AFIN8003 - Workshop 4

Banking and Financial Intermediation

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Welcome to this workshop on assessing banks' interest rate risk.

1 Recap and conceptual questions

1. What is interest rate risk for banks and what are the primary sources of interest rate risk?
2. How does interest rate risk impact a bank's balance sheet and income statement?
3. What is maturity gap and how does it affect a bank's exposure to interest rate risk?
4. What are the key models used by banks to measure interest rate risk?
5. How do Basel III guidelines address the issue of interest rate risk?

2 Question 1 - Repricing model

2.1 RSA and RSL

2.2 Repricing gap

3 Question 2 - Duration model

3.1 Duration

3.2 Duration model application

4 Extra