

Method of Calculation of Base Rates

USB BANK PLC (the 'Bank') presents below the method of calculation of the Bank's base interest rates in satisfaction of the requirements of the Liberalisation of Interest Rate and Related Matters Law (N.160(I)/1999), as amended from time to time.

A. Method of calculation of the Base Interest Rates for credit facilities in EURO

The Bank's Base Interest Rates are annual floating interest rates, determined by the Bank on a semi-annual basis, on 15 April and 15 October of each calendar year (the 'Adjustment Date') based on the data that will be available to the Bank on 31 March and 30 September respectively and the customer is informed accordingly. In the event that the Adjustment Date is not a business day then the Adjustment Date for the relevant quarter shall be deemed to be the following business day on which commercial Banks are open for general business in Cyprus.

The method of calculation of the Base Interest Rates takes into account the variables of funding cost, operating cost and capital cost. The method of calculation of each variable is analysed in detail below:

- (a) The funding cost is derived from the weighted average cost of available deposits with the Bank, which, in accordance with the regulatory framework, must be maintained in order to grant loans, reduced with the minimum supervisory capital that the Bank needs to maintain and additionally reduced with a percentage yield of the liquid assets of the Bank.
- (b) The operating cost is derived from the total annual operating cost of the Bank, divided by the total assets of the Bank and adjusted with a qualitative variable reflecting the strategic orientation of the Bank and market conditions, including competition.
- (c) The capital cost is derived from the capital structure of the Bank, the expected by shareholders and other investors yield on capital, the minimum supervisory capital percentage and the percentage of the Risk Weight on the exposures of the Bank.

The Bank's Base Interest Rates, depending on the purpose of the credit facility and based on the above method are currently defined as follows:

- Bank Base Interest Rate: 4.92%
- Housing loans Base Interest Rate: 3%

The conditions and parameters which may contribute to changes in the method of calculation of the Bank's Base Interest Rates in future, provided such changes are deemed appropriate by the Bank, are upcoming changes in the regulatory framework, legislation, the credit rules and market conditions.

In the event that the method for calculation of the above Base Interest Rates is modified by the Bank, the customer will be informed accordingly.

B. Other EURO Lending Base Rates

- (I) For loans granted in EURO by the Bank before 09/05/2008, the Bank's Base Interest Rate is linked to the Interest Rate of the European Central Bank (the 'ECB Base Interest Rate'). In particular, the **ECB Base Interest Rate** is defined as the main refinancing rate published by the ECB on its official website for main refinancing operations of the Eurosystem for the purpose of providing the Banking System with adequate liquidity as determined by the ECB.
- (II) **Euribor Rate** is defined as the euro borrowing rate on the interbank money market as determined by the Banking Federation of the European Union and the ACI-Financial Markets Association, for a period equal to the interest period (as defined in the credit facility agreement).

Euribor is published two working days before the beginning of each interest period (as specified in the credit facility with the customer) at 11.00 am Brussels time on the Reuters Financial News screen, on the Euribor= page (or on any other page of Reuters agency or other agency or organization that the Bank may specify in writing or through publication in the press in the future).

(III) The **Deposit Base Interest Rate** is defined as the applicable interest rate on the deposit which is kept with the Bank in a Notice or Fixed Term Deposit Account, which has been pledged to fully secure the credit facility.

C. Lending Base rates in currencies other than the EURO

Libor Rate is defined as the lending rate for credit facilities in the currency of the requested credit facility, issued by the British Bankers' Association for a period equal to the interest period (as determined in the credit facility with the customer). The Libor rate applicable to the credit facility will be the one published two business days prior to the beginning of each interest period (as specified in the Credit Facility Agreement) at 11.00 am London time on the Reuters Financial News screen, on LIBOR = page (or any other page of the Reuters agency or other service or organization that the Bank may specify in writing or through publication in the press in the future).

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