

## Contents

MESSAGE FROM THE CHAIRMEN OF THE BOARD OF DIRECTORS AND THE EXECUTIVE COMMITTEE.....	2
01 - MACROECONOMIC FRAMEWORK.....	4
02 - BUSINESS ACTIVITY.....	8
03 - SUPPORT AREAS.....	12
04 - CONTROL ACTIVITIES.....	18
05 - ANALYSIS OF INDIVIDUAL ACCOUNTS.....	22
06 - FUTURE PROSPECTS.....	25
07 - PROPOSED APPLICATION OF RESULTS.....	26
08 - FINAL NOTE.....	27
09 - CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS.....	30
10 - CORPORATE GOVERNANCE REPORT.....	124
11 - OTHER INFORMATION.....	160
12 - LEGAL CERTIFICATION OF ACCOUNTS.....	163
13 - AUDIT COMMITTEE'S ASSESSMENT OF THE ADEQUACY AND EFFECTIVENESS OF THE ORGANIZATIONAL CULTURE, GOVERNANCE, AND INTERNAL CONTROL SYSTEMS.....	176
14 - REPORT AND OPINION OF THE AUDIT COMMITTEE.....	181

# MESSAGE FROM THE CHAIRMEN OF THE BOARD OF DIRECTORS AND THE EXECUTIVE COMMITTEE

During 2023, despite the high challenges posed by geopolitical uncertainties and the adverse macroeconomic environment, Bison Bank was marked by significant achievements and milestones as we executed our strategic objectives set by our shareholder, board of directors and management team. In 2023, the Bank achieved positive results for the first time as Bison Bank, even anticipating this objective by one year in relation to the Business Plan approved by the shareholder.

We are confident that Bison Bank will continue on its path of sustained growth in turnover and consolidation of its profitability, based on its differentiated business model.

The evolution of the business was very favorable and robust, with revenues growing by around 240%, as the Bank continued along the path of digital transformation in the way it presents itself to the market and relates to its customers and partners.

Innovation is at the heart of the Bank's DNA, which is why we continued to develop the business in a subsidiary, Bison Digital Assets, set up in 2022 and 100% owned by the Bank, dedicated to the trading and custody of our clients' digital assets. Given its innovative nature and the global market's interest in digital assets, this activity is particularly strategic.

Also as part of the innovation on offer, the Bank established partnerships with external entities to provide a debit card and a mortgage product. These initiatives have not only strengthened our position in the market, but have also allowed us to better serve our customers in an increasingly digital landscape.

In line with the evolution of the banking business, in 2023 the Depositary and Custody Bank services maintained their growth trajectory, with an increase in mandated assets under management of around 500 million euros, to 2.5 billion euros at the end of the year.

As Depositary, the Bank works with around 90 funds from 30 management companies, including *private equity funds*, SICAFI's and real estate investment funds.

In Custody Banking services, in addition to the activities related to Custody Banking, the Bank acquired more than 1,000 new clients throughout 2023, having reached more than 3,000 clients by the end of the year. Our clients are essentially internationally based high net worth individuals from over 100 countries who are looking to establish a long-term connection to Portugal, starting this

process by investing in venture capital and *private equity* funds under the Residence Permit for Investment program.

The Wealth Management and Investment Banking services continued their efforts to gradually increase assets under management in investment advisory and to provide cross-border advisory services in the areas of M&A and DCM.

In addition, our commitment to developing our B2B model has produced fruitful results. We have established more than 60 strategic partnerships with institutions all over the world, covering both the financial and non-financial sectors. These partnerships have laid the foundations for expanding our clientele and our business internationally, positioning Bison Bank as a global player in the financial sector.

The current strategic, focused, innovative, digital and *lean* positioning, combining banking activities with services in the area of digital assets, will allow the Bank to continue to broaden and consolidate its customer base and turnover, stabilize operations and drive long-term growth gradually and consistently. The Bank has a capital position - Tier 1 Common Equity ratio of 35.3% as of December 2023.

Looking ahead to 2024, we recognize the challenges posed by geopolitical uncertainties and the adverse macroeconomic environment. However, we remain confident in Bison Bank's ability to overcome these challenges and maintain its growth trajectory. With a differentiated business model and a commitment to excellence, we are prepared to drive growth in turnover and consolidate profitability in the coming year.

Bian Fang

Chairman of the Board of Directors

António Henriques

Chief Executive Officer

# 01 - MACROECONOMIC FRAMEWORK

## Macroeconomic context

After the 2020-2022 pandemic period, the macroeconomic context has seen variations in its main data, the like of which has not been seen for a few decades.

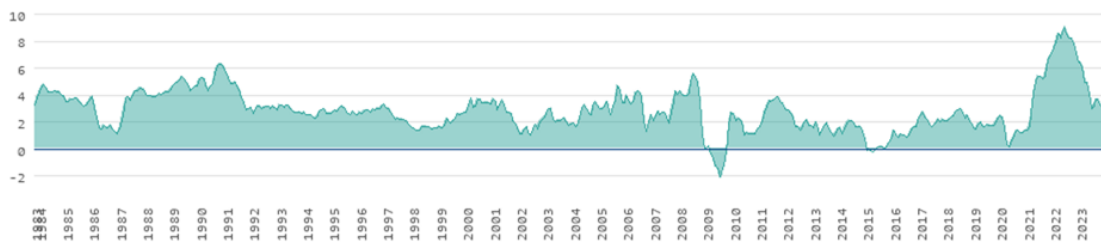
As we know, the support provided by the Central Banks reached unprecedented levels, which meant that the immediate reaction was indeed extreme, but at a high price, which we still don't know for sure.

On February 24, 2022, Russia began a military operation to invade Ukraine.

The world's second-largest economy (China) carried out a second *lockdown*, closing factories and causing a shortfall in the supply of products on a global scale.

It was against this backdrop that we began the year 2023, where the most talked about word in the world's financial news was unsurprisingly: Inflation.

Inflation levels in 2023 have been successfully adjusted, as we can see in the graph below, particularly in the US, because of the strong intervention by central banks.



Source: <https://www.dadosmundiais.com/america/usa/inflacao.php>

It really has been a year of fighting inflation with constant interest rate rises by central banks to levels not seen for more than two decades. In the case of the US, we'd have to go back 4 decades to see such an aggressive move.

We know that the level of debt is not the same as it was two or four decades ago. The impact is much more severe.

We also know that the rise in inflation has not come "only" from the historic rise in interest rates. As we mentioned at the beginning, we still have a war in Eastern Europe, which naturally pushes up the price of *commodities*.

Firstly, natural gas, with Russia cutting off supplies to Central Europe, and secondly oil, which as we know passed 120 US dollars.



Source: <https://www.ecb.europa.eu/pub/annual/html/ecb.ar2022~8ae51d163b.pt.html>

Historically, oil and inflation have always gone hand in hand and 2023 was no different. The graph above shows the impact that the black gold has on the price index, going from 3.4% inflation to double digits in the US and 2.9% in the Eurozone in just over 12 months.

As far as derivatives are concerned, 2023 was a *horrific* year for the debt segment, which continued its downward trend to 40-year lows. This movement was stopped by the *hold on* rate hikes and a lot of "noise" surrounding possible cuts. The 4th quarter was a period of good recovery, where investors recovered part of the sharp downward movement.

As far as stocks are concerned, another fabulous year in the aftermath of the pandemic, with the S&P 500 growing by 25% and technology (NASDAQ 100) by more than 45%, greatly supported by Apple, Microsoft, Amazon, Nvidia and Meta platforms growing between 50% and more than 200%, contributing to more than 80% of the Index's performance.

Geographically speaking, the winner was Japan, with the Topix growing by more than 28%, an index helped by the inflationary context which has given a lot of help to a country that has been mired in deflation for more than 20 years. MSCI Asia ex-Japan grew "only" 6.3%, heavily penalized by a Chinese economy in need of government intervention.

## Financial Markets

Despite the volatility, 2023 was a very positive year for financial markets in general. While in 2022 the general mood was rather pessimistic due to rising inflation and the consequent implementation of restrictive monetary policies, the year just ended was dominated by precisely the opposite dynamics.

As inflation receded, largely due to the moderation of energy and raw material prices, but also as a result of base effects, the markets began to anticipate that the monetary policy cycle might reverse. This market theme was particularly relevant in the last two months of the year, leading to very significant rises in the stock and debt markets. The fact that inflation fell without most economies falling into recession was a determining factor in the mood of confidence in the markets.

Highlights include stock market valuations of over 20% in the case of the S&P 500 and the MSCI World index (expressed in euros), with emerging markets recording the worst relative performance.

The year was divided into three parts. Until near the end of July, the indices rose significantly, followed by a sharp correction until the end of October, driven by various factors, including the high interest rates on longer maturities. The last two months of 2023 were very exuberant, with investors excited by the prospect of lower interest rates the following year. The NASDAQ 100 recorded its best year since 1999, the S&P 500 reached a new all-time high towards the end of the year, the STOXX 600 had its best year since 2021 and Japan's stock market achieved its best year in the last decade.

In the bond market, yields on this asset class were negative for much of the year. For example, 10-year rates in the US hit 5% in October, which hadn't happened since 2007, before the great financial crisis. In the case of Germany, for the same maturity, rates reached 3%, at highs of more than 12 years. The ECB and FED meetings at the end of October and beginning of November reinforced the view that reference interest rates had already peaked, and the market began to discount the existence of much lower interest rates in 2024, which caused bonds to rise significantly. In just a few weeks, all the losses from 2023 were reversed.

Conversely, the raw materials index fell in 2023, mainly due to disappointment with economic growth in China. The price of crude oil fell despite significant OPEC production cuts, with supply and demand relatively balanced. Industrial metals performed very differently, with nickel and zinc recording considerable falls, while copper closed with marginal gains and iron had one of the best performances of the year with gains of over 22%. Agricultural *commodities* fell, in a year marked by an abundance of cereals and oilseeds. Gold was one of the few components to record a significant annual gain, benefiting from good demand from Central Banks and expectations of lower interest rates in 2024.

In the foreign exchange market, the US dollar had its worst year since the beginning of the pandemic, losing 3.5% against the euro, penalized by the expectation that the FED will adopt a more accommodative monetary policy in 2024. However, despite the volatility, the EUR/USD has remained sideways, oscillating in a band between \$1.05 and \$1.13 since December 2022.

The year 2023 was also marked by a number of geopolitical and economic dynamics that will certainly continue to have repercussions in 2024. On the geopolitical front, the war in Ukraine was joined by the conflict between Israel and Hamas, which has created significant periods of risk aversion, with fears that it could go beyond the borders of the Gaza Strip and involve other countries in the region.

## Digital Assets

It was a year of general recovery for the digital asset market, with Bitcoin and Ethereum recording gains of more than 150% and 80% respectively (Tables 3 and 4), after enduring a tough bear market the previous year. Overall, the total cryptocurrency market capitalization increased by more than 100%, with the Solana *blockchain* ecosystem also standing out, whose native currency SOL recorded an annual gain of more than 800%. With falling inflation and speculation about central banks' interest rate policies, investors remained cautiously optimistic about potential policy changes that could affect the digital asset market in the coming year.

The year 2023 kicked off with the launch of Ordinals, which are a new type of digital asset on the Bitcoin *blockchain* that allow data, including support for NFTs, to be written directly into individual Satoshis, the smallest unit of Bitcoin. This process assigns a unique ID to each Satoshi, allowing the creation and verification of ownership of digital assets similar to NFTs in Bitcoin.

Ethereum has successfully completed the important Shapella *upgrade* that allows Ether *staked* withdrawals on the network after the transition to *Proof-of-Stake* at the end of last year. In addition, several Layer 2 *blockchains* such as zkSync and Base have been launched, capturing a significant share of the market and forming part of Ethereum's evolving ecosystem, with the aim of increasing the network's scalability and efficiency.

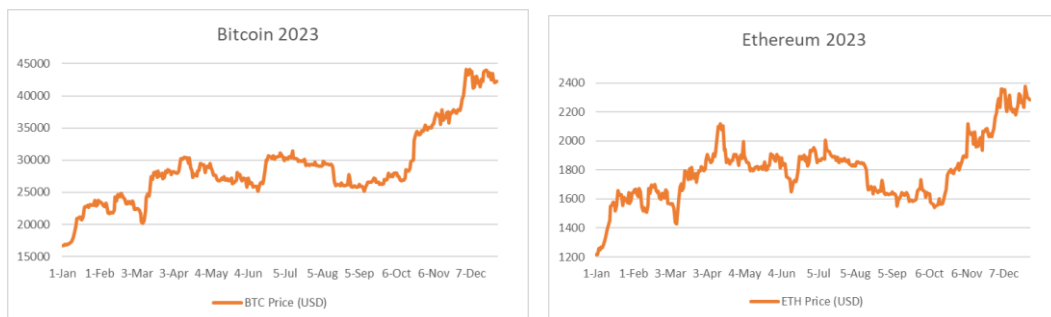


Table 3 and 4 - Bitcoin and Ethereum market value evolution in 2023

Several financial institutions considered "friendly" to cryptocurrencies in the US, such as Silicon Valley Bank, Signature Bank and Silvergate in March went bankrupt not because of cryptocurrencies, but because of liquidity problems, which precipitated "bank runs".

This situation raised questions about the future relationship between traditional banking and the cryptocurrency industry but, despite the immediate negative impact on the digital asset market, the market showed resilience and triggered concerns about the lack of regulation of cryptocurrencies in the US and the banking sector's ability to deal with digital asset platforms and brokers.

Shortly afterwards, in April, the European Parliament approved MiCA (Markets in Crypto Assets legislation), marking a significant step forward in the regulation of the crypto-assets market in the European Union. MiCA establishes a comprehensive regulatory framework with clear rules and

standards in order to promote innovation and fair competition in the market, while guaranteeing a high level of protection for consumers and investors. This regulation is expected to increase transparency, reduce the risks associated with digital assets and promote a harmonized approach across all EU member states, contributing to the growth and stability of the digital financial sector.

In June, BlackRock submitted an application to issue a Bitcoin Spot ETF to the US Securities and Exchange Commission (SEC), which led to a significant rise in the value of Bitcoin, indicating a strong market reaction to the potential for institutional involvement in cryptocurrencies through a financial product of this type. This request was part of a wider trend of financial institutions seeking regulatory approval for Bitcoin ETFs, with the aim of providing a more accessible route for traditional investors.

It was a year in which the SEC took significant action in court against various entities in the digital asset space, but the biggest highlight of the year was the defeat in court of the rejection of Grayscale Investments' application to list an exchange-traded fund (ETF) that tracks the price of Bitcoin. The US Department of Justice, meanwhile, saw Binance, the world's largest digital asset exchange, plead guilty to several charges, including conspiracy to violate the Bank Secrecy Act (BSA) and failure to register as a money transmission business, among other violations. As part of the guilty plea, Binance agreed to a substantial penalty in the amount of 4.3 billion US dollars to resolve the Justice Department's investigations. Changpeng Zhao, also known as "CZ", the CEO and founder of Binance, pleaded guilty to related charges and resigned from his position.

In summary, 2023 was a year of robust recovery and significant gains for digital assets, marked by anticipation of regulatory developments, particularly MiCA and the potential approval of a Bitcoin *spot* ETF, and macroeconomic factors that continue to shape the market's positive expectations for the future.

## 02 - BUSINESS ACTIVITY

This was a year marked by adaptation to a new business framework for Bison Bank, S.A. ("the Bank" or "Bison Bank"), with the Bank refocusing its approach, which is now more geared towards working on a *business-to-business basis*, and towards institutional and high-income customer segments (*High Networth Individuals*). The Bank has also taken on a business origination base from international clients, as well as the synergies for traditional business that can be derived from the new subsidiary Bison Digital Assets, SA (BDA), 100% owned by the Bank.

For most of the year, commercial activity focused on consolidating the business of expanding the existing customer base through a series of initiatives linked mainly to depositary bank and custody



services, as well as Bison Bank's strong vocation for opening accounts for international customers, based on the added value that the Bank continues to present to its partners for *Golden Visa* processes.

## 2.1 EXECUTION AND ASSET MANAGEMENT SERVICES

### Investment Consulting

The *Wealth Management* team finished 2023 with a 47% increase in the number of investment advisory service accounts, compared to 2022. In terms of volume under management, the Bank recorded an increase of 166%, exponentially above the market variation, both in the equity and debt markets. Revenues generated by the *advisory* service more than tripled compared to 2022.

The focus of this team for 2024 will be to continue to give priority to the investment consultancy service in the integrated financial situation of each client, prevailing the vision of a service that allows the client to choose the products that best meet their needs, in terms of risk profile, investment horizon, objectives and return expectations.

### Order execution services

In 2023, the execution of client orders in securities saw a reduction in the total volume and number of trades generated, when compared to the same period last year. The lower portfolio activity by institutional clients, where the largest trading volume was concentrated in 2022, had an impact on these business unit items.

However, the continuous increase in the number of new accounts that Bison Bank has been consistently making, based on a logic of *cross-selling* products and services, with clients in the most diverse geographies, has led to an increase in the constitution of new portfolios and their transactionality in the market.

This effect has been felt, expressed in the gain in net margin on operations, close to 70%. In 2023, the average net margin went from 7bps to 12bps per operation.

Among the most traded assets over the course of 2023, fixed-income securities, namely *investment grade bonds* and government bonds, have become more prevalent, accounting for approximately 40% of the volume traded.

## 2.2. DEPOSITARY BANK AND CUSTODY SERVICES

Despite the legislative changes resulting from the governmental Mais Habitação (More Housing) Program, which had an impact on the Investment Funds Industry, Bison Bank maintained the commitment it had made in recent years and solidified its position in the Custodian Bank segment.

The Bank has been providing a structured service in the domestic market to satisfy and accommodate the nature, scale and specificities of the various types of investment vehicles, independently and

without conflicts of interest. With more than 20 years' experience, and providing depositary services to more than 90 Funds, it focuses on rigor, exclusivity and personalized support for Management Companies, with whom it aims to be a partner of reference for receiving Investors and Participants in the Funds they manage.

The 2023 financial year once again confirmed the growth trend in this line of business, which has become increasingly important and has allowed the Bank to leverage its other commercial activity, not only in terms of the volume of Institutional Clients, but also in terms of the number of Investment Funds and Participants in these Funds, with special emphasis on international investors interested in joining the Residence Permit for Investment Activity (ARI) Program.

In 2024, Bison Bank intends to strengthen its position in the market, seeking to be recognized as the benchmark custodian bank in the domestic market.

### **2.3. INVESTMENT BANKING SERVICES**

Bison Bank's investment banking services currently offer a range of investment banking solutions that meet the needs of those looking to raise capital, sell or buy businesses and/or assess the commercial value of a company. Bison Bank's investment banking services focus mainly on transactions that take place in Portugal, but can also serve as a link to Asia, given the Bank's natural connection to this region.

Finally, the unit also provides financial advisory services, namely in the area of development of business plans and application processes for operating licenses, public offers and payment solutions.

Throughout 2023, the investment banking unit strengthened its activity, namely in the origination and execution of M&A operations and Financial Advisory (Debt and Equity Fundraising), having supported a growing number of clients and partners, covering various sectors such as real estate, financial services, tourism and sports, among others.

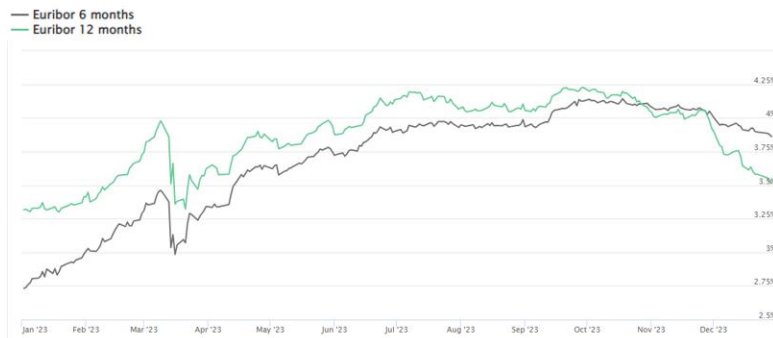
Investment banking services continue to develop a consistent portfolio of mandates and projects under management.

### **2.4. TREASURY**

In the global financial market environment, 2023 saw high interest rates, supported by the restrictive monetary policies of the main Central Banks, namely the FED and the ECB. A global context of high inflation in the world's main economies, combined with factors of geopolitical uncertainty, namely the continuation of the war conflict in Ukraine and, as of October, the conflict in Palestine, meant that it was only at the end of the year that the pressure on interest rates eased in anticipation of a change of cycle in inflation levels.

This prospect of a change of cycle and the consequent alteration of monetary policies and conditions in the financial markets resulted in a general drop in interest rates in the bond markets at the end of the year, although this was not reflected in the key rates charged by the Central Banks. The latter opted to maintain a more prudent rhetoric in view of the need to confirm the sustainability of the decline in global inflation, as well as the latent instability caused by the geopolitical factors mentioned above.

In this context, short-term interest rates remained in line with prime rates throughout the year, but fell sharply from the end of November onwards, especially in December.



The year 2023 therefore continued to be a year in which monetary conditions remained restrictive with a view to combating the global environment of high inflation, an objective that was partially achieved, but which remained uncertain, taking into account the geopolitical factors that were aggravated by the outbreak of the armed conflict in the Middle East.

In 2023, Bison Bank maintained its conservative strategic approach of making the most of its own portfolio of assets and its liquidity management policy, in a context of restrictive monetary conditions and high interest rates, and with a high degree of uncertainty about the future situation.

The Bank maintained its management strategy based on a liquidity structure with a profile in line with the parameters established by the Bank in its Risk Appetite Statement and the Liquidity Management Policy in force, which allowed for high levels of available liquidity.

Under these conditions, the Bank, with normalized market conditions in terms of average risk/return ratios in the debt markets, maintained a strategy of increasing investment in its own bond portfolio, naturally resulting in a positive impact on net interest income in the reference year.

The Bank's securities portfolio on an individual basis went from around €98m at the end of 2022 to €116m by the end of 2023.

At the same time, the Bank was able to increase its customer deposit base through a strategic approach to attracting new customers, allowing it to increase the stability of its resource base in this

area, while maintaining a balance in terms of results in the face of the aforementioned increase in the investment portfolio.

The Bank thus maintains 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 lines of action established in its business model.

In terms of the *Funding* base, the Bank maintains its view of not resorting to the Capital Markets as a source of funding in the short term, and therefore maintains this based on its own resources and customer deposits. As mentioned, in the latter area, the Bank has maintained a solid base, increased the degree of diversification and aims to continue to promote fundraising from new customers.

On December 31, 2023, the LCR (*Liquidity Coverage Ratio*) stood at 179% (141% in the same period of the previous year) and the NSFR (*Net Stable Funding Ratio*) at 162% (137% at the end of 2022), substantially higher than the levels required by the applicable regulations, in line with the aforementioned risk profile.

## 03 - SUPPORT AREAS

### 3.1 HUMAN RESOURCES

#### OUR EMPLOYEES

As part of its corporate human capital management strategy, Bison Bank advocates actively the development of all its employees, thus contributing to their motivation and commitment and also to the Bank's sustainability. In 2023, the reorganization and internal transformation of the Bank's macrostructure continued, with a focus on communicating the strategy, developing transformational leadership and investing in the technical training of employees for present and future challenges.

Bison Bank provided a wide range of content to support its teams in person and remotely, on various subjects, always focusing on the regulatory component (Markets and Financial Instruments Directive - MiFID II, Prevention of Money Laundering and Terrorist Financing), *Digital Operational Resilience Act (D.O.R.A)* and *Corporate Governance*, Fraud Prevention and *Foreign Account Tax Compliance Act (FATCA)*, Data Security (IT Security and SWIFT Payments) and continued training on the subject of crypto-assets. Following on from the commitment to developing leaders and teams, training in leadership skills for senior managers and commercial training for the business areas continued.

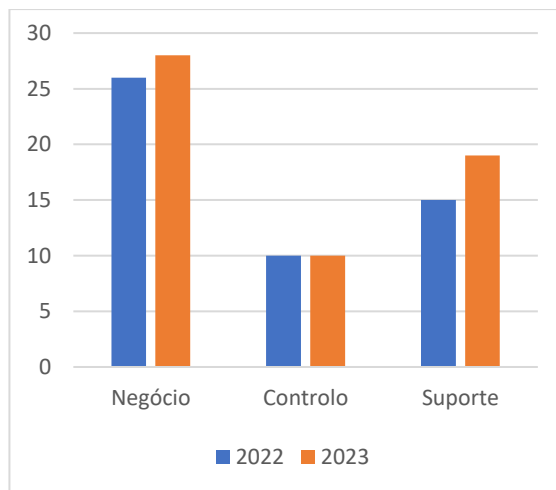
The performance management process aims to align individual performance with the Bank's strategy, defining clear objectives for all employees, always with the focus on developing skills and fostering a culture based on meritocracy and recognition. The appraisal continues to be carried out using a virtual appraisal tool, following the strategy of digitizing the tools of the People and Accounting Department - appraisal and employee portal.

EMPLOYEE OVERVIEW

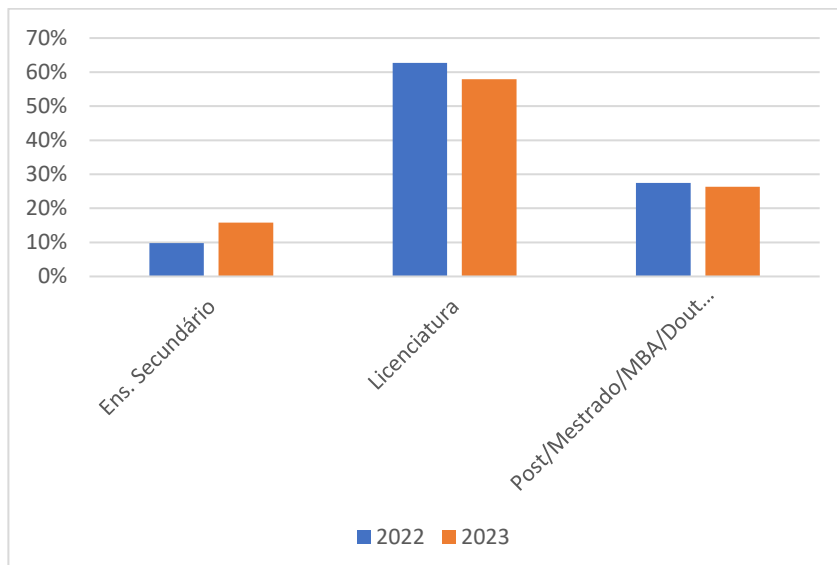
The employee figures presented refer to the universe of full-time employees, with open-ended and fixed-term contracts.

On December 31, 2023, Bison Bank employed 57 people, compared to 51 on December 31, 2022.

*Distribution of employees by area of activity (as of December 31, 2023)*



*Distribution of employees by educational qualifications (as of December 31, 2023)*

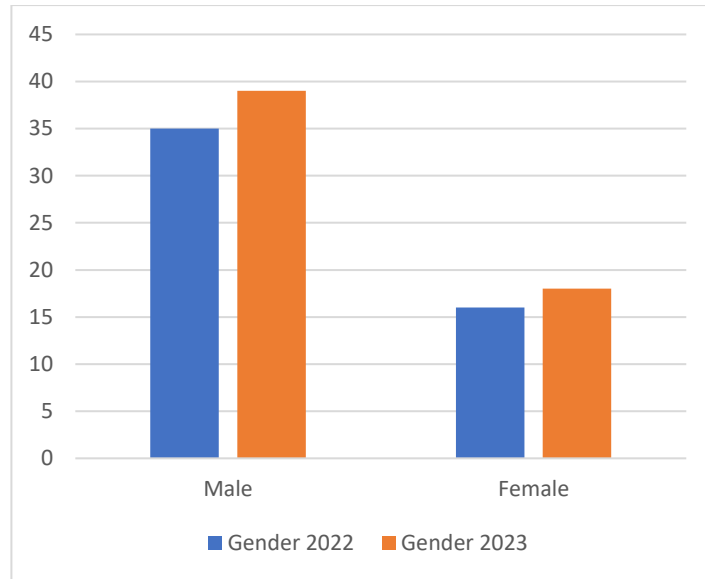


DIVERSITY AND INCLUSION

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

The focus is on progressively reducing the gender *gap* in the Bank's universe and creating a diverse environment.

*Distribution of employees by gender (as of December 31, 2023)*



**3.2 INFORMATION SYSTEMS**

In 2023, the Information Systems area of Bison Bank's integrated at the Technology and Operations Department (DTO) contributed to the pursuit of some of Bison Bank's main strategic initiatives, of which we highlight:

- Increasing the level of internal customer satisfaction. During 2023, the DTO's Information Systems area focused on continuously increasing user productivity through various improvement projects in this area:
  - i) Optimization of the collaborative tools of the cloud-based Microsoft Office 365 and security solutions based on multi-factor authentication, VPN and other protections for access to the Bank's systems, together with mobile *hardware*, to continue to

- guarantee the possibility of teleworking in hybrid mode for all employees, without any loss of productivity;
- ii) Implementation of additional improvements to the management information system to better support commercial activity;
  - iii) Optimization of internal operational processes through workflow automation tools.
- Ensuring a robust and compliant internal control environment. In this area, steps continued to be taken to strengthen the performance, flexibility, resilience and security of Bison Bank's hardware, software and communications:
    - i) Following the migration of Bison Bank's infrastructure to a hybrid *cloud* (with advantages in terms of agility, scalability and mobility, as well as in terms of security and resilience, as well as reducing operational risk and optimizing costs), the Security Operations Center (SOC) was implemented and reinforced, available 24x7, for monitoring and immediate reaction to security incidents, including real-time analysis of the *logs of all systems under surveillance*;
    - ii) Continuation of external security audits, both in terms of assessing the Bank's security processes and conducting regular intrusion and vulnerability detection tests;
    - iii) Implementation of several new general security improvements, as well as internal initiatives to raise user awareness of security and cybersecurity.
  - Improving the customer experience through *online* banking:
    - i) Consolidation of the new digital account opening process, with important gains in terms of administrative efficiency, reduction of operational risk and increased customer convenience;
    - ii) Various measures to strengthen the security, monitoring and user-friendliness of the Bank's *online* platforms;
  - Improving the customer experience through AML/FCT processes and other control functions:
    - i) Implementation of various improvements to the legal reporting structure;
    - ii) Increasing the level of automation in AML/FCT processes;
    - iii) Implementation of improvements in the management information made available to the control functions.
  - Improving the customer experience through the Wealth Management and Payments areas:

- i) Increased automation of flows related to payment systems, supporting the continuous increase in transactions in the period as a result of the Bank's activity.
- ii) Continued development of the migration of the Eurozone (Target) and SWIFT payment systems to the new ISO 20022 standard.

### 3.3. OTHER SUPPORT ACTIVITIES

#### ACCOUNTING AND PLANNING

Since July 2022, the Accounting and Planning Department (PAD) has been functionally responsible for the Human Resources Department, in addition to the usual accounting, planning and *procurement* activities, under the new name of People and Accounting Department (PAD).

In the Accounting and Planning area, we would highlight the following projects and initiatives:

- Monitoring tax inspections carried out by the Tax Authority for the 2020 and 2021 financial years;
- Review of the controls associated with reporting mechanisms and fiscal and tax compliance;
- Preparation and completion of the review of Bison Bank's strategy and budget for the three-year period 2024-2026, interacting with all business, support and control areas, comprehensively reviewed and approved by the Board of Directors;
- Development and production of new reports and reports, not previously required of the Bank, of a broad and relevant scope in the context of the Bank's activity;
- Formalization and revision of detailed procedures for the area, with a view to improving the internal control system.

The secretarial team continued to support the management and supervisory bodies and the company secretary throughout 2023, ensuring, among other activities, the meetings held and their scheduling, the Bank's correspondence (received and sent), ensuring its registration, the Bank's reception service, telephone calls and other administrative services.

#### OPERATIONS

The activity of the Operations area of the Technology and Operations Department (TOD) continued to grow significantly in 2023, as a result of the significant increase in the customer base and associated operations, which corresponded to what was established in the Business Plan.



The Bank's operations saw an 87% increase in the number of securities transactions, a 226% increase in the number of account openings and entities covered and a 140% increase in the number of transfers and payments made.

There continued to be a consistent increase in the number of investment funds under a Custodian Bank contract, as well as great diversification in the type of funds and the number of management companies involved in these processes.

The Bank's Centralized Securities Registration System, where 8 investment funds have already been centralized, continued its activity successfully.

In this context, intense action was taken to adapt the available resources and the associated tools, which proved to be resilient and capable of sustainably addressing the growth that occurred.

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

- Customer request and account opening process monitoring tool;
- Tool for managing registration requests and executing operations, with SLA and verification time measurement;
- Continued and audited reinforcement of the safeguarding of client assets;
- Monitoring financial variations in order to maintain low levels of operational risk;
- Implementation of a HUB tool for managing and controlling payments, integrated with the Bank's systems and national and international payment platforms. This tool enabled the large increase in volume to be managed and executed automatically, with corresponding gains in efficiency and security;
- Intense participation in the mandatory migration processes of the national community to the new Eurozone (Target) and Swift payment platforms, which will be integrated into a new architecture coordinated by the Eurosystem. This new reality will be fully certified by the ISO 2022 International Standard. This migration will be completed by 2025, with several components of the Target platform having already been migrated and the capabilities for retail transfers and financial markets currently being tested.

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

## **LEGAL AND GOVERNANCE**

The Legal and Governance Department (LGD) is a high-level structure in the Bank's organizational hierarchy, reporting hierarchically to the Executive Committee through the Head in charge.

The LGD is responsible for providing legal support, in all its aspects, to the Bank's banking and financial activity, particularly in the structuring, design and monitoring of the products and services provided. LGD is also responsible for providing support to the Board of Directors, Executive Committee, *Governance* Committees, Company Secretary and other statutory bodies, with regard to meetings held, their minutes and documentation, as well as various corporate and internal governance matters.

During 2023, LGD focused much of its activity on the following themes :

- New legal framework for depositary banks;
- Future regulations applicable to the activity of the Bank's subsidiary, Bison Digital Assets;
- ESG.

## 04 - CONTROL ACTIVITIES

### 4.1 RISK

The Global Risk and Reporting Directorate (RRD) is a high-level structure in Bison Bank's organizational hierarchy, reporting hierarchically to the Executive Committee through the Director of the portfolio.

It also liaises closely with the Audit Committee (AC) through regular specific meetings. Together with the Compliance Department and the Internal Audit Department, it ensures the Bank's Internal Control System.

In 2023, the Board of Directors, in coordination with the Department Head, focused on the following activities:

- Implementation of the 2023 Risk Activity Plan;
- Updating risk management policies to ensure alignment with the Bank's strategy and business objectives, namely the Risk Appetite Statement, limit policies, etc;
- Implementation of additional improvements in risk management information, based on complete and regular data, in order to assess risks in good time and act accordingly;
- Preparation and reporting of the prudential reports for which it is responsible, within its scope of activity, namely within the scope of Common Reporting (COREP OF; COREP LE, COREP LR, FRTB, LCR, NSFR and ALMM), IRRBB, ICAAP, ILAAP etc..;
- Contribution to other external reports, Internal Control Report, Recovery Plan (contribution to the definition of stress scenarios and recovery measures and calculation of impacts on

recovery indices and indicators), Funding and Capital Plan and Resolution Plan for Less Significant Institutions;

- Issuing opinions and participating in various working groups in the context of developing new commercial activities and products;
- Regular monitoring of the implementation of mitigation measures identified within the scope of the *Risk Control Self-Assessment* and Operational Risk;
- Implementation of mitigation measures relating to internal control points for which it is responsible;
- Implementation of the Risk Data Mart;
- Promotion of risk awareness campaigns (carried out by email), addressing various risk issues.

The RRD has been actively working, in coordination with the Board of Directors, to implement a risk management system for the Bank that is appropriate to the business strategy, while also ensuring that it is aligned with regulatory requirements.

#### **4.2. COMPLIANCE**

The Compliance Department (COD) is a high-level structure in Bison Bank's organizational hierarchy, reporting hierarchically to the Executive Committee through the Head of the Department.

In addition, it liaises very closely with the Audit Committee, through meetings at least every two months, and with the Internal Control and Compliance Committee, through quarterly meetings. Together with the Risk Department and the Internal Audit Department, it establishes the Bank's Internal Control System.

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

During 2023, the COD focused essentially on the following main activities:

- Implementation of the 2023 Compliance Plan;
- Activities carried out within the scope of the internal control system;
- Activities carried out in the field of preventing money laundering, combating terrorist financing and restrictive measures;
- Activities carried out within the scope of financial intermediation operations, combating market abuse and insider trading;

- Activities within the scope of controlling actual or potential situations of Conflicts of Interest and operations with Related Parties;
- Activities within the scope of the Whistleblowing Policy, supporting the Audit Committee;
- Activities to implement the Bank's cross-cutting projects in the areas of:
  - Digital Account opening;
  - Maintaining / updating customer information / documentation based on Risk;
  - Review of the Bank's portfolio of regulations.
- Activities carried out in the field of complaints handling and management;
- Activities within the scope of compliance with the submission of Mandatory Reports to the authorities / regulators.

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

#### **4.3. INTERNAL AUDIT**

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

Together with the Global Risk and Reporting Department and the Compliance Department, it ensures the Bank's Internal Control System. The Internal Audit function is established in a structural unit that is organically segregated from the activities it monitors and controls.

During 2023, IAD carried out its activities in accordance with the Multi-Annual Audit Plan, which was approved by the Board of Directors (with the prior opinion of the Audit Committee), with a view to ensuring a comprehensive, risk-oriented examination of the Bank's activities, systems and processes, focusing essentially on the following activities.

- Preparation of the Multi-Annual Audit Plan (aligned with the business strategy and objectives, in order to ensure that the relevant risks are monitored);
- Carrying out audit work in accordance with the Multi-Annual Audit Plan approved by the Board of Directors;
- Issuing recommendations based on the results of the audit work carried out and as a result of the internal control deficiencies identified;
- Promoting continuous monitoring of identified internal control deficiencies;
- Maintenance of existing IT tools to support the activity related to monitoring internal control points;
- Monitoring the progress of the implementation of the Bank's Business Plan;

- Updating / reviewing the organic statutes, internal documents, strategies and methodologies and risk classification models;
- Reporting relevant information on the activity carried out and on the implementation of the Multi-Annual Audit Plan to the Board of Directors and the Audit Committee.

The IAD has been actively working on assessing the adequacy and effectiveness of the internal control system, monitoring the internal control deficiencies identified and implementing measures to correct them, in order to achieve improvements in the Bank's internal control culture.

# 05 - ANALYSIS OF INDIVIDUAL ACCOUNTS

## 5.1. ANALYSIS OF INDIVIDUAL ACCOUNTS

### 5.1.1. MAIN HIGHLIGHTS

According to the 2023-2025 Business Plan, approved in the last quarter of 2022, the Bank was expected to reach *break-even* in 2024, from a loss of 6.5 million euros in 2022.

During 2023, performance was stronger than initially expected and the result for the year is positive, representing a profit of 0.6 million euros against a budgeted loss of 3.5 million euros, projected in the 2023-2025 Business Plan, anticipating *break-even* in one year.

The strength of the Bank's financial performance was substantially sustained by the effective stabilization of its business model. This model, predominantly geared towards the business market (B2B), was remarkably stable throughout the period under review. The strategic diversification into four different lines of activity, which include not only recurring services but also digital assets, was decisive for the business's resilience and adaptability to market dynamics. On the other hand, the implementation of a solid digital promotion strategy has strengthened the Bank's online presence, contributing significantly to overall financial performance and a sustainable projection in the digital environment. This strategic alignment has provided a solid foundation for financial performance, solidifying the Bank's position in the markets in which it operates.

A new business plan was finalized and approved in December 2023, reflecting the above-mentioned considerations, as well as the full operationalization of Bison Digital Assets, with the aim of achieving *break-even* in the coming years.

The Bank posted a positive result of 0.6 million euros (2022: 6.5 million euros loss), with operating income growing by 5.9 million euros and structural costs showing a significant decrease (-0.9 million euros in staff costs and other administrative expenses).

The main strategy guidelines have been strengthened, and this will continue in the future, with greater intensity - focus on a B2B model supported by a selected set of financial services in which the Bank has a clear competitive advantage, use of digital media as the preferred channel, use of a simple structure, and preservation of high levels of capital and liquidity.

### 5.1.2. MAIN INDICATORS OF THE FINANCIAL STATEMENTS

As of December 31, 2023, the Bank has a balance sheet total of 250.2 million euros (2022: 188.7 million euros), which represents an increase of around 61.5 million euros compared to December 31, 2022, an increase essentially related to deposit-taking.

Apart from "Cash, cash balances at central banks and other demand deposits", the "Financial assets at fair value through comprehensive income" portfolio is the largest component of balance sheet assets, representing around 46% of total assets (52% of total assets in 2022).

The Bank's total operating income amounted to 8.6 million euros, up from 2.6 million euros in 2022:

(i) an increase of 4.2 million euros in net interest income, (ii) an increase of 0.95 million euros in income from services and commissions; (iii) a decrease of 88 thousand euros in charges for services and commissions; (iv) a reduction of 0.1 million euros in other operating income and losses.

Finally, the personnel costs item amounted to 4.4 million euros, representing an 18% reduction compared to 2022 (-1.0 million euros), which is essentially due to the process of adjustments that took place in 2022, associated with the restructuring of management bodies and total staff, and the other administrative expenses item amounted to 2.5 million euros, in line with that recorded in 2022 (2.5 million euros), thus reflecting the continued pattern of control of the main structural costs. The remaining costs, related to amortization, provisions and depreciation, fell by 0.1 million euros (around -11%).

As a result of these developments, the Bank realized a profit of 0.6 million euros in 2023, 110% more than in 2022 (a loss of 6.5 million euros).

The off-balance sheet elements depend mainly on 2 services:

- Services of Custodian of Funds, whose value of the Funds amounts to 742.7 million euros on December 31, 2023 (2022: 725.9 million euros),
- Securities Custody Services, amounting to 998.2 million euros on December 31, 2023 (2022: 815.0 million euros), on behalf of the Bank's clients.

Deferred taxes once more had no impact on Net Profit / Loss, since the approval of the transfer of tax losses by the competent tax authorities, following the acquisition by Bison Financial, is still pending.

### **5.1.3. MAIN SOLVENCY INDICATORS**

In 2023, the Bank maintained a solid level of capitalization, with a Tier 1 Common equity ratio of 35.3% at the end of the year. This ratio resulted from the combination of a high Tier 1 Capital of 42.6 million euros and the Bank's conservative risk-taking profile - average risk-weighted asset ratio (RWA) of 47.6%. In addition, on December 31, 2023 the liquidity ratios remained robust - LCR of 191.4% and NSFR of 162.9% - and substantially above the regulatory minimums.

## **5.2 ANALYSIS OF THE CONSOLIDATED ACCOUNTS**

### **5.2.1 CONSOLIDATION PERIMETER**

On May 20, 2022, it was decided to develop the Bank's subsidiary, Bison Digital Assets, S.A. ("Bison Digital Assets", or "Bison Digital"), which was effectively set up on July 15, 2022, making it the only entity over which Bison Bank exercises control during 2023 and 2022.

In order to comply with international financial reporting standards (IFRS), at the level of consolidated financial statements (IFRS 10), the Bank presents consolidated financial statements as at December 31, 2023, considering the consolidation by the full consolidation method of Bison Digital Assets S.A..

### **5.2.2. MAIN HIGHLIGHTS**

As of December 31, 2023, Bison Bank's consolidated balance sheet is almost entirely the same as the individual balance sheet, given the reduced activity of Bison Digital in the year of its activity. For this reason, there are no additional relevant comments to add to the above comments regarding the balance sheet on an individual basis, and the same applies to the income statement.



## 06 - FUTURE PROSPECTS

For 2024, given the current context of high geopolitical uncertainty, it is expected that, like most banks globally, Bison Bank will be faced with complex challenges, particularly in the business development process.

Nevertheless, Bison Bank intends to continue the gradual process of stabilizing operations and boosting commercial activity, which will allow it to consolidate and develop its profitability.

In this way, the Bank will continue to make progress in consolidating its B2B model by establishing additional partnerships, compared to the more than 30 currently in place. The Bank also intends to continue implementing its digital transformation plan as a means of increasing its customer base and business volume. In particular, the Bank intends to consolidate the process of digitizing its commercial channels, namely the Bison Mobile mobile application and Homebanking, by improving current functionalities and making new ones available, with a view to improving its customers' banking experience, both *in on-boarding* and throughout the life of the commercial relationship.

In terms of business, by 2024 the Bank aims to have a more focused approach, particularly in the areas of depositary banking, for domestic institutional clients, and custody and execution, for private and institutional clients, essentially on an international basis. In addition, the Bank will provide services in the areas of investment consultancy and investment banking, on a *cross-border basis*.

In the first four months of 2024, the Bank should offer its private customers important new features, such as a Visa debit card and mortgage loans, through partnerships with renowned international institutions.

At the same time, the subsidiary Bison Digital Assets will continue to develop its digital asset *trading* and custody business, providing a wider range of services to current clients and helping to expand its client base.

Lastly, despite the geopolitical and macroeconomic context, Bison Bank, given the structure of its balance sheet, and with its assets essentially made up of a portfolio of *investment* grade and highly liquid bonds and liquidity with top-tier financial institutions, does not anticipate any significant impacts from this.

# 07 - PROPOSED APPLICATION OF RESULTS

From the development of its commercial activity in 2023, Bison Bank generated a profit of 640,579.92 euros (six hundred and forty thousand, five hundred and seventy-nine euros and ninety-two cents).

The Board of Directors proposes, under the terms and for the purposes of Article 376(1)(b) and (2) of the Companies Code (Decree-Law no. 262/86, of September 2, the Companies Code), that this profit of 640,579.92 euros be transferred to Retained Earnings.

## 08 - FINAL NOTE

On **February 1, 2023**, at a meeting of the Board of Directors, and following the previous decision of December 23, 2022, and after a positive opinion from the Bank of Portugal, it was decided to redistribute responsibilities amongst the members of the Executive Committee as follows:

- a. António Manuel Gouveia Ribeiro Henriques
  - Business Development Department
  - Customer Service and Support Department
  - Technology and Operations Department
  - Internal Audit Department (with purely administrative reporting)
- b. André Filipe Ventura Rendeiro
  - Compliance Department
  - Global Risk and Reporting Department
  - Legal and Governance Department
- c. Eduardo Nuno de Sousa Feijóo Moradas
  - People and Accounting Department
  - Treasury Department

The decision was made on a provisional basis, taking into account the recommendations issued by the regulator, which requested an analysis of possible conflicts of interest and consequent mitigation measures.

At the General Meeting held on **April 20, 2023**, all the documents corresponding to the Bank's annual accounts for the 2022 financial year were submitted and approved, namely the Management Report, the Corporate Governance Report, the individual and consolidated financial statements and the respective notes, as well as the corresponding Legal Certifications of the accounts issued by the Statutory Auditor, the Report and Opinion of the Audit Committee, and the report provided for in article 60 of Bank of Portugal Notice no. 3/2020, issued by the Audit Committee.

The Board of Directors' proposal for the appropriation of the year's profits was also approved and the sole shareholder approved a vote of praise and confidence for the Board of Directors and the Audit Committee, in recognition of their work.

At this meeting it was also decided to approve, as proposed by the Audit Committee:

- i) the revised and updated version of the remuneration policy for members of the management and supervisory bodies and the new report on the implementation of the remuneration policy;
- ii) the revised and updated version of the policy for selecting and assessing the suitability of members of the management and supervisory bodies and key functions.

Subsequently, on **July 28, 2023**, at a meeting of the Board of Directors, following the decision taken on February 1, 2023, identified above, and after the report issued by the Internal Audit Department and the opinion of the Audit Committee, both of which dealt with the possible conflict of interests and mitigation measures regarding the allocation of portfolios, a new redistribution was decided in the following format:

- a. António Manuel Gouveia Ribeiro Henriques
  - Business Development Department
  - Customer Service and Support Department
  - Treasury Department
  - Internal Audit Department (with purely administrative reporting)
- b. André Filipe Ventura Rendeiro
  - Compliance Department
  - Global Risk and Reporting Department
  - Legal and Governance Department
- c. Eduardo Nuno de Sousa Feijóo Moradas
  - People and Accounting Department
  - Technology and Operations Department

On **October 4, 2023**, Bison Capital Financial Holdings (Hong Kong) Limited, in its capacity as sole shareholder of Bison Bank, S.A., resolved to approve, at the proposal of the Audit Committee, the new revised version of the Policy for the selection and appointment of statutory auditors.

At the General Meeting held on **October 13, 2023**, all the documents corresponding to Bison Digital Assets' annual accounts for the 2022 financial year were submitted and approved, namely the Management Report on the financial statements and attached notes, as well as the corresponding Legal Certification of the accounts issued by the Statutory Auditor, and the Report and Opinion of the Supervisory Board.

The Board of Directors' proposal for the appropriation of the year's profits was also approved and the sole shareholder approved a vote of praise and confidence for the Board of Directors and the Supervisory Board, in recognition of their work.

At this meeting, the loss of half of Bison Digital Assets' share capital was also discussed, and the sole shareholder decided not to take any further action in this regard.

Each of the members of the Board of Directors, signatories to this document, identified *below*, declares, under their own individual responsibility, that, to the best of their knowledge, the management report, annual accounts, legal certification of accounts and other accounting documents required by law or regulation, have been drawn up in accordance with the applicable accounting standards and give a true and fair view of the Bank's assets and liabilities, financial position and results, and that the management report faithfully describes the development of the Bank's business, performance and position and contains a description of the main risks and uncertainties it faces.

In concluding its report on the activities carried out during the 2023 financial year, the Board of Directors would like to thank the members of the Audit Committee, the Statutory Auditor, its employees and the supervisory authorities for their support and cooperation.

Lisbon, March 28, 2024

The Board of Directors

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BIAN FANG (Chairman of the Board of Directors and Non-Executive Member)

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ANTONIO MANUEL GOUVEIA RIBEIRO HENRIQUES (CEO of the Executive Board)

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ANDRE FILIPE VENTURA RENDEIRO (Executive Member)

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EDUARDO NUNO DE SOUSA FEIJÓO MORADAS (Executive Member)

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ISSUF AHMAD (Non-Executive Member and Chairman of the Audit Committee)

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TING WANG (Non-Executive Director and Member of the Audit Committee)

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LUIS MIGUEL GONÇALVES FOLHADELA DE OLIVEIRA (Non-Executive Director and Member of the Audit Committee)

# 09 - CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS

**BISON BANK, S.A.**  
**CONSOLIDATED AND INDIVIDUAL BALANCE SHEET**  
**AS AT 31 DECEMBER 2023 AND 2022**  
**(Amounts expressed in thousands euros)**

	Notes	CONSOLIDATED				INDIVIDUAL			
		Gross Amount	Provisions, impairment and depreciations	Net Amount	Net Amount	Gross Amount	Provisions, impairment and depreciations	Net Amount	Net Amount
Cash, cash balances at central banks and other demand deposits	5	113,161	-	113,161	71,933	112,143	-	112,143	71,929
Financial assets held for trading	6	24	-	24	168	24	-	24	168
Non-trading financial assets mandatorily at fair value through profit or loss	7	10,685	-	10,685	10,733	10,685	-	10,685	10,733
Financial assets at fair value through other comprehensive income	8	116,655	475	116,180	98,362	116,655	475	116,180	98,362
Financial assets at amortised cost	9	102	7	95	150	102	7	95	150
Property, Plant and Equipment	10	2,148	937	1,211	447	2,148	937	1,211	447
Intangible assets	11	10,347	9,535	812	492	10,091	9,506	585	410
Investments in subsidiaries, joint ventures and associates	3	-	-	-	-	50	-	50	50
Current tax assets	12	68	-	68	106	68	-	68	106
Deferred tax assets	13	93	-	93	108	93	-	93	108
Other assets	14	6,569	368	6,201	5,987	9,455	368	9,086	6,249
<b>Total Assets</b>		<b>259,853</b>	<b>11,324</b>	<b>248,529</b>	<b>188,486</b>	<b>261,514</b>	<b>11,294</b>	<b>250,220</b>	<b>188,713</b>
Deposits and Liabilities from other credit institutions	15			2,479	1,312			2,479	1,312
Deposits from other clients	15			195,470	140,217			196,529	140,258
Provisions	16			2,174	2,191			2,174	2,191
Current tax liabilities	12			73	15			73	15
Deferred tax liabilities	13			118	14			118	14
Other liabilities	17			5,680	5,022			5,584	4,950
<b>Total Liabilities</b>				<b>205,994</b>	<b>148,772</b>			<b>206,956</b>	<b>148,740</b>
Share Capital	18			195,198	195,198			195,198	195,198
Revaluation Reserves	18			(1,575)	(4,225)			(1,575)	(4,225)
Other reserves	18			(151,259)	(144,462)			(151,000)	(144,462)
Profit (Loss) for the year	18			170	(6,797)			641	(6,538)
<b>Total Equity</b>				<b>42,535</b>	<b>39,715</b>			<b>43,263</b>	<b>39,973</b>
<b>Total Equity and Total Liabilities</b>				<b>248,529</b>	<b>188,486</b>			<b>250,220</b>	<b>188,713</b>

The Certified Accountant

The Board of Directors

## BISON BANK S.A.

## CONSOLIDATED AND INDIVIDUAL INCOME STATEMENT

AS AT 31 DECEMBER 2023 AND 2022

(Amounts expressed in thousands Euros)

	Notes	CONSOLIDATED		INDIVIDUAL	
		12/31/2023	12/31/2022	31/12/2023	12/31/2022
Interest Income	20	6,389	1,667	6,389	1,667
Interest Expenses	20	(843)	(308)	(843)	(308)
<b>Net Interest Income</b>		<b>5,546</b>	<b>1,359</b>	<b>5,546</b>	<b>1,359</b>
Dividend income	21	-	-	-	-
Fee and commission income	22	3,535	2,266	3,207	2,264
(Fee and commission expense)	22	(440)	(373)	(295)	(372)
Gains or losses on financial assets and liabilities designated at fair value through profit or loss, net	23	(111)	(1,189)	(111)	(1,189)
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	23	4	216	4	216
Exchange differences, net	23	251	206	207	205
Other operating income, net	24	(77)	98	10	135
<b>Total Operating Income, Net</b>		<b>8,708</b>	<b>2,584</b>	<b>8,568</b>	<b>2,619</b>
Staff expenses	25	(4,773)	(5,567)	(4,392)	(5,373)
Other administrative expenses	26	(2,729)	(2,498)	(2,530)	(2,467)
Depreciation	11,12	(809)	(873)	(779)	(873)
Provisions or reversal of provisions	17	(144)	141	(144)	141
Impairment or reversal of impairment on financial assets	17	127	(567)	127	(567)
Impairment or reversal of impairment on non-financial assets	17	(151)	63	(151)	63
<b>Profit or Loss before Tax from Continuing Operations</b>		<b>229</b>	<b>(6,717)</b>	<b>699</b>	<b>(6,458)</b>
Taxes					
Current Taxes	13	(58)	(80)	(58)	(80)
Deferred Taxes	14	-	-	-	-
<b>Profit (Loss) for the year</b>		<b>170</b>	<b>(6,797)</b>	<b>641</b>	<b>(6,538)</b>
Average weighted number of ordinary issued shares	28	39,039,674	39,039,674	39,039,674	39,039,674
<b>Earnings per share (Euro per share)</b>		<b>0.00</b>	<b>-</b>	<b>0.02</b>	<b>(0.17)</b>

The Certified Accountant

The Board of Directors

## AS AT 31 DECEMBER 2023 AND 2022

(Amounts expressed in thousands Euros)

	Notes	CONSOLIDATED		INDIVIDUAL	
		2023	2022	2023	2022
<b>Net Profit / (Loss) for the period</b>	18	<b>170</b>	<b>(6,797)</b>	<b>641</b>	<b>(6,538)</b>
Items that will not be reclassified to profit or loss					
Gains/ (losses) at fair value on financial assets through other comprehensive income	18	-	-	-	-
Deferred income taxes	18	-	-	-	-
Items that may be reclassified to profit or loss					
Gains/ (losses) at fair value on financial assets through other comprehensive income	18	2,753	(4,109)	2,753	(4,109)
Deferred income taxes	18	(103)	(37)	(103)	(37)
<b>Total Comprehensive Income, net of tax</b>	18	<b>2,820</b>	<b>(10,943)</b>	<b>3,290</b>	<b>(10,684)</b>

The Certified Accountant

The Board of Directors



**BISON BANK, S.A.**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

AS AT 31 DECEMBER 2023 AND 2022

(Amounts expressed in thousands Euros)

	Notes	Share Capital	Revaluation reserves (net of deferred taxes)	Other reserves and retained earnings	Net Profit / (Loss) for the period	Total Equity
<b>Balances as at 31-12-2021</b>	18	195,198	(79)	(133,844)	(10,618)	50,657
Application of net profit / (loss) from the previous period						
Transfer to other reserves and retained earnings	18	-	-	(10,618)	10,618	-
Profit (Loss) for the year	18				(6,797)	(6,797)
Comprehensive income	18	-	(4,146)	-		(4,146)
<b>Balances as at 31-12-2022</b>		<u>195,198</u>	<u>(4,225)</u>	<u>(144,462)</u>	<u>(6,797)</u>	<u>39,715</u>
Application of net profit / (loss) from the previous period						
Transfer to other reserves and retained earnings	18	-	-	(6,798)	6,797	-
Profit (Loss) for the year	18				170	170
Comprehensive income	18	-	2,650	-		2,650
<b>Balances as at 31-12-2023</b>		<u>195,198</u>	<u>(1,575)</u>	<u>(151,260)</u>	<u>170</u>	<u>42,535</u>

The Certified Accountant

The Board of Directors

**BISON BANK, S.A.**  
**INDIVIDUAL STATEMENT OF CHANGES IN EQUITY**  
**AS AT 31 DECEMBER 2023 AND 2022**  
 (Amounts expressed in thousands Euros)

	Notes	Share Capital	Revaluation reserves (net of deferred taxes)	Other reserves and retained earnings	Net Profit / (Loss) for the period	Total Equity
<b>Balances as at 31-12-2021</b>	18	<u>195,198</u>	<u>(79)</u>	<u>(133,844)</u>	<u>(10,618)</u>	<u>50,657</u>
Application of net profit / (loss) from the previous period	18					
Transfer to other reserves and retained earnings		-	-	(10,618)	10,618	-
Profit (Loss) for the year	18				(6,538)	(6,538)
Comprehensive income	18	-	(4,146)	-		(4,146)
<b>Balances as at 31-12-2022</b>		<u>195,198</u>	<u>(4,225)</u>	<u>(144,462)</u>	<u>(6,538)</u>	<u>39,973</u>
Application of net profit / (loss) from the previous period	18					
Transfer to other reserves and retained earnings		-	-	(6,538)	6,538	-
Profit (Loss) for the year	18				641	641
Comprehensive income	18	-	2,650	-		2,650
<b>Balances as at 31-12-2023</b>		<u>195,198</u>	<u>(1,575)</u>	<u>(151,000)</u>	<u>641</u>	<u>43,263</u>

The Certified Accountant

The Board of Directors

**CONSOLIDATED AND INDIVIDUAL STATEMENTS OF CASH FLOWS**  
AS AT 31 DECEMBER 2023 AND 2022

(Amounts expressed in thousands Euros)	CONSOLIDATED		INDIVIDUAL	
	12/31/2023	12/31/2022	12/31/2023	12/31/2022
<b>OPERATING ACTIVITY</b>				
<b>Operating Income:</b>				
Net profit/(loss) for the period	170	(6,797)	641	(6,538)
Credit Impairment	2	13	2	13
Impairment losses	22	491	22	491
Provisions for the period	(17)	(140)	(17)	(140)
Depreciations for the period	809	873	779	873
Tax appropriation for the period	-	-	-	-
Interests	(282)	(230)	(282)	(230)
Net Exchange	(251)	(206)	(207)	(205)
	<b>452</b>	<b>(5,995)</b>	<b>937</b>	<b>(5,736)</b>
<b>Changes to Operating Assets and Liabilities:</b>				
Changes to Operating Assets and Liabilities:				
Increase/(Decrease) in Financial Assets held for trading	145	2,224	145	2,224
Increase/(Decrease) in Financial Assets at fair value through profit and loss	48	960	48	960
Financial assets at fair value through other comprehensive income	(15,861)	(52,733)	(15,861)	(52,733)
Increase/(Decrease) in financial assets at amortised cost	55	9	55	9
Increase/(Decrease) in Investment Properties	(213)	3,117	(2,837)	2,854
Increase/(Decrease) in Other Assets	56,419	16,562	57,438	16,602
Increase/(Decrease) in Deposits	-	-	-	-
Aumento/(Diminuição) de Outros Passivos financeiros ao justo valor através de resultados	-	-	-	-
Aumento/(Diminuição) de Outros Passivos Subordinados	-	-	-	-
Increase/(Decrease) in Other Liabilities	659	20	634	(53)
Income taxes and others	121	104	121	104
Outros	-	-	-	-
	<b>41,373</b>	<b>(29,736)</b>	<b>39,743</b>	<b>(30,032)</b>
<b>Operating Cash Flows</b>	<b>41,825</b>	<b>(35,732)</b>	<b>40,680</b>	<b>(35,768)</b>
<b>INVESTING ACTIVITY</b>				
Acquisition / Disposal of Tangible Assets	(24)	(112)	(24)	(112)
Acquisition / Disposal of Intangible Assets	(573)	(261)	(442)	(179)
Acquisition / Disposal of Investment Properties	-	-	-	-
Acquisition / Disposal of Financial Investments	-	-	-	(50)
Dividends received	-	-	-	-
Others	-	-	-	-
<b>Cash flows from investing activity</b>	<b>(597)</b>	<b>(373)</b>	<b>(466)</b>	<b>(342)</b>
<b>FINANCING ACTIVITY</b>				
Share Capital Increase	-	-	-	-
<b>Cash flows from financing activity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL</b>	<b>41,228</b>	<b>(36,105)</b>	<b>40,214</b>	<b>(36,110)</b>
<b>CHANGES IN CASH AND CASH EQUIVALENTS</b>				
Cash and cash equivalents at the beginning of the period	71,933	108,039	71,929	108,039
Cash and cash equivalents at the end of the period	113,161	71,933	112,143	71,929
	<b>41,228</b>	<b>(36,106)</b>	<b>40,214</b>	<b>(36,110)</b>
<b>Balance sheet value of Cash and Cash Equivalents items as at 31 December</b>				
Cash	0	0	0	0
On-demand deposits at Central Banks	98,365	58,153	98,365	58,153
On-demand deposits at Other Credit Institutions	14,796	13,780	13,778	13,776
	<b>113,161</b>	<b>71,933</b>	<b>112,143</b>	<b>71,929</b>

The Certified Accountant

The Board of Directors

(Amounts expressed in thousands of euros, unless otherwise indicated)

## 1. GENERAL INFORMATION

Bison Bank, SA ("Bank" or "Bison Bank"), formerly known, until November 23, 2018, as Banif - Banco de Investimento, S.A. ("BBI"), resulted from the spin-off, on December 15, 2000, of Ascor Dealer - Sociedade Financeira de Corretagem, S.A., which also resulted in the incorporation of a new brokerage company called Banif Ascor - Sociedade Corretora, S.A..

On July 9, 2018, Bison Capital Financial Holdings (Hong Kong) Limited ("Bison Financial") acquired the entire capital of the Bank, in the amount of 135,198 thousand euros, from its previous shareholder, Oitante, S.A. ("Oitante"), a vehicle set up under the resolution measure decided by the Bank of Portugal against Banif - Banco Internacional do Funchal, S.A.

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

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

On July 29, 2020, a new capital increase was decided in the amount of 19,000 thousand euros, bringing the total to 195,198 thousand euros, which is the Bank's share capital as of December 31, 2022. Bison Financial holds all the Bank's shares.

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

In December 2023, Bison Bank's Board of Directors approved a revision of its business plan, covering the period from 2024 to 2026.

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

On May 20, 2022, at a meeting of the Board of Directors, it was decided to set up the Bank's subsidiary, Bison Digital Assets, S.A. ("Bison Digital Assets", or "Bison Digital"), which was effectively set up on July 15, 2022, becoming the only entity over which Bison Bank exercises control and which is measured at acquisition cost and classified under "Investments in subsidiaries, associates and joint ventures" (Note 3).

Considering compliance with the *International Financial Reporting Standards* (IFRS), at the level of consolidated financial statements (IFRS 10), the Bank presents consolidated financial statements as of December 31, 2023.

On March 28, 2024, the Bank's Board of Directors reviewed and approved the Individual and Consolidated Financial Statements and the Notes to the Financial Statements as of December 31, 2023, and globally approved the Management Report which, together with the Financial Statements, will be submitted to the Annual General Shareholders' Meeting for approval.

## **2. SUMMARY OF THE MAIN ACCOUNTING POLICIES**

### **2.1 Basis for presenting accounts**

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

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

The financial statements are expressed in thousands of euros, rounded to the nearest thousand. These financial statements have been prepared under the historical cost convention, except for financial assets and liabilities which are recorded at fair value, namely assets and liabilities held for trading (including derivatives), assets and liabilities at fair value through profit or loss or through other comprehensive income.

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

### **2.2 Comparative information**

The accounting policies are consistent with those used to prepare the financial statements for the previous year.

## 2.3 New standards and interpretations applicable to the 2023 financial year

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

### 1. impact of the adoption of the amendments to the standards that became effective on January 1, 2023:

Description	Amendment	Effective date
<ul style="list-style-type: none"> <li>• IAS 1 - Disclosure of accounting policies</li> </ul>	Requirement to disclose "material" accounting policies, rather than "significant" accounting policies;	January 1st, 2023
<ul style="list-style-type: none"> <li>• IAS 8 - Disclosure of accounting estimates</li> </ul>	Definition of accounting estimate. Clarification of the distinction between changes in accounting policies and changes in accounting estimates	January 1st, 2023
<ul style="list-style-type: none"> <li>• IFRS 17 - Insurance contracts</li> </ul>	New accounting for insurance contracts, reinsurance contracts and investment contracts with discretionary participation characteristics, in terms of aggregation, recognition, measurement, presentation and disclosure	January 1st, 2023
<ul style="list-style-type: none"> <li>• IFRS 17 - Initial Application of IFRS 17 and IFRS 9 - Comparative Information</li> </ul>	This amendment makes it possible to avoid temporary accounting mismatches between financial assets and insurance contract liabilities in the comparative information presented when applying IFRS 17 for the first time. This amendment allows the application of an "overlay" in the classification of a financial asset, for which the entity does not update the IFRS 9 comparative information.	January 1st, 2023
<ul style="list-style-type: none"> <li>• IAS 12 - Deferred tax related to assets and liabilities associated with a single transaction</li> </ul>	Requirement to recognize deferred tax on the recording of right-of-use assets / lease liabilities and provisions for dismantling / related assets, when their simultaneous initial recognition gives rise to equal amounts of taxable temporary differences and deductible temporary differences, as they are not relevant for tax purposes	January 1st, 2023
<ul style="list-style-type: none"> <li>• IAS 12 - International tax reform - Pillar Two model rules</li> </ul>	Introduction of a temporary exception to the requirements for recognizing and disclosing information on deferred tax assets and liabilities related to Pillar Two income taxes. Targeted disclosure requirements for affected entities (entities belonging to multinational	Immediately or January 1, 2023

	groups that have consolidated revenues of €750 million in at least two of the last four years)	
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- a) **IAS 1 (amendment), 'Disclosure of accounting policies'**. Amendment to the disclosure requirements for accounting policies based on the definition of 'material' rather than 'significant'. Information about an accounting policy is considered material if, in the absence of the policy, users of the financial statements would not be able to understand other financial information included in the financial statements. Information relating to immaterial accounting policies need not be disclosed. IFRS Practice Statement 2 has also been amended to clarify how the concept of "material" applies to the disclosure of accounting policies;
- b) **IAS 8 (amendment), 'Disclosure of accounting estimates'**. Introduction of the definition of an accounting estimate and how it differs from changes in accounting policies. Accounting estimates are now defined as monetary values subject to measurement uncertainty, used to achieve the objective(s) of an accounting policy;
- c) **IFRS 17 (new and amendment), 'Insurance contracts'**. This new standard replaces IFRS 4 and applies to all issuers of insurance, reinsurance or investment contracts with discretionary profit-sharing features if they are also issuers of insurance contracts. Under IFRS 17, issuers of insurance contracts need to assess whether the policyholder can benefit from a particular service as part of a claim, or whether that service is independent of the claim/risk event and separate out the non-insurance component. According to IFRS 17, entities must identify portfolios of insurance contracts on initial recognition and divide them into at least the following groups: i) contracts that are onerous on initial recognition; ii) contracts that do not present a significant possibility of subsequently becoming onerous; and iii) remaining contracts in the portfolio. IFRS 17 requires an entity to measure insurance contracts using updated estimates and assumptions that reflect the timing of cash flows and any uncertainty related to the insurance contracts. IFRS 17 requires an entity to recognize income as it provides insurance services (rather than when it receives the premiums) and to provide information about the insurance contract gains it expects to recognize in the future. IFRS 17 provides for three measurement methods for accounting for different types of insurance contracts: i) General measurement model ("GMM"); ii) Premium allocation approach ("PAA"); and iii) Variable fee approach ("VFA"). IFRS 17 is retrospective with some exemptions on the date of transition;
- d) **IFRS 17 (amendment), 'Initial application of IFRS 17 and IFRS 9 - Comparative Information'**. This amendment applies only to insurers in the transition to IFRS 17, and allows the adoption of an "overlay" in the classification of a financial asset for which the entity does not apply retrospectively, within the scope of IFRS 9. This amendment aims to avoid temporary accounting mismatches between financial assets and insurance contract liabilities, in the comparative information presented in the initial application of IFRS 17, by providing for: (i) the

application of financial asset to financial asset; (ii) the presentation of comparative information as if the classification and measurement requirements of IFRS 9 had been applied to that financial asset, but without requiring an entity to apply the impairment requirements of IFRS 9; and (iii) the obligation to use reasonable and supported information available at the transition date to determine how the entity expects that financial asset to be classified in accordance with IFRS 9;

- e) **IAS 12 (amendment), 'Deferred tax relating to assets and liabilities associated with a single transaction'**. IAS 12 now requires entities to recognize deferred tax on certain specific transactions when their initial recognition gives rise to equal amounts of taxable temporary differences and deductible temporary differences. The subject transactions refer to the recording of: i) right-of-use assets and lease liabilities; and ii) provisions for dismantling, restoration or similar liabilities, and the corresponding amounts recognized as part of the cost of the related asset, when on the date of initial recognition they are not relevant for tax purposes. These temporary differences are excluded from the scope of the exemption from recording deferred taxes on initial recognition of assets or liabilities. This change applies retrospectively;
- f) **IAS 12 (amendment), 'International taxation reform - Pillar Two model rules'**. Following the implementation of the OECD's Global Anti-Base Erosion ("GloBE") rules, there may be significant impacts on the calculation of deferred taxes of the entities covered, which at this date are difficult to estimate. This amendment to IAS 12 introduces: i) a temporary exception to the requirements for recognizing and disclosing information on deferred tax assets and liabilities related to Pillar Two; and ii) additional disclosure requirements for affected entities (entities belonging to multinational groups with consolidated revenues of €750 million in at least two of the last four years), such as: the fact that the exception has been applied, the current tax expense that relates to the Pillar Two rules, and the reasonable estimate of the impact of the application of the Pillar Two rules between the date of publication of the legislation and the date of its entry into force.

The adoption of these changes, improvements and interpretations did not have any impact on the Bank or on disclosures.

## 2. Published standards (new and amendments) whose application is mandatory for annual periods beginning on or after January 1, 2024, already endorsed by the European Union:

Description	Amendment	Effective date
<ul style="list-style-type: none"> <li>IAS 1 - Classification of liabilities as non-current and current and</li> </ul>	Classification of a liability as current or non-current, depending on the right an entity has to defer its	January 1st, 2024



Non-current liabilities with covenants	payment beyond 12 months after the reporting date, when subject to covenants	
<ul style="list-style-type: none"> <li>IFRS 16 - Lease liabilities in sale and leaseback transactions</li> </ul>	Accounting requirements for sale and leaseback transactions after the transaction date, when some or all of the lease payments are variable	January 1st, 2024

- a) **IAS 1 (amendment), 'Classification of liabilities as non-current and current' and 'Non-current liabilities with covenants'** (effective for annual periods beginning on or after January 1, 2024). These amendments clarify that liabilities are classified as current or non-current balances depending on an entity's right to defer payment beyond 12 months after the reporting date. They also clarify that covenants, which an entity is obliged to meet on or before the reporting date, affect the classification of a liability as current or non-current even if their verification only occurs after the reporting date. When an entity classifies liabilities resulting from financing contracts as non-current and these liabilities are subject to covenants, it is required to disclose information that allows investors to assess the risk of these liabilities becoming repayable within 12 months, such as: a) the book value of the liabilities; b) the nature of the covenants and the dates of compliance; and c) the facts and circumstances that indicate that the entity may have difficulties in complying with the covenants on the due dates. These changes are retrospective.
- b) **IFRS 16 (amendment), 'Lease liabilities in sale and leaseback transactions'** (effective for annual periods beginning on or after January 1, 2024). This amendment introduces guidance on the subsequent measurement of lease liabilities for sale and leaseback transactions that qualify as "sales" under IFRS 15, with a greater impact when some or all of the lease payments are variable lease payments that do not depend on an index or a rate. When subsequently measuring lease liabilities, seller-lessees should determine "lease payments" and "revised lease payments" in such a way that they do not recognize gains/(losses) in relation to the right of use they retain. This amendment is retrospective.

The Bank is still analyzing the impacts of the future adoption of these standards.

**3. Published standards (new and amendments) whose application is mandatory for annual periods beginning on or after January 1, 2024, which the European Union has not yet endorsed:**

Description	Amendment	Effective Date
<ul style="list-style-type: none"> <li>IAS 7 and IFRS 7 - Supplier financing arrangements</li> </ul>	Additional disclosure requirements on supplier financing arrangements (or "reverse factoring"), the impact on liabilities and cash flows, as well as the	January 1st, 2024

	impact on liquidity risk analysis and how the entity would be affected if these arrangements were no longer available	
<ul style="list-style-type: none"> <li>• IAS 21 - Effects of changes in exchange rates: Lack of exchangeability</li> </ul>	Requirements for determining whether a currency can be exchanged for another currency and when exchange is not possible for a long period, the options for calculating the spot exchange rate to be used. Disclosure of the impacts of this situation on the entity's liquidity, financial performance and equity position, as well as the spot exchange rate used on the reporting date.	January 1st, 2025

- a) **IAS 7 (amendment) and IFRS 7 (amendment), 'Supplier financing arrangements'** (effective for annual periods beginning on or after January 1, 2024). These changes are still subject to approval by the European Union. Supplier financing agreements are characterized by the existence of a financier who undertakes to pay the balances that an entity owes to its suppliers and the entity, in turn, agrees to pay in accordance with the terms and conditions of the agreements, on the same date, or later, than the date of payment to the suppliers. The amendments introduced require an entity to make additional disclosures about negotiated supplier financing arrangements to enable: i) an assessment of how supplier financing arrangements affect the entity's liabilities and cash flows; and ii) an understanding of the effect of supplier financing arrangements on an entity's exposure to liquidity risk, and how the entity would be affected if the arrangements were no longer available. The additional requirements complement the presentation and disclosure requirements that already exist in IFRS, as established by IFRS IC in the Agenda Decision of December 2020.
- b) **IAS 21 (amendment) 'Effects of changes in foreign exchange rates: Lack of exchangeability'** (effective for annual periods beginning on or after January 1, 2025). This amendment is still subject to approval by the European Union. This amendment adds the requirements to determine whether a currency can be exchanged for another currency (exchangeability) and to define how to determine the spot exchange rate to be used when it is not possible to exchange a currency for a long period. This amendment also requires the disclosure of information that makes it possible to understand how the currency that cannot be exchanged for another currency affects, or is expected to affect, the entity's financial performance, financial position and cash flows, in addition to the spot exchange rate used at the reporting date and how it was determined.

The Bank is still analyzing the impacts of the future adoption of these standards.

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

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

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

### *Continuity of operations*

The Bank's financial statements have been prepared on a going concern basis, based on the arguments described in Chapter 06 - Future Prospects of the Management Report and other notes in this Appendix.

### *Fair value of financial instruments not quoted on active markets*

When the fair value of financial instruments cannot be determined through prices (*marked to market*) on active markets, it is determined through the use of valuation techniques that include mathematical models (*marked to model*). The *input* data in these models is, whenever possible, observable market data, but when this is not possible a degree of judgment is required to establish fair values, namely in terms of liquidity, correlation and volatility.

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

### *Impairment losses on financial assets at amortized cost and debt instruments at fair value through other comprehensive income*

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

#### **Significant increase in credit risk**

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

**Definition of asset groups with common credit risk characteristics**

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

**Probability of default**

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

In estimating expected credit losses, the Bank uses forward-looking information based on market data from issuers or similar instruments, *credit default swaps* and market *yields*, which include this information.

**Loss due to non-compliance**

The *loss given default* rate (LGD) corresponds to the percentage of debt that will not be recovered in the event of customer *default*. The LGD is calculated on the basis of market information, taking into account the cash flows associated with operations from the moment of *default* until they are settled or until there are no relevant expectations of recovery.

**Tax on profits**

The Bank is subject to income tax in Portugal. Determining the overall amount of income tax requires certain interpretations and estimates. There are various transactions and calculations for which the determination of the final amount of tax payable is uncertain during the normal business cycle.

Other interpretations and estimates could result in a different level of tax on current profits recognized in the period. The Portuguese tax authorities are responsible for reviewing the Bank's calculation of its taxable income over a four-year period. As such, it is possible that there may be corrections to the tax base, mainly because of differences in the interpretation of tax legislation. However, the Board of Directors is confident that there will be no significant corrections to the taxes on profits recorded in the financial statements.

**Rentals**

In determining the lease term, the Board of Directors considers all the facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option.

Extension options (or periods after termination options) are only included in the lease term if it is reasonably certain that the lease will be extended (or not terminated).

To date, the adoption of IFRS 16 has not been accompanied by any adaptation to tax legislation, in particular the IRC Code, in order to establish specific rules on the treatment to be given to the accounting movements associated with the new accounting standard, which has led to doubts of interpretation among taxpayers, in particular with regard to the framework to be given to the amortization of the new class of assets - right-of-use assets.

In view of the lack of a specific tax regime, the Bank has come to believe that the accounting movements associated with the adoption of IFRS 16 (especially amortization of rights of use) should, in general terms, be considered relevant for tax purposes, as was the case under the previous accounting rules applicable to leases (safeguarding the specific limitations set out in the IRC Code in relation to passenger car leasing contracts and the incidence of autonomous taxation, when applicable), and no differences (temporary or definitive) have arisen between taxation and accounting in this respect.

Following the doubts raised by taxpayers regarding the tax implications of the application of IFRS 16, the Tax and Customs Authority ("AT") published Circular no. 7/2020, of August 13, disclosing its understanding of the tax implications of the new accounting standard.

According to the aforementioned Circular, the AT took the view, among other minor aspects, that right-of-use assets, to be recognized under lease contracts covered by the application of IFRS 16, should be considered an intangible asset subject to depreciation. In any case, instead of considering that tax amortization should follow the useful life of such an intangible asset, i.e., the duration of the associated leasing contracts, the AT took the view that, since tax legislation does not specifically provide for tax depreciation rates for right-of-use assets, the useful life periods and the maximum and minimum rates applicable to the assets underlying each right-of-use should be taken into account, in accordance with tables I and II of Regulatory Decree no. 25/2009, of September 14.

The Bank disagrees with the understanding presented in Circular no. 7/2020, of August 13, regarding the tax framework to be given to the amortization of right-of-use assets, since it could lead to temporary differences between accounting and taxation without adherence to a feasible economic or tax rationale, particularly in cases where there are material differences between the duration of lease contracts and the tax useful lives of the underlying assets (e.g. real estate leases).

According to what the Bank has been able to ascertain, the understanding set out in Circular no. 7/2020, of August 13, specifically regarding the tax framework for the amortization of right-of-use assets, is in the process of being centrally reviewed by the AT. In this regard, the Bank is awaiting further developments on this matter and will maintain its position on it for the time being.

## 2.5 Foreign currency transactions

Transactions in foreign currency are recorded based on the exchange rates contracted on the date of the transaction. Monetary assets and liabilities expressed in foreign currency are converted into Euro, which is the Bank's functional currency, at the exchange rate in force on the balance sheet date. Non-monetary items that are valued at fair value are converted at the exchange rate in force on the date of the last valuation. Non-monetary items held at historical cost are held at the original exchange rate. Exchange differences arising on translation are recognized as gains or losses for the period in the income statement, apart from those arising on non-monetary financial instruments classified as at fair value through profit or loss, which are recorded against a specific equity item until the asset is sold.

## 2.6 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents include domestic and foreign currency, cash on hand, demand deposits with central banks, demand deposits with other banks in Portugal and abroad, and checks drawn on other banks. Cash and cash equivalents include amounts with maturities of up to 3 months and with a low risk of fluctuation in fair value.

## 2.7 Financial instruments

### 2.7.1 Initial recognition and measurement of financial instruments

Purchases of financial assets and financial liabilities that involve the delivery of assets in accordance with the deadlines established by regulation or market convention are recognized on the transaction date, i.e. the date on which the purchase or sale commitment is made.

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

### 2.7.2 Subsequent measurement of financial assets

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

- A debt financial instrument that (1) is managed under a business model whose objective is to hold the financial assets in portfolio and receive all their contractual cash flows and (2) has contractual cash flows on specific dates that correspond exclusively to the payment of principal and interest on the outstanding principal - must be measured at amortized cost, unless it is designated at fair value through profit or loss under the "*Hold to Collect*" fair value option.
- A debt financial instrument that (1) is managed under a business model whose objective is achieved either through the receipt of contractual cash flows or through the sale of the financial assets and (2) contains contractual clauses that give rise to cash flows that correspond exclusively to the payment of principal and interest on the outstanding principal - must be measured at fair value through other comprehensive income ("FVTOCI"), unless it is designated at fair value through profit or loss under the fair value option - "*Hold to Collect & Sale*".
- All other financial instruments that do not meet the "*Hold to Collect*" or "*Hold to Collect and Sell*" criteria must be measured at fair value through profit or loss ("FVPL").

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

In addition to taking into account the risks that affect the performance of the business model and the financial assets held within that business model, in particular, the way in which these market and credit risks are managed, and how the business managers are compensated (for example, whether remuneration is based on the fair value of the assets managed or on the fair value of the financial assets held within the business model).

in the contractual cash flows obtained), this assessment may result in the reclassification of assets to a "*Hold to Collect*" or "*Hold to Collect and Sell*" model or another business model.

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

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

**Financial assets at fair value through profit or loss**

Financial assets are classified at fair value through profit or loss if they are held under the "*Held for Trading*" business model or if they do not meet the criteria for classification under the "*Hold to Collect*" or "*Hold to Collect and Sell*" model. In addition, this category may include financial assets that meet the criteria for classification in a "*Hold to Collect*" or "*Hold to Collect and Sell*" model, but where the financial asset does not meet the SPPI criteria, or where the Bank has determined specific classification in this category.

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

Financial assets measured at fair value through profit or loss are recognized or derecognized on the trade date, under the headings specified below, the trade date being the date on which the Bank undertakes to buy or sell the asset:

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

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

**Financial assets accounted for using the fair value through profit or loss option** - Certain financial assets, which would subsequently be measured at amortized cost or at fair value through other comprehensive income, may be recorded at fair value through profit or loss if this recording eliminates or significantly reduces a measurement or recognition inconsistency. The possibility of using this option under IFRS 9 is limited.

**Financial assets at fair value through other comprehensive income** - A financial asset is classified and measured at fair value through other comprehensive income ("FVOCI"), if the financial asset is held in



a "Hold to Collect" or "Hold to Collect and Sell" model, and if the contractual cash flows meet the SPPI criteria, unless it is designated at fair value through profit or loss under the fair value option.

Under the FVOCI criterion, a financial asset is measured at fair value, with any changes recognized in Other Comprehensive Income ("OCI") and assessed for impairment in accordance with the credit loss model set out in IFRS 9 in the case of debt instruments. The currency translation effect for assets recorded under the FVOCI criterion is recognized in profit or loss, as is the interest component, using the effective interest method. The amortization of premiums and the accrual of discounts are recorded under interest income and expenses. Realized gains and losses are recorded in net gains/(losses) on financial assets in *FVOCI*. Generally, the weighted average cost method is used to determine the cost of *FVOCI* financial assets.

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

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

Under this measurement category, the financial asset is measured at fair value on initial recognition. Subsequently, the carrying amount is reduced for principal payments, plus or minus accumulated amortization using the effective interest method. The financial asset is assessed for impairment in accordance with the expected credit loss model under IFRS 9. Financial assets measured at amortized cost are recognized on the settlement date.

Financial assets at amortized cost predominantly include loans at amortized cost and other receivables presented under Other Assets.

### 2.7.3 Modification of financial assets

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

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

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

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

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

However, if after a modification that results in the derecognition of the original financial asset, there is evidence that the new financial asset is credit-impaired at initial recognition, the new financial asset should be recognized as a credit-impaired financial asset, originated, and initially classified in *stage 3*.

#### **2.7.4 Impairment of financial assets**

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

Impairment is determined based on the expected credit loss model, whereby impairment is recorded on the date of initial recognition of the financial asset, based on expectations of potential credit losses at the time of initial recognition.

#### **Step-by-step approach to determining expected credit impairment losses**

IFRS 9 introduces a *three-stage* approach to determining impairment for financial assets that do not show credit losses at the date of origination or purchase. This approach can be summarized as follows:

- *Stage 1*: financial assets are classified as *stage 1* whenever there is no significant increase in credit risk since the date of their initial recognition. For these assets, the expected credit

impairment loss resulting from default events occurring during the 12 months after the reporting date must be recognized in the income statement;

- *Stage 2*: incorporates financial assets in which there has been a significant increase in credit risk since the date of their initial recognition. For these financial assets, an expected credit loss ("*ECL*") is calculated and expected credit impairment losses are recognized over the life of the assets ("*lifetime*"). However, interest will continue to be calculated on the gross amount of the asset. Impairment for credit losses is higher in this *stage* due to the increased credit risk and the impact of considering a longer time period, compared to the 12 months considered in *stage 1*;
- *Stage 3*: assets classified in this *stage* present objective evidence of impairment on the reporting date, because of one or more events that have already occurred and resulted in a loss. In this case, the expected credit impairment loss will be recognized in the income statement over the expected residual life of the financial assets. Interest is calculated on the net book value of the assets.

### **Significant increase in credit risk**

In accordance with IFRS 9, for the purposes of monitoring and determining the significant increase in the credit risk of a financial asset since initial recognition, the Bank considers reasonable and supported information that is relevant and available without excessive cost or effort.

This includes quantitative and qualitative information based on the Bank's historical experience, credit risk assessment and forward-looking information (including macroeconomic factors). The assessment of significant credit deterioration is key to determining when to move from measuring a loss based on 12-month *ECLs* to a measurement based on *ECLs* over the life of the assets (i.e. transfer from *stage 1* to *stage 2*).

The Bank's framework for determining whether there has been a significant increase in credit risk is aligned with the internal Credit Risk Management ("*CRM*") process and covers indicators related to the process and rating (Note 27).

### **Financial assets with credit impairment at *stage 3***

The Bank has aligned its definition of credit impairment under IFRS 9 to when a financial asset goes into default for regulatory purposes.

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

- The Bank considers that the debtor is unlikely to pay its credit obligations to the Bank; or
- Contractual payments of principal or interest by the debtor are more than 90 days overdue.

For financial assets classified as *stage 3*, the *ECL* value contemplates the amount of loss that the Bank estimates it will incur, and *ECLs are estimated on a case-by-case basis*. This estimate includes the use of discounted cash flows that are adjusted for the different recovery scenarios.

Forecasts of forward-looking information and future economic conditions are also considered when calculating *ECLs*. Expected lifetime losses are estimated based on the probability-weighted present value of the difference between the contractual cash flows due to the Bank under the terms of the contract and the cash flows the Bank expects to receive.

#### **Guarantee and collateral for financial assets considered in the impairment analysis**

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

- 1 Eligibility of guarantees, i.e. which guarantees should be taken into account when calculating the *ECL*;
- 2 Collateral valuation, i.e. what collateral value (settlement) should be used; and
- 3 Projection of the amount of collateral available over the life of a transaction.

#### **2.7.5 Subsequent measurement of financial liabilities**

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

At the time of their initial recognition, financial liabilities are classified in one of the following categories:

- i) Financial liabilities held for trading or
- ii) Financial liabilities at amortized cost.

##### **Financial liabilities held for trading**

This heading includes liabilities issued for the purpose of repurchase in the short term, those which form part of a portfolio of identified financial instruments and for which there is evidence of a recent pattern of short-term profit-taking, or which fall within the definition of a derivative (except in the case of a derivative classified as a hedge).

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

**Financial liabilities at amortized cost**

This heading includes non-derivative financial liabilities, which include deposits and resources from other credit institutions, deposits from other customers and other liabilities.

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

Interest on financial liabilities at amortized cost is recognized under "Interest and costs paid", based on the effective interest rate method.

**2.7.6 Derecognition of financial assets and liabilities****Financial assets**

A financial asset (or when applicable a part of a financial asset or part of a Bank of financial assets) is derecognized when:

- the rights to receive cash flows from the asset expire; or
- the rights to receive the cash flows have been transferred, or an obligation has been assumed to pay the cash flows receivable in full without significant delay to a third party under a *pass-through* arrangement; and
- The risks and rewards of the asset have been substantially transferred, or the risks and rewards have not been transferred or retained, but control over the asset has been transferred.

If the rights to receive the cash flows are transferred or a *pass-through* agreement has been entered into, and substantially all the risks and rewards of the asset have not been transferred or retained, nor has control over it been transferred, the financial asset is recognized to the extent of the continuing involvement, which is measured at the lower of the asset's original value and the maximum amount of payment that the Bank can be required to make.

When the continuing involvement takes the form of a call option on the transferred asset, the extent of the continuing involvement is the amount of the asset that can be repurchased, except in the case of a put option measurable at fair value, where the value of the continuing involvement is limited to the lower of the fair value of the asset and the exercise price of the option.

**Financial liabilities**

Financial liability is derecognized when the underlying obligation expires or is cancelled. When an existing financial liability is replaced by another with the same counterparty on terms substantially different from those initially established, or the initial terms are substantially altered, this replacement

or alteration is treated as a derecognition of the original liability and the recognition of a new liability and any difference between the respective amounts is recognized in the income statement. Reclassification of financial liabilities are not permitted.

## 2.8 Fair value of assets and liabilities

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

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

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

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

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

- valuation based on the "*Net Asset Value*" of non-harmonized funds, updated and disclosed by the respective management companies;
- valuation made on the basis of indicative prices disclosed by the entities that participated in the issue of certain financial instruments, without an active market; or,
- assessment based on impairment tests, using performance indicators of the underlying operations (e.g. degree of protection by subordination to the tranches held, delinquency rates of the underlying assets, ratings evolution, etc.)

b) financial instruments valued using indicative purchase prices based on theoretical valuation models published by specialized third parties.

## 2.9 Non-current assets held for sale

Non-current assets are classified as held for sale whenever it is determined that their book value will be recovered through sale. This condition only applies when the sale is highly probable and the asset is available for immediate sale in its current state. The sale must take place no later than one year after

classification under this heading. An extension of the period during which the sale is required to be completed does not exclude an asset (or Bank for sale) from being classified as held for sale if the delay is caused by events or circumstances beyond the Bank's control and the commitment to sell the asset is maintained.

The Bank records as non-current assets held for sale financial holdings which it intends and expects to sell in the short term (1 year). The Bank also records real estate received in repayment of own loans under this heading.

Assets recorded in this category are valued at the lower of acquisition cost and fair value, determined on the basis of independent expert valuations, less costs to be incurred on sale, or on the basis of their sale price already agreed with a third party. These assets are not depreciated.

In cases where assets classified in this category no longer meet the conditions for immediate sale, these assets are reclassified to the headings applicable to their nature.

## 2.10 Tangible fixed assets

The tangible fixed assets heading includes real estate for own use, vehicles and other equipment.

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

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

Tangible fixed assets are depreciated on a straight-line basis, according to their expected useful life, which is:

Real Estate	[10 - 50] years
Vehicles	[3 - 4] years
Other equipment	[2 - 15] years

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

A tangible asset is derecognized when it is sold or when no future economic benefits are expected from its use or sale. On the date of derecognition, the gain or loss calculated by the difference between the net sale value and the net book value is recognized in the income statement under "Other operating income".

### 2.11 Intangible assets

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

Intangible assets may include amounts of capitalized internal expenses, namely for the internal development of software. For this purpose, expenses are only capitalized from the moment the conditions set out in IAS 38 are met, namely the requirements inherent in the development phase.

### 2.12 Investment properties

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

Investment properties are derecognized when they are sold or when future economic benefits are no longer expected from holding them. On disposal, the difference between the net disposal value and the amount of the asset recorded is recognized in the income statement in the period of disposal.

### 2.13 Leases

On the start date of each contract, the Bank assesses whether the scope of the contract corresponds to a lease or whether it contains a lease. A lease is defined as a contract, or part of a contract, through which the right to control the use of an identifiable asset is assigned, for a certain period of time, in exchange for consideration.

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

#### Recognition

The Bank recognizes a right-of-use asset and a lease liability on the effective date of the lease contract.



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

Lease contracts may contain lease and non-lease components. The Bank separates the service components from the lease components, accounting for them as a single lease component when determining the lease liability.

Lease liabilities are initially recognized at the present value of the lease components of the rents not yet paid on the date the lease contract enters into force, discounted at the implicit interest rate, or if this rate cannot be easily determined, using the Bank's incremental interest rate.

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

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

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

### **Subsequent measurement**

Right-of-use assets are measured according to the cost model with depreciation calculated on a straight-line basis until the end of the lease term, adjusted by remeasurements of the lease liability.

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

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

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

## 2.14 Income tax

Income tax expense or income is the sum of current tax expense or income and deferred tax expense or income.

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

The Bank records as deferred tax liabilities or assets the amounts relating to the recognition of taxes to be paid/recovered in the future, arising from unused tax losses and taxable/deductible temporary differences, namely related to provisions and revaluations of securities.

Deferred tax assets and liabilities are calculated and valued on an annual basis, using the tax rates that are expected to be in force on the date of the reversal of the temporary differences, which correspond to the rates approved or substantially approved on the balance sheet date. Deferred tax liabilities are always recorded, except for those related to: i) the initial recognition of *goodwill*, or ii) the initial recognition of assets and liabilities which do not result from a business combination, and which on the date of the transaction do not affect the accounting or tax result.

Deferred tax assets are only recorded to the extent that it is probable that future taxable profits will be available to allow them to be used.

Income taxes (current or deferred) are reflected in the results for the year, except in cases where the transactions which gave rise to them have been reflected in other equity items. In these situations, the corresponding tax is also reflected against equity and does not affect the result for the year.

It should be noted that the Bank complied with the requirements to adhere to the Special Regime applicable to Deferred Tax Assets ("REAIID" or "special regime"), provided for in Law no. 61/2014 of August 26, having recorded, as a result of this adhesion, a Deferred Tax Asset ("AID") eligible for the purposes of the regime in the total amount of 755 thousand euros, which was accounted for by reference to December 31, 2015.

Following this accession and the calculation of a negative net result in 2015, the Bank partially converted the aforementioned AID into a tax credit under Article 6 of the special regime, in the amount of 442 thousand euros, maintaining the value of 313 thousand euros in deferred tax assets and, at the same time, constituted a special reserve in favor of the State in the amount of the tax credit, increased by 10%, in the amount of 486 thousand euros (Note 18).

As a result of the net loss recorded in 2016, in 2017 the Bank partially converted the AID into a tax credit, in the amount of 65 thousand euros, maintaining the 248 thousand euros in deferred tax assets and, at the same time, set up a special reserve in favor of the State in the amount of the tax credit, increased by 10%, in the amount of 71 thousand euros (Note 18).

As a result of the net loss recorded in 2017, in 2018 the Bank partially converted the AID into a tax credit, in the amount of 55 thousand euros, maintaining the value of 183 thousand euros in deferred tax assets and, at the same time, set up a special reserve in favor of the State in the amount of the tax credit, increased by 10%, in the amount of 60 thousand euros (Note 18).

As a result of the negative net income recorded in 2018, in 2019 the Bank partially converted the AID into a tax credit, in the amount of 28 thousand euros, maintaining the value of 166 thousand euros in deferred tax assets and, at the same time, set up a special reserve in favor of the State in the amount of the tax credit, increased by 10%, in the amount of 30 thousand euros (Note 18).

As a result of the negative net income for 2019, in 2020 the Bank partially converted the AID into a tax credit, in the amount of 20 thousand euros, maintaining the amount of 145 thousand euros in deferred tax assets and, at the same time, set up a special reserve in favor of the State in the amount of a tax credit increased by 10%, in the amount of 23 thousand euros (Note 18).

As a result of the negative net income for 2020, in 2021 the Bank partially converted the AID into a tax credit, in the amount of 15 thousand euros, maintaining the value of 130 thousand euros in deferred tax assets and, at the same time, set up a special reserve in favor of the State in the amount of a tax credit increased by 10%, in the amount of 16 thousand euros (Note 18).

As a result of the negative net result for 2021, in 2022 the Bank partially converted the deferred tax asset into a tax credit, in the amount of 23 thousand euros, maintaining the amount of 108 thousand euros in deferred tax assets as of December 31, 2022 and, at the same time, constituted a special reserve in favor of the State in the amount of the tax credit increased by 10%, in the amount of 25 thousand euros (Note 18).

As a result of the negative net result for 2022, in 2023 the Bank partially converted the deferred tax asset into a tax credit, in the amount of 15 thousand euros, and simultaneously set up a special reserve in favor of the State in the amount of the tax credit increased by 10%, in the amount of 16 thousand euros (Note 18).

As part of the process of continuous monitoring of the application of the REAID, namely from an economic, fiscal, legal and regulatory point of view, the Bank understood that, with reference to December 2022, the positive impacts resulting from the regime would be marginal, not justifying the context costs underlying its monitoring and control.

In this sense, and considering that REAID is an optional regime, the Bank has taken the considered option of renouncing it with reference to the tax period starting on January 1, 2023.

To this end, and in compliance with the requirements of Law no. 61/2014, of August 26, the Bank submitted an application for authorization to the Bank of Portugal on November 14, 2022 (which was

duly granted) and, subsequently, on December 29, 2022, it submitted a communication to the Minister of Finance, which formalized the process of renouncing the special regime, ensuring the cessation of its application with reference to the tax period starting on January 1, 2023.

The waiver of the REAID with reference to the 2023 tax period implied the full derecognition of the AID recorded in the accounts, in the amount of 93 thousand euros, which is expected to be fully deducted from the tax result calculated in 2023.

Notwithstanding the above, in view of the operations to convert AID into tax credits carried out under the regime, with reference to December 31, 2023, the Bank maintains a special reserve in favor of the State in its accounts for a total amount of 729 thousand euros (Note 18). In accordance with article 9 of Law 61/2014 of August 26, the registration of special reserves under the REAID implies the simultaneous constitution of conversion rights attributed to the State.

In this context, and taking into account the special reserves set up under the regime, between 2015 and 2022, the Bank issued and assigned to the Portuguese State a total of 639,658 conversion rights, with a total value of 729 thousand euros, which were duly registered with Interbolsa - Sociedade Gestora de Sistemas de Liquidação e de Sistemas Centralizados de Valores Mobiliários, S.A - "Interbolsa", as detailed below (these rights were not affected by the waiver of the regime with reference to the 2023 tax period):

- 404,669 conversion rights relating to 2015, with a unit value of 1.2013 euros (these rights were registered with Interbolsa on December 11, 2017);
- 83,109 conversion rights relating to 2016, with a unit value of 0.8570 euros (these rights were registered with Interbolsa on December 11, 2017);
- 70,162 conversion rights for 2017, with a unit value of 0.8601 euros (these rights were registered with Interbolsa on October 19, 2018);
- 19,134 conversion rights for 2018, with a unit value of 1.5860 euros (these rights were registered with Interbolsa on July 15, 2020);
- 16,232 conversion rights for 2019, with a unit value of 1.3891 euros (these rights were registered with Interbolsa on March 19, 2021);
- 10,339 conversion rights for 2020, with a unit value of 1.5649 euros (these rights were registered with Interbolsa on February 22, 2022);
- 19,429 conversion rights for 2021, with a unit value of 1.2794 euros (these rights were registered with Interbolsa on February 28, 2023);
- 16,584 conversion rights relating to the 2022 financial year, with a unit value of 1.0053 euros (these rights were registered with Interbolsa on March 6, 2024).

Within the scope of REAID, the conversion rights referred to above correspond to securities that give the State the right to demand that the Bank issue and deliver ordinary shares free of charge, following the share capital increase through the incorporation of the amount of the reserve. However, the Bank's shareholder has the right to acquire the conversion rights from the State, under the terms defined in Ministerial Order no. 293-A/2016, of November 18, amended by Ministerial Order no. 272/2017, of September 13 and Ministerial Order no. 60/2020, of March 5.

In the applicable cases, where the shareholder does not exercise the right to acquire the conversion rights issued and attributed to the Portuguese State within the period established for this purpose, the State may then exercise these rights and require the Bank to increase its capital by incorporating the amount of the special reserve.

In any case, in this scenario (*i.e.*, where the shareholder does not exercise the right to purchase), the Portuguese State, as an alternative to exercising the conversion rights and carrying out the capital increase operation, can freely dispose of them.

In this context, the Bank, in concert with the sole shareholder, has been in regular contact with the Directorate-General for the Treasury and Finance ("DGTF"), with a view to acquiring from this entity, in its own name, the conversion rights already constituted under the REAID, as well as those that may be constituted with reference to the 2022 financial year (the last year of application of the regime), and it is therefore not expected that the State will, through the exercise of such conversion rights, carry out any capital increase in the Bank.

## **2.15 Provisions and contingent liabilities**

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

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

As part of the Bank's business activity, financial guarantees are provided and credit commitments made to third parties, which, being off-balance sheet items (see Note 25), and therefore contingent liabilities, can become credit exposures to be recorded on the Bank's balance sheet. At each reporting date, the Bank assesses the potential credit risk involved in these contracts in accordance with the

ECL model (see Note 2.7.4) and whenever it estimates credit risk losses, it records the respective provision in the balance sheet.

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

## **2.16 Recognition of income and costs**

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

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

## **2.17 Recognition of dividends**

Dividends are recognized when their receipt by the Bank is virtually certain, to the extent that they have already been duly and formally approved by the competent bodies of the subsidiaries for distribution.

## **2.18 Income and charges for services and commissions**

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

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

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

### 2.19 Specialization of exercises

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

### 3) CONSOLIDATION PERIMETER

The entities that make up the consolidated information as of December 31, 2023, and 2022 are as follows:

December 31, 2023:

Entity	Consolidation %	Consolidation Method	Net Assets	Equity	Net Profit/(Loss)
Bison Bank, S.A.	100.00%	Full	250,220	43,263	641
Bison Digital Assets, S.A.	100.00%	Full	2,319	(679)	(470)

December 31, 2022:

Entity	Consolidation %	Consolidation Method	Net Assets	Equity	Net Profit/(Loss)
Bison Bank, S.A.	100.00%	Full	188,713	39,973	(6,538)
Bison Digital Assets, S.A.	100.00%	Full	152	(209)	(259)

The financial information of Bison Digital Assets, S.A. has not been audited as of the date of approval of the accounts by the Board of Directors.

On May 20, 2022, at a meeting of the Board of Directors, it was decided to set up the Bank's subsidiary, Bison Digital Assets, S.A., which was effectively set up on July 15, 2022, making it the only entity over which Bison Bank exercises control, and which is measured at cost and classified under "Investments in subsidiaries, associates and joint ventures" in the Bank's individual statements.

Considering compliance with international financial reporting standards (IFRS), in terms of consolidated financial statements (IFRS 10), the Bank presents consolidated financial statements as of December 31, 2023, including the results of Bison Digital Assets S.A..

#### 4) SEGMENT REPORTING

Bison Bank is not an issuer of equity or debt securities that are traded on a regulated market. public market, which is why it chose not to present information on business segments, as permitted by IFRS 8.

#### 5) CASH, CASH BALANCES AT CENTRAL BANKS AND OTHER DEMAND DEPOSITS

The item is detailed as follows:

	CONSOLIDATED		INDIVIDUAL	
	31-12-2023	31-12-2022	31-12-2023	31-12-2022
Cash	0	0	0	0
On-Demand Deposits with Bank of Portugal	98,365	58,153	98,365	58,153
	<u>98,365</u>	<u>58,153</u>	<u>98,365</u>	<u>58,153</u>
Other Demand Deposits				
In Portugal				
Currency EUR	2,543	3,908	2,543	3,908
Currency USD	8,814	7,572	8,814	7,572
Other currencies	73	132	73	132
Abroad				
Currency EUR	1,662	1,020	817	1,016
Currency USD	409	14	236	14
Currency GBP	1	1	1	1
Currency CHF	1	0	1	0
Other currencies	1,293	1,133	1,294	1,133
	<u>14,796</u>	<u>13,780</u>	<u>13,778</u>	<u>13,776</u>
	<u>113,161</u>	<u>71,933</u>	<u>112,143</u>	<u>71,929</u>

Cash balances at central banks include deposits made with the Bank of Portugal to meet the requirements of the Eurosystem's minimum reserve system. The minimum reserve is 1% of deposits and debt securities issued with a maturity of up to 2 years, excluding liabilities to other institutions subject to and not exempt from the same minimum reserve system and liabilities to the European Central Bank and National Central Banks participating in the euro.

The increase in cash balances at central banks is directly related to the increase in customer deposits and the reallocation of resources considering compensatory returns and risk in view of the current interest rate situation in the markets.

In 2020, a deposit was made in favor of the State for the receipt of the tax credit for 2015, 2016 and 2017, under the terms of Article 6(8) of Ministerial Order 272/2017 of September 13, in the amount of 618,000 euros (Note 13).

In 2022, a deposit was made in favor of the State relating to the receipt of the tax credit for the 2018 and 2019 financial years, under the terms of Article 6(8) of Ministerial Order 272/2017 of September 13, in the amount of 53,000 euros (Note 13).



In 2023, a deposit was additionally set up in favor of the State relating to the receipt of the tax credit for the 2020 financial years, under the terms of article 6(8) of Ministerial Order 272/2017 of September 13, in the amount of 16,000 euros (Note 13).

The amounts recorded under this heading are available for movement, except for the amounts pledged as shown below:

	<u>31-12-2023</u>	<u>12/31/2022</u>
Deposit with Millennium BCP	1,500	1,500
Deposit with Banco de Portugal	<u>500</u>	<u>500</u>
	<u>2,000</u>	<u>2,000</u>

## 6) FINANCIAL ASSETS AND LIABILITIES HELD FOR TRADING

This item is made up of debt instruments and equity instruments, all of which are classified as held for trading, as shown below (Consolidated and Individual).

	<b>CONSOLIDATED</b>		<b>INDIVIDUAL</b>	
	<u>12/31/2023</u>	<u>12/31/2022</u>	<u>12/31/2023</u>	<u>12/31/2022</u>
<b>Financial assets held for trading</b>				
<b>Debt Instruments</b>				
Issued by Residents	0	0	0	0
Issued by Non-Residents	24	168	24	168
	<u>24</u>	<u>168</u>	<u>24</u>	<u>168</u>

The item "Debt Instruments" includes "PORTUGAL, REPUB/VAR BD 20250723", in the amount of 369 thousand euros, which is pledged to the Investor Compensation Scheme. As of December 31, 2023, the Bank is not using the intraday credit line.

7) NON-TRADING FINANCIAL ASSETS MANDATORILY ACCOUNTED FOR AT FAIR VALUE THROUGH PROFIT OR LOSS

The movements in the balance of this item in 2023 and 2022 (consolidated and individual) are as follows:

**CONSOLIDATED/INDIVIDUAL**

	<b>Balance Value</b>
<b>On 1st January 2023</b>	<b>10,733</b>
Acquisitions	-
Sales	(12)
Fair Value Variation	(36)
<b>On 31st December 2023</b>	<b>10,685</b>
	<b>Balance Value</b>
<b>On 1st January 2022</b>	<b>11,692</b>
Acquisitions	71
Sales	(3)
Fair Value Variation	(1,027)
<b>On 31st December 2022</b>	<b>10,733</b>

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

- Shares in Funds - quotation based on the latest NAV provided by the respective management company for the units acquired up to the date of that quotation, which may be subject to analysis and the application of a *haircut*.
- Securities received in lieu of payment - 100% impairment recorded on the balance sheet value if there is no prospect of recoverability. The prospects of recoverability are determined on the basis of individual analyses carried out internally.

## 8) FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The movements in the balance of this item in 2023 and 2022 are as follows:

	<u>Balance Sheet Value</u>
<b>On 1st January 2023</b>	<b>98,362</b>
Acquisitions	236,239
Alienation - sale instruments	-
Alienation/reimbursement - debt instruments	(221,563)
Debt instruments fair value variation	2,860
Equity Instruments fair value variation	-
Accrued interest variation	282
Exchange difference	-
<b>On 31st December 2023</b>	<b>116,180</b>

	<u>Balance Sheet Value</u>
<b>On 1st January 2022</b>	<b>49 737</b>
Acquisitions	208,238
Alienation of Equity Instruments	-
Alienation of Debt Instruments	(155,387)
Debt Instruments Fair Value Variation	(4,393)
Equity Instruments Fair Value Variation	-
Accrued Interests Variation	230
Exchange difference	(63)
<b>On 31st December 2022</b>	<b>98,362</b>

The changes in acquisitions and disposals maintained the underlying rationale of the portfolio in terms of liquidity reserves, mostly made up of highly liquid and rated securities. In this sense, the transactions were intended to take advantage of market opportunities, promoting investment under more favorable conditions, while maintaining the portfolio's overall profile.

As at December 31, 2023 and 2022, the breakdown of this item is as follows:

	<b>CONSOLIDATED/INDIVIDUAL</b>	
	<u>12/31/2023</u>	<u>12/31/2022</u>
<b>Debt Instruments</b>		
Issued by Residents	59,331	47,020
Issued by Non-Residents	56,849	51,341
	<b>116,180</b>	<b>98,362</b>

The acquisitions recorded in 2023 refer to the subscription of bonds issued by government and private entities, both domestic and foreign, with a rating between BB and BBB, and the fixed and variable remuneration rates range from 0.675% to 7.25%.

The purchases registered in 2022 refer to the subscription of bonds issued by domestic and foreign private entities, with a rating between BBB+ and AAA, and the fixed and variable remuneration rates range from -0.04% to 7.30%.

## 9) FINANCIAL ASSETS AT AMORTIZED COST

As of December 31, 2023, and 2022, this item is broken down as follows at consolidated and individual level:

	<u>12/31/2023</u>	<u>12/31/2022</u>
Domestic Loans		
Corporates		
Other Loans	-	-
Overdrafts and on demand deposits	101	161
Ovedue Loans and Interests	1	1,059
	<u>102</u>	<u>1,220</u>
Impairment	(7)	(1,070)
	<u><u>95</u></u>	<u><u>150</u></u>

As of December 31, 2023, and 2022, the breakdown by maturity of loans and accrued interest in the portfolio is as follows:

<u>Tenor (months)</u>	<u>Amount</u>	
	<u>12/31/2023</u>	<u>12/31/2022</u>
<= a 3m	-	-
> 03m <= 06m	-	-
> 06m <= 09m	-	-
> 09m <= 12m	-	-
> 12m <= 15m	-	-
> 15m <= 18m	-	161
> 18m <= 24m	-	-
> 24m <= 30m	101	-
> 30m <= 36m	-	-
> 36m <= 48m	-	-
> 48m <= 60m	-	-
> 60m	-	-
Without maturity	1	1,059
<b>Total</b>	<u><b>102</b></u>	<u><b>1,220</b></u>

## 10) TANGIBLE FIXED ASSETS

The Group's tangible fixed assets as of December 31, 2023 and 2022 are summarized as the tangible fixed assets of Bison Bank, as shown in the following table:

## CONSOLIDATED/INDIVIDUAL

Description	12/31/2022			Movements occurred in 2023				12/31/2023		
	Gross Amount	Amortization	Net Amount	Acquisitions	Gross Amount	Write-offs Amortization	Amortization for the year	Gross Amount	Amortization	Net Amount
<b>Other Tangible Assets</b>										
<b>Real Estate Properties</b>										
Assets under financial lease	2 011	1 678	333	1 279	(2,002)	(1,932)	440	1,289	188	1,101
	2 011	1 678	333	1 279	(2,002)	(1,932)	440	1,289	188	1,101
<b>Equipment</b>										
Office furniture and material	280	268	12	-	-	-	-	280	268	12
Machinery and tools	20	17	3	-	-	-	1	20	17	3
IT equipment	221	202	19	18	-	-	14	239	216	23
Inner facilities	12	5	7	6	-	-	1	18	6	12
Transport equipment	0	0	0	-	-	-	-	0	0	0
Assets under financial lease - cars	239	180	59	42	(27)	(27)	52	254	204	50
Security Equipment	25	11	14	-	-	-	3	25	15	10
Other Equipment	24	24	0	-	-	-	-	24	24	0
	821	707	114	66	( 27)	( 27)	71	859	750	110
	2 832	2 385	447	1 345	( 2 029)	( 1 959)	511	2,148	937	1,211

The movement in the previous period was as follows:

## CONSOLIDATED/INDIVIDUAL

Description	12/31/2021			Movements occurred in 2022				12/31/2022		
	Gross Amount	Amortization	Net Amount	Acquisitions	Gross Amount	Abates Amortization	Amortization for the year	Gross Amount	Amortization	Net Amount
<b>Other Tangible Assets</b>										
<b>Real Estate Properties</b>										
Assets under financial lease	2,108	1,382	726	67	(164)	(159)	455	2 011	1 678	333
	2 108	1 382	726	67	(164)	(159)	455	2 011	1 678	333
<b>Equipment</b>										
Office furniture and material	280	264	16	-	-	-	4	280	268	12
Machinery and tools	17	17	-	3	-	-	0	20	17	3
IT equipment	204	189	15	17	0	0	13	221	202	19
Inner facilities	12	4	8	0	-	-	1	12	5	7
Transport equipment	20	20	-	-	(20)	(20)	-	0	0	-
Assets under financial lease - cars	312	165	147	0	(73)	(46)	61	239	180	59
Security Equipment	24	8	16	1	-	-	3	25	11	14
Other Equipment	24	24	-	-	-	-	-	24	24	-
	853	691	202	21	( 93)	( 66)	82	821	707	114
	3 001	2 073	928	88	( 257)	( 225)	537	2 832	2 385	447

The acquisitions relating to 2023, recorded under "Assets under right of use", relate solely to the renewal of the lease on the Bank's head office.

## 11) INTANGIBLE ASSETS

The movements in intangible assets in the years ended December 31, 2023, and 2022 were as follows:

## CONSOLIDATED

Description	12/31/2022			Movements occurred in 2023			12/31/2023		
	Gross Amount	Amortization	Net Amount	Acquisitions	Transfers	Amortization	Gross Amount	Amortization	Net Amount
<b>Intangible Assets</b>									
Software	9,648	9,238	410	419	59	297	10,067	9,535	532
IT Projects in development	82	-	82	198	(59)	-	279	-	279
	<u>9,730</u>	<u>9,238</u>	<u>492</u>	<u>617</u>	<u>-</u>	<u>297</u>	<u>10,348</u>	<u>9,535</u>	<u>812</u>

Description	12/31/2021			Movements occurred in 2022			12/31/2022		
	Gross Amount	Amortization	Net Amount	Acquisitions	Transfers	Amortization	Gross Amount	Amortization	Net Amount
<b>Intangible Assets</b>									
Software	9,508	8,902	606	140	-	336	9,648	9,238	410
IT Projects in development	-	-	-	82	-	-	82	-	82
	<u>9,508</u>	<u>8,902</u>	<u>606</u>	<u>222</u>	<u>-</u>	<u>336</u>	<u>9,730</u>	<u>9,238</u>	<u>492</u>

## INDIVIDUAL

Description	12/31/2022			Movements occurred in 2023		12/31/2023		
	Gross Amount	Amortization	Net Amount	Acquisitions	Amortization	Gross Amount	Amortization	Net Amount
<b>Intangible Assets</b>								
Software	9,648	9,238	410	278	268	9,927	9,506	421
IT Projects in development	-	-	-	164	-	164	-	164
	<u>9,648</u>	<u>9,238</u>	<u>410</u>	<u>443</u>	<u>268</u>	<u>10,091</u>	<u>9,506</u>	<u>585</u>

Description	12/31/2021			Movements occurred in 2022		12/31/2021		
	Gross Amount	Amortization	Net Amount	Acquisitions	Amortization	Gross Amount	Amortization	Net Amount
<b>Intangible Assets</b>								
Software	9,508	8,902	606	140	336	9,648	9,238	410
	<u>9,508</u>	<u>8,902</u>	<u>606</u>	<u>140</u>	<u>336</u>	<u>9,648</u>	<u>9,238</u>	<u>410</u>

The acquisitions for 2023 and 2022 refer essentially to the investment made in the Bank's operational software, upgrading payment systems and developing the mobile *homebanking* application.

## 12) CURRENT TAX ASSETS AND LIABILITIES

As of December 31, 2023, and 2022, current tax assets and liabilities are exclusively related to Bison Bank, and are detailed as follows:

	<b>CONSOLIDATED/INDIVIDUAL</b>	
	<u>12/31/2023</u>	<u>12/31/2022</u>
<b>Current Income Tax Assets</b>		
Special Account Payment ("Pagamento Especial por Conta")	68	106
	<u>68</u>	<u>106</u>
<b>Current Income Tax Liabilities</b>		
Estimated Income Tax	(73)	(15)
	<u>(73)</u>	<u>(15)</u>
	<u>(5)</u>	<u>91</u>

Current taxes recorded in the income statement are explained in the following table:

	<b>CONSOLIDATED</b>		<b>INDIVIDUAL</b>	
	<u>12/31/2023</u>	<u>12/31/2022</u>	<u>12/31/2023</u>	<u>12/31/2022</u>
<b>Profit / (Losses) before Income Tax</b>	<u>229</u>	<u>(6,717)</u>	<u>699</u>	<u>(6,458)</u>
Corporate Income Tax and other Income Taxes	157	(1,511)	157	(1,511)
Use of tax losses	(102)	-	(102)	-
Statutory Income Tax Rate	21.00%	21.00%	21.00%	21.00%
Additional over Statutory Income Tax Rate	1.50%		1.50%	1.50%
Autonomous Taxation	3	15	3	15
Banking Sector Tax	-	65	-	65
<b>Total Current Income Tax</b>	<u>58</u>	<u>80</u>	<u>58</u>	<u>80</u>

## 13) DEFERRED TAX ASSETS AND LIABILITIES

The deferred tax assets and liabilities recorded by the Group on December 31, 2023 and 2022 refer exclusively to Bison Bank and are summarized as follows:

	<b>CONSOLIDATED/ INDIVIDUAL</b>	
	<u>12/31/2023</u>	<u>12/31/2022</u>
Deferred tax assets	93	108
Deferred tax liabilities	(118)	(14)
	<u>(25)</u>	<u>93</u>

**Deferred tax assets**

As of December 31, 2023, for deductible temporary differences recorded in previous years, the Bank has recorded Deferred Tax Assets in the amount of 93 thousand euros.

The amount of deferred tax assets on December 31, 2022, refers to amounts related to the Special Regime applicable to deferred tax assets on tax credits, under Portuguese law, which can be summarized as follows.

As part of the process of continuous monitoring of the application of the REAID, namely from an economic, fiscal, legal and regulatory point of view, the Bank understood that, with reference to December 2022, the positive impacts resulting from the regime would be marginal, not justifying the context costs underlying its monitoring and control.

In this sense, and considering that REAID is an optional regime, the Bank has taken the considered option of renouncing it with reference to the tax period starting on January 1, 2023.

To this end, and in compliance with the requirements of Law no. 61/2014, of August 26, the Bank submitted an application for authorization to the Bank of Portugal on November 14, 2022 (which was duly granted) and, subsequently, on December 29, 2022, it submitted a communication to the Minister of Finance, which formalized the process of renouncing the special regime, ensuring the cessation of its application with reference to the tax period starting on January 1, 2023.

Notwithstanding the above, in view of the operations to convert AID into tax credits carried out within the scope of the regime, with reference to December 31, 2022, the Bank maintains a special reserve in favor of the State in its accounts in the total amount of 729 thousand euros (Note 18).

**Tax losses**

According to Article 52(8) of the IRC Code, an entity may lose its right to deduct tax losses from previous years if there is a change in the ownership of more than 50% of its share capital or the majority of voting rights.

With the resolution measure imposed on Banif, the entity that owned the Bank 100% until December 20, 2015, there was a change of more than 50% in the Bank's share capital.

The Bank therefore submitted a request to maintain the tax losses calculated between 2012 and 2014 within the legal deadline, under the terms of article 52, no. 12 of the IRC code.

Following the acquisition of the Bank by Bison Financial, completed on July 9, 2018, and relating to the Bank's entire capital, there was a further change of more than 50% of the Bank's share capital.



As of December 31, 2023, the Bank has recorded 93 thousand euros in deferred tax assets for deductible temporary differences recorded in previous years.

Once again, and in this way, the Bank submitted an application to maintain the tax losses calculated for the eligible reporting periods up to 2017, under the terms of article 52(12) of the IRC Code.

In the table below we detail the tax losses and the associated potential deferred tax asset, which the Bank did not record, out of prudence, in its financial statements as at December 31, 2023:

Year	Reportable Tax Losses	Potential Deferred Taxes
2014	59,710	12,539
2015	17,085	3,588
2016	8,906	1,870
2017	5,341	1,122
2018	10,390	2,182
2019	5,845	1,227
2020	7,114	1,494
2021	6,308	1,325
2022	4,850	1,019
	<u>125,549</u>	<u>26,366</u>

#### 14) OTHER ASSETS

As at December 31, 2023 and 2022, this item is broken down as follows:

	CONSOLIDATED		INDIVIDUAL	
	12/31/2023	12/31/2022	12/31/2023	12/31/2022
Sundry Debtors				
Debtors	1,395	1,517	4,293	1,743
Margin Account	1,375	1,338	1,375	1,338
Tax Credit	63	42	63	42
Expenses with deferred charges	455	267	443	241
Other active transactions pending regularisation	3,281	3,185	3,281	3,247
	<u>6,569</u>	<u>6,349</u>	<u>9,455</u>	<u>6,611</u>
Impairment losses on other assets	(369)	(362)	(369)	(362)
	<u>6,201</u>	<u>5,987</u>	<u>9,086</u>	<u>6,249</u>

As of December 31, 2023, the following changes stand out under "Sundry Debtors":

i) under "Debtors", in the amount of 4,293 thousand euros, the following amounts are included as at December 31, 2023: i) loans provided by the bank to the subsidiary Bison Digital Assets in the amount of 2.900 thousand euros; ii) commissions for providing the service of depositary bank for investment

funds, in the amount of 312 thousand euros; and ii) the constitution in favor of the State of a deposit relating to the receipt of the tax credit for the financial years 2015, 2016, 2017, 2018, 2019 and 2020 in accordance with Article 6(8) of Ministerial Order 272/2017 of September 13, in the amount of 687 thousand euros;

ii) in the item "Margin Account", which refers to amounts with Clearnet in the amount of 1,375 thousand euros, compared to 1,338 thousand euros recorded on December 31, 2022;

iii) under "Sundry debtors - Tax credits", the amount of 63 thousand euros comes from, i) the recognition of a tax credit of 52 thousand euros, under the REAID, of which 15 thousand euros were recognized in 2023, with the respective special reserve in favour of the state having been set up in the amount of 17 thousand euros (see Note 18); ii) also recorded under this heading are the amounts receivable from the Bank, relating to the tax contingency, existing in the Luson Carbon Fund / MCO2, and which refers to a time prior to the *carve out*, which under the *Share Purchase and Sale Agreement* constitutes a liability outside the sphere of Bison Bank, S. A.A. in the amount of 5 thousand euros; iii) lastly, 6 thousand euros of recoverable VAT is recorded under this heading.

As of December 31, 2023 and 2022, the amount of 3,145 thousand euros (3,145 thousand euros in 2022) is recorded under "Other assets to be settled", as a result of the sale of the Turirent Fund, which is expected to be settled by the first half of 2025.

Impairment losses on other assets are essentially related to commissions, which have already fallen due, relating to the provision of the investment fund depositary bank service, balances of other debtors and balances of other active operations to be settled whose expected receipt is measured in accordance with the debtor's risk assessment (Note 16).

## 15) DEPOSITS AND RESOURCES FROM OTHER CREDIT INSTITUTIONS AND OTHER CUSTOMERS

This item is detailed as follows:

	CONSOLIDATED		INDIVIDUAL	
	12/31/2023	12/31/2022	12/31/2023	12/31/2022
<b>From credit institutions in Portugal</b>				
Short term deposits	2,131	1,030	2,131	1,030
Term deposits	-	-	-	-
	<u>2,131</u>	<u>1,030</u>	<u>2,131</u>	<u>1,030</u>
<b>From credit institutions abroad</b>				
Deposits	348	282	348	283
	<u>2,479</u>	<u>1,312</u>	<u>2,479</u>	<u>1,312</u>
<b>Deposits</b>				
Short term deposits	123,921	113,269	124,980	113,309
Term deposits	71,549	26,949	71,549	26,949
	<u>195,470</u>	<u>140,217</u>	<u>196,529</u>	<u>140,258</u>
	<u>197,949</u>	<u>141,529</u>	<u>199,008</u>	<u>141,570</u>

Time deposits on December 31, 2023, have maturities between 3 and 24 months (31.12.2022: maturities between 1 and 24 months) and a weighted average rate of return of 3.05% (31.12.2022: 0.69 %).

The increase between December 31, 2023, and 2022 mainly concerns demand deposits from investment funds, securities and real estate, and deposits from private individuals.

## 16) IMPAIRMENT, PROVISIONS AND CONTINGENT LIABILITIES

The movement during the year was as follows:

CONSOLIDATED/INDIVIDUAL						
Description	Balance as at 31/12/2021	Reinforcements	Applications and Others	Reinstatements	Exchange Rate Differences	Balance as at 31/12/2022
<b>Assets</b>						
Financial assets at fair value through other comprehensive income	51	725	-	(171)	-	605
Financial assets at amortised cost	1,057	13	-	-	-	1,070
Other assets	425	34	-	(97)	-	362
	<u>1,533</u>	<u>772</u>	<u>-</u>	<u>(268)</u>	<u>-</u>	<u>2,037</u>
<b>Liabilities</b>						
Guarantees and other commitments	2,093	-	-	-	-	2,093
Fiscal contingencies and other provisions	239	-	-	(141)	-	98
	<u>2,332</u>	<u>-</u>	<u>-</u>	<u>(141)</u>	<u>-</u>	<u>2,191</u>
	<u>3,865</u>	<u>772</u>	<u>-</u>	<u>(409)</u>	<u>-</u>	<u>4,228</u>

The reversal of tax contingencies and other provisions essentially relates to amounts associated with possible tax reimbursements to non-resident employees.

Provisions for guarantees given and other loans refer to the impairment estimated when applying the estimated credit loss model (see Note 2.7) to the off-balance sheet items presented in Note 25.

The movement in the previous year was:

Description	Balance as at 31/12/2021	Reinforcements	Applications and Others	Reinstatements	Exchange Rate Differences	Balance as at 31/12/2022
<b>Assets</b>						
Financial assets at fair value through other comprehensive income	51	725	-	(171)	0	605
Financial assets at amortised cost	1,057	13	-	(0)	-	1,070
Other assets	425	34	-	(97)	-	362
	<u>1,533</u>	<u>772</u>	<u>-</u>	<u>(268)</u>	<u>0</u>	<u>2,037</u>
<b>Liabilities</b>						
Guarantees and other commitments	2,093	-	-	(0)	-	2,093
Fiscal contingencies and other provisions	239	-	-	(140)	-	98
	<u>2,331</u>	<u>-</u>	<u>-</u>	<u>(140)</u>	<u>-</u>	<u>2,191</u>
	<u>3,864</u>	<u>772</u>	<u>-</u>	<u>(408)</u>	<u>0</u>	<u>4,229</u>

On December 31, 2023, and 2022, impairments for guarantees provided correspond to the following nominal amounts recorded in off-balance sheet accounts (Note 25):

## CONSOLIDATED/INDIVIDUAL

	12/31/2023	12/31/2022
Guarantees provided (of which)		
Financial Guarantees	1,051	1,051
Performance Guarantees	1,722	1,722
	2,773	2,773

**Contingent liabilities arising from the Resolution Fund**

The Resolution Fund is a legal person governed by public law with administrative and financial autonomy, created by Decree-Law no. 31-A/2012, of February 10, which is governed by the General Regime for Credit Institutions and Financial Companies ("RGICSF") and its regulations and whose mission is to provide financial support for the resolution measures applied by the Bank of Portugal, in its capacity as national resolution authority, and to carry out all other functions conferred by law within the scope of the execution of such measures.

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

In 2023, the periodic contribution made by the Bank amounted to 31 thousand euros (in 2022: 24 thousand euros), calculated on the basis of a contribution rate of 0.029% (in 2022: 0.057%).

Resolution of Banco Espírito Santo, S.A. (BES)

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

To pay up Novo Banco's share capital, the Resolution Fund, as sole shareholder, provided 4.9 billion euros, of which 365 million euros corresponded to its own financial resources. A loan of 635 million euros was also granted to the Resolution Fund by a banking syndicate, with each credit institution's participation weighted according to various factors, including its size. The remaining amount (3.9 billion euros) came from a repayable loan granted by the Portuguese State.

Following the application of the aforementioned resolution measure, on July 7, 2016, the Resolution Fund stated that it would analyze and evaluate the steps to be taken following the publication of the report on the results of the independent evaluation exercise carried out to estimate the level of credit

recovery for each class of creditors in the hypothetical scenario of a normal insolvency process for BES on August 3, 2014. Under the terms of the applicable law, if it turns out that the creditors whose claims have not been transferred to Novo Banco have a higher loss than they would hypothetically have had if BES had gone into liquidation immediately prior to the application of the resolution measure, these creditors are entitled to receive the difference from the Resolution Fund.

On March 31, 2017, the Bank of Portugal announced that it had selected the Lone Star Fund for the purchase of Novo Banco, which was completed on October 17, 2017, through an injection of 750 million euros by the new shareholder, to be followed by a further capital injection of 250 million euros, to be carried out over a period of up to three years. This operation ended Novo Banco's status as a bridge bank, with the Lone Star Fund now holding 75% of Novo Banco's share capital and the Resolution Fund the remaining 25%, although without the corresponding voting rights.

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

This mechanism is activated annually, based on Novo Banco's annual accounts certified by the respective auditor, with the possibility of intra-annual calculations only in the event of non-compliance by Novo Banco with prudential requirements. For the purposes of this mechanism, the differences in the valuation of assets (positive or negative) compared to their book value, net of impairments, recorded on June 30, 2016 (around 7.9 billion euros according to the information provided by Novo Banco) are taken into account. This includes economic losses or gains resulting, for example, from the sale of assets or the restructuring of loans, but also impairments, or their reversal, recorded by Novo Banco, under the terms of the accounting standards, as well as the financing costs associated with keeping the assets on Novo Banco's balance sheet.

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

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

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

On May 31, 2021, the Resolution Fund signed a new loan agreement of 475 million euros with a group of banks to meet the Fund's financing needs arising from the commitments made to Novo Banco under the Contingent Capital Agreement.

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

#### Banif - Banco Internacional do Funchal, S.A. (Banif) resolution measure

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

Most of the assets that were not sold were transferred to an asset management vehicle called Oitante, S.A. ("Oitante"), created specifically for this purpose, whose sole shareholder is the Resolution Fund. Oitante issued bonds representing debt in the amount of 746 million euros, with a guarantee provided by the Resolution Fund and a counter-guarantee by the Portuguese State.

This operation involved public support estimated at 2.255 billion euros to cover future contingencies and was financed to the tune of 489 million euros by the Resolution Fund and 1.766 billion euros directly by the Portuguese state.

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

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

As mentioned above for BES, if it turns out that the creditors take on a greater loss than they hypothetically would have if Banif had gone into liquidation immediately before the resolution measure was applied, these creditors are entitled to receive the difference from the Resolution Fund.

Responsibilities and financing of the Resolution Fund

Following the resolution measures applied to BES and Banif and the agreement to sell Novo Banco to Lone Star, the Resolution Fund took out the loans referred to above and assumed responsibilities and contingent liabilities resulting from:

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

To preserve financial stability by promoting the conditions that give predictability and stability to the contribution to the Resolution Fund, the Portuguese government reached an agreement with the European Commission to change the conditions of the loans granted by the Portuguese state and the participating banks to the Resolution Fund. To this end, an addendum to the financing contracts for the Resolution Fund was formalized, which introduced a series of changes to the repayment plans, remuneration rates and other terms and conditions associated with these loans, so that they are adjusted to the Resolution Fund's ability to fully meet its obligations based on its regular income, i.e. without the need for special contributions or any other type of extraordinary contribution to be levied on the banks participating in the Resolution Fund.

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

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

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

**17) OTHER LIABILITIES**

As at December 31, 2023 and 2022, this item details as follows:

	CONSOLIDATED		INDIVIDUAL	
	12/31/2023	12/31/2022	12/31/2023	12/31/2022
Creditors and other resources	2,165	1,709	2,165	1,709
Financial Leases	1,154	243	1,154	243
Public sector	207	211	207	211
Other liabilities transactions pending regularisation	2,154	2,859	2,058	2,787
	<b>5,680</b>	<b>5,022</b>	<b>5,584</b>	<b>4,950</b>

As of December 31, 2023, creditors and other resources amounted to 2,165 thousand euros, of which 870 thousand euros are related to the former Liability Management Fund, 582 thousand euros to personnel expenses, 78 thousand euros to accrued costs for services rendered and suppliers.

The Lease liabilities heading shows the balances resulting from the application of IFRS 16 and the corresponding accounting of lease contracts by the Bank, as lessee, with the residual maturities shown in Note 27. The increase on December 31, 2023, refers to the renewal of the lease for the Bank's head office, which took place in August 2023.

The Public and administrative sector heading essentially includes deductions made from income, stamp duty and social security contributions.

Other liabilities to be settled in the amount of 2,058 thousand euros (2,787 thousand euros as of December 31, 2022) refer to transactions with customers, of which 1,619 thousand euros refer to transactions pending settlement.



**18) EQUITY**

On December 31, 2023, and 2022, the breakdown of Equity is as follows:

<b>CONSOLIDATED</b>	<b>12/31/2023</b>	<b>12/31/2022</b>
Share Capital	195,198	195,198.37
Securities Revaluation Reserves	(1,575)	(4,225.01)
Reserves and Retained Earnings	-	-
Legal Reserve	3,300	3,300.09
Other Reserves	14,115	14,132.02
Rights issued and attributable to the Portuguese Government 2015 (REIAD) (Note 13)	486	486.01
Rights issued and attributable to the Portuguese Government 2016 (REIAD) (Note 13)	71	71.02
Rights issued and attributable to the Portuguese Government 2017 (REIAD) (Note 13)	60	60.35
Rights issued and attributable to the Portuguese Government 2018 (REIAD) (Note 13)	30	30.05
Rights issued and attributable to the Portuguese Government 2019 (REIAD) (Note 13)	23	23.45
Rights issued and attributable to the Portuguese Government 2020 (REIAD) (Note 13)	16	16.18
Rights issued and attributable to the Portuguese Government 2021 (REIAD) (Note 13)	25	25.06
Rights issued and attributable to the Portuguese Government 2022 (REIAD) (Note 13)	17	-
Other transactions - IFRS 9 Adjustment	1,161	1,161.24
Retained Earnings	(170,564)	(163,767.57)
Net Profit / (Loss) for the year	170	(6,796.74)
	<b>42,535</b>	<b>39,715</b>
<b>INDIVIDUAL</b>	<b>12/31/2023</b>	<b>12/31/2022</b>
Share Capital	195,198	195,198
Securities Revaluation Reserves	(1,575)	(4,225)
Reserves and Retained Earnings	-	-
Legal Reserve	3,300	3,300
Other Reserves	14,115	14,132
Rights issued and attributable to the Portuguese Government 2015 (REIAD) (Note 13)	486	486
Rights issued and attributable to the Portuguese Government 2016 (REIAD) (Note 13)	71	71
Rights issued and attributable to the Portuguese Government 2017 (REIAD) (Note 13)	60	60
Rights issued and attributable to the Portuguese Government 2018 (REIAD) (Note 13)	30	30
Rights issued and attributable to the Portuguese Government 2019 (REIAD) (Note 13)	23	23
Rights issued and attributable to the Portuguese Government 2020 (REIAD) (Note 13)	16	16
Rights issued and attributable to the Portuguese Government 2021 (REIAD) (Note 13)	25	25
Rights issued and attributable to the Portuguese Government 2022 (REIAD) (Note 13)	17	-
Other transactions - IFRS 9 Adjustment	1,161	1,161
Retained Earnings	(170,306)	(163,768)
Net Profit / (Loss) for the year	641	(6,538)
	<b>43,263</b>	<b>39,973</b>

The estimated entitlements to the State between 2015 and 2022 refer to the special reserve in favor of the State within the scope of the application of the special regime for the convention of deferred tax assets (REIAD) and total 738 thousand euros (see note 2.14).

The Bank complies with the minimum capital requirements, with a *Core Tier 1* ratio of 35.3% and a Core Total ratio of 35.3% (in 2022, the *Core Tier 1* ratio was 36.8% and the Core Total ratio was 36.8%).

The revaluation reserves relate entirely to the portfolio of securities classified as financial assets at fair value through other comprehensive income.

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**Revaluation Reserves**


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<b>Balance as at 31-12-2021</b>	<b>(79)</b>
Reserves emerging from the valuation at fair value of the financial assets	(4,393)
Reserves recognised in the profit and loss account from the disposal of assets	(216)
Reserves recognised in retained earnings from the disposal of assets	0
Reserves recognised through deferred taxes	(37)
Reserves recognised in the profit and loss account through impairment and effective rate adjustment	500
<b>Balance as at 31-12-2022</b>	<b>(4,225)</b>
Reserves emerging from the valuation at fair value of the financial assets	2,860
Reserves recognised in the profit and loss account from the disposal of assets	4
Reserves recognised in retained earnings from the disposal of assets	0
Reserves recognised through deferred taxes	(103)
Reserves recognised in the profit and loss account through impairment and effective rate adjustment	(111)
<b>Balance as at 31-12-2023</b>	<b>(1,575)</b>

## 19) INTEREST INCOME AND EXPENDITURE

This item details as follows:

### CONSOLIDATED/INDIVIDUAL

	<b>2023</b>	<b>2022</b>
<u>Interest and similar income</u>		
Interests on financial assets at amortised cost	2 630	368
Interests on financial assets held for trading	8	12
Interests on financial assets mandatorily at fair value through profit or loss and through other comprehensive income	3 751	1 287
	<u>6 389</u>	<u>1 667</u>
<u>Interests and similar charges</u>		
IFRS 16 interests	23	8
Interests on deposits from other clients	818	97
Interests on deposits and liabilities from other credit institutions	2	203
	<u>843</u>	<u>308</u>

## 20) INCOME FROM SERVICES AND COMMISSIONS

This item details as follows:

	<b>CONSOLIDATED</b>		<b>INDIVIDUAL</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
<u>Commission Income</u>				
Rendered Services of administration, custodian and securities deposit	621	546	621	546
Securities transactions	295	282	295	282
Cryptocurrencies transactions	329	2	-	-
Guarantees provided	-	3	-	3
Other rendered services	933	436	934	436
Other received commissions	1,357	997	1,357	997
	<u>3,535</u>	<u>2,266</u>	<u>3,207</u>	<u>2,264</u>
<u>Commission Expenses</u>				
Banking Services provided by third parties	122	151	122	150
Securities transactions	173	197	173	197
Cryptocurrencies transactions	145	1	-	-
Other commission expenses	-	25	-	25
	<u>440</u>	<u>373</u>	<u>295</u>	<u>372</u>

## 21) RESULTS OF FINANCIAL OPERATIONS

This item details as follows:

	CONSOLIDATED		INDIVIDUAL	
	2023	2022	2023	2022
<b>Gains on Financial Transactions</b>				
Gains on other financial assets valued at fair value through profit and loss	0	-	0	-
Gains on financial assets and liabilities held for trading	27	168	27	168
Gains on financial assets through other comprehensive income	4	267	4	267
Gains on foreign exchange differences	8,198	2,822	8,154	2,821
	<b>8,228</b>	<b>3,257</b>	<b>8,185</b>	<b>3,256</b>
<b>Losses on Financial Transactions</b>				
Losses on other financial assets valued at fair value through profit and loss	(4)	1,092	(4)	1,092
Losses on financial assets and liabilities held for trading	142	265	142	265
Losses on financial assets through other comprehensive income	-	50	-	50
Losses on foreign exchange differences	7,947	2,616	7,947	2,616
	<b>8,084</b>	<b>4,023</b>	<b>8,085</b>	<b>4,023</b>
Profit / (Loss) from assets and liabilities valued at fair value through profit and loss	<b>(111)</b>	<b>(1,189)</b>	<b>(111)</b>	<b>(1,189)</b>
Profit / (Loss) from derecognition of financial assets and liabilities not measured at fair value	<b>4</b>	<b>216</b>	<b>4</b>	<b>216</b>
Profit / (Loss) from foreign exchange differences	<b>251</b>	<b>206</b>	<b>207</b>	<b>205</b>

During 2022, the Bank recorded a devaluation of the Discovery Fund, in the amount of 971 thousand euros, which is recorded under the heading of losses on other financial assets at fair value through profit or loss and maintained this valuation in 2023.

## 22) OTHER OPERATING INCOME AND EXPENSES

This item details as follows:

	CONSOLIDATED		INDIVIDUAL	
	2023	2022	2023	2022
Other operating income and revenue	467	324	555	361
Other operating charges and expenses	(302)	(129)	(302)	(129)
Other charges	(242)	(97)	(243)	(97)
	<b>(77)</b>	<b>98</b>	<b>10</b>	<b>135</b>

**23) PERSONNEL COSTS**

This item details as follows:

<b>CONSOLIDATED</b>	<b>2023</b>	<b>2022</b>
<b>Remuneration of management and supervisory board members</b>	998	856
<b>Remuneration of employees</b>		
Basic remuneration of employees	2,017	2,327
Holiday and Christmas	438	485
Lunch allowance	101	98
Other additional remunerations	90	611
	<u>2,646</u>	<u>3,521</u>
<b>Compulsory social security charges:</b>		
Charges relating to remuneration	829	887
Charges with pension funds	93	76
Other social security charges	85	89
	<u>1,007</u>	<u>1,052</u>
<b>Other personnel costs</b>	122	137
	<u>4,773</u>	<u>5,567</u>
 <b>INDIVIDUAL</b>		
	<b>2023</b>	<b>2022</b>
<b>Remuneration of management and supervisory board members</b>	998	856
<b>Remuneration of employees</b>		
Remuneration of employees	1,776	2,208
Holiday and Christmas	399	455
Lunch allowance	91	95
Other additional remunerations	78	611
	<u>2,344</u>	<u>3,369</u>
<b>Compulsory social security charges:</b>		
Charges relating to remuneration	762	851
Charges with pension funds	86	72
Other social security charges	80	89
	<u>928</u>	<u>1,013</u>
<b>Other personnel costs</b>	122	135
	<u>4,392</u>	<u>5,373</u>

The reduction in personnel expenses is essentially because of adjustments to the Bank's staff in 2022.

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

On December 31, 2023, Bison Bank employed 57 people, compared to 51 on December 31, 2022.

## 24) OTHER ADMINISTRATIVE EXPENSES

This item details as follows:

	CONSOLIDATED		INDIVIDUAL	
	2023	2022	2023	2022
IT	1075	1072	1026	1062
Consulting and external auditors	420	390	346	390
Information services	323	308	323	308
Advertising and publications	191	49	160	48
Rentals and leases	161	147	154	147
Retainers and fees	144	187	124	187
Travel, accommodation and representation	122	66	115	66
Communications	74	75	74	75
Other specialised services	69	31	69	20
Personnel training	39	54	39	49
Cleaning	30	33	30	33
Water, energy and fuel	29	38	24	35
Consumables	19	11	19	11
Other administratives costs	12	3	10	3
Maintenance and Repair	12	11	10	11
Legal, litigation and notary expenses	5	21	5	21
Insurance	4	1	1	1
	<u>2,729</u>	<u>2,498</u>	<u>2,530</u>	<u>2,467</u>

The total fees billed by the Bank's Statutory Auditor and companies belonging to the Statutory Auditor's network for the years ended December 31, 2023, and 2022, included under the heading of External consultants and auditors, are as follows, by type of service provided:

	2023	2022
<b>Fees charged by the Statutory Auditor</b>		
Statutory audits account - Bison Bank Consolidated and Individual	87	79
Statutory audits account - Bison Digital Assets	12	10
Other reliability assurance services:		
Required by law to the Statutory Auditor	18	8
Not required by law to the Statutory Auditor	29	27
<b>Fees charged by companies belonging to the Statutory Auditor's network</b>	16	39
	<u>162</u>	<u>163</u>

(Values do not include VAT)

"Other reliability assurance services" include fees related to: (i) the review of the Bank's internal control system, including that underlying the prevention of money laundering and terrorist financing; (ii) the review of procedures and measures relating to the safeguarding of client assets; (iii) certification under the special regime applicable to deferred tax assets; and (iv) the review of the impairment, and respective process, of the Bank's securities portfolio.

## 25) OFF-BALANCE SHEET LIABILITIES

The breakdown of off-balance sheet liabilities as at December 31, 2023 and 2022 is as follows:

### CONSOLIDATED/INDIVIDUAL

	CONSOLIDATED		INDIVIDUAL	
	12/31/2023	12/31/2022	12/31/2023	12/31/2022
Guarantees provided	2,773	2,773	2,773	2,773
Assets given as guarantee	-	303	-	303
Commitments to third parties (of which)				
Irrevocable Commitments	442	263	442	263
Revocable Commitments	-	-	-	-
Criptoassets	685	101	-	-
	<u>3,900</u>	<u>3,440</u>	<u>3,215</u>	<u>3,340</u>
	<u>12/31/2023</u>	<u>12/31/2022</u>	<u>12/31/2023</u>	<u>12/31/2022</u>
Deposit Millennium BCP	1,500	1,500	1,500	1,500
Deposit Banco de Portugal	500	500	500	500
Deposit Clearnet	1,375	1,338	1,375	1,338
Portuguese Republic Bonds	442	303	442	303
	<u>3,817</u>	<u>3,641</u>	<u>3,817</u>	<u>3,641</u>

The assets pledged as collateral as at December 31, 2023 and 2022 relate to Portuguese Republic bonds.

### 26) EARNINGS PER SHARE

At December 31, 2023 and 2022, basic and diluted earnings per share are as follows:

	CONSOLIDATED		INDIVIDUAL	
	2023	2022	2023	2022
Net Profit / (Loss) for the year expressed in euros	170,448	(6,796,735)	640,580	(6,538,198)
Weighted average number of issued ordinary shares	39,039,674	39,039,674	39,039,674	39,039,674
Basic earnings per share (expressed in euro per share)	<i>0.0044</i>	<i>(0.1741)</i>	<i>0.0164</i>	<i>(0.1675)</i>

## 27) RISKS OF FINANCIAL AND NON-FINANCIAL INSTRUMENTS

### 27.1 Risk management policies and main risks

This note presents the risks of Bison Bank's financial and non-financial instruments at an individual level. In addition, Bison Digital Assets, S.A. is not included in the consolidation perimeter in prudential terms.

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

The risk management structure at Bison Bank considers the active involvement of the entire Bank, in particular:

- Board of Directors (BoD);
- The Executive Committee (EC) is responsible for implementing and maintaining a risk management system based on the governance, strategy and risk policies approved by the Board of Directors, following the prior opinion of the Audit Committee;
- Functional Committees, such as the *Asset and Liability* (ALCO) and *Risk Management Committee*, the Internal Control and Compliance Committee; and
- The Global Risk and Reporting Department (DRR), the Compliance Department (COD), the Internal Audit Department (IAD) and the Audit Committee (AC)

The BoD is the body responsible for defining risk management policy. The EC, made up of the executive members of the board of directors, is responsible for conducting risk policies and making executive decisions on risk management measures and actions.

In functional terms, Bison Bank's risk management and monitoring function is centralized in the Global Risk and Reporting Department ("DRR"), a unit independent from the risk origination departments, enjoying the necessary organic and functional autonomy, with access to all the activities and information necessary for the performance of its duties. Its main function is to implement an integrated risk management system appropriate to the nature and risk profile of the Bank, through the development of practices that enable the identification, assessment, monitoring and control of the different types of risk assumed and underlying the Bank's activity.

The RRD takes an active role in terms of 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 and Audit Committee with a view to understanding and monitoring the Bank's main risks.

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

- i) Direct involvement of the Board of Directors;
- ii) Permanent promotion of a strong risk culture, which should be present in all processes, particularly those involving strategic and business decision-making;
- iii) Permanent adjustments to good practices and regulatory requirements;
- iv) Implementation of 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 the BoD, two functional committees (advisory bodies) have been established:

- Asset and Liability (ALCO) and Risk Management Committee - held quarterly under the supervision of the DRR. In general terms, it is responsible for analyzing the different risk exposures (early warning signs) and their adequacy in light of the risk framework, such as the RAS KRI, proposing the adoption of mitigation/corrective measures, monitoring and controlling all matters related to liquidity risk; and
- Internal Control and Compliance Committee - held quarterly under the supervision of the COD. Its duties include assessing and monitoring the effectiveness of the Bank's internal control systems and analyzing and evaluating proposals/measures (internal and external) aimed at strengthening the internal control environment, as well as analyzing and evaluating situations related to money laundering and terrorist financing, whenever their relevance or associated risk is significant.

In addition, the Bank has other specialized committees that also involve risk management issues, such as:

- Planning and Control Committee - meets monthly under the aegis of the People and Accounting Department (PAD). Its main duties include monitoring and controlling the implementation of the budget and the degree of compliance with the objectives set, as well as analyzing the respective deviations in conjunction with the areas responsible.

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



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

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

In carrying out its business, the Bank seeks to mitigate the associated risks through specific policies aimed at limiting exposure to the various risks, through continuous monitoring and controls, as well as through the use of risk protection instruments. In terms of the loan portfolio (inactive activity), the Bank only has real collateral (mortgages on real estate), which is registered in the computer system. The Bank has made provision for the use of other risk mitigation/protection measures, specifically in the area of foreign exchange risk and interest rate risk. The Bank has a dedicated IT platform for these instruments, and exposures, where they exist, are valued, and controlled on a regular basis.

The Bank has opted for a conservative and holistic approach to risks, treating all the risks to which it is exposed, as well as the risks contained in BoP Notice 3/2020 / Instruction 18/2020 as material/relevant to the Bank.

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 (RAS).

Given this framework, Bison Bank has implemented a risk management system, as well as processes and measures to ensure that the defined risk limits are met, which is adequate to ensure the correct development of the business strategy, considering the Bank's profile and size.

The Bank's risk management policies are based on a conservative approach, resulting in robust capital ratios and liquidity positions. A fundamental principle underlying the management and formulation of risk strategies is an understanding of the risks to which the institution is exposed, and the implementation of a comprehensive risk appetite structure for the Bank.

	Ratios	Internal Objective	31/12/2023	31/12/2022
<b>Capital /Liquidity /Leverage</b>	<b>Total Capital Ratio - Regulatory (Pillar I)</b>	>= 25%	35.3%	36.2%
	<b>Total Own Funds</b>	>= €20 M	42.0	39.5
	<b>NSFR</b>	>=115%	162.1%	137.8%
	<b>LCR</b>	>=115%	178.9%	140.9%
	<b>Leverage Ratio</b>	>= 12,5%	16.6%	20.7%

Note: Unaudited information. Individual. Net profit for the year not included.

To this end, the Bank has defined the following principles in its RAS as the most relevant for its risk strategy:

- Ensuring adequate levels of solvency and liquidity by: a) Maintaining the level of capital above regulatory requirements, in both normal and adverse scenarios; b) Guaranteeing a stable, solid and secure liquidity position capable of withstanding adverse events; and c) Maintaining a stable financing capacity and levels of liquidity ranges that allow the Balance Sheet structure to adapt to existing circumstances;
- Ensuring the adoption of good risk management practices: a) Operating in accordance with sound risk management principles, with an effective risk governance model and policies that cover 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 its financing capacity.

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

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

- Monthly report to the Board of Directors ("*Finance & Risk Report*") which assesses, reviews and discusses the current risk situation, cases of limits/tolerances reached and updates of individual metrics;
- Quarterly presentation to the *Asset and Liability (ALCO) and Risk Management* Committee in order to review and discuss overall risk performance, assess the status of metrics achieved, discuss individual metrics and continuously check the effectiveness and adequacy of the RAS.

The risk management system in place, including the risk reduction and hedging policies and the strategies and processes for controlling their effectiveness, aim to ensure that the risks to which the Bank is exposed remain at the level defined by the Board of Directors and that they do not significantly

affect the Bank's financial situation, thus enabling the proper implementation of the strategy, the fulfillment of objectives and the taking of the necessary measures.

As part of its risk management system, the Bank's actions are aimed at ensuring the timely prevention of situations of default or potential default and the detection of these situations if they occur, so that corrective risk mitigation measures can be taken immediately.

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

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

The monitoring of compliance with the *KRI* (Key Risk Indicators) established in the RAS is updated monthly and is included in the "*Finance & Risk Report*", prepared by the DRR and sent to the EC and the BoD for monitoring. In short, the DRR, as part of its regular duties, is responsible for monitoring the Bank's risk profile through the defined metrics and timely communication to the BoD, as well as to the Risk Committees.

#### Regulatory context - main highlights:

At the regulatory level, during 2023, the supervisory authorities took a series of measures.

Among them, we highlight the following:

1. Regulation (EU) 2022/2554 on the digital operational resilience of the financial sector (Digital Operational Resilience Act or DORA), which entered into force on January 16, 2023 and will apply from January 17, 2025, and whose main objective is to prevent and mitigate cyber threats, establishing uniform requirements for the security of networks and information systems of companies and organizations operating in the financial sector, as well as suppliers or providers of critical outsourcing services that supply them or provide services related to ICT (information and communication technologies), such as cloud platforms or data analysis services.
2. Commission Implementing Regulation (EU) 2023/967 of May 16, 2023 laying down the technical information for calculating technical provisions and basic own funds for reporting purposes with a reference date between March 31, 2023 and June 29, 2023, in accordance with Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance.

3. Regulation (EU) 2023/1114 of the European Parliament and of the Council of May 31, 2023 on cryptoasset markets (MiCA Regulation) was published in the Official Journal of the European Union on June 9, 2023, and enters into force on the twentieth day following its publication (i.e. June 29, 2023), with different implementation dates depending on the subject matter, as explained below. The MiCA Regulation is the first regulatory framework at EU level on cryptoassets and related services and activities not yet covered by the scope of EU legislation on financial services, such as cryptoasset issuers and cryptoasset service providers.
4. Commission Delegated Regulation (EU) 2023/363 amending and correcting the regulatory technical standards laid down in Delegated Regulation (EU) 2022/1288 laying down regulatory technical standards for the content and presentation of information relating to financial products investing in environmentally sustainable economic activities.
5. Commission Recommendation e 2023/1425 of June 27, 2023 was published on July 7, with the aim of promoting financing for the transition to a sustainable economy. In view of the European Union's different environmental objectives, the transition to a sustainable economy by 2050 will require very significant investment by the Union, especially by 2030. It is in this context that this Recommendation arises, which aims to clarify and support the process of private financing by companies, as recipients of financing, and financial institutions and investors, as financiers of the transition.
6. On July 31, 2023, the European Commission approved the first set of European Sustainability Reporting Standards (ESRS), which complement the Corporate Sustainability Reporting Directive (CSRD), taking into account the draft standards prepared by the European Financial Reporting Advisory Group (EFRAG).  

The mandatory sustainability reporting standards specify the information that must be communicated and the structure according to which this information must be presented by companies subject to the CSRD in the context of fulfilling the duty to disclose sustainability reporting, i.e. the communication of information related to sustainability.
7. Commission Implementing Regulation (EU) 2023/2083 of September 26, 2023 lays down the implementing technical standards for the application of Article 16(1) of Directive (EU) 2021/2167 of the European Parliament and of the Council as regards the templates to be used by credit institutions when providing information to purchasers on their exposures to the credit risk of the banking book.
8. Regulation (EU) 2023/2631 of the European Parliament and of the Council of November 22, 2023 on European Green Bonds. The aim of the regulation is to define the requirements for this type of bond, as well as to establish voluntary information elements for bonds distributed and traded as environmentally sustainable bonds and bonds linked to sustainability.

Also at national level, the following circular letters/Avisos/Instruções/Decreto de Lei stand out:

The Bank of Portugal (BdP) has published:

1. Notice no. 1/2023 of the Bank of Portugal, of January 24, defines (i) the conditions for exercising the preventive duties against money laundering and terrorist financing, with regard to entities that carry out activities with virtual assets ("Entity(ies)"), provided for in Law no. 83/2017, of August 18, which establishes measures to combat money laundering and terrorist financing ("Law 83/2017"), (ii) the means and mechanisms necessary to comply with the duties provided for in Law no.97/2017, of August 23 ("Law 97/2017"), which regulates the application and enforcement of restrictive measures approved by the United Nations and the EU and establishes the sanctioning regime applicable to violations of these measures and (iii) amends Banco de Portugal Notice 1/2022, of June 6 ("Notice 1/2022").
2. BoP Instruction no. 15/2023 (BO 6/2023 2nd Supplement, June 26, 2023) regulating the reporting of statistical information to the Bank of Portugal for the compilation of international banking statistics on a consolidated basis. It repeals Banco de Portugal Instruction no. 7/2017.
3. BdP Instruction no. 20/2023 (BO no. 8/2023 3rd Supplement, September 5, 2023) which (i) establishes the minimum information elements for compliance with the legal requirements, (ii) defines the terms under which payment institutions and electronic money institutions must submit the application for registration, and (iii) establishes a model for communication to the Bank of Portugal ("BdP").
4. Instruction no. 23/2023, BO no. 9/2023, 2nd Supplement, October 9, 2023, which repeals Instruction no. 3/2018 and establishes the criteria for weighing the impact on consumers' solvency of increases in the index applicable to variable interest rate or mixed interest rate credit agreements.
5. Decree-Law no. 91/2023, of October 11 ("DL 91/2023"), which, in order to mitigate the impact of the rise in the reference indexes used to define the variable component of the interest rate applicable to credit agreements for the acquisition or construction of own permanent housing, establishes a measure to temporarily fix the installments of credit agreements for the acquisition or construction of housing and reinforces the extraordinary measures and support within the scope of housing loans.
6. BdP Notice no. 7/2023 (DR 205, Series II, Part E, of October 23, 2023), which regulates the periodic reporting of information for BdP supervisory purposes on concentration risk, in order to harmonize national legislation with European legislative developments in this area. Concentrations of risk occur when different exposures are subject to the same risk factor or correlated factors, i.e., for example, they operate in the same economic sector or in the same geographical area, and can be a source of significant financial difficulties for financial institutions and even jeopardize their viability.

7. Instruction no. 24/2023, of October 30, following the publication of Decree-Law no. 91/2023, of October 11, provides information to bank customers and institutions on the implementation of the regimes for the temporary fixing of the installment and the temporary subsidy of interest on permanent home loan contracts, as well as the model for reporting information to the BdP to be adopted.
8. Circular Letter no. CC/2023/00000043, of November 3, 2023, which establishes the notification dates and timetables for the minimum reserve maintenance periods for 2024 and changes the end date of the maintenance period to December 20, 2023.
9. Instruction no. 25/2023, of November 17, 2023, amending Instruction no. 16/2022, of October 17, 2022, regulating the operation of the national TARGET component system and amending Instruction no. 16/2002, inter alia, in the following aspects: it also amends Instruction no. 16/2002, among other things, in the following aspects: clarifying the use by participants and third parties of trademarks linked to Target services, imposing the requirement not to open accounts other than TARGET accounts for participants eligible to participate in TARGET from the moment the Eurosystem Collateral Management System (ECMS) starts operating, and introducing mitigation measures for potential failures in the connection of Central Banks to TARGET (Articles 19/6 and 31/1a of Instruction 2022).
10. In Circular Letter no. CC/2023/00000043, dated November 27, 2023, the Bank of Portugal (the "BoP") emphasized the importance of credit institutions guiding their activity by the provisions of the Guidelines and Recommendations. Also in the context of the aforementioned Circular Letter, the BdP commits itself to the EBA in its intention to follow these Guidelines and Recommendations in the exercise of its supervisory activity.

The Portuguese Securities Market Commission (CMVM) has published:

1. Circular of the Portuguese Securities Market Commission of January 4, 2023, on the assessment of the appropriateness of the service provided, the operations carried out or the recommendations made, to the particular characteristics of the clients, within the scope of the provision of portfolio management services on behalf of third parties and investment advice.
2. On January 16, 2023, the Portuguese Securities Market Commission ("CMVM") published guidelines on the assessment of suitability for the exercise of regulated functions and of holders of qualifying holdings (the "Guidelines").
3. Regulation no. 1/2023 of the Portuguese Securities Commission ("CMVM"), of April 26, 2023 ("Issuer Regulation") establishes the information duties of issuers and the regime applicable to takeover bids.

4. CMVM Regulation no. 2/2023, of July 28, which aims to specify the terms under which the transfer of supervisory powers for all covered bond programs - as well as for all mortgage and public sector bond programs approved under Decree-Law no. 59/2006, of March 20 ("Decree-Law no. 59/2006") - from the Bank of Portugal to the Portuguese Securities Market Commission ("CMVM") is carried out. 59/2006, of March 20 ("Decree-Law 59/2006") - from the Bank of Portugal to the Portuguese Securities Market Commission ("CMVM"), operated by the Legal Framework for Covered Bonds (hereinafter "RJOC"), introduced into our legal system by Decree-Law 31/2022, of May 6.
5. Regulation no. No. 6/2023 of the Portuguese Securities Market Commission ("CMVM"), of August 25 ("BUE Regulation") implements the electronic one-stop shop through which all interactions between the CMVM and its supervised parties will be processed, including, for example: (i) requests for the performance of administrative acts and the monitoring, sending and receipt of communications or notifications relating to administrative procedures; (ii) payments of ongoing supervision fees and consideration for CMVM acts; and (iii) CMVM's interaction with other stakeholders wishing to benefit from the platform.
6. The CMVM published Circular no. 13/2023, which contains important guidelines that management companies must take into account when marketing the units of the collective investment undertakings ("CIUs") they manage. The Circular in question includes guidelines of varying scope, relating to four different areas (the concept of canvassers, the content of the relationship between the management company and the canvassers, the use of canvassers by marketing entities and compliance with the guidelines contained in the Circular).
7. On December 19, 2023, the CMVM published Circular no. 17/2023 on advertising disclosure obligations, which contains important caveats and recommendations regarding the advertising of financial instruments and investment services.
8. CMVM Regulation no. 7/2023, of December 29, 2023 (RRGA), enshrined, in the internal legal order, the regulations that implement the Asset Management Regime, approved by Decree-Law no. 27/2023, of April 28 (RGA), simultaneously repealing CMVM Regulations no. 2/2015 (applicable to undertakings for collective investment in transferable securities and real estate) and 3/2015 (applicable to venture capital, social entrepreneurship and specialized alternative investment). Following on from the RGA, the RRGGA also unifies the regulation of collective investment undertakings, bringing together collective investment undertakings (and their management companies) under a single regime. Published on December 29, 2023, the RRGGA came into force on January 1, 2024, and provides for a period of 180 days (until June 29) for the management companies and CIUs covered by this new regulation to adapt to its content.

## Other Publications:

9. On March 31, 2023, the Portuguese Institute of Corporate Governance (IPCG) published a new version of the Corporate Governance Code (the "IPCG Code"). The IPCG Code came into force in 2018, having been revised for the first time in 2020.
10. Decree-Law no. 27/2023, of April 28, approves and has as an annex the new Asset Management Regime ("RGA"), which repeals the RJCRESIE (Legal Regime for Venture Capital, Social Entrepreneurship and Social Investment) and the RGOIC (General Regime for Collective Investment Undertakings), creating a common regulatory framework and regulating the respective matters, hitherto dispersed, in a single regulatory regime for collective management activity, in the form of collective investment undertakings ("CIUs").
11. Law no. 24/2023, of May 24, approved a set of new consumer protection rules for financial services, amending Decree-Laws no. 3/2010, of January 5, 74-A/2017, of June 23, 80-A/2022, of November 25, and 27-C/2000, of March 10, as well as Law no. 19/2022, of October 21. Fundamentally, the Law imposes limitations on the amounts that credit institutions can charge their customers and the way in which they can do so.
12. Notice no. 11036/2023, of June 5 (DR 108, Series II, of June 5, 2023). Banco Português de Fomento, S.A. ("BPF"), whose mission focuses on the economic and social development of Portugal, has established numerous mechanisms to bridge the gaps in access to financing for SMEs and Midcaps (the "Final Beneficiaries"), in particular by granting loans to financial intermediaries for direct or indirect financing of these entities, the process of which was regulated by Notices no. 4049/2018, of March 26 and no. 10493/2019, of June 25, 2023.No. 4049/2018, of March 26 and No. 10493/2019, of June 25 (the "Notices"). In this vein, Notice 11036/2023 of June 5 (the "Notice") now aggregates the provisions of the Notices, adapting them to the present day, simultaneously broadening the scope of potential financial intermediaries and finally extending the validity period of their qualification until December 31, 2026.
13. On August 9, 2023, Decree-Law no. 66/2023 of August 8 came into force, which aims to ensure the full implementation in the Portuguese legal system of a set of European Union Regulations on financial services, amending several national laws, namely Decree-Law no. 40/2014 (EMIR), the Legal Framework for Payment Services and Electronic Money ("RJSPME"), the Legal Framework for Collaborative Financing and the Pilot Framework for market infrastructures based on distributed ledger technology ("DLT").



## Financial Risks

### Credit risk

Credit risk consists of the probability 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 change in the economic value of a given instrument as a result of a deterioration in the credit risk quality of the counterparty (e.g. external ratings). Credit risk is Bison Bank's main financial risk.

The Bank's underlying credit risk is essentially the result of its securities portfolio, which is mostly made up of bonds, liquidity exposure to financial institutions and, to a small extent, loans granted and guarantees given to customers.

During the year, the Bank had no credit activity (on December 31, 2023, the net customer loan portfolio as a % of total assets was 0.04% compared to 0.08% on December 31, 2022).

### Impairment

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

The Bank recognizes impairment losses for financial assets measured at amortized cost and at fair value through other comprehensive income, as well as for other exposures with associated credit risk, such as balances of other debtors and *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 must be classified in different *stages*, which depend on the change in credit risk from the date of initial recognition and not on the credit risk at the reporting date:

- *Stage 1*: financial assets should be classified in *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 their initial recognition;
- *Stage 3*: assets classified in this stage at the balance sheet date present objective evidence of impairment as a result of one or more events that have already occurred, resulting in a loss.

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

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

For externally rated exposures, the Bank uses external information published by *Moody's* rating agency and other market data to determine impairment losses on debt instruments, such as *credit default swap* spreads or bond *yields*.

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

#### *Impairment of loans to customers*

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

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

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

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

The Bank classifies as overdue loans the overdue installments of principal and accrued interest that remain due after their maturity date. Despite the immateriality of the customer loan portfolio, the Bank regularly assesses the evolution of impairment in its loan portfolio.

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

The following indicators reflect situations where the credit risk is significantly increased: (1) Credit with a delay in the payment of principal, interest, commissions or other expenses of more than 30 days; (2) Credit restructured due to the debtor's financial difficulties; (3) Credit where the debtor meets at least two of the following criteria, when they occur after the initial recognition of the transaction: (a) a record of at least one defaulted credit in the CRC; (b) presence on lists of risk-taking check users; (c) defaulted debts to the tax authorities, social security or employees.

The objective impairment criteria are as follows: a) Loans more than 90 days overdue at the Bank in the payment of principal or interest, regardless of the amount owed; b) Loans in litigation; c) Customers in insolvency; d) Loans restructured due to deterioration in the borrower's capacity less than 1 year ago, whose restructured operation or operations, which at the time of the restructuring, presented one of the events listed above. Loans with the above characteristics are referred to as loans in *default*.

The Bank does not consider a minimum materiality threshold, i.e. as long as they are more than 90 days overdue, all operations are classified as in *default*, subject to an individual analysis procedure. In addition, if a customer in *default* belongs to an economic group, all the customers in that group will be classified as impaired.

Subjective indicators of impairment are a set of indicators which, when analyzed as a whole or in subsets, may give rise to evidence of impairment. These indicators can be signs of impairment or risk indicators.

#### *Impairment of other financial assets (bonds) and other assets*

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

With regard 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 thereof) of the security in relation to the date of acquisition and the period elapsed; 2) Variation of the market price in relation to the amortized cost; 3) Debt restructuring due to the issuer's financial difficulties; 3) Delays in interest and/or principal payments of more than 30 days. *Default triggers include* the following: 1) Delays in principal and/or interest payments of more than 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) Issuer debt restructured due to financial difficulties.

Changes in the level of credit risk of debt instruments must be based on the date of origination (initial recognition vs. reporting date). Thus, migrations between the 3 levels are triggered by relative changes in credit risk and not by credit risk at the reporting date.

*The rating of issuers*, as well as other relevant information for calculating impairment, is monitored on a regular basis (monthly), based mainly on information published by Bloomberg.

### Financial assets by accounting heading

For the purposes of analyzing Bison Bank's credit risk, we considered the securities portfolio, loans and advances to customers (including off-balance sheet liabilities), cash and cash equivalents and loans and advances to credit institutions.

Financial assets, by balance sheet item, show the following exposure to credit risk as of December 31, 2023 and 2022;

Consolidated:

(valores expressos em milhares de Euros)

	CONSOLIDATED 31-12-2023				INDIVIDUAL 31-12-2022			
	Gross Exposure <sup>1</sup>	Impairment	Collateral <sup>2</sup>	Effective Exposure <sup>3</sup>	Gross Exposure <sup>1</sup>	Impairment	Collateral <sup>2</sup>	Effective Exposure <sup>3</sup>
Cash, cash balances at central banks and other demand dep	113,161	0	0	113,161	112,143	0	0	112,143
Financial assets held for trading	24	0	0	24	24	0	0	24
Financial assets at fair value through other comprehensive income <sup>4</sup>	116,655	475	0	116,179	116,656	475	0	116,181
<i>Debt Instruments</i>	<i>116,655</i>	<i>475</i>	<i>0</i>	<i>116,179</i>	<i>116,656</i>	<i>475</i>	<i>0</i>	<i>116,181</i>
Financial assets at amortised cost	102	7	231	-136	102	7	231	-136
<i>Loans and Advances</i>	<i>102</i>	<i>7</i>	<i>231</i>	<i>-136</i>	<i>102</i>	<i>7</i>	<i>231</i>	<i>-136</i>
Other assets	6,569	368	0	6,201	9,455	368	0	9,086
<b>Sub-Total</b>	<b>236,511</b>	<b>851</b>	<b>231</b>	<b>235,429</b>	<b>238,379</b>	<b>851</b>	<b>231</b>	<b>237,298</b>
Guarantees provided and Commitments	2,773	2,093	0	680	2,773	2,093	0	680
Irrevocable Credit Lines	442	0	0	442	442	0	0	442
<b>Sub-Total</b>	<b>3,215</b>	<b>2,093</b>	<b>0</b>	<b>1,122</b>	<b>3,215</b>	<b>2,093</b>	<b>0</b>	<b>1,122</b>
<b>Total Credit Risk Exposure</b>	<b>239,726</b>	<b>2,944</b>	<b>231</b>	<b>236,551</b>	<b>241,594</b>	<b>2,944</b>	<b>231</b>	<b>238,420</b>

<sup>1</sup> **Gross Exposure:** Refers to the gross balance sheet value.

<sup>2</sup> **Collateral:** Value of the collateral associated with an operation limited to its net value.

<sup>3</sup> **Effective Exposure:** Refers to the gross exposure less impairment and the mitigation effect that is deemed as a reducer of the credit risk. It does not include sureties or other low value collateral.

<sup>4</sup> Excludes equity instruments. Gross exposure equates to fair value plus impairment.

On an individual level:

(values expressed in thousand euros)

	31-12-2023				31-12-2022			
	Gross Exposure <sup>1</sup>	Impairment	Collateral <sup>2</sup>	Effective Exposure <sup>3</sup>	Gross Exposure <sup>1</sup>	Impairment	Collateral <sup>2</sup>	Effective Exposure <sup>3</sup>
Cash, cash balances at central banks and other demand deposits	112,143	0	0	112,143	71,929	0	0	71,929
Financial assets held for trading	24	0	0	24	168	0	0	168
Financial assets at fair value through other comprehensive income <sup>4</sup>	116,656	475	0	116,181	98,967	605	0	98,362
<i>Debt Instruments</i>	116,656	475	0	116,181	98,967	605	0	98,362
Financial assets at amortised cost	102	7	231	-136	1,220	1,070	224	-74
<i>Loans and Advances</i>	102	7	231	-136	1,220	1,070	224	-74
Other assets	9,455	368	0	9,086	6,611	362	0	6,249
<b>Sub-Total</b>	<b>238,379</b>	<b>851</b>	<b>231</b>	<b>237,298</b>	<b>178,895</b>	<b>2,037</b>	<b>224</b>	<b>176,634</b>
Guarantees provided and Commitments	2,773	2,093	0	680	2,773	2,093	0	680
Irrevocable Credit Lines	442	0	0	442	263	0	0	263
<b>Sub-Total</b>	<b>3,215</b>	<b>2,093</b>	<b>0</b>	<b>1,122</b>	<b>3,036</b>	<b>2,093</b>	<b>0</b>	<b>944</b>
<b>Total Credit Risk Exposure</b>	<b>241,594</b>	<b>2,944</b>	<b>231</b>	<b>238,420</b>	<b>181,932</b>	<b>4,130</b>	<b>224</b>	<b>177,577</b>

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

As of December 31, 2023, the value of loans and advances to customers (*legacy credit* portfolio), net of impairment, amounted to around 95 thousand euros (150 thousand euros in 2022), remaining immaterial (0.04% of total net assets versus 0.08% in 2022) and was 7.1% covered by impairment, given that most of these exposures are in default for +90 days, insolvent, PER, restructured, etc, a situation that has persisted for several years. At that date, the collateral coverage ratio stood at around 243.2% (real collateral - Mortgages).

With regard to off-balance sheet liabilities, at December 31, 2023 the total amount of 3,215 thousand euros relates to guarantees provided by the Bank and other irrevocable commitments (at December 2022: 3,036 thousand euros). At December 31, 2023, off-balance sheet liabilities also included assets (debt securities) pledged as collateral in the amount of 442 thousand euros (at December 2022: 303 thousand euros).

The credit risk underlying the Bank's activity also derives from investments in real estate assets (market risk, albeit indirect) through fund participation units (which also include a significant concentration risk). These assets are measured under "financial assets at fair value through profit or loss - equity securities", subject to *mark-to-market* valuation.

Details of debt instruments - Impairment:

## Fair value through other comprehensive income

(values expressed in thousand euros)

31/12/2023					
Financial assets at fair value through other comprehensive income - Debt instruments	Stage 1	Stage 2	Stage 3	POCI (*)	Total
<b>Gross Exposure<sup>1</sup></b>	<b>116,655</b>	-	-	-	<b>116,655</b>
<i>Investment Grade (IG)</i>	68,460	-	0	0	<b>68,460</b>
<i>Non Investment Grade (NIG)</i>	5,337	-	0	0	<b>5,337</b>
<i>Not Rated</i>	42,859	-	0	0	<b>42,859</b>
<i>Impaired</i>	0	0	0	0	-
<b>Impairment</b>	<b>475</b>	-	-	-	<b>475</b>
<b>Net Exposure</b>	<b>116,180</b>	-	-	-	<b>116,180</b>

(\*) Purchased or originated credit-impairment ("POCI") from financial assets

<sup>1</sup> Gross exposure equates to fair value plus impairment

(values expressed in thousand euros)

31/12/2022					
Financial assets at fair value through other comprehensive income - Debt instruments	Stage 1	Stage 2	Stage 3	POCI (*)	Total
<b>Gross Exposure<sup>1</sup></b>	<b>95,783</b>	<b>3,184</b>	-	-	<b>98,967</b>
<i>Investment Grade (IG)</i>	43,165	440	0	0	<b>43,605</b>
<i>Non Investment Grade (NIG)</i>	7,299	2,744	0	0	<b>10,043</b>
<i>Not Rated</i>	45,319	-	0	0	<b>45,319</b>
<i>Impaired</i>	0	0	0	0	-
<b>Impairment</b>	<b>442</b>	<b>163</b>	-	-	<b>605</b>
<b>Net Exposure</b>	<b>95,341</b>	<b>3,022</b>	-	-	<b>98,363</b>

(\*) Purchased or originated credit-impairment ("POCI") from financial assets

<sup>1</sup> Gross exposure equates to fair value plus impairment

In 2023, all the securities were in *stage 1*. This is due, among other things, to the investment strategy being based on criteria of high liquidity of the assets, the vast majority of which are classified as investment grade, *duration* of less than 5 years, etc. It should be noted that on December 31, 2023, public debt securities accounted for 15.1% (vs. 12.1% on December 31, 2022) of the total portfolio and 58.7% of it was made up of *investment grade* securities (vs. 44.1% on December 31, 2022).

In the ICAAP exercise, the Bank considers an approximate analysis of the IRB method (*internal ratings-based approach*), recalculating the 12-month PDs for debt securities. In the base scenario, the one-year cumulative default rates of issuers obtained from Moody's Investors Service tables in the document "Sovereign Default and Recovery Rates" are used to estimate the PD. The cumulative default rates of sovereign entities were used for sovereign debt securities, while the cumulative default rates of corporate issuers were used for non-sovereign debt securities.

In the adverse scenario, the methodology used follows that described above for the base scenario, however, considering a conservative *outlook* and a worsening macroeconomic scenario, a downgrade of all debt securities is assumed.

## Amortized cost

(values expressed in thousand euros)

31/12/2023					
Financial Assets measured at Amortized Cost	Stage 1	Stage 2	Stage 3	POCI (*)	Total
<b>Gross Exposure</b>	-	-	<b>102</b>	-	<b>102</b>
<i>Not Impaired</i>	-	-	-	-	-
<i>Impaired</i>	-	-	102	-	102
<b>Impairment</b>	-	-	<b>7</b>	-	<b>7</b>
<b>Net Exposure</b>	-	-	<b>95</b>	-	<b>95</b>

(\*) Purchased or originated credit-impairment ("POCI") from financial assets

(values expressed in thousand euros)

31/12/2022					
Financial Assets measured at Amortized Cost	Stage 1	Stage 2	Stage 3	POCI (*)	Total
<b>Gross Exposure</b>	-	-	<b>1,059</b>	<b>162</b>	<b>1,220</b>
<i>Not Impaired</i>	-	-	-	-	-
<i>Impaired</i>	-	-	1,059	162	1,220
<b>Impairment</b>	-	-	<b>1,059</b>	<b>11</b>	<b>1,070</b>
<b>Net Exposure</b>	-	-	-	<b>150</b>	<b>150</b>

(\*) Purchased or originated credit-impairment ("POCI") from financial assets

With regard to credit quality, the table below shows the main ratios for Bison Bank, with reference to December 31, 2023, and 2022:

Credit Quality	31/12/2023	31/12/2022
Total Impairment / Loans to customers	7.1%	87.7%
Restructured credit / Loans to customers	98.7%	84.4%
NPL >90 d /Loans to customers	1.31%	86.8%

With regard to credit concentration risk, in addition to complying with the regulatory limit in terms of Large Risks (on December 31, 2023, the Bank complied with the limit for large exposures set out in Article 395 of Regulation (EC) No. 575/2013 - CRR), the Bank sets specific objectives for controlling credit concentration risk, which are reflected in the limit management policy, namely in the banking book (*Treasury Book*) and *Money Market* counterparties, and materialized in metrics included in the RAS. In addition, other metrics relating to various types of credit concentration are regularly monitored, namely exposures to *single-name* entities, exposures by sector of activity, exposures by country (country risk) and exposures to credit institutions.

With regard to *single-name* concentration, monitoring is carried out on the basis of the concept of "economic group" and "client group", which are groups of related entities/counterparties that represent a single entity from a credit risk perspective, as defined in Article 4 of the CRR.

### Concentration of credit risk by sector of activity:

On December 31, 2023, at the Individual level:

(values expressed in thousand euros)

	31/12/2023					
	Net Balance Sheet Exposure		Collateral		Effective Exposure <sup>1</sup>	
Services	15,311	6%	0	0%	15,311	6%
Construction	0	0%	0	0%	0	0%
Industry	21,696	9%	0	0%	21,696	9%
Public Sector	19,412	8%	0	0%	19,412	8%
Other sectors	37,517	16%	231	100%	37,286	17%
Financial institutions and insurance companies	145,192	61%	0	0%	145,192	61%
Private clients	0	0%	0	0%	0	0%
<b>Total</b>	<b>239,128</b>	<b>100%</b>	<b>231</b>	<b>100%</b>	<b>238,897</b>	<b>100%</b>

**Notes:**

<sup>1</sup> **Effective Exposure:** Refers to the Balance Sheet Net Exposure less the mitigation effect that is deemed an actual reducer of the credit risk. It does not include sureties or other low value collateral.

It does not include the item "Other Assets".

The "Other sectors" item is mostly (99.7%) made up of securities items.

On December 31, 2022:

(values expressed in thousand euros)

	31/12/2022					
	Exposição Líquida de Balanço		Colaterais		Exposição Efetiva <sup>1</sup>	
Services	21,173	12%	0	0%	21,173	12%
Construction	0	0%	0	0%	0	0%
Industry	21,081	12%	0	0%	21,081	12%
Public Sector	11,924	7%	0	0%	11,924	7%
Other sectors	26,279	14%	224	100%	26,055	15%
Financial institutions and insurance companies	98,152	54%	0	0%	98,152	54%
Private clients	0	0%	0	0%	0	0%
<b>Total</b>	<b>181,343</b>	<b>100%</b>	<b>224</b>	<b>100%</b>	<b>181,117</b>	<b>100%</b>

**Notes:**

<sup>1</sup> **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 geographical region:

On December 31, 2023, at the Individual level:

(values expressed in thousand euros)

	31/12/2023					
	Net Balance Sheet Exposure		Collateral		Effective Exposure <sup>1</sup>	
Mainland Portugal	174,886	73%	231	100%	174,655	73%
European Union	44,311	19%	0	0%	44,311	19%
Latin America	0	0%	0	0%	0	0%
North America	12,112	5%	0	0%	12,112	5%
Rest of the World	7,818	3%	0	0%	7,818	3%
Rest of Europe	-	0%	-	0%	-	0%
<b>Total</b>	<b>239,127</b>	<b>100%</b>	<b>231</b>	<b>100%</b>	<b>238,896</b>	<b>100%</b>

**Notes:**

<sup>1</sup> **Effective Exposure:** Refers to the Net Balance 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".



On December 31, 2022:

(values expressed in thousand euros)

	31/12/2022					
	Exposição Líquida de Balanço		Colaterais		Exposição Efetiva <sup>1</sup>	
Mainland Portugal	122,686	68%	224	100%	122,461	68%
European Union	39,557	22%	0	0%	39,557	22%
Latin America	0	0%	0	0%	0	0%
North America	10,971	6%	0	0%	10,971	6%
Rest of the World	8,128	4%	0	0%	8,128	4%
Rest of Europe	0	0%	0	0%	0	0%
<b>Total</b>	<b>181,343</b>	<b>100%</b>	<b>224</b>	<b>100%</b>	<b>181,117</b>	<b>100%</b>

**Notes:**

<sup>1</sup> **Effective Exposure:** Refers to the Net Balance Exposure less the mitigation effect that is deemed an actual reducer of the credit risk. It does not include sureties or other low value collateral.

It does not include the item "Other Assets".

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

Among the exposures without an external *rating*, totaling 154.4 million euros as of December 31, 2023 (112.5 million in December 2022), the main component is "Cash and cash equivalents", which amounted to around 98.4 million euros as of that date (58.9 million in 2022), made up essentially of amounts deposited with the Bank of Portugal.

Breakdown of financial assets by credit quality, by balance sheet item, as of December 31, 2023, at the Individual level:

31-12-2023

(values expressed in thousand euros)

	HIGH GRADE	STANDARD GRADE	SUB-STANDARD GRADE	NOT RATED	TOTAL
Deposits and applications with Credit Institutions	1,823	9,493	2,354	98,474	112,144
Financial assets held for trading	0	0	24	0	24
Other financial assets at fair value through profit or loss	0	0	0	10,685	10,685
Financial assets available for sale	29,073	36,669	5,285	45,153	116,180
Loans and advances to clients	0	0	0	95	95
<b>Total</b>	<b>30,896</b>	<b>46,162</b>	<b>7,663</b>	<b>154,406</b>	<b>239,127</b>
In %	12.9%	19.3%	3.2%	64.6%	100%

**Note:**

Net balance sheet exposure. It does not include the item "Other Assets".

As of December 31, 2022, it was as follows:

31/12/2022

(values expressed in thousand euros)

	HIGH GRADE	STANDARD GRADE	SUB-STANDARD GRADE	NOT RATED	TOTAL
Deposits and applications with Credit Institutions	3,087	2,389	7,526	58,927	71,929
Financial assets held for trading	0	0	168	0	168
Other financial assets at fair value through profit or loss	0	0	0	10,733	10,733
Financial assets available for sale	10,745	27,915	16,963	42,739	98,362
Loans and advances to clients	0	0	0	150	150
<b>Total</b>	<b>13,831</b>	<b>30,304</b>	<b>24,658</b>	<b>112,549</b>	<b>181,343</b>
In %	7.6%	16.7%	13.6%	62.1%	100%

**Note:**

Net balance sheet exposure. It does not include the item "Other Assets".

## Market risk

Market risk is defined as the probability of negative impacts on earnings 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 mainly from taking short-term positions in debt and equity securities, currencies, commodities and derivatives.

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

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

In 2023, the Bank did not have an active *trading* portfolio (a portfolio essentially made up of one security worth €24,000 euros (€168,000 euros in 2022), so it did not seem necessary to monitor risk by calculating the portfolio's VaR on a daily basis.

(values expressed in thousand euros)

	Portfolio Value		
	TOTAL	Long Pos.	Short Pos.
<b>31/12/2022</b>	168	168	-
<b>31/12/2023</b>	24	24	-

In order to support the activity of placing debt securities on the primary market, namely debt from Chinese issuers, and to deal with any underwriting that may occur, in 2019 the Bank created a specific portfolio for this purpose, but as of December 31, 2023, the portfolio had not been used.

The Bank has a market risk reduction policy, based on various measures to mitigate this risk to reduce its potential negative impact from a residual risk perspective, in particular the definition of aggregate exposure and holding period limits.

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

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, makes it possible to analyze the risk of portfolios broken down by various explanatory factors, and to measure the correlation between assets, both at the top level and at the various levels of risk breakdown. The DRR is responsible for monitoring the limits set by the Board of Directors for the *VaR* of the portfolios, as well as calculating them using the historical model.

To calculate this risk metric, the Bank used Bloomberg's specialized software, and *VaR* was calculated according to the historical model, for a 10-day and 1-day horizon, with a 99% confidence interval, based on an observation period of 2 years, in line with good international practice.

### Exchange rate risk

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

Limits are set to restrict *overnight* open positions, i.e. the net nominal value of assets and liabilities in each foreign currency. Maximum exposure per currency is defined, as well as an overall exposure limit. DTE is responsible for designing and implementing financial policies and managing structural risks on the Balance Sheet, such as exchange rate risk.

The following table shows the exchange position, by currency, as of December 31, 20223

(values expressed in thousand euros)		
Currency	Long Position	Short Position
USD	1,500	0
GBP	3	0
CHF	6	0
BRL	0	0
SEK	4	0
NOK	2	0
AUD	0	0
JPY	0	0
HKD	3	0
CNY	134	0
Others	0	0
CAD	14	0
PLN	0	0
<b>Total</b>	<b>1,664</b>	<b>0</b>

Note: Net Position.

On December 31, 2022, it was as follows:

(values expressed in thousand euros)

Currency	Long Position	Short Position
USD	721	0
GBP	11	0
CHF	8	0
BRL	0	0
SEK	4	0
NOK	2	0
AUD	0	0
JPY	0	0
HKD	0	0
CNY	372	0
Others	0	0
CAD	1	0
PLN	0	0
<b>Total</b>	<b>1,118</b>	<b>0</b>

Note: Net Position.

On December 31, 2023, the largest exposure corresponded to the USD currency with long positions of around 1,500 thousand euros (90.1% of the total), followed by CNY (8% of the total), with 134,372 thousand euros, with the remaining currencies being insignificant.

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

### 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 banking portfolio exposures according to reset periods, in line with best market practices and following Basel and BoP recommendations (Instruction 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 impacts of the interest rate of sensitive instruments on net income and net interest income, including:

1. Static gap: presents the contractual distribution of maturities and interest rate revaluation differences for the applicable balance sheet and/or off-balance sheet items, aggregated on a specific date, for overall and monetary values (EUR and USD). The *gap* analysis is based on comparing the values of assets and liabilities that are revalued or mature in the same period;
2. Economic value of the balance sheet: is calculated as the sum of the net fair value of interest rate sensitive assets and liabilities on the Balance Sheet, the fair value of off-balance sheet items, and the net values of non-interest rate sensitive assets and liabilities;

3. Sensitivity of economic value: the economic value of balance sheet and off-balance sheet items is calculated on the basis of 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 calculating the impact on net worth, measured as a percentage of own funds, of a 200 basis point variation in the EUR and USD yield curves, considering the time bands in accordance with Instruction 3/2020.

TED is responsible for implementing financial policies and managing structural risks on the balance sheet, such as interest rate risk. Interest rate risk is hedged by contracting interest rate derivatives. The Bank does not have hedge accounting, so the instruments contracted only allow for interest rate risk management, without a perfect *match* between assets and liabilities.

The breakdown of financial assets and liabilities by interest rate reset periods on December 31, 2023, is as follows, at the Individual level:

(values expressed in thousand euros)

31/12/2023	Non Sensitive	Residual Maturities							Total Sensitive	TOTAL
		UP TO 3 MONTHS	3-6 MONTHS	6-12 MONTHS	1-3 YEARS	3-5 YEARS	5-10 YEARS	>10 YEARS		
<b>Assets</b>										
Money market / liquidity	2,296	107,931	0	1,916	0	0	0	0	109,847	112,143
Reverse repos	0	0	0	0	0	0	0	0	0	0
Loans	0	95	0	0	0	0	0	0	95	95
Debt Securities & Derivatives MtM	0	48,294	12,087	7,976	23,517	26,551	5,976	0	124,401	124,401
Shares & Funds	10,685	0	0	0	0	0	0	0	0	10,685
Leased assets	0	0	0	0	0	0	0	0	0	0
Other Assets	6,694	2,392	0	0	0	0	0	0	2,392	9,086
<b>Total Assets</b>	<b>19,675</b>	<b>158,712</b>	<b>12,087</b>	<b>9,892</b>	<b>23,517</b>	<b>26,551</b>	<b>5,976</b>	<b>0</b>	<b>236,735</b>	<b>256,410</b>
<b>Liabilities</b>										
Money market / Loro Accounts	2,479	0	0	0	0	0	0	0	0	2,479
Term Deposits	0	19,560	31,817	21,033	157	0	0	0	72,566	72,566
On-demand Deposits	49,601	61,864	962	1,923	7,698	5,412	0	0	77,859	127,460
Subordinated Debt	0	0	0	0	0	0	0	0	0	0
Lease liabilities	0	0	0	0	0	0	0	0	0	0
Other Liabilities	5,583	0	0	0	0	0	0	0	0	5,583
Equity	43,263	0	0	0	0	0	0	0	0	39,973
<b>Total Liabilities + Equity</b>	<b>57,663</b>	<b>81,424</b>	<b>32,778</b>	<b>22,956</b>	<b>7,855</b>	<b>5,412</b>	<b>0</b>	<b>0</b>	<b>150,425</b>	<b>251,351</b>
<b>GAP</b>	<b>(37,988)</b>	<b>77,288</b>	<b>(20,692)</b>	<b>(13,064)</b>	<b>15,663</b>	<b>21,139</b>	<b>5,976</b>	<b>-</b>	<b>86,310</b>	<b>5,059</b>
<b>CUMULATIVE GAP</b>	<b>-</b>	<b>77,288</b>	<b>56,596</b>	<b>43,532</b>	<b>59,195</b>	<b>80,334</b>	<b>86,310</b>	<b>86,310</b>	<b>-</b>	<b>-</b>

Note: Net of impairment.

On December 31, 2023, 94.6% of Bison Bank's assets and 59.8% of its liabilities and equity were sensitive to interest rate risk, being affected by interest rate fluctuations, by re-setting levels, which represents a significant change compared to 2022, particularly with regard to liabilities (on December 31, 2022, 87.5% of assets and 14.2% of liabilities and equity were sensitive to interest rate risk). On the asset side, the increase in sensitive assets was due to the amount invested with the Bank of Portugal, as well as the increase in the investment portfolio. As far as liabilities are concerned, there was an increase in the amount allocated to term deposits, as well as the implementation of a model that better captures the behavior of demand deposits.

On December 31, 2022, it was as follows:

(values expressed in thousand euros)

31-12-2022	Non Sensitive	Residual Maturities							Total Sensitive	TOTAL
		UP TO 3 MONTHS	3-6 MONTHS	6-12 MONTHS	1-3 YEARS	3-5 YEARS	5-10 YEARS	>10 YEARS		
<b>Assets</b>										
Money market / liquidity	4,402	64,707	0	2,821	0	0	0	0	67,527	71,929
Reverse repos	0	0	0	0	0	0	0	0	0	0
Loans	150	0	0	0	0	0	0	0	0	150
Debt Securities & Derivatives MtM	0	35,135	15,721	3,368	20,428	15,075	8,804	0	98,530	98,530
Shares & Funds	10,733	0	0	0	0	0	0	0	0	10,733
Leased assets	0	0	0	0	0	0	0	0	0	0
Other Assets	7,371	0	0	0	0	0	0	0	0	7,371
<b>Total Assets</b>	<b>22,656</b>	<b>99,842</b>	<b>15,721</b>	<b>6,188</b>	<b>20,428</b>	<b>15,075</b>	<b>8,804</b>	<b>0</b>	<b>166,057</b>	<b>188,713</b>
<b>Liabilities</b>										
Money market / Loro Accounts	1,312	0	0	0	0	0	0	0	0	1,312
Term Deposits	57	12,858	8,648	3,044	2,342	0	0	0	26,892	26,949
On-demand Deposits	113,309	0	0	0	0	0	0	0	0	113,309
Subordinated Debt	0	0	0	0	0	0	0	0	0	0
Lease liabilities	0	0	0	0	0	0	0	0	0	0
Other Liabilities	7,170	0	0	0	0	0	0	0	0	7,170
Equity	39,973	0	0	0	0	0	0	0	0	39,973
<b>Total Liabilities + Equity</b>	<b>161,821</b>	<b>12,858</b>	<b>8,648</b>	<b>3,044</b>	<b>2,342</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>26,892</b>	<b>188,713</b>
<b>GAP</b>	<b>(139,165)</b>	<b>86,984</b>	<b>7,073</b>	<b>3,144</b>	<b>18,085</b>	<b>15,075</b>	<b>8,804</b>	<b>0</b>	<b>139,165</b>	<b>-</b>
<b>CUMULATIVE GAP</b>	<b>-</b>	<b>86,984</b>	<b>94,057</b>	<b>97,202</b>	<b>115,287</b>	<b>130,362</b>	<b>139,165</b>	<b>139,165</b>	<b>-</b>	<b>-</b>

Note: Net of impairment.

Sensitivity analysis of the impact of a variation of 200 basis points in the interest rate curve by relevant currencies, on December 31, 2023, and 2022, at the Individual level:

(values expressed in thousand euros)

		31-12-2023	31/12/2022
EUR	Impact on Net Worth	-2,539	-2,531
	Own Funds	41,969	40,581
	<b>Impact on Own Funds, in %</b>	<b>-6%</b>	<b>-6%</b>
	Impact on Net Interest Income, at 12 months	2,205	1,597
	Net Interest Income	4,887	1,359
	<b>Impact on Net Interest Income annual, in %</b>	<b>45%</b>	<b>117%</b>
USD	Impact on Net Worth	-292	-177
	Own Funds	45,612	43,284
	<b>Impact on Own Funds, in %</b>	<b>-1%</b>	<b>0%</b>
	Impact on Net Interest Income, at 12 months	122	96
	Net Interest Income	587	1,450
	<b>Impact on Net Interest Income annual, in %</b>	<b>21%</b>	<b>7%</b>
TOTAL	Impact on Net Worth	-2,835	-2,711
	Own Funds	41,969	40,581
	<b>Impact on Own Funds, in %</b>	<b>-7%</b>	<b>-7%</b>
	Impact on Net Interest Income, at 12 months	2,347	1,704
	Net Interest Income	5,504	1,359
	<b>Impact on Net Interest Income annual, in %</b>	<b>43%</b>	<b>125%</b>

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 within defined limits.

### Liquidity risk

Liquidity risk is defined as the probability of negative impacts arising from the institution's inability to immediately have liquid funds to meet its financial obligations in a timely manner and whether these

are secured under reasonable conditions. At the Bank, liquidity levels are adapted according to the amounts and terms of the commitments made and the resources obtained, based on the identification of *gaps*.

Liquidity and funding management, together with capital management, is a crucial pillar in ensuring Bison Bank's robustness and resilience. As such, the Bank has defined as one of the general principles of the RAS that it intends to continue to ensure a solid, stable and secure liquidity position, capable of withstanding adverse events and maintaining a stable funding capacity and adequate levels of liquidity reserves that allow it to have a balance sheet structure that is adaptable to existing circumstances.

Liquidity management is the responsibility of the DTE, which must ensure a stable and robust liquidity position by controlling any liquidity deficits and holding liquid assets, ensuring compliance with the specific indicators, limits and tolerances approved by the Board of Directors and monitoring/anticipating possible changes that could affect the basic premises of the approved Liquidity Management Policy.

The DRR 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 the 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), Recovery Plan, ICAAP (Internal Capital Adequacy Self-Assessment Process) and ILAAP (Internal Liquidity Adequacy Self-Assessment Process), as well as monitoring and assessing the effectiveness of the associated controls.

Within the scope of liquidity management and its control, various mitigation measures are defined to reduce the potential impact of liquidity risk, including the definition of tolerances and limits in accordance with the ASR, liquidity contingency measures, recovery plan and other regulatory requirements. To this end, the Bank establishes various internal metrics which are defined in the Liquidity Management Policy, such as:

1. Minimum liquidity reserves that establish a minimum ratio based on the volume of deposits calculated on the basis of the monthly average;
2. Compliance with the limits established for the LCR (regulatory and internal) - the aim of which is to promote short-term liquidity by ensuring that unencumbered, high-quality liquid assets are held to withstand a 30-day *stress* period;
3. Compliance with the limits established for the NSFR (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 aforementioned metrics, other metrics resulting from internal assumptions and requirements are considered within the scope of the Liquidity Management Policy, in line with the appetite limits established in the ASR, namely with regard to primary liquidity and structural liquidity.

As of December 31, 2023, the Bank had a robust liquidity position, which is reflected in the high liquidity ratios, LCR (*Liquidity Coverage Ratio*) and NSFR (*Net Stable Funding Ratio*).

At the end of 2023, the available liquidity was mostly invested in an investment portfolio, in the Bank of Portugal (liquidity transfers) and in ICOs.

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

**Liquid Assets** (Expressed in thousands of Euros)

	Individual				
	31/12/2023		31/12/2022		Δ
	Market Value	Eligible Value	Market Value	Eligible Value	
Level 1 Assets	114,655	114,655	69,304	69,304	45,351
Level 2A Assets	3,551	2,636	1,604	1,364	1,272
Level 2B Assets	11,261	5,630	7,034	3,517	2,113
<b>Total of High Quality Liquid Assets (HQLA)<sup>1</sup></b>	<b>129,467</b>	<b>122,921</b>	<b>77,942</b>	<b>74,185</b>	<b>48,736</b>

<sup>1</sup> HQLA (High Quality Liquid Assets) according to the criteria and calculation of the LCR ratio.

Note: Unaudited information. Prudential information.

The Bank maintained a robust liquidity structure throughout the year, ending the year with liquidity ratios, the LCR and the NSFR, substantially above the regulatory minimums.

	31/12/2023	31/12/2022
<b>LCR</b>	<b>178.9%</b>	<b>140.9%</b>
<i>Liquidity buffer</i>	122,921	74,185
<i>Net liquidity outflow</i>	68,699	52,667
<b>NSFR</b>	<b>162.1%</b>	<b>137.8%</b>

Note: Unaudited information. Prudential information.

In addition to the regulatory and internal ratios, the Bank periodically carries out an internal and prospective liquidity assessment, namely the preparation of the ILAAP exercise.



Asset encumbrance

12/31/2023

(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	3,004	3,004	247,148	
Deposits and Applications with Credit Institutions	500	500	111,738	
Equity instruments			10,685	10,685
Debt securities	442	442	115,762	115,762
Other assets	2,062	2,062	8,963	

12/31/2023

(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	-	-

*Note: Unaudited information. Prudential information.*

12/31/2022

(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	803	803	185,901	
Deposits and Applications with Credit Institutions	500	500	71,579	
Equity instruments			10,733	10,733
Debt securities	303	303	98,227	98,227
Other assets			5,363	

12/31/2022

(values expressed in thousand euros)

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

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

The Bank's encumbered assets relate to regulatory/prudential requirements, namely intra-day credit, the investor compensation scheme and the deposit guarantee fund. Total encumbered assets represent only 1.2% of total assets.

### Non-financial risks

Non-financial risks are essentially associated with failures of various kinds, namely of an operational nature (operational risk), inadequacy of information and technology systems (information technology risk, cybersecurity risk), misconduct, non-compliance with regulations (*114 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 Bank's various units/directorates assess the risks to which they are exposed in carrying out their activities.

Aware of their importance, the Bank has defined in its RAS a set of *KPIs* whose evolution is monitored regularly and disclosed to the Board of Directors, namely in the monthly "*Finance & Risk Report*". With regard to operational risk, the Bank maintained its Contingency Plan for business continuity, thus guaranteeing the safety of employees and customers, while maintaining the Bank's operational capacity. The Bank continued to use teleworking on a partial basis, with an impact on infrastructure and increased measures in the area of systems security.

Over the course of the year, various training courses were held in the area of non-financial risks, including Cybersecurity, Blockchain Foundation Training and Prevention of Money Laundering.

### **27.2 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 RAS principles that it aims to maintain a level of capital above regulatory requirements, both in normal and adverse scenarios. The Bank has set targets for the total capital ratio (Pillar 1) and the total economic capital ratio (Pillar 2), for the Base and Adverse scenarios, to be maintained on a permanent basis.

Capital risk control is part of the Bank's risk monitoring structure, which involves a series of exercises, such as the annual budgeting exercise, the financing and capital plan, capital adequacy, the 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.

## 27.2.1 Own Funds and Capital and Leverage Ratios

Prudential ratios as of December 31, 2023, and 2022, at the Individual level:

(values expressed in thousand euros)

	31/12/2023	31/12/2022
<b><u>As per the rules CRD IV / CRR phasing in</u></b>		
Common Equity Tier 1 capital	41,969	39,546
Total Own Funds	41,969	39,546
Risk Weighted Assets (RWAs)	118,971	109,251
<b>Common Equity Tier 1 Ratio</b>	<b>35.3%</b>	<b>36.2%</b>
<b>Total Ratio</b>	<b>35.3%</b>	<b>36.2%</b>
<b>Leverage Ratio</b>	<b>16.6%</b>	<b>20.7%</b>
<b><u>As per rules CRD IV / CRR fully implemented</u></b>		
Common Equity Tier 1 capital	41,969	39,546
Total Own Funds	41,969	39,546
Risk Weighted Assets (RWAs)	118,971	109,251
<b>Common Equity Tier 1 Ratio</b>	<b>35.3%</b>	<b>36.2%</b>
<b>Total Ratio</b>	<b>35.3%</b>	<b>36.2%</b>
<b>Leverage Ratio</b>	<b>16.6%</b>	<b>20.7%</b>

**Notes:**

(1) Unaudited information. Prudential information.

(2) The Bank has not adopted the possibility of phasing the implementation impact and IFRS9 over own funds in accordance with the provisions of article 473-A of the CRR. The implementation of CRR 2.5 (reducing the weighting of loans to SMEs and infrastructure) had no impact on the ratio. The transitional prudential filter provided for in article 468 is not being applied for unrealized gains and losses on sovereign debt exposures valued at fair value through other comprehensive income (JVOCI), excluding financial assets in credit impairment;

(3) The leverage ratio is calculated between Tier 1 capital and the total value of the balance sheet assets and off-balance sheet items, not being subject to weighting coefficients as occurs in the calculation of risk-weighted assets.

Source: COREP. Positive net result for 2023 not included.

The minimum own funds requirements ("Pillar 1 requirements"), as provided for in Article 92 of Regulation (EU) No. 575/2013 of the European Parliament and of the Council of June 26 ("CRR"), include a core tier 1 capital ratio ("CET 1") of 4.5%, a tier 1 capital ratio ("Tier 1") of 6% and a total capital ratio ("Total capital") of 8%. In addition, and in accordance with Bank of Portugal Notice 6/2016, a capital conservation buffer of 2.5% was established.

As of July 2021, Bison Bank is subject to a specific complementary requirement determined within the scope of the annual *Supervisory Review and Evaluation Process* (SREP) conducted by the Bank of Portugal.

During the year, the Bank complied with the capital ratios to which it is subject.

As of December 31, 2023, *Common Equity Tier 1* (CET 1) capital calculated in accordance with the applicable CRD IV / CRR rules totaled 41.97 million euros, corresponding to a CET 1 ratio of 35.3%. The decrease in the ratio compared to 2022 resulted from the increase in Total Risk Weighted Assets.

Bison Bank does not disclose capital ratios calculated on a basis other than that provided for in Regulation (EU) No. 575/2013 (CRR) and there are no differences between the accounting basis and the prudential basis for calculating the respective ratios.

As of December 2023, the leverage ratio determined in the CRR/CRD regulations stood at 16.6% (vs. 20.7% in 2022), well above the regulatory minimum of 3%.

#### Accounting detail of Own Funds as of December 31, 2023, and 2022, at the Individual level:

(values expressed in thousand euros)

	31/12/2023	31/12/2022
<b>Own Funds</b>		
Share Capital	195,198	195,198
Reserves and Retained Earnings	(151,000)	(144,462)
Net Income	-	(6,538)
Securities Revaluation Reserves	(1,575)	(4,225)
<b>Deductions</b>		
Intangible Assets	(454)	(318)
Other Deductions: Prudent valuation on the Regulation 2016/101 of 26 October 2015	(127)	(109)
Other Deductions: Deposit Guarantee Fund	(73)	-
<b>Total Own Funds and Common Equity Tier 1 Capital</b>	<b>41,969</b>	<b>39,546</b>

Note: Unaudited information. Prudential information.

Source: COREP\_OF. Positive net result for 2023 not included.

#### Breakdown of Own Funds as at December 31, 2023 and 2022, at Individual level

(values expressed in thousand euros)

	31/12/2023	31/12/2022
<b>OWN FUNDS</b>	<b>41,969</b>	<b>39,546</b>
<b>TIER 1 Capital</b>	<b>41,969</b>	<b>39,546</b>
<b>Common Equity Tier 1 Capital</b>	<b>41,969</b>	<b>39,546</b>
Capital Instruments eligible as CET1 Capital	195,198	195,198
Paid up capital instruments	195,198	195,198
(-) Own CET1 instruments	73	-
Retained earnings	(151,000)	(151,000)
Previous years retained earnings	(151,000)	(144,462)
Profit or loss eligible	-	(6,538)
Accumulated other comprehensive income	(1,575)	(4,225)
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	(127)	(109)
(-) Other intangible assets	(454)	(318)
(-) 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	(73)	-
<b>Additional Tier 1 Capital</b>	<b>-</b>	<b>-</b>
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	-	-
<b>Tier 2 Capital</b>	<b>-</b>	<b>-</b>
Capital instruments and subordinated loans eligible as T2 Capital	-	-
Paid up capital instruments and subordinated loans	-	-
Instruments issued by subsidiaries that are given recognition in T2 Capital	-	-
Transitional adjustments due to additional recognition in T2 Capital of instruments issued by subsidiaries	-	-
(-) T2 instruments of financial sector entities where the institution has a significant investment	-	-
Other transitional adjustments to T2 Capital	-	-

Note: Unaudited information. Prudential information.

Source: COREP\_OF.

## Evaluation and Adequacy of Internal Capital

In compliance with the prudential requirements currently in force, the Bank carries out an internal capital adequacy self-assessment exercise (ICAAP), as provided for in Pillar 2 of Basel III and Instruction 3/2019 of the Bank of Portugal. The ICAAP is a fundamental part of Bison Bank's risk management, as it allows a direct assessment and determination of the internal capital levels underlying the institution's risk profile, in the development of its business strategy (current and projected).

The purpose of the ICAAP exercise is to contribute to the Bank's continuity 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 certain confidence interval and time horizon. This exercise ensures that the risks to which the institutions are exposed (Pillar I and Pillar II risks) are properly assessed and that the institution's internal capital is in line with the risk profile established in the Bank's RAS.

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

In order to quantify risks, the Bank has developed various methodologies for calculating internal capital requirements which 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 according to a set of methodologies developed.

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

The ICAAP is the responsibility of the Board of Directors, but it delegates the obligation to carry out this process to the DRR. The DRR is therefore responsible for preparing and coordinating the ICAAP report. The Bank has internally defined an organizational structure to support the ICAAP process with the following elements:

- DRR;
- ALCO & *Risk Management* Committee - coordinated by DRR;
- People and Accounting Department (DPC);
- Audit Department (DAI);
- Executive Committee (EC).

The main objective of the ICAAP process is to determine the capital requirements for all the risks to which the institution is, or may be, subject in the course of its business. This includes Pillar I risks (Credit Risk, Market Risk and Operational Risk) and, additionally, Concentration Risk, Interest Rate Risk, Reputational Risk, Compliance Risk, Strategy Risk, etc.

DRR is responsible for risk management, which includes the calculation and permanent monitoring of the institution's capital consumption, namely: a) defining the levels of risk that Bison Bank is willing to assume; identifying, quantifying and monitoring the various risks assumed: b) calculating the capital consumption of the different risks to which the Bank is exposed in Pillar I; c) ensuring the development and regulatory reporting of the ICAAP exercise.

The ALCO & *Risk Management* Committee, coordinated by DRR, is responsible for monitoring overall risk levels. In terms of ICAAP, it is responsible for presenting and analyzing the current and prospective capital position and proposing mitigation measures when necessary.

### **Recovery Plan**

In addition, as an integral part of the capital management process, the Bank annually updates the Recovery Plan for its business and activities, through which a wide range of key indicators are defined, which are monitored permanently (on a monthly basis), allowing for timely action whenever deviations exceed certain thresholds (defined in the Plan), and are reported in accordance with the defined *governance*. Specific responsibilities and measures to be taken are defined, particularly in the event of capital and/or liquidity contingencies, with the aim of anticipating the occurrence of any crises.

The Recovery Plan thus establishes a decision-making protocol for crisis management, identifying predefined actions and strategies for responding to adverse events.

### **Prudential Own Funds Reserves**

As decided by the BoP, the countercyclical reserve percentage applicable to credit exposures to the Portuguese non-financial private sector in force in 2023 was 0% of the total amount of the exposures. Thus, Bison Bank's specific countercyclical reserve is 0% since the relevant credit exposures are located in Portugal.

### **Limit to Major Risks**

On December 31, 2023, the Bank complied with the limit for large exposures set out in Article 395 of Regulation (EC) no. 575/2013, of June 26, 2013 (CRR).

## 28) FAIR VALUE OF SECURITIES PORTFOLIO AND OTHER FINANCIAL INSTRUMENTS

The fair value of financial instruments is estimated whenever possible using active market prices. A market is considered active and liquid when there are equally knowledgeable counterparties and regular transactions take place. For financial instruments in which there is no active market, due to lack of liquidity and absence of regular transactions, valuation methods and techniques are used to estimate fair value. Financial instruments have been classified by level in accordance with the hierarchy set out in IFRS 13.

### Financial instruments carried on the balance sheet at fair value

As at December 31, 2023 and 2022, the breakdown of this item is as follows:

#### CONSOLIDATED/INDIVIDUAL

	Valuation Techniques			
	Market Value or Market Price			
12/31/2023	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Financial assets held for trading	24	-	-	24
Non-trading financial assets mandatorily at fair value through profit or loss	-	-	10,679	10,685
Financial assets at fair value through other comprehensive income	66,857	49,323	-	116,180

	Valuation Techniques			
	Market Value or Market Price			
12/31/2022	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Financial assets held for trading	168	-	-	168
Non-trading financial assets mandatorily at fair value through profit or loss	-	-	10,733	10,733
Financial assets at fair value through other comprehensive income	51,145	47,217	-	98,362

In constructing the above table, fair value levels were used in accordance with the fair value hierarchy (see Note 2.8).

In 2023, the Bank reassessed the applicable fair value hierarchy, in accordance with IFRS 13 standards, and, for comparability purposes, reclassified the disclosure relating to December 31, 2022.

In the internal valuation models for trading financial instruments and at fair value through profit or loss, market interest rates are calculated based on information published by Bloomberg. Maturities of up to one year are based on interbank money market rates, while maturities of over one year are based on interest rate *swap* quotes. The interest rate curve obtained is also adjusted against the values of short-term interest rate futures. Interest rates for specific maturities are determined by interpolation methods. The same interest rate curves are also used in the projection of non-deterministic cash flows, such as indexes.

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

The interest rates used to calculate the interest rate curve with reference to December 31, 2023, and 2022, for the EUR and USD currencies are as follows:

Maturity	EUR			USD		
	12/31/2023	12/31/2022	12/31/2021	12/31/2023	12/31/2022	12/31/2021
1 day	n.a.	1.885%	-0.505%	n.a.	4.318%	0.070%
7 days	3.900%	1.872%	-0.490%	5.373%	4.400%	0.080%
1 month	3.845%	1.884%	-0.491%	5.469%	4.392%	0.084%
2 months	n.a.	n.a.	-0.490%	n.a.	n.a.	0.087%
3 months	3.909%	2.132%	-0.488%	5.593%	4.767%	0.118%
6 months	3.861%	2.693%	-0.484%	5.586%	5.139%	0.223%
1 year	3.513%	3.291%	-0.455%	n.a.	5.482%	0.425%
2 years	2.797%	3.395%	-0.319%	4.066%	4.446%	0.764%
3 years	2.550%	3.311%	-0.199%	3.748%	4.069%	0.973%
4 years	2.459%	3.258%	-0.138%	3.601%	3.862%	1.069%
5 years	2.431%	3.239%	-0.087%	3.529%	3.746%	1.128%
6 years	2.428%	3.218%	-0.042%	3.496%	3.673%	n.a.
7 years	2.437%	3.202%	0.004%	3.478%	3.624%	1.223%
8 years	2.453%	3.197%	0.056%	3.471%	3.588%	n.a.
9 years	2.470%	3.198%	0.117%	3.471%	3.567%	n.a.
10 years	2.492%	3.203%	0.176%	3.474%	3.558%	1.319%
20 years	2.522%	2.931%	0.480%	3.480%	3.551%	1.481%
30 years	2.340%	2.533%	0.450%	3.316%	3.209%	1.453%

#### Financial instruments at cost or amortized cost

As at December 31, 2023 and 2022, the breakdown of this item is as follows:

##### CONSOLIDATED

12/31/2023	Balance Sheet Value	Fair Value
Cash, cash balances at central banks and other demand deposits	113,161	113,161
Financial assets at amortised cost	95	95
Other Assets	6,201	6,201
Deposits	(197,949)	(197,949)
Other liabilities	(5,680)	(5,680)

12/31/2022	Balance Sheet Value	Fair Value
Cash, cash balances at central banks and other demand deposits	71,933	71,933
Financial assets at amortised cost	150	150
Other Assets	5,987	5,987
Deposits	(141,530)	(141,530)
Other liabilities	(5,022)	(5,022)

##### INDIVIDUAL

12/31/2023	Balance Sheet Value	Fair Value
Cash, cash balances at central banks and other demand deposits	112,143	112,143
Financial assets at amortised cost	95	95
Other Assets	9,086	9,086
Deposits	(199,008)	(199,008)
Other liabilities	(5,584)	(5,584)

12/31/2022	Balance Sheet Value	Fair Value
Cash, cash balances at central banks and other demand deposits	71,929	71,929
Financial assets at amortised cost	150	150
Other Assets	6,249	6,249
Deposits	(141,570)	(141,570)
Other liabilities	(4,950)	(4,950)



For financial instruments recorded in the balance sheet at amortized cost, the Bank calculates their fair value using valuation techniques.

The fair value presented may not correspond to the realization value of these financial instruments in a sale or liquidation scenario and was not determined for this purpose. The amounts presented basically represent highly liquid cash and cash equivalents with short residual maturities, and do not differ substantially from the amounts recorded in the balance sheet.

The valuation techniques used by the Bank are based on the market conditions applicable to similar operations on the reference date of the financial statements, namely the value of the respective discounted cash flows based on the interest rates considered most appropriate.

For non-defaulted variable-rate and very short-term loans, the balance sheet value was considered to be the best approximation of fair value.

## 29) BALANCES AND TRANSACTIONS WITH RELATED PARTIES

Transactions with related parties are analyzed in accordance with the criteria applicable to third-party transactions and are conducted under normal market conditions. These transactions are subject to approval by the Board of Directors.

The figures presented below are based on the following criteria:

- The balances on December 31, 2023 and 2022 and the transactions that took place in the years ending on those dates, regarding Key Management Personnel, refer to all the "Members of the Board of Directors and Supervisory Board" disclosed below, whether or not in office on December 31, 2023 and 2022:

	<u>12/31/2023</u>	<u>12/31/2022</u>	<u>12/31/2023</u>	<u>12/31/2022</u>
	<b>Key Management Personnel</b>		<b>Shareholders</b>	
Deposits	81	-	-	-
Interests	1	-	-	-
Commission Income	0	-	-	-
Personnel costs	1,249	1,068	-	-

The related parties are as follows:

### Key management and supervisory board members:

André Filipe Ventura Rendeiro

António Manuel Gouveia Ribeiro Henriques

Bian Fang

Eduardo Nuno de Sousa Feijóo Moradas - took office on September 1, 2022

Ernesto Jorge de Macedo Lopes Ferreira - left office on July 6, 2022

Issuf Ahmad

Luís Miguel Gonçalves Folhadela de Oliveira - took up his duties on July 7, 2022

Ting Wang

Bank entities after August 26, 2020

Bison Capital Holding Company Limited

Bison Capital Financial Holdings (Hong Kong) Limited

Bank entities after July 15, 2022

Bison Capital Holding Company Limited

Bison Capital Financial Holdings (Hong Kong) Limited

Bison Digital Assets

### 30) EVENTS AFTER THE BALANCE SHEET DATE

According to the European Union's latest "Winter Economic Forecast 24", published in January 2024, prolonged geopolitical tensions and the extension of the conflict in the Middle East to the Red Sea are tipping the balance of risks towards more adverse outcomes. New disruptions in trade could once again put pressure on supply chains, hampering production and increasing pressure on prices.

On the other hand, a more persistent transmission of still restrictive monetary conditions could further delay the recovery of economic activity, pushing down inflation. Climate risks and the increasing frequency of extreme weather events continue to pose threats.

The extent of the impact will depend on future developments, which cannot be reliably predicted, including the evolution of the conflict, the effectiveness of the actions taken to mitigate it and the impact on the economies of the affected countries, the scope of the social and economic policies and support being implemented.

In view of Bison Bank's balance sheet structure, and with its assets consisting essentially of a portfolio of *investment* grade and highly liquid bonds and liquidity with top-tier financial institutions, no significant impacts are anticipated or have occurred for the Bank at an individual or consolidated level as a result of the permanence and possible uncertainties associated with the war between Russia and Ukraine, as far as this indicator is concerned.

In compliance with the requirements of Law no.º 61/2014, of August 26, the Bank submitted a request for authorization to waive the special tax regime for deferred assets (REIAD) to the Bank of Portugal on November 14, 2022 (which was duly granted) and, subsequently, on December 29, 2022, it submitted a communication, addressed to the Minister of Finance, in which he formalized the process

of renouncing the special regime, ensuring the cessation of its application with reference to the tax period starting on January 1, 2023, and as of the date of approval of this Annual Report and Accounts, no information on this process has been obtained from this entity.

There were no other events that required adjustments and/or disclosures in these financial statements.

# 10 - CORPORATE GOVERNANCE REPORT

This report forms an integral part of the Report of the Board of Directors for the financial year 2023 of Bison Bank, S.A. (hereinafter referred to as "Bison Bank", "Bank" or "Company") and aims to disclose the corporate governance structure and practices adopted by Bison Bank.

This Corporate Governance Report has been prepared in accordance with the following provisions:

- Article 70(2)(b) of the Commercial Companies Code ("CSC").
- European Banking Authority (EBA) guidelines on internal governance and remuneration policy (EBA/GL/2021/05 and EBA/GL/2021/04, both of July 2, 2021).
- General Regime for Credit Institutions and Financial Companies ("RGICSF") approved by Decree-Law no. 298/92, of December 31, as successively amended to date.
- Notice no. 03/2020 of the Bank of Portugal, of July 1, 2020, which regulates the organizational culture, internal governance, internal control system and remuneration policies and practices of credit institutions and financial companies (namely article 47).
- Regulation (EU) No 575/2013 of the European Parliament and of the Council of June 26, 2013 ("CRR 2"), as successively amended to date (namely Article 450).
- Directive 2013/36/EU of the European Parliament and of the Council of June 26, 2013 ("CRD 5"), as successively amended to date.

## **I. Corporate Governance Structure and Practices**

### **I.1 Government structure**

The governance structure adopted by the Company, recently changed in 2022, corresponds to the Anglo-Saxon Model, under the terms of Article 278(1)(b) of the CSC, comprising a General Shareholder Meeting, a Board of Directors (with powers delegated to an Executive Committee), which includes an Audit Committee, made up of non-executive members of the Board of Directors, and a Statutory Auditor.

In accordance with Article 25 of the Articles of Association, the Company also has a Company Secretary and his or her Alternate.

This governance model is intended to ensure effective and prudent management of the company and holistic supervision of all applicable risks, while also guaranteeing greater efficiency and cohesion in management, as a result of the presence of the supervisory body within the Board of Directors.

## **I.2 General Shareholder Meeting, Composition and Applicable Rules**

### **I.2.1 Identification of the members of the Board of the General Meeting of Shareholders and indication of the start and end dates of their terms of office**

The Board of the General Meeting is made up of a Chairman and one or two Secretaries, in accordance with Article 12.1 of the Company's Articles of Association,

The members of the Board of the General Meeting listed below were elected at the General Meeting of July 7, 2022, for the four-year term 2022-2025:

Chairman: Paulo Herberto da Costa Ramos Martins

Secretary: Afonso Maria Pita Negrão Cardoso de Menezes

On March 23, 2023, the Secretary of the Bank's General Meeting tendered his resignation and the position remained vacant until the appointment of the current Secretary on November 7, 2023.

In view of the above, the Board of the General Assembly, for the four-year term 2022-2025, is currently composed of the following members:

Chairman: Paulo Herberto da Costa Ramos Martins

Secretary: Marta dos Santos Marques Franco

### **I.2.2 Requirements to be met in order to participate in the General Meeting and exercise the right to vote:**

In accordance with Article 15 of the Company's Articles of Association, shareholders who, in accordance with the law and the Articles of Association, have the right to at least one vote, are entitled to attend the General Meeting and discuss and vote thereon, with each 100 (one hundred) shares corresponding to 1 (one) vote.

Shareholders' participation in and exercise of their voting rights at General Meetings depends on confirmation of the registration in their name of shares entitling them to at least one vote, no later than 6 (six) days before the date set for the respective meeting.

Shareholders must keep the shares they hold registered in their name at least until the end of the General Meeting.

Transfers of Company shares made in the five (5) days preceding the meeting of each General Meeting, on first call, shall not be considered for the purposes of participation in the General Meeting.

### **I.2.3 Indication of shareholders with special rights and description of these rights**

As of December 31, 2023, there are no shareholders with special rights.

Without prejudice to the above, it should be noted that the Bank's adherence to the special regime applicable to deferred tax assets, approved in the annex to Law no. 61/2014, of August 26, implied the constitution of special reserves in the amount of the tax credits calculated under the regime and the constitution of conversion rights freely assigned to the Portuguese State.

These conversion rights are registered and book-entry securities that confer the right to request the Bank to increase its share capital by incorporating the aforementioned special reserve and, consequently, to issue and deliver ordinary shares representing its share capital free of charge, in the percentage of the right exercised.

In this context, the Bank, in concert with the sole shareholder, has been in regular contact with the Directorate-General for the Treasury and Finance ("DGTF"), with a view to acquiring from this entity, in its own name, the conversion rights already constituted under the REAID, as well as those that may be constituted with reference to the 2022 financial year (the last year of application of the regime), and it is therefore not expected that the State will, through the exercise of such conversion rights, carry out any capital increase in the Bank.

#### **I.2.4 Indication of other statutory rules on the exercise of voting rights at General Meetings, including the exercise of postal voting rights**

The statutory rules on the exercise of voting rights, particularly with regard to constitutive and deliberative quorums, are in line with the legal regime of the CSC, and there is an identity between the statutory regime (set out in Articles 10 et seq. of the Company's Articles of Association) and the legal regime (set out, for example, in Articles 383 and 386 of the CSC). There are no statutory rules on systems for highlighting rights with an equity content.

Article 4.2 of the Articles of Association establishes that the Company may issue any class of shares, namely preference shares, whether or not redeemable, which may be redeemed at par value plus a premium, by resolution of the competent body.

There are no statutory rules limiting the counting of voting rights.

Article 17(5) of the Articles of Association provides for and regulates the possibility of shareholders exercising their voting rights by correspondence.

#### **I.2.5 Exercising the right to vote by electronic means**

There is no provision for exercising the right to vote by electronic means.

#### **I.2.6 Any restrictions on voting rights**

Without prejudice to the above, there are no restrictions on voting rights.

#### **I.2.7 Rules applicable to amending the company's articles of association**

There are no specific rules, particularly of a statutory nature, applicable to the amendment of the Company's Articles of Association, and the legal framework is fully applicable, particularly in the CSC and the RGICSF, which, in certain circumstances, requires prior authorization from the Bank of Portugal.

### **I.2.8 Qualifying holdings in the Company's capital**

On December 31, 2023, Bison Bank shares, totaling 39,039,674 shares, with a nominal value of 5 euros each, representing 100% of the Company's share capital, in the total amount of 195,198,370.00 euros, were held by the sole shareholder, Bison Capital Financial Holdings (Hong Kong) Limited.

At the date of this Report, Bison Capital Financial Holdings (Hong Kong) Limited remains the sole shareholder of Bison Bank.

### **I.3 Board of Directors**

#### **I.3.1 Definition, composition and designation**

The Company's management is entrusted to a Board of Directors, made up of a minimum of six and a maximum of fifteen members, elected by the General Meeting, as provided for in Article 18 of the Company's Articles of Association and Article 391(1) of the Companies Code.

#### **I.3.2 Identification of the members of the Board of Directors and indication of the start and end dates of their terms of office**

All the members of the Board of Directors appointed for the 2022 to 2025 term are still in office as of the date of this Report.

The composition of the Board of Directors of Bison Bank that held office during 2023 is described below, with an indication of the date on which each of the respective members took office during each of their terms:

- Bian Fang, who also uses Fang Bian - Appointed by the sole shareholder on April 26, 2019 as a member of the Board of Directors, for the 2018 to 2021 term, having taken up office on that date. On May 3, 2019, he was appointed by the Board of Directors as Chairman of the Executive Committee. On July 7, 2022, he was reappointed by the sole shareholder as a member of the Company's Board of Directors for the 2022 to 2025 term. On July 11, 2022, he was appointed by the Board of Directors as its Chairman.

- António Manuel Gouveia Ribeiro Henriques - Appointed by the sole shareholder on December 5, 2018 as a member of the Board of Directors for the 2018 to 2021 term, and took up office on that date. On March 31, 2021, he was appointed by the Board of Directors as Vice-Chairman of the Executive Committee. On July 7, 2022, he was reappointed by the sole shareholder as a member of the Company's Board of Directors for the 2022 to 2025 term. On July 11, 2022, he was appointed by the Board of Directors as Chairman of the Executive Committee.

- André Filipe Ventura Rendeiro - Appointed by the sole shareholder on October 30, 2018, as a member of the Board of Directors for the 2018 to 2021 term, having taken up office on November 19, 2018. On July 7, 2022, he was reappointed by the sole shareholder as a member of the Company's Board of Directors for the 2022 to 2025 term.

- Eduardo Nuno de Sousa Feijóo Moradas - appointed by the sole shareholder on July 7, 2022, as a member of the Board of Directors for the term from 2022 to 2025, having taken up office on September 1, 2022.

- Issuf Ahmad - appointed by the sole shareholder on July 7, 2022, as a member of the Board of Directors (and chairman of the Audit Committee and Chairman of the Nomination and Remuneration Committee) for the 2022 to 2025 term, having taken up office on July 7, 2022.

- Ting Wang - appointed by the sole shareholder on July 7, 2022, as a member of the Board of Directors (and member of the Audit Committee) for the term from 2022 to 2025, having taken office on July 7, 2022.

- Luís Miguel Gonçalves Folhadela de Oliveira - appointed by the sole shareholder on July 7, 2022, as a member of the Board of Directors (and member of the Audit Committee and the Nomination and Remuneration Committee) for the term of office from 2022 to 2025, having taken up office on July 7, 2022.

### **I.3.3 Powers and responsibilities of the Board of Directors, particularly with regard to resolutions to increase capital**

The powers of the Board of Directors are set out in Article 20 of the Articles of Association.

In accordance with the aforementioned articles of association, the Board of Directors is responsible for managing the company's affairs and has exclusive and full powers to represent the company. To this end, it has the power to decide on any company matter that is not, under the law or the company's articles of association, the exclusive responsibility of another body.

The Articles of Association do not provide for the possibility of increasing the Company's share capital by resolution of the Board of Directors (namely under the terms of Article 456 of the CSC).

The Board of Directors has a set of Regulations which establish the guiding principles underpinning the work of this body, its powers, the basic rules governing the way it is organized and operates and the standards of conduct expected of its members.

The Regulations of the Board of Directors complement the relevant legal and statutory provisions and are available for consultation on the Company's *website*.

### **I.3.4 Information on the rules applicable to the appointment and replacement of members of the Board of Directors**

In accordance with the articles of association, the Board of Directors is made up of a minimum of six and a maximum of fifteen directors, depending on what is decided at the General Meeting, and substitute directors may be elected up to a number equal to one third of the number of effective directors that may be elected (Article 18(1) and (2) of the Articles of Association).

Also in accordance with the articles of association (Article 19(1)), at the first meeting of each term of office, the Board of Directors shall appoint its Chairman from among its members.

The selection and assessment of members to be proposed to join the management body is regulated by the "Policy for the Selection and Assessment of the Suitability of Members of the Management and Supervisory Bodies and Key Function Holders of Bison Bank S.A."

The Bank does not have a separate policy for recruiting members of the management body or a diversification policy in relation to their selection, although these matters are generally covered by the aforementioned Policy for Selecting and Assessing the Suitability of Members of the Management and Supervisory Bodies and Key Function Holders. In fact, the Selection and Assessment Policy refers to



the individual and collective criteria for assessing the suitability of the members of the governing bodies, as well as to the fact that, in the selection and assessment of the members of the management and supervisory bodies, the diversity of personalities, qualifications and technical and sectoral skills required to carry out the duties of the Bank's directors is actively promoted, as well as the diversity of gender, age and geographical origin.

The company's articles of association do not provide for any specific rules on the replacement of members of the Board of Directors, so this is carried out under the terms of Article 393(3) of the Companies Code. There is no formalized policy for the rotation of positions on the Board of Directors.

### **I.3.5 Indication of other companies in which members of the management body hold corporate positions**

- Bian Fang (Chairman of the Board of Directors) - With reference to December 31, 2023, in addition to his position at Bison Bank, he held 1 other corporate position:

- Vice-Chairman (Non-Executive Member) of the Board of Directors of Banco Moçambicano de Apoio aos Investimentos, S.A..

- António Manuel Gouveia Ribeiro Henriques (Chairman of the Executive Committee) - With reference to December 31, 2023, in addition to his position at Bison Bank, he held 1 other corporate position:

- Chairman of the Board of Directors (Executive Member) of Bison Digital Assets, S.A. (an entity 100% owned by Bison Bank).

- André Filipe Ventura Rendeiro - (Executive Director) - With reference to December 31, 2023, in addition to his position at Bison Bank, he held 1 other corporate position:

- Member of the Board of Directors (Executive Member) of Bison Digital Assets, S.A. (entity 100% owned by Bison Bank).

- Eduardo Nuno de Sousa Feijóo Moradas - (Executive Director) - With reference to December 31, 2023, in addition to his position at Bison Bank, he held 1 other corporate position:

- Member of the Board of Directors (Executive Member) of Bison Digital Assets, S.A. (entity 100% owned by Bison Bank).

- Issuf Ahmad - (Non-Executive Director and Chairman of the Audit Committee, and Chairman of the Nomination and Remuneration Committee) - As of December 31, 2023, in addition to his position at Bison Bank, he held 1 other corporate position:

- Chairman of the Supervisory Board of Bison Digital Assets, S.A. (an entity 100% owned by Bison Bank).

- Ting Wang - (Non-executive Director and member of the Audit Committee) - As of December 31, 2023, in addition to his position at Bison Bank, he held 1 other corporate position:

- Member of the Supervisory Board of Bison Digital Assets, S.A. (an entity 100% owned by Bison Bank).

- Luís Miguel Gonçalves Folhadela de Oliveira - (Non-executive member and member of the Audit Committee and the Nomination and Remuneration Committee) - With reference to December 31, 2023, in addition to his position at Bison Bank, he held 1 other corporate position:

- Member of the Supervisory Board of Bison Digital Assets, S.A. (an entity 100% owned by Bison Bank).

### I.3.6 Number of meetings held and attendance of each member of the Board of Directors at meetings held

A total of 22 meetings of the Company's Board of Directors were held in 2023, and minutes were drawn up for each of these meetings. The attendance of each member of the Board of Directors at the meetings was as follows:

Member	No. of Attendees	Representation
Bian Fang (Chairman)	22	-
António Manuel Gouveia Ribeiro Henriques (Member and Chairman of the Executive Board)	22	-
André Filipe Ventura Rendeiro (Member)	22	-
Eduardo Nuno de Sousa Feijóo Moradas (Member)	21	-
Issuf Ahmad (Non-Executive Director and Chairman of the Audit Committee)	22	-
Ting Wang (Non-executive member)	22	-
Luís Miguel Gonçalves Folhadela de Oliveira (Non-executive member)	22	-

## I.4 Executive Board and Committees

### I.4.1 Executive Committee

The day-to-day management of the company is delegated to an Executive Committee set up within the Board of Directors, as provided for in Article 22(1) of the Articles of Association and Article 407(3) of the Companies Code.

Bison Bank's Executive Committee for the 2022 to 2025 term of office was set up by resolution of the Board of Directors on July 11, 2022.

#### I.4.1.1 Composition and rules applicable to the Executive Committee

On July 11, 2022, when the Executive Committee was set up, it was decided by the Board of Directors that it would be made up of 3 members, the executive members of the Board of Directors, all of whom were in office on the date of this Report, as indicated below:

- António Manuel Gouveia Ribeiro Henriques (appointed Chairman of the Executive Committee).
- André Filipe Ventura Rendeiro (executive member).
- Eduardo Nuno de Sousa Feijóo Moradas (executive member) - took office on September 1, 2022.

There are no specific provisions in the Articles of Association regarding the appointment or replacement of members of the Executive Committee.

The Regulations of the Executive Committee, which establish how this body acts and operates, are available for consultation on the company's *website*.

#### I.4.1.2 Number of meetings held and level of attendance of each member of the Executive Committee at meetings held

In 2023, 34 meetings of the Executive Committee were held, and minutes were taken of each of these meetings. The attendance of each member of the Executive Board at meetings was as follows:

Member	No. of Attendees	Representation
António Manuel Gouveia Ribeiro Henriques (Chief Executive Officer)	34	-
André Filipe Ventura Rendeiro	33	-
Eduardo Nuno de Sousa Feijóo Moradas	32	-

#### I.4.2 Existing committees and meetings held

##### a. Governance Committees

Considering the EBA guidelines on internal governance, the aim of aligning with best governance practices and the objective of strengthening the organizational and governance structure of the Company, the Bank opted in July 2022 to have only the Nomination and Remuneration Committee. The Governance Committees are specialized supervisory committees made up of non-executive members of the board of directors and members of the supervisory body, with objectives and methods of operation duly regulated in the respective regulations.

##### i) Nomination and Remuneration Committee

The mission of the Appointments and Remuneration Committee is to advise and support the Board of Directors and the General Meeting on matters of appointments, appraisals and remuneration of (i) members of the Board of Directors and the supervisory body, (ii) senior management, (iii) those responsible for the Bank's risk-taking and control functions, as well as (iv) other employees with essential functions or whose total remuneration places them in the same remuneration bracket as their predecessors (namely referred to in (i)), as defined by the Board of Directors.

The Nomination and Remuneration Committee also has the task of reviewing and monitoring internal policies relating to: i) Remuneration of members of the management and supervisory bodies; ii) Selection and Assessment of the Suitability of Members of the Board of Directors and the supervisory body and of the Bank's Key Function Holders and ensuring their complete effectiveness; iii) Prevention, Communication 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.

On July 11, 2022, the Board of Directors appointed the following members to the Nomination and Remuneration Committee:

- Issuf Ahmad (Chairman)

- Fang Bian
- Luís Miguel Gonçalves Folhadela de Oliveira

The Committee shall meet as often as its members deem necessary and at least once a quarter.

During fiscal year 2023, 14 meetings of the Nomination and Remuneration Committee were held and minutes of each of these meetings were drawn up.

The Regulations of the Nomination and Remuneration Committee are available for consultation on the Bank's *website*.

#### **b. Functional Committees**

The Bank, as established in its internal procedures, has functional committees which have specific objectives to support the management body and are subject to different operating rules, as defined in the respective internal regulations.

Under the governance structure in force, the Bank has 4 functional committees, which are listed below:

- *Asset and Liability (ALCO) and Risk Management Committee* (maintained) - An advisory committee, which meets at least quarterly, essentially focused on issues relating to the Bank's liquidity and risk management.
- *Business Development Committee* - An advisory committee that meets at least once a month and is essentially geared towards monitoring the Bank's commercial activity.
- *Financial Planning and Control Committee* - An advisory committee, which meets at least once a month, mainly to monitor monthly and annual financial information and the implementation of the Bank's budget.
- *Internal Control and Compliance Committee* - An advisory committee, which meets at least quarterly, mainly to monitor the activity of the Bank's *compliance* and internal control areas.

The following meetings were held in 2023:

<b>Committees</b>	<b>Number of Meetings</b>
Asset and Liability and Risk Management Committee	3
Business Development Committee	12
Financial Planning and Control Committee	3
Internal Control and Compliance Committee	12

## **I.5 Company supervisory body**

### **I.5.1 Audit Committee**

The supervision of the Company is currently entrusted, since the change in the governance model on July 7, 2022, to an Audit Committee, composed of a minimum of three effective members, one of whom is its Chairman, elected at the General Meeting from among the non-executive members of the Board of Directors, as provided for in Article 23 of the Company's Articles of Association and Article 423-B of the CSC.

**I.5.2.1 Identification of the members of the Audit Committee and the start and end dates of their terms of office**

The members of the Audit Committee listed below were appointed by resolution of the sole shareholder on July 7, 2022, for the period from 2022 to 2025, in the light of the individual and collective assessment reports provided by the Company and following authorization previously granted by the Bank of Portugal:

- Issuf Ahmad (Chairman)
- Wang, Ting (Member)
- Luís Miguel Gonçalves Folhadela de Oliveira (Member)

The aforementioned members took office on July 7, 2022.

**I.5.2.2 Information on the rules applicable to the appointment and replacement of members of the Audit Committee**

Under the terms of Article 23(1) of the Articles of Association, the Audit Committee must be made up of a minimum of three members, in compliance with the incompatibility regime laid down by law, and its members must have the appropriate training and experience for the sector in which the company operates.

The majority of its members, including its president, must be considered independent.

The independence requirement is designed to avoid the risk of members of the supervisory body being subject to undue influence from other people or entities, thus ensuring that these members can carry out their duties impartially.

The Chairman of the Audit Committee is appointed by the General Meeting or nominated by the members of the Audit Committee themselves (article 423-C of the CSC).

The Articles of Association do not specify the means for replacing the members of the Audit Committee, so such replacement will take place under the terms of article 393, *ex vi* article 423-H, of the CSC.

The Audit Committee has a Regulation that establishes the guiding principles of this body and the basic rules governing the way it is organized and operates. These Audit Committee Regulations are available for consultation on the Bison Bank *website*.

**I.5.2.3 Reference to the fact that the Audit Committee evaluates the external auditor on an annual basis and the possibility of proposing to the general meeting its appointment and possible dismissal with just cause**

The Audit Committee assesses the external auditor on an annual basis and it is also the Audit Committee's responsibility to select and recommend the appointment of the Bank's external auditor, i.e. the Chartered Accountants Firm, and possibly its dismissal at the General Meeting.

The Bank has a policy for selecting and appointing statutory auditors and audit firms, and for contracting different audit services that are not prohibited to statutory auditors and audit firms, and the latest revision of this Policy was approved at the General Meeting of October 4, 2023.

**I.5.2.4 Reference to the fact that the annual reports on the activity carried out by the Audit Committee include a description of the supervisory activity carried out, referring to any constraints detected, and are published on the company's website, together with the financial statements.**

The Annual Reports of the Audit Committee include a description of the supervisory activity carried out, mentioning any constraints detected (if any) and are published on the company's *website*, together with the financial statements.

**I.5.2.5 Number of meetings held and degree of attendance at meetings held by each member of the Audit Committee**

During 2023, 36 meetings of the company's Audit Committee took place. Minutes were drawn up for each of these meetings.

The attendance of each member of the Audit Committee at meetings was as follows:

**Audit Committee** - Total of 36 meetings held in 2023

Member	Attendance	Representation
Issuf Ahmad	36	-
Wang Ting	36	-
Luís Miguel Gonçalves Folhadela de Oliveira	36	-

**I.5.3 Positions held by members of the Supervisory Body in other companies**

- Issuf Ahmad (Chairman of the Audit Committee) - As of December 31, 2023, in addition to his position at Bison Bank, he held 1 other corporate position:

- Chairman of the Supervisory Board of Bison Digital Assets, S.A. (an entity 100% owned by Bison Bank).

- Wang Ting (Member of the Audit Committee) - As of December 31, 2023, in addition to his position at Bison Bank, he held 1 other corporate position:

- Member of the Supervisory Board of Bison Digital Assets, S.A. (an entity 100% owned by Bison Bank).

- Luís Miguel Gonçalves Folhadela de Oliveira (Member of the Audit Committee) - With reference to December 31, 2023, in addition to his position at Bison Bank, he held 1 other corporate position:

- Member of the Supervisory Board of Bison Digital Assets, S.A. (an entity 100% owned by Bison Bank).

**I.6 Statutory Auditor of the Company**

The company has a firm of statutory auditors, under the terms of Article 446(1) of the Companies Code, appointed by the General Meeting on a proposal from the Audit Committee, in accordance with Article 24(1) of the Articles of Association and Article 446(1) of the Companies Code.

With reference to December 31, 2023, the Company's Statutory Auditor is Pricewaterhouse Coopers & Associados - Sociedade de Revisores Oficiais de Contas, Lda, registered with the Portuguese Institute of Statutory Auditors under number 183 and with the CMVM under number 20161485.

The company's Statutory Auditor, identified above, reached the maximum term of appointment allowed by law in the fiscal year 2023, and at the time of writing this report, the Audit Committee was evaluating the proposals submitted for the appointment of a new Statutory Auditor.

## **I.7 Company Secretary**

### **I.7.1 Identification and indication of the start and end date of the respective mandates**

In accordance with Article 25 of its Articles of Association, and with reference to the year 2023, the Company has a Company Secretary and an Alternate, identified below:

- Company Secretary: Afonso Maria Pita Negrão Cardoso de Menezes - Appointed by resolution of the Board of Directors on August 10, 2018, for the four-year term of office 2018-2021. On July 11, 2022, he was reappointed by resolution of the Board of Directors for the four-year term of office 2022-2025, having held office until March 23, 2023.
- Alternate Company Secretary: Ricardo Mateus Mimoso - Appointed by resolution of the Board of Directors on July 11, 2022, for the four-year term 2022-2025, having served until March 23, 2023.
- Company Secretary: Ricardo Mateus Mimoso - held office from March 23, 2023 until October 27, 2023, due to the vacancy of the position of Secretary.
- Company Secretary: Marta dos Santos Marques Franco - Appointed by resolution of the Board of Directors on October 27, 2023, for the four-year term 2022-2025.
- Alternate Company Secretary: Ricardo Mateus Mimoso - Appointed by resolution of the Board of Directors on October 27, 2023, for the four-year term 2022-2025.

### **I.7.2 Framework, indication of appointment rules and powers**

The Company Secretary is a statutory body that supports the Board of Directors, other governing bodies and shareholders. The Company Secretary and his Alternate are appointed by resolution of the Board of Directors for a term of office coinciding with their own, which may be renewed one or more times.

In general, he is responsible for the duties arising from article 446-B of the CSC and, in particular, for secretarial duties at meetings of the governing bodies, namely the Board of Directors and the Executive Committee, drawing up the respective minutes and signing them jointly with the respective members. The Company Secretary's Regulations are available for consultation on the Bison Bank *website*.

## I.8 Internal Control

### I.8.1 Description of the internal control and risk management systems implemented by the company, particularly with regard to the financial information disclosure process

The Bank's management body establishes and maintains an internal control system, reflected in a set of strategies, policies, processes, systems and procedures with the aim of guaranteeing the Bank's sustainability in the medium and long term and the prudent conduct of its business, through:

- The fulfillment of the objectives established in strategic planning, based on the efficient performance of operations, the efficient use of the Bank's resources and the safeguarding of its assets;
- Proper identification, assessment, monitoring and control of the risks to which the Bank is or may be exposed;
- The existence of complete, relevant, reliable and timely financial and non-financial information;
- The adoption of sound accounting procedures;
- Compliance with the legislation, regulations and guidelines applicable to the Bank's activity, issued by the competent authorities, compliance with internal regulations, as well as professional and ethical standards and uses and rules of conduct and customer relations.

The internal control system encompasses the entire structure of Bison Bank, including the responsibilities and functions of the Board of Directors and the Supervisory Body, all its business segments, structural units, and in particular the internal control functions.

At Bison Bank, the Board of Directors has established the internal control system in accordance with the EBA guidelines on internal governance (EBA/GL/2021/05), which is based on the three lines of defense model, ensuring the distribution of different responsibilities in terms of governance and risk management among the different functions that make up each of the lines, in detail:

- First line: business generating units and related areas, which generate risk for the Bank and which are primarily responsible for identifying, assessing, monitoring and controlling the risks they incur;
- Second line: the support and control functions which include, in particular, the risk management (*Global Risk and Reporting Department*) and compliance (*Compliance Department*) functions, which interact with the first line functions in order to properly identify, assess, monitor and control the risks inherent in the activity carried out by the first line functions;
- Third line: the internal audit function (*Internal Audit Directorate*), which carries out independent, risk-oriented analyses.

In order to effectively achieve the defined objectives, the Bank's Board of Directors has established its internal control system based on the following organizational principles:



- **Adequate control environment** that includes permanent and effective internal control functions, with a status, authority and independence in the organizational structure aimed at verifying, in their respective areas of competence, that the established strategies, policies, processes, systems and procedures are adequate, duly updated, correctly applied and effectively complied with.
- The Board of Directors ensures that measures are adopted to value **behavior in line with the organizational culture** based on high standards of ethical demand and to promote a control environment that adequately promotes the company's internal control. In this respect, the Board of Directors ensures that internal procedures are in place so that periodic and independent assessments are carried out and promoted in relation to the Bank's conduct and values, which also cover the conduct and values of the management body itself and its committees.
- **A solid risk management system** that identifies, assesses, monitors and controls all the risks that may influence the strategy and objectives defined for the Bank, ensures their effective fulfillment and allows the necessary actions to be taken to respond adequately and in a timely manner to unintended or expected deviations.
- **Efficient information and communication system** that ensures the collection, processing, archiving and exchange of relevant, comprehensive and consistent data, in a timely manner and in such a way as to enable the effective and timely performance of management and control of the activity and risks to which the Bank is or may be exposed.
- **An effective monitoring process**, which ensures the adequacy and effectiveness of the internal control system over time and which guarantees, in particular, that any deficiencies are identified and corrected in good time.

#### **Production and processing of information and information flows**

The Bank's Board of Directors ensures that the Bank has adequate processes for obtaining, producing and processing information to support decision-making by management and other members of senior management and the exercise of the functions of the supervisory body. To ensure that the information available has the characteristics described, the Bank has various mechanisms in place, including the following:

- The existence of computer systems to ensure the systematic recording, accounting and archiving of all operations carried out throughout the life cycle of products.
- Policies and rules for managing the database, backing up information and controlling access to information in terms of information systems and access to the Bank's premises.
- Policies and processes for information quality management, with information reconciliation processes and minimum tolerance limits for deviations.
- Policies in the event of events with disruptive effects on the business, such as business continuity plans and recovery plans;

- Transversal and continuous action by the Internal Control Functions (Global Risk and Reporting Department, Compliance Department and Internal Audit Department), within the scope of their competencies in the Bank's other processes, in order to ensure the adequacy of the information produced;
- Formalization of the procedures, systems and controls of the Bank's Internal Control System in internal rules and policies, in presentations supporting the main committees involved in risk management, in reports from the control functions and in the internal control report itself;
- Permanent updating of the Bank's Internal Control System, with all published documents showing the date of publication;
- Approval of all Internal Control policies and regulations by the Board of Directors after the prior opinion of the Supervisory Body.

In compliance with Article 29(7) and Article 30(4) of Notice 3/2020, in order to ensure the adequacy of the processes for obtaining, producing and processing information implemented at the Bank and the conformity of the information flows established, the Board of Directors ensures the formalization of internal procedures that enshrine periodic independent assessments to be carried out by an entity external to the Bank.

#### **I.8.1. Internal Control Deficiencies**

The process of monitoring and following up internal control deficiencies, in addition to the ongoing objective of having as few deficiencies as possible in the light of the activity carried out by the Bank at any given time, has been focused on the swift resolution of deficiencies with a higher risk classification and on the implementation of action plans to close deficiencies within the established deadlines, while at the same time consolidating the central role of the Internal Control Functions in its management. To this end, the Board of Directors ensures that the Internal Control Functions are endowed with the autonomy and independence, freedom and powers necessary for the correct performance of their duties, namely access to all the information necessary for the performance of their duties.

To this end, it turns out that these functions:

- They are established in structural units that are separate from the units that carry out the activities they are supposed to monitor and control;
- Organically, they have autonomous and independent structural units;
- Those responsible for the internal control functions belong to the Bank's senior management and do not perform any other duties at the Bank, exercising their functions independently. They are not subordinate to the executive member of the Board of Directors who is responsible for managing the activities that each internal control function monitors and controls;
- They have their own regulations and activity plans approved by the Board of Directors, after obtaining the prior opinion of the Supervisory Body;

- They have direct access to the Board of Directors and the Supervisory Body and to the committees supporting those bodies;
- They carry out their responsibilities independently and the results of their assessments are not conditioned or limited;
- They have adequate human, material and technical resources to carry out their responsibilities effectively;
- They have adequate information systems with access to the internal and external information needed to fulfill their responsibilities;
- They have full, free and unconditional access to all the Bank's functions, activities and information.

### **I.8.2 Responsibility of the management body and the supervisory body for setting up and running the company's internal control and risk management systems, as well as for assessing their operation and adjusting them to the company's needs.**

The Board of Directors and the Supervisory Body recognize the importance of Risk Management and Internal Control Systems for the organization, promoting the human and technological conditions that result in a control environment that is proportional and appropriate to the risks of the activity.

The management bodies maintain regular and periodic monitoring of the evolution and mitigation of the deficiencies identified in the Company's Internal Control System, monitoring and organizing regular meetings with the Company's Departments to identify, monitor, quantify and manage the risks, enabling them to take the corrective measures necessary for the proper functioning of the Company. In this regard, the Bank's Board of Directors ensures the implementation of a monitoring process, as described in article 31 of Banco de Portugal Notice 3/2020, in particular:

- Continuous action by the Global Risk and *Reporting and Compliance* Departments, through control actions and assessments within the scope of their competencies, as detailed in the Function Regulations and Organic and Functional Structure of the Departments. This action is duly approved in the respective activity plans of each Department, duly presented and approved by the Board of Directors, after the prior opinion of the Supervisory Body;
- Permanent communication of assessments and immediate reporting of identified breaches of the risk tolerance limits defined by the Control Functions to the Board of Directors and the Supervisory Body;
- Carrying out autonomous, specific, periodic or extraordinary assessments, carried out by the Internal Audit Department within the framework of a Multi-Annual Audit Plan duly presented and approved by the Board of Directors and the Supervisory Body;
- Existence of the Internal Control and Compliance Committee, in order to support the Management Body in exercising its supervisory function in decision-making processes related to risk management, compliance and internal control;

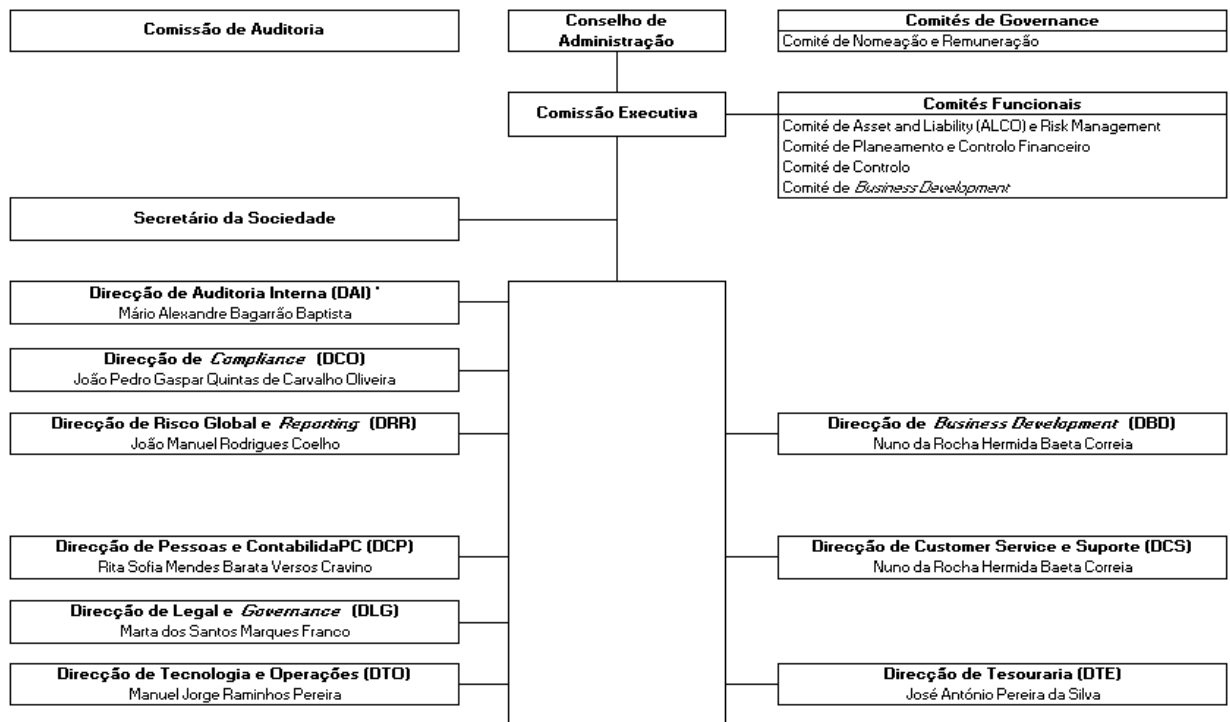
- The existence of the Nomination and Remuneration Committee to advise and support the Board of Directors on matters of appointments, appraisals and remuneration;

In compliance with the provisions of article 55 of Banco de Portugal Notice 3/2020, the Board of Directors and the Supervisory Body issued their respective annual assessment reports, ensuring the assessment of the adequacy and effectiveness of the organizational culture in force at the Bank and its governance and internal control systems, including remuneration practices and policies and the other matters dealt with in this Notice, having concluded that they are adequate and effective based on sound and prudent management.

**I.8.3 Responsibility of the management body and the supervisory body in terms of internal governance**

The management and supervisory bodies are globally responsible for ensuring that there is an appropriate governance framework for the Company's structure, activities and risks, regularly assessing the efficiency and effectiveness, at an individual and collective level, of their activities and their governance practices and procedures, as well as the functioning of the Committees.

The internal governance framework and its implementation are reviewed periodically, at least once a year, paying special attention to any changes in internal and external factors affecting the Bank. This monitoring has resulted in several changes to the administrative and operational structures that make up the Bank's macrostructure, resulting in the structure shown *below*:



\* As especificidades das linhas de reporte constam da norma - NOR\_EOF\_103

#### I.8.4 Key Function Holders

Under the terms of Article 33-A of the General Regime for Credit Institutions and Financial Companies, credit institutions are obliged to identify the positions whose holders, not being members of the management or supervisory bodies, are involved in functions that result in significant influence over the management of the credit institution.

The functions referred to in the previous point include, as a minimum, those responsible for the credit institution's compliance, internal audit and risk management.

At Bison Bank, these functions are as follows:

##### I.8.4.1 Compliance function

The Compliance Department ("COD") is a high-level structure in Bison Bank's organizational hierarchy.

The Bank's Compliance Function is characterized by being an independent, permanent and consultative function whose mission is to promote compliance with the legal, regulatory, operational, ethical and conduct obligations and duties which, at any given time, apply to credit institutions, as well as to their governing bodies, directors and employees, within the framework of the institutional control and supervision environment defined by the competent regulatory bodies and by the legal regulations to which it is subject.

This function is carried out by the Compliance Department, which is an autonomous organic unit that reports hierarchically to the Executive Committee through its Head of Department.

In addition, it maintains a permanent line of communication with the Supervisory Body and the Internal Control and Compliance Committee, namely through bimonthly meetings with the aim of ensuring adequate dissemination of information and discussion of relevant issues in the exercise of the Compliance Function's activity.

The Head of COD is responsible for the *compliance* control function, coordinating the internal procedures for:

- prevention, detection and reporting of financial crimes;
- coordination of the Bank's internal control system;
- management of Conflicts of Interest and Related Parties;
- compliance with the Code of Conduct;
- analysis of new legislation and regulations, assessment of their impact and promotion of compliance;
- analysis of situations and indications of violation or risk of non-compliance with legal obligations;
- Complaints management and handling;
- compliance with the general data protection regulation.
- prevention and detection of market abuse and insider trading;

- responsible for regulatory compliance.

In order to achieve its objectives, the COD operates independently of the Board of Directors and other Organic Units and cannot be denied access to information relevant to the proper performance of its duties.

The Compliance function is a governance function responsible for:

- Promoting an ethical culture: Compliance's role is to help management promote an ethical corporate culture;
- Providing compliance solutions: Compliance is responsible for providing knowledge for the management and maintenance of policies, practical guidance, training, controls and processes related to compliance risks;
- Providing security: Compliance's role, as part of the second line of defense, encompasses assessing the impact of legal developments, as well as ensuring that *compliance* risks within the scope of the function are properly identified, assessed and managed.

The ecosystem based on the Compliance Risk Universe defines a clear vision of the scope of the *compliance* function and increases the robustness of the internal control system.

#### Identification of the person in charge and professional background

Name: João Pedro Gaspar Quintas de Carvalho Oliveira

Position: Head of Compliance / Money Laundering Report Officer / Regulatory Compliance Officer

Education and Professional Background: He holds a degree in Engineering from Instituto Superior Técnico and a postgraduate degree in Management for Executives from Universidade Católica Portuguesa. In terms of professional experience, he has worked for more than 17 years in Compliance and Internal Control matters in the financial sector and has been the bank's Compliance Officer since August 20, 2019.

#### **I.8.4.2 Risk Management Function**

The Global Risk and Reporting Department ("RRD") is responsible for the risk management function. Its main function is to develop and implement an integrated risk monitoring system appropriate to the nature of the risks faced by the Institution, ensuring that risk-taking remains within previously established risk tolerance ranges. The function's main duties are as follows:

1. Supporting the Board of Directors (BoD) in outlining the Bank's risk policies / risk strategy, ensuring their consistency and alignment with its strategic and business objectives, namely:
  - a) Develop the Risk Appetite Statement in a prudent manner, in conjunction with the member of the Board of Directors responsible for risk, ensuring its coherence and alignment with the established strategic risk objectives, for subsequent approval by the Board of Directors;

- b) Proposing and participating in the definition/implementation of risk management policies, namely the Risk Management Policy and respective regulations, in close coordination with the other Bodies involved (management or business) and ensuring that the various risks are mapped out.
2. Developing practices that enable the identification, assessment, monitoring and control of the different types of risk assumed and underlying the Bank's activity;
3. Analyzing and advising the management and supervisory bodies on decisions involving the assumption of relevant risks and operations with a high risk profile;
4. Participating in the approval process for new products and services, giving opinions with the aim of ensuring that the associated risks are adequately taken into account (more detail in the sign off of products and services standard);
5. Analyze operations with related parties and conflicts of interest in advance, identifying and adequately assessing the inherent risks, whether real or potential, for the Bank;
6. Monitoring the Bank's risk profile, checking that it remains aligned with the risk profile defined in the Appetite Statement and with the various limits defined in the other policies, making it possible to reinforce knowledge and management of overall risk exposure, by drawing up periodic and timely reports with clear and comprehensive information;
7. Ensuring that the management and supervisory bodies receive regular reports on risk management (quantitative and qualitative information on overall exposure and the evolution of the main risk categories), actual or potential breaches and the main deficiencies detected, assessing the impact and making recommendations.
8. Preparing risk exercises (namely the Internal Capital Adequacy Self-Assessment Process - ICAAP and the Internal Liquidity Adequacy Self-Assessment - ILAAP), and collaborating in the preparation of the Bank's various risk management exercises (Funding and Capital Plan, Recovery Plan and Resolution Plan), with the aim of assessing the Bank's capital and liquidity levels under different scenarios in order to support the planning and appropriate management of capital and liquidity;
9. Ensuring that risks are managed in accordance with the RAS defined and approved by the Board of Directors and promoting, in particular with the Compliance Department, a strong risk culture throughout the Bank;
10. Participating in the implementation of internal control measures that guarantee compliance with the requirements and recommendations of the supervisory bodies with regard to risk management and reporting;
11. Develop the Risk and Control Self-Assessment Process on a regular basis to assess the risk to which the Bank is exposed in the course of its business;
12. Drawing up and submitting the Regulatory Reports for which it is responsible (particularly within the scope of Common Reporting - COREP);
13. Operational Risk Management.

In functional terms, Bison Bank's risk management and monitoring is the responsibility of the RRD, a body that reports to the Board of Directors through its Board Member with the respective function (CRO), while also maintaining a reporting line to the Audit Committee. The Department works independently of the functional areas that are subject to its assessment and has all the hierarchical and functional autonomy necessary to carry out its duties.

Identification of the person in charge and professional background:

Name: Julieta Rodrigues de Sousa Vital Maximino

Position: Head of Global Risk and Reporting / Head of Risk

Education and Career: Graduated in Management (Pre-Bologna) from the Faculty of Economics of the University of Porto in 1995, specializing in economics and finance.

She has been Head of Risk since March 2017. Between April 2016 and March 2017, she was Head of Risk at Oitante, S.A. Between 2012 and 2015, she worked in the Global Risk Department of the former Banif, SA group, specifically in the Strategic Risk Management Office. Between 2004 and 2010 he worked at the Bank as a Senior Equity Analyst. Between 2002 and 2003 she worked in the Factoring Department of Millennium bcp, as an officer in the Commercial Department. She began her professional career in 1995 at Título - Sociedade Corretora, S.A (Finibanco Group) as an analyst in the Equity Research department, where she worked until 2000, leaving on November 27, 2023.

On December 28, 2023, João Coelho was promoted to Deputy Head *and* took over the duties of the Global Risk and Reporting Department on an interim basis.

#### **I.8.4.3 Internal Audit Function**

The Internal Audit Department ("IAD") plays the role of third line of defense for the Bank's internal control bodies, whose mission is to assess, as a whole, and report in particular to the Board of Directors and the Audit Committee, the adequacy and effectiveness of the Bank's organizational culture, risk management process, internal control system and internal governance model.

The Internal Audit function is permanent and independent, whose mission is carried out by adopting the guidelines and principles of the Institute of Internal Auditors (IIA), resulting in the issuing of recommendations focused on strengthening the internal control system and achieving the Bank's strategic objectives, ensuring that risks are properly identified and managed, and that the controls implemented are correct, adequate and proportionate to their materiality.

The activity of the Internal Audit Department contributes to the fulfillment of the objectives defined in Notice no. 3/2020 of the Bank of Portugal, ensuring compliance with the functions of the control system internal, guaranteeing the existence of one:

- 1) adequate internal control environment.
- 2) a suitable environment for the culture, conduct and values of the management body itself and its committees.



- 3) solid risk management system.
- 4) efficient information and communication system;
- 5) effective monitoring process.

As part of the Internal Audit function report, the Head of the Internal Audit Department regularly reports to the Audit Committee and the Board of Directors on the audits carried out, the main risks and recommendations to the Bank.

The Head of the Internal Audit Department is appointed by the Board of Directors, following prior advice from the Audit Committee. The head of the Internal Audit function reports hierarchically to the Chief Executive Officer for administrative purposes only and functionally to both the Board of Directors and the Audit Committee as a whole.

The appointment, replacement and dismissal of the Director of the Internal Audit Department is the sole responsibility of the Board of Directors, following the prior opinion of the Audit Committee.

As part of the report to the Board of Directors, the Internal Audit Department presents directly at Board meetings, among other information, the conclusions of the audits carried out, as well as the level of execution of the approved Audit Plan and the state of implementation of the recommendations issued.

The performance assessment of the person responsible for the Internal Audit Department is carried out by the Board of Directors with the participation of the Audit Committee.

The Internal Audit Department's Multiannual Internal Audit Plan is approved by the Board of Directors, following a prior opinion from the Audit Committee.

The Internal Audit Department submits quarterly reports to the Board of Directors and the Audit Committee on the monitoring of its activity, containing information on the execution of the approved audit plan and on the general assessment of the deficiencies identified and the respective recommendations, as well as on the status of the recommendations to be implemented and the respective implementation plans.

#### Identification of the person in charge and professional background

Name: Mário Alexandre Bagarrão Baptista

Position: Director of Internal Audit / Head of Audit

Education and Career: Degree in Accounting from Luzwell University (São Paulo - Brazil), MBA in Corporate Finance from the University of São Paulo (2004) and *Executive MBA* from AESE/IESE (2007-2009). He began his professional career in external auditing in Brazil in 1991, remaining until 2005 as *Senior Manager* (BDO and *Nexia International*). In Portugal, in 2005 he joined the Pestana Group as Assistant to the Board of Directors, overseeing investments in Africa. In May 2006 he joined the Bank with the mission of leading the internal audit functions, remaining until 2012. From 2013 to 2015 he

joined Profile - SGFIM SA (formerly "Banif Gestão de Activos - SGFIM SA") as *Financial Controller* of real estate investment funds. In July 2015 he moved to Banif Imobiliária, S.A., working in the area of real estate portfolio control. In March 2017, he returned to the Bank to work as head of the *Compliance* Department until August 2018, when he resumed his role as Internal Audit Director.

### **I.9 Conflict of Interest Policy applicable to the Bank and its management and supervisory bodies**

The bank has formalized a Conflict of Interest Policy in order to take into account the new requirements on the matter, particularly with regard to related parties, considering that the current policy also covers matters of financial intermediation, as well as operations with related parties.

In this way, the company's interest is safeguarded in situations of potential conflict of interest in relation to the interests of persons or entities with the possibility of directly or indirectly influencing its management or benefiting from specific acts of that management and determining that the financial statements and documents providing information to the market show the impacts that the existence of transactions with related parties have on the company's financial position and results.

The Bank therefore maintains in force the rules applicable to i) the identification, handling and internal reporting of transactions with related parties and ii) the action required of the Bank's Relevant Persons who may be in a situation of conflict of interest.

The Bank's Policy for the Prevention and Management of Conflicts of Interest is essentially aimed at:

- Define rules and procedures to identify, prevent, manage and/or disclose Conflicts of Interest;
- Ensuring compliance with the legal and regulatory rules in force regarding the prevention and management of Conflicts of Interest;
- Strengthen the level of knowledge and raise awareness among Relevant Persons and Employees of Conflicts of Interest issues; and
- Promote the fair treatment, in accordance with legal and regulatory criteria, of situations of Conflicts of Interest that may arise

The Bank's Conflicts of Interest Prevention and Management Policy is available for consultation on the Bank's website.

### **I.10 Business Continuity Plan**

Bison Bank implements and maintains a business continuity management process to maximize its ability to provide services on an ongoing basis and to limit losses in the event of severe business interruption.

Within this framework, the Bank has established a specific independent business continuity function, appointing: i) Coordinator of the Business Continuity Management System (SGCN) (1 employee from the Technology and Operations Department), ii) Head of Security (1 employee from the People and

Accounting Department) and iii) Security Delegate (1 employee from the People and Accounting Department).

Bison Bank uses two disaster recovery centers (dedicated to the recovery of the central system and the recovery of distributed systems), employing state-of-the-art data replication technologies.

Bison Bank carries out regular disaster simulation exercises, activating the disaster recovery procedure and the alternative centers mentioned, the most recent of which took place on October 28, 2023, with broad participation from the Bank's Management. All the improvements resulting from points identified in the test reports carried out as part of this exercise were duly and timely implemented.

### **I.11 Training activities**

Bison Bank maintains its strategic initiative for the professional development of its human resources, taking into account required training and also the possibility of an attractive training offer in line with the best market practices.

The total number of training hours in 2023 was 2,364 hours, whose courses covered a range of different topics, promoted by external entities or through internal training, for example:

- Prevention of money laundering and terrorist financing
- Markets and Financial Instruments Directive (MiFID II)
- The Future of Retail Payments
- Corporate Governance Training (Remuneration Focus)
- ACI Dealing Certificate New Version
- FATCA (Foreign Account Tax Compliance Act)
- Internal and external fraud
- Initial training on the Blockchain Foundation
- Cybersecurity
- Security Policies applied to SWIFT Payments
- D.O.R.A. Regulation (Digital Operational Resilience Act)
- Leadership program for senior managers
- High Impact Sales Training for sales teams
- Programming in Visual Basic for Applications.

## II. Remuneration

### **II.1 Information on the intervention of the General Meeting with regard to the Company's remuneration policy, namely with regard to the Remuneration Policy for members of the management and supervisory bodies**

Under the terms of Article 26(1) of the Company's Articles of Association, the remuneration of the members of the governing bodies, with the exception of the fees of the Statutory Auditor, is set by the General Shareholder Meeting, based on the proposals and recommendations presented by the Nomination and Remuneration Committee, set up under the terms of Article 115-H of the RGICSF.

The remuneration policy for the members of the Bank's management and supervisory bodies is reviewed annually by the General Meeting, on a proposal from the Board of Directors, based on the recommendations of the aforementioned Nomination and Remuneration Committee.

It should also be noted that, on a proposal from the Board of Directors, the General Meeting may decide to distribute profits to the Company's employees, in accordance with Article 26(4) of the Articles of Association.

It should be noted that, during 2023, the only General Meeting resolution on remuneration matters took place at the General Meeting held on April 20, 2023, 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 Supervisory Board, given the impossibility of the Nomination and Remuneration Committee meeting regularly during 2022. This review was carried out under the terms of 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".

### **II.2 Information on the intervention of the General Meeting in approving the main characteristics of the retirement benefits system enjoyed by members of the management and supervisory bodies and other senior managers**

The General Meeting may, at any time, grant the right to retirement and survivor's pensions or supplementary retirement and survivor's pensions, establishing the corresponding system or delegating its powers to an Nomination and Remuneration Committee, as provided for in Article 26.6 of the Company's Articles of Association. Such did not happen in 2023.

### **II.3 Information in compliance with Article 450 of Regulation (EU) no. 575/2013 - Remuneration of employees referred to in Article 115-C no. 2 a) b) c) d) and e) of the General Regime for Credit Institutions and Financial Companies:**

The members of the management and supervisory bodies are considered to be covered, as well as those responsible for first-line bodies in the company's structure, including employees who carry out a professional activity that has an impact on the Bank's risk profile, those who, as part of the Bank's management, perform duties in the areas of auditing, *compliance and risk*, and employees whose total remuneration places them in the same remuneration bracket as the above.

- a. **Decision-making process used to define the remuneration policy, as well as the number of meetings held by the main body that controls remuneration during the year, including, if applicable, information on the remuneration committee and identification of the external consultants whose services were used to determine the remuneration policy**

In the decision-making process used to define the remuneration policies of (i) the Members of the Management and Supervisory Bodies and (ii) the Bank's Employees, which includes staff whose professional activities have a significant impact on the Bank's risk profile, the services of any experts, consultants or external entities were not used, taking into account the practice followed by the Bank and the practices followed in the financial sector and by other Portuguese banks operating in the domestic and international markets.

In accordance with article 44 of Bank of Portugal Notice 03/2020 and article 115-C(6) of the RGICSF, these Remuneration Policies are subject to an internal, centralized and independent assessment, at least once a year, by the Appointments and Remuneration Committee.

As far as the Remuneration Policy for the Members of the Bank's Management and Supervisory Bodies is concerned, it is defined bearing in mind the rules applicable to credit institutions in this area, with the aim of creating incentives that 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 ensuring sound, prudent and effective risk management, not encouraging risk-taking at levels higher than the level of risk tolerated by the Bank.

This Remuneration Policy is implemented considering the Bank's activity, risk appetite, structure and size, as well as market practices, and is based on objective, transparent, coherent criteria that are compatible with the hierarchy of responsibilities and skills of those remunerated, while also ensuring the application of the principles and rules set out in the Bank's Conflict of Interest Prevention and Management Policy.

The Nomination and Remuneration Committee is responsible for making informed and independent judgments on the remuneration policy and practices and on the incentives created for risk, capital and liquidity management purposes, and is responsible for drawing up, monitoring and periodically reviewing the Remuneration Policy on an annual basis and submitting it to the General Meeting for approval.

The information on the intervention of the General Meeting regarding the remuneration policy of the members of the management and supervisory bodies can be found above in II.1.

As far as the Bank's Employee Remuneration Policy is concerned, it is drawn up by the People and Accounting Department and approved by the Board of Directors, which periodically reviews the general principles of the 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 appraisals, career progression elements and employee conduct reported by hierarchies or formal records.

**b. Information on how the remuneration policy in place adequately achieves the objectives of aligning the interests of members of the management body and employees with the long-term interests of the institution and discouraging excessive risk-taking. Relationship between staff remuneration and performance**

With regard to the Remuneration Policy for members of the Bank's management and supervisory bodies, its main objectives are to enable the Bank to attract, motivate and retain high-caliber professionals with high potential, to align the interests of the members of the governing bodies with those of the Company, shareholders and other *stakeholders*, to encourage and reward relevant individual contributions and good collective performance, to promote sound and prudent risk management and not to encourage risk-taking in excess of the level of risk tolerated by the Bank, namely in accordance with the Risk Appetite Statement.

According to the aforementioned Remuneration Policy for members of the Bank's management and supervisory bodies, the process of assessing the performance of the executive members of the management body must be carried out by the Appointments and Remuneration Committee and will be carried out within a multi-annual framework, based on long-term performance measurable through simple and objective indicators related to the Bank's sustained growth, added value for *stakeholders*, business risks (current and future), solvency, cost of capital, liquidity and efficiency. In these terms, the performance measurement used to calculate the variable component of remuneration must provide for adjustments taking into account the various types of current and future risks, as well as the cost of own funds and liquidity required by the institution.

The Bank's Employee Remuneration Policy takes into account the following guiding principles, among others:

- Consistency and alignment with the Bank's risk management and control, in order to avoid excessive exposure to risks and potential conflicts of interest;
- Consistency with the objectives, values and interests of the Bank and its Employees, as well as the interests of its clients and investors;
- Competitiveness, taking into account market practices and fairness, whereby remuneration practices must be based on uniform, consistent, fair and balanced criteria, with the aim of contributing to internal and external fairness;

- Alignment with best practices and recent trends in the financial sector, both nationally and internationally, with the ultimate aim of discouraging exposure to excessive risks and promoting the continuity and sustainability of positive performance and results;

As far as the Bank's employees are concerned, the body responsible for evaluating the heads of the 1st line bodies in the company's structure is the management body itself, in the person responsible for the respective areas. With regard to employees who are not part of the above group, their assessment is carried out under the terms of the normal performance assessment process in force at the company, by the respective hierarchies.

The variable component of remuneration aims to compensate performance for achieving the objectives set by the Bank and is based on the performance assessment system. This process is based on clear objectives and quantitative and qualitative criteria applied in proportion to each employee's role.

- c. **The most important structural features of the remuneration system, including information on the criteria used to assess performance and risk adjustment, the deferral policy and the vesting criteria**

**- Predetermined criteria for the assessment of individual performance on which the right to a variable component of remuneration is based:**

According to the Remuneration Policy for the Bank's management and supervisory bodies, the total value of the variable component of the remuneration must be defined in accordance with the law by combining the assessment of the executive director's performance, which must take into account financial and non-financial, quantitative and qualitative criteria, and the performance of the structure unit, with the overall results of the institution that express the sustained growth of the Bank and the added value for *stakeholders*.

In the event of an award, the variable component of the remuneration will be paid once a year, without prejudice to any deferral of payment of part of the total amount.

The variable component of the remuneration aims to recognize and reward the contribution of the executive members of the management body, as well as their performance as a collective, to the pursuit of predetermined qualitative and quantitative objectives (and defined annually by the General Meeting, based on the proposals and recommendations of the Nomination and Remuneration Committee), in line with the overall strategy of the company and the group of companies in which it operates, as well as the sustainable and risk-adapted performance of the institution.

The Bank must ensure that the variable component to be allocated does not limit its ability to strengthen its capital base and that all types of current and future risks are taken into account when granting it.

Under the terms of the law, no guaranteed variable remuneration may be granted, except in the case of the appointment of a new member, and in any case such guaranteed variable remuneration may only apply to the first year of office and will only be due if there is a solid and strong capital base in the Bank

In accordance with the Bank's Employee Remuneration Policy, the award of a variable remuneration component to an employee is always the result of a possible discretionary decision by the Board of Directors and is based on an individual performance assessment process with pre-defined objective criteria. This does not confer or constitute any acquired right, and it is up to the Board of Directors to decide whether to award variable remuneration and to determine the amount allocated to the process.

**- Information on the deferral of payment of the variable component of remuneration, mentioning the deferral period;**

In accordance with the Remuneration Policy for the Bank's management and supervisory bodies, it is considered important that, as a principle, an alignment is established between the variable component and the long-term performance of the Company, in accordance with the law. To this end, a deferral mechanism of at least 40% of the variable component of the remuneration (or 60% when the variable component of the remuneration is of a particularly high value) will be applied, as provided for in article 115-E of the RGICSF, for a minimum period of 4 to 5 years from the date established for the payment of the non-deferred part of the variable component of the remuneration, and which should be duly aligned with the economic cycle, the nature of the Company's business, its risks and the activity carried out by the executive member in question. The variable component of the remuneration subject to deferral must be awarded on a proportional basis over the deferral period.

In accordance with the Bank's Employee Remuneration Policy, 60% of the variable component of the remuneration awarded will be paid in the current calendar year and 40% deferred for 2 years, to be paid in the following financial years in two equal parts.

**- How the payment of variable remuneration is subject to the continued positive performance of the institution throughout the deferral period;**

The Remuneration Policy for the Bank's management and supervisory bodies establishes that, prior to the payment of the deferred part or the acquisition of the right to deferred payment instruments, a reassessment of performance must be carried out and, if necessary, an *ex ante* risk adjustment, i.e. an adjustment of remuneration to possible adverse events in the future, in order to align the variable remuneration with the additional risks identified or materialized after the award,

The Bank's Employee Remuneration Policy stipulates that variable remuneration must be paid using a model aligned with the performance assessment system and based on clear objectives and quantitative and qualitative criteria applied in proportion to each employee's role. According to this Policy, the payment of the amount corresponding to the variable component of remuneration will take



into account restrictions associated with the Bank's results and *budget* and is subject to the following conditions:

- Condition of maintenance/permanence in the Bank;
- Failure to apply *malus* and *clawback* mechanisms;
- Other conditions deemed appropriate.

**d. Relative importance of the variable and fixed components of remuneration, as well as the maximum limits for each component; Ratios between fixed and variable remuneration**

In accordance with the Remuneration Policy of the Bank's management and supervisory bodies, the fixed component of the remuneration must constitute a sufficiently high proportion of the overall remuneration of the executive members of the management body, thus allowing adequate flexibility in setting the variable component, in strict compliance with the provisions of article 115-F of the RGICSF. The fixed component of the remuneration may never exceed €250,000.00.

The variable component of the remuneration shall not be contractually stipulated and shall, as a general rule, constitute the smallest part of the overall remuneration and may reach a maximum of 100% of the fixed component of the remuneration, unless otherwise approved by the General Meeting, on the proposal of the Appointments and Remuneration Committee in accordance with article 115-F of the RGICSF.

The Bank's employee policy establishes the concept of global remuneration, made up of fixed and variable remuneration.

Fixed remuneration is a significant part of employees' overall remuneration. Variable remuneration is aimed at rewarding performance and the achievement of specific objectives by each employee. Fixed and variable remuneration account for >75% and <25% of overall remuneration, respectively.

The definition of the annual amount of variable remuneration, made at the beginning of each year by the Board of Directors, will vary according to the degree of achievement of the individual and collective objectives of the unit in which the employee is integrated, in accordance with the system of objectives and the approved performance assessment model, the overall results of the company and the prospects for future development.

Variable remuneration is calculated on the basis of predetermined criteria and there is no incentive for excessive risk-taking. Its attribution depends on the discretionary decision of the Bank's management body, ensuring that the fixed remuneration remains the most relevant part of the overall remuneration. For employees who perform control functions, the variable component of their remuneration takes into account the specific objectives related to the functions they perform, and is not directly dependent on the performance of the business areas

**e. Information on the performance criteria on which the rights to shares, options or variable components of remuneration are based.**

Given the lack of variable remuneration for the 2023 financial year, the Bank did not have, nor did it plan to have, any share distribution plan for the members of the management body or employees of the Bank in 2023.

The Remuneration Policy for the Bank's management and supervisory bodies states that the variable component of the remuneration may include a portion in *equity* (share or stock option plans) or other equivalent financial instruments. However, considering the reality of the Portuguese capital market, the Bank's organizational model and its current situation, the remuneration policy for the executive members of the board of directors was not to include the payment of part of the variable component of the remuneration in *equity* or other equivalent financial instruments, namely in the form of a system of options on the shares representing the Company's capital.

The Bank's Employee Remuneration Policy does not provide for variable remuneration in the form of shares or options. The Bank's Employee Remuneration Policy stipulates that the variable component of the remuneration will be paid in cash, with the Bank having the autonomy to decide to allocate part of this amount (maximum 50%) to other benefits for employees and integrated into the tax regime allowed by the regulatory authorities.

**f. Main parameters and fundamentals of variable component systems and other non-cash benefits**

Taking into account the practice followed by other credit institutions of equivalent size, the executive members of the Board of Directors and the Bank's employees are granted benefits relating to health systems specific to the banking sector and the use of communications, IT and other equipment associated with the performance of their duties.

The Heads of departments and members of the management bodies are entitled to a car for their personal use.

The executive members of the board of directors also benefit from the pension scheme applicable to all company employees in the same circumstances.

As far as the Bank's employees are concerned, in addition to the performance bonus, the terms of which have been described in previous sections, there are benefits provided to the Company's employees under the Bank's Employee Remuneration Policy, which are as follows:

- i. Medical Assistance Services (Health Insurance);
- ii. Work accident insurance, in accordance with the law;
- iii. Pension Fund, under the terms defined in the Articles of Association.

As mentioned above, the Bank's Employee Remuneration Policy also provides that the Bank may allocate part of the value of the variable component of remuneration (maximum 50%) to other benefits for employees and included in the tax regime permitted by the regulatory authorities.

**- Main characteristics of supplementary pension or early retirement schemes, indicating whether they have been subject to review by the General Meeting:**

Three of the Bank's directors are or have been covered by pension funds complementary to Social Security (António Manuel Gouveia Ribeiro Henriques, André Filipe Ventura Rendeiro and Eduardo Nuno de Sousa Feijóo Moradas). These directors are members of the Defined Contribution Plan of the Bank's Pension Fund, managed by Real Vida Pensões - Sociedade Gestora de Fundos de Pensões, SA. This Fund is complementary to Social Security. As their holdings in the Fund are identical to those of the other employees participating in the Fund, this matter was not submitted to the General Meeting.

**- Estimate of the value of the relevant non-cash benefits considered as remuneration not covered in the previous situations:**

In 2023, the value of relevant non-cash benefits considered as remuneration was €31,827, referring to remuneration in kind for the use of a car for personal use and housing.

**- Existence of mechanisms that prevent the use by members of the management body of remuneration or liability insurance, or any other risk coverage mechanisms aimed at mitigating the effects of risk alignment inherent in their remuneration arrangements:**

No mechanisms have been defined for this purpose. However, in the Remuneration Policy for members of the management and supervisory bodies, it is stated that the members of the Executive Committee have not entered into, nor should they enter into, *hedging* or risk transfer contracts in relation to any deferred or non-deferred component which could minimize the effects resulting from the alignment with the risk inherent in the established remuneration system, nor should they resort to paying the variable component of the remuneration through special purpose vehicles or other methods with an equivalent effect.

**- Remuneration of Non-Executive Directors and Members of the Supervisory Body - Reference to the inclusion of some variable component:**

The remuneration paid to non-executive directors and members of the Audit Committee did not include any variable component (understood as a component dependent on the company's performance).

In accordance with the Bank's Remuneration Policy for members of the management and supervisory bodies, the remuneration of non-executive members of the Board of Directors and members of the Supervisory Board may not include any component of a variable nature or whose value depends on or is in any way related to the Company's performance.

II.7 Disclosure of quantitative information in compliance with Article 450 of Regulation (EU) No 575/2013

i. Amounts of remuneration awarded during the financial year, divided between fixed remuneration, including a description of the fixed components, and variable remuneration, and the number of beneficiaries;

a. Annual amount of gross remuneration earned in 2023 by the members of the Company's management and supervisory bodies:

<b>Board of Directors</b>		Total Remuneration EUR	
<b>Name</b>	<b>RF (1)</b>	<b>RE (2)</b>	<b>RV (3)</b>
António Henriques	226.894	2.186	0
André Rendeiro	196.893	2.271	0
Eduardo Moradas	201.893	4.427	
Fang Bian	121.894	22.943	
<b>SubTotal</b>	<b>747.574</b>	<b>31.827</b>	<b>0</b>

<b>Audit Committee</b>			
<b>Name</b>	<b>RF (1)</b>	<b>RE (2)</b>	<b>RV (3)</b>
Issuf Ahmad	100.000	0	0
Luís Gonçalves Folhadela	82.500	0	0
Ting Wang	67.500	0	0
<b>SubTotal</b>	<b>250.000</b>	<b>0</b>	<b>0</b>
<b>Total</b>	<b>997.574</b>	<b>31.827</b>	<b>0</b>

(1) Fixed Salary including Meal Allowance

(2) Remuneration in Kind (Car and Housing)

(3) Variable Remuneration including Bonuses or Incentives

- Amounts paid by other companies in a control or group relationship in 2023

There is no remuneration paid by other companies to members of the management or supervisory bodies in 2023.

b) Aggregate annual gross remuneration earned by employees, broken down by area of activity

Other employees

(Amounts in euros)

<b>Total Remuneration 2023</b>	<b>Total</b>
	2.072.735€

**Note:** The total number of beneficiaries in 2023 who earned fixed remuneration is 55, corresponding to the total number of employees in the Bank's structure in that year, excluding corporate bodies and unpaid long-term leave. The above figure includes income from dependent work subject to taxation.

### Other employees

(Amounts in euros)

ANNUAL OVERALL FIGURES	FIXED REMUNERATION *	VARIABLE REMUNERA TION	BENEFICIARIES
Control functions (Compliance)	287.849€	0.00	5
Control functions (Risk Management)	56.629€	0.00	3
Control functions (Audit)	143.867€	0.00	2
Business areas	878.491€	0.00	27
Support areas	705.899€	0,00	18

\* Gross Fixed Salary including Meal Allowance and Remuneration in Kind (Car) when applicable

**c. Aggregate quantitative data on gross remuneration, broken down by top management and staff members whose professional activities have a significant impact on the risk profile of the institutions, excluding governing bodies**

### Employees with a significant impact on the institution's risk profile

#### Other employees

(Amounts in euros)

ANNUAL OVERALL FIGURES	FIXED REMUNERATION *	VARIABLE REMUNERA TION	BENEFICIARI ES
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Control areas (1)	192.540€	0,00	3
Business Areas (2)	209.511€	0,00	2
Support Areas (3)	259.931€	0,00	4

\* Fixed Remuneration including Meal Allowance, Remuneration in Kind (Car)

(1) Includes top management of the *Compliance*, Audit and Risk departments

(2) Includes senior management in the *Business Development* and Treasury departments

(3) Includes senior management and other responsible members of the People and Accounting, Technology and Operations and Legal and *Governance* departments.

## ii. individuals earning EUR 1 million or more per financial year

There are no individuals at the Bank with remuneration of EUR 1 million or more per financial year.

## iii. Amounts and forms of variable remuneration awarded, divided between cash remuneration, shares, share-indexed instruments and other forms of remuneration, separating the part paid in advance and the part deferred

Answer prejudiced by the lack of variable remuneration awarded.

## iv. Amount of deferred remuneration awarded in relation to previous performance periods, divided between the amount to be earned during the financial year and the amount to be earned in subsequent years

Answer prejudiced by the lack of deferred variable remuneration.

## v. Amounts of deferred remuneration to be acquired during the financial year, paid during the financial year and subject to reductions resulting from adjustments based on performance

Answer prejudiced by the lack of deferred variable remuneration.

## vi. Bonuses under the variable remuneration guaranteed during the financial year and number of beneficiaries of these bonuses

Answer prejudiced by the lack of guaranteed variable remuneration.

## vii. Severance pay awarded in previous periods, which was paid during the financial year

There were no severance payments granted in previous periods that were paid during the 2023 financial year.

## viii. Amounts of severance payments awarded during the financial year, divided between those paid in advance and those deferred, the number of beneficiaries of these payments and the highest amount paid to a single beneficiary

No compensation was paid or is owed to members of the governing bodies or employees as a result of the termination of their duties during the year.

#### ix. Number of new hires made

There were 19 new hires in 2023, a figure that includes open-ended, fixed-term and probationary contracts.

#### x. Number of Employees

The table below shows the total number of Bison Bank employees as of December 31, 2023, by department:

DEPARTMENT	NUMBER	DEPARTMENT	NUMBER
People and Accounting	7	Technology and Operations	10
Legal and Governance	2	Treasury	3
Business Development	13	Customer Service and Support	12
Compliance	5	Risk	3
Internal Audit	2		

Total number of employees on 31/12/2023: 57 (includes unpaid long-term leave).

#### xi. Information on how the institution benefits from the derogation set out in Article 94(3) of Directive 2013/36/EU.

The Bank does not benefit from the derogation set out in Article 94(3) of Directive 2013/36/EU.

#### II.8 Remuneration of the Statutory Auditor

In relation to the Company's supervisory structure, the total fees billed by the Statutory Auditor for the years ended December 31, 2023 and 2022, are detailed as follows, by type of service provided:

(values in thousands of euros)	31-12-2023	31-12-2022
Statutory Audit	108	79
Other Reliability Assurance Services	50	42
Consulting	3	16
	<u>162</u>	<u>137</u>

*Note: Values do not include VAT*

The item "Other reliability assurance services" includes fees related to the review of the Bank's internal control system, including the one underlying the prevention of money laundering and terrorist financing, the review of procedures and measures for safeguarding customer assets and certification under the special regime applicable to deferred tax assets.

## 11 - OTHER INFORMATION

Information on the shares and bonds provided for in Article 447 of the Companies Code, with reference to December 31, 2023, including the movement of shares and bonds during the respective financial year.

### BOARD OF DIRECTORS

#### Bian Fang (Chairman)

As of December 31, 2023, it did not hold, directly or through related entity(ies), any securities issued by the Bank (including shares and/or financial instruments related thereto) and/or by companies in a controlling or group relationship with it.

#### António Manuel Gouveia Ribeiro Henriques (Member and Chairman of the Executive Board)

As of December 31, 2023, it did not hold, directly or through related entity(ies), any securities issued by the Bank (including shares and/or financial instruments related thereto) and/or by companies in a controlling or group relationship with it.

#### André Filipe Ventura Rendeiro (Executive Member)

As of December 31, 2023, it did not hold, directly or through related entity(ies), any securities issued by the Bank (including shares and/or financial instruments related thereto) and/or by companies in a controlling or group relationship with it.

#### Eduardo Nuno de Sousa Feijóo Moradas (Executive Member)

As of December 31, 2023, it did not hold, directly or through related entity(ies), any securities issued by the Bank (including shares and/or financial instruments related thereto) and/or by companies in a controlling or group relationship with it.

#### Issuf Ahmad (Chairman of the Audit Committee)



As of December 31, 2023, it did not hold, directly or through related entity(ies), any securities issued by the Bank (including shares and/or financial instruments related thereto) and/or by companies in a controlling or group relationship with it.

Ting Wang (Member of the Audit Committee)

As of December 31, 2023, it did not hold, directly or through related entity(ies), any securities issued by the Bank (including shares and/or financial instruments related thereto) and/or by companies in a controlling or group relationship with it.

Luís Miguel Gonçalves Folhadela de Oliveira (Member of the Audit Committee)

As of December 31, 2023, it did not hold, directly or through related entity(ies), any securities issued by the Bank (including shares and/or financial instruments related thereto) and/or by companies in a controlling or group relationship with it.

### List of Shareholders

List of Shareholders as at December 31, 2023

Shareholder	%
Bison Capital Financial Holdings (Hong Kong) Limited,	100%

### Information on own shares under the terms of Article 324 of the Companies Code

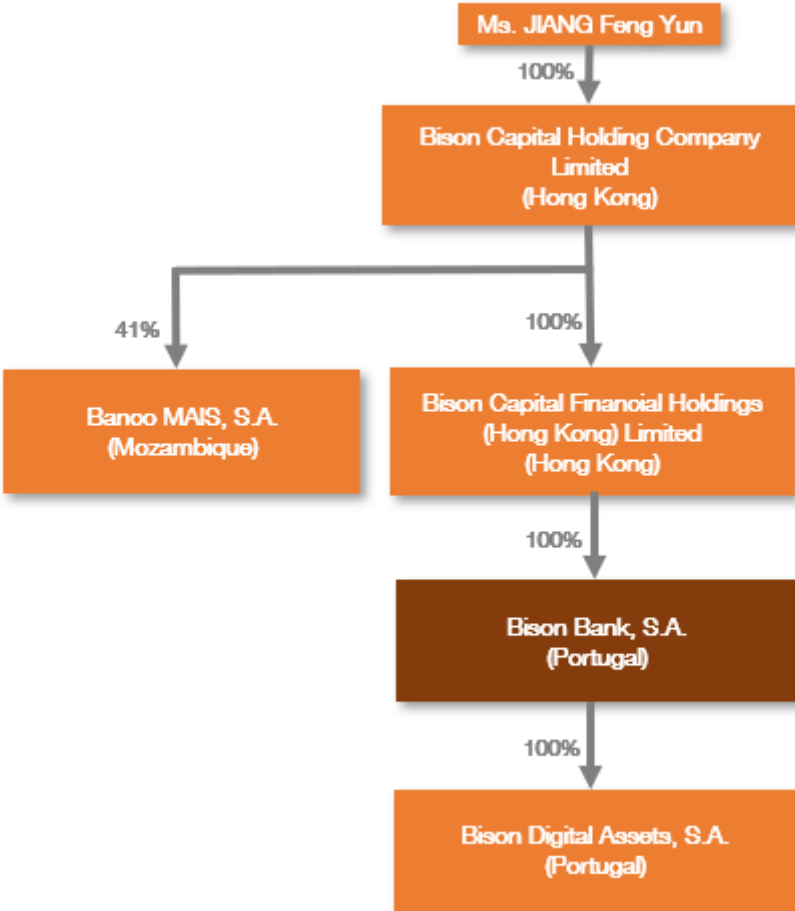
Pursuant to Article 324(2) of the Companies Code, we hereby inform you that there was no movement of treasury shares during the year and that the Company does not hold any treasury shares on December 31, 2023.

### Information on the shares and bonds of companies in the Bison Holding Group perimeter traded and/or held during the 2023 financial year by companies in the same perimeter.

Below is information on the shares and bonds of companies in the Bison Holding Group perimeter traded and/or held during the year in question by companies in the same Group.

	31-12-2022	Movimentos ocorridos no período			31-12-2023
	Quantidade	Operação	Data	Quantidade	Quantidade
Bison Capital Financial Holdings S.A. Ações Bison Bank S.A.	39 039 674	-	-	-	39 039 674

Bison Bank, S.A. shareholding diagram



# 12 - LEGAL CERTIFICATION OF ACCOUNTS



## **Statutory Audit Report**

*(Free translation from a report originally issued in Portuguese language. In case of doubt the Portuguese version will always prevail)*

### **Report on the audit of the financial statements**

#### **Opinion**

We have audited the accompanying financial statements of Bison Bank, S.A. (the Bank), which comprise the balance sheet as at 31 December 2023 (which shows total assets of Euros 250,220 thousand and total shareholders' equity of Euros 43,263 thousand including a net profit of Euros 641 thousand), the income statement, the income and comprehensive income statement, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly in all material respects, the financial position of Bison Bank, S.A. as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs) and other technical and ethical standards and recommendations issued by the Institute of Statutory Auditors. Our responsibilities under those standards are described in the "Auditor's responsibilities for the audit of the financial statements" section below. In accordance with the law, we are independent of the Bank and we have fulfilled our other ethical responsibilities in accordance with the ethics code of the Institute of Statutory Auditors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Key audit matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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<b>Key Audit Matter</b>	<b>Summary of the Audit Approach</b>
<p><b><i>Fair value of financial instruments not listed in an active market – level 3 of the fair value hierarchy</i></b></p> <p><u><i>Measurement and disclosures related with the fair value of financial instruments not listed in an active market, classified in level 3 of the fair value hierarchy, presented in accompanying notes 2.4, 2.7, 2.8, 7, 21, 27 and 28 of the Bank's financial statements</i></u></p> <p>Due to its relevance in the context of the Bank's financial statements and the associated degree of judgment, the fair value measurement of financial instruments not listed in an active market, classified in level 3 of the fair value hierarchy, was considered a key audit matter for the purpose of our audit.</p> <p>As at 31 December 2023 the carrying amounts of those instruments amounted to Euros 10,685 thousand presented in the heading of "Non-trading financial assets mandatorily at fair value through profit or loss", which are entirely composed by equity instruments.</p> <p>When observable market data is not available, the financial instruments are classified in level 3 of the fair value hierarchy and the determination of the fair value is made by the Bank using internal valuation models or indicative prices provided by counterparties, incorporating unobservable variables in the market, which involves a high degree of judgment in the definition of the assumptions and inputs to be used.</p> <p>Among the assets on the balance sheet as at 31 December 2023, classified in level 3 of the fair value hierarchy, the investment in the Discovery Portugal Real Estate Fund ("Discovery Fund" or "Fund") stands out, with a fair value of 8,458 thousand euros on that date, determined based on the analysis carried out by the Bank of i) the net assets value of the Fund, provided by the respective Management Company, ii) the best estimate of the Bank's management on the recoverable value of the real estate assets that integrate the Fund's assets and iii) other market information existing at the time.</p> <p>In this context, changes in the assumptions and measurement techniques used by Bank's management, as well as the possible impacts of the current adverse macroeconomic context and the</p>	<p>The audit procedures undertaken included the identification and understanding of the key-controls implemented by the Bank underlying to the methodologies adopted and the selection and determination of the main assumptions used for the fair value estimation of financial instruments not listed in an active market, classified in level 3 of the fair value hierarchy.</p> <p>For a representative sample of financial instruments not listed in an active market, classified in level 3 of the fair value hierarchy, our procedures also included (i) the understanding of the methodologies and the main assumptions used by the Bank to determine the fair value; (ii) the assessment of whether the methodologies and the main assumptions used by the Bank are reasonable in the circumstances; (iii) the comparison of indicative prices provided by external counterparties with those used by the Bank to recognize the fair value of those financial instruments, when available; and (iv) the analytical review of the fair value of those financial instruments, comparing it with the homologous period and with the latest financial information and the respective audit reports, whenever available.</p> <p>In the specific case of the Discovery Fund, our procedures also included obtaining the analysis carried out by the Business Development, the Global Risk and Reporting and the People and Accounting Departments and presented by the Treasury Department at the meeting of the Bank's Board of Directors.</p> <p>Our audit procedures also included a review of the disclosures related to the financial instruments not listed in an active market, classified in level 3 of the fair value hierarchy, included in the notes to the Bank's financial statements, considering the applicable accounting standards.</p>

<b>Key Audit Matter</b>	<b>Summary of the Audit Approach</b>
<p>evolution of the real estate market, may give rise to material impacts on the determination of the fair value of the financial instruments not listed in an active market, classified in level 3 of the fair value hierarchy, recognized in the Bank's financial statements.</p>	
<p><b><i>Impairment losses on debt instruments measured at fair value through other comprehensive income</i></b></p>	
<p><u>Measurement and disclosures related with the impairment losses booked on debt instruments measured at fair value through other comprehensive income, presented in notes 2.4, 2.7, 2.8, 8, 16, 27 and 28 of the Bank's financial statements</u></p>	
<p>The significant expression of debt instruments measured at fair value through other comprehensive income and the corresponding impairment losses justify that these constituted a key audit matter for the purpose of our audit. This process requires the application of a complex set of assumptions and judgments by the Bank's management, regarding the identification of debt instruments with a significant increase in credit risk, or in default, as well as the corresponding amount of impairment losses.</p>	<p>The audit procedures undertaken included the identification, understanding and evaluation of the policies and procedures implemented by the Bank for the purposes of measuring impairment losses of debt instruments measured at fair value through other comprehensive income, as well as the key-controls underlying the approval, registration and monitoring of the credit risk and the timely identification, recording and correct measurement of the impairment losses.</p>
<p>As at 31 December 2023, the carrying amounts of debt instruments classified as financial assets at fair value through other comprehensive income amounts to 116,180 thousand euros and the corresponding impairment losses booked at that date amount to 475 thousand euros.</p>	<p>Regarding the models used by the Bank, a set of specific procedures were developed with the aim of assessing whether the assumptions considered by the Bank's management meet the requirements of IFRS 9, namely: (i) the understanding of the methodologies and main assumptions used by the Bank to determine the impairment losses; (ii) the assessment of whether the methodologies used by the Bank are reasonable in the circumstances; (iii) the analysis of the definition of default and the criteria applied in the classification of staging, on a sampling basis; (iv) the critical analysis of the main assumptions and sources of information used by the Bank in the calculation of risk parameters; and (v) the recalculation of impairment losses.</p>
<p>The Bank has developed analysis models to determine impairment losses, in light of the requirements of IFRS 9, which include, in particular, the classification of exposures into different stages depending on the evolution of their credit risk since the date of granting, and not depending on the credit risk at the reporting date (stages 1, 2 or 3). These models are based on information provided by external entities such as, for example, rating agencies and/or market information from data providers.</p>	<p>Whenever we conclude that there is a need to review any assumption used by the management, we recalculate the estimated amount of impairment and compare the results obtained with those determined by the Bank, to assess the existence of any materially relevant divergences.</p>
<p>Considering the above, and the current macroeconomic context, changes in the assumptions or methodologies, or in the information made available by external entities, used by the Bank in the analysis and quantification of impairment losses of debt instruments classified as financial assets at fair</p>	<p>Our audit procedures also included a review of the disclosures on the debt instruments measured at fair</p>



<b>Key Audit Matter</b>	<b>Summary of the Audit Approach</b>
value through other comprehensive income, may have a relevant impact on determining the amount of impairment losses calculated at each moment.	value through other comprehensive income, as well as the corresponding impairment losses, included in the notes to the Bank's financial statements, considering the applicable accounting standards.

#### **Responsibilities of management and audit committee for the financial statements**

Management is responsible for:

- a) the preparation of the financial statements, which present fairly the financial position, the financial performance and the cash flows of the Bank in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union;
- b) the preparation of the Directors' Report, in accordance with the applicable law and regulations;
- c) the creation and maintenance of an appropriate system of internal control to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;
- d) the adoption of appropriate accounting policies and criteria; and
- e) the assessment of the Bank's ability to continue as a going concern, disclosing, as applicable, events or conditions that may cast significant doubt on the Bank's ability to continue its activities.

The audit committee is responsible for overseeing the process of preparation and disclosure of the Bank's financial information.

#### **Auditor's responsibilities for the audit of the financial statements**

Our responsibility is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- a) identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- b) obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control;
- c) evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- d) conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern;
- e) evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- f) communicate with those charged with governance, including the audit committee, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit;
- g) of the matters we have communicated to those charged with governance, including the audit committee, we determine which one's were the most important in the audit of the financial statements of the current year, these being the key audit matters. We describe these matters in our report, except when the law or regulation prohibits their public disclosure; and
- h) confirm to the audit committee that we comply with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

Our responsibility also includes verifying that the information included in the Directors' report is consistent with the financial statements.

### ***Report on other legal and regulatory requirements***

#### ***Directors' report***

In compliance with paragraph 3 e) of article No. 451 of the Portuguese Company Law, it is our opinion that the Directors' report has been prepared in accordance with applicable requirements of the law and regulation, that the information included in the Directors' report is consistent with the audited financial statements and, taking into account the knowledge and assessment about the Bank, no material misstatements were identified.



**Additional information required in article No. 10 of the Regulation (EU) 537/2014**

In accordance with article No. 10 of Regulation (EU) 537/2014 of the European Parliament and of the Council, of April 16, 2014, and in addition to the key audit matters referred to above, we also provide the following information:

- a) We were first appointed auditors of Bison Bank, S.A. in the Shareholders' General Meeting held on 9 May 2014, to conclude the ongoing mandate until the end of 2014, having remained in functions until the current period. Our last appointment occurred by written decision of the sole shareholder dated 26 September 2022 for the period from 2022 to 2023;
- b) The management has confirmed to us it has no knowledge of any allegation of fraud or suspicions of fraud with material effect in the financial statements. We have maintained professional scepticism throughout the audit and determined overall responses to address the risk of material misstatement due to fraud in the financial statements. Based on the work performed, we have not identified any material misstatement in the financial statements due to fraud;
- c) We confirm that our audit opinion is consistent with the additional report that was prepared by us and issued to the Bank's audit committee on 9 of April of 2024; and
- d) We declare that we did not provide any prohibited non-audit services referred to in paragraph 1 of article No. 5 of Regulation (EU) 537/2014 of the European Parliament and of the Council, of 16 April 2014 and that we remain independent of the Bank in conducting our audit.

9 of April of 2024

PricewaterhouseCoopers & Associados  
- Sociedade de Revisores Oficiais de Contas, Lda.  
represented by:

Cláudia Sofia Parente Gonçalves da Palma, ROC no. 1853  
Registered with the Portuguese Securities Market Commission under no. 20180003

**(This is a translation, not to be signed)**



## **Statutory Audit Report**

*(Free translation from a report originally issued in Portuguese language. In case of doubt the Portuguese version will always prevail)*

### **Report on the audit of the consolidated financial statements**

#### **Opinion**

We have audited the accompanying consolidated financial statements of Bison Bank, S.A. (the Group), which comprise the consolidated balance sheet as at 31 December 2023 (which shows total assets of Euros 248,529 thousand and total shareholders' equity of Euros 42,535 thousand including a net profit of Euros 170 thousand), the consolidated income statement, the consolidated income and comprehensive income statement, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly in all material respects, the consolidated financial position of Bison Bank, S.A. as at 31 December 2023, and their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs) and other technical and ethical standards and recommendations issued by the Institute of Statutory Auditors. Our responsibilities under those standards are described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section below. In accordance with the law, we are independent of the entities that are included in the Group and we have fulfilled our other ethical responsibilities in accordance with the ethics code of the Institute of Statutory Auditors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Key audit matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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**Key Audit Matter**
**Summary of the Audit Approach**


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***Fair value of financial instruments not listed in an active market – level 3 of the fair value hierarchy***

Measurement and disclosures related with the fair value of financial instruments not listed in an active market, classified in level 3 of the fair value hierarchy, presented in accompanying notes 2.4, 2.7, 2.8, 7, 21, 27 and 28 of the Group's consolidated financial statements

Due to its relevance in the context of the Group's consolidated financial statements and the associated degree of judgment, the fair value measurement of financial instruments not listed in an active market, classified in level 3 of the fair value hierarchy, was considered a key audit matter for the purpose of our audit.

As at 31 December 2023 the carrying amounts of those instruments amounted to Euros 10,685 thousand presented in the heading of "Non-trading financial assets mandatorily at fair value through profit or loss", which are entirely composed by equity instruments.

When observable market data is not available, the financial instruments are classified in level 3 of the fair value hierarchy and the determination of the fair value is made by the Group using internal valuation models or indicative prices provided by counterparties, incorporating unobservable variables in the market, which involves a high degree of judgment in the definition of the assumptions and inputs to be used.

Among the assets on the balance sheet as at 31 December 2023, classified in level 3 of the fair value hierarchy, the investment in the Discovery Portugal Real Estate Fund ("Discovery Fund" or "Fund") stands out, with a fair value of 8,458 thousand euros on that date, determined based on the analysis carried out by the Group of i) the net assets value of the Fund, provided by the respective Management Company, ii) the best estimate of the Group's management on the recoverable value of the real estate assets that integrate the Fund's assets and iii) other market information existing at the time.

In this context, changes in the assumptions and measurement techniques used by Group's management, combined with the fact that this was a non-binding offer, as well as the possible impacts of the current adverse macroeconomic context and the

The audit procedures undertaken included the identification and understanding of the key-controls implemented by the Group underlying to the methodologies adopted and the selection and determination of the main assumptions used for the fair value estimation of financial instruments not listed in an active market, classified in level 3 of the fair value hierarchy.

For a representative sample of financial instruments not listed in an active market, classified in level 3 of the fair value hierarchy, our procedures also included (i) the understanding of the methodologies and the main assumptions used by the Group to determine the fair value; (ii) the assessment of whether the methodologies and the main assumptions used by the Group are reasonable in the circumstances; (iii) the comparison of indicative prices provided by external counterparties with those used by the Group to recognize the fair value of those financial instruments, when available; and (iv) the analytical review of the fair value of those financial instruments, comparing it with the homologous period and with the latest financial information and the respective audit reports, whenever available.

In the specific case of the Discovery Fund, our procedures also included obtaining the analysis carried out by the Business Development, the Global Risk and Reporting and the People and Accounting Departments and presented by the Treasury Department at the meeting of the Bison Bank S.A. Board of Directors.

Our audit procedures also included a review of the disclosures related to the financial instruments not listed in an active market, classified in level 3 of the fair value hierarchy, included in the notes to the Group's consolidated financial statements, considering the applicable accounting standards.

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**Key Audit Matter**
**Summary of the Audit Approach**


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evolution of the real estate market, may give rise to material impacts on the determination of the fair value of the financial instruments not listed in an active market, classified in level 3 of the fair value hierarchy, recognized in the Group's consolidated financial statements.

**Impairment losses on debt instruments measured at fair value through other comprehensive income**
Measurement and disclosures related with the impairment losses booked on debt instruments measured at fair value through other comprehensive income, presented in notes 2.4, 2.7, 2.8, 8, 16, 27 and 28 of the Group's consolidated financial statements

The significant expression of debt instruments measured at fair value through other comprehensive income and the corresponding impairment losses justify that these constituted a key audit matter for the purpose of our audit. This process requires the application of a complex set of assumptions and judgments by the Group's management, regarding the identification of debt instruments with a significant increase in credit risk, or in default, as well as the corresponding amount of impairment losses.

As at 31 December 2023, the carrying amounts of debt instruments classified as financial assets at fair value through other comprehensive income amounts to 116,180 thousand euros and the corresponding impairment losses booked at that date amount to 475 thousand euros.

The Group has developed analysis models to determine impairment losses, in light of the requirements of IFRS 9, which include, in particular, the classification of exposures into different stages depending on the evolution of their credit risk since the date of granting, and not depending on the credit risk at the reporting date (stages 1, 2 or 3). These models are based on information provided by external entities such as, for example, rating agencies and/or market information from data providers.

Considering the above, and the current macroeconomic context, changes in the assumptions or methodologies, or in the information made available by external entities, used by the Group in the analysis and quantification of impairment losses of debt instruments classified as financial assets at fair value through other comprehensive income, may

The audit procedures undertaken included the identification, understanding and evaluation of the policies and procedures implemented by the Group for the purposes of measuring impairment losses of debt instruments measured at fair value through other comprehensive income, as well as the key-controls underlying the approval, registration and monitoring of the credit risk and the timely identification, recording and correct measurement of the impairment losses.

Regarding the models used by the Group, a set of specific procedures were developed with the aim of assessing whether the assumptions considered by the Group's management meet the requirements of IFRS 9, namely: (i) the understanding of the methodologies and main assumptions used by the Group to determine the impairment losses; (ii) the assessment of whether the methodologies used by the Group are reasonable in the circumstances; (iii) the analysis of the definition of default and the criteria applied in the classification of staging, on a sampling basis; (iv) the critical analysis of the main assumptions and sources of information used by the Group in the calculation of risk parameters; and (v) the recalculation of impairment losses.

Whenever we conclude that there is a need to review any assumption used by the management, we recalculate the estimated amount of impairment and compare the results obtained with those determined by the Group, to assess the existence of any materially relevant divergences.

Our audit procedures also included a review of the disclosures on the debt instruments measured at fair value through other comprehensive income, as well



<b>Key Audit Matter</b>	<b>Summary of the Audit Approach</b>
have a relevant impact on determining the amount of impairment losses calculated at each moment.	as the corresponding impairment losses, included in the notes to the Group's consolidated financial statements, considering the applicable accounting standards.

### **Responsibilities of management and audit committee for the consolidated financial statements**

Management is responsible for:

- a) the preparation of the consolidated financial statements, which present fairly the consolidated financial position, the consolidated financial performance and the consolidated cash flows of the Group in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union;
- b) the preparation of the Directors' Report, in accordance with the applicable law and regulations;
- c) the creation and maintenance of an appropriate system of internal control to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error;
- d) the adoption of appropriate accounting policies and criteria; and
- e) the assessment of the Group's ability to continue as a going concern, disclosing, as applicable, events or conditions that may cast significant doubt on the Group's ability to continue its activities.

The audit committee is responsible for overseeing the process of preparation and disclosure of the Group's financial information.

### **Auditor's responsibilities for the audit of the consolidated financial statements**

Our responsibility is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- a) identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- b) obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- c) evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- d) conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- e) evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- f) obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion;
- g) communicate with those charged with governance, including the audit committee, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit;
- h) of the matters we have communicated to those charged with governance, including the audit committee, we determine which one's were the most important in the audit of the consolidated financial statements of the current year, these being the key audit matters. We describe these matters in our report, except when the law or regulation prohibits their public disclosure; and
- i) confirm to the audit committee that we comply with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

Our responsibility also includes verifying that the information included in the Directors' report is consistent with the consolidated financial statements.

**Report on other legal and regulatory requirements****Directors' report**

In compliance with paragraph 3 e) of article No. 451 of the Portuguese Company Law, it is our opinion that the Directors' report has been prepared in accordance with applicable requirements of the law and regulation, that the information included in the Directors' report is consistent with the audited consolidated financial statements and, taking into account the knowledge and assessment about the Group, no material misstatements were identified.

**Additional information required in article No. 10 of the Regulation (EU) 537/2014**

In accordance with article No. 10 of Regulation (EU) 537/2014 of the European Parliament and of the Council, of April 16, 2014, and in addition to the key audit matters referred to above, we also provide the following information:

- a) We were first appointed auditors of Bison Bank, S.A. in the Shareholders' General Meeting held on 9 May 2014, to conclude the ongoing mandate until the end of 2014, having remained in functions until the current period. Our last appointment occurred by written decision of the sole shareholder dated 26 September 2022 for the period from 2022 to 2023;
- b) The management has confirmed to us it has no knowledge of any allegation of fraud or suspicions of fraud with material effect in the financial statements. We have maintained professional scepticism throughout the audit and determined overall responses to address the risk of material misstatement due to fraud in the consolidated financial statements. Based on the work performed, we have not identified any material misstatement in the consolidated financial statements due to fraud;
- c) We confirm that our audit opinion is consistent with the additional report that was prepared by us and issued to the Group's audit committee on 9 of April of 2024; and
- d) We declare that we did not provide any prohibited non-audit services referred to in paragraph 1 of article No. 5 of Regulation (EU) 537/2014 of the European Parliament and of the Council, of 16 April 2014 and that we remain independent of the Group in conducting our audit.

9 of April of 2024

PricewaterhouseCoopers & Associados  
- Sociedade de Revisores Oficiais de Contas, Lda.  
represented by:

Cláudia Sofia Parente Gonçalves da Palma, ROC no. 1853  
Registered with the Portuguese Securities Market Commission under no. 20180003

**(This is a translation, not to be signed)**

# 13 – AUDIT COMMITTEE’S ASSESSMENT OF THE ADEQUACY AND EFFECTIVENESS OF THE ORGANIZATIONAL CULTURE, GOVERNANCE, AND INTERNAL CONTROL SYSTEMS



## INTRODUCTION

This document is presented for the purposes set out in Article 60(1) of Notice no. 3/2020 of Banco de Portugal ('Notice') and is part of the annual self-assessment process of the adequacy and effectiveness of Bison Bank, S.A.'s ('Bank') organisational culture and its governance and internal control systems in accordance with the Notice.

## SUMMARY OF THE SELF-ASSESSMENT REPORT

The following is a summary of the self-assessment report required by article 55 of the Notice, which contains the assessment of the adequacy and effectiveness of the organisational culture in place at the Bank and of its governance and internal control systems, with reference to the period from 01 December 2022 to 30 November 2023 ("reference period"):

- The Audit Committee monitored, during the respective periods in office, the management, operations and evolution of the Bank's business over the reference period, in the course of their meetings, through participation in the Board of Directors (BoD) meetings, access to documentation produced by this Body and by the Committees to which it delegated powers, access to management and prudential information on the Bank's activity and results and other relevant documentation and through contacts maintained with its officers, having obtained all the clarifications requested.
- The Audit Committee analysed and discussed the work performed by the Control Functions (Risk, Compliance, and Internal Audit), in accordance with the responsibilities assigned to it by the Bank's statutes and the Notice, namely:
  - Monitored the work of the Risk Management Function, having analysed the aspects related to the Bank's internal control and risk management system, in particular, and as part of the monitoring of the function, the half-yearly reports on the activity carried out, as well as the respective activity plan, and other topics with a possible impact on the Bank's internal control system;
  - Analysed and discussed the work performed by the Compliance Function, including obtaining appropriate information on the deficiencies detected in the Bank's internal control and risk management system, the assessment and classification of the respective risks, the measures adopted to resolve them and their status of implementation.
  - Monitored and supervised the planning of activities and the work carried out by the Internal Audit Function, ensuring the safeguarding of its independence and effectiveness, being informed of the reports issued by the function, and ensuring compliance with the recommendations.
- Regarding the quality of performance and adequate independence of the Bank's internal control functions, the Audit Committee has developed the following procedures:
  - Analyzing the activity reports prepared by the Bank's internal control functions under the terms of Article 55(c) of the Notice, particularly with regard to assessing the independence of the functions;
  - Analyzing the reports and recommendations issued and the interaction with the Bank's other operational areas; and

- Monitoring the work carried out by the Bank's internal control functions, namely through interactions with the Audit Committee (meetings every two months and whenever justified) in the normal course of its activities.
- During the reference period, the Audit Committee analysed the progress reports on the actions to mitigate deficiencies and the implementation of identified recommendations, and assessed the deficiencies identified by the Bank's internal control functions (Compliance, Risk Management, and Internal Audit) during the reference period, as well as their classification and the action plans defined for their resolution, including the deadlines defined for the implementation of these plans.
- As a result of the work carried out by the Bank's internal control functions, by the Statutory Auditor and the supervisory process, a series of deficiencies were identified and expressed in the Bank's self-assessment report, prepared pursuant to Article 55 of the Notice and Article 2 of Bank of Portugal Instruction no. 18/2020. There are no deficiencies classified with risk grade F4 - Severe and, of the identified deficiencies, 25 classified as F3 - High, while the others are classified as F2 - Moderate and F1 - Reduced.
- The Audit Committee concludes that the identified deficiencies were adequately classified as F3 - High (no deficiency classified as F4 - Severe was detected by the Bank) and that their impacts are not likely to damage the organisational culture, governance, and internal control systems of the Bank, considering that:
  - the deficiencies identified have measures, deadlines and those responsible for their implementation;
  - the follow-up of open deficiencies is based on a process of continuous monitoring by the Board of Directors, on a quarterly basis, to ensure the timely correction of situations identified in accordance with the Bank's internal governance policy;
  - there is a methodology for classifying deficiencies, defining criteria for classifying deficiencies in the Bank's self-assessment report; and
  - validation of the appropriate use of the criteria and classification of deficiencies by the Internal Audit Function, contained in the Risk Reassessment Report drawn up by the Internal Audit Department.
- The Audit Committee considers that, notwithstanding the deficiencies identified, the alternative control mechanisms or initiatives in progress guarantee adequate mitigation of the risks arising from such deficiencies.
- The Audit Committee also continuously monitored the legislation and other national and community (EU) regulations on the internal control system and mechanisms, as well as the entire process of preparing the Bank's self-assessment report, which included:
  - Analysis and assessment of the risk grading model defined under the provisions of the Notice.
  - Analysis of the action plans determined for the resolution of the gaps identified and respective prioritization, proposed actions and associated timings; and
  - Grading process of the open recommendations from previous periods, as well as the recommendations identified in the period of reference.

## MAIN CONCLUSIONS

- Based on the activities carried out and the evidence obtained, the Audit Committee has assessed, within the scope of the responsibilities attributed by law to the supervisory bodies and considering the current and potential impacts of the deficiencies that remain open, the adequacy and effectiveness of the organisational culture in place in the Bank and of its governance and internal control systems.
- Notwithstanding the aspects mentioned in the 'Deficiencies' chapter, where an effort was made to reduce the oldest and highest risk deficiencies, and the need to develop an additional set of procedures to fully adopt the provisions of the Notice, the Audit Committee unanimously concluded that it was positive about the adequacy and effectiveness of the Bank's organisational culture and its governance and internal control systems, in all materially relevant aspects, in terms of the requirements defined in the Notice.
- Except for the aspects mentioned with respect to 'Deficiencies', we unanimously concluded positively on the status of implementation of the measures defined in the reporting period to correct the detected deficiencies, including the deficiencies in the Bank's internal control system and accounting system reported by the statutory auditor or in the scope of other activities carried out by the statutory auditor, or identified by other external entities, including supervisory authorities.
- We concluded on the quality of performance and adequate independence of the Bank's internal control functions, which have permanent and effective internal control functions, with a status, authority, and independence in the organizational structure, aimed at verifying, in their respective areas of competence, if the established strategies, policies, processes, systems and procedures are adequate, duly updated, correctly applied and effectively complied with.
- The internal control functions have direct access to the Audit Committee and the Board of Directors and to the respective support committees, thus ensuring the possibility of direct and immediate transmission of any information to these bodies without the prior intervention of third parties and, on the other hand, that these may request such information directly from the internal control functions.
- Additionally, we also concluded unanimously and positively on:
  - i. The reliability, in the reference period, of the processes of preparation of prudential and financial reports, including those carried out by the Bank under the Implementing Regulation (EU) No 680/2014 of the Commission of 16 April 2014;
  - ii. The reliability of the processes for preparing information disclosed to the public by the Bank under applicable laws and regulations, including financial and prudential information; and
  - iii. Adequate compliance, in the reference period, with all the duties of disclosure to the public arising from applicable laws and regulations and concerning the matters set out in the Notice.

Lisbon, 28th March 2024

The Audit Committee,

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Luís Gonçalves Folhadela

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Wang Ting

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Issuf Ahmad

# 14 - REPORT AND OPINION OF THE AUDIT COMMITTEE

## Financial year 2023

***Introduction***

1. In compliance with article 423-F, paragraph 1, subparagraph g) of the Portuguese Companies Code ("CSC"), the Audit Committee ("CAud") of Bison Bank, S.A. ("Bank") has prepared this report and opinion on the report, accounts and proposals presented by the Bank's Board of Directors ("BoD") for the year ended December 31, 2023, including on the supervisory activity carried out by the CAud during the same year.

***Activity performed***

2. The CAud, in exercising its supervisory role over the Bank, supervised the activities related to auditing, internal control, risk management, business development, *compliance*, as well as the processes of preparation and disclosure of financial information and key prudential indicators and the independence of the Statutory Auditor, PricewaterhouseCoopers & Associados - Sociedade de Revisores Oficiais de Contas, Lda ("PwC SROC").

The members of the Board of Auditors met successively throughout the year in the course of their duties, meeting thirty-six times between January and December 2023 to deal with issues related to their area of intervention, namely supervising the independent exercise of control and statutory audit functions and issuing opinions on control instruments, regulations, plans and higher risk operations.

Executive directors, representatives of PwC SROC and those responsible for control functions and other areas of the Bank also took part in BAud meetings, at their invitation and depending on the issues under discussion. The BAud maintained permanent communication with the members of the Bank's Executive Committee ("EC") and those with control functions and also attended all the meetings of the Board of Directors. In supervising the control functions and the statutory audit, it met regularly with the heads of the risk, *compliance* and internal audit departments and with representatives of PwC SROC.

3. The Chairman of the Board of Directors also chairs the Appointments and Remuneration Committee, which also includes two non-executive members of the Board of Directors, including the Chairman of this body and a member of the Board of Directors, who are independent under the terms of the law and regulations.
4. On April 5, 2023, the CAud issued its report on its supervisory action during the 2022 financial year and its opinion on the management report, accounts and proposals presented by the Bank's Board of Directors for that financial year.

The CAud also assessed the adequacy and effectiveness of the Bank's internal control system, specifically with regard to the prevention of money laundering and terrorist financing, with reference to the period between January 1 and December 31, 2022, and issued its opinion on February 27, 2023.

CAud has issued opinions on issues related to the revision of internal policies and regulations, the accumulation of functions, conflicts of interest and related parties.

5. With reference to the period between December 1, 2022 and November 30, 2023, the CAud issued a report assessing the adequacy and effectiveness of the Bank's organizational culture and its governance and internal control systems, under the terms of Banco de Portugal Notice no. 3/2020 and for the purposes of article 55(a) of that Notice.

Also within the scope of the same Notice, the CAud prepared a summary of the assessment report on the adequacy and effectiveness of the Bank's organizational culture and its governance and internal control systems, which is disclosed within the scope of this presentation of accounts in accordance with the provisions of article 60 of the aforementioned Notice.

6. The BAud also oversaw the Bank's management, supervising and constructively challenging the Bank's executive management, particularly in matters relating to the Bank's strategy, risk management, internal control, *compliance*, internal governance, good accountability and internal auditing, liaising with the non-executive member of the Board of Directors who is not a member of the BAud, in accordance with the law and the regulations and guidelines applicable to the banking sector.
7. The CAud received the respective plans and activity reports from those responsible for the control functions, as well as periodic reports on risk management, *compliance* activity and internal audit reports. The BAud supervised the performance of the control functions, assessing and discussing with the heads of the control departments and their employees the plans and periodic reports on the performance of risk management and *compliance*, as well as the independent internal audit exercise, making observations and recommendations it deemed appropriate.
8. The Bank has a system in place for reporting irregularities, according to the document published on its institutional website entitled "*Whistleblowing Policy*". The CAud monitored the functioning of this system, involving control departments. Detailed information on the communication of irregularities and concerns that could penalize the Bank is contained in an autonomous report issued in accordance with Article 116-AA(7) of the RGICSF.

#### ***Assessment of the statutory auditor's independence - PwC SROC***

9. In accordance with the provisions of the internal regulations and the national and EU laws governing the statutory audit of Public Interest Entities, the supervisory body supervised the independence of PwC SROC, which submitted a statement to the Audit Commission confirming its independence and that of the employees involved in the statutory audit of the Bank's accounts.
10. The supervisory body has previously approved different auditing services carried out by PwC SROC and the PwC network, with the exception of those required by law (on safeguarding assets - a requirement of the Portuguese Securities Market Commission - and on reviewing the process for quantifying impairment of the debt securities portfolio - a requirement of the Bank of Portugal), by means of a duly substantiated proposal and subsequent assessment of the threats to independence arising from carrying out this work, taking into account the restrictive measures to safeguard independence laid down in the Statute of the Portuguese Institute of Statutory Auditors (EOROC), approved by Law no. 140/2015, of September 7 (as

amended by Law no. 99-A/2021, of December 31), and Regulation (EU) no. 537/2014, of the European Parliament and of the Council of 16/04/2014 (European Audit Regulation).

77. With regard to rotation, the provisions of the European Audit Regulation and the EOROC apply, as does the "Policy for the Selection and Appointment of Statutory Auditors" approved by the Bank's General Meeting and published on its institutional website. In accordance with this Policy: (i) the maximum period for which the partner responsible for directing or carrying out the statutory audit may perform statutory audit duties is seven years, from the date of their first appointment, and they may be re-appointed after a minimum period of three years; (ii) the minimum initial period for which the Statutory Auditor (ROC) may perform statutory audit duties is two years and the maximum period is ten years; (iii) after performing the duties for the aforementioned maximum period, the Statutory Auditor may only be re-appointed after a minimum period of four years has elapsed; (iv) the deadlines are counted from the first financial year covered by the contractual relationship for which the Statutory Auditor was first appointed, for the performance of the Bank's consecutive statutory audits; (v) in the process of renewing the Statutory Auditor's mandate, the CAud will take into account the results of the assessment of his performance.
72. PwC SROC was appointed Statutory Auditor by the respective General Meeting for the first time on May 9, 2014 for the financial year ending December 31 of that year, and is currently serving its last two-year term of office 2022-2023, thus completing the maximum ten-year term of office allowed by the applicable regulations with the conclusion of the audit of the 2023 accounts.
73. As for the rotation of the partner responsible for the statutory audit, none of PwC's partners has been responsible for directing or carrying out the statutory audit of the Bank's accounts for more than seven years. Partner José Manuel Henriques Bernardo was responsible for auditing the Bank's accounts from 2014 to 2017 and partner Cláudia Sofia Parente Gonçalves da Palma became responsible for auditing the Bank's accounts from 2018 onwards. From 2022 onwards, the rotation covered the senior managers involved in the statutory audit of the Bank's accounts, under the terms of Article 54(7) of Law 140/2015, amended by Law 99-A/2021 of December 31.

#### ***Appreciation of the report and accounts***

74. The BAud considered the Annual Report presented by the Board of Directors for the financial year ending December 31, 2023, which includes the Management Report, financial statements and corresponding notes, proposal for the appropriation of profits and corporate governance report. The 2023 accounts are presented on an individual and consolidated basis, including the subsidiary Bison Digital Assets, S.A., under the full control of the Bank since its incorporation on July 15, 2022, with the members of the Bank's Executive Committee as members of the Board of Directors.

The CAud assessed the main accounting policies and the changes that occurred within the scope of the IAS/IFRS, as well as the records and disclosures made in the preparation of the individual and consolidated financial statements and other accounting instruments for the year ending December 31, 2023.



15. In the year ended December 31, 2023, the Bank recorded a positive consolidated net profit of approximately 170 thousand euros (641 thousand euros on an individual basis), which compares with a negative figure of 6.8 million euros recorded in 2022 (6.5 million on an individual basis), essentially due to the significant increase in net interest income (+4.2 million euros) driven by the context of sharply rising interest rates and income from services and commissions (+1.3 million euros), associated with less negative results from financial operations (-0.1 million euros in 2023 and -1.2 million euros in 2022). In addition, there was a gain of around 2.7 million euros in 2023, reflected directly in equity, resulting from the positive change in the fair value of financial assets, which, together with the profit recorded that year, led to an increase in total equity of around 2.8 million euros. Despite the slight decrease in the relative weight of equity due to business development, the Bank maintains balanced capitalization and liquidity levels, with Common Equity Tier 1 ratios of around 35.8% at the end of the year (36.2% in 2022) and LCR and NSFR of 191.4% and 162.9% respectively (140.9% and 137.8% in 2022).

#### ***Assessment of the statutory audit***

16. The CAud monitored the statutory audit of the Bank's accounts for the year ending December 31, 2023 and assessed the respective results, the matters that required greater attention from PwC SROC, as well as the legal certifications of the accounts, also paying attention to safeguarding the independence of the statutory auditor.

17. The BAud also assessed the additional report addressed to the Audit Committee, issued by PwC SROC on April 9, 2024, which explains the results of the statutory audit, in compliance with Article 11 of the European Audit Regulation. This report stems from the audit by PwC SROC of the Bank's accounts for the year ending December 31, 2023, which covers a range of relevant topics and information within the scope of the audit of these accounts, which were generally discussed at meetings and in other documents considered by the Board of Directors, namely, accounting and financial matters within the scope of the statutory audit, relevant auditing matters, including matters that required greater attention from PwC SROC, materiality, the internal financial control system, continuity, compliance, valuation methods, the provision of separate auditing services by PwC SROC and related entities and verification of PwC SROC's independence.

18. As relevant audit matters, PwC SROC identified: 1) the measurement and disclosures related to the fair value of financial instruments not listed on an active market classified in level 3 of the fair value hierarchy, which includes the measurement of the holding in the Discovery Portugal Real Estate Fund, as expressed in the legal certification of accounts. The stake in this Fund, classified as "Non-trading financial assets mandatorily accounted for at fair value through profit or loss", has a fair value recognized in the balance sheet as at December 31, 2023 of 8,458 thousand euros (identical value as at December 31, 2022); and 2) Impairment losses on debt instruments measured at fair value through other comprehensive income, which includes the respective measurement and related disclosures. On December 31, 2023, the balance sheet value of debt instruments classified as financial assets at fair value through other comprehensive income amounts to 116,180 thousand euros, and the respective impairment losses recognized on that date amount to 475 thousand euros.

19. For the purposes of Article 452(2) of the CSC, the CAud declares that it agrees with the legal certifications of the Bank's individual and consolidated accounts for the year ended

December 31, 2023, issued on April 9, 2024, which express an unqualified opinion on the individual and consolidated financial statements. The CAud also agrees with the relevant audit matters expressed in the aforementioned statutory audits.

***Proposed application of Results***

20. Under the terms and for the purposes of Article 376(1)(b) and (2) of the Companies Code, the Board of Directors proposes that the profit for the year, amounting to €640,579.92 (six hundred and forty thousand, five hundred and seventy-nine euros and ninety-two cents), be transferred to the Retained Earnings account.

***Opinion on the Annual Report***

21. As a result of the work carried out, the BAud gives a favorable opinion on the approval of the Annual Report 2023, which includes the management report, individual and consolidated financial statements and respective notes, as well as the Corporate Governance Report for the year ending December 31, 2023, confirmed by the Board of Directors.

These financial statements were examined by the Board of Directors, whose meeting was attended by all the members of the Board of Directors, including the members of the CAud, as well as representatives of PwC SROC who are part of the Bank's audit team. At this meeting, the CAud presented the results of the statutory audit and explained how it contributed to the integrity of the process of preparing and disclosing financial information, as well as the role that the CAud played in this process.

22. Accordingly, taking into account the information received from the Board of Directors and other Bank bodies and departments, and the conclusions contained in the legal certification of the accounts on the individual and consolidated financial information issued on April 9, 2024, we are of the opinion that the Bank's General Meeting should approve:

- a) The Annual Report 2023, for the year ending December 31, 2023, which includes the management report, the individual and consolidated financial statements and respective notes and the Corporate Governance Report, as well as the Report and Opinion of the Audit Committee and the corresponding legal certifications of the accounts; and
- b) The results application proposal.

It must also carry out a general appraisal of the Bank's management and supervision, under the terms of Article 376(1)(c) of the CSC and decide on the proposals presented by the Audit Committee regarding the election of a new statutory auditor for the Bank's 2024-2025 term of office, and by the Appointments and Remuneration Committee.

CAud would like to thank the Bank's employees, the members of the Board of Directors and the PwC SROC team for all their cooperation in carrying out their duties, as well as the attention paid by the Bank of Portugal in carrying out its supervisory role.

Lisbon, April 10th, 2024

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Issuf Ahmad, President

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Ting Wang, Vocal

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Luís Gonçalves Folhadela, Member