

# INTEGRATED MASTER PROGRAM (IMP)

MEP Master of Economics and Politics

MF Master of Finance

MIE Master of Internet Economics

Course title	Credit Risk		
Instructor	Prof. Dr. Eva Lütkebohmert-Holtz	Semester	2 <sup>nd</sup>
ECTS (credit points)	6	Contact hours (SWS)	2+2
Prerequisites	Principles of Finance (can also be taken parallel to this course)		
Learning target/qualification	Introduction to single name and portfolio credit risk models and pricing of credit derivatives		
Content	<p>Credit risk represents by far the biggest risk in the activities of a traditional bank. In particular, during recession periods financial institutions loose enormous amounts of money as a consequence of bad loans and default events. In the last two decades, a multitude of credit-linked derivatives has been developed to manage and transfer credit risks in an efficient and standardized way. These allow banks to shape their risk profile according to regulatory standards.</p> <p>In this lecture, we introduce some of the most popular single name- and portfolio credit models and show how these are used to measure credit risk and to price credit derivatives like credit default swaps (CDS), basket default swaps and defaultable bonds. We will also discuss concentration risks in credit portfolios and granularity adjustments.</p> <p>The course, which is taught in English, is offered for students in the Finance profile of the M.Sc. Economics, but is also open to other master students in both economics and mathematics.</p>		
Exam type	120 min written examination at the end of the semester		
Literature	<p>Bielecki, T.R., Rutkowski, M.: Credit Risk: Modeling, Valuation, and Hedging. Springer, 2002</p> <p>Bluhm, C., Overbeck, L.: Structured credit portfolio analysis, baskets &amp; CDOs. Chapman &amp; Hall/CRC Press, 2006</p> <p>Duffie, D., Singleton, K.F.: Credit Risk: Pricing, Measurement, and Management. Princeton University Press, 2003</p> <p>Lando, D.: Credit Risk Modeling: Theory and Applications. Princeton University Press, 2004</p> <p>Lütkebohmert, E.: Concentration Risk in Credit Portfolios. Springer, 2009</p> <p>Schönbucher, P.J.: Credit Derivatives Pricing Models. Wiley, 2003</p>		
Additional Information & Links	<a href="http://www.finance.uni-freiburg.de/">http://www.finance.uni-freiburg.de/</a>		