

Advanced Commercial Lending School
Breaking into Banking 201: Analyzing Repayment Sources
February 12, 2025 | 9:00am – 4:30pm
Agenda

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 deb 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

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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 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