

NOTIFICATION FOR CEASING THE APPLICATION OF SOFIBOR INDEX FOR LOANS IN BGN FOR LEGAL ENTITIES

DEAR CLIENTS,

In pursuance of Regulation (EC) 2016/1011 of the European Parliament and of the Council of 8 June 2016, as of 1 July 2018, the BNB shall cease the activities for the calculation and publication of the SOFIBOR index, which Bulgarian American Credit Bank AD (BACB AD) uses as an index (reference interest rate) for the formation of the variable interest rate on loans granted to legal entities in BGN.

In this respect and as a result of amendments to the Law on Credit Institutions, BACB AD implements a plan for action on a substantial change or dropping of a benchmark used in the pricing of financial instruments and financial contracts due to the objective impossibility of obtaining quotations for an index used up to now for the calculation of a reference interest rate and because it is no longer being prepared.

That is why, considered as of 01 July 2018, BACB will replace the SOFIBOR index, which was used up to now as a reference interest rate for the formation of the floating interest rate on loans in BGN to legal persons, with the Leonia Plus index calculated and announced by the BNB (according to BNB methodology) on its website (www.bnb.bg) for each business day. Leonia Plus index will be determined on a 3 (three) – month period, where the exact amount of interest rate due for each three-month period of the loan agreement being set two working days prior to the due date of the last month of the previous quarter.

For the loan agreements in BGN concluded between BACB and legal entities until 1 July 2018, according to the current general terms and conditions and the terms of the loan agreements, the Bank will use the last known value of the relevant monthly SOFIBOR announced on the BNB website the date that is two business days before 1 July (i.e. 27 June 2018, when a valid quote will be available) and this value will be applicable for the period from 1 July 2018 until the conclusion of an individual annex to each a loan agreement under which the SOFIBOR index will be replaced with the new Leonia Plus index.

Replacing the SOFIBOR index with the Leonia Plus index will not lead to an increase in the interest rate on existing loan agreements that apply prior to the replacement, but may lead to a one-time change in the applied margin (the component for the formation of the floating rate), where the interest rate on the loan after replacement will not be higher than the one before replacement.

If you are a client under a loan agreement in BGN, concluded before 01 July 2018, under which a floating interest rate is applicable, please contact the Relationship officer responsible for your company to get complete information about the replacement of the existing SOFIBOR index with the new Leonia Plus index and signing of an Appendix. According to the recent changes to the Credit Institutions law, the new interest rate of the credit agreement cannot be higher than the interest rate on the contract before that date. The new interest rate will be formed as sum of an allowance and the LEONIA Plus index that is in effect at the relevant moment and will be equal to the current interest rate - the sum of the previous allowance and the last published SOFIBOR.

We hereby notify you that in connection with the foregoing, BACB has adopted amendments to the General Terms and Conditions for Loans to Small and Medium-Sized Enterprises, which are in force since 01 July 2018. The text of the new General Terms and Conditions can be found in the commercial premises and on the Bank's website (www.bacb.bg).

The team of Bulgarian American Credit Bank AD