**CEVAP ANAHTARI**

BUS 442 Bilgi Üniversitesi Mid-Term Exam 07 April 2018 (90 minutes)

Q(1) (25 marks) Prepare a Summary Bank Statement of Income (use your own numbers)

**Answer:**

ABC BANK Statement of Income

for the year ended 31.12.2017

Interest Income. 100

Interest Expense. (60)

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Net Interest Income 40

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Non-Interest Income 30

Non-Interest Expense (20)

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Net Non-Interest Income. 10

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Income before tax. 50

Tax expense. (10)

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NET INCOME 40

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Q(2) (25 marks) List 10 different actions a Bank may take in order to increase its NII “Net Interest Income”.

**Answer:**

Actions:

1. Increase Interest Income
2. Decrease Interest Expense
3. Increase Interest Rates of Interest Earning Assets
4. Decrease Interest Rates of Interest Bearing Liabilities
5. Increase the Volume of Demand Deposits
6. Increase the Number of Utility Payment Accounts in the bank
7. If Interest rates are expected to increase give Variable Interest Rate Loans
8. If Interest Rates are expected to decrease give Fixed Interest Rate Loans
9. Increase Interest Rates on Mortgage Loans
10. Sell low interest rate Government Bonds and buy new high Interest Rate Government Bonds

Q(3) (25 marks) List 7 different Banking Risks. Explain in detail “Capital Adequacy Risk”

1. Capital Adequacy Risk
2. Asset Quality Risk
3. Management Quality Risk
4. Earnings & Efficiency Risk
5. Market Sensitivity Risks
6. Operations Risk

Capital (Share Holders Equity) is necessary in a bank to offset the future possible losses of the bank. Losses generate from the Risks the bank takes. The supervisory authority determined the Minimum Capital Requirement Ratio for banks. (MCRR) (Basel II Ratio) This ratio is calculated as follows:

 Share Holders Equity

MCRR = --------------------------------------------------

 Credit Risk + Market Risks + Operations Risk

In Europe this ratio should be 8% or more. In Turkey the supervisory authority BDDK requires 12% MCRR.

Q(4) (25 marks) You plan to retire in exactly 30 years. Your goal is to create a fund that will allow you to receive $200,000 at the end of each year for the 20 years between retirement and death. You know that you will be able to earn 15% per year until your death. What would be the monthly payments that you make for 30 years until your retirement date?