METHODOLOGY

FOR CALCULATING THE REFERENCE INTEREST RATE OF UNITED BULGARIAN BANK AD FOR LOANS TO INDIVIDUALS

1. General Provisions

1.1. This methodology defines the way, in which the reference interest rate /RIR/ of United Bulgarian Bank AD (the "Bank") is being determined and calculated, as well as the procedure for subsequent changes to its value.
1.2. This methodology is applicable to loan agreements of individuals (mortgage loans, consumer loans, overdrafts and credit cards) with a variable interest rate, in Bulgarian leva and in euro.
1.3. For the purposes of this methodology:
1.3.1 "**Loan Interest Rate**" shall mean the interest rate, expressed as a fixed or variable percentage, which is being applied on an annual basis to the utilized loan amount.
1.3.2 "Variable Interest Rate on the Loan," shall mean the interest rate for loan agreements of individuals, under which the Bank and the borrower have agreed that the contractual interest rate is to be formed on the basis of the **reference interest rate** (variable component) in BGN/EUR plus **a fixed margin.**
1.3.3. "Reference Interest Rate" of United Bulgarian Bank AD (RIR) shall be the interest rate, used as a basis to calculate the variable interest rate, applicable to loan agreements of individuals. The RIR value shall be determined only for loans to individuals in Bulgarian leva and in euro;
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 agreement and shall not be changed unilaterally over the entire loan agreement's tenor.

2. Reference Interest Rate calculation

2.1. RIR is calculated, using the following formula:

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

Where:

$\boldsymbol{Deposit\ Rate_{HH_{BS}}}$ **-** interest rate on deposit balances with agreed maturity and repo deals, exceeding 1 day and up to 2 years, as well as overnight deposits of households, in the loan currency. This indicator is being calculated by the Bulgarian National Bank (BNB) as a weighted average for the banking system.

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

$$\text{Deposit Rate HH BS} = \frac{\textit{Deposit Rate HHT x VHHT} + \textit{Deposit Rate HHO x VHHO}}{\text{VHHT} + \text{VHHO}}$$

Where:

$\boldsymbol{Deposit\ Rate_{HHT}}$ - interest rate on balances of household deposits 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 BNB's website.

$\boldsymbol{Deposit\ Rate_{HHO}}$ – The interest rate on balances of overnight household deposits, 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 BNB's website.

$\boldsymbol{V_{HHT}}$ – 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

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

$\boldsymbol{Deposit\ Rate_{HH_{BS}}}$ is being announced monthly in the regulator's interest rate statistics on its official website. There is a direct reference to the documents, published by the BNB, on United Bulgarian Bank's website.

$\boldsymbol{MRR}$ - 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 with the Bulgarian National Bank by Banks (Promulgated in State Gazette, issue 94 dated 4 December 2015, in effect from 4 January 2016). The indicator's value has been set at the level, as determined in Art. 3 Para 1 of the quoted subordinate legislative act. As per the effective Ordinance No21 at the time of adopting this methodology, it is 10% (0.1) of the funds attracted in banks in Bulgarian leva (BGN) 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 either an indicator or index, included in the formula hereunder, this indicator/index shall be replaced by analogous such, as determined by that same source or by another source, assuming the indicator or index determination functions. If such is not available, then the indicator shall be retained at its last posted value, used for RIR calculation purposes.
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 interest rate.
2.4. Upon a negative RIR value the latter shall be deemed 0%, while the borrower's end interest rate on the loan shall not be lower than the fixed margin.

3. Procedure for defining and changing the Reference Interest Rate

3.1. The first RIR calculation under this methodology has been made using values of the relevant indicators as at 31.12.2017.
3.2. The recalculation of the RIR value under this methodology is being made twice a year - by the last business day of the months August and February, using the values of the respective indicators as at 30 June and 31 December.
3.3. The change in the RIR value shall come into force as from 1 September and 1 March only and solely on condition that the difference between the currently effective and the new RIR in absolute value is either equal or exceeds 0.30%.
3.4. The new interest rate amount under each loan, to which the present methodology applies, shall be applicable as from the first maturity date, respectively the date of the first statement under the loan, following the recalculation date. If between the date of signing the loan agreement and the date of drawdown of loan funds the RIR value has changed within the above-stated deadlines and procedure, then upon funds drawdown the updated variable interest rate shall apply, based on the new RIR value. To new credit cards the applicable rate shall be the updated variable interest rate, based on the new RIR value as at the card's activation date.

4. Information disclosure and publicity

4.1. 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 the Bank under the terms and conditions hereof. This methodology and the current RIR values are available in UBB's banking halls.

This methodology of United Bulgarian Bank AD for calculating the Reference Interest Rate as regards loans to individuals has been adopted with a decision of UBB AD's Management Board and comes into effect as from 17.04.2018.

Reference Interest Rates of United Bulgarian Bank AD in effect from 17.04.2018:

Date of update	RIR on loans in BGN	RIR on loans in EUR
17.04.2018	0.2%	0.2%

Information on the used indicators is available at:

http://bnb.bg/Statistics/StMonetaryInterestRate/StInterestRate/StIRInterestRate/index.htm

General information

- This methodology is applicable to loan agreements, concluded after 17.04.2018 inclusive.

- To all l**oan agreements, concluded with individuals by 16.04.2018** inclusive the respective methodology for determining and calculating the interest rate, as stipulated in the respective agreement, shall be retained.

To agreements, in terms of which the applicable Reference Interest Rate (RIR) is Sofibor/Euribor or another index, or there is an index, involved as a weighted component in the RIR calculation, the Bank shall apply the provisions of UBB's *Action Plan upon Material Change or Benchmark Cancellation* (The Plan), prepared in accordance with Regulation (EU) 2016/2011 and the currently effective statutory provisions.

1. According to this Plan, the present Methodology for calculating RIR under loan agreements shall also be applicable upon material change or upon cancellation of benchmark indices (SOFIBOR/ EURIBOR/ LIBOR etc.), used until now.

2. The Bank shall apply the Action Plan stipulations for having it replaced with a new benchmark (the present RIR, depending on the currency and calculated in accordance with the present methodology), as the total amount of the end interest rate, agreed with the client (SOFIBOR/EURIBOR/LIBOR + fixed margin) shall be retained over a 3-month period (grace period) as an absolute value in accordance with the most recently published value for the respective benchmark as at the date of officially discontinuing its calculation and maintenance. Following the grace period expiry the applicable interest rate shall be RIR + the agreed fixed margin.

3. In all cases, the replacement of SOFIBOR/ EURIBOR with RIR shall be made upon compliance with and while applying the procedure, envisaged either by law or by subordinate legislation.