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MMPB-004

**MASTER OF BUSINESS
ADMINISTRATION (BANKING AND
FINANCE) (MBF)**

Term-End Examination

December, 2023

MMPB-004 : RISK MANAGEMENT IN BANKS

Time : 3 Hours

Maximum Marks : 100

Note : *Attempt any five questions. All questions carry equal marks.*

1. Why is Risk Management important for a Bank ? Explain the different steps involved in the risk management process.
2. Explain the following incidents that have caused risks to the banks and discuss the lessons learned from these incidents :
 - (i) Barings Bank Crisis
 - (ii) Twin Balance Sheet problem in India

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3. What is 'Credit Concentration Risk' ? What are the reasons for building up of 'Concentration' ? Discuss the principles for the management of credit concentration risk. How is it mitigated ?
4. What is the need for Asset Liabilities Management (ALM) in a Bank ? Discuss the three pillars of ALM process.
5. "Banks always lend at a rate higher than its borrowing cost and hence there is no need to worry too much about the Interest Rate Risk." Critically examine and discuss this statement.
6. Why is managing Market Risk important for a Bank ? How is market risk measured ?
7. Why is Operational Risk measurement important for a Bank ? Discuss the Basic Indicator Approach for computation of operational risk capital requirement along with its advantages and disadvantages.
8. Discuss the principles that are published by the Financial Stability Board for the achievement of sound compensation practices for Financial Institutions.