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Consolidated and individual financial statements

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CTT - CORREIOS DE PORTUGAL, S.A.
CONSOLIDATED AND INDIVIDUAL STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019 AND 31 DECEMBER 2020
Euros

		Group		Company	
		31.12.2019	**31.12.2020**	**31.12.2019**	**31.12.2020**
ASSETS					
Non-current assets					
Tangible fixed assets	5	263,443,040	294,989,377	226,480,627	243,270,945
Investment properties	7	7,653,000	7,075,908	7,653,000	7,075,908
Intangible assets	6	62,012,644	58,016,961	27,640,021	22,270,219
Goodwill	9	70,201,828	70,201,828	-	-
Investments in subsidiary companies	10	-	-	233,475,030	235,531,801
Investments in associated companies	11	293,434	481	292,953	-
Investments in joint ventures	12	2,723,803	2,925,100	2,723,803	2,925,100
Other investments	13	1,379,137	6,394	1,379,137	6,394
Debt securities	14	424,851,179	465,364,074	-	-
Shareholders	50	-	-	15,058,000	31,930,000
Accounts receivable	18	-	-	661,287	495,932
Other non-current assets	23	1,543,308	1,063,789	1,237,070	635,508
Credit to banking clients	19	792,469,611	985,355,687	-	-
Other banking financial assets	15	18,764,049	11,422,884	-	-
Deferred tax assets	49	89,329,806	87,891,868	85,539,541	84,780,644
Total non-current assets		**1,734,664,839**	**1,984,314,351**	**602,140,469**	**628,922,453**
Current assets					
Inventories	17	5,860,069	6,601,999	5,491,844	6,259,585
Accounts receivable	18	146,471,712	153,616,009	112,842,210	111,665,473
Credit to banking clients	19	93,350,959	107,925,845	-	-
Shareholders	50	-	-	1,689,268	2,814,465
Deferrals	20	7,305,261	6,498,759	5,384,781	4,603,214
Debt securities	14	31,560,152	52,441,330	-	-
Other current assets	23	35,766,227	33,728,584	26,939,374	29,731,071
Other banking financial assets	15	14,660,286	29,456,513	-	-
Cash and cash equivalents	22	442,995,724	518,180,171	261,591,807	268,113,910
		777,970,390	908,449,210	413,939,283	423,187,718
Non-current assets held for sale	21	805,675	2,139,065	-	1,173,231
Total current assets		**778,776,065**	**910,588,275**	**413,939,283**	**424,360,949**
Total assets		**2,513,440,904**	**2,894,902,626**	**1,016,079,752**	**1,053,283,402**
EQUITY AND LIABILITIES					
Equity					
Share capital	25	75,000,000	75,000,000	75,000,000	75,000,000
Own shares	26	(8)	(8)	(8)	(8)
Reserves	26	65,852,595	65,919,935	65,836,605	65,836,605
Retained earnings	26	10,867,301	39,962,419	10,679,731	39,900,355
Other changes in equity	26	(49,744,144)	(47,600,236)	(49,540,583)	(47,454,842)
Net profit		29,196,933	16,669,309	29,196,933	16,720,995
Equity attributable to equity holders		131,172,677	149,951,419	131,172,677	150,003,105
Non-controlling interests	29	242,255	323,675	-	-
Total equity		**131,414,932**	**150,275,094**	**131,172,677**	**150,003,105**
Liabilities					
Non-current liabilities					
Accounts payable	33	-	-	309,007	309,007
Medium and long term debt	30	148,597,934	164,034,127	127,316,593	135,302,537
Employee benefits	31	267,286,679	264,369,292	265,431,555	262,426,248
Provisions	32	17,635,379	17,416,354	12,847,350	12,369,072
Deferrals	20	294,490	283,289	294,490	283,289
Other banking financial liabilites	15	76,060,295	44,506,988	-	-
Deferred tax liabilities	49	2,958,115	2,793,698	2,855,318	2,639,362
Total non-current liabilities		**512,832,892**	**493,403,748**	**409,054,313**	**413,329,515**
Current liabilities					
Accounts payable	33	373,790,665	375,562,902	344,227,004	342,809,432
Banking clients' deposits and other loans	34	1,321,418,042	1,688,465,160	-	-
Shareholders	50	-	-	22,109,176	25,403,386
Employee benefits	31	19,416,212	18,630,568	19,383,977	18,599,613
Income taxes payable	36	5,958,753	1,340,420	1,948,562	2,439,808
Short term debt	30	26,813,567	42,832,626	12,898,704	27,245,348
Deferrals	20	3,454,477	3,412,059	2,624,716	2,446,754
Other current liabilities	35	100,353,646	99,493,397	72,660,624	71,006,442
Other banking financial liabilities	15	17,987,719	21,486,652	-	-
Total current liabilities		**1,869,193,080**	**2,251,223,784**	**475,852,762**	**489,950,782**
Total liabilities		**2,382,025,972**	**2,744,627,532**	**884,907,075**	**903,280,297**
Total equity and liabilities		**2,513,440,904**	**2,894,902,626**	**1,016,079,752**	**1,053,283,402**

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

CTT -CORREIOS DE PORTUGAL, S.A.
CONSOLIDATED INCOME STATEMENT FOR THE TWELVE MONTH PERIODS ENDED 31 DECEMBER 2019 AND 31 DECEMBER 2020
Euros

	NOTES	Group				Company			
		Twelve months ended		Three months ended		Twelve months ended		Three months ended	
		31.12.2019	31.12.2020	31.12.2019	31.12.2020	31.12.2019	31.12.2020	31.12.2019	31.12.2020
Sales and services rendered	4/39	688,021,669	672,854,025	181,631,937	188,951,581	522,297,559	468,833,332	135,789,237	124,632,891
Financial margin	40	29,315,856	44,636,907	10,421,070	11,814,868	-	-	-	-
Other operating income	41	22,948,405	27,749,403	8,682,378	10,211,951	40,541,244	44,710,790	12,527,182	14,952,111
		740,285,930	745,240,335	200,735,385	210,978,400	562,838,803	513,544,122	148,316,420	139,585,002
Cost of sales	17	(14,261,450)	(19,218,064)	(4,805,042)	(5,897,765)	(13,588,474)	(18,607,910)	(4,620,763)	(5,736,972)
External supplies and services	42	(242,776,520)	(256,144,789)	(64,942,709)	(74,338,907)	(121,098,644)	(111,195,328)	(31,309,271)	(30,280,487)
Staff costs	43	(356,004,365)	(342,488,107)	(93,868,310)	(91,046,599)	(310,883,876)	(293,331,088)	(81,201,296)	(78,115,122)
Impairment of accounts receivable, net	44	(7,800,406)	(5,613,098)	(3,603,244)	(901,621)	(1,905,392)	(2,794,597)	(1,247,811)	(429,035)
Impairment of other financial banking assets	44	(3,095,636)	(8,916,969)	(1,409,457)	(1,333,741)	-	-	-	-
Provisions, net	32	905,250	(853,298)	393,979	69,532	1,367,746	(83,122)	669,600	(209,822)
Depreciation/amortisation and impairment of investments, net	45	(54,223,229)	(62,135,823)	(14,760,277)	(16,080,957)	(41,077,288)	(46,597,825)	(11,242,399)	(12,024,269)
Earnings of other financial banking assets and liabilities		-	380,000	-	380,000	-	-	-	-
Other operating costs	46	(16,233,140)	(16,194,526)	(4,730,529)	(4,437,048)	(8,823,425)	(8,752,418)	(2,383,682)	(2,638,063)
Gains/losses on disposal of assets	47	488,912	451,469	34,690	(155,309)	452,776	678,502	28,900	63,944
		(693,000,585)	(710,733,205)	(187,690,900)	(193,742,415)	(495,556,578)	(480,683,786)	(131,306,721)	(129,369,826)
		47,285,345	**34,507,130**	**13,044,485**	**17,235,985**	**67,282,225**	**32,860,335**	**17,009,699**	**10,215,175**
Interest expenses	48	(10,421,170)	(9,660,185)	(2,920,989)	(2,350,307)	(9,094,665)	(8,366,012)	(2,567,708)	(2,033,491)
Interest income	48	63,609	20,091	(133,260)	9,336	351,179	525,238	(46,674)	164,195
Gains/losses in subsidiary, associated companies and joint ventures	10/11/12	(1,400,621)	(1,741,529)	(788,869)	(658,864)	(12,795,844)	(958,448)	(3,299,162)	6,095,223
		(11,758,182)	(11,381,623)	(3,843,118)	(2,999,835)	(21,539,329)	(8,799,222)	(5,913,544)	4,225,927
Earnings before taxes		**35,527,163**	**23,125,507**	**9,201,367**	**14,236,150**	**45,742,896**	**24,061,113**	**11,096,154**	**14,441,102**
Income tax for the period	49	(6,242,463)	(6,358,973)	(2,798,067)	(1,885,233)	(16,545,962)	(7,340,118)	(4,751,404)	(2,112,215)
Net profit for the period		**29,284,700**	**16,766,534**	**6,403,300**	**12,350,917**	**29,196,933**	**16,720,995**	**6,344,751**	**12,328,887**
Net profit for the period attributable to:									
Equity holders		29,196,933	16,669,309	6,344,751	12,339,831	-	-	-	-
Non-controlling interests	29	87,767	97,225	58,549	11,087	-	-	-	-
Earnings per share:	28	0.19	0.11	0.04	0.08	0.19	0.11	0.19	0.11

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 20119 AND 31 DECEMBER 2020
Euros

	NOTES	Group				Company			
		Twelve months ended		Three months ended		Twelve months ended		Three months ended	
		31.12.2019	31.12.2020	31.12.2019	31.12.2020	31.12.2019	31.12.2020	31.12.2019	31.12.2020
Net profit for the period		**29,284,700**	**16,766,534**	**6,403,300**	**12,350,917**	**29,196,933**	**16,720,995**	**6,344,751**	**12,328,887**
Adjustments from application of the equity method (non re-classifiable adjustment to profit and loss)	26	(10,954)	(15,806)	(9,523)	(9,108)	(206,672)	(84,689)	(224,490)	(468,002)
Changes to fair value reserves	26	15,720	67,340	(3,527)	(368,717)	-	-	-	-
Employee benefits (non re-classifiable adjustment to profit and loss)	26/31	(25,769,253)	2,917,315	(25,769,253)	2,917,315	(25,540,045)	2,896,864	(25,540,045)	2,896,864
Deferred tax / Employee benefits (non re-classifiable adjustment to profit and loss)	26/49	7,018,539	(773,407)	7,018,539	(773,407)	7,000,770	(811,122)	7,000,770	(811,122)
Other changes in equity	26/29	(11,005)	(101,815)	140,818	(49,071)	-	-	150,392	-
Other comprehensive income for the period after taxes		**(18,756,952)**	**2,093,628**	**(18,622,946)**	**1,717,012**	**(18,745,947)**	**2,001,052**	**(18,613,372)**	**1,617,739**
Comprehensive income for the period		**10,527,747**	**18,860,162**	**(12,219,646)**	**14,067,929**	**10,450,986**	**18,722,047**	**(12,268,623)**	**13,946,626**
Attributable to non-controlling interests		76,762	81,420	48,975	1,979				
Attributable to shareholders of CTT		10,450,986	18,778,742	(12,268,621)	14,065,951				

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 2019 AND 31 DECEMBER 2020
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 2018 restated		**75,000,000**	**(8)**	**65,836,875**	**(30,993,430)**	**4,378,984**	**21,499,271**	**165,494**	**135,887,186**
Appropriation of net profit restated for the year of 2018		-	-	-	-	21,499,271	(21,499,271)	-	-
Dividends	27/29	-	-	-	-	(15,000,000)	-	-	(15,000,000)
		-	**-**	**-**	**-**	**6,499,271**	**(21,499,271)**	**-**	**(15,000,000)**
Other movements	26/29	-	-	-	-	-	-	(11,005)	(11,005)
Actuarial gains/losses - Health Care, net from deferred taxes	26	-	-	-	(18,750,714)	-	-	-	(18,750,714)
Changes to fair value reserves	26	-	-	15,720	-	-	-	-	15,720
Adjustments from the application of the equity method	26	-	-	-	-	(10,954)	-	-	(10,954)
Net profit for the period		-	-	-	-	-	29,196,933	87,767	29,284,700
Comprehensive income for the period		**-**	**-**	**15,720**	**(18,750,714)**	**(10,954)**	**29,196,933**	**76,762**	**10,527,747**
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		-	-	-	-	29,196,933	(29,196,933)	-	-
		-	**-**	**-**	**-**	**29,196,933**	**(29,196,933)**	**-**	**-**
Other movements	26/29	-	-	-	-	(86,009)	-	(15,806)	(101,815)
Participation sale		-	-	-	-	-	-	-	-
Actuarial gains/losses - Health Care, net from deferred taxes	26	-	-	-	2,143,908	-	-	-	2,143,908
Changes to fair value reserves	26	-	-	67,340	-	-	-	-	67,340
Adjustments from the application of the equity method	26	-	-	-	-	(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**	**18,860,162**
Balance on 30 December 2020		**75,000,000**	**(8)**	**65,919,935**	**(47,600,236)**	**39,962,419**	**16,669,309**	**323,675**	**150,275,094**

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 2019 AND 31 DECEMBER 2020
Euros

	NOTES	Share capital	Own Shares	Reserves	Other changes in equity	Retained earnings	Net profit for the year	Total
Balance on 31 December 2018 restated		**75,000,000**	**(8)**	**65,836,605**	**(31,001,308)**	**4,387,132**	**21,499,271**	**135,721,692**
Appropriation of net profit restated for the year of 2018		-	-	-	-	21,499,271	(21,499,271)	-
Dividends	27/29	-	-	-	-	(15,000,000)	-	(15,000,000)
		-	**-**	**-**	**-**	**6,499,271**	**(21,499,271)**	**(15,000,000)**
Other movements	26/29	-	-	-	-	-	-	-
Actuarial gains/losses - Health Care, net from deferred taxes	26	-	-	-	(18,539,275)	-	-	(18,539,275)
Adjustments from the application of the equity method	26	-	-	-	-	(206,672)	-	(206,672)
Restated net profit for the period		-	-	-	-	-	29,196,933	29,196,933
Restated comprehensive income for the period		**-**	**-**	**-**	**(18,539,275)**	**(206,672)**	**29,196,933**	**10,450,986**
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		-	-	-	-	29,196,933	(29,196,933)	-
		-	**-**	**-**	**-**	**29,196,933**	**(29,196,933)**	**-**
Actuarial gains/losses - Health Care, net from deferred taxes	26	-	-	-	2,085,742	-	-	2,085,742
Adjustments from the application of the equity method	26	-	-	-	-	23,691	-	23,691
Net profit for the period		-	-	-	-	-	16,720,995	16,720,995
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**

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 2019 AND 31 DECEMBER 2020
Euro

	NOTES	Group		Company	
		31.12.2019	31.12.2020	31.12.2019	31.12.2020
Cash flow from operating activities					
Collections from customers		664,480,523	663,468,181	513,563,811	481,420,564
Payments to suppliers		(285,307,181)	(309,560,288)	(146,419,908)	(140,242,245)
Payments to employees		(327,850,919)	(317,791,162)	(284,771,784)	(270,321,582)
Banking customer deposits		399,332,735	405,180,295	-	-
Credit to bank clients		(232,863,958)	(208,132,405)	-	-
Cash flow generated by operations		**217,791,199**	**233,164,621**	**82,372,119**	**70,856,737**
Payments/ receivables of income taxes		2,229,383	(8,969,035)	7,398,903	(2,381,639)
Other receivables/ payments		86,121,283	58,790,609	44,278,369	1,831,743
Cash flow from operating activities (1)		**306,141,865**	**282,986,196**	**134,049,391**	**70,306,840**
Cash flow from investing activities					
Receivables resulting from:					
Tangible fixed assets		152,580	870,185	152,580	870,185
Investment properties		1,113,700	55,000	1,113,700	55,000
Non-current assets held for sale		-	-	-	-
Financial investments	11/ 13	-	2,401,250	-	2,401,250
Debt securities	14	54,365,867	241,633,577	-	-
Demand deposits at Bank of Portugal		-	10,128,434	-	-
Other banking financial assets	15	116,865,000	36,190,000	-	-
Interest income		86,258	37,358	67,343	22,621
Dividends		-	-	250,000	-
Loans granted	50	-	-	1,350,000	4,008,000
Payments resulting from:					
Tangible fixed assets		(18,752,159)	(25,397,586)	(16,380,784)	(16,699,452)
Intangible assets		(17,514,480)	(12,431,219)	(10,021,028)	(5,344,548)
Financial investments	8	(114,407,523)	(2,678,381)	(135,125,523)	(3,928,381)
Debt securities	14	(63,920,455)	(307,332,086)	-	-
Demand deposits at Bank of Portugal		(19,706,616)	-	-	-
Other banking financial assets	15	(34,499,849)	(43,000,000)	-	-
Loans granted	50	-	-	(6,100,000)	(22,230,000)
Cash flow from investing activities (2)		**(96,217,678)**	**(99,523,465)**	**(164,693,711)**	**(40,845,325)**
Cash flow from financing activities					
Receivables resulting from:					
Loans obtained		73,196,336	21,293,090	57,500,000	-
Other credit institutions' deposits		202,340,829	250,000	-	-
Payments resulting from:					
Loans repaid		(43,647,903)	(21,405,813)	(521,875)	(95,000)
Other credit institutions' deposits		(183,459,746)	(38,131,082)	-	-
Interest expenses		(878,610)	(1,442,885)	(822,771)	(1,389,153)
Lease liabilities	30	(26,991,454)	(28,528,597)	(20,672,669)	(21,455,288)
Acquisition of own shares		-	-	-	-
Other banking financial liabilites	15	(222,288,337)	(31,536,230)	-	-
Dividends	27	(15,000,000)	-	(15,000,000)	-
Cash flow from financing activities (3)		**(216,728,885)**	**(99,501,518)**	**20,482,685**	**(22,939,441)**
Net change in cash and cash equivalents (1+2+3)		(6,804,698)	83,961,213	(10,161,636)	6,522,074
Changes in the consolidation perimeter		6,823,653	-	-	-
Cash and equivalents at the beginning of the period		414,846,614	414,865,569	271,770,284	261,608,648
Cash and cash equivalents at the end of the period	22	414,865,569	498,826,782	261,608,648	268,130,723

Cash and cash equivalents at the end of the period	**414,865,569**	**498,826,782**	**261,608,648**	**268,130,723**
Sight deposits at Bank of Portugal	25,924,034	15,795,600	-	-
Outstanding checks of Banco CTT / Checks clearing of Banco CTT	2,226,045	3,575,300	-	-
Impairment of slight and term deposits	(19,925)	(17,510)	(16,842)	(16,813)
Cash and cash equivalents (Balance sheet)	**442,995,724**	**518,180,171**	**261,591,807**	**268,113,910**

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

CTT – CORREIOS DE PORTUGAL, S.A.

Notes to the consolidated and individual financial statements

(Amounts expressed in Euros)

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1. INTRODUCTION

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

CTT – Correios de Portugal, S.A. – 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 2021.

1.2 Business

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. and Fundo de Inovação Tech Tree, 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. The CTT also provides complementary services[69], 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 State and CTT. 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"), with the changes introduced in 2013 by Decree-Laws no. 160/2013, of 19 November and by Law no. 16/2014, of 4 April, revoking the Law no. 102/99, of 26 July.

The Postal Law establishes the legal regime for the provision of postal services in full competition in the national territory, as well as international services originating or terminating in the country.

Since the Postal Law has become effective, the postal market in Portugal has been fully open to competition, eliminating areas within the universal service that were still reserved to the provider of the universal postal service, CTT – Correios de Portugal, S.A.. However, 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.

According to the Postal Law 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;
- 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.

As a result of the Postal Law, the Portuguese Government has revised the basis of the concession, through the publication of Decree-Law no. 160/2013, of 19 November, after which the Fourth Amendment to the concession contract of the universal postal service came into effect on 31 December 2013.

The concession contract signed between the Portuguese State and CTT on 1 September 2000, subsequently amended on 1 October 2001, 9 September 2003, 26 July 2006 and 31 December 2013, 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.

As the Universal Postal Service incumbent operator, CTT remains the provider of universal postal services until 31 December 2021, ensuring the exclusivity of the reserved activities and services mentioned above.

Once the concession ends and, in the event, that it is not granted to CTT, CTT may provide, together with any other operators, all the postal services, in a system of free competition, in accordance with a strategic and commercial policy, excluding the services granted by concession on an exclusive basis.

In summary, considering the legal and regulatory framework in force, CTT considers that there are no grounds for the introduction of any relevant change to the accounting policies of the **Group** and the **Company**.

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 2020.

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

[69] The activity developed in the scope of electronic communications networks and services, acting as mobile virtual network operator (MVNO), ceased on 1 January 2019.

("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 2020, 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 2020 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 2020.

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:

- **Change in lease-term definition:** Following the interpretation of the IFRS Interpretations Committee on the term lease definition, in the determination of the enforceable period of the lease, an entity considers:
  a) the broader economics of the contract, and not only contractual termination payments. For example, if either 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 enforceable beyond the date on which the contract can be terminated; and
  b) 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. Applying paragraph B34 of IFRS 16, 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 contract is enforceable beyond the date on which the contract can be terminated by that party.

  The **Group** and the **Company** performed a reassessment of the contracts lease terms and the impacts are disclosed in note 3 – Changes to accounting policies, errors and estimates.

- **Amendments to References to the Conceptual Framework in IFRS Standards–** In March 2018, the International Accounting Standards Board (Board) issued a comprehensive set of concepts for financial reporting, the revised Conceptual Framework for Financial Reporting (Conceptual Framework), which aim is to update, in existing Standards, references to, and quotes from, the existing version of the Conceptual Framework or the version that was replaced in 2010 so that they refer to the revised Conceptual Framework. The revised Conceptual Framework has an effective date of 1 January 2020 for companies that use the Conceptual Framework to develop accounting policies when no IFRS Standard applies to a particular transaction.
  The **Group** and **Company** did not register a significant impact from this interpretation.

- **Definition of Material (amendments to IAS 1 and IAS 8) –** On 31 October 2018, the International Accounting Standards Board has issued amendments to its definition of material to make it easier for companies to make materiality judgments. The Amendments consist of (a) replacing the term 'could influence' with 'could reasonably be expected to influence'; (b) including the concept of 'obscuring information' alongside the concepts of 'omitting' and 'misstating' information in the definition of material; (c) clarifying that the 'users' referred to are the primary users of general purpose financial statements referred to in the Conceptual Framework; and (d) aligning the definition of material across IFRS publications. The amended definition of material therefore states that 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity'.
  The **Group** and **Company** did not register a significant impact from this interpretation.

- **Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)–** On 26 September 2019, the IASB issued amendments to IFRS 9, IAS 39 and IFRS 7. The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainty caused by the IBOR reform. Additionally, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The Amendments provide exceptions so that entities would apply hedge accounting requirements assuming that the interest rate benchmark on which the hedged risk or hedged cash flows of the hedged item or cash flows of the hedging instrument are based is not altered as a result of the IBOR reform. The proposed exceptions apply only to the hedge accounting requirements and the Amendments do not provide relief from any other consequences arising from interest rate benchmark reform. The Amendments are limited in scope. If a hedging relationship no longer meets the requirements for hedge accounting for reasons other than those specified by the Amendments, then discontinuation of hedge accounting is still required. In addition, the Amendments clarify that if an entity designated interest rate benchmark-based cash flows as the hedged item in a cash flow hedge, the entity would not assume for the purpose of measuring hedge ineffectiveness that the expected replacement of the interest rate benchmark with an alternative benchmark rate will result in zero cash flows after the replacement. The hedging gain or loss should be measured using the interest rate benchmark-based cash flows when applying a present value technique, discounted at a market-based discount rate that reflects market participants' assumptions about the uncertainty arising from the reform. The Amendments are mandatory to all hedging relationships to which the exceptions are applicable. The amendments have an effective date of annual periods beginning on or after 1 January 2020. The amendments would be applied retrospectively to those hedging relationships that existed at the beginning of the reporting period in which the entity first applies the Amendments and to the gain or loss recognized in other comprehensive income that existed at the beginning of the reporting period in which an entity first applies the Amendments (i.e., even if the reporting period is not an annual period).
  The **Group** and **Company** did not register a significant impact from this amendment.

- **Definition of a Business (amendments to IFRS 3 Business Combinations) –** On 22 October 2018, the IASB issued the amendments to its definition of a business.
  The Amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. They also clarify that a set of activities and assets can qualify as a business without including all of the inputs and processes needed to create outputs, or including the outputs themselves, by replacing the term 'ability to create outputs' with 'ability to contribute to the creation of outputs'.
  It is no longer necessary to assess whether market participants are capable of replacing any missing inputs or processes (for example by integrating the acquired activities and assets) and continuing to produce outputs. The Amendments focus on whether acquired inputs and acquired substantive processes, together, significantly contribute to the ability to create outputs. The Amendments shall be applied to transactions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020, with earlier application permitted. If entities apply the Amendments earlier, they shall disclose that fact.
  The **Group** and **Company** did not register a significant impact from this amendment.

2.1.2 New standards, amendments and interpretations issued, but without effective application to the years starting on 1 January 2020 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:

- **Covid-19-Related Rent Concessions Amendment to IFRS 16¬** – In May 2020, the International Accounting Standards Board (Board) issued Covid-19-Related Rent Concessions, which amended IFRS 16 Leases.
  If certain conditions are met, the Amendment would permit lessees, as a practical expedient, not to assess whether particular covid-19-related rent concessions are lease modifications. Instead, lessees that apply the practical expedient would account for those rent concessions as if they were not lease modifications, so that, for example, the amount of rent forgiven on or before 30 June 2021 is taken to income the same year that the concession is granted, instead of being allocated over the duration of the contract as would be the case were the practical expedient not allowed.
  The Amendment shall be applied for annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted.
  According to the conditions of the existing contracts, this amendment will have no impact on the **Group** and **Company** financial statements.

- **Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) –** In August 2020, the IASB issued Interest Rate Benchmark Reform—Phase 2, which amends IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments: Disclosures, IFRS 4 Insurance Contracts and IFRS 16 Leases.
  The objective of the Amendments is to assist entities with providing useful information to users of financial statements and to support preparers in applying IFRS Standards when changes are made to contractual cash flows or hedging relationships, as a result of the transition from an IBOR benchmark rate to alternative benchmark rates, in the context of the ongoing risk-free rate reform ('IBOR reform'). The Amendments are the results of the second phase of the IASB project that deals with the accounting implications of the IBOR reform, which originated the Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7) issued by the IASB on 26 September 2019. They complement the first phase of the project which dealt with pre-replacement accounting implications of the IBOR

reform and which have been issued by the IASB in 2019. The Amendments shall be applied retrospectively for annual periods beginning on or after 1 January 2021, with earlier application permitted.
The **Group** and the **Company** are currently evaluating the impacts that this standard will have on its financial statements.

- **Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)–** IASB has issued Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4) ('the Amendments') on 25 June 2020. The objective of the Amendments is to extend the expiry date of the temporary exemption from applying IFRS 9 by two years (i.e., from 2021 to 2023) in order to align the effective dates of IFRS 9 Financial Instruments with IFRS 17 Insurance Contracts. These changes affect only insurance companies, so it will have no impact on the **Group** and **Company** Financial Statements.

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

- **Reference to the Conceptual Framework (Amendments to IFRS 3) –** In May 2020 the IASB issued Reference to the Conceptual Framework, which made amendments to IFRS 3 Business Combinations.
The amendments updated IFRS 3 by replacing a reference to an old version of the Board's Conceptual Framework for Financial Reporting with a reference to the latest version, which was issued in March 2018.
The Amendments shall be applied to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2022. Earlier application is permitted if at the same time or earlier an entity also applies all the amendments made by Amendments to References to the Conceptual Framework in IFRS Standards, issued in March 2018.
The **Group** and the **Company** are currently evaluating the impacts that this standard will have on its financial statements, in case of early adoption.

- **Property, Plant and Equipment – Proceeds before Intended Use, Amendments to IAS 16 Property, Plant and Equipment –** In May 2020, the IASB issued Property, Plant and Equipment—Proceeds before Intended Use, which made amendments to IAS 16 Property, Plant and Equipment. The Amendments would prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in a manner intended by management. Instead, an entity would recognize those sales proceeds in profit or loss.
The Amendments shall be applied retrospectively for annual periods beginning on or after 1 January 2022, with earlier application permitted.
The **Group** and the **Company** are currently evaluating the impacts that this standard will have on its financial statements, however, given the nature of the **Group**'s and **Company**'s businesses, no relevant impacts are expected from these changes.

- **Onerous Contracts – Cost of Fulfilling a Contract –** In May 2020, the IASB issued Onerous Contracts—Cost of Fulfilling a Contract, which made amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets.
The objective of the Amendments is to clarify the requirements of IAS 37 on onerous contracts regarding the assessment of whether, in a contract, the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.
The Amendments shall be applied for annual periods beginning on or after 1 January 2022, with earlier application permitted.
The **Group** and the **Company** are currently evaluating the impacts that this standard will have on its financial statements, in case of early adoption, however, no relevant impacts are expected from the changes in the contracts currently in force.

- **Annual Improvements to IFRS Standards 2018 – 2020 –** On 14 May 2020, the IASB issued Annual Improvements to IFRS Standards 2018–2020 containing the following amendments to IFRSs:
(a) permit an entity that is a subsidiary, associate or joint venture, who becomes a first-time adopter later than its parent and elects to apply paragraph D16(a) of IFRS 1 First-time Adoption of International Financial Reporting Standards, to measure the cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRSs;
(b) clarify that the reference to fees in the 10 per cent test includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf;
(c) remove the potential confusion regarding the treatment of lease incentives applying IFRS 16 Leases as was illustrated in Illustrative Example 13 accompanying IFRS 16; and
(d) remove the requirement in paragraph 22 of IAS 41 Agriculture for entities to exclude cash flows for taxation when measuring fair value applying IAS 41.
The Amendments shall be applied for annual periods beginning on or after 1 January 2022, with earlier application permitted. The **Group** and the **Company** are currently evaluating the impacts that this standard will have on its financial statements.

- **Clarification requirements for classifying liabilities as current or non-current (amendments to IAS 1 – Presentation of Financial Statements) –** IABS issued on 23 January 2020 narrow-scope amendments to IAS 1 Presentation of Financial Statements to clarify how to classify debt and other liabilities as current or non-current. The amendments clarify an IAS 1 criteria for classifying a liability as non-current: the requirement for an entity to have the right to defer the liability's settlement at least 12 months after the reporting period.
The amendments aim to:
(a)specify that an entity's right to defer settlement must exist at the end of the reporting period:
(b) clarify that the classification is not affected by management's intentions or expectations as to whether the entity will exercise its right to postpone settlement;
(c) clarify how loan conditions affect classification; and
(d) clarify the requirements to classify the liabilities that an entity will settle, or may settle, by issuing its own equity instruments.
This amendment is effective for periods starting on 1 January 2023.
The **Group** and the **Company** are currently evaluating the impacts that this standard will have on its financial statements.

- **IFRS 17 – Insurance Contracts –** To be developed only for insurance companies or that have insurance subsidiaries, otherwise mention that it is not applicable. The IASB issued on 18 May 2017 a standard that superseded IFRS 4 and completely reformed the treatment of insurance contracts. The standard introduces significant changes to the way in which the performance of insurance contracts is measured and presented with various impacts also at the level of the financial position. The standard expected to be effective for annual periods beginning on or after 1 January 2023. IFRS 17, being a standard applicable only to entities in the insurance sector, will have no impact on the **Group**'s and **Company**'s financial statements.

2.2 Consolidation principles

Investments in companies in which the **Group** holds the control, in other words, where the **Group** is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee, 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 balance sheet and consolidated income statement in the caption Non-controlling interests. The gains and losses attributable to non-controlling interests are allocated to them.

The assets and liabilities of each **Group** company are recorded 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.

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 exchange rates used in the translation of the financial statements expressed in foreign currency are the closing exchange rates for assets and liabilities and the average exchange rate for the year for income and expenses.

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

	2019		2020	
	Close	Average	Close	Average
Mozambican Metical (MZN)	68.70000	69.43667	91.05000	79.78167
United States Dollar (USD)	1.12340	1.11945	1.22710	1.14700
Special Drawing Right (SDR)	1.23600	1.24133	1.18400	1.18347

Source: Bank of Portugal

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 32).

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 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 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 determine 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. 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 are not reversible.

In the sale 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 balance sheet by the equity method (Note 10 and 11).

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 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%.

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".

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.

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", and by other changes in equity in "Other comprehensive income".

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.

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 concentrations of business activities between entities under common control, the **Group** and the **Company** apply the communion of interest method, and no goodwill is recognized.

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.

Reclassification between categories of financial instruments

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

2.11.1 Financial assets at amortized cost

Classification

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 assets net of reversals and recoveries".

Interest on financial assets at amortized cost is recognized under the caption "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.

The gains or losses generated at the time of derecognition are recorded under the caption "Earnings of other financial banking assets and liabilities" and "impairment of accounts receivable, net", in the case of the 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;

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 "Income from other financial assets fair value by counterpart of 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 "Impairment of other financial assets net of reversals and recoveries", 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;
     - 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.

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.

Costs related to the issuance of new shares are recognized directly in the share capital as a deduction from the value of the cash inflow.

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

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 "Accounts payable" (Note 33).

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

Accounts payable

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

Accounts payable classified as non-current liabilities, for which there is no contractual obligation to pay interest, are initially measured at their net present value and subsequently measured at their respective 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.

Non- derivatives banking financial liabilities

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 balance sheet, 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 Equity Instruments

An instrument is classified as an equity instrument when there is no contractual obligation at settlement to deliver cash or another financial asset to another entity, irrespective of its legal form, showing a residual interest in the assets of an entity after deducting all of its liabilities.

Transaction costs directly attributable to the issue of equity instruments are 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.

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

2.16 Securitization operations

The **Group** has two consumer credit securitization operations in progress (Ulisses Finance No.1 and Chaves Funding No.8), and one financial lease securitization operation (Fénix 1) and maintains control over the assets and liabilities of Ulisses Finance No.1 and Chaves Funding No.8 to the extent that it has acquired its residual tranches. These entities are consolidated in the **Group**'s financial statements in accordance with accounting policy 2.2.

2.17 Impairment of financial assets

Impairment losses

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

- Stage 1: operations in which there is no significant increase in credit risk since its initial recognition are classified in this stage. Impairment losses associated with operations classified at this stage correspond to the expected credit losses that result from a default event that may occur within 12 months after the reporting date (credit losses expected to 12 months).

- Stage 2: operations in which there has been a significant increase in credit risk since its initial recognition, but which are not impaired, are classified in this stage. Impairment losses associated with operations classified at this stage correspond to the expected credit losses resulting from default events that may occur over the expected residual life of the operations (expected lifetime losses).

- Stage 3: operations in an impairment situation are classified in this stage. Impairment losses associated with operations classified at this stage correspond to expected lifetime losses. Credit operations purchased or originated in impairment situation (Purchased or Originated Credit-Impaired – POCI) are also classified in stage 3.

Forward looking information

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

Estimates of expected credit losses - Collective analysis

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

Financial assets

Retail Offer	**Mortgage Loans**	Consists of the Bank's mortgage lending offer which has a residential real estate property as collateral, regardless of the degree of completion of its construction
	Overdrafts	Includes the Bank's overdraft offer and credit overrunning
	Car Credit	Includes 321 Crédito's used car loan with reservation of ownership
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.

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

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

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

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

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

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

2.18 Inventories

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

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 balance sheet.

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 amortized.

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 balance sheet, 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

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 31).

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.

<u>**Post-employment benefits – healthcare**</u>

- 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 IOS – Instituto das Obras Sociais (Institute of Social Works), which in turn, hired Médis – Companhia Portuguesa de Seguros de Saúde, S.A. (Médis - Portuguese healthcare insurance company) to provide healthcare services. The contract with Médis has been in force since 1 January 2015.

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

- Insurance policy

Following the Human Resources 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..

- Post-Retirement Medical Care– SAMS

The company 321 Crédito, S.A. is responsible for paying medical care benefits to all its employees in a situation of retirement, as well as for survival 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 2020, there were 129 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 2020, there were 18 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 (4,363 beneficiaries as at 31 December 2019 and 4,050 beneficiaries as at 31 December 2020) 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 2019 and 31 December 2020 there were 68 and 64 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 2020 there were 6 beneficiaries under these conditions (9 beneficiaries as at 31 December 2019), 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 32) 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 48).

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** 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 32). 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**.

The prices of the services rendered in the scope of the concession of the Universal Postal Service have been subject to regulation under a price agreement signed between CTT and ANACOM.

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 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 (assets with unit value in condition of "New" less than 5,000 USD), 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 90% of the share capital and which are simultaneously resident in Portugal and taxed under IRC except 321 Crédito - Instituição Financeira de Crédito, S.A.. The remaining companies are taxed individually according to their respective taxable income at the applicable tax rates.

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". Deferred revenues and costs paid in advance are recorded under the heading Deferrals, under liabilities and assets, respectively.

2.29 Provision of the insurance mediation service

CTT, SA 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 subsidiary companies Goodwill and Investments in subsidiaries 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, 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 31, 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) De minimis
The Directive (EU) 2017/2455, of European Union Council, of 5/12/17, eliminated the VAT exemption for goods with a value less than 22 €, as of 1/1/2021. Subsequently, the Council postponed the measure implementation until 01/07/2021, through Council Decision (EU) 2020/1109 of 20/07/2020, amending the Directive (EU) 2017/2455. Thus, as of that date, all postal items authorized to enter in the EU must pay VAT and Customs Duties (DA), ceasing to exist as a Customs Duties. Currently, less than 2% of extra-Community traffic is subject to a Customs Declaration. This change could lead to a significant reduction in traffic originating outside the Community due to the drop in demand, and there is already a trend of migration / concentration of this traffic to hubs in central Europe, which is then channeled to peripheral European countries. Given this risk, CTT are implementing measures of automation of the declarative and treatment process based on the object's notice information in order to minimize the impact of this change on the business and on the need for reinforcement of physical resources (space) and human resources to comply with this directive given the status of universal postal operator and being obliged to deliver the received objects from other postal operators. In this way, it is intended to mitigate the remuneration loss risk for terminal charges, related to extra-community traffic, which in 2020 amounted approximately 15 million euros.

ii) Concession contract
CTT – Correios de Portugal, S.A. ("CTT") are the current universal postal service provider, namely of the universal postal service until 31 December 2021.
The concession contract expired on 31 December 2020. However, in 2020, the government decided to extend the term of the concession agreement until 31 December 2021, considering the impossibility, in the pandemic context, of a timely and proper completion of the administrative procedures for the designation of a new concessionaire.
CTT are, as always, committed to the provision of public service, which is an integral part of its identity, with the conviction that they are the entity in the best conditions to provide it, due to the fact that they meet the requirements of financial strength, technical capacity, the necessary physical facilities and knowledge. The estimates made, namely regarding the assessments of the recoverability of non-current assets, consider the scenario of renewal of the public postal service conces-

sion to be probable with equivalent conditions to the current one. However, as there are no tangible and intangible assets allocated exclusively to the public postal service concession activity, it is not expected that a scenario of non-renewal of the concession would imply the recognition of an impairment of tangible or intangible assets of the **Company** and the **Group**.

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.

iii) Evolution of the COVID-19 Virus situation
Due to a new general confinement, as of the second half of January 2021, it is expected a negative economic and social effect, that will affect the society in general and the **Group**'s and the **Company**'s businesses in particular. However, management will continue to monitor the threat and its business' implications and provide all necessary information to its stakeholders and to act in accordance with World Health Organization's recommendations and the public authorities responsible for the health area.

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 divestments 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.

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 2020 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:

Following the recent interpretation of the IFRS Interpretations Committee on the term lease definition, in the determination of the enforceable period of the lease, an entity considers:

- the broader economics of the contract, and not only contractual termination payments. For example, if either 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 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. Applying paragraph B34 of IFRS 16, 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 contract is enforceable beyond the date on which the contract can be terminated by that party.

If an entity concludes that the contract is enforceable beyond the notice period of a cancellable lease (or the initial period of a renewable lease), it then applies paragraphs 19 and B37–B40 of IFRS 16 to assess whether the lessee is reasonably certain not to exercise the option to terminate the lease.

Regarding the recent interpretation, the **Group** and the **Company** reassessed the lease term of their contracts, determining the following impacts on the financial statements: i) At **Group** Level, there was an increase of Tangible Fixed Assets and Debt captions in the total amount of 19,301,526 Euros; and ii) At **Company** Level the increase in Tangible Fixed Assets and Debt captions amount to 17,180,678 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.

The Retail Products previously reported in the Mail segment and the respective operating costs, in order to reflect the changes made in the business organization, started to be presented, as well as the comparative amounts, into the segment previously designated "Financial Services" and which now was renamed "Financial Services & Retail".

The period of 2019 was restated, for comparison purposes, according to the changes performed.

Therefore, the business of CTT is organized in the following segments:

- **Mail** – CTT Contacto, S.A., CTT Soluções Empresariais, 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, CORRE and Fundo Inovação Techtree;

- **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., Payshop, 321 Crédito 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) previously unallocated, are allocated by nature to the Mail segment and others.

The consolidated income statement by nature and segment of 2019 and 2020 are as follows:

Thousand Euros	Restated 31.12.2019 Mail	Express & Parcels	Financial Services & Retail	Bank	Total
Revenues	**477,586**	**152,415**	**47,388**	**62,897**	**740,286**
Sales and services rendered	469,324	151,835	46,739	20,123	688,022
Sales	*8,575*	*752*	*9,640*	-	*18,966*
Services rendered	*460,749*	*151,083*	*37,100*	*20,123*	*669,055*
Financial Margin	-	-	-	29,316	29,316
Other operating income	8,261	580	648	13,458	22,948
Operating costs excluding depreciations, amortizations, impairment and provisions	**399,577**	**154,726**	**25,334**	**59,188**	**638,824**
Staff costs	297,847	24,868	1,592	19,825	344,131
External supplies and services	102,265	129,332	3,228	29,840	264,665
Other costs	11,903	2,874	8,697	6,555	30,028
Internal services rendered	(12,437)	(2,348)	11,816	2,969	-
EBITDA	**78,009**	**(2,311)**	**22,054**	**3,709**	**101,462**
IFRS 16 (impact on EBITDA)	19,809	5,683	28	1,353	26,872
EBITDA including IFRS 16	**97,817**	**3,372**	**22,082**	**5,063**	**128,334**
Impairment and provisions	(583)	(5,143)	-	(2,872)	(8,598)
Depreciation/ amortisation and impairment of investments, net	(40,003)	(8,301)	(332)	(5,588)	(54,223)
Specific Items	(14,356)	(2,068)	(292)	(1,510)	(18,227)
EBIT	**42,875**	**(12,140)**	**21,457**	**(4,907)**	**47,285**
Financial results					(11,758)
Interest expenses					*(10,421)*
Interest income					*64*
Gains/ losses in subsidiary, associated companies and joint ventures					*(1,401)*
Earnings before taxes (EBT)					**35,527**
Income tax for the period					(6,242)
Net profit for the period					**29,285**
Non-controlling interests					(88)
Equity holders of parent company					**29,197**

Thousand Euros	31.12.2020 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	0	-	-	44,637	44,637
Other operating income	5,895	728	630	20,497	27,749
Operating costs excluding depreciations, amortizations, impairment and provisions	**382,064**	**186,374**	**23,361**	**62,936**	**654,736**
Staff costs	287,898	26,587	1,822	22,322	338,630
External supplies and services	88,393	160,330	2,776	31,042	282,541
Other costs	15,853	1,766	8,596	7,350	33,565
Cost of sales	*10,144*	*593*	*8,475*	*1*	19,212
Other operating costs	*5,709*	*1,173*	*122*	*7,729*	14,733
Earnings of other financial banking assets and liabilites	-	-	-	*(380)*	*(380)*
Internal services rendered	(10,080)	(2,309)	10,167	2,222	-
EBITDA [(1)]	**44,031**	**6,625**	**20,682**	**19,166**	**90,504**
IFRS 16 (impact on EBITDA)	20,485	6,325	113	1,518	28,442
EBITDA including IFRS 16	**64,516**	**12,950**	**20,795**	**20,685**	**118,946**
Impairment and provisions	(3,041)	(3,023)	-	(9,255)	(15,320)
Depreciation/ amortisation and impairment of investments, net	(45,473)	(9,731)	(304)	(6,628)	(62,136)
Specific Items	(6,053)	(698)	(3)	(231)	(6,984)
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**

(1) Excluding depreciation/ amortization, impairments and provisions, as well as the impact of IFRS 16 and specific items.

As at 31 December 2020, the amount of 7,0 M€ presented as specific items is related to: (i) business restructurings of 3,3 M€, (ii) strategic projects in the amount of €0.9 M, mainly in studies supporting the renegotiation of the new concession contract and (iii) other income and expenses in the amount of 2.8 M€, of which the price penalty by ANACOM, imposed by the non-compliance of the 2019 Quality of Service Indicators (+1.1 M€) stands out, the expenses related to the pandemic of Covid-19, namely on personal protective equipment, nebulizations, temperature measurement, reinforcement of cleanings (+1,1 M€) and the payment of an extraordinary premium to employees who during the confinement period were always at the forefront, with exposure to risk, enormous professionalism and total delivery (+0.5 M€).

As at 31 December 2020, the revenue of "Mail", "Express & Parcels" and "Bank" segments represented 57%, 26% and 11%, respectively, of the consolidated revenue. However, the external supplies and services costs allocated to those segments amounted to 31%, 57% and 7%, respectively, and the Staff costs amounted to 85%, 8% 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	Restated 31.12.2019	2020
Mail & Other	**477,586**	**426,096**
Transactional mail	406,364	358,886
Editorial mail	14,476	12,771
Parcels (USO)	6,478	7,356
Advertising mail	22,970	18,394
Philately	6,747	5,576
Business Solutions	10,254	15,878
Other	10,297	7,235
Express & Parcels	**152,415**	**193,000**
Portugal	98,191	118,007
Parcels	75,025	96,509
Cargo	12,421	11,408
Banking network	6,651	6,559
Logistics	3,146	2,407
Other	949	1,124
Spain	51,775	72,286
Mozambique	2,448	2,707
Financial Services & Retail	**47,388**	**44,043**
Savings & Insurance	26,892	23,166
Money orders	5,565	5,982
Payments	1,167	1,529
Retail	13,340	13,003
Other	425	364
Bank	**62,897**	**82,102**
Net interest income	12,731	17,267
Interest income	13,631	18,207
Interest expense	(900)	(940)
Fees & commissions income	8,942	13,669
Own produts	5,516	8,777
Consumer credit & insurance	3,425	4,892
Payments & other	20,185	17,242
321 Crédito	21,040	33,923
	740,286	**745,240**

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

- The decrease of 12% in "Mail" segment, was explained mainly by the pandemic acceleration of the downward trend in mail volumes as a result of the acceleration of digitization and e-substitution;

- The "Express & Parcels" segment noted an increase of 21% compared with the previous year. In 2020, the restrictions imposed on most sectors of the economy due to the COVID-19 pandemic substantially impacted the items' profile, with a reduction in B2B volumes in 1H20 and a strong growth in e commerce activity (B2C). In 2H20, a recovery in the B2B segment was observed as well as continued growth of e-commerce activity.

- The "Financial Services & Retail" business segment noted a decrease of 8%. This business unit's 2Q20 performance was strongly influenced by the restrictive measures of the state of emergency, namely the effect it generated on the preference for liquidity and consequently on medium/long-term financial investments, as well as by the limited customer access to the CTT Retail Network and the changes in post office opening hours.

- The "Bank" segment noted a revenue increase of 23%, mainly explained by the twelve months of 321Credit operation, acquired in May 2019, and the increase of CTT Bank's financial margin.

The revenue detail for the year ended 31 December 2019 and 31 December 2020, by the revenue's sources identified in note 2.23 – Revenue, are detailed as follows:

Nature	31.12.2019				
	Mail	Express & Parcels	Financial Services & Retail	Bank	Total
Postal Services	426,097,926	-	-	-	426,097,926
Express services	-	151,834,597	-	-	151,834,597
Merchandising products sales	-	-	1,952,893	-	1,952,893
PO Boxes	-	-	1,329,824	-	1,329,824
Prepaid mobile phone recharges	5,638	-	-	-	5,638
International mail services (*)	43,220,802	-	-	-	43,220,802
Financial Services fees	-	-	43,456,732	49,439,112	92,895,844
"Sales and Services rendered" and "Financial Margin" total	**469,324,367**	**151,834,597**	**46,739,450**	**49,439,112**	**717,337,525**

(*) Inbound Mail

Nature	31.12.2020				
	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
Prepaid mobile phone recharges	-	-	-	-	-
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

The assets by segment are detailed as follows:

Assets (Euros)	Restated 2019					
	Mail	Express & Parcels	Financial Services & Retail	Bank	Non allocated assets	Total
Intagible assets	20,426,590	5,514,463	200,198	27,682,577	8,188,816	62,012,644
Tangible fixed assets	222,255,084	33,599,340	42,095	3,204,855	4,341,666	263,443,040
Investment properties	-	-	-	-	7,653,000	7,653,000
Goodwill	6,161,326	2,955,753	-	61,084,749	-	70,201,828
Deferred tax assets	-	-	-	-	89,329,806	89,329,806
Accounts receivable	-	-	-	-	146,471,712	146,471,712
Credit to bank clients	-	-	-	885,820,569	-	885,820,569
Debt securities	-	-	-	456,411,331	-	456,411,331
Other banking financial assets	-	-	-	33,424,335	-	33,424,335
Other assets	-	-	-	-	54,871,239	54,871,239
Cash and cash equivalents	-	5,403,455	-	174,819,282	262,772,987	442,995,724
Non-current assets held for sale	-	-	-	805,675	-	805,675
	248,843,001	**47,473,011**	**242,294**	**1,643,253,372**	**573,629,227**	**2,513,440,904**

Assets (Euros)	2020					
	Mail	Express & Parcels	Financial Services & Retail	Bank	Non allocated assets	Total
Intagible 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
Debt securities	-	-	-	517,805,404	-	517,805,404
Other banking financial assets	-	-	-	40,879,397	-	40,879,397
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**

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

	2019					
	Mail	Express & Parcels	Financial Services & Retail	Bank	Non allocated assets	Total
Intagible assets	9,870,880	2,254,329	88,954	6,075,446	69,072	18,358,681
Tangible fixed assets	15,979,684	6,258,189	-	905,010	10,935,348	34,078,230
	25,850,563	**8,512,518**	**88,954**	**6,980,456**	**11,004,420**	**52,436,911**

	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**

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

- "Intangible assets" (4,144,263 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" (4,284,888 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" (7,075,908 Euros): These assets are not allocated to the operating activity, which is why they are not allocated to any segment;

- "Deferred tax assets" (87,891,868 Euros): These assets are mainly comprised of deferred tax assets associated with employee benefits, being those related to the CTT, S.A. Health Plan the most relevant amount, as detailed in note 49 - Income tax for the period. Bearing in mind that CTT, S.A. is allocated to different segments, as already mentioned, the allocation of these assets to the different segments does not seem possible to be carried out reliably;

- "Accounts receivables" (153,616,009 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" (14,804,590 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 deferrals 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 (273,895,841 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:

Other information (Euros)	Restated 2019				
	Mail	Express & Parcels	Financial Services & Retail	Bank	Total
Non-current debt	**127,309,217**	**19,770,671**	**30,858**	**1,487,187**	**148,597,934**
Bank loans	81,702,538	-	-	-	81,702,538
Lease liabilities	45,606,680	19,770,671	30,858	1,487,187	66,895,396
Current debt	**12,896,744**	**13,203,570**	**11,589**	**701,665**	**26,813,567**
Bank loans	-	9,749,470	-	-	9,749,470
Lease liabilities	12,896,744	3,454,099	11,589	701,665	17,064,097
	140,205,961	**32,974,241**	**42,447**	**2,188,852**	**175,411,501**

Other information (Euros)	2020				
	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**

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

Thousand Euros	2019	2020
Revenue - Portugal	577,527	541,319
Revenue - other countries	110,495	131,535
	688,022	672,854

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 71,961 thousand euros.

5. TANGIBLE FIXED ASSETS

During the years ended 31 December 2019 and 31 December 2020, the movements occurred in Tangible fixed assets, as well as the respective accumulated depreciation, regarding the **Group** were as follows:

Group	2019									
	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	35,591,993	334,565,087	143,060,832	3,597,961	63,825,994	26,571,051	2,409,296	174,162	217,781,407	827,577,785
Acquisitions	-	289,864	5,397,771	205,223	4,132,769	1,087,015	5,037,328	10,933,074	-	27,083,044
New contracts	-	-	-	-	-	-	-	-	6,995,186	6,995,186
Disposals	(11,962)	(302,339)	(1,085,186)	(828)	(10,822)	-	-	-	-	(1,411,137)
Transfers and write-offs	-	3,990,959	8,798,878	(199,167)	714,914	(14,188)	(3,990,959)	(8,693,236)	(1,023,301)	(416,100)
Terminated contracts	-	-	-	-	-	-	-	-	(47,988,327)	(47,988,327)
Remeasurements									2,200,608	2,200,608
Adjustments	-	497	12,141	461	875	590	-	-	108,299	122,863
Other movements	-	-	-	-	-	1,826,550	35,907	-	-	1,862,457
Changes in the consolidation perimeter	-	420,472	-	-	692,154	175,664	-	-	1,549,917	2,838,207
Closing 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
Accumulated depreciation										
Opening balance	3,739,154	210,562,512	127,971,545	3,428,245	58,772,955	22,311,709	-	-	136,058,784	562,844,906
Depreciation for the period	-	9,445,914	5,641,044	56,981	2,342,240	1,803,688	-	-	21,631,653	40,921,520
Disposals	(1,747)	(192,958)	(1,022,632)	(828)	(14,649)	-	-	-	-	(1,232,814)
Transfers and write-offs	-	-	107,382	(128,381)	640,734	40,895	-	-	(858,850)	(198,220)
Terminated contracts	-	-	-	-	-	-	-	-	(47,988,327)	(47,988,327)
Adjustments	-	89	7,736	325	759	506	-	-	-	9,415
Changes in the consolidation perimeter	-	164,081	-	-	666,123	121,676	-	-	89,014	1,040,894
Closing 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
Accumulated impairment										
Opening balance	-	-	-	-	-	24,255	-	-	-	24,255
Other variations	-	-	-	-	-	(83)	-	-	-	(83)
Closing balance	-	-	-	-	-	24,172	-	-	-	24,172
Net Tangible fixed assets	**31,842,624**	**118,984,901**	**23,479,360**	**247,308**	**6,947,721**	**5,344,038**	**3,491,573**	**2,414,000**	**70,691,514**	**263,443,040**

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**

The depreciation recorded in the **Group** amounting to 44,218,515 Euros (40,921,520 Euros on 31 December 2019), is booked under the heading Depreciation/amortization and impairment of investments, net (Note 45).

In the year ended 31 December 2019, the caption Changes in the consolidation perimeter in the **Group**, relates to the balances of the company 321 Crédito – Instituição Financeira de Crédito, S.A. acquired in May 2019.

During the years ended 31 December 2019 and 31 December 2020, the movements occurred in Tangible fixed assets, as well as the respective accumulated depreciation, regarding the **Company** were as follows:

Company	Land and natural resources	Buildings and other constructions	Basic equipment	Transport equipment	Office equipment	Other tangible fixed assets	Tangible fixed assets in progress	Advance payments to suppliers	Rights of use	Total
	2019									
Tangible fixed assets										
Opening balance	33,767,640	318,632,490	115,445,969	2,699,209	57,220,574	25,224,499	2,188,618	174,162	177,209,633	732,562,795
Acquisitions	-	-	4,626,819	24,141	3,137,082	828,982	3,216,568	10,933,074	-	22,766,665
New contracts	-	-	-	-	-	-	-	-	4,122,504	4,122,504
Disposals	(11,962)	(302,339)	(816,006)	-	(10,822)	-	-	-	-	(1,141,129)
Transfers and write-offs	-	3,477,521	8,633,181	(199,167)	794,929	72,894	(3,477,521)	(8,693,236)	(171,814)	436,787
Terminated contracts	-	-	-	-	-	-	-	-	(40,397,104)	(40,397,104)
Remeasurements									2,200,608	2,200,608
Adjustments	-	-	-	-	-	1,679,068	-	-	-	1,679,068
Closing 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
Accumulated depreciation										
Opening balance	3,739,154	201,794,470	105,503,323	2,600,122	52,713,479	21,138,556	-	-	115,516,746	503,005,849
Depreciation for the period	-	8,894,895	4,257,791	10,982	1,962,949	1,740,501	-	-	16,661,552	33,528,670
Disposals	(1,747)	(192,958)	(779,208)	-	(10,653)	-	-	-	-	(984,566)
Transfers and write-offs	-	-	(18,819)	(128,381)	681,254	127,976	-	-	(89,483)	572,547
Terminated contracts	-	-	-	-	-	-	-	-	(40,397,104)	(40,397,104)
Adjustments	-	-	-	-	-	-	-	-	-	-
Closing 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
Accumulated impairment										
Opening balance	-	-	-	-	-	24,255	-	-	-	24,255
Other variations	-	-	-	-	-	(83)	-	-	-	(83)
Closing balance	-	-	-	-	-	24,172	-	-	-	24,172
Net Tangible fixed assets	**30,018,271**	**111,311,265**	**18,926,877**	**41,461**	**5,794,733**	**4,774,238**	**1,927,665**	**2,414,000**	**51,272,117**	**226,480,627**

Company	Land and natural resources	Buildings and other constructions	Basic equipment	Transport equipment	Office equipment	Other tangible fixed assets	Tangible fixed assets in progress	Advance payments to suppliers	Rights of use	Total
	2020									
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**

The depreciation recorded in the **Company** amounting to 35,713,613 Euros (33,528,670 Euros on 31 December 2019), is booked under the heading Depreciation/amortization and impairment of investments, net (Note 45).

In the **Group** and the **Company**, as at 31 December 2020, Land and natural resources and Buildings and other constructions include 552,634 Euros (554,730 Euros as at 31 December 2019), related to land and property in co-ownership with MEO – Serviços de Comunicações e Multimédia, S.A..

According to the concession contract in force, after the latest amendments of 31 December 2013 (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) believes 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 year ended 31 December 2020, 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 1,765,338 Euros related to the transfer from Investment Properties, as well as the respective accumulated depreciations of 1,185,178 Euros, regarding a group of properties that were again assigned to the operational activity of the **Group**.

This heading also includes the transfer to the caption Non-current assets held for sale of the building located in Santarém held by CTT, in the total amount of 1,173,121 Euros, following the conclusion of the promissory agreement for the sale of this property.

Basic equipment:

The amount of acquisitions mainly relates to the acquisition of mail handling machines in the approximately amount of 3,283 thousand Euros, commercial vehicles in the approximately amount of 414 thousand euros at CTT, the acquisition by CTT Expresso of IT equipment in the approximately amount of 329 thousand euros and the acquisition of several postal equipment in the amount of 155 thousand euros.

Office equipment:

The amount of acquisitions relates essentially to the acquisition of office furniture for approximately 174 thousand Euros, medium and large size equipment in the approximately amount of 449 thousand euros and several micro-IT equipment in the approximately amount of 143 thousand euros, at CTT.

Other tangible fixed assets:

In acquisitions caption are essentially booked the prevention and security equipment in the approximately amount of 426 thousand euros at CTT and prevention and security equipment in the approximately amount of 114 thousand euros at CTT Expresso.

Tangible fixed assets in progress:

The tangible fixed assets in progress of the **Group** and the **Company** as at 31 December 2020 mainly includes operational facilities improvements, namely, stores, postal distribution centers and production and logistics centers.

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	Buildings	Vehicles	Other assets	Total
	2019			
Tangible fixed assets				
Opening balance	187,977,519	28,092,244	1,711,643	217,781,407
New contracts	3,275,146	3,643,838	76,202	6,995,186
Transfers and write-offs	(1,004,078)	(19,223)	-	(1,023,301)
Terminated contracts	(36,450,459)	(11,252,228)	(285,640)	(47,988,327)
Remeasurements	2,200,608	-	-	2,200,608
Adjustments	24,605	56,854	26,839	108,299
Changes in the consolidation perimeter	1,419,084	130,833	-	1,549,917
Closing balance	157,442,425	20,652,319	1,529,045	179,623,789
Accumulated depreciation				
Opening balance	123,639,470	11,900,424	518,891	136,058,784
Depreciation for the period	15,252,183	6,015,929	363,540	21,631,653
Transfers and write-offs	(855,861)	(2,989)	-	(858,850)
Terminated contracts	(36,450,459)	(11,252,228)	(285,640)	(47,988,327)
Adjustments	5	(5)	-	-
Changes in the consolidation perimeter	71,751	17,264	-	89,014
Closing balance	101,657,089	6,678,395	596,791	108,932,275
Net Tangible fixed assets	**55,785,336**	**13,973,924**	**932,254**	**70,691,514**

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**

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, as mentioned in note 3, and also for the new lease agreements.

The depreciation recorded, in the **Group**, in the amount of 24,474,381 Euros (21,631,653 Euros on 31 December 2019), is booked under the heading Depreciation/amortization and impairment of investments, net.

Company	2019			
	Buildings	Vehicles	Other assets	Total
Tangible fixed assets				
Opening balance	150,888,518	25,217,335	1,103,781	177,209,633
New contracts	1,941,948	2,180,556	-	4,122,504
Terminated contracts	(30,259,896)	(10,136,398)	(811)	(40,397,104)
Transfers and write-offs	(171,814)	-	-	(171,814)
Remeasurements	2,200,608	-	-	2,200,608
Closing balance	124,599,364	17,261,493	1,102,970	142,963,827
Accumulated depreciation				
Opening balance	105,243,796	10,088,817	184,134	115,516,746
Depreciation for the period	11,234,740	5,267,930	158,883	16,661,552
Terminated contracts	(30,259,896)	(10,136,398)	(811)	(40,397,104)
Transfers and write-offs	(89,483)	-	-	(89,483)
Closing balance	86,129,156	5,220,349	342,205	91,691,711
Net Tangible fixed assets	**38,470,208**	**12,041,144**	**760,765**	**51,272,117**

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**

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, as mentioned in note 3, and also for the new lease agreements.

The depreciation recorded, in the **Company**, in the amount of 18,735,488 Euros (16,661,552 Euros on 31 December 2019), 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 30) and Interest expenses and income (Note 48), respectively.

In 2020, 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 2020.

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

Regarding the tangible and intangible assets related with the mail business developed by the CTT, due to the pandemic impacts on the operational profit of 2020, the **Group** evaluated the existence of impairment indicators, comparing the non-current assets amounts related to the mail business with the corresponding operating profit, verifying that, although the assets to operating results ratio increased in 2020, no impairment indicators were identified.

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 2020, despite the pandemic context.

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 2020, amount to 4,798,143 Euros and 584,951 Euros, respectively.

6. INTANGIBLE ASSETS

During the years ended 31 December 2019 and 31 December 2020, the movements which occurred in the main categories of the **Group** Intangible assets, as well as the respective accumulated amortization, were as follows:

Group	Development projects	Computer Software	Industrial property	Other intangible assets	Intangible assets in progress	Advance payments to suppliers	Total
	2019						
Intangible assets							
Opening balance	4,380,552	98,081,032	14,252,424	444,739	15,139,681	-	132,298,428
Acquisitions	-	1,106,752	2,365,069	-	14,817,787	69,072	18,358,681
Transfers and write-offs	-	13,595,464	8,579	-	(14,331,297)	(69,072)	(796,326)
Adjustments	-	1,400	9,098	-	-	-	10,498
Changes in the consolidation perimeter	-	1,092,007	213,269	-	462,568	-	1,767,844
Closing balance	4,380,552	113,876,654	16,848,440	444,739	16,088,740	-	151,639,125
Accumulated amortisation							
Opening balance	4,375,722	61,288,015	9,419,396	444,739	-	-	75,527,871
Amortisation for the period	1,272	12,754,618	782,218	-	-	-	13,538,108
Transfers and write-offs	-	(730,878)	3,624	-	-	-	(727,254)
Adjustments	-	1,400	4,087	-	-	-	5,487
Changes in the consolidation perimeter	-	1,082,878	199,390	-	-	-	1,282,268
Closing balance	4,376,994	74,396,033	10,408,714	444,739	-	-	89,626,480
Net intangible assets	**3,558**	**39,480,622**	**6,439,725**	**-**	**16,088,740**	**-**	**62,012,644**

Group	Development projects	Computer Software	Industrial property	Other intangible assets	Intangible assets in progress	Advance payments to suppliers	Total
	2020						
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 amortisation							
Opening balance	4,376,994	74,396,033	10,408,714	444,739	-	-	89,626,480
Amortisation 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**

The amortization in the **Group** for the year ended 31 December 2020, amounting to 17,887,283 Euros (13,538,108 Euros as at 31 December 2019) was recorded under Depreciation / amortization and impairment of investments, net (Note 45).

In the year ended 31 December 2019, the caption Changes in the consolidation perimeter in the **Group**, relates to the balances of the company 321 Crédito – Instituição Financeira de Crédito, S.A. as at the acquisition date.

During the years ended 31 December 2019 and 31 December 2020, the movements which occurred in the main categories of the **Company** Intangible assets, as well as the respective accumulated amortization, were as follows:

Company	Development projects	Computer Software	Industrial property	Other intangible assets	Intangible assets in progress	Advance payments to suppliers	Total
	2019						
Intangible assets							
Opening balance	3,717,326	56,141,169	6,080,272	-	10,554,799	-	76,493,567
Acquisitions	-	249,323	2,021,311	-	7,728,943	69,072	10,068,649
Transfers and write-offs	-	9,359,094	8,579	-	(10,094,927)	(69,072)	(796,326)
Closing balance	3,717,326	65,749,586	8,110,162	-	8,188,816	-	85,765,890
Accumulated amortisation							
Opening balance	3,717,326	43,883,941	3,469,888	-	-	-	51,071,155
Amortisation for the period	-	7,221,757	560,211	-	-	-	7,781,968
Transfers and write-offs	-	(730,878)	3,624	-	-	-	(727,254)
Closing balance	3,717,326	50,374,820	4,033,723	-	-	-	58,125,869
Net intangible assets	**-**	**15,374,766**	**4,076,439**	**-**	**8,188,816**	**-**	**27,640,021**

Company	Development projects	Computer Software	Industrial property	Other intangible assets	Intangible assets in progress	Advance payments to suppliers	Total
	2020						
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 amortisation							
Opening balance	3,717,326	50,374,820	4,033,723	-	-	-	58,125,869
Amortisation 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**

The amortization in the **Company**, for the year ended 31 December 2020, amounting to 10,952,356 Euros (7,781,968 Euros as at 31 December 2019) was recorded under Depreciation / amortization and impairment of investments, net (Note 45).

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.

The transfers occurred in the year ended 31 December 2020 from Intangible assets in progress to Computer software refer to IT projects, which were completed during the year.

The amounts of 947,419 Euros and 770,903 Euros were capitalized in computer software or in intangible assets in progress as at 31 December 2019 and 31 December 2020, respectively, related to **Company** staff costs incurred in the development of these projects.

During the year ended 31 December 2020, the most significant movements of the **Group** companies in Intangible assets were the following:

Computer software:

In the acquisition caption are mainly booked the acquisitions, by CTT Bank of, "*Partners Portal*" software in the approximately amount of 106 thousand euros, "*Integrator CH*" software in the approximately amount of 360 thousand euros, "Opening accounts" software in the amount of 140 thousand euros and the "Iberic Project" software in the amount of 256 thousand euros, "Supplier Portal" software in 72 thousand euros, by CTT Expresso.

Industrial property:

In the acquisition caption are mainly booked the acquisition, by CTT, of "Oracle" licenses in the amount of 413 thousand euros.

As at 31 December 2020 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
New Payment Platform	1,932,911	-
CRM - Software	892,483	517,469
OneBiller Solution	848,071	0
SAP Hana & Hybris Billing	318,268	318,268
Interconnect - Software	313,246	313,246
MiddleWare	262,868	-
Accipiens	248,633	-
Management information - Software	234,599	234,599
Business Mail - Software	226,068	226,068
New Ecosystem Operations - Software	206,682	206,682
	5,483,828	**1,816,332**

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 2021.

Regarding the economic period of 2020, the **Group** and the **Company** are still identifying and quantifying the expenses incurred, as disclosed in Note 49.

In 2020, 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.

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.

Contractual commitments relative to the **Group**, at 31 December 2020, amount to 1,908,001 Euros.

7. INVESTMENT PROPERTIES

As at 31 December 2019 and 31 December 2020, the **Group** and the **Company** have the following assets classified as investment properties:

Group and Company	2019			
	Land and natural resources	Buildings and other constructions	Investment properties in progress	Total
Investment properties				
Opening balance	3,508,355	16,538,633	-	20,046,988
Additions	-	-	-	-
Disposals	(195,997)	(1,528,862)	-	(1,724,859)
Transfers and write-offs	-	-	-	-
Closing balance	**3,312,358**	**15,009,771**	**-**	**18,322,129**
Accumulated depreciation				
Opening balance	234,974	10,388,531	-	10,623,505
Depreciation for the period	-	261,092	-	261,092
Disposals	(21,122)	(943,491)	-	(964,612)
Transfers and write-offs	-	-	-	-
Closing balance	**213,853**	**9,706,133**	**-**	**9,919,985**
Accumulated impairment				
Opening balance	-	1,243,502	-	1,243,502
Impairment for the period	-	(494,358)	-	(494,358)
Transfers	-	-	-	-
Closing balance	-	749,144	-	749,144
Net Investment properties	**3,098,506**	**4,554,494**	**-**	**7,653,000**

Group and Company	2020			
	Land and natural resources	Buildings and other constructions	Investment properties in progress	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)
Transfers	-	-	-	-
Closing balance	-	450,308	-	450,308
Net Investment properties	**2,989,524**	**4,086,384**	**-**	**7,075,908**

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 2020 which were conducted by independent entities, amounts to 11,956,192 Euros (12,261,900 Euros as at 31 December 2019).

In the year ended 31 December 2020, the amount recorded under the disposals heading relates to the sale of two properties having the corresponding accounting gains, of 23 thousand Euros, been recorded in the caption Gains/Losses on disposal of assets.

The caption Transfers and Write-offs includes the amount of 1,765,338 Euros related to the transfer from Investment Properties, as well as the corresponding accumulated depreciations of 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 2020, of 235,404 Euros (261,092 Euros on 31 December 2019) was recorded in the caption Depreciation/amortization and impairment of investments, net (Note 45).

On 31 December 2020, the rents amount charged by the **Group** and **Company** for properties and equipment leases classified as investment properties was 48,416 Euros (2019: 43,722 Euros).

Impairment losses of the **Company** for the period amounting to (298,836) Euros ((494,358) Euros on 31 December 2019) were recorded in the caption Depreciation/amortization and impairment of investments, net (Note 45) and are explained by the market value increase observed in some buildings and the properties transferred to tangible fixed assets, as mentioned above.

8. COMPANIES INCLUDED IN THE CONSOLIDATION

Subsidiary companies

As at 31 December 2019 and 31 December 2020, 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	2019 Percentage of ownership			2020 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	-	-
Correio Expresso de Moçambique, S.A. ("CORRE")	Mozambique	Av. 24 de Julho, Edificio 24, n.º 1097, 3.º Piso, Bairro da Polana Maputo - Mozambique	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 3º Esq 1070-072 Lisboa	-	-	-	25	75	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

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.

As at 2 May 2019 100% of the share capital of 321 Crédito – Instituição Financeira de Crédito, S.A. was acquired for 110,782,000 Euros.

On 11 June 2019, but producing effects as of 1 January 2019, was registered the merger by incorporation of Transporta – Transportes Porta a Porta, S.A. in CTT Expresso – Serviços Postais e Logística, S.A. through the global transfer of the assets. This transaction had no impact on the consolidation perimeter.

On 20 December 2019, but taking effect on 1 January 2019, the merger by incorporation of Tourline Express Mensajería, SLU in CTT Expresso - Serviços Postais e Logística, S.A., through the global transfer of the assets was registered. This operation had no impact on the consolidation perimeter. As a result of this operation, CTT Expresso - Serviços Postais e Logística, S.A., sucursal em Espanha was created ("CTT Expresso branch in Spain").

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 in 2020.

In December 2020, CTT, CTT Expresso, CTT Contacto and CTT Soluções Empresariais, subscribed equal shares of an investment fund, Tech Tree. These entities have the possibility of benefit from the Tax Incentive System for Research & Business Development (SIFIDE), through the shares' subscription of this investment fund, intended to finance companies dedicated mainly to research and development. This entity was included in the consolidation perimeter in 2020.

Joint ventures

As at 31 December 2019 and 31 December 2020, the **Group** held the following interests in joint ventures, registered through the equity method:

Company name	Place of business	Head office	2019 Percentage of ownership			2020 Percentage of ownership		
			Direct	Indirect	Total	Direct	Indirect	Total
New Post, 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
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 1 July, 3 September and 2 November 2020, the company MKTPlace – Comércio Eletrónico, S.A., was subject to capital increases in the total amount of 2,678,381 Euros made by CTT.

Associated companies

As at 31 December 2019 and 31 December 2020, the **Group** held the following interests in associated companies accounted for by the equity method:

Company name	Place of business	Head office	2019 Percentage of ownership			2020 Percentage of ownership		
			Direct	Indirect	Total	Direct	Indirect	Total
Multicert - Serviços de Certificação Electrónica, S.A. ("Multicert")	Portugal	Lagoas Parque, Edifício 3, Piso 3 Oeiras	20	-	20	-	-	-
Mafelosa, SL [(a)]	Spain	Castellon - Spain	-	25	25	-	25	25
Urpacksur, SL [(a)]	Spain	Málaga - Spain	-	30	30	-	30	30

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

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.

Other investments

In September 2020, the investment in Tagus Park was sold, resulting in a capital gain of 28,507 Euros, recorded in the caption "Gains/losses in subsidiary, associated companies and joint ventures".

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	19.2%	Full
Chaves Funding No.8 [(*)]	2019	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.

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

	31.12.2019	31.12.2020
Cash and cash equivalents	7,730,012	9,896,409
Other banking financial liabilities (Debt securities issued)	76,077,368	44,517,924

Changes in the consolidation perimeter

In the year ended 31 December 2019, the consolidation perimeter was changed following the acquisition of 321 Crédito – Instituição Financeira de Crédito. On July 24, 2018, the **Group** agreed to purchase 100% of 321 Crédito, an institution specializing in granting credit for the purchase of used motor vehicles by retail customers, through an external network of points of sale.

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.

9. GOODWILL

As at 31 December 2019 and 31 December 2020, the **Group** Goodwill was made up as follows:

Group	Year of acquisition	2019	2020
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
		70,201,828	**70,201,828**

During the years ended 31 December 2019 and 31 December 2020, the movements in Goodwill were as follows:

Group	2019	2020
Opening balance	9,523,179	70,201,828
Acquisitions	60,678,648	-
Impairment	-	-
Closing balance	**70,201,828**	**70,201,828**

The acquisitions in the period ended 31 December 2019 relate to the acquisition of the company 321 Crédito – Instituição Financeira de Crédito, S.A., and a Goodwill amounting to 60,678,648 Euros.

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 2019 and 31 December 2020 based on the following assumptions:

		2019				
Company name	Activity	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	9.17%	-	1.4%
Transporta - Transportes Porta a Porta, S.A.	Cargo and Logistics	Equity Value/ DCF	5 years	9.29%	-	2.3%
CTT Expresso, branch in Spain	Cargo and Logistics	Equity Value/ DCF	7 years	9.36%	-	1.6%
Payshop (Portugal), S.A.	Payment network management	Equity Value/ DCF	10 years	-	10.00%	2.0%
321 Crédito - Instituição Financeira de Crédito, S.A.	Consumer Credit	Equity Value/ DCF	10 years	-	10.00%	2.0%

		2020				
Company name	Activity	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, branch in Spain	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%

The generalized increase in the discount rate (WACC) in the period ended 31 December 2020 resulted mainly from the increase in the "Country Risk Premium" due to the pandemic situation COVID-19 and the decrease in the "Risk free rate".

The cash flow projections were based on historical performance and 5-year business plans, approved by the Board of Directors, except for CTT Expresso, branch in Spain (former Tourline), for which the 6-years (7 years in 2019) business plan was considered, to the extent that changes to the **Company**'s strategy implied the use of a longer period until operating cash flow stability was reached and 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. Payshop's impairment test was carried out together with the analysis of the recoverability of the investment in Banco CTT (Note 10).

The revenue growth and long-term profitability perspectives for Transporta and 321 Crédito were revised, resulting in a reduction in the respective perpetuity rate growth to 1% (2.3% in 2019) and 1.5% (2% in 2019) respectively.

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 2020.

As a consequence of this impairment analysis, the **Group** concluded that as at 31 December 2020 there were no indications of impairment losses to be recognized.

As at 31 December 2019 and 31 December 2020, the impairment losses registered in the **Group** are as follows:

	2019					
	Year of acquisition	Initial value of Goodwill	Impairment losses for the period	Accumulated impairment losses	Disposals	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**

	2020					
	Year of acquisition	Initial value of Goodwill	Impairment losses for the period	Accumulated impairment losses	Disposals	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. 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 2019 and 31 December 2020, the movements occurred in the **Company** in Investments in subsidiary companies were as follows:

	2019			2020		
	Investments in subsidiary companies	Provisions for investments in subsidiary companies	Total	Investments in subsidiary companies	Provisions for investments in subsidiary companies	Total
Opening balance	113,576,926	-	113,576,926	233,475,030	-	233,475,030
Equity method	(11,342,668)	-	(11,342,668)	790,022	-	790,022
Equity Method Adjustements (intra-group)	-	-	-	(6,941)	-	(6,941)
Distribution of dividends	-	-	-	-	-	-
Share capital increase	131,500,000	-	131,500,000	1,250,000	-	1,250,000
Other	(259,228)	-	(259,228)	23,689	-	23,689
Closing balance	**233,475,030**	**-**	**233,475,030**	**235,531,801**	**-**	**235,531,801**

As at 31 December 2019, the caption Share capital increase includes the Banco CTT's share capital increases, occurred on 26 April and 23 December 2019 in the amount of 110,000,000 Euros and 20,000,000 Euros, respectively. This caption also includes the increase operation, occurred on April 2019, recognized under the caption "Other Equity Instruments", in the subsidiary Transporta (which was merged into CTT Expresso during the year 2019), in the amount of 1,500,000 Euros.

As at 31 December 2020, the caption Share capital 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 Tech Tree shares, in the total amount of 1.000.000 Euros.

As at 31 December 2019 and 31 December 2020, the detail by company of Investments in subsidiaries of the **Company** was as follows:

Company	2019								
	% held	Assets	Liabilities	Equity	Net profit	Goodwill	Investments	Provisions	Proportion of net profit
CTT Expresso,S.A.	100%	107,416,667	98,960,174	8,456,493	(4,644,588)	2,955,753	8,463,833	-	(4,644,588)
CTT Contacto, S.A.	100%	5,250,057	957,483	4,292,574	1,225,240	-	4,292,569	-	1,225,240
CORRE - Correio Expresso Moçambique, S.A.	50%	1,825,513	1,341,003	484,510	175,534	-	242,255	-	87,767
Banco CTT, S.A.	100%	1,560,859,258	1,349,503,769	211,355,489	(8,011,087)	-	211,359,293	-	(8,011,087)
Mailtec Comunicação S.A.		-	-	-	-	6,161,326	-	-	-
						9,117,079	**224,357,951**	**-**	**(11,342,668)**

Company	2020								
	% held	Assets	Liabilities	Equity	Net profit	Goodwill	Investments	Provisions	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**

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.

The **Company**'s investment in Banco CTT was subject to an impairment test with reference to 31 December 2020, and no impairment was determined, based on the following assumptions:

Company name	Activity	2019				
		Base for determining the recoverable amount	Explicit period for cash flows	Discount rate (WACC)	Discount rate (Cost of Equity)	Perpetutiy rate growth
Banco CTT, S.A.	Banking activty	Equity Value/ DCF	10 years	-	10.00%	2.0%

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
Banco CTT, S.A.	Banking activty	Equity Value/ DCF	10 years	-	10.00%	1.5%

The cash flow projections were based on historical performance and 10-year business plans, approved by the Board of Directors, since given the recent Bank establishment, according to the business plan, the cash flows stability will only be achieved in a longer time frame.

Sensitivity analyzes were performed on the results of the Bank 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 discount rate used (Cost of Equity). The results of the sensitivity analyze carried out do not determine the existence of signs of impairment in Goodwill.

For the years ended 31 December 2019 and 31 December 2020, 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	2019	2020
Investment in subsidiaries		
CTT Expresso,S.A.	(4,644,588)	(1,903,514)
CTT Contacto, S.A.	1,225,240	1,482,447
CORRE - Correio Expresso Moçambique, S.A.	87,767	97,225
Banco CTT, S.A.	(8,011,087)	285,011
FCR TECHTREE	-	-
CTT Soluções Empresariais, S.A.	-	828,852
	(11,342,668)	**790,022**

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.

11. INVESTMENTS IN ASSOCIATED COMPANIES

For the years ended 31 December 2019 and 31 December 2020, the **Group** and the **Company** investments in associated companies had the following movements:

	Group		Company	
	2019	**2020**	**2019**	**2020**
Gross carrying value				
Opening balance	296,260	293,434	295,779	292,953
Equity method - proportion of net income	(2,825)	-	(2,825)	-
Other	-	(292,953)	-	(292,953)
Closing balance	**293,434**	**481**	**292,953**	**-**

As at 31 December 2019 and 31 December 2020, the detail by company of the **Group** and the **Company** investments in associated companies were as follows:

	Group		Company	
	2019	**2020**	**2019**	**2020**
Multicert, S.A.	292,953	-	292,953	-
Urpacksur, S.L.	481	481	-	-
	293,434	**481**	**292,953**	**-**

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	2019							
	% held	Assets	Liabilities	Equity	Net profit	Investments	Provisions	Proportion of net profit
Multicert - Serviços de Certificação Electrónica, S.A. [a]	20%	3,985,057	2,520,290	1,464,767	251,014	292,953	-	(2,825)
Mafelosa, SL [b] [c]	25%	n.a.	n.a.	n.a.	n.a.	-	-	n.a.
Urpacksur [b] [c]	30%	n.a.	n.a.	n.a.	n.a.	481	-	n.a.
						293,434	**-**	**(2,825)**

[a] Data reported as at December 2018
[b] Companies held by Tourline Express Mensajeria
[c] Companies without activity

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

[a] Company held by CTT Expresso - Serviços Postais e Logística, S.A., branch in Spain (until 2018 held by Tourline Mensajeria, SLU).
[b] Companies without activity

Company	2019							
	% held	Assets	Liabilities	Equity	Net profit	Investments	Provisions	Proportion of net profit
Multicert - Serviços de Certificação Electrónica, S.A. [a]	20%	3,985,057	2,520,290	1,464,767	251,014	292,953	-	(2,825)
						292,953	**-**	**(2,825)**

[a] Data reported as at December 2018

12. INVESTMENTS IN JOINT VENTURES

As at 31 December 2019 and 31 December 2020, the detail of the **Group** and the **Company** investments in joint ventures were as follows

Group and Company	2019							
	% held	Assets	Liabilities	Equity	Net profit	Investments	Provisions	Proportion of net profit
MKTPlace - Comércio Eletrónico, S.A	50%	7,149,588	1,757,833	5,391,755	(3,681,863)	2,723,803	-	(1,397,796)
PTP & F, ACE	51%	-	-	-	-	-	-	-
New Post, ACE	49%	-	-	-	-	-	-	-
						2,723,803	**-**	**(1,397,796)**

Group and Company	2020							
	% held	Assets	Liabilities	Equity	Net profit	Investments	Provisions	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	-	(2,477,083)
PTP & F, ACE	51%	-	-	-	-	-	-	-
New Post, ACE	49%	-	-	-	-	-	-	-
						2,925,100	**-**	**(2,477,083)**

The **Group** and the **Company**'s investment in MKTPlace – Comércio Eletrónico, S.A. was subject to an impairment test with reference to 31 December 2020, and no impairment was determined. The impairment test was carried out considering a WACC of 20%.

13. OTHER INVESTMENTS

The amount of Other investments as at 31 December 2019 and 31 December 2020, in the **Group** and the **Company**, were as follows:

Entity	Head office	Group and Company	
		2019	**2020**
IPC- International Post Corporation	Brussels - Belgium	6,157	6,157
Tagus Park	Lisbon - Portugal	1,372,743	-
CEPT	Copenhagen - Denmark	237	237
		1,379,137	**6,394**

In September 2020, the investment in Tagus Park was sold, resulting in a capital gain of 28,507 Euros, recorded in the caption Gains/losses in subsidiary, associated companies and joint ventures.

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 2019 and 31 December 2020, the caption Debt securities, in the **Group**, showed the following composition:

	31.12.2019	31.12.2020
Non-current		
Financial assets at fair value through other comprehensive income (1)		
Government bonds	528,420	860,281
Bonds issued by other entities	-	11,413,276
	528,420	**12,273,557**
Financial assets at amortised cost		
Government bonds	409,886,034	450,600,878
Bonds issued by other entities	14,605,943	2,665,125
Impairment	(169,217)	(175,486)
	424,322,759	**453,090,517**
	424,851,179	**465,364,074**
Current		
Financial assets at fair value through other comprehensive income (1)		
Government bonds	13,727	6,760,199
Bonds issued by other entities	-	521,074
	13,727	**7,281,273**
Financial assets at amortised cost		
Government bonds	31,536,069	39,973,188
Bonds issued by other entities	14,491	5,193,374
Impairment	(4,136)	(6,505)
	31,546,424	**45,160,057**
	31,560,152	**52,441,330**
	456,411,331	**517,805,404**

(1) As at 31 December 2019 and 31 December 2020 includes the amount of 225 Euros and 9,429 Euros, respectively, regarding Accumulated impairment losses.

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 2019 and 31 December 2020 is detailed as follows:

	31.12.2019						
	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	
Financial assets at fair value through other comprehensive income (1)							
Government bonds							
National	13,727	-	13,727	528,420	-	528,420	542,147
	13,727	**-**	**13,727**	**528,420**	**-**	**528,420**	**542,147**

(1) As at 31 December 2019 includes the amount of 225 Euros regarding Accumulated impairment losses.

	31.12.2019						
	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	
Financial assets at amortised cost							
Government bonds							
National	4,538,504	4,717,697	9,256,202	41,143,284	236,717,591	277,860,875	287,117,077
Foreign	752,422	21,527,446	22,279,868	34,645,814	97,379,345	132,025,158	154,305,026
Bonds issued by other entities							
National	14,491	-	14,491	14,605,943	-	14,605,943	14,620,434
	5,305,417	**26,245,143**	**31,550,561**	**90,395,041**	**334,096,936**	**424,491,976**	**456,042,537**

	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	
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			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	
Financial assets at amortised 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**

The impairment losses, for the period ended 31 December 2019 and 31 December 2020, are detailed as follows:

	2019					
	Opening balance	Increases	Reversals	Utilisations	Transfers	Closing balance
Non-current assets						
Financial assets at fair value through other comprehensive income	504	19	(40,529)	(299)	40,529	225
Financial assets at amortised cost	164,379	31,512	(43,292)	-	16,618	169,217
	164,883	31,531	(83,821)	(299)	57,147	169,442
Current assets						
Financial assets at fair value through other comprehensive income	127,286	-	-	(86,757)	(40,529)	-
Financial assets at amortised cost	18,447	2,678	(370)	-	(16,618)	4,136
	145,733	**2,678**	**(370)**	**(86,757)**	**(57,147)**	**4,136**
Financial assets at fair value through other comprehensive income	***127,790***	***19***	***(40,529)***	***(87,056)***	***-***	***225***
Financial assets at amortised cost	***182,826***	***34,190***	***(43,662)***	***-***	***-***	***173,353***
	310,616	**34,209**	**(84,191)**	**(87,056)**	**-**	**173,578**

	2020					
	Opening balance	Increases	Reversals	Utilisations	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 amortised 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 amortised 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 amortised cost	***173,353***	***24,763***	***(16,125)***	***-***	***-***	***181,991***
	173,578	**34,128**	**(16,286)**	**-**	**-**	**191,420**

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 2019 and 31 December 2020, they are detailed as follows:

	2019 Stage 1	2020 Stage 1
Opening balance	**127,790**	**225**
Change in period:		
Increases due to origination and acquisition	-	9,365
Changes due to change in credit risk	19	(161)
Decrease due to derecognition repayments and disposals	(127,585)	-
Write-offs	-	-
Changes due to update in the institution's methodology for estimation	-	-
Foreign exchange and other	-	-
Impairment - Financial assets at fair value through other comprehensive income	**225**	**9,429**

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

	2019 Stage 1	2020 Stage 1
Opening balance	**127,790**	**225**
Change in period:		
ECL income statement change for the period	(40,510)	9,204
Stage transfers (net)	-	-
Disposals	-	-
Utilisations during the period	(87,056)	-
Write-offs	-	-
Write-off recoveries	-	-
Foreign exchange and other	-	-
Impairment - Financial assets at fair value through other comprehensive income	**225**	**9,429**

For the impairment losses of Financial assets at amortized cost, the movements by stages, in the periods ended on 31 December 2019 and 31 December 2020, they are detailed as follows:

	2019 Stage 1	2020 Stage 1
Opening balance	**182,825**	**173,353**
Change in period:		
Increases due to origination and acquisition	13,008	11,139
Changes due to change in credit risk	(4,033)	1,636
Decrease due to derecognition repayments and disposals	(18,447)	(4,136)
Write-offs	-	-
Changes due to update in the institution's methodology for estimation	-	-
Foreign exchange and other	-	-
Impairment - Financial assets at amortised cost	**173,353**	**181,991**

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

	2019 Stage 1	2020 Stage 1
Opening balance	**182,825**	**173,353**
Change in period:		
ECL income statement change for the period	(9,473)	8,639
Stage transfers (net)	-	-
Disposals	-	-
Utilisations during the period	-	-
Write-offs	-	-
Write-off recoveries	-	-
Foreign exchange and other	-	-
Impairment - Financial assets at amortised cost	**173,353**	**181,991**

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. OTHER BANKING FINANCIAL ASSETS AND LIABILITIES

As at 31 December 2019 and 31 December 2020, the **Group** headings Other banking financial assets and Other banking financial liabilities showed the following composition:

	31.12.2019	31.12.2020
Non-current assets		
Loans to credit institutions	18,928,416	11,424,488
Impairment	(166,249)	(3,712)
Other	1,882	2,107
	18,764,049	**11,422,884**
Current assets		
Investments in credit institutions	1,650,072	20,000,635
Loans to credit institutions	11,551,960	7,504,875
Impairment	(47,303)	(23,980)
Other	5,688,014	5,213,955
Impairment	(4,182,457)	(3,238,971)
	14,660,286	**29,456,513**
	33,424,335	**40,879,397**
Non-current liabilities		
Debt securities issued	76,060,295	44,506,988
	76,060,295	**44,506,988**
Current liabilities		
Debt securities issued	17,073	10,936
Other	17,970,646	21,475,716
	17,987,719	**21,486,652**
	94,048,014	**65,993,640**

Investments in credit institutions and Loans to credit institutions

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

	31.12.2019	31.12.2020
Up to 3 months	3,367,931	12,872,862
From 3 to 12 months	9,834,101	14,632,648
From 1 to 3 years	13,689,301	10,462,768
Over 3 years	5,239,115	961,721
	32,130,448	**38,929,998**

The heading "Investments at credit institutions" showed an annual average rate of 1.179% in 2020 (2019: 0.781%).

Impairment

The impairment losses, for the period ended 31 December 2019 and 31 December 2020, are detailed as follows:

2019	Opening balance	Increases	Reversals	Utilisations	Transfers	Changes in the consolidation perimeter	Closing balance
Non-current assets							
Investments and loans in credit institutions	217,751	91,523	(244,427)	-	101,403	-	166,249
	217,751	**91,523**	**(244,427)**	**-**	**101,403**	**-**	**166,249**
Current assets							
Investments and loans in credit institutions	197,018	24,916	(73,229)	-	(101,403)	-	47,303
Other	10,927	224,755	(53,534)	-	(10,927)	4,011,235	4,182,457
	207,945	**249,672**	**(126,763)**	**-**	**(112,330)**	**4,011,235**	**4,229,760**
	425,696	**341,194**	**(371,190)**	**-**	**(10,927)**	**4,011,235**	**4,396,009**

2020	Opening balance	Increases	Reversals	Utilisations	Transfers	Changes in the consolidation perimeter	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**

Regarding the movements in impairment losses on investments and loans to credit institutions by stages, in the periods ended on 31 December 2019 and 31 December 2020, they are detailed as follows:

	2019	2020
	Stage 1	Stage 1
Opening balance	**414,769**	**213,552**
Change in period:		
Increases due to origination and acquisition	52,737	22,911
Changes due to change in credit risk	(64,377)	(161,468)
Decrease due to derecognition repayments and disposals	(189,576)	(47,303)
Write-offs	-	-
Changes due to update in the institution's methodology for estimation	-	-
Foreign exchange and other	-	-
Impairment	**213,552**	**27,692**

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

	2019	2020
	Stage 1	Stage 1
Opening balance	**414,769**	**213,552**
Change in period:		
ECL income statement change for the period	(201,217)	(185,860)
Stage transfers (net)	-	-
Disposals	-	-
Utilisations during the period	-	-
Write-offs	-	-
Write-off recoveries	-	-
Foreign exchange and other	-	-
Impairment	**213,552**	**27,692**

Debt securities issued

This caption showed the following composition:

	31.12.2019	31.12.2020
Securitisations	76,077,368	44,517,924
	76,077,368	**44,517,924**

As at 31 December 2019 and 31 December 2020, the Debt securities issued are analyzed as follows:

31.12.2019 Issue	Issue date	Maturity date	Remuneration	Nominal value	Book value
Ulisses Finance No.1 – Class A	July 2017	July 2033	Euribor 1M + 85 b.p.	61,938,000	61,963,646
Ulisses Finance No.1 – Class B	July 2017	July 2033	Euribor 1M + 160 b.p.	7,000,000	7,004,497
Ulisses Finance No.1 – Class C	July 2017	July 2033	Euribor 1M + 375 b.p.	7,100,000	7,109,225
				76,038,000	**76,077,368**

31.12.2020 Issue	Issue date	Maturity date	Remuneration	Nominal value	Book value
Ulisses Finance No.1 – Class A	July 2017	July 2033	Euribor 1M + 85 b.p.	30,401,824	30,429,037
Ulisses Finance No.1 – Class B	July 2017	July 2033	Euribor 1M + 160 b.p.	7,000,000	6,992,378
Ulisses Finance No.1 – Class C	July 2017	July 2033	Euribor 1M + 375 b.p.	7,100,000	7,096,509
				44,501,824	**44,517,924**

During the period ended at 31 December 2019 and 31 December 2020, the movement of this item is as follows:

2019	Opening balance	Changes in the consolidation perimeter	Issues	Repayments	Other movements	Closing balance
Chaves Funding No.7	-	201,660,418	-	(201,600,000)	(60,418)	-
Ulisses Finance No.1	-	101,060,139	-	(25,007,517)	24,746	76,077,368
	-	**302,720,556**	**-**	**(226,607,517)**	**(35,672)**	**76,077,368**

2020	Opening balance	Changes in the consolidation perimeter	Issues	Repayments	Other movements	Closing balance
Chaves Funding No.7	-	-	-	-	-	-
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**

During June 2019, the **Group** decided to early redeem Chaves Funding no. 7. This securitization transaction included an auto loan and leasing portfolio and had a nominal value of 197.200.000 Euros at the time of its redemption.

The scheduling by maturity regarding this caption is as follows:

31.12.2019							
	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	17,073	-	17,073	-	76,060,295	76,060,295	76,077,368
	17,073	**-**	**17,073**	**-**	**76,060,295**	**76,060,295**	**76,077,368**

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**

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

16. 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.

<u>Credit risk</u>

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.

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 Banco CTT's 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 Risk Management, the Capital and Risk Committee, by the Audit Committee and the Board of Directors of Banco CTT. Compliance with approved credit requirements and limits are also subject to review on a regular basis.

As 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 overdraft facilities associated with a current account with payroll/pension domiciliation and, through the acquisition of 321 Crédito, the offer of specialized credit at the point of sale.

In the first quarter of 2017, the Bank launched the commercialization of the mortgage loan product. As at 31 December 2020, the exposures (net of impairment and including off-balance exposures) to this type of loan of credit stood at 537,956 thousand euros (421,748 thousand euros as at 31 December 2019).

The retail segment credit, more specifically in auto loans at point of sale, is of 553,863 thousand euros of exposures (net of impairment and including off-balance exposures) compare with 467,468 thousand euros of 2019.

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, Spain, France and Ireland), 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:

	2019		2020	
	Loans and advances to customers	Fair value of the collateral	Loans and advances to customers	Fair value of the collateral
Mortgage loans	402,126,475	687,597,900	520,339,595	879,528,009
Auto loans	460,808,444	456,534,365	538,971,473	561,938,120
Other	884,957,635	1,176,950,550	50,635,546	27,384,162
	1,747,892,553	**2,321,082,816**	**1,109,946,614**	**1,468,850,291**

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;
- 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 24 and 44.
The impairment losses movements by financial instrument category, stage and movement type, are disclosed in each note, such as, Note 14 – Debt securities, Note 15 – Other banking financial assets and liabilities and Note 19 – Credit to banking clients.

As at 31 December 2020, 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 2020, related to these types of assets (Cash and cash equivalents as stated in Note 22, excluding the cash value) whose counterparties are financial institutions are detailed as follows:

Rating (1)	2020	
	Group	Company
Aa3	11,770,990	3,509
A1	596,224	596,224
A2	3,448,931	189,528
A3	7,157,976	-
Baa1	126,299,897	123,124,456
Baa2	40,621,769	25,203,056
Baa3	167,502,375	-
Ba2 (2)	86	86
Ba3	27,361,348	24,968,996
B1	47,303,089	43,985,345
B2	1,118	-
Others (3)	8,495,895	378,363
	440,559,697	**218,449,563**

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

As at 31 December 2020, the **Group** and the **Company** caption Cash and cash equivalents included term deposits, net of impairments, of 55,843,177 Euros and 53,108,141 Euros, respectively (64,662,643 Euros and 59,995,355 Euros as at 31 December 2019) (Note 22).

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	
	2019	2020	2019	2020
Non-current				
Debt securities	424,851,179	465,364,074	-	-
Accounts receivable	-	-	661,287	495,932
Other assets	1,543,308	1,063,789	1,237,070	635,508
Credit to bank clients	792,469,611	985,355,687	-	-
Other banking financial assets	18,764,049	11,422,884	-	-
Current				-
Accounts receivable	146,471,712	153,616,009	112,842,210	111,665,473
Credit to bank clients	93,350,959	107,925,845	-	-
Debt securities	31,560,152	52,441,330	-	-
Other assets	8,731,765	33,728,584	8,881,347	12,234,425
Other banking financial assets	13,182,971	27,504,441	-	-
Cash and cash equivalents	383,749,225	440,616,809	228,301,887	211,927,460
	1,914,674,931	**2,279,039,450**	**351,923,802**	**336,958,799**

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 a general increase in banking activity, as mentioned in note 4;

- The debt securities portfolio is mainly composed for sovereign debt securities in the Eurozone. This portfolio growth is related to the increase of funds from clients raised, that were invested, among others, in this portfolio;

- The increase in "cash and cash equivalents" is explained in detail in note 22.

The following table presents information on credit risk exposures of the banking activity (net of impairment and including off-balance exposures), on 31 December 2019 and 31 December 2020:

	2019	2020
Central administrations or Central banks	471,295,224	660,474,176
Regional governments or Local authorities	-	5,042,760
Credit Instituitions	154,268,707	92,084,675
Companies	18,040,561	25,886,076
Retail Clients	467,468,187	546,767,855
Real estate secured loans	421,747,775	537,959,391
Loans in default	7,290,879	16,689,600
Other elements	57,071,875	69,223,492
Risk items	**1,597,183,207**	**1,954,128,025**

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:

2019	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	317,035,231	-	102,220,352	18,040,561	467,468,187	421,747,775	7,290,879	57,071,875	1,390,874,859
Spain	54,924,450	-	47,373,607	-	-	-	-	-	102,298,057
France	6,492,448	-	29,310	-	-	-	-	-	6,521,758
Italy	87,172,372	-	-	-	-	-	-	-	87,172,372
Irland	5,670,723	-	-	-	-	-	-	-	5,670,723
United Kingdom	-	-	3,229,641	-	-	-	-	-	3,229,641
Germany	-	-	1,415,797	-	-	-	-	-	1,415,797
Total	**471,295,224**	**-**	**154,268,707**	**18,040,561**	**467,468,187**	**421,747,775**	**7,290,879**	**57,071,875**	**1,597,183,207**

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**

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

		2020			Credit Portfolio				
		Central Authorities or Central Banks	Credit institutions	Other securities	Mortage Loans	Overdrafts	Car Credit	Others	Total
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

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:

	2019			2020		
	Other financial assets at fair value through other comprehensive income	Other financial assets at amortised cost	Total	Other financial assets at fair value through other comprehensive income	Other financial assets at amortised cost	Total
Portugal	542,147	286,995,456	287,537,604	7,620,481	288,754,314	296,374,794
Spain	-	54,924,450	54,924,450	-	94,406,927	94,406,927
Italy	-	87,172,372	87,172,372	-	95,233,489	95,233,489
France	-	6,492,448	6,492,448	-	6,434,289	6,434,289
Ireland	-	5,670,723	5,670,723	-	5,565,094	5,565,094
	542,147	**441,255,449**	**441,797,597**	**7,620,481**	**490,394,113**	**498,014,593**

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 2019 and 31 December 2020, generated interest income of 39,298 Euros and 20,091 Euros, respectively (Note 48). Additionally, interest income is recorded for financial services in the caption Other operating income, in the years of 2019 and 2020, amounting to 42,232 Euros and 20,832 Euros, respectively (Note 41).

In the **Company** the investment of surplus liquidity, on 31 December 2019 and 31 December 2020, generated interest income of 22,723 Euros and 3,393 Euros, respectively (Note 48). Additionally, interest income is recorded for financial services in the caption Other operating income, in the years of 2019 and 2020, amounting to 42,232 Euros and 20,823 Euros, respectively (Note 41).

The prospects for the evolution of the money market do not point to an increase in the reference rates of the Eurozone, so it is expected that they will remain in negative territory for some time. 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 2020, the effect in the interest would have been 15 thousand Euros in the **Group** and 155 thousand Euros in the **Company** (71 thousand Euros and 130 thousand Euros as at 31 December 2019, 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 2020, 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 time-frames (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, 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:

2019 *(amounts in thousand euros)*

Timeframe	Assets	Liabilities	Off-balance Sheet	Net position	Economic Value Delta (+200 bps)	Economic Value Delta (-200 bps)
At sight	236,498	229,709	(43,719)	(36,930)	2	(1)
At sight – 1 month	83,856	145,146	5,660	(55,630)	49	(17)
1 – 3 months	67,016	51,741	(312)	14,963	(49)	17
3 – 6 months	119,676	97,276	27	22,427	(167)	55
6 – 9 months	145,813	64,646	34	81,201	(1,004)	323
9 – 12 months	174,000	47,260	166	126,906	(2,194)	699
1 – 1,5 years	69,076	61,788	10,912	18,200	(448)	140
1,5 – 2 years	57,094	61,788	-	(4,694)	161	(49)
2 – 3 years	119,323	122,054	-	(2,731)	133	(41)
3 – 4 years	100,911	109,392	-	(8,481)	573	(193)
4 – 5 years	97,422	107,869	-	(10,448)	895	(335)
5 – 6 years	78,315	86,559	-	(8,245)	848	(356)
6 – 7 years	69,791	76,942	-	(7,151)	852	(403)
7 – 8 years	64,298	76,942	-	(12,644)	1,699	(904)
8 – 9 years	54,173	57,706	-	(3,533)	524	(312)
9 – 10 years	28,228	57,706	-	(29,479)	4,761	(3,082)
10 – 15 years	11,679	-	-	11,679	(2,290)	1,719
15 – 20 years	-	-	-	-	-	-
>20 years	-	-	-	-	-	-
	652,859	**588,518** -	**38,310**	**26,031** -	**1,169**	**377**

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)**

In view of the interest rate gaps observed, as at 31 December 2020, the impact on the economic value of instantaneous and parallel shifts of the interest rates by -200 basis points is (4,428) thousand euros (2019: -2,740 thousand euros).

The main assumptions used in 2019 and 2020 in the Bank's analyzes are:

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

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 2019 and 31 December 2020, the net exposure (assets minus liabilities) of the **Group** amounted to 8,408,782 SDR (10,393,255 Euros at the exchange rate €/SDR 1.236), and 2,755,831 SDR (3,262,435 Euros at the exchange rate €/SDR 1.18383), respectively.

As far as the **Company** is concerned, as at 31 December 2019 and 31 December 2020, the net exposure (assets minus liabilities) amounted to 8,122,209 SDR (10,039,051 Euros at the exchange rate €/SDR 1.236), and 2,780,674 SDR (3,291,845 Euros at the exchange rate €/SDR 1.8383), respectively.

In the sensitivity analysis performed for the balances of accounts receivable and payable to foreign Postal Operators, on 31 December 2019 and 31 December 2020, assuming an increase / decrease of 10% in the exchange rate € / SDR, the **Group**'s profit and losses would have been higher by 1,039,326 Euros and by 326,244 Euros, respectively. The impact on the **Company**'s profit and losses would have been higher by 1,003,905 Euros and by 329,184 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 2020 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 2020.

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 2019 and 31 December 2020 for the **Group** and the **Company** and do not reconcile with the balance sheet:

Group	2019			
	Due within 1 year	Over 1 year and less than 5 years	Over 5 years	Total
Financial liabilities				
Debts	29,918,100	144,834,084	14,737,518	189,489,702
Accounts payable	360,079,510	-	-	360,079,510
Banking client deposits and other loans	1,321,418,042	-	-	1,321,418,042
Other current liabilities	40,843,760	-	-	40,843,760
Non-financial liabilities				
Non-contingent financial commitments (1)	3,093,299	-	-	3,093,299
	1,755,352,711	**144,834,084**	**14,737,518**	**1,914,924,313**

(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	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
Non-financial liabilities				
Non-contingent financial commitments (1)	6,706,144	-	-	6,706,144
	2,141,609,103	**158,137,566**	**18,964,112**	**2,318,710,781**

(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	2019			
	Due within 1 year	Over 1 year and less than 5 years	Over 5 years	Total
Financial liabilities				
Debts	14,829,464	131,884,819	3,897,164	150,611,447
Accounts payable	333,182,282	309,007	-	333,491,289
Shareholders	-	-	-	-
Other current liabilities	21,868,312	-	-	21,868,312
Non-financial liabilities				
Non-contingent financial commitments (1)	1,759,130	-	-	1,759,130
	371,639,188	**132,193,826**	**3,897,164**	**507,730,179**

(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**

(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).

In the scope of banking activity, liquidity risk is the risk of the Bank's potential inability to satisfy its financing repayment obligations without incurring in significant losses, due to more onerous financing conditions or the sale of assets under market values.

Banco CTT is exposed to the liquidity risk inherent to its business of transforming maturities, granted in the long-term (essentially in mortgage loans) and usually taken essentially in the short-term (deposits). Therefore, a prudent management of liquidity risk is crucial.

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 13 meetings in 2020, analyzes 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 2020, the ALMM shows a positive liquidity mismatch (difference between contracted outflows and inflows) of 170,407 thousand euros (609,479 thousand years at 31 December 2019).

Additionally, this positive liquidity mismatch is reinforced by the financial assets and reserves at the Central Bank of close to 1,020,108 thousand euros (781,858 thousand years at 31 December 2019).

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, with the exception of a derivative with a residual valuation (345 thousand euros) that was acquired by one of the securitizations included in the consolidation perimeter, and almost all of its investment portfolio is recorded as financial assets at amortized cost and residually as financial assets at fair value through other comprehensive income. Credit risk, and not market risk, is the main risk arising from the **Group**'s investments.

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.

During the years ended 31 December 2019 and 31 December 2020, the **Group** and the **Company** maintained their high solvency ratio.

The solvency ratios at 31 December 2019 and 31 December 2020 were as follows:

	Group		Company	
	2019	**2020**	**2019**	**2020**
Equity	131,414,932	150,275,094	131,172,677	150,003,105
Liabilities	2,382,025,972	2,744,627,532	884,907,075	903,280,297
Amounts of third parties	236,614,131	234,121,234	236,614,131	234,121,234
Adjusted solvency ratio (1)	6.1%	6.0%	20.2%	22.4%

(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, adopted on 26 June 2013 by the European Parliament and the Council.

Banco CTT conducts an annual self-assessment exercise to determine the levels of capital adequacy in relation to its business model. This process is regulated by Banco de Portugal Instruction nº3/2019 and by the EBA guidelines and fulfils the objectives of Pillar II of the Basel II Agreement, in order to ensure that the risks to which the institutions are exposed are correctly evaluated and that the internal capital available to them is adequate in view of their risk profile.

Banco CTT has developed and formalized its methodology for the Internal Capital Assessment Adequacy Process (ICAAP), in order to ensure that the risks to which it is exposed are adequately assessed and that the internal capital it has is adequate to its risk profile. The methods and procedures adopted are based on the assessment and quantification of internal capital and the risks through quantitative and qualitative methods.

The referred Regulation (EU) No. 575/2013 comprises a set of transitional provisions allowing the phased application of the requirements, providing the possibility for credit institutions to gradually accommodate the new requirements both at the level of own funds and at the level of minimum capital ratios.

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 2019 and 2020, the Bank had the following capital ratios, calculated pursuant to the transitory provisions set out in the CRR:

	2019		2020	
	CRR Phasing in	CRR Fully Implemented	CRR Phasing in	CRR Fully Implemented
OWN FUNDS				
Share Capital	**286,400,000**	**286,400,000**	**286,400,000**	**286,400,000**
Retained Earnings	**(66,147,585)**	**(66,147,585)**	**(74,158,672)**	**(74,158,672)**
Other Reserves	**(207,127)**	**(207,127)**	**(190,208)**	**(190,001)**
Prudential Filters	**15,448**	**15,448**	**63,775**	**63,775**
Fair value reserve	15,990	15,990	83,330	83,330
Additional Valuation Adjustment (AVA)	(542)	(542)	(19,555)	(19,555)
Deduction to the main Tier 1 elements	**(96,824,512)**	**(97,415,009)**	**(81,212,922)**	**(81,699,214)**
Losses for the period	(8,011,087)	(8,011,087)	-	-
Intangible assets	(88,709,220)	(88,709,220)	(81,004,512)	(81,004,512)
IFRS 9 adoption	(104,205)	(694,703)	(208,411)	(694,703)
Items not deducted from Own Funds according to article 437 of CRR	**2,093,072**	**2,093,072**	**1,929,123**	**1,929,123**
Deferred tax assets	2,093,072	2,093,072	1,929,123	1,929,123
Common Equity Tier 1	**123,236,224**	**122,645,727**	**130,901,973**	**130,415,888**
Tier 1 Capital	**123,236,224**	**122,645,727**	**130,901,973**	**130,415,888**
Total Own Funds	**123,236,224**	**122,645,727**	**130,901,973**	**130,415,888**
RWA				
Credit Risk	596,760,834	596,760,834	695,234,440	695,234,440
Operational Risk	45,816,101	45,816,101	84,768,166	84,768,166
Market Risk	486,680	486,680	118,481	118,481
IFRS 9 Adjustments	-	(334,964)	-	(432,067)
	643,063,615	**642,728,651**	**780,121,088**	**779,689,021**
CAPITAL RATIOS				
Common Equity Tier 1	19.16%	19.08%	16.78%	16.73%
Tier 1 Ratio	19.16%	19.08%	16.78%	16.73%
Total Capital Ratio	19.16%	19.08%	16.78%	16.73%
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%

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:

	2019			2020		
Credit Quality Degree	Institutions, residual maturity >3m	Companies	Sovereign	Institutions, residual maturity >3m	Companies	Sovereign
1	-	-	6,493,032	10,000,400	-	6,434,907
2	-	14,620,434	60,605,491	19,419,126	15,484,974	99,987,816
3	1,650,072	-	374,865,952	9,300,234	-	386,726,562
4	-	-	-	-	-	5,047,605
5	-	-	-	-	-	-
6	-	-	-	-	-	-
Sem rating	30,480,376	-	-	210,238	4,314,960	-
	32,130,448	**14,620,434**	**441,964,475**	**38,929,998**	**19,799,934**	**498,196,890**

17. INVENTORIES

As at 31 December 2019 and 31 December 2020, the **Group** and the **Company** Inventories are detailed as follows:

	2019					
	Group			Company		
	Gross amount	Impairment losses	Net amount	Gross amount	Impairment losses	Net amount
Merchandise	5,403,997	2,116,305	3,287,693	5,059,847	2,093,793	2,966,054
Raw, subsidiary and consumable materials	3,429,590	725,188	2,704,402	3,383,003	725,187	2,657,816
Advances on purchases	(132,026)	-	(132,026)	(132,026)	-	(132,026)
	8,701,562	**2,841,493**	**5,860,069**	**8,310,824**	**2,818,980**	**5,491,844**

	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**

Cost of sales

During the years ended 31 December 2019 and 31 December 2020, the details of Cost of sales related to the **Group** and the **Company**, were as follows:

	2019					
	Group			Company		
	Merchandise	Raw, subsidiary and consumable materials	Total	Merchandise	Raw, subsidiary and consumable materials	Total
Opening balance	4,849,214	3,273,849	8,123,063	4,479,790	3,242,516	7,722,306
Purchases	10,866,751	3,703,524	14,570,275	10,261,958	3,667,872	13,929,830
Adjustments	(3,856)	2,006	(1,850)	(3,856)	2,006	(1,850)
Impairment of inventories	311,889	91,662	403,551	289,377	91,662	381,039
Closing balance	(5,403,997)	(3,429,590)	(8,833,587)	(5,059,847)	(3,383,003)	(8,442,850)
Cost of sales	**10,620,000**	**3,641,450**	**14,261,450**	**9,967,421**	**3,621,053**	**13,588,474**

	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**

Impairment

During the years ended 31 December 2019 and 31 December 2020, the movements in the **Group** Accumulated impairment losses (Note 24) were as follows:

	2019				
Group	Opening balance	Increases	Reversals	Utilisations	Closing balance
Merchandise	1,824,111	313,018	(1,129)	(19,695)	2,116,305
Raw, subsidiary and consumable materials	633,526	91,661	-	-	725,187
	2,457,637	**404,679**	**(1,129)**	**(19,695)**	**2,841,492**

	2020				
Group	Opening balance	Increases	Reversals	Utilisations	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**

For the years ended 31 December 2019 and 31 December 2020, impairment losses of inventories were recorded in the **Group** net of reversals amounting to 403,551 Euros and 637,884 Euros, respectively, in the caption Cost of sales.

In relation to the **Company**, during the years ended 31 December 2019 and 31 December 2020, the movements in Accumulated impairment losses (Note 24) were as follows:

	2019				
Company	Opening balance	Increases	Reversals	Utilisations	Closing balance
Merchandise	1,804,416	289,377	-	-	2,093,793
Raw, subsidiary and consumable materials	633,526	91,662	-	-	725,188
	2,437,942	**381,039**	**-**	**-**	**2,818,981**

	2020				
Company	Opening balance	Increases	Reversals	Utilisations	Closing balance
Merchandise	2,093,793	513,486	-	(82,193)	2,525,086
Raw, subsidiary and consumable materials	725,188	131,708	(7,310)	(2,255)	847,331
	2,818,981	**645,194**	**(7,310)**	**(84,448)**	**3,372,417**

For the years ended 31 December 2019 and 31 December 2020, impairment losses of inventories were recorded in the **Company** net of reversals amounting to 381,039 Euros and 637,884 Euros, respectively, in the caption Cost of sales.

18. ACCOUNTS RECEIVABLE

As at 31 December 2019 and 31 December 2020 the **Group** and the **Company** heading Accounts receivable showed the following composition:

	Group		Company	
	2019	2020	2019	2020
Non-current				
Group companies [1]	-	-	661,287	495,932
	-	**-**	**661,287**	**495,932**
Current				
Third parties	98,114,516	105,752,676	55,047,904	51,606,014
Postal operators	47,981,357	47,297,803	46,046,281	45,352,597
Group companies [1]	375,838	565,530	11,748,025	14,706,863
	146,471,712	**153,616,009**	**112,842,210**	**111,665,473**
	146,471,712	**153,616,009**	**113,503,497**	**112,161,406**

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

As at 31 December 2019 and 31 December 2020, the ageing of accounts receivable is detailed as follows:

	2019					
	Group			Company		
Accounts receivable	Gross amount	Accumulated impairment losses	Net amount	Gross amount	Accumulated impairment losses	Net amount
Non-overdue	70,155,715	1,366,006	68,789,710	47,845,821	1,760	47,844,061
Overdue [(1)]:						
0-30 days	12,486,360	14,800	12,471,560	9,202,001	2,308	9,199,693
31-90 days	20,563,592	810,187	19,753,405	17,476,987	49,149	17,427,837
91-180 days	8,260,228	887,104	7,373,123	5,315,051	50,093	5,264,958
181-360 days	11,419,842	1,323,043	10,096,799	8,133,126	113,276	8,019,849
>360 days	61,567,810	33,580,695	27,987,115	30,027,429	4,280,330	25,747,098
	184,453,546	**37,981,835**	**146,471,711**	**118,000,414**	**4,496,917**	**113,503,497**

[(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.

	2020					
	Group			Company		
Accounts receivable	Gross amount	Accumulated impairment losses	Net amount	Gross amount	Accumulated impairment losses	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**

The net amount of the Accounts receivable balances overdue over 360 days is broken down as follows:

	Group		Company	
	2019	2020	2019	2020
Other accounts receivable	3,580,667	1,211,620	2,168,562	1,206,142
Foreign operators	24,406,448	22,182,980	23,578,536	21,699,134
Total	**27,987,115**	**23,394,600**	**25,747,098**	**22,905,276**
Foreign operators - payable (Note 33)	**(18,543,513)**	**(20,603,903)**	**(18,155,347)**	**(20,438,443)**

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 33).

The accounts receivable and payable from foreign postal operators' detail by ageing (reference year) with reference of 31.12.2019 were as follows:

Group	2019	2018	2017 and previous	Total
Nature				
Customers	22,671,033	17,026,591	8,283,733	47,981,357
Suppliers	(18,413,678)	(13,320,508)	(6,809,490)	(38,543,677)

The accounts receivable and payable from foreign postal operators' detail by ageing (reference year) with reference of 31.12.2020 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)

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 maintained at 1.8% as at 31 December 2020 compared to the end of 2019, in the **Group** and at 2.1% as at 31 December 2020 compared to the end of 2019 in the **Company**.

	Group		Company	
	2019	2020	2019	2020
Advance deposits	1,319,695	1,309,538	1,310,804	1,300,647
Bank guarantees	484,020	75,253	75,253	75,253
Total	**1,803,715**	**1,384,791**	**1,386,057**	**1,375,900**

Impairment losses

During the years ended 31 December 2019 and 31 December 2020, the movement in the **Group** Accumulated impairment losses caption (Note 24) was as follows:

	2019				
Group	Opening balance	Increases	Reversals	Utilisations	Closing balance
Accounts receivable	33,436,621	7,204,092	(766,236)	(1,892,645)	37,981,832
	33,436,621	**7,204,092**	**(766,236)**	**(1,892,645)**	**37,981,832**

Group	2020				
	Opening balance	Increases	Reversals	Utilisations	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**

For the years ended 31 December 2019 and 31 December 2020, impairment losses of accounts receivable were recorded in the **Group** (net of reversals) amounting to 6,437,856 Euros and 3,376,125 Euros, respectively, in the caption Impairment of accounts receivable, net (Note 44).

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.

During the years ended 31 December 2019 and 31 December 2020, the movement in Accumulated impairment losses caption (Note 24) of the **Company** was as follows:

Company	2019				
	Opening balance	Increases	Reversals	Utilisations	Closing balance
Accounts receivable	4,087,678	585,751	-	(176,512)	4,496,917
	4,087,678	**585,751**	**-**	**(176,512)**	**4,496,917**

Company	2020				
	Opening balance	Increases	Reversals	Utilisations	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**

For the years ended 31 December 2019 and 31 December 2020, impairment losses of accounts receivable were recorded in the **Company** (net of reversals) amounting to 585,751 Euros and 943,189 Euros, respectively, in the caption Impairment of accounts receivable, net (Note 44).

19. CREDIT TO BANKING CLIENTS

As at 31 December 2019 and 31 December 2020, the **Group** caption Credit to banking clients was detailed as follows:

	31.12.2019	31.12.2020
Performing loans	**884,922,781**	**1,101,441,373**
Mortgage Loans	405,168,238	525,082,831
Auto Loans	469,774,742	568,273,557
Leasings	8,977,360	6,936,643
Overdrafts	1,002,441	1,148,342
Overdue loans	**4,875,990**	**8,505,242**
Overdue loans - less than 90 days	740,614	1,008,648
Overdue loans - more than 90 days	4,135,376	7,496,594
	889,798,770	**1,109,946,614**
Credit risk impairment	**(3,978,200)**	**(16,665,082)**
	885,820,571	**1,093,281,532**

The maturity analysis of the Credit to bank clients as at 31 December 2019 and 31 December 2020 is detailed as follows:

	31.12.2019								
	Current					Non-current			
	At sight	Due within 3 months	Over 3 months and less than 1 year	Overdue Loans	Total	Over 1 year and less than 3 years	Over 3 years	Total	Total
Mortgage loans	-	2,963,207	8,424,196	563	11,387,966	22,801,200	370,979,635	393,780,835	405,168,801
Auto Loans	-	21,508,729	53,448,350	3,120,988	78,078,067	138,181,295	256,636,368	394,817,663	472,895,730
Leasings	-	671,623	1,843,173	445,221	2,960,017	3,962,260	2,500,304	6,462,564	9,422,580
Overdrafts	1,002,441	-	-	679,753	1,682,194	-	-	-	1,682,194
Other credits	-	-	-	629,465	629,465	-	-	-	629,465
	1,002,441	**25,143,559**	**63,715,719**	**4,875,990**	**94,737,709**	**164,944,755**	**630,116,307**	**795,061,062**	**889,798,770**

	31.12.2020								
	Current					Non-current			
	At sight	Due within 3 months	Over 3 months and less than 1 year	Overdue Loans	Total	Over 1 year and less than 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
Leasings	-	364,790	1,390,217	209,623	1,964,630	3,068,253	2,113,383	5,181,635	7,146,265
Overdrafts	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**

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

	31.12.2019	31.12.2020
Fixed rate	427,176,016	528,330,964
Floating rate	462,622,754	581,615,650
	889,798,770	**1,109,946,614**
Credit risk impairment	(3,978,200)	(16,665,082)
	885,820,571	**1,093,281,532**

As at 31 December 2019 and 31 December 2020, the analysis of this caption by type of collateral, is presented as follows:

	2019				
	Performing Loans	Overdue Loans	Gross amount	Impairment	Net amount
Asset-backed Loans	414,131,534	733,350	414,864,883	(410,314)	414,454,569
Other guaranteed Loans	463,692,443	1,651,366	465,343,809	(1,938,840)	463,404,969
Unsecured Loans	7,098,804	2,491,274	9,590,078	(1,629,045)	7,961,033
	884,922,781	**4,875,990**	**889,798,770**	**(3,978,200)**	**885,820,571**

	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**

The credit type analysis of the caption, as at 31 December 2019 and 31 December 2020 is detailed as follows:

2019	Performing Loans	Overdue Loans	Gross amount	Impairment	Net amount
Mortgage Loans	405,168,238	563	405,168,801	(94,675)	405,074,126
Auto Loans	469,774,742	3,120,988	472,895,730	(3,339,385)	469,556,345
Leasings	8,977,360	445,221	9,422,580	(99,647)	9,322,933
Overdrafts	1,002,441	679,753	1,682,194	(434,392)	1,247,802
Other credits	-	629,465	629,465	(10,101)	619,364
	884,922,781	**4,875,990**	**889,798,770**	**(3,978,200)**	**885,820,571**

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
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**

The analysis of credit to bank clients as at 31 December 2019 and 31 December 2020, by sector of activity, is as follows:

2019	Performing Loans	Overdue Loans	Gross amount	Impairment	Net amount
Companies					
Agriculture, forestry and fishing	1,111,340	8,581	1,119,921	(19,854)	1,100,067
Mining and quarrying	22,559	-	22,559	(130)	22,430
Manufacturing	3,414,359	82,939	3,497,297	(53,265)	3,444,032
Water supply	192,904	5,712	198,615	(5,806)	192,809
Construction	8,289,160	198,054	8,487,214	(46,230)	8,440,985
Wholesale and retail trade	5,370,786	654,597	6,025,382	(41,074)	5,984,309
Transport and storage	1,459,131	27,086	1,486,217	(35,098)	1,451,119
Accommodation and food service activities	1,969,233	15,598	1,984,831	(40,979)	1,943,852
Information and communication	347,009	1,459	348,467	(2,804)	345,663
Financial and insurance activities	167,845	702	168,547	(2,503)	166,044
Real estate activities	1,788,935	10,730	1,799,665	(12,427)	1,787,238
Professional, scientific and technical activities	1,107,319	7,105	1,114,424	(12,141)	1,102,283
Administrative and support service activities	1,611,610	289,475	1,901,084	(19,749)	1,881,336
Education	648,410	997	649,407	(4,634)	644,773
Human health services and social work activities	876,026	851	876,878	(14,683)	862,195
Arts, entertainment and recreation	478,756	2,074	480,830	(9,266)	471,564
Other services	14,038,952	34,985	14,073,937	(106,888)	13,967,049
Individuals					
Mortgage Loans	405,168,238	563	405,168,801	(94,675)	405,074,126
Consumer Loans	436,860,210	3,534,481	440,394,691	(3,455,994)	436,938,697
	884,922,781	**4,875,989**	**889,798,770**	**(3,978,200)**	**885,820,570**

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	525,082,830	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
	1,101,441,372	**8,505,241**	**1,109,946,614**	**(16,665,082)**	**1,093,281,532**

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

	2019	2020
Stage 1	**834,895,752**	**1,026,604,019**
Gross amount	836,958,434	1,030,765,765
Impairment	(2,062,682)	(4,161,745)
Stage 2	**39,336,322**	**49,989,172**
Gross amount	40,207,967	52,213,747
Impairment	(871,645)	(2,224,575)
Stage 3	**11,588,496**	**16,688,341**
Gross amount	12,632,369	26,967,103
Impairment	(1,043,873)	(10,278,762)
	885,820,571	**1,093,281,532**

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.

In the course of 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 various legislative amendments, the end of the moratorium period, initially scheduled for September 2020, was extended until September 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 pandemic caused by COVID-19, similar to those provided in the Public Moratorium and applicable to 321 Crédito's auto loan portfolio.

In accordance 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 are presented below:

	Gross carrying amount							
		Productives			Non- productives			
	Gross carrying amount	Productives	Of which: exposures subject to restructuring measures	Of which: instruments with a significant credit risk increase (*)	Non- productives	Of which: exposures subject to restructuring measures	Of which: reduced payment probability not due or due ≤90 days	Entries to non-productive exposures
Loans and advances subject to a moratoria	40,389,848	40,040,953	-	820,687	348,894	-	304,027	276,320
of which: families	31,118,478	31,118,478	-	-	-	-	-	-
of which: secured by residential properties	31,112,216	31,112,216	-	-	-	-	-	-
of which: non-financial companies	9,271,370	8,922,475	-	820,687	348,894	-	304,027	276,320
of which: small and medium-sized companies	8,115,476	7,808,860	-	701,065	306,615	-	272,227	276,320
of which: secured by commercial real estate	2,793,523	2,705,329	-	-	88,194	-	88,194	88,194

(*) since initial recognition but without credit impairment (Stage 2)

	Accumulated impairment, fair value accumulated negative changes resulting from credit risk						
		Productives			Non- productives		
	Accumulated impairment	Productives	Of which: exposures subject to restructuring measures	Of which: instruments with a significant credit risk increase (*)	Non- productives	Of which: exposures subject to restructuring measures	Of which: reduced payment probability not due or due ≤90 days
Loans and advances subject to a moratoria	(394,328)	(246,066)	-	(30,381)	(148,261)	-	(127,846)
of which: families	(67,896)	(67,896)	-	-	-	-	-
of which: secured by residential properties	(67,849)	(67,849)	-	-	-	-	-
of which: non-financial companies	(326,431)	(178,170)	-	(30,381)	(148,261)	-	(127,846)
of which: small and medium-sized companies	(195,967)	(75,642)	-	(27,386)	(120,325)	-	(106,384)
of which: secured by commercial real estate	(130,679)	(105,339)	-	-	(25,339)	-	(25,339)

(*) since initial recognition but without credit impairment (Stage 2)

Requests for late payments total numbers, late payments granted (excluding withdrawals) and late payments in effect at the end of December 2020, are as follows:

		Gross carrying amount							
					Moratoria's residual maturity				
	Debtors number	Gross carrying amount	Of which: legislative moratoria	Of which: expired	≤3 months	>3 months ≤6 months	>6 months ≤9 months	>9 months ≤12 months	>1 year
Loans and advances that a moratoria have been offered	7,018	103,469,519							
Loans and advances 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	-	-	-	-

The moratorium credit portfolio by stage is detailed as follows:

	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount	39,220,267	820,687	348,894	40,389,848
Impairment	(215,685)	(30,381)	(148,261)	(394,328)
Net Amount	**39,004,582**	**790,305**	**200,633**	**39,995,520**

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

	2019	2020
Amount of future minimum payments	9,632,194	7,458,032
Interest not yet due	(654,835)	(521,389)
Present value	**8,977,360**	**6,936,643**

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

	2019	2020
Due within 1 year	2,532,976	1,763,456
Due between 1 to 5 years	5,835,429	4,601,281
Over 5 years	1,263,789	1,093,295
Amount of future minimum payments	**9,632,194**	**7,458,032**

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

	2019	2020
Individuals	**1,097,230**	**773,163**
Home	95,072	96,094
Others	1,002,158	677,069
Companies	**7,880,129**	**6,163,480**
Equipment	634,577	314,966
Real Estate	7,245,552	5,848,514
	8,977,360	**6,936,643**

Impairment losses

During the year ended 31 December 2019 and 31 December 2020, the movement in the **Group** under the Accumulated impairment losses caption (Note 24) was as follows:

	2019							
	Opening balance	Increases	Reversals	Utilisations	Transfers	PPA adjustments	Changes in the consolidation perimeter	Closing balance
Non-current assets								
Credit to banking clients	225,968	2,298,517	(1,777,703)	(469,677)	611,781	(5,446,614)	7,149,174	2,591,450
	225,968	**2,298,517**	**(1,777,703)**	**(469,677)**	**611,781**	**(5,446,614)**	**7,149,174**	**2,591,450**
Current assets								
Credit to banking clients	231,556	5,409,498	(2,876,295)	(705,364)	(611,781)	(12,694,345)	12,633,482	1,386,750
	231,556	**5,409,498**	**(2,876,295)**	**(705,364)**	**(611,781)**	**(12,694,345)**	**12,633,482**	**1,386,750**
	457,525	**7,708,015**	**(4,653,998)**	**(1,175,041)**	**-**	**(18,140,959)**	**19,782,656**	**3,978,200**

	2020							
	Opening balance	Increases	Reversals	Utilisations	Transfers	Other adjustments	Changes in the consolidation perimeter	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**

For the years ended 31 December 2019 and 31 December 2020, impairment losses of Credit to banking clients were recorded in the **Group** (net of reversals) amounting to 3,054,017 Euros and 10,028,474 Euros, respectively in the caption Impairment of accounts receivable, net (Note 44).

Regarding the movements in impairment losses by stages, in the periods ended on 31 December 2019 and 31 December 2020, they are detailed as follows:

	2019			
	Stage 1	Stage 2	Stage 3	Total
Opening balance	**184,341**	**67,195**	**205,989**	**457,525**
Change in period:				
Increases due to origination and acquisition	2,553,925	305,614	230,886	3,090,425
Changes due to change in credit risk	(842,651)	1,469,995	(49,602)	577,742
Decrease due to derecognition repayments and disposals	(139,146)	(64,702)	(410,302)	(614,150)
Write-offs	-	-	(1,175,041)	(1,175,041)
Transfers to:				
Stage 1	403,848	(373,530)	(30,318)	-
Stage 2	(82,928)	121,868	(38,940)	-
Stage 3	(14,707)	(717,728)	732,435	-
Foreign exchange and other	-	62,932	1,578,765	1,641,697
Impairment	**2,062,682**	**871,644**	**1,043,873**	**3,978,200**
Of which: POCI	*-*	*-*	*(1,293,376)*	*(1,293,376)*

	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)*

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

	2019			
	Stage 1	Stage 2	Stage 3	Total
Opening balance	**184,341**	**67,195**	**205,989**	**457,525**
Change in period:				
ECL income statement change for the period	1,572,128	1,710,907	(229,018)	3,054,017
Stage transfers (net)	306,213	(969,390)	663,177	-
Write-offs	-	-	(1,175,041)	(1,175,041)
Other movements	-	62,932	1,578,765	1,641,697
Impairment	**2,062,682**	**871,644**	**1,043,873**	**3,978,200**

	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)
Other movements	247,087	416,625	2,746,665	3,410,377
Impairment	**4,161,745**	**2,224,575**	**10,278,762**	**16,665,082**

20. DEFERRALS

As at 31 December 2019 and 31 December 2020, the Deferrals included in current assets and current and non-current liabilities of the **Group** and the **Company** showed the following composition:

	Group		Company	
	2019	2020	2019	2020
Assets deferrals				
Current				
Rents payable	1,391,768	1,500,004	1,025,236	1,030,936
Meal allowances	1,486,218	1,441,931	1,486,218	1,441,931
Other	4,427,275	3,556,825	2,873,327	2,130,348
	7,305,261	**6,498,759**	**5,384,781**	**4,603,214**
Liabilities deferrals				
Non-current				
Investment subsidy	294,490	283,289	294,490	283,289
	294,490	**283,289**	**294,490**	**283,289**
Current				
Investment subsidy	11,201	11,201	11,201	11,201
Contratual liabilities	1,533,212	1,310,217	1,028,940	696,738
Other	1,910,064	2,090,641	1,584,574	1,738,815
	3,454,477	**3,412,059**	**2,624,716**	**2,446,754**
	3,748,967	**3,695,348**	**2,919,206**	**2,730,043**

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 696,738 euros (1,028,940 euros on 31 December 2019), whose revenue is expected to be recognized in January 2021 (estimate of 80% of the item's value) and the remaining during 2021, and to objects invoiced and not delivered on 31 December 2020 in the express segment, in the amount of 613,479 euros (504,272 euros as of 31 December 2019), 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 1,533,212 Euros and 1,028,940 Euros, respectively.

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

21. NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

As at 31 December 2019 and 31 December 2020 the amounts recorded under this caption, in the **Group**, are detailed as follows:

	31.12.2019	31.12.2020
Non-current assets held for sale		
Real estate	989,446	2,421,005
Equipment	838	838
	990,284	**2,421,843**
Impairment	(184,609)	(282,778)
	805,675	**2,139,065**

Regarding 2020, the non-current assets held for sale correspond 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 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 2019 and 31 December 2020, the movement in the **Group** under the caption "Impairment of Non-current assets held for sale" (Note 24) was as follows:

	2019						
	Opening balance	Increases	Reversals	Utilisations	Transfers	Changes in the consolidation perimeter	Closing balance
Current assets							
Non-current assets held for sale	-	9	(3,059)	-	-	187,659	184,609
	-	**9**	**(3,059)**	**-**	**-**	**187,659**	**184,609**

	2020						
	Opening balance	Increases	Reversals	Utilisations	Transfers	Changes in the consolidation perimeter	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**

As at 31 December 2019 and 31 December 2020, there were no operations classified as discontinued operations.

22. CASH AND CASH EQUIVALENTS

As at 31 December 2019 and 31 December 2020, 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	
	2019	2020	2019	2020
Cash	59,266,424	77,580,872	33,306,761	49,681,160
Slight deposits	182,192,757	189,516,082	168,289,690	165,324,609
Demand deposits at Bank of Portugal	29,497,627	167,502,343	-	-
Deposits in other credit institutions	107,376,274	27,737,696	-	-
Term deposits	64,662,643	55,843,177	59,995,355	53,108,141
Cash and cash equivalents (Balance sheet)	**442,995,724**	**518,180,171**	**261,591,807**	**268,113,910**
Sight deposits at Bank of Portugal	(25,924,034)	(15,795,600)	-	-
Outstanding checks / Checks clearing	(2,226,045)	(3,575,300)	-	-
Impairment of slight and term deposits	19,924	17,510	16,842	16,813
Cash and cash equivalents (Cash flow statement)	**414,865,569**	**498,826,782**	**261,608,648**	**268,130,723**

The heading 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.

Therefore, the item Demand deposits at Bank of Portugal includes, as at 31 December 2020, a total amount of demand deposits of 167,502,343 Euros (2019: 29,497,627 Euros), of which 15,795,600 Euros (2019: 25,924,034 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 2020, the **Group**'s Cash-flows decrease 83,961,213 Euros. The main changes in the **Group**'s cash flow statement captions that contribute to the global change, are explained as follows:

- The caption "receivables resulting from Debt Securities", from Investment activities, amounts to 241,633,577 Euros (2019: 54,365,867 Euros). Similarly, the payments caption has also increased, with an amount of 307,332,086 Euros (2019: 63,920,455 Euros). As part of its liquidity management, Banco CTT decided to increase its investment in debt securities in 2020, justifying the change in both captions.
- The caption "receivables resulting from other banking financial assets", from investment activities, amounts to 36,190,000 Euros, comparing with 116,865,000 Euros in 2019, is mainly explained by, in 2019 there was a larger number of investments achieving the maturity compared with 2020. This additional cash was used to allow the reimbursement of Chaves Funding no. 7 operation, among others.
- The payments resulting from financial investments, from investment activities, in 2019, are mainly due to the 321 Crédito – Instituição Financeira de Crédito, S.A. acquisition, which explain the change in 2020 (2019: 114,407,523 Euros and 2020: 2,678,381 Euros);
- The caption "receivables from Loans obtained", from financial activities, amounts to 21,293,090 Euros (2019: 73,196,336 Euros), and the change is mainly explained by the increase, in 2019, of the used amount of Bankinter and BBVA's Loan and a simple credit agreement signed between CTT and Novo Banco for a total amount of 35 million Euros;
- The caption "receivables from Loans obtained", from financial activities, amounts to 250,000 Euros (2019: 202,340,829 Euros), and its change is mainly explained by, in 2019, Banco CTT had recurred to financing from other credit institutions, mainly through sales with repurchase agreements, which did not occur in 2020. The same occurs in this caption payments in the total amount of 38,131,082 Euros (2019: 183,459,746 Euros);
- The caption "payments from other banking financial liabilities", from financial activities, amounts to 31,536,230 Euros (2019: 222,288,337 Euros). During 2019, the **Group** decided to early redeem Chaves Funding no. 7., which explains the change occurred.

The nature and main changes in the **Company**'s cash flow statement captions 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 2020, the amount of 1,831,743 Euros (2019: 44,278,369 Euros), and the change is mainly explained for in 2020 there was a decrease in Treasury Certificates subscription, and the additional impact of payments made in January 2019 and 2020 of the outstanding amounts in December 2018 and 2019, respectively;
- The "payments resulting from financial investments", in 2019, respects mainly to, the share capital increase of Banco CTT S.A., occurred on April 26 and 23 December 2019 in the amount of 110,000,000 Euros and 20,000,000 Euros, respectively, explaining the change in 2020 (2019: 135,125,523) Euros and 2020: (3,928,381) Euros;
- The caption "receivables resulting from Loans obtained", from financial activities, has no amount in 2020 (2019: 57,500,000 Euros). The explanation for the change is explained above at the Group level.

Impairment

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 2019 and 31 December 2020, the movement recorded under the caption "Impairment of sight and term deposits" (Note 24) related to the **Group** is detail as follows:

	2019				
Group	**Opening balance**	**Increases**	**Reversals**	**Utilisations**	**Closing balance**
Sight and term deposits	21,295	5,351	(6,723)	-	19,924
	21,295	**5,351**	**(6,723)**	**-**	**19,924**

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

For the year ended 31 December 2019 and 31 December 2020 impairment losses (increases net of reversals) of sight and term deposits amounted to (1,372) Euros and (2,414) Euros, respectively, and were booked under the heading Impairment of accounts receivable, net (Note 44).

Regarding the **Company**, in the period ended 31 December 2019 and 31 December 2020, the movement recorded under the caption "Impairment of sight and term deposits" (Note 24) related to the **Company** is detail as follows:

	2019				
Company	**Opening balance**	**Increases**	**Reversals**	**Utilisations**	**Closing balance**
Sight and term deposits	11,973	4,868	-	-	16,842
	11,973	**4,868**	**-**	**-**	**16,842**

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

For the year ended 31 December 2019 and 31 December 2020 impairment losses (increases net of reversals) of sight and term deposits amounted to 4,868 Euros and (29) Euros, respectively, and were booked under the heading Impairment of accounts receivable, net (Note 44).

23. OTHER NON-CURRENT AND CURRENT ASSETS

As at 31 December 2019 and 31 December 2020, the headings Other non-current assets and Other current assets of the **Group** and the **Company** had the following composition:

	Group		Company	
	2019	**2020**	**2019**	**2020**
Non-current				
Advances to staff	208,261	321,331	208,261	321,331
Other receivables from staff	2,523,249	2,205,419	2,523,249	2,205,419
Labour compensation fund	444,314	530,281	296,348	338,736
Other non-current assets	467,280	545,742	309,007	309,007
Impairment	(2,099,796)	(2,538,985)	(2,099,796)	(2,538,985)
	1,543,308	**1,063,789**	**1,237,070**	**635,508**
Current				
Advances to suppliers	307,196	357,598	261,382	252,848
Advances to staff	3,739,987	4,207,913	3,738,317	4,163,458
Postal financial services	4,415,627	9,119,894	4,415,627	9,119,894
State and other public entities	1,234,063	4,335,503	-	471,636
Debtors by accrued revenues	7,216,595	3,202,291	6,951,828	6,579,506
Amounts collected on CTT behalf	560,755	55,839	251,428	244,130
Guaranteed	338,513	580,060	-	-
Advances to lawyers	78,740	102,877	-	-
Debtors by asset disposals	69,854	56,414	69,854	56,414
Payshop agents	349,935	345,922	-	-
Mobility allowances for Autonomous Regions	5,900,466	4,009,533	5,900,466	4,009,533
Office for media	290,427	1,196,048	290,427	1,196,048
Sundry debtors	340,363	319,599	318,812	319,599
Collections	1,387,681	1,423,646	427,629	481,315
Deposits	2,396,558	738,889	216,907	291,425
Customs	705,401	735,818	705,401	735,818
Non-core billing	1,663,429	1,926,147	1,374,678	1,545,072
Billing to partners	2,947,681	1,437,894	-	-
Other current assets	10,164,689	9,629,249	9,675,375	9,232,400
Impairment	(8,341,733)	(10,052,550)	(7,658,758)	(8,968,023)
	35,766,227	**33,728,584**	**26,939,374**	**29,731,071**

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) within 2 months.

Debtors by accrued revenues

As at 31 December 2019 and 31 December 2020, 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 2019 and 31 December 2020, the movement in the **Group** Accumulated impairment losses (Note 24) was as follows:

Group	2019						
	Opening balance	Increases	Reversals	Utilisations	Transfers	Changes in the consolidation perimeter	Closing balance
Other current and non-current assets	9,499,878	1,585,794	(100,274)	(232,877)	10,927	(321,918)	10,441,530
	9,499,878	**1,585,794**	**(100,274)**	**(232,877)**	**10,927**	**(321,918)**	**10,441,530**

Group	2020						
	Opening balance	Increases	Reversals	Utilisations	Transfers	Changes in the consolidation perimeter	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**

For the years ended 31 December 2019 and 31 December 2020, impairment losses (increases net of reversals) of Other current and non-current assets amounted to 1,485,520 Euros and 1,800,732 Euros, respectively, were booked under the heading Impairment of accounts receivable, net (Note 44).

Regarding the **Company**, during the years ended 31 December 2019 and 31 December 2020, the movement in the Accumulated impairment losses caption (Note 24) was as follows:

Company	2019						
	Opening balance	Increases	Reversals	Utilisations	Transfers	Mergers	Closing balance
Other current and non-current assets	8,612,312	1,400,753	(85,980)	(168,532)	-	-	9,758,553
	8,612,312	**1,400,753**	**(85,980)**	**(168,532)**	**-**	**-**	**9,758,553**

Company	2020						
	Opening balance	Increases	Reversals	Utilisations	Transfers	Mergers	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**

For the years ended 31 December 2019 and 31 December 2020, impairment losses of Other current and non-current assets were recorded in the **Company** (net of reversals) amounting to 1,314,773 Euros and 1,807,077 Euros, respectively in the caption Impairment of accounts receivable, net (Note 44).

24. ACCUMULATED IMPAIRMENT LOSSES

During the years ended 31 December 2019 and 31 December 2020, the following movements occurred in the **Group**'s impairment losses:

Group	2019							
	Opening balance	Increases	Reversals	Utilisations	Transfers	Changes in the consolidation perimeter	PPA adjustments	Closing balance
Non-current assets								
Tangible fixed assets	24,256	-	(83)	-	-	-	-	24,173
Investment properties	1,243,502	-	(494,358)	-	-	-	-	749,144
	1,267,758	**-**	**(494,442)**	**-**	**-**	**-**	**-**	**773,316**
Debt securities	164,883	31,531	(83,821)	(299)	57,147	-	-	169,441
Other non-current assets	1,982,890	-	-	-	116,906	-	-	2,099,796
Credit to banking clients	225,968	2,298,517	(1,777,703)	(5,916,288)	611,781	7,149,174	-	2,591,449
Other banking financial assets	217,751	91,523	(244,428)	-	101,403	-	-	166,249
	2,591,492	**2,421,571**	**(2,105,952)**	**(5,916,587)**	**887,237**	**7,149,174**	**-**	**5,026,935**
	3,859,250	**2,421,571**	**(2,600,394)**	**(5,916,587)**	**887,237**	**7,149,174**	**-**	**5,800,251**
Current assets								
Accounts receivable	33,436,621	7,204,092	(766,236)	(1,892,645)	-	-	-	37,981,832
Credit to banking clients	231,556	5,409,498	(2,876,295)	(13,399,710)	(611,781)	12,633,482	-	1,386,750
Debt securities	145,733	2,678	(370)	(86,758)	(57,147)	-	-	4,136
Other current assets	7,516,988	1,585,794	(100,275)	(554,795)	(105,979)	-	-	8,341,734
Other banking financial assets	207,945	249,671	(126,763)	-	(112,330)	4,011,236	-	4,229,759
Slight and term deposits	21,295	5,352	(6,723)	-	-	-	-	19,923
	41,560,139	**14,457,085**	**(3,876,662)**	**(15,933,908)**	**(887,237)**	**16,644,718**	**-**	**51,964,134**
Non-current assets held for sale	-	9	(3,059)	-	-	187,659	-	184,609
	-	**9**	**(3,059)**	**-**	**-**	**187,659**	**-**	**184,609**
Merchandise	1,824,111	313,018	(1,129)	(19,695)	-	-	-	2,116,305
Raw , subsidiary and consumable	633,526	91,662	-	-	-	-	-	725,188
	2,457,637	**404,680**	**(1,129)**	**(19,695)**	**-**	**-**	**-**	**2,841,493**
	44,017,776	**14,861,773**	**(3,880,850)**	**(15,953,603)**	**(887,237)**	**16,832,377**	**-**	**54,990,236**
	47,877,025	**17,283,344**	**(6,481,244)**	**(21,870,190)**	**-**	**23,981,551**	**-**	**60,790,487**

Group	2020							
	Opening balance	Increases	Reversals	Utilisations	Transfers	Changes in the consolidation perimeter	PPA adjustments	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	169,441	29,756	(15,650)	-	(2,144)	-	-	181,403
Other non-current assets	2,099,796	-	-	-	439,189	-	-	2,538,985
Credit to banking clients	2,591,449	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**
	5,800,250	**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	4,136	4,372	(636)	-	2,144	-	-	10,016
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)	-	-	-	-	17,509
	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	725,188	131,708	(7,310)	(2,255)	-	-	-	847,331
	2,841,493	**645,194**	**(7,310)**	**(106,960)**	**-**	**-**	**-**	**3,372,417**
	54,990,236	**12,414,389**	**(4,343,118)**	**(2,351,310)**	**232,581**	**-**	**1,109,127**	**62,051,906**
	60,790,486	**21,440,870**	**(6,916,953)**	**(2,858,722)**	**624,955**	**-**	**3,410,377**	**76,491,014**

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 €3.2m in the consolidated accounts of the **Group**.

The PPA adjustments refer to the transfer of the contracts' current impairment value that at the acquisition date of 321Crédito were classified as stage 2 and 3 for gross credit (gross exposure).

Regarding the **Company**, during the years ended 31 December 2019 and 31 December 2020, the movement in the Accumulated impairment losses was as follows:

Company	2019							
	Opening balance	Increases	Reversals	Utilisations	Transfers	Mergers	PPA adjustments	Closing balance
Non-current assets								
Tangible fixed assets	24,255	-	(83)	-	-	-	-	24,172
Investment properties	1,243,502	-	(494,358)	-	-	-	-	749,144
	1,267,757	**-**	**(494,441)**	**-**	**-**	**-**	**-**	**773,316**
Other non-current assets	1,982,890	-	-	-	116,906	-	-	2,099,796
	1,982,890	**-**	**-**	**-**	**116,906**	**-**	**-**	**2,099,796**
	3,250,647	**-**	**(494,441)**	**-**	**116,906**	**-**	**-**	**2,873,112**
Current assets								
Accounts receivable	4,087,678	585,751	-	(176,512)	-	-	-	4,496,917
Other current assets	6,629,421	1,400,753	(85,981)	(168,531)	(116,906)	-	-	7,658,758
Slight and term deposits	11,973	4,868	-	-	-	-	-	16,842
	10,729,072	**1,991,373**	**(85,981)**	**(345,043)**	**(116,906)**	**-**	**-**	**12,172,516**
Merchandise	1,804,416	289,377	-	-	-	-	-	2,093,793
Raw, subsidiary and consumable	633,526	91,662	-	-	-	-	-	725,188
	2,437,942	**381,039**	**-**	**-**	**-**	**-**	**-**	**2,818,981**
	13,167,014	**2,372,411**	**(85,981)**	**(345,043)**	**(116,906)**	**-**	**-**	**14,991,497**
	16,417,661	**2,372,411**	**(580,422)**	**(345,043)**	**-**	**-**	**-**	**17,864,608**

Company	2020							
	Opening balance	Increases	Reversals	Utilisations	Transfers	Mergers	PPA adjustments	Closing balance
Non-current assets								
Tangible fixed assets	24,172	-	(4,712)	-	-	-	-	19,460
Investment properties	749,144	-	(298,836)	-	-	-	-	450,308
Intangible assets	-	-	-	-	-	-	-	-
	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**
Non-current assets held for sale	-	-	-	-	-	-	-	-
	-	**-**	**-**	**-**	**-**	**-**	**-**	**-**
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**

25. EQUITY

As at 31 December 2020, 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.

26. 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 at 31 December 2020, CTT held 1 own share, with a nominal value of 0.50€, being all the inherent rights suspended pursuant to article 324 of the Portuguese Companies Code.

Own shares held by CTT are within the limits established by the Articles of Association of the **Company** and by the Portuguese Companies Code. These shares are recorded at acquisition cost.

Reserves

As at 31 December 2019 and 31 December 2020, the **Group**'s and **Company**'s heading Reserves showed the following composition:

	2019									
	Group					Company				
	Legal reserves	Own shares reserves	Fair Value reserves	Other reserves	Total	Legal reserves	Own shares reserves	Fair Value reserves	Other reserves	Total
Opening balance	15,000,000	8	270	50,836,597	65,836,875	15,000,000	8	-	50,836,597	65,836,605
Assets fair value	-	-	15,720	-	15,720	-	-	-	-	-
Closing balance	**15,000,000**	**8**	**15,990**	**50,836,597**	**65,852,595**	**15,000,000**	**8**	**-**	**50,836,597**	**65,836,605**

	2020									
	Group					Company				
	Legal reserves	Own shares reserves	Fair Value reserves	Other reserves	Total	Legal reserves	Own shares reserves	Fair Value 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**

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 2020, this caption includes the amount of 8 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**.

Retained earnings

During the years ended 31 December 2019 and 31 December 2020, the following movements were made in the **Group** and the **Company** heading Retained earnings:

	Group		Company	
	2019	2020	2019	2020
Opening balance	4,378,984	10,867,301	4,387,132	10,679,731
Application of the net profit of the prior year	21,499,271	29,196,933	21,499,271	29,196,933
Distribution of dividends (note 27)	(15,000,000)	-	(15,000,000)	-
Adjustments from the application of the equity method	(10,954)	(15,806)	(206,672)	23,691
Other movements	-	(86,009)	-	-
Closing balance	**10,867,301**	**39,962,419**	**10,679,731**	**39,900,355**

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 31).

Thus, for the years ended 31 December 2019 and 31 December 2020, the movements occurred in this heading in the **Group** and in the **Company** were as follows:

	Group		Company	
	2019	2020	2019	2020
Opening balance	(30,993,430)	(49,744,144)	(31,001,308)	(49,540,583)
Actuarial gains/ losses (Note 31)	(25,769,253)	2,917,315	(25,540,045)	2,896,864
Tax effect (Note 49)	7,018,539	(773,407)	7,000,770	(811,122)
Closing balance	**(49,744,144)**	**(47,600,236)**	**(49,540,583)**	**(47,454,842)**

27. DIVIDENDS

According to the dividend distribution proposal included in the 2018 Annual Report, at the General Meeting of Sharehol- ders, which was held on 23 April 2019, a dividend distribution of 15,000,000 Euros, corresponding to a dividend per share of 0.10 Euros, regarding the financial year ended 31 December 2018 was proposed and approved. The dividend amount assigned to own shares was transferred to Retained earnings, totaling 0.10 Euros.

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

28. EARNINGS PER SHARE

During the years ended 31 December 2019 and 31 December 2020, the earnings per share were calculated as follows:

	2019	2020
Net income for the period	29,196,933	16,669,309
Average number of ordinary shares	149,999,999	149,999,999
Earnings per share		
Basic	0.19	0.11
Diluted	0.19	0.11

The average number of shares is detailed as follows:

	2019	2020
Shares issued at begining of the period	150,000,000	150,000,000
Own shares effect	1	1
Average number of shares during the period	149,999,999	149,999,999

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 2020, the number of own shares held is 1 and its average number for the year ended 31 December 2020 is also 1, reflecting the fact that no acquisitions or sales/attribution have occurred in the given period.

There are no dilutive factors of earnings per share.

29. NON-CONTROLLING INTERESTS

During the years ended 31 December 2019 and 31 December 2020, the following movements occurred in non-controlling interests:

	2019	2020
Opening balance	165,494	242,255
Net profit for the year attributable to non-controlling interest	87,767	97,225
Other movements	(11,006)	(15,806)
Closing balance	**242,255**	**323,675**

As at 31 December 2019 and 31 December 2020, non-controlling interests are fully related to Correio Expresso de Moçambique, S.A..

30. DEBT

As at 31 December 2019 and 31 December 2020, Debt of the **Group** and the **Company** showed the following composition:

	Group		Company	
	2019	2020	2019	2020
Non-current liabilities				
Bank loans	81,702,538	74,799,925	81,702,538	74,799,925
Lease liabilities	66,895,396	89,234,203	45,614,055	60,502,613
	148,597,934	**164,034,127**	**127,316,593**	**135,302,537**
Current liabilities				
Bank loans	9,749,470	16,856,747	-	7,125,000
Lease liabilities	17,064,097	25,975,879	12,898,704	20,120,348
	26,813,567	**42,832,626**	**12,898,704**	**27,245,348**
	175,411,501	**206,866,753**	**140,215,297**	**162,547,885**

As at 31 December 2020, the interest rates applied to bank loans were between 1.25% and 1.875% (31 December 2019: 1.25% and 1.875%).

Bank loans

As at 31 December 2019 and 31 December 2020, the details of the **Group** and **Company** bank loans were as follows:

Group	2019			2020		
	Limit	Amount used		Limit	Amount used	
		Current	Non-current		Current	Non-current
Bank loans						
Millennium BCP	11,250,000	9,749,470	-	11,250,000	9,731,747	-
BBVA / Bankinter	75,000,000	-	46,891,381	75,000,000	7,125,000	40,075,774
Novo Banco	35,000,000	-	34,811,157	35,000,000	-	34,724,151
Banco Montepio	-	-	-	25,000,000	-	-
BIM - (Mozambique)	44,870	-	-	40,928	-	-
	121,294,870	**9,749,470**	**81,702,538**	**146,290,928**	**16,856,747**	**74,799,925**

Company	2019			2020		
	Limit	Amount used		Limit	Amount used	
		Current	Non-current		Current	Non-current
Bank loans						
Millennium BCP	50,000	-	-	50,000	-	-
Novo Banco	35,000,000	-	34,811,157	35,000,000	-	34,724,151
Banco Montepio	-	-	-	25,000,000	-	-
BBVA / Bankinter	75,000,000	-	46,891,381	75,000,000	7,125,000	40,075,774
	110,050,000	**-**	**81,702,538**	**135,050,000**	**7,125,000**	**74,799,925**

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. Regarding 31 December 2018, the amount of 25 million Euros was used, presented in the balance sheet net of commis- sion in the amount of 24,276,250 Euros. As at 31 December 2020, the referred amount corresponded to 47,200,774 Euros. By a company decision, the remaining available amount will not be used.

On April 22, 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. Regarding 31 December 2020, the 35 million Euros were used and are presented in the balance sheet net of commission in the amount of 34,724,151 Euros.

On 21 May 2020, a Commercial Paper Issue Placement Agreement was signed in the maximum amount of 25 million Euros, with a term of 3 years, renewable for the same period. As of 31 December 2020, 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 2020, the **Group** is in compliance with financial covenants.

Lease Liabilities

The **Group** presents lease liabilities which future payments, undiscounted and discounted amounts presented in the financial position, are detailed as follows:

	Group		Company	
	2019	2020	2019	2020
Due within 1 year	20,168,630	31,651,641	14,829,464	24,654,255
Due between 1 to 5 years	63,131,546	83,337,641	50,182,282	62,618,268
Over 5 years	14,737,518	18,964,112	3,897,164	5,403,000
Total undiscounted lease liabilities	**98,037,694**	**133,953,395**	**68,908,910**	**92,675,524**
Current	17,064,097	25,975,879	12,898,704	20,120,348
Non-current	66,895,396	89,274,939	45,614,055	60,502,613
Lease liabilities included in the statement of financial position	**83,959,493**	**115,250,818**	**58,512,759**	**80,622,960**

The increase in lease liabilities is explained by the new interpretation issued by *IFRIC Committee*, that changed the understanding of the lease-term definition, as mentioned in note 3, and also for the new lease agreements.

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

	Group		Company	
	2019	2020	2019	2020
Lease Liabilities interests (note 48)	3,663,261	3,270,933	2,424,680	2,075,214
Variable payments not included in the measurament of the lease liability (note 42)	3,050,726	2,772,287	2,586,907	2,318,683

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

	Group		Company	
	2019	2020	2019	2020
Total of lease payments	(26,991,454)	(28,528,297)	(20,762,669)	(21,455,288)

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 2019 and 31 December 2020, in the **Group** and the **Company**, are detailed as follows:

Group	2019	2020
Opening Balance	127,378,275	175,411,501
Movements without cash	13,396,825	60,096,573
New contracts + IFRS 16 Interests	12,980,229	59,773,852
Others	416,597	322,721
Changes in the consolidation perimeter	32,079,422	-
Loans:		
Inflow	73,196,336	21,293,090
Outflow	(43,647,903)	(21,405,813)
Lease liabilities:		
Inflow	-	-
Outflow	(26,991,454)	(28,528,597)
Closing balance	**175,411,501**	**206,866,753**

Company	2019	2020
Opening Balance	94,837,625	140,215,297
Movements without cash	9,072,216	43,882,876
New contracts + IFRS 16 Interests	8,767,668	43,565,489
Others	304,548	317,387
Loans:		
Inflow	57,500,000	-
Outflow	(521,875)	(95,000)
Lease liabilities:		
Inflow	-	-
Outflow	(20,672,669)	(21,455,288)
Closing balance	**140,215,297**	**162,547,885**

31. EMPLOYEE BENEFITS

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 2019 and 31 December 2020, the **Group** and the **Company** liabilities presented the following movement:

	2019										
	Group							Company			
	Healthcare	Healthcare - SAMS	Pension Plan	Other benefits	Other long-term employee benefits	Other long-term benefits statutory bodies	Total	Healthcare	Other long-term employee benefits	Other long-term benefits statutory bodies	Total
Opening balance	251,798,510	-	344,351	-	9,447,302	91,020	261,681,183	251,798,510	9,447,302	91,020	261,336,832
Movement of the period	22,630,030	1,285,591	58,829	198,589	797,790	(91,020)	24,879,809	22,630,030	797,790	(91,020)	23,336,800
Closing balance	**274,428,540**	**1,285,591**	**403,180**	**198,589**	**10,245,092**	**-**	**286,560,992**	**274,428,540**	**10,245,092**	**-**	**284,673,632**

	2020									
	Group						Company			
	Healthcare	Healthcare - SAMS	Pension Plan	Other long-term employee benefits	Other long-term benefits statutory bodies	Total	Healthcare	Other long-term employee benefits	Other long-term benefits statutory bodies	Total
Opening balance	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**

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	
	2019	2020	2019	2020
Non-current liabilities	267,286,679	264,369,292	265,431,555	281,025,861
Current liabilities	19,416,212	18,630,568	19,383,977	-
	286,702,892	**282,999,860**	**284,815,532**	**281,025,861**

As at 31 December 2019 and 31 December 2020, 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	
	2019	2020	2019	2020
Costs for the period				
Healthcare	9,436,794	8,663,500	9,436,794	8,663,500
Healthcare - SAMS	54,405	115,891	-	-
Pension plan	7,174	5,977	-	-
Other benefits	6,201	-	-	-
Other long-term employee benefits	3,388,466	3,057,483	3,388,466	3,039,423
Other long-term benefits statutory bodies	-	201,592	-	201,592
	12,893,040	**12,044,443**	**12,825,260**	**11,904,515**
Other changes in equity				
Healthcare	25,540,045	(2,896,864)	25,540,045	(2,896,864)
Healthcare - SAMS	130,890	31,499	-	-
Pension Plan	83,890	(51,950)	-	-
Other benefits	14,427	-	-	-
	25,769,252	**(2,917,315)**	**25,540,045**	**(2,896,864)**

As at 31 December 2019 and 31 December 2020, the amounts recognized as actuarial gains or losses detailed by nature, in the **Group** and in the **Company**, were as follows:

	2019				2020			
Group	Changes Financial Assumptions	Changes Demographic Assumptions	Experience	Total	Changes Financial Assumptions	Changes Demographic Assumptions	Experience	Total
Healthcare	(3,987,942)	-	29,527,987	25,540,045	12,505,421	-	(15,402,285)	(2,896,864)
Healthcare - SAMS	189,691	25,133	(83,934)	130,890	73,413	-	(41,914)	31,499
Pension Plan	19,809	-	64,081	83,890	4,840	-	(56,790)	(51,950)
Other benefits	12,022	1,302	1,104	14,427	-	-	-	-
Other long-term employee benefits	417,377	-	(585,827)	(168,450)	148,927	-	(164,021)	(15,094)
	(3,349,043)	**26,435**	**28,923,411**	**25,600,802**	**12,732,601**	**-**	**(15,665,010)**	**(2,932,409)**

	2019				2020			
Company	Changes Financial Assumptions	Changes Demographic Assumptions	Experience	Total	Changes Financial Assumptions	Changes Demographic Assumptions	Experience	Total
Healthcare	(3,987,942)	-	29,527,987	25,540,045	12,505,421	-	(15,402,285)	(2,896,864)
Other long-term employee benefits	417,377	-	(585,827)	(168,450)	143,701	-	(161,859)	(18,158)
	(3,570,565)	**-**	**28,942,160**	**25,371,595**	**12,649,122**	**-**	**(15,564,143)**	**(2,915,021)**

In 2020, actuarial losses related to financial assumptions changes reflect the discount rate review from 1.60% in 2019 to 1.30% to 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 2020.

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

	2019	2020
Financial assumptions		
Discount rate	1.60%	1.30%
Salaries expected growth rate	2.25%	2.25%
Pensions growth rate	Law no. 53-B/ 2006 (with △ GDP<2%)	Law no. 53-B/ 2006 (with △ GDP<2%)
Inflation rate	1.50%	1.50%
Health costs growth rate	3.30%	3.30%
Stop-Loss	n/ a	949.50
Duration	15.4	15.1
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 1.30% (1.60% in 2019).

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 2020, 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 January 1, 2021 and ending on December 31, 2023. 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	2020	2019	2018	2017	2016
Liabilities at the end of the period					
IOS plan	261,776,888	265,509,580	244,758,317	250,622,728	246,367,140
Insurance policy	9,381,426	8,918,960	7,040,193	3,349,658	2,743,059
	271,158,314	**274,428,540**	**251,798,510**	**253,972,386**	**249,110,199**

For the years ended 31 December 2019 and 31 December 2020, 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	
	2019	2020	2019	2020	2019	2020
Opening balance	251,798,510	274,428,540	244,758,317	265,509,580	7,040,193	8,918,960
Service cost of the year	4,223,000	4,370,000	4,223,000	4,370,000	-	-
Interest cost of the year	5,174,000	4,293,500	5,029,000	4,153,500	145,000	140,000
Plan amendment	39,794	-	(1,201,035)	(109,492)	1,240,830	109,492
Pensioners contributions	4,997,232	5,018,780	4,737,962	4,745,004	259,270	273,776
(Payment of benefits)	(16,749,186)	(13,521,026)	(16,047,943)	(12,872,387)	(701,243)	(648,639)
(Other costs)	(594,855)	(534,617)	(568,343)	(511,282)	(26,512)	(23,335)
Actuarial (gains)/ losses	25,540,045	(2,896,864)	24,578,623	(3,508,034)	961,422	611,171
Closing balance	**274,428,540**	**271,158,314**	**265,509,580**	**261,776,888**	**8,918,960**	**9,381,426**

Under the human resources optimization process, started in 2016 and maintained until 2019, 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	
	2019	2020	2019	2020	2019	2020
Staff costs/ employee benefits (Note 43)	3,667,939	3,835,383	2,453,621	3,749,226	1,214,318	86,157
Other costs	594,855	534,617	568,343	511,282	26,512	23,335
Interest expenses (Note 48)	5,174,000	4,293,500	5,029,000	4,153,500	145,000	140,000
	9,436,794	**8,663,500**	**8,050,965**	**8,414,008**	**1,385,830**	**249,492**

As at 31 December 2020, regarding the IOS Plan, the actuarial (gains)/losses in the amount of (3,508,034) Euros (24,578,623 Euros as at 31 December 2019) were recognized in equity under Other changes in equity, net of deferred taxes of 982,250 Euros ((6,882,014) Euros as at 31 December 2019).

In this respect, the amount of the actuarial (gains)/losses accounted in 31 December 2019 regarding the IOS Plan mainly refer to the reduction in the discount rate as well as to conjugated effect of the growth in healthcare costs per capita in 2019 being higher than the expected growth rate and the review of the growth rate of medical costs from 3.75% to 3.3%.

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.

In what refers to the Insurance Policy, as at 31 December 2019 and as at 31 December 2020, the amounts of 961,422 Euros and 611,171 Euros, respectively, related to the actuarial (gains)/losses were recognized in equity under Other changes in equity, net of deferred taxes of (269,198) Euros and (171,128) 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 7,492 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 327,280 thousand Euros, increasing by approximately 20.7%.

(ii) If the discount rate was reduced 25 b.p. and keeping all the remaining variables constant, the liabilities would increase by approximately 3.8%, amounting to 281,462 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 3.1% amounting to a total of 279,441 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 2020.

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

	2019	2020
Financial assumptions		
Discount rate	1.50%	1.30%
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, the movement of **Group** liabilities with the Healthcare – SAMS was as follows:

Group	2019	2020
Opening balance	-	1,285,591
Changes in the consolidation perimeter	1,101,362	-
Service cost of the year	32,944	96,631
Interest cost of the year	21,461	19,260
(Payment of benefits)	(1,065)	(1,087)
Actuarial (gains)/ losses	130,890	31,499
Closing balance	**1,285,591**	**1,431,894**

The total costs for the period were recognized as follows:

Group	2019	2020
Staff costs/ employee benefits (Note 43)	32,944	96,631
Interest expenses (Note 48)	21,461	19,260
	54,405	**115,891**

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 126,019 Euros.

The sensitivity analysis performed in the year ended 31 December 2020 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 6.3%, amounting to 1,522,103 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 2020.

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

	2019	2020
Financial assumptions		
Discount rate	1.50%	1.30%
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	EKV 80

For the year ended 31 December 2019 and 31 December 2020, the movement of **Group** liabilities with the Pension Plan was as follows:

Group	2019	2020
Opening balance	344,351	403,180
Service cost of the year	276	190
Interest cost of the year	6,898	5,787
(Payment of benefits)	(32,235)	(31,750)
Actuarial (gains)/ losses	83,890	(51,950)
Closing balance	**403,180**	**325,457**

The total costs for the period were recognized as follows:

Group	2019	2020
Staff costs/ employee benefits (Note 43)	276	190
Interest expenses (Note 48)	6,898	5,787
	7,174	**5,977**

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 4,203 Euros.

As at 31 December 2019 and as at 31 December 2020, the amounts of 83,890 Euros and (51,950) Euros, respectively, related to the actuarial (gains)/losses were recognized in equity under Other changes in equity, net of deferred taxes of (15,482) Euros and 10,910 Euros, respectively.

The sensitivity analysis performed in the year ended 31 December 2020 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 1.9%, amounting to 331,641 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 2020.

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

	2019	2020
Financial assumptions		
Discount rate	1.50%	1.30%
Salaries growth rate	1.25%	1.25%
Demographic assumptions		
Mortality rate due to work accident	0.0035%	0.0035%
Mortality table	Homens: TV 88/ 90 Mulheres : TV 88/ 90 (-1)	Men: TV 88/ 90 Women : TV 88/ 90 (-1)

For the year ended 31 December 2020, the movement of **Group** liabilities with the Other post-employment benefits was as follows:

Group	2019	2020
End of Career Awards		
Opening balance	-	191,986
Changes in the consolidation perimeter	171,770	-
Service cost of the year	2,592	11,898
Interest cost of the period	3,332	2,671
(Payment of benefits)	-	-
Actuarial (gains)/ losses	14,293	3,296
Closing balance	**191,986**	**209,851**
Death Allowance resulting from Work Accidents		
Opening balance	-	6,603
Changes in the consolidation perimeter	6,191	-
Service cost of the year	155	333
Interest cost of the period	122	94
(Payment of benefits)	-	-
Actuarial (gains)/ losses	134	(233)
Closing balance	**6,603**	**6,797**
Total	**198,589**	**216,648**

The total costs for the period were recognized as follows:

Group	2019	2020
Staff costs/ employee benefits (Note 43)		
End of Career Awards	2,592	15,194
Death Allowance resulting from Work Accidents	155	100
	2,747	**15,294**
Interest expenses (Note 48)	3,454	2,765
	6,201	**18,059**

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 16,239 Euros.

The sensitivity analysis performed in the year ended 31 December 2020 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 6.3%, amounting to 230,297 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 2020, 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:

	2019	2020
Financial assumptions		
Discount rate	1.50%	1.30%
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 2019 and 31 December 2020, the movement of **Group** and the **Company** liabilities with other long-term employee benefits was as follows:

Group and Company	2019	2020
Suspension of contracts, redeployment and release of employment		
Opening balance	1,591,506	3,135,288
Interest cost of the period	72,571	42,876
Liabilities relative to new beneficiaries	3,411,765	2,367,274
(Payment of benefits)	(2,086,590)	(3,117,671)
Actuarial (gains)/ losses	146,037	326,980
Closing balance	**3,135,288**	**2,754,747**
Telephone subscription fee		
Opening balance	1,422,611	459,105
Interest cost of the period	28,235	6,504
(Payment of benefits)	(19,859)	(48,893)
Actuarial (gains)/ losses	(971,882)	(2,597)
Closing balance	**459,105**	**414,119**
Pension for work accidents		
Opening balance	6,243,316	6,573,619
Interest cost of the period	126,641	95,363
(Payment of benefits)	(465,219)	(439,206)
Actuarial (gains)/ losses	668,881	228,623
Closing balance	**6,573,619**	**6,458,399**
Monthly life annuity		
Opening balance	189,869	77,081
Interest cost of the period	3,579	1,010
Curtailment	(85,874)	(13,024)
(Payment of benefits)	(19,007)	(12,790)
Actuarial (gains)/ losses	(11,486)	(13,586)
Closing balance	**77,081**	**38,691**
Total	**10,245,092**	**9,665,955**

During the years ended 31 December 2019 and 31 December 2020, the total costs for the year were recognized as follows:

Group and Company	2019	2020
Staff costs/ employee benefits (Note 43)		
Suspension of contracts, redeployment and release of employment	3,557,801	2,694,254
Telephone subscription fee	(971,882)	(2,597)
Pension for work accidents	668,881	228,623
Monthly life annuity	(97,360)	(26,610)
	3,157,440	**2,893,671**
Interest expenses (Note 48)	231,026	145,753
	3,388,466	**3,039,423**

In the year ended 31 December 2019, following the analysis of the historical data of the monthly costs per beneficiary and the number of beneficiaries of the Telephone subscription fee performed by the independent expert, a liability reduction was recorded in the amount of 971,882 Euros, in the heading Staff costs since it related to long-term employee benefits.

The liabilities related to new beneficiaries on 31 December 2020 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 actuarial (gains)/losses regarding long-term employee benefits recognized as at 31 December 2020 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 98,721 Euros.

The sensitivity analysis performed on 31 December 2020 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 2.2.%, increasing to 9,879 thousand Euros.

Other long-term benefits for the Statutory Bodies

CTT approved, with effect from 31 December 2017, the Remuneration Regulation for Members of the Statutory Bodies for the period 2017-2019, which defines the allocation of a long-term variable remuneration, to be paid in cash (note 2.21). The plan was considered as "cash settlement" which, according to IFRS 2, implies that the liability should be annually updated and any changes resulting therefrom should be recorded in the income statement.

It is in progress, the preparation of a new Remuneration Regulation for Members of the Statutory Bodies for the period 2020-2022, which, at this date, has not yet been concluded and approved. This regulation changes the long-term variable remuneration to a "stock option" mechanism, however, it will only come into force after its approval at the General Meeting. In this view, for the year 2020, the previous regulation remained in force.

The amount to be attributed to the members of the CTT Executive Committee is based on the results of the performance evaluation during the term of office (1 January 2020 to 31 December 2022), which consists of (i) a comparison of the recorded performance of the Total Shareholder Return (TSR) of CTT shares and the TSR of a weighted peer group, composed of national and international companies (ii) the sum of the overall annual qualitative AVR assessments of the executive Directors and (iii) the investment in CTT shares of a minimum of 25% of the AVR amount received by each Director. This calculation is performed by an independent entity and, if attributed, will be paid at the end of the 2020-2022 term. It should be noted, however, that the drafting of the new regulation for the 2020-2022 is under preparation, so this situation will be reassessed.

Following the study carried out by an independent entity on 31 December 2020, an amount of 201,592 Euros was recognized in the period between 1 January 2020 and 31 December 2020 and will be settled at the end of the three years if the conditions for its fulfillment are met.

32. PROVISIONS, GUARANTEES PROVIDED, CONTINGENT LIABILITIES AND COMMITMENTS

Provisions

For the years ended 31 December 2019 and 31 December 2020, 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	2019							
	Opening balance	Increases	Reversals	Utilisations	Transfers	Changes in the consolidation perimeter	PPA adjustments	Closing balance
Non-current provisions								
Litigations	3,149,620	1,975,191	(1,652,175)	(691,483)	67,824	-	-	2,848,977
Restructuring	1,842,159	100,826	(863,627)	(39,610)	-	-	-	1,039,748
Other provisions	9,021,484	210,045	(675,510)	(2,942)	(67,824)	1,499,282	397,421	10,381,956
Sub-total - caption "Provisions (increases)/ reversals"	**14,013,263**	**2,286,062**	**(3,191,312)**	**(734,035)**	**-**	**1,499,282**	**397,421**	**14,270,681**
Restructuring	1,026,902	7,504,481	-	(7,852,242)	-	-	-	679,141
Other provisions	979,174	1,826,549	-	(120,167)	-	-	-	2,685,556
	16,019,339	**11,617,093**	**(3,191,312)**	**(8,706,444)**	**-**	**1,499,282**	**397,421**	**17,635,379**

Group	2020							
	Opening balance	Increases	Reversals	Utilisations	Transfers	Changes in the consolidation perimeter	PPA adjustments	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**

The net amount between increases and reversals of provisions was recorded in the consolidated income statement under the caption Provisions, net and amounted to 905,250 Euros as at 31 December 2019 and (853,298) Euros as at 31 December 2020.

Company	2019					
	Opening balance	Increases	Reversals	Utilisations	Transfers	Closing balance
Non-current provisions						
Litigations	2,763,740	1,187,436	(1,448,738)	(368,540)	67,824	2,201,722
Restructuring	1,479,139	-	(863,627)	(39,610)	-	575,902
Other provisions	7,549,538	-	(242,817)	-	(67,824)	7,238,897
Sub-total - caption "Provisions (increases)/ reversals"	**11,792,417**	**1,187,436**	**(2,555,182)**	**(408,150)**	**-**	**10,016,521**
Restructuring	914,840	7,243,452	-	(7,556,531)	-	601,761
Other provisions	550,000	1,679,067	-	-	-	2,229,067
	13,257,257	**10,109,956**	**(2,555,182)**	**(7,964,681)**	**-**	**12,847,350**

Company	2020					
	Opening balance	Increases	Reversals	Utilisations	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**

The net amount between increases and reversals of provisions was recorded in the individual income statement under the caption Provisions, net and amounted to 1,367,746 Euros as at 31 December 2019 and 83,122 as at 31 December 2020.

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 1,652,175 Euros as at 31 December 2019 and 667,905 Euros as at 31 December 2020, essentially results from lawsuits whose decision, which was made known in the course of 2019 or 2020, respectively, proved to be favorable to the **Group**, or, not being favorable, resulted in the condemnation to pay amounts that proved to be lower than the estimated amounts (and reflected in this provision item).

Restructuring

On 19 December 2017, CTT approved an Operational Transformation Plan, which emphasizes the purposes of optimizing the retail network and reinforcing the HR optimization program. Following the maintenance, in 2019 and 2020, on the HR optimization program, the provision created for this purpose amounted to 163,800 Euros and 123,672 Euros as at 31 December 2020, in the **Group** and **Company**, respectively, and have been recorded against the caption Staff costs in the income statement. It is expected that this provision will be substantially used in 2021.

The utilizations recorded in the same period regard mainly the payment of indemnities foreseen when the provision was booked as well as the costs incurred with the closing of post offices.

The provision booked in 2018 within the Operational Transformation Plan's scope, in distribution network terms and mail handling operations, presents, after reviewing and updating underlying criteria, in the period ended on 31 December 2020, in the **Group** and in the **Company**, the amount of 1,083,347 Euros and 433,501 Euros, respectively.

Other provisions

As at 31 December 2020 the provision, in the **Group** and the **Company**, to cover any contingencies relating to labor litigation proceedings not included in the current court proceedings related to remuneration differences and attendance bonuses that can be claimed by workers, amounts to 6,627,110 Euros (6,891,248 as at 31 December de 2019). The amount of the provision corresponds to the **Group**'s best estimate for the outflow, and it is not possible to estimate the expected moment for the outflow as it depends on the moment when proceedings are initiated by the **Group**'s employees.

As at 31 December 2020, 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 1,615,802 Euros as at 31 December 2020 (1,709,212 Euros at 31 December 2019) mainly results from the management assessment regarding the possibility of materializing tax contingencies and other processes.

As at 31 December 2020, in addition to the previously mentioned situations, this heading also includes in the **Group** and the **Company**:

- the amount of 225,000 Euros in the **Group** and **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 1,900,039 Euros in the **Group** and 1,739,125 Euros in the **Company**, to cover costs of operational vehicles restoration.

Guarantees provided

As at 31 December 2019 and 31 December 2020, the **Group** and the **Company** had provided bank guarantees to third parties as follows:

Description	Group		Company	
	31.12.2019	**31.12.2020**	**31.12.2019**	**31.12.2020**
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)	8,211,715	2,282,510	6,150,425	200,000
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
EUROGOLD (Real estate company)	288,384	694,464	288,384	694,464
AMBIMOBILIÁRIA - INVESTIMENTOS E NEGÓCIOS, S.A. (Real estate company)	-	480,000	-	480,000
O Feliz - Imobiliaria (Real estate company)	381,553	381,553	381,553	381,553
Courts	281,830	260,610	254,610	254,610
CIVILRIA (Real estate company)	-	224,305	-	224,305
TRANSPORTES BERNARDO MARQUES , S.A.	-	223,380	-	223,380
TIP - Transportes Intermodais do Porto, ACE (Oporto intermodal transport)	150,000	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	-	-
Solred (Repsol's fuel cards)	80,000	80,000	-	-
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
Companhia Carris de Ferro de Lisboa, EM, SA (Portuguese Railway company)	55,000	55,000	-	-
ANA - Aeroportos de Portugal (Airports of Portugal)	34,000	34,000	34,000	34,000
Águas do Norte (Water Supply of the Northern Region)	23,804	23,804	23,804	23,804
Instituto de Gestão Financeira Segurança Social (Social Security Financial Management Institute)	21,557	21,557	16,406	16,406
EMEL, S.A. (Municipal company managing parking in Lisbon)	26,984	19,384	26,984	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	-	-
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
Consejeria Salud (Local Health Service/ Spain)	4,116	4,116	-	-
Instituto do Emprego e Formação Profissional (Employment and Professional Training Institute)	3,718	3,719	3,718	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
ADAM - Águas do Alto Minho (Services of Water Supply and Sanitation of theRegion of Alto Minho)	466	466	-	-
Administração Regional de Saúde - Lisboa e Vale do Tejo (Regional Health Authority of the Lisbon Area)	13,000	-	13,000	-
Promodois (Real estate company)	6,273	-	6,273	-
IFADAP (National Support Institute for Farming and Fishing)	1,746	-	1,746	-
	16,991,290	**12,355,172**	**14,464,667**	**9,828,549**

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 2019 and 31 December 2020, in the **Group** and the **Company**.

CTT Expresso branch in Spain provided a bank guaranty 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 2019 and 31 December 2020, the **Group** subscribed promissory notes amounting to approximately 43.7 thousand Euros and 75.3 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 2020.

The **Group** and the **Company** engaged guarantee insurances in the total amount of 622,934 Euros and 410,230 Euros, respectively (2019: 313,094 Euros and 33,471 Euros respectively), with the purpose of guaranteeing the fulfillment 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.

33. ACCOUNTS PAYABLE

As at 31 December 2019 and 31 December 2020, the **Group** and the **Company** heading Accounts payable showed the following composition:

	2019	2020	2019	2020
Non-current				
Other accounts payable	-	-	309,007	309,007
	-	**-**	**309,007**	**309,007**
Current				
Advances from customers	2,824,160	3,054,584	2,802,829	3,033,262
CNP money orders	87,890,044	88,916,523	87,890,044	88,916,523
Suppliers	76,261,148	87,287,994	61,198,520	65,044,013
Invoices pending confirmation	10,560,107	7,955,395	7,729,040	6,612,905
Fixed assets suppliers	14,189,288	5,808,358	10,386,919	3,702,201
Invoices pending confirmation (fixed assets)	9,543,900	5,688,925	8,927,218	4,605,929
Values collected on behalf of third parties	8,495,311	6,546,335	3,910,828	3,258,226
Postal financial services	153,139,714	154,324,605	153,139,714	154,324,605
Deposits	650,023	567,215	-	-
Charges	2,217,825	1,859,349	835,213	504,569
Compensations	462,549	581,798	73,337	47,229
Postal operators - amounts to be settled	2,222,223	1,722,118	2,222,223	1,721,979
Amounts to be settled to third parties	1,551,500	4,282,230	1,551,500	4,281,776
Amounts to be settled in stores	403,657	495,476	403,657	495,476
Other accounts payable	3,379,216	6,471,998	3,155,963	6,260,739
	373,790,665	**375,562,902**	**344,227,005**	**342,809,432**
	373,790,665	**375,562,902**	**344,536,012**	**343,118,439**

The change in the caption "Suppliers" compared with the previous year is mainly explain by the growth of the activity of "Express & Parcels" segment.

For "Fixed assets suppliers" and "invoices pending confirmation (fixed assets)", there was a decrease compared with the previous year, due to an increased investment level at the end of the year 2019, that did not occur at the year 2020.

CNP money orders

The value of CNP money orders refers to the money orders received from the National Pensions Center (CNP), whose payment date to the corresponding pensioners will occur in the month after the closing of the financial year.

Postal financial services

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. The increase seen is mainly due to the increase registered in the amounts of money orders handled in stores.

Suppliers and fixed assets suppliers

As at 31 December 2019 and 31 December 2020 the **Group** and the **Company** heading Suppliers showed the following composition:

	Group		Company	
	2019	2020	2019	2020
Other suppliers	37,687,552	47,193,407	22,755,573	25,300,309
Postal operators	38,543,677	40,094,570	37,588,225	38,897,690
Group companies (1)	29,919	17	854,722	846,013
	76,261,148	**87,287,995**	**61,198,520**	**65,044,012**

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

As at 31 December 2019 and 31 December 2020, the ageing of the **Group** and the **Company** balance of the headings Suppliers and Fixed assets suppliers is detailed as follows:

Suppliers	Group		Company	
	2019	2020	2019	2020
Non-overdue	27,642,651	34,998,968	17,488,764	17,462,363
Overdue (1):				
0-30 days	8,238,539	10,670,846	4,753,459	7,911,611
31-90 days	9,017,884	8,509,795	8,338,296	7,447,371
91-180 days	3,212,476	3,566,563	3,128,468	3,145,839
181-360 days	9,466,567	8,789,301	9,334,187	8,555,405
>360 days	18,683,031	20,752,520	18,155,347	20,521,424
	76,261,148	**87,287,994**	**61,198,520**	**65,044,013**

(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	
	2019	2020	2019	2020
Non-overdue	9,332,586	3,495,660	7,797,251	2,338,377
Overdue:				
0-30 days	3,970,902	966,213	1,886,499	546,944
31-90 days	352,883	779,933	262,638	396,870
91-180 days	95,600	141,297	67,489	67,286
181-360 days	2,100	35,500	2,100	8,470
>360 days	435,217	389,756	370,943	344,254
	14,189,288	**5,808,358**	**10,386,919**	**3,702,201**

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

	Group		Company	
	2019	2020	2019	2020
Other suppliers	139,518	148,616	-	82,981
Foreign operators	18,543,513	20,603,903	18,155,347	20,438,443
Total	**18,683,031**	**20,752,520**	**18,155,347**	**20,521,424**
Foreign operators - receivable (Note 18)	**(24,406,448)**	**(22,182,980)**	**(23,578,536)**	**(21,699,134)**

The balances between Foreign Operators are cleared by netting accounts. These amounts refer to the accounts receivable balances related to these entities (Note 18).

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 2020.

34. BANKING CLIENTS' DEPOSITS AND OTHER LOANS

As at 31 December 2019 and 31 December 2020, the composition of the heading Banking clients' deposits and other loans in the **Group** is as follows:

	31.12.2019	31.12.2020
Sight deposits	961,771,839	1,207,038,127
Term deposits	169,581,292	178,175,790
Savings deposits	152,214,134	303,251,244
Banking clients' deposits	**1,283,567,265**	**1,688,465,160**
Other credit institutions' deposits	37,850,777	-
Other credit institutions' deposits	**37,850,777**	**-**
	1,321,418,042	**1,688,465,160**

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.

As at 31 December 2019 and 31 December 2020, the residual maturity of banking client deposits and other loans, is detailed as follows:

	31.12.2019					
	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	1,113,985,973	-	-	-	-	1,113,985,973
Term deposits	-	53,164,869	116,416,423	-	-	169,581,292
Banking clients' deposits	**1,113,985,973**	**53,164,869**	**116,416,423**	**-**	**-**	**1,283,567,265**
Other credit institutions' deposits	-	37,850,777	-	-	-	37,850,777
Other credit institutions' deposits	**-**	**37,850,777**	**-**	**-**	**-**	**37,850,777**
	1,113,985,973	**53,164,869**	**116,416,423**	**-**	**-**	**1,321,418,042**

	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
Banking clients' deposits	**1,510,289,371**	**81,534,153**	**96,641,636**	**-**	**-**	**1,688,465,160**
Other credit institutions' deposits	-	-	-	-	-	-
Other credit institutions' deposits	**-**	**-**	**-**	**-**	**-**	**-**
	1,510,289,371	**81,534,153**	**96,641,636**	**-**	**-**	**1,688,465,160**

The caption Other credit institutions' deposits refer to sales transactions with a repurchase agreement by credit institutions abroad.

35. OTHER CURRENT LIABILITIES

As at 31 December 2019 and 31 December 2020, the **Group** and the **Company** heading Other current liabilities showed the following composition:

	Group		Company	
	2019	2020	2019	2020
Current				
Estimated holiday pay, holiday subsidy and other remunerations	45,438,083	45,499,455	39,152,347	39,330,854
Estimated supplies and external services	40,727,670	41,401,260	21,752,223	22,046,043
State and other public entities				
Value Added Tax	3,252,871	2,022,037	2,939,364	1,470,779
Personal income tax withholdings	3,240,540	3,046,625	2,703,138	2,463,736
Social Security contributions	4,400,302	4,495,367	3,549,098	3,452,949
Caixa Geral de Aposentações	1,989,746	1,783,216	1,974,306	1,769,530
Local Authority taxes	474,854	477,886	474,060	465,263
Other taxes	713,489	767,537	-	7,274
Other	116,089	15	116,089	15
	100,353,646	**99,493,397**	**72,660,624**	**71,006,442**

36. INCOME TAXES RECEIVABLE / PAYABLE

As at 31 December 2019 and 31 December 2020 the **Group** and the **Company** heading Income taxes receivable and Income taxes payable showed the following composition:

	Group		Company	
	2019	2020	2019	2020
Current assets				
Corporate income tax	-	-	-	-
	-	**-**	**-**	**-**
Current liabilities				
Corporate income tax	5,958,753	1,340,420	1,948,562	2,439,808
	5,958,753	**1,340,420**	**1,948,562**	**2,439,808**

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

Company	2019	2020
Estimated income tax	(13,670,858)	(7,341,342)
Estimated Group companies' income tax	7,043,476	2,207,060
Payments on account	4,291,045	2,821,694
Withholding taxes	387,775	306,169
Tax contingencies and opportunities	-	(433,389)
	(1,948,562)	**(2,439,808)**

37. FINANCIAL ASSETS AND LIABILITIES

As at 31 December 2019 and 31 December 2020, the categories of financial assets and liabilities regarding the **Group** were broken down as follows:

Group	2019 Amortised cost	Fair value through Other comprehensive income	Fair value through Profit and Loss	Other financial liabilities	Non-financial assets/ liabilities	Total
Assets						
Other investments (Note 13)	-	1,379,137	-	-	-	1,379,137
Non-current debt securities (Note 14)	424,322,759	528,420	-	-	-	424,851,179
Other non-current assets (Note 23)	1,543,308	-	-	-	-	1,543,308
Non-current credit to bank clients (Note 19)	792,469,611	-	-	-	-	792,469,611
Other non-current banking financial assets (Note 15)	18,762,167	-	1,882	-	-	18,762,167
Current accounts receivable (Note 18)	146,471,712	-	-	-	-	146,471,712
Current credit to bank clients (Note 19)	93,350,959	-	-	-	-	93,350,959
Current debt securities (Note 14)	31,546,424	13,727	-	-	-	31,560,152
Other current assets (Note 23)	8,731,765	-	-	-	27,034,463	35,766,227
Other current banking financial assets (Note 15)	13,182,971	-	-	-	1,477,315	14,660,286
Cash and cash equivalents (Note 22)	442,995,724	-	-	-	-	442,995,724
Total Financial assets	**1,973,377,400**	**1,921,285**	**1,882**	**-**	**28,511,778**	**2,003,810,463**
Liabilities						
Non-current debt (Note 30)	-	-	-	148,597,934	-	148,597,934
Other non-current banking financial liabilities (Note 15)	-	-	-	76,060,295	-	76,060,295
Current accounts payable (Note 33)	-	-	-	360,079,510	13,711,155	373,790,665
Banking client deposits and other loans (Note 34)	-	-	-	1,321,418,042	-	1,321,418,042
Current debt (Note 30)	-	-	-	26,813,567	-	26,813,567
Other current liabilities (Note 35)	-	-	-	40,843,760	59,509,886	100,353,646
Other current banking financial liabilities (Note 15)	-	-	-	17,073	17,970,646	17,987,719
Total Financial liabilities	**-**	**-**	**-**	**1,973,830,181**	**91,191,686**	**2,065,021,868**

Group	2020 Amortised cost	Fair value through Other comprehensive income	Fair value through Profit and Loss	Other financial liabilities	Non-financial assets/ liabilities	Total
Assets						
Other investments (Note 13)	-	-	-	-	6,394	6,394
Non-current debt securities (Note 14)	453,090,517	12,273,557	-	-	-	465,364,074
Other non-current assets (Note 23)	1,063,789	-	-	-	-	1,063,789
Non-current credit to bank clients (Note 19)	985,355,687	-	-	-	-	985,355,687
Other non-current banking financial assets (Note 15)	11,420,776	-	2,107	-	-	11,422,884
Current accounts receivable (Note 18)	153,616,009	-	-	-	-	153,616,009
Current credit to bank clients (Note 19)	107,925,845	-	-	-	-	107,925,845
Current debt securities (Note 14)	45,160,057	7,281,273	-	-	-	52,441,330
Other current assets (Note 23)	7,817,139	-	-	-	25,911,446	33,728,585
Other current banking financial assets (Note 15)	27,504,441	-	-	-	1,952,072	29,456,513
Cash and cash equivalents (Note 22)	518,180,171	-	-	-	-	518,180,171
Total Financial assets	**2,311,134,430**	**19,554,830**	**2,107**	**-**	**27,869,913**	**2,358,561,280**
Liabilities						
Non-current debt (Note 30)	-	-	-	164,034,127	-	164,034,127
Other non-current banking financial liabilities (Note 15)	-	-	-	44,506,988	-	44,506,988
Current accounts payable (Note 33)	-	-	-	356,528,136	19,034,767	375,562,902
Banking client deposits and other loans (Note 34)	-	-	-	1,688,465,160	-	1,688,465,160
Current debt (Note 30)	-	-	-	42,832,626	-	42,832,626
Other current liabilities (Note 35)	-	-	-	41,401,275	58,092,122	99,493,397
Other current banking financial liabilities (Note 15)	-	-	-	10,936	21,475,716	21,486,652
Total Financial liabilities	**-**	**-**	**-**	**2,337,779,247**	**98,602,605**	**2,436,381,852**

The assets and liabilities fair value, for the captions that differ from the book value, as at 31 December 2019 and 31 December 2020, is analyzed as follows:

	2019 Book value	2019 Fair value	2020 Book value	2020 Fair value
Financial assets				
Credit to bank clients	885,820,570	892,174,737	1,093,281,532	1,098,651,757
Debt securities - Financial assets at amortised cost	455,869,183	490,960,823	498,250,574	543,316,403
Financial liabilities				
Other banking financial liabilities - Debt securities issued	76,077,368	76,992,755	44,517,924	44,517,924

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 2019, is analyzed as follows:

Caption	31.12.2019 Valuation methods Level 1	Level 2	Level 3	Total
Other Investments	-	-	1,379,137	1,379,137
Debt Securities	476,778,436	14,724,533	-	491,502,970
Other non-curren assets	-	-	1,543,308	1,543,308
Credit to bank clients	-	-	892,174,737	892,174,737
Other banking financial assets	1,882	-	33,420,571	33,422,453
Accounts receivables	-	-	146,471,712	146,471,712
Other current assets	-	-	35,766,227	35,766,227
Cash and cash equivalents	442,995,724	-	-	442,995,724
Total Financial Assets Fair Value	**919,776,042**	**14,724,533**	**1,110,755,692**	**2,045,256,268**
Debt	-	-	175,411,501	175,411,501
Other banking financial liabilities	-	76,992,755	17,970,646	94,963,401
Accounts payable	-	-	373,790,665	373,790,665
Banking clients' deposits and other loans	-	-	1,321,418,042	1,321,418,042
Other current liabilities	-	-	24,276,278	100,353,646
Total Financial Liabilities Fair Value	**-**	**76,992,755**	**1,912,867,132**	**2,065,937,255**

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

Caption	31.12.2020 Valuation methods Level 1	Level 2	Level 3	Total
Other Investments	-	-	6,394	6,394
Debt Securities	543,587,033	15,484,200	3,800,000	562,871,233
Other non-curren 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 main methods and assumptions used to estimate the fair value of the financial assets and liabilities recorded in the balanced sheet at amortized cost are analyzed as follows:

Cash and Cash Equivalents

These assets are very short-term; hence, their book value is a reasonable estimate of their 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:

Mortgage Loans

Fair value is calculated by discounting, at the average rates of the production of December, the expected cash flows throughout the life of the contracts considering the historical pre-payment rates.

Auto Loans

Fair value is calculated by discounting, at the average rates of the production of December, the expected cash flows throughout the life of the contracts considering the historical pre-payment rates.

Other

This type of credit is very short-term; hence, its book value is a reasonable estimate of its fair value.

Other banking financial liabilities

These assets 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.

Regarding the **Company**, as at 31 December 2019 and 31 December 2020, the categories of financial assets and liabilities were broken down as follows:

Company	2019 Amortised cost	Fair value through Other comprehensive income	Fair value through Profit and Loss	Other financial liabilities	Non-financial assets/ liabilities	Total
Assets						
Other investments (Note 13)	-	1,379,137	-	-	-	1,379,137
Non-current shareholders (Note 50)	15,058,000	-	-	-	-	15,058,000
Non-current accounts receivable (Note 18)	661,287	-	-	-	-	661,287
Other non-current assets (Note 23)	1,237,070	-	-	-	-	1,237,070
Current accounts receivable (Note 18)	112,842,210	-	-	-	-	112,842,210
Current shareholders (Note 50)	1,350,000	-	-	-	339,268	1,689,268
Other current assets (Note 23)	8,881,347	-	-	-	18,058,027	26,939,374
Cash and cash equivalents (Note 22)	261,591,807	-	-	-	-	261,591,807
Total Financial assets	**401,621,721**	**1,379,137**	**-**	**-**	**18,397,295**	**421,398,153**
Liabilities						
Non-curent accounts payable (Note 33)	-	-	-	309,007	-	309,007
Non-current debt (Note 30)	-	-	-	127,316,593	-	127,316,593
Current accounts payable (Note 33)	-	-	-	333,182,282	11,044,722	344,227,004
Shareholders (Note 50)	-	-	-	-	22,109,176	22,109,176
Current debt (Note 30)	-	-	-	12,898,704	-	12,898,704
Other current liabilities (Note 35)	-	-	-	21,868,312	50,792,312	72,660,624
Total Financial liabilities	**-**	**-**	**-**	**495,574,898**	**83,946,209**	**579,212,100**

Company	2020 Amortised cost	Fair value through Other comprehensive income	Fair value through Profit and Loss	Other financial liabilities	Non-financial assets/ liabilities	Total
Assets						
Other investments (Note 13)	-	-	-	-	6,394	6,394
Non-current shareholders (Note 50)	31,930,000	-	-	-	-	31,930,000
Non-current accounts receivable (Note 18)	495,932	-	-	-	-	495,932
Other non-current assets (Note 23)	635,508	-	-	-	-	635,508
Current accounts receivable (Note 18)	111,665,473	-	-	-	-	111,665,473
Current shareholders (Note 50)	2,700,000	-	-	-	114,464	2,814,465
Other current assets (Note 23)	12,234,425	-	-	-	17,496,646	29,731,071
Cash and cash equivalents (Note 22)	268,113,910	-	-	-	-	268,113,910
Total Financial assets	**427,775,249**	**-**	**-**		**17,617,505**	**445,392,754**
Liabilities						
Non-curent accounts payable (Note 33)	-	-	-	309,007	-	309,007
Non-current debt (Note 30)	-	-	-	135,302,537	-	135,302,537
Current accounts payable (Note 33)	-	-	-	326,464,402	16,345,030	342,809,432
Shareholders (Note 50)	-	-	-	-	25,403,386	25,403,386
Current debt (Note 30)	-	-	-	27,245,348	-	27,245,348
Other current liabilities (Note 35)	-	-	-	22,046,058	48,960,384	71,006,442
Total Financial liabilities	**-**	**-**	**-**	**511,367,352**	**90,708,800**	**602,076,152**

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.

38. SUBSIDIES OBTAINED

As at 31 December 2019 and 31 December 2020, the information regarding subsidies or grants obtained (Note 2.24) to the **Group** and the **Company** was as follows:

2019

	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	9,580,624	305,691	9,868,022	9,714,706	153,316	9,562,331	305,691
Operating subsidy	200,667	200,667	-	200,667	-	177,045	177,045	-	177,045	-
	10,086,982	**9,933,666**	**153,316**	**9,781,291**	**305,691**	**10,045,067**	**9,891,751**	**153,316**	**9,739,376**	**305,691**

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**	**9,750,578**	**294,490**

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.

The amounts received were initially deferred (Note 20) and transferred to the income statement to the caption Other operating income, to the extent that the expenses were recognized.

39. SALES AND SERVICES RENDERED

For the years ended 31 December 2019 and 31 December 2020, the significant categories of the **Company** revenue were as follows:

Company	2019	2020
Sales	18,224,386	23,920,393
Mail services rendered	441,949,622	389,784,042
Postal financial services	41,673,750	37,453,338
Electronic vehicle identification devices	5,792,169	3,965,952
Telecommunication services	7,469	1,369
Other services	14,650,162	13,708,239
	522,297,559	**468,833,332**

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:

	2019	2020
Photocopies Certification	237,390	206,603
Reg. Aut. Madeira and Azores transport allowance	1,144,577	479,335
Others Philately	108,319	94,067
Costums presentation tax	1,787,448	1,698,229
Corfax	46,746	21,259
Non-adressed mail	218,319	257,317
Portugal Telecom services	60,388	64,471
Digital mailRoom	516,786	529,466
Other services	10,530,189	10,357,493
	14,650,162	**13,708,239**

In the periods ended 31 December 2019 and December 2020, there are no variable components associated with contracts with customers with associated uncertainty.

40. FINANCIAL MARGIN

As at 31 December 2019 and 31 December 2020, the composition of the **Group** heading Financial margin was as follows:

Group	2019	2020
Interest and similar income calculated using the effective interest method	**30,958,390**	**45,961,935**
Interest on loans and advances to credit institutions repayable on demand	-	-
Interest on financial assets at amortised cost		
Loans and advances to credit institutions	566,743	416,173
Loans and advances to customers	23,272,204	37,852,913
Debt securities	7,110,170	7,519,827
Interest on financial assets at fair value through other comprehensive income		
Debt securities	10,706	175,412
Other interest	(1,432)	(2,390)
Interest expense and similar charges	**1,642,534**	**1,325,028**
Interest on financial liabilities at amortised cost		
Resources from credit institutions	(101,875)	2,367
Resources from customers	974,110	863,022
Debt securities issued	766,137	459,639
Other interest	4,162	-
	29,315,856	**44,636,907**

The caption Interest and similar income for the year ended 31 December 2020 includes the amount of 1,365 thousand Euros related to impaired financial assets - Stage 3 (2019: 103 thousand Euros).

The hedging Interest on loans and advances to customers includes the amount of -7,394 thousand Euros (2019: (102) 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 resources from other credit institutions in 2019, in the amount of (102) thousand Euros essentially includes sales operations with repurchase agreement, contracted at market rates.

41. OTHER OPERATING INCOME

For the years ended 31 December 2019 and 31 December 2020, the composition of the **Group** and the **Company** heading Other operating income was as follows:

	Group		Company	
	2019	2020	2019	2020
Supplementary revenues	3,256,790	2,837,027	34,651,067	40,664,394
Early settlement discounts received	51,172	64,386	4,664	1,957
Gains inventories	32,930	-	32,930	0
Favourable exchange rate differences of assets and liabilities other than financing	709,792	605,134	694,618	455,612
Income from financial investments	292,824	325,746	237,979	291,969
Income from non-financial investments	8,116	3,159	8,116	-
Results from other assets' sale	-	33,716	-	-
Income from fees and commissions	10,705,112	16,500,995	-	-
Interest income and expenses - financial services	42,232	20,823	42,232	20,823
VAT adjustments	1,366,411	2,103,291	1,366,411	2,103,291
Other	6,483,025	5,255,127	3,503,228	1,172,743
	22,948,405	**27,749,403**	**40,541,244**	**44,710,790**

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	2019	2020
Income from fees and commissions		
From banking services	6,466,858	10,450,367
From credit intermediation services	2,309,704	1,747,771
From insurance mediation services	1,902,130	4,304,496
From other commissions	26,420	(1,639)
	10,705,112	**16,500,995**

The increase in banking services revenue is mainly explained by the increase in customer transactionality, mortgage loans, as well as accounts and debit cards, boosted by the introduction of debit card commissions from the beginning of April 2020. Regarding the insurance mediation service, the change is explained by: i) increase in savings products placement (life insurance), ii) increase in insurance brokerage related to CH (life insurance and multi-risk house insurance) and iii) additional 4-month contribution from 321 Crédito, which integrated the consolidation perimeter in May 2019.

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

Company	2019	2020
Royalties	500,000	500,000
Services rendered to Group companies [1]	30,941,482	37,246,775
Rental of spaces in urban buildings	1,814,565	1,697,428
Other	1,395,019	1,220,191
	34,651,067	**40,664,394**

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

42. EXTERNAL SUPPLIES AND SERVICES

For the years ended 31 December 2019 and 31 December 2020, the composition of the **Group** and the **Company** heading External supplies and services was as follows:

	Group		Company	
	2019	2020	2019	2020
Subcontracts	15,121,435	14,829,636	74,432	222,435
Specialised services	65,514,522	63,377,290	32,601,744	27,018,701
Specialized services rendered by Group companies [1]	91,075	51,867	3,095,207	2,128,748
Materials	2,309,113	2,853,106	1,357,027	2,132,104
Energy and fuel	15,551,778	14,416,914	13,535,387	12,323,181
Staff transportation	161,870	143,251	158,451	140,206
Transportation of goods	75,007,059	92,769,127	11,643,465	12,374,505
Rents				
Vehicle operational lease	3,050,726	2,772,287	2,586,907	2,318,683
Other rental charge	4,549,422	4,072,694	3,321,965	3,058,115
Communication	1,141,523	1,342,407	257,823	160,425
Insurance	1,618,170	1,792,058	582,243	729,684
Litigation and notary	266,326	114,237	125,084	(9,287)
Cleaning, hygiene and confort	3,773,371	4,420,685	3,324,839	3,821,759
Postal Agencies	6,649,249	7,090,149	6,667,136	7,103,106
Postal operators	25,253,612	21,594,499	24,172,506	20,378,767
Delivery subcontracting	5,901,760	5,865,959	5,901,760	5,865,959
Other services	16,815,509	18,638,586	8,343,015	7,595,067
Other services rendered by Group companies [1]	-	38	3,349,653	3,833,170
	242,776,520	**256,144,789**	**121,098,644**	**111,195,328**

[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.

43. STAFF COSTS

During the years ended 31 December 2019 and 31 December 2020, the composition of the **Group** and the **Company** heading Staff Costs was as follows:

	Group		Company	
	2019	2020	2019	2020
Remuneration	268,429,904	266,770,200	232,823,494	227,803,433
Employee benefits	7,099,788	7,307,244	7,028,821	7,160,129
Indemnities	9,380,970	1,079,873	8,660,030	623,288
Social Security charges	58,766,637	57,290,969	50,867,435	48,664,862
Occupational accident and health insurance	4,671,145	4,445,359	4,388,609	4,168,839
Social welfare costs	7,609,370	5,449,279	7,115,486	4,910,537
Other staff costs	46,551	145,183	-	-
	356,004,365	**342,488,107**	**310,883,876**	**293,331,088**

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

As at 31 December 2019 and 31 December 2020, the fixed and variable remunerations attributed to the members of the statutory bodies of CTT, SA, were as follows:

Company	2019 Board of Directors	Audit Comitee	Remuneration Board	General Meeting of Shareholders	Total
Short-term remuneration					
Fixed remuneration	2,523,191	204,857	55,800	14,000	2,797,848
Annual variable remuneration	801,968	-	-	-	801,968
	3,325,159	**204,857**	**55,800**	**14,000**	**3,599,816**
Long-term remuneration					
Defined contribution plan RSP	203,442	-	-	-	203,442
Long-term variable remuneration	-	-	-	-	-
	203,442	**-**	**-**	**-**	**203,442**
	3,528,601	**204,857**	**55,800**	**14,000**	**3,803,258**

Company	2020 Board of Directors	Audit Comitee	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**
Long-term remuneration					
Defined contribution plan RSP	229,483	-	-	-	229,483
Long-term variable remuneration	201,592	-	-	-	201,592
	431,075	**-**	**-**	**-**	**431,075**
	2,981,419	**153,779**	**31,910**	**14,000**	**3,181,108**

CTT approved, with effect from 31 December 2017, the Remuneration Regulation for Members of the Statutory Bodies for the period 2017-2019, which defines the allocation of a long-term variable remuneration, to be paid in cash (note 2.21). The plan was considered as "cash settlement" which, according to IFRS 2, implies that the liability should be annually updated and any changes resulting therefrom should be recorded in the income statement.

It is in progress, the preparation of a new Remuneration Regulation for Members of the Statutory Bodies for the period 2020-2022, which, at this date, has not yet been concluded and approved. This regulation changes the long-term variable remuneration to a "stock option" mechanism, however, it will only come into force after its approval at the General Meeting. In this view, for the year 2020, the previous regulation remained in force.

The amount to be attributed to the members of the CTT Executive Committee is based on the results of the performance evaluation during the term of office (1 January 2020 to 31 December 2022), which consists of (i) a comparison of the recorded performance of the Total Shareholder Return (TSR) of CTT shares and the TSR of a weighted peer group, composed of national and international companies (ii) the sum of the overall annual qualitative AVR assessments of the executive Directors and (iii) the investment in CTT shares of a minimum of 25% of the AVR amount received by each Director. This calculation is performed by an independent entity and, if attributed, will be paid at the end of the 2020-2022 term. It should be noted, however, that the drafting of the new regulation for the 2020-2022 is under preparation, so this situation will be reassessed.

Following the study carried out by an independent entity on 31 December 2020, an amount of 201,592 Euros was determined and recognized in expenses for the period 2020 and will be settled at the end of the three years, if the conditions for the attribution are met.

For the year ended 31 December 2019, the amount of 801,968 Euros was recognized as Annual Variable Compensation for the members of the Statutory Bodies. Due to the COVID-19 pandemic, and by resolution of the Annual General Meeting, the non-payment of profit-sharing bonuses was approved, and the annual variable remuneration was suspended, and the 801,968 Euros not yet paid is recognized in the caption "other current liabilities" as at 31 December 2020.

In the year ended 31 December 2020, there is no place for the payment of annual variable compensation to the members of Statutory Bodies.

Remuneration

The change in the "Remuneration" caption arises essentially from the combined effects of the workers exits observed at the end of 2019 under the HR Optimization Program and absenteeism following COVID-19, both with an impact on the remunerations of 2020.

In 2020, compensations of 2,422,749 Euros and 2,284,679 Euros were paid to the **Group** and **Company**'s employees, respectively, regarding to the 2019 performance and an extraordinary compensation of 526,111 Euros to employees who during the confinement period were at the front line, exposed to the contagion risk.

Indemnities

During the period ended 31 December 2020, this caption includes the amount of 234,583 Euros (2019: 8,378,074 Euros) related to compensation paid to employees for termination of employment contracts by mutual agreement. In 2019, the amount also includes the amounts paid to the executive members of the Board of Directors who resigned their mandate.

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 decrease in social welfare cost is due to a lower use of healthcare services, due to the COVID-19 impact on the Health system.

As at 31 December 2019 and 31 December 2020, the **Group** and the **Company** heading Staff costs includes the amounts of 771,157 Euros and 539,178 Euros, respectively, related to expenses with workers' representative bodies.

For the year ended 31 December 2020, the average number of staff of the **Group** and the **Company** was 12,218 and 10,600 employees, respectively, (12,369 employees and 10,852 employees in the year ended 31 December 2019).

44. IMPAIRMENT OF ACCOUNTS RECEIVABLE AND IMPAIRMENT OF OTHER FINANCIAL BANKING ASSETS

For the years ended 31 December 2019 and 31 December 2020, 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	
	2019	2020	2019	2020
Impairment of accounts receivable				
Impariment losses				
Accounts receivable	7,204,092	5,390,793	585,751	943,189
Other current and non-current assets	1,464,196	1,886,462	1,400,753	1,865,313
Slight and term deposits	5,352	551	4,868	329
	8,673,640	7,277,806	1,991,373	2,808,831
Reversals of impairment losses				
Accounts receivable	766,236	2,014,668	-	-
Other current and non-current assets	100,275	85,730	85,981	58,236
Slight and term deposits	6,723	2,965	-	358
	873,234	2,103,363	85,981	58,594
Bad debts	-	438,656	-	44,360
Net movement of the period	**(7,800,406)**	**(5,613,099)**	**(1,905,392)**	**(2,794,597)**
Impairment of other financial banking assets				
Impariment losses				
Debt securities	34,209	34,128	-	-
Other current and non-current assets	121,598	-	-	-
Other banking financial assets	341,194	55,800	-	-
Credit to banking clients	7,708,015	13,328,302	-	-
	8,205,016	13,418,231	-	-
Reversals of impairment losses				
Debt securities	84,191	16,286	-	-
Other banking financial assets	371,191	1,185,147	-	-
Credit to banking clients	4,653,998	3,299,828	-	-
	5,109,380	4,501,262	-	-
Net movement of the period	**(3,095,636)**	**8,916,969**	**-**	**-**
	(10,896,042)	**(14,530,068)**	**(1,905,392)**	**(2,794,597)**

45. DEPRECIATION/AMORTIZATION (LOSSES/REVERSALS)

For the years ended 31 December 2019 and 31 December 2020, the detail of Depreciation/ amortization and impairment losses, net, regarding the **Group** and the **Company** was as follows:

	Group		Company	
	2019	2020	2019	2020
Tangible fixed assets				
Depreciation (Note 5)	40,921,520	44,218,514	33,528,670	35,713,613
Impairment losses (Note 5)	(83)	(4,712)	(83)	(4,712)
Intangible assets				
Amortisation (Note 6)	13,538,108	17,887,283	7,781,968	10,952,356
Impairment losses (Note 6)	-	-	-	-
Investment properties				
Depreciation (Note 7)	261,092	235,404	261,092	235,404
Impairment losses (Note 7)	(494,358)	(298,836)	(494,358)	(298,836)
Non-current assets held for sale				
Impairment losses (Note 21)	(3,050)	98,169	-	-
	54,223,229	**62,135,823**	**41,077,288**	**46,597,825**

46. OTHER OPERATING COSTS

For the years ended 31 December 2019 and 31 December 2020, the breakdown of the **Group** and the **Company** heading Other operating costs was as follows:

	Group		Company	
	2019	2020	2019	2020
Taxes and other fees	2,668,371	2,721,475	2,361,379	1,999,246
Other contributions	176,087	-	-	-
Bad debts	143,612	-	74,384	-
Losses in inventories	89,672	267,760	89,705	267,694
Unfavourable exhange rate differences of assets	662,942	1,453,507	508,032	1,258,145
Donations	1,018,272	882,540	1,018,272	877,938
Bankingservices	3,101,828	3,184,090	2,898,942	2,983,026
Interest on arrears	72,736	6,314	53,642	2,800
Contractual penalties	8,137	30,622	8,137	30,622
Subscriptions	851,938	720,270	739,243	633,249
Expenses of fees and commissions	3,483,868	3,546,641	-	-
Deposits Guarantee Fund/ Resolution unified Fund	-	212,410	-	-
Indemnities	1,769,026	286,475	569,168	132,834
Other costs	2,186,652	2,882,423	502,522	566,864
	16,233,140	**16,194,526**	**8,823,425**	**8,752,418**

The caption "Taxes and other fees" in the **Group** includes the amounts of 1,315,953 Euros and 1,388,485 Euros, for the years ended 31 December 2019 and 31 December 2020, respectively, relating to ANACOM fees.

The caption "Deposits Guarantee Fund/ Resolution unified Fund", previously designated by "Other contributions" essentially includes:

a) The amounts of 76,816 Euros and 82,360 Euros as at 31 de December 2019 and 31 December 2020, 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 19,004 Euros and 127,511 Euros as at 31 de December 2019 and 31 December 2020, 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 2019 and 31 December 2020, these amounts were, respectively, 78,514 Euros and 304,284 Euros and are booked under the caption "Taxes and other fees".

The caption "Expenses of fees and commissions" is detailed as follows:

Group	2019	2020
Expenses of fees and commissions		
From banking services	3,391,747	3,391,067
From securities operations	64,606	108,109
From other services	27,515	47,466
	3,483,868	**3,546,641**

47. GAINS/LOSSES ON DISPOSALS OF ASSETS

For the years ended 31 December 2019 and 31 December 2020, the heading Gains/losses on disposals of assets of the **Group** and the **Company** had the following detail:

	Group		Company	
	2019	2020	2019	2020
Losses on disposal of assets	(143,213)	(244,025)	(116,525)	(281)
Gains on disposal of assets	632,124	695,494	569,301	678,783
	488,912	**451,469**	**452,776**	**678,502**

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.

48. INTEREST EXPENSES AND INTEREST INCOME

For the years ended 31 December 2019 and 31 December 2020, the heading Interest Expenses of the **Group** and the **Company** had the following detail:

	Group		Company	
	2019	2020	2019	2020
Interest expenses				
Bank loans	1,109,248	1,678,800	1,066,903	1,627,967
Lease liabilities	3,663,261	3,270,933	2,424,680	2,075,214
Other interest	67	150,938	-	150,936
Interest costs from employee benefits (Note 31)	5,436,839	4,467,065	5,405,026	4,439,253
Other interest costs	211,755	92,450	198,055	72,643
	10,421,170	**9,660,185**	**9,094,665**	**8,366,012**

During the years ended 31 December 2019 and 31 December 2020, the **Group** and the **Company** heading Interest income was detailed as follows:

	Group		Company	
	2019	2020	2019	2020
Interest income				
Deposits in credit institutions	39,298	20,091	22,723	3,393
Loans to Group companies [(1)]	-	-	304,145	521,845
Other supplementary income	24,311	-	24,311	-
	63,609	**20,091**	**351,179**	**525,238**

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

49. INCOME TAX FOR THE PERIOD

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., 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.

Reconciliation of the income tax rate

For the years ended 31 December 2019 and 31 December 2020, the reconciliation between the nominal rate and the effective income tax rate of the **Group** and the **Company** was as follows:

	Group		Company	
	31.12.2019	31.12.2020	31.12.2019	31.12.2020
Earnings before taxes (a)	35,527,163	23,125,508	45,742,896	24,061,113
Nominal tax rate	21.0%	21.0%	21.0%	21.0%
	7,460,704	**4,856,357**	**9,606,008**	**5,052,834**
Tax Benefits	(431,942)	(414,000)	(340,274)	(291,026)
Accounting capital gains/ (losses)	(91,900)	(142,485)	(86,387)	(142,485)
Tax capital gains/ (losses)	381	79,823	(2,357)	79,823
Equity method	294,130	365,721	2,687,127	365,721
Provisions not considered in the calculation of deferred taxes	(48,029)	67,912	(909)	8,174
Impairment losses and reversals	664,438	543,524	318,102	397,220
Compensation for insurable events	216,833	56,265	161,447	23,946
Depreciation and car rental charges	56,617	50,916	23,042	21,841
Credits uncollectible	25,390	12,804	10,852	8,709
Difference between current and deferred tax rates	(1,648)	(12,451)	(1,648)	(12,451)
Fines, interest, compensatory interest and other charges	34,672	42,318	8,411	15,594
Other situations, net	982,156	(330,516)	598,501	(1,219,862)
Adjustments related with - autonomous taxation	567,037	753,513	454,508	654,732
Adjustments related with - undistributed variable remuneration	255,677	894,342	253,145	888,942
SIFIDE tax credit	-	(3,300,000)	-	(825,000)
Insuficiency / (Excess) estimated income tax	(7,685,038)	943,767	(401,340)	1,091,958
Subtotal (b)	2,299,478	4,467,808	13,288,228	6,118,669
(b)/ (a)	6.47%	19.32%	29.05%	25.43%
Adjustments related with - Municipal Surcharge	913,448	561,129	693,247	326,873
Adjustments related with - State Surcharge	3,029,537	1,330,036	2,564,487	894,576
Income taxes for the period	**6,242,463**	**6,358,973**	**16,545,962**	**7,340,119**
Effective tax rate	17.57%	27.50%	36.17%	30.51%
Income taxes for the period				
Current tax	9,126,335	8,354,687	13,670,858	7,341,342
Deferred tax	4,801,166	360,519	3,276,444	(268,181)
SIFIDE tax credit	-	(3,300,000)	-	(825,000)
Insuficiency / (Excess) estimated income tax	(7,685,038)	943,767	(401,339)	1,091,958
	6,242,463	**6,358,973**	**16,545,962**	**7,340,119**

In the year ended 31 December 2019, the heading "Insufficiency / (Excess) estimated income tax" refers essentially to the tax credit related to SIFIDE for the year 2017 in the amount of 650,383 Euros, as well as to the excess / insufficiency of the IRC estimate for the years 2016, 2017 and 2018, in the net amount of 7,034,655 Euros. The excess of the IRC estimate for the year 2016 relates to an IRC refund in the amount of €6.8m following Tax Authority's favorable decision regarding the deduction of the tax loss on CTT Expresso's sale of Tourline in the 2016 financial year.

In the year ended 31 December 2020, the heading "Insufficiency / (Excess) estimated income tax" refers essentially to the recognition of an IRC estimate insufficiency related to previous tax periods.

Regarding the financial year 2020, it is possible to anticipate a tax credit estimated in the total amount of 3,300,000 Euros for the **Group** and 825,000 Euros for the **Company**, as a result of the contributions to the TechTree FCR Fund. Due to the specificities

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and estimate of the effective probability of attribution, this credit was recognized under IFRIC 23. This amount is booked in the caption "SIFIDE tax credit".

Deferred taxes

As at 31 December 2019 and 31 December 2020, the balance of the **Group** and the **Company** deferred tax assets and liabilities was composed as follows:

	Group		Company	
	31.12.2019	**31.12.2020**	**31.12.2019**	**31.12.2020**
Deferred tax assets				
Employee benefits - healthcare	76,839,990	75,924,327	76,839,990	75,924,327
Employee benefits - pension plan	84,668	73,758	-	-
Employee benefits - other long-term benefits	2,868,626	3,182,468	2,868,626	3,182,468
Impairment losses and provisions	5,032,656	3,573,262	3,124,282	3,229,146
Tax losses carried forward	1,289,985	786,994	-	-
Impairment losses in tangible fixed assets	385,810	408,756	385,810	408,756
Long-term variable remuneration (Board of diretors)	-	53,978	-	53,978
Land and buildings	356,809	355,770	356,809	355,770
Tangible assets' tax revaluation regime	1,924,292	1,603,577	1,924,292	1,603,577
Other	546,970	1,928,978	39,732	22,622
	89,329,806	**87,891,868**	**85,539,541**	**84,780,644**
Deferred tax liabilities				
Revaluation of tangible fixed assets before IFRS	2,137,282	1,955,171	2,137,282	1,955,171
Suspended capital gains	718,036	684,191	718,036	684,191
Non-current assets held for sale	83,010	83,010	-	-
Other	19,787	71,326	-	-
	2,958,115	**2,793,698**	**2,855,318**	**2,639,362**

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 2020 the deferred tax asset amounts to 1,603,577 Euros.

As at 31 December 2020, the expected amount of deferred tax assets and liabilities to be settled within 12 months is 3.4 million Euros and 0.2 million Euros, respectively, regarding the **Group** and the **Company**.

During the years ended 31 December 2019 and 31 December 2020, the movements which occurred under the deferred tax headings of the **Group** and the **Company** were as follows:

	Group		Company	
	31.12.2019	**31.12.2020**	**31.12.2019**	**31.12.2020**
Deferred tax assets				
Opening balances	81,734,114	89,329,806	79,559,985	85,539,541
Changes in the consolidation perimeter	1,679,394	-	-	-
Effect on net profit				
Employee benefits - healthcare	(664,362)	(104,541)	(664,362)	(104,541)
Employee benefits - pension plan	(10,581)	-	-	-
Employee benefits - other long-term benefits	223,382	317,812	223,382	313,844
Impairment losses and provisions	(287,039)	(90,940)	(280,898)	104,862
Tax losses carried forward	(2,904)	(502,991)	-	-
Impairment losses in tangible fixed assets	102,337	22,946	102,336	22,946
Long-term variable remuneration (Board of diretors)	-	53,978	-	53,978
Land and buildings	(95,203)	(1,039)	(95,203)	(1,039)
Tangible assets' tax revaluation regime	(320,715)	(320,715)	(320,715)	(320,715)
Other	(47,157)	52,981	14,246	(17,110)
Effect on equity				
Employee benefits - healthcare	7,000,770	(766,465)	7,000,770	(811,122)
Employee benefits - pension plan	17,769	(10,910)	-	-
Other	-	(88,054)	-	-
Closing balance	**89,329,806**	**87,891,869**	**85,539,541**	**84,780,644**

	Group		Company	
	31.12.2019	**31.12.2020**	**31.12.2019**	**31.12.2020**
Deferred tax liabilities				
Opening balances	3,108,662	2,958,115	3,083,265	2,855,318
Changes in the consolidation perimeter	83,010	-	-	-
Effect on net profit				
Revaluation of tangible fixed assets before IFRS adoption	(200,606)	(182,111)	(200,606)	(182,111)
Suspended capital gains	(27,341)	(33,845)	(27,341)	(33,845)
Non-current assets held for sale	-	-	-	-
Other	(5,610)	-	-	-
Effect on equity				
Fair Value Reserve	-	19,645	-	-
Other	-	31,895	-	-
Closing balance	**2,958,115**	**2,793,698**	**2,855,318**	**2,639,362**

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:

	31.12.2019		31.12.2020	
Group	Tax losses	Deferred tax assets	Tax losses	Deferred tax assets
CTT – Expresso, S.A., branch in Spain	47,586,401	-	72,471,042	-
CTT Expresso/ Transporta	6,142,786	1,289,985	6,142,786	783,366
Total	**53,729,187**	**1,289,985**	**78,613,828**	**783,366**

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 and 2019 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 CTT Expresso/Transporta the tax losses refer to the years 2017 and 2018 of the company Transporta, which was merged in CTT Expresso during the year 2019 and may be carried forward in the next 7 years (previously 5 years but extended to 7 years due to the exceptional measures approved to deal with adverse consequences caused by the pandemic COVID-19). The recognition of deferred t ax assets related to Transporta's tax losses carried forward was supported by the estimate of CTT Expresso's future taxable profits, based on the company's five-year business plan (until 2025).

It should be noted that, following the acquisition of Transporta, a request was made to m aintain 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), which are still awaiting an answer from the Tax Authority. Upon a favorable answer to the request submitted, an asset may be recognized in the future for deferred taxes on those tax losses.

The sensitivity analysis performed allows us to conclude that a 1% reduction in the underlying rate of deferred tax would imply an increase in the income tax for the period of about 2.3 million Euros in the **Group** and in the **Company**.

SIFIDE

Taking into consideration 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.

Regarding the expenses incurred with R&D by the **Group** and the **Company** in the financial year of 2018, a tax credit of 230,238 Euros and 216,176 Euros, respectively, was attributed by the Certification Committee, during 2020.

For the year ended 31 December 2019, with the delivery of the application, the expenses incurred with R&D, of 1,422,552 Euros and 1,224,748 Euros, respectively, the **Group** and the **Company** will have the possibility of benefiting from a tax deduction in corporate income tax estimated at 753,235 Euros and 594,336 Euros, respectively.

Regarding the economic period of 2020, the **Group** and the **Company** are still identifying and quantifying the expenses incurred with R&D that will integrate the applications that will be submitted during the year 2021.

The gains related with I&D expenses incurred in 2019 and 2020 are not yet been recognized, since the **Group** and the **Company** only recognize the tax credit with the effective receipt from the commission certification statement, certifying the eligibility of expenses presented in the applications.

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 2017 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 2020.

50. 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 the party has, directly or indirectly, the power to guide the financial and operational policies of an entity in order to obtain benefits from its activities. 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 2019 and 31 December 2020, the following transactions took place and the following balances existed with related parties, regarding the **Group**:

Group	2019				
	Accounts receivable	Accounts payable	Revenues	Costs	Dividends
Shareholders	-	-	-	-	15,000,000
Group companies					
Associated companies	5,370	29,919	12,799	95,703	-
Jointly controlled	370,468	-	529,039	-	-
Members of the (Note 43)					
Board of Directors	-	-	-	3,325,159	-
Audit Committee	-	-	-	204,857	-
Remuneration Committee	-	-	-	55,800	-
General Meeting	-	-	-	14,000	-
	375,838	**29,919**	**541,838**	**3,695,519**	**15,000,000**

Group	2020				
	Accounts receivable	Accounts payable	Revenues	Costs	Dividends
Shareholders	-	-	-	25,850	-
Group companies					
Associated companies	-	-	6,675	63,788	-
Jointly controlled	504,980	-	1,109,947	-	-
Members of the (Note 43)					
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**	**-**

During the years ended 31 December 2019 and 31 December 2020, the following transactions took place and the following balances existed with related parties, regarding the **Company**:

Comapny	2019							
	Accounts receivable	Shareholders and Group companies (DB)	Accounts payable	Shareholders and Group companies (CB)	Revenues	Costs	Interest income	Dividends
Shareholders	-	-	-	-	-	-	-	15,000,000
Group companies								
Subsidiaries	13,270,695	16,465,675	2,780,599	22,109,174	32,401,276	2,790,807	304,145	-
Associated companies	5,370	-	29,919	-	12,799	93,726	-	-
Joint Ventures	137,388	-	-	-	335,559	-	-	-
Other related parties	263,190	281,592	355,937	-	1,106,542	3,616,366	-	-
Members of the (Note 43)								
Board of Directors	-	-	-	-	-	3,325,159	-	-
Audit Committee	-	-	-	-	-	204,857	-	-
Remuneration Committee	-	-	-	-	-	55,800	-	-
General Meeting	-	-	-	-	-	14,000	-	-
	13,676,643	**16,747,267**	**3,166,455**	**22,109,174**	**33,856,177**	**10,100,714**	**304,145**	**15,000,000**

DB - Debit balance; CB - Credit balance

Company	2020							
	Accounts receivable	Shareholders and Group companies (DB)	Accounts payable	Shareholders and Group companies (CB)	Revenues	Costs	Interest income	Dividends
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	-
Associated companies	-	-	-	-	-	-	-	-
Joint Ventures	332,450	-	-	-	-	-	-	-
Other related parties	123,370	73,691	255,574	-	918,404	2,693,601	-	-
Members of the (Note 43)								
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

Regarding the **Company**, as at 31 December 2019 and 31 December 2020, the nature and detail, by company of the **Group**, of the main debit and credit balances was as follows:

Company	2019					
	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.	1,681,656	-	1,681,656	564	10,620,797	10,621,362
CTT Expresso,S.A.	10,520,992	16,408,000	26,928,992	2,586,550	11,488,377	14,074,927
CTT Contacto, S.A.	268,920	57,674	326,594	193,484	-	193,484
CORRE - Correio Expresso Moçambique, S.A.	799,127	-	799,127	-	-	-
Associated companies						
Multicert - Serviços de Certificação Electrónica, S.A.	5,370	-	5,370	29,919	-	29,919
Joint Ventures						
New Post, ACE	137,388	-	137,388	-	-	-
Mktplace - Comércio Eletrónico, S.A	-	-	-	-	-	-
Other related parties						
Payshop Portugal, S.A.	250,954	281,592	532,547	355,937	-	355,937
321 Crédito – Instituição Financeira de Crédito, S.A.	12,236	-	12,236	-	-	-
	13,676,643	**16,747,267**	**30,423,910**	**3,166,455**	**22,109,174**	**25,275,630**

DB - Debit balance; CB - Credit balance

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	-	-	-
CORRE - Correio Expresso Moçambique, S.A.	-	1,000,000	1,000,000	-	-	-
Associated companies						
Multicert - Serviços de Certificação Electrónica, S.A.	-	-	-	-	-	-
Joint Ventures						
New Post, 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

As far as the **Company** is concerned, during the years ended 31 December 2019 and 31 December 2020, the nature and detail, by company of the **Group**, of the main transactions was as follows:

Company	2019								
	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
Subsidiaries									
Banco CTT, S.A.	-	-	-	1,156,250	2,208,740	-	-	-	-
CTT Expresso,S.A.	124,600	283,572	155,677	345,563	25,704,036	2,169,296	122	32,534	304,145
CTT Contacto, S.A.	-	96,446	2,487	4,729	2,753,325	588,825	30	-	-
CORRE - Correio Expresso Moçambique, S.A.	-	-	-	-	228,634	-	-	-	-
Tourline Express Mensajeria, S.A.	-	-	-	-	-	-	-	-	-
Transporta - Transportes Porta a Porta, S.A.	-	-	-	-	-	-	-	-	-
Associated companies									
Multicert - Serviços de Certificação Electrónica, S.A.	-	-	-	12,799	-	93,693	33	-	-
Joint Ventures									
New Post, ACE	-	-	-	-	317,492	-	-	-	-
Mktplace - Comércio Eletrónico, S.A	-	-	-	18,067	-	-	-	-	-
Other related parties									
Payshop Portugal, S.A.	-	-	36,638	187,683	814,038	3,616,366	-	-	-
321 Crédito – Instituição Financeira de Crédito, S.A.	-	-	-	104,820	-	-	-	-	-
	124,600	**380,018**	**194,801**	**1,829,911**	**32,026,266**	**6,468,180**	**184**	**32,534**	**304,145**

Company	2020								
	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
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	-	-	-	-
Associated companies									
Multicert - Serviços de Certificação Electrónica, S.A.	-	-	-	13,349	-	33	48,550	-	-
Joint Ventures									
New Post, ACE	-	-	-	-	-	-	-	-	-
Mktplace - Comércio Eletrónico, S.A	-	-	-	617,809	-	-	-	-	-
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**

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 32.

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 43 – Staff Costs.

51. FEES AND SERVICES OF THE EXTERNAL AUDITORS

The audit and legal review fees recorded in 2020 related to all companies' annual accounts that integrate the **Group**, amounted to 780,167 Euros. In addition, other assurance services fees, which include the half-yearly review, and other non-review or audit services amounted to 381,581 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

52. 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.

53. 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

By nature	Group 2019	Group 2020	Company 2019	Company 2020
Cash	3,548,515	5,354,859	1,646,385	1,050,363
Kind	-	-	-	-
	3,548,515	**5,354,859**	**1,646,385**	**1,050,363**

By type	Group 2019	Group 2020	Company 2019	Company 2020
Commissions	3,548,515	5,354,859	1,646,385	1,050,363
Fees	-	-	-	-
Other remuneration	-	-	-	-
	3,548,515	**5,354,859**	**1,646,385**	**1,050,363**

c) Indication of total revenues relating to insurance contracts intermediated by the **Company** detailed by Branch Life and Non-Life

By entity	Group 2020 Branch Life	Group 2020 Branch Non-Life	Company 2020 Branch Life	Company 2020 Branch Non-Life
Insurance Companies	4,831,460	523,399	1,009,109	41,254
Other mediators	-	-	-	-
Customers (other)	-	-	-	-
	4,831,460	**523,399**	**1,009,109**	**41,254**

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

By entity	Group 2019	Group 2020	Company 2019	Company 2020
Insurance Companies	-	-	-	-
FIDELIDADE	36.49%	19.42%	92.63%	95.86%
ZURICH	31.87%	42.66%	-	-
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

Accounts 'Customers'	Group 2019	Group 2020	Company 2019	Company 2020
Open Balance	-	-	-	-
Closing Balance	-	-	-	-
Volume handled				
Debt	75,341,676	32,285,639	75,341,676	23,248,050
Credit	1,845,412	9,918,148	1,037,418	111,671

f) Accounts receivable and payable broken down by source

By entity	Group			
	Accounts receivable		Accounts payable	
	2019	2020	2019	2020
Policyholders, insureds or beneficiaries	-	-	-	-
Insurance companies	2,321,018	9,233,482	680,974	1,044,407
Reinsurance undertakings	-	-	-	-
Other mediators	-	-	-	-
Customers (other)	-	-	-	-
	2,321,018	**9,233,482**	**680,974**	**1,044,407**

By entity	Company			
	Accounts receivable		Accounts payable	
	2019	2020	2019	2020
Policyholders, insureds or beneficiaries	-	-	-	-
Insurance companies	1,040,691	8,405,693	42,555	145,035
Reinsurance undertakings	-	-	-	-
Other mediators	-	-	-	-
Customers (other)	-	-	-	-
	1,040,691	**8,405,693**	**42,555**	**145,035**

g) Indication of the aggregate amounts included in accounts receivable and payable

By entity	Group			
	Accounts receivable		Accounts payable	
	2019	2020	2019	2020
Funds received in order to be transferred to insurance companies for payment of insurance premiums	1,845,412	1,624,005	1,737,226	1,256,699
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)	74,922,325	16,279,443	75,341,676	23,248,050
Remuneration in respect of insurance premiums already collected and to be collected	3,548,515	5,354,859	-	-
Other mediators	-	-	-	-
Total	**80,316,253**	**23,258,307**	**77,078,902**	**24,504,749**

	Company			
	Accounts receivable		Accounts payable	
By entity	2019	2020	2019	2020
Funds received in order to be transferred to insurance companies for payment of insurance premiums	1,037,418	111,671	927,945	9,254
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)	74,922,325	16,279,443	75,341,676	23,248,050
Remuneration in respect of insurance premiums already collected and to be collected	1,646,385	1,050,363	-	-
Other mediators	-	-	-	-
Total	**77,606,128**	**17,441,477**	**76,269,621**	**23,257,304**

Note: The remaining paragraphs of the standard do not apply.

The amounts presented above are amounts moved during the year 2019 and 2020.

54. OTHER INFORMATION

The universal postal service concession contract, which scope also covers the service provision of postal vouchers on an exclusive basis, whose term was planned for 31.12.2020 was extended until 31.12.2021 by Decree-Law n.º 106-A/2020, of 30 de December.

Under the Universal Postal Service Concession Contract, on 13 March 2020, CTT invoked force majeure before the Grantor, following the public health emergency of international scope declared by the World Health Organization. Since then, the need for CTT to comply with the public health standards issued by the competent authorities has been maintained, as well as the necessary and appropriate measures to protect workers and customers, while continuing to ensure the functioning and continuity of postal services. CTT also continues to periodically submit an update on the situation to the Government, as a counterparty in the contract, and to ANACOM, the regulatory authority responsible for overseeing the provision of the universal postal service.

The legal proceedings relating to ANACOM's Decision regarding the parameters of quality of service and performance objectives applicable to the provision of the universal postal service, issued in July 2018, are still pending. The stage of producing evidence continues in the arbitration proceeding brought against the Portuguese State, as the grantor in the Concession Agreement. In the administrative proceedings brought against ANACOM, the first regarding the same decision and the second concerning the December 2018 resolution regarding the new measurement procedures to be applied to the quality of service indicators, there were no relevant developments.

On 02.10.2020, ANACOM defined the compensating mechanism to the users for non-compliance, in 2019, with the IQS performance objectives, i.e. a) deduction of 1 percentage point from the weighted average variation in the basket prices of mail services , parcels and editorial mail, allowed for the year 2020, a change that would thus be 0.41%, the mentioned deduction should benefit the universality of the users of those services; and b) the deduction of 0.31% to the prevailing prices of ordinary mail in quantities subject to special prices, in the national service, to be implemented in the period from 01.11.2020 to 31.12.2020. On 23.10.2020, they submitted to ANACOM the proposal for consumer compensation measures to be adopted to comply with this deliberation, requiring the application of a different type of compensation to be used in favor of users, combining the determined price reduction of the mail basket, parcels and editorial mail with another measure, in the proportion of 50% for each action (alternative measure). Thus, on 06.11.2020, ANACOM approved the application of the compensation mechanism according to an alternative proposal submitted by CTT, namely:

a) Prices reduction, between 01.11.2020 and 30.11.2020, for national mail services (non-priority mail, priority mail, simple registered mail and registered mail), the international economic mail service - special regime and the subsidized service tariff editorial mail;

b) Reduction, between 01.11.2020 and 31.12.2020, in the price of shipments in the 20 and 50g weight scale, within the scope of regular mail and quantity subject to special prices, in the national service.

c) Massive distribution of a prepaid postcard to all households in Portugal during the first half of December, so that it could be used on the date that the customer understood it.

The process related to the proposal of the imposition of 11 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 and the administrative proceedings had no significant developments. CTT are convicted that they have produced evidence to the effect that they are not responsible for the facts that are being imputed to them. The decision to apply contractual fines is from the Portuguese State, which has not yet notified CTT of any contractual fine.
On 14 September, ANACOM announced that it considered the results of the cost accounting system of CTT for the financial years of 2016 and 2017 were produced in accordance with ANACOM's decision on the reformulation of those results and imposing new criteria for the separation of costs between the postal activity and the banking activity of the **Company**.

On 30.09.2020, CTT were notified that the density purposes and minimum service offers set by decision of ANACOM as of 15.09.2017, complemented by a decision of the same entity as of 21.08.2019 – that would remain in force until that date - until approval of new purposes, under the terms of the concession contract. Subsequently, as at 18.12.2010, ANACOM approved CTT's proposal to maintain such purposes in force until 31.12.2020.

On 26.11.2020, was granted by ANACOM to CTT – Correios de Portugal, S.A. the license to provide postal services under the number SP-2021-001.

The results of the public consultation that took place between 26 June and 18 August regarding the provision of the universal postal service after the expiration of the current concession are awaited. CTT timely presented its contribution, hence ANACOM's public consultation report and its final decision are awaited.

COVID-19 Impact

On 11 March 2020, the World Health Organization declared the public health emergency caused by the COVID19 disease as a pandemic. This situation has evolved very rapidly, and measures have been taken internationally, in the first semester, to severely restrict the rights of free movement and economic freedom, thus seeking to prevent the transmission of the virus. Several governments, authorities and economic agents are implementing a series of initiatives with a very relevant impact on the populations and on the global and national economic activity. In the 3rd quarter of 2020, a gradual opening up from lockdown took place in Portugal as well as in most international markets, which allowed for some economic recovery. However, in the last trimester, there was a further increase in the measures imposed by the authorities, due to the increase in virus transmission, with new restrictions on populations rights of free movement and economic freedom. These measures implemented with the purpose of stopping a new contagious wave, should bring a new negative impact on the national and global economy.

The COVID-19 pandemic affected consumers and companies, however the **Group** maintained its activity and has been associating itself from the outset with the "stay at home" movement in the various geographies where it operates and carried out various initiatives aimed at facilitating access for all to the services provided.

The CTT **Group** has been implementing the measures taken in the meantime to strengthen its financial position and liquidity and ensure its operational response, while preserving the value of traditional services and focusing on and boosting new ones, more linked to digital platforms and ecommerce. As an example, the following services were created:

- **CTT Comércio Local** (CTT Local Trade) is a digital platform that ensures the entire process of selling and buying to traders and end customers. Vendors can join the service at the respective City Hall and have thus a new means of selling their products, while consumers can make their purchases safely without leaving home.
- **Lojas Online** (Online Shops), an offer that allows SMEs to create online shops and facilitates the sale of their products. There are currently 1550 online stores registered, with 520 stores operational by the end of December 2020, covering various sectors of activity, with emphasis on food products, clothing and footwear.
- **Home delivery of medical supplies** in partnership with the National Association of Pharmacies, which allows the users to order medicines by e-mail or telephone directly to the participating pharmacies, while CTT ensures the next-day delivery.
- **Expresso para Hoje** (Express for Today), a comprehensive online service for urgent delivery of parcels, goods or documents within 2 hours in a partnership CTT entered into with Uber.

The pandemic accelerated the downward trend in mail volumes as a result of the acceleration of digitization and e-substitution. The decrease in 2020 is mainly due to the decline in the revenues of transactional mail and advertising mail, mitigated by the revenue growth in business solutions.

The E&E business performance, even though was also affected by COVID-19 pandemic effect, was in 2020 strongly affected by the growth of CEP. The restrictions imposed on most sectors of the economy due to the COVID-19 pandemic substantially impacted the items' profile, with a reduction in B2B volumes in 1H20 and a strong growth in e commerce activity (B2C). This, together with great commercial focus and the repositioning of CTT, resulted in solid volume growth. In 2H20, a recovery in the B2B segment was observed as well as continued growth of e-commerce activity. Contributing to the CEP's record-level activity was, as mentioned above, the strong boost of e-commerce, with very relevant growth in the sectors of food, sports and leisure, education and culture, and consumer electronics. Also, in Spain, there was a significant impact due to the effect of e-commerce growth.

The Financial Services & Retail business unit was equally affected by the pandemic. This business unit's 2Q20 performance was strongly influenced by the restrictive measures of the state of emergency, namely the effect it generated on the preference for liquidity and consequently on medium/long-term financial investments, as well as by the limited customer access to the CTT Retail Network and the changes in post office opening hours.

Despite the general increase in CTT Bank's business line revenues, the pandemic impacts were especially visible in terms of mortgage loans and auto loans. The volume of auto loans production was strongly affected by the temporary closure of auto dealerships in 2Q20, because of the lockdown measures, affecting the capture of new proposals. The payments area also decreased, which peak of the decline occurred in April, especially in the payment of tolls and invoices, with a gradual recovery in the two last quarters of the year.

At the end of 2020, moratorium requests reached a total exposure of €40.4m (€30.8m regarding mortgage loans, €6.1m auto loans, and €2.9m other loans), representing 3.6% of the total gross credit portfolio.

The private auto loans moratoria ended on 30 September. As of that date, they amounted to €27.6m and represented 40.1% of the total moratorium requests. At the end of 2020, circa 86.3% of these loans were in compliance status.

Due to the context of uncertainty, at the Annual General Meeting of 29 April, CTT decided to suspend the payment of the 2019 dividend and allocate the 2019 net profit to Retained Earnings.

Following the pandemic context, the **Group** carried out the following assessments:

- Review of expected credit losses ("ECL") to be applied to amounts receivable and credit to banking clients as at 31 December 2020, 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 €3.2m in the consolidated accounts of the **Group**;

- Within the scope of public moratoria (Decree-Law 10-J/2020 and Decree-Law 26/2020), the Banco CTT **Group** has, as at 31 December 2020, 724 active moratoria corresponding to €40.4m and representing 3.6% of the credit to client's portfolio. The private auto loans moratoria ended on 30 September. As of that date, they amounted to €27.6m and represented 40.1% of the total moratorium requests. At the end of 2020, circa 86.3% of these loans were in compliance status.

- 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;

- Review of the existence of onerous contracts due to the current situation. No contracts were identified that should be considered as onerous contracts;

- Monitoring of the evolution of compliance with the financing covenants. No situations of default were identified;

- In order to strengthen its financial position and manage liquidity risk, the **Group** contracted a new financing in the amount of €25m, of which no amount had yet been used as at 31 December 2020;

- Recognition of incremental costs associated with COVID-19, namely related to personal protection equipment and additional security and hygiene measures amounting to around €1.1 million.

Although the high uncertainty regarding the evolution of the pandemic and its effects on 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.

55. SUBSEQUENT EVENTS

Share Capital Increase in Banco CTT,S.A.

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 (ten million 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 (two hundred and eighty-six million and four hundred thousand euros) increased to 296,400,000 euros (two hundred and ninety-six million and four hundred thousand euros).

With the exception of the mentioned above, after 31 December 2020 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.