

Preparing for Your Annual Bank Review

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At this time of year, many companies have an annual review meeting with their primary bank. Unlike other bank meetings throughout the year, which have a narrower focus, the annual review is a comprehensive meeting that touches on multiple aspects of the company's business and its banking relationship.

The annual review is a time for both parties to look back and assess the company's performance versus plan, as well as to look forward and discuss the company's future plans and initiatives. All of this is critical to ensuring that the bank has the information and understanding necessary to provide the level of support the company requires.

The meeting also provides an opportunity to openly discuss the qualitative aspects of the relationship between the company and its bank and to address any issues or concerns either party has with how things are going.

Typically, the CEO, CFO, and lead sales and/or operations executives represent a company at the annual review. The bank is usually represented by the company's relationship manager, his or her supervisor, a credit partner, and perhaps the regional executive. A best practice is for the bank to suggest an agenda and ask for feedback/input from the company before the meeting.

Looking back, looking forward

Bankers generally take a "listen and learn" approach to the meeting, to help them better understand your company and its challenges and opportunities. The bank usually asks for your annual financial statements and other documents well ahead of the meeting so that its team members can conduct their own analysis and be prepared for the discussion. It may also be helpful to provide information on the results of new product rollouts, changes in customer concentration and a "variance to plan" analysis. Any data that reconciles "actual vs. expected" can often lead to a more productive dialogue. Because bankers like to gain a better understanding of events that may have affected your business, be well prepared to discuss what occurred in the company over the past year.

At some point, the conversation will move to your company's future plans and business outlook over the next year, as well as projections for the next three to five years. You will have an opportunity to present your

budget outlook, revenue and sales volume estimates, cash flow forecast, projected debt levels and pro forma balance sheet, which will give your bankers a clearer picture of the longer term outlook for your business.

Often, company executives discuss how their business plan will drive capital needs; for example, if they are ramping up production, they may be considering expanding their line of credit or obtaining financing for purchasing additional equipment. The bank's team may ask questions to learn more about your forecasted projections and market conditions—and then may be able to offer their insights based on research, industry knowledge, and financial experience. This discussion may extend to the company's capital structure and succession plans, if appropriate. With this knowledge, bankers can share financing alternatives that have helped other companies with whom they have worked.

A bank is always interested in hearing how your company intends to grow. Often companies discuss strategic acquisitions, alliances, and new large customer relationships that are on the horizon. The bank may be able to provide options you may not have considered.

A true dialogue

It's important to remember that the annual review is a two-way conversation, a dialogue in the truest sense, with a common goal of ensuring the future success of your business. The bank comes to the table to enhance its understanding of your company and management's plans. With open discussion and shared information, the bank will be better positioned to share insights and assist in your future growth.

The meeting presents an opportunity for company executives to learn about the bank's expectations for their

business. How does the bank team view the company's financials, performance, and outlook? What metrics are important to the bank? How does the company's performance stack up against business benchmarks?

Company executives can also give the bank feedback on its performance: Is the bank timely and responsive to the company's needs? Is there something more that the bank can do to help the company thrive or address challenges? Are there new services or products available that could improve the company's business operations? And, finally, customers can ask the bank team about the bank's stated strategy and its competitive position in an increasingly crowded financial services market. Bankers recognize that their customers are also being courted by other banks and acknowledging this competition is appropriate.

Some preparation tips

The annual review doesn't need to be stressful—a little preparation goes a long way. Here are some tips to keep in mind:

- If unusual circumstances affected execution of the prior year's business plans, it's helpful to bring supporting documentation. For example, if margins were lower last year, you may want to present trend reports on raw material prices or higher distribution costs.
- It may seem awkward to discuss a difficult year, but bank teams appreciate openness and transparency. Having all the information will help your bankers provide the best counsel and assistance.
- If a question arises that you're not prepared to answer, it's okay to tell the bank team that you'll get back to them with the requested information.

At the end of the day, your bank should be a partner in your daily business and in its future, and the annual review meeting can help to strengthen your bank relationship. Please contact your Santander relationship manager to learn more about preparing for your annual bank review.



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