

# 5 C's of Credit

**CHARACTER** refers to the probability that a customer will try to honour his/her obligations. Every credit transaction implies a **promise to pay**.

**CAPACITY** is a subjective judgment of the ability of the client to pay the debt back.

**CAPITAL** is measured by the general financial position of the borrower with specific emphasis on the tangible net worth of the borrower.

**COLLATERAL** is the assets that the borrower can pledge as security for the credit extended to him/her.

**CONDITIONS** refer to the impact of the general economic trends or to special developments in certain areas of the economy that may affect the customer's ability to meet his/her obligations.