Methodology
of United Bulgarian Bank AD for defining the Base Interest Rate used for calculation of the interest rate on loans to corporate clients

BIR levels for corporate loans are recalculated based on the data for the 10th working day of the month and reviewed monthly by the Local Risk Management Committee (LRMC), based on the following formula:

BIR = Deposit rate + Cost of required reserves with BNB + Cost of deposit insurance + Country risk premium + Liquidity premium

where:

- BIR - the base interest rate for corporate loans in the relevant currency;
- Deposit rate - the highest tariff (non-negotiable) interest rate offered by the Bank for 1 year corporate deposits in the relevant currency;
- Cost of required reserves with BNB - the cost of maintaining the required reserves for corporate deposits with the relevant terms (presented as a percentage of the deposit amount);
- Cost of deposit insurance - the deposit's guarantee fee (fees for Bulgarian Deposit Insurance Fund and Bank Resolution Fund) presented as a percentage of the deposit amount);
- Country risk premium - the excess return required by the holders of Bulgarian long-term debt as compared to a risk-free benchmark (5-year Bulgarian CDS last price, Bloomberg - source CMAN);
- Liquidity premium – the cost of maintaining liquidity according to the current regulatory requirements and the prevailing market conditions. The latter reflected through the 12M point of the liquidity premium curve for liabilities used in FTP

BIR levels may not be revised if the formula leads to a change within a threshold of +/- 50 bps as compared to the value as of the last BIR revision. LRMC has the discretion not to approve increase of the BIR level if such increase may affect adversely the customers' ability to service their debts or might have a negative impact on the Bank's market position.