

Asset Based Lending Product Guide

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HSBC UK

| Opening up a world of opportunity

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The basics

Our Asset Based Lending product is provided to assist you to unlock working capital from your balance sheet. This is achieved by you providing your business's Asset Base as security and allowing HSBC to regularly review and confirm the Asset Base. In exchange, you receive a flexible finance and covenant solution.

Asset Based Lending can support in the following ways:

- Providing capital to support liquidity needs.
- Assisting in alleviating seasonal cash-flow pressure.
- Enabling greater loan availability from the Asset Base.
- Eliminating the need to wait for collection of receivables.

Providing flexible borrowing terms and repayment schedules, tailored to fit your individual business requirements.

Asset Based Lending is most suitable for:

- Businesses with a stable and well maintained asset base.
- Cases where finance is required but not available from traditional cash flow lending.
- Businesses looking to achieve better pricing by offering additional security.

The primary source of repayment is the conversion of the Asset Base over the company's business cycle.



How Asset Based Lending works

Here's how the Asset Based Lending process works:

- 1.** You submit a Borrowing Base Certificate on a periodic basis (usually monthly). This will contain details of the Asset Base, such as:
 - receivables (eg buyer, amount, ageing)
 - inventory (eg type, quantity, storage location, aging, reference details, price/value)
 - plant and machinery
 - commercial property
- 2.** Your funding availability is calculated by valuation of the Asset Base.
- 3.** We'll update the funding available to draw against when we're notified of the Borrowing Base Certificate, we receive payments, or you draw against your availability.
- 4.** The funding we make available will reflect the relevant amounts we keep (along with any fees and charges due to us) which are payable by you under the Agreement.

We may conduct surveys on these facilities to make sure they're running satisfactorily and to check that the data we're receiving about your debts is accurate and complete. This may include a third party visitation or one of our surveyors to visit you. There may be a charge for this.

We aim to communicate with you openly and transparently. We'll provide you with telephone contact points within our business and access to our internet platform to manage your facility.



What you need to know

Certain types of assets are excluded from our agreement with you and won't need to be notified. Excluded assets are defined in the Agreement.

Asset Base appraisals and surveys will also be conducted to gain information and monitor collateral.

You'll need to keep relevant records in relation to the Asset Base and show these to us if asked. The records typically include relevant contractual terms, purchase orders and acknowledgements, invoices, signed delivery notes, account receivables assignment and collections, inventory positions, plant and equipment listings and commercial real estate details.

There is the ability to drawdown on other HSBC products under the Asset Based Lending facility (such as Receivables Finance). These additional drawdowns will also be secured against the same assets. You should be aware that the same product may be available on a standalone basis without the security arrangement, subject to conditions.

It is important that you read and understand the Agreement between us including what constitutes a termination event and the potential consequences.



How the Asset Base loan is calculated

The amount of the loan is driven by the Asset Base and an appropriate advance rate calculation.

- 1.** The calculation of available funding starts with total Asset Base.
- 2.** Unsuitable or ineligible assets are deducted.
- 3.** After an appropriate valuation and reserves at an agreed rate, funding is provided against the remaining (eligible) Asset Base. This is typically between 80% and 90% percent for receivables and between 50% and 85% for other assets.



Providing security

Security is often needed and may include one or more of the following:

- Personal guarantee and indemnity from director(s)/principal(s).
- Company guarantee from your parent and/or associated companies.
- Personal indemnity against breach of the agreement (usually given by director(s)).
- Fixed charge over debts which aren't effectively transferred to us as needed in the agreement.
- Floating charge over all assets.

The Facility Agreement will outline the joint and individual responsibilities. It will include an assignment of receivables, with other assets used in the Asset Base being held and registered as HSBC security.

The facility agreement will contain conditions and undertakings ensuring that HSBC has the right to enter premises and control, review and inspect the Asset Base. Operational aspects are documented to ensure the regular reporting of the Asset Base, and provision of any required data to enable HSBC to make an accurate assessment of the underlying Asset Base.

Facilities can be on a bilateral or syndicated basis.



What are the costs?

There are no hidden costs.

For certain types of security that may be needed, it might be necessary for you to consider taking independent legal advice. This will be at your own cost.

Every other fee or charge relevant will be clearly set out in the agreement and will usually be debited against the funds available to you.

Variations to the Agreement or an agreement to an early termination during the minimum term may be subject to agreeing to a fee for providing the variation or agreeing to early exit.

If things go wrong and we have to recover the loan following a termination of the Agreement and/or you become insolvent, we won't charge you a collect out fee. However, we may seek to recover identifiable costs of recovery from you.

Accessibility

If you need any of this information in a different format, please let us know. **This includes large print, braille, or audio.** You can speak with us using the live chat service on our website, by visiting one of our branches or by giving us a call.

There are also lots of other options available to help you communicate with us. Some of these are provided by third parties who are responsible for the service. These include a Text Relay Service and a British Sign Language (BSL) Video Relay Service. To find out more, please get in touch. You can also visit business.hsbc.uk/accessibility or business.hsbc.uk/contact-us.

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