

Roll No.....

Time allowed : 3 hours

Maximum marks : 100

Total number of questions : 6

Total number of printed pages : 8

NOTE : Answer ALL Questions.

1. Read the financial data of The Kuber Bank Ltd. as below :

**Balance Sheet of The Kuber Bank Ltd. as on 31st March, 2017**

		(₹ in crores)	
Particulars	Schedule	31.3.2017	31.3.2016
<b>I. CAPITAL AND LIABILITIES</b>			
Capital	1	286.82	286.82
Reserves & Surplus	2	1209.59	1052.42
Deposits	3	27689.90	23623.05
Borrowings	4	450.94	0.10
Other Liabilities and Provisions	5	1813.39	1582.95
<b>TOTAL</b>		<b>31450.64</b>	<b>26545.34</b>
<b>II. ASSETS</b>			
Cash and balances with the Reserve			
Bank of India	6	2414.33	2011.49
Balances with Banks and money at call and short notice	7	404.35	492.09
Investments	8	9235.05	8570.67
Advances	9	18303.40	14231.23
Fixed Assets		441.88	466.99
Other Assets		651.63	772.87
<b>TOTAL</b>		<b>31450.64</b>	<b>26545.34</b>
Contingent Liabilities		13695.44	7141.04
Bills for Collection		2735.10	2063.21

**Profit and Loss Account for the year ended 31.03.2017**

<b>Particulars</b>	<b>Schedule</b>	<b>Year Ended 31.03.2017</b>	<b>(₹ in crores) Year Ended 31.03.2016</b>
<b>INCOME</b>			
Interest earned		2118.51	1760.12
Other income		391.52	439.03
<b>TOTAL</b>		<b>2510.03</b>	<b>2199.15</b>
<b>EXPENDITURE</b>			
Interest expended		1263.15	1037.45
Operating expenses		611.51	561.34
Provisions and contingencies		433.80	527.37
<b>TOTAL</b>		<b>2308.46</b>	<b>2126.16</b>
<b>PROFIT</b>			
Net profit for the period		201.57	72.99
Net Profit/Loss Brought Forward		0	0
<b>TOTAL</b>		<b>201.57</b>	<b>72.99</b>
<b>APPROPRIATIONS</b>			
Transfer from Investment Fluctuation Reserve		0	-42.70
Transfer to Statutory Reserve		60.47	21.90
Transfer to Capital Reserves		2.45	41.85
Transfer to Revenue Reserves		111.80	51.94
Proposed Dividend (Include Dividend Tax)		26.85	0
Balance Carried over to Balance Sheet		0	0
<b>TOTAL</b>		<b>201.57</b>	<b>72.99</b>
Significant Account Policies and Notes on Accounts			

**SCHEDULES TO THE BALANCE SHEET**

<b>Particulars</b>	<b>31-03-2017</b>	<b>(₹ in crores) 31-03-2016</b>
<b>SCHEDULE - 1 : CAPITAL</b>		
<b>AUTHORISED CAPITAL</b>		
150,00,00,000 Equity Shares of ₹10/- each	1500.00	1500.00
<b>ISSUED, SUBSCRIBED AND PAID-UP</b>		
28,68,23,200 (Previous year 28,68,23,200) Equity Shares of ₹ 10 each fully paid up of which 14,68,20,000 shares are held by the Government of India.	286.82	286.82
<b>TOTAL</b>	<b>286.82</b>	<b>286.82</b>

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(₹ in crores)

<b>Particulars</b>	<b>31-03-2017</b>	<b>31-03-2016</b>
<b>SCHEDULE - 2 : RESERVES AND SURPLUS</b>		
I. Statutory Reserves :		
Opening Balance	295.63	273.73
Additions during the year	60.47	21.90
<b>TOTAL</b>	<b>356.10</b>	<b>295.63</b>
II. Capital Reserves :		
Opening Balance	51.09	9.22
Additions during the year	2.45	41.87
<b>TOTAL</b>	<b>53.54</b>	<b>51.09</b>
III. Revaluation Reserve :		
Opening Balance	273.68	111.16
Additions during the year	0	213.34
Deduction during the year	-17.55	-50.82
<b>TOTAL</b>	<b>256.13</b>	<b>273.68</b>
IV. Share Premium :		
Opening Balance	256.00	256.00
Addition during the year	0	0
<b>TOTAL</b>	<b>256.00</b>	<b>256.00</b>
V. Revenue Reserves :		
Opening Balance	176.02	124.08
Addition during the year	111.80	51.94
<b>TOTAL</b>	<b>287.82</b>	<b>176.02</b>
VI. Investment Fluctuation Reserve :		
Opening Balance	0	42.70
Deduction during the year	0	-42.70
<b>TOTAL</b>	<b>0</b>	<b>0.0</b>
<b>TOTAL (I, II, III, IV, V and VI)</b>	<b>1209.59</b>	<b>1052.42</b>

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<b>Particulars</b>		(₹ in Crores)	
		<b>31-03-2017</b>	<b>31-03-2016</b>
<b>SCHEDULE -3 : DEPOSITS</b>			
A.	I. Demand Deposits :		
	i. From Banks	66.85	53.47
	ii. From Others	3214.40	2327.10
	II. Savings Bank Deposits	9043.60	7930.62
	III. Term Deposits :		
	i. From Banks	1117.05	1372.76
	ii. From Others	14248.00	11939.10
	<b>TOTAL</b>	<b>27689.90</b>	<b>23623.05</b>
B.	i. Deposits of Branches in India	27689.90	23623.05
	ii. Deposits of Branches Outside India	0	0
	<b>TOTAL</b>	<b>27689.90</b>	<b>23623.05</b>

<b>Particulars</b>		(₹ in Crores)	
		<b>31-03-2017</b>	<b>31-03-2016</b>
<b>SCHEDULE - 4 : BORROWINGS</b>			
I.	Borrowing in India :		
	i. Reserve Bank of India	450.00	0
	ii. Other Banks	0	0
	iii. Other Institutions and Agencies	0.94	0.10
II.	Borrowings outside India	0	0
	<b>TOTAL</b>	<b>450.94</b>	<b>0.10</b>

<b>Particulars</b>		(₹ in Crores)	
		<b>31-03-2017</b>	<b>31-03-2016</b>
<b>SCHEDULE - 5 : OTHER LIABILITIES AND PROVISIONS</b>			
I.	Bills Payable	270.80	307.19
II.	Inter office adjustments (Net)	183.19	164.70
III.	Interest Accrued	123.99	93.87
IV.	Subordinated debt from Central Govt. and Unsecured redeemable Bond *	535.00	607.28
V.	Others	700.41	409.91
	<b>TOTAL</b>	<b>1813.39</b>	<b>1582.95</b>
	<b>* Out of above, forming part of TIER II Capital</b>	<b>395.00</b>	<b>424.11</b>

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		(₹ in Crores)	
Particulars	31-03-2017	31-03-2016	
<b>SCHEDULE - 6 : CASH AND BALANCES WITH RESERVE BANK OF INDIA</b>			
I. Cash in hand (including foreign currency notes)	182.07	140.91	
II. Balance with Reserve Bank of India :			
i. In Current Account	2232.26	1570.58	
ii. In Other Accounts (Under LAF)	0	300.00	
<b>TOTAL</b>	<b>2414.33</b>	<b>2011.49</b>	

		(₹ in Crores)	
Particulars	31-03-2017	31-03-2016	
<b>SCHEDULE - 7 : BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE</b>			
I. In India :			
i. Balance with Banks :			
a. In Current Accounts	254.25	298.18	
b. In Other Deposit Accounts	100.00	151.09	
ii. Money at call and short notice :			
a. With banks	0	0	
b. With other institutions	0	0	
<b>TOTAL - I</b>	<b>354.25</b>	<b>449.27</b>	
II. Outside India :			
i. In Current Accounts	50.10	42.82	
ii. In Other Deposit Accounts	0	0	
iii. Money at call and short notice	0	0	
<b>TOTAL - II</b>	<b>50.10</b>	<b>42.82</b>	
<b>TOTAL (I and II)</b>	<b>404.35</b>	<b>492.09</b>	

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<b>Particulars</b>		<b>31-03-2017</b>	<b>(₹ in Crores) 31-03-2016</b>
<b>SCHEDULE - 8 : INVESTMENTS</b>			
A.	Investment in India in		
i.	Government Securities	7588.15	7030.60
ii.	Other approved Securities	160.76	200.34
iii.	Shares	142.32	122.14
iv.	Debentures and Bonds	884.29	930.73
v.	Subsidiaries and/or joint ventures	21.72	21.72
vi.	Others		
a.	Venture Capital	3.65	2.50
b.	Units and Mutual Funds	0.49	17.50
c.	RIDF Deposits	272.42	208.10
d.	Commercial Papers	19.41	9.79
e.	Security Receipts of ARCs	43.85	27.25
f.	Oil Bonds	48.23	0
g.	CBLO	49.76	0
	<b>TOTAL</b>	<b>437.81</b>	<b>265.14</b>
	<b>TOTAL</b>	<b>8797.24</b>	<b>8305.53</b>
	<b>Grand TOTAL</b>	<b>9235.05</b>	<b>8570.67</b>
B.	Investments outside India :	0	0
	<b>TOTAL ( A + B)</b>	<b>9235.05</b>	<b>8570.67</b>
	Gross Investments	9324.55	8635.27
	Less : Provision for Depreciation	89.50	64.60
	Net Investments	<b>9235.05</b>	<b>8570.67</b>
	Includes Encumbered Securities	9.00	9.00

<b>Particulars</b>		<b>31-03-2017</b>	<b>(₹ in Crores) 31-03-2016</b>
<b>SCHEDULE - 9 : ADVANCES</b>			
A.	i. Bills Purchased and discounted	1166.28	908.98
	ii. Cash Credits, Overdrafts & Loans repayable on demand	7315.16	5650.90
	iii. Term Loans	9821.96	7671.35
	<b>TOTAL</b>	<b>18303.40</b>	<b>14231.23</b>
B.	i. Secured by tangible assets	12914.33	10436.98
	ii. Covered by Bank/Government Guarantees	1484.32	1236.95
	iii. Unsecured	3904.75	2557.30
	<b>TOTAL</b>	<b>18303.40</b>	<b>14231.23</b>

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C.	I.	Advances in India		
	i.	Priority Sector	7238.00	5835.60
	ii.	Public Sector	2134.39	1884.31
	iii.	Banks	425.00	220.14
	iv.	Others	8506.01	6291.18
		<b>TOTAL</b>	<b>18303.40</b>	<b>14231.23</b>
	II.	Advances outside India	0	0
		<b>TOTAL</b>	<b>0</b>	<b>0</b>
		<b>TOTAL ( I and II)</b>	<b>18303.40</b>	<b>14231.23</b>

Based on the financial data of The Kuber Bank Ltd, answer the following questions (a to e) :

- (a) Compute the following ratios :
- Interest Expense Ratio.
  - Burden Ratio : Non-Interest Income to Non-Interest Expenses Ratio.
  - Efficiency Ratio : Non-Interest Expenses to Net Total Income Ratio.
  - Equity Multiplier.
  - Net Interest Margin (NIM).
  - Asset Utilization : Total Income to Total assets Ratio.
  - Return of Assets (ROA).
  - Return On Equity (ROE).
  - Liability Mix Ratio : Total deposits to Total Liability Ratio.
  - CD Ratio : Credit to Deposits Ratio.
- (20 marks)
- (b) Based on the above ratios, comment on the performance of The Kuber Bank Ltd. in terms of profitability specifically indicating the reasons for the variation.
- (10 marks)
- (c) Compute the Net Demand and Time Liabilities (NDTL) of The Kuber Bank Ltd. as on 31.03.2017. Calculate and comment on the levels of CRR and SLR maintained by the bank. (Assuming that the current level stipulated by RBI is CRR-7.5% and SLR-25%).
- (10 marks)
- (d) How you interpret the increase in Contingent liabilities V/s increase in advances of The Kuber Bank Ltd ?
- (5 marks)
- (e) Asset Liability Management (ALM) is concerned with strategic balance sheet management. The significance of ALM to the financial sector is highlighted due to the dramatic changes that have occurred in recent years in the assets and liabilities of banks. Discuss the various reasons for the growing significance of ALM.

(5 marks)

2. (a) E-banking is beneficial to banks, as well as customers. Explain the benefits that can be derived by banks, as well as customers. (10 marks)
- (b) Differentiate the following in brief :
- (i) Repo Rate and Reverse Repo Rate.
  - (ii) Universal Banking and Virtual Banking.
  - (iii) “Red Clause” Credit and “Green Clause” Credit.
  - (iv) Certificate of Deposit and Commercial Paper.
  - (v) Special endorsement and Restrictive endorsement. (10 marks)
- (c) Basel Committee on Banking Supervision (BCBS) has identified Compliance Risk as one of the major risk faced by banks. In this context, explain the Basel Committee’s principles for managing ‘Compliance Risk’ in banks. (10 marks)
3. “The Central bank has changed the emphasis of the monetary policy from meeting the medium-term targets of aggregates of money supply to monitoring daily changes in the liquidity position of the market.” What are the targets against which easing or tightening of the monetary policy can be defined ? With reference to each target explain how the easing or tightening can be brought about. (5 marks)
4. Apart from the credit evaluation procedures and the lending rates, the loan policy of a bank also has various other components. Discuss these components. (5 marks)
5. What precautions to be taken by the Bankers while issuing of Letter of Credit to their existing clients ? (5 marks)
6. Management of credit risk in a bank will require alertness on the part of staff at all the stages of credit delivery. Explain various steps for efficient management of credit risks. (5 marks)