



Institute of Management
JK Lakshmipat University, Jaipur
END TERM EXAMINATION-2019

B & F (V sem.) Banking Services & Operations

Time: 2 Hours

Subject Code: FN 28

MM: 40Marks

Important note: All figures in question paper are in Indian Rs.

Section A

1. Does any relationship exist between Cost of Deposits and Net Interest Margin? From the given below data calculate Net Interest Income (NII) and Net Interest Margin (NIM) of Win Bank for both years and analyze scenario for 2019 in given context. **(5 Marks)**

	2018	2019
Interest Income	980	1120
Interest Expenses	670	830
Advances	7440	7900
Investments	670	930

2. Sun Bank's deposits for the three years were as follows:

Type of Deposits	Year 1	Year 2	Year 3
Current accounts	15,000	25,000	29,000
Savings accounts	3,000	8,000	12,000
Term deposits	28,000	35,000	38,000
Total	46,000	68,000	79,000

On the basis of above data, evaluate banks performance in terms of raising deposits and managing cost of deposits. Based on the available information, explain how the changes in the composition of the deposits would have affected the banks overall interest cost.

(5 Marks)

3. Increasing level of capital fund reduces the risk of bank failure but at the same time it reduces expected return on equity. Comment. **(5 Marks)**
4. Past track depicts that managing credit risk in Indian commercial bank seems to be tough. With the help of contemporary examples elucidate what could be the possible reasons which results lending to bad clients. Does any legal framework exist for credit recovery, explain in short. **(5+5Marks)**

Section B

Shaan Bank's NPA in 2017 and 2018 were as follows:

Non Performing Assets	2018	2017
Substandard	9509	9693
Doubtful for upto one year	4953	3535
Doubtful for one to three years	3309	1855
Doubtful for more than three years	947	366
Loss	5021	4583
Gross NPA	23,739	20032

Moreover, assets classification was as under in 2018:

Assets	Amount
Cash	21,000
Balance with RBI	4,000
Central Government securities	38,400
Corporate Debt, AAA rated (risk weight 20%)	71,600
Corporate Debt, BB rated (risk weight 150%)	6,200
Net NPA ((risk weight 50%))	To be computed

CET 1 and CET 2 were combinedly Rs. 23000 for 2018 and 2017.

Questions:

1. Compare the performance of the Shaan bank for two years in given context. **(5 Marks)**
2. Do you think shaan bank is risky? Calculate shaan banks minimum capital under Basel I, II and III standard. **(5 Marks)**
3. If you are the probable investor in Shaan bank, by the help of which model you will analyze the whole position of bank. **(2.5 Marks)**
4. Shaan bank is also a victim of poor lending which results into NPA or defaults. Can digitalization be helpful to prevent lending to defaulters in future, if yes, name the mechanism and explain little. **(2.5 Marks)**