



2010 CONGRESS ON FAIR VALUE — MEASUREMENTS AND RECOGNITION: SHARED SPACE

SEPTEMBER 27 – 28, 2010 SEATTLE, WA USA

SESSION TITLE: Valuation of Bank Loan Portfolios: Two Approaches

SESSION DATE: Tuesday, September 28, 2010

SESSION TIME: 1:30 – 2:30pm

Session Summary: The authors will present two models for valuing bank loan portfolios. One model values loans based on the expected cash flows utilizing prepayment rates and directly embedding the default probabilities and the severities in the expected cash flows. The other model values the loan portfolio like a fixed income security of a certain credit quality utilizing nominal cash flows and incorporating risks into the discount rate. The authors will show that the two models give essentially the same values.

CPE Hours / Fields of Study: 1 hr Finance (FN)

Presenter Bio:



Brian Lee is a Manager at the Sherman Oaks, CA office of Crowe Horwath, LLP. Mr. Lee specializes in the valuation of closely held and publicly traded companies, intangible assets, stock options, warrants, notes, and preferred securities for financing reporting, transaction, tax, and litigation purposes for various industries.

Mr. Lee also has extensive experience in the valuation of loan portfolios, FDIC loss share agreements, unfunded loan commitments, core deposit customer relationships intangible assets, time deposits, FHLB advances, trust preferred securities, subordinated debentures; and other financial assets and liabilities of financial institutions.



Daniel McConaughy, PhD, ASA, is a Professor of Finance at California State University, Northridge, where his area of expertise is business valuation and corporate finance; Dr. McConaughy is also a director with Crowe's Valuation Services practice. He has published more than a twenty papers in academic and industry journals and has more than twelve years of business valuation experience. His paper won the 1st Academic Research Award at NAVCA's 2009 Annual Consultants' Conference.

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