



SCHOOL OF BUSINESS AND ECONOMICS
Semester 1, 2026

FINAL EXAMINATION PAPER

BIF404: RISK MANAGEMENT

Important Instructions to Students:

1. Read the questions and instructions carefully and answer the questions.
2. You are allowed an **extra 10 minutes of reading time** (during this time, you are not allowed to write with a pen) and **180 minutes (3 Hours) to complete this paper**.
3. A silent, non-programmable calculator is allowed but not supplied.
4. Write all your answers in the answer booklet provided. If you need extra sheets, please ask the supervisor. Write your name, course code, and student identification number in the answer booklet and in the attendance sheet.
5. This Examination Paper is worth **100 marks** and **contributes 40%** towards the course assessments. Students must score at least 40 marks in this exam and an overall minimum mark of 50% to pass the course.
6. All questions within the two sections are compulsory to answer.
7. Write all your answers legibly. The marker has the right to award a zero for illegible answers.
8. This is a **Closed-Book Examination**. The University views **plagiarism, cheating, and dishonest practice as serious offences, and offenders are penalised if they are found**.

Examination Paper Content (Format):

<u>Section</u>	<u>Question</u>	<u>Content</u>	<u>Marks</u>	<u>Suggested Time</u>
A	1 - 3	Theoretical /Analytical/Conceptual	60	100 minutes
B	1 - 2	Case- solving/application	40	80 minutes
		TOTAL	100	180 Minutes

SECTION A – THEORETICAL/ ANALYTICAL/ CONCEPTUAL

(60 MARKS)

(Suggested Time: 100 Minutes)

1. Following a severe macroeconomic downturn, Bula Bank, Fiji, finds its Common Equity Tier 1 (CET1) capital ratio has dropped to 6.0%. The bank's management argues that because this is safely above the absolute Basel III minimum CET1 requirement of 4.5%, the bank is under no regulatory pressure and can proceed with its planned 10% increase in shareholder dividend payouts. What is your view on the Capital Conservation Buffer (CCB)? How is this going to impact Bula Bank's capital distribution policies?
[20 marks]
2. Pacific Bank (a mid-sized retail bank) 's Board of Directors has set a strict Risk Appetite Policy, which says that "the bank has zero tolerance for critical data privacy breaches originating from third-party vendors". To implement this policy, the Chief Risk Officer has created a Key Risk Indicator: Number of vendor security assessments completed every quarter. Explain this issue in terms of Risk Ownership and Risk Culture.
[20 marks]
3. What are emerging risks, such as ESG, climate, and cyber, and their relationship with operational risk? Traditional operational risk frameworks categorize losses using the Basel event types (e.g., Internal Fraud, Execution/Delivery Failure, Business Disruption). Explain how Climate/ESG risks and Cyber risks complicate this traditional categorization. Do these emerging risks represent entirely new, independent risk categories, or do they fundamentally map into Operational Risk? Justify your stance by analyzing the compounding relationship between them.
[20 marks]

SECTION B – CASE-SOLVING/ APPLICATION

(40 MARKS)

(Suggested Time: 80 Minutes)

1. A commercial bank holds a trading portfolio worth \$50 million. The daily returns are normally distributed with a mean of 0 and a standard deviation of 2%.
 - a. Calculate the 1-day 99% Value at Risk (VaR). [5 marks]
 - b. Calculate the Expected Shortfall (ES) at the same confidence level. [5 marks]
 - c. Interpret the results in the context of risk management. [10 marks]
2. Scenario Analysis: A consultancy advises a bank with a \$100m fixed-rate loan portfolio. The bank fears rising interest rates. Current swap rate = 3%. If the bank enters into a pay-fixed, receive-floating interest rate swap for \$100m notional,
 - a. Calculate the net cash flow impact if rates rise to 4%. [10 marks]
 - b. Explain how this hedge protects the bank. What are other options for hedging for the bank?
[10 marks]

*****THE END*****