

**PROCEDURE FOR DEFERRAL AND SETTLEMENT OF CALLABLE
LIABILITIES TOWARDS BANKS AND THEIR SUBSIDIARY COMPANIES -
FINANCIAL INSTITUTIONS, IN LINE WITH THE STATE OF EMERGENCY,
INTRODUCED ON 13.03.2020 BY THE NATIONAL ASSEMBLY BECAUSE OF THE
COVID 19 PANDEMIC**

I. INTRODUCTION

In line with the COVID-19 pandemic,

- while aiming to ensure a stable, reliable and secure financial system, resilient to extraordinary external events and impacts;
- Stating their readiness to assist in a balanced way for the protection of their clients' interests, while continuing to render high quality banking services;
- Attempting to offer a relaxation mechanism for repayment of the regular exposures of their clients-borrowers, who have been impacted by the measures, linked to the COVID-19 pandemic,

Banks and their subsidiary companies - financial institutions, based on a letter by the Bulgarian National Bank with out-tray ref. No БНБ--34578/03.04.2020 and in implementation of the Guidelines of the European Banking Authority dated 2 April 2020 – Guidelines on legislative and non-legislative moratoria on loan repayments applied in light of the COVID-19 crisis (EBA/GL/2020/02)

Have elaborated and offer to their clients the following common opportunities for deferral and settlement of liabilities:

II. GENERAL RULES

1. The rules, stipulated further below, for deferral and settlement of liabilities shall be applied with regard to clients, who cumulatively meet the following criteria:

1.1. Borrowers (clients of banks), excluding credit institutions, who either experience or anticipate difficulties in the repayment of their liabilities in accordance with the agreements, concluded with their lender, which difficulties are linked to the COVID 19 pandemic and the restrictions, introduced with the Measures and Actions during a State of Emergency Act,

announced with a decision of the National Assembly dated 13 March 2020, and their consequences.

1.2. As at 01.03.2020 the liabilities of the clients as per Item 1.1 shall have to be regular or past due by not more than 90 days;

1.3. Clients shall have to be expressing their explicit willingness to make use of the relaxations, offered by their lender.

2. General parameters of the relaxation measures

2.1. Every bank that has agreed to apply this procedure shall have to publicly announce the offered by it relaxation measures on its website, in the banking halls or in some other appropriate way. The announcement shall be deemed made to all clients, meeting the above criteria. The announcement shall state the procedure, based on which the bank is going to negotiate deferral of liabilities, as well as the initial moment, as from which it is going to be applied.

2.2. Liabilities shall be deferred over a period up to 6 months, which period shall expire not later than 31.12.2020. The end date may vary, depending on the date, on which the client has requested to use the deferral option, as well as on the availability of past due installments as at that particular date.

2.3. The deferral may encompass all callable amounts, or only the principal. For the sake of brevity the deferral period shall also be referred to hereinafter as „grace period“.

2.4. Amounts, non-repaid on the initially agreed maturity dates, shall be repaid in portions after expiry of the grace period, in accordance with the applicable deferral mechanism, unless explicitly provided for otherwise in the applicable mechanism.

2.5. Deferral may be requested by any client, meeting the requirements as per Item 1, as late as 22.06.2020, while the lender should have made a decision by 30.06.2020.

2.6. The request may involve both installments, non-repaid when due prior to submitting the request, as well as non-matured installments. If as at the date of submitting the deferral request the client's liabilities are not past due, the deferral shall be applied only in the future – with regard to non-matured installments.

2.7. The date, on which the client has requested to use the deferral option, shall not change the total time-span of the deferral as per Item 2.2.

2.8. A client shall be entitled to refuse the provided grace period earlier than envisaged and to request preparation of a repayment plan.

2.9. The proposed mechanisms for deferral and settlement of liabilities shall relate only to such liabilities, originating under agreements, concluded prior to 31.03.2020.

III. DEFFERAL MECHANISMS

3. Mechanism № 1 – deferral of principal and interest payments up to 6 months

3.1. Due amounts (principal and interest) shall be deferred over a period of up to 6 month, however not later than 31.12.2020.

3.2. The whole outstanding amount of the debt, together with the non-repaid principal during the grace period as per Item 3.1, shall be repaid in accordance with a new repayment schedule with a period, which is up to 6 months longer than the initial one, depending on the number of deferred installments.

3.3. Until expiry of the loan tenor or of another reasonably shorter period, agreed with the Borrower, each installment under the repayment schedule shall be added with an equal portion of the interest, non-repaid during the grace period.

4. Mechanism № 2 – deferral of principal payments for up to 6 months

4.1. Due amounts under principals shall be deferred over a period of up to 6 month, however not later than 31.12.2020.

4.2. The interest, due for the period, shall be paid according to the agreement;

4.3. After expiry of the grace period a new repayment schedule shall be prepared, covering the total outstanding debt amount, including the non-paid principal during the grace period. The new repayment schedule shall be extended depending on the number of unpaid installments, however by not more than 6 months.

5. Mechanism № 3, applicable to revolving products

5.1. Revolving of a credit line shall be admissible, regardless of the fact that due installments or parts of those have not been repaid. Repayment of installments shall be deferred up to 6 months, however not later than 31.12.2020.

5.2. No minimum amount for revolving a credit card limit shall be formed, with effect as early as from 01.02.2020, over a period of up to 6 months, however not later than 31.12.2020. After expiry of the grace period the formation of a minimum amount for revolving shall be re-installed and the loan shall be repaid as per the initial agreement.

5.3. Over a period of up to 6 months, however not later than 31.12.2020, the due monthly interest on an overdraft loan shall either be repaid against a non-utilized limit, or its payment shall be deferred over a period of up to 6 months after the grace period expiry.

5.4. Items 5.1, 5.2 и 5.3 shall be applicable separately to the credit products, indicated in them.

6. Mechanism selection

6.1. Selection of a mechanism for deferral of liabilities shall be made through the parties' mutual consent.

IV. ADDITIONAL PROVISIONS

7. This Procedure for Deferral and Settlement of Liabilities has been approved by the Management Board of the Association of Banks in Bulgaria (ABB). Every bank, willing to apply it shall have to explicitly state so with a letter to the ABB, signed by the said bank's managers and representatives, as the list of banks that have submitted such applications to the ABB shall be provided by the latter to the Bulgarian National Bank, together with the Procedure, approved by the Management Board of ABB.

8. The Procedure for deferral and settlement of liabilities, as well as any eventually needed amendments thereto, including the deadlines as per Item 2.5, shall be applicable after the explicit approval of the Bulgarian National Bank.

9. The procedure, envisaged in the previous items, shall be respectively applicable also with regard to financial institutions that are subsidiary companies of a bank.

10. Outside the scope hereof, lenders may negotiate with their clients individual deferral schemes, other than those, stipulated in the above items, as well as other relaxation measures.