

Financial system - Flash test #3

Name: _____

Surname: _____

Student Nr: _____

Matching the maturities of assets and liabilities, banks hedge against liquidity risk but remain exposed to interest rate risk. True/false/uncertain. Explain

The interest rate applied on bonds is positively influenced by the probability of default and exposure at default. True/false/uncertain. Explain

Government insurances on deposits reduce the probability of bank runs and the risk-appetite of bankers. True/false/uncertain. Explain

The higher the riskiness of investments and the lower their value the lower will be the required capital. True/false/uncertain. Explain

A decrease in interest rates is expected to influence negatively banks' profits. True/false/uncertain. Explain
