



Next Level Credit Analysis: Beyond the Numbers

Overview

- Exciting, fast-paced continuing credit education for experienced commercial bankers.
- Emphasis on soundness and judgment in risk assessment, supported with numerous examples.
- Sharing of experiences, insights and perspectives in a forum setting.
- Truly “next level” credit skills and tools. This includes review of the Seven Classic Cash Flow Traps, debt capacity insights, and early warning signs often overlooked.

Topics

Credit values, characteristics of sound credit cultures. Strong emphasis on judgment rather than a formulaic approach. Rigorously reinforces credit values and the characteristics of soundness.

Getting behind the numbers, looking beyond the “rear view mirror.” During a key 60 minute segment, participants evaluate the primary source of repayment without looking at a single number. Emphasizes qualitative factors as the key drivers of tomorrow’s cash repayment sources.

Capturing the essence of the credit situation in five sentences or less. A model is presented to foster conciseness.

Evaluating the client’s business strategy. Participants evaluate clients’ business strategies, and are provided with a model to do so. Emphasis is on adding value to clients as well as on assessing credit soundness.

Developing a healthy skepticism, peeling the onion. Participants are challenged to look beyond the superficial explanation, to capture the substance of the risk and of the credit situation.

Moving beyond industry norms in identifying repayment sources. Emphasizes that credit analysis *is* repayment source analysis. Participants are challenged, with examples, to be ever more precise and specific in identifying repayment sources, thereby leading to focused analysis.

Pro-activity in the face of deterioration. Participants are presented with deteriorating credit situations, not yet “that bad.” The tendency may be to wait to see if things improve. However, if the participants choose to wait and see, it will become too late.

Focus on **how to find a legitimate way to extend credit**, as opposed to looking for ways to say “no.”

Credit risk and the business cycle. Participants “live through” an economic downturn, experience key lessons learned in economic cycles, and identify those factors which lead to resilience and soundness through difficult times.

Reinforces and develops next level cash flow skills and tools, including:

Latest debt capacity tools and analysis.

Application of the statistically best predictor of resilience through the recession.

The *five classic cash flow alerts* – warning signals that would catch the Enron's, etc.

The *seven classic cash flow traps* – how to identify and avoid them.

Common sense and nonsense with respect to evergreen, permanent working capital loans.

Secondary repayment sources and the “magical disappearing act.”

Instructor

Steve Gulbrandsen, facilitator of all programs held roles as a senior credit officer and has headed education groups for two of the nation's largest financial institutions.

Two-Day Course Outline: Next Level Credit Analysis

DAY ONE	DAY TWO
<p style="text-align: center;">Introduction and Objectives</p> <p style="text-align: center;">Case Study: Hoover Optical</p> <ul style="list-style-type: none"> • Qualitative factors and impact on repayment capacity: Evaluating the client’s business strategy; industry, and management • Repayment source clarity. • Getting behind the numbers, unpeeling the onion. • Healthy skepticism. • Capturing the essence of the credit situation. • Setting the stage for a “Principles of Credit Soundness: A Framework” 	<p style="text-align: center;">Cash Flow Skills and Tools, Continued</p> <ul style="list-style-type: none"> • Precision in identifying repayment sources • Debt capacity tools: latest insights. • Permanent working capital loans: a cash flow approach to analysis and capacity. • Short examples: utilizing cash flow tools. • The seven classic cash flow traps <p style="text-align: center;">Case Preparation</p> <p style="text-align: center;">Horvath Environmental Rettig Manufacturing</p>
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<p style="text-align: center;">Principles of Credit Soundness: Credit Values</p> <p style="text-align: center;">Cash Flow Skills and Tools</p> <ul style="list-style-type: none"> • Cash Flow: Moving beyond superficiality. • The “Three Minute Tool: Capturing the Essence of the Cash Flow Situation. • Cash flow traps – identifying and avoiding common cash flow traps. • “Will the real repayment source please stand up” – identifying cash flow measurements, their uses and misuses. • Quantitative cash flow drivers 	<p style="text-align: center;">Case Application of Key Principles:</p> <ul style="list-style-type: none"> • Application of principles of soundness • Evaluating debt capacity. • Early warnings and pro-activity. • Credit structure issues. • Knowing when to find a legitimate way to extend credit and when to “walk. • Resilience through the economic cycle <p style="text-align: center;">Summary</p>