INFORMATION ABOUT THE PREPAYMENT PENALTY WHEN REIMBURSING A MORTGAGE/HYPOTHECARY LOAN IN ADVANCE

In this document, “you” and “your” mean the borrower and “we”, “us” and “our” mean B2B Bank and/or Laurentian Bank of Canada (hereinafter referred to as the “Bank”).

Also, the word “loan” means the mortgage/hypothecary loan or the loan facilities.

In addition, the words “grant”, “granted” and “granting” refer to the initial granting, the refinancing, the modification or the renewal of the loan, whichever is most recent.

Lastly, the word “penalty” means the fee charged for prepayment, refinancing or renewal before maturity.

1. DIFFERENCE BETWEEN FIXED RATE AND VARIABLE RATE
   
   **Fixed rate**
   This rate, determined when the loan is granted, will be fixed for the entire term chosen. The payments remain unchanged throughout the term. The offered terms range from 6 months to 10 years.

   **Variable rate with fixed or variable payments**
   This rate varies according to the prime rate in effect plus or minus a certain percentage (P + x% or P – x %), referred to as the “interest rate spread or adjustment factor”, depending on the currently available mortgage/hypothec offers and products.

   Laurentian Bank of Canada mortgages: The term “prime rate” means the annual interest rate announced by Laurentian Bank of Canada from time to time as the reference rate in effect to determine the interest rates applicable to commercial loans, in Canadian dollars.

   B2B Bank mortgages: The term prime rate means the annual interest rate announced by B2B Bank from time to time as being its reference rate then in effect.

   **For fixed payments**: The rate may be adjusted every month, on the anniversary date of the disbursement or most recent renewal. The payments are fixed for the duration of the term.

   **For variable payments**: The rate and payments may be adjusted every month, on the anniversary date of the disbursement or most recent renewal.

2. DIFFERENCE BETWEEN OPEN TERM AND CLOSED TERM
   “Open term” means that the loan may be repaid, renewed or refinanced at any time without penalty.

   “Closed term” means that you cannot renew, refinance or pay an amount greater than the amount specified under “Prepayment privilege with no penalty” (section 4).

3. DIFFERENCE BETWEEN A SHORT-TERM AND A LONG-TERM MORTGAGE/HYPOTHEC
   The amortization period of a loan is the number of years that you have to repay your loan in full. By choosing a shorter amortization period, you can save on interest and repay your loan more quickly. However, by choosing a longer amortization period, your mortgage/hypothecary payments will be better suited to your budget and thus you can better manage all your expenses.

4. PREPAYMENT PRIVILEGES WITHOUT INCURRING A PENALTY
   **Fixed-rate or variable-rate open-term loans**
   Provided you are not in default, you may, once during the term of your loan, increase the amount of your payments by up to 15%. You may also pay all or part of the principal amount of your loan at any point during the term of the loan.

   **Fixed-rate or variable-rate closed-term loans with fixed payments**
   Provided you are not in default, you may, once per calendar year and non-cumulatively:
   - Increase the amount of your payments by up to 15%;
   - Make a single payment of not more than 15% of the initial principal amount of the loan.

   **Fixed rate or variable rate loans with fixed payments**
   Furthermore, by switching from regular payments to accelerated weekly or biweekly payments, you will repay the principal amount of your loan faster and you will then reduce the amortization period as well as the amount of interest you will pay over the loan’s term. Please note that certain fees may apply in order to make this change.

   **Variable-rate closed-term loans with variable payments**
Provided you are not in default, you may, once per calendar year, make a single payment of not more than 15% of the initial principal amount of the loan.

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| **5. ACTIONS THAT RESULT IN A PENALTY** | You will be required to pay a penalty when you pay, prior to maturity, an amount greater than the amount specified under “Prepayment privilege with no penalty” (section 4).  
You will also be required to pay a penalty if you renew or refinance prior to maturity. |
| **6. HOW TO AVOID THE PENALTY** | You can take advantage of the portability program, which allows you to transfer all the conditions of your existing loan, such as the amount, term and interest rate, to the loan for your new residence, provided that the purchase of your new residence takes place within 90 days of the sale of your current residence. Please note that certain fees may apply in order to make this transfer.  
Furthermore, when refinancing before maturity and subject to certain conditions, the penalty an be avoided if you add a new loan facility or choose a blended rate. |
7. **PENALTY CALCULATION METHOD**

**Fixed-rate, closed-term loan**

The indemnity will be equal to the greater of the following amounts:

**Three (3) months’ interest method**

- Three (3) months of interest on the principal balance due, calculated using the posted rate of the Bank in effect when the loan with the chosen term was granted.

**OR**

**Difference in rates method**

- The sum of the following two amounts:
  1. One (1) month of interest calculated on the amount reimbursed before maturity at the client rate in effect when the loan was granted (up to $500); plus
  2. The difference in rates that corresponds to the difference between the Bank’s posted rate for the term in effect when the loan was granted and the interest rate charged by the Bank for fixed-term loans whose term is closest to the residual term of the repaid loan in effect on the date of prepayment, refinancing or renewal before maturity and determined in accordance with the following Reference Table (hereinafter the “reference rate”), multiplied by the residual term of the loan, multiplied by the balance due.

However, when the term of the loan exceeds five (5) years, you may, if a period of five (5) years has passed since the beginning of the term, pay the whole amount due upon payment of a penalty equal to three (3) months of interest on the principal balance then outstanding, using the Bank’s posted rate in effect when the loan was granted. This prepayment privilege is granted for the term of the loan but does not apply to the renewal, refinancing or subsequent extensions of the loan.

**Reference Table to Determine the Rate Applicable to the Residual Term**

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<thead>
<tr>
<th>Residual term</th>
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<tbody>
<tr>
<td><strong>Less</strong> than 12 months</td>
<td>6-month rate</td>
<td>66 months to <strong>less</strong> than 72 months</td>
<td>Average of 5-year and 6-year rates</td>
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<tr>
<td>12 months to <strong>less</strong> than 18 months</td>
<td>1-year rate</td>
<td>72 months to <strong>less</strong> than 78 months</td>
<td>6-year rate</td>
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<tr>
<td>18 months to <strong>less</strong> than 24 months</td>
<td>Average of 1-year and 2-year rates</td>
<td>78 months to <strong>less</strong> than 84 months</td>
<td>Average of 6-year and 7-year rates</td>
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<td>24 months to <strong>less</strong> than 30 months</td>
<td>2-year rate</td>
<td>84 months to <strong>less</strong> than 90 months</td>
<td>7-year rate</td>
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<td>30 months to <strong>less</strong> than 36 months</td>
<td>Average of 2-year and 3-year rates</td>
<td>90 months to <strong>less</strong> than 96 months</td>
<td>Average of 7-year and 8-year rates</td>
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<tr>
<td>36 months to <strong>less</strong> than 42 months</td>
<td>3-year rate</td>
<td>96 months to <strong>less</strong> than 102 months</td>
<td>8-year rate</td>
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<tr>
<td>42 months to <strong>less</strong> than 48 months</td>
<td>Average of 3-year and 4-year rates</td>
<td>102 months to <strong>less</strong> than 108 months</td>
<td>Average of 8-year and 9-year rates</td>
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<tr>
<td>48 months to <strong>less</strong> than 54 months</td>
<td>4-year rate</td>
<td>108 months to <strong>less</strong> than 114 months</td>
<td>9-year rate</td>
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<tr>
<td>54 months to <strong>less</strong> than 60 months</td>
<td>Average of 4-year and 5-year rates</td>
<td>114 months to <strong>less</strong> than 120 months</td>
<td>Average of 9-year and 10-year rates</td>
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<tr>
<td>60 months to <strong>less</strong> than 66 months</td>
<td>5-year rate</td>
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7. PENALTY CALCULATION METHOD (cont.)

Variable-rate, closed-term loan:
The penalty will be three (3) months of interest on the principal balance due, calculated using the rate of the most recent Rate Adjustment Confirmation or the Bank’s prime rate in effect on the date of repayment, refinancing or early renewal, whichever is higher.

To consult the posted annual interest rates charged by the Bank, please visit the Bank’s rate page.

8. EXAMPLE OF PENALTY CALCULATION – Fixed rate, closed term

This example is based on a loan with an initial 5-year (60 month) term at the posted rate of 7% and a client rate of 6.5%, a monthly payment frequency, a balance of $90,000 and 31 months remaining before the maturity date. The Bank offers a rate of 4.5% on 2-year, fixed-rate, closed-term loans and 5% on 3-year terms. Amount of prepayment, refinancing or renewal before maturity: $90,000.

The following is an example of the calculation of the penalty for prepayment, refinancing or renewal before maturity.

Method No. 1: Three months’ interest

| A | $90,000 | Amount of the prepayment, refinancing or renewal before maturity |
| B | 0.07    | Posted rate, as a decimal fraction |
| C | $1,575  | C = \( A \times B \div 4 \) |

Method No. 2: Difference in rates

| A | $90,000 | Amount of the prepayment, refinancing or renewal before maturity |

Step (i)

| B | 0.065 | Client rate, as a decimal fraction |
| C | $487.50 | C = \( A \times B \div 12 \) |
| D | $487.50 | If C is less than $500.00, enter the amount shown on Line C. Otherwise, enter $500.00. |

Step (ii)

| E | 31    | Residual term of the loan |
| F | 0.07  | Posted rate, as a decimal fraction |
| G | 0.0475 | Reference rate, as a decimal fraction, i.e. the rate posted at the time of the repayment, refinancing or renewal before maturity for a loan whose term is closest to the residual term determined in E (see the Reference Table in section 7) |
| H | 0.0225 | H = F – G (if the result is negative, enter 0) |
| I | $5,231.25 | I = \( A \times E \times H \div 12 \) |
| J | $5,718.75 | J = D + I |

Penalty:

$5,718.75 Enter C of Method No. 1 or J of Method No. 2, whichever is greater

In this example, the penalty would be $5,718.75, i.e. the greater of the amounts obtained using Method No. 1 and Method No. 2.
### 9. EXAMPLE OF PENALTY CALCULATION – Variable rate, closed term

This example is based on a variable-rate loan with an initial 5-year (60 month) term at an interest rate of 4.5% (client rate) and a balance of $90,000. The Bank’s prime rate is currently 4%. Amount of prepayment, refinancing or renewal before maturity: $90,000. The following is an example of the calculation of the penalty for prepayment, refinancing or renewal before maturity.

Method: Three months’ interest

\[
\begin{align*}
A & = \text{Amount of the prepayment, refinancing or renewal before maturity} = 90,000 \\
B & = \text{The greater of the client rate and the prime rate, i.e. } 4.5\% = 0.045 \\
C & = \frac{A \times B}{4} = 1,012.50
\end{align*}
\]

In this example, the penalty would be $1,012.50.

### 10. ADDITIONAL PENALTIES FOLLOWING THE GRANTING OF A MORTGAGE/HYPOTHECARY PROMOTION

If you have taken advantage of one or more promotions in the form of a cashback on your current loan or carried over from an earlier loan or line of credit, you must, when reimbursing, refinancing or renewing your loan in advance, reimburse the Bank the total amount of the cashback or a portion of said cashback in proportion to the term remaining on your loan, as indicated in the Promotion Agreement(s) you signed when your loan was granted. Please consult your Promotion Agreement(s) in order to determine the additional penalty that shall apply.