**Banking Exam Questions 2019 – Updated**

**Topic 1 – What is special about banks?**

1. What is the main role of banks? Explain essence of the roles.
2. What is economic function of banks? Explain its importance with example.
3. What are theories of financial intermediation? Explain their essence.
4. What are the benefits of financial intermediation? Explain their essence.

**Topic 2 - Bank activities and services**

1. Which modern bank services are available? Explain their functions.
2. What are differences and similarities between banks and other financial institutions?
3. What are current issues in banking? Explain their essence.
4. What are responses of banking system to the forces of change?

**Topic 3 - Types of banking**

1. Describe the concept of traditional versus modern banking and explain essence of universal banking and the bancassurance trend.
2. What different types of banks offer personal or retail banking? Explain its functions and duties.
3. Describe essence and functions of private banking with example.
4. Explain types of corporate banking services used by small firms.
5. Explain corporate banking services used by mid-market and large (multinational) corporate clients
6. Explain main role of the investment banking and its difference from other financial institutions.
7. Explain essence of islamic banking and describe some of their products and services and note their differences.

**Topic 4 – International Banking**

1. What is international banking? Explain its reasons and importance.
2. Why do banks go overseas? Explain the main reasons.
3. Explain practice of bank expansion in foreign markets.
4. What are the types of bank entry into foreign markets?
5. What kind of bank products and services are for the international business?

**Topic 5 – Central Bank**

1. What are the main functions of a central bank? Explain the functions in detail
2. What are other instruments of portfolio constraint?
3. What is monetary policy functions of a central bank? Explain monetary policy instruments, targets and goals.
4. Explain major forms of economic policy (or, macroeconomic policy) conducted by governments.
5. What is the importance of central bank for banks and free-banking hypothesis?

**Topic 6 – Central Bank in practices (in the case of a country)**

1. Describe the main features and explain bank system of the world in the case of a country.
2. Demonstrate knowledge and understanding of the functions and role of central bank in the case of a country.
3. How to understand the role of monetary policy with practice in the case of a country?

**Topic 7 – (Chp 17 Commercial Banks’ Operations / Financial Markets and Institutions by Jeff Madura 11th edition)**

1. Discuss four major sources of commercial bank funds and its functions.
2. What alternatives does a commercial bank have if it needs temporary funds?
3. Outline the various long-term sources of funds available for a commercial bank
4. What kind of loan do commercial banks prefer to use more to generate a higher return?
5. Explain what alternatives are there in use of funds except for giving credit.
6. Show an understanding of the idea behind off-balance sheet in banking. Explain some of the more popular off-balance sheet activities.

**Topic 8. The corporate governance structure of Commercial Banks**

1. Demonstrate knowledge and understanding of principles of corporate governance for the banking industry.
2. Show an understanding of the factors influencing the shape of corporate governance structures in the banking industry
3. Discuss and differentiate who the key role players are in a typical governance structure.
4. Describe a typical corporate governance structure of a banking operation, including: roles and responsibilities

**Topic 9 – Asset and Liabilities Management**

1. Show an understanding of the main functions of Asset and Liabilities Management (ALM) in the banking system.
2. What three pillars does the Asset Liability Management (ALM) process rest on?
3. What forces cause interest rates to change? What kinds of risk do bankers and other financial firms face when interest rates change?
4. What is a gap analysis? How do you measure the interest-sensitive gap? The relative interest-sensitive gap? What is the interest-sensitivity ratio?
5. Explain the concept of weighted interest-sensitive gap. How can this concept aid management in measuring a financial institution’s real interest-sensitive gap risk exposure?
6. What is duration gap analysis? How does duration gap impact on the banks’ net worth when interest rates change?
7. **Problem:** **Asset and Liabilities Management – chapter 6: asset-liability management: duration gaps, sensitive gap, net worth value and interest income**

**Topic 10 – Commercial Bank’s Financial Statement Analysis ( Chp 12 Commercial Bank’s Financial Statement Analysis/ Financial markets and İnstitutions 11th edn by Anthony Saunders, 2011)**

1. How does a bank’s report of condition (statement of financial position) differ from its report of income? Explain elements of each report and relationships between statements.
2. Explain the importance of the financial statement analysis for banks. How many types of analysis are available?
3. If we examine a typical bank’s asset portion of the balance sheet, how are the assets arranged in terms of expected return and liquidity?
4. **Problem**: **Find ratios and analyze the financial statements according to the result**

**Topic 11 – Credit Management**

1. Explain the credit functions of the commercial banks and describe the credit operations with an example.
2. Which factors influence credit policy of commercial bank? Moreover, explain their essence.
3. Explain principles of bank lending, credit granting rules and provisions of loan agreement.
4. Describe the assessment methods of the client's creditworthiness with an example.

**Topic 12 – Investment management of Banks**

1. Which instruments do commercial banks use to invest in the securities market?
2. What are the types of investment for commercial banks? Explain their essence.
3. What is the meaning of commercial banks' portfolio behavior? What do banks need to pay attention to when formulating their portfolio?
4. How do banks create their investment goals, policy and strategy?

**Topic 13 - Bank Liquidity Management**

1. What is bank liquidity? Explain its essence and importance.
2. What are bank's liquid assets and liabilities? Explain their differences.
3. What are the sources of bank liquidity and how does bank manage liquidity?
4. How do banks measure its solvency and liquidity ratios?
5. **Problem: About liquidity ratio calculation and analyze the liquidity condition of the bank in accordance with the results.**

**Topic 14 - Foreign Exchange Dealing**

1. What is the foreign exchange market and its importance for banks?
2. Who are main participants and market makers in foreign exchange markets?
3. What is currency arbitrage and exchange quotations? How to calculate foreign exchange rates?

**Topic 15 – Bank Risk Management**

1. Show an understanding of the credit and market risks. Explain their impacts on banking operations and ways to mitigate such risks
2. Demonstrate knowledge of the interest rate and liquidity risks. Explain their impacts on banking operations and ways to mitigate such risks
3. Show knowledge of risks measurement in case of market and interest rate risk. Discuss the role of the risk management in banks.
4. Explain the essence and measurement of capital adequacy ratio (corresponding to each element of the formula) for bank.
5. Demonstrate an understanding of the Basel I II and III frameworks and discuss their difference for banking operations.

**Topic 16 – Bank Marketing and Sales**

1. Describe the role of marketing in banking industry with the case of a bank product.
2. Demonstrate an understanding of the marketing strategy for a bank. Explain the marketing mix in banking sector.
3. Explain how the commercial bank develop marketing scope at the aspect of service marketing.
4. Describe the main trends in marketing strategy for the banking sector with a product sample.