

Banking and Insurance

MASTER IN MONETARY AND FINANCIAL ECONOMICS

2020/2021

Please consider the following financial information regarding Bank ABC (in 10⁹€) based in Lisbon and answer the questions:

Balance Sheet

Assets	Dec	Dec	Dec	Liabilities + Capital	Dec	Dec	Dec
	06	13	18		06	13	18
Cash and Claims on Central Banks	4	1	1	Resources from Central Banks	1	10	3
Claims in Other Credit Institutions	6	3	3	Resources from Other Credit Institutions	17	3	2
Securities, Derivatives and Investments	8	20	20	Resources from Customers	40	55	55
Net Credit to Customers	75	50	45	Liabilities represented by securities	30	5	2
Gross Credit (+)	80	60	50	Other liabilities	2	5	3
Impairments (-)	5	10	5	Capital	10	12	15
Other Assets	7	16	11				
Total	100	90	80	Total	100	90	80

Income Statement

	Dec 06	Dec 13	Dec 18
Net Interest Income	2,3	1,0	0,8
Income (net) from services and commissions	0,5	0,7	1,3
Income from financial operations	0,2	0,8	0,5
Gross Income	3,0	2,5	2,6
Operating Costs	1,4	1,2	1,0
Impairments	0,2	0,8	0,3
Income Before Tax	1,4	0,5	1,3
Taxes	0,1	0,01	0,1
Net Income	1,3	0,49	1,2

1. Please explain in which extent financial statements of Bank ABC were impacted by the Economic and Financial Adjustment Program (EFAP) of the Portuguese Economy. (4,0)
2. Assess the profitability of Bank X, by:
 - 2.1. Calculating its main performance ratios. (4,0)
 - 2.2. Analyzing the impact of the subprime crisis. (4,0)
3. Please explain the main strategies implemented and results obtained by Bank ABC to improve its performance after the EFAP, analysing the relevant metrics. (4,0)
4. Explain how an increase in credit risk brought by the pandemic may impact on the bank's net income. (4,0)