MARKET DISCIPLINE REPORT

Disclosure of Information under the provisions of the
Part VIII of Regulation (EU) no. 575/2013
of the European Parliament and of the Council

Bison Bank, S.A.

2021

GENERAL INDEX

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INTRODUCTORY NOTE

This "2021 Market Discipline Report" falls within the scope of the reporting requirements under Pillar III of the capital agreement and complements the information provided in the 2021 Annual Report and Accounts of Bison Bank, S.A. (hereinafter also referred to as "the Bank" or "Bison Bank") regarding the information on risk management and capital adequacy on an individual basis, namely with regard to the provision of detailed information on capital, solvency and risks assumed and respective control and management processes.

This report incorporates the public disclosure requirements set out in Part VIII of Regulation (EU) no. 575/2013 (CRR) of the European Parliament and of the Council of 26 June 2013, the aim of which is to provide market participants with accurate and complete information on the risk profile of institutions.

Whenever applicable, the standard formats and guidelines issued by the EBA (Implementing Regulation (EU) 2021/637 of the Commission, dated March 15, 2021), transposed to the national legal system through Instructions no. 1/2017 and no. 11/2021, of the Bank of Portugal (BoP), were taken into account.

For the purposes of disclosure of this information, and under the terms of the legislation in force, it should be noted that Bison Bank is not considered a global systemically important institution (G-SII) or other systemically important institution (O-SII).

Since part of the information in this document has already been presented in Bison Bank, S.A.'s 2021 Annual Report and Accounts, whenever applicable, a reference to that document will be made.

The information presented refers to the end of the 2021 fiscal year.

1. STATEMENT OF RESPONSIBILITY OF THE BOARD OF DIRECTORS

This statement of responsibility issued by the Board of Directors (BoD) of Bison Bank, S.A. relates to the 2021 Market Discipline Report, complying with the requirements described in the CRD /CRR.

The 2021 Market Discipline Report was prepared under Pillar III, in accordance with the regulations and legislation in force.

This report includes information contained in the audited Financial Statements reported in the 2021 Annual Report, which was discussed and approved at the General Assembly held on April 1, 2022.

With regard to the information presented in this report, the BoD:

- Certifies that all procedures considered necessary for public disclosure of information were developed and that, to the best of its knowledge, all information is true and reliable;
- It considers the quality of all disclosed information to be adequate;
- It undertakes to disclose, on a timely basis, any significant changes occurring during the fiscal year subsequent to that to which this report refers;
- Bison Bank has implemented a Risk Management System (RMS), as well as processes and measures to ensure that the defined risk limits are met, adequate to ensure the correct development of the business strategy, taking into account the profile, size and complexity of the Bank;
- Additionally, the Bank is equipped with an Internal Control System (ICS) that allows for the appropriate management of the risks arising from its business, considering its risk profile, risk appetite and tolerance to risk.

The Board of Directors

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FANG BIAN (Chief Executive Officer)

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ANTONIO MANUEL GOUVEIA RIBEIRO HENRIQUES (Deputy CEO)

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ANDRE FILIPE VENTURA RENDEIRO (Director)

2. SCOPE OF APPLICATION (article 436)

2.1 IDENTIFICATION OF THE BISON BANK

Bison Bank, SA ("Bank" or "Bison Bank") is a limited liability corporation, with registered office at Rua Barata Salgueiro, no. 33, Floor 0, in Lisbon, Portugal, registered with the Commercial Registry Office of Lisbon under the single registration and taxpayer number 502 261 722, with a share capital of EUR 195,198,370.00, and is registered with the Bank of Portugal under number 63 and with the Comissão do Mercado de Valores Mobiliários (CMVM) under number 170.

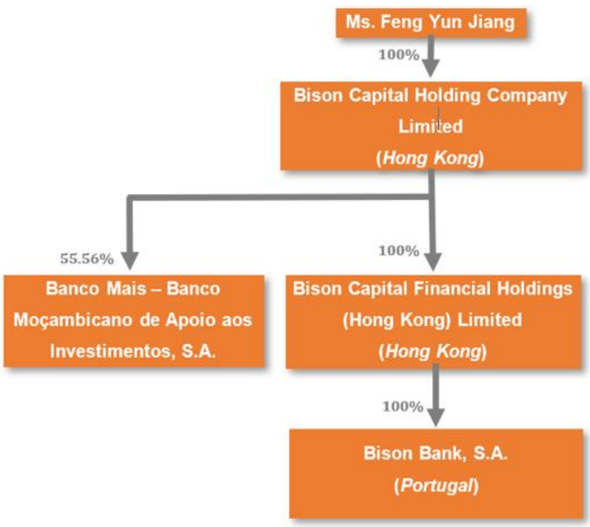
Bison Bank resulted from the acquisition in mid-2018 by Bison Capital Financial Holdings (Hong Kong) Limited ("Bison Financial") of all the shareholdings of Banif - Banco de Investimento, S.A., a financial institution based in Portugal and established in 2000.

As of December 31, 2021, Bison Bank shares, totaling 39,039,674 shares, with a par value of €5 each, representing 100% of the Company's share capital of €195,198,370.00, were held by the sole shareholder, Bison Capital Financial Holdings (Hong Kong) Limited (Bison Financial).

Bison Financial is a financial holding company based in Hong Kong, wholly owned by Bison Capital Holding Company Limited.

The Bank's Articles of Association, Management Reports and Financial Statements, as well as the Corporate Governance Report, are available for public consultation at the Bank's head office and on its website at www.bisonbank.com.

Bison Bank Shareholding Structure



2.2 BASES AND PERIMETERS OF CONSOLIDATION FOR PRUDENTIAL ACCOUNTING PURPOSES

On August 26, 2020, the Bank sold in full its stake in the Turirent fund, registered with the CMVM under no. 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. Therefore, with the completion of the Fund's disposal process, the reporting process for prudential and financial purposes was, as from August 2020 (inclusive), submitted to the regulators on an individual basis. Thus, on 31.12.2021 there are no differences between accounting basis and prudential basis.

Considering the compliance with international financial reporting standards (IFRS), at the level of consolidated financial statements (IFRS 10), the Bank will stop presenting consolidated financial statements on December 31, 2021.

3. RISK MANAGEMENT POLICIES (article 435)

3.1 ADEQUACY OF RISK MANAGEMENT SYSTEMS

Bison Bank seeks to develop its activity seeking to maintain a conservative risk profile, with comfortable capital and liquidity levels.

To achieve this objective, the Bank has implemented a Risk Management System (RMS) and an Internal Control System (ICS), as well as a prudent risk appetite structure aligned with the business model, which is subject to continuous updating to achieve improvements.

Bison Bank has implemented an appropriate RMS to ensure the correct development of the business strategy, taking into account the profile and size of the Bank, as well as the processes and measures to ensure that the defined risk limits are met.

The RMS and ICS implemented in the Bank allow the adequate management of the risks arising from its business, considering its risk profile, risk appetite and tolerance to risk.

The Bank's ICS translates into a set of strategies, systems, processes, policies, and procedures defined by the Board of Directors, with the objective of ensuring medium and long-term sustainability and the prudent pursuit of its activities.

The Risk Management function is an integral part of the ICS, together with the Compliance and Internal Audit functions, contributing to a solid environment of control and risks over which the Bank conducts its activity/business.

3.2 OVERALL RISK PROFILE AND ITS RELATION TO BUSINESS STRATEGY

Bison Bank's risk management policies are based on a conservative approach, translating into robust capital and liquidity position ratios. 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 framework for the Bank.

The Bank adopts good risk management practices by: a) operating according to sound risk management principles, with an effective risk governance model and policies covering all the 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 funding capacity.

Bison Bank is particularly focused on providing a broad and specialized range of Wealth Management, Depositary Bank and Custody and Investment Banking services to individual and institutional clients.

During 2021, the Bank further accelerated the path of digital transformation, and the way customers are managed, with a view to broadening and getting closer to our customer base. Digital channels continued to be developed at a rapid pace, notably the Mobile Banking App and Homebanking, which enhanced the digital engagement of customers on the Bank's platforms. As a result, by 2021 the Bank added hundreds of customers, from various regions of the world, mostly through remote channels, using these channels as the preferred way to interact with these customers on a daily basis.

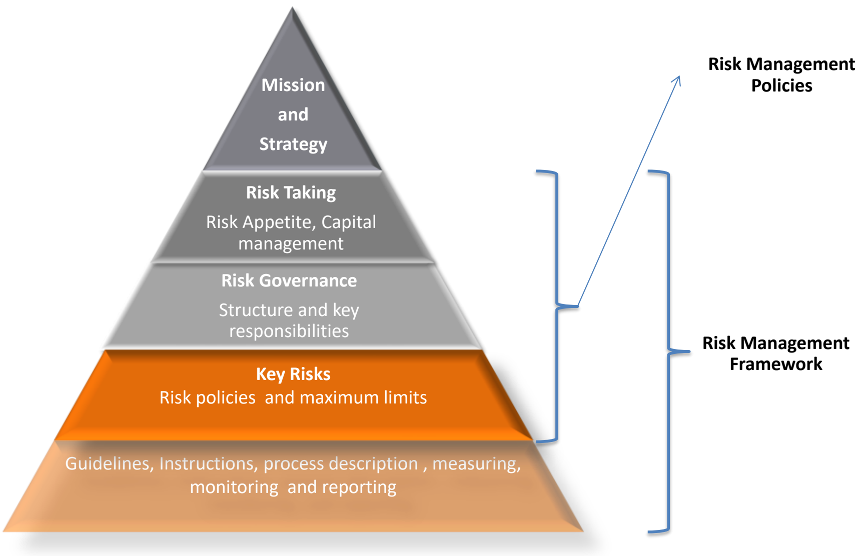
In terms of business, in 2021 the depositary banking and custody services maintained their growth trajectory, with assets under management increasing by 385 million euros, to 1365 million euros at year end (the Bank was working with 52 funds, from 17 management companies). Wealth Management and Investment Banking, which were particularly affected by the pandemic, maintained their efforts to gradually increase assets under management and to provide cross-border advisory services in the fields of M&A and debt capital markets.

More recently, in December 2021, the Bank started a transformation process, encompassing the reorganization of the governance model and the composition of the management bodies for the current mandate starting in January 2022, as well as adjustments in the business approach and related structure, focusing its efforts basically on a B2B model supported by a selected set of current and new financial services with a strong digital impulse, for which the Bank considers it has clear competitive advantages and are profitable, already today or in the near future.

The planned strategic positioning of being more focused, digital and lean will allow the Bank to increase and consolidate its customer base and business volume, stabilize operations and drive long-term growth gradually and consistently, just as a clear path to breakeven becomes effective in the coming years.

The fundamental principles for risk management are implemented through policies, limits, operational guidelines/standards, as well as methodologies and tools for identifying and monitoring risks. Together, these form the Bank's risk management framework.

Risk Management Framework



Thus, the RMS, is supported by a set of documents covering specific issues, of which we highlight: (a) Risk Appetite Statement (RAS), (b) Risk Management Policy, (c) Individual policies for the management of risk categories to the extent of their materiality, such as, Risk and Controls Self-Assessment Process Policy, Limit Management Policies, Liquidity Management Policy, Liquidity Contingency Plan, Operational Risk Policy, ICAAP Policy, ILAAP Policy, Recovery Plan, Funding and Capital Plan, etc..

The Bank's regulatory framework is subject to continuous updating considering in particular the legal and regulatory framework. Most of the rules that make up the internal regulatory framework are updated based on a minimum defined periodicity, thus ensuring their permanent updating and an appropriate governance model.

Bison Bank annually reviews and approves the risk strategy, ensuring its alignment with the planning and budgeting process. The risk strategy definition also integrates the conclusions of the risk identification process, capital and liquidity assessment processes (ICAAP and ILAAP). The risk strategy includes the acceptance of acceptable risks and promotes their adequate management in order to achieve the Bank's strategic objectives.

The risk strategy is reviewed annually by updating the Risk Appetite Statement, Risk Management Policy, which focus on the risks identified by the Bank and are approved by the BoD upon proposal and opinion of the Risk and Compliance Committee as well as the Supervisory Board.

The main ratios for December 31, 2021 are shown below:

Table 1 - Key capital and liquidity ratios and figures for Bison Bank

	Ratios	Internal Objective	31-12-21
Capital /Liquidity /Leverage	Total Capital Ratio - Regulatory (Pillar I)	>= 20%	65,8%
	Total Own Funds	>= €20 M	€50,1 M
	NSFR	>=110%	175,5%
	LCR	>=110%	152,5%
	Leverage Ratio	>= 12,5%	27,5%

The capital and liquidity ratios show values significantly above the regulatory limits for each indicator and the limits approved by the BoD under the Risk Appetite Policy, reflecting robust capital and liquidity positions.

3.3 STRATEGIES, POLICIES AND PROCEDURES FOR RISK MANAGEMENT

The Bank has 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 Notice no. 3/2020 and Instruction no. 18/2020 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 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 revisions of its risk management policies and procedures to reflect changes in regulations, markets, products, and best practices) and monitors the procedures for its activities, as well as prudent risk exposure limits, defining the Risk Appetite Statement.

Under the RAS, the Bank regularly identifies and analyzes the set of risks inherent to its activity, for which it establishes specific strategies, controls, metrics and management limits.

The RMS is supported by a set of principles indicated below and is aligned with the strategy, business model, risk appetite and guidelines of the supervisor, and meets the proportionality principle: a) Direct involvement of the BoD; b) Permanent promotion of a strong risk culture, which should be present in all processes, particularly those involving strategic and business decision-making; c) Permanent adjustments to best practices and regulatory requirements; d) Implementation of a comprehensive risk management that incorporates all current or potential risks of the Bank.

The risk management model respects internationally and nationally recognized and accepted principles and is in line with Bank of Portugal Notice no. 3/2020 and Instruction no. 18/2020, as well as the EBA's "Guidelines on Internal Governance under Directive".

Risk management is carried out through three lines of defense in the Bank's organizational structure: a) 1st Line of Defense; b) 2nd Line of Defense and; c) 3rd Line of Defense (see chapter 3.4).

Under the Risk Appetite Framework and General Risk Policy, Bison Bank identifies and frequently analyzes the set of risks inherent to its activity, for which it establishes specific strategies, controls, metrics and management limits:

a) Credit Risk

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

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

During the year, the Bank had no lending activity (as of December 31, 2021, the net customer loan portfolio as % of total assets was 0.09% versus 0.15% as of December 31, 2020).

b) Market Risk

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

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

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

The Bank has a policy of reducing market risk, based on several measures to mitigate this risk in order to reduce its potential negative impact from a residual risk perspective, in particular by defining limits on aggregate exposure and holding period. In order to guarantee that the levels of risks incurred are in accordance with the objectives and levels of tolerance to risk, various limits have been defined, with a view to control and monitoring. Stop Loss and VaR metrics are also defined.

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

The Bank uses the Value-at-Risk (VaR) methodology as its main market risk indicator, estimating potential losses under adverse market conditions. The system chosen for this purpose, Bloomberg, permits analysis of portfolio risk broken down by various explanatory factors, and measurement of the correlation between assets, both at the top level and at the various levels of risk disaggregation. The 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 more details see "Financial Risks - Market Risk" in chapter "25.1 Risk management policies and main risks" of the Annual Report and Accounts 2021 of Bison Bank, S.A.

c) Exchange Risk

Foreign Exchange (FX) Risk represents the fluctuations in value that assets denominated in foreign currency can suffer as a result of changes in exchange rates.

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

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

d) Interest Rate Risk

Interest rate risk is defined as the probability of financial losses, in income or capital, arising from adverse movements in interest rates, considering the structure of the Institution's Balance Sheet. This type of risk is assessed systematically and over the long-term. The assessment treats the exposures of the banking portfolio according to the repricing periods, in line with the best market practices and following the Basel and BoP recommendations (Instruction no. 3/2020 - IRRBB).

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

- Static gap: presents the contractual distribution of maturity and interest rate revaluation differences for the applicable balance sheet and/or off-balance sheet items, aggregated on a specific date, for global and monetary (EUR and USD) values. The gap analysis is based on a comparison of the values of assets and liabilities that are revalued or mature in the same period;
- Balance Sheet Economic Value: 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 values of non-interest rate sensitive assets and liabilities;
- Sensitivity of economic value: the economic value of balance sheet and off-balance sheet items is calculated from a parallel shock to the interest rate curve. The metric relating to interest rate risk subject to the limit mentioned in the RAS is based on the calculation of the impact on the net worth, measured as a percentage of equity, of the 200 basis points change in the EUR and USD yield curves, considering the time bands in accordance with Instruction no. 3/2020.

The TED is responsible for implementing financial policies and managing structural risks in the balance sheet, such as interest rate risk.

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 with defined limits.

e) Liquidity Risk

Liquidity risk is defined as the probability of the occurrence of negative impacts resulting from the inability of the institution to immediately have at its disposal liquid funds to meet its financial obligations in a timely manner and if these are ensured under reasonable conditions. At the Bank, liquidity levels are adapted according to the amounts and terms of the commitments undertaken and the resources obtained, according to the identification of gaps.

Liquidity and funding management, together with capital management, is a crucial pillar to ensure Bison Bank's robustness and resilience. Accordingly, the Bank has defined as one of the general principles of the RAS that it intends to continue to ensure a sound, stable and secure liquidity position that is able to withstand adverse events and maintain a stable funding capacity and adequate levels of liquidity reserve to enable it to have a balance sheet structure that is adaptable to existing circumstances.

Liquidity management is the responsibility of the TED, which must ensure a stable and robust liquidity position by controlling any liquidity deficits and holding liquid assets, ensure compliance with specific indicators, limits and tolerances approved by the BoD, and monitor/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 liquidity risk management, within a framework of compliance with applicable legal and regulatory standards, while ensuring consistency between the Liquidity Management Policy and the Bank's risk management exercises, such as the FCP (Funding and Capital Plan), ICAAP (Internal Capital Adequacy Assessment Process) and ILAAP (Internal Liquidity Adequacy Assessment Process), as well as monitoring and assessing the effectiveness of the 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 in accordance with the RAS, liquidity contingency measures, recovery plan and other regulatory requirements. For this purpose, 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 on a monthly average basis;
- Compliance with the limits set for the LCR (Liquidity Coverage Ratio - regulatory and internal) - the objective of which is to promote short-term liquidity, ensuring that unencumbered, high-quality liquid assets are held to withstand a 30-day stress period;
- Compliance with the limits established for the NSFR (Net Stable Funding Ratio - regulatory and internal) - which promotes the sustainability of the Institution's financial structure over a longer time horizon, considering medium to long-term liquidity coverage.

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

f) Non-Financial Risks

Non-financial risks are essentially associated with failures of various kinds, namely of an operational nature (operational risk), inadequacy of information systems and technology (information technology risk, cybersecurity risk), misconduct, 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 course of its business.

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

Aware of its importance, the Bank has defined in its RAS, a set of KRI whose evolution is regularly monitored and disclosed to the BoD, namely in the monthly "*Finance and Risk Report*", prepared by the RID.

With regard to operational risk, the Bank maintained its Contingency Plan for business continuity, to cope with the pandemic context of COVID-19, thus ensuring the safety of employees and customers, maintaining the operational capacity of the Bank. This implied the maintenance of intensive use of teleworking, with an impact on infrastructure and increased measures in the area of systems security, as well as the distribution of materials and protection and use of signage appropriate to the context.

For monitoring operational risk there are established processes for reporting operational risk events associated with operational risks, information systems that include a description of the risk as well as a classification into four grades (severe, high, moderate and low).

During the year, several training courses were held in the area of non-financial risks, with specific training in Cybersecurity and Anti-Money Laundering.

g) Capital Risk

Capital risk is the risk of lacking sufficient capital, either quantitatively or qualitatively, to meet its business objectives and regulatory requirements. Bison Bank has defined as one of its general principles of the RAS that it aims to maintain a level of capital above regulatory requirements in both normal and adverse scenarios. With this in mind the Bank has set targets for the total capital ratio (Pillar I) and total economic capital ratio (Pillar II), for the Base and Adverse scenarios, to be maintained on an ongoing basis.

Capital risk control is part of the Bank's risk monitoring framework, which involves a number of exercises such as the annual budgeting exercise, funding and capital plan, capital adequacy, resolution plan, as well as monitoring, reporting and disclosure of capital data.

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.

Risk reporting and measurement systems

Bison Bank has implemented an integrated set of processes that allow for the proper identification, measurement, aggregation and reporting of the different risks to which the Bank is exposed.

The Risk Department (RID) produces reports to monitor and control risk activities, assessing their consistency with the Bank's risk appetite and approved risk limits, and disseminates them to risk-taking areas and management bodies to support the management process.

The monitoring and control reports are systematized as indicated below:

a) Credit Risk

Key Controls/Reports:

- The RID supervises risks through the monthly "*Finance and Risk Report*", reporting of the banking portfolio ("Equity Portfolio" Report), which are sent by email and detail the variations of the Bank's holdings in real estate funds and by a series of other controls described below;
- Given the immateriality of the portfolio of loans and advances to customers, no specific reports are produced for this exposure category. Even so, a global analysis of the evolution of this loan portfolio and other credit risk exposures is carried out periodically in the reporting of the risk department as well as in the MIS of the Accounting and Planning Department;
- The credit risk inherent to the exposure of securities in the banking book 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. Reporting includes, among others, an aggregate analysis of credit risk exposure, concentration of credit risk, changes in risk profile, exposures against portfolio risk limits. 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 risk, is addressed in the ICAAP exercise. The result of the exercise and the half-yearly update are included in the monthly Risk report ("*Finance and Risk Report*");
- Compliance with the RAS objectives for credit risk including real estate and concentration risk is also monitored by RID on a monthly basis and included in the "*Finance and Risk Report*";
- RID calculates the individual and sector concentration indexes on an annual basis, in accordance with BoP Instruction no. 5/2011 (*Herfindahl-Hirschman Index*).

b) Market Risk

Key Controls/Reports:

- RID oversees these risks through the monthly "*Finance and Risk Report*", and by various other controls described below;
- The VaR of the Bank's treasury portfolio is calculated on a bi-weekly basis and a copy is sent to all members of the BoD by email. The body of the email includes an alert regarding compliance with the approved limits;

- RID produces regular (monthly) exposure control tables - equity/fixed income portfolio - that provide an analysis by security type, business sector, geography, and capital consumption by security type;

- For the Treasury portfolio there is a regular reporting (monthly), checking the compliance with the limits defined for this portfolio;

- The ICAAP market risk results are included in the monthly "*Finance and Risk Report*";

- The monitoring of compliance with the market Risk limits in accordance with the objectives of the RAS is carried out monthly by the RID and included in the "*Finance and Risk Report*".

c) Exchange Risk

Key Controls/Reports:

- The Bank systematically monitors its overall exposure to foreign exchange risk. There is a daily routine that calculates the foreign exchange position in the main currencies, which is sent by email to the RID and TED. This encompasses spot positions arising mainly from transactions in the trading book, as well as changes in the Bank's results (potential or actual) resulting from conversions of each Balance Sheet account using the ECB exchange rate;

- The TED monitors the foreign currency position (spot and forward) and all foreign currency transactions. The daily control is carried out by the TED, based on the information provided by the Bank's core system about the spot position. When necessary, the exchange rate risk that may approach the limits defined by BoP is hedged on a regular basis, through the use of appropriate instruments (e.g. spots, forwards, swaps);

- On a monthly basis, RID monitors compliance with FX limits and sends this information to TED;

- The foreign exchange position is also dealt with in the ICAAP exercise. The results for the year and the half-yearly update are included in the monthly "*Finance and Risk Report*".

d) Interest Rate Risk

Key Controls/Reports:

- RID oversees these risks through the monthly "*Finance and Risk Report*", and by various 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 performed on the banking and trading portfolios by major currencies, highlighting potential mismatches in repricing periods for assets and liabilities. This analysis is emailed monthly and included in the "*Finance and Risk Report*";

- The sensitivity analysis of the economic value and net interest income, based on a standard 200 basis point shock to the interest rate, is conducted monthly and is sent by email and included in the "*Finance and Risk Report*". It incorporates the assumptions of BoP Instruction no. 3/2020;

- Interest rate risk is also addressed within the ICAAP exercise. The result of the exercise and the half-yearly update are 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 the RID on a monthly basis ("*Finance and Risk Report*");

e) Liquidity Risk

Key Controls/Reports:

- TED oversees the intraday liquidity position and prepares daily liquidity projection that cover a range of possibilities of liquidity evolution scenarios and through an analysis of asset and liability maturities. These cover different development scenarios, including demobilization of Time Deposits and outflows of Demand Deposits. Stress tests of the treasury position are carried out on a daily basis focusing on 3 different scenarios (Baseline, Conservative and Stress) to predict the evolution of the Bank's liquidity situation up to 12 months;

- The 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 the other accounts (namely Clearstream and with ICO's) and reports them daily to the TED;

- TED also monitors the concentration ratios of deposits (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 addressed in the ILAAP exercise on an annual basis;

- RID calculates the regulatory liquidity ratios and submits periodic prudential reports (LCR, NSFR and ALMM) to the regulator;

- Compliance with the RAS objectives and regulatory liquidity risk ratios are monitored by RID on a monthly basis.

f) Non-Financial Risks

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

Aware of their importance, the Bank defined in its RAS, a set of KPIs whose evolution is regularly monitored and disclosed to the BoD, namely in the monthly "*Finance and Risk Report*".

The maintains an updated database of Operational and Compliance risk events, which includes a record of any non-compliance, resolution times and mitigation measures implemented. The remaining risks are regularly controlled through verification of compliance with the objectives defined in the RAS.

3.4 STRUCTURE AND ORGANIZATION OF THE RELEVANT RISK MANAGEMENT UNIT

Risk management is conducted in accordance with strategies and policies defined by the BoD, and the Board Member responsible for risk management ("CRO"). Day-to-day risk management is delegated to the Director responsible for the Risk Management Function.

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 implementing and maintaining a risk management system based on the governance, strategy and risk policies approved by the BoD, after prior opinion from the Supervisory Board (SB);
- Functional Committees, such as the Asset and Liability (ALCO) and Risk Management Committee, Compliance Committee, and the Risk and Compliance Committee, a governance committee;
- The Risk Department (RID), Compliance Department (COD), Internal Audit Department (IAD) and the SB.

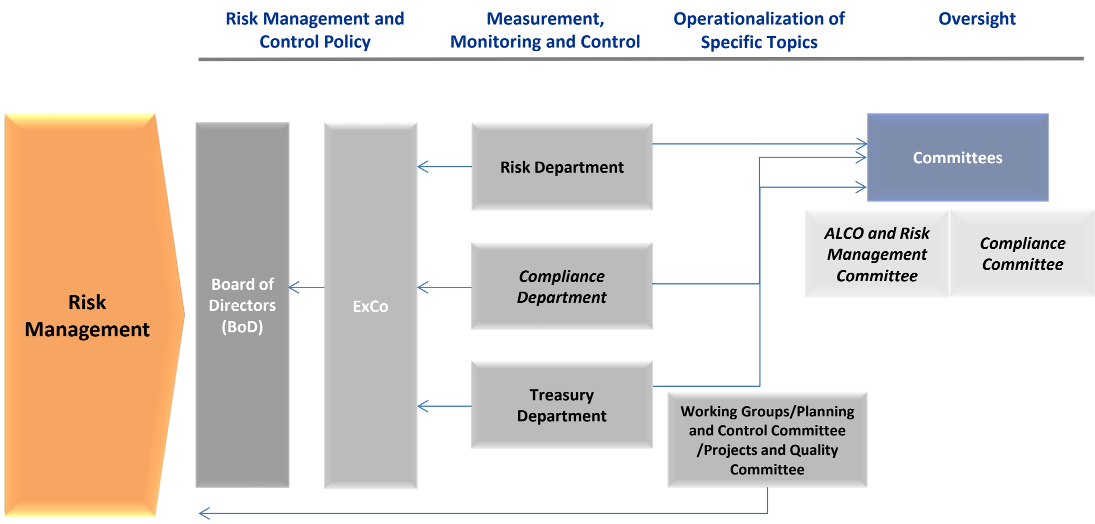
The BoD is the body responsible for defining risk management policy. The EC, composed of the executive members of the board, is responsible for driving risk policies and executive decisions on risk management measures and actions. The Risk and Compliance Committee, a governance committee, which is composed of non-executive directors and a member of the SB, is responsible for advising and supporting the BoD, 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 and monitoring function is centralized in the RID, a unit independent from the risk origination departments, enjoying the necessary organic and functional autonomy, having access to all activities and information necessary to the performance of its competencies.

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 different types of risk assumed and underlying the Bank's activity.

The RID assumes an active role in influencing the decision-making process, issuing analyses, opinions, guidelines and recommendations on operations involving risk taking, related parties, etc., ensuring regular reporting of information to the BoD, SB and Risk and Compliance Committee and to senior management and other relevant management personnel, with a view to understanding and monitoring the Bank's main risks.

Risk Management Governance Model



The risk management system (RMS) is supported by a set of principles outlined below and is aligned with the strategy, business model, risk appetite and supervisor guidelines, and meets the proportionality principle:

- 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 best practices and regulatory requirements;
- Implementation of a comprehensive risk management that incorporates all of 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: Business Departments (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 BoD, two functional committees (advisory bodies) have been established:

- Asset and Liability (ALCO) and Risk Management Committee - held quarterly under the supervision of the TED (Liability) and RID (Risk Management). In general terms, it is responsible for analyzing the different risk exposures (early warning signals) and their adequacy in light of the risk framework, such as the RAS KRI, propose the adoption of mitigation/corrective measures, monitor and control all matters related to liquidity risk; and
- Compliance Committee - is held quarterly under the supervision of the COD. Its competencies include analysis and evaluation of situations related to money laundering and financing of terrorism, whenever their relevance or associated risk is significant, proposal of corrective and preventive measures for situations within the scope of the compliance function.

As far as the ALCO and Risk Management Committee is concerned, its mission is:

a) On the Asset & Liability side (ALCO):

   - Analyze macroeconomic information about the country and the main regional/global economies in order to anticipate impacts on risk exposure and on the Bank's financial activity;
   - Examine the evolution of the Bank's balance sheet in terms of its main exposure blocks and propose funding (amounts, maturities, pricing) and investment strategy guidelines;
   - Analyze the *performance of the* Bank's structural risk exposure, as well as propose concrete actions to manage/mitigate the exposure levels incurred;
   - Monitor the results of the application of structural risk management strategies, policies and methodologies;
   - Define and propose the Internal Liquidity Adequacy Assessment Process (ILAAP) and its components and ensure its adequacy and validity on a regular basis;
   - Define and propose the Liquidity Contingency Plan and its components and ensure its adequacy and validity on a regular basis;
   - Define guidelines for the optimal funding structure and manage and monitor the Bank's prospective liquidity position by supporting the definition of structural liquidity management policies and methodologies, in the scenarios: base, conservative and stress;
   - Define strategies for managing exchange rate and interest rate risk based on existing exposure;
   - Present new regulatory standards, or changes to existing ones that impact the areas of analysis;

- Analyze the evolution of customer portfolio balances and potential impacts verified or expected on balance sheet management, in terms of deposits and available liquidity in these portfolios and their availability;
- Define the investment strategy for the Own Portfolio, the management indicators to be monitored, and the frequency of the monitoring;
- Analyze the performance of the Own Portfolio, propose the maximum risk level of the portfolio, as well as analyze the critical risk factors for the evolution of the portfolio value.

b) On the Risk Management side*:*

- To systematically monitor global risk levels, ensuring that they are compatible with the objectives, available financial resources and strategies adopted to develop the institution's activity;
- Monitor the evolution of the different risks and their alignment with the defined policies, regulations and limits, as well as monitor the defined indicators (KPI) for the main risk categories according to the established periodicity;
- Support and advise on the review of the Risk Appetite/ Risk Tolerance on an annual basis, or whenever there is a relevant change in terms of strategy/business model or risk management policy of the institution, the procedures or rules to follow;
- Propose the revision of Limit Management Policies, at least on an annual basis, including individual and portfolio limits, by issuer risk and counterparty risk;
- Monitor the risk profile by category according to the mapping of the Bank of Portugal;
- Monitor the evolution and allocation of capital requirements and the solvency ratio under Pillar I. Present the current and prospective capital position and propose measures of change when necessary;
- Define the Internal Economic Capital model in order to implement an effective management of the risks incurred by the institution, namely through the Internal Capital Adequacy Assessment Process (ICAAP) exercise, incorporating the economic perspective of the exercise, in alignment with Basel Pillar II requirements and respective Bank of Portugal regulations;
- Periodically review the level of execution/completion of implementation of corrective measures for deficiencies identified in the Internal Control Reports, as well as in reports prepared by the Internal Audit Department;
- Introduce new regulatory standards, or changes to existing ones that impact the Institution's risk management;
- Approve and monitor all of the Bank's derivative financial instrument operations, defining the respective risk limits for this purpose.

In addition to the functional committees, Bison Bank's overall risk framework and the monitoring of risk developments are also addressed to the Risk and Compliance Committee, a governance committee, which is responsible for advising and supporting the BoD in the exercise of its supervisory role.

Bison Bank has implemented an ICS that allows the Bank to adequately manage the risks arising from its business, considering its risk profile, risk appetite and tolerance.

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

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

Risk Management Function

The Risk Department ("RID") is responsible for the day-to-day risk management function. Its mission is based on the following:

- To assist the Board of Directors in developing the Bank's risk policy/risk strategy in line with the Bank's strategic and business objectives, such as the RAS, to support management in achieving its objectives by independently assessing and overseeing the management of risks and controls - to help add value and improve management practices;
- Develop practices that lead to the identification, assessment, monitoring and control of the different types of risks that are accepted and that underlie the Bank's activity (Risk and Control Self-Assessment Process). In this way, it helps build a knowledge base of risk and enhances the overall management of risk exposure;
- Propose, review and supervise the development and implementation of risk policies in close collaboration with the other business units, ensuring that these are consistent and aligned with the strategic risk objectives set by the Board of Directors;
- Influence the decision-making process by issuing analyses, opinions, guidelines, and recommendations on any operations that involve risk taking, actively participate in the various committees, and report regularly to the management bodies so that they can better understand and monitor the risks in question;
- Provide information in support of risk management and decision-making processes and communication of relevant prudential information to Regulators and Supervisors;

- Ensure that risks are managed in accordance with the Bank's Risk Appetite defined and approved by the Board of Directors and promote, in particular with the Compliance Department, a strong risk culture throughout the Bank;
- Participate in the implementation of internal control measures that ensure compliance with the requirements and recommendations of the supervisory entities, with regard to risk management and reporting.

In functional terms, Bison Bank's risk management and monitoring is the responsibility of the RID, a body that reports to the BoD. This Division works independently from the functional areas that are subject to its evaluation and has all the hierarchical and functional autonomy indispensable for the performance of its functions.

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 remains within previously established risk-tolerance intervals.

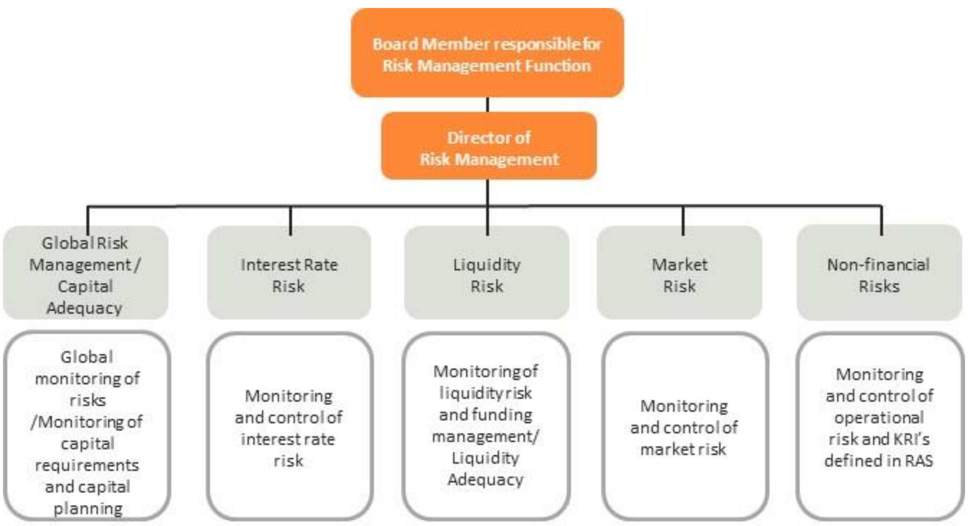
The RID plays an active role in influencing the decision-making process, issuing analyses, opinions, guidelines and recommendations on any operations that involve risk-taking, participating actively in the various committees and reporting regularly to the management bodies so that they can better understand and monitor the relevant risks.

The risk management function involves:

- To promote the development of a risk management system, encouraging compliance with current policies and risk control procedures defined by the management bodies;
- Participate, in the areas in which it has competencies, in the formulation of internal policies, guidelines and procedures and ensure that they are effectively implemented and that there is full compliance with the legal provisions that govern Bison Bank's activity. This includes communicating facts and situations that deviate from the established standards and goals;
- Oversee and implement regulatory changes that are relevant to the department's functions and coordinate such changes with established policies and procedures;
- To design systematized policies and procedures that establish risk management criteria and global and specific objectives for all risk areas to which the Bank is exposed;
- Define and propose appropriate limits for the management of the different risks considered material, in close collaboration with the Business Areas and the Treasury Department;
- Participate in the development of an integrated risk, asset and liability management (ALM) system, in close collaboration with the Treasury Department and the various Business Areas;
- Contribute to an efficient allocation of available capital;
- Identify, measure, monitor and report the risks underlying the Bank's business activity;

- Control the development of the various risks on an ongoing basis, as well as compliance with current policies, limits and applicable regulations;
- Establish a risk measurement process that ensures the integrity of the risk measures;
- Carry out Operational Risk Management;
- Develop on a regular basis the Risk and Control Self-Assessment Process to evaluate the risk to which the Bank is exposed in the development of its activity;
- Calculate the capital consumption of the various risks to which the Bank is exposed, including regulatory capital requirements under the Basel Accord (Pillar I), risk self-assessment and economic capital calculation (Pillar II - ICAAP);
- Participate in the various risk management exercises, such as Recovery Plan, and Funding and Capital Plan, and coordinate/participate in the preparation of the ILAAP;
- Monitor the Bank's risk profile, in accordance with the risk management policy and business objectives (strategic objectives and risk tolerance/appetence), and the risk and solvency capacity, as defined by the management body;
- Independently monitor the Institution's aggregate risk limits, verifying that they align with the RAS;
- Monitor compliance with the risk limits for the various types of risk, particularly those defined in the "Limit Management Policy";
- Monitor risk exposures (in absolute terms and in terms of the main established indicators) and the respective use/consumption of capital.

Risk Management Governance Model



3.5 SCOPE, MEASUREMENT TECHNIQUES AND COVERAGE POLICIES FOR EACH SPECIFIC RISK CATEGORY

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

a) Credit Risk

As mentioned above, the credit risk underlying the Bank's activity derives mainly from the securities portfolio, mostly comprised of bonds, exposure to financial institutions, and, to a reduced extent, from loans granted and guarantees provided to customers.

In order to mitigate credit risk, the Bank has defined a set of limits that are monitored on an ongoing basis and are part of the regular reporting to management and supervisory bodies.

b) Market Risk

The trading portfolio is of minor importance (representing 1.3% of total net assets on 31.12.2021), however, the Bank has a policy of reducing market risk, based on several measures to mitigate this risk in order to reduce the potential negative impact of the same from the perspective of residual risk, in particular the definition of exposure limits and holding period.

c) Exchange Risk

The foreign exchange position is monitored continuously, and the exchange rate risk is hedged regularly in order to ensure compliance with the limits defined by BoD in the RAS and Limits Policy, through the use of appropriate instruments (for example: spots).

d) Interest Rate Risk

Interest rate risk hedging is ensured by contracting interest rate derivative financial instruments. The Bank does not have hedge accounting, so the instruments contracted only allow the management of interest rate risk, without perfect matching between assets and liabilities.

In terms of the FVOCI portfolio, mitigation is also ensured through the monitoring of the portfolio structure, by balancing investment grade (IG) exposures and non-investment grade (NIG) and Not Rated exposures. This diversification in terms of credit quality is also complemented, as far as possible, by diversification by sectors of activity and by countries, as well as by geographic regions.

e) Liquidity Risk

The Bank, when defining its liquidity management policies, assumes a conservative posture in order to support the normal development of its activity, minimizing liquidity risk. The management of liquidity risk is the responsibility of the TED, being the monitoring and control carried out by the RID.

f) Non-financial Risks

The control and monitoring mechanisms established for Operational Risk aim to minimize operational risk events and related losses. They allow the continuous monitoring of events, and timely action to resolve them and introduce risk mitigation measures to avoid new occurrences of the same events and potential losses.

The Bank also aims to minimize the occurrence of Compliance breaches and related losses, through compliance with the laws, regulations and directives applicable to the nature of its activities. Accordingly, the Bank closely monitors legislation and is permanently focused on strengthening the effectiveness of mitigation measures to prevent non-compliance. The Bank maintains an updated database of compliance risk events, which includes a record of any non-compliance, resolution times and mitigation measures implemented.

To monitor reputational risk, the Bank monitors its public image. Since there are no specific metrics that can be used to reliably measure reputation risk, the Bank has opted to monitor the news published in the press and assess possible negative impacts. In addition, the Bank closely tracks and follows the number of customer/counterparty complaints as a reputation metric.

With regard to Strategy/Business risk, it should be noted that the Bank pays special attention to the short- and medium-term planning of the activity and development of the business model. Under the RAS, the Bank established as indicators to be monitored the following profitability metrics: Cost-to-income ratio and Return on Equity (ROE), to be achieved in the medium term (after 2024), and deviation from budget of the accumulated Net Income.

The Control Planning Committee monitors the Bank's commercial activities and budget execution, based on the Business Plan, as well as analyzing deviations and discussing mitigation measures. All business areas are invited to explain the evolution of budget execution.

With regard to the mitigation of governance risk, it should be noted that the Bank has internal control functions with status, authority and independence in the organizational structure. The Bank has a set of reports that ensure the communication of information on risk management and internal control matters to the management and supervisory bodies. Additionally, risk, internal control and compliance policies are reviewed on a regular basis and are communicated to all Bank employees through a specific platform.

3.6 INFORMATION REGARDING THE GOVERNANCE SYSTEM

The governance structure adopted by the Company has been the Latin Model (Reinforced), under the terms of paragraph a) of no. 1 of Article 278 of the CSC, which comprises a General Meeting, a Board of Directors (with powers delegated to an Executive Committee), a Supervisory Board and a Statutory Auditor. In accordance with Article 25 of the Company's Articles of Association, the Company also has a Company Secretary and respective Alternate.

At the end of 2021 it was decided to start the process of changing this governance model and to adopt for the new 2022-2024 term of office the governance structure provided for in article 278 b) of the Companies Code (Anglo-Saxon model) with an Audit Committee integrated in the Board of Directors.

With this new governance model, it is intended to reinforce an effective and prudent management of the Company and a holistic supervision of all applicable risks, also ensuring greater efficiency and cohesion in management.

This process is ongoing as of the date of this report.

The composition of Bison Bank's Board of Directors during the year 2021 is described below:

- Yang Lijun, who also uses Lijun Yang (Chairman) - As of December 31, 2021, in addition to his position with Bison Bank, he held 1 more corporate position, as a Director of Bison Capital Financial Holdings (Hong Kong) Limited.
- Evert Derks Drok (Vice President) - With reference to December 31, 2021, in addition to the position held at Bison Bank, he held 3 other corporate positions as follows:

  -Member of the Supervisory Board of ABN AMRO Clearing Bank NV (NL);

  -Member of the Supervisory Board of The Greenery BV (NL);

  -Vice Chairman of the Supervisory Board of Commonwealth Bank (Europe) N.V. (NL)
- Bian Fang (Member and Chief Executive Officer) - As of December 31, 2021, in addition to his position at Bison Bank, he held1 other corporate position:

  -Vice-President (Non-executive Member) of the management body of Banco Moçambicano de Apoio aos Investimentos SA.
- António Manuel Gouveia Ribeiro Henriques (Member and Vice-President of the Executive Committee) - With reference to December 31, 2021, he was not a member of any management or supervisory body of any company other than Bison Bank.
- Francisco Alexandre Valente de Oliveira (Member) - With reference to December 31, 2021, he was not a member of any management or supervisory body of any company other than Bison Bank.
- André Filipe Ventura Rendeiro (Member) - With reference to December 31, 2010, he was not a member of any management or supervisory body of any company other than Bison Bank.

As of the date of this Report, the Bank does not have a policy for recruiting members of the management body and a policy of diversification with regard to their selection.

However, in the above-mentioned Policy for Selection and Assessment of Suitability of Members of the Management and Supervisory Bodies and Key Function Members, reference is made to the individual and collective criteria for assessing the suitability of members of the corporate bodies, as well as to the fact that in the selection and assessment of members of the management and supervisory bodies, the diversity of personalities, qualifications, skills and technical and sectorial expertise required to perform the duties of the Bank's leaders, as well as diversity of gender, age and geographical origin, are actively promoted.

Notwithstanding the above, during 2022, the Bank will define and approve the recruitment policy for the members of the administration body.

The mission of the Risk and Compliance Committee is to advise and support, in its supervisory role, the Board of Directors in decision-making processes related to risk management, compliance and internal control.

Its main objective is to contribute to the design and implementation in the Bank of an adequate risk management strategy, effective risk management systems and compliance and internal control, reporting regularly its findings and recommendations to the Board of Directors in the exercise of its supervisory function.

On February 8, 2019, the Board of Directors appointed the following members to serve on the Risk and Compliance Committee:

- Evert Derks Drok (President)

- Yang Lijun

The following member was appointed by the Supervisory Board:

- Ernesto Jorge de Macedo Lopes Ferreira

The Committee meets as often as its members deem necessary, and at least once a quarter. In 2021, 9 meetings of the Risk and Compliance Committee were held and minutes were taken of each of these meetings.

The Regulation of the Risk and Compliance Committee is available for consultation on the Bank's *website*.

For more details see the Corporate Governance Report (chapter 10 of the 2021 Annual Report and Accounts).

Several reports related to risk management and subsequent decision-making are submitted to the BoD on a monthly basis: *"Finance and Risk Report"* (prepared monthly by RID, which includes information on all risks, compliance with internal and regulatory limits, as well as the RAS and Recovery Plan indicators), and a set of reports from other departments (APD, TED, etc.) In this way, the Bank formalizes the results of risk assessment, monitoring and control in several daily, weekly, monthly and quarterly reports.

RID systematically prepares the following reports on risk monitoring:

- *"Finance and Risk Report"* (monthly) - The report includes the evolution of all risks, and their compliance with the metrics defined in the RAS, regulatory minimums, Limits policies and recovery indicators, and other information such as: (i) any changes in own funds and ratios; (ii) analysis of the evolution of the Bank's Balance Sheet structure and risk-weighted assets by risk type and an analysis, NII analysis, etc.;
- Evolution of Exposure Control - exposure control charts, for variable income and fixed income portfolios, which include analysis by security type, sector and geography;
- Limit control: limits of the portfolio managed by Treasury, MM limits, exchange limits, etc.

In addition to the above, the TED also monitors the daily Intra-day liquidity position and prepares daily liquidity graphs covering several possible liquidity evolution scenarios by analyzing asset and liability maturities.

Regular monitoring of compliance with the RAS metrics and Recovery Plan indicators within the tolerance limits allows the BoD to control and proactively manage actual or potential non-compliance as defined in the RAS. Notification of non-compliance is addressed to the ALCO & Risk Management Committee in the case of potential non-compliance and directly to the BoD in the case of actual non-compliance. For cases of imminent or actual non-compliance, a mitigation plan is drawn up in order to return to the agreed level. The approval of the mitigation plan for potential or actual defaults is the responsibility of the BoD.

In short, the monitoring/communication process implemented keeps the BoD informed about the adequacy of internal capital and the evolution of risks.

For more detail regarding the reports produced, see chapter 3.3 for each of the risks.

4. OWN FUNDS (article 437)

Bison Bank does not disclose capital ratios calculated on a basis different from that set out in Regulation (EU) no. 575/2013 (CRR) and there is no difference between accounting basis and prudential basis for calculation of the respective ratios.

4.1 RECONCILIATION OF OWN FUNDS ELEMENTS

Accounting detail of Own Funds on December 31, 2021:

Table 2 - Accounting Details of Own Funds

(values expressed in Thousand Euros)

	31-12-21	31-12-20
Own Funds		
Share Capital	195 198	181 898
Reserves and Retained Earnings	(133 844)	(126 798)
Net Income	(10 618)	(6 967)
Securities Revaluation Reserves	(79)	343
Deductions		
Intangible Assets	(470)	(558)
Other Deductions: Prudent valuation on the Regulation 2016/101 of 26-10-2015	(64)	(47)
Total Own Funds and Common Equity Tier 1 Capital	50 124	47 871

Note: Prudential information.

4.2 Main Characteristics of Own Funds Instruments

Own Funds, calculated in accordance with the regulatory rules in force, include Own Funds of level 1 (tier 1), which comprise the main Own Funds of level 1 (CET 1) and Own Funds of level 2 (tier 2*)*.

The following table presents the breakdown of own funds as of December 31, 2021:

Table 3 - Own Funds

(values expressed in Thousand Euros)

	31-12-21	31-12-20
OWN FUNDS	50 124	47 871
TIER 1 Capital	50 124	47 871
Common Equity Tier 1 Capital	50 124	47 871
Capital Instruments eligible as CET1 Capital	195 198	181 898
Paid up capital instruments	195 198	181 898
(-) Own CET1 instruments	-	-
Retained earnings	(144 462)	(133 765)
Previous years retained earnings	(133 844)	(126 798)
Profit or loss eligible	(10 618)	(6 967)
Accumulated other comprehensive income	(79)	343
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	(64)	(47)
(-) Other intangible assets	(470)	(558)
(-) 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: Prudential information.

Under current regulations, the minimum CET 1 ratio is 4.5%, the minimum Tier 1 capital ratio is 6% and the minimum total capital ratio is 8%. In addition to these minimum ratios, there is a capital conservation reserve, currently set at 2.5% of weighted assets.

The regulatory framework also provides for a counter-cyclical capital buffer of up to 2.5%. This may be imposed by national supervisors if they consider it justified to counteract excessive growth in credit activity in Portugal. During 2021, Banco de Portugal decided not to impose any capital buffer against cyclicality, establishing a percentage of 0% of total risk exposure. This decision is subject to review on a quarterly basis.

Table 4 - Evolution of Capital Ratios

(values expressed in Thousand Euros)

	31-12-21	31-12-20
As per the rules CRD IV / CRR phasing in		
Common Equity Tier 1 capital	50 124	47 871
Total Own Funds	50 124	47 871
Risk Weighted Assets (RWAs)	76 207	59 404
Common Equity Tier 1 Ratio	65,8%	80,6%
Total Ratio	65,8%	80,6%
As per rules CRD IV / CRR fully implemented		
Common Equity Tier 1 capital	50 124	47 871
Total Own Funds	50 124	47 871
Risk Weighted Assets (RWAs)	76 207	59 404
Common Equity Tier 1 Ratio	65,8%	80,6%
Total Ratio	65,8%	80,6%

Notes:

(1) *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;*

On December 31, 2021, Common Equity Tier 1 capital (CET 1) calculated in accordance with the CRD/CCRRR rules applicable in 2021 totaled 50.12 million Euros, which corresponded to a CET 1 ratio of 65.8%. The decrease in the ratio compared to 2020, resulted both from the degradation of Own Funds, affected by the loss recorded in the year, and from the increase in Total Risk Weighted Assets (RWAs).

5. Internal Capital Adequacy (article 438)

In compliance with the prudential requirements currently in force, the Bank performs annually the internal capital adequacy assessment process (ICAAP) foreseen in Pillar II of Basel III and in Bank of Portugal Instruction no. 3/2019. The ICAAP is a fundamental part of Bison Bank's risk management, as it enables 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 continuity of the Bank from a 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 given confidence interval and time horizon. Through this exercise it is ensured that the risks to which the institutions are exposed (Pillar I and Pillar II risks) are assessed appropriately and that the institution's internal capital is in line with the risk profile established in the Bank's RAS.

The ICAAP is the BoD's responsibility, however it delegates the obligation of carrying out this process to the RID. It is therefore the responsibility of the RID to prepare and coordinate ICAAP reporting. 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 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 the risks to which the institution is, or may become, subject in the course of its business.

The exercise considers the Bank's risk taxonomy approved by the Board of Directors. Thus, Pillar I risks are considered (Credit Risk, Market Risk and Operational Risk) and, additionally, Credit Concentration Risk, Credit Spread Risk, Interest Rate Risk of the banking portfolio, Reputational Risk, Compliance Risk, Strategy Risk.

The Bank takes a conservative approach to economic capital requirements, defining them as the maximum between regulatory and internal capital requirements, by risk category.

To quantify risks, the Bank has developed several methodologies for internal capital requirement estimation that estimate the maximum potential loss over a one year period. Risks are quantified in terms of impact on the level of requirements, or on results in accordance with a set of methodologies developed. Requirements are calculated in a static and prospective perspective taking into consideration the Bank's business plan.

The table below summarizes the risks considered relevant to Bison and the calculation methodology applied to each of them:

Methodologies for risk quantification

Risk Types		Regulatory Capital Pillar I	Pillar II Methodologies
1	Credit Risk	Standard Approach	Combined Models:
1,1	*Real Estate Risk*	*Standard Approach*	*Standard Approach Pillar 1 + add-on (VaR Approach)*
1,2	*Debt Securities & Balances at OCIs*	*Standard Approach*	*Maximum between Internal Rating-Based (IRB) Approach and Pillar I capital requirements*
1,3	*Other Assets*	*Standard Approach*	*Standard Approach*
1,4	*Concentration Risk*	-	*Add-on on Credit Risk RWA - Single Name, Sector and Geographical credit concentration risk.*
1,5	*Credit Spread Risk*	-	*Sum (Market value-Estimated market value) for Debt Securities portfolio*
2	Market Risk	Standard Approach	*Standard Approach Pillar 1 +add on (FX - VaR Approach)*
3	Interest Rate Risk	-	*Sensitivity analysis (Effect of changes in the interest rate on EVE + NII)*
4	Operational Risk	Basic Indicator Approach (BIA)	*Maximum between (BIA) and (Standard Approach + Operational Risk events Add-on)*
5	Reputational Risk	-	*Marketing costs + haircut % on commissions*
6	Compliance Risk	-	*% of BB' Equity in Banking Sector' Total Equity * Regulators Sancions Amounts*
7	Strategic / Business Risk	-	*Haircut on the net operating income*

As a result of this process, the Bank is provided with a global vision of the evolution of its own funds and of the internal requirements of Pillar II. Its resilience is also assessed in the Base and Adverse scenarios, thus fulfilling one of the main purposes of this process.

RID is responsible for risk management, which includes, among others, the calculation and permanent monitoring of the institution's capital consumption, namely: a) define 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 the TED and RID, is responsible for monitoring global risk levels and defining the Internal Economic Capital model, which supports the ICAAP exercise. As regards ICAAP, it is responsible for presenting and analyzing the current and prospective capital position and proposing mitigation measures, when necessary.

Key Controls/Reports:

- RID supervises this risk through the monthly "*Finance and Risk Report*", and by several other controls described below;
- Monthly control of the evolution of the capital position developed by RID, with the support of APD in terms of own funds;

- RID monitors changes in capital and solvency ratios. A monthly report details these changes and provides an analysis of the situation compared to the regulatory minimum levels. The report also includes an analysis of changes in balance sheet structure and RWAs by risk type. This analysis supports the calculation/explanation of changes to RWAs and their impact on the Bank's solvency ratios;

- RID, in collaboration with APD in the Own Funds component, periodically calculates and submits prudential reports on the Bank's capital position (COREP OF) to the supervisory authorities;

- Compliance with the capital ratios according to the RAS is monitored monthly;

- The RID, on a semi-annual basis, updates the quantification of key ICAAP risks, and reports the results to the Bank's senior management. The results are also addressed to the Asset and Liability (ALCO) & Risk Management Committee and the Risk and Compliance Committee.

6. Risk Weighted Assets / Own Funds Requirements (articles 438 / 444)

For the calculation of capital requirements, the Bank uses the standard method to calculate the amounts of credit risk-weighted positions in accordance with the prudential rules in force on the reference date. For operational risk, the Bank uses the basic indicator approach. For market risk, the standard approach is used for both the trading portfolio and foreign exchange exposure. Whenever necessary to determine capital requirements, 8% of the amounts of risk-weighted positions in accordance with Regulation (EU) no. 575/2013 (CRR) are considered.

Table 5 - Risk Weighted Assets

(values expressed in Thousand Euros)

		31-12-21		31-12-20	
		RWAs	Minimum Capital Requirements	RWAs	Minimum Capital Requirements
	Credit Risk (excluding CCR)				
Art. 438 (c)(d)	of which: standardised approach	68 565	5 485	54 085	4 327
Art. 438 (c)(d)	of which: Internal ratings based approach (IRB Basic)	-	-	-	-
Art. 438 (c)(d)	of which: Internal ratings advanced approach (IRB Advanced)	-	-	-	-
Art. 438 (d)	of which: IRB actions according to the weighted method by simple risk or IMA (Internal Models Approach)	-	-	-	-
Art. 107	CCR	-	-	-	-
Art.438 (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. 438 (e)	Settlement / Delivery Risk	-	-	-	-
Art. 449 (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. 438 (e)	Market Risk				
	of which: Standardised Approach	3 671	294	1 573	126
	of which: Internal Models Approach (IMA)	-	-	-	-
Art. 438 (e)	Grandes Exposições	-	-	-	-
Art. 438 (f)	Operational Risk				
	of which: basic indicator approach method	3 972	318	3 746	300
	of which: standardised approach	-	-	-	-
	of which: advanced measurement approach method	-	-	-	-
Art. 437(2), Art 48 and Art. 60	Amounts inferior to the minimum threshold for deduction (subject to RW of 250%)	-	-	-	-
Art. 500	Threshold Adjustment	-	-	-	-
	Total	76 207	6 097	59 404	4 753

Note: Prudential information.

As of December 31, 2021, risk-weighted assets amounted to 76.2 million Euros and represented 41.7% of total net assets.

Credit risk is the most significant risk, representing about 90% of risk-weighted assets. As of December 31, 2021, operational risk and market risk are, *ex aequo*, the second most significant and together represent about 10% of the total.

Table 6 - Capital Adequacy - Own Funds Requirements

(values expressed in Thousand Euros)

	31-12-21		31-12-20	
Own Funds Requirements	6 097	100%	4 752	100%
For Credit Risk, Counterparty Credit Risk and Free Deliveries	5 485	90%	4 327	91%
Standardised Approach	5 485	90%	4 327	91%
Standardised Approach exposure classes excluding securitisation positions	5 485	90%	4 327	91%
Central governments or central banks	-	0%	-	0%
Regional governments or local authorities	13	0%	-	0%
Public sector entities	-	0%	-	0%
Multilateral Development Banks	-	0%	-	0%
International Organisations	-	0%	-	0%
Institutions	1 384	23%	1 691	36%
Corporates	2 629	43%	1 151	24%
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)	1 313	22%	1 286	27%
Equity	-	0%	2	0%
Other Items	140	2%	189	4%
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	294	5%	126	3%
Standardised Approach	294	5%	126	3%
Debt Instruments	150	2%	2	0%
Equity Securities	-	0%	-	0%
Foreign exchange risks	143	2%	124	3%
Commodities risks	-	0%	-	0%
Internal Models Approach	-	0%	-	0%
Own Funds requirements for operational risk	318	5%	300	6%
Basic Indicator Approach	318	5%	300	6%
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: Prudential information. As of 31 December 2021, and 2020, Bison Bank did not have exposures in the portfolio related to securitizations.

For the purpose of determining the capital requirements for credit risk for the calculation of the prudential solvency ratio, Bison Bank uses the standard method as set out in Part III, Title II, Chapter 2 of the CRR.

6.1 CREDIT RISK - EXPOSURES AND RISK-WEIGHTED POSITIONS

Bison Bank uses the Standardised Approach for the calculation of risk-weighted assets for Credit Risk. Exposures considered for the purposes of calculating capital requirements for credit risk include exposures in the Banking Book recorded in balance sheet and off-balance sheet accounts, associated namely with investments in financial instruments, investments in credit institutions, the holding of other assets, loans and customers, and guarantees and commitments (Bison does not hold positions in securitizations or hedging derivatives). These exposures do not include those treated as part of the trading portfolio (treated as market risk).

Original positions are classified into regulatory risk classes according to the nature of the counterparty, to which specific weights are applied after adjustments are made, such as those related to provisions and value adjustments, as well as the application of CCFs (credit conversion factors), in the case of off-balance sheet exposures, and those resulting from risk mitigation, thus determining the value of risk-weighted assets.

Characterization of the positions at risk

Table 7 - Positions at Risk

(values expressed in Thousand Euros)

EXPOSURE CLASSES	On-balance-sheet amount		Off-balance-sheet amount		Securities Financing Transactions		Derivatives		Total Net Exposures	
	31-12-21	31-12-20	31-12-21	31-12-20	31-12-21	31-12-20	31-12-21	31-12-20	31-12-21	31-12-20
Central Governments or Central Banks	100 109	12 758	-	-	-	-	-	-	100 109	12 758
Regional Governments or Local Authorities	800	-	-	-	-	-	-	-	800	-
Public Sector Entities	-	-	-	-	-	-	-	-	-	-
Multilateral Development Banks	-	-	-	-	-	-	-	-	-	-
International Organisations	-	-	-	-	-	-	-	-	-	-
Institutions	32 586	52 380	2	2	-	-	-	-	32 588	52 382
Corporates	32 863	14 405	787	805	-	-	-	-	33 650	15 210
Retail	15	10	141	141	-	-	-	-	156	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	11 692	14 093	-	-	-	-	-	-	11 692	14 093
Equity exposures	-	30	-	-	-	-	-	-	-	30
Other exposures	1 900	2 517	-	-	-	-	-	-	1 900	2 517
Securitisation positions	-	-	-	-	-	-	-	-	-	-
Total	**179 966**	**96 193**	**929**	**948**	**-**	**-**	**-**	**-**	**180 895**	**97 141**

Note: Prudential information. Exposure Net of Value Adjustments and Provisions.

Table 8 - Risk Weighted Positions (RWA)

(values expressed in Thousand Euros)

EXPOSURE CLASSES	On-balance-sheet amount		Off-balance-sheet amount		Securities Financing Transactions		Derivatives		Total RWA		RWA Density	
	31-12-21	31-12-20	31-12-21	31-12-20	31-12-21	31-12-20	31-12-21	31-12-20	31-12-21	31-12-20	31-12-21	31-12-20
Central Governments or Central Banks	-	-	-	-	-	-	-	-	-	-	0%	0%
Regional Governments or Local Authorities	160	-	-	-	-	-	-	-	160	-	20%	0%
Public Sector Entities	-	-	-	-	-	-	-	-	-	-	0%	0%
Multilateral Development Banks	-	-	-	-	-	-	-	-	-	-	0%	0%
International Organisations	-	-	-	-	-	-	-	-	-	-	0%	0%
Institutions	17 302	21 139	2	2	-	-	-	-	17 304	21 141	53%	40%
Corporates	32 628	14 186	229	205	-	-	-	-	32 858	14 391	98%	95%
Retail	11	8	81	81	-	-	-	-	92	88	59%	58%
Secured by mortgages on immovable property	-	-	-	-	-	-	-	-	-	-	0%	0%
Exposures in default	-	-	-	-	-	-	-	-	-	-	0%	0%
Items associated with particularly high risk	-	-	-	-	-	-	-	-	-	-	0%	0%
Covered bonds	-	-	-	-	-	-	-	-	-	-	0%	0%
Claims on institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	0%	0%
Collective Investment Undertakings	16 407	16 071	-	-	-	-	-	-	16 407	16 071	140%	114%
Equity exposures	-	30	-	-	-	-	-	-	-	30	0%	100%
Other exposures	1 744	2 364	-	-	-	-	-	-	1 744	2 364	92%	94%
Securitisation positions	-	-	-	-	-	-	-	-	-	-	0%	0%
Total	**68 253**	**53 798**	**312**	**287**	**-**	**-**	**-**	**-**	**68 565**	**54 085**	**38%**	**56%**

Note: Prudential information.

This methodology implies a weighting of all of the Bank's exposures by a set of pre-defined weights, unless deducted from own funds. These weights, for some classes of assets, depend on the existence (or not) of external ratings and on the better or worse credit quality indicated by those 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 Moody's, Standard & Poor's and Fitch rating agencies (see breakdown of financial assets by credit quality).

The exposure classes for which an ECAI (External Credit Assessment Institutions) is used are the corporate classes, central governments or central banks, institutions and collective investment undertakings (article 444).

For risk weighting purposes, exposures to debt securities are allocated to ratings assigned to the respective issues. If there are no specific ratings for the issues, the ratings attributed to their issuers, if any, are considered. Credit exposures which are not represented by debt securities are only rated by the respective issuers, if any. When the same issuer or issue has two or more ratings, the second best rating assigned is used.

Table 9 - Positions at Risk by Rating Dec-21

(values expressed in Thousand Euros)

EXPOSURE CLASSES	31-12-21				
	HIGH GRADE[1]	STANDARD GRADE[2]	SUB-STANDARD GRADE[3]	NOT RATED[4]	TOTAL NET EXPOSURES
Central Governments or Central Banks	2 623	5 605	-	91 882	100 109
Regional Governments or Local Authorities	-	-	-	800	800
Public Sector Entities	-	-	-	-	-
Multilateral Development Banks	-	-	-	-	-
International Organisations	-	-	-	-	-
Institutions	5 262	7 381	16 734	3 211	32 588
Corporates	470	3 551	4 698	24 931	33 650
Retail	-	-	-	156	156
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	-	-	-	11 692	11 692
Equity exposures	-	-	-	-	-
Other exposures	-	-	-	1 900	1 900
Securitisation positions	-	-	-	-	-
Total	8 354	16 536	21 433	134 573	180 895

Note: Prudential information. Exposure Net of Value Adjustments and Provisions.

Table 10 - Positions at Risk by Rating Dec-20

(values expressed in Thousand Euros)

EXPOSURE CLASSES	31-12-20				
	HIGH GRADE[1]	STANDARD GRADE[2]	SUB-STANDARD GRADE[3]	NOT RATED[4]	TOTAL NET EXPOSURES
Central Governments or Central Banks	-	12 758	-	-	12 758
Regional Governments or Local Authorities	-	-	-	-	-
Public Sector 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: Prudential information. Exposure Net of Value Adjustments and Provisions.

[1] Includes ratings ranging from AAA to A-.

[2] Includes ratings ranging from BBB+ to BBB-.

[3] Includes ratings ranging from BB+ to D.

[4] No rating is assigned.

Table 11 - CCR Exposures by exposure class and risk weighting Dec-21

(values expressed in Thousand Euros)

Exposure classes	31-12-21 Risk Weight 0%	2%-10%	20%	35%	50%	70%	75%	100%	150%	250%-1250%	Others	Total	Of which unrated
Central Governments or Central Banks	100 109											100 109	91 882
Regional Governments or Local Authorities			800									800	800
Public Sector Entities													
Multilateral Development Banks													
International Organisations													
Institutions			5 540		21 704			5 344				32 588	3 211
Corporates					470			33 180				33 650	24 931
Retail							156					156	156
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								2 264	9 429			11 692	11 692
Equity exposures													
Other exposures	154		2					1 744				1 900	1 900
TOTAL	100 263		6 342		22 174		156	42 532	9 429			180 895	134 573

Table 12 - CCR Exposures by exposure class and risk weighting Dec-20

(values expressed in Thousand Euros)

Exposure classes	31-12-20 Risk Weight 0%	2%-10%	20%	35%	50%	70%	75%	100%	150%	250% - 1250%	Others	Total	Of which unrated
Central Governments or Central Banks	12 758											12 758	2 073
Regional Governments or Local Authorities													
Public Sector Entities													
Multilateral Development Banks													
International Organisations													
Institutions			26 189		20 581			5 613				52 382	3 160
Corporates					437			14 773				15 210	8 951
Retail							151					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								1 136	12 957			14 093	14 093
Equity exposures								30				30	30
Other exposures	153							2 364				2 517	2 517
TOTAL	12 911		26 189		21 017		151	23 916	12 957			97 141	30 976

Concentration of credit risk by activity sector:

Table 13 - Concentration of credit risk by activity sector

(values expressed in Thousand Euros)

	31-12-21 Net Balance Sheet Exposure		Collateral		Effective Exposure[1]	
Services	4 387	3%	-	0%	4 387	3%
Construction	-	0%	-	0%	-	0%
Industry	10 451	6%	-	0%	10 451	6%
Public Sector	8 381	5%	-	0%	8 381	5%
Other Sectors	22 879	13%	225	100%	22 654	14%
Retail Sales	2 265	1%	-	0%	2 265	1%
Financial Institutions and Insurance Companies	123 658	72%	-	0%	123 658	72%
Private Clients	-	0%	-	0%	-	0%
Total	172 022	100%	225	100%	171 797	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".

(values expressed in Thousand Euros)

	31-12-20					
	Net Balance Sheet Exposure		Collateral		Effective Exposure[1]	
Services	-	0%	-	0%	-	0%
Construction	-	0%	-	0%	-	0%
Industry	5 030	6%	-	0%	5 030	6%
Public Sector	10 843	13%	-	0%	10 843	13%
Other Sectors	15 279	18%	234	100%	15 045	19%
Retail Sales	-	0%	-	0%	-	0%
Financial Institutions and Insurance Companies	54 086	63%	-	0%	54 086	64%
Private Clients	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".

Concentration of credit risk by geographic region:

Table 14 - Concentration of credit risk by geographic region

(values expressed in Thousand Euros)

	31-12-21					
	Net Balance Sheet Exposure		Collateral		Effective Exposure[1]	
Mainland Portugal	145 419	85%	225	100%	145 194	85%
European Union	14 266	8%	-	0%	14 266	8%
Latin America	-	0%	-	0%	-	0%
North America	2 623	2%	-	0%	2 623	2%
Rest of the World	9 715	6%	-	0%	9 715	6%
Rest of Europe	-	0%	-	0%	-	0%
Total	172 022	100%	225	100%	171 797	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".

(values expressed in Thousand Euros)

	31-12-20					
	Net Balance Sheet Exposure		Collateral		Effective Exposure[1]	
Mainland Portugal	68 469	80%	234	100%	68 236	80%
European Union	7 112	8%	-	0%	7 112	8%
Latin America	-	0%	-	0%	-	0%
North America	724	1%	-	0%	724	1%
Rest of the World	8 934	10%	-	0%	8 934	11%
Rest of Europe	-	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".

7. COUNTERPARTY CREDIT RISK (article 439)

Counterparty credit risk reflects the risk of default by counterparties before the final settlement of financial flows with respect to certain financial instrument contracts, namely derivative instruments, repurchase agreements, securities or commodities lending or borrowing transactions, long settlement transactions and margin lending transactions (as of December 31, 2021, the Bank does not have the above-mentioned types of instruments in its Banking portfolio).

Bison Bank sets limits on credit risk exposures at the counterparty level as a way to reduce counterparty credit risk. The Bank also aims to diversify counterparties as a way to mitigate concentration risk. It seeks to mitigate credit risk through diversification of the loan portfolio - by geographical area, counterparties and sectors of activity. To this end, the Bank has implemented a Limit Management Policy approved regularly by the BoD, where counterparty limits are established and monitoring processes are in place.

The Bank's derivatives portfolio consists solely of interest rate futures traded on a regulated market and accounted for in the trading portfolio.

8. PRUDENTIAL OWN FUNDS RESERVES (article 440)

The countercyclical capital buffer is an additional buffer made up of Common Equity Tier 1 capital, which aims to protect the banking sector in periods when cyclical systemic risk increases due to excessive credit growth. The 'institution-specific countercyclical buffer rate' is a weighted average of the countercyclical buffer rates applicable in the countries where the credit exposures of that institution are located.

It is the BoP's responsibility to define the value of the countercyclical reserve, measured in accordance with the amount of exposures at risk (between 0% and 2.5%). As decided by the BoP, the countercyclical reserve percentage applicable to credit exposures to the Portuguese non-financial private sector, in force in 2021, was 0% of the total amount of exposures at risk (https://www.bportugal.pt/page/reserva-contraciclica).

Table 15 - Calculation of the counter cyclical reserve for Own Funds requirements

(values expressed in Thousand Euros)

	31-12-21	31-12-20
Total amount of exposures for determining the countercyclical capital buffer	68 565	54 085
Countercyclical capital buffer rate (institution-specific)	0,00%	0,00%
Countercyclical capital buffer (institution-specific)	0	0

9. INDICATORS OF OVERALL SYSTEMIC IMPORTANCE (article 441)

Not applicable.

10. ADJUSTMENTS FOR CREDIT RISK (article 442)

Description of the concepts of "overdue credit", "impaired credit" and "non-performing credit".

Overdue credit - the total outstanding amount of any credit operation with overdue instalments of principal or interest, i.e. which is not settled (principal and/or other receivables, namely interest and commissions) on its due date, or after the date on which the demand for its settlement has been formally presented to the client, regardless of collateral or its nature.

Impaired loans - The Bank has aligned its definition of credit-impaired assets under IFRS 9 to when a financial asset is in default for regulatory purposes. It should be noted that IFRS 9 does not provide an objective definition of default, however, it makes a rebuttable assumption that default occurs when an exposure is more than 90 days past due. The Bank has not rebutted this assumption. Thus, the determination of whether a financial asset is credit impaired (impaired) and therefore stage 3 focuses exclusively on the risk of default, namely when: (1) contractual payments of principal or interest by the debtor are more than 90 days past due and (2) the Bank considers that it is unlikely that the debtor will pay its credit obligations to the Bank.

Non-performing loans (default) - Includes loans more than 90 days past due (corresponds to the total outstanding amount of loans with overdue instalments of principal or interest for a period of 90 days or more, i.e. whose repayment or payment of associated interest is overdue for a period of 90 days or more), Credit in litigation (subject to judicial recovery), Insolvent, and Credit restructured due to deterioration in the borrower's capacity less than 1 year ago, whose restructured operation or operations that, at the time of restructuring, presented one of the events indicated above.

A description of the approaches adopted by the Bank to determine specific and general credit risk adjustments

Credit risk is ultimately materialized in the impairment losses realized by the Bank. These are the best estimates of losses at the reference date and may or may not become actual losses.

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

IFRS 9 stipulates that the concept of impairment is determined on the basis of 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 should be classified in different phases ("*stages*"), which depend on the change in credit risk from the date of initial recognition and not according to the credit risk at the reporting date:

- Stage 1: financial assets should be classified as stage 1 whenever there has been no significant increase in credit risk since the date of their initial recognition;

- Stage 2: includes financial assets where there has been a significant increase in credit risk since the date of initial recognition;
- Stage 3: the assets classified in this stage at the balance sheet date present objective evidence of impairment, as a consequence of one or more events that have already occurred, resulting in 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 at the default date (EAD), discounted, at the balance sheet date, using the effective interest rate of the contract.

The following indicators translate situations of significant increase in credit risk: (1) Credit with arrears in the payment of principal, interest, commissions or other expenses for more than 30 days; (2) Credit restructured due to financial difficulties of the debtor; (3) Credit whose debtor verifies at least two of the following criteria, when occurring after the initial recognition of the operation: (a) Registration of at least one credit in default in the CRC; (b) Presence in lists of check users that offer risk; (c) Debts to the Tax Administration, Social Security or employees, in default.

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 at the default date (EAD), discounted, at the balance sheet date, using the effective interest rate of the contract.

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

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

For the small number of segments for which no historical data and/or loss experience is available, the Bank adopts a simplified measurement approach that may differ from that described above. More specifically, and with respect to the "Other assets" line item (derived from amounts billed), which in the case of Bison Bank is primarily depository banking service fee income, a simplified measurement approach has been chosen and a historical analysis has been conducted 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 performed on an individual basis, case by case, taking into account the specifics of each operation and the best estimate of the recoverable amount (loans and guarantees) at the valuation date, taking into account the guidelines in BoP Circular Letter no. 62/2018.

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

The individual impairment level stipulated for any one-off analysis of a transaction is calculated prudently. This approach takes into consideration the contract, the economic and financial situation of the client and the collateral received as security. The present value of the cash flows incorporated in the estimate of future recoverability that results from the application of these factors is updated at the contracted effective interest rate.

Given the current size and characteristics of the portfolio of loans and advances to customers and off-balance sheet exposures, the calculation of impairment losses is fundamentally carried out on an individual or case-by-case basis, taking into consideration the specifics of the operation and the best estimate of the recoverable amount (loans and guarantees) at the date of analysis.

For further details on the impairment calculation process, see "Financial Risks - Credit Risk" in chapter "25.1 Risk management policies and major risks" of the 2021 Annual Report and Accounts of Bison Bank, S.A.

Financial Assets (Bonds) and Other Assets

The expected loss concept of IFRS 9 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.

With respect to debt instruments measured at fair value through other comprehensive income, the identification and measurement of a significant increase in credit risk is based, among other criteria, on the analysis of the following variables: 1) Evolution of the rating (or loss of rating) of the security in relation to the acquisition date and the period elapsed; 2) Variation of the market price compared to the amortized cost; 3) Debt restructuring due to financial difficulties of the issuer; 3) Delays in the payment of interest and/or principal for more than 30 days. Among the default triggers, the following stand out: 1) Delays in principal and/or interest payments of over 90 days; 2) Securities with a rating equal to or lower than CCC+ (not POCI - Purchased Originated Credit Impaired*); 3)* Bankruptcy/insolvency of the issuer; 4) Debt of the issuer restructured due to financial difficulties.

Changes in the level of credit risk of debt instruments must take as a reference date the origination date (initial recognition vs. reporting date). Thus, migrations between the 3 tiers are triggered by relative changes in credit risk and not by credit risk at the reporting date.

The monitoring of issuers' ratings, as well as other relevant information for the calculation of impairment, is carried out on a regular basis (monthly), having as its main basis the information disclosed by Bloomberg.

Table 16 - Fair value through other income integral

(values expressed in Thousand Euros)

	31-12-21				
Financial assets at fair value through other compreensive income - Debt Instruments	*Stage 1*	*Stage 2*	*Stage 3*	*POCI (*)*	Total
Gross Exposure	49 346	442	-	-	49 788
Investment Grade (IG)	23 051	442			23 493
Non Investment Grade (NIG)	7 638				7 638
Not Rated	18 658				18 658
Impairment	51	0	-	-	51
Net Exposure	49 296	442	-	-	49 737

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

Table 17 - Amortized Cost

(values expressed in Thousand Euros)

	31-12-21				
Financial Assets measured at Amortized Cost	*Stage 1*	*Stage 2*	*Stage 3*	*POCI (*)*	Total
Gross Exposure	-	-	1 054	162	1 216
Not Impaired	-	-	-	-	-
Impaired	-	-	1 054	162	1 216
Impairment	-	-	1 054	3	1 057
Net Exposure	-	-	-	159	159

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

Table 18 - Credit Quality

Credit Quality	31-12-21	31-12-20
Total Impairment/Loans to Customers	86,9%	86,6%
Reestructured Credit/Loans to Customers	84,7%	84,3%
NPL > 90 days/Loans to Customers	86,7%	86,4%

Off-balance sheet liabilities, at December 31, 2021 in the total amount of 3,022 thousand Euros, relate to guarantees provided by the Bank and other irrevocable commitments (at December 2020: 3,076 thousand Euros). Off-balance sheet liabilities also included at December 31, 2020 assets (debt securities) pledged as collateral in the amount of 228 thousand Euros, (at December 2020: 231 thousand Euros).

Table 19 – Off-balance Exposures

(values expressed in Thousand Euros)

	31-12-21				
Off-balance exposures	*Stage 1*	*Stage 2*	*Stage 3*	*POCI (*)*	Total
Gross Exposure	929	-	2 093	-	3 022
Not Impaired	929	-	-	-	929
Impaired	-	-	2 093	-	3 952
Impairment	0	-	2 093	-	2 093
Net Exposure	929	-	-	-	929

Exposures in default as at December 31, 2021, relate to loans to clients and off-balance sheet (Legacy exposures), in default as at the date of the Bank's acquisition in July 2018 (for further details see chapter 09 - Financial Statements of the 2021 Annual Report and Accounts).

Table 20 - Credit Quality of Exposures by Risk Class and Instrument

(values expressed in Thousand Euros)

	31-12-21						
	Gross carrying values of		Specific credit risk adjustment (3)	General credit risk adjustment(4)	Accumulated write-offs	Credit risk adjustment charges of the period	Net values
	Defaulted exposures (1)	Non-defaulted exposures (2)					(1+2-3-4)
Central Governments or Central Banks		100 110		2			100 109
Regional Governments or Local Authorities		800		0			800
Public Sector Entities							
Multilateral Development Banks							
International Organisations							
Institutions		32 602		14			32 588
Corporates		33 830		181			33 650
Retail		159		3			156
Secured by mortgages on immovable property							
Exposures in default	3 147,3			3 147			-
Items associated with particularly high risk							
Covered bonds							
Claims on institutions and corporates with a short-term credit assessment							
Collective Investment Undertakings		11 692					11 692
Equity exposures							
Other exposures		4 252		2 352			1 900
TOTAL	3 147,3	183 446		5 699			180 895

11. ENCUMBERED AND UNENCUMBERED ASSETS (article 443)

The Bank's encumbered assets relate to regulatory/prudential requirements, namely intraday credit, the investor compensation scheme, and the deposit guarantee fund. Total encumbered assets represent only 0.1% of total assets.

Table 21 - Asset Encumbered - Assets Dec-21 and Dec-20

31-12-21

(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	528	528	181 615	-
Deposits and Applications with Credit Institutions	300	300	107 898	-
Equity instruments	-	-	11 692	11 692
Debt securities	228	228	51 903	51 903
Other assets	-	-	10 121	-

31-12-20

(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	-

Table 22 - Asset Encumbered - Real Estate Collateral and Encumbered Sources Dec-21 and Dec-20

31-12-21

(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	-	2 201

Note: Prudential information.

31-12-20

(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: Prudential information.

12. Exposure to Market Risk (article 445)

For market risk, the Standardised Approach is used for both the trading portfolio and foreign exchange exposure. Where necessary to determine capital requirements, 8% of the risk-weighted position amounts in accordance with Regulation (EU) no. 575/2013 (CRR) are considered.

Table 23 - Capital requirements for Market Risk

(values expressed in Thousand Euros)

	31-12-21	31-12-20
Own Funds Requirements= Σ(1 to 4)	294	126
1. Risk Position	150	2
1.1. Standardised Approach for the trading book (= 1.1.1.+ 1.1.2.)		
1.1.1. Debts Instruments	150	2
1.1.1.1. Specific Risk	126	-
1.1.1.2. General Risk	24	2
1.1.1.3. Additional requirements for options - Non-Delta Risk		
1.1.2. Equity	-	-
1.1.1.1. Specific Risk		
1.1.1.2. General Risk		
1.1.1.3. Additional requirements for options - Non-Delta Risk		
2. Foreign Exchange Risk	143	124
3. Commodity risk	-	-
4. Settlement / Delivery Risk	-	-

Note: Prudentail Information

Table 24 - Market Risk under Standardized Approach

(values expressed in Thousand Euros)

	31-12-21		31-12-20	
	RWA	Capital requirements	RWA	Capital requirements
OUTRIGHT PRODUCTS	3 671	294	1 573	126
Interest rate risk (general and specific)	1 880	150	25	2
Equity risk (general and specific)	-	-		
Foreign exchange risk	1 790	143	1 548	124
Commodity risk	-	-		
OPTIONS	-	-	-	-
SECURITISATION (SPECIFIC RISK)	-	-	-	-
TOTAL	3 671	294	1 573	126

In the Standardized Approach, credit exposures are placed in regulatory risk classes according to their characteristics (e.g. type of counterparty, type of product).

13. OPERATIONAL RISK (article 446)

For operational risk, the Bank uses the basic indicator approach. The capital requirements according to this method are determined by the sum of the relevant indicator. This indicator is calculated by adding net interest income to operating income, to which a factor of 15% is applied to the average of the last three years in order to determine the value of the requirements.

Table 25 - Basic Operational Risk Indicator

(values expressed in Thousand Euros)

Segments	Values for calculating the Relevant Indicator for 2021 (**Gross income**)			Own funds requirements	Risk-weighted exposure amounts
	31-12-19	31-12-20	31-12-21		
1. BASIC INDICATOR APPROACH (BIA)	2 502	1 321	2 532	318	3 972
2. STANDARDIZED APPROACH (STA)	-	-	-	-	-
- Corporate finance	-	-	-		
- Trading and sales	-	-	-		
- Retail brokerage	-	-	-		
- Commercial banking	-	-	-		
- Retail banking	-	-	-		
- Payment and settlement	-	-	-		
- Agency services	-	-	-		
- Assets management	-	-	-		
3. ADVANCED MEASUREMENT APPROACH (AMA)	-	-	-	-	-

Table 26 - Detail of the Basic Indicator Headings

Income Statement	Item
(+) Interest income and similar income	79
(-) Interest charges and similar costs	66
(+) Income from shares and other variable/fixed income securities	82-821
(+) Commissions received	80+81
(-) Commissions paid	67+68
(+) Result from financial operations	[83-(831+833+834)]-[69-(691+693+694)]
(+) Other operating income	[84-(841+842+843)]

14. EXPOSURES IN SHARES NOT INCLUDED IN THE TRADING PORTFOLIO (article 447)

At December 31, 2021, the Bank held positions in Funds in the banking portfolio, mostly legacy assets of the Bank. The positions are initially recognized at fair value, and subsequently measured at fair value in accordance with a hierarchy of valuation criteria (level 2 and level 3 - for more detail see chapter 09 - Financial Statements - 2.8) Fair value of assets and liabilities; and 26) Fair value of the securities portfolio and other financial instruments).

These assets are measured under the caption "financial assets at fair value through profit or loss (FVTPL) - equity securities), with changes in value recognized as a separate element of equity - "Fair Value Reserves" - until they are sold.

Table 27 - Positions at Risk - Shares and Undertakings for Collective Investment (OIC)

(values expressed in Thousand Euros)

	Risk positions		Risk weighted assets	
	31-12-21	31-12-20	31-12-21	31-12-20
Funds	11 692	11 093	16 407	16 071
Financial participations	0	0	0	0
Other equities	0	30	0	30
TOTAL	11 692	11 123	16 407	16 101

15. EXPOSURE TO INTEREST RATE RISK IN THE BANKING PORTFOLIO (article 448)

The banking portfolio, in addition to the positions not included in the trading portfolio, includes investment portfolio securities, Cash and Deposits in Other Credit Institutions, as well as other operations of a commercial nature, etc.

Interest rate risk in the banking book (IRRBB) refers to the actual or potential risk to the Bank's capital or earnings arising from adverse movements in interest rates affecting the Bank's banking book positions.

The main risk factor to which Bison is exposed results from the mismatch of repricing positions in the portfolio and the risk of variation in market interest rate levels. The risk is measured by analyzing the temporal mismatch of the maturities of assets, liabilities and fixed rate off-balance sheet instruments, through distribution by temporal *buckets* (*gap risk*).

Gap analysis is based on comparing the values of assets and liabilities that are revalued or mature in the same period. The Static gap presents the contractual distribution of maturity and interest rate revaluation differences for the applicable Balance Sheet and/or off-balance sheet items, aggregated on a specific date, for global and monetary values (at Bison Bank EUR and USD are the most significant currencies).

Interest rate risk is regularly assessed through a process of sensitivity analysis, which reflects the potential loss in economic value resulting from adverse variations in interest rates. Variations in market interest rates also have an impact on net interest income in the medium and long term.

The economic value of interest rate sensitive components of the Balance Sheet and off-balance sheet items is calculated from a total of 8 possible scenarios specified in BoP Instruction IRRBB no. 3/2020.

Therefore, the scenarios covered by the Bank are:

- Parallel shock up 200 bp;
- Parallel shock down 200 bp;
- Parallel rise in the interest rate, different spreads per currency;
- Parallel decline in the interest rate, different spreads per currency;
- Increasing steepness of the yield curve, which corresponds to decreases in short-term rates and increases in long-term rates (steepener shock);
- Decrease in the slope of the yield curve, which corresponds to an increase in short-term rates and a decrease in long-term rates (flattener shock);
- Short rate shock up;
- Short rates shock down.

The table below presents a sensitivity analysis of the interest rate risk of the banking portfolio, based on the IRRBB report. 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 net position and on the Bank's annual financial margin.

Sensitivity analysis of the impact of a 200 basis points variation in the interest rate curve by relevant currencies as of December 31, 2021 and 2020:

Table 28 - Sensitivity Analysis - Banking Portfolio Interest Rate Risk (+200bp)

(values expressed in Thousand Euros)

		31-12-21	31-12-20
EUR	Impact on Net Worth	-2 533	-1 300
	Own Funds	50 124	47 871
	Impact on Own Funds, em %	-5,1%	-2,7%
	Impact on Net Interest Income, at 12 months	147	58
	Net Interest Income	486	407
	Impact on Net Interest Income annual, in %	30,2%	14,3%
USD	Impact on Net Worth	-179	-43
	Own Funds	56 770	58 743
	Impacto on Own Funds, in %	-0,3%	-0,1%
	Impacto on Net Interest Income, at 12 months	29	15
	Net Interest Income	550	500
	Impact on Net Interest Income annual, in %	5,3%	3,1%
TOTAL	Impact on Net Worth	-2 715	-1 343
	Own Funds	50 124	47 871
	Impact on Own Funds, in %	-5,4%	-2,8%
	Impacto on Net Interest Income, at 12 months	192	74
	Net Interest Income	486	407
	Impact on Net Interest Income annual, in %	39,5%	18,2%

Table 29 - Sensitivity Analysis on Economic Value

(values expressed in Thousand Euros)

		31-12-21	31-12-20
Impact on Net Worth	+200 pb	(2 715)	(1 343)
	-200 pb	3 115	1 501
% Own Funds	+200 pb	-5,42%	-2,81%
	-200 pb	6,21%	3,14%

For more details see the Report and Accounts - 25.1 - Risk management policies and main risks.

16. Risk Associated with Securitization Positions (article 449)

As of December 31, 2021, Bison Bank had no asset securitization transactions.

17. Remuneration Policy (article 450)

The information required under article 450 is available in the 2021 Annual Report and Accounts, in the Supplementary Information to the Annual Report and Accounts and in the respective Remuneration Policies, published on the Bank's website, under article 115-I, of the General Regime of Credit Institutions and Financial Companies, and this information is complemented by the information in this report.

The Remuneration Policy for the Members of the Bank's Management and Supervisory Bodies is defined taking into account the rules applicable to credit institutions in this area, with a view to creating incentives to ensure risk-taking that is compatible with the Bank's strategy, objectives, values and long-term interests, tolerance and risk culture, including measures to avoid conflicts of interest, as well as to ensure sound, prudent and effective risk management, without encouraging risk-taking above the level of risk tolerated by the Bank.

This Remuneration Policy is materialized taking into consideration the activity, risk appetite, structure and size of the Bank, as well as market practices, basing its definition on objective, transparent, consistent and compatible criteria with the hierarchy of responsibilities and skills of those remunerated, also ensuring the application of the principles and rules set out in the Bank's Policy for Prevention and Management of Conflicts of Interest.

With regard to the Bank's Employee Remuneration Policy, it is drawn up by the Human Resources Department and approved by the Board of Directors, which periodically reviews the general principles of this policy and is responsible for monitoring its implementation.

This Policy is based on the remuneration practiced in the sector for similar functions, the system of objectives and incentives, annual performance evaluation, career progression elements and employee conduct reported by hierarchies or formal records, such as disciplinary events, critical incidents or acts of exceptional value.

In terms of governance structure, the Bank has a Nominations and Remuneration Committee, whose mission is to advise and support the Board of Directors and the General Shareholders Meeting on matters of appointments, evaluation and remuneration of (i) the members of the Board of Directors and the Supervisory Board, (ii) Senior Management (iii) those responsible for risk taking and the Bank's control functions, as well as (iv) other employees holding key functions or whose total remuneration places them in the same remuneration bracket as their predecessors (namely referred to in (i) above), as defined by the Board of Directors.

The Nomination and Remuneration Committee is also tasked with reviewing and monitoring internal policies regarding: i) the Remuneration of the members of the management and supervisory bodies; ii) the Selection and Assessment of the Suitability of the Members of the Board of Directors and the Supervisory Board and the Holders of Key Functions of the Bank and ensuring their full effectiveness; iii) the Prevention, Reporting and Resolution of Conflicts of Interest, including transactions with related parties of the Bank. These policies are available for consultation on the Bank's website.

The Committee meets as often as its members deem necessary, and at least once a quarter. In 2021, 30 meetings of the Nomination and Remuneration Committee were held and minutes were taken of each of these meetings.

The Regulation of the Nomination and Remuneration Committee is available for consultation on the Bank's website.

It should be noted that, during the year 2021, the only resolution at the General Meeting on matters of remuneration took place at the General Meeting held on 13 May 2021, at which the sole shareholder approved the revised and updated version of the remuneration policy for members of the management and supervisory bodies, as proposed by the Appointments and Remuneration Committee. This revision was carried out pursuant to Articles 115-C, no. 4, and 115-D of the RGICSF.

The Policy in question has been published on the Company's website and can be found in the "Corporate Governance" area under "Regulations and Policies".

18. LEVERAGE (article 451)

The leverage ratio is the ratio between capital (Tier 1 in the numerator) and total on- and off-balance sheet accounting exposure (total value of assets in the balance sheet and off-balance sheet exposures weighted by credit risk factors in the denominator). The ratio is calculated in accordance with the regulatory standards in force, namely the provisions of Regulation (EU) no. 575/2013 (Article 429), 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% (minimum mandatory in Pillar I), mandatory since January 1, 2018. This is a simple and transparent ratio that aims to limit excessive growth of the balance sheet in relation to available capital.

As of December 31, 2021, the value of the Bank's leverage ratio was 27% (versus 49% in December 2020) a value well above the prudential minimum. The ratio is monitored on a quarterly basis.

Table 30 - Leverage Ratio

(values expressed in Thousand Euros)

		31-12-21	31-12-20
Own Funds and Total Exposure Measurement (phasing-in)			
	Tier 1 Capital	50 124	47 871
	Total exposure for the purpose of leverage ratio	182 454	98 630
	Leverage Ratio	*27%*	*49%*
Decision on the transitional provisions and on the amount of derecognised fiduciary items			
EU-23	Decision on the transitional provisions towards the definition of Own Funds Measure	Transitional definition	
EU-24	Amount of the derecognised fiduciary items as per article 429, no 11, of Regulation (EU) no 575/2013		

Note: Prudential information.

(values expressed in Thousand Euros)

		CRR Leverage Ratio Exposures (31-12-21)
On-Balance Sheet Exposures (excluding derivatives and SFTs)		
1	On-Balance Sheet Items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	179 966
2	(Asset amounts deducted in determining Tier 1 capital)	(534)
3	Total On-Balance Sheet Exposures (excluding derivatives, SFTs and fiduciary assets)	179 432
Risk exposures arising from Derivative Instruments		
4	Replacement cost associated with derivatives transactions	-
5	Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	-
UE-5a	Exposure determined under Original Exposure Method	-
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	-
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-
8	(Exempted CCP leg of client-cleared trade exposures)	-
9	Adjusted effective notional amount of written credit derivatives	-
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-
11	Total derivatives exposures	-
SFT Exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	-
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-
14	Counterparty credit risk exposure for SFT assets	-
15	Agent transaction exposures	-
UE-15a	(Exempted CCP leg of client-cleared SFT exposure)	-
16	Total securities financing transaction exposures	-
Off-Balance Sheet Exposures		3 022
17	Off-balance sheet exposures in gross notional value	-
18	(Adjustments for conversion into credit equivalent)	-
19	Total of other off-balance sheet exposures	-
Exposures exempted in accordance with Article 429 (7) and (14) of Regulation (EU) No 575/2013		
UE-19a	Intragroup exposures (solo basis) exempted in accordance with Article 429 (7) of Regulation (EU) No 575/2013	-
UE-19b	Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013	-

19. USE OF THE IRB APPROACH FOR CREDIT RISK (article 452)

Not applicable.

20. USE OF RISK REDUCTION TECHNIQUES (article 453)

Within the scope of the loan portfolio (inactive activity), the Bank has only real collateral (mortgage on real estate), which is registered in the computer system. The Bank has foreseen the possibility of using other risk mitigation/protection measures, namely in the scope of foreign exchange risk and interest rate risk. For these instruments the Bank has a dedicated IT platform and exposures, when existing, are valued and controlled on a regular basis.

As of December 31, 2021, the Bank has no transactions with derivative financial instruments as a way to mitigate credit risk.

Table 31 - Standardized Approach - Credit exposures and CRM effects

(values expressed in Thousand Euros)

	31-12-21					
	Exposures before CCF and CRM		Exposures post CCF and CRM		RWA and RWA density	
	On-balance-sheet amount	Off-balance-sheet amount	On-balance-sheet amount	Off-balance-sheet amount	RWA	RWA density
Central Governments or Central Banks	100 109		100 109			
Regional Governments or Local Authorities	800		800		160	20,0%
Public Sector Entities						
Multilateral Development Banks						
International Organisations						
Institutions	32 586	2	32 586		17 304	53,1%
Corporates	32 863	787	32 863		32 858	100,0%
Retail	15	141	15		92	612,8%
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	11 692		11 692		16 407	140,3%
Equity exposures						
Other exposures	1 900		1 900		1 744	91,8%
TOTAL	179 966	929	179 966		68 565	38,1%

Interest rate risk hedging is ensured by contracting interest rate derivative financial instruments. The Bank does not have hedge accounting, so the instruments contracted only allow interest rate risk management, without perfect matching between assets and liabilities (recorded in the trading portfolio).

In the scope of interest rate risk, the distribution of assets and liabilities is systematically monitored in accordance with their refixing periods.

Table 32 - CRM Techniques – Overview

(values expressed in Thousand Euros)

	31-12-21				
Risk Positions	Unsecured	Secured	Secured by collateral	Secured by financial guarantees	Secured by credit derivatives
Total loans	5 296	159	159		
Total debt securities	49 737				
TOTAL OF RISK POSITIONS	55 034	159	159		
o.w. in default situation					

Note: Net impairment exposures. Includes only loans to customers and credit institutions (does not include deposits in Credit Institutions and Central Banks).
Securities of the trading book are not included

Although the trading portfolio is of little importance, the Bank has a policy of reducing market risk, based on several measures to mitigate this risk in order to reduce its potential negative impact from a residual risk perspective, in particular by setting limits on aggregate exposure and holding period.

When necessary, the exchange rate risk that may come close to the limits defined by BoD is regularly hedged through the use of adequate instruments (for example: spots, forwards, swaps).

In terms of operational risk, mitigation is carried out through the collection, analysis and classification of operational risk events, ensuring that corrective actions are taken when appropriate. In addition, the Risk and Control Self-Assessment exercise aims to identify and regularly assess operational risk throughout the Bank.

Bison Bank's liquidity risk mitigation techniques include: 1) monitoring and reporting processes for a set of liquidity risk metrics whose limits are set in the RAS, including prudential liquidity ratios for which a buffer above regulatory limits is established; 2) proactive liquidity and funding management with monthly projection of cash flows and liquid asset positions (performed by TED); 3) stress exercises performed on a monthly basis and under the ILAAP and Recovery Plan; 4) liquidity contingency plans.

21. Liquidity Requirements

Liquidity risk is assessed by calculating and analyzing regulatory ratios - LCR (Liquidity Coverage Ratio) and NSFR (Net Stable Funding Ratio), as well as other internal metrics that are regularly reviewed.

As this is a critical risk for the Bank, specific indicators were defined for monitoring it under the RAS, calculated monthly, with the respective limits and tolerances approved by the BoD. The Bank has defined as one of the general principles of the RAS to ensure a solid, stable and secure liquidity position (namely by holding liquid assets), capable of withstanding adverse events and maintaining a stable financing capacity and adequate levels of liquidity reserves that allow having a balance sheet structure adaptable to the existing circumstances.

The Bank has a conservative and robust profile in terms of liquidity and exposure to risk, with the central objective of providing the necessary support for the development of the business lines established in its business model.

On December 31, 2021, the LCR ratio stood at 152.5% (236.6% at the end of 2020) and the NSFR ratio at 175.5% (134% at the end of 2020), substantially higher than required by applicable regulations, in line with the aforementioned risk profile. On that date, the available liquidity was mostly invested in an investment portfolio, in OICs (Other Credit Institutions), through the money market, as well as in the Bank of Portugal (BoP).

In addition to the regulatory and internal ratios, the Bank periodically performs internal and prospective assessment of liquidity, namely through the Internal Liquidity Assessment Process (ILAAP).

The ILAAP is an assessment of the adequacy of the institution's short-term liquidity position and stable funding structure and is an important part of the Bank's liquidity risk management framework. In the context of the ILAAP exercise, the Bank tests the integrity of its liquidity position through a set of stress scenarios and establishes contingency plans to address them.

22. Pandemic Impact Covid -19

During 2021, the progress of COVID-19, with the appearance of new variants, continued to significantly affect the Bank's ability to execute its business plan and in particular to generate the projected revenues. This was particularly noticeable in Wealth Management and Investment Banking activities, which have a strong cross border component.

In accordance with the recommendations of the European Banking Authority (EBA) regarding the disclosure of information on exposures subject to measures applied in response to the COVID-19 crisis (practical impacts had on the process of identification and reporting of asset quality and accumulation of NPLs arising from the pandemic situation), it is reported that the impacts were minor given the situation and classification of existing loans in the portfolio.

Thus, on December 31, 2021, the Bank had only one loan in moratorium. This resulted from a request to join the public moratorium in June 2020 related to a low value loan (162 thousand euros on December 31, 2021 vs. 167 thousand euros at December 31, 2020).

23. Base Indicators

As of December 31, 2021, the Bank presents the following base indicators with regard to financial statements and solvency:

Table 33 - Baseline Indicators

(values expressed in Thousand Euros)

	31-12-21	31-12-20	Var.% 21/20
BALANCE SHEET			
Total Assets	182 966	110 371	65,8%
Deposits and Liabilities from other credit institutions	1 146	323	254,8%
Deposits from other clients	123 822	39 999	209,6%
RESULTS			
Net Interes Income	487	407	19,7%
Net Operating Income (excluding non-recurring impacts)(*)	2 532	2 303	9,9%
Operating Costs	(8 628)	(8 351)	3,3%
Loan impairment charges (net of recoveries)	(19)	26	-173,1%
o.w. Other impairments and provisions	32	(217)	-114,7%
Net Income (excluding non-recurring impacts) (*)	(7 272)	(6 967)	4,4%
PROFITABILITY AND EFFICIENCY			
Return on average total assets (ROA) (excluding non-recurring impacts)(*)	-4,0%	-6,3%	
Return on average shareholder's equity (RoE) (excluding non-recurring impacts)(*)	-13,3%	-10,8%	
Cost to income	412,6%	366,9%	
CREDIT QUALITY			
Total Impairment/Loans to Customers	86,9%	86,6%	
Reestructured Credit/Loans to Customers	84,7%	84,3%	
NPL > 90 days/ Loans to Customers	86,7%	86,4%	
LIQUIDITY			
Liquidity Coverage Ratio (LCR)	152,5%	236,6%	
Net Stable Funding Ratio (NSFR)	175,5%	134,0%	
CAPITAL			
As per rules CRD IV / CRR fully implemented			
Common Equity Tier I Phased-In Ratio	65,8%	80,6%	
Common Equity Tier I Fully-Implemented Ratio	65,8%	80,6%	
Total Fully Implemented Ratio	27,5%	48,5%	

(*) *Impact of Discovery reassessment.*