



PRESIDENCY UNIVERSITY

BENGALURU

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End - Term Examinations - December 2025

Date: 12-12-2025

Time: 01:00pm- 04:00pm

School: SOC / SOM (UG)	Program: B.COM (BANKING & FINANCE)		
Course Code: COM3043	Course Name: RISK MANAGEMENT IN BANKING		
Semester: V	Max Marks: 100	Weightage: 50%	

CO - Levels	C01	C02	C03	C04	C05
Marks	20	20	20	20	20

Instructions:

- (i) Read all questions carefully and answer accordingly.
- (ii) Do not write anything on the question paper other than roll number.

Part A

Answer ALL the Questions. Each question carries 2marks.

10Q x 2M=20M

1.	Define liquidity risk and give one example.	2 Marks	L2	C01
2.	Identify how effective risk management can reduce non-performing assets.	2 Marks	L2	C01
3.	Define risk management in banking in your own words.	2 Marks	L2	C02
4.	Identify one strategy to manage interest rate risk.	2 Marks	L2	C02
5.	Capital is a cushion, not a decoration. What is meant by capital adequacy ratio (CAR)?	2 Marks	L2	C03
6.	Define Quantitative easing in simple words.	2 Marks	L2	C03
7.	Mention one major reform introduced in Basel III.	2 Marks	L2	C04
8.	What is the liquidity coverage ratio under Basel III?	2 Marks	L2	C04
9.	State one potential drawback of securitization.	2 Marks	L2	C05
10.	Briefly explain foreign exchange risk affect banks.	2 Marks	L2	C05

Part B

Answer ALL the Questions. Each question carries 7 marks.

5Q x 7M = 35M

11.	Examine the importance of liquidity management through CRR and SLR, and its impact on credit creation.	07 Marks	L4	C01
Or				
12.	Capital is the last “line of defense” for avoiding failure in stressed conditions. In this context, elaborate on the importance of maintaining 8% capital adequacy ratio.	07 Marks	L4	C01
13.	Identify different problems in SME lending.	07 Marks	L3	C02
Or				
14.	“Credit growth without risk control is like driving with a stuck accelerator.” Evaluate how banks measure and manage credit risk to prevent accumulation of NPAs, citing examples from retail and SME lending.	07 Marks	L3	C02
15.	Explain contagion effect in the context of 2008 financial crisis.	07 Marks	L4	C03
Or				
16.	If solvency risk was the primary focus of Basel I norms, what additional areas did Basel II emphasize? Elaborate.	07 Marks	L4	C03
17.	Explain the importance of asset backed bonds in securitization and how is it different from the conventional bonds.	07 Marks	L2	C04
Or				
18.	Illustrate the cash flow structure involved in the securitization process.	07 Marks	L2	C04
19.	Elaborate on how different credit risk assessment models suits different borrowers.	07 Marks	L4	C05
Or				
20.	“Foreign exchange risk turns local profits into global uncertainties.” Analyze how exchange rate movements can impact a bank’s loan portfolio, especially when clients trade internationally.	07 Marks	L4	C05

Part C

Answer any three Questions. Each question carries 15marks

3Q x 15M=45M

21.	Explain the key steps in measuring and managing operational risk in banks, and why it is crucial for long-term solvency.	15 Marks	L2	C01
22.	“Risk management is not about avoiding risks but controlling their impact.” Explain the key steps in measuring and managing operational risk in banks, and why it is crucial for long-term solvency.	15 Marks	L3	C02
23.	Examine the role of regulatory frameworks in promoting sound banking practices and preventing systemic crises.	15 Marks	L4	C03
24.	Critically assess how Basel III norms strengthen the resilience of banks against credit and liquidity risks.	15 Marks	L4	C04
25.	“When the interest rate tide rises, not all banks can swim.” Explain how interest rate risk affects bank profitability using the concepts of the yield curve, repricing gap, and duration gap analysis.	15 Marks	L4	C05