

**METHODOLOGY FOR CALCULATING THE REFERENCE INTEREST RATE /RIR/ OF UBB AD, APPLICABLE TO
NEW CREDIT DEALS OF BUSINESS CLIENTS IN BULGARIAN LEVA AND TO EXISTING CREDIT DEALS OF
BUSINESS CLIENTS IN BULGARIAN LEVA UPON THE TRANSITION FROM SOFIBOR TO RIR
IN EFFECT AS FROM 01.07.2018**

1. General Provisions

- 1.1.** This methodology defines the way in which the Reference Interest Rate /RIR/ of United Bulgarian Bank AD (“**The Bank**” or “**UBB**”) is being determined and calculated, as well as the procedure for subsequent changes to its value.
- 1.2.** This methodology is applicable to all existing and new loan agreements and bank guarantee agreements of business clients in Bulgarian leva, accrued with a floating interest rate.
- 1.3.** For the purposes of this methodology:
- 1.3.1.** “**Loan Interest Rate**” shall mean the interest rate, expressed as a fixed or floating percentage, which is being applied on an annual basis to the utilized loan amount.
- 1.3.2.** “**Floating Interest Rate on the Loan,**” shall mean the interest rate for loan agreements of business clients, under which the Bank and the borrower have agreed that the contractual interest rate shall be formed on the basis of a **reference interest rate** (floating component) in Bulgarian leva plus a **fixed margin**.
- 1.3.3.** “**Reference Interest Rate**” (**RIR**) of UBB shall mean the interest rate, used as a basis to calculate the floating interest rate, applicable to loan agreements and bank guarantee agreements. RIR value shall be determined only for loans to business clients in Bulgarian leva;
- 1.3.4.** A **fixed margin**, taking into account the level of risk, assumed by the Bank upon granting the loan. The margin has been stated in the loan/bank guarantee agreement and shall not be changed unilaterally over the tenor of the loan/bank guarantee agreement.

2. Reference Interest Rate calculation

- 2.1.** RIR is calculated, using the following formula:

$$\text{RIR} = \frac{\text{Deposit Rate HH BS}}{(1 - \text{MRR})}$$

Where:

Deposit Rate_{HHBS} - interest rate on deposit outstanding amounts with agreed maturity and repo deals with maturity over 1 day up to 2 years, as well as overnight deposits of households in Bulgarian leva. This indicator is being calculated by the Bulgarian National Bank (BNB) as an average weighted for the banking system.

The formula for calculating 'Deposit Rate HH BS' is the following:

$$\text{Deposit Rate HH B} = \frac{\text{Deposit Rate HHT} \times \text{VHHT} + \text{Deposit Rate HHO} \times \text{VHHO}}{\text{VHHT} + \text{VHHO}}$$

Where:

Deposit Rate_{HHT} –interest rate on deposit balances of households with agreed maturity and repo deals exceeding 1 day and up to 2 years, in the loan currency. This indicator is being calculated by the Bulgarian National Bank (BNB) as a weighted average for the banking system and is being published on the BNB's website.

Deposit Rate_{HHT} –interest rate on deposit balances of households with agreed overnight maturity, in the loan currency. This indicator is being calculated by the Bulgarian National Bank (BNB) as a weighted average for the banking system and is being published on the BNB's website.

V_{HHT} – the volumes of household deposits with agreed maturity, ranging between 1 day and 2 years in the loan currency, available in the BNB's website

V_{HHO} – The volumes of household deposits with overnight maturity and currency, being the loan currency, published in the BNB's website.

It is posted monthly in the regulator's interest rate statistics on its official website. On UBB's website there is a direct reference to the document, published by the BNB.

MRR - the percentage of the Minimum Required Reserves, maintained by banks in their accounts with the BNB as per Ordinance № 21 of the BNB dated 26.11.2015 on the Minimum Required Reserves, Maintained by Banks with the Bulgarian National Bank (Promulgated in the State Gazette, issue 94 dated 04.12.2015 and in force as of 04.01.2016). The indicator's value has been set in Art.3 paragraph 2, of the quoted subordinate legislative act. As per the effective Ordinance № 21 as at the moment of adopting this methodology, this indicator equals 10% (0.1) of the funds, attracted with banks in Bulgarian leva and in foreign currency.

The MRR value has been determined at the time of adopting this methodology and shall be subject to change upon amendments to the respective legislation, affecting its value.

Any amendments to the quoted legislative act, which do not include cancellation or change of the relevant indicator's amount, shall not impact this methodology's application.

2.2. Upon cancellation of an indicator, included in the formula hereunder, this indicator shall be replaced by analogous such, as determined by that same source or by another source, assuming the indicator determination functions. If such is not available, then the indicator shall be maintained at its most recently posted value, used for the purpose of calculating RIR for Bulgarian leva.

2.3 The obtained RIR value is being rounded to the first decimal digit and stated in percentages (for example: 1.768% is being rounded and stated as 1.8%). The stated value is being used to calculate the new repayment schedule.

2.4. Upon a negative RIR value for Bulgarian leva the latter shall be deemed 0%, while the borrower's end interest rate on the loan shall not be lower than the fixed margin or the minimal threshold for the interest rate described in the contract.

3. Procedure for defining and changing the Reference Interest Rate for Bulgarian leva

3.1. The first RIR calculation for Bulgarian leva under this methodology has been made using values of the relevant indicators as at 31.05.2018.

3.2. The recalculation of the RIR value for Bulgarian leva pursuant to the procedure hereunder is being made on a monthly basis by the last business day of the previous month, as the used values are those of the respective indicators, published until the last business day of the previous month. The thus calculated RIR shall be valid from the first through to the last day of the month to follow.

4. Appendix

This methodology for determining the RIR shall be applicable to all new loan and bank guarantee agreements of business clients, using RIR, and shall come into effect for existing loan and bank guarantee agreements, using SOFIBOR, upon discontinuing the calculation and publishing of SOFIBOR.

Under existing credit deals and upon discontinuing the calculation and publishing of SOFIBOR, the RIR in Bulgarian leva shall replace SOFIBOR as a component in determining the amount of the aggregate interest rate, which comprises a base interest rate 1-month/ 3-month/ 6-month/ 9-month/ 1-year SOFIBOR plus the respective initially agreed fixed margin. The replacement of SOFIBOR with RIR shall be made upon compliance with and while applying the procedure, envisaged either by law or by subordinate legislation. UBB shall retain unchanged as an absolute amount the aggregate interest rate for the client over a transition period of time, based on the last accepted by the bank and applicable for the respective loan/ bank guarantee agreement value of SOFIBOR prior to the date of discontinuation of the calculation and publishing of the the benchmark, plus the agreed fixed margin, however not less than the amount of the fixed margin or the minimal threshold for the interest rate described in the contract. Following the expiry of the determined transition period the applicable interest rate shall be RIR for Bulgarian leva + the agreed fixed margin, as follows:

4.1. Should a law or bylaw envisage a particular procedure and a transition period for replacement of SOFIBOR then the respective statutory provisions shall apply.

4.2. Should a law or bylaw envisage a particular procedure, however without stipulating a period for replacement of SOFIBOR, then the bank applies transition period for replacement of SOFIBOR with RIR for Bulgarian leva for up to 3 months as from the date of official discontinuation of calculation and publishing of SOFIBOR.

After expiry of the period under Item 4.1 or 4.2, the Bank shall continue applying and recalculating on a monthly basis a „Floating interest rate“ as per the definition in Item 1.3.2.

5. Information disclosure and publicity

In line with the legal requirements, the Bank shall announce on its website this Methodology, the calculated on its basis currently effective RIR Rate and shall maintain data for all RIR values, determined by Bank under the terms and conditions hereof. This methodology and the current RIR values are available in UBB's banking halls.

This Methodology of UBB AD for calculating the Reference Interest Rate as regards loans to business clients has been adopted with a Management Board decision, as per Minutes No. 26/28.05.2018 and has come into force as from 01.07.2018.