

Servicing the self-employed



Challenges and opportunities

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Important information

This presentation has been prepared without taking account of the objectives, financial situation or needs of any particular individual. Before acting on the information in this presentation, you should consider its appropriateness to your circumstances and, if necessary, seek appropriate professional advice.

The companies mentioned in this presentation are hypothetical and the case studies are used for illustrative purposes only.

Applications for finance are subject to the Bank's normal credit approval. Full terms and conditions will be included in the loan offer. Bank fees and Government charges apply.

Commonwealth Bank of Australia ABN 48 123 123 124 AFSL 234945.



Inside Small Business



The current environment

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Introduction

- There is a misconception that banks have stopped lending.
- This FYTD, the Commonwealth Bank has lent new money totalling more than \$405 million – a 5.3% YTD increase.
- In the year to September 2009 the Bank approved over \$12.5 billion in lending to small and medium sized enterprises.
- Lending in 2008/09 is up 9 per cent and is expected to grow at a similar rate or higher in the coming 12 months.
- Business lending interest rates have fallen since Jan 2007, despite rising funding costs.



Opportunities emerge

- The Govt stimulus, first home-owner boosts and increased support from business partners has provided opportunities for businesses in this tough environment.
- Businesses can use the 50 per cent stimulus to invest and build their wealth.
- Cashflow improvements can be made through purchasing car, plant or equipment before 31 Dec.
- Savings can increase for businesses funded by residentially secured loans, due to record low interest rates.



Assisting independent contractors



Finance is available

- The Commonwealth Bank has made no changes to their lending criteria and processes.
- We remain responsible, not restrictive.
- Accessing extra funds will assist business owners to:
 - ▶ keep their business running;
 - ▶ maintain their competitive edge; and/or
 - ▶ allow them to expand when competitors are faltering.



Supporting businesses

- The Commonwealth Bank introduced the Small Business Investment Package to support small business growth.
 - ▶ **Rate cuts** to some business loans and other products such as car and equipment finance solutions.
 - ▶ **Streamlined lending application processes** to make it faster and easier for small business owners to take out overdrafts and business credit cards.
 - ▶ **Small business forums** to help small business understand how to present their business to obtain funding.



eVolve

- The Commonwealth Bank launched eVolve - an end to end online e-commerce solution for businesses.
 - ▶ Comprehensive and cost effective.
 - ▶ Merges standard card processing functionality with advanced technological solutions.
 - ▶ Allows business owners to design, implement and manage their online shop front with a customised website, colour scheme and logo.
- Almost 4000 clients are using eVolve to help their business build an online shop and take secure electronic payments



Dealing with banks and financial institutions



Financial institutions have two main concerns:

- Probability of default.
- Estimate of loss, if businesses do default!



Five keys areas to cover with bank

- Business plan - Demonstrates that the business owner has an understanding of their business.
- Equity - What is the *business owners* level of financial commitment? (Skin in the game)
- Cashflow cycle - How and when are your clients getting paid?
- Credit history - History is the best predictor of future behavior (modeled).
- Security - An important determinant in pricing (Loss – given default).



Broader issues affecting SMEs

- Changes in contract legislation – unfair contracts:
 - ▶ Larger organisations such as CBA can comply with changes and pass on costs
 - ▶ SMEs may struggle to comply and will be confronted with hefty costs
- Business owners need to be made aware and educated about legislative changes being considered.



Conclusion

- Finance is available to small business owners.
- Opportunities exist as business sentiment improves, and together we can help small businesses owners take advantage of them.
- Information around legislative changes and other broader issues affecting business owners needs to be shared.
- **We're optimistic about the future and supportive of small businesses.**

