

Analyzing Concentration Risk

Diane Reynolds

Abstract

Concentration risks, particularly concentrations in credit risk, have played a key role in the financial instability of the banking sector in 2008. This paper examines different objectives in managing credit concentration risk. The suitability of different measures and presentation techniques is discussed and illustrated in the context of a case study. We also look deeper into “measures,” examining the contributions and interactions of migration, name and sector concentration risk on the portfolio.