

# Partnering with Your Bank During Difficult Times



## Highlights

- Embracing Transparency
- Presenting a Solution, Not a Problem
- Developing a Financial Case
- Exploring Available Resources

During this unprecedented and challenging time, owners and CEOs trying to sustain their business operations need two things most of all: capital to fund operations and time to execute their plan. Because they are in a position to provide both of these critical assets, banks can be an essential partner to companies facing new economic realities. As such, executives of companies in this situation should make enlisting the support of the company's primary bank one of their first and top priorities.

Here are three steps business owners and executives should take to maximize their chances of getting the time and capital from their banks that they will need to protect their business. (Note that in the current economic environment, business parameters may change.)

### 1. Be Open and Transparent

Owners and CEOs of businesses facing major disruptions can experience a powerful urge to keep bad news from their banks—or at least delay sharing bad news for as long as possible. This reaction is understandable. For companies facing an uncertain future, access to a loan or line of credit will

help to keep their business running. In that situation, buying yourself time to dig out of the hole might seem like the best course of action, but it is not.

A business in a challenging economic environment can only succeed with the full backing of the company's primary bank or bank group. Banks are more likely to maintain that support if they trust that management is forthcoming about the state of the business and is sharing important information.

### 2. Present a Plan

To win the support of the bank, owners and CEOs of companies in

crisis should go well beyond pure information disclosure and present their bankers a business plan that details the situation and presents a step-by-step playbook to address issues and return the company first to financial stability, and then to growth. In creating this plan, keep these points in mind:

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- Don't delay, but be thorough.
- Always be reasonable with the numbers, keeping in mind things will never go exactly as planned.
- The bank and the borrower should determine how each side can contribute to the success of the borrower's plan.

Banks will consider the broader aspects of the company's operations, history and market position, and may also focus on some key financial ratios in evaluating your plan:

- Liquidity ratios - cash ratio, current ratio & quick ratio - demonstrate ability to meet current liabilities.
- Debt ratios - Debt ratio, debt/EBITDA, debt service coverage ratio, and debt-to-equity measure leverage - demonstrate ability to pay debt.

- Net worth and tangible net worth (after deducting intangibles).

### 3. Make the Financial Case

Bankers will make their final decision about how to proceed based largely on which course of action will produce the best outcome for both parties. An engaged management team will make that case directly. Present the bankers with a comprehensive analysis that shows the bank how this financial support will benefit the bank and the company's best interests.

### 4. Business Resources and Support for COVID-19

People's United Bank is committed to helping its customers meet the business challenges posed by the COVID-19 outbreak. From our online access tools that allow companies to bank remotely to our status as a Small Business Administration Preferred Lender, we're honored to support

lending programs and provide services that allow businesses to access capital and maintain their operations in challenging times.

Visit the following websites for more information:

1. Small Business Administration lending programs, such as the CARES Act Paycheck Protection Program and Economic Injury Disaster Loans (EIDLs). [peoples.com/business/resources/coronavirus](https://peoples.com/business/resources/coronavirus)
2. Small Business Administration Payment Deferral Programs [sba.gov/about-sba/sba-newsroom](https://sba.gov/about-sba/sba-newsroom)
3. Market Insights and Economic Outlook for Businesses, Tips for Operational Continuity and more. [peoples.com/business/resources/coronavirus](https://peoples.com/business/resources/coronavirus) ■

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People's United Bank is grateful to Andrew Gibson, a customer and partner who contributed his real-world insights and views for this article.

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People's United Bank takes pride in our partnerships with our clients, through both good times, and in more challenging times. In fact, one of the defining attributes of our bank is the close and long-lasting relationships we maintain with companies in our home region in the northeast. Since we've been a part of these markets since 1842, we have developed a deep understanding of local industry and the regional economy. This history—combined with one of the industry's lowest levels of RM turnover/longest average RM tenures—makes us true, reliable partners to our commercial banking clients.

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