

## **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 versus retail lending, 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, Czech National Bank, European Central bank, the role of central banks before, during and after the 2008/2009 crisis, quantitative easing

#### **6. Risk management**

Main risks in banking and loss distributions, reflection in financial statements, ALM, procyclicality, contagion and systemic risk, sovereign risk

#### **7. Banking regulation**

Reasons for banks' regulation, information asymmetry (adverse selection, moral hazard), Basel I, Basel II, Basel III, main instruments of regulation and supervision worldwide and in the EU,

#### **8. Bank capital**

Accounting vs. economic vs. regulatory capital, an optimal capital structure, deposit insurance, capital adequacy, Basel II and Basel 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

#### **10. Credit risk I**

Solvency vs. liquidity, definition of credit risk, reflection in the balance sheet, main debt instruments and their characteristics, credit types, retail, SME and corporate segment, procyclicality

#### **11. Credit risk II**

Expected and unexpected losses, non-performing loans and provisioning, importance of collateral, registers of credits, information asymmetry, rating vs. scoring, loan pricing, RAROC

**12. Market risk I**

Market risk, definition, reflection on the balance sheet, interest rate risk, FX risk, Equity risk, volatility, sensitivity measures, GAP analysis

**13. Market risk II**

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

**14. Operational risk**

Definition of operational risk, reflection in the balance sheet, operational risk in Basel II (Basel III) framework, examples of operational risk failures in banks

**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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