BANQUE INTERNATIONALE À LUXEMBOURG

GENERAL INFORMATION ON **MORTGAGE AGREEMENTS**

1. Introduction

This document contains general information on the main features of a euro-denominated mortgage agreement. Its aim is to tell consumers about the key features of this type of agreement before they sign. It is not legally binding on the lender.

Therefore, you should read the information notice at the end of this document carefully.

2. Lender's contact details

Banque Internationale à Luxembourg S.A.
69, route d'Esch
L-2953 Luxembourg
www.bil.com

3. Possible uses of the loan

Mortgages are intended to finance any type of real estate project.
Possible uses are:

- To purchase a building plot or existing real estate - either to live in or rent out - or to retain the property rights in such real estate.
- To construct real estate - either to live in or rent out.
- To renovate real estate.
- Any other authorised use relating to the real estate sector.

4. Forms of collateral

To guarantee the repayment of the loan (principal and interest), lenders generally ask for the following guarantees:

- a first mortgage on the real estate or land to be financed or that provided by a third party as collateral
- wage assignment
- mortgage repayment insurance

Other guarantees or similar rights may also be used as collateral under certain circumstances. Examples of other collateral:

- a mortgage on another building
- a bank guarantee
- a third party guarantee
- pledged assets (cash or securities)
- assignment of a life insurance policy
- assignment of a home savings plan

5. Possible term of mortgages

A mortgage may be granted for up to 40 years.

For fixed-rate mortgages, a distinction is made between the term of the mortgage and the period during which the interest rate is applied. The maximum term of a fixed-rate mortgage is 30 years. However, interest rate periods are potentially shorter, ranging from 2 to 20 years. At the end of each fixed-rate period, borrowers are free to choose - with the agreement of their relationship manager - a new fixed-rate period unless the mortgage expires before the end of such interest rate period.

6. Types of interest rates

Borrowers will have to pay interest on the loan.

The interest rate is expressed as an annual rate in the mortgage agreement. The frequency of interest calculations and payments is specified in the mortgage agreement.

The applicable interest rate for each mortgage is determined on the basis of the following two elements:

1. The lender's refinancing rate, which depends on current interbank rates on the euro zone interbank market for fixed rates and the European Central Bank's refinancing rate or fixings on the interbank market for variable rates. If the refinancing rate is negative, the lender applies a floor rate of 0%; and
2. The lending margin, which is based on Luxembourg market rates for the product in question and the term of the loan, as well as the borrower's creditworthiness (in particular, his/her ability to repay the loan), the collateral provided to the lender, and the lender's internal administrative costs relating to the loan.

BIL offers different types of interest rate:

Variable rate
A variable rate is a rate whose amount may fluctuate over the term of the loan. Variable interest rates are in particular based on Luxembourg market rates. The level of the variable interest rate therefore fluctuates in line with changes in Luxembourg market rates. Consequently, the amount of interest that the borrower must pay to the lender may rise or fall.

Changes in the variable rate are determined in particular by the European Central Bank's Main Refinancing Operations Rate or fixings on the interbank market.

With a variable rate, borrowers can repay early all or part of the mortgage at no additional cost. It is thus possible to shorten the maturity or reduce monthly instalments, as the need may be.

Another advantage of a variable rate mortgage is that for building or converting a home, funds are released as and when work is completed. This avoids the borrower having to pay unnecessary interest on the portion of the funds not yet used.

Fixed rate
A fixed rate is a rate that does not change over the term of the loan or the period of validity of the rate agreed between the lender and borrower. Thus, the borrower always knows in advance the amount of interest that must be paid during the agreed interest rate period. Given that the fixed interest rate is determined in particular with reference to rates on the Luxembourg market, a change in this reference rate during the term of the loan or the interest rate period agreed between the lender and borrower will not affect the fixed interest rate applied to the loan.

Fixed rates are available for periods of 2, 3, 5, 10, 15 or 20 years.

The total duration of a fixed-rate mortgage may not exceed 30 years.

7. Example

Example of mortgage finance

Loan amount	**EUR 200,000**
Lending rate	**2%**
Loan ter	**25 years**
APR	**2.0478%**
Monthly repayment	**EUR 848.97**
Total cost of credit	**EUR 54,690.99**
Total amount due	**EUR 254,690.99**

(including account statement fee; excluding arrangement fee – see below)

The information above is provided as an example, and does not automatically bind the lender.

Therefore, please read the information notice at the end of this document carefully.

8. Costs not included in the total cost

In addition to interest payable, other costs relating to the mortgage but not included in the total cost of credit may be charged to the borrower.

List of potential costs:
- Arrangement fee (administrative cost of setting up a mortgage)
- Mortgage registration fee
- Solicitor's fees
- Mortgage protection insurance premiums

9. Repayment arrangements

Mortgages are generally repaid by the borrower on a straight-line basis in monthly instalments.

A straight-line mortgage means that the borrower repays the same amount throughout the period of the loan during which the interest rate stays the same (depending on the type of rate, see above). Repayments include both interest and principal. The percentage of interest included in the repayment decreases over time. As the monthly instalments are constant, the percentage of principal repaid increases in proportion to the decrease in the percentage of interest.

Depending on their needs, borrowers can agree other repayment arrangements with the lender, such as repaying the principal only at the end of the mortgage, with instalments covering interest only.

10. Cooling-off period

After a mortgage offer is made, binding on the lender, consumers have a cooling-off period of fourteen calendar days. This period starts on the day on which the offer is received.

The lender leaves the terms of the offer unchanged throughout this period.

Consumers can accept the offer at any time during the cooling-off period.

11. Early repayment

Early repayment of the principal amount borrowed before the maturity date specified in the mortgage agreement is possible at any time during the term of the loan. The possibility of early repayment applies to all or part of the outstanding amount.

Depending on the type of interest applied to the mortgage, the impact on the agreement will differ:

Variable rate
With a variable rate mortgage, consumers can make early repayment of all or part of the outstanding amount at no additional cost. Thus, depending on their needs, consumers may shorten the duration of the loan or adjust the amount of their repayment instalments.

Fixed rate
In the event of a fixed-rate mortgage being repaid early, it may be impossible for the lender to reinvest the funds initially borrowed at the same interest rate and over the same term, depending on developments on financial markets. Early repayment may therefore have a cost for the lender. It is expressed as a loss of interest discounted to present value. In the event of early repayment, a fee may therefore be payable by the client, calculated as being the difference, for each repayment period of the loan subsequent to the early repayment, between the initial interest (calculated on the basis of the initial refinancing rate of the loan) and the reinvestment interest (calculated on the basis of the refinancing rate on the early repayment date), multiplied by the discount factor. The total fee charged corresponds to the sum of this discounted difference in interest for all future repayment periods.

If the interbank rate for the fixed-rate period on the start date of the fixed rate of the loan (initial refinancing rate) is higher than the interbank rate for the residual fixed-rate period applicable on the early repayment date (refinancing rate on the early repayment date), a fee will be payable to the lender by the borrower. This fee represents the discounted difference between the interest calculated on the basis of the initial refinancing rate and the interest calculated on the basis of the refinancing rate on the early repayment date. This interest is calculated in each case according to the contractually agreed loan repayment schedule and in proportion to the amount of the early repayment. In all cases, the fee may not be less than the administrative fees for the loan, which are set at EUR 250.

If the interbank rate for the fixed-rate period on the start date of the fixed rate of the loan (initial refinancing rate) is lower than the interbank rate for the residual fixed-rate period applicable on the early repayment date (refinancing rate on the early repayment date), the fee payable by the borrower may not be higher than the administrative fees for the loan, which are set at EUR 250.

In all cases, if the loan has been taken out for the purpose of acquiring a home that has served as the borrower's actual main residence for an uninterrupted period of at least two years, the fee cannot be higher than an amount corresponding to six months' interest on the capital repaid at the time of each early repayment, calculated at the contractually agreed rate applicable on the repayment date. In accordance with the regulations in force, however, this limit does not apply to the fraction of the cumulative amount of the early repayments that exceeds EUR 450,000. It is the borrower's responsibility to produce residence certificates showing his/her entitlement to benefit from this cap on the early repayment fee.

12. Property valuation

Depending on the mortgage application, the lender may require a valuation of the real estate to be financed. Generally speaking, the lender arranges the property valuation and the borrower will not be charged any additional fee. If specifically necessary, the lender reserves the right to require a valuation by an expert appraiser. In such a case, the cost will be borne by the borrower. The valuation rules to be considered are set out in law.

13. Ancillary services

The borrower is required to take out a comprehensive insurance policy for the real estate, and assume the cost of this.

14. Failure to comply with mortgage obligations

In the event of non-compliance with the mortgage obligations, the lender will be entitled, though not required, to terminate the agreement at any time and demand repayment of the outstanding balance and any other sums due under the terms of the agreement.

The lender will also have the right to realise the guarantees provided as collateral for the loan.

If the loan collateral proves insufficient to cover the amounts outstanding, then the borrower shall be held personally liable for their payment. The lender will be entitled to instigate any recovery proceedings needed to recover such sums from the borrower.

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