

JEB129 – Introductory Banking

State final exam questions

1. Basic terms of financial markets

NPV rule, annuity and its role in banking, yield curve, magical triangle, functions and structure of world financial markets, financial intermediation

2. Banks and the banking sector

Definition and functions of a bank, commercial vs. investment banking, corporate vs. SME vs. retail banking, ALM, bank's valuation, trends in the banking sector since the 2008/2009 crisis

3. Bank financial statements

Balance and off-balance sheet items, differences between balance sheets of commercial bank and central bank, banks' financial and business performance indicators, financial performance of banks

4. Money and interest rates

Definitions and functions of money, money aggregates, traditional vs. modern money creation, pros and cons of the money multiplier, simple deposit multiplier, interest income of banks, spot vs. forward interest rate, theories explaining the shape of a yield curve, LIBOR scandal

5. Central banking

History of central banking, key functions of a central bank, corporate governance of CNB, ECB and FED, qualitative vs. quantitative easing, LTRO, TARGET2, the role of central banks before, during and after the 2008/2009 crisis

6. Risk management

Main risks in banking and loss distributions, reflection in financial statements, ALM, procyclicality, risk management failures during the 2008/2009 crisis, contagion and systemic risk, sovereign risk

7. Banking regulation

Reasons for banks' regulation, information asymmetry (adverse selection, moral hazard), Basel II+III, main instruments of regulation and supervision in the EU, LIBOR scandal and regulators' role, current trends in supervision in the EU and around the world, Vicker's report, ring-fencing

8. Bank capital

Accounting vs. economic vs. regulatory capital, an optimal capital structure, deposit insurance and the value of the banking firm, confidence function, capital adequacy, Basel II+III, importance of bank capital management during and after the 2008/2009 crisis

9. Liquidity risk and liability management

Liquidity vs. solvency, cash management, measures of liquidity risk, confidence function, bank deposit products, liability bank operations, liquidity risk management during the 2008/2009 crisis, LTRO

10. Credit risk

Solvency vs. liquidity, credit risk, main debt instruments and their characteristics, credit types, procyclicality, non-performing loans and provisioning, importance of collateral, registers of credits, information asymmetry, rating vs. scoring, loan pricing, RAROC

11. Market risk

Market risk, volatility, GAP analysis, the US Savings & Loans case, duration, convexity, portfolio

immunization, VAR, market risk management during the 2008/2009 crisis, hedging vs. speculation, Volcker's rule and propriety trading

12. Non-interest income of banks

Non-Interest vs. interest income of banks, cash vs. non-cash payments, E-banking, documentary vs. smooth payments, letter of credit, bill of exchange, types of payment systems, CERTIS, SEPA, SWIFT, TARGET, TARGET2, examples of operational risk failures in banking

13. Non-bank financing and trade finance

Factoring, forfeiting, leasing, trade finance products

14. Securitization and credit derivatives, FX and i.r. derivatives

Securitization – principles, pros and cons, ABS, CDO, MBS, credit derivatives, current trends, FX and i.r. derivatives, where and why applied

15. Financial innovation in banking

Current trends in banking, financial innovation vs. regulation, peer-to-peer lenders, mobile payment providers, online advice communities, microfinance

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