**JAIPURIA INSTITUTE OF MANAGEMENT, INDORE**

**END TERM EXAMINATION**

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

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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.** The bank manager wants to know what happens when interest rates rise from 10% to 11%. The total asset value is $100 million, and the total liability value is $95 million.

1. calculate the change in the market value of the assets and liabilities
2. compute and comment on duration gap **(10 Marks)**

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| **Q3.** There are two banks having similar requirement of funds with the option of raising funds at fixed or floating rate. Rates offered by the market to 1st Bank is fixed 9.5% and floating LIBOR+1% whereas the rates offered to 2nd Bank is fixed 10.5% and floating Libor + 3%. |
| Design a Swap to decrease the cost of funds 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)**