Keys to a Solid Relationship with your Business Banker

By FocusCFO

Cultivating a strong relationship with your banker can help you and your business achieve amazing success. Listed below are some key areas to enhance your relationship with your bank.

View and Treat your Banker as a Partner in Helping You Reach your Goals

Help them get to know you and your company, business cycles, etc. Invite them to tour your facilities and meet your team. When your bank understands your business model and knows the key management team members (i.e., CEO, COO, & CFO), they tend to have more confidence in you and your team, which strengthens your relationship.

Do not view your bank as an adversary or as a party standing in the way of your business plans. Developing a relationship of trust and honest communication will go a long way with your bank. Try to utilize key bank services such as a lockbox and depository accounts. The larger your relationship with your bank, the more attention you are likely to get from your relationship manager.

Communicate with your Banker on a Regular Basis

It is important to provide your relationship manager with financial statements on a quarterly basis at minimum. Meeting with your banker and bringing your CFO with you to review your results will enhance the bank's confidence in your ability to manage your business.

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Maintaining and sharing a rolling 12-month P&L, Balance Sheet and Cash Flow forecast with your banker is also important. This activity not only keeps you aware of your current risks, growth, and capital needs, but it also allows you to be proactive with your bank when requesting additional financing. The forecast should include key drivers and other assumptions as analyzed and compiled by your CFO.

Monitor and stay compliant with your loan agreement. Violations of bank covenants are a serious problem, particularly if you just started a new relationship. One of the worst situations that can happen to your company is to have your bank call your debt, leaving you scrambling to find new financing, which is likely to be difficult. Your CFO should manage your compliance procedures.

Get to Know Others in the Bank that Will be Involved in the Credit Decision (Underwriter)

Bankers do not think and operate like equity investors. They have a much lower tolerance for risk. When you understand the banking environment, you can understand their requirements for secondary sources of repayment, collateral, and/or personal guarantees.

Getting to know the underwriters in the bank will enhance your understanding of how the bank makes its credit decisions. This will allow you and your CFO to evaluate your financial position and how much credit your business is likely to get. This will also help you to address questions or concerns that your bank may have during the credit decision process.

Keep Internally Generated Working Capital in the Business

Banks want to help their clients to successfully grow their businesses. Most banks will have tangible net worth requirements that require you to keep a specific level of capital in the business. Do not draw below this level, and ideally keep an amount of cushion above the requirement. Your CFO will use your financial statement forecasts to predict your capital levels.

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