

## **CHAPTER IV**

### **EVALUATION AND CONTROL OF RISKS ON BANKS**

#### **A. RISK PERCEIVED UNDER TRADE CREDIT INSURANCE**

1. THE INSOLVENCY OF A BANK
2. THE DEFAULT OR DISHONORING OF PAYMENT
3. POLITICAL RISKS SUCH AS WAR, TRANSFER DELAY & MORATORIUM WHICH MAY DELAY OR PREVENT THE TRANSFER OF FUNDS TO NEGOTIATING OR CONFIRMING BANK.

#### **B. RISK FACTORS OF A BANK**

1. OPERATING RESULTS
2. QUALITY OF ASSETS
3. THE STABILITY OF LIABILITIES
4. THE COMPOSITIONS OF ASSETS AND LIABILITIES & SHAREHOLDERS' FUNDS

#### **C. BANK CREDIT WORTHINESS**

##### **1. MANAGEMENT RISK (MICRO)**

Analysis on the management's capability and efficiency in running the bank in terms of its risk taking policy.

##### **2. COUNTRY ASSESSMENT**

Foreign exchange difficulties, war, civil unrest & revolution, natural disaster, moratorium of payment commitments.

## D. RATIOS DETERMINING THE SOUNDNESS OF A BANK

### 1. PROFITBALILTY

(low return may influence or contribute to flight of deposits and other sources of funds)

### 2. LIQUIDITY

### 3. ASSETS QUALITY

### 4. CAPITAL ADEQUACY