



Samples of Private Banking Relationships Featuring Lending

Dexia Private Bank Jersey Limited

***Please Note:** The case studies below are examples only and do not reflect current economic conditions.

Case I Financing for Property – Within Europe

A client wished to purchase a property in southern France. The Bank provided the loan for 70% of the value of the property and took a mortgage over it.

The client later came back and introduced another family member to the Bank, who invested in a Dexia portfolio of assets as a way of securing the loan. As a result, both family members benefited from improved loan terms, which reduced their respective capital repayments and significantly decreased their quarterly interest payments.

After the loan was granted the client had carried out some renovations to the property and it significantly increased in value*. The Bank subsequently agreed to increase the loan to finance a large extension to the property. This permitted the client to maintain the maximum loan against the property to mitigate the French annual wealth tax and to minimise the net value of the property for inheritance tax purposes.

This case demonstrates that Dexia PB Jersey can take multiple forms of security and can be flexible in reviewing a facility once it is in place.

Case II Financing for Overseas Properties – Outside Europe

A client wanted to buy a property in South Africa but could not find a bank willing to provide the finance due the current market and exchange risks associated with the region.

Dexia PB Jersey provided the client with the loan and took a pledge over the client's investment bond.

Although this was essentially a stand-alone property loan, the client satisfied the private banking requirement by making transfers in to a Dexia portfolio of assets in place of making capital repayments.

The Bank also took a pledge over the client's savings plan which was set up to provide regular savings to repay the remaining capital element of the loan that would not be covered by the transfers in to the portfolio.

At maturity the portfolio and the savings plan will be liquidated to repay the loan.

The client may wish to extend the term in order to keep the financial assets that have accumulated over the term of the loan and which would be available to repay the loan at any time.

The client may also wish to extend the amount of the loan at the time of the renewal if the portfolio and life bond have increased significantly in value.

Case III Efficient structures for holding property

A client had taken out a loan to purchase a property in London. This was an investment property that was to be improved and sold for profit within a short timescale (three years). Once a buyer had been found a Jersey Property Unit Trust was set up to hold the property.

This structure helps to reduce the amount of stamp duty land tax (SDLT) payable on the purchase of the property. This considerable saving on the purchase price ultimately proved to be the deciding factor for the sale going ahead, as the saving in SDLT addressed the differential of £1 million between the client's asking price and the offer that was made by the prospective buyer.

There may also be a saving in capital gains tax on the future sale of the property held within this structure.



Case IV Equity Release

The client wanted to release equity in his property in order to diversify his investments and to minimise his inheritance tax liability in Spain by reducing the net value of the property.

Dexia PB Jersey took a mortgage over the villa in Spain and lent 50% of the value of the property. The loan proceeds were invested in a Dexia portfolio of assets.

Within a relatively short space of time the portfolio and the Spanish property had both increased in value* and the client subsequently extended his loan. With the proceeds of the extension, he invested greater amounts in the Dexia portfolio of assets and purchased a second Spanish property.

As the Bank has the management of the portfolio of assets, which it could liquidate to provide the means of repayment, it has been agreed that capital repayment will come at maturity of the loan.

However, it is more likely that the client will request to renew the loan to maintain the maximum borrowings against the property thereby reducing the inheritance tax liability on death. Renewal of the loan will be subject to the approval of the Credit Committee (which it is anticipated to give, as this is a solid private banking relationship).

The private banking element of the relationship has been provided by the portfolio of assets for the Bank to manage, and the client is now in the process of setting up two trusts in order to remove the villa and the portfolio from the client's estate and to also protect the client's business assets in the UK.

Case V Dexia International Pension

Due to 'A' Day and changes in the UK pension law, Dexia PB Jersey has created a new international pension product that allows pension holders to save for their pensions over and above the new annual contribution limits and the pension fund cap.

It is an unapproved scheme so contributions do not attract tax relief but the fund accumulates in a tax beneficial amount. There are no official limits on the amount and frequency of the contributions, assets can be transferred "in specie" and treated as contributions, and contributions can be in any recognised currency. Moreover, the Dexia International Pension can borrow against its assets and it can also lend to individuals, making it a powerful tool in the investor's financial planning kit.

The Dexia International Pension can hold real estate, financial assets, art, antiques, planes and yachts, in fact the trustees will consider any asset that can be easily valued and is capable of producing income or being sold. Multi-member plans are available as well as individual bespoke pensions that can be highly tailored to the investors' needs or being sold.

In short, if the client is a UK non-domiciled high earner who feels restricted by the new pension limits, or if he is moving from country to country, changing their employment status on a frequent basis, or wishes to make contributions in assets or different currencies, the Dexia International Pension is worth serious consideration.

For more information on any of the above, please contact the Front Office Team as follows:
Telephone: +44 01534 834 400 or Facsimile: +44 1534 834 411

Internet: www.dexia-privatebank.je

Dexia Private Bank Jersey Limited is regulated by the Jersey Financial Services Commission.

PRIVATE BANKING
Jersey

