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Business loan

ABN AMRO business loan

This product information sheet explains how an ABN AMRO business loan 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 loan?

A business loan means you receive a specific amount from the bank in one or more instalments. The money that you borrow has to be repaid in one or more instalments. Whether these instalments are, for example, monthly or quarterly depends on what you agree with us beforehand. In this way, the amount you owe to the bank will gradually decrease. Once you repay an amount, you cannot borrow that money again.

What is a business loan for?

A business loan is intended to finance long-term investments, such as new machinery, new business premises or an acquisition.

What do you pay for a business loan?

You pay a fixed or variable interest rate on the amount that you borrow. This is based on a fixed interest base rate, or a variable interest base rate such as the 3-month Euribor. This variable base rate can change at any time, and so rise or fall, in response to developments in the market. If the variable base rate changes, the interest you pay will also change. This means that your interest costs can increase or decrease.

A fixed base rate works differently as you will then pay the same base rate for 1, 2, 5 or 10 years. That creates more certainty. But it also means that you will not benefit from any falls in market interest rates during a fixed-rate period of the loan.

As well as the base rate, you pay a margin that is specific to you. This, too, can change at any time and can result in your interest costs increasing or decreasing. Together, this base rate and the specific margin comprise your total interest rate.

As well as interest, you also pay fees and other charges for a business loan.

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 3-month Euribor on www.abnamro.nl/basistarieven

What are the most important agreements?

When arranging a business loan, you will need to agree various things with us, including:

- The amount you can borrow. When you arrange a loan, we will agree the total amount you are allowed to borrow. We will also agree whether to transfer this amount to your account in one amount or in instalments.
- The interest rate you pay on the amount you borrow. You can opt for a fixed or a variable interest base rate. The fixed interest rate is based on a fixed rate, while the variable rate is based on a variable rate.
- How long to fix the interest. If you opt for a variable base rate, for instance based on the 3-month Euribor, your interest costs may change every three months. If you opt for a fixed interest base rate, you will obviously have to agree on how long the interest base rate is to be fixed for. At the end of that period we will promptly send you a new interest rate at which we propose refixing the interest. If you do not agree to this rate, you can choose to repay the loan, together with all interest, fees and other charges due. In those circumstances you will not have to pay a fee for early repayment.
- Fees payable. You pay a one-off, upfront fee when you arrange a loan. If you arrange a fixed-interest loan, you also pay an interest-fixing fee, and a commitment fee if you do not borrow the full amount of the loan at once. This latter fee is charged monthly on any part of the loan that you have not yet used.
- How you will repay the loan. We will agree on whether you will repay the loan in, for example, monthly or quarterly instalments. Alternatively it may be agreed that you can repay the full amount of the loan at the end of its term. We will also agree on the amount of each repayment instalment.
- The term of the loan. This is the period during which you have to repay the loan in full, together with interest, fees and other charges. The term may vary from 1 to 20 years, depending on the amount of the loan, the instalments and also the purpose of the financing. The term may be shorter than initially agreed if the bank withdraws the loan before the original maturity date. We never do that without a good reason, but only, for example, if you do not stick to your agree-ments with 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 comply with your agreements with the bank. What happens if you do not stick to your agreements 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 to us. Remember that the bank can ask you to provide more security at any time during the term of the loan. 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 that the bank can claim repayment from your personal assets.

Fixed and variable interest base rates – main characteristics

Business loan with a fixed interest base rate	Business loan with a variable interest base rate
Your interest rate is based on a base rate that is fixed for a specific period, such as 1, 2, 5 or 10 years. This is referred to as the fixed interest period. At the end of the fixed interest period we will promptly offer you a new interest rate. This rate may be higher or lower than your old fixed rate.	Your interest rate is based on a variable interest base rate, such as the 3-month Euribor. If the base rate changes at the end of this 3-month period, your interest rate will also change and can increase or decrease.
You have more certainty about your interest costs for a longer period.	You have less certainty about your interest costs.
You will not benefit from any falls in market interest rates during your fixed interest period.	You will benefit from falls in market interest rates. But if interest rates rise, so, too, will the interest that you pay.
The specific margin you pay may 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 our costs increase as a result of new or amended regulations.	The specific margin you pay may 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 our costs increase as a result of new or amended regulations.

Fixed interest rate

A. A fixed- rate loan means the interest base rate is fixed until the next interest review date. This is called the fixed interest period.
B. During this period you will not benefit from falls in the market interest rate.
C. Your are protected against rises in market interest rates during such periods.

Variable interest rate

A. A variable-rate loan means the base rate is not fixed during the term of the loan.
B. You will benefit from falls in market interest rates as your monthly expenses will be lower.
C. You are not protected against rises in market interest rates during such periods. If, therefore, market interest rates rise, your monthly expenses will increase.

Do you want more insights in the interest rate structure? You can find more information on www.abnamro.nl/financieren

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 repayment is late, the bank may also charge you default interest.

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.

What if you want to repay your loan early?

Early repayment means that you repay your loan earlier than initially agreed. Each year you are allowed to repay a fixed amount early, usually 5% of your loan, without any penalty. If you repay more than that amount early, you may have to pay a fee on the amount by which your repayment exceeds the amount allowed to be repaid early without penalty. The general rule is that you have to pay a penalty if your early repayment results in extra costs for the bank in the form of loss of interest income. If you want to repay any amounts early, please contact the bank so that we can check whether a penalty is payable and, if so, how much.

Advantages of a business loan

- You can opt for a fixed interest base rate. This normally gives you more assurance about your interest costs than a variable base rate.
- By the end of the term, you will have repaid the loan in full, together with all fees and other charges. You can tailor your business activities in line with this.

Disadvantages and risks of a business loan

- As well as paying interest each month or quarter, you will often also have to repay part of the principal.
- Once you have repaid an amount, you cannot borrow that money again.
- You may have to pay an extra charge if you want to repay more than 5% of the loan early.

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