

Interest rate methodology of ProCredit Bank (Bulgaria) EAD for formation of a variable interest rate on consumer and housing loans granted to private clients effective from 1 September 2023

SECTION I. GENERAL PROVISIONS

Article 1. This Methodology determines the procedure and method of use of a reference interest rate within the meaning of the Consumer Loans Act (CLA) and the Consumer Real Estate Loans Act (CRELA) in the formation of a variable interest rate on loans in domestic and foreign currency granted to private clients by ProCredit Bank (Bulgaria) EAD (hereinafter referred to as "the Bank").

Article 2. (1) Variable interest rate on a loan shall mean the interest rate stipulated in a clause of the loan agreement by virtue of which the Bank and the borrower agree that the interest rate applicable to the loan agreement is formed based on a variable component (reference interest rate) plus a margin.

(2) The variable interest rate may not have a negative value.

(3) Reference interest rate shall mean the interest rate used as a basis for the calculation of the variable interest rate applicable to a loan agreement. It is a benchmark of an interest rate under Regulation (EU) 2016/1011¹ or an index and/or indicator published by the Bulgarian National Bank (BNB) and/or the National Statistical Institute or a combination thereof.

(4) The reference interest rate may only be a positive value or "0" (zero). In the event that at the date of determination of the variable interest rate the reference interest rate has a negative value, the Bank shall assume that the value of the reference interest rate is "0" (zero).

(5) The margin shall be determined by the Bank and shall take into account the amount of the risk assumed by the Bank in granting the loan. The margin shall be specified in the loan agreement and may not be changed unilaterally during the term of the loan agreement, except in the cases provided for in the loan agreement.

Article 3. The Bank shall provide information on this Methodology and on the applicable reference interest rate on its website at www.procreditbank.bg, in accordance with the requirements of Article 58 of the Credit Institutions Act, Article 33a of the Consumer Loans Act and Article 25 of the Consumer Real Estate Loans Act.

SECTION II. REFERENCE INTEREST RATE AND DETERMINING ITS VALUE

Article 4. (1) Loans granted by ProCredit Bank (Bulgaria) EAD in BGN and EUR shall accrue interest at a variable interest rate determined as the sum of the value of the 3/6-month EURIBOR interest rate index plus a fixed contractual margin, but not less than the minimum interest rate determined individually in the loan agreement.

(2) The 3/6-month EURIBOR interest rate index shall be calculated on the basis of the interest rates offered on inter-bank deposits in euro for a period of three/six months between first-class banks in the

¹Regulation (EU) 2016/1011 of the European Parliament and of the Council of 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) No 596/2014 (OJ, L 171/1, 29.6.2016).

Economic and Monetary Union (EMU), as published under EURIBOR & EONIA FIXINGS on the BLOOMBERG website, applying the day-count convention "actual/360" (actual number of days elapsed/360 days) taken to the third decimal place without rounding.

(3) In the event that the Bank is unable to obtain information on the value of the 3/6-month EURIBOR on the date of update, the Bank shall determine the value of the interest rate index based on the values of the 3/6-month EURIBOR most recently published under EURIBOR & EONIA FIXINGS on the BLOOMBERG website.

(4) In the event of a change in the 3/6-month EURIBOR according to what is published under EURIBOR & EONIA FIXINGS on the BLOOMBERG website, and as of the effective date thereof, the total interest rate on the loan will be deemed to have automatically changed in accordance with the accepted changes, while preserving the agreed margin.

(5) The variable interest rate on a loan shall be formed in accordance with the value of the 3/6-month EURIBOR published under EURIBOR & EONIA FIXINGS on the BLOOMBERG website as of the date preceding by up to three business days the conclusion of the loan agreement/applying a variable interest rate under the loan agreement or the value of the 3/6-month EURIBOR fixed as of a certain date specified in the individual loan agreement.

Article 5. (1) In cases of an increase in the value of the reference interest rate, the Bank shall have the right to apply a discount. The discount shall be determined on the basis of the interest rate statistics of the Bulgarian National Bank (BNB) by calculating a weighted average interest rate on the basis of interest rates and volumes of new business on deposits of the Households sector in BGN and EUR.

(2) In the event of a significant difference between the 3/6-month EURIBOR and the weighted average interest rate from the BNB interest rate statistics for new business on deposits of the Households sector, the Bank may partially reflect this difference by granting a discount in the individual loan agreement.

(3) In the event that the periodicity of publication of data by the source, EURIBOR & EONIA FIXINGS on BLOOMBERG, for the value of 3/6-month EURIBOR is discontinued, which would prevent the determination and update of the value of the reference interest rate applicable by the Bank pursuant to this Methodology, the Bank shall have the right, for a specified period after disclosure of the information from the source has ceased, to continue to apply the most recently determined value of the 3/6-month EURIBOR until a decision has been made on an appropriate substitute for the interest rate index.

(4) In the event of a change in the reference interest rate that results in a change in the repayment plan, the Bank shall notify the borrowers of the changes.

SECTION III. SUBSTITUTION FOR THE APPLICABLE REFERENCE INTEREST RATE

Article 6. In the event that a benchmark for an interest rate, index or indicator used by the Bank as a reference interest rate under loan agreements with private clients changes significantly or is no longer produced, the Bank shall implement an action plan pursuant to Article 28(2) of Regulation (EU) 2016/1011 of the European Parliament and of the Council.

Article 7. When a reference interest rate is substituted pursuant to Article 6, the interest rate terms of the loan agreements shall be deemed to have automatically changed in accordance with the applicable amendments, and at the time of substitution the new interest rate under the loan agreement may not be higher than the interest rate previously applied under the agreement.

Article 8. (1) The methodology under Article 2 shall be described in the loan agreement and may not be unilaterally changed by the Bank after its conclusion.

(2) Any change to the Methodology shall be disclosed by the Bank in accordance with Article 3 and shall apply from the date of the change only to loan agreements concluded after the date of entry into force of the changed Methodology, unless the applicable legislation requires the application of the changes also to loan agreements already concluded.

SECTION IV. TRANSITIONAL AND FINAL PROVISIONS

Article 9. Information on the 3/6-month EURIBOR values published under EURIBOR & EONIA FIXINGS on the BLOOMBERG website:

<https://www.emmi-benchmarks.eu/euribor-org/euribor-rates.html>