

Procedures Manual: Consumer Credit

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Introduction

Scope

These procedures are designed to meet the organizational requirements, as they exist today and to provide flexibility for the future. They represent the minimum standards required by PESA Finance (Z) Ltd Credit and are not a substitute for experience, common sense and good judgment.

Credit risk cannot be measured or monitored in isolation of other risks, in particular, market, cross border and legal risks. This Credit Policies and Procedures should therefore be used in conjunction with the other Risk Management policies i.e. Market Risk Policies, Operating Risk Policies, Liquidity Risk Policies and Country Risk Policy, as well as all other applicable PESA Finance (Z) Ltd policies.

It should be noted that, whilst the purpose of this Manual is to document core credit procedures for identifying, measuring, approving, reporting and achieving consistency of standards and business practices across PESA Finance (Z) Ltd , countries will be expected to formulate their own Local Procedures Manual listing exceptions to their own individual circumstances resulting from their local conditions. The Local Procedures Manual will be approved by Head Office Credit and be reviewed every year.

It is expected that some businesses may require more detailed procedural documents in order to implement these policies. It is the responsibility of the business to prepare and obtain Head Office approval of these business-specific procedures, and to ensure their consistency with the overall PESA Credit Policies and Procedures.

Audience

This document is designed for easy use and reference by all members of the PESA group at all experience and responsibility levels who are directly and indirectly involved in the credit process. This includes senior management, policy makers and internal auditors and reviewers. These Credit policies and procedures will also act as a cornerstone in the credit training of staff at all levels and in all business within the PESA Finance (Z) Ltd .

The following should be read together with the Credit policy:

- Business unit credit related policies.
- Internal policies and procedures as applicable.
- Delegated authorities as approved by PESA and its executives.
- Country Risk Policy.
- General and Specific Debt Policy.
- Environmental Policy.

PESA Finance (Z) Ltd operates on the basis of individual and combined authorities. All Approving Officers are held accountable for exercising utmost professional care in their approval decisions.

Credit Principles

Risk Management Principles

The following Credit Risk Management Principles will be adopted organization-wide and must be adhered to with total commitment.

- We will only do business with individuals and companies that evidence a high level of integrity, a track record of incurring obligations prudently and servicing them diligently, and exhibiting a moral responsibility for all obligations.
- We will not compromise credit quality for the sake of volume or short-term profits.
- Credit quality is the joint responsibility of all Managers, General Managers and Approving Executives.
- We will only commit our capital following thorough professional research and analysis, utilizing all expertise resident in the organization and utilize external experts all of which will contribute to PESA Finance (Z) Ltd risk assessment process.
- The integrity of our portfolio management process is dependent upon timely and accurate risk ratings. Deterioration in credit risk, real or potential, must be quickly identified and communicated to facilitate the appropriate action.
- Credit and management audits are an important line of defense against possible risk asset portfolio problems. Deficiencies cited in such audits must receive prompt remedial action.
- Individuals are expected to manage assets, risks and products as if they were their own property.
- Lending to directors and/ or shareholders - Since directors and shareholders have a special relationship to the MFI, it is most important that credit facilities should be assessed on the basis of objective and strict credit criteria. In essence, it should be demonstrable that credits granted to directors/shareholders meet the highest standards of credit criteria and exhibit undoubted quality.

It is, clearly, extremely undesirable that the MFI should become involved in litigation proceedings with its own directors or shareholders, for recovery of indebtedness, and unfair to place the local credit authority in such a position.

All loans or borrowings to directors/shareholders and, where considered appropriate, businesses controlled by non-executive directors/shareholders, irrespective of amount, should be forwarded, together with the recommendation of the Country Head/Chief Executive Officer to PESA's Board for decision.

- Lending to Head of States/Cabinet Ministers should be treated in the same way as lending to Directors and shareholders.

The purpose of these generic policies is to achieve a consistency of standards, business practices, and ultimately the prudent employment of risk capital across our business. This, which must be followed without exception.

General Guidelines

- In line with standard lending guidelines, all assets charged to the MFI must be adequately insured with the MFI's interest noted on the policy document or the policy of insurance ceded to the MFI. The insurance should form a part of normal security documentation. In addition, all properties valued at above a figure to be determined by each Country Head, and which are hypothecated to the MFI, must be professionally valued with re-valuations on either a "drive by" or formal basis at laid down intervals so that extended values can be realistically assessed at the time facility reviews take place. In respect of legal matters these must be handled by approved firms of attorneys. All official Insurers, Valuers and Attorneys are to be reviewed from time to time by Country Credit Managers with names submitted in February of each year to Board for approval.
- Information about and received from our clients which has not been publicly disclosed is kept strictly confidential and made available only to those PESA Finance (Z) Ltd employees and legal advisors who need to know, or as required by law or authorized by the client. Such information may not be used by PESA Finance (Z) Ltd or its employees for their own advantage or to the detriment of clients or third parties.
- Any exception to the policies and procedures herein (unless otherwise specifically addressed within this document), must be approved by Head Office Credit. All exceptions must be documented in the Local Policy and Procedures Manual. On the other hand if exceptions are transaction related the exception should be filed in the relevant transaction file and must carry either an expiration date or a review date. It is the responsibility of the Head of Credit in countries to maintain a file of approved policy exceptions.
- If any PESA entity provides facilities to a customer whose ownership and the bulk of whose assets are in another country in which a PESA entity operates, responsibility for such facilities should normally be assumed by the PESA entity in the country in which the customer is headquartered. In instances where the PESA entity does not have a relationship with the customer, another PESA entity may provide facilities. In all instances the MFI making facilities available will be responsible for the facilities itself. Irrespective of the security held, such facilities still require to be placed on record with the PESA entity where the customer is headquartered. This arrangement is necessary to ensure that a position does not arise where more than one member of the PESA group makes facilities available with reliance on the same assets. The appropriate approval from the Country Risk Committee, within their sanctioning authority, is required.
- Where an official exercises a delegated personal lending authority, this person is precluded from utilizing this authority in respect of facility applications from a close relative or an application on behalf of a company, business or other enterprises in which the official or a family member has an interest. Such matters are to be referred to the next higher authority.

Lending Guidelines

Applications for credit facilities vary and cannot be handled in the same way. Judging the merits of applications for credit facilities is based on the following considerations:

- *Safety;*

The safety of the MFI's money is judged primarily on whether the MFI has confidence in the ability of the principal obligant (the borrower) to repay the loan

- *Ability of the borrower to repay;*

- *Amount required;*

The following questions require answers concerning the amount required. Is it?

- Reasonable in relation to the applicant's own resources and ability to repay?
- Realistic in relation to the applicant's cash flow projections?
- Sufficient for the purpose required?

Cash flow projections are to be fully discussed with the customer, particularly to ensure that no expenditure has been left out.

- *Period;*

The following questions require answers concerning the period of the loan. Is it?

- Realistic based on the cash flow projections provided?
- Structured on the most appropriate short or medium-term basis?

Regardless of the period of the loan all facilities are to be reviewed at least every twelve months.

- *Source of repayment;*

The source of repayment must:

- Clearly be established from the outset to the MFI's satisfaction; and
- Fit in realistically with the cash flow and profit projections.

- *Character of the borrower;*

The following questions require answers concerning the character of the borrower and should be based on sound knowledge and assessment. They are:

- Is the applicant prudent and conservative or over-optimistic and wasteful?
- Can the applicant's word be trusted with regard to details about the proposal and the repayment arrangements?
- Has the previous conduct of the account been satisfactory?
- If, the applicant MFIs at another institution, the applicant's exposure at other MFI's are to be taken into account and the application is to be carefully assessed.
- Is the applicant's record clear at the credit bureau?

- *Purpose;*

The purpose of the loan has to be:

- According to the MFI's lending policy objectives;
- Legal;

- In compliance with Exchange Control Regulations; and
- Within the applicant's power to borrow.

▪ *Borrower's connections*

The following questions require answers concerning the borrower's connections, which are:

- Does the applicant have any direct or indirect connections with the MFI, for example, through a parent company or an influential close relative?
- Are the connections valuable enough, to influence the lending decision?
- Does the potential exist to gain worthwhile additional business through the relationship?

All possible consequences of granting or refusing a loan are to be considered and the effect on the MFI's profitability is to be estimated. This includes taking into account the possibility of losing borrowing accounts and investments that are controlled or influenced by the applicant and the applicant's family.

It is important not to be unduly influenced by unjustified claims, for example, a threat from the applicant, that the applicant's father or uncle who is saving with the MFI, will move their Saving accounts to another MFI if the facilities sought are not granted.

Not granting a loan seldom results in the loss of other saving accounts where those customers are satisfied with the MFI's service. When considered necessary, the valued customer is to be contacted, with the applicant's consent, so that their reaction may be more accurately assessed.

▪ *Provision of collateral,*

The MFI does not lend solely against collateral. No advance can be justified solely on the grounds that the borrower is able to provide adequate collateral. If security is offered, accept it only where the customer qualifies for the facility

The MFI prefers to regard collateral as a form of insurance against unforeseen events, which could result in the borrower being unable to repay his indebtedness from profits or other sources as originally envisaged.

While there is no simple formula to determine whether an advance should be fully or partly secured or unsecured, the following guidelines are to be taken into account when the question of taking collateral arises:

Unsecured facilities should only be considered if the applicant:

- Is financially strong;
- Convinces the MFI that he/she has the necessary capacity to facilitate the repayment of the facilities; and
- Has a good past record;

Before asking a customer for collateral:

It is necessary to take into account the MFI's knowledge of the customer; and consider the following aspects:

- Would the customer expect the MFI to show trust and faith in him, and can this be justified in the light of his financial position and past record;
- Will the customer become upset and take the business away; or
- Is collateral essential, bearing in mind the cost of origination and maintenance thereof?

If collateral is considered desirable, consider the type available and whether it conforms to the MFI's guidelines as to what constitutes good collateral; and

- Where collateral is required, ensure that all the documents are complete before the money is advanced. **No violation of this principle will be condoned.**
- *Contractual capacity*

The employee preparing and submitting application for facilities is to ensure that the special requirements relating to the contractual capacity of the applicant are met

Oversights that lead to poor lending decisions.

1. *Ownership of assets not verified.*

The claim of the party regarding ownership of assets, particularly fixed property, has to be verified. Important examples are fixed property registered in another party's name, vehicles and equipment subject to installment sale or lease agreements and stock-in-trade sold on a consignment basis.

2. *Ignoring outside commitments*

Investigate commitments, for example: contingent liabilities; and lease agreements, etcetera.

3. *Funds lent against expectations that are not verified.*

Commission earnings and funds in sight from property transactions, in particular, are to be treated with caution. Funds not verified may not materialize.

Bridging finance, particularly for property development, may become problematic long-term finance if the source of repayment is not clearly earmarked.

4. *Danger signals ignored.*

Danger signals such as hardcore utilization and persistent excesses (limit violations) are usually the first indication of deterioration. Swift action is to be taken to investigate the position thoroughly. Take whatever damage control is necessary to reverse the trend, even calling up the facilities, if appropriate.

5. *Source of repayment not verified.*

The repayment ability is to be established and it has to be evident that the applicant is able to repay the facility within a reasonable period. There should always be two sources of repayment, namely:

- Cash flow (primary source of repayment); and
- Assets/collateral.

The source of repayment is to be verified and enough assets available to be easily converted to cash to repay the debt, should the need arise.

6. *Escalation/unjustified excesses approved without verifying the source of adjustment*

Before the excess is approved the source of adjustment has to be named and verified. Where appropriate, an increased limit should be put in place. Approval of the excess is the same as agreeing to an increased limit.

7. *Reliance placed on past track record only.*

Facilities are not to be approved despite a good track record.

8. *Increased assistance despite deterioration of conduct.*

No increased assistance is to be approved when dishonors adverse reports from other MFIs and civil court judgments are evident.

9. *No action taken after deterioration of conduct is identified.*

Identified problem accounts are to be investigated as follows:

- Revalue collateral to establish whether worth is in line with current exposure;
- Maintain firm control over the level of exposure which means dishonoring paper, if necessary;
- Attempt to reduce the exposure;
- Obtain additional collateral, where possible;
- Discontinue the association; and
- Seek guidance from the local Managed Accounts Department.

10. *Continued association with borrowers despite past bad experiences.*

The integrity of the borrower has to be undoubted. Where evidence exists that the borrower is withholding or distorting information, the association should be discontinued.

11. *Borrowings that contravene the law.*

The purpose for which the facility is granted may not be illegal.

12. *Accounts of common surety not grouped*

Where reliance is placed on a common surety or accounts are related in some way, they are to be grouped to give a better indication of the overall exposure and to facilitate control over the facilities

13. *Gains from other institutions insufficiently investigated.*

The conduct of accounts gained from other institutions is to be verified with the previous Creditor. Find out whether the debt was repaid and collateral cancelled at that point.

14. *Advances agreed to purely on the strength of collateral.*

Facilities are not to be approved purely because collateral is offered as:

- Collateral is not always realized at the anticipated value; and
- The advance may be undesirable in other respects.

15. *Allowing availment of facilities before perfecting collateral*

No drawdowns or loading of limits are to be allowed before the collateral is regular. Exceptions may only be made with the **prior approval** of the Head of Credit.

16. Placing reliance on an unsupported suretyship where the surety's financial position is weak.

Collateral driven lending is undesirable. Where the borrower's ability to repay is doubtful and the surety's financial position is not equal to the suretyship commitment/MFI's exposure, the association should be terminated.

17. Taking prohibited cession of claim rights for proceeds of contracts.

Scrutinize the contract to ensure that it contains:

- No clause prohibiting cession; and
- No clause that can render the cession ineffective

18. Collateral subject to specific conditions of sanction.

Where collateral fluctuates in value it may be subject to specific conditions of sanction. Therefore, the position is to be monitored so that action may be taken as soon as a shortfall in collateral value becomes evident.

19. Ignoring previous liens when taking collateral.

When taking cession of debtors or notarial bonds, confirmation is to be obtained that no previous cessions or bonds exist over the assets concerned.

20. Inadequate securing of the MFI's position in relation to other lenders

The MFI's position is to be secured by ensuring that it is always placed in an equal or better position than other lenders.

21. Unprofitable lending.

However safe and desirable an advance may be, there is no point in undertaking the business if it is unlikely to generate enough revenue for the MFI.

Pricing such as interest on overdraft, commission and service fee is to relate directly to the amount of intervention required by staff and the risk related to the lending.

Unarranged excesses are to be penalized, that is, the higher the risk the higher the pricing should be.

Credit assessment

Customer Interview

The following information is to be ascertained in the interview:

- How much is required;
- what is the anticipated period of repayment;
- what is the purpose of the facility;
- what is the occupation and employment history;
- what collateral is held by the MFI;
- what collateral is offered;
- what is the repayment ability of the borrower; and
- what is the source of repayment.

Obtaining supporting documents:

Supporting documents are taken for a number of reasons.

Borrowing

- To ascertain the borrowing powers of an applicant.

Repayment ability

- To ascertain the client's ability to repay a loan and to ascertain whether the client is credit worthy.

Collateral

- To ascertain the contractual capacity of an applicant to ensure that the applicant has the necessary powers to enter into the contract envisaged.
- To validate names and identity/registration numbers used on collateral documents.
- The applicant's financial information gives an indication of assets that could be used for collateral purposes. When taking a balance sheet, contingent liabilities have to be addressed and this can indicate whether collateral was given to another lender.
- A proposed surety's financial strength is ascertained by assessing the financial statements of the surety.

Supporting document (refer to attached check list)

The following supporting documents should be obtained:

- Proof of income (i.e. salary slip, letter of employment etc)
- Income and expenditure statement
- Credit bureau where available
- In the instance of negative credit bureau reports a letter of explanation and repayment of adverse records are to be obtained.
- Bank statements
- Identification
- Application form

Initial assessment

The principal factors comprising skillful sanction of credit are: -

1. *Customer's ability to pay*

The main source from which an initial assessment can be made is of course the client's financial information e.g. statement of assets and liabilities, salary slip etc.

2. *Customer's desire to pay*

In the case of new customers, as opposed to those risks that are being reviewed, the most common and traditional method of establishing the customer's payment policy is a credit report and trade references.

3. *Economic Conditions.*

Due consideration must be given to this factor and the MFI's exposure to one particular industry is to be carefully assessed.

Assessing affordability and verifying income

Affordability is based on disposable income after taking into consideration all household income and expenditure. The table below illustrates how surplus income is calculated

Net Income	10 000	10 000
Net income of the applicant and spouse= combined Income		
Net combined income	20 000	
Installments deducted from salary advice	(1 000)	
Monthly Expenses	(16 900)	
Water and Electricity	(680)	
Groceries	(2 200)	
School / university fees	(250)	
Petrol	(850)	
Car installments / leases	(3 840)	
Mortgage bond repayments	(5 000)	
Life insurance	(800)	
Credit card repayments	(2 500)	
Personal loan repayments	(300)	
Other repayments	0	
Other expenses	(480)	
Surplus	2 100	

Careful attention must be paid to the source of income and surplus funds available (calculated after all household expenditure and repayment of existing loans) as repayment of loan is dependent on adequate surplus funds.

Contingent Liabilities (indirect exposure for which the client is liable under suretyship) should be taken into account when calculating affordability

The adequacy of the **repayment period** also has to be assessed in terms of surplus funds available.

Guidelines to apply when assessing income

The following guidelines are to be applied when assessing income:

- The most recent salary advice is to be obtained.
- The salary advice must not be older than 30 days and must be validated.
- Only original salary advices are acceptable.
- Salary advices are preferred to letters, as it is relatively easy for customers to obtain letterheads and then use them to open fraudulent accounts. However keep in mind that not all companies issue salary advices in which case income is to be confirmed by three months Bank statements. Letter heads should normally indicate the following:
 - The name of the directors at the foot of the page, company registration number, address and telephone numbers.

The following needs to be scrutinized:

- Inconsistencies on the salary advice e.g. different fonts being used.
- Alteration of figures
- Check the name of the company. If it is a large reputable company, then the salary advice should not be typed or altered.
- Is the customers name on the salary advice the same as the name in the identification document?
- Are there errors in adding?
- Are all amounts reflected as round amounts?
- Are the deductions in line with income?
- Are year to date figures reflected and if so is it in line with monthly income and deductions
- Does the occupation on the salary advice tie in with the occupation stated on the application form
- Does the date of engagement tie up with what is stated on the application form?
- If the client has recently changed jobs, and annual leave is reflected on the salary advice, is it in line with the salary advice.

Acceptable sources of income:

- Car allowance
- Cell phone allowance
- Monthly housing subsidy
- Income from a permanent source other than those mentioned above (including unearned income from investments, annuities and trust) may be included provided the income will be received monthly for the duration of the loan.

If the following are to be included in the calculation of income, the following are required:

- **Overtime:** salary advices for the last six months are required to verify and calculate the average overtime amount.
- **Maintenance:** a copy of the court order stating the maintenance amount and three months Bank statements confirming the payment. Repayment of the loan must not be solely dependent on maintenance received. The divorcee must be permanently employed and earn income that will by and large service repayments, should maintenance payments be missed.

- **Commission:** salary advices for the last six months are required to verify and calculate the average commission amount, if any particular month's commission is substantially higher than the other months, it is to be excluded and an average of five months to be taken.
- **Net rental:** provided that a copy of the lease agreement is presented and the last three months MFI statements confirm income.
- **Housing allowance:** a housing allowance or housing subsidy from the employer must be treated as part of monthly income.
- **Entertainment allowance:** if an applicant has the continual benefit of an entertainment allowance, this amount may be included as income.

Rules for confirmation of income

The following are to be validated:

- MFI statements to be scrutinized
- Credit transactions relating to salary and other income as discussed above to be verified
- Salaries and length of time employed to be confirmed telephonically with the human resource/ salaries department where salary is not deposited directly to the customer's transactional account with PESA.
- Tax returns to be obtained where necessary

Indication that a Bank statement could be fraudulent:

- Spelling mistakes
- Incorrect dates, for example 30 February and 31 April
- Electronic cash withdrawal times out of sequence
- Charges out of line or only used for certain transactions
- Column alignment is not always straight- some items are printed out of line.
- Spacing is different between different transactions.

If any doubts exists details should be confirmed with the Bank in question by means of a full general report / Bank report.

Expenditure statement

The expenditure details contained in the application form are critical sources of information for determining the repayment ability of the applicant. When only the applicant's income is used, the applicant's expenses should be used. When the household income (applicant and spouse is used), the household expenses should be used. **Monthly expenses are to be verified:**

- Against debit orders reflected on the Bank statements and
- Assess if figures provided is realistic for example monthly grocery bill of K200 for a family of three is not realistic and the figure should be adjusted to reflect a more realistic figure hence the total expenditure and surplus must also be adjusted.

Repayment term

When assessing a customer's worth it is essential to take account of the length of credit to be allowed. The following must be considered when assessing the adequacy of the repayment period:

- **Surplus funds available:** surplus funds available as calculated above will be crucial in determining the repayment period for example repaying K4 000 over 36 months (i.e. monthly repayment of K130 based on an interest rate of 11%) might be more affordable than repaying K4 000 over 12 months (i.e. monthly repayment of K350 based on an interest rate of 11%). If surplus funds have

been calculated at K400 it is more appropriate to recommend a repayment period of between 24 and 36 months provided that the repayment period is within the set product criteria.

- **Maximum period allowed as per product criteria.**
- **Age of the applicant:** the age of the applicant is important when determining the repayment period. The facility must be repaid when the borrower reaches retirement age.
- **Contract employees:** the period of finance for contract employees must not exceed the term of their contract or remaining period of the contract.

Offering the right product

The term, amount and purpose of loan:

- Determines what product to sell; and
- Indicates the possible risk attached to the lending.

Here follows an example of what to consider in terms of determining the correct lending product to best suit the customer's needs.

Term & Period	Purpose	Example
Short. 12 months and less.	Personal or working capital requirements.	Overdraft facility or Personal loan
Medium. From 12 months to 5 years.	Capital expenditure for example, vehicle or equipment finance.	Asset Finance or medium term loan.
Long. In excess of five years.	Major capital expenditure, for example, bond finance to purchase or develop property.	Home loan or property finance.

Integrity

On completion of status enquiries a general build-up of the customer will emerge, and where this is adverse, normal credit should not be allowed.

No increased assistance is to be approved when dishonors adverse reports from other Financial Institution and civil court judgments are evident.

Negative trade references are a reflection of the client's willingness to repay debt.

The integrity of the borrower has to be undoubted. Where evidence exists that the borrower is withholding or distorting information, the association should be discontinued.

Increase of facilities

Credit assessment of a potential customer follows a fairly regular pattern, the application of which leads to a credit limit, when justified. Once a credit limit has been fixed any subsequent increase is not to be undertaken before the account has been re-assessed, this is of particular importance, as we could be encouraging the customer to live beyond his means and by doing so the result could be either Bankruptcy or liquidation.

Worth of a guarantee

Where the borrower's ability to repay is doubtful and the surety's financial position is not equal to the suretyship commitment/MFI's exposure, the association should be terminated. The credit worthiness of the surety should be assessed in the same way as the applicant.

It is important to emphasize that should repayment ability not exist in name of the applicant the facility should not be granted purely on the availability of a surety.

Facilities are not to be approved purely because collateral is offered as:

- Collateral is not always realized at the anticipated value; and
- The advance may be undesirable in other respects.

Having satisfied us that the guarantor is a responsible person, then there is no reason why a guarantee should not be accepted.

Risk Classification

Risk Categorization

Borrowers of low / acceptable risk

- A permanent occupation (employed in the current position for at least 2 years) and regular income.
- Stable residential address
- Credit worthy according to statement of assets and liabilities.
- Owns substantial assets in own name or assets exceeds liabilities significantly
- Adequate income with the ability to repay the installments on the loan
- Good trade references
- Clear credit bureau where available
- Good account conduct in the name of PESA Finance (Z) Ltd
- Has successfully repaid previous loan accounts held with PESA.
- Favorable Bank report from other Creditors

High Risk Borrowers

Applicants to whom one or more of the following apply must be assessed with circumspection and the facilities should in most cases not be granted

- **Part time or contract workers**- the repayment term should not exceed their contract period.
- Unstable employment and residence (Frequent changes of address and employment)
- **Poor repayment ability** exists.
- **Poor credit history** exists in the books of PESA and PESA has written off debt into the client before
- Current account in PESA's books is being **poorly conducted**, with regular excesses and returned items reflected.
- **Poor credit references**. A record of dishonors in the last six months and judgment(s) against, or unfavorable report(s) by credit bureaus or trade references. Adverse credit bureau information and dishonors reflected on the cheque account should not be dismissed lightly and caution must be exercised. The conduct of existing accounts held with the MFI and other financial institutions reflects the client's willingness to honor obligations. Unless the MFI is entirely satisfied with the integrity of the client, there is little justification in doing business with him/her.
- Liabilities exceed assets by a large margin
- **Insolvents**. Un-rehabilitated insolvent: the MFI does not entertain applications for un-rehabilitated insolvents. Application for rehabilitated insolvents to be considered cautiously.
- **Rehabilitated Insolvent**, if rehabilitated less than 12 months.
- Owns **no assets** of value
- The MFI does not lend solely against **collateral**. No advance can be justified solely on the grounds that the borrower is able to provide adequate collateral. Security and/or guarantee support, while important, is not a substitute for cash flow / repayment ability. The MFI prefers to regard collateral as a form of insurance against unforeseen events, which could result in the borrower being unable to repay his indebtedness from profits or other sources as originally envisaged.
- **Dormant** and irregular accounts.
- **Consolidation of debt**. Applications for consolidation of debt, for speculative purposes should not be considered. Consolidation of debt is a danger sign and

usually indicates that the applicant's debt burden exceeds his ability to repay. Loans for this purpose will result in bad debt for the MFI.

- Where negotiations involve proposals for taking over existing facilities and/or increasing these facilities as a prerequisite for the MFI to gain the business, the circumstances are to be carefully investigated. The applicant's reasons for wanting to **change the MFI relationship** are important. The sales employee is to be satisfied that the other MFI did not decline a similar application.

Risk Grading

Target Market

The risk grades referred to in this document is applicable to personal / consumer lending and has no bearing on risk grades assigned to SME lending.

Responsibility

Assigning risk grades to accounts is the responsibility of the various credit officers in the credit value chain.

Process

- The initial risk grade gets assigned to an account with the first credit event e.g. application for new facilities, application for increased facilities, annual review of facilities and application to extend the annual review date of facilities with regards to existing accounts. The credit evaluation manager will assign a risk grade based on the account conduct of new and existing accounts as per laid down criteria.
- The risk grade should be reviewed with the following credit events:

Credit Event	Action	Responsibility
Annual review of facilities	Review risk grade	evaluation officer / manager
Application for increased facilities	Review risk grade	evaluation officer / manager
Application to extend the review date of facilities	Review risk grade	evaluation officer / manager
Arrears of loan accounts	Re-grade if necessary	administration officer
	Re-grade if necessary	administration officer
Account handed over to managed accounts	Re-grade the risk grade	administration officer

Risk Classification

Grade A

Extremely stable obligor and the ability to meet commitments is unquestioned. **The risk grade gets assigned to High net worth individuals who have conducted their accounts remarkably well and meet the following criteria:**

High net worth individuals have the following characteristics:

- Executives employed by private companies, professionals, senior government officials
- Have a good credit record;
- Earn minimum gross monthly income of K25, 000-00 or have net assets in excess of K1, 5 million.

Existing clients

- Clear credit bureau where available.
- No RD's since inception.
- Not more than 2 unauthorized excesses reflected on the account within the last 12 months.
- Monthly deposits to their current account with the last credit not exceeding 31 days.

- The overdraft facility should not be hardcore / healthy fluctuations to be recorded.
- No arrears (current or previous) to be reflected on existing loan accounts and previous loan accounts should have been settled within term.
- Should not have appeared on the MFIs watch list since inception.
- Personal balance sheet to reflect a solvent position.
- No demand notes recorded.

The following criteria applies for new clients:

- Meet all the criteria of High net worth individuals stated above.
- 6 months Bank statements from previous Creditors to reflect no excesses or RD.s
- Full general report to be obtained and should not reflect any adverse information.
- Clear credit bureau where available.
- Bank statements to confirm monthly salary.
- Bank statements to reflect healthy account balance fluctuations.
- Personal balance sheet to reflect a solvent position

Grade B:

The risk grade gets assigned to customers who have had an MFI relationship with PESA for more than 18 months and conducted their accounts extremely well. Customer who are risk graded “B” should meet the following criteria.

- Current account operational for at least 18 months with PESA.
- Clear credit bureau where available.
- No RD's to be reflected on the account where RD's do occur (however not more than one) an explanation is to be obtained from the client and the credit center should be satisfied by the explanation given by the client (written explanation to be obtained from the client).
- Not more than 2 unauthorized excesses reflected on the account within the last 12 months with unauthorized excesses not occurring within the last six months.
- Regular deposits to the current account with the last credit not exceeding 31 days.
- The overdraft facility should not be hardcore / healthy fluctuations to be recorded.
- No arrears (current or previous) to be reflected on existing loan accounts and previous loan accounts should have been settled within term.
- No demand notes recorded.

Grade C:

Risk grade “C” is applicable to stable individuals with fairly new relationship with the MFI with the exception of high net worth individuals, provided that the following criteria are met. These accounts represent fair credit risk.

Customer who is risk graded “C” should meet the following criteria.

Existing client

- Current / saving account operational for less 18 months.
- Clear credit bureau where available.
- One RD provided that the credit Centre is satisfied by the explanation given by the client (written explanation to be obtained from the client).

- Not more than two unauthorized excesses reflected on the account within the last 12 months.
- Regular deposits to the transactional account with the last credit not exceeding 31 days.
- The overdraft facility should not be hardcore / healthy fluctuations to be recorded.
- No arrears (current or previous) to be reflected on existing loan accounts and no previous loan accounts should have resulted in a loss to the MFI.
- Should not have appeared on the MFIs watch list within the last six months

New Clients

- 6 months Bank statements from previous Creditors to reflect no excess or RD's or excesses.
- Full general report to be obtained and should not reflect any adverse information.
- Bank statements to confirm monthly salary.
- Bank statements to reflect healthy account balance fluctuations.
- Clear credit bureau where available.

Grade D:

There are already signs of liquidity problems, such as delay in servicing loans; regular excesses and RD's. Accounts that have been risk grade "D" should emanate from our existing portfolio and should not be taken over from other Financial Institutions. The following criteria applies:

- Transaction account in PESA's books is being poorly conducted, with regular excesses and returned items reflected.
- Current loan accounts are in arrears.
- A record of dishonors in the last six months and judgment(s) against, or and dishonors reflected.
- Unfavorable report(s) by credit bureaus or trade references. Adverse credit bureau information.
- Poor credit history exists in the books of PESA but the MFI has not written off debt into the client. If the accounts have not been settled and the MFI wrote-off the debt no further advances are to be extended.
- Dormant and regularly overdrawn accounts.

Grade E:

Repayment of the principal amount and/or accrued interest has been overdue for more than 90 days, and/or the net realizable value of security is insufficient to cover payment of the principal amount and accrued interest. The credit history or performance record of the borrower is not satisfactory and Legal proceedings have been initiated. The following criteria applies:

- Repayment of the principal amount and/or interest has been overdue for more than 90 days
- Legal proceedings initiated. Letters of demand issued
- Net realizable security value is insufficient to cover payment

Grade F

Items classified as loss are considered to be uncollectible once collection efforts such as realization of security and institution of legal proceedings have been unsuccessful. The following criteria apply.

- Uncollectible loans
- Legal proceeding unsuccessful
- Result in loss to the MFI

Upgrading of accounts

- Account graded "B" and "C" can be upgrade once all the relevant criteria have been met.
- Accounts risk graded "D" can be upgraded to "C" after 12 months of acceptable conduct which implies that:
 - o All the arrears have been settled and installments on loan accounts for the last six months has been regular.
 - o The transaction account reflects no excesses or RD's in the last six months.
 - o The transaction account reflects monthly salary deposits and healthy fluctuations.
 - o Clear credit bureau where available and where judgment has been taken adequate proof should be obtained that the creditor has been settled in full.
- Future business with customer whose accounts have been downgraded to E should be approached with circumspection and should only be allowed if:
 - o Acceptable written explanation is received from the client wrt arrears and the credit Centre is satisfied with the explanation given.
 - o All arrears including legal costs has been fully recovered.
 - o If judgments are reflected on credit bureau adequate proof should be obtained that the creditors have been fully repaid.
 - o The client's transactional account has been conducted acceptably for at least 12 months with the MFI. Finance for Individuals who had unsatisfactory conduct with other financial institutions and who does not conduct a saving account with PESA should not be considered.

Escalation / Arbitration

In some instances it may be necessary to escalate the application before approval can be obtained. The following process is then to be followed:

Note: Once an acceptable decision is made within the process, the matter under arbitration /escalation will no longer proceed further.

Stage	Who does IT?	What happens?
1	Originating officer – (e.g. Customer consultant, account analyst, Branch manager or relationship manager)	Makes contact with the person at Centralized Credit Office, responsible for the initial decision to provide additional information that Should be considered.
2	Person responsible for initial decision at Centralized Credit Office.	Reconsiders the proposal in the light of additional information. If the answer remains the same, continue to the next stage.
3	Originating Officer (e.g. customer consultant, account analyst, branch manager or relationship manager)	Depending on level of Originating Officer, requests the next level (Reporting Line of Originating Officer i.e. if Origination Officer is Customer Consultant, then approaches Branch Manager) to consider further arbitration in the light of a suitable verbal motivation from the Originating Officer. Line Manager then decides whether to arbitrate further. If not, no further action. If there is merit, take to next stage.
4	Person responsible for initial decision at Centralized Credit Office.	Reconsiders the proposal in the light of further motivation and relevant info. If the dispute remains unresolved, then take to next stage.
5	Line Manager to whom Originating Officer referred arbitration.	Requests the next level at Centralized Credit Office to consider application. (E.g. Where Credit Evaluation Manager made the initial decision then the next level would be the Retail Credit Manager.)
6	Retail Credit Manager	Reconsiders the proposal in the light of all relevant information. If the dispute is still not resolved, then take to next stage.
7	Line Manager (Branch Manager)	Requests Area Manager intervention and to consider escalating matter further. Area Manager may decide not to support request and further escalation, in which event matter closed. If there remains a strong case, then take to next stage.
8	Area Manager	Area Manager discusses matter with Retail Credit Manager in the light of a further motivation. If dispute is still not resolved, then take to next level.
9	Area Manager	Requests Head of Retail to consider merits of the case and to arbitrate further. Retail head may decide not to support request, in which event matter closed. Otherwise, take to next stage.
10	Head of Retail/Portfolio Manager	Discusses merits/motivation of case with Head of Credit (in country). Head of Credit may decide to support request in which event no further action. However, where Head of Credit is not able to justify approval, take to next level.
11	Head of Retail/Portfolio Manager	Provides additional information and merits of the case to Country Credit Committee for final decision.
12	Country Credit Committee	Makes decision.

Overdue Credit Reviews Report

To monitor the renewals and reviews of existing credit facilities, which are delayed, each country should prepare a monthly Overdue Credit Reviews Report indicating the following information:

- Borrower name;
- Borrower Risk Rating;
- Approved limit;
- Current outstanding;
- Original Review Date;
- First Review Extension Date;
- Second Review Extension Date (if applicable);
- Date of latest financial statements on file;
- Relationship Manager;
- Reason(s) for delay.

A copy of this report should be submitted to the relevant Head Office Credit Manager within 15 days after each month-end. Annex below provides the format for this report, which is intended as a report for both Reviews and Renewals.

OVERDUE CREDIT REVIEWS REPORT

From Office

:

Department

:

Prepared by

:

Reporting Date

:

Borrower	BRR	Approved limit	Current outstanding	Borrower Review Date	Date of latest financials	Relationship Manager	Reason(s) for delay

COMPLIANCE

Scope

Compliance is a key element of good credit governance, to ensure that: -

- Terms of sanction are observed.
- Trends and portfolio shifts are monitored
- All security and documentation is properly completed before any funds are advanced.
- Security values are regularly reviewed and appropriate action taken where necessary.

Credit Support Function

The following details the compliance function within centralized credit:

- Advising on the appropriateness, consistency, validity, and enforceability of legal documentation. This is to be done prior to sending the documents to the customer for signature;
- Preparing or evaluating and approving legal documentation for the Branch.
- Receives letter of sanction from mandated credit official. It is incumbent upon the relevant mandated officer to clearly specify conditions of approval including required covenants, collateral, on the sanction letter.
- Prepare a facility letter detailing the terms and conditions specified on the sanction letter and
- Draw up legal documents
- Check accuracy of security documents after the customer signature has been obtained.
- Diarize lending covenants that need monitoring after the loan has been established.
- Record security once it has been perfected.
- File the original security documents.
- Recommend draw down of facilities.

Scrutiny of Security Documents by Credit Administration for facilities above K50,000.

- Where secured or partly secured facilities in excess of K50,000 are granted, or where the security item is for an amount in excess of K50,000, countries are to send all security documents including resolutions and other ancillary documents to C.E.O for scrutiny. No funds are to be disbursed under facilities granted until all security is regular and C.E.O authorizes disbursement.

Credit Support Process

Step 1

Commences after Credit Evaluation has approved facilities.

A copy of the Credit Application and sanction letter is to be forwarded to Credit Support for further action.

Step 2

Preparation of the facility letter/loan agreement (also known as, or referred to as the Offer Letter). Credit Support, in consultation with the Relationship Manager and the Credit Manager prepares all facility letters/loan agreements based on the terms and conditions of sanction and/or covenants.

Step 3

Record all terms and conditions / covenants in a well maintained diary system. Manage drawdowns under the terms of sanction to ensure that all the terms and conditions attached to the facility granted have been met prior to draw down.

Record all requirements for the monitoring and control of cross border facilities in line with the Risk Responsibility Policy as set out in the Risk Policy.

Record all requirements in terms of the Own Resource Lending Policy as set out in the Risk Policy.

Credit Support is to prepare a checklist for each approved facility, listing all the required terms and conditions / covenants as applicable to the facility and as required by Credit Evaluation / Risk Responsibility Policy / Own Resource Lending Policy. The checklist is to be kept on file by Credit Support and a copy is to be sent to the Relationship Manager and Credit Manager for monitoring purposes to ensure that all requirements are being adhered to. It is important to ensure that all issues as listed on the checklist have been diarized accordingly.

Although a diary note will be made by Credit Support, it is the duty of the Relationship manager and Credit Managers to diarize, follow up and control all relevant terms and conditions / covenants and to confirm in writing to Credit Support that these terms and conditions / covenants have been met. Where written confirmation is not held, Credit Support is to follow up with the Relationship Manager and Credit Manager to ensure receipt of such confirmation.

Credit Support will also from time to time check physical adherence on a sample basis.

Step 4

Preparation of the security documentation required by Credit Evaluation, as set out in the facility letter/loan agreement.

Preparation of any Bank / performance guarantees required by Credit Evaluation.

Maintain regular contact, as prompted by the diary system, with external specialist support areas such as legal firms acting on behalf of the MFI (for example, where instructions have been given for security to be registered).

Recordal of all security in a well maintained diary system to ensure receipt once perfected. Also record to follow up on expiring short term insurance over assets charged to/secured in favour of the MFI, up-to-date life assurance values and to obtain up-to-date share values where required.

Record Bank / performance guarantee commission dates and expiry dates in a well maintained diary system in order to attend to the necessary commission charges, extensions, cancellations and in need adjustments to customer facility limits.

Step 5

The scrutiny and checking of security prior to it being accepted as being in good unassailable order.

Once in order, original security to be filed away in a fireproof safe under dual control.

Where a country has more than one staff member dealing with credit support functions (i.e. both Credit Operations and Legal Support), the following process is suggested:

Where PESA Finance (Z) Ltd Credit- Head Office has sanctioned facilities or where facilities are above the limit allocated for scrutiny of security documentation (whichever is the lowest), copies of the security documentation are to be sent to PESA Finance (Z) Ltd Credit Support for scrutiny prior to drawdown being recommended.

Step 6

Ensure that written confirmation is received from the Relationship Manager and Credit Manager that all terms and conditions / covenants called for by Credit Evaluation have been met.

Where written confirmation is not held, Credit Support is to follow up with the Relationship Manager and Credit Manager to ensure receipt of such confirmation.

Update the checklist by annotating all terms and conditions / covenants that have been met.

Step 7

Recommend to Credit Evaluation, with a copy to the Relationship Manager and Credit Manager that draw down of the facilities be allowed on the basis that all required terms and conditions / covenants have been met/are in order and all required security have been obtained and are in good unassailable order.

Step 8

Once Credit Evaluation has approved drawdown, the credit support officer is to load the authorized (sanctioned) limit/s and static counterparty information to the LMS database. It is important to ensure that all limits and counterparty information is correct and current at all times. Any discrepancies are to be reported up the line on a matrix basis.

Step 9

Where there are any terms and conditions / covenants that are required to be managed, or any monitoring/control issues in terms of cross border transactions then these will be placed on the checklist (**see step 3**) and in the diary system to ensure that the required information is received, measured and/or documented on due date.

Where no written confirmation is held from the Relationship Manager and Credit Manager that all terms and conditions / covenants as required by Credit Evaluation are being met, Credit Support is to follow up with the Relationship Manager and Credit Manager to ensure receipt of such confirmation.

All exceptions with regard to the terms and conditions / covenants, or monitoring/control of cross border facilities are to be reported to Credit Evaluation with a view to be in a position to re-assess the risk attached to the facilities.

Issuing facility letters

Where facilities exceed K20,000-00, then a facilities letter must be prepared, and the facilities letter must state that the terms and conditions stated on the separate agreements e.g. term loan agreement remains applicable.

It is not necessary to create a new facilities letter for an extension of existing facilities, provided the extension does not exceed a period of three months beyond the date when the original limit expired.

A new facilities letter is also not necessary for temporary excess facilities, where the period involved does not exceed three months.

Use of Standard Documentation

All Branches should develop a set of standard facility documents to be used for 'routine' business transactions. The Country Credit Manager with Head of Credit Support is responsible for developing standard legal documentation in coordination with Credit Compliance.

All legal documentation should be prepared in consultation with Credit Compliance and Credit Manager. Standard documentation is no exception. Standard documentation is carefully worded to protect PESA Finance (Z) Ltd 's position and limit its liability. Local Credit Procedures manuals should provide for the control of standard documentation by the Credit Department to ensure it is used properly.

Under no circumstances should standardized documents be amended or modified without prior approval from the Credit Manager, Compliance and Head Office Compliance.

Non-standard Documentation or amendments to standard documentation

Proper legal documentation is a critical component of the credit process. Improper, inappropriate, or insufficient legal documentation exposes PESA Finance (Z) Ltd to unnecessary risk.

All documentation should be prepared in consultation with compliance and Credit to protect PESA Finance (Z) Ltd from unnecessary risk. Whenever possible, standardized documentation should be used to simplify the process. Non-standard legal documents are to be referred to Head Office credit support for scrutiny.

Both Compliance and Credit Risk Management should approve documentation changes requested during the course of negotiations with the client. (Changes that have an impact on the conditions of the approval must be brought before the relevant mandated officer.

Documentation of Security Provided by Third Parties:

In cases where security is provided by a third party (company), care must be taken to ensure that the third party is (1) authorized to provide security for another party, and (2) that the third party derives some benefit (consideration) from the transaction. Articles of Association or similar documents should be provided to address the first issue. Consultation with compliance is necessary to address the issue of consideration.

Acceptance and signature

Prior to submitting legal documents to the client for signature, the Account Manager must have the “finalized” package approved by Country Credit Manager and Compliance.

Only duly authorized employees of PESA Finance (Z) Ltd are permitted to enter into legally binding contracts with customers. PESA Finance (Z) Ltd requires the signatures of two duly authorized signatories on legal documentation.

Local Procedures Manual may include additional signing requirements to adapt to the legal and regulatory requirements of the local environment. In reviewing legal documentation, the risk Manager should ensure that those signing on behalf of PESA Finance (Z) Ltd are authorized to do so.

It must be established whether witnessing of signing is a legal prerequisite and whether such arrangement requires that the name of the witness signatory should be accompanied by a valid and verified legal identification number on the legal documentation;

Whether or not it is a strict local legal prerequisite, it is strongly recommended that inasmuch as legal documentation consists of multiple pages, all the signatories initial each individual page.

Completion of Legal Documentation as a pre-disbursement condition

Neither activation of a credit facility, nor any disbursement is permitted until all legal documentation has been completed, received, and (when applicable) registered, and all conditions precedent in accordance with the local legal environment and the credit agreements have been met.

Upon return of the signed legal documentation, it's the responsibility of Credit Support to verify and approve its completeness.

For efficient monitoring purpose, an (electronic) agenda system is a prerequisite for Risk Management. Subsequently, documentation that is still due for completion should be compiled into a Non-compliance Report, which should be discussed in the Local Credit Committee at least every two weeks.

Resolution

Resolutions specify who is authorized to conduct transactions on behalf of the client. In many cases the client provides this document. Whether provided by the client or prepared by the Branch, resolutions should at least specify the individuals authorized to conduct transactions on behalf of the client as well as any restrictions on the nature and/or the size of transactions permitted.

Special attention should be paid to the means by which individuals are authorized to conduct transactions on behalf of the client. This is to ensure that the resolution is not in conflict with the client's articles of incorporation, board resolutions, etc.

In cases where the client prepares the resolution, care should be taken to ensure that the language is not in conflict with the General Terms and conditions of the country. This is especially true with respect to the right of offset. As mentioned above, the means by which individuals are authorized to conduct transactions should be verified.

Security

The provision of security is not in itself the determining factor in deciding whether or not to approve a facility. It should be regarded as a form of insurance against unforeseen events that could result in the borrower being unable to repay his indebtedness from the generation of profits or other sources.

In conjunction with obtaining a security agreement, the following must be verified:

1. The collateral in question should be unencumbered (i.e. free and clear of any other claims);
2. Many countries require registration of security. This should be done prior to any disbursement under the facility and certified evidence of registration should be obtained;
3. The assets in question must be insured and PESA Finance (Z) Ltd should be named the loss payee;
4. In countries where the pledging of assets requires shareholder approval, evidence of this approval should be obtained and marked on the documentation checklist.
5. The MFIs security position should not be inferior to any other lender. Where the customer uses the services of more than one Financial Institution, we must ensure that no other MFI is placed in a more favorable position than ourselves with regards to security.
6. Letters of Comfort do not offer PESA Finance (Z) Ltd direct recourse against their issuers and therefore should not be considered as providing the same quality of cover as guarantees. Nevertheless they do provide an indication of the strength of support that the company gives or is willing to give. The wording of a Letter of Comfort is of the utmost importance and can only be assessed by compliance

7. Verbal Support has no legal value; nevertheless, in PESA Finance (Z) Ltd credit approval process some comfort can be derived from Verbal Support, depending on what level it is given.

Property Valuations

- A professional valuation at customer's expense is required for all property being taken as security for the first time where the amount of debt and reliance on the property as security is above R1 million equivalent. (Current policy cut off is R350.000 (loan amount) and Country Managers may lower this threshold in the light of their own local conditions).

Formal revaluation should be carried out if/when: -

- a) Account conduct becomes unsatisfactory and the valuation in 1) above is more than 3 years old. (Care will need to be taken that the MFI does not become liable for payment in this regard if customer's difficulties are such that they cannot meet the cost).
- b) If there is reason to believe that the property market generally, or the value of the specific property in question has moved substantially, this being a decision in the hands of local management in the light of their knowledge of their own market.
- c) The level of reliance on the property as security reaches the level of the original valuation. If it is not demonstrated that the property value has risen commensurately, other additional comfort should normally be sought.

As far as possible, documentation should be drafted in such a way that Cover can be enforced at PESA Finance (Z) Ltd's sole discretion and without notice to the Borrower and without court intervention. If documentation is drafted accordingly, then Cover can be enforced or liquidated promptly, thus limiting the extent of any possible loss. Documentation should enable PESA Finance (Z) Ltd to promptly enforce or liquidate cover

Security Types, Rights, Remedies and Basis Of Valuation

Type of Security	To be Registered With	Rights/Remedies	Remarks	Maximum Value	Comment
(Asset Offered)					
1. Letter of Set-Off	Nil	Confers lien in favour of the MFI over cash deposits in the name of the signatory.	Usually taken over demand i.e. current account, call or savings deposits.		Deposit must be in the books of this MFI. If not in name of obligant, a guarantee will be also required
(Cash)				100%	If it is in the same currency as the facility.
(Cash)			Not normally taken if there is an unacceptable exchange risk.	90% or less	If it is in a different currency as the facility
2. Pledge	Nil	Confers similar rights as Letter of Set-off but used mainly for goods, time deposits, stocks, shares, general insurance or life assurance policies, etc. We are a secured creditor on insolvency.	Comes in various forms depending on underlying investment to be pledged.		The pledgee must be in possession of the items pledged.
(Shares)			Government Stock Class I Mining Class II Mining Dividend Paying Commercial, Financial Investment Speculative. Commercial Financial Investment	75% 50% 33% 33% Nil	Provided shares are quoted. No single counter to exceed 20% of total shares recognized for security purposes. In-house or unquoted shares cannot be valued for security purposes. Regular valuation updates for any name with poor dividend record. Take signed blank transfer certificates also.
(Bills for Collection)			75% of a spread of short dated (within 6 months to maturity)	75%	

Type of Security	To be Registered With	Rights/ Remedies	Remarks	Maximum Value	Comment
3. Cession over policies (Life/Endowment Policies)	Issuing/Underwriting company	Confers rights over proceeds of claims on specific general insurance or life assurance policies.	Details must be recorded in the MFI's insurance diary so as to ensure renewal or a claim is made prior to expiry.	100% of current surrender value	Ensure premiums are kept up to date. Care should be exercised where policy proceeds may represent the main or only income of a surviving spouse as it may be seen as unethical by the courts.
4. Continuing Covering Mortgage Bond (Fixed Property)	Government Registrar of Deeds	Creates Mortgage over land and immovable improvements thereon in favour of the MFI. The MFI on foreclosure of its bond may order sale of property by auction or privately, after obtaining judgment. Alternatively, the MFI may buy-in the property to protect its position against unfairly low bids. The MFI is a secured creditor on insolvency.	One of the most popular and foolproof forms of tangible security especially where value is satisfactory.	FSV or 70% of Market value (developed property only)	1. Provided the property is readily realizable without the borrower. 2. It is legally mortgaged. 3. Cessions of insurance policy required. 4. Professional valuation required initially and at regular intervals thereafter.
5. Guarantee	Nil	Confers right on the MFI to demand payment from guarantor.	Always taken to bind the customer as a surety and co-principal debtor. May be taken "clean" or supported by collateral tangible security. Guarantor needs to be reminded of his/her liability on a regular (annual) basis.		

Type of Security	To be Registered With	Rights/ Remedies	Remarks	Maximum Value	Comment
(Guarantees by Banks)	Government Registrar of Deeds	Confers right on the MFI to all existing and future debts owing to the borrower. The MFI is a secured creditor in respect of those proceeds.	Ensure expiry date is properly diarized.	100%	Provided clearance is obtained from MFI & Country Risks Unit (Financial Institutions). If in a different currency to the facility, 10% margin to apply. Allow for interest. Take cognizance of Excon regulations in Country of issue.
(Guarantees by Government)/			Preferred in SWIFT format.	100%	Provided by Government entities/ ministries. Care if offered from Govt. other than that of where facility is domiciled. Care is also required to ensure that the issuer actually has the power to bind the Govt. In view of the difficulties in calling guarantee executed by Governments, such security should not normally be taken in isolation.
Guarantees by Corporates)/			Ensure company is solvent at time of execution.	N/V	Satisfactory credit assessment to be made and the Articles of Incorporation should permit. Appropriate supporting security can give tangible value.
(Guarantees by Individuals)				N/V	Unless appropriate supporting tangible security held.
6. Cession of Book Debts (Debtors)				N/V	Obtain regular aged list of Debtors. Care to discount dominance by one-name/or items overdue or over 90 days.
7. Notarial General Covering Bond	Government Registrar of Deeds	Provides MFI with preference over unsecured creditors in respect of sale proceeds of movable assets following a borrowers sequestration or liquidation.		Not Valued	Regular stock inspections to be undertaken and machinery/ plant to be valued in the light of depreciation and replacement value. Care should be taken to ensure that there will be no external pressures preventing sale in execution of such security assets.

Type of Security	To be Registered With	Rights/ Remedies	Remarks	Maximum Value	Comment
(Moveable's)				Not Valued	Assets can be disposed of prior to liquidation.
(Special Notarial Covering Bond) (Moveable's)		Intends to provide MFI with preference over unsecured creditors in respect of sale proceeds of specific moveable assets.	Recent test case in RSA ruled that Special Notarial Bonds do not convey a preferent claim and therefore are of limited, if any, value,	Not Valued	
8. Marine Bond	Govt Registrar of Deeds	Creates a charge over the nominated vessel in the same manner as CCMB.	Cession of the relative insurance policy under IFVC required - no restrictive cover.	75% 50% 35% Nil	of valuation new - 10 yrs. " " " 10 - 20 yrs. " " " 20 - 40 yrs. " " 40 yrs. plus.
9. Fishing Quota	Dept of Fisheries	No charge is available to Creditors	Quotas allocation to individual vessels.	Not Valued	
10. Cession of Inheritance (Deceased Estate Assets)	Lodged with Executor of Estate and Master of High Court	Confers right on the MFI to that portion of proceeds of a deceased estate due to the signatory.	This security is taken only from clients of undoubted integrity.	Not Valued	
11. Aircraft	Civil Aviation Authorities Register	Creates a charge over the aircraft in the same way as a vessel or a CCMB	Insurance is important to protect the MFI but MFI should not be able to be sued by/in any third party actions.	Subject to specialist valuation via ABG Credit.	Details required include, inter alia, aircraft type, Reg. No., time on airframe, hours since engines last overhauled and details of any specialized avionics

Disbursement

Once documents have been signed it should be reviewed again by compliance for completeness, and authorization of facility capture in the core administrative systems and subsequent draw down.

Whereas the credit facility should be entered in the local core administration system after final approval has been obtained, it is not allowed to be activated before all (relevant and material) items of the documentation (including any conditions precedent have been complied with). As a result, approval of Credit is required in the event that a disbursement request is received before completion of documentation. Incidental disbursements without completion of documentation are only allowed when the documentation discrepancies have been ascertained both to be immaterial to the credit risk as well as to be resolved within a reasonable period. This usually requires a sound judgment call that should not be taken lightly. Approval for disbursements without complete documentation requires the written approval from both Credit and General Management of the country. When in doubt, immediate contact should be sought with Head Office Credit.

MAINTENANCE

Definition of excess:

Excess occurs when the actual outstanding amount exceeds the amount of the facility originally approved.

Excess Reports

Where credit limits have been approved, the Relationship Manager/Account Analyst shall be responsible for:

-
- Daily monitoring all exposures against the approved limits.
- Notifying the Credit Centre of all excesses on facilities by 10am on the same day.

Process

- The Relationship Manager/Account Analyst shall submit an Excess Report to the Credit Centre by 10.00 am the same day in all instances where excesses over the approved limit are in evidence:
- An Excess Report in the standard format must be submitted.
- The respective mandated official will review the Excess Report and
- Approve the excess if within his/her limits or recommend approval to the next level of authority.
- The mandated credit official will review the Excess Report and
- Approve the excess if within his/her discretion.
- Decline the excess and state the course of action to be taken by the Relationship Manager/Account Analyst
- The Relationship Manager/Account Analyst shall diarize to follow up the course of action and report by e-mail upon the lapse of the proposed date for regularization on the status of the account.
- In the event that the account is not regularized within the set date, the Relationship Manager shall initiate another Excess Report along the procedures listed herein above.

Report 2031 [Branch overdraft list]

Report 2031 highlights credit irregularities and shows overdrawn accounts where one of the following exception conditions are in evidence:

- Overdrawn and no limit on file;
- Overdrawn in excess of the limit on file;
- A cleared balance in excess of 100 per cent of the book balance (possible cross firing);
- Where no deposits have been made to an account within the previous six weeks;
- Overdrawn with a zero interest rate;
- Overdrawn with no short name on file;
- Overdrawn or with a limit which has become dormant or semi-dormant; and
- Overdrawn in the lock-up category (L - status code).

Report 2031 is split according to portfolio number. Each portfolio is split into some or all of the following sections:

- Section A - overdrawn/no limit/exceeds limit/zero interest/no short name;
- Section B – cleared balance overdrawn more than 100 per cent of book balance;
- Section C – dormant/semi-dormant accounts/no deposit for 6 weeks; and/or
- Section D – lock-up.

Handling of report

- I. The credit Centre shall review on a monthly basis the LMS overdraft list of all overdrawn accounts irrespective of approved limits.
- II. The Branch overdraft list shall be used to:
- III. Make decisions on accounts that are permanently over the limit and require regularization or closure or downgrade.
- IV. Ensure that the limits, review dates, debit interest rates and risk grades loaded on LMS are correct.
- V. Check for overdrawn dormant accounts (no deposits for 3 months or more) or overdrawn accounts that are not receiving deposits on a regular basis (less than once a month)
- VI. The mandated official will determine action to be taken by form of an e-mail query and response from the Relationship Manager managing the account.

All accounts shown on the report are to be investigated by the Credit Admin Officer, under instruction to business units on the necessary action to be taken.

Officers at Credit Administration are to ensure that the instructions are actioned by the branch in time.

Field name/Heading	Description
Account name	Name of the individual account-holder.
STL	Style of the account – allows the MFI to identify the type of account held by the customer.
Status	Status codes applicable to the account.
Limit	Overdraft limit. If applicable, an asterisk shown immediately after the limit indicates that a limit in excess of K20,000-00 has expired.
D	Dormancy indicator: S: Semi-dormant: <ul style="list-style-type: none"> • Credit balance – if the account is inactive for three months; and • Debit balance – if the account is inactive for 33 days. D: Dormant: <ul style="list-style-type: none"> • Credit balance – if, in addition to the three month semi-dormancy status, the account is inactive for a further six weeks; and • Debit balance – if, in addition to the one month semi-dormancy status, the account is inactive for a further six weeks.
Book balance	Balance as at date of report.

**Field name/Heading
Description**

Clrd balance

Updated balance after seven days of a cheque clearance. This is the true balance of the account and also includes any applicable current day entries posted one day after the date of the report.

Rate

Rate at which interest on overdraft is calculated. An asterisk after the rate indicates that more than one rate is on file. In this case, the rate shown on the report is the first rate.

EXP – DT

Overdraft limit expiry date.

DT – LD

Date of last customer originated deposit.

DT – LA

Date of last customer originated entry.

RSK

The risk grade of the account.

Exception report current accounts

Exception report on current accounts highlights irregularities, exceptions and other items that require attention on current accounts. Each comment is to be initialed as evidence that the items have received the necessary attention.

The information appearing on the report is displayed in the table below.

Field name/Heading	Description
Account no	Account number.
Name	Name of the account.
STL	The style of the account.
Status	Status code loaded on the account.
Balance	Balance on the account.
Ent amount	The entry amount.
Ref SRC	Entry reference and source.
Exception	Reason for exceptions.

A member of the management team is to undertake a monthly scrutiny to ensure that the report is handled correctly. The report is to be dated and signed as evidence of the scrutiny.

Purpose: highlights any exceptions that must be investigated and actioned in need.

Handling: The Credit Admin Officer is to check the report for:

- Correct expiry dates loaded/amended
- Correct interest rates loaded/amended
- Correct limits loaded/amended
- Dormancy
- Expiry of limits loaded
- Impending expiry of limits.

Any changes on limits, rates and expiry dates are to be checked against basic data loaded.

Scrutiny: The report is to be scrutinized daily by an employee at a level of authority E to ensure that the report is handled correctly.

When completed the report is to be signed and dated by the person actioning the report. The entire report is then to be forwarded to the Manager Credit Administration who is to scrutinize the report and to counter sign and date the report indicating that he is satisfied with the actions undertaken.

Report 2019 (Group report)

Purpose: provides a record of all accounts linked to any one group

Handling: No action is required. Information report only.

Scrutiny: No action is required

Retention Period: 6 months on paper.

Daily Referral report

The Relationship Manager / Account Analyst shall receive account referral reports generated by LMS for their portfolio daily showing all overdrawn accounts where:

- There is no limit loaded.
- The debit balance is in excess of the limit loaded.

Process

- i) The Relationship Manager / Account Analyst shall also receive group reports generated by LMS for their portfolio showing all grouped exposures.
- ii) The Relationship Manager / Account Analyst shall process the group reports and referral reports by no later than 10.00a.m on the same day and:
 - Either instruct the Credit center to dishonor all debits that cannot be justified from a risk perspective
 - Or motivate temporary excess
- iii) The Credit center shall advise the respective OPC unit to unpay the cheque.

Relationship Manager/Account Analyst

The Relationship Manager /Account Analyst in all branches shall:

- i) Ensure that all their referral/ group reports in the Branch have been properly actioned and initialed/ signed by the close of the same day.
- ii) Sign at the end of each referral/ group/ composite limit report as evidence that step i) has been done.

Arrear Stages

The following 'stages of Arrears' have been identified.

Stage	Responsibility
Up to 32 days	The Credit administration officer is to liaise with the Account Analyst to contact the customer telephonically to regularise the account in the early stages (7-32 days).
33 Days plus (Make contact with client/Overdue letter to regularize by certain date) (see Annexure 3)	Credit Centre is to contact the client and issue an arrears letter.
45 Days plus (Letter of Demand advising of impending legal action) (see Annexure 4 and 5)	Centralized Credit to action.
60 Days plus (Hand over for Legal action)	Centralized Credit to action. a/c placed in Lock-up and handed to Managed Accounts Section.

Arrears Management (Stages, Actions, Roles & Responsibilities):

Stage One: Up to 32 days

- The Credit administration officer is to liaise with the Account Analyst to contact the customer telephonically to regularise the account in the early stages (7-32 days).
- Actions taken by the credit administration officer in the early arrears stages (7-32 days) must be noted on the Arrear report

Stage Two: between 33 and 45 days

- Should the account not be rectified within 32 days (33-45 days), the credit centre is to contact the client and issue an arrears letter confirming current arrears position and client's undertaking to regularise the position by a certain date (arrears letter no 1). The risk grade on LMS to be downgraded if applicable.
- The credit administration officer is to keep 'manual' diary system to follow up in need and where possible to have account regularised within 45 days 'Arrears Stage'
- Actions taken by the credit administration officer in the early arrears stages must be noted on the Arrear report
- The credit administration officer is to initial next to each name actioned, and his/her full signature and date is to be reflected at the end of the Report.
- Retention period at branch – 6 months
- If the account is not rectified within 45 days (45 days to 60 days), credit is to issue a second letter of demand advising of impending legal action. The risk grade on LMS is to be downgraded.
- After 60 days in arrears the account is placed in lock-up and handed over to Managed Accounts. The risk grade on LMS to be downgraded and LMS to reflect lock-up status.

Stage 3 – between 45 and 60 days

- Given the circumstances, the officer may deem it necessary to send a Letter of Demand giving the client a certain period of time to bring payments up to date, failing which Legal action could be taken
- It is important to note that there may be instances where the officer at the Centralised Credit Office may need to interview the client. In other instances, in view of distance and locality of the branch, the Centralised Credit office may seek the assistance of the Account Analyst at that branch to interview the client and come to some acceptable arrangement, under advice to the Centralised Credit Office.
- Where the Arrears position has deteriorated beyond the 60-day period, the account must then be regarded as 'delinquent', and handed over to the 'Managed Accounts' area for further action.
- All actions taken by the Centralised Credit Office (as indicated above) need to be reflected on the 'MIS Report 2031/4014'

Stage 4: 60 days and over

- Account is placed in Lock-Up.
- Managed Accounts decides what course to take i.e. merit of taking legal action/employing tracing agents/handing debt over for collection to Collection agency etc.
- May decide to write-off debt, without further action, given circumstances.

Provisioning

The Country's Central Bank prudential guidelines on classification of loans and the raising of provision shall apply in the event that they are more stringent than PESA's policy.

It is to be noted that the raising of provision is an ongoing rather than an annual exercise. Files under the control of the Credit Support, Managed Accounts section should be perused on a regular basis to ensure that sufficient provision is held.

Recovery

Non-Performing Loans - Bad Debts

The MFI's definition of a Non-Performing Loan/Bad Debt

An account becomes overdue when one or more of the criteria listed below are identified:

- The debtor has been handed over to the MFI's attorney for collection;
- The debtor is subject to an administration order/judicial management;
- Where a provisional or final sequestration/liquidation order has been granted;
- The debtor has applied for sequestration/liquidation or has been sequestered or declared insolvent;
- The debtor has been placed under receivership;
- The debtor has not paid an installment for three or more months on any installment based account or interest has not been serviced for three or more months on an overdraft facility/loan account;
- The debtor has reached a compromise with the MFI or creditors;
- Or the account has been identified as non-performing and /or specific provision for loss has been made which covers all or part of the debt.

Where specific provision for Special Mention accounts has been raised, these accounts are not to be placed into lock-up, unless in terms of your local Central Bank regulations these accounts are to be classified as non-performing.

Note: Also see your country's Central Bank prudential guidelines on classification of loans.

In order to ensure that both the Group's requirements and that of your local Central Bank are being complied with, the most stringent requirements are to be followed.

Letters of demand for debts outstanding

If the debtor fails to respond to polite requests, verbal or written, to repay the debt or fail to make satisfactory arrangements to repay the debt over a period of time, then the account manager from Credit is to send a letter of demand calling for repayment by a specific date, failing which, further action may be taken.

This letter is to be sent by registered mail and a copy by ordinary mail.

Placing a Non-Performing Loan/Bad Debt into Lock Up/Centralized Credit action.

Before placing an account into lock-up, the risk grading will need to be downgraded. See Borrower Risk Grades of this manual for non-performing loan categories (Substandard / Doubtful / Loss).

Once an account has been downgraded, the *Lock-up* and *Stopped* indicators are to be loaded to the database and the account transferred to the Credit Support, Managed Accounts section of the local credit department.

Transfer of the account should be under cover of Form 26660 (Permanent record of account in the Lock-up category – see annexure 7). Please ensure that all the debtor's exposures are listed in the form 26660 even if they are not on your responsibility, i.e. elsewhere within the Group such as leasing / installment sale, property finance, etc.

It is imperative that other areas within the Group are advised of the problems you are experiencing with the exposure in your books.

The character card/account history is to be up dated and forwarded, together with the debtor's correspondence file to Credit Support, Managed Accounts.

Authority to proceed with legal action.

Before taking legal action against any debtor, authority must be obtained from your local Credit Committee (or the next authority where the Credit Committee limit has been delegated in terms of its mandate). Any debt above the limit allocated to the Credit Committee must first be referred to SAC, Credit Support for authority.

Interest In Suspense

Once an account is placed into lock-up, interest is no longer credited to *Interest Received* but instead to *Interest in Suspense*.

The purpose of crediting interest on non-performing advances to a suspense account is to avoid interest being taken into revenue while there is a chance that a portion of those advances will not be repaid.

There are occasions when accounts that are in lock-up are allowed to continue to operate normally notwithstanding that interest is being placed to suspense. This is done so that the interest going to suspense will create a buffer against any potential loss.

If at any time the exposure is fully covered by first class security and Interest In Suspense, and a surplus Interest In Suspense arises, then authority may be sought from Country Head of Credit to transfer this surplus to revenue.

Note: If applicable, also be guided by your Central Bank prudential guidelines.

Ceasing the recovery of interest

Where it is evident that there is little or no chance of recovering any amount over and above the capital debt, consideration should be given to ceasing further interest charges. Authority to cease charging interest should be sought from your local Credit Committee (or the next authority where the Credit Committee limit has been delegated in terms of its mandate).

Valuing security held for accounts in Lock-up

When an account is placed into Lock-up, all the security is to be called for to ensure that it is all there and that it is in order and fully enforceable. It is also required that a reappraisal of the valuation of security held is undertaken.

If a company has been placed into liquidation/receivership, the Liquidator/Receiver will arrange for the fixed and moveable assets under his control to be valued on a market and forced sale basis. Unless a party has already made an acceptable offer for the assets hypothecated to the MFI, we should be using the forced sale valuations obtained from the Liquidator/Receiver, less auctioning / realization cost. If we are not happy with the valuation given by the Liquidator/Receiver for the assets hypothecated to the MFI, we should obtain our own professional valuation, however the cost will have to be borne by the MFI.

Where a company is not in liquidation/receivership, up to date market and forced sale valuations should be obtained by the MFI from a professional valuator. In most cases the forced sale value less auctioning / realization cost should be used.

Recoverable value

This is a value outside/separate of the security value.

When a settlement agreement has been reached and signed for repayment of the amount owing, which recovery does not relate to the security held in support of the debt, then this anticipated recovery value should be classified as a recoverable value.

If the debtor or third party defaults in terms of the settlement agreement, the amount recorded under recoverable value is to be removed immediately and the necessary provision raised.

Removal of an account from the Lock Up category

When an account is regularized and it is no longer considered necessary to retain it in the lock-up category, the approval of Credit Committee on an “authority sought” basis should be obtained to remove the account from lock-up and take the Interest in Suspense into revenue.

Writing off Irrecoverable Debts

Once all avenues of recovery have been exhausted, debts must be written off against the Interest in Suspense/Specific Provision held. Authority must first be obtained from your local Credit Committee (or the next authority where the Credit Committee limit has been delegated in terms of its mandate).

Quarterly review of NPL book by Country Head of Credit

The non-performing loan book is to be reviewed by the Country Head of Credit on a quarterly basis to ensure all names are being worked on a monthly basis, the correct level of provision is held and where the recovery process has been exhausted the debts are being written off without delay.

Write off

Loans and advances will be written off against specific debt provisions raised once it has become clear that the doubtful debt is not recoverable.

Roles And Responsibilities

Role Profile: Head of Retail Credit

Job reports to:

- Head of Credit

Direct subordinates:

- Retail Credit Managers / Credit Evaluation Officers

Purpose of the Job:

- To oversee the responsibilities of Retail Credit Managers in managing Retail credit risk.
- Ensure quality assets are placed and retained on the book.

Responsibilities:

- Ensure that the Retail Credit Procedure Manual, Local Credit Policy and Risk Acceptance Criteria Manual are in place and that they conform to best practice at all times.
- Evaluate whether retail credit proposals and applications meet sound business criteria and whether credit risk falls within acceptable parameters which create profit / value as well as the associated risks.
- Proactively drive the review process of existing facilities, ensure a consistent thorough and timely evaluation of all existing facilities.
- Declines non-viable proposals.
- Watch out for money laundering transactions.
- Approve draw down of facilities (limit slips) once satisfied that all terms and conditions of sanction and/or covenants that require action prior to draw down have been met and all required security has been obtained and in order.
- Oversee the loading of review dates, new risk grades, interest rates, standing orders etc. and limits relating to the approved applications. Ensuring that the above information is at all times correct and current. Where discrepancies/irregularities are evident, corrective action is to be taken without delay.
- Ensure compliance with all legislative, regulatory bodies and as well as Know Your Customer (KYC) and Know Your Process (KYP) requirements.
- Oversee safe custody of all security documentation and sign-off for permanent release of the security documents.
- Ensure proper management and monitoring of the MFI's Retail NPL book.
- Oversee that adequate provision is held.
- Ensure timely and quality credit assessment and decision are made.
- Manage portfolio allocation amongst the subordinates
- Assess pay / no-pay motivations and take credit decisions.
- Manage adherence to the service level agreement that have been concluded.
- Visit client with the Loan Officer / Relationship Manager where appropriate.
- Submit reports to Human Resources on training and development needs of sub-ordinate and business unit staff
- Manage performance management of sub-ordinates.

General:

- Ensure follow up is undertaken with the retail Business Units with regards to overdue reviews and assist in the timely submission of reviews.
- Undertake regular meetings with Retail Credit Managers to assist in the regularization of irregular accounts and retail lending
- Undertake meetings with Credit Support Manager to ensure that problem areas in the securities department are identified and resolved.
- Undertake random inspections of the securities department to ensure consistent quality and high

standards are being maintained.

- Oversee that Retail accounts identified as problematic are taken up with the Business Unit to ensure that remedial action is taken to regularize the exposure and /or escalate them to Managed Accounts.
- Ensure that accounts identified as problematic are placed on the watch list and re-risk graded to reflect their current irregular status,
- Collate the completion of portfolio performance analysis and undertake the appropriate corrective action where applicable.

Reports and Returns:

Ensure that the following reports are actioned in the department

- Branch overdraft List

Ensure that the following returns are scrutinized, signed off and dispatched to the end users:

- Lock up / Bad and doubtful debt return (reflecting all names, individual provisions, etc).
- Watch List return.
- Cross Border Return
- Overdue review returns (Section 15 of the NPL return).
- Debtors age analysis by portfolio.

Complete Board Papers as required for Board of Directors' Meetings:

- Procurement of services for the Credit Department (Auditors, Valuers, Insurers)

Ensure that the following returns are submitted and signed off in time:

- Central Bank Loan Review Summary
- Central Bank Report on Loans to Directors, Officers et al.
- Annual September Aircraft Return.

General:

- Ensure that credit related matters identified as substandard by Internal and External Auditors are resolved and timely remedial action is implemented.
- Ensure that Internal Audit Issue tracking is kept up to date and that the Internal Auditors sign off matters that have been sufficiently addressed.
- Any other duties required ensuring that all credit support functions are dealt with effectively in the management and minimization of credit risk.

NB: This is a living document and may be amended from time to time.

Role Profile: Manager Retail Credit

Job reports to:
Head of Retail Credit

Direct subordinates:
Credit evaluation officer

Job Purpose:

- To evaluate counter-party credit risks associated with the MFI's retail lending and investment activities with the primary objective to contain credit risk within acceptable parameters.
- **To oversee the responsibilities of the credit evaluation officers**

Responsibilities:

- Identifies, quantifies and evaluates sources of risk in relation to profitability of business proposals and financial viability of Retail clients as a whole, interrogates/probes
- Information obtained to gain a thorough understanding of business parameters, which create profit/value as well as the associated risks.
- Utilizes Industry risk analysis available to identify and understand contextual threats to existing and potential clients.
- Evaluates whether proposals meet sound business criteria and credit risk falls within acceptable parameters, approve and recommends appropriate credit facilities including terms or conditions of facilities.
- Ensure timely and quality credit assessment and decision are made.
- Manage adherence to the service level agreement that have been concluded.
- Builds relationship with Branch Managers and Account Analysts to improve quality of business proposals and turnaround time on credit evaluations.
- Shares joint credit responsibility for business reviewed.
- Proactively drives review process of existing facilities, ensuring consistently thorough and timely evaluation of all existing facilities.
- Detects and evaluate shifts or changes in key risk parameters and evaluate the implications of such changes on continued relationship.

General Routine:

- Ensure timely submission of annual reviews of existing Retail borrowing-clients.
- Ensure that all credit documentation related to retail deals / proposals are in the required standard format as laid out in the MFI's Credit Policy. I.e. Credit application requests, Credit modification requests, Extension requests, Temporary Excess requests, Loss reports etc.
- Prepares sanction letter
- Recommend draw down of facilities (limit slips) once satisfied that all terms and conditions of sanction and/or covenants that require action prior to draw down have been met and all required security has been obtained and in order
- Ensure the loading of review dates, new risk grades, interest rates, and limits relating to the approved applications by the Credit Administrators. Ensuring that the above information is at all times correct and current. Where discrepancies/irregularities are evident, corrective action is to be taken without delay.
- Ensure adequate records are kept of dishonored items and the set procedures are adhered to.
- Ensure that credit related matters identified as substandard per respective borrower by Internal and External Auditors are resolved and timely remedial action is implemented.
- Undertake regular meetings/interaction with Credit Administrators to assist in the credit Administrative Issues.

Reports and Returns:

- Ensure action upon the following reports within the required time frames:
- Branch overdraft List
- Exception Report
 - Ensure that the following returns are submitted to the Credit Administrator for consolidation and onward submission to the Head of Retail credit:
- Watch List return

- Cross Border Return
- Overdue review return
- Any other duties required ensuring that all counter-party credit risk is controlled within the acceptable parameters.
- Debtors age analysis by portfolio

Role Profile: Credit Administrator

Job reports to:
Manager Credit

Direct subordinates:
None.

Job Purpose:
To carry out credit procedures, maintain a tight control over all aspects of advance administration, with the primary objective to contain credit risk within acceptable parameters.

Responsibilities:

- Builds relationship with customer consultant / Account Analyst to improve on all aspects of advance administration.
- Shares joint credit responsibility for the running advances.
- Proactively drives review process of existing facilities, ensuring consistent thorough and timely evaluation of all existing facilities.
- Detects and evaluates shifts or changes in key risk parameters in and evaluates the implications of such changes on continued MFI relationship dealings.
- Close monitoring of excess. Establish reasons for risk exposure in excess of credit facilities, evaluates these in relation to business risk parameters. Monitors utilization in excess of credit facilities.

General Routine:

- Ensure review dates, new risk grades, interest rates, and limits relating to the approved applications are timeously loaded. Ensuring that the above information is at all times correct and current. Where discrepancies/irregularities are evident, corrective action is to be taken without delay.
- Ensure adequate records are kept of dishonored items and the set procedures are adhered to.
- Ensure that accounts identified as problematic are developed with the respective Account Analyst to ensure that remedial action is taken to regularize the exposure and /or escalate them to Manager Credit.
- Irregular accounts: Propose remedial action to regularize. Suitable diary notes are to be kept to follow up on agreed actions. Assistance of responsible Account Analyst is to be enlisted where necessary.
- Ensure that accounts identified as problematic are placed on the watch list and re-risk graded to reflect their current irregular status,
- Issue arrears letters in the early arrears stages (7 to 60 days).
- Ensure that covenants of sanction are complied with as per Credit Department for all facilities. A suitable diary to be kept.
- Follow up on credit related matters identified as substandard per respective borrower by Internal and External Auditors that they are resolved and timely remedial action is implemented.
- Timely Grouping of accounts

Reports and Returns:

Actioning of the following reports within the required time frames:

- Referral Report- OPC is to be advised before cut off time of dishonors. Where no consensus can be reached, items are to be arbitrated as per laid down procedures.
- Branch overdraft List
- Exception Report Limit Maintenance
- Interest rate charges

Actioning of the following reports within the required time frames and Initial next to each name actioned, and indicate their full signature and date at the end of the report.

- Arrears report: weekly report
- New loan status report: Daily report
- Statistical loan report: Monthly report
- Insurance report:
- Variation report

Ensure that the following returns are submitted to the responsible Officer for consolidation and onward submission to the Head of Credit Support:

- Watch List return
- Cross Border Return
- Overdue review return

Confidential
Any other duties required ensuring that all counter-party credit risk is controlled within the acceptable parameters.

Role Profile: Credit Support Officer

Job reports to:

Manager Credit Support

Direct subordinates:

None.

Job Purpose:

- To facilitate the process of completing the transaction from the time a facility has been granted to the final disbursement of funds.
- Compliance to terms and conditions

Responsibilities:

- Minimize delinquency, provision and non-performing debt arising from poor quality and inaccurate security information.
- Ensure that agreed customer service standards are met.
- Co-ordinate the security perfection for all transactions in the retail space.
- Ensure that limits are captured correctly.
- Manage compliance of conditions prior to disbursement of funds.
- Ensure adherence to policies and procedures.
- Logging in and filing away of all original letters of offer and agreements and scrutinized security under dual control in fireproof safe
- Diarizing and follow up of all terms and conditions of sanction.
- Recommend draw down of facilities once all terms and conditions of draw down have been met.
- Review facility letters and ensure that security requirements and terms and conditions are correctly defined.
- Interface with legal departments for correctness of facility letters, contracts and other documentation.
- Manage the process for the fulfillment of terms and conditions in accordance with the policy.
- Liaise with sales with regards to the perfection of securities and fulfillment of conditions.
- Check accuracy of security documentation and follow up on outstanding and faulty security documentation.
- Adherence to the service level agreement that have been concluded. Builds relationship with Branch Managers and Branch Account Executive to improve on all aspects of advance administration.
- Ensuring on a monthly basis that counter party information loaded is correct.
- Managing and monitoring of NPL book and ensuring that adequate provision is held.
- Perform periodic inspections on security held.
- Reducing the NPL book and ensuring that targets are met.
- Ensuring compliance with local CBK and SARB regulations
- Preparing loss reports.
- Preparation and submission of all NPL returns and reports
- Loading and monitoring of counter party information

Returns

- Prepare and submit the required monthly and quarterly returns to Group Risk on or before due dates.
- Prepare the monthly Paid Up Capital (PUC) schedule and distribute it amongst all the PESA Finance (Z) Ltd Credit and Credit Support Managers.
- Prepare and submit the bi-annual Aircraft Finance return to the Director, Credit on or before the due date.
- Portfolio and country risk limit management.

Role Profile: Records Clerk

Job reports to:
Manager Credit

Direct subordinates:
None.

Job Purpose:

The purpose of the records clerk is to support the Manager Credit in an administrative function. The following functions will form part of the commercial Records Clerk functions:

- Compilation and maintenance of credit files.
- General administration

Responsibilities:

- Act as an interface between the Account Analyst and the credit center, receiving and sending information.
- Receive Credit AFF & Correspondence.
- Record time and date AFF has been received.
- Distribute AFF and credit files to the relevant mandated officer.
- Forward copy of the letter of sanction or decline note to the Account Analyst and credit support.
- Record date and time that response was returned to Sales and credit support.
- File AFF/Correspondence and letter of sanction in the relevant Customer files.
- Keep record of the file movement.
- Return files in their right cabinets.
- File documents as and when they are received.
- Rearranging the old files according to the PESA Finance (Z) Ltd accepted filing system.
- Handle incoming and outgoing correspondence.
- Compile monthly management report into the number of applications received, turnaround times, and number of applications approved, returned for rework and declined.

Role Profile: Head of Credit Support

Job reports to:

- Head of Credit

Direct subordinates:

- **Manager Credit Support**
- Credit Support Officers
- Recoveries Officer
- Legal Support

Purpose of the Job:

- To oversee the responsibilities of the following:
 - Managed Accounts Manager in managing and monitoring of the MFI's NPL book and staff loans.
 - Legal Support Manager in the handling of all credit related legal matters, security documentation and agreements.
 - Credit support officer in diarizing and follow up of all credit compliance issues, returns and actioning of reports.

Management:

- Ensure that the Credit Procedure Manual and Local Credit Policy are in place and that they conform to best practice at all times.
- Preparation of standard and non-standard complex facility letters/loan agreements with Legal Support – based on the terms and conditions of sanction and/or covenants as set out in the credit application and sanction letter.
- Preparation of standard security and non-standard complex documentation / agreements – as set out in the facility letter/loan agreement with Legal support. Diarizing to follow up on expiring short term insurance values in order to ensure that insurance cover is sufficient and current, to obtain up-to-date life assurance values and share values. Completion of Form 23184
- Scrutiny of signed, registered and perfected standard security to ensure its correctness and enforceability.
- Logging in and filing away of the original facility letters/loan agreements and scrutinized (original) security under dual control in a fireproof safe.
- Diarizing and follow up of all terms and conditions of sanction and/or covenants, monitoring and control requirements in terms of the Risk Responsibility Policy and requirements in terms of the Own Resource Lending Policy as set out in the facility letter/loan agreement – those to be met prior to drawdown, as well as those to be monitored on an ongoing basis. RM and his Credit Manager have to confirm in writing once terms and conditions and/or covenants have been met. Where the RM and his Credit Manager's written confirmation is not held, Credit Operations to follow up with RM and his Credit Manager in order to obtain the required written confirmation with regard to compliance and/or non-compliance. Where there is non-compliance, the matter will be reported up the line on a matrix basis with a copy to the RM and his Credit Manager.
- Peruse Memorandum and Articles of Association / Trust Deed / Constitution and other relevant founding documentation in order to establish directors' borrowing powers and/or any restrictions.
- Proactively drive review process of existing facilities, ensure a consistent thorough and timely evaluation of all existing facilities.
- Watch out for money laundering transactions.
- Approve draw down of facilities (limit slips) once satisfied that all terms and conditions of sanction and/or covenants that require action prior to draw down have been met and all required security has been obtained and in order.
- Loading and monitoring counter party information (i.e. review dates, new risk grades, interest rates, etc.) and limits relating to the approved AFF. Ensuring on a monthly basis that the above information is correct and current. Where discrepancies/irregularities are evident, corrective action

is to be taken without delay.

- Ensure compliance with all legislative, regulatory bodies and as well as Know Your Customer (KYC) and Know Your Process (KYP) requirements.
- Oversee safe custody of all security documentation.
- Ensure proper management and monitoring of the MFI's NPL book and oversee that adequate provision is held.
- Perform periodic inspection of debtor schedules, warehouse stock certificates, management accounts, etc. Where such conditions exist, 10% of the names should be inspected per quarter to ensure adherence to terms and conditions of sanction and/or covenants. Any non-adherence (i.e. default and/or deterioration) that has not been reported must be referred up the line on a matrix basis.
- Act as a consultant in legal matters to all members of the credit risk management team, providing opinions and in need consulting with outside attorneys / counsel.

General:

- Cross-check half yearly reconciliation of suspense accounts (Interest in suspense, fresh provisions, Law cost suspense accounts, Irrevocable Law Cost account)
- Ensure that margin accounts for cash covered guarantees (GBBs) and Letters of Credit (L/Cs) are properly balanced on a monthly basis.
- Ensure follow up is undertaken with the Business Unit with regards to overdue reviews and assist in the timely submission of reviews.
- Undertake regular meetings with Credit Managers to assist in the regularization of irregular accounts
- Undertake meetings with Securities Manager to ensure that problem areas in the Securities department are identified and resolved.
- Undertake random inspections of the securities department to ensure consistent quality and high standards are being maintained.
- Oversee that accounts identified as problematic are taken up with the Business Unit to ensure that remedial action is taken to regularize the exposure and /or escalate them to Managed Accounts.
- Ensure that accounts identified as problematic are placed on the watch list and re-risk graded to reflect their current irregular status,
- Managing and monitoring of the NPL book, ensuring that adequate provision is held and reducing the NPL book and ensure that targets are met
- Ensuring compliance with local Central Bank regulations, as well as SARB regulations and preparing loss reports and preparing and submitting of all NPL returns and reports
- Submit reports to Human Resources on training and development needs of sub-ordinate and business unit staff.
- Ensure that the following reports are actioned in the department
- Branch overdraft List

Ensure that the following returns are scrutinized, signed off and dispatched to the end users:

- Lock up / Bad and doubtful debt return (reflecting all names, individual provisions, etc).
- Watch List return for internal, Cross Border Return
- Overdue review returns (Section 15 of the NPL return).

Managed Department's monthly reports:

- Staff loans report, Take on sheet top ten NPL's,
- AC 133 (Top 80% NPL accounts), IAS 39 entries report.
- Complete Board Papers as required for Board of Directors' Meetings:
- Watch list names, List of Bad and doubtful accounts,
- Facilities in excess of 25% of Core Capital,
- Legal Matters, facilities for noting.

Reports and returns:

- Ensure that the following returns are submitted and signed off in time:
 - Quarterly Board Risk Committee Return (QBRCR), Central Bank Loan Review Summary
 - Central Bank Report on Loans to Directors, Officers et al, Annual September Aircraft Return.

Collateral:

- Ensure that quarterly checks are undertaken on changes in variable security values,

General:

- Peruse Internal audit reports and ensure that any shortcomings highlighted have been addressed.
- Ensure that Internal Audit Issue tracking is kept up to date and that the Internal Auditors sign off matters have been sufficiently addressed.
- Any other duties required ensuring that all credit support functions are dealt with effectively in the

management and minimization of credit risk.

NB: This is a living document and may be amended from time to time.

Service Level Agreement Between Sales And Centralized Credit

Purpose

The purpose of service level reporting is to:

- Identify service excellence and areas for improvement; and
- To provide written evidence of the interface between branches and credit.

These services are to be provided on an ongoing basis and the agreements will be reviewed yearly with the mutual consent of all entities concerned.

Objectives

The objectives of the practice of reporting on SLAs are to:

- Support retail credit in their efforts to optimize and improve customer service delivery and performance through business partnership;
- Ensure that parties to the agreement take ownership of adverse service delivery and commit to improve their service delivery;
- Ensure that the SLA requirements are achieved;
- Ensure that incidents are resolved quickly and efficiently;
- Reduce the number of recurring incidents;
- Ensure minimal impact to the service provided to our customers;
- Identify business improvement opportunities in consultation with the service level providers; and
- Assist in developing tools to measure performance and identify causes for deviation from set standards.

Scope

The service level agreement is only a guideline; detailed agreement between centralized credit and sales is to be negotiated in accordance with country specific issues and submitted to Head Office Credit.

Role players

- Sales Team represented by the AREA MANAGER.
- Credit team represented by the Head: Retail Credit

The role players have the following responsibility wrt the service level agreement

- Acting as spokesperson for the respective teams they represent
- Reviewing the agreement for effectiveness and relevance
- Continually updating the agreement
- Identify process inefficiencies and constraints
- Review process improvements made by the role players.
- Determining service remedies.

Monitoring

On a monthly basis, the adherence of both parties to the terms of the service level agreement should be evaluated during a sales / credit forum. Performance monitoring should be tracked on a daily basis. Refer to credit admin functions. The reports generated by credit admin will form the bases of discussion at the Sales / Credit forum.

Resolution

Where non-adherence is apparent in any key areas specified in the Agreement, these issues should be brought to the attention of the representatives and should be raised at the Sales / Credit forum. Should the Sales / Credit Teams fail to reach a compromise; the escalation procedure is to be followed.

Key Performance areas	Responsibility	Target
Origination		
% Of applications returned for rework against number submitted due to <ul style="list-style-type: none"> Validity of application Quality of application Completeness of the application Insufficient supporting documents Technical correctness of the application 	Sales	
% Reviews outstanding	Sales	
Credit Assessment		
% Applications declined	Credit	
% Applications declined with insufficient clarity on basis of decline		
% Application returned for rework	Credit	
% Of applications returned for rework without clarity errors forming basis of rejection	Credit	
Efficiency of application assessment- time taken between submission and credit decision	Credit	
Time of end to end process		
Credit support		
Time taken to prepare facility letter and standard security documents	Credit support	
Time taken to prepare non-standard security documents	Credit support	
Accuracy of security documents and facility letter	Credit support	
Maintenance		
Timely reporting of excesses	Sales	
Quality of excess motivation	Sales	
Efficiency of excess decision by credit	Credit	

Returns

The following returns are to be submitted to Board Lending Committee

Monthly NPL Return

Monthly Lock-up/Bad and Doubtful Debt Return (BDDR)

Monthly Lock-up Account Portfolio Report (Top Ten)

Monthly Non-Performing Loans (NPL's) Report

Monthly Credit Committee Report

Quarterly Board Risk Management Committee Return (QBRMC)

Frequency	Return	Deadline for submission to SAC Credit Support	Send to
Monthly	Monthly NPL Return	15 th of the month following the month end.	The relevant Credit Support Manager in SAC.
Monthly	Lock-up/Overdue Bad & Doubtful Debt Return (OBDDR)	15 th of the month following the month end.	The relevant Credit Support Manager in SAC.
Monthly	Lock-up Account Portfolio Report (Top Ten) – extract from OBDDR	15 th of the month following the month end.	The relevant Credit Support Manager in SAC.
Monthly	NPL Reports - on each name listed on the Lock-up Account Portfolio Report (Top Ten)	15 th of the month following the month end.	The relevant Credit Support Manager in SAC.
Monthly	Technical Irregular List	20 th of the month following the month end.	The relevant Credit Support Manager in SAC.
Monthly	Watch List	20 th of the month following the month end.	The relevant Credit Evaluation Manager in SAC.
Quarterly	Group Risk Management Return – GRMR (used to be QBRMC)	10 th of the month following the quarter end.	The relevant Credit Support Manager in SAC.
Quarterly	NPL Reports – on each NPL name in excess of 50% of Country Head's "new" limit	30 days after the quarter ends currently used by each country.	The relevant Credit Support Manager in SAC.
Quarterly	Quarterly Irregular Reports (QIRs)	30 days after the quarter ends currently used by each country.	The relevant Credit Support Manager in SAC.
Bi-annually	Aircraft Finance Return	as at 31 March, by 20 April. as at 30 September, by 20 October.	The relevant Credit Support Manager in SAC.
Bi-annually	Board Audit Committee Return (only SAC, not country level – will obtain info from other monthly / quarterly returns)	as at 30 June, by 20 July. as at 31 December, by 20 January.	The relevant Credit Support Manager in SAC.

Monthly NPL Return

This return is to be submitted to SAC Credit Support in the standard format as at the end of each month, on or before the 15th of the month following the month end. All sections must be completed accurately and comprehensively and **any movement in balances should be commented on**.

The figures stated in the return must balance with the country's local Finance Department figures. **Any discrepancies should be highlighted and commented on by the country.**

Monthly Lock-up/Bad and Doubtful Debt Return (BDDR)

This return is to be submitted, together with the Monthly NPL Return, to SAC Credit Support in the standard format as at the end of each month, on or before the 15th of the month following the month end. Each account in the lock-up category is to appear in this return on a name-by-name basis and must reflect accurate information.

This return is to balance with the Monthly NPL Return and **any discrepancies should be commented on.**

Monthly Lock-up Account Portfolio Report (Top Ten)

This return is to be submitted, together with the applicable NPL Reports (see below) to SAC Credit Support as at the end of each month, on or before the 15th of the month following the month end. The return is an extract from your BDDR, listing your top 10 NPL accounts by value (reflecting at least the account balances, Interest in Suspense values, Specific Provision values, Recoverable values and Security values for each account).

Monthly Non-Performing Loans Report (NPL Report)

A NPL Report is to be submitted to SAC Credit Support as follows:

- Monthly, on or before the 15th of the month following the month end – on each NPL account listed on the Lock-up Account Portfolio Report (Top Ten).

Monthly Credit Committee NPL Report

This report is to be submitted to SAC Credit Support in the standard format as at the end of each month, on or before the 15th of the month following the month end on all NPL names of R5 million and above. All relevant sections must be completed accurately and comprehensively.

Quarterly Board Risk Management Committee Return (QBRMC)

This return is to be submitted to SAC Credit Support in the standard format (see annexure 8) as at the end of each quarter, on or before the 10th of the month following the quarter end. All sections must be completed accurately and comprehensively and any movement in balances should be commented on.

The figures stated in the return must balance with the country's local Finance Department. Any discrepancies should be highlighted and commented on by the country. When submitting the Monthly NPL Return and QBRMC return in one month, it is important to ensure that the returns balance with each other.

The return must be signed by the Manager in charge of Managed Accounts, the Country Head of Credit and the Country Head.

A copy of the return must be sent via e-mail to SAC Credit Support and the original, signed by all the required parties, must be sent in the courier service.

SAC Credit Support uses the information in this return for reporting to PESA Finance (Z) Ltd EXCO and Group Risk.

Annexures

Annexure 2: Checklist

Requirements	PESA clients	Non-PESA clients	Purpose
Proof of income	Salary advice. Verify against existing data available on LMS. Salary to be verified against income reflected on the Bank statements.	Salary advice, confirmation of employment and income with three months Bank statements.	Validated income
Income and expenditure statement	Affordability assessment	Affordability assessment	Affordability
Credit bureau	Required	Required	Creditworthiness
Full general report / MFI code	Not required. Account conduct to be scrutinized	Required	Creditworthiness
Letter of explanation and repayment of adverse records	Required. Application to be considered with caution	Required. Application to be considered with caution	Creditworthiness
Bank statements	Not required	Required and verify salary as indicated above	Validate income
Identification	Required	Required	Validate existence
Application form	Required	Required	Processing requirement

Annexure 3. Arrears letter (1)

ARREARS LETTER (1) (32 – 45 day Stage)

Date.....

Dear Sir/Madam,

Your Loan Account number

Balance outstanding

Limit of Loan Reducing atp.m./p.w.

Arrears bydays

We refer to your telephone discussion with our (Name of staff member)....., of today and confirm having advised you that your above account is in arrears to the extent ofdays, with the last payment having been received on (DLD).....

We further confirm your undertaking to regularize this "Arrears " position by..... and look forward to receiving your payment of

Please ensure that such payment is made directly into your Cheque/Savings Account number....., to facilitate the Standing Order on this account being met.

When making payment, please produce this letter for ease of reference, at the branch where you intend making this payment.

Your next payment falls due on and we request that you take this into account, to ensure that we don't have further occasion to address you in this regard.

Please feel free to contact (staff members name & telephone number), should you require clarification on any aspect that is unclear to you.

Your co-operation in this regard is appreciated.

Yours faithfully,

Credit Administration Officer

Annexure 4. Arrears letter (2)

ARREARS LETTER (2) (45 – 60 day Stage – Follow-up Letter to letter (1))

Date

Dear Sir/Madam,

Your Loan Account Number
Balance outstanding
Limit of Loan Reducing atp.m./paw.
In Arrears by days

We refer to recent correspondence dated Addressed to you by our branch, advising you of the 'arrears position on your Account.

It is disappointing to note that despite your undertaking to regularize the position by, you have not done so.

The position on your Loan account, as reflected above, remains irregular and is of concern to us.

We therefore, formally request you to bring you're account up to date by no later than, Failing which you will leave us little option but to request full settlement of the entire balance owing (i.e.). This could result in legal action being taken against you, and we encourage you to regularize the position without delay.

Please feel free to call on one of our branches convenient to you, with this letter, who will be happy to facilitate the transaction. You are also welcome to phone this office at telephone number And ask to speak to, Should you require clarification around any particular aspect.

It is important to note that such payment is made directly into your Cheque/Savings Account number, to facilitate the Standing Order on this account, being met.

We trust that you understand the implications of these advise, and look forward to your co-operation in regularizing the above position.

Yours faithfully

Head, Retail Credit (in country)

Annexure 5. Arrears letter (3)

ARREARS LETTER (3) - (45 – 60 days Stage – follow-up letter to Letter (2))

Date

.....

Dear Sir/Madam,

Your Loan Account Number

Balance Outstanding

Limit of Loan Reducing atp.m./p.w.

In Arrears by days

We refer to our letters of and , requesting you to regularize the above " Arrears " position.

Despite your undertaking to do so, the position remains as is reflected above.

The MFI views this situation in a serious light, and a position we are no longer prepared to accept.

You are therefore informed that failing to regularize the "Arrears" position by , We will be instituting legal proceedings against you for the recovery of the full amount outstanding without further notice to you.

Please be guided accordingly.

Yours faithfully.

Head, Credit Support/Collections and Recoveries Manager

Annexure 6; Abbreviated Report In Respect Of Provision

FOR LOSS ZAR 250.000 - ZAR 999.999

MFI:

NAME OF ACCOUNT:

BRANCH

NATURE OF BUSINESS/OCCUPATION:

ACCOUNT OPENED:/...../21.....

(If account gained of from another MFI over past 5 years, was satisfactory report obtained from other MFI) (YES/NO)

LAST AUTHORISED LIMIT:

(Based on strength of balance sheet/level of profitability/tangible security/worth of guarantors.)

NET WORTH AT LAST BALANCE SHEET DATE:

(including subordinated loans) (Only if Company / C/C): R

EXPOSURE:

(realized/realizable security R

R

....., Interest in Suspense R

Provision R

provision/...../21.....)

(Date of

DATE OF LIQUIDATION/SEQUESTRATION:/...../19.....

Name of Liquidator/Trustee:

WAS SECURITY IN PLACE AND IN ORDER: YES/NO

CAN FURTHER ACTION BE TAKEN TO REDUCE LOSS: YES/NO

(If "Yes", very briefly indicate what action.)

CAUSE OF LOSS:

(a brief sentence only, e.g. "failure of business due to downturn in economy", "dishonesty of employees", "under-capitalization relative to borrowings".)

SANCTIONING AUTHORITY:

LESSONS TO BE LEARNT:

Country Head of Credit

Annexure 7 Report on provisions in excess of K35,000 Credit Committee

Report on provisions in excess of K35,000 Credit Committee

- 1.1 Entity**
E.g. PESA/PESA Finance (Z) LtdLtd
- 1.2 Branch**
xxxxxxxx
- 1.3 Name**
Name of Bad Debtor to be inserted over the heading Name. Indicate (Pty) or Limited or Close Corporation or Partnership, etc.
- 1.4 Directors**
If a Close Corporation then this is to be amended to read Members or if a Partnership then to read Partners, etc. with the members/partners' interest shown. Where the principle debtor has been liquidated/sequestered the name of the directors, members, partners, etc. as at date of liquidation or sequestration is to be shown. Individual names are to be in alphabetical order, with no reference to position held.
- 1.5 Shareholders**
The shareholders' names to be shown together with respective percentage holdings, first showing the highest shareholding to the lowest.
- 1.6 Nature of Business**
- 1.7 Name of Liquidator/Trustee and the underlying company**
Name of liquidator/trustee and company/firm he/she represents.
- 1.8 Date of Liquidation/Sequestration**
Date of provisional liquidation/sequestration is deemed to be the date of liquidation.
- 1.9 Exposure to the MFI**
Total PESA Exposure
Less: Interest in suspense
Securities Realization account
Estimated value of security
Other
Provision raised on (date)

Financial Information

	Unaudited / audited Date	Unaudited / audited Date
Assets	xxx	xxx
Liabilities	xxx	xxx
Capital	xxx	xxx
Borrowings	xxx	xxx
Turnover	xxx	xxx
Net Profit/(Loss) after tax	xxx	xxx

Asset Categorization

(principal assets only)

Land & Buildings		
Plant & Machinery	xxx	xxx
Investments	xxx	xxx

Inventories	xxx	xxx
Receivables	xxx	xxx

Security

Where fixed property is bonded to the MFI, indicate where situated and what value was placed on the property and by whom. When there is a cession of book debts state amount and date of last certificate.

1.12 Loss Commentary

1.12.1 Account overview

Summarize the background to the connection e.g. "Company formed in 1946. Account transferred from Volkskas in 1993 under favorable report."

1.12.2 Circumstances under which facilities were approved

Summarize facilities, who granted them, when and for what purpose.

1.12.3 What went wrong?

Summarize what went wrong, giving the date from which interest was suspended and what attempts may have been made to regularize the account.

1.12.4 Action taken to minimize loss

What action, if any, taken to recoup the loss. If there are guarantors comment must be made whether we are proceeding against them and if not, why not.

Principal reason(s) for loss

- ☐ Bad housekeeping
- ☐ Poor lending from the outset
- ☐ Facilities provided prior to completion of security
- ☐ Overvaluation of security (other than farm property)
- ☐ Agricultural losses (including overvaluation of farm property)
- ☐ Dishonesty, fraud by management
- ☐ False/inaccurate financial information
- ☐ Labour unrest/problems
- ☐ Lack of management skills
- ☐ Sundries-
(Specify)

If there is no information to put under the relevant headings then delete the heading and adjust the numbering accordingly.

Country Head of Credit

Country Head

**PESA FINANCE (Z) LTD - MONTHLY NPL
RETURN**

**Name of
Country:**

0

Date:

Jan-00

**Accounts in lock-up - Current
Position**

Section 10 - Comment on the collection of the current book, possible problem accounts

that are
to be transferred to lock-up, and whether ample provision is held for all
accounts in lock-up.
(When listing possible problem accounts, please indicate whether Wholesale or
Retail).

Annexure 9: Lock-up / Bad & Doubtful Debt Return

Country name:

Exchange rate:

Customer name	Risk Grade	Number of accounts	Outstanding Balance	Security Value	Interest in Suspense	Provision Held	Recoverable value	Surplus	Shortfall	Recovered to Date

			0	0	0	0	0	0	0	0

Manager/Officer, Managed Accounts: _____

Country Head of Credit: _____

Country Head _____

Annexure 10: Non-Performing Loans (NPL's) Report

Take on sheet and NPL return

Date taken over

Date of NPL return:

Name of Group/Account:

Risk Grade:

Industry:

Name of Account Controller:

Currency:

Total exposure on take over		Total current exposure
	Balance of capital debt	
	Interest in suspense	
	Provision	
	Net capital balance	
	Less security value	
	Surplus/(shortfall)	

Security value on take over		Current security value
Face Value S/V		Face Value S/V
See F23184 for details		
Breakdown of facilities on take over		Breakdown of current facilities.

Take on information (to be included in subsequent reports).

Brief Background (Including last agreed limit and expiry date)

Current status

Action taken/to be taken

Comment

**Update -
Current Status:**

Action taken/to be taken

Comments

Manager/Officer, Managed Accounts: _____

Country Head of Credit: _____

Country Head: _____

Annexure 11: Credit Committee Non-Performing Loans Report

Date:

Client:
Nature of business:
Directors: [indicate key titles & whether exec/non exec]
Major shareholders: [indicate shareholdings]
Reporting frequency:
Risk grade: EDF:
DI500 classification:
Non-performing: Y/N
Country:

PESA Finance (Z) Ltd facilities as at

Facility type	Limit R000	Utilization R000	Security held/ranking
Total			

Utilization history and short-term forecasts:

Other MFI Facilities as at

MFI/Type	Limit R000	Utilization R000	Security held/ranking
Total			

Other Lenders as at

Lender/Type	Limit R000	Utilization R000	Security held/ranking
Total			

Comment on other MFI/lenders status, utilizations and intentions:

Estimated value of PESA Finance (Z) Ltd tangible security held

Type	Book value R000	Sec value %	Sec value R000
Total			

Basis for valuation of security:

Security verification

Has security been reviewed by Credit Support since classification:

Y/N

If yes, by whom:

If not, reasons therefore and expected completion date:

On all NPL accounts state estimated attributable liquidation proceeds and reasons/basis

Type	R000
Tangible security –see above	
Concurrent	
Other	
Total	

Basis for valuation of security:

Outstanding security (reason, expected completion date, estimated value)

--

Business and financial update

--

Market capitalization as at _____ & price/share of:

Status of account / remedial action plan / exit strategy

--

Non-Performing Loans

Interest in suspense, provision and related as at

Type	R000
Interest in suspense	
Provision	
Other	
Total	
Notional interest in suspense	
Additional provision recommended	

Pricing

By facility:

Recommended changes:

_____ Date:

Manager in Charge of Managed Accounts

_____ Date:

Country Head of Credit

_____ Date:

Country Head

Annexure 12: Permanent record of accounts in the lock-up category.

Account name

Branch:

Occupation / Nature of Business:

Date account opened:

Note: include all current exposures (i.e. overdrafts, guarantees by Bank, letters of credit, etc.) in the table below.

Facility	Authorized Limit	Current Exposure

Security (Collateral) held
Yes

☐☐

No

If yes, state nature thereof (and enclose copies)

Taken over from another MFI? Yes ☐ No ☐
If yes – when, and was report good.

Customer advised that control of the account(s) has been transferred to Managed Accounts Department. ? Yes No

Brief explanation for the reason why account transferred to Managed Accounts.

Enclosures

☐

Account Notes printout and/or Character card must include a brief explanation on how, why and when exposure(s) became troublesome.

☐

Should any additional information be Available please record it above.

☐

Copy of Facility letter and/or loan agreement.

Copies of mandates.

☐

Copy of letter of demand.

☐

Copies of security held.

Relationship Manager / Branch Manager's name:

Signature:

Annexure 12: Quarterly Board Risk Return- Credit Risk

Country:

Quarter End:

NB! On balance sheet figures only.

(’000)

Risk Grade Analysis	Quarter end		Previous quarter	
	LCY	% of total book	LCY	% of total book
A		#DIV/0!		#DIV/0!
B		#DIV/0!		#DIV/0!
C		#DIV/0!		#DIV/0!
D		#DIV/0!		#DIV/0!
Total Performing Loans	0	#DIV/0!	0	#DIV/0!
E		#DIV/0!		#DIV/0!
F		#DIV/0!		#DIV/0!
Total Non Performing Loans	0	#DIV/0!	0	#DIV/0!
Total Book	0	#DIV/0!	0	#DIV/0!

Please comment on any material accounts placed in lock-up / removed from lock-up (list account name & amount).

Please state the number of performing loans held.

We confirm that the above information is correct and balances with that of our Finance Department.

Manager, Managed Accounts

Country Head of Credit

Country Head

F26660 (13/1/2003)

QUARTERLY BOARD RISK RETURN - CREDIT RISK

Country:

Quarter End:

NB! On balance sheet figures only.

('000)

Non Performing Loan Analysis	Quarter end LCY	Quarter end LCY
Loans and Advances		
Mortgages		
Instalment Sale		
Other		
Total **** (Risk grade E + F)	0	0

**** Total must agree with Risk Grade Analysis total (total NPLs).

	Quarter end			Previous Quarter		
	Risk Grade E	Risk Grade F	Total	Risk Grade E	Risk Grade F	Total
(LCY)						
Interest in Suspense			0			0
Security value			0			0
Recoverable value			0			0
Specific Provisions			0			0
General Provisions			0			0

Please note:

- 1) all material entries passed through the above accounts require specific comment.
- 2) Recoverable value refers to any value that you believe you will recover **outside of security**, for example, where you have monthly repayment arrangements that you have been receiving on a regular basis and as a result, you have not raised provision as you believe you will collect the amount.

QUARTERLY BOARD RISK RETURN - CREDIT RISK

Country:

10

Quarter End:

Jan-00

NB! On balance sheet figures only.

('000)

Exposure in excess of 25% paid up capital & reserves (violation of local Central Bank Regulations).

Please list all the names and the amounts as at the quarter end.

Please also comment on how you are going to address the position in order to comply.

Account name	Authorised limit LCY ('000)	Current exposure LCY ('000)
Total	0	0

