Credit Risk Management exam questions

1. Describe the definition of credit risk, and being crucial aspect of financial management.
2. Write down types of transactions that create credit risk.
3. Who is exposed to credit risk?
4. Define the types of financial institutions. And explain the main function of financial institutions.
5. What is the purpose of being guidelines? And which characteristics should guidelines have?
6. What is the benefit of setting limit for the counterparties or countries?
7. Write down the key elements of credit risk assessment and their significance in the lending process.
8. How does credit risk assessment contribute to the evaluation of creditworthiness?
9. Which risk parameters are used commonly for credit-sensitive transaction?
10. What is the exposure? Which concepts exist to set exposure numbers?
11. What kind of checklist items can one be careful to real value of collateral?
12. Explain the recovery rate.
13. What does default probability mean? Which step process are default probability determined by?
14. Define the types of global rating agencies.
15. What is the tenor?
16. What is the direct versus contingent exposures?
17. What is the derivative? And what is the purpose of using derivatives?
18. Define the benefit and preferences of credit analysis.
19. What types of the financial documents exist in the accounting?
20. What is the meaning of debt service? And what kind of purpose is used for?
21. What kind of obstacles can appear regarding bond prices?
22. Explain the role of securitization in the credit risk management.
23. Define the contribution of collateral as a part of securitization.
24. What are the securities? And What is the purpose to issue securities?
25. Explain the role and significance of credit portfolio management.
26. What is the aggregation? Write down about the main function of aggregation.
27. What are the preferences of making report and submitting properly?
28. What is the benefit of setting limit for credit?
29. Define the main objective and function of surveillance process.
30. Explain the meaning of mitigation.
31. Describe the role of stress testing in evaluating and managing credit portfolio management.
32. What is the purpose of hedging strategy?

33. Explain how expected loss, unexpected loss, and economic capital are used to assess credit portfolio risk.
34. Explain the main function of the regulation. Who are financial institutions regulated by.
35. Define the benefit of Moral Hazard.
36. Explain the meaning of arbitrage. And what types of arbitrages can appear in the credit risk management?
37. Explain how collateral can be used as a credit risk mitigation tool. Provide examples of different types of collateral.
38. Evaluate the effectiveness of collateral in reducing credit risk exposure for lenders.
39. Define credit derivatives and explain how they can be used to transfer credit risk.
40. Define the advantages and potential benefits of using credit derivatives for credit risk management. Provide the examples regarding derivatives.
41. Explain the importance of diversification in credit portfolio management.
42. Define the concept of Value-at-Risk (VaR) in the context of credit portfolio management.
43. Which criteria must collateral asset have for mitigating credit risk?
44. Define the main objective and function of haircuts.
45. Explain the concept of the Mark to Market (MTM). Describe the MTM value of the derivative contract.