

Lombard loan

Broaden your financial horizon



For marketing purposes

Brief description

Lombard loans are granted against the pledge of assets that can be easily realised, such as equities, bonds and other securities. The assets pledged can be used as collateral up to a set percentage of their current market value. The loan-to-value ratio depends on the type, currency, quality, volatility and marketability of the securities and how diversified your portfolio is.

The Lombard Loan Dynamic has a maximum credit line of CHF/EUR/USD 1 million and can be opened directly in CIC eLounge and used with the current account solution (overdraft on current account or private account) without additional administrative work being necessary. If you would like a limit over CHF/EUR/USD 1 million, your relationship manager will be happy to assist. Lombard limits can be used for the following types of loan:

Your benefits

- Using additional capital enables you to benefit from potentially higher returns in your securities portfolio.
- The use of debt for investments or acquisitions allows you to retain your existing liquidity and bridge liquidity shortfalls.
- The fact that you can take out a loan digitally in eLounge means you have immediate access to the additional capital – 24/7, whenever you like and wherever you are.
- Using the Lombard Loan Dynamic gives you maximum flexibility, because you can draw it down and repay it whenever you need to.

Type of loan	Fixed advance	Fixed loan	Current/private account
Amount	Fixed amount from CHF 100 000 or equivalent	Fixed amount from CHF 100 000 or equivalent	Variable amount, depending on drawdown
Currencies	CHF, EUR, USD	CHF, EUR, USD	CHF, EUR, USD
Maturity	Fixed 1-12 months	Fixed 1-7 years	Variable
Credit commission	None	None	0.25% per quarter/free for Lombard Loan Dynamic

Suitability

A Lombard loan is particularly suitable for experienced investment clients who wish to leverage their securities investments to maximise the potential return by using debt (see sample calculation). You can use a Lombard loan to buy new securities without having to sell existing positions. The loan is also suitable for clients who want to pledge assets to raise additional liquidity for investments or purchases.

Collateral for credit

Pledged securities or credit balances

Purpose of loan

To finance securities investments (leverage) or raise liquidity without having to sell assets (for private use)

Types of loan

Fixed advance, fixed loan or overdraft on current account or private account

Interest rate

Based on current conditions in the money and capital markets. The current terms and conditions can be found at

cic.ch/en/lombard-infos

Interest payment

Quarterly and on maturity

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Risks

If the assets held in your custody account fall in value or Bank CIC adjusts its loan-to-value ratios, additional assets must be posted as collateral or the amount of the loan reduced accordingly. For further risks, please see: cic.ch/en/lombard-risk-notice

Taxation (in Switzerland)

Loan interest is tax deductible.

How it works

Indicative sample calculation: achieving a higher return by using a Lombard loan

Assumption: portfolio performance at maturity 10%, loan interest rate 1.5%¹ and loan interest rate 5.5%¹

WITH A LOMBARD LOAN (Example using loan interest rate of 1.5% ¹)			WITHOUT A LOMBARD LOAN			WITH A LOMBARD LOAN (Example using loan interest rate of 5.5% ¹)		
Initial portfolio	CHF	200 000	Initial portfolio	CHF	200 000	Initial portfolio	CHF	200 000
Lombard loan	CHF	100 000				Lombard loan	CHF	100 000
Total portfolio value	CHF	300 000				Total portfolio value	CHF	300 000
10% performance	CHF	30 000	10% performance	CHF	20 000	10% performance	CHF	30 000
Minus cost of loan						Minus cost of loan		
1.5% of CHF 100 000	CH	1 500				5.5% of CHF 100 000	CH	5 500
Portfolio value	CHF	328 500				Portfolio value	CHF	324 500
Total portfolio value	CHF	328 500	Total portfolio value	CHF	220 000	Total portfolio value	CHF	324 500
Loan repayment	CHF	100 000				Loan repayment	CHF	100 000
Final portfolio value	CHF	228 500	Final portfolio value	CHF	220 000	Final portfolio value	CHF	224 500
Net return	CHF	28 500	Net return	CHF	20 000	Net return	CHF	24 500

Comparison with loan interest rate of 1.5%¹

Net return with a Lombard loan: **CHF 28 500**

Net return without a Lombard loan: CHF 20 000

Using a Lombard loan (leverage) generated a **net return that was 42.5% higher**.

Comparison with loan interest rate of 5.5%¹

Net return with a Lombard loan: **CHF 24 500**

Net return without a Lombard loan: CHF 20 000

Using a Lombard loan (leverage) generated a **net return that was 22.5% higher**.

¹ The loan interest rate used is not the current loan interest offering of Bank CIC (Switzerland) Ltd. It is only a sample calculation intended to demonstrate the change in the net return on a securities portfolio (assuming constant 10% performance) from using a Lombard loan, allowing for rising interest rates.

DISCLAIMER

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