

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	Assess credit and financial strength of borrowers and prepare credit proposal
Code	109260L5
Range	Conducting risk assessment on credit application. This applies to risk assessment using in-depth analysis on individual applications which usually cover loans involving significant amount such as project finance, corporate finance, aircraft financing, and general enterprise banking loan products, 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"> • Familiarize with specialized knowledge related to corporate finance in order to assess the risks of loan application; • Have an in-depth understanding of credit management in order to identify factors which might affect default risks and assess the impact on loan applications; • Understand liquidity, profitability, and credit histories of establishments being evaluated with those of similar establishments in the same industries and geographical locations. <p>2. Applications</p> <p>Be able to:</p> <ul style="list-style-type: none"> • Interpret research findings on macroeconomic environment and industry analysis in order to understand the business outlook of the applicants' businesses; • Interpret financial statements to determine financial standing of borrower; • Apply suitable methods (e.g. net present value based on present market values, discounted cash flow valuation, etc.) to calculate the value of businesses or projects; • Conduct site visit to verify the authenticity of documentation submitted and obtain additional information for assessment; • Conduct preliminary credit risk assessment by evaluating the business risk, financial risk and total corporate risk of the businesses / projects in consideration; • Provide recommendations regarding 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); • Calculate the cost of offering the loan, e.g. funding costs, overhead expenses, administrative costs; • Calculate amount to be allocated to loan loss reserve and capital charges based on default probability, loss levels, etc.; • Provide recommendations regarding the affordability to enterprise clients and propose long-term, mid-term and short-term financing solutions; • Compute clients' ability to repay loan, estimate time for debt repayment given amount of debt, interest rates, and available funds. <p>3. Professional Behaviour and Attitude</p> <p>Be able to:</p> <ul style="list-style-type: none"> • Recommend approval (with or without condition(s)) / rejection on loan application and approved loan size with justification provided;

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	<ul style="list-style-type: none">• Provide justification for approval on application violating credit risk policy or lending criteria.
Assessment Criteria	<p>The integral outcome requirements of this UoC are:</p> <ul style="list-style-type: none">• Provision of accurate 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 of the applicants, estimated risks and return to the bank.
Remark	