

# Financial Risk Management

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**Financial Risk**  
The probability that some event will cause an undesirable outcome on the financial health of a business

**What can cause Financial Risk?**  
- Employee's exposure to litigation  
- Badly timed sales  
- Losses from bad investments  
- Poorly managed cash  
- Badly timed expenses



**Main Types of Financial Risk**



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## Financial Risk

The probability that some event will cause an undesirable outcome on the financial health of a business

### What can cause Financial Risk?

- Organization's exposure to changes in market prices
- Action/transactions of/with other organizations
- Internal actions failures

### Main Types of Financial Risk

#### Credit Risk

A credit risk is a situation where a client or any counterparty cannot fulfill their obligations and pay back the loan.

#### Country Risk

Country risk is a situation of loss associated with investing in a foreign country.

- Political Risk
- Economic Risk
- Financial Risk
- Environmental Risk

#### Market Risk

The possibility for an investor to experience losses due to factors that affect the overall performance of the financial markets or the value of the underlying assets.

- Interest rate risk
- Commodity price risk
- Equity price risk

#### Operational Risk

The potential loss resulting from inadequate or failed internal processes, systems and people, from external events and from legal compliance failures.

#### Liquidity Risk

The risk that a company or bank will be unable to meet its financial obligations. This is only certain if the assets to cash will not be sold at a price of equal value to the book value.

### How to manage Financial Risk?



# Financial Risk

The background features several overlapping concentric circles in shades of light gray. Small, short dashed lines are scattered across the circles, creating a subtle grid-like pattern. A solid green horizontal line is positioned to the right of the main title.

The probability that some event will cause an undesirable outcome on the financial health of a business

# What can cause Financial Risk?

- Organization's exposure to changes in market prices
- Action/transactions of/with other organizations
- Internal actions failures