MODEL TEST — 3

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)*	What is meant by succession planning? What are the advantages of succession planning?	2+6=8
	(b)	What do you mean by a future looking organization? State the important features of a future looking company.	2+7=9
	(c)	Name the steps of a new business initiative.	3
2.	*(a)*	Describe the role of CSR in community development.	7
	(b)	What are the principles of the Bank for International Settlements (BIS) on disclosure?	6
	(c)	Discuss the importance of full disclosure in the corporate and financial world.	7
3.	*(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
4.	*(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

Part B — Mathematical Problem

(Answer any one question)

Marks—10×1=10

5. 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: 10
- Independent directors attended: 7 out of 10
- Risk committee meetings scheduled: 6
- Risk committee meetings held: 5

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 4

board and the risk committee. Analyse whether the bank has complied, and suggest corrective governance actions for any non-compliance.

6. A bank has the following loan portfolio (all amount in crore taka) as of 31 March 2026:

- Total Gross loans 2200, where
- Special mention account 400
- Substandard loans 600
- Doubtful loans 350
- and Bad/Loss loans 200

For those loans, current total provisions held = 600. 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

Part C — Problem Solving

(Solve any one case)

Marks—20×1=20

7. Case-1: Reforming Board Committees at Jamuna Bank PLC

- The bank had an Audit Committee, Executive Committee and Risk Management Committee on paper, but their activities were largely symbolic.
- The Audit Committee met irregularly and lacked independent oversight.
- The Risk Management Committee failed to respond to rising credit risk indicators.
- The Executive Committee overstepped by influencing operational matters that should have stayed with management.
- Recognising the breakdown, the board appointed two qualified independent directors to the Audit Committee and restructured the Risk Management Committee with a defined terms of reference and mandatory quarterly reporting.

With the reforms, the bank reported improved risk tracking, more credible financial reporting, and restored trust among regulators and investors.

Questions:

(a) What governance gaps were evident initially in Jamuna Bank PLC's committee structure and functioning? 5

(b) How do independent directors strengthen the effectiveness of the Audit Committee? 5

(c) Why is it important to have clearly defined roles for each board committee? 5

(d) How can a board ensure that its committees are not just formalities but function effectively? 5

8. Case-2: Disclosure Lapses at Teesta Bank PLC

- The bank's market disclosure under the regulatory capital framework was incomplete for two consecutive reporting periods.
- Key details on capital adequacy components were omitted from the published disclosure.
- Related party exposures were not disclosed in line with regulatory requirements.
- Investors and a credit rating agency raised concerns about the transparency of the bank's reporting.
- The bank's share price declined following media coverage of the disclosure gaps.

The board has since directed management to review the bank's entire disclosure process.

Questions:

(a) What principles of full disclosure were violated at Teesta Bank PLC? 5

(b) Why does disclosure matter for maintaining depositor and investor trust? 5

(c) What reforms are needed in Teesta Bank PLC's market disclosure process? 5

(d) What role should the board and Audit Committee play in ensuring accurate and complete disclosure? 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) Board of Directors vs. Senior Management

(b) Time Loan vs. Term Loan

(c) Credit Risk vs. Liquidity Risk

(d) Digital Banking vs. Traditional Banking

(e) Brand vs. Brand Promise

(f) Going Concern Capital vs. Gone Concern Capital

(g) Risk Appetite vs. Risk Tolerance

(h) Governance vs. Management

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) Central Bank Digital Currency (CBDC)

(b) Business Continuity Plan (BCP)

(c) Going Concern Capital

(d) Bridge Bank

(e) Market Positioning

(f) Underwriting Service

(g) Material Risk

(h) Credit Concentration