

RISK
MANAGEMENT
IN BANKING

FOURTH EDITION

Joel Bessis

WILEY

Contents

Foreword	vii
Preface	ix
About the Author	xi
1 Risks and Risk Management	1
2 Banking Regulations Overview	13
3 Balance Sheet Management and Regulations	21
4 Liquidity Management and Liquidity Gaps	31
5 Interest Rate Gaps	43
6 Hedging and Gap Management	57
7 Economic Value of the Banking Book	67
8 Convexity Risk in Banking	81
9 Convexity Risk: The Case of Mortgages	91
10 Funds Transfer Pricing Systems	109
11 Returns, Random Shocks and Value-at-Risk	123
12 Portfolio Risk and Factor Models	135
13 Delta-normal VaR and Historical VaR	149
14 Extensions of Traditional VaR	159
15 Volatility	169
16 Simulation of Interest Rates	179

17 Market Risk Regulations	189
18 Credit Risk	199
19 Credit Risk Data	211
20 Scoring Models and Credit Ratings	221
21 Default Models	237
22 Counterparty Credit Risk	253
23 Credit Event Dependencies	263
24 Credit Portfolio Risk: Analytics	271
25 Credit Portfolio Risk: Simulations	283
26 Credit Risk Regulations	293
27 Capital Allocation and Risk Contributions	303
28 Risk-adjusted Performance Measures	315
29 Credit Derivatives	323
30 Securitizations	331
References	345
Index	351