

## METHODOLOGY FOR CALCULATING THE REFERENCE INTEREST RATE APPLICABLE TO RETAIL LOANS OF TEXIM BANK AD

### I. REFERENCE INTEREST RATE CALCULATION

1. The reference interest rate (RIR) applicable to retail loans is determined based on a combination of publicly disclosed indicators published by the Bulgarian National Bank (BNB), whereby the value thereof is calculated depending on the currency of the loan using the following formula:

$$RLR = w_1 * R_1 + w_2 * R_2$$

wherein:

RLR - RLR in the relevant currency (BGN, EUR);

$w_1$  - weight of the weighted average interest rate in the relevant currency by balances on fixed-term deposits with maturity from 1 day to 2 years of the Household Sector of the Banking System;

$R_1$  - weighted average interest rate in the relevant currency by balances on fixed-term deposits with maturity from 1 day to 2 years of the Household Sector of the Banking System;

$w_2$  - weight of the weighted average interest rate in the relevant currency on volumes of new business on fixed-term deposits with maturity from 1 day to 1 year of the Household Sector of the Banking System;

$R_2$  - weighted average interest rate in the relevant currency on volumes of new business on fixed-term deposits with maturity from 1 day to 1 year of the Household Sector of the Banking System;

„\*“ – multiplication sign.

### 2. DETAILED BREAKDOWN OF RLR COMPONENTS

$W_i$  is the weight of the relevant indicator with which it participates in the RLR calculation formula.

$w_1 + w_2 = 1$ , whereby the rates of the relevant weights are:

$w_1 = 50\%$ ;  $w_2 = 50\%$ ;

$R_1$  is the average weighted (as per the published volumes) interest rate in the **relevant currency** by **balances** on **fixed-term** deposits with maturity **from 1 day to 2 years** of the **Household** Sector of the Banking System. The value of this indicator, which is expressed as a percentage, is published by the BNB on a monthly basis on the website of the BNB in the *Statistics/Monetary and Interest Rate Statistics/Interest Rate Statistics/Interest Rate Statistics/ Database "Interest Rates and Volumes of Outstanding Amounts on Overnight Deposits, Time Deposits and Deposits Redeemable at Notice of Non-financial Corporations and Households Sectors"*.

$R_2$  is the average weighted (as per the published volumes) interest rate in the **relevant currency** on **volumes of new business** on **fixed-term** deposits with maturity **from 1 day to 1 year** of the **Household** Sector of the Banking System. The value of this indicator, which is expressed as a percentage,

is published by the BNB on a monthly basis on the website of the BNB in the *Statistics/Monetary and Interest Rate Statistics/Interest Rate Statistics/Interest Rate Statistics/ Database "Interest Rates and Volumes of New Business on Time Deposits of Non-financial Corporations and Households Sectors"*.

## **II. SEQUENCE FOR CALCULATING THE RLR APPLICABLE TO RETAIL LOANS, ALTERATION FREQUENCY AND MATERIALITY THRESHOLD**

**3.** On the Effective Date hereof the value of the RLR applicable by the Bank shall be determined as shown in **Section I** based on the current data on the relevant components as published by the BNB.

**4.** The value of the RLR shall change:

- a) biannually – on 15 February and 15 August of every year (respectively, on the first business day thereafter should the fixed date fall on a day off) using the formula in **Section I** based on the values of the components published by the BNB for the last reporting month.
- b) At any time if one or more of the values that make up the RLR under item 1 hereof changes in such a way as to render the result under the formula in item 1 different by more than 50 points (50 points = 0.50%) from the then applicable value of the RLR. In such cases the RLR shall become effective as of the 15<sup>th</sup> day of the month following the month in which the relevant change has occurred.

**5.** Calculation is performed monthly based on the data published by the BNB, whereby the value of the RLS is rounded down to the second decimal point. Any changes in the RLR shall be effected in compliance with item 4 hereof. RLR and the components thereof shall not be negative and shall always be either positive figures or 0 when calculating.

**6.** Information of the applicable RLR shall be published on the official website of the Bank.

**7.** Where the RLR has been increased, the Management Board of Texim Bank AD shall be entitled to postpone the entry into force of the change or to apply a RLR which is lower than the actual increase in the RLR, if this is in the best interest of clients.

**8.** Where an index or an indicator included in the formula hereunder changes, the said index or indicator shall be replaced by a similar one determined by the same source. In case no such index or indicator is available, the index or indicator at issue shall retain the last value published therefor and used in the calculation of the RLR.

## **III. ADDITIONAL PROVISIONS**

**9.** The Bank shall disclose on its website and in its offices, or in any other appropriate manner the Methodology for calculating the RLR, its current value and a record of previous values.

**10.** The Bank shall timely inform borrowers on any changes in the value of the RLR and the dates on which any such changes shall become effective by publishing them on the official website of the Bank.

## **IV. TRANSITIONAL AND FINAL PROVISIONS**

**11.** This Methodology for Calculating the Reference Interest Rate Applicable to Retail Loans of Texim Bank AD has been adopted by the Management Board of the Bank and is effective as of 7 August 2018.