# Annual Report

2020

Bison Bank

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# Contents



# Message from the Chairwoman of the Board of Directors

**Lijun (Lily) Yang**
Chairwoman of the Board of Directors

During 2020, with the coronavirus pandemic outbreak and worldwide spreading, we have all experienced extraordinary and extreme times. The pandemic has led to a public health calamity that soon caused a global economic crisis, having affected each element of the society in many and different ways. Like in other previous serious crises, the pandemic is expected to leave long-lasting adverse effects on people, overall economic activities, and its agents.

Bison Bank's Board of Directors and all its employees have done an extraordinary job by responding quickly and effectively to the new challenges posed by COVID-19, while maintaining the normal functioning of the commercial, controlling and supporting areas of the Bank.

In 2020, the Bank completed its second full year of operations under the new shareholder structure and governance model. The Bank's strategic plan continued to be implemented, under which the internal reorganization process covering people, systems, governance, and risk became more consolidated, and the development of the business and client relationship progressed further. In this regard, the Bank on-boarded hundreds of new institutional and individual clients for wealth management, and depositary and custody activities, kept a relevant role in placing Asian debt benchmark issuances across Europe and expanded to more than 20 the number of MoU and strategic partnerships with financial institutions around the world.

At the same time, the Bank accelerated its digital transformation, with an emphasis on the development of the digital channels. The provision of technological innovation played an important role to ensure the business continuity of the bank and the maintenance of an excellent client experience, that shall be further developed and strengthened in the future.

Notwithstanding the improvements on the digital transformation, and the progress on the business and client relationship, the pandemic impacted substantially the Bank's capacity of reaching out new clients and specially of bridging to Asia, which have impacted the projected revenue. Even though, the Bank was able to roughly maintain 2019 bottom line, based on an effective cost management exercise. Nonetheless challenges ahead have rose on the back of the pandemic and its prevalence in time, the Bank maintains its strategic goal established in mid-2018 of completing the turnaround successfully by reaching breakeven in the coming years.

We have entered 2021 with a robust balance sheet, strengthened client relationships, better-positioned business areas and reinforced IT system. Though macroeconomic challenges and uncertainties remain, I am very confident in the future as we are working to build a successful bank, based on the "one team, one dream" philosophy.

I would like to thank our clients for their trust and our employees for their tremendous efforts throughout the year. We are confident that by supporting our clients in passing through these tough times and by helping them to prepare for the post pandemic scenario, the Bank will be able to grow and deliver its strategic and financial targets.

# Message from the Chief Executive Officer

**Bian Fang**
Chief Executive Officer

In 2020 Bison Bank successfully steered through one of the greatest challenges in history.

The pandemic posed a huge test to all governments and industries across the world, and this was naturally extended to Bison Bank, that faced unseen adversity in managing its operations, employees, clients, and stakeholders.

Guided by its purpose, values and goals, the Bank managed to adjust itself with the view to continue supporting its clients through the impacts of the pandemic outbreak. The Bank not only tuned its products and services, but also ensured that its employees had the necessary equipment, tools, working practices, access rights and technology so they could work flexibly offsite as it rapidly transforms to a mobility-flexible workforce while handling an increase in business volume.

At the same time, in 2020 the Bank kept its focus on the process initiated in mid-2018, with the entrance of the current shareholder, of building the structure and the business platform from scratch. As such, following the first year and a half dedicated in putting a proper structure in place, and notwithstanding the challenges caused by the pandemic, in 2020 the Bank placed its emphasis mostly on the bank-client relationship.

We have the view that the ability to offer an excellent client experience is extremely important. Therefore, we accelerated the digital transformation path and the way the Bank manages its clients, aiming at being closer to our clients and reaching new clients overseas. The digital channels were developed more quickly, namely the mobile banking app and the homebanking, which enhanced the clients' digital engagement on the Bank's platforms. Our investments to bolster the accessibility and reach of our mobile banking app and online channels have made and shall keep on making it easier for our clients to conduct business with us.

Notwithstanding the improvements on the digital transformation, the pandemic impacted substantially the Bank's ability of reaching out new clients and particularly of bridging to Asia, which led to lower than projected revenue stream. Nonetheless, the Bank was able to basically maintain the previous year bottom line, based on an effective cost management exercise throughout the year.

Even though challenges ahead have rose on the back of the pandemic outbreak and its prevalence in time, the Bank maintains its strategic goal established in mid-2018 of completing the turnaround successfully by reaching breakeven in the coming years.

Throughout the year of 2020, despite facing the constraints of limited mobility, the Client Management Department continued to provide a service of excellence mostly through remote channels, having on-boarded hundreds of clients across all the segments. The Bank has differentiated itself, specially by providing banking services directed to international clients. The ability to remotely match the financial investment needs of such clients has highlighted the overseas reputation of Bison Bank, notably within the Asian and North and South American Markets.

In 2020, our Wealth Management division focused on ramping up assets under management, following the recent launching of this business line (second half 2019). As part of the Wealth Management business line rational, Bison Bank clients, including clients that come through external asset managers with whom Bison Bank has strategic arrangements, benefit from a European booking center platform and its complete product and competitive services offerings. We expect this business to be an increasingly important revenue contributor for Bison Bank in the long-term.

Our Depositary Banking business was kept as a stable source of income for the Bank, having reached, together with Custody business, €170 million of new assets under management during 2020, mainly from small-to-medium asset managers in Portugal. Looking forward, we will continue to grow basically by targeting the same class of institutional clients. As per the Custody business, in addition to the custody of assets and participation units related to the Depositary Banking business, as well as the custody of clients' assets from the Wealth Management business, Bison Bank served successfully as custody bank for international clients applying to Portuguese Golden Visa via venture capital and private equity funds investments.

The bond capital markets business in Investment Banking Services completed three Chinese high-grade US dollar bond issues in 2020, bringing the total issue size of Bison Bank's participation to USD 4.55 billion, which reinforced the positioning of the Bank in the bond market and increased its client base of European investors seeking Chinese assets. The establishment of the corporate finance business and financial advisory business progressed further in 2020, on the back of several strategic partnerships. This area is expected to grow substantially in the future by leveraging on such strategic partnerships, as they become more mature and robust.

The investment banking business also managed to significantly increase the number of MoU and strategic partnerships with institutions around the world, surpassing the 20 in total. Such partnerships were established with both financial and non-financial institutions, extending the network for future cross-border deals along the European-Asian corridor. In order to build up our offshore RMB business base, Bison Bank, as the only Portuguese bank, have established a RMB clearing correspondent banking relationship with the London branch of China Construction Bank in 2020.

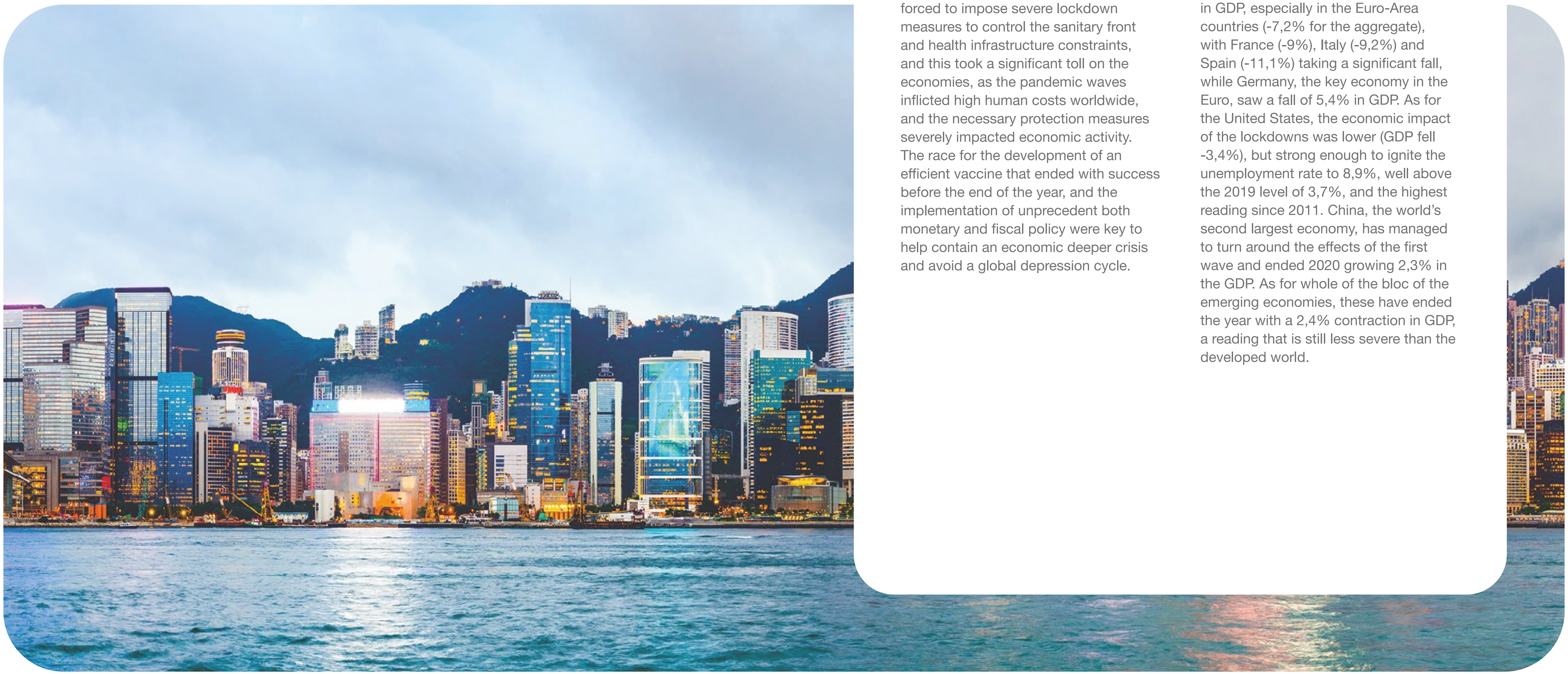
At the height of the epidemic in 2020, our internal control areas continued to focus on ensuring that Bison Bank's organizational culture, internal government and internal control system standards are strong and appropriate. The supporting areas duly upheld the Bank's operations to ensure that they run efficiently and smoothly.

Looking retrospectively the year of 2020, notwithstanding the huge challenges posted by the pandemic, the Bank was able to progress in its path of building further the structure and the business platform. That was achieved by working together with the Bank's stakeholders. Our common goal is "one team, one dream".

Looking forward to 2021, China was the first country in the world that walked out of pandemic and achieved positive growth by the end of last year. As an European bank with Chinese DNA, Bison Bank will continue to consolidate our unique competitive advantages, especially after the signing off the China-EU comprehensive investment agreement, and we will endeavor to discover more opportunities to empower our clients in Europe and Asia.

# 01

# Macroeconomic Overview



## INTERNATIONAL CONTEXT

The year of 2020 was marked by an unprecedent sanitary crisis caused by the Covid-19 virus surge, having spread across all continents with an impact in the performance of world economies. Despite the efforts for containing the virus, countries around the world were forced to impose severe lockdown measures to control the sanitary front and health infrastructure constraints, and this took a significant toll on the economies, as the pandemic waves inflicted high human costs worldwide, and the necessary protection measures severely impacted economic activity. The race for the development of an efficient vaccine that ended with success before the end of the year, and the implementation of unprecedent both monetary and fiscal policy were key to help contain an economic deeper crisis and avoid a global depression cycle.

The global economy, according to the IMF, is projected to have contracted sharply in 2020, by 3,5%, a figure worse than the recession reading in 2009 (-0,1%), on the back of the international financial crisis. The developed economies suffered the hardest hit (-4,9% yoy) in GDP, especially in the Euro-Area countries (-7,2% for the aggregate), with France (-9%), Italy (-9,2%) and Spain (-11,1%) taking a significant fall, while Germany, the key economy in the Euro, saw a fall of 5,4% in GDP. As for the United States, the economic impact of the lockdowns was lower (GDP fell -3,4%), but strong enough to ignite the unemployment rate to 8,9%, well above the 2019 level of 3,7%, and the highest reading since 2011. China, the world's second largest economy, has managed to turn around the effects of the first wave and ended 2020 growing 2,3% in the GDP. As for whole of the bloc of the emerging economies, these have ended the year with a 2,4% contraction in GDP, a reading that is still less severe than the developed world.

## World Key Economic Data, Outlook and Growth Projections

| | Real GDP | | | | Consumer Prices | | | | Unemployment (1) | | | | Government Gross Debt(2) | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| *(annual percent change, unless noted otherwise)* | 2019 | 2020 E | 2021 P | 2022 P | 2019 | 2020 E | 2021 P | 2022 P | 2019 | 2020 E | 2021 P | 2022 P | 2019 | 2020 E | 2021 P | 2022 P |
| **World Output** | 2,8 | -3,5 | 5,5 | 4,2 | 3,5 | 3,2 | 3,4 | 3,2 | - | - | - | - | - | - | - | - |
| **Advanced Economies** | 1,7 | -4,9 | 4,3 | 3,1 | 1,4 | 0,8 | 1,6 | 1,6 | 4,8 | 7,3 | 6,9 | 6,0 | 104,2 | 124,1 | 124,2 | 124,3 |
| **United States** | 2,2 | -3,4 | 5,1 | 2,5 | 1,8 | 1,5 | 2,8 | 2,8 | 3,7 | 8,9 | 7,3 | 5,7 | 108,7 | 131,2 | 133,6 | 134,5 |
| **Euro Area** | 1,3 | -7,2 | 4,2 | 3,6 | 1,2 | 0,4 | 0,9 | 1,2 | 7,6 | 8,9 | 9,1 | 8,4 | 84,0 | 101,1 | 100,0 | 98,4 |
| • Germany | 0,6 | -5,4 | 3,5 | 3,1 | 1,3 | 0,5 | 1,1 | 1,3 | 3,1 | 4,3 | 4,2 | 3,7 | 59,5 | 73,3 | 72,2 | 68,5 |
| • France | 1,5 | -9,0 | 5,5 | 4,1 | 1,3 | 0,5 | 0,6 | 1,0 | 8,5 | 8,9 | 10,2 | 9,5 | 98,1 | 118,7 | 118,6 | 120,0 |
| • Italy | 0,3 | -9,2 | 3,0 | 3,6 | 0,6 | 0,1 | 0,6 | 0,9 | 9,9 | 11,0 | 11,8 | 10,8 | 134,8 | 161,8 | 158,3 | 156,6 |
| • Spain | 2,0 | -11,1 | 5,9 | 4,7 | 0,7 | 0,1 | 0,6 | 0,9 | 14,1 | 16,8 | 16,8 | 15,7 | 95,5 | 123,0 | 121,3 | 120,4 |
| • Portugal | 2,2 | -10,0 | 6,5 | 4,8 | 0,3 | 0,0 | 1,1 | 1,2 | 6,5 | 8,1 | 7,7 | 6,9 | 117,7 | 137,2 | 130,0 | 124,1 |
| **United Kingdom** | 1,5 | -10,0 | 4,5 | 5,0 | 1,8 | 0,8 | 1,2 | 1,7 | 3,8 | 5,4 | 7,4 | 6,1 | 85,4 | 108,0 | 111,5 | 113,4 |
| **Japan** | 0,7 | -5,1 | 3,1 | 2,4 | 0,5 | -0,1 | 0,3 | 0,7 | 2,4 | 3,3 | 2,8 | 2,4 | 238,0 | 266,2 | 264,0 | 263,0 |
| **Emerging and Developing Economies** | 3,7 | -2,4 | 6,3 | 5,0 | 5,1 | 5,0 | 4,7 | 4,3 | - | - | - | - | 52,1 | 61,4 | 64,0 | 66,2 |
| **Emerging and Developing Asia** | 5,5 | -1,1 | 8,3 | 5,9 | 3,3 | 3,2 | 2,9 | 2,9 | - | - | - | - | 53,3 | 62,9 | 66,9 | 70,4 |
| • China | 6,1 | 2,3 | 8,1 | 5,6 | 2,9 | 2,9 | 2,7 | 2,6 | 3,6 | 3,8 | 3,6 | 3,6 | 52,6 | 61,7 | 66,5 | 71,2 |
| **Emerging and Developing Europe** | 2,1 | -2,8 | 4,0 | 3,9 | 6,6 | 5,2 | 5,2 | 5,0 | - | - | - | - | 29,9 | 39,0 | 40,0 | 40,2 |
| • Russia | 1,3 | -3,6 | 3,0 | 3,9 | 4,5 | 3,2 | 3,2 | 3,2 | 4,6 | 5,6 | 5,2 | 4,7 | 13,9 | 18,9 | 19,0 | 18,5 |
| **Emerging and Developing Latin America** | 0,0 | -2,8 | 4,0 | 3,9 | 7,7 | 6,2 | 6,7 | 6,3 | - | - | - | - | 68,9 | 79,3 | 79,0 | 78,9 |
| • Brazil | 1,1 | -4,5 | 3,6 | 2,6 | 3,7 | 2,7 | 2,9 | 3,1 | 11,9 | 13,4 | 14,1 | 13,3 | 89,5 | 101,4 | 102,8 | 103,5 |

Source: IMF World Economic Outlook, January 2021

(1) Number of unemployed persons as a percentage of total labour force

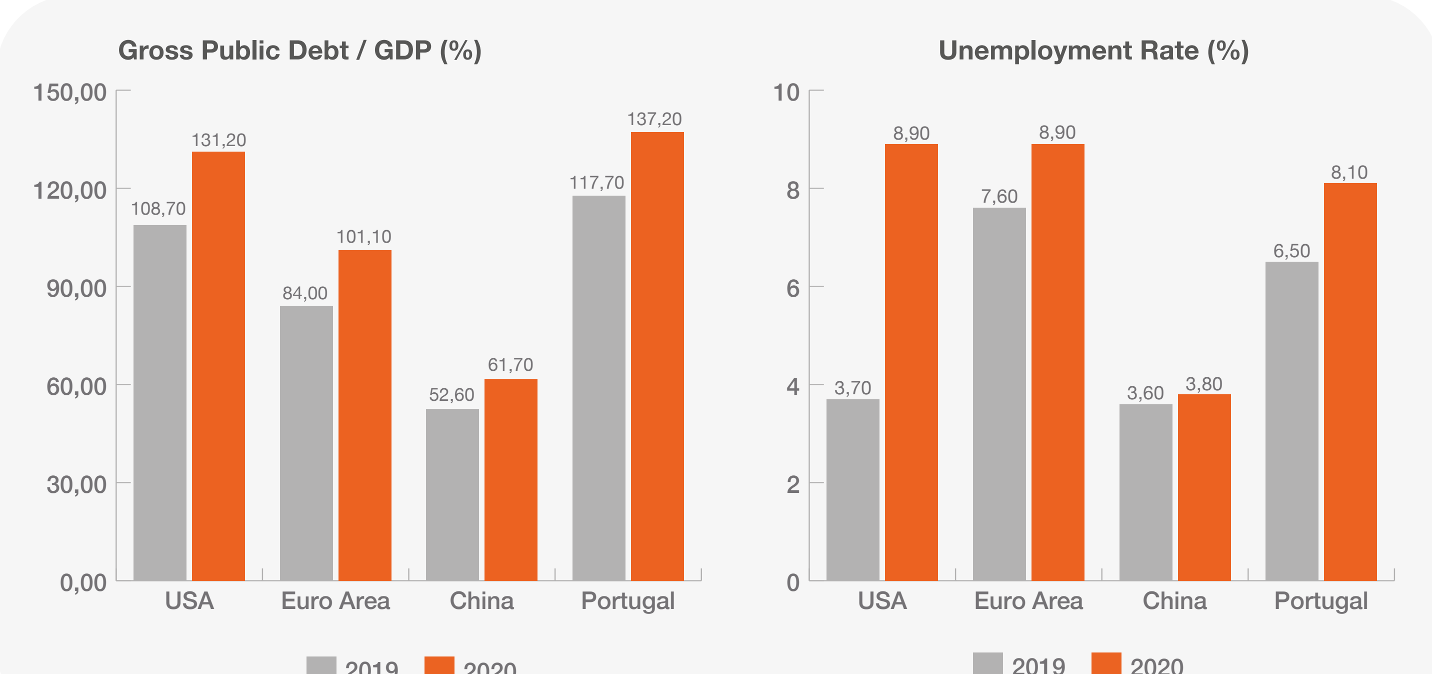
(2) Gross sovereign debt, calculated as a percentage of GDP

On inflation, at the year end the prices have risen slightly as the effects of weak aggregate demand apparently outweighed the impact of supply interruptions, caused by the lockdowns. In the developed economies inflation remains below pre-covid levels, while in the emerging economies consumer prices have rebounded in the second half of the year and stood close at 2019 readings close to 5%, reflecting significative supply disruptions on the back of the restrictions.

A deep economic scar from the need to impose restrictions to control the pandemic is visible on the labour market. According to the International Labour Organization, the global reduction in work hours in the second quarter of 2020 compared with the fourth quarter of 2019 was equivalent to the loss of 400 million full-time jobs, deepening from equivalent 155 million full-time jobs lost in the first quarter. The unemployment rates moved up around the world, especially in the developed economies, having increased from average of 4,8% in 2019 7,3% in 2020, according to IMF estimates. Looking at relevant economic countries, beyond of the mentioned case of the United States (+5,5 p.p. rise), Euro Zone aggregate saw a rise in 1,3 p.p. (from 7,6% to 8,9%), with southern European countries such as Spain (from 14,1% to 16,8%) or Portugal (from 6,5% to 8,1%) were among the ones that were more penalized, but the impact was felt across the euro members. As for China, the most relevant emerging economy, the impact was contained, as the second half of the year allowed for the rebound in activity, and therefore, the labour market was less affected, with the unemployment rising slightly from 3,6% to 3,8%.

Bailing out the economies during the lockdowns represented a cost for the public finances worldwide, although coordinated by the central banks of the main economic blocs, and together with the sharp corrections in the economic growth (GDP), the fiscal deficits rose, and public debt rose significantly.

### Public Debt over GDP ratio and Unemployment Rate




Source: IMF

In terms of weight on the GDP the developed world public debt is now slightly above 124%, plus 20 percentual points when comparing with 2019. The emerging and developing economies also saw their public debts mount 10,3 percentual points, out of the 52,1% in 2019 up to 61,4% expected for 2020. Looking at some key world economies, the United States (+22,5 p.p. to 131,2%) and the Euro Zone (+17,1 p.p. to 101,1%) saw significant rises on the public debt levels, and China as well (+9,1 p.p. to 61,7%), despite the Asian economic giant has still a level of public debt below 100% of GDP.

Regarding the prospects for 2021, the expectations point out for some uncertainty in the first quarter of the year, to rebound and strengthen during the year – specially on the second half. The IMF January 2021 report on the economic outlook point out that the rollout of vaccines will be a relevant driver for growth, despite lingering concerns regarding surging infections, new variants of the virus, renewed lockdowns, and logistical problems with vaccine distribution – all these may represent source of risk. Other additional positive factor for the rebound according to IMF, will be that the launched policy actions should ensure effective backstop until the economic recovery is underway. The stimulus announced are also focused on raising potential output, ensuring participatory growth that benefits all.

Looking at the geographic breakdown, the expected recovery for this year will probably be uneven and incomplete across countries. The magnitude of the rebound will depend on the severity of the health crisis, the extent of domestic disruptions to activity (related to the structure of the economy and its reliance on contact-intensive sectors), the exposure to cross-border spillovers, and specially, the effectiveness of policy support to contain persistent economic damages. Bearing this in mind, the advanced economies are better positioned to benefit from the process than the emerging world, except for China - where effective containment measures, a forceful public investment response, and central bank liquidity support have facilitated a strong recovery, that should gain even a greater momentum.

The IMF economic outlook update published in January 2021 shows that the advanced economies will post a 4,3% growth in 2021, overall a strong rebound after the -4,9% contraction in 2020. Yet, for the reasons explained previously, the paths vary within the group, with the US (+5,1%) projected to regain end-2019 activity levels in the second half of 2021, while in the euro area (+4,2%) is expected to remain below end-2019 levels into 2022. The United States has been benefiting from upward revisions in growth, reflecting carryover from the strong momentum in the second half of 2020 and additional support from the December 2020 fiscal package. On the other hand, in Europe, the euro area projections have been taking downward revisions to growth, reflecting an observed softening of activity, amid rising infections and renewed lockdowns.

Looking at key risks in the advanced economies, the most visible will be related with controlling the pandemic – especially in Europe, where the virus situation has clearly worsened, and this will inevitably have a negative impact on growth. If newer strains of COVID-19 prove to be more transmissible or, worst case, prove to be vaccine resistant, prospects of economic recovery would fade. A sluggish vaccine rollout could also delay growth rebound and increase the amount of permanent economic damage from COVID-19. In the case of the United States, another risk is related with unexpected monetary actions from the Central Bank. While it is expected that the Fed leaves its policy rate at the current levels, the Federal Open Market Committee (FOMC) may consider reducing the size of its asset purchasing program (QE), later in the year. Abrupt changes to monetary stimulus could be disruptive and affect the economic recovery.

As what concerns the emerging and developing economies, despite the expected rebound of 6,3% on the aggregate GDP growth, these are also projected to trace diverging recovery paths.

Considerable differentiation is expected between China and other economies, where the vulnerabilities, weaker economic structure, together with the severity of the pandemic and the lower size of the policy response to combat the fallout, will represent a higher challenge. The largest Asian economy is expected to post a growth of 8,1% in 2021, on the back of economic activity normalization post COVID-19 and extended monetary and fiscal easing measures. This year will also mark the kick of the first year of China's 14th Five-Year Plan, and strategically important projects are usually launched upon each plan's onset to bolster growth. A risk factor for China – apart from unexpected situations on Covid-19 – may be related to inflationary pressures coming from a faster-than-expected economic recovery, that may prompt the People's Bank of China (PBOC) toward tightening, and potentially threaten the current process of economic recovery.

# Domestic Context

According to early February 2021 flash estimate of Instituto Nacional de Estatística (INE), the Portuguese economy (GDP) should have recorded a contraction of 7.6% in volume (growth rate of 2.2% in 2019), the most intense of the available National Accounts series, reflecting the adverse effects of the COVID-19 pandemic on economic activity. These are not yet the final numbers but indicate a better reading than the estimated by the government (8,5%) or the European commission (-9,3%), or international institutions such as the IMF (-10%) and OECD (-8,4%).

**Portugal: Key Economic Data, Outlook and Growth projections**

| | 2019 | 2020 E | 2021 P | 2022 P |
|---|---|---|---|---|
| *(annual percent change, unless noted otherwise)* | *Percentage changes, volume (2016 prices)* | | | |
| **GDP : Percentage changes (2016 prices)** | **2,2** | **-8,4** | **1,7** | **1,9** |
| • Private consumption | 2,4 | -7,3 | 1,1 | 2,8 |
| • Government consumption | 0,7 | -0,3 | 3,5 | 0,7 |
| • Gross fixed capital formation | 5,4 | -4,2 | 0,1 | 2,5 |
| • Final domestic demand | 2,7 | -5,5 | 1,3 | 2,3 |
| • Total domestic demand | 2,7 | -5,9 | 1,4 | 2,3 |
| • Exports of goods and services | 3,5 | -21,3 | 3,6 | 5,8 |
| • Imports of goods and services | 4,7 | -16,1 | 2,5 | 6,9 |
| • Net exports | -0,5 | -2,3 | 0,4 | -0,5 |
| **GDP deflator** | **1,7** | **3** | **0,3** | **0,5** |
| **Harmonised index of consumer prices** | **0,3** | **-0,2** | **-0,2** | **0,3** |
| **Harmonised index of core inflation [1]** | **0,4** | **-0,2** | **-0,3** | **0,3** |
| **Unemployment rate (% of labour force)** | **6,5** | **7,3** | **9,5** | **8,2** |
| **Household saving ratio, net (% of disposable income)** | **-2,2** | **8,2** | **6,3** | **3** |
| **General government financial balance [2] (% of GDP)** | **0,1** | **-7,3** | **-6,3** | **-4,9** |
| **General government gross debt (% of GDP)** | **136,8** | **155,7** | **159,3** | **158,3** |

Source: OECD Economic Outlook, December 2020
(1) Harmonised index of consumer prices excluding food, energy, alcohol and tobacco.
(2) Based on national accounts definition.

Nevertheless, 2020 represented the most severe economic recession in record, and significantly harder than the two last contractions of 2009 (-3,1%), on the back of the international financial crises, and in 2012 (-4.1%), caused by the sovereign debt crisis and international intervention in the country. According to the INE preliminary report, that does not release the breakdown of GDP, the Domestic demand presented a significant negative contribution to the economy, after being positive in 2019, mainly due to the decrease of private consumption. In addition, the contribution of net external demand was more negative in 2020, with exports and imports of goods and services diminishing significantly, particularly in the case of the collapse of tourism exports. According to the OECD December forecasts on the Portuguese economy, private consumption should have seen a sharp fall in 2020 of 7,3%, while investment contracted 4,2%, while government spending corrected a minor a minor 0,3% when compared to 2019. On the external demand, exports should have fallen 21,3%, while imports also fell 16,1%, reflecting the impact of disruption of global trade volumes and hampered consumption patterns.

Despite some bounce back of the activity and confidence indicators in the summer the number of tourists in August was 68% smaller than in 2019. Overall, the situation remained fragile throughout the second half of the year, and the recent resurgence of Covid cases in Europe, and need to impose further restrictions, quickly reversed the tepid recovery trend in the travel and tourism sector in the third quarter of 2020. In the last quarter of the year, the resurgence of infections and the weakening of external demand are weighing on the economy.

On the labor market front, the consequences have been hard, due to sensitive sector exposure to the pandemic – specially Tourism related activity that, according to the Turismo de Portugal, accounted in 2019 for 6,9% of the employment in the country, corresponding 336,8 thousand jobs directly. According to the December OECD report on Portugal, the number of employees on the short-time work scheme remains high, and Survey indicators show that insolvencies have increased by 64% in August compared with 2019, factors that have also influenced a fragile labor demand. The unemployment rate at the year end of 2020 should be of 7,3% and it should climb higher in 9,5% this year and remain high in 2022.

Tackling the severity of the recession will be very dependent on the application of the EU rescue package. Now, fiscal policy is supporting the economy, but it has been very contained as the sum of fiscal measures related to COVID-19, with a budgetary impact in 2020, accounts for less than 3% of GDP, the third lowest pack in the UE, according to the ECB January Economic Bulletin. Most of the recovery is therefore related with eligible structural reform programs for EU funds - deepen digitalization and increase investment efforts, especially those related to climate change. The Next Generation EU plan will help finance 2021-22 fiscal measures as Portugal is expected to receive EUR 13.2 billion (3.8% of GDP). The role of the ECB will also be relevant to avoid financial crisis in the country, providing accommodative monetary policy and expanded asset purchases that will continue to support aggregate demand.

Looking at 2021 and in the medium term, the central scenario seems to indicate that the Portuguese economy will recover on a very gradual time frame, and later than the average in European Union. Taking into consideration the outlook report produced in December from OECD, the Portuguese economy is set to grow 1,7% in 2021 and 1,9% in 2022, but the country will still stay below its pre-pandemic GDP levels at the end of 2022.The relevant weight of tourism contribution for the country's economy (worth 19,7% of total exports, in 2019), is expected to slow the pace of the process of recovery, as it depends much on the rollout of the vaccines around the developed world. Business investment will probably pick up, supported by low interest rates and EU funds. The budget deficit and public debt are projected to remain high, with the latter reaching 158,3% of GDP in 2022. A key risk for Portugal is related with the weak growth path for recovery, that could magnify the spillover effects in the financial sector, via a significant rise in non-performing loans in most affected sectors. According to OECD, the contingent liabilities arising from loan guarantees might also pose an additional burden for public finances. On the upside, an early and effective containment of the pandemic, boosting confidence, and a faster absorption of EU funds could help to foster a stronger-than-projected economic performance.

## Financial Markets

The year 2020 proved to be one of the most volatile in modern history, marked by several developments that were historically unprecedented. The novel coronavirus was already in the news early in the year, and concerns grew as more countries began reporting their first cases of COVID-19. Infections multiplied around the world through February, and by early March, when the outbreak was labeled a pandemic, it was clear that the crisis would affect nearly every area of our lives. The spring would see a spike in cases and a global economic contraction as people stayed closer to home, and another surge of infections would come during the summer. On top of the health crisis, geopolitical issues also marked the agenda, as US Elections and Brexit agreements also market the year. As autumn turned to winter, 2020 would end with both troubling and hopeful developments: a new variation of the virus, helped the spike of COVID-19 cases, along with the first deliveries of vaccines in the US and elsewhere.

One major theme of the year was a perceived disconnection between markets and the economy. The equity markets, after an abrupt and very sharp fall, recovered very fast and reached new highs, while the economic readings remained bleak, suggesting investors were looking past the short-term impact of the pandemic to assess the expected rebound of business activity and an eventual return to more-normal conditions. Of course, that above all the hurdles, again prevailed the unprecedent actions of the policy makers.

Governments and central banks worked to cushion the blow, providing rescue packages and financial support for individuals and businesses, and adjusting lending rates. These actions are expected to be maintained in 2021, with policy makers to provide fiscal stimulus, liquidity, and support as a backstop until economic recovery consolidates.

For investors, the year was characterized by sharp swings for stocks. March saw a 33.79% drop in the S&P 500 Index as the pandemic worsened. This was followed by a rally in April, and stocks reached their previous highs by August as both fiscal and monetary support was deployed, and restrictions started to be lifted around the world.

Ultimately, despite continued concerns over the pandemic, global stock market returns in 2020 were above their historical norm as vaccine development provided positive news. The US market finished the year in record territory and with an 16.3% annual return for the S&P 500 Index. European Eurostoxx index contracted 5,1%, while the Portuguese stock market index PSI 20 fell 6% during the year. The emerging markets, as measured by the MSCI Emerging Markets Index, returned 18.3% for the year, and China's reference CSI 300 index posted an annual return of 27,2%.

As for the Fixed income, markets mirrored the extremity of equity behavior, with nearly unprecedented dispersion in returns during the first half of 2020. In the first quarter, US corporate bonds underperformed US Treasuries by more than 11,8 percentage points, the most negative quarterly return difference in data going back a half century. But they soon swapped places: the second quarter was the second-most positive one on record for corporates over Treasuries, with a 8,14 percentage points advantage. Large return deviations were also observed between US and non-US fixed income as well as between inflation-protected and nominal bonds.

Global yield curves finished the year generally lower than at the beginning. US Treasury yields, for example, fell across the board, with drops of more than 100 basis points on the short and intermediate sections of the curve. The US Treasury curve ended relatively flat in the short-term segment but upwardly sloped from the intermediate- to long-term segment. For 2020, the Bloomberg Barclays Global Aggregate Bond Index returned 5.6%.

In the Foreign Exchange market, the US dollar evidenced the tendency of the dollar to move in the opposite direction to the prices of risky assets globally, with the euro-dollar cross ending the year trading above the 1,22 level, compared to 1,12 at the end of 2019. Regarding commodities Oil plunged during the first half of the year, reflecting the economic recession, and have bounced back since the announcements of COVID-19 vaccines in early November, comfortably outperforming most other risky assets - looking past the toll that restrictions meant to slow the spread of the virus are currently having on oil demand, and assuming that the rollout of vaccines will allow for a recovery in the beleaguered road transport and aviation sectors (two sectors that support significant portion of oil demand). Nevertheless, the WTI crude oil ended the year trading at 48,5 USD per barrel, 15% below the end of 2019, and after its futures contract having traded at negative values in April, something never seen before, and as a consequence of the excess of inventories and shortage of storage capacity. On the positive side, gold surged 25% in 2020 topping 1898 USD per ounce, driven higher by a plunge in US real yields, and due to the "safe heaven" characteristics of this asset in a pandemic scenario.

# 02

# Business Activity

## 2.1 Wealth Management Services

The Wealth Management services provided by Bison Bank, SA (“Bison Bank” or “Bank”) combine the competence of financial planning with the knowledge of investment management, with an European execution platform for individual and institutional Clients, based on Discretionary Portfolio Management, Investment Consulting and Order Execution.

These investment services allow the Bank to position itself on the market as an important entity in relation to the privileged interconnection between Europe and China, as well as other countries. Combining the competence of financial planning with the knowledge of investment management, our clients benefit from a fully integrated service. The Bank’s focus on the clients’ complete financial situation, allows them to choose the services that best suit their needs, in terms of investment horizon, objectives and expectations of return, and risk profile, combining the assessment of the financial situation, planning investment, and the monitoring and review of the selected portfolio or portfolios.

The investment framework is based on a global approach, without restrictions, with high flexibility and diversified between asset classes. The Product Specialist is responsible for the evaluation and selection of the best instruments and solutions for the different areas of the Bank. The decision process is based on three steps to build a diversified portfolio: quantitative analysis, qualitative analysis, and technical / trading analysis. During 2020 a considerable effort was made with the objective of expanding the number of instruments and solutions available to better serve the needs of Clients through Wealth Management services, highlighting, in addition to the discretionary management of profiled portfolios, a fully dedicated investment portfolio to ESG assets, specialization in Chinese shares and bonds, development of a Playbook for investment advice with various thematic ideas, and the structuring of partnerships performing the function of management mandate. Undoubtedly, this focus will continue for 2021.

The discretionary portfolio management service is suitable for investors who do not have the availability, experience, or desire to actively manage their assets and wish to delegate that responsibility. It is a personalized service that adjusts to the circumstances of the Clients, the investment objectives, the risk profile, and the expectations of return. The levels of risk and asset allocation are continuously reviewed, monitored, evaluated, and approved by the Wealth Management Committee.

Investment Consulting is a service aimed at individuals and institutional Clients. The idea generation process includes a global view of financial markets and proprietary analysis models for tactical investments, as well as long-term opportunities in different asset classes. The service's perspective focuses on the "working with the investor" approach, accompanying Customers in the three phases of the investment cycle: construction and implementation of portfolios, monitoring of portfolios and regular revaluations, and investment planning. The Bank believes in the value of a solid investment strategy, and in the value of a disciplined approach to building, implementing, and monitoring each solution presented. The selected assets are continuously monitored and approved by the Wealth Management Committee.

The Bank offers, for experienced Customers, an order execution service, an option that allows clients to take control of their investment strategies, having at their disposal a fully dedicated team for receiving and transmitting orders. The Bank offers Clients global coverage with access to a wide range of investment opportunities in all major markets, investment options for different instruments, and the largest worldwide network for the distribution of third-party funds.

The enrichment of the value proposal presented to high potential private customers, an important part of the commercial process, was reflected in a new offer of a wide range of differentiated Products and Services, where the diversification of investment alternatives increased the degree of customer satisfaction and placed Bison Bank in the Wealth Management Bank category. The Bank will continue to expand its offering of asset, product, and service management solutions during 2021 with the aim of meeting the needs of customers, both European and Asian.

2020 was extremely demanding at all levels, having been reflected in the financial markets in strong fluctuations throughout the year. The disconnect between the behavior of the financial markets and the impact on the main world economies was evident from the second quarter of the year, requiring strong discipline in the risk management of discretionary management portfolios. The performance of Clients' portfolios proved to be balanced, having ended the year with positive returns, mostly following the performance of the financial markets in the various asset classes. Starting from a practically non-existent base, Wealth Management services ended the year with a volume of assets under management of almost 5 million euros. The volume under management is expected to grow significantly and in a sustained manner during 2021.



## 2.2 Depositary and Custody Services

The excellence of the Depositary Bank services that Bison Bank offers to its institutional Clients, fund management companies in particular, and the experience of many years in the national market covering from the simplest to the most complex investment funds, guided by the credibility of the team and the institution, made it possible to make this business line the most important pillar of the commercial dynamics and revenues generated at the Bank.

By privileging the rigor, exclusivity and personalized monitoring of the management companies, Bison Bank was able to position itself as a reference partner to welcome all Investors participating in the funds managed by them, whether institutional, companies, individuals, national or international.

Bison Bank is an institution with extensive experience in asset custody, offering a wide range of services that cover account opening, face-to-face and remote, local, and global custody, as well as payments, forex, and treasury management, aimed at institutional investors, asset management companies, funds, brokers, companies and individuals, national and international.

The prospecting and segmentation of customers for Depositary Bank and Custody services is carried out by the Client Management Department (CMD), focusing on a strategy of proximity and partnership with institutional customers, local and international partners. In 2020, not only did we see, with great satisfaction and significantly, the number of companies and funds that entrusted us with the role of depositary and the custody of their participants, but we also achieved recognition and notoriety, from the USA to Indonesia, from Africa from the South to Russia, from Brazil to China as the Bank of excellence for opening investment accounts for international investors.

Bison Bank works to be the benchmark bank in the funds market in Portugal and the first Bank for international private investors.

## 2.3 Investment Banking Services

Bison Bank offers financial advisory services to public and private companies, private equities, family offices, investment funds, and public sector entities, in transactions at national and international levels. We combine independent consultancy focused on maintaining long-lasting relationships with strong technical and industry expertise.

In the capital markets business area, we offer services in the stock and debt securities markets and act as intermediaries in identifying the most suitable options for companies with financial needs through access to the market. We have the ability to assist clients in public offers, private placement of bonds and structured products, as well as to place debt and equity instruments with institutional investors.

We offer financial advisory services for clients' strategic transactions at all stages of the process: from identifying investment opportunities, analyzing, evaluating and structuring the transaction to negotiating and completing the transaction. These services include MBO, MBI and M&A, as well as debt fundraising, disposal of assets and restructuring of debt or recombination of liabilities.

We advise our clients on optimizing the balance sheet structure, with a view to defining a sustainable capital structure that is appropriate for the company's growth, through a potential purchase or sale of assets, as well as for a better definition of a multi-product strategy.

Based on relevant sectorial and regional knowledge, we provide our customers with independent assessment services for companies, business units and investment projects, based on internationally recognized and accepted methods by the market.

Bison Bank also provides paying agent services to a wide range of clients, adopting for this purpose procedures in line with the best market practices. Our services increase the security and efficiency of payments, and provide greater convenience to issuers, ensuring support for the structuring, the competent registration and processing of all required documentation, while offering the security of custody of financial instruments.

Bison Bank is part of the Pandea Global M&A Network, covering more than 20 countries, is a regular member of V-Next, the Shenzhen Stock Exchange cross-border matchmaking platform, and is a partner of the Association of Family Offices in Asia as well as several other investment banks, asset managers, financial advisers and institutional investors, reference partners for Europe and Asia, thus guaranteeing a network covering the Asian, European, African, North, and Latin American markets.

The Investment Banking Department (IBD) maintained its focus on identifying investment opportunities, with a particular appeal to investors seeking cross-border transactions between Asia and Europe. Throughout 2020, despite the disruption of COVID-19, IBD originated several transactions and consultancy services, still maintaining a strong growth of its network. IBD was extremely active in the capital markets, having participated in 3 new bond issues, for investment grade Chinese issuers, which totaled US $ 4.55 billion, acting as Joint Global Coordinator, or Joint Lead Manager and Joint Bookrunner.

IBD remains focused on its approach to Asian Investors, especially in the following segments:

- Debt Capital Market with public issues denominated in Euro and USD;
- M&A, through the segmentation and execution of several businesses, with a special focus on transnational transactions;
- Debt structuring, especially in syndicated credit solutions, private issues, LBO debt, structured credit and project finance, managing the entire complementary advisory and providing integrated financial services, adjusted to each client's performance.

## 2.4 Treasury

The year 2020 was a year of enormous challenges regarding the financial markets for the reasons already mentioned, which was why in this period its conservative profile of liquidity management and proprietary investment was fundamental, which allowed it to cope with the high volatility recorded in the markets, without this having compromised the liquidity robustness levels, and ensuring, in parallel, adequate levels of profitability.

In effect, maintaining its strategy based on a liquidity structure with levels well above the levels required by the applicable regulations, the Bank acted at the right time and in anticipation of the peak of the crisis, reducing its exposure to the market, and maintaining liquidity levels above those recorded in previous periods, promoting after and consequently a reinvestment approach, always within the parameters established by the Bank in its Risk Appetite Statement (RAS) and in the Liquidity Management Policy in force, which allowed to increase the aforementioned levels of combined investments with higher rates of return.

This strategic approach of anticipating and responding directly to the crisis, allowed to substantially increase the values of the financial margin of the proprietary portfolio in the reference year.

In terms of the strategic plan for the future, in addition to continuing to maintain and ensure a conservative and robust profile in terms of liquidity and risk exposure, the Bank will maintain the central objective of providing the necessary support for the development of the lines established in its business model, and in relation to these domains.

In terms of the Funding base, and considering its position of high structural liquidity, reinforced with the recent capital increase, the Bank maintains the forecast of, in the near future, not resorting to the Capital Markets as a source of financing.

In terms of customer resources, the Bank maintained a solid base, increasing the degree of diversification appropriate to its business model, and intends to establish as a future objective an increase in this source of funds through the diversification of deposit denomination currencies, with an appropriate commercial approach to its underlying business model and target market.

The evolution of liquidity ratios, on an individual basis, at 31 December 2020, namely through a LCR (Liquidity Coverage Ratio) ratio of 237% and an NSFR (Net Stable Funding Ratio) ratio of 134%, allowed the maintenance at levels substantially higher than those required by the applicable regulation, in line with the risk profile already mentioned.

# 03

# Supporting Areas

## 3.1 Human Resources

### OUR EMPLOYEES

Bison Bank, within the scope of its corporate human capital management strategy, calls for an agreement to actively promote the development of all employees, thus contributing to their motivation and commitment and, equally, to the sustainability of the bank. The year 2020, having been an atypical year, due to the pandemic, was even more demanding in this area.

Bison Bank digitally promoted a wide range of content to support its teams remotely, from information security to content related to the well-being and remote management of teams. Workout and nutrition sessions were also administered.

The performance management process aims to align individual performance with the Bank's strategy, setting clear objectives for all employees, always with a focus on developing skills and fostering a culture based on meritocracy and recognition. In 2020, Bison Bank implemented a virtual assessment tool, thus completing the strategy of digitizing HRD tools - academy, assessment, and employee portal.

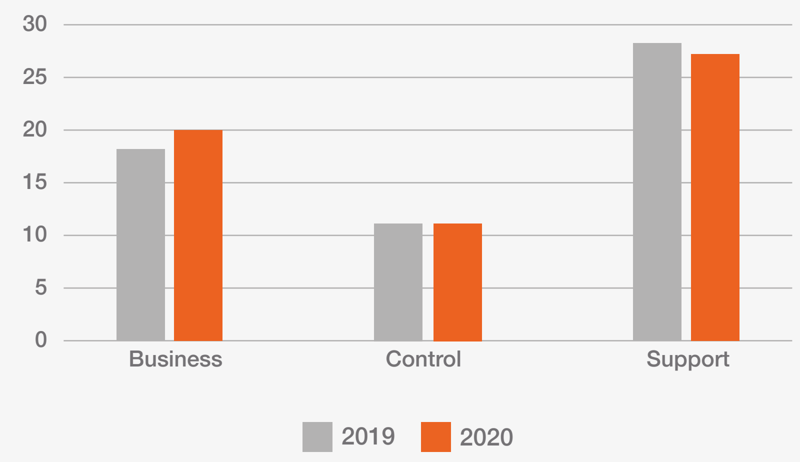
The internal mobility of employees is a practice that we value and encourage in the Bank, as we believe in the opportunities for internal growth, both in the allocation of resources to transversal projects and to fill specific know-how needs. In 2020, 4 mobilities were carried out.

### OVERVIEW OF EMPLOYEES

The employee data presented refer to full-time employees, with effective contracts with the Bank.

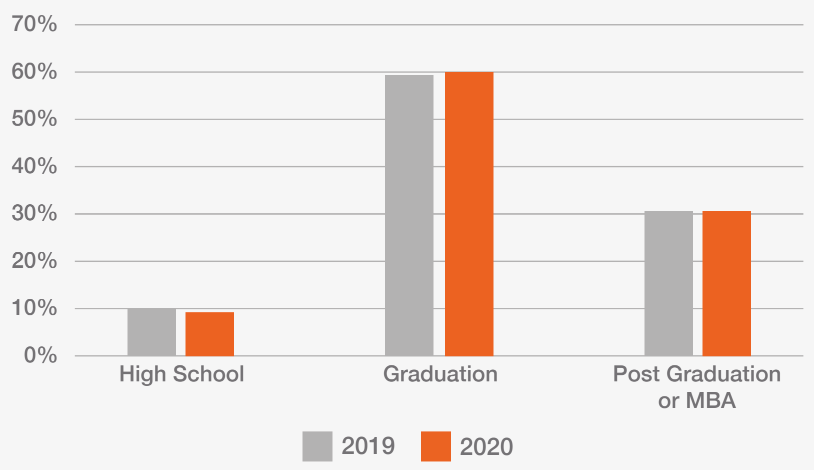
As of December 31, 2020, Bison Bank employed 58 employees, compared with 57 as of December 31, 2019.

### Distribution of employees by activity area (as of December 31, 2020)



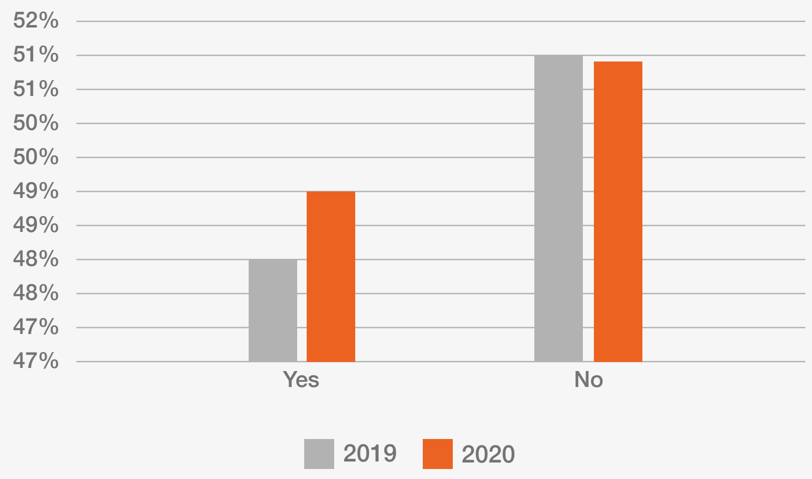

In 2020, Bison Bank made an effort to maintain the stability of technical potential in the control areas in order to meet all legal and regulatory impositions.

### Distribution of employees by educational qualifications (as of December 31, 2020)




Regarding academic qualifications, we also maintained a stabilizing trend in the number of graduates vs. the number of employees with high school education.

### Distribution of employees with international experience (as of December 31, 2020)




For Bison Bank it is important to continue to invest in strengthening the staff with diversity skills and openness to new cultures, so the new recruitments privileged international experience in 2020, as we did in 2019, keeping the numbers stable.

## DIVERSITY AND INCLUSION

Bison Bank's goal is to promote a diverse workforce and an atmosphere that promotes inclusion, respect and support for all employees and helps to improve the performance of the activities undertaken by providing equal opportunities for recruitment, promotion, and training to all employees.

The focus is on progressively reducing the gap between men and women within the company and creating a diverse environment.

# 3.2 Information Technology

In 2020, Bison Bank's Information and Technology Department (ITD) contributed to the pursuit of some of Bison Bank's main strategic initiatives, of which we highlight:

- Increase the level of satisfaction of internal customers. During 2020, ITD focused on increasing user productivity, despite the Covid-19 pandemic situation, by completing several projects in this area, namely:
  i. Exploration of the collaborative tools of the Microsoft Office 365 based on cloud and security solutions supported on multi-factor authentication and VPN for access to the Bank's systems, together with mobile hardware, to guarantee the possibility of teleworking to all employees in COVID-19 confinement situation, without any loss of productivity;
  ii. Implementation of improvements in the management information system to better support commercial activity;
  iii. Optimization of internal operational processes through workflow automation tools.
- Ensure a robust and compliant internal control environment. In this area, several steps have been taken to increase the performance, flexibility, resilience and security of Bison Bank's hardware, software and communications, namely:
  i. Migration of Bison Bank's infrastructure to a hybrid cloud, with advantages in terms of agility, scalability and mobility, as well as in terms of security and resilience, as well as the reduction of operational risk and cost optimization;
  ii. Implementation of several general security improvements, as well as internal initiatives to raise users awareness on the topic of security and cybersecurity.
- Improve the customer experience through online banking services:
  i. Providing customers with a new home banking platform, to complement existing mobile applications;
  ii. Introduction of new products and services on the Bank's online platforms, namely national and international transfers, foreign exchange operations and subscription and redemption of investment funds.
- Improve the customer experience through AML / FCT processes and other control functions:
  i. Implementation of several improvements in the legal reporting structure;
  ii. Increase in the level of automation in AML / FCT processes;
  iii. Implementation of improvements in the management information made available to the control functions.
- Improve the customer experience through the Wealth Management and Payments areas:
  i. Implementation of various improvements and automatisms in the core banking integration processes with the discretionary portfolio management and investment advisory solution;
  ii. Increased automation of flows related to payment systems;

# 3.3 Other Supporting Activities

### ACCOUNTING AND PLANNING

In 2020, the Accounting and Planning Department (APD), whose responsibilities have added the procurement function since 2019, in addition to the usual activities carried out in the fields of accounting, planning and procurement, highlights the following projects and initiatives developed:

- Reorganization and systematization of financial information and budgetary control, namely in terms of the preparation of management information and respective management indicators (PL Snapshot), detailing the contribution components for the items of results to all commercial, control and support areas Bank on a monthly basis;
- Implementation of an automated invoice management and validation system, Invoices Workflow, contributing to the improvement of the control environment, transparency and auditability of the process;
- Review of controls associated with tax and tax reporting and compliance mechanisms;
- Preparation and conclusion of the review of Bison Bank's strategy and budget for the 2021-2024 quadrennium, interacting with all business, support and control areas, comprehensively reviewed and approved by the Board of Directors;
- Development and realization of new reports, previously not required of the Bank, of extensive and relevant scope in the context of the activity developed by the Bank, and the situation of the pandemic crisis COVID-19.

### OPERATIONS

The operations of the Operations Department grew significantly in 2020, as a result of the relevant increase in the customer base and associated operations, which corresponded to that established in the Business Plan.

There was also a substantial increase in the number of investment funds under the Depositary Bank contract, as well as a great diversification in the type of funds and in the number of management companies involved in these processes.

In this context, intense action was taken to adapt the available resources and associated tools, which demonstrated resilience and the ability to address the growth sustained.

This effort was accompanied by the continuation of the implementation of new projects and adaptation of processes, namely:

- Customer ordering and account opening process monitoring tool;
- Management tool for registration of orders and execution of operations, with measurement of SLA and verification time;
- Reinforcement of safeguarding customer assets;
- Monitoring of financial variations, in order to maintain low levels of Operational Risk;
- Beginning of the project to automate the account opening process to improve efficiency (in progress);
- Implementation of a payment management and control tool, with integration in the Bank's systems and national and international payment platforms.

The Operations Department was also actively involved in the development of new products and commercial services, namely in the definition of operational and regulatory requirements.

## LEGAL SUPPORT

The Legal Department (LED) is a high-level structure in the Bank's organizational hierarchy, hierarchical reporting to the Executive Committee through the designated Board Member.

LED is responsible for providing legal support, in all its aspects, to the Bank's banking and financial activity, in particular in the structuring, design and monitoring of the products and services provided.

During the year 2020, LED focused a large part of its activity on the following themes:

- Investment services;
  - i. Discretionary portfolio management;
  - ii. Investment advice;
- Depositary bank;
- Payment services;
- Capital market - debt placement;
- M&A and consultancy operations.

## SUPPORT TO THE EXECUTIVE BOARD

### Project Management Officer

In 2020 and following the creation of the project management framework in 2019, a project management standard was created and implemented, which came to give clear guidelines to all project managers throughout the project cycle. To facilitate the implementation of these new guidelines, specific training sessions have been prepared for this purpose.

To face the growing adversities of the pandemic, the PMO asked each project manager to carry out a risk assessment in relation to the impacts of COVID-19 on each project, and the assessments were subsequently presented to the Projects and Quality Committee.

During the year, all the necessary training and support was given to the project managers. The strategy execution plan for the global project management was established in the first quarter of the year. The alignment of the initiatives / projects with the framework of the Projects and Quality Committee was carried out and its evolution was analyzed monthly in this Committee, with the respective reports being sent to the Board of Directors.

To assess the performance of the projects in 2020, an assessment of the project portfolio was conducted in all 20 projects. Overall, the PMO's impact was rated positive in the project evaluation.

### Marketing and External Communication

2020 was the year in which Bison Bank's digital presence and engagement increased considerably in the Bank's target markets. There was an expansion of the platforms where Bison Bank is present and a consolidation of the existing platforms in 2019.

Despite the pandemic, which started at the end of the first quarter of 2020, the EBO Marketing Area adapted its strategy to support the commercial areas, making substantially more initiatives than in 2019, with emphasis on the online channel. The Bank published 15 articles of a commercial / opinion nature, organized 10 webinars, issued 5 press releases and organized 9 commercial and institutional events.

In view of the countercyclical increase in turnover during 2020, the Marketing Area was required to make a greater effort in the development of marketing materials for promotions or campaigns for products and services. The internal framework for the regulation and control of operational marketing and external communication was duly established and implemented through the standards that were developed for this purpose during 2020.

Bison Bank's online channels, as well as the online events developed, had a notable impact on the generation of Customers and business opportunities, resulting in a significant contribution to the commercial departments.

### Government and Secretariat Support

During the year 2020, this area, always in close collaboration with the Company Secretary, continued to support the meetings of the Bank's functional committees, participating in these meetings, and preparing the respective minutes. It is important to highlight the significant increase in the number of meetings held in 2020, which went from 29 to 44 meetings, compared to 2019.

The Risk and Compliance Committee meetings continued to be supported, through participation in these meetings and preparation of the respective minutes.

In 2020, and in coordination with the Company Secretary, continued to support the preparation and review of the minutes of the meetings of the governing bodies, including General Meetings, meetings of the Executive Committee and meetings of the Board of Directors (the last two reported quarterly to the Bank of Portugal).

It should be noted that several registrations of corporate events were also made (namely with Bank of Portugal). The Bank's capital increase process was also prepared, together with the Company Secretary, including the preparation of the respective legal documents and records.

During 2020, and in order to contribute to the improvement of the Bank's internal governance, the following tasks were performed in collaboration with the Company Secretary:

i. Preparation of gap analysis regarding compliance with EBA guidelines on internal governance (EBA / GL / 2017/11);

ii. Preparation of rules and procedures for meetings of governing bodies;

iii. Monitoring of the digital signatures process in relation to the minutes of the minutes of the meetings of the governing bodies;

iv. Preparation of internal evaluation to the new Bank of Portugal Notice 3/2020, with analysis of the main impacts related to the activity of the governing bodies. An action plan was proposed regarding the measures to be implemented and several internal documents were prepared and revised.

During 2020, the Government area continued to support the process related to the Annual Management Report, ensuring the preparation of some of its chapters and in particular the Corporate Governance Report.

It also continued to ensure and provide its contributions to reports and responses to supervisory entities, auditors and internal departments, in matters related to corporate governance and internal organization.

The Government Area also continued to ensure the coordination of the Secretariat Team.

### Secretariat Team

The secretariat team continued throughout 2020 to support the management and supervisory bodies and the company secretary, supporting and ensuring, among other activities, the meetings held and their scheduling, the correspondence of the Bank (received and sent) ensuring its registration, the Bank's reception service, phone calls and other administrative services.

# 04

# Control Activities

## 4.1 Risk

The Risk Department (RID) is a high-level structure in the organizational hierarchy of Bison Bank, with hierarchical reporting to the Executive Committee through the responsible Board Member.

In addition, it maintains a very close relationship with the Supervisory Board, through specific regular meetings and with the Risk and Compliance Committee, through bimonthly meetings. Together with the Compliance Department and the Internal Audit Department, it establishes the Bank's Internal Control System.

During 2020, the Risk Department, in coordination with the responsible Board Member, focused on the following activities:

- laboration and adaptation of risk management policies, in order to ensure alignment with the Bank's strategy and business objectives (update of the Risk Appetite Statement (RAS), limit policies, risk policy, etc.);
- Implementation of improvements in terms of risk management information, based on complete and regular data, to assess risks in a timely manner and act accordingly. New controls were implemented, and the monthly risk reports were reformulated - The "Financial and Risk Report" includes information on all risks, compliance with internal and regulatory limits, in addition to RAS and Recovery Plan indicators, ICAAP results and Risk Control Self-Assessment - Summary table of identified risks;
- Preparation and reporting, within the defined deadlines, of the prudential reports for which it is responsible, within its scope of action, namely within the scope of Common Reporting (COREP OF; COREP LE, COREP LR, LCR, NSFR and ALMM), IRRBB, ICAAP, etc.;
- Contribution to other external reports, such as ILAAP, Internal Control Report, Recovery Plan (contribution to the definition of stress scenarios and recovery measures and calculation of impacts on the recovery indexes and indicators), Financing and Capital Plan and Action Plan Resolution of Less Significant Institutions;

- Issuing opinions and participating in various working groups in the context of developing new activities and commercial products;
- Promotion of risk awareness campaigns (carried out by email), addressing various risk issues.

In addition, the Department regularly interacts with the Bank of Portugal, namely by responding to various risk questionnaires throughout the year.

## 4.2 Compliance

The Compliance Department (COD) is a high-level structure in the organizational hierarchy of Bison Bank, with hierarchical reporting to the Executive Committee through the responsible Board Member.

In addition, it maintains a very close relationship with the Supervisory Board, through specific regular meetings and with the Risk and Compliance Committee, through bimonthly meetings. Together with the Risk Department and the Internal Audit Department, it establishes the Bank's Internal Control System.

The Bank has an independent, permanent and effective Compliance Function, charged with monitoring compliance with the legal, regulatory, operational, ethical and conduct obligations and duties that are incumbent on the Bank and its employees, including the members of the Management Bodies.

During the year 2020, the COD concentrated essentially on the following main activities:

- Implementation of the 2020 Compliance Plan;
- Activities carried out within the scope of internal control;
- Activities carried out in the field of combating money laundering, financing of terrorism and restrictive measures;
- Activities carried out within the scope of financial intermediation operations, combating market abuse and privileged information situations;
- Activities under the control of real or potential situations of Conflicts of Interest and operations with Related Parties;
- Activities within the scope of the Irregularities Communication Policy in conjunction with the Supervisory Board;
- Project implementation activities in matters of:
  - the General Data Protection Regulation (GDPR);
  - the Foreign Account Tax Compliance Act (FATCA) and Common Report Standards (CRS),
  - Review of the Bank's Regulatory portfolio;
  - Identification of Gaps and definition of the Action Plan in light of the new notice 3/2020 of Bank of Portugal;
  - Gaps identification and definition of mitigation measures in relation to Directive (EU) 2018/822 (DAC 6);
- Activities developed within the scope of handling and managing complaints;
- Final phase of implementation of the new integrated AML / FCT solution.

COD has been actively working, in coordination with the Board of Directors, on adapting the Bank's compliance risk governance environment to the business strategy, while ensuring its alignment with the new regulatory requirements.

## 4.3 Internal Audit

The Internal Audit Department (IAD) is a high-level structure in the organizational hierarchy of Bison Bank, with a hierarchical reporting line to the Chairman of the Executive Committee (purely administrative reporting) and a functional reporting line to the Board of Directors and the Supervisory Board.

Together with the Risk Department and the Compliance Department, it ensures the Bank's Internal Control System.

The Internal audit function is established in a unit with a structure that is organically segregated from the activities it monitors and controls.

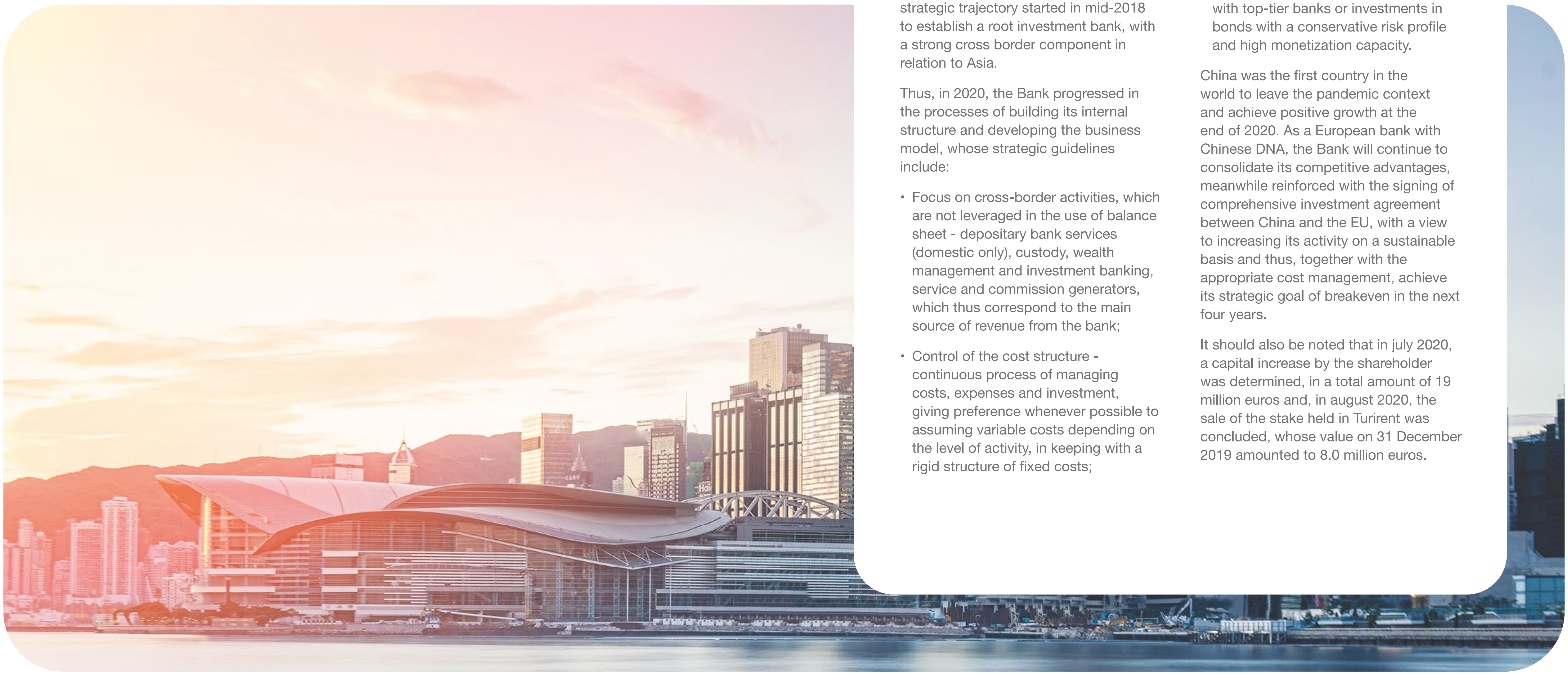
During 2020, IAD developed its activities in accordance with the Multiannual Audit Plan, which was approved by the Board of Directors, with a view to ensuring a comprehensive, risk-oriented examination of the Bank's activities, systems and processes , focusing essentially on the following activities.

- Preparation of the Pluriannual Audit Plan (aligned with the business strategy and objectives, in order to ensure the monitoring of relevant risks);
- Development of audit work in accordance with the Pluriannual Audit Plan approved by the Board of Directors;
- Issuance of recommendations based on the results of the audit work carried out and as a result of the identified internal control deficiencies;
- Promotion of continuous monitoring of identified internal control deficiencies;
- Maintenance of existing IT tools to support the activity related to the monitoring of internal control points;
- Monitoring the evolution of the implementation of the Bank's Business Plan;
- Update / revision of the organic statutes, internal documents, strategies and methodologies and risk classification models;
- Reporting relevant information on the activity carried out and on the execution of the Multiannual Audit Plan to the Board of Directors and the Supervisory Board.

IAD has been actively working on assessing the adequacy and effectiveness of the internal control system, monitoring the identified internal control deficiencies as well as the respective implementation of measures aimed at correcting them, in order to achieve improvements in the Bank's internal control culture.

# 05

# Analysis of the Individual and Consolidated Accounts



## 5.1 Analysis of the Individual Accounts

### 5.1.1 Main Highlights

Looking back on 2020, and despite the enormous challenges posed by the pandemic, the Bank has evolved in its strategic trajectory started in mid-2018 to establish a root investment bank, with a strong cross border component in relation to Asia.

Thus, in 2020, the Bank progressed in the processes of building its internal structure and developing the business model, whose strategic guidelines include:

- Focus on cross-border activities, which are not leveraged in the use of balance sheet - depositary bank services (domestic only), custody, wealth management and investment banking, service and commission generators, which thus correspond to the main source of revenue from the bank;
- Control of the cost structure - continuous process of managing costs, expenses and investment, giving preference whenever possible to assuming variable costs depending on the level of activity, in keeping with a rigid structure of fixed costs;
- Preservation of high levels of capital and liquidity - use of balance sheet limited mainly to immediate liquidity with top-tier banks or investments in bonds with a conservative risk profile and high monetization capacity.

China was the first country in the world to leave the pandemic context and achieve positive growth at the end of 2020. As a European bank with Chinese DNA, the Bank will continue to consolidate its competitive advantages, meanwhile reinforced with the signing of comprehensive investment agreement between China and the EU, with a view to increasing its activity on a sustainable basis and thus, together with the appropriate cost management, achieve its strategic goal of breakeven in the next four years.

It should also be noted that in july 2020, a capital increase by the shareholder was determined, in a total amount of 19 million euros and, in august 2020, the sale of the stake held in Turirent was concluded, whose value on 31 December 2019 amounted to 8.0 million euros.

### 5.1.2 Main Financial Statements Figures

As at 31 December 2020, the Bank has a balance sheet total of 110,4 million euros, representing an increase of around 22,5 million euros compared to 31 December 2019, which essentially refers to the following:

- Increase of 11,3 million euros in cash, cash balances with central banks and other demand deposits, as a result of the increase in deposits from investment funds, securities and real estate, and deposits from individuals in the amount of 9,9 millions of euros;
- Reduction of 8,1 million euros in Financial Assets at fair value through profit or loss, of which the sale of Turirent stands out, whose balance sheet value, at 31 December 2019, amounted to 8,0 million euros;
- Increase of 20,1 million euros in the Other Assets item, essentially due to the amounts receivable referring to the processes of capital increase and sale of Turirent, in the amounts of 13,3 million euros, and 6,3 million euros. euros, respectively.

At the level of the income statement, the Bank has a total Banking Product of 2,3 million euros, keeping in line with the Bank's operational activity compared to 2019 when the Banking Product was 2,4 million euros, essentially justified by: (i) a 152 thousand euro increase in net interest income, (ii) a 1,0 million euro decrease in service and commission revenues, reflecting the current pandemic context; (iii) an increase of 1,1 million euros in gains from financial assets accounted for at fair value through profit or loss, mainly resulting from the sale of Turirent, by 0,5 million euros; (iv) reduction of 0,4 million euros in foreign exchange differences (losses).

Finally, the personnel costs item amounted to 5,6 million euros, representing a reduction of 7% compared to 2019, which is essentially due to the restraint associated with the process of new hires during the year of 2020. The item of other administrative expenses amounted to 2,8 million euros, representing a reduction of 13% compared to 2019, reflecting the effective cost management carried out during the year 2020, in order to balance the impact derived from the context of the current pandemic.

Off-balance sheet items depend mainly on 2 services:

- Fund Depositary Bank Services, whose Funds amount to 515.1 million Euros on December 31, 2020 (2019: 553.2 million Euros),
- Securities Custody Services, in the amount of 615.9 million euros as of December 31, 2020 (2019: 614.5 million euros), on behalf of the Bank's customers.

Deferred taxes did not, once again, have an impact on Net Income / Loss, since the indispensable approval of the transmission of tax losses by the competent tax authorities, following the acquisition by Bison Financial, is still pending on the present date.

### 5.1.3. Main Liquidity and Solvency Indicators

In 2020, the Bank maintained a solid level of capitalization, with a Tier 1 Common Equity ratio of 80.6% at year end. This ratio resulted from the combination of a high Tier 1 Capital of 47,9 million euros, corresponding to 43.4% of total assets, with a conservative risk-taking profile - average risk weighted asset ratio (RWA) of 53.8%. In addition, on 31 de December 2020 the liquidity ratios remained robust at - LCR of 236.6% and NSFR of 134%, well above regulatory minimums.



## 5.2 Analysis of the Consolidated Accounts

### 5.2.1 Consolidation Perimeter

As of December 31, 2019, only Turirent - Closed Real Estate Investment Fund (Turirent) remained under the Consolidation perimeter of Bison Bank S.A.

On August 26, 2020, the Bank sold its stake in the Turirent fund, registered with the CMVM under number 965.

Turirent was the only asset that could be included in the Bank's consolidation perimeter for the purposes of financial and prudential reporting on a consolidated basis, so, with the completion of the Fund's sale process, the reporting process for prudential and financial purposes was, from August 2020 (inclusive), submitted on an individual basis.

Considering compliance with international financial reporting standards (IFRS), at the level of consolidated financial statements (IFRS10), the Bank presents consolidated financial statements at 31 December 2020, considering the inclusion of Turirent's results up to the date of sale, where the loss of control over the Fund occurred.

### 5.2.2 Main Highlights

As of December 31, 2020, Bison Bank's consolidated balance sheet is almost entirely the same as the individual balance sheet, with no relevant additional comments to be added to the comments presented above relating to the balance sheet on an individual basis, the same applying to the income statement.

# 06

# Outlook

The pandemic outbreak caused by the new coronavirus, and its persistence throughout the year 2020, influenced the ability to implement the objectives set out in the Bank's Strategic Plan, in particular the execution of the business plan and the materialization of revenue targets underlying.

For 2021, the expectation is that the economic sentiment will remain adverse, posing complex challenges to the Bank's business development process. The Bank intends to maintain its gradual step-by-step approach and leverage different resources in the EU and Asia to stabilize operations and boost long-term growth. At the same time, the Bank will maintain its strategic objective established in mid-2018 to complete its recovery successfully, reaching breakeven in the coming years.

**Reposition Bison Bank through people, systems, processes and government**

The first strategic pillar has been the main priority since the beginning, in mid-2018, in order to ensure that the foundations, which support the development of the business, are properly established. As such, the Bank has developed, over the past 2.5 years, a robust structure that will continue to make progress in strengthening it. For 2021, the Bank expects to continue to promote a customer-centric business culture and implement the much desired "One Bison" culture. It is also expected that extensive optimization of AML processes and payment systems, account opening, and mobile banking services will be carried out. We also expect to offer a broader offer of products, services, and features through digital channels.

**Take a balanced approach to risk management**

In 2021, the Bank foresees the further consolidation of its risk framework, through the reinforcement of the exercise of self-assessment of risk controls and the implementation of the respective mitigation procedures. Monitoring processes are expected to be further encouraged, allowing for an even more effective risk control environment. The Bank will also focus on strengthening its organizational culture and governance and internal control systems, with its internal control functions taking an increasingly active and relevant position within the institution

### Launch and develop Wealth Management services

The Bank will continue to reinforce its position as a leading financial institution in Portugal and Europe for the different geographies of customers with a desire for differentiating expertise in wealth management services. It is expected that throughout 2021 more differentiating products and services will be launched, while maintaining the digital transformation plan as a means of increasing the customer base and business volume. This business line intends to leverage the clients that seek the Bank under the Golden Visa program for the acquisition of investment units in venture capital funds and investment funds, through the conversion of them into wealth added value service customers. management.

### Enhance Depositary and Custody services

Allying the vast experience accumulated for almost 20 years, together with the constant innovation and care of the funds market as well as custody services for national and international clients , Bison Bank aims to consolidate as a reference and Become the benchmark for Institutional clients and the first bank for international Investors. The professionalism existing today, leverage by the experience of managing simple and complex investment funds, together with a global custody service will be an important support for the achievement of this goal, together with current and future private and institutional clients.

### Start and expand investment banking services

The fourth pillar will see, in 2021, a continuation of the efforts that have been carried out to strengthen the Bank's network of contacts in Europe, Asia and Brazil. The Bank's investment banking business plans to continue to develop its distinctive track record in debt market operations, which have been driven by strong demand for Asian debt issues in Europe. This business line will remain committed to building its operations pipelines through current partnerships and networks at the level of mergers and acquisitions, and in attracting investors to cross-border business opportunities, with a view to increasing the flow of transactions and financial advisory activity. along the China-Europe corridor.

### Play the role of Eurasian partner as a competitive advantage

Following the creation of the "China Desk" in 2020, the fifth strategic pillar foresees for 2021 that this taskforce will continue to support Asian clients and investors, as well as to consolidate its operational model for valuing the experience of these clients with the Bank. The establishment of strategic partnerships with players in the Asian market, such as emigration agencies, Chinese banks, asset management entities and other investment banks, is expected to progress in 2021 in order to become an increasingly revenue-generating channel more importantly, both for wealth management services and for investment banking.

# 07

# Proposed Application of Results

In the course of its business activity in 2020, Bison Bank, SA incurred in a loss of 6,967,420.34 Euros (six million, nine hundred and sixty-seven thousand, four hundred and twenty euros and thirty four cents).

The Board of Directors proposes, according to no. 1(b) and no. 2 of Article 376 of the Portuguese Commercial Companies Law (Decree Law 262/86, of 2 September, "Código das Sociedades Comerciais"), that this loss of 6,967,420.34 Euros be transferred to Retained Earnings.

# 08

# Final Remarks

At the General Meeting held on **May 14th, 2020**, the Management Report and the Bank's Accounts for the financial year 2019 were approved. The proposal of the Board of Directors for the application of the results of the financial year was also approved and the single shareholder approved a vote of praise and confidence in the Board of Directors and the Supervisory Board, in recognition of all its work.

At that meeting was approved, as proposed by the Nomination and Remuneration Committee: i) the revised and updated version of the remuneration policy of the members of the management and supervisory bodies: ii) the revised and updated version of the selection and evaluation policy on the adequacy of the members of the management and supervisory bodies and essential functions.

At that same meeting it was also approved, as proposed by the Supervisory Board, under the terms of number 1 of article 446 of the Portuguese Companies Code, the appointment of PricewaterhouseCoopers & Associados – Sociedade de Revisores Oficiais de Contas, Lda., registered with the Order of Statutory Auditors under number 183 and registered with the CMVM under number 20161485, as the Company's Statutory Auditor for the term from 2020 to 2021.

On **March 17, 2020**, Bison Capital Financial Holdings (Hong Kong) Limited, as sole shareholder of Bison Bank, S.A., pursuant to article 54 and Article 373 no. 1, both of the Companies Commercial Code, and in accordance with (i) article 399 of the Companies Commercial Code, (ii) article 26 of the Company Articles of Association, (iii) the "Remuneration Policy for the Members of the Board of Directors and the Supervisory Board" of the Company, and (iv) the evaluation conducted by the Nomination and Remuneration Department, resolved to adjust the annual remuneration of the executive member of the Board of Directors, André Filipe Ventura Rendeiro with effects on April 1, 2020.

On **July 27, 2020**, Bison Capital Financial Holdings (Hong Kong) Limited, as sole shareholder of Bison Bank, S.A., pursuant to article 54 and Article 373 no. 1, both of the Companies Commercial Code, resolved to approve, as proposed by the Supervisory Board, the reviewed version of the Policy for the selection and appointment of statutory auditor.

On **July 29, 2020**, pursuant to number 1 of article 373, number 1 of article 375, number 1 of article 377 and paragraph b) of number 6 of article 377, all of the Companies Commercial Code, a General Meeting of the Company was held, which was convened at the request of the Board of Directors, having Bison Capital Financial Holdings (Hong Kong) Limited, as the sole partner of Bison Bank, S.A, decided to increase the share capital of the Company of € 176,198,370.00 (one hundred and seventy-six million, one hundred and ninety-eight thousand, three hundred and seventy Euros) to €195,198,370,00 (one hundred and ninety-five million, one hundred and ninety-eight thousand, three hundred and seventy Euros), through new entries in cash in the amount of €19,000,000.00 (nineteen million euros), by the Single Shareholder, with the issuance of 3,800,000 (three million and eight hundred thousand) new shares, with the nominal value of € 5.00 (five Euros) each.

Further decided that the capital increase should be carried out in two moments:

- With immediate effects, the amount of €5,700,000.00 (five million and seven hundred thousand euros);
- Until end of September 2020, the remaining amount of € 13,300,000.00 (thirteen million and three hundred thousand euros), which represents 70% of the nominal value of the capital increase and, consequently, is in accordance with the provisions of article 277 of the Companies Commercial Code.

As a result of the capital increase resolution, it was also decided to amend, accordingly, articles 4 n.1 and 5 n.1 of the Company Articles of Association.

On **September 28, 2020**, Bison Capital Financial Holdings (Hong Kong) Limited, as sole shareholder of Bison Bank, S.A., pursuant to article 54 and Article 373 no. 1, both of the Companies Commercial Code, and further to the Company general meeting held on July 29, 2020, in which it was resolved to proceed with the Company share capital increase, decided to adjust the single point of the resolution, in the sense that the capital increase was carried out in two moments:

- With immediate effects, the amount of €5,700,000.00 (five million and seven hundred thousand euros);
- Until the end of December 2020, the remaining amount of € 13,300,000.00 (thirteen million and three hundred thousand euros), which represents 70% of the nominal value of the capital increase and, consequently, is in accordance with the provisions of article 277 of the Companies Commercial Code.

As a result of the capital increase resolution, it was also decided to amend, accordingly, articles 4 nr. 1 and 5 nr.1, of the Company Articles of Association.

At a meeting of the board of directors held on **October 30, 2020**, this body agreed with the new delegation of powers proposal submitted by the executive committee and requested that the same is integrated in the board of directors' regulation.

On **January 29, 2021**, Bison Capital Financial Holdings (Hong Kong) Limited, as sole shareholder of Bison Bank, S.A., pursuant to article 54 and Article 373 no. 1, both of the Companies Commercial Code, resolved decided to amend article 4, paragraph 1 of the Company's Articles of Association - following the Company general meetings held on July 29, and September 28, 2020, in which it was resolved to proceed with the Company share capital increase from € 176,198,370.00 (one hundred and seventy-six million, one hundred and ninety-eight thousand, three hundred and seventy Euros) to €195,198,370,00 (one hundred and ninety-five million, one hundred and ninety-eight thousand, three hundred and seventy Euros), and as the two entries in cash in the amount of €5,700,000.00 (five million and seven hundred thousand euros) and of € 13,300,000.00 (thirteen million and three hundred thousand euros) were realized in September 28, 2020 and January 29, 2021, respectively.

The article 4 nr 1 of the Company Articles of Association, became with the following wording:

Article 4, nr. 1

*The share capital, fully subscribed and paid-up is of €195,198,370,00 (one hundred and ninety-five million, one hundred and ninety-eight thousand, three hundred and seventy Euros).*

On **March 8, 2021**, Bison Capital Financial Holdings (Hong Kong) Limited, as sole shareholder of Bison Bank, S.A., pursuant to article 54 and Article 373 no. 1, both of the Companies Commercial Code, resolved to approve, as proposed by the Supervisory Board, the new reviewed version of the Policy for the selection and appointment of statutory auditor.

At a meeting of the Board of Directors held on **March 31, 2021**, it was considered it would be convenient for the proper functioning of the executive committee and the Company to appoint a Deputy Chief Executive Officer, who will support the Chief Executive Officer (CEO) in conducting the executive committee, and, in the CEO´s absence or impediments, will replace him. In this context, and considering the Nomination and Remuneration Committee opinion, the board resolved to appoint António Manuel Gouveia Ribeiro Henriques as Deputy Chief Executive Officer for the remaining period of the mandate.

Each of the undersigned members of the Board of Directors, identified below, declares, on the basis of their own personal accountability, that, to the best of their knowledge, the management report, the annual accounts, the legal certification of accounts and other financial statements, as required by law or regulation, have been drawn up in accordance with the applicable accounting rules, and provide a true and fair view of the assets and liabilities, the financial position and the results of Bison Bank, and that the management report realistically describes the evolution of the business activities, the performance and the position of Bison Bank and also contains a description of the main risks and uncertainties the Company faces.

In concluding its report on the activity carried out during the financial year 2020, the Board of Directors expressed to the members of the Supervisory Board, the Statutory Auditor, all employees, and supervisory authorities their thanks for the support and collaboration shown.

**LIJUN YANG**
(Chairman of the Board of Directors)

**EVERT DERKS DROK**
(Vice-President of the Board of Directors)

**BIAN FANG**
(Chief Executive Officer)

**ANTÓNIO MANUEL GOUVEIA RIBEIRO HENRIQUES**
(Director and Deputy Chief Executive Officer)

**FRANCISCO ALEXANDRE VALENTE DE OLIVEIRA**
(Director)

**ANDRÉ FILIPE VENTURA RENDEIRO**
(Director)

**Lisbon, April 30, 2021**

**The Board of Directors**

# 09

# Consolidated and Individual Financial Statements

## BISON BANK, S.A.
Consolidated and Individual Balance Sheet as at 31 December 2020 and 2019

(Amounts expressed in thousands Euros)

| | | CONSOLIDATED | | | | INDIVIDUAL | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | 31/12/2020 | | | 31/12/2019 | 31/12/2020 | | | 31/12/2019 |
| | Notes | Gross Amount | Provisions, Impairment and depreciations | Net Amount | Net Amount | Gross Amount | Provisions, Impairment and depreciations | Net Amount | Net Amount |
| Cash, cash balances at central banks and other demand deposits | 5 | 38 563 | - | 38 563 | 27 246 | 38 563 | - | 38 563 | 27 222 |
| Financial assets held for trading | 6 | 159 | - | 159 | 161 | 159 | - | 159 | 161 |
| Non-trading financial assets mandatorily at fair value through profit or loss | 7 | 14 093 | - | 14 093 | 14 118 | 14 093 | - | 14 093 | 22 156 |
| Financial assets at fair value through other comprehensive income | 8 | 32 297 | (36) | 32 261 | 32 719 | 32 297 | (36) | 32 261 | 32 719 |
| Financial assets at amortised cost | 9 | 1 227 | (1 063) | 164 | 244 | 1 227 | (1 063) | 164 | 244 |
| Investment property | 10 | - | - | - | 8 290 | - | - | - | - |
| Property, Plant and Equipment | 11 | 3 034 | (1 523) | 1 511 | 1 953 | 3 034 | (1 523) | 1 511 | 1 953 |
| Intangible assets | 12 | 9 278 | (8 558) | 720 | 614 | 9 278 | (8 558) | 720 | 614 |
| Current tax assets | 13 | 153 | - | 153 | 153 | 153 | - | 153 | 153 |
| Deferred tax assets | 14 | 163 | - | 163 | 183 | 163 | - | 163 | 183 |
| Other assets | 15 | 23 040 | (456) | 22 584 | 2 490 | 23 040 | (456) | 22 584 | 2 498 |
| **Total Assets** | | **122 007** | **(11 636)** | **110 371** | **88 170** | **122 180** | **(11 636)** | **110 371** | **87 902** |
| Deposits and Liabilities from other credit institutions | 16 | | | 323 | 5 947 | | | 323 | 5 947 |
| Deposits from other clients | 16 | | | 39 999 | 24 423 | | | 39 999 | 24 432 |
| Provisions | 17 | | | 2 093 | 2 105 | | | 2 093 | 2 168 |
| Current tax liabilities | 13 | | | 11 | 76 | | | 11 | 76 |
| Deferred tax liabilities | 14 | | | 117 | 82 | | | 117 | 82 |
| Other liabilities | 18 | | | 6 053 | 5 916 | | | 6 053 | 5 575 |
| **Total Liabilities** | | | | **48 596** | **38 548** | | | **48 596** | **38 280** |
| Share Capital | 19 | | | 195 198 | 176 198 | | | 195 198 | 176 198 |
| Revaluation Reserves | 19 | | | 342 | 222 | | | 342 | 222 |
| Other reserves | 19 | | | (126 798) | (119 789) | | | (126 798) | (119 789) |
| Profit (Loss) for the year | 19 | | | (6 967) | (7 009) | | | (6 967) | (7 009) |
| **Total Equity** | | | | **61 775** | **49 622** | | | **61 775** | **49 622** |
| **Total Equity and Total Liabilities** | | | | **110 371** | **88 170** | | | **110 371** | **87 902** |

The Certified Accountant

The Board of Directors



## BISON BANK, S.A.
Consolidated and Individual Income Statement as at 31 December 2020 and 2019

(Amounts expressed in thousands Euros)

| | | CONSOLIDATED | | INDIVIDUAL | |
|---|---|---|---|---|---|
| | Notes | 31/12/2020 | 31/12/2019 | 31/12/2020 | 31/12/2019 |
| Interest Income | 20 | 507 | 407 | 507 | 407 |
| Interest Expenses | 20 | (100) | (152) | (100) | (152) |
| **Net Interest Income** | | **407** | **255** | **407** | **255** |
| Dividend income | 21 | - | 2 | - | 2 |
| Fee and commission income | 22 | 1 334 | 2 331 | 1 338 | 2 340 |
| (Fee and commission expense) | 22 | (448) | (319) | (268) | (276) |
| Gains or losses on financial assets and liabilities designated at fair value through profit loss, net | 23 | 694 | (657) | 466 | (1 015) |
| Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net | 23 | 421 | 775 | 421 | 775 |
| Exchange differences, net | 23 | (260) | 179 | (260) | 179 |
| Other operating income, net | 24 | 257 | (149) | 199 | 91 |
| **Total Operating Income, Net** | | **2 405** | **2 417** | **2 303** | **2 351** |
| Staff expenses | 25 | (5 578) | (6 005) | (5 578) | (6 005) |
| Other administrative expenses | 26 | (2 812) | (3 264) | (2 773) | (3 199) |
| Depreciation | 11,12 | (792) | (744) | (792) | (744) |
| Provisions or reversal of provision | 17 | 12 | 588 | 75 | 589 |
| Impairment or reversal of impairment on financial assets | 17 | 26 | 77 | 26 | 77 |
| Impairment or reversal of impairment on non-financial assets | 17 | (217) | 1 | (217) | 1 |
| **Profit or Loss before Tax from Continuing Operations** | | **(6 956)** | **(6 930)** | **(6 956)** | **(6 930)** |
| Taxes | | | | | |
| Current Taxes | 13 | (11) | (79) | (11) | (79) |
| Deferred Taxes | 14 | - | - | - | - |
| **Profit (loss) for the year** | | **(6 967)** | **(7 009)** | **(6 967)** | **(7 009)** |
| Average weighted number of ordinary issued shares | 28 | 36 848 964 | 35 239 674 | 36 848 964 | 35 239 674 |
| **Earnings per share (Euro share)** | | **(0,19)** | **(0,20)** | **(0,19)** | **(0,20)** |

The Certified Accountant

The Board of Directors

## BISON BANK, S.A.
### Consolidated and Individual Comprehensive Income Statement as at 31 December 2020 and 2019

(Amounts expressed in thousands Euros)

| | | CONSOLIDATED | | INDIVIDUAL | |
|---|---|---|---|---|---|
| | Notes | 2020 | 2019 | 2020 | 2019 |
| **Net Profit / (Loss) for the period** | 19 | (6 967) | (7 009) | (6 967) | (7 009) |
| Items that will not be reclassified to profit or loss | | | | | |
| Gains / (losses) at fair value on financial assets through other comprehensive income | 19 | - | (241) | - | (241) |
| Deferred income taxes | 19 | - | 17 | - | 17 |
| Items that may be reclassified to profit or loss | | | | | |
| Gains / (losses) at fair value on financial assets through other comprehensive income | 19 | 156 | 268 | 156 | 268 |
| Deferred income taxes | 19 | (35) | 49 | (35) | 49 |
| **Total Comprehensive Income, net of tax** | 19 | (6 846) | (6 916) | (6 846) | (6 916) |

The Certified Accountant

The Board of Directors

## BISON BANK, S.A.
### Consolidated Statement of Changes in Equity as at 31 December 2020 and 2019

(Amounts expressed in thousands Euros)

| | Notes | Share Capital | Revaluation reserves (net of deferred taxes) | Other reserves and retained earnings | Net Profit / (Loss) for the period | Toal Equity |
|---|---|---|---|---|---|---|
| **Balances as at 31-12-2018** | 19 | 176 198 | 450 | (109 047) | (11 028) | 56 573 |
| Application of net profit / (loss) from the previous period | | | | | | |
| Transfer to other reserves and retained earnings | 19 | - | - | (11 028) | 11 028 | - |
| Share capital increase | 19 | - | - | - | - | - |
| Alienation of financial assets at fair value through other comprehensive income | 19 | - | (321) | 321 | - | - |
| Other operations | 19 | - | - | (34) | - | (34) |
| Comprehensive income | 19 | - | 93 | - | (7 009) | (6 916) |
| **Balances as at 31-12-2019** | | 176 198 | 222 | (119 789) | (7 009) | 49 622 |
| Application of net profit / (loss) from the previous period | | | | | | |
| Transfer to other reserves and retained earnings | 19 | - | - | (7 009) | 7 009 | - |
| Share capital increase | 19 | 19 000 | - | - | - | 19 000 |
| Alienation of financial assets at fair value through other comprehensive income | 19 | - | - | - | - | - |
| Comprehensive income | 19 | - | 121 | - | (6 967) | (6 846) |
| **Balances as at 31-12-2020** | | 195 198 | 343 | (126 798) | (6 967) | 61 775 |

The Certified Accountant

The Board of Directors



## BISON BANK, S.A.
### Individual Statement of Changes in Equity as at 31 December 2020 and 2019

(Amounts expressed in thousands Euros)

| | Notes | Share Capital | Revaluation reserves (net of deferred taxes) | Other reserves and retained earnings | Net Profit / (Loss) for the period | Toal Equity |
|---|---|---|---|---|---|---|
| **Balances as at 31-12-2018** | 19 | 176 198 | 449 | (110 692) | (9 418) | 56 538 |
| Application of net profit / (loss) from the previous period | | | | | | |
| Transfer to other reserves and retained earnings | 19 | - | - | (9 418) | 9 418 | - |
| Share capital increase | 19 | - | - | - | - | - |
| Other operations - Ascendi | 19 | - | (321) | 321 | - | - |
| Comprehensive income | 19 | - | 93 | - | (7 009) | (6 916) |
| **Balances as at 31-12-2019** | | 176 198 | 222 | (119 789) | (7 009) | 49 622 |
| Application of net profit / (loss) from the previous period | | | | | | |
| Transfer to other reserves and retained earnings | 19 | - | - | (7 009) | 7 009 | - |
| Share capital increase | 19 | 19 000 | - | - | - | 19 000 |
| Comprehensive income | 19 | - | 121 | - | (6 967) | (6 846) |
| **Balances as at 31-12-2020** | | 195 198 | 342 | (126 798) | (6 967) | 61 775 |

The Certified Accountant

The Board of Directors

## BISON BANK, S.A.

Consolidated and Individual Statements of Cash Flows as at 31 December 2020 and 2019

(Amounts expressed in thousands Euros)

| | CONSOLIDATED | | INDIVIDUAL | |
|---|---|---|---|---|
| | 31-12-2020 | 31-12-2019 | 31-12-2020 | 31-12-2019 |
| **OPERATING ACTIVITY** | | | | |
| **Operating Income:** | | | | |
| Next profit / (loss) the period | (6 967) | (7 009) | (6 967) | (7 009) |
| Credit Impairment | (38) | (54) | (38) | (54) |
| Impairment losses | 228 | (23) | 228 | (23) |
| Provisions for the period | (12) | (588) | (75) | (588) |
| Depreciations for the period | 800 | 744 | 800 | 744 |
| Tax appropriation for the period | 11 | 79 | 11 | 79 |
| Recognised dividends | - | (2) | - | (2) |
| Interests | (87) | 58 | (87) | 58 |
| | (6 065) | (6 794) | (6 128) | (6 796) |
| **Changes to Operating Assets and Liabilities:** | | | | |
| Increase/(Decrease) in Financial Assets held for trading | 3 | 1 | 3 | 1 |
| Increase/(Decrease) in Financial Assets at fair value through profit and loss | 25 | 837 | 8 063 | 1 290 |
| Financial assets at fair value through other comprehensive income | 636 | 5 982 | 636 | 5 982 |
| Increase/(Decrease) in Financial assets at amortised cost | 118 | 73 | 118 | 73 |
| Increase/(Decrease) in Investment Properties | 8 290 | (16) | - | (16) |
| Increase/(Decrease) in Other Assets | (6 378) | 204 | (5 920) | 99 |
| Increase/(Decrease) in Deposits | 9 929 | (6 671) | 9 929 | (7 030) |
| Increase/(Decrease) in Other Liabilities | (478) | - | (478) | 416 |
| Income taxes and others | - | 6 | (119) | (152) |
| | 12 145 | 417 | 12 232 | 665 |
| **Operating Cash Flows** | 6 080 | (6 378) | 6 104 | (6 131) |
| **INVESTING ACTIVITY** | | | | |
| Acquisition / Disposal of Tangible Assets | (134) | (686) | (134) | (686) |
| Acquisition / Disposal of Intangible Assets | (329) | (502) | (329) | (502) |
| Acquisition / Disposal of Investment Properties | - | (596) | - | - |
| Dividends received | - | 2 | - | 2 |
| Others | - | (59) | - | (25) |
| **Cash flows from investing activity** | (463) | (1 841) | (463) | (1 210) |

(Amounts expressed in thousands Euros)

| | CONSOLIDATED | | INDIVIDUAL | |
|---|---|---|---|---|
| | 31-12-2020 | 31-12-2019 | 31-12-2020 | 31-12-2019 |
| **FINANCIAL ACTIVITY** | | | | |
| Share Capital Increase | 5 700 | - | 5 700 | - |
| **Cash flows from investing activity** | 5 700 | - | 5 700 | - |
| **TOTAL** | 11 317 | (8 220) | 11 341 | (7 342) |
| **CHANGES IN CASH AND CASH EQUIVALENTS** | | | | |
| Cash and Cash equivalents at the beginning of the period | 27 246 | 35 465 | 27 222 | 34 563 |
| Cash and Cash equivalents at the end of the period | 38 563 | 27 246 | 38 563 | 27 222 |
| | 11 317 | (8 220) | 11 341 | (7 342) |
| **Balance sheet value of Cash and Cash Equivalents items as at 31 December** | | | | |
| Cash | 0 | 0 | - | 0 |
| On-demand deposits at Central Banks | 965 | 1 484 | 965 | 1 484 |
| On-demand deposits at Other Credit Institutions | 37 597 | 25 761 | 37 597 | 25 738 |
| | 38 563 | 27 246 | 38 563 | 27 222 |

The Certified Accountant

The Board of Directors

# 1. General Information

Bison Bank, SA ("Bank" or "Bison Bank"), previously designated, until November 23, 2018, by Banif - Banco de Investimento, S.A. ("BBI"), resulted from the division, made on December 15, 2000, of Ascor Dealer – Sociedade Financeira de Corretagem, S.A., which also resulted in the constitution of a new brokerage company called Banif Ascor Corretora, S.A.

On 9 July 2018, Bison Capital Financial Holdings (Hong Kong) Limited ("Bison Financial") acquired the entire capital of the Bank, in the amount of 135,198 thousand Euros, from the previous shareholder, Oitante, S.A. ("Oitante"), a vehicle constituted under the resolution measure deliberated by Banco de Portugal to Banif – Banco Internacional do Funchal, S.A..

Bison Financial is a Hong Kong-based financial holding company fully owned by Bison Capital Holding Company Limited.

On July 20, 2018, Bison Financial completed a capital increase of 41,000 thousand Euros to 176,198 thousand Euros.

On July 29, 2020, an additional capital increase of 19,000 thousand Euros was formalized, being the Bank's share capital as of December 31, 2020 of 195,198 thousand Euros. Bison Financial detainsall of the Bank's shares.

The Bank's head office is at Rua Barata Salgueiro, R/C, in Lisbon, Portugal.

In January 2021, Bison Bank's Board of Directors approved a review of its business plan, for the period of 2021 to 2024.

The Board of Directors considers that the Bank has a solid basis for carrying out a sustained growth plan over the next four years, with the aim of making the Bank profitable.

As of December 31, 2019, the only entity over which Bison Bank exercised control was Turirent Fund – Closed Real Estate Investment Fund ("Turirent" or "Fund"), which was measured at fair value and classified under the caption "Non-negotiable financial assets mandatorily accounted for at fair value through results" (Note 7).

On 26 August 2020, the Bank sold its full stake in the Turirent fund, registered with CMVM under nº 965.

Turirent was the only asset that could integrate the Bank's consolidation perimeter for the purposes of financial and prudential reporting on a consolidated basis, so, with the finalization of the sale process of the Fund, reporting for prudential and financial purposes to the Regulators was, from August 2020 (inclusive), submitted on an individual basis.

Considering compliance with international financial reporting standards (IFRS), at the level of consolidated financial statements (IFRS10), the Bank presents consolidated financial statements on December 31, 2020, considering the inclusion of Turirent's results until the date of the sale, in which the loss of control over the Fund occurred.

On 30 April, 2021, the Bank's Board of Directors reviewed and approved the Financial Statements and the Annex to the Financial Statements of December 31, 2020, and globally approved the Management Report which, together with the Financial Statements, will be submitted Annual Shareholders' Meeting for approval.

# 2. Summary of the Main Accounting Policies

## 2.1 Account presentation basis

The Bank's consolidated and individual financial statements have been prepared in accordance with international financial reporting standards (IFRS), as adopted in the European Union, and in force on 1 January 2019, as established by Regulation (EC) No. 1606/02 of the European Parliament and the Council of 19 July 2002, transposed into national law by Decree-Law No. 35/2005 of 17 February and Notice No. 1/2005 of 21 February of Bank of Portugal ("BoP"), revoked by Notice No. 5/2015, from 30 December 2015 of BoP.

The Bank has been preparing the consolidated and individual financial statements in accordance with IFRS since January 1, 2016, as determined by Banco de Portugal, through the provisions of Notice No. 5/2015 which established that, as of January 1, 2016, all institutions under its supervision should prepare the financial statements on a consolidated basis and on an individual basis in accordance with the International Financial Reporting Standards ("IAS/IFRS"), adopted by the European Union, in place of the Adjusted Accounting Standards established by Banco de Portugal.

The financial statements are expressed in thousands of Euros, rounded to the nearest thousand. These financial statements were prepared in accordance with the historical cost principle, except for financial assets and liabilities recorded at fair value, including assets and liabilities held for trading (including derivatives), assets and liabilities at fair value through profit or other comprehensive income.

The main accounting policies used by the Bank are presented below.

## 2.2 Comparability

Accounting policies are consistent with those used in the preparation of the consolidated and individual financial statements for the previous year.

## 2.3 Consolidation principles

The consolidated financial statements include the accounts of Bison Bank and the Entities controlled by the Bank ("subsidiaries"), including investment funds in which the Bank, through a significant judgment, determines that these entities are controlled and consequently included in the consolidated financial statements.

Subsidiaries are all entities over which the Bank has control.

The Bank controls an entity when it is exposed to, or has rights over, the variable returns generated as a result of its involvement with the entity and has the ability to affect these variable returns through the power it exercises over the relevant activities of the entity.

The subsidiaries are consolidated from the date on which the control is acquired by the Bank, being excluded from consolidation from the moment the control ceases.

Where applicable, the accounts of the subsidiaries are adjusted to reflect the use of the Bank's accounting policies.

Balances and transactions between the Bank´s entities, resulting from intra-Bank transactions, are eliminated in the consolidation process. Unrealized losses are also eliminated unless they constitute an impairment loss on the transferred asset.

## 2.4 New standards and interpretations applicable in 2020

Summary of the new standards, changes, improvements published by the IASB and interpretations published by IFRIC, according to the period in which they become effective, the nature of the changes and the potential impacts for the Bank.

### 1. Impact of the adoption of changes to the standards that became effective on 1 January 2020:

| Norms and interpretations | Title |
|---|---|
| IFRS 3 (change), 'Business definition' | Business definition |
| IFRS 9, IAS 39 and IFRS 7 (amendment) | Reform of reference interest rates |
| IAS 1 and IAS 8 (change) | Material definition |
| Conceptual structure | Changes in reference to other IFRS |

- **IFRS 3 (change), 'Business definition'.** This amendment constitutes a revision to the business definition for the purpose of accounting for concentrations of business activities. The new definition requires that an acquisition include a substantial input and process that jointly generates outputs. Outputs are now defined as goods and services that are provided to clients, which generate income from financial investments and other income, excluding returns in the form of cost reductions and other economic benefits for shareholders. 'Concentration tests' are allowed to determine whether a transaction refers to the acquisition of an asset or a business.
- **IFRS 9, IAS 39 and IFRS 7 (amendment), 'Reform of reference interest rates' (in force for annual periods starting on or after 1 January 2020).** These amendments were approved by the European Union on 15 January 2020 as part of the first phase of the IBOR reform project of the IASB, and allow exemptions related to the reform of the benchmark for benchmark interest rates. Exemptions refer to hedging accounting in terms of: i) risk components; (ii) 'highly probable' requirement; iii) foresight assessment; iv) retrospective efficacy test (for IAS 39 adores); and (v) recycling of the cash flow coverage reserve, and aim that the reform of the reference interest rates does not determine the cessation of the coverage accounting. However, any ineffectiveness of accurate coverage should continue to be recognized in the income statement.
- **IAS 1 and IAS 8 (change), 'Material definition'.** This amendment introduces a modification to the concept of "material" and clarifies that the mention of unclear information refers to situations whose effect is similar to omitting or distorting such information, and the entity should assess materiality taking into account the financial statements as a whole. Clarifications are also made as to the meaning of 'key users of the financial statements', which are defined as 'current and future investors, lenders and creditors' who rely on the financial statements to obtain a significant share of the information they need.
- **Conceptual structure, 'Changes in reference to other IFRS'.** As a result of the publication of the new Conceptual Framework, the IASB introduced changes to the text of various standards and interpretations, such as: IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, SIC 32, in order to clarify the application of the new definitions of asset / liability and expenditure / income, in addition to some of the characteristics of financial information. These changes are retrospectively used, unless impractical.

From the adoption of these changes, improvements and interpretations did not result in any impacts on the Bank, at a consolidated or individual level or at the level of disclosures.

### 2. Published standards (new and amended), the application of which is mandatory for annual periods beginning on or after 1 January 2021, already endorsed by the European Union:

- **IFRS 16 (amendment), "Leases - Income subsidies related to COVID-19"** (effective for annual periods beginning on or after 1 June 2020). This amendment introduces a practical expedient for tenants (but not for lessors), which exempts them from assessing whether the bonuses awarded by lessors within the scope of COVID-19, qualify as "modifications" when three criteria are cumulatively met: i) the change in lease payments results in a revised lease fee that is substantially equal to, or less than, the fee immediately prior to the change; ii) any reduction in lease payments only affects payments due on or until June 30, 2021; and iii) there are no significant changes to other lease terms and conditions. Renters who choose to apply this exemption, account for the change in rental payments, as rental variable rentals in the period (s) in which the event or condition that triggers the payment reduction occurs. This change is applied retrospectively with the impacts reflected as an adjustment to retained earnings (or other equity component, as appropriate) at the beginning of the annual reporting period in which the lessee applies the change for the first time.
- **IFRS 4 (amendment), 'Insurance contracts - deferral of application of IFRS 9'** (effective for annual periods beginning on or after 1 January 2021). This change refers to the temporary accounting consequences that result from the difference between the date of entry into force of IFRS 9 - Financial Instruments and the future IFRS 17 - Insurance Contracts. In particular, the amendment made to IFRS 4 postpones until 2023 the expiry date of the temporary exemption from the application of IFRS 9 in order to align the effective date of the latter with that of the new IFRS 17.

### 3. Published (new and amendments) standards, the application of which is mandatory for periods starting on or after 1 January 2021, which the European Union has not endorsed on 31 December 2020:

| Description | Changes | Effective date |
|---|---|---|
| IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (amendments) | Reform of reference interest rates - phase 2 | 1 January 2021 |
| Changes to IAS | Presentation of financial statements - Classification of liabilities | 1 January 2022 |
| Changes to IFRS 3 | References to the conceptual structure | 1 January 2022 |
| Changes to IAS 16 | Income obtained prior to entry into operation | 1 January 2022 |
| Changes to IAS 37 | Onerous contracts - costs of complying with a contract | 1 January 2022 |
| Improvements to the norms 2018-2020 | Specific changes to IFRS1, IFRS 9, IFRS 16 and IAS 41 | 1 January 2022 |
| IFRS 17 | Insurance contracts | 1 January 2023 |
| Changes to IFRS 7 | Insurance contracts | 1 January 2023 |
| IFRS 17 (new) | Insurance contracts | 1 January 2023 |
| IFRS 17 (amendment) | Insurance contracts | 1 January 2023 |

- **IAS 1 (amendment), 'Presentation of financial statements** - classification of liabilities' (to be applied in the years starting on or after 1 June 2022). This amendment is still subject to the endorsement process by the European Union. This amendment seeks to clarify the classification of liabilities as current or non-current balances according to the rights that an entity has to defer its payment at the end of each reporting period. The classification of liabilities is not affected by the entity's expectations (the assessment shall determine whether a right exists but should not consider whether or not the entity will exercise such right), or by events occurring after the reporting date, such as non-compliance with a covenant. This amendment also includes a new definition of "settlement" of a liability. This change is retrospective.

- **IFRS 3 (amendment) 'References to the Conceptual Structure'** (to be applied in the exercises starting on or after 1 June 2022). This amendment is still subject to the endorsement process by the European Union. This amendment updates the references to the Conceptual Structure in the IFRS 3 text and no changes have been made to the accounting requirements for business concentrations. This amendment also clarifies the accounting treatment to be adopted for contingent liabilities and liabilities under IAS 37 and IFRIC 21, incurred separately versus included in a concentration of business activities. This change is of prospective application.

- **IAS 16 (change) 'Income obtained prior to start-up' (to be applied in the years starting on or after 1 June 2022).** This amendment is still subject to the endorsement process by the European Union. Change in the accounting treatment given to the return obtained from the sale of products resulting from the production in the testing phase of tangible fixed assets, prohibiting their deduction at the cost of acquiring the assets. This change is retrospective, without re-expression of comparisons.

- **IAS 37 (amendment) 'Onerous contracts –** costs of complying with a contract' (to be applied in the years starting on or after 1 June 2022). This amendment is still subject to the endorsement process by the European Union. This amendment specifies that in the assessment of whether or not a contract is onerous, only expenses directly related to the performance of the contract can be considered, such as incremental costs related to direct labor and materials and the allocation of other directly related expenses such as the allocation of depreciation expenses of tangible assets used to perform the contract. This amendment should apply to contracts which, at the beginning of the first annual reporting period to which the amendment is applied, still include unmet contractual obligations, without re-expression of the comparison.

- **Improvements to the standards 2018 - 2020** (to be applied in the years starting on or after 1 January 2022). These amendments are still subject to the european union's endorsement process. This cycle of improvements changes the following regulations: IFRS 1, IFRS 9, IFRS 16, and IAS 41.

- **IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (amendments) 'Reform of reference interest rates - phase 2'** (effective for annual periods beginning on or after 1 January 2021). This change is still subject to endorsement by the European Union. These changes address issues that arise during the reform of a reference interest rate, including the replacement of a reference interest rate with another alternative, allowing for the adoption of exemptions such as: i) changes in the coverage designation and documentation; ii) amounts accumulated in the cash flow hedge reserve; iii) retrospective assessment of the effectiveness of a hedging relationship under IAS 39; iv) changes in coverage ratios for groups of items; v) presumption that an alternative reference rate, designated as a risk component not specified by contract, is separately identifiable and qualifies as a hedged risk; and vi) updating the effective interest rate, without recognizing gain or loss, for financial instruments measured at amortized cost with changes in contractual cash flows as a result of the IBOR reform, including leases that are indexed to an IBOR.

- **IFRS 17 (new), 'Insurance contracts'** (effective for annual periods beginning on or after 1 January 2023). This standard is still subject to endorsement by the European Union. This new standard replaces IFRS 4 and is applicable to all entities that issue insurance contracts, reinsurance contracts and investment contracts with discretionary participation characteristics. IFRS 17 is based on the current measurement of technical liabilities, which are reassessed at each reporting date. The current measurement can be carried out by applying the complete model ("building block approach") or simplified ("premium allocation approach"). The complete model is based on discounted cash flow scenarios weighted by the probability of occurrence and adjusted for risk, and a contractual service margin, which represents the estimated future profit of the contract. Subsequent changes in estimated cash flows are adjusted against the contractual service margin, unless it becomes negative. IFRS 17 is retrospectively applied with some exemptions as of the transition date.

- **IFRS 17 (amendment), 'Insurance contracts'** (effective for annual periods beginning on or after 1 January 2023). This change is still subject to endorsement by the European Union. This amendment includes specific changes in eight areas of IFRS 17, such as: i) scope; ii) level of aggregation of insurance contracts; iii) recognition; iv) measurement; v) modification and derecognition; vi) presentation of the Statement of Financial Position; vii) recognition and measurement of the Income Statement; and viii) disclosures. This amendment also includes clarifications, which aim to simplify some of the requirements of this standard and streamline its implementation.

The Bank is still analyzing the impacts of future adoptions on these norms.

## 2.5 Use of estimates in the preparation of financial statements

The preparation of the financial statements requires the preparation of estimates and the adoption of assumptions by the Bank Management, which affect the value of assets and liabilities, revenues and costs, as well as of contingent liabilities disclosed. In the preparation of these estimates, management used its judgment, as well as the best information available on the date of preparation of the financial statements. Consequently, the actual future values achieved may differ from the estimates made.

The situations where the use of estimates is most significant are as follows:

### CONTINUITY OF OPERATIONS

The financial statements were prepared on the assumption of the continuity of operations, based on the arguments described in Chapter 06 - Future Perspectives of the Management Report and other notes of this Annex.

### FAIR VALUE OF FINANCIAL INSTRUMENTS NOT QUOTED IN ACTIVE MARKETS

When the fair values of financial instruments cannot be determined by marked to market quotes on active markets, they are determined by using valuation techniques that include (marked to model). Input data in these models are, where possible, observable market data, but where this is not possible a degree of judgment is required to establish fair values, in particular in terms of liquidity, correlation and volatility.

In the specific case of investment fund units held by the Bank, these are classified at level 3 of the fair value hierarchy and valued based on the NAV ("Net Asset Value") disclosed by the respective management companies.

### IMPAIRMENT LOSSES ON FINANCIAL ASSETS AT AMORTIZED COST AND DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The determination of impairment losses for financial instruments involves judgments and estimates regarding the following aspects, among others:

#### Significant increase in credit risk

Impairment losses correspond to expected losses in the event of a default over a 12-month time horizon for stage 1 assets, and expected losses considering the probability of a default event occurring at some point up to the maturity date of the financial instrument for assets in stages 2 and 3. An asset is classified in stage 2 whenever there is a significant increase in the respective credit risk since its initial recognition. When assessing the existence of a significant increase in credit risk, the Bank takes into account qualitative and quantitative, reasonable and sustainable information.

#### Definition of groups of assets with common credit risk characteristics

When expected credit losses are measured on a collective basis, financial instruments are grouped based on common risk characteristics. The Bank monitors the adequacy of credit risk characteristics on a regular basis to assess whether it maintains its similarity. This procedure is necessary to ensure that, in the event of a change in credit risk characteristics, the segmentation of assets is reviewed. This review may result in the creation of new portfolios or the transfer of assets to existing portfolios, which better reflect their credit risk characteristics.

#### Probability of default

The probability of default represents a determining factor in measuring expected credit losses. The probability of default corresponds to an estimate of the probability of default in a given time period, which is calculated based on historical data, assumptions and expectations about future conditions.

In estimating expected credit losses, the Bank uses forward-looking information based on market data from issuers or similar instruments, Credit Default Swaps and market Yields, which include that information.

#### Loss due to default

The rate of loss given default (LGD - Loss Given Default) corresponds to the percentage of debt that will not be recovered in the event of a customer default. The calculation of LGD is performed based on market information, considering the cash flows associated with the transactions from the time of default until its settlement or until the moment when there are no relevant recovery expectations

### CURRENT INCOME TAX

The Bank is subject to the payment of taxes on profits in Portugal. The determination of the total amount of taxes on profits requires certain interpretations and estimates. There are several transactions and calculations for which the determination of the final amount of tax payable is uncertain during the normal business cycle.

Other interpretations and estimates could result in a different level of taxes on current profits, recognized in the period. The Portuguese Tax Authorities are charged with reviewing the calculation of the tax base made by the Bank over a period of four years. Thus, it is possible that there are corrections to the tax base, resulting mainly from differences in the interpretation of tax legislation. However, the Board of Directors believes that there will be no significant corrections to taxes on profits recorded in the financial statements.

### VALUATION OF REAL ESTATE ASSETS

The valuation service is provided by independent external companies registered with the Securities Market Commission ("CMVM") and with qualifications, recognised competence and professional experience, appropriate to the performance of their duties. The reports comply with the requirements established by the CMVM, BoP and Insurance Institute of Portugal, as well as the criteria defined by the European Accounting Standardisation and the guidelines of International Institutions, such as RICS and TEGoVA. All reports are analysed and validated by the internal technical structure.

The evaluation procedures assume the collection of accurate information, either of up-to-date documentation, either in an inspection of the property and surrounding area, with the municipal councils and other bodies, or in the analysis of the market, transactions, supply/demand ratio and development prospects. The treatment of this information, areas and uses and market values, allows the adoption of base values for the calculation, by application of the methods and their comparison.

The comparative market method is always used either directly or as a basis for development cash flows, updated at the time of the evaluation at rates incorporating project risk. The replacement cost method also has direct use in the valuation of properties in continuous use and an indispensable contribution in the development scenarios mentioned.

The value of these assets is dependent on the future evolution of real estate market conditions.

**LOCATIONS**

In determining the lease period, the Board considers all the facts and circumstances that create an economic incentive to exercise an option of extension, or not to exercise a termination option. Extension options (or periods after termination options) are only included within the lease period if it is reasonably certain that the lease is extended (or not terminated).

The adoption of IFRS 16 was not, at this time, accompanied by any adaptation to tax legislation, in particular the IRC Code, in order to set specific rules on the treatment to be given to accounting movements associated with the new accounting regulation, which has generated doubts of interpretation in taxpayers, in particular, with regard to the framework to confer on depreciation of the new class of assets – the right-of-use assets.

In view of the lack of a specific tax regime, the Bank has come to understand that the accounting movements associated with the adoption of IFRS 16 (with emphasis on amortizations of right-of-use) should, generally, be considered relevant for tax purposes, as was the case with the previous accounting regulation applicable to Leases (safeguarded by the specific limitations provided for in the IRC Code in relation to passenger car rental contracts and the incidence of autonomous taxation, where applicable), and no differences (temporary or definitive) between taxation and accounting in this regard were caused.

Following the doubts raised by taxpayers regarding the tax implications, in the IRC, arising from the application of IFRS 16, the Tax Authority (“AT”) proceeded, meanwhile, to the publication of Circular No. 7/2020 of August 13, disclosing its understanding of the tax implications of the new accounting regulation.

According to that Circular, AT considered, among other aspects of lesser relevance, that the right-of-use assets to be recognized under the lease agreements covered by the application of IFRS 16 should be considered an intangible asset subject to loss. In any case, rather than considering that tax amortization should follow the useful life of such intangible asset, i.e., the duration of the associated lease agreements, AT considered that, without tax relief rates for right-of-use assets, the useful life periods and maximum and minimum rates applicable to the assets underlying each right of use, in accordance with Tables I and II of Regulatory Decree No. 25/2009 of September 14, should be considered.

The Bank disagrees with the understanding presented in Circular No. 7/2020, 13 August as to the tax framework to be conferred on depreciation of right-of-use assets, since it may lead to temporary differences between accounting and taxation without adhering to an appropriate economic or tax rationale, with particular relevance for cases where there are material differences between the duration of rental contracts and the tax useful lifetimes of the underlying assets (e.g., real estate leases).

According to the Bank, the understanding of Circular No. 7/2020 of August 13, in particular with regard to the tax framework for depreciation of right-of-use assets, will be in the process of being centrally reviewed by the AT. In this sense, the Bank is awaiting further developments on this matter, and will maintain its position on it for the time being.

## 2.6 Foreign currency transactions

Foreign currency transactions are recorded based on the exchange rates contracted on the date of the transaction. Monetary assets and liabilities expressed in foreign currency are converted to Euros at the exchange rate in force on the balance sheet date. Non-monetary items, which are valued at fair value, are converted based on the exchange rate in force on the date of the last valuation. Non-monetary items, which are maintained at historical cost, are maintained at the original exchange rate.

Exchange differences on conversion are recognized as gains or losses for the period in the income statement, with the exception of those originating from non-monetary financial instruments classified as available for sale, which are recorded against a specific equity item until disposal of the asset.

## 2.7 Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents include national and foreign currency, in cash, demand deposits with central banks, demand deposits with other banks in the country and abroad and checks to be collected on other banks. Values with maturities of up to 3 months and with a reduced fair value fluctuation risk are classified as cash and equivalents

## 2.8 Financial instruments

### 2.8.1 Recognition and initial measurement of financial instruments

Purchases of financial assets and assumed financial liabilities that imply the delivery of assets according to the established terms, by regulation or convention in the market, are recognized on the date of the transaction, that is, on the date on which the purchase or sale commitment is assumed.

The classification of financial instruments on the initial recognition date, depends on their characteristics and the business model. All financial instruments are initially measured at fair value plus costs directly attributable to the purchase or issue, except in the case of assets and liabilities at fair value through profit or loss in which such costs are recognized directly in the income statement.

### 2.8.2 Subsequent measurement of financial assets

The Bank classifies financial assets in accordance with the classification and measurement requirements of IFRS 9, in which financial instruments are classified based on the business models used to manage the respective financial instrument and the contractual characteristics of the respective cash flows (through a test called “SPPI” - Solely Payments of Principal and Interest). Three alternative business models are envisaged:

- A debt financial instrument that (i) is managed under a business model whose objective is to keep the financial assets in the portfolio and receive all of its contractual cash flows and (2) have contractual cash flows on specific dates that correspond exclusively the payment of principal and interest on capital outstanding - must be measured at amortized cost, unless it is designated at fair value through profit or loss under the fair value option - “Hold to Collect”.

- A debt financial instrument that (i) is managed under a business model whose objective is achieved either through the receipt of contractual cash flows or through the sale of financial assets and (2) include contractual clauses that give rise to cash flows that correspond exclusively to the payment of principal and interest on capital outstanding - must be measured at fair value through other comprehensive income (“FVTOCI”), unless it is designated at fair value through profit or loss under the fair value option - “ Hold to Collect & Sale ”.
- All other financial instruments that do not meet the “Hold to Collect” or “Hold to Collect and Sell” criteria must be measured at fair value through profit or loss (“FVPL”).

The evaluation of the business model to be considered requires a judgment on the date of the initial measurement. As part of this assessment, the Bank considers quantitative factors (for example, the frequency and expected volume of sales) and qualitative factors, such as how the performance of the business model and the financial assets held within that business model are assessed and reported to the Bank’s management bodies.

In addition to taking into account the risks that affect the performance of the business model and the financial assets held within that business model, in particular, the way in which these market and credit risks are managed, and how the business managers are compensated (for example, if the remuneration is based on the fair value of the managed assets or the contractual cash flows obtained), this valuation may result in the reclassification of assets to a “Hold to Collect” or “Hold to Collect and Sell ”or other business model.

If the Bank holds a financial asset classified under the “Hold to Collect” or “Hold to Collect and Sell” business model, an assessment is required on initial recognition to determine whether the contractual cash flows of the financial asset meet the SPPI criteria on the recorded balance. Contractual cash flows that meet the SPPI criteria in relation to the balance recorded, must be consistent with a basic loan agreement.

The interest on a basic loan agreement corresponds to the value of money over time and the credit risk associated with the value of the balance recorded over a given period of time. It may also include consideration of other basic loan risks (for example, liquidity risk) and costs (for example, administrative costs) associated with maintaining the financial asset for a specified period of time; and a profit margin consistent with a basic loan agreement.

**FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

Financial assets are classified at fair value through profit or loss if they are maintained in a business model of assets held for trading (“Held for Trading”) or if they do not meet the criteria for classification in a “Hold to Collect” or “Hold” model to Collect and Sell”. In addition, this category may include financial assets that meet the criteria for classification in the “Hold to Collect” or “Hold to Collect and Sell” model, but in which the financial asset does not meet the SPPI criteria, or even when the Bank determined the specific classification in this category.

Financial assets classified as Financial assets at fair value through profit or loss are measured at fair value with realized and unrealized gains and losses, recorded in net gains/(losses) under financial assets/liabilities at fair value through profit or loss. Interest on interest-earning assets, such as commercial loans and debt securities, is shown in the Interest and Similar Income item.

Financial assets measured at fair value through profit or loss are recognized or derecognised on the trading date, in the items specified below, the trading date being the date on which the Bank commits to buy or sell the asset:

**FINANCIAL ASSETS HELD FOR TRADING**

Financial assets are classified as held for trading if they were originated, acquired or obtained mainly for the purpose of sale or repurchase in the near future, or are part of a portfolio of identified financial instruments that are jointly managed and for which there is evidence recent real pattern of making short-term profits. Trading assets include debt and equity securities, derivatives held for trading purposes and commercial loans.

**NON-NEGOTIABLE FINANCIAL ASSETS MUST BE ACCOUNTED FOR AT FAIR VALUE THROUGH PROFIT OR LOSS**

The Bank considers any financial asset that is not held for trading does not meet the criteria for classification in the “Hold to Collect” or “Hold to Collect and Sell” model in the “Other” business model and classifies it as a Financial asset non-negotiable must be accounted for at fair value through profit or loss. This predominantly includes shares in companies that are maintained and managed based on fair value criteria. In addition, any financial asset that meets the criteria for classification in a “Hold to Collect” or “Hold to Collect and Sell” model but whose contractual cash flows do not meet the SPPI criteria is classified by the Bank as a non-negotiable financial asset mandatorily accounted for at fair value through profit or loss.

**FINANCIAL ASSETS ACCOUNTED FOR AT FAIR VALUE THROUGH PROFIT OR LOSS**

Certain financial assets, which would subsequently be measured at amortized cost or at fair value through other comprehensive income, may be recorded at fair value through profit or loss if this registration eliminates or significantly reduces an inconsistency in measurement or recognition. The possibility of using this option, under IFRS 9, is limited.

**FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME**

A financial asset is classified and measured at fair value through other comprehensive income (“FVOCI”), if the financial asset is maintained in a “Hold to Collect” or “Hold to Collect and Sell” model, and if the cash flows contractual cash flows comply with the SPPI criteria, unless it is designated at fair value through profit or loss under the fair value option.

According to the FVOCI criterion, a financial asset is measured at its fair value, with any changes recognized in Other Comprehensive Income (“OCI”), and assessed for impairment in accordance with the credit loss model provided for in IFRS 9. The currency conversion effect for assets recorded under the FVOCI criterion is recognized in the income statement, as well as the interest component, using the effective interest method. The amortization of premiums and the addition of discounts are recorded in the income and interest expense items. Realized gains and losses are recorded in net gains / (losses) on financial assets in FVOCI. Generally, the weighted average cost method is used to determine the cost of FVOCI’s financial assets.

Financial assets classified as FVOCI are recognized or derecognised on the trade date, the trade date being the date on which the Bank undertakes to buy or sell the asset.

**FINANCIAL ASSETS AT AMORTIZED COST**

A financial asset is classified and subsequently measured at amortized cost if the financial asset is maintained in a "Hold to Collect" model and the contractual cash flows comply with the SPPI criteria.

Under this measurement category, the financial asset is measured at fair value upon initial recognition. Subsequently, the book value is reduced from payments of principal, increased or deducted from the accumulated amortization using the effective interest method. The financial asset is assessed for impairment by impairment according to the expected credit loss model under IFRS 9. Financial assets measured at amortized cost are recognized on the financial settlement date.

Financial assets at amortized cost predominantly include loans at amortized cost and other amounts receivable presented in Other assets.

### 2.8.3 Modification of financial assets

Whenever the terms of a financial asset are renegotiated or modified and the modification does not result in derecognition, a gain or loss is recognized in the income statement, corresponding to the difference between the original contractual cash flows and the modified cash flows discounted at the rate original effective. The modified financial asset will continue to accrue interest in the original registration account.

Commercial or non-credit-related renegotiations, in which there is no significant increase in the debtor's credit risk since the origin of the contract and there is a readily exercisable right to early terminate the financial asset, results in the derecognition of the original contract and recognition of a new financial asset based on the commercial terms negotiated.

For credit-related changes (changes due to a significant increase in credit risk since the origin of the contract) or where the debtor does not have the right to early termination, the Bank assesses whether the modified terms result in a significantly modified financial asset and, consequently , unrecognized.

This assessment includes a quantitative assessment of the impact of the change in cash flows from the modification of the contractual terms and, in addition and whenever necessary, a qualitative assessment of the impact of the change in the contractual terms. Whenever it is concluded that these changes are not significant, the financial asset is not derecognised and is recorded as a change, as described above.

If the changes are found to be significant, the previous financial asset is derecognised and a new financial asset is recognized. Whenever a change results in the recognition of a new financial asset, the date of the change is the date of the initial recognition of the new financial asset. The Bank recognizes a provision for losses based on expected credit losses for 12 months on each date of preparation of the financial statements.

However, if after a modification that results in the derecognition of the original financial asset, there is evidence that the new financial asset has credit impairment at initial recognition, the new financial asset should be recognized as a financial asset with credit impairment, originated and initially classified on Stage 3.

### 2.8.4 Impairment of Financial Assets

The impairment requirements of IFRS 9 apply to all credit exposures that are measured at amortized cost or FVOCI, off-balance sheet loan commitments, such as loan commitments and bank guarantees, and other assets. For the purpose of the impairment policy described below, these instruments are called "Financial assets".

The determination for impairment is made based on the expected credit loss model according to which the impairment is recorded on the date of the initial recognition of the financial asset, based on expectations of potential credit losses at the time of initial recognition.

**STEP-BY-STEP APPROACH IN DETERMINING EXPECTED CREDIT IMPAIRMENT LOSSES**

IFRS 9 introduces a three stage approach ("stage") for the determination of impairment for Financial Assets that do not present credit losses on the date of origination or purchase. This approach can be summarized as follows:

- **Stage 1:** financial assets are classified in stage 1 whenever there is no significant increase in credit risk since the date of their initial recognition. For these assets, the expected loss from credit impairment resulting from default events occurring during the 12 months after the reporting date should be recognized in the income statement;
- **Stage 2:** incorporates financial assets in which there has been a significant increase in credit risk since the date of its initial recognition. For these financial assets, an expected credit loss ("ECL") is calculated and expected impairment losses are recognized over the life of the assets ("lifetime"). However, interest will continue to be calculated on the gross amount of the asset. Impairment for credit losses are higher at this stage due to the increase in credit risk and the impact of considering a longer time period, compared to the 12 months considered in stage 1;
- **Stage 3:** the assets classified at this stage present on the reporting date objective evidence of impairment, as a result of one or more events that have already occurred that result in a loss. In this case, the expected loss from credit impairment during the expected residual life of the financial assets will be recognized in the income statement. Interest is calculated on the net balance sheet value of the assets.

**SIGNIFICANT INCREASE IN CREDIT RISK**

According to IFRS 9, for the purposes of monitoring and determining the significant increase in credit risk credit of a financial asset since the initial recognition, the Bank considers reasonable and supported information that is relevant and available at no cost. or excessive effort.

This includes quantitative and qualitative information based on the Bank's historical experience, credit risk assessment and forward-looking information (including macroeconomic factors). Assessing significant credit deterioration is critical in determining when to move from measuring a 12 month ECL-based loss to measuring ECLs over the life of the assets (ie transferring from stage 1 to stage 2).

The Bank's structure for determining whether there has been a significant increase in credit risk is in line with the internal Credit Risk Management ("C") process and includes indicators related to the process and rating (Note 29).

### FINANCIAL ASSETS WITH CREDIT IMPAIRMENT AT STAGE 3

The Bank aligned its definition of credit impairment under IFRS 9 for when a Financial Asset enters into default for regulatory purposes.

The determination of whether a financial asset is in credit default, and, therefore, stage 3, focuses exclusively on default risk, without taking into account the effects of credit risk mitigants, such as guarantees or collateral. Specifically, a financial asset is impaired on stage 3 credit when:

- The Bank considers that it is unlikely that the debtor will pay its credit obligations to the Bank; or
- Contractual payments of principal or interest by the debtor have been due for more than 90 days.

For Financial Assets classified as stage 3, the value of ECL includes the amount of loss that the Bank estimates to incur. The estimation of ECLs is done on a case-by-case basis. This estimate includes the use of discounted cash flows that are adjusted for the different scenarios of recovery.

Forecasts of prospective information and future economic conditions in the calculation of ECLs are taken into account. The expected losses over the life are estimated based on the present value weighted by the probability of the difference between the contractual cash flows that are due to the Bank under the contract and the cash flows that the Bank expects to receive.

### GUARANTEE AND COLLATERAL FOR FINANCIAL ASSETS CONSIDERED IN THE IMPAIRMENT ANALYSIS

IFRS 9 requires that the expected cash flows from collateral, collateral and other credit risk mitigators are reflected in the calculation of the ECL. The main aspects to consider in relation to guarantees and collateral in this context are:

- Eligibility of guarantees, that is, which guarantees should be considered when calculating the ECL;
- Collateral evaluation, that is, what collateral value (settlement) should be used; and
- Projection of the guarantee value available during the life of a transaction.

### 2.8.5 Subsequent measurement of financial liabilities

An instrument is classified as a financial liability when there is a contractual obligation for its settlement to be effected through the delivery of cash or another financial asset, regardless of its legal form.

At the time of their initial recognition, financial liabilities are classified into one of the following categories: i) Financial liabilities held for trading or ii) Financial liabilities at amortized cost.

### FINANCIAL LIABILITIES HELD FOR TRADING

Liabilities issued for the purpose of repurchase in the short term are classified under this heading, those that are part of a portfolio of identified financial instruments and for which there is evidence of a recent pattern of profit taking in the short term or that fall within the definition derivative (except in the case of a derivative classified as hedging).

Derivative financial liabilities and short sales are recognized at fair value in the balance sheet. Gains and losses resulting from changes in the fair value of these instruments are recognized directly in the income statement.

### FINANCIAL LIABILITIES AT AMORTIZED COST

This item includes non-derivative financial liabilities, which include sale operations with repurchase agreements, funds from credit institutions, customer funds, and liabilities represented by securities.

These liabilities are recorded (i) initially at their fair value, plus transaction costs incurred and (ii) subsequently measured at amortized cost, based on the effective rate method.

Interest on financial liabilities at amortized cost is recognized in the “Interest and costs paid” account, based on the effective interest rate method.

### 2.8.6 Derecognition of financial assets and liabilities

### FINANCIAL ASSETS

A financial asset (or when part of a financial asset or part of a Bank of financial assets applies) is derecognised when:

1. the rights to receive cash flows from the asset expire; or
2. the rights to receive cash flows have been transferred, or the obligation to fully pay the cash flows receivable, without significant delay, to third parties under a pass-through arrangement has been assumed; and
3. The risks and benefits of the asset have been substantially transferred, or the risks and benefits have not been transferred or retained, but control over the asset has been transferred.

If the rights to receive cash flows are transferred or a pass-through agreement has been entered into, and substantially all the risks and benefits of the asset have not been transferred or retained, nor has control been transferred over the asset, the asset has been transferred or retained. Financial is recognized to the extent of continued involvement, which is measured at the lower of the original value of the asset and the maximum payment amount that the Bank may be required to pay.

When continued involvement takes the form of a call option on the transferred asset, the extent of continued involvement is the amount of the asset that can be repurchased, except in the case of a measurable put option at fair value, where the value of continued involvement it is limited to the lowest of the asset’s fair value and the option’s strike price.

### FINANCIAL LIABILITIES

A financial liability is derecognised when the underlying obligation expires or is cancelled. When an existing financial liability is replaced by another with the same counterparty on terms substantially different from those initially established, or the initial terms are substantially changed, this replacement or change is treated as a derecognition of the original liability and the recognition of a new liability and any difference between the respective amounts is recognized in the income statement for the year.

Reclassifications of financial liabilities are not permitted.

## 2.9 Fair value of assets and liabilities

Financial instruments recorded on the balance sheet at fair value were measured according to valuation techniques and assumptions, which correspond to different levels of fair value, according to the hierarchy of fair value defined by IFRS 13 - Fair value.

**Level 1:** This category includes, in addition to the financial instruments admitted to trading on a regulated market, bonds and units in funds in financial instruments, valued based on prices / quotations of active markets.

**Level 2:** Level 2 is considered to be financial instruments that are not traded on an active market or that are valued using valuation methodologies based on observable market data for financial instruments with identical or similar characteristics.

**Level 3:** Financial instruments are classified at level 3 whenever they do not meet the criteria to be classified as level 1 or level 2, or their value results from the use of information not observable in the market, namely:

a) financial instruments not admitted to trading on a regulated market, which are valued using valuation models and there is no generally accepted consensus on the market on the criteria to be used, namely:

   i) assessment made based on the "Net Asset Value" of non-harmonized funds, updated and disclosed by the respective management companies;

   ii) valuation based on indicative prices disclosed by entities that participated in the issue of certain financial instruments, without an active market; or,

   iii) assessment made based on the performance of impairment tests, using performance indicators of the underlying transactions (e.g. degree of protection by subordination to the tranches held, delinquency rates of the underlying assets, evolution of the ratings, etc.).

b) financial instruments valued through indicative purchase prices based on theoretical valuation models, disclosed by specialized third parties.

## 2.10 Non-current assets held for sale

Non-current assets are classified as held for sale whenever it is determined that their balance sheet value will be recovered through sale. This condition only occurs when the sale is highly probable, and the asset is available for immediate sale in its current state. The sale operation should take place up to a maximum period of one year after being classified under this item. An extension of the period during which the sale is required to close does not exclude an asset (or disposal Bank) from being classified as held for sale if the delay is caused by events or circumstances beyond the Bank's control and if the commitment remains selling the asset.

The Bank registers as non-current assets held for sale the financial holdings on which there is an intention and expectation of sale in the short term (1 year). The Bank also records in this account properties received by repayment of own credit.

In cases where the assets classified in this category no longer meet the conditions of immediate sale, these assets are reclassified to the items applicable to the respective nature.

## 2.11 Tangible fixed assets

The item of property, plant and equipment includes properties for own use, vehicles and other equipment.

The properties used by the Bank to carry out its activities are classified as properties for own use. Own service properties are valued at historical cost, less subsequent depreciation.

The remaining tangible fixed assets are recorded at cost, less subsequent depreciation, and impairment losses. Repair and maintenance costs and other expenses associated with their use are recognized as a cost when they occur.

Property, plant and equipment are depreciated on a straight-line basis, according to their expected useful life, which is:

**Properties** [10 – 50] years

**Vehicles** [3 – 4] years

**Other equipment** [2 – 15] years

Depreciation of improvements built on third-party property is depreciated to the lowest between its useful life and the contractual occupation period estimated by the Board of Directors.

A tangible asset is derecognized when sold or when future economic benefits from its use or sale are not expected. On the date of derecognition, the gain or loss calculated by the difference between the net sale value and the net book value is recognized in the income statement under "Other operating income".

## 2.12 Intangible assets

Intangible assets, which essentially correspond to "software", are recorded at acquisition cost, less accumulated amortization and impairment losses. Depreciation is recorded on a straight-line basis over the estimated useful life of the assets, which is currently between 3 and 8 years.

Intangible assets may include capitalized internal expense amounts, namely with internal software development. For this purpose, expenses are only capitalized as soon as the conditions set out in IAS 38 are met, namely the requirements inherent to the development phase.

## 2.13 Investment properties

Properties recorded in the investment property category are initially recognized at acquisition cost, including transaction costs, and are subsequently revalued at fair value. The assessments carried out are conducted by independent appraisers registered with the CMVM. The fair value of investment properties reflects market conditions at the balance sheet date (having the best use that would be attributable to the property in the market underlying), the respective variations being recognized in the income statement.

Investment properties are derecognised when they are disposed of or when future economic benefits from holding them are no longer expected. In the sale, the difference between the net sale value and the recorded asset value is recognized in the income statement in the period of the sale.

## 2.14 Leases

At the start date of each contract, the Bank assesses whether the scope of the contract corresponds to a lease or whether it contains a lease. A lease is defined as a contract, or part of a contract, whereby the right to control the use of an identifiable asset for a specified period of time is granted in exchange for a fee.

To determine whether a contract assigns the right to control the use of an identifiable asset for a certain period of time, the Bank assesses whether, during the period of use of the asset, it cumulatively has: i) the right to obtain substantially all economic benefits derived from the use of identifiable assets; and ii) the right to control the use of the identifiable asset.

**RECOGNITION**

The Bank recognizes an asset under the right to use and a lease liability on the date the lease agreement comes into force.

The asset under the right of use is initially measured at cost, which comprises the initial value of the lease liability adjusted for any lease payments made on or before the effective date of the lease, in addition to any initial direct costs incurred, as well as an estimate of the costs of dismantling and removing the underlying asset (if applicable), less any incentives obtained.

Lease agreements can contain both rental and non-lease components. The Bank proceeds to separate the service components from the lease components, counting them as a single lease component, in determining the lease liability.

The lease liability is initially recognized at the present value of the lease components of rents not yet paid on the date the lease agreement comes into force, discounted at the implicit interest rate, or in the event that it is not possible to determine this rate easily, using the Bank's incremental interest rate.

The lease payments included in the measurement of the lease liability correspond to the fixed payments less any incentives receivable.

To determine the lease term, the Board of Directors considers all the facts and circumstances that create an economic incentive to exercise an extension option or not to exercise a termination option. Most of the extension options were not included in the lease liability. The term is revised only if a significant event or a significant change in circumstances occurs that affects this assessment and is under the control of the lessee.

The Bank opted to record low-value and short-term leases as expenses for the year when incurred, for the entire term of the lease as provided for in the IFRS 16 application regime.

**SUBSEQUENT MEASUREMENT**

Assets under right of use are measured in accordance with the cost model, with depreciation recorded on a straight-line basis until the end of the lease term, being adjusted by remeasurements of the lease liability.

Assets under right of use are tested for impairment whenever there are indicators of impairment, in accordance with IAS 36 - Impairment of assets.

The lease liability is measured at amortized cost, using the effective interest method, and is remeasured when there are changes in future payments resulting from a change in the rate or index, as well as when there are changes in the lease contracts.

Modifications to the contract are considered to exist when the Bank negotiates new conditions with the lessor with regard to the scope and/or payments of the lease.

## 2.15 Income taxes

The expenses or income recognized with income taxes correspond to the sum of the expense or income recognized with current tax and the expense or income recognized with deferred tax.

Current tax is calculated based on the tax rate in force.

The Bank records as deferred tax liabilities or assets the amounts relating to the recognition of taxes payable/recoverable in the future, arising from unused tax losses and taxable/deductible temporary differences, namely related to provisions, revaluations of securities and derivatives only taxable in the at the time of its realization, the regime for taxing liability for pensions and other employee benefits and capital gains not taxed by reinvestment.

Deferred tax assets and liabilities are calculated and valued on an annual basis, using the tax rates that are expected to be in force on the date of the reversal of temporary differences, which correspond to the rates approved or substantially approved on the balance sheet date. Deferred tax liabilities are always recorded, except for those related to: i) the initial recognition of goodwill; or ii) the initial recognition of assets and liabilities, which do not result from a business combination, and which at the date of the transaction do not affect the accounting or tax result. Deferred tax assets are only recorded to the extent that it is probable that there will be future taxable profits that allow their use.

It should be noted that the Bank complied with the requirements for adhering to the special regime for converting deferred tax assets (special regime) into tax credits, provided for by Law No. 61/2014 of 26 August. As a result of this adhesion and the determination of a negative net result in 2015, the Bank believes that the conditions that allow it to convert the aforementioned deferred tax asset into tax credit are fulfilled under the terms of article 6 of the special regime.

Thus, for the purposes of the previous paragraph, in 2016 the Bank converted the deferred tax asset into tax credit in the amount of 442 thousand euros, maintaining the value of 313 thousand euros in deferred tax assets, and simultaneously constituted an special reserve in favor of the State in the amount of the tax credit, increased by 10%, in the amount of 486 thousand euros (note 19).

As a result of the negative net result, calculated for the 2016 fiscal year, in 2017, the Bank converted the deferred tax asset into tax credit in the amount of 65 thousand euros, maintaining the value of 248 thousand euros in deferred tax assets, and simultaneously constituted a special reserve in favour of the State in the amount of the tax credit, increased by 10%, in the amount of 71 thousand euros (note 19).

As a result of the negative net result, determined for the 2017 financial year, in 2018 the Bank converted the deferred tax asset into tax credit in the amount of 55 thousand euros, maintaining the value of 183 thousand euros in deferred tax assets, and simultaneously it constituted a special reserve in favour of the State in the amount of the tax credit, increased by 10%, in the amount of 50 thousand euros (note 19).

As a result of the net loss incurred in 2018, the Bank proceeded, in 2019, to convert deferred tax assets into tax credit in the amount of 28 thousand euros. At the same time, the Bank created a special reserve in favour of the State in the amount of the tax credit, increased by 10%, in the amount of 30 thousand euros (note 19).

Considering the net loss incurred in 2019, the Bank, in 2020, the Bank made the conversion of assets by deferred taxes into tax credit in the amount of 20 thousand Euros. At the same time, the Bank created a special reserve for the State in the amount of tax credit increased by 10%, in the amount of 23 thousand Euros (note 19). The Bank maintains a record of 145 thousand Euros as of December 31, 2020 (note 14).

The registration of the special reserve implies the simultaneous constitution of conversion rights attributed to the State.

In this context, the Bank issued 404,669 conversion rights in favour of the Portuguese State for 2015 and, separately issued 83,109 and 70,162 conversion rights for the years 2016 and 2017. These rights were registered with the Central Securities/Interbolsa on December 11, 2017 and October 19, 2018, respectively.

In the same context, the Bank issued 19,134 conversion rights for the financial year 2018, in 2020, and in 2021, proceeded to the issuance of 16,232 conversion rights for the year 2019. These rights were registered with the Central Securities (Interbolsa), on 15 July 2020 and March 19, 2021, respectively.

Under the aforementioned regime, such conversion rights correspond to securities that give the State the right to require the Bank to issue and deliver free ordinary shares, following the capital increase through the incorporation of the reserve amount. However, the Bank's shareholder is granted the potestative right to acquire conversion rights from the State, under the terms defined in Ordinance No. 293-A / 2016, of 18 November, changed by Ordinance No. 272/2017, from 13 September.

If the shareholder does not exercise the potestative right to acquire the conversion rights issued and attributed to the Portuguese State within the period established for that purpose, in the exercise in which the State exercises these rights, it will require the Bank to increase its capital by incorporating the amount of the special reserve and the consequent issue and free delivery of ordinary shares representing the Bank's share capital.

Income taxes (current or deferred) are reflected in the income statement for the year, except in cases where the transactions that originated them have been reflected in other equity items. In these situations, the corresponding tax is also reflected against equity, without affecting the income for the year.

## 2.16 Contingent provisions and liabilities

A provision is set up when there is a present obligation (legal or constructive) resulting from past events where the future expenditure of resources is likely, and this can be reliably determined. The provision corresponds to the Bank's best estimate of any amounts that would have to be disbursed to settle the liability on the balance sheet date. If the temporal effect of the cost of money is significant, the provisions are discounted using an interest rate before tax that reflects the specific risk of the liability. In these cases, the increase in the provision due to the passage of time is recognized in financial costs.

If the future expenditure of resources is not probable, it is a contingent liability. Contingent liabilities are only subject to disclosure, unless the possibility of their realization is remote, except with respect to contingent liabilities associated with the acquisition of businesses, which are recognized in accordance with IFRS 3.

Within the scope of the activity carried out by the Bank, financial guarantees are given and credit commitments are made to third parties, which, being off-balance sheet items (see Note 27), and therefore contingent liabilities, can be converted into credit exposures to be recorded in the balance sheet. Bank. The Bank assesses, at each reporting date, the potential credit risk involved in these contracts according to the ECL model (see Note 2.9) and whenever it estimates credit risk losses, it records the respective provision in the balance sheet.

Provisions for ongoing legal proceedings, except for tax proceedings in progress with AT in respect of income tax, are recognized when the Bank estimates that it is more likely than not that it will have to pay the disputed amounts.

## 2.17 Recognition of income and costs

In general, income and costs are recognized according to the period of validity of the operations in accordance with the accrual accounting principle, that is, they are recorded as they are generated, regardless of when they are collected or paid. Income is recognized to the extent that it is probable that the economic benefits associated with the transaction will flow to the Bank and the amount of revenue can be reliably measured.

For financial instruments measured at amortized cost and for debt financial instruments classified as "Financial assets at fair value through other comprehensive income", interest is recognized using the effective rate method, which corresponds to the rate that exactly discounts the set of future cash receipts or payments until maturity, or until the next repricing date, for the currently recorded net amount of the financial asset or liability. When calculating the effective interest rate, future cash flows are estimated considering the contractual terms and considering all other income or charges directly attributable to the contracts.

## 2.18 Dividend recognition

Dividends are recognized when their receipt by the Bank is virtually certain, as they are already duly and formally approved by the competent bodies of the subsidiaries for distribution. In addition, this treatment is not opposed by BoP under the provisions of Circular No. 18/2004/DSB.

## 2.19 Revenue from services and commissions

The Bank charges commissions to its customers for providing a wide range of services. These include commissions for the continuous provision of services, for which customers are usually charged on a periodic basis, or commissions charged for carrying out a certain significant act.

Commissions charged for services provided during a given period are recognized over the period of service. Commissions related to the performance of a significant act are recognized when the said act occurs.

Commissions and charges associated with financial instruments are included in their effective interest rate.

## 2.20 Specialization of exercises

The Bank follows the accounting principle of accrual accounting in relation to most items in the financial statements. Thus, costs and income are recognized as they are generated, regardless of when they are paid or received.

# 3. Consolidation Perimeter

The entities that constitute the consolidated information as of December 31, 2020 are as follows:

| 31-12-2020 | | | | | |
|---|---|---|---|---|---|
| **Entity** | **Consolidation %** | **Consolidation Method** | **Net Assets** | **Equity** | **Net Profit/(Loss)** |
| Bison Bank, S.A. | 100,00% | Full | 110 371 | 61 775 | (6 967) |
| **Sold at 26 August 2020** | | | | | |
| Turirent (*) | 100,00% | Full | 8 075 | 7 809 | (229) |

* Values referring to July 2020

| 31-12-2019 | | | | | |
|---|---|---|---|---|---|
| **Entity** | **Consolidation %** | **Consolidation Method** | **Net Assets** | **Equity** | **Net Profit/(Loss)** |
| Bison Bank, S.A. | 100,00% | Full | 87 902 | 49 622 | (7 009) |
| Turirent | 100,00% | Full | 8 400 | 8 037 | (358) |

In 2018, the holdings in Profile, Banif International Asset Management, Banif Multi Fund and MCO2 were sold to Oitante (notes 10 and 26), in the context of a carve-out transaction provided for in the purchase and sale agreement established on 11 August 2016 with Bison Financial. Under the terms of this agreement, it was established that, when the purchase and sale was completed, the Bank's holdings listed above would no longer be part of the Bank's asset base, being Oitante, responsible for the disposal of these holdings.

On February 25, 2019, Art Invest completed its voluntary liquidation process and ceased to be a subsidiary of Bison Bank. No relevant impacts emerged from this event

On October 13, 2019, Bison Bank and Bison Capital Financial Holdings (Hong Kong) signed an agreement with Oitante to transfer the 126,845 units of Banif US Real Estate, issued by Banif Multifund, which should have been contemplated in the carve-out agreement. This agreement did not substantiate any change in the sale price of Bison Bank.

On 26 August 2020, the Bank sold its stake in the Turirent fund, registered with CMVM under nº 965.

Turirent was the only asset that could be integrated into the Bank's consolidation perimeter.

Considering compliance with international financial reporting standards (IFRS), at the level of consolidated financial statements (IFRS10), the Bank presents consolidated financial statements on December 31, 2020, integrating Turirent's results up to the date of sale, in which the loss of control over the Fund occurred.

# 4. Segment Reporting

In assessing the various businesses developed by the Bank, the Board of Directors considers that the activities developed by Bison Bank on an individual level correspond to reporting segments, considering the Board of Directors to Turirent as an investment line.

The information used by the Board of Directors is essentially based on accounting information, with no differences between the measurements of income, losses, assets and liabilities of the segments.

In the Bank's segment reporting, with reference to 31 December 2020 and 2019, the identified operating segments include: Investment Banking, Sales & Trading, Wealth Management, Client Management and other activities. In the "Others" segment, the most representative activity is Treasury Management.

Thus, the operating segments reported by the Bank in 2020 and 2019 include the following business areas:

- **Investment Banking:** Corporate Finance; Structuring of bond issues; Origination and management of commercial paper programs;
- **Sales & Trading:** Brokerage;
- **Wealth Management:** Investment Advisory; Discretionary Management;
- **Client Management:** Corporate & Private Banking; Depositary Bank of Funds;
- **Others:** Other activities not included in the above segments, namely Treasury Management, which includes the management of its own portfolio, comprising securities in the portfolio prior to the acquisition of Bison Financial (funds and shares), Financial Holdings and Properties in the process of sale.

## Operating segments on December 31, 2020:

| 2020 | Investment Banking | Sales & Trading | Wealth Management | Client Management | Other | Total |
|---|---|---|---|---|---|---|
| Interest Income | - | - | - | - | 507 | 507 |
| Interest Expenses | (0) | - | (0) | (0) | (99) | (100) |
| **Net Interest Income** | **(0)** | **-** | **(0)** | **(0)** | **409** | **407** |
| Fee and commission income | 98 | 58 | 19 | 1 163 | - | 1 338 |
| Fee and commission expense | - | (23) | - | (12) | (233) | (268) |
| Gains or losses on financial assets and liabilities designated at fair value through profit or loss, net | - | - | - | - | 466 | 466 |
| Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net | - | - | - | - | 421 | 421 |
| Exchange differences, net | - | - | - | - | (260) | (260) |
| Other operating income, net | - | - | - | - | 199 | 199 |
| **Total Operating Income, Net** | **98** | **35** | **19** | **1 151** | **593** | **2 303** |
| Staff expenses | (316) | (140) | (431) | (448) | (4 244) | (5 578) |
| Other administrative expenses | (42) | (0) | (5) | (6) | (2 719) | (2 773) |
| Depreciation | (3) | 0 | (3) | (4) | (781) | (792) |
| Provisions or reversal of provisions | - | - | - | - | 75 | 75 |
| Impairment or reversal of impairment on financial assets | - | - | - | - | 26 | 26 |
| Impairment or reversal of impairment on non-financial assets | - | - | - | 44 | (261) | (217) |
| **Profit or Loss before Tax from Continuing Operations** | **(264)** | **(106)** | **(420)** | **739** | **(6 733)** | **(6 956)** |
| Taxes | - | - | - | - | (11) | (11) |
| Deferred Taxes | - | - | - | - | - | - |
| **Profit or Loss after Tax From Continuing Operations** | **(264)** | **(106)** | **(420)** | **739** | **(6 744)** | **(6 967)** |
| Profit or loss after tax from discontinued operations | - | - | - | - | - | - |
| **Profit (Loss) for the year** | **(264)** | **(106)** | **(420)** | **739** | **(6 744)** | **(6 967)** |

## Operating segments on December 31, 2019:

| 2019 | Investment Banking | Sales & Trading | Wealth Management | Client Management | Other | Total |
|---|---|---|---|---|---|---|
| Interest Income | - | - | - | - | 407 | 407 |
| Interest Expenses | - | - | - | - | (152) | (152) |
| **Net Interest Income** | **-** | **-** | **-** | **-** | **255** | **255** |
| Dividend income | - | - | - | - | 2 | 2 |
| Fee and commission income | 780 | 32 | 2 | 1 525 | 1 | 2 340 |
| Fee and commission expense | (45) | - | (43) | - | (188) | (276) |
| Gains or losses on financial assets and liabilities designated at fair value through profit or loss, net | - | - | - | - | (1 015) | (1 015) |
| Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net | - | - | - | - | 775 | 775 |
| Exchange differences, net | - | - | - | - | 179 | 179 |
| Other operating income, net | - | - | - | - | 91 | 91 |
| **Total Operating Income, Net.** | **735** | **32** | **(41)** | **1 525** | **100** | **2 351** |
| Staff expenses | (444) | (135) | (466) | (506) | (4 455) | (6 005) |
| Other administrative expenses | (48) | (10) | (19) | (43) | (3 078) | (3 198) |
| Depreciation and amortization | - | - | - | - | (744) | (744) |
| Provisions or reversal of provisions | - | - | - | - | 588 | 588 |
| Impairment or reversal of impairment on financial assets | - | - | - | - | 77 | 77 |
| Impairment or reversal of impairment on non-financial assets | - | - | - | - | 1 | 1 |
| **Profit or Loss before Tax from Continuing Operations** | **243** | **(113)** | **(526)** | **976** | **(7 511)** | **(6 930)** |
| Taxes | - | - | - | - | (79) | (79) |
| Deferred taxes | - | - | - | - | - | - |
| **Profit or Loss after Tax From Continuing Operations** | **243** | **(113)** | **(526)** | **976** | **(7 590)** | **(7 009)** |
| Profit or loss after tax from discontinued operations | - | - | - | - | - | - |
| **Profit (Loss) for the year** | **243** | **(113)** | **(526)** | **976** | **(7 590)** | **(7 009)** |

### REVENUE BY GEOGRAPHIC AREA

The Bank mainly developed its activity in Portugal, for the 2020 and 2019 exercises.

The activity outside Portugal is currently immaterial in the context of the Bank.

# 5. Cash, Cash Balances at Central Banks and other Demand Deposits

**The item breaks down as follows:**

| | CONSOLIDATED | | INDIVIDUAL | |
|---|---|---|---|---|
| | 31-12-2020 | 31-12-2019 | 31-12-2020 | 31-12-2019 |
| Cash | 0 | 0 | 0 | 0 |
| On-Demand Deposits with Bank of Portugal | 965 | 1 484 | 965 | 1 484 |
| | 965 | 1 484 | 965 | 1 484 |
| Other Demand Deposits | | | | |
| In Portugal | | | | |
| Currency EUR | 30 584 | 17 230 | 30 584 | 17 206 |
| Currency USD | 5 199 | 7 913 | 5 199 | 7 913 |
| Other currencies | 101 | 108 | 101 | 108 |
| Abroad | | | | |
| Currency EUR | 559 | 434 | 559 | 434 |
| Currency USD | 124 | 46 | 124 | 46 |
| Currency GBP | 2 | 3 | 2 | 3 |
| Currency CHF | 21 | 21 | 21 | 21 |
| Other currencies | 1 008 | 7 | 1 008 | 7 |
| | 37 598 | 25 762 | 37 597 | 25 738 |
| | 38 563 | 27 246 | 38 563 | 27 222 |

The "Demand Deposits with Bank of Portugal" item includes the deposits set up with the Bank of Portugal to meet the Eurosystem's Minimum Reserve Requirements. The minimum reserve corresponds to 1% of deposits and debt securities with maturities of up to 2 years, excluding any liabilities to other institutions subject to, but not exempt from, the same minimum reserve requirement and the liabilities to the European Central Bank and to National Central Banks participating in the euro area.

In 2020, a deposit was made in favor of the State regarding the receipt of the tax credit for the years 2015, 2016 and 2017, under the terms of paragraph 8 of article 6 of Ordinance No. 272/2017, of 13 September in the amount of 618 thousand euros (Note 15).

The remaining amounts recorded under this item are available for movement.



# 6. Financial Assets Held for Trading

This item is composed of debt instruments and equity instruments, which are overall classified as held for trading, as detailed as follows.

**Details of the securities portfolio, Consolidated and Individual, as at 31 December 2020:**

| Name ant Type of Security | Currency | Amount | Price (EUR) | Valuation Criteria | Book Value |
|---|---|---|---|---|---|
| **Debt Instruments** | | | | | **159** |
| Issued by residents | | | | | |
| Portuguese Public Debt | | | | | |
| CONSOLIDATED/1943 | EUR | 0,72 | 0,81 | Fair Value | 0 |
| CONSOLIDATED/1942 | EUR | 0,19 | 0,74 | Fair Value | 0 |
| OBRIGACOES DO TESOURO 2.2 10/17/22 | EUR | 150 000 | 1,06 | Fair Value | 159 |
| **Equity instruments** | | | | | |
| Issued by residents | | | | | |
| BEIRA VOUGA 88 S.A. | EUR | 5 190 | 0,00 | Fair Value | 0 |
| BEIRA VOUGA 88 S.B. | EUR | 5 190 | 0,00 | Fair Value | 0 |
| KENDALL, PINTO BASTO & Cª LDA | EUR | 264 470 | 0,00 | Fair Value | 0 |
| PRODIS | EUR | 33 | 0,00 | Fair Value | 0 |
| INCAL | EUR | 100 | 0,00 | Fair Value | 0 |
| G.A.P. - S.G.P.S. | EUR | 16 | 0,00 | Fair Value | 0 |
| S.P.E. PORTADOR | EUR | 29 | 0,00 | Fair Value | 0 |
| GREGORIO & COMP. | EUR | 100 | 0,00 | Fair Value | 0 |
| F.N.MARGARINAS | EUR | 5 | 0,00 | Fair Value | 0 |
| FIACO | EUR | 10 | 0,00 | Fair Value | 0 |
| FONCAR - IND.COM.TEXTIL | EUR | 3 | 0,00 | Fair Value | 0 |
| COPINAQUE | EUR | 40 | 0,00 | Fair Value | 0 |
| AMADEU GAUDENCIO | EUR | 320 | 0,00 | Fair Value | 0 |
| TRANSBEL-TRANSP.TRANS.INTERNAC. | EUR | 5 | 0,00 | Fair Value | 0 |
| NUNO MESQUITA PIRES, SA | EUR | 90 | 0,00 | Fair Value | 0 |
| FNACINVEST - S.G.P.S. | EUR | 180 | 0,00 | Fair Value | 0 |
| BANIF - BANCO INT. FUNCHAL, S.A. | EUR | 565 574 | 0,00 | Fair Value | 0 |
| BEIRA VOUGA 95 (ACCOES) | EUR | 1 509 | 0,00 | Fair Value | 0 |
| S.P.E. NOMINATIVAS | EUR | 122 | 0,00 | Fair Value | 0 |
| BUCIQUEIRA-S.G.P.S., S.A. | EUR | 10 | 0,00 | Fair Value | 0 |
| **Total** | | | | | **159** |

The Treasury Bonds identified above as "TREASURY OBLIGATIONS 2.2 10/17/22", in the amount of 159 thousand euros, are pledged to the investor compensation system.

As of December 31, 2020, the Bank is not using the intraday credit line.

**Details of the securities portfolio, Consolidated and Individual, as at 31 December 2019:**

| Name ant Type of Security | Currency | Amount | Price (EUR) | Valuation Criteria | Book Value |
|---|---|---|---|---|---|
| **Debt Instruments** | | | | | **161** |
| Debt Instruments | | | | | |
| Portuguese Public Debt | | | | | |
| CONSOLIDATED/1943 | EUR | 0,72 | 0,71 | Fair Value | 0 |
| CONSOLIDATED/1942 | EUR | 0,19 | 0,74 | Fair Value | 0 |
| OBRIGACOES DO TESOURO 2.2 10/17/22 | EUR | 150 000 | 1,07 | Fair Value | 161 |
| **Equity instruments** | | | | | |
| Issued by residents | | | | | |
| BEIRA VOUGA 88 S.A. | EUR | 5 190 | 0,00 | Fair Value | - |
| BEIRA VOUGA 88 S.B. | EUR | 5 190 | 0,00 | Fair Value | - |
| KENDALL, PINTO BASTO & Cª LDA | EUR | 264 470 | 0,00 | Fair Value | - |
| PRODIS | EUR | 33 | 0,25 | Fair Value | - |
| INCAL | EUR | 100 | 0,00 | Fair Value | - |
| G.A.P. - S.G.P.S. | EUR | 16 | 0,00 | Fair Value | - |
| S.P.E. PORTADOR | EUR | 29 | 0,00 | Fair Value | - |
| GREGORIO & COMP. | EUR | 100 | 0,00 | Fair Value | - |
| F.N.MARGARINAS | EUR | 5 | 0,00 | Fair Value | - |
| FIACO | EUR | 10 | 0,00 | Fair Value | - |
| FONCAR - IND.COM.TEXTIL | EUR | 3 | 0,00 | Fair Value | - |
| COPINAQUE | EUR | 40 | 0,00 | Fair Value | - |
| AMADEU GAUDENCIO | EUR | 320 | 0,00 | Fair Value | - |
| TRANSBEL-TRANSP.TRANS.INTERNAC. | EUR | 5 | 0,00 | Fair Value | - |
| NUNO MESQUITA PIRES, SA | EUR | 90 | 0,00 | Fair Value | - |
| FNACINVEST - S.G.P.S. | EUR | 180 | 0,00 | Fair Value | - |
| BANIF - BANCO INT. FUNCHAL, S.A. | EUR | 565 574 | 0,00 | Fair Value | - |
| BEIRA VOUGA 95 (ACCOES) | EUR | 1 509 | 0,00 | Fair Value | - |
| S.P.E. NOMINATIVAS | EUR | 122 | 0,00 | Fair Value | - |
| BUCIQUEIRA-S.G.P.S., S.A. | EUR | 10 | 0,00 | Fair Value | - |
| **Total** | | | | | **161** |



# 7. Non-Negotiable Financial Assets Mandatorily at the Fair Value Through Profit and Loss

**The details of this item in 2020 and 2019, are as follows:**

| CONSOLIDATED | Balance Value |
|---|---|
| **On 1st January 2020** | **14 118** |
| Acquisitions | 177 |
| Sales | (20) |
| Fair Value Variation | (183) |
| **On 31st December 2020** | **14 093** |

| CONSOLIDATED | Balance Value |
|---|---|
| **On 1st January 2019** | **14 955** |
| Acquisitions | 132 |
| Alienation | (312) |
| Fair Value Variation | (657) |
| **On 31st December 2019** | **14 118** |

| INDIVIDUAL | Balance Value |
|---|---|
| **On 1st January 2020** | **22 156** |
| Acquisitions | 177 |
| Sales | (8 579) |
| Fair Value Variation | 339 |
| **On 31st December 2020** | **14 093** |

| INDIVIDUAL | Balance Value |
|---|---|
| **On 1st January 2019** | **23 445** |
| Acquisitions | 132 |
| Sales | (406) |
| Fair Value Variation | (1 015) |
| **On 31st December 2019** | **22 156** |

### As of December 31, 2020, the details of this item, in both Consolidated and Individual values, are as follows:

| Name ant Type of Security | Currency | Amount | Price (EUR) | Valuation Criteria | Book Value |
|---|---|---|---|---|---|
| **Equity Instruments** | | | | | **14 093** |
| Issued by Residents | | | | | |
| GALERIAS NAZONI | EUR | 750 | 0,00 | Fair Value | - |
| SEA ROAD | EUR | 200 000 | 0,00 | Fair Value | - |
| FLORESTA ATLÂNTICA - SGFII (CL B) | EUR | 40 000 | 26,76 | Fair Value | 1 070 |
| Issued by Non-residents | | | | | |
| SHOTGUN PICTURES | EUR | 10 000 | 0,00 | Fair Value | 0 |
| DISCOVERY PORTUGAL REF, SICAV-FIS | EUR | 13 312 | 973,30 | Fair Value | 12 957 |
| PREFF-PAN EUROPEAN REAL STATE FUND | EUR | 245 | 58,44 | Fair Value | 14 |
| JP MORGAN EUROPEAN PROPERTY FUND | EUR | 0,18 | 6 480,50 | Fair Value | 1 |
| PRADERA EUROPEAN RETAIL FUND CLASS1 | EUR | 300 000 | 0,06 | Fair Value | 18 |
| GREFF GLOBAL REAL ESTATE FUND A | EUR | 263 | 75,68 | Fair Value | 20 |
| BELMONT RX SPC FI SEP08 | USD | 2 | 11,74 | Fair Value | 0 |
| BELMONT RX SPC FI DEC08 | USD | 406 | 35,93 | Fair Value | 12 |
| **Total** | | | | | **14 093** |

On August 26, 2020, the Bank sold its stake in the Turirent fund in the amount of 8,560 thousand Euros, resulting in a gain in 2020 of 522 thousand Euros.

On January 21, 2020, the Bank prepaid 133 units of participation referring to the GREFF GLOBAL REAL ESTATE FUND, for the amount of 11 thousand Euros.



### As at 31 December 2019, the details for Consolidated accounts, were as follows:

| Name ant Type of Security | Currency | Amount | Price (EUR) | Valuation Criteria | Book Value |
|---|---|---|---|---|---|
| **Equity Instruments** | | | | | **14 118** |
| Issued by Residents | | | | | |
| GALERIAS NAZONI | EUR | 750 | - | Fair Value | - |
| SEA ROAD | EUR | 200 000 | - | Fair Value | - |
| FLORESTA ATLÂNTICA - SGFII (CL B) | EUR | 40 000 | 26,76 | Fair Value | 1 070 |
| Issued by Non-residents | | | | | |
| SHOTGUN PICTURES | EUR | 10 000 | 0,00 | Fair Value | 0 |
| DISCOVERY PORTUGAL REF, SICAV-FIS | EUR | 13 165 | 984,43 | Fair Value | 12 960 |
| PREFF-PAN EUROPEAN REAL STATE FUND | EUR | 373 | 63,62 | Fair Value | 24 |
| JP MORGAN EUROPEAN PROPERTY FUND | EUR | 0 | 6 414,56 | Fair Value | 2 |
| PRADERA EUROPEAN RETAIL FUND CLASS1 | EUR | 300 000 | 0,06 | Fair Value | 17 |
| GREFF GLOBAL REAL ESTATE FUND A | EUR | 396 | 79,16 | Fair Value | 31 |
| BELMONT RX SPC FI SEP08 | USD | 2 | 11,74 | Fair Value | 0 |
| BELMONT RX SPC FI DEC08 | USD | 406 | 35,93 | Fair Value | 14 |
| **Total** | | | | | **14 118** |

**As at 31 December 2019, the details for Individual accounts, were as follows:**

| Name ant Type of Security | Currency | Amount | Price (EUR) | Valuation Criteria | Book Value |
|---|---|---|---|---|---|
| **Equity Instruments** | | | | | **22 156** |
| Issued by Residents | | | | | |
| BEIRA VOUGA 88 S.A. | EUR | - | - | Fair Value | - |
| BEIRA VOUGA 88 S.B. | EUR | - | - | Fair Value | - |
| KENDALL, PINTO BASTO & Cª LDA | EUR | - | - | Fair Value | - |
| GALERIAS NAZONI | EUR | 750 | 0,00 | Fair Value | - |
| SEA ROAD | EUR | 200 000 | 0,00 | Fair Value | - |
| TURIRENT | EUR | 14 291 | 562,43 | Fair Value | 8 037 |
| FLORESTA ATLÂNTICA - SGFII (CL B) | EUR | 40 000 | 26,76 | Fair Value | 1 070 |
| Issued by Non-residents | | | | | |
| SHOTGUN PICTURES | EUR | 10 000 | 0,00 | Fair Value | - |
| DISCOVERY PORTUGAL REF, SICAV-FIS | EUR | 13 165 | 984,43 | Fair Value | 12 960 |
| PREFF-PAN EUROPEAN REAL STATE FUND | EUR | 373 | 63,62 | Fair Value | 24 |
| JP MORGAN EUROPEAN PROPERTY FUND | EUR | 0,35 | 6 414,56 | Fair Value | 2 |
| PRADERA EUROPEAN RETAIL FUND CLASS1 | EUR | 300 000 | 0,06 | Fair Value | 17 |
| GREFF GLOBAL REAL ESTATE FUND A | EUR | 396 | 79,16 | Fair Value | 31 |
| BELMONT RX SPC FI SEP08 | EUR | 2 | 11,74 | Fair Value | 0 |
| BELMONT RX SPC FI DEC08 | EUR | 406 | 35,93 | Fair Value | 14 |
| **Total** | | | | | **22 156** |

On 13 October 2019, Bison Bank and Bison Capital Financial Holdings (Hong Kong) signed an agreement with Oitante to transfer the 126,845 units of Banif US Real Estate, issued by Banif Multifund, which should have been contemplated in the carve-out agreement. This agreement did not substantiate any change in the sale price of Bison Bank.

The main assumptions used in the valuation of the unlisted equity instruments are:

- Units in Investment Funds - quotae based on the last NAV made available by the respective management company for the UP's acquired up to the date of that quote; and
- Securities received in lieu - record of 100% impairment on the balance sheet value if there are no prospects of recoverability. The prospects of recoverability are determined on the basis of individual internally conducted analysis.

# 8. Financial Assets at Fair Value Through other Comprehensive Income

**The movements occurred in this item, in 2020, were as follows:**

| | Balance Sheet Value |
|---|---|
| **On 1th January 2020** | **32 719** |
| Acquisitions | 14 831 |
| Alienation - sale instruments | - |
| Alienation - debt instruments | (15 600) |
| Debt instruments fair value variation | 400 |
| Equity Instruments fair value variation | - |
| Accrued interest variation | (89) |
| **On 31st December 2020** | **32 261** |

| | Balance Sheet Value |
|---|---|
| **On 1st January 2019** | **38 537** |
| Acquisitions | 20 273 |
| Alienation of Equity Instruments | (3 130) |
| Alienation of Debt Instruments | (23 228) |
| Debt Instruments Fair Value Variation | 399 |
| Equity Instruments Fair Value Variation | (241) |
| Accrued Interests Variation | 109 |
| **On 31st December 2019** | **32 719** |

The variations related to acquisitions and alienations maintained the rationale underlying the portfolio in terms of the liquidity reserve portfolio, mostly composed of high liquidity securities and rating.

In this sense, the transactions that took place intended to take advantage of market opportunities, anticipating the pandemic crisis and promoting investment in more favorable conditions, maintaining the overall profile of the portfolio.

**The details of this item, as at 31 December 2020, are as follows, in what concerns Consolidated and Individual amounts:**

**Consolidated / Individual**

| Name ant Type of Security | Currency | Amount | Price (EUR) | Valuation Criteria | Book Value |
|---|---|---|---|---|---|
| **Debt Instruments** | | | | | **32 231** |
| Issued by Residents | | | | | |
| REP PORTUGUESA/3.85 OB 20210415 | EUR | 70 000 | 1,04 | Fair Value | 73 |
| IGCP EPE/VAR OB 20210812 | EUR | 814 000 | 1,02 | Fair Value | 833 |
| IGCP EPE/VAR OB 20220412 | EUR | 207 000 | 1,03 | Fair Value | 214 |
| IGCP EPE/VAR OB 20211130 | EUR | 1 824 000 | 1,02 | Fair Value | 1 864 |
| IGCP EPE/VAR OB 20220802 | EUR | 438 000 | 1,03 | Fair Value | 452 |
| REP PORTUGUESA/VAR OB 20221205 | EUR | 342 000 | 1,02 | Fair Value | 350 |
| PORTUGAL, REPUB/VAR BD 20250723 | EUR | 5 571 000 | 1,05 | Fair Value | 5 854 |
| BRISA C ROD SA/2.375 OB 20270510 | EUR | 500 000 | 1,14 | Fair Value | 571 |
| TRANSPORTES AER/4.375 BD 20230623 | EUR | 750 000 | 0,80 | Fair Value | 602 |
| CAIXA GERAL DE DEP 1,25 19-2024 | EUR | 4 000 000 | 1,03 | Fair Value | 4 111 |
| MOTA ENGIL SGPS/4.375 OB 20241030 | EUR | 1 000 000 | 0,97 | Fair Value | 973 |
| REP PORTUGUESA/.475 OB 20301018 | EUR | 1 000 000 | 1,04 | Fair Value | 1 045 |
| CUF, SA - COMMERC PAPER 6M 20210621 | EUR | 300 000 | 1,00 | Fair Value | 299 |
| Issued by Non-Residents | | | | | |
| BANK OF CHINA/FRANKFURT | EUR | 5 000 000 | 1,00 | Fair Value | 5 021 |
| BKIA/0.875 BO 20240325 | EUR | 1 500 000 | 1,04 | Fair Value | 1 553 |
| VOLKSWAGEN INTE/2.625EUR NT 2027111 | EUR | 500 000 | 1,16 | Fair Value | 581 |
| CAIXABANK S.A./2.375 ASST BKD MT | EUR | 2 500 000 | 1,09 | Fair Value | 2 730 |
| VERTEX CAPITAL/4.75BD 20240403 | USD | 500 000 | 0,87 | Fair Value | 437 |
| CHONGQING WESTE/3.25EUR NT 20210906 | USD | 1 000 000 | 0,82 | Fair Value | 821 |
| COASTAL EMERALD/MTN 20210601 | USD | 2 000 000 | 0,82 | Fair Value | 1 643 |
| ANGLO AMERICAN/1.625EMTN 20250918 | EUR | 750 000 | 1,07 | Fair Value | 801 |
| RENAULT CREDIT /DBT 20250312 | EUR | 700 000 | 0,97 | Fair Value | 681 |
| FORD MOTOR CRED/VAREMTN 20221207 | EUR | 750 000 | 0,96 | Fair Value | 724 |
| **Equity Instruments** | | | | | **30** |
| Issued by Residents | | | | | |
| Floresta Atlântica - SGFII, SA | EUR | 10 125 | 2,96 | Fair Value | 30 |
| **Total** | | | | | **32 261** |

The acquisitions recorded in 2020 refer to the subscription of bonds issued by private domestic and foreign entities, with a rating between CCC+ - A- and fixed and variable remuneration rates between 0.1% to 4.75%.

As of December 31, 2019, the Bank is not using the intraday credit facility.

**The details of this item, as at 31 December 2019, were as follows, in what concerns Consolidated and Individual amounts:**

**Consolidated / Individual**

| Name ant Type of Security | Currency | Amount | Price (EUR) | Valuation Criteria | Book Value |
|---|---|---|---|---|---|
| **Debt Instruments** | | | | | **32 689** |
| Issued by Residents | | | | | |
| REP PORTUGUESA/3.85 OB 20210415 | EUR | 70 000 | 1,11 | Fair Value | 76 |
| IGCP EPE/VAR OB 20210812 | EUR | 814 000 | 1,05 | Fair Value | 847 |
| IGCP EPE/VAR OB 20220412 | EUR | 207 000 | 1,06 | Fair Value | 216 |
| IGCP EPE/VAR OB 20211130 | EUR | 1 824 000 | 1,06 | Fair Value | 1 898 |
| IGCP EPE/VAR OB 20220802 | EUR | 438 000 | 1,05 | Fair Value | 459 |
| REP PORTUGUESA/VAR OB 20221205 | EUR | 342 000 | 1,03 | Fair Value | 353 |
| PORTUGAL, REPUB/VAR BD 20250723 | EUR | 5 424 000 | 1,03 | Fair Value | 5 617 |
| CAIXABANK S.A./2.375 ASST BKD MT | EUR | 5 000 000 | 1,05 | Fair Value | 5 479 |
| PGB 1.95 06/15/29 | EUR | 2 000 000 | 1,15 | Fair Value | 2 302 |
| BRISA C ROD SA/2.375 OB 20270510 | EUR | 500 000 | 1,12 | Fair Value | 557 |
| TRANSPORTES AER/4.375 BD 20230623 | EUR | 500 000 | 1,02 | Fair Value | 501 |
| CAIXA GERAL DE DEP 1,25 19-2024 | EUR | 500 000 | 1,00 | Fair Value | 506 |
| MOTA ENGIL SGPS/4.375 OB 20241030 | EUR | 500 000 | 1,00 | Fair Value | 504 |
| Issued by Non-Residents | | | | | |
| RENEPL 1 3/4 06/01/23 | EUR | 3 000 000 | 1,04 | Fair Value | 3 197 |
| BANK OF CHINA/FRANKFURT | EUR | 5 000 000 | 1,00 | Fair Value | 5 014 |
| BKIA/0.875 BO 20240325 | EUR | 2 500 000 | 1,01 | Fair Value | 2 573 |
| ITALIA/0.65 BTP 20231015 | EUR | 2 000 000 | 1,01 | Fair Value | 2 029 |
| VOLKSWAGEN INTE/2.625EUR NT 2027111 | EUR | 500 000 | 1,12 | Fair Value | 561 |
| **Equity Instruments** | | | | | **30** |
| Issued by Residents | | | | | |
| Floresta Atlântica - SGFII, SA | EUR | 10 125 | 2,96 | Fair Value | 30 |
| **Total** | | | | | **32 719** |

# 9. Financial Assets at Amortized Cost

### As at 31 December 2020 and 2019, this item breaks down as follows:

| | 31-12-2020 | 31-12-2019 |
|---|---|---|
| Domestic Loans | | |
| Corporates | | |
| Other Loans | - | 7 |
| Overdrafts and on demand deposits | 175 | 288 |
| Private | | |
| Overdrafts and on demand deposits | 167 | 0 |
| External Loans | | |
| Others | 0 | 0 |
| | **175** | **296** |
| Ovedue Loans and Interests | 1 053 | 1 049 |
| | **1 227** | **1 345** |
| Securities Portfolio | - | - |
| | **1 227** | **1 345** |
| Impairment | (1 063) | (1 101) |
| | **164** | **244** |

### Principal and overdue accrued interests in arrears break down as follows:

| | Amount | |
|---|---|---|
| Tenor (months) | 31-12-2020 | 31-12-2019 |
| <= a 3m | - | - |
| > 03m <= 06m | - | - |
| > 06m <= 09m | - | - |
| > 09m <= 12m | - | - |
| > 12m <= 15m | - | - |
| > 15m <=18m | - | - |
| > 18m <= 24m | - | - |
| > 24m <= 30m | - | - |
| > 30m <= 36m | - | 183 |
| > 36m <= 48m | 183 | - |
| > 48m <= 60m | - | - |
| > 60m | 869 | 866 |
| **Total** | **1 053** | **1 049** |

### On December 31, 2020, the securities portfolio classified in this category shows the following detail:

| Name and Type of Security | Currency | Amount | Price | Valuation Criteria | Gross Value | Net Value |
|---|---|---|---|---|---|---|
| **Debt Instruments** | | | | | | |
| BANIF FINANCE LTD 3 12/31/19 | EUR | 3 825 000,00 | - | Amortised Cost | - | - |
| **Total** | | | | | **-** | **-** |

In December 2020, the Bank received part of the capital and accrued interest from the bonds referred to above, in the amount of 146 thousand euros (2019: 509 thousand euros), which were recorded in the item Gains or losses on the derecognition of financial assets and liabilities not measured at fair value through the results, net value (see Note 23).

### As at 31 December 2019, the details of securities portfolio were as follows:

| Name and Type of Security | Currency | Amount | Price | Valuation Criteria | Gross Value | Net Value |
|---|---|---|---|---|---|---|
| **Debt Instruments** | | | | | | |
| BANIF FINANCE LTD 3 12/31/19 | EUR | 3 825 000 | - | Amortised Cost | - | - |
| **Total** | | | | | **-** | **-** |

# 10. Investment Properties

This caption has the following composition on December 31, 2020 and 2019, and refers exclusively to the consolidated accounts arising from the real estate assets held by Turirent, an entity consolidated by the full method until the date of its sale materializes, during the year 2020:

### Consolidated

| Description | 31-12-2019 | Movements ocurred in 2020 | | | 31-12-2020 |
|---|---|---|---|---|---|
| | | Acquisitions | Disposals/ Transferences | Revaluations | |
| Real Estate Properties | 8 290 | - | (8 290) | - | - |
| **Total** | **8 290** | **-** | **(8 290)** | **-** | **-** |

| Description | 31-12-2018 | Movements ocurred in 2019 | | | 31-12-2019 |
|---|---|---|---|---|---|
| | | Acquisitions | Disposals/ Transferences | Revaluations | |
| Real Estate Properties | - | 8 290 | - | - | 8 290 |
| Foreclosed Real EstateProperties | 3 | - | (3) | - | - |
| **Total** | **3** | **8 290** | **(3)** | **-** | **8 290** |

On 26 August 2020, the Bank fully disposed of its stake in the Turirent fund, whose real estate assets, as of December 31, 2019, were recorded under Investment Properties, thus being the balance null as at 31 December 2020.

The properties held by the subsidiary Turirent – Fundo de Investimento Imobiliário Fechado and carried as investment properties, as at 31 December 2019 were registered at fair value and were valued by independent appraisers registered with CMVM in October 2019.

The fair value of these investment properties reflected the market conditions at the balance sheet date, and the respective changes were recognized in the profit and loss income statement for the period.

In terms of fair value hierarchy, these properties fall under level 3 of fair value (see Note 2.9 - Fair value of assets and liabilities).

### The summary of the assumptions used in the assessments referred to above were as follows:

| 12/31/2019 | | | Main Assumptions | | |
|---|---|---|---|---|---|
| Real estate Property | Type | Status | Área (m2) | Price m2 (euros) | Valuation |
| Quinta da Areeira - Plot 1 | Developed Land | Not rented | 288 | 674 | 194 |
| Quinta da Areeira - Plot 13 | Developed Land | Not rented | 288 | 2 375 | 684 |
| Quinta da Areeira - Plot 2 | Developed Land | Not rented | 288 | 653 | 188 |
| Quinta da Areeira - Plot 25 | Developed Land | Not rented | 396 | 480 | 190 |
| Quinta da Areeira - Plot 27 | Developed Land | Not rented | 285 | 733 | 209 |
| Quinta da Areeira - Plot 29 | Developed Land | Not rented | 285 | 428 | 122 |
| Quinta da Areeira - Plot 6 | Developed Land | Not rented | 288 | 2 757 | 794 |
| Quinta da Areeira - Plot 8 | Developed Land | Not rented | 340 | 3 676 | 1 250 |
| Quinta da Areeira - Plot 9 | Developed Land | Not rented | 320 | 4 313 | 1 380 |
| Terreno Barão de São Miguel Esparteira - Vila do Bispo | Bare land | Bare Land | 46 760 | 1 | 60 |
| Rua João de Freitas Branco, Plot 1, Lisboa - F | Finished Building - Business | Rented | 78 | 1 859 | 145 |
| Rua João de Freitas Branco, Plot 1, Lisboa - AO | Finished Building - Housing | Not rented | 112 | 3 438 | 385 |
| 4 frações Bloco C - Estrada da Ribeira, Alcabideche - Cascais | Finished Building - Housing | Not rented | 543 | 1 694 | 920 |
| Casa da Areia, Cascais | Finished Building - Housing | Not rented | 10 608 | 109 | 1 151 |
| 4 Frações Rua João de Freitas Branco, Plot 1, Lisboa | Finished Building - Business | Not rented | 317 | 1 678 | 532 |
| 4 Frações Rua João de Freitas Branco, Plot 1, Lisboa | Finished Building - Others | Not rented | 144 | 597 | 86 |
| | | | | | **8 290** |

**The results generated with investment properties for the year ended December 31, 2019 reflected in other operating income and expenses (Note 24) can be analyzed as follows:**

| 12/31/2019 | | |
|---|---|---|
| **Real Estate Property** | **Rental Income** | **Gains / (Losses) fair value** |
| Quinta da Areeira - Plot 1 | - | (13) |
| Quinta da Areeira - Plot 13 | - | (66) |
| Quinta da Areeira - Plot 2 | - | 13 |
| Quinta da Areeira - Plot 25 | - | (10) |
| Quinta da Areeira - Plot 27 | - | 18 |
| Quinta da Areeira - Plot 29 | - | 5 |
| Quinta da Areeira - Plot 6 | - | (30) |
| Quinta da Areeira - Plot 8 | - | (86) |
| Quinta da Areeira - Plot 9 | - | (139) |
| Terreno Barão de São Miguel - Esparteira - Vila do Bispo | - | - |
| Rua João de Freitas Branco, Plot1, Lisboa - F | 8 | 13 |
| Rua João de Freitas Branco, Plot1, Lisboa - AO | - | 7 |
| 4 frações Bloco C - Estrada da Ribeira, Alcabideche - Cascais | - | 44 |
| Casa da Areia, Cascais | - | 14 |
| 4 Frações Rua João de Freitas Branco, Plot 1, Lisboa | - | 17 |
| 4 Frações Rua João de Freitas Branco, Plot 1, Lisboa | - | (1) |
| | **8** | **(214)** |

# 11. Tangible Fixed Assets

The Bank's tangible fixed assets as at 31 December 2020 and 2019 are summarized to Bison Bank's tangible fixed assets, with the breakdown and movements occurred in the year in the following table:

## Consolidated / Individual

| Description | 31-12-2019 | | | Movements ocurred in 2020 | | | | 31-12-2020 | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Acquisitions | Write-offs | | Amortization for the year | | | |
| | Gross Amount | Amortization | Net Amount | | Gross Amount | Amortization | | Gross Amount | Amortization | Net Amount |
| **Other Tangible Assets** | | | | | | | | | | |
| **Real Estate Properties** | | | | | | | | | | |
| Work on leasehold real estate properties | - | - | - | - | - | - | - | - | - | - |
| Assets under financial lease | 2 081 | 437 | 1 644 | 44 | - | - | 475 | 2 125 | 912 | 1 213 |
| | **2 081** | **437** | **1 644** | **44** | **-** | **-** | **475** | **2 125** | **912** | **1 213** |
| **Equipment** | | | | | | | | | | |
| Office furniture and material | 280 | 264 | 16 | - | - | - | - | 280 | 264 | 16 |
| Machinery and tools | 16 | 16 | - | - | - | - | 1 | 16 | 16 | - |
| IT equipment | 181 | 151 | 30 | 13 | - | - | 22 | 194 | 173 | 22 |
| Inner facilities | 12 | 2 | 10 | - | - | - | 1 | 12 | 3 | 9 |
| Transport equipment | 20 | 20 | - | - | - | - | - | 20 | 20 | - |
| Assets under financial lease - cars | 274 | 42 | 232 | 81 | (14) | (4) | 66 | 337 | 104 | 233 |
| Security Equipment | 23 | 2 | 21 | - | - | - | 3 | 24 | 5 | 18 |
| Other Equipment | 24 | 24 | - | - | - | - | - | 24 | 24 | - |
| | **831** | **521** | **309** | **95** | **(14)** | **(4)** | **93** | **908** | **610** | **298** |
| | **2 912** | **959** | **1 953** | **139** | **(14)** | **(4)** | **568** | **3 033** | **1 522** | **1 511** |

The movement occurred in the previous period was as follows:

### Consolidated / Individual

| Description | 31-12-2018 | | | Movements ocurred in 2019 | | | | 31-12-2019 | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Acquisitions | Write-offs | | Amortization for the year | | | |
| | Gross Amount | Amortization | Net Amount | | Gross Amount | Amortization | | Gross Amount | Amortization | Net Amount |
| **Other Tangible Assets** | | | | | | | | | | |
| Real Estate Properties | | | | | | | | | | |
| Work on leasehold real estate properties | 40 | 40 | - | - | (40) | (40) | - | - | - | - |
| Assets under financial lease | - | - | - | 2 120 | (39) | (21) | 458 | 2 081 | 437 | 1 644 |
| | **40** | **40** | **0** | **2 120** | **(79)** | **(61)** | **458** | **2 081** | **437** | **1 644** |
| Equipment | | | | | | | | | | |
| Office furniture and material | 424 | 408 | 16 | - | (144) | (144) | - | 280 | 264 | 16 |
| Machinery and tools | 99 | 99 | - | 1 | (84) | (84) | 1 | 16 | 16 | - |
| IT equipment | 1 513 | 1 488 | 25 | 20 | ( 1 351) | ( 1 351) | 14 | 181 | 151 | 30 |
| Inner facilities | 60 | 50 | 10 | 6 | (54) | (51) | 3 | 12 | 2 | 10 |
| Transport equipment | 33 | 33 | - | - | (13) | (13) | - | 20 | 20 | - |
| Assets under financial lease - cars | - | - | - | 274 | - | - | 42 | 274 | 42 | 232 |
| Security Equipment | 23 | 23 | - | 23 | (23) | (23) | 2 | 23 | 2 | 21 |
| Other Equipment | 56 | 56 | - | - | (32) | (32) | - | 24 | 24 | - |
| | **2 208** | **2 157** | **51** | **324** | **(1 701)** | **(1 698)** | **62** | **830** | **521** | **309** |
| | **2 248** | **2 198** | **51** | **2 444** | **(1 780)** | **(1 759)** | **520** | **2 912** | **959** | **1 953** |

The impact of IFRS 16, on 1 January 2019, resulted in an increase in gross fixed assets of 2,120 thousand euros for properties and of 274 thousand euros for vehicles.

In 2019, the Bank proceeded to the disposal equipment in the amount of 1,701 thousand euros, of which about 80% relate exclusively to IT equipment purchased between 2001 and 2017, and which was already fully amortized.

# 12. Intangible Assets

As at 31 December 2020 and 2019, the Bank's intangible assets refer to Bison Bank's intangible assets, as shown in the following table, and the amounts presented consolidated and individual are coincident:

### Consolidated / Individual

| Description | 31-12-2019 | | | Movements ocurred in 2020 | | 31-12-2020 | | |
|---|---|---|---|---|---|---|---|---|
| | Gross Amount | Amortization | Net Amount | Acquisitions | Amortization | Gross Amount | Amortization | Net Amount |
| **Intangible Assets** | | | | | | | | |
| Software | 8 949 | 8 335 | 614 | 329 | 223 | 9 278 | 8 558 | 720 |
| | **8 949** | **8 335** | **614** | **329** | **223** | **9 278** | **8 558** | **720** |

| Description | 31-12-2018 | | | Movements ocurred in 2019 | | 31-12-2019 | | |
|---|---|---|---|---|---|---|---|---|
| | Gross Amount | Amortization | Net Amount | Acquisitions | Amortization | Gross Amount | Amortization | Net Amount |
| **Intangible Assets** | | | | | | | | |
| Software | 8 447 | 8 111 | 335 | 502 | 224 | 8 949 | 8 335 | 614 |
| | **8 447** | **8 111** | **335** | **502** | **224** | **8 949** | **8 335** | **614** |

The acquisitions in 2020 refer essentially to the investment made in the Bank's operational software and in a new mobile home banking application.

## 13. Current Tax Assets and Liabilities

As of 31 December 2020, and 2019, current tax assets and liabilities are summarized as follows:

**Consolidated / Individual**

| | 31-12-2020 | 31-12-2019 |
|---|---|---|
| Current Income Tax Assets | | |
| Special Account Payment ("Pagamento Especial por Conta") | 153 | 153 |
| | **153** | **153** |
| Current Income Tax Liabilities | | |
| Estimated Income Tax | (11) | (76) |
| | **(11)** | **(76)** |
| | **142** | **77** |

Current taxes recorded in the income statement for the year are explained as follows:

| | 31-12-2020 | 31-12-2019 |
|---|---|---|
| **Profit / (Losses) before Income Tax** | **(6 956)** | **(6 930)** |
| Corporate Income Tax and other Income Taxes | (1 510) | (1 577) |
| Statutory Income Tax Rate | 21,00% | 21,00% |
| Additional over Statutory Income Tax Rate | 1,50% | 1,50% |
| Autonomous Taxation | 11 | 76 |
| Banking Sector Tax | - | 3 |
| **Total Current Income Tax** | **11** | **79** |
| Deferred Income Tax | - | - |
| **Total Tax Burden** | **11** | **79** |

## 14. Deferred Tax Assets and Liabilities

Deferred tax assets and liabilities recorded by the Bank at 31 December 2020 and 2019 refer exclusively to Bison Bank and are summarized as follows:

**Consolidated / Individual**

| | 31-12-2020 | 31-12-2019 |
|---|---|---|
| Deferred tax assets | 163 | 183 |
| Deferred tax liabilities | (117) | (82) |
| **Total** | **46** | **101** |

### DEFERRED TAX ASSETS

Regarding deferred tax assets, recorded amounts are fully related with conversion scheme of deferred tax assets into tax credits, performed according to Portuguese law and explained as follows.

On 21 November 2014, the Bank verified to have met the requirements for the special scheme for the conversion of deferred tax assets ("special scheme") into tax credits.

These tax assets result from the non-deduction of expenses and negative equity changes due to impairment losses on loans and post-employment benefits or long-term employee benefits, as provided for in Law no. 61/2014, of 26 August. Thus, as a result of the net loss in the 2015 financial year, the Bank recorded deferred tax assets, in the amount of 755 thousand euros, for the balance of impairment losses on non-performing non-mortgage loans, that were above the limits established for in BoP's Notice no. 3/95.

The referred amount was covered by the special scheme. After having signed up for this scheme and following the calculation of a net loss for 2015, the Bank believes it meets the requirements for converting the said deferred tax asset into a tax credit, under article 6 of the special scheme. Thus in 2016, and for the purposes of the preceding paragraph, the Bank converted deferred tax assets in the amount of 442 thousand euros into tax credits.

The Bank simultaneously set up a special reserve in favour of the State in an amount equivalent to the tax credit plus a margin of 10%, totaling 486 thousand euros (see note 19).

As at 31 December 2016, the Bank maintained the amount of 313 thousand euros recorded as deferred tax assets. As a result from net loss incurred in the financial year of 2016, the Bank proceeded, in 2017, with the deferred tax assets conversion into tax credits in an amount of 65 thousand euros. Simultaneously, the Bank created a special reserve in favour of the State equivalent to the tax credit plus a margin of 10%, in the amount of 71 thousand euros (see note 19).

As at 31 December 2017, the Bank maintains the amount of 248 thousand euros recorded as deferred tax assets. Finally, as a result from net loss incurred in the financial year of 2017, the Bank proceeded, in 2018, with the deferred tax assets conversion into tax credits in an amount of 55 thousand euros. Simultaneously, the Bank created a special reserve in favour of the State equivalent to the tax credit plus a margin of 10%, in the amount of 60 thousand euros (see note 19).

The creation of a special reserve requires the constitution of conversion rights attributed to the Portuguese State. In this context, the Bank has proceeded with an issue of 404,669 conversion rights in favour of the Portuguese State relating to 2015, and separately issued 83,109 and 70,162 conversion rights relating to 2016 and 2017 financial years, respectively.

These rights were registered with the Central Securities Depository (Central de Valores Mobiliários / Interbolsa) as at 11th December 2017 and 6th September 2018, respectively. Under the above-mentioned scheme, such conversion rights correspond to securities which entitle the State the right to claim from the Bank the issue and free delivery of ordinary shares, following the share capital increase through the incorporation of the reserve amount.

However, under the terms set out by the Ministerial Order no. 293-A/2016, as at 18 November, a compulsory acquisition right of the conversion rights from the State is granted to the Bank's shareholder. In case the shareholder doesn't exercise the compulsory acquisition right of the conversion rights issued and allocated to the Portuguese State within the deadline established for this purpose, on the financial year in which the State exercises these rights, it will require the Bank the respective share capital increase through the incorporation of the special reserve amount and consequent issue and free delivery of ordinary shares representative of the Bank's share capital.

As a result of the net loss incurred in 2018, the Bank proceeded, in 2019, to convert deferred tax assets into tax credit in the amount of 28 thousand euros. At the same time, the Bank created a special reserve in favor of the State in the amount of the tax credit, increased by 10%, in the amount of 30 thousand euros (note 19).

Considering the net loss incurred in 2019, the Bank, in 2020, the Bank made the conversion of assets by deferred taxes into tax credit in the amount of 20 thousand Euros. At the same time, the Bank created a special reserve for the State in the amount of tax credit increased by 10%, in the amount of 22 thousand Euros (note 19). The Bank maintains a record of 145 thousand Euros as of December 31, 2020.

The registration of the special reserve implies the simultaneous establishment of conversion rights granted to the State.

In this context, the Bank issued 404,669 conversion rights to the Portuguese State for 2015 and separately issued 83,109 and 70,162 conversion rights for the financial years 2016 and 2017. These rights were registered with the Central Securities (Interbolsa) on December 11, 2017 and October 19, 2018, respectively. Consequently, the Bank issued 19,134 conversion rights for the financial year 2018 in 2020, in 2021, to the issuance of 16,232 conversion rights for the year 2019. These rights were registered with the Central Securities (Interbolsa) on 15 July 2020 and March 19, 2021, respectively.

In the same context, the Bank issued 19,134 conversion rights for the financial year 2018, in 2020, and in 2021, proceeded to the issuance of 16,232 conversion rights for the year 2019. These rights were registered with the Central Securities (Interbolsa), on 15 July 2020 and March 19, 2021, respectively.

Under the above-mentioned regime, such conversion rights correspond to securities which give the State the right to require the Bank to issue and deliver, free of charge, ordinary shares, following the increase in share capital by incorporating the amount of the reserve. However, the Bank's shareholder is granted the power to acquire conversion rights to the State, as defined in Ordinance No. 293-A/2016 of 18 November, changed by Ordinance No. 272/2017, of 13 September.

If the shareholder does not exercise the power to acquire the conversion rights issued and granted to the Portuguese State within the period established for this purpose, in the exercise in which the State exercises these rights, it will require the Bank to increase its capital by incorporating the amount of the special reserve and consequent issuance and free delivery of common shares representing the Bank's share capital.

**DEFERRED TAX LIABILITIES**

As of 31 December, 2020, and 2019, the deferred tax liabilities recorded are fully related to the revaluation reserves of proprietary securities portfolio, classified as Financial assets at fair value through other comprehensive income (Note 19).

**TAX LOSSES**

As provided for in article 52, no. 8 of the Corporate Tax Code (IRC), an entity may lose the right to deduct tax losses from previous years if there is a change in the ownership of more than 50% of its share capital or of a majority of the voting rights.

Following the resolution measure applied to Banif, SA, which was the entity that owned 100% of BBI's share capital until 20 December 2015, there was a change in the ownership of more than 50% of BBI's share capital. As a result, BBI submitted an application, within the legal deadline, to be allowed to maintain the tax losses determined for the reporting periods between 2012 and 2014, in the terms of article 52, no. 12, of the Corporate Tax Code (IRC).

Following the acquisition process of the Bank by Bison Financial, that was concluded with the signing of the closing certificate on 9th July 2018, for the entire quota capital of the Bank and its shareholder credits, there was a new change in the ownership of more than 50% of the Bank's share capital. Again, and as a result, the bank applied, within the legal deadline, to be allowed to maintain the tax losses determined for the eligible reporting periods finishing in 2017, under the terms of article 52, no. 12, of the Corporate Tax Code (IRC).

Considering the Bank's lack of reasonable expectations regarding the existence of future taxable profits, no deferred tax assets are recognized for tax losses.

**In the table below we detail the tax losses and the respective associated potential deferred tax asset, which the Bank did not accounted for, as a precaution, in its financial statements of 31 December 2020:**

| Year | Reportable Tax Losses | Potential Deferred Taxes | Carry forward (Years) | Carry forward (Last Year) |
|---|---|---|---|---|
| 2014 | 59 838 | 12 566 | 12 | 2026 |
| 2015 | 17 092 | 3 589 | 12 | 2027 |
| 2016 | 8 951 | 1 880 | 12 | 2028 |
| 2017 | 5 341 | 1 122 | 5 | 2022 |
| 2018 | 14 165 | 2 975 | 5 | 2023 |
| 2019 | 5 845 | 1 227 | 5 | 2024 |
| | **111 232** | **23 359** | | |

# 15. Other Assets

**This item breaks down as follows:**

| | CONSOLIDATED | | INDIVIDUAL | |
|---|---|---|---|---|
| | 31-12-2020 | 31-12-2019 | 31-12-2020 | 31-12-2019 |
| Sundry Debtors | | | | |
| Debtors | 14 653 | 790 | 14 653 | 796 |
| Margin Acoount | 1 369 | 1 389 | 1 369 | 1 389 |
| Tax Credit | 491 | 305 | 491 | 305 |
| Expenses with deferred charges | 231 | 223 | 231 | 223 |
| Other active transactions pending regularisation | 6 296 | 22 | 6 296 | 23 |
| | 23 040 | 2 729 | 23 040 | 2 737 |
| Impairment losses on other assets | (456) | (239) | (456) | (239) |
| | 22 584 | 2 490 | 22 584 | 2 498 |

As of December 31, 2020, under the caption "Sundry Debtors" the following variations stand out:

- under the heading "Debtors", which presents the inclusion on 31 December 2020 of the following amounts: i) Value referring to the capital increase, subscribed on 29 July 2020 and not realized as of 31 December 2020, in the amount of 13,300 thousand Euros (as described in Chapter 8 of the Management Report), which was fully realized on 29 January 2021; and (ii) commissions for the provision of depositary bank service of investment funds; 264 / 5000 and; iii) constitution in favor of the State, in 2020, of a deposit related to the receipt of the tax credit for the years 2015, 2016 and 2017, pursuant to paragraph 8 of article 6 of Ordinance No. 272/2017 , of 13 September in the amount of 618 thousand euros.

- in the "Margin Account" caption, which relates to amounts deposited with Clearnet in the amount of 1,368 thousand Euros (1,389 thousand Euros recorded as of December 31, 2019);

- under the caption "Sundry debtors - Tax Credit", the increase of 185 thousand euros is due to: i) the recognition of VAT recoverable from previous years, as a result of gracious claims already granted by the Tax Authority, in the amount of 165 thousand Euros, and ii) in the recognition of the tax credit amount of 20 thousand Euros, under the REAID, having been created and constituted the respective special reserve in favor of the state in the amount of 232 thousand Euros (see Note 19). In addition, the amounts receivable from the Bank, related to the tax contingency, existing in the Luson Carbon Fund / MCO2, and which refer to a moment prior to the carve out, which are part of the Share Purchase are recorded in this item and Sale Agreement constitutes a liability outside the scope of Bison Bank, SA in the amount of 223 thousand euros.

On 31 December 2020 the amount of 6,290 thousand Euros, is recorded under the heading "Other active transactions pending regularization", as a result of the sale process of Turirent. The amount referred to, will be paid in two down payments of 3,145 thousand Euros, in a two-year time horizon, with an expected date of completion in December 2022.

Impairment losses on other assets are essentially related to commissions, already overdue, relating to the provision of the depositary bank service of investment funds, and to balances of other debtors whose expectation of receival is measured according to the debtor's risk assessment (Note 17).

# 16. Deposits and Liabilities from other credit institutions and other clients

**This item breaks down as follows:**

| | CONSOLIDATED | | INDIVIDUAL | |
|---|---|---|---|---|
| | 31-12-2020 | 31-12-2019 | 31-12-2020 | 31-12-2019 |
| From credit institutions in Portugal | | | | |
| Short term deposits | 273 | 203 | 273 | 203 |
| Term deposits | - | 3 410 | - | 3 410 |
| | 273 | 3 613 | 273 | 3 613 |
| From credit institutions abroad | | | | |
| Deposits | 50 | 2 334 | 50 | 2 334 |
| | 323 | 5 947 | 323 | 5 947 |
| Deposits | | | | |
| Short term deposits | 37 450 | 15 272 | 37 450 | 15 281 |
| Term deposits | 2 549 | 9 151 | 2 549 | 9 151 |
| | 39 999 | 24 423 | 39 999 | 24 432 |
| | 40 322 | 30 370 | 40 322 | 30 379 |

Term deposits as at 31 December 2020 have maturities between 1 and 12 months (31-12-2019: maturities between 2 to 4 months) and a weighted average remuneration rate of 0.94% (31-12-2019: 0,31%).

The increase between 31 December 2020 and 2019 mainly relates to short-term deposits of securities and real estate investment funds, and short-term deposits from individuals.

# 17. Impairment, Provisions and Contingent Liabilities

Changes over the year were as follows:

**Consolidated:**

| Description | Balance as at 31/12/2019 | Reinforce-ments | Applications and Others | Reinstate-ments | Exchange Rate Differences | Balance as at 31/12/2020 |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Financial assets at fair value through other comprehensive income | 25 | 265 | - | (254) | - | 36 |
| Financial assets at amortised cost | 1 101 | 6 | - | (44) | - | 1 063 |
| Other assets | 239 | 295 | - | (77) | - | 456 |
| | 1 365 | 566 | - | (375) | - | 1 556 |
| **Liabilities** | | | | | | |
| Guarantees and other commitments | 2 102 | - | - | (9) | - | 2 093 |
| Fiscal contingencies and other provisions | 3 | - | - | (3) | - | - |
| | 2 105 | - | - | (12) | - | 2 093 |
| | 3 470 | 566 | - | (387) | - | 3 649 |

**Individual**

| Description | Balance as at 31/12/2019 | Reinforce-ments | Applications and Others | Reinstate-ments | Exchange Rate Differences | Balance as at 31/12/2020 |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Financial assets at fair value through other comprehensive income | 25 | 265 | - | (254) | - | 36 |
| Financial assets at amortised cost | 1 101 | 6 | - | (44) | - | 1 063 |
| Other assets | 239 | 295 | - | (77) | - | 456 |
| | 1 365 | 566 | - | (375) | - | 1 556 |
| **Liabilities** | | | | | | |
| Guarantees and other commitments | 2 102 | - | - | (9) | - | 2 093 |
| Fiscal contingencies and other provisions | 66 | - | - | (66) | - | - |
| | 2 168 | - | - | (75) | - | 2 093 |
| | 3 534 | 566 | - | (450) | - | 3 649 |

The reinforcement of provisions for other assets essentially respects (238 thousand Euros as of December 31, 2020), the estimated impairment associated with the the unsettled amounts related to the process of sale of Turirent (Note 15).

The provisions for guarantees provided and other loans refer to the estimated impairment in the application of the estimated credit loss model (see Note 2.16) on off-balance sheet items presented in Note 27.

Changes over the previous period were:

**Consolidated**

| Description | Balance as at 31/12/2018 | Reinforce-ments | Applications and Others | Reinstate-ments | Exchange Rate Differences | Balance as at 31/12/2019 |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Financial assets at fair value through other comprehensive income | 34 | 24 | 14 | (46) | - | 25 |
| Loans and advances to clients | 11 132 | 4 | (9 977) | (58) | - | 1 101 |
| Other assets | 1 312 | 146 | (1 073) | (146) | - | 239 |
| | 12 478 | 174 | (11 037) | (250) | - | 1 366 |
| **Liabilities** | | | | | | |
| Guarantees and other commitments | 2 216 | - | - | (114) | - | 2 102 |
| Fiscal contingencies and other provisions | 541 | - | (64) | (474) | - | 3 |
| | 2 757 | - | (64) | (588) | - | 2 105 |
| | 15 235 | 174 | (11 101) | (838) | - | 3 470 |

**Individual**

| Description | Balance as at 31/12/2018 | Reinforce-ments | Applications and Others | Reinstate-ments | Exchange Rate Differences | Balance as at 31/12/2019 |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Financial assets at fair value through other comprehensive income | 65 | 24 | (16) | (46) | - | 25 |
| Financial assets at amortised cost | 1 170 | 4 | (15) | (59) | - | 1 101 |
| Other assets | 240 | 146 | - | (147) | - | 239 |
| | 1 475 | 174 | (31) | (252) | - | 1 365 |
| **Liabilities** | | | | | | |
| Guarantees and other commitments | 2 216 | - | - | (114) | - | 2 102 |
| Fiscal contingencies and other provisions | 541 | - | - | (475) | - | 66 |
| | 2 757 | - | - | (589) | - | 2 168 |
| | 4 232 | 174 | (31) | (841) | - | 3 534 |



The utilization amount of 9,977 thousand euros and 1,073 thousand euros refer to impairments recorded on Credits granted by Banif US Real Estate to Banif Securities Holdings (see Note 9) and on the amount of tax receivable by Banif US Real Estate (see Note 16). As mentioned in Note 3, the units of Banif US Real Estate were transferred to Oitante following the agreement signed between it, Bison Bank and Bison Financial Holdings (Hong Kong) on 13 October 2019.

On December 31, 2020 and 2019, the impairment for guarantees provided correspond to the following nominal values recorded in off-balance sheet accounts of guaranties and sureties (Note 27):

**Consolidated / Individual**

| | 31-12-2020 | 31-12-2019 |
|---|---|---|
| **Guarantees provided (of which)** | | |
| Financial Guarantees | 1 050 | 1 060 |
| Performance Guarantees | 1 934 | 1 934 |
| | 2 984 | 2 994 |

## CONTINGENT LIABILITIES ORIGINATED BY THE RESOLUTION FUND

The Resolution Fund is a legal person governed by public law with administrative and financial autonomy, created by Decree-Law no. 31-A / 2012 of 10 February, which is governed by the Legal Framework of Credit Institutions and Financial Companies (Regime Geral das Instituições de Crédito e Sociedades Financeiras - “RGICSF”) and by its own regulation, whose mission is to provide financial assistance for the resolution measures implemented by the Bank of Portugal, acting as the national resolution authority, and to perform all other functions conferred by law in the execution of such measures.

The Bank, like most financial institutions operating in Portugal, is one of the institutions participating in the Resolution Fund, making contributions that result from the application of a rate defined annually by the Bank of Portugal based essentially on the amount of its liabilities.

In 2020, the periodic contribution made by the Bank amounted to 22 thousand euros (in 2019: 22 thousand euros), calculated based on the contribution rate of 0.060% (in 2019: 0.057%).

## RESOLUTION MEASURE APPLIED TO BANCO ESPÍRITO SANTO, SA

As part of its responsibility as a supervisory and resolution authority for the Portuguese financial sector, BoP, on August 3, 2014, decided to apply a resolution measure to Banco Espírito Santo, SA (“BES”) under 5 and article 145-G of the RGICSF, which consisted of transferring most of its activity to a transition bank, called Novo Banco, S.A. (“Novo Banco”), created especially for this purpose.

For the realization of Novo Banco’s share capital, the Resolution Fund, as a sole shareholder, made 4,900 million euros available, of which 365 million euros corresponded to its own financial resources. A loan from a banking syndicate was also granted to the Resolution Fund, in the amount of 635 million euros, with the participation of each credit institution being weighted according to several factors, including the respective size. The remaining amount (3,900 million euros) originated from a repayable loan granted by the Portuguese State.

Following the application of the aforementioned resolution measure, on 7 July 2016, the Resolution Fund declared that it would analyze and evaluate the steps to be taken following the publication of the report on the results of the independent evaluation exercise, carried out to estimate the level of credit recovery for each class of creditors in the hypothetical scenario of BES's normal insolvency proceedings on August 3, 2014. Under the terms of the applicable law, if it turns out that creditors whose credits have not been transferred to the Novo Banco assume a greater loss than they would have hypothetically had BES entered into the liquidation process just before the application of the resolution measure, these creditors are entitled to receive the difference from the Resolution Fund.

On March 31, 2017, BoP announced that it had selected the Lone Star Fund for the purchase of Novo Banco, which was completed on October 17, 2017, through the injection by the new shareholder of 750 million euros, to which a new capital inflow of 250 million euros will follow, to be carried out over a period of up to three years. With this transaction, Novo Banco's transitional bank status ceased, with the Lone Star Fund holding 75% of Novo Banco's share capital and the Resolution Fund the remaining 25%, even without the corresponding voting rights.

On February 26, 2018, the European Commission released the non-confidential version of the decision to approve State aid underlying the sale process of Novo Banco, which includes a contingent capitalization mechanism, under which the Resolution Fund he may be called upon to carry out capital injections if certain conditions related to the performance of a restricted set of Novo Banco assets and the evolution of the bank's capital levels materialize.

This mechanism is triggered annually, based on Novo Banco's annual accounts certified by the respective auditor, and the possibility of intra-annual calculations is foreseen only in case of failure by Novo Banco to comply with prudential requirements. For the purposes of this mechanism, differences in the valuation of assets (positive or negative) are taken into account in relation to their book value, net of impairments, recorded at 30 June 2016 (approximately 7.9 billion euros according to the information). provided by Novo Banco). Thus, economic gains or losses are considered, resulting, for example, from the sale of assets or from the restructuring of credits, but also the impairments, or their reversal, recorded by Novo Banco, under the terms of the accounting rules, as well as the costs financing associated with the maintenance of assets on the Novo Banco balance sheet.

Under the aforementioned mechanism, own financial resources were used as a result of contributions paid, directly or indirectly by the banking sector, complemented by a State loan in the amount of 430 million euros under the framework agreement signed between the Portuguese State and the Investment Fund. Resolution. According to the information provided by Novo Banco, as of December 31, 2017, the net value of the assets covered by the contingent capitalization mechanism perimeter amounted to approximately 5.4 billion euros.

On May 6, 2019, the Resolution Fund paid 1,149 million euros to Novo Banco with reference to the 2018 accounts, having used its own resources, resulting from contributions due, directly and indirectly by the banking sector, and appealed to a loan from the State in the amount of 850 million euros, which corresponds to the maximum annual financing limit agreed between the Resolution Fund and the State in October 2017.

In May 2020, the Resolution Fund made a payment of 1,035 million euros to Novo Banco with reference to the 2019 accounts, which resulted from the execution of the agreements signed in 2017, within the framework of the sale of 75% of the Resolution Fund's participation. at Novo Banco and complied with all the procedures and limits defined therein and resorted to a loan from the State in the amount of 850 million euros.

This mechanism is effective until December 31, 2025 (may be extended until December 31, 2026) and is limited to an absolute maximum of 3,890 million euros.



## BANIF RESOLUTION MEASURE - BANCO INTERNACIONAL DO FUNCHAL, S.A. (BANIF)

On December 19, 2015, the Board of Directors of BoP decided to declare that Banif - Banco Internacional do Funchal, SA ("Banif") was "at risk or in a situation of insolvency" and to initiate an urgent resolution process of the institution in the form of partial or total sale of its activity, and which materialized in the sale on December 20, 2015 to Banco Santander Totta SA ("Santander Totta") of the rights and obligations, constituting assets, liabilities, off-balance sheet items and assets under Banif's management for 150 million euros.

Most of the assets that were not subject to sale were transferred to an asset management vehicle, called Oitante, S.A. ("Oitante"), created specifically for this purpose, which has the Resolution Fund as its sole shareholder. The Issuer proceeded to issue representative debt bonds, in the amount of 746 million euros, with a guarantee provided by the Resolution Fund and a counter-guarantee by the Portuguese State.

This operation involved public support estimated at 2,255 million euros, aimed at covering future contingencies and which was financed at 489 million euros by the Resolution Fund and 1,766 million euros directly by the Portuguese State.

On July 21, 2016, the Resolution Fund made a payment to the State, in the amount of 163,120 thousand euros, as a partial early repayment of the resolution measure applied to Banif, allowing the outstanding amount to decrease by 489 million euros. euros to 353 million euros.

As of this date, the conclusions of the independent appraisal exercise carried out to estimate the level of credit recovery for each class of creditors are not yet known in the hypothetical scenario of a normal Banif insolvency proceeding on December 20, 2015.

As mentioned above for BES, if it turns out that creditors assume a greater loss than they would have hypothetically had Banif entered into the liquidation process just before the application of the resolution measure, these creditors are entitled to receive the difference from the Resolution Fund.

## RESPONSIBILITIES AND FINANCING OF THE RESOLUTION FUND

Na Following the resolution measures applied to BES and Banif and the Novo Banco sale agreement with Lone Star, the Resolution Fund contracted the loans referred to above and assumed contingent liabilities and responsibilities resulting from:

- effects of the application of the principle that no creditor of the credit institution under resolution can assume a greater loss than the one that would have taken if that institution had gone into liquidation;
- negative effects resulting from the resolution process that result in additional responsibilities or contingencies for Novo Banco that have to be neutralized by the Resolution Fund;
- legal proceedings against the Resolution Fund;
- guarantee given to the bonds issued by the Oiter. This guarantee is counter guaranteed by the Portuguese State;
- contingent capitalization mechanism associated with the sale process of Novo Banco to Lone Star.

In order to preserve financial stability through the promotion of conditions that provide predictability and stability to the contributory effort for the Resolution Fund, the Portuguese Government reached an agreement with the European Commission to change the conditions of financing granted by the Portuguese State and by the banks participating in the Resolution Fund. To this end, an amendment to the financing contracts to the Resolution Fund was formalized, which introduced a set of changes on the repayment plans, remuneration rates, and other terms and conditions associated with these loans, so that they adjust to the Resolution Fund's ability to fully meet its obligations based on its regular revenues, that is, without having to be charged, to the banks participating in the Resolution Fund, special contributions or any other type of extraordinary contribution.

According to the statement of the Resolution Fund of March 31, 2017, the review of the conditions of financing granted by the Portuguese State and participating banks aimed to ensure the sustainability and financial balance of the Resolution Fund, based on a stable, predictable charge. and affordable for the banking sector. Based on this review, the Resolution Fund considered that the full payment of its liabilities, as well as the respective remuneration, was ensured, without the need for recourse to special contributions or any other type of extraordinary contributions by the banking sector.

Notwithstanding the possibility provided for in the applicable legislation for the collection of special contributions, given the renegotiation of the conditions for loans granted to the Resolution Fund by the Portuguese State and a banking syndicate, and to public notices issued by the Resolution Fund and the Office of the Minister of Finance. Finance, these financial statements reflect the Board of Directors' expectation that the Bank will not be required to make special contributions or any other type of extraordinary contributions to finance the Resolution Fund.

Any significant changes in this regard may have significant implications for these financial statements.

## 18. Other Liabilities

**As at 31 December 2020 and 2019, this item breaks down as follows:**

| | CONSOLIDATED | | INDIVIDUAL | |
|---|---|---|---|---|
| | 31-12-2020 | 31-12-2019 | 31-12-2020 | 31-12-2019 |
| Creditors and other resources | 4 305 | 2 969 | 4 305 | 2 629 |
| Financial Leases | 1 390 | 1 738 | 1 390 | 1 738 |
| Public sector | 250 | 512 | 250 | 511 |
| Other liabilities transactions pending regularization | 108 | 697 | 108 | 697 |
| | **6 053** | **5 916** | **6 053** | **5 575** |

The caption, Creditors and other resources, includes on December 31, 2020, the amount of 2,048 thousand Euros, referring to subscriptions of the venture capital fund ActivCap FCR, partially realized, whose units have already been received by the Bank. The remaining 2,257 thousand Euros are related to the former Passive Management Fund and increased costs of services provided and personnel expenses.

The lease liabilities item shows the balances resulting from the entry into force of IFRS 16 and the corresponding accounting of lease agreements by the Bank as a tenant. The residual maturities of these liabilities are presented in Note 29, e).

The public and administrative sector item essentially includes withholding tax on income, stamp duty and social security contributions.

The other liabilities transactions pending regularization, in the amount of 108 thousand Euros (697 thousand Euros in 2019) refer to operations with customers.

# 19. Share Capital

As at 31 December 2020 and 2019, the Equity item had the following breakdown:

**Consolidated / Individual**

| | 31-12-2020 | 31-12-2019 |
|---|---|---|
| Share Capital | 195 198 | 176 198 |
| Securities Revaluation Reserves | 343 | 222 |
| Reserves and Retained Earnings | | |
| Legal Reserve | 3 300 | 3 300 |
| Other Reserves | 14 173 | 14 196 |
| Rights issued and attributable to the Portuguese Government 2015 (REIAD) (Note 13) | 486 | 486 |
| Rights issued and attributable to the Portuguese Government 2016 (REIAD) (Note 13) | 71 | 71 |
| Rights issued and attributable to the Portuguese Government 2017 (REIAD) (Note 13) | 60 | 60 |
| Rights issued and attributable to the Portuguese Government 2018 (REIAD) (Note 13) | 30 | 30 |
| Rights issued and attributable to the Portuguese Government 2019 (REIAD) (Note 13) | 23 | - |
| Other transactions - IFRS 9 Adjustment | 852 | 852 |
| Retained Earnings | (145 794) | (138 784) |
| Net Profit / (Loss) for the year | (6 967) | (7 009) |
| | **61 775** | **49 622** |

On 9 July, 2018, Bison Financial acquired the entire share capital of the Bank, amounting to 135,198 thousand euros and represented by 27,039,674 shares, with a nominal value of 5 euros each, to the former shareholder, Oitante, S.A..

On 20 July, 2018, Bison Financial concluded a capital increase of 41,000 thousand euros to 176,198 thousand euros, by issuing 8.20 million new shares with a nominal value of 5 euros each.

On July 29, 2020, Bison Financial decided to increase the Bank's share capital in 19,000 thousand Euros to 195,198 thousand Euros, and issued 3.8 million new shares, with a nominal value of 5.00 Euros each.

On September 28, 2020, Bison Financial decided that the capital increase should be carried out in two moments:

- With immediate effect, the amount of 5,700 thousand Euros;
- By the end of December 2020, the amount of 13,300 thousand Euros, and booked as at 31 December 2020 under the caption Other Assets (Note 15).

On 29 January 2021, Bison Financial decided to amend, Article 4° n°1, of the Bank's Statutes following the Bank's general meetings held on 29 July and 28 September 2020, in the context of which it was decided to increase the Bank's capital from 176,198 thousand Euros to 195,198 thousand Euros, with two cash entries in the amount of 5,700 thousand Euros and 13,300 thousand Euros which were realized on 28 September 2020 and 29 January 2021, respectively.



Article 4°, n°1 of the Bank's Statutes has been worded as follows:

**"Article 4° (Share Capital)**

**1.** The share capital, fully subscribed and realized is €195,198,370.00 (one hundred and ninety-five million, one hundred and ninety-eight thousand three hundred and seventy Euros)".

The Bank meets the minimum capital requirements with an 80.6% Core Tier 1 ratio and 80.6% in Core Total (in 2019, the Core Tier 1 ratio was 84.7% and 84.7% in Core Total).

Revaluation reserves fully refer to the securities portfolio classified as financial assets at fair value through other comprehensive income.

| Revaluation Reserves | |
|---|---|
| **Balance as at 31-12-2018** | **450** |
| Reserves emerging from the valuation at fair value of the financial assets | 158 |
| Reserves recognised in the profit and loss account from the disposal of assets | (266) |
| Reserves recognised in retained earnings from the disposal of assets | (321) |
| Reserves recognised through deferred taxes | 66 |
| Reserves recognised in the profit and loss account through impairment and effective rate adjustment | 135 |
| **Balance as at 31-12-2019** | **222** |
| Reserves emerging from the valuation at fair value of the financial assets | 400 |
| Reserves recognised in the profit and loss account from the disposal of assets | (275) |
| Reserves recognised in retained earnings from the disposal of assets | - |
| Reserves recognised through deferred taxes | (35) |
| Reserves recognised in the profit and loss account through impairment and effective rate adjustment | 31 |
| **Balance as at 31-12-2020** | **343** |

# 20. Interest Revenue and Expenses

This item breaks down as follows:

**Consolidated / Individual**

| | 2020 | 2019 |
|---|---|---|
| **Interest and similar income** | | |
| Interests on financial assets at amortised cost | 45 | 192 |
| Interests on financial assets held for trading | 3 | 3 |
| Interests on financial assets at fair value through profit or loss and through other comprehensive income | 459 | 212 |
| | **507** | **407** |
| **Interests and similar charges** | | |
| IFRS 16 interests | 22 | 23 |
| Interests on deposits from other clients | 63 | 107 |
| Interests on deposits and liabilities from other credit institutions | 15 | 22 |
| | **100** | **152** |

# 21. Dividend Revenue

This item breaks down as follows:

**Consolidated / Individual**

| | 2020 | 2019 |
|---|---|---|
| Ascendi | - | 2 |
| | **-** | **2** |

## 22. Revenue from Services and Commissions

**This item breaks down as follows:**

| | CONSOLIDATED | | INDIVIDUAL | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| **Commission Income** | | | | |
| Rendered Services of administration, custodian and securities deposit | 281 | 419 | 276 | 419 |
| Securities transactions | 143 | 243 | 143 | 243 |
| Guarantees provided | 27 | 6 | 27 | 6 |
| Other rendered services | 71 | 42 | 71 | 42 |
| Other received commissions | 813 | 1 621 | 821 | 1 630 |
| | 1 334 | 2 331 | 1 338 | 2 340 |
| **Commission Expenses** | | | | |
| Banking Services provided by third parties | 370 | 213 | 190 | 161 |
| Securities transactions | 23 | 4 | 23 | 14 |
| Other commission expenses | 55 | 102 | 55 | 101 |
| | 448 | 319 | 268 | 276 |

As explained in note 4, the Bank only reports by segments in its individual accounts, and the following information refers to the Bank´s individual accounts.

Income and charges for services and commissions by business segment, on an individual level, can be presented as follows:

| 2020 | Investment Banking | Sales & Trading | Wealth Management | Client Management | Others | Total |
|---|---|---|---|---|---|---|
| Commissions Income | 98 | 58 | 19 | 1 163 | - | 1 338 |
| (Commissions expenses) | - | (23) | - | (12) | (233) | (268) |
| **Net Commissions** | 98 | 34 | 19 | 1 152 | (233) | 1 071 |

| 2019 | Investment Banking | Sales & Trading | Wealth Management | Client Management | Others | Total |
|---|---|---|---|---|---|---|
| Commissions Income | 780 | 32 | 2 | 1 525 | 1 | 2 340 |
| (Commissions expenses) | (45) | - | (43) | - | (188) | (276) |
| **Net Commissions** | 735 | 32 | (41) | 1 525 | (187) | 2 064 |

As mentioned above, the table presented relates to Bison Bank's individual financial statements, the difference from the consolidated financial statements relates to the commissions charged between the consolidation entities, and as such annulled in the consolidation process, and the commissions charged by third parties to Turirent.



## 23. Profit/(Loss) in Financial Operations

**This item breaks down as follows:**

| | CONSOLIDATED | | INDIVIDUAL | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| **Gains on Financial Transactions** | | | | |
| Gains on other financial assets valued at fair value through profit and loss | 879 | 269 | 651 | 269 |
| Gains on financial assets through other comprehensive income | 275 | 266 | 275 | 266 |
| Gains on derecognition of financial assets and liabilities not measured at fair value through profit or loss | 146 | 509 | 146 | 509 |
| Gains on foreign exchange differences | 1 419 | 753 | 1 419 | 753 |
| | 2 720 | 1 797 | 2 492 | 1 797 |
| **Losses on Financial Transactions** | | | | |
| Losses on other financial assets valued at fair value through profit and loss | 185 | 925 | 185 | 1 283 |
| Losses on financial assets and liabilities held for trading | - | 1 | - | 1 |
| Losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss | 1 | - | 1 | - |
| Losses on foreign exchange differences | 1 679 | 574 | 1 679 | 574 |
| | 1 865 | 1 500 | 1 865 | 1 858 |
| **Profit / (Loss) from assets and liabilities valued at fair value through profit and loss** | 694 | (657) | 466 | (1 015) |
| **Profit / (Loss) from derecognition of financial assets and liabilities not measured at fair value** | 421 | 775 | 421 | 775 |
| **Profit / (Loss) from financial assets and liabilities held for trading** | - | (1) | - | (1) |
| **Profit / (Loss) from foreign exchange differences** | (260) | 179 | (260) | 179 |

During 2020 and 2019 Bison Bank received 146 thousand Euros and 509 thousand Euros, respectively, for the settlement of part of the capital and interest on Banif Finance LTD 3 12/31/19 (see Note 9).

The foreign exchange position, by currency, as of December 31, 2020 is presented in Note 30.

## 24. Other Operating Income and Expenses

**This item breaks down as follows:**

| | CONSOLIDATED | | INDIVIDUAL | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| Other operating income and revenue | 336 | 347 | 266 | 205 |
| Other operating charges and expenses | (5) | (400) | (5) | (52) |
| Other charges | (74) | (96) | (62) | (62) |
| | **257** | **(149)** | **199** | **91** |

In 2020 and 2019 the Bank in its consolidated accounts recorded losses of 386 and 214 thousand euros, respectively, due to the valuations of investment properties.

## 25. Staff Expenses

**This item has breaks down as follows:**

| CONSOLIDATED/INDIVIDUAL | 2020 | 2019 |
|---|---|---|
| Remuneration of management and supervisory board members | 1 153 | 1 200 |
| Remuneration of employees | | |
| Remuneration of employees | 2 325 | 2 398 |
| Holiday and Christmas | 471 | 585 |
| Lunch allowance | 100 | 108 |
| Other additional remunerations | 265 | 281 |
| | **3 161** | **3 372** |
| Compulsory social security charges: | | |
| Charges relating to remuneration | 979 | 1 064 |
| Charges with pension funds | 77 | 104 |
| Other social security charges | 86 | 74 |
| | **1 142** | **1 242** |
| Other personnel costs | 122 | 191 |
| | **5 578** | **6 005** |

The reduction in the personnel expenditure item is mainly due to the restraint associated with the new hire process during the financial year 2020.

The Bank and its employees contribute to a defined contribution pension fund managed by Real Vida Pensões, granting its members individualized acquired rights.

As of 31 December, 2020, Bison Bank employed 58 employees, compared with 57 as of December 31, 2019.

# 26. Other Administrative Expenses

**This item breaks down as follows:**

| | CONSOLIDATED | | INDIVIDUAL | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| IT | 1040 | 1 178 | 1040 | 1 178 |
| Retainers and fees | 579 | 565 | 579 | 565 |
| Information services | 340 | 328 | 340 | 328 |
| Consulting and external auditors | 291 | 169 | 288 | 163 |
| Rentals and leases | 142 | 292 | 136 | 268 |
| Other specialised services | 121 | 157 | 107 | 129 |
| Communications | 63 | 88 | 63 | 88 |
| Travel, accommodation and representation | 57 | 210 | 57 | 210 |
| Cleaning | 38 | 29 | 38 | 29 |
| Advertising and publications | 37 | 36 | 37 | 36 |
| Water, energy and fuel | 34 | 53 | 34 | 53 |
| Personnel training | 27 | 62 | 27 | 62 |
| Maintenance and Repair | 16 | 55 | 14 | 55 |
| Consumables | 11 | 24 | 11 | 24 |
| Legal, litigation and notary expenses | 12 | 8 | 1 | 4 |
| Insurance | 4 | 11 | 1 | 7 |
| Transportation | - | 0 | - | 0 |
| | 2 812 | 3 264 | 2 773 | 3 199 |

Details of the total fees invoiced by the Statutory Auditor of Bison Bank for the financial years ending 31 December 2020 and 2019 are as follows, according to the nature of the service provided

| | 2020 | 2019 |
|---|---|---|
| Statutory audits account | 71 | 59 |
| Other reliability assurance services: | | |
| Required by law to the Statutory Auditor | 28 | 35 |
| Not required by law to the Statutory Auditor | 16 | 18 |
| | 115 | 112 |

**Note:** Values do not include VAT.

The caption, “Other reliability assurance services” include fees related to: (i) the review of the Bank’s internal control system, including that underlying the prevention of money laundering and terrorism financing; (ii) the review of procedures and measures related to safeguarding customer assets; and (iii) certification under the special regime applicable to deferred tax assets (REIAD).

# 27. Off-Balance Sheet Responsibilities

**The breakdown for off-balance sheet responsibilities, with reference to 31 December 2020 and 2019, presents the following detail:**

**Consolidated / Individual**

| | 31-12-2020 | 31-12-2019 |
|---|---|---|
| Guarantees provided | 2 984 | 2 994 |
| Assets given as guarantee | 231 | 237 |
| Commitments to third parties (of which) | | |
| Irrevocable Commitments | 92 | 56 |
| Revocable Commitments | - | - |
| | 3 308 | 3 287 |

**The breakdown for contingencies and commitments to third parties, but not recognized in the Financial Statements, with reference to 31 December 2020 and 2019, is as follows:**

**Consolidated / Individual**

| | 31-12-2020 | 31-12-2019 |
|---|---|---|
| Deposit Millennium BCP | 1 500 | 1 500 |
| Deposit Banco de Portugal | 200 | 200 |
| Deposit Clearnet | 1 369 | 1 389 |
| Portuguese Republic Bonds | 159 | 161 |
| | 3 228 | 3 250 |

# 28. Results Per Share

**As of December 31, 2020 and 2019 the basic and diluted earnings per share is as follows:**

**Consolidated / Individual**

| | 2020 | 2019 |
|---|---|---|
| Net Profit / (Loss) for the year expressed in euros | (6 967 420) | (7 009 226) |
| Net Profit / (Loss) for the year expressed in euros | 36 848 964 | 35 239 674 |
| Basic earnings per share (expressed in euro per share) | (0,19) | (0,20) |

# 29. Risks of Financial and Non-Financial Instruments

## 29.1 Risk management policies and main risks

A Risk is managed according to strategies and policies defined by the Board of Directors (BoD), and by the Board Member responsible for risk management (CRO). Daily management of risks is delegated to the director responsible for daily risk management.

- The risk management structure at Bison Bank considers an active involvement of the entire Bank, in particular:
- Board of Directors (BoD);
- Executive Committee (EC), responsible for the implementation and maintenance of a risk management system based on the government, strategy and risk policies approved by the Board, after prior opinion of the Supervisory Board (SD);
- Functional Committees, such as the Asset and Liability (ALCO) and Risk Management Committee, the Compliance Committee, and the Risk and Compliance Committee, a governance committee;
- The Risk Department (RID), Compliance Department (COD), Internal Audit Department (IAD) and the Supervisory Board (SB).

The BoD is the body responsible for defining the risk management policy. The EC, composed by the executive members of the management, is responsible for conducting risk policies and for the executive decisions of risk management measures and actions. The Risk and Compliance Committee, a governance committee, which is composed by non-executive directors and members of the SB, has the responsibility to advise and support the Board, in the exercise of its supervisory functions, in decision-making processes related to risk management, compliance and internal control.

In functional terms, Bison Bank's risk management function and monitoring is centralized in the Risk Department (RID). This unit is independent of the risk origination departments, having all the necessary organic and functional autonomy, as well as access to all activities and necessary information it needs to carry out its duties. Its main function is to implement an integrated risk management system appropriate to the nature and risk profile of the Bank, through the development of practices that allow the identification, assessment, monitoring and control of the different types of risk assumed and underlying the activity of the Bank. Bank.

RID takes an active role in terms of influencing the decision-making process, issuing analyzes, opinions, guidelines and recommendations on operations involving risk taking, related parties, etc., ensuring regular reporting of information to the BoD, SB, Risk and Compliance committee and governing bodies and other key members of the management team, aiming at understanding and monitoring the Bank's main risks.

The risk management system is supported by a set of principles indicated below and is aligned with the strategy, business model, risk appetite and guidance of the supervisor, and meets the principle of proportionality:

- Direct involvement of the BoD;
- Permanent promotion of a strong risk culture, which should be present in all processes, particularly those involving strategic and business decision-making;
- Permanent adjustments to good practices and regulatory requirements;
- Implementation of comprehensive risk management that incorporates all the Bank's current or potential risks.

Risk management is carried out through three lines of defense in the Bank's organizational structure:

**1st Line of Defense:**
Departamentos de Negócio (risk-takers);

**2nd Line of Defense:**
Independent Control Functions (Risk and Compliance);

**3rd Line of Defense:**
Internal Audit.

For more effective risk monitoring and decision making by the BoD, two functional committees (advisory bodies) were established:

- Asset and Liability (ALCO) and Risk Management Committee - held quarterly under the supervision of TED (Liability) and RID (Risk Management). In general terms, it is responsible for analyzing the different risk exposures (early warning signs) and their suitability in light of the risk structure, such as the RAS KRI, proposing the adoption of mitigation / corrective measures, monitoring and controlling all matters related to liquidity risk; and
- Compliance Committee - held quarterly under the supervision of COD. Its competences include analyzing and evaluating situations related to money laundering and terrorist financing, whenever their relevance or associated risk is significant, proposing corrective and preventive measures for situations within the scope of the compliance function.

In addition to the functional committees, Bison Bank's global risk structure and monitoring of the evolution of risks are also addressed to the Risk and Compliance Committee, a governance committee, which has the responsibility to advise and support the BoD in the exercise of its supervisory function.

Bison Bank has implemented an Internal Control System (ICS) that allows the Bank to properly manage the risks arising from its business, considering its risk profile, appetite, and risk tolerance.

The Bank has implemented processes for identifying internal and external risks that, in relation to each risk category, may affect its ability to achieve strategic objectives. In addition to the risks arising from its balance sheet exposure, as well as guarantees and commitments assumed (financial risks), the system allows the identification of non-financial risks.

The identification of non-financial risks is based on the risk self-assessment process (Risk Self-Assessment Process or Risk Control Self-Assessment - RCSA) through which the Bank's units/departments assess the risks to which they are exposed in the development of their activities. The main objective of the RCSA exercise is to assess the Bank's (inherent and residual) risks in the development of its business, as well as the quality of related controls.

In the development of its activity, the Bank seeks to mitigate the associated risks, through specific policies that aim to limit exposure to various risks, through the process of monitoring and continuous controls, as well as using risk protection instruments. Within the scope of the loan portfolio (inactive activity), the Bank has only real collateral (mortgage on real estate), which are registered in the Bank system. The Bank has foreseen the possibility of using other protection and risk measures, namely in the scope of foreign exchange risk and interest and rate risk. For these instruments, the Bank has a dedicated platform, with exposures being valued and controlled on a regular basis.

The Bank opted for a conservative and holistic approach to risks, treating all risks to which it is exposed, as well as the risks contained in BoP nº3/2020 / Instruction nº18/2020 as material/relevant to the Bank.

Bison Bank recognizes that financial activity is carried out in a complex context, with significant and interconnected risks. In this sense and using a certain number of definitions provided by the BoP, the main risks to which the Bank is exposed are identified and characterized.

The Bank ensures that its management is carried out with solid and strong risk control. To this end, the Bank establishes regular reviews (periodic reviews of its risk management policies and procedures, in order to reflect changes in regulations, markets, products and best practices) and monitors the procedures for its activities, as well as limits of prudent risk exposure, defining the Risk Appetite Statement (RAS).

Facing this background, the Bison Bank's BoD declares that the risk management system implemented, as well as the processes and measures designed to ensure that the defined risk limits are met, is adequate to ensure the correct development of the business strategy, taking into account the profile and size of the Bank.

In addition, Bison Bank's BoD declares that the Bank's risk management policies are based on a conservative approach, resulting in robust capital ratios and liquidity position. As a fundamental principle underlying the management and formulation of risk strategies is the understanding of the risks to which the institution is exposed, and the implementation of a comprehensive risk appetite structure for the Bank.

| | Ratios | Internal Objective | 31-12-2020 |
|---|---|---|---|
| Capital/Liquidity /Leverage | Total Capital Ratio - Regulatory (Pilar i) | >=20% | 80.6% |
| | Total Own Funds | >=€20 M | 47.9% |
| | NSFR | >=110% | 134.0% |
| | LCR | >=110% | 236.6% |
| | Leverage Ratio | >=12,5% | 48.5% |

In this sense, the Bank defined, in its RAS, the following principles as the most relevant to the risk strategy:

- Ensure adequate levels of solvency and liquidity: a) Maintaining the level of capital above regulatory requirements, in both normal and adverse scenarios; b) Ensuring a stable, solid and secure liquidity position capable of withstanding adverse events; and c) Maintaining a stable financing capacity and levels of liquidity intervals that allow the Balance Sheet structure to adapt to existing circumstances;
- Ensure the adoption of good practices for risk management: a) Operating in accordance with sound principles for risk management, with an effective risk governance model and policies that cover all risks to which it is exposed, ensuring compliance with laws and regulations; b) Developing a strong risk management culture focused on preserving the Bank's solvency and its financing capacity.

RID is responsible for monitoring the Bank's risk profile through the defined metrics and timely communication to the BoD. Compliance with the RAS KRI, as well as regulatory ratios and internal limits, is carried out on a monthly basis in the "Finance & Risk Report", prepared by RID and sent to the EC and BoD for monitoring. This report is also analyzed by the SB and the Risk and Compliance Committee.

The Bank has established a reporting structure that ensures exhaustive monitoring of the various risks by the relevant areas and management bodies. Such monitoring follows a specific timetable:

- Monthly report to the BoD ("Finance & Risk Report") that evaluates, reviews, and discusses the current risk situation, cases of limits/tolerances reached and updating of individual metrics;
- Quarterly/biweekly presentation to the Asset and Liability Committee (ALCO) and Risk Management and the Risk and Compliance Committee in order to review and discuss the performance of the overall risk, assess the status of metrics achieved, discussion of individual metrics and continuous verification of effectiveness and adequacy of RAS.

The risk management system in place, including risk reduction, hedging policies and strategies and processes for controlling their effectiveness, aim to ensure that the risks to which the Bank is exposed remain at the level defined by the BoD and that do not significantly affect the Bank's financial situation, thus enabling the proper implementation of the strategy, the fulfillment of objectives and the taking of necessary measures.

In this sense, within the scope of the risk management system, the Bank acts to ensure, in a timely manner, the prevention of non-compliance or potential non-compliance situations and its detection, if they occur, so that immediate corrective risk mitigation measures' adoption is possible.

In this context, the Bank approved the RAS, through which it defined the global and specific objectives with regard to the risk profile and the degree of tolerance to risk, covering the risk categories to which it is exposed, as well as the governance process in case limits or tolerances are exceeded.

In summary, the RAS provides for permanent monitoring of the risks that affect the business, through all the indicators and respective limits established in the framework of the RAS. Regular monitoring of compliance with RAS metrics and tolerance limits allows the BoD to control and proactively manage current or potential risk appetite breaches.

Compliance with the KRI (Key Risk Indicators) established in the RAS is updated monthly and is included in the "Finance & Risk Report", prepared by RID and sent to the EC and the BoD for monitoring. In summary, RID, within the scope of its regular functions, is responsible for monitoring the Bank's risk profile through the defined metrics and timely communication to the Board, as well as to the Risk Committees.

**Regulatory context – main highlights:**

Throughout 2020, the Bank developed its activity in a difficult context, due to the pandemic context that still prevails. At the regulatory level, during the year 2020, and following the COVID-19 pandemic crisis, the supervisory authorities took a series of flexibility measures, so that financial institutions could give an adequate response to the COVID-19 scenario, without being penalized because of a rigid regulatory framework.

Among the various measures, we highlight the following:

1. In April 2020, the EBA published guidelines on the regulatory treatment of public and private moratoriums applied before 30 June 2020 on loan repayments (term extended until 30 September 2020, 18 June 2020), considering the COVID-19 crisis (EBA / GL / 2020/02). At the national level, in March 2020, a Decree-Law nº10/2020 was approved, which established exceptional support and protection measures for families, companies and social economy entities, due to the economic and financial impacts of the contraction in economic activity resulting from the COVID-19 pandemic, with the moratorium effective until September 30, 2020. Subsequently, in June 2020, the moratorium was extended until March 31, 2021;
2. The European Parliament approved, on June 18, 2020, the legislative proposal for "quick fix" amendments to the Capital Requirements Regulation ("CRR 2.5"). This includes anticipating the application of certain measures provided for in CRR2 (factors for reducing capital consumption in the financing of infrastructures and SMEs, as well as the modification of deductions by software, with an impact on the calculation of credit risk capital requirements), the one concerning IFRS9 (includes an extended transition period and changes in the calculation) and other measures such as preferential treatment for the purpose of the NPL allocation calendar for loans that are guaranteed by public credit institutions, the introduction of a prudential filter that counteract the negative impact of volatility on central government debt markets during the pandemic,

Still at the national level, the following circular letters issued by Banco de Portugal (BdP) also stand out:

1. CC/2020/00000013, March 2020 - Recommends that in the process of granting and restructuring credits to debtors or groups of debtors with increased risk, the increase risk relate to these debtors or groups of debtors should be subject to the approval of the management body of institution, in a plenary meeting, as well as immediately informing the supervisory board of all operations analyzed by the management body, regardless of the respective approval or rejection;

Several flexibility measures related to the pandemic crisis have been published, including:

2. CC/2020/00000017, March 2020 - Discloses measures for easing regulatory and supervisory requirements to ease the contingency situation resulting from the COVID-19 outbreak;
3. CC/2020/0000021, April 2020 - Informs that Less Significant Credit Institutions subject to their supervision may operate, temporarily, at a lower level than the recommendation of own funds ("Pillar 2Guidance") and the combined reserve own funds, and with liquidity levels below the liquidity coverage requirement ("LCR");
4. CC/2020/00000053, August 2020 - Informs that Banco de Portugal will allow the reposition of the combined reserve of own funds and the level of Pillar 2 Guidance until at least the end of 2022, and will allow the reposition of the LCR up to at least at the end of 2021, with a view to strengthening the capacity of credit institutions to finance the economy and the capacity to absorb losses resulting from the pandemic crisis;
5. CC/2020/00000064 - Stresses the importance for institutions to adequately comply with the guidelines contained in the "Guidelines on the granting and monitoring of loans (EBA/GL/2020/06)", which must be followed and applied in the context the legislation and regulations in force, which will come into force on June 30, 2021;

In practical terms, the various flexibility measures had no material impact on the Bank's activity, given the comfortable situation of capital and liquidity that it presents, as well as the small size and characteristics of the credit portfolio (legacy credit).

Equally important in national context, the publication of Notice nº3/2020 and Instruction nº18/2020 of BoP, in terms of conduct and organizational culture and government, internal control and risk management system.

## FINANCIAL RISKS

### a) Credit risk

Credit risk is the likelihood of negative impacts on results or equity that arises from the inability of a counterparty to meet its financial commitments to the Bank, including possible restrictions on the transfer of payments from abroad. This risk manifests itself in the possibility of negative variation in the economic value of a given instrument as a result of the deterioration in the credit risk quality of the counterparty (e.g. external ratings). Credit risk is Bison Bank's main financial risk.

In the Bank, the credit risk underlying the activity essentially results from its securities portfolio, which is essentially composed by bonds, liquidity exposure to financial institutions and, to a lesser extent, credit granted and guarantees provided to customers.

During the year, the Bank had no credit activity (as of 31 December 2020, the net customer loan portfolio as a % of total assets was 0.15% against 0.28% as of 31 December 2019).

### IMPAIRMENT

The credit risk ultimately materializes in the impairment losses realized by the Bank. These are the best estimates of losses on the reference date and may or may not become actual losses.

The Bank recognizes impairment losses for financial assets measured at amortized cost and at fair value through other comprehensive income, as well as for other exposures that have associated credit risk, other debtors as well as off balance sheet exposures.

IFRS 9 stipulates that the concept of impairment is determined based on expected losses, designating a set of classification and measurement criteria for expected losses arising from impairment of financial assets. Financial assets subject to impairment losses must be classified in different stages ("stages"), which depend on the change in credit risk from the date of initial recognition and not depending on the credit risk at the reporting date:

- **Stage 1:** financial assets must be classified in stage 1 whenever there is no significant increase in credit risk since the date of their initial recognition;
- **Stage 2:** includes financial assets in which there has been a significant increase in credit risk since the date of its initial recognition;
- **Stage 3:** assets classified at this stage on the balance sheet date show objective evidence of impairment, as a result of one or more events that have already occurred, resulting in a loss.

The measurement of expected losses is the result of the product between (i) the probability of default (PD) of the financial instrument, (ii) the loss given default (LGD) and (iii) the exposure on the standard date (EAD), discounted, at the balance sheet date, using the effective interest rate of the contract.

As mentioned above, the main difference between impairment measured for financial assets classified as stage 1 or 2 is the respective time horizon in the calculation of the PD. The expected losses for financial assets at stage 1 are calculated using a 12-month PD, while the expected losses at stage 2 use a permanent PD. The calculation of the expected loss for financial assets under stage 3 was leveraged in the existing procedures for the estimate of impairment developed by management.

For debtors with an external rating, the Bank uses external information disclosed by the rating agency Moody's and other market data to determine impairment losses on debt instruments, such as spreads on Credit Default Swaps or bond Yields.

For the small number of segments for which there is no historical data and/or loss experience, the Bank adopts a simplified measurement approach that may differ from that described above. More specifically, and in relation to the item "Other assets" (derived from the invoiced amounts), which in the case of Bison Bank are mainly fee income from the depositary bank service, a simplified measurement approach was chosen and a historical analysis was carried out over the past 6 years to calculate the PD.

### LOAN IMPAIRMENT

Given the size and nature of exposures to loans to customers (most with 100% impairment - stage 3 - Individual analysis), the calculation of impairment losses is essentially carried out on an individual, case by case basis, taking into account the specificities of each operation and the best estimate of the recoverable amount (loans and guarantees) on the valuation date, taking into account the guidelines of Circular Letter no. 62/2018 of BoP.



The level of individual impairment stipulated for any one-off analysis of an operation is calculated with caution. This approach considers the contract, the customer's economic and financial situation and the collateral received as a guarantee. The present value of cash flows incorporated in the estimate of future recoverability that results from the application of these factors is updated at the effective interest rate contracted.

The best estimate of recoverable values is supported by observable and documented data, on the measurement date of the recoverable value, relating to the customer's ability to make payments or the need to resort to execution or receive cash payment in the form of a guarantee. The present value of cash flows is updated based on the estimated future recoverability resulting from the application of these factors.

The balance sheet value to be considered covers all the amounts recorded in the balance sheet of the loan in question, namely the principal outstanding, the principal due, accrued interest and accrued interest. The estimated future cash flows included in the calculation refer to the contractual amounts of the loans, adjusted for any amounts that are not expected to be recovered and for the period of time during which such cash flows are expected to occur.

The Bank classifies past-due installments of principal and accrued interest as overdue loans that continue to be due after the due date. Despite the immateriality of the customer loan portfolio, the Bank regularly assesses the evolution of impairment in its loan portfolio.

Considering the current size and characteristics of the Loan Portfolio for Customers and off-balance sheet exposures, the determination of impairment losses is carried out primarily at individual or case-by-case level, taking into account the specificities of the operation and the best estimate of the recoverable value (credit and guarantees) at the date of analysis.

The following indicators reflect situations of significant increase of the credit risk: (1) Loans with payment of principal, interest, fees or other expenses more than 30 days in arrears; (2) Restructured loans due to financial difficulties of the debtor; (3) Loans whose debtor shows at least two of the following criteria, when occurred after the initial recognition of the operation: a) Recording of at least one loan in default in the Central Credit Register of Banco de Portugal; b) Presence in lists of cheque users who represent a risk; c) Debts in arrears to the Tax Administration, Social Security or to employees.

The objective criteria for impairment are as follows: a) Overdue loans at the Bank for more than 90 days in the payment of principal or interest, regardless of the amount owed; b) Credit in litigation; c) Client in insolvency; d) Credit restructured due to deterioration of the borrower's capacity for less than 1 year, whose restructured operation or operations, when restructuring, presented one of the events indicated above. Credits that have the previous characteristics are called default credits.

The Bank does not consider a minimum materiality threshold, that is, since they are more than 90 days overdue, all operations are classified as default, subject to an individual analysis procedure. In addition, if a customer in default belongs to an economic group, all customers in that group will be classified with signs of impairment.

Subjective impairment indicators are a set of indicators that, when analyzed in an integrated manner or in subsets, may give rise to the existence of evidence of impairment. These indicators can be signs of impairment, or risk indicators.

## FINANCIAL ASSETS (BONDS) AND OTHER ASSETS

O The IFRS 9 concept of expected losses also covers debt instruments measured at fair value through other comprehensive income, off-balance sheet exposures, other assets, financial guarantees, and loan commitments not measured at fair value.

In what concerns with debt instruments measured at fair value through other comprehensive income, the identification and the measure of significant increase of credit risk lays, among other criteria, on the analysis of the following variables: 1) rating evolution (or its loss) of the security compared with it rating in the acquisition date and the elapsed time; 2) Fluctuation in the market price against amortized cost; 3) delays on interest payments and/or capital above 30 days. Among the default triggers, the following stand out: 1) Payments in arrears of principal and/or interest for more than 90 days; 2) Securities with rating equal to or below CCC+ (not POCI – Purchased or Originated Credit-Impaired); 3) Bankruptcy/insolvency of the issuer; 4) Debt of the issuer restructured due to financial difficulties.

The changes at credit risk level of debt instruments has, as its reference date, the origination date (initial recognition vs report date). As such, the migrations between the 3 stages are triggered by changes related with the credit risk and not by the credit risk at the report date.

The monitoring of the issuers' ratings, as well as other relevant information for the impairment calculation, is performed regularly (monthly), having as key basis the information diffused by Bloomberg.

## FINANCIAL ASSETS BY ACCOUNTING ITEM

For the purpose of analyzing Bison Bank's credit risk, the securities portfolio, credit granted to customers (including off-balance sheet liabilities), Cash and Deposits in Credit Institutions were considered.

Following the sale of Turirent, in august 2020, the Bank became the only entity o group, so the risk information presented refers to the individual perimeter.

**Financial assets, by balance sheet item, present the following exposure to credit risk as at 31 December 2020 and 2019:**

(values expressed in thousand euros)

| | 31-12-2020 | | | | 31-12-2019 | | | |
|---|---|---|---|---|---|---|---|---|
| | Gross Exposure[1] | Impairment | Collateral[2] | Effective Exposure[3] | Gross Exposure[1] | Impairment | Collateral[2] | Effective Exposure[3] |
| Cash, cash balances at central banks and other demand deposits | 38,563 | 0 | 0 | 38,563 | 27,222 | 0 | 0 | 27,222 |
| Financial assets held for trading | 159 | 0 | 0 | 159 | 161 | 0 | 0 | 161 |
| Financial assets at fair value through other comprehensive income[4] | 32,256 | 25 | 0 | 32,231 | 32,703 | 14 | 0 | 32,689 |
| ***Debt Instruments*** | ***32,256*** | ***25*** | ***0*** | ***32,231*** | ***32,703*** | ***14*** | ***0*** | ***32,689*** |
| Financial assets at amortised cost | 1,227 | 1,063 | 234 | -70 | 1,345 | 1,101 | 248 | -4 |
| ***Loans and Advances*** | ***1,227*** | ***1,063*** | ***234*** | ***-70*** | ***1,345*** | ***1,101*** | ***248*** | ***-4*** |
| Other assets | 23,040 | 456 | 0 | 22,584 | 2,737 | 239 | 0 | 2,498 |
| **Sub-Total** | **95,245** | **1,545** | **234** | **93,466** | **64,168** | **1,354** | **248** | **62,566** |
| Guarantees provided and Commitments | 2,984 | 2,093 | 0 | 892 | 2,994 | 2,102 | 0 | 892 |
| Irrevocable Credit Lines | 92 | 0 | 0 | 92 | 56 | 0 | 0 | 56 |
| **Sub-Total** | **3,076** | **2,093** | **0** | **984** | **3,050** | **2,102** | **0** | **948** |
| **Total Credit Risk Exposure** | **98,321** | **3,638** | **234** | **94,450** | **67,218** | **3,456** | **248** | **63,514** |

[1] Gross Exposure: Refers to the gross balance sheet value.
[2] Collateral: Value of the collateral associated with an operation limited to its net value.
[3] Effective Exposure: Refers to the gross exposure less impairment and the mitigation effect that is deemed as a reducer of the credit risk. It does not include sureties or other low value collateral.
[4] Excludes equity instruments

As at 31 December 2020, the value of credit granted to customers (legacy credit portfolio), net of impairment, amounted to approximately 164 thousand euros (244 thousand euros in 2019), remaining immaterial (0.15% of total net assets versus 0.28% in 2019) and 86.6% were covered by impairment, given the fact that, in the majority of exposures that are in default over 90 days, in insolvency, PER, restructured, etc., a situation that has persisted for several years. At the same date, the coverage ratio for collateral was around 142.4% (real collateral - Mortgages).

Regarding off-balance sheet liabilities, on December 31, 2020, the total amount of 3,076 thousand Euros, refers to guarantees provided by the Bank and other irrevocable commitments (in December 2019: 3,050 thousand Euros). Off-balance sheet liabilities also include in 2020 assets pledged in the amount of 231 thousand euros (in December 2019: 237 thousand euros).

The credit risk underlying the Bank's activity also stems from investments in real estate assets (market risk, even if indirect) through fund units (which also include an important concentration risk). These assets are measured under the caption "Financial assets at fair value through profit or loss - equity securities), subject to mark-to-market valuation.

## DETAILS OF DEBT INSTRUMENTS - IMPAIRMENT:

### Fair value through other comprehensive income

(values expressed in thousand euros)

| | | 31-12-2020 | | | | | | 31-12-2019 | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | ISIN | Gross Book Value | Stage 1 | Stage 2 | Stage 3 | POCI (*) | Impairment | Gross Book Value | Stage 1 | Impairment |
| **Debt instruments** | | **32 256** | **26 631** | **5 625** | **-** | **-** | **25** | **32 703** | **32 703** | **14** |
| **Portuguese Public Debt** | | **10 687** | **10 687** | **-** | **-** | **-** | **2** | **11 771** | **11 771** | **3** |
| REP PORTUGUESA/ 3.85 OB 20210415 | PTOTEYOE0007 | 73 | 73 | - | - | - | 0 | 76 | 76 | 0 |
| IGCP EPE/VAR OB 20210812 | PTOTVHOE0007 | 833 | 833 | - | - | - | 0 | 847 | 847 | 0 |
| IGCP EPE/VAR OB 20220412 | PTOTVJOE0005 | 214 | 214 | - | - | - | 0 | 216 | 216 | 0 |
| IGCP EPE/VAR OB 20211130 | PTOTVIOE0006 | 1 864 | 1 864 | - | - | - | 0 | 1 898 | 1 898 | 1 |
| PGB 1.95 06/15/29 | PTOTEXOE0024 | - | - | - | - | - | - | 2 302 | 2 302 | 1 |
| REP PORTUGUESA/. 475 OB 20301018 | PTOTELOE0028 | 1 045 | 1 045 | - | - | - | 0 | - | - | - |
| IGCP EPE/VAR OB 20220802 | PTOTVKOE0002 | 452 | 452 | - | - | - | 0 | 459 | 459 | 0 |
| REP PORTUGUESA/ VAR OB 20221205 | PTOTVLOE0001 | 350 | 350 | - | - | - | 0 | 353 | 353 | 0 |
| PORTUGAL, REPUB/VAR BD 20250723 | PTOTVMOE0000 | 5 855 | 5 855 | - | - | - | 1 | 5 619 | 5 619 | 2 |
| **Foreign Public Debt** | | **-** | **-** | **-** | **-** | **-** | **-** | **2 031** | **2 031** | **2** |
| ITALIA/0.65 BTP 20231015 | IT0005215246 | - | - | - | - | - | - | 2 031 | 2 031 | 2 |
| **Other Debt Instruments** | | **21 569** | **15 944** | **5 625** | **-** | **-** | **23** | **18 901** | **18 901** | **9** |
| BANK OF CHINA/ FRANKFURT | XS1979297238 | 5 022 | - | 5 022 | - | - | 2 | 5 016 | 5 016 | 1 |
| CAIXABANK S.A./2.375 ASST BKD MT | XS1936805776 | 2 731 | 2 731 | - | - | - | 1 | 5 482 | 5 482 | 3 |
| BKIA/0.875 BO 20240325 | ES0313307201 | 1 553 | 1 553 | 1 553 | 1 553 | 1 553 | 1 | 2 575 | 2 575 | 1 |
| VOLKSWAGEN INTE/2.625EUR NT 2027111 | XS1910948162 | 582 | 582 | - | - | - | 0 | 561 | 561 | 0 |
| FORD MOTOR CRED/VAREMTN 20221207 | XS1767930826 | 726 | 726 | - | - | - | 2 | - | - | - |
| VERTEX CAPITAL/4.75BD 20240403 | XS1959946507 | 437 | 437 | - | - | - | 0 | - | - | - |
| CHONGQING WESTE/3.25EUR NT 20210906 | XS1440067475 | 821 | 821 | - | - | - | 0 | - | - | - |
| COASTAL EMERALD/MTN 20210601 | XS2181959201 | 1 643 | 1 643 | - | - | - | 0 | - | - | - |
| ANGLO AMERICAN/ 1.625EMTN 20250918 | XS1686846061 | 801 | 801 | - | - | - | 0 | - | - | - |
| RENAULT CREDIT /DBT 20250312 | FR0013322146 | 682 | 682 | - | - | - | 1 | - | - | - |
| CUF, SA - COMMERC PAPER 6M 20210621 | PTJ27KJM0054 | 299 | 299 | - | - | - | 0 | - | - | - |
| BRISA C ROD SA/2.375 OB 20270510 | PTBSSLOM0002 | 571 | 571 | - | - | - | 0 | 557 | 557 | 0 |
| TRANSPORTES AER/4.375 BD 20230623 | PTTAPBOM0007 | 603 | - | 603 | - | - | 1 | 501 | 501 | 0 |
| MOTA ENGIL SGPS/4.375 OB 20241030 | PTMENXOM0006 | 973 | 973 | - | - | - | 0 | 505 | 505 | 0 |
| CAIXA GERAL DE DEP 1,25 19-2024 | PTCGDMOM0027 | 4 125 | 4 125 | - | - | - | 15 | 507 | 507 | 1 |
| RENEPL 1 3/4 06/01/23 | XS1423826798 | 0 | 0 | - | - | - | 0 | 3 198 | 3 198 | 1 |
| **Total** | | **32 256** | **26 631** | **5 625** | **-** | **-** | **25** | **32 703** | **32 703** | **14** |

(*) Purchased or originated credit-impairment ('POCI') financial assets.

During the year of 2020, most of the securities were at stage 1. This stem, among other aspects, from the conservative character of the debt portfolio, which investment strategy lays in high liquidity criteria of the assets, mostly classified with investment grade, duration less than 5 years, etc. As at 31 December 2020, the public debt instruments represented 33% (vs 42% in December 2019) of total portfolio and 80% of the portfolio's securities were classified as investment grade (vs 95% in December 2019).

In the ICAAP's exercise, the Bank develops an analysis approximated to IRB (Internal ratings-based) approach) recalculating the 12-month PD for the debt securities. In the baseline scenario, to estimate the PD, are used the issuers' cumulative default rates, at 1 year, obtained through the Moody's Investors Service's tables, available ate the report "Sovereign Default and Recovery Rates 1983-2019". The sovereign cumulative default rates were used for sovereign debt securities, while the corporate default rates were used for corporate debt securities.

In the adverse scenario the methodology follows the one described above for the baseline scenario, however, considering a more conservative perspective and the degradation of macroeconomic scenario, it is assumed a decrease notches in the rating of all debt securities. As such, for several debt securities in the Bank's portfolio, the PD obtained increases.

## Amortized cost

(values expressed in thousand euros)

| | 31-12-2020 | | 31-12-2019 | |
|---|---|---|---|---|
| **Financial Assets measured at Amortized Cost** | **Gross Exposure** | **Impairment** | **Gross Exposure** | **Impairment** |
| Stage 1 | 0 | 0 | 0 | 0 |
| Stage 2 | - | - | - | - |
| Stage 3 e POCI (*) | 1 227 | 1 063 | 1 345 | 1 101 |
| **Total** | **1 227** | **1 063** | **1 345** | **1 101** |

(*) Purchased or originated credit-impairment ('POCI') financial assets.



**With regard to credit quality, the table below shows the main ratios for Bison Bank, with reference to 31 December 2020 and 2019:**

| Credit Quality | 31-12-2020 | 31-12-2019 |
|---|---|---|
| Total Impairment / Loans to customers | 86,6% | 81,9% |
| Restructured credit / Loans to customers | 84,3% | 84,8% |
| NPL > 90 days/ Loans to customers | 86,42% | 79,74% |

Regarding the Bank's customer loan portfolio, the practical impacts on the process of identifying and reporting asset quality and the accumulation of NPLs resulting from the pandemic situation, were very small, given the situation and classification of existing loans in the portfolio. It should be noted that the Bank received only one application to join a public moratorium in June 2020 related to Evalesco's credit in the amount of 193 thousand euros. Despite the moratorium, capital repayments were made throughout the year, so the amount outstanding as of December 31, 2020 amounted to 167 thousand euros.

## Concentration by sector of activity:

### As of December 31, 2020:

(values expressed in thousand euros)

| | 31-12-2020 | | | | | |
|---|---|---|---|---|---|---|
| | **Net Balance Sheet Exposure** | | **Collateral** | | **Effective Exposure [1]** | |
| Services | 0 | 0% | 0 | 0% | 0 | 0% |
| Construction | 0 | 0% | 0 | 0% | 0 | 0% |
| Industry | 5 030 | 6% | 0 | 0% | 5 030 | 6% |
| Public Sector | 10 843 | 13% | 0 | 0% | 10 843 | 13% |
| Other sectors | 15 279 | 18% | 234 | 100% | 15 045 | 19% |
| Financial institutions and insurance companies | 54 086 | 63% | 0 | 0% | 54 086 | 64% |
| Private clients | 0 | 0% | 0 | 0% | 0 | 0% |
| **Total** | **85 239** | **100%** | **234** | **100%** | **85 005** | **100%** |

**Notes:**
[1] **Effective Exposure:** Refers to the Balance Sheet Net Exposure less the mitigation effect that is deemed an actual reducer of the credit risk. It does not include sureties or other low value collateral. It does not include the item "Other Assets".

The item "Other sectors" is mostly (98%) composed by securities portfolios.

### As of December 31, 2019:

(values expressed in thousand euros)

| | 31-12-2019 | | | | | |
|---|---|---|---|---|---|---|
| | Net Balance Sheet Exposure | | Collateral | | Effective Exposure [1] | |
| Services | 3 197 | 4% | 0 | 0% | 3 197 | 4% |
| Construction | 0 | 0% | 0 | 0% | 0 | 0% |
| Industry | 2 123 | 3% | 0 | 0% | 2 123 | 3% |
| Public Sector | 13 958 | 17% | 0 | 0% | 13 958 | 17% |
| Other sectors | 22 399 | 27% | 248 | 100% | 22 152 | 28% |
| Financial institutions and insurance companies | 40 824 | 49% | 0 | 0% | 40 824 | 50% |
| Private clients | 0 | 0% | 0 | 0% | 0 | 0% |
| **Total** | **82 501** | **100%** | **248** | **100%** | **82 253** | **100%** |

**Notes:**
[1] **Effective Exposure:** Refers to the Balance Sheet Net Exposure less the mitigation effect that is deemed an actual reducer of the credit risk. It does not include sureties or other low value collateral. It does not include the item "Other Assets".

### Concentration by geographic region:

### As of December 31, 2020:

(values expressed in thousand euros)

| | 31-12-2020 | | | | | |
|---|---|---|---|---|---|---|
| | Net Balance Sheet Exposure | | Collateral | | Effective Exposure [1] | |
| Mainland Portugal | 68 469 | 80% | 234 | 100% | 68 236 | 80% |
| Autonomous Regions | 0 | 0% | 0 | 0% | 0 | 0% |
| European Union | 7 112 | 8% | 0 | 0% | 7 112 | 8% |
| Latin America | 0 | 0% | 0 | 0% | 0 | 0% |
| North America | 724 | 1% | 0 | 0% | 724 | 1% |
| Rest of the World | 8 934 | 10% | 0 | 0% | 8 934 | 11% |
| **Total** | **85 239** | **100%** | **234** | **100%** | **85 005** | **100%** |

**Notes:**
[1] **Effective Exposure:** Refers to the Balance Sheet Net Exposure less the mitigation effect that is deemed an actual reducer of the credit risk. It does not include sureties or other low value collateral. It does not include the item "Other Assets".



### As of December 31, 2019:

(values expressed in thousand euros)

| | 31-12-2019 | | | | | |
|---|---|---|---|---|---|---|
| | Net Balance Sheet Exposure | | Collateral | | Effective Exposure [1] | |
| Mainland Portugal | 66 247 | 80% | 248 | 100% | 65 999 | 80% |
| Autonomous Regions | 0 | 0% | 0 | 0% | 0 | 0% |
| European Union | 11 227 | 14% | 0 | 0% | 11 227 | 14% |
| Latin America | 0 | 0% | 0 | 0% | 0 | 0% |
| North America | 0 | 0% | 0 | 0% | 0 | 0% |
| Rest of the World | 5 027 | 6% | 0 | 0% | 5 027 | 6% |
| **Total** | **82 501** | **100%** | **248** | **100%** | **82 253** | **100%** |

**Notes:**
[1] **Effective Exposure:** Refers to the Balance Sheet Net Exposure less the mitigation effect that is deemed an actual reducer of the credit risk. It does not include sureties or other low value collateral. It does not include the item "Other Assets".

The following tables show the breakdown of all financial assets by credit quality, whose ratings are based on the mapping of the external ratings assigned by the main international agencies Moody's, Fitch, and S&P. The rating assignment metric followed the Basel standard methodology, choosing the worst of the two best ratings in the event of different ratings for the same asset. Credit positions or securities that do not have an external rating assigned by any of the three main international agencies are classified as "Not Rated".

Among the exposures without external rating, in the total amount of 16.9 million Euros on December 31, 2020 (29 million in December 2019), the main component is related to the "Other financial assets at fair value" portfolio, which amounted to approximately 14.0 million Euros at that date (22.2 million in 2019), corresponding to the investment in funds units.

## Breakdown of financial assets by credit quality, by balance sheet item, as of 31 December 2020:

(values expressed in thousand euros)

| | High Grade | Standard Grade | Sub-Standard Grade | Not Rated | Total |
|---|---|---|---|---|---|
| Deposits and applications with Credit Institutions | 24 468 | 0 | 12 778 | 1 317 | 38 563 |
| Financial assets held for trading | 0 | 159 | 0 | 0 | 159 |
| Other financial assets at fair value through profit or loss | 0 | 0 | 0 | 14 093 | 14 093 |
| Financial assets available for sale | 5 457 | 20 065 | 5 437 | 1 302 | 32 261 |
| Loans and advances to clients | 0 | 0 | 0 | 164 | 164 |
| Derivatives | 0 | 0 | 0 | 0 | 0 |
| **Total** | **29 925** | **20 224** | **18 215** | **16 875** | **85 239** |
| **In %** | **35,1%** | **23,7%** | **21,4%** | **19,8%** | **100%** |

**Note:** Net balance sheet exposure. It does not include the item “Other Assets”.

## As of December 31, 2019 it was as follows:

(values expressed in thousand euros)

| | High Grade | Standard Grade | Sub-Standard Grade | Not Rated | Total |
|---|---|---|---|---|---|
| Deposits and applications with Credit Institutions | 15 064 | 0 | 6 561 | 5 598 | 27 222 |
| Financial assets held for trading | 0 | 161 | 0 | 0 | 161 |
| Other financial assets at fair value through profit or loss | 0 | 0 | 0 | 22 156 | 22 156 |
| Financial assets available for sale | 5 014 | 26 163 | 506 | 1 036 | 32 719 |
| Loans and advances to clients | 0 | 0 | 0 | 244 | 244 |
| Derivatives | 0 | 0 | 0 | 0 | 0 |
| **Total** | **20 078** | **26 324** | **7 067** | **29 033** | **82 501** |
| **In %** | **24,3%** | **31,9%** | **8,6%** | **35,2%** | **100%** |

**Note:** Net balance sheet exposure. It does not include the item “Other Assets”.

| Classification | |
|---|---|
| High Grade | [AAA to A-] |
| Standard Grade | [BBB+ to BBB-] |
| Sub-Standard Grade | <= BB+ |
| Not Rated | NR |

## KEY CONTROLS / REPORTS:

- RID supervises risks through the monthly report “Finance and risk Report”, report from the bank portfolio (“Equity Portfolio” report), which are sent by email and which details the variations of the Bank’s holdings in real estate funds and a series of other controls described below;
- Given the immateriality of the customer loan portfolio, specific reports are not produced for this exposure category. Even so, a global analysis of the evolution of this credit portfolio and other credit risk exposures is carried out periodically in the report of the risk department as well as in Accounting Department MIS;
- The credit risk inherent in the exposure of securities in the banking portfolio is controlled through the preparation of specific reports that include an analysis of the portfolio in accordance with the approved limits, including the various dimensions, namely credit quality (based on external ratings attributed by the main international agencies) but also exposure limits to individual counterparties, sectors and countries. The report includes, among others, an aggregated analysis of the exposure to credit risk, concentration of credit risk, changes in the risk profile, exposures against the risk limits of the portfolio. This analysis is sent by email to the area that manages the portfolio and is included in the “Finance and Risk Report”;
- RID is responsible for monitoring credit risk and calculating impairments;
- Monitoring of credit risk, including real estate and concentration, is addressed in the ICAAP exercise. The results for the year and the semiannual update are included in the monthly Risk report (“Finance and Risk Report”);
- Compliance with the RAS objectives relating to credit risk including real estate and concentration is also monitored by RID on a monthly basis and included in the “Finance and Risk Report”;
- RID calculates, on an annual basis, the individual and sectoral concentration indices, in accordance with BoP Instruction no. 5/2011 (Herfindahl-Hirschman Index).

## b) Market Risk

Market risk is defined as the likelihood of negative impacts on results or equity, due to unfavorable movements in the market price of instruments in the trading portfolio caused, namely, by fluctuations in interest rates, exchange rates, listed share prices or commodity prices. Market risk primarily arises from taking short-term positions in debt and equity securities, currencies, commodities, and derivatives.

Considering the business areas in which it operates, the main market risks to which the Bank is subject are those resulting from changes in interest rates, exchange rates and market prices underlying the securities.

At Bison Bank, market risk arises essentially from exposures to securities held in the trading portfolio ("Financial assets held for trading") as well as equity instruments - namely funds - accounted for in "Non-trading financial assets mandatorily at fair value through profit or loss".

During 2020, the Bank did not have an active trading portfolio (portfolio consisting essentially of a public debt security amounting to 158,6 thousand euros), so it was not necessary to monitor risk via daily VaR calculation.

(values expressed in thousand euros)

| | Portfolio Value | | |
|---|---|---|---|
| | Total | Long Pos. | Short Pos. |
| 31/12/2019 | 161 | 161 | - |
| 31/12/2020 | 159 | 159 | - |

In order to support the activity of placing debt securities on the primary market, namely debt of Chinese issuers, and to deal with any firm underwriting that may occur, in 2019 the Bank created a specific portfolio for this purpose, however until 31 December 2020 the portfolio was not used.

During 2020, an amount of 3 million euros was approved for investment in traing debt securities portfolio, however on 31 December 2020 the amount was not used.

Although the trading portfolio is of minor importance, the Bank has a policy of reducing market risk, based on various measures to mitigate this risk in order to reduce the potential for negative impact of it from the perspective of residual risk, in particular the definition of aggregate exposure limits and detention period.

The Bank's securities portfolio held for liquidity management purposes (bank debt securities portfolio) is exposed to interest rate risk and spread risk (credit), i.e., potential decrease in market value due to perceived changes in credit quality of the issuers of the securities held in the portfolio. The portfolio position is managed independently by the Treasury Department (TED), the limits have been defined and monitoring is carried out on a regular basis by RID.

The Bank uses the Value-at-Risk (VaR) methodology as the main indicator of market risk, estimating potential losses under adverse market conditions. The system chosen for this purpose, Bloomberg, allows analyzing the risk of the portfolios disaggregated by several explanatory factors, and measuring the correlation between the assets, both at the top level and at the different levels of risk disaggregation. RID is responsible for monitoring the limits defined by the BoD in relation to the VaR of the portfolios, as well as the respective calculation, using the historical model.

For the calculation of this risk metric, the Bank uses the specialized software from Bloomberg, having calculated the VaR according to the historical model, for a horizon of 10 days and 1 day, with a confidence interval of 99%, based on a period of 2-year observation, in line with international best practices.

### KEY CONTROLS / REPORTING:

- RID supervises these risks through the monthly report "Finance and Risk Report", and through several other controls described below;
- The VaR of the Bank's Treasury portfolio is calculated on a biweekly basis and a copy is sent to the email of all BoD members. The email body includes an alert regarding compliance with approved limits;
- RID regularly produces (monthly) exposure control tables - stock portfolio/fixed income - which offers an analysis by type of security, business sector, geography, and capital consumption by type of security;
- For the Treasury portfolio, there is regular (monthly) reporting, ensuring compliance with the limits defined for this portfolio;
- The ICAAP's results for market risk are included in the monthly Risk report ("Finance and Risk Report");
- Monitoring of compliance with the market risk limits according to the objectives of the RAS is carried out monthly by RID and included in the "Finance and Risk Report".

## b) Foreign Exchange Risk

Foreign Exchange Risk (FX) represents the fluctuations in value that assets expressed in foreign currency may experience as a result of changes in exchange rates.

Limits are set to restrict overnight open positions, i.e., the net face value of assets and liabilities in each foreign currency. The exposure maximums per currency are defined and, as such, the global exposure limit is also defined. TED is responsible for designing and implementing financial policies and for managing structural risks in the balance sheet, such as foreign exchange risk.

**The following table shows the foreign exchange position, by currency, as of 31 December 2020:**

(values expressed in thousand euros)

| Currency | Long Position | Short Position |
|---|---|---|
| USD | 979 | 0 |
| GBP | 29 | 0 |
| CHF | 30 | 0 |
| BRL | 0 | 0 |
| SEK | 4 | 0 |
| NOK | 2 | 0 |
| AUD | 0 | 0 |
| JPY | 0 | 0 |
| HKD | 0 | 0 |
| CNY | 502 | 0 |
| Others | 0 | 0 |
| CAD | 0 | 0 |
| PLN | 0 | 0 |
| **Total** | **1 548** | **0** |

**Note:** Net Position.

**As of December 31, 2019 it was as follows:**

(values expressed in thousand euros)

| Currency | Long Position | Short Position |
|---|---|---|
| USD | 2 653 | 0 |
| GBP | 101 | 0 |
| CHF | 30 | 0 |
| BRL | 0 | 0 |
| SEK | 4 | 0 |
| NOK | 2 | 0 |
| AUD | 0 | 0 |
| JPY | 0 | 0 |
| HKD | 0 | 0 |
| Others | 0 | 0 |
| CAD | 0 | 0 |
| PLN | 0 | 6 |
| **Total** | **2 791** | **6** |

**Note:** Net Position.

On December 31, 2020, the largest exposure corresponded to the USD currency with long positions of around 979 thousand euros (63.3% of the total), followed by CNY (32.5% of the total), with 502 thousand euros. The remaining currencies are insignificant.

It should be noted that the existing foreign exchange risk comes mainly from foreign currency positions that result from regular activity.

### KEY CONTROLS / REPORTING:

- The Bank systematically monitors its global exposure to foreign exchange risk. There is a daily routine that calculates the currency position in the main currencies, which is sent by email to RID and TED. This includes spot positions arising mainly from transactions in the trading portfolio, as well as changes in the Bank's results (potential or real) resulting from conversions of each balance sheet account, using the ECB's exchange rate;
- TED monitors the position in foreign currency (spot and future) and all foreign currency transactions. Daily control is carried out by TED, based on information provided by the Bank's core system about the spot position. When necessary, the exchange rate risk is covered on a regular basis, which may approach the limits defined by the Board, using appropriate instruments (for example: spots, forwards, swaps).
- Monthly, RID monitors compliance with FX limits and sends this information to TED;
- The foreign exchange position is treated under ICAAP's exercise. The results for the year and the semiannual update are included in the monthly Risk report ("Finance and Risk Report").

### d) Interest Rate Risk

Interest Rate Risk is defined as the probability of financial losses, in the result or capital, resulting from adverse movements in interest rates, considering the structure of the Bank's Balance Sheet. This type of risk is assessed in a systematic and long-term manner.

The assessment deals with bank portfolio exposures according to the refixation periods, in line with the best market practices and following the recommendations of Basel and BoP (Instruction no. 3/2020 – IRRBB).

The interest rate risk of the banking portfolio is measured using various measurement techniques that make it possible to analyze the Bank's positioning and the risk situation and analyzing the cumulative impacts of the interest rate of sensitive instruments on the net result and on the financial margin, including:

- **Static gap:** shows the contractual distribution of maturity terms and interest rate revaluation differences for Balance Sheet items and/or applicable off-balance sheet, aggregated on a specific date, for global and monetary values (EUR and USD). The gap analysis is based on the comparison of the values of assets and liabilities that are revalued or mature in the same period;
- **Balance sheet economic value:** it is calculated as the sum of the net fair value of interest-rate sensitive assets and liabilities in the balance sheet, the fair value of off-balance sheet items, and the net book values of interest-sensitive assets and liabilities;
- **Economic Value Sensitivity:** the economic value of balance sheet and off-balance sheet items is calculated from a parallel shock on the interest rate curve. The metric related to the interest rate risk subject to a limit mentioned in the RAS is based on the calculation of the impact on net worth, measured as a percentage of own funds, of the 200 basis point variation of the yield curves in EUR and USD, considering the bands according to Instruction nº3/2020.

TED is responsible for implementing financial policies and for managing structural risks in the balance sheet, such as interest rate risk. The coverage of interest rate risk is ensured through the contracting of interest rate derivative financial instruments, which allow the maturity and maturity of average rates of these assets to be matched with those resulting from liabilities.

## The breakdown of financial assets and liabilities by interest rate fixation terms as of 31 December 2020 is as follows:

### 31-12-2020

(values expressed in thousand euros)

| | Residual Maturities | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Non Sensitive | up to 3 months | 3-6 months | 6-12 months | 1-3 years | 3-5 years | 5-10 years | >10 years | Total sensitive | Total |
| **Assets** | | | | | | | | | | |
| Money market / liquidity | 30 894 | 6 169 | 0 | 1 500 | 0 | 0 | 0 | 0 | 7 669 | 38 563 |
| Loans | 164 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 164 |
| Debt Securities & Derivatives MtM | 0 | 8 544 | 4 443 | 821 | 5 781 | 10 604 | 2 197 | 0 | 32 389 | 32 389 |
| Shares & Funds | 14 123 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 14 123 |
| Leased assets | 1 451 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 451 |
| Other Assets | 23 682 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 23 682 |
| **Total Assets** | **70 313** | **14 713** | **4 443** | **2 321** | **5 781** | **10 604** | **2 197** | **0** | **40 058** | **110 372** |
| **Liabilities** | | | | | | | | | | |
| Money market / Loro Accounts | 323 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 323 |
| Term Deposits | 13 | 1 054 | 996 | 349 | 150 | 0 | 0 | 0 | 2 549 | 2 562 |
| On-demand Deposits | 37 437 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 37 437 |
| Subordinated Debt | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Lease Liabilities | 1 395 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 395 |
| Other Liabilities | 6 879 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 6 879 |
| Equity | 61 776 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 61 776 |
| **Total Liabilities + Equity** | **107 822** | **1 054** | **996** | **349** | **150** | **0** | **0** | **0** | **2 549** | **110 372** |
| **GAP** | **(37 509)** | **13 659** | **3 446** | **1 971** | **5 631** | **10 604** | **2 197** | **0** | **37 509** | **0** |
| **CUMULATIVE GAP** | **-** | **13 659** | **17 105** | **19 077** | **24 708** | **35 312** | **37 509** | **37 509** | **-** | **0** |

**Note:** Net Impairment values.

As at 31 December 2020, 64% of Bison Bank's assets and 98% liabilities and equity were not sensitive to interest rate risk, being unaffected by interest rate fluctuations, by fixing steps. As of December 31, 2019, 52% of assets and 86% of Bison Bank's liabilities and equity were not sensitive to interest rate risk.

## As of December 31, 2019 it was as follows:

### 31-12-2019

(values expressed in thousand euros)

| | Residual Maturities | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Non Sensitive | up to 3 months | 3-6 months | 6-12 months | 1-3 years | 3-5 years | 5-10 years | >10 years | Total sensitive | Total |
| **Assets** | | | | | | | | | | |
| Money market / liquidity | 17 875 | 5 977 | 1 869 | 1 500 | 0 | 0 | 0 | 0 | 9 347 | 27 222 |
| Loans | 237 | 7 | 0 | 0 | 0 | 0 | 0 | 0 | 7 | 244 |
| Debt Securities & Derivatives MtM | 0 | 6 923 | 2 467 | 0 | 5 252 | 14 789 | 3 419 | 0 | 32 850 | 32 850 |
| Leased assets | 22 186 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 22 186 |
| Shares & Funds | 1 874 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 874 |
| Other Assets | 3 528 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 3 528 |
| **Total Assets** | **45 699** | **12 908** | **4 336** | **1 500** | **5 252** | **14 789** | **3 419** | **0** | **42 204** | **87 902** |
| **Liabilities** | | | | | | | | | | |
| Money market / Loro Accounts | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Term Deposits | 2 530 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2 530 |
| On-demand Deposits | 27 | 6 171 | 5 291 | 1 029 | 50 | 0 | 0 | 0 | 12 541 | 12 568 |
| Subordinated Debt | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Lease Liabilities | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Liabilities | 1 738 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 738 |
| Equity | 6 163 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 6 163 |
| **Total Liabilities + Equity** | **49 622** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **49 622** |
| **GAP** | **75 361** | **6 171** | **5 291** | **1 029** | **50** | **0** | **0** | **0** | **12 541** | **87 902** |
| **CUMULATIVE GAP** | **(29 663)** | **6 736** | **(955)** | **471** | **5 202** | **14 789** | **3 419** | **0** | **29 663** | **0** |

**Note:** Net Impairment values.

The table below presents a sensitivity analysis of the interest rate risk of the banking portfolio, based on the reporting maps to the supervisory entity. This analysis is based on the scenario of a standard shock of 200 basis points in the interest rate, and the respective impact on the Bank's net position and annual financial margin, in individual terms.

## 31-12-2020

(values expressed in thousand euros)

| Remaining Term | Assets | Liabilities | Off-Balance Sheet | | Position |
|---|---|---|---|---|---|
| | (+) | (-) | (+) | (-) | (+/-) |
| OVERNIGHT | 5 169 | 0 | 0 | 0 | 5 169 |
| >1 day <=1 months | 6 854 | 0 | 0 | 0 | 6 854 |
| > 1 and <= 3 months | 2 690 | 1 054 | 0 | 0 | 1 636 |
| > 3 and <= 6 months | 4 443 | 996 | 0 | 0 | 3 446 |
| > 6 and <= 9 months | 2 321 | 349 | 0 | 0 | 1 971 |
| > 9 and <= 12 months | 0 | 0 | 0 | 0 | 0 |
| > 12 months and <= 1.5 years | 5 021 | 150 | 0 | 0 | 4 871 |
| >1.5 and <= 2 years | 0 | 0 | 0 | 0 | 0 |
| > 2 and <= 3 years | 602 | 0 | 0 | 0 | 602 |
| > 3 and <= 4 years | 9 803 | 0 | 0 | 0 | 9 803 |
| > 4 and <= 5 years | 801 | 0 | 0 | 0 | 801 |
| > 5 and <= 6 years | 0 | 0 | 0 | 0 | 0 |
| > 6 and <= 7 years | 1 153 | 0 | 0 | 0 | 1 153 |
| > 7 and <= 8 years | 0 | 0 | 0 | 0 | 0 |
| > 8 and <= 9 years | 0 | 0 | 0 | 0 | 0 |
| > 9 and <= 10 years | 1 045 | 0 | 0 | 0 | 1 045 |
| > 10 and <= 15 years | 0 | 0 | 0 | 0 | 0 |
| > 15 and <= 20 years | 0 | 0 | 0 | 0 | 0 |
| > 20 years | 0 | 0 | 0 | 0 | 0 |
| | 39 900 | 2 549 | 0 | 0 | |
| Net Worth | Net Worth | Weighted exposure | | -1 329 | |

(values expressed in thousand euros)

| Remaining Term | Assets | Liabilities | Off-Balance Sheet | | Position | Interest Margin |
|---|---|---|---|---|---|---|
| | (+) | (-) | (+) | (-) | (+/-) | Weighted exposure |
| OVERNIGHT | 5 169 | 0 | 0 | 0 | 5 169 | 1 |
| > spot and <= 1 month | 6 854 | 0 | 0 | 0 | 6 854 | 8 |
| > 1 and <= 2 months | 1 285 | 1 054 | 0 | 0 | 231 | 0 |
| > 2 and <= 3 months | 1 405 | 0 | 0 | 0 | 1 405 | 5 |
| > 3 and <= 4 months | 287 | 0 | 0 | 0 | 287 | 2 |
| > 4 and <= 5 months | 1 864 | 896 | 0 | 0 | 968 | 8 |
| > 5 and <= 6 months | 2 292 | 100 | 0 | 0 | 2 192 | 18 |
| > 6 and <= 7 months | 0 | 81 | 0 | 0 | -81 | -1 |
| > 7 and <= 8 months | 0 | 137 | 0 | 0 | -137 | -2 |
| > 8 and <= 9 months | 2 321 | 130 | 0 | 0 | 2 190 | 30 |
| > 9 and <= 10 months | 0 | 0 | 0 | 0 | 0 | 0 |
| > 10 and <= 11 months | 0 | 0 | 0 | 0 | 0 | 0 |
| > 11 and <= 12 months | 0 | 0 | 0 | 0 | 0 | 0 |
| | 21 476 | 2 399 | 0 | 0 | | 71 |

The sensitivity of the financial margin and the economic value are complementary measures that allow an overall view of the structural interest rate risk, a measure more centered in the short and medium term in the first case and in the medium and long term in the second.

**Sensitivity analysis of the impact of a 200 basis point change in the interest rate curve for relevant currencies, as of 31 December 2020 and 2019:**

(values expressed in thousand euros)

| | | 31-12-2020 | 31-12-2019 |
|---|---|---|---|
| EUR | Impact on Net Worth | -1 300 | -1 909 |
| | Own Funds | 47 871 | 49 092 |
| | **Impact on Own Funds, in %** | **-3%** | **-4%** |
| | Impact on Net Interest Income, at 12 months | 58 | 19 |
| | Net Interest Income | 407 | 255 |
| | **Impact on Net Interest Income annual, in %** | **14%** | **8%** |
| USD | Impact on Net Worth | -43 | -1 |
| | Own Funds | 58 743 | 53 819 |
| | **Impact on Own Funds, in %** | **0%** | **0%** |
| | Impact on Net Interest Income, at 12 months | 15 | 131 |
| | Net Interest Income | 500 | 280 |
| | **Impact on Net Interest Income annual, in %** | **3%** | **47%** |
| TOTAL | Impact on Net Worth | -1 343 | -1 910 |
| | Own Funds | 47 871 | 49 092 |
| | **Impact on Own Funds, in %** | **-3%** | **-4%** |
| | Impact on Net Interest Income, at 12 months | 74 | 138 |
| | Net Interest Income | 407 | 255 |
| | **Impact on Net Interest Income annual, in %** | **18%** | **54%** |

Interest Rate Risk is continuously monitored and controlled, and some mitigation measures are in place to reduce the potential negative impact, including contracting interest rate futures and setting limits on the RAS.



### KEY CONTROLS / REPORTING:

- RID supervises these risks through the monthly report “Finance and Risk Report”, and through several other controls described below;
- RID produces exposure control charts on a regular basis, which include the calculation of assets and liabilities by maturity dates, in global terms. In addition, a separate analysis is carried out on the banking and trading portfolios, by the major currencies, highlighting potential mismatches in the periods for fixing the rates of assets and liabilities. This analysis is sent by email monthly and included in the “Finance and Risk Report”;
- The sensitivity analysis of the economic value of the bank portfolio, based on a standard shock of 200 basis points in the interest rate, is carried out monthly and is sent by email and included in the “Finance and Risk Report”. This incorporates the assumptions of BoP Instruction no. 3/2020;
- Interest rate risk is also dealt with in the scope of the ICAAP exercise. The income for the year and the semiannual update is included in the monthly risk report (“Finance and Risk Report”);
- Compliance with the objectives defined in the RAS for interest rate risk, as well as compliance with regulatory ratios are monitored by RID on a monthly basis (Finance and Risk Report).

### e) Liquidity Risk

Liquidity risk is defined as the likelihood of negative impacts arising from the Institution’s inability to immediately have liquid funds to meet its financial obligations in a timely manner and if these are insured under reasonable conditions. In the Bank, liquidity levels are adapted according to the amounts and terms of the commitments assumed and the resources obtained, through the identification of gaps.

The Bank defined as one of the general principles of the RAS that it intends to continue to ensure a solid, sound and secure liquidity position, capable of withstanding adverse events and maintaining a stable financing capacity and adequate levels of liquidity reserve that allow to have a structure of balance adaptable to existing circumstances.

Liquidity management is under the responsibility of TED, which should ensure a stable and robust liquidity position by controlling any liquidity deficits and holding liquid assets, ensuring compliance with the specific indicators, limits and tolerances approved by the Board and monitoring/anticipate possible changes that may affect the basic assumptions of the approved Liquidity Management Policy.

RID acts as a joint body and supervisor of liquidity risk, contributing to the definition of the strategy and implementation of policies and procedures for the management of liquidity risk, within a framework of compliance with applicable legal and regulatory rules, while ensuring consistency between the Liquidity Management Policy and the Bank’s risk management exercises, such as the FCP (Financing and Capital Plan), ICAAP (Internal Capital Adequacy Self-Assessment Process) and ILAAP (Internal Liquidity Adequacy Self-Assessment Process), as well as monitoring and evaluating the effectiveness of associated controls.

Within the scope of liquidity management and its control, several mitigation measures are defined to reduce the potential impact of liquidity risk, including the definition of tolerances and limits according to the RAS, liquidity contingency measures, recovery plan and others regulatory requirements. To this end, the Bank establishes several internal metrics that are defined in the Liquidity Management Policy, such as:

- Minimum liquidity reserves that establish a minimum ratio based on the volume of deposits calculated based on the monthly average;
- Compliance with the limits established for the LCR (regulatory and internal) - whose objective involves promoting short-term liquidity, ensuring the holding of high-quality, unencumbered liquid assets to withstand a 30-day stress period;
- Compliance with the limits established for the NSFR (regulatory and internal) - which promotes the sustainability of the Institution's financial structure in a longer time horizon, considering a medium to long term liquidity coverage.

In addition to the metrics already mentioned, other metrics that result from assumptions and internal requirements are considered within the scope of the Liquidity Management Policy, in line with the appetite limits established in the RAS, namely with regard to primary liquidity and structural liquidity.

At the end of 2020, as in 2019, liquidity was mostly invested in an investment portfolio of HQLA (High Quality Liquid Assets) in UCIs through the money market, which calculates for the calculation of LCR (Liquidity Coverage Ratio).

## The following table shows the details of the composition of liquid assets according to the criteria established for the determination of high-quality liquid assets used to calculate the LCR ratio:

### Liquid Assets

(values expressed in thousand euros)

| INDIVIDUAL | | | | | |
|---|---|---|---|---|---|
| | 31-12-2020 | | 31-12-2019 | | |
| | Market Value | Eligible Value | Market Value | Market Value | Δ |
| Level 1 Assets | 11 415 | 11 415 | 14 933 | 14 933 | -3 518 |
| Level 2A Assets | - | - | - | - | - |
| Level 2B Assets | 2 774 | 1 387 | 4 314 | 2 157 | 617 |
| **Total of High Quality Liquid Assets (HQLA)1** | **14 189** | **12 802** | **19 247** | **17 090** | **-2 902** |

[1] HQLA (High Quality Liquid Assets) according to the criteria and calculation of the LCR ratio.

**Note:** Unaudited information. Prudential information.

The Bank maintained a robust liquidity structure throughout the year, ending the year with liquidity ratios, the LCR (Liquidity Coverage Ratio) and the NSFR (Net Stable Funding Ratio), substantially above the regulatory minimums.

| | 31-12-2020 | 31-12-2019 |
|---|---|---|
| **LCR** | **236,6%** | **526,6%** |
| *Liquidity buffer* | *12 802* | *17 090* |
| *Net liquidity outflow* | *5 411* | *3 245* |
| **NSFR** | **134,0%** | **120,2%** |

**Note:** Unaudited information. Prudential information.

## The breakdown of financial assets and liabilities by residual maturity at 31 December 2020 is as follows:

### 31-12-2020

(values expressed in thousand euros)

| | Residual Maturities | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Non Sensitive | up to 3 months | 3-6 months | 6-12 months | 1-3 years | 3-5 years | 5-10 years | >10 years | Total sensitive | Total |
| **Assets** | | | | | | | | | | |
| Money market / liquidity | 30 894 | 6 169 | 0 | 1 500 | 0 | 0 | 0 | 0 | 7 669 | 38 563 |
| Loans | 164 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 164 |
| Debt securities | 0 | 8 544 | 4 443 | 821 | 5 781 | 10 604 | 2 197 | 0 | 32 389 | 32 389 |
| Shares & Investment Funds | 14 123 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 14 123 |
| Leased assets | 0 | 0 | 0 | 0 | 0 | 1 451 | 0 | 0 | 1 451 | 1 451 |
| Other Assets | 23 682 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 23 682 |
| **Total Assets** | **68 863** | **14 713** | **4 443** | **2 321** | **5 781** | **12 054** | **2 197** | **0** | **41 509** | **110 372** |
| **Liabilities** | | | | | | | | | | |
| Money market / Loro accounts | 323 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 323 |
| Term Deposits | 13 | 1 054 | 996 | 349 | 150 | 0 | 0 | 0 | 2 549 | 2 562 |
| On-demand Deposits | 37 437 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 37 437 |
| Subordinated Debt | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Lease liabilities | 0 | 0 | 0 | 0 | 0 | 1 395 | 0 | 0 | 1 395 | 1 395 |
| Other Liabilities | 6 879 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 6 879 |
| Equity | 61 776 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 61 776 |
| **Total Liabilities + Equity** | **106 427** | **1 054** | **996** | **349** | **150** | **1 395** | **0** | **0** | **3 944** | **110 372** |
| **GAP** | **-37 565** | **13 659** | **3 446** | **1 971** | **5 631** | **10 660** | **2 197** | **0** | **37 565** | **0** |
| **CUMULATIVE GAP** | | **13 659** | **17 105** | **19 077** | **24 708** | **35 368** | **37 565** | **37 565** | **0** | **0** |

**Note:** Net Impairment values.

The most significant difference in liquidity is recorded in the "interval up to 3 months" and is managed through an intervention on the liability side. According to the remaining amount of Time Deposits, the Bank acts preventively through its Client Management area, promoting the renewal of time deposits with its customers.

**As of December 31, 2019 it was as follows:**

**31-12-2019**

(values expressed in thousand euros)

| | Residual Maturities | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Non Sensitive | up to 3 months | 3-6 months | 6-12 months | 1-3 years | 3-5 years | 5-10 years | >10 years | Total sensitive | Total |
| **Assets** | | | | | | | | | | |
| Money market / liquidity | 17 875 | 5 977 | 1 869 | 1 500 | 0 | 0 | 0 | 0 | 9 347 | 27 222 |
| Loans | 237 | 7 | 0 | 0 | 0 | 0 | 0 | 0 | 7 | 244 |
| Debt securities | 0 | 0 | 0 | 0 | 9 024 | 14 789 | 9 037 | 0 | 32 850 | 32 850 |
| Shares & Investment Funds | 22 186 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 22 186 |
| Leased assets | 0 | 0 | 0 | 0 | 0 | 1 874 | 0 | 0 | 1 874 | 1 874 |
| Other Assets | 3 528 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 3 528 |
| **Total Ativo** | **43 825** | **5 985** | **1 869** | **1 500** | **9 024** | **16 662** | **9 037** | **0** | **44 077** | **87 902** |
| **Liabilities** | | | | | | | | | | |
| Money market / Loro accounts | 2 530 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2 530 |
| Term Deposits | 27 | 6 171 | 5 291 | 1 029 | 50 | 0 | 0 | 0 | 12 541 | 12 568 |
| On-demand Deposits | 15 281 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 15 281 |
| Subordinated Debt | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Lease liabilities | 0 | 0 | 0 | 0 | 0 | 1 738 | 0 | 0 | 1 738 | 1 738 |
| Other Liabilities | 6 163 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 6 163 |
| Equity | 49 622 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 49 622 |
| **Total Liabilities + Equity** | **73 624** | **6 171** | **5 291** | **1 029** | **50** | **1 738** | **0** | **0** | **14 279** | **87 902** |
| **GAP** | **-29 798** | **-187** | **-3 422** | **471** | **8 974** | **14 925** | **9 037** | **0** | **29 798** | **0** |
| **CUMULATIVE GAP** | **---** | **-187** | **-3 609** | **-3 137** | **5 837** | **20 762** | **29 798** | **29 798** | **---** | **---** |

**Note:** Net Impairment values.

## KEY CONTROLS / REPORTING:

- TED supervises the intraday liquidity position and prepares daily liquidity projection maps that cover a range of possibilities for liquidity evolution scenarios and through an analysis of the maturities of assets and liabilities. These cover different development scenarios, including the demobilization of Term Deposits and the exit of Demand Deposits. The stress tests of the treasury position are carried out on a daily basis focusing on 3 different scenarios (Base, Conservative and Stress) to forecast the evolution of the Bank's liquidity situation up to 3 months;
- TED monitors the balance of the Bank's account with the BoP in real time, accessing the system directly. The Operations Department (OPD) controls the balances of other accounts (namely Clearstream and with UCIs) and reports them daily to TED;
- TED also monitors the deposit concentration ratios (demand and time), as well as the total balance of accounts belonging to customers most exposed to Bison Bank. Deposit concentration limits are also monitored by RID on a monthly basis;
- Liquidity risk is also dealt within the ILAAP exercise on an annual basis;
- RID calculates regulatory liquidity ratios and periodically submits prudential reports (LCR, NSFR and ALMM) to the regulator;
- Compliance with RAS objectives and regulatory liquidity risk ratios are monitored by RID on a monthly basis.

## ASSET ENCUMBRANCE

**31-12-2020**

(values expressed in thousand euros)

| Assets | Carrying amount of encumbered assets | Fair value of encumbered assets | Carrying amount of unencumbered assets | Fair value of unencumbered assets |
|---|---|---|---|---|
| **Assets of the reporting institution** | **431** | **431** | **107 953** | **-** |
| Deposits and Applications with Credit Institutions | 200 | 200 | 38 526 | - |
| Equity instruments | - | - | 14 123 | 14 123 |
| Debt securities | 231 | 231 | 32 158 | 32 158 |
| Other assets | - | - | 23 146 | - |

## 31-12-2020

(values expressed in thousand euros)

| Collateral received | Fair value of encumbered collateral received or own debt securities issued | Fair value of collateral received or own debt securities issued available for encumbrance |
|---|---|---|
| Collateral received by the reporting institution | - | - |
| Equity instruments | - | - |
| Debt securities | - | - |
| Other collateral received | - | - |
| Own debt securities issued other than own covered bonds or ABS | - | - |

| Encumbered assets, encumbered collateral received and matching liabilities | Matching liabilities, contingent liabilities and securities lent | Assets, collateral received and own debt securities issued than covered bonds and ABSs encumbered |
|---|---|---|
| Carrying amount of selected financial liabilities | - | 2,218 |

***Note:*** Unaudited information. Prudential information.

## 31-12-2019

(values expressed in thousand euros)

| Assets | Carrying amount of encumbered assets | Fair value of encumbered assets | Carrying amount of unencumbered assets | Fair value of unencumbered assets |
|---|---|---|---|---|
| **Assets of the reporting institution** | **437** | **437** | **86 762** | **-** |
| Deposits and Applications with Credit Institutions | 200 | 200 | 27 289 | - |
| Equity instruments | - | - | 14 148 | 14 148 |
| Debt securities | 237 | 237 | 32 613 | 32 613 |
| Other assets | - | - | 12 712 | - |

## 31-12-2019

(values expressed in thousand euros)

| Collateral received | Fair value of encumbered collateral received or own debt securities issued | Fair value of collateral received or own debt securities issued available for encumbrance |
|---|---|---|
| Collateral received by the reporting institution | - | - |
| Equity instruments | - | - |
| Debt securities | - | - |
| Other collateral received | - | - |
| Own debt securities issued other than own covered bonds or ABSs | - | - |

| Encumbered assets, encumbered collateral received and matching liabilities | Matching liabilities, contingent liabilities and securities lent | Assets, collateral received and own debt securities issued than covered bonds and ABSs encumbered |
|---|---|---|
| Carrying amount of selected financial liabilities | - | 1 627 |

***Note:*** Unaudited information. Prudential information.

The Bank's encumbered assets relate to regulatory/prudential requirements, namely intra-daily credit, the investor compensation system, and the deposit guarantee fund. Total encumbered assets represent only 0.2% of the Bank's total assets.

### NON-FINANCIAL RISKS

Non-financial risks are essentially associated with various failures, namely of operational nature (operational risk), inadequacy of information and technology systems (information technology risk, cybersecurity risks), conduct errors, non-compliance with regulations (compliance risk), inadequate definition or implementation of strategic decisions (strategy risk), negative perception of public image (reputational risk), which may arise in the development of its activity.

The measurement of non-financial risks is essentially based on the exercise of risk self-assessment (Risk and Control Self-Assessment Process or by Risk Control Self-Assessment - RCSA) through which the units/departments of the Bank assess the risks to which are exposed in the development of their activities.

Aware of its importance, the Bank defined in its RAS, a set of KPI's whose evolution is regularly monitored and disclosed to the Board, namely in the monthly report "Finance & Risk Report".

Regarding operational risk, and in order to face the pandemic context of COVID-19, the Bank activated its Contingency Plan for business continuity. The objective was to guarantee the safety of employees and customers, maintaining the Bank's operational capacity. This implied the intensive use of teleworking, with an impact in terms of infrastructure and increased measures in systems security, as well as the distribution of materials and protection and use of signs appropriate to the context.

## 29.2 Capital risk

Capital risk is the risk of lacking sufficient capital, either quantitatively or qualitatively, for the Bank to meet its business objectives and regulatory requirements. Bison Bank has defined it as one of its general principles of RAS that aims to maintain a level of capital above regulatory requirements. Taking this into account, objectives were established, maintained on a permanent basis, for the total capital ratio (Pillar I) and for the total economic capital ratio (Pillar 2), for the Base and Adverse scenarios.

Capital risk control is part of the Bank's risk monitoring structure, which involves a series of exercises, such as the annual budgeting exercise, the financing and capital plan, capital adequacy, monitoring and reporting and data disclosure of capital.

The Bank maintains adequate and robust capital levels, both in terms of regulatory capital and economic capital, and has internal management and control mechanisms that allow it to maintain a solid capital structure.

### 29.2.1 Own Funds and Capital Ratios

#### Prudential Ratios as at 31 December 2020

(values expressed in thousand euros)

| | 31-12-2020 | 31-12-2019 |
|---|---|---|
| **As per the rules CRD IV / CRR phasing in** | | |
| Common Equity Tier 1 capital | 47 871 | 49 092 |
| Total Own Funds | 47 871 | 49 092 |
| Risk Weighted Assets (RWAs) | 59 404 | 57 361 |
| ***Common Equity Tier 1 Ratio*** | 80,6% | 85,6% |
| ***Total Ratio*** | 80,6% | 85,6% |
| ***Leverage Ratio*** | 48,5% | 54,8% |
| **As per rules CRD IV / CRR fully implemented** | | |
| Common Equity Tier 1 capital | 47 871 | 49 092 |
| Total Own Funds | 47 871 | 49 092 |
| Risk Weighted Assets (RWAs) | 59 404 | 57 361 |
| ***Common Equity Tier 1 Ratio*** | 80,6% | 85,6% |
| ***Total Ratio*** | 80,6% | 85,6% |
| ***Leverage Ratio*** | 48,5% | 54,8% |

**Notes:**
(1) Unaudited information. Prudential information.
(2) The Bank has not adopted the possibility of phasing the implementation impact and IFRS9 over own funds in accordance with the provisions of article 473-A of the CRR. The implementation of CRR 2.5 (reducing the weighting of loans to SMEs and infrastructure) had no impact on the ratio. The transitional prudential filter provided for in article 468 is not being applied for unrealized gains and losses on sovereign debt exposures valued at fair value through other comprehensive income (JVOCI), excluding financial assets in credit impairment;
(3) The leverage ratio is calculated between Tier 1 capital and the total value of the balance sheet assets and off-balance sheet items, not being subject to weighting coefficients as occurs in the calculation of risk-weighted assets.

Source: COREP

On 31 December 2020, Common Equity Tier 1 (CET 1) capital calculated according to the CRD / CRR rules applicable in 2020 totaled 47.9 million euros, which corresponded to a CET 1 ratio of 80.6%. The decrease in the ratio compared to 2019, resulted from the degradation of Own Funds, affected by the loss recorded in the year, and from the increase observed in Total Risk weighted assets.

Bison Bank does not disclose own funds ratios calculated on a basis different from that provided for in Regulation (EU) no. 575/2013 (CRR) and there are no differences between the accounting basis and the prudential basis for calculating the respective ratios.

## Accounting detail of Own Funds, as at 31 December 2020

(values expressed in thousand euros)

| | 31-12-2020 | 31-12-2019 |
|---|---|---|
| **Own Funds** | | |
| Share Capital | 181 898 | 176 198 |
| Reserves and Retained Earnings | (126 798) | (119 789) |
| Net Income | (6 967) | (7 009) |
| Securities Revaluation Reserves | 343 | 222 |
| **Deductions** | | |
| Intangible Assets | -558 | -476 |
| Other Deductions: Prudent valuation on the Regulation 2016/101 of 26 October 2015 | -47 | -55 |
| **Total Own Funds and Common Equity Tier 1 Capital** | **47 871** | **49 092** |

**Note:** Unaudited information. Prudential information.
Source: COREP

## Breakdown of Own Funds, as of 31 December 2020

(values expressed in thousand euros)

| | 31-12-2020 | 31-12-2019 |
|---|---|---|
| **OWN FUNDS** | **47 871** | **49 092** |
| **TIER 1 Capital** | **47 871** | **49 092** |
| **Common Equity Tier 1 Capital** | **47 871** | **49 092** |
| Capital Instruments eligible as CET1 Capital | 181 898 | 176 198 |
| Paid up capital instruments | 181 898 | 176 198 |
| (-) Own CET1 instruments | - | - |
| Retained earnings | (133 765) | (126 798) |
| Previous years retained earnings | (126 798) | (119 789) |
| Profit or loss eligible | (6 967) | (7 009) |
| Accumulated other comprehensive income | 343 | 222 |
| Other reserves | - | - |
| Minority interest given recognition in CET1 capital | - | - |
| Transitional adjustments due to additional minority interests | - | - |
| (-) Value adjustments due to the requirements for prudent valuation | (47) | (55) |
| (-) Other intangible assets | (558) | (476) |
| (-) Deferred tax assets that rely on future profitability and do not arise from temporary differences net of associated tax liabilities | - | - |
| (-) Defined benefit pension fund assets | - | - |
| (-) CET1 instruments of financial sector entities where the institution has a significant investment | - | - |
| (-) Amount exceeding the 15% threshold | | |
| Other transitional adjustments to CET1 Capital | - | - |
| **Additional Tier 1 Capital** | **-** | **-** |
| Instruments issued by subsidiaries that are given recognition in AT1 Capital | - | - |
| Transitional adjustments due to additional recognition in AT1 Capital of instruments issued by subsidiaries | - | - |
| **Tier 2 Capital** | **-** | **-** |
| Capital instruments and subordinated loans eligible as T2 Capital | - | - |
| Paid up capital instruments and subordinated loans | - | - |
| Instruments issued by subsidiaries that are given recognition in T2 Capital | - | - |
| Transitional adjustments due to additional recognition in T2 Capital of instruments issued by subsidiaries | - | - |
| (-) T2 instruments of financial sector entities where the institution has a significant investment | - | - |
| Other transitional adjustments to T2 Capital | - | - |

**Note:** Unaudited information. Prudential information.
Source: COREP

## OWN FUND REQUIREMENTS

For the calculation of capital requirements, the Bank uses the standard method to calculate the amounts of positions weighted by credit risk, in accordance with the prudential rules in force on the reference date. With regard to operational risk, the Bank uses the basic indicator method. As for market risk, the standard method is used, both for the trading book and for currency exposure. Whenever necessary to determine capital requirements, 8% of risk weighted exposure amounts are considered in accordance with Regulation (EU) No. 575/2013 (CRR).

(values expressed in thousand euros)

| | | 31-12-2020 | | 31-12-2019 | |
|---|---|---|---|---|---|
| | | RWAs | Minimum capital requirements | RWAs | Minimum capital requirements |
| | **Credit Risk (excluding CCR)** | | | | |
| **Art. 438º (c)(d)** | of which: standardised approach | 54 085 | 4 327 | 50 240 | 4 019 |
| **Art. 438º (c)(d)** | of which: Internal ratings based approach (IRB Basic) | - | - | - | - |
| **Art. 438º (c)(d)** | of which: Internal ratings advanced approach (IRB Advanced) | - | - | - | - |
| **Art. 438º (d)** | of which: IRB actions according to the weighted method by simple risk or IMA (Internal Models Approach) | - | - | - | - |
| **Art. 107º** | **CCR** | **0** | **0** | **0** | **0** |
| **Art.438º (c)(d)** | of which: market value (MtM) | - | - | - | - |
| | of which: original method of exposure | - | - | - | - |
| | of which: standardised approach | - | - | - | - |
| | of which: Internal Model Approach | - | - | - | - |
| | of which: total risk exposure for contributions to the Default Fund of a CCP | - | - | - | - |
| | of which: Credit Valuation Adjustment | - | - | - | - |
| **Art. 438º (e)** | **Settlement / Delivery Risk** | **0** | **0** | **0** | **0** |
| **Art. 449º (o)(i)** | **Banking Book Securitisation Exposure (net)** | | | | |
| | of which: IRB approach | - | - | - | - |
| | of which: Supervisory Formula Method (SFM) | - | - | - | - |
| | of which: Internal Model Approach | - | - | - | - |
| | of which: standardised approach | - | - | - | - |
| **Art. 438º (e)** | **Market Risk** | | | | |
| | of which: standardised approach | 1 573 | 126 | 2 832 | 227 |
| | of which: Internal Models Approach (IMA) | - | - | - | - |
| **Art. 438º (e)** | **Large Exposures** | **-** | **-** | **-** | **-** |
| **Art. 438º (f)** | **Operational Risk** | **-** | **-** | **-** | **-** |
| | of which: basic indicator approach method | 3 746 | 300 | 4 288 | 343 |
| | of which: standardised approach | - | - | - | - |
| | of which: advanced measurement approach method | - | - | - | - |
| **Art. 437º(2), Art 48º e Art. 60º** | **Amounts inferior to the minimum threshold for deduction (subject to RW of 250% )** | **0** | **0** | **0** | **0** |
| **Art. 500º** | **Threshold Adjustment** | **-** | **-** | **-** | **-** |
| | **Total** | **59 404** | **4 753** | **57 361** | **4 589** |

***Note:*** Unaudited information. Prudential information.
Source: COREP



As of 31 December 2020, risk-weighted assets amounted to 59.4 million euros and represented 53.8% of total net assets.

Credit risk is the most significant risk, representing around 91% of risk-weighted assets. As of December 31, 2020, operational risk is the second most relevant and represents around 6% of the total.

(values expressed in thousand euros)

| | 31-12-2020 | | 31-12-2019 | |
|---|---|---|---|---|
| **Own Funds Requirements** | 4 752 | 100% | 4 589 | 100% |
| **For Credit Risk, Counterparty Credit Risk and Free Deliveries** | 4 327 | 91% | 4 019 | 88% |
| **Standardised Approach** | 4 327 | 91% | 4 019 | 88% |
| **Standardised Approach exposure classes excluding securitisation positions** | 4 327 | 91% | 4 019 | 88% |
| Central governments or central banks | - | 0% | - | 0% |
| Regional governments or local authorities | - | 0% | - | 0% |
| Public sector entities | - | 0% | - | 0% |
| Multilateral Development Banks | - | 0% | - | 0% |
| International Organisations | - | 0% | - | 0% |
| Institutions | 1 691 | 36% | 1 263 | 28% |
| Corporates | 1 151 | 24% | 461 | 10% |
| Retail Portfolio | 7 | 0% | 7 | 0% |
| Secured by mortgages on real estate property | - | 0% | - | 0% |
| Exposures in default | - | 0% | - | 0% |
| Items associated with particular high risks | - | 0% | - | 0% |
| Covered bonds | - | 0% | - | 0% |
| Claims on institutions and corporates with a short-term credit assessment | - | 0% | - | 0% |
| Collective investments undertakings (CIU) | 1 286 | 27% | 2 051 | 45% |
| Equity | 2 | 0% | 2 | 0% |
| Other Items | 189 | 4% | 235 | 5% |
| **Securitisation Positions in the Standardised Approach (SA)** | - | 0% | - | 0% |
| **Internal Ratings Based Approach** | - | 0% | - | 0% |
| **Own Funds requirements for adjustment risk of credit valuation** | - | 0% | - | 0% |
| **Settlement / Delivery Risk** | - | 0% | - | 0% |
| **Own Funds requirements for position, foreign exchange and commodities risks** | 126 | 3% | 227 | 5% |
| **Standardised Approach** | 126 | 3% | 227 | 5% |
| Debt Instruments | 2 | 0% | 3 | 0% |
| Equity Securities | - | 0% | 0 | 0% |
| Foreign exchange risks | 124 | 3% | 224 | 5% |
| Commodities risks | - | 0% | - | 0% |
| **Internal Models Approach** | - | 0% | - | 0% |
| **Own Funds requirements for operational risk** | 300 | 6% | 343 | 7% |
| **Basic Indicator Approach** | 300 | 6% | 343 | 7% |
| **Standardised Approach** | - | 0% | - | 0% |
| **Advanced Measurement Approaches** | - | 0% | - | 0% |
| **Own Funds requirements related to large risk exposures in the trading book** | - | 0% | - | 0% |
| **Other Own Funds requirements** | - | 0% | - | 0% |

***Note:*** Unaudited information. Prudential information. As of 31 December 2020, and 2019, Bison Bank did not have exposures in the portfolio related to securitizations and derivatives.
Source: COREP

For the purpose of determining the capital requirements for credit risk, used to calculate the prudential solvency ratio, Bison Bank uses the standardized method, as provided for in Part III, Title II, Chapter 2 of the CRR.

## Net Exposures

(values expressed in thousand euros)

| EXPOSURE CLASSES | On-balance-sheet amount | | Off-balance-sheet amount | | Securities Financing Transactions | | Derivatives | | Total Net Exposures | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Central Governments or Central Banks | 12 758 | 15 586 | - | - | - | - | - | - | 12 758 | 15 586 |
| Regional Governments or Local Authorities | - | - | - | - | - | - | - | - | - | - |
| Public Setor Entities | - | - | - | - | - | - | - | - | - | - |
| Multilateral Development Banks | - | - | - | - | - | - | - | - | - | - |
| International Organisations | - | - | - | - | - | - | - | - | - | - |
| Institutions | 52 380 | 40 699 | 2 | 2 | - | - | - | - | 52 382 | 40 701 |
| Corporates | 14 405 | 5 564 | 805 | 805 | - | - | - | - | 15 210 | 6 369 |
| Retail | 10 | 2 | 141 | 141 | - | - | - | - | 151 | 143 |
| Secured by mortgages on immovable property | - | - | - | - | - | - | - | - | - | - |
| Exposures in default | - | - | - | - | - | - | - | - | - | - |
| Items associated with particularly high risk | - | - | - | - | - | - | - | - | - | - |
| Covered bonds | - | - | - | - | - | - | - | - | - | - |
| Claims on institutions and corporates with a short-term credit assessment | - | - | - | - | - | - | - | - | - | - |
| Collective Investment Undertakings | 14 093 | 22 156 | - | - | - | - | - | - | 14 093 | 22 156 |
| Equity exposures | 30 | 30 | - | - | - | - | - | - | 30 | 30 |
| Other exposures | 2 517 | 3 091 | - | - | - | - | - | - | 2 517 | 3 091 |
| Securitisation positions | - | - | - | - | - | - | - | - | - | - |
| **Total** | **96 193** | **87 127** | **948** | **948** | **-** | **-** | **-** | **-** | **97 141** | **88 075** |

**Note:** Unaudited information. Prudential information. Exposure Net of Value Adjustments and Provisions

Source: COREP



## Risk Weighted Exposure Amount (RWA)

(values expressed in thousand euros)

| EXPOSURE CLASSES | On-balance-sheet amount | | Off-balance-sheet amount | | Securities Financing Transactions | | Derivatives | | Total RWA | | RWA Density | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Central Governments or Central Banks | - | - | - | - | - | - | - | - | - | - | 0% | 0% |
| Regional Governments or Local Authorities | - | - | - | - | - | - | - | - | - | - | - | - |
| Public Setor Entities | - | - | - | - | - | - | - | - | - | - | - | - |
| Multilateral Development Banks | - | - | - | - | - | - | - | - | - | - | - | - |
| International Organisations | - | - | - | - | - | - | - | - | - | - | - | - |
| Institutions | 21 139 | 15 785 | 2 | 2 | - | - | - | - | 21 141 | 15 786 | 40% | 39% |
| Corporates | 14 186 | 5 564 | 205 | 205 | - | - | - | - | 14 391 | 5 768 | 95% | 91% |
| Retail | 8 | 1 | 81 | 81 | - | - | - | - | 88 | 82 | 58% | 57% |
| Secured by mortgages on immovable property | - | - | - | - | - | - | - | - | - | - | - | - |
| Exposures in default | - | - | - | - | - | - | - | - | - | - | - | - |
| Items associated with particularly high risk | - | - | - | - | - | - | - | - | - | - | - | - |
| Covered bonds | - | - | - | - | - | - | - | - | - | - | - | - |
| Claims on institutions and corporates with a short-term credit assessment | - | - | - | - | - | - | - | - | - | - | - | - |
| Collective Investment Undertakings | 16 071 | 25 636 | - | - | - | - | - | - | 16 071 | 25 636 | 114% | 116% |
| Equity exposures | 30 | 30 | - | - | - | - | - | - | 30 | 30 | 100% | 100% |
| Other exposures | 2 364 | 2 938 | - | - | - | - | - | - | 2 364 | 2 938 | 94% | 95% |
| Elementos representativos de posições de titularização | - | - | - | - | - | - | - | - | - | - | 0% | 0% |
| Securitisation positions | - | - | - | - | - | - | - | - | - | - | - | - |
| **Total** | **53 798** | **49 953** | **287** | **287** | **-** | **-** | **-** | **-** | **54 085** | **50 240** | **56%** | **57%** |

**Note:** Unaudited information. Prudential information.

Source: COREP

This methodology implies a weighting of all the Bank's risk exposures by a set of pre-defined weights, unless deducted from own funds. These weights, for some asset classes, depend on the existence (or not) of external ratings and the better or worse credit quality that is indicated by those same ratings. The ratings used by the Bank to classify its assets for the purpose of obtaining risk weights, as stipulated in Part III, Title II, Chapter 2, Section 4 of the CRR, come from the rating agencies Moody's, Standard & Poor's and Fitch (see breakdown of financial assets by credit quality).

The risk classes for which an ECAI (External Credit Assessment Institutions) is used are the corporate classes, central administrations or central banks, Collective Investment Institutions and Bodies.

## Net Exposures - Rating

(values expressed in thousand euros)

| Risk Classes | HIGH GRADE 2020 | STANDARD GRADE 2020 | SUB-STANDARD GRADE 2020 | NOT RATED 2020 | Total Net Exposures 2020 |
|---|---|---|---|---|---|
| Central Governments or Central Banks | - | 12 758 | - | - | 12 758 |
| Regional Governments or Local Authorities | - | - | - | - | - |
| Public Setor Entities | - | - | - | - | - |
| Multilateral Development Banks | - | - | - | - | - |
| International Organisations | - | - | - | - | - |
| Institutions | 5 021 | 27 313 | 16 889 | 3 160 | 52 382 |
| Corporates | 437 | 5 098 | 724 | 8 951 | 15 210 |
| Retail | - | - | - | 151 | 151 |
| Secured by mortgages on immovable property | - | - | - | - | - |
| Exposures in default | - | - | - | - | - |
| Items associated with particularly high risk | - | - | - | - | - |
| Covered bonds | - | - | - | - | - |
| Claims on institutions and corporates with a short-term credit assessment | - | - | - | - | - |
| Collective Investment Undertakings | - | - | - | 14 093 | 14 093 |
| Equity exposures | - | - | - | 30 | 30 |
| Other exposures | - | - | - | 2 517 | 2 517 |
| Securitisation positions | - | - | - | - | - |
| **Total** | **5 457** | **45 169** | **17 612** | **28 903** | **97 141** |

**Note:** Unaudited information. Prudential information. Exposure Net of Value Adjustments and Provisions

Source: COREP

### KEY / REPORTING CONTROLS:

- RID supervises this risk through the monthly risk report "Finance and Risk Report", and through several other controls described below;
- Monthly monitoring of the evolution of the capital position developed by RID, with the support of APD in terms of own funds;
- RID monitors changes in own funds and solvency ratios. A monthly report details these changes and provides an analysis of the situation compared to the minimum regulatory levels. The report also includes an analysis of changes to the balance sheet structure and RWA's by type of risk. This analysis supports the calculation/explanation of changes to RWA's and their impacts in terms of the Bank's solvency ratios;
- RID, in collaboration with APD, periodically calculates and submits prudential reports on the Bank's capital situation (COREP OF) to the supervisory authorities;
- Compliance with capital ratios according to RAS is monitored monthly;
- RID, on a semiannual basis, updates the quantification of the main risks of the ICAAP, and reports the results to the Bank's senior management. The results are also addressed to the Asset and Liability Committee (ALCO) and Risk Management and the Risk and Compliance Committee.

### ASSESSMENT AND ADEQUACY OF INTERNAL CAPITAL

In compliance with the prudential requirements currently in force, the Bank carries out a self-assessment exercise on the adequacy of internal capital (ICAAP) provided under Pillar II of Basel III and Instruction No. 3/2019, of Bank of Portugal. The ICAAP is a fundamental part of Bison Bank's risk management, as it allows a direct assessment and determination of the internal capital levels underlying the Institution's risk profile, in the development of its business strategy (current and projected).

The objective of the ICAAP exercise is to contribute to the Bank's continuity of the capital perspective (going concern), ensuring that it has sufficient capital to face its risks, absorb losses and continue, even during a prolonged adverse period - to define the levels of capital required to capture unexpected losses, considering a certain confidence interval and time horizon. The process should ensure that the risks to which the institutions are exposed (Pillar I and Pillar II risks) are properly assessed and that the Institution's internal capital is in accordance with the risk profile established in the Bank's RAS.

The Bank took a conservative perspective regarding economic capital requirements, defining them with the maximum between regulatory and internal capital requirements, by risk category.

To quantify the risks, the Bank has developed several methodologies for calculating internal capital requirements that estimate the maximum potential loss over a period of one year. Risks are quantified in terms of impact at capital requirements level or in results according to a set of methodologies developed and a time horizon of one year.

The table below summarizes the risks considered relevant for Bison and the calculation methodology applied to each of them:

| Risk Types | Pillar II Methodologies |
|---|---|
| **Credit Risk** | **Combined Models:** |
| Debt Securities & Balances at OCIs | Maximum between Internal Rating-Based (IRB) Approach and Método Standard |
| Real Estate Risk | Standard Approach+ add-on (Value-at-Risk Approach) |
| Other Assets | Standard Approach |
| Concentration Risk | Single Name, Sector and Geographical credit concentration risk |
| Credit Spread Risk | Aplicado à Carteira de títulos de dívida |
| **Market Risk** | **Standard Approach +add on ( FX - Value-at-Risk Approach)** |
| **Interest Rate Risk** | **Sensitivity analysis (Effect of changes in the interest rate on economic value + NII)** |
| **Operational Risk** | **Maximum between (BIA) and (Standard Approach + Operational Risk events Add-on)** |
| **Reputational Risk** | **2020 Marketing costs + haircut % on 2020 commissions** |
| **Compliance Risk** | **Based on Regulators Sanctions Amounts** |
| **Strategic / Business Risk** | **Haircut on the net operating income of N+1** |



As a result of this process, the Bank is provided with an overview of the evolution of its own funds and the internal requirements of Pillar II. It is also assessed its resilience in the Base and Adverse scenarios, thus fulfilling one of the main purposes of this process.

The ICAAP is the responsibility of the BoD, however it delegates the obligation to carry out this process in RID. Thus, RID is responsible for preparing and coordinating the ICAAP report. The Bank has internally defined an organizational structure to support the ICAAP process with the following elements:

- RID;
- ALCO & Risk Management Committee - coordinated by RID and the TED;
- Accounting and Planning Department (APD);
- Audit Department (IAD);
- Executive Committee (EC);
- Risk and Compliance Committee.

The main objective of the ICAAP process is to determine the capital requirements for all risks to which the institution is, or may be, subject. Thus, the Pillar I risks (Credit Risk, Market Risk and Operational Risk) are considered and, in addition, the Concentration Risk, Interest Rate Risk, Reputational Risk, Compliance Risk, Strategy Risk, etc.

RID is responsible for risk management, which includes, among others, the calculation and permanent monitoring of the institution's capital consumption, namely: a) defining the risk levels that Bison Bank is willing to assume: Identify, quantify and monitor the various risks assumed; b) calculate the capital consumption of the different risks to which the Bank is exposed in Pillar I; c) ensure the development and regulatory reporting of the ICAAP exercise.

The ALCO & Risk Management Committee, coordinated by TED and RID, is responsible for monitoring global levels of risk and for defining the model of Internal Economic Capital, which supports the exercise of ICAAP. In terms of ICAAP, we highlight the responsibility to present and analyze the current and prospective capital position and to propose mitigation measures, when necessary.

### KEY REPORTING CONTROLS:

- RID supervises this risk through the monthly risk report "Finance and Risk Report", and through several other controls described below;
- Monthly monitoring of the evolution of the capital position developed by RID, with the support of APD in terms of own funds;
- RID monitors changes in own funds and solvency ratios. A monthly report details these changes and provides an analysis of the situation compared to the minimum regulatory levels. The report also includes an analysis of changes to the balance sheet structure and RWA's by type of risk. This analysis supports the calculation/explanation of changes to RWA's and their impacts in terms of the Bank's solvency ratios;
- RID, in collaboration with APD, periodically calculates and submits prudential reports on the Bank's capital situation (COREP OF) to the supervisory authorities;
- Compliance with capital ratios according to RAS is monitored monthly;
- RID, on a semiannual basis, updates the quantification of the main risks of the ICAAP, and reports the results to the Bank's senior management. The results are also addressed to the Asset and Liability Committee (ALCO) and Risk Management and the Risk and Compliance Committee.

## RECOVERY PLAN

The Bank updates the Recovery Plan annually for its business and activities, through which a wide set of several key indicators are defined, which are monitored on a permanent basis (on a monthly basis), allowing for timely action whenever deviations exceed certain levels. These levels are defined in the Plan, being reported according to the reporting governance defined. Specific responsibilities and measures to be taken are defined, namely in the event of contingency situations and capital and / or liquidity, to anticipate the occurrence of eventual crises.

## LEVERAGE RATIO

The leverage ratio (leverage ratio) is the relationship between capital (Tier 1, in the numerator) and total accounting exposure on and off balance sheet (total value of assets on balance sheet and off-balance sheet exposures weighted by credit risk factors, in the denominator). The ratio is calculated according to the current regulatory standards, namely the guidelines of Regulation (EU) No. 575/2013 (article nº 429º), updated by Delegated Regulation (EU) No. 2015/62 of the European Commission of 10 October 2014 and in accordance with Implementing Regulation (EU) No. 2016/200 of the European Commission of 15 February 2016.

The minimum reference level is 3% (mandatory minimum in Pillar I), mandatory since 1 January 2018. It is a simple and transparent ratio that aims to limit excessive balance sheet growth in relation to available capital.

(values expressed in thousand euros)

| | 31-12-2020 | 31-12-2019 |
|---|---|---|
| **Own Funds and Total Exposure Measurement (phasing-in)** | | |
| Tier 1 Capital | 47 871 | 49 092 |
| Total exposure for the purpose of leverage ratio | 98 630 | 89 647 |
| Leverage Ratio | 49% | 55% |
| **Decision on the transitional provisions and on the amount of derecognised fiduciary items** | | |
| UE-23 Decision on the transitional provisions towards the definition of Own Funds Measure | **Transitional definition** | |
| UE-24 Amount of the derecognised fiduciary items as per article 429, no 11, of Regulation (EU) no 575/2013 | | |

**Note:** Unaudited information. Prudential information.

Source: COREP

As of December 31, 2020, the Bank's leverage ratio was 49% (versus 55% in December 2019), much higher than the prudential minimum. The ratio is monitored on a quarterly basis.

(values expressed in thousand euros)

| | CRR Leverage Ratio Exposures (2020) |
|---|---|
| **On-Balance Sheet Exposures (excluding derivatives and SFTs)** | |
| On-Balance Sheet Items (excluding derivatives, SFTs and fiduciary assets, but including collateral) | 96 193 |
| (Asset amounts deducted in determining Tier 1 capital) | -604 |
| **Total On-Balance Sheet Exposures (excluding derivatives, SFTs and fiduciary assets)** | **95 589** |
| **Risk exposures arising from Derivative Instruments** | |
| Replacement cost associated with derivatives transactions | 0 |
| Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method) | 0 |
| Exposure determined under Original Exposure Method | 0 |
| Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework | 0 |
| (Deductions of receivables assets for cash variation margin provided in derivatives transactions) | 0 |
| (Exempted CCP leg of client-cleared trade exposures) | 0 |
| Adjusted effective notional amount of written credit derivatives | 0 |
| (Adjusted effective notional offsets and add-on deductions for written credit derivatives) | 0 |
| **Total derivatives exposures** | **0** |
| **SFT Exposures** | |
| Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions | 0 |
| (Netted amounts of cash payables and cash receivables of gross SFT assets) | 0 |
| Counterparty credit risk exposure for SFT assets | 0 |
| Agent transaction exposures | 0 |
| EU-15a (Exempted CCP leg of client-cleared SFT exposure) | 0 |
| **Total securities financing transaction exposures** | **0** |
| **Off-Balance Sheet Exposures** | 3 041 |
| **(Exposures exempted in accordance with Article 429 (7) and (14) of Regulation (EU) No 575/2013** | |
| (Intragroup exposures (solo basis) exempted in accordance with Article 429 (7) of Regulation (EU) No 575/2013 | 0 |
| (Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013 | 0 |

**Note:** Unaudited information. Prudential information.

Source: COREP

### OWN FUNDS PRUDENTIAL RESERVES

According to BoP deliberation, the percentage of countercyclical reserve applicable to credit exposures to the Portuguese non-financial private sector, which were in force in 2020, was 0% of the total amount of exposures. Thus, Bison Bank's specific countercyclical reserve is 0% since the relevant credit risk positions are located in the national territory.

### LIMIT TO LARGE EXPOSURES

As at 31 December 2020, the Bank complied with the limit for large exposures provided for in article 395º of Regulation (EC) no. 575/2013, of June 26, 2013.



## 30. Fair Value of the Securities Portfolio and other Financial Instruments

The fair value of financial instruments is always estimated, where possible, through reference to active market prices. A market is deemed active and liquid when it is used by equally knowledgeable counterparts and transactions are carried out in a regular manner. For those financial instruments for which there are no active market, due to a lack of liquidity or of regular transactions, valuation methods and techniques are employed to determine the fair value. The financial instruments were classified into levels according to the hierarchy stipulated in IFRS 13.

### FINANCIAL INSTRUMENTS CARRIED ON THE BALANCE SHEET AT FAIR VALUE

As at 31 December 2020 and 2019, this item breaks down as follows:

**Consolidated**

| | Valuation Techniques | | | |
|---|---|---|---|---|
| 31-12-2020 | Level 1 | Level 2 | Level 3 | Total |
| **Assets** | | | | |
| Financial assets held for trading | 159 | - | - | 159 |
| Non-trading financial assets mandatorily at fair value through profit or loss | - | - | 14 093 | 14 093 |
| Financial assets at fair value through other comprehensive income | 32 231 | - | 30 | 32 261 |
| **Liabilities** | | | | |
| Financial liabilities held for trading | - | - | - | - |

| | Valuation Techniques | | | |
|---|---|---|---|---|
| 31-12-2019 | Level 1 | Level 2 | Level 3 | Total |
| **Assets** | | | | |
| Financial assets held for trading | 161 | - | - | 161 |
| Non-trading financial assets mandatorily at fair value through profit or loss | - | - | 14 118 | 14 118 |
| Financial assets at fair value through other comprehensive income | 32 689 | - | 30 | 32 719 |
| **Liabilities** | | | | |
| Financial liabilities held for trading | - | - | - | - |

## Individual

| | Valuation Techniques | | | |
|---|---|---|---|---|
| | Market Value or Market Price | | | |
| 31-12-2020 | Level 1 | Level 2 | Level 3 | Total |
| **Assets** | | | | |
| Financial assets held for trading | 159 | - | - | 159 |
| Non-trading financial assets mandatorily at fair value through profit or loss | - | - | 14 093 | 14 093 |
| Financial assets at fair value through other comprehensive income | 32 231 | - | 30 | 32 261 |
| **Liabilities** | | | | |
| Financial liabilities held for trading | - | - | - | - |

| | Valuation Techniques | | | |
|---|---|---|---|---|
| | Market Value or Market Price | | | |
| 31-12-2019 | Level 1 | Level 2 | Level 3 | Total |
| **Assets** | | | | |
| Financial assets held for trading | 161 | - | - | 161 |
| Non-trading financial assets mandatorily at fair value through profit or loss | - | - | 22 156 | 22 156 |
| Financial assets at fair value through other comprehensive income | 32 689 | - | 30 | 32 719 |
| **Liabilities** | | | | |
| Financial liabilities held for trading | - | - | - | - |

In the construction of the table indicated above, fair value levels were used, according to the fair value hierarchy (see Note 2.8)

The disclosures on the fair value related to investment properties, is disclosed in Note 10.

There are no changes in relation to 2019 to the valuation criteria for financial assets that are classified as market analysis valuation technique. In the internal valuation models of financial instruments at fair value through other comprehensive income and fair value through profit and loss, market interest rates are calculated based on information disseminated by Bloomberg. The terms up to one year are for the market rates of the interbank money market, while the terms of more than one year are through the quotes of interest rate swaps. The interest rate curve obtained is further adjusted against the values of short-term interest rate futures. Interest rates for specific time frames are determined by interpolation methods. The same interest rate curves are also used in the projection of non-deterministic cash flows such as indexants.

In the specific case of investment fund units held by the Bank, these are classified at level 3 of the fair value hierarchy and valued based on the NAV ("Net Asset Value") disclosed by the respective management companies.

The interest rates used for the clearance of the interest rate curve with reference to 31 December 2020 and 2019 for the EUR and USD currencies are as follows:

| | EUR | | USD | |
|---|---|---|---|---|
| Maturity | 31-21-2020 | 31-12-2019 | 31-21-2020 | 31-12-2019 |
| 1 day | -0,523% | -0,600% | - | 1,543% |
| 7 days | -0,578% | -0,499% | 0,096% | 1,630% |
| 1 month | -0,554% | -0,438% | 0,144% | 1,763% |
| 2 months | -0,550% | - | 0,190% | 1,833% |
| 3 months | -0,525% | -0,383% | 0,238% | 1,908% |
| 6 months | -0,526% | -0,324% | 0,164% | 1,912% |
| 1 year | -0,521% | -0,249% | 0,208% | 1,996% |
| 2 years | -0,521% | -0,292% | 0,198% | 1,698% |
| 3 years | -0,506% | -0,238% | 0,241% | 1,689% |
| 4 years | -0,485% | -0,175% | 0,325% | 1,703% |
| 5 years | -0,459% | -0,111% | 0,430% | 1,729% |
| 6 years | -0,427% | -0,047% | 0,545% | 1,763% |
| 7 years | -0,389% | 0,018% | 0,655% | 1,798% |
| 8 years | -0,349% | 0,083% | 0,755% | 1,830% |
| 9 years | -0,306% | 0,147% | 0,846% | 1,863% |
| 10 years | -0,261% | 0,212% | 0,925% | 1,895% |
| 20 years | 0,006% | 0,604% | 1,317% | 2,066% |
| 30 years | -0,023% | 0,621% | 1,402% | 2,091% |

## FINANCIAL INSTRUMENTS AT COST OR AMORTISED COST

As at 31 December 2020 and 2019 the detail of this item is as follows:

### Consolidated

| 31-12-2020 | Balance Sheet Value | Fair Value |
|---|---|---|
| Cash, cash balances at central banks and other demand deposits | 38 563 | 38 563 |
| Financial assets at amortised cost | 164 | 164 |
| Other Assets | 22 584 | 22 584 |
| Deposits | (40 322) | (40 322) |
| Other liabilities | (6 053) | (6 053) |

| 31-12-2019 | Balance Sheet Value | Fair Value |
|---|---|---|
| Cash, cash balances at central banks and other demand deposits | 27 246 | 27 246 |
| Financial assets at amortised cost | 244 | 244 |
| Other Assets | 2 490 | 2 490 |
| Deposits | (30 370) | (30 370) |
| Other liabilities | (5 916) | (5 916) |

### Individual

| 31-12-2020 | Balance Sheet Value | Fair Value |
|---|---|---|
| Cash, cash balances at central banks and other demand deposits | 38 563 | 38 563 |
| Financial assets at amortised cost | 164 | 164 |
| Other Assets | 22 584 | 22 584 |
| Deposits | (40 322) | (40 322) |
| Other liabilities | (6 053) | (6 053) |

| 31-12-2019 | Balance Sheet Value | Fair Value |
|---|---|---|
| Cash, cash balances at central banks and other demand deposits | 27 222 | 27 222 |
| Financial assets at amortised cost | 244 | 244 |
| Other Assets | 2 602 | 2 602 |
| Deposits | (30 379) | (30 379) |
| Other liabilities | (5 575) | (5 575) |



For financial instruments recorded in the balance sheet at amortized cost, the Bank calculates the respective fair value using valuation techniques.

The fair value presented may not correspond to the realization value of these financial instruments in a sale or liquidation scenario and has not been determined for this purpose. The figures presented basically represent cash and cash equivalents with high liquidity and reduced residual maturities, which do not differ substantially from the amounts recorded in the balance sheet.

The valuation techniques used by the Bank seek to be based on the market conditions applicable to similar operations on the reference date of the financial statements, namely the value of the respective discounted cash flows based on the most appropriate interest rates.

For loans without default rate and very short term, it was considered that the balance sheet value corresponds to the best approximation of fair value.

# 31. Balances and Transactions with Related Entities

Transactions with related parties are analysed in accordance with the criteria applicable to similar third-party transactions and are conducted under normal market conditions.

The figures below follow the following criteria:

- Both 31 December 2020 and 2019 balances and transactions regarding Key Management Staff refer to all below disclosed "Key Members of Management and Supervisory Board", either in functions or not as at 31 December of 2020 and 2019.

### Consolidated/Individual

| | 31-12-2020 | 31-12-2019 | 31-12-2020 | 31-12-2019 |
|---|---|---|---|---|
| | Key Management Staff | | Shareholders | |
| Deposits | - | - | 3 005 | 2 001 |
| Other debtors (unpaid capital) | - | - | 13 300 | - |
| Interest Expenses | - | - | 7 | 7 |
| Fees and commissions income | - | - | - | - |
| Personnel Costs | 1 433 | 1 492 | - | - |

**THE RELATED PARTIES ARE THE FOLLOWING:**

**Key Elements of Management and Supervisory Board:**

- Li Jun Yang
- Evert Derks Drok
- Bian Fang – started functions in May 2019
- Pedro Manuel Ortigão Correia - ceased functions in October 2019
- Francisco Alexandre Valente de Oliveira
- André Filipe Ventura Rendeiro
- António Manuel Gouveia Ribeiro Henriques
- Issuf Ahmad
- Ernesto Jorge de Macedo Lopes Ferreira
- Ting Wang

**Bank Entities from 9 July 2018:**

- Bison Capital Holding Company Limited
- Bison Capital Financial Holdings (Hong Kong)
- Banif US Real Estate
- Art Invest
- Turirent



**Bank entities from 25 February 2019:**

- Bison Capital Holding Company Limited
- Bison Capital Financial Holdings (Hong Kong) Limited
- Banif US Real Estate
- Turirent

**Bank entities from 13 October 2019:**

- Bison Capital Holding Company Limited
- Bison Capital Financial Holdings (Hong Kong) Limited
- Turirent

**Bank entities after 26 August 2020:**

- Bison Capital Holding Company Limited
- Bison Capital Financial Holdings (Hong Kong) Limited

# 32. Events after the Balance Sheet date

On January 29, 2021, a capital amount of 13,300 thousand Euros was realized, referring to the capital increase of 19 million Euros, from which, the first realization occurred on September 28, 2020 in the amount of 5,700 thousand Euros, according to the commitment made by the shareholder in mid-2018 as part of the Bank's acquisition process.

This capital increase strengthened the Bank's capital and liquidity position, with the entire capital increase being realized as at the time of issuance of this report.

In addition to the above, no other events requiring adjustments and/or disclosures in these financial statements have been verified.

# 33. Other Disclosures

The global expansion of the COVID-19 pandemic has generated an unprecedented health crisis.

The extent of the impact will depend on future developments, which cannot be reliably predicted, including the evolution of the pandemic, the effectiveness of the actions taken to address or mitigate it and the impact on the economies of the affected countries, the scope of social and economic policies, support measures that are being implemented by the governments of the various affected countries.

In view of Bison Bank's balance sheet structure, with an immaterial credit portfolio, on which a single default request was requested (see Note 29.1, a) - Amortized Cost) and with its asset consisting essentially of an investment bond portfolio high-liquidity and liquidity with top-tier financial institutions, there are no anticipated or verified relevant impacts for the Bank resulting from the permanence, and any uncertainties associated with COVID-19, with regard to these indicators.

Nevertheless, the solid capital and liquidity position allows the Bank to be well prepared to absorb relevant shocks and the respective deviations from its business plan.

The Board of Directors has successfully implemented a contingency plan to allow its employees to work remotely, thus allowing it to remain fully operational.

# 10

# Corporate Governance Report

The following information on corporate governance was prepared in accordance with the following provisions:

- subparagraph b) of no. 2 of article 70 of the Portuguese Companies Code - “Código das Sociedades Comerciais” (“CSC”)
- EBA guidelines on internal governance (EBA/GL/2017/11),
- General Regime of Credit Institutions and Financial Companies – “Regime Geral das instituições de Crédito e Sociedades Financeiras” (“RGICSF”), approved by Decree-Law no. 298/92, of December 31, as successively amended to date;
- Notice nº 3/2020 from Banco de Portugal, published on 1 July 2020, which regulates the organizational culture, internal government, internal control system and remuneration practices and policies of credit institutions and financial companies.
- Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 (CRR).

Bison Bank SA shall be referred in this document as “Bison Bank”, “Bank” or “Company”.

# I Corporate Governance Structure and Practices

## I.1 Governance Structure

The Company is structured according to the Latin Model (Reinforced), as per subparagraph a) of no. 1 of article 278 of the CSC.

Management of the Company is entrusted to a Board of Directors which can be composed of a minimum of three, and a maximum of fifteen members, in accordance with Article 18 and following of the Company's Articles of Association.

Members are elected for four-year terms of office and may be re-elected. The Board of Directors is appointed by the General Meeting, as stipulated in no. 1 of article 18 of the Company's Articles of Association and no. 1 of article 391 of the CSC.

The day-to-day management of the Company has been delegated to an Executive Committee composed of members drawn from the Board of Directors, as provided for in no. 1 of article 22 of the Articles of Association and no. 3 of article 407 of the CSC.

Supervision of the Company is entrusted to a Supervisory Board, in accordance with articles 23 and 24 of the Articles of Association, and a statutory auditor as per subparagraph b) of no. 1 of article 413 of the CSC.

The Supervisory Board, composed of three sitting members and one alternate, is elected by the General Meeting, as per no. 1 of article 415 of the CSC.

The Statutory Auditor is also appointed by the General Meeting, on the recommendation of the Supervisory Board, as stipulated in no. 1 of article 24 of the Articles of Association and no. 1 of article 446 of the CSC.

In accordance with Article 25 of the Company's Articles of Association, the Company also has a Company Secretary and respective Alternate, both appointed by resolution of the Board of Directors for a term of office coinciding with that of this body.



# I.2 General Meeting

## I.2.1 Identification of the Members of the Board of the General Meeting

The Board of the General Meeting is composed of a chair and one or two secretaries, In accordance with no. 1 of article 12 of the Company's Articles of Association,

The members of the Board of the General Meeting identified below were appointed to the following positions for the 2018-2021 period:

**Chairman:** Luís Manuel Baptista Branco
**Secretary:** Afonso Maria Pita Negrão Cardoso de Menezes

## I.2.2 Start and end dates for the terms of office

The abovementioned members of the Board of the General Meeting were appointed at the General Meeting held on August 3, 2018, for the 2018-2021 four-year term of office, which ends on 31 December 2021.

## I.2.3 Mandatory advance blocking of shares, for the purposes of participating in the General Meeting

Under article 15 of the Company's Articles of Association, any shareholder entitled to at least one vote, by law and as per the Company's Articles of Association, may attend the General Meeting and discuss and vote on the agenda points.

Also under the terms of the same article, the participation and exercise of voting rights by shareholders in General Meetings, once the other requirements of the law have been met, shall depend on the bookkeeping in their name of shares that confer the right to at least one vote, up to and including six (6) days prior to the date scheduled for the respective meeting, and the respective shares shall remain registered or recorded at least until the end of the General Meeting.

Furthermore, it is established that the transmissions of Company's shares made in the 5 (five) days prior to each meeting, on a first convening, are not considered for the purpose of participation in the General Meeting.

## I.2.4 Rules that apply to the blocking of shares if the General Meeting is suspended

Under no. 3 of article 15 of the Articles of Association, shareholders must keep their shares in their name on the Company's share register until the General Meeting has closed.

## I.2.5 Number of shares required for each vote

Under the provisions of no. 2 of article 15 of the Company's Articles of Association, each block of 100 (one hundred) shares entitles the holder to 1 (one) vote.

In accordance with no. 1 of article 17 of the Company's Articles of Association, shareholders holding a number of shares lower than the number required by the Articles of Association for participation in the General Meeting, may form groups to make up this minimum number, being represented by one of them or by any other shareholder with voting rights, to be indicated by means of a letter addressed to the Chairman of the Board of the General Meeting.

## I.2.6 Indication of shareholders with special rights and a description of these rights

As at 31 December 2020, there were no shareholders with special rights.

Without prejudice to the above, it should be noted that the Bank's adherence to the special regime applicable to deferred tax assets, approved in the annex to Law no. 61/2014, of 26 August, and the constitution of a special reserve in the amount of the Bank's tax credits implies the recognition of the constitution of conversion rights in favor of the Portuguese State. These conversion rights are nominative and book-entry securities that give the respective holder the right to require the Bank to increase the share capital through the incorporation of the above-mentioned special reserve and, consequently, freely issue and deliver ordinary shares representing its share capital, in the percentage of the right exercised.

### I.2.7 Articles of association rules that provide for the possibility of non-voting shares or those that stipulate that voting rights above a certain number shall not count, when such votes are cast by a single shareholder or by shareholders related to this shareholder

No. 2 of article 4 of the Articles of Association stipulates that the Company may issue any kind of shares, namely preferred shares, redeemable or not, and the redemption may be exercised at nominal value plus or without a premium, as decided by the competent body.

There are no statutory rules limiting the counting of voting rights.

### I.2.8 Articles of association rules on the exercise of voting rights, including constitutive and decision-making quorums or systems for decoupling equity rights

The Articles of Association rules on the exercise of voting rights, and specifically as regards constitutive and decision-making quorums, are in line with the provisions of the Portuguese Companies Code, and there is an identity between the statutory regime (as per article 11 and subsequent of the Articles of Association) and the legal framework (as per articles 383 and 386 of the Portuguese Companies Code). There are no statutory rules on systems pertaining to the decoupling of equity rights.

### I.2.9 Articles of association rules on the exercise of voting rights via postal voting

Under no. 5 of article 17 of the Articles of Association, shareholders may exercise their right to vote by post, in the following terms:

**a)** The postal ballot must be received by the Company by 5 pm on the business day immediately preceding the date set for the General Meeting. If it is not received by this time, it may not be accepted;

**b)** The postal ballot should indicate the agenda points to which it refers and, where appropriate, to the specific decision proposal to which it relates. For decision proposals submitted after the postal ballot was filled out, the vote will count as a vote against the proposal;

**c)** The fact that the Company may provide a standardised postal ballot for each General Meeting does not invalidate any postal vote that does not make use of such a postal ballot, provided that the manner in which the vote is to be cast is understandable and unequivocal;

**d)** The postal ballot should be addressed to the Chairman of the Board of the General Meeting, who will check its authenticity and ensure that it remains confidential until the vote actually takes place;

**e)** Postal votes will count towards the constitutive quorum required for the General Meeting for which they are issued and, unless indicated otherwise, they will also count, in the same manner, for any second convening of the same meeting.

### I.2.10 Exercising the right to vote by electronic means

There is no provision for exercising the right to vote by electronic means.

### I.2.11 Any restrictions on the right to vote, such as voting restrictions that depend on the shareholder holding a certain number or percentage of shares, deadlines for exercising voting rights, or systems for decoupling equity rights

Without prejudice to the information in the previous points, namely point I.2.5, there are no restrictions on voting rights.

### I.2.12 Role played by the General Meeting in the remuneration policy for the Company as a whole and for the members of the management body and other managers in particular

Pursuant to Article 26 no. 1, of the Articles of Association, the remuneration of the members of the corporate and statutory bodies shall be fixed by the General Meeting or by a Remuneration Commission, established pursuant to Article 399 of the CSC.

The Company opted to maintain the responsibility for this matter at the General Meeting, so the remuneration of the members of Bison Bank's statutory and governing bodies is set by the General Meeting, based on the proposals and recommendations presented by the Nomination and Remuneration Committee, constituted under the terms of Article 115-H of the RGICSF.

Although not considered as a "significant" credit institution, in terms of size, internal organization and the nature, scope and complexity of its activities, in accordance with the provisions of article 115-H of the RGICSF, Bison Bank opted for strengthening its governance structure with the creation of a specialized Committee entitled "Nomination and Remuneration Committee", constituted in accordance with the provisions of the mentioned Article 115-H and the EBA guidelines on internal governance - EBA / GL / 2017/11.

This Committee, whose composition and functioning are better described in point I.4.2 - a) - i) of this report, has as one of its purposes to support the General Meeting in matters of Remuneration.

Accordingly, the remuneration policy for the members of the Bank's management and supervisory bodies is subject to annual review by the General Meeting, following a proposal by the Nomination and Remuneration Committee established under the terms of the referred Article 115-H of the RGICSF.

Also a statement on the remuneration policy of the management and supervisory bodies is annually submitted to the General Meeting for consideration.

Moreover, and following a proposal from the Board of Directors, the General Meeting may decide to distribute profits to company staff and employees, in accordance with article 26, no. 4, of the Articles of Association.

It should be noted that during 2020, a General Meeting was held, and a unanimous written resolution was taken, in which it was decided on matters of remuneration, as follows:

- At the General Meeting held on 14 May 2020, it was decided, as proposed by the Nomination and Remuneration Committee, to approve the revised and updated version of the remuneration policy for members of the management and supervisory bodies,
- By unanimous written resolution of 17 March 2020, the Bank's sole shareholder, pursuant to article 54 and paragraph 1 of article 373, both of the Commercial Companies Code, decided to adjust the annual remuneration of the member of the Board of Directors, André Filipe Ventura Rendeiro, with effect from 1 April 2020, in accordance with the Remuneration Policy for the Members of the Company's Management and Supervisory Bodies and the assessment conducted by the Nomination and Remuneration Committee.

### I.2.13 The General Meeting's role in the approval of the main features of the retirement benefits system for members of the management and supervisory bodies and for other managers, within the meaning of no. 3 of article 248-B of the Securities Code (C.V.M.)

The General Meeting may, at any time, grant the right to retirement and survivors' pensions or to supplementary retirement and survivors' pensions, establishing, in doing so, the corresponding system or delegating the powers for this to a Nomination and Remuneration Comission as set out in Aarticle 26, no. 6, of the Articles of Association. This did not occur in the financial year 2020.

### I.2.14 Rules applying to any changes to the Company's Articles of Association

There are no specific rules in the Articles of Association regarding any changes to these same articles. Any changes would be made within the relevant legal framework, namely that provided by the CSC e no RGICSF.

### I.2.15 Qualifying holdings in the Company's share capital

As of 31 December 2020, Bison Bank shares, with a total of 39,039,674 shares, with a par value of 5 euros each, representing 100% of the Company's share capital, in the total amount of 195,198,370.00 Euros, were held by the sole shareholder, Bison Capital Financial Holdings (Hong Kong) Limited.

At the reporting date, Bison Capital Financial Holdings (Hong Kong) Limited continues to be Bison Bank's sole shareholder.

## I.3 Board of Directors

### I.3.1 Identification of the members of the Board of Directors

As at the reporting date, the Board of Directors of Bison Bank had the following members:

- Yang Lijun, who also uses Lijun Yang (Chairman)
- Evert Derks Drok (Vice-Chairman)
- Bian Fang (Director and Chief Executive Officer)
- António Manuel Gouveia Ribeiro Henriques (Director and Deputy Chief Executive Officer)
- Francisco Alexandre Valente de Oliveira (Director)
- André Filipe Ventura Rendeiro (Director)

### I.3.2 Start and end dates of the respective terms of office

On August 3, 2018, Bison Capital Financial Holdings (Hong Kong) Limited, acting as sole shareholder of the Bank, resolved, in light of the individual and collective assessment reports made available by the Company, to appoint as members of the Board of Directors for the period from 2018 to 2021, the following individuals:

**Board of Directors**

- Yang, Lijun;
- Evert Derks Drok;
- Pedro Manuel Ortigão Correia;
- Francisco Alexandre Valente de Oliveira

On **August 10, 2018**, pursuant to article 19, paragraph 1, of the Company's Articles of Association, the Board of Directors resolved to appoint Yang, Lijun as Chairman and Evert Drok as Vice-Chairman of the Company's Board of Directors for the period from 2018 to 2021.

On **October 30, 2018**, Bison Capital Financial Holdings (Hong Kong) Limited, acting as sole shareholder, in light of the individual and collective assessment reports made available by the Company, appointed, with effects on November 19 2018, André Filipe Ventura Rendeiro, as member of the Company´s Board of Directors for the period of 2018 to 2021.

On **5 December 2018**, Bison Capital Financial Holdings (Hong Kong) Limited, acting as sole shareholder of Bison Bank, resolved in light of the individual and collective assessment reports made available by the Company, appointed, with immediate effects, António Manuel Gouveia Ribeiro Henriques, as member of the Company´s Board of Directors for the period of 2018 to 2021. On March 31, 2021 he was appointed Vice-President of the Executive Committee.

On **April 26, 2019**, it was decided at the General Meeting, in light of the individual and collective assessment carried out by the Bank for this purpose, to appoint, with immediate effect, Bian Fang as a new member of the Company's Board of Directors for the period of 2018 to 2021.

This new member was appointed as Chairman of the Executive Committee (Chief Executive Officer) of the Company, when this Committee was set up on May 3, 2019, as further described in section I.4 of this Report.

On **October 15, 2019**, Bison Capital Financial Holdings (Hong Kong) Limited, in its capacity as the sole shareholder of Bison Bank, decided to dismiss, with immediate effect, Pedro Ortigão Correia, from the position of member of the Board of Directors of Bison Bank, having ceased his functions on that date.

Given the abovementioned changes, the Board of Directors currently has the following members:

- Yang Lijun, who also uses Lijun Yang (Chairman) – appointed on August 3, 2018 with effects at the same date
- Evert Derks Drok (Vice-Chairman) – appointed on August 3, 2018 with effects at the same date
- Bian Fang, who also uses Fang Bian (Director and Chief Executive Officer) – appointed on 26 de Abril de 2019 with effects at the same date
- António Manuel Gouveia Ribeiro Henriques (Director and Deputy Chief Executive Officer) – appointed on December 5, 2018 with effects at the same date
- Francisco Alexandre Valente de Oliveira (Director) – appointed on August 3, 2018 with effects at the same date
- André Filipe Ventura Rendeiro (Director) – appointed on October 30, 2018 with effects at November 19, 2018.

## I.3.3 Powers of the management body, particularly as regards decisions to increase the share capital

The powers of the Board of Directors are stipulated in article 20 of the Articles of Association. This article states that the Board of Directors has exclusive and full powers to represent the Company and is responsible for ensuring the management of its business. Therefore, it has the power to decide on any company-related issue that does not fall within the exclusive competence of another body, under the Law or the Articles of Association. Thus, it has the power to:

- Engage in any operations relating to its corporate purpose;
- Represent the Company in and out of court, as plaintiff or defendant, lodge and pursue actions, admit, withdraw, settle and submit to arbitration;
- Acquire, dispose of or, in any way, encumber any assets or rights, whether movable or immovable, including own or other bonds, as well as holdings in other companies;
- Appoint representatives;
- Decide upon the timeliness and conditions of bond issues and the issue of other debt securities by the Company.

There are no provisions in the Articles of Association for the Board of Directors to decide on a Company's share capital increase (as stipulated in article 456 of the CSC).

## I.3.4 Rules governing the appointment and replacement of members of the Board of Directors

Under the Articles of Association, the Board of Directors is composed of a minimum of three and a maximum of fifteen members, as decided by the General Meeting. Alternate directors may be elected, up to a number equal to a third of the existing number of elected sitting directors (article 18, nos. 1 and 2, of the Articles of Association).

Members of the Board of Directors are appointed by the General Meeting for four-year terms of office and they may be re-elected.

The articles also stipulate that (article 19, no. 1), in the first meeting it holds in each term of office, the Board of Directors shall appoint its own Chairman and one or two Vice-Chairmen from amongst its own members.

The Articles of Association state that, in case of a director fail to attend three consecutive or non-consecutive meetings of the Board of Directors in a calendar year, without providing justification that is acceptable to this Board, that shall constitute a definitive fault, which shall be declared by the Board of Directors and shall determine the replacement of the Director in question, under the legal terms (article 21, no. 6, of the Articles of Association).

The Articles of Association do not specify the means of replacing members of the Board of Directors. Any such replacement will take place in accordance with the terms of article 393 no. 3 of CSC.

There is no formal policy in place for rotating duties between members of the Board of Directors.

The Regulations of the Board of Directors of Bison Bank were reviewed and updated at a meeting of that body, dated January 29, 2021, and are available for consultation on the Company's website.

The revision of this document considered the new provisions of Banco de Portugal Notice No. 03/2020 and the new delegation of powers to the executive committee.

This document sets out the guiding principles underpinning the Board of Directors' work, the basic rules governing the way it is organised and operates and the standards of conduct expected of its members. These regulations complement the pertinent legal and statutory provisions.

## I.3.5 Positions that each member of the management body holds in other companies

**Positions that members of the Board of Directors hold in other companies:**

**Yang Lijun**, who also uses Lijun Yang (Chairman)

- By reference to December 31, 2020, she was a member of a corporate body in a company, aside from Bison Bank as follows:
  - Director of Bison Capital Financial Holdings (Hong Kong) Limited

**Evert Derks Drok** (Vice-Chairman)

- By reference to December 31, 2019, he was a member of corporate bodies in companies, aside from Bison Bank as follows:
  - Chairman of the Supervisory Board of Flow Traders NV (Netherlands);;
  - Member of the Supervisory Board of The Greenery BV (Netherlands);;
  - Non-executive member of the Board of Directors of AION S.A/NV (Belgium) - formerly Banca Monte Paschi Belgio.
  - Member of the Supervisory Board of Commonwealth Bank (Europe) N.V. (Netherlands)

**Bian Fang** (Director and Chief Executive Officer)

- By reference to December 31, 2020, he was a member of a corporate body in another company, aside from Bison Bank as follows:
  - Non-executive member of the board of directors of Banco Moçambique for Support to Investments SA.

**António Manuel Gouveia Ribeiro Henriques** (Director and Deputy Chief Executive Officer)

- By reference to December 31, 2020, he is not a member of any corporate body in any company, aside from Bison Bank.

**Francisco Alexandre Valente de Oliveira** (Director)

- By reference to December 31, 2020, he is not a member of any corporate body in any company, aside from Bison Bank.

**André Filipe Ventura Rendeiro** (Director)

- By reference to December 31, 2020, he was not a member of any corporate body in any company, aside from Bison Bank.

### I.3.6 Number of meetings held and the attendance record for each member of the Board of Directors

In 2020 were held 16 meetings of the Board of Directors of the Company and minutes were drawn up for each of these meetings.

The attendance of each member of the Board of Directors at board meetings held in 2020 was as follows:

**Board of Directors – 16 Meetings held in 2020:**

| Member | Nr.of attendance | Representation |
|---|---|---|
| Yang Lijun (Chairwoman)<br>(started on August 3, 2018) | 16 | - |
| Evert Derks Drok (Vice-Chairman)<br>(started on August 3, 2018) | 16 | - |
| Bian Fang (Director)<br>(started on May 3, 2019) | 16 | - |
| António Manuel Gouveia Ribeiro Henriques (Director)<br>(started on December 5, 2018) | 16 | - |
| Francisco Alexandre Valente de Oliveira (Director)<br>(started on August 3, 2018) | 16 | - |
| André Filipe Ventura Rendeiro (Director)<br>(started on November 19, 2018) | 16 | - |



## I.4 Executive Committee and other Committees

### I.4.1 Identification of the members of the Executive Committee

As of the date of this report, the Executive Committee of Bison Bank is composed of the following members:

- Bian Fang (Chief Executive Officer)
- António Manuel Gouveia Ribeiro Henriques (Deputy Chief Executive Officer)
- Francisco Alexandre Valente de Oliveira (Executive Director))
- André Filipe Ventura Rendeiro (Executive Director)

### I.4.2 Composition and rules applicable to the Executive Committee

Under article 22, no. 1, of the Articles of Association, the Board of Directors may delegate to an Executive Committee the day-to-day management of the company, and the resolution shall determine the limits of the delegation.

In this context, at a meeting of the Board of Directors held on 3 May 2019, it was decided, under the terms of the above-mentioned article 22 of the Company's By-Laws and article 407 of the CSC, to establish an Executive Committee for the period 2018 to 2021, composed of 5 members listed below and to which the Company's day-to-day management has been delegated:

- Bian Fang (who was appointed President of the Executive Committee)
- António Manuel Gouveia Ribeiro Henriques (executive member – who was appointed as Deputy Chief Executive Officer at a board meeting on March 31, 2021)
- Francisco Alexandre Valente de Oliveira (executive member)
- André Filipe Ventura Rendeiro (executive member)
- Pedro Manuel Ortigão Correia Correia (executive member) - On October 15, 2019, the Bank's sole shareholder, decided to dismiss, with immediate effect, Pedro Ortigão Correia, from the position of executive member of the Board of Directors of Bison Bank and was subsequently promoted the adjustment of the responsibilities initially distributed.

There are no specific provisions in the Articles of Association regarding the appointment or replacement of members of the Executive Committee

At a meeting of the board of directors on January 29, 2021, the revised and updated version of the Executive Committee Regulations was approved, which took into account the new provisions of Banco de Portugal Notice no. 03/2020.

The Regulations of the Executive Committee are available for consultation on the Company's website.

## I.4.3 Number of meetings held and degree of attendance of each member of the Executive Committee to the meetings held

In 2020, 49 meetings of the Executive Committee were held and minutes of each of these meetings were recorded.

The presence of each member of the Executive Committee at the meetings of this Committee was as follows:

**Executive Committee – 49 Meetings held in 2020:**

| Member | Nr.of attendance | Representation |
|---|---|---|
| Bian Fang (Chief Executive Officer) (started on May 3, 2019) | 47 | - |
| António Manuel Gouveia Ribeiro Henriques (Director and current Deputy Chief Executive Officer) (started on December 5, 2018) | 49 | - |
| Francisco Alexandre Valente de Oliveira (Director) (started on August 3, 2018) | 49 | - |
| André Filipe Ventura Rendeiro (Director) (started on November 19, 2018) | 47 | - |

**Note:** All absences were considered duly justified.

## I.4.4 Other Committees and Meetings held

### a) Governance Committees

Considering the EBA's guidelines on internal governance - EBA / GL / 2017/11, the purpose of aligning with the best governance practices and the objective of strengthening the Company's organizational and governance structure, the Bank decided to have the following Governance Committees:

**i)** Nomination and Remuneration Committee

**ii)** Risk and Compliance Committee

These Governance Committees, which are better identified below, are specialized supervisory committees, made up of non-executive members of the board of directors and members of the supervisory body, with objectives and modes of operation duly regulated in the respective regulations.

#### i) Nomination and Remuneration Committee

On December 21, 2018, following a meeting held on October 11, 2018, the Board of Directors decided to proceed with the constitution of the Nomination and Remuneration Committee.

The mission of the Nomination and Remuneration Committee is to advise and support the Board of Directors and the General Meeting on matters of appointments, assessments and remunerations of (i) members of the Board of Directors and the Supervisory Board, (ii) the Top Management (the persons at the highest hierarchical level responsible for the effective management of the day-to-day operations), (iii) those responsible for the risk-taking and the Control Functions (namely Risk, Audit and Compliance) of the Bank (regardless of their functional category), as well as (iv) other employees with essential functions or whose total remuneration places them in the same remuneration range as the previous ones (namely referred to in (i)),, as defined by the Board of Directors.

The Nomination and Remuneration Committee also has the task of reviewing and promoting the implementation of the internal policies related to the Selection and Evaluation of the Adequacy of the Members of the Board of Directors and the Supervisory Board and of the Bank's Keys Function Holders (the "Selection and Evaluation Policy") and to ensure its full effectiveness. This policy is available for consultation on the Bank's website.

The Nomination and Remuneration Committee also monitors the application and revision of the Regulation on the Prevention, Communication and Healing of Conflicts of Interest, including transactions with related parties of the Bank, initially referred to in the aforementioned "Selection and Evaluation Policy" and currently included in the " Bank Conflict of Interest Prevention and Management Policy "which is also available for consultation on the Company's website.

The Committee is composed of a minimum of three and a maximum of five members, appointed by the Board of Directors, from amongt Non-Executive Directors and members of the Supervisory Board (to be indicated by this body).

On February 8, 2019, the members of the Nomination and Remuneration Committee were appointed by the Board of Directors as follows:

- Yang Lijun
- Evert Derks Drok

The following member was indicated by the Supervisory Board:

- Issuf Ahmad (Chairman)

The first meeting of the Nomination and Remuneration Committee was held on 8 February 2019, at which Issuf Ahmad was appointed as Chairman of this Committee.

In 2020, 7 meetings of the Nomination and Remuneration Committee were held and minutes of each of these meetings were drawn up.

In the first quarter of 2021, the revised and updated version of the Nomination and Remuneration Committee Regulations was approved, in which were considered the new provisions of Banco de Portugal Notice No. 03/2020.

This document is available for consultation on the Company's website.

### ii) Risk and Compliance Committee

On December 21 2018, further to the meeting held on October 26, the Board of Directors decided to proceed with the constitution of the Risk and Compliance Committee and approved the Regulations of this Committee.

The mission of the Risk and Compliance Committee is to advise and support, in the exercise of its supervisory function, the Board of Directors in decision-making processes related to risk management, compliance and internal control.

Its main scope is to contribute to the design and implementation in the Bank of an adequate risk management strategy, effective risk management and compliance systems and internal control, reporting regularly its conclusions and recommendations to the Board of Directors in the exercise of its supervisory function.

The Risk and Compliance Committee is composed of a minimum of three and a maximum of five members, appointed by the Board of Directors, from among Non-Executive Directors and members of the Supervisory Board (to be indicated by this body).

On February 8, 2019, the members of the Risk and Compliance Committee were appointed by the Board of Directors as follows:

- Evert Derks Drok (Chairman)
- Yang Lijun

The following member was indicated by the Supervisory Board:

- Ernesto Jorge de Macedo Lopes Ferreira

The first meeting of the Risk and Compliance Committee was held on 15 February 2019, in which Evert Derks Drok was appointed as Chairman of this Committee.

In 2020, 6 meetings of the Risk and Compliance Committee were held and minutes of each of these meetings were drawn up.

In the first quarter of 2021, the revised and updated version of the Risk and Compliance Committee Regulations was approved, in which were considered the new provisions of Banco de Portugal Notice No. 03/2020.

This document is available for consultation on the Company's website.

### iii) Governance Committees - Meetings held in 2020:

| Committees | Nr. of Meetings |
|---|---|
| Nomination and Remuneration Committee | 7 |
| Risk and Compliance Committee | 6 |

## b) Functional Committees

As established in its internal procedures, namely in the Terms of Reference of the Bison Bank Functional Committees, the Bank has 7 functional committees as listed below.

These committees have specific purposes to support the management body and are subject to different operating rules, as established in the abovementioned Rule.

- Asset and Liability and Risk Management Committee
- Planning and Control Committee
- Compliance Committee
- Depositary Bank Function Committee
- Commercial Committee
- Wealth Management Committee
- Projects & Quality Committee

These Committees have the following mission:

**ASSET AND LIABILITY AND RISK MANAGEMENT COMMITTEE**

**i) with regard to Asset & Liability (ALCO)**

- To analyse the country's and the major regional/ world economies' macroeconomic information, in order to foresee impacts on Bank's risk exposure and financial activity;
- To examine the evolution in Bank's balance sheet in terms of its main blocks exposure and propose funding strategy (amounts, maturities, pricing) and investment guidelines;
- To analyse the performance of Bank's structural risk exposure, as well as propose concrete measures to manage/mitigate incurred levels of exposure;
- To monitor the results of the application of structural risk management strategies, policies and methodologies;
- To define and propose for approval the Internal Liquidity Adequacy Assessment Process (ILAAP) and its components and regularly ensure its suitability and validity;
- To define and propose for approval the Liquidity Contingency Plan and its components and regularly ensure its suitability and validity;
- To define guidelines for the optimal financing structure and manage and monitor Bank's prospective liquidity position by supporting the definition of structural liquidity management policies and methodologies to the scenarios: baseline, conservative and stress;
- To define action strategies for the management of foreign exchange and interest rate risks;
- To present new regulatory rules, or changes to the current ones that influence the analysis areas;
- To analyse evolution of clients' portfolios composition under management of the Bank, and verified or anticipated impacts on Bank's balance sheet, mainly regarding deposits and available liquidity on these portfolios and its availability for funding purposes;
- To define the investment strategy for its Proprietary Portfolio, the management indicators to be monitored and the frequency of the monitoring;
- To analyse the Proprietary Portfolio's performance, as of the last committee meeting;
- To analyse and propose the maximum risk level of the portfolio;
- To analyse the critical risk factors for the portfolio's value evolution

**ii) With regard to Risk Management**

- To monitor systematically global risk levels, ensuring they are compatible with the goals, available financial resources and strategies adopted to carry out the Institution's activities;
- To monitor the evolution of the different risks and their alignment with the policies, regulations and limits in force, as well as monitor the defined performance indicators (KPI) for the main risk categories accordingly to the defined frequency;
- To support and advise in reviewing Risk Appetite/ Risk Tolerance on an annual basis, or whenever there is a relevant change to the institution's strategy/business model or risk management policy, procedures or rules;
- Propose the revision of the Limit Management Policies, at least annually, including individual limits and limits by portfolio, via issuer risk and counterparty risk;
- To monitor the risk profile by category, pursuant to the Portuguese Central Bank's map;
- To monitor the evolution and allocation of capital requirements and the solvability ratio within Pillar
- To present the current and prospective capital position and propose mitigation measures, whenever necessary;
- To stipulate the Internal Economic Capital model to ensure the effective management of risks incurred by the institution, namely via the Internal Capital Adequacy Assessment Process (ICAAP) exercise, incorporating the economic perspective of the exercise, in line with Pillar II Basel requirements and respective Bank of Portugal rules;
- Periodically review the level of execution/ completion of implementation of corrective measures for deficiencies identified in the Internal Control Reports, as well as in the reports prepared by the Internal Audit Department;
- To present new regulatory rules or changes to the current ones that have an effect on the Institution's risk management;
- Approve and monitor all financial derivative operations of the Bank, defining the respective risk limits.

### PLANNING AND CONTROL COMMITTEE

- To accompany the Bank's budget execution;
- To monitor control of the implementation of the budget and the degree to which the defined goals have been met;
- To analyse the respective deviations together with those responsible for each Area and propose the adoption of mitigating/corrective measures to the Board of Directors;
- To review the management information package and supporting reports to budget surveillance, and to propose improvements, on these reports, more adjusted to Bank's reality and that also improve a more effective cost accounting analysis;
- To accompany subsidiaries and their impact on the components previously listed by the Committee in a meeting called quarterly and specifically therefore.

### COMPLIANCE COMMITTEE

- To monitor implementation of Compliance's Activity Plan;
- To analyse and assess situations related to money laundering and the financing of terrorism, whenever their relevance or associated risk is significant;
- To analyse shortcomings disclosed to the Portuguese Central Bank and Portuguese Securities Commission and update their mitigation status, as well as respective implementation calendars;
- To analyse and assess proposed corrective and preventive measures within Compliance duties;
- Monitor the evolution of the mitigation plan of fragilities identified in the scope of the Internal Control environment.

### DEPOSITARY BANK FUNCTION COMMITTEE

- To monitor the Institution's performance as a Depositary Bank;
- To analyse and make guidelines on accepting new Depositary Bank engagements;
- To assess and make guidelines on specific across-the-board topics within the scope of the function of Depositary Bank;
- To monitor the Depositary Bank's functions financial performance and respective value chain;
- To analyse and assess proposed control or corrective measures to be implemented in the Management Companies.

### COMMERCIAL COMMITTEE

- To accompany the business opportunities presented by the Clients Management Department and those introduced by Investment Banking Department;
- To carry out discussions and align with the Annual Business Plan.

### WEALTH MANAGEMENT COMMITTEE

- To formulate and propose investment policies, objectives and strategies for the clients' accounts (discretionary portfolios or not);
- To establish investment guidelines reflecting portfolio objectives and risk constraints within the discretionary portfolio profiles;
- To review and approve any investment benchmarks or other measurement criteria employed to monitor the performance of the portfolios and investment decisions;
- To evaluate the performance of the discretionary portfolios. The evaluation will consider investment policies, as well as risk levels;
- To support the definition and preparation of management information, in order to adequately express the outlooks and risks to respective Clients;
- To oversee the criteria and process for the selection of external investment managers and list of eligible investment instruments (bonds, equities, ETF's, FX, commodities, derivatives, 3rd Party Funds, etc.) to be included in the portfolios;
- To analyse and approve individual investments of greater complexity, namely for non-standard products or those based in unregulated markets.

### PROJECTS AND QUALITY COMMITTEE

- To assess the quality and efficiency of the internal processes in order to identify areas to optimise, innovate or mitigate risks and that allow more value to be delivered to the Client;
- To promote a culture of productivity and of continuous improvement across the Bank;
- Present, analyse and approve Initiatives to be managed as Projects in the Bank and which should enter the Strategic Portfolio in Inception Phase or be managed in specific Department Activity Plan.
- Define the criteria to evaluate, select and prioritize Projects in the Strategic Portfolio.
- Designate Sponsor, Project Manager and eventual team to perform Inception Phase, i.e. to accomplish Business Case, gather requirements and seek potential solution suppliers.
- Ending the Inception Phase, the Sponsor and Project Manager present Project for the Committee's Analysis and Kick-off Approval, supported by Business Case and with budgeted financial investment. The Committee decides either: Project kick-off approval, cancelled or Postponed (with further specific action).

- For Projects that require an unbudgeted financial investment, analysis and opinion will be gathered by the Committee and sent to the Executive Committee for decision (until the Executive Committee is not in place it will be sent to the BoD).
- Present Project status of On-going Projects and eventual change requests, evaluate risks, decide upon mitigation actions and formalize these.
- Monitor the execution of the Projects and promote the initiatives necessary for the strict compliance with the approved Budget, Scope and Plan.
- Formalize closure of Projects and when applicable define maintenance owner of project deliverable(s) and follow-up plan.
- Gather and propose structural and strategic projects for the following year, to the Board of Directors, in order to serve as the basis for the preparation of the Projects budget.
- To stipulate the strategy for recovery of critical business functions and jobs, based on the results of the Business Impact Analysis and the possible disaster scenarios;
- To revise the Business Continuation Management System on a regular basis (at least annually), in a meeting called for that purpose, in order to ensure its functioning, operation and adequacy. In tht review, the Programme's execution shall be analysed, as well as the results of tests, audits, assessment of critical suppliers and the follow-up of actions arising from prior Committee meetings. The action plan arising from this review shall be recorded in the Meeting's Minutes.

**Functional Committees – 44 Meetings held on 2020:**

| Committees | No. of Meetings |
|---|---|
| Asset and Liability and Risk Management Committee | 5 |
| Planning and Control Committee | 7 |
| Compliance Committee | 4 |
| Depositary Bank Function Committee | 1 |
| Commercial Committee | 4 |
| Wealth Management Committee | 11 |
| Projects and quality Committee | 12 |

# I.5 Supervisory Board

## I.5.1 Identification of the members of the Supervisory Board

As at the reporting date, the Supervisory Board of Bison Bank had the following members:

- Issuf Ahmad (Chairman)
- Ernesto Jorge de Macedo Lopes Ferreira (Member)
- Wang, Ting (Member)
- Bu, Fan (Alternate Member)

## I.5.2 Start and end dates for the term of office

The members of the Supervisory Board, listed in the previous point 1.5.1, were appointed by resolution of the sole shareholder, Bison Capital Financial Holdings (Hong Kong) Limited, of 21 August 2018, for the period 2018 to 2021, following the individual and collective valuation reports made available by the Company and following the prior authorization granted by the Bank of Portugal.

The abovementioned sitting members took office on 21 August 2018.

## I.5.3 The rules governing the appointment and replacement of members of the Supervisory Board

The Supervisory Board has three sitting members and one alternate member (article 23, no. 1, of the Articles of Association).

The Supervisory Board should be constituted in accordance with the legal provisions governing incompatibility and its members must have adequate training and experience for the sector in which the company operates. The majority of its members, including its chairman, should be considered independent.

Pursuant to the Legal Framework for RGICSF (article 31) and taking into account the latest guidelines issued by the EBA (European Banking Authority) on the matter, in terms of best practices, the majority of the members of the supervisory body should be independent, within the meaning of article 414 of the Portuguese Companies Code (*"Código das Sociedades Comerciais")*.

The independence requirement is designed to prevent the risk of members of the management and supervisory bodies being subjected to the undue influence of other persons or entities, thus ensuring that said members are able to discharge their duties impartially.

The Chairman of the Supervisory Board will be appointed by the General Meeting or, where this is not the case, by the members of the Supervisory Board themselves (article 414-B of the CSC).

The Articles of Association do not specify the means of replacing members of the Supervisory Board. Any such replacement will take place in accordance with the terms of article 415 of the CSC.

The Regulations of the Supervisory Board of Bison Bank are available for consultation on the Company's website.

This document sets out the guiding principles for this body and the basic rules governing the way it is organised and operates.

## I.5.4 Positions that each member of the Supervisory Board hold in other companies

**Positions that members of the Supervisory Board hold in other companies:**

**Issuf Ahmad** (Chairman)
By reference to December 31, 2020, he was not a member of corporate bodies in companies, aside

from Bison Bank.

**Ernesto Jorge de Macedo Lopes Ferreira**
(Member)
By reference to December 31, 2020, he was a member of corporate bodies in companies, aside from Bison Bank as follows:

- Chairman of the General Assembly of Banif Imobiliária, SA;
- Chairman of the General Assembly of WIL – Projectos Turísticos, SA.
- Secretary of the General Assembly of Oitante, S.A.;
- Chairman of the General Meeting of Profile – Sociedade Gestora de Organismos de Investimento Colectivo SA

**Wang Ting** (Member)
By reference to December 31, 2020, she was not a member of any corporate body in any company, aside from Bison Bank.

### I.5.5 The Supervisory Board's annual assessment of the external auditor and submitting a proposal to the General Meeting to dismiss the external auditor, where warranted

The Supervisory Board assesses the statutory auditor each year.

On recommendation of the Supervisory Board, the current statutory auditor was appointed by the General Meeting on 14 May 2020, for the 2020-2021 period, in accordance with no. 4 of article 25 of the Articles of Association.

### I.5.6 The inclusion in the annual report on the work done by the Supervisory Board of a description of its supervisory work and mention of any constraints on this work. Publication of these reports on the Company's website, together with the account's documents

The annual reports produced by the Supervisory Board include a description of its supervisory work and mention of any constraints affecting this work (where these exist). These reports are published on the Company's website, together with the account's documents.

### I.5.7 Number of meetings held and the attendance record for each member of the Supervisory Board

The Company's Supervisory Board met 25 times in 2020. Minutes were drawn up for each of these meetings.

The attendance of each member of the Supervisory Board at the meetings was as follows:

**Supervisory Board – Total of 25 meetings held in 2020**

| Member | Attendance | Representation |
|---|---|---|
| Issuf Ahmad | 25 | - |
| Ernesto Jorge de Macedo Lopes Ferreira | 25 | - |
| Wang Ting (b) | 25 | - |

### I.5.8 Statutory Auditor of the Company

As of the date of this Report, the Company's Statutory Auditor is as follows:

- Pricewaterhouse Coopers & Associados – Sociedade de Revisores Oficiais de Contas, Lda, listed at Ordem dos Revisores Oficiais de Contas under the number 183 and registered at CMVM under the number 20161485.

On recommendation of the Supervisory Board, the Statutory Auditor of the Company, above identified, was appointed by the General Meeting on 14 May 2020, for the period of 2020-2021, pursuant to paragraph 1 of article 446 of the Commercial Companies Code and in accordance with no. 1 of article 24 of the Articles of Association:

# I.6 Company Secretary

### I.6.1 Identification and indication of the start and end date of the respective mandates

As provided for in Article 25 of its Articles of Association, the Company has a Company Secretary and a Substitute, identified below:

**Company Secretary:** Afonso Maria Pita Negrão Cardoso de Menezes

**Company Secretary Alternate:** Ângela Maria Simões Cardoso Seabra Lourenço

The Company Secretary and respective Alternate above mentioned were appointed by resolution of the Board of Directors of August 10, 2018, for the 2018-2021 four-year term, which ends on December 31, 2021.

### I.6.2 Framework, Indication of designation rules and competencies

The Company Secretary is a statutory body that supports the Board of Directors, other corporate bodies and shareholders.

The Company Secretary and the respective Alternate are appointed by resolution of the Board of Directors for a mandate coinciding with the mandate of the Board of Directors that designates it, and such mandate be renewed for one or more times.

It is generally responsible for the duties arising from Article 446-B of the CSC and, in particular, Secretary to the meetings of the governing bodies, namely the Board of Directors and the Executive Committee, as well as the existing governance committees, and drawing up the respective minutes and sign them jointly with the respective members.

The Regulations of the Company Secretary are available for consultation on the Bison Bank website.



# I.7 Internal Control

### I.7.1 The Company's internal control and risk management systems, particularly as regards the procedure for reporting financial information

Last year, the Company continued to focus on developing its Internal Control System. It built synergies with the operating risk and process improvement teams to achieve the following objectives:

- Establishing the level of the organisation's control environment, by instilling discipline and structure at the heart of the Internal Control Function and disseminating this culture throughout the organisation;
- Reducing risk levels and encouraging operational effectiveness and efficiency;
- Ensuring that all reported information is objective, reliable and correct;
- Complying with all legal and regulatory standards.

The methodology for implementing Internal Control is based on international principles and a framework that is designed to ensure the attainment of five main component outcomes:

- Control Environment – Establishing the degree to which the Company influences staff awareness of control, imposing discipline and structure.
- Risk Assessment – Identifying and analysing relevant risks (internal and external) so organisational objectives may be achieved and a suitable basis for risk management can be set up.
- Control Activities – Based on appropriate policies and procedures, with the objective of ensuring that the ground rules established for management are followed and that these policies and procedures allow the proper identification of the risks inherent in the Company's business activities.
- Information and Communication – Ensuring the identification, capture and reporting of pertinent and relevant information that allows decisions to be taken and ensures that the implementation of these is appropriate.
- Monitoring – Assessing the performance and quality of Internal Control.

In 2020, work continued on ensuring the independence of the Internal Control model used to record and monitor the mitigation measures implemented in response to internal control shortcomings. Such shortcomings are identified through the review and control interventions of external auditors, supervisory entities and bodies with control responsibilities.

In working towards the objectives set for the Internal Control Function, the Company continued to focus on a number of internal control initiatives in 2019. These initiatives, which contributed decisively to a substantial improvement in the robustness of the internal control system, are:

- The Bank strengthened its Internal Control System Management team, having hired a senior member for the Compliance Department who is responsible for the Management of the Internal Control System;
- The structuring and deployment of an Action Plan for the implementation of corrective measures for all high and medium risk points;
- The design of a risk identification, control and mitigation model and the application of this to the Bank's various business units;
- The definition, in the internal policies and regulations, of the assignments and activities to be carried out by the control functions (Audit, Risk and Compliance).
- The reporting of the changing status of corrective actions to both the Management and Supervisory bodies.

## INTERNAL CONTROL POINTS

Regarding the June'19 - June'20 period, 39 Internal Control Points (ICP's) were reported as part of the Internal Control Report, complying with the provisions of Bank of Portugal Notice 5/2008. Regarding the degree of risk, 4 High Risk ICPs (all identified by the Internal Control Functions), 27 Medium Risk PCIs and 8 Low Risk ICPs were reported.

### The details regarding the origin and nature of the implementation measures are as follows:

| Identifier | Nº |
|---|---|
| Internal Audit Department | 7 |
| Compliance Department | 2 |
| Risk Department | 5 |
| Statutory Auditor | 25 |
| Total | 39 |

| Measure nature | Nº |
|---|---|
| Processes | 26 |
| Policies | 9 |
| Others | 4 |
| Total | 39 |

Regarding the reference period of the Internal Control Report (June 2020), the following should be noted:

- Regarding the deficiencies identified by the Statutory Auditor:
- The number of deficiencies decreased to 25 in 2020 (26 in 2019), none of which had a high degree of risk;
- The number of deficiencies identified in the reference period (new deficiencies) decreased to 13 in 2020 (16 in 2019);
- Of the 26 deficiencies identified in 2019, 14 were closed in 2020, reducing the number of deficiencies from previous years to 12.
- Regarding the deficiencies identified by the Internal Control Functions:
- The number of deficiencies increased to 14 in 2020 (4 in 2019), following the monitoring activities of the Internal Control Functions, with 4 being of high risk;
- Of the 4 deficiencies identified in 2019, 2 were closed in 2020, reducing the number of deficiencies from previous years to 2.

The observed increase in deficiencies arising from the Control Functions, results essentially from the reinforcement of performance and control activities performed during the reference period of the Report.

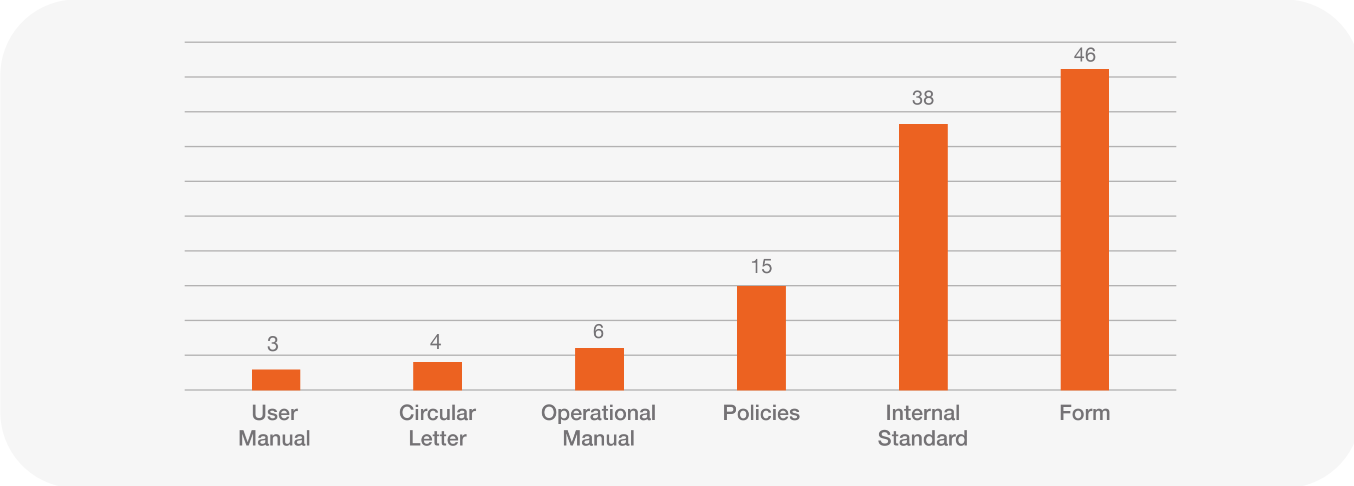
The Bank remains committed to the continuous effort to monitor open Internal Control Points, ensuring follow-up in conjunction with the respective owners, to ensure the implementation of the proposed mitigation measures on the defined dates.



## NEW REGULATORY FRAMEWORK

Regarding the evolution of the regulatory framework, in particular the publication of Bank of Portugal Notice No. 03/2020, Bison Bank proceeded to a gap analysis to identifying the main changes and assess the impacts on its Policies and Processes, to ensure a proper adaptation to new requirements during the year 2021.

### Documents Published in 2020:




In 2020, these 112 documents were published on the Internal Document Management System (DONE). Most of these documents were mainly generated as a result of the Documentation Portfolio Revision and Update Project.

Among the documents reviewed and published in 2020 and in addition to the policies and standards arising from the General Data Protection Regulation (GDPR), it is also worth highlighting the revision of the Bank's Conflict of Interest Prevention and Management Policy.

It should be highlighted, in terms of governance, the policies approved at the May 2020 General Meeting, on a proposal from the Nomination and Remuneration Committee, namely the revised and updated version of the remuneration policy for members of the management and supervisory bodies, and the revised and updated version of the selection and evaluation policy on the adequacy of the members of the management and supervisory bodies and key functions holders.

It should be noted that on July 27, 2020, by resolution of the Bank's sole shareholder, pursuant to article 54 of the Commercial Companies Code, on a proposal from the Supervisory Board, the revised version of the Policy for the selection and designation of statutory auditors has been approved.

This policy was further revised and approved again on March 8, 2021, as referred to below.

Also noteworthy, considering the new provisions of the new Bank of Portugal Notice no. 03/2020, the Board of Directors approved, in January 2021, the revised and updated versions of the Regulations of the Board of Directors, the Executive Committee, the Risk and Compliance Committee and the Company Secretary and also a new document called "Organizational Structure Book" which aims to define and detail the Bank's organizational structure.

Also of note, in this context, the review of the documents related to the control functions (Compliance, Risk and Audit), whose new regulations were approved by the Board of Directors in February 2021.

### I.7.2 Responsibilities of the management and supervisory bodies regarding the setting up and operation of the Company's internal control and risk management systems, including the operational assessment of these systems and their adjustment to the Company's needs

The Board of Directors and the Supervisory Board understand the key role they play in organising Risk Management and Internal Control Systems. These bodies provide the human and technological resources required to create an internal control environment that is proportional and appropriate to the business risks involved.

The management bodies maintain regular and periodic oversight of the changes in, and mitigation of, the shortcomings identified in the Company's Internal Control System. They do this by organising and participating in regular meetings with the Company's various departments. These meetings, which focus on the identification, monitoring, quantification and management of risks, allow management to implement corrective measures that are commensurate with the proper running of the Company.

Each year, the Supervisory Board assesses the effectiveness of the adjustment of the Internal Control System to the Company's needs. It publishes this assessment in its own report, which also includes recommendations for improvements, where it believes these are warranted.

Within the scope of the new Bank of Portugal Notice no. 03/2020, namely in accordance with articles 54 and 55 (paragraph b)), the Board of Directors approved on February 26, 2021 the self-assessment report on the adequacy and effectiveness of the organizational culture and of the governance and internal control systems, which includes the following documents:

a. The. Compliance function report

b. Risk function report

c. Internal Audit function report

d. List of deficiencies (based on risks and general assessment reports)

e. Assessment by the board of directors on the adequacy and effectiveness of the organizational culture in force in the institution and its governance and internal control systems

f. Board of directors' statement on the adequacy of the classification of high-risk deficiencies

g. Actions to be implemented to resolve the gaps identified in light of the new regulatory requirements

h. Report of validation of the classification of deficiencies (issued by the Internal Audit Department)

i. Pluriannual Internal Audit Plan 2021 - 2023

j. Evaluation by the supervisory board on the adequacy and effectiveness of the organizational culture in force in the institution and its governance and internal control systems

k. Supervisory board statement on the adequacy of the classification of high-risk deficiencies

In this global assessment, it was concluded that the Bank has an adequate organizational culture and duly implemented governance and internal control systems, which are duly adapted to the current size, nature and complexity of this institution's activity, generally complying with the requirements and guidelines defined in the Bank of Portugal Notice no. 3/2020.

Some action plans to be developed were also identified, in order to better ensure full compliance with the new regulatory requirements.

Additionally, in compliance with the provisions of Articles 8 and 10 of Bank of Portugal Instruction 18/2020, the board of directors also approved on February 26, 2021:

a. The. Irregularity / whistleblowing report

b. List of employees with a material impact on the Company's risk profile

It should also be noted that, on March 8, 2021, by resolution of the Bank's sole shareholder, a new revised and updated version of the policy for the selection and appointment of statutory auditors was approved, following the favorable opinion issued by the Supervisory Board.

### I.7.3 Management and supervisory body responsibilities for internal governance issues

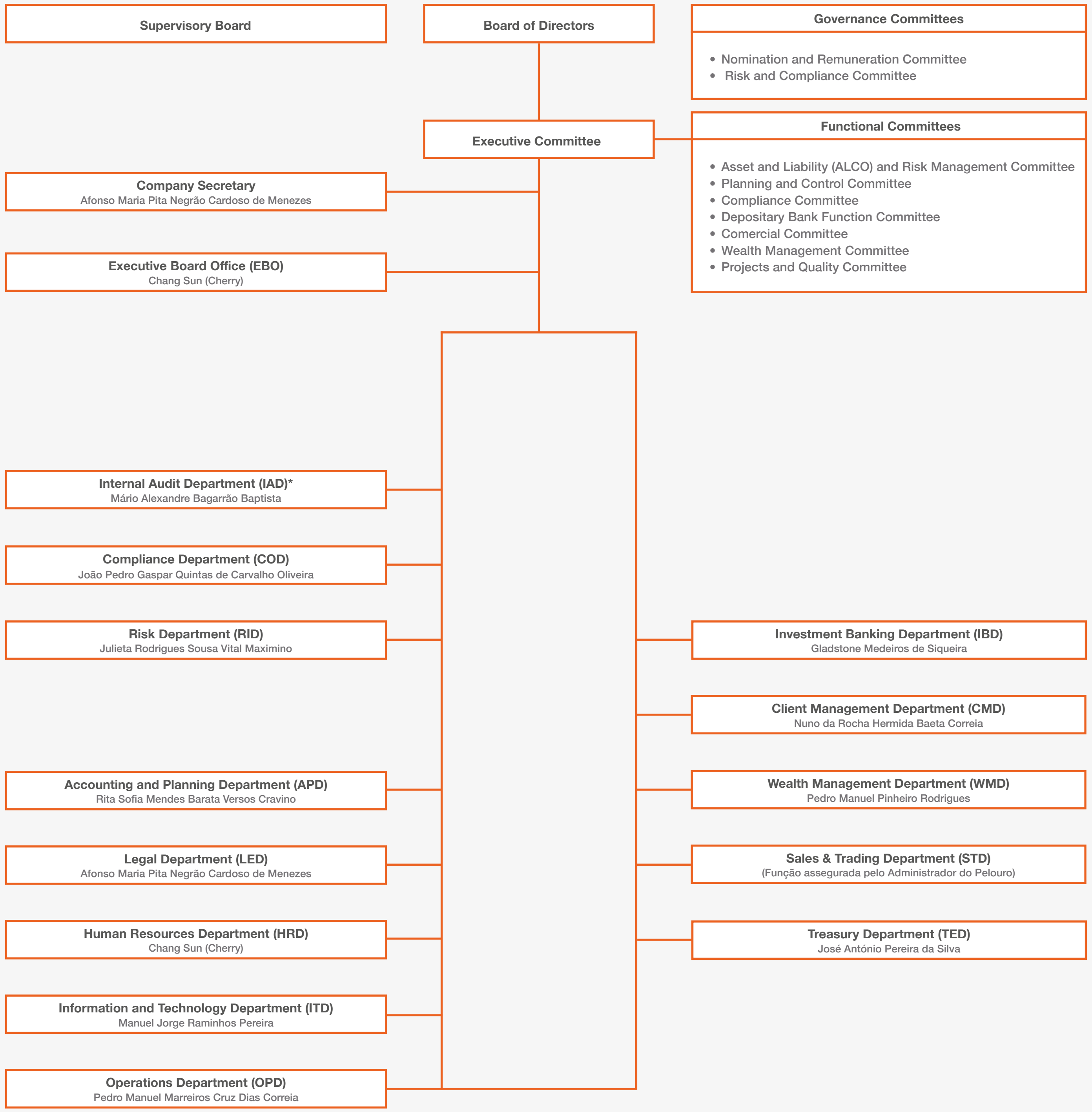
The management and supervisory bodies have overall responsibility for ensuring there is a governance framework in place that matches the Company's structure and business activity and the risks it faces. These bodies should regularly evaluate the efficiency and effectiveness, at both the individual and collective level, of their work, their governance practices and procedures and the operation of the various committees. The committees and meetings held, are covered in point I.4.2 above.

The structure and implementation of the internal governance framework are reviewed periodically and never less than once a year. Particular attention is paid to any changes in internal or external factors that may affect the institution.

In 2020, this oversight resulted in several changes to the administrative and operational structures comprising Bank's Macrostructure. The latest changes were approved in February 2021, as reported below.

## Macro structure in force in February 2021:

**Organisational Chart of the Bison Bank, S.A.**




* The specifics of teh reporting lines are included in the standard - NOR_EOF_103

In 2020, work continued on the measures taken during the year 2019, concerning internal governance, highlighting the meetings of the two new specialized committees, the Nomination and Remuneration Committee and the Risk and Compliance Committee, which are the result of the EBA guidelines on internal government - EBA / GL / 2017/11. These Committees, composed of non-executive members of the Board of Directors and members of the Supervisory Board, are better described in section I.4.2 of this Report.

In 2020, the process of reviewing and updating internal rules and documents was also continued, as detailed and reflected in the graph in section I.7.1 of this report.

As already mentioned above in I.7.2 and within the scope of the new Bank of Portugal Notice No. 03/2020, namely in accordance with articles 54 and 55 (paragraph b), the Board of Directors approved on February 2021 the self-assessment report on the adequacy and effectiveness of the organizational culture and the systems of government and internal control.

## I.7.4 Holders of Key Functions

Under article 33A of the Legal Framework for Credit Institutions and Financial Companies ("RGICSF"), credit institutions are obliged to identify those functions whose holders, whilst not members of the management or supervisory bodies, are engaged in work that results in them having a significant influence over the management of the credit institution.

The functions referred to in the previous point include, at the very least, the credit institution's heads of compliance, internal audit, and risk management.

At Bison Bank, these functions are as follows:

### I.7.4.1 Compliance Function

The Compliance Department ("COD") is a top-line structure in Bison Bank's organizational hierarchy.

The Bank relies on an independent, permanent and effective Compliance Function that is charged with controlling compliance with all legal requirements and duties that are incumbent on the Bank.

The Bank relies on a Compliance Function that is characterized by being an independent, permanent and advisory function whose mission is to promote compliance with legal, regulatory, operational, ethical and conduct obligations and duties that, at any time, are applicable to credit institutions, as well as to their corporate bodies, managers and employees, within the framework of the institutional control and supervision environment defined by the competent regulatory entities and the legal regulations to which it is subject.

This function is exercised by the Compliance Department, an autonomous department, that reports directly to the Executive Board Directors, through the Board member responsible for this area.

In addition, it maintains a permanent communication line with Supervisory Board, and Risk and Compliance Committee, through bimestrial meetings, in order to ensure an adequate disclosure of information and the discussion of relevant issues in the activity of the Compliance Function.

The COD's Director as Head of Compliance and is also responsible for the:

- prevention, detection, reporting of financial crimes;
- coordinating the Bank's internal control system;
- Management of the Conflict of Interests and Related Parties;
- Compliant with Code of Conduct;Compliant with new legal and regulatory requirements;
- analysis of any situations or indications of breach or risk or non-compliance with legal obligations;
- managing the handling of compliants;
- compliant with Data Protection Regulation.
- prevention and detection of market abuse and insider trading operations;
- responsible for regulatory compliance.

In order to achieve its objectives, the COD operates independently of the Board of Directors and of all other Departments, must have free and unhindered access to any information they may require for the proper performance of their duties.

The Compliance Function is a governance function responsible to:

- promote an ethics-based culture: the role of Compliance is to assist management to promote a corporate culture based on ethics;
- deliver compliance solutions: Compliance is accountable to bring expertise to the management and maintenance of policies, practical guidance, training, controls and processes relating to compliance risks;
- provide assurance: the role of Compliance, as part of the second line of defense, encompasses the impact assessment of the legal developments as well as the assurance that compliance risks within the scope of the function are appropriately identified, evaluated and managed.

The ecosystem based on Compliance Risk Universe set a clear vision of the scope of the compliance function and increase the robustness of the internal control system.

### HEAD OF COMPLIANCE, EDUCATION, TRAINING AND CAREER PATH

Name: João Pedro Gaspar Quintas de Carvalho Oliveira

Position: Head of Compliance | Head of Compliance | Money Laundering Report Officer / Responsible for Regulatory Compliance

Training and Career Path: he holds an Engineer Degree from "Instituto Superior Técnico" and Post-Graduation in Executive Management from "Universidade Católica Portuguesa". In terms of Work experience, he has extensive experience, over 15 years, in matters of Internal Control and Compliance. He is Head of Compliance since august, 20, 2019.

### I.7.4.2 Risk Management Function

The Risk Department ("RID") is responsible for day-to-day risk management. Its mission is based on the following:

- Advising the Board of Directors on the drawing up of the Institution risk policies/risk strategy in line with the Bank's business and strategic objectives such as Risk Appetite Statement (RAS). Supporting management in the attainment of its objectives, by independently assessing and overseeing management of both risk and controls. In doing this, it aims to help add value and improve management practices;
- Developing practices that drive the identification, assessment, follow up and control of the different types of risks that are accepted and that underline the Bank's activity (Risk Control Self-Assessment). In this way, it helps build risk knowledge and enhances overall risk exposure management;
- Proposing, reviewing and overseeing the drawing up and implementation of risk policies in close collaboration with the other business units, ensuring that these are coherent and aligned with the strategic risk objectives established by Board of Directors;
- Influencing the decision-making process by issuing analyses, opinions, guidelines and recommendations on any operations that involve risk taking, participating actively on the various Committees and reporting regularly to the management bodies, so these may better understand and monitor the risks in question;
- Providing information in support of the risk management and decision taking processes and reporting the relevant prudential information to the Regulator and the Supervisory Authority.
- Ensuring that the risks are managed in accordance with the Bank's Risk Appetite defined/approved by senior management and to foster, in particular with COD, a strong risk culture across the whole Bank.
- Participates in the implementation of the internal control measures that ensure compliance with supervisory entity requirements and recommendations, as these pertain to the management and reporting of risk.

In functional terms, the management and monitoring of Bison Bank's risks is tasked to the RID, a body that reports to the Board of Directors. The department works independently of the functional areas that are subject to assessment and it has all the hierarchical and functional autonomy it might need.

Its main function is to develop and implement an integrated risk monitoring system that is appropriate to the nature of the risks the Institution faces and its risk profile, thus ensuring that risk taking stays within the previously established tolerances.

### RISK MANAGEMENT FUNCTION INVOLVES:

- Fostering the development of a risk management system by encouraging compliance with current policies and the risk control procedures defined by the management bodies ;
- Participating, in those areas in which it has competences, in the designing of internal policies, guidelines and procedures and ensuring that these are effectively implemented and that there is full compliance with the legal provisions that govern Bison Bank's activity. This includes reporting facts and situations that deviate from the established norms and targets;
- Overseeing and implementing regulatory changes that are relevant to the department's work and coordinating such changes with established policies and procedures;
- Designing systematised policies and procedures that establish risk management criteria and both global and specific objectives, for all areas of risk to which the Bank is exposed to ;
- Defining and proposing appropriate limits for the management of the different risks determined to be material, in close collaboration with the Business Originating Areas and the Treasury Department;
- Participating in the development of an integrated risk, asset and liability management system (ALM), in close collaboration with the Treasury Department and the various Business Areas;
- Contributing to an efficient allocation of the available capital;
- Identifying, measuring, monitoring and reporting the risks underlying the Bank's business activity.
- Controlling the evolution of the various risks on an ongoing basis as well as compliance with the prevailing policies, applicable limits and regulations;
- Establishing a risk measurement process that ensures the integrity of the risk measurements;
- Operational Risk Management;
- Developing on a regular basis the Bank's Risk Control Self-Assessment – RCSA exercise, in order to assess the risk that the Bank is exposed to in the development of its activity;
- Calculating the capital consumption of the various risks to which the Bank is exposed, including the regulatory capital requirements under the Basel Agreement (Pillar I), self-assessment of risk and calculation of economic capital (Pillar II - ICAAP).
- Participating in the several risks management exercises, such as Recovery Plan, ILAAP and Funding and Capital Plan;
- Monitoring the Bank's risk profile, in accordance with the risk management policy and the business objectives (strategic objectives and the tolerance/appetite for risk), and the risk and solvency capacity, as defined by the management body;
- Independently monitoring the Institution's aggregated risk limits, checking that these align with the Risk Appetite Statement;
- Monitor compliance with the risk limits for the various types of risk, particularly those defined in the "Limit Management Policy";

- Monitoring risk exposures (in both absolute terms and in terms of the main indicators that have been established) and the respective use/consumption of capital.

**HEAD OF RISK, EDUCATION, TRAINING AND CAREER PATH:**

**Name:** Julieta Rodrigues de Sousa Vital Maximino

**Position:** Director of Risk Department / Head of Risk

Training and Career Path: Julieta Vital Maximino took a (pre-Bologna) degree in Management at the Faculty of Economics, University of Oporto (1995), specialising in economics and finance.

In March 2017, she assumed the functions of Bank's Head of Risk. Between April 2016 and March 2017, she was Head of the Global Risk Department at Oitante, SA. Between 2012 and 2015, she worked in the Global Risk Department's Strategic Risk Management Office at the former Banif Financial Group. Her main role was to coordinate the team responsible for calculating capital requirements for the group's exposure to credit risk, namely: 1) Calculation of the Risk Weighted Assets (RWA) for credit risk; 2) Preparation of the prudential reports, specifically COREP as well as 3) Participation in Funding and Capital Plan and Stress Test exercises, in the form of the calculation of credit risk RWA; and 4) Preparation of Management Information System Reports for the Banif Financial Group.

From 2004 to 2010, she worked as a Senior Equity Analyst in Bank's Equity Research Department, where she was responsible for analysing a number of sectors.

Between 2002 and 2003 she worked on Milleniumbcp's factoring department as a commercial analyst. She started her career in 1995 at Título – Sociedade Corretora, S.A (Finibanco Group), as an analyst in the equity research department, where she remained until 2000.

### I.7.4.3 Internal Audit Function

The Internal Audit Department is one of the three Control Functions with the mission to support the Board of Directors in the attainment of its objectives, by independently assessing and overseeing systems, controls and internal governance, using a systematic and disciplined approach, contributing to add value and improve the management of the Bank.

The main attributions of this function are:

- Carrying out systematic audits in line with the approved plan, with the aim of validating the effectiveness of the risk management processes. More specifically, such audits check if: (i) The organisational objectives support and align with the Institution's mission; (ii) All major risks are properly identified and correctly assessed; (iii) Appropriate responses to these risks have been selected and implemented and these responses align (or seek to align) the Institution's risk profile with its risk appetite, as established by Senior Management; (iv) Sufficient relevant information on risks is gathered, compiled and disseminated throughout the organisation in a manner that is reliable and timely enough to allow Senior Management to respond effectively and in good time;
- Assessing the level of trust, integrity and reliability of the financial, operational and risk information and the information systems;
- Assessing the degree of compliance with the prevailing standards, particularly those that have a larger impact on the organisation.

The Annual Audit Plan sets out the general guidelines for the department's works. The plan is prepared and approved at the end of each year, being reviewed every six months or when necessary. The plan was prepared with the horizon of 3 years, and takes into account:

- The actual status of the business and the respectively associated risks (taking into consideration the potential risks of each area);
- The auditable universe and the resources available for the development of the jobs;
- The entire regulatory framework (including guidelines) including national and international professional standards for internal auditing;
- The evolution and assessment of the job results that have been carried out in previous years; and
- Follow-up of the implementation of the mitigation measures proposed.

**FORM, FLOWS AND HIERARCHICAL REPORTING SCHEDULE FOR THE INTERNAL AUDIT DEPARTMENT**

- The Internal Audit Department send to acknowledge of the all members of the Board of Directors and all members of the Supervisory Board the audit reports produced (or any other relevant information produced);
- The Internal Audit Department has a hierarchical reporting line to the Chief Executive Officer (mere administrative reporting); by the DAI are sent directly to the Chairman and are also made available for all other members of the Board of Directors and the Supervisory Board;
- All major risk situations identified through the audit work, whether completed or ongoing, for which the nature of the situation and/or the potential or real risk involved require special attention are reported to the Chairman, Board of Directors and the Supervisory Board;
- Every six months, the Internal Audit Department sends a report on its work to Bank's Chairman, Board of Directors and to its Supervisory Board. This report also covers the main internal control shortcomings that have been identified by the department but have yet to be resolved.

**HEAD OF INTERNAL AUDIT, EDUCATION, TRAINING AND CAREER PATH**

**Name:** Mário Alexandre Bagarrão Baptista

**Position:** Director of the Internal Audit Department / Head of Internal Audit

Training and Career Path: Mário Alexandre Bagarrão Baptista holds a Degree in Accounting Sciences from the Luzwell University (São Paulo - Brazil), an MBA in Corporate Finance from the São Paulo University (2004) and an Executive MBA from AESE/IESE (2007-2009). He started working in external auditing in Brazil in 1991 and by 2005 he held the function of Senior Manager (BDO and Nexia International). He joined the Pestana Group in Portugal in 2005, as an assistant to the Board of Directors, with responsibility for controlling investments in Africa. In May 2006, he joined Banif - Banco de Investimento, SA (now Bison Bank S.A.) as head of the internal audit function. He remained in this function until 2012. From 2013 to 2015 he worked at Profile – SGFIM SA (formerly Banif Gestão de Activos – SGFIM SA) as the Financial Controller for real estate investment funds. In July 2015, he moved to Banif Imobiliária, SA, where he worked in the department responsible for controlling the real estate asset portfolios. In March 2017, he returned to the Bank to become Head of Compliance until August 2018, when he became Head of Internal Audit.

### I.7.5 Training

In 2020, and already with the online academy implemented - Bison Academy - the Bank during the pandemic fully adapted its portfolio to a 100% online format to support its employees in remote work.

Therefore, one of the most significant projects for the HRD area this year was the "One Bison – United in adversity" which, among other activities, promoted all-digital training content in the following areas:

- Information Security
- Remote team management
- Stress management, meditation and Yoga
- Live work out classes and healthy food
- Other.

The total number of hours in 2020 were 1,345, which training covered a range of differentiated topics such as:

**PRIORIRY I**

- Data Security
- FATCA/ CRS
- RGPD
- AML update
- DAC 6
- Self-protection measures

**PRIORITY II**

- Project management
- Storytelling
- Financial evaluation0
- Other

## I.8 Conflict of Interest Policy applicable to the Bank and the management and supervisory bodies

In 2020 and following the publication of the new notice from Bank of Portugal (notice 3/2020), the Bank initiated the review of the Conflict of Interest Policy in order to address the new requirements on the matter.

The current policy also covers matters of financial intermediation, as well as transactions with related parties.

In this way, remains safeguarded the Company's interest in situations of potential conflict of interest vis-à-vis the interests of persons or entities with the possibility to influence, directly or indirectly, its management or to benefit from specific acts of that management and to determine that the financial statements and the documents providing information to the market show the impacts that the existence of transactions with related parties produce on the Company's financial position and results.

Thus, the Bank maintains the following rules in force that are applicable i) to the identification, treatment and internal reporting of transactions with related parties and ii) to the required performance of the Bank's Relevant Persons who may be in a situation of conflict of interest.

The Bank's Prevention and Management of Conflict of Interest Policy above mentioned, essentially aims to:

- Define rules and procedures to identify, prevent, manage and / or disclose Conflicts of Interest;
- Ensure compliance with legal and regulatory rules in force with regard to the prevention and management of conflicts of interest;
- Reinforce the level of knowledge and raise the awareness of Relevant People and Employees to issues of Conflicts of Interest; and
- Promote fair treatment and in accordance with the legal and regulatory criteria for Conflict of Interest situations that may arise,

The Bank's Prevention and Management of Conflict of Interest Policy is available for consultation on the bank's website.

During 2019, the Policy was revised to incorporate all regulatory requirements, namely with regard to the distinction between permanent and specific conflicts of interest and the respective internal reporting lines.

# I.9 Business continuity management framework

Bison Bank implements a business continuity management framework to maximize its ability to provide services on an ongoing basis and to limit losses in the event of severe business interruption.

In this context, the Bank established a specific independent business continuity function, namely: i) Coordinator of the Business Continuity Management System (SGCN) (1 employee of the Information Systems Department), ii) Responsible for Security (1 employee of the Human Resources Department) and iii) Security Delegate (1 employee of the Accounting and Planning Department - linked to the facilities - Facilities)

Bison Bank uses two disaster recovery centers (dedicated to central system recovery and distributed system recovery), employing state-of-the-art data replication technologies.

Bison Bank carries out regular disaster simulation exercises, with the activation of the disaster recovery procedure and alternative centers, the most recent exercise being on September 12, 2020, with broad participation from the Bank's Departments. All improvements, as a result of points identified in the test reports produced within the scope of this exercise, have been properly and timely implemented.



# II Remuneration

## II.1 Description of the remuneration policy for the management and supervisory bodies

At the General Meeting held on May 14, 2020, the sole shareholder approved the revised version of the Remuneration Policy of the Members of the Management and Supervisory Bodies of the Bank. This revision was carried out in accordance with articles 1 and 2 of Law no. 28/2009, of 19 June, article 5 of the Bank of Portugal Notice no. 10/2011, of 29 December, and articles 115-C, no. 4, and 115-D of the Legal Framework for Credit Institutions and Financial Companies ("RGICSF").

The Policy in question has been published on the Company's website and may be found in the "Corporate Governance" area, in "Regulations and Policies".

## II.2 Annual remuneration paid to each member of the Company's Management and Supervisory bodies on an individual basis, including both fixed and variable remuneration.

Annual remuneration earned by the members of the Company's Management and Supervisory bodies, on an individual basis, in 2020:

(Amounts in Euros)

| Board of Directors | | Total Remuneration | |
|---|---|---|---|
| Name | FR* | RK** | VR*** |
| Fang Bian | 225.829 | 1.155 | 0 |
| António Henriques | 181.790 | 3.159 | 0 |
| Francisco Oliveira | 181.790 | 3.281 | 0 |
| André Rendeiro | 178.931 | 3.281 | 0 |
| Non-Executives | | | |
| Lily Yang | 121.790 | 3.159 | 0 |
| Evert Drok | 100.829 | 0 | 0 |
| Total | 990.959 | 14.035 | 0 |

(*) FR - Fixed Remuneration including Meal Allowance
(**) RK - Remuneration in Kind (Car)
(***) VR - Variable Remuneration including Bonuses or Incentives

(Amounts in euros)

| Supervisory Body | Total Remuneration | | |
|---|---|---|---|
| Name | FR* | RK** | VR*** |
| Issuf Ahmad | 67.500 | 0 | 0 |
| Ernesto Ferreira | 45.000 | 0 | 0 |
| Ting Wang | 45.000 | 0 | 0 |
| Total | 157.500 | 0 | 0 |

(*) FR - Fixed Remuneration including Meal Allowance
(**) RK - Remuneration in Kind (Car)
(***) VR - Variable Remuneration including Bonuses or Incentives

## II.3 Information in compliance with the provisions of article 450 of the Regulation (EU) No. 575/2013

**a) Decision-making process applied to the setting of the remuneration policy, including, where appropriate, the term of office and composition of the remuneration commission, the identification of any external consultants whose services were used in setting the remuneration policy and any additional services provided by such consultants to the Company or to members of the management or supervisory bodies;**

This information may be found in the form of the Statement on Remuneration Policy of the Bank (reviewed and approved by the General Assembly in 2020), more specifically in point II (Process for the defining and approval of the remuneration policy), which states:

*"Under article 26 of the Articles of Association, the General Meeting, or a Remuneration Commission to which the General Meeting has delegated this responsibility, shall set the remuneration of the members of the corporate and statutory bodies.*

*Pursuant to article 115-C, no. 4 of the RGICSF, the "management body or the remuneration committee, if any, submits annually to the approval of the general meeting the remuneration policy regarding the employees referred to in paragraph a) of no. 2" (namely members of the management and supervisory bodies).*

*The Nomination and Remuneration Committee has the powers on preparing resolutions on matters of remuneration, including those that Article 7 of the Bank of Portugal Notice no. 10/2011 and Article 115-H of the RGICSF.*

*This Policy, and its implementation, will be subject to annual review by the General Meeting, following a proposal by the Nomination and Remuneration Committee as set out in article 115-H of the RGICSF.*

*The Nomination and Remuneration Committee shall make informed and independent judgments on the remuneration policy and practices and on the incentives created for the purposes of risk management."*

As mentioned above, at I.4.2-a of this Report, a Nomination and Remuneration Committee was set up in 2019 with the composition and responsibilities described above. This Committee has the general responsibility for preparing decisions on remuneration and to support the General Assembly in these matters. These will include the responsibilities laid down in article 115-H of the Legal Framework for Credit Institutions and Financial Companies ("RGICSF").

The Remuneration Policy, and its implementation, will be reviewed annually by the Nomination and Remuneration Committee constituted under the terms of article 115-H of the Legal Framework for Credit Institutions and Financial Companies ("RGICSF"), and approved by the General Meeting.

In the decision-making process used in the definition of the remuneration policy, the services of any experts, consultants or external entities were not used, having taken into account the practice followed by the institution and the practices followed in the financial sector and other Portuguese banks operating in the national and international market.

**b) As regards the variable component of the remuneration: the various components that go into this, the proportion that is deferred and the proportion that has already been paid;**

No Variable Remuneration was paid to members of the management or supervisory bodies in financial year 2020.

**c) How the current remuneration policy is structured to allow alignment of the interests of members of the Board of Directors with the long-term interests of the Company and how it discourages excessive risk-taking as well as information on the criteria used in performance assessment;**

This information may be found in the form of the Statement on Remuneration Policy approved and reviewed by the General Meeting on 2020, more specifically in point I (General Principles), which states the following:

*"The main goals of the present Remuneration Policy for BISON's management and supervisory bodies are to enable the Company to attract, motivate and retain high-level, high-potential professionals, to align the interests of corporate body members with those of the Company, shareholders and other stakeholders, to stimulate and reward relevant individual contributions and good collective performance, to promote sound and prudent risk management and discourage taking on risk greater than the risk level tolerated by the credit institution.*

*In particular, the present Remuneration Policy is intended to contribute to aligning management body member interests with the Company's long-term interests and discouraging the taking on excessive of risk through the measures described below:…."*

**d) Regarding the remuneration of Executive Directors: :**

**i) Institutional bodies charged with assessing individual performance;**

According to the Remuneration Policy approved at the General Meeting held on 2020, and as set out in point I of that document (General Principles), the annual assessment of the performance of members of the Executive Committee will be the responsibility of the appropriate committee appointed by the Board of Directors, which will be the Nomination and Remuneration Committee. This assessment is based on long-term performance and allows for adjustments that take into account the various types of current and future risk, the cost of Bison Bank 's own funds and its liquidity requirements.

In accordance with the Remuneration Policy approved at the General Meeting held in 2020, and as set forth in point III–a) of that document, "The remuneration of the executive members of the Board of Directors will seek to competitively align remuneration with the dedication, qualification, quality, business know-how, work capacity, commitment and responsibilities required in carrying out their duties and, on the other hand, will seek to reconcile them with sustainable development, goals, values and long-term interests of BISON, its shareholders and clients."

**ii) Pre-set criteria used in assessing performance and on which the entitlement to variable remuneration is based;**

This information may be found in the Statement on Remuneration Policy, more specifically in point II.a)-ii of that document, as described below:

*"The total amount of the variable remuneration component shall be determined, pursuant to the law, by combining the employee's performance assessment, which shall reflect financial and non-financial criteria, and his/her structural unit's performance as regards the credit institution's overall results, expressing a sustainable growth of the Bank and the value added to the stakeholders.*

*If applicable, the variable remuneration component shall be paid once a year, notwithstanding any possible partial deferral in payment thereof.*

*The variable remuneration component intends to remunerate the executive members of the - Board of Directors' contribution, as well as their collective performance, in attaining the pre-determined qualitative and quantitative goals (as annually defined by the General Meeting, based on the proposals and recommendations of the Nomination and Remuneration Committee), in line with the overall strategy of both the Company and the corporate group it is a part of, as well as with the sustainable performance adjusted to the credit institution´s risk. Pursuant to article 115-E of the RGICSF, "(…) credit institutions shall make sure that such elements do not limit the ability of the institution to strengthen its capital base and shall also take into account all types of current and future risks."*

**iii) Relative importance of the variable and fixed components of the remuneration paid to Executive Directors and the upper limits for each component;**

The information in question may be found in the Statement on Remuneration Policy, more specifically in point III–a)-i) and ii) of that document, which states that:

*i. The fixed remuneration component shall represent a sufficiently high portion of overall remuneration of the management body members´ remuneration, thereby ensuring appropriate flexibility in defining the variable component, in strict compliance with article 115-F of the RGICSF. The fixed remuneration component shall in no case exceed €250,000.00.*

*ii. The variable remuneration component can't be contractually ensured and, as a rule of thumb, shall be the least significant portion of overall remuneration: at most 100% of the fixed remuneration component, except if otherwise approved by the General Meeting on a proposal from the Nomination and Remuneration Committee pursuant to article 115-F of the RGICSF; it shall be granted in light of the duties carried out by each member within the management bodies.*

**iv) Information regarding the deferred payment of the variable component of remuneration, specifying the relevant deferral period;**

This question is not applicable as there is no variable component to the remuneration for 2020.

**v) Manner in which the payment of the variable remuneration is subject to the continuing good performance of the institution over the deferral period;**

This question is not applicable as there is no variable component to the remuneration for 2020.

**vi) Criteria underpinning the payment of Variable Remuneration in shares, and also those regarding the keeping of company shares that the Executive Directors have had access to, any possible share contracts, including hedging or risk transfer contracts, pertaining to these shares, the corresponding limit and its relation to the total annual remuneration value;**

Given the fact that there is no variable component to remuneration, Bison Bank did not have, nor did it plan to have, any share allocation plans for members of the management or supervisory bodies in 2020.



**vii) Criteria used in awarding the variable component of remuneration in the form of options and the deferral period and the option price;**

Given the fact that there is no variable component to remuneration, Bison Bank did not have, nor did it plan to have, any share purchase options for members of the management or supervisory bodies in 2020.

**viii) Main parameters and rationale for any annual bonus scheme or any other non-monetary benefits;**

There are no annual bonuses or other non-monetary benefits of relevance.

However, similar to the practice followed in other credit institutions of equivalent size, there are benefits regarding health systems specific to the banking sector and the use of communication, computer and other equipment associated with the performance of their respective functions.

**ix) Remuneration paid in the form of profit-sharing and/or bonus payments and the reasons for said bonuses or profit sharing being awarded;**

No remuneration is paid in the form of profit-sharing and/or bonuses.

**x) Compensation paid or owed to former Executive Members of the Management Body, in relation to contract termination during the reporting year;**

In 2020, no amounts/compensation were paid, or owed, in respect of contract termination, to former Executive Members of the Management Body.

**xi) Legal instruments pursuant to article 450 of the Regulation (EU) nº 575/2013**

Without prejudice to the applicable legal framework, there are no specific legal mechanisms in place designed to ensure that no compensation or indemnification, including payments pertaining to the duration of a period of prior notice or a non-compete clause, is paid in those cases in which members of the management body have been removed from office or where their contract is terminated because of poor performance of their duties.

**xii) Amounts paid by companies that are related by control or by Group membership in 2020**

There is no remuneration paid by other companies to members of the management or supervisory bodies in 2020.

**xiii) Main features of supplementary pension or early retirement schemes and whether or not these were put to the General Meeting for discussion;**

Three of the Board members of the Bank are or were covered by Pension Funds that are supplementary to the Social Security Pension Scheme (André Filipe Ventura Rendeiro, Francisco Alexandre Valente de Oliveira, António Manuel Gouveia Ribeiro Henriques). These board members are or were members of the Defined Contribution Plan set up by the Bank pension fund and managed by Real Vida Pensões – Sociedade Gestora de Fundos de Pensões, SA. This fund is supplementary to the Social Security System. As their participation in this fund is identical to that of all other employees participating in the Fund, the matter has not been submited to the General Meeting for approval.

**xiv) Estimated value of relevant non-monetary benefits that are deemed to be remuneration but that have not been covered by the situations above;**

There are no relevant non-financial benefits that could be considered remuneration.

**xv) Mechanisms that prevent members of the management body from taking out remuneration or liability insurance, or any other risk coverage mechanisms that would tend to undermine the risk alignment effects embedded in their remuneration arrangements;**

There are no mechanisms in place for this purpose.

**xvi) Inclusion of any variable component in the remuneration of Non-Executive Directors**

The remuneration paid to the Board members (executive and non-executive) of Bison Bank in 2020 did not include any variable component (understood as a component dependent on the Company's performance).

## II.4 Remuneration of employees who are not members of management or supervisory bodies and are referred to in Article 115-C no. 2 b) c) d) and (e) of the Regime Geral das Instituições de Crédito e Sociedades Financeiras:

**a) Employees covered**

Point II.4 covers Bison Bank employees who (i) are heads of the Company's top-line bodies, to the extent that they carry out professional duties that might impact on the institution's risk profile, and those who (ii) belong to the institution's management structure and work in the areas of auditing, compliance or risk. There is a couple of employees "whose total remuneration package places them on the same remuneration scale as the members of the management or supervisory bodies" who are not already covered by one of the other preconditions.

The following employees of the Bank are considered covered in this point II.4: (i) responsible for bodies of the first line of the structure of the Company, insofar as they exercise a professional activity with an impact on the risk profile of the institution, (ii) those who integrating the institution's management structure, they perform functions in the areas of audit, compliance and risk, and (iii) employees "whose total remuneration places them in the same remuneration level as the members of the management or supervisory bodies",

It should be noted that there is an employee of the top management responsible for a first line body, the Executive Board Office, whose total remuneration is at the same level as that of the members of the management and supervisory bodies.

**b) Process used in setting the remuneration policy and the identification of any external consultants whose services were employed in setting the remuneration policy and any additional services provided by such consultants to the Company or to members of the management or supervisory bodies**

The Remuneration Policy for Bank Employees is drawn up or renewed on an annual basis by the Board of Directors, following a recommendation from the Human Resources Department. It is based on sector remuneration practices for similar functions, the objectives and incentives system, annual performance assessment, career progression factors and employee conduct, as reported by line managers or through formal records, such as disciplinary events, critical incidents or instances of outstanding merit.

No use was made of any experts, consultants or external entities. The institution's own remuneration practices and those of the financial sector and other Portuguese banks that operate in both the national and international markets were taken into consideration.

**c) Regarding the variable component of the remuneration: the various components that go into this, the proportion that is deferred and the proportion that has already been paid**

The Remuneration Policy for Bank Employees stipulates that variable remuneration should be paid through a scheme that is aligned with the performance assessment system and is based on clear objectives and on both quantitative and qualitative criteria that have been applied proportionally as a function of each employee's job description. Up to 50% of such remuneration may be paid in cash; the remainder should take the form of financial instruments.

**d) How the current remuneration policy is structured to allow alignment of the interests of members of the management body with the long-term interests of the company and how it discourages excessive risk-taking as well as information on the criteria used in performance assessment**

The Remuneration Policy for Bank Employees establishes the concept of a total remuneration package that is composed of a fixed remuneration component and a variable remuneration component. Fixed remuneration comprises the main part of the remuneration package for all employees. Variable remuneration is designed to reward each employee's performance and attainment of specific objectives. Fixed and variable remuneration represent >75% and <25% of the total remuneration, respectively.

The annual amount of variable remuneration, defined at the beginning of each year by the Board of Directors, shall vary according to fulfilment of the individual and collective objectives of the unit in which the employee works, in accordance with the system of targets and the approved performance assessment model, the Company's overall results and the future outlook.

Variable remuneration is calculated on the basis of pre-determined criteria and there is no incentive for employees to take excessive risks.

The Remuneration Policy for Bank Employees thus envisages that the Board of Directors may allocate variable remuneration to employees. Any such allocation is at the discretion of this management body. In the event of the allocation of variable remuneration, the fixed remuneration is guaranteed to continue to account for a significantly larger proportion of the total remuneration package.

**e) Competent bodies for assessing individual performance**

The competent body for assessing those members of staff responsible for the Company's top-line structures is the management body itself, in the form of the board member responsible for the area in question. For those staff members not in this group, their assessment is carried out in accordance with the normal performance assessment process in force at the Company, by the respective hierarchies.

**f) Pre-set criteria used in assessing performance and on which the entitlement to variable remuneration is based**

Any variable remuneration awarded to an employee is the result of a discretionary decision taken by the Board of Directors and is based on an individual performance assessment that makes use of pre-defined objective criteria. This does not grant or constitute a vested right and it is for the Board of Directors to decide to allocate the variable remuneration and determine the amount allocated.

**g) How the payment of the variable remuneration is subject to the continuing good performance of the institution**

Given the reduced importance of the variable component in the Company's remuneration policy, there is no need to defer payment of the same.

**h) Criteria used in awarding the variable component of remuneration in the form of options, the deferral period and the option price**

The Remuneration Policy for Bank Employees does not provide for variable remuneration paid in the form of options.

### i) Main parameters and principles of any annual bonus scheme or any other non-monetary benefits

There is no other annual bonus scheme besides the performance bonus, which has been detailed in the preceding points. The other benefits provided to the Company's employees are set out in the Remuneration Policy for Bank Employees and are as follows:

i. Medical Assistance Services (Health Insurance);

ii. Workers compensation insurance, as required by law;

iii. Pension Fund, in the terms established in the Constitutive Contract.

## II.5 Disclosure of quantitative information, in compliance with the stipulations of article 450 of Regulation (EU) nº 575/2013

### i) Total annual employee earnings and the number of beneficiaries

**Other Employees**

(Amounts in euros)

| Total remunerations 2020 | Total |
|---|---|
| | 3 288 572,48 € |

**Note:** The total number of beneficiaries in 2020 who received fixed remuneration is 64, corresponding to the total number of employees in the Bank's structure in that year, excluding corporate bodies. With regard to the above value, it includes compensation for termination of employment contract, remuneration in kind (vehicles) and does not include amounts referring to pension plan, insurance, holiday and Christmas monthly payments.

### ii) Amounts and types of variable remuneration in the remuneration package, separated into monetary remuneration, shares, share-linked instruments and other types of remuneration

No variable remuneration was paid to the Bank's employees.

### iii) Amount of deferred remuneration not paid, separated into vested and non-vested amounts.

This point is not applicable as there is no deferred variable remuneration.

### iv) Annual amounts of deferred remuneration owed, paid or subject to reduction following adjustments made as a result of individual employee performance

This point is not applicable as there is no deferred variable remuneration.

### v) Number of new hirings in the period in question

There were 7 new hires in 2020.

### vi) Amounts relating to payments made or owed as a result of early termination of work contracts, the number of beneficiaries of any such payments and the highest payment for any single employee

There were no contract terminations at the initiative of the Company in 2020.

### vii) Total annual employee earnings, by area of activity

**Other Employees**

(Amounts in euros)

| Total Annual Amounts | Remuneration Fixed | Variable Remuneration |
|---|---|---|
| Positions of Control (Compliance) | 255 912,37 € | 0.00 |

**Other Employees**

(Amounts in euros)

| Total Annual Amounts | Remuneration Fixed | Variable Remuneration |
|---|---|---|
| Positions of Control (Risk Management) | 180 629,83 € | 0.00 |

**Other Employees**

(Amounts in euros)

| Total Annual Amounts | Remuneration Fixed | Variable Remuneration |
|---|---|---|
| Positions of Control (Auditing) | 131 457,30 € | 0.00 |

## Other Employees

(Amounts in euros)

| Total Annual Amounts | Remuneration Fixed | Variable Remuneration |
|---|---|---|
| Business Areas | 1 298 665,10 € | 0.00 |

## Other Employees

(Amounts in euros)

| Total Annual Amounts | Remuneration Fixed | Variable Remuneration |
|---|---|---|
| Support Areas | 1 421 907,88 € | 0.00 |

**Note:** Additional information regarding employees whose actions have a significant impact on the institution's risk profile is not discriminated because, in addition to the members of the management and supervisory bodies and control functions, already described above, there are no others who can be characterized as such.
It should be noted, however, in accordance with the aforementioned in II.4 a., that an annual global remuneration in the order of €114.347 is earned by an employee of the Bank's Top Management while responsible for the Executive Board Office,

## viii) Employee Numbers

The table below shows the total number of Bison Bank employees, as at 31.12.2020, by department:

| Department | Number Of Employees |
|---|---|
| Accounting and Planning | 4 |
| Clients Management | 7 |
| Compliance | 5 |
| Executive Board Office | 7 |
| Human Resources | 2 |
| Internal Audit | 2 |
| Investment Banking | 5 |
| IT | 6 |
| Legal | 2 |
| Operations | 6 |
| Risk | 4 |
| Sales & Trading | 2 |
| Treasury | 2 |
| Wealth Management | 4 |

**Total number of employees at 31/12/2020: (58)**

### ix) Remuneration of the Statutory Auditor

With regard to the Company's supervisory structure, the total fees charged by the Statutory Auditor for the reporting periods ending 31 December 2020 and 2019, were as follows (broken down by service provision):

(amounts expressed in Euro thousands)

| | 31-12-2020 | 31-12-2019 |
|---|---|---|
| Statutory audits account | 71 | 59 |
| Other reliability assurance services: | | |
| Required by law to the Statutory Auditor | 28 | 35 |
| Not required by law to the Statutory Auditor | 16 | 18 |
| | 115 | 112 |

**Note:** Amounts do not include VAT.

The "Other reliability assurance services" item includes fees pertaining to the audit of the Bank's internal control system, including the one underlying the prevention of money laundering and terrorism financing, the audit of the procedures and measures in place for safeguarding clients' assets and certification under the special scheme applicable to deferred tax assets.

# 11

# Other Information


Disclosure on shares and bonds required under article 447 of the Portuguese Companies Code *(Código das Sociedades Comerciais)*, with reference to 31 December 2020, including all shares and bonds transactions carried out during the period in question.

## BOARD OF DIRECTORS

**Li Jun Yang** (Chairman)

At the reporting date, she did not hold, either directly or through any related parties, any securities issued by the Bank (including shares, and/or financial instruments related to these) and/or by any companies with which it is in a controlling or group relationship.

**Evert Derks Drok** (Vice-Chairman)

At the reporting date, he did not hold, either directly or through any related parties, any securities issued by the Bank (including shares and/or financial instruments related to these) and/or by any companies with which it is in a controlling or group relationship.

**Bian Fang** (Director and Chief Executive Officer)

At the reporting date, he did not hold, either directly or through any related parties, any securities issued by the Bank (including shares and/or financial instruments related to these) and/or by any companies with which it is in a controlling or group relationship.

**António Manuel Gouveia Ribeiro Henriques** (Director and Deputy Chief Executive Officer)

At the reporting date, he did not hold, either directly or through any related parties, any securities issued by the Bank (including shares and/or financial instruments related to these) and/or by any companies with which it is in a controlling or group relationship.

**Francisco Alexandre Valente de Oliveira** (Director)

At the reporting date, he did not hold, either directly or through any related parties, any securities issued by the Bank (including shares and/or financial instruments related to these) and/or by any companies with which it is in a controlling or group relationship.

**André Filipe Ventura Rendeiro** (Director)

At the reporting date, he did not hold, either directly or through any related parties, any securities issued by the Bank (including shares and/or financial instruments related to these) and/or by any companies with which it is in a controlling or group relationship.

## SUPERVISORY BOARD

**Issuf Ahmad** (Chairman)

At the reporting date, he did not hold, either directly or through any related parties, any securities issued by the Bank (including shares and/or financial instruments related to these) and/or by any companies with which it is in a controlling or group relationship.

**Ernesto Jorge de Macedo Lopes Ferreira** (Member)

At the reporting date, he did not hold, either directly or through any related parties, any securities issued by the Bank (including shares and/or financial instruments related to these) and/or by any companies with which it is in a controlling or group relationship.

**Ting Wang** (Member)

At the reporting date, she did not hold, either directly or through any related parties, any securities issued by the Bank (including shares and/or financial instruments related to these) and/or by any companies with which it is in a controlling or group relationship.

## LIST OF SHAREHOLDERS

### List of Shareholders with reference to 31 December 2020

| Holder | % |
|---|---|
| Bison Capital Financial Holdings (Hong Kong) Limited, | 100% |

## INFORMATION ON OWN SHARES UNDER ARTICLE 324 OF THE PORTUGUESE COMPANIES CODE (CÓDIGO DAS SOCIEDADES COMERCIAIS)

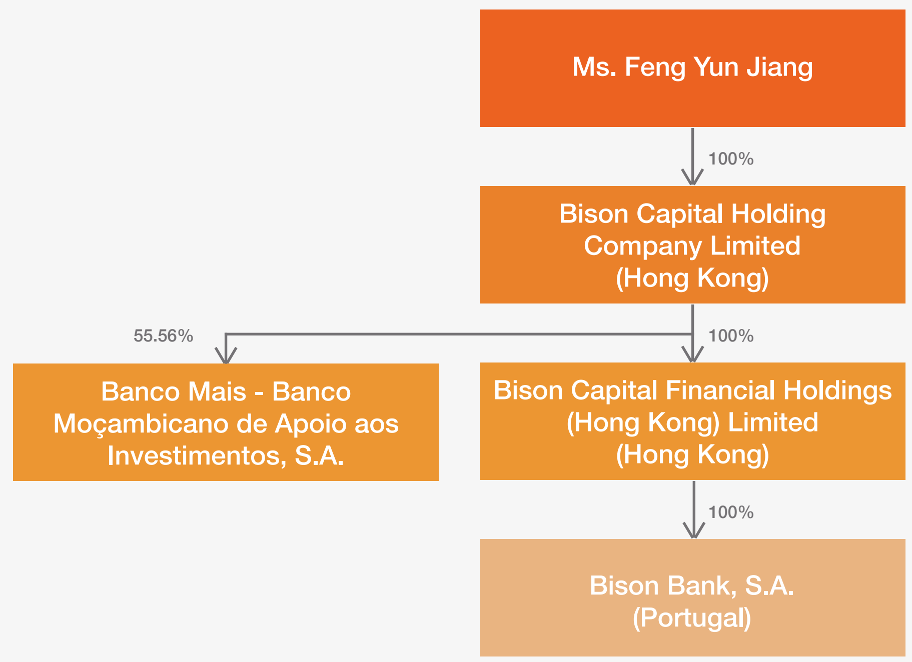
In 2020, there were no transactions of own shares pursuant to no. 2 of article 324 of the Portuguese Companies Code (Código das Sociedades Comerciais). As at 31 December 2020, the company did not hold any of its own shares.

## DISCLOSURE REGARDING SHARES AND BONDS ISSUED BY COMPANIES IN THE BISON HOLDINGS GROUP'S PERIMETER TRADED AND/OR HELD, DURING 2019, BY COMPANIES IN THE SAME PERIMETER.

The following information details the shares and bonds of companies within Bison Holdings Group's perimeter traded and/or held by companies within the same Group, during the period in question.

| | 31-12-2019 | Movements ocurred in the period | | | 31-12-2020 |
|---|---|---|---|---|---|
| | Amount | Operation | Date | Amount | Amount |
| **Bison Capital Financial Holdings (Hong Kong)** | | | | | |
| Shares<br>Bison Bank, S.A. | 35 239 674 | | | | 35 239 674 |
| Pledge<br>Bison Bank, S.A. | 2 000 000 | | | | 2 000 000 |
| Share Increase<br>Bison Bank, S.A. | | | | | |
| | | Equity Increase | 29-07-2020 | 3 800 000 | 3 800 000 |

### Ownership Chart of Bison Bank, S.A.



## *Statutory Audit Report*

***(Free translation from a report originally issued in Portuguese language. In case of doubt the Portuguese version will always prevail)***

### *Report on the audit of the consolidated financial statements*

#### *Opinion*

We have audited the accompanying consolidated financial statements of Bison Bank, S.A. (the Group), which comprise the consolidated balance sheet as at 31 December 2020 (which shows total assets of Euros 110,371 thousand and total shareholders' equity of Euros 61,775 thousand including a net loss of Euros 6,967 thousand), the consolidated income statement, the consolidated comprehensive income statement, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly in all material respects, the consolidated financial position of Bison Bank, S.A. as at 31 December 2020, and their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS"), as adopted by the European Union.

#### *Basis for opinion*

We conducted our audit in accordance with International Standards on Auditing ("ISAs") and other technical and ethical standards and recommendations issued by the Institute of Statutory Auditors. Our responsibilities under those standards are described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section below. In accordance with the law we are independent of the entities that are included in the Group and we have fulfilled our other ethical responsibilities in accordance with the ethics code of the Institute of Statutory Auditors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Key audit matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

**PricewaterhouseCoopers & Associados – Sociedade de Revisores Oficiais de Contas, Lda.**
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Inscrita na lista das Sociedades de Revisores Oficiais de Contas sob o nº 183 e na CMVM sob o nº 20161485

| Key Audit Matter | Summary of the Audit Approach |
|---|---|
| ***Fair value of financial instruments not listed in an active market – level 3 of the fair value hierarchy*** <br><br> *<u>Measurement of the fair value of financial instruments not listed in an active market, classified in level 3 of the fair value hierarchy, and corresponding disclosures presented in accompanying notes 2.5, 2.8, 2.9, 6, 7, 29 and 30 of the Group's consolidated financial statements</u>* | |
| Due to its relevance in the context of the Group's consolidated financial statements and the associated degree of judgment, the fair value measurement of financial instruments not listed in an active market, classified in level 3 of the fair value hierarchy, was considered a key audit matter for the purpose of our audit. <br><br> As at 31 December 2020 those instruments amounted to Euros 14,123 thousand of financial assets presented in the headings of "Non-trading financial assets mandatorily at fair value through profit or loss" and "Financial assets at fair value through other comprehensive income", entirely composed by equity instruments. Among these assets, we highlight the investment in the Discovery Portugal Real Estate Fund ("Discovery Fund"), whose fair value as at 31 December 2020 of Euros 12,957 thousand was determined based on the Net Asset Value reported by the Fund Manager of that real estate fund. <br><br> For financial instruments classified in level 3 of the fair value hierarchy, and when observable market data is not available, the determination of fair value is made using valuation models based on cash flow discount techniques or indicative prices provided by counterparties, which involves a high degree of judgment in the definition of the assumptions and inputs to be used. In particular, the valuation of the Discovery Fund's units is based on the most up-to-date information that the Group has regarding the Net Asset Value reported by the Fund Manager, which depends on the appraisals of the real estate assets held by the fund, carried out by external expert appraisers. <br><br> In this context, changes in the assumptions and measurement techniques used by Management, as well as the possible impacts caused by the Covid-19 | The audit procedures undertaken included the identification and understanding of the key-controls implemented by the Group underlying to the methodologies used for the fair value estimation of financial instruments not listed in an active market, classified in level 3 of the fair value hierarchy. <br><br> For a representative sample of financial instruments not listed in an active market, classified in level 3 of the fair value hierarchy, our procedures also included (i) the understanding of the methodologies and the main assumptions used by the Group to determine the fair value; (ii) the assessment of whether the methodologies used by the Group are reasonable in the circumstances; (iii) the comparison of indicative prices provided by external counterparties with those used by the Group to recognize the fair value of those financial instruments; and (iv) the analytical review of the fair value of those financial instruments, comparing it with the homologous period and with the latest financial information and the respective audit reports, whenever available. <br><br> In the specific case of the Discovery Fund, our procedures also consisted of obtaining and reviewing the critical analysis prepared by the Investment Banking Department of the Group on the valuation made available by the Fund Manager, considering for that purpose data subject to observation with market information collected from external and independent sources, whenever available. <br><br> Our audit procedures also included a review of the disclosures related to the financial instruments not listed in an active market, classified in level 3 of the fair value hierarchy, included in the notes to the Group's consolidated financial statements, taking into account the applicable accounting standards. |

| Key Audit Matter | Summary of the Audit Approach |
|---|---|
| pandemic and the evolution of the real estate market, may give rise to material impacts on the determination of the fair value of the financial instruments recognized in the Group's consolidated financial statements. | |

### *Responsibilities of management and supervisory board for the consolidated financial statements*

Management is responsible for:

a) the preparation of the consolidated financial statements, which present fairly the consolidated financial position, the consolidated financial performance and cash flows of the Group in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union;

b) the preparation of the Management Report, in accordance with the applicable law and regulations;

c) the creation and maintenance of an appropriate system of internal control to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error;

d) the adoption of appropriate accounting policies and criteria; and

e) the assessment of the Group's ability to continue as a going concern, disclosing, as applicable, events or conditions that may cast significant doubt on the Group's ability to continue its activities.

The supervisory board is responsible for overseeing the process of preparation and disclosure of the Group's financial information.

### *Auditor's responsibilities for the audit of the consolidated financial statements*

Our responsibility is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

a) identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

b) obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;

c) evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

d) conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;

e) evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

f) obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion;

g) communicate with those charged with governance, including the supervisory board, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit;

h) of the matters we have communicated to those charged with governance, including the supervisory board, we determine which one's were the most important in the audit of the consolidated financial statements of the current year, these being the key audit matters. We describe these matters in our report, except when the law or regulation prohibits their public disclosure; and

i) confirm to the supervisory board that we comply with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

Our responsibility also includes verifying that the information included in the Management report is consistent with the consolidated financial statements.

## *Report on other legal and regulatory requirements*

### *Management report*

In compliance with paragraph 3 e) of article No. 451 of the Portuguese Company Law, it is our opinion that the Management report has been prepared in accordance with applicable requirements of the law and regulation, that the information included in the Management report is consistent with the audited consolidated financial statements and, taking into account the knowledge and assessment about the Group, no material misstatements were identified.

### *Additional information required in article No. 10 of the Regulation (EU) 537/2014*

In accordance with article No. 10 of Regulation (EU) 537/2014 of the European Parliament and of the Council, of April 16, 2014, and in addition to the key audit matters referred to above, we also provide the following information:

a) We were first appointed auditors of Bison Bank, S.A. in the Shareholders' General Meeting held on 9 May 2014, to conclude the ongoing mandate until the end of 2014, having remained in functions until the current period. Our last appointment occurred by written decision of the sole shareholder dated 14 May 2020 for the period from 2020 to 2021;

b) The management has confirmed to us it has no knowledge of any allegation of fraud or suspicions of fraud with material effect in the financial statements. We have maintained professional scepticism throughout the audit and determined overall responses to address the risk of material misstatement due to fraud in the consolidated financial statements. Based on the work performed, we have not identified any material misstatement in the consolidated financial statements due to fraud;

c) We confirm that our audit opinion is consistent with the additional report that was prepared by us and issued to the Group's supervisory board on 5 May 2021; and

d) We declare that we did not provide any prohibited non-audit services referred to in paragraph 8 of article No. 77 of the by-laws of the Institute of Statutory Auditors ("Estatutos da Ordem dos Revisores Oficiais de Contas") and that we remain independent of the Group in conducting our audit.

5 May 2021

PricewaterhouseCoopers & Associados
- Sociedade de Revisores Oficiais de Contas, Lda.
represented by:

Cláudia Sofia Parente Gonçalves da Palma, R.O.C.

**(This is a translation, not to be signed)**

## *Statutory Audit Report*

***(Free translation from a report originally issued in Portuguese language. In case of doubt the Portuguese version will always prevail)***

### *Report on the audit of the financial statements*

#### *Opinion*

We have audited the accompanying financial statements of Bison Bank, S.A. (the Bank), which comprise the balance sheet as at 31 December 2020 (which shows total assets of Euros 110,371 thousand and total shareholders' equity of Euros 61,775 thousand including a net loss of Euros 6,967 thousand), the income statement, the comprehensive income statement, the statement of changes in equity and the statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly in all material respects, the financial position of Bison Bank, S.A. as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS"), as adopted by the European Union.

#### *Basis for opinion*

We conducted our audit in accordance with International Standards on Auditing ("ISAs") and other technical and ethical standards and recommendations issued by the Institute of Statutory Auditors. Our responsibilities under those standards are described in the "Auditor's responsibilities for the audit of the financial statements" section below. In accordance with the law we are independent of the Bank and we have fulfilled our other ethical responsibilities in accordance with the ethics code of the Institute of Statutory Auditors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Key audit matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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| Key Audit Matter | Summary of the Audit Approach |
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| ***Fair value of financial instruments not listed in an active market – level 3 of the fair value hierarchy***<br><br>*Measurement of the fair value of financial instruments not listed in an active market, classified in level 3 of the fair value hierarchy, and corresponding disclosures presented in accompanying notes 2.5, 2.8, 2.9, 6, 7, 29 and 30 of the Bank's financial statements* | |
| Due to its relevance in the context of the Bank's financial statements and the associated degree of judgment, the fair value measurement of financial instruments not listed in an active market, classified in level 3 of the fair value hierarchy, was considered a key audit matter for the purpose of our audit.<br><br>As at 31 December 2020 those instruments amounted to Euros 14,123 thousand of financial assets presented in the headings of "Non-trading financial assets mandatorily at fair value through profit or loss" and "Financial assets at fair value through other comprehensive income", entirely composed by equity instruments. Among these assets, we highlight the investment in the Discovery Portugal Real Estate Fund ("Discovery Fund"), whose fair value as at 31 December 2020 of Euros 12,957 thousand was determined based on the Net Asset Value reported by the Fund Manager of that real estate fund.<br><br>For financial instruments classified in level 3 of the fair value hierarchy, and when observable market data is not available, the determination of fair value is made using valuation models based on cash flow discount techniques or indicative prices provided by counterparties, which involves a high degree of judgment in the definition of the assumptions and inputs to be used. In particular, the valuation of the Discovery Fund's units is based on the most up-to-date information that the Bank has regarding the Net Asset Value reported by the Fund Manager, which depends on the appraisals of the real estate assets held by the fund, carried out by external expert appraisers. | The audit procedures undertaken included the identification and understanding of the key-controls implemented by the Bank underlying to the methodologies used for the fair value estimation of financial instruments not listed in an active market, classified in level 3 of the fair value hierarchy.<br><br>For a representative sample of financial instruments not listed in an active market, classified in level 3 of the fair value hierarchy, our procedures also included (i) the understanding of the methodologies and the main assumptions used by the Bank to determine the fair value; (ii) the assessment of whether the methodologies used by the Bank are reasonable in the circumstances; (iii) the comparison of indicative prices provided by external counterparties with those used by the Bank to recognize the fair value of those financial instruments; and (iv) the analytical review of the fair value of those financial instruments, comparing it with the homologous period and with the latest financial information and the respective audit reports, whenever available.<br><br>In the specific case of the Discovery Fund, our procedures also consisted of obtaining and reviewing the critical analysis prepared by the Investment Banking Department of the Bank on the valuation made available by the Fund Manager, considering for that purpose data subject to observation with market information collected from external and independent sources, whenever available.<br><br>Our audit procedures also included a review of the disclosures related to the financial instruments not listed in an active market, classified in level 3 of the |

| Key Audit Matter | Summary of the Audit Approach |
|---|---|
| In this context, changes in the assumptions and measurement techniques used by Management, as well as the possible impacts caused by the Covid-19 pandemic and the evolution of the real estate market, may give rise to material impacts on the determination of the fair value of the financial instruments recognized in the Bank's financial statements. | fair value hierarchy, included in the notes to the Bank’s financial statements, taking into account the applicable accounting standards. |

***Responsibilities of management and supervisory board for the financial statements***

Management is responsible for:

a) the preparation of the financial statements, which present fairly the financial position, the financial performance and the cash flows of the Bank in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union;

b) the preparation of the Management Report, in accordance with the applicable law and regulations;

c) the creation and maintenance of an appropriate system of internal control to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;

d) the adoption of appropriate accounting policies and criteria; and

e) the assessment of the Bank’s ability to continue as a going concern, disclosing, as applicable, events or conditions that may cast significant doubt on the Bank’s ability to continue its activities.

The supervisory board is responsible for overseeing the process of preparation and disclosure of the Bank’s financial information.

***Auditor’s responsibilities for the audit of the financial statements***

Our responsibility is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

a) identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

b) obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control;

c) evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

d) conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern;

e) evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

f) communicate with those charged with governance, including the supervisory board, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit;

g) of the matters we have communicated to those charged with governance, including the supervisory board, we determine which one's were the most important in the audit of the financial statements of the current year, these being the key audit matters. We describe these matters in our report, except when the law or regulation prohibits their public disclosure; and

h) confirm to the supervisory board that we comply with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

Our responsibility also includes verifying that the information included in the Management report is consistent with the financial statements.

## *Report on other legal and regulatory requirements*

### *Management report*

In compliance with paragraph 3 e) of article No. 451 of the Portuguese Company Law, it is our opinion that the Management report has been prepared in accordance with applicable requirements of the law and regulation, that the information included in the Management report is consistent with the audited financial statements and, taking into account the knowledge and assessment about the Bank, no material misstatements were identified.

### *Additional information required in article No. 10 of the Regulation (EU) 537/2014*

In accordance with article No. 10 of Regulation (EU) 537/2014 of the European Parliament and of the Council, of April 16, 2014, and in addition to the key audit matters referred to above, we also provide the following information:

a) We were first appointed auditors of Bison Bank, S.A. in the Shareholders' General Meeting held on 9 May 2014, to conclude the ongoing mandate until the end of 2014, having remained in functions until the current period. Our last appointment occurred by written decision of the sole shareholder dated 14 May 2020 for the period from 2020 to 2021;

b) The management has confirmed to us it has no knowledge of any allegation of fraud or suspicions of fraud with material effect in the financial statements. We have maintained professional scepticism throughout the audit and determined overall responses to address the risk of material misstatement due to fraud in the financial statements. Based on the work performed, we have not identified any material misstatement in the financial statements due to fraud;

c) We confirm that our audit opinion is consistent with the additional report that was prepared by us and issued to the Bank's supervisory board on [--] April 2021; and

d) We declare that we did not provide any prohibited non-audit services referred to in paragraph 8 of article No. 77 of the by-laws of the Institute of Statutory Auditors ("Estatutos da Ordem dos Revisores Oficiais de Contas") and that we remain independent of the Bank in conducting our audit.

5 April 2021

PricewaterhouseCoopers & Associados
- Sociedade de Revisores Oficiais de Contas, Lda.
represented by:

Cláudia Sofia Parente Gonçalves da Palma, R.O.C.

**(This is a translation, not to be signed)**

# Supervisory Board Assessment of the Adequacy of the Organizational Culture, Governance, and Internal Control Systems

**Bison Bank, S.A.'s Supervisory Board's assessment of the adequacy and effectiveness of the organizational culture in force at the Bank and its governance and internal control systems**

### INTRODUCTION

This document is presented for the purposes set out in paragraph 1 of article 60 of Notice no. 3/2020 of Banco de Portugal ("Notice") and is part of the annual process of self-assessment of the adequacy and effectiveness of organizational culture of Bison Bank, SA ('Bank') and its governance and internal control systems under the terms of the Notice.

### SUMMARY OF THE SELF-ASSESSMENT REPORT

We present in the following points a summary of the self-assessment report provided for in article 55 of the Notice, which contains an assessment of the adequacy and effectiveness of the organizational culture in force at the Bank and its governance and internal control systems:

- The Supervisory Board (SB) monitored the management, operations and evolution of the Bank's business over the reference period, through the presence at Board meetings, access to all documentation produced by this Body and the Committees in which it delegated powers, access to financial, management and prudential information on the Bank's activity and results and other relevant documentation and contacts with its officers, having obtained all the clarifications requested.
- During the reference period, the SB followed the progress reports on the actions to mitigate deficiencies and implement recommendations identified within the scope of the exercise of internal control and by the supervisors. Throughout the reference period, and with the objective of assessing the state of implementation of the measures defined to correct the deficiencies detected in previous periods, the SB has closely monitored the implementation of the measures set out in the Report on the Internal Control System Bank for the previous period.
- The SB assessed the deficiencies identified by the Bank's internal control functions (Compliance, Rich Management and Internal Audit) in the reference period, as well as its graduation and action plans defined for the respective resolution, including the deadlines defined for the implementation of these plans.
- The SB concluded by the adequate classification of the deficiencies identified with the level of F3 - High (no deficiency with a rating of F4 - Severe was detected by the Bank) and that its impacts are not likely to harm the organizational culture, the government systems and internal control of the Bank, considering that:

    i. the deficiencies identified have measures, deadlines and those responsible for their implementation;

    ii. the follow-up of open deficiencies is based on a process of continuous monitoring by the Board of Directors, on a quarterly basis, to ensure the timely correction of situations identified in accordance with the Bank's internal governance policy;

    iii. there is a methodology for classifying deficiencies; and

    iv. the validation of the adequate use of the criteria and classification of deficiencies by the Internal Audit Function.

- As of the date on which the information included in the Bank's self-assessment report is reported, 64 deficiencies are open, of which none classified with risk grade F4 - Severe, 2 with risk grade F3 - High, 33 with risk grade F2 - Moderate and 29 with risk level F1 - Reduced.
- The SB considers that, despite the deficiencies identified, including the gaps identified in relation to the implementation of the Notice and those relating to previous periods, alternative control mechanisms or ongoing initiatives guarantee an adequate mitigation of the risks arising from such deficiencies.

**MAIN CONCLUSIONS**

- Based on the activities developed and the evidence obtained, the SB assessed, within the scope of the responsibilities attributed by law to the supervisory bodies and considering the current and potential impacts of the deficiencies that remain open, the adequacy and effectiveness of the organizational culture in force in the Bank and its governance and internal control systems.
- With the exception of aspects related to the 'Deficiencies' theme, and the need to develop an additional set of procedures for adoption in full in the provisions of Notice no. 3/2020, it was concluded, unanimously, by the positive on the adequacy and effectiveness of the organizational culture in force at the Bank and its governance and internal control systems, in all materially relevant aspects, in accordance with the requirements defined in the Notice.
- With the exception of aspects related to the 'Deficiencies' theme, nothing has come to the attention of the SB that would indicate that the assessment of the state of implementation of the measures defined in the reference period to correct the deficiencies detected, including the deficiencies of the internal control system and the Bank's accounting system reported by the statutory auditor or in the context of other activities carried out by him, or identified by other external entities, including supervisory authorities, is not reasonable.
- The SB concluded on the adequate quality of performance and independence of the Bank's internal control functions.
- In addition, nothing has come to our attention, other than the deficiencies detected and mentioned above, which indicate that:

  i. The procedures for preparing prudential and financial reports, including those carried out by the Bank under Implementing Regulation (EU) No. 680/2014, of the Commission, of 16 April 2014, in the reference period, are not reliable;

  ii. The processes for preparing information disclosed to the public by the Bank, under applicable laws and regulations, including financial and prudential information, are not reliable; and

  iii. All duties of disclosure to the public, which result from applicable legislation and regulations and which respect the matters provided for in the Notice, have not been adequately fulfilled in the reference period.

**Lisbon, 30 April, 2021**

| | | |
|---|---|---|
| **Wang Ting** | **Ernesto Lopes Ferreira** | **Issuf Ahmad** |

## SUPERVISORY BOARD REPORT AND OPINION

### Financial year 2020

**Introduction**

1. In compliance, namely, with the provisions of article 420, paragraph 1, subparagraph g), of the Portuguese Companies Code ("CSC"), the Supervisory Board ("SB") of Bison Bank, SA ("Bank") prepared this report and opinion on the management report, accounts and proposals presented by the Bank's Board of Directors ("BD") for the year ended December 31, 2020, including on the supervisory activity carried out by the SB during the same year.

2. The Bank completed in 2021 the capital increase of 60 million euros. In July 2018, shortly after the transfer of all the Bank's shares to the current shareholder, capital increase of 41 million euros was made. In July 2020, a new capital increase was decided, in the amount of 19 million euros, which took place on September 28, 2020 (5.7 million euros) and on January 29, 2021 (13.3 million euros), totalling the amount of capital of 195,198,370.00 euros. Due to high accumulated losses in the past, the Bank's equity is around 62 million euros at the end of 2020 and the Bank's assets on the same date amount to around 110 million euros. In 2020, the Bank's business plan review process was initiated, with an extended time horizon until 2024, a year of foreseen positive results, which review was approved by the Board on January 29, 2021.

3. The SB is composed of three effective members and an alternate member. The SB is part of the Bank's supervisory body, together with the firm of statutory auditors, who is the Bank's statutory auditor (hereinafter "SROC"), in accordance with the provisions of article 23 of the Bank Articles of Association and article 413, no. 1, paragraph b) of the CSC.

   Both corporate bodies of management and supervision, BD and SB, were elected for four-years term of 2018-2021. SROC was re-elected for a fourth term of two-years 2020-2021, having been elected for the first time for the 2014 term, for the second time for the 2015-2017 term and for the third time for the 2018-2019 term, being a total of eight years in office.

   The Chairman, Issuf Ahmad, and the SB member, Ernesto Jorge de Macedo Lopes Ferreira, started on June 24, 2016, to complete the three-year term 2015-2017, having been re-elected, on August 21, 2018, for a full four-year mandate term of 2018-2021, along with new member Ting Wang and alternate member Fan Bu.

   There are two specific committees, one for matters concerning nominations and remuneration and the other with risk management and compliance, which are composed of non-executive members of the BD and completed by members of the SB, being most of them independent and chaired by a independent member to ensure independence in the performance of these committees.

***Activity performed by the Supervisory Board***

4. On the performance of its functions, the SB did twenty-five (25) meetings in the period from January to December 2020.

   Some of the SB meetings had also the participation of the executive directors, representatives of SROC and those responsible for the control functions and other areas of the Bank, under the invitation of the SB and accordingly to the matters under discussion. The SB maintained a permanent communication with the members of the BD and with the holders of control functions, attended several meetings of the BD and had discussions on the review of the business plan. Through the portal of access to the meetings of the BD, it was possible for the SB to preview the agendas of the meetings and associated documentation, as well as the respective minutes, allowing the most effective approach to the issues under discussion with the BD and to formulate the appropriate recommendations. During the supervision of the control functions and the statutory audit of the accounts performed by SROC, the SB met regularly with the directors of the risk, compliance and internal audit departments and with the representatives of the SROC.

5. The Chairman of the SB is also (chairman) member of the Nominations and Remuneration Committee, which also includes two non-executive members of the BD (the Chairlady and the Vice-Chairman), and the other independent member of the SB is also member of the Risk and Compliance Committee.

6. On May 7, 2020, the SB issued a report on its supervisory activity during the year of 2019 and an opinion on the management report, accounts and proposals presented by the Bank's BD in relation to that year.

   The SB assessed the adequacy and effectiveness of the Bank's internal control system, in force on May 31, 2020, resulting in the issuance of the respective opinion on July 17, 2020, in accordance with the Bank of Portugal Notice (BoP) no. 5/2008, of June 25.

   The SB also assessed the quality of the Bank's internal control system concerning AML/TF, followed by issuance of the respective opinion on May 29, 2020, with reference to the period from January 1st to December 31, 2019, which is part of the Report on the subject under the terms defined in BoP Instruction no. 5/2019, with the adjustments introduced by BoP Instruction no. 6/2020, and issued opinions on matters related to conflicts of interest and related parties.

7. The SB also performed its role of supervising the management of the Bank, supervising and constructively challenging the Bank's management, namely in matters related to risk management, internal control, compliance, internal governance, accountability and internal auditing, articulating with the non-executive members of the BD, in accordance with the law and regulatory regulations and guidelines applicable to the banking sector.

8. The SB received from the heads of control functions the respective plans and activity reports, as well as periodic reports on risk management, compliance and internal audit reports. The SB supervised the performance of the control functions, reviewing and discussing with the heads of the control functions and their staffs the plans and periodic reports on the performance of risk management and compliance, as well as the independent performance of internal audit, making observations and recommendations considered appropriate under the circumstances.

9. The Bank has a system in place for reporting irregularities, according to a document published on its institutional website entitled “Policy for Reporting Irregularities or Concerns (Whistleblowing). The SB monitored the functioning of this system, involving control departments in the analysis of communications received from the whistle-blowers.

10. In the course of 2021, the SB issued its assessment on the adequacy and effectiveness of the organizational culture in force at the Bank and its governance and internal control systems, pursuant to the provisions of paragraph a) of article 55 of BoP Notice 3/2020, with reference to the period between June 1, 2020 and February 25, 2021.

    In addition, the SB has reviewed and issued a prior opinion on the revised policies and standards within the scope of the above-mentioned Notice: code of conduct; control functions policies, regulations and activity plans; conflict of interest policy; policy of selection and appointment of the statutory auditor or of statutory auditor firms and provision of non-prohibited non-audit services; and reports issued by internal control function departments.

    Also, within the scope of BdP Notice no. 3/2020, the SB prepared a summary of the assessment report on the adequacy and effectiveness of the organizational culture in force at the Bank and its governance and internal control systems, which is disclosed in the annex, in accordance with the provisions of article 60 of the aforementioned Notice.

*Assessment of the statutory auditor independence*

11. In accordance with the provisions of the internal regulations and national and European community legal regulations concerning the activity of statutory auditing of the “Public Interest Entities” financial reports / accounts, the SB supervised the independence of SROC, who submitted to the SB a statement confirming its independence and that of the staffs involved in the statutory audit work of the Bank accounts.

12. The SB previously approved other works carried out by SROC, out of the scope of the statutory audit, by means of a duly substantiated proposal and subsequent assessment of the threats to independence arising from the performance of those works, taking into consideration the restrictive measures for independence safeguarding provided for in the Legal Framework of the Statutory Auditors (EOROC), approved by Law no. 140/2015, and in Regulation (EU) No. 537/204, of the European Parliament and of the Council of April 16. 2014 (Regulation 537/2014).

13. Regarding rotation, the provisions of Regulation 537/2014 and the EOROC are applicable, as well as the Policy of selection and appointment of the Statutory Auditor, approved by the Bank's General Meeting and published on its institutional website. In accordance with this Policy: (i) the maximum period of performance of statutory audit functions by the partner responsible for directing or directly executing the statutory audit is seven years, counting from its first appointment, which may be re-appointed after a minimum elapsed period of three years; (ii) the initial minimum period for the statutory audit functions of the Bank by the Statutory Auditor (“ROC”) is two years and the maximum period is two or three terms, depending on whether they are, respectively, of four or three years period; (iii) after the performance of functions for the said maximum period, the ROC or audit firm only can be re-appointed after a minimum period of four years has elapsed; (iv) the counting of terms is made from the first financial year covered

by the contractual link by which the ROC was designated for the first time to carry out the statutory audits of consecutive accounts of the Bank; (v) notwithstanding, the maximum period for performing statutory audit function may exceptionally be extended up to a maximum period of 10 years, provided that such extension is approved by the Bank's General Meeting, on the basis of a reasoned proposal by the SB, expressly considering the conditions of independence of the hired ROC and the advantages and costs of its replacement; (vi) in the process of renewing the mandate of the ROC, the SB will take into consideration the results of the evaluation of its performance.

PricewaterhouseCoopers - Sociedade de Revisores Oficiais de Contas, Lda (PwC) was appointed ROC of the Bank by the respective General Meeting: for the first time, on May 9, 2014, for the year ended on December 31 of that year; for the second time, at the general shareholders' meeting held on September 22, 2015, for the three-year period 2015-2017; for the third time, by unanimous written decision of October 30, 2018, for the biennium 2018-2019; and for the fourth time, by unanimous written decision of May 14, 2020, for the biennium 2020-2021.

The SB analysed the possibility of replacing the ROC or renewing its mandate, considering the extent of service, the performance assessment and the advantages and disadvantages of the replacement / renewal, and decided, at the meeting of May 13, 2020, to recommend the renewal of PwC's mandate for another two years, which covers the statutory audit of the years 2020 and 2021.

As for the rotation of the partner responsible for the statutory audit, none of the PwC partners assumed the responsibility for directing or directly carrying out the statutory audit of the Bank's accounts for more than seven years. The partner ROC José Manuel Henriques Bernardo was responsible for the auditing of the accounts from 2014 to 2017 and the partner ROC Cláudia Sofia Parente Gonçalves da Palma, was responsible, from mid-May 2018, for the statutory audit of the accounts from 2018 onwards.

**Assessment on management report and accounts**

14. The SB assessed the Report and Accounts presented by the BD, on an individual and consolidated basis, for the annual year ended December 31, 2020, which includes the Management Report, individual and consolidated financial statements and corresponding annex, proposed application of results and report on corporate governance.

    The SB assessed the main accounting policies and the changes that occurred in the scope of IAS / IFRS, as well as the records and disclosures made in the preparation of the financial statements and the other reporting instruments for the year ended December 31, 2020.

15. In the year ended 31 December 2020, the Bank recorded a negative net result of approximately 7.0 million euros, both on an individual and consolidated basis, which is roughly identical to that recorded in 2019 (6,967 thousand euros in 2020 and 7,009

thousand euros in 2019). However, the Bank maintains solid capitalization and liquidity levels, with Tier 1 Common equity ratios at the end of the year of around 81% and LCR and NSFR of 237% and 134%, respectively.

Net interest income increased by 59.6% (+152 thousand euros), after having recorded a negative value of 167 thousand euros in 2018, and the banking product decreased by 48 thousand euros (12 thousand euros in consolidated terms), mainly influenced by the drop of around 1 million euros in revenues from services and commissions and by the gain of 522 thousand euros from the sale of the stake in the Turirent Fund for the price of 8,560 thousand euros. The expenditure restraint policy resulted in a decrease of around 0.8 million euros in terms of administrative expenses (0.9 million euros on consolidated basis accounts), which went from around 9.2 million euros in 2019 to around 8.4 million euros in 2020 (9.3 million euros in 2019 and 8.4 million euros in 2020 on consolidated basis accounts). However, the positive impact on the results of such a decrease was shadowed by decrease of 1 million euros on fee and commission income. The BD outlined a strategy for the gradual improvement of results, projecting, in the revised strategic plan, positive results from 2024 onwards.

16. The consolidated accounts were includes the results of the Turirent Fund, until July 31, 2020, due to its sale, on August 26, 2020, and consequent loss of control over the Fund. The Bank's consolidated accounts differ little from the individual accounts, since they cover values of the Fund's activity which are not very significant in the context of the consolidated accounts. The SB also examined the Bank's Consolidated Accounts, with reference to the year ended December 31, 2020, in accordance with the provisions of article 508-D, no. 1 of the CSC.

Assessment of the statutory audit

17. The SB monitored the statutory review of the individual and consolidated accounts and analysed the respective results, as well as the corresponding audit report of the accounts, paying also attention to the threats to the independence of the statutory auditor on performing the audit work.

18. The SB also considered the additional report addressed to the SB by SROC, on May 5, 2021, in compliance with the provisions of article 24, paragraphs 1, 2 and 6 of the Audit Supervision Regime, approved by Law no. 148/2015, and of article 63, paragraph 1 of the EOROC. This Report arises from the audit by SROC of the individual and consolidated accounts of the Bank for the year ended December 31, 2020, which covers a set of topics and information that in general was addressed in the meetings with the SB and in other documents considered by the SB, namely, accounting and financial matters within the scope of the statutory audit, verification and monitoring of the independence of the SROC and additional services provided to the Bank.

19. As a relevant audit matter, SROC identified the measurement and disclosures related to the fair value of financial instruments not quoted in an active market classified at level 3 of the fair value hierarchy, composed almost entirely of equity instruments, as expressed in the audit reports of the individual and consolidated accounts. From these instruments, the asset held by the Bank in the Investment Fund “Portugal Real Estate Fund” stands

out, classified as “Non-negotiable financial assets mandatorily accounted for at fair value through profit or loss”, whose fair value recognized in the balance sheet, on December 31, 2020, amounts to 12,957 thousand euros (12,960 thousand euros on December 31, 2019), determined by the Bank based on the quotation of the last NAV made available by the respective management company with reference to December 31, 2020.

20. For the purposes of the provisions of article 452, paragraph , of the CSC, the SB states his agreement with the audit reports of the accounts, individual and consolidated, for the year ended on December 31, 2020, issued respectively on May 5, 2021, which expresses an unqualified opinion on the financial statements. The audit reports of the accounts, prior to 2020, expressed material uncertainty related to going concern, since the Bank successively accumulated losses without a clear prospect of reversing the situation. The re-assessment of the topic resulted in the dissipation of material uncertainties as to the Bank's ability to continue operating, given the reinforcement of its capital, the levels of prudential ratios, the resilience and the positive development of the activity in the context of the Covid-19 pandemic situation and the greater consistency of the business plan. The SB also agrees with the relevant audit matter expressed in the aforementioned audit reports.

### Proposed application of results

21. The Board of Directors proposes, under the terms and for the purposes of article 376, subparagraph b) of paragraph 1, and paragraph 2, of the CSC, that the net results for the year 2020, of negative amount of € 6,967,420.34 euros (six million, nine hundred and sixty-seven thousand, four hundred and twenty euros and thirty-four cents) be transferred to the Retained Earnings.

### Subsequent Events

22. As a subsequent event after the reporting date of the 2020 accounts, we highlight the capital increase on amount of 13,300 thousand euros, on January 29, 2021, in the scope of the capital increase decision of 19 million euros and whose first increase took place on September 28, 2020 in the amount of 5,700 thousand euros. In addition to the above-mentioned, there were no other events that required adjustments and / or disclosures in the Bank's financial statements for the year ended December 31, 2020.

### Opinion on the Report and Accounts

23. As a result of the work carried out, the SB issues a favourable opinion to the approval of the 2020 Report and Accounts, which includes the management report, individual and consolidated financial statements and respective notes, as well as the corporate governance report, concerning the year ended December 31, 2020, confirmed by the BD.

    Such accountability instruments were considered by the BD at the meeting of April 30, 2021, with the presence of all members of the BD and of the SB, as well as representatives of the SROC who are part of the team that audits the Bank's accounts, taking into consideration at that meeting the SB exposed results of the statutory audit and explanation on how it contributed to the integrity of the financial information preparation and disclosure process, as well as the role of the SB in this process.

24. In these terms, considering the information received from the Board of Directors and other structures and directions of the Bank, and the conclusions contained in the statutory audit reports of the accounts on the financial information, on individual and consolidated basis, issued on May 5, 2021, we are of the opinion that the Bank's General Meeting approves:

    a) The Annual Report and Accounts 2020, for the year ended December 31, 2020, which includes the management report, the financial statements and respective notes, on individual and consolidated basis, and the corporate governance report, as well as the Report and Opinion of the SB and the corresponding statutory audit reports of the accounts issued by SROC; and

    b) The proposal for the application of 2020 net results.

    You must also proceed with the general appraisal of the Bank's management and supervision, pursuant to the provisions of article 376, subparagraph c) of paragraph 1 of the CSC, considering the assessment carried out by the Nomination and Remuneration Committee.

    The SB expresses its gratitude to the Bank's employees, members of the Board of Directors, SROC team, for all the collaboration provided in the performance of its functions, as well as to Bank of Portugal for the attention provided in the performance of their supervisory function.

Lisbon, May 6, 2021

Issuf Ahmad, Chairman

Ernesto Ferreira, Member

Ting Wang, Vowel

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