METHODOLOGY

FOR DETERMING THE BANK INTEREST RATE APPLIED BY CIBANK JSC

WHEN CALCULATING THE INTEREST RATE ON RETAIL LOANS

I. GENERAL PROVISIONS

Art.1. This methodology governs the order and manner of determining the bank interest rate **(BIR)** of CIBANK JSC **(the Bank)**.

Art.2. (1) In accordance with Art.58 of the Law on Credit Institutions **(LCI)** and Article 33 of the Law on Consumer Loans **(LCC),** the Bank provides its retail clients information about:

1. the current amount of the used bank interest rates (representing reference interest rates under the LCC);
2. the methodology used for determining the bank interest rate* - the factors that influence the formation of BIR applied by CIBANK JSC.

***Bank interest rate (BIR)** is the interest rate approved by the Management Board of CIBANK JSC which the Bank uses as the base for determining the annual interest rate applicable to mortgage and consumer loans for individuals.

(2) The BIR determined under this methodology is applicable in the pricing and formation of the end price of the retail loan products offered by the Bank in national and foreign currency (EUR and USD).

Art. 3 The Bank publishes on its website data on the BIR amount for loans in national and foreign currency.

Art.4. (1) After concluding a loan contract, the Bank cannot unilaterally change the methodology for determining the BIR.

(2) Any change in the methodology for determining the BIR shall be published on the website of the Bank and shall apply only to new loan contracts starting from the date of the change.

II. DETERMINING THE BIR ON BGN/FOREIGN CURRENCY LOANS

Art.5. (1) The interest rate(floating or fixed) constitutes the price of the loans provided.

(2) In determining the price the Bank complies with the need for profitability of its lending products.

Чл.6. (1) The annual interest rate on retail loans is formed by:

1. The **bank interest rate (BIR)** for loans in national currency or loans in foreign currency (EUR or USD);
2. **The margin (risk premium)**, reflecting the amount of the credit risk which the Bank takes in providing the loan. The margin is indicated in the Loan Contract and does not change during the loan period. In forming the risk premium, the bank takes into account elements such as:
   - 2.1. the credit capacity of the borrower;
   - 2.2. the period and purpose of the loan;
   - 2.3. quality of the collateral;
   - 2.4. the risk of non-repayment;
   - 2.5. other risk factors.

(2) The BIR applies to loans with a floating interest rate.

Art. 7. The bank interest rate used for determining the annual interest rate on retail loans is subject to the following objective parameters and factors adopted by the Bank:

1. the weighted average (in percentage) of the cost of attracted funds in BGN, the weighted average (in percentage) of the cost of attracted funds in EUR and the weighted average (in percentage) of the cost of attracted cash resources in USD;

2. the price of the new cash resources which the Bank can attract at any time, including the so-called CDS of the country (credit default swap);
3. market interest rate indexes - base interest rate, SOFIBOR, EURIBOR and LIBOR;
4. (amended with Protocol No 29/02.08.2012) direct non-interest costs on attracted cash resources - minimum reserve requirements, amount of the contribution to the Bulgarian Deposit Insurance Fund;
5. change in the legal framework and/or in regulations of the BNB;
6. (revoked - Minutes No 29/02.08.2012);

Art. 8.(1) The Bank has the right to unilaterally change the interest rate on loans in their BIR part upon change in any of the parameters and factors specified in Art. 7.

(2) The competent units in the Bank report on a monthly basis about the changes of the parameters and factors under Art. 7 and submit a proposal to the Management Board to change the BIR.

Art. 9. The Bank shall promptly inform the borrowers of any change in the BIR amount and the date on which the same will enter into force by displaying it in the Bank's premises to which clients have access, and by publishing them on the Bank's official website.

Art. 10. (1) Upon any change in the BIR applicable to consumer loans granted under the LCC, the agreed interest rate shall change accordingly, starting from the date of the BIR change, without the need for renegotiation by the parties or for conclusion of an additional annex to the loan contract. In this case, the Bank has the right to unilaterally alter the amount of the monthly installments by preparing ex officio a new repayment schedule for the remaining amount of the loan, based on the adjusted interest rate.

(2) Upon any change in the BIR on granted consumer loans, not later than ten (10) days before its entry into force, the Bank shall send to the borrower a written notification of the date of entry into force of the new BIR, the amount of the installments payable after its entry into force, the number and frequency of the installments if they are being changed. The bank shall consider the borrower notified by sending the notification to the latter at the last permanent address specified by the borrower or to his/her email address.

(3) In case the borrower of a consumer loan disagrees with the adjusted interest rate amount, he/she may notify the Bank in writing thereof and repay his/her liabilities under the loan, together with the interest due for the period of the effective use of the loan funds, without paying an early repayment fee. Any failure to repay the whole remaining amount of the loan, together with the interest due, within the specified period, shall be deemed an act of acceptance of the changed BIR by the borrower.

(4) Borrowers to whom the provisions of the LCC do not apply shall be notified of any change in the applicable BIR under Art.9 of this Methodology.

TRANSITIONAL AND FINAL PROVISIONS

& 1. This Methodology for Determining the Bank Interest Rate applied by CIBANK has been adopted by the Management Board of the Bank with Minutes No 35/27.08.2010

It has been amended with a decision of MB of CIBANK JSC, Minutes No 29/02.08.2012.