

# Exam Risk Management in Financial Institutions June 2019

1. (50 marks) 8 true/false questions:
  - A. The 1-week ES, based on a 99% VaR, is 3,39%. The returns have a mean of 0% and volatility of 20%.
  - B. Banks should only focus on unexpected risks, not the expected risks
2. (25 marks) Given tables: likelihood of quality migration of a BB bond, seniority classes and their mean (%) and volatility (%) at default, forward zero-curves per rating category (slides 25,26,27 of chapter 8)  
Question 1: give the 99% credit VaR of default  
Question 2: how is this investment (not) prone to credit risk
3. (25 marks) Give the 10-day 99% VaR of following portfolio:
  - Bought 260 stocks of AB Inbev
  - Written 500 call options for AB Inbev stocks. The stocks have a value of €73.35 now, volatility of the stocks is 17,12% annually and the delta is 0.6