

COMMERCIAL CREDIT RISK 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?*

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

This course includes:

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

COURSE CONTENTS

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

Provided by the Customer

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

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

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

The End

COURSE DURATION	DELIVERY MODE	DELEGATE CLASS SIZE	COURSE FEE/PARTICIPANT
5 DAYS	In-Plant	8 (Guaranteed Minimum)	For quote, please click the following link: - http://demvros.com/contact/
Discount is available for class size above the minimum. Please visit www.demvros.com or call 08056154199 or e-mail for further enquiries.			