
Bank Lending and Credit Risk Analysis

Overview

The overall goal of this module is to build analytical skills necessary for lending and inherited risk analysis. Using a structured and systematic approach, participants will learn to evaluate the credit standing of a corporate.

Learning Outcome Statements

- Scan business environment and identify lending opportunities
- Build robust monitoring and covenant packages to meet the commercial needs of the company and provide protection to the lender
- Use financial and non-financial appraisal techniques for screening loan proposals
- Prepare comprehensive and effective credit memos for consideration of credit committee
- Solicit new business and negotiate terms
- Manage lending relationship in mutual interest

Key Contents

Term lending

- Formulation & appraisal of projects
- Technical feasibility
- Mitigating market risk
- Estimating project cost
- Deciding means of finance
- Role of venture capital financing
- Examining financial viability
- Managerial aspects
- Social cost/benefit analysis

Credit evaluation memo

- Causes of problem financing
- Tips for financial analysis
- Red flags for credit analyst
- Important tips for writing credit memo
- Sections of good credit memo-historical background
- Comments on management

- Exposure to borrower and collateral
- Account behavior
- Sources of information
- Financial statement analysis
- Credit risk analysis
- Forecasts and projections

Finance administration and review

- Objectives of credit administration
- Essential components
 - Open communication
 - Complete and accurate credit file
 - Efficient credit officers
- Tools of financing administration
- Inspection of borrower unit
- Annual review of borrower
- Objectives of financing review