

Reference Interest Rates

Interest Rates for loans in Bulgarian leva (BGN)

The Reference Interest Rate (RIR) for loans of individuals in Bulgarian leva (BGN) shall be the interest rate on BGN deposits of households with agreed maturity of over 3 (three) and up to 6 (six) months, in accordance with the interest rate statistics of the Bulgarian National Bank („BNB”) *Interest rates and volumes of deposit balances with agreed maturity and repo deals of Households/ incl. Non-profit Institutions, Servicing Households* (NPISH)/, while should there be a change – in an analogous interest rate statistics of the BNB, including deposits with agreed maturity of over 3 (three) and up to 6 (six) months, in the Republic of Bulgaria’s official currency unit, based on the interest rate statistics, announced on the BNB webpage www.bnb.bg, (or respectively on another webpage, replacing the BNB webpage).

The interest rate in its part concerning the Reference Interest Rate on existing loans in Bulgarian leva is being recalculated and changed by the Bank 2 (twice) a year, on the dates, determined in the loan agreements – „Interest Rate Recalculation Date”. The re-calculation is being made based on the most recently announced value on the BNB webpage, prior to the Interest Rate Recalculation Dates.

The Reference Interest Rate (RIR) for overdrafts of individuals in Bulgarian leva is the interest rate on BGN deposits of households with agreed maturity of over 1 (one) day and up to 1 (one) month, as per the interest rate statistics of the Bulgarian National Bank („BNB”) *Interest rates and volumes of deposit balances with agreed maturity and repo deals of Households/ incl. Non-profit Institutions, Servicing Households* (NPISH)", while should there be a change – in an analogous interest rate statistics of the BNB, which includes deposits with agreed maturity of over 1 (one) day and up to 1 (one) month, in the Republic of Bulgaria’s official currency unit, based on the interest rate statistics, announced on the BNB webpage www.bnb.bg, (or respectively on another webpage, replacing the BNB webpage).

The interest rate in its part concerning the Reference Interest Rate on existing overdrafts in Bulgarian leva is being recalculated and changed by the Bank on a monthly basis, on the 5-th day of each month – „Interest Rate Recalculation Date”. The re-calculation is being made based on the most recently announced value on the BNB webpage, prior to the 1-st day of the respective month.

Interest Rates for loans in euro (EUR)

The Reference Interest Rate (RIR) for loans of individuals in EUR is the value of the 6-month EURIBOR, announced on the webpages of generally accessible leading financial websites, such as www.euribor.org or www.euribor-rates.eu (or on another webpage, replacing the webpages of www.euribor.org or www.euribor-rates.eu). The interest rate in its part concerning the 6-month EURIBOR on existing loans in EUR is being recalculated and changed by the Bank 2 (twice) a year, on the dates, determined in the loan agreements – „Interest Rate Recalculation Date”.

The recalculation is being made based on the value of the 6-month EURIBOR, announced on the webpages of generally accessible leading financial websites,

such as www.euribor.org or www.euribor-rates.eu (or on another webpage, replacing the webpages of www.euribor.org or www.euribor-rates.eu), two business days prior to the Interest Rate Recalculation Dates.

In implementation of Regulation (EU) 2016/1011 of the European Parliament and of the Council dated 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) № 596/2014 (OB, L 171/1 dated 29 June 2016) („Regulation (EU) 2016/1011“), the Bank maintains an action plan, should the Reference Interest Rate be materially amended or should it disappear. To date the Action Plan, adopted by the Bank, is the following:

Action Plan

Action Plan as per Regulation (EU) 2016/1011 of the European Parliament and of the Council and the Credit Institutions' Act

For loans in BGN

If, for any reason whatsoever 5 (five) days prior to the Interest Rate Recalculation Date on the BNB website or on another replacement website there is no published Short-term Interest Rate (SIR)* / Mid-term Interest Rate (MIR)** value as per the BNB statistics for the respective month, preceding the month, in which the respective recalculation is being made, the BANK shall apply the most recent SIR/MIR value as per the BNB statistics, officially published on the BNB website, respectively on the replacement website, prior to the first day of the respective month, in which the respective recalculation is being made, over a period of 3 (three) calendar months, counted from the month, following the month, for which there is a SIR/MIRR value announced.

If, after expiry of the above-stated period on the BNB website / respectively on its replacement website there is still no announced information about the SIR/MIR value as per the BNB statistics for the preceding three consecutive calendar months, then a Reference Interest Rate shall be deemed an alternative interest rate, reflecting banks' costs of funding in the official currency unit of Bulgaria, as announced in the official website of the European Central Bank or by another official source.

If there is still no announced information about the SIR/MIR value as per the BNB statistics for the preceding three consecutive calendar months and there is no alternative interest rate, such as a Reference Interest Rate, then going forward the applicable value shall be that of EURIBOR, 2 (two) business days (spot value date) prior to the Interest Rate Recalculation Date, as the periodicity of the used index shall depend on the particular agreement with the client.

Should the EURIBOR be changed significantly or if it is no longer being prepared, then the Action Plan for EURIBOR shall be applied.

*SIR is being formed, based on interest rate statistics, published on the BNB website, namely *Interest rates and volumes of deposit balances with agreed maturity and repo deals of Households and Non-profit Institutions, Servicing Households* (NPISH), which includes BGN deposits of households with agreed maturity of up to 1 month (over 1 day and up to 1 month).

**MIR s being formed, based on interest rate statistics, published on the BNB website, namely *Interest rates and volumes of deposit balances with agreed maturity and repo deals of Households and Non-profit Institutions, Servicing Households* (NPISH), which includes BGN deposits of households with agreed maturity of up to 6 months (exceeding 3 and up to 6 months).

For loans in euro

Should there be a significant change in the used interest rate benchmark under the loan agreement – EURIBOR – or the latter is no longer being prepared, then it shall be replaced with:

- an alternative interest rate basis, information about the applicable values of which are published on the Internet pages of generally accessible leading financial websites, such as www.euribor.org or www.euribor-rates.eu (or on another webpage, replacing the webpages of www.euribor.org or www.euribor-rates.eu) or
- with an alternative reference interest rate, indicated in the interest rate statistics of the Bulgarian National Bank (BNB), information about the applicable values of which is published on the webpage of the BNB, respectively on another webpage, replacing the BNB webpage, or
- if there are no available/published quotes of interest rate bases on the webpages of generally accessible leading financial websites, such as www.euribor.org or www.euribor-rates.eu (or on other webpages, replacing those) nor on the platforms for analysis and trade in financial instruments (for example Bloomberg and Reuters), then quotes on an interbank market, where the Bank may obtain financing from, may be used.

Application criteria

The new interest rate basis or the new Reference Interest Rate shall have to meet the following criteria:

- It should be in the same currency as that of the interest rate benchmark, which is being replaced. For BGN is it admissible to replace it with the new interest rate basis or with the new Reference Interest rate in the EUR currency, as those are deemed interchangeable, due to the availability of a Currency Board Arrangement in Bulgaria.
- It should have the same periodicity as that of the interest rate benchmark, which is being replaced.
- There should also be a balancing surcharge or discount, included in the new interest calculation basis or in the new Reference Interest Rate, so as to have the end interest rate remaining unchanged as at the date of

the initial application of the replacement and not to exceed the most recently applicable interest under the agreement, as reflected in the Consumer Loan Act and in the Consumer Real Estate Loans Act.

The choice of an alternative interest calculation basis is being made in accordance with the statutory requirements to interest rate benchmarks as per Annex 1 to Regulation (EU) 2016/1011 of the European Parliament and of the Council, as well as analysis of the existing options, based on the data, published on generally accessible leading financial websites - www.euribor.org or www.euribor-rates.eu (or on other webpages, replacing those), as well as on the platforms for analysis and trade in financial instruments (for example Bloomberg and Reuters). The analysis aims at choosing an interest calculation basis, which is closest in terms of characteristic features (value, period, currency, development expectations, volatility) to that, which was applicable under contractual relations between the Bank and its clients until the moment of change or cancellation. This is made due to the need of maintaining an applying a sustainable interest rate policy by the Bank. As per the currently effective procedures at the Bank regular monitoring on the appearance of new benchmarks /products, using benchmarks within the Bank is being made by Risk Management Directorate.

It is envisaged that the initial application of the replacement index should happen not later than 3 (three) months of the benchmark discontinuation or after expiry of the contractual fixing period, as upon the initial transition, the Interest Rate shall not exceed - as per the Credit Institutions Act - the most recently applicable Interest Rate under the Agreement with the Client. Over the period from benchmark discontinuation until the initial application of the replacement index the used value shall be the last available value of the benchmark rate.