

1. RAROC can be calculated as

- a. After Tax Risk Adjusted Return / Regulatory Capital
- b. After Tax Risk Adjusted Return / WACC
- c. WACC / Economic Capital
- d. ROA / Regulatory capital
- e. Net profit / Economic Capital

Answer:- After Tax Risk Adjusted Return / Regulatory Capital

2. As per RBRCA guidelines and RBRCA Cell composition, Who is responsible for final Risk Categorization?

- a. Regional Risk officer
- b. Zonal Risk Officer
- c. Regional Head
- d. Risk Officer at Central Office
- e. Zonal Head

Answer:- Zonal Risk Officer

3. Hurdle rate for new borrowers is

- a. CR 3
- b. CR 4
- c. CR 5
- d. CR 6
- e. CR 2

Answer:- CR 5

4. Which of the following is true about RBRCA cell?

- a. It is formed at Central office level
- b. Branch originating the proposal and Risk officer at RO, ZO, and CO are the part of RBRCA cell
- c. The cell is headed by Risk officer at Central Office
- d. Only Zonal and Regional Risk officers will be part of RBRCA cell
- e. It is formed at MLP

Answer:- Only Zonal and Regional Risk officers will be part of RBRCA cell

5. RAROC is applicable in which of the following cases?

- a. Exposure to central/ state government
- b. Exposure against fixed deposit
- c. MSME advances exposure below Rs.1 crore
- d. Agri advances of Rs.2.50 Crore
- e. Corporate advances above Rs.5 crore

Answer:- Corporate advances above Rs.5 crore

6. Internal Credit Risk Rating is done by using two models i.e., UBI Model and CRISIL ICON Models. The selection of appropriate model is based on rule based decision process, which includes various parameters. One of the parameters is the total credit exposure (existing or proposed) of the borrower. What is the threshold limit of total credit exposure of a borrower for using CRISIL ICON model for rating?
- Rs. 5.00 Crs
 - Rs. 1.00 Crs
 - Rs. 50 lakhs
 - Rs. 10.00 Crs
 - Rs. 25.00 Crs

Answer:- Rs. 5.00 Crs

7. Expected Credit loss can be calculated as
- $ECL = PD \times EAD$
 - $ECL = PD \times LGD \times EAD$
 - $ECL = LGD \times EAD$
 - $ECL = PD \times LGD$
 - $ECL = PD \times LGD \times Actual\ Loss$

Answer:- $ECL = PD \times LGD \times EAD$

8. While assessing risk under UBI model, scores for availability of collateral security is done in ___ parameter. Please select the correct option?
- Borrower rating
 - Facility rating
 - Risk mitigator
 - Management rating
 - Business aspect

Answer:- Risk mitigator

9. Who will be the sanctioning authority for High Risk / No go Proposal originally in the delegation power ZLCC?
- It will be sanctioned by CAC-III
 - The proposal is to be straightaway rejected and not to be sanctioned
 - It will be sanctioned by CAC-II
 - It will be sanctioned by ZLCC only but after the scrutiny of proposal through RLCC-I of concerned Regional office for RBRCA only.
 - The scrutiny and Sanction will be done at ZLCC only.

Answer:- It will be sanctioned by ZLCC only but after the scrutiny of proposal through RLCC-I of concerned Regional office for RBRCA only.

10. Which one is not the benefit of risk rating under credit risk management?

- a. Identification of risk
- b. Measurement of risk
- c. Monitoring of risk
- d. Risk based pricing
- e. NPA management

Answer:- NPA management

11. What is periodicity of review renewal if account is rated CR-01?

- a. 12 Months
- b. 18 Months
- c. 6 Months
- d. 15 Months
- e. 9 Months

Answer:- 12 Months

12. To calculate capital charge for the Credit Risk banks are required to estimate Probability of Default (PD) for its credit portfolio. What does PD mean here?

- a. The exposure that will be lost if default occurs
- b. Likelihood that borrower will default over a given time horizon.
- c. Loss in normal course of business and banks make provision against it
- d. Measures amount of the facility that is likely to be drawn if default occurs
- e. None of the Above

Answer:- Likelihood that borrower will default over a given time horizon.

13. Which of the following limits are not exempted from credit rating?

- a. MSME loan of Rs. 20 lakhs
- b. Advance against deposits, NSC, LIC policy
- c. Direct Agriculture advances of Rs. 1.5 crore
- d. Union TReDS
- e. Loans to SHGs

Answer:- Direct Agriculture advances of Rs. 1.5 crore

14. Who will be the sanctioning authority for High Risk / No go Proposal originally in the delegation power MLCC?

- a. RLCC-II
- b. ZLCC
- c. MLCC only

- d. RLCC-I
- e. CAC-III

Answer:- RLCC-I

15. As per our bank guidelines, which of the following is true regarding scope of RBRCA?

- a. MSME proposal (New/ Enhancement) with exposure Rs 10.00 Crore & above
- b. Other than MSME proposals (New/ Enhancement) with exposure Rs 50.00 Crore and above
- c. All retails loans are excluded
- d. Only A & C are true
- e. A, B & C are true

Answer:- A, B & C are true

16. Which of the following approach is being used in our bank for calculating Credit Risk?

- a. Standardised approach
- b. Foundation Internal Rating-Based Approach (FIRB)
- c. Advanced Internal Rating-Based Approach (AIRB)
- d. Standard approach
- e. Basic approach

Answer:- Standardised approach

17. Bank has inhouse developed few Internal Credit Rating Models. How many models are there under Union Trade Model?

- a. one model
- b. 2 models
- c. 3 models
- d. 4 models
- e. 5 models

Answer:- 2 models

18. Which of the following is not the purpose of internal credit rating?

- a. Pricing of loan
- b. Setting approval authority
- c. Classifying NPA
- d. Credit quality monitoring
- e. Surveillance

Answer:- Classifying NPA

19. Hurdle rate for RAROC is to be calculated _____ based on _____ of the Bank.

- a. Quarterly, Audited Financials
- b. Half yearly, Audited Financials

- c. As and when required, Subjective assessment
- d. Annually, Audited Financials
- e. Monthly, Subjective assessment

Answer:- Annually, Audited Financials

20. In which of the following case RBRCA is applicable?

- a. Loans classified as NPA
- b. Loans fully secured by Deposits/SBLC/ Financial Collateral
- c. Proposal for AD- hoc/ TOD
- d. Loans covered under UGECL
- e. NBFC proposal (New/ Enhancement) with exposure Rs.5.00 Crore

Answer:- NBFC proposal (New/ Enhancement) with exposure Rs.5.00 Crore

21. Who provides the country risk categories?

- a. ECGC
- b. RBI
- c. Customs Dept
- d. Ministry of External Affairs
- e. Ministry of Home Affairs

Answer:- ECGC

22. Internal Credit Rating process is independent mechanism and rating assessment is based on the expert judgement using model based system. It is possible that the delegated authority may not agree with rating assigned through this process. Under such scenario, Delegated Authority can revise rating by UPGRADING or DOWNGRADING the assigned scores. In this case, Low-side re-rating means _____

- a. Decision to upgrade credit rating of a borrower to a lower risk level in the investment grade
- b. Decisions to upgrade/downgrade the credit rating of a borrower whose credit rating falls below the investment grade as per the rating assigned by the rating officer
- c. Decision to downgrade credit rating of a borrower to a higher risk level in the investment grade
- d. Decision to downgrade/upgrade a borrower whose credit rating is above investment grade
- e. Decision to re-rate the credit rating given a lower office / branch

Answer:- Decisions to upgrade/downgrade the credit rating of a borrower whose credit rating falls below the investment grade as per the rating assigned by the rating officer

23. Which of the following is not true about Scrutiny Committee (RLCC-I)?

- a. The Convenor of committee shall be Credit In charge of RLCC-I

- b. Minutes of scrutiny committee meeting along with the mitigants proposed to be recorded properly and shall be placed before ZLCC
- c. Risk Officer shall be a mandatory part of Committee
- d. Convenor should preserve the minutes of Meeting for future use
- e. Scrutiny committee shall either reject or recommend the proposal

Answer:- Risk Officer shall be a mandatory part of Committee

24. Which of the following is not true about credit proposal where RAROC > Hurdle Rate?

- a. It is called green zone
- b. It will do the value addition to the shareholders value
- c. This proposal should be accepted in normal course
- d. It will destroy the value to shareholders capital.
- e. Positive RAROC means it will generate income

Answer:- It will destroy the value to shareholders capital.

25. Which of the following is true about RAROC calculation?

- a. It deducts actual loss associated with lending while making calculation
- b. Expected losses are calculated on short term average default rate and recovery rates
- c. It represents the short term view on loan losses
- d. RAROC represents a view on profitability which is economic cycle sensitive
- e. It deducts Expected loss associated with lending while making calculation

Answer:- It deducts Expected loss associated with lending while making calculation

26. Respective Sanctioning Authority can permit limit upto maximum ___ as UFCE of the total FCE of the borrower.

- a. 45%
- b. 25%
- c. 10%
- d. 50%
- e. Nil

Answer:- 45%

27. Our Bank's Internal rating models are

- a. UBI II & III, UTR I & II
- b. UBI I & II, UTR I & II
- c. UTR I & II
- d. UBI I & II
- e. UBI II & III

Answer:- UBI I & II, UTR I & II

28. RAROC framework has been implemented in bank as per the guidelines of EASE agenda. RAROC stands for _____

- a. Risk Added to Return on Capital
- b. Risk Assessment in Return on Capital
- c. Risk Adjusted Return on Capital
- d. Risk Adjusted Return on Credit
- e. Risk Passement in Review of Credit

Answer:- Risk Adjusted Return on Capital

29. Which of the following is not true about Red Zone Proposal as per RAROC Categorization?

- a. RAROC is less than Hurdle rate.
- b. It will erode the value of Shareholders Equity
- c. The proposal can be accepted with proper justification and concrete assurance about additional Non interest income
- d. RAROC is less than hurdle rate and positive.
- e. RAROC is less than hurdle rate and negative.

Answer:- RAROC is less than hurdle rate and positive.

30. Threshold limit set by RBI regarding prudential exposure limit to single counterparty is _____

- a. 25% of Tier-1 capital
- b. 25% of Tier-1 capital, if additional 5% approved by the Board
- c. 20% of Tier-1 capital
- d. 20% of Tier-1 capital, if additional 5% approved by the Board
- e. Both B & C are correct

Answer:- Both B & C are correct

31. Which of the following risk is not part of the Country Risk?

- a. Transportation Risk
- b. Soveirgn Risk
- c. Political Risk
- d. Economic Risk
- e. Exchange Rate Risk

Answer:- Transportation Risk

32. Rating model will be decided based on _____

- a. Exposure with our Bank
- b. Aggregate Exposure from the banking system
- c. Existing relation with Bank

- d. Repayment history
- e. Asset classification

Answer:- Aggregate Exposure from the banking system

33. Union Trade Model I is applicable for rating of exposure _____

- a. Rs.25 Lakh to Rs.50 Lakh
- b. Rs.2 Lakh to Rs.25 Lakh
- c. Rs.25 Lakh to Rs.100 Lakh
- d. Rs.50 Lakh to Rs.100 Lakh
- e. Rs.50 Lakh to Rs.500 Lakh

Answer:- Rs.25 Lakh to Rs.100 Lakh

34. Threshold limit set by RBI regarding prudential exposure limit to group of connected counterparties is _____

- a. 30% of Tier-1 capital
- b. 30% of Tier-1 capital, if additional 5% approved by the Board
- c. 20% of Tier-1 capital
- d. 25% of Tier-1 capital
- e. Both B & D are correct

Answer:- 25% of Tier-1 capital

35. Exposures to countries under "Moderate High Risk" and "High Risk" category shall be of short-term nature, preferably less than ___ days.

- a. 90
- b. 365
- c. 270
- d. 360
- e. 180

Answer:- 180

36. RBI's guidelines to the banks to place appropriate country specific risk management systems to move over to internal assessment of country risk are applicable in respect of the countries where bank's net funded exposure is ___ or more of its Total assets.

- a. 0.75%
- b. 1.00%
- c. 0.50%
- d. 2.00%
- e. 5.00%

Answer:- 1.00%

37. Hurdle rate in RAROC for the FY 2024-25 is _____

- a. 10.20%
- b. 10.40%
- c. 12.20%
- d. 12.40%
- e. 12.50%

Answer:- 12.20%

38. UFCE stands for _____

- a. Underlying Foreign Currency Exposure
- b. Undrawn Foreign Currency Exposure
- c. Unsecured Foreign Currency Exposure
- d. Unhedged Foreign Currency Exposure
- e. None of the Above

Answer:- Unhedged Foreign Currency Exposure

39. Incremental provisioning required in case of exposures with riskiness of UFCE above 75% is _____

- a. 1.00%
- b. 0.80%
- c. 2.00%
- d. 50.00%
- e. Nil

Answer:- 0.80%

40. Incremental capital requirement for exposures with riskiness of UFCE above 75% is _____

- a. 10%
- b. 20%
- c. 25%
- d. 50%
- e. 100%

Answer:- 25%