

**Specification of Competency Standards**  
**for the Banking Industry**  
**Unit of Competency**

Functional Area - 3. General Enterprise Banking Credit Management  
(Key Function – 3.2 Credit Acquisition )

Title	Review risk assessment on credit application
Code	109256L5
Range	Reviewing risk assessment approaches on credit application. This applies to risk assessment using in-depth analysis on individual applications which usually covers loan involving significant amount such as project finance, corporate finance, aircraft financing, and ordinary enterprise banking loans, etc.
Level	5
Credit	4 (For Reference Only)
Competency	<p>Performance Requirements</p> <p>1. Knowledge in the Subject Area</p> <p>Be able to:</p> <ul style="list-style-type: none"> <li>• Demonstrate expert knowledge in theories and concepts across different areas of corporate finance in order to assess the risks of loan application;</li> <li>• Understand the characteristics of different credit products offered by the bank and apply the knowledge to compare and contrast features of them in order to judge the suitability of loan applicants;</li> <li>• Possess knowledge on the bank's business portfolio and conduct research on factors affecting default risks and assess the probability and impacts of default.</li> </ul> <p>2. Applications</p> <p>Be able to:</p> <ul style="list-style-type: none"> <li>• Interpret research findings or other information on macroeconomic environment and industry analysis in order to assess business outlook and possible risks of the applicants' business;</li> <li>• Evaluate financial statements and identify incomplete information in order to have an accurate and comprehensive analysis on the financial standing of borrower (need for securities);</li> <li>• Evaluate liquidity, profitability, and credit histories of establishments being evaluated with those of similar establishments in the same industries and geographical locations in order to identify discrepancies or suspicious statements / reports;</li> <li>• Evaluate and select the most suitable methods (e.g. net present value based on present market values, discounted cash flow valuation, etc.) to calculate the value of the businesses or projects;</li> <li>• Conduct site visit to verify the authenticity of information submitted and obtain additional information for assessment;</li> <li>• Conduct credit risk assessment by evaluating the business risk, financial risk and total corporate risk of the businesses / projects in consideration;</li> <li>• Estimate the degree of risk involved in extending credit or lending money by consolidating information from different analyses (e.g. track record, business performance, collateral valuation).</li> </ul> <p>3. Professional Behaviour and Attitude</p> <p>Be able to:</p> <ul style="list-style-type: none"> <li>• Provide recommendations on whether the current assessment methods satisfy the changing lending criteria of the banks;</li> </ul>

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	<ul style="list-style-type: none"><li>• Recommend revised assessment criteria and approaches for determination of approval (with or without condition(s)) / rejection on loan application and approved loan size with justification provided;</li><li>• Specify revised principles for justification of approval on application which are violating credit risk policies or general lending criteria.</li></ul>
Assessment Criteria	The integral outcome requirements of this UoC are: <ul style="list-style-type: none"><li>• Provision of review on credit assessment for credit applications, specifying the risks and recommendations on loan approval (with or without condition(s)) / rejection. These should be supported by interpretation on the business outlook, repayment abilities.</li></ul>
Remark	