



Your Guide to A Hassle-Free Bank Review

If you're in business and have any kind of commercial lending facility with significant debt (generally upwards of \$1million), you would be familiar with annual Bank Reviews.

Most people tend to break out in a sweat at the mere thought of an upcoming review – if for no other reason than it feels like an extra hassle in your already busy day. But remember it's not personal. Reviews are basically a financial health check of your business so banks can minimise their risk and ensure you are able to continue servicing your debt. It is also something bank managers must do to update their records, comply with duty of care and due diligence requirements.

Here at Rural Financial Counselling Service, we talk to many agribusiness operators and business owners who have lost too much time and stress to reviews. But annual reviews don't need to be difficult. Read our toptips for a stress-free annual bank review.

Embrace the process

Although the process is simple enough, a review can be a nerve-racking experience especially if you had a bad year. Banks are notoriously risk-averse and don't always see the goodwill in your business as you do. But this is your chance to show them. You may not have all the answers or know exact data on every front, but this is about selling yourself and showing the bank you are a serious businessperson so they will want to continue to do business with you.

Be proactive

You may be surprised to know that the clock or calendar is ticking on your year from the minute your bank approves your loan, and not 12 months from the date it is made available. For some people this could be a difference of months. It pays to check as it may come round sooner than you think.

Give yourself plenty of time

Banks typically give 90 days' notice for a review, but don't wait for them to contact you. Call and ask when 12 months is due and lock a time in the calendar that works best for you. An review can typically take anywhere from 2-3 days to prepare and you'll want plenty of time to organise paperwork and put in place workarounds in your business for the time you're dealing with the bank.

Make sure the timeframe for preparation is achievable and meets your business needs and those of your accountants. You don't want to be preparing for an annual review in the middle of harvest, nor the middle of EOFY.

Know what to expect

If you're uncertain what to expect from a review, ask early on. Most banks can provide you with an outline of the process, plus your obligations to them and likewise theirs to you.

Whatever you do, don't try to duck or avoid a review. Even if you're not feeling particularly confident about your business performance over the past 12 months, it's best to face the review head-on rather than raising a 'red flag' on your customer profile.

Be prepared

Gather as much information as you can. Identify exactly what your bank requires and give them all that plus some (our checklist of documents is a good place to start). Ensure all paperwork is current, clear/well prepared and aim to be as transparent as possible.

If you're feeling uncertain about any aspect of your business, spend time before your review getting to know the details and how your business has been performing. Prepare explanations for any issues or variances in actuals versus budgets or predications. Consider and document your business goals, plans and contingencies for dealing with unforeseen changes in circumstance. Do what you can to put the lender at ease and maintain their focus on supporting you in your success.

Refer to our checklist of documents likely to be requested. And if you want some assistance to put your best foot forward, talk to one of our experienced team at the Rural Financial Counselling Service who can step you through reviewing and updating your business goals, plans and budgets.

Be open

Now is not the time to keep your cards close to your chest or pretend that everything is ok if it's not. The end goal for your bank is a full understanding of your business and how it's performing. Remember, bank managers are people who respond favourably to honesty, transparency and open communication. So, anticipate questions, prepare notes and tell your whole story.

Use the review to your advantage

It's not all about looking back at the year that was. A review is a great opportunity to look forward with your bank or lender and ensure you've got the right financial supports in place to achieve your success. Ask questions and conduct your own review

Ensure your review is as much for your benefit as it is the bank. At the very least, you need to make certain that you're being 'serviced' appropriately for your business needs and goals.

Remember to:

- Contact your bank prior to your review to flesh out any pain points for you or potential issues for them
- Review the different types of bank products to ensure that you are on the most cost-effective facility (banks are always changing their fee structure)
- Ask for your rates to be reviewed
- Ask for feedback about your review–
What does your servicing look like?
What is your equity position?
Are there any identified areas for improvement?
- Ask for any information the bank has uncovered about the sector/industry in which your business operates
- Insist on a thorough discussion of any Letters of Offer to ensure you understand what you're signing.

Ask for help

If you're not sure about the information you're being asked to provide, it's not up-to-date or you're worried things don't look so great, chances are you're not alone and there is help available to you.

Enlist your accountant in the process, potentially even in the review itself. And reach out to a financial specialist such as one of our Rural Financial Counsellors, who can help you prepare for the review and work through any concerns with your financial situation.

The Rural Financial Counselling Service is a free of charge service that provides you with access to a unique team of financial counsellors with knowledge across banking, agribusiness and a broad range of other industries.

We can guide you through reviews, negotiations with your lender and other financial and business concerns, including goal setting, business plans and action planning. We're an independent and not-for-profit organisation with your best interests at heart.

With nothing to lose and plenty to gain, jump on our RFCS website or call 1800 319 458 to set up a meeting today.

CHECKLIST OF INFORMATION REQUIRED FOR ANNUAL BUSINESS REVIEW:



Rural Financial Counselling Service
NSW Southern Region

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- ✓ Final Tax Returns or personal income tax return if you are a sole trader operating under your own name.
- ✓ Financial Statements (prepared by an accountant) – Profit and Loss statement (P&L) and balance sheet showing profits, assets and liabilities Latest business activity statement (BAS).
- ✓ Latest Australian Taxation Office (ATO) tax portal statements.
- ✓ Summary of monthly living expenses - completed by all borrowers.
- ✓ Summary of current corporate structure (i.e. how your business is set up – sole trader, company, trust etc. Only relevant for complex structures consisting of more than two people).
- ✓ Lease agreements, if recently renewed.
- ✓ Insurance policies.
- ✓ Historical data – e.g. area of production, breakdown by crop, hectares, tonnes/ha and average price).
- ✓ Business snapshot/Year in review summary – outline of all of achievements, highlights, major investments over the past 12 months, and demonstrated understanding of the position of the business, expected changes and forecast for the next 12 months.
- ✓ Business plans – ideally a full plan with figures, timelines and projections but at the very least, a few notes around where you are headed and how you propose to get there.
- ✓ Succession plan – an outline of what processes are in place to ensure the business continues should anything unforeseen occur.

The Rural Financial Counselling Service can provide you with sample documents and templates for many of these items and we can guide you through your review preparations through our unique one-on-one financial coaching. To learn more about our free financial counselling service, jump on our RFCS website www.rfcsnsw.com.au or call 1800 319 458 to talk to somebody today.