

Credit Risk Management Practice Test Questions and Answers

1. What is the primary purpose of credit risk management?

- A) To eliminate all lending activities
- B) To minimize losses from borrower defaults while maintaining profitability
- C) To maximize interest rates
- D) To reduce the number of customers

2. Which factor is most important in assessing creditworthiness?

- A) Borrower's age
- B) Payment history and debt-to-income ratio
- C) Geographic location
- D) Educational background

3. What does PD stand for in credit risk modeling?

- A) Payment Duration
- B) Probability of Default
- C) Principal Debt
- D) Portfolio Diversification

4. Which Basel framework component addresses credit risk capital requirements?

- A) Operational risk only
- B) Pillar I - Minimum Capital Requirements
- C) Market risk exclusively
- D) Liquidity risk measures

Answers: 1-B 2-B 3-B 4-B

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