

Lombard loan

Information for consumers

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In accordance with the Law of 8 March 2023 on accessibility requirements for products and services, this document contains easy-to-understand information about the Lombard loan. This information is not legally binding on you or the bank.

Here you will find information about the key features of the Lombard loan, how it works, and your rights and obligations.

This document is provided to comply with Article 15 of the Luxembourg law of 8 March 2023 on the accessibility of products and services. The purpose of this law is to ensure that everyone can easily use products and services offered by businesses. This means that businesses must ensure that customers can access their products and services. All consumers must be able to participate in social life.

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1. What is a Lombard loan contract?

A Lombard loan is a loan that the bank can grant you in exchange of an investment portfolio, such as shares, bonds, or funds. This type of loan allows you to obtain liquidity without having to sell your securities.

In practice, your investments serve as collateral – this is called pledging. You remain the owner of your securities, but the bank can sell them if you do not repay the loan.

The amount you can borrow depends on the value of your investments and the risks associated with them.

2. What happens before a Lombard loan contract is signed?

Before you can obtain a Lombard loan, certain conditions must be met.

The bank reviews the securities you offer as collateral to check whether they are accepted and to what extent. This assessment determines the maximum amount you can borrow. The bank also considers the volatility and risks linked to your investments.

You must also sign a specific agreement confirming that you understand the risks associated with this type of loan. Afterwards, the loan request is reviewed by credit analysts. These steps are mandatory to obtain the loan.

Only after these checks and approval, the bank will be able to offer you a Lombard loan.

3. How is the Lombard loan contract signed?

Once all conditions are met and the bank has approved your application, you can sign the Lombard loan. This can be done at a branch, by sending paper documents or by e-mail, depending on the case.

The contract specifies the loan conditions:

- the approved amount,
- the term,
- the collateral provided,
- the type of loan,
- as well as the applicable interest rates and conditions.

You commit to following the terms of the contract, in particular maintaining a sufficient value in your investment portfolio throughout the loan term.

After signing, the loan is opened and can be used according to the agreed conditions.

4. How is the Lombard loan repaid?

A Lombard loan does not have a fixed term: it is renewed tacitly each year unless you or the bank decide to end it. You must repay the loan no later than the agreed date, or within 30 days if the bank terminates the contract.

As long as the loan is active, you must ensure that your portfolio maintains enough value to secure the borrowed amount. If the value falls, the bank may ask you to provide additional collateral or repay part of the loan.

5. What are the risks of a Lombard loan?

A Lombard loan can give you more flexibility, but it also comes with important risks you should understand before committing:

- **Risk of a decrease in your portfolio's value:** If the securities you have pledged as collateral (shares, bonds, funds, etc.) lose value, the bank may require you to provide additional collateral or repay part of the loan quickly. This is called a *margin call*.
- **Risk of forced sale:** If you do not respond to a margin call, the bank can sell your securities without waiting for your approval, to recover the amounts due.
- **Leverage effect:** If you are borrowing to invest more, you can increase your gains, but also your losses if the financial markets fall.

Before signing, it is essential to carefully assess your financial situation and your risk tolerance.