

# **METHODOLOGY**

**FOR**

**CALCULATION OF THE REFERENCE INTEREST RATE OF UNITED BULGARIAN BANK AD FOR  
LOANS TO INDIVIDUALS, IN EFFECT AS FROM 07.04.2023**

## 1. General

- 1.1.** This Methodology regulates the manner of determining and calculating the reference interest rate of United Bulgarian Bank AD ("**the Bank**"), applicable to loans with a variable interest rate in BGN and EUR, as well as the procedure for subsequent amendments of its value.
- 1.2.** The Methodology is applicable to loan agreements of individuals (mortgage loans, consumer loans, overdrafts and credit cards) with a variable interest rate, in BGN and EUR, concluded after 07.04.2023, including to all loan agreements of individuals in force as at 07.04.2023, under which - following this date - the interest rate conditions under the loan have been renegotiated by means of a written agreement with an included reference interest rate, determined pursuant to this Methodology as a manner of calculating the variable interest rate under the loan.
- 1.3.** For the purposes of the present Methodology:
- 1.3.1. "Interest rate under the loan"** shall mean the interest rate, expressed as a fixed or variable percentage, which is being charged on an annual basis to the utilized loan amount.
- 1.3.2. "Variable interest rate under the loan"** shall mean the interest rate under loan agreements of individuals, pursuant to which the Bank and the Borrower have agreed that the interest rate applicable to those agreements shall be formed on the basis of a **Reference Interest Rate** (variable component) in BGN and EUR **plus a fixed margin**.
- 1.3.3. "Reference interest rate" (RIR)** of United Bulgarian Bank AD shall mean the interest rate used as a basis for calculation of the variable interest rate applicable to loan agreements of individuals. The RIR value shall be calculated only for loans of individuals in BGN and EUR.
- 1.3.3.1. The reference interest rate applied to loans of individuals (mortgage loans, consumer loans and credit cards) in BGN shall be a Medium-term Interest Rate, determined pursuant to item 2.1.
- 1.3.3.2. The reference interest rate applied to loans of individuals (mortgage loans, consumer loans and credit cards) in EUR shall be a 6-month Euribor, determined pursuant to item 2.3.
- 1.3.3.3. The reference interest rate applied to overdrafts of individuals in BGN shall be a Short-term Interest Rate, determined pursuant to item 2.2.
- 1.3.4. A fixed margin**, taking into account the level of risk assumed by the Bank upon granting the loan. The margin shall be stated in the loan agreement and cannot be changed unilaterally over the entire period of the loan agreement.

## 2. Reference interest rate calculation and the procedure for determining and changing it

**2.1. The reference interest rate under mortgage loans, consumer loans and credit cards of individuals in BGN** shall be the interest rate under deposits where the agreed maturity is more than 3 (three) and up to 6 (six) months, of Households, in Bulgarian leva, according to the interest rate statistics of the Bulgarian National Bank (BNB) - "Interest rates and balance volumes in deposits with agreed maturity and repurchase agreements of the sectors *Households* and *Non-profit Institutions Serving Households*", and upon changes – in the analogous interest rate statistics of the BNB, which includes deposits with agreed maturity of more than 3 (three) and up to 6 (six) months, in Bulgaria's official currency based on interest rate statistics published on BNB's website [www.bnb.bg](http://www.bnb.bg), (or another one replacing BNB's

website), hereinafter referred to as “Medium-term Interest Rate based on BNB Statistics” or “MIR”.

The Bank shall recalculate the RIR value pursuant to the present Methodology 2 (two) times per annum, on 1st March and 1st September - “Date of interest rate recalculation”. The recalculation shall be performed in accordance with the value announced on BNB's website prior to the date of interest rate recalculation.

**2.2. The reference interest rate under overdraft agreements of individuals in BGN** shall be the interest rate under deposits where the agreed maturity is more than 1 (one) day and up to 1 (one) month, of Households, in Bulgarian leva, according to the interest rate statistics of the Bulgarian National Bank (BNB) -“Interest rates and balance volumes in deposits with agreed maturity and repurchase agreements of the sectors *Households* and *Non-profit Institutions Serving Households*”, and upon changes – in the analogous interest rate statistics of the BNB, which includes deposits with agreed maturity of more than 1 (one) day and up to 1 (one) month, in Bulgaria’s official currency based on interest rate statistics published on BNB's website [www.bnb.bg](http://www.bnb.bg), (or another one replacing BNB’s website), hereinafter referred to as “Short-term Interest Rate based on BNB Statistics” or “SIR”.

The Bank shall recalculate the RIR value pursuant to the present Methodology on a monthly basis, on the 1st day of each month - “Date of interest rate recalculation”. The recalculation shall be performed in accordance with the value announced on BNB's website prior to the date of interest rate recalculation.

**2.3. The reference interest rate for loans (mortgage loans, consumer loans and credit cards) of individuals in EUR** shall be the 6-month Euribor value, which is calculated by the European Money Markets Institute (EMMI), published on publicly available leading financial websites such as [www.euribor.org](http://www.euribor.org) or [www.euribor-rates.eu](http://www.euribor-rates.eu) (or another website replacing [www.euribor.org](http://www.euribor.org) or [www.euribor-rates.eu](http://www.euribor-rates.eu)).

The Bank shall recalculate the RIR value pursuant to the present Methodology 2 (two) times per annum, on 1st March and on 1st September - “Date of interest rate recalculation”.

The recalculation shall be based on the 6-month EURIBOR value, published on the pages of publicly available leading financial websites, such as [www.euribor.org](http://www.euribor.org) or [www.euribor-rates.eu](http://www.euribor-rates.eu) (or published on another website replacing [www.euribor.org](http://www.euribor.org) or [www.euribor-rates.eu](http://www.euribor-rates.eu)), two business days before 1st March and 1st September.

2.4. The published medium-term interest rate and short-term interest rate values shall be rounded and announced in percentage points, expressed to two decimal places (example: 1.768% shall be rounded and announced as 1.77%). The announced value shall be used for calculation of the new interest rate.

2.5. In case of a negative RIR value, such RIR shall be deemed 0%, while the ultimate interest rate under the Borrower's loan shall not be lower than the fixed margin.

### **3. Applying the reference interest rate**

3.1. The first RIR calculation under the present Methodology has been made using the following values of the relevant indices / indicators: for mortgage loans, consumer loans and credit cards - the medium-term interest rate value/ Euribor as at 27.02.2023; for overdrafts - the short-term interest rate value as at 27.03.2023.

3.2. The new, recalculated as per item 2 herein, value of the reference interest rate under existing loans /mortgage loans, consumer loans and credit cards/, for which the present Methodology is applicable, shall be applied from the first maturity date, respectively from the date of the first loan statement, following the recalculation date.

3.3. The new, recalculated as per item 2 herein, value of the reference interest rate under existing overdrafts, for which the present Methodology is applicable, shall be applied from the date of the interest rate recalculation.

3.4. If, between the date of signing the loan agreement and the utilization/first draw-down of loan funds, the RIR value changes within the terms and under the procedure stated above, the Bank shall apply - upon the utilization of loan funds - an updated variable interest rate based on the new RIR value.

3.5. If, between the date of signing the credit card agreement and the card's activation date, the RIR value changes within the terms and under the procedure stated above, the Bank shall apply - upon the card's activation - an updated variable interest rate based on the new RIR value valid as at the card's activation date.

3.6. In case of material changes to RIR or if it is no longer provided, the Bank shall determine a new RIR, by applying an Action Plan in accordance with Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No. 596/2014 (OJ, L 171/1 dated 29 June 2016) ("Regulation (EU) 2016/1011").

#### **4. Publicity and disclosure of information**

4.1. In accordance with the legal requirements, the Bank shall publish on its website the present Methodology and the up-to-date RIR amount as calculated by it, as well as shall maintain data about all RIR values determined by it pursuant to the Methodology for its calculation. The Methodology and the up-to-date value of RIR are available in the banking halls.

This Methodology for Calculation of United Bulgarian Bank AD's Reference Interest Rate for Loans to Individuals has been adopted with a decision of UBB AD's Management Board. - Minutes No. 64/20.12.2022 and shall be effective as from 07.04.2023.

For all loan agreements concluded with individuals by 06.04.2023 - the methodology for determining and calculating the interest rate, as stipulated in the respective agreement, shall be preserved.

#### **GENERAL INFORMATION ABOUT THE PLAN**

In application of Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds and amending Directives 2008/48/EC and

2014/17/EU and Regulation (EU) No. 596/2014 (OJ, L 171/1 dated 29 June 2016) (“Regulation (EU) 2016/1011”), the Bank shall maintain an Action Plan in case of material changes to the reference interest rate or if the latter is no longer provided. Currently, the Action Plan approved by the Bank and relevant to this Methodology is as follows:

### **1. For loans in Bulgarian leva**

- In case that, for whatever reason, the value of Short-term Reference Interest Rate (SIR) / Medium-term Reference Interest Rate (MIR), based on BNB’s statistics for the respective month preceding the month in which the relevant recalculation is made, is not published on BNB’s website, or on another website replacing it, 5 days prior to the date of interest rate recalculation, the Bank shall apply the last SIR/MIR value based on BNB’s statistics published officially on BNB’s website, on its replacing site, respectively, before the first day of the respective month in which the relevant recalculation is being made. Such value shall apply for a period of three calendar months - with effect from the month following the month for which a SIR/MIR is published.
- In case that after expiry of the above term, there is still no information published on BNB’s website/its replacing website, respectively, about the value of SIR/MIR based on BNB’s statistics for the previous three consecutive calendar months, as a reference interest rate shall be used the alternative interest rate reflecting the banks’ financing costs - in Bulgaria’s official currency, published on the European Central Bank’s official website or any other official source.
- In case no information has been published yet about the value of SIR/MIR based on BNB’s statistics for the previous three consecutive calendar months and there is no alternative interest rate, the value of the 1-month/6-month EURIBOR shall be applied as a reference interest rate, 2 (two) business days (spot value) prior to the date of interest rate recalculation, as SIR shall be substituted with the 1-month EURIBOR, and MIR – with the 6-month EURIBOR.
- In case of material changes to the 1-month/6-month EURIBOR or if it is no longer provided, the Action Plan for EURIBOR will be applied, respectively.

### **2. For loans in euro**

In case the interest rate benchmark used under the loan agreement - EURIBOR is no longer provided or if it changes materially, it shall be substituted as follows:

- With an alternative interest rate base, information about the applicable values of which has been published on the pages of publicly available leading financial websites, such as [www.euribor.org](http://www.euribor.org) or [www.euribor-rates.eu](http://www.euribor-rates.eu) (or published on another website replacing [www.euribor.org](http://www.euribor.org) or [www.euribor-rates.eu](http://www.euribor-rates.eu)),  
or
- An alternative reference interest rate indicated in the interest rate statistics of the Bulgarian National Bank (BNB), information about whose applicable values has been

published on BNB's website, on another website replacing BNB's one, respectively, or

- If no quotes of interest rate bases are available/have been published on publicly available leading financial websites such as [www.euribor.org](http://www.euribor.org) or [www.euribor-rates.eu](http://www.euribor-rates.eu) (or on other websites replacing them), as well as on the platforms for financial instruments analysis and trade (e.g. Bloomberg and Reuters), then the Bank can use interbank market quotes, at which it may obtain financing.

### 3. Criteria of application

The new interest rate base or the new reference interest rate must meet the following criteria:

- To be in the same currency as that of the interest rate benchmark which is being substituted. For BGN, the following shall be admissible: performing substitution with the new interest rate base or the new reference interest rate in EUR, because these currencies are considered interchangeable due to the existence of a Currency Board in Bulgaria as at the time of adoption of the plan.
- To be with the same tenor as that of the interest rate benchmark which is being substituted.
- A balancing margin or discount must be included to the new interest rate base or to the new reference interest rate, so that the ultimate interest rate remains unchanged as at the date of the initial application of the replacement and must not exceed the latest applicable interest rate under the agreement, as set forth in the Credit Institutions Act, the Consumer Loans Act and the Consumer Real Estate Lending Act.

The choice of an alternative interest rate base shall be performed in alignment with the legal requirements for interest rate benchmarks pursuant to Appendix 1 to Regulation 2016/1011 of the European Parliament and of the Council, as well as an analysis of the existing options based on data published on publicly available leading financial websites - [www.euribor.org](http://www.euribor.org) or [www.euribor-rates.eu](http://www.euribor-rates.eu) (or on other websites replacing them), as well as on the platforms for financial instruments analysis and trade (e.g. Bloomberg and Reuters). The aim of the analysis is to choose an interest rate base which is closest in terms of features (value, tenor, currency, expectations for development, volatility) to the base that was applicable under the contractual relations between the Bank and its clients until the moment of the change or its cancellation. This is due to the need to maintain sustainable the interest rate policy applied by the Bank.

The initial application of the substitution is envisaged to occur not later than 3 months from the benchmark's termination or after expiry of the fixation period under the agreement; upon the initial switching, the interest rate pursuant to the Credit Institutions Act / Consumer Loans Act / Consumer Real Estate Lending Act cannot exceed the latest applicable interest rate under the client's agreement. The last available benchmark rate value shall be used for the period from termination of the benchmark until the initial application of the substitution.