Module 6: Corporate banking
Unit 2: Loans, credit lines and leasing

1) What is the difference between a loan, a credit line and a leasing agreement?

LISTENING 1

2) Listen to a banker talking to Mr Lizak, a new client. What type of business does Mr. Lizak have?

LISTENING 2

3) Now listen to the whole conversation and answer theses questions.

a) Why does Mr Lizak need a new bank?
b) How is he planning to expand?
c) Which two products does the banker suggest for renting shops?
d) What solution does the banker suggest for buying the inventory?

READING

4) Read the information about corporate products from a bank's intranet site and match 1-6 to a-f to make sentnences.

1) Credit lines are useful ___________
2) Liquidity means that a company has current assets ___________
3) Property owned by a company can be used ___________
4) The bank charges risky customers ___________
5) If a customer wants to use a factory or a machine for a fixed period of time ___________
6) The amount an asset is worth at the end of the lease ___________

a) to secure a loan.
b) is its residual value
c) when a customer needs to have cash on hand.
d) a leasing agreement is usually the best way to do this.
e) they can change it into cash.
f) higher interest rates.

VÚB BANKA

edifiers
The Language Experts

CREDIT LINES

These are funds available to a borrower for a specific period, often as a flexible solution to cash flow problems. We look at each business case individually and work out the amount of the credit line with each customer. We look at the current assets because they can be changed into cash easily. This represents liquidity in the business. The customer pays interest on the amount borrowed and he or she can use more money than is in the account if they stay under the agreed limit. If the customers went over the limit for a period of time, there might be penalties. This type of financing is suitable for business opportunities, expansion plans and buying more inventory.

CORPORATE LOANS

Corporate loans can be arranged for up to ten years. These can be secured with real estate owned by the individual or the company. Again, we have to arrange these individually with customers. The customer receives the money immediately and the payments depend on the amount borrowed and the type of interest rate (fixed or variable) arranged, as well as the customer's creditworthiness. In general, when there is more risk, the bank sets a higher interest rate. There is a one-time loan origination fee and a penalty for early repayment. If a customer requested a corporate loan but didn't have enough security, we would conduct a full risk assessment.

LEASING AGREEMENTS

Leasing agreements are contracts giving the right to use an asset for a fixed period of time, in exchange for payments. The leasing agreement can be for a machine, piece of equipment or a building, which may also include the equipment or furnishings. The customer borrows the asset from us and pays for its use for a set period of time. At the end of the time the customer returns the asset to the bank or can buy it at its residual value. The residual value is how much it is worth at the end of the lease.

SLOVAK CORNER

residual value – zostatková hodnota
inventory – inventár
ledger – účtovná kniha

KEY:
<u>Exercise 1:</u>
A loan is an amount of money borrowed from a bank that needs to be paid back. A credit line is a preset borrowing limit that can be used any time. A leasing agreement is a legal document outlining the terms under which one party agrees torent the property owned by another party.
<u>Exercise 2:</u> a textile business
<u>Exercise 3:</u> Mr Lizak's business has expanded and his current bank cannot provide for his financing needs.
<u>Exercise 4:</u> 1c; 2e; 3a; 4f; 5d; 6b
<u>Exercise 5:</u> 1c; 2c; 3b
<u>Exercise 6:</u> 1F; 2T; 3F