07

Consolidated and individual financial statements

A future in proximity to customers

7. CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS

GRI 201-1

CTT-CORREIOS DE PORTUGAL, S.A.

CONSOLIDATED AND INDIVIDUAL STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020 AND 31 DECEMBER 2021 (Euros)

		Group		Company	
		31.12.2020	31.12.2021	31.12.2020	31.12.2021
ASSETS					
Non-current assets					
Tangible fixed assets	5	294,989,377	296,287,578	243,270,945	223,537,166
Investment properties	7	7,075,908	6,327,424	7,075,908	6,327,424
Intangible assets	6	58,016,961	63,507,247	22,270,219	28,252,438
Goodwill	9	70,201,828	81,471,314	—	—
Investments in subsidiary companies	10	—	—	235,531,801	271,702,900
Investments in associated companies	11	481	481	—	—
Investments in joint ventures	12	2,925,100	17,992	2,925,100	—
Other investments	13	6,394	311,684	6,394	6,394
Group Companies	52	—	—	31,930,000	52,530,000
Accounts receivable	19	—	—	495,932	587,308
Financial assets at fair value through profit or loss	15	2,107	2,261,947	—	—
Debt securities at fair value through other comprehensive income	14	12,273,557	4,906,841	—	—
Debt securities at amortized cost	14	453,090,517	294,986,658	—	—
Other non-current assets	24	1,063,789	1,772,136	635,508	1,144,290
Credit to banking clients	20	985,355,687	1,125,984,322	—	—
Other banking financial assets	16	11,420,777	5,237,710	—	—
Deferred tax assets	51	87,891,868	87,255,087	84,780,644	83,416,006
Total non-current assets		**1,984,314,351**	**1,970,328,421**	**628,922,453**	**667,503,928**
Current assets					
Inventories	18	6,601,999	6,872,274	6,259,585	6,445,041
Accounts receivable	19	153,616,009	160,930,050	111,665,473	112,775,176
Credit to banking clients	20	107,925,845	415,924,171	—	—
Group Companies	52	—	—	2,814,465	7,437,805
Income taxes receivable	37	—	8,268	—	—
Prepayments	21	6,498,759	8,725,934	4,603,214	4,764,138
Financial assets at fair value through profit or loss	15	—	24,999,138		—
Debt securities at fair value through other comprehensive income	14	7,281,273	1,188,069	—	—
Debt securities at amortized cost	14	45,160,057	39,173,861	—	—
Other current assets	24	33,728,584	68,848,382	29,731,071	47,365,141
Other banking financial assets	16	29,456,513	9,721,536	—	—
Cash and cash equivalents	23	518,180,171	877,872,696	268,113,910	189,794,106
		908,449,210	1,614,264,378	423,187,718	368,581,407
Non-current assets held for sale	22	2,139,065	605,798	1,173,231	—
Total current assets		**910,588,275**	**1,614,870,176**	**424,360,949**	**368,581,407**
Total assets		**2,894,902,626**	**3,585,198,598**	**1,053,283,402**	**1,036,085,335**
EQUITY AND LIABILITIES					
Equity					
Share capital	26	75,000,000	75,000,000	75,000,000	75,000,000
Own shares	27	(8)	(6,404,963)	(8)	(6,404,963)
Reserves	27	65,919,935	67,078,351	65,836,605	67,051,605
Retained earnings	27	39,962,419	43,904,074	39,900,355	43,926,574
Other changes in equity	27	(47,600,236)	(43,998,612)	(47,454,842)	(43,942,681)
Net profit		16,669,309	38,404,113	16,720,995	37,680,272
Equity attributable to equity holders		149,951,419	173,982,963	150,003,105	173,310,807
Non-controlling interests	30	323,675	563,106	—	—
Total equity		**150,275,094**	**174,546,069**	**150,003,105**	**173,310,807**
Liabilities					
Non-current liabilities					
Accounts payable	34	—	—	309,007	309,007
Medium and long term debt	31	164,034,127	149,336,438	135,302,537	112,714,883
Employee benefits	32	264,369,292	260,805,742	262,426,248	258,892,489
Provisions	33	17,416,354	14,679,520	12,369,072	10,469,392
Prepayments	21	283,289	272,088	283,289	272,088
Other banking financial liabilities	16	44,506,988	277,760,616	—	—
Deferred tax liabilities	51	2,793,698	2,427,513	2,639,362	2,342,255
Total non-current liabilities		**493,403,748**	**705,281,916**	**413,329,515**	**385,000,114**
Current liabilities					
Accounts payable	34	375,562,902	350,304,332	342,809,432	312,508,476
Banking clients' deposits and other loans	35	1,688,465,160	2,121,511,345	—	—
Group Companies	52	—	—	25,403,386	23,551,847
Employee benefits	32	18,630,568	21,090,144	18,599,613	21,062,563
Income taxes payable	37	1,340,420	11,611,897	2,439,808	9,705,744
Short term debt	31	42,832,626	51,783,012	27,245,348	34,942,393
Prepayments	21	3,412,059	3,452,240	2,446,754	2,520,645
Other current liabilities	36	99,493,397	118,594,781	71,006,442	73,482,746
Other banking financial liabilities	16	21,486,652	27,022,862	—	—
Total current liabilities		**2,251,223,784**	**2,705,370,613**	**489,950,783**	**477,774,413**
Total liabilities		**2,744,627,532**	**3,410,652,529**	**903,280,298**	**862,774,528**
Total equity and liabilities		**2,894,902,626**	**3,585,198,598**	**1,053,283,402**	**1,036,085,335**

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 2020 AND 31 DECEMBER 2021

Euros

		Group				Company			
	NOTES	Twelve months ended		Three months ended		Twelve months ended		Three months ended	
		31.12.2020	**31.12.2021**	**31.12.2020**	**31.12.2021**	**31.12.2020**	**31.12.2021**	**31.12.2020**	**31.12.2021**
Sales and services rendered	4/40	672,854,025	757,727,347	188,951,581	209,241,453	468,833,332	475,056,506	124,632,891	124,330,222
Financial margin	41	44,636,907	55,776,365	11,814,868	15,329,231	—	—	—	—
Other operating income	42	27,749,403	34,366,502	10,211,951	10,413,590	44,710,790	51,729,627	14,952,111	13,831,497
		745,240,335	847,870,214	210,978,400	234,984,274	513,544,122	526,786,133	139,585,002	138,161,719
Cost of sales	18	(19,218,064)	(26,214,696)	(5,897,765)	(12,345,420)	(18,607,910)	(19,955,770)	(5,736,972)	(6,479,027)
External supplies and services	43	(256,144,789)	(330,550,693)	(74,338,907)	(92,715,390)	(111,195,328)	(133,173,920)	(30,280,487)	(37,457,769)
Staff costs	44	(342,488,107)	(358,012,815)	(91,046,599)	(90,330,540)	(293,331,088)	(298,137,445)	(78,115,122)	(74,006,304)
Impairment of accounts receivable, net	45	(5,613,098)	(2,614,663)	(901,621)	(915,923)	(2,794,597)	(1,115,625)	(429,035)	(227,952)
Impairment of non-depreciable assets	12	—	(2,193,233)	—	(2,193,233)	—	(2,193,233)	—	(2,193,233)
Impairment of other financial banking assets	45	(8,916,969)	(14,050,228)	(1,333,741)	(4,283,833)	—	—	—	—
Provisions, net	33	(853,298)	3,886,116	69,532	2,589,065	(83,122)	3,039,668	(209,822)	1,782,974
Depreciation/amortization and impairment of investments, net	46	(62,135,823)	(58,006,442)	(16,080,957)	(14,792,627)	(46,597,825)	(39,516,410)	(12,024,269)	(9,771,655)
Net gains/(losses) of assets and liabilities at fair value through profit or loss	47	—	1,101,005	—	1,101,005	—	—	—	—
Net gains/(losses) of other financial assets at fair value through other comprehensive income	47	380,000	—	380,000	—	—	—	—	—
Gains / (losses) on derecognition of financial assets and liabilities at amortized cost	47	—	17,776,526	—	—	—	—	—	—
Other operating costs	48	(16,194,526)	(18,075,662)	(4,437,048)	(4,762,991)	(8,752,418)	(9,648,982)	(2,638,063)	(2,798,222)
Gains/losses on disposal of assets	49	451,469	956,539	(155,309)	50,661	678,502	987,331	63,944	30,290
		(710,733,205)	(785,998,245)	(193,742,415)	(218,599,225)	(480,683,786)	(499,714,387)	(129,369,826)	(131,120,897)
		34,507,130	**61,871,969**	**17,235,985**	**16,385,049**	**32,860,335**	**27,071,746**	**10,215,175**	**7,040,823**
Interest expenses	50	(9,660,185)	(8,532,413)	(2,350,307)	(2,145,911)	(8,366,012)	(7,167,982)	(2,033,491)	(1,790,091)
Interest income	50	20,091	25,394	9,336	10,301	525,238	852,226	164,195	263,582
Gains/losses in subsidiary, associated companies and joint ventures	10/11/12	(1,741,529)	(2,557,449)	(658,864)	(878,612)	(958,448)	22,068,979	6,095,223	6,509,158
		(11,381,623)	(11,064,467)	(2,999,835)	(3,014,221)	(8,799,222)	15,753,223	4,225,927	4,982,649
Earnings before taxes		**23,125,507**	**50,807,502**	**14,236,150**	**13,370,828**	**24,061,113**	**42,824,969**	**14,441,101**	**12,023,472**
Income tax for the period	51	(6,358,973)	(12,216,200)	(1,885,233)	(1,217,135)	(7,340,118)	(5,144,697)	(2,112,215)	(890,126)
Net profit for the period		**16,766,534**	**38,591,303**	**12,350,917**	**12,153,694**	**16,720,995**	**37,680,272**	**12,328,886**	**11,133,345**
Net profit for the period attributable to:									
Equity holders		16,669,309	38,404,113	12,339,831	12,095,451	—	—	—	—
Non-controlling interests	30	97,225	187,190	11,086	58,243	—	—	—	—
Earnings per share:	29	**0.11**	**0.26**	**0.08**	**0.08**	**0.11**	**0.25**	**0.08**	**0.07**

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 2020 AND 31 DECEMBER 2021

Euros

		Group				Company			
	NOTES	Twelve months ended		Three months ended		Twelve months ended		Three months ended	
		31.12.2020	31.12.2021	31.12.2020	31.12.2021	31.12.2020	31.12.2021	31.12.2020	31.12.2021
Net profit for the period		**16,766,534**	**38,591,303**	**12,350,917**	**12,153,694**	**16,720,995**	**37,680,272**	**12,328,887**	**11,133,345**
Adjustments from application of the equity method (non re-classifiable adjustment to profit and loss)	27	(15,806)	22,345	(9,108)	32,992	23,691	55,224	(359,622)	73,557
Changes to fair value reserves	27	67,340	(56,584)	(368,717)	(19,001)	—	—	—	—
Employee benefits (non re-classifiable adjustment to profit and loss)	27/32	2,917,315	4,999,158	2,917,315	4,999,158	2,896,864	4,878,001	2,896,864	4,878,001
Deferred tax/Employee benefits (non re-classifiable adjustment to profit and loss)	27/50	(773,407)	(1,397,534)	(773,407)	(1,397,534)	(811,122)	(1,365,840)	(811,122)	(1,365,840)
Other changes in equity	27/30	(101,815)	52,242	(49,071)	7,199	—	—	—	—
Other comprehensive income for the period after taxes		**2,093,628**	**3,619,627**	**1,717,012**	**3,622,814**	**2,109,433**	**3,567,385**	**1,726,120**	**3,585,718**
Comprehensive income for the period		**18,860,162**	**42,210,930**	**14,067,929**	**15,776,508**	**18,830,428**	**41,247,657**	**14,055,007**	**14,719,063**
Attributable to non-controlling interests		81,420	239,431	1,979	95,338				
Attributable to shareholders of CTT		18,778,742	41,971,497	14,065,951	15,681,168				

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 2020 AND 31 DECEMBER 2021

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 2019		**75,000,000**	**(8)**	**65,852,595**	**(49,744,144)**	**10,867,301**	**29,196,933**	**242,255**	**131,414,932**
Appropriation of net profit for the year of 2019	28	—	—	—	—	29,196,933	(29,196,933)	—	—
		—	**—**	**—**	**—**	**29,196,933**	**(29,196,933)**	**—**	**—**
Other movements	27/30	—	—	—	—	(86,009)	—	(15,806)	(101,815)
Actuarial gains/losses - Health Care, net from deferred taxes	27	—	—	—	2,143,908	—	—	—	2,143,908
Changes to fair value reserves	27	—	—	67,340	—	—	—	—	67,340
Adjustments from the application of the equity method	27	—	—	—	—	(15,806)	—	—	(15,806)
Net profit for the period		—	—	—	—	—	16,669,309	97,225	16,766,534
Comprehensive income for the period		**—**	**—**	**67,340**	**2,143,908**	**(101,815)**	**16,669,309**	**81,420**	**18,860,163**
Balance on 31 December 2020		**75,000,000**	**(8)**	**65,919,935**	**(47,600,236)**	**39,962,419**	**16,669,309**	**323,676**	**150,275,095**
Appropriation of net profit for the year of 2020		—	—	—	—	16,669,309	(16,669,309)	—	—
Dividends	28	—	—	—	—	(12,750,000)	—	—	(12,750,000)
Acquisition of own shares	27	—	(6,404,954)	—	—	—	—	—	(6,404,954)
Share plan	27	—	—	1,215,000	—	—	—	—	1,215,000
		—	**(6,404,954)**	**1,215,000**	**—**	**3,919,309**	**(16,669,309)**	**—**	**(17,939,954)**
Other movements	27/30	—	—	—	—	—	—	52,242	52,242
Actuarial gains/losses - Health Care, net from deferred taxes	27	—	—	—	3,601,623	—	—	—	3,601,623
Changes to fair value reserves	27	—	—	(56,584)	—	—	—	—	(56,584)
Adjustments from the application of the equity method	27	—	—	—	—	22,345	—	—	22,345
Net profit for the period		—	—	—	—	—	38,404,113	187,190	38,591,303
Comprehensive income for the period		**—**	**—**	**(56,584)**	**3,601,623**	**22,345**	**38,404,113**	**239,431**	**42,210,930**
Balance on 30 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**

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 2020 AND 31 DECEMBER 2021

Euros

	NOTES	Share capital	Own Shares	Reserves	Other changes in equity	Retained earnings	Net profit for the year	Total
Balance on 31 December 2019		**75,000,000**	**(8)**	**65,836,605**	**(49,540,583)**	**10,679,731**	**29,196,933**	**131,172,677**
Appropriation of net profit for the year of 2019	28	—	—	—	—	29,196,933	(29,196,933)	—
		—	**—**	**—**	**—**	**29,196,933**	**(29,196,933)**	**—**
Actuarial gains/losses - Health Care, net from deferred taxes	27	—	—	—	2,085,742	—	—	2,085,742
Adjustments from the application of the equity method	27	—	—	—	—	23,691	—	23,691
Restated net profit for the period		—	—	—	—	—	16,720,995	16,720,995
Restated comprehensive income for the period		**—**	**—**	**—**	**2,085,742**	**23,691**	**16,720,995**	**18,830,428**
Balance on 31 December 2020		**75,000,000**	**(8)**	**65,836,605**	**(47,454,842)**	**39,900,355**	**16,720,995**	**150,003,105**
Appropriation of net profit for the year of 2020		—	—	—	—	16,720,995	(16,720,995)	—
Dividends	28	—	—	—	—	(12,750,000)	—	(12,750,000)
Acquisition of own shares	27	—	(6,404,954)	—	—	—	—	(6,404,954)
Share plan	27	—	—	1,215,000	—	—	—	1,215,000
		—	**(6,404,954)**	**1,215,000**	**—**	**3,970,995**	**(16,720,995)**	**(17,939,954)**
Actuarial gains/losses - Health Care, net from deferred taxes	27	—	—	—	3,512,161	—	—	3,512,161
Adjustments from the application of the equity method	27	—	—	—	—	55,224	—	55,224
Net profit for the period		—	—	—	—	—	37,680,272	37,680,272
Comprehensive income for the period		**—**	**—**	**—**	**3,512,161**	**55,224**	**37,680,272**	**41,247,657**
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**

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 2020 AND 31 DECEMBER 2021

Euro

	NOTES	Group		Company	
		31.12.2020	31.12.2021	31.12.2020	31.12.2021
Cash flow from operating activities					
Collections from customers		663,468,181	740,511,910	481,420,564	494,878,809
Payments to suppliers		(309,560,288)	(383,512,671)	(140,242,245)	(162,322,601)
Payments to employees		(317,791,162)	(325,606,922)	(270,321,582)	(268,424,363)
Banking customer deposits		405,180,295	433,108,515	—	—
Credit to bank clients		(208,132,405)	(448,171,549)	—	—
Cash flow generated by operations		**233,164,621**	**16,329,283**	**70,856,737**	**64,131,846**
Payments/receivables of income taxes		(8,969,035)	(3,620,588)	(2,381,639)	99,398
Other receivables/payments		58,790,609	40,599,751	1,831,743	(45,828,328)
Cash flow from operating activities (1)		**282,986,196**	**53,308,446**	**70,306,841**	**18,402,916**
Cash flow from Investing activities					
Receivables resulting from:					
Tangible fixed assets		870,185	2,172,110	870,185	2,172,110
Investment properties		55,000	—	55,000	—
Financial investments	11/13	2,401,250	—	2,401,250	—
Investment in securities at fair value through other comprehensive income	14	43,425,171	13,242,636		—
Investment in securities at amortized cost	14	198,208,406	429,477,883	—	—
Demand deposits at Bank of Portugal		10,128,434	—	—	—
Other banking financial assets	16	36,190,000	26,895,000	—	11,633
Interest income		37,358	38,198	22,621	3,400,000
Loans granted	52	—	—	4,008,000	—
Payments resulting from:					
Tangible fixed assets		(25,397,586)	(16,778,472)	(16,699,452)	(8,550,467)
Intangible assets		(12,431,219)	(14,342,965)	(5,344,548)	(5,986,334)
Financial investments	8	(2,678,381)	(15,662,872)	(3,928,381)	(14,065,028)
Investment in securities at fair value through other comprehensive income	14	(61,991,546)	—	—	—
Investment in securities at amortized cost	14	(245,340,540)	(262,409,425)	—	—
Investment in securities at fair value through profit or loss	14	—	(24,999,973)	—	—
Demand deposits at Bank of Portugal		—	(4,142,200)	—	—
Other banking financial assets	16	(43,000,000)	(1,750,000)	—	—
Loans granted	52	—	—	(22,230,000)	(23,300,000)
Cash flow from investing activities (2)		**(99,523,465)**	**131,739,920**	**(40,845,325)**	**(46,318,086)**
Cash flow from financing activities					
Receivables resulting from:					
Loans obtained	31	21,293,090	100,261,411	—	—
Capital realizations and other equity instruments		—	34,000		—
Other credit institutions' deposits		250,000	—	—	—
Other banking financial liabilities	16	—	251,500,000	—	—
Payments resulting from:					
Loans repaid	31	(21,405,813)	(110,777,850)	(95,000)	(8,447,942)
Other credit institutions' deposits		(38,131,082)	—	—	—
Interest expenses		(1,442,885)	(283,653)	(1,389,153)	(189,159)
Confirming	31	—	(2,938,473)	—	—
Lease liabilities	31	(28,528,597)	(30,343,081)	(21,455,288)	(22,604,891)
Acquisition of own shares		—	(6,404,954)	—	(6,404,954)
Other banking financial liabilities	16	(31,536,230)	(20,130,815)	—	—
Dividends	28	—	(12,750,000)	—	(12,750,000)
Cash flow from financing activities (3)		**(99,501,518)**	**168,166,585**	**(22,939,441)**	**(50,396,946)**
Net change in cash and cash equivalents (1+2+3)		83,961,213	353,214,950	6,522,074	(78,312,116)
Changes in the consolidation perimeter		—	4,915,814	—	—
Cash and equivalents at the beginning of the period		414,865,569	498,826,782	261,608,648	268,130,723
Cash and cash equivalents at the end of the period	23	498,826,782	856,957,546	268,130,723	189,818,607
Cash and cash equivalents at the end of the period		**498,826,782**	**856,957,546**	**268,130,723**	**189,818,607**
Sight deposits at Bank of Portugal		15,795,600	19,937,800	—	—
Outstanding checks of Banco CTT / Checks clearing of Banco CTT		3,575,300	1,002,263	—	—
Impairment of slight and term deposits		(17,510)	(24,913)	(16,813)	(24,501)
Cash and cash equivalents (Balance sheet)		**518,180,171**	**877,872,696**	**268,113,910**	**189,794,106**

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)

TABLE OF CONTENTS

1. Introduction

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

GRI 102-1, 102-3, 102-5

CTT – Correios de Portugal, S.A. – Sociedade Aberta ("CTT" or "Company"), with head office at Avenida D. João II, no. 13, 1999-001 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-organizations 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 privatization 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 privatization 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.

The shares of CTT are listed on Euronext Lisbon.

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

These financial statements were approved by the Board of Directors and authorized for issue on 16 March 2022.

1.2 Business

GRI 102-1, 102-2, 102-4, 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., Fundo de Inovação TechTree, HCCM - Outsourcing Investment, S.A., NewSpring Services, S.A., CTT IMO - Sociedade Imobiliária, S.A. and Open Lockers, 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 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 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 extended again the scope of its activity to 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/ 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 contract of the Universal Postal Service signed on 1 September 2000 between the Portuguese Government and CTT. This Contract remained in force until 31.12.2021, beyond its expiration date - 31.12.2020 -, following its extension unilaterally decided by the Government, as per article 35-W(a) of Decree-Law No. 10-A/2020, of 13 March, as amended by Decree-Law No. 106-A/2020 of 30 December. In addition to the services rendered under the concession, CTT can provide other postal services as well as develop other activities, particularly those which enable the use of the universal service network in a profitable manner, either directly or through incorporation or interests in companies or other forms of cooperation between companies. Within these activities it should be highlighted the provision of services of public interest or general interest subject to conditions to be agreed with the State.

Following 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 the transposition into the national legal order took place through the adoption of Law no. 17/2012, of 26 April ("Postal Law"), revoking Law No. 102/99, of 26 July, with the amendments introduced 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 June 14h 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, the following activities and services remained reserved: placement of mailboxes on public roads for the acceptance of mail, issuance and sale of postage stamps with the word "Portugal" and registered mail used in legal or administrative proceedings.

Therefore, the scope of the universal postal service 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; and
- 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 contract signed between the Portuguese Government and CTT covers:

- The universal postal service as defined above;
- The reserved services: (i) the right to place mailboxes on public roads for the acceptance of mail, (ii) the issuance and sale of postage stamps with the word "Portugal" and (iii) the service of registered mail used in legal or administrative proceedings;
- The provision of special payment orders which allows the transference of funds electronically and physically, at national and international level, designated by postal money order service, on an exclusive basis; and
- Electronic Mailbox Service, on a non-exclusive basis.

On 23.12.2021, the Council of Ministers communicated the approval on that date of the decree amending the legal framework applicable to the provision of postal services in Portugal. The corresponding decree was promulgated on 05.02.2022 and the Decree-Law no. 22-A/2022 was published on 07.02.2022. The new concession agreement entered into force on 08.02.2022 and will have a duration of approximately seven years - until 31.12.2028. The main amendments considered in the new regulatory 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 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;

- For the year 2022, which will be the transition period, the agreement stipulates that the prices to be implemented by CTT shall respect a maximum annual average variation of 6.80%, which considers the decline in volumes observed in the first nine months of 2021 and the variation of the Consumer Price Index for the Transport expense category, as communicated by the National Statistics Institute for the month of October 2021.

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

- Quality criteria shall be approved by the Government upon ANACOM's proposal, also for three-year periods, following a set of clear guidelines: ensure high levels of quality of service in line with current best practices in the European Union and the relative importance of the postal services covered by the USO, and taking into account the average standards of the European Union countries, applicable for each indicator;
- Quality indicators and performance targets defined by ANACOM on 29.04.2021 shall apply until the definition of new indicators and performance targets; as long as the current indicators remain in force, specifically in 2022, should there be any penalties, these will be translated into investment obligations that result in improvements for the benefit of the service provision and end users;
- In the event of non-compliance with the new quality indicators, the penalty to be applied by the Government will translate into investment obligations or price revisions, in accordance with the principles of proportionality, adequacy, non-discrimination and transparency.

3. Density of the postal network:

- The procedure to define the objectives of postal network density and minimum service offers is maintained, which foresees a decision by ANACOM upon CTT's proposal;
- The current criteria for the definition of objectives remain in force, with the additional obligation of ensuring the existence of a post office in each municipality. This situation already occurs, following the reopening of post offices in municipality seats voluntarily concluded by the Company.

This framework improves the decision-making mechanisms and provides clear criteria to guarantee the provision of the USO under sustainable economic conditions, promoting a better balance between the continuity of the postal service provision and the reinforcement of the Company's capacity to face the challenges of digital transition, pursuing the consistent implementation of its transformation process. For reasons of general interest, only the following activities and services have remained reserved to the concessionaire: 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.

2. Significant accounting policies

The significant 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 2021.

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 2021, 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 2021 and described in Note 2.2 through Note 2.32, 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 2021.

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:

- **Amendments to IFRS 16 - Leases - Concessions related to COVID-19 at the level of rents beyond 30 June 2021 -** On 28 May 2020, the amendment to IFRS 16 named 'Concessions related to COVID-19 was issued, having introduced the following practical expedient: A lessee may choose not to assess whether a COVID-19 pandemic related lease grant is a lease modification.

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

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

  The practical expedient can be applied as long as the following criteria are met:
    - the change in lease payments results in a revised lease consideration that is substantially equal to, or less than, the consideration immediately preceding the change;
    - any reduction in lease payments only affects payments due on or through 30 June 2022; and
    - there are no significant changes to other terms and conditions of the lease.

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

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

- **Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16** – Reform of reference interest rates - phase 2 These amendments are part of the second phase of the IASB's "IBOR reform" project and allow exemptions related to the reform of the benchmark for reference interest rates, by an alternative interest rate (Risk Free Rate (RFR)). The changes include the following practical expedients:
    - A practical expedient that requires contractual changes, or changes in cash flows that are directly required by the reform, are treated in the same way as a floating interest rate change, equivalent to a movement in the market interest rate;
    - Allow changes required by the reform to be made to coverage designations and coverage documentation without discontinuing the coverage relationship; and
    - Provide temporary operational relief to entities that have to comply with the separately identifiable requirement when an RFR instrument is designated as hedging a risk component.

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 2021 or 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 IFRS 3 – References to the Conceptual Framework for Financial Reporting** - This amendment updates the references to the Conceptual Framework in the text of IFRS 3, and no changes have been made to the accounting requirements for business combinations. The accounting treatment to be adopted in relation to liabilities and contingent liabilities under IAS 37 and IFRIC 21, incurred separately versus those included in a business combination, is also clarified.

  These changes will apply prospectively for annual periods beginning on or after January 1, 2022, with earlier application permitted.

- **Amendments to IAS 16 – Income obtained before entry into operation** - Clarifies the accounting treatment given to the consideration obtained with the sale of products that result from the production in the test phase of tangible fixed assets, prohibiting their deduction from the acquisition cost of the assets. The entity recognizes the income obtained from the sale of such products and the costs of their production in profit or loss.

  These changes shall apply retrospectively for annual periods beginning on or after January 1, 2022, with earlier application permitted.

- **Amendments to IAS 37 – Onerous contracts – costs of complying with a contract** - This amendment specifies that in the assessment of whether or not a contract is onerous, only expenses directly related to the performance of the contract can be considered, such as incremental costs related to direct labour and materials and the allocation of other directly related expenses such as the allocation of depreciation expenses of the tangible assets used to perform the contract. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly charged to the counterparty in accordance with the contract. This amendment shall apply to contracts which, at the beginning of the first annual reporting period to which the amendment is applied, still include unfulfilled contractual obligations, without the need to restate the comparative.

  These amendments are effective for annual periods beginning on or after 1 January 2022. The Group and the Company will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the period in which it first applies the amendments.

- **Amendments to IFRS 1 - Subsidiary as a first-time adopter of IFRS (included in the annual improvements for the 2018-2020 cycle)** - This improvement clarifies that, when the subsidiary chooses to measure its assets and liabilities at the amounts included in the consolidated financial statements of the parent company (assuming that no adjustment has occurred in the consolidation process), the measurement of accumulated translation differences of all foreign operations can be carried out at the amounts that would be recorded in the consolidated financial statements, based on the parent company's transition date for IFRS.

  These changes shall apply for annual periods beginning on or after January 1, 2022, with earlier application permitted.

- **Amendments to IFRS 9 – Derecognition of financial liabilities – Fees to be included in the '10 percent' variation test (included in the annual improvements for the 2018-2020 cycle)** - This improvement clarifies which fees an entity must include when evaluating whether the terms of a financial liability are materially different from the terms of the original financial liability. This improvement clarifies that in the scope of derecognition tests carried out on renegotiated liabilities, only commissions paid or received between the debtor and creditor should be included, including commissions paid or received by the debtor or creditor on behalf of the other.

  These amendments are effective for annual periods beginning on or after 1 January 2022. The **Group** and the **Company** will apply the amendments to financial liabilities that are modified or renegotiated on or after the beginning of the period in which the entity first applies the amendment.

- **Amendments to IAS 41 – Taxation and fair value measurement (included in the annual improvements for the 2018-2020 cycle) -** This improvement eliminates the requirement to exclude tax cash flows when measuring the fair value of biological assets, ensuring consistency with the principles of IFRS 13 – Fair value.

  These changes shall be applied prospectively for annual periods beginning on or after 1 January 2022, with earlier application permitted.

- **IFRS 17 – Insurance Contracts - IFRS 17 applies to all insurance contracts (ie, life, non-life, direct insurance and reinsurance) -** regardless of the type of entities issuing them, as well as to some guarantees and to some financial instruments with discretionary participation features. Broadly speaking, IFRS 17 provides an accounting model for insurance contracts that is most useful and most consistent for issuers. In contrast to the requirements of IFRS 4, which are based on previously adopted local accounting policies, IFRS 17 provides an integral model for insurance contracts, covering all relevant accounting aspects.

IFRS 17 is applicable for annual periods beginning on or after 1 January 2023.

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

  These changes shall be applied prospectively for annual periods beginning on or after 1 January 2023, with earlier application permitted.

- **Amendments to IAS 1 – Disclosure of Accounting Policies** - These amendments are intended to assist the entity in the disclosure of 'material' accounting policies, previously designated as 'significant' policies. However, due to the inexistence of this concept in the IFRS standards, it was decided to substitute the concept "materiality", a concept already known by the users of the financial statements. When assessing the materiality of accounting policies, the entity must consider not only the size of transactions but also other events or conditions and their nature.

  These changes shall be applied prospectively for annual periods beginning on or after 1 January 2023, with earlier application permitted.

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 2021. 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 1 – Presentation of financial statements – Classification of current and non-current liabilities** - This amendment seeks to clarify the classification of liabilities as current or non-current balances depending on the rights that an entity has to defer its payment, at the end of each reporting period.

  The classification of liabilities is not affected by the entity's expectations (the assessment should determine whether a right exists, but should not consider whether or not the entity will exercise such a right), or by events occurring after the reporting date, such as a default of a "covenant".

  However, if the right to defer settlement for at least twelve months is subject to the fulfillment of certain conditions after the balance sheet date, these criteria do not affect the right to defer settlement for the purpose of classifying a liability as current or non-current. .

  This amendment also includes a new definition of "settlement" of a liability and is applicable retrospectively.

- **Amendments to IAS 12 – Deferred tax related to assets and liabilities arising from a single transaction** - The amendments clarify that payments that settle a liability are tax deductible, however it is a matter of professional judgment whether such deductions are attributable to the liability that is recognized in the financial statements or the related asset. This is important in determining whether there are temporary differences in the initial recognition of the asset or liability.

Pursuant to these amendments, the initial recognition exception is not applicable to transactions that give rise to equal taxable and deductible temporary differences. It is only applicable if the recognition of an active lease and a passive lease give rise to taxable and deductible temporary differences that are not equal.

- **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 on financial assets in the initial application of IFRS 17.

  The amendment adds a transition option that allows an entity to apply an 'overlay' in 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 connection with non-contract activities within the scope of IFRS 17 to be classified, instrument by instrument, in the comparative period(s) in line with how the entity expects these assets to be classified on initial application of IFRS 9.

These standards have not yet been adopted ("endorsed") by the European Union and, as such, were not applied by the **Group** and the **Company** in the twelve-month period ended 31 December 2021. 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 recognized as goodwill. If the difference between the cost 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 recognized 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 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 recognized in the Equity, in Other Equity instruments.

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 unrealized 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 (note 2.10).

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 discrete 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.

Favorable and unfavorable 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 recognized 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:

	2020		2021	
	Close	**Average**	**Close**	**Average**
Mozambican Metical (MZN) [(1)]	91.05000	79.78167	71.58000	76.35417
United States Dollar (USD) [(1)]	1.22710	1.14700	1.13260	1.18156
Special Drawing Right (SDR) [(1)]	1.18400	1.18347	1.23748	1.23720

[(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 2.22 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 of assets.

2.6 Intangible assets

Intangible assets are registered at acquisition cost, less accumulated amortization and impairment losses, when applicable. Intangible assets are only recognized 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 recognized through profit or loss when incurred.

Intangible assets are amortized 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
Industrial property	3 – 20
Software	3 – 10

The exceptions to the assets related to industrial property and other rights, which are amortized over the period of time during which their exclusive use takes place and intangible assets with indefinite useful life, which are not amortized, 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 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 recognized as costs for the period in which they are incurred. Improvements which are expected to generate additional future economic benefits are capitalized.

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

The **Group** and the **Company** carry out impairment assessments of its tangible and intangible assets, 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 recognized. The impairment loss is recorded in the Consolidated and individual income statement.

The reversal of impairment losses recognized in prior years is recorded whenever there is evidence that the recognized impairment losses no longer exist or have decreased, being recognized in the Consolidated and individual income statement. However, the reversal of the impairment loss is made up to the amount that would have been recognized (net of amortization 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 amortized, but subject to impairment tests. In the assessment of the goodwill impairment, this value 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 and Associated companies

Investments in subsidiary and associated companies are recorded in the consolidated and individual statement of financial position by the equity method (Note 10 and 11), respectively.

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.

On the other hand, an associated company is an entity over which the **Group** and/or the **Company** has significant influence, through participation in decisions concerning its financial and operating policies, but where the **Group** or the **Company** does not have control or joint control, which in general happens whenever the investment is between 20% and 50% of the voting rights.

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 recognized 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 recognized 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 2.22).

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.

Unrealized 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. Unrealized losses are also eliminated but only up to the point that the losses do not reflect that the transferred asset is impaired.

Joint Ventures

Investments in joint ventures are recorded in the balance sheet by the equity method. The classification of the investments in joint ventures is determined based on the existence of a contractual agreement, which demonstrates and rules the joint control. 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 joint ventures against “Gain/losses in subsidiary, associated companies and joint ventures”, by other changes in equity in “Other comprehensive income” and by the received dividends.

Additionally, investments in joint ventures 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 as costs in the consolidated income statement, impairment losses shown to exist.

When the share of losses attributed to the **Group** is equivalent to or exceeds the value of the financial interest in jointly controlled companies, the **Group** recognizes additional losses if it has assumed obligations, or if it has made payments for the benefit of the jointly controlled entities.

Unrealized gains and losses on transactions with joint ventures are eliminated in proportion to the **Group**’s interest in the entities, recorded against the investment in the same entity. Unrealized 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 recognized.

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 recognize 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 amortized 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 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 realizing 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.

<u>Reclassification between categories of financial instruments</u>

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 amortized cost

<u>Classification</u>

A financial asset is classified in the category "Financial assets at amortized 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 amortized 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 recognized at the date the funds are made available to the counterparty (settlement date). Debt securities are recognized on the trade date, that is, on the date the **Group** commits itself to acquire them.

Financial assets at amortized cost are initially recognized at fair value, plus transaction costs, and subsequently measured at amortized 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 amortized cost is recognized under the caption "Financial margin", based on the effective interest rate method and in accordance with the criteria described in note 2.23.

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 amortized 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 other comprehensive income

Classification

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

i) the financial asset is held in a business model in which the purpose is to collect its contractual cash flows and the sale of this financial asset; and
ii) their contractual cash flows occur on specific dates and correspond only to payments of principal and interest on the outstanding amount (SPPI).

In addition, in the initial recognition of an equity instrument that is not held for trading, nor a contingent consideration recognized by a purchaser in a business combination to which IFRS 3 applies, the **Group** may irrevocably choose to classify it in the category Financial assets at fair value through other comprehensive income (FVOCI). This option is exercised on a case-by-case basis, investment for investment and is only available for financial instruments that comply with the definition of equity instruments set forth in IAS 32, not applicable to financial instruments at fair value through other comprehensive income and may be used for financial instruments whose classification as an equity instrument in the sphere of the issuer is made under the exceptions provided for in paragraphs 16A to 16D of IAS 32.

Initial recognition and subsequent measurement

Debt instruments at fair value through other comprehensive income are initially recognized at fair value, plus transaction costs, and are subsequently measured at fair value. Changes in the fair value of these financial assets are recorded against other comprehensive income and, at the time of their disposal, the respective gains or losses accumulated in other comprehensive income are reclassified to a specific line item of income designated "Net gains/(losses) of other financial assets at fair value through other comprehensive income”.

Debt instruments at fair value through other comprehensive income are also subject, from their initial recognition to the measurement of impairment losses for expected credit losses. Impairment losses are recognized in the income statement under the item “Financial Margin”, in consideration of other comprehensive income, and do not reduce the carrying amount of the financial asset in the balance sheet.

Interest, premiums or discounts of financial assets at fair value through other comprehensive income are recognized under "Interest and similar income calculated through the effective rate" based on the effective interest rate method and in accordance with the criteria described in note 2.23.

Equity instruments at fair value through other comprehensive income are initially recognized at fair value plus transaction costs and subsequently measured at fair value. The changes in the fair value of these financial assets are recorded by counterpart of other comprehensive income. Dividends are recognized in income when the right to receive them is attributed.

Impairment is not recognized for equity instruments at fair value through other comprehensive income, and the respective accumulated gains or losses are recorded in changes in fair value transferred to retained earnings at the time of their derecognition.

2.11.3 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 amortized 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 amortized 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 recognizing the gains and losses on them on different basis.

2.11.4 Derecognition of financial assets

i) The **Group** derecognizes 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 derecognizes the financial asset and separately recognizes 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 recognize 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 derecognize the financial asset and recognize 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 recognize the financial asset to the extent of its continued involvement in the financial asset.

- 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.

- 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.

2.11.5 Loans written off

The **Group** recognizes 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.

2.11.6 Modification of financial assets

If the conditions of a financial asset are modified, the **Group** 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 2.11.4 Derecognition of financial assets.

If the modification of a financial asset measured at amortized 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 recognizes 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 amortized 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 recognized 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 recognized 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 amortized 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.

For certain suppliers and with their agreement, the **Group** resorts to the payment of the amounts due, through its partner financial institutions, in the form of confirming. Due to their nature, the balances are recognized in “Debt” until their effective settlement with the financial institution. Lines of credit and other products of a financial nature, such as confirming, represent short-term liquidity reserves.

<u>Accounts payable</u>

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 amortized 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.

<u>Derivative financial instruments</u>

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 recognized 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 recognized in profit or loss. These embedded derivatives are measured at fair value, with subsequent changes recognized in the income statement.

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

<u>Non- derivatives banking financial liabilities</u>

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

The **Group** derecognize 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, when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize 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 value 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 Securitization operations

The Group has three consumer credit securitization operations in progress (Ulisses Finance No.1, Chaves Funding No.8 and Ulisses Finance No.2) and one finance lease securitization operation (Fénix 1), in which it was the originator of the securitized assets. Regarding the Ulisses Finance No.1, Chaves Funding No.8 and Ulisses Finance No.2 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.

Additionally, the **Group** is the sole investor in the Next Funding No.1 securitization operation, whose underlying asset is the credit card balances originated by the Universo credit card issued by Sonae Financial Services. This entity is consolidated in the Group's financial statements in accordance with accounting policy 2.2.

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 Harmonized 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 behavior of the historical data used.

Significant increase in credit risk (SICR)

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 behavior 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.

Definition of financial assets in default and in impairment

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

- Existence of installments 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;
- Credits in quarantine default; and
- Claims for which there is a suspicion of fraud or confirmed fraud.

Estimates of expected credit losses - Individual analysis

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 nonexistent.

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

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		Eurozone public debt securities and exposures obtained through the credit assignment contract
Corporate		Deposits and investments in other credit institutions, other financing granted to other credit institutions and corporate debt securities
Other		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 (PD);
- Loss Given Default (LGD); and
- Exposure at Default ("Exposure at Default").

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.

LGD is the magnitude of the loss that is expected to occur if exposure goes into default. The **Group** estimates LGD parameters based on benchmarks and based on the recovery history, for the segments that exist. In the case of contracts secured by real estate, the LTV (loan-to-value) ratios are a parameter of great relevance 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.

Estimated expected credit losses - Receivables under IFRS 15

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 realizable value, using the weighted average cost as the costing method.

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

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

Whenever cost exceeds net realizable value, the difference is recorded in the operating costs caption "Cost of sales".

2.19 Non-current assets held for sale and discontinued operations

Non-currents assets are classified as held for sale, if the respective carrying value is expected to be realized through their sale rather than through continued use. It is considered that this situation occurs only when: (i) the sale is highly probable and the asset is available for immediate sale in its present condition, (ii) there is a commitment to sell, and (iii) the sale is expected to be completed within a 12-month period.

Non-current assets, which are classified as held for sale, are measured at the lowest between the carrying value before this classification and fair value minus costs to sell. Whenever the fair value is less than the carrying value, the difference is recognized in the item Depreciation / amortization and impairment of investments, net in the Income statement.

Non-current assets held for sale are presented in a separate caption in the consolidated statement of financial position.

Non-current assets held for sale are not depreciated or amortized.

In the scope of the banking activity and in the course of the current activity of granting credit, the **Group** runs the risk of not being able to have all of its credit reimbursed. In the case of loans with collateral, the **Group** proceeds to execute these assets in donation / adjudication to settle the credit granted.

Pursuant to the provisions of the General Regime of Credit Institutions and Financial Companies (RGICSF), banks are prevented, unless authorized by Banco de Portugal, from acquiring properties that are not essential for their installation and operation or for the pursuit of their corporate purpose (paragraph 1 of article 112 of the RGICSF), however, being able to acquire properties by reimbursement of their own credit, and the resulting situations must be regularized within a period of 2 years which, if there is a reason, may be extended by Banco de Portugal, in conditions that it determines (article114º of the RGICSF).

These assets are recorded, at their initial recognition, at the lower of their fair value less expected costs of sale and the balance sheet value of the credit granted under recovery (credit falling due in the case of finance lease contracts). Subsequently, these assets are measured at the lower of the initial recognition value and the fair value less costs to sell and are not depreciated.

Whenever the fair value, net of sales and maintenance costs (including haircuts defined in the discount table contained in Annex II of Circular Letter No. 2018/00000062) is found to be lower than the amount for which it is recognized in the **Group**'s consolidated statement of financial position, an impairment loss is recorded in the amount of the decrease in value ascertained. Impairment losses are recorded against profit or loss of the year. If the fair value net of selling costs, after the recognition of impairments, indicates a gain, the **Group** may reflect that gain up to the maximum amount of impairment that has been recorded on that asset.

Periodic property appraisals are carried out by independent appraisers specialized in this type of services.

Earnings from discontinued operations are presented on a specific line, in the income statement, after Income tax and before Net profit for the year.

Whenever the **Group** and the **Company** are committed to a plan to sell a subsidiary, which involves the loss of control over it, all the assets and liabilities of that subsidiary are classified as held for sale, provided they meet the above requirements, even if, after the sale, the **Group** and the **Company** still keep a residual interest in the subsidiary.

2.20 Distribution of dividends

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

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

Liabilities for Past Services are recognized immediately in the income statement.

Post-employment benefits – healthcare

- IOS Plan

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 state pension scheme 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.

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 2.25% 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 Regulation of the Social Works and the management is ensured by Social and Health Management of the People and Culture Department of CTT, 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.

- <u>Insurance policy</u>

Following the Human Resources Optimization Program, 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 Regulation of the Social Works (ROS), in accordance with the following criteria:

- Workers aged 50 and over: maintenance of healthcare benefits for themselves and their family members enrolled according to ROS, through a health insurance policy, with payment of quotas in the same amount as they were paying (2.25% 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 ROS, 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..

- <u>Post-Retirement Medical Care– SAMS</u>

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 pensioniers.

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 October 15.

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 specialized 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 31December 2021, there were 137 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 specialized 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 2021, there were 16 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 recognized 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 (4,050 beneficiaries as at 31 December 2020 and 4,006 beneficiaries as at 31 December 2021) 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 ended 31 December 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 2020 and 31 December 2021 there were 64 and 65 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 and anticipates that by 31 December 2023, it will cease to exist and, therefore, be paid by CTT.

The Social Provision for Inclusion is automatically allocated to the SMV beneficiaries covered by the Social Security system. However, as regards the workers who are beneficiaries of the convergent social protection regime, beneficiaries of the SMV, the Social Inclusion Benefit is not automatic, and the workers are required to request the respective conversion of the SMV, pursuant to article 52, paragraph 2 of Decree-Law no. 126-A/2017, of 6 October.

Accordingly, in order to inform the beneficiaries of these changes, the **Company** sent a letter to the CGA subscribing workers, former CGA retirees and attorneys-in-fact who have benefited from it, informing them that they should request, from the relevant Social Security services, the conversion of the SMV.

As at 31 December 2021 there were 6 beneficiaries under these conditions (6 beneficiaries as at 31 December 2020), receiving a monthly amount of 177.64 Euros, 12 months a year until 2023, at most, date on which CTT will cease to pay this benefit. This amount is updated by an Implementing Order of the Ministry of Finance and the Ministry of Labor and Social Security.

- End of Career Awards

Under clause 69 of the ACT of the banking sector published in BTE nº 38 of 2017 of October 15th, 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 specialized 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 specialized 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 recognized 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.

2.22 Provisions and contingent liabilities

Provisions (Note 33) are recognized 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 50).

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, or not associated with the ongoing activities of the entity.

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 recognized 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 recognized 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 recognized 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 recognized in the financial statements of the period when the change will probably occur.

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

2.23 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 recognized 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) Recognize revenue.

The revenue is recognized 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.

The revenue regarding the provision of postal services, namely the sales of philatelic and pre-paid products, is recognized only when the performance obligation is satisfied, i.e., only at the moment of the effective utilization 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 recognized 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 recognized 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 recognized 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 recognized 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 recognized 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 recognized in temporary accounts in the month that the traffic occurs. The initial revenue amount is recognized 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 recognized 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 recognized on the date that the client is charged. Only the fee from collections charged by CTT is recognized as revenue, as CTT acts as an agent. The recognized 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.

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.**

In 2021, the prices of services provided within the scope of the Universal Postal Service concession were regulated through a price agreement signed between CTT and ICP-ANACOM.

With regard to the definition of prices for services provided within the scope of the Universal Postal Service concession for the year 2022, which will act as a transition period, the prices to be implemented by CTT must respect a maximum annual average variation of 6.80 %, which considers the drop in traffic observed in the first nine months of 2021 and the variation in the Consumer Price Index for the Transport expense class, as disclosed by INE for the month of October 2021.

In the following years, prices will be determined in accordance with the pricing criteria established by agreement between CTT, ANACOM and the Directorate-General for Consumers for periods of three years or, if there is no agreement, by the Government. This definition will take into account the sustainability and economic and financial viability of the provision of the SPU, and the variation in traffic, the variation in relevant costs, the quality of the service provided and the incentive for the efficient provision of the SPU must also be considered.

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 recognized only when the product is delivered to the customer. Revenue from outsourcing projects is recognized 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 recognized at the time this provision occurs.

The revenue from interest is recognized 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 recognized as operating cash flow.

Within the scope of banking activity, the income from services, fees and commissions is recognized as follows:

- Fees and commissions that are earned in the execution of a significant act, are recognized as income when the significant act has been completed;
- Fees and commissions earned over the period in which the services are provided are recognized 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 amortized cost and at fair value through other comprehensive income are recognized 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 recognized, 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 recognize 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 2.29.

2.24 Subsidies obtained

Subsidies are recognized 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 recognized 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 recognized in the income statement, within the periods necessary to match them with the expenses incurred, to the extent that these subsidies are not refundable.

2.25 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 recognized 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 amortized 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** recognize the amount of the remeasurement of the Lease Liability as an adjustment to the Assets under the Right- of-Use.

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 recognized 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 recognized 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** derecognize 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.

2.26 Borrowing costs

Financial charges related to loans are recognized in net profit, when incurred. However, interest expenses are capitalized 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.

2.27 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 recognized for all taxable temporary differences. Deferred tax assets are recognized 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 HCCM - Outsourcing Investment, S.A., NewSpring Services, S.A., CTT IMO - Sociedade Imobiliária, S.A. and 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 various 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.

2.28 Accrual basis

The revenues and costs are recorded according to the accrual basis, and therefore, are recognized 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.

2.29 Provision of the insurance mediation service

CTT, S.A. and Banco CTT Group subsidiaries namely 321 Crédito are entities authorized 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 recognized 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 Assets" item.

2.30 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) Tangible fixed and intangible assets / estimated useful lives

Depreciation/amortization is calculated on the acquisition cost using the straight-line method, from the month when the asset is available for use. The depreciation/amortization 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

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

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

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 amortized cost and at fair value through other comprehensive income that are derecognized 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 amortized cost and debt instruments at fair value through other comprehensive income

The determination of the impairment losses of financial instruments involves judgements and estimates relative to the following aspects, among others:
Significant increase of credit risk: Impairment losses correspond to the expected losses in case of default over a time horizon of 12 months for assets at stage 1, or 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.

v) Deferred taxes

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

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

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

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) Evolution of the COVID-19 Virus situation

The general spread of vaccination in the second half of 2021 allowed a gradual lifting of the restriction measures that were being imposed throughout 2021. Problems have currently been seen in global supply chains, caused by the previously imposed restrictions related to the COVID-19 pandemic. Additionally, it is assumed that these disturbances, which have been reflected in the scarcity of raw materials and other goods and an increase in their costs, will dissipate from the second half of 2022. In view of the provisions, management will continue to monitor the impacts of the COVID-19 pandemic on the business and provide all the necessary information to its stakeholders and act in accordance with the recommendations issued by the World Health Organization and the public entities responsible for the area of health.

ii) Energy transition

Climate change and the energy transition will impact Group activities in a variety of ways. The Integrated Annual Report provided an extensive discussion of the Group's approach to identifying, assessing and managing the risks and opportunities associated with climate change. The energy transition is also based on the progressive and expansive development of digital tools, as digitization is essential to responding to multiple external forces and making informed and well-considered decisions at every level within the Group.

The Group is moving forward in its commitment to lead the energy transition being one of the signatory companies of "BCSD - Business Council for Sustainable Development Portugal" and UNGC - United Nations Global Compact, in line with our Policy on Energy and Carbon Management and Climate Change and the Sustainable Development Goals set by the United Nations. In particular, the Group is fully committed to the development of a long-term sustainable business model to achieve a reduction in CO2 emissions.

The Group has considered the risks related to climate change and the Sustainable Development Goals set by the United Nations in the preparation of the consolidated financial statements at 31 December 2021, which appropriately reflect the effect of these goals on assets, liabilities, profits and losses, incorporating if necessary the material and foreseeable impacts as required under the Framework of the IFRS.

The Group has also carefully assessed whether climate change issues have affected the reasonable and supportable assumption used to estimate expected cash flows. When necessary, the Group has also taken account of the long-term impact of climate change.

2.31 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).

2.32 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 2021, no accounting policy changes and no prior year's material errors were recognized 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** recognized the following change in estimate in the preparation of the financial statements:

- The **Group** and the **Company** reviewed the useful lives of some intangible assets' classes, standing out the application software, belonging to computer software class, extending them from 3 to 6 years. The review of the useful life was carried out based on the analysis of the historical effective average use of the assets assigned to the underlying class, considering its current estimated economic life. Changes in useful lives are booked prospectively. The impact of this change results in a decrease in the amortization for the year 2021 of 5,886 thousand Euros (note 6).

- The **Group** and the **Company** also reviewed the useful lives of some tangible fixed assets' classes, standing out the computer equipment from office equipment class, extending them, essentially, from 3 to 6 years. Similar to the intangible assets, the review of the useful life was carried out based on the analysis of the historical effective average use of the assets assigned to the underlying class, considering its current estimated economic life. Changes in useful lives are booked prospectively. The impact of this change results in a decrease in the depreciation for the year 2021 of 881 thousand Euros (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.

Since 2021, in the segment reporting, the calculation of EBITDA was simplified with the inclusion of impairments and provisions and with the leases impact covered by IFRS 16. Accordingly, the only difference between EBITDA and EBIT is depreciation and amortization and specific items.

The business of CTT is organized in the following segments:

- **Mail** – CTT Contacto, S.A., CTT Soluções Empresariais, S.A., New Spring Services S.A., HCCM - Outsourcing Investment, CTT IMO - Sociedade Imobiliaria, S.A. and CTT, S.A. excluding:
    - Business related to postal financial services and retail products - Financial Services & Retail;
    - 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., Fundo Inovação Techtree and Open Lockers, S.A.;

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

- **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 Markets, 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 2020 and 2021 are as follows:

	31.12.2020				
Thousand Euros	**Mail**	**Express & Parcels**	**Financial Services & Retail**	**Bank**	**Total**
Revenues	**426,096**	**193,000**	**44,043**	**82,102**	**745,240**
Sales and services rendered	420,200	192,272	43,413	16,969	672,854
Sales	*13,875*	*620*	*10,052*	—	*24,547*
Services rendered	*406,326*	*191,652*	*33,361*	*16,969*	*648,307*
Financial Margin	—	—	—	44,637	44,637
Other operating income	5,895	728	630	20,497	27,749
Operating costs - EBITDA	**364,620**	**183,072**	**23,248**	**70,672**	**641,613**
Staff costs	287,898	26,587	1,822	22,322	338,630
External supplies and services	67,908	154,005	2,663	29,523	254,099
Other costs	15,853	1,766	8,596	7,350	33,565
Impairment and provisions	3,041	3,023	—	9,255	15,319
Internal services rendered	(10,080)	(2,309)	10,167	2,222	—
EBITDA	**61,475**	**9,928**	**20,796**	**11,430**	**103,628**
Depreciation/amortization and impairment of investments, net	45,473	9,731	304	6,628	62,136
EBIT recurring	**16,002**	**197**	**20,491**	**4,802**	**41,492**
Specific itens	6,053	698	3	231	6,984
Business restructurings	2,909	376	—	—	3,285
Strategic estudies and projects costs	887	54	—	—	941
Other non-recurring income and expenses	2,257	268	3	231	2,758
EBIT	**9,950**	**(501)**	**20,488**	**4,571**	**34,507**
Financial results					(11,382)
Interest expenses					*(9,660)*
Interest income					*20*
Gains/losses in subsidiary, associated companies and joint ventures					*(1,742)*
Earnings before taxes (EBT)					**23,126**
Income tax for the period					(6,359)
Net profit for the period					**16,767**
Non-controlling interests					(97)
Equity holders of parent company					**16,669**

Thousand Euros	31.12.2020 Mail	Express & Parcels	Financial Services & Retail	Bank	Total
Revenues	**444,438**	**255,688**	**48,877**	**98,867**	**847,870**
Sales and services rendered	437,500	255,017	48,338	16,873	757,727
Sales	*15,006*	*215*	*14,264*	—	*29,485*
Services rendered	*422,494*	*254,802*	*34,074*	*16,873*	*728,243*
Financial Margin	—	—	—	55,776	55,776
Other operating income	6,938	671	540	26,218	34,366
Operating costs - EBITDA	**387,912**	**231,857**	**26,969**	**83,034**	**729,772**
Staff costs	290,134	29,927	1,041	25,756	346,859
External supplies and services	89,165	201,373	2,476	34,364	327,378
Other costs	20,292	1,554	13,408	8,866	44,120
Impairment and provisions	(1,831)	1,030	—	12,216	11,415
Internal services rendered	(9,847)	(2,027)	10,044	1,831	—
EBITDA	**56,526**	**23,830**	**21,909**	**15,834**	**118,099**
Depreciation/amortization and impairment of investments, net	38,826	11,410	100	7,670	58,006
EBIT recurring	**17,700**	**12,420**	**21,809**	**8,163**	**60,092**
Specific itens	13,672	876	1	(16,329)	(1,780)
Business restructurings	10,669	441	—	—	11,111
Strategic estudies and projects costs	1,063	124	—	413	1,600
Other non-recurring income and expenses	1,940	311	1	(16,741)	(14,490)
EBIT	**4,029**	**11,544**	**21,808**	**24,492**	**61,872**
Financial results					(11,065)
Interest expenses					*(8,532)*
Interest income					*25*
Gains/losses in subsidiary, associated companies and joint ventures					*(2,557)*
Earnings before taxes (EBT)					**50,808**
Income tax for the period					12,216
Net profit for the period					**38,591**
Non-controlling interests					187
Equity holders of parent company					**38,404**

As at 31 December 2021, the specific items amounted to due to: (i) a capital gain of 17.8 million euros booked in connection with the sale of public debt securities to optimize Banco CTT's balance sheet against a backdrop of the rollout of the partnership with Sonae; (ii) a net capital gain of 1.0 million euros booked essentially in connection with the sale of real estate; (iii) restructuring costs of 11.1 million euros, primarily corresponding to suspension agreements of employment contracts, (iv) an impairment loss of 1.4 million euros related with the initial IFRS 9 adjustment with the acquisition of the credit stock of Cartão Universo, (v) recording of an impairment for a 2.2 million euros investment in the entity Mktplace, and (vi) 2.3 million euros of other costs related to the COVID-19 pandemic and one-off projects.

As at 31 December 2021, the revenue of "Mail", "Express & Parcels" and "Bank" segments represented 52%, 30% and 12%, respectively, of the consolidated revenue. However, the external supplies and services costs allocated to those segments amounted to 27%, 62% and 10%, respectively, and the Staff costs amounted to 84%, 9% and 7%, 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 labor (Staff costs). The differences in the business of the several segments, namely, the subcontracting or use of internal labor, 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	2020	2021
Mail	**426,096**	**444,438**
Transactional mail	358,886	361,244
Editorial mail	12,771	12,963
Parcels (USO)	7,356	7,903
Advertising mail	18,394	19,044
Philately	5,576	5,415
Business Solutions	15,878	29,023
Other	7,235	8,847
Express & Parcels	**193,000**	**255,688**
Portugal	118,007	135,139
Parcels	96,509	118,471
Cargo	11,408	8,177
Banking network	6,559	4,427
Logistics	2,407	3,153
Other	1,124	911
Spain	72,286	117,329
Mozambique	2,707	3,220
Financial Services & Retail	**44,043**	**48,877**
Savings & Insurance	23,166	23,931
Money orders	5,982	5,465
Payments	1,529	1,558
Retail	13,003	17,574
Other	364	350
Bank	**82,102**	**98,867**
Net interest income	44,637	55,776
Interest income (+)	45,962	57,948
Interest expense (-)	(1,325)	(2,171)
Fees & commissions income (+)	34,132	40,203
Credits	3,748	3,953
Savings & Insurance	4,304	5,963
Accounts and Cards	8,448	11,831
Payments	17,631	18,410
Other comissions received	1	46
Other	3,334	**2,888**
	745,240	**847,870**

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

- The 4% increase in the "Mail" segment was driven by new business solutions businesses including the acquisition of NewSpring Services.

- The "Express & Parcels" segment observed an increase of 32% over the same period last year. Stands out the performance of the CEP product line in the Iberian market, driven by the good performance of the Spanish operation and the growth of e-commerce (B2C) in the Iberian Peninsula.

- The “Financial Services & Retail” segment observed an increase of 11%, partly explained by the increase in income from public debt securities, as a result of greater commercial dynamism, with the recapture of overdue amounts of securities.

- The “Bank” segment saw a 20% increase in revenue. This growth was driven by the partnership with Sonae Financial Services, which began in April 2021, with Banco CTT becoming the only creditor in relation to the Universo Card credit portfolio. The growth in income was supported by the positive performance of net interest income, as well as interest received on consumer credit and commissions received. Interest received on mortgage loans fell by 3.9%.

The revenue detail for the year ended 31 December 2020 and 31 December 2021, by the revenue’s sources identified in note 2.23 – Revenue, are detailed as follows:

	31.12.2020				
Nature	**Mail**	**Express & Parcels**	**Financial Services & Retail**	**Bank**	**Total**
Postal Services	382,483,522	—	—	—	382,483,522
Express services	—	192,271,712	—	—	192,271,712
Merchandising products sales	—	—	3,130,311	—	3,130,311
PO Boxes	—	—	1,451,326	—	1,451,326
International mail services (*)	37,716,902	—	—	—	37,716,902
Financial Services fees	—	—	38,831,551	61,605,607	100,437,158
"Sales and Services rendered" and "Financial Margin" total	**420,200,424**	**192,271,712**	**43,413,188**	**61,605,607**	**717,490,931**

(*) Inbound Mail

	31.12.2021				
Nature	**Mail**	**Express & Parcels**	**Financial Services & Retail**	**Bank**	**Total**
Postal Services	408,677,229	—	—	—	408,677,229
Express services	—	255,016,463	—	—	255,016,463
Merchandising products sales	—	—	2,262,918	—	2,262,918
PO Boxes	—	—	1,700,741	—	1,700,741
International mail services (*)	28,822,897	—	—	—	28,822,897
Financial Services fees	—	—	44,373,771	72,649,693	117,023,464
"Sales and Services rendered" and "Financial Margin" total	**437,500,125**	**255,016,463**	**48,337,430**	**72,649,693**	**813,503,712**

(*) Inbound Mail

The assets by segment are detailed as follows:

	2020					
Assets (Euros)	**Mail**	**Express & Parcels**	**Financial Services & Retail**	**Bank**	**Non allocated assets**	**Total**
Intangible assets	19,192,607	5,634,469	166,504	28,879,018	4,144,364	58,016,961
Tangible fixed assets	239,053,222	48,425,431	74,351	3,151,484	4,284,888	294,989,377
Investment properties	—	—	—	—	7,075,908	7,075,908
Goodwill	6,161,326	2,955,753	—	61,084,749	—	70,201,828
Deferred tax assets	—	—	—	—	87,891,868	87,891,868
Accounts receivable	—	—	—	—	153,616,009	153,616,009
Credit to bank clients	—	—	—	1,093,281,532	—	1,093,281,532
Financial assets at fair value through profit or loss	—	—	—	2,107	—	2,107
Debt securities at fair value through other comprehensive income	—	—	—	19,554,830	—	19,554,830
Debt securities at amortized cost	—	—	—	498,250,574	—	498,250,574
Other banking financial assets	—	—	—	40,877,290	—	40,877,290
Other assets	6,137,166	7,559,469	17,349,976	4,973,905	14,804,590	50,825,106
Cash and cash equivalents	—	12,543,023	—	231,741,308	273,895,841	518,180,171
Non-current assets held for sale	—	—	—	2,139,065	—	2,139,065
	270,544,321	**77,118,145**	**17,590,831**	**1,983,935,861**	**545,713,468**	**2,894,902,626**

Assets (Euros)	2021					
	Mail	Express & Parcels	Financial Services & Retail	Bank	Non allocated assets	Total
Intangible assets	21,289,971	6,849,250	174,038	26,927,847	8,266,141	63,507,247
Tangible fixed assets	227,402,730	62,708,795	64,571	4,227,555	1,883,926	296,287,578
Investment properties	—	—	—	—	6,327,424	6,327,424
Goodwill	17,430,813	2,955,753	—	61,084,749	—	81,471,314
Deferred tax assets	—	—	—	—	87,255,087	87,255,087
Accounts receivable	—	—	—	—	160,930,050	160,930,050
Credit to bank clients	—	—	—	1,541,908,493	—	1,541,908,493
Financial assets at fair value through profit or loss	—	—	—	27,261,085	—	27,261,085
Debt securities at fair value through other comprehensive income	—	—	—	6,094,910	—	6,094,910
Debt securities at amortized cost				334,160,519		334,160,519
Other banking financial assets	—	—	—	14,959,246	—	14,959,246
Other assets	14,891,188	17,690,710	34,608,628	6,739,026	12,627,597	86,557,151
Cash and cash equivalents	—	15,590,602	—	662,721,068	199,561,026	877,872,696
Non-current assets held for sale	—	—	—	605,798	—	605,798
	281,014,703	**105,795,111**	**34,847,237**	**2,686,690,296**	**476,851,252**	**3,585,198,598**

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

	2020					
	Mail	Express & Parcels	Financial Services & Retail	Bank	Non allocated assets	Total
Intagible assets	5,530,649	2,385,548	25,062	6,028,632	—	13,969,891
Tangible fixed assets	27,883,190	18,892,388	26,759	829,679	488,906	48,120,922
	33,413,839	**21,277,937**	**51,821**	**6,858,311**	**488,906**	**62,090,814**

	2021					
	Mail	Express & Parcels	Financial Services & Retail	Bank	Non allocated assets	Total
Intagible assets	10,687,971	3,967,727	125,669	3,897,385	—	18,678,753
Tangible fixed assets	20,153,598	23,903,875	—	1,561,666	458,948	46,078,087
	30,841,569	**27,871,602**	**125,669**	**5,459,051**	**458,948**	**64,756,839**

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

- "Intangible assets" (8,266,141 Euros): the unallocated amount is related to the intangible assets in progress, which have been allocated to the underlying segment in the moment they become firm assets;
- "Tangible fixed assets" (1,883,926 Euros): This amount corresponds to tangible fixed assets in progress and advances payments to suppliers, which will be allocated to the respective segment at the time of the transfer to firm assets;
- "Investment properties" (6,327,424 Euros): These assets are not allocated to the operating activity, which is why they are not allocated to any segment;

- "Deferred tax assets" (87,255,087 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 51 - 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" (160,930,050 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" (12,627,597 Euros): This amount is mainly related to investments in associated companies and investments in joint ventures, that are not allocated to the operating activity, which is why they are not allocated to any segment, as well as 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 (204,164,150 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:

	2020				
Other information (Euros)	**Mail**	**Express & Parcels**	**Financial Services & Retail**	**Bank**	**Total**
Non-current debt	**135,280,954**	**27,330,780**	**45,727**	**1,376,666**	**164,034,127**
Bank loans	74,799,925	—	—	—	74,799,925
Lease liabilities	60,481,029	27,330,780	45,727	1,376,666	89,234,203
Current debt	**27,225,711**	**14,773,659**	**25,114**	**808,142**	**42,832,626**
Bank loans	7,125,000	9,731,747	—	—	16,856,747
Lease liabilities	20,100,711	5,041,912	25,114	808,142	25,975,879
	162,506,664	**42,104,439**	**70,841**	**2,184,808**	**206,866,753**

	2021				
Other information (Euros)	**Mail**	**Express & Parcels**	**Financial Services & Retail**	**Bank**	**Total**
Non-current debt	**114,127,927**	**33,250,570**	**34,807**	**1,923,133**	**149,336,438**
Bank loans	62,161,852	—	—	—	62,161,852
Lease liabilities	51,966,076	33,250,570	34,807	1,923,133	87,174,586
Current debt	**35,785,578**	**15,240,151**	**27,024**	**730,259**	**51,783,012**
Bank loans	14,436,742	7,732,258	—	—	22,169,000
Confirming	—	1,500,152	—	—	1,500,152
Lease liabilities	21,348,836	6,007,741	27,024	730,259	28,113,860
	149,913,506	**48,490,722**	**61,831**	**2,653,392**	**201,119,450**

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

Thousand Euros	2020	2021
Revenue - Portugal	541,319	576,756
Revenue - other countries	131,535	180,971
	672,854	757,727

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 114,900 thousand Euros.

5. Tangible fixed assets

During the years ended 31 December 2020 and 31 December 2021, the movements occurred in Tangible fixed assets, as well as the respective accumulated depreciation, regarding the **Group** were as follows:

Group	2020									
	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	35,580,031	338,964,540	156,184,436	3,603,651	69,355,884	29,646,684	3,491,573	2,414,000	179,623,789	818,864,586
Acquisitions	—	504,793	5,889,978	18,383	1,360,619	1,017,256	9,231,168	1,445,666	—	19,467,863
New contracts	—	—	—	—	—	—	—	—	28,653,059	28,653,059
Disposals	(8,099)	(149,792)	(698,530)	(11,218)	(11,852)	—	—	—	—	(879,492)
Transfers and write-offs	(92,105)	(198,094)	7,218,821	(4,359)	(30,807)	(5,366,247)	(6,703,094)	(2,621,849)	(35,817)	(7,833,550)
Terminated contracts	—	—	—	—	—	—	—	—	(4,765,898)	(4,765,898)
Remeasurements	—	—	—	—	—	—	—	—	8,401,849	8,401,849
Adjustments	—	(5,565)	(142,681)	(3,553)	(32,734)	795,215	—	—	—	610,682
Remeasurements lease terms	—	—	—	—	—	—	—	—	19,301,526	19,301,526
Closing balance	35,479,827	339,115,881	168,452,024	3,602,903	70,641,110	26,092,908	6,019,646	1,237,817	231,178,507	881,820,624
Accumulated depreciation										
Opening balance	3,737,406	219,979,639	132,705,076	3,356,342	62,408,163	24,278,473	—	—	108,932,275	555,397,374
Depreciation for the period	—	9,351,195	6,428,855	58,602	2,588,994	1,316,488			24,474,381	44,218,515
Disposals	(460)	(95,058)	(680,459)	(11,218)	(11,275)	—			—	(798,470)
Transfers and write-offs	(13,188)	(1,687,893)	(50,136)	(4,359)	405	(5,357,759)			(26,863)	(7,139,794)
Terminated contracts	—	—	—	—	—	—	—	—	(4,765,898)	(4,765,898)
Adjustments	—	(1,504)	(79,048)	(4,276)	(8,975)	(6,138)	—	—	—	(99,940)
Closing balance	3,723,758	227,546,378	138,324,287	3,395,091	64,977,312	20,231,065	—	—	128,613,895	586,811,787
Accumulated impairment										
Opening balance	—	—	—	—	—	24,172	—	—	—	24,172
Other variations	—	—	—	—	—	(4,712)	—	—	—	(4,712)
Closing balance	—	—	—	—	—	19,460	—	—	—	19,460
Net Tangible fixed assets	**31,756,069**	**111,569,503**	**30,127,737**	**207,812**	**5,663,798**	**5,842,383**	**6,019,646**	**1,237,817**	**102,564,612**	**294,989,377**

Group	2021									
	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	35,479,827	339,115,881	168,452,024	3,602,903	70,641,110	26,092,908	6,019,646	1,237,818	231,178,507	881,820,624
Acquisitions	90,151	1,147,764	4,148,073	13,168	1,139,994	1,524,618	5,878,872	3,525,258	—	17,467,898
New contracts	—	—	—	—	—	—	—	—	28,610,189	28,610,189
Disposals	(222,547)	(7,914,602)	(7,094,964)	(21,041)	(1,742)	—	—	—	—	(15,254,896)
Transfers and write-offs	275,780	7,653,725	2,551,680	—	(126,872)	(311,937)	(8,287,534)	—	(6,528,059)	(4,773,218)
Remeasurements	—	—	—	—	—	—	—	—	1,179,139	1,179,139
Adjustments	—	4,652	158,587	8,868	9,590	5,727	1,918	—	(558,663)	(369,322)
Remeasurements lease terms	—	—	—	—	—	—	—	—	600,570	600,570
Change in the consolidation perimeter	—	469,081	868,215	3,500	393,551	58,375	—	—	2,189,935	3,982,657
Closing 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
Accumulated depreciation										
Opening balance	3,723,758	227,546,379	138,324,288	3,395,091	64,977,312	20,231,064	—	—	128,613,895	586,811,787
Depreciation for the period	—	8,880,869	6,507,580	60,416	1,685,243	1,310,469	—	—	26,397,955	44,842,534
Disposals	(203,240)	(8,423,387)	(6,925,351)	(20,498)	(1,465)	—	—	—	—	(15,573,941)
Transfers and write-offs	42,108	1,588,052	7,155	—	(126,338)	(285,824)	—	—	(2,996,447)	(1,771,295)
Adjustments	—	1,640	79,391	4,395	7,848	5,347	—	—	—	98,621
Change in the consolidation perimeter	—	264,751	859,406	2,139	247,118	5,949	—	—	1,169,535	2,548,897
Closing 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
Accumulated impairment										
Opening balance	—	—	—	—	—	19,460	—	—	—	19,460
Closing balance	—	—	—	—	—	19,460	—	—	—	19,460
Net Tangible fixed assets	**32,060,584**	**110,618,196**	**30,231,146**	**165,855**	**5,265,913**	**6,083,227**	**3,612,902**	**4,763,076**	**103,486,680**	**296,287,578**

The depreciation recorded in the **Group** amounting to 44,842,534 Euros (44,218,515 Euros on 31 December 2020), is booked under the heading Depreciation/amortization and impairment of investments, net (Note 46).

In the **Group**, in the period ended 31 December 2021, the caption “Changes in the consolidation perimeter” refers to the balances of the companies HCCM - Outsourcing Investment, S.A. and NewSpring Services, S.A. on the date of its acquisition, as explained in note 8.

During the years ended 31 December 2020 and 31 December 2021, the movements occurred in Tangible fixed assets, as well as the respective accumulated depreciation, regarding the **Company** were as follows:

Company	2020									
	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	33,755,677	321,807,672	127,889,963	2,524,183	61,141,762	27,805,443	1,927,665	2,414,000	142,963,827	722,230,194
Acquisitions	—	—	4,679,117	18,382	915,317	896,331	4,083,377	488,906	—	11,081,429
New contracts	—	—	—	—	—	—	—	—	17,285,195	17,285,195
Disposals	(8,099)	(149,792)	(621,950)	(11,218)	(10,171)	—	—	—	—	(801,231)
Transfers and write-offs	(92,105)	(194,592)	2,561,046	(4,359)	1,102	(5,340,605)	(2,007,211)	(2,621,849)	—	(7,698,573)
Terminated contracts	—	—	—	—	—	—	—	—	(1,981,534)	(1,981,534)
Remeasurements	—	—	—	—	—	—	—	—	6,916,678	6,916,678
Adjustments	—	—	(6,569)	(506)	(22,285)	779,731	—	—	—	750,371
Remeasurements lease terms	—	—	—	—	—	—	—	—	17,180,678	17,180,678
Closing balance	33,655,473	321,463,288	134,501,607	2,526,483	62,025,725	24,140,900	4,003,831	281,057	182,364,844	764,963,208
Accumulated depreciation										
Opening balance	3,737,406	210,496,407	108,963,087	2,482,723	55,347,029	23,007,033	—	—	91,691,711	495,725,395
Depreciation for the period	—	8,777,627	4,880,049	12,026	2,096,156	1,212,266	—	—	18,735,488	35,713,613
Disposals	(460)	(95,058)	(621,950)	(11,218)	(9,594)	—	—	—	—	(738,281)
Transfers and write-offs	(13,188)	(1,687,648)	(41,393)	(4,359)	32,314	(5,332,117)	—	—	—	(7,046,391)
Terminated contracts	—	—	—	—	—	—	—	—	(1,981,534)	(1,981,534)
Closing balance	3,723,758	217,491,329	113,179,793	2,479,172	57,465,905	18,887,182	—	—	108,445,665	521,672,803
Accumulated impairment										
Opening balance	—	—	—	—	—	24,172	—	—	—	24,172
Other variations	—	—	—	—	—	(4,712)	—	—	—	(4,712)
Closing balance	—	—	—	—	—	19,460	—	—	—	19,460
Net Tangible fixed assets	**29,931,715**	**103,971,959**	**21,321,814**	**47,311**	**4,559,820**	**5,234,258**	**4,003,831**	**281,057**	**73,919,179**	**243,270,945**

Company	2021									
	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	33,655,473	321,463,288	134,501,607	2,526,483	62,025,725	24,140,900	4,003,831	281,057	182,364,844	764,963,208
Acquisitions	—	—	1,381,225	1,036	729,906	827,303	2,561,892	458,948	—	5,960,310
New contracts	—	—	—	—	—	—	—	—	14,633,447	14,633,447
Disposals	(1,394,521)	(11,430,523)	(7,015,266)	(20,111)	(1,742)	—	—	—	—	(19,862,162)
Transfers and write-offs	275,780	7,343,054	7,064		270,939	(280,529)	(5,419,275)		(3,925,941)	(1,728,909)
Remeasurements	—	—	—	—	—	—	—	—	973,235	973,235
Adjustments	—	—	—	—	—	—	—	—	(103,073)	(103,073)
Other movements						40,970			—	40,970
Closing 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
Accumulated depreciation										
Opening balance	3,723,758	217,491,329	113,179,793	2,479,172	57,465,905	18,887,182	—	—	108,445,665	521,672,803
Depreciation for the period		8,152,295	4,223,497	10,884	1,155,935	1,191,200			19,952,128	34,685,940
Disposals	(203,240)	(8,423,387)	(6,877,036)	(20,110)	(1,465)				—	(15,525,238)
Transfers and write-offs	42,108	1,623,764	7,064		270,939	(278,003)			(1,178,979)	486,894
Closing 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
Accumulated impairment										
Opening balance	—	—	—	—	—	19,460	—	—	—	19,460
Other variations	—	—	—	—	—	—	—	—	—	—
Closing balance	—	—	—	—	—	19,460	—	—	—	19,460
Net Tangible fixed assets	**28,974,105**	**98,531,818**	**18,341,312**	**37,462**	**4,133,514**	**4,908,805**	**1,146,447**	**740,005**	**66,723,697**	**223,537,166**

The depreciation recorded in the **Company** amounting to 34,685,940 Euros (35,713,613 Euros on 31 December 2020), is booked under the heading Depreciation/amortization and impairment of investments, net (Note 46).

In the **Group** and the **Company,** as at 31 December 2021, Land and natural resources and Buildings and other constructions include 490,537 Euros (552,634 Euros as at 31 December 2020), related to land and property in co-ownership with the company MEO – Serviços de Comunicações e Multimédia, S.A..

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.

During the period ended 31 December 2021, the **Group** and the **Company** reviewed the useful lives of some tangible fixed assets' classes, standing out the computer equipment from office equipment class, extending them, essentially, from 3 to 6 years. The review of the useful life was carried out based on the analysis of the historical effective average use of the assets assigned to the underlying class, considering its current estimated economic life. Changes in useful lives are booked prospectively. The impact of this change results in a decrease in the depreciation for the year 2021 of 881 thousand Euros.

During the year ended 31 December 2021, the most significant movements in Tangible Fixed Assets were the following:

Buildings and other constructions:
The movements associated to acquisitions and transfers relate mostly to the capitalization of repairs in own and third parties' buildings of CTT and CTT Expresso.

The caption Transfers and Write-offs includes the amount of 2,201,564 Euros related to the transfer from Investment Properties, as well as the respective accumulated depreciations of 1,666,925 Euros, regarding a group of properties that were again assigned to the operational activity of the **Group**.

Basic equipment:
The amount of acquisitions mainly refers to the acquisition of several postal equipment for an approximate amount of 272 thousand Euros, motorcycles for an approximate amount of 911 thousand Euros at CTT, the acquisition of mail handling machines for an approximate amount of 1,198 thousand Euros, in CTT Expresso and the acquisition of terminals and scanners in the amount of 295 thousand Euros by Payshop.

Office equipment:
The amount related to acquisitions mainly concerns to the acquisition of several microcomputer equipment in the amount of approximately 492 thousand Euros, at CTT, the acquisition of several microcomputer equipment in the amount of approximately 160 thousand Euros and the acquisition of furniture in the amount of approximately 139 thousand Euros at CTT Express.

Other tangible fixed assets:
In acquisitions caption are essentially booked the prevention and security equipment in the approximately amount of 325 thousand Euros at CTT and the acquisition of ATMs for an approximate amount of 347 thousand Euros at Banco CTT.

Rights of Use
Following the adoption of IFRS 16 the **Group** and **Company** recognized rights of use, detailed by type of asset, as follows:

Group	2020			
	Buildings	Vehicles	Other assets	Total
Tangible fixed assets				
Opening balance	157,442,425	20,652,319	1,529,045	179,623,789
New contracts	15,254,946	13,349,576	48,537	28,653,059
Transfers and write-offs	(35,817)	—	—	(35,817)
Terminated contracts	(2,344,761)	(2,318,583)	(102,554)	(4,765,898)
Remeasurements	8,401,849	—	—	8,401,849
Remeasurements lease terms	19,301,526	—	—	19,301,526
Closing balance	198,020,167	31,683,313	1,475,027	231,178,507
Accumulated depreciation				
Opening balance	101,657,089	6,678,395	596,791	108,932,275
Depreciation for the period	18,004,732	6,150,313	319,337	24,474,381
Transfers and write-offs	(26,863)	—	—	(26,863)
Terminated contracts	(2,344,761)	(2,318,583)	(102,554)	(4,765,898)
Closing balance	117,290,196	10,510,125	813,574	128,613,895
Net Tangible fixed assets	**80,729,971**	**21,173,188**	**661,454**	**102,564,612**

Group	2021			
	Buildings	Vehicles	Other assets	Total
Tangible fixed assets				
Opening balance	198,020,167	31,683,313	1,475,027	231,178,507
New contracts	25,753,442	2,720,633	136,114	28,610,189
Transfers and write-offs	(5,941,969)	(586,090)	—	(6,528,059)
Remeasurements	1,779,709	—	—	1,779,709
Regularizations	(557,788)	(876)	—	(558,663)
Changes in the consolidation perimeter	2,096,605	93,330	—	2,189,935
Closing balance	221,150,166	33,910,310	1,611,141	256,671,618
Accumulated depreciation				
Opening balance	117,290,196	10,510,125	813,574	128,613,895
Depreciation for the period	19,348,499	6,835,484	213,973	26,397,955
Transfers and write-offs	(2,614,116)	(382,331)	—	(2,996,447)
Changes in the consolidation perimeter	1,117,563	51,971	—	1,169,535
Closing balance	135,142,142	17,015,249	1,027,547	153,184,938
Net Tangible fixed assets	**86,008,024**	**16,895,061**	**583,595**	**103,486,680**

As at 31 December 2020, the Remeasurements lease terms caption is related to the application of the new interpretation issued by IFRIC Committee, that changed the understanding of the lease-term definition.

The depreciation recorded, in the **Group,** in the amount of 26,397,955 Euros (24,474,381 Euros on 31 December 2020), is booked under the heading Depreciation/amortization and impairment of investments, net.

As at 31 December 2021, the amounts related to changes in the consolidation perimeter refer to the incorporation of New Spring Services and HCCM - Outsourcing Investment.

Company	2020			
	Buildings	Vehicles	Other assets	Total
Tangible fixed assets				
Opening balance	124,599,364	17,261,493	1,102,970	142,963,827
New contracts	5,220,068	12,065,127	—	17,285,195
Terminated contracts	(750,171)	(1,231,363)	—	(1,981,534)
Remeasurements	6,916,678	—	—	6,916,678
Remeasurements lease terms	17,180,678	—	—	17,180,678
Closing balance	153,166,617	28,095,257	1,102,970	182,364,844
Accumulated depreciation				
Opening balance	86,129,156	5,220,349	342,205	91,691,711
Depreciation for the period	13,269,895	5,306,845	158,748	18,735,488
Terminated contracts	(750,171)	(1,231,363)	—	(1,981,534)
Closing balance	98,648,880	9,295,832	500,953	108,445,665
Net Tangible fixed assets	**54,517,737**	**18,799,426**	**602,017**	**73,919,179**

Company	2021			
	Buildings	Vehicles	Other assets	Total
Tangible fixed assets				
Opening balance	153,166,617	28,095,257	1,102,970	182,364,844
New contracts	12,755,684	1,877,763	—	14,633,447
Transfers and write-offs	(3,595,527)	(330,414)	—	(3,925,941)
Remeasurements	973,235	—	—	973,235
Adjustments	(103,073)	—	—	(103,073)
Closing balance	163,196,935	29,642,606	1,102,970	193,942,512
Accumulated depreciation				
Opening balance	98,648,880	9,295,832	500,953	108,445,665
Depreciation for the period	13,849,801	5,953,042	149,285	19,952,128
Transfers and write-offs	(1,038,989)	(139,989)	—	(1,178,979)
Closing balance	111,459,692	15,108,885	650,238	127,218,814
Net Tangible fixed assets	**51,737,243**	**14,533,722**	**452,732**	**66,723,697**

As mentioned previously, the Remeasurements lease terms caption is related to the application of the new interpretation issued by IFRIC Committee, that changed the understanding of the lease-term definition.

The depreciation recorded, in the **Company**, in the amount of 19,952,128 Euros (18,735,488 Euros on 31 December 2020), is booked under the heading Depreciation/amortization 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 50), respectively.

In 2021, no interest on loans was capitalized, 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 2021.

The tangible and intangible assets impairment allocated to the cash-generating unit Mailtec, Transporta, 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 value 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.

According to the impairment tests performed and analysis of impairment signs, no events or circumstances were identified that indicate that the amount for which the **Group'**s and the **Company'**s tangible fixed assets are recorded may not be recovered.

The **Company** has in progress an analysis for the possible constitution of a real estate investment fund for its real estate fixed assets profitability. The final and updated market evaluations, according to current market conditions corresponding to these assets, will only be carried out after the decision to implement this initiative, and will determine the selection of the assets to be part of the fund.

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

The **Group** and the **Company** contractual commitments, related to Tangible fixed assets at 31 December 2021, amount to 620,690 Euros and 134,472 Euros, respectively.

6. Intangible assets

During the years ended 31 December 2020 and 31 December 2021, the movements which occurred in the main categories of the **Group** Intangible assets, as well as the respective accumulated amortization, were as follows:

Group	2020					
	Development projects	Computer Software	Industrial property	Other intangible assets	Intangible assets in progress	Total
Intangible assets						
Opening balance	4,380,552	113,876,654	16,848,440	444,739	16,088,740	151,639,125
Acquisitions	—	1,918,046	580,006	—	11,471,839	13,969,891
Transfers and write-offs	—	17,921,450	(50,300)	—	(18,271,063)	(399,913)
Adjustments	—		(102,410)	—	(80,876)	(183,287)
Closing balance	4,380,552	133,716,151	17,275,736	444,739	9,208,639	165,025,816
Accumulated amortization						
Opening balance	4,376,994	74,396,033	10,408,714	444,739	—	89,626,480
Amortization for the period	1,273	16,684,697	1,201,314	—	—	17,887,283
Transfers and write-offs	—	(404,012)	(50,300)	—	—	(454,312)
Adjustments	—	—	(50,597)	—	—	(50,597)
Closing balance	4,378,267	90,676,717	11,509,131	444,739	—	107,008,855
Net intangible assets	**2,285**	**43,039,433**	**5,766,604**	**—**	**9,208,639**	**58,016,961**

Group	2021					
	Development projects	Computer Software	Industrial property	Other intangible assets	Intangible assets in progress	Total
Intangible assets						
Opening balance	4,380,552	133,716,151	17,275,736	444,739	9,208,639	165,025,816
Acquisitions	—	2,269,684	1,129,377	—	15,279,692	18,678,753
Disposals	—	(255,750)	—	—	—	(255,750)
Transfers and write-offs	—	12,620,694	(102,919)	—	(12,621,044)	(103,269)
Adjustments	—	—	85,168	—	—	85,168
Changes in the consolidation perimeter	—	—	432,868	1,053,154	—	1,486,022
Closing balance	4,380,552	148,350,779	18,820,229	1,497,893	11,867,286	184,916,739
Accumulated amortization						
Opening balance	4,378,267	90,676,717	11,509,131	444,739	—	107,008,855
Amortization for the period	1,272	11,694,901	1,366,535	—	—	13,062,708
Transfers and write-offs	—	(59)	(102,919)	—	—	(102,978)
Adjustments	—	—	45,958	—	—	45,958
Changes in the consolidation perimeter	—	—	281,178	1,053,154	—	1,334,332
Closing balance	4,379,539	102,371,559	13,099,884	1,497,893	—	121,348,875
Accumulated impairment						
Opening balance	—	—	—	—	—	—
Impairment losses for the period	—	—	—	—	60,617	60,617
Closing balance	—	—	—	—	60,617	60,617
Net intangible assets	**1,013**	**45,979,220**	**5,720,345**	**—**	**11,806,669**	**63,507,247**

The amortization in the **Group** for the year ended 31 December 2021, amounting to 13,062,708 Euros (17,887,284 Euros as at 31 December 2020) was recorded under Depreciation / amortization and impairment of investments, net (Note 46).

In the **Group**, in the period ended 31 December 2021, the caption "Changes in the consolidation perimeter" refers to the balances of the companies HCCM - Outsourcing Investment, S.A. and NewSpring Services, S.A. . on the date of its acquisition (note 8).

During the years ended 31 December 2020 and 31 December 2021, the movements which occurred in the main categories of the **Company** Intangible assets, as well as the respective accumulated amortization, were as follows:

Company	2020				
	Development projects	Computer Software	Industrial property	Intangible assets in progress	Total
Intangible assets					
Opening balance	3,717,326	65,749,586	8,110,162	8,188,816	85,765,890
Acquisitions	—	177,087	552,826	4,798,788	5,528,701
Transfers and write-offs	—	8,900,869	—	(8,843,240)	57,630
Adjustments	—	—	(546)	—	(546)
Closing balance	3,717,326	74,827,542	8,662,441	4,144,364	91,351,674
Accumulated amortization					
Opening balance	3,717,326	50,374,820	4,033,723	—	58,125,869
Amortization for the period	—	10,004,268	948,088	—	10,952,356
Disposals	—	—	—	—	—
Transfers and write-offs	—	3,230	—	—	3,230
Closing balance	3,717,326	60,382,318	4,981,811	—	69,081,455
Net intangible assets	**—**	**14,445,224**	**3,680,631**	**4,144,364**	**22,270,219**

Company	2021				
	Development projects	Computer Software	Industrial property	Intangible assets in progress	Total
Intangible assets					
Opening balance	3,717,326	74,827,542	8,662,441	4,144,364	91,351,674
Acquisitions	—	410,800	1,119,430	9,123,539	10,653,769
Transfers and write-offs	—	5,001,762	—	(5,001,762)	—
Closing balance	3,717,326	80,240,104	9,781,872	8,266,141	102,005,443
Accumulated amortization					
Opening balance	3,717,326	60,382,318	4,981,811	—	69,081,455
Amortization for the period	—	3,508,960	1,162,589	—	4,671,549
Closing balance	3,717,326	63,891,279	6,144,400	—	73,753,005
Net intangible assets	**—**	**16,348,825**	**3,637,472**	**8,266,141**	**28,252,438**

The amortization in the **Company,** for the year ended 31 December 2021, amounting to 4,671,549 Euros (10,952,356 Euros as at 31 December 2020) was recorded under Depreciation / amortization and impairment of investments, net (Note 46).

During the period ended 31 December 2021, the **Group** and the **Company** reviewed the useful lives of some intangible assets' classes, standing out the application software, belonging to computer software class, extending them from 3 to 6 years. The review of the useful life was carried out based on the analysis of the historical effective average use of the assets assigned to the underlying class, considering its current estimated economic life. Changes in useful lives are booked prospectively. The impact of this change results in a decrease in the amortization for the year 2021 of 5,886 thousand Euros.

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 amortized, 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 2021 from Intangible assets in progress to Computer software refer to IT projects, which were completed during the year.

The amounts of 770,903 Euros and 1,186,512 Euros were capitalized in computer software or in Intangible assets in progress as at 31 December 2020 and 31 December 2021, respectively, related to **Company** staff costs incurred in the development of these projects.

During the year ended 31 December 2021, the most significant movements of the **Group** companies in Intangible assets were the following:

Computer software:
The acquisitions caption essentially includes the acquisitions, by CTT Expresso, of the "Microserv/ Minerva" software, in the amount of approximately 371 thousand Euros, of the Cloud software, in the approximate amount of 136 thousand Euros, of the "SalesForce" software, in the approximate amount of 166 thousand Euros and the software "Integration and Processes" amounts to approximately 181 thousand Euros.

Industrial property:
The acquisitions caption essentially includes the acquisitions, by CTT, of "Citrix" licenses in the amount of 321 thousand Euros, "Desk Management" licenses in the amount of approximately 163 thousand Euros, "CMR Oracle" licenses in the amount of approximately 374 thousand Euros and "Security & performance analytics" licenses in the amount of 169 thousand Euros.

As at 31 December 2021 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
Demiminis - software	1,903,236	1,903,236
Digital Factory - software	1,801,063	1,801,063
CRM - software	1,177,131	897,779
OneBiller Solution	850,927	—
Digitization Services - Software	365,194	365,194
New Ecosystem Operations - Software	332,242	—
SAP Hana & Hybris Billing	272,332	272,332
Analytics & Reporting - Software	260,156	260,156
Gateway	249,545	—
Mailmanager - software	245,216	245,216
	7,457,043	**5,744,976**

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 values 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 recovered.

Most of the projects are expected to be completed in 2022.

Regarding the economic period of 2021, the **Group** and the **Company** are still identifying and quantifying the expenses incurred, as disclosed in Note 51.

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

In 2021, no interest on loans was capitalized, 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 2021, amount to 3,850,509 Euros and 226,747 Euros, respectively.

7. Investment properties

As at 31 December 2020 and 31 December 2021, the **Group** and the **Company** have the following assets classified as investment properties:

	2020		
Group and Company	**Land and natural resources**	**Buildings and other constructions**	**Total**
Investment properties			
Opening balance	3,312,358	15,009,771	18,322,129
Additions	—	—	—
Disposals	(15,801)	(66,406)	(82,207)
Transfers and write-offs	(104,524)	(1,660,814)	(1,765,338)
Closing balance	**3,192,033**	**13,282,551**	**16,474,584**
Accumulated depreciation			
Opening balance	213,853	9,706,133	9,919,985
Depreciation for the period	—	235,404	235,404
Disposals	(85)	(21,759)	(21,844)
Transfers and write-offs	(11,259)	(1,173,919)	(1,185,178)
Closing balance	**202,509**	**8,745,858**	**8,948,368**
Accumulated impairment			
Opening balance	—	749,144	749,144
Impairment for the period	—	(298,836)	(298,836)
Closing balance	—	450,308	450,308
Net Investment properties	**2,989,524**	**4,086,384**	**7,075,908**

Group and Company	2021 Land and natural resources	Buildings and other constructions	Total
Investment properties			
Opening balance	3,192,033	13,282,551	16,474,584
Disposals	(26,832)	(126,599)	(153,431)
Transfers and write-offs	(275,780)	(1,925,784)	(2,201,564)
Closing balance	**2,889,422**	**11,230,168**	**14,119,589**
Accumulated depreciation			
Opening balance	202,509	8,745,858	8,948,368
Depreciation for the period	—	216,293	216,293
Disposals	(1,752)	(96,754)	(98,505)
Transfers and write-offs	(42,108)	(1,624,817)	(1,666,925)
Closing balance	**158,649**	**7,240,580**	**7,399,229**
Accumulated impairment			
Opening balance	—	450,308	450,308
Impairment for the period	—	(57,372)	(57,372)
Closing balance	—	392,936	392,936
Net Investment properties	**2,730,773**	**3,596,652**	**6,327,424**

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

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 2021 which were conducted by independent entities, amounts to 10,345,517 Euros (11,956,192 Euros as at 31 December 2020).

On 31 December 2021, the caption Transfers and Write-offs includes the amount of 2,201,564 (2020: 1,765,338 Euros) related to the transfer from Investment Properties, as well as the corresponding accumulated depreciations of 1,666,925 (2020: 1,185,178 Euros) of a group of properties that were again assigned to the operational activity of the **Group**.

Depreciation for the year ended on 31 December 2021, of 216,293 Euros (235,404 Euros on 31 December 2020) was recorded in the caption Depreciation/amortization and impairment of investments, net (Note 46).

As at 31 December 2021, the rents amount charged by the **Group** and **Company** for properties and equipment leases classified as investment properties was 32,367 Euros (2020: 48,416 Euros).

For the year ended 31 December 2020, impairment losses, amounting to (298,836) Euros, were recorded in the caption "Depreciation/amortization and impairment of investments, net" and are explained by the market value increase observed in some buildings and the properties transferred to tangible fixed assets, as mentioned above.

For the period ended 31 December 2021, impairment losses, amounting to (57,372) Euros, were recorded in the caption "Depreciation/amortization and impairment of investments, net" and are explained by the properties transferred to tangible fixed assets.

8. Companies included in the consolidation

GRI 201-01

Subsidiary companies

As at 31 December 2020 and 31 December 2021, 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	2020 Percentage of ownership			2021 Percentage of ownership		
			Direct	Indirect	Total	Direct	Indirect	Total
Parent company:								
CTT - Correios de Portugal, S.A.	Portugal	Av. D. João II N.º 13 1999-001 Lisboa	—	—	—	—	—	—
Subsidiaries:								
CTT Expresso - Serviços Postais e Logística, S.A. ("CTT Expresso")	Portugal	Av. D. João II N.º 13 1999-001 Lisboa	100	—	100	100	—	100
Payshop Portugal, S.A. ("Payshop")	Portugal	Av. D. João II N.º 13 1999-001 Lisboa	—	100	100	—	100	100
CTT Contacto, S.A. ("CTT Con")	Portugal	Av. D. João II N.º 13 1999-001 Lisboa	100	—	100	100	—	100
CTT Soluções Empresariais, S.A. ("CTT Sol")	Portugal	Av. D. João II N.º 13 1999-001 Lisboa	100	—	100	100	—	100
Correio Expresso de Moçambique, S.A. ("CORRE")	Mozambique	Av. 24 de Julho, Edificio 24, n.º 1097, 3.º Piso, Bairro da Polana Maputo - Moçambique	50	—	50	50	—	50
Banco CTT, S.A. ("BancoCTT")	Portugal	Av. D. João II N.º 13 1999-001 Lisboa	100	—	100	100	—	100
Fundo Inovação TechTree ("TechTree")	Portugal	Av Conselheiro Fernando de Sousa, 19 13º Esq 1070-072 Lisboa	25	75	100	60	40	100
321 Crédito - Instituição Financeira de Crédito, S.A. ("321 Crédito")	Portugal	Av. Duque d'Ávila, 46, 7º B 1050-083 Lisboa	—	100	100	—	100	100
HCCM - Outsourcing Investiment, S.A. ("HCCM")	Portugal	Av. D. João II N.º 13 1999-001 Lisboa	—	—	—	—	100	100
NewSpring Services, S.A. ("NSS")	Portugal	Av. D. João II N.º 13 1999-001 Lisboa	—	—	—	—	100	100
CTT IMO - Sociedade Imobiliária, S.A. ("CTTi")	Portugal	Av. D. João II N.º 13 1999-001 Lisboa	—	—	—	100	—	100
Open Lockers, S.A. ("Lock")	Portugal	Av. D. João II N.º 13 1999-001 Lisboa	—	—	—	26	41	66

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 9 October 2020, the **Group** established the entity CTT – Soluções Empresariais, S.A., operating in the area of providing advisory services for business and supporting companies' management and administration and was included in the consolidation perimeter since 2020.

In December 2020, CTT and a group of its subsidiaries subscribed participation units of an investment and innovation fund, Tech Tree. The subscribing entities of the fund have the possibility of benefit from the Tax Incentive System for Research & Business Development (SIFIDE), through the participation units subscription of this investment fund, intended to finance companies dedicated mainly to research and development. Techtree fund is included in the consolidation perimeter since 2020.

On 25 January 2021, CTT - Correios de Portugal, S.A. subscribed a share capital increase in the subsidiary Banco CTT, S.A., with a cash contribution in the amount of 10,000,000 Euros and with the issue of 10,000,000 new shares with no par value, ordinary, nominative and with an issue value of 1 Euro each. Banco CTT, S.A.'s share capital amounting to 286,400,000 Euros increased to 296,400,000 Euros.

On 30 August 2021, the total share capital of NewSpring Services, S.A. (“NewSpring Services”) and its holding HCCM - Outsourcing Investment, S.A. (“HCCM – Outsourcing Investment”), companies operating in the Business Process Outsourcing (BPO) and Contact Center market were acquired for an amount of 10,573,344 Euros, which amount was fully satisfied by financial settlement on that date.

On 22 December 2021, the entity CTT IMO - Sociedade Imobiliária, S.A., was established with the purpose of the purchase, exchange, sale and lease of real estate, and resale of the acquired assets for this purpose.

On 30 December 2021, the company Open Lockers, S.A was established. This company is the result of a partnership agreement between CTT and YunExpress, the logistics business unit of the Chinese company Zongteng Group, which resulted in the creation of this partnership that aims to manage the business of a locker network for parcel pick-up in Portugal and Spain. CTT holds a 66% majority stake in the new company and YunExpress holds a 34% stake.

This partnership aims to develop CTT’s leading network of lockers for e-commerce in Portugal, which will be open to any carriers. CTT plans to install 1,000 lockers by the end of 2022, thus offering the largest and most widespread national network of lockers that will be part of the current network of more than 2,000 CTT Pick-up Points where clients can collect their parcels.

This business will represent a joint investment of around 8 million Euros over a 3-year period.

YunExpress is a CTT customer and partner, being a cross-border aggregator from Asia, with strong logistics expertise. The locker network will also be supported by a group of different national suppliers, from metal work to software, allowing greater autonomy and technological agility.

As a solution of enormous convenience for both those who sell and those who buy online, the lockers will also complement the CTT pick-up point network, with an innovative solution, strengthening CTT’s differentiated positioning in the entire e-commerce value chain and reinforcing CTT's close connection with its customers.

Joint ventures

As at 31 December 2020 and 31 December 2021, the **Group** held the following interests in joint ventures, registered through the equity method:

Company name	Place of business	Head office	2020			2021		
			Percentage of ownership			Percentage of ownership		
			Direct	Indirect	Total	Direct	Indirect	Total
NewPost, ACE	Portugal	Av. Fontes Pereira de Melo, 40 Lisboa	49	—	49	49	—	49
PTP & F, ACE	Portugal	Estrada Casal do Canas Amadora	51	—	51	51	—	51
Wolfspring, ACE	Portugal	Urbanização do Passil, nº100-A 2890-852 Alcochete	—	—	—	—	50	50
MKTPlace - Comércio Eletrónico, S.A ("MKTP")	Portugal	Rua Eng.º Ferreira Dias 924 Esc. 5 Porto	50	—	50	50	—	50

The entity Mktplace - Comércio Eletrónico, S.A., a partnership with Sonae - SGPS, S.A., is an e-commerce platform that provides integrated services for the intermediation of commercial relations between sellers and consumers. Each shareholder, CTT and Sonae, owns 50% of the share capital of the referred entity.

On 31 March 2021, the entity MKTPlace – Comércio Eletrónico, S.A. was subject to a capital increase in the form of supplementary capital, with an approved amount of 2,305,562 Euros. On 12 April 2021, the amount of 767,956 Euros was paid, on 1 July 2021, the amount of 621,069 Euros, and the remaining would take place in October 2021 in the amount of e 916,537 Euros. However, the General Meeting decided to reduce the amount of the last portion to 400,503 Euros, which took effect on 25 November 2021.

As of 31 December 2021, the entity Wolfspring ACE became part of the joint ventures whose interests are held by the Group. The interest in this entity is held by New Spring Services (entity that integrated the consolidation perimeter in this period) and results from a partnership with Reisswolf – Tratamento confidencial e reciclagem de dados e serviços, S.A. for the provision of services in the custody and management archive area.

Associated companies

As at 31 December 2020 and 31 December 2021, the **Group** held the following interests in associated companies accounted for by the equity method:

Company name	Place of business	Head office	2020			2021		
			Percentage of ownership			Percentage of ownership		
			Direct	Indirect	Total	Direct	Indirect	Total
Mafelosa, SL [a]	Espanha	Castellon - Espanha	—	25	25	—	25	25
Urpacksur, SL [a]	Espanha	Málaga - Espanha	—	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	% Economic Interest	Consolidation Method
Ulisses Finance No.1 (*)	2017	Portugal	30.2 %	Full
Ulisses Finance No.2 (*)	2021	Portugal	0.00040 %	Full
Chaves Funding No.8 (*)	2019	Portugal	100 %	Full
Next Funding No.1 (*)	2021	Portugal	100 %	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

In the consolidated financial statements at 30 December 2021, the structured entity Next Funding No.1 was included for the first time. This entity is the result of a partnership between Banco CTT and Sonae Financial Services for the financing of the Universo card and the related management of credit risk exposure. The underlying assets of the Next Funding No.1 operation were consolidated and recognized in Banco CTT's consolidated accounts, considering that Banco CTT is i) responsible for all relevant activities inherent to the management of the underlying assets, ii) has exposure to variable income and iii) has the ability to affect its variable returns through the power to manage the relevant activities.

During the third quarter of 2021, the CTT Bank Group issued a new securitization operation (Ulisses Finance No. 2) related to the auto loan portfolio originated by 321 Crédito in the amount of 250 million Euros. Considering IFRS10, this operation became part of the Group's consolidation perimeter.

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

	31.12.2020	31.12.2021
Cash and cash equivalents	9,896,409	20,092,235
Financial assets at amortized cost - Credit to Banking clients (Note 20)	—	298,716,076
Other banking financial liabilities (Debt securities issued) - note 16	44,517,924	277,795,753

Changes in the consolidation perimeter

In 2020, the consolidation perimeter includes the entity CTT – Soluções Empresariais, S.A., established on 9 October 2020, and the Investment Fund Techtree whose shares were subscribed by CTT, CTT Expresso, CTT Contacto and CTT Soluções empresariais, in equal parts at the end of 2020.

During the period ended 31 December 2021, the structured entities Next Funding No.1 and Ulisses Finance No.2 was included in the consolidation perimeter.

During the period ended 31 December 2021, the consolidation perimeter was also changed following the acquisition of NewSpring Services and its holding HCCM - Outsourcing Investment. On 16 June 2021, CTT through its subsidiary CTT Soluções Empresariais, S.A. entered into a purchase agreement for the acquisition of the total share capital of these companies, operating in the Business Process Outsourcing (BPO) and Contact Center market.

The acquisition was carried out on 30 August 2021 (transaction closing date), for an initial fixed price of 7,000,000 Euros, subject to adjustments, based on the accounts prepared at the transaction close, related to the net financial debt and working capital of the acquired companies, with the acquisition price of 10,573,344 Euros. Additionally, earnouts were agreed depending on the company's activity over the 2 years following the closing date, based on the achievement of pre-defined objectives for NewSpring Services, including EBITDA targets.

The Group incurred in expenses related to the acquisition of NewSpring Services of 190.716 Euros related to the transaction, namely financial advice and legal costs. These expenses were recorded in the External Supplies and Services item.

The Purchase Price Allocation (PPA) is ongoing and the Group is still evaluating the assumptions and criteria for the fair value assessment of the assets acquired and the liabilities assumed and will be concluded within the 12 months after the acquisition date as required by IFRS 3 – Business Combinations.

Therefore, the initial Goodwill assessed on the date of the acquisition of HCCM - Outsourcing Investment and NewSpring Services is as follow:

	Initial recognition
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**
Goodwill	**9,097,814**
Fair Value of contingent components	**4,500,000**
Acquisition Price	**10,573,344**

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

The contingent components are related to the earnouts described above, and their fair value is determined based on the best estimate at the operation closing date, subject to revaluation at each reporting date.

It should be noted that the calculated Goodwill was fully allocated to the NewSpring Services Cash Generating Unit, since HCCM – Outsourcing investment has as its sole activity the shareholding management in this entity.

The assets acquired from HCCM – Outsourcing investment and NewSpring Services are detailed as follows:

HCCM	Initial recognition
Non current assets	
Tangible fixed assets	54,118
Goodwill	2,171,673
Intangible assets	70
Investments in subsidiaries	2,736,914
Other investments	4,121
Non current assets	**4,966,896**
Current assets	
Income yax receivables	7,498
Other current assets	1,091
Prepayments	3,798
Cash and cash equivalents	907,947
Current assets	**920,334**
Assets acquired (HCCM)	**5,887,230**

NSS	Initial recognition
Non current assets	
Tangible fixed assets	1,337,688
Intangible assets	151,620
Investments in joint ventures	54,045
Other investments	221,726
Non current assets	**1,765,079**
Current assets	
Account receivables	2,487,856
Other current assets	1,488,112
Prepayments	126,647
Cash and cash equivalents	4,007,867
Current assets	**8,110,482**
Assets acquired (NSS)	**9,875,561**

The detail of accounts receivable from NewSpring Services is detailed as follows:

	Initial Recognition
Accounts receivables - National	2,487,856
Doubtful debts	51,648
Accumulated Impairment Losses	(51,648)
Total	**2,487,856**

As previously mentioned, the Purchase Price Allocation (PPA) is in progress. The net book value of accounts receivable on the acquisition date amounts to 2,487,856 Euros, with no differences in relation to their fair value within the scope of IFRS 3.

NewSpring Services results are presented as follows (related to the period September to December 2021):

Income Statement - from 01.09.2021 until 31.12.2021

Caption	Amount
Sales and service rendered	7,946,137
Other operating income	86,400
	8,032,536
External services and services	(2,768,571)
Staff Costs	(3,817,770)
Depreciation/ amortization and impairment of investment, net	(250,071)
Other operating costs	(140,002)
	(6,976,414)
Interest expenses	(13,201)
Gains/ losses in subsidiary, associated companies and joint ventures	(36,053)
Earning before taxes	**1,006,868**
Income tax for the period	(156,220)
Net profit for the period	**850,648**

On 22 December 2021, the entity CTT IMO - Sociedade Imobiliária, SA was established and on 30 December 2021 the company Open Lockers, S.A was established, which results from a partnership agreement between CTT and YunExpress, in which CTT holds a 66% majority stake in the new company and YunExpress, a 34% participation.

9. Goodwill

As at 31 December 2020 and 31 December 2021, the **Group** Goodwill was made up as follows:

Group	Year of acquisition	2020	2021
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.	2017	2,955,753	2,955,753
HCCM - Outsourcing Investment, S.A./ New Spring Services S.A.	2021	—	11,269,486
		70,201,828	**81,471,314**

During the years ended 31 December 2020 and 31 December 2021, the movements in Goodwill were as follows:

Group	2020	2021
Opening balance	70,201,828	70,201,828
Acquisitions	—	9,097,814
Changes in the consolidation perimeter	—	2,171,673
Closing balance	**70,201,828**	**81,471,314**

The acquisitions occurred in the period ended 31 December 2021 are related with the acquisition of the company NewSpring Services, with a Goodwill of 9,097,814 Euros being booked (note 8). The changes in the consolidation perimeter are related with the Goodwill booked in the company HCCM - Outsourcing Investment in previous periods related to NewSpring Services.

Goodwill impairment assessment

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 2020 and 31 December 2021 based on the following assumptions:

Company name	Activity	2020				
		Base for determining the recoverable amount	Explicit period for cash flows	Discount rate (WACC)	Discount rate (Cost of Equity)	Perpetutiy rate growth
Mailtec Comunicação, S.A.	Documental services	Equity Value/DCF	5 years	9.70%	—	1.5%
Transporta - Transportes Porta a Porta, S.A.	Cargo and Logistics	Equity Value/DCF	5 years	9.70%	—	1.0%
CTT Expresso, Sucursal em Espanha	Cargo and Logistics	Equity Value/DCF	6 years	9.60%	—	1.6%
Payshop (Portugal), S.A.	Payment network management	Equity Value/DCF	10 years	—	10.00%	1.5%
321 Crédito - Instituição Financeira de Crédito, S.A.	Consumer Credit	Equity Value/DCF	10 years	—	10.00%	1.5%

Company name	Activity	2021				
		Base for determining the recoverable amount	Explicit period for cash flows	Discount rate (WACC)	Discount rate (Cost of Equity)	Perpetutiy rate growth
Mailtec Comunicação, S.A.	Documental services	Equity Value/DCF	5 years	8.00%	—%	1.4%
Transporta - Transportes Porta a Porta, S.A.	Cargo and Logistics	Equity Value/DCF	5 years	8.20%	—%	1.4%
CTT Expresso, Sucursal em Espanha	Cargo and Logistics	Equity Value/DCF	5 years	8.20%	—%	1.4%
Payshop (Portugal), S.A.	Payment network management	Equity Value/DCF	5 years	7.60 %	—%	1.4%
321 Crédito - Instituição Financeira de Crédito, S.A.	Consumer Credit	Equity Value/DCF	9 years	— %	10.00%	1.5%
New Spring Services, S.A.	Back office technical services	Equity Value/DCF	5 years	8.00 %	—%	1.4%

The generalized decrease in the discount rate (WACC) in the period ended 31 December 2021 resulted mainly from the decrease in the “Country Risk Premium” and “Market Risk Premium”, due to the general improvement in the macroeconomic scenario in 2021 compared to 2020 .

The cash flow projections were based on historical performance and 5-year business plans, approved by the Board of Directors, except for 321 Crédito, as given the recent acquisition of this entity in 2019, according to the business plan, the cash flows stability will only be achieved in a longer time frame.

In the case of 321 Crédito, the cash flows were estimated based on projections of results and the evolution of activity based on the entity's business plan. This business plan covers a period until 2030, and considers, over this period, a compound annual growth rate of 7.5% of the assets.

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 2021.

As a consequence of this impairment analysis, the **Group** concluded that as at 31 December 2021 there were no indications of impairment losses to be recognized.

As at 31 December 2020 and 31 December 2021, the impairment losses registered in the **Group** are as follows:

	2020			
	Year of acquisition	Initial value of Goodwill	Accumulated impairment losses	Carrying value
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**

	2021			
	Year of acquisition	Initial value of Goodwill	Accumulated impairment losses	Carrying value
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 analyzes 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 analyzes 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 (ii) increase of 50 points in the different interest rates discount used.

The results of the sensitivity analyze carried out do not determine the existence of signs of impairment in Goodwill.

10. Investments in subsidiary companies

During the years ended 31 December 2020 and 31 December 2021, the movements occurred in the **Company** in Investments in subsidiary companies were as follows:

	2020			2021		
	Investments in subsidiary companies	Provisions for investments in subsidiary companies	Total	Investments in subsidiary companies	Provisions for investments in subsidiary companies	Total
Opening balance	233,475,030	—	233,475,030	235,531,801	—	235,531,801
Equity method	790,022	—	790,022	24,588,398	—	24,588,398
Equity Method Adjustements (intra-group)	(6,941)	—	(6,941)	1,976	—	1,976
Distribution of dividends	—	—	—	(750,000)	—	(750,000)
Share capital increase	—	—	—	12,000,000	—	12,000,000
New Shares	1,250,000	—	1,250,000	275,500	—	275,500
Other	23,689	—	23,689	55,224	—	55,224
Closing balance	**235,531,801**	**—**	**235,531,801**	**271,702,900**	**—**	**271,702,900**

As at 31 December 2020, the caption “New Shares” increase includes the share capital subscription of the subsidiary CTT Soluções Empresariais, established in the current year, in the amount of 250,000 Euros and the subscription of 25% of FCR TechTree shares, in the total amount of 1,000,000 Euros.

On 31 December 2021, the caption "Share Capital increase" includes the capital increase of Banco CTT, S.A. which occurred on 25 January 2021, in the amount of 10,000,000 Euros and the subscription of participation units of Fundo TechTree in the amount of 2,000,000 Euros at 29 December 2021. The **Company**'s interest in the entity changed from 25% to 60%.

On 1 December 2021, a decision to distribute dividends in the amount of 750,000 Euros was taken by CTT Contacto.

As at 31 December 2021, the caption "New shares" includes the subscription of the share capital of the subsidiary CTT IMO, constituted in the current year, in the amount of 250,000 Euros and the subscription of the share capital of the subsidiary Open Lockers in the amount of 25,500 Euros.

As at 31 December 2020 and 31 December 2021, the detail by **Company** of Investments in subsidiaries of the Company was as follows:

Company	2020							
	% held	Assets	Liabilities	Equity	Net profit	Goodwill (nota 9)	Investments	Proportion of net profit
CTT Expresso,S.A.	100%	145,468,865	138,960,853	6,508,011	(1,903,514)	2,955,753	6,508,386	(1,903,514)
CTT Contacto, S.A.	100%	6,962,138	1,187,116	5,775,022	1,482,447	—	5,775,017	1,482,447
CORRE - Correio Expresso Moçambique, S.A.	50%	1,611,955	1,183,802	428,153	194,451	—	323,675	97,225
Banco CTT, S.A.	100%	1,930,219,326	1,718,494,360	211,724,966	285,011	—	211,728,793	285,011
FCR TECHTREE	25%	4,000,000	—	4,000,000	—	—	1,000,000	—
CTT Soluções Empresariais, S.A.	100%	2,146,352	1,067,500	1,078,852	828,852	—	1,078,852	828,852
Mailtec Comunicação S.A.		—	—	—	—	6,161,326	—	—
						9,117,079	**226,414,722**	**790,022**

Company	2021							
	% held	Assets	Liabilities	Equity	Net profit	Goodwill (nota 9)	Investments	Proportion of net profit
CTT Expresso,S.A.	100%	184,126,919	169,073,533	15,053,386	8,520,403	2,955,753	15,054,183	8,520,403
CTT Contacto, S.A.	100%	7,290,992	1,465,070	5,825,922	800,900	—	5,825,917	800,900
CORRE - Correio Expresso Moçambique, S.A.	50%	2,462,169	1,403,935	1,058,234	374,401	—	529,106	187,190
Banco CTT, S.A.	100%	2,393,023,938	2,155,866,804	237,157,134	15,424,262	—	237,162,515	15,424,262
FCR TECHTREE	60%	4,906,324	15,191	4,891,134	(136,766)	—	2,927,240	(72,760)
CTT Soluções Empresariais, S.A.	100%	24,250,673	23,392,984	857,689	225,266	—	857,689	(225,266)
CTT IMO - Sociedade Imobiliária, S.A.	100%	7,371,610	7,156,181	215,428	(34,572)	—	203,670	(46,330)
Open Lockers, S.A.	26%	100,000	—	100,000	—	—	25,500	—
Mailtec Comunicação S.A.	— %	—	—	—	—	6,161,326	—	—
						9,117,079	**262,585,820**	**24,588,398**

The investments in subsidiaries amount is assessed whenever there are indications of an eventual amount loss. 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 2020 and 31 December 2021, the net income 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 recognized against the following items on the balance sheet:

Company	2020	2021
Investment in subsidiaries		
CTT Expresso,S.A.	(1,903,514)	8,520,403
CTT Contacto, S.A.	1,482,447	800,900
CORRE - Correio Expresso Moçambique, S.A.	97,225	187,190
Banco CTT, S.A.	285,011	15,424,262
FCR TECHTREE	—	(72,760)
CTT Solucões Empresariais, S.A.	828,852	(225,266)
CTT IMO - Sociedade Imobiliária, S.A.	—	(46,330)
Open Lockers, S.A.	—	—
	790,022	**24,588,398**

CTT Expresso, S.A. includes CTT Expresso Portugal and its branch in Spain (previously designated as Tourline).

The companies 321 Crédito – Instituição Financeira de Crédito, S.A. and Payshop Portugal, S.A. are owned by CTT Bank, and the bank’s financial investment amount includes the gains and losses of these companies.

The entities HCCM - Outsourcing Investment, S.A. and NewSpring Services are owned by CTT Soluções Empresariais. Open Lockers is 25.5% owned by the **Company**, with the remaining of the group's share held by CTT Expresso and CTT Soluções Empresariais. 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 2020 and 31 December 2021, the **Group** and the **Company** investments in associated companies had the following movements:

	Group		Company	
	2020	2021	2020	2021
Gross carrying value				
Opening balance	293,434	481	292,953	—
Equity method - proportion of net income	—	—	—	—
Other	(292,953)	—	(292,953)	—
Closing balance	**481**	**481**	**—**	**—**

As at 31 December 2020 and 31 December 2021, the detail by company of the **Group** and the **Company** investments in associated companies were as follows:

	Group		Company	
	2020	2021	2020	2021
Multicert, S.A.	—	—	—	—
Urpacksur, S.L.	481	481	—	—
	481	**481**	**—**	**—**

In August 2020, the investment in Multicert - Serviços de Certificação Electrónica, S.A. was sold, resulting in a capital gain of 707,047 Euros, recorded in the caption Gains/losses in subsidiary, associated companies and joint ventures.

Group	2020						
	% held	Assets	Liabilities	Equity	Net profit	Investments	Proportion of net profit
Mafelosa, SL [(a)] [(b)]	25%	n.d.	n.d.	n.d.	n.d.	—	n.d.
Urpacksur [(a)] [(b)]	30%	n.d.	n.d.	n.d.	n.d.	481	n.d.
						481	**—**

[(a)] Company held by CTT Expresso - Serviços Postais e Logística, S.A., branch in Spain (until 2018 held by Tourline Mensajeria, SLU).

[(b)] Companies without activity

Group	2021						
	% held	Assets	Liabilities	Equity	Net profit	Investments	Proportion of net profit
Mafelosa, SL [(a)] [(b)]	25%	n.d.	n.d.	n.d.	n.d.	—	n.d.
Urpacksur [(a)] [(b)]	30%	n.d.	n.d.	n.d.	n.d.	481	n.d.
						481	**—**

[(a)] Company held by CTT Expresso - Serviços Postais e Logística, S.A., branch in Spain (until 2018 held by Tourline Mensajeria, SLU).

[(b)] Companies without activity

12. Investments in joint ventures

As at 31 December 2020 and 31 December 2021, the detail of the **Group** and the **Company** investments in joint ventures were as follows:

Group and Company	2020								
	% held	Assets	Liabilities	Equity	Net profit	Investment	Impairment	Book Value	Proportion of net profit
MKTPlace - Comércio Electrónico, S.A.	50%	9,564,986	3,608,053	5,956,933	(4,633,969)	2,925,100	—	2,925,100	(2,477,083)
PTP & F, ACE	51%	—	—	—	—	—	—	—	—
NewPost, ACE	49%	—	—	—	—	—	—	—	—
						2,925,100	**—**	**2,925,100**	**(2,477,083)**

Group and Company	% held	Assets	Liabilities	Equity	Net profit	Investment	Impairment	Book Value	Proportion of net profit
	2021								
MKTPlace - Comércio Electrónico, S.A.	50%	8,157,626	2,403,242	5,754,384	(4,096,254)	2,193,233	(2,193,233)	—	(2,521,396)
Wolfpring, ACE	50%	233,880	185,813	48,067	41,668	17,992	—	17,992	20,834
PTP & F, ACE	51%	—	—	—	—	—	—	—	—
NewPost, ACE	49%	—	—	—	—	—	—	—	—
						2,211,225	**(2,193,233)**	**17,992**	**(2,500,562)**

As at 31 December 2021, an impairment charge was recognized for the investment in the entity MKT Place in the amount of 2,193,233 Euros, which represents 100% of the financial investment. Given the company's history of losses and the non-achievement of the previously approved business plan, the **Group** understood that the amount would not be recoverable.

13. Other investments

The amount of Other investments as at 31 December 2020 and 31 December 2021, in the **Group** and the **Company**, were as follows:

Entity	Head office	Group 2020	Group 2021
IPC-International Post Corporation	Brussels - Belgium	6,157	6,157
Lisgarante - SGM, S.A.	Lisbon - Portugal	—	5,000
Garval - SGM, S.A.	Lisbon - Portugal	—	290
KIT-AR LIMITED	London - UK	—	300,000
CEPT	Copenhagen - Denmark	237	237
		6,394	**311,684**

Entity	Head office	Company 2020	Company 2021
IPC-International Post Corporation	Brussels - Belgium	6,157	6,157
CEPT	Copenhagen - Denmark	237	237
		6,394	**6,394**

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

There are no market prices available for the mentioned investments and it is not possible to determine fair value in the period using comparable transactions. These instruments were not measured through discounted cash flows since these could not be reliably determined.

14. Debt securities

As at 31 December 2020 and 31 December 2021, the caption Debt securities, in the Group, showed the following composition:

	31.12.2020	31.12.2021
Non-current		
Financial assets at fair value through other comprehensive income (1)		
Government bonds	860,281	—
Bonds issued by other entities	11,413,276	4,906,841
	12,273,557	**4,906,841**
Financial assets at amortized cost		
Government bonds	450,600,878	295,098,611
Bonds issued by other entities	2,665,125	—
Impairment	(175,486)	(111,953)
	453,090,517	**294,986,658**
	465,364,074	**299,893,499**
Current		
Financial assets at fair value through other comprehensive income (1)		
Government bonds	6,760,199	849,374
Bonds issued by other entities	521,074	338,695
	7,281,273	**1,188,069**
Financial assets at amortized cost		
Government bonds	39,973,188	38,795,904
Bonds issued by other entities	5,193,374	386,509
Impairment	(6,505)	(8,552)
	45,160,057	**39,173,861**
	52,441,330	**40,361,930**
	517,805,404	**340,255,429**

(1) As at 31 December 2020 and 31 December 2021 includes the amount of 9,429 Euros and 3,194 Euros, respectively, regarding Accumulated impairment losses.

During 2021, there were carried out sales of debt securities at amortized cost in the amount of 204 million Euros (nominal value) which resulted in a gain of 17,777 thousand Euros (note 47).

For “Financial assets at fair value through other comprehensive income”, the changes in fair value are reflected in other comprehensive income, as described in note 2.11.2. (note 27).

The analysis of the Financial assets at fair Value through other comprehensive income and the Financial assets at amortized cost, by remaining maturity, as at 31 December 2020 and 31 December 2021 is detailed as follows:

	31.12.2020						
	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 fair value through other comprehensive income [(1)]							
Government bonds							
National	45,271	6,714,928	6,760,199	860,281	—	860,281	7,620,481
Bonds issued by other entities							
National	521,074	—	521,074	11,413,276	—	11,413,276	11,934,350
	566,345	**6,714,928**	**7,281,273**	**12,273,557**	**—**	**12,273,557**	**19,554,830**

[(1)] As at 31 December 2020 includes the amount of 9,429 Euros regarding Accumulated impairment losses.

	31.12.2020						
	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 amortized cost							
Government bonds							
National	4,492,510	13,931,350	18,423,860	60,600,346	209,854,020	270,454,366	288,878,226
Foreign	993,484	20,555,844	21,549,328	24,543,252	155,603,260	180,146,511	201,695,839
Bonds issued by other entities							
National	5,193,374	—	5,193,374	2,665,125	—	2,665,125	7,858,500
	10,679,369	**34,487,193**	**45,166,562**	**87,808,724**	**365,457,279**	**453,266,003**	**498,432,565**

	31.12.2021						
	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 fair value through other comprehensive income [(1)]							
Government bonds							
National	4,384	844,990	849,374	—	—	—	849,374
Bonds issued by other entities							
National	338,695	—	338,695	4,906,841	—	4,906,841	5,245,536
	343,079	**844,990**	**1,188,069**	**4,906,841**	**—**	**4,906,841**	**6,094,910**

[(1)] As at 31 December 2021 includes the amount of 3,194 Euros regarding Accumulated impairment losses.

	31.12.2021						
	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 amortized cost							
Government bonds							
National	2,521,147	22,264,251	24,785,398	38,565,156	122,194,456	160,759,612	185,545,010
Foreign	1,013,181	12,997,325	14,010,506	11,098,271	123,240,728	134,338,999	148,349,505
Bonds issued by other entities							
National	386,509	—	386,509	—	—	—	386,509
	3,920,837	**35,261,576**	**39,182,413**	**49,663,427**	**245,435,184**	**295,098,611**	**334,281,023**

The impairment losses, for the period ended 31 December 2020 and 31 December 2021, are detailed as follows:

	2020					
	Opening balance	Increases	Reversals	Utilizations	Transfers	Closing balance
Non-current assets						
Financial assets at fair value through other comprehensive income	225	5,878	(101)	—	(84)	5,918
Financial assets at amortized cost	169,217	23,878	(15,549)	—	(2,060)	175,486
	169,442	29,756	(15,650)	—	(2,144)	181,404
Current assets						
Financial assets at fair value through other comprehensive income	—	3,487	(60)	—	84	3,511
Financial assets at amortized cost	4,136	885	(576)	—	2,060	6,505
	4,136	**4,372**	**(636)**	**—**	**2,144**	**10,016**
Financial assets at fair value through other comprehensive income	***225***	***9,365***	***(161)***	***—***	***—***	***9,429***
Financial assets at amortized cost	***173,353***	***24,763***	***(16,125)***	***—***	***—***	***181,991***
	173,578	**34,128**	**(16,286)**	**—**	**—**	**191,420**

	2021					
	Opening balance	Increases	Reversals	Utilizations	Transfers	Closing balance
Non-current assets						
Financial assets at fair value through other comprehensive income	5,918	—	(5,019)	—	1,673	2,572
Financial assets at amortized cost	175,486	32,617	(89,741)	—	(6,410)	111,952
	181,404	32,617	(94,760)	—	(4,737)	114,524
Current assets						
Financial assets at fair value through other comprehensive income	3,511	—	(1,215)	—	(1,673)	623
Financial assets at amortized cost	6,505	2,492	(6,855)	—	6,410	8,552
	10,016	**2,492**	**(8,070)**	**—**	**4,737**	**9,175**
Financial assets at fair value through other comprehensive income	***9,429***	***—***	***(6,235)***	***—***	***—***	***3,194***
Financial assets at amortized cost	***181,991***	***35,109***	***(96,595)***	***—***	***—***	***120,505***
	191,420	**35,109**	**(102,830)**	**—**	**—**	**123,699**

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 2020 and 31 December 2021, they are detailed as follows:

	2020	2021
	Stage 1	Stage 1
Opening balance	**225**	**9,429**
Change in period:		
Increases due to origination and acquisition	9,365	—
Changes due to change in credit risk	(161)	(4,090)
Decrease due to derecognition repayments and disposals	—	(2,145)
Impairment - Financial assets at fair value through other comprehensive income	**9,429**	**3,194**

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

	2020	2021
	Stage 1	Stage 1
Opening balance	**225**	**9,429**
Change in period:		
ECL income statement change for the period	9,204	(6,235)
Impairment - Financial assets at fair value through other comprehensive income	**9,429**	**3,194**

For the impairment losses of Financial assets at amortized cost, the movements by stages, in the periods ended on 31 December 2020 and 31 December 2021, they are detailed as follows:

	2020	2021
	Stage 1	Stage 1
Opening balance	**173,353**	**181,991**
Change in period:		
Increases due to origination and acquisition	11,139	35,109
Changes due to change in credit risk	1,636	(78,141)
Decrease due to derecognition repayments and disposals	(4,136)	(18,455)
Impairment - Financial assets at amortized cost	**181,991**	**120,505**

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

	2020	2021
	Stage 1	Stage 1
Opening balance	**173,353**	**181,991**
Change in period:		
ECL income statement change for the period	8,639	(61,487)
Impairment - Financial assets at amortized cost	**181,991**	**120,505**

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 fair value through other comprehensive income and other financial assets at amortized cost, following the criteria described in Note 2.30.

15. Financial Assets at fair value through profit and loss

As at 31 December 2020 and 31 December 2021, in the Group, the caption "Financial Assets at fair value through profit and loss" showed the following composition:

	31.12.2020	31.12.2021
Non current assets		
Derivative	2,107	2,261,947
	2,107	**2,261,947**
Current assets		
Shares - Real Estate Investment Fund	—	24,999,138
	—	**24,999,138**
	2,107	**27,261,085**

The Derivatives item represents the fair value of derivative financial instruments whose purpose is to mitigate interest rate risk for securitization operations and their investors, as detailed in note 16.

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

16. Other banking financial assets and liabilities

As at 31 December 2020 and 31 December 2021, the **Group** headings Other banking financial assets and Other banking financial liabilities showed the following composition:

	31.12.2020	31.12.2021
Non-current assets		
Loans to credit institutions	11,424,488	5,239,419
Impairment	(3,712)	(1,709)
	11,420,776	**5,237,710**
Current assets		
Investments in credit institutions	20,000,635	2,350,000
Loans to credit institutions	7,504,875	6,185,069
Impairment	(23,980)	(2,197)
Other	5,213,955	2,988,970
Impairment	(3,238,971)	(1,800,306)
	29,456,514	**9,721,536**
	40,877,290	**14,959,246**
Non-current liabilities		
Debt securities issued	44,506,988	277,760,616
	44,506,988	**277,760,616**
Current liabilities		
Debt securities issued	10,936	35,137
Other	21,475,716	26,987,725
	21,486,652	**27,022,862**
	65,993,640	**304,783,478**

<u>Investments in credit institutions and Loans to credit institutions</u>

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

	31.12.2020	31.12.2021
Up to 3 months	12,872,862	2,337,172
From 3 to 12 months	14,632,648	6,197,897
From 1 to 3 years	10,462,768	5,239,419
Over 3 years	961,721	—
	38,929,999	**13,774,489**

The heading "Investments at credit institutions" showed an annual average rate of 1.191% in 2021 (2020: 1.179%).

Impairment

The impairment losses, for the period ended 31 December 2020 and 31 December 2021, are detailed as follows:

	2020					
	Opening balance	Increases	Reversals	Utilizations	Transfers	Closing balance
Non-current assets						
Investments and loans in credit institutions	166,249	3,071	(27,984)	—	(137,625)	3,712
	166,249	**3,071**	**(27,984)**	**—**	**(137,625)**	**3,712**
Current assets						
Investments and loans in credit institutions	47,303	19,840	(180,787)	—	137,625	23,980
Other	4,182,457	32,889	(976,375)	—	—	3,238,971
	4,229,760	**52,729**	**(1,157,162)**	**—**	**137,625**	**3,262,951**
	4,396,009	**55,800**	**(1,185,146)**	**—**	**—**	**3,266,663**

	2021					
	Opening balance	Increases	Reversals	Utilizations	Transfers	Closing balance
Non-current assets						
Investments and loans in credit institutions	3,712	555	(10,964)	—	8,406	1,709
	3,712	**555**	**(10,964)**	**—**	**8,406**	**1,709**
Current assets						
Investments and loans in credit institutions	23,980	713	(14,090)	—	(8,406)	2,197
Other	3,238,971	30,268	(22,533)	(1,446,399)	—	1,800,307
	3,262,951	**30,981**	**(36,623)**	**(1,446,399)**	**(8,406)**	**1,802,504**
	3,266,663	**31,536**	**(47,587)**	**(1,446,399)**	**—**	**1,804,213**

Regarding the movements in impairment losses on investments and loans to credit institutions by stages, in the periods ended on 31 December 2020 and 31 December 2021, they are detailed as follows:

	2020	2021
	Stage 1	Stage 1
Opening balance	**213,552**	**27,692**
Change in period:		
Increases due to origination and acquisition	22,911	1,261
Changes due to change in credit risk	(161,468)	(1,067)
Decrease due to derecognition repayments and disposals	(47,303)	(23,980)
Impairment	**27,692**	**3,906**

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

	2020	2021
	Stage 1	Stage 1
Opening balance	**213,552**	**27,692**
Change in period:		
ECL income statement change for the period	(185,860)	(23,786)
Impairment	**27,692**	**3,906**

Debt securities issued

This caption showed the following composition:

	31.12.2020	31.12.2021
Securitizations	44,517,924	277,795,753
	44,517,924	**277,795,753**

As at 31 December 2020 and 31 December 2021, the Debt securities issued are analyzed as follows:

31.12.2020

Issue	Issue date	Maturity date	Remuneration	Nominal value	Book value
Ulisses Finance No.1 – Class A	July 2017	March 2033	Euribor 1M + 85 b.p.	30,401,824	30,429,037
Ulisses Finance No.1 – Class B	July 2017	March 2033	Euribor 1M + 160 b.p.	7,000,000	6,992,378
Ulisses Finance No.1 – Class C	July 2017	March 2033	Euribor 1M + 375 b.p.	7,100,000	7,096,509
				44,501,824	**44,517,924**

31.12.2021

Issue	Issue date	Maturity date	Remuneration	Nominal value	Book value
Ulisses Finance No.1 – Class A	July 2017	March 2033	Euribor 1M + 85 b.p.	10,421,009	10,424,113
Ulisses Finance No.1 – Class B	July 2017	March 2033	Euribor 1M + 160 b.p.	7,000,000	7,001,507
Ulisses Finance No.1 – Class C	July 2017	March 2033	Euribor 1M + 375 b.p.	7,100,000	7,106,617
Ulisses Finance No.2 – Class A	September 2021	September 2038	Euribor 1M + 70 b.p.	203,700,000	205,737,929
Ulisses Finance No.2 – Class B	September 2021	September 2038	Euribor 1M + 80 b.p.	10,000,000	9,986,657
Ulisses Finance No.2 – Class C	September 2021	September 2038	Euribor 1M + 135 b.p.	20,000,000	19,976,063
Ulisses Finance No.2 – Class D	September 2021	September 2038	Euribor 1M + 285 b.p.	11,300,000	11,290,713
Ulisses Finance No.2 – Class E	September 2021	September 2038	Euribor 1M + 368 b.p.	3,700,000	3,697,727
Ulisses Finance No.2 – Class F	September 2021	September 2038	Euribor 1M + 549 b.p.	1,300,000	1,299,790
Ulisses Finance No.2 – Class G	September 2021	September 2038	Euribor 1M + 500 b.p.	1,275,000	1,274,637
				275,796,009	**277,795,753**

During the period ended at 31 December 2020 and 31 December 2021, the movement of this item is as follows:

2020

	Opening balance	Issues	Repayments	Other movements	Closing balance
Ulisses Finance No.1	76,077,368	—	(31,148,098)	(411,346)	44,517,924
	76,077,368	**—**	**(31,148,098)**	**(411,346)**	**44,517,924**

2021	Opening balance	Issues	Repayments	Other movements	Closing balance
Ulisses Finance No.1	44,517,924	—	(19,980,815)	(4,872)	24,532,237
Ulisses Finance No.2	—	251,500,000	(225,000)	1,988,517	253,263,517
	44,517,924	**251,500,000**	**(20,205,815)**	**1,983,644**	**277,795,753**

During the period ended 31 December 2021, the movements recorded in "Issues" caption are related with a new securitization operation (Ulisses Finance No. 2) on the auto loan portfolio originated by 321 Crédito. The caption "other movements" includes an amount of 2,314,824 Euros related to the issue premium of Note Class A of Ulisses Finance No.2 and an amount of 350,486 Euros of assembly cost at the amortized cost of Ulisses Finance No.2.

The scheduling by maturity regarding this caption is as follows:

31.12.2020	Current			Non-current			Total
	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	
Securitisations	10,936	—	10,936	—	44,506,988	44,506,988	44,517,924
	10,936	**—**	**10,936**	**—**	**44,506,988**	**44,506,988**	**44,517,924**

31.12.2021	Current			Non-current			Total
	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	
Securitisations	35,137	—	35,137	—	277,760,616	277,760,616	277,795,753
	35,137	**—**	**35,137**	**—**	**277,760,616**	**277,760,616**	**277,795,753**

<u>Asset securitization</u>

Ulisses Finance No.1

The underlying assets of Ulisses Finance No.1 operations were not derecognised from the balance sheet as the **Group** substantially maintained the risks and rewards associated with their holding.

The **Group** guarantees the debt service (servicer) of traditional securitization operations, taking over the collection of assigned credits and channelling the amounts received, for the respective deposit to the credit securitization company.

The Ulisses Finance No.1 operation has 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 securitization operation (Sagres – STC, S.A.).

Ulisses Finance No.2

The underlying assets of the Ulisses Finance No.2 operation were not derecognised from the balance sheet as the Group substantially maintained the risks and rewards associated with their holding.

The Group guarantees the debt service (servicer) of traditional securitization operations, taking over the collection of assigned credits and channelling the amounts received, for the respective deposit to the credit securitization company.

The Ulisses Finance No.2 operation incorporates 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 securitization transaction (Tagus – STC, S.A.).

Chaves Funding No.8

The underlying assets of the Chaves Funding No.8 operation were not derecognised from the balance sheet as the Group substantially maintained the risks and rewards associated with their holding, insofar as this operation was fully subscribed by the **Group**.

The Group guarantees the debt service (servicer) of traditional securitization operations, taking over the collection of assigned credits and channelling the amounts received, for the respective deposit to the credit securitization company.

Next Funding No.1

The Next Funding No.1 operation, issued by Tagus – STC, SA in April 2021 and in which Banco CTT is a single investor, has as its underlying asset the credit card balances originated by the Universo credit card issued by Sonae Financial Services . Additionally, Banco CTT grants the operation an overdraft facility (Liquidity Facility) with the sole purpose of acquiring receivables (credit card balances) between the interest payment dates. On each interest payment date (IPD) the balance of the Liquidity Facility will be settled by converting it into the note value.

In the consolidated accounts, taking into account the conditions set out in IFRS 10 (Consolidated Financial Statements), the securitization operation is consolidated, insofar as the **Group** substantially holds the risks and benefits associated with the underlying assets and is able to affect these same risks and benefits.

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 Finance and Risk Management Office and the Accounting and Tax department ensure the centralized 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, they are responsible for the identification, assessment, proposal and implementation of mitigating measures of financial risks that the **Group** and the **Company** are exposed to. The **Group** and the **Company** are developing an integrated risk management system.

Under the banking activity, Banco CTT has an independent risk management system, based on a set of concepts, principles, rules and on an organizational 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 analyzing 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 specialized 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 regularize the effective default and to create conditions that maximize recovery results.

The **Group** considers that there is a concentration of risk when various 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.

In the first quarter of 2017, the Bank launched the commercialization of the mortgage loan product. As at 31 December 2021, the exposures (net of impairment and including off-balance exposures) to this type of loan of credit stood at 611,167 thousand Euros (537,956 thousand Euros as at 31 December 2020).

The retail segment credit, more specifically in auto loans at point of sale, is of 653,782 thousand Euros of exposures (net of impairment and including off-balance exposures) compare with 553,863 thousand Euros of 2020.

The bank is currently exposed to credit risk in other areas of its business activity. These necessarily include direct exposure to credit risk associated to investments and deposits at other credit institutions (counterpart risk), to public debt securities issues by eurozone countries (Portugal, Italy and Spain), debt instruments of other issuers (credit institutions and companies), securitization operations relative to the tariff deficit and other portfolios of 321 Crédito that are essentially at a run-off stage.

In order to mitigate credit risk, the mortgage lending operations have associated collateral, namely mortgages.

Except in situations of default, the Bank, under its activity, does not have permission to sell or pledge this collateral. The fair value of this collateral is determined as at the date of the granting of the loan, with its value being checked periodically.

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:

	2020		2021	
	Loans and advances to customers	Fair value of the collateral	Loans and advances to customers	Fair value of the collateral
Mortgage loans	520,339,595	879,528,009	595,419,629	1,021,370,923
Auto loans	538,971,473	561,938,120	670,594,052	713,327,844
Credit Card	—	—	298,716,076	—
Other	50,635,546	27,384,162	8,269,127	23,764,487
	1,109,946,614	**1,468,850,291**	**1,572,998,884**	**1,758,463,254**

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 behavior 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 45.

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 2021, 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 2021, related to these types of assets (Cash and cash equivalents as stated in Note 23, excluding the cash value) whose counterparties are financial institutions are detailed as follows:

Rating (1)	2021	
	Group	Company
A2	17,955,550	148,261
A3	19,787,794	14,636,963
Aa3	2,347,642	3,692
B1	2,672,631	2,499,334
B2	28,996	—
Ba2	5,682,454	379,037
Ba2 (2)	24	24
Ba2u	68,528	—
Baa1	94,331	1,732
Baa2	650,732,472	32,035,117
Baa3	97,677	—
Caa2	74,675,152	71,630,774
Others (3)	7,791,357	870,081
	781,934,608	**122,205,014**

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

As at 31 December 2021, the **Group** and the **Company** caption Cash and cash equivalents included term deposits, net of impairments, of 67,522,764 Euros and 66,286,478 Euros, respectively (55,843,177 Euros and 53,108,141 Euros as at 31 December 2020) (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	
	2020	**2021**	**2020**	**2021**
Non-current				
Financial assets at fair value through profit or loss	2,107	2,261,947	—	—
Debt securities at fair value through other comprehensive income	12,273,557	4,906,841	—	—
Debt securities at amortized cost	453,090,517	294,986,658	—	—
Accounts receivable	—	—	495,932	587,308
Other assets	1,063,789	1,772,136	635,508	1,144,290
Credit to bank clients	985,355,687	1,125,984,322	—	—
Other banking financial assets	11,420,777	5,237,710	—	—
Current				
Accounts receivable	153,616,009	160,930,050	111,665,473	112,775,176
Credit to bank clients	107,925,845	415,924,171	—	—
Financial assets at fair value through profit or loss	—	24,999,138	—	—
Debt securities at fair value through other comprehensive income	7,281,273	1,188,069	—	—
Debt securities at amortized cost	45,160,057	39,173,861	—	—
Other assets	33,728,584	21,014,450	12,234,425	16,121,401
Other banking financial assets	27,504,441	8,550,155	—	—
Cash and cash equivalents	440,616,809	781,934,608	211,927,460	122,205,014
	2,279,039,450	**2,888,864,116**	**336,958,799**	**252,833,190**

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

- The increase in current and non-current bank credit to customers is mainly explained by the new partnership with Sonae for the management of the Universo credit card, as explained in note 4.
- The debt securities portfolio is mainly composed for sovereign debt securities in the Eurozone. The decrease in the portfolio is explained by the sale of securities to optimize Banco CTT's financial position in the context of the launch of the partnership with Sonae; and
- The increase in “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 2020 and 31 December 2021:

	2020	**2021**
Central administrations or Central banks	660,474,176	927,783,512
Regional governments or Local authorities	5,042,760	—
Credit Instituitions	92,084,675	32,519,979
Companies	25,886,076	322,643,359
Retail Clients	546,767,855	627,929,128
Real estate secured loans	537,959,391	610,487,985
Loans in default	16,689,600	27,271,784
Claims in the form of CIU	—	24,999,138
Other elements	69,223,492	71,645,360
Risk items	**1,954,128,025**	**2,645,280,247**

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:

	2020								
	Central Authorities or Central Banks	Regional governments or Local authorities	Credit institutions	Companies	Retail customers	Loans secured by immovable assets	Non-performing loans	Other Items	Total
Portugal	458,834,378	5,042,760	69,986,059	25,886,076	546,767,855	537,959,391	16,689,600	69,223,492	1,730,389,610
Spain	94,406,927	—	33	—	—	—	—	—	94,406,960
France	6,434,289	—	9,029,045	—	—	—	—	—	15,463,334
Italy	95,233,489	—	—	—	—	—	—	—	95,233,489
Austria	—	—	9,986,432	—	—	—	—	—	9,986,432
Irland	5,565,094	—	—	—	—	—	—	—	5,565,094
United Kingdom	—	—	2,738,433	—	—	—	—	—	2,738,433
Germany	—	—	344,673	—	—	—	—	—	344,673
Total	**660,474,177**	**5,042,760**	**92,084,675**	**25,886,076**	**546,767,855**	**537,959,391**	**16,689,600**	**69,223,492**	**1,954,128,025**

	2021								
	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	779,478,124	34,929,339	322,646,371	627,392,979	610,487,985	27,807,933	24,999,138	71,645,360	2,499,387,230
Spain	75,162,739	15	—	—	—	—	—	—	75,162,754
France	—	546	—	—	—	—	—	—	546
Italy	73,142,831	—	—	—	—	—	—	—	73,142,831
United Kingdom	—	4,590,063	—	—	—	—		—	4,590,063
Total	**927,783,694**	**39,519,962**	**322,646,371**	**627,392,979**	**610,487,985**	**27,807,933**	**24,999,138**	**71,645,360**	**2,652,283,424**

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

2020

		Central Authorities or Central Banks	Credit institutions	Other securities	Credit Portfolio					Total
					Mortage Loans	Overdrafts	Car Credit	Credit Card	Others	
Stage 1	Gross Exposure	665,668,736	63,092,736	19,792,849	517,064,646	935,443	502,336,467	—	5,978,269	1,774,869,146
	Impairment Losses	(182,329)	(28,033)	(9,123)	(444,620)	(164,225)	(3,500,851)	—	(51,983)	(4,381,166)
	Net exposure	665,486,407	63,064,702	19,783,726	516,620,025	771,218	498,835,616	—	5,926,286	1,770,487,981
Stage 2	Gross Exposure	—	—	—	3,763,813	194,658	47,747,935	—	338,279	52,044,686
	Impairment Losses	—	—	—	(44,244)	(42,703)	(2,076,668)	—	(60,960)	(2,224,575)
	Net exposure	—	—	—	3,719,570	151,955	45,671,267	—	277,318	49,820,110
Stage 3	Gross Exposure	—	—	—	34,133	1,063,186	20,935,084	—	95,614	22,128,017
	Impairment Losses	—	—	—	(9,899)	(898,208)	(8,421,490)	—	(26,909)	(9,356,506)
	Net exposure	—	—	—	24,234	164,978	12,513,593	—	68,705	12,771,511
POCI (Stage 3)	Gross Exposure	—	—	—	—	—	3,877,899	—	1,360,936	5,238,835
	Impairment Losses	—	—	—	—	—	(658,197)	—	(264,124)	(922,321)
	Net exposure	—	—	—	—	—	3,219,702	—	1,096,812	4,316,515
Total	Gross Exposure	665,668,736	63,092,736	19,792,849	520,862,592	2,193,288	574,897,385	—	7,773,098	1,854,280,684
	Impairment Losses	(182,329)	(28,033)	(9,123)	(498,762)	(1,105,137)	(14,657,206)	—	(403,977)	(16,884,568)
	Net exposure	665,486,407	63,064,702	19,783,726	520,363,829	1,088,151	560,240,179	—	7,369,121	1,837,396,116

2021

		Central Authorities or Central Banks	Credit institutions	Other securities	Credit Portfolio					Total
					Mortage Loans	Overdrafts	Car Credit	Credit Card	Others	
Stage 1	Gross Exposure	927,904,466	48,026,077	5,635,058	593,851,532	1,063,058	573,014,633	262,587,449	4,246,157	2,416,328,429
	Impairment Losses	(120,772)	(3,911)	(3,040)	(568,962)	(24,375)	(3,444,368)	(2,378,112)	(57,802)	(6,601,341)
	Net exposure	927,783,694	48,022,166	5,632,017	593,282,570	1,038,683	569,570,264	260,209,337	4,188,355	2,409,727,087
Stage 2	Gross Exposure	—	—	—	1,533,943	224,711	53,541,147	31,813,102	53,745	87,166,648
	Impairment Losses	—	—	—	(16,398)	(40,890)	(2,245,718)	(2,297,423)	(2,147)	(4,602,577)
	Net exposure	—	—	—	1,517,545	183,821	51,295,429	29,515,678	51,598	82,564,071
Stage 3	Gross Exposure	—	—	—	34,154	1,323,622	40,987,875	4,315,525	234,935	46,896,110
	Impairment Losses	—	—	—	(10,921)	(1,083,316)	(15,483,758)	(1,942,043)	(31,315)	(18,551,353)
	Net exposure	—	—	—	23,232	240,306	25,504,117	2,373,482	203,620	28,344,757
POCI (Stage 3)	Gross Exposure	—	—	—	—	—	3,050,397	—	1,122,899	4,173,296
	Impairment Losses	—	—	—	—	—	(850,249)	—	(612,592)	(1,462,841)
	Net exposure	—	—	—	—	—	2,200,148	—	510,307	2,710,455
Total	Gross Exposure	927,904,466	48,026,077	5,635,058	595,419,629	2,611,391	670,594,052	298,716,076	5,657,736	2,554,564,483
	Impairment Losses	(120,772)	(3,911)	(3,040)	(596,281)	(1,148,581)	(22,024,094)	(6,617,578)	(703,856)	(31,218,113)
	Net exposure	927,783,694	48,022,166	5,632,017	594,823,348	1,462,810	648,569,958	292,098,497	4,953,880	2,523,346,371

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 nº62 / 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:

	2020			2021		
	Other financial assets at fair value through other comprehensive income	Other financial assets at amortized cost	Total	Other financial assets at fair value through other comprehensive income	Other financial assets at amortized cost	Total
Portugal	7,620,481	288,754,314	296,374,795	849,374	185,468,467	186,317,841
Spain	—	94,406,927	94,406,927	—	75,162,739	75,162,739
Italy	—	95,233,489	95,233,489	—	73,142,831	73,142,831
France	—	6,434,289	6,434,289	—	—	—
Ireland	—	5,565,094	5,565,094	—	—	—
	7,620,481	**490,394,113**	**498,014,594**	**849,374**	**333,774,037**	**334,623,411**

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 2020 and 31 December 2021, generated interest income of 20,091 Euros and 19,048 Euros, respectively (Note 50). Additionally, interest income is recorded for financial services in the caption Other operating income, in the years of 2020 and 2021, amounting to 20,832 Euros and 9,832 Euros, respectively (Note 42).

In the **Company** the investment of surplus liquidity, on 31 December 2020 and 31 December 2021, generated interest income of 3,393 Euros and 116 Euros, respectively (Note 50). Additionally, interest income is recorded for financial services in the caption Other operating income, in the years of 2020 and 2021, amounting to 20,823 Euros and 9,832 Euros, respectively (Note 42).

The prospects for the evolution of the money market do not point to an increase in the reference rates of the Eurozone, in the next year, so it is expected that they will remain in negative territory. In this scenario, the **Group** and the **Company** believe that the resulting differential between fixed rate financial assets and variable rate financial liabilities represents a potentially minor impact on the income statement.

Under the non-banking activity, if the interest rates had a variation of 0.25 b.p., during the year ended 31 December 2021, the effect in the interest would have been 103 thousand Euros in the **Group** and 156 thousand Euros in the **Company** (15 thousand Euros and 155 thousand Euros as at 31 December 2020, 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. Until now, Banco CTT has been managing interest rate risk in its balance sheet structurally by using natural hedges in the composition of the investment portfolio, without recourse to derivative instruments.

In the banking activity, as at 31 December 2021, 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 2020 and 31 December 2021, the distribution of assets, liabilities and off-balance sheet items sensitive to the interest rate, according to the 19 timeframes and respective impact on economic value, are as follows:

2020 *(amounts in thousand Euros)*

Timeframe	Assets	Liabilities	Off-balance Sheet	Net position	Economic Value Delta (+200 bps)	Economic Value Delta (-200 bps)
At sight	306,048	294,927	(49,951)	(38,830)	2	(1)
At sight – 1 month	107,392	98,774	7,022	15,640	(14)	3
1 – 3 months	108,765	67,037	66	41,794	(139)	32
3 – 6 months	160,359	86,225	157	74,291	(554)	126
6 – 9 months	170,258	68,865	136	101,529	(1,260)	283
9 – 12 months	202,972	73,019	546	130,499	(2,265)	478
1 – 1,5 years	67,983	87,644	10,564	(9,097)	225	(47)
1,5 – 2 years	78,555	87,644	—	(9,089)	314	(65)
2 – 3 years	134,743	172,257	—	(37,514)	1,843	(372)
3 – 4 years	119,503	154,121	—	(34,618)	2,365	(468)
4 – 5 years	98,388	151,089	—	(52,701)	4,590	(944)
5 – 6 years	86,877	108,633	—	(21,756)	2,291	(510)
6 – 7 years	82,037	96,563	—	(14,526)	1,783	(448)
7 – 8 years	69,707	96,563	—	(26,856)	3,743	(1,056)
8 – 9 years	48,703	72,422	—	(23,719)	3,681	(1,156)
9 – 10 years	67,629	72,422	—	(4,793)	814	(287)
10 – 15 years	47	—	—	47	(10)	4
15 – 20 years	—	—	—	—	—	—
> 20 years	—	—	—	—	—	—
	1,909,966	**1,788,205**	**(31,460)**	**90,301**	**17,409**	**(4,428)**

2021 *(amounts in thousand Euros)*

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

In view of the interest rate gaps observed, as at 31 December 2021, the impact on the economic value of instantaneous and parallel shifts of the interest rates by -200 basis points is (9,524) thousand Euros (2020: (4,428) thousand Euros).

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

a. For Demand Deposits: 15% on demand, 85% distributed non-linearly over 10 years, giving it a duration of 3.9 years;

b. Savings Accounts: 18% in cash, 82% distributed non-linearly over 5 years, giving it a duration of 1.9 years.

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

a. For Demand Deposits: 25.21% on demand, 74.79% distributed non-linearly over 15 years, giving it a duration of 3.7 years;

b. Savings Accounts: 39.49% in cash, 60.51% distributed non-linearly over 15 years, giving them a duration of 2.9 years;

c. Introduction of an annual rate of prepayment of Housing Credit, of 8.59%, proportionally distributed by each time interval bucket;

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 2020 and 31 December 2021, the net exposure (assets minus liabilities) of the **Group** amounted to 2,755,831 SDR (3,262,435 Euros at the exchange rate €/SDR 1.18383), and (7,949,165) SDR ((9,836.933) Euros at the exchange rate €/SDR 1.23748), respectively.

As far as the **Company** is concerned, as at 31 December 2020 and 31 December 2021, the net exposure (assets minus liabilities) amounted to 2,780,674 SDR (3,291,845 Euros at the exchange rate €/SDR 1.8383), and (8,210,242) SDR ((10,160,010 Euros at the exchange rate €/SDR 1.23748), respectively.

In the sensitivity analysis performed for the balances of accounts receivable and payable to foreign Postal Operators, on 31 December 2020 and 31 December 2021, assuming an increase / decrease of 10% in the exchange rate € / SDR, the **Group'**s profit and losses would have been higher by 326,244 Euros and by (983,693) Euros, respectively. The impact on the **Company'**s profit and losses would have been higher by 329,184 Euros and by (1,016,001) 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 2021 does not derive from an effective liquidity risk but 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. The **Company'**s current assets, no longer influenced by the financial activities of these subsidiaries, are higher than the current liabilities as of 31 December 2021.

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 2020 and 31 December 2021 for the **Group** and the **Company** and do not reconcile with the balance sheet:

Group	2020			
	Due within 1 year	Over 1 year and less than 5 years	Over 5 years	Total
Financial liabilities				
Debts	48,508,388	158,137,566	18,964,112	225,610,067
Accounts payable	356,528,136	—	—	356,528,136
Banking client deposits and other loans	1,688,465,160	—	—	1,688,465,160
Other current liabilities	41,401,275	—	—	41,401,275
Other banking financial liabilities	10,936	44,506,988	—	44,517,924
Non-financial liabilities				
Non-contingent financial commitments (1)	6,706,144	—	—	6,706,144
	2,141,620,039	**202,644,554**	**18,964,112**	**2,363,228,705**

(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 recognized in the balance sheet (Notes 5 and 6).

Group	2021			
	Due within 1 year	Over 1 year and less than 5 years	Over 5 years	Total
Financial liabilities				
Debts	54,529,293	128,741,586	28,808,052	212,078,932
Accounts payable	330,150,100	—	—	330,150,100
Banking client deposits and other loans	2,121,511,345			2,121,511,345
Other current liabilities	57,993,238			57,993,238
Other banking financial liabilities	35,137	277,760,616	—	277,795,753
Non-financial liabilities				
Non-contingent financial commitments (1)	4,471,199	—	—	4,471,199
	2,568,690,312	**406,502,202**	**28,808,052**	**3,004,000,567**

(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 recognized in the balance sheet (Notes 5 and 6).

Company	2020 Due within 1 year	Over 1 year and less than 5 years	Over 5 years	Total
Financial liabilities				
Debts	31,779,255	137,418,193	5,403,000	174,600,449
Accounts payable	326,464,402	309,007	—	326,773,409
Shareholders	—	—	—	—
Other current liabilities	22,046,058	—	—	22,046,058
Non-financial liabilities				
Non-contingent financial commitments (1)	584,951	—	—	584,951
	380,874,666	**137,727,200**	**5,403,000**	**524,004,867**

Company	2021 Due within 1 year	Over 1 year and less than 5 years	Over 5 years	Total
Financial liabilities				
Debts	36,364,405	104,561,496	10,904,932	151,830,832
Accounts payable	298,238,356	309,007	—	298,547,363
Shareholders	—	—	—	—
Other current liabilities	25,635,898	—	—	25,635,898
Non-financial liabilities				
Non-contingent financial commitments (1)	361,219	—	—	361,219
	360,599,877	**104,870,503**	**10,904,932**	**476,375,312**

(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 recognized 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 analyzing 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) analyzes, 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 14 meetings in 2021, analyses the Bank's liquidity position, namely, the evolution of the balance sheet, the analysis of gaps and key activity indicators (liquidity and commercial gaps, deposit and credit rates). In brief, a comprehensive assessment is carried out of liquidity risk and its evolution, with special focus on current liquidity buffers and the generation/ maintenance of eligible assets.

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 2021, the ALMM shows a positive liquidity mismatch (difference between contracted outflows and inflows) of 128,810 thousand Euros (170,407 thousand years at 31 December 2020).

Additionally, this positive liquidity mismatch is reinforced by the financial assets and reserves at the Central Bank of close to 781,858 thousand Euros (1,020,108 thousand years at 31 December 2020).

Market Risk

Market Risk broadly means any loss arising from an adverse change in the value of a financial instrument as a result of a variation in interest rates, exchange rates, share prices, prices of goods or real estate, volatility and credit spreads.

The **Group** does not have a trading portfolio, and almost all of its debt securities portfolio is accounted for as financial assets at amortized cost and residually as financial assets at fair value through other comprehensive income, with the main risk arising from its investments, credit risk and not market risk. Additionally, the Bank holds participation units amounting 25 million Euros in a real estate investment fund which is accounted for at fair value through profit or loss.

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 2020 and 31 December 2021, were as follows:

	Group		Company	
	2020	2021	2020	2021
Equity	150,275,094	174,546,069	150,003,105	173,310,807
Liabilities	2,744,627,532	3,410,652,529	903,280,297	862,774,528
Amounts of third parties	234,121,234	218,392,487	234,121,234	218,392,400
Adjusted solvency ratio (1)	6.0%	5.5%	22.4%	26.9%

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

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 nº3/2019 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 capitalization 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.

During 2020, there were disclosed - by the national supervisor and the European Union - several measures of flexibilization of regulatory and supervisory requirements to relieve the contingency situation arising from the Covid-19 outbreak, through the reduction of regulatory capital requirements, including reserves of macroprudential capital.

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 recognize in stages the respective impacts of the static component in accordance with article 473-A of the CRR.

As at 31 December 2020 and 2021, the Bank had the following capital ratios, calculated pursuant to the transitory provisions set out in the CRR:

	2020		2021	
	CRR Phasing in	*CRR Fully Implemented*	*CRR Phasing in*	*CRR Fully Implemented*
OWN FUNDS				
Share Capital	**286,400,000**	**286,400,000**	**296,400,000**	**296,400,000**
Retained Earnings	**(74,158,672)**	**(74,158,672)**	**(73,953,847)**	**(73,953,847)**
Other Reserves	**(190,208)**	**(190,001)**	**(125,511)**	**(125,511)**
Prudential Filters	**63,775**	**63,775**	**20,651**	**20,651**
Fair value reserve (1)	83,330	83,330	26,746	26,746
Additional Valuation Adjustment (AVA) (2)	(19,555)	(19,555)	(6,095)	(6,095)
Deduction to the main Tier 1 elements	**(81,212,922)**	**(81,699,214)**	**(69,231,107)**	**(76,941,599)**
Losses for the period	—	—	—	—
Intangible assets	(81,004,512)	(81,004,512)	(76,245,896)	(76,245,896)
IFRS 9 adoption	(208,411)	(694,703)	7,014,789	(695,703)
Items not deducted from Own Funds according to article 437 of CRR	**1,929,123**	**1,929,123**	**1,816,599**	**1,816,599**
Deferred tax assets	1,929,123	1,929,123	1,816,599	1,816,599
Common Equity Tier 1	**130,901,973**	**130,415,888**	**167,237,588**	**159,527,096**
Tier 1 Capital	**130,901,973**	**130,415,888**	**167,237,588**	**159,527,096**
Total Own Funds	**130,901,973**	**130,415,888**	**167,237,588**	**159,527,096**
RWA				
Credit Risk	695,234,440	695,234,440	917,327,393	917,327,393
Operational Risk	84,768,166	84,768,166	124,504,249	124,504,249
Market Risk	118,481	118,481	—	—
IFRS 9 Adjustments	—	(432,067)	—	(6,812,372)
	780,121,088	**779,689,021**	**1,041,831,642**	**1,035,019,270**
CAPITAL RATIOS				
Common Equity Tier 1	16.78%	16.73%	16.05%	15.41%
Tier 1 Ratio	16.78%	16.73%	16.05%	15.41%
Total Capital Ratio	16.78%	16.73%	16.05%	15.41%
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:

		2020			2021		
Ratings	Credit Quality Degree	Institutions, residual maturity > 3m	Companies	Sovereign	Institutions, residual maturity > 3m	Companies	Sovereign
AAA AA	1	10,000,400	—	6,434,907	—	—	—
A	2	19,419,126	15,484,974	99,987,816	11,424,488	5,632,045	75,176,074
BBB	3	9,300,234	—	386,726,562	2,350,000	—	259,567,814
BB	4	—	—	5,047,605	—	—	—
B	5	—	—	—	—	—	—
<B	6	—	—	—	—	—	—
Without rating	Without rating	210,238	4,314,960	—	—	5,245,536	—
		38,929,998	**19,799,934**	**498,196,890**	**13,774,488**	**10,877,581**	**334,743,888**

18. Inventories

As at 31 December 2020 and 31 December 2021, the **Group** and the **Company** Inventories are detailed as follows:

	2020					
	Group			Company		
	Gross amount	Impairment losses	Net amount	Gross amount	Impairment losses	Net amount
Merchandise	6,509,642	2,525,086	3,984,556	6,191,416	2,525,086	3,666,330
Raw, subsidiary and consumable materials	3,572,266	847,331	2,724,935	3,548,077	847,331	2,700,746
Advances on purchases	(107,492)	—	(107,492)	(107,492)	—	(107,492)
	9,974,416	**3,372,417**	**6,601,999**	**9,632,001**	**3,372,417**	**6,259,585**

	2021					
	Group			Company		
	Gross amount	Impairment losses	Net amount	Gross amount	Impairment losses	Net amount
Merchandise	7,386,718	3,131,405	4,255,313	6,989,647	3,131,405	3,858,242
Raw, subsidiary and consumable materials	3,647,788	867,668	2,780,120	3,617,626	867,668	2,749,958
Advances on purchases	(163,158)	—	(163,158)	(163,158)	—	(163,158)
	10,871,348	**3,999,073**	**6,872,274**	**10,444,115**	**3,999,073**	**6,445,041**

Cost of sales

During the years ended 31 December 2020 and 31 December 2021, the details of Cost of sales related to the **Group** and the **Company**, were as follows:

	2020					
	Group			Company		
	Merchandise	Raw, subsidiary and consumable materials	Total	Merchandise	Raw, subsidiary and consumable materials	Total
Opening balance	5,403,997	3,429,590	8,833,587	5,059,847	3,383,003	8,442,850
Purchases	16,796,280	3,299,932	20,096,212	16,242,868	3,291,513	19,534,381
Adjustments	(65,228)	(202,484)	(267,711)	(65,228)	(202,484)	(267,711)
Impairment of inventories	513,486	124,398	637,884	513,486	124,398	637,884
Closing balance	(6,509,642)	(3,572,266)	(10,081,907)	(6,191,416)	(3,548,077)	(9,739,493)
Cost of sales	**16,138,893**	**3,079,171**	**19,218,064**	**15,559,557**	**3,048,353**	**18,607,910**

	2021					
	Group			Company		
	Merchandise	Raw, subsidiary and consumable materials	Total	Merchandise	Raw, subsidiary and consumable materials	Total
Opening balance	6,509,642	3,572,266	10,081,907	6,191,416	3,548,077	9,739,493
Purchases	23,212,650	3,233,052	26,445,702	16,904,067	3,197,669	20,101,736
Inventories offers	(1,584)	—	(1,584)	(1,584)	—	(1,584)
Adjustments	(44,303)	(31,779)	(76,082)	(44,082)	(31,779)	(75,860)
Impairment of inventories	679,290	119,968	799,258	679,290	119,968	799,258
Closing balance	(7,386,718)	(3,647,788)	(11,034,506)	(6,989,647)	(3,617,626)	(10,607,273)
Cost of sales	**22,968,976**	**3,245,720**	**26,214,696**	**16,739,461**	**3,216,309**	**19,955,770**

Impairment

During the years ended 31 December 2020 and 31 December 2021, the movements in the **Group** and the **Company** Accumulated impairment losses (Note 25) were as follows:

	2020				
Group	Opening balance	Increases	Reversals	Utilizations	Closing balance
Merchandise	2,116,305	513,486	—	(104,705)	2,525,086
Raw, subsidiary and consumable materials	725,187	131,708	(7,310)	(2,254)	847,331
	2,841,492	**645,194**	**(7,310)**	**(106,959)**	**3,372,417**

Group	2021 Opening balance	Increases	Reversals	Utilizations	Closing balance
Merchandise	2,525,086	680,033	(743)	(72,971)	3,131,405
Raw, subsidiary and consumable materials	847,331	128,297	(8,329)	(99,631)	867,668
	3,372,417	**808,330**	**(9,072)**	**(172,602)**	**3,999,073**

For the years ended 31 December 2020 and 31 December 2021, impairment losses of inventories were recorded in the **Group** and the **Company** net of reversals amounting to 637,884 Euros and 799.258 Euros, respectively, in the caption Cost of sales.

19. Accounts receivable

As at 31 December 2020 and 31 December 2021 the **Group** and the **Company** heading Accounts receivable showed the following composition:

	Group		Company	
	2020	2021	2020	2021
Non-current				
Group companies [1]	—	—	495,932	587,308
	—	**—**	**495,932**	**587,308**
Current				
Third parties	105,752,676	126,171,101	51,606,014	52,643,061
Postal operators	47,297,803	34,500,951	45,352,597	32,094,758
Group companies [1]	565,530	257,998	14,706,863	28,037,356
	153,616,009	**160,930,050**	**111,665,473**	**112,775,176**
	153,616,009	**160,930,050**	**112,161,406**	**113,362,484**

(1) Includes subsidiary, associated and joint-ventures companies.

As at 31 December 2020 and 31 December 2021, the ageing of accounts receivable is detailed as follows:

Accounts receivable	2020 Group Gross amount	Group Accumulated impairment losses	Group Net amount	Company Gross amount	Company Accumulated impairment losses	Company Net amount
Non-overdue	71,820,598	41,244	71,779,355	39,962,084	18,129	39,943,955
Overdue [1]:						
0-30 days	23,497,949	4,159	23,493,790	19,884,509	—	19,884,509
31-90 days	16,900,018	268,891	16,631,127	14,355,876	7,103	14,348,774
91-180 days	7,350,316	441,249	6,909,067	4,218,822	36,818	4,182,005
181-360 days	12,227,677	819,606	11,408,071	11,033,712	136,826	10,896,887
> 360 days	61,453,294	38,058,694	23,394,600	27,133,913	4,228,637	22,905,276
	193,249,852	**39,633,843**	**153,616,009**	**116,588,918**	**4,427,512**	**112,161,406**

(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	2021					
	Group			Company		
	Gross amount	Accumulated impairment losses	Net amount	Gross amount	Accumulated impairment losses	Net amount
Non-overdue	79,273,178	44,046	79,229,132	46,901,455	21,543	46,879,912
Overdue [(1)]:						
0-30 days	16,088,882	8,744	16,080,138	6,442,354	1,576	6,440,778
31-90 days	15,710,958	5,626	15,705,332	12,332,581	1,759	12,330,822
91-180 days	9,336,160	259,477	9,076,683	14,194,213	16,940	14,177,273
181-360 days	12,493,719	1,200,134	11,293,586	8,330,140	255,123	8,075,017
> 360 days	67,910,752	38,365,572	29,545,180	29,223,183	3,764,502	25,458,681
	200,813,650	**39,883,599**	**160,930,050**	**117,423,927**	**4,061,443**	**113,362,484**

(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	
	2020	2021	2020	2021
Other accounts receivable	1,211,620	5,267,661	1,206,142	1,983,014
Foreign operators	22,182,980	24,277,519	21,699,134	23,475,667
Total	**23,394,600**	**29,545,180**	**22,905,276**	**25,458,681**
Foreign operators - payable (Note 34)	**(20,603,903)**	**24,311,914**	**(20,438,443)**	**24,060,455**

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 2020 were as follows:

Group	2020	2019	2018 and previous	Total
Nature				
Customers	14,510,743	19,331,373	13,455,687	47,297,803
Suppliers	(15,273,622)	(15,748,170)	(9,072,777)	(40,094,570)

The accounts receivable and payable from foreign postal operators' detail by ageing (reference year) with reference of 31 December 2021 were as follows:

Group	2021	2020	2019 and previous	Total
Nature				
Customers	2,415,630	9,976,921	22,108,400	34,500,951
Suppliers	(18,048,909)	(11,887,129)	(13,877,338)	(43,813,375)

In the actual interest rate environment, 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 recognize 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.

For the national customers, the bank guarantees and advance deposits coverage over the customers receivables continued to decline to 0.9% at 31 December 2021 in the **Group** (2020: 1.8%), and 1.5% at the **Company** (2020: 2.1%).

	Group		Company	
	2020	2021	2020	2021
Advance deposits	1,309,538	1,032,034	1,300,647	702,934
Bank guarantees	75,253	48,753	75,253	48,753
Total	**1,384,791**	**1,080,787**	**1,375,900**	**751,687**

Impairment losses

During the years ended 31 December 2020 and 31 December 2021, the movement in the **Group** Accumulated impairment losses caption (Note 25) was as follows:

	2020					
Group	Opening balance	Increases	Reversals	Utilizations	Changes in the consolidation perimeter	Closing balance
Accounts receivable	37,981,832	5,390,793	(2,014,668)	(1,724,114)	—	39,633,843
	37,981,832	**5,390,793**	**(2,014,668)**	**(1,724,114)**	**—**	**39,633,843**

	2021					
Group	Opening balance	Increases	Reversals	Utilizations	Changes in the consolidation perimeter	Closing balance
Accounts receivable	39,633,843	4,209,818	(2,588,327)	(1,423,383)	51,648	39,883,599
	39,633,843	**4,209,818**	**(2,588,327)**	**(1,423,383)**	**51,648**	**39,883,599**

For the years ended 31 December 2020 and 31 December 2021, impairment losses of accounts receivable were recorded in the **Group** (net of reversals) amounting to 3,376,125 Euros and 1,621,491 Euros, respectively, in the caption Impairment of accounts receivable, net (Note 45).

The impairment reversals verified in 2020 are mainly explained by the amounts' recovery in litigation and pre-litigation, with emphasis on CTT Expresso and CTT Expresso branch in Spain. The increase in impairment losses is due to an aggravation of the forward-looking component in PD accounts receivable calculation.

As at 31 December 2021, the companies in the Express & Parcels segment have the greatest contribution to the evolution of customer impairments, with the increases resulting from the combination of the increase in their own activity and a more incisive management of debt, with the transfer of debt of some clients for litigation. The reversals result from the completion of some litigation proceedings in favour of the Group and the settlement of outstanding amounts (especially older debt) with the largest customers.

During the years ended 31 December 2020 and 31 December 2021, the movement in Accumulated impairment losses caption (Note 25) of the **Company** was as follows:

Company	2020				
	Opening balance	Increases	Reversals	Utilizations	Closing balance
Accounts receivable	4,496,917	943,189	—	(1,012,594)	4,427,512
	4,496,917	**943,189**	**—**	**(1,012,594)**	**4,427,512**

Company	2021				
	Opening balance	Increases	Reversals	Utilizations	Closing balance
Accounts receivable	4,427,512	521,584	(200,000)	(687,653)	4,061,443
	4,427,512	**521,584**	**(200,000)**	**(687,653)**	**4,061,443**

For the years ended 31 December 2020 and 31 December 2021, impairment losses of accounts receivable were recorded in the **Company** (net of reversals) amounting to 943,189 Euros and 321,584 Euros, respectively, in the caption Impairment of accounts receivable, net (Note 45).

20. Credit to banking clients

As at 31 December 2020 and 31 December 2021, the **Group** caption Credit to banking clients was detailed as follows:

	31.12.2020	31.12.2021
Performing loans	**1,101,441,373**	**1,560,653,792**
Mortgage Loans	525,082,831	595,419,629
Auto Loans	568,273,557	660,982,844
Credit Cards	—	297,943,534
Leasings	6,936,643	4,975,252
Overdrafts	1,148,342	1,332,534
Other credits	—	—
Overdue loans	**8,505,242**	**12,345,092**
Overdue loans - less than 90 days	1,008,648	1,165,016
Overdue loans - more than 90 days	7,496,594	11,180,076
	1,109,946,614	**1,572,998,883**
Credit risk impairment	**(16,665,082)**	**(31,090,390)**
	1,093,281,532	**1,541,908,493**

The maturity analysis of the Credit to bank clients as at 31 December 2020 and 31 December 2021 is detailed as follows:

	31.12.2020								
	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	—	3,678,902	10,649,699	12	14,328,613	29,885,595	480,868,635	510,754,230	525,082,842
Auto Loans	—	24,671,168	62,937,327	6,623,827	94,232,322	163,219,651	317,445,413	480,665,063	574,897,386
Credit Cards	—	—	—	—	—	—	—	—	—
Leasings	—	364,790	1,390,217	209,623	1,964,630	3,068,253	2,113,383	5,181,635	7,146,265
Overdraft	1,148,342	—	—	1,044,947	2,193,289	—	—	—	2,193,289
Other credits	—	—	—	626,832	626,832	—	—	—	626,832
	1,148,342	**28,714,860**	**74,977,243**	**8,505,242**	**113,345,686**	**196,173,498**	**800,427,430**	**996,600,928**	**1,109,946,614**

	31.12.2021								
	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	—	4,529,387	13,058,049	—	17,587,436	35,360,412	542,471,779	577,832,191	595,419,626
Auto Loans	—	27,206,248	73,256,613	9,611,208	110,074,069	188,259,391	372,260,592	560,519,983	670,594,052
Credit Cards	—	297,943,534	—	772,542	298,716,076	—	—	—	298,716,076
Leasings	—	460,233	1,281,167	76,935	1,818,335	2,717,445	516,407	3,233,852	5,052,187
Overdraft	1,332,534	—	—	1,278,857	2,611,391	—	—	—	2,611,391
Other credits	—	—	—	605,550	605,550	—	—	—	605,550
	1,332,534	**330,139,402**	**87,595,829**	**12,345,092**	**431,412,857**	**226,337,248**	**915,248,778**	**1,141,586,02**	**1,572,998,883**

The Credit Cards caption represents a portfolio of credit cards acquired within the scope of the Universo Partnership with Sonae Financial Services. This portfolio was recognized in the Group's financial statements to the extent that the Group is a sole investor in the Next Funding No.1 securitization operation and, therefore, in compliance with the conditions set out in IFRS 10 - Consolidated Financial Statements, the securitization operation is consolidated.

The breakdown of this heading by type of rate is as follows:

	31.12.2020	31.12.2021
Fixed rate	528,330,964	926,351,787
Floating rate	581,615,650	646,647,096
	1,109,946,614	**1,572,998,883**
Credit risk impairment	(16,665,082)	(31,090,390)
	1,093,281,532	**1,541,908,493**

As at 31 December 2020 and 31 December 2021, the analysis of this caption by type of collateral, is presented as follows:

	2020				
	Performing Loans	Overdue Loans	Gross amount	Impairment	Net amount
Asset-backed Loans	531,954,585	924,100	532,878,686	(1,513,304)	531,365,381
Other guaranteed Loans	562,616,191	3,766,660	566,382,851	(10,183,295)	556,199,556
Unsecured Loans	6,870,596	3,814,481	10,685,078	(4,968,483)	5,716,595
	1,101,441,373	**8,505,242**	**1,109,946,614**	**(16,665,082)**	**1,093,281,532**

	2021				
	Performing Loans	Overdue Loans	Gross amount	Impairment	Net amount
Asset-backed Loans	600,433,555	1,510,327	601,943,882	(2,409,164)	599,534,718
Other guaranteed Loans	645,072,323	4,775,730	649,848,053	(17,150,161)	632,697,892
Unsecured Loans	315,147,914	6,059,034	321,206,948	(11,531,064)	309,675,884
	1,560,653,792	**12,345,092**	**1,572,998,883**	**(31,090,389)**	**1,541,908,494**

The credit type analysis of the caption, as at 31 December 2020 and 31 December 2021 is detailed as follows:

	2020				
	Performing Loans	Overdue Loans	Gross amount	Impairment	Net amount
Mortgage Loans	525,082,831	12	525,082,842	(498,762)	524,584,080
Auto Loans	568,273,557	6,623,827	574,897,385	(14,657,207)	560,240,178
Credit Card	—	—	—	—	—
Leasings	6,936,643	209,623	7,146,266	(282,076)	6,864,190
Overdrafts	1,148,342	1,044,947	2,193,289	(1,105,137)	1,088,152
Other credits	—	626,832	626,832	(121,900)	504,932
	1,101,441,373	**8,505,242**	**1,109,946,614**	**(16,665,082)**	**1,093,281,532**

	2021				
	Performing Loans	Overdue Loans	Gross amount	Impairment	Net amount
Mortgage Loans	595,419,629	—	595,419,629	(596,281)	594,823,348
Auto Loans	660,982,844	9,611,208	670,594,052	(22,024,094)	648,569,958
Credit Cards	297,943,534	772,542	298,716,076	(6,617,578)	292,098,498
Leasings	4,975,252	76,935	5,052,186	(98,307)	4,953,880
Overdrafts	1,332,534	1,278,857	2,611,391	(1,148,581)	1,462,810
Other credits	—	605,550	605,550	(605,550)	—
	1,560,653,792	**12,345,091**	**1,572,998,883**	**(31,090,390)**	**1,541,908,492**

The analysis of credit to bank clients as at 31 December 2020 and 31 December 2021, by sector of activity, is as follows:

	2020				
	Performing Loans	Overdue Loans	Gross amount	Impairment	Net amount
Companies					
Agriculture, forestry and fishing	1,570,642	20,473	1,591,115	(46,820)	1,544,295
Mining and quarrying	257,127	421	257,548	(4,545)	253,003
Manufacturing	3,048,245	94,055	3,142,300	(105,257)	3,037,043
Water supply	143,772	5,712	149,484	(5,802)	143,682
Construction	6,186,340	325,240	6,511,580	(291,722)	6,219,858
Wholesale and retail trade	4,781,134	470,539	5,251,673	(253,496)	4,998,177
Transport and storage	1,325,020	55,757	1,380,776	(79,724)	1,301,053
Accommodation and food service activities	1,639,376	23,246	1,662,622	(67,124)	1,595,498
Information and communication	252,085	1,971	254,056	(3,273)	250,783
Financial and insurance activities	171,080	1,577	172,657	(2,918)	169,739
Real estate activities	1,353,647	11,437	1,365,084	(16,980)	1,348,104
Professional, scientific and technical activities	884,963	5,135	890,098	(31,703)	858,395
Administrative and support service activities	1,407,730	293,970	1,701,700	(95,120)	1,606,580
Education	572,582	845	573,427	(8,711)	564,717
Human health services and social work activities	805,858	14,818	820,676	(33,691)	786,984
Arts, entertainment and recreation	411,482	31,057	442,539	(36,638)	405,901
Other services	23,392,740	120,422	23,513,162	(455,112)	23,058,050
Individuals					
Mortgage Loans	525,082,831	12	525,082,842	(498,762)	524,584,079
Consumer Loans	528,154,720	7,028,553	535,183,273	(14,627,684)	520,555,590
	1,101,441,373	**8,505,242**	**1,109,946,614**	**(16,665,082)**	**1,093,281,532**

	2021				
	Performing Loans	Overdue Loans	Gross amount	Impairment	Net amount
Companies					
Agriculture, forestry and fishing	4,233,937	38,988	4,272,925	(131,975)	4,140,950
Mining and quarrying	694,899	211	695,109	(4,777)	690,333
Manufacturing	6,007,208	137,158	6,144,366	(173,610)	5,970,756
Water supply	123,735	—	123,735	(230)	123,506
Construction	9,894,287	300,665	10,194,952	(386,725)	9,808,227
Wholesale and retail trade	10,126,222	428,000	10,554,222	(530,948)	10,023,274
Transport and storage	4,168,460	87,594	4,256,054	(115,008)	4,141,046
Accommodation and food service activities	4,182,495	90,792	4,273,288	(146,261)	4,127,027
Information and communication	644,625	421	645,046	(4,991)	640,054
Financial and insurance activities	307,998	2,231	310,229	(3,766)	306,463
Real estate activities	1,706,577	2,052	1,708,628	(21,028)	1,687,600
Professional, scientific and technical activities	1,657,181	8,011	1,665,192	(45,590)	1,619,602
Administrative and support service activities	3,471,167	329,223	3,800,390	(379,908)	3,420,482
Education	721,135	575	721,711	(9,691)	712,019
Human health services and social work activities	1,305,341	14,931	1,320,271	(23,464)	1,296,808
Arts, entertainment and recreation	897,261	73,013	970,274	(65,933)	904,342
Other services	5,867,371	70,562	5,937,933	(183,407)	5,754,525
Individuals					
Mortgage Loans	595,515,589	—	595,515,589	(598,198)	594,917,391
Consumer Loans	909,128,301	10,760,664	919,888,965	(28,264,879)	891,624,086
	1,560,653,792	**12,345,090**	**1,572,998,883**	**(31,090,390)**	**1,541,908,493**

The total credit portfolio, split by stage according to IFRS 9, is analysed as follows:

	2020	2021
Stage 1	**1,026,604,019**	**1,428,289,210**
Gross amount	1,030,765,765	1,434,762,828
Impairment	(4,161,745)	(6,473,618)
Stage 2	**49,989,172**	**82,564,071**
Gross amount	52,213,747	87,166,648
Impairment	(2,224,575)	(4,602,577)
Stage 3	**16,688,341**	**31,055,213**
Gross amount	26,967,103	51,069,407
Impairment	(10,278,762)	(20,014,194)
	1,093,281,532	**1,541,908,493**

The caption credit to bank clients includes the effect of traditional securitization transactions, carried out through securitization vehicles, consolidated pursuant to IFRS 10 in accordance with accounting policy 2.2.

Moratoria

Decree-Law No. 10-J/2020 of 26 March laid down exceptional measures to protect credit to households, companies, private charity institutions and other entities of the social economy, as well as a special scheme of State guarantees within the scope of the COVID-19 pandemic.

During 2020, this regulation was successively amended by Law no. 8/2020 of 10 April, Decree-Law no. 26/2020 of 16 June, Law no. 27-A/2020 of 24 July, and Decree-Law no. 78-A/2020 of 29 September.

Following several legislative amendments, the end of the moratorium period, initially scheduled for September 2020, was extended until December 2021. These amendments also provided for the extension of the deadline for clients to formalize their moratorium requests. The conditions of access and the types of credit covered have also been altered. The measures foreseen in the legislation described above - Public Moratoria -, translated into the granting of a grace period for principal or principal and interest to debtors of credit agreements.

In addition to the Public Moratorium, ASFAC - Association of Specialized Credit Institutions - created the ASFAC Private Moratorium, which established exceptional measures to support and protect families resulting from the financial impacts of the COVID-19 pandemic , similar to those provided in the Public Moratorium and applicable to 321 Crédito's auto loan portfolio.

As at 31 December 2021, the **Group** did not have any active moratorium on any credit segment.

According with the EBA Guidelines on reporting and disclosure of exposures subject to measures applied in response to the COVID-19 crisis (EBA/GL/2020/07), the gross exposures and impairment of contracts with moratoria in force as of 31 December 2020 and 31 December 2021 are presented below:

31.12.2020	Debtors number	Gross carrying amount							
		Gross carrying amount	Of which: exposures subject to restructuring measures	Of which: expired	Moratoria's residual maturity				
					≤ 3 months	> 3 months ≤ 6 months	> 6 months ≤ 9 months	> 9 months ≤ 12 months	> 1 year
Loans advances that a moratoria have been offered	7,018	103,469,519							
Loans subject to a moratoria	4,364	82,150,696	54,212,773	41,760,849	9,423,344	388,779	30,577,724	—	—
of which: families		71,837,335	44,355,505	40,718,857	151,975	388,779	30,577,724	—	—
of which secured by residential properties		44,335,088	44,335,088	13,222,871	145,713	388,779	30,577,724	—	—
of which: non-financial companies		10,313,362	9,857,268	1,041,992	9,271,370	—	—	—	—
of which: small and medium-sized companies		9,130,510	8,674,417	1,015,034	8,115,476	—	—	—	—
of which: secured by commercial real estate		2,958,321	2,958,321	164,798	2,793,523	—	—	—	—

31.12.2021	Debtors number	Gross carrying amount	Of which: exposures subject to restructuring measures	Of which: expired	Moratoria's residual maturity: ≤ 3 months	> 3 months ≤ 6 months	> 6 months ≤ 9 months	> 9 months ≤ 12 months	> 1 year
		Gross carrying amount							
Loans advances that a moratoria have been offered	7,080	81,278,530							
Loans subject to a moratoria	4,424	64,019,393	42,219,508	64,019,393	—	—	—	—	—
of which: families		54,496,096	33,040,796	54,496,096	—	—	—	—	—
of which secured by residential properties		33,022,511	33,022,511	33,022,511	—	—	—	—	—
of which: non-financial companies		9,523,297	9,178,711	9,523,297	—	—	—	—	—
of which: small and medium-sized companies		8,010,939	7,684,215	8,010,939	—	—	—	—	—
of which: secured by commercial real estate		2,610,224	2,610,224	2,610,224	—	—	—	—	—

The caption credit to bank clients includes the following amounts related to finance leases contracts:

	2020	2021
Amount of future minimum payments	7,458,032	5,352,218
Interest not yet due	(521,389)	(376,966)
Present value	**6,936,643**	**4,975,252**

The amount of future minimum payments of lease contracts, by maturity terms, is analyzed as follows:

	2020	2021
Due within 1 year	1,763,456	2,106,914
Due between 1 to 5 years	4,601,281	2,727,068
Over 5 years	1,093,295	518,236
Amount of future minimum payments	**7,458,032**	**5,352,218**

The analysis of financial leases contracts, by type of client, is presented as follows:

	2020	2021
Individuals	**773,163**	**622,998**
Home	96,094	91,154
Others	677,069	531,844
Companies	**6,163,480**	**4,352,254**
Equipment	314,966	198,954
Real Estate	5,848,514	4,153,300
	6,936,643	**4,975,252**

Impairment losses

During the year ended 31 December 2020 and 31 December 2021, the movement in the **Group** under the Accumulated impairment losses caption (Note 25) was as follows:

	2020						
	Opening balance	Increases	Reversals	Utilizations	Transfers	Other adjustments	Closing balance
Non-current assets							
Credit to banking clients	2,591,450	8,993,653	(2,226,654)	(507,412)	92,954	2,301,249	11,245,241
	2,591,450	**8,993,653**	**(2,226,654)**	**(507,412)**	**92,954**	**2,301,249**	**11,245,241**
Current assets							
Credit to banking clients	1,386,750	4,334,649	(1,073,175)	(244,556)	(92,954)	1,109,127	5,419,841
	1,386,750	**4,334,649**	**(1,073,175)**	**(244,556)**	**(92,954)**	**1,109,127**	**5,419,841**
	3,978,200	**13,328,302**	**(3,299,828)**	**(751,968)**	**—**	**3,410,377**	**16,665,082**

	2021						
	Opening balance	Increases	Reversals	Utilizations	Transfers	Other adjustments	Closing balance
Non-current assets							
Credit to banking clients	11,245,242	14,707,276	(7,614,585)	(343,835)	(2,967,630)	575,237	15,601,705
	11,245,242	**14,707,276**	**(7,614,585)**	**(343,835)**	**(2,967,630)**	**575,237**	**15,601,705**
Current assets							
Credit to banking clients	5,419,841	14,600,735	(7,559,425)	(341,345)	2,797,807	571,071	15,488,685
	5,419,841	**14,600,735**	**(7,559,425)**	**(341,345)**	**2,797,807**	**571,071**	**15,488,685**
	16,665,083	**29,308,011**	**(15,174,010)**	**(685,180)**	**(169,822)**	**1,146,308**	**31,090,390**

For the years ended 31 December 2020 and 31 December 2021, impairment losses of Credit to banking clients were recorded in the **Group** (net of reversals) amounting to 10,028,474 Euros and 14,134,001 Euros, respectively in the caption Impairment of accounts receivable, net (Note 45).

Regarding the movements in impairment losses by stages, in the periods ended on 31 December 2020 and 31 December 2021, they are detailed as follows:

	2020			
	Stage 1	Stage 2	Stage 3	Total
Opening balance	**2,062,682**	**871,644**	**1,043,873**	**3,978,200**
Change in period:				
Increases due to origination and acquisition	1,555,460	654,163	724,897	2,934,520
Changes due to change in credit risk	558,236	(308,282)	7,606,556	7,856,509
Decrease due to derecognition repayments and disposals	(225,784)	(50,462)	(486,310)	(762,556)
Write-offs	—	—	(751,967)	(751,967)
Transfers to:				
Stage 1	449,964	(177,013)	(272,951)	—
Stage 2	(252,522)	934,051	(681,529)	—
Stage 3	(233,377)	(116,151)	349,528	—
Foreign exchange and other	247,087	416,625	2,746,665	3,410,377
Impairment	**4,161,745**	**2,224,575**	**10,278,762**	**16,665,082**
Of which: POCI	—	—	*(922,255)*	*(922,255)*

	2021			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Opening balance	**4,161,745**	**2,224,575**	**10,278,763**	**16,665,083**
Change in period:				
Increases due to origination and acquisition	3,754,079	2,937,210	2,506,799	9,198,088
Changes due to change in credit risk	(1,623,295)	(369,984)	8,187,354	6,194,075
Decrease due to derecognition repayments and disposals	(407,088)	(154,824)	(696,251)	(1,258,163)
Write-offs	—	—	(685,180)	(685,180)
Transfers to:				
Stage 1	1,011,657	(360,513)	(651,144)	—
Stage 2	(203,586)	1,686,749	(1,483,163)	—
Stage 3	(164,668)	(1,481,613)	1,646,281	—
Foreign exchange and other	(55,226)	120,976	910,736	976,486
Impairment	**6,473,618**	**4,602,577**	**20,014,195**	**31,090,390**
Of which: POCI	—	—	*1,462,841*	*1,462,841*

Changes due to changes in exposure or risk parameters verified in the period ended 31 December 2021 are fundamentally due to the entry into force of the new definition of Default by EBA.

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

	2020			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Opening balance	**2,062,682**	**871,644**	**1,043,873**	**3,978,200**
Change in period:				
ECL income statement change for the period	1,887,912	295,419	7,845,143	10,028,474
Stage transfers (net)	(35,935)	640,887	(604,952)	—
Write-offs	—	—	(751,968)	(751,968)
Foreign exchange and other	247,087	416,625	2,746,665	3,410,377
Impairment	**4,161,745**	**2,224,575**	**10,278,762**	**16,665,082**

	2021			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Opening balance	**4,161,745**	**2,224,575**	**10,278,763**	**16,665,083**
Change in period:				
ECL income statement change for the period	1,723,696	2,412,403	9,997,902	14,134,001
Stage transfers (net)	643,403	(155,377)	(488,026)	—
Write-offs	—	—	(685,180)	(685,180)
Foreign exchange and other	(55,226)	120,976	910,736	976,486
Impairment	**6,473,619**	**4,602,577**	**20,014,194**	**31,090,390**

21. Prepayments

As at 31 December 2020 and 31 December 2021, the Prepayments included in current assets and current and non-current liabilities of the **Group** and the **Company** showed the following composition:

	Group		Company	
	2020	2021	2020	2021
Prepaid Assets				
Current				
Rents payable	1,500,004	1,469,876	1,030,936	1,050,126
Meal allowances	1,441,931	1,402,305	1,441,931	1,402,305
Other	3,556,825	5,853,753	2,130,348	2,311,707
	6,498,759	**8,725,934**	**4,603,214**	**4,764,138**
Prepaid Liabilities				
Non-current				
Investment subsidy	283,289	272,088	283,289	272,088
	283,289	**272,088**	**283,289**	**272,088**
Current				
Investment subsidy	11,201	11,201	11,201	11,201
Contratual liabilities	1,310,217	1,360,862	696,738	968,728
Other	2,090,641	2,080,178	1,738,815	1,540,716
	3,412,059	**3,452,241**	**2,446,754**	**2,520,645**
	3,695,348	**3,724,329**	**2,730,043**	**2,792,733**

The change in the caption Other assets prepayments 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 recognized as revenue because the performance obligations have not yet been met as recommended by the standard.

The “Contractual liabilities” recognized by the **Group** essentially refer to values related to stamps and prepaid postage of priority mail in the amount of 151,948 Euros (696,738 Euros on 31 December 2020), whose revenue is expected to be recognized in January 2022 (estimate of 80% of the item's value) and the remaining during 2022, and to objects invoiced and not delivered on 31 December 2021 in the express segment, in the amount of 1,208,914 Euros (613,479 Euros as of 31 December 2020), whose revenue is recognized upon delivery in the following month.

The revenue recognized by the **Group** and **Company** in the period, included in the balance of Contractual liabilities at the beginning of the period amounted to 1,310,217 Euros and 696,738 Euros, respectively.

No “Assets resulting from contracts” associated with the application of IFRS 15 - Revenue from contracts with customers were recognized.

22. Non-current assets held for sale and Discontinued operations

As at 31 December 2020 and 31 December 2021, the amounts recorded under this caption, in the **Group,** are detailed as follows:

	31.12.2020	31.12.2021
Non-current assets held for sale		
Real estate	2,421,005	769,400
Equipment	838	838
	2,421,843	**770,238**
Impairment	(282,778)	(164,441)
	2,139,065	**605,798**

Regarding 2020, the non-current assets held for sale is related to: a) a building located in Santarém, held by CTT, in the amount of 1,173,231 Euros, transferred from tangible fixed assets, following the conclusion of the promissory agreement for the sale of this property ii) properties and equipment recovered following the termination of financial and operating lease contracts, for which, in applicable cases, impairment was recorded, which reflects the difference between the gross amount and the appraised value of said assets, being the total amount of the mentioned properties and equipments of 965,833 Euros.

As at 31 December 2021, the non-current assets held for sale is related to properties and equipment recovered following the termination of financial and operating lease contracts, for which, in applicable cases, impairment was recorded, which reflects the difference between the gross amount and the appraised value of said assets, being the total amount of the mentioned properties and equipments of 605,798 Euros.

The variation in the heading non-current assets held for sale is explained by the sale of the property located in Santarém, classified in the previous year as non-current assets held for sale, with the amount of 1,026 thousand having been recognized in "Gains/losses on disposal of assets". Euros as a gain.

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 2020 and 31 December 2021, the movement in the **Group** under the caption "Depreciation/amortization and impairment of investments, net" (Note 46) was as follows:

	2020			
	Opening balance	Increases	Reversals	Closing balance
Current assets				
Non-current assets held for sale	184,609	99,640	(1,470)	282,778
	184,609	**99,640**	**(1,470)**	**282,778**

	2021			
	Opening balance	Increases	Reversals	Closing balance
Current assets				
Non-current assets held for sale	282,778	14,234	(132,572)	164,441
	282,778	**14,234**	**(132,572)**	**164,441**

As at 31 December 2020 and 31 December 2021, there were no operations classified as discontinued operations.

23. Cash and cash equivalents

As at 31 December 2020 and 31 December 2021, 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	
	2020	2021	2020	2021
Cash	77,580,872	95,963,001	49,681,160	67,613,593
Slight deposits	189,516,082	86,975,064	165,324,609	55,894,035
Demand deposits at Bank of Portugal	167,502,343	593,160,283	—	—
Deposits in other credit institutions	27,737,696	34,251,584	—	—
Term deposits	55,843,177	67,522,764	53,108,141	66,286,478
Cash and cash equivalents (Balance sheet)	**518,180,171**	**877,872,696**	**268,113,910**	**189,794,106**
Sight deposits at Bank of Portugal	(15,795,600)	(19,937,800)	—	—
Outstanding checks / Checks clearing	(3,575,300)	(1,002,263)	—	—
Impairment of slight and term deposits	17,510	24,913	16,813	24,501
Cash and cash equivalents (Cash flow statement)	**498,826,782**	**856,957,546**	**268,130,723**	**189,818,607**

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 deposits and other liabilities. As of the reserve counting period started on 30 October 2019, the ECB introduced the tiering regime, in which the balance with the Central Bank in excess of the minimum cash reserves, up to a calculated maximum of 6 times the reserves , is remunerated at the central bank lending rate.

Therefore, the item Demand deposits at Bank of Portugal includes, as at 31 December 2021, a total amount of demand deposits of 593,160,283 Euros (2020: 167,502,343 Euros), of which 19,937,800 Euros (2020: 15,795,600 Euros) were allocated to the fulfilment of the above mentioned mandatory minimum cash requirements at Banco de Portugal.

The caption “Outstanding checks/ Checks clearing” represents checks drawn by third parties on other credit institutions, which are in collection.

In 2021, the **Group’**s Cash-flows increase 358,130,764 Euros, including 4,915,814 Euros as “Changes in the consolidated perimeter”. The main changes in the **Group'**s cash flow statement captions that contribute to the global change, are explained as follows:

- The heading “Credit to bank clients”, from operating activities, amounts to (448,171,549) Euros (2020: (208,132,405) Euros). The increase is mainly explained by the partnership with Sonae Financial Services to offer the “Universo” credit card services;

- The caption “Receipts from investments in securities at amortized cost”, from investment activities, amounts to 429,477,883 Euros, which contrasts with 198,208,406 Euros in 2020, explained by the sale of securities to optimize the financial position of Banco CTT in the context of the launch of the partnership with Sonae;

- The caption “Receivables relating to other bank financing liabilities”, in financing activities, amounts to 251,000,000 Euros (2020: 0 Euros), and refers to a credit securitization operation (Ulisses Finance No. 2) on the loan portfolio auto originated by 321 Credit;

- The caption “Receivables from loans obtained” totals 100,261,411 Euros (2020: 21,293,090 Euros) and the change is explained mainly by the amount received from cash-pooling from CTT-Expresso, branch in Spain, settled within the year 2021, which also justifies the variation “payments from loans repaid” (2021: (110,777,850) Euros and 2020: (21,405,813) Euros).

In 2021, the **Company’** Cash-flows decrease 78,312,116 Euros. The main changes in the **Company'**s cash flow statement captions that contribute to the global change, are explained as follows:

- The caption “Other receivables/ Payments”, from operational activity, mainly books the amounts paid as payment orders, vouchers issued in stores, subscription and settlement of saving/ treasury certificates and related payments to IGCP, tax collections, foreign postal operators’ payments and receivables , among others. This caption books, in 2021, the amount of (45,828,328) Euros (2020: 1,831,743 Euros), and the change is mainly explained by the decrease in receipts associated with money orders (“CNP”) and mobility allowances of the autonomous region of Madeira, as explained in note 34 - Accounts payable and note 16 - Other Non-current and current assets, respectively. Additionally, this decrease is balanced by a lower taxes volume received in the Retail Network, but with higher balances at the end of the year to be settled, due to an extension of the legal deadlines for the VAT settlement, within the scope of measures to support companies to minimize the effects of the pandemic.

- The “Payments from financial investments”, in 2021, essentially refer to the increase in the share capital of Banco CTT, SA in the amount of 10,000,000 Euros, of Fundo TechTree in the amount of 2,000,000 Euros and the supplementary payments provided to the entity MKT Place in the amount of 1,789,528 Euros, which justifies the variation for 2021 (2020: 3,928,381 Euros and 2021: 14,065,028);

- The change in the item “Dividends” refers to the payment of dividends that did not occur in the previous year, as explained in note 28.

<u>Impairment</u>

In the scope of IFRS 9 – Financial instruments the **Group** has begun to recognized impairment on sight and term deposits as well as on investments in credit institutions. Therefore, in the period ended 31 December 2020 and 31 December 2021, the movement recorded under the caption “Impairment of sight and term deposits” (Note 25) related to the **Group** is detail as follows:

	2020				
Group	**Opening balance**	**Increases**	**Reversals**	**Utilizations**	**Closing balance**
Sight and term deposits	19,924	551	(2,965)	—	17,510
	19,924	**551**	**(2,965)**	**—**	**17,510**

Group	2021 Opening balance	Increases	Reversals	Utilizations	Closing balance
Sight and term deposits	17,510	11,433	(4,028)	—	24,913
	17,510	**11,433**	**(4,028)**	**—**	**24,913**

For the year ended 31 December 2020 and 31 December 2021 impairment losses (increases net of reversals) of sight and term deposits amounted to (2,414) Euros and 7,405 Euros, respectively, and were booked under the heading Impairment of accounts receivable, net (Note 45).

Regarding the **Company,** in the period ended 31 December 2020 and 31 December 2021, the movement recorded under the caption “Impairment of sight and term deposits” (Note 25) related to the **Company** is detail as follows:

Company	2020 Opening balance	Increases	Reversals	Utilizations	Closing balance
Sight and term deposits	16,842	329	(358)	—	16,813
	16,842	**329**	**(358)**	**—**	**16,813**

Company	2021 Opening balance	Increases	Reversals	Utilizations	Closing balance
Sight and term deposits	16,813	11,354	(3,666)	—	24,501
	16,813	**11,354**	**(3,666)**	**—**	**24,501**

For the year ended 31 December 2020 and 31 December 2021 impairment losses (increases net of reversals) of sight and term deposits amounted to (29) Euros and 7.688 Euros, respectively, and were booked under the heading Impairment of accounts receivable, net (Note 45).

24. Other non-current and current assets

As at 31 December 2020 and 31 December 2021, the headings Other non-current assets and Other current assets of the **Group** and the **Company** had the following composition:

	Group		Company	
	2020	2021	2020	2021
Non-current				
Advances to staff	321,331	368,245	321,331	368,245
Other receivables from staff	2,205,419	2,766,582	2,205,419	2,766,582
Labour compensation fund	530,281	932,450	338,736	449,467
Other non-current assets	545,742	453,869	309,007	309,007
Impairment	(2,538,985)	(2,749,010)	(2,538,985)	(2,749,010)
	1,063,789	**1,772,136**	**635,508**	**1,144,290**
Current				
Advances to suppliers	357,598	253,848	252,848	253,848
Advances to staff	4,207,913	3,688,664	4,163,458	3,570,781
Postal financial services	9,119,894	10,863,754	9,119,894	10,863,754
State and other public entities	4,335,503	12,662,205	471,636	420,738
Debtors by accrued revenues	3,202,291	10,549,374	6,579,506	5,775,111
Amounts collected on CTT behalf	55,839	542,134	244,130	203,865
Guaranteed	580,060	863,053	—	—
Advances to lawyers	102,877	46,909	—	—
Debtors by asset disposals	56,414	42,974	56,414	42,974
Payshop agents	345,922	275,015	—	—
Mobility allowances for Autonomous Regions	4,009,533	20,447,351	4,009,533	20,447,351
Office for media	1,196,048	1,149,984	1,196,048	1,149,984
Sundry debtors	319,599	214,934	319,599	214,934
Collections	1,423,646	1,691,204	481,315	399,236
Deposits	738,889	759,282	291,425	230,221
Customs	735,818	1,800,479	735,818	1,800,479
Non-core billing	1,926,147	1,860,245	1,545,072	1,415,038
Billing to partners	1,437,894	1,053,098	—	—
Other current assets	9,629,249	10,409,739	9,232,400	9,820,127
Impairment	(10,052,550)	(10,325,864)	(8,968,023)	(9,243,301)
	33,728,584	**68,848,382**	**29,731,071**	**47,365,141**

The amounts recorded in the caption Postal financial services refer to receivables from the redemption of savings products and the sale of insurance, which presents an average ageing lower than 180 days.

The Caption Mobility allowances for Autonomous Regions refers to the amounts paid to residents of the Autonomous Regions of Madeira and the 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 increase in the balance is due to a longer delay in payments by the DGTF for the autonomous region of Madeira subsidies, due to the need to approve a specific ordinance that will update the legislative framework on this matter (awaiting promulgation of the diploma by the President of the Republic).. Thus, the average period for receiving subsidies in the autonomous region of Madeira has been lengthening, although it is expected that the situation will be rectified on the short-term.

The caption “Other current assets” is mainly constituted for several debt balances of high age, for which were created the related impairment losses in previous years.

Debtors by accrued revenues

As at 31 December 2020 and 31 December 2021, 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 2020 and 31 December 2021, the movement in the **Group** Accumulated impairment losses (Note 25) was as follows:

Group	2020					
	Opening balance	Increases	Reversals	Utilizations	Transfers	Closing balance
Other current and non-current assets	10,441,530	1,886,462	(85,730)	(275,681)	624,954	12,591,535
	10,441,530	**1,886,462**	**(85,730)**	**(275,681)**	**624,954**	**12,591,535**

Group	2021					
	Opening balance	Increases	Reversals	Utilizations	Transfers	Closing balance
Other current and non-current assets	12,591,535	995,992	(267,494)	(245,159)	—	13,074,874
	12,591,535	**995,992**	**(267,494)**	**(245,159)**	**—**	**13,074,874**

For the years ended 31 December 2020 and 31 December 2021, impairment losses (increases net of reversals) of Other current and non-current assets amounted to 1,800,732 Euros and 728,498 Euros, respectively, were booked under the heading Impairment of accounts receivable, net (Note 45).

Regarding the **Company,** during the years ended 31 December 2020 and 31 December 2021, the movement in the Accumulated impairment losses caption (Note 25) was as follows:

Company	2020				
	Opening balance	Increases	Reversals	Utilizations	Closing balance
Other current and non-current assets	9,758,553	1,865,313	(58,236)	(58,622)	11,507,008
	9,758,553	**1,865,313**	**(58,236)**	**(58,622)**	**11,507,008**

Company	2021				
	Opening balance	Increases	Reversals	Utilizations	Closing balance
Other current and non-current assets	11,507,008	899,656	(226,980)	(187,374)	11,992,311
	11,507,008	**899,656**	**(226,980)**	**(187,374)**	**11,992,311**

For the years ended 31 December 2020 and 31 December 2021, impairment losses of Other current and non-current assets were recorded in the **Company** (net of reversals) amounting to 1,807,077 Euros and 672,676 Euros, respectively in the caption Impairment of accounts receivable, net (Note 45).

25. Accumulated impairment losses

During the years ended 31 December 2020 and 31 December 2021, the following movements occurred in the **Group**'s impairment losses:

	2020						
Group	**Opening balance**	**Increases**	**Reversals**	**Utilizations**	**Transfers**	**Other movements**	**Closing balance**
Non-current assets							
Tangible fixed assets	24,172	—	(4,712)	—	—	—	19,460
Investment properties	749,144	—	(298,836)	—	—	—	450,308
	773,315	**—**	**(303,548)**	**—**	**—**	**—**	**469,768**
Debt securities at fair value through other comprehensive income	225	5,878	(101)	—	(84)	—	5,918
Debt securities at amortised cost	169,216	23,878	(15,549)	—	(2,060)		175,485
Other non-current assets	2,099,796	—	—	—	439,189	—	2,538,985
Credit to banking clients	2,591,450	8,993,653	(2,226,654)	(507,412)	92,954	2,301,249	11,245,241
Other banking financial assets	166,249	3,071	(27,984)	—	(137,625)	—	3,712
	5,026,935	**9,026,481**	**(2,270,288)**	**(507,412)**	**392,374**	**2,301,249**	**13,969,341**
	5,800,249	**9,026,481**	**(2,573,836)**	**(507,412)**	**392,374**	**2,301,249**	**14,439,109**
Current assets							
Accounts receivable	37,981,832	5,390,793	(2,014,668)	(1,724,114)	—	—	39,633,843
Credit to banking clients	1,386,750	4,334,649	(1,073,175)	(244,556)	(92,954)	1,109,127	5,419,841
Debt securities at fair value through other comprehensive income	—	3,487	(60)	—	84	—	3,511
Debt securities at amortised cost	4,136	885	(576)	—	2,060	—	6,505
Other current assets	8,341,734	1,886,462	(85,730)	(275,680)	185,765	—	10,052,551
Other banking financial assets	4,229,759	52,729	(1,157,163)	—	137,626	—	3,262,950
Slight and term deposits	19,923	551	(2,965)	—	—	—	17,510
	51,964,134	**11,669,556**	**(4,334,338)**	**(2,244,350)**	**232,581**	**1,109,127**	**58,396,710**
Non-current assets held for sale	184,609	99,640	(1,470)	—	—	—	282,778
	184,609	**99,640**	**(1,470)**	**—**	**—**	**—**	**282,778**
Merchandise	2,116,305	513,486	—	(104,705)	—	—	2,525,086
Raw, subsidiary and consumable	725,187	131,708	(7,310)	(2,254)	—	—	847,331
	2,841,493	**645,194**	**(7,310)**	**(106,959)**	**—**	**—**	**3,372,417**
	54,990,236	**12,414,389**	**(4,343,118)**	**(2,351,309)**	**232,581**	**1,109,127**	**62,051,906**
	60,790,486	**21,440,870**	**(6,916,953)**	**(2,858,721)**	**624,955**	**3,410,377**	**76,491,014**

Group	2021 Opening balance	Increases	Reversals	Utilizations	Transfers	Changes in the consolidation perimeter	Other movements	Closing balance
Non-current assets								
Tangible fixed assets	19,460	—	—	—	—	—	—	19,460
Investment properties	450,308	—	(57,372)	—	—	—	—	392,936
Intangible assets	—	60,617	—	—	—	—	—	60,617
	469,768	**60,617**	**(57,372)**	**—**	**—**	**—**	**—**	**473,013**
Debt securities at fair value through other comprehensive income	5,918	—	(5,019)	—	1,673	—	—	2,572
Debt securities at amortised cost	175,485	32,617	(89,741)	—	(6,410)	—	—	111,953
Other non-current assets	2,538,985	—	—	—	210,025	—	—	2,749,010
Credit to banking clients	11,245,241	14,707,276	(7,614,585)	(3,118,702)	(2,967,630)	—	3,350,104	15,601,705
Other banking financial assets	3,712	555	(10,964)	—	8,406	—	—	1,709
	13,969,341	**14,740,448**	**(7,720,309)**	**(3,118,702)**	**(2,753,935)**	**—**	**3,350,104**	**18,466,949**
	14,439,109	**14,801,065**	**(7,777,681)**	**(3,118,702)**	**(2,753,935)**	**—**	**3,350,104**	**18,938,962**
Current assets								
Accounts receivable	39,633,843	4,209,818	(2,588,327)	(1,423,383)	—	51,648	—	39,883,599
Credit to banking clients	5,419,841	14,600,735	(7,559,425)	(3,096,110)	2,797,807	—	3,325,837	15,488,685
Debt securities at fair value through other comprehensive income	3,511	—	(1,215)	—	(1,673)	—	—	623
Debt securities at amortised cost	6,505	2,492	(6,855)	—	6,410	—	—	8,551
Other current assets	10,052,551	995,992	(267,494)	(245,159)	(210,024)	—	—	10,325,865
Other banking financial assets	3,262,950	30,981	(36,623)	(1,446,399)	(8,406)	—	—	1,802,503
Slight and term deposits	17,509	11,433	(4,028)	—	—	—	—	24,913
	58,396,710	**19,851,451**	**(10,463,967)**	**(6,211,051)**	**2,584,113**	**51,648**	**3,325,837**	**67,534,740**
Non-current assets held for sale	282,778	14,234	(132,572)	—	—	—	—	164,441
	282,778	**14,234**	**(132,572)**	**—**	**—**	**—**	**—**	**164,441**
Merchandise	2,525,086	680,033	(743)	(72,971)	—	—	—	3,131,405
Raw, subsidiary and consumable	847,331	128,297	(8,329)	(99,631)	—	—	—	867,668
	3,372,417	**808,331**	**(9,072)**	**(172,602)**	**—**	**—**	**—**	**3,999,073**
	62,051,906	**20,674,015**	**(10,605,611)**	**(6,383,653)**	**2,584,113**	**51,648**	**3,325,837**	**71,698,254**
	76,491,014	**35,475,080**	**(18,383,292)**	**(9,502,356)**	**(169,822)**	**51,648**	**6,675,941**	**90,638,216**

As at 31 December 2020, the **Group** review the expected credit losses ("ECL") to be applied to amounts receivable and bank deposits, with reformulation of the risk parameters in order to reflect in the forward-looking component the economic deterioration resulting from the situation of COVID-19, considering for this purpose the combination of the projected changes in unemployment rate and GDP. This revision of the parameters had an impact of around 3.2 million Euros in the consolidated accounts of the **Group.** As of 31 December 2021, there were no changes compared to the review carried out in 2020.

In April 2021, Banco CTT and Sonae Financial Services started a new partnership in consumer credit through the financing of Universo card credit and the respective management of exposure to credit risk. As at 31 December 2021, the credit card portfolio had a value of 298,716,076 Euros and an increase in impairment of 6,617,578 Euros, which justifies the increase in impairment increases in 2021.

The amounts classified as "Other movements", with reference to 31 December 2020 and 30 September 2021, 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 2020 and 31 December 2021, the movement in the Accumulated impairment losses was as follows:

	2020					
Company	**Opening balance**	**Increases**	**Reversals**	**Utilizations**	**Transfers**	**Closing balance**
Non-current assets						
Tangible fixed assets	24,172	—	(4,712)	—	—	19,460
Investment properties	749,144	—	(298,836)	—	—	450,308
	773,316	**—**	**(303,548)**	**—**	**—**	**469,768**
Other non-current assets	2,099,796	—	—	—	439,189	2,538,985
	2,099,796	**—**	**—**	**—**	**439,189**	**2,538,985**
	2,873,112	**—**	**(303,548)**	**—**	**439,189**	**3,008,753**
Current assets						
Accounts receivable	4,496,917	943,189	—	(1,012,594)	—	4,427,512
Other current assets	7,658,758	1,865,313	(58,236)	(58,622)	(439,189)	8,968,024
Slight and term deposits	16,842	329	(358)	—	—	16,813
	12,172,517	**2,808,831**	**(58,594)**	**(1,071,216)**	**(439,189)**	**13,412,349**
Merchandise	2,093,793	513,486	—	(82,193)	—	2,525,086
Raw, subsidiary and consumable	725,188	131,708	(7,310)	(2,255)	—	847,331
	2,818,981	**645,194**	**(7,310)**	**(84,448)**	**—**	**3,372,417**
	14,991,498	**3,454,025**	**(65,904)**	**(1,155,664)**	**(439,189)**	**16,784,766**
	17,864,610	**3,454,025**	**(369,452)**	**(1,155,664)**	**—**	**19,793,519**

	2021					
Company	**Opening balance**	**Increases**	**Reversals**	**Utilizations**	**Transfers**	**Closing balance**
Non-current assets						
Tangible fixed assets	19,460	—	—	—	—	19,460
Investment properties	450,308	—	(57,372)	—	—	392,936
	469,768	**—**	**(57,372)**	**—**	**—**	**412,396**
Other non-current assets	2,538,985	—	—	—	210,025	2,749,010
	2,538,985	**—**	**—**	**—**	**210,025**	**2,749,010**
	3,008,753	**—**	**(57,372)**	**—**	**210,025**	**3,161,406**
Current assets						
Accounts receivable	4,427,512	521,584	(200,000)	(687,653)	—	4,061,443
Other current assets	8,968,024	899,656	(226,980)	(187,374)	(210,025)	9,243,301
Slight and term deposits	16,813	11,354	(3,666)	—	—	24,501
	13,412,349	**1,432,594**	**(430,646)**	**(875,027)**	**(210,025)**	**13,329,245**
Merchandise	2,525,086	680,033	(743)	(72,971)	—	3,131,405
Raw, subsidiary and consumable	847,331	128,297	(8,329)	(99,631)	—	867,668
	3,372,417	**808,330**	**(9,072)**	**(172,602)**	**—**	**3,999,073**
	16,784,766	**2,240,924**	**(439,718)**	**(1,047,629)**	**(210,025)**	**17,328,318**
	19,793,519	**2,240,924**	**(497,090)**	**(1,047,629)**	**—**	**20,489,724**

26. Equity

As at 31 December 2021, the **Company** share capital was composed of 150,000,000 shares with the nominal value of 0.50 Euros each. The share capital is fully underwritten and paid-up.

The information related to the shareholders with shareholdings equal to or greater than 2% can be found in chapter 5.1.2 section 7 of the Integrated Report.

27. Own shares, Reserves, Other changes in equity and Retained earnings

Own shares

The commercial legislation regarding own shares requires that a non-distributable reserve must be created for the same amount of the acquisition price of such shares. This reserve is not available for distribution while the shares stay in the Company's possession. In addition, the applicable accounting standards determine that the gains or losses obtained with the sale of such shares are recognized in reserves.

As of 31 December 2021, the following movements were made in the **Group** caption "Own Shares":

	Quantity	Amount	Average Price
Balance 31 December 2020	1	8	8.49
Acquisitions	1,500,000	6,404,954	4.27
Balance 31 December 2021	**1,500,001**	**6,404,963**	**4.27**

As at 31 December 2021, CTT held 1.500.001 own share, with a nominal value of 0.50€, being all the inherent rights suspended pursuant to article 324 of the Portuguese Companies Code.

At the Company's Board of Directors meeting held on 17 May 2021, has unanimously approved the implementation of a CTT share buy-back program ("Buy-back program"), including its terms and conditions.

The implementation of the Buy-back Program follows the approval of the Company's Remuneration Committee's proposal for the remuneration policy and the stock options plan on CTT shares to be awarded to CTT Executive Directors ("Plan for Directors"), by the General Shareholders' Meeting of CTT held on 21 April 2021, as well as the intention of the Board of Directors to put in place a stock options program addressed to the top management of the Company ("Plan for Top Managers").

The sole purpose of the Buy-back Program is the acquisition of own shares in order to comply with the obligation to award shares representing CTT's share capital to the participants of the Plans, based on the estimated number of shares required to meet the settlement of the options currently granted under the Plan for Directors, as well as the options which the Board of Directors is planning to grant under the Plan for Top Managers.

The Buy-back Program ended on 22 June 2021. At this date, the Company held, as a result of the transactions indicated herein, an aggregated total of 1.500.001 own shares, representing 1% of its share capital.

According to the terms and conditions of the Buy-back Program, the purpose of the mentioned program is fulfilled and should be considered concluded.

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 2020 and 31 December 2021, the **Group's** and **Company's** heading Reserves showed the following composition:

2020	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	8	15,990	50,836,597	65,852,595	15,000,000	8	50,836,597	65,836,605
Assets fair value	—	—	67,340	—	67,340	—	—	—	—
Closing balance	**15,000,000**	**8**	**83,330**	**50,836,597**	**65,919,935**	**15,000,000**	**8**	**50,836,597**	**65,836,605**

2021	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	8	83,330	50,836,597	65,919,935	15,000,000	8	50,836,597	65,836,605
Own shares acquisition	—	6,404,954	—	(6,404,954)	—	—	6,404,954	(6,404,954)	—
Assets fair value	—	—	(56,584)	—	(56,584)	—	—	—	—
Share Plan	—	—	—	1,215,000	1,215,000	—	—	1,215,000	1,215,000
Closing balance	**15,000,000**	**6,404,963**	**26,746**	**45,646,642**	**67,078,351**	**15,000,000**	**6,404,963**	**45,646,643**	**67,051,606**

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 (CTT, S.A.)

As at 31 December 2021, this caption includes the amount of 6,404,963 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 heading 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 2021, a reserve in the total amount of 1,215,000 Euros was recorded, related to the Company's stock options program awarded to the Directors and top managers, which is fully detailed in the note 44 – Staff Costs.

Retained earnings

During the years ended 31 December 2020 and 31 December 2021, the following movements were made in the **Group** and the **Company** heading Retained earnings:

	Group		Company	
	2020	**2021**	**2020**	**2021**
Opening balance	10,867,301	39,962,419	10,679,731	39,900,355
Application of the net profit of the prior year	29,196,933	16,669,309	29,196,933	16,720,995
Distribution of dividends (note 28)	—	(12,750,000)	—	(12,750,000)
Adjustments from the application of the equity method	(15,806)	22,345	23,691	55,224
Other movements	(86,009)	—	—	—
Closing balance	**39,962,419**	**43,904,073**	**39,900,355**	**43,926,574**

Other changes in equity

The actuarial gains/losses associated to post-employment benefits, as well as the corresponding deferred taxes, are recognized in this heading (Note 32).

Thus, for the years ended 31 December 2020 and 31 December 2021, the movements occurred in this heading in the **Group** and in the **Company** were as follows:

	Group		Company	
	2020	**2021**	**2020**	**2021**
Opening balance	(49,744,144)	(47,600,236)	(49,540,583)	(47,454,842)
Actuarial gains/losses (Note 32)	2,917,315	4,999,158	2,896,864	4,878,001
Tax effect (Note 51)	(773,407)	(1,397,534)	(811,122)	(1,365,840)
Closing balance	**(47,600,236)**	**(43,998,612)**	**(47,454,841)**	**(43,942,681)**

28. Dividends

At the General Meeting of Shareholders, which was held on 29 April 2020, was proposed and approved, the non-distribution of dividends regarding the year ended 31 December 2019. The net income in the amount of 29,196,933 Euros was transferred to retained earnings.

According to the dividend distribution proposal included in the 2020 Annual Report, at the General Meeting of Shareholders, which was held on 21 April 2021, a dividend distribution of 12,750,00 Euros, corresponding to a dividend per share of 0.085 Euros, regarding the financial year ended 31 December 2020 was proposed and approved. The dividend amount assigned to own shares was transferred to Retained earnings, amounting to 0.085 Euros.

29. Earnings per share

During the years ended 31 December 2020 and 31 December 2021, the earnings per share for the **Group** and the **Company** were calculated as follows:

Group	2020	2021
Net income for the period	16,669,309	38,404,113
Average number of ordinary shares	149,999,999	149,144,996
Earnings per share		
Basic	0.11	0.26
Diluted	0.11	0.26

Company	2020	2021
Net income for the period	16,720,995	37,680,272
Average number of ordinary shares	149,999,999	149,144,996
Earnings per share		
Basic	0.11	0.25
Diluted	0.11	0.25

The average number of shares is detailed as follows:

	2020	2021
Shares issued at begining of the period	150,000,000	150,000,000
Own shares effect	1	855,004
Average number of shares during the period	149,999,999	149,144,996

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 2021, the number of own shares held is 1,500,001 and its average number for the year ended 31 December 2021 is 855,004, reflecting the fact that no acquisitions or sales/attribution have occurred in the given 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 2020 and 31 December 2021, the following movements occurred in non-controlling interests:

	2020	2021
Opening balance	242,255	323,675
Net profit for the year attributable to non-controlling interest	97,225	187,190
Acquistions	—	34,000
Other movements	(15,806)	18,242
Closing balance	**323,675**	**563,106**

As 31 December 2021, non-controlling interests are related to Correio Expresso de Moçambique, S.A. and Open Lockers, S.A. The caption “acquisitions” refers to the company incorporated in the present year, Open Lockers, S.A., in which the **Group** holds a 66% majority participation in the new company and YunExpress a 34% participation.

31. Debt

As at 31 December 2020 and 31 December 2021, Debt of the **Group** and the **Company** showed the following composition:

	Group		Company	
	2020	2021	2020	2021
Non-current liabilities				
Bank loans	74,799,925	62,161,852	74,799,925	61,060,926
Lease liabilities	89,234,203	87,174,586	60,502,613	51,653,957
	164,034,127	**149,336,438**	**135,302,537**	**112,714,883**
Current liabilities				
Bank loans	16,856,747	22,169,000	7,125,000	13,987,917
Confirming	—	1,500,152	—	—
Lease liabilities	25,975,879	28,113,860	20,120,348	20,954,476
	42,832,626	**51,783,012**	**27,245,348**	**34,942,393**
	206,866,753	**201,119,450**	**162,547,885**	**147,657,276**

As at 31 December 2021, the interest rates applied to bank loans were between 1.00% and 1.875% (31 December 2020: 1.25% and 1.875%).

Bank loans

As at 31 December 2020 and 31 December 2021, the details of the **Group** and **Company** bank loans were as follows:

Group	2020			2021		
	Limit	Amount used		Limit	Amount used	
		Current	Non-current		Current	Non-current
Bank loans						
Millennium BCP	11,250,000	9,731,747	—	12,673,148	8,054,480	1,100,926
BBVA / Bankinter	47,500,000	7,125,000	40,075,774	40,375,000	6,958,272	33,121,646
Novo Banco	35,000,000	—	34,724,151	35,000,000	7,029,645	27,939,280
Caixa Geral de depósitos	—	—	—	126,470	126,603	—
Banco Montepio	25,000,000	—	—	25,000,000	—	—
Bankinter Confirming	—	—	—	2,200,000	1,500,152	
BIM - (Mozambique)	40,928	—	—	—	—	—
	118,790,928	**16,856,747**	**74,799,925**	**115,374,618**	**23,669,152**	**62,161,852**

Company	2020			2021		
	Limit	Amount used		Limit	Amount used	
		Current	Non-current		Current	Non-current
Bank loans						
Millennium BCP	50,000	—	—	50,000	—	—
Novo Banco	47,500,000	7,125,000	40,075,774	40,375,000	6,958,272	33,121,646
Banco Montepio	35,000,000	—	34,724,151	35,000,000	7,029,645	27,939,280
BBVA / Bankinter	25,000,000	—	—	25,000,000	—	—
	107,550,000	**7,125,000**	**74,799,925**	**100,425,000**	**13,987,917**	**61,060,926**

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. As at 31 December 2021, the referred used amount corresponded to 40,079,918 Euros. By a company 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 2021, 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 34,968,925 Euros.

On 21 May 2020, a Commercial Paper Issue Placement Agreement was signed with Banco Montepio in the maximum amount of 25 million Euros, with a term of 3 years, renewable for the same period. As of 31 December 2020 and 31 December 2021, no amount was used.

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 2021, 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	
	2020	2021	2020	2021
Due within 1 year	31,651,641	30,860,141	24,654,255	22,376,488
Due between 1 to 5 years	83,337,641	66,579,734	62,618,268	43,500,570
Over 5 years	18,964,112	28,808,052	5,403,000	10,904,932
Total undiscounted lease liabilities	**133,953,395**	**126,247,928**	**92,675,524**	**76,781,989**
Current	25,975,879	28,113,860	20,120,348	20,954,476
Non-current	89,274,939	87,174,586	60,502,613	51,653,957
Lease liabilities included in the statement of financial position	**115,250,818**	**115,288,445**	**80,622,960**	**72,608,433**

The amounts recognized in the income statement are detailed as follows:

	Group		Company	
	2020	2021	2020	2021
Lease Liabilities interests (note 50)	3,270,933	3,066,925	2,075,214	1,853,571
Variable payments not included in the measurament of the lease liability (note 43)	2,772,287	2,121,573	2,318,683	1,643,371

The amounts recognized in the Cash flow statement are as follows:

	Group		Company	
	2020	2021	2020	2021
Total of lease payments	(28,528,297)	(30,343,081)	(21,455,288)	(22,604,891)

The movement in the rights of use underlying these lease liabilities can be analyzed 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 2020 and 31 December 2021, in the **Group** and the **Company**, are detailed as follows:

Group	**2020**	**2021**
Opening Balance	175,411,501	206,866,753
Changes in the consolidation perimeter	—	2,667,159
Movements without cash	60,096,573	35,383,531
Contract changes	56,502,919	26,291,146
IFRS 16 Interests	3,270,933	3,066,925
Others	322,721	6,025,460
Loans:		
Inflow	21,293,090	100,261,411
Outflow	(21,405,813)	(110,777,850)
Confirming:		
Inflow	—	—
Outflow	—	(2,938,473)
Lease liabilities:		
Inflow	—	—
Outflow	(28,528,597)	(30,343,081)
Closing balance	**206,866,753**	**201,119,450**

Company	**2020**	**2021**
Opening Balance	140,215,297	162,547,885
Movements without cash	43,882,876	16,162,223
Contract changes	41,490,275	12,736,792
IFRS 16 Interests	2,075,214	1,853,571
Others	317,387	1,571,860
Loans:		
Inflow	—	—
Outflow	(95,000)	(8,447,942)
Lease liabilities:		
Inflow	—	—
Outflow	(21,455,288)	(22,604,891)
Closing balance	**162,547,885**	**147,657,275**

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 2020 and 31 December 2021, the **Group** and the **Company** liabilities presented the following movement:

	2020									
	Group						Company			
	Healthcare	Healthcare - SAMS	Pension Plan	Other benefits	Other long-term employee benefits	Total	Healthcare	Other long-term employee benefits	Other long-term benefits statutory bodies	Total
Opening balance	274,428,540	1,285,591	403,180	10,443,681	—	286,560,992	274,428,540	10,245,092	—	284,673,632
Movement of the period	(3,270,227)	146,303	(77,723)	(561,077)	201,592	(3,561,132)	(3,270,227)	(579,137)	201,593	(3,647,771)
Closing balance	**271,158,313**	**1,431,894**	**325,457**	**9,882,604**	**201,592**	**282,999,860**	**271,158,313**	**9,665,955**	**201,593**	**281,025,861**

	2021									
	Group						Company			
	Healthcare	Healthcare - SAMS	Pension Plan	Other benefits	Other long-term employee benefits	Total	Healthcare	Other long-term employee benefits	Other long-term benefits statutory bodies	Total
Opening balance	271,158,313	1,431,894	325,457	9,882,604	201,592	282,999,860	271,158,313	9,665,955	201,593	281,025,861
Movement of the period	(7,631,699)	35,987	(56,503)	6,338,404	209,837	(1,103,974)	(7,631,699)	6,351,053	209,838	(1,070,808)
Closing balance	**263,526,615**	**1,467,881**	**268,954**	**16,221,007**	**411,429**	**281,895,886**	**263,526,615**	**16,017,008**	**411,431**	**279,955,052**

The heading Other long-term employee benefits essentially refers to the benefit Pensions for work accidents, to the on-going staff reduction program 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	
	2020	2021	2020	2021
Non-current liabilities	264,369,292	260,805,742	262,426,248	258,892,489
Current liabilities	18,630,568	21,090,144	18,599,613	21,062,563
	282,999,860	**281,895,886**	**281,025,861**	**279,955,052**

As at 31 December 2020 and 31 December 2021, the costs related to employee benefits recognized in the consolidated and individual income statement and the amount recognized directly in Other changes in equity were as follows:

	Group		Company	
	2020	2021	2020	2021
Costs for the period				
Healthcare	8,663,500	7,481,517	8,663,500	7,481,517
Healthcare - SAMS	115,891	126,019	—	—
Pension plan	5,977	4,203	—	—
Other benefits	—	—	—	—
Other long-term employee benefits	3,057,483	9,499,035	3,039,423	9,511,684
Other long-term benefits statutory bodies	201,592	209,837	201,592	209,837
	12,044,443	**17,320,611**	**11,904,515**	**17,203,038**
Other changes in equity				
Healthcare	(2,896,864)	(4,878,001)	(2,896,864)	(4,878,001)
Healthcare - SAMS	31,499	(88,952)	—	—
Pension Plan	(51,950)	(32,205)	—	—
Other benefits	—	—	—	—
	(2,917,315)	**(4,999,158)**	**(2,896,864)**	**(4,878,001)**

As at 31 December 2020 and 31 December 2021, the amounts recognized as actuarial gains or losses detailed by nature, in the **Group** and in the **Company**, were as follows:

Group	2020			2021			
	Changes Financial Assumptions	Experience	Total	Changes Financial Assumptions	Changes Demographic Assumptions	Experience	Total
Healthcare	12,505,421	(15,402,285)	(2,896,864)	(4,754,850)	—	(123,151)	(4,878,001)
Healthcare - SAMS	73,413	(41,914)	31,499	(46,536)	—	(42,416)	(88,952)
Pension Plan	4,840	(56,790)	(51,950)	(2,336)	(249)	(29,620)	(32,205)
Other benefits	—	—	—	(3,206)	—	(25,682)	(28,888)
Other long-term employee benefits	148,927	(164,021)	(15,094)	(90,564)	—	937,819	847,255
	12,732,601	**(15,665,010)**	**(2,932,409)**	**(4,897,492)**	**(249)**	**716,950**	**(4,180,791)**

Company	2020			2021		
	Changes Financial Assumptions	Experience	Total	Changes Financial Assumptions	Experience	Total
Healthcare	12,505,421	(15,402,285)	(2,896,864)	(4,754,850)	(123,151)	(4,878,001)
Other long-term employee benefits	143,701	(161,859)	(18,158)	(90,564)	937,819	847,255
	12,649,122	**(15,564,144)**	**(2,915,022)**	**(4,845,414)**	**814,668**	**(4,030,746)**

In 2021, actuarial gains/losses related to financial assumptions changes reflect the discount rate review from 1.30% in 2020 to 1.42% to 2021.

In the period ended 31 December 2020, the actuarial gains related to “Experience” are mainly explained by the introduction of a stop loss mechanism in 2020 related to healthcare, with an impact of approximately 9 million Euros, and the differences between the estimated payments for 2020 and the effective payments due to the lower use of health services due to the COVID-19 impact on the health system, with an impact of approximately 3,2 million Euros.

Healthcare - IOS Plan and Insurance policy

As mentioned in Note 2.21, CTT is responsible for financing each healthcare plans applicable to certain employees – IOS Plan and Insurance policy.

In order to obtain the estimate of the liabilities and costs to be recognized 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 2021.

The main assumptions followed in the **Group** and the **Company** actuarial study of both plans were:

	2020	2021
Financial assumptions		
Discount rate	1.30%	1.42%
Salaries expected growth rate	2.25%	2.25%
Pensions growth rate	Law no. 53-B/2006 (with ∆ GDP < 2%)	Lei nº. 53-B/2006 (com ∆ PIB < 2%)
Inflation rate	1.50%	1.50%
Health costs growth rate	3.30%	3.30%
Stop-Loss	949.50€	949.50€
Duration	15.1	14.9
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 by the **Group** and the **Company** analysis of the evolution of the macroeconomic context and the constant need to match the actuarial and financial assumptions to that reality. Therefore, as a result of that analysis the discount rate was changed to 1.42% (1.30% in 2020).

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. The estimate of health costs growth rate did not take into account the decrease in social action expenditures in 2021, as it is a one-off decrease explained by the pandemic impact on the health system and not a structural trend.

Note that, in the beginning of 2021, the entity that currently manages the Plan, Médis, accepted the introduction of a Stop-loss coverage, with the introduction of a cap corresponding to an average annual cost per beneficiary of 949.50 Euros fixed for the next 3 years Stop-loss is an insurance coverage where the risk above the reference amount is transferred from the policyholder (CTT) to the insurance company (Médis), in this case, defined by the average annual cost per beneficiary. The contract between Médis and CTT, with the conditions negotiated, has a minimum duration of 3 years, starting on 1 January 2021 and ending on 31 December 2023. As at 31 December 2020, the liabilities were calculated considering, from 2024, an annual increase in Stop Loss equivalent to the healthcare expenditures growth rate. The effect of Stop-Loss introduction led to a decrease in liabilities of approximately 9 million Euros, recognized in "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	2021	2020	2019	2018	2017
Liabilities at the end of the period					
IOS plan	254,937,950	261,776,888	265,509,580	244,758,317	250,622,728
Insurance policy	8,588,665	9,381,426	8,918,960	7,040,193	3,349,658
	263,526,615	**271,158,313**	**274,428,540**	**251,798,510**	**253,972,386**

For the years ended 31 December 2020 and 31 December 2021, the movement which occurred in the present value of the defined benefits liability regarding the healthcare plans was as follows:

Group and Company	Total		IOS Plan		Insurance policy	
	2020	2021	2020	2021	2020	2021
Opening balance	274,428,540	271,158,314	265,509,580	261,776,888	8,918,960	9,381,426
Service cost of the year	4,370,000	4,045,000	4,370,000	4,045,000	—	—
Interest cost of the year	4,293,500	3,447,000	4,153,500	3,328,000	140,000	119,000
Plan amendment	—	(10,483)	(109,492)	95,250	109,492	(105,733)
Pensioners contributions	5,018,780	4,917,973	4,745,004	4,647,786	273,776	270,187
(Payment of benefits)	(13,521,026)	(14,598,406)	(12,872,387)	(13,903,508)	(648,639)	(694,898)
(Other costs)	(534,617)	(554,781)	(511,282)	(531,582)	(23,335)	(23,199)
Actuarial (gains)/losses	(2,896,863)	(4,878,001)	(3,508,034)	(4,519,884)	611,171	(358,117)
Closing balance	**271,158,314**	**263,526,615**	**261,776,888**	**254,937,950**	**9,381,426**	**8,588,665**

Under the human resources optimization process, started in 2016 and maintained until the current period, some employees are no longer considered in the IOS healthcare plan ("*Instituto das Obras Sociais*") being from that date onwards covered by an insurance policy with similar coverages of the IOS healthcare plan and the same monthly contributions and co-payments in the existing terms, as referred to in note 2.21. This revised plan has been considered as an amendment to the plan and therefore recognized in profit and loss under the caption Staff costs.

The total costs for the period were recognized as follows:

Group and Company	Total		IOS Plan		Insurance policy	
	2020	2021	2020	2021	2020	2021
Staff costs/employee benefits (Note 44)	3,835,383	3,479,736	3,749,226	3,608,668	86,157	(128,932)
Other costs	534,617	554,781	511,282	531,582	23,335	23,199
Interest expenses (Note 50)	4,293,500	3,447,000	4,153,500	3,328,000	140,000	119,000
	8,663,500	**7,481,517**	**8,414,008**	**7,468,250**	**249,492**	**13,267**

As at 31 December 2020 and 31 December 2021, regarding the IOS Plan, the actuarial (gains)/losses in the amount of (4,519,884) Euros ((3,508,034) Euros as at 31 December 2020) were recognized in equity under Other changes in equity, net of deferred taxes of 1,268,568 Euros (982,250 Euros as at 31 December 2020).

As at 31 December 2020, regarding the IOS plan, the actuarial (gains)/ losses amount is mainly due to the reduction of the discount rate from 1.60% to 1.30% as well as to the effect of the Stop-loss mechanism introduced and to the fact that payment of benefits was lower than estimated.

At at 31 December 2021, regarding the IOS plan, the amount of actuarial (gains)/ losses is mainly due to the increase in the discount rate from 1.30% to 1.42%.

In what refers to the Insurance Policy, as at 31 December 2020 and as at 31 December 2021, the amounts of 611,171 Euros and (358,117) Euros, respectively, related to the actuarial (gains)/losses were recognized in equity under Other changes in equity, net of deferred taxes of (171,128) Euros and (100,273) 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 recognize in the next annual period is 7,880 thousand Euros.

The sensitivity analysis performed for the IOS Plan 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 320,059 thousand Euros, increasing by approximately 21.5%.

(ii) If the discount rate was reduced 25 b.p. and keeping all the remaining variables constant, the liabilities would increase by approximately 3.7%, amounting to 273,277 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 2.8% amounting to a total of 270,789 thousand Euros.

Healthcare - SAMS

As mentioned in Note 2.21, 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 October 15.

In order to obtain the estimate of the liabilities and costs to be recognized 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 2021.

The main assumptions followed in the **Group** actuarial study were:

	2020	2021
Financial assumptions		
Discount rate	1.30%	1.42%
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 2020 and 31 December 2021, the movement of **Group** liabilities with the Healthcare – SAMS was as follows:

Group	2020	2021
Opening balance	1,285,591	1,431,894
Service cost of the year	96,631	107,426
Interest cost of the year	19,260	18,593
(Payment of benefits)	(1,087)	(1,080)
Actuarial (gains)/losses	31,499	(88,952)
Closing balance	**1,431,894**	**1,467,881**

The total costs for the period were recognized as follows:

Group	2020	2021
Staff costs/employee benefits (Note 44)	96,631	107,426
Interest expenses (Note 50)	19,260	18,593
	115,891	**126,019**

The best estimate the **Group** has at this date for costs related to the Healthcare – SAMS, which it expects to recognize in the next annual period, is 130,557 Euros.

The sensitivity analysis performed in the year ended 31 December 2021 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 6.2%, amounting to 1,558,890 Euros.

Pension Plan

As mentioned in Note 2.21, 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 recognized 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 2021.

The main assumptions followed in the **Group** actuarial study were:

	2020	2021
Financial assumptions		
Discount rate	1.30%	1.42%
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	EKV 80	SWISS RE

For the year ended 31 December 2020 and 31 December 2021, the movement of **Group** liabilities with the Pension Plan was as follows:

Group	2020	2021
Opening balance	403,180	325,457
Service cost of the year	190	173
Interest cost of the year	5,787	4,030
(Payment of benefits)	(31,750)	(28,501)
Actuarial (gains)/losses	(51,950)	(32,205)
Closing balance	**325,457**	**268,954**

The total costs for the period were recognized as follows:

Group	2020	2021
Staff costs/employee benefits (Note 44)	190	173
Interest expenses (Note 50)	5,787	4,030
	5,977	**4,203**

The best estimate the **Group** has at this date for costs related to the pension plan, which it expects to recognize in the next annual period, is 3,748 Euros.

As at 31 December 2020 and as at 31 December 2021, the amounts of (51,950) Euros and (32,205) Euros, respectively, related to the actuarial (gains)/losses were recognized in equity under Other changes in equity, net of deferred taxes of 10,910 Euros and 7,230 Euros, respectively.

The sensitivity analysis performed in the year ended 31 December 2021 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 1.8%, amounting to 273,795 Euros.

Other long-term employee benefits

Following the mentioned note 2.21, 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 October 15, clauses 69 and 72, respectively.

In order to obtain the estimate of the liabilities and costs to be recognized 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 2021.

The main assumptions followed in the **Group** actuarial study were:

	2020	2021
Financial assumptions		
Discount rate	1.30%	1.42%
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 2020 and 31 December 2021, 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	2020	2021
End of Career Awards		
Opening balance	191,986	209,851
Service cost of the year	11,898	12,899
Interest cost of the period	2,671	2,544
(Payment of benefits)	—	—
Actuarial (gains)/losses	3,296	(28,124)
Closing balance	**209,851**	**197,170**
Death Allowance resulting from Work Accidents		
Opening balance	6,603	6,797
Service cost of the year	333	712
Interest cost of the period	94	84
(Payment of benefits)	—	—
Actuarial (gains)/losses	(233)	(764)
Closing balance	**6,797**	**6,829**
Total	**216,648**	**203,999**

The total costs for the period were recognized as follows:

Group	2020	2021
Staff costs/employee benefits (Note 44)		
End of Career Awards	15,194	(15,225)
Death Allowance resulting from Work Accidents	100	(52)
	15,294	**(15,277)**
Interest expenses (Note 50)	2,765	2,628
	18,059	**(12,649)**

The best estimate the **Group** has at this date for costs related to the Other post-employment benefits, which it expects to recognize in the next annual period, is 17,563 Euros.

The sensitivity analysis performed in the year ended 31 December 2021, 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 6.2%, amounting to 216,647 Euros.

Additionally, and as mentioned in Note 2.21, 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 allocation of subsidies of Support for termination of professional activity (which was eliminated as of 1 April 2013), 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 recognized 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 2021, 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:

	2020	2021
Financial assumptions		
Discount rate	1.30%	1.42%
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 2020 and 31 December 2021, the movement of **Group** and the **Company** liabilities with other long-term employee benefits, was as follows:

Group and Company	2020	2021
Suspension of contracts, redeployment and release of employment		
Opening balance	3,135,288	2,754,747
Interest cost of the period	42,876	27,227
Liabilities relative to new beneficiaries	2,367,274	8,550,491
(Payment of benefits)	(3,117,671)	(2,658,170)
Actuarial (gains)/losses	326,980	819,390
Closing balance	**2,754,747**	**9,493,686**
Telephone subscription fee		
Opening balance	459,105	414,119
Interest cost of the period	6,504	5,076
(Payment of benefits)	(48,893)	(43,865)
Actuarial (gains)/losses	(2,597)	8,631
Closing balance	**414,119**	**383,961**
Pension for work accidents		
Opening balance	6,573,619	6,458,399
Interest cost of the period	95,363	81,216
(Payment of benefits)	(439,206)	(447,405)
Actuarial (gains)/losses	228,623	21,392
Closing balance	**6,458,399**	**6,113,602**
Monthly life annuity		
Opening balance	77,081	38,691
Interest cost of the period	1,010	419
Curtailment	(13,024)	—
(Payment of benefits)	(12,790)	(11,191)
Actuarial (gains)/losses	(13,586)	(2,159)
Closing balance	**38,691**	**25,760**
Total	**9,665,955**	**16,017,008**

During the years ended 31 December 2020 and 31 December 2021, the total costs for the year were recognized as follows:

Group and company	2020	2021
Staff costs/employee benefits (Note 44)		
Suspension of contracts, redeployment and release of employment	2,694,254	1,369,881
Telephone subscription fee	(2,597)	8,631
Pension for work accidents	228,623	21,392
Monthly life annuity	(26,610)	(2,159)
Suspension and Early-Retirement Agreements (Nota 33)	—	8,000,000
	2,893,671	**9,397,745**
Interest expenses (Note 50)	145,753	113,938
	3,039,424	**9,511,684**

The liabilities related to new beneficiaries on 31 December 2021, in the Suspension of contracts, redeployment and release of employment benefit occur under the referred human resources optimization process, following agreements of suspension of employment contracts entered into or terminated in the meantime.

The amount relating to Suspension or Early-Retirement agreements of 8,000,000 Euros is explained in detail in Note 33 - Provisions, Guarantees provided, Contingent Liabilities and Commitments and in Note 44 - Staff Costs.

The actuarial (gains)/losses regarding long-term employee benefits recognized as at 31 December 2020 and 31 December 2021 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 recognized 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 recognize in the next year is 196,588 Euros.

The sensitivity analysis performed on 31 December 2021 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 1.2%, increasing to 16,209 thousand Euros.

Other long-term benefits for the Statutory Bodies

At the General Meeting held on 21 April 2021, a new Remuneration Regulation for Members of the Statutory Bodies was approved for the 2020-2022 term, which replaces the Regulation in force at that date. This regulation changes the assumptions for the annual variable remuneration (AVR) attribution and changes the long-term variable remuneration (LTVR) terms to a “stock option” mechanism.

The main features of the plan and the accounting impacts are explained in detail in note 44 - Staff costs.

33. Provisions, Guarantees provided, Contingent liabilities and commitments

Provisions

For the years ended 31 December 2020 and 31 December 2021 in order to face legal proceedings and other liabilities arising from past events, the **Group** and the **Company** recognized provisions, which showed the following movement:

Group	2020					
	Opening balance	Increases	Reversals	Utilizations	Transfers	Closing balance
Non-current provisions						
Litigations	2,848,977	1,059,573	(601,790)	(350,419)	47,075	3,003,416
Restructuring	1,039,748	193,000	(142,401)	(7,000)	—	1,083,347
Other provisions	10,381,956	1,318,106	(973,191)	(6,326)	(317,668)	10,402,877
Sub-total - caption "Provisions (increases)/ reversals"	**14,270,681**	**2,570,679**	**(1,717,382)**	**(363,745)**	**(270,593)**	**14,489,641**
Restructuring	679,141	227,733	—	(743,074)	—	163,800
Other provisions	2,685,556	842,101	—	(764,744)	—	2,762,913
	17,635,379	**3,640,514**	**(1,717,382)**	**(1,871,563)**	**(270,593)**	**17,416,354**

Group	2021						
	Opening balance	Increases	Reversals	Utilizations	Transfers	Regularizations	Closing balance
Non-current provisions							
Litigations	3,003,416	1,254,601	(1,383,155)	(90,046)	49,983	—	2,834,799
Restructuring	1,083,347	—	(964,524)	(123,823)	—	5,000	—
Other provisions	10,402,877	686,564	(3,623,942)	(83,435)	(67,983)	—	7,314,082
Commitment provisions	—	211,465	(67,125)	—	169,822	—	314,163
Sub-total - caption "Provisions (increases)/ reversals"	**14,489,641**	**2,152,630**	**(6,038,746)**	**(297,304)**	**151,822**	**5,000**	**10,463,043**
Restructuring	163,800	9,341,409	(13,145)	(36,328)	(8,000,000)	—	1,455,737
Other provisions	2,762,913	41,951	—	(44,123)	—	—	2,760,741
	17,416,354	**11,535,990**	**(6,051,891)**	**(377,755)**	**(7,848,178)**	**5,000**	**14,679,520**

The net amount between increases and reversals of provisions was recorded in the consolidated income statement under the caption Provisions, net and amounted to (853,298) Euros as at 31 December 2020 and (3,886,116) Euros as at 31 December 2021.

Company	2020					
	Opening balance	Increases	Reversals	Utilizations	Transfers	Closing balance
Non-current provisions						
Litigations	2,201,723	760,533	(540,644)	(143,368)	47,075	2,325,319
Restructuring	575,902	—	(142,401)	—	—	433,501
Other provisions	7,238,897	222,853	(217,220)	—	(47,075)	7,197,456
Sub-total - caption "Provisions (increases)/ reversals"	**10,016,522**	**983,386**	**900,264**	**(143,368)**	**—**	**9,956,276**
Restructuring	601,761	207,780	—	(685,869)	—	123,672
Other provisions	2,229,067	786,920	—	(726,863)	—	2,289,124
	12,847,350	**1,978,086**	**900,264**	**(1,556,100)**	**—**	**12,369,072**

Company	2021						
	Opening balance	Increases	Reversals	Utilizations	Transfers	Regularizations	Closing balance
Non-current provisions							
Litigations	2,325,319	1,137,417	(1,267,797)	(88,754)	49,983	—	2,156,168
Restructuring	433,501	—	(436,724)	(1,777)	—	5,000	—
Other provisions	7,197,456	188,512	(2,661,076)	—	(49,983)	—	4,674,909
Sub-total - caption "Provisions (increases)/reversals"	**9,956,276**	**1,325,929**	**(4,365,597)**	**(90,531)**	**—**	**5,000**	**6,831,077**
Restructuring	123,672	9,265,000	—	(36,328)	(8,000,000)	—	1,352,344
Other provisions	2,289,125	40,970	—	(44,123)	—	—	2,285,971
	12,369,072	**10,631,899**	**(4,365,597)**	**(170,982)**	**(8,000,000)**	**5,000**	**10,469,392**

The net amount between increases and reversals of provisions was recorded in the individual income statement under the caption Provisions, net and amounted to 83,122 Euros as at 31 December 2020 and (3,039,668) as at 31 December 2021.

A provision should only be used for expenditures for which the provision was originally recognized, 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 601,790 Euros as at 31 December 2020 and 1,383,155 Euros as at 31 December 2021, essentially results from lawsuits whose decision, which was made known in the course of 2020 or 2021, 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).

Restructuring

In June 2021, CTT approved a new HR optimization program considering the need to optimize teams. This program presumes the launch of a Voluntary Exit Program based on the signing of Suspension or Pre-Retirement Agreements. As at 31 December 2021, a provision in the amount of 9,341,409 Euros in the Group and 9,265,000 Euros in the Company was booked , which was recognized under Staff costs caption in the income statement. As at 31 December 2021, regarding the agreements performed at this date, an amount of 8,000,000 Euros was transferred to the caption employee benefits in the statement of financial position.

The provision booked in 2018 within the scope of the Operational Transformation Plan, in terms of the distribution network and mail handling operations, as at 31 December 2020 had a balance of 1,083,347 Euros in the Group and 433,501 Euros in the Company. In 2021, an amount of 123,823 Euros was used in the Group, the remainder being reversed, as the aforementioned program is currently terminated.

Other provisions

As at 31 December 2021, the provision, in the **Group** and the **Company**, to cover any contingencies relating to labour litigation proceedings not included in the current court proceedings related to remuneration differences that can be claimed by workers, amounts to 3,916,051 Euros (6,627,110 as at 31 December 2020). The change in the provision for labour contingencies essentially concerns the reversal of a portion of the provision constituted for labour claims, for which it is currently understood that the probability of the **Group** incurring an outflow of resources is reduced. The amount of the provision corresponds to the **Group**'s best estimate for the outflow.

As at 31 December 2021, a provision is recognized 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 amounts to 3,148,845 Euros and has already been subject of an appeal to the Spanish Audiencia Nacional (National High Court). Regarding this matter, Tourline (currently designated as 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 by Tourline. The amount provisioned, of 1,400,000 Euros, is the result of the evaluation carried out by its legal advisors and the **Group** is awaiting the outcome of the process and it is not possible to anticipate a deadline for resolution.

The amount provisioned in 321 Crédito, S.A. amounting to 741,641 Euros as at 31 December 2020 (1,615,802 Euros at 31 December 2021) mainly results from the management assessment regarding the possibility of materializing tax contingencies and other processes.

As at 31 December 2021, in addition to the previously mentioned situations, this heading also includes in the **Group** and the **Company**:

- the amount of 537,510 Euros in the **Group** and 335,620 Euros in the **Company** to cover costs of dismantlement of tangible fixed assets and/or removal of facilities and restoration of the site;
- the amount of 550,000 Euros in the **Group** and **Company**, which arise from the assessment made by the management regarding the possibility of tax contingencies;
- the amount of 309,007 Euros regarding the liability, recognized in the company CTT Expresso, with a labor legal proceeding;
- the amount of 1,972,779 Euros in the **Group** and 1,807,013 Euros in the **Company**, to cover costs of operational vehicles restoration.

Commitments provisions

Commitments provisions refer to provisions for indirect credit. In 2021, a credit impairment transfer in the amount of 169,822 Euros (note 20) was made to provisions.

Guarantees provided

As at 31 December 2020 and 31 December 2021, the **Group** and the **Company** had provided bank guarantees to third parties as follows:

Description	Group		Company	
	31.12.2020	31.12.2021	31.12.2020	31.12.2021
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)	2,282,510	2,917,205	200,000	855,915
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	—	—
AMBIMOBILIÁRIA- INVESTIMENTOS E NEGÓCIOS, S.A. (Real estate company)	480,000	480,000	480,000	480,000
MARATHON (Closed investment fund)	—	432,000	—	—
O Feliz - Imobiliaria (Real estate company)	381,553	369,932	381,553	—
Courts	260,610	339,230	254,610	333,230
CIVILRIA (Real estate company)	224,305	224,305	224,305	—
TRANSPORTES BERNARDO MARQUES , S.A.	223,380	220,320	223,380	220,320
TIP - Transportes Intermodais do Porto, ACE (Oporto intermodal transport)	150,000	150,000	—	—
Via Direta	—	150,000	—	—
Municipalities	118,658	118,658	118,658	118,658
INCM - Imprensa Nacional da Casa da Moeda (Portuguese Mint and Official Printing Office)	85,056	85,056	—	—
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
ANA - Aeroportos de Portugal (Airports of Portugal)	34,000	34,000	34,000	34,000
GNB Companhia de seguros vida SA (Insurance company)	—	25,000	—	—
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
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
Repsol (Oil and Gas Company)	15,000	15,000	—	—
DOLCE VITA TEJO (Real State Company)	—	13,832	—	13,832
Lagos em Forma - Gestão desportiva, E.M., S.A. (Municipal company managing sports in Lagos)	11,000	11,000	11,000	11,000
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	—	—
Instituto do Emprego e Formação Profissional (Employment and Professional Training Institute)	3,719	3,719	3,719	3,719
EMARP - Empresa de Aguas e Resíduos de Portimão (Services of Water Supply and Sanitation of the city of Portimão)	3,100	3,100	3,100	3,100
EUROGOLD (Real estate company)	694,464	—	694,464	—
Solred (Repsol's fuel cards)	80,000	—	—	—
Companhia Carris de Ferro de Lisboa, EM, SA (Portuguese Railway company)	55,000	—	—	—
ADAM - Águas do Alto Minho (Services of Water Supply and Sanitation of the Region of Alto Minho)	466	—	—	—
	12,355,172	**13,867,543**	**9,828,549**	**9,273,535**

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 2020 and 31 December 2021, 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, while the appeal presented by CTT Expresso branch in Spain in the National Audience in Spain proceeds.

Commitments

As at 31 December 2020 and 31 December 2021, the **Group** subscribed promissory notes amounting to approximately 75.3 thousand Euros and 41,9 thousand Euros, respectively, for various credit institutions intended to secure complete and timely compliance with the corresponding financing contracts.

The **Group** and the **Company** also assumed financial commitments (comfort letters) in the amount of 1,170,769 Euros regarding the branch of CTT Expresso in Spain which are still active as at 31 December 2021.

The **Group** and the **Company** engaged guarantee insurances in the total amount of 4,226,910 Euros and 1,897,993 Euros, respectively (2020: 1,033,163 Euros and 410,230 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 2020 and 31 December 2021, the **Group** and the **Company** heading Accounts payable showed the following composition:

	Group		Company	
	2020	2021	2020	2021
Non-current				
Other accounts payable	—	—	309,007	309,007
	—	—	**309,007**	**309,007**
Current				
Advances from customers	3,054,584	2,368,197	3,033,262	2,359,986
CNP money orders	88,916,523	51,157,113	88,916,523	51,157,113
Suppliers	87,287,994	88,144,917	65,044,013	67,832,513
Invoices pending confirmation	7,955,395	12,256,372	6,612,905	7,197,970
Fixed assets suppliers	5,808,358	7,008,092	3,702,201	5,062,614
Invoices pending confirmation (fixed assets)	5,688,925	6,300,825	4,605,929	5,229,243
Values collected on behalf of third parties	6,546,335	8,911,160	3,258,226	5,387,368
Postal financial services	154,324,605	156,371,620	154,324,605	156,371,533
Deposits	567,215	594,183	—	—
Charges	1,859,349	2,200,392	504,569	1,102,742
Compensations	581,798	881,108	47,229	155,688
Postal operators - amounts to be settled	1,722,118	1,586,135	1,721,979	1,586,135
Amounts to be settled to third parties	4,282,230	1,919,132	4,281,776	1,919,132
Amounts to be settled in stores	495,476	495,269	495,476	495,269
Other accounts payable	6,471,998	10,109,816	6,260,739	6,651,168
	375,562,902	**350,304,332**	**342,809,432**	**312,508,476**
	375,562,902	**350,304,332**	**343,118,439**	**312,817,483**

<u>CNP money orders</u>

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 decrease in the balance is mainly due to a trend towards a decrease in the number of pensioners who receive the amounts in this way, due to a growing transition to the settlement of amounts electronically by the CNP.

<u>Postal financial services</u>

This heading 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.

Suppliers and fixed assets suppliers

As at 31 December 2020 and 31 December 2021, the **Group** and the **Company** heading Suppliers showed the following composition:

	Group		Company	
	2020	2021	2020	2021
Other suppliers	47,193,407	44,331,541	25,300,309	23,584,995
Postal operators	40,094,570	43,813,375	38,897,690	42,761,921
Group companies [1]	17	—	846,013	1,485,597
	87,287,994	**88,144,917**	**65,044,013**	**67,832,513**

[1] Includes subsidiary, associated and joint-ventures companies.

As at 31 December 2020 and 31 December 2021, the ageing of the **Group** and the **Company** balance of the headings Suppliers and Fixed assets suppliers is detailed as follows:

Suppliers	Group		Company	
	2020	2021	2020	2021
Non-overdue	34,998,968	35,342,173	17,462,363	20,599,077
Overdue [1]:				
0-30 days	10,670,846	8,719,140	7,911,611	5,196,322
31-90 days	8,509,795	2,946,335	7,447,371	2,589,189
91-180 days	3,566,563	4,351,325	3,145,839	3,556,532
181-360 days	8,789,301	12,282,581	8,555,405	11,572,396
> 360 days	20,752,520	24,503,362	20,521,424	24,318,997
	87,287,994	**88,144,917**	**65,044,013**	**67,832,513**

[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	
	2020	2021	2020	2021
Non-overdue	3,495,660	4,872,336	2,338,377	3,240,215
Overdue:				
0-30 days	966,213	1,399,179	546,944	910,554
31-90 days	779,933	70,223	396,870	—
91-180 days	141,297	29,754	67,286	258,278
181-360 days	35,500	292,613	8,470	252,919
> 360 days	389,756	343,988	344,254	400,649
	5,808,358	**7,008,092**	**3,702,201**	**5,062,614**

The current amount of accounts payable overdue over 360 days is as follows:

	Group		Company	
	2020	2021	2020	2021
Other suppliers	148,616	191,448	82,981	258,543
Foreign operators	20,603,903	24,311,914	20,438,443	24,060,455
Total	**20,752,520**	**24,503,362**	**20,521,424**	**24,318,997**
Foreign operators - receivable (Note 19)	**(22,182,980)**	**(24,277,519)**	**(21,699,134)**	**(23,475,667)**

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.

In the actual interest rate environment, 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 recognize any amount.

There are no ongoing judicial or extrajudicial proceedings to regularize the balances of suppliers that were past due on 31 December 2021.

35. Banking clients' deposits and other loans

As at 31 December 2020 and 31 December 2021, the composition of the heading Banking clients' deposits and other loans in the **Group** is as follows:

	31.12.2020	31.12.2021
Sight deposits	1,207,038,127	1,485,969,930
Term deposits	178,175,790	223,067,357
Savings deposits	303,251,244	412,474,058
	1,688,465,160	**2,121,511,345**

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 slight deposits, which can be mobilized 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 2021, the average rate of return on customer funds was 0.02% (2020: 0.06%).

As at 31 December 2020 and 31 December 2021, the residual maturity of banking client deposits and other loans, is detailed as follows:

	31.12.2020					
	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	1,510,289,371	—	—	—	—	1,510,289,371
Term deposits	—	81,534,153	96,641,636	—	—	178,175,790
	1,510,289,371	**81,534,153**	**96,641,636**	**—**	**—**	**1,688,465,160**

	31.12.2021					
	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	1,898,443,987	—	—	—	—	1,898,443,987
Term deposits	—	106,310,120	116,757,237	—	—	223,067,357
	1,898,443,987	**106,310,120**	**116,757,237**	**—**	**—**	**2,121,511,345**

36. Other current liabilities

As at 31 December 2020 and 31 December 2021, the **Group** and the **Company** heading Other current liabilities showed the following composition:

	Group		Company	
	2020	2021	2020	2021
Current				
Estimated holiday pay, holiday subsidy and other remunerations	45,499,455	47,519,381	39,330,854	38,508,973
Estimated supplies and external services	41,401,260	57,988,767	22,046,043	25,633,655
State and other public entities				
Value Added Tax	2,022,037	2,251,768	1,470,779	1,327,747
Personal income tax withholdings	3,046,625	3,026,069	2,463,736	2,365,284
Social Security contributions	4,495,367	4,740,077	3,452,949	3,491,527
Caixa Geral de Aposentações	1,783,216	1,683,889	1,769,530	1,671,242
Local Authority taxes	477,886	513,387	465,263	475,075
Other taxes	767,537	866,971	7,274	7,000
Other	14	4,471	14	2,243
	99,493,397	**118,594,781**	**71,006,442**	**73,482,746**

The increase in the caption “Estimated supplies and external services” is mainly due to the increase in the activity of CTT Soluções Empresariais and CTT Expresso, branch in Spain, explained in note 4.

37. Income taxes receivable /payable

As at 31 December 2020 and 31 December 2021 the **Group** and the **Company** heading Income taxes receivable and Income taxes payable showed the following composition:

	Group		Company	
	2020	2021	2020	2021
Current assets				
Corporate income tax	—	8,268	—	—
Imposto a pagar	**—**	**8,268**	**—**	**—**
Current liabilities				
Corporate income tax	1,340,420	11,611,897	2,439,808	9,705,744
Imposto a pagar	**1,340,420**	**11,611,897**	**2,439,808**	**9,705,744**

The **Company's** current assets and current liabilities relative to corporate income tax were calculated as follows:

Company	2020	2021
Estimated income tax	(7,341,342)	(7,689,772)
Estimated Group companies' income tax	2,207,060	(7,378,903)
Payments on account	2,821,694	4,973,084
Withholding taxes	306,169	259,538
Others	(433,389)	130,309
	(2,439,808)	**(9,705,744)**

38. Financial assets and liabilities

As at 31 December 2020 and 31 December 2021, the categories of financial assets and liabilities regarding the **Group** were broken down as follows:

Group	2020					
	Amortized 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 financial assets at fair value through profit or loss (note 15)	—	—	2,107	—	—	2,107
Non-current debt securities at fair value through other comprehensive income (Note 14)	—	12,273,557	—	—	—	12,273,557
Non-current debt securities at amortized cost (Note 14)	453,090,517	—	—	—	—	453,090,517
Other non-current assets (Note 24)	1,063,789	—	—	—	—	1,063,789
Non-current credit to bank clients (Note 20)	985,355,687	—	—	—	—	985,355,687
Other non-current banking financial assets (Note 16)	11,420,777	—	—	—	—	11,422,884
Current accounts receivable (Note 19)	153,616,009	—	—	—	—	153,616,009
Current credit to bank clients (Note 20)	107,925,845	—	—	—	—	107,925,845
Current debt securities at fair value through other comprehensive income (Note 14)	—	7,281,273	—	—	—	7,281,273
Current debt securities at amortized cost (Note 14)	45,160,057	—	—	—	—	45,160,057
Other current assets (Note 24)	7,817,139	—	—	—	25,911,446	33,728,585
Other current banking financial assets (Note 16)	27,504,441	—	—	—	1,952,072	29,456,513
Cash and cash equivalents (Note 23)	518,180,171	—	—	—	—	518,180,171
Total Financial assets	**2,311,134,431**	**19,554,830**	**2,107**	**—**	**27,869,913**	**2,358,561,281**
Liabilities						
Non-current debt (Note 31)	—	—	—	164,034,127	—	164,034,127
Other non-current banking financial liabilities (Note 16)	—	—	—	44,506,988	—	44,506,988
Current accounts payable (Note 34)	—	—	—	356,528,136	19,034,767	375,562,902
Banking client deposits and other loans (Note 35)	—	—	—	1,688,465,160	—	1,688,465,160
Current debt (Note 31)	—	—	—	42,832,626	—	42,832,626
Other current liabilities (Note 36)	—	—	—	41,401,275	58,092,122	99,493,397
Other current banking financial liabilities (Note 16)	—	—	—	10,936	21,475,716	21,486,652
Total Financial liabilities	**—**	**—**	**—**	**2,337,779,247**	**98,602,605**	**2,436,381,852**

Group	2021					
	Amortized 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)	—	—	—	—	311,684	311,684
Non-current financial assets at fair value through profit or loss (Note 15)	—	—	2,261,947	—	—	2,261,947
Non-current debt securities at fair value through other comprehensive income (Note 14)	—	4,906,841	—	—	—	4,906,841
Non-current debt securities at amortized cost (Note 14)	294,986,658	—	—	—	—	294,986,658
Other non-current assets (Note 24)	1,772,136	—	—	—	—	1,772,136
Non-current credit to bank clients (Note 20)	1,125,984,322	—	—	—	—	1,125,984,322
Other non-current banking financial assets (Note 16)	5,237,710	—	—	—	—	5,237,710
Current accounts receivable (Note 19)	160,930,050	—	—	—	—	160,930,050
Current credit to bank clients (Note 20)	415,924,171	—	—	—	—	415,924,171
Non-current financial assets at fair value through profit or loss (Note 15)	—	—	24,999,138	—	—	24,999,138
Current debt securities at fair value through other comprehensive income (Note 14)	—	1,188,069	—	—	—	1,188,069
Current debt securities at amortized cost (Note 14)	39,173,861	—	—	—	—	39,173,861
Other current assets (Note 24)	21,014,450	—	—	—	47,833,932	68,848,382
Other current banking financial assets (Note 16)	8,550,155	—	—	—	1,171,381	9,721,536
Cash and cash equivalents (Note 23)	877,872,696	—	—	—	—	877,872,696
Total Financial assets	**2,951,446,208**	**6,094,910**	**27,261,086**	**—**	**49,316,997**	**3,034,119,201**
Liabilities						
Non-current debt (Note 31)	—	—	—	149,336,438	—	149,336,438
Other non-current banking financial liabilities (Note 16)	—	—	—	277,760,616	—	277,760,616
Current accounts payable (Note 34)	—	—	—	330,150,100	20,154,232	350,304,332
Banking client deposits and other loans (Note 35)	—	—	—	2,121,511,345	—	2,121,511,345
Current debt (Note 31)	—	—	—	51,783,012	—	51,783,012
Other current liabilities (Note 36)	—	—	—	57,993,238	60,601,542	118,594,781
Other current banking financial liabilities (Note 16)	—	—	—	35,137	26,987,725	27,022,862
Total Financial liabilities	**—**	**—**	**—**	**2,988,569,886**	**107,743,499**	**3,096,313,385**

The assets and liabilities fair value, for the captions that differ from the book value, as at 31 December 2020 and 31 December 2021, is analysed as follows:

	2020		2021	
	Book value	Fair value	Book value	Fair value
Financial assets				
Credit to bank clients	1,093,281,532	1,098,651,757	1,541,908,493	1,541,382,214
Debt securities - Financial assets at amortized cost	498,250,574	543,316,403	334,160,519	348,481,696
Financial liabilities				
Other banking financial liabilities - Debt securities issued	44,517,924	44,517,924	277,795,753	277,795,753

The amounts booked as “Debt securities – Financial assets at amortized 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 2020, is analyzed as follows:

	31 12 2020			
	Valuation methods			Total
Caption	Level 1	Level 2	Level 3	
Other Investments	—	—	6,394	6,394
Financial Assets at fair value through profit or losses	535,451,761	4,064,643	3,800,000	543,316,404
Debt securities at fair value through other comprehensive income	8,135,273	11,419,557	—	19,554,830
Other non-current assets	—	—	1,063,789	1,063,789
Credit to bank clients	—	—	1,098,651,757	1,098,651,757
Other banking financial assets	—	—	40,879,397	40,879,397
Accounts receivables	—	—	153,616,009	153,616,009
Other current assets	—	—	33,728,584	33,728,584
Cash and cash equivalents	518,180,171	—	—	518,180,171
Total Financial Assets Fair Value	**1,061,767,204**	**15,484,200**	**1,331,745,930**	**2,408,997,335**
Debt	—	—	206,866,753	206,866,753
Other banking financial liabilities	—	44,517,924	21,475,716	65,993,640
Accounts payable	—	—	375,562,902	375,562,902
Banking clients' deposits and other loans	—	—	1,688,465,160	1,688,465,160
Other current liabilities	—	—	99,493,397	99,493,397
Total Financial Liabilities Fair Value	**—**	**44,517,924**	**2,391,863,928**	**2,436,381,852**

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

	31 12 2021			
	Valuation methods			
Caption	Level 1	Level 2	Level 3	Total
Other Investments	—	—	311,684	311,684
Financial Assets at fair value through profit or losses	—	—	27,261,086	27,261,086
Debt securities at fair value through other comprehensive income	849,374	5,245,536	—	6,094,910
Debt securities at amortized cost	348,099,653	382,043	—	348,481,696
Other non-current assets	—	—	1,144,290	1,144,290
Credit to bank clients	—	—	1,541,382,214	1,541,382,214
Other banking financial assets	—	—	14,959,246	14,959,246
Accounts receivables	—	—	160,930,050	160,930,050
Other current assets	—	—	68,848,382	68,848,382
Cash and cash equivalents	877,872,696	—	—	877,872,696
Total Financial Assets Fair Value	**1,226,821,722**	**5,627,579**	**1,814,836,952**	**3,047,286,254**
Debt	—	—	201,119,450	201,119,450
Other banking financial liabilities	—	304,783,478	—	304,783,478
Accounts payable	—	—	350,304,332	350,304,332
Banking clients' deposits and other loans	—	—	2,121,511,345	2,121,511,345
Other current liabilities	—	—	118,594,781	118,594,781
Total Financial Liabilities Fair Value	**—**	**304,783,478**	**2,791,529,907**	**3,096,313,385**

Sensitivity analysis

The caption "Credit to bank clients" which, as at 31 December 2021, has a fair value of 1,541,382,214 Euros has a sensitivity of +9,170 thousand Euros and -26,042 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 Amortized Cost

The fair value of these financial instruments is based on market prices, when available. If market prices do not exist, their fair value is estimated based on the expected future principal and interest cash flows for these instruments.

Loans and Advances to Customers

The fair value determination, by credit type, is detailed as follows:

Credits to customers 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 customers 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 organized 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.

Financial assets at fair value through other comprehensive income

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.

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 2020 and 31 December 2021, the categories of financial assets and liabilities were broken down as follows:

Company	2020					
	Amortized 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 Coimpanies (Note 52)	31,930,000	—	—	—	—	31,930,000
Non-current accounts receivable (Note 19)	495,932	—	—	—	—	495,932
Other non-current assets (Note 24)	635,508	—	—	—	—	635,508
Current accounts receivable (Note 19)	111,665,473	—	—	—	—	111,665,473
Current Group Companies (Note 52)	2,700,000	—	—	—	114,464	2,814,465
Other current assets (Note 24)	12,234,425	—	—	—	17,496,646	29,731,071
Cash and cash equivalents (Note 23)	268,113,910	—	—	—	—	268,113,910
Total Financial assets	**427,775,249**	**—**	**—**	**—**	**17,617,505**	**445,392,754**
Liabilities						
Non-curent accounts payable (Note 34)	—	—	—	309,007	—	309,007
Non-current debt (Note 31)	—	—	—	135,302,537	—	135,302,537
Current accounts payable (Note 34)	—	—	—	326,464,402	16,345,030	342,809,432
Group Companies (Note 52)	—	—	—	—	25,403,386	25,403,386
Current debt (Note 31)	—	—	—	27,245,348	—	27,245,348
Other current liabilities (Note 36)	—	—	—	22,046,058	48,960,384	71,006,442
Total Financial liabilities	**—**	**—**	**—**	**511,367,352**	**90,708,800**	**602,076,152**

Company	2021					
	Amortized 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 52)	52,530,000	—	—	—	—	52,530,000
Non-current accounts receivable (Note 19)	587,308	—	—	—	—	587,308
Other non-current assets (Note 24)	1,144,290	—	—	—	—	1,144,290
Current accounts receivable (Note 19)	112,775,176	—	—	—	—	112,775,176
Current Group Companies (Note 52)	7,437,805	—	—	—	—	7,437,805
Other current assets (Note 24)	16,121,401	—	—	—	31,243,740	47,365,141
Cash and cash equivalents (Note 23)	189,794,106	—	—	—	—	189,794,106
Total Financial assets	**380,390,087**	**—**	**—**		**31,250,134**	**411,640,221**
Liabilities						
Non-curent accounts payable (Note 34)	—	—	—	309,007	—	309,007
Non-current debt (Note 31)	—	—	—	112,714,883	—	112,714,883
Current accounts payable (Note 34)	—	—	—	298,238,356	14,270,120	312,508,476
Group Companies (Note 52)	—	—	—	11,796,267	11,755,580	23,551,847
Current debt (Note 31)	—	—	—	34,942,393	—	34,942,393
Other current liabilities (Note 36)	—	—	—	25,635,898	47,846,848	73,482,746
Total Financial liabilities	**—**	**—**	**—**	**471,840,536**	**85,668,815**	**557,509,351**

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.

39. Subsidies obtained

As at 31 December 2020 and 31 December 2021, the information regarding subsidies or grants obtained (Note 2.24) to the **Group** and the **Company** was as follows:

	2020									
	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	9,591,825	294,490	9,868,022	9,714,706	153,316	9,573,532	294,490
Operating subsidy	200,667	200,667	—	200,667	—	177,045	177,045	—	177,045	—
	10,086,982	**9,933,666**	**153,316**	**9,792,492**	**294,490**	**10,045,067**	**9,891,751**	**153,316**	**9,750,577**	**294,490**

	2021									
	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	9,603,026	283,289	9,868,022	9,714,706	153,316	9,584,733	283,289
Operating subsidy	921,777	786,190	135,587	784,295	137,482	177,045	177,045	—	177,045	—
	10,808,092	**10,519,189**	**288,903**	**10,387,321**	**420,771**	**10,045,067**	**9,891,751**	**153,316**	**9,761,779**	**283,289**

The amounts received as investment subsidy – FEDER - are recognized in the income statement, under the heading Other operating income, as the corresponding assets are amortized.

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 Program configures the typology of Grants related to income or operational expenses and is recognized as revenue in the same period of the related expense.

Additionally, as part of the entry into the consolidation perimeter of the entity NewSpring Services, the caption of operating subsidies, also, includes an amount related to the application to the Converte+ program, in which the **Group** benefited from a subsidy from the IEFP in the amount of around 600 thousand Euros. This measure consists of a transitional support for the conversion of fixed-term employment contracts into permanent contracts, through the granting of financial support to the employer and is conditioned to the fulfillment for 2 years of maintaining the level of employability that was defined on the date of deferral of the candidacy.

The amounts received were initially deferred (Note 21) and transferred to the income statement to the caption Other operating income, to the extent that the expenses were recognized.

40. Sales and services rendered

For the years ended 31 December 2020 and 31 December 2021, the significant categories of the **Company** revenue were as follows:

Company	2020	2021
Sales	23,920,393	23,186,919
Mail services rendered	389,784,042	394,283,977
Postal financial services	37,453,338	37,158,046
Electronic vehicle identification devices	3,967,321	4,492,874
Other services	13,708,239	15,934,691
	468,833,332	**475,056,506**

The main changes in the caption "Sales and services rendered" compared to the previous year, are explained in note 4 – Segment Reporting.

Other services fundamentally concern:

	2020	2021
Photocopies Certification	206,603	223,170
Reg. Aut. Madeira and Azores transport allowance	479,335	612,646
Others Philately	94,067	117,698
Costums presentation tax	1,698,229	2,109,514
Corfax	21,259	13,516
Non-adressed mail	257,317	215,310
Portugal Telecom services	64,471	44,012
Digital mailRoom	529,466	604,081
Other services	10,357,493	11,994,744
	13,708,239	**15,934,691**

In the periods ended 31 December 2020 and December 2021, there are no variable components associated with contracts with customers with associated uncertainty.

41. Financial margin

As at 31 December 2020 and 31 December 2021, the composition of the **Group** heading Financial margin was as follows:

Group	2020	2021
Interest and similar income calculated using the effective interest method	**45,961,935**	**57,815,005**
Interest on loans and advances to credit institutions repayable on demand	—	—
Interest on financial assets at amortized cost		
Loans and advances to credit institutions	416,173	282,191
Loans and advances to customers	37,852,913	51,972,435
Debt securities	7,519,827	5,460,670
Interest on financial assets at fair value through other comprehensive income		
Debt securities	175,412	101,504
Other interest	(2,390)	(1,795)
Interest expense and similar charges	**1,325,028**	**2,038,640**
Interest on financial liabilities at amortized cost		
Resources from credit institutions	2,367	1,409
Resources from customers	863,022	471,639
Debt securities issued	459,639	527,689
Interest on deposits at the Bank of Portugal (assets)	—	1,000,108
Other interest	—	37,795
	44,636,907	**55,776,365**

The caption Interest and similar income for the year ended 31 December 2021 includes the amount of 2,229 thousand Euros related to impaired financial assets - Stage 3 (2020: 1,365 thousand Euros).

The hedging Interest on loans and advances to customers includes the amount of (9,689) thousand Euros (2020: (7,394) thousand Euros) related to commissions and other costs and income recorded in accordance with the effective interest rate method, as referred to in the accounting policy described in note 2.23.

The caption Interest on deposits with the Bank of Portugal (assets) has a value of 1,000 thousand Euros (2020: 19 thousand Euros) which represents interest expenses for amounts deposited with the Central Bank that exceed the minimum mandatory reserves. As of the reserve counting period started on 30 October 2019, the ECB introduced the tiering regime, in which the balance with the Central Bank in excess of the minimum cash reserves, up to a calculated maximum of 6 times the reserves , is remunerated at the central bank lending rate.

42. Other operating income

For the years ended 31 December 2020 and 31 December 2021, the composition of the **Group** and the **Company** heading Other operating income was as follows:

	Group		Company	
	2020	2021	2020	2021
Supplementary revenues	2,837,027	2,609,543	40,664,394	46,099,719
Early settlement discounts received	64,386	99,526	1,957	9,544
Gains inventories	—	55,829	—	55,669
Favourable exchange rate differences of assets and liabilities other than financing	605,134	944,311	455,612	877,298
Income from financial investments	325,746	1,112,295	291,969	1,037,304
Income from non-financial investments	3,159	1,126	—	—
Results from other assets' sale	33,716	—	—	—
Income from fees and commissions	16,500,995	21,792,966	—	—
Interest income and expenses - financial services	20,823	9,832	20,823	9,832
VAT adjustments	2,103,291	2,330,413	2,103,291	2,330,413
Other	5,255,127	5,410,659	1,172,743	1,309,846
	27,749,403	**34,366,502**	**44,710,790**	**51,729,627**

The amount related to VAT adjustments mainly results from the improvements made in the procedures of the VAT deduction methodology in the **Company**.

In the **Group** and **Company**, the “Others” item essentially reflects amounts related to the reimbursement of expenses and the recovery of credits classified as bad debt and settlement of accounts payable outstanding balances whose payment is no longer probable.

In the **Group** the caption “Income from fees and commissions” is detailed as follows:

Group	2020	2021
Income from fees and commissions		
From banking services	10,450,367	14,057,799
From credit intermediation services	1,747,771	1,766,432
From insurance mediation services	4,304,496	5,968,735
From other commissions	(1,639)	—
	16,500,995	**21,792,966**

Regarding the **Company,** the caption Supplementary revenues fundamentally relates to:

Company	2020	2021
Royalties	500,000	500,000
Services rendered to Group companies [1]	37,246,775	42,726,501
Rental of spaces in urban buildings	1,697,428	1,679,534
Other	1,220,191	1,193,684
	40,664,394	**46,099,719**

(1) Includes subsidiary, associated and joint-ventures companies.

43. External supplies and services

For the years ended 31 December 2020 and 31 December 2021, the composition of the **Group** and the **Company** heading External supplies and services was as follows:

	Group		Company	
	2020	2021	2020	2021
Subcontracts	14,829,636	17,212,558	222,435	1,347,610
Specialised services	63,377,290	75,260,219	27,018,701	29,448,610
Specialized services rendered by Group companies (1)	51,867	58,775	2,128,748	2,595,904
Materials	2,853,106	2,603,714	2,132,104	1,875,517
Energy and fuel	14,416,914	14,862,519	12,323,181	12,970,376
Staff transportation	143,251	119,249	140,206	116,422
Transportation of goods	92,769,127	138,880,459	12,374,505	16,702,484
Rents				
Vehicle operational lease	2,772,287	2,121,573	2,318,683	1,643,371
Other rental charge	4,072,694	6,488,959	3,058,115	4,466,043
Communication	1,342,407	1,564,581	160,425	228,335
Insurance	1,792,058	2,330,606	729,684	729,773
Litigation and notary	114,237	196,453	(9,287)	80,268
Cleaning, hygiene and confort	4,420,685	5,525,824	3,821,759	4,141,505
Postal Agencies	7,090,149	8,872,263	7,103,106	8,882,728
Postal operators	21,594,499	27,179,202	20,378,767	26,073,128
Delivery subcontracting	5,865,959	5,252,497	5,865,959	5,252,497
Other services	18,638,586	22,021,241	7,595,067	10,342,128
Other services rendered by Group companies (1)	38	—	3,833,170	6,277,220
Fornecimentos e serviços externos	**256,144,789**	**330,550,693**	**111,195,328**	**133,173,920**

(1) Includes subsidiary, associated and joint-ventures companies.

(i) Specialized services refer to the outsourcing contracts for the provision of IT services, the maintenance of IT equipment and external consultants;

(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 caption is mainly explained by the growth of “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. Regarding “Vehicle operational lease” the amount recognized refers to the part that exceeds the minimum guaranteed rent which, as provided for in IFRS 16, should not be considered in the right of use;

(v) Postal operators refer to costs with peer postal operators.

44. Staff costs

During the years ended 31 December 2020 and 31 December 2021, the composition of the **Group** and the **Company** heading Staff Costs was as follows:

	Group		Company	
	2020	2021	2020	2021
Remuneration	266,770,200	272,297,600	227,803,433	224,055,241
Employee benefits	7,307,244	6,539,004	7,160,129	6,503,831
Indemnities	1,079,873	10,075,355	623,288	9,695,786
Social Security charges	57,290,969	58,353,772	48,664,862	48,273,749
Occupational accident and health insurance	4,445,359	3,765,914	4,168,839	3,396,869
Social welfare costs	5,449,279	6,844,914	4,910,537	6,211,816
Other staff costs	145,183	136,256	—	153
	342,488,107	**358,012,815**	**293,331,088**	**298,137,445**

Remuneration of the statutory bodies of CTT, S.A.

As at 31 December 2020 and 31 December 2021, the fixed and variable remunerations attributed to the members of the statutory bodies of CTT, SA, were as follows:

	2020				
Company	Board of Directors	Audit Comittee	Remuneration Board	General Meeting of Shareholders	Total
Short-term remuneration					
Fixed remuneration	2,550,344	153,779	31,910	14,000	2,750,033
Annual variable remuneration	—	—	—	—	—
	2,550,344	**153,779**	**31,910**	**14,000**	**2,750,033**
Short-term remuneration					
Fixed remuneration	229,483	—	—	—	229,483
Annual variable remuneration	201,592	—	—	—	201,592
	431,075	**—**	**—**	**—**	**431,075**
	2,981,419	**153,779**	**31,910**	**14,000**	**3,181,108**

	2021				
Company	Board of Directors	Audit Comittee	Remuneration Board	General Meeting of Shareholders	Total
Short-term remuneration					
Fixed remuneration	2,642,752	141,429	19,800	14,000	2,817,981
Annual variable remuneration	1,447,419	—	—	—	1,447,419
	4,090,171	**141,429**	**19,800**	**14,000**	**4,265,400**
Short-term remuneration					
Fixed remuneration	201,417	—	—	—	201,417
Annual variable remuneration	698,408	—	—	—	698,408
	899,825	**—**	**—**	**—**	**899,825**
	4,989,996	**141,429**	**19,800**	**14,000**	**5,165,225**

Long-term variable remuneration

At the General Meeting held on 21 April 2021, a new Remuneration Regulation for Members of the Statutory Bodies was approved for the 2020-2022 term, which replaces the Regulation in force at that date. This regulation changes the assumptions for the annual variable remuneration (AVR) attribution and changes the long-term variable remuneration (LTVR) terms to a "stock option" mechanism.

Similarly, the Board of Directors put in place a stock options program addressed to CTT's top management, using the same terms of the program approved for the governing bodies members.

The LTVR model through participation in CTT's stock option plan, also depends on the Company's performance and aims to align interests with this performance in a long-term, as follows:

a. The plan sets 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), as detailed:

Tranche	Number of options - per participant			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

b. Awarding, also through the Plan, of 5 tranches of options that differ exclusively by their different strike price;

c. The number of shares to be received depends on the difference between the strike price and the market price, i.e., the average price, weighted by trading volume, of the Company's shares traded on the Euronext Lisbon regulated market in the sessions held in the 45 days prior to the exercise date (i.e. 1 January 2023);

d. The LTVR attributed under the plan is subject to the positive evolution of the share price and the positive performance of the Company and to eligibility conditions related to the non-verification of the situations that give rise to the application of the adjustment mechanisms mentioned below and material breaches of the terms of the plan;

e. The plan also provides for mechanisms for deferring the exercise of options and retaining shares which result from the combination of two aspects: (i) deferral of exercise date of all options (1 January 2023 considering the end of the 2020/2022 term of office); and (ii) the establishment of a retention period by the Company of part of the shares allocated (throughout the period from the exercise date and the fifth trading day immediately following the end of the month after the date of approval of the accounts for 2024 at the annual general meeting to be held in 2025, or as of 31 May 2025 whichever occurs later).

f. The Plan for Members of the Statutory Bodies, as a rule, provides for 25% of net cash settlement and 75% of net share settlement of the options, without prejudice to the fact that, on an exceptional basis and in a scenario where the number of own shares held by CTT is not sufficient, the Plan provides for the Remuneration Committee to establish a remuneration mechanism through the awarding of a cash amount and the net cash settlement of the options whose net share settlement is not possible. The plan for governing bodies members provides for 100% of net shares settlement of the options.

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.

The total amount, regarding the share plan, recognized at 31 December 2021 amounts to 1,626,429 Euros, with the net cash settlement component recognized in the caption “Employee benefits” long-term (Note 32), in the amount of 411,431 Euros and the net share settlement component recognized in the caption “other reserves”, in the amount of 1,215,000 Euros (note 27).

In the year ended 31 December 2020, in accordance with the applicable rules under the Remuneration Regulation for Members of CTT’s Statutory Bodies, revoked on 21 April 2021 there is no place for the payment of annual variable remuneration (AVR) to the members of Statutory Bodies. In the year ended 31 December 2021, the amount of 1,447,419 Euros was recognized as an estimate of annual variable remuneration for the members of the Statutory Bodies.

Indemnities

During the period ended 31 December 2021, this caption includes the amount of 9,341,409 Euros in the Group and 9,265,000 Euros in the Company related to a Suspension Agreement program to be carried out within the scope of the restructuring process explained in major detail in note 33 – Provisions, Guarantees provided, Contingent liabilities.

Social welfare cost

Social welfare costs relate almost entirely to health costs incurred by the **Group** and the **Company** with the active workers, as well as expenses related to Health and Safety at work. The increase in social welfare cost is due to a regularization of the healthcare services utilization, due to the COVID-19 impact on the health system in the year 2020.

As at 31 December 2020 and 31 December 2021, the **Group** and the **Company** heading Staff costs includes the amounts of 539,178 Euros and 555,648 Euros, respectively, related to expenses with workers' representative bodies.

For the year ended 31 December 2021, the average number of staff of the **Group** and the **Company** was 12,328 and 10,343 employees, respectively, (12,218 employees and 10,600 employees in the year ended 31 December 2020).

As at 31 December 2021, the **Company** incurred in staff costs in a global amount of 238,334 Euros, related to employees assigned to Fundação Portuguesa de Comunicações (Portuguese Communications Foundation).

45. Impairment of accounts receivable and Impairment of other financial banking assets

For the years ended 31 December 2020 and 31 December 2021, 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	
	2020	2021	2020	2021
Impairment of accounts receivable				
Impariment losses				
Accounts receivable	5,390,793	4,209,818	943,189	521,584
Other current and non-current assets	1,886,462	995,992	1,865,313	899,656
Slight and term deposits	551	11,433	329	11,354
	7,277,806	5,217,243	2,808,831	1,432,594
Reversals of impairment losses				
Accounts receivable	2,014,668	2,588,328	—	200,000
Other current and non-current assets	85,730	267,494	58,236	226,980
Slight and term deposits	2,965	4,028	358	3,666
	2,103,363	2,859,849	58,594	430,646
Bad debts	438,656	257,271	44,360	113,677
Net movement of the period	**(5,613,098)**	**(2,614,665)**	**(2,794,597)**	**(1,115,625)**
Impairment of other financial banking assets				
Impariment losses				
Debt securities at fair value through other comprehensive income	9,365	—	—	—
Debt securities at amortized cost	24,763	35,109	—	—
Other current and non-current assets	—	—	—	—
Other banking financial assets	55,800	31,536	—	—
Credit to banking clients	13,328,302	29,308,011	—	—
	13,418,230	29,374,656	—	—
Reversals of impairment losses				
Debt securities at fair value through other comprehensive income	161	6,235	—	—
Debt securities at amortized cost	16,125	96,595		
Other banking financial assets	1,185,146	47,587	—	—
Credit to banking clients	3,299,828	15,174,010	—	—
	4,501,262	15,324,427	—	—
Net movement of the period	**(8,916,969)**	**(14,050,228)**	**—**	**—**
	(14,530,066)	**(16,664,893)**	**(2,794,597)**	**(1,115,625)**

46. Depreciation/amortization (losses/ reversals)

For the years ended 31 December 2020 and 31 December 2021, the detail of Depreciation/ amortization and impairment losses, net, regarding the **Group** and the **Company** was as follows:

	Group		Company	
	2020	2021	2020	2021
Tangible fixed assets				
Depreciation (Note 5)	44,218,515	44,842,534	35,713,613	34,685,940
Impairment losses (Note 5)	(4,712)	—	(4,712)	—
Intangible assets				
Amortization (Note 6)	17,887,283	13,062,708	10,952,356	4,671,549
Impairment losses (Note 6)	—	60,617	—	—
Investment properties				
Depreciation (Note 7)	235,404	216,293	235,404	216,293
Impairment losses (Note 7)	(298,836)	(57,372)	(298,836)	(57,372)
Non-current assets held for sale				
Impairment losses (Note 25)	98,169	(118,338)	—	—
	62,135,823	**58,006,442**	**46,597,825**	**39,516,410**

47. Net gains/ (losses) of financial banking assets and liabilities

In the periods ended 31 December 2020 and 31 December 2021, the detail of "Net gains/ (losses) of financial banking assets and liabilities related to the Group is detailed as follows:

	2020	2021
Net gains/(losses) of assets and liabilities at fair value through profit or loss	—	1,101,005
Net gains/(losses) of other financial assets at fair value through other comprehensive income	380,000	—
Gains / (losses) on derecognition of financial assets and liabilities at amortized cost	—	17,776,526
	380,000	**18,877,531**

During 2021, the Group sold securities at amortized cost, which resulted in a gain of 17,777 thousand Euros. These securities sales' resulted from the Group's balance sheet management in the context of entering a new business segment (credit cards) resulting from the partnership with Sonae Financial Services.

Results from assets and liabilities at fair value through profit or loss refer to the change in the fair value of derivatives associated with securitization operations Ulisses Finance No.1 and Ulisses Finance No.2.

48. Other operating costs

For the years ended 31 December 202 and 31 December 2021, the breakdown of the **Group** and the **Company** heading Other operating costs was as follows:

	Group		Company	
	2020	2021	2020	2021
Taxes and other fees	2,721,475	2,981,080	1,999,246	2,077,016
Losses in inventories	267,760	133,641	267,694	133,260
Unfavourable exhange rate differences of assets	1,453,507	1,274,954	1,258,145	1,270,487
Donations	882,540	539,088	877,938	536,756
Bankingservices	3,184,090	4,337,757	2,983,026	4,061,786
Interest on arrears	6,314	19,282	2,800	18,359
Contractual penalties	30,622	5,338	30,622	5,338
Subscriptions	720,270	787,676	633,249	706,383
Expenses of fees and commissions	3,546,641	3,951,546	—	—
Deposits Guarantee Fund/Resolution unified Fund	212,410	235,035	—	—
Indemnities	286,474	662,575	132,834	524,942
Other costs	2,882,423	3,147,690	566,864	314,656
Outros gastos e perdas operacionais	**16,194,526**	**18,075,662**	**8,752,418**	**9,648,982**

The caption “Taxes and other fees” in the **Group** includes the amounts of 1,388,485 Euros and 1,406,284 Euros, for the years ended 31 December 2020 and 31 December 2021, respectively, relating to ANACOM fees.

The caption "Deposits Guarantee Fund/ Resolution unified Fund", previously designated by “Other contributions” essentially includes:

a) The amounts of 82,360 Euros and 184,903 Euros as at 31 de December 2020 and 31 December 2021, 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 127,511 Euros and 46,597 Euros as at 31 de December 2020 and 31 December 2021, 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 2020 and 31 December 2021, these amounts were, respectively, 304,284 Euros and 126,594 Euros and are booked under the caption “Taxes and other fees”.

The caption “Expenses of fees and commissions” is detailed as follows:

Group	2020	2021
Expenses of fees and commissions		
From banking services	3,391,067	3,805,026
From securities operations	108,109	116,896
From other services	47,466	29,623
	3,546,641	**3,951,545**

49. Gains/losses on disposals of assets

For the years ended 31 December 2020 and 31 December 2021, the heading Gains/losses on disposals of assets of the **Group** and the **Company** had the following detail:

	Group		Company	
	2020	2021	2020	2021
Losses on disposal of assets	(244,025)	(215,725)	(281)	(134,534)
Gains on disposal of assets	695,494	1,172,263	678,783	1,121,864
	451,469	**956,539**	**678,502**	**987,331**

In the year ended 31 December 2020, this caption includes, in the **Group** and **Company**, mainly the accounting gain obtained on the sale of properties and goods, previously recognized as Tangible Assets and “Investment Properties”, standing out the gain of 590 thousand Euros associated with the sale contract of the building held by the company in Sintra.

In the period ended 31 December 2021, this caption includes the sale of the property located in Santarém, classified in the previous year as a non-current asset held for sale, with the amount of 1,026 thousand Euros as a gain.

50. Interest expenses and Interest income

For the years ended 31 December 2020 and 31 December 2021, the heading Interest Expenses of the **Group** and the **Company** had the following detail:

	Group		Company	
	2020	2021	2020	2021
Interest expenses				
Bank loans	1,678,800	1,724,653	1,627,967	1,645,907
Lease liabilities	3,270,933	3,066,925	2,075,214	1,853,571
Other interest	150,938	18,434	150,936	18,434
Interest costs from employee benefits (Note 32)	4,467,065	3,586,189	4,439,253	3,560,938
Other interest costs	92,450	136,212	72,643	89,132
	9,660,185	**8,532,413**	**8,366,012**	**7,167,982**

During the years ended 31 December 2020 and 31 December 2021, the **Group** and the **Company** heading Interest income was detailed as follows:

	Group		Company	
	2020	**2021**	**2020**	**2021**
Interest income				
Deposits in credit institutions	20,091	19,048	3,393	116
Loans to Group companies [(1)]	—	—	521,845	852,110
Other supplementary income	—	6,346	—	—
	20,091	**25,394**	**525,238**	**852,226**

(1) Includes subsidiary, associated and joint-ventures companies.

51. Income tax for the period

GRI 201-1, 207-1, 207-2

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. e CTT Soluções Empresariais, 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 entities 321 Crédito – Instituição Financeira de Crédito S.A. and CTT Soluções Empresariais, S.A. integrated the RETGS in the current financial year.

Reconciliation of the income tax rate

For the years ended 31 December 2020 and 31 December 2021, the reconciliation between the nominal rate and the effective income tax rate of the **Group** and the **Company** was as follows:

	Group		Company	
	31.12.2020	31.12.2021	31.12.2020	31.12.2021
Earnings before taxes (a)	23,125,507	50,807,502	24,061,113	42,824,969
Nominal tax rate	21.0%	21.0%	21.0%	21.0%
	4,856,357	**10,669,575**	**5,052,834**	**8,993,243**
Tax Benefits	(414,000)	(282,207)	(291,026)	(213,856)
Accounting capital gains/(losses)	(142,485)	(85,469)	(142,485)	(207,339)
Tax capital gains/(losses)	79,823	136,741	79,823	139,305
Equity method	365,721	529,493	365,721	(4,634,486)
Provisions not considered in the calculation of deferred taxes	67,912	(99,550)	8,174	7,739
Impairment losses and reversals	543,524	606,781	397,220	601,841
Compensation for insurable events	56,265	139,276	23,946	110,238
Depreciation and car rental charges	50,916	29,084	21,841	22,763
Credits uncollectible	12,804	51,138	8,709	23,576
Difference between current and deferred tax rates	(12,451)	(13,378)	(12,451)	(13,378)
Fines, interest, compensatory interest and other charges	42,318	18,912	15,594	12,876
Other situations, net	(330,516)	(846,310)	(1,219,862)	277,632
Adjustments related with - autonomous taxation	753,513	794,710	654,732	698,546
Adjustments related with - undistributed variable remuneration	894,342	92,848	888,942	90,619
Tax losses without deferred tax	—	9,539	—	—
SIFIDE tax credit	(3,300,000)	(2,386,565)	(825,000)	(2,227,666)
Insuficiency / (Excess) estimated income tax	943,767	118,260	1,091,958	(19,099)
Subtotal (b)	4,467,808	9,482,879	6,118,669	3,662,554
(b)/(a)	19.32%	18.66%	25.43%	8.55%
Adjustments related with - Municipal Surcharge	561,129	792,701	326,873	387,033
Adjustments related with - State Surcharge	1,330,036	1,940,620	894,576	1,095,110
Income taxes for the period	**6,358,973**	**12,216,200**	**7,340,119**	**5,144,697**
Effective tax rate	27.50%	24.04%	30.51%	12.01%
Income taxes for the period				
Current tax	8,354,687	15,566,310	7,341,342	7,689,772
Deferred tax	360,519	(1,081,805)	(268,181)	(298,309)
SIFIDE tax credit	(3,300,000)	(2,386,565)	(825,000)	(2,227,666)
Insuficiency / (Excess) estimated income tax	943,767	118,260	1,091,958	(19,099)
	6,358,973	**12,216,200**	**7,340,119**	**5,144,697**

For the period ended 31 December 2021, the caption “SIFIDE Tax Credit” refers to the reimbursement of SIFIDE for the year 2018 and 2019, as well as the Tax Credit for 2020.

In 2021, the **Group** also recognized a tax credit in the amount of 1,120,914 Euros, the amount of which is reflected in the caption “SIFIDE Tax Credit”, as a result of contributions to the TechTree Fund. This credit was recognized under IFRIC 23 standard, considering its specificities and estimation of the probability of its effective attribution.

In 2020, the **Group** also recognized a tax credit in the amount of 3,300,000 Euros, as a result of contributions to the TechTree Fund, which estimate complied with the aforementioned standards. In the current year, under the same standard, the **Group** reassessed the estimate and concluded that the amount of 825,000 Euros would not be recoverable, so it derecognised it. This amount is recorded under the caption "Insufficiency/(Excess) estimated income tax". This caption also records the excess estimate of income tax for the year 2020, in the net amount of 706,740 Euros.

Deferred taxes

As at 31 December 2020 and 31 December 2021, the balance of the **Group** and the **Company** deferred tax assets and liabilities was composed as follows:

	Group		Company	
	31.12.2020	**31.12.2021**	**31.12.2020**	**31.12.2021**
Deferred tax assets				
Employee benefits - healthcare	75,968,984	73,832,987	75,924,327	73,787,451
Employee benefits - pension plan	73,758	68,583	—	—
Employee benefits - other long-term benefits	3,186,436	4,208,731	3,182,468	4,204,763
Impairment losses and provisions	4,936,452	4,139,032	3,229,146	2,848,123
Tax losses carried forward	786,994	2,078,911	—	—
Impairment losses in tangible fixed assets	408,756	481,187	408,756	481,187
Long-term variable remuneration (Board of diretors)	53,978	455,400	53,978	455,400
Land and buildings	355,770	343,652	355,770	343,652
Tangible assets' tax revaluation regime	1,603,577	1,282,862	1,603,577	1,282,862
Other	517,163	363,742	22,622	12,568
	87,891,868	**87,255,087**	**84,780,644**	**83,416,006**
Deferred tax liabilities				
Revaluation of tangible fixed assets before IFRS	1,955,171	1,684,213	1,955,171	1,684,213
Suspended capital gains	703,836	658,042	684,191	658,042
Non-current assets held for sale	83,010	42,718	—	—
Other	51,681	42,540	—	—
	2,793,698	**2,427,513**	**2,639,362**	**2,342,255**

The deferred tax asset related to Tangible assets tax revaluation regime was recognized following the Companies' accession to the regime established in Decree-Law no. 66/2016, of 3 November. In the year ended 31 December 2021 the deferred tax asset amounts to 1,282,862 Euros.

As at 31 December 2020, the expected amount of deferred tax assets and liabilities to be settled within 12 months is 3.2 million Euros and 0.4 million Euros, respectively, regarding the **Group** and the **Company**.

During the years ended 31 December 2020 and 31 December 2021, the movements which occurred under the deferred tax headings of the **Group** and the **Company** were as follows:

	Group		Company	
	31.12.2020	**31.12.2021**	**31.12.2020**	**31.12.2021**
Deferred tax assets				
Opening balances	89,329,806	87,891,869	85,539,541	84,780,644
Changes in the consolidation perimeter				
Effect on net profit	(104,541)	(745,695)	(104,541)	(771,036)
Employee benefits - healthcare	—	3,037	—	—
Employee benefits - pension plan	317,812	1,022,295	313,844	1,022,295
Employee benefits - other long-term benefits	(90,940)	(797,419)	104,862	(381,023)
Impairment losses and provisions	(502,991)	1,291,917	—	—
Tax losses carried forward	22,946	72,431	22,946	72,431
Impairment losses in tangible fixed assets	53,978	—	53,978	—
Long-term variable remuneration (Board of diretors)	—	401,422	—	401,422
Land and buildings	(1,039)	(12,118)	(1,039)	(12,118)
Tangible assets' tax revaluation regime	(320,715)	(320,715)	(320,715)	(320,715)
Other	52,981	(154,405)	(17,110)	(10,054)
Effect on equity				
Employee benefits - healthcare	(766,465)	(1,390,302)	(811,122)	(1,365,840)
Employee benefits - pension plan	(10,910)	(7,230)	—	—
Other	(88,054)	—	—	—
Closing balance	**87,891,868**	**87,255,087**	**84,780,644**	**83,416,006**

	Group		Company	
	31.12.2020	**31.12.2021**	**31.12.2020**	**31.12.2021**
Deferred tax liabilities				
Opening balances	2,958,115	2,793,698	2,855,318	2,639,362
Changes in the consolidation perimeter				
Effect on net profit	(182,111)	(270,958)	(182,111)	(270,958)
Revaluation of tangible fixed assets before IFRS adoption	(33,845)	(26,149)	(33,845)	(26,149)
Suspended capital gains	—	(40,292)	—	—
Other	—	16,344	—	—
Effect on equity				
Fair Value Reserve	19,645	(13,384)	—	—
Other	31,895	(31,746)	—	—
Closing balance	**2,793,698**	**2,427,513**	**2,639,362**	**2,342,255**

The tax losses carried forward are related to the losses of the subsidiaries Tourline and Transporta which were merged by incorporation into CTT Expresso, S.A., in 2019, and are detailed as follows:

	31.12.2020		31.12.2021	
Group	**Tax losses**	**Deferred tax assets**	**Tax losses**	**Deferred tax assets**
CTT – Expresso, S.A., branch in Spain	72,471,042	—	75,434,282	—
CTT Expresso/Transporta	6,142,786	783,366	13,747,683	2,075,283
Total	**78,613,828**	**783,366**	**89,181,965**	**2,075,283**

Regarding CTT – Expresso, S.A., branch in Spain (prior Tourline), the tax losses of the years 2008, 2009 and 2011 may be reported in the next 15 years, the tax losses related to 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 and 2021 have no time limit for deduction. No deferred tax assets associated with CTT Expresso branch in Spain's tax losses were recognized, given its losses history. The **Group** will continue to monitor in 2021 the compliance with the new approved business plan, which foresees an increase in revenues and profitability of the Express operation in Spain, reassessing whether the compliance degree with the defined purposes allows to ensure of those amounts' recoverability and the possibility of deferred tax assets recognition.

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 can be reported in the next 14 years (previously 12 years, but extended to 14 years under exceptional measures approved to deal with adverse consequences caused by the COVID Pandemic), for the years 2014 and 2015 and 7 years (previously 5 years, but extended to 7 years within the scope of exceptional measures approved to deal with adverse consequences caused by the COVID Pandemic) for the years 2017 and 2018. 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 8-year business plan (ie, until 2029). 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, available for reporting until 2028 and 2029, respectively), for which a favourable response was obtained from the Tax Authority during 2021.

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 2.45 million Euros in the **Group** and in the **Company**.

SIFIDE

Considering the historical data associated with this reality, the **Group** and the **Company** policy for recognition of fiscal credits regarding SIFIDE tend to be the recognition of the credit at the moment of the effective receipt from the commission certification statement, certifying the eligibility of expenses presented in the applications for tax benefits.

With regard to R&D expenses incurred by the **Group** and the **Company** in the 2019 financial year, during the 2021 period, a tax credit of 753,235 Euros and 594,336 Euros, respectively, was attributed by the Certifying Committee.

With regard 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** the possibility of benefiting from an income tax deduction estimated at 3,850,195 Euros and 1,889,956 Euros respectively.

As for the 2021 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 2022.

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 2018 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 2021.

52. Related parties

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 favorable 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 2020 and 31 December 2021, the following transactions took place and the following balances existed with related parties, regarding the **Group:**

	2020					
Group	**Accounts receivable**	**Accounts payable**	**Revenues**	**Costs**	**Dividends**	**Financial investments / Increase in share capital**
Shareholders	—	—	—	25,850	—	—
Group companies						
Associated companies	—	—	6,675	63,788	—	—
Jointly controlled	504,980	—	1,109,947	—	—	2,678,381
Members of the (Note 44)						
Board of Directors	—	—	—	2,550,344	—	—
Audit Committee	—	—	—	153,779	—	—
Remuneration Committee	—	—	—	31,910	—	—
General Meeting	—	—	—	14,000	—	—
	504,980	**—**	**1,116,622**	**2,839,671**	**—**	**2,678,381**

	2021					
Group	**Accounts receivable**	**Accounts payable**	**Revenues**	**Costs**	**Dividends**	**Financial investments / Increase in share capital**
Shareholders	—	—	—	—	12,750,000	—
Group companies						
Associated companies	—	—	—	—	—	—
Jointly controlled	257,998	—	1,104,799	377,459	—	1,789,528
Members of the (Note 44)						
Board of Directors	—	—	—	4,090,171	—	—
Audit Committee	—	—	—	141,429	—	—
Remuneration Committee	—	—	—	19,800	—	—
General Meeting	—	—	—	14,000	—	—
	257,998	**—**	**1,104,799**	**4,642,859**	**12,750,000**	**1,789,528**

During the years ended 31 December 2020 and 31 December 2021, the following transactions took place and the following balances existed with related parties, regarding the **Company**:

Company	2020							
	Accounts receivable	Shareholders and Group companies (DB)	Accounts payable	Shareholders and Group companies (CB)	Revenues	Costs	Interest income	Financial investments / Increase in share capital
Shareholders	—	—	—	—	—	25,850	—	—
Group companies								
Subsidiaries	16,014,307	34,670,773	3,584,532	25,403,385	38,665,470	3,276,842	521,845	1,250,000
Associated companies	—	—	—	—	—	—	—	—
Joint Ventures	332,450	—	—	—	—	—	—	2,678,381
Other related parties	123,370	73,691	255,574	—	918,404	2,693,601	—	—
Members of the (Note 44)								
Board of Directors	—	—	—	—	—	2,550,344	—	—
Audit Committee	—	—	—	—	—	153,779	—	—
Remuneration Committee	—	—	—	—	—	31,910	—	—
General Meeting	—	—	—	—	—	14,000	—	—
	16,470,126	**34,744,464**	**3,840,106**	**25,403,385**	**39,583,874**	**8,746,326**	**521,845**	**—**

DB - Debit balance; CB - Credit balance

Company	2021										
	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	—	—	—	—	—	—	—	—	—	12,750,000	—
Group companies											
Subsidiaries	28,296,849	59,967,805	140,883	141,275	3,389,371	23,551,847	44,659,307	5,753,706	852,110	—	12,275,500
Associated companies	—	—	—	—	—	—	—	—	—	—	—
Joint Ventures	111,593	—	—	—	—	—	272,294	60,679	—	—	1,789,528
Other related parties	216,222	—	—	—	625,019	—	1,118,759	3,130,482	—	—	—
Members of the (Note 44)											
Board of Directors	—	—	—	—	—	—	—	4,090,171	—	—	—
Audit Committee	—	—	—	—	—	—	—	141,429	—	—	—
Remuneration Committee	—	—	—	—	—	—	—	19,800	—	—	—
General Meeting	—	—	—	—	—	—	—	14,000	—	—	—
	28,624,664	**59,967,805**	**140,883**	**141,275**	**4,014,390**	**23,551,847**	**46,050,361**	**13,210,267**	**852,110**	**12,750,000**	**14,065,028**

DB - Debit balance; CB - Credit balance

Regarding the **Company,** as at 31 December 2020 and 31 December 2021, the nature and detail, by company of the **Group,** of the main debit and credit balances was as follows:

Company	2020					
	Accounts receivable	Shareholders and Group companies (DB)	Total accounts receivable	Accounts payable	Shareholders and Group companies (CB)	Total accounts payable
Subsidiaries						
Banco CTT, S.A.	842,112	—	842,112	724	13,650,982	13,651,705
CTT Expresso,S.A.	14,236,012	33,630,000	47,866,012	3,401,415	11,752,403	15,153,817
CTT Contacto, S.A.	285,617	40,773	326,390	182,394	—	182,394
CORRE - Correio Expresso Moçambique, S.A.	650,565	—	650,565	—	—	—
CTT Soluções Empresariais, S.A.	—	1,000,000	1,000,000	—	—	—
Associated companies						
Multicert - Serviços de Certificação Electrónica, S.A.	—	—	—	—	—	—
Joint Ventures						
NewPost, ACE	332,450	—	332,450	—	—	—
Mktplace - Comércio Eletrónico, S.A	—	—	—	—	—	—
Other related parties						
Payshop Portugal, S.A.	106,741	73,691	180,432	255,574	—	255,574
321 Crédito – Instituição Financeira de Crédito, S.A.	16,629	—	16,629	—	—	—
	16,470,126	34,744,464	51,214,590	3,840,106	25,403,385	29,243,491

DB - Debit balance; CB - Credit balance

Company	2021							
	Accounts receivable	Shareholders and Group companies (DB)	Total accounts receivable	Right of use	Lease liabilities	Accounts payable	Shareholders and Group companies (CB)	Total accounts payable
Subsidiaries								
Banco CTT, S.A.	832,324	—	832,324	—	—	—	11,796,267	11,796,267
CTT Expresso,S.A.	26,085,362	39,830,001	65,915,363	140,883	141,275	2,938,595	10,971,080	13,909,676
CTT Contacto, S.A.	251,049	749,999	1,001,048	—	—	450,775	711,510	1,162,286
CORRE - Correio Expresso Moçambique, S.A.	686,979	—	686,979	—	—	—	—	—
CTT Soluções Empresariais, S.A.	441,136	14,700,000	15,141,136	—	—	—	72,988	72,988
CTT IMO - Sociedade Imobiliária, S.A.	—	4,687,804	4,687,804	—	—	—	—	—
Associated companies								
Joint Ventures								
NewPost, ACE	111,593	—	111,593	—	—	—	—	—
Mktplace - Comércio Eletrónico, S.A	—	—	—	—	—	—	—	—
Other related parties								
Payshop Portugal, S.A.	190,712	—	190,712	—	—	625,019	—	625,019
321 Crédito – Instituição Financeira de Crédito, S.A.	25,191	—	25,191	—	—	—	—	—
NewSpring Services, S.A.	319	—	319	—	—	—	—	—
HCCM - Outsourcing Investment, S.A.	—	—	—	—	—	—	—	—
	28,624,664	59,967,805	88,592,469	140,883	141,275	4,014,390	23,551,847	27,566,236

DB - Debit balance; CB - Credit balance

As far as the **Company** is concerned, during the years ended 31 December 2020 and 31 December 2021, the nature and detail, by company of the **Group**, of the main transactions was as follows:

	2020									
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	Financial investments / Increase in share capital
Subsidiaries										
Banco CTT, S.A.	—	—	—	1,213,785	3,104,527	—	—	—	—	—
CTT Expresso,S.A.	168,150	93,590	272,758	356,025	31,928,782	2,161,114	—	44,820	521,845	—
CTT Contacto, S.A.	—	119,488	20,506	1,790	2,060,561	1,070,908	—	—	—	—
CORRE - Correio Expresso Moçambique, S.A.	—	—	—	—	219,261	—	—	—	—	—
CTT Soluções Empresariais, S.A.	—	—	—	—	—	—	—	—	—	250,000
Fundo Techtree, FCR	—	—	—	—	—	—	—	—	—	1,000,000
Associated companies										
Multicert - Serviços de Certificação Electrónica, S.A.	—	—	—	13,349	—	33	48,550	—	—	—
Joint Ventures										
NewPost, ACE	—	—	—	—	—	—	—	—	—	—
Mktplace - Comércio Eletrónico, S.A	—	—	—	617,809	—	—	—	—	—	2,678,381
Other related parties										
Payshop Portugal, S.A.	—	—	179,439	188,944	729,460	2,693,601	—	—	—	—
321 Crédito – Instituição Financeira de Crédito, S.A.	—	—	—	150,962	—	—	—	—	—	—
	168,150	**213,078**	**472,703**	**2,542,663**	**38,042,592**	**5,925,655**	**48,550**	**44,820**	**521,845**	**3,928,381**

	2021									
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	Financial investments / Increase in share capital
Subsidiaries										
Banco CTT, S.A.	—	—	—	1,324,512	3,907,622	—	152	—	—	10,000,000
CTT Expresso,S.A.	410,800	77,316	672,861	388,411	36,198,449	1,869,753	—	52,232	739,907	—
CTT Contacto, S.A.	—	67,913	20,512	1,447	2,238,000	3,831,570	—	—	—	—
CORRE - Correio Expresso Moçambique, S.A.	—	—	—	—	222,581	—	—	—	—	—
CTT Soluções Empresariais, S.A.	—	—	52,019	5,139	373,146	—	—	—	112,203	—
CTT IMO - Sociedade Imobiliária, S.A.	—	—	—	—	—	—	—	—	—	250,000
Open Lockers, S.A.	—	—	—	—	—	—	—	—	—	25,500
Fundo Techtree, FCR	—	—	—	—	—	—	—	—	—	2,000,000
Joint Ventures										
NewPost, ACE	—	—	—	—	—	—	—	—	—	—
Mktplace - Comércio Eletrónico, S.A	—	—	—	—	272,294	58,779	1,900	—	—	1,789,528
Other related parties										
Payshop Portugal, S.A.	—	—	173,110	187,233	634,791	3,127,982	—	—	—	—
321 Crédito – Instituição Financeira de Crédito, S.A.	—	—	—	266,424	—	—	—	—	—	—
NewSpring Services, S.A.	—	—	—	30,310	—	2,500	—	—	—	—
HCCM - Outsourcing Investment, S.A.	—	—	—	—	—	—	—	—	—	—
	410,800	**145,229**	**918,502**	**2,203,477**	**43,846,884**	**8,890,583**	**2,052**	**52,232**	**852,110**	**14,065,028**

In the context of transactions with related parties, no commitments were made, nor were any guarantees given or received in addition to the comfort letters assumed regarding CTT Expresso, branch in Spain, mentioned in Note 33.

No provision was recognized for doubtful debts or expenses recognized 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 44 – Staff Costs.

53. Fees and services of the external auditors

The audit and legal review fees recorded in 2021 related to all companies' annual accounts that integrate the **Group**, amounted to 658,774 Euros. In addition, other assurance services fees, which include the half-yearly review, and other non-review or audit services amounted to 220,429 Euros.

The information concerning the fees and services provided by the external auditors is detailed in chapter 5.2.5 section 47 of the Integrated Report.

54. 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 sections 2.3, 2.4 and 4.5 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.

55. 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 2.29.

b) Indication of total revenue received detailed by nature

	Group		Company	
By nature	**2020**	**2021**	**2020**	**2021**
Cash	5,354,859	7,166,037	1,050,363	1,197,302
Kind	—	—	—	—
Total	**5,354,859**	**7,166,037**	**1,050,363**	**1,197,302**

	Group		Company	
By type	**2020**	**2021**	**2020**	**2021**
Commissions	5,354,859	7,166,037	1,050,363	1,197,302
Fees	—	—	—	—
Other remuneration	—	—	—	—
Total	**5,354,859**	**7,166,037**	**1,050,363**	**1,197,302**

c) Indication of total revenues relating to insurance contracts intermediated by the **Company** detailed by Branch Life and Non-Life

	Group		Company	
	2021		2021	
By entity	Branch Life	Branch Non-Life	Branch Life	Branch Non-Life
Insurance Companies	6,417,189	748,848	1,116,903	80,400
Other mediators	—	—	—	—
Customers (other)	—	—	—	—
Total	**6,417,189**	**748,848**	**1,116,903**	**80,400**

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	2020	2021	2020	2021
Insurance Companies	—	—	—	—
FIDELIDADE	19.42%	22.45%	95.86%	73.61%
ZURICH	42.66%	41.43%	—	—
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'	2020	2021	2020	2021
Open Balance	—	—	—	—
Closing Balance	—	—	—	—
Volume handled				
Debt	32,285,639	208,208,154	23,248,050	201,892,159
Credit	9,918,148	44,298,592	111,671	38,347,543

f) Accounts receivable and payable broken down by source

	Group			
	Accounts receivable		Accounts payable	
By entity	2020	2021	2020	2021
Policyholders, insureds or beneficiaries	—	—	—	—
Insurance companies	9,233,482	7,037,050	1,044,407	2,495,600
Reinsurance undertakings	—	—	—	—
Other mediators	—	—	—	—
Customers (other)	—	—	—	—
Total	**9,233,482**	**7,037,050**	**1,044,407**	**2,495,600**

By entity	Company			
	Accounts receivable		Accounts payable	
	2020	2021	2020	2021
Policyholders, insureds or beneficiaries	—	—	—	—
Insurance companies	8,405,693	5,844,314	145,035	777,458
Reinsurance undertakings	—	—	—	—
Other mediators	—	—	—	—
Customers (other)	—	—	—	—
Total	**8,405,693**	**5,844,314**	**145,035**	**777,458**

g) Indication of the aggregate amounts included in accounts receivable and payable

By entity	Group			
	Accounts receivable		Accounts payable	
	2020	2021	2020	2021
Funds received in order to be transferred to insurance companies for payment of insurance premiums	1,624,005	40,071,637	1,256,699	38,728,375
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)	16,279,443	203,061,528	23,248,050	201,892,159
Remuneration in respect of insurance premiums already collected and to be collected	5,354,859	7,166,037	—	—
Other mediators	—		—	—
Total	**23,258,307**	**250,299,202**	**24,504,749**	**240,620,534**

By entity	Company			
	Accounts receivable		Accounts payable	
	2020	2021	2020	2021
Funds received in order to be transferred to insurance companies for payment of insurance premiums	111,671	38,347,543	9,254	37,819,925
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)	16,279,443	203,061,528	23,248,050	201,892,159
Remuneration in respect of insurance premiums already collected and to be collected	1,050,363	1,197,302	—	—
Other mediators	—	—	—	—
Total	**17,441,477**	**242,606,373**	**23,257,304**	**239,712,084**

Note: The remaining paragraphs of the standard do not apply.

The amounts presented above are amounts moved during the year 2020 and 2021.

56. Other information

The **concession agreement** of 01 September 2000 remained in force until 31 December 2021, beyond its expiration date - 31 December 2020 -, following its unilateral extension until 31.12.2021 decided by the Government, as per article 35-W(a) of Decree-Law No. 10-A/2020, of 13 March, as amended by Decree-Law No. 106-A/2020 of 30 December. In February 2021, CTT initiated a formal procedure aimed at the resolution of the issues related to the sustainability of the current concession agreement concerning the years 2020 and 2021. In this context, and following the Government's understanding that the proper mechanism for the resolution of said issues would be via arbitration, on 11 June 2021, CTT initiated arbitration proceedings against the Portuguese Government, as Grantor of the concession. This proceeding aims to protect CTT's rights, specifically: (a) the impact and contractual effects, as those of a compensatory nature (which CTT calculates at around €23m), of the pandemic associated with COVID-19, as well as the public measures adopted in this context, particularly in light of the clauses of the Concession Agreement which regulate changes of circumstance; and (b) the legality, impacts and contractual effects, as those of a compensatory nature (which CTT calculates at around €44m), of the decision to extend the agreement. The proceedings are pending a decision and the production of evidence will start soon.

The aforementioned amounts are those that CTT considers it is entitled to in accordance with currently available data and are subject to updating, assessment and decision in the proceedings that are underway.

Through Executive Order no. 1849/2021, of 18 February, the Government created a working group with the purpose of analysing the evolution of the universal postal service, as well as assessing the need to introduce adjustments in the scope of the universal service and the obligations of its provider. On 3 November 2021, the Portuguese Government approved the Resolution of the Council of Ministers no. 144/2021 of 23 September 2021, which determines the opening of a direct award procedure aimed at appointing CTT as the provider of the universal postal service.

On 29 April 2021, ANACOM approved several decisions relative to the provision of the universal postal service ("USO") after the term of the current concession. These decisions refer to: (i) the criteria setting the formation of prices; (ii) the quality of service parameters and performance targets; (iii) the concept of unreasonable financial charge for purposes of compensation of the net cost of the universal postal service; (iv) the methodology for calculating the net costs of the universal service; (v) the information to be provided by the universal service provider(s) to the users; and (vi) the delivery of postal items at premises other than the domicile.

On 23 December 2021, the Council of Ministers communicated the approval of the decree amending the legal framework applicable to the provision of postal services in Portugal. The corresponding decree was promulgated on 5 February 2022 and Decree-Law no. 22-A/2022 was published on 7 February 2022. The new concession agreement thus came into force and will have a duration of approximately seven years – until 31 December 2028. The main amendments considered in the new regulatory framework arising from the law and the new concession contract are as follows:

1. **With regard to pricing criteria:**

- Pursuant to the law, pricing criteria will be defined by agreement between CTT, ANACOM and the Consumer Directorate-General for periods of three years; if no agreement is reached, the Government will set out the criteria. This definition shall take into consideration the sustainability and the economic and financial viability of the 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.

- For the year 2022, which will be the transition period, the prices to be implemented by CTT shall respect a maximum annual average variation of 6.80%, which considers the decline in volumes observed in the first nine months of 2021 and the variation of the Consumer Price Index for the Transport expense category, as communicated by the National Statistics Institute for the month of October 2021.

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

- Quality criteria shall be approved by the Government upon ANACOM's proposal, also for three-year periods, following a set of clear guidelines: ensure high levels of quality of service in line with current best practices in the European Union and the relative importance of the postal services covered by the USO, and taking into account the average standards of the European Union countries, applicable for each indicator.
- Quality indicators and performance targets defined by ANACOM on 29 April 2021 shall apply until the definition of new indicators and performance targets; as long as the current indicators remain in force, specifically in 2022, should there be any penalties, these will be translated into investment obligations that result in improvements for the benefit of the service provision and end users.
- In the event of non-compliance with the new quality indicators, the penalty to be applied by the Government will translate into investment obligations or price revisions, in accordance with the principles of proportionality, adequacy, non-discrimination and transparency.

3. Density of the postal network:

- The procedure to define the objectives of postal network density and minimum service offers is maintained, which foresees a decision by ANACOM upon CTT's proposal.
- The current criteria for the definition of objectives remain in force, with the additional obligation of ensuring the existence of a post office in each municipality. This situation already occurs, following the reopening of post offices in municipality seats voluntarily concluded by the Company.

This framework improves the decision-making mechanisms and provides clear criteria to guarantee the provision of the USO under sustainable economic conditions, promoting a better balance between the continuity of the postal service provision and the reinforcement of the Company's capacity to face the challenges of digital transition, pursuing the consistent implementation of its transformation process. For reasons of general interest, only the following activities and services have remained reserved to the concessionaire: 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.

As the international public health emergency continued due to the COVID-19 pandemic, Portugal remained in a state of emergency until 30.04.2021, followed by a declaration of disaster situation and by the state of alert as of 19.02.2022, which shall be in force until 22.03.2022. As in the previous year and in the scope of the force majeure clause of the concession agreement, CTT continues to implement the public health rules issued by the competent authorities and to adopt the necessary and appropriate measures to protect workers and customers while ensuring the functioning and continuity of postal services. Until 21.02.2022, CTT continues to periodically submit an update on the situation of the postal network to the Government, as a counterparty in the agreement, and to ANACOM, the regulatory authority responsible for overseeing the provision of the universal postal service. By decision on 28 October 2021, ANACOM granted CTT's request regarding the records deduction, in all domestic flows directly affected by the COVID-19 pandemic for the purposes of calculating the Quality of Service Indicators (QSI) for the year 2021.

The proposal regarding the prices of the universal postal service submitted by CTT on 17 February 2021 was approved by ANACOM by its resolution of 25 March 2021[86]. The prices underlying this proposal, which complied with the defined principles and criteria of price formation, entered into force on 01 April 2021. This update corresponded to an average annual change in the price of the basket of letter mail, editorial mail and parcels services of 1.35%, not including the offer of the universal postal service to bulk mail senders, to whom special prices apply.

The special prices of the postal services included in the universal postal service offer applicable to bulk mail senders were also updated[87] on 01 April 2021 following a proposal presented to the Regulator on 25 March 2021. The aforementioned updates correspond to an average annual price change of 1.72% for 2021, and also take into account the increase in the prices of the reserved services (services for the transmission of judicial and other postal notifications) and of the special prices of bulk mail.

On 24 June 2021, ANACOM stipulated the cost of capital rate to be taken into account in CTT's cost accounting system results in 2021, which was set at 7.4712%, under the terms of the methodology approved by that authority in 2019.

By decision dated 02 September 2021, ratified on 06.09.2021, ANACOM approved the statement of conformity of the results of CTT's cost accounting system for the 2018 financial year, as well as the final decision regarding the determinations to improve the system, following the respective audit, and the report of the prior hearing. The determinations will remain in force after 2021, until the approval of a new decision on this matter.

With regard 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, dated of July 2018, a decision was passed in the arbitration procedure filed against the Portuguese State. Said decision declared the court incompetent to rule on the merit of the referred quality of service parameters and performance targets and their application, (due to the lack of necessary passive litigation, given that ANACOM, entity responsible for the decision, was not a party to the proceedings); however, with respect to the claim for compensation, the court recognised that ANACOM's decision embodied an abnormal and impressionable change of circumstances, causing damages amounting to €1,869,482. On 19 January 2022, CTT was notified of the State's appeal to the South Administrative Central Court, considering that the arbitration court should have considered itself incompetent to judge both requests.

The administrative proceedings brought against ANACOM, the first one regarding the same decision and the second one concerning the December 2018 resolution regarding the new measurement procedures to be applied to the quality of service indicators, had no relevant developments. The process related to the proposal to enforce eleven contractual fines, initiated in 2018 by ANACOM, within the scope of the Universal Postal Service Concession Agreement, based on alleged breaches of contract obligations during 2015, 2016 and 2017 is still pending a decision. On 30 July 2021, ANACOM initiated new administrative proceedings against CTT for four administrative offences related to the measurement of quality of service indicators, relating to events occurred in 2016 and 2017, partially contested in the administrative action brought against ANACOM in March 2019, relating to the December 2018 resolution on the new measurement procedures to be applied to QSI. The deadline for CTT to reply is in progress. CTT presented its written defence on 30 August 2021. On the same date, CTT was notified of a new indictment for 26 administrative offences concerning facts related to the compliance with the objectives of network density and minimum service offer already covered by the contractual fines proceeding initiated in 2018. CTT presented its defence on 27 September 2021.

---

[86] Pursuant to the price formation criteria defined by decision of ANACOM of 12.07.2018, supplemented by decision of 05.11.2018, in the scope of article 14(3) of Law no. 17/2012, of 26 April (Postal Law), as amended by Decree-Law no. 160/2013, of 19 November, and by Law no. 16/2014, of 4 April.

[87] As per article 14(3) of Law no. 17/2012, of 26 April (Postal Law), as amended by Decree-Law no. 160/2013, of 19 November.

COVID-19 Impact

The health situation deterioration in the beginning of 2021, led to a worsening of the containment measures and the introduction of a new general confinement in Portugal, which led to a generalized decrease in economic activity in the first quarter of 2021. The negative impact was concentrated , specially, in private consumption and exports of services, particularly in the tourism sector.

However, this decrease was more moderated than in the first quarter of 2020, due to greater resilience of economic activity, as a result of the adaptation by families and companies to the restrictive measures.

In the second and third quarter, the economic situation has shown a very positive change with the lifting of the containment measures, whose process of returning to normality has initially influenced by the emergence of new strains of the COVID-19 virus. However, the dissemination of vaccination allowed, at the end of the third quarter, an acceleration of the lifting of these restriction measures.

The information available for the fourth quarter points to a continued recovery in economic activity. Exports, especially services, and the components of domestic demand contribute to this growth.

In the coming years, Banco de Portugal projects a growth of the Portuguese economy of 4.8% in 2021 and 5.8% in 2022, followed by a more moderate pace of expansion in 2023 and 2024, 3.1% and 2.0%, respectively. It should be noted that these estimates were made before the most recent developments in Eastern Europe. There is, too, problems have currently been seen in global supply chains, caused by the previously imposed restrictions related to the COVID-19 pandemic. Additionally, it is assumed that these disturbances, which have been reflected in the scarcity of raw materials and other goods and an increase in their costs, will dissipate from the second half of 2022.

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

Nevertheless, in the year 2021, the COVID-19 pandemic continued to affected consumers and companies, however, the Group maintained its activity in operation, simultaneously seeking to preserve the value of traditional services and continued to invest in new businesses, more linked to digital platforms and e-commerce. In the period end 31 December 2021, there was a growth in operating income and EBIT, driven mainly by the remarkable growth from Expresso and Parcels business followed by Banco CTT, Financial Services & Retail and Mail.

In the context of a pandemic, the Group continued to carry out the following additional analyses:

a. Within the scope of public moratoria (Decree-Law 10-J/2020 and Decree-Law 26/2020): As of 31 December 2021, there were no living moratoria. Of the total expired moratoria, there are around 3.5 million Euros with delays of more than 30 days, which represent about 5.4% of the total of expired moratoria as at 31 December 2021.

b. Analysis of whether there are additional signs of impairment arising from the impacts of COVID-19 on the results of the various businesses of the Group, according to the current forecasts, which could indicate the existence of impairment of goodwill and other non-current assets, namely tangible and intangible assets, with no additional impairments to be recognized;

c. Review of the existence of onerous contracts due to the current situation. No contracts were identified that should be considered as onerous contracts;

d. Monitoring of the evolution of compliance with the financing covenants. No situations of default were identified.

Although the uncertainty regarding the evolution of the pandemic and its effects on the economy and the Group's businesses continues, it is the understanding of the Board of Directors that in view of its financial and liquidity situation, the Group will overcome the negative impacts of this crisis, without jeopardizing the continuity of the business. Management will continue to monitor the threat evolution and its implications in the business and provide all necessary information to its stakeholders.

57. Subsequent events

The Decree-Law no. 22-A/2022, of 7 February, that approved the decree amending the legal framework applicable to the provision of postal services in Portugal was published. The new concession contract entered into force on 8 February 2022. These documents result in a new framework, which improves the decision-making mechanisms and provides clear criteria to ensure the provision of the universal postal service under sustainable economic conditions, promoting a better balance between the continuity of the postal service provision and the reinforcement of the company's capacity to face the challenges of the digital transition, proceeding with the consistent implementation of its transformation process.

On 13 January 2022, the investment in Mktplace - Comércio Eletrónico, SA, (Dott) was sold to Worten - Equipamentos para o Lar, SA. The sale of the investment in Dott, created as an e-commerce benefit with the purpose of promoting the digitization of companies and entry into e-commerce, arise in the context of strengthening the partnership between CTT and Worten in the area of e-commerce. As two logistics companies working to deepen their partnership at the Iberian level, in areas such as instant delivery, several distribution flows for e-commerce and business orders, including fulfilment for sellers on the Worten marketplace, in order to maximize the of the respective businesses.

On 18 January 2022, CTT was notified of the action brought against the company by the companies Vasp Premium – Entrega Personalizada de Publicações, LDA. (Vasp) and Iberomail – Correio Internacional, S.A., (Iberomail) before the Competition, Regulation Court. The action against CTT for abuse of dominant position in the postal services market, from 2012 to the present day, claims for damages estimated at between €69.5m and €158m by Vasp and between €9.5m and €31m by Iberomail, to be ascertained in the course of the proceedings. The lawsuit also requests the conviction of CTT to immediately cease the anti-competitive practices, giving Vasp and Iberomail access to its postal distribution network for their products, at the access points and in the manner intended by those companies, or in the conditions that the Court deems necessary for the access offer to be, in the opinion of those companies, viable. In this context, it should be recalled that, following VASP's complaint to the Competition Authority on 21 November 2014, the proceedings then opened were subject to a decision to close the proceedings, with the imposition of commitments on 5 July 2018. CTT follows the best market practices and considers the request to be totally unfounded. The time limit for contesting the claim is ongoing.

On 16 March 2022, CTT announced the intention of its Board of Directors to propose to the 2022 Annual General Meeting the payment of a dividend of Euro 12 cents per share. This proposal represents a dividend yield of approximately 2.6% and a payout ratio of approximately 47.3% . The proposal is subject to several conditions, including market conditions, CTT’s financial and patrimonial situation and other applicable legal and regulatory terms.

At the same time, CTT announced that its Board of Directors approved the implementation of a share buyback program amounting to the overall value of €18m, equivalent to 2.7% of CTT's market capitalization. This program, to be implemented until the end of 2022, has the objectives of (1) repurchasing a maximum of up to 4.65 million shares, representing a maximum of up to Euro 2,325,000, which corresponds to 3.1% of the share capital, and (2) reducing the same amount of the share capital through the cancellation of the acquired shares.

Recent geopolitical events in Ukraine, military actions taken by Russia and the response of several countries, namely Europeans and the United States, in the form of economic sanctions, could affect global markets, logistics chains and economic developments in general. This is a subsequent non-adjustable event and although CTT has no direct exposure to Russian entities, the conflict may also have indirect impacts for the **Group** which, at the present date, it is not possible to estimate with a reasonable degree of confidence.

With the exception of those mentioned above, after 31 December 2021 and up to the present date, 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.