

METHODOLOGY

OF T.C. ZIRAAT BANK - SOFIA BRANCH (BRANCH OF A FOREIGN TRADER), FOR CALCULATION OF INTEREST RATE ON CREDITS TO INDIVIDUALS

This Methodology specifies the method for determining and calculating the interest rate applied by T.C. Ziraat Bank - Sofia Branch (Branch of a foreign trader) (hereinafter referred to as "the Bank") on credits to individuals.

The Methodology is applicable to fixed-rate and variable-rate consumer credit/mortgage contracts (including mortgage credits) for individuals.

With effect from July 1, 2018, in connection with the discontinuation of the maintenance and use of the SOFIBOR interest rate index, applied as a floating component on BGN credits to individuals with agreed variable interest rate, officially announced by the Bulgarian National Bank (BNB), the Bank substitutes the floating component applied on BGN credits to individuals SOFIBOR with a floating EURIBOR index.

For the purposes of this Methodology, the following definitions are used in this document:

"Credit Interest Rate" means the interest rate, expressed as a fixed rate or a variable rate, applied on an annual basis to the amount of the credit drawn down.

"Variable Credit Interest Rate" means the interest rate under credit agreements for credits to individuals under which the Bank and the borrower agree that the interest rate applicable to the agreement shall be based on a market index - variable component: EURIBOR - for credits in BGN and EUR **plus a fixed margin** expressed in a specific percentage.

"Fixed margin" is a fixed percentage that takes into account the level of risk, assumed by the Bank upon granting the credit. The margin is stipulated in Appendix No. 1 to the Consumer Credit Agreement and shall not be changed unilaterally by the Bank for the entire term of the credit agreement.

In determining the interest rate, T.C. Ziraat Bank - Sofia Branch (Branch of a foreign trader) uses two calculation methods:

1. **Fixed-rate interest** for consumer credit agreements or consumer credits against mortgage - in BGN/EUR/USD and/or specific promotional consumer credit agreements;
2. **Variable interest rate** as detailed in Appendix No. 1 to the Consumer credit agreement/Consumer credit agreement with mortgage (home credit) and formed from the respective variable base rate - 1M (one-month)/ 3M (three-month)/6M (six-month)/12M (twelve-month) EURIBOR for credits in BGN or EUR, plus a fixed margin, which may not be less than a minimum rate specified by the Bank.



EXAMPLE: Example variable interest rate: 6M EURIBOR + 5 percentage points (fixed margin), BUT MINIMUM 5% (variable reference index + (fixed margin) interest rate). In the case of a negative value of the respective variable interest rate index

- EURIBOR, the same shall be taken as equal to 0% (zero percent) and the final interest rate may not be lower than the agreed **fixed margin**. If the sum of the variable interest rate/index taken to the relevant period exceeds the specified minimum in the form of the agreed fixed margin, the Bank shall apply the resulting exact sum. The values of the variable interest rates - 1M/3M/6M/12M EURIBOR are published on the websites of: Euribor Rates (<https://www.euribor-rates.eu/en/>); or the BNB

(<http://bnb.bg/Statistics/StMonetaryInterestRate/StInterestRate/StIRInterestRate/index.htm>); or on the European Banking Federation (<http://www.euribor-ebf.eu/>); or on the Reuters and Bloomberg information systems. The drawdown portion of the credit shall bear interest at a fixed annual interest rate, formed as the sum of a variable reference interest rate/variable index applicable for the respective interest period and a margin, determined and individualized in Appendix No. 1 to each individual Consumer credit agreement/ or in Appendix No. 1 to each individual Consumer credit agreement with mortgage (home credit), but not less than a fixed minimum interest rate. The initial period of the payment of interest on the drawdown portion of the credit starts from the date of the first drawdown of the credit. Each subsequent period of payment of interest shall commence on the first business day of the next calendar period (month, quarter, six months, year) in accordance with the applicable interest rate index. The change of the relevant applicable interest rate index shall become effective automatically upon the announcement of the new value of the reference variable interest rate/index, subject to the margin specified in the Contract and without the need to enter into an additional agreement with the Borrower. The Bank shall notify the Borrower and third obligors of any change in the reference variable interest rate/index for the relevant period of the Agreement by publishing it on the Bank's website.

The Bank announces this Methodology for calculation of interest rate on credits to individuals of T.C. Ziraat Bank - Sofia Branch in accordance with the requirements of the Consumer Credit Act.

The methodology has been adopted by the Resolution of the Management of the Branch of the Bank dated June 29, 2018.

T.C. Ziraat Bank - Sofia Branch

City of Sofia, June 29, 2018