

RISK

MANAGEMENT
IN **B**ANKING

FOURTH EDITION

Joël 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