

# Chartered Banker

Specimen Paper

## **Fundamentals of Credit Risk Management**

Time allowed: 90 minutes (full examination).

**Please refer to the following notes**

- In the actual exam, 75 questions should be answered in 90 minutes, so be careful to time your responses accurately.
- Record your answer for each question by circling your selected answer.
- When you have finished all the questions, please check your answers against the answer sheet at the back of this paper.

**The exam is scored as follows:**

- 60 – 80 marks = Pass
  - 48 – 59 marks = Marginal Fail
  - 0 – 47 marks = Fail
- Please ensure you interpret your results from completing these questions in line with the above grade boundaries.
  - For those questions you answered incorrectly, the answer sheet will show you the corresponding chapter and sub-section against which the questions were written, so you can identify any topic areas you may need to review further.

1. Banks define credit as which one of the following?

- a. An agreement between the bank (the borrower) and the customer (the lender) where the bank agrees to borrow funds from the customer and to repay them at a later date.
- b. An agreement between the bank (the lender) and the customer (the borrower) where the customer agrees to borrow funds from the bank and to repay them at a later date.
- c. An agreement between the bank (the borrower) and the customer (the lender) where the customer agrees to deposit funds with the bank and bank will repay them at a later date.
- d. An agreement between the bank (the lender) and the customer (the borrower) where the bank agrees to invest funds with the customer and to customer will pay a return at a later date.

2. How is Net Interest Margin defined?

- a. As the difference between the rate of interest received from borrowers and the rate of interest paid to depositors.
- b. As the interest received from borrowers minus all of the costs associated with lending to the borrower.
- c. As the interest received from borrowers minus both the interest paid to depositors and the risk premium associated with the borrower.
- d. As the difference between the rate of interest paid to depositors and the rate of interest received from borrowers.

3. SACCO Q offers revolving credit facilities to its customers. What kind of loan is this?
- A short-term loan where the principle borrowed is based on a percentage of the customers pay check.
  - A line of credit up to a pre-agreed limit which the borrower can draw upon as required.
  - The provision of a fixed amount of funding for an agreed period of time for a specific purpose.
  - Funds are secured against a company's debt.
4. If a credit exposure has an LGD of 75,000 a PD of 12% and an RR of 70%, what is the expected loss?
- USD 2,700
  - USD 6,300
  - USD 9,000
  - USD 30,000
5. One of International Bank's customers has an expected loss of USD 12,000, a probability of default of 20% and an exposure of default of USD 200,000. What is International Bank's expected recovery rate for this customer?
- 80%
  - 40%
  - 30%
  - 70%

6. Bank M has suffered significant losses in its credit portfolio which exceed its loan loss reserves, retained earnings and long term debt. What else should Bank M use to cover these losses?
- Its customer deposits.
  - Its cash holdings.
  - Its equity.
  - Its liabilities.
7. The level of capital necessary to support a bank's lending activity is termed:
- Risk capital.
  - Capital adequacy.
  - Share capital.
  - Economic capital.
8. What type of bank is one that normally operates within a single country or localised geographic region and services both the transactional and borrowing needs of regional SME companies?
- Retail bank.
  - Investment/merchant Bank.
  - Commercial Bank.
  - Wholesale Bank.

9. Bank A quantifies both the likelihood of the ability or willingness of a borrower to repay a loan and the potential level of losses that could be incurred if a borrower does not repay. What is it measuring?
- Probability of Default and Loss Given Default.
  - Probability of Default and Expected Loss.
  - Exposure at Default and Loss Given Default.
  - Exposure at Default and Expected Loss.
10. For a financial institution what does funding liquidity mean?
- Purchasing assets with borrowed funds.
  - Funding loans and repaying depositors on demand.
  - Ability to trade in the market without a significant impact on the price.
  - Raising capital and paying dividends.
11. MMM Engineering is a manufacturing company operating in Kenya. It employs nine people, has investments in its machinery of nine million Kenyan Shillings and a turnover of five hundred thousand Kenyan Shillings. What kind of corporate borrower would MMM Engineering be classified as?
- Large enterprise.
  - Medium enterprise.
  - Small enterprise.
  - Micro enterprise.

12. Mark obtained a loan from Bank Q recently. Soon after the loan was provided, Mark defaulted on this loan. As a result Mark's credit score should:
- Increase a little.
  - Double.
  - Remain the same.
  - Decrease.
13. An approach to fundamental credit analysis is referred to be the mnemonic PARTS. What does PARTS stand for?
- Principle, Analysis, Repayment, Tenor & Sustainability.
  - Provisions, Activity, Resolve, Technology & Security.
  - Purpose, Amount, Restriction, Terms & Surety.
  - Purpose, Amount, Repayment, Terms & Security.
14. If a company has a gearing (leveraging) ratio of 50%, for every 1 KES of bank debt how much of its own funds must it have?
- 50 KES
  - 5 KES
  - 2 KES
  - 0.5 KES

15. XYZ Ltd has taken a large corporate loan from your institution and has an outstanding principle of USD 1,000,000 with accrued interest of USD 100,000. You estimate that in the event of default you can recover 75% of the exposure. What is the potential level of loss that you could incur if XYZ Ltd defaults?
- a. USD 1,100,000
  - b. USD 250,000
  - c. USD 750,000
  - d. USD 275,000
16. When considering the amount a customer wishes to borrow, which is NOT a consideration?
- a. Debt capacity of the borrower.
  - b. Cash generated for debt service.
  - c. Adequacy of the borrower's contribution.
  - d. Ease of enforcement.
17. In the cash conversion cycle, the gap between the value of working assets and spontaneous financing is called?
- a. Working Capital.
  - b. Financing gap.
  - c. Permanent funding.
  - d. Cash shortfall.



18. A supermarket business is most likely to:
- Sell stock for cash before it makes payment to suppliers.
  - Sell stock on credit terms.
  - Need an overdraft to cover working capital shortfall.
  - Have high debtor financing needs.
19. In accounting terms, Working Capital is defined as what?
- The audited reserves of retained profit from previous operating cycles.
  - The net operating profit of the borrower in the current accounting period.
  - The equity capital raised from investors for business development purposes.
  - The difference between the current assets of a business and its current liabilities.
20. What do the 4 c's mean in relation to any assessment of the borrower?
- Character, Collateral, Competency and Capital.
  - Commitment, Collateral, Complexity and Character.
  - Character, Commitment, Competency and Capacity.
  - Character, Capacity, Control and Collateral.

21. When analysing the character of a business, the analyst would typically ask one of the four following questions?
- What is the reputation of the potential borrower's management?
  - How many defaults have occurred by competitors?
  - What is the total debt of the borrower?
  - How many years has the business been operational?
22. Working capital is defined as:
- The share capital of the business.
  - The economic capital of the business.
  - The value of the difference between the current assets and current liabilities of the business.
  - The amount of the cash available to the business.
23. When analysing a potential business customer, what information could have the greatest impact on the credit decision?
- Historic and future projected financial information.
  - Previous good credit and account performance.
  - A rating from a reference agency or credit bureau.
  - All of the above.

24. What are the main reasons business customers borrow?
- a. Because they make losses and run out of cash.
  - b. For seasonal and long-term financial needs.
  - c. Management require to expand the business.
  - d. The tax authority requires payment.
25. Customer B wishes to have an unsecured lending facility which is pre-approved up to an agreed limit, giving them access to borrowing as and when required. Which of the following lending products would be the most appropriate for customer B?
- a. Bridging loan.
  - b. Hire purchase.
  - c. Term loan.
  - d. Authorised overdraft.
26. Why would a customer who is importing goods from another country have a financial institution issue a Letter of Credit on their behalf?
- a. To guarantee to the seller that payment will be made on receipt of the goods.
  - b. To establish a credit facility with the seller of the goods.
  - c. To minimise currency risks by fixing the future exchange rate when paying for the goods on receipt.
  - d. To ensure that the goods will arrive as quickly as possible minimizing any customs delays.

27. Which of the following is a typical feature of a personal loan?
- a. They are more expensive than other loans such as credit cards and overdrafts.
  - b. They have an agreed limit and the customer can draw down up to the limit at any point during the life of the loan.
  - c. They have a variable interest rate calculated on a daily basis.
  - d. They are for a fixed amount of time.
28. Martin is a farmer who needs to raise funds at the beginning of every growing season to cover the cost of planting his crops. What kind of financing should Martin obtain to cover his costs?
- a. Seasonal funding.
  - b. Permanent funding.
  - c. Cyclical funding.
  - d. Line of credit.

29. Bank C is takes a USD 200,000 residential property as security by way of a legal mortgage against a customer's housing loan of USD 75,000. If Bank C applies a discount of 75% to the market value to allow for a future fall in value, what is the value of the security?
- a. USD 50,000
  - b. USD 75,000
  - c. USD 125,000
  - d. USD 150,000
30. Which one of the following is a negative covenant?
- a. Pay interest and capital on agreed dates
  - b. Levels of capital or change in ownership.
  - c. Debtor and creditor age lists, and asset valuations.
  - d. Adhere to certain ratios
31. You have been approached by a medium-sized company requesting a loan facility. You are concerned that the potential customer may not have sufficient net income to repay the loan and the customer does appear to have sufficient assets to cover the loan. What must you consider before approving the request?
- a. How long has the customer owned the assets.
  - b. What are the future plans for these assets.
  - c. Where are the assets located.
  - d. Will the customer willingly sell the assets to cover the debt.

32. An acronym to help remember the basic tenants of good security is MAST. Within MAST what does M stand for?
- a. Maturity
  - b. Marketability
  - c. Movability
  - d. Measurable
33. The lending business within Bank D has decided that it will grant mortgages to customer with a 'loan to value' of greater than 100%. Why has Bank D made this decision?
- a. Because of competition from other banks and because it expects property prices to rise during the life of the mortgages.
  - b. Because it is required to by regulation.
  - c. Because it has had a large increase in deposits and can fund the mortgages relatively cheaply increasing the return on the loan.
  - d. Because it has a large surplus of capital which will cover any losses, therefore manging the increase in credit risk.

34. Regulators are concerned about contagion within the financial system. What is meant by contagion?
- a. Contagion occurs when the failure of a business within a financial institution spreads to other business lines.
  - b. Contagion occurs when a crisis at one financial institution spreads to others within the same country.
  - c. Contagion occurs when a banking crisis in one country quickly spreads to other countries.
  - d. Contagion occurs when a large number of customers simultaneously demand the return of their deposits as they no longer have confidence in the financial institution.
35. Why do lenders use loan syndication, sharing the loan with other parties?
- a. The exposure is too big for a single institution to hold on its books.
  - b. To share the income with other financial institutions increasing the stability of the financial system.
  - c. To meet the borrower requirements of spreading the loan across different lenders to manage the risk of aggressive arrears management.
  - d. To minimise the operational costs associated with large lending.
36. Why can the percentage loss of a bank's equity be several times the loss in its assets?
- a. Provisions.
  - b. Fixed costs.
  - c. Leverage.
  - d. Regulation.

37. Bank X ensures its lending portfolios are spread across different industry sectors, geographical regions and customer types. By adopting this approach what risk is Bank X mitigating?
- a. Counterparty risk.
  - b. Diversification risk.
  - c. Concentration risk.
  - d. Delinquency risk.
38. Who are the major users of the credit ratings produced by ratings agencies?
- a. Borrowers.
  - b. Banks.
  - c. Regulators.
  - d. Investors.
39. Bank J has recently implemented an intelligent knowledge-based system for its small and medium sized lending. Why has it done this?
- a. To comply with investors requirements to lower cost and improve the return on investments.
  - b. To enhance its reputation, as it will be seen as an innovative bank, being an industry leader adopting brand new technology.
  - c. To comply with regulations that specify all banks should adopt such systems.
  - d. To enhance the experience of its lending experts by feeding the rules and observations developed from their working lives into a computer model.



40. How do credit rating agencies differ from lending institutions?
- The do not advance funds to borrowers.
  - They use both quantitative and qualitative techniques to determine the credit rating of borrowers.
  - They evaluate the creditworthiness of borrowers.
  - They assign credit ratings to borrowers.
41. Imogen applied to SACCO KK for a personal loan and as her credit rating was good the loan was approved. Unfortunately just shortly obtaining the loan Imogen lost her job and as a result defaulted on the loan. The following year Imogen was back in employment and applied to borrow funds from a local commercial bank. What do you think will have happened to Imogen's credit score?
- It has decreased.
  - It has remained the same.
  - It has increased.
  - it has been frozen during unemployment.
42. Michael asks Bank E for a personal loan. As part of the application process Bank E collects information about Michael. Which of the following pieces of information would have the biggest impact on the decision to lend to Michael?
- Credit Scorecard.
  - Occupation.
  - Location.
  - Current salary.

43. Where does a bank record its provisions for loan losses?
- a. In its loan loss reserves.
  - b. On its balance sheet.
  - c. In its income statement.
  - d. On its asset sheet.
44. Why are financial institutions regulated?
- a. To ensure the stability of the financial system.
  - b. To ensure the stability of financial institutions.
  - c. To ensure the stability of customers.
  - d. To ensure the stability of governments.
45. Why would a bank implement corporate social and environmental policies?
- a. To comply with its ethical responsibilities towards abiding by all regulations and laws.
  - b. To comply with its responsibilities towards its investors, maximizing return.
  - c. To comply with its ethical responsibilities to all of its stakeholders.
  - d. To comply with its responsibilities towards ensuring its culture, business model or its implementation results in fair outcomes for customers.
46. It is reported that Bank K has suffered significant losses in its loan portfolios and may be in trouble. As a result Bank K suffers a run on the bank. The next day several other banks in the region also suffer bank runs. What is this impact on the financial system known as?
- a. Meltdown.
  - b. Panic.
  - c. Contagion.
  - d. Insolvency.

47. Which one of the following is most likely to lead to a bank run?
- a. A bank refusing customers request to borrow funds.
  - b. A bank unable to meet customers request to withdraw deposits.
  - c. A customer's inability to pay the interest due on a loan.
  - d. A supervisor imposing a fine on a bank for breach of regulations.
48. Reputational risk is defined as the potential loss from what?
- a. A bank's inability to meet its own obligations.
  - b. An increase of a bank's negative public opinion.
  - c. A decrease in a bank's competitive position.
  - d. The change in a bank's assets due to declining economic conditions.
49. Why might a financial institution decide **not** to offer microfinance products?
- a. Lower income individuals and households are always a higher risk than other borrowers.
  - b. Government policy.
  - c. The typical customer of microfinance products will never be able to afford them due to the poverty trap.
  - d. The administrative overheads and costs of lending to microfinance customers are too high.
50. When does delinquency occur?
- a. When a payment is one day overdue.
  - b. When a payment is thirty days overdue.
  - c. When a payment is ninety days overdue.
  - d. When a payment is one hundred and eighty days overdue.

51. Jacob is a microfinance lending officer. Which of the following is a typical customer Jacob will lend to?
- a. A small shop.
  - b. Government organization.
  - c. International corporation.
  - d. Large retail company.
52. Why would a microfinance customer require medium-term lending?
- a. To fund the purchase of consumer goods.
  - b. To provide temporary assistance when the customer has no income.
  - c. To provide working capital for the customer.
  - d. To fund the purchase of machinery.
53. In microfinance lending what should the primary source of repayment be?
- a. Realisation of the customers security.
  - b. The income/earnings of the customers.
  - c. Funds from the customer's guarantor.
  - d. Government grants.
54. Which one of the following would be classified as large personal lending?
- a. Credit Card.
  - b. Authorized Overdraft.
  - c. Home Loans.
  - d. Consumer Lending.

55. Why is the most important reason for a financial institution to carry out deep and thorough customer due diligence?
- a. Enhances the bank's reputation and makes the customer feel confident their money is secure.
  - b. Establishes the customer's true identity, their credibility and allows the bank to understand the financial crime risk.
  - c. Identifies how the bank can make a larger return on the customer.
  - d. Allows the bank to develop an accurate marketing profile of the customer.
56. What is credit scoring wholly based on?
- a. Judgement.
  - b. Opinion.
  - c. Statistical probabilities.
  - d. Actuarial mathematics.
57. When comparing the process of appraising retail credit with the process of appraising corporate credit, which of the following statement is most likely to be considered as FALSE?
- a. In retail credit there is usually one person handling the entire process, while there is a team of people involved in the corporate credit process.
  - b. The structure of the retail lending process is very similar to the corporate lending process.
  - c. The retail lending process typically only reviews limited information relying mainly on credit scoring whilst the corporate process focuses on information provided by the borrower and rating agencies.
  - d. The retail credit process is as time-consuming as the corporate credit process.

58. You work in a mortgage business and have been approached by a customer who requests an open-ended bridging loan as they have a unique opportunity to buy a house. How should you respond to the customer?
- a. Reject the customer request.
  - b. Explain to the customer the particular kind of risks they are taking with this kind of product before proceeding with the application.
  - c. Automatically approve the loan and advance the funds as the rise in value of the property will cover any potential losses.
  - d. Tell the customer that in addition to a significant interest charge they must take out insurance to cover the possibility of not being able to repay the loan.
59. According to Professor Michael Porter there are only three genuine Market Strategies. What are they?
- a. Sales, costs and suppliers.
  - b. Economic cycle, market and regulation.
  - c. Low cost producer, differentiation and focus.
  - d. Marketing, sales and manufacturing.
60. When lending to a company why does a financial institution review the borrowers products, resources and management?
- a. To assess the borrower's financial risk.
  - b. To assess the borrowers default risk.
  - c. To assess the borrower's structural risk.
  - d. To assess the borrower's business risk.

61. Belinda has received a request for a loan from a corporate customer? As part of the credit analysis Belinda determines the structure of the credit extended to the borrower. What kind of risk is Belinda considering?
- Financial risk.
  - Business risk.
  - Legal risk.
  - Conditional risk.
62. Gloria is a corporate lending officer working for a local commercial bank. As part of the credit analysis Gloria considers the business risk associated with a potential borrower. When assessing the business risk in her potential customers what should Gloria consider?
- How easy is it for the borrower to maintain a profitable level of sales revenue given a range of economic scenarios?
  - The degree of financial pressure which the borrower will be under in the foreseeable future.
  - The risks associated with the borrower (sources of cash flow, other exposures, current faculties)
  - The quality of the borrower's management and their ability to make the right decisions in both the short and long-term.
63. Lawrence works in corporate lending and has been asked to determine a customers' quick ratio. What would Lawrence measure?
- The ratio between assets and liabilities.
  - The ratio between assets and liabilities plus equity.
  - The ratio between assets minus stock and liabilities.
  - The ratio between assets and near cash liabilities.

64. Which of the following is a general characteristic of medium-term lending?
- Is repayable within 12 months.
  - Provides funds to meet seasonal requirements.
  - Repayments are scheduled over a predetermined period.
  - Is repayable on demand at any time.
65. Why would a bank add a covenant to a facility letter for a borrower?
- To ensure the borrower maintains sufficient financial strength to service the loan.
  - To ensure the bank holds sufficient capital to cover the risk in the loan.
  - To ensure the borrower's legal rights are protected.
  - To ensure the bank is compliant with local laws and regulations.
66. Why is Islamic Banking different from other forms of financial activities?
- Islamic banks do not pay or receive interest.
  - Islamic banks do not lend funds to their customers.
  - Islamic banks do not have depositors.
  - Islamic banks do not operate outside of Islamic countries.
67. In Islamic Banking, what is a Murabaha?
- Using analytical reasoning to extrapolate answers to questions from existing elements of the Shari'a.
  - A money transfer from one person to another.
  - A sight deposit with a bank that is repayable by the bank on demand and pays no return to the depositor.
  - A contract under which a bank provides a customer with goods now and receives payment in future.



68. Which of the following risks is of greater importance to Islamic banks than non-Islamic banks?
- a. Credit.
  - b. Reputational.
  - c. Operational.
  - d. Liquidity.
69. An Istisna' is an Islamic finance product that provides funding to allow a customer to manufacture goods. What kind of goods cannot be financed by an Istisna'?
- a. Technology or communication goods.
  - b. Machinery.
  - c. Raw or agricultural goods.
  - d. Transportation.
70. Your customer Company J, an Islamic construction company, has won a contract to build a new residential and commercial building in one of your countries large cities. Company J needs to borrow funds to finance the project until it can sell the apartments in the tower block. You agree to supply the funds to Company J and to split the profits from the project. Company J agrees to manage the venture. By what name is this type of Islamic finance product known?
- a. Salam.
  - b. Mudaraba.
  - c. Tawarruq.
  - d. Ijara.

71. Why would a financial institution be concerned about a borrower continually switching funds between accounts with different lenders?
- Impact on profit – the switching of funds limits the ability to raise revenue from the customer.
  - Quality of service – the customer may be switching the funds due to dissatisfaction resulting from poor service.
  - Warning sign of default – the customer may be switching funds in an attempt to hide the extent of their financial distress.
  - Reduction of reputation – the switching of funds may indicate the customer's concern over the financial stability of the bank.
72. When lending to large companies Bank O always tells its customers that they should contact the bank at the earliest time if they are entering a period of financial stress. Why does Bank O operate this policy?
- Bank O wants to be able to help with some corrective action or forbearance on the credit facilities before it becomes a serious problem.
  - Bank O wants as much notice as possible to start recovery procedures to minimize losses on default.
  - Bank O to move the customer to its turn-around unit at the earliest opportunity to maximize revenue as this unit charges increased fees.
  - Bank O wants to establish itself as the preferred creditor in the event of the customer becoming bankrupt and help appoint an administrator.

73. Greg works in the non-performing loans department and needs to understand the remedial action a customer in difficulty is willing to take. Which one of the following questions would Greg typically ask the customer?
- What is the customer's present commitments?
  - What is the reputation of the borrowers' management in the industry?
  - Will the businesses management be willing to make hard decisions about the business and what personal sacrifices will they make to save it?
  - Will the value of the assets in the company cover the outstanding debts?
74. You have reviewed the accounts of a large corporate customer and find that the signs are not good. It appears that the customer may be about to default and will possibly become bankrupt in the near future. In terms of credit risk what are you most likely to see?
- The expected loss exceeds the loss given default.
  - The loss given default is decreasing.
  - There is no change in either the loss given default or the expected loss.
  - The expected loss is almost equal to the loss given default.
75. Under IFRS 9 how are loan expected loss provisions calculated?
- As the difference between the book value of an asset and the discounted expected cash flows of the asset.
  - As the difference between the book value of a liability and the discounted expected cash flows of the liability.
  - As the difference between the book value of an asset and the book value of the liability used to fund the asset.
  - As the difference between a percentage of the outstanding asset and the expected loss on default of the asset.

## ANSWER SHEET

### Fundamentals of Credit Risk Management

Question	Answer	Text Reference
1	B	Chapter 1, Section 1. Introduction.
2	A	Chapter 1, Section 2. Process of Credit Generation.
3	B	Chapter 1, Section 5. Types of Lending.
4	C	Chapter 1, Section 8. The Components of Credit Risk.
5	C	Chapter 1, Section 8. The Components of Credit Risk.
6	C	Chapter 1, Section 1. Introduction.
7	B	Chapter 1, Section 2. Process of Credit Generation.
8	C	Chapter 2, Section 2. Different Types of Lending Institution and the Nature of their Lending.
9	A	Chapter 2, Section 3. General Principles of Good Lending.
10	B	Chapter 2, Section 1. What Do Financial Institutions Do?
11	D	Chapter 2, Section 2. Different Types of Lending Institution and the Nature of their Lending.
12	D	Chapter 2, Section 4. General Principles of Good Lending.
13	D	Chapter 3, Section 1. Introduction.
14	C	Chapter 3, Section 2. Evaluating the Borrowing Purpose.
15	D	Chapter 3, Section 2. Evaluating the Borrowing Purpose.
16	D	Chapter 3, Section 3. Evaluating the Borrowing Purpose
17	B	Chapter 3, Section 2. The Reasons Why Customers Want to Borrow Money.
18	A	Chapter 3, Section 2. The Reasons Why Customers Want to Borrow Money.
19	D	Chapter 3, Section 7. The Reasons Why Customers Want to Borrow Money.
20	C	Chapter 3, Section 12. Summary.
21	A	Chapter 3, Section 2. The Reasons Why Customers Want to Borrow Money.
22	C	Chapter 3, Section 2. The Reasons Why Customers Want to Borrow Money.
23	D	Chapter 3, Section 4. Assessing the Sources of Debt repayment.
24	B	Chapter 3, Section 2. The Reasons Why Customers Want to Borrow Money.
25	D	Chapter 4, Section 4. Personal Lending Products.
26	A	Chapter 4, Section 5. More Specialist Forms of Business and Corporate Borrowing.
27	D	Chapter 4, Section 4. Personal Lending Products
28	A	Chapter 4, Section 5. More Specialist Forms of Business and Corporate Borrowing.
29	B	Chapter 5, Section 4. The Fundamentals and Legality of Security.
30	B	Chapter 5, Section 7. Corporate Lending and Security.
31	D	Chapter 5, Section 7. Corporate Lending and Security.
32	B	Chapter 5, Section 3. The Attributes of Good Security.
33	A	Chapter 5. Section 4. The Fundamentals and Legality of Security.
34	C	Chapter 6, Section 1. Introduction.
35	A	Chapter 6, Section 4. Credit Risk Portfolio Management.
36	C	Chapter 6, Section 2. Credit Risk in Banking.
37	C	Chapter 6, Section 4. Credit Risk Portfolio Management.
38	D	Chapter 7, Section 4. Credit Information – Sources and Uses.

Question	Answer	Text Reference
39	D	Chapter 7, Section 4. Credit Information – Sources and Uses.
40	A	Chapter 7, Section 4. Credit Information – Sources and Uses.
41	A	Chapter 7, Section 4. Credit Information – Sources and Uses.
42	A	Chapter 7, Section 4. Credit Information – Sources and Uses.
43	C	Chapter 7, Section 4. Credit Information – Sources and Uses.
44	A	Chapter 8, Section 1. The Objectives of Regulations.
45	C	Chapter 8, Section 4. Corporate Responsibilities.
46	C	Chapter 8, Section 1. The Objectives of Regulations.
47	B	Chapter 8, Section 1. The Objectives of Regulations.
48	B	Chapter 8, Section 6. Protecting the Brand – Reputational Risk
49	D	Chapter 9, Section 4. An Overview of the Microfinance Process
50	A	Chapter 9, Section 7. Delinquency.
51	A	Chapter 9, Section 1. How Microfinance Differs from other Lending.
52	D	Chapter 9, Section 5. Principles of Microfinance Lending.
53	B	Chapter 9, Section 6. Assessing the Borrower.
54	C	Chapter 10, Section 4. Large Personal Lending.
55	B	Chapter 10, Section 6. Customer Due Diligence.
56	C	Chapter 10, Section 2. Appraising the Lending Proposition.
57	D	Chapter 10, Section 2. Appraising the Lending Proposition.
58	B	Chapter 10, Section 4. Large Personal Lending.
59	C	Chapter 11, Section 2. Assessing the Risks and Structure for Analysis.
60	D	Chapter 11, Section 2. Non-Financial Information and its Appraisal.
61	A	Chapter 11, Section 2. Non-Financial Information and its Appraisal.
62	A	Chapter 11, Section 2. Non-Financial Information and its Appraisal.
63	C	Chapter 11, Section 4. Financial Appraisal.
64	C	Chapter 11, Section 8. Medium-Term Lending and Facility Letters.
65	A	Chapter 11, Section 8. Medium-Term Lending and Facility Letters.
66	A	Chapter 12, Section 1. What makes Islamic Banking different?
67	D	Chapter 12, Section 4. Financing Products.
68	D	Chapter 12, Section 1. What makes Islamic Banking different?
69	C	Chapter 12, Section 4. Financing Products.
70	B	Chapter 12, Section 4. Financing Products.
71	C	Chapter 13, Section 3. Types of Potential Problems and Early Warning Signs.
72	A	Chapter 13, Section 4. Larger Business Customers and Incorporated Businesses.
73	C	Chapter 13, Section 3. Types of Potential Problems and Early Warning Signs.
74	D	Chapter 13, Section 4. Larger Business Customers and Incorporated Businesses.
75	A	Chapter 13, Section 5. Non-Performing Loans and the New Accounting Rules IFRS9.