

BULGARIAN-AMERICAN CREDIT BANK AD

EUR 15,000,000 8.00% 2024-2034 Subordinated (Tier 2) Notes

ISIN BG2100017248

Issue Price: 100.00%

BULGARIAN-AMERICAN CREDIT BANK AD (the "**Issuer**") issued on 3 June 2024 (the "**Issue Date**") EUR 15,000,000 8.00% 2024-2034 Subordinated (Tier 2) Notes (the "**Notes**") in the denomination of EUR 100,000 each.

This document dated 10 June 2024 (the "**Prospectus**") constitutes a prospectus for the purposes of Article 6(3) of the Regulation (EU) 2017/1129, as amended (the "**Prospectus Regulation**"). This Prospectus has been drawn up in accordance with Annexes 7, 15 and 28 of the Commission Delegated Regulation (EU) 2019/980, as amended, and has been approved by the Austrian Financial Market Authority (*Finanzmarktaufsichtsbehörde* - the "**FMA**") in its capacity as competent authority pursuant to Article 20 of the Prospectus Regulation in conjunction with the Austrian Capital Market Act 2019 (*Kapitalmarktgesetz 2019*). **The FMA only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Such approval should not be considered as an endorsement of the Issuer and the quality of the Notes that are the subject of this Prospectus. Investors should make their own assessment as to the suitability of investing in the Notes.**

This Prospectus constitutes a listing prospectus and relates to the admission of the Notes to and trading on the Official Market (*Amtlicher Handel*) of the Vienna Stock Exchange (the "**Official Market**"), a regulated market pursuant to Directive 2014/65/EU, as amended (*Markets in Financial Instruments Directive II – "MiFID II"*). Furthermore, application may be made to admit the Notes to trading on the regulated market of the Bulgarian Stock Exchange which is a regulated market for the purposes of MiFID II (together with the Official Market, the "**Markets**").

The Issuer has requested the FMA to provide the competent authority of Bulgaria with a certificate of approval attesting that this Prospectus has been drawn up in accordance with the Prospectus Regulation (a "**Notification**"). The Issuer may from time to time request the FMA to provide to competent authorities of member states of the European Economic Area ("**EEA**") further Notifications concerning the approval of this Prospectus.

The Notes are governed by the laws of Bulgaria and are issued as book-entry securities in accordance with Bulgarian law.

Prospective investors should have regard to the factors described under the section headed "**RISK FACTORS**" in this Prospectus. This Prospectus does not describe all of the risks of an investment in the Notes, but the Issuer believes that all material risks relating to an investment in the Notes have been described.

This Prospectus will be valid for 12 months after its approval and may in this period be used for admission of the Notes to trading on the Markets. In case of a significant new factor, material mistake or material inaccuracy relating to the information included in this Prospectus which may affect the assessment of the Notes, the Issuer will prepare and publish a supplement to the Prospectus without undue delay in accordance with Article 23 of the Prospectus Regulation. The obligation of the Issuer to supplement this Prospectus will cease to apply once the Notes have been admitted to trading on a regulated market and at the latest upon expiry of the validity period of this Prospectus.

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RESPONSIBILITY STATEMENT

The Issuer, with its registered office at 2 Slavyanska Str., Sofia 1000, Sofia Municipality, Bulgaria, is responsible for the information given in this Prospectus.

The Issuer hereby declares that, to the best of the knowledge of the Issuer, the information contained in this Prospectus is in accordance with the facts and makes no omission likely to affect its import.

NOTICE

This Prospectus should be read and understood in conjunction with any supplement hereto and with any document incorporated herein by reference. Full information on the Issuer and on the Notes is only available on the basis of this Prospectus.

No person has been authorised to give any information or to make any representation other than those contained in or incorporated by reference in or consistent with this Prospectus in connection with the issue or sale of the Notes or any other information supplied in connection with the offering and, if given or made, such information must not be relied upon as having been authorised by or on behalf of the Issuer.

The delivery of this Prospectus and the offering, sale or delivery of the Notes may not be taken as an implication that the information contained in such documents is accurate and complete subsequent to their respective dates of issue or that there has been no adverse change in the financial condition of the Issuer since such date or that any other information supplied in connection with the offering is accurate at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

The Issuer is obliged by the provisions of the Prospectus Regulation, that if at any time during the validity of this Prospectus there is a significant new factor, material mistake or material inaccuracy relating to the information included in this Prospectus which may affect the assessment of the Notes and which arises or is noted between the time when this Prospectus is approved and the time when trading on a regulated market begins, the Issuer shall prepare a supplement to this Prospectus or publish a consolidated Prospectus (Article 23(6) of the Prospectus Regulation) and shall supply to the FMA and any stock exchange such supplement hereto or such consolidated Prospectus as relevant applicable legislation require.

To the extent permitted by the laws of any relevant jurisdiction no person mentioned in this Prospectus, excluding the Issuer, is responsible for the information contained in this Prospectus or any supplement thereof, or any other document incorporated herein by reference and, accordingly, to the extent permitted by the laws of any relevant jurisdiction, none of these persons accepts any responsibility for the accuracy and completeness of the information contained in any of these documents.

No person mentioned in this Prospectus, excluding the Issuer, has independently verified the information contained in this Prospectus. Neither this Prospectus nor any financial statements supplied in connection with the Notes are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by the Issuer or any person mentioned in this Prospectus that any recipient of this Prospectus or any financial statements should purchase the Notes. Each potential purchaser of the Notes should determine for itself the relevance of the information contained in this Prospectus or any financial statements and its purchase of the Notes should be based upon any such investigation as it deems necessary.

The distribution of this Prospectus and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus come are required to inform themselves about and observe any such restrictions. For a description of the restrictions applicable in the EEA and the United Kingdom ("**UK**") see the section "*Selling Restrictions*". In particular, the Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"), and may include Notes in bearer form that are subject to tax law requirements of the United States of America. The Notes may not be offered, sold or delivered within the United States of America except in certain transactions exempt from the registration requirements of the Securities Act and, in the case of the Notes in bearer form, permitted by U.S. tax regulations.

Prospective holders of the Notes (each a "**Holder**") should note that the tax legislation of the investor's member state and of the Issuer's country of incorporation may have an impact on the income received from the Notes. Prospective Holders should consult their tax advisers as to the relevant tax consequences of the ownership and disposition of the Notes.

This Prospectus may only be used for the purpose for which it has been published. This Prospectus may not be used for the purpose of an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such an offer or solicitation.

This Prospectus does not constitute an offer or an invitation by or on behalf of the Issuer to any person to subscribe for or to purchase the Notes.

Any websites included in this Prospectus, except where stated otherwise in this Prospectus, are for information purposes only and do not form part of this Prospectus.

MIFID II PRODUCT GOVERNANCE / ELIGIBLE COUNTERPARTIES AND PROFESSIONAL INVESTORS ONLY TARGET MARKET

Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

PROHIBITION OF SALES TO EEA RETAIL INVESTORS

The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

PROHIBITION OF SALES TO RETAIL INVESTORS IN THE UNITED KINGDOM

The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the UK. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation EU No 2017/565 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**"); or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000, as amended (the "**FSMA**") and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently, no key information document required by Regulation (EU) No 1286/2014 as it forms part of UK domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

THIRD PARTY INFORMATION

Where information has been sourced from a third party, the Issuer confirms that this information has been accurately reproduced and that, so far as the Issuer is aware and able to ascertain from information published by such third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

FORWARD-LOOKING STATEMENTS

This Prospectus contains certain forward-looking statements. A forward-looking statement is a statement that does not relate to historical facts and events. Forward-looking statements are based on analyses or forecasts of future results and estimates of amounts not yet determinable or foreseeable. These forward-looking statements may be identified by the use of terms and phrases such as "*anticipate*", "*believe*", "*could*", "*estimate*", "*expect*", "*intend*", "*may*", "*plan*", "*predict*", "*project*", "*will*" and similar terms and phrases, including references and assumptions. This applies, in particular, to statements in this Prospectus containing information on future earning capacity, plans and expectations regarding the Issuer's or the Issuer together with its subsidiaries (together the "**Issuer Group**") business and management, growth and profitability, and general economic and regulatory conditions and other factors that affect it.

Forward-looking statements in this Prospectus are based on current estimates and assumptions that the Issuer makes to the best of its present knowledge. These forward-looking statements are subject to risks, uncertainties and other factors which could cause actual results, including the Issuer Group's financial condition and results of operations, to differ materially from and be worse than results that have expressly or implicitly been assumed or described in these forward-looking statements. The Issuer Group's business is also subject to a number of risks and uncertainties that could cause a forward-looking statement, estimate or prediction in this Prospectus to become inaccurate. Accordingly, investors are strongly advised to read the section "*RISK FACTORS*" in this Prospectus. This section includes more detailed descriptions of factors that might have an impact on Issuer's business and the markets in which it operates.

In light of these risks, uncertainties and assumptions, future events described in this Prospectus may not occur. In addition, the Issuer assume no obligation, except as required by law, to update any forward-looking statement or to conform these forward-looking statements to actual events or developments.

DOCUMENTS INCORPORATED BY REFERENCE

This Prospectus should be read and construed in conjunction with the following parts of the following documents which are incorporated by reference into this Prospectus and which have been filed with the FMA:

Document/Heading	Page reference
English language version of the Audited Annual Financial Statements of the Issuer for the financial year ended 31 December 2022 (the "Audited Annual Financial Statements 2022")	
Consolidated Statement of Comprehensive Income	78
Consolidated Statement of Financial Position	79
Notes to the Consolidated Financial Report	82 - 187
Auditor's Report	70 - 77
English language version of the Audited Annual Financial Statements of the Issuer for the financial year ended 31 December 2023 (the "Audited Annual Financial Statements 2023")	
Consolidated Statement of Comprehensive Income	67
Consolidated Statement of Financial Position	68
Notes to the Consolidated Financial Report	71 - 169
Auditor's Report	172 - 179
English language version of the Unaudited Interim Financial Statements of the Issuer for the first quarter of 2024 as of 31 March 2024 (the "Unaudited Interim Financial Statements as of 31 March 2024")	
Consolidated Statement of Financial Position	1
Consolidated Statement of Comprehensive Income	2

For the avoidance of doubt, such parts of the Audited Annual Financial Statements 2022 and 2023 respectively, as well as of the Unaudited Interim Financial Statements as of 31 March 2024 which are not explicitly listed in the tables above, are not incorporated by reference into this Prospectus as these parts are either not relevant for the investor or covered elsewhere in this Prospectus.

Any information not listed above but included in the documents incorporated by reference is given for information purposes only.

Such parts of the documents which are explicitly listed above shall be deemed to be incorporated in, and form part of this Prospectus, save that any statement contained in such a document shall be deemed to be modified or superseded for the purpose of this Prospectus to the extent that a statement contained in this Prospectus modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus.

In relation to figures expressed in Bulgarian lev ("**BGN**") in this Prospectus, the official foreign exchange rate was fixed by law to Euro ("**EUR**") 1 = BGN 1.95583 as of 1 January 1997.

DOCUMENTS AVAILABLE FOR INSPECTION

Electronic versions of the following documents will be available on the Issuer's website under "www .bacb.bg" (see also the links set out below in brackets):

- (i) the Audited Annual Financial Statements 2022 of the Issuer incorporated by reference into this Prospectus
("https://www.bacb.bg/en/files/archive/2022-12-31/89-annual-reports.pdf/4547");
- (ii) the Audited Annual Financial Statements 2023 of the Issuer incorporated by reference into this Prospectus
("https://www.bacb.bg/en/files/archive/2023-12-31/89-annual-reports.pdf/5959");
- (iii) the Unaudited Interim Financial Statements as of 31 March 2024 incorporated by reference into this Prospectus
("https://www.bacb.bg/en/files/archive/2024-03-31/88-interim-reports.pdf/6211");
- (iv) this Prospectus and any supplement to this Prospectus
("https://www.bacb.bg/en/files/912-prospectus.pdf")
("www .bacb.bg/en/for-investors/bonds/active-bonds/eur-15-000-000-subordinated-tier-2-notes-isin-bg2100017248"); and
- (v) the Issuer's articles of association (by-laws)
("https://www.bacb.bg/en/files/166-by-laws-of-bulgarian-american-credit-bank-ad.pdf").

RISK FACTORS

RISK FACTORS REGARDING THE ISSUER

Prospective investors should consider carefully the risks set forth below and the other information contained in this Prospectus prior to making any investment decision with respect to the Notes. Prospective investors should note that the risks described below are not the only risks the Issuer faces. The Issuer has described only those risks relating to its business, operations, financial condition or prospects that it considers to be material and specific and of which it is currently aware. There may be additional risks that the Issuer currently considers not to be material and specific or of which it is not currently aware, and any of these risks could have the effects set forth above.

Prospective investors should also read the detailed information set out elsewhere in this Prospectus and should consult with their own professional advisers (including their financial, accounting, legal and tax advisers) and reach their own views prior to making any investment decision.

Each of the Issuer related risks highlighted below could have a material adverse effect on the Issuer's business, operations, financial condition or prospects which, in turn, could have a material adverse effect on the amount of principal and interest (if applicable) which investors will receive in respect of the Notes. In addition, each of the Issuer related risks highlighted below could adversely affect the trading price of the Notes or the rights of investors under the Notes and, as a result, investors could lose some or all of their investment.

The Issuer believes that the following factors may affect its ability to fulfil its obligations under the Notes. Most of these factors are contingencies which may or may not occur. Below the Issuer expresses its view on the likelihood of any such contingency occurring as of the date of this Prospectus.

The Issuer believes that the factors described below represent the principal risks inherent in investing in the Notes, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with the Notes may occur for other reasons which may not be considered significant risks by the Issuer based on information currently available to it or which it may not currently be able to anticipate.

The risk factors herein are organised into the following categories below depending on their nature (with the most material risk factor mentioned first in each of the following categories):

1.1 Risk factors relating to the commercial activities of the Issuer and its subsidiaries

The Issuer is exposed to the risk of default by its counterparties, particularly as a result of financial crises or economic recession.

The Issuer's lending activities are primarily targeted at the small and medium enterprises ("**SME**") segment and the households and individuals' segment by providing secured financing for working capital or investment needs, in respect of the SME segment, and mortgage and consumer loans to individuals and households.

The main source of credit risk for the Issuer is loans granted to customers, which on a consolidated basis as of 31 December 2023 amount to BGN 1,560 million (EUR 797 million) before provisions for impairment compared to BGN 1,439 million (EUR 736 million) as at 31 December 2022.

Deterioration in the credit quality of the Issuer's individual counterparties or the manifestation of systemic risks in the Bulgarian banking system could affect the quality and value of the Issuer's assets and require an increase in the allowance for impairment of credit exposures, which in turn could have a negative impact on the Issuer's financial performance and its ability to meet capital requirements.

In addition, the recoverability of loans made by the Issuer to its customers may be adversely affected by adverse changes in the overall economic, political or regulatory environment affecting the ability of the Issuer's borrowers to repay their loans, the effectiveness of foreclosure proceedings, declines in collateral values and other circumstances beyond the Issuer's control (e.g. deterioration of the business climate due to political turmoil, pandemic outbreaks). This could have a material adverse effect on the financial condition of the Issuer and thereby on its ability to repay its obligations under the Notes in full and on time.

The Issuer's activity is exposed to the risk of increasing the amount of non-performing loans.

Customers' ability to repay their loans may be affected by general economic developments in Bulgaria, including unemployment and inflation rates and access to finance. In the event of a prolonged slowdown in economic growth, continued high inflation, accompanied by an increase in interest rates and tightening financing conditions, the proportion of non-performing loans extended by the Issuer may increase, in which case the associated impairments would reduce the Issuer's earnings, which in turn could adversely affect the Issuer's capital adequacy levels. In addition, a deterioration in the quality of the loan portfolio could result in

deposit withdrawals and a reduction in demand for the Issuer's products.

Expected credit losses are determined based on available information, estimates and assumptions, which may not be a robust indicator. Therefore, the provisions made by the Issuer might not be sufficient to cover potential future losses. In addition, a deterioration in the credit quality of the Issuer's loans or the financial condition of any of its borrowers could require the Issuer to set aside additional impairment provisions, which could have a material adverse effect on the Issuer's business and results of operations.

In this regard, insufficient effective and efficient management and maintenance of asset quality or insufficient asset growth could adversely affect the Issuer's business, results of operations and financial condition.

A significant percentage of the Issuer's loan portfolio is concentrated in a limited number of customers.

A significant portion of the Issuer's loan portfolio is concentrated in a limited number of borrowers. Therefore, a deterioration in credit quality or a default by one or more customers with large exposures could result in the Issuer being required to make substantial additional provisions for impairment and/or record significantly lower interest income, either of which could have a material adverse effect on the Issuer and its results of operations.

The Issuer has a high concentration towards certain economic sectors.

The structure of the loan portfolio by industry reflects the Issuer's strategy to diversify its lending activities by expanding its market position in the retail segment and investing in sustainable and green sectors of the economy such as: energy efficiency and renewable energy generation, manufacturing and light industry, wholesale and retail, agriculture and livestock.

Therefore, a prolonged downturn in any of the Issuer's major lending sectors could result in sustained financial difficulties for the Issuer's customers in those sectors and an increase in the risk of credit losses, which could have a material adverse effect on the Issuer's business, results of operations and financial condition.

For example, in view of the significant share of credit exposures to individuals and households, an increase in the unemployment rate, a significant rise in market interest rates, high inflation or other factors limiting consumer income (e.g. introduction of a progressive income tax rate/increase of the tax burden, changes in consumer behaviour leading to over-indebtedness) could materially adversely affect the ability of customers to repay their obligations on a regular basis, and accordingly could result in a deterioration in the quality of the Issuer's consumer and mortgage loan portfolio and the need to set aside additional impairment charges.

In addition, a prolonged crisis in the real estate market and a significant decline in the value of real estate properties could delay and hinder the implementation of construction projects financed by the Issuer, respectively lead to a deterioration in the quality of a large part of the exposures to this sector of the economy, which could adversely affect the financial performance and capital adequacy of the Issuer.

The Issuer's activities are exposed to the risk of adverse changes in interest rates.

Due to the fact that net interest income represents the majority of the Issuer's net operating income before impairment, the risk of adverse changes in interest rates is a significant risk to which the Issuer's operations are exposed. Increases in deposit interest rates and decreases in market interest rates on loans could have a direct adverse effect on the Issuer's results of operations. In the case of assets and liabilities with floating interest rates, the Issuer is exposed to the risk of changes in benchmark interest rates (e.g., Base Interest Rate (BIR), Secured Overnight Financing Rate (SOFR), Euro Interbank Offered Rate (EURIBOR)), which serve as the basis for determining interest rate terms and conditions.

Interest rates are sensitive to many factors beyond the Issuer's control, such as inflation, interest rates on the minimum reserve requirement account set by the Bulgarian National Bank ("**BNB**"), as well as monetary policy decisions of the European Central Bank ("**ECB**"), financial services liberalisation, increased competition, and domestic and international economic and political conditions. Changes in nominal interest rate levels may affect the difference between the interest rate the Issuer pays to borrow funds from its depositors and other lenders and the interest rate it charges on the loans it makes to its customers. If the interest margin decreases, net interest income will also decrease unless the Issuer is able to offset this decrease by increasing the total amount of funds it lends to its customers.

For competitive reasons, the Issuer may choose to raise rates of interest it pays on deposits without being able to make a corresponding increase in the interest rates it charges to its customers. A mismatch in the structure of interest-bearing assets and interest-bearing liabilities in any given period could, in the event of changes in interest rates, reduce the Issuer's net interest margin. Moreover, an increase in market interest rates may lead to a negative mark-to-market of securities held at fair value through profit or loss or through other

comprehensive income with a negative impact on the Issuer's capital position.

As a result of the above, interest rate fluctuations and, in particular, decreasing interest rate margins could negatively affect the Issuer's net interest income and capital position, resulting in a material adverse effect on the Issuer's ability to fulfil its obligations under the Notes.

The Issuer is exposed to the risk of changes in the value and liquidity of accepted collateral.

The risk arising from collateral is related to the type of collateral accepted, its degree of liquidity, the variability of its value and the control exercised over it. Loans granted by the Issuer are typically secured by all or part of the assets of the borrower and in some cases are also secured by the assets of third parties, such as directors or partners of the borrowing company.

The Issuer has substantially secured its loan portfolio with real estate properties. Although the Issuer does not rely on cash flow from the sale of collateral to service its loans in the ordinary course of business, in the event of a sharp decline in the market value of real estate in Bulgaria and/or a significant reduction in demand for real estate accompanied by a simultaneous deterioration in the financial condition of a considerable portion of the Issuer's borrowers, there is a significant risk that the Issuer may not be able to recover the full value of a large portion of the loans made upon foreclosure on the collateral securing such loans.

The Issuer is dependent on its deposit base to provide the liquidity necessary for its operations.

The risk associated with a lack of required liquidity would have an impact on the Issuer's operations in the inability of the Issuer to meet expected and unexpected cash outflows or to sell a particular asset at a reasonable price and within a short time to meet a liability obligation.

This risk may arise from a number of factors specific to the Issuer, including over-reliance on a particular source of funding, changes in credit rating or systemic factors such as financial market crises or disasters.

The Issuer is dependent on its deposit base as an external source of funding to maintain its liquidity. The Issuer has financed its banking operations primarily with deposits from customers (individuals, corporations and financial institutions), which represent approximately 95% of its total external sources of funding. The Issuer's ability to finance its banking activities by attracting deposits on reasonable economic terms depends on the economic conditions of the market in which the Issuer operates and the confidence that depositors have in the Issuer and/or the Bulgarian banking system as a whole.

Therefore, in the event of a deterioration in economic conditions or for any other reason that would reduce depositor confidence in the Bulgarian banking sector in general or in the Issuer in particular, there may be an outflow of funds deposited with the Issuer. In such event, the Issuer may not be able to maintain its current levels of cash collateralisation of its operations or the need may arise to dispose of some of its assets or to seek other sources of external funding. The Issuer might not be able to obtain additional funding when needed or at prices that will not affect its ability to compete effectively. In the event that the Issuer is required to sell assets in order to meet its funding requirements, the Issuer could incur material losses.

In addition, disruptions in the interbank lending market that significantly increase the cost of interbank funding or make it unavailable could cause liquidity difficulties for the Issuer resulting in higher than anticipated interest costs and, in extreme conditions, an inability of the Issuer to meet its current obligations.

All of the foregoing could have a material adverse effect on the Issuer's ability to comply with the applicable regulatory and commercial liquidity requirements and have a material adverse effect on the Issuer's ability to fulfil its obligations under the Notes.

The Issuer may need to raise additional resources through a capital increase in the future.

The Issuer's capital position and capital requirements (capital base) depend on numerous factors, including asset quality and earnings growth, regulatory capital adequacy requirements, supervisory capital add-ons and potential asset acquisitions. For example, deterioration in the quality of the Issuer's loan portfolio could exceed expectations and result in a requirement for additional capital. Effective capital management is essential to the Issuer's ability to conduct its business, grow organically and pursue its strategy.

Any change that limits the Issuer's ability to actively manage its balance sheet and capital resources, e.g., deterioration in the quality of the loan portfolio, a reduction in earnings as a result of additional impairment provisions, an increase in risk-weighted assets, delays in asset realizations (sales), may result in a reduction in capital buffers and the need for additional capital.

In such a case, the Issuer may be forced to seek additional capital under sub-optimal market conditions and pay significant costs to successfully raise the capital funding it needs, or may fail to secure additional capital

for its operations at all, which could have a material adverse effect on its financial condition, market position and reputation, as well as its ability to generate growth in the future. As of the date of this Prospectus, the Issuer cannot accurately predict the amount and timing of when it would need more equity capital.

The Issuer's operations may be adversely affected by sudden changes in prevailing market conditions.

The Issuer's business is exposed to the risk of adverse changes in prevailing market conditions materially affecting its financial condition. These market risks arise in respect of the Issuer's positions in interest rate, currency, equity and other financial instruments, the prices of which are dependent to one degree or another on changes in general or specific market conditions, such as changes in interest rates, credit spreads, foreign currency exchange rates or equity prices.

As part of its liquidity risk management strategy, the Issuer maintains a portfolio of securities which makes it vulnerable to the risk of changes in their prices. A downturn in any of the bond or equity markets could result in losses for the Issuer due to a decline in the value of the underlying assets.

There is a risk that in the event of material adverse changes in the market prices of the securities in the Issuer's portfolio, the Issuer may incur losses, which would negatively affect its financial position and its ability to generate growth in the future.

Competition in the banking services market is very intense and this may prevent the Issuer from increasing its market share.

The market in which the Issuer operates is highly competitive, with the Issuer facing significant competition in all aspects of its business, and should gain market position in competition with a number of subsidiary banks of major international financial groups as well as certain domestic competitors. The Issuer's main competitors have lower funding costs due to lower reliance on local depositors and the support of their parent companies, mainly Eurozone banks. Therefore, if the Issuer is unable to respond to the competitive environment with attractive product and service offerings, it may lose market share in important business segments or incur losses in connection with some or all of its operations.

In addition, the trend towards consolidation in the Bulgarian banking sector has created larger and stronger competitor banks, and the last few years have seen a number of significant bank acquisitions in Bulgaria, resulting in the country's five largest banks gaining significant market shares that allow them to offer increasingly competitive products in the local market.

In addition, the Issuer faces competition from non-bank financial companies, such as non-bank financial institutions or leasing companies. Moreover, in the payment services space, the Issuer must also compete with a growing number of FinTech companies that are not required to comply with as many stringent regulations as banks and therefore can offer more flexible and less expensive products for payment transactions, which puts pressure on the Issuer, as well as other banks in Bulgaria, to adjust their pricing terms in order to remain competitive.

This increased competition may adversely affect the Issuer's competitive position. The Issuer's continued success in growing its deposit base will depend on the Issuer's ability to structure deposit products by offering competitive terms and interest rates and to sell these deposit products by developing digital banking channels. The Issuer's future success in lending to small and medium-sized enterprises depends on its ability to remain competitive with other financial institutions and banks in this segment through its greater flexibility and efficiency. If the Issuer is unable to provide competitive product and service offerings, it may not be able to attract new and/or retain existing customers, it may lose market share, and accordingly, net interest margin and fee and commission income may decline.

Any of these events could have a material adverse effect on the Issuer's business, financial condition and results of operations and thereby on its ability to meet its obligations under the Notes.

Loss of key personnel could have a material adverse effect on the Issuer's business.

The Issuer's operations and successful development depend on its ability to retain its existing management team and experienced employees and to recruit new personnel with the necessary qualifications and banking experience. A declining workforce nationwide and an aging population limit the number of individuals with the necessary skill set. Because the Issuer's growth strategy is dependent on having an experienced management team, the inability to retain and/or hire new key personnel and qualified employees could have a material adverse effect on the Issuer's business, operating results and financial condition.

In addition, due to the increased competition to attract and retain qualified personnel in Bulgaria, and although

the Issuer has implemented and maintains programs for staff training and management skills development, it is possible that, in order to attract and retain employees, the Issuer may incur higher labour costs in the future, which could adversely affect its financial results.

The Issuer is exposed to the risk of adverse changes in foreign exchange rates.

The Issuer operates on the territory of Bulgaria, which means that it is exposed to foreign exchange risk through its assets and liabilities denominated in foreign currencies as well as through long/short positions in foreign currency transactions.

The Issuer carries out operations in Euro, US dollars and Bulgarian levs, and in limited cases also in Swiss francs and British pounds. In the event of ineffective management of the foreign currency position or if for other reasons a large foreign currency exposure arises in the future, then the Issuer may suffer losses due to significant fluctuations in market exchange rates.

The credit ratings assigned to the Issuer are not necessarily indicative of the Issuer's sound financial condition and creditworthiness and may be materially changed in the future.

The credit ratings assigned to the Issuer by the Bulgarian Credit Rating Agency ("**BCRA**") reflect only the credit rating agency's assessment of the creditworthiness of the Issuer as of the date of such assignment and are not conclusive evidence of the soundness of the financial condition or the ability of the Issuer to meet its obligations under the Notes. Therefore, potential investors in the Notes should not automatically rely on these credit ratings, but should make their own assessment of the Issuer's creditworthiness, credit risk and other risks associated with the Notes, the Issuer's future prospects, and the related risks to its business that may lead to a deterioration in the Issuer's financial condition, which in turn may affect the Issuer's ability to meet its obligations under the Notes.

In addition, the credit ratings assigned to the Issuer are subject to subsequent changes, including significant downgrades, if the Issuer's future performance, ability to generate profits and its financial condition materially deteriorate.

The Issuer's subsidiaries are exposed to similar risks as the Issuer, which may adversely affect their ability to generate profits and affect their financial condition.

As of the date of this Prospectus, the Issuer has two subsidiaries in which it owns 100% of the capital, namely BACB Finance EAD, which is a registered financial institution under Article 3 of the Bulgarian Credit Institutions Act, and BACB Trade EAD, which carries out financial advisory and commercial intermediary activities.

Although the size of the operations of the two subsidiaries would not have a material impact on the Issuer's consolidated financial position, the materialisation of certain risks relating to their operations could adversely affect their financial position and thereby affect the Issuer.

The nature of the activities of the Issuer's subsidiaries implies their dependence on the Issuer as a source of funding and methodological support. A deterioration in the Issuer's financial condition would therefore also adversely affect the future development prospects of its subsidiaries.

In this regard, the activities of the subsidiaries are generally exposed to similar risks as those set out in this Prospectus regarding the Issuer's activities. This is particularly true for the activities of BACB Finance EAD, which, as a registered financial institution under Article 3 of the Bulgarian Credit Institutions Act with a focus on the provision of financial services (financial leasing), is exposed to risks that are similar to those set out for the Issuer. Carrying out financial activities objectively involves assuming financial and operational risks, some of the main risks for BACB Finance EAD being:

- the risk of default by its counterparties, especially as a result of financial crises or economic recession;
- concentration in the loan portfolio to a limited number of customers;
- risk of adverse changes in interest rates.

In addition, with regard to the activities of BACB Trade EAD, insofar as it carries out trading and intermediary activities, there are inherent risks associated with sudden changes in the prevailing market conditions and market prices of the traded goods. For example, high volatility in the prices of traded commodities may adversely affect BACB Trade EAD's selling prices, profit margins and financial performance.

In addition, BACB Trade EAD's business is also exposed to the risk of default of its counterparties to the extent that it provides its customers with the possibility of deferred payments. The financial position of BACB Trade EAD is therefore highly dependent on its ability to collect its receivables on time. If, due to a slowdown in

economic activity or a deterioration in the business climate, there is a deterioration in the collectability of BACB Trade EAD's receivables, this could adversely affect its results, its ability to generate profits and could worsen its financial condition.

1.2 Legal and regulatory risks

The Issuer operates in a highly regulated environment, with complex regulations and frequent changes in applicable laws that may adversely affect the Issuer's business.

The Issuer is subject to a host of complex regulations designed to maintain the safety and soundness of banks by ensuring compliance with economic and other obligations and limiting their risk exposures.

There are numerous ongoing initiatives to develop new, implement and amend existing regulatory requirements applicable to banks in Bulgaria. Many of these initiatives, which are aimed at continuously improving the regulatory framework for the Bulgarian banking sector, are under development and discussion and there is no certainty about their potential impact. Any change in laws and regulations or in the manner in which they are interpreted or implemented may expose the Issuer to additional costs and liabilities, may require a change in business strategy or may adversely affect its business, products and services offered and the value of its assets. If the Issuer is unable to sufficiently or timely increase its capital ratios and/or comply with (other) regulatory requirements, the competent authorities may impose restrictions, fines, penalties or other regulatory measures. Such events could have a material adverse effect on the Issuer's business, financial condition and results of operations.

Beyond the specific banking legislation, the Issuer's operations are also subject to the general corporate legislation in Bulgaria (tax and accounting regulations, anti-money laundering legislation, personal data protection legislation, etc.) and the special legislation on public companies, changes in which may have a significant effect on the Issuer's operating results and financial position.

The Issuer's business may be harmed by negative public information, regulatory action or litigation.

Negative publicity and reputational damage to the Issuer may arise in the event of breaches or alleged breaches of legal and regulatory compliance, irregularities in financial reporting, including if, as a result, there is increased regulatory scrutiny of customer identification and due diligence procedures, anti-money laundering and anti-terrorism financing measures, prohibited transactions with sanctioned and sanction-listed countries and anti-corruption measures. In addition, the foregoing factors, as well as regulatory investigations in the financial services industry and litigation arising from the Issuer's failure or alleged failure to comply with legal, regulatory and compliance requirements, may also result in negative publicity and reputational harm and increased regulatory scrutiny, affect the Issuer's ability to attract and retain customers, limit its access to financing, result in claims, enforcement actions, fines, civil law suits etc. This could result in a decline in public confidence, adverse perception of the Issuer's image by customers, counterparties, shareholders, investors and regulators, and negatively impact the Issuer's ability to establish new partnerships, market its services, attract new customers and retain existing customers which in turn could have a material adverse effect on the Issuer's financial condition and/or results of operations.

Violations or failures in the implementation of the requirements for anti-money laundering and anti-terrorist financing measures may have a material adverse effect on the Issuer's business and reputation.

The Issuer is obliged to implement measures to prevent money laundering and the financing of terrorism. Anti-money laundering and counter-terrorism financing measures should include, *inter alia*, the application of special rules for the identification of new customers, taking measures to establish the origin of the funds with which transactions and dealings are carried out, carrying out customer due diligence, monitoring and surveillance of transactions and taking other measures against money laundering and counter-terrorism financing.

In this regard, if a material breach of the provisions of the applicable anti-money laundering and counter-terrorism financing legislation were to occur, or a material failure in the implementation of anti-money laundering measures were to occur, the Issuer would suffer significant reputational damage and would be exposed to significant regulatory sanctions.

These damages and penalties range from the possibility that the Issuer could be blacklisted for similar offences, which could raise its risk profile and significantly and permanently limit its ability to work with strategic partners and attract clients, to the imposition of significant financial penalties that could reach up to 10% of the Issuer's annual turnover and/or measures such as restriction of activities, monitoring or even, in the case of particularly serious offences, revocation of the licence and compulsory liquidation.

The Issuer is exposed to the risk of losses resulting from legal proceedings of significant value.

The Issuer's business is exposed to the risk of claims, legal actions and proceedings arising in the ordinary course of its business. These actions and proceedings are typically based on alleged violations of civil laws, banking regulations, regulations relating to the provisions of payment or investment services or data protection requirements. Although as of the date of this Prospectus there is no individual claim that is independently material to the Issuer's business and the Issuer is not involved in any litigation or arbitration proceedings, including proceedings that, to the Issuer's knowledge, are pending or could be instituted, that could have a material impact on the Issuer's financial condition, the Issuer operates in a legal and regulatory environment that exposes its business to potentially significant litigation and regulatory investigation and other risks.

Legal and regulatory actions are subject to many uncertainties, including as to the expected outcome. In addition, involvement in any ongoing or potential proceedings, either as a plaintiff or as a defendant, may require significant expenditures, even if actions against the Issuer are ultimately unsuccessful. Any such legal proceedings and other actions against the Issuer or by the Issuer, as plaintiff, could have an adverse effect on the Issuer, including negative publicity about its business, loss of revenue, litigation, penalties, increased regulatory scrutiny, and supervisory intervention and loss of existing or potential customer business, which in turn could have an adverse effect on the Issuer's operations, financial condition and prospects.

1.3 Operational risks

The Issuer is exposed to various operational risks.

The Issuer's operations are exposed to various operational risks, including risks of loss arising from inadequate or failed internal processes, people and systems, as well as external events. In addition, the Issuer's operations may also be affected by fraud by employees or outsiders, including unauthorized transactions and operational errors, clerical and accounting errors and errors resulting from problems in computer or telecommunications systems. Given the Issuer's high volume of transactions, fraud or errors may be repeated or multiplied before they are detected and corrected. Consequently, any inadequacy of the Issuer's internal processes or systems to detect or mitigate such risks could result in unauthorised transactions and errors that could have a material adverse effect on the Issuer's business, financial condition, results of operations and prospects. In addition, it is possible that unauthorized access to the Issuer's systems could result in a failure or significant interruptions in the core software used by the Issuer, resulting in disruptions in the operations of the Issuer's head office or other offices, which could affect the Issuer's ability to serve its customers and cause losses or affect the Issuer's ability to continue to generate growth in its business.

The Issuer's operations are dependent on sophisticated information and communication systems.

The Issuer's operations are dependent on complex information systems and the potential failure, inefficiency or interruption of these systems could have a material adverse effect on the Issuer. Software systems are generally vulnerable to a number of problems, such as computer viruses, hacking, physical damage to important IT centres, software or hardware malfunctions. Any failure, interruption or breach of security of these systems could lead to problems or disruptions in customer service, risk management, accounting systems, payment operations and deposit and loan servicing systems. If the Issuer's information systems cease to function properly, even for a short period of time, the Issuer may be unable to serve its customers for a period of time, which could result in the loss of customers. In addition, temporary disruption of information systems may result in extraordinary costs to restore and verify information. In addition, any inability of the Issuer to update and develop its existing information systems as effectively as its competitors may result in a reduction in its competitiveness.

Banking activity, including the Issuer's operations, is one of the primary targets of cyber-attacks to steal money, destroy or manipulate data and/or disrupt operations. The Issuer's computer systems, software and networks may be subject to unauthorized access, loss or destruction of confidential customer information and other similar events. If one or more of these events were to occur, it could result in the disclosure of confidential information, damage to the Issuer's reputation with its customers and the market, additional costs to the Issuer (such as rebuilding systems or adding new personnel or technology to protect them), regulatory penalties and financial losses to the Issuer, which could have a material adverse effect on the Issuer's financial condition and its ability to repay its obligations under the Notes in full and when due.

The Issuer is exposed to the risk of force majeure.

The Issuer's operations and the normal functioning of its information systems may be affected by events of an extraordinary and unpredictable nature, such as natural disasters - including fires, floods or earthquakes, and humanitarian disasters, pandemic disease outbreaks, such as SARS-CoV-2 ("**COVID-19**"), and infections. In

addition, the Issuer is exposed to the risk of other events of an extraordinary nature, including wars, riots, protests or mass strikes.

The recovery, security and service continuity protection measures that the Issuer has taken or may take in the future may be insufficient to prevent the losses caused. Therefore, although the Issuer has developed the necessary business continuity plans, such force majeure events could affect its ability to properly conduct its operations and could result in significant damage that could affect the Issuer's financial condition.

1.4 Systematic risks

The Issuer is exposed to risks of a sharp deterioration in the economic environment due to the war in Ukraine and increased global geopolitical tensions resulting from the outbreak of the conflict in the Middle East.

The consequences of the ongoing war between Russia and Ukraine and the sanctions imposed by the European Union, the United Kingdom and the United States of America have led to high volatility in the energy markets, disruption in the supply chains of basic raw materials for industry and high uncertainty for the development of the global economy. Although energy markets saw a normalisation of prices and a retreat in volatility in 2023 the conflict in the Middle East caused a serious albeit short spike in prices at the end of last year. Although high inventories in the EU and unseasonably warm weather limit risks to supply in the short term, the Bulgarian energy market's dependence on Russian gas supplies and existing opportunities to secure alternative sources could push prices up, hinder the disinflation process, thus thwarting economic growth.

Notwithstanding that the Issuer has no material direct exposures to counterparties from Russia, Belarus or Ukraine, to the extent that as of 31 December 2023 less than 2.0% of the funds raised are from nationals of these countries and less than 0.1% of the credit exposures are granted to individuals - nationals of these countries with permanent residence in Bulgaria, the Issuer's business is exposed to the negative effects of the war in Ukraine and the related negative prospects for the world economy and the Bulgarian economy in particular.

The Issuer is indirectly exposed to the risks stemming from the war in Ukraine due to their impact on energy prices, potential bottlenecks in supply chains and a slowdown in external demand - factors that could negatively affect economic activity and the financial situation of businesses and households. The negative impact could be exacerbated in case of further escalation of the conflict in the Middle East. Such adverse economic effects could result in a reduction in demand for the Issuer's customers' products or services, a decline in revenues and a deterioration in the Issuer's customers' ability to pay and/or limit the demand for the Issuer's products and services used by customers, resulting in a deterioration in asset quality, an increase in impairment charges or a reduction in the Issuer's operating income.

As of the date of this Prospectus, the lasting effect that the war in Ukraine is causing and will cause in the future remains unclear insofar as any potential escalation and related economic impacts could have an adverse impact on the Bulgarian economy and business environment, which in turn could have a direct negative impact on the Issuer's financial condition and results.

Continued inflationary pressures, combined with aggressive monetary policy by central banks and expectations of a significant slowdown in global economic activity, could have an adverse effect on the Issuer's activities.

The Issuer's business and operations may be affected by the continued rise in inflation caused by the slower recovery in supply/production relative to the sharp pick-up in economic activity following the lifting of the COVID-19 pandemic restrictions and exacerbated subsequently by the outbreak of war in Ukraine and the subsequent shock to energy and non-energy commodity markets. The war in Ukraine and the retaliatory sanctions by the European Union, the United Kingdom and the United States against Russia and Belarus have led to substantial increases in energy costs and international commodity prices, pushing inflation rates in most developed economies around the world to the highest level since the early 1980s.

The sharp acceleration of inflation in Europe and the United States has led to the need for aggressive action by central banks after a long period of monetary easing and liquidity facilities. In 2022, the ECB discontinued its asset purchase programme and began a phased increase in key interest rates, which, after a series of increases, resulted in the ECB base rate reaching a level of 4.5% at the date of this Prospectus. The ECB continues to underline its determination to combat persistent inflationary pressures and intention to keep the key interest rates at levels that, maintained for a sufficiently long duration, will make a substantial contribution to the 2% medium-term target even in light of the economic slowdown in 2023.

This tightening of monetary policy, together with the prospects of a slowdown in the global economy, led to

expectations of an increase in credit risk in the Eurozone and a rise in market interest rates on loans.

The precise impact of inflationary pressures on the Issuer's activities depends on the duration and rate of inflation in the future and is therefore difficult to predict. If high inflation prevails in the coming months, this could lead to further increases in key interest rates or longer duration of current restrictive levels and adversely affect households, businesses, banks and the public sector. Reduced household purchasing power and increased corporate costs could reduce the size and/or quality of the pool of potential borrowers and/or increase delinquencies on existing loans, which in turn could have a material adverse effect on the Issuer's business operations and financial results. In addition, inflation could put pressure on the Issuer's costs, which could also reduce the Issuer's ability to generate profits.

A deterioration in the macroeconomic environment due to other reasons beyond the control of the Issuer may adversely affect the Issuer's operations.

The risk associated with the degree of stability and growth prospects of the Bulgarian economy has a significant influence in shaping the attitudes and behaviour of the Issuer's customers. The interaction between economic growth, balance of payments, external indebtedness, inflation, and Bulgaria's fiscal position has a direct impact on the formation and change in market conditions and the attitudes of firms, individual customers, and the overall business climate.

Macroeconomic shocks based on internal and external factors such as uncontrolled inflation, rapidly rising market interest rates as a result of active ECB policy, and other adverse elements such as increased indebtedness, can affect economic growth, personal income, supply and demand, profits of economic agents, etc. These trends in the macroeconomic environment affect the market performance and the bottom line of all sectors in the economy, which are directly linked to the level of credit risk exposures in the Issuer's loan portfolios.

Another negative factor for the Issuer is the degree of uncertainty in financial indicators and valuations, which are directly attributable to macro risks. The Issuer's strategy, plans and estimates for future development are based on certain assumptions about its business and the state and trends of the macroeconomic environment and the domestic market. Although the Issuer may believe that the assumptions are reasonable, many of them are beyond the Issuer's control and could adversely affect the Issuer's operating performance and financial results.

Political instability may affect the Issuer's operations.

Political instability can affect macroeconomic growth and the business environment in Bulgaria. In this regard, if uncertainty is created in the Bulgarian economy - regarding fiscal and/or monetary policy, the rule of law and law enforcement, the level of corruption and bureaucratic burdens, etc. - this could lead to a decline in investment, capital flight from the country and more conservative behaviour on the part of clients. This, in turn, could lead to a slowdown in economic growth or even a recession and a reduction in employment and disposable income, which would reduce demand for credit from the Issuer's customers and impair the creditworthiness of the Issuer's customers. Consequently, the Issuer may report weaker financial results than expected.

As the Issuer operates in Bulgaria, its activities are exposed to the potential political turbulence in the country. In this regard, it should be noted that after three unsuccessful attempts by political parties to form a cabinet, early parliamentary elections were held on 2 April 2023. As a result, the two main political groups reached an agreement to form a rotational cabinet for 18 months focusing on priorities such as speeding up the implementation of the Bulgarian National Recovery and Resilience Plan (NRRP), as well as preparing the country for near-term Schengen Area and Eurozone accession. There is still a risk of further political instability and a parliamentary crisis arising from the inability to pursue a coherent legislative policy and pass laws of importance to Bulgaria, and hence from a sharp deterioration in the business environment in which the Issuer operates. Consequently, the Issuer may generate lower revenues than expected or its financial position may be otherwise affected.

The Issuer bears the risk of deterioration of Bulgaria's credit rating.

The Issuer is exposed to the risk of deterioration of the creditworthiness of Bulgaria. A downgrade of Bulgaria's credit rating results in an increase in the credit risk premiums that investors require for investments in assets in the local market, which may result in an increase in the Issuer's cost of funding and therefore a higher cost of debt financing than expected.

A deterioration in Bulgaria's credit rating caused by unfavourable macroeconomic conditions could also lead to a slowdown or decline in its economic growth. This, in turn, could result in a significant reduction in the

Issuer's operating results, earnings and prospects.

RISK FACTORS REGARDING THE NOTES

Prospective Holders of the Notes, which are the subject of this Prospectus, should consider the following risk factors, which are specific to the Notes and which are material for taking an informed investment decision and should make such decision only on the basis of this Prospectus as a whole.

No person should acquire the Notes without a thorough understanding of the mechanism of the Notes and without being aware of the potential risk of loss. Any prospective Holder should carefully examine whether an investment in the Notes is appropriate given his or her personal circumstances and financial situation.

Prospective investors should also read the detailed information set out elsewhere in this Prospectus and should consult with their own professional advisers (including their financial, accounting, legal and tax advisers) and reach their own views prior to making any investment decision.

Words and expressions defined in the section entitled "Terms and Conditions of the Notes" shall have the same meanings in this section "Risk factors regarding the Notes".

The risk factors herein are organised into the following categories below depending on their nature (with the most material risk factor mentioned first in each of the following categories):

1.1 Risk factor relating to the structure of the interest rate of the Notes

Holders of the Notes are exposed to the risk that the market price of such Notes falls as a result of changes in the market interest rate.

A Holder of the Notes is exposed to the risk that the market price of such Notes falls as a result of changes in the market interest rate. While the nominal interest rate of the Notes as specified in the terms and conditions applicable to the Notes (the "**Terms and Conditions of the Notes**") is fixed during the life of such Notes, the current interest rate on the capital market for issues of the same maturity (the "**market interest rate**") typically changes on a daily basis. As the market interest rate changes, the market price of the Notes also changes, but in the opposite direction. If the market interest rate increases, the market price of the Notes typically falls, until the yield of such Notes is approximately equal to the market interest rate. If the market interest rate falls, the market price of the Notes typically increases, until the yield of such Notes is approximately equal to the market interest rate.

1.2 Risk factors relating to the investment in the Notes

The Notes are not expected to be investment grade and are therefore exposed to the risks associated with non-investment grade securities.

The Notes do not have a credit rating and are not considered investment grade securities. As such, the Notes may be subject to a higher risk of price volatility than securities to which a rating and/or a higher rating is assigned. In addition, increases in leverage or deterioration in the prospects for the Issuer or volatile markets could cause the market prices of securities, such as the Notes, to deteriorate significantly and, therefore, Holders may be adversely affected.

Holders are exposed to the risk that the Issuer may issue additional debt instruments or incur additional financial obligations.

There may be no limitations (contractual or otherwise) on the amount of debt or other obligations that the Issuer may (or may be obliged to) issue, borrow and/or incur which are of a rank equal to or greater than that of the Notes.

Any issuance of such instruments and/or any assumption of such obligations may reduce the amount recoverable by Holders in the Issuer's insolvency.

Potential investors in the Notes are also exposed to risks arising from the smaller size and lower liquidity of the Bulgarian securities market.

Potential investors in the Notes are exposed to risks arising from the smaller size and lower liquidity of the Bulgarian securities market (other than the more developed capital markets in Western Europe). The smaller size of the Bulgarian securities market results in a smaller number of participants managing smaller volumes of assets and/or trading with less intensity, resulting in lower trading volumes and lower liquidity on the Bulgarian capital market. This increases the risk that potential investors in the Notes may not be able to exit a position in the Notes in their desired size and timeframe without adversely affecting the market price of the Notes.

1.3 Risk factors relating to certain provisions of the Terms and Conditions of the Notes

In the event that any Notes are redeemed prior to their maturity, a Holder of such Notes may be exposed to the risk that his investment will have a lower than expected yield.

The Terms and Conditions of the Notes foresee that the Issuer has the right to redeem the Notes prior to maturity (an optional call right) and the Notes may be subject to early redemption upon the occurrence of an event specified in the Terms and Conditions of the Notes (an early redemption event). If the Issuer redeems the Notes prior to maturity or the Notes are subject to early redemption due to an early redemption event, a Holder is exposed to the risk that, due to early redemption, its investment will have a lower than expected yield. The Issuer might exercise its optional call right if the yield on comparable notes in the capital markets falls, which means that the Holder may only be able to reinvest the redemption proceeds in the Notes with a lower yield or with a similar yield of a higher risk.

The Terms and Conditions of the Notes provide for a right of early redemption by the Issuer only and thus, Holders usually receive a higher yield on their Notes than they would if they were also granted a right to early redeem the Notes reflecting the higher risk of early redemption the Holders of such Notes are exposed to. Excluding the Holders' right to redeem Notes prior to their maturity is often a precondition for the Issuer being able to hedge its exposure under the Notes. Thus, without early redemption by Holders being excluded, the Issuer would not be able to issue Notes at all, or the Issuer would factor the potential hedging break costs into the redemption amount of the Notes, thus reducing the yield Holders receive from the Notes.

In case of an early redemption of the Notes, there is a risk that Holders may not be able to reinvest proceeds from the Notes in such a way that they earn the same rate of return.

Holders may be subject to the risk that any return earned from an investment in the Notes may not in the event of an early redemption of the Notes be able to be reinvested in such a way that they earn the same rate of return as the redeemed Notes.

The Notes are subject to modification that could have a material adverse effect on their market price.

The Terms and Conditions of the Notes contain provisions for calling General Meetings of Holders to consider matters affecting their interests generally. These provisions permit certain majorities to bind all Holders, including those who were not present and did not vote at the relevant Holders' meeting and Holders who voted in a manner contrary to the majority.

Consequently, a Holder may be exposed to the risk of an adverse decision being made by a majority of Holders. As such majority decision is binding on all Holders, certain rights of such Holder under the Terms and Conditions of the Notes may be modified or reduced or even waived. It is also possible that any modified Notes may contain terms that are inconsistent with the investment criteria of certain investors. All of the foregoing may have a material adverse effect on the market price of the Notes, the returns or the investment objectives of a particular investor.

1.4 Risk factors relating to the status of the Notes

Holders of the Notes are exposed to the risk of statutory loss absorption.

The Resolution Authority is provided with uniform and effective resolution tools and resolution powers to achieve the resolution objectives.

The conditions for resolution are:

(a) the determination that the institution is failing or likely to fail has been made by the Competent Supervisory Authority or the Resolution Authority; (b) having regard to timing and other relevant circumstances, there is no reasonable prospect that any alternative private sector measures, including measures by an institutional protection scheme, or supervisory action, including early intervention measures or the write-down or conversion of relevant capital instruments taken in respect of the institution, would prevent the failure of the institution within a reasonable timeframe; and (c) a resolution action is necessary in the public interest.

One of the resolution tools is the bail-in tool. When applying the bail-in tool, the Resolution Authority shall exercise the write-down and conversion powers in accordance with the following sequence as set forth in Article 48 BRRD as implemented in Article 75 of the Recovery and Restructuring Act: (i) CET 1 instruments; (ii) AT 1 instruments; (iii) Tier 2 instruments (such as the Notes); (iv) subordinated debt that is not AT 1 or Tier 2 capital in accordance with the hierarchy of claims in normal insolvency proceedings as set forth in item 12, para. 1 of Article 94 of the Bank Insolvency Act promulgated in State Gazette No. 92/27.09.2002, as amended, ("**BIA**"), to the extent required; and (v) the rest of bail-inable liabilities (including eligible liabilities as

set forth in item 11, para. 1 of Article 94 of the BIA) in accordance with the hierarchy of claims in normal insolvency proceedings, including the ranking provided for in Article 108 BRRD as implemented in Article 94 of the BIA, to the extent required (sequence of write-down and conversion or so-called "loss absorbing cascade"). The Notes may also be subject to other resolution powers, in particular in circumstances where the competent authorities have determined that the Issuer on an individual and/or consolidated basis, as the case may be, has reached the point of non-viability and the Resolution Authority has taken the decision to apply these powers to the Issuer.

If the bail-in tool is applied to the Notes, their principal amount may be fully or partially written down or converted into instruments of ownership.

In case of an insolvency of the Issuer, deposits and certain other claims have a higher ranking than claims of the Holders under the Notes.

According to Article 108 BRRD and Article 94 of the BIA, in normal insolvency proceedings opened over the Issuer's assets, the following insolvency hierarchy applies to creditors:

1. claims secured by a pledge or mortgage, as set forth in item 1, para. 1 of Article 94 of the BIA;
2. claims for which a right of retention is exercised as set forth in item 2, para. 1 of Article 94 of the BIA;
3. expenses related to the bankruptcy, as well as some other expenses to the specified state authorities, as set forth in item 3, para. 1 of Article 94 of the BIA;
4. claims of the deposit guarantee scheme subrogating to the rights and obligations of covered depositors in insolvency, as set forth in item 4, para. 1 of Article 94 of the BIA;
- 4a. and 4b. certain claims of deposits as set forth in item 4a and 4b, para. 1 of Article 94 of the BIA;
- 4c. claims of supplementary pension insurance funds that do not meet the conditions referred to in items 11 – 15, as set forth in item 4c, para. 1 of Article 94 of the BIA;
5. claims of banks that do not meet the conditions referred to in items 11 – 15, para. 1 of Article 94 of the BIA, as set forth in item 5, para. 1 of Article 94 of the BIA;
6. certain current instalments due to the State Social Security, as set forth in item 6, para. 1 of Article 94 of the BIA;
7. certain current public legal claims of the state and the municipalities, as set forth in item 7, para. 1 of Article 94 of the BIA;
8. all the other claims that do not meet the conditions referred to in items 11 – 15, as set forth in item 8, para. 1 of Article 94 of the BIA;
9. claims related to legal or contracted interest on unsecured claim, due after the date of the judgement on initiation of bankruptcy proceedings against the bank, as set forth in item 9, para. 1 of Article 94 of the BIA;
10. gratuitous transaction claims, as set forth in item 10, para. 1 of Article 94 of the BIA;
11. unsecured claims resulting from debt instruments within the meaning of Article 108(2) BRRD as implemented in item 11, para. 1 of Article 94 of the BIA, (so-called "non-preferred senior debt instruments"), i.e. debt instruments that meet the following conditions: (i) the original contractual maturity of the debt instruments is of at least one year; (ii) the debt instruments contain no embedded derivatives and are not derivatives themselves; (iii) the relevant contractual documentation and, where applicable, the prospectus related to the issuance explicitly refer to the lower ranking under Article 108(2) BRRD as implemented in item 11, para. 1 of Article 94 of the BIA.

All of the above are together "**Preferred Claims**".

In case of an insolvency of the Issuer, certain other claims have a lower ranking than claims of the Holders under the Notes as follows:

1. claims arising from the Additional Tier 1 capital instruments in accordance with the rights therein, as set forth in item 14, para. 1 of Article 94 of the BIA; and
2. claims arising from Common Equity Tier 1 instruments in accordance with the rights therein, as set forth in item 15, para. 1 of Article 94 of the BIA.

Therefore, in case of normal insolvency proceedings opened over the assets of the Issuer, claims of the

Holders of the Notes would be junior to (i) the Preferred Claims as well as (ii) pursuant to item 12, para. 1 of Article 94 of the BIA claims under any other subordinated obligations of the Issuer which are not part of AT 1 or Tier 2 capital in accordance with their terms or pursuant to mandatory provisions of law, rank or are expressed to rank senior to the obligations of the Issuer under the Notes. The Holders of the Notes will only receive payment of their claims if and to the extent that such claims (which are senior to them) have been discharged in full.

The above stated insolvency hierarchy is also relevant for the sequence of write-down and conversion where the Issuer is placed under resolution.

Obligations under the Notes will only be fulfilled after all non-subordinated claims of creditors have been satisfied.

In the event of the liquidation or insolvency of the Issuer, the Issuer's obligations under the Notes will be fully subordinated to (i) all unsecured and unsubordinated obligations of the Issuer; (ii) all eligible liabilities instruments of the Issuer pursuant to Article 72b CRR; and (iii) any other subordinated obligations of the Issuer which, in accordance with their terms or pursuant to mandatory provisions of law, rank or are expressed to rank senior to the obligations of the Issuer under the Notes, so that in any such event no amounts will be payable in respect of the Notes until the above mentioned obligations have been satisfied in full. If this occurs, the Issuer may not have enough assets remaining after such payments to pay amounts due under the Notes and the Holders of the Notes could lose all or some of their investment.

The Holders of the Notes are exposed to the risk that the Issuer may issue subordinated debt instruments or incur subordinated liabilities which are senior to the Notes.

Holders of the Notes are exposed to the risk of subordination not only in respect of unsubordinated obligations of the Issuer (including, without limitation, all eligible liabilities instruments of the Issuer pursuant to Article 72b CRR), but also in respect of subordinated debt instruments or other subordinated liabilities which the Issuer may (have to) issue or incur and which rank or are expressed to rank senior to the obligations of the Issuer under the Notes. This could in particular apply in connection with eligible liabilities instruments which the Issuer would have to issue for MREL purposes.

In the event of the liquidation or insolvency of the Issuer, no amounts will be payable in respect of the Notes until the claims of any and all such subordinated creditors of the Issuer ranking senior to the Notes will have been satisfied in full. Similarly, where the Resolution Authority applied the bail-in tool, the Notes would be subject to write down or conversion prior to such other subordinated creditors of the Issuer ranking senior to the Notes, in accordance with the statutory sequence of write-down and conversion (see the risk factors "*Holders of the Notes are exposed to the risk of statutory loss absorption.*" and "*In case of an insolvency of the Issuer, deposits and certain other claims have a higher ranking than claims of the Holders under the Notes.*").

The Notes may not be early redeemed at the option of the Holders.

The Holders of the Notes will have no rights to call for the early redemption of the Notes (see also the risk factor "*The Notes are not secured and do not give the Holders (i) the right to terminate the Notes or otherwise accelerate the redemption of the Notes and (ii) a set-off right.*"). Therefore, the Holders of the Notes may be required to bear the financial risks of an investment in the Notes until their final maturity.

The Notes may be redeemed by the Issuer prior to maturity upon refusal of the Competent Supervisory Authority to grant approval for inclusion of the Notes in the Tier 2 Capital.

The Issuer may, at its sole discretion, redeem the Notes upon refusal of the Competent Supervisory Authority to grant approval for inclusion of the Notes in the Tier 2 Capital and accordingly does not recognise the Notes as a Tier 2 capital instrument within the meaning of Article 63 of the CRR at the Exercise Price plus interest accrued (if any). If the Issuer exercises such early redemption right in relation to Notes, Holders of the Notes are exposed to the risk that due to such early redemption their investments may have a different than expected yield and maturity.

The Notes may be redeemed by the Issuer prior to maturity. Any rights of the Issuer to early redeem or repurchase the Notes are subject to the prior permission of the Competent Supervisory Authority.

The Issuer may, at its sole discretion, early redeem all but not only some of the Notes for regulatory reasons at the Exercise Price plus interest accrued (if any). In addition, the Issuer may, at its sole discretion, redeem the Notes before their stated maturity (i), but not earlier than the fifth anniversary of the Issue Date of the Notes, on a Specified Early Redemption Date at the Exercise Price plus accrued interest (if any) or (ii) if at any time the aggregate principal amount of the Notes outstanding and held by persons other than the Issuer and its subsidiaries has fallen to 25% or less of the aggregate principal amount of the Notes originally issued, at

the Exercise Price together with accrued interest (if any) or (iii) for tax purposes at the Exercise Price together with accrued interest (if any).

Any early redemption and any repurchase of the Notes is subject to the prior permission of the Competent Supervisory Authority and compliance with regulatory capital rules applicable from time to time to the Issuer. Under the CRR, the Competent Supervisory Authority may only permit institutions to early redeem or repurchase Tier 2 instruments such as the Notes if certain conditions prescribed by the CRR are complied with. These conditions, as well as a number of other technical rules and standards relating to regulatory capital requirements applicable to the Issuer, should be taken into account by the Competent Supervisory Authority in its assessment of whether or not to permit any early redemption or repurchase. It is uncertain how the Competent Supervisory Authority will apply these criteria in practice and such rules and standards may change during the term of the Notes. It is therefore not possible to assess whether, and if so, on what terms, the Competent Supervisory Authority will grant its prior permission for any early redemption or repurchase of the Notes.

Furthermore, even if the Issuer would be granted the prior permission of the Competent Supervisory Authority, any decision by the Issuer as to whether it will early redeem the Notes will be made at the absolute discretion of the Issuer with regard to external factors such as the economic and market impact of exercising an early redemption right, regulatory capital requirements and prevailing market conditions. There is the risk that the Issuer will not exercise any early redemption right in relation to the Notes. Holders of the Notes therefore may be required to bear the financial risks of an investment in the Notes until their final maturity.

Notwithstanding if the Issuer exercises an early redemption right in relation to Notes with the prior permission of the Competent Supervisory Authority Holders of the Notes are exposed to the risk that due to such early redemption their investments may have a different than expected yield and maturity.

The Notes are not secured and do not give the Holders (i) the right to terminate the Notes or otherwise accelerate the redemption of the Notes and (ii) a set-off right.

The Holders have no right to terminate or otherwise accelerate the redemption of the Notes. The Terms and Conditions of the Notes do not provide for any events of default or right to demand for repayment (other than in case of the commencement of Winding-up proceedings (insolvency proceedings or liquidation) with respect to the Issuer).

Furthermore, claims of the Issuer are not permitted to be offset or netted against payment claims of the Holders under the Notes which are not, and may not become secured or subject to a guarantee or other agreements given by the Issuer or any of its group companies or any third party that enhances the seniority of the claims under the Notes.

1.5 Risk factors relating to tax and legal matters

The Notes are governed by Bulgarian law, and changes in applicable laws, regulations or regulatory policies may have an adverse effect on the Issuer, the Notes and the Holders.

The Terms and Conditions of the Notes will be governed by Bulgarian law. The impact of any possible judicial decision or change to the above-mentioned law, or administrative practice after the date of this Prospectus is unclear. Furthermore, the governing law may not be the law of the Holders' own home jurisdiction and the law applicable to the Notes may not provide the Holders with similar protection as their own law.

Changes in tax law may negatively affect the Holders.

Tax law and practice is subject to change, possibly with retrospective effect and this could adversely affect the market price of the Notes. Any such change may cause the tax treatment of the Notes to change from what the purchaser understood the position to be at the time of purchase.

1.6 Risk factors relating to the pricing of, costs associated with, market in and settlement of the Notes

Holders are exposed to the risk of partial or total inability of the Issuer to make interest and/or redemption payments under the Notes.

Holders are subject to the risk of a partial or total inability of the Issuer to make interest and/or redemption payments that the Issuer is obliged to make under the Notes. Any deterioration of the creditworthiness of the Issuer would increase the risk of loss. A materialisation of the credit risk may result in partial or total inability of the Issuer to make interest and/or redemption payments.

Holders assume the risk that the credit spread of the Issuer widens resulting in a decrease in the market price of the Notes.

A credit spread is the margin payable by the Issuer to the Holder of an instrument as a premium for the assumed credit risk. Credit spreads are offered and sold as premiums on current risk-free interest rates or as discounts on the price.

Factors influencing the credit spread include, among other things, the creditworthiness and credit rating of the Issuer, probability of default, recovery rate, remaining term to maturity of the Notes and obligations under any collateralisation or guarantee and declarations as to any preferred payment or subordination. The liquidity situation of the market, the general level of interest rates, overall economic developments, and the currency, in which the obligation is denominated may also have a negative effect.

Holders are exposed to the risk that the credit spread of the Issuer widens resulting in a decrease in the market price of the Notes.

The Holder may be exposed to the risk that due to future money depreciation (inflation), the real yield of an investment may be reduced.

Inflation risk describes the possibility that the market price of assets such as the Notes or income therefrom will decrease as higher (expected) inflation reduces the purchasing power of a currency. Higher (expected) inflation causes the rate of return to decrease in value. If the inflation rate exceeds the interest paid on the Notes (if any) the yield on the Notes will become negative.

Holders are exposed to the risk of an unfavourable development of market prices of their Notes which materialises if the Holder sells the Notes prior to the final maturity of such Notes.

The development of market prices of the Notes depends on various factors, such as changes of market interest rate levels, the policies of central banks, overall economic developments, inflation rates or the lack of or excess demand for the type of Instrument. The Holder is therefore exposed to the risk of an unfavourable development of market prices of its Notes which materialises if the Holder sells the Notes prior to the final maturity of such Notes. Notes may be issued at a price higher than the market price at issue and/or the redemption amount. This will increase the impact that unfavourable market price developments may have on the Notes. If the Holder decides to hold the Notes until final maturity, the Notes will be redeemed at the amount set out in the Terms and Conditions of the Notes.

A liquid secondary market for the Notes may not develop or, if it does develop, it may not continue. In an illiquid market, a Holder may not be able to sell his Notes at fair market prices.

Application may be made to admit the Notes to the Markets, which appear on the list of regulated markets issued by the European Commission.

Regardless of whether the Notes are listed or not, a liquid secondary market for the Notes may not develop or, if it does develop, it may not continue. The fact that the Notes may be listed does not necessarily lead to greater liquidity as compared to unlisted notes. If the Notes are not listed on any stock exchange, pricing information for such Notes may, however, be more difficult to obtain, which may adversely affect the liquidity of the Notes. In an illiquid market, a Holder might not be able to sell its Notes at any time at fair market prices or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. Generally, these types of Notes would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a material adverse effect on the market price of Notes. The possibility to sell the Notes might additionally be restricted by country-specific reasons.

There is a risk that listing of the Notes will not be accepted or trading in the Notes will be suspended, interrupted or terminated, any of which may have an adverse effect on the market price of such Notes.

If the Notes shall be listed on the Markets, the listing of the Notes may – depending on the rules applicable to the relevant stock exchange – not be accepted or be suspended or interrupted by the relevant stock exchange or a competent regulatory authority upon the occurrence of a number of events, including violation of price limits, breach of statutory provisions, occurrence of operational problems of the stock exchange or generally if it is deemed required in order to secure a functioning market or to safeguard the interests of Holders. Furthermore, trading in the Notes may be terminated, either upon decision of the relevant stock exchange, a regulatory authority or upon application by the Issuer. The Issuer has no influence on trading suspension or interruptions (other than where trading in the Notes is terminated upon the Issuer's decision) and Holders in

any event must bear the risks connected therewith. In particular, Holders may not be able to sell their Notes where trading is suspended, interrupted or terminated, and the stock exchange quotations of such Notes may not adequately reflect the market price of such Notes. Finally, even if trading in Notes is suspended, interrupted or terminated, such measures may not be sufficient, adequate or in time in order to prevent price disruptions or to safeguard the Holders' interests; for example, where trading in Notes is suspended after price-sensitive information relating to such Notes has been published, the market price of such Notes may already have been adversely affected. All these risks would, if they materialise, have a material adverse effect on the Holders.

Incidental costs related in particular to the purchase and sale of the Notes may have a significant impact on the profit potential of the Notes.

When Notes are purchased or sold, several types of incidental costs (including transaction fees and commissions) may be incurred in addition to the purchase or sale price of the Notes. These incidental costs may significantly reduce or eliminate any profit from holding the Notes. Credit institutions may charge commissions which are either fixed minimum commissions or pro-rata commissions, depending on the order value. To the extent that additional - domestic or foreign - parties are involved in the execution of an order, including but not limited to domestic dealers or brokers in foreign markets, Holders may also be charged for the brokerage fees, commissions and other fees and expenses of such parties (third party costs).

In addition to such costs directly related to the purchase of Notes (direct costs), investors must also take into account any follow-up costs (such as custody fees). Investors should inform themselves about any additional costs incurred in connection with the purchase, custody or sale of the Notes before investing in the Notes.

The purchase price applicable to the Notes on a given day will often include a bid-ask spread so that the purchase price will be higher than the price at which Holders are able to sell the Notes on that given day.

Holders have to rely on the functionality of the clearing system and there is the risk that due to the use of the clearing system any credits on the Holders' account will not be processed at all, will not be processed within the time expected by the Holder or will be delayed.

The Notes are purchased and sold through the clearing system. The Issuer does not assume any responsibility for whether the Notes are actually transferred to the securities portfolio of the Holder. Holders have to rely on the functionality of the clearing system. There is the risk that due to the use of the clearing system any credits on the Holders' account will not be processed at all, will not be processed within the time expected by the Holder or will be delayed. Thus, the Holder may suffer economic disadvantages.

1.7 Risk factor relating to currencies

Exchange rate risks may occur, if a Holder's financial activities are denominated in a currency or currency unit other than the specified currency in which the Issuer will make principal and interest payments. Furthermore, government and monetary authorities may impose exchange controls that could adversely affect an applicable exchange rate.

The Issuer will pay principal and interest on the Notes in the specified currency. This presents certain risks relating to currency conversions if a Holder's financial activities are denominated principally in a currency or currency unit ("**Holder's Currency**") other than the specified currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the specified currency or revaluation of the Holder's Currency) and the risk that authorities with jurisdiction over the Holder's Currency may impose or modify exchange controls. An appreciation in the value of the Holder's Currency relative to the specified currency would decrease (i) the Holder's Currency-equivalent yield on the Notes, (ii) the Holder's Currency-equivalent value of the principal payable on the Notes, and (iii) the Holder's Currency-equivalent market price of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, Holders may receive less interest or principal than expected, or no interest or principal.

GENERAL INFORMATION

Authorisation

The creation and issue of the Notes is covered by the approval of the Issuer's management board (the "**Management Board**") dated 11 April 2024 and the Issuer's supervisory board (the "**Supervisory Board**") dated 21 May 2024.

Expenses related to Admission to Trading

The total expenses related to the admission to trading of the Notes are expected to amount to approximately EUR 57,000.

Interest of Natural and Legal Persons involved in the Issue

The net proceeds from the issue of the Notes will be used by the Issuer to strengthen and diversify its own funds, to expand and further develop lending activities, for investments in debt instruments, as well as to improve the efficiency and banking performance, therefore, the Issuer has an interest in the issue of the Notes. Save for the interest described before, so far as the Issuer is aware, no person involved in the issue or offering of the Notes has an interest material to the issue or offering. In addition, the Issuer is not aware of any conflicts of interest.

Yield of the Notes

The yield for Holders is calculated in accordance with the ICMA method and based on the issue price of the Notes. The ICMA method determines the effective interest rate of bonds considering accrued interest on a daily basis.

TERMS AND CONDITIONS OF THE NOTES

I. General description

The information set out below contains the terms and conditions of the Notes ("**Terms and Conditions of the Notes**").

This section contains the covenants concerning the rights and obligations of the Issuer and the Holders under the issue and Terms and Conditions of the Notes for the exercise thereof.

Insofar as it contains a description of the legal framework applicable to the Notes, the information set out below has been prepared solely for the purpose of providing a general description of that framework. Prospective investors in the Notes should note that this information does not constitute, nor is it intended to constitute, any form of legal, tax, investment advice or other advice. Investors in the Notes should use their own legal, tax, financial and other advisers - such advisers as they consider it necessary to engage - to understand the nature of the relationships that will arise as a result of their subscription for the Notes and the rights that these will incorporate under the Terms and Conditions of the Notes and applicable law.

II. Statutory and other instruments

The following is a non-exhaustive list of the most important statutory and other instruments governing the Notes as at the Issue Date of the Notes, the Terms and Conditions of the Notes and the Issuer's obligations to make interest, principal and other payments under the Notes (to the extent applicable), the information and other obligations that the Issuer will undertake when issuing the Notes, the conditions for the exercise of certain rights of the Issuer or the Holders, and the trading of the Notes (certain of the below mentioned statutory instruments will only be applicable to the Notes from and to the extent they are admitted to trading on the Official Market of the Vienna Stock Exchange):

- Commercial Act means the Commercial Act promulgated in State Gazette No. 48/18.06.1991, as amended ("**CA**").
- Public Offering of Securities Act means the Public Offering of Securities Act promulgated in State Gazette No. 114/30.12.1999, as amended ("**POSA**").
- Markets in Financial Instruments Act means the Markets in Financial Instruments Act promulgated in State Gazette No. 15/16.02.2018, as amended ("**MiFIA**").
- Credit Institutions Act means the Credit Institutions Act Promulgated, State Gazette No. 59/21.07.2006, as amended ("**CIA**").
- Code of Civil Procedure means the Code of Civil Procedure, promulgated in State Gazette No. 59/20.07.2007, as amended, ("**CCP**").
- Bank Insolvency Act means the Bank Insolvency Act promulgated in State Gazette No. 92/27.09.2002, as amended, ("**BIA**").
- Recovery and Restructuring of Credit Institutions and Investment Intermediaries Act means the Recovery and Restructuring of Credit Institutions and Investment Intermediaries Act, promulgated in State Gazette No. 62/14.08.2015, as amended ("**Recovery and Restructuring Act**").
- Obligations and Contracts Act means the Obligations and Contracts Act, promulgated in State Gazette No. 275/22.11.1950, as amended ("**Obligations and Contracts Act**").
- Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market and repealing Directive 2003/71/EC ("**Prospectus Regulation**").
- Commission Delegated Regulation (EU) 2019/980 of 14 March 2019 supplementing Regulation (EU) 2017/1129 of the European Parliament and of the Council as regards the form, content, verification and approval of the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market and repealing Commission Regulation (EC) No 809/2004.

- Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 relating to the taking up, pursuit and prudential supervision of the business of credit institutions, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC ("**Capital Requirements Directive**" or "**CRD**").
- Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and amending Regulation (EU) No 648/2012 ("**Capital Requirements Regulation**" or "**CRR**").
- Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms and amending Council Directive 82/891/EEC and Directives 2001/24/EC, 2002/47/EC, 2004/25/EC, 2005/56/EC, 2007/36/EC, 2011/35/EU, 2012/30/EU and 2013/36/EU and Regulations (EU) No 1093/2010 and (EU) No 648/2012 of the European Parliament and of the Council ("**BRRD**").
- Commission Delegated Regulation (EU) No 241/2014 of 7 January 2014 supplementing Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to regulatory technical standards for own funds and eligible liabilities requirements for institutions.
- Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (Market Abuse Regulation) and repealing Directive 2003/6/EC of the European Parliament and of the Council and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC ("**Market Abuse Regulation**")
- Ordinance No. 2 of the BNB of 22 December 2006 on the licences, approvals and permits issued by the BNB under the Credit Institutions Act.
- Ordinance No. 2 of 9 November 2021 of the Financial Supervision Commission on initial and subsequent disclosure of information in public offerings of securities and admission of securities to trading on a regulated market.
- Ordinance No. 8 of 3 September 2020 of the Financial Supervision Commission on the requirements to the activities of central securities depositories, the central securities registry and other persons carrying out activities related to the settlement of securities ("**Ordinance No. 8**").
- Regulation No. 22 of 29 July 2005 of the Financial Supervision Commission on the conditions and procedure for registration and deregistration of public companies, other issuers of securities and issues of securities in the register of the Financial Supervision Commission.
- Regulation No. 38 of 21 May 2020 of the Financial Supervision Commission on the requirements to the activity of investment intermediaries.
- Rules of Procedure of the Central Depository AD.

III. Certain Definitions:

Unless the context otherwise requires - and in addition to the definitions set out elsewhere in this Prospectus - the following principal defined terms (capitalised for convenience) are used herein:

"**Applicable Supervisory Regulations**" means, at any time, any requirements under laws and any regulations, requirements, standards, guidelines, policies or other rules thereunder applicable from time to time (including, but not limited to, the guidelines and decisions of the European Banking Authority, the European Central Bank, the Competent Supervisory Authority, the Single Resolution Board and/or the Resolution Authority, the administrative practice of any such authority, any applicable decision of a court and any applicable transitional provisions) relating to prudential requirements and/or resolution and applicable to the Issuer, on an individual and/or consolidated basis, as the case may be, from time to time, including but not limited to the provisions of the CA, CIA, BIA, the Recovery and Restructuring of Credit Institutions and Investment Intermediaries Act, the BRRD, the CRD and the CRR, or such other law, regulation or directive as may come into effect in place thereof, as applicable to the Issuer on an individual and/or consolidated basis, as the case may be, at the relevant time.

"**Business Day**" means a day (other than a Saturday or Sunday) on which banks in the territory of Republic of Bulgaria are open for business and which is a business day of T2 (the real time gross settlement system operated by the Eurosystem, or any successor system).

"**Call Option**" has the meaning given to it in clause 11(1) of these Terms and Conditions of the Notes and each of the Call Option of the Issuer, the Call Option for Regulatory Reasons, Call Option upon refusal of the Competent Supervisory Authority, Call Option for Minimal Outstanding Aggregate Principal Amount and Call Option for Tax Reason will be referred to as a "Call Option" and collectively will be referred to as the "Call Options".

"**Call Option for Minimal Outstanding Aggregate Principal Amount**" has the meaning given to it in clause 11(5)(a) of these Terms and Conditions of the Notes.

"**Call Option for Regulatory Reasons**" has the meaning given to it in clause 11(3)(a) of these Terms and Conditions of the Notes.

"**Call Option for Tax Reasons**" has the meaning given to it in clause 11(6)(a) of these Terms and Conditions of the Notes.

"**Call Option of the Issuer**" has the meaning given to it in clause 11(2)(a) of these Terms and Conditions of the Notes.

"**Call Option upon refusal of the Competent Supervisory Authority**" has the meaning given in clause 11(4) of these Terms and Conditions of the Notes.

"**Central Depository**" means the Bulgarian Central Depository AD, a joint-stock company, organised and existing under the laws of Bulgaria, having its registered office in Sofia, Bulgaria and its business address at 6 Tri Ushi Str., Triaditsa, 1301 Sofia, Bulgaria, registered with the Bulgarian commercial register at the registry agency under UIC (*ЕИК*) 121142712.

"**Competent Supervisory Authority**" means the Bulgarian National Bank or any other competent authority pursuant to Article 4(1)(40) CRR and/or Article 9(1) Single Supervisory Mechanism Regulation, in each case, which is responsible to supervise the Issuer on an individual basis and/or consolidated basis.

"**Custodian**" means any bank or other financial institution of recognised standing authorised to engage in securities custody business with which the Holder maintains a securities account in respect of the Central Depository.

"**Dissolution Event**" has the meaning given to it in clause 12(1)(i) of these Terms and Conditions of the Notes.

"**Event of Default**" has the meaning given to it in clause 12(1) of these Terms and Conditions of the Notes.

"**Event of Non-Payment**" has the meaning given to it in clause 12(1)(ii) of these Terms and Conditions of the Notes.

"**Exercise Notice**" has the meaning given to it in clause 11(10)(b) of these Terms and Conditions of the Notes.

"**Exercise Price**" has the meaning given to it in clause 11(9) of these Terms and Conditions of the Notes.

"**Holder**" means each person registered as an owner of the Notes either: (i) on the owners account (in Bulgarian: *сметки на лицата притежатели на безналични финансови инструменти*) maintained by the Central Depository; or (ii) on the omnibus accounts of foreign custodians for holding on its behalf of securities of multiple parties (in Bulgarian: *обща сметка на чуждестранни попечители, които държат от свое име безналични финансови инструменти на множество лица*) maintained by the Central Depository.

"**Holders' Representative**" means representative of the Holders pursuant to article 209 of the CA.

"**Interest Payment Date**" has the meaning given to it in clause 5(2)(b) of these Terms and Conditions of the Notes.

"**Issue Date**" means the date of registration of the Notes in the central securities register maintained by the Central Depository.

"**Issuer's Senior Ranking Obligations**" means (i) all unsecured and unsubordinated obligations of the Issuer; (ii) all eligible liabilities instruments of the Issuer pursuant to Article 72b CRR which are ranked or agreed to rank in order of satisfaction pursuant to item 11, Par. 1 of Article 94, of the BIA; and (iii) any

other subordinated obligations of the Issuer which, in accordance with their terms or pursuant to mandatory provisions of law, rank or are expressed to rank senior to the obligations of the Issuer under the Notes at the relevant time, including, but not limited to, all claims which rank senior to the claims against the Issuer under the Notes pursuant to item 12, Par. 1 of Article 94, of the BIA Bulgaria.

"**Maturity Date**" has the meaning given to it in clause 6(2)(a) of these Terms and Conditions of the Notes.

"**MREL**" means Minimum Requirement for Own Funds and Eligible Liabilities as defined in the MREL Legislation.

"**MREL Legislation**" means any requirement of Bulgarian law and/or contained in relevant European Union legislation in force in the Republic of Bulgaria as at the Issue Date relating to the determination of the MREL in relation to the Issuer, including but not limited to the CRR, national laws and regulations transposing the CRD and the BRRD, their delegated or implementing acts adopted by the European Commission and guidelines published by the European Banking Authority, as they may be amended or supplemented, and any other acts that may take effect in their place.

"**Resolution Authority**" means the Bulgarian National Bank, or any other Bulgarian or European Union authority, as the case may be, which would assume the exercise of resolution powers with respect to the Issuer in the future.

"**Specified Early Redemption Date**" has the meaning given to it in clause 11(2)(a)(ii) of the Terms and Conditions of the Notes.

"**Terms and Conditions of the Notes**" means these terms and conditions of the Notes.

"**Tier 2 Instruments**" means any (directly or indirectly issued) capital instruments of the Issuer that qualify as Tier 2 instruments pursuant to Article 63 CRR.

"**Winding-up Proceedings**" means the insolvency proceedings under the BIA, the voluntary or compulsory liquidation proceedings provided for in Chapter Twelve of the CIA, and any other liquidation or insolvency proceedings of a bank licensed in Bulgaria, as well as any other similar proceedings relating to the winding-up of the business and the conduct of collective proceedings for the realisation and distribution of the assets of a bank in Bulgaria.

§ 1

INFORMATION ON THE NOTES

(1) Currency, Denomination, General Description of the Notes

(a) This issue by the Issuer of Tier 2 Notes ISIN BG2100017248 has been issued in the aggregate principal amount of (in Bulgarian: *обща номинална и емисионна стойност*) up to EUR 15,000,000.00 (in words: euro fifteen million) ("**Principal Amount**") in the denomination of (in Bulgarian: *номинална и емисионна стойност на една облигация*) EUR 100,000.00 (in words: euro one hundred thousand), each a "**Note**" and together the "**Notes**".

(b) The Notes are ordinary, interest-bearing, book-entry, registered, freely transferable, unsecured, non-convertible, subordinated Notes that are structured to qualify as Tier 2 Instruments of the Issuer.

(c) The Notes must not be held by any of the following: (a) the Issuer or its subsidiaries; or (b) an undertaking in which the Issuer has a participation in the form of ownership, direct or by way of control, of 20% or more of the voting rights or capital of that undertaking.

(d) All of the Notes are of the same class and give the same rights to their Holders.

(e) The issue is the second issue of corporate notes for the Issuer. The Issuer has one issue outstanding as at the Issue Date, which has been issued in accordance with Article 69, item a of the Recovery and Restructuring Act (*as defined below*).

(2) Registration and payments under the Notes

(a) The Notes shall be registered in the Central Register of Securities maintained by the Central Depository.

(b) The issue is assigned the following securities codes: ISIN BG2100017248.

(c) Settlement transactions in respect of the issue relating to interest and principal payments will be made in EUR by the Central Depository.

(d) The paying agent and its specified office is the Central Depository.

(3) Transfer

The Notes can be transferred by their Holders without restriction, i.e. they are freely transferable. According to Article 127, par. 1 of the POSA, the issuance and transfer of the Notes shall be effective from the registration of their issuance or transfer, as the case may be, in the central securities register maintained by the Central Depository.

(4) Credit rating

The issue has not been assigned a credit rating.

§ 2

USE OF FUNDS RAISED

(1) The net proceeds from the issue of the Notes will be used by the Issuer to strengthen and diversify its own funds, to expand and further develop lending activities, for investments in debt instruments, as well as to improve the efficiency and banking performance.

(2) After the Issue Date, the Issuer will apply to the Competent Supervisory Authority pursuant to Regulation No. 2 of the BNB for approval to include the Notes as a Tier 2 Instrument of the Issuer for the purposes of the CRR.

(3) In the event of significant changes in market conditions, the proportion of assets invested is subject to change in order to balance income and risk.

Total proceeds from the Issue	Up to EUR 15,000,000 / BGN 29,337,450, using the BNB exchange rate for euro
Costs of the Issue including costs of admission of the issue to trading on the Vienna Stock Exchange	EUR 57,000 / BGN 111,482.31 using the BNB exchange rate for euro
Amount of net proceeds from the issue, after deduction of the estimated costs (VAT not included)	EUR 14,942,000 / BGN 29,224,011.86, using the BNB exchange rate for euro

§ 3

STATUS OF THE NOTES

(1) Status of the Notes

The obligations under the Notes constitute direct, unsecured and subordinated obligations of the Issuer and are intended to qualify as Tier 2 Instruments of the Issuer and in the event of Winding-up Proceeding of the Issuer the obligations under the Notes shall be satisfied in accordance with item 13, para. (1) of Article 94, of the BIA as follows:

(i) will rank *pari passu* (i) among themselves; and (ii) with all other present or future claims from Tier 2 Instruments;

(ii) will rank senior to all present or future obligations under (i) ordinary shares and other Common Equity Tier 1 instruments pursuant to Article 28 CRR of the Issuer which rank or are expressed to rank in order of satisfaction pursuant to item 15, para 1 of Article 94 of BIA; and (ii) Additional Tier 1 instruments of the Issuer pursuant to Article 52 CRR which rank or are expressed to rank in order of satisfaction pursuant to item 14, para 1 of Article 94 of BIA;

(iii) will be fully subordinated to the Issuer's Senior Ranking Obligations, so that in any such event of Winding-up Proceedings no amounts will be payable in respect of the Notes until the Issuer's Senior Ranking Obligations have been satisfied in full.

(2) No Subsequent Modifications of the Ranking and the Term as well as any Notice Periods.

No subsequent agreement may modify the ranking of the Notes or shorten the term of the Notes or any applicable notice period.

§ 4

NO GUARANTEE OR SECURITY

No Security/Guarantee and No Enhancement of Seniority.

(a) The Notes and the claims of the Holders arising therefrom are not secured by, and are not subject to, any guarantees or other agreements that enhance the seniority of the claims under the Notes given by the Issuer or any of its group companies or any third party, and will not be subject to any such security and/or guarantees at any time until all claims arising under the Notes have been finally discharged as provided in these Terms and Conditions of the Notes.

(b) The Notes and the claims of the Holders arising therefrom are not subject to a guarantee by the Deposit Guarantee Fund under the Bulgarian Bank Deposit Guarantee Act.

§ 5

INTEREST

(1) Amount of the nominal interest rate on the Notes

(a) Holders are entitled to claim interest on their Notes.

(b) The nominal interest rate on the Notes is fixed at 8.00% *per annum* (the "**Interest Rate**").

(c) For the avoidance of doubt, a change in the applicable Interest Rate may not be made on the basis of or for reasons relating to the financial condition or credit rating of the Issuer.

(2) Interest payments; periodicity and method of calculation

(a) Interest on the Notes shall accrue from the Issue Date for the entire term of the issue and shall be payable in annual coupon (interest) payments calculated on the basis of simple interest for the individual annual periods on the nominal/residual value of each Note, at an interest convention of actual number of days in the period over actual number of days in the year (Actual/Actual (ICMA Rule 251)).

(b) The date on which each annual period from the Issue Date expires will constitute an "**Interest Payment Date**". The Interest Payment Dates for the issue will be as follows:

(c) In the event that the Interest Payment Date of the issue falls on a day that is not a Business Day, payment shall be made on the immediately following Business Day.

(d) Upon exercise of a Call Option, interest payments shall be made for the accrued interest for the period from the preceding Interest Payment Date (including) to the date of payment of the Exercise Price under clause 11 (excluding). Interest payments in this case shall be included in and paid as part of the Exercise Price.

(3) Persons entitled to receive an Interest Payment on an Interest Payment Date

(a) The right to receive interest payments shall be vested in the Holders who have acquired Notes and are entered in the Holders' book maintained by the Central Depository not later than five (5) Business Days prior to each Interest Payment Date, including five (5) Business Days prior to the last Interest Payment Date coinciding with the Maturity Date.

(b) Ownership of the Notes shall be evidenced by an official extract from the Holders' book maintained by the Central Depository.

(4) Procedure for making interest payments on an Interest Payment Date

(a) In accordance with the requirements of Ordinance No. 8 and Rules of Procedure of the Central Depository, the Issuer will meet its obligations to pay interest on the Notes held in the customer sub/accounts of the relevant Holders opened with a member of the Central Depository by wire transfer to the Central Depository no later than four (4) Business Days prior to the relevant Interest Payment Date and after deduction of applicable taxes, if any.

(b) The Central Depository shall provide the Issuer with the Holders' book as well as with information on the calculated amount to be paid to each Holder, and on the basis of the data from the

Holders' book the Central Depository shall prepare lists for payment of the amounts of the respective interest payment, which lists shall be provided to each of the members of the Central Depository with which there are opened customer sub/accounts of Holders as well as to persons referred to in Article 133 of MiFIA, if there are Notes in client sub/accounts held with such persons.

(c) The Central Depository calculates the amount to be credited for interest payments due to its customers. The amounts due for making the interest payment shall be remitted by the Central Depository to its members and to the persons referred to in Article 133 of MiFIA (if applicable) with whom accounts of Holders have been opened and who shall make the required payments to the Holders in accordance with the requirements of applicable law (including the applicable provisions of Regulation No. 8), the Rules of the Central Depository and as agreed in the relevant agreements between the members of the Central Depository and the Holders.

(d) In case the Holder holds the Notes in custody with a Central Securities Depository - participant in the Target 2 securities system (T2S), the Central Depository shall transfer the amount of the interest payments to an account specified by the Holder's Central Securities Depository.

(e) Interest payments on Notes held in personal accounts of Holders with the Central Depository, including through a Custodian shall be made as agreed in a relevant agreement between the Central Depository and the Issuer.

§ 6

PAYMENTS OF PRINCIPAL, MATURITY AND REPAYMENT

(1) Provisions regarding payment of principal; maturity and repayment of the Notes

The Notes incorporate by reference a right of recourse to the principal amount thereof equal to the par value of each Note as set forth in clause 1 above.

(2) Maturity Date and Repayment of Principal of the Notes

(a) The maturity date of the Notes is the date (the "**Maturity Date**") falling 120 months, or 10 (ten) years, after the Issue Date.

(b) The principal of the Notes shall be repaid in a single payment on the Maturity Date unless the Issuer exercises the Call Option on the terms and subject to the conditions set forth in clause 11 below and redeems the principal of the Notes on an earlier date by payment of the Exercise Price.

(c) If the due date falls on a day that is not a Business Day, payment shall be made on the immediately following Business Day.

(d) Repayment shall be made pro rata on all outstanding Notes, including in the event of the Issuer exercising the Call Option in accordance with clause 11 below and redeeming the principal amount of the Notes prior to maturity.

(3) Persons entitled to receive principal payment on the Notes

(a) The right to receive principal payment on the issue shall be vested in the Holders who have acquired Notes and entered their names in the Holders' book not later than five (5) Business Days prior to the Maturity Date.

(b) Ownership of the Notes shall be evidenced by an official extract from the Holders' book maintained by the Central Depository.

(4) Procedure for the repayment of the principal of the Notes

The Issuer's obligation to redeem the principal of the Notes shall be discharged through the Central Depository, subject accordingly to the procedure set out in clause 5(4) above regarding the payment of interest.

§ 7

LIMITATION PERIODS

Under applicable Bulgarian law, claims for interest on the Notes are subject to a short limitation period of three (3) years (Article 111(c) of the Obligations and Contracts Act) and claims for principal on the Notes are subject to the general limitation period of five (5) years (Article 110 of the Obligations and Contracts Act).

§ 8

TAXATION

(1) All payments of principal and of interest by or on behalf of the Issuer in respect of the Notes will be made without withholding or deduction or allowance for, any taxes, levies, assessments or governmental charges of any character imposed, levied, assessed or collected, withheld or assessed by Bulgaria or any authority thereof located in its territory having powers relating to taxation, except where such withholding or collection of such taxes, levies, duties, assessments or stamp duties (i) is required by law and (ii) is made solely in respect of payments of interest and not in respect of payments of principal or other amounts.

(2) *U.S. Foreign Account Tax Compliance Act (FATCA)*. The Issuer is authorised to withhold or deduct from amounts payable under the Notes to a Holder or beneficial owner of Notes sufficient funds for the payment of any tax that it is required to withhold or deduct pursuant an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), or that is otherwise imposed pursuant to Sections 1471 through 1474 of the Code (or any regulations thereunder or official interpretations thereof) or an intergovernmental agreement between the United States and another jurisdiction facilitating the implementation thereof (or any fiscal or regulatory legislation, rules or practices implementing such an intergovernmental agreement) (any such withholding or deduction, a "**FATCA Withholding**"). Neither the Issuer nor any other person will be required to pay any additional amounts in respect of FATCA Withholding.

§ 9

NO RIGHT OF SET-OFF, NETTING OR SIMILAR RIGHTS

(1) Each Holder unconditionally and irrevocably waives its right to set-off, net, exercise a lien or plead a default in its dealings with the Issuer and/or to exercise or take any other similar right or action that the relevant Holder might have under the law applicable to the Notes and/or to a claim of that Holder against the Issuer that would undermine the capacity of the Notes to absorb losses in resolution (in Bulgarian: *преструктуриране*), insolvency (in Bulgarian: *несъстоятелност*) or liquidation (in Bulgarian: *ликвидация*) of the Issuer. In connection with the foregoing sentence, the Holders shall not be entitled to set-off, net, exercise a lien or plead a default in their dealings with the Issuer and/or exercise or take any other similar right or action that could have the same effect.

(2) The Issuer may not set off or net any obligations of the Holder(s) to the Issuer arising under any other contractual or extra-contractual relationship between the parties against its obligations under the Notes.

§ 10

RECOGNITION OF THE RESOLUTION AND RESOLUTION AUTHORITY'S POWER TO WRITE-DOWN

(1) Recognition of the Resolution and Resolution Authority's powers for write-down and conversion

(a) By purchasing Notes, each Holder acknowledges and agrees to be bound by the authority of the Resolution Authority to write-down (including to zero) all or any portion of principal of, or interest currently accrued but not due on, the Notes and/or convert them into shares or other instruments of ownership of the Issuer, in each case in whole or in part, or apply any other resolution measure, including (but not limited to) any deferral of the obligations, any transfer of the obligations to another entity, an amendment of the Terms and Conditions of the Notes or a cancellation of the Notes to convert all or any portion of principal of the Notes - as the case may be - currently accrued, interest on the Notes which is not due and payable - into shares or other instruments of ownership of the Issuer, including by amending the terms of the Notes, in order for the Resolution Authority to exercise its write-down and conversion powers applicable to the bail-inable obligations, in each case in whole or in part, or apply any other resolution measure, including (but not limited to) any deferral of the obligations, any transfer of the obligations to another entity, an amendment of the Terms and Conditions or a cancellation of the Notes.

(b) In addition, each Holder has been made aware and informed of the right of the Resolution Authority pursuant to Article 48 of the BRRD, respectively transposed into Article 75 of the Recovery and Restructuring Act, to exercise its write-down and conversion powers. Each Holder acknowledges and agrees that the rights of the Holders may be varied, if necessary, to give effect to the write-down

and conversion powers of the Resolution Authority pursuant to Article 48 of the BRRD, as transposed into Article 75 of the Recovery and Restructuring Act, respectively.

(c) Once the Issuer has been informed or notified by the Resolution Authority of the date from which the write-down and conversion power will be exercised in respect of the Notes, the Issuer shall notify the Holders' Representative in writing and, where the Notes are admitted to trading on a regulated market, shall promptly make such information public by notifying the relevant regulated market and the public in accordance with the applicable regulated and/or insider disclosure procedures. Any delay or failure to give notice by the Issuer will not affect the validity and enforceability of the write-down and conversion power of the Resolution Authority or the validity of such action with respect to the Holders and the Notes.

(d) The exercise by the Resolution Authority of the power of write-down and conversion in respect of the Notes does not constitute an Event of Default by the Issuer and the Terms and Conditions of the Notes will continue to apply in respect of the principal amount remaining or outstanding and will be amended accordingly to reflect the reduction in principal amount and may be further amended where the Resolution Authority determines that it is necessary to qualify as Tier 2 Instruments of the Issuer.

§ 11

EARLY REDEMPTION

(1) Call Option

The Issuer, acting in its sole discretion, shall have the right to redeem the principal of the Notes before Maturity, together with accrued but unpaid interest currently due thereon (to the extent any such interest has accrued), in full with respect to all but a portion of all Notes (not only partial) (the "**Call Option**"), in accordance with the terms and subject to the conditions set forth in paragraphs from (2) to (13) of this clause 11 below.

(2) Early redemption at the option of the Issuer

(a) The Issuer, acting in its sole discretion, shall be entitled to exercise the Call Option ("**Call Option of the Issuer**") and early redeem the Notes after the expiration of the 5th (fifth) year from the Issue Date on any of the following dates:

(i) on any Interest Payment Date which occurs after the expiration of the 5th (fifth) year from the Issue Date;

(ii) on the 30th day of March, 30th day of June, 30th day of September and 30th day of December in each year after the expiration of the 5th year from the Issue Date until the Maturity Date (the "**Specified Early Redemption Date**");

(b) The exercise of any such Call Option pursuant to this clause 11 (2) shall only be possible if the conditions to redemption and repurchase set out in clause 11 (7) are met.

(3) Early redemption for regulatory reasons.

(a) The Issuer shall be entitled to exercise the Call Option upon the occurrence of any of the regulatory reasons set forth in paragraphs (i) and (ii) below ("**Call Option for Regulatory Reasons**"),

(i) there is a change in the regulatory classification of the Notes that would be likely to result in their exclusion in full or in part from own funds or reclassification as own funds of lower quality; or

(ii) the Notes, to the extent that, pursuant to Article 64 CRR, a portion thereof does no longer qualify as a Tier 2 Instrument but, pursuant to Article 72a(1)(b) CRR, as an eligible liabilities item, that portion does no longer comply with the MREL Requirement, except where such non-compliance would only be based on the remaining maturity of the Notes being less than the period prescribed in Article 72c(1) CRR or any applicable limits on the amount of eligible liabilities instruments being exceeded

(b) The exercise of any such Call Option pursuant to this clause 11(3) shall only be possible if the conditions to redemption and repurchase set out in clause 11(7) are met.

(4) Early redemption upon refusal of the Competent Supervisory Authority to grant approval for inclusion of the Notes in the Tier 2 Capital.

The Issuer shall be entitled to exercise the Call Option upon refusal of the Competent Supervisory Authority to grant approval for inclusion of the Notes in the Tier 2 capital ("**Call Option upon refusal**")

of the Competent Supervisory Authority") and accordingly does not recognise the Notes as a Tier 2 Instrument within the meaning of Article 63 of the CRR.

(5) Early redemption for minimal outstanding aggregate principal amount.

(a) The Issuer shall be entitled to exercise the Call Option and redeem all but not some only of the Notes at any time at their principal amount together with accrued interest, if any, to but excluding the date fixed for redemption on the date fixed for redemption if at any time the aggregate principal amount of the Notes outstanding and held by persons other than the Issuer and its subsidiaries has fallen to 25% or less of the aggregate principal amount of the Notes at the Issue Date. ("**Call Option for Minimal Outstanding Aggregate Principal Amount**").

(b) The exercise of any such Call Option pursuant to this clause 11(5) shall only be possible if the conditions to redemption and repurchase set out in clause 11(7) are met.

(6) Early redemption for reasons of taxation.

(a) The Issuer shall be entitled to exercise the Call Option and redeem all but not some only of the Notes at any time at their principal amount together with accrued interest, if any, to but excluding the date fixed for redemption on the date fixed for redemption if the Issuer has or will become obliged to pay Additional Amounts (as defined below) as a result of any Change in, or Amendment to the Tax Treatment of the Notes (as defined below), which the Issuer demonstrates to the satisfaction of the Competent Supervisory Authority is material and was not reasonably foreseeable as at the Date of Issuance of the Notes, and has been evidenced by the delivery by the Issuer to the paying agent (who shall accept such certificate and opinion as sufficient evidence thereof) of (i) a certificate signed by two authorised representatives of the Issuer on behalf of the Issuer stating that such Change in, or Amendment to the Tax Treatment of the Notes has occurred (irrespective of whether such Change in, or Amendment to the Tax Treatment of the Notes is then effective), describing the facts leading thereto and stating that such requirement cannot be avoided by the Issuer taking reasonable measures available to it and (ii) an opinion of independent legal or tax advisers of recognised reputation to the effect that such Change in, or Amendment to the Tax Treatment of the Notes has occurred (irrespective of whether such Change in, or Amendment or Change to the Tax Treatment of the Notes is then effective) ("**Call Option for Reasons of Taxation**"), provided that no such notice of redemption shall be given, pursuant to the terms as set forth in clause 11(10) below. No such notice of redemption shall be given if at the time such notice takes effect, the obligation to pay such Additional Amounts does not remain in effect.

(b) The exercise of any such Call Option pursuant to this clause 11(6) shall only be possible if the conditions to redemption and repurchase set out in clause 11(7) are met.

(c) For the purpose of this clause: (i) "**Additional Amounts**" means additional amounts that the Issuer shall pay to the Holder if the Issuer is required by law to make any withholding or deduction for any Taxes from any payment of interest in respect of the Notes; (ii) "**Taxes**" means taxes, duties, assessments or governmental charges of whatever nature.

(d) For the purpose of this clause: "**Change in, or Amendment to the Tax Treatment of the Notes**" means: any change in, or amendment to, the laws or regulations of Bulgaria for tax treatment or for tax purposes or of any political subdivision or taxing authority of or in Bulgaria for tax treatment or for tax purposes, or any change in, or amendment to, an official interpretation or application of such laws or regulations, which amendment or change is effective on or after the Issue Date of the Notes. For the avoidance of doubt, changes in the assessment of the Competent Supervisory Authority regarding tax effects are not considered as a change in, or amendment to, the tax laws or regulations of Bulgaria.

(7) Conditions to early redemption and repurchase.

The exercise of any Call Option pursuant to this clause 11 (except for the Call Option upon refusal of the Competent Supervisory Authority as set out in clause 11(4)) and any repurchase pursuant to clause 13 (2) is subject to:

(a) the Competent Supervisory Authority having granted the Issuer the prior permission in accordance with Articles 77 *et seq.* CRR or any successor provision for the early redemption, whereas such permission may, *inter alia*, require that:

(i) either, before or at the same time as the early redemption or repurchase, the Issuer replaces the Notes with own funds instruments of equal or higher quality at terms that are sustainable for the income

capacity of the Issuer; or

(ii) the Issuer has demonstrated to the satisfaction of the Competent Supervisory Authority that the own funds and eligible liabilities of the Issuer would, following such early redemption or repurchase, exceed the requirements for own funds and eligible liabilities laid down in the CRR, the CRD and the BRRD by a margin that the Competent Supervisory Authority considers necessary; and

(b) in the case of any early redemption or repurchase of the Notes during the first five (5) years following the Issue Date of the Notes, the exercise of any Call Option is subject to the conditions under (a) above, and the following additional conditions:

(i) in the case of any early redemption pursuant to clause 11 (3), the Competent Supervisory Authority considers such change to be sufficiently certain and the Issuer has demonstrated to the satisfaction of the Competent Supervisory Authority that the relevant change in the regulatory classification of the Notes was not reasonably foreseeable as at the date of issuance of the Notes; or

(ii) in the case of any early redemption pursuant to clause 11 (6), the Issuer has demonstrated to the satisfaction of the Competent Supervisory Authority that the Change in, or Amendment to the Tax Treatment of the Notes is material and was not reasonably foreseeable as at the date of issuance of the Notes; or

(iii) in the case of any early redemption of the Notes in circumstances other than those described in clause (a)(i) or (ii) above or any repurchase, the Issuer, earlier than or at the same time as the early redemption or the repurchase, replaces the Notes with own funds instruments of equal or higher quality at terms that are sustainable for the income capacity of the Issuer and the Competent Supervisory Authority has permitted that early redemption or repurchase based on the determination that it would be beneficial from a prudential point of view and justified by exceptional circumstances;

For the avoidance of doubt, any refusal of the Competent Supervisory Authority (or any other relevant supervisory authority) to grant any permission, approval or other authorisation required in accordance with the Applicable Supervisory Regulations shall not constitute a default for any purpose.

(8) Corporate decisions required for the exercise of the Call Option

In accordance with the Issuer's articles of association and the Terms and Conditions of the Notes, there are no requirements for the Issuer's management bodies to pass any special corporate resolutions to exercise any Call Option. No resolution of the Issuer's management board and/or the Issuer's supervisory board and/or the general meeting of the shareholders of the Issuer is required, and the legal representatives of the Issuer are deemed to have the authority to take the necessary actions regarding the exercise of any Call Option by the Issuer, including to execute and submit to the Competent Supervisory Authority all documents and information necessary to obtain the latter's approval for the exercise of any Call Option, to order the necessary cash transfers to the Central Depository.

(9) Exercise Price of Call Option

Upon the exercise of a Call Option, the Issuer shall pay to the Holders, in respect of each Note, 100 % of the principal amount of a Note (which corresponds to the principal amount of the Note pursuant to clause 1) plus the relevant accrued interest pursuant to clause 5, which amount shall constitute the "**Exercise Price**" per Note for the relevant Call Option.

(10) Procedure for exercising the Call Option

(a) Exercise Period for Call Option

The Issuer shall exercise the Call Option in the manner provided in this clause 11(10).

(i) The Issuer's Call Option may be exercised no later than 20 Business Days prior to the relevant Specified Early Redemption date.

(ii) The Call Option for Regulatory Reasons may be exercised within three (3) months of the receipt of prior permission from the Competent Supervisory Authority where such prior permission is required by the Applicable Supervisory Regulations, or within three (3) months of the Notes being excluded in full from, or disregarded as, Tier 2 Instruments for the purposes of the Applicable Supervisory Regulations, in other cases.

(iii) Call Option upon refusal of the Competent Supervisory Authority may be exercised only after the

occurrence of a Date of Refusal. For purposes of this paragraph, "**Date of Refusal**" means the earlier of: (A) the date occurring three (3) months after the Issuer has submitted the application and all required documents to the Competent Supervisor for approval to include the Notes in the Tier 2 capital of the Issuer, if the Competent Supervisor has not acted within such period or (B) the effective date of the act of the Competent Supervisor denying inclusion of the Notes in the Tier 2 capital of the Issuer.

(iv) Call Option for Minimal Outstanding Aggregate Principal Amount and Call Option for Reasons of Taxation may be exercised no later than 20 Business Days prior to the relevant specified early redemption date.

(v) Call Option for Reasons of Taxation may be exercised no earlier than 90 calendar days prior to the earliest date on which the Issuer would be obliged to pay such Additional Amounts were a payment in respect of the Notes then due.

(b) Notice of exercise

(i) The Issuer shall notify the Holders that it intends to exercise the Call Option by means of an announcement (an "**Exercise Notice**").

(ii) The notice of exercise should contain, as a minimum, the following:

- Information that the Issuer will exercise the Call Option;
- Reason for exercising the Call Option;
- Information on the occurrence of the conditions for the exercise of the Call Option, including - where relevant - a copy of official documents issued by the Competent Supervisory Authority certifying that the relevant conditions have been met;
- Information as to the date of payment of the Exercise Price, which, in the case of the exercise of the Call Option of the Issuer, shall coincide with the relevant Specified Early Redemption Date and, in the case of the Call Option for Regulatory Reasons, shall be no later than ten (10) Business Days after the date of the announcement of the Exercise Notice;
- Exercise Price, including an indication of the interest payment payable per Note;
- A brief description of the procedure to be followed for payment of the Exercise Price as a result of the exercise of the Call Option.

(c) Announcement of the Exercise Notice

(i) The Issuer is required to announce the Exercise Notice by the deadline specified in (a) above subject to: (A) compliance with the insider and regulated information disclosure requirements of applicable law, and (B) on its website at "www.bacb.bg". Within the same period, the Issuer shall also send the Exercise Notice to the Holders' Representative.

(ii) The Exercise Notice shall be deemed to have been announced on the date of its announcement pursuant to (i) above.

(iii) Within the applicable Exercise Period under clause 11(10)(a) above, the Issuer shall also send the Exercise Notice to the Holders' Representative.

(iv) The Exercise Notice shall be deemed to have been given on the date of its publication in accordance with (A) above.

(11) Persons who are entitled to receive the Exercise Price

(a) Holders who have acquired Notes and are entered in the Holders' book not later than five (5) Business Days prior to the date of payment of the Exercise Price specified in the Exercise Notice will be entitled to receive the Exercise Price paid by the Issuer as a result of the exercise of the Call Option.

(b) Ownership of the Notes shall be evidenced by an official extract from the Holders' book maintained by the Central Depository.

(12) Payment of the Exercise Price

(a) Payment of the Exercise Price by the Issuer in respect of the exercise of the Call Option shall be made on the date specified in the Exercise Notice and the procedure set out in clause 6 in conjunction with clause 5(4) of these Terms and Conditions of the Notes regarding the payment

of principal under the Notes shall be followed for the payments due.

- (b) Upon payment of the Exercise Price resulting from the exercise of the Call Option, the Issuer will discharge all of its obligations to pay principal of and accrued interest on the Notes to the Holders and will be entitled to request the cancellation (deregistration) of the issue from the central securities register maintained by the Central Depository.

(13) No right of termination or acceleration by the Holders

The Holders shall have no right to terminate or otherwise accelerate the redemption of the Notes other than set out in clause 12 below. For the avoidance of doubt and without limiting the generality of the foregoing, the Holders shall have no right to terminate or otherwise accelerate the redemption of the Notes if the Resolution Authority writes down the obligations of the Issuer under the Notes, converts them into shares or other instruments of ownership of the Issuer, in each case in whole or in part, or applies any other resolution measure as described in clause 10.

§ 12

EVENTS OF DEFAULT; EARLY MATURITY OF THE NOTES; ENFORCEMENT AGAINST THE ISSUER

(1) Events of Default

The occurrence of any of the following circumstances after the Issue Date shall constitute an Event of Default by the Issuer under the Notes and each such circumstance shall constitute an "Event of Default":

- (i) Commencement of Winding-up proceedings with respect to the Issuer (a "Dissolution Event"); or
- (ii) Failure by the Issuer to pay any amount of principal, interest and/or other payment due on the Notes where such failure continues for more than 30 calendar days (an "Event of Non-Payment").

(2) Early Maturity of the Notes.

In the event of a winding-up constituting the commencement of insolvency proceedings against the Issuer, acceleration shall occur in accordance with Article 23, para. 1 of the BIA, as it may be amended or replaced in the future.

Upon the occurrence of a Dissolution Event, the Holders shall submit their claims for payment of principal and/or interest to the competent authority within the statutory time limits provided for in the relevant termination procedure. Where a claim for repayment of principal under the Notes has become accelerated as a result of the exercise of a right under this clause or by virtue of applicable law, Holders may only claim interest due but unpaid by the Issuer on the Notes accrued up to the date of acceleration of the principal claim.

(3) Limitation of enforcement against the Issuer

(a) Upon the occurrence of an Event of Non-Payment, the Holders may, at their option, take steps to enforce the collection of their due but unpaid claims for interest and/or other payments other than principal payments against the Issuer and/or seek damages for the loss suffered as a result of the delayed payment in accordance with applicable law.

(b) Principal amounts of the Notes may be enforced against Holders only if (A) the claim for payment of principal has become due and payable by reason of the occurrence of a Maturity Date or an Early Maturity Date as specified in clause 12(2) above and (B) only to the extent permitted under applicable law.

(c) For the avoidance of doubt, and without prejudice to the foregoing clause 12 (2), the right of enforcement referred to in this clause 12(3) relates only to the Issuer's obligations under the Notes which are due and payable at the time an Event of Non-Payment occurs, and the occurrence of an Event of Non-Payment does not confer any such right - and the Holders shall have none, acting jointly or severally, to declare all or any part of the Issuer's outstanding obligations under the Notes (including any obligations to pay interest and/or principal) to be accelerated or to accelerate the interest and/or principal redemption schedule provided for in these Terms and Conditions of the Notes in any manner.

§ 13

FURTHER ISSUES OF NOTES, REPURCHASES AND CANCELLATION

(1) **Further issues of Notes.** The Issuer may from time to time, without the consent of the Holders, issue further Notes having the same terms as the Notes in all respects (or in all respects except for the Issue Date, issue price, and/or first Interest Payment Date) so as to form a single class with the Notes.

(2) Repurchases

(a) Provided that all Applicable Supervisory Regulations and other statutory restrictions are observed and provided further that the conditions to early redemption and repurchase set out in clause 11 (7) are met, the Issuer may repurchase Notes in the open market or otherwise irrespective of the presence or absence of admission to trading on the relevant stock exchange.

(b) For so long as the Issuer holds any Notes subject to redemption, it shall not be entitled to exercise the voting rights attached thereto and such Notes shall not be taken into account in determining the applicable quorum and majorities for the purposes of passing resolutions at the general meeting of Holders pursuant to clause 14 of the Terms and Conditions of the Notes. Notes acquired by the Issuer may, at its discretion, be held in whole or in part, re-sold or cancelled.

(c) In the event that the Issuer acquires Notes from a Holder without the conditions of this clause being met, the Holder shall immediately repay the amount received from the Issuer in exchange for the reverse transfer of the Notes acquired from the Issuer.

§ 14

GENERAL MEETING OF HOLDERS

(1) General Meeting of Holders

In accordance with Article 209, para. 1 of the CA, the Holders shall form a group for the protection of their interests before the Issuer, which shall form its own general meeting of Holders (hereinafter referred to as "**General Meeting of Holders**"). Each Note entitles the Holder thereof to attend and vote at meetings of the General Meeting of Holders. Each Note entitles the Holder to one (1) vote at the General Meeting of Holders.

(2) Convocation of the General Meeting of Holders

(a) By virtue of Article 214, para. 1 of the CA, each General Meeting of Holders shall be convened by invitation announced in the Bulgarian Commercial Register at least 10 days before the date of the General Meeting of Holders.

(b) The General Meeting of Holders may be convened by the Holders' Representative and at the request of Holders representing at least 1/10 of the Notes or of the liquidators of the Issuer (in the event of an open liquidation procedure).

(c) The Holders' Representative shall convene the General Meeting of Holders upon notification by the Issuer's management bodies of:

- (i) a proposal for material changes in the Issuer's subject of activity, company type or transformation of the Issuer;
- (ii) a proposal to issue new series of Notes which are preferred.

(d) The General Meeting of Shareholders of the Issuer is required to consider the resolution of the General Meeting of Holders.

(3) Holders who may participate and exercise voting rights in the General Meeting of Holders

(i) The right to vote at the General Meeting of Holders shall be exercised by the persons entered in the central securities register maintained by the Central Depository as Holders 5 (five) days prior to the date of the General Meeting of Holders.

(ii) The composition of the Holders entitled to exercise voting rights at the relevant meeting of the General Meeting of Holders shall be evidenced by an official extract issued by the Central Depository from the Holders' book kept with it containing information on the persons holding Notes five (5) days prior to the date of the General Meeting of Holders.

(iii) The Issuer undertakes, upon receipt of a written request from the Holders' Representative, to

take the necessary legal and factual steps to instruct the Central Depository to issue an official extract from the Holders' Book as at the date specified above and to deliver the same to the Holders' Representative prior to the date of the relevant meeting of the General Meeting of Holders.

(4) Quorum

(a) A General Meeting of Holders will be validly held and may pass valid resolutions binding on all Holders if at least one-half (1/2) of the Notes are represented at the meeting (the "**Ordinary Quorum**"), except where the agenda of the meeting of the General Meeting of Holders provides for the consideration of matters relating to the amendment of these Terms and Conditions of the Notes pursuant to clause 15(1) below, in which case the General Meeting of Holders will be lawful and may pass valid resolutions if a quorum of at least two-thirds (2/3) of the Holders is present at the meeting and, in the event that applicable law permits the passing of resolutions on changes to these Terms and Conditions of the Notes if less than such quorum is present, the minimum quorum permitted by law (the "**Qualified Quorum**").

(b) If the Issuer has acquired and holds Notes pursuant to a redemption pursuant to clause 13 above, such Notes will not be taken into account in determining the quorum for the passing of a resolution by the General Meeting of Holders.

(c) The ordinary quorum is determined in accordance with Article 214a, para. 1 of the CA. The qualified quorum is determined in accordance with Article 100b(4) of the POSA.

(5) Majority

(a) All resolutions of the General Meeting of Holders, other than those consenting to changes to the Terms and Conditions of the Notes, will be valid and binding on all Holders if passed by a majority of at least 50% plus one (1) Note of the Notes represented at the General Meeting of Noteholders (the "**Simple Majority**"). The Ordinary Majority is determined in accordance with Article 214b, para. 1 of the CA.

(b) In the event that resolutions are to be passed at a meeting of the General Meeting of Holders in respect of any variation to the Terms and Conditions of the Notes, a majority of not less than three-quarters (3/4) of the Notes represented at the meeting will be required and, in the event that applicable law permits resolutions to vary the Terms and Conditions of the Notes to be passed by a lesser majority, the minimum majority permitted by law (the "**Qualified Majority**"). The Qualified Majority under the Terms and Conditions of the Notes has been determined taking into account the requirements of Article 100b(4) of the POSA.

(c) Resolutions of the General Meeting of Holders taken in the presence of the requisite quorum and the attainment of the requisite majority shall be binding on all Holders, whether or not they were present at the relevant General Meeting of Holders and irrespective of the manner in which they voted, if duly invited in accordance with applicable law and the Terms and Conditions of the Notes.

(6) First General Meeting of Holders and election of the Holders' representative

The first General Meeting of Holders (the "**First General Meeting of Holders**") shall be convened, including notification of the place, date and time and the agenda, by publication of the announcement for the issuance of the Notes in the Bulgarian commercial register within one (1) month as of the Issue Date. The First General Meeting of Holders shall be held not later than 30 days as of the issue announcement, at the registered office of the Issuer - Sofia, p.c. 1000, ul. "Slavyanska" № 2. The agenda shall include proposals for the election of the representative(s) of the Holders and an option for other matters of interest to the Holders to be discussed and resolved on.

§ 15

CHANGE TO THE TERMS AND CONDITIONS OF THE NOTES

(1) Changes to the Terms and Conditions of the Notes

These Terms and Conditions of the Notes may only be amended in compliance with the Applicable Supervisory Regulations, subject to the following conditions and procedure:

(a) Conditions under which changes of these Terms and Conditions of the Notes may be requested

In accordance with the subsequent provisions and subject to compliance with the Applicable

Supervisory Regulations for the Notes to qualify as Tier 2 Instruments (including, for the avoidance of doubt, where relevant, the conditions to redemption and repurchase set out in clause 11 (7), the Issuer may commence a procedure to amend these Terms and Conditions of the Notes in the following cases:

- (i) In the Issuer's judgement, prevailing market conditions would meet the parameters of the issue in the longer term and it is therefore economically advantageous for the Issuer to extend the term of the Notes;
- (ii) In the Issuer's judgment, the Interest Rate set out in these Terms and Conditions of the Notes is no longer in line with market interest rates and therefore a change in the Interest Rate should be made, including in the event that this is necessitated by an extension of the term of the Notes; for the avoidance of doubt, no change in the applicable Interest Rate may be proposed, voted or made on the basis of, or for reasons relating to, the Issuer's financial condition or credit rating;
- (iii) At the Issuer's discretion, the frequency of interest payments on the Notes should be changed to reflect, for example, a change in the term of the Notes;
- (iv) In the event that the Exercise Price needs to be changed to reflect a change in the Interest Rate and in order to avoid creating an incentive to exercise the Call Option contrary to the Applicable Supervisory Regulations;
- (v) In other cases where, in the Issuer's discretion, the maturity and/or interest terms and/or the Exercise Price should be changed to reflect a change in prevailing market conditions for similar instruments as the Notes and in each case subject to compliance with the Applicable Supervisory Regulations; or
- (vi) Where - in order to qualify or continue to qualify the Notes as Tier 2 Instruments - it is necessary to take into account changes in the Applicable Supervisory Regulations occurring after the Issue Date.

For the avoidance of doubt, the Holders are under no obligation to agree to any changes to these Terms and Conditions of the Notes proposed by the Issuer, including in the circumstances set out above.

(b) Parameters of the Notes subject to change

The following parameters of the Notes may be changed in accordance with this section:

- (i) Extension of the Maturity Date;
- (ii) Change of Interest Rate;
- (iii) Changing the timing of interest payments, including changing the amount of interest payments and the frequency of interest payments;
- (iv) A change in the Exercise Price to the extent related to a change in the Interest Rate;
- (v) Change of the level of subordination of the Notes;
- (vi) Change of these Terms and Conditions of the Notes which are affected by a change in the Applicable Supervisory Regulations occurring after the Issue Date and which change is necessary to qualify or continue to qualify the Notes as Tier 2 Instruments.

As at the Issue Date, the Issuer does not plan to make any changes to these Terms and Conditions of the Notes. Therefore, no specific parameters have been set within which changes may be made to the Terms and Conditions of the Notes referred to above.

(2) Any amendments will not be made if and to the extent that, in the determination of the Issuer, the same could reasonably be expected to: (i) result in a change in the regulatory classification of the Notes that would be likely to result in their exclusion from own funds or reclassification as a lower quality form of own funds, or (ii) prejudice the qualification of the Notes as eligible liabilities or loss absorbing capacity instruments for the purposes of the Applicable Supervisory Regulations.

(3) Procedure for making changes to these Terms and Conditions of the Notes in compliance with the Applicable Supervisory Regulations

(a) The Issuer shall give the Holders' Representative written notice of any proposed variation of the Terms and Conditions of the Notes (the "**Variation Notice**") containing information about the variation requested and a request for a General Meeting of Holders to be convened to consent to the variation.

(b) The Issuer shall also notify the Competent Supervisory Authority of any planned change in the Terms and Conditions of the Notes, or circumstances that may affect, the qualification of the Notes as a Tier 2 Instrument.

(c) Where, in the opinion of the Issuer, a proposed modification would result in a material change to these Terms and Conditions of the Notes that could affect the qualification or continued qualification of the Notes as Tier 2 Instruments (the "**Material Modification**"), the Issuer should also include in the Variation Notice a clear indication that any such Material Modification to these Terms and Conditions of the Notes will only be made in compliance with, and in full compliance with, the Applicable Supervisory Regulations and the MREL Legislation, including the following:

(i) The Issuer shall also notify the Competent Supervisory Authority in advance of any planned Material Modification.

(d) The Issuer shall enclose with the Variation Notice an original or a copy, certified as a true copy, dated and signed, of a record of a resolution of the Issuer's management board, confirmed by a resolution of the Issuer's supervisory board, to make a proposal to the General Meeting of the Holders to amend these Terms and Conditions of the Notes (the "**Issuer's Variation Resolution**").

(e) On the basis of the Variation notice and the Issuer's Variation Resolution, the Holders' Representative is required to convene a General Meeting of Holders promptly, but with a date not later than 30 calendar days after receipt of the said documents, with an agenda including the necessary items and draft resolutions regarding the granting of consent by the General Meeting of Holders to make the requested change to these Terms and Conditions of the Notes and, where applicable, a clear indication that any Material Modification to these Terms and Conditions of the Notes would be carried out on the condition and in full compliance with the Applicable Supervisory Regulations and the MREL Legislation, including – when applicable – after obtaining the approval of the Competent Supervisory Authority.

(f) The resolution of the General Meeting of Holders concerning changes to these Terms and Conditions of the Notes (the "**Holders' Variation Resolution**") will be validly made, validly adopted and binding on all Holders, if an Ordinary Quorum is present at the General Meeting of Holders and the resolution is passed by at least a Simple Majority.

For the avoidance of doubt, a resolution of the General Meeting of Holders to change these Terms and Conditions of the Notes providing for a Material Modification will be valid and binding on all Holders if made in full compliance with the Applicable Supervisory Regulations, including, where applicable, after notifying the Competent Supervisory Authority. Any resolution of the General Meeting of Holders to change these Terms and Conditions of the Notes which is passed (i) in the presence of an Ordinary Quorum; (ii) by the requisite majority; and (iii) in compliance with the Applicable Supervisory Regulations including – when applicable – after obtaining the approval of the Competent Supervisory Authority, will be binding on all Holders, whether or not they were present at the relevant General Meeting of Holders and regardless of the manner in which they voted, if they were duly invited in accordance with applicable law and these Terms and Conditions of the Notes.

§ 16

RIGHT TO INFORMATION

(1) Holders have the right to access the information that the Issuer will be obliged to publish pursuant to these Terms and Conditions of the Notes and applicable law in Bulgaria. In the event that the Notes are admitted to trading on any regulated market, the Issuer will also prepare and publish the information required by the Prospectus Regulation, the POSA, the Market Abuse Regulation and other applicable legislation.

(2) In addition, Holders are entitled, including upon their request, to obtain information relating to the Notes from the Holders' Representative.

(3) Form of Notice to be given by any Holder.

Notices regarding the Notes which are to be given by any Holder to the Issuer shall be validly given if delivered in writing in English language (unless the Bulgarian language is required under law) to the Issuer or the paying agent (for onward delivery to the Issuer) and by hand, courier or registered mail. Together with the notice, the Holder shall provide evidence satisfactory to the Issuer of its holding of the Notes. Such evidence may be: (i) in the form of a certification from the Central Depository or the Custodian with which the Holder maintains a securities account in respect of the Notes that such Holder

is, at the time such notice is given, the Holder of the relevant Notes; or (ii) in any other appropriate manner.

§ 17

APPLICABLE LAW AND CHOICE OF JURISDICTION

(1) Applicable law and choice of jurisdiction

(a) Legislation under which the Notes are issued

The Notes have been issued under the laws applicable in Bulgaria and accordingly all rights and obligations incorporated therein, as well as all non-contractual obligations which may arise out of or in connection with the issuance of the Notes, shall be governed by the laws applicable in Bulgaria.

In the event of any conflict between these Terms and Conditions of Notes and the provisions of the legislation relating to the treatment of the Notes as Tier 2 Instruments, the Tier 2 Instruments legislation will prevail and will be deemed to supersede the conflicting provisions in these Terms and Conditions of the Notes.

(2) Jurisdiction in disputes

All disputes arising out of or in connection with the Notes and/or the Terms and Conditions of the Notes, including disputes arising out of or relating to their interpretation, validity, performance or termination, as well as disputes to fill gaps or adapt them to newly arising circumstances, or disputes concerning non-contractual obligations which may arise out of or be connected with the issue of the Notes, will be referred to the court of general jurisdiction in the City of Sofia, Bulgaria. Disputes will include, without limitation, any dispute relating to:

- (a) Payments on the Notes;
- (b) Occurrence or Interpretation of Event of Default;
- (c) The validity or interpretation of the Issuer's corporate resolutions;
- (d) The validity or interpretation of resolutions of the General Meeting of Holders.

§18

Corporate Decisions for the Issuance of the Notes

Pursuant to Article 204(3) of the Commercial Act and Article 14 (2) of the Articles of Association of the Issuer, at a meeting held on 11 April 2024, the Management Board of the Issuer resolved to issue the Notes, subject to compliance with all applicable legal provisions, under terms and conditions specified in detail herein. Pursuant to the provisions of Article 14(3) of the Articles of Association of the Issuer, the Supervisory Board of the Issuer by resolution dated 21 May 2024 approved the Management Board's decision to issue the Notes.

BULGARIAN-AMERICAN CREDIT BANK AD

1. Independent Auditors

The independent auditors of the Issuer in relation to the financial statements for the fiscal years ending on 31 December 2022 and on 31 December 2023 prepared in accordance with the International Financial Reporting Standards (IFRS) adopted by the European Union were Ernst & Young Audit OOD, Polygraphia Office Center floor 4, Tsarigradsko shoes boulevard 47A, 1124 Sofia ("**Ernst & Young**") and BDO AFA OOD, 38 Oborishte Street, 1504 Sofia ("**BDO AFA**") who audited the above-mentioned financial statements. In each year, the audits of the above-mentioned financial statements resulted in an unqualified opinion, dated 27 March 2023 and 25 March 2024, respectively.

Ernst & Young and BDO AFA are members of the Institute of Chartered Certified Accountants.

2. General Information about the Issuer

Introduction

The Issuer is a joint-stock company incorporated in the Republic of Bulgaria under the Bulgarian Commercial Act. Its legal name is Bulgarian-American Credit Bank AD and its commercial name is "BACB". The Issuer holds a banking license issued by the BNB pursuant to the Bulgarian Credit Institutions Act. The Issuer was incorporated on 22 December 1995 for an indefinite period. It operates under the legislation of Bulgaria.

The Issuer is registered in the commercial register and register of non-for-profit legal entities (the "**Commercial Register**") with the Registry Agency of the Bulgarian Ministry of Justice and has been given the Unique Identification Code (UIC) 121246419. The legal entity identifier (LEI) of the Issuer is 529900UTZ5VF4APIJR57. The Issuer's effective articles of association (by-laws) were adopted on 16 January 2006 and amended from time to time, with latest amendment dated 18 May 2021. Its registered office is at 2 Slavyanska Street, 1000 Sofia, Sofia Municipality, Bulgaria, its telephone number is +359 2 9058 377 and its website is "www.bacb.bg". The information on the Issuer's website does not form part of this Prospectus unless that information is incorporated by reference into this Prospectus (please see "*Documents Incorporated by Reference*").

History and Development of the Issuer

The Issuer was incorporated by a resolution of the Founding Shareholders' Meeting, held on 22 December 1995 in Chicago, Illinois, USA and initially registered in the Commercial Register with the Sofia City Court by court decision dated 3 December 1996.

The Issuer was incorporated by the Bulgarian-American Enterprise Fund ("**BAEF**"), a U.S. corporation registered under the U.S. Eastern European Democracy Assistance Act of 1989 ("**EEDAA**"), whose primary purpose is to promote entrepreneurship and assist the development of the former communist countries of Central and Eastern Europe. Under the EEDAA, BAEF has been granted funding of US\$ 57.8 million to be invested in Bulgaria to promote private sector development by supporting SME in various sectors of the economy.

Initially, upon its incorporation, the Issuer was granted a limited banking license - the total loan portfolio of the Issuer not to exceed the amount of loans and financing provided by its shareholder. The first two (2) lending programs were tailored for SME and companies in the tourism sector.

In 1998, the banking license was expanded to include authorisation to lend in amounts in excess of the funds provided by BAEF and to perform a large number of other banking services.

In 2002, the Issuer was granted permission by BNB to provide investment services and to carry out investment activities and became a member of the Bulgarian Central Depository and the Bulgarian Stock Exchange ("**BSE**").

In April 2006, the Issuer's majority shareholder at that time, BAEF, sold approximately 30% of the Issuer's capital through a secondary public offering of shares on the BSE, as a result of which the Issuer became a public company within the meaning of the Bulgarian Public Offering of Securities Act and was listed for trading at the official market of BSE. Subsequently, BAEF reduced its shareholding in the Issuer to 53.89% by selling shares on the regulated market of the BSE.

On 29 August 2008, after obtaining the necessary authorisations and approvals from the competent institutions in Bulgaria and Ireland, Allied Irish Banks, p.l.c., Ireland acquired 49.99% of the voting shares of the Issuer.

In 2009, the Issuer's banking license was updated to include all banking services under the Bulgarian Credit Institutions Act except for issuing and making payment transactions through bank payment cards, renting of safe deposit boxes and issuing electronic money.

On 17 June 2011, after obtaining the necessary authorisations and approvals from the competent authorities in Bulgaria, Allied Irish Banks, p.l.c., Ireland sold its entire shareholding, representing 49.99% of the Issuer's then issued share capital, to Clever Synergy Investment Fund AD ("**CSIF AD**").

In 2011, the Issuer's capital increased from BGN 12,624,725 (EUR 6,454,919) to BGN 24,691,313 (EUR 12,624,468) and a tender offer was conducted by the shareholder CSIF AD under the terms and conditions of the Bulgarian Public Offering of Securities Act.

In 2012, the Issuer's banking license was once again extended with the activities of issuing payment cards (debit and credit), issuing electronic money and renting safe deposit boxes.

Thus, since 2012 the Issuer is licensed to carry on and offer the full range of banking services as provided under the Bulgarian Credit Institutions Act.

Within 2021 and as part of its strategy for optimization and restructuring of its investments, the shareholder CSIF AD reduced its shareholding to 45.68%. The majority of the transferred shares were acquired by Ms. Tsvetelina Borislavova, CSIF AD's major shareholder of the Chair of the Supervisory Board of the Issuer, and the remainder were acquired by other corporate investors.

Recent Events

On 16 April 2024, the Issuer, acting as the purchaser, and Tokushukai Incorporated, a company registered under Japanese law with company number 0100-01-066799, as the seller, reached an agreement to purchase 6,796,250 book-entry registered voting shares, each with a face value of BGN 10.00 (EUR 5.11) amounting to 99.94% of the capital of Tokuda Bank AD, a credit institution fully licensed to operate in Bulgaria, registered and existing under Bulgarian law, with headquarters and registered address at 1000, Sofia, Bulgaria, in the Vazrazhdane district, 21 George Washington Street (Tokuda Bank). The completion and closing of this acquisition are contingent upon obtaining all requisite regulatory approvals and clearances from the competent authorities (BNB and Bulgarian Commission for Protection of Competition). This acquisition is expected to have an impact on the Issuer in the next reporting periods.

Apart from the above there are no recent events particular to the Issuer which are to a material extent relevant to the evaluation of the Issuer's solvency.

Credit Ratings

Credit ratings assigned to the Issuer by BCRA are an indicator of the Issuer's ability to meet its obligations in a timely manner. The lower the assigned credit rating is on the respective scale the higher BCRA assesses the risk that obligations will not be met at all or not be met in a timely manner.

The risk related to the Issuer's ability to fulfil its obligations as Issuer of debt securities is described by reference to the credit ratings assigned to the Issuer. As of the date of this Prospectus, the following credit ratings have been assigned:

CREDIT RATINGS		BCRA¹
Long-term		BB+
Outlook		Stable
Short-term		B
National-scale long term		BBB+ (BG)
Outlook		Stable

¹ BCRA has its registered office at Office 3A, Fifth Floor, Sofia Tower II, 101 Aleksandar Stamboliyski Boulevard, 1303 Sofia.

National-scale short-term

A-2 (BG)

More detailed information on the credit ratings can be retrieved on the Issuer's website ("www.bacb.bg/en/for-investors/reports-and-financial-information/credit-rating"). General information regarding the meaning of the credit rating and the qualifications which have to be observed in connection therewith can be found on the website of BCRA ("www.bcra.eu/en/rating-actions").

BCRA is registered under the CRA Regulation as registered credit rating agency. The ESMA publishes on its website ("www.esma.europa.eu") a list of credit rating agencies registered in accordance with the CRA Regulation. That list shall be updated within five working days following the adoption of a decision under Articles 16, 17 or 20 of the CRA Regulation. The European Commission publishes that updated list in the Official Journal of the EU within 30 days following the updates.

3. Business Overview

Main activities of the Issuer

The Issuer's lending policy focuses on green economy development projects, financing of business ventures related to energy saving and renewable energy sources, energy efficiency and environmental protection projects funded by the EU, as well as providing innovative solutions for businesses. Structurally, efforts continue to focus on diversifying the loan portfolio through exposures to SME and economic sectors with sustainable performance, such as manufacturing and agriculture. The Issuer prioritises the financing of projects with approved financial grants under EU operational programmes and the Bulgarian Development Bank.

The Issuer operates through its head office in Sofia and operational offices in Sofia (5 offices), Plovdiv (2 offices), Varna (2 offices), Burgas (2 offices), Veliko Tarnovo, Pleven, Stara Zagora, Ruse, Chepelare, Petrich, Kardzhali (2 offices) and Kozloduy. The Issuer's offices and the integrated system of various remote channels offer the full range of banking services. The Issuer actively offers its corporate banking products and services through several specialized Business Centers in Sofia, Plovdiv, Burgas Varna and Ruse.

In addition, the Issuer actively manages remote banking platforms for its customers.

Main categories of products and services

The Issuer offers a full range of banking services and products. In addition to financing small and medium-sized enterprises, corporate and transaction banking, the Issuer is also expanding its loan portfolio in the retail banking segment by offering a wide range of credit products to meet the needs and interests of individuals.

The Issuer follows a policy of moderate growth of its loan portfolio to individuals, striving to provide clear and transparent terms and conditions to its customers and attractive pricing based on market indices. The focus is on low-risk mortgages, which have been the main driver of the Issuer's retail portfolio growth over the past few years, while the customer profile is the leading driver in consumer financing, which is also the reason for the excellent quality of the portfolio.

The Issuer relies exclusively on an individual approach, where clients receive terms and conditions tailored to their needs and taking into account a wide range of factors in the loan transactions.

As a result of this strategy, as of 31 December 2023 mortgage loans amounted to BGN 288.4 million (EUR 147.5 million) compared to BGN 196.5 million (EUR 100.5 million) as of 31 December 2022. The market share is 1.31%, which ranks the Issuer eighth in the banking system in Bulgaria, just behind the major market players. The annual growth was 46.77%, compared to 19.95% growth in this segment of the banking market. In the first quarter of 2024, the Issuer strengthens its mortgage market position, growing by BGN 10.2 million (EUR 5.215 million) and reaching BGN 298.6 million (EUR 152.6 million) of mortgage loans portfolio (*Source: Financial Supervision Reports' data about the banking system issued by the BNB*).

Consumer loans as of 31 December 2023 increased up to BGN 150.2 million (EUR 76.8 million) compared to BGN 114.9 million (EUR 58.7 million) as of 31 December 2022 and reached a market share of 0.82%. The reported growth compared to the end of 2022 is 30.72%, compared to 11.79% for the banking system. In the first quarter of 2024, the Issuer increased its position in the market segment by BGN 8.4 million (EUR 4.295 million) reaching BGN 158.6 million (EUR 81.09 million) consumer loans portfolio (*Source: Financial Supervision Reports' data about the banking system issued by the BNB*).

The Issuer has a strong liquidity position in attracting funds from individuals, as the attracted funds of individuals amount to over BGN 812 million (EUR 415 million) as of 31 December 2023, the main part of which are term deposits from the local market - over BGN 538 million (EUR 275 million). Despite inflation and low interest rates, total funds attracted grew by 2.35%, while the Bulgarian banking system recorded a 11.22% growth compared to the fourth quarter of 2022. In the first quarter of 2024, the Issuer achieved substantial growth of BGN 54.2 million (EUR 27.7 million) in attracted funds (3.15% quarter on quarter growth compared to 2.04% for the banking system), resulting in BGN 866 million (EUR 442.8 million) attracted funds in total. The market share increased to 1.03% compared to 0.98% by the end of 2023 (Source: *Financial Supervision Reports' data about the banking system issued by the BNB*).

Lending

The Issuer's loan products are designed for individuals and business customers - micro, small, medium and large enterprises. The Issuer has developed a wide range of standardized loan products to meet the needs and interests of its customers. Standardisation enables the rapid servicing, assessment and consequent provision of the necessary resources for customers who have a need for financing. The Issuer's lending activities could be presented in two (2) main groups - credit products for individuals and for legal entities.

Products for individuals

Credit products for individuals

Loan products aimed at customers - individuals are intended for the purchase of real estate, renovation and finishing works, financing of current needs, including the purchase of goods and/or services, supplementing in case of temporary shortage of own cash, pooling credit obligations, etc.

The loan products for individuals offered by the Issuer are:

- Loans secured by mortgage:

Typically, mortgage-backed loans are long-term loans granted to individuals secured by a first priority mortgage on the real estate property subject to the transaction or other property owned by the borrower or a third party, fully insured in favour of the Issuer.

Loans secured by a mortgage can be either targeted or non-targeted:

- The targeted credits shall be granted for the following purposes:
 - purchase of finished (with occupancy permit) real estate properties, residential or non-residential, to be used for residential purposes;
 - purchase of land plots intended for residential or villa development;
 - construction of houses, villas, studios, garages and apartments;
 - finishing works, improvement, reconstruction, repair of real estate properties (with commission permits);
 - purchase of ideal parts of co-owned properties;
 - purchase or exchange of real estate properties from state, departmental or municipal housing stock or real estate owned by sole-owned state or municipal companies and enterprises;
 - refinancing of loans to a borrower/debtor or to a third party with similar parameters granted by other banks.
- Non-targeted loans are granted to finance current needs, ordinary or extraordinary family/personal expenses and needs to refinance debts to other banks and/or financial institutions.

The Issuer's credit activities above are carried out in accordance with the Bulgarian Credit Institutions Act, the Bulgarian Credits for Real Estate Properties of Consumers Act, the applicable provisions of the Bulgarian Consumer Credit Act and other applicable laws in force.

The Issuer also provides mortgage-backed loans to individuals that are not within the scope of the Credits for Real Estate Properties of Consumers Act, but meet the requirements of the Credit Institutions Act and other applicable law, for the following purposes:

- purchase of real estate, with a legal entity – co-debtor acquiring the title of the real estate subject to the transaction;
- purchase of real estate by an individual borrower for the purpose of carrying on his trade, business or professional activities;
- purchase of commercial property (offices, shops, etc.) that will not be used for residential purposes;
- refinancing of loans granted by other banks, with similar parameters to those mentioned above.

- Consumer loans

Consumer credits are provided to individuals for the purpose of financing current needs, including the purchase of goods and/or services, supplementing a temporary shortage of own cash, pooling credit obligations, etc. They are divided into:

- Consumer loans secured by pledge of wages and/or salaries, including a consumer loan with the option to revolve the principal amount repaid (a revolving credit line);
- Consumer loans secured by personal guarantee;
- Consumer loans secured by a pledge on account receivables;
- Consumer credit - overdraft;
- Credit Card;
- Express loans, including:
 - Consumer credit for the purchase of goods, which is available at selected Technomarket outlets, with a simplified application procedure and a response within 5 minutes;
 - BACB express loan - an express consumer loan, which is offered in selected shopping centers in the cities of Sofia, Plovdiv, Varna and Burgas. Only a valid ID-card is needed for the application. The answer is received in minutes and the credit is provided via a bank account of the client in any Bulgarian bank.
 - In 2019, the Issuer launched a paperless process for goods and express loans, which is:
 - technological - the application and signing of documents is done remotely via a mobile device;
 - environmentally friendly - saves paper costs and reduces logging;
 - economical - saves office equipment and employee workload;
 - reliable - the automated process ensures minimal chance of errors in processing documents;
 - convenient - borrowers get a personal electronic archive with personalized 24/7 access.
- Online credit "At a glance":

In 2021, the Issuer started offering a consumer loan for individuals that is granted entirely online - without a visit to a bank office, 24/7. For this purpose, the Issuer invested in the development of a special platform "credit .bacb.bg", where borrowers sign the necessary documents remotely and receive approval in a few minutes.

- Specialized loan for financing undergraduate and postgraduate students, guaranteed by state financial support, which is granted in accordance with the Bulgarian Lending to Undergraduate and Postgraduate Students Act.

Since 2018, the Issuer has been part of the Bulgarian Ministry of Education and Science's program for lending to undergraduate and graduate students with state financial support. This allowed the Issuer to expand and deepen its cooperation with state institutions in Bulgaria and enter a new

segment for the Issuer - lending to young people /students and PhD candidates/, which creates possibilities for cross-selling and expanding relationships with this type of customers in the future.

Other key products for individuals

- CLEAR ACCOUNT with VISA card: CLEAR ACCOUNT is the Issuer's flagship payment accounts product for attracting new customers.
- Online account and card: In 2022, the Issuer started the process of online opening of current accounts with attached debit cards. The entire process is un-present - documents are signed and exchanged through digital channels.

A VISA debit card is obtained from the Issuer and can be digitized in a mobile phone.

The Issuer provides a full range of standard banking services to its individual customers, with an emphasis on online and remote customer service - through the BACB Online internet banking and various platforms for online products Online Deposit, Online Loan "At a Glance", Online Opening of a Clean Account with VISA card.

In order to optimize processes, improve the customer experience and as part of the Issuer's digital development strategy, a process for remote signing of documents by customers - individuals was developed in 2020.

Currently, the process is used for existing clients to sign contract addendums, repayment plans and other documents without the need to visit an office - this saves clients time and eases office workloads.

Other current loan products for individuals:

Pursuant to the ESG Development Strategy of BACB 2024-2026, the Issuer plans activities associated with the EU Taxonomy, including the introduction of ESG (Environmental, Social and Governance) risks management and sustainable development, providing of sustainable financing solutions, such as green loans and sustainability linked loans, where the purpose of the financing will have a positive impact on the environment, including:

- Consumer loans for home energy efficiency with targeted energy saving measures;
- Loans secured by mortgages the purchase of properties in buildings with an energy efficiency certificate of class A+, A or B;
- Capture and storage of carbon dioxide;
- Funding for emerging energy innovations such as green hydrogen production.

In 2023, the Issuer analyzed its clients and credit portfolio to identify exposures to business activities eligible under the EU Taxonomy, focusing on the environmental objectives for mitigating climate change and adaptation.

SME and Corporate lending

Credit products for legal entities

The Issuer focuses on segmentation and identification of its target groups using an innovative market approach. To this end, loan products are being developed to fully meet the needs of the Issuer's customers.

The credit products thus developed are designed to cover the needs of:

- working capital supporting the company's operating activities; and/or
- investment funds supporting the expansion of the company's operations and maximizing the efficiency of the company's processes.

The Issuer aims to establish and develop long-lasting relationships with its customers and partners by offering competitive terms, flexible credit solutions depending on the purpose of the loan. The Issuer pursues a transparent credit policy, informing its customers in a timely manner about changes in the terms and conditions of its credit products.

The Issuer provides various customer-oriented financing options:

- sole traders and legal entities - trading companies and their associations, cooperatives,

municipalities, non-profit associations, non-bank financial institutions;

- entities under the Bulgarian Obligations and Contracts Act;
- companies applying for EU operational programmes;
- registered farmers.

The Issuer has a consistent policy of building stable and long-term relationships with its customers.

The Issuer works in close cooperation with the National Guarantee Fund, the Bulgarian Development Bank, the Municipal Guarantee Fund for Small and Medium Enterprises and the Financial Instruments Portfolio Manager in Bulgaria, and the Issuer's efforts are focused on supporting and developing Bulgarian SME.

In 2023 and in the first quarter of 2024, the Issuer continued its work under the following guarantee schemes to ease the collateral requirements for loans:

- An agreement with the Bulgarian Development Bank for financing SME with guarantee facilities and counter-guarantees under the COSME Programme of the European Investment Fund, with the support of the European Fund for Strategic Investments - COSME+ Programme in the amount of EUR 10,000,000. As of 31 December 2023, there are 47 outstanding loans with a total principal amount of BGN 4,794,402.99 (EUR 2,451,339.32) and guarantees for BGN 2,876,641.79 (EUR 1,470,803.59). As a result, 126 SME with a total of over 1,505 employees and total assets of BGN 192,094,998.63 (EUR 98,216,613.22) have been supported. There are 12 outstanding loans as of 31 March 2024.
- Guarantee scheme to facilitate SME' access to finance from commercial banks through a risk-sharing programme by the National Guarantee Fund and the Bulgarian Ministry of Agriculture and Food. As of 31 December 2023, there are 13 outstanding loans with a total principal amount of BGN 752,691.05 (EUR 384,844.82) and guarantees for BGN 376.345.52 (EUR 192,422.41). Since the beginning of the programme 77 SME have been supported with a total loan amount of BGN 48,784,000 (EUR 24,942,863.13). Guarantee Scheme for SME Support from National Guarantee Fund /SMEs 2019/. As of 31 December 2023, there are 43 outstanding loans under the programme for a total of BGN 14,717,825.29 (EUR 7,525,104.58) with a guarantee amount of BGN 6,063,773.85 (EUR 3,100,358.34). As a result of this program 80 SME with more than 1,073 employees and total assets of BGN 216,810,000 (EUR 110,853,192.76) have been supported. The outstanding loans amount BGN 49.6 million (EUR 25.4 million) as of 31 March 2024.
- Guarantee scheme under the COSME Programme of the National Guarantee Fund and the European Fund for Strategic Investments (EFSI). As of 31 December 2023, there are 14 outstanding loans with total principal amount of BGN 2,491,065.73 (EUR 1,273,661.68) and guarantees amounting to BGN 1,245,532.87 (EUR 636,830.84). A total of 32 SME with a staff of over 741 employees have been supported under the scheme and loans of BGN 12,834,222.00 (EUR 6,562,033.51) have been granted.
- Guarantee scheme for support of SME from National Guarantee Fund /SMEs 2022/ with a total guaranteed portfolio of BGN 50,000,000 (EUR 25,564,594.06), which enables BACB to provide loans in amount over BGN 110,000,000 (EUR 56,242,106.93). As of 31 December 2023, there are 63 outstanding loans. As a result, 68 SME with a total of over 940 employees and total assets of BGN 128,896,548 (EUR 65,903,758.51) have been supported. There are 87 outstanding loans of 31 March 2024.
- Guarantee programs of the Municipal Guarantee Fund for Small and Medium Enterprises at Sofia Municipality. As of 31 December 2023, there is an outstanding guarantee portfolio in the amount of BGN 881,603.87 (EUR 450,756.90) or loans in the amount of BGN 2,910,037.00 (EUR 1,487,878.29). In total, the programmes have supported 138 SME with loans for over BGN 49,365,000 (EUR 25,239,923.72) (139 SME at 31 March 2024).
- Covid-19 Guarantee Programme to support SME affected by the pandemic, in partnership with the Bulgarian Development Bank. As of 31 December 2023, there are 141 outstanding loans with a principal amount of BGN 21,259,025.62 (EUR 10,869,567.20) and guarantees amounting to BGN 17,511,434.37 (EUR 8,953,454.22).
- Recovery Programme to support SME through guarantees of the Bulgarian Development Bank.

Since the beginning of the programme, 61 loans have been implemented in the amount of BGN 26,109,580.23 (EUR 13,349,616.39) to clients with a total staff of 563 employees and total assets of BGN 277,264,042 (EUR 141,762,853.62). As of 31 December 2023, there are 56 outstanding loans with principal amounts of BGN 19,629,086.25 (EUR 10,036,192.43) and guarantees of BGN 16,104,437.44 (EUR 8,234,068.11). The outstanding loans at 31 March 2024 are 61.

- Guarantee scheme for overcoming the consequences of the COVID-19 pandemic.

Guarantee scheme with Financial Instruments Fund Manager in Bulgaria - Portfolio Guarantee with loss cap for PREVENTION OF THE IMPLICATIONS OF THE COVID-19 PANDEMIC as of 31 December 2023 has a total of 33 supported micro, small and medium enterprises for BNG 21,665,257.52 (EUR 11,077,270.27). The full amount of the guarantee portfolio has been utilized. The outstanding loans at 31 March 2024 are 18.

- "RECOVERY 2" Guarantee Programme for Unsecured Loans together with the Financial Instruments Fund Manager in Bulgaria.

Guarantee program for unsecured loans in cooperation with the Financial Instruments Fund Manager in Bulgaria - Portfolio guarantee with loss cap "RECOVERY 2" with a total guarantee amount of BGN 13,061,526 (EUR 6,678,252.20) covering 80% of the loans. As of 31 December 2023, there are 20 loans for BGN 16,220,535.74 (EUR 8,293,428.23).

The Issuer's main objectives include supporting Bulgarian companies in the following areas:

- agricultural producers
- processing companies in the food sector
- projects in the energy efficiency and agriculture sectors
- renewable energy projects
- wastewater treatment and waste recovery

The Issuer has extensive experience and knowledge in financing projects, including those under various European programmes.

Loans for SME

In general, the Issuer's activity in providing financing to small, medium and large enterprises operating in Bulgaria could be classified into two (2) main groups:

Loans for short-term financing

- Loan financing products are designed to cover the working capital requirements supporting the operating activities of companies. The Issuer offers credit products oriented to different target groups of customers:
- Working capital loan in the form of an overdraft, revolving credit line or a loan with a repayment plan – financing is available to: commercial companies and their associations, cooperatives, non-profit associations, non-bank financial institutions, entities under the Bulgarian Obligations and Contracts Act, sole traders, freelancers, artisans or farmers;
- Credit facility for the issue of bank guarantees / letters of credit – the facility provides unconditional or conditional commitments made by the Issuer at the customer's order in favour of its counterparty, in favour of another bank or government institution;
- Credit against direct grant payments – intended for farmers, granted on the basis of the expected subsidy for the declared areas and/or animals.

Loans for medium and long-term financing

These loan products are offered to business customers as investment vehicles to support the company's ability to expand its operations and maximize the efficiency of its production process, as well as to finance specific investment projects. The funds are earmarked for the acquisition or construction of tangible fixed assets.

Given its conservative provisioning policy and good capital adequacy ratio, the Issuer believes that it is adequately positioned to meet the economic challenges facing Bulgarian business and to respond with flexible solutions to the needs of business and citizens. The Issuer's broad deposit base, combined with prudent risk management and flexible business model, remain the key advantages that will enable it to take advantage of the opportunities offered by the changing market environment.

Deposits

Current accounts

The Issuer offers current accounts to individuals and legal entities in BGN and foreign currency. Customers can make payments in the country and abroad, cash transactions, purchase and sale of foreign currency, card transactions, etc. Customers operate their accounts through the developed remote banking channels, as well as over the counter at the Issuer's offices.

In 2023, the Issuer has introduced an innovative and client friendly option for online onboarding of Bulgarian legal entities and opening of bank accounts online, without the need of physical visit of a bank office.

Time deposit accounts

The Issuer offers deposits to individuals and legal entities in BGN and foreign currency.

For individuals, the Issuer offers a wide range of term deposits, including:

- standard deposits;
- flexible deposits – with the possibility to make top-up deposits throughout the term of the deposit, as well as to withdraw amounts up to a total of 30% of the original principal amount deposited, without breaching the terms of the deposit;
- deposits with increasing interest – where the interest rate increases over a period of time and the depositor has the option of disposing of the deposit at the end of each step (at which the interest rate changes) without breaching the terms of the deposit;
- online deposits – intended for new customers of the Issuer. They are opened through remote registration and are funded from the depositor's account in another bank in Bulgaria or an EU member state.
- deposits combined with insurance – long-term deposits (3, 5 and 7 years) with automatic monthly transfer of a fixed amount determined by the depositor from his current account with the Issuer on deposit. The Issuer assumes and provides the depositor with accident insurance.

Deposits are offered in terms from 1 month to 7 years.

In order to diversify its deposit portfolio, the Issuer attracts deposits from individuals in Germany and Spain.

For legal entities, the Issuer offers standard deposits with maturities from 1 to 12 months.

Open-ended savings products

The Issuer offers 3 types of savings products for individuals in BGN and foreign currency: Savings Deposit, Targeted Savings Account and Children's Deposit.

Additional services

Payment services

The Issuer makes the full range of payments in local and foreign currencies. The Issuer uses the BISERA6 and RINGS systems for local currency payments. For payments in foreign currency, the Issuer executes transfers via SEPA, TARGET, SWIFT and BISERA 7.

In 2023, the Issuer recorded an overall increase of 8% in the number of transfers, with the number of BGN transfers increasing by 8% and foreign currency transfers by 10%.

The Issuer offers an electronic payment system for utility and household bills. For customers with regular payments, the Issuer offers an automatic recurring payment order to predetermined payees.

The Issuer offers also settlement for the customer's payments in leva for Payment Services Providers. In 2023, the Issuer recorded an overall increase of 25% in the number of those transfers compared to the previous year.

Payment services strategy

The Issuer is actively working to standardize and automate further the processes. The optimization speeds up the processing times, increases efficiency and minimizes the risk of errors. The Issuer is implementing direct payment interfaces for large clients.

Fees and commissions collected from trading activities

In 2023, total fees and commissions from trading activities (payments, accounts, cash and documentary operations, etc.) amount to BGN 10.4 million (EUR 5.3 million), representing an increase of 4% compared to the previous year.

Foreign currency transactions

The Issuer offers foreign currency transactions to customers.

The Issuer does not deal in foreign currencies for its own account in order to profit from exchange rate movements. Exposure to foreign exchange risk is minimal.

Documentary operations

The Issuer offers all types of documentary operations – letters of credit, guarantees and documentary collections.

In 2023, the Issuer records an overall increase of 35% in the number of the documentary transactions compared to the previous year.

Investment services

The Issuer is licensed by the Bulgarian Financial Supervision Commission to provide investment services and is a member of the BSE and the Bulgarian Central Depository (Financial Supervision Commission Certificate No. P-05-36/19.02.2003, BNB Governor's Order No. RD22-1202/29.11.02). In this capacity, the Issuer offers its clients standard brokerage services as well as services as a registration agent.

Debit and credit cards

The Issuer is a member of the international card organisations VISA and MasterCard for issuing and acquiring. It issues international debit and credit cards for individuals and legal entities under the VISA brand. The issued cards can be added to Google Pay and Apple pay wallets. In 2023, the Issuer launched a debit card cashback programme.

The Issuer operates a network of ATMs and POS terminals installed throughout the country.

Remote banking platforms

BACB Online is the Issuer's online banking platform, which provides customers with the opportunity to build the banking experience to their own preferences, features state-of-the-art security systems, including biometric transaction verification tools and higher payment limits. Customers also have the option to bank via their mobile phone using the BACB Mobile remote banking app. In this way, the Issuer is evolving its banking concept where customers can access their finances anywhere, anytime without having to visit a physical bank office. Through BACB Online and BACB Mobile, the Issuer offers its customers the ability to make all standard payment transactions online as well as initiate, modify and use all banking products and services through the online platform.

4. Organisational Structure

Current Ownership Structure

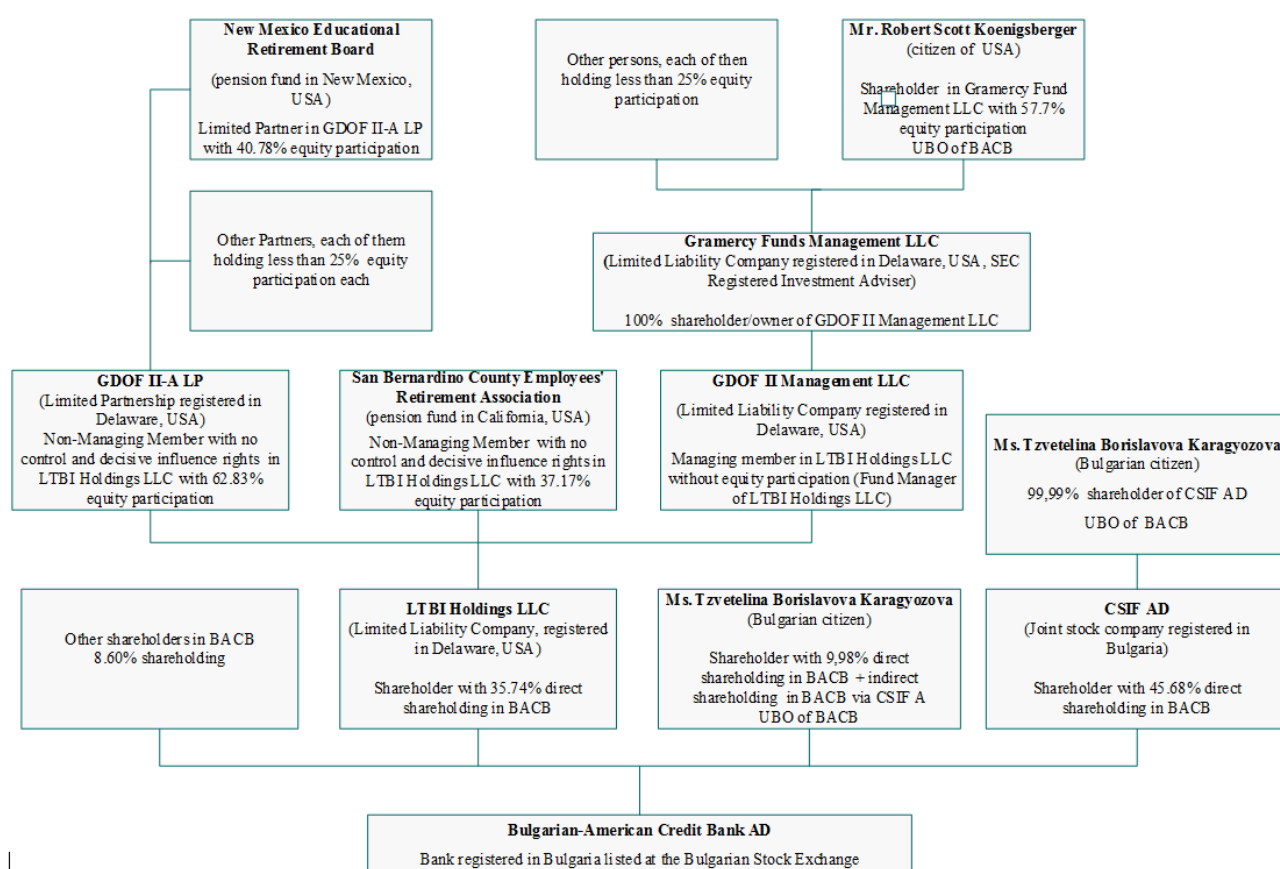
Shareholder	Percentage of votes in the General Meeting of Shareholders
CSIF AD	45.68%

Tsvetelina Borislavova Karagyozova	9.98%
L.T.B.I. Holdings L.L.C. (LTBI Holdings LLC)	35.74%
Other shareholders	8.6%

To the best of the knowledge of the Issuer, there are measures, like applicable corporate governance regulations, to ensure that such control over the Issuer is not abused.

The Issuer is not aware of any arrangements the operation of which may at a subsequent date result in a change in control over the Issuer.

Important Holdings



Source: Internal information of the Issuer.

The Issuer is not part of a broader group of companies but is the parent company of the economic group comprising the Issuer and its subsidiaries BACB Finance EAD and BACB Trade EAD.

BACB Finance EAD is a joint stock company which carries out its activities on the territory of Bulgaria. Its business activities include lending with funds not raised through public solicitation of deposits or other repayable funds, financial leasing, guarantee transactions, acquisition of receivables under loans and other forms of financing (factoring, forwarding, etc.) and acquisition of participations credit and financial institutions.

BACB Trade EAD is a joint stock company which carries out its activities on the territory of Bulgaria. Its business activities include financial advisory and commercial advisory services, provision of advice to companies on capital structure, strategy, restructuring, business optimization and management and related matters, provision of information processing services, project finance, acquisition and management of equity interests, management, administration and collection of receivables, acquisition and management of real

estate and other assets, leasing and trading.

The activities of the Issuer's subsidiaries are ancillary to the Issuer's core banking business and do not have a material impact on the Issuer's business or financial condition. Therefore, the Issuer is not dependent on its subsidiaries.

5. Management and Supervisory Bodies

Management Board

As of the date of this Prospectus, the Management Board of the Issuer consists of the following persons, who also hold positions in other entities besides the Issuer as follows:

Name and position in the Issuer	Name of entity other than the Issuer	Position held in entity other than the Issuer
Ilian Petrov Georgiev <i>Chief Executive Officer</i>	BACB Trade EAD	Member of the Board of Directors
	BACB Finance EAD	Member of the Board of Directors
	IDS Fund AD	Member of the Board of Directors
	Paynetics AD	Member of the Board of Directors
Loreta Ivanova Grigorova <i>Executive Director</i>	-	-
Alexander Dimitrov <i>Executive Director</i>	Phyre AD	Member of the Board of Directors
	Tixi AD	Member of the Board of Directors
Silvia Kirilova <i>Executive Director</i>	Kirilov & Kirilova Law Firm	Managing Partner

Supervisory Board

As of the date of this Prospectus, the Supervisory Board of the Issuer consists of the following persons, who also hold positions in other entities besides the Issuer as follows:

Name and position in the Issuer	Name of entity other than the Issuer	Position held in entity other than the Issuer
Tsvetelina Borislavova Karagyozeva <i>Chairwoman</i>	CSIF AD	CEO and Chairwoman of the board of Directors
Petar Georgiev Atanasov <i>Member</i>	-	-
Martin Boychev Ganev <i>Independent Member</i>	Papia 1 EOOD	Manager
	Green Strandja EOOD	Manager
	DK-Domostroene AD	Member of the Board of Directors
	Terra Way Investment Group AD	Member of the Board of Directors

The business address of the above-mentioned members of the Management Board and the Supervisory Board is the address of the Issuer, 2 Slavyanska Street, 1000 Sofia, Bulgaria.

The Issuer confirms that according to its best knowledge and conscience the members of the Management Board and the Supervisory Board are not subject to any conflicts of interest between their obligations towards the Issuer and their private interests or any other obligations.

6. Legal and Arbitration Proceedings

In the previous 12 months there have been no administrative, governmental, court or arbitration proceedings which, as far as the Issuer's Management Board's estimates, are likely to have, or have had in recent past, significant effects on the Issuer's financial position or profitability.

7. Significant Changes and Material Adverse Changes

On 16 April 2024, the Issuer, acting as the purchaser, and Tokushukai Incorporated, a company registered under Japanese law with company number 0100-01-066799, as the seller, reached an agreement to purchase 6,796,250 book-entry registered voting shares, each with a face value of BGN 10.00 (EUR 5.11) amounting to 99.94% of the capital of Tokuda Bank AD, a credit institution fully licensed to operate in Bulgaria, registered and existing under Bulgarian law, with headquarters and registered address at 1000, Sofia, Bulgaria, in the Vazrazhdane district, 21 George Washington Street (Tokuda Bank). The completion and closing of this acquisition are contingent upon obtaining all requisite regulatory approvals and clearances from the competent authorities (BNB and Bulgarian Commission for Protection of Competition). This acquisition is expected to have an impact on the Issuer in the next reporting periods.

Apart from the above there has been no material change in the prospects of the Issuer since 31 December 2023 and no significant change in the financial position and in the financial performance of the Issuer and/or the Issuer Group since 31 March 2024.

8. Material Contracts

There are no material contracts that were not entered into in the ordinary course of the Issuer's business, which could result in any group member being under an obligation or entitlement that is material to the Issuer's ability to meet its obligations to securities holders in respect of the securities being issued.

TAXATION

The information set out below represents a general overview of certain material Bulgarian tax law aspects that may be relevant for a potential investor in the Notes. The overview is not exhaustive and should not be construed as legal or tax advice to the potential investors. Thus, potential investors should consult their own professional tax advisors regarding the Bulgarian tax consequences (including the applicability and the effect of double taxation treaties) of acquiring, owning and disposing of Notes in their particular circumstances.

This overview is based on the laws of the Republic of Bulgaria as in effect by the date of this Prospectus and their prevailing interpretation available by such date.

In general, the Notes would be regarded as financial assets under Bulgarian law and this could give rise to a taxable income for their holder under the following circumstances: (i) during the possession period (in the form of interest), and (ii) at the time of their disposition (in the form of capital gains).

Taxation of Bulgarian tax resident legal entities

Bulgarian tax resident legal entities

The following legal entities are considered to be tax residents of Bulgaria:

- All legal entities established under Bulgarian laws;
- The legal entities established pursuant to Council Regulation (EC) No 2157/2001 of 8 October 2001 on the Statute for a European company and the cooperatives, established pursuant to Council Regulation (EC) No 1435/2003 of 22 July 2003 on the Statute for a European Cooperative Society (SCE), where they have their registered office in Bulgaria and they are entered in a Bulgarian register.

Corporate income tax

The taxable profits of any Bulgarian tax resident legal entity are subject to 10 % corporate income tax. The taxable income is determined based on the accounting profits/losses which are adjusted for tax purposes. The accounting profits/losses are determined by applying International Financial Reporting Standards (IFRS) or the Bulgarian National Accounting Standards.

Primarily the income from financial assets (e.g., interest, capital gains from sale, exchange or other disposals) derived by a Bulgarian tax resident legal entity will be included in its taxable profits. Losses from sale, exchange or other disposals of financial assets are generally tax deductible subject to certain exceptions.

Taxation of non- Bulgarian tax resident legal entities

Non-Bulgarian tax resident legal entities

Any legal entity which may not qualify as a Bulgarian tax resident is considered to be a non- Bulgarian tax resident.

Withholding Tax

Interest with a source from Bulgaria derived by a non-Bulgarian tax resident legal entity and not attributable to a permanent establishment in Bulgaria, is subject to Bulgarian withholding tax at the rate of 10 %, subject to certain exemptions. In particular, interest income on bonds or other debt securities issued by a Bulgarian tax resident legal entity which are traded on a regulated market in Bulgaria, an EU Member State or an EEA country, is exempt from Bulgarian withholding tax.

Any capital gain income of a non-Bulgarian tax resident legal entity from disposition of financial assets issued by a Bulgarian tax resident legal entity, is subject to 10% withholding tax in Bulgaria. The taxable income is the positive difference between the selling price and the documented acquisition cost of the financial asset. The withholding tax has to be declared and paid by the non-Bulgarian tax resident income recipient, rather than to be withheld by the Bulgarian income payer. The withholding tax may potentially be reduced or eliminated based on the provisions of the double tax treaty between Bulgaria and the country in which the non-Bulgarian tax resident legal entity is resident for tax purposes. In case the capital gain income exceeds BGN 500,000 (EUR 255,646) for a calendar year, the non-Bulgarian tax resident income recipient would have to apply for tax treaty clearance and obtain a formal permission to apply the treaty relief from the Bulgarian National Revenue Agency.

Corporate Income tax

In case a non-Bulgarian tax resident legal entity creates a permanent establishment in Bulgaria, any income from financial assets which is attributable to that permanent establishment would be subject to 10% Bulgarian

corporate income tax.

Taxation of Bulgarian tax resident individuals

Bulgarian tax resident individuals

An individual is considered to be a tax resident of Bulgaria in case he/she:

- has his/her permanent address in Bulgaria, or
- spends on the territory of Bulgaria more than 183 days in each period of 12 consecutive months, or
- resides abroad on assignment of the Bulgarian state, its authorities and/or its organizations, or of Bulgarian enterprises, or
- has his/her centre of vital interests located in Bulgaria. If the individual has a permanent address in Bulgaria, but the centre of his/her vital interests is not located in Bulgaria, he/she is not considered a Bulgarian tax resident.

Personal income tax

Interest income derived by a Bulgarian tax resident individual is subject to Bulgarian personal income tax at the rate of 10%, subject to certain exemptions. In particular, Bulgarian resident individuals are exempt from personal income tax on interest and discounts made on Bulgarian government, municipal and corporate bonds and similar bonds issued in accordance with the legislation of another EU Member State or of an EEA country.

The taxable capital gain income of a Bulgarian resident individual from sale, exchange or other disposal of financial assets is subject to 10% personal income tax. The taxable income is the sum of the profits derived during the respective year, determined for each particular transaction, reduced by the sum of the losses incurred during the same year, determined for each particular transaction. The realised profit or incurred loss is determined by reducing the selling price with the acquisition cost of the financial asset.

Taxation of non-Bulgarian tax resident individuals

Non-Bulgarian tax resident individuals

Any individual who may not qualify as a Bulgarian tax resident is considered to be a non-Bulgarian tax resident.

Withholding Tax

Interest with a source from Bulgaria derived by a non-Bulgarian tax resident individual having no fixed base in the country, is subject to Bulgarian withholding tax at the rate of 10%, subject to certain exemptions. The tax exemption of interest income under Bulgarian government, municipal and corporate bonds available to Bulgarian tax resident individuals applies to tax residents of EU Member States and EEA countries as well, subject to certain documentary requirements.

Any capital gain income of a non-Bulgarian tax resident individual from disposition of financial assets issued by a Bulgarian tax resident legal entity, is subject to 10% withholding tax in Bulgaria. The taxable income is the positive difference between the selling price and the documented acquisition cost of the financial asset. The withholding tax has to be declared and paid by the non-Bulgarian tax resident income recipient, rather than to be withheld by the Bulgarian income payer. The withholding tax may potentially be reduced or eliminated based on the provisions of the double tax treaty between Bulgaria and the country in which the non-Bulgarian tax resident individual is resident for tax purposes. In case the capital gain income exceeds BGN 500,000 (EUR 255,646) for a calendar year, the non-Bulgarian tax resident income recipient would have to apply for tax treaty clearance and obtain a formal permission to apply the treaty relief from the Bulgarian National Revenue Agency.

SELLING RESTRICTIONS

No Public Offering

No action has been or will be taken in any country or jurisdiction by the Issuer that would permit a public offering of the Notes, or possession or distribution of any offering material in relation thereto, in any country or jurisdiction where action for that purpose is required. Persons who have access to this Prospectus are required by the Issuer to comply with all applicable laws and regulations in each country or jurisdictions in or from which they purchase, offer, sell or deliver the Notes or have in their possession or distribution such offering material, in all cases at their own expense.

Prohibition of Sales to EEA Retail Investors

Any offeror of the Notes represents and agrees, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available the Notes to any retail investor in the EEA. For the purposes of this provision, the expression "**retail investor**" means a person who is one (or more) of the following:

- (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or
- (ii) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

United Kingdom

Prohibition of Sales to UK Retail Investors

Any offeror of the Notes represents and agrees, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available the Notes to any retail investor in the UK. For the purposes of this provision, the expression "**retail investor**" means a person who is one (or more) of the following:

- (i) a retail client, as defined in point (8) of Article 2 of Regulation EU No 2017/565 as it forms part of UK domestic law by virtue of the EUWA; or
- (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of UK domestic law by virtue of the EUWA.

Other regulatory restrictions

Any offeror of the Notes represents and agrees, that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the the Financial Services and Markets Act 2000 (the "**FSMA**")) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the UK.

GLOSSARY AND LIST OF CERTAIN ABBREVIATIONS

For ease of reference, the glossary below sets out certain abbreviations and meanings of certain terms used in this Prospectus. Readers of this Prospectus should always have regard to the full description of a term contained in this Prospectus.

AT 1	own funds pursuant to Article 51 CRR (<i>Additional Tier 1</i>)
Audited Annual Financial Statements 2022	English language version of the Audited Annual Financial Statements of the Issuer for the financial year ended 31 December 2022
Audited Annual Financial Statements 2023	English language version of the Audited Annual Financial Statements of the Issuer for the financial year ended 31 December 2023
BGN	Bulgarian lev
CET 1	own funds pursuant to Article 26 CRR (<i>Common Equity Tier 1</i>)
CRA Regulation	Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies, as amended
CRR	Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012, as amended (<i>Capital Requirements Regulation</i>)
EEA	European Economic Area
ESMA	the European Securities and Markets Authority
EUR	Euro
EUWA	European Union (Withdrawal) Act 2018
FMA	Austrian Financial Market Authority (<i>Finanzmarktaufsichtsbehörde</i>)
FSMA	Financial Services and Markets Act
Holder	a holder of a Note
Insurance Distribution Directive	Directive (EU) 2016/97 of the European Parliament and of the Council of 20 January 2016 on insurance distribution
Issuer	BULGARIAN-AMERICAN CREDIT BANK AD
Management Board	the management board of the Issuer
MiFID II	Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU (recast) (<i>Markets in Financial Instruments Directive II</i>)
Notes	EUR 15,000,000 8.00% 2024-2034 Subordinated (Tier 2) Notes
Prospectus	this prospectus, as supplemented from time to time
Prospectus Regulation	Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC, as amended
Supervisory Board	the supervisory board of the Issuer
Terms and Conditions of the Notes	the terms and conditions of the Notes which are set out on pages 26 <i>et seqq</i> of this Prospectus
Tier 2	own funds pursuant to Article 62 CRR (<i>Tier 2</i>)
Unaudited Interim Financial	English language version of the Unaudited Interim Financial

**Statements as of 31 March
2024**

Statements of the Issuer for the first quarter of 2024 as of
31 March 2024

NAMES AND ADDRESSES

Issuer

BULGARIAN-AMERICAN CREDIT BANK AD
2 Slavyanska str.
Sofia 1000, Sofia Municipality
Bulgaria

Paying Agent

Bulgarian Central Depository AD
6 Tri Ushi Str., Triaditsa
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Bulgaria

Legal Advisers to the Issuer


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Auditors for the Issuer regarding the fiscal years 2022 and 2023

Ernst & Young Audit OOD
Polygraphia Office Center floor 4, 47A
Tsarigradsko shoes boulevard
1124 Sofia
Bulgaria

BDO AFA OOD
38 Oborishte Street
1504 Sofia
Bulgaria

Signaturwert	c3XcrwH6Sh2WIbRn3FXBqFLQieVMVTLmCBqz04RyBdgjiUmeAgd7oMBm0NwqWejGJNe4Qv9OopcDiljlkobKflqms/oFOmeR4BG1poXRweGQ1xMZncb4XytqSTYSsRHEB07s3ikbLCYdiXXPzK9jEzdxJss/eT2G7+0gYyigPI+ou/TeQpLD7z5aF46T2CkfdUG0uGVynXCXXlPuAKdEgg2wlNXp26yewS8+6V6v6T5n3RuJTiAWtwVKbja+MwbKP7sazGfFoEdHNSfcG0e2qz1vCIpkS111PP/9yJwd+mTNciTCLGocEE38Ph/kayGs+FCz+EwlcIvwhTSuQtuNw==	
	Unterzeichner	Österreichische Finanzmarktaufsichtsbehörde
	Datum/Zeit-UTC	2024-06-10T05:49:52Z
	Aussteller-Zertifikat	CN=a-sign-corporate-07,OU=a-sign-corporate-07,O=A-Trust Ges. f. Sicherheitssysteme im elektr. Datenverkehr GmbH,C=AT
	Serien-Nr.	676111463
	Methode	urn:pdfsigfilter:bka.gv.at:binaer:v1.1.0
Prüfinformation	Informationen zur Prüfung des elektronischen Siegels bzw. der elektronischen Signatur finden Sie unter: https://www.signaturpruefung.gv.at Informationen zur Prüfung des Ausdrucks finden Sie unter: https://www.fma.gv.at/amtssignatur	
Hinweis	Dieses Dokument wurde amtssigniert. Auch ein Ausdruck dieses Dokuments hat gemäß § 20 E-Government-Gesetz die Beweiskraft einer öffentlichen Urkunde.	