

VIRGINIA BANKERS ASSOCIATION

2021 Commercial Lending School

Friday, March 5, 2021

1. Introduction and Overview	Outline of course objectives and topics Understanding primary and secondary repayment sources Why banks need accurate loan data to estimate credit losses
2. Balance Sheet Analysis, Part 1: Analyzing Liquidity	Better definitions of assets, liabilities, and equity Measuring liquidity: beyond formulas and ratios Quality of current assets
3. Balance Sheet Analysis, Part 1: Analyzing Leverage	The difference between debt and equity How to measure leverage Highly leveraged lending
4. Income Statement Analysis, Part 1: Revenues and Profit Margins	Analyzing revenues: growth and drivers Keys to analyzing gross margin and operating margin Why Return on Assets (ROA) matters
5. Income Statement Analysis, Part 2: Coverage Ratios	Explanation of fixed charges EBITDA as a proxy for cash flow Measuring debt service coverage and fixed charge coverage
6. Collateral Analysis, Part 1: Non-current Assets	Why bankers need a back-up plan Commercial real estate as collateral How to evaluate fixed assets
7. Collateral Analysis, Part 2: Trading Assets	Understanding self-liquidating collateral How to assess the value of inventory Analyzing a borrower's Accounts Receivable
8. Collateral Analysis, Part 3: Solving the Problems	Understanding Accounts Receivable Aging reports Borrowing base formulas and certificates Unsecured and under-secured loans
9. Risk Ratings, Expected Loss, and Provision for Credit Losses	Assessing an obligor's likelihood of repayment Dual risk ratings and expected loss Provision for Credit Losses and why it matters