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# Business overdraft facility



# Business overdraft facility at ABN AMRO

This product information sheet explains how an ABN AMRO business overdraft facility works, and the main features and risks of this product. It also explains what you will have to pay for such a facility.

## What is a business overdraft facility?

This requires a bank account at ABN AMRO. A business overdraft facility is flexible and allows you to borrow and repay any amounts up to the agreed maximum (your 'credit limit'). Providing you remain within your credit limit, you can borrow and repay amounts as you wish. This facility requires you and the bank to sign a credit agreement.

## What is a business overdraft facility meant for?

You can use this facility as working capital to fund shortterm investments such as inventories or to finance receivables.

## What do you pay for this credit?

You pay a variable interest rate on the amount that you borrow. This is based on a variable base rate, such as the average 1-month Euribor. This base rate can change, and so rise or fall, in response to developments in the financial market. If the base rate changes, the interest you pay will also change. This means that your interest costs can increase or decrease. As well as this variable base rate, you will pay a margin that is specific to you and a general surcharge. These, too, can change and result in your interest costs increasing or decreasing. Together, the variable base rate, the specific margin and the general surcharge comprise your total interest rate.

As well as interest, you also pay fees and other charges for an overdraft facility.

## Variable interest base rate changes

If you choose a variable interest rate, your interest rate base changes periodically. For example, the three-month Euribor rate may change every three months. When are we allowed to change an interest rate base? The bank may for example change your interest base rate to a different interest base rate, when the interest base rate is no longer available or when the bank is no longer allowed to use the interest base rate. The bank will inform you about the change as soon as possible. Is there a difference between the old and new interest base rate? We can charge any mismatch in whole or in part to you, for example, by changing your margin within your variable interest rate, applying a surcharge, applying a relief and/or any other means as may be required. You can find additional information in the credit documentation.

## Euribor

Euribor is the abbreviation for the 'Euro Interbank Offered Rate'. It is the average interest rate that banks use when providing short-term funding to each other in euros. Euribor is determined daily by supply and demand, and is published in most national daily newspapers. You can also find the 1-month Euribor on [www.abnamro.nl/basistarieven](http://www.abnamro.nl/basistarieven)

## Refinancing rate

The refinancing rate is the interest rate which banks do have to pay when they borrow money from the European Central Bank (ECB). The level of the refinancing rate is determined by the ECB. The ECB uses the refinancing rate to influence market interest rates. You can find the refinancing rate on [www.abnamro.nl/basistarieven](http://www.abnamro.nl/basistarieven)

## What are the most commonly used interest base rates for business overdraft facilities?

The most commonly used interest base rates for business overdrafts facilities are:

1. **Average one-month Euribor plus Market surcharge.**  
The average one-month Euribor is calculated on the final business day of each calendar month. The Market surcharge is determined by ABN AMRO and it covers ABN AMRO's costs to raise funding from the market. Next to the average 1-month Euribor plus Market surcharge you pay a margin (Specific surcharge). You can find more information about the pricing structure of business overdraft facilities on [www.abnamro.nl/financierien](http://www.abnamro.nl/financierien)
2. **ABN AMRO Euro Base Rate.** The ABN AMRO Euro Base Rate consists of the Refi- interest of the European Central Bank (Market interest rate) and a surcharge debit interest (Generic surcharge). The surcharge debit interest includes generic operational costs and funding costs. The ABN AMRO EURO Base Rate is increased with a margin. You can find more information about the pricing structure of business overdraft facilities on [www.abnamro.nl/financierien](http://www.abnamro.nl/financierien)

## What are the most important agreements?

When arranging an overdraft facility, you will need to agree various things with us, including:

- ▶ **The maximum amount you are allowed to borrow.**  
We agree a **credit limit (A)**. You - but also we - can reduce this limit at any time. In that case, you will have to repay the amount you have borrowed so that you are within the new limit.
- ▶ **The interest rate you pay on debit balances on your bank account (B).** You pay a variable interest rate that can increase or decrease at any time. This is based on a variable base rate such as the average 1-month Euribor. As well as this variable base rate, you pay a margin that is specific to you and a general surcharge. The margin and surcharge can change during the term of the facility if, for example, your financial position worsens to such an extent that the risk to the bank increases. Or if new or amended regulations result in our costs increasing. Together, the variable base rate, the specific margin and the general surcharge comprise your total interest rate. Over de provisies die u betaalt voor uw krediet.
- ▶ **Fees payable for your facility.** You pay a one-off upfront fee when you arrange a facility. You also pay a **commitment fee (C)** on any amount within your credit limit that you have not or not yet used, but are

entitled to use. Lastly you will usually also pay a **facility fee (D)** on the highest amount borrowed under the facility during a quarter.

- ▶ **Fees payable if you exceed your limit.** If you exceed your credit limit, you will pay an **excess credit fee (E)**, the level of which is not fixed in advance. You are only permitted to exceed your credit limit if this is agreed in advance.
- ▶ **How long you can use the facility for.** In principle, you can use the facility for as long as you like, unless you agree a reducing credit limit (see below). While you are using the facility, you must always remain within your credit limit and stick to what you have agreed with the bank. You can cancel the facility at any time. But so, too, can the bank. However, we never do that without a good reason, such as if you do not stick to your agreements with the bank. What happens if you or the bank cancels the facility? You will then have to repay the full amount to the bank.
- ▶ **The security that you grant to the bank to give the bank additional assurance of receiving repayment of the full amount borrowed.** The most common forms of security are declarations of joint and several liability, surety, pledges and mortgages. What about a credit agreement with more than one borrower? A declaration of joint and several liability means the bank can demand payment from any borrower individually of the full amount owed to the bank (including interest, fees and other charges) if you do not stick to your agreements with the bank. What happens if you do not stick to what you have agreed with the bank? We can then demand payment from any third parties who have guaranteed the amounts you owe to the bank. We are also allowed to sell goods (such as business premises, inventories and equipment) that have been given to the bank as security and to use the proceeds to repay all or part of the amount owed. Remember that the bank can ask you to provide more security at any time during the term of your facility if, for example, you do not stick to your agreements with the bank, if your financial position worsens and so the risk to the bank increases, or if the value of security that you have provided to the bank decreases.
- ▶ **Submitting your financial statements and income tax return.** Your auditor or intermediary must provide your financial statements, income tax return and other financial information to us. We must receive this information before 1 July of every year. We use Standard Business Reporting (SBR) as a standard for exchanging financial information. If we do not receive your information via SBR, you may have to pay us a handling fee.

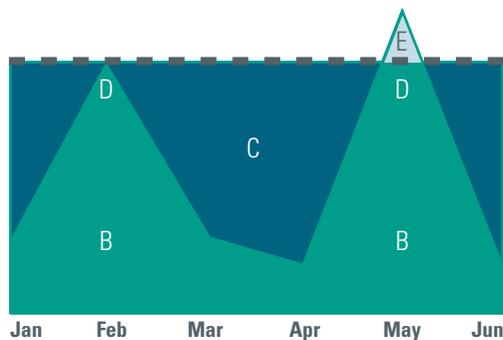
Are you a director and major shareholder of a private limited company? If so, you will often be jointly and severally liable for any credit facility that the bank grants to your company. This means that you - as well as the company - may be personally liable for credit that the bank grants to the company, and also that the bank can then claim repayment from your personal assets.

### What else do you need to know?

As well as interest and fees, the bank may impose other charges, such as collection costs, if you do not stick to your agreements with the bank. You may also have to pay the costs of any appraisers or other specialists appointed by the bank.

If your business runs into financial difficulties, the bank may decide to transfer your loan to our Financial Restructuring & Recovery (FR&R) department. FR&R may charge additional fees.

## Overdraft facility (OF)



- A: Credit limit
- OF unused
- OF used

- A. You can use an overdraft facility (OF) up to the credit limit.
- B. You pay **interest** on the amount of the facility you use (OF used)
- C. You pay **commitment fee** on the amount of the facility you do not use (OF unused)
- D. You normally pay a **facility fee** on the highest debit balance on the account during the quarter
- E. You pay an **excess credit fee** if you borrow in excess of your credit limit

Do you want more insights in the interest rate structure? You can find more information on [www.abnamro.nl/financien](http://www.abnamro.nl/financien)

## Reducing your credit limit

You can also agree a facility with a reducing credit limit. If so, the maximum you can borrow may be reduced over a period of, for example, a few months to a level agreed in advance. This reduction will also reduce the costs of the facility.

### Advantages of a business overdraft facility

- ▶ Flexible borrowing and repayments within your credit limit.
- ▶ Amounts repaid can be borrowed again, providing you remain within your credit limit.
- ▶ You can cancel or reduce your credit limit at any time.

### Disadvantages and risks of a business overdraft facility

- ▶ The bank can cancel or reduce your credit limit at any time if, for example, you do not stick to your agreements with the bank. In that case you will have to repay the amount you have borrowed and you cannot borrow that money again.
- ▶ You do not know what your exact interest costs will be because you pay a variable base rate, and the specific margin and general surcharge can also change during the term of the facility. This means that your interest costs may change - and so increase or decrease - at any time.

This product information sheet is intended as general information. It does not constitute legal, tax or other advice. Similarly it does not constitute an invitation or offer to enter into an agreement.

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