

*“If you are in banking and lending, surprise outcomes are likely to be negative for you.”*

Nassim Nicholas Taleb

# Commercial Credit Assessment

## Approaches to the Analysis of Bank Lending to Commercial and SME Customers

### OVERVIEW

This intensive five-day course is designed to provide lending and credit risk management professionals with a thorough understanding of the essential principles of commercial and SME credit analysis and to strengthen and expand the professional skills and knowledge of experienced Corporate, SME or Retail lenders. Tailored to address the needs and demands of lenders operating in emerging and fast-growing markets (that must cope with additional challenges stemming from a rapidly changing business and information environment) the course provides the delegates a comprehensive understanding of the credit process, including gathering relevant information from customers, evaluating loan requests, assessing a company's ability to service debt, and structuring loans and how such concepts/tools as industry sector and economic analysis, non-financial analysis of management, strategy and financial planning, business and operating models, competitive risks and market positioning, and also financial statement and ratio analysis and interpretation.

### WHO SHOULD ATTEND?

The course has been designed for lending and credit risk management professionals with experience with a variety of customer segments or recent entrants to lending with a good background in accounting and financial analysis. The programme has also been designed to benefit experienced commercial or SME Relationship Managers and Credit Risk Managers, where training would enhance their ability to coach or mentor junior staff members. This includes credit professionals within departments such as Credit Risk Management, Credit Policies and Procedures, Risk Assessment, Credit Approval, Loan Administration/ Monitoring, and Collections and Workouts in relation to SME or commercial lending. **If you are asking yourself any of the following questions, then it is definitely for you:**

- *How can I understand, map and incorporate key industry and business risk characteristics into my assessment of the SME market?*
- *What are the fundamental non-financial characteristics of a business which should inform a lending decision?*
- *How can I improve the effective use financial statement and ratio analysis in a market where financial information is questionable at best?*
- *How can I structure a facility to manage risk more effectively?*
- *How can we avoid being surprised by or unprepared for an increase in problem loans?*

*sharing knowledge, developing skills*

# OUTLINE

## OBJECTIVES

Participants in the course will come away with:

- An understanding and methodology for assessing risks within different SME segments and for performing industry sector analysis
- The ability to identify, understand and mitigate non-financial business risks that could adversely affect a company's operations and ability to repay debt
- An understanding of financial accounting and how to perform financial statements and ratio analysis
- An appreciation of cash-flow analysis and how they are used to assess a borrower's ability to service debt and structure loans
- The ability to structure and negotiate a credit facility and to effectively use loan covenants to mitigate risks in the future

## COURSE DELIVERY

- This is a five-day course totaling **35 hours of delivery time**.
- It consists of **ten tutorial modules** approximately 2 hours each (i.e. a total of 20 hours of instruction).
- A further fifteen hours of the schedule is dedicated to **intensive group work and exercises, underpinned by case studies**, all facilitated by the instructor.
- All hand-outs and instruction will be in English; participants should have a good working knowledge of English.
- The course can be **customised** to the specific needs of the client, to ensure maximum relevance and benefit.
- Ideally delegates should have at least three years experience working in a bank either in a general management or leadership role, or employed in credit risk management or lending role.
- Because the course involves participative group work on case studies, and considerable interactivity during tutorials, the number of participants is limited to **no more than 20**.

### TRAINING SURVEY & POST-TRAINING EVALUATION:

To ensure that participants gain maximum benefit from the course, it is our practice to send a detailed questionnaire to all course participants to ensure we fully understand their specific training needs and objectives. The completed questionnaires are analysed by the course instructor who will tailor the course content and style of delivery to the requirements of the participants. Following completion of the course, participants are asked to measure and assess the effectiveness of the training. The results are collated and reviewed, and the analysis shared directly with the relevant client stakeholders.

# OUTLINE

## **MODULE 1: OVERVIEW OF COMMERCIAL LENDING**

- ⇒ Review of Concepts and Terms, including Defining the commercial & SME Market, Segmenting the Market, Strategic Planning and the Implication on an Institution's Business and Operating Model, including its Credit Process
- ⇒ Risk Management, Financial Statement Analysis, Ratio Analysis, Credit Analysis, Creditworthiness and the 5 "C"s of Credit, Expert Judgment Methodologies

## **MODULE 2: OVERVIEW / INTRODUCTION OF INDUSTRY ANALYSIS**

- ⇒ Defining "Industries"
- ⇒ Types of Industries
- ⇒ Industries Classifications
- ⇒ Industry Characteristics
- ⇒ Key Tools used to assess and evaluate industries

## **MODULE 3: OVERVIEW / INTRODUCTION OF BUSINESS ANALYSIS**

- ⇒ Role and Responsibility of Management (Mitigate Industry and Business Risk)
- ⇒ Management's Mitigation of Industry Risk
- ⇒ Management's Mitigation of Business Risk  
General Business Characteristics (in comparison to competitors)
- ⇒ Supply, Production, Demand and Collection Risk Assessment
- ⇒ Using the Asset Conversion Cycle (ACC), as an Effective Tool for Conducting Client Interviews
- ⇒ SWOT Analysis

## **MODULE 4: BORROWING NEEDS (WHY COMPANIES BORROW) AND LENDING RATIONALES**

- ⇒ Borrowing Causes (Purpose of Loan)
- ⇒ Lending Rationales
- ⇒ Understanding and Identifying the Source of Repayment
- ⇒ Linking the Repayment Source to the Loan Purpose

## **MODULE 5: INTRODUCTION TO FINANCIAL ANALYSIS – PRELIMINARY CONSIDERATIONS**

- ⇒ Accounting Essentials and the Logic of Financial Statements
- ⇒ Business Characteristics and their Impact on the Financial Statements
- ⇒ Assessing the Quality of the Financial Information - Accounting Risk
- ⇒ Preparing (Spreading) the Financial Information Provided by the Customer

## **MODULE 6: FINANCIAL STATEMENT ANALYSIS**

- ⇒ Review Concepts and Terms
- ⇒ Overview of the Du Pont Model and How it is Applied in Ratio Analysis
- ⇒ Overview of Key Operating Performance Ratios: Sales, Gross Margin, and Profitability
- ⇒ Overview of Key Liquidity and Efficiency Ratios: Current Ratio, Stock Turnover, and Receivables Turnover
- ⇒ Overview of Key Capital Structure Ratios: Gearing and Leverage
- ⇒ Interpreting Financial Statement Ratios and Trends

# OUTLINE

## **MODULE 7: INTRODUCTION TO CASH FLOW ANALYSIS**

- ⇒ Direct Cash Flow Statement
- ⇒ Background (History, role and importance of the cash flow statement)
- ⇒ Mechanics
- ⇒ Constructing the Direct Cash Flow Statement

## **MODULE 8: CASH FLOW ANALYSIS – APPLICATION**

- ⇒ Cash Flow Analysis
- ⇒ Projections (Overview)
- ⇒ Assessing Ability to Service Debt in the Future
- ⇒ Monthly Cash Budget

## **MODULE 9: DECISION-MAKING & NEGOTIATING TERMS**

- ⇒ Overview of Credit Risk Rating Approaches
- ⇒ Key Elements in Loan Structuring: Amount, Tenor, Covenants
- ⇒ Role and Limitations of Collateral in Secured Lending
- ⇒ Loan Covenants

## **MODULE 10: EXPERT JUDGMENT APPROACH APPLIED TO SME CREDIT RISK RATING**

- ⇒ Overview of Expert Judgment Methodology
- ⇒ Building Blocks of Foundation of the Expert Judgment Model
- ⇒ Rating Models
- ⇒ Risk Rating Implications

# DETAILS

## TOOLS, MODELS & TEMPLATES

Courses are supplemented with a range of practical documented methodologies, models, tools, and templates refined from best practice, and tried and tested in a range of leading banks. Participants can take these back to the workplace to adapt and apply, and wherever appropriate, to make a tangible improvement to policy and practice in their own bank.

This course includes:

- ➔ Industry Sector Risk Analysis Template
- ➔ Business Risk Review Template
- ➔ Financial Statement & Ratio Analysis Aide Memoire
- ➔ Cash-flow Forecast Template
- ➔ Sample Credit Rating Methodology and Template

**EARLY BOOKING DISCOUNT!**  
SCHEDULE A COURSE BEFORE THE  
31<sup>st</sup> OF DECEMBER 2014 FOR A 10%  
DISCOUNT ON COURSE FEES.

## TERMS & CONDITIONS

Total fee cost for the off-site delivery of the five-day course as described is US\$ 18,200 (Eighteen thousand, two hundred United States Dollars).

This is EXCLUSIVE of:

- Flights (discounted business class);
- Accommodation (min. 4★) for every night required off-site;
- Local travel costs and subsistence; and
- Venue and equipment hire (if required) and materials production.

These additional items will be for the account of the client or, alternatively, we can provide an all-inclusive quote encompassing all expenses if that is more convenient.

GBRW Learning can also host the course on-site at or near our London headquarters for an all-inclusive fee. This includes venue and equipment hire but does NOT include the travel, accommodation and subsistence expenses of participants. Please contact us for revised pricing.

A 60% deposit is payable one-month prior to the scheduled course date, with the balance payable immediately following completion of the course.

Note: Discounts are available for multiple course bookings of the stand-alone course or other courses within the same programme.

For more information or to arrange a booking, please contact Nate Dickerson at:

[nate.dickerson@gbrw.com](mailto:nate.dickerson@gbrw.com)

**Note: Terms and Conditions valid until 31<sup>st</sup> December 2014**

# INSTRUCTOR



**Nate Dickerson**  
Principal Consultant,  
GBRW Learning

GBRW Principal Consultant Nate Dickerson, is a seasoned banking consultant with thirty-five years of experience within the financial service industry, initially as a commercial lender and subsequently as a consultant and training and development specialist.

As a commercial lender, Nate enjoyed a fifteen-year career with The Chase Manhattan Bank, N.A., where his experiences included commercial lending, credit administration, corporate finance, as well as domestic and international debt restructuring, within the United States and South America. As a banking consultant, he has provided advisory services within the United States, as well as Bosnia and Herzegovina, China, Jamaica, Kazakhstan, Laos, Moldova, Mongolia, South Korea, Sri Lanka, Thailand, Ukraine, and Vietnam.

Nate regularly runs courses on such topics as Problem Loan Management, Credit Risk Management, Understanding and Appraising a Business Plan and Strategic Marketing for Senior Management. To find out more about Nate, his credentials, and previous experience, please visit his LinkedIn profile page at:



[vn.linkedin.com/in/natedickerson](https://vn.linkedin.com/in/natedickerson)

## ABOUT GBRW LEARNING

GBRW Learning is the training and knowledge-sharing arm of GBRW Limited. Founded in London in 1995 by a group of senior bankers GBRW's mission is to provide first-class consulting and training to banks and bankers in Emerging Markets, to the same standard as would be expected in developed markets. From our London headquarters and subsidiary offices in Washington DC and Singapore we have served clients in more than 50 countries in Europe, the Middle East, Africa, Asia and the Caribbean. Our clients include banks and other financial institutions, governments, and economic development agencies and institutions.

Through our training programmes we share the experience and knowledge of our experts with bankers in Emerging Markets, supported by high quality materials and taking advantage of the latest technologies. Our courses are all highly inter-active, and make use of carefully designed case studies and simulations.

We offer a range of training topics for banks and financial institutions including:

- Strategy & Management – Formulating, Implementing & Monitoring Strategy
- Risk Management – Credit, Market & Operational Risk
- Human Resources Management
- SME Banking – Customer Relationship Management; Credit Risk Management
- Retail Banking – Customer Relationship Management, Distribution Strategy, Product Management, Credit Risk
- Corporate Banking – Customer Relationship Management, Credit Risk Management
- Governance, Regulation & Compliance
- Financial Markets

For more information, visit our website at:

<http://www.gbrw.com/training>

To discuss your specific requirements email us at:

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