



Loan Portfolio Management

Measuring: Quality / Diversification / Risk

Panelists

- Eusebio Cordova, *American Riviera Bank*
- Kelly Bruns, *Premier Audit Solutions*
- David Ruffin, *IntelliCredit*



AMERICAN RIVIERA BANK



Eusebio Cordova, Jr.

Executive Vice President, Chief Credit Officer

- *15+ years of lending experience*
- *24 years in banking*
 - *14 years at American Riviera Bank (ARB)*
 - *Loan portfolio has grown from 90 million to over 900 million during my tenure at ARB.*
- *2019 Pacific Coast Baking School graduate.*

In 2006 American Riviera Bank (ARBV) opened for business in Santa Barbara, California with the support of 400 local shareholders. Currently, ARB is \$1,265MM in Assets. We have six full-service branches, two commercial lending centers and a residential mortgage office located within Santa Barbara and San Luis Obispo counties. Commercial Real Estate, Construction, and Residential lending are largest loan portfolio segments for ARB.

Who we are - Premier Audit Solutions

kellyb@premierauditsolutions.com

707.631.6185

- **Kelly Bruns** (CEO) and **Janice Muncer** (COO) have 25 and 30 years of experience in commercial banking, respectively
- Well-established company, with 40 years in the CA market.
- 19 experienced Loan Reviewers, former CCOs, CFOs, Credit Administrators, Credit Analysts, Lenders, and Loan Operations Managers
- Specialize in:
 - CRE
 - Asset-Based Loans
 - Residential & Commercial Construction
 - Venture lending
 - C&I
 - SBA 7A loans
 - Ag loans
 - Corporate Finance
- Currently serving financial institutions ranging in asset size from \$200MM to over \$10B



Services Offered

- *Credit Reviews*
- *SOX testing*
- *Stress Test Reviews*
- *Concentration Reviews*
- *Data Validation Reviews*
- *ACL Methodology Reviews*
- *Due Diligence Reviews*



David Ruffin, *IntelliCredit*



David Ruffin
Principal
IntelliCredit

- 50 Years in Banking
- 16 years as Chief Credit Officer / Commercial Lender
- 3,000+ Loan Reviews
- ~350 Capital Raise or M&A Due Diligences
- Former Co-Founder of Credit Risk Management
- Prolific author and speaker on credit risk topics

678.797.4057

david.ruffin@intelligcredit.com



Loan Review and Credit Intelligence Solution

IntelliCredit Solution



Annual Review (for use by your team)

Move to an automated process that makes annual reviews easy, organized and repeatable – with everything right at your fingertips



Smart Loan Review™ (for use by your team)

Revolutionary online solution that expedites your entire loan review process, making it simple, retrievable online – and fast



Portfolio Analyzer (for use by your team)

Delivers insightful analysis of your portfolio and loan data so you can detect risk earlier – no need to build reports, create spreadsheets or hire consultants



Smart Loan Review™ (performed by our experts)

Benefit from a smarter loan review service that uniquely combines deep credit expertise and an online, real-time portal – so you see progress and results as they happen

Online. No installation. No software integration. SOC2 compliant.

Portfolio Management *from a banker's view*

- ✓ Proactively monitor the loan portfolio
 - Develop Key Risk Indicator reports.
- ✓ Ensure risk rating methodology is granular
 - Utilize a combination of qualitative and quantitative factors when risk rating loans.
- ✓ Diversify by considering loan sales, loan purchases, and participations (excellent strategies to demonstrate to regulators)
 - Develop relationship with similar credit focused bank partners to participate in loans.
 - Consider loan sales for problem assets.
- ✓ Stress Testing (underwriting, annual review and annual portfolio) and Segment Concentrations to identify large risk concentration.
 - Proactively stress re-pricing scenarios to understand borrower cash flow impacts.
 - Breakdown CRE Portfolio by segments (Hospitality, Retail, Office, Industrial, Special Purpose and understand if OO on Non OO.
 - Provide more granular reporting for concentration segments to the board.

Portfolio Management *from a control view*

- ✓ Reporting requirements, performance covenants, and ongoing monitoring
- ✓ Evaluating global cash flow as a secondary source of repayment
 - Borrower/Guarantor (legally obligated entities only)
 - Enterprise global cash flow (includes non-Borrower, non-Guarantors)
 - Sponsorship (non-Borrower, non-Guarantors)
- ✓ Concentration management: technology and “enhanced due diligence”
- ✓ Importance of data validation and potential impact on ACL, stress test, and concentration analysis
- ✓ Problem loan management: identification, communication, use of a special assets officer/ department

Portfolio Management *from a risk view*

- ✓ Using your loan-level data to stay ahead of the curve—it's your unique DNA of risk profile
- ✓ More robust loan review
- ✓ Sub-setting concentrations with far more granularity—particularly CRE, and its recent increased exposure at community and small regional banks
- ✓ Taking a tiered approach to stress testing
- ✓ Work on getting your Board even more *portfolio*, than *transactional* focused on credit
- ✓ Avoid at all costs, *too many credit surprises!*

Today's Best Practices Questions for the Participants:

- How are you enhancing portfolio management quality vis-à-vis communications with borrowers?
- While *diversification* is a noble concept, it tends to get us out of our “lending comfort zones”; how are you accomplishing *diversification*?
- How are you calculating global cash flow? Enterprise, legally obligated, or both?
- How are you planning for the possibility of more workouts / NPL's?
- How are you using technology to assist with concentration management and stress testing? Is data validation part of your process?
- Beyond what has been mentioned, what are some of your thoughts on enhanced portfolio management?