lease contract with the former Head Office.

Guarantees for lease contracts

According to the terms of some lease contracts of the buildings occupied by the **Company**'s services, the Portuguese State ceased to hold the majority of the share capital of CTT, bank guarantees on first demand had to be provided. These guarantees amount to 3,826,468 Euros as at 31 December 2022 and 31 December 2023, in the **Group** and the **Company**.

CTT provided a bank guaranty, on behalf of CTT Expresso branch in Spain, to the Sixth Section of the National Audience Administrative Litigation and to the Spanish National Commission on Markets and Competition ("Comisión Nacional de los Mercados y la Competencia") in the amount of 3,148,845 Euros, regarding the legal proceedings of CTT Expresso branch in Spain with the National Audience in Spain.

Commitments

As at 31 December 2022, the **Group** subscribed promissory notes amounting to approximately 44.4 thousand Euros, respectively, for several credit institutions intended to secure complete and timely compliance with the corresponding financing contracts. On 31 December 2023, the underlying debts were settled, meaning that the promissory notes were cancelled with the respective banking entities.

The **Group** and the **Company** engaged guarantee insurances in the total amount of 5,985,951 Euros and 3,154,698 Euros, respectively (31 December 2022: 5,444,387 Euros and 2,713,642 Euros respectively), with the purpose of guaranteeing the fulfilment of contractual obligations assumed by third parties.

In addition, the **Group** and the **Company** also assumed commitments relating to real estate rents under lease contracts and rents for other leases.

The **Group** and the **Company** contractual commitments related to Tangible fixed assets and Intangible assets are detailed respectively in Notes 5 and 6.

34. Accounts payable

As at 31 December 2022 and 31 December 2023, the **Group** and the **Company** caption “Accounts payable” showed the following composition:

	Group		Company	
	31.12.2022	**31.12.2023**	**31.12.2022**	**31.12.2023**
Non-current				
Other accounts payable	—	—	309,007	309,007
	—	—	**309,007**	**309,007**
Current				
Advances from customers	2,175,341	1,877,771	2,166,577	2,164,120
CNP money orders	—	106,269,099	—	106,269,099
Suppliers	97,417,126	114,269,770	76,504,150	73,180,845
Invoices pending confirmation	12,194,096	12,368,179	6,233,718	5,052,991
Fixed assets suppliers	4,900,077	5,334,120	3,804,439	2,825,917
Invoices pending confirmation (fixed assets)	6,495,524	8,165,808	5,468,120	7,632,578
Values collected on behalf of third parties	10,069,404	17,707,682	5,692,303	8,268,592
Postal financial services	360,890,497	80,227,690	360,890,505	80,212,416
Deposits	676,504	678,080	—	—
Charges	14,844,784	14,664,320	12,596,851	12,347,745
Compensations	1,105,808	669,708	90,403	57,573
Postal operators - amounts to be settled	680,423	538,979	680,423	538,979
Amounts to be settled to third parties	1,659,136	1,229,091	1,659,136	1,229,091
Amounts to be settled in stores	3,012,730	765,242	3,012,730	765,242
Other accounts payable	9,090,299	9,195,564	4,972,187	6,803,544
	525,211,751	**373,961,102**	**483,771,541**	**307,348,732**
	525,211,751	**373,961,102**	**484,080,548**	**307,657,739**

CNP money orders

The value of CNP money orders refers to the money orders received from the National Pensions Center (CNP), whose payment date to the corresponding pensioners will occur in the month after the closing of the financial year. The absence of a balance verified on 31 December 2022 is related to the fact that the IGFSS advance for the settlement of CNP money orders only occurred in the first days of January 2023.

Suppliers

The increase in the suppliers item is justified, above all, by the CTT Expresso Branch in Spain, related to the increase in its activity, especially in the last quarter of the year.

Postal financial services

This caption records mainly the amounts collected related to taxes, insurance, savings certificates and other money orders, whose settlement date should occur in the month following the end of the period.

The decrease in this caption is explained mainly by a higher balance at the end of 2022, due to a significant flow in the subscription of savings certificates by consumers, driven by the increase in Euribor rates, and the consequent impact on the profitability of this product of investment.

Suppliers and fixed assets suppliers

As at 31 December 2022 and 31 December 2023, the **Group** and the **Company** caption Suppliers showed the following composition:

	Group		Company	
	31.12.2022	**31.12.2023**	**31.12.2022**	**31.12.2023**
Other suppliers	47,228,848	67,561,198	26,878,497	28,281,285
Postal operators	50,108,410	46,603,852	48,327,499	43,869,753
Group companies (1)	79,868	104,721	1,298,153	1,029,807
	97,417,126	**114,269,770**	**76,504,150**	**73,180,845**

(1) Includes subsidiary, associated and joint-ventures companies.

As at 31 December 2022 and 31 December 2023, the ageing of the **Group** and the **Company** balance of the captions Suppliers and Fixed assets suppliers is detailed as follows:

Suppliers	Group		Company	
	31.12.2022	**31.12.2023**	**31.12.2022**	**31.12.2023**
Non-overdue	35,701,637	58,944,706	18,585,413	23,293,726
Overdue (1):				
0-30 days	5,443,613	5,400,407	3,872,825	3,493,666
31-90 days	12,290,673	7,776,578	11,429,188	6,330,522
91-180 days	4,773,279	4,614,796	4,426,144	4,119,206
181-360 days	15,922,400	9,654,543	15,430,400	8,790,187
> 360 days	23,285,524	27,878,741	22,760,180	27,153,537
	97,417,126	**114,269,770**	**76,504,150**	**73,180,845**

(1) The amounts regarding the foreign operators, although being overdue over 360 days, are within the normal period for the presentation and regularisation of the accounts.

Fixed assets suppliers	Group		Company	
	31.12.2022	**31.12.2023**	**31.12.2022**	**31.12.2023**
Non-overdue	3,045,920	4,650,481	2,145,243	2,337,935
Overdue:				
0-30 days	1,415,810	482,404	1,393,485	324,177
31-90 days	215,117	116,653	161,986	84,433
91-180 days	—	10,897	—	10,897
181-360 days	68,179	13,250	36,526	8,040
> 360 days	155,051	60,435	67,199	60,435
	4,900,077	**5,334,120**	**3,804,439**	**2,825,917**

The current amount of accounts payable overdue over 360 days is as follows:

	Group		Company	
	31.12.2022	**31.12.2023**	**31.12.2022**	**31.12.2023**
Other suppliers	759,523	248,159	234,179	6,640
Foreign operators	22,526,001	27,630,583	22,526,001	27,146,897
Total	**23,285,524**	**27,878,741**	**22,760,180**	**27,153,537**
Foreign operators - receivable (Note 19)	**(10,941,989)**	**(17,242,871)**	**(10,153,776)**	**(16,461,242)**

The balances between Foreign Operators are cleared by netting accounts. These amounts refer to the accounts receivable balances related to these entities (Note 19), in which the Group does not have an unconditional right to settle the amounts of foreign Operators on a net basis, unilaterally deducting amounts receivable from amounts payable, whereby the balances of foreign Operators are shown in assets and liabilities.

The cost recognition impact of significant financing component effect associated to the contractual performance obligations with Foreign Operators is not significant. The **Group** and the **Company** did not recognise any amount.

There are no ongoing judicial or extrajudicial proceedings to regularise the balances of suppliers that were past due on 31 December 2023.

35. Debt securities issued at amortised cost

This caption showed the following composition:

	31.12.2022	31.12.2023
Non current liabilities		
Debt securities issued	445,226,206	347,131,609
	445,226,206	**347,131,609**
Current liabilities		
Debt securities issued	351,654	243,468
	351,654	**243,468**
	445,577,860	**347,375,077**

As at 31 December 2022 and 31 December 2023, the Debt securities issued are analysed as follows:

31.12.2022

Issue	Issue date	Maturity date	Remuneration	Nominal value	Book value
Ulisses Finance No.1 – Class B	July 2017	March 2033	Euribor 1M + 160 b.p.	4,233,007	4,237,732
Ulisses Finance No.1 - Class C	July 2017	March 2033	Euribor 1M + 375 b.p.	7,100,000	7,113,012
Ulisses Finance No.2 – Class A	September 2021	September 2038	Euribor 1M + 70 b.p.	189,826,075	191,350,779
Ulisses Finance No.2 – Class B	September 2021	September 2038	Euribor 1M + 80 b.p.	9,318,904	9,315,433
Ulisses Finance No.2 – Class C	September 2021	September 2038	Euribor 1M + 135 b.p.	18,637,808	18,633,429
Ulisses Finance No.2 – Class D	September 2021	September 2038	Euribor 1M + 285 b.p.	10,530,362	10,531,837
Ulisses Finance No.2 – Class E	September 2021	September 2038	Euribor 1M + 368 b.p.	3,447,995	3,449,193
Ulisses Finance No.2 – Class F	September 2021	September 2038	Euribor 1M + 549 b.p.	1,211,458	1,212,427
Ulisses Finance No.2 – Class G	September 2021	September 2038	Euribor 1M + 500 b.p.	375,000	375,254
Ulisses Finance No.3 - Class A	June 2022	June 2039	Euribor 1M + 90 bps	168,000,000	167,808,294
Ulisses Finance No.3 - Class B	June 2022	June 2039	Euribor 1M + 200 bps	8,000,000	7,828,704
Ulisses Finance No.3 - Class C	June 2022	June 2039	Euribor 1M + 370 bps	12,000,000	11,741,334
Ulisses Finance No.3 - Class D	June 2022	June 2039	Euribor 1M + 525 bps	6,000,000	5,665,908
Ulisses Finance No.3 - Class E	June 2022	June 2039	Euribor 1M + 650 bps	5,000,000	4,758,885
Ulisses Finance No.3 - Class F	June 2022	June 2039	Euribor 1M + 850 bps	1,000,000	965,514
Ulisses Finance No.3 - Class G	June 2022	June 2039	Euribor 1M + 785 bps	600,000	590,125
				445,280,608	**445,577,860**

31.12.2023					
Issue	Issue date	Maturity date	Remuneration	Nominal value	Book value
Ulisses Finance No.2 – Class A	September 2021	September 2038	Euribor 1M + 70 bps	140,142,471	141,123,335
Ulisses Finance No.2 – Class B	September 2021	September 2038	Euribor 1M + 80 bps	6,879,846	6,878,045
Ulisses Finance No.2 – Class C	September 2021	September 2038	Euribor 1M + 135 bps	13,759,693	13,757,142
Ulisses Finance No.2 – Class D	September 2021	September 2038	Euribor 1M + 285 bps	7,774,226	7,774,405
Ulisses Finance No.2 – Class E	September 2021	September 2038	Euribor 1M + 368 bps	2,545,543	2,545,895
Ulisses Finance No.2 – Class F	September 2021	September 2038	Euribor 1M + 549 bps	894,380	894,729
Ulisses Finance No.3 - Class A	June 2022	June 2039	Euribor 1M + 90 bps	147,128,975	147,012,162
Ulisses Finance No.3 - Class B	June 2022	June 2039	Euribor 1M + 200 bps	7,006,142	6,902,717
Ulisses Finance No.3 - Class C	June 2022	June 2039	Euribor 1M + 370 bps	10,509,212	10,352,450
Ulisses Finance No.3 - Class D	June 2022	June 2039	Euribor 1M + 525 bps	5,254,606	5,052,713
Ulisses Finance No.3 - Class E	June 2022	June 2039	Euribor 1M + 650 bps	4,378,839	4,232,861
Ulisses Finance No.3 - Class F	June 2022	June 2039	Euribor 1M + 850 bps	875,768	848,624
				347,149,701	**347,375,077**

During the period ended at 31 December 2022 and 31 December 2023, the movement of this item is as follows:

2022					
Denomination	Opening balance	Issues	Repayments	Other movements	Closing balance
Ulisses Finance No.1	24,532,237	—	(13,188,001)	6,508	11,350,744
Ulisses Finance No.2	253,263,517	—	(17,927,399)	(467,765)	234,868,353
Ulisses Finance No.3	—	201,500,000	(2,699,000)	557,764	199,358,764
	277,795,753	**201,500,000**	**(33,814,400)**	**96,507**	**445,577,860**

In 31 December 2022, the movements booked in “Issues” is related to the issuance of a new credit securitisation operation called Ulisses Finance nº 3, carried out through 321 Crédito.

2023					
Denomination	Opening balance	Issues	Repayments	Other movements	Closing balance
Ulisses Finance No.1	11,350,744	—	(11,333,007)	(17,736)	—
Ulisses Finance No.2	234,868,353	—	(61,351,441)	(543,362)	172,973,550
Ulisses Finance No.3	199,358,764	—	(25,446,459)	489,222	174,401,527
	445,577,860	**—**	**(98,130,907)**	**(71,876)**	**347,375,077**

The credit securitisation operation Ulisses No1, originated by 321 Crédito in 2017, included a consumer credit portfolio amounting to 141.2 million euros. The operation included a clean-up call option clause that could be exercised by the originator when the securitised portfolio dropped by 10% of the initial amount, i.e., 14.1 million euros. This occurred after the IPD (“interest payment date”) of June 2023, with the clean-up call being exercised at the IPD of July 2023, with the Company reacquiring the entire securitised portfolio, closing the operation, during the period ended 31 December 2023.

The scheduling by maturity regarding this caption is as follows:

	31.12.2022						
	Current			Non-current			
	Due within 3 months	Over 3 months and less than 1 year	Total	Over 1 year and less than 3 years	Over 3 years	Total	Total
Securitisations	351,654	—	351,654	—	445,226,206	445,226,206	445,577,860
	351,654	**—**	**351,654**	**—**	**445,226,206**	**445,226,206**	**445,577,860**

	31.12.2023						
	Current			Non-current			
	Due within 3 months	Over 3 months and less than 1 year	Total	Over 1 year and less than 3 years	Over 3 years	Total	Total
Securitisations	243,468	—	243,468	—	347,131,609	347,131,609	347,375,077
	243,468	**—**	**243,468**	**—**	**347,131,609**	**347,131,609**	**347,375,077**

Asset securitisation

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 Credit securitisation programme (Ulisses) with the Ulisses Finance No.1 operation being placed on the market. The operation was put together with the collaboration of Citibank and Deutsche Bank, and included a Consumer Credit portfolio originated by 321 Crédito. The structure of the Transaction includes five Tranches from A to E. Tranches A to C are dispersed in the market and Tranches D and E were retained. This operation obtained rating ratings from DBRS and Moody's for the tranches placed on the market, Tranches A, B and C.

This operation includes an optional early amortisation clause that allows the Issuer to redeem the Notes of all Classes issued, when the residual value of the credits represents 10% or less of the value of the Credit Portfolio on the date of setting up the securitisation operation (clean- up call).

This clean-up call was exercised in July 2023, with the Group reacquiring the entire securitised portfolio at that time, closing the operation.

The operation had incorporated an interest rate cap, a mechanism to mitigate interest rate risk for the operation and its investors, which includes the Group, but which was not contracted directly by the **Group**, but rather by the issuer of the securitisation operation (Sagres – STC, S.A.).

The **Group** guaranteed the debt service (servicer) of the operation, assuming the collection of assigned credits and channelling the amounts received, through the respective deposit to the credit securitisation company.

While the operation was alive, the underlying assets of the Ulisses Finance No.1 operations were not derecognised from the Statement of Financial Position as the Group substantially maintained the risks and benefits associated with their holding.

Chaves Funding No.8

This private securitisation operation was issued in November 2019 by Tagus, Sociedade de Titularização de Créditos, S.A., it included a Consumer Credit portfolio originated by 321 Crédito. The operation was set up with the collaboration of Sociedade de Advogados PLMJ. The operation's structure includes a Tranche A and a Tranche B in the notes issued, both of which are fully owned by the Group.

This operation includes an optional early amortisation clause that allows the Issuer to redeem the Notes of all Classes issued, when the residual value of the credits represents 10% or less of the value of the Credit Portfolio on the date of setting up the securitisation operation.

The underlying assets of Chaves Funding No.8 operation were not derecognised from the Statement of Financial Position, as the Group substantially maintained the risks and benefits associated with their holding.

Ulisses Finance No.2

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

The structure of the transaction includes six collateralised Tranches from A to F and additionally tranches G and Z. All tranches are dispersed in the capital market, with the exception of class Z, whose initial value was 1.5 million euros and which presents the 30 September 2022 a value of 1,000 euros.

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

The Ulisses Finance No.2 operation has the characteristics of STS (simple, transparent and standardised) and SRT (significant risk transfer).

For the purposes of calculating the capital ratio, as the Ulisses Finance No.2 operation complies with article 244.1 (b) of European Regulation 575/2013 (full capital deduct approached), the company reduced its “Risk Weight Assets” with regard to the contracts securitised within the scope of this operation.

The operation has incorporated an interest rate cap, an interest rate risk mitigation mechanism for the operation and its investors, including the Group, but which was not contracted directly by the Group, but by the issuer. of the securitisation operation (Tagus – STC, S.A.).

The underlying assets of the Ulisses Finance No.2 operation were not derecognised from the Consolidated Statement of Financial Position, as the Group substantially maintained the risks and benefits associated with their holding.

Next Funding Nr.1

The Next Funding No.1 operation, issued by Tagus – STC, S.A. in April 2021 and in which Banco CTT was, until December 2023, the sole investor, has as its underlying asset the balances of credit cards originated by the credit card Universo issued by Sonae Financial Services (now Universo, IME, S.A.). Additionally, Banco CTT granted the operation an overdraft line (Liquidity Facility) with the sole purpose of acquiring receivables (credit card balances) between interest payment dates. At each interest payment date (IPD), the Liquidity Facility balance was settled by conversion into the amount of the note.

Following the termination of the partnership with Universo, in December 2023 Banco CTT sold the note to Universo, IME, S.A. leaving on that date no exposure to this portfolio. Additionally, the overdraft line (Liquidity Facility) was cancelled.

In the consolidated accounts, taking into account the conditions set out in IFRS 10 (Consolidated Financial Statements), the securitisation operation is consolidated, to the extent that Banco CTT substantially holds the risks and benefits associated with the underlying assets and has the capacity to affect these same risks and benefits.

As of 31 December 2023, there was no on-balance sheet or off-balance sheet position in relation to this portfolio.

Ulisses Finance No. 3

This securitisation operation was created in June 2022 and issued by Tagus - Sociedade de Titularização de Créditos, S.A. and corresponds to a public credit securitisation programme (Ulisses) with the Ulisses Finance No.3 operation being placed on the market. The operation was set up with the collaboration of “Sociedade de Advogados PLMJ” and “Banco Deutsche Bank”, and included a consumer credit portfolio originated by 321 Crédito, whose initial total amount was 200,000 thousand euros, to be maintained over the 12 months of revolving period.

The structure of the Transaction includes six collateralised Tranches from A to F and additionally tranches G and Z. All tranches are dispersed in the capital market, with the exception of class Z, whose initial value was 1.8 million euros.

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

The Ulisses Finance No.3 operation has the characteristics of STS (simple, transparent and standardised) and SRT (significant risk transfer).

For the purposes of calculating the capital ratio, as the Ulisses Finance No.3 operation complies with article 244.1 (b) of European Regulation 575/2013 (full capital deduct approached), the company reduced its “Risk Weight Assets” regarding to the contracts securitised within the scope of this operation.

The operation incorporates an interest rate swap, an interest rate risk mitigation mechanism for the operation and its investors, including the Group, but which was not contracted directly by the Group, but by the issuer. of the securitisation operation (Tagus – STC, S.A.).

The underlying assets of the Ulisses Finance No.3 operation were not derecognised from the Consolidated Statement of Financial Position, as the Group substantially maintained the risks and rewards associated with their holding.

Additionally, the Group, through 321 Crédito, maintained, as at 31 December 2022, the Fénix operation as the only live unrecognised securitisation operation. The Group's involvement in this operation is limited to providing servicing services.

36. Banking clients' deposits and other loans

As at 31 December 2022 and 31 December 2023, the composition of the heading Banking clients' deposits and other loans in the **Group** is as follows:

	31.12.2022	31.12.2023
Sight deposits	1,608,322,164	1,343,297,943
Term deposits	184,027,482	1,409,082,838
Savings deposits	452,980,272	338,581,770
	2,245,329,918	**3,090,962,551**

The above-mentioned amounts relate to Banco CTT clients' deposits. Savings deposits are deposits associated with current accounts and which allow the client to obtain a remuneration above the sight deposits, which can be mobilised at any time, with no subscription limit, and it is possible to schedule transfers from and for this account. These deposits are different from term deposits as they have a definite date of constitution and maturity, and the savings accounts are fully mobilizable without penalty on remuneration.

In 2023, the average rate of return on customer funds was 0.86% (2023: 0.54%).

As at 31 December 2022 and 31 December 2023, the residual maturity of banking client deposits and other loans, is detailed as follows

	31.12.2022					
	No defined maturity	Due within 3 months	Over 3 months and less than 1 year	Over 1 year and less than 3 years	Over 3 years	Total
Sight deposits and saving accounts	2,061,302,436	—	—	—	—	2,061,302,436
Term deposits	—	83,544,873	100,482,609	—	—	184,027,482
	2,061,302,436	**83,544,873**	**100,482,609**	**—**	**—**	**2,245,329,918**

	31.12.2023					
	No defined maturity	Due within 3 months	Over 3 months and less than 1 year	Over 1 year and less than 3 years	Over 3 years	Total
Sight deposits and saving accounts	1,681,879,712	—	—	—	—	1,681,879,712
Term deposits	—	359,591,003	1,049,491,835	—	—	1,409,082,838
	1,681,879,712	**359,591,003**	**1,049,491,835**	**—**	**—**	**3,090,962,551**

37. Other current liabilities

As at 31 December 2022 and 31 December 2023, the **Group** and the **Company** caption Other current liabilities showed the following composition:

	Group		Company	
	31.12.2022	31.12.2023	31.12.2022	31.12.2023
Current				
Estimated holiday pay, holiday subsidy and other remunerations	49,206,004	54,969,096	38,343,840	42,989,562
Estimated supplies and external services	50,938,468	74,218,189	20,585,755	34,822,673
State and other public entities				
Value Added Tax	2,301,090	4,083,608	1,421,194	2,602,558
Personal income tax withholdings	3,710,562	3,299,151	2,893,514	2,219,223
Social Security contributions	4,859,016	5,972,284	3,536,311	4,077,460
Caixa Geral de Aposentações	1,600,731	1,529,301	1,588,739	1,492,486
Local Authority taxes	530,392	180,685	491,604	445,185
Other taxes	1,014,631	787,485	5,651	4,797
Other	382	284,471	382	234,945
	114,161,276	**145,324,271**	**68,866,991**	**88,888,890**

The increase in the "Estimated supplies and external services" item is mainly due to the accrual of the costs with the early termination of the contract for the former headquarters building, in the amount of 8,005 thousand Euros, to be settled in the subsequent period (note 5), as well as the increase in activity of CTT – Expresso, S.A., branch in Spain.

38. Income taxes receivable /payable

As at 31 December 2022 and 31 December 2023 the **Group** and the **Company** heading Income taxes receivable and Income taxes payable showed the following composition:

	Group		Company	
	31.12.2022	31.12.2023	31.12.2022	31.12.2023
Current assets				
Corporate income tax	1,102,700	8,268	2,244,123	—
	1,102,700	**8,268**	**2,244,123**	**—**
Current liabilities				
Corporate income tax	—	6,666,412	—	5,047,516
	—	**6,666,412**	**—**	**5,047,516**

The **Company**'s current assets and current liabilities relative to corporate income tax were calculated as follows:

Company	31.12.2022	31.12.2023
Estimated income tax	(5,183,499)	(2,454,481)
Estimated Group companies' income tax	(1,579,986)	(8,669,087)
Payments on account	8,872,607	5,405,194
Withholding taxes	363,481	899,894
Others	(228,480)	(229,036)
	2,244,123	**(5,047,516)**

39. Financial assets and liabilities

As at 31 December 2022 and 31 December 2023, the categories of financial assets and liabilities regarding the **Group** were broken down as follows:

	31.12.2022					
Group	**Amortised cost**	**Fair value through Other comprehensive income**	**Fair value through Profit and Loss**	**Other financial liabilities**	**Non-financial assets/ liabilities**	**Total**
Assets						
Other investments (Note 13)	—	—	—	—	961,394	961,394
Non-current financial assets at fair value through profit or loss (Note 15)	—	—	26,219,905	—	—	26,219,905
Non-current debt securities at amortised cost (Note 14)	409,388,745	—	—	—	—	409,388,745
Other non-current assets (Note 24)	1,177,648	—	—	—	—	1,177,648
Non-current credit to bank clients (Note 20)	1,287,676,223	—	—	—	—	1,287,676,223
Other non-current banking financial assets (Note 16)	961,446	—	—	—	—	961,446
Current accounts receivable (Note 19)	147,130,876	—	—	—	—	147,130,876
Current credit to bank clients (Note 20)	489,888,789	—	—	—	—	489,888,789
Current financial assets at fair value through profit or loss (Note 15)	—	—	26,478,525	—	—	26,478,525
Current debt securities at amortised cost (Note 14)	128,391,899	—	—	—	—	128,391,899
Other current assets (Note 24)	10,202,255	—	—	—	66,280,168	76,482,423
Other current banking financial assets (Note 16)	459,242,817	—	—	—	1,983,265	461,226,081
Cash and cash equivalents (Note 23)	456,469,298	—	—	—	—	456,469,298
Total Financial assets	**3,390,529,996**	**—**	**52,698,430**	**—**	**69,224,827**	**3,512,453,253**
Liabilities						
Non-current debt (Note 31)	—	—	—	136,197,923	—	136,197,923
Non- current debt Securities issued at amortised cost (Note 35)	445,226,206	—	—	—	—	445,226,206
Current accounts payable (Note 34)	—	—	—	491,966,724	33,245,026	525,211,751
Banking client deposits and other loans (Note 36)	2,245,329,918	—	—	—	—	2,245,329,918
Current debt (Note 31)	—	—	—	59,756,744	—	59,756,744
Financial liabilities at fair value through profit and losses (Note 15)	—	—	26,344,517	—	—	26,344,517
Current debt securities issued at amortised cost (Note 35)	351,654	—	—	—	—	351,654
Other current liabilities (Note 37)	—	—	—	50,938,850	63,222,427	114,161,276
Other current banking financial liabilities (Note 16)	—	—	—	—	46,210,667	46,210,667
Total Financial liabilities	**2,690,907,778**	**—**	**26,344,517**	**738,860,241**	**142,678,120**	**3,598,790,657**

Group	31.12.2023 Amortised cost	Fair value through Profit and Loss	Other financial liabilities	Non-financial assets/ liabilities	Total
Assets					
Other investments (Note 13)	—	—	—	3,200,797	3,200,797
Non-current financial assets at fair value through profit or loss (Note 15)	—	13,532,000	—	—	13,532,000
Non-current debt securities at amortised cost (Note 14)	364,706,177	—	—	—	364,706,177
Other non-current assets (Note 24)	3,533,009	—	—	—	3,533,009
Non-current credit to bank clients (Note 20)	1,444,412,021	—	—	—	1,444,412,021
Current accounts receivable (Note 19)	153,061,555	—	—	—	153,061,555
Current credit to bank clients (Note 20)	148,801,874	—	—	—	148,801,874
Current debt securities at amortised cost (Note 14)	364,759,821	—	—	—	364,759,821
Other current assets (Note 24)	12,435,400	—	—	80,110,137	92,545,537
Other current banking financial assets (Note 16)	1,272,087,916	—	—	2,487,205	1,274,575,121
Cash and cash equivalents (Note 23)	351,609,634	—	—	—	351,609,634
Total Financial assets	**4,115,407,406**	**13,532,000**	**—**	**85,798,139**	**4,214,737,545**
Liabilities					
Non-current debt (Note 31)	—	—	161,080,105	—	161,080,105
Non- current debt Securities issued at amortised cost (Note 35)	347,131,609	—	—	—	347,131,609
Current accounts payable (Note 34)	—	—	344,342,348	29,618,755	373,961,102
Banking client deposits and other loans (Note 36)	3,090,962,551	—	—	—	3,090,962,551
Current debt (Note 31)	—	—	107,934,852	—	107,934,852
Financial liabilities at fair value through profit and losses (Note 15)	—	13,744,154	—	—	13,744,154
Current debt securities issued at amortised cost (Note 35)	243,468	—	—	—	243,468
Other current liabilities (Note 37)	—	—	74,502,660	70,821,610	145,324,271
Other current banking financial liabilities (Note 16)	—	—	—	47,759,822	47,759,822
Total Financial liabilities	**3,438,337,628**	**13,744,154**	**687,859,965**	**148,200,187**	**4,288,141,934**

The assets and liabilities fair value, for the captions that differ from the book value, as at 31 December 2022 and 31 December 2023, is analysed as follows:

	31.12.2022		31.12.2023	
	Book value	Fair Value	Book value	Fair Value
Financial assets				
Credit to bank clients	1,777,565,012	1,775,576,151	1,593,213,895	1,599,416,283
Debt securities - Financial assets at amortised cost	537,780,644	498,547,340	729,465,998	700,064,668
Financial liabilities				
Banking client deposits and other loans	2,245,329,918	2,280,391,994	3,090,962,551	3,106,178,673
Debt Securities issued at amortised cost	445,577,860	438,818,502	347,375,077	346,971,442

The amounts booked as “Debt securities – Financial assets at amortised cost” are fully classified as stage 1.

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 **Group** 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 **Group** 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 (over-the-counter) 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 fair value of the financial assets and liabilities, as at 31 December 2022, is analysed as follows:

	31.12.2022			
	Valuation Method			Total
Caption	Level 1	Level 2	Level 3	
Other Investments	—	—	961,394	961,394
Financial Assets at fair value through profit or losses	—	—	52,698,430	52,698,430
Debt securities at amortised cost	498,547,340	—	—	498,547,340
Other non-current assets	—	—	1,177,648	1,177,648
Credit to bank clients	—	—	1,775,576,151	1,775,576,151
Other banking financial assets	—	—	462,187,527	462,187,527
Accounts receivables	—	—	147,130,876	147,130,876
Other current assets	—	—	76,482,423	76,482,423
Cash and cash equivalents	456,469,298	—	—	456,469,298
Total Financial Assets Fair Value	**955,016,638**	**—**	**2,516,214,449**	**3,471,231,086**
Debt	—	—	195,954,667	195,954,667
Debt Securities issued at amortised cost	—	438,818,502	—	438,818,502
Other banking financial liabilities	—	46,210,667	—	46,210,667
Accounts payable	—	—	525,211,751	525,211,751
Banking clients' deposits and other loans	—	—	2,280,391,994	2,280,391,994
Financial liabilities at fair value through profit or losses	26,344,517	—	—	26,344,517
Other current liabilities	—	—	114,161,277	114,161,277
Total Financial Liabilities Fair Value	**26,344,517**	**485,029,169**	**3,115,719,689**	**3,627,093,375**

The fair value of the financial assets and liabilities, as at 31 December 2023, is analysed as follows:

	31.12.2023			
	Valuation Method			Total
Caption	Level 1	Level 2	Level 3	
Other Investments	—	—	3,200,797	3,200,797
Financial Assets at fair value through profit or losses	—	—	13,532,000	13,532,000
Debt securities at amortised cost	700,064,668	—	—	700,064,668
Other non-current assets	—	—	3,533,009	3,533,009
Credit to bank clients	—	—	1,599,416,283	1,599,416,283
Other banking financial assets	—	—	1,274,575,121	1,274,575,121
Accounts receivables	—	—	153,061,555	153,061,555
Other current assets	—	—	92,545,537	92,545,537
Cash and cash equivalents	351,609,634	—	—	351,609,634
Total Financial Assets Fair Value	**1,051,674,302**	**—**	**3,139,864,302**	**4,191,538,604**
Debt	—	—	269,014,957	269,014,957
Debt Securities issued at amortised cost	—	346,971,442	—	346,971,442
Other banking financial liabilities	—	—	47,759,822	47,759,822
Accounts payable	—	—	373,961,102	373,961,102
Banking clients' deposits and other loans	—	—	3,090,962,551	3,090,962,551
Financial liabilities at fair value through profit or losses	—	—	13,744,154	13,744,154
Other current liabilities	—	—	145,324,270	145,324,270
Total Financial Liabilities Fair Value	**—**	**346,971,442**	**3,940,766,857**	**4,287,738,299**

Sensitivity analysis

The caption “Credit to bank clients” which, as at 31 December 2023, has a fair value of 1,599,416 thousand Euros has a sensitivity of +14,433 thousand Euros and -14,211 thousand Euros for an interest rate change of - 10% and +10%, respectively.

The 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 Cash Equivalents
These financial instruments are very short-term, so, their book value is a reasonable estimate of the fair value.

Financial Assets at Amortised Cost
The fair value is estimated based on the expected future principal and interest cash flows for these instruments.

Credit to banking clients
The fair value determination, by credit type, is detailed as follows:

Credits to clients with defined maturity

Fair value is calculated by discounting, at the average rates of December production, the expected cash flows over the life of the contracts, considering historical prepayment rates.

Credits to clients at defined maturity

Given the short term of this type of instrument, the conditions of this portfolio are similar to those practiced on the reporting date, so its balance sheet 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 at fair value. Fair value is based on market quotations, when available. If they do not exist, the fair value calculation is based on i) the use of numerical models, namely based on the update of the expected future cash flows of capital and interest for these instruments or ii) on the NAV (Net Asset Value) provided by companies fund managers.

Financial assets at fair value through profit or loss (Derivatives)

All derivatives are accounted for at fair value. In the case of those listed on organised markets, the respective market price is used. In the case of OTC (over-the-counter) derivatives, numerical models based on cash flow discounting techniques and option valuation models considering market and other variables are applied.

Other banking financial liabilities

These financial instruments are very short-term; hence, their book value is a reasonable estimate of their fair value.

Banking clients' deposits and other loans

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 quotations, when available. If they do not exist, the fair value is estimated based on the update of the expected future cash flows of principal and interest for these instruments.

Regarding the **Company,** as at 31 December 2022 and 31 December 2023, the categories of financial assets and liabilities were broken down as follows:

	31.12.2022					
Company	**Amortised cost**	**Fair value through Other comprehensive income**	**Fair value through Profit and Loss**	**Other financial liabilities**	**Non-financial assets/ liabilities**	**Total**
Assets						
Other investments (Note 13)	—	—	—	—	6,394	6,394
Non-current Group Companies (Note 53)	50,430,000	—	—	—	—	50,430,000
Non-current accounts receivable (Note 19)	617,421	—	—	—	—	617,421
Other non-current assets (Note 24)	463,657	—	—	—	—	463,657
Current accounts receivable (Note 19)	98,063,438	—	—	—	—	98,063,438
Current Group Companies (Note 53)	305,671	—	—	—	—	305,671
Other current assets (Note 24)	7,142,008	—	—	—	25,958,518	33,100,526
Cash and cash equivalents (Note 23)	330,100,458	—	—	—	—	330,100,458
Total Financial assets	**487,122,653**	**—**	**—**		**25,964,912**	**513,087,565**
Liabilities						
Non-current accounts payable (Note 34)	—	—	—	309,007	—	309,007
Non-current debt (Note 31)	—	—	—	85,259,168	—	85,259,168
Current accounts payable (Note 34)	—	—	—	458,593,234	25,178,307	483,771,541
Group Companies (Note 53)	—	—	—	12,412,010	832,396	13,244,406
Current debt (Note 31)	—	—	—	42,948,290	—	42,948,290
Other current liabilities (Note 37)	—	—	—	20,586,137	48,280,854	68,866,991
Total Financial liabilities	**—**	**—**	**—**	**620,107,846**	**74,291,557**	**694,399,403**

Company	31.12.2023					
	Amortised cost	Fair value through Other comprehensive income	Fair value through Profit and Loss	Other financial liabilities	Non-financial assets/ liabilities	Total
Assets						
Other investments (Note 13)	—	—	—	—	6,394	6,394
Non-current Group Companies (Note 53)	11,980,000	—	—	—	—	11,980,000
Non-current accounts receivable (Note 19)	596,036	—	—	—	—	596,036
Other non-current assets (Note 24)	2,764,552	—	—	—	—	2,764,552
Current accounts receivable (Note 19)	77,599,554	—	—	—	—	77,599,554
Current Group Companies (Note 53)	4,207,339	—	—	—	—	4,207,339
Other current assets (Note 24)	13,518,535	—	—	—	32,589,547	46,108,082
Cash and cash equivalents (Note 23)	221,989,472	—	—	—	—	221,989,472
Total Financial assets	**332,655,488**	**—**	**—**		**32,595,941**	**365,251,429**
Liabilities						
Non-current accounts payable (Note 34)	—	—	—	309,007	—	309,007
Non-current debt (Note 31)	—	—	—	195,121,779	—	195,121,779
Current accounts payable (Note 34)	—	—	—	283,442,438	23,906,294	307,348,732
Group Companies (Note 53)	—	—	—	3,663,372	3,975,984	7,639,356
Current debt (Note 31)	—	—	—	92,554,629	—	92,554,629
Other current liabilities (Note 37)	—	—	—	35,057,618	53,831,271	88,888,890
Total Financial liabilities	**—**	**—**	**—**	**610,148,843**	**81,713,549**	**691,862,393**

The **Company** believes that, due to the nature of its financial assets and liabilities, the fair value of financial assets and liabilities is similar to its book value.

40. Subsidies obtained

As at 31 December 2022 and 31 December 2023, the information regarding subsidies or grants obtained (Note 2.24) to the **Group** and the **Company** was as follows:

	2022									
	Group					Company				
	Attributed value	Value received	Value to be received	Accumulated income	Value to be used	Attributed value	Value received	Value not received	Accumulated revenues	Value to be used
Investment subsidy	9,886,315	9,732,999	153,316	9,614,227	272,088	9,868,022	9,714,706	153,316	9,595,935	272,088
Operating subsidy	1,141,824	965,151	176,673	977,468	164,357	177,045	177,045	—	177,045	—
	11,028,139	**10,698,150**	**329,989**	**10,591,695**	**436,445**	**10,045,067**	**9,891,751**	**153,316**	**9,772,980**	**272,088**

	2023									
	Group					Company				
	Attributed value	Value received	Value to be received	Accumulated income	Value to be used	Attributed value	Value received	Value not received	Accumulated revenues	Value to be used
Investment subsidy	10,308,318	9,732,999	575,319	9,625,428	682,890	10,274,552	9,714,706	559,846	9,607,136	667,417
Operating subsidy	1,156,772	984,450	172,322	991,432	165,340	177,045	177,045	—	177,045	—
	11,465,090	**10,717,449**	**747,641**	**10,616,861**	**848,230**	**10,451,597**	**9,891,751**	**559,846**	**9,784,181**	**667,417**

The amounts received as investment subsidy – FEDER - are recognised in the income statement, under the heading Other operating income, as the corresponding assets are amortised.

The financial contribution of the Instituto do Emprego e da Formação Profissional, I.P. ("Institute of Employment and Professional Training") ("IEFP"), received under the Employment Internships Programme configures the typology of Grants related to income or operational expenses and is recognised as revenue in the same period of the related expense.

41. Sales and services rendered

For the years ended 31 December 2022 and 31 December 2023, the significant categories of the **Company** revenue were as follows:

Company	2022	2023
Sales	20,782,410	13,240,182
Mail services rendered	374,492,093	371,514,907
Postal financial services	48,393,416	57,507,150
Electronic vehicle identification devices	5,209,273	5,437,410
Other services	17,152,435	18,970,296
	466,029,627	**466,669,945**

The main changes in the caption "Sales and services rendered" compared to the previous year, are explained in note 4 – Segment Reporting. The details of the **Group**'s sales and services rendered are presented in note 4.

Other services fundamentally concern:

	2022	2023
Photocopies Certification	223,978	206,238
Reg. Aut. Madeira and Azores transport allowance	1,045,847	1,271,260
Others Philately	147,158	54,942
Costums presentation tax	982,912	1,574,104
Corfax	9,155	5,661
Non-adressed mail	161,373	131,384
Digital mailRoom	761,341	881,184
Printing & Finishing	7,411,834	6,928,183
BPO Services and other business solutions	4,008,658	5,396,096
Via CTT	1,119,218	1,342,605
Other miscellaneous services	1,280,961	1,178,639
	17,152,435	**18,970,296**

In the periods ended 31 December 2022 and 31 December 2023, there are no variable components associated with contracts with customers with associated uncertainty.

42. Financial margin

As at 31 December 2022 and 31 December 2023, the composition of the **Group** heading Financial margin was as follows:

Group	2022	2023
Interest and similar income calculated using the effective interest method	**80,959,814**	**132,653,133**
Interest on loans and advances to credit institutions repayable on demand	168,799	971,744
Interest on financial assets at amortised cost	—	—
Loans and advances to credit institutions	1,982,621	24,341,917
Loans and advances to customers	72,710,873	98,350,285
Debt securities	6,002,276	7,924,558
Interest on financial assets at fair value through other comprehensive income		
Debt securities	34,194	—
Other interest	61,051	1,064,629
Interest expense and similar charges	**6,602,423**	**33,861,673**
Interest on financial liabilities at amortised cost		
Resources from credit institutions	477	729
Resources from customers	492,703	15,891,945
Debt securities issued	4,877,342	17,546,308
Interest on deposits at the Bank of Portugal (assets)	1,202,125	—
Other interest	29,776	422,691
Financial Margin	**74,357,391**	**98,791,460**

The caption Interest and similar income for the year ended 31 December 2023 includes the amount of 2,887 thousand Euros related to impaired financial assets - Stage 3 (2022: 2,034 thousand Euros).

The caption Interest on loans and advances to customers includes the amount of (15,784) thousand Euros (31 December 2022: (11,943) thousand Euros) related to commissions and other costs and income recorded in accordance with the effective interest rate method, as referred to in the accounting policy described in note 2.22.

The item Interest on deposits at Banco de Portugal (assets) presented an amount of 1,202 thousand euros on 31 December 2022, which represents interest expenses on amounts deposited at the Central Bank that exceed the minimum mandatory reserves. From the reserve counting period starting 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 a rate that is the minimum between the deposit facility rate and 0%. This tiering regime ceased to apply on 27 July 2022, following the Governing Council's decision to increase the deposit facility rate to a non-negative value. Until October 2022, the interest rate paid was linked to the interest rate on main refinancing operations. It was then reduced to reflect the deposit facility rate, and in July 2023 it was set at 0%.

43. Other operating income

For the years ended 31 December 2022 and 31 December 2023, the composition of the **Group** and the **Company** heading Other operating income was as follows:

	Group		Company	
	2022	2023	2022	2023
Supplementary revenues	2,671,531	3,004,687	45,603,519	51,921,611
Early settlement discounts received	39,221	61,156	4,068	3,745
Gains inventories	30,754	113,213	30,635	112,584
Favourable exchange rate differences of assets and liabilities other than financing	720,403	627,677	685,912	597,240
Income from financial investments	1,907,268	2,199,822	1,973,894	2,183,600
Income from non-financial investments	81	5,392	—	—
Income from fees and commissions	26,929,487	27,220,700	—	—
Interest income and expenses - financial services	51,832	1,099,280	51,832	1,099,280
VAT adjustments	2,377,721	1,847,047	2,377,721	1,847,047
Other	8,957,572	5,642,485	2,252,524	2,260,398
	43,685,870	**41,821,459**	**52,980,104**	**60,025,506**

In the **Group** the caption “Income from fees and commissions” is detailed as follows:

Group	2022	2023
Income from fees and commissions		
From banking services	16,514,705	16,655,202
From credit intermediation services	2,741,298	2,437,072
From insurance mediation services	7,673,484	8,124,242
From other commissions	—	4,184
	26,929,487	**27,220,700**

Regarding the **Company,** the caption Supplementary revenues fundamentally relates to:

Company	2022	2023
Royalties	500,000	—
Services rendered to Group companies (1)	42,001,151	49,232,632
Rental of spaces in urban buildings	1,852,655	1,488,791
Other	1,249,712	1,200,188
	45,603,519	**51,921,611**

(1) Includes subsidiary, associated and joint-ventures companies.

44. External supplies and services

For the years ended 31 December 2022 and 31 December 2023, the composition of the **Group** and the **Company** heading External supplies and services was as follows:

	Group		Company	
	2022	2023	2022	2023
Subcontracts	16,280,467	16,658,189	2,369,322	3,860,858
Specialised services	82,679,608	97,381,182	32,069,759	32,021,770
Specialised services rendered by Group companies (1)	—	—	2,943,460	3,266,284
Materials	3,058,618	3,187,208	2,003,916	1,832,607
Energy and fuel	16,007,660	15,414,520	13,422,286	12,118,860
Staff transportation	87,509	102,607	86,463	100,216
Transportation of goods	142,545,571	178,815,203	15,412,648	14,483,364
Rents				
Vehicle operational lease	2,099,923	1,872,866	1,644,582	1,463,497
Other rental charge	9,332,365	11,417,991	7,509,041	8,697,557
Communication	1,457,383	1,558,371	230,069	241,421
Insurance	2,838,243	2,056,209	847,444	832,922
Litigation and notary	369,911	403,399	187,472	161,325
Cleaning, hygiene and confort	5,712,543	5,840,201	4,185,678	3,875,639
Postal Agencies	9,726,653	9,650,492	9,736,384	9,660,837
Postal operators	26,157,712	24,088,329	24,712,238	22,035,134
Delivery subcontracting	4,573,504	4,426,769	4,573,504	4,426,769
Other services	20,288,363	21,030,162	8,951,021	8,759,848
Other services rendered by Group companies (1)	—	117,324	6,065,516	4,695,085
	343,216,032	**394,021,022**	**136,950,803**	**132,533,993**

(1) Includes subsidiary, associated and joint-ventures companies.

(i) "Specialised services" refer to outsourcing contracts for the provision of IT services, maintenance of IT equipment, use of temporary work and external consultants. The change in this caption is, above all, explained by the increase in expenses at CTT Express Spain using temporary work, due to the increase in activity;

(ii) Energy and fuel refer mainly to diesel for vehicles used in the operating process;

(iii) Transportation of goods refers to costs with the transportation of mail and express in several ways (sea, air, surface). The increase in this item is mainly due to the notable growth of the “Express and Parcels” segment;

(iv) “Other Rental changes” essentially refer to the rental of software and other equipment whose contracts did not comply with the requirements of IFRS 16.; and

(v) Postal operators refer to costs with peer postal operators.

45. Staff costs

During the years ended 31 December 2022 and 31 December 2023, the composition of the **Group** and the **Company** caption Staff Costs was as follows:

	Group		Company	
	2022	2023	2022	2023
Remuneration	277,913,231	303,000,227	220,308,356	231,429,688
Employee benefits	8,441,277	(29,680,916)	8,406,152	(29,759,229)
Indemnities	1,506,216	14,858,810	589,718	14,638,352
Social Security charges	58,635,785	64,743,406	46,759,438	49,504,661
Occupational accident and health insurance	3,813,537	3,819,193	3,399,941	3,340,395
Social welfare costs	7,614,223	8,110,313	6,871,878	7,144,032
Other staff costs	312,825	169,005	306	—
	358,237,092	**365,020,038**	**286,335,789**	**276,297,899**

The global increase in staff costs is essentially due to wage increases and the increase in the national minimum wage, in response to the current economic situation. Additionally, the growth in the average number of employees also contributed to this evolution, due to the growth in *contact centre* activity and document management, as well as the increase in activity in Express and Parcels.

Employee benefits

The amount recorded under the caption "Employee Benefits" essentially refers to the impacts of changes to the benefits provided for in the Health Care Plan (currently known as the Plan of Social Action - PAS), detailed in point 2.20 and note 32.

Indemnities

In the period ended 31 December 2023, the caption "Indemnities" includes the amount of 13,441,229 Euros in the **Group** and the **Company** within the scope of the Human Resources optimisation programme explained in greater detail in note 33 – Provisions, Guarantees provided, Contingent liabilities.

Remuneration of the statutory bodies of CTT, S.A.

As at 31 December 2022 and 31 December 2023, the fixed and variable remunerations attributed to the members of the statutory bodies of CTT, SA, were as follows:

	2022				
Company	Board of Directors	Audit Committee	Remuneration Board	General Meeting of Shareholders	Total
Short-term remuneration					
Fixed remuneration	2,598,642	153,214	19,800	14,000	2,785,656
Annual variable remuneration	1,492,467	—	—	—	1,492,467
	4,091,109	**153,214**	**19,800**	**14,000**	**4,278,123**
Long-term remuneration					
Defined contribution plan RSP	197,700	—	—	—	197,700
Long-term variable remuneration	668,153	—	—	—	668,153
	865,853	**—**	**—**	**—**	**865,853**
	4,956,962	**153,214**	**19,800**	**14,000**	**5,143,976**

Company	2023				
	Board of Directors	Audit Committee	Remuneration Board	General Meeting of Shareholders	Total
Short-term remuneration					
Fixed remuneration	2,270,217	159,692	44,800	14,000	2,488,709
Annual variable remuneration	980,387	—	—	—	980,387
	3,250,604	**159,692**	**44,800**	**14,000**	**3,469,096**
Long-term remuneration					
plan RSP	181,567	—	—	—	181,567
Long-term variable remuneration	—	—	—	—	—
	181,567	**—**	**—**	**—**	**181,567**
	3,432,171	**159,692**	**44,800**	**14,000**	**3,650,663**

Long-term variable remuneration (“LTVR”)

The Long-term variable remuneration model for the 2020/2022 term of office is based on the participation of the executive Directors in the Options Plan, which is set out in the remuneration policy proposal approved by the Annual General Meeting of 21 April 2021 and based on the proposal of the Remuneration Committee.

Similarly, the Board of Directors put in place a Options Plan programme addressed to CTT’s top management, using the same terms of the programme approved for the governing bodies members.

The Options Plan mentioned provides for the following main rules applicable to the allocation and exercise of the options and the net cash settlement, and delivery and retention of the shares within the LTVR:

a. The Options Plan regulates the allocation to its participants of options which confer the right to allocate shares representing CTT's share capital, subject to certain conditions applicable to the exercise and settlement of the options;

b. The Options Plan setted out the number of options allocated that may be exercised by the Plan’s participants (the CEO, the CFO, the remaining executive Directors and the Top Manager), according to the table forward, the date of attribution corresponding to the date of the referred plan’s approval at the General Meeting;

c. The Options Plan setted five tranches of options that differed only by their different exercise price or strike price, as shown in the table below:

Tranche	Number of options - per participant			Exercise Price or Strike Price
	CEO	CFO	Other executive administrators	
1	700,000	400,000	300,000	€ 3.00
2	700,000	400,000	300,000	€ 5.00
3	700,000	400,000	300,000	€ 7.50
4	700,000	400,000	300,000	€ 10.00
5	700,000	400,000	300,000	€ 12.50

In the case of the Top Management, the Board of Directors approved the attribution of a global number of 1,200,000 options, subject to the conditions defined for the governing bodies.

d. The exercise date of all the options was 1 January 2023, given the end of the 3-year term of office 2020/2022;

e. The number of CTT shares awarded to the participants (via physical or net cash settlement pursuant to the terms of the Options Plan), following the automatic exercise of the options on the exercise date as foreseen on the Options Plan, was depended on the difference between the exercise price (strike price) and the Share Price (i.e., the average price, weighted by the trading volume, of the Company's shares traded on the Euronext Lisbon regulated market in the sessions carried out in the 45 days prior to the exercise date, i.e., on 1 January 2023) and resulted from the application of the following formula:

   No. of Shares = No. of Options Exercised x [(Share Price - Exercise Price (Strike Price)) / Share Price)]

   Thus, subject to the eligibility conditions and the retention mechanism referred below, each participant is entitled to receive the total number of CTT shares resulting from the sum of the number of shares due for each tranche, calculated according to the referred formula.

f. The Executive Committee Options Plan provides for the net cash settlement of 25% of the options (cash settlement) and the net share settlement of 75% of the options (equity settlement). The plan for CTT's Top Management provides for the net share settlement of 100% of the options;

g. In the event that shares are granted depending on stock market performance and the Company's positive performance as defined in the plan, the options will be subject to settlement over the deferral/retention period;

h. 50% of RVLP was settled on the fifth trading day immediately after the date of annual general meeting of the Company that approved the accounts for the 2022 financial year which occurred on 20 April 2023, half through net cash settlement in cash, in the case of the Executive Committee and the other half (i.e. 25% of the options) by way of net share settlement through the delivery of CTT shares. In the case of management staff, 50% of RVLP settled on this date were made through physical delivery of CTT shares;

i. The remaining 50% of the LTVR (i.e. 50% of the options equally on a pro rata basis with respect to each of its 5 tranches) are settled through the delivery of CTT shares (net share settlement), in 2 tranches of 1/2 of the shares retained, respectively: (i) on the fifth trading day immediately following the end of the month after the date of approval of the accounts relating to financial year 2023 at an annual general meeting of the Company to be held in 2024, or on 31 May 2024 and subject to the positive performance of the Company in each of the financial years 2021 to 2023; and (ii) on the fifth trading day immediately following the end of the month after the date of approval of the accounts for the financial year 2024 at an annual general meeting of the Company to be held in 2025, or on 31 May 2025 and subject to the positive performance of the Company in each of the financial years 2021 to 2024, respectively for each tranche.

j. The exercise of the options and their settlement are also subject to the eligibility conditions, namely, remaining in office during the term of office by rule, absence of situations of material non-compliance with the Options Plan, and no situations giving rise to the application of the adjustment mechanisms);

On the grant date, the fair value of the options granted was determined through a study carried out by an independent entity on the grant date. The model used for the valuation of the stock plan was the Monte Carlo simulation model.

As mentioned in note 2.15, for the net cash settlement component, the liability amount was updated at the end of each reporting period, depending on the number of shares or share options awarded and their fair value at the reporting date, based on in a study carried out by an independent entity. The liability amount determined in the study on 31 December 2022 amounted to 179,583 Euros (Note 32), which resulted in the reversal of an amount of 231,847 Euros in the Staff Costs caption for the year 2022.

In the period ended 31 December 2022, the amount recognised in staff costs amounted to 1,388,153 Euros, of which (231,847) Euros corresponds to the cash settlement component (Note 32) and 1,620,000 Euros corresponds to the equity instrument settlement component (Note 27).

Taking into account the end of the three-year term of office 2020/2022, the Remuneration Committee, in accordance with the Options Plan, has determined, on 1 January 2023, the number of shares to be attributed to each participant as LTVR (which attribution and settlement being subject to the rules set out in the Options Plan, described above). This determination was made through a study carried out by an independent entity.

For this purpose, the Share Price was calculated, based on the criteria described above, with the value of 3.168647 Euros was set as the value of the share for the purposes of the final calculation of the shares to be attributed.

In accordance with the Options Plan, the Remuneration Committee determined that the Strike Prices shown in the table above should be adjusted to the distribution of dividends during 2021 and 2022, in accordance with the following formula:

Adjusted Strike Price = Previous Strike Price - shareholder remuneration per Company share x (1 - % of treasury shares of the Company)

According to the formula above, the adjusted Strike Prices corresponding to each tranche were updated in accordance with the table below:

Tranche	Number of options - per participant			Exercise Price or Strike Price
	CEO	CFO	Other executive administrators	
1	700,000	400,000	300,000	€ 2.799139
2	700,000	400,000	300,000	€ 4.799139
3	700,000	400,000	300,000	€ 7.799139
4	700,000	400,000	300,000	€ 9.799139
5	700,000	400,000	300,000	€ 12.299139

In accordance with the conditions of the Options Plan, and taking the Share Price of 3,168647 Euros mentioned above as a reference, only the Exercise Price (Strike Price) of the first tranche was taken into account, since the Share Price did not reach the Exercise Price (Strike Price) of the second tranche. Thus, the following formula was applied to determine the number of shares:

(Share Price – Strike Price) / Share Price = (3,168647 - 2,799139) / 3,168647 = 0.116614

Considering the above, each option was entitled to the attribution of 0.116614 shares which, multiplied by the number of options attributed to each participant, gave rise to the attribution of the following number of shares to each participant by way of LTVR:

Participant	CEO	CFO	Other executive directors (three members)	Total
Shares	81,629	46,645	104,952	233,226

In the case of Top Management, a total of 139,937 shares to be awarded were calculated.

The Option Plan provides, in the case of corporate bodies, the net cash settlement of 25% of the shares awarded (net cash settlement) and the net share settlement of 75% of these shares (net share settlement), 50% of the shares awarded as LTVR was settled in the fifth trading day immediately following the date of the Company's Annual General Meeting that approves the accounts for the 2022 financial year, held on 20 April 2023, half by way of net cash settlement in cash and the other half way through net share settlement through the delivery of CTT shares to participants. The remaining 50% of the allocated shares are subject to the deferral and retention mechanisms explained above.

As of 31 December 2023, and considering that the plan options were exercised on 1 January 2023, there was no change in the fair value of the cash settlement component, proceeding to the payment of the amount and consequent settlement of liabilities on 20 April 2023. In the case of the net share settlement component, considering that this was fully recognised in 2021 and 2022, with reference to 31 December 2023, an amount of 1,155,000 Euros was derecognised in the caption "Reserves" in equity, corresponding to the proportional amount of the physical liquidation that occurred (note 15). This amount was derecognised against to the amount of the own shares delivered within the scope of this operation. The difference in the amount of 705,463 Euros, was recognised under the caption “Other changes in equity” (Note 27), pursuant to the provisions of the IFRS.

<u>Annual variable remuneration ("AVR"):</u>

In the period ended 31 December 2022, the amount of 1,492,467 Euros was recognised as an estimated annual variable remuneration for members of the Governing Bodies. In 2023, the determination of the final amount to be settled was carried out, with 50% of the amount having already been settled, as stipulated in the Remuneration Regulation.

In the period ended 31 December 2023, the amount of 980,387 Euros was recognised as an estimated annual variable remuneration for members of the Governing Bodies.

As at 31 December 2022 and 31 December 2023, the **Group** and the **Company** caption Staff costs includes the amounts of 605,946 Euros and 936,096 Euros, respectively, related to expenses with workers' representative bodies.

For the year ended 31 December 2023, the average number of staff of the **Group** and the **Company** was 13,224 and 10,037 employees, respectively, (12,665 and 10,051 employees e in the year ended 31 December 2022).

As at 31 December 2022 and 31 December 2023, the **Company** incurred in staff costs in a global amount of 185,103 Euros and 187,488 Euros, respectively, related to employees assigned to Fundação Portuguesa de Comunicações (Portuguese Communications Foundation).

46. Impairment of accounts receivable and Impairment of other financial banking assets

For the years ended 31 December 2022 and 31 December 2023, the detail of Impairment of accounts receivable, net and Impairment of other financial banking assets, net of the **Group** and the **Company** was as follows:

	Group		Company	
	2022	2023	2022	2023
Impairment of accounts receivable				
Impairment losses				
Accounts receivable	3,835,005	6,063,033	984,939	1,442,846
Other current and non-current assets	1,796,674	344,272	1,686,929	182,704
Slight and term deposits	1,715	38	1,696	—
	5,633,395	**6,407,342**	**2,673,565**	**1,625,550**
Reversals of impairment losses				
Accounts receivable	1,641,407	1,580,637	1,267,331	1,048,000
Other current and non-current assets	303,789	2,650,885	299,880	2,602,213
Slight and term deposits	18,711	3,967	18,499	3,930
	1,963,907	**4,235,489**	**1,585,709**	**3,654,143**
Bad debts	222,634	1,454,582	149,590	1,183,586
Net movement of the period	**(3,892,122)**	**(3,626,435)**	**(1,237,446)**	**845,007**
Impairment of other financial banking assets				
Impairment losses				
Debt securities at amortised cost	42,165	28,997	—	—
Other banking financial assets	53,135	39,061	—	—
Credit to banking clients	42,592,906	52,462,104	—	—
	42,688,205	**52,530,162**	**—**	**—**
Reversals of impairment losses				
Debt securities at fair value through other comprehensive income	3,194	—	—	—
Debt securities at amortised cost	31,068	63,215		
Other banking financial assets	7,637	10,607	—	—
Credit to banking clients	17,874,204	27,469,743	—	—
	17,916,103	**27,543,565**	**—**	**—**
Net movement of the period	**(24,772,102)**	**(24,986,597)**	**—**	**—**
	(28,664,224)	**(28,613,032)**	**(1,237,446)**	**845,007**

47. Depreciation/amortisation (losses/ reversals)

For the years ended 31 December 2022 and 31 December 2023, the detail of Depreciation/ amortisation and impairment losses, net, regarding the **Group** and the **Company** was as follows:

	Group		Company	
	2022	2023	2022	2023
Tangible fixed assets				
Depreciation (Note 5)	48,607,942	52,156,843	34,588,766	34,138,202
Impairment losses (Note 5)	3,632,667	(3,638,321)	3,632,667	(3,638,321)
Intangible assets				
Amortisation (Note 6)	16,265,834	17,033,818	6,141,294	8,277,813
Investment properties				
Depreciation (Note 7)	210,263	183,591	210,263	53,322
Impairment losses (Note 7)	(139,754)	(788)	(139,754)	(788)
Non-current assets held for sale				
Impairment losses (Note 7)	(163,803)	—	—	—
	68,413,148	**65,735,145**	**44,433,236**	**38,830,229**

48. Net gains/ (losses) of financial banking assets and liabilities

In the periods ended 31 December 2022 and 31 December 2023, the detail of “Net gains/ (losses) of financial banking assets and liabilities related to the **Group** is detailed as follows:

	2022	2023
Net gains/(losses) of assets and liabilities at fair value through profit or loss	11,110,025	852,271
Net gains/(losses) of other financial assets at fair value through other comprehensive income	(1,486)	—
Gains / (losses) on derecognition of financial assets and liabilities at amortised cost	—	(44,730)
	11,108,539	**807,541**

As at 31 December 2022, results from assets and liabilities at fair value through profit or loss refer to the change in the fair value of derivatives associated with securitisation operations Ulisses Finance No.1, Ulisses Finance No.2 and Ulisses Finance No.3.

49. Other operating costs

For the years ended 31 December 2022 and 31 December 2023, the breakdown of the **Group** and the **Company** caption “Other operating costs” was as follows:

	Group		Company	
	2022	2023	2022	2023
Taxes and other fees	2,951,755	3,440,016	1,960,964	2,142,609
Losses in inventories	54,817	191,904	54,812	191,590
Costs and losses from non-financial investments	—	659,908	—	659,894
Expenses and losses from financial investments	3,586	—	—	—
Unfavourable exchange rate differences of assets	771,604	252,247	739,186	212,572
Donations	639,368	576,433	626,114	557,364
Banking services	5,271,904	4,748,282	4,907,746	4,182,225
Interest on arrears	34,420	30,707	24,188	27,174
Contractual penalties	—	58,951	—	58,951
Subscriptions	841,926	912,673	756,987	834,633
Expenses of fees and commissions	4,530,171	4,855,590	—	—
Deposits Guarantee Fund/Resolution unified Fund	350,800	369,837	—	—
Indemnities	482,028	644,231	372,023	265,504
Contractual penalty for contract termination	—	8,005,209	—	8,005,209
Transaction costs	—	10,940,513	—	—
Other costs	4,254,913	4,188,403	1,162,263	1,679,083
	20,187,292	**39,874,904**	**10,604,283**	**18,816,808**

The caption “Taxes and other fees” in the **Group** includes the amounts of 1,342,225 Euros and 1,384,183 Euros, for the years ended 31 December 2022 and 31 December 2023, respectively, relating to ANACOM fees.

The caption "Deposits Guarantee Fund/ Resolution unified Fund" essentially includes:

a) The amounts of 269,623 Euros and 284,112 Euros as at 31 December 2022 and 31 December 2023, respectively, related to the Contribution for the single resolution fund under the Unique Resolution Mechanism and in accordance with paragraph 2 of Article 70 of Regulation (EU) no. 806/2014 of the European Parliament and of the Council of 15 July 2014;
b) The amounts of 54,303 Euros and 54,730 Euros as at 31 December 2022 and 31 December 2023, respectively, of periodic contributions that must be paid to the Resolution Fund, as set forth in Decree-Law no. 24/2013.

The periodic contributions for the Resolution Fund 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 "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. For the year ended at 31 December 2022 and 31 December 2023, these amounts were, respectively, 157,910 Euros and 312,546 Euros and are booked under the caption “Taxes and other fees”.

The amount recognised under the caption “Transaction costs” corresponds to the costs of transferring real estate assets from CTT to CTT IMO Yield, namely Municipal Real Estate Transfer Tax (“IMT”) and Stamp Tax, assumed by CTT IMO Yield (note 8).

The caption “Expenses of fees and commissions” is detailed as follows:

Group	2022	2023
Expenses of fees and commissions		
From banking services	4,392,533	4,714,809
From securities operations	107,754	108,080
From other services	29,884	32,700
	4,530,171	**4,855,590**

50. Gains/losses on disposal/ remeasurement of assets

For the years ended 31 December 2022 and 31 December 2023, the heading Gains/losses on disposal/ remeasurement of assets of the **Group** and the **Company** had the following detail:

	Group		Company	
	2022	2023	2022	2023
Losses on disposal of assets	(238,415)	(44,829)	(228)	(41,570)
Gains on disposal of assets	3,806,691	232,035	3,701,218	181,346
	3,568,276	**187,206**	**3,700,990**	**139,776**

As at 31 December 2022, the amounts recorded as gains from the disposal of assets essentially relate to the remeasurement of the right of use associated with the lease agreement of the former CTT Head Office - Edifício Báltico, as explained in detail in note 5.

51. Interest expenses and Interest income

For the years ended 31 December 2022 and 31 December 2023, the caption “Interest Expenses” of the **Group** and the **Company** had the following detail:

	Group		Company	
	2022	2023	2022	2023
Interest expenses				
Bank loans	1,702,759	5,578,745	1,659,763	5,510,530
Lease liabilities	3,167,709	3,549,120	1,468,414	1,939,845
Other interest	183,227	32,934	307,827	139,235
Interest costs from employee benefits	3,895,135	7,209,527	3,867,819	7,161,616
Other interest costs	307,517	499,504	152,281	427,596
	9,256,346	**16,869,829**	**7,456,104**	**15,178,822**

The increase in interest expenses on bank loans is mainly due to the contracting of new loans (note 31) and the increase in interest rates, as a result of the current macroeconomic context. The increase in financial expenses with employee benefits is essentially due to the increase in the discount rate in the 2022 assessment.

During the years ended 31 December 2022 and 31 December 2023, the **Group** and the **Company** heading Interest income was detailed as follows:

	Group		Company	
	2022	2023	2022	2023
Interest income				
Deposits in credit institutions	30,127	630,502	13,316	1,109,380
Loans to Group companies (1)	—	—	1,324,164	2,666,838
Other supplementary income	—	80	—	80
	30,127	**630,582**	**1,337,480**	**3,776,298**

(1) Includes subsidiary, associated and joint-ventures companies.

52. Income tax for the period

GRI 207-1, 207-2, 207-4

Companies with head office in Portugal are subject to tax on their profit through Corporate Income Tax (“IRC”) at the normal tax rate of 21%, whilst the municipal tax is established at a maximum rate of 1.5% of taxable profit, and State surcharge is 3% of taxable profit between 1,500,000 Euros and 7,500,00 Euros, 5% of taxable profit between 7,500,000 and to 35,000,000 Euros and 9% of the taxable profit above 35,000,000 Euros. CTT – Expresso, S.A., Spain Branch is subject to income taxes in Spain, through income tax (Impuesto sobre Sociedades - “IS”) at a rate of 25%, and the subsidiary CORRE is subject to corporate income tax in Mozambique (“IRPC”) at a rate of 32%.

Corporate income tax is levied on CTT and its subsidiaries CTT – Expresso, S.A., Payshop Portugal, S.A, CTT Contacto, S.A. and Banco CTT, S.A., 321 Crédito – Instituição Financeira de Crédito, S.A., CTT Soluções Empresariais, S.A., CTT IMO – Sociedade Imobiliária, S.A., NewSpring Services, S.A., MedSpring, S.A., CTT IMO Yield, S.A. and CTT Services, S.A. as a result of the option for the Special Regime for the Taxation of Groups of Companies (“RETGS”) application. The remaining companies are taxed individually. The entity CTT IMO – Sociedade Imobiliária, S.A. joined the RETGS in the previous year and the entities NewSpring Services, S.A., MedSpring, S.A., CTT IMO Yield, S.A. and CTT Services, S.A. integrated the RETGS in this financial year.

Reconciliation of the income tax rate

For the years ended 31 December 2022 and 31 December 2023, the reconciliation between the nominal rate and the effective income tax rate of the **Group** and the **Company** was as follows:

	Group		Company	
	2022	**2023**	**2022**	**2023**
Earnings before taxes (a)	46,713,834	61,538,139	40,451,600	66,971,844
Nominal tax rate	21.0%	21.0%	21.0%	21.0%
	9,809,905	**12,923,009**	**8,494,836**	**14,064,087**
Tax Benefits	(275,859)	(453,817)	(219,035)	(115,637)
Accounting capital gains/(losses)	(68,426)	420,380	(57,513)	210,190
Tax capital gains/(losses)	33,797	(3,147,260)	28,341	(2,488,758)
Equity method	—	—	(3,911,190)	(6,226,671)
Provisions not considered in the calculation of deferred taxes	590,249	90,690	31,862	20,478
Impairment losses and reversals	314,700	(316,093)	291,280	(507,887)
Compensation for insurable events	101,091	229,538	77,990	55,105
Depreciation and car rental charges	34,234	92,932	26,332	81,759
Credits uncollectible	46,749	282,544	31,414	248,553
Difference between current and deferred tax rates	116,890	597,704	116,890	597,704
Fines, interest, compensatory interest and other charges	188,584	78,831	162,038	54,520
Difference between tax asset amount and contract amount	—	1,393,735	—	1,393,735
Tangible assets sale & leaseback transactions	—	(8,784,280)	—	(8,784,280)
Other situations, net	612,232	765,859	(483,784)	6,963
Adjustments related with - autonomous taxation	586,707	549,932	429,686	446,473
Adjustments related with - undistributed variable remuneration	1,426	—	—	—
SIFIDE tax credit	(2,916,626)	(5,202,784)	(2,290,385)	(1,962,304)
Insufficiency / (Excess) estimated income tax	(774,540)	(1,470,055)	(559,139)	(1,253,285)
Subtotal (b)	8,401,114	(1,949,136)	2,169,623	(4,159,256)
(b)/(a)	17.98%	(3.17%)	5.36%	(6.21%)
Adjustments related with - Municipal Surcharge	636,612	881,146	269,935	120,164
Adjustments related with - State Surcharge	1,333,922	2,163,689	704,784	205,547
Income taxes for the period	**10,371,649**	**1,095,699**	**3,144,342**	**(3,833,545)**
Effective tax rate	22.20%	1.78%	7.77%	(5.72%)
Income taxes for the period				
Current tax	7,475,153	14,897,328	5,183,499	2,454,481
Deferred tax	6,587,663	(7,128,790)	810,367	(3,072,437)
SIFIDE tax credit	(2,916,626)	(5,202,784)	(2,290,385)	(1,962,304)
Insufficiency / (Excess) estimated income tax	(774,540)	(1,470,055)	(559,139)	(1,253,285)
	10,371,649	**1,095,699**	**3,144,342**	**(3,833,545)**

As at 31 December 2023, the caption “Sale and leaseback transactions of tangible fixed assets” refers to the deferred tax assets related to the temporary difference generated in the sale & leaseback operation, described in note 5.

For the period ended 31 December 2022, the caption “SIFIDE Tax Credit” incudes: i) SIFIDE tax credit for 2021 (1,528,260 Euros), ii) SIFIDE tax credit from Banco CTT for 2020 and 2021, in the amounts of 308,012 Euros and 318,229 Euros, respectively, and iii) SIFIDE tax credit for to the year 2022 in the amount of 762,125 Euros, recognised under with IFRIC 23 standards, considering its specificities and estimation of the probability of its effective attribution. The “Insufficiencies / (Excess) estimation income tax” caption essentially books the excess estimate of IRC for the 2020 financial year, related to the reimbursement of CFEI in 2022 in the net amount of (420,944) Euros.

For the period ending on 31 December 2023, the caption “SIFIDE Tax Credit” refers, essentially, to the remaining amount of the SIFIDE tax credit relating to the years 2020 and 2021 (1,618,016 Euros), and to tax credits in the global amount of 2,475,000 Euros related to contributions to the 1520 Innovation Fund (previously designated by Fundo TechTree). These credits were recognised in line with the provisions of IFRIC 23, considering their specificities and estimates of the probability of their effective attribution.

Deferred taxes

As at 31 December 2022 and 31 December 2023, the balance of the **Group** and the **Company** deferred tax assets and liabilities was composed as follows:

	Group		Company	
	31.12.2022	**31.12.2023**	**31.12.2022**	**31.12.2023**
Deferred tax assets				
Employee benefits - healthcare	53,302,302	43,185,623	53,302,302	43,185,623
Employee benefits - pension plan	51,604	66,831	—	—
Employee benefits - other long-term benefits	5,090,460	5,338,079	4,327,641	4,497,554
Impairment losses and provisions	2,400,419	6,417,768	1,272,789	5,359,144
Tax losses carried forward	2,765,595	2,902,461	—	—
Impairment losses in tangible fixed assets	1,594,826	671,318	1,594,826	671,318
Long-term variable remuneration (Board of directors)	1,049,729	816,443	1,049,729	816,443
Land and buildings	332,610	51,529	332,610	51,529
Tangible assets' tax revaluation regime	962,147	527,549	962,147	527,549
Sale & Leaseback Transactions	—	8,784,280	—	8,784,280
Early termination of contracts	—	2,241,459	—	2,241,459
Other	273,917	392,527	2,514	—
	67,823,608	**71,395,868**	**62,844,558**	**66,134,899**
Deferred tax liabilities				
Revaluation of tangible fixed assets before IFRS	1,519,019	484,578	1,519,019	484,578
Suspended capital gains	631,893	284,397	631,893	284,397
PPA Movements - New Spring Services	387,300	286,265	—	—
Fair value adjustments	7,108,430	3,420,343		
Other	200,835	195,125	—	—
	9,847,476	**4,670,707**	**2,150,912**	**768,975**

The deferred tax asset related to Tangible assets tax revaluation regime was recognised following the Companies’ accession to the regime established in Decree-Law no. 66/2016, of 3 November. In the year ended 31 December 2023 the deferred tax asset amounts to 527,549 Euros.

The deferred tax liability relating to “fair value adjustments” essentially refers to the deferred tax associated with the item “Financial assets and liabilities at fair value through profit or loss” (note 15).

As at 31 December 2023, the expected amount of deferred tax assets and liabilities to be settled within 12 months is 6.3 million Euros and 6.2 million Euros, respectively, regarding the **Group** and the **Company**.

During the years ended 31 December 2022 and 31 December 2023, the movements which occurred under the deferred tax headings of the **Group** and the **Company** were as follows:

	Group		Company	
	2022	2023	2022	2023
Deferred tax assets				
Opening balances	87,255,087	67,823,608	83,416,006	62,844,558
Effect on net profit				
Employee benefits - healthcare	(414,767)	(11,716,520)	(369,231)	(11,716,520)
Employee benefits - pension plan	(11,597)	14,012	—	—
Employee benefits - other long-term benefits	359,712	247,619	(423,302)	169,913
Impairment losses and provisions	(1,738,614)	4,017,349	(1,575,334)	4,086,355
Tax losses carried forward	686,684	136,866	—	—
Impairment losses in tangible fixed assets	1,113,639	(923,508)	1,113,639	(923,508)
Share plan	594,329	(233,286)	594,329	(233,286)
Land and buildings	(11,042)	(281,081)	(11,042)	(281,081)
Tangible assets' tax revaluation regime	(320,715)	(434,598)	(320,715)	(434,598)
Sale & Leaseback Transactions	—	8,784,280	—	8,784,280
Contract termination costs	—	2,241,459	—	2,241,459
Other	(89,819)	118,611	(10,054)	(2,514)
Effect on equity				
Employee benefits - healthcare	(19,593,906)	1,599,841	(19,569,738)	1,599,841
Employee benefits - pension plan	(5,383)	1,216	—	—
Closing balance	**67,823,608**	**71,395,868**	**62,844,558**	**66,134,899**

	Group		Company	
	2022	2023	2022	2023
Deferred tax liabilities				
Opening balances	2,427,513	9,847,476	2,342,255	2,150,912
Effect on net profit				
Revaluation of tangible fixed assets before IFRS adoption	(165,194)	(1,034,441)	(165,194)	(1,034,441)
Suspended capital gains	(26,149)	(347,496)	(26,149)	(347,496)
Non-current assets held for sale	(42,718)	—	—	—
PPA Movements - New Spring Services	(134,713)	(101,035)	—	—
Fair value adjustments	7,108,430	(3,296,270)	—	—
Other	15,818	(378,345)	—	—
Effect on equity				
Other	142,477	(19,182)	—	—
Other effects			—	
PPA Movements - New Spring Services	522,013	—	—	—
Closing balance	**9,847,476**	**4,670,707**	**2,150,912**	**768,975**

During the year ended 31 December 2022 and in the 31 December 2023, the tax losses carried forward are detailed as follows:

	31.12.2022		31.12.2023	
Group	Tax losses	Deferred tax assets	Tax losses	Deferred tax assets
CTT – Expresso, S.A., branch in Spain	77,006,639	—	76,206,218	—
CTT Expresso/Transporta	13,133,872	2,758,113	12,535,630	2,632,482
CTT Soluções Empresariais/HCCM	—	—	1,285,613	269,979
Total	**90,140,511**	**2,758,113**	**90,027,461**	**2,902,461**

Regarding CTT – Expresso, S.A., branch in Spain, the tax losses of the years 2012, 2013 and 2014 may be carried forward in the next 18 years and the tax losses of the years 2015, 2016, 2017, 2018, 2019, 2020, 2021 and 2022 have no time limit for deduction. No deferred tax assets associated with CTT Expresso branch in Spain's tax losses were recognised, given its losses history.

Regarding to CTT Expresso/ Transporta, the tax losses presented refer to the losses of Transporta for the years 2014 and 2015 and 2017 and 2018, since in 2019 this company was incorporated into CTT Expresso, which may be reported in one or more subsequent tax periods, in accordance with the rules established in the income tax code. The recognition of deferred tax assets related to Transporta's tax losses is supported by the estimate of future taxable profits of CTT Expresso, based on the company's business plan. The main assumptions used in the preparation of the company's business plan are disclosed in note 9 - Goodwill (impairment tests with a timeliness of 5 years), and the growth for the 8-year plan was subsequently projected, based on the results background, experience and future growth prospects of this business unit.

It should be noted that, following the acquisition of Transporta, a request was made to maintain the tax losses that had been determined with reference to the periods of 2014 and 2015, in the amounts of 4,536,810 Euros and 3,068,088 Euros, for which a favourable response was obtained from the Tax Authority during 2021.

It should be noted that, following the acquisition of HCCM – Outsourcing Investment, a request was made to maintain the tax losses that had been determined with reference to the periods from 2015 to 2020 (in the total amount of 1,300,311 Euros), in relation to which awaits a favourable response from the Tax and Customs Authority during the 2023. Therefore, the related deferred tax asset was recorded. It should be noted that, as previously mentioned, HCCM – Outsourcing Investment was merged by incorporation into the entity CTT - Soluções Empresariais, with reference to 1 January 2022.

Law No. 24-D/2022, of December 30 – "OE 2023" – includes a rule, identified as promoting the principle of solidarity between financial years (logic of continuity of business cycles), which determines the end of time limit for reporting tax losses calculated in previous years.

Despite being a rule for application to financial years beginning on or after 1 January 2023, the calculation of deferred tax on 31 December 2022 in respect of tax losses has considered this rational.

In another sense, the percentage of the amount of deductible tax losses in each financial year is reduced from 70% to 65%, therefore it is expected that Companies will take longer to take advantage of the deduction of tax losses.

The sensitivity analysis performed allows us to conclude that a 1% reduction in the underlying rate of deferred tax would imply an increase in the income tax for the period of about 2.37 million Euros in the **Group** and 2.28 million euros in the **Company**.

SIFIDE

The Group recognises an estimate of the tax credit that was submitted for certification by the competent authority (ANI – Agência Nacional de Inovação) in the period to which the investments relate.

Regarding to R&D expenses incurred by the **Group** and the **Company** in the 2020 financial year, with the submission of the application, these amounted to approximately 5,304,741 Euros and 2,863,555 Euros, respectively, with the **Group** and the **Company** estimating an income tax deduction of 3,850,195 Euros and 1,889,956 Euros respectively. As of 31 December 2023, the tax credit for the year 2020 was already fully deferred by the Certification Committee.

Regarding R&D expenses incurred by the **Group** and the **Company** in the financial year of 2021, with the submission of the application, these amounted to 6,474,190 Euros and 5,350,184 Euros respectively, with the **Group** and the **Company** estimating a deductionf of income taxof 3,816,703 Euros and 3,238,810 Euros. As of 31 December 2023, the tax credit for the year 2021 was already fully deferred by the Certification Committee.

Regarding the expenses incurred with R&D by the **Group** and the **Company** in the 2022 financial year, with the submission of the application, these amounted to 4,169,551 Euros and 2,654,735 Euros respectively, with the **Group** and the **Company** estimating a deduction of income tax estimated at 1,648,061 Euros and 862,789 Euros.

As for the 2023 financial year, the **Group** and the **Company** are still identifying and quantifying the expenses incurred with R&D that will be included in the applications that will be submitted during the course of 2024.

Pillar II

The transition of the world to a global village, the increasing speed of transactions, the streamlining of commercial relations, among other phenomena, challenge current tax rules, forcing an inevitable renewal and combination of efforts between jurisdictions, governments and national tax policies.

In this context, the OECD initiated the BEPS (Base Erosion and Profit Shifting) project, which resulted in the adoption of 15 actions/plans to be followed and which indicate tax standards to be adopted and implemented by national governments in order to abolish avoidance and evasion. tax, aiming at the effective taxation of economic activities in the jurisdiction(s) where the respective profits are generated and in which the added value is actually generated.

In 2021, an agreement was reached between the members of the G20 to implement what is commonly known as Pillar II, referring to the method and criteria for taxing profits obtained by multinational entities, as well as the way in which tax collection power is allocated between states. of tax revenue.

According to Pillar II, companies included in multinational groups with an annual global turnover exceeding 750 million euros will be subject, regardless of the jurisdiction to which they belong, to a minimum corporate income tax rate of 15%.

The imposition of this minimum rate aims to prevent, based on abusive tax practices and policies, imbalances between tax rates and regimes in different jurisdictions or illicit exploitation due to lack of liability to or payment of tax.

Setting up an innovative regime, a transitional regime is foreseen, particularly in terms of deadline, for the application of the standards and allowing progressive adaptation to this new regime.

Furthermore, certain jurisdictions will be excluded from the scope of application of such standards.

On the other hand, safe-harbour clauses are provided for, which are characterised by waiving, as long as certain requirements and/or limits are met, the effective application of compliance with certain obligations and removing the subjection to the aforementioned minimum rate.

EU Directive 2022/2523 provided for its transposition by the acceding Member States by 31 December 2023, which did not occur in some jurisdictions, including Portugal.

The CTT Group, as it falls within the subjective scope of the Directive, is carrying out an analysis of the possible impact in each of the jurisdictions in which it is present (Portugal, Spain and Mozambique). As national diplomas are published, their specificities will be analysed and the tasks to be carried out in this context will be defined.

Compliance with tax and reporting obligations relating to Pillar II must be carried out in conjunction with the information reported in the CbCR (Country by Country Report) that has been submitted and prepared by the CTT Group.

As mentioned in note 2.1.1, the amendment to IAS 12 introduces a mandatory temporary exception to the recognition of deferred taxes within the scope of Pillar II.

Other information

Pursuant to the legislation in force in Portugal, income tax returns are subject to review and correction by the tax authorities for a period of four years (five years for Social Security), except when there have been tax losses, tax benefits have been received, or when inspections, claims or challenges are in progress, in which cases, depending on the circumstances, these years are extended or suspended. Therefore, CTT's income tax returns from 2020 and onwards may still be reviewed and corrected.

The Board of Directors of the Company believes that any corrections arising from reviews/inspections by the tax authorities of these income tax returns will not have a significant effect on the consolidated financial statements as at 31 December 2023.

53. Related parties

GRI 207-4

The Regulation on Assessment and Control of transactions with CTT related parties defines related party as: qualified shareholder, manager, subsidiaries companies' managers or third party with any of these related through relevant commercial or personal interest (under the terms of IAS 24) and also subsidiaries, associates and joint ventures of CTT. It is considered that there is a "relevant commercial or personal interest" in relation to (i) close family members of the managers, subsidiaries companies' managers and qualified shareholders who, at each moment, have significant influence on CTT, as well as (ii) controlled entities (individually or jointly), either by management, subsidiaries companies' managers qualified shareholders or by the persons referred to in (i). For this purpose, "control" is considered to exist when an investor is exposed or holds rights in relation to variable results through its relationship with it and has the capacity to affect those results through the power it exercises over the investee. Additionally, "close family members" are: (i) the spouse or domestic partner and (ii) the children and dependents of the person and persons referred to in (i).

According to the Regulation, the significant transactions with related parties, as well as transactions that members of the Board of Directors of CTT and/or its subsidiaries conduct with CTT and/or its subsidiaries, must be previously approved by resolution of Board of Directors, preceded by a prior favourable opinion of Audit Committee , except when included in the normal company´s business and no special advantage is granted to the director directly or by an intermediary. Significant transaction is any transaction with a related party whose amount exceeds one million Euros, and / or carried out outside current activity scope of CTT and / or subsidiaries and / or outside market conditions.

The other related parties' transactions are approved by Executive Committee, to the extent of the related delegation of powers, and subject to subsequent examination by the Audit Committee.

During the years ended 31 December 2022 and 31 December 2023, the following transactions took place and the following balances existed with related parties, regarding the **Group:**

Group	2022					
	Accounts receivable	Accounts payable	Revenues	Costs	Dividends	Financial investments / Increase in share capital
Shareholders	—	—	—	—	17,656,441	—
Group companies						
Associated companies	—	—	—	—	—	—
Jointly controlled	210,088	79,868	484,988	256,819	—	—
Members of the (Note 45)						
Board of Directors	—	—	—	4,091,109	—	—
Audit Committee	—	—	—	153,214	—	—
Remuneration Committee	—	—	—	19,800	—	—
General Meeting	—	—	—	14,000	—	—
	210,088	**79,868**	**484,988**	**4,534,942**	**17,656,441**	**—**

Group	2023					
	Accounts receivable	Accounts payable	Revenues	Costs	Dividends	Financial investments / Increase in share capital
Shareholders	—	—	—	—	17,817,109	—
Group companies						
Associated companies	—	—	—	—	—	—
Jointly controlled	411,070	104,721	789,316	314,430	—	—
Members of the (Note 45)						
Board of Directors	—	—	—	3,250,604	—	—
Audit Committee	—	—	—	159,692	—	—
Remuneration Committee	—	—	—	44,800	—	—
General Meeting	—	—	—	14,000	—	—
	411,070	**104,721**	**789,316**	**3,783,526**	**17,817,109**	**—**

During the years ended 31 December 2022 and 31 December 2023, the following transactions took place and the following balances existed with related parties, regarding the **Company**:

Company	2022 Accounts receivable	Shareholders and Group companies (DB)	Rights-of-Use	Lease liabilities	Accounts payable	Shareholders and Group companies (CB)	Revenues	Costs	Interest income	Dividends	Financial investments / Increase in share capital
Shareholders	—	—	—	—	—	—	—	—	—	17,656,441	—
Group companies											
Subsidiaries	27,977,210	50,735,671	455,740	458,243	2,914,005	13,244,405	44,351,747	5,308,891	1,324,164	—	7,200,000
Joint Ventures	71,582	—	—	—	—	—	265,794	—	—	—	—
Other related parties	224,308	—	—	—	696,123	—	1,315,018	4,319,503	—	—	—
Members of the (Note 45)											
Board of Directors	—	—	—	—	—	—	—	4,091,109	—	—	—
Audit Committee	—	—	—	—	—	—	—	153,214	—	—	—
Remuneration Committee	—	—	—	—	—	—	—	19,800	—	—	—
General Meeting	—	—	—	—	—	—	—	14,000	—	—	—
	28,273,099	**50,735,671**	**455,740**	**458,243**	**3,610,127**	**13,244,405**	**45,932,559**	**13,906,517**	**1,324,164**	**17,656,441**	**7,200,000**

DB - Debit balance; CB - Credit balance

Company	2023 Accounts receivable	Shareholders and Group companies (DB)	Rights-of-Use	Lease liabilities	Accounts payable	Shareholders and Group companies (CB)	Revenues	Costs	Interest income	Dividends	Financial investments / Increase in share capital
Shareholders	—	—	—	—	—	—	—	—	—	17,817,109	—
Group companies											
Subsidiaries	20,969,825	15,496,305	55,349,384	86,940,271	2,888,405	7,278,907	51,692,992	8,154,134	3,170,624	—	175,114,100
Joint Ventures	251,648	—	—	—	—	—	540,613	111,726	—	—	—
Other related parties	90,702	691,034	—	—	231,861	360,449	478,047	1,903,817	930	—	—
Members of the (Note 45)											
Board of Directors	—	—	—	—	—	—	—	3,250,604	—	—	—
Audit Committee	—	—	—	—	—	—	—	159,692	—	—	—
Remuneration Committee	—	—	—	—	—	—	—	44,800	—	—	—
General Meeting	—	—	—	—	—	—	—	14,000	—	—	—
	21,312,175	**16,187,339**	**55,349,384**	**86,940,271**	**3,120,266**	**7,639,356**	**52,711,652**	**13,638,774**	**3,171,554**	**17,817,109**	**175,114,100**

DB - Debit balance; CB - Credit balance

Regarding the **Company,** as at 31 December 2022 and 31 December 2023, the nature and detail, by company of the Group**,** of the main debit and credit balances was as follows:

Company	2022							
	Accounts receivable	Shareholders and Group companies (DB)	Total accounts receivable	Rights-of-Use	Lease liabilities	Accounts payable	Shareholders and Group companies (CB)	Total accounts payable
Subsidiaries								
Banco CTT, S.A.	818,806	—	818,806	—	—	17,618	12,412,010	12,429,628
CTT Expresso,S.A.	25,588,567	36,122,277	61,710,844	75,652	76,139	2,608,323	—	2,608,323
CTT Contacto, S.A.	327,199	—	327,199	—	—	258,455	729,386	987,841
CORRE - Correio Expresso Moçambique, S.A.	810,031	80,017	890,048	—	—	—	—	—
CTT Soluções Empresariais, S.A.	429,886	14,500,000	14,929,886	—	—	—	103,009	103,009
CTT IMO - Sociedade Imobiliária, S.A.	2,721	33,377	36,098	380,088	382,104	29,608	—	29,608
Joint Ventures								
NewPost, ACE	71,582	—	71,582	—	—	—	—	—
Other related parties								
Payshop Portugal, S.A.	162,666	—	162,666	—	—	377,502	—	377,502
321 Crédito – Instituição Financeira de Crédito, S.A.	42,399	—	42,399	—	—	—	—	—
NewSpring Services, S.A.	448	—	448	—	—	318,620	—	318,620
Open Lockers, S.A.	18,795	—	18,795	—	—	—	—	—
	28,273,099	**50,735,671**	**79,008,771**	**455,740**	**458,243**	**3,610,127**	**13,244,405**	**16,854,533**

DB - Debit balance; CB - Credit balance

Company	2023							
	Accounts receivable	Shareholders and Group companies (DB)	Total accounts receivable	Rights-of-Use	Lease liabilities	Accounts payable	Shareholders and Group companies (CB)	Total accounts payable
Subsidiaries								
Banco CTT, S.A.	590,090	—	590,090	—	—	10,751	3,663,372	3,674,123
CTT Expresso,S.A.	18,176,022	11,514,769	29,690,791	10,421	10,536	2,185,499	—	2,185,499
CTT Contacto, S.A.	242,434	1,269,175	1,511,609	—	—	164,064	1,691,591	1,855,655
Payshop Portugal, S.A.	243,594	—	243,594	—	—	503,737	80,808	584,545
CORRE - Correio Expresso Moçambique, S.A.	937,605	28,935	966,540	—	—	—	—	—
CTT Soluções Empresariais, S.A.	779,397	2,000,000	2,779,397	—	—	—	1,843,136	1,843,136
CTT IMO - Sociedade Imobiliária, S.A.	683	49,856	50,539	1,613,265	1,613,604	—	—	—
CTT IMOYIELD, S.A.	—	633,570	633,570	53,725,699	85,316,132	24,355	—	24,355
Joint Ventures								
NewPost, ACE	251,648	—	251,648	—	—	—	—	—
Other related parties								
321 Crédito – Instituição Financeira de Crédito, S.A.	89,596	—	89,596	—	—	—	—	—
NewSpring Services, S.A.	1,091	550,000	551,091	—	—	231,361	357,449	588,811
CTT Services, S.A.	—	—	—	—	—	—	3,000	3,000
Medspring, S.A	—	141,034	141,034	—	—	—	—	—
Open Lockers, S.A.	15	—	15	—	—	500	—	500
	21,312,175	**16,187,339**	**37,499,514**	**55,349,384**	**86,940,271**	**3,120,266**	**7,639,356**	**10,759,622**

DB - Debit balance; CB - Credit balance

As far as the **Company** is concerned, during the years ended 31 December 2022 and 31 December 2023, the nature and detail, by company of the **Group**, of the main transactions was as follows:

	2022										
Company	Assets acquired	Services to be reinvoiced	Assets sold	Sales and services rendered	Other operating revenues	Supplies and external services	Other operating costs	Depreciation of rights-of-use / Interest on lease liabilities	Interest Income	Interest expenses	Financial investments / Increase in share capital
Subsidiaries											
Banco CTT, S.A.	—	—	—	1,417,126	4,610,294	—	86,011	—	—	124,600	—
CTT Expresso,S.A.	274,887	59,795	781,777	488,337	34,428,359	1,858,416	—	66,034	970,592	—	—
CTT Contacto, S.A.	—	45,063	11,892	1,082	2,511,279	2,875,730	—	—	—	—	—
CORRE - Correio Expresso Moçambique, S.A.	—	—	—	—	239,716	—	—	—	—	—	—
CTT Soluções Empresariais, S.A.	—	—	—	8,998	644,343	—	—	—	353,572	—	—
CTT IMO - Sociedade Imobiliária, S.A.	—	—	—	—	2,212	—	—	298,099	—	—	7,150,000
CTT IMOYIELD, S.A.	—	—	—	—	—	—	—	—	—	—	50,000
Joint Ventures											
NewPost, ACE	—	—	—	—	265,794	—	—	—	—	—	—
Other related parties										—	
Payshop Portugal, S.A.	—	—	60,200	218,304	666,472	3,457,475	—	—	—	—	—
321 Crédito – Instituição Financeira de Crédito, S.A.	—	—	—	417,415	713	—	—	—	—	—	—
NewSpring Services, S.A.	—	—	—	12,113	—	862,027	—	—	—	—	—
	274,887	**104,859**	**853,868**	**2,563,375**	**43,369,184**	**9,053,649**	**86,011**	**364,134**	**1,324,164**	**124,600**	**7,200,000**

	2023										
Company	Assets acquired	Services to be reinvoiced	Assets sold	Sales and services rendered	Other operating revenues	Supplies and external services	Other operating costs	Depreciation of rights-of-use / Interest on lease liabilities	Interest Income	Interest expenses	Financial investments / Increase in share capital
Subsidiaries											
Banco CTT, S.A.	—	—	—	1,416,808	4,050,160	—	70,128	—	504,715	106,334	—
CTT Expresso,S.A.	143,273	47,302	508,883	550,743	41,486,332	1,957,924	104	65,567	1,877,941	—	14,950,000
CTT Contacto, S.A.	—	33,714	—	61,574	1,968,978	720,769	—	—	706	—	—
CORRE - Correio Expresso Moçambique, S.A.	—	—	—	—	234,643	—	—	—	—	—	—
Payshop Portugal, S.A.	—	—	26,777	188,300	1,016,857	3,730,561	—	—	—	—	10,629,100
CTT Soluções Empresariais, S.A.	—	—	—	285,996	425,937	—	—	—	787,261	—	14,500,000
CTT IMO - Sociedade Imobiliária, S.A.	—	—	—	—	6,665	—	—	353,623	—	—	—
CTT IMOYIELD, S.A.	—	—	—	—	—	—	288,485	860,639	—	—	135,035,000
Joint Ventures											
NewPost, ACE	—	—	—	—	540,613	—	—	—	—	—	—
Wolfspring, ACE	—	—	—	—	—	111,726	—	—	—	—	—
Other related parties											
321 Crédito – Instituição Financeira de Crédito, S.A.	—	—	—	471,230	—	—	—	—	—	—	—
NewSpring Services, S.A.	—	—	—	6,803	—	1,903,817	—	—	930	—	—
Open Lockers, S.A.	—	—	—	15	—	—	—	—	—	—	—
	143,273	**81,016**	**535,660**	**2,981,468**	**49,730,184**	**8,424,798**	**358,717**	**1,279,829**	**3,171,554**	**106,334**	**175,114,100**

In the context of transactions with related parties, no commitments were made, nor were any guarantees given or received.

No provision was recognised for doubtful debts or expenses recognised during the period in respect of bad or doubtful debts owed by related parties.

The remunerations attributed to the members of the statutory bodies of CTT, S.A. are disclosed in note 45 – Staff Costs.

54. Fees and services of the external auditors

The audit and legal review fees recorded in 2023 related to all companies' annual accounts that integrate the **Group**, amounted to 725,187 Euros. In addition, other assurance services fees, which include the half-yearly review, and other non-review or audit services amounted to 243,629 Euros.

The information concerning the fees and services provided by the external auditors is detailed in chapter 4 and 5.1 of the Integrated Report, as well as on note 5.

55. Information on environmental matters

The environmental responsibility is one of the relevant topics identified in the course of CTT stakeholders' materiality exercise and mapping and integrates the Sustainability strategy of the **Group**, from a perspective of risk and opportunity management, as presented in more detail in chapters 4 and 5.1 of the Integrated Report,

To the extent of our knowledge, there are no current environmental liabilities or obligations, whether legal or constructive, related to environmental matters that should lead to the constitution of provisions.

56. Provision of insurance mediation service

In accordance with the Regulatory Standard of the Instituto de Seguros de Portugal (Portuguese Insurance Institute) no. 15/2009-R of 30 December 2009, the **Group** and the **Company** disclose the relevant information regarding the activity of insurance mediation according to article 4 of the above-mentioned Regulatory Standard.

a) Description of the accounting policies adopted for the recognition of revenue.

   The accounting policies adopted for the recognition of revenue regarding the provision of insurance mediation services is detailed in Note 2.28.

b) Indication of total revenue received detailed by nature.

	Group		Company	
By nature	**2022**	**2023**	**2022**	**2023**
Cash	8,844,304	10,579,844	694,049	387,941
	8,844,304	**10,579,844**	**694,049**	**387,941**

	Group		Company	
By type	**2022**	**2023**	**2022**	**2023**
Commissions	8,844,304	10,579,844	694,049	387,941
	8,844,304	**10,579,844**	**694,049**	**387,941**

c) Indication of total revenues relating to insurance contracts intermediated by the **Company** detailed by Branch Life and Non-Life

	Group		Company	
	2023		2023	
By entity	Branch Life	Branch Non-Life	Branch Life	Branch Non-Life
Insurance Companies	7,425,615	1,086,568	125,738	262,204
Customers (other)	—	2,067,661	—	—
	7,425,615	**3,154,228**	**125,738**	**262,204**

d) Indication of the existence of concentration levels at the level of insurance companies, other mediators, which are equal or greater than 25% of the total remuneration earned by the portfolio

	Group		Company	
By entity	2022	2023	2022	2023
Insurance Companies	—	—	—	—
FIDELIDADE	—%	—%	44.79%	34.20%
ZURICH	47.09%	39.95%	—	—
MAPFRE	—	—	38.71	38.98%
Other mediators	—	—	—	—
Customers (other)	—	—	—	—

e) Values of customers' accounts, at the beginning at the end of the year, as well as the volume handled over the year applicable to insurance intermediaries that handle funds related to insurance contracts

	Group		Company	
Accounts 'Customers'	2022	2023	2022	2023
Open Balance	—	—	—	—
Closing Balance	—	—	—	—
Volume handled				
Debt	89,463,987	26,196,800	82,674,487	17,770,193
Credit	27,248,927	7,145,743	20,181,468	214

f) Accounts receivable and payable broken down by source

	Group			
	Accounts receivable		Accounts payable	
By entity	2022	2023	2022	2023
Policyholders, insureds or beneficiaries	—	—	—	—
Insurance companies	2,207,724	2,816,513	1,658,565	851,859
Reinsurance undertakings	—	—	—	—
Other mediators	—	—	—	—
Customers (other)	—	—	—	—
	2,207,724	**2,816,513**	**1,658,565**	**851,859**

By entity	Company			
	Accounts receivable		Accounts payable	
	2022	2023	2022	2023
Policyholders, insureds or beneficiaries	—	—	—	—
Insurance companies	1,292,947	620,658	200,127	162,918
Reinsurance undertakings	—	—	—	—
Other mediators	—	—	—	—
Customers (other)	—	—	—	—
	1,292,947	**620,658**	**200,127**	**162,918**

g) Indication of the aggregate amounts included in accounts receivable and payable

By entity	Group			
	Accounts receivable		Accounts payable	
	2022	2023	2022	2023
Funds received in order to be transferred to insurance companies for payment of insurance premiums	22,109,894	2,314,462	22,919,149	3,140,756
Collecting funds in order to be transferred to insurance companies for payment of insurance premiums	—	—	—	—
Funds entrusted to it by insurance companies in order to be transferred to policyholders, insureds or beneficiaries (or insurance companies in case the activity of reinsurance mediation)	289,699,297	17,916,768	82,674,487	17,770,193
Remuneration in respect of insurance premiums already collected and to be collected	8,844,304	8,242,579	—	—
Other mediators	—	—	—	—
Total	**320,653,495**	**28,473,809**	**105,593,636**	**20,910,950**

By entity	Company			
	Accounts receivable		Accounts payable	
	2022	2023	2022	2023
Funds received in order to be transferred to insurance companies for payment of insurance premiums	20,181,468	214	20,753,248	16,017
Collecting funds in order to be transferred to insurance companies for payment of insurance premiums	—	—	—	—
Funds entrusted to it by insurance companies in order to be transferred to policyholders, insureds or beneficiaries (or insurance companies in case the activity of reinsurance mediation)	289,699,297	17,916,768	82,674,487	17,770,193
Remuneration in respect of insurance premiums already collected and to be collected	694,049	387,941	—	—
Other mediators	—	—	—	—
Total	**310,574,814**	**18,304,923**	**103,427,735**	**17,786,211**

Note: The remaining paragraphs of the standard do not apply.

The amounts presented above are amounts moved during the year 2022 and 2023.

57. Other information

Within the regulatory framework in force since February 2022 and the agreement on the criteria to be met for the pricing of postal services that make up the basket of services within the universal service obligation (Universal Postal Service Price Convention) for the 2023-2025 period, of 27 July 2022, the prices of these services were updated on 1 March 2023, as announced to the market on 26 January 2023. The update corresponds to an average annual price variation of 6.58%. The overall average annual price variation, also reflecting the effect of the update of special prices for bulk mail, is 6.24%.

Regarding to the legal proceedings relating to ANACOM's Decision regarding the quality of service parameters and performance targets applicable to the universal postal service provision, of July 2018, the Government's appeal against the decision of the Arbitration Court continues. It acknowledges that ANACOM's decision constituted an abnormal and impressionable change in circumstances, causing damages amounting to 1,869,482 euros. The administrative actions against ANACOM, the first concerning the same decision and the second concerning the deliberation of December 2018 regarding the new measurement procedures to be applied to the indicators, had no relevant developments. On 24 January 2024, CTT was notified of the court decision ordering the State to pay CTT the sum of 2,410,413 euros. The appeal period is currently running.

As CTT appealed the decision to apply a fine of 153,750 euros for twenty-six administrative offences related to the non-compliance with postal network density targets and minimum service offers, and the publication of quality of service indicators and information on prices charged at various postal establishments in 2014 and 2015, the Lisbon Court of Appeal reduced the fine and ordered CTT to pay 57 thousand Euros. As CTT disagreed with the grounds of the decision that upheld some of the administrative offences, it appealed to the Constitutional Court on 23 February 2023, which came to consider that the admissibility requirements of the appeal were not met. Since CTT considered that important guarantees of defence were at stake (e.g., the conviction of an administrative offence based on the mere indication of facts and the remedy of the nullity arising from the omission of the examination of a witness at the administrative stage), filed a complaint with the European Court of Human Rights. An appeal was also filed before the Supreme Court of Justice based on contradictions in judgments on the application of the rules for counting the limitation period, an appeal that was not admitted. The administrative offence process in which CTT was accused by ANACOM is ongoing, for alleged violation of the procedure for measuring service quality indicators (IQS) in 2016 and 2017.

Following the proposal to apply contractual fines in the amount of 753 thousand euros, on 4 August 2022, CTT requested the constitution of an arbitration court, under the terms of the concession agreement and the process is underway, waiting for the decision. For the same facts, CTT had already been notified of the filing of an administrative offence proceeding on 30 August 2021, which is running its course, with no developments, following the presentation of the respective defences. On 23 February 2023, CTT was notified to comment on a new proposal for the application of contractual fines submitted by ANACOM to the Government, in relation to the alleged contractual breach of the quality of service obligation in the years 2016, 2017, 2018 and 2019. CTT submitted its statement on 6 April 2023, in which it defends there is no basis in fact or in law for establishing any contractual liability and requests additional evidence. The application of contractual fines and the respective amount depends on the further steps of the administrative procedure, which has not yet been developed. On 5 June 2023, CTT was notified of the opening of an administrative offence procedure by ANACOM, for non-compliance with the quality of service indicators (QSI) in 2017, 2018 and 2019. Although CTT is in total disagreement with the application of this administrative offence, it has paid the fine of at least 140 thousand euros, as proposed by ANACOM, for exclusively financial reasons of saving resources, given the risks and costs inherent in litigation. The payment of the fine was followed by the sending of a communication setting out the reasons for disagreement, which is largely related to the same reasons that are at the origin of the litigation concerning ANACOM's 2018 Decision, which approved the quality parameters and performance targets in question.

On 11 June 2021, CTT initiated arbitration proceedings against the Portuguese State to protect its rights, specifically: (a) the impacts and contractual effects, namely compensatory (which CTT estimates to be approximately 23 million euros), of the COVID-19 pandemic, as well as of the public measures adopted in that context; and (b) the legal compatibility, impacts and contractual effects. As communicated to the market on 1 October 2023, CTT has been notified of the Decision delivered by the Arbitration Court (dated 27 September 2023) regarding these proceedings. As for the impact of the COVID-19 pandemic, the Court unanimously decided to order the State to pay CTT the amount of 6,785,781 Euros, calculated according to equity principles and which corresponds to the amount necessary to cover the "losses actually suffered by CTT" in the year 2020, because it considers that the pandemic constitutes an abnormal change in circumstances that had a negative impact on the execution of the Concession Agreement. Furthermore, with regard to the unilateral extension of the Concession Agreement, the Court unanimously concluded that the extension decision disturbed the financial balance of the Concession Agreement (to the detriment of CTT) and, as such, ordered the State to restore that balance, for the year 2021, by paying the amount of 16,769,864 Euros. Therefore, the State was ordered to pay the total amount of 23,555,645 Euros, plus accrued civil interests, in the case of the amount relating to the first request and commercial, for the second, from the date of initiation of the process. The State filed a review appeal with the Supreme Administrative Court, which was admitted on 11 January 2024.

The lawsuits filed on 18 January 2022 by the companies Vasp Premium – Entrega Personalizada de Publicações, LDA. (Vasp) and Iberomail – Correio Internacional, S.A., (Iberomail) against CTT before the Competition, Regulation & Supervision Court, seeking the conviction of CTT for abuse of dominant position continue, still awaiting the start of the evidence phase. CTT follows the best market practices and considers the request to be totally unfounded, as these lawsuits concern facts assessed by the Competition Authority (AdC) in the scope of a proceeding that was closed with the imposition of commitments, which CTT has implemented and reports annually to the AdC.

Strategic Partnership - Generali Seguros

On 6 November 2022, CTT - Correios de Portugal, S.A. and its subsidiary Banco CTT, S.A. entered into a strategic partnership agreement with Generali Seguros, S.A. (Tranquilidade/Generali Seguros).

The transaction concluded between the parties includes:

- Long-term distribution agreements, with 5-years exclusivity renewable periods, for the distribution by CTT and Banco CTT of life and non-life insurance products of Tranquilidade/ Generali Seguros;

- Subscription by Tranquilidade/Generali Seguros of a 25 million euros reserved share capital increase in Banco CTT, in exchange for a shareholding of approximately 8.71%. A Shareholders' Agreement will provide Tranquilidade/Generali Seguros with minority interests with the size of the shareholding.

The agreement aims to combine the experience of Tranquilidade/Generali Seguros in the development and management of insurance products with the distribution capacity of CTT and Banco CTT through their nationwide networks coverage and digital channels. The insurance distribution agreements contemplate a fixed price by Tranquilidade/Generali Seguros of 1 million euros and 9 million euros to CTT and Banco CTT, respectively, to be settled in the initial six years, and additional contingent payments depending on the performance achieved over the term of the agreements.

The CTT Group expects that the transaction, which is subject to suspensive conditions, including approval by the banking and insurance regulatory authorities, will be completed during 2024.

58. Subsequent events

On 4 January 2024, CTT completed the sale of a 26.3% shareholder position in CTT IMO Yield to Sonae Investment SGPS, S.A. and other investors, as provided for in the Share Purchase and Sale Agreement, which translated into in a gross receipt of 32.45 million euros.

As from 1 February 2024, in the context of the Universal Postal Service Price Convention for 2023-2025, which was entered into on 27 July 2022, the prices of the basket of letter mail, editorial mail and parcels services were updated, corresponding to an average annual price change of 9.49%. As part of the company's pricing policy for 2024, this update corresponds to an average annual price variation of 8.91%, which also reflects the effect of the update of the special prices for bulk mail.

With the exception of those mentioned above, after 31 December 2023 and up to the date that the financial statements were approved for issue, no relevant or material facts have occurred in the **Group**’s and **Company**’s activities that have not been disclosed in the notes to the financial statements.