GENERAL INFORMATION ON MORTGAGE LOAN AGREEMENTS
May 2020

1. INTRODUCTION

DNB Luxembourg S.A. (hereafter the "**Bank**", "**we**" or "**us**") offers financial solutions for customers intending to buy vacation homes mainly in Spain, Portugal and France.

This document contains general information on loans the purpose of which is to acquire or retain property rights in an existing or planned building and/or that are secured by a mortgage or other comparable security in a residential real estate. The aim of this document is to provide consumers with the general information required by article L226-10 of the Luxembourg Law of 23 December 2016 or any other relevant national legislation transposing EU Directive 2014/17/EU (Mortgage Credit Directive) in relation to property loans offered by the Bank. The document provides you as a customer with the key features of this type of loan agreement before you finally engage yourself.

Kindly note this document is not legally binding on the Bank. It is provided for guidance only and does not constitute an offer, an advertising communication, advice or solicitation of any kind. If you wish to receive a concrete loan offer, please contact the Bank and send your loan application to:

The Bank's contact details:

DNB Luxembourg S.A
Address: 13 rue Goethe, L-1637 Luxembourg
Phone no: + 352 45 49 45 1
Email: boliglan@dnbgroup.lu (unsecure email)
Website: www.dnb.no/lu

2. POSSIBLE USES OF THE LOAN

Mortgage loans are intended to finance or refinance real estate. The loan granted by the Bank may particularly have the following uses:

- The purchase of a real estate property;
- The conversion or renovation of a real estate property already owned; and
- The refinancing of a real estate property already owned.

3. TYPES OF COLLATERAL

To guarantee the repayment of the loan (principal, interest and expenses), the Bank will ask for a first priority mortgage on the real estate property that will be financed, e.g. a mortgage on the property in Spain, Portugal and France, as the case may be. If necessary, the Bank may also request a mortgage over another property, third party guarantees, pledges over assets (cash or securities), and/or other guarantees or securities as collateral in favour of the Bank.

4. DURATION OF THE MORTGAGE LOAN AGREEMENT

The maximum term of a mortgage loan agreement is **30 years**.

Please note that a distinction shall be made between the term of the loan agreement and the interest period during which a fixed interest rate may be applied. A fixed interest period is in most cases shorter than the term of the loan. Indeed, a fixed interest rate period can only be established for a minimum period of three years and a maximum of ten years. After the expiry of a fixed interest period, borrowers may choose a new fixed interest period, with the agreement of the Bank, or continue with a variable interest rate loan (see further details under Possible Types of Interest Rates and Semi-Fixed Interest Rates).

5. POSSIBLE TYPES OF INTEREST RATES

As a borrower you will need to pay interest in addition to the principal amount borrowed. The Bank offers different types of interest rates:

a. Variable Interest Rate

A variable interest is a rate which may fluctuate over the term of the loan. The interest on a variable interest loan is made up of an interbank rate or reference rate of interest (e.g. EURIBOR[1]) and a fixed margin. The variable reference rate follows changes in the market rates. Consequently, the amount of interest that a borrower must pay the Bank may increase or decrease depending on changes in market rates.

The interest rate is periodically revised and reviewed at the start of each interest period. The interest on the loan remains the same during each interest period, after which the rate is reset for the next interest period. The interest period can be determined for a period of 1, 3, 6 or 12 months. The reference rates used are the rates published two days prior to the start of each interest period.

Notwithstanding the above, the nominal interest rate under the loan shall not be less than 0.00%, whereby the Bank shall never owe or be obliged to pay any amounts to the borrower.

Benefits: this type of rate is flexible, allows the consumer to benefit from falls in interest rates and to make early repayments.

Main risk: if rates rise, the consumer’s monthly repayment amount will be higher.

b. Semi-Fixed Interest Rate

A semi-fixed rate is a combination of fixed and variable interest rates.

A fixed rate is a rate that does not change over the term of the loan. You as borrower are therefore able to know in advance the amount of interest that must be paid on the loan and the interest will not be affected by volatility of the market rates. For example, if market rates decrease, you will be required to pay the Bank the same amount of interest and you cannot take advantage of the fall in market rates. Similarly, if the market rates increase, you will not be required to pay more interest than initially set out.

The fixed interest rate corresponds to the sum of a margin and a reference rate/interbank rate for the currency and period indicated. The reference rates used are the rates published two days prior to the start of each interest period, except that the nominal interest rate under the loan shall not be less than 0.00%, so that the Bank shall never owe or be obliged to pay any amounts to a borrower.

[1] Or alternative reference rate as may follow from currently ongoing review of the LIBOR /EURIBOR systems

The semi-fixed interest rate loan starts with a fixed interest rate for a specified period of time, after which it is converted to a variable interest rate loan (see information on such interest rates above) unless a new fixed interest loan period is agreed, based on the reference interest rates prevailing at the time of renewal/reset of the rate. The fixed interest rate period shall be established for a minimum period of three years and a maximum of ten years.

Benefits of a fixed interest rate for a limited period: the borrower knows in advance the amount to be repaid to the Bank as the interest rate is fixed for a specified period of time and offers protection against interest rate rises.

Main risk of a fixed interest rate for a limited period: the borrower cannot benefit from any fall in interest rates and any early repayments during such period will incur costs. After the ending of a fixed interest rate period, if interest rates rise, the consumer's monthly repayment amount will be higher. Early repayment (cfr. point 10) or conversions (cfr. point 6) of (semi-) fixed interest rate loans may also entail substantial additional costs, depending on the interest and foreign exchange rates prevailing at the time of repayment/ conversion.

6. FOREIGN CURRENCIES

The Bank's loan can be denominated in different currencies. The loan can also be converted to another currency during the term of the loan.

As many of our customers may be looking to finance a purchase of a vacation home abroad, this often means that the loan may be denominated in a currency different than that in which you receive your usual income or hold assets, or than that of the country where you are permanently resident ("Foreign Currency Loan").

The Bank recommends borrowing in the same currency as the one of the country where you are buying the property in, regardless of the exchange rate on the purchase date. This is to reduce the currency risk associated with investing in and borrowing to finance a property outside your country of residence.

A Foreign Currency Loan can be associated with a currency risk. For example, if the value of your national currency fell by 20% relative to the currency of the loan, the value of your loan (the total amount you owe the Bank) in your national currency would increase accordingly.

You have the right to request conversion of your loan into your national currency, subject to conditions. A request to change into another currency which is not your national currency must be made in consultation with and subject to approval by the Bank. In particular, conversions of (semi-) fixed rates loans may entail substantial additional costs.

The Bank may require additional collateral for the loan if it is converted to a different currency than the currency of the country of the property.

7. COSTS AND REPRESENTATIVE EXAMPLE OF TAKING OUT A LOAN

In addition to paying interest on the loan, other costs are payable by you as a borrower.
The information below is provided as an example of financing and is not binding for the Bank.

Representative example of total amount credit	
Loan amount	EUR 300,000
Annual interest fixed margin	2.45 %
Loan terms	30 years
Set-up Fee* *(administrative cost of setting up a mortgage)*	1,75 % equals to EUR 5,250
Euribor 3 months rate *(as per 18.05.2020)*	-0.266 %
Nominal interest rate *(Annual interest Margin + Euribor rate)*	2.18 %
Effective APRC **	2.34 %
Quarterly repayments *(principal)*	EUR 2,500
Total cost of credit	EUR 104,349
Total amount due by the credit	EUR 404,349

*The arrangement or set-up fee for the loan (charges for the provision of funds and for studying and administering the application) generally corresponds to a fixed percentage of the loan amount combined with a minimum amount. The set-up fee will vary depending on the jurisdiction where the property is located, the value of the loan and the terms of your loan agreement.

** The annual percentage rate of charge (APRC) is the total cost of the loan expressed as an annual percentage. The APRC is provided to help you comparing different offers.

Setting up the loan may also generate other additional costs which are payable by you unless otherwise indicated in your loan agreement. These costs are not included in the total cost of the loan because they are not known by the Bank. They may include:

- appraisal fees of the property
- insurance premiums
- notary fees
- expenses related to the application and registration of a mortgage and title to the property, including lawyers' fees.

Please also ensure that you are aware of all other taxes (including but not limited to stamp duties) and costs associated with your loan.

8. POSSIBLE REPAYMENT TERMS

The Bank and the borrower may agree on different repayment terms. The frequency of interest calculations and payments, the total number of payments and the amount of the principal to be paid at each payment will be described in your individual loan terms. The structure of the repayment generally may be one of the following depending on your needs and individual terms:

a. Amortisation Loan Structure

You will repay the capital and pay interest over the entire duration of the loan. The repayment of the capital of the loan is distributed evenly on all payments throughout the term of the loan agreement, to which interest calculated on the remaining loan is added (the larger the loan, the higher the interest). This means that the amount of loan payment is larger at the beginning and decreasing towards the end of the loan term.

b. Amortisation Loan Structure combined with a Grace Period (an interest only period)

During the initial grace period you will only pay the accrued interest. After the end of the grace period you will repay the capital and pay interest over the entire duration of the loan. The repayment of the capital of the loan is then distributed evenly on all payments until the term of the loan agreement, to which interest calculated on the remaining loan is added (the larger the loan, the higher the interest). This means that the amount of loan payment is larger at the beginning of the capital repayment period and decreasing towards the end of the loan term.

c. Interest-only loans (‘Bullet loans’)

During the loan term you will only pay the accrued interest. At the end of the loan term you will still owe the original amount borrowed. You will consequently need to make separate arrangements to be able to repay the full loan amount and any extra payments you will owe at the end of the mortgage term.

9. COOLING- OFF PERIOD

After a mortgage offer is made to you by the Bank, you as a customer are entitled to a reflection period of minimum fourteen days during which the Bank has the obligation to maintain the conditions of the loan offer unchanged. This period starts on the day you receive the offer.

10. EARLY REPAYMENT

You may repay all or part of your loan early at any time before the end date specified in the terms of your loan. Amounts repaid cannot be reused. The Bank is however entitled to fair and objective compensation for the costs it has incurred, where this is justified and indicated in your loan agreement.

Depending on which interest type you have on your loan, the impact on the agreement will be different. Should you decide to repay your Loan early, you must notify the Bank of the intention to repay all or part of the loan to ascertain the exact level of the early repayment fee at that moment.

Variable interest rate loans

In the event of an early repayment of a variable interest loan, you will need to pay the Bank a compensation fee if this is indicated in your loan agreement. In case of a partial repayment, this may either shorten the duration of the loan term or reduce the amount of the regular payments.

Semi-Fixed Interest rate loans

In the event of an early repayment of a loan that has a fixed interest rate in full or in part, you will need to pay the Bank a compensation fee, if the Bank is unable to replace the funds repaid at an interest rate that is identical to the fixed interest rate set out in the loan agreement. This compensation fee may be capped under certain conditions subject to the terms of your loan agreement and applicable law.

11. PROPERTY VALUATION

Depending on the mortgage application, the Bank may require a valuation of the mortgaged property before providing you a loan. During the term of the loan, the Bank may also request or arrange for a valuation to ensure that the value of the mortgaged property is equal to or higher than the then outstanding loan amount or the approved credit limit in the loan agreement, whichever is higher. These costs are generally payable by the borrower. In the event of disagreement concerning the valuation of the property, the Bank reserves the right to request valuation by a third party, with resulting fees payable by the borrower. The rules for valuing properties are defined by law.

12. ANCILLARY SERVICES

You are required to take out and pay for a comprehensive property insurance policy for the real estate property that will be financed. You may procure those services from the provider of your choice. Furthermore, the insurance on the property shall include a clause stating that DNB Luxembourg S.A. is the beneficiary as it has a mortgage on the property.

You will also need to open a bank account with the Bank.

13. POSSIBLE CONSEQUENCES OF NON-COMPLIANCE

In the event of non-compliance with the terms of the loan agreement, the Bank reserves the right to terminate the agreement at any time and demand repayment of the total amount owed by the borrower. Termination of the loan will imply cessation of use of the loan and make all sums owed by the borrower repayable to the Bank. The Bank may then be entitled to invoke the mortgage charge and/or the guarantees provided in favour of the Bank as collateral for the loan, as part of recovery proceedings. You (and any guarantors) may be liable with your personal assets, and attachments may be placed on these assets. The mortgaged property may be repossessed and sold.

The Bank is entitled to instigate any recovery proceedings needed to recover such sums from the borrower. Therefore, in addition to the amounts owed, the Bank may require the borrower to reimburse all recovery proceedings costs incurred by the Bank.

The Bank has further the right to charge late interest on payments on instalments paid after the due date. The interest rate on late payments is set by applicable law and payment reminders are subject to administrative fees.

Should you encounter difficulties in making your payments, please contact us straight away to explore possible solutions.

As a last resort, the property serving as mortgage collateral may be repossessed.

The information presented in this document has been prepared by **DNB Luxembourg S.A.**, with address at 13, rue Goethe, L-1637 Luxembourg, Luxembourg and part of the DNB Group. DNB Luxembourg S.A. is registered in Luxembourg under the number B22374 and regulated by CSSF (*Commission de Surveillance du Secteur Financier*) as a bank. The information provided is intended as general guidance only and should not be seen as a legal, tax or accounting advice. The information is not intended as a personal recommendation of any kind, and does not constitute personal investment advice, offer or solicitation. The information is provided without any commitment or responsibility on DNB Luxembourg S.A.