# MODEL TEST — 5

## 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)* | Why is good governance so important especially in financial institutions? | 6 |
| | *(b)* | Discuss in brief the key aspects of good governance. | 6 |
| | *(c)* | How does organizational culture impact business strategy? | 8 |
| **2.** | *(a)* | What is Merchant Banking? Discuss the main services provided by merchant banks in Bangladesh. | 3+7=10 |
| | *(b)* | What are the services that agents are not allowed to provide to the customers? | 5 |
| | *(c)* | Why is relationship with the competitors so important? | 5 |
| **3.** | *(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 |
| **4.** | *(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 |

### 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 2024:**

- Total Gross loans 2500, where
- Special mention account 500
- Substandard loans 700
- Doubtful loans 400
- and Bad/Loss loans 250

For those loans, current total provisions held = 750. Provision rules (used in this exercise): SMA 5% provision, Substandard 25% 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: 8 out of 9
- Risk committee meetings scheduled: 8
- Risk committee meetings held: 6

**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 80% 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: Rising Non-Performing Loans at Karnaphuli Bank PLC**

- The bank's NPL ratio has doubled over the past two years.
- Risk assessment and credit appraisal procedures were poorly structured, with loans often approved based on relationship history or personal references rather than objective analysis.
- The credit risk management unit lacked independence and had minimal authority in the approval process.
- The internal audit department was inadequately staffed and not functionally independent.
- Audit reports were often delayed or ignored by senior management, and red flags regarding loan classification were routinely overlooked.

As a result, the bank is now facing liquidity pressure, with depositors becoming cautious and wholesale funding sources drying up.

**Questions:**

*(a)* Identify the key risk management failures at Karnaphuli Bank PLC. 5

*(b)* How can the internal audit function be strengthened to detect financial risks effectively? 5

*(c)* What measures should the bank implement to improve its loan approval and risk management process? 5

*(d)* How should the bank manage the liquidity pressure arising from its deteriorating asset quality? 5

**8. Case-2: Whistleblower Retaliation at Halda Bank PLC**

- An employee raised concerns through the bank's whistleblowing channel about irregularities in loan documentation.
- The complaint was not formally investigated for several months.
- The employee reported facing informal retaliation, including exclusion from key meetings.
- The bank's code of conduct did not include a clear whistleblower protection policy.
- Other employees became reluctant to report concerns after learning of the incident.

The board is now reviewing the bank's whistleblowing framework following an internal complaint.

**Questions:**

*(a)* What governance and ethical principles were violated at Halda Bank PLC? 5

*(b)* What legal and policy protections should whistleblowers have? 5

*(c)* How should Halda Bank PLC redesign its whistleblowing mechanism? 5

*(d)* What board-level oversight should exist for whistleblower complaints? 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)* Executive Committee vs. Audit Committee

*(b)* CRR vs. SLR

*(c)* Merger vs. Liquidation

*(d)* Banker as Trustee vs. Banker as Agent

*(e)* Internal Audit vs. External Audit

*(f)* Conventional Banking vs. Islamic Banking

*(g)* Board of Directors vs. Senior Management

*(h)* Time Loan vs. Term Loan

## 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)* Customers' Complaint Management

*(b)* Stewardship Theory

*(c)* Central Bank Digital Currency (CBDC)

*(d)* Business Continuity Plan (BCP)

*(e)* Going Concern Capital

*(f)* Bridge Bank

*(g)* Market Positioning

*(h)* Underwriting Service