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MODEL TEST — 1

JAIBB / AIBB

GOVERNANCE IN FINANCIAL INSTITUTIONS (GFI)

Prepared by ibbprep.com

Time—3 hours
Full marks—100
Pass marks—45

[N.B. The figures in the right margin indicate full marks. Answer the questions as mentioned in different parts.]

Part A — Broad Questions

(Answer any two questions)

Marks—20×2=40

1.	*(a)*	Define corporate governance. Discuss the Basel Committee's principles of corporate governance for banks.	4+8=12
	(b)	What are the important factors that should be included in a well-articulated code of conduct?	8
2.	*(a)*	Discuss the role of various Board committees in protecting shareholder interest.	8
	(b)	How do digital technologies challenge traditional governance models in banks?	5
	(c)	State some general roles and responsibilities of the CEO of a bank.	7
3.	*(a)*	What do you mean by Senior Management Team (SMT)? Describe the role of SMT within a business.	2+5=7
	(b)	What is Capital to Risk-Weighted Asset Ratio (CRAR)? What are the importance and implications of CRAR?	3+4=7
	(c)	What do you understand by brokerage service and stock dealer service?	6
4.	*(a)*	What is Enterprise Risk Management (ERM)? Describe the benefits of ERM.	3+4=7
	(b)	What are the broad categories of payment services provided by mobile financial service providers?	8
	(c)	State the features of Islamic Window.	5

Part B — Mathematical Problem

(Answer any one question)

Marks—10×1=10

5. A bank has the following loan portfolio (all amount in crore taka) as of 31 December 2025:

- Total Gross loans 2000, where
- Special mention account 300
- Substandard loans 500
- Doubtful loans 250
- and Bad/Loss loans 150

For those loans, current total provisions held = 500. Provision rules (used in this exercise): SMA 5% provision, Substandard 20% provision, Doubtful 50% provision and Bad/Loss 100% provision.

Instructions:

(a) Compute the bank's NPL amount and NPL ratio. 4

(b) Compute total required provisions and compute the provision shortfall (if any). 4

(c) Discuss some immediate management actions and board level decisions to improve asset quality. 2

6. During a review of corporate governance effectiveness at a bank, it was found that:

- Total board meetings scheduled in a year: 12
- Board meetings actually held: 9
- Independent directors attended: 6 out of 9
- Risk committee meetings scheduled: 6
- Risk committee meetings held: 4

Instructions:

(a) Calculate the following governance KPIs in percentage: (i) Board meeting compliance ratio, (ii) Independent directors' attendance ratio, (iii) Risk committee meeting compliance ratio. 6

(b) Bangladesh Bank sets a minimum threshold of 75% attendance rate for both the board and the risk committee. Analyse whether the bank has complied, and suggest corrective governance actions for any non-compliance. 4

Part C — Problem Solving

(Solve any one case)

Marks—20×1=20

7. Case-1: Weak Risk Governance at Padma Bank PLC

- The Risk Management Committee met only twice in the last two years, well below the required quarterly frequency.
- Large loans were sanctioned to related parties without proper risk assessment or board approval.
- The Chief Risk Officer (CRO) reports administratively to the CEO rather than functionally to the board, undermining independence.
- Internal audit findings on loan classification irregularities were not followed up for over a year.
- The bank's risk appetite statement has not been reviewed or updated since 2019.

As a result, the bank's NPL ratio has risen sharply and depositor confidence has weakened.

Questions:

(a) What key governance and risk management principles were violated at Padma Bank PLC? 5

(b) How does the independence of the CRO and Risk Management Committee affect a bank's risk governance? 5

(c) What reforms would you recommend to strengthen the bank's risk governance structure? 5

(d) What regulatory actions might Bangladesh Bank take in a case like this? 5

8. Case-2: CEO Succession Failure at Titas Bank PLC

- The CEO resigned suddenly with no notice, and the bank had no documented succession plan in place.
- An interim leadership vacuum led to delayed decision-making on major credit and investment matters.
- The Senior Management Team (SMT) operated without clear direction, and reporting lines to the board became inconsistent.
- Key strategic initiatives, including a digital transformation programme, stalled for several months.
- Shareholders and rating agencies raised concerns about the bank's leadership stability.

The board has since begun work on a formal succession planning framework to prevent a recurrence.

Questions:

(a) What risks arise from the absence of a proper succession plan, as seen at Titas Bank PLC? 5

(b) What role should the board play in managing a CEO transition? 5

(c) How should the SMT function during a leadership vacuum to maintain business continuity? 5

(d) Recommend a succession planning framework that Titas Bank PLC should adopt going forward. 5

Part D — Understanding Terminology

(Compare and contrast any five of the following)

Marks—2×5=10

9. Compare and contrast between any five of the following:

(a) Risk Appetite vs. Risk Tolerance

(b) Governance vs. Management

(c) Tier 1 Capital vs. Tier 2 Capital

(d) Islamic Window vs. Islamic Bank

(e) Executive Committee vs. Audit Committee

(f) CRR vs. SLR

(g) Merger vs. Liquidation

(h) Banker as Trustee vs. Banker as Agent

Part E — Short Questions

(Answer any five of the following)

Marks—4×5=20

10. Write short notes on any five of the following:

(a) Going Concern Capital

(b) Bridge Bank

(c) Market Positioning

(d) Underwriting Service

(e) Material Risk

(f) Credit Concentration

(g) Senior Management Team (SMT)

(h) Whistle Blowing