



Bank of St. Helena

www.sainthelenabank.com

BUSINESS LOANS - A GUIDE FOR APPLICANTS

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Bank of St. Helena has a flexible package of loans available for businesses.

Appropriate borrowing can allow a business to seize opportunities and grow, but inappropriate borrowing can cause a business to fail. Therefore, when assessing an application for a loan the bank is concerned to ensure that the business does not take on debt that it cannot manage.

The information required allows the bank to form its judgement on whether this might be the case.

1: Application Format

All applications for business-related lending must be made in writing. A written document may be faxed but the original must also be posted. Applications cannot be accepted by email (even as scanned documents).

For business loans it is not necessary to fill in one of the bank's standard loan application forms. A covering letter is sufficient, provided that it contains the following information:

- The full name of the borrower(s), specifying the legal form (e.g. sole trader or limited company);
- A description of the purpose to which the loan will be put (e.g. what will be purchased and how it will be used);
- A formal request to borrow a specified amount¹.

It must also be accompanied by a Business Plan which meets the requirements set out below.

The application letter and business plan must be signed by authorised signatories appropriate to the legal form of the borrower.

Please note that these requirements apply for all types of loan, including overdrafts.

2: Business Plan Requirements

The purpose of the business plan is to enable the bank to determine the scope and nature of the business to which it is being asked to lend, and also for it to satisfy itself that the applicant has a good understanding of the risks that may befall the business and thereby affect its ability to repay the loan.

See below for ways to obtain assistance in meeting these requirements.

¹ Or, in the case of an overdraft, for a specified overdraft limit.

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Established and regulated in St. Helena under the *Banking Ordinance 2003* and the *Bank of St. Helena Ordinance 2003*.

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The bank does not impose a set format for a business plan. However, to be acceptable for the purposes of business lending the business plan must contain the following minimum information:

- The borrower information defined above
- A description of the scope and operation of the business, both currently² and in the future period covered by the plan. This will normally be for two years starting from the date the loan will be drawn³
- A cash flow forecast covering the same period as the rest of the business plan⁴
- Details of the offered collateral, on which the loan will be secured
- Details of any existing borrowings by the business and the business owners⁵
- Information on all assumptions used in compiling the forecasts
- For existing businesses, the accounts of the business for at least the previous completed financial year⁶, and management reports for any completed quarters since.

In addition, it is strongly recommended that the following further information is also provided in as much detail as is appropriate to give the bank a good understanding of the business:

- Information on how the business will operate in relation to its customers and competitors

This could include market research and competitor analysis.

- Information on the owner(s) and key staff of the business and their relevant experience

This could include CVs and information on completed and planned training.

3: Obtaining Assistance

Applicants may require assistance in preparing some or all of the documentation specified above.

The bank can provide some help to applicants, mostly in terms of identifying areas of the application that are of concern to it and suggesting how these areas might be better researched. Note, however, that the bank cannot give advice on the actual underlying business planning.

There are a number of potential sources of such assistance. Although Bank of St. Helena does not formally recommend any particular provider, many of these have previous experience of helping clients prepare information for loan applications.

Applicants using a third-party provider should note that the third-party is the applicant's agent. The loan application and, if the loan is made, the loan agreement are between the bank and the applicant. In the event of any difficulties the bank will hold the applicant responsible for the data provided, irrespective of whether any third parties have been involved in its preparation.

² Only required for existing businesses

³ A one-year forecast may be acceptable for loans which are repaid in that period; further years' cash flow forecast may be required for larger loans

⁴ An example cash flow forecast is available from the bank and can be downloaded from the bank's website

⁵ Details of borrowing by business owners is not required for limited companies

⁶ Audited, where required