

Credit Skills Development

Modular and Assessment Descriptives



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Overview of Credit Skills Development

Credit Skills Development is an Omega Performance credit programme accredited by the Chartered Institute of Bankers in Scotland and consists of two parts: Credit Skills Assessment (CSA) and Credit Skills Development (CSD).

Credit Skills Assessment

Credit Skills Assessment is a comprehensive, industry leading diagnostic tool used to identify skill gaps at individual, group and organisational levels. It can also be used to benchmark skill levels against other global banks.

Credit Skills Development Modules

Credit Skills Development consists of 18 individual modules that link to each skill gap and provide the necessary learning. It teaches participants how to gather data needed for analysis and decision-making, assess the risks of a prospective loan and structure and document a commercial loan package. The chief emphasis of the programme is on risk analysis—identification of credit risks associated with a corporate loan and the development of strategies to manage identified risks.

The successful completion of the 15 Credit Skills Assessment Modules entitles participants to acquire an Advanced Diploma in Credit from the Chartered Institute of Bankers Scotland and three credits towards the Chartered Banker professional designation.

The Chartered Institute of Bankers in Scotland (www.charteredbanker.com) is the leading banking institute in the world, and the only remaining banking institute in the UK.

CIOBS develops and promotes professional standards for bankers and provides world class professional qualifications for the financial services industry in the UK and overseas.

Its vision for the financial services industry is one of professionalism. CIOBS believes that integrity, responsibility and ethical behaviour, coupled with a commitment to maintain professional competence through Continuing Professional Development, are the hallmarks of a Chartered Banker. It is the only organisation in the world to award the designation Chartered Banker. CIOBS is delighted to accredit CSA into the Chartered Banker programme. Further details on Chartered Banker can be found at www.charteredbanker.com.

Chartered Banker
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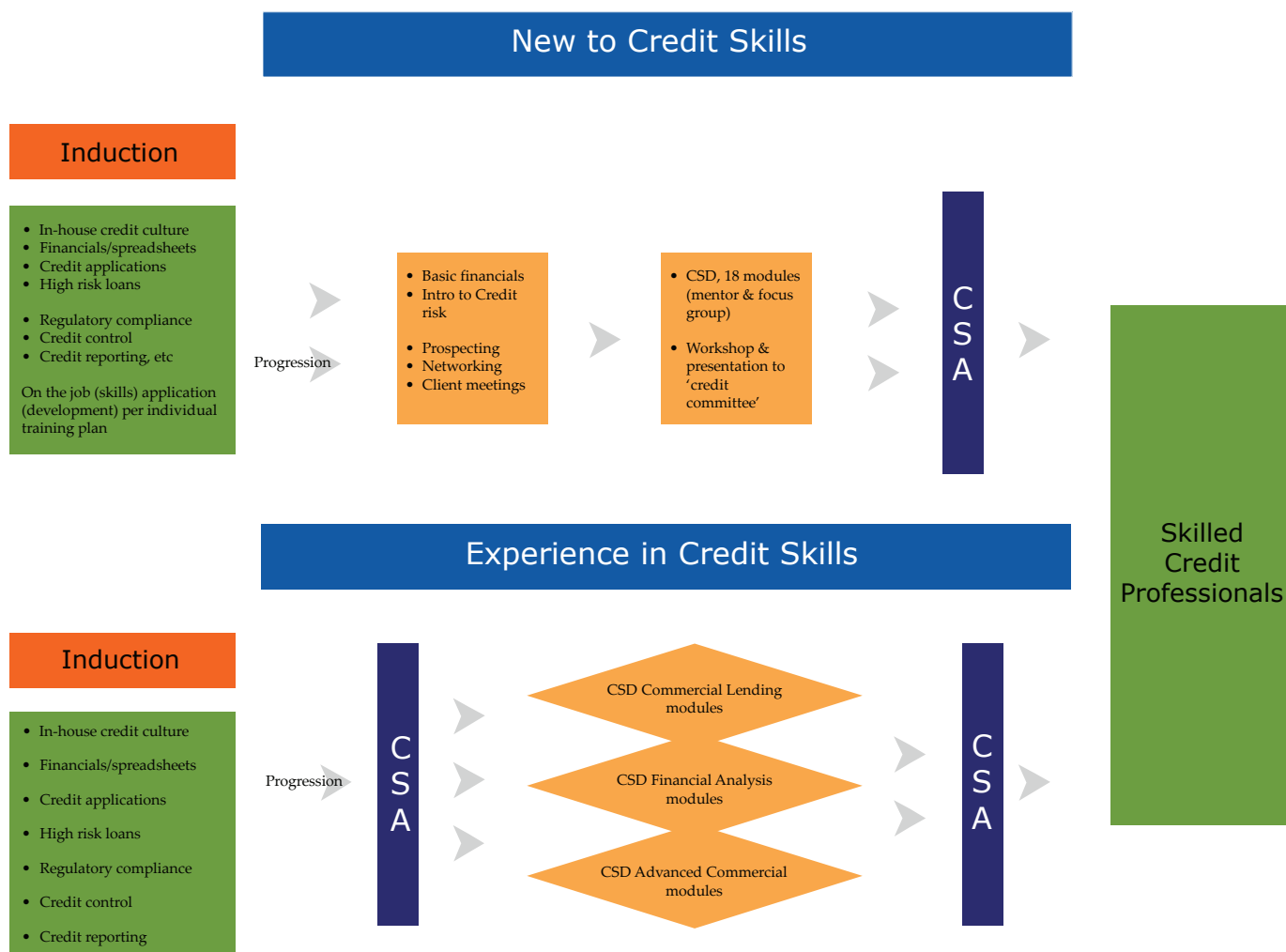
Credit Skills Assessment

Credit Skills Assessment (CSA) can be used to assess a participant's current level of training need or to determine the success of a credit skills training programme. It is driven by a set of objectives designed to validate candidates' understanding across the key elements of commercial lending, including opportunity assessment, screening, loan management, business analysis, cash flow analysis, projections and loan structure. The assessment's objectives are linked to particular skill development modules. This enables you to target a participant's learning to specific areas of the programme, saving you valuable time and money.

How can CSA be used?

CSA is used by banks to fulfil a number of requirements, including recertifying credit officers to grant credit at certain monetary values. Some of our clients require CSA for any individual who is involved in or about to become involved in making credit decisions on behalf of the bank. The following training routes show how CSA has been and can be used.

Credit Training Development



The standard set of CSA modules includes:

- Introduction to Accrual Accounting
- The Asset Conversion Cycle
- Industry Risk Analysis
- Accounting for the Operating Cycle
- Accounting for the Capital Investment Cycle
- Accounting for Liabilities and Equity
- Financial Reporting and Full Disclosure
- Financial Statement Analysis
- Borrowing Causes
- Loan Structure and Documentation
- Opportunity Assessment
- Business Risk Analysis
- Cash Flow Analysis
- Projections
- Loan Management

Credit Skills Development includes three additional learning modules without specific CSA modular tests: Introduction to Business Lending, Forms of Business Organisation and Screening the Loan Proposal.

Delivery Methods

CSA can be delivered in a paper-based format or online to individuals on their own or to individuals in an organisation. Online delivery is flexible; assessments can be taken 24 hours a day. Our assessment site is highly customisable and our technical support team would be happy to discuss your bank's needs.

Reporting

The CSA reporting engine is capable of providing unique empirical peer group data so that clients can benchmark staff against a global peer group. The data includes module scores, completion status, length of time to complete modules and aggregate performance by module and by question. Currently the database is 30,000 strong and growing.

A number of standard reports are generated for management review of performance against assessment, with customised reporting also available. Reports can be delivered in Word, Excel or Crystal Reports formats.

Objectives

CSA is designed, primarily to perform the following:

- Determine a participant's readiness for future credit training activity (and to identify any suggested additional pre-programme learning requirements)
- Provide a 'self discovery' awareness for participants as to pre-programme skill/knowledge levels and to identify particular areas where additional focus in any self-study work is required
- Assist the training facilitator in tailoring the level of each programme to the level of skills and knowledge of participants
- Measure the degree of learning and skill development at the participant level on completion of the programme
- Measure the effectiveness of training at the group level on completion of the programme

Why choose CSA?

There are many different reasons and motivations as to why a bank may consider using CSA:

- To manage risk by achieving a standard of competency in job functions
- Build a high-performing credit culture as a competitive strategy
- Retain the best people
- Reduce cost of staff turnover
- Know the range of skills across different operating units
- Ensure competency level of experienced new hires

Features and Benefits of CSA

Online Features

Benefits

Interim Save: This saves the user's data in the case of a power outage or any glitch that prevents the submission of answers.	When the user returns to the assessment, the same questions and their answers will be presented. The time taken will continue from where it was interrupted.
Users may take any module by simply clicking on it.	Users are not required to proceed linearly through the modules.
Objectives: CSA has the ability to sort questions (randomly) by objectives, within modules.	The administrator can specify at the objective level which questions to appear and in which tests.
Sorting: The administrator has the ability to specify the sorting feature for the detailed report: User ID, First Name, Last Name or Location.	Saves time and cost of transferring data to standard formats.
Materials and scores are protected to prevent copying.	Peace of mind, security and reliability of data.
Assessment can be delivered at remote sites.	Saves cost of travel or shipping materials, allows flexible implementation, especially for large and/or geographically dispersed groups.
Assessment can be delivered to individual schedules.	Saves time and cost of central administration, allows flexible implementation, especially for large and/or geographically dispersed groups.
Questions are dynamically/randomly drawn from a pool of questions.	Security – reduces possibility of collusion among students, allows application of different test versions for different groups.
Student tracking using industry-standard database formats.	Reliability of reporting, saves time and cost of transferring data to standard formats.
Interface to corporate database is available.	Saves time and cost of transferring data to corporate systems.
Automated enrolment, and access control.	Security – saves time in changing enrollment or access, easier to implement for large numbers of people.
Automated adjustment of scoring criteria.	Saves time in customising to meet changing assessment needs.
Automated scoring and reporting.	Saves time in obtaining scores, allows for easy creation of custom reports.

Credit Skills Development Modules

The CSD programme is aimed at both credit and relationship management teams—in short, at all those involved in the writing and assessment of credit proposals. It aims to give them a solid foundation in the identification, assessment and management of credit risks, essentially those factors contributing to the probability of default under Basel II. It also deals with facility structuring and so (if for example, combined with your own policies on security taking and valuation) could also contribute to the assessment of exposure default and loss, given default.

In the past, most lenders learned their craft through an informal process of apprenticeship—by watching and listening to the more experienced lenders—but few lenders have learned a consistent and systematic approach to corporate credit analysis. Experienced lenders rarely explain their techniques and seldom have time to train junior staff thoroughly. CSD fills the need for systematic, consistent training.

Participants using CSD learn or reinforce how to:

- Identify and evaluate a customer's needs for both short-term and long-term financing
- Analyse and evaluate the financial and non-financial risks of lending to a particular customer
- Evaluate the risks inherent in the customer's industry and business environment and in the company's business cycle
- Project and analyse the customer's ability to repay the proposed loan
- Explain the basis of a decision to lend or not to lend
- Identify and evaluate loan structures and appropriate covenants
- Examine and determine ways of managing the lending relationship

- Understand both the bank's and the customer's requirements in a corporate lending relationship
- Understand and apply the banking, legal and regulatory requirements placed on the bank when maintaining a lending relationship

The Credit Skills Development modules teach the technical skills (such as cash flow analysis) needed to become proficient in this area. The material places strong emphasis on qualitative analysis of a customer's products, the market in which it operates and the company's management expertise, as well as specific quantitative analysis methods.

CSD modules provide corporate lenders with the skills and information they need to make sound, well-informed loan decisions, whilst significantly reducing training time and travel costs. With CSD online, financial services companies can train one lender at a time or the entire group, be that at a central location, a distributed office or in some cases, an individual's home-based PC or laptop. Travel and associated course costs can be virtually eliminated simply by accessing the Web-based solution.

There are 18 modules; each module taking 3 to 7 hours to complete. This can also vary depending on the previous experience of the individual. CSD focuses on high-value, high-impact competencies by emphasising interpretation and analysis instead of mechanical calculations. CSD further organises a lender's skills step-by-step according to the Omega Decision Strategy™ process.

Credit Skills Development Modules

The 18 modules and accompanying reference guide, casebook and participant workbook can be printed or provided in PDF for placement on an intranet site. Customers can pick and mix the 18 modules to meet their requirements for a dedicated training programme. A description of the modules is listed below in our recommended order of learning.

Introduction Business Lending

(guide time—3 hours study, no formal assessment)

On completion of this module, participants will be able to:

- Identify the key objectives of High Street Bank/Clearing Bank management
- Describe the roles and responsibilities of the commercial lender
- Demonstrate an understanding of the key issues in credit analysis
- Understand the role of financial statements in credit analysis

This module is divided into two units, each covering internal and external factors that affect commercial lending. Students will learn how these factors influence the types of loans made and review the analytical process leading to a credit decision.

Forms Of Business Organisations

(guide time—3 hours study, no formal assessment)

On completion of this module, participants will be able to:

- Identify the main legal and operational characteristics of the most common forms of business organisation
- From the point of view of the lender, assess the risks associated with various business structures

This module looks at five main forms of business organisation, namely, sole traders, partnerships (both general and limited), companies, limited liability partnerships and trusts.

Screening the Loan Proposal

(guide time—5 hours study, no formal assessment)

On completion of this module, participants will be able to:

- Screen a loan proposal using the steps shown in the Preliminary Screening job aid
- Decide whether you would reject the loan or continue with an analysis after preliminary screening
- Identify the financial information necessary to continue the loan analysis

Screening the Loan Proposal looks closely at the first step in the preliminary analysis section of the Decision Strategy: preliminary screening. During this step students will find out who their customer is, what the customer is looking for and why.

Introduction Accrual Accounting

(guide time—5 hours study + 30 mins assessment)

On completion of this module, participants will be able to:

- Describe the information provided by the balance sheet, profit and loss statement and statement of retained earnings
- Identify the connecting links among the three statements
- Prepare and manipulate simple financial statements that reflect the business activities of a small company
- Apply the correct criteria to determine the point at which sales and expenses should be recognised on the profit and loss statement
- Using financial statement information, calculate purchases of inventory and fixed assets

The Asset Conversion Cycle

(guide time—5 hours study + 30 mins assessment)

On completion of this module, participants will be able to:

- Define the terms *operating cycle* and *capital investment cycle*
- Identify business activities as part of one of the cycles
- Explain the terms *holding period*, *payment period*, and *collection period* and also explain how changes in these periods can affect cash flow

All businesses have an asset conversion cycle—the purchase of raw material or products, preparation of products for sale, marketing and selling the products or services—and collecting cash from customers. This process of converting assets into cash is the core of all business activity. The more a student understands the characteristics of a borrower's asset conversion cycle, the easier it will be to anticipate opportunities to provide banking services.

Industry Risk Analysis

(guide time—5 hours study + 30 mins assessment)

This module addresses changes in the environment in which the borrower operates by examining economic, market, demographic and other forces that are generally outside the borrower's or the lender's control. On completion of this module, participants will be able to:

- Identify basic industry type, market segments within the industry and affiliated industries
- Identify how each of 10 industry characteristics affects risk in lending to a borrower:
 - Cost structure
 - Profitability
 - Maturity
 - Technology
 - Cyclicalities
 - Dependence
 - Globalisation
 - Vulnerability to substitutes
 - Regulatory Environment
 - Operations
- Prioritise the most important industry characteristics for the borrower under review

Accounting for the Operating Cycle

(guide time—5 hours study + 30 mins assessment)

On completion of this module, participants will be able to:

- Discriminate between appropriate and inappropriate applications of GAAP and better judge the quality of financial statements
- Identify and qualify sources and uses of cash to analyse the total cash flow of business
- Determine whether a company is using standard methods of recognising revenue and expenses, including bad debts
- Determine whether a company is using standard method of recognising cost of goods sold and assess the effect of the method on reported income and cash flow
- Interpret notes to the accounts that concern stock
- Recognise the effects of inflation on reported income and the effects of a declining stock on profits

Accounting for the Capital Investment Cycle

(guide time—5 hours study + 30 mins assessment)

On completion of this module, participants will be able to:

- Recognise situations in which cash outflows are inappropriately capitalised into fixed assets
- Recognise situations in which the fixed asset costs are depreciated inappropriately or over inappropriate time periods
- Predict the effects of various depreciation methods on reported net income
- Assess the effects of differences between Inland Revenue rules and accountants' rules on reported net income and internally generated cash
- Differentiate between market value of an asset and its stated book value
- Calculate the effects of a sale of fixed assets on cash flow
- Interpret notes to the accounts to obtain information regarding depreciation methods and fixed assets generally

This module looks at the financial reporting from a bankers' perspective of the asset conversion cycle but in respect of capital investment and other assets not associated with the working capital or operating cycle.

Accounting for Liabilities and Equity

(guide time—5 hours study+ 30 mins assessment)

On completion of this module, participants will be able to:

- Recognise the normal content and quality of information about liabilities presented in financial statements
- Distinguish between the different types of current and long-term liabilities
- Describe the banker's perspective in analysing the owner's equity and understand the key questions to be answered in the analysis
- Recognise the different balance sheet presentations of owner's equity and the key cash flow implications of dividends, certain share transactions and share options
- Assess working capital adequacy and analyse changes in working capital
- Describe the effects of tax credits and tax rules on tax liability
- Interpret a note to the accounts on tax and determine current and deferred liability

Accounting for Liabilities and Equity looks at what the liability figures shown on the balance sheet represent by breaking out what may be your bank's loan against borrowing another source. This module also looks at the owner's equity as a major source of financing and shows how this is affected by expense recognition.

Financial Reporting and Full Disclosure

(guide time—5 hours study+ 30 mins assessment)

On completion of this module, participants will be able to:

- Describe the influence of accounting organisations and government agencies on the presentation of financial statements
- Describe the scope of the accountant's role in compiling, reviewing and auditing financial statements
- Recognise the different assurances of accuracy and fairness given in auditors' reports and the extent of the accountant's legal liability
- Recognise the importance of full disclosure
- Use notes to the accounts to find the valuable information on a company's financial position

This module looks at a set of financial statements and questions how reliable a picture they will be in providing a true financial preview. It considers the different users of the financial information and the role of the accountant in reviewing or auditing such statements.

Financial Statement Analysis

(guide time—5 hours study + 30 mins assessment)

How to interpret financial statements as a reflection of the entire range of a company's operations, from sales and distribution to purchasing. On completion, participants will be able to:

- Identify the effects that financial accounting methods have on balance sheets and income statements
- Analyse common-size financial statements
- Assess the quality of assets and profits
- Use financial statements as a quantitative assessment of management performance
- Analyse trends and compare one company's financial performance to the performance of similar businesses and to your expectations

These expectations should be based on insights about the borrower's industry and business in four analytical categories:

- Liquidity
- Leverage
- Profitability
- Efficiency and productivity

Borrowing Causes

(guide time—5 hours study + 30 mins assessment)

Demonstrates how to probe into the real reasons behind a borrower's loan request and so be able to structure a loan, appropriately anticipating needs. On completion, participants will be able to:

- Use financial statements to diagnose probable borrowing needs
- Determine, based on the probable borrowing causes, whether loans should be short- or long-term, and identify the probable repayment source

Loan Structure and Documentation

(guide time—5 hours study + 30 mins assessment)

On completion of this module, participants will be able to decide how and under what conditions they would be willing to lend money. In particular they will be able to:

- Identify the most appropriate credit facility
- Determine the timing for disbursing funds and establish a repayment schedule
- Determine whether support, such as collateral or guarantees are needed and if so, the appropriate type
- Recognise how the risk characteristics of a loan should be reflected in its price
- Understand the purpose and contents of loan agreements including the risk management and monitoring roles played by positive and negative covenants.

Opportunity Assessment

(guide time—6 hours study + 30 mins assessment)

On completion of this module, participants will be able to:

- Describe the influence of the business and regulatory environment on commercial lending
- Explain the elements and benefits of a consistent, deliberate strategy for creating a commercial lending opportunity
- Recommend financing based on a borrower's operating cycle and capital investment cycle
- Structure a loan opportunity
- Explain the significance that legal and operational characteristics of most common forms of business organisation have in making a lending decision

Business Risk Analysis

(guide time—5 hours study + 30 mins assessment)

Helps participants analyse how well a borrower's management team is dealing with the risks inherent in the industry. On completion of this module, participants will be able to:

- Identify the strategies a borrower uses to mitigate industry risks and create competitive advantage
- State what additional risks are inherent in the company's way of doing business
- Determine whether a business's strategies increase or decrease the risks faced by all businesses in its industry
- Evaluate the extent to which a borrower's management has the experience and skills necessary to carry out the strategies successfully
- Describe their ideas about the effect of a company's strategy and practices on its financial statements and how they would expect those statements to look
- Use a Risk Assessment worksheet to link insights about a borrower's business risk and business strategies to the risks faced by all companies in its industry and to the particular ways in which that borrower does business

Cash Flow Analysis

(guide time—6 hours study + 30 mins assessment)

This module describes how lenders cancel the effects of accrual accounting to see a company's cash dynamics as an important component of repayment source analysis. On completion of this module, participants will be able to:

- Evaluate the sufficiency of a borrower's historical internally generated cash flow to meet its needs for future cash flow, using any of three formats for cash flow:
 - Quick cash flow
 - Direct cash flow
 - GAAP statement of cash flow
- Apply a deliberate, three-layer approach to cash flow analysis:
 - Select the most appropriate of the cash flow formats for their analysis
 - Determine the significance of four financial drivers to each borrower
 - Analyse critical management areas that affect cash flow

Projections

(guide time—6 hours study + 30 mins assessment)

Projections describes the integration of historical industry, business and financial statement analysis information into a forecast of cash flow available for loan repayments. On completion of this module, participants will be able to:

- Select the economic, industry, business strategy and management factors that are most important to include in scenarios of a borrower's next three to five years
- Make reasonable assumptions about how the future scenarios are most likely to affect financial performance and therefore cash flow
- Evaluate projections provided by management to identify assumptions that are plausible, aggressive and conservative
- Identify the financial drivers and other financial performance variables that are most important and test for their effect on future borrowing needs and repayment ability
- Perform sensitivity analysis to assess how change in the financial drivers and other financial performance variables will affect future borrowing needs and repayment ability

Loan Management

(guide time—6 hours study + 30 mins assessment)

On completion of this module, participants will be able to:

- Monitor performance, investigate variations, review existing arrangements and take proactions during the loan period
- Use the information available both internally and externally to regularly monitor actual performance against projections
- Identify early warning signs that there are changes to the business's operations that may be affecting your customer's cash flow
- Determine the extent of any problem and the appropriate action to be taken to manage the relationship and any identified risks

Features and Benefits of Credit Skills Development

Features

Benefits

Full UK version relating to International Accounting Standards	Appropriate to the UK and International markets.
Job Aid	Tools that the learner can take with them to assist in their daily practice.
Case Studies	Provide real life examples and contexts for illustrating course material.
Multiple Delivery Options	Courses can be print based, hosted externally by Omega and accessed via the internet or hosted internally on the client's intranet.
Credit Skills Assessment as a Diagnostic	Can be taken in conjunction with the course to determine the areas where the learner requires remediations. Makes learning more targeted to the user's requirements thus reducing learning time.
Modular Design	Allows the learner to take the course in small, manageable chunks.
E-mail a Mentor	Provides human interaction while taking the course by having content-related question answered by an Omega (or other) mentor via e-mail.

Omega Performance

Improving Business

Omega Performance improves business by empowering people with the knowledge, skills and behaviour to achieve outstanding results.

Since our founding in 1976, Omega Performance has enabled more than 2 million people in over 2,500 financial services organisations around the globe to make immediate and lasting changes in how they perform.

Omega Performance's consulting, performance improvement, and coaching solutions span leadership, commercial and consumer lending, commercial and consumer sales, sales management, customer service, wealth management and private banking and contact centres.

We pair our deep financial services industry expertise with a keen understanding of your organisation's particular performance issues to ensure a results-focused solution. With a network of over 250 consultants, facilitators, instructional design experts and developers around the world, Omega is able to provide in-depth local expertise supported by an extensive global network.

Omega's continuous research into the future of the financial services industry has helped shape innovative performance improvement strategies within many of the world's major financial services companies. While our culture of thought leadership encourages us to explore new concepts and solutions, our strategic focus never varies: delivering competitive advantage for your organisation's business success.

Headquartered in Charlotte, North Carolina, USA, Omega Performance also serves clients from major offices in over a dozen countries around the world.

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