

**THE UNIVERSITY OF HONG KONG  
HKU BUSINESS SCHOOL**

**FINA2344 Lending and Credit in Private Banking and Corporate Banking (2)**

<b>GENERAL INFORMATION</b>
<p>Instructor: Professor Anna Wong</p> <p>Email: awong81@hku.hk Office: Room 829, K.K. Leung Building Phone: 3917 7767 Consultation times: by appointment</p> <p>Tutor: TBA Pre-requisite or co-requisite: FINA2343 Lending and Credit in Private Banking and Corporate Banking (1) Mutually exclusive: -</p> <p>Course Website: via HKU Moodle</p> <p>Other important details: -</p>
<b>COURSE DESCRIPTION</b>
<p>This course is an advance course based on FINA 2343 Lending and Credit in Private Banking and Corporate Banking (1).</p> <p>The course covers the key elements of lending and provision of credit facility in banking, including corporate clients and high networth individual (“HNWI”) clients. Lending and leveraging is a key component of a banking relationship and an important source of revenues for banks. Lending and leverage involves risks to the banks and to the clients. The business of lending and the provision of other credit facilities is intrinsically linked to the management of risk for the bank. The use of borrowings and entering into leveraged products/transactions is equally a process of risk awareness and risk management for the client.</p> <p>The course will discuss the bank’s credit process including purpose of the credit, types of loan/credit facility and loan structure; credit analysis and risks evaluation, financial analysis and cashflow projections; security and collateral analysis, lending margins, credit monitoring and remedial management.</p> <p>Student(s) will be assigned a case to work on which form the basis of the final assessment. Students will be guided over the course as to writing of this Credit Application applying the analytical tools and concepts learnt.</p>
<b>COURSE OBJECTIVES</b>
<ol style="list-style-type: none"><li>1. Corporate Banking – be able to make a sound credit decision and able to write a Credit Application</li><li>2. Corporate Banking – be able to do a financial projection and cashflow projection, and its application in making credit decisions involving long term loans</li><li>3. Corporate Banking – to understand trade finance and the associate risks to the bank in financing trade cycles</li><li>4. Corporate Banking – to be able to structure the appropriate short term loan or trade facility, appropriate term loan financing to the client, including debt servicing, repayment schedule, financial and other covenants</li><li>5. Corporate Banking – to identify mitigating factors in a lending situation; to identify early warning signals of a potential credit deterioration; on-going credit monitoring and remedial management</li><li>6. Corporate Banking and Private Banking - to understand the nature of security (collaterals) and the legal rights under different security (collaterals) types</li><li>7. Private Banking – to understand and apply the concept of collateralized lending, loanable value, marked-to-market risk monitoring, portfolio concentration, margin erosion and top-up/close out procedure</li><li>8. Private Banking – to understand the credit risk and margin requirement of leveraged products especially equity accumulators and FX accumulators</li></ol>
<b>FACULTY GOALS</b>
<p>Goal 1: Acquisition and internalization of knowledge of the programme discipline</p> <p>Goal 2: Application and integration of knowledge</p> <p>Goal 3: Inculcating professionalism</p>

Goal 4: Developing global outlook			
Goal 5: Mastering communication skills			
Goal 6: Cultivating leadership			
<b>COURSE LEARNING OUTCOMES</b>			
<b>Course Learning Outcomes</b>		<b>Aligned Faculty Goals</b>	
CLO1. Identify the purpose of the lending/credit and the appropriateness of providing the facility		Goals #1, 2, 3, 4, 6	
CLO2. Identify the payback and the risk of lending to a high networth individual and to a corporate		Goals #1, 2, 3, 4, 6	
CLO3. Structure an appropriate credit facility, including understanding of trade finance cycle and risk involved in trade financing		Goals #1, 2, 3, 4, 6	
CLO4. Identify risk mitigating factors including structuring of a credit facility		Goals #1, 2, 3, 4, 6	
CLO5. Demonstrate the ability to interpret financial statements, to apply ratio analysis, financial analysis and cashflow projections to a corporate lending decision, including structuring of term loans		Goals #1, 2, 3, 4, 6	
CLO6. Demonstrate the ability to monitor the risk and take remedial action of the lending / credit		Goals #1, 2, 3, 4, 6	
<b>COURSE TEACHING AND LEARNING ACTIVITIES</b>			
<b>Course Teaching and Learning Activities</b>		<b>Expected Study Hours</b>	<b>Study Load (% of study)</b>
T&L1. Lectures		33	25
T&L2. Self study, prepare mid term exam		30	22
T&L3. Preparations for class/assignments		20	15
T&L4. Preparation for case – final assessment		50	38
Total		133	100
<p>Interactive lectures using real company case.</p> <p>Students are expected to attend and participate actively in lectures. The course is a practical approach of how banks make credit decisions involving analyzing financial statements and understanding of the company's business risk and financial risks. Textbook is light. The lectures and assignments will be based on a real company annual report, concepts and financial tools will be progressively taught in the lectures based on the dynamics of the real company. A student may find it difficult to follow the lecture if they miss the prior lecture. Excel spreadsheet [financial spreading] will be constructed together during class, the spreadsheet will be continuously used and adjustments made in the subsequent classes. Students are expected to bring their laptop to the class.</p> <p>Students are encouraged to raise questions, participate in discussion and share ideas with their peers.</p>			
<b>Assessment Methods</b>	<b>Brief Description (Optional)</b>	<b>Weight</b>	<b>Aligned Course Learning Outcomes</b>
A1. In class participation	In class quiz	10%	CLO1, 2, 3, 4, 5, 6
A2. Assignments	Brief homework assignment preparing for the case	10%	CLO1, 2, 3, 4, 5, 6
A3. Mid term examination	In-class examination on topics taught	30%	CLO1, 2, 3, 4, 5, 6
A4. Final Assessment - Case written submission	Writing a Credit Application	50%	CLO1, 2, 3, 4, 5, 6
Total		100%	
<b>STANDARDS FOR ASSESSMENT</b>			
<b>Course Grade Descriptors</b>			
A+, A, A-	Strong evidence of superb ability to fulfill the intended learning outcomes of the course at all levels of learning: describe, apply, evaluate and synthesis		
B+, B, B-	Strong evidence of ability to fulfill the intended learning outcomes of the course at all levels of		

	learning: describe, apply, evaluate and synthesis
C+, C, C-	Evidence of adequate ability to fulfill the intended learning outcomes of the course at low levels of learning such as describe and apply, but not at high levels of learning such as evaluate and synthesis
D+, D	Evidence of basic familiarity with the subject
F	Little evidence of basic familiarity with the subject

**Assessment Rubrics for Each Assessment** (Please provide us the details in a separate file if the space here is not enough)

Assignment, mid-term examination and final assessment are the same as in course grade descriptors.

### **COURSE CONTENT AND TENTATIVE TEACHING SCHEDULE**

Course Outline

1. Corporate Lending – review of financial spreading, ratio analysis and risk analysis
2. Corporate Lending – Financial projection, cashflow projection and its application in credit decisions for long term loans
3. Corporate Lending – cont'd
4. Corporate Lending – Trade Finance and short term facility structure, review of asset conversion cycle
5. Corporate Lending – cont'd
6. Corporate Lending – Facility structure, financial covenants and documentation of bilateral term loan and syndication term loan
7. Credit monitoring, early warning signals and remedial management
8. Mid-term examination
9. Corporate Lending and HWI Lending – Collateral analysis - legal right, documentation and perfection of security title
10. HNWI Lending – lending ratios, margin requirements and simulation analysis
11. HNWI Lending – SFC Code of Conduct on leveraged products, product due diligence and product suitability

### **REQUIRED/RECOMMENDED READINGS & ONLINE MATERIALS** (e.g. journals, textbooks, website addresses etc.)

Bank Lending – The Hong Kong Institute of Bankers

Certified Private Wealth Professional (“CPWP”) Study Manual – Module 1, Paper 9 – Lending and Leveraging

HKEx website for annual reports/financial statements of selected listed companies

Other teaching materials will be distributed via Moodle

### **MEANS/PROCESSES FOR STUDENT FEEDBACK ON COURSE**

- conducting mid-term survey in additional to SETL around the end of the semester
- Online response via Moodle site
- Others: \_\_\_\_\_ (please specify)

### **COURSE POLICY** (e.g. plagiarism, academic honesty, attendance, etc.)

#### **Academic Honesty**

*Plagiarism* (<http://aao.hku.hk/sy3/plan-of-study/exa-and-ass/>)

“Plagiarism is defined as the unacknowledged use, as one’s own, of work of another person, whether or not such work has been published. It is a very serious academic offence and the University does not allow or tolerate plagiarism. Any student who commits plagiarism is liable to disciplinary action which can result in serious consequences – including expulsion from the University.

You are strongly advised to read the booklets “What is Plagiarism” and “Plagiarism and How to Avoid It” and to consult

your teachers if you have any questions about how to avoid plagiarism.”

### *Cheating*

Cheating is another very serious academic offence. Any student who commits cheating on homework assignments or midterm or final examination will receive a grade “F” for the whole course. In addition, the case will be reported to the relevant Board of Examiners and/or the Senate of the University for further actions.

### **Class Attendance and Work Load**

To maximize learning experience, students are strongly recommended to attend all the lectures, submit the homework assignments on time and participate actively in class and tutorials. The work load of this course is quite heavy and students are expected to spend at least 133 contact/study hours as described above.

### **Class Conduct**

The guiding principle governing class conduct is mutual respect. All mobile phones must be switched off or on silent mode. No eating or drinking is allowed. Students should not disturb others in class.

### **ADDITIONAL COURSE INFORMATION** (e.g. e-learning platforms & materials, penalty for late assignments, etc.)

#### **Penalty for Late Submission of Assignments and Term Project**

Any late submission of homework assignments / project will be subject to a 50% penalty deduction of the respective total marks per calendar day after 11:59 pm of the due date, unless prior written permission is obtained from the Instructor under special circumstances, e.g. medical leave.