

Everyone's Smart University

Assignment 1 (Spring 2021)

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Section

Master of Project
Management

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(PMG510)

Project Risk Management

Instructions: Risks for Al-Ahly National Commercial Bank:

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Risks for Al-Ahly National Commercial Bank:

In its work in the financial sector, Al-Ahly bank is exposure to different types of risks , which represent a real threat for the business of the bank and its existence in this sensitive sector. As follows I will address examples of these risks in detail.

Liquidity risk:

liquidity risk as a concept refers to the type of financial risks that happen when the bank has become unable to meet its obligations and liabilities with its current cash liquidity.

The liquidity risk is classified as being one of the **opportunity to financial risks** as it reflects the efficiency of the bank in managing its available liquidity to meet the current and future obligations.

The **likelihood** of occurrence of its risk in Al-Ahly bank is **low** that is because the efficient control of the management of the bank and the huge funds that the bank is used in its business which lead to make the problem of liquidity under control.

Impact of this risk **low magnitude** as it can effect on the trust of the customers in bank negatively and effect on its reputation and its performance in the market in the future.

Strategies and policies used from the bank:

- Diversifying the bank's portfolio in the form of financial instruments that can be easily converted into liquid cash that enables the bank to efficiently meet the bank's obligations on specified maturity dates.
- Work to establish optional reserves that the bank establishes in order to maintain a good balance of cash.
- Work on investing in **short-term** assets that are easy to convert into liquid cash, such as **short-term** investments.

Credit risk:

This type of risk results when the corporate and individual borrowers to become unable to fulfill their contracted obligations.

Likelihood of the risk: **High risk**

Impact of occurrence of the risk: **High magnitude**

This risk is representing a threat as it can effect on the overall performance of the bank.

Strategies and policies used from the bank:

- Customer credit analysis where the financial position of the customer requesting credit is analyzed and the value of the collateral provided by the client is studied and a plan or schedule can be developed to be followed to repay the credit payments by the client.
- Inquiries on customer reputation to ensure the customer's intention and ability to pay.
- Conducting personal interviews with the credit applicant.

Capital risk:

Capital risk refers to the risk that happens when there is decline in the assets of the bank which lead to cause decline in the rights of depositors.

Type of risk: **Opportunity risk** as the company will have the main role in balancing and make sure of the availability of the capital

Likelihood of the risk : **Low magnitude**

Impact of this risk : **High magnitude**

Strategies and policies used from the bank:

- Activating the capital adequacy standard, which is based on providing sufficient capital to be able to hedge against any future risks that may face Al Ahli Bank on the level of capital.
- Working to maximize the return on investment in capital.
- Following a balanced policy that would work to achieve a balance between the interest of lenders and depositors in a way that supports the competitive position of banks and joint banks in the sector.

Market risk:

This **type of losses** that happens when the bank maintains on assets which result from changes in the market prices like (interest rates, Exchange rates, etc.).

Type of Risk: opportunity risk, this risk is related to the changes that happen in the interest rates and exchange rates that are surrounded by high uncertainty.

Likelihood of the risk: High risk

Impact of this risk: High magnitude Market risk lead to cause big losses that can effect on the financial position of the bank, which may affect negatively on the trust of the customers in the bank.

Strategies used from bank to deal with the market risk:

- Diversifying the portfolio of the bank to **mitigate** the risk.
- Hedging from the potential risks that may happen in currencies.