**CREDIT RISK – ASSIGNMENT**

1. The “CREDIT RISK – ASSIGNMENT” file contains three sheets:

* “Monte Carlo” – Covariance matrix of ***four loans*** (and Cholesky decomposition).
* “Transition” – Transition matrix.
* “Term structure” – Current term structure of interest rates (spot rates) and cash flows of the four loans.

1. ***Compute the Credit VaR (95%) of the portfolio (four loans) by using the Creditmetrics approach.***