

**Report
on the implementation of the Remuneration Policy at Bulgarian American Credit Bank AD in 2024**

1. Introduction, background and goals

This Report is prepared pursuant to the requirements for periodic annual review of the Remuneration Policy at Bulgarian American Credit Bank AD (hereinafter referred to as “BACB” or “the Bank”) and drafting a report for the Policy implementation, including information in compliance with Ordinance No. 48 of 20 March 2013 of the Financial Supervision Commission (FSC) on the requirements to the remunerations (Ordinance no. 48 of FSC).

The current and applied by BACB Remuneration Policy at Bulgarian American Credit Bank AD (hereinafter referred to as the “**Policy**”) was adopted in compliance with the requirements of the Public Offering of Securities Act by decision of the General Meeting of Shareholders of BACB dated 18 May 2021 and amended and supplemented by decision of the General Meeting of Shareholders of BACB dated 2 November 2021 and complies with the requirements of art. 11, para. (2) – (4) of Ordinance No. 48 of FSC.

In view of its quality as a BNB-licensed credit institution and in connection with the regulatory and sectoral requirements for the implementation of remuneration policies for persons working at banks, including not only members of the management and supervisory bodies, but also all other administrators and persons, the exercise of whose rights and obligations has a significant impact on the risk profile of the bank, since 2011 the Bulgarian – American Credit Bank has applied the Remuneration Policy, which fully reflects the sectoral requirements of special laws, subordinate regulations of the Bulgarian National Bank (BNB) and directly applicable regulations of the EU and European Banking Authority (EBA) and in particular the requirements of 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, the Credit Institutions Act and Ordinance No. 4 of 21.12.2010 of BNB on the requirements regarding remunerations at banks, the EBA Guidelines /EBA/GL/2021/4 in force from 31.12.2021 on sound remuneration policies pursuant to Directive 2013/36/EU and disclosures pursuant to Art. 450 of Regulation /EU/ No. 575/2013.

The remuneration policy at BACB is in compliance with the requirements of the Public Offering of Securities Act and Regulation No. 48 of 20.03.2013 issued by the Financial Supervision Commission on the requirements for the remuneration of members of the Bank’s management and supervisory bodies as a public company. Historically, the Remuneration Policy of BACB AD was revised, updated and amended, with the last amendment being in 2021, aimed at including the specific sectoral requirements of Ordinance No. 4 of BNB on the requirements regarding remunerations for banks and the EBA Guidelines /EBA/GL/2015/22 of 27 June 2016, as well as the requirements of Ordinance No. 48 of FSC generally applicable for all public companies.

2. Application and scope of the Policy in 2024. Remuneration Policy implementation program for the current fiscal year 2024.

2.1. Application and scope of the Policy in 2024.

In 2024 the Policy applies by establishing a risk-based approach in determining and paying remuneration at the Bank and encouraging the achievement of the Bank’s business objectives without stimulating excessive risk-taking. In 2024 the Policy was applied in compliance with the approved three-year strategy of BACB (2024 - 2026), the corporate values of BACB and the interests of employees, depositors and shareholders of the Bank. The purpose of the Policy in 2024 was to ensure competitive and fair levels of remuneration, based on the professional and business qualities of the employees, stimulating the employees for quality performance of their labor functions and increasing the efficiency of the Bank’s operations as well.

With regard to the administrators, including the members of the Supervisory Board, the Management Board and other persons the exercise of whose rights and obligations has a significant impact on the risk profile of the Bank /hereinafter referred to as “Identified Personnel”, in 2024 the Policy is also consistent with the business strategy, the long-term goals and interests of the Bank and aims to promote sustainability of the management, sound risk management, not encouraging risk-taking beyond the bank’s risk profile, as well as the avoidance of conflicts of interest.

In 2024 the Policy regulated the management principles of:

- (a) the remuneration of the members of the Supervisory Board and the Management Board;
- (b) the remuneration of the Identified Personnel - employees, administrators and other persons the exercise of whose rights and obligations has a significant impact on the Bank’s risk profile.

The scope of the category “Identified personnel” under art. 4 of the Policy has not been amended and respectively for 2024, as well as for the previous year 2023, this category includes:

- (a) The members of the Supervisory Board of the Bank;
- (b) the members of the Bank’s Management Board, regardless of whether executive or non-executive;

(c) senior management - the persons with executive functions (executive directors, procurators) who represent the Bank and report to the Management / Supervisory Board for its day-to-day bank management, and the employees who manage the essential business units of the Bank and whose operations are related to risk taking or have a significant impact on the Bank's risk profile and are responsible and report to the Management Board in connection with the ongoing management. These persons are determined by the Bank as follows:

- i. Executive Directors;
- ii. Director of the Corporate Banking Division;
- iii. Director of Retail Banking Division;
- iv. Head of Markets and Liquidity Department;
- v. Regional managers;

(d) Certain employees who meet some of the qualitative criteria set out in the applicable legislation, taking into account the extent to which they are empowered in their work independently (without the approval of other management or advisory bodies) to take action and make decisions, which persons are appointed by the Bank as follows:

- i. Director of Information Technology Division;
- ii. Head of Human Resource Department;
- iii. Director of Finance Division;
- iv. Director of the Legal Division;
- v. Chief Accountant;

(e) Employees engaged in control functions who are responsible for the management of the independent risk management, regulatory compliance and internal audit units, which persons are appointed by the Bank as follows:

- i. Head of the Specialized Internal Audit Unit;
- ii. Director of Risk Management Division;
- iii. Head of Compliance and Control Department

(f) Employees who have received significant remuneration during the preceding financial year – *in 2024 there are no such employees.*

In 2024 the Policy also applied, on a consolidated basis, to the members of the management and supervisory bodies of the Bank's subsidiaries.

2.2. Remuneration Policy implementation program for the current fiscal year 2025.

The Management of Bulgarian American Credit Bank AD will continue to apply the current Policy in the current fiscal year 2025 as well. As at the date of this Report, there is no identified necessity for significant changes to the Remuneration Policy with regard to its application in 2025. On the grounds of art. 11, para. 4 of Ordinance No. 48 of the FSC the Policy is subject to review in 2025.

3. General information on changes in the staff and the Identified Personnel in 2024

In 2024, the number of staff was maintained, noting a decrease of 0.78% compared to the beginning of 2023.

In 2024, the following changes occurred in BACB regarding employees classified as “identified personnel”:

- Effective from 01.08.2024, Strashimir Nikolaev Kuzmanov was released from his position as Executive Director of “IDS Fund” AD, a subsidiary of BACB AD.
- Effective from 01.11.2024, Yordan Ivanov Georgiev was appointed as Executive Director of “BACB Finance” EAD and as a member of the Board of Directors of “BACB Trade” EAD, both subsidiaries of BACB AD.

4. General information on the remuneration of the employees of in 2024

In 2024, the Bank strictly adhered to budgetary and staffing discipline. To maintain remuneration levels in line with the labour market, in November, employee salaries were adjusted by 8% to 11%, with the percentage increase linked to the annual employee appraisal process. Over the course of 2024, the total personnel expenditure of the Bank increased by 14.2% compared to 2023.

Below is a comparative table of the total personnel expenses at BACB over the past 5 years:

<i>Expenses</i>	31.12.2019 report	31.12.2020 report	31.12.2021 report	31.12.2022 report	31.12.2023 report	31.12.2024 report
Expenses on staff, including:	10 211 626	10 152 147	11 053 641	12 488 910	14 400 158	16 426 498
1. Wages (incl. class)	8 734 971	8 883 994	9 224 195	9 863 264	11 587 160	13 196 397
2. Civil contracts	28 152	38 650	32 700	34 700	54 460	47 210
3. Targeted rewards	720 255	384 472	757 513	1 077 634	1 505 088	1 889 869
4. Health fund	204 208	200 520	228 058	280 810	328 485	354 105
5. Supplementary pension fund	123 366	122 710	124 906	120 982	124 110	128 460
6. Supervisory Board and Audit Committee	78 233	72 800	78 233	127 129	136 908	136 908
7. Provisions for pensions / unused leaves	322 441	449 001	608 037	984 390	663 947	673 549
Social security expenses	1 615 310	1 570 406	1 649 953	1 849 851	2 136 400	2 435 705
Expenses on staff training	34 024	8 130	16 050	23 685	35 188	60 782
Expenses on staff recruiting	5 256	1 266	10 224	21 684	37 008	46 848
Total expenses:	11 866 216	11 731 949	12 729 868	14 384 130	16 608 754	18 969 833

In 2024 the Bank once again applied the Employee Assessment System /AS/, thus performing a collective assessment of the main structural units of the Bank and employee assessment systems were implemented (individual assessment). The main goal of the System is to increase the level of satisfaction of the employees who have a significant contribution to the Bank's activities and to achieving and implementing its goals and strategy.

The implementation of the Assessment System allowed for an option of incentives - payment of additional remuneration, rescheduled in the year following the assessed one, as well as an option of non-payment in certain cases. The provided option for additional payments under the AS is part of the general policy of the Bank and the payments are provided at the discretion of the Governing Body and do not create incentives for risk-taking.

In 2024 the Bank implemented the decision of the General Meeting of Shareholders of 21.05.2024 regarding an additional one-off remuneration for the members of the Management Board and, accordingly each member of the Management Board was paid a one-off additional remuneration in the amount of up to 1.5 of the permanent gross monthly remuneration of each member.

5. Information on the process of adopting the BACB Remuneration Policy and taking decisions related to the Remuneration Policy

Insofar as BACB does not meet the legal criteria for a “significant bank” under Ordinance No. 4 of the BNB, the remuneration functions, as specified in Ordinance No.4 of the BNB, are performed by the Supervisory Board (SB) of BACB consisting of:

- (1) Ms. Tzvetelina Borislavova, SB Chairperson
- (2) Mr. Martin Ganev and
- (3) Mr. Petar Atanasov.

The Supervisory Board develops and adopts the BACB Remuneration Policy based on a project proposed by the Management Board, then in compliance with the provisions of the Public Offering of Securities Act and Ordinance No. 48 of the FSC, the General Meeting of Shareholders adopts and approves the developed Policy and/or the amendments and supplements thereto.

The Remunerations Policy is reviewed and updated at least once every 4 (four) years. The last update / amendment of the Policy was adopted by a decision of the General Meeting of Shareholders of 02 November 2021. In 2025 the Management Board will review the Policy and will propose the Supervisory Board, respectively the General Meeting of Shareholders, to adopted amendments therein.

In the course of the process of development and decision-making in determining the Remuneration Policy, BACB does not use the services of external consultants.

6. Information on the relative weighting of the variable and constant remuneration of the members of the Management Board and the Supervisory Board

According to the current Policy, the Bank may apply a flexible policy with respect to variable remuneration of the Identified Staff by setting a maximum ratio between the variable and the permanent

remuneration components as the main method for reporting the risk compared to the subsequent limitation of remuneration. In certain cases, variable remuneration may be reduced or totally unpaid.

The Bank complies with the principle that the permanent remuneration component should be high enough compared to the variable component and correspond to the level of professional services provided by employees / persons under management contracts.

The maximum ratio between the variable and the fixed remuneration component on an annual basis may not exceed the following limits:

- Fixed component: not less than 70% of the annual remuneration
- Variable component: not more than 30% of the annual salary (equivalent to a maximum of 5 monthly salary bonus)

The ratio between fixed and variable remuneration is set at the time of initial assessment of performance, regardless of the subsequent risk adjustments.

7. Information on the performance criteria and a clarification on the methods applied to assess the implementation of these criteria, based on which options on shares, BACB AD shares or other variable remuneration are provided and an explanation of how the criteria contribute to the Company's long-term interests. Clarification on the relationship between the remuneration and the results achieved.

Variable remunerations are additional payments or incentives that depend on the performance of activities in accordance with the criteria for assessing performance and depending on the sustainable, effective and risk-consistent performance of obligations, as well as performance exceeding the requirements for the relevant position.

The main goal of the Bank in the event of possible payment of variable remuneration is to create incentives for its employees to pursue the approved strategic and business goals, to protect the interests of shareholders and to achieve safe and stable results without taking excessive risks.

In accordance with the set strategy and risk appetite, the Supervisory Board prepares a combination of quantitative and qualitative criteria to be used to assess the results of the implementation of the business strategy and the risk appetite of the Bank.

In setting the quantitative criteria, the Supervisory Board follows an appropriate combination of criteria covering a sufficiently long period, measuring economic efficiency and relating to the capital needed to generate revenue and economic efficiency indicators. Usually, the quantitative criteria are defined at the bank level, while the qualitative criteria are used to assess at the individual level.

Such criteria could include (but not limited to) the following:

Quantitative criteria:

- Growth dynamics of the loan portfolio
- Growth dynamics of the deposit base
- Quality of loans granted
- Growth dynamics of the operating income from the activity
- Compliance with the set risk limits
- Stability of the capital base
- Stability of the cost to income ratio
- Risk-adjusted return on capital
- Return on risk-weighted assets

Qualitative criteria:

- Compliance with the Bank's internal rules, including limits
- Compliance with the Code of Ethics
- Customer satisfaction
- Leadership and management qualities
- Teamwork
- Cooperation with other structural units

The Bank applies preliminary risk adjustments in the process of determining the remuneration in order to achieve a correspondence between the amount of the variable remuneration and the assumed risks. They are used in determining the total amount of variable remuneration. The performance assessment indicators used to calculate the total variable remunerations shall be based on long-term and actual results achieved using prudent accounting and assessment methods.

The variable remuneration is adjusted for risk at the bank level, not at the structural unit or individual level. As a preliminary quantitative risk adjustment, BACB uses the existing indicators, which it uses for other purposes in risk management. These may include (but are not limited to) the following:

- Results of the applied scenarios for assessment of the capital adequacy according to the procedure of the Internal Capital Adequacy Analysis (ICAA)
- Return on risk-weighted assets;
- Risk-adjusted return on capital;
- Financial factors;
- Price and amount of capital required to cover the risks inherent to the Bank’s activity;
- The price and the amount of the liquidity risk assumed during the implementation of the activity

In determining the remuneration, absolute criteria are mainly used for performance assessment, i.e. criteria based on the business strategy, the risk profile and the risk appetite. The relative criteria, i.e. those that compare the performance of the bank or its units or employees with similar banks, units or employees should be used with caution, as they stimulate excessive risk-taking, and always in combination with other measurement and control indicators.

8. Basic payments in favour of the members of the Supervisory Board, the Audit Committee and the Management Board in 2024 and information on the annual scheme for payment of bonuses and/or all other non-monetary additional remuneration

8.1. Basic payments to members of the Supervisory Board, the Audit Committee and the Management Board and members of the management bodies of subsidiaries

Expenses on remuneration of members of the Supervisory Board and the Audit Committee for 2024 in BGN under Contracts for a member of the Supervisory Board or Audit Committee	136 908
Expenses on remuneration of members of the Management Board with executive functions for 2024 in BGN under management contracts	132 000

For the provided subscription legal services in 2024, the Bank paid remuneration in the total amount of BGN 149 350, excluding VAT (BGN 179 220 including VAT), to a law firm in which the member of the Management Board without an executive function - Ms. Silvia Kirilova, is a managing partner and provides legal services.

In 2024 the company IDS Fund AD, in which BACB Finance EOOD, a subsidiary of BACB AD, holds 54.4% shareholding, made payments under a contract for management and control of the Executive Director Strashimir Nikolaev Kuzmanov in the amount of BGN 4 200.

8.2. Information on the payment of one-off additional remunerations/bonuses in 2024.

In 2024 the members of the Supervisory Board and the Audit Committee did not receive any bonuses or other additional remuneration.

In 2024, the members of the Management Board with executive functions were paid a one-off additional remuneration for their activity in 2023 in the amount of up to 1.5 of the monthly remuneration under the contract with the relevant member.

9. Description of the main characteristics of the scheme for the additional voluntary pension insurance and information on the contributions paid and/or due by BACB for the benefit of the members of the Supervisory Board and the Management Board for 2024

In 2024, BACB provides its employees at its own expense with additional voluntary pension insurance. This action is part of the social policy of the Bank and is provided to all employees in employment relations with the Bank with more than 3 /three/ months of experience and to the members of the Management Board with executive functions. The additional voluntary insurance at the expense of the Bank is in the same amount of BGN 30,00 per month for all the above mentioned persons.

10. Information on the periods of delay of the payment of the variable remuneration for 2024

In 2024 BACB AD did not postpone / reschedule the payment of variable remuneration.

According to the amendments to BNB Regulation No. 4, the requirements regarding the structure of variable remuneration for identified personnel, the deferral of variable remuneration, and the procedure for granting retirement-related benefits do not apply to:

- A bank that is not a large institution within the meaning of Article 4, Paragraph 1, Point 146 of Regulation (EU) No. 575/2013, and whose asset value on an individual basis, as per Regulation (EU) No. 575/2013, is equal to or less than the BGN equivalent of 5 billion euro, averaged over the four years preceding the current year.

- An employee whose annual variable remuneration does not exceed the BGN equivalent of 50,000 euro and does not constitute more than one-third of their total annual remuneration.

The above provisions exempt Bulgarian-American Credit Bank AD from actions related to the deferral of variable remuneration for identified personnel and the procedure for granting retirement-related benefits.

11. Information on the policy for benefits upon termination of contracts with the members of the Supervisory Board and the Management Board

BACB does not apply a specific policy for benefits upon termination of contracts with the members of the Supervisory Board and the Management Board. The management and control contracts concluded with the members of the Supervisory Board and the members of the Management Board with executive functions, do not provide for termination benefits.

12. Information on the period in which the shares may not be transferred and the stock options may not be exercised for variable remuneration based on shares

The policy stipulates that for variable remuneration in the form of instruments - shares, stock options, etc., retention periods are applied as a mechanism for compliance of the incentives with the long-term interests of the Bank. The minimum retention period is proposed by the Supervisory Board provided that the retention period may be shorter if the rescheduling period exceeds the minimum period required by BNB Ordinance 4 or when the bank evaluates the results of operations for many years.

In 2024 BACB did not provide variable remuneration in the form of shares or options on shares or other type of financial instruments.

13. Information on the policy for the retention of a certain number of shares until the end of the term of office of the members of the Supervisory Board and the Management Board after the expiry of the period referred to in clause 12 above

The Policy does not stipulate a requirement to retain a certain number of shares until the end of the term of office of members of the Supervisory Board and the Management Board of BACB.

14. Information on the contracts with the members of the Supervisory Board and the Management Board

All contracts concluded between BACB, on the one hand and on the other hand, members of the Supervisory Board and members of the Management Board with executive functions, are valid until the expiration of the term of office of the respective collective body. The terms of office of the Supervisory Board and the Management Board are determined jointly for all their members. The management and control contracts stipulate that upon re-election of the respective member, the term of the contract should be extended until the date specified in the decision of the General Meeting of Shareholders (for re-election of a member of the Supervisory Board), respectively – in the decision of the Supervisory Board (for re-election of a member of the Management Board).

As stated above, BACB AD does not apply a policy for payment of benefits upon termination of contracts with the members of the Supervisory Board and/or with the members of the Management Board. In this aspect, the contracts do not contain such provisions.

15. Amount of remuneration and other material incentives paid to and/or for the benefit of the members of the Supervisory Board, the Audit Committee and the Management Board of BACB in 2024

	permanent remuneration under management and control contracts in BGN	Additional remuneration of a non-permanent nature	Non-monetary incentives for permanent remuneration - additional health and pension insurance at the expense of the Bank
Expenses on remuneration of members of the Supervisory Board and the Audit Committee for 2024	136 908	0	0
Expenses on remuneration for the benefit of members of the Management Board for 2024	611 220	56 550	3 774

For the provided subscription legal services in 2024, the Bank paid remuneration in the total amount of BGN 149 350, excluding VAT (BGN 179 220 including VAT), to a law firm in which the member of the Management Board without an executive function - Ms. Silvia Kirilova is a managing partner and provides legal services.

In 2024 the company IDS Fund AD, in which BACB Finance EOOD, a subsidiary of BACB AD, holds 54.4% shareholding, made payments under a contract for management and control of the Executive Director Strashimir Nikolaev Kuzmanov in the amount of BGN 4 200.

16. Information on the remuneration paid to and/or for the benefit of any person who has been a member of the Supervisory Board or the Management Board of BACB AD in a certain period in 2024

Categories of identified staff at BACB	Permanent remunerations for 2024 by category of identified staff in BGN, paid under management and control contracts	Permanent remuneration for legal services provided under a subscription legal service agreement in BGN	Other additional remunerations of variable nature (in BGN)	Non-monetary incentives in addition to the permanent remuneration - additional health and pension provision funded by the employer.	Total for 2024:
SUPERVISORY BOARD AND AC					
Tzvetelina Borislavova	39 116.64				39 116.64
Martin Ganev	39 116.64				39 116.64
Petar Atanasov	39 116.64				39 116.64
AUDIT COMMITTEE					
Sevdalina Paskaleva	19 558.20				19 558.20
MANAGEMENT BOARD					
Ilian Georgiev	156 000.00		20 350.00	1 033.62	177 383.62
Aleksandar Dimitrov	132 000.00		17 350.00	1 033.62	150 383.62
Loreta Grigorova	144 000.00		18 850.00	1 033.62	163 883.62
Silvia Kirilova /under a subscription agreement for legal services/		149 350.00 excluding VAT /179 220.00 including VAT		673.62	149 350.00 excluding VAT /179 220.00 including VAT

The table above also shows the additional remuneration of non-permanent nature in 2024 to the members of the Management Board with executive functions (column 3 of the table). Non-monetary incentives in favor of the members of the Management Board in the form of additional health and pension insurance at the expense of the employer are also indicated in the table (column 4).

Appendix 31 to the Annual Financial Statements for 2024 for disclosing the related parties transactions contains information for loans/credits or guarantees by BACB and/or its subsidiaries, provided to or used by members of the Supervisory Board and the Management Board in 2024. In 2024 the Supervisory Board and the Management Board members did not receive any payments for household expenses.

17. Information on the shares and/or options on shares and/or other promotion schemes based on shares:

In 2024 BACB did not provide variable remuneration in the form of financial instruments, including shares and/or other incentive schemes based on shares.

18. Annual change of the remuneration, the results of BACB AD and of the average amount of remunerations on the basis of full working time of the employees of BACB, who are not directors /members of management and control bodies/ during the previous five financial years

The information is presented in Table - Appendix 1 to this Report.

19. Information on the exercise of the possibility to request a refund of the variable remuneration

In 2024, the possibility to request a refund of the received variable remuneration was not exercised.

20. Information on deviations from the procedure for the application of the Remuneration Policy in connection with extraordinary circumstances

In 2024, no deviations from the procedure for the implementation of the BACB Remuneration Policy were found in connection with extraordinary circumstances.

Ilian Georgiev
Chief Executive Officer

Loreta Grigorova
Executive Officer

Appendix 1 to the Report on the implementation of the Remuneration Policy at BACB in 2024

	2019	2020	Change 2020 compared to 2019 in %	2021	Change 2021 compared to 2020 in %	2022	Change 2022 compared to 2021 in %	2023	Change 2023 compared to 2022 in %	2024	Change 2024 compared to 2023 in %
Gross remuneration of all members of the Supervisory Board and the Audit Committee under management and control contracts in BGN	78 233	72 800	-7%	78 233	7%	127 129	63%	136 908	8%	136 908	0%
Average amount of remuneration per member of the Supervisory Board and the Audit Committee per year in BGN	19 558	18 200	-7%	19 558	7%	31 782	63%	34 227	8%	34 227	0%
Gross remuneration of all members of the Management Board under management and control contracts in BGN	560 000	528 000	-6%	528 000	0%	426 000	-19%	432 000	1%	432 000	0%
Average amount of remuneration per member of the Management Board per year in BGN	140 000	132 000	-6%	132 000	0%	142 000	8%	144 000	1%	144 000	0%
Remuneration of BACB staff under employment contracts in BGN	8 174 971	8 355 994	2%	8 696 195	4%	9 437 264	9%	11 155 160	18%	12 764 397	14%
Average number of employees under employment contracts	354	350	-1%	352	1%	346	-2%	368	6%	374	2%
Average amount of remuneration on a full-time basis / per year /	23 093	23 874	3%	24 705	3%	27 275	10%	30 313	11%	34 129	13%
Financial result of BACB in BGN	14 317 461	11 649 827	-19%	17 595 061	51%	43 663 590	148%	54 899 192	26%	54 958 425	0.1%