Action Plan of UBB AD

in case of a material change or cancellation of the benchmark/index/indicator used as a basis for calculation of the variable interest rate, applicable to loan agreements of individuals concluded after 07.04.2023

The present Action Plan has been prepared in fulfillment of the requirement under Art. 28, paragraph 2 of Regulation (EU) 2016/1011, pursuant to which:

"Supervised entities, other than an administrator as referred to in paragraph 1 which use a benchmark shall produce and maintain robust written plans setting out the actions that they would take in the event that a benchmark materially changes or ceases to be provided. Where feasible and appropriate, such plans shall nominate one or several alternative benchmarks that could be referenced to substitute the benchmarks no longer provided, indicating why such benchmarks would be suitable alternatives."*

**Within the meaning of Regulation (EU) 2016/1011:*

- benchmark means any index by reference to which the amount payable under a financial instrument or a financial contract, or the value of a financial instrument, is determined, or that is used to measure the performance of investment funds.

- "index" shall mean any figure:

a) which is published or made available to the public;

b)which is regularly determined:

i) entirely or partially by the application of a formula or any other method of calculation, or by an assessment; and

ii) on the basis of the value of one or more underlying assets or prices, including estimated prices, actual or estimated interest rates, quotes and committed quotes, or other values or surveys.

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"), United Bulgarian Bank AD ("the Bank") shall maintain an Action Plan in case the reference interest rate used as a basis for calculation of the variable interest rate applicable to loan agreements of individuals changes materially or if it is no longer provided.

1. Definition of material change of a benchmark

Pursuant to the Board of the International Organization of Securities Commissions (IOSCO Board) of 05.01.2018:

"Various factors, including external factors beyond the control of a benchmark administrator, may result in material changes or termination of the benchmark, including when the administrator is no longer able to determine a reference interest rate or other value for any reason. Such modification or discontinuation of a benchmark may involve factors including, but not limited to, changes in the market structure or definition of the product, any other condition that renders the benchmark no longer representative of its intended function or

situation related to the financial creditworthiness or transaction of the administrator. In particular, the termination of a benchmark could create uncertainty for financial contracts and instruments and, in some cases, could even render them void, inflicting losses on consumers (and their clients, as the case may be) and adversely affecting market functioning and financial stability."

2. Action Plan pursuant to Regulation (EU) 2016/1011 of the European Parliament and of the Council and to the Credit Institutions Act/Consumer Loans Act / Consumer Real Estate Lending Act

2.1. 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 replaced 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.

*SIR shall be formed from interest rate statistics published on BNB's website -"Interest rates and balance volumes in deposits with agreed maturity and repurchase agreements of the sectors *Households* and *Non-profit Institutions Serving Households*", which includes deposits with agreed maturity of more than 1 month (above 1 day and up to 1 month), of Households, in BGN.

**MIR shall be formed from interest rate statistics published on BNB's website -"Interest rates and balance volumes in deposits with agreed maturity and repurchase agreements of the sectors *Households* and *Non-profit Institutions Serving Households*", which includes deposits with agreed maturity of up to 6 months (above 3 and up to 6 months), of Households, in BGN.

2.2. 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 publicly available leading financial websites, such aswww.euribor.org or www.euribor-rates.eu (or published on another website replacing www.euribor.org or 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 or 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.

2.3. Criteria for 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 present 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 substitution 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 or 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.

General information

For all new loans of individuals after 07.04.2023 inclusive, the Bank has adopted a new Methodology for calculation of a reference interest rate for loans in euro and Bulgarian leva. The latter is published on UBB's website, www.ubb.bg.

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.

The present Action Plan supplements "Action Plan of UBB AD in case of a material change or cancellation of benchmarks" dated 2018, amending it in the part "Retail Banking segment (individuals with mortgage loans, consumer loans, overdrafts, credit cards)".

The present Action Plan shall be applied in case of a material change or cancellation of benchmarks/indices/indicators used as a basis for calculation of the variable interest rate applicable to the loan agreements of individuals concluded after 07.04.2023, as well as 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 have been renegotiated by means of a written agreement with an included reference interest rate, determined pursuant to this Methodology effective as of 07.04.2023, as a manner of calculation of the variable interest rate under the loan.