

**POLICY (STATEMENT) ON GENERAL REGULATORY
COMPLIANCE AND REGULATORY COMPLIANCE RELATING TO
THE PREVENTION OF MONEY LAUNDERING, THE FINANCING OF
TERRORISM, THE PROLIFERATION OF WEAPONS OF MASS
DESTRUCTION, AND COMPLIANCE WITH RESTRICTIVE
MEASURES (SANCTIONS)**

Adopted by resolution of the Management Board of BACB AD dated 20 June 2024, effective as of 25 June 2024, amended by resolution of the Management Board dated 12 December 2024, effective as of 23 December 2024, and amended by resolution of the Management Board dated 2 October 2025, effective as of 15 October 2025.

I. General Provisions, Scope and Application. Objectives

1. This Policy states the commitments and obligations of Bulgarian-American Credit Bank AD (BACB) and the companies – financial institutions within the BACB Group (hereinafter referred to as the “Subsidiary Financial Institutions”) to:

(A) implement and monitor regulatory compliance with general regulatory requirements in accordance with the applicable provisions of the Credit Institutions Act and the subordinate legislation enacted thereunder (BNB Ordinance No. 10 on the organisation, management and internal control of banks), as well as the applicable guidelines, recommendations and other instructions issued by the European Banking Authority and the Bulgarian National Bank, governing the activity and functions related to regulatory compliance, based on an appropriate system and mechanisms consisting of internal rules, procedures and practices;

(B) implement and monitor compliance with the regulatory requirements concerning the prevention of money laundering, terrorist financing and the proliferation of weapons of mass destruction (“ML/TF/PF”), in accordance with the applicable provisions of the Credit Institutions Act, the subordinate legislation enacted thereunder (BNB Ordinance No. 10 on the organisation, management and internal control of banks), the Measures Against Money Laundering Act, the subordinate legislation enacted thereunder, and the Measures Against the Financing of Terrorism and the Proliferation of Weapons of Mass Destruction Act, as well as the applicable guidelines, recommendations and other instructions of the European Banking Authority, the Bulgarian National Bank, and the Specialised Administrative Directorate “Financial Intelligence” of the State Agency for National Security (SANS-FID), regulating the activity and functions related to regulatory compliance in connection with ML/TF/PF;

(C) implement and monitor compliance with restrictive measures (sanctions).

2. This Policy applies to the activities of:

(1) Bulgarian-American Credit Bank AD;

(2) Companies – financial institutions within the BACB Group (“Subsidiary Financial Institutions”).

Compliance with the regulatory requirements, including those related to ML/TF/PF and the requirements for compliance with restrictive measures (sanctions), is the responsibility of all employees, persons holding managerial positions, and members of the management and supervisory bodies of BACB and the Subsidiary Financial Institutions, and forms an integral part of the corporate and risk culture of BACB and the companies within the BACB Group.

3. The identification, measurement and management of:

(A) the risk related to general regulatory compliance;

(B) the risk related to regulatory compliance in connection with ML/TF/PF; and

(C) the risk related to compliance with restrictive measures (sanctions)

are carried out through a specialised, independent, unified structure established to perform the functions of general regulatory compliance, regulatory compliance in connection with ML/TF/PF, and compliance with restrictive measures (sanctions) – the “**Regulatory**

Compliance and Control Department”, an independent structural unit directly subordinated to the governing body (Management Board) of BACB.

The scope of the unified compliance function includes:

- (a) the management of risks related to the compliance of the activities of BACB and the Subsidiary Financial Institutions with the regulations, laws, ordinances, rules, provisions, and standards applicable to their operations;
- (b) the assessment of the risk of non-compliance of BACB’s and the Subsidiary Financial Institutions’ internal frameworks – policies, rules, and procedures – with regulatory and statutory requirements;
- (c) the management of risks related to regulatory compliance in connection with ML/TF/PF in the activities of BACB and the Subsidiary Financial Institutions;
- (d) the assessment of the risk of money laundering and terrorist financing in the activities of BACB and the Subsidiary Financial Institutions;
- (e) the management of risks related to compliance with restrictive measures (sanctions);
- (f) the assessment of the risk of non-compliance with restrictive measures (sanctions).

The activities of the compliance function are subject to review by the Internal Audit – the Specialised Internal Audit Service of BACB, and by the external audit, through specialised external auditing firms.

II. Key Definitions

Regulatory compliance risk means the risk of legal and regulatory sanctions, significant financial loss, or loss resulting from reputational damage due to non-compliance with laws, regulations, internal rules and procedures, guidelines, recommendations, and other measures of the European Banking Authority and the Bulgarian National Bank, governing the activities and functions related to regulatory compliance.

Regulatory compliance risk in relation to the prevention of money laundering, terrorist financing and proliferation financing (ML/TF/PF) means the risk of legal and regulatory sanctions, significant financial loss, or loss resulting from reputational damage due to non-compliance with laws, regulations, internal rules and procedures, guidelines, recommendations, and other measures of the European Banking Authority and the Bulgarian National Bank, governing the activities and functions related to regulatory compliance in connection with ML/TF/PF.

Money laundering (ML) refers to any of the activities included in the definition of “money laundering” under the Measures Against Money Laundering Act (MAMLA) and the applicable legislation.

Terrorist financing refers to the activities included in the definition of “financing of terrorism” under the Measures Against the Financing of Terrorism and the Proliferation of Weapons of Mass Destruction Act (MAFTPWMDA), including the provision and/or

collection of financial resources, other financial assets or economic resources, and/or the provision of financial services with the intention that they be used to commit and/or finance terrorism.

Financing of the proliferation of weapons of mass destruction (proliferation financing, PF) refers to the activities defined by the Financial Action Task Force (FATF) and includes the provision of financial resources or financial services used, wholly or in part, for the manufacture, acquisition, possession, development, export, brokerage, transport, or use of nuclear, chemical, or biological weapons and their delivery systems, and related materials (including technologies and dual-use goods), in violation of prohibitions under national or international law.

Risk related to compliance with restrictive measures (sanctions) means the risk of legal and regulatory sanctions, significant financial loss, or loss resulting from reputational damage due to non-compliance (breach and/or circumvention) with the laws, regulations, internal rules and procedures, acts of the European Union, the United Nations Security Council, and the Government of the Republic of Bulgaria, as well as guidelines, recommendations, and other measures of the European Banking Authority and the Bulgarian National Bank, which introduce obligations for compliance with and observance of restrictive measures (sanctions).

“Restrictive Measures (Sanctions)” means restrictive measures (sanctions) adopted by the Council of the European Union (through Decisions or Regulations), restrictive measures adopted by Resolutions of the United Nations Security Council, and national restrictive measures adopted by an act of the Government of the Republic of Bulgaria (by Decisions of the Council of Ministers of the Republic of Bulgaria, the Ministry of Finance of the Republic of Bulgaria, or other competent state institutions).

III. Unified Compliance Function

BACB has established an independent structural unit – the Regulatory Compliance and Control Department, which ensures the implementation of activities related to general regulatory compliance and control, regulatory compliance in connection with ML/TF/PF, and compliance with restrictive measures (sanctions).

The main strategic objectives of regulatory compliance are aimed at improving the control environment through the application of a risk-based approach in three key areas:

- *Area “Regulatory Compliance”* – to minimise the risks associated with the regulatory framework and to enhance the efficiency of rule observance and the management of regulatory compliance risk;
- *Area “ML/TF/PF and Compliance with Restrictive Measures (Sanctions)”* – to ensure the implementation of the actions and measures provided for under the applicable legislation (the Measures Against Money Laundering Act and the Measures Against the Financing of Terrorism and the Proliferation of Weapons of Mass Destruction Act), the Guidelines of the European Banking Authority on measures for preventing the use of the financial system for the purposes of money laundering, terrorist financing, and proliferation financing, and for ensuring compliance with restrictive measures (sanctions), as well as the guidelines of the Bulgarian National Bank and the Specialised

Administrative Directorate “Financial Intelligence” of the State Agency for National Security (SANS-FID);

- *Area “Operational Control”* – to conduct regular and periodic inspections and monitoring of compliance with internal rules, procedures, and processes in the Bank’s operational activities, and to promptly identify and rectify any detected deficiencies and weaknesses, in order to minimise the inherent risks in day-to-day operations.

The organisational structure adopted by BACB, comprising a unified regulatory compliance unit, is aligned with the size, nature, scope, and complexity of the Bank’s activities and the corresponding risks to which it is exposed, as well as with the Bank’s Strategy and its risk management framework. The adopted approach is based on the analysis under Article 15b of BNB Ordinance No. 10, conducted by the Management Board.

The unified regulatory compliance function within BACB is an independent function/activity, which is responsible for:

(1) identifying, assessing, and managing regulatory compliance risk within BACB and the Subsidiary Financial Institutions by:

- introducing, monitoring, and supervising activities and measures for minimising and effectively managing regulatory compliance-related risks;
- ensuring that amendments to the regulations, laws, secondary legislation, and guidelines of the European Banking Authority and other EU bodies applicable to the banking and financial institutions’ activities are duly reflected in the internal policies, rules, and procedures of the Bank and the Subsidiary Financial Institutions;
- reporting on regulatory compliance-related risks to the Management Board, the Audit Committee, and/or the Supervisory Board of the Bank;
- providing training, methodological support, and assistance on regulatory compliance matters to the Bank’s employees.

(2) Identifying, assessing, and managing the risk related to regulatory compliance in connection with the prevention of money laundering, terrorist financing and proliferation financing (ML/TF/PF), as well as the risk related to compliance with restrictive measures (sanctions) within the Bank and the Subsidiary Financial Institutions which are obliged entities under Article 4 of the Measures Against Money Laundering Act, by:

- introducing, monitoring, and supervising activities and measures for minimising and effectively managing the risks related to regulatory compliance with ML/TF/PF and the risks related to compliance with restrictive measures (sanctions);
- ensuring that amendments to the regulations, laws, subordinate legislation, and the guidelines of the European Banking Authority and other EU institutions applicable to banking and financial institution activities in the area of ML/TF/PF are properly reflected in the internal policies, rules, and procedures of the Bank and the Subsidiary Financial Institutions related to ML/TF/PF;
- ensuring that the obligations arising from applicable laws, subordinate legislation, EU regulations, and the guidelines of the European Banking Authority and other EU institutions introducing restrictive measures (sanctions) are reflected in the internal

policies, rules, and procedures governing compliance with restrictive measures (sanctions) within the Bank and the Subsidiary Financial Institutions;

- reporting on risks related to regulatory compliance in connection with ML/TF/PF and on risks related to compliance with restrictive measures (sanctions) to the Management Board, the Audit Committee, and the Supervisory Board of the Bank;
- providing training, methodological support, and assistance on matters related to ML/TF/PF compliance and compliance with restrictive measures (sanctions) to the Bank's employees.

IV. Key Principles and Standards for Regulatory Compliance

4.1. Independence of the Regulatory Compliance Function

The regulatory compliance function – encompassing regulatory compliance, regulatory compliance in connection with ML/TF/PF, and compliance with restrictive measures (sanctions) – is explicitly governed by internal regulations. It is resourced through an independent structural unit – the Regulatory Compliance and Control Department, directly subordinated to the governing body of BACB (the Management Board), with a Head and staff members responsible for identifying, measuring, assessing, and managing: (1) the risk related to regulatory compliance; (2) the risk related to regulatory compliance in connection with ML/TF/PF; and (3) the risk related to compliance with restrictive measures (sanctions).

The Head of the Compliance Department is not placed in a position of conflict of interest in connection with their responsibilities and meets the requirements of the Credit Institutions Act, BNB Ordinance No. 10 on the organisation, management and internal control of banks, and other subordinate legislation implementing statutory requirements governing the organisation of regulatory compliance functions and regulatory compliance in connection with ML/TF/PF.

The Regulatory Compliance and Control Department, as the structural unit performing the functions of regulatory compliance, regulatory compliance in connection with ML/TF/PF, and compliance with restrictive measures (sanctions), is independent from the business lines and structural units whose activities it is assigned to monitor and control.

4.2. Resourcing of the Regulatory Compliance Function, Regulatory Compliance in Connection with ML/TF/PF, and Compliance with Restrictive Measures

The resources ensuring the effective functioning of the regulatory compliance function, including regulatory compliance in connection with ML/TF/PF and compliance with restrictive measures (sanctions), are adequate and appropriate for the effective management of the associated risks.

All employees of the Regulatory Compliance and Control Department have access to all necessary information and resources required for the performance of their official duties.

V. Responsibilities for the Implementation and Management of the Regulatory Compliance Function and the Strategy for ML/TF/PF and Compliance with Restrictive Measures (Sanctions)

5.1. The Management Board of BACB has adopted and ensures compliance with internal policies, rules, procedures, and processes governing general regulatory compliance, regulatory compliance in connection with ML/TF/PF, and compliance with restrictive measures (sanctions).

5.2. The Management Board has established an independent structural unit, which operates separately from the business lines and structural units within the scope of the activities it monitors and controls, and which has been assigned the functions of management and oversight of general regulatory compliance, regulatory compliance in connection with ML/TF/PF, and compliance with restrictive measures (sanctions).

5.3. The Management Board designates one of its members as the member responsible for the activities of the regulatory compliance structural unit, who also acts as the officer responsible for compliance with the requirements relating to ML/TF/PF and compliance with restrictive measures (sanctions) within the meaning of Article 15v of BNB Ordinance No. 10, and assigns to this person the responsibilities under Article 15g of BNB Ordinance No. 10.

VII. Conflict of Interest

The Head and the employees of the independent unit responsible for regulatory compliance, regulatory compliance in connection with ML/TF/PF, and compliance with restrictive measures (sanctions) shall not be placed in an actual or potential conflict of interest between their responsibilities and their obligations to ensure compliance with regulatory requirements.

Transitional and Final Provisions

§1. This Policy was adopted by resolution of the Management Board on 20 June 2024, entered into force on 25 June 2024, amended and supplemented by resolution of the Management Board on 12 December 2024, effective as of 23 December 2024, and further amended and supplemented by resolution of the Management Board on 2 October 2025, effective as of 15 October 2025.

Upon the entry into force of this Policy, the previous Policy adopted by resolution of the Management Board on 25 August 2016 shall be repealed.