

NOTIFICATION FOR CEASING THE APPLICATION OF SOFIBOR INDEX FOR LOANS IN BGN FOR INDIVIDUALS

DEAR CLIENTS,

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

In this regard and as a result of amendments to the Law on Credit Institutions, the Law on Consumer Property Loans and the Law on Consumer Loan, BACB AD implements a plan for action on a substantial change or dropping of a used benchmark in the pricing of financial instruments and financial contracts due to the objective impossibility to obtain quotations for an index used up to date to calculate a reference interest rate and since it is no longer being prepared.

Therefore, as of 01 July 2018, BACB AD will replace the SOFIBOR Index, which has been used so far as the reference interest rate for the formation of the variable interest rate on BGN loans to individuals with a base interest rate index (BIR), which is determined and announced by the BNB on its website (www.bnb.bg) for each calendar month, according to a methodology adopted by the Governing Council of the BNB.

For loan agreements in BGN concluded between BACB AD and individuals until 01 July 2018, according to the current Methodology of determining the reference index rate applied in BACB AD for consumer and mortgage loans to individuals and the terms of the loan agreements, a change in the calculation of the variable interest rate will be made on 1 July 2018. BACB AD will use the value of the six-month SOFIBOR announced on the BNB website for the date that is two business days before 1 July (i.e. 27 June 2018, when a valid quote for six-month SOFIBOR will be available) and this value will be applicable to the period from 1 July 2018 to 31 December 2018 inclusive.

On 1 January 2019, BACB AD will replace the SOFIBOR index with BIR as a reference interest rate under loan agreements in BGN, concluded with individuals before 1 July 2018. The replacement of the index on 1 January 2019 will be made by replacing the value of SOFIBOR with the BIR value as announced on the BNB website for December 2018.

Replacing the SOFIBOR index with a BIR index will not lead to an increase in the interest rate on existing loan agreements applicable after 01 January 2019, and for this purpose it is possible to make a one-time change in the amount of the applied margin (the variable interest rate component) to increase or decrease so that the amount of the interest rate on a loan agreement applicable after 1 January 2019 is not higher than the interest rate applicable before the change. If, on the date of replacement of the SOFIBOR index with BIR index, their values are of equal size, there will be no change in the amount of the applied margin.

After the date of replacement SOFIBOR index with BIR index (01 January 2019) you will be notified about the amount of the repayment installments due on the loan in the manner of notification for change in the amount of the reference interest rate agreed in the loan agreements you have signed.

If you do not agree with the replacement of the SOFIBOR index with the BIR index and the resulting changes in the formation of the applicable interest rate on the loan agreement, you have the right to early repayment of your loan on that grounds by not paying compensation and penalties for the early repayment.

We hereby notify you that in connection with the foregoing, BACB AD has adopted amendments to the General Terms and Conditions of BACB for granting loans to individuals, 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