

Credit Report Writing



Programme Level:
INTRODUCTORY



Duration:
Three ½ DAYS

Overview

After a credit analysis of a loan request it is time to communicate the findings in writing in the form of a credit report. It is not only what you write but also how you write that is important. The report should address three functions:

- 1) Provide information on the condition and status of a relationship
- 2) Provide a record of thoughts and actions
- 3) Support or recommend action

This course focuses on the content, factors and trends that need attention and presentation of facts, thoughts and opinions.

Key Learning Outcomes

The course, supported by case studies and exercises, will cover, among others, the following topics.

- Writing credit approval documents that are clear, concise, consistent, and complete
- Selecting information for inclusion in credit approval documents that is relevant for the decision-maker and focused on key risks and mitigants
- Writing a financial risk analysis that is supported by facts
- Writing a business risk analysis that is supported by facts
- Writing effective executive summaries to communicate key issues to decision-makers

Content

- Introduction
 - Purpose of writing reports
 - Why credit reports are critical
- Credit decision-making
- Credit rationale, credit rating, and risk strategy
 - Business risks
 - Financial risks
 - Credit recommendation
 - Risk score
 - Risk category
 - Pricing
 - Credit utilisation and request
 - Risk mitigation – covenants
- Credit exposures
- The integrated financial story
 - Computing relevant financial ratios
 - Interpretation of the ratios
 - Cash flow analysis
 - Analysing the health of the balance sheet
- Presentation logic and flow: analysis, conclusions, recommendation, outlook and strategy
- Components of a credit presentation
- Improving writing skills
 - Develop reports that are accurate, correct, objective, clear, concise, constructive, complete, and timely
 - Develop coherence

- Practice objectivity
 - Ensure sentence clarity, voice and tone
 - Using technical terminology
 - Using reader friendly writing
 - Presenting tables and charts
 - Keeping an appealing layout
 - Overview of standard on quality of communication
 - Examples on each of the above
- Structured analytic approach: Reliance of metrics, benchmarks
 - Earnings, profitability, and returns on capital
 - Working capital efficiency
 - Fixed-asset productivity
 - Liquidity and funding
 - Funding strategy
 - Liquidity and refinancing risk
 - Solvency
 - Capital structure, leverage, debt service
 - Financial covenants
 - Non-financial covenants
 - Collateral security and guarantees
 - Projections and debt capacity
 - Conclusions and outlook: Forward-looking
 - Examples, Cases

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