NOVARTIS

PENSION FUND NOVARTIS 1

Regulations

on the granting of

mortgage loans

to insured members and retirees in Switzerland

Status 1 January 1998

The Ciba-Geigy Pension Fund was renamed the NOVARTIS Pension Fund on 1.1.1998 (Pension Fund Novartis 1 as per 01.01.2011). The present regulations, which were issued by the Board of Trustees of Ciba-Geigy Pension Fund on 1.1.1995 (including the amendments which have been issued since then), retain their validity.

Article 1 Purpose

1.1 With the granting of mortgage loans, the Pension Fund seeks to put part of its assets into variable interest-bearing investments.

1.2 There is no entitlement to a mortgage loan.

Article 2 Home ownership

2.1 The concept of home ownership encompasses houses (incl. buildings on a leasehold basis) or apartments in Switzerland. The property on which a mortgage is raised from the Pension Fund must be owned by the insured person or the retiree, by his or her spouse or by both jointly and must serve as his/her/their permanent place of residence.

Mortgages are not granted for holiday homes and the like.

2.2 Building credits are not granted.

Article 3 Borrower

The borrower is the recipient of the mortgage.

Article 4 Form

The mortgage loan is regulated in the form of a written agreement between the Pension Fund and the borrower. These regulations and the “Mortgage conditions”, which contain supplementary provisions, form integral parts of the agreement.

Article 5 Lending limit

5.1 A loan of not more than 80% of the mortgage market value, amounting to a maximum of Fr. 900,000, is granted for the property, taking into account any other mortgages.
Up to 65% of the mortgage market value of the loan is granted in the form of a 1st mortgage, and the remaining part up to 80% of the mortgage market value of the loan is granted as a 2nd mortgage.

5.2 The mortgage market value is determined by a property expert at the request of the Pension Fund. The experts have to adhere to the valuation practices of the mortgage institutes.

5.3 Above the respective limit of the mortgage loan applied for, the Pension Fund makes its decision on the basis of the income situation of the applicant and the estimation of market value by the property expert.

5.4 If in addition to the mortgage loan the borrower withdraws or pledges his entitlement to retirement benefits (in whole or in part) as defined in the provisions of the federal law "on the encouragement of home ownership with funds from the occupational benefits scheme" dated 17 Dec. 1993 (WEF), then the mortgage loan together with the amount claimed in accordance with the WEF must not amount to more than 100% of the purchase price.

Article 6 Costs

6.1 If valuation and handling costs are incurred, the Pension Fund may claim these from the borrower. All costs for the mortgage (notarial fees, land register fees, stamp fees etc.) are charged to the borrower.

6.2 On withdrawal from the application for the loan, the Pension Fund is to be reimbursed for the costs incurred.

Article 7 Security

7.1 The loan as a rule is secured by means of a mortgage in the form of a mortgage note.

7.2 The Pension Fund in principle grants 1st mortgages.

7.3 In the following (exceptional) cases, 2nd mortgages may be granted:
- In the case of pledged property which the debtor has constructed or acquired with the claim on a leasehold and in which a 1st priority lien amounting to three annual sums of the leasehold interest is entered as sole record in the land register in favour of the owner of the land, according to ZGB Article 779i, the lien may be entered as a 2nd priority lien in favour of the Pension Fund.
- A mortgage title entered as 2nd priority lien on the pledged property may be taken over if a 1st priority lien is entered in favour of the Pension Fund.

In both cases, the mortgage to be granted or taken over by the Pension Fund together with the entry must not exceed the lending limit for the pledged property as defined in Article 5.1.

7.4 In the case of married borrowers, the Pension Fund – without consideration of the existing property rights – may demand a joint commitment by the marriage partners. If the spouse of the insured person is the sole owner, the Pension Fund may demand that the spouse enters into a covenant as principal debtor and the insured person as joint debtor.
The Pension Fund does not grant mortgage loans against collateral in the form of a pledging of the entitlement to retirement benefits in accordance with WEF.

Article 8 Additional security measures

The Pension Fund has the structural condition of the property on which the loan is granted periodically checked by its experts. If these experts find that an abnormal decrease in the value has occurred, additional security may be demanded such as capital repayments or guarantees.
If necessary, the loan may be terminated either in part or in whole.

Article 9 Interest

9.1 The mortgage loan is subject to interest payable every six months, the first payment being due on the next interest date following disbursement of the loan, i.e. 30 June or 31 December.

9.2 The rate of interest is determined on the basis of the currently prevailing market conditions. An adjustment is possible at any time.

9.3 Half the annual interest is due for payment on 30 June and the other half on 31 December of the year in question.
Interest payments which are not transferred on the due date are subject to interest for arrears at the level of the mortgage rate interest owed on the due date, but at a minimum of 5% p.a.

9.4 As a rule, the borrower pays the interest by having the sum due deducted from his or her staff current account (SCA) every six months. The borrower undertakes to ensure that there are sufficient funds in this account to cover the transaction on the date in question.
The six-monthly payment is also possible by bank or the post office. Any transfer fees will be charged to the borrower.

Article 10 Termination and repayment

10.1 In principle either party may terminate the mortgage loan by registered letter, subject to notice of three months.
The Pension Fund terminates the loan if there is due cause (e.g. repeated demands for payment, defective structural security measures, perpetual leasing of the pledged property).

10.2 The mortgage loan is considered to be terminated if the borrower does not agree to a change in the conditions of the loan (in particular the interest rate). The period of notice in this case runs from the announcement of the changed conditions.

10.3 If the borrower leaves the Pension Fund before entering retirement, the mortgage loan is usually due for repayment within six months of leaving.

10.4 In the event of the death of the borrower, the mortgage loan is terminated by the Pension Fund, unless the mortgage passes into the ownership of the spouse or dependent children and they continue to use the property for their own residential purposes.

10.5 The Pension Fund may declare the entire debt to be payable immediately if the mortgage is pledged, sold, distrained, divided up or diminished in any other way.

Through the declaration of the Pension Fund, the payment further falls due if rent is confiscated in favour of a third party, if the insurance concluded to cover fire damage lapses for any reason or the insurance sum is substantially reduced.

10.6 If the mortgage is auctioned off by the courts, the sum owed, together with interest payments and interest on arrears, is due for repayment on the day of the auction.

10.7 The mortgage debt or parts thereof is/are as a rule to be amortized.
The rate of amortization is calculated on the basis of the original debt.
The 2^{nd} mortgage is to be amortized over 20 years.
Mortgage increases are added to the original debt and are to be amortized like this. Part repayments up to Fr. 50,000 are possible at any time.

Article 11 Exceptions

11.1 Exceptions to these regulations, limited in time, are possible, provided the company assumes the appropriate guarantee.

11.2 For mortgage loans that taken out before 1.4.1997, the regulations in force at the time when the loan was granted are applicable.

Article 12 Jurisdiction

For all liabilities arising from the circumstances of the loan, the borrower is subject to the jurisdiction of Basel-Stadt.

Article 13 Entry into force

These regulations entered into force on 1 April 1997.

Basel, January 1998 PENSION FUND NOVARTIS 1