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MODEL TEST — 6

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)*	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
2.	*(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
3.	*(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
4.	*(a)*	What is meant by Digital Agenda? Describe the importance of MFS in digital agenda.	3+3=6
	(b)	Describe the steps of succession planning and management process.	8
	(c)	What do you understand by market positioning and repositioning?	6

Part B — Mathematical Problem

(Answer any one question)

Marks—10×1=10

5. A bank has the following exposures on its balance sheet as of 30 June 2026:

Asset Type	Amount (in crore)	Credit Risk Weight (%) as per Bangladesh Bank
Cash in hand	45.00	0%
Claims on Bangladesh Government	220.00	0%
Commercial Real Estate Loans	500.00	50%
Retail Portfolio	450.00	75%
Corporate loans	800.00	100%

Instructions:

(a)	Calculate the total Risk-Weighted Asset (RWA) for the bank.	3
(b)	Calculate the Minimum Capital Requirement (MCR) for the bank as per Capital to	3

Risk-Weighted Asset Ratio (CRAR).

(c) The bank has a capital of BDT 190.00 crore now. Is it adequate? Justify your answer. 4

6. A bank's capital position is as follows (all amounts in crore taka):

- Tier 1 capital: 220
- Tier 2 capital: 90
- Total Risk-Weighted Assets (RWA): 2000

Regulatory minimum CRAR (including capital conservation buffer) = 12.5%. As per Bangladesh Bank regulation, Tier 2 capital cannot exceed Tier 1 capital.

Instructions:

(a) Calculate the bank's current CRAR. 4

(b) Calculate the capital shortfall or surplus against the regulatory minimum. 3

(c) Is the bank's capital structure compliant with the Tier 1/Tier 2 composition rule? Justify your answer. 3

Part C — Problem Solving

(Solve any one case)

Marks—20×1=20

7. Case-1: 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

8. Case-2: 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 5

Bank PLC?

(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

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) Conventional Banking vs. Islamic Banking

(b) Board of Directors vs. Senior Management

(c) Time Loan vs. Term Loan

(d) Credit Risk vs. Liquidity Risk

(e) Digital Banking vs. Traditional Banking

(f) Brand vs. Brand Promise

(g) Going Concern Capital vs. Gone Concern Capital

(h) Risk Appetite vs. Risk Tolerance

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) Underwriting Service

(b) Material Risk

(c) Credit Concentration

(d) Senior Management Team (SMT)

(e) Whistle Blowing

(f) Risk Culture

(g) Off-shore Banking Unit

(h) Capital Adequacy