



CALIFORNIA BANKERS ASSOCIATION

COMMERCIAL LENDING SCHOOL



- COMPREHENSIVE TRAINING CURRICULUM
DEVELOPED BY CBA MEMBERS
- 32 DAYS OF IN-CLASS TRAINING
- INNOVATIVE MENTOR PROGRAM

Better Training. Better Banking.



COMMERCIAL LENDING SCHOOL

"An excellent curriculum, relevant materials, outstanding and patient instructors, a relaxed class atmosphere... all these powerful attributes helped me in my position as a commercial lender. The CBA Commercial Lending School gives a new meaning to the phrase *time and money well spent.*"

Teddy Schindler
Vice President
Business Banking
Fullerton Community
Bank

Better Training. Better Banking.

The CBA Commercial Lending School is a comprehensive, interactive and hands-on training program that will dramatically increase the business lending skills of your commercial bankers.

The Commercial Lending School is designed to help participants become superior lending officers, relationship managers and business advisors. It will enable participants to more effectively communicate with clients and prospects and successfully sell appropriate bank products and services.

The Lending School includes:

- Thirty-two days of in-class training featuring a 10-course training curriculum divided into six one-week sessions.
- An innovative Mentor Program that partners each student with a senior lending officer from their bank for the duration of the Lending School.
- Unlimited access to the instructors for individual assistance or additional insights.
- Daily quizzes, weekly exams and regular homework that reinforce the information covered in classroom.
- Additional assignments and case studies to be completed between class sessions.
- Classroom sessions are limited to 35 participants to increase participation and ensure that every student has ample opportunity to learn – and practice – the principles being taught. Classes are conducted in an informal, interactive environment.

The task force of member bankers that developed the lending school program, interviewed several candidates to lead the instruction. After careful review, Hipereon, Inc. was chosen. One reason was the Hipereon Training Philosophy.

Hipereon's training philosophy is based on linking training to implementation. We firmly believe that the principles discussed in class only become acquired skills when they have been implemented and used repeatedly.



Participants are constantly challenged to not only learn new skills, but also demonstrate their knowledge.

While the Lending School curriculum is challenging, it's also fun. Hipereon strongly believes that people learn better in an enjoyable and engaging environment. Hipereon training staff members are highly skilled in creating an informal, supportive and effective learning environment.

Throughout the Lending School, practice exercises/case studies are assigned. These homework assignments help measure knowledge retention and implementation proficiencies throughout the program. In addition, each participant is partnered with another student to practice communicating and implementing learned skills.

Testing is an integral part of Hipereon's training methodology. Hipereon tests participants in a non-threatening manner and uses testing as a self-development tool, not as a punitive performance measure.

The Mentor Program is another unique aspect of the Commercial Lending School. Each student is partnered with a Mentor – typically the CCO, CLO or SCLO – from their bank who will oversee their development during the school. Mentors will work individually with students outside of class to ensure that all assignments are completed and understood.

In addition, Mentors will work closely with Lending School instructors to ensure that goals are being met and help tailor the curriculum to the specific needs of each student and institution. Although the Mentor Program is optional, it is strongly encouraged.

The Lending School requires participants to roll up their sleeves and immerse themselves in the dynamic details of commercial lending. It's demanding work – but it will dramatically change the way your lenders approach and perform their jobs.

"The Lending School was the most useful and applicable course I have ever taken in relation to my banking career. The practical approach coupled with expert instructors insures a solid understanding of Commercial Lending. This course has been invaluable in my learning development."

Pattie Ehsaei
Vice President
Business Banking Group
Wells Fargo Bank



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COMMERCIAL LENDING SCHOOL

CURRICULUM

"The Commercial Lending School was a watershed event in my professional development. The skill sets I acquired were broad and relevant to my day-to-day responsibilities. I'm confident I'll use the principles that I learned for the rest of my career."

Bruce G. McClellan
Vice President
F&M Bank

The Lending School Curriculum

The curriculum for the CBA Commercial Lending School was developed based on a significant amount of work done by a task force made up of CBA members. This task force was given the responsibility to design a program that was tailored to the needs of the banks in California. The program reflects the goals and objectives set out by the task force. CBA did not just buy an off the shelf training program from a vendor. It was truly custom designed to meet the specific needs identified by the committee.

The school's comprehensive, interactive and integrated training curriculum will give your lenders the background, skills and confidence they need to successfully bank their commercial customers. The curriculum covers a wide range of financial topics including basic accounting principles, financial statement analysis, risk assessment, financial projections, credit memorandums, business valuations, business models and more.

Each course in the curriculum thoroughly demonstrates the concepts being taught and gives students multiple opportunities to practice their skills through homework assignments, in-class exercises and role-play.

Lending School participants are immersed in the curriculum for six weeklong sessions. Away from the distractions and obligations of daily life, students are continually challenged by daily quizzes, weekly exams and regular homework assignments to ensure they are mastering the skills and techniques being taught. Students sit for a 4-6 hour comprehensive final exam at the completion of the curriculum.



WEEKLY CURRICULUM

Week 1 Mastering Accounting Principles, Mastering Financial Statement & Tax Return Analysis

Week 2 Analyzing Business & Personal Financial Statements, Including - Identifying Industry Risks

Week 3 Developing Financial Projections, Making Effective Business Calls - Capturing

Week 4 Business Law & Regulatory Compliance, Including - Understanding Leases

Week 5 Assessing Risks & Preparing Credit Memorandums, Including - Dealing With Problem Loans

Week 6 Commercial Real Estate Lending, Business & Real Estate Appraisal Techniques, Business Ownership Succession Issues

"The CBA Commercial Lending School gave me the tools to understand the concepts of financing from a business owner's perspective. After this program, you will not only be able to finance your client's needs properly but also advise them effectively."

Kylie Song
Senior Credit Analyst
Business Banking
Commonwealth
Business Bank





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CURRICULUM

"The instructors were knowledgeable and the information was presented in a common sense approach. Everything covered was immediately useful in my daily work."

Kelly Christian
Vice President
Bank of Stockton

WEEK 1

Mastering Accounting Principles

Overview Banking business customers is one of the keys to success for any bank. Critical to the risk assessment process is a strong fundamental understanding of business financial accounting. During this session, participants will examine basic financial accounting concepts and principles. They will examine the logic that governs accounting and become familiar with the processes employed to create financial statements.

Topics include:

- Basic Accounting Concepts & Principals
- Different Accounting Methods
- Accounting Records & Systems
- Income Statement Fundamentals
- Balance Sheet Fundamentals
- Statement of Cash Fundamentals
- Capital Budgeting Techniques

Unraveling the Financial Statement / Tax Return Mystery

Overview The key to understanding the credit risks associated with any business is being able to properly interpret their financial statements and tax returns. During this program, participants will examine the construction logic and presentation format for business and personal financial statements. They will also examine the structure of both individual and business tax returns. They will learn how information flows from business entity financial statements into both business and individual tax returns. By the end of this program, business and personal financial statements and tax returns will no longer be a mystery.

Topics include:

- Examine Different Entity Structures
- Personal / Business Tax Returns
- Personal / Business Financial Statements
- Business Income Statement Construction
- Business Statement of Cash Flow Construction



WEEK 2

Analyzing Business / Personal Financial Statements

Overview This program provides the participants with the ability to thoroughly analyze the fiscal condition of both personal and business financial statements. The course teaches participants the use of a unique diagnostic system that includes a common sense language for describing financial analysis issues and results to bank staff colleagues, auditors, regulators and business customers in terms they will easily understand. Participants will learn how to measure business liquidity, solvency, leverage risk, and profitability. They will also analyze asset utilization and debt structure and understand the concept of the cost of capital. The program teaches participants to compare specific company financial performance against industry standards and identify comparative strengths and weaknesses.

Topics include:

- Interpreting Financial Impact in Real Dollar Terms
- Analyzing Personal Financial Statements
- Analyzing Business Balance Sheets
- Analyzing Business Income Statements
- Analyzing Business Statements of Cash Flow
- Analyzing Business Statements of Cash Flow
- Define overall Business Cash Flow
- Define Global Cash Flow

“CBA’s membership could not be more pleased with the Commercial Lending School. There’s no question that Hipereon’s teaching methods produce results.”

Curtis Paullins
Program Manager
California Bankers
Association



COMMERCIAL LENDING SCHOOL

CURRICULUM

"I am firmly convinced that the California Bankers Association's Commercial Lending School is critical to our urgent need for qualified lending professionals. The school, in combination with on-the-job support, has greatly reduced the time and expense normally taken to develop a qualified loan officer."

Robert J. Longatti
Senior Vice President
Lending Services
Manager
Premier Valley Bank

WEEK 3

Developing Financial Projections

Overview This program teaches the participant how to develop logical business financial projections. Participants will learn techniques for projecting business income statements and then determine how to project corresponding business balance sheets. As a result of projecting these documents, participants will learn how to project related business operating cash flow. The program will also discuss the concept of default forecasts, which represent the estimated future financial performance based on a continuation of prior business performance. They will analyze the ramifications of default forecasts as they relate to the projected liquidity, solvency and safety of the business. The participants will examine and discuss how to analyze seasonal operating performance. They will learn how to predict the required size of seasonal operating lines of credit.

Topics include:

- Review Present Situation
- Projecting Long Term Performance
- Discuss Long-range Forecasting Techniques
 - Projecting Income Statements
 - Projecting Balance Sheets
 - Project Cash Flow
 - Discuss strategies for managed growth performance
- Case Study Review



Capturing the Business Opportunity / Making Effective Sales Calls

Objective This sales training program concentrates on how to generate more business by making more effective sales calls. The session teaches participants the four principles of business development and focuses on proven best practices.

Topics include:

- Profiling: identifying potential targets
- Knowing what to sell: Products and Services
- Getting the Appointment
- Business selling skills
 - Getting past the “Gatekeeper” – setting the stage
 - Uncovering needs
 - Handling verbal and non-verbal objections
- Competitive intelligence
 - Where do business owners go for financial services?
 - Identifying your competition
 - Selling around the competition – matching strengths / weaknesses





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CURRICULUM

WEEK 4

The Business of Banking / Business Law and Regulatory Compliance

Overview In order to put commercial lending in a bank in proper context, it is important to have a fundamental understanding of the business of banking and the related regulatory compliance environment.

Participants in this program will review the financial infrastructure of commercial banks and thrifts. They will discuss key financial performance measures and relate commercial deposits and loan products to overall bank performance.

Participants will review the structure of the Federal Reserve System and examine its related regulatory compliance structure. They will review the operation of the Safety and Soundness examination process as it relates to commercial credit activities.

This program will review the content and structure of business loan documents and discuss key federal regulatory compliance regulations that impact business credit and deposit products and services

Topics include:

- Review the Business of Banking
- Understand the structure of the Federal Reserve System
- Understanding the Bank Regulatory Compliance Examination Process
- Review Business Loan Documentation Process
- Review Federal Reserve Compliance Regulations
- Understanding Leases
- Review Asset Based Lending Procedures



WEEK 5

Assessing Risk & Preparing Credit Memorandums

Objective Profitable business lending is critical to the success of any bank. This program will give participants an opportunity to learn how to structure and present a business loan request. They will learn how to format and describe the key elements of a business loan request including a description of critical financial performance factors and a discussion of the strengths and weaknesses of the application as they relate to credit policies and compliance reporting requirements. Participants will learn how to write concise recommendations and include the business and financial analysis rationale that supports their conclusions. A discussion of typical loan covenants will be included. They will also learn how to develop financial stress tests to measure the risks associated with changes in financial performance and the resulting implications for debt service coverage. Participants will get the opportunity to serve as both presenters to and members of the loan review committee in order to gain valuable perspective from both sides of the credit decision-making process.

Topics include:

- Understanding the Structure of the Loan Request
- Identify Key Risk Factors
- Understanding Primary Sources of Repayment
- Understanding Secondary Sources of Repayment
- Debt Coverage Calculations and Financial Stress Testing
- Establishing Loan Covenants and Related Reporting Requirements
- Case Study
 - Participants will be divided into small groups and asked to prepare a loan request package based on a sample business case scenario.
- Dealing With Problem Loans
- Case Study Review



COMMERCIAL LENDING SCHOOL

CURRICULUM

WEEK 6

Commercial Real Estate Lending

Overview The Commercial Real Estate market generates a significant portion of the commercial lending activities of most all commercial banks. Participants in this program will learn how to properly evaluate commercial real estate credit requests. The course will discuss lending services associated with existing commercial real estate projects as well as new or remodel construction projects.

Topics include:

- Analyzing Commercial Real Estate Projects
- Assessing the Condition of the General Contractor
- Architect, the Construction Management firm and the General Contractor
- Case Study Review

Understanding Business and Real Estate Appraisal Techniques

Overview The largest asset in a business owner's estate is typically their business. This program provides an in-depth discussion of the technical issues involved in the business valuation process. Participants will receive guidelines on the primary considerations in valuing a closely held business. They will discuss the primary factors that impact value, and how they can be enhanced.

Topics include:

- Discuss different definitions of value
- Examine Rev-Ruling 59-60 Factors to be considered
- Valuation Methodologies
- Assessing Financial Performance
- Evaluating The Risk
- Review Case Study



FACULTY MEMBERS

Hipereon's training staff bring a unique background and perspective to every training session. They have all been bankers, consultants, educators and business owners. Every facilitator has an advanced educational background, extensive real world business experience, years of hands-on training and is well versed in effective training methods.

James R. Devine, Faculty Chair

Jim Devine is a founding member and CEO of Hipereon. He has trained thousands of lenders, business owners and accountants throughout the U.S. and abroad. For more than 25 years, he has been active in managing, financing and buying and selling closely held businesses. He has been a faculty member of the National Graduate Trust School at Northwestern University, the Graduate Banking School at the University of Wisconsin and the Stonier Graduate School of Banking at Georgetown University.

Devine co-authored "Understanding Your Small Business Customer" and has facilitated national small business round tables on managing business banking practices. Devine has an MBA from Southern Illinois University and is a member of Beta Gamma Sigma.

Robert J. Hogan, Faculty Chair

Bob Hogan is a founding member and COO of Hipereon. He has trained and consulted with thousands of bankers, business owners and accountants throughout Asia, Africa, Eastern Europe and the United States. With more than 25 years of banking and business management experience, he has co-authored two books on small business management, and wrote the "ABCs of Distributor Finance," for ExxonMobil's distributor network.

Hogan is a co-developer of the curriculum and a lead faculty member for the California Banker's Association Commercial Lending School and the Oregon Banker's Association Commercial Lending Institute. He is also a faculty presenter at the University of Pittsburgh Executive MBA Program, and serves on the faculty of distributor business schools for nationally recognized companies. He holds an MBA from Southern Illinois University and is a member of Beta Gamma Sigma.



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THE TRAINING INVESTMENT

Many financial institutions think of training solely as an expense. At CBA, we consider training to be an *investment*. The Commercial Lending School is the most important type of investment you can make – an investment in your people.

Industry consolidation and other factors have made it more difficult for financial institutions to distinguish their products and services from those of their competition. Increasingly, it is your people – and how well they are trained – that sets you apart and determines your success.

We're confident that the proven curriculum of the Commercial Lending School will be unlike any training program your employees have experienced. It will be more comprehensive, more relevant and make a bigger impact on their day-to-day job performance.

Your investment in the Lending School will generate immediate returns. Your employees' confidence, analytical ability and relationship management capabilities will increase significantly. These new skills will enable them to handle a larger client base and sell more products and services. Participants will be capable of managing and growing deeper – and more profitable – working relationships with your commercial banking clients and prospects.

Contact CBA today to begin your investment in better training and better banking. We can be reached at 916/438-4400 or see our website at www.calbankers.com.



PARTICIPATING BANKS

Since the programs inception in 2003, over 40 member banks have sent 120 students through the program with outstanding results. CBA would like to thank the following banks for their support of the CBA's Commercial Lending School:

1st Centennial Bank	Montecito Bank & Trust
Affinity Bank	National Bank of the Redwoods
Alliance Bank	North Coast Bank NA
Bank of Orange County	North Valley Bank
Bank of Sacramento	Oak Valley Community Bank
Bank of Stockton	Palm Desert National Bank
Bank of the Sierra	Premier Valley Bank
Bay Cities National Bank	Rancho Bank
Cathay Bank	Tri Counties Bank
Central Valley Community Bank	Union Bank of California NA
Citibank (West) F.S.B.	Uniti Bank
Citizens Bank of Nevada County	Visalia Community Bank
Citizens Business Bank	Wells Fargo Bank NA
Coast National Bank	
Community Bank of the Bay	
Community National Bank	
East West Bank	
F&M Bank	
Farmers & Merchants Bank of Long Beach	
First Coastal Bank NA	
First Community Bank	
First Federal Bank of California FSB	
First Regional Bank	
Fullerton Community Bank FSB	
Golden State Business Bank	
Guaranty Bank	
Hanmi Bank	
Home Bank of California	
Lake Community Bank	
Mellon 1st Business Bank, National Association	
Mid-State Bank & Trust	



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