

CORPORATE BANKING

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TRADE FINANCE AND INTERNATIONAL FINANCE

Learning Outcome Statements

- Apply a structured approach to identify the key risks to which importers & exporters are exposed and match trade finance solutions
- Understand the key drivers of cash generation & use throughout a company's business cycle and how this changes as a result of economic and commodity cycles, organic and acquired growth, and company-specific strategic initiatives
- Distinguish the main features, benefits and risks mitigation characteristics inherent in structured & trade finance products
- Recognize the accounting, cash flow and capital requirement implications of trade finance products
- Structure trade finance transactions to meet client need and minimize risk to the Bank.

Key Contents

- Debt repayment capacity and refinancing
- Forfaiting
- Bill of Lading
- Irrevocable LC
- International trade payment methods
- Types of Guarantees in Banking and Contracting
- Structured approach to assessing a company's cash flow and identifying trade finance requirements
- Trade finance solutions: recommend most appropriate product(s) and explain benefits (and drawbacks) from the Buyer's and Seller's perspective, impact on cash flow, and comparison to possible alternative solutions.
- Use the cash flow statement and business cycle to identify and quantify the need for trade finance
- Sample client scenario: a brief description of company specific need or challenge
- Impact of profits and working capital on core cash flow
- Investment decisions and impact on longer term credit standing of the company
- Financing needs (short term revolving vs. long term amortising)

FINANCIAL STATEMENT ANALYSIS

Learning Outcome Statements

- Analyse a company's business and financing activities from the information reflected in its financial statements
- Ascertain the reliability of financial statements and other accounting information given by borrower
- Interpret financial statements using various techniques
- How to review and interpret the key impacts of 'Notes to the Accounts'
- Describe the key accounting rules (IFRS) and their significance

Key Contents

- Objectives of financial statement analysis
- Major components of income statement and balance sheet
- Understanding annual reports and financial parameters
- Components of annual report of a company
- Auditors' perspective
- Financial Statements & Reports
 - Income Statement
 - Balance Sheet
 - Cash Flow Statement
 - Shareholder's Equity
 - Interrelation of Financial Statements
- Techniques of Financial Analysis
 - Trend Analysis
 - Vertical Analysis
 - Inter-Firm Comparison
- Financial Ratios
 - Profitability
 - Efficiency
 - Liquidity
 - Solvency

CASH FLOW ANALYSIS

Learning Outcome Statements

- Connect quantitative cash flow analysis with qualitative, non-financial factors, such as strategic business issues
- Compare the results of cash flow analysis using various formats
- Analyse debt service coverage using various approaches
- Structure credits that effectively address the underlying drivers of cash flow
- Connect underlying industry characteristics and business strategies with cash flow results
- Detect early warning signals from analysis of cash flow and debt service coverage
- Evaluate the adequacy of a corporation's cash flow through an analytical process
- Construct a cash flow statement in a recognised format
- Use cash flow statement in the credit analysis process
- Analyse a company's cash flow dynamics using cash flow ratios
- Calculate a company's debt capacity
- Use budgets and forecasts and also demonstrate how they are prepared in practice
- Build a forecasting model

Key Contents

- Need for Cash Flow analysis
- Needs, Sources and Uses - Statement of Cash Flows
 - Operating
 - Investing
 - Financing Activities
- Cash conversion cycle
 - Inventory >> Accounts Payable >> Cash >> Sale >> Accounts Receivable >> Cash
 - Services provided >> 'similar approach'
- Preparation of CF statement
 - Direct Method
 - Indirect Method
- Analysing Cash flow statements
 - Free Cash Flow
 - Cash Flow to Net Income Ratio
 - Cash to Monthly Cash Expense Ratio
- Competing needs for borrowers' cash flows
- Indications of healthy cash flows
- Stages of company and cash flow patterns
- Interpretation of a company's cash flow based ratios
- Cash exaggerations
- Recognizing non-recurring cash flows
- Projecting cash flows
- Critical factors affecting projections
- Strategic influences on projections
- Structuring of loans
- Assessing risk through sensitivity analysis
- Balance sheet based lending vs. cash flow based lending
- Cash flow based lending for services sector

CASH MANAGEMENT

Learning Outcome Statements

- Cash management and its importance
- Understand various instruments and cash management techniques
- Understand the importance of netting and pooling
- Understand the cash management strategies
- Understand the concept of NOSTRO/VOSTRO accounts and its effective utilization

Key Contents

- Float Time
 - The cost of poor cash management; invoicing; finality; value dating; payables and receivables management; liquidity and the cash cycle
 - Payment instruments (paper-based, electronic) and clearing systems (RTGS, NSS); domestic and international
 - Finality; value dating
- Cash Management Structure
 - Types of accounts; currency accounts; zero balance; lock box; disbursement
 - International account structures
- Liquidity Techniques
 - Notional pooling; cash concentration; cross border notional pooling
 - Short-term borrowing; investing; leading and lagging
- Further International Complexity
 - FX (spot, forward, swaps); regulations; netting
 - NOSTRO/VOSTRO accounts

OVERVIEW OF MERGERS AND ACQUISITIONS

Learning Outcome Statements

- Understand the strategy, focus behind M&A
- Distinguish between the categories in which M&A are classified
- Understand the valuation methodologies and the synergies
- Understand the due diligence and implementation process

Key Contents

- Drivers of M&A
- Understanding strategic focus
- Risks and rewards to different parties
- Different classification of M&A
- Analysing and differentiating between financing and operating synergies
- Use of financial statements to value a business
- Due diligence
- Concept of developing and implementing a plan
- Project Management as a Tool for Managing the Implementation Process
- Why mergers fail

NON-FINANCIAL ANALYSIS

Learning Outcome Statements

- Use qualitative analysis in credit assessment
- Balance the quantitative and qualitative aspect of risk assessment
- Use relevant management tools for conducting qualitative analysis
- Identify idiosyncratic risk pertaining to company or industry
- Include results of qualitative analysis in the credit memo

Key Contents

- Industry/market analysis
- Strategic evaluation using stakeholder analysis
- SWOT analysis
- Porter 5 forces
 - Buyer power
 - Supplier power
 - Competitive Rivalry
 - Threat of substitution
 - Threat of new entry
- Competitive position
- Management and controls
- Corporate governance
- Principles of risk evaluation
- Business Cycles
- Ingredients of a good credit application

BANK LENDING

Learning Outcome Statements

- Evaluate the credit standing of a corporate using qualitative and quantitative analysis
- Use forecasting tools to assess and anticipate the performance of a corporate
- Identify lending opportunities by scanning the business environment
- Build robust monitoring and covenant packages to meet the commercial needs of the bank and provide protection to the lender
- Use financial and non-financial appraisal techniques for screening loan proposals
- Prepare comprehensive and effective credit memos for consideration of credit committee
- Solicit new business and negotiate terms
- Manage lending relationship in mutual interest

Key Contents

- Lending principles
 - 5 Cs of credit
 - Preliminary analysis
 - Sources of additional information
 - Credit policy & procedures
- Changing environment for lending
 - Process of disintermediation
 - Increased competition
 - Reducing spreads
 - New lending products
 - Doubts about credibility of audited financial statements
- Asset conversion cycle of business
 - Operating cycle
 - Capital investment cycle
 - Time differences in cash flows and financing needs
 - Net working capital
 - Financing operating cycle
 - Working investment
 - Estimating financing need through financial ratios

PROJECT FINANCE

Learning Outcome Statements

- Seek business opportunities in long term lending
- Assist borrowers in formulating projects
- Identify and analyse financial and non-financial risks
- Structure project finance deals and participate in loan syndication
- Effectively monitor projects during implementation

Key Contents

- Definition – “Project Finance” as opposed to financing of a project
- Limited-recourse and non-recourse finance
- Risk/reward objectives of sponsors & lenders
- Balancing equity and debt
- Different types of debt – senior/subordinated/mezzanine
- Structural & pricing drivers
- Country/political risk
- Sponsors
- Supply/resources
- Sales/offtake
- Operation & maintenance
- Abandonment/decommissioning
- Quantitative risk analysis - project modelling
- Key ratios – annual debt service, loan life and project life covers
- Balancing equity and debt
 - Financing operating cycle
 - Design of project models
 - Modelling best practice
 - Developing an appropriate base case
 - Setting economic and technical parameters
 - Sensitivity analysis
 - Choosing/calibrating sensitivities
- The Players and their interests
- Ownership structures
- Role of advisers
- The financial feasibility study/debt structuring
- The information memorandum
- Debt underwriting/syndication
- Financial close
- Post-close monitoring

FACILITY STRUCTURING AND NEGOTIATING

Learning Outcome Statements

- Understand the importance of effective loan structuring and negotiating in a competitive environment
- Package facilities/products effectively
- Decide risk rating and pricing of loans
- Stipulate covenants to protect bank's interest
- Negotiate mutually acceptable and beneficial terms

Key Contents

- Lending environment – Opportunities & Challenges
- Elements of loan structuring
- Risk rating of borrowers
- Loan pricing strategies
- Customer Profitability Analysis
- Risk Adjusted Return on Capital (RAROC)
- Types of covenants – affirmative, negative and financial
- Negotiations as a strategic tool for successful lending
- What is negotiation
- Styles of negotiation
- Planning & preparing for negotiations in lending
- Conducting lending negotiations (case analysis and role plays)