Ancoria Bank applies a *Prepayment Charge* only on loans having a fixed rate period and only as long as the prepayment occurs within the fixed rate term. No prepayment charge is applied on the prepayment of floating rate loans.

Methodology

In line with our true commitment for Transparency our *Prepayment Charge* methodology uses rates that are easily accessible to clients and it is applicable to all fixed rate loans, i.e. loans extended to both individuals and legal entities.

The prepayment charge is not used to penalise the customer, it represents compensation to the Bank in the event of loss of interest income resulting from the replacement of the loan to be prepaid by a new loan at prevailing interest rates. The prepayment charge takes into account the interest differential between the fixed interest rate stated on the loan agreement and the prevailing fixed interest rate on new fixed rate loans with a fixed rate term equal to the remaining fixed rate term of the loan to be prepaid:

Interest Differential = Loan Agreement Fixed Interest Rate - Prevailing Fixed Interest Rate on New Loans

> *Loan Agreement Fixed Interest Rate*: The fixed interest rate agreed with the customer at loan origination, as stated on the loan agreement.
>
> *Prevailing Fixed Interest Rate*: Given that the Bank does not always offer fixed interest rate loans and that the new fixed interest rate period of new loans would rarely match the remaining fixed rate term on the loan to be prepaid, the Bank uses a publicly available market fixed interest rate and adds its client spread applicable at the time of prepayment.
>
> Specifically, the Bank uses the fixed interest rate corresponding to the remaining fixed rate term, as per the *Euro Area Yield Curve*, floored to 0%, plus the spread applicable on equivalent Ancoria Bank EURIBOR based floating rate loans, as listed on the Banks website (www.ancoriabank.com) at the time of prepayment.
>
> *Euro Area Yield Curve*: The euro area yield curve of all euro area central government bonds as updated on the ECB website on every TARGET business day at 12:00 noon CET (https://www.ecb.europa.eu/stats/money/yc/html/index.en.html).

The *Prepayment Charge* represents the Net Present Value (NPV) of future cash flows, as per the interest differential calculation mentioned above. Discounting is performed using the *Euro Area Yield Curve* with rates floored to zero (0%):

$$Prepayment\ Charge = \sum_{i=0}^{n} PV_i = \sum_{i=0}^{n} \frac{D_i}{\left(1 + \frac{r_i}{k}\right)^{nk}}$$

$$D_i = CF_{ai} - CF_{ci}$$

Where,

$\boldsymbol{n}$ *is the remaining fixed-rate period*

$\boldsymbol{k}$ *is the number of compounding periods within a year*

$\boldsymbol{r}$ *is the discounting factor*

$\boldsymbol{CF_a}$ *are the active loan cash flows*

$\boldsymbol{CF_c}$ *are the currently offered loan cash flows*

No administrative or processing fees apply and total charge is capped to the interest to be earned to the end of the remaining fixed rate period. For prepayment amounts of €10,000 per year no charge applies. In cases of consumer or housing loans the charge is capped to 1% of prepayment amount and to 0,5% if the remaining fixed rate term is less than 1 year. Prepayment charge cannot be less than zero.

Example

€100,000 10-year loan with a 5-year fixed-rate period, fixed rate at 3%:

Initiation date	01/01/2017
End of Fixed Rate Period	31/01/2021
Maturity date	31/12/2026

A) At the time of the loan prepayment, the prevailing interest rate is at 2%:

Prepayment at Year End	Remaining Fixed Rate Period (Years)	Prepayment Charge in EUR*
2018	3	1,624.68
2019	2	1,083.12
2020	1	541.56
2021	0	No Charge**

B) At the time of the loan prepayment, the prevailing interest rate is at 4%:

Prepayment at Year End	Remaining Fixed Rate Period (Years)	Prepayment Charge in EUR*
2018	3	0
2019	2	0
2020	1	0
2021	0	No Charge**

* Euro Area Yield Curve as at 09/12/2016 was used for calculation purposes
** No charge after the fixed rate period