PAYWARD LTD

CRYPTO ASSET RISK DISCLOSURE

Building on Bitcoin (BOB)

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Disclaimer

Please note that this risk disclosure is not exhaustive of all risks associated with trading BOB. Investors should perform their own assessment to determine the appropriate level of risk for their personal circumstances. Be sure to do your own research and due diligence while taking into account your own financial situation and risk tolerance. Please review the Risk Summary for additional discussion of general risks associated with the assets made available in the platform. These materials are for general information purposes only and are not investment advice or a recommendation or solicitation to buy, sell or hold any crypto asset or to engage in any specific trading strategy. The information contained in this risk disclosure is based on publicly available information that may be inaccurate, incomplete, or change at any time.

What is Building on Bitcoin and how does it work?

Building on Bitcoin (BOB) is a hybrid Layer 2 (L2) protocol that combines Bitcoin's security model with Ethereum's smart contract functionality. The project aims to enable decentralized applications (dApps) to operate using Bitcoin (BTC) as the base settlement layer, while benefiting from Ethereum's EVM-compatible execution environments.

BOB is built as an Ethereum rollup that anchors its state to Bitcoin, meaning it operates similarly to an Ethereum L2 but includes cryptographic anchoring and dispute resolution on Bitcoin. This design seeks to allow developers to build trustless applications that inherit Bitcoin's security, while interacting with the broader Ethereum ecosystem. BOB's infrastructure is also designed to support cross chain connections with other Layer 1 blockchains. The native token of Building on Bitcoin is BOB, which launched at a token generation event on November 20, 2025.

BOB serves three functions: staking, where holders delegate to Hybrid Nodes to help secure the network; governance, letting holders vote on matters such as network features, upgrades and allocation of funds; and protocol utility, such as priority access and fee discounts.

Who is behind the project?

Building on Bitcoin is a part of the Bob Foundation. The project was founded by Alexei Zamyatin and Dominik Harz who serve as Chief Executive Officer and Chief Technology Officer, respectively.

Tokenomics of Building on Bitcoin

Building on Bitcoin held its token generation event (TGE) on November 20, 2025. At TGE, approximately 22.20% of the 10 billion maximum supply of BOB was unlocked and circulating, according to CoinMarketCap. BOB has a fixed maximum supply of 10 billion tokens, minted on the BOB hybrid chain and represented as an ERC20 token.

General Risks

Like all other digital assets, there are some general risks to investing in *BOB*. These include short history risk, volatility risk, liquidity risk, demand risk, forking risk, code defects, cryptography risk, regulatory risk, concentration risk, electronic trading risk and cyber security risk. For more information on general risks associated with smart contracts and digital assets, see Kraken's Risk Statement.

Risks specific to Building on Bitcoin

Competition

The Building on Bitcoin protocol faces competition from other Bitcoin Layer-2 platforms such as Stacks, Merlin Chain, and others. BOB's value derives from its broader adoption in the market. If the Building on Bitcoin protocol fails to achieve sufficient adoption compared to the other options in the market, this could negatively impact the value of BOB.

Due Diligence

Prior to listing on the Kraken platform, Kraken performed due diligence on BOB and determined that BOB is unlikely to be a security or derivative under UK securities legislation. Our analysis generally includes, but is not limited to, reviewing publicly available information on the following:

- The creation, governance, usage and design of BOB, including the source code, security and roadmap for growth in the developer community and, if available, the background of the developer(s) that created BOB;
- The supply, demand, maturity, utility and liquidity of BOB;
- Material technical risks associated with BOB, including any code defects, security breaches and other threats concerning BOB and its supporting blockchain (such as the susceptibility to hacking and impact of forking), or the practices and protocols that apply to them; and
- Legal and regulatory risks associated with BOB, including (i) any pending, potential, or prior civil, regulatory, criminal, or enforcement action relating to the issuance, distribution, or use of BOB, and (ii) consideration of statements made by any regulators or securities regulatory authorities in the UK, other regulators of the International Organization of Securities Commissions, or the regulator with the most significant connection to BOB about whether BOB, or generally about whether the type of crypto asset, is a security and/or derivative.