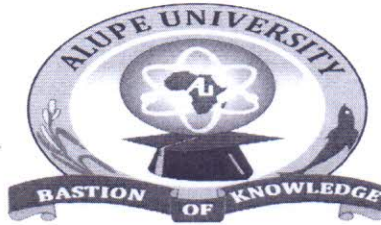


BBM 415



OFFICE OF THE DEPUTY VICE CHANCELLOR
ACADEMICS, RESEARCH AND STUDENT AFFAIRS

UNIVERSITY EXAMINATIONS

2024/2025 ACADEMIC YEAR

FOURTH YEAR SECOND SEMESTER MAIN EXAMINATION

FOR THE DEGREE OF BACHELOR OF BUSINESS MANAGEMENT

COURSE CODE: BBM 415

COURSE TITLE: MANAGEMENT OF FINANCIAL INSTITUTIONS

DATE: 7TH APRIL 2025

TIME: 2 TO 5 P.M

INSTRUCTION TO CANDIDATES

- SEE INSIDE

THIS PAPER CONSISTS OF 3 PRINTED PAGES
OVER

PLEASE TURN

MAIN EXAM

BBM 415: MANAGEMENT OF FINANCIAL INSTITUTIONS

STREAM: BBM

DURATION: 3 Hours

INSTRUCTIONS TO CANDIDATES

- i. Answer Question **ONE** and any other **TWO** questions.*
- ii. Maps and diagrams should be used whenever they serve to illustrate the answer.*
- iii. Do not write on the question paper.*

QUESTION ONE

- (a) Describe the following terms current trends that have seen a massive shift in how the Kenya's financial service industry operates;
 - (i) 'Whole-of-bank' loyalty (3 Marks)
 - (ii) Hyper personalization (3 Marks)
- (b) Outline the common exposures faced by financial intermediaries given the foreign exchange or currency risks (8 Marks)
- (c) In Kenya, risk management has become a key area of focus in most financial institutions. In view of this, elaborate on the vital risk management aims sought. (10 Marks)
- (d)
 - (i) Contrast Tier 1 and Tier 2 capital given the capital adequacy ratio (2 Marks)
 - (ii) Justify the fact that the use of economic capital is superior than capital adequacy ratio given the assessment of financial institution's soundness and risk exposure (4 Marks)

QUESTION TWO

The financial sector in Kenya today has been marred by numerous regulatory inefficiencies besides the emerging trends. Thus, enforcement of supervision by appointed regulators has been key. In view of this statement, write brief notes regarding the mandates of the following regulators;

- (a) Retirement Benefit Authority (RBA) (5 Marks)
- (b) Insurance Regulatory Authority (IRA) (5 Marks)
- (c) Capital Market Authority (CMA) (5 Marks)
- (d) SACCO Societies Regulatory Authority (SASRA) (5 Marks)

QUESTION THREE

- (a) Liquidity management is a must-have practice for a financial intermediary to meet their financial obligations. Justify this statement. (10 Marks)

- (b) Assess the key asset liability management related decisions that affects financial institution's liquidity (10 Marks)

QUESTION FOUR

Risk identification is one of the key elements in risk management that follows a logical process. In view of this, examine the following processes;

- (a) Risk awareness (8 Marks)
(b) Risk measurement (4 Marks)
(c) Risk adjustment (8 Marks)

QUESTION FIVE

In the modern times, the use of derivatives has gained has received significant attention from most financial institutions not only in Kenya but beyond. Following this, Kenya Commercial Bank (KCB) has appointed you as their financial derivatives expert as it seeks to speculate and hedge their investments. Consequently, advise the bank's board of directors given the following aspects;

- (a) Disparity between the forward and future contracts (10 Marks)
(b) The significant fundamentals that affect the option's value (10 Marks)