**JAIPURIA INSTITUTE OF MANAGEMENT, INDORE**

**PGDM**

**SIXTH TRIMESTER (Batch 2019-21)**

**END TERM EXAMINATION, MAY-2021**

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| Course Name | **Risk Management in Commercial Banks** | Course Code | **Fin 601** |
| Max. Time | **2 hours** | Max. Marks | **40** |

**INSTRUCTIONS:**

* **All questions are compulsory**

**Q1.** Use the following information for questions a-d **(10 Marks)**

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1. How much Tier 1 capital does the bank have?
2. What is the amount of risk-adjusted assets for the bank?
3. The minimum Tier 1 capital for this bank is:
4. The minimum total capital for this bank is:

**Q2.** One of the private bank has an average asset duration of 3.75 years and an average liability duration of 3.0 years. If the bank holds total assets of Rs.59000 Billion and total liabilities of Rs. 57800 Billion.

1. does it have a significant duration gap?
2. If interest rates rise, what will happen to the value of the bank's net worth? **(10 Marks)**

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| **Q3.** Bank ABC and Bank XYZ have identical requirement of funds and both are exploring raising of fund either at fixed or floating rate. Following rates are offered by the market to both:   |  |  |  |  | | --- | --- | --- | --- | | **Fixed rate market** | | **Floating rate market** | | | ABC | 9% | | MIBOR + 1% | | XYZ | 10% | | MIBOR + 3% | |
| Bank ABC is more interested in raising a fixed rate loan perceiving increased rates in future while Bank XYZ believes to the contrary and wants to issue floating rate debt instruments. Show how the cost of funds may be decreased for both the firms. **(10 Marks)** |

**Q4.** Take one Example of Operating Risk in a Bank and write a case of minimum 1000 words on the same. Identify the issues and the steps taken to resolve the risk. **(10 Marks)**