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Risk Management Formulas

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List of 20 Risk Management Formulas

Risk Management

1) Basis Risk

Open Calculator

fx $$\mathrm{BR} = \mathrm{FPC} - \mathrm{SPHA}$$

ex $$14755 = 22255 - 7500$$

2) Calmar Ratio

Open Calculator

fx $$\mathrm{CR} = \left(\frac{\mathrm{ARR}}{\mathrm{MDD}}\right) \cdot -1$$

ex $$0.24 = \left(\frac{12}{-50}\right) \cdot -1$$

3) Credit Spread

Open Calculator

fx $$\mathrm{CS_P} = \mathrm{CBY} - \mathrm{TBY}$$

ex $$0.54 = 2.5 - 1.96$$

4) Credit Value at Risk

Open Calculator

fx $$\mathrm{CR_v} = \mathrm{WCL} - \mathrm{ECL}$$

ex $$12500 = 33000 - 20500$$

5) Default Risk Premium

Open Calculator

$$\text{fx}\quad DRP = R_i - R_f$$

$$\text{ex}\quad 5.7 = 6 - 0.3$$

6) Economic Capital

Open Calculator

$$\text{fx}\quad EC = \frac{EaR}{RR}$$

$$\text{ex}\quad 7750 = \frac{620}{0.08}$$

7) Interest Rate Risk

Open Calculator

$$\text{fx}\quad IR_{risk} = \frac{OP - NP}{NP}$$

$$\text{ex}\quad 2.982301 = \frac{450 - 113}{113}$$

8) Loss Given Default

Open Calculator

$$\text{fx}\quad LGD = 1 - Rr$$

$$\text{ex}\quad 0.6 = 1 - 0.4$$

9) Market Risk Premium

Open Calculator

$$\text{fx}\quad MRP = EEMR - R_f$$

$$\text{ex}\quad 18.7 = 19 - 0.3$$

10) Maximum Drawdown

Open Calculator

$$MDD = \left(\frac{V_{trough} - V_{peak}}{V_{peak}} \right) \cdot 100$$

$$-50 = \left(\frac{25000 - 50000}{50000} \right) \cdot 100$$

11) Modigliani-Modigliani Measure

Open Calculator

$$M_2 = R_{ap} - R_{mkt}$$

$$20.1 = 25 - 4.9$$

12) Pain Ratio

Open Calculator

$$PR = \frac{ER}{PI}$$

$$7.333333 = \frac{110}{15}$$

13) Probability of Default Regression Model

Open Calculator

$$PD = \frac{1}{1 + \exp(-z)}$$

$$0.507499 = \frac{1}{1 + \exp(-0.03)}$$

14) Risk Adjusted Return on Capital

Open Calculator

$$\text{RAROC} = \frac{\text{R} - \text{e} - \text{el} + \text{ifc}}{\text{P}_{\text{Capital}}}$$

$$374.15 = \frac{780000 - 47000 - 6700 + 22000}{2000}$$

15) Risk Determination

Open Calculator

$$\sigma_{\text{R}} = \text{RI} \cdot \text{L}$$

$$84 = 21 \cdot 4$$

16) Risk Exposure

Open Calculator

$$\text{RE} = \text{RI} \cdot \text{p}$$

$$10.5 = 21 \cdot 0.5$$

17) Risk Tolerance

Open Calculator

$$\text{RT} = \frac{\text{PEE} \cdot 0.35}{\text{MGI}}$$

$$17.5 = \frac{500000 \cdot 0.35}{10000}$$

18) Sortino Ratio

Open Calculator

fx $$S = \frac{R_p - R_f}{\sigma_d}$$

ex $$3.566667 = \frac{11 - 0.3}{3}$$

19) Sterling Ratio

Open Calculator

fx $$SR = \left(\frac{CAGR}{AMDD - 10}\right) \cdot -1$$

ex $$10 = \left(\frac{150}{-5 - 10}\right) \cdot -1$$

20) Upside/Downside Ratio

Open Calculator

fx $$R_{up/down} = \frac{AI}{DI}$$

ex $$3.090909 = \frac{17}{5.5}$$

Variables Used

- **AI** Advancing Issues
- **AMDD** Average Maximum Drawdown
- **ARR** Average Rate of Return
- **BR** Basis Risk
- **CAGR** Compound Annual Growth Rate
- **CBY** Corporate Bond Yield
- **CR** Calmar Ratio
- **CR_v** Credit Value at Risk
- **CS_P** Credit Spread
- **DI** Declining Issues
- **DRP** Default Risk Premium
- **e** Expenses
- **EaR** Earnings at Risk
- **EC** Economic Capital
- **ECL** Expected Credit Loss
- **EEMR** Expected Equity Market Rate
- **el** Expected Loss
- **ER** Effective Return
- **FPC** Future Price of Contract
- **ifc** Income From Capital
- **IR_{risk}** Interest Rate Risk
- **L** Likelihood
- **LGD** Loss Given Default

- M_2 Modigliani-Modigliani measure
- **MDD** Maximum Drawdown
- **MGI** Monthly Gross Income
- **MRP** Market Risk Premium
- **NP** New Price
- **OP** Original Price
- **p** Probability
- $P_{Capital}$ Capital Cost
- **PD** Probability of Default
- **PEE** Public Equity Exposure
- **PI** Pain Index
- **PR** Pain Ratio
- **R** Revenue
- R_{ap} Return on Adjusted Portfolio
- R_f Risk Free Rate
- R_i Interest Rate
- R_{mkt} Return on Market Portfolio
- R_p Expected Portfolio Return
- $R_{up/down}$ Upside/Downside Ratio
- **RAROC** Risk Adjusted Return on Capital
- **RE** Risk Exposure
- **RI** Risk Impact
- **Rr** Recovery Rate
- **RR** Required Rate of Return
- **RT** Risk Tolerance

- **S** Sortino Ratio
- **SPHA** Spot Price of Hedged Asset
- **SR** Sterling Ratio
- **TBY** Treasury Bond Yield
- V_{peak} Peak Value
- V_{trough} Trough Value
- **WCL** Worst Credit Loss
- **z** Linear Combination
- σ_d Standard Deviation of Downside
- σ_R Risk

Constants, Functions, Measurements used

- Function: **exp**, exp(Number)
  n an exponential function, the value of the function changes by a constant factor for every unit change in the independent variable.

Check other formula lists

- **Risk Management Formulas**

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