

# Banking Activity Report

Portuguese Banking Association

2023 | Annual





## Index

<b>Foreword</b> .....	<b>4</b>
<b>Executive Summary</b> .....	<b>5</b>
<b>I. Macroeconomic Environment</b> .....	<b>7</b>
<b>II. Member Financial Institutions analysis</b> .....	<b>10</b>
<b>III. Human Resources</b> .....	<b>12</b>
III.1. Evolution.....	12
III.2. Training.....	16
<b>IV. Banking Coverage Indicators</b> .....	<b>18</b>
IV.1. Branch network in Portugal.....	18
IV.2. Branches and representative offices abroad .....	24
IV.3. ATM, homebanking and POS .....	25
<b>V. Performance analysis</b> .....	<b>30</b>
V.1. Analysis of balance sheet .....	30
V.2. Income statement analysis.....	47
V.3. Tax and para-fiscal analysis .....	57
<b>VI. Solvency analysis</b> .....	<b>60</b>
<b>VII. Indicators of Productivity</b> .....	<b>64</b>
<b>VIII. Analysis of International Activity</b> .....	<b>70</b>



## Foreword

The Banking Activity Analysis Report is a publication by the Portuguese Banking Association (APB) that analyses the aggregate banking activity carried out by its associated financial institutions (FIs)<sup>1</sup>. The APB represented 25 members at 31 December 2023, including 30 financial institutions, which represented 95.6% of the total value of Portuguese consolidated banking assets.

The analysis carried out in the Banking Activity Analysis Report covers activity in Portugal and abroad (through branches and representative offices) by the financial institutions (banks, saving banks and mutual agricultural saving banks) that are Members of the APB, and is based on a pool of financial and non-financial information obtained from the simple sum of the individual financial statements and other management indicators. The analysis of international business and solvency is based on consolidated data.

The analyses focus on the banking activity in 2023, on a comparative basis with the previous three-year period. The aggregated financial and non-financial information of the financial institutions included in the group of APB members is also made available in Excel form, together with this publication.

The Banking Activity Analysis Report for 2023 is based on information presented by 23 members (28 financial institutions). Where the analysis presented is based on a different number of members from the sample, this is duly indicated.

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<sup>1</sup> The reference to Financial Institutions throughout the Banking Activity Analysis Report refers to the member banks of the APB.

## Executive Summary

World GDP growth slowed slightly in 2023, falling from 3.5% in 2022 to 3.3%. This year, overall economic activity showed resilience again, as inflation remained high despite starting to follow a downward path, falling to 6.8% in 2023 from 8.7% in 2022.

In turn, central banks broadly pursued their strategy of tightening monetary policy. The exceptions were the Central Bank of China, which reduced interest by 20 bps due to the economic slowdown and the real estate crisis, and the Central Bank of Brazil, which reduced the Selic rate by 150 bps, following a significant fall in inflation, still in the second half of 2022.

Financial markets performed better in 2023 than in the previous year, given the impact of faster than expected inflation reductions on investor expectations of a potential easing of monetary policy tightening. In the foreign exchange market, the euro appreciated against the currencies of its main trading partners while the dollar fell. The yields of 10-year sovereign debt on the secondary market closed down year-on-year, the exception being US Treasury bills.

The Portuguese economy grew by 2.3% in 2023. The Consumer Price Index (CPI) maintained its downward path which began in the last quarter of 2022, with the average annual CPI rate of change falling to 4.3% in 2023 (7.8% in 2022). In turn, the unemployment rate rose to 6.5% on average (+0.4 p.p. compared to 2022) and totalled 346,600 people. In public finances, the budget balance improved significantly, reaching 1.2% of GDP (-0.3% in 2022). In 2023, the credit ratings of the Portuguese Republic were revised upwards by most specialist agencies, including Fitch, Moody's, DBRS and Scope. The yield of 10-year Treasury Bonds on the secondary market followed the overall trend and closed the year down. The stock market followed, in a less pronounced way, the upward trend in global markets.

Despite the extremely challenging economic, regulatory and competitive environment, APB's members continued to demonstrate firmness, credit quality resilience, as well as adequate liquidity positions.

Financial institutions' aggregate net profit maintained the upward path of recent years, improving very significantly in 2023, having reached EUR 4.8 billion (+1.9 billion compared to 2022). This was mainly due to the increase in net interest income. This increase reflected the significant rise in interest rates that more than offset the increase of provisions and impairments for credit and, albeit to a lesser extent, the increase in operating costs.

Financial institutions' aggregate assets totalled around EUR 362 billion, down 2.1% from 2022, but lower than the previous year. This decline was explained by the fact that the increase in exposure to debt securities was not sufficient to compensate for the reduction in cash and deposits at Central Banks, loans and advances to credit institutions and loans and advances to customers.

Loans to customers (gross figures) registered an annual decrease of 2.3%, with lending to businesses and public administration and to households for house purchase showing a marginal reduction of 4.3% and 1.4%, respectively, while loans for consumer purchases and other purposes increased by 2.2%. The NPL ratio, on the other hand, maintained the downward path initiated in 2016

and stood at 2.9%, which compares to 1.9% for the euro area average. The NPL net of impairments ratio was 1.2%. In turn, the impairment coverage ratio rose by 0.8 p.p. to 58.6%.

Customer deposits remained the main source of financing for financial institutions and accounted for 70.7% of total assets in 2023, even though decreasing by 2.4% annually in an environment where net subscriptions of saving certificates, mainly in the first quarter of the year, and repayments of loans increased significantly. In addition, there was a further significant reduction in Eurosystem funding resulting from the early redemption of a significant proportion of the targeted longer-term refinancing operations (TLTRO III). This source of financing decreased from 4.7% of total liabilities in 2022 to 1% in 2023.

In terms of solvency, the Common Equity Tier 1 (CET1) ratio was significantly strengthened, standing at 17.9% (+2.1 p.p. compared to 2022) and surpassed the euro area average in 2023. Total solvency ratio also increased to 20.4%, a year-on-year increase of 1.8 p.p..

## I. Macroeconomic Environment

In 2023, the world economy again showed resilience. Growth remained relatively stable in an environment where inflation, although entering a downward path, remained high due, among other factors, to disruptions in the supply chain following the pandemic and Russia's war against Ukraine.

World GDP growth slowed slightly, falling from 3.5% in 2022 to 3.3% in 2023. The behaviour of the major economies was not even, since the USA, China, Japan, India and Russia accelerated, unlike the United Kingdom, France, Canada and Italy which slowed down, while Germany's economy even contracted (-0.2%).

The average annual headline inflation rate increased from 8.7% in 2022 to 6.8% in 2023, demonstrating a downward trend for most of the year. This slowdown was broadly felt in all countries following the tightening of monetary policy decisions. However, inflation remained relatively high in the emerging economies as a whole, on account of food, fuel and fertiliser prices and the depreciation of their respective currencies.

Oil prices showed more stable behaviour compared to the previous year, with year-end reductions of 10.3% in the case of Brent crude (to around \$77 a barrel) and 10.6% in the case of WTI (to around \$72 a barrel). The price of natural gas demonstrated a decidedly downward trajectory, particularly in Europe, ending the year close to EUR 32/MWh (-58.3% YoY).

The Food Price Index of the United Nations Food and Agriculture Organization (FAO) fell throughout the year, resulting in an overall annual decline of 13.8%, with decreases in all components except sugar (+26.7%). There were noteworthy decreases in oils (-32.7%), dairy products (-17.2%) and cereals (-15.4%).

The central banks generally pursued the strategy of tightening monetary policy. This policy included, in the case of the US Federal Reserve, the Bank of England and the European Central Bank, reductions in their balance sheets after the implementation of asset purchase programmes that had been created to support the economy during the pandemic (Quantitative Tightening). The leaders in terms of raising interest rates were the European Central Bank (+200 bps to 4.00%), the Bank of England (+175 bps to 5.25%) and the Central Bank of Australia (+150 bps to 4.35%). Conversely, the Central Bank of China chose to reduce interest by 20 bps to 3.45%, due to the economic slowdown and the real estate situation. The Brazilian Central Bank also reduced the Selic rate by 150 bps to 11.75%, after a significant reduction in inflation in the second half of 2022.

Financial markets outperformed the previous year due to the positive impact of faster than expected inflation reductions in investor expectations regarding the potential easing of monetary policy tightening. In the stock markets, the MSCI World index closed the year rising 21.8%, with the largest increases occurring on the S&P 500 (24.2%), Bovespa (22.3%) and Euro STOXX 50 (19.2%). The exceptions were the Chinese stock indices, including the Hang Seng index (-13.8%) and the Shanghai index (-3.7%). In the foreign exchange markets, the Euro and the US Dollar registered opposite performances throughout the year. Their behaviour in the last quarter was decisive in leading the Euro to appreciate 1.9% against the currencies of its main trading partners and the US Dollar to depreciate 2.0%. The Euro appreciated 3.5% against the US Dollar but depreciated against the Swiss Franc (-5.8%), the Brazilian Real (-4.8%) and the Pound sterling (-2.3%). One of the worst performing currencies was again the Japanese Yen, which lost 10.6% in value against the Euro and 7.6% against the US Dollar, as



a result of the Bank of Japan's continued control of the yields curve for most of the year. The yields of 10-year sovereign debt on the secondary market remained relatively high throughout the year, and their behaviour in the last quarter of the year was also decisive for most yields to close in decline year-on-year. The German Bund fell by 53.3 bps to 2.03%, the French OAT fell by 54.4 bps to 2.56%, and the British Gilt fell by 13 bps to 3.54%. The exception was the US Treasury bill, which closed the year rising 3.5 bps to 3.87%.

### Portuguese Economy

The Portuguese economy grew by 2.3%, in real terms, in 2023, which represents a sharp slowdown from the high growth of 6.8% recorded in 2022, as a result of the recovery after the decrease caused by the COVID-19 pandemic effects. Growth was strongest in the first half of the year (2.5% YoY) and slowed down in the second half of the year (2.0%). In light of the inflationary environment, GDP increased by 9.6% in nominal terms (12.2% in the previous year) and the implicit GDP deflator accelerated to an annual variation rate of 7.2% (5.0% in 2022).

The increase in GDP was the result of the positive contribution of both domestic demand (+1.4 p.p.) – especially Private Consumption (+1.0 p.p.) – and net external demand (+0.9 p.p.). Private consumption by households grew by 1.9% in real terms (5.6% in the previous year), supported by increases in all segments, notably Durable Goods (7.1%). The Food and Services segments grew 1.2% and 1.0%, respectively. In turn, investment<sup>2</sup> rose 2.6% (3.0% in 2022), driven by all areas except *Construction* (-0.4%), of which the Housing segment fell 1.1%. The component moving in the opposite direction was *Transport*, increasing by 18.7%. The rate of investment<sup>3</sup> in the economy fell to 19.4% in 2023 since the increase in Gross Fixed Capital Formation in nominal terms was lower than that of GDP.

Exports of Goods and Services grew 4.8% in value, which represents a growth slowdown of 34.4% in 2022. This change is due to the 0.5% reduction in Exports of Goods (+25.8% in the previous year) and the slowdown pace in Exports of Services growth (+16.0% vis-à-vis 56.9% in the previous year), with the Travel and Tourism component increasing 18.9% (110% in 2022).

Gross Value Added (GVA) increased by 2.5% in volume (6.5% in 2022). All branches of activity contributed positively to this growth, except Industry (-2.5%). On the positive side, it is worth highlighting the developments in the *Trade and vehicle repair, Accommodation and catering* areas and the *Transport and storage; Information and communication* activity areas, which increased by 3.2% and 2.8% respectively (14.3% and 14.5%, respectively, the previous year). Taxes net of subsidies on products increased by 2.0% (7.4% in 2022).

The Consumer Price Index (CPI) in 2023 continued its downward path from the last quarter of 2022. The average annual variation in the CPI fell from 7.8% in 2022 to 4.3% in 2023, with the underlying inflation indicator, which excludes unprocessed food and energy, following the same decreasing trend, falling from 5.6% in 2022 to 5.0% in 2023. The reduction in the rate of change of the CPI was seen in most product categories, reflecting the base effect associated with the 2022 price increase, the 9.0% decrease in energy prices (+23.7% in the previous year) and the VAT exemption applied to some essential food products from May.

<sup>2</sup> This concerns Gross Fixed Capital Formation (GFCF).

<sup>3</sup> Measured by the ratio of Gross Fixed Capital Formation (GFCF) to nominal GDP.

The unemployment rate rose to 6.5% (+0.4 p.p.), with the unemployed population reaching 346,600 people. The employed population also increased again (+2.0%) to 4,978,500 people, which was only possible due to the continuous increase in the active population (+2.4%), which grew to 5,325,500 people. The labour underutilization rate<sup>4</sup> rose slightly (+0.1 p.p.) to 11.7%.

The average total monthly gross remuneration per employee increased by 6.6% (3.7% the previous year) in 2023, to EUR 1,505. In real terms, the average total gross remuneration per employee increased by 2.3% (-4.0% in 2022).

Productivity measured as the ratio between GDP in volume and the number of employed persons increased by 1.4% in 2023 (5.2% the previous year), while productivity measured as the ratio between GDP in volume and hours worked grew by 1.1% (3.1% in 2022).

The country recorded a net lending capacity of 2.7% of GDP in 2023 (0.4% in the previous year). This development was due to an increase in Gross Savings (18.6%) that was higher than the increase in Gross Capital Formation (3.9%). The institutional sectors of Households and Public Administration improved the most, with the lending capacity of both sectors rising from 0.1% of GDP in 2022 to 1.2% in 2023, accompanied by an increase in the household savings rate from 6.3% to 6.6% of gross disposable income.

In public finances, the budget balance improved significantly, reaching 1.2% of GDP (-0.3% in 2022), as a result of the increase in total revenue (9.0%) being higher than the increase in total expenditure (5.2%). The evolution of revenues continued to benefit from economic developments, accentuated by the inflationary environment, and the labour market, notably by increases in social security contributions (10.4%), tax revenue (7.9%) and capital revenue (68.9%). The rise in capital revenue is a result of the increased use of European Union funds to finance capital expenditure under the Recovery and Resilience Plan. On the expenditure side, in an environment of higher interest rates, the increase in staff expenditure (7.6%), social benefits (3.4%), interest charges (23.3%) and capital expenditure (11.1%) are noteworthy. In this context, the public debt ratio maintained its downward path, reaching 99.1% of GDP at the end of 2023 (112.4% at the end of the previous year).

The credit ratings of the Portuguese Republic were revised upwards by most specialist agencies in 2023. The Fitch, Moody's, DBRS and Scope agencies raised ratings to A-, A-, A- and A3 respectively. The yield of 10-year Treasury Bonds in the secondary market followed the overall trend and closed the year rising 81.3 bps to 2.786%, despite having been above this level throughout the year. The cost of direct debt stock issued by the State reflected high interest rates and rose to 3.5% (1.7% in 2022), as did the cost of direct state debt stock, which rose to 2.0% in 2023 (1.7% in 2022). On the stock market, the PSI-20 index followed, albeit less sharply, the upward trend in global markets and closed the year up again (+11.7%).

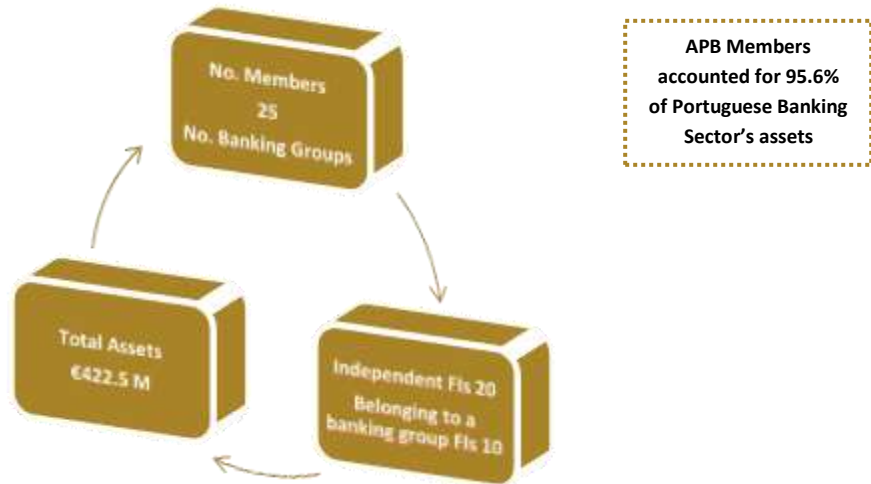
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<sup>4</sup> This indicator aggregates the unemployed population, the underemployment of part-time workers, those who are not working and looking for employment but are not available and those who are not working and available but are not seeking employment.

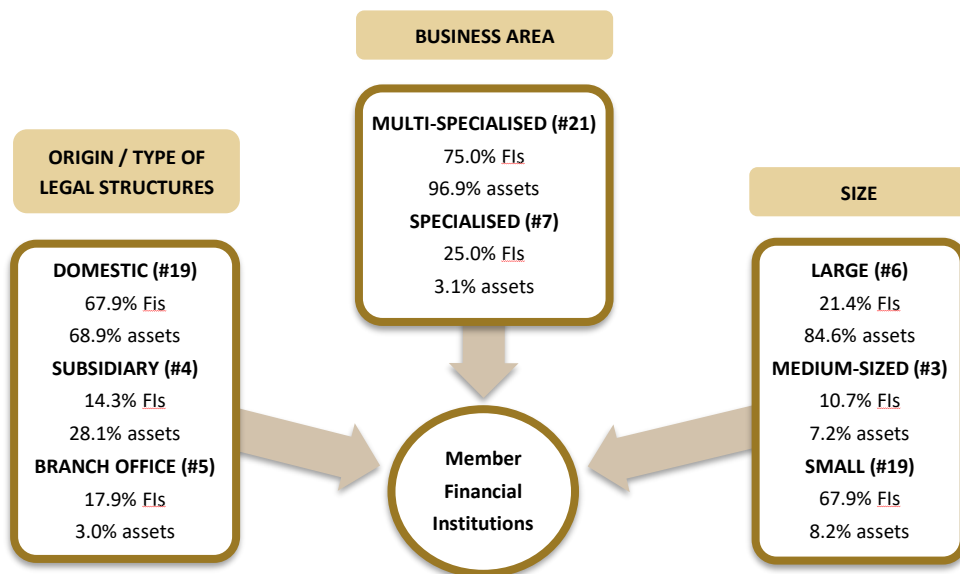
## II. Member Financial Institutions analysis

As of 31 December 2023, APB had 25 members, including 30 financial institutions. APB's members represented 95.6% of the consolidated assets of the Portuguese banking sector.

Figure 1: Main features of APB's members<sup>5</sup>



Source: APB, Bank of Portugal. Data based on information for all the APB Members at 31 December 2023. Consolidated data.

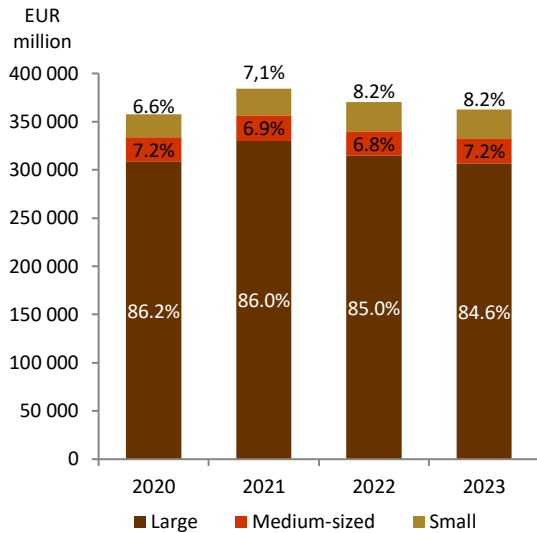


Source: IFs, APB. Data based on the information provided by 23 Members (28 financial Institutions) relative to 31 December 2023.

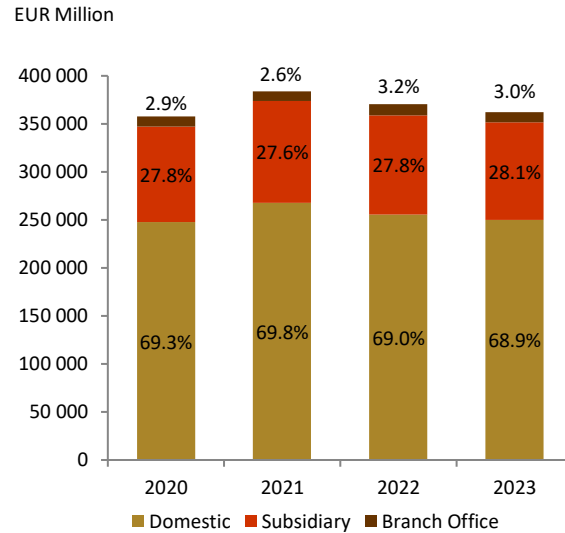
<sup>5</sup> Large financial institutions represent 5% or more of aggregate assets, medium-sized represent between 1% and 5% and small financial institutions represent 1% or less of aggregate assets. Financial institutions' business is classified as "specialised" if they engage exclusively or mostly in one of the following activities: consumer credit, house purchase, car loans and investment banking. In all other cases, they are classified as multi-specialised.

**Graph 1: Evolution of aggregate assets**

**a) By size**



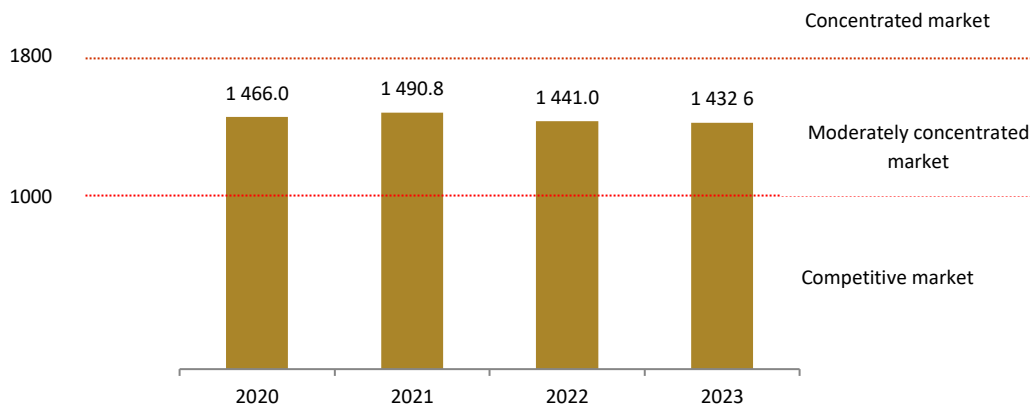
**b) By origin / type of legal structure**



Source: FIs, APB.

According to the Herfindahl-Hirschman index<sup>6</sup>, the Portuguese market, as in previous years, continued to be moderately concentrated (1,433) with a slight decrease in the concentration level compared to 2022.

**Graph 2: Herfindahl Index**



Source: FIs, APB.

<sup>6</sup> This index was obtained by summing the square of the market shares, measured in terms of assets, of the 28 financial institutions in the sample. In general, a value for the index below 1000 indicates low concentration between 1000 and 1800 moderate concentration and a high concentration above 1800.

### III. Human Resources

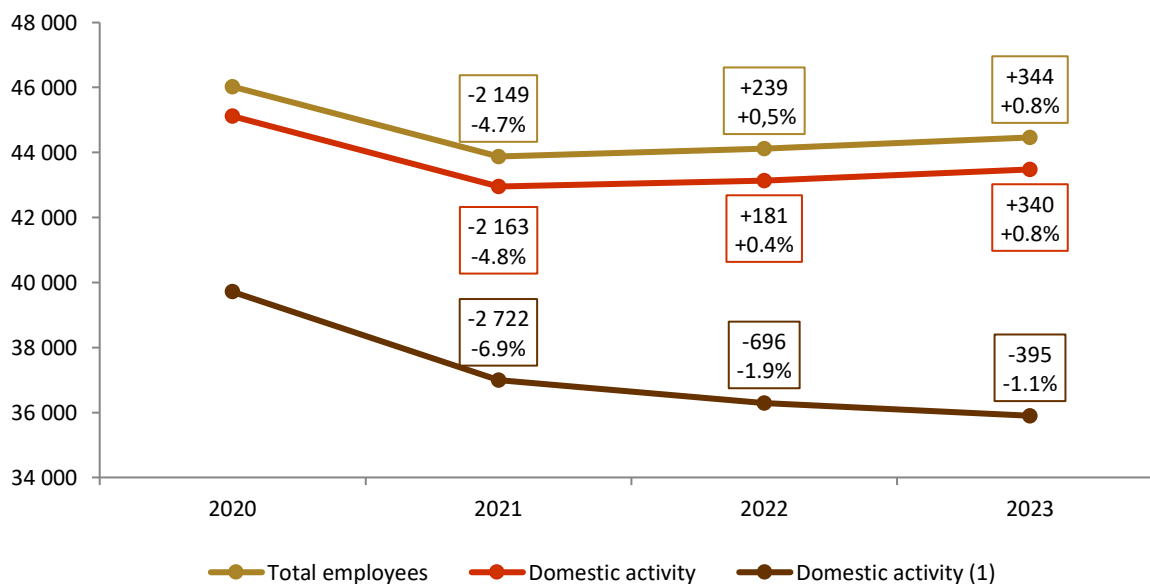
#### III.1. Evolution

In 2023, APB’s members recorded an increase of 344 employees compared to the previous year, employing 44,461 people. Of the total number of employees, 43,475 worked in the domestic business, totalling about 1% of the employed population in Portugal. There was a year-on-year growth of 340 employees in domestic business and 4 employees in international business.

Human resources data, as in previous years, are influenced by the distinct reality of one of APB’s members, which has a very specific business nature focused on providing services on a worldwide scale and has continued to hire staff. Excluding the contribution of this member, the number of employees would have been reduced by 1.1% (or 395 employees).

Developments in human resources in the banking sector have reflected the need to adjust to an extremely challenging economic, regulatory and competitive environment and the need to pursue the digital transformation of financial services, the transition to a sustainable economy and the incorporation of these challenges into risk management, while strengthening operational resilience to the threats arising from increasingly sophisticated cyber-attacks.

**Graph 3: Evolution of total number of employees and annual percentage change**



(1) Excludes one APB member due to its specific business activity.

Source: FIs, APB.

In 2023, there was a reduction in staff at administrative and management level, and an increase in staff with specific functions. In addition, as in previous years, there was:

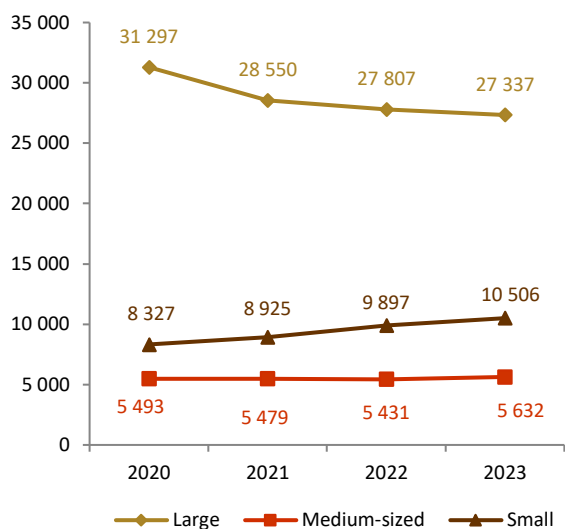
- i) An increase in the proportion of female staff, now accounting for more than 51% of total employees, which is slightly higher than the national average (about 50%). Women represent about 40% of management roles;
- ii) An increase in the proportion of older age brackets ( $\geq 45$  years) to 56.8%, above the national average (51.4%), as well as lower age brackets ( $\leq 29$  years);
- iii) A slight increase in the average age of employees, from 50.0 to 50.1 years, as well as their average average seniority, which rose from 20.8 to 21.2 years;
- iv) An increase in the proportion of employees with higher academic qualifications, rising from 69.4% to 70.6%, compared to 32.7% for the Portuguese labour market as a whole;
- v) A reduction in the proportion of employees assigned to the commercial area, which fell from 51.1% to 50.5%;
- vi) A slight increase in the proportion of fixed-term employees, from 1.5% to 2.0%.

At the end of 2023, the total number of employees assigned to domestic business of member financial institutions:

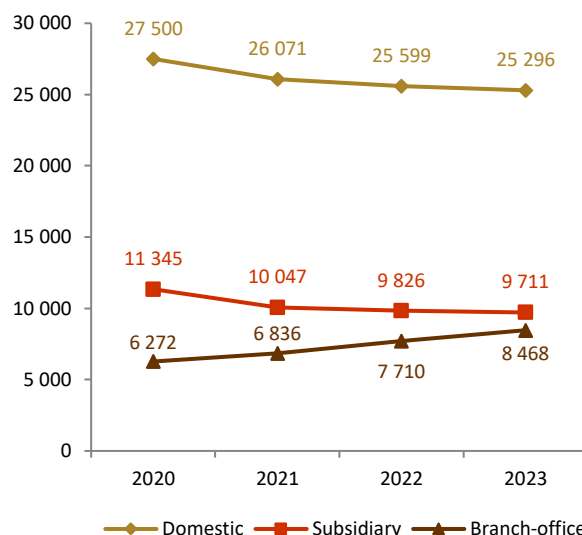


**Graph 4: Evolution of number of employees in domestic activity**

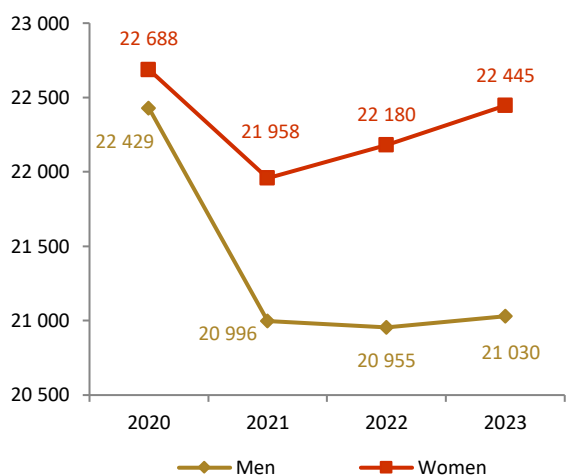
**a) By size**



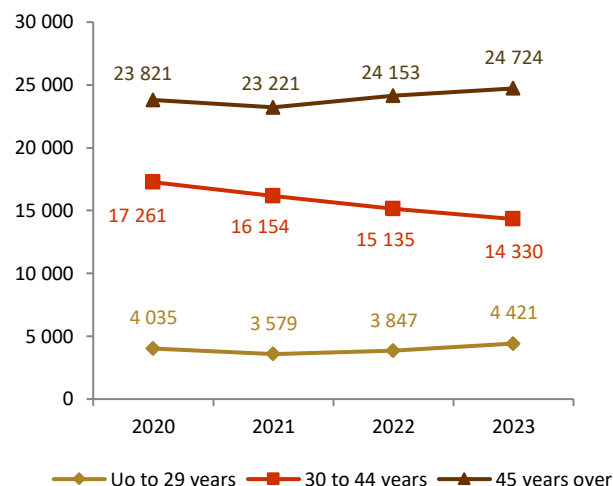
**b) By origin / type of legal structure**



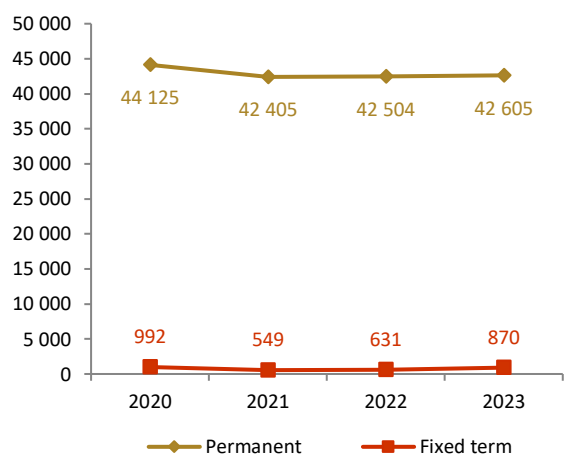
**c) By gender**



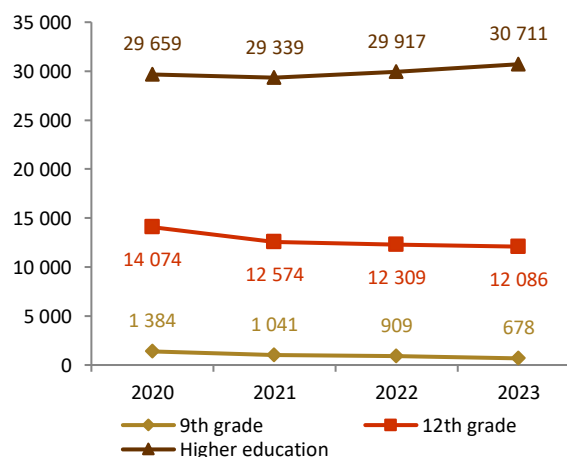
**d) By age**



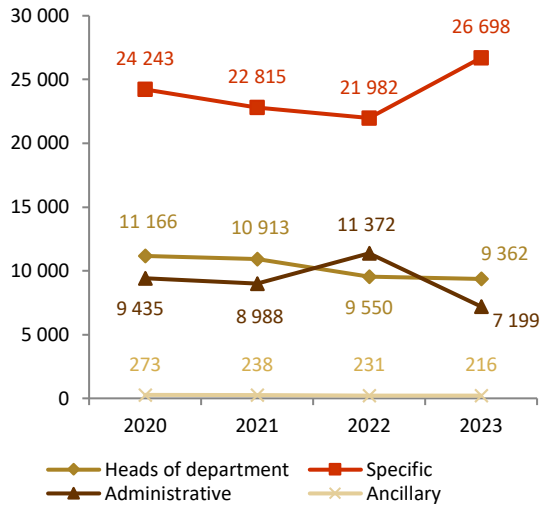
**e) By type of employment contract**



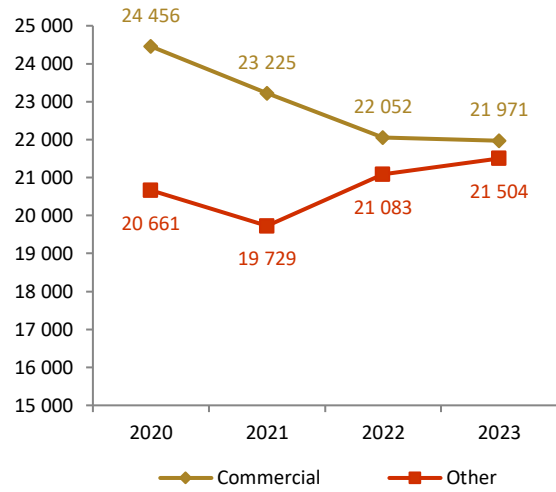
**f) By academic qualifications**



**g) By position**

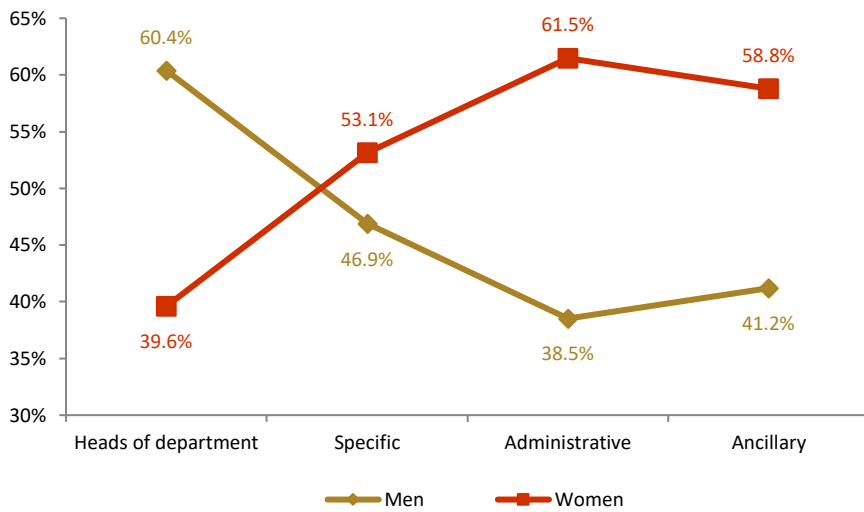


**h) By activity**



Source: FIs, APB.

**i) By position and gender (2023)**



Source: FIs, APB.



### III.2. Training<sup>7</sup>

Human resources are a strategic pillar for the development of the banking activity of APB members. To this end, learning and skills training process is considered a priority, especially in the current environment of profound transformation of the sector.

Training investment in 2023 amounted to approximately EUR 18.5 million, corresponding to 1.4% of general administrative expenditure, compared to 1.3% in 2022. This year, there was an increase in e-learning training, which already accounts for close to 75% of training activities, and a reduction in all other types (in-person, distance and others).

In 2023, the main training indicators worth highlighting include:

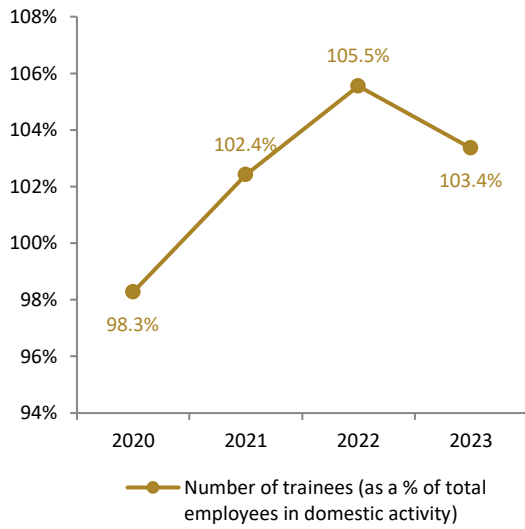
- Global training rate: 103.4% - Ratio above 100% due to the number of staff leaving during the year
- Number of trainees: 44,258, -1.4% YoY
- Total number of training hours: 2,104,895 hours, +1.3% YoY
- Average number of training courses per trainee: 22.5 training sessions (16.5 in 2022)
- Average number of training hours per employee: 47.6 hours/year (46.3 hours/year in 2022)
- Training courses by type: in-person - 6.7%; e-learning - 74.0%; distance - 11.8%; other forms of training - 7.5%
- In-house training courses: 87.7% of the total (80.2% in 2022)
- Costs for external training entities: +19.9% vs. 2022 (69.4% of total training costs)

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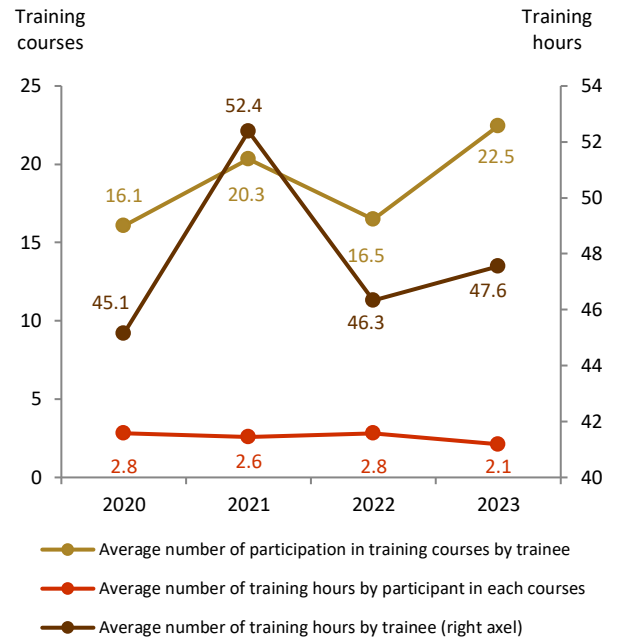
<sup>7</sup> The human resources training indicators are based on a sample of 24 financial institutions.

**Graph 5: Training evolution**

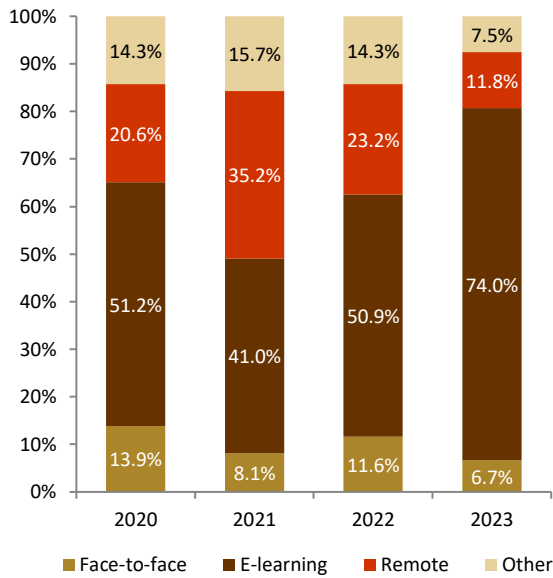
**a) Number of trainees as a % of number of employees**



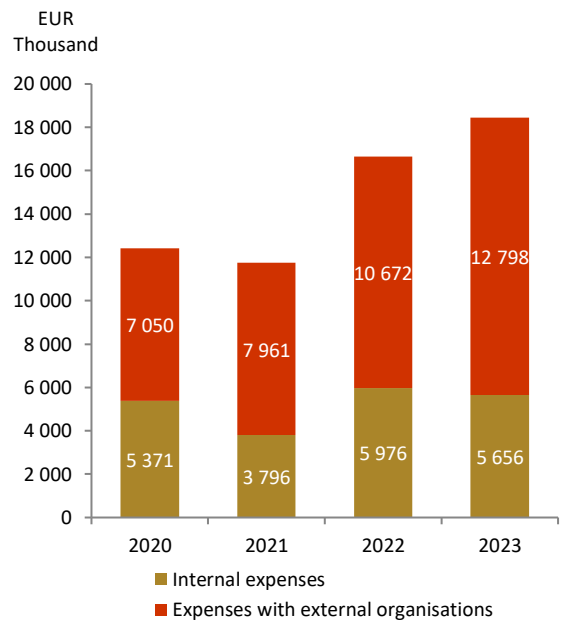
**b) Participations and hours in training courses**



**c) Training methods**



**d) Training costs**



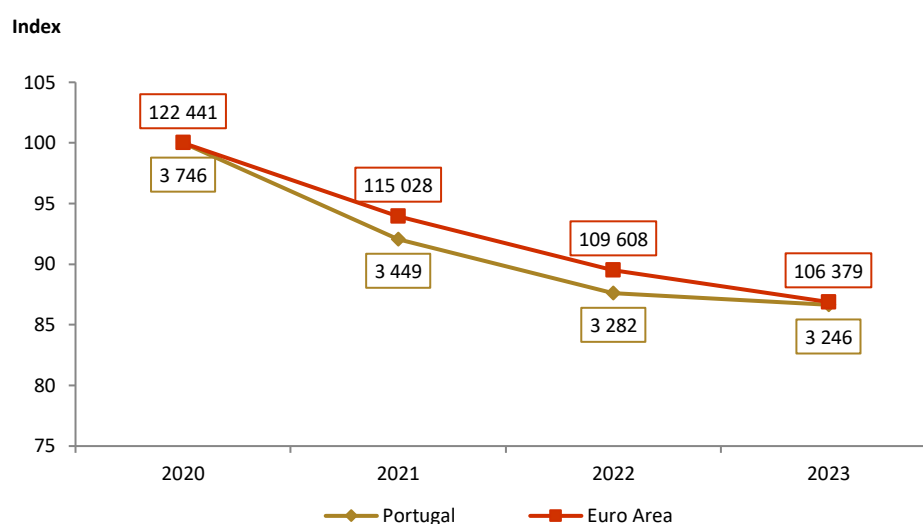
Source: FIs, APB.

## IV. Banking Coverage Indicators

### IV.1. Branch network in Portugal

At the end of 2023, the members' branch network consisted of 3,246 branches, a 1.1% reduction compared to the previous year, or minus 36 branches, as the financial institutions continued to implement a model of customer relations based on the modernisation of the branch network and the pursuit of the digital transition. In 2023, about 69% of internet users used online banking, compared with 68% in 2022 and only 38% in 2010.

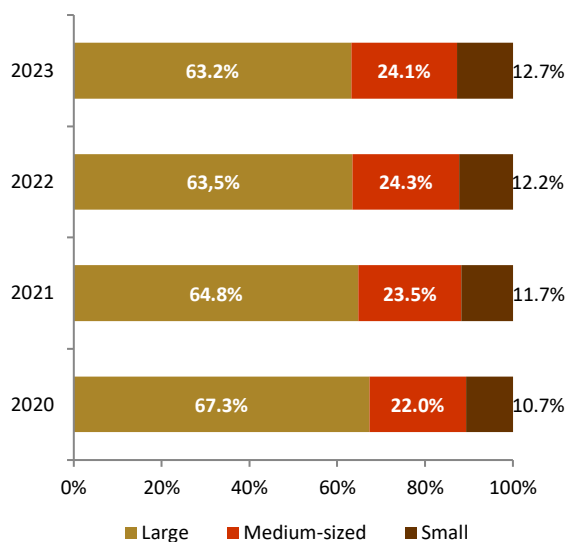
**Graph 6: Evolution of total branches (2020 = 100)**



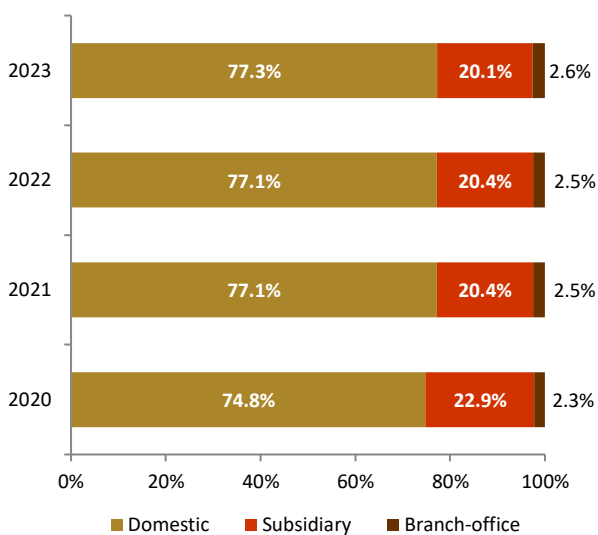
Source: FIs, APB, ECB.

**Graph 7: Representativity in terms of number of branches in Portugal as at 31 December**

**a) By size**



**b) By origin / type of legal structure**



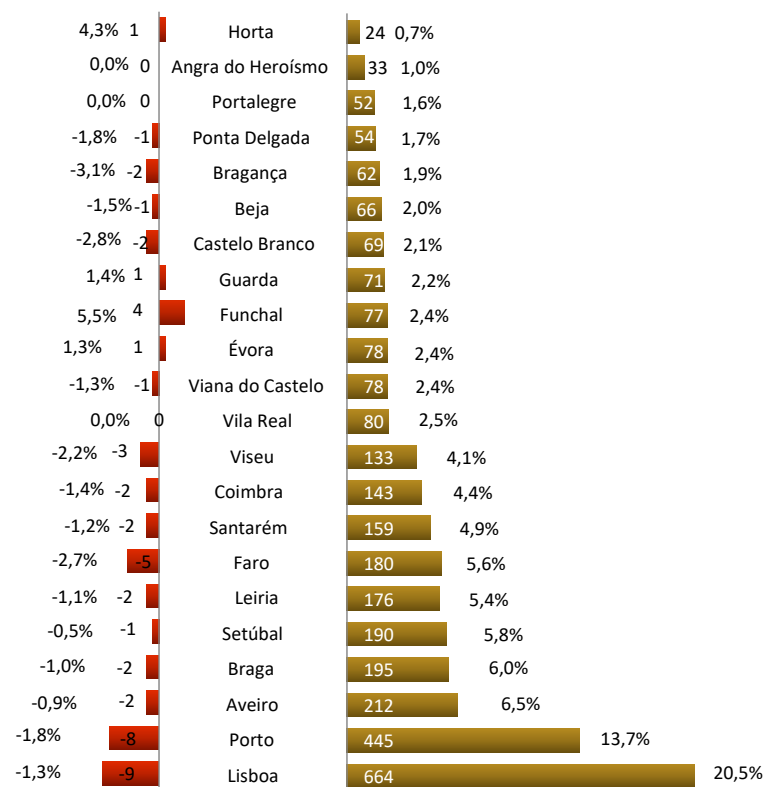
Source: FIs, APB.

In 2023, the Lisbon and Porto districts continued to record the most significant annual variation in terms of branch closures, together representing about 47% of branches closed in the year.

**Graph 8: Branch network per district, as at 31 December 2023**

**a) Absolute and percentual change in the number of branches against 31 December 2022**

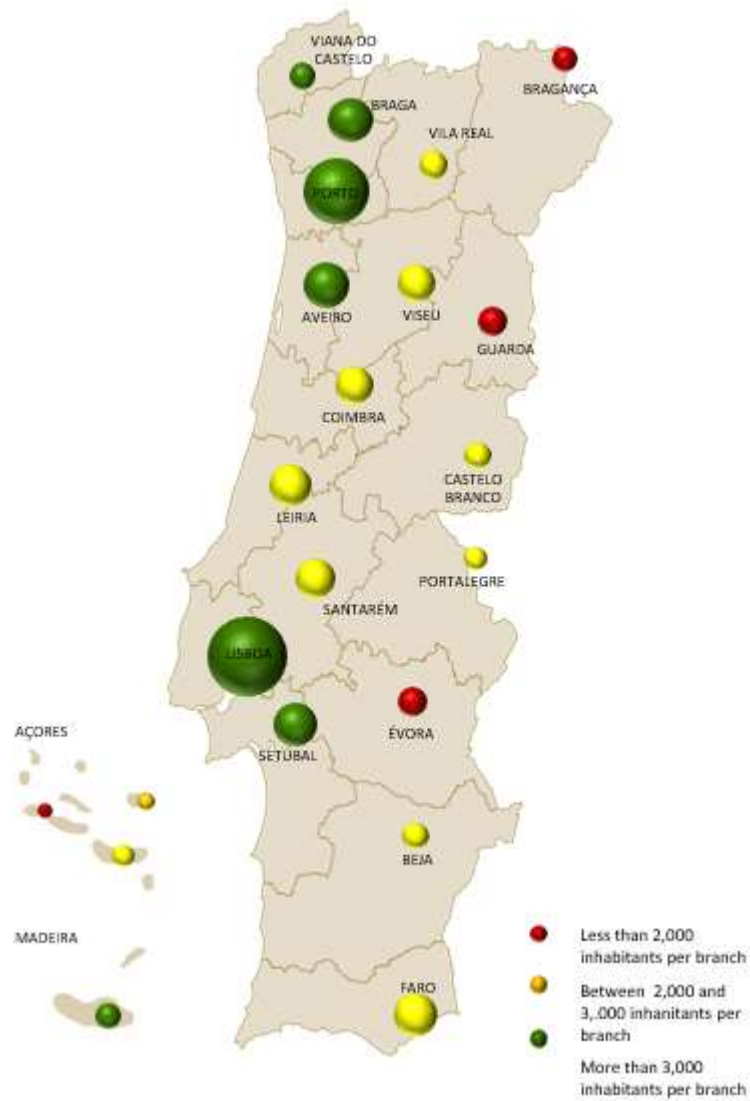
**b) Branch network in absolute and percentual terms**



Source: FIs, APB.

Note: Does not include 5 mobile branches.

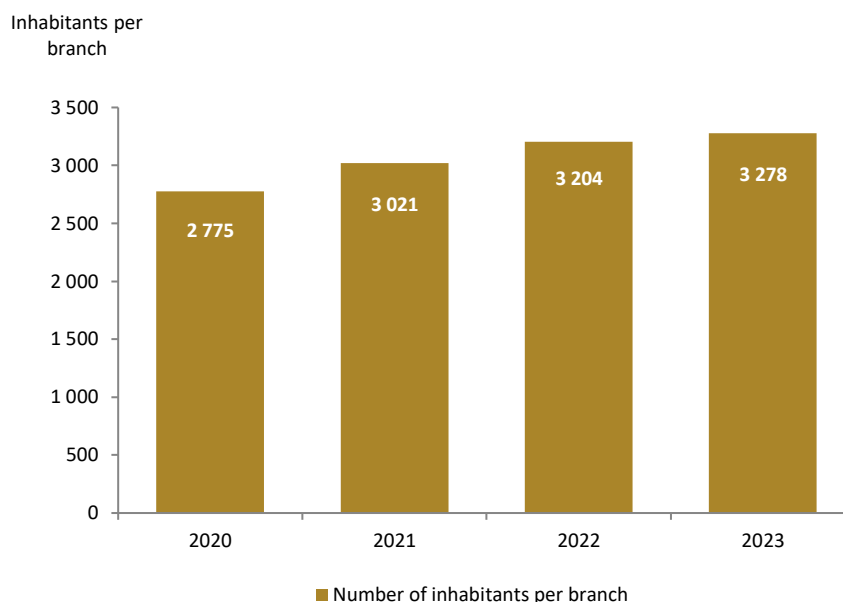
**Figure 2: Branch distribution by district and number of inhabitants per branch, in each district as at 31 December 2023**



Source: FIs, INE – Statistics Portugal, APB.

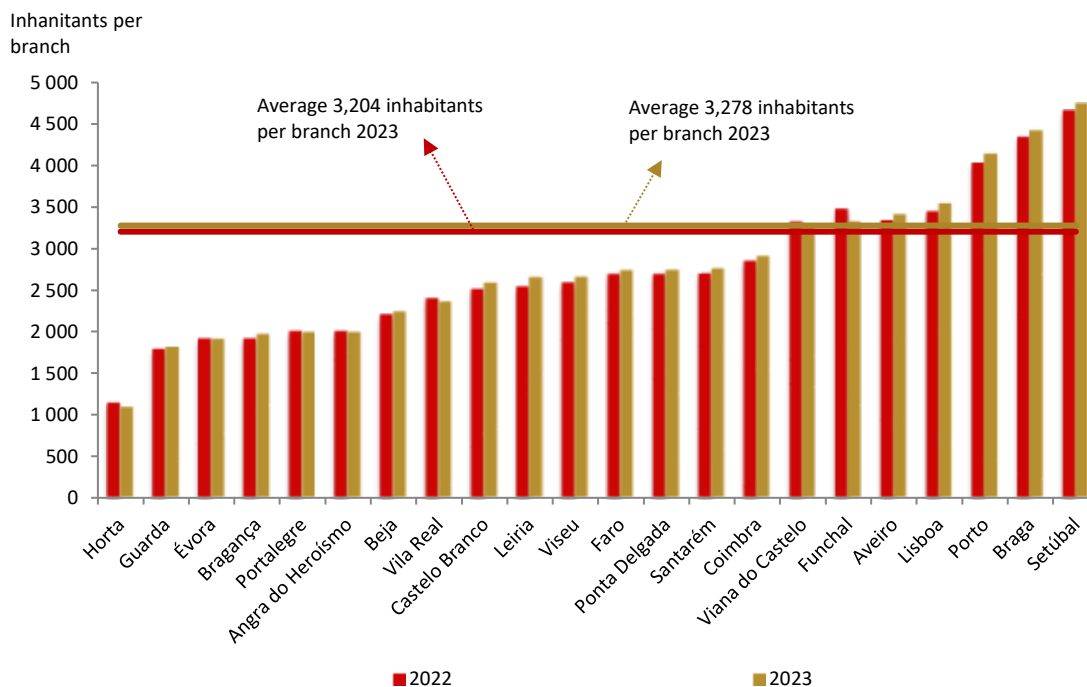
Note: The size of the bubbles indicates the absolute number of the branches in the district, while the colour shows the number of inhabitants per branch. Does not include 4 mobile branches.

**Graph 9: Evolution of the number of inhabitants per branch**



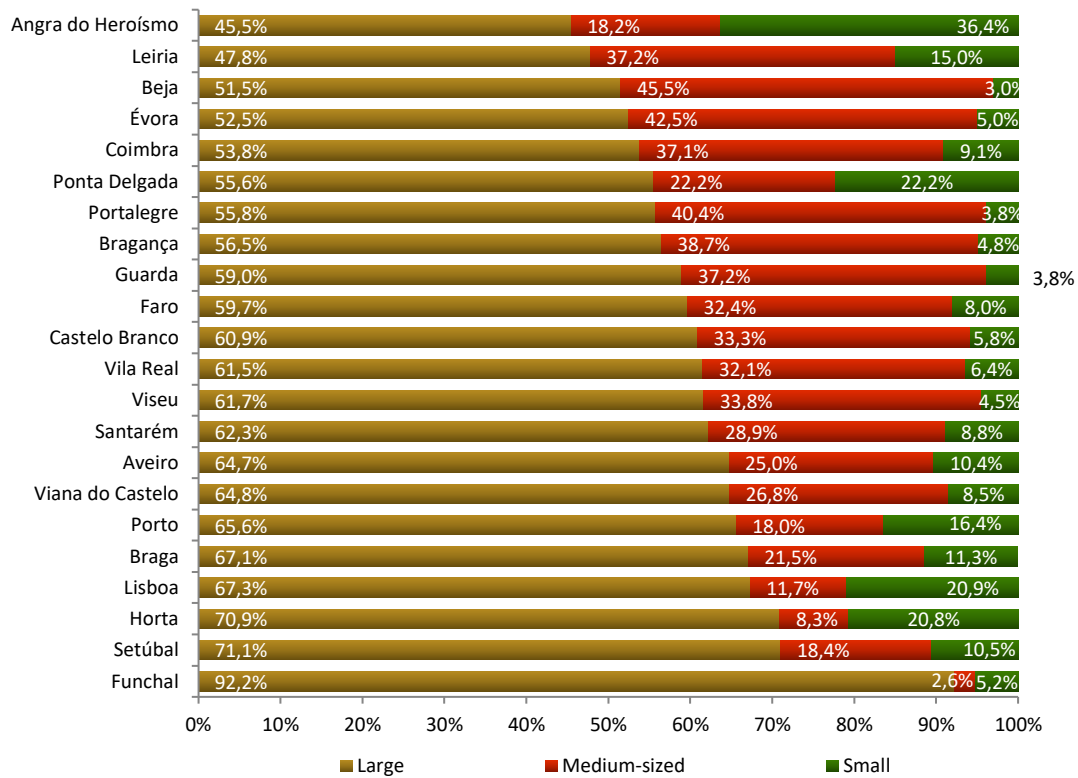
Source: FIs, INE – Statistics Portugal, APB.

**Graph 10: Number of inhabitants per branch in each district**



Source: FIs, APB. Does not include 5 mobile branches.

Graph 11: Percentage breakdown of branches by size and district, at 31 December 2023

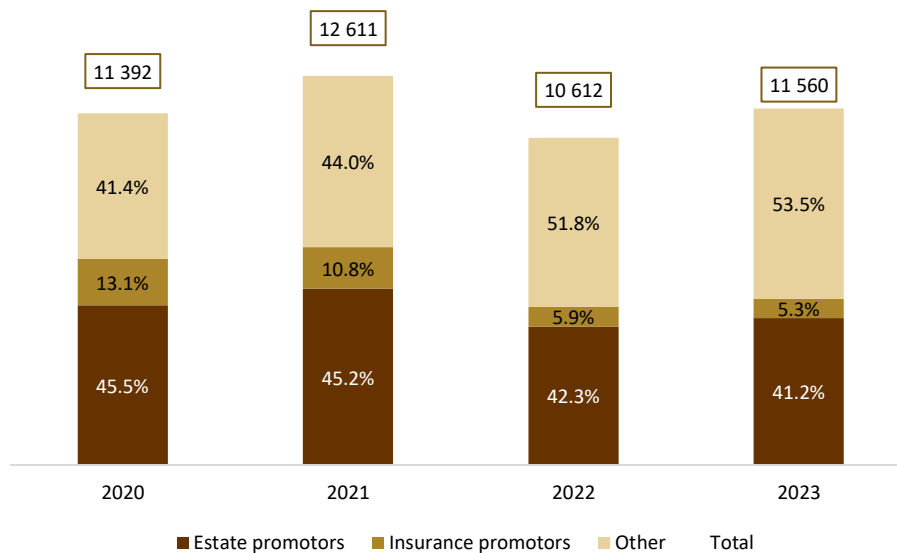


Source: FIs, APB. Does not include 5 mobile branches.

### External promoters

External promoters are a marketing channel used by financial institutions that are not integrated into their organisational structures. This channel includes real estate agents, insurance agents and financial advisers.

Graph 12: Evolution in the number and type of external promoters



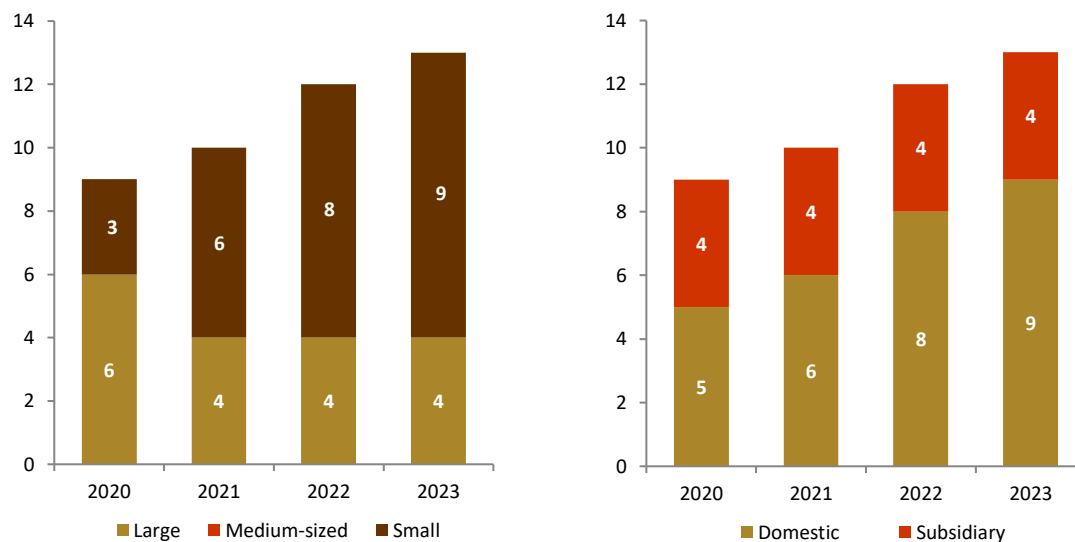
Source: FIs, APB.



## IV.2. Branches and representative offices abroad

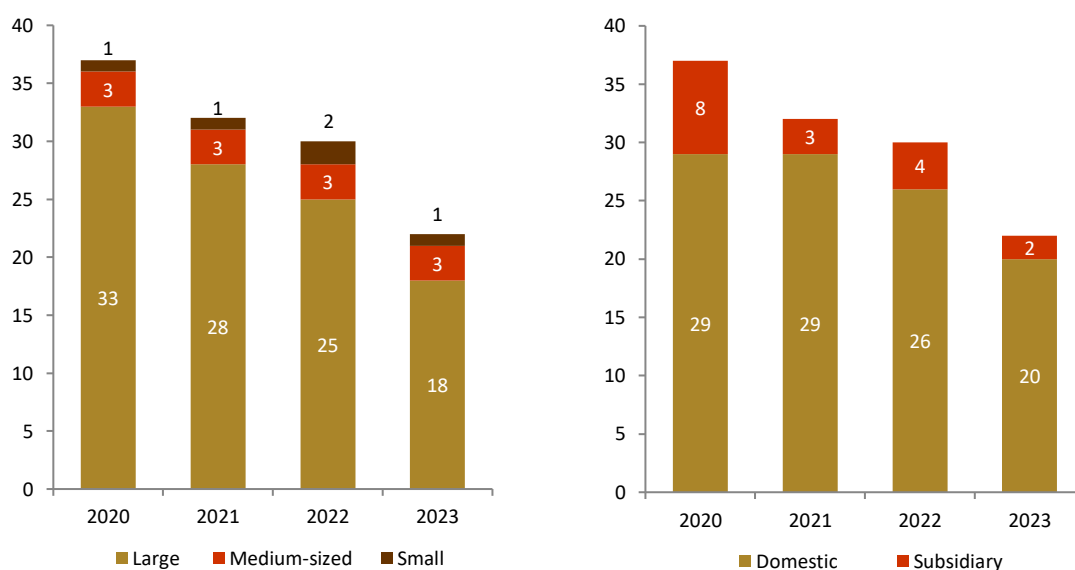
At the end of 2023, financial institutions had a network of branches and representative offices comprising 35 units, fewer than the previous year (42). Of this network, 25 units were located in Europe, mainly in Spain and Switzerland, four in the American continent, five in Asia and one in Africa. The branch network abroad has 62 branches.

**Graph 13: Number of branch offices abroad (2020-2023)**



Source: FIs, APB.

**Graph 14: Number of representative offices abroad (2020-2023)**

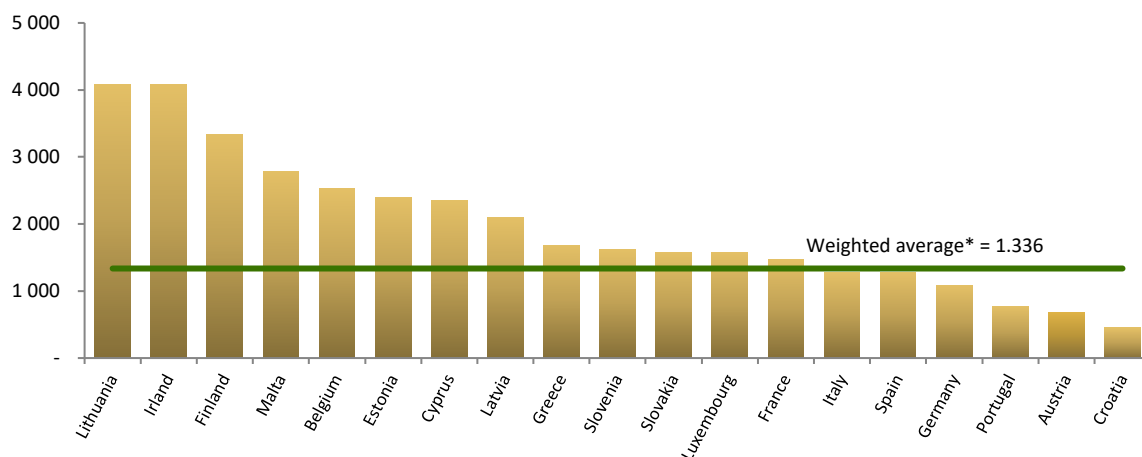


Source: FIs, APB.

### IV.3. ATM<sup>8</sup>, homebanking and POS<sup>9</sup>

Portugal continues to have one of the highest rates in Europe in terms of the number of ATMs per inhabitant. In 2023, the total number of ATMs belonging to the financial institutions of members of the APB totalled 13,149<sup>10</sup>, a reduction compared to 2022 (-1.8%). In this period, the proportion of financial institutions in the Multibanco network that were APB members was 88.7% (90.7% in 2022). In the euro area, the total number of ATMs fell again to 265,624 (-0.4% compared with 2022).

**Graph 15: Inhabitants per ATM in the Euro Area**



Source: Eurostat, BCE.

Note: \* Average number of inhabitants per ATM weighted by the population of each country. Does not include Netherlands due to unavailability of data.

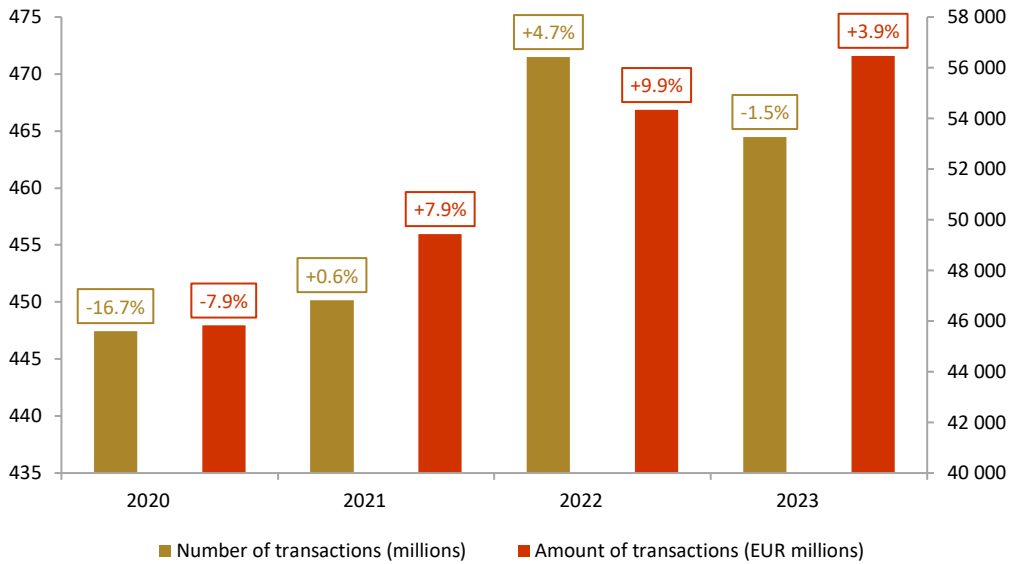
In 2023, ATM transactions, on an annual basis, increased again in value (+3.9% compared to 2022), but decreased in number (-1.5% compared to 2022). Regarding the value of transactions, there were increases in all segments: transfers (+8.4%), payments of services (+4.6%) and withdrawals (+0.9%). In terms of the number of transactions, service payments continued to decline (-8.0%), as did transfers (-3.8%), with only withdrawals increasing (+0.1%). The average value per transaction increased again (+5.5%) to EUR 121.58.

<sup>8</sup> Automated Teller Machine.

<sup>9</sup> Point of Sale.

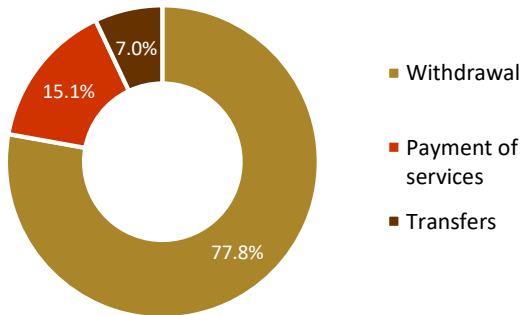
<sup>10</sup> This figure includes the ATM network and the network of financial institutions who were APB members. For the purposes of analysing the ATM network, the sample consists of 16 member financial institutions.

**Graph 16: Evolution in the number and amount of transactions in ATM**

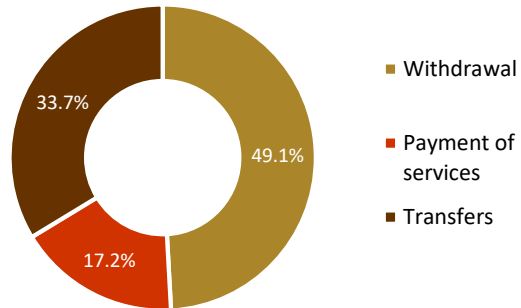


Source: SIBS. Annual change rate in the rectangles.

**Graph 17: Number of transactions in ATM (2023)**



**Graph 18: Amount of transactions in ATM (2023)**



Source: SIBS.

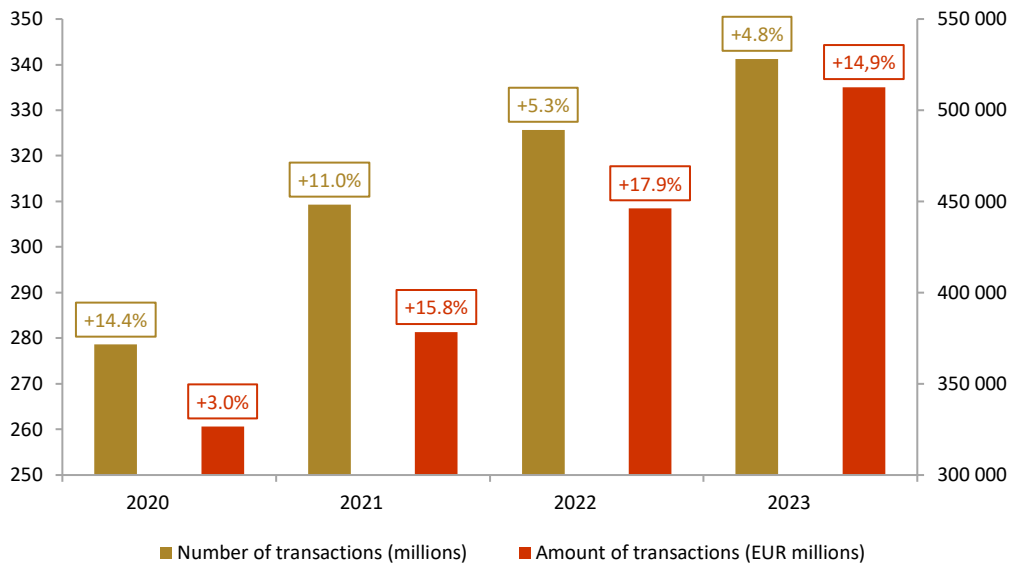
The number of users of the home banking<sup>11</sup> service in 2023 stood at 7,579,257, an increase of 11.7% compared to 2022. This reflects the increasing use of digital banking, a trend that has seen greater dynamism as a result of the pandemic crisis, which started in 2020.

The number and value of transactions carried out through home banking<sup>12</sup> increased by 4.8% and 14.9% respectively.

<sup>11</sup> For the purposes of analysing the number of home banking users, information is only available for 18 member financial institutions.

<sup>12</sup> All data on the number and volume of transactions cover the whole sample (28 member financial institutions). Data provided by SIBS.

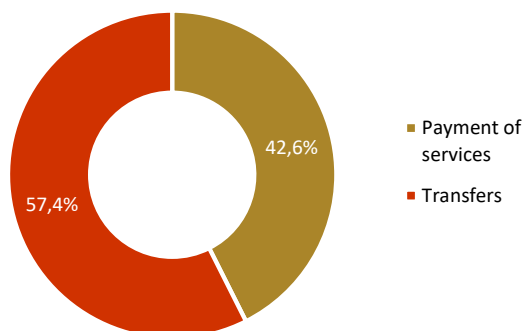
**Graph 19: Evolution in the number and amount of transactions in home banking**



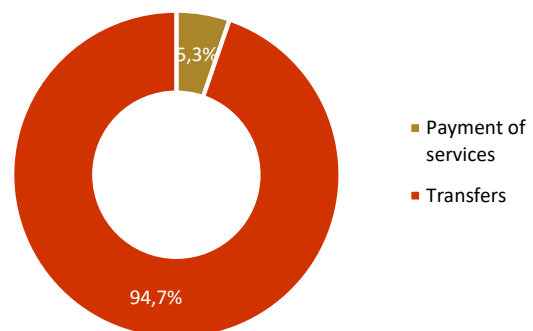
Source: SIBS. Annual change rate in the rectangles.

Turning to transaction values, service payments increased by 14.1% and transfers grew by 14.9%. In turn, as regards the number of transactions, service payments grew by 3.9% and transfers by 5.4%.

**Graph 20: Number of transactions in home banking (2023)**



**Graph 21: Amount of transactions in home banking (2023)**

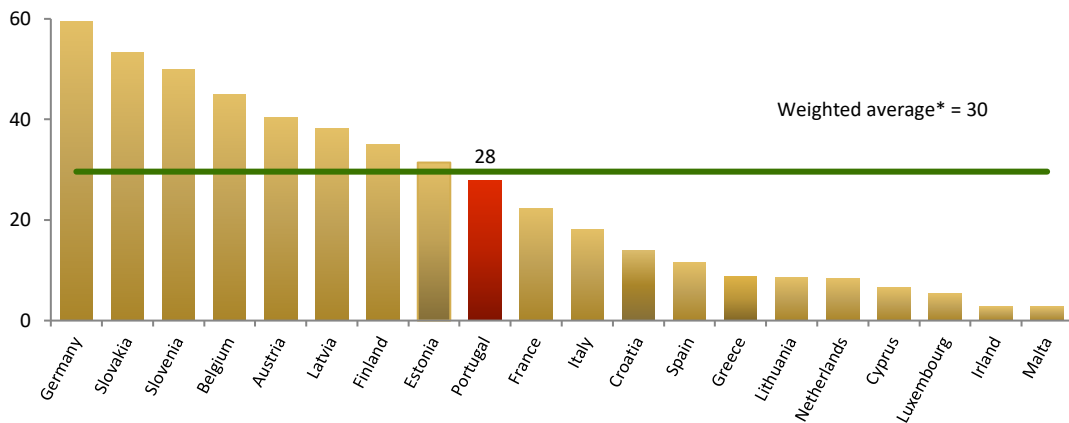


Source: SIBS.

In 2023, the number of POS<sup>13</sup> installed increased again from the previous year (+7.5%) to 351,113, while in the Euro Area this increase was 13.1%. Portugal has a rate approximately in line with the euro area average for POS per inhabitant.

<sup>13</sup> For the purposes of analysing the POS network, information is only available for 16 member financial institutions.

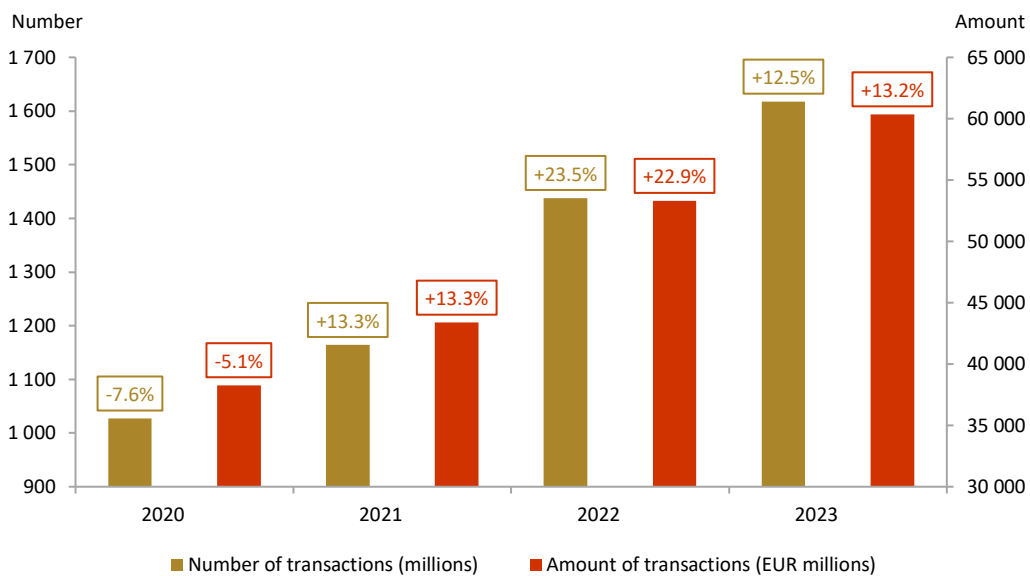
**Graph 22: Inhabitants per POS in the Euro Area**



Source: Eurostat, ECB, APB. Note: \*Average number of inhabitants per POS weighted by the population of each country.

In 2023, there was an increase in both the number of transactions made through POS<sup>14</sup> (+12.5%) and their amount (+13.2%).

**Graph 23: Evolution in the number and amount of transactions in POS**

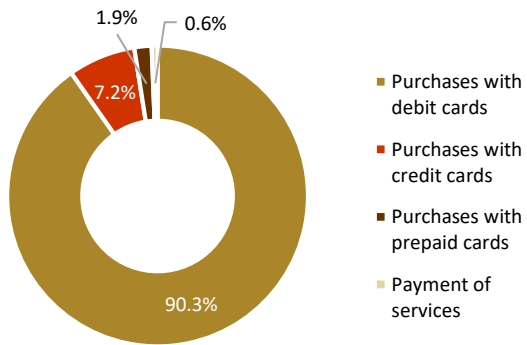


Source: SIBS. Annual change rate in the rectangles.

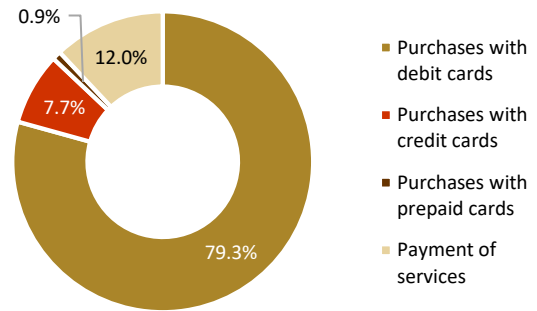
Regarding the amount of transactions, the payment of services led the increases in 2023 versus the previous year (+90.9%) but represents only 12.0% of total transactions made at POS. Prepaid card purchases rose 12.0% compared to 2022, debit card purchases increased 7.3% annually compared to the previous year, and credit card purchases grew 6.0% compared to 2022. In turn, regarding the number of transactions, payment for services was the only segment falling, albeit slightly (-0.7%), while purchases with prepaid cards increased by 18.1%, purchases with debit cards increased by 12.8% and purchases with credit cards increased by 9.0% compared to the previous year.

<sup>14</sup> All data on the number and volume of transactions cover the whole sample (27 member financial institutions).

**Graph 24: Number of transactions in POS (2023)**



**Graph 25: Amount of transactions in POS (2023)**



Source: SIBS.

## V. Performance analysis

### V.1. Analysis of balance sheet

In 2023, banking activity continued to be developed against a backdrop of persistent geopolitical tensions, notably the military conflicts in Ukraine and the Middle East, deflation, economic slowdown and interest rates at high levels. Despite this demanding context, the Portuguese banking sector has strengthened its resilience and has continued to respond efficiently to the financing needs of the economy.

Financial institutions' aggregate assets totalled around EUR 362 billion, down 2.1% compared to 2022. This reduction, lower than in the previous year, led to a further decrease in the proportion of the banking system in the economy to 136.5% of GDP, compared with 152.8% in 2022.

**Table 1: Composition and evolution of aggregate assets structure, as at 31 December (2020 – 2023)**

	2020	2021	2022	2023
<b>Cash and cash equivalents</b>				
Total (million €)	35 176	61 951	50 969	47 281
Annual change rate	-	76.1%	-17.7%	-7.2%
As % of total assets	9.8%	16.1%	13.8%	12.8%
<b>Financial assets at fair value through profit or loss</b>				
Total (million €)	16 263	11 256	7 848	7 858
Annual change rate	-	-30.8%	-30.3%	0.1%
As % of total assets	4.5%	2.9%	2.1%	2.1%
<b>Financial assets at fair value through other comprehensive income</b>				
Total (million €)	35 429	32 202	16 438	15 517
Annual change rate	-	-9.1%	-49.0%	-5.6%
As % of total assets	9.9%	8.4%	4.4%	4.2%
<b>Financial assets at amortised cost</b>				
Total (million €)	245 831	256 160	272 683	271 515
Annual change rate	-	4.2%	6.5%	-0.4%
As % of total assets	68.8%	66.7%	73.6%	73.3%
<b>Other assets<sup>(1)</sup></b>				
Total (million €)	24 915	22 345	22 442	20 292
Annual change rate	-	-10.3%	0.4%	-9.6%
As % of total assets	7.0%	5.8%	6.1%	5.5%
<b>Total assets</b>	<b>357 614</b>	<b>383 914</b>	<b>370 380</b>	<b>362 462</b>
<b>Annual change rate</b>	<b>-</b>	<b>7.4%</b>	<b>-3.5%</b>	<b>-2.1%</b>

Source: FIs, APB.

Note: <sup>(1)</sup> Includes: Hedging derivatives, Fair value changes of the hedged items in portfolio hedge of interest rate risk, Investments in subsidiaries, joint ventures and associated companies, tangible assets, intangible assets, tax assets, other assets and Non-current assets and disposal groups classified as held for sale.

The annual decrease in the total assets of the financial institutions was due to the fact that the increase in exposure to debt securities (EUR +2.7 billion or +3.1%) was not sufficient to compensate for the reduction in investments in central banks (EUR -2.6 billion or -5.7%), in assets in other credit institutions (EUR -1.4 billion or -36.2%), as well as in customer loans, which fell by EUR 4.3 billion (-2.2%).



**Table 2: Composition of financial assets structure, as at 31 December (2020 – 2023)**

	2020				2021				2022				2023			
	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost	Total	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost	Total	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost	Total	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost	Total
Derivatives <sup>(1)</sup> (million €)	3 090	-	-	3 090	1 873	-	-	1 873	1 468	-	-	1 468	2 259	-	-	2 259
Annual change rate	-	-	-	-	-39.4%	-	-	-39.4%	-21.6%	-	-	-21.6%	53.9%	-	-	53.9%
As % of total	19.0%	-	-	1.0%	16.6%	-	-	0.6%	18.7%	-	-	0.5%	28.8%	-	-	0.8%
Equity instruments (million €)	4 286	907	-	5 193	3 794	822	-	4 616	2 663	947	-	3 610	2 570	915	-	3 485
Annual change rate	-	-	-	-	-11.5%	-9.4%	-	-11.1%	-29.8%	15.2%	-	-21.8%	-3.5%	-3.4%	-	-3.5%
As % of total	26.4%	2.6%	-	1.7%	33.7%	2.6%	-	1.5%	33.9%	5.8%	-	1.2%	32.7%	5.9%	-	1.2%
Debt securities (million €)	8 802	31 373	53 908	94 083	5 512	28 379	57 973	91 864	3 652	13 203	69 649	86 504	2 957	12 142	74 112	89 211
Annual change rate	-	-	-	-	-37.4%	-9.5%	7.5%	-2.4%	-33.7%	-53.5%	20.1%	-5.8%	-19.0%	-8.0%	6.4%	3.1%
As % of total	54.1%	88.6%	21.9%	31.6%	49.0%	88.1%	22.6%	30.7%	46.6%	80.3%	25.5%	29.1%	37.6%	78.2%	27.3%	30.3%
Loans and advances (million €)	85	3 149	191 923	195 157	78	3 002	198 187	201 266	65	2 288	203 034	205 387	72	2 460	197 403	199 935
Annual change rate	-	-	-	-	-8.7%	-4.7%	3.3%	3.1%	-15.9%	-23.8%	2.4%	2.0%	9.8%	7.5%	-2.8%	-2.7%
As % of total	0.5%	8.8%	78.1%	65.7%	0.7%	9.3%	77.4%	67.2%	0.8%	13.9%	74.5%	69.2%	0.9%	15.9%	72.7%	67.7%
<b>Total</b>	<b>16 263</b>	<b>35 429</b>	<b>245 831</b>	<b>297 524</b>	<b>11 256</b>	<b>32 203</b>	<b>256 160</b>	<b>299 620</b>	<b>7 849</b>	<b>16 438</b>	<b>272 683</b>	<b>296 969</b>	<b>7 857</b>	<b>15 517</b>	<b>271 515</b>	<b>294 889</b>

Source: FIs, APB.

Note: <sup>(1)</sup> Does not include hedging derivatives.

**Table 3: Loans and advances to customers, as at 31 December (2020 – 2023)**

	2020	2021	2022	2023
<b>Companies and public sector</b>				
Total (million €)	84 477	86 931	86 796	83 085
Annual change rate	-	2.9%	-0.2%	-4.3%
As % of total loans and advances to customers	43.7%	43.3%	42.4%	41.6%
<b>House purchase</b>				
Total (million €)	94 394	98 654	102 633	101 240
Annual change rate	-	4.5%	4.0%	-1.4%
As % of total loans and advances to customers	48.8%	49.1%	50.0%	50.6%
<b>Consumer credit and other</b>				
Total (million €)	14 549	15 148	15 251	15 585
Annual change rate	-	4.1%	0.7%	2.2%
As % of total loans and advances to customers	7.5%	7.5%	7.5%	7.8%
Total loans and advances to customers	193 420	200 733	204 680	199 910
Annual change rate	-	3.8%	2.0%	-2.3%
Total impairment of loans and advances to customers	(8 283)	(7 551)	(6 714)	(6 229)
Total net	185 137	193 182	197 966	193 681
Annual change rate	-	4.3%	2.5%	-2.2%

Source: FIs, APB.

Customer loans (gross figures) decreased 2.3% versus 2022, with lending to businesses and the public administration and to households for house purchase showing a reduction of 4.3% and 1.4% respectively, while consumer credit and other purposes increased by 2.2%.

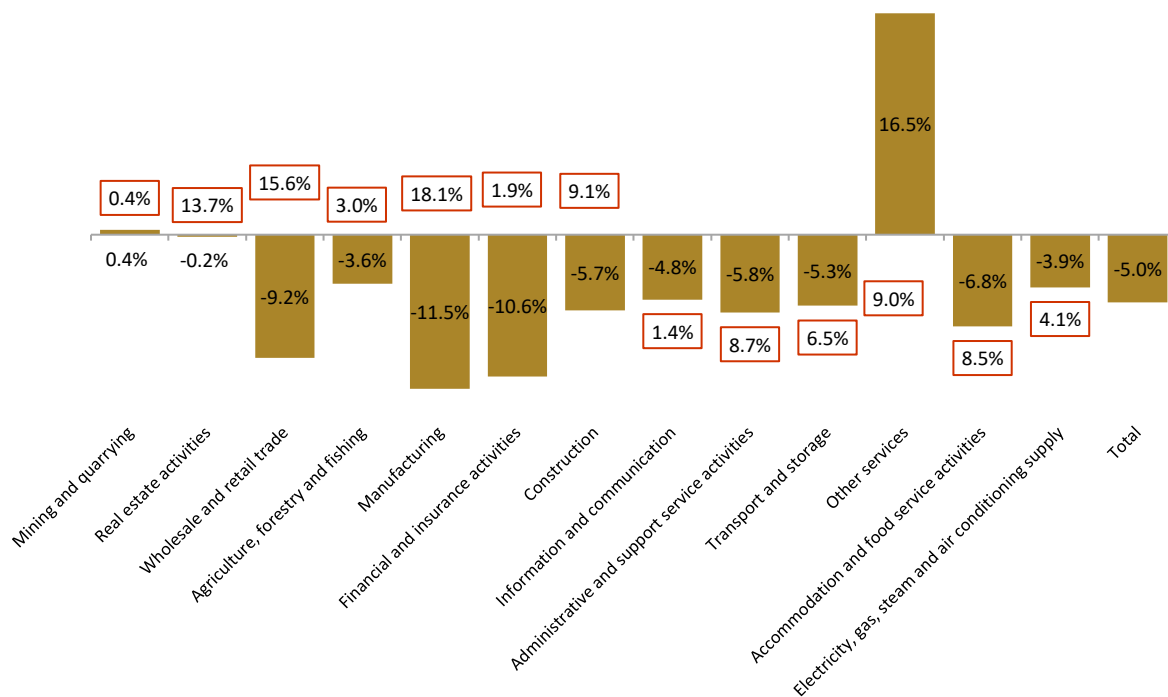
The reduction in loans to companies and public administration was due to a fall in the number of new loans and the increase in repayments by companies, as liquidity was enhanced during the pandemic crisis due to the use of the moratorium and public guarantee loans.

In 2023, loans for house purchase inverted the recovery path initiated in 2020, having decreased by 1.4% YoY. In the first nine months of 2023, new loans for house purchases recorded annual falls in variation rates but recovered somewhat in the last quarter of the year. The increase in the number of early repayments compared to 2022 also contributed to this development, according to data from the Bank of Portugal.

It should be noted that, according to data provided by the Bank of Portugal, loans for house purchase with variable interest rates represented around 80% of the total in 2023, a reduction of 9 p.p. compared to 2022.

In turn, consumer credit and other purposes increased 2.2% in 2022. Unlike housing loans, most consumer credit loans are contracted at fixed interest rates.

**Graph 26: Annual change rate in loans and advances to non-financial corporations by sector of activity, 31 December 2023**



Share of loans to non-financial corporations.

Source: FIs, APB.

**Table 4: Asset quality, as at 31 December (2020-2023)**

	2020	2021	2022	2023	2020	2021	2022	2023	2020	2021	2022	2023	2020	2021	2022	2023
	<b>Total</b>				<b>House Purchase</b>				<b>Consumer credit and other</b>				<b>Companies and public sector</b>			
Non-performing loans (million €)	11 252	9 434	7 548	5 955	1 735	1 440	1 029	1 130	1 335	1 342	1 189	881	7 354	6 188	5 016	3 579
Annual change rate		-16,2%	-20,0%	-21,1%		-17,0%	-28,5%	9,8%		0,5%	-11,4%	-25,9%		-15,9%	-18,9%	-28,7%
NPL Ratio	5,5%	4,5%	3,6%	2,9%	1,8%	1,5%	1,0%	1,1%	8,8%	8,8%	7,6%	5,6%	10,2%	8,4%	6,9%	5,1%
Annual change rate		-1,0 p.p.	-0,9 p.p.	-0,7 p.p.		-0,3 p.p.	-0,5 p.p.	0,1 p.p.		0,0 p.p.	-1,2 p.p.	-2,0 p.p.		-1,8 p.p.	-1,5 p.p.	-1,8 p.p.
NPL Coverage Ratio	56,6%	54,2%	57,8%	58,6%	28,8%	31,5%	40,6%	38,1%	70,8%	71,2%	71,1%	65,2%	59,1%	55,4%	58,0%	65,2%
Annual change rate		-2,4 p.p.	3,6 p.p.	0,8 p.p.		2,7 p.p.	9,1 p.p.	-2,5 p.p.		0,4 p.p.	-0,1 p.p.	-5,9 p.p.		-3,7 p.p.	2,6 p.p.	7,2 p.p.
Net NPL Ratio	2,4%	2,1%	1,5%	1,2%	1,5%	1,2%	0,8%	0,9%	1,3%	1,0%	0,6%	0,7%	2,5%	2,5%	2,1%	2,1%
Annual change rate		-0,3 p.p.	-0,6 p.p.	-0,3 p.p.		-0,3 p.p.	-0,4 p.p.	0,1 p.p.		-0,3 p.p.	-0,4 p.p.	0,1 p.p.		0,0 p.p.	-0,4 p.p.	0,0 p.p.

Source: FIs, APB.

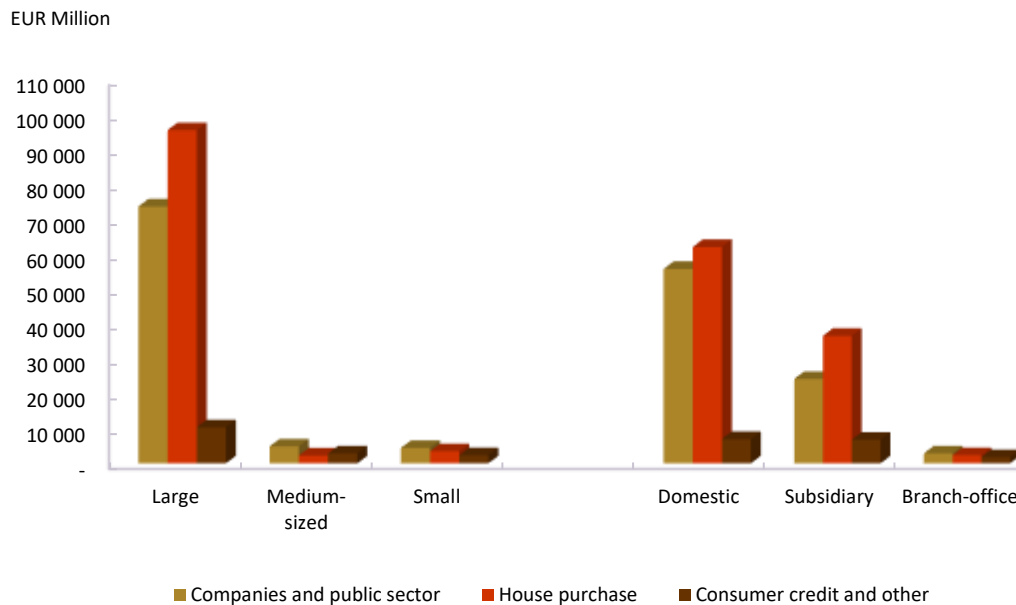
In 2023, the NPL ratio maintained the downward path initiated in 2016 and stood at 2.9% (-0.7 p.p. compared to the previous year), which compares with 1.9% for the euro area average. This was the result of the decline in the amount of NPL (EUR -1.6 billion), which more than offset the fall in loans to NFCs and central banks. In turn, the net impairment NPL ratio was 1.2%.

On the other hand, the NPLs of companies and public administration, responsible for 60.1% of all FI members' NPLs, fell by 28.7% compared to 2022, with the NPL ratio decreasing by 1.8 p.p. to 5.1%.

The household loan segment experienced two different situations: on the one hand, the NPL ratio of housing loans increased 0.1 p.p. compared to 2022 to 1,1%. This variation was justified by the increase in the flow of new credits in NPL, although mitigated by the sales and write-down operations; on the other hand, the NPL ratio of consumer credit and other purposes decreased from 7.6% in 2022 to 5.6% in 2023.

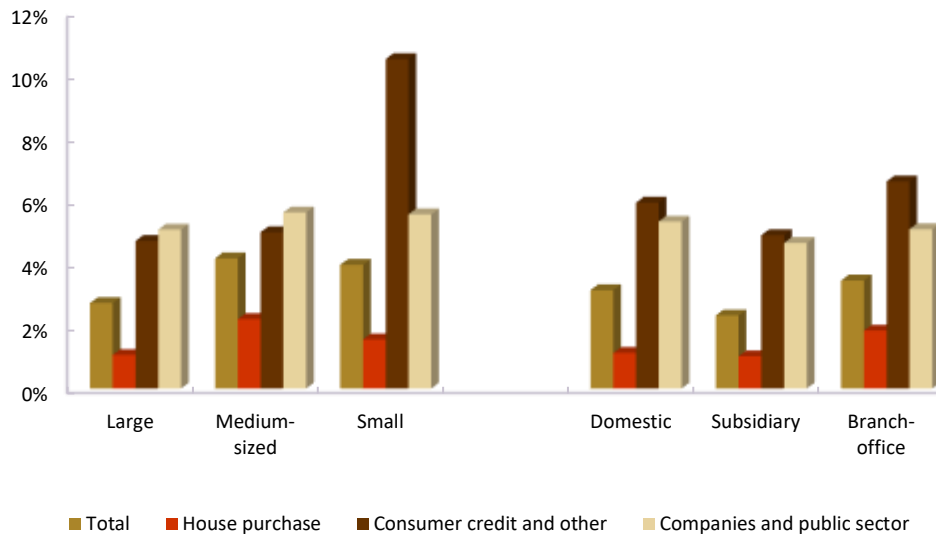
In 2023, the NPL coverage ratio increased by 0.8 p.p. to 58.6%. This evolution was explained by a reduction in NPLs on the balance sheet above the reduction observed in accumulated impairments.

**Graph 27: Loans and advances to customers, by size and by origin / type of legal structure, as at 31 December 2023**



Source: FIs, APB.

**Graph 28: NPL Ratio by size and by origin / type of legal structure, as at 31 December 2023**



Source: FIs, APB.

In 2023, in a context of lower credit concession, there was an increase in exposure to debt securities of 3.1% compared to the previous year, mainly through the increase in exposure to government securities (+3.9% YoY or EUR 2.2 billion) and to NFCs (+11.3% YoY or EUR 1.8 billion). Debt securities increased from 23.4% of total assets in 2022 to 24.6% in 2023.

The proportion of debt securities valued at amortised cost, i.e. where changes in value are only recognised on the balance sheet at the time of sale, has been increasing over the last few years. In 2023, this component increased by around 6.4% (EUR +4.5 billion) and stood at approximately 83% of total debt securities, compared to 80.5% in the previous year, and 20.4% of total assets, compared to 18.8% in 2022. This portfolio represents a lower exposure to the volatility of market risk as it is expected to be held to maturity.

Regarding public debt, there was an annual rise of 3.9%, following the decline of previous years, and it increased as a proportion of total assets from 15.2% in 2022 to 16.1% in 2023. This evolution essentially reflected the geographical diversification of the portfolio, with a reduction in the stock of Portuguese government securities and an increase in exposure to Italian, German and European Commission public debt.

**Table 5: Composition of debt securities portfolio, as at 31 December (2020-2023)**

	2020	2021	2022	2023
<b>Public debt</b>				
Total (million €)	59 729	58 310	56 275	58 498
Annual change rate	-	-2.4%	-3.5%	3.9%
As % of total	63.5%	63.5%	65.1%	65.6%
<b>Other issuers</b>				
Total (million €)	34 353	33 555	30 229	30 715
Annual change rate	-	-2.3%	-9.9%	1.6%
As % of total	36.5%	36.5%	34.9%	34.4%
Total debt securities	94 083	91 864	86 504	89 211
Annual change rate	-	-2.4%	-5.8%	3.1%
Public debt as % of total assets	16.7%	15.2%	15.2%	16.1%

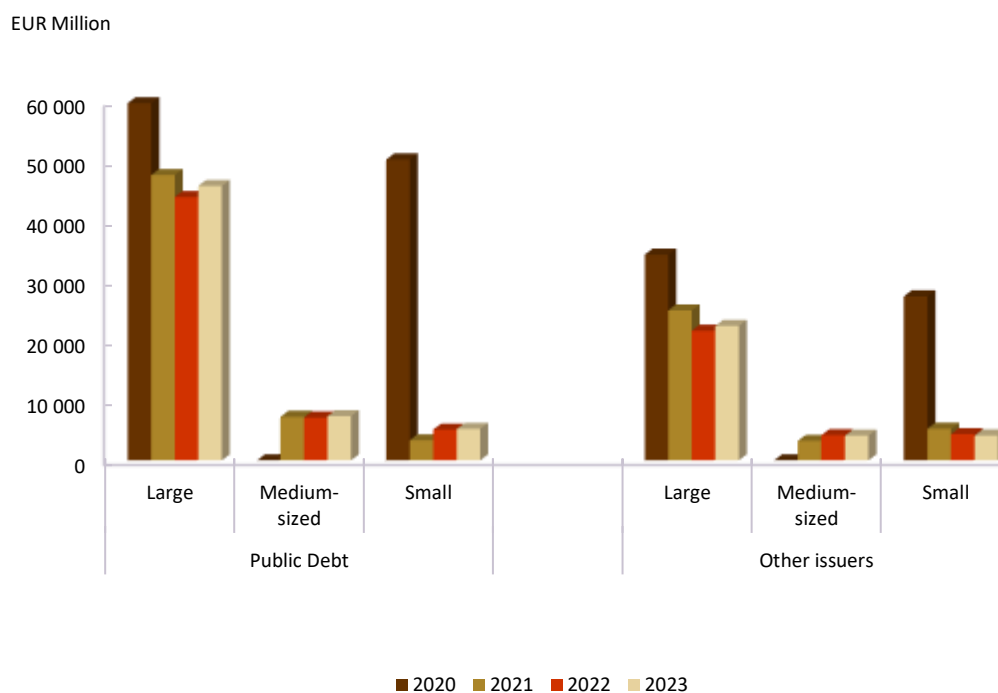
Source: Fls, APB.

**Table 6: Composição dos títulos de dívida por carteira, a 31 de dezembro (2020-2023)**

	2020	2021	2022	2023
<b>Public debt</b>				
Fair value through profit or loss (million €)	3 819	922	1 099	760
As % of total public debt	6.4%	1.6%	2.0%	1.3%
Fair value through other comprehensive income (million €)	26 285	22 595	9 563	8 704
As % of total public debt	44.0%	38.7%	17.0%	14.9%
Amortised cost (million €)	29 625	34 793	45 613	49 033
As % of total public debt	49.6%	59.7%	81.1%	83.9%
<b>Other issuers</b>				
Fair value through profit or loss (million €)	4 983	4 590	2 553	2 197
As % of total other issuers debt	14.5%	13.7%	8.4%	7.2%
Fair value through other comprehensive income (million €)	5 087	5 784	3 640	3 438
As % of total other issuers debt	14.8%	17.2%	12.0%	11.2%
Amortised cost (million €)	24 283	23 180	24 036	25 079
As % of total other issuers debt	70.7%	69.1%	79.5%	81.8%
Total public debt	94 083	91 864	86 504	89 211
Annual change rate	-	-2.4%	-5.8%	3.1%

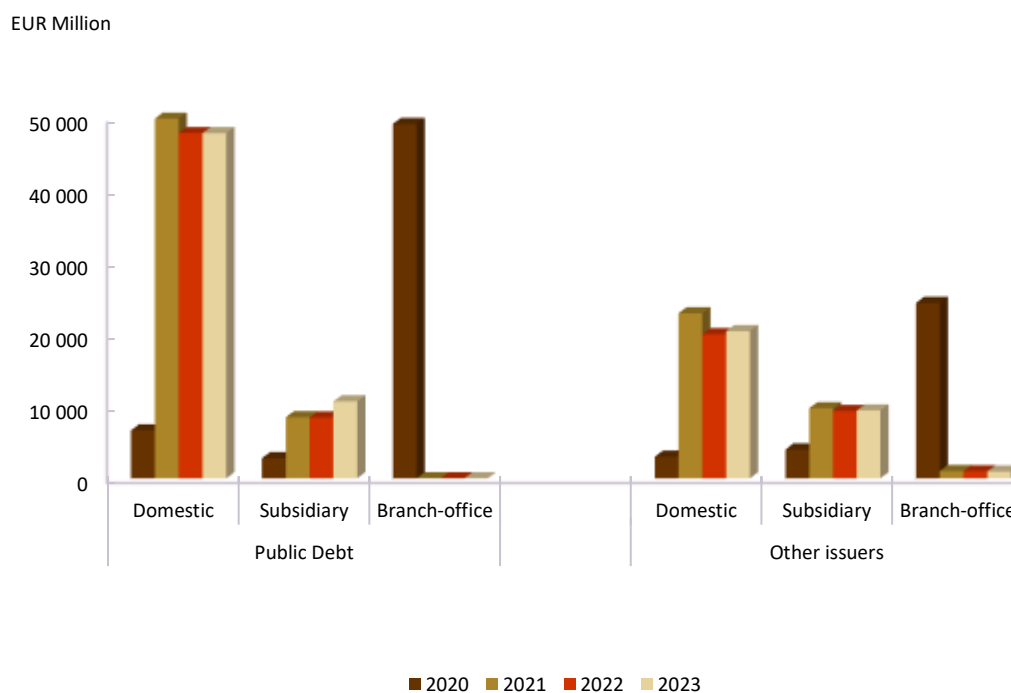
Source: Fls, APB.

**Graph 29: Debt securities of FIs, by size, as at 31 December**



Source: FIs, APB.

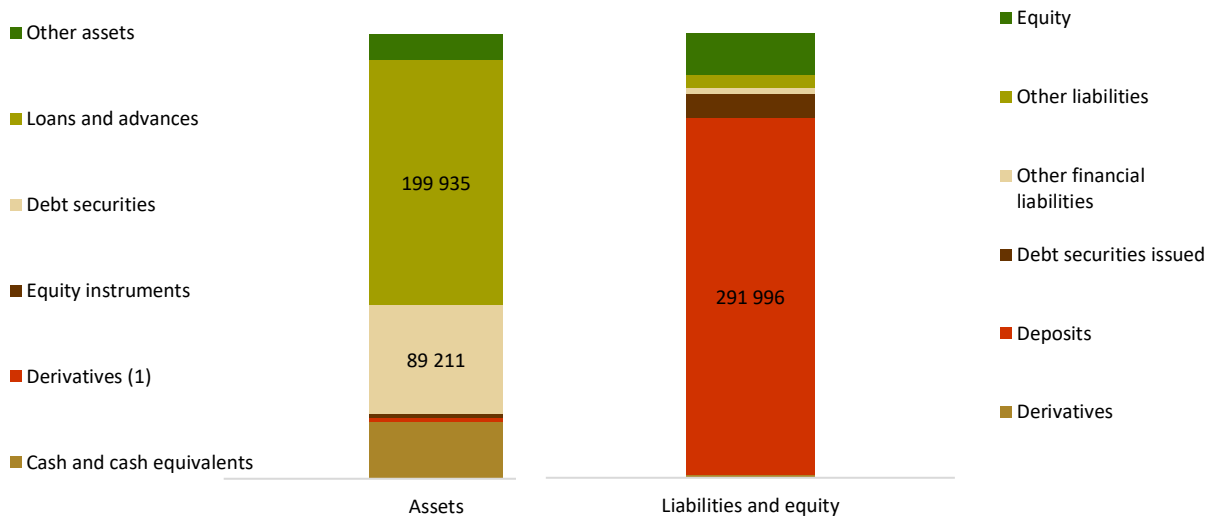
**Graph 30: Debt securities of FIs, by origin / type of legal structure, as at 31 December**



Source: FIs, APB.

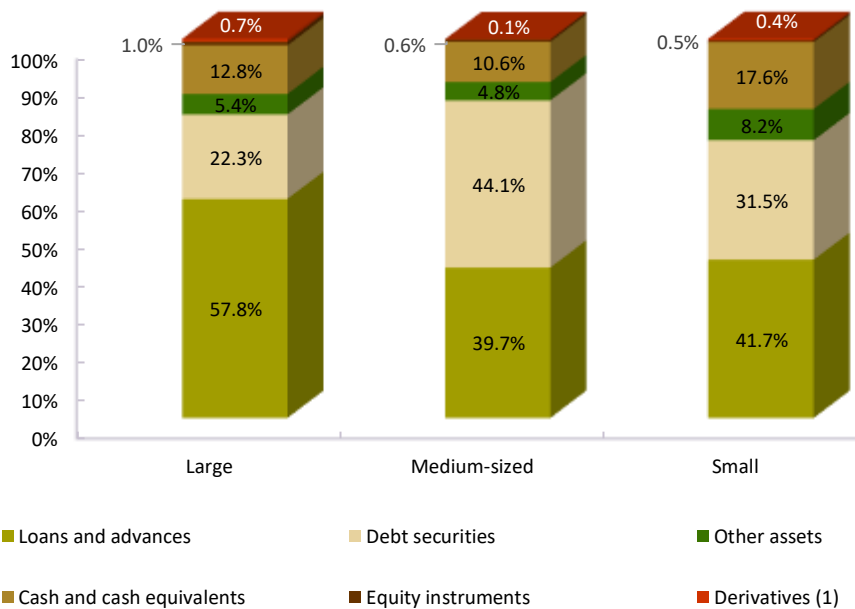


**Graph 31: Balance sheet structure as at 31 December 2023**



Source: FIs, APB.

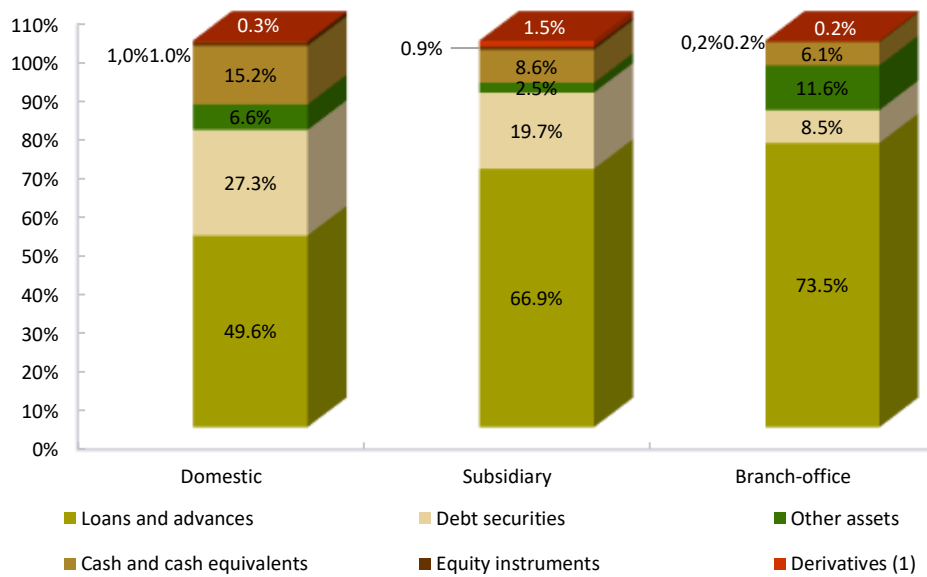
**Graph 32: Total assets structure by size, as at 31 December 2023**



Source: FIs, APB.

Note: <sup>(1)</sup> Does not include hedging derivatives.

**Graph 33: Total assets structure by origin / type of legal structure, as at 31 December 2023**



Source: FIs, APB.

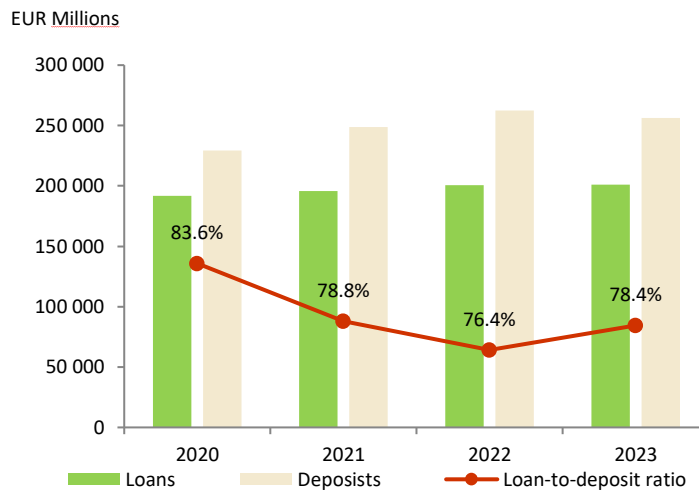
Note: <sup>(1)</sup> Does not include hedging derivatives.

In 2023, customer deposits fell by 2.4% annually in an environment where there was a significant increase in net subscriptions for savings certificates and repayments of loans. Even so, its proportion in the funding structure of financial institutions was very similar to that of the previous year (70.7% in 2023 versus 70.9% in 2022).

The individual customers segment, which accounted for 68.5% of total customer deposits, recorded an annual decline of 1.4% while the corporate and public administration segment recorded a steeper fall of 4.6%. In the current context of a sharp increase in interest rates, the previous trends in terms of maturity were reversed, with demand deposits having decreased 21.3% YoY, while deposits with agreed maturity increased by 12.7%.

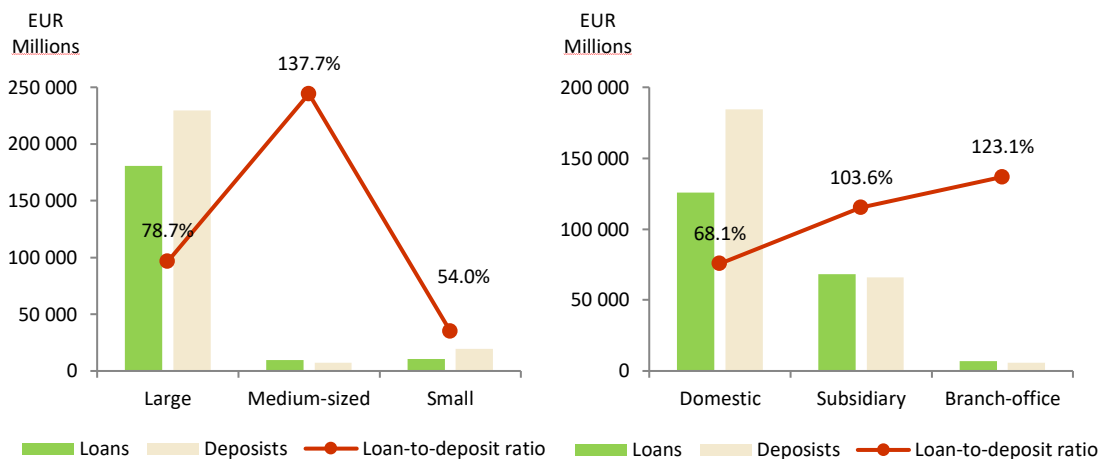
As the decrease in customer loans was lower than the reduction in customer deposits, the loan-to-deposit ratio rose to 78.4% in 2023, compared to 76.4% in 2022.

**Graph 34: Loan-to-Deposit ratio, as at 31 December**



Source: Fls, APB.

**Graph 35: Loan-to-Deposit ratio by size and by origin / type of legal structure, as at 31 December 2023**



Source: Fls, APB.

Funding from market sources increased by 15.5% compared to the previous year but remained negligible in terms of the banking sector's financing structure (5.3% of the financial institutions' funding structure). During this year, APB members continued to issue instruments eligible to meet the minimum own funds and eligible liabilities requirement (MREL).

In 2023, there was a further significant reduction in funding from the Eurosystem (-79.3% compared to 2022) as a result of the early repayment of a significant part of the targeted longer-term refinancing operations (TLTRO III). The proportion of this source of financing in total assets decreased from 4.3% in 2022 to 0.9% in 2023.

**Table 7: Composition and evaluation of aggregate financing structure, as at 31 December (2020-2023)**

	2020	2021	2022	2023
<b>Financial liabilities at fair value through profit or loss</b>				
Total (million €)	4 732	3 588	3 244	5 791
Annual change rate	-	-24.2%	-9.6%	78.5%
As % of total assets	1.3%	0.9%	0.9%	1.6%
<b>Financial liabilities at amortised cost</b>				
Total (million €)	313 829	342 550	328 849	312 630
Annual change rate	-	9.2%	-4.0%	-4.9%
As % of total assets	87.8%	89.2%	88.7%	86.4%
<b>Other liabilities</b>				
Total (million €)	9 468	6 967	7 963	10 393
Annual change rate	-	-26.4%	14.3%	30.5%
As % of total assets	2.6%	1.8%	2.2%	2.9%
<b>Total Liabilities</b>	<b>328 030</b>	<b>353 104</b>	<b>340 056</b>	<b>328 814</b>
<b>Annual change rate</b>	<b>-</b>	<b>7.6%</b>	<b>-3.7%</b>	<b>-3.3%</b>
<b>As % of total assets</b>	<b>91.7%</b>	<b>92.0%</b>	<b>91.8%</b>	<b>90.7%</b>
<b>Equity</b>				
Total (million €)	29 584	30 810	30 323	33 648
Annual change rate	-	4.1%	-1.6%	11.0%
As % of total assets	8.3%	8.0%	8.2%	9.3%
<b>Total Liabilities and Equity</b>	<b>357 614</b>	<b>383 914</b>	<b>370 380</b>	<b>362 462</b>

Source: FIs, APB.

**Table 8: Composition of financial liabilities structure, as at 31 December (2020 – 2023)**

	2020			2021			2022			2023		
	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost	Total	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost	Total	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost	Total	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost	Total
Derivatives <sup>(1)</sup> (million €)	3 076	-	3 076	1 763	-	1 763	1 338	-	1 338	2 059	-	2 059
As % of total	65.0%	-	1.0%	49.1%	-	0.5%	41.2%	-	0.4%	35.5%	-	0.6%
Deposits (million €)	259	289 639	289 898	25	316 426	316 451	538	306 525	307 063	2 416	289 580	291 996
As % of total	5.5%	92.3%	91.0%	0.7%	92.4%	91.4%	16.6%	93.2%	92.4%	41.7%	92.6%	91.8%
Debt securities issued (million €)	1 344	12 585	13 929	1 582	16 847	18 428	1 341	15 225	16 567	1 287	17 841	19 129
As % of total	28.4%	4.0%	4.4%	44.1%	4.9%	5.3%	41.3%	4.6%	5.0%	22.2%	5.7%	6.0%
Other financial liabilities (million €)	55	11 605	11 660	217	9 277	9 495	27	7 099	7 125	28	5 209	5 237
As % of total	1.2%	3.7%	3.7%	6.1%	2.7%	2.7%	0.8%	2.2%	2.1%	0.5%	1.7%	1.6%
<b>Total</b>	<b>4 732</b>	<b>313 829</b>	<b>318 562</b>	<b>3 588</b>	<b>342 550</b>	<b>346 138</b>	<b>3 244</b>	<b>328 849</b>	<b>332 093</b>	<b>5 791</b>	<b>312 630</b>	<b>318 421</b>

Source: FIs, APB.

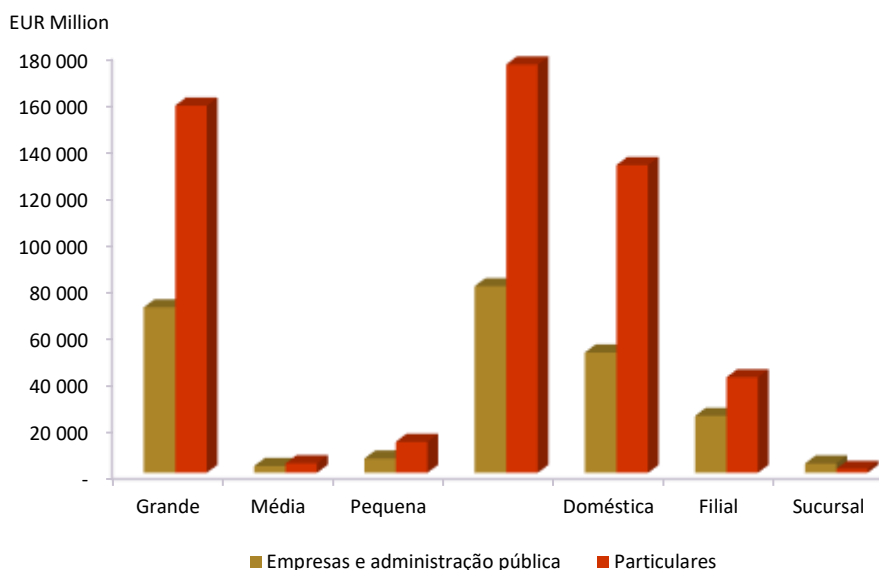
Note: <sup>(1)</sup> Does not include hedging derivatives.

**Table 9: Deposits, as at 31 December (2020-2023)**

	2020	2021	2022	2023
<b>Central banks</b>				
Total (million €)	32 137	41 506	15 846	3 287
Annual change rate	-	29.2%	-61.8%	-79.3%
As % of total deposits	11.1%	13.1%	5.2%	1.1%
<b>Credit institutions</b>				
Total (million €)	28 505	26 318	28 695	32 521
Annual change rate	-	-7.7%	9.0%	13.3%
As % of total deposits	9.8%	8.3%	9.3%	11.1%
<b>Companies and public setor</b>				
Total (million €)	72 033	80 501	84 555	80 642
Annual change rate	-	11.8%	5.0%	-4.6%
As % of total deposits	24.8%	25.4%	27.5%	27.6%
<b>Households</b>				
Total (million €)	157 223	168 126	177 967	175 546
Annual change rate	-	6.9%	5.9%	-1.4%
As % of total deposits	54.1%	53.1%	58.0%	60.0%
Total deposits from customers	229 256	248 627	262 522	256 188
Annual change rate	-	8.4%	5.6%	-2.4%
Total de deposits	289 898	316 451	307 063	291 996
Annual change rate	-	9.2%	-3.0%	-4.9%

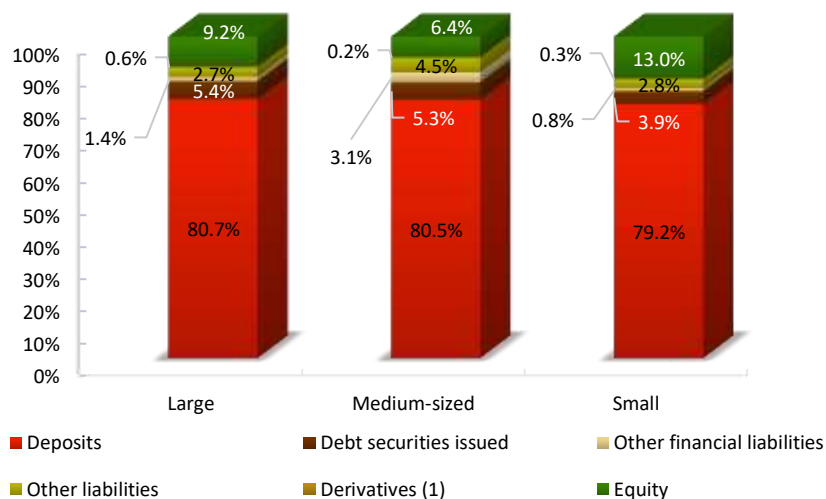
Source: FIs, APB.

**Graph 36: Deposits from customers by size and type of legal structure, as at 31 December 2023**



Source: FIs, APB.

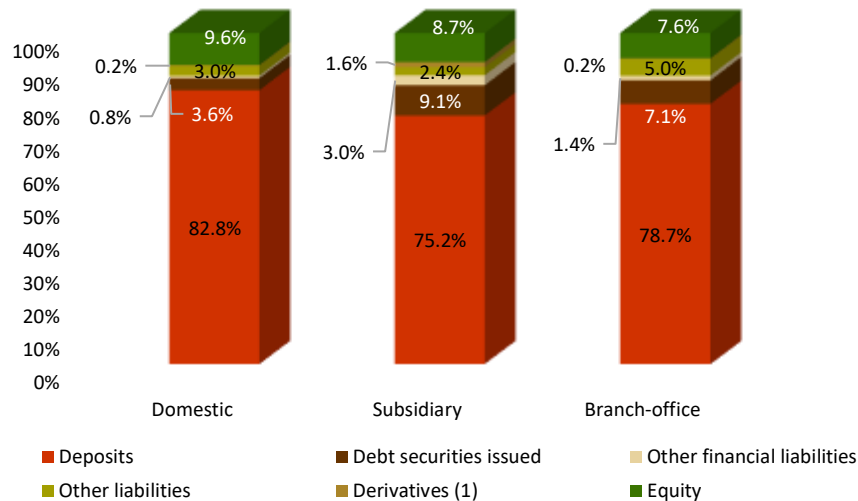
**Graph 37: Liabilities structure by size, as at 31 December 2023**



Source: FIs, APB.

Note: <sup>(1)</sup> Does not include hedging derivatives.

**Graph 38: Liabilities structure by origin / type of legal structure, as at 31 December 2023**



Source: FIs, APB.

Note: <sup>(1)</sup> Does not include hedging derivatives.

## V.2. Income statement analysis

The aggregated profitability of financial institutions has continued the upward path delivered in more recent years and improved very significantly in 2023. This was mainly due to the growth of net interest income, which reflected the significant increase in interest rates and more than offset the rise in impairments and provisions for credit and the increase, albeit to a lesser extent, in operating costs. Aggregate net profit stood at EUR 4.8 billion, corresponding to an annual increase of 68% (+EUR 1.9 billion). This year also saw strong resilience in credit quality and adequate liquidity positions.

**Table 10: Aggregated income statement (2020-2023)**

	2020	2021	2022	2023
	million €	million €	million €	million €
Net interest income	4 108	4 038	4 776	8 847
Annual change rate	-	-1.7%	18.3%	85.2%
Net results from fees and commissions	2 139	2 343	2 496	2 429
Annual change rate	-	9.5%	6.5%	-2.7%
Net results from financial operations	-166	594	316	345
Annual change rate	-	s.s.	-46.8%	9.2%
Other results	347	541	789	740
Annual change rate	-	55.9%	45.8%	-6.2%
<b>Operating income</b>	<b>6 428</b>	<b>7 516</b>	<b>8 377</b>	<b>12 361</b>



<b>Annual change rate</b>	-	<b>16.9%</b>	<b>11.5%</b>	<b>47.6%</b>
Operating costs	-3 834	-3 795	-4 204	-4 285
Annual change rate	-	-1.0%	10.8%	1.9%
Provisions and impairment	-2 806	-1 493	-581	-1 608
Annual change rate	-	-46.8%	-61.1%	>100%
Other results	157	55	85	40
Annual change rate	-	-65.0%	54.5%	-52.9%
<b>Profit or loss before taxes</b>	<b>-55</b>	<b>2 283</b>	<b>3 677</b>	<b>6 508</b>
<b>Annual change rate</b>	-	<b>s.s.</b>	<b>61.1%</b>	<b>77.0%</b>
Taxes	-402	-624	-813	-1 700
Annual change rate	-	55.2%	30.3%	>100%
Results from discontinued operations	-41	1	-	1
Annual change rate	-	s.s.	s.s.	s.s.
<b>Net income for the year</b>	<b>-498</b>	<b>1 660</b>	<b>2 864</b>	<b>4 809</b>
<b>Annual change rate</b>	-	<b>s.s.</b>	<b>72.5%</b>	<b>67.9%</b>

Source: FIs, APB.

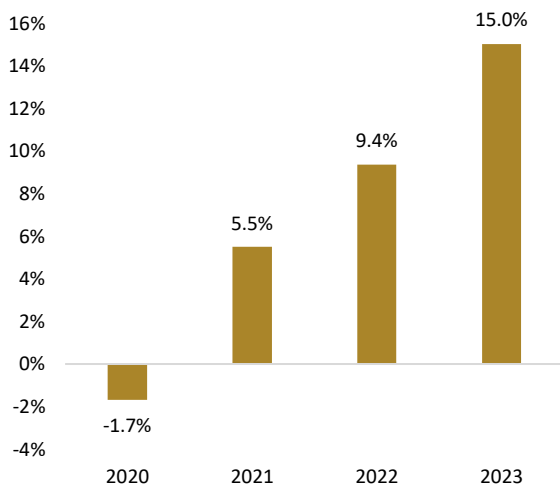
**Table 11: Income statement (2020-2023)**

	2020	2021	2022	2023
	million €	million €	million €	million €
Interest income	5 556	5 428	6 450	13 894
Interest expense	-1 448	-1 390	-1 674	-5 047
<b>Net interest income (NII)</b>	<b>4 108</b>	<b>4 038</b>	<b>4 776</b>	<b>8 847</b>
Fee and commission income	2 590	2 818	3 022	2 915
Fee and commission expense	-451	-475	-526	-486
Net results from fees and commissions	2 139	2 343	2 496	2 429
Net results from financial operations	-166	594	316	345
Other results	347	541	789	740
<b>Operating income (OI)</b>	<b>6 428</b>	<b>7 516</b>	<b>8 377</b>	<b>12 361</b>
Staff costs	-2 202	-2 147	-2 461	-2 434
General administrative expenses	-1 221	-1 209	-1 268	-1 389
Depreciation and amortisation	-411	-439	-475	-462
Operating costs	-3 834	-3 795	-4 204	-4 285
<b>Gross operating results (GOR)</b>	<b>2 594</b>	<b>3 721</b>	<b>4 173</b>	<b>8 076</b>
Provisions net of reversals	-273	-598	-138	-609
Impairment of financial assets, net of reversals	-2 089	-858	-534	-849
Impairment of investments in subsidiaries, joint ventures and associates, net of reversals	-129	47	114	-74
Impairment of non-financial assets, net of reversals	-315	-84	-23	-76
Provisions and impairment	-2 806	-1 493	-581	-1 608
Negative goodwill recognised in profit or loss	0	0	0	0

Share of profit or loss investments in associates	106	18	36	1
Profit or (-) loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	51	37	49	39
Other results	157	55	85	40
<b>Profit or loss before tax (PLBT)</b>	<b>-55</b>	<b>2 283</b>	<b>3 677</b>	<b>6 508</b>
Tax expenses or income related to profit or loss from continuing operations	-402	-624	-813	-1 700
Profit or (-) loss after tax from discontinued operations	-41	1	0	1
<b>Net income for the year (NI)</b>	<b>-498</b>	<b>1 660</b>	<b>2 864</b>	<b>4 809</b>

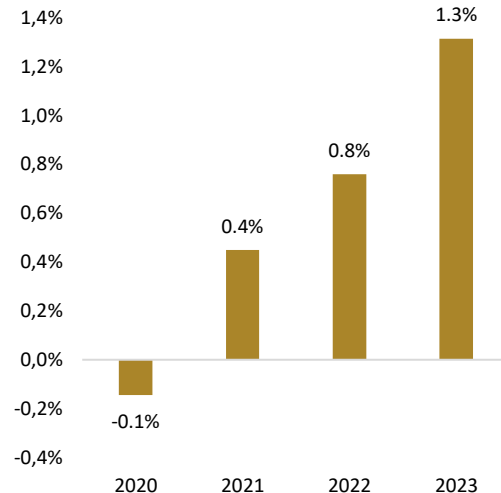
Source: FIs, APB.

**Graph 39: Return on equity**



Source: FIs, APB.

**Graph 40: Return on assets**



The significant increase in the net interest income reflected the significant rise in interbank market interest rates and a differentiated pace of transmission in the interest rates on housing loans and deposits. In addition, the securities portfolio also contributed positively to the evolution of the net interest income.

In 2023, net interest income rose 85% over 2022 to EUR 8.8 billion (+EUR 4.1 billion) and its weight in the operating income of financial institutions rose to 71.6% from 57% in 2022.

Table 12: Net interest income

	2020	2021	2022	2023
	million €	million €	million €	million €
<b>Interest income</b>				
Trading derivatives	250	183	150	397
Debt securities	901	834	1 067	1 935
Loans and advances	3 726	3 607	4 345	9 069
Other assets	194	189	314	1 290
Deposits	191	383	290	33
Derivatives – hedge accounting	294	232	284	1 172
Total	5 556	5 428	6 450	13 894
<b>Interest expense</b>				
Trading derivatives	226	161	142	442
Debt securities	81	75	80	59
Loans and advances	36	84	90	86
Other assets	2	13	46	0
Deposits	425	383	424	2 301
Debt securities issued	282	288	383	551
Other financial liabilities	37	43	75	195
Derivatives – hedge accounting	286	265	376	1 272
Other liabilities	74	79	57	141
Total	1 448	1 390	1 674	5 047
Net interest income	4 108	4 038	4 776	8 847
Annual change rate	-	-1.7%	18.3%	85.2%

Source: FIs, APB.

Net fees and commissions fell slightly from 2022 (-2.7%) affected by lower credit concession and the imposition of legal restrictions limiting the charge of fees and commissions since the second half of 2023.

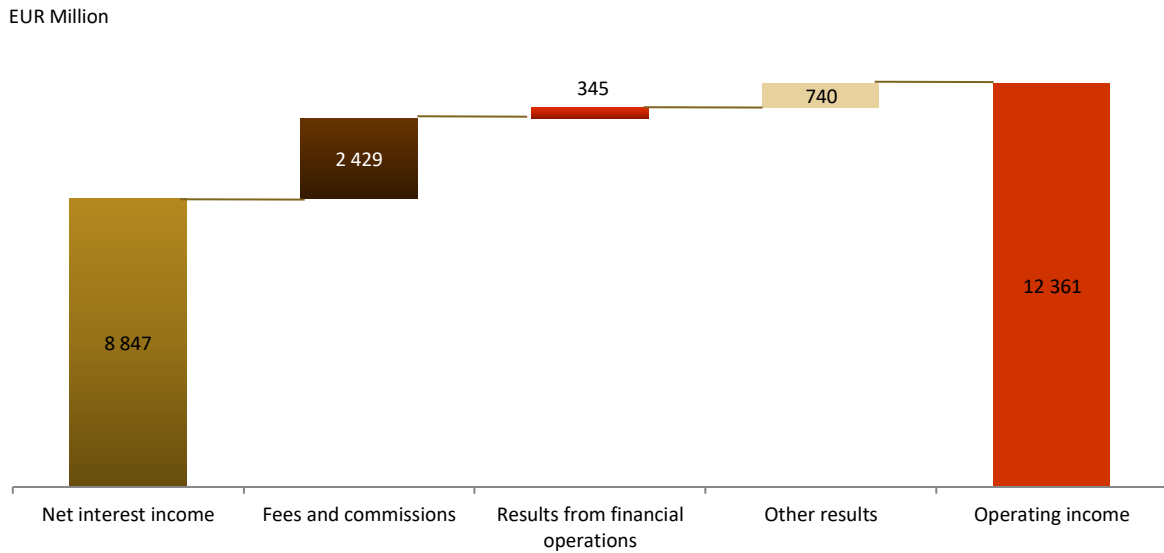
**Table 13: Net results from fees and commissions**

	2020	2021	2022	2023
	million €	million €	million €	million €
<b>Fee and commission income</b>				
Securities	111	97	106	100
Clearing and settlement	101	106	121	115
Asset management	46	60	59	58
Custody	67	52	49	52
Central administration services for collective investment	8	10	11	9
Payment services	928	998	1 115	1 087
Customer resources distributed but not managed	476	544	582	582
Structured Finance	33	33	31	33
Loan servicing activities	27	37	36	47
Loan commitments given	53	54	56	34
Financial guarantees given	116	105	108	104
Loans granted	158	176	181	147
Other	464	546	565	547
<b>Total</b>	<b>2 590</b>	<b>2 818</b>	<b>3 022</b>	<b>2 915</b>
<b>Fee and commission expenses</b>				
Clearing and settlement	21	23	24	23
Custody	6	6	5	6
Loan servicing activities	7	6	5	5
Loan commitments received	2	2	4	2
Financial guarantees received	10	10	18	17
Other	406	428	470	433
<b>Total</b>	<b>451</b>	<b>475</b>	<b>526</b>	<b>486</b>
<b>Net results from fees and commissions</b>	<b>2 139</b>	<b>2 343</b>	<b>2 496</b>	<b>2 429</b>
<b>Annual change rate</b>	<b>-</b>	<b>9.5%</b>	<b>6.5%</b>	<b>-2.7%</b>

Source: FIs, APB.

Results from financial operations stood at EUR 345 million, compared to EUR 316 million in 2022.

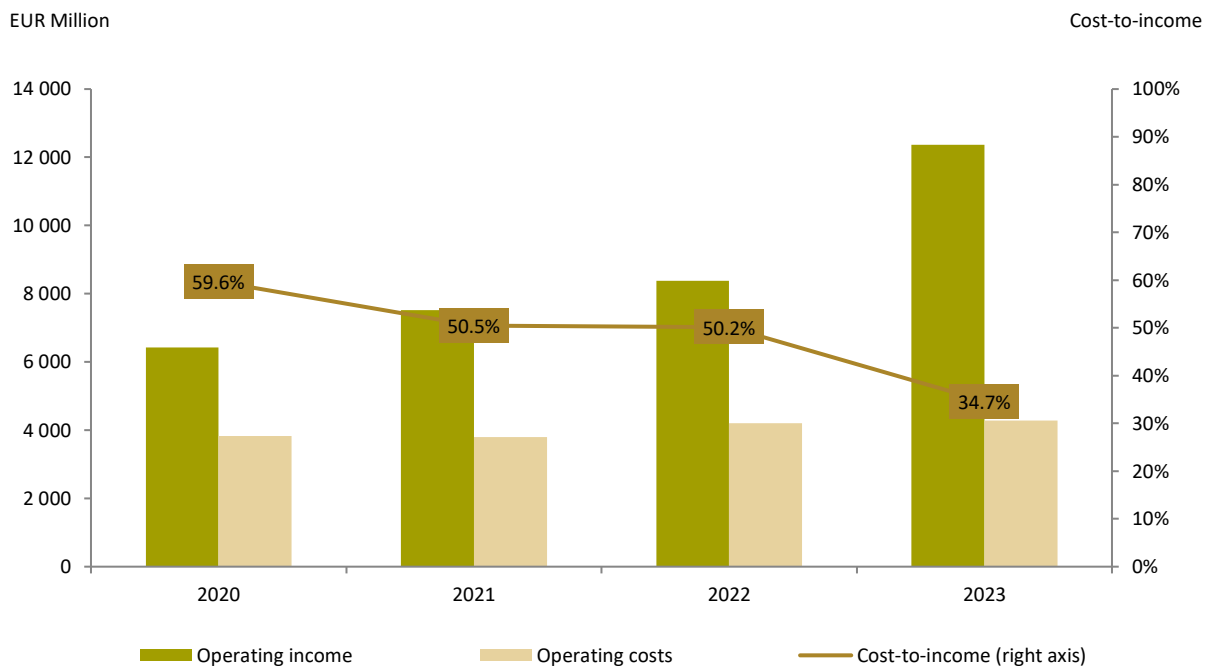
**Graph 41: Composition of Operating Income, 2023**



Source: Fls, APB.

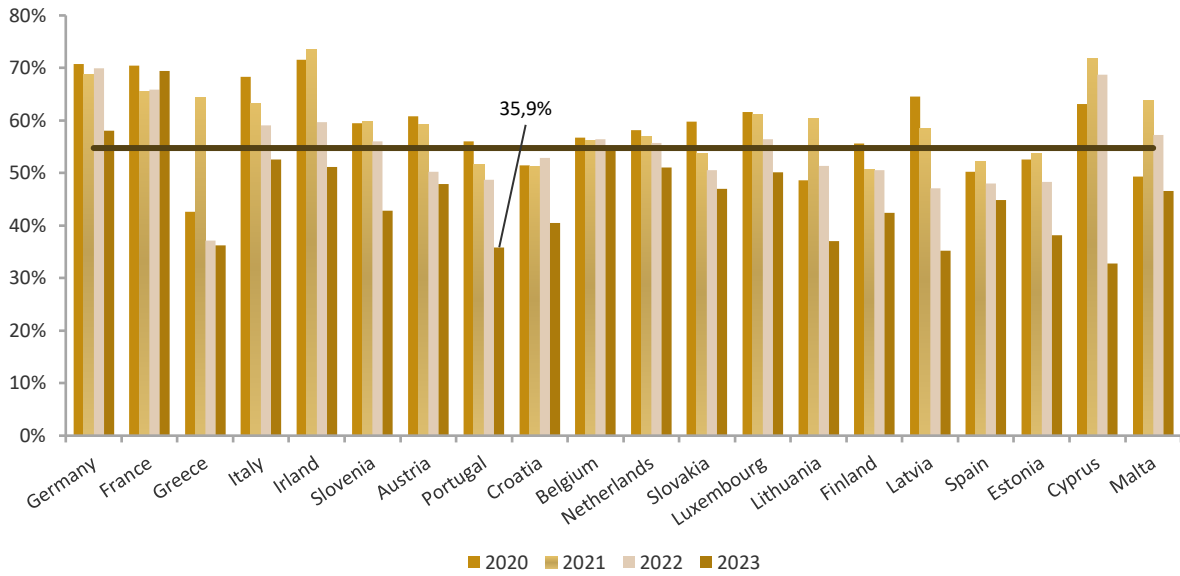
Operating costs increased by 1.9% compared to 2022, due to the increase in administrative overheads (+9.5% YoY), which was mainly explained by the current inflationary environment and investments in digitalisation. Staff costs, and depreciation and amortisation costs, fell by 1.1% and 2.7% respectively.

**Graph 42: Cost-to-income ratio**



Source: Fls, APB.

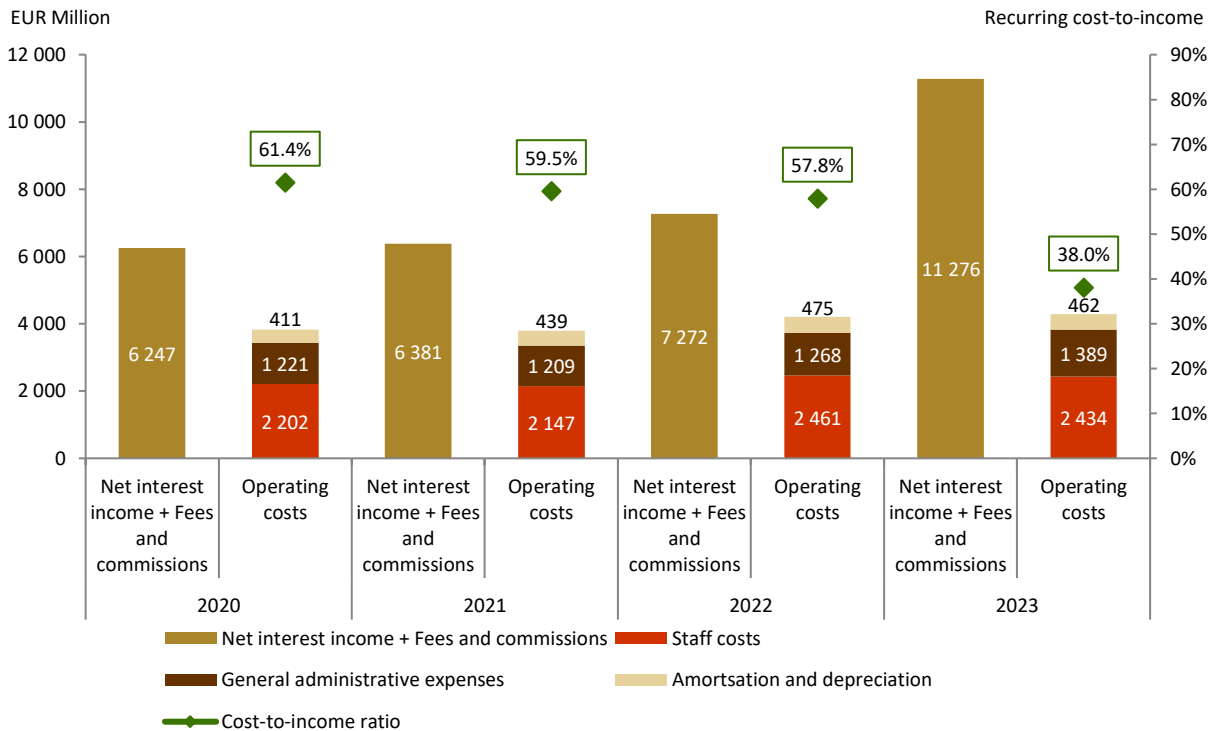
**Graph 43: Cost-to-income ratio in the Euro Area**



Source: ECB.

In 2023, there was an improvement in sector efficiency, with the cost-to-income ratio falling by 15.5 p.p. to 34.7% due to the increase in operating income, which was much higher than the increase in operating costs. This ratio compares favourably with the euro area average.

**Graph 44: Recurring Cost-to-income**

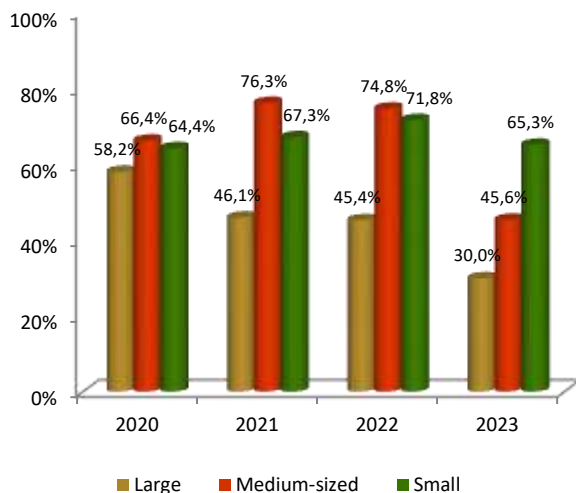


Source: FIs, APB.

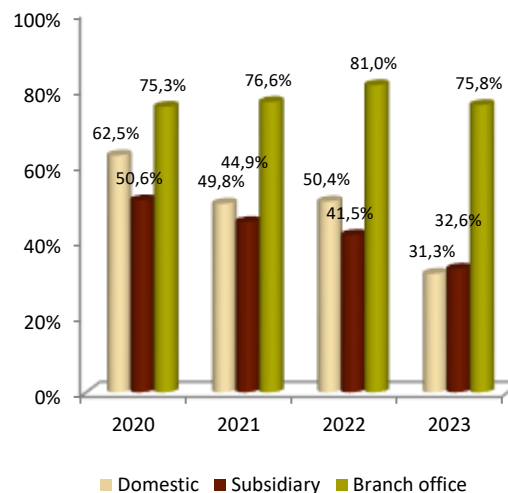
The recurrent cost-to-income ratio also improved by 19.8 p.p. to 38.0%.

**Graph 45: Evolution of cost-to-income ratio**

**a) By size**



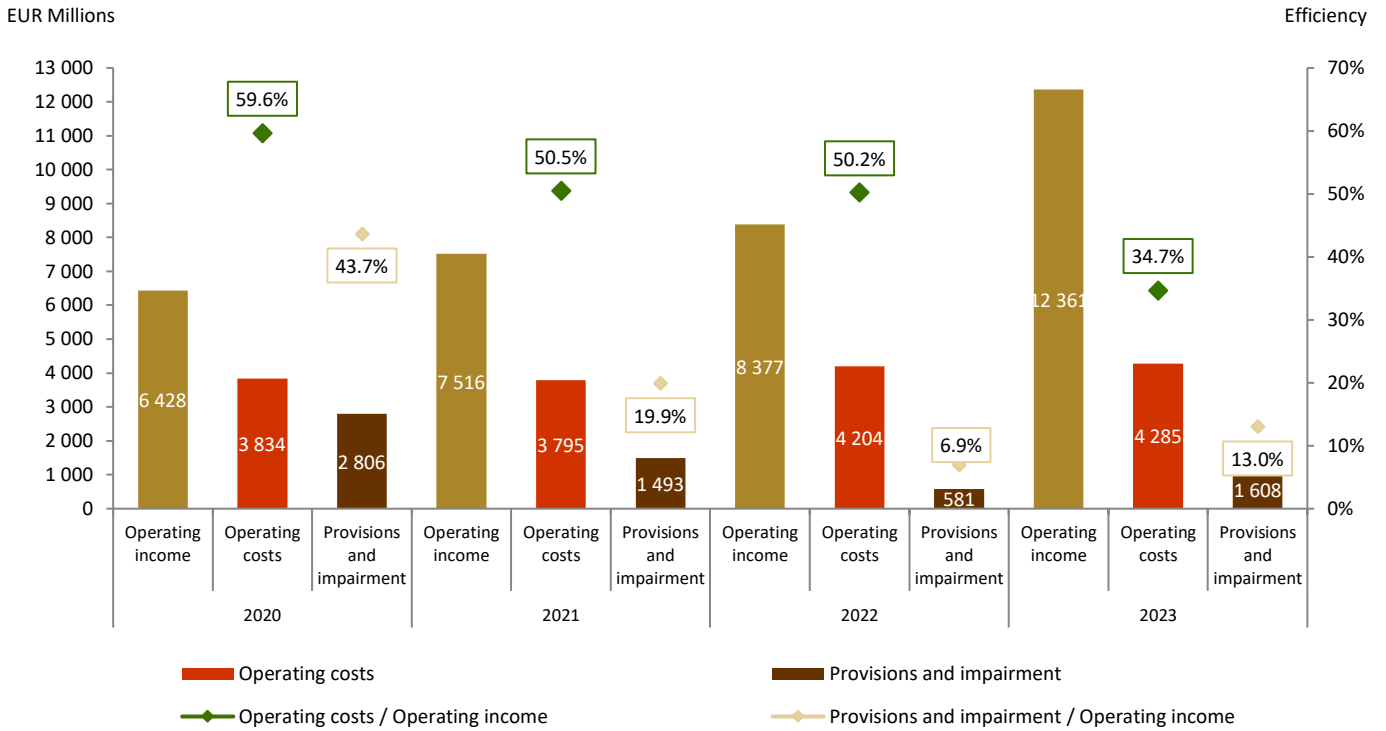
**b) By origin / type of legal structure**



Source: FIs, APB.

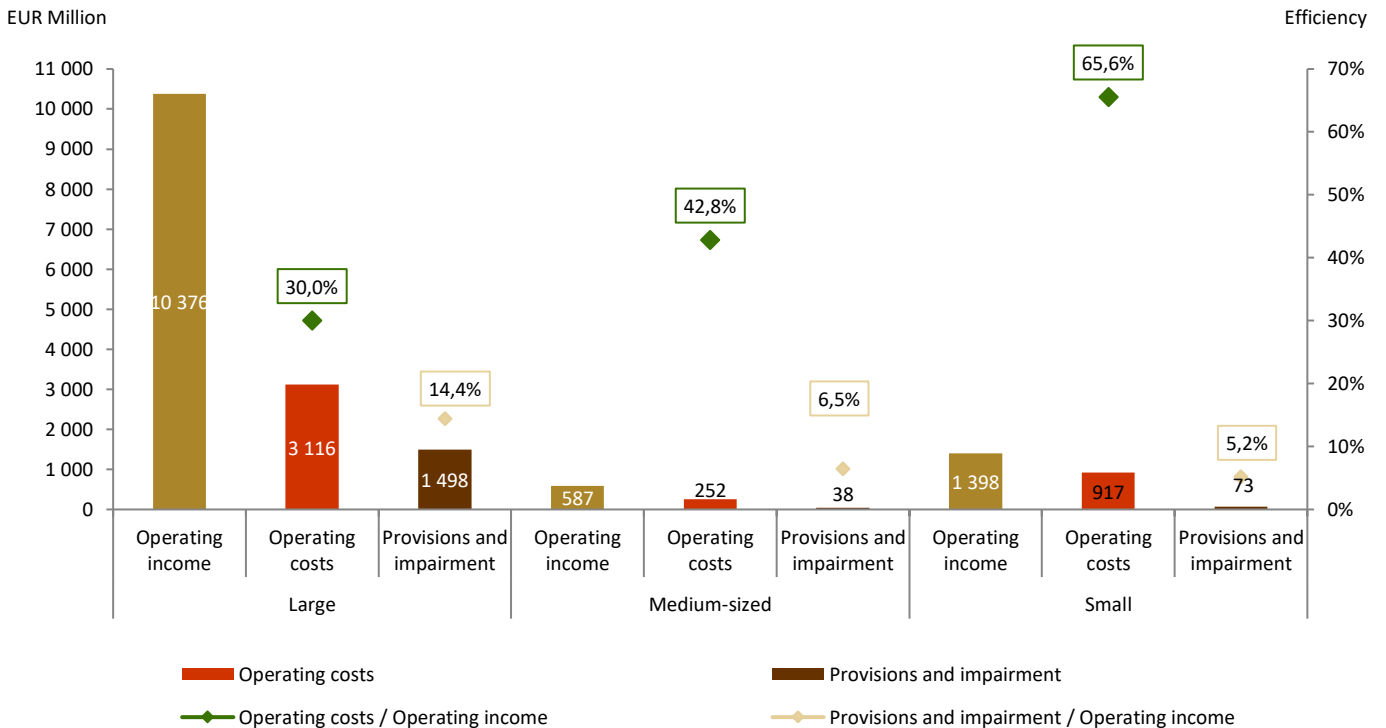
Provisions and impairments totalled around EUR 1.6 billion in 2023, compared to EUR 0.6 billion in the previous year. This evolution reflects the reinforcement of credit impairments, given the perception of added risk by financial institutions.

**Graph 46: Evolution of operating income, operational costs and impairment**



Source: Fls, APB.

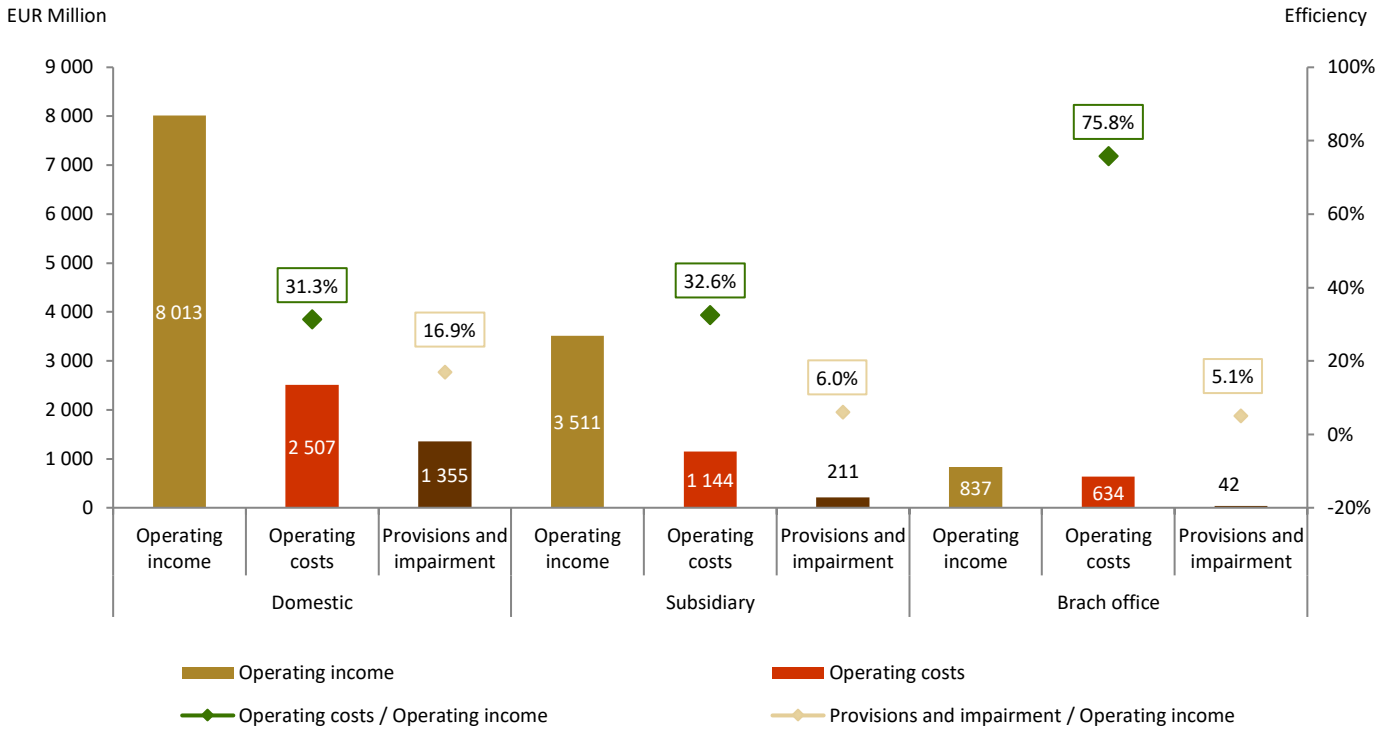
**Graph 47: Evolution of operating income, operational costs and impairment, by size, 2023**



Source: Fls, APB.

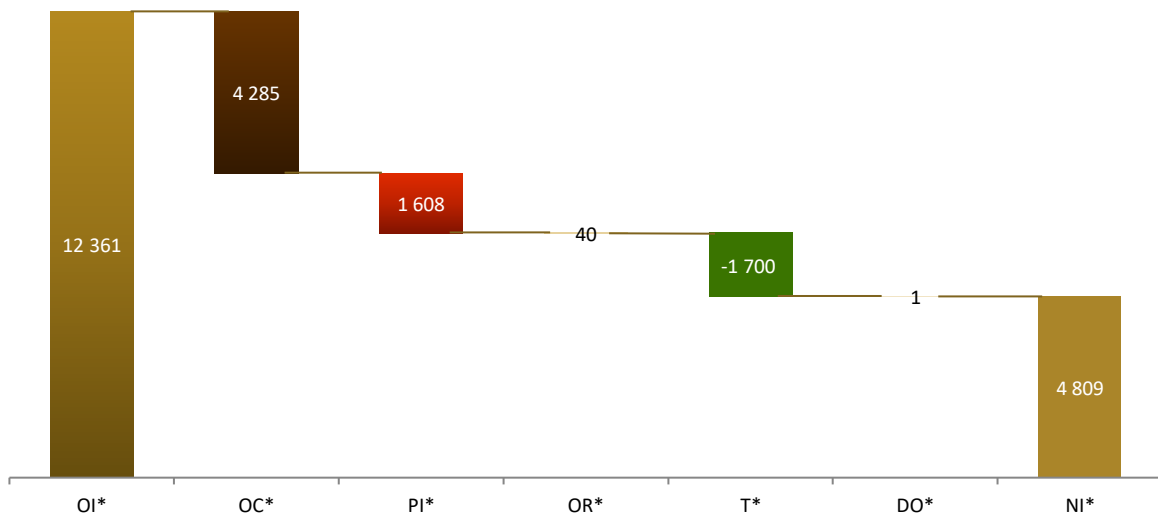


**Graph 48: Evolution of operating income, operational costs and impairment, by origin / type of legal structure, 2023**



Source: Fls, APB.

**Graph 49: Composition of Net income, 2023**



Source: Fls, APB.

Note: OI\* – operating income; OC\* – Operating costs; PI\* – provisions and impairment; OR\* – other results; T\* – taxes; DO\* - discontinued operations; NI\* – net income.

### V.3. Tax and parafiscal analysis

The total corporate income tax value is estimated to have reached around EUR 759 million in 2023 (compared to EUR 209 million in 2022), which corresponds to an estimated corporate income tax rate of 21.0% (compared to 21.2% in 2022).

For the purposes of this analysis, an approximate aggregate amount of the total corporate income tax payable to the State by member institutions has been calculated. This calculation considered the estimated tax base based on profit or loss before tax and changes in equity recognized in reserves and retained earnings and corrected by the adjustments made under to the corporate income tax code (“CIRC”).

**Table 14: Approximate total amount of tax payable to the State in terms of corporate tax in 2022 and 2023. It is based on estimated figures for the tax base, which were calculated from the net income before tax and changes in equity recognized in reserves and retained earnings**

	2022 million €	2023 million €
<b>Net income before tax <sup>a)</sup></b>	<b>3 670</b>	<b>6 470</b>
Adjustments for calculation of taxable income / tax loss		
Applicable to all tax payers subject to corporate income tax:		
Capital gains and impairment in investments (net)	(702)	(399)
Elimination of double taxation of distributed profits	(386)	(364)
Tax benefits	(7)	(6)
Non-relevant expenses and income for tax purposes	(35)	(19)
Provisions for other risks	(215)	388
Allocation of profits of non-resident companies subject to special tax schemes	49	62
Employment termination and retirement benefits and other post-employment or long-term benefits	(67)	(489)
Impairment for credit risk	(1 749)	(1 185)
Other <sup>b)</sup>	342	(297)
<b>Taxable income / Tax loss</b>	<b>900</b>	<b>4 161</b>
Use of tax losses from prior years	(203)	(541)
<b>Tax base <sup>c)</sup></b>	<b>985</b>	<b>3 619</b>
Income tax	209	759
<b>Income tax rate (%)</b>	<b>21.2%</b>	<b>21.0%</b>

Source: FIs, APB.

<sup>a)</sup> Net income before tax of the 25 financial institutions in the sample in this chapter.

<sup>b)</sup> Includes positive and negative changes in equity not reflected in the net income for the year but recognised in reserves and retained earnings.

<sup>c)</sup> Aggregate taxable income consists of the sum of taxable income and tax losses of the financial institutions in the sample. The financial institutions that recorded a tax loss in the year have no tax base, and therefore the Tax Base field only includes the aggregate figures for members that record taxable income (even after deduction of losses), this amount being necessarily higher than the amount of aggregate taxable income (which contains said losses).

In addition, it is estimated that the amount to be paid by financial institutions to the Portuguese State, relating to local taxes, autonomous taxes and taxes to which they are subject in the foreign countries where they operate, amounted to EUR 420 million in 2023, compared with EUR 124

million the previous year. Thus, considering the total taxes paid to the Portuguese State, the income tax rate stood at 33.8% in 2022 and 32.6% in 2023.

**Table 15: Approximate local taxes, autonomous taxation and income tax levied in foreign countries (2022-2023)**

	2022 million €	2023 million €
Income tax levied in foreign countries net of the deduction of double taxation	7	(25)
Autonomous taxation	8	8
Local taxes <sup>a)</sup>	109	438
<b>Total local taxes, autonomous taxation and income tax levied in foreign countries</b>	<b>124</b>	<b>420</b>

Source: FIs, APB.

<sup>a)</sup> The approximate amount of local surtaxes was calculated by applying a rate of 1.5% to taxable income, plus an additional 3% to 7% depending on the amount of taxable income.

Financial institutions also incur in other operating tax charges, such as stamp duty, non-deductible value added tax (VAT), and Municipal Property Tax (IMI). For the purposes of Table 16, these taxes are grouped under the heading of other operating taxes and totalled EUR 300 million in 2023, compared to EUR 302 million in 2022.

In 2023, the amounts of the Banking Sector Contribution, the Additional Solidarity Contribution on the Banking Sector, and the Contribution to the Resolution Fund and the Single Resolution Fund, for all associated financial institutions were EUR 186 million, EUR 35 million and EUR 132 million respectively, with the total value of these contributions amounting to EUR 353 million. These contributions are calculated as follows:

Banking Sector Contribution (Law 55 - A/2010 of 31 December and Ordinance 121/2011 of 30 March of the Ministry of Finance and Public Administration), concerns:

- (a) liabilities calculated and approved by taxable persons minus basic (Tier 1) and supplementary (Tier 2) own funds and deposits covered by the Deposit Guarantee Fund. The applicable rate is 0.05% of the calculated value.
- (b) The notional value of off-balance sheet derivative financial instruments calculated by the taxable persons. The applicable rate is 0.00015% of the calculated value.

The Additional Solidarity Scheme for the Banking Sector (Law 27-A/2020 of 24 July) aims to strengthen the financing mechanisms of the social security system. The reserve base is the same as the Banking Sector Contribution, with the applicable rates for points (a) and (b) being 0.02% and 0.00005% respectively.

The Contribution to the Deposit Guarantee Fund showed a very significant increase (EUR 256 million in 2023 and EUR 7 million in 2022), due to the payment to the Fund of the amount of the irrevocable commitments.

The parafiscal levies include contributions to Social Security, pension funds and SAMS (Medical and Social Assistance Service) and totalled EUR 628 million, compared to EUR 417 million in 2022. This variation was due to the increase in pension costs, which had decreased in the previous year following the increase in the discount rate.

**Table 16: Tax and para-fiscal burden (2022-2023)**

	2022 million€	2023 million €
<b>Tax burden</b>		
Other operating taxes <sup>a)</sup>	302	300
Deposit guarantee scheme contribution	7	256
Banking sector contribution	178	186
Additional solidarity contribution on the banking sector	33	35
Contribution to resolution fund and single resolution fund	213	132
<b>Total</b>	<b>731</b>	<b>908</b>
<b>Para-fiscal levies</b>		
Single social rate	276	301
Pension expenses	49	234
Other expenses	92	93
<b>Total</b>	<b>417</b>	<b>628</b>
<b>Total</b>	<b>1 149</b>	<b>1 536</b>

Source: FIs, APB.

a) Include Stamp Duty, non-deductible VAT and Real Estate Municipal Tax ("IMI").

## VI. Solvency analysis <sup>15</sup>

Table 17: Capital adequacy as at 31 December (2020-2023)

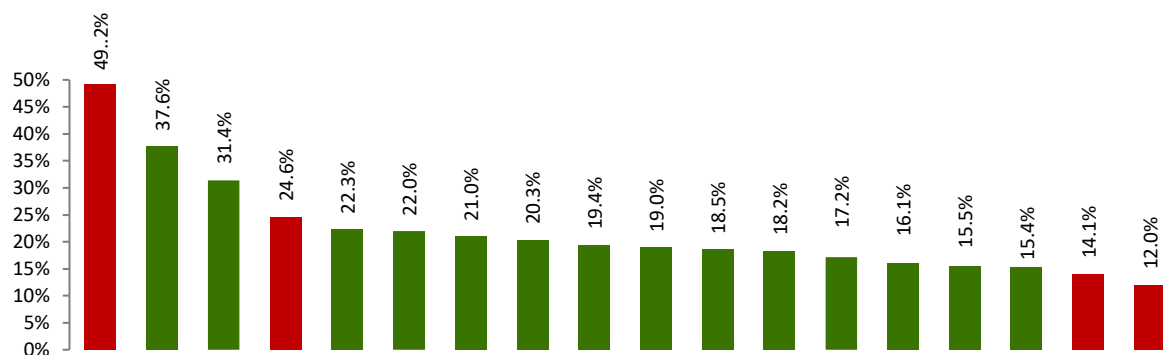
	2020	2021	2022	2023
<b>Total Assets (Million €)</b>				
Total assets <sup>a)</sup>	376 572	408 735	401 949	376 981
<b>Own Funds (Million €)</b>				
Common Equity Tier 1 (CET1)	27 930	27 942	27 351	30 447
Tier 1	29 980	29 278	28 674	31 783
Tier 2	2 789	3 087	3 425	2 917
Total eligible own funds	32 769	32 366	32 100	34 700
<b>Risk-weighted assets (Million €)</b>				
Credit risk	159 985	155 900	148 570	146 509
Market risk	5 917	5 747	5 608	3 312
Operational risk	15 268	15 293	15 809	18 691
Exposures – credit valuation adjustment	372	359	891	811
Other	1 312	1 643	2 030	1 062
Risk-weighted assets	182 854	178 942	172 907	170 385
<b>Capital Ratios (%)<sup>16</sup></b>				
CET1	15.3%	15.6%	15.8%	17.9%
Tier 1	16.4%	16.4%	16.6%	18.7%
Total Capital Ratio	17.9%	18.1%	18.6%	20.4%

Source: FIs, APB.

a) Does not include off balance sheet items.

In 2023, the CET1 ratio increased significantly and reached 17.9%, while the total solvency ratio rose to 20.4% (+2.1 pp and +1.8 pp, respectively). In 2023, the Common Equity Tier 1 (CET1) ratio exceeded the euro area average (16.2%).

Graph 50: Common Equity Tier 1 Ratio of APB Member Institutions as at 31 December 2023



Source: FIs, APB.

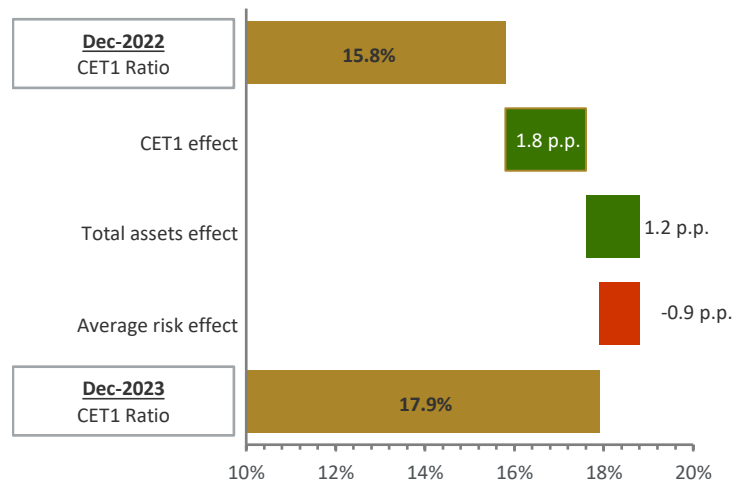
Note: CET1 ratios sorted in descending order. The red (green) columns identify the institutions whose solvency ratio decreased (increased) from 2022 to 2023.

<sup>15</sup> The solvency review is based on the financial statements subject to prudential requirements of domestic institutions and subsidiaries. This criterion resulted in a sample of 18 members FIs. For 4 of them we used their individual accounts and for the remainder their consolidated accounts.

<sup>16</sup> Phased-in ratios.

The annual increase in the CET1 ratio versus the previous year reflects the combined effect of the positive contribution of the CET1 capital increase (+1.8 p.p.) and the decrease in total assets (+1.2 p.p.), which more than offset the reduction in the asset’s average risk effect (-0.9 p.p.)<sup>17</sup>.

**Graph 51: Breakdown of the change in CET 1 ratio**

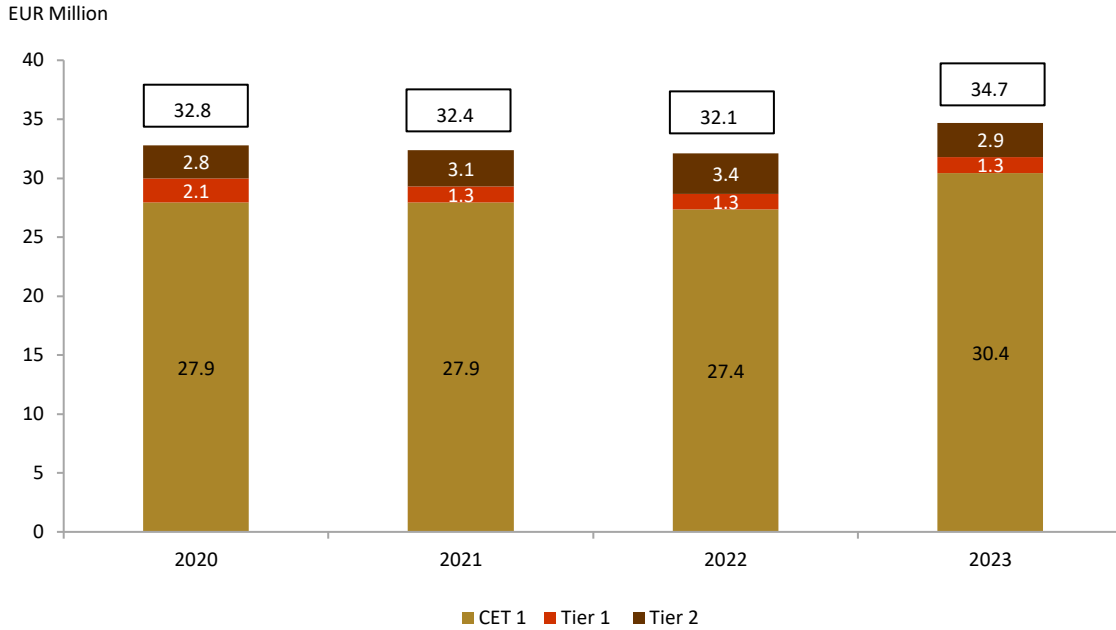


Source: FIs, APB.

The increase in CET1 capital was due to the increase in results, largely explained by the rise in net interest income, which as a percentage of assets increased from 1.3% in 2022 to 2.4% in 2023, and other comprehensive income. The Tier 2 capital reduction is explained by the early amortisation of this instrument by a Member for the full settlement of the financing obtained from private investors under its Recapitalisation Plan.

<sup>17</sup> In order to understand the effects of these three elements, it should be recalled that the solvency level is calculated as: Own funds / (Total assets \* Average risk), where the 'average risk', also referred to as the assets' average risk weighting, is given by the ratio of the risk-weighted assets to total assets.

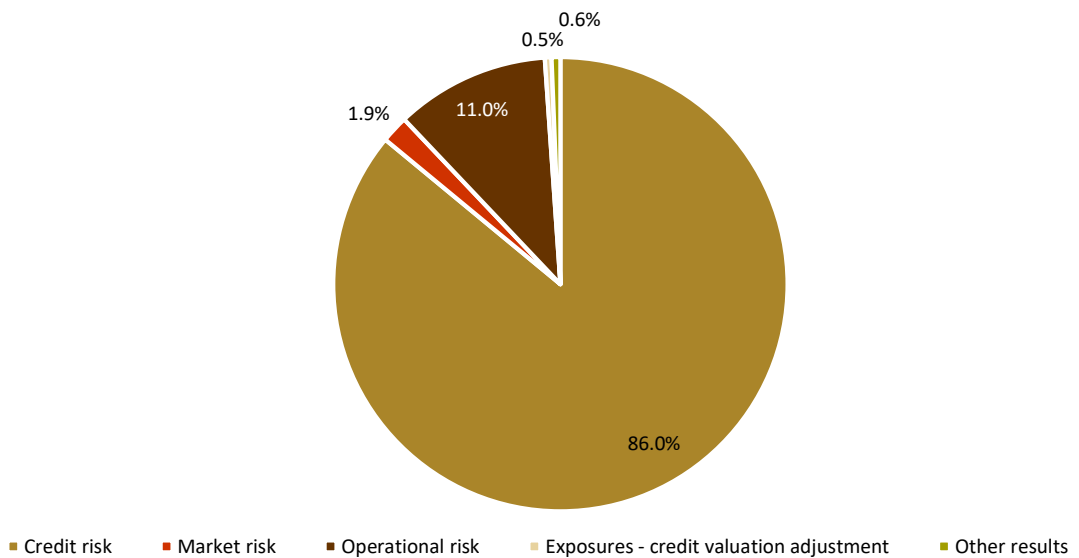
**Graph 52: Evolution of own funds**



Source: FIs, APB.

The main reason for the decline in aggregate risk-weighted assets (RWAs) was the reduction in exposure to credit risk and market risk, partially compensated by increased exposure to operational risk.

**Graph 53: Risk weighted assets as at 31 December 2023**



Source: FIs, APB.

The ratio of risk-weighted assets as a percentage of total assets of financial institutions continues to compare unfavourably with the euro area. It should be noted, on the one hand, that the main source of capital consumption is credit risk, with exposure to companies and retail operations assuming the greatest weight in this component and, on the other hand, there is less use by Portuguese banks of internal models for calculating capital requirements. Moreover, the Portuguese banking industry's history is still heavily influenced by high levels of defaults and losses, which implies a higher capital requirement than most euro area banks.

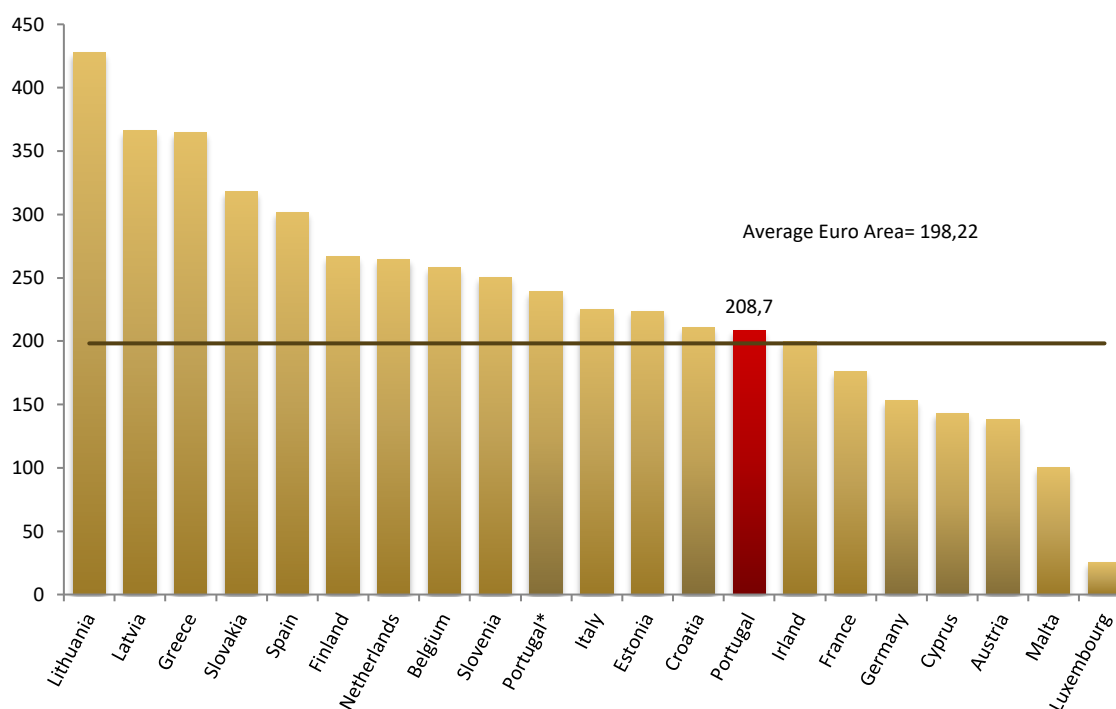


## VII. Indicators of Productivity

The evolution of productivity indicators<sup>18</sup>, which quantify activity or performance by branch or employee, reflects the impact of restructuring and resizing the operating structures of APB members, which have been implemented in recent years.

As a result of the restructuring processes that have taken place, the sector has recorded a slightly higher number of inhabitants per employee than the average for the euro area countries and a slightly lower number of inhabitants per branch. However, productivity in terms of both assets generated per branch and assets per employee continued to be substantially lower than the euro area average.

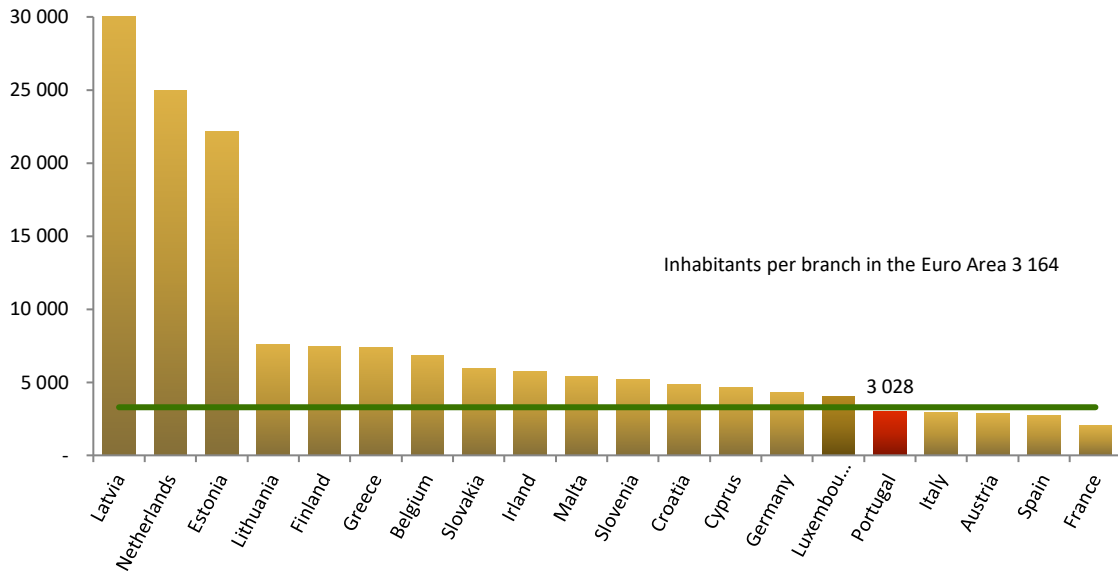
**Graph 54: Inhabitants per employee in the Euro Area, 31 December 2023**



Source: Eurostat and ECB.

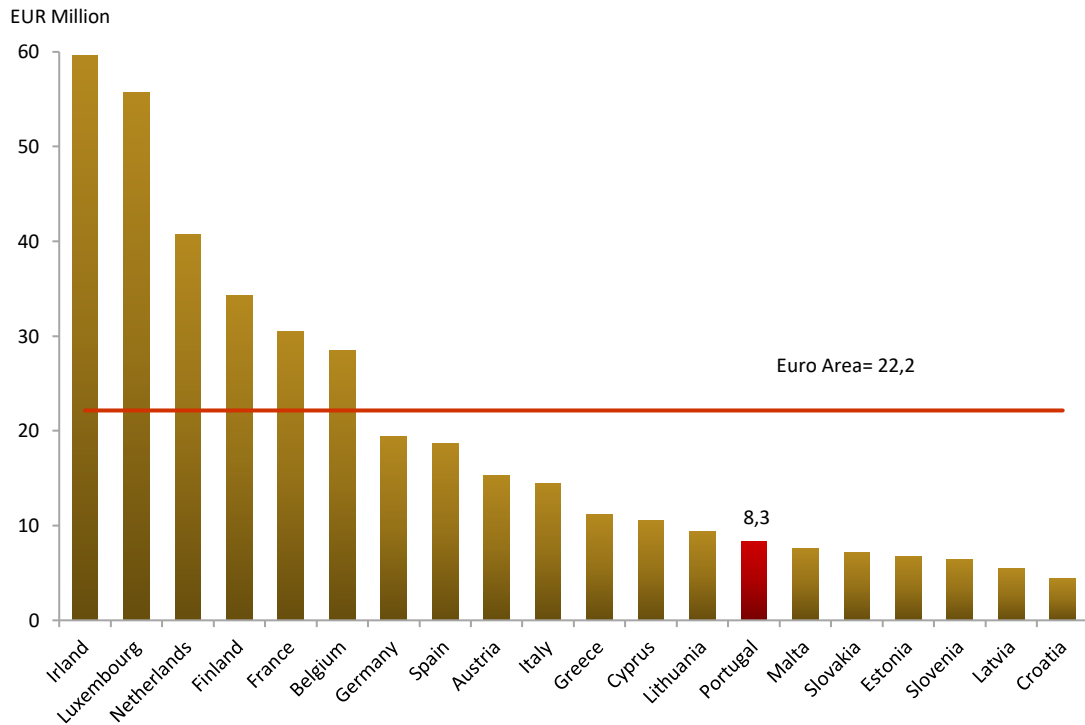
<sup>18</sup> The analysis was carried out on the basis of the overall number of employees (involved in domestic and international activity), as well as the total number of branches (including bank branches in Portugal and those of branches and representative offices abroad).

**Graph 55: Inhabitants per branch in the Euro Area, 31 December 2023**



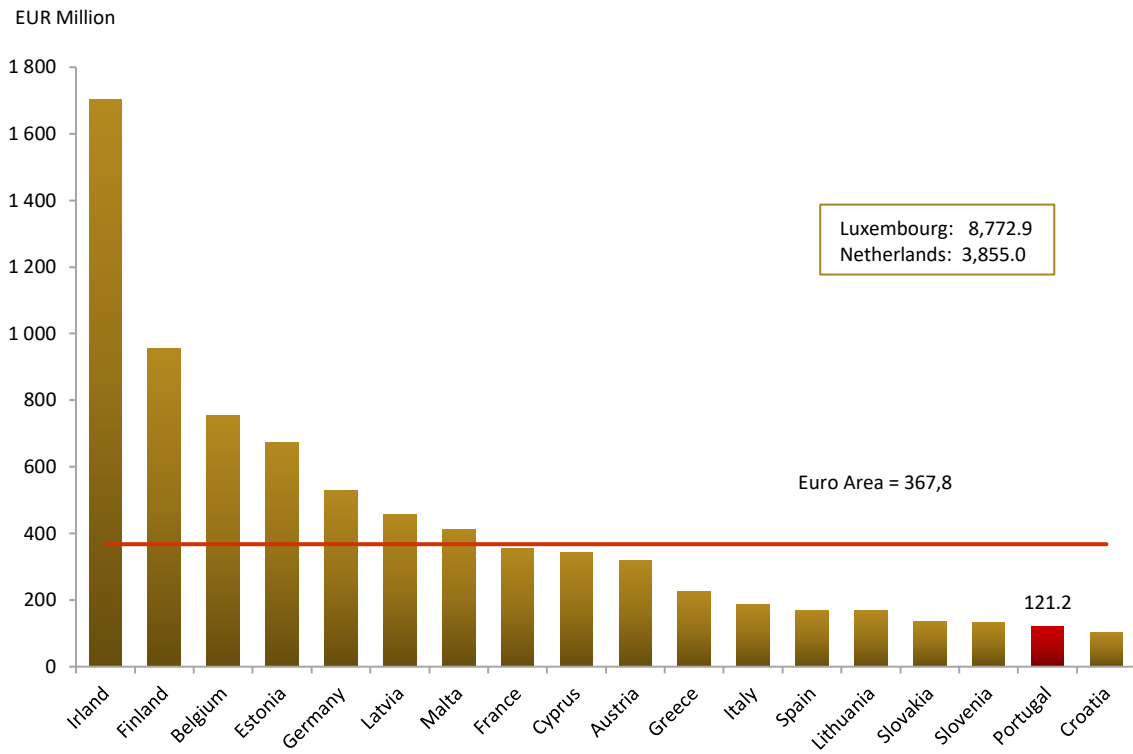
Source: Eurostat, ECB.

**Graph 56: Assets by employee, as at 31 December 2023**



Source: ECB.

**Graph 57: Assets by branch, as at 31 December 2023**



Source: ECB.

Note: The graph does not include Luxembourg and Netherlands due to scale reasons.

**Table 18: Productivity indicators (2020-2023)**

	2020	2021	2022	2023
<b>Number of employees <sup>a)</sup></b>				
Total	40 622	37 914	37 276	36 885
Annual change rate		-6.7%	-1.7%	-1.0%
<b>Inhabitants per employee</b>				
Total (number of inhabitants)	254	273	282	288
Annual change rate		7.6%	3.4%	2.2%
<b>Average total assets <sup>b)</sup> per employee</b>				
Total (thousands €)	8 468	9 742	10 070	9 881
Annual change rate		15.0%	3.4%	-1.9%
<b>Average cost <sup>c)</sup> per employee</b>				
Total (thousands €)	49	51	59	57
Annual change rate		2.7%	15.6%	-3.1%
<b>Operating income per employee</b>				
Total (thousands €)	151	189	214	322
Annual change rate		25.2%	13.2%	49.9%
<b>Number of branches <sup>a)</sup></b>				
Total	3 851	3 552	3 325	3 280
Annual change rate		-7.8%	-6.4%	-1.4%
<b>Inhabitants per branch</b>				
Total (number of inhabitants)	2 674	2 912	3 163	3 244
Annual change rate		8.9%	8.6%	2.6%
<b>Branches per 100.000 inhabitants</b>				
Total (number of branches)	37	34	32	31
Annual change rate		-7.8%	-6.8%	-3.0%
<b>Average total assets <sup>b)</sup> per branch</b>				
Total (thousands €)	89 329	103 983	112 892	111 114
Annual change rate		16.4%	8.6%	-1.6%
<b>Deposits per branch</b>				
Total (thousands €)	59 361	69 838	78 501	77 834
Annual change rate		17.6%	12.4%	-0.9%
<b>Operating income per branch</b>				
Total (thousands €)	1 596	2 022	2 404	3 616
Annual change rate		26.7%	18.9%	50.4%

Source: FIs, APB.

Note: Excludes one APB member due to its specific business activity.

<sup>a)</sup> Number of employees (in domestic and international activity) and number of branches (bank branches in Portugal and branches and representative offices abroad).

<sup>b)</sup> Arithmetic average of assets in period n and assets in period n-1.

<sup>c)</sup> Only staff costs.

Table 19: Productivity indicators, by size (2020-2023)

	Large				Medium-sized				Small			
	2020	2021	2022	2023	2020	2021	2022	2023	2020	2021	2022	2023
<b>Number of employees<sup>a)</sup></b>												
Total	32 093	29 345	28 592	28 109	5 875	5 866	5 824	6 039	2 654	2 703	2 860	2 737
Annual change rate	-	-8,6%	-2,6%	-1,7%	-	-0,2%	-0,7%	3,7%	-	1,8%	5,8%	-4,3%
<b>Inhabitants per employee</b>												
Total (number of inhabitants)	320	351	360	366	1 749	1 755	1 768	1 705	3 872	3 809	3 601	3 763
Annual change rate	-	9,6%	2,7%	1,7%	-	0,3%	0,7%	-3,6%	-	-1,6%	-5,5%	4,5%
<b>Average total assets<sup>b)</sup> per employee</b>												
Total (thousands €)	9 310	10 878	11 279	11 053	4 594	4 991	4 992	4 815	6 864	7 713	8 322	9 019
Annual change rate	-	16,8%	3,7%	-2,0%	-	8,6%	0,0%	-3,5%	-	12,4%	7,9%	8,4%
<b>Average cost<sup>c)</sup> per employee</b>												
Total (thousands €)	54	55	65	63	21	24	25	26	59	62	62	66
Annual change rate	-	2,4%	18,2%	-3,9%	-	12,1%	5,8%	2,7%	-	5,4%	0,9%	6,6%
<b>Operating income per employee</b>												
Total (thousands €)	158	209	242	369	65	61	64	107	263	262	248	305
Annual change rate	-	32,0%	15,9%	52,7%	-	-6,3%	5,4%	68,0%	-	-0,4%	-5,0%	23,0%
<b>Number of branches<sup>a)</sup></b>												
Total	2 620	2 328	2 116	2 073	896	883	870	858	335	341	339	349
Annual change rate	-	-11,1%	-9,1%	-2,0%	-	-1,5%	-1,5%	-1,4%	-	1,8%	-0,6%	2,9%
<b>Inhabitants per branch</b>												
Total (number of inhabitants)	3 922	4 423	4 867	4 968	11 469	11 660	11 837	12 003	30 676	30 193	30 378	29 508
Annual change rate	-	12,8%	10,0%	2,1%	-	1,7%	1,5%	1,4%	-	-1,6%	0,6%	-2,9%
<b>Branches per 100.000 inhabitants</b>												
Total (number of branches)	25	23	21	20	9	9	8	8	3	3	3	3
Annual change rate	-	-11,3%	-9,1%	-2,0%	-	-1,6%	-1,5%	-1,4%	-	1,6%	-0,6%	2,9%
<b>Average total assets<sup>b)</sup> per branch</b>												
Total (thousands €)	114 045	137 123	152 406	149 875	30 123	33 156	33 419	33 891	54 379	61 141	70 211	70 729
Annual change rate	-	20,2%	11,1%	-1,7%	-	10,1%	0,8%	1,4%	-	12,4%	14,8%	0,7%
<b>Deposits per branch</b>												
Total (thousands €)	79 586	96 919	112 179	110 704	11 008	12 124	12 227	10 739	30 514	34 400	38 374	47 544
Annual change rate	-	21,8%	15,7%	-1,3%	-	10,1%	0,8%	-12,2%	-	12,7%	11,6%	23,9%
<b>Operating income per branch</b>												
Total (thousands €)	1 935	2 629	3 266	5 005	425	403	428	756	2 081	2 074	2 095	2 396
Annual change rate	-	35,9%	24,2%	53,2%	-	-5,1%	6,2%	76,6%	-	-0,4%	1,1%	14,3%

Source: FIs, APB. Note: Excludes one APB member due to its specific business activity.<sup>a)</sup> Number of employees (domestic and international activity) and number of branches (bank branches in Portugal and branches and representative offices abroad).<sup>b)</sup> Arithmetic average of assets in period n and assets in period n-1.

**Table 20: Productivity indicators, by origin / type of legal structure (2020-2023)**

	Doméstica				Filial				Sucursal			
	2020	2021	2022	2023	2020	2021	2022	2023	2020	2021	2022	2023
<b>Number of employees <sup>a)</sup></b>												
Total	28 292	26 887	26 465	26 167	11 463	10 155	9 942	9 826	867	872	869	892
Annual change rate	-	-5.0%	-1.6%	-1.1%	-	-11.4%	-2.1%	-1.2%	-	0.6%	-0.3%	2.6%
<b>Inhabitants per employee</b>												
Total (number of inhabitants)	363	383	389	394	897	1 014	1 036	1 048	11 853	11 807	11 851	11 545
Annual change rate	-	5.4%	1.6%	1.1%	-	13.1%	2.2%	1.2%	-	-0.4%	0.4%	-2.6%
<b>Average total assets<sup>b)</sup> per employee</b>												
Total (thousands €)	8 454	9 584	9 889	9 656	8 353	10 128	10 507	10 417	10 473	10 110	10 584	10 552
Annual change rate	-	13.4%	3.2%	-2.3%	-	21.3%	3.7%	-0.9%	-	-3.5%	4.7%	-0.3%
<b>Average cost<sup>c)</sup> per employee</b>												
Total (thousands €)	47	47	59	54	55	58	58	64	69	67	71	72
Annual change rate	-	1.8%	23.4%	-8.1%	-	5.8%	-0.2%	9.9%	-	-2.0%	5.9%	0.8%
<b>Operating income per employee</b>												
Total (thousands €)	130	168	196	306	189	234	253	357	347	344	343	377
Annual change rate	-	29.0%	16.9%	56.3%	-	23.5%	7.9%	41.5%	-	-0.9%	-0.3%	10.1%
<b>Number of branches <sup>a)</sup></b>												
Total	2 895	2 757	2 565	2 537	871	710	678	659	85	85	82	84
Annual change rate	-	-4.8%	-7.0%	-1.1%	-	-18.5%	-4.5%	-2.8%	-	0.0%	-3.5%	2.4%
<b>Inhabitants per branch</b>												
Total (number of inhabitants)	3 550	3 734	4 015	4 059	11 799	14 501	15 189	15 627	120 901	121 128	125 588	122 598
Annual change rate	-	5.2%	7.5%	1.1%	-	22.9%	4.7%	2.9%	-	0.2%	3.7%	-2.4%
<b>Branches per 100.000 inhabitants</b>												
Total (number of branches)	28	27	25	25	8	7	7	6	0.8	0.8	0.8	0.8
Annual change rate	-	-4.9%	-7.0%	-1.1%	-	-18.6%	-4.5%	-2.8%	-	-0.2%	-3.6%	2.4%
<b>Average total assets <sup>b)</sup> per branch</b>												
Total (thousands €)	82 617	93 465	102 029	99 598	109 928	144 858	154 079	155 328	106 827	103 716	112 162	112 053
Annual change rate	-	13.1%	9.2%	-2.4%	-	31.8%	6.4%	0.8%	-	-2.9%	8.1%	-0.1%
<b>Deposits per branch</b>												
Total (thousands €)	55 691	63 612	72 676	72 734	73 098	97 207	103 497	100 018	43 601	43 168	54 042	57 842
Annual change rate	-	14.2%	14.2%	0.1%	-	33.0%	6.5%	-3.4%	-	-1.0%	25.2%	7.0%
<b>Operating income per branch</b>												
Total (thousands €)	1 269	1 634	2 021	3 158	2 494	3 347	3 704	5 328	3 537	3 526	3 630	4 004
Annual change rate	-	28.8%	23.7%	56.3%	-	34.2%	10.7%	43.8%	-	-0.3%	2.9%	10.3%

Source: FIs, APB. Note: Excludes one APB member due to its specific business activity.<sup>a)</sup> Number of employees (domestic and international activity) and number of branches (bank branches in Portugal and branches and representative offices abroad).<sup>b)</sup> Arithmetic average of assets in period n and assets in period n-1.

### VIII. Analysis of International Activity<sup>19</sup>

The analysis of international activity was based on the aggregate consolidated activity of six-member banking groups (BCP, BPI, CGD, Novo Banco, BIG and Haitong). The total net assets of the international activity of these FIs amounted to EUR 52.3 billion, growing by 9.8% compared to 2022 (+EUR 4.7 billion).

The assets of the members' international activity accounted for 18.5% of the total consolidated assets, compared with 16.8% in 2022.

**Table 21 Consolidated balance sheet regarding international business activity (2020-2023)**

	2020	2021	2022	2023
<b>Aggregate Assets</b>				
Total (million €)	44 192	43 913	47 586	52 260
Annual change rate	-	-0.6%	8.4%	9.8%
As % of total consolidated net assets	17.7%	15.2%	16.8%	18.5%

Source: FIs, APB.

In terms of profitability, the contribution of international activity continued to be positive, with net profit totalling EUR 499 million, compared to EUR 229 million obtained in 2022 (+117.9%)

<sup>19</sup> The international activity includes the activity developed by the subsidiaries.

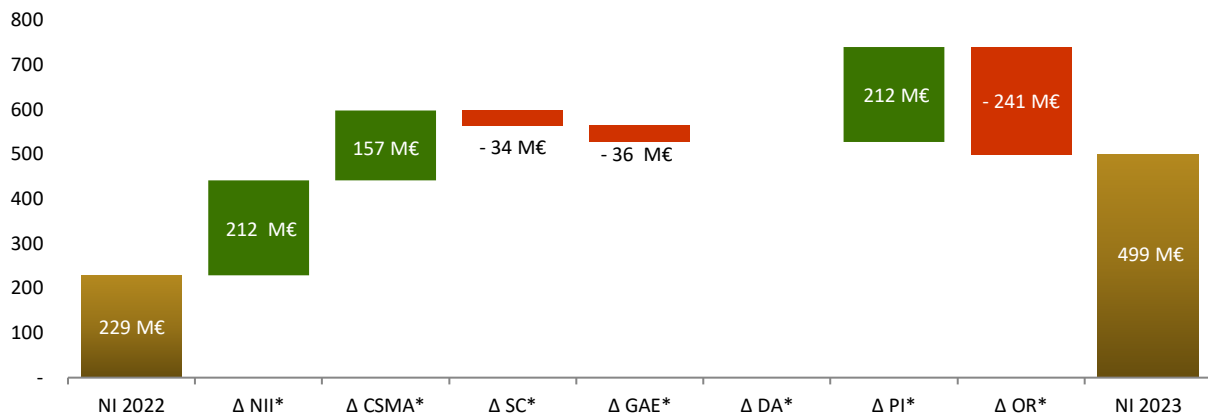
**Table 22: Consolidated income statement - international business activity  
(2020-2023)**

	2020	2021	2022	2023
<b>Net interest income</b>				
Total (million €)	1 132	1 230	1 769	1 981
Annual change rate	-	8.7%	43.8%	12.0%
As % of total consolidated net interest income	31.2%	33.4%	36.7%	25.1%
<b>Operating income</b>				
Total (million €)	1 534	1 658	2 167	2 536
Annual change rate	-	8.1%	30.7%	17.0%
As % of total consolidated operating income	30.1%	27.6%	29.9%	25.0%
<b>Operating costs</b>				
Total (million €)	748	719	802	871
Annual change rate	-	-3.9%	11.4%	8.6%
As % of total consolidated operating costs	25.3%	25.1%	24.1%	26.2%
<b>Provisions and impairment</b>				
Total (million €)	490	677	1 014	802
Annual change rate	-	38.2%	49.7%	-20.9%
As % of total consolidated provisions and impairment	20.1%	38.8%	65.9%	39.0%
<b>Other results</b>				
Total (million €)	-143	-16	-122	-364
Annual change rate	-	-88.8%	659.8%	198.4%
As % of total consolidated other results	48.5%	23.1%	29.9%	27.4%
<b>Net income</b>				
Total (million €)	152	245	229	499
Annual change rate	-	61.6%	-6.2%	117.9%
As % of total consolidated net income	-28.9%	20.4%	11.6%	14.4%

Source: FIs, APB.



**Graph 58: Contribution from the main components of NI from the international activity to the change in NI between 2022 and 2023**



Source: Fls, APB.

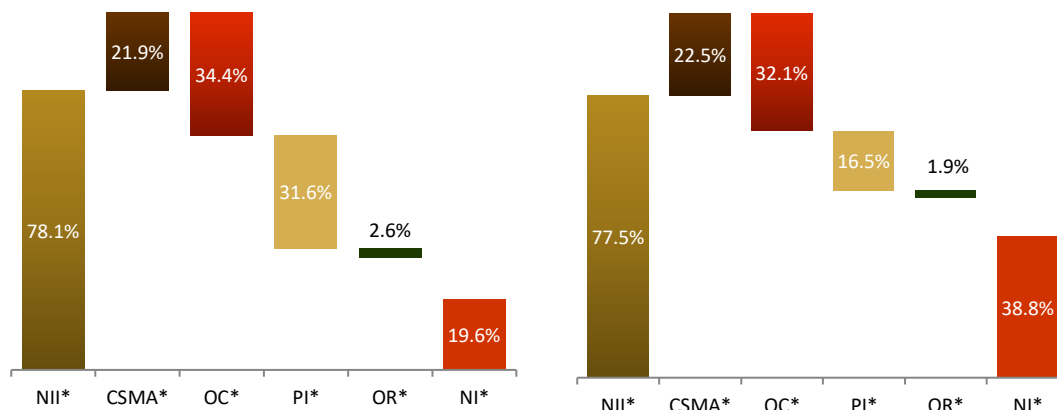
Note: NI – Net income; Δ NII\* – change in net interest income; Δ CSMA\* – change in customer services and market activities; Δ SC\* – change in staff costs; Δ GAE\* – change in general and administrative expenses; Δ DA\* – Change in depreciation and amortisation; Δ PI\* – Change in provisions and impairments; Δ OR\* – Change in other results.

It is important to highlight the larger share of provisions and impairments in international activity than domestic activity in 2023.

**Graph 59: Breakdown of NI as a percentage of operating income, 2023**

**a) International activity**

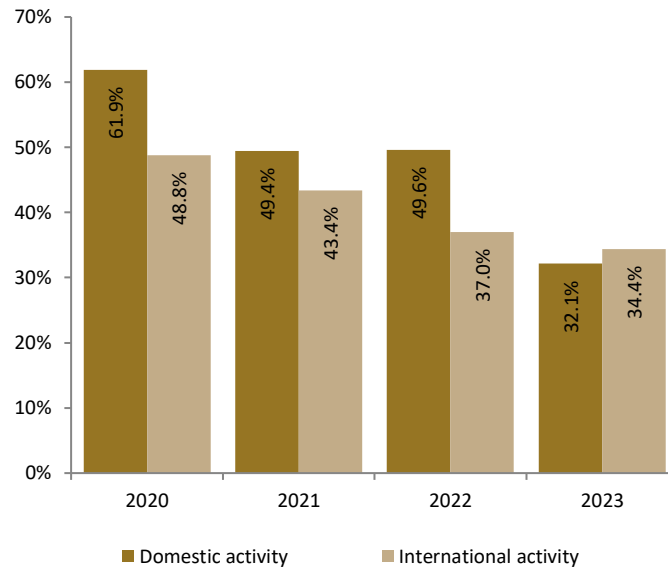
**b) Domestic activity**



Source: Fls, APB.

Note: \* NII – net interest income; CSMA – customer services and market activities; OC – operating costs; PI – provisions and impairments; OR – other results; NI – net income.

**Graph 60: Cost-to-income: domestic vs. International (2020-2023)**



Source: FIs, APB.

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## List of financial institutions that are members of the APB

### Financial institutions – Domestic

Financial Institutions	Name of the Group used in the presentation of consolidated accounts
Banco BIC Português, S.A.	
Banco Comercial Português, S.A.	Grupo Banco Comercial Português
Banco ActivoBank, S.A.	
Banco CTT, S.A.	Grupo Banco CTT
Banco de Investimento Global, S.A.	Grupo Banco de Investimento Global
Banco Finantia, S.A.	Grupo Banco Finantia
Banco Invest, S.A.	Grupo Banco Invest
Banco Carregosa, S.A.	
Banco Português de Fomento, S.A.	Grupo Banco Português de Fomento
Caixa Central - Caixa Central de Crédito Agrícola Mútuo, CRL (SICAM - Sistema Integrado de Crédito Agrícola Mútuo)	Grupo Crédito Agrícola
Caixa de Crédito Agrícola Mútuo de Leiria	
Caixa de Crédito Agrícola Mútuo de Mafra	
Caixa Económica da Misericórdia de Angra do Heroísmo	
Caixa Económica Montepio Geral	Grupo Caixa Económica Montepio Geral
Montepio Investimento, S.A.	
Caixa Geral de Depósitos, S.A.	Grupo Caixa Geral de Depósitos
Caixa - Banco de Investimento, S.A.	Grupo Caixa – Banco de Investimento
Novo Banco, S.A.	Grupo Novo Banco
BEST – Banco Eletrónico de Serviço Total, S.A.	
Novo Banco dos Açores, S.A.	

#### Financial institutions – Subsidiaries

<b>Instituições financeiras</b>	<b>Name of the Group used in the presentation of consolidated accounts</b>
Banco BPI, S.A.	Grupo BPI
Banco Credibom, S.A.	Grupo Banco Credibom
Banco Santander Totta, S.A.	Santander Totta, SGPS, S.A.
Haitong Bank, S.A.	Grupo Haitong Bank

#### Financial institutions – Branch offices

<b>Instituições financeiras</b>	<b>Name of the Group used in the presentation of consolidated accounts</b>
ABANCA Corporación Bancaria, S.A. – Sucursal em Portugal	
Banco Bilbao Vizcaya Argentaria (Portugal), S.A.	
Bankinter, S.A. – Sucursal em Portugal	
BNP Paribas – Sucursal em Portugal	
Deutsche Bank, AG – Sucursal em Portugal	
WiZink Bank, S.A. – Sucursal em Portugal	

Source : APB.

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