INTEREST RATE CALCULATION METHODOLOGY FOR THE CALCULATION OF THE ANNUAL INTEREST RATE ON FLOATING INTEREST RATE LOANS

ProCredit Bank

Part of the ProCredit Group

I. GENERAL PROVISIONS

1. This Methodology defines the reference interest rates applied by ProCredit Bank Bulgaria EAD (the Bank) in the calculation of the annual interest rates on floating interest rate loans.
2. Definition of terms used in this Methodology:
   - Annual interest rate (AIR) on a loan is the interest rate on an annual basis that is applied to the utilized and out standing loan amount. AIR may be either fixed or floating.
   - A fixed interest rate on a loan is an interest rate that remains unchanged for the full duration of the loan.
   - A floating interest rate for a loan can change during the term of the loan, and is calculated as the sum of a reference interest rate plus a fixed margin. The margin and the periods (regularity) at which a floating interest rate is reset are defined in each individual loan contract.
   - Depending on the loan currency, EURIBOR or LIBOR are the reference interest rates used by the Bank, where EURIBOR is applied to loans in BGN and EUR, and LIBOR is applied to loans in USD.

   - *EURIBOR*[1] (Euro Interbank Offered Rate) is an average interest rate that reflects the interest rate at which banks in the Euro Zone exchange term deposits in EUR between each other. The reference rate is fixed on a weekly and monthly basis, in line with the relevant maturities of deposits, and its fixings are published daily by the European Banking Federation in Brussels, Belgium.

   - *LIBOR* (London Interbank Offered Rate) is an average interest rate that reflects the interest rate at which banks offer non-secured loans at the London Interbank Lending Market. LIBOR is published daily by the British Banking Association.
3. The reference interest rate on a certain day is defined observing the T+2 rule, where T is the date on which the applicable reference interest rate is fixed and published, i.e. the reference interest rate as fixed and published on a given day is effective for the Bank's purposes on the second day after the day of its actual fixing and publishing. Effective as of 2014 (for EURIBOR since May 2014 and for LIBOR since July 2014), this rule has been amended as follows: the reference interest rate on a given day, which is effective for the Bank's purposes two days later, is published on the Bank's website on the day following the day of its actual fixing, i.e. one day before it becomes effective.

II. PROCEDURES FOR THE INITIAL FIXING AND SUCCESSIVE RECALCULATION OF FLOATING INTEREST RATES

4. For floating interest rate loans, the corresponding 6-month reference interest rate is applied in the calculation.

   4.1. In order to fix the annual interest rate applicable to the first period as defined in the loan contract, the 6-month reference interest rate as of the day preceding the day of contract signing / tranche disbursement (in the case of loans disbursed in tranches) is applied.

   4.2. In the calculation of the annual interest rate applicable to each successive period, the 6-month reference interest rate as of one day before the date of the instalment referring to the preceding period in the Loan Repayment Schedule is applied.
5. The interest rate thus calculated is rounded to the fourth decimal.
6. If a reference interest rate that is used in the calculation of interest rates applicable to floating interest rate loans in accordance with this Methodology is canceled, it shall be replaced with another reference interest rate, analogous to the canceled one, as defined by the Bank.

III. PUBLICITY AND PUBLICATION

7. The Bank publishes this Methodology on its website, as well as historic reference interest rates, listed according to their fixing dates.
