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38	A	B	C	D	E
39	A	B	C	D	E

PRACTICE QUESTIONS

Fitch Learning (formerly Moody's Analytics)

RB2E

Retail Banking II Exam

EDITION

Demo

QUESTIONS

9

FORMAT

Limited Edition PDF

Before you begin

What this is

9 practice questions for Fitch Learning (formerly Moody's Analytics) **RB2E**, each with its answer key and an explanation. Answer a question before you read its key — the explanation is worth more once you have committed.

If something looks wrong

Send us three things and we will check it:

- the exam code, **RB2E**
- the question number
- the email address on your order

Write to **support@mometrix.net**. We reply within one business day.

QUESTION 1

SINGLE CHOICE

Which deposit product is best characterised as a non-transactional account that typically offers a higher interest rate than a standard savings account in exchange for the customer restricting access to funds for a fixed period?

- ☐ A Current account
- ☒ B Term deposit (fixed deposit)
- ☐ C Money market call account
- ☐ D Demand deposit account

ANSWER B

WHY A term/fixed deposit locks customer funds for a stated tenor in return for a contracted (usually higher) interest rate. Current accounts and demand deposits are transactional and immediately accessible, and a money market call account – although interest-bearing – is generally at-call, not fixed-term.

QUESTION 2

SINGLE CHOICE

When assessing a retail loan application, which of the 'Five Cs of Credit' most directly captures the customer's existing level of indebtedness relative to income?

- ☐ A Character
- ☒ B Capacity
- ☐ C Collateral
- ☐ D Capital

ANSWER B

WHY Capacity measures the borrower's ability to repay from cashflow, typically expressed through debt-to-income (DTI) and debt-servicing ratios. Character refers to willingness to repay, collateral to security offered, and capital to the borrower's own financial stake.

QUESTION 3 SINGLE CHOICE

Which distribution channel is most associated with the highest fixed-cost base but the lowest marginal cost per additional transaction in retail banking?

- ☐ A Branch network
- ☐ B Automated Teller Machine (ATM)
- ☒ C Mobile banking application
- ☐ D Telephone banking call centre

ANSWER C

WHY Once developed and deployed, a mobile banking app can serve additional customers and transactions at very low marginal cost, after the high fixed investment in development, security and integration. Branches and call centres carry ongoing variable labour cost per interaction, while ATMs carry per-transaction switching and servicing costs.

QUESTION 4 SINGLE CHOICE

An instantaneous 100 basis point parallel upward shift in the yield curve will, all else equal, typically cause the economic value of a typical retail bank to:

- ☐ A Rise, because the present value of liabilities falls faster than that of assets
- ☐ B Rise, because long-term assets re-price upward immediately
- ☒ C Fall, because the present value of assets falls faster than that of liabilities
- ☐ D Remain unchanged, because assets and liabilities reprice in lock-step

ANSWER C

WHY Retail banks typically fund short (demand deposits) and lend long (mortgages, fixed-rate loans), so an upward rate shock reduces the present value of assets more than that of liabilities, decreasing economic value of equity. Daily repricing gaps affect earnings, but EVE is the longer-duration measure.

QUESTION 5

SINGLE CHOICE

Under the Basel III framework, which of the following best describes the role of the Liquidity Coverage Ratio (LCR)?

- ☐ A It requires banks to hold a minimum ratio of Common Equity Tier 1 capital to risk-weighted assets.
- ☒ B It requires banks to maintain an adequate stock of high-quality liquid assets to survive a 30-day stress scenario.
- ☐ C It caps the ratio of a bank's wholesale funding to total funding at 50%.
- ☐ D It requires banks to match the currency composition of liquid assets to that of liabilities.

ANSWER B

WHY The LCR requires high-quality liquid assets (HQLA) sufficient to cover net cash outflows over a 30-day liquidity stress scenario. CET1/RWA relates to capital adequacy under Basel III, while a wholesale funding cap is more closely associated with the Net Stable Funding Ratio (NSFR) framework.

QUESTION 6

SINGLE CHOICE

In a fixed-rate amortising mortgage, how does the composition of each periodic payment change over the life of the loan, assuming the contractual rate and term remain unchanged?

- ☐ A Interest portion rises and principal portion falls over time.
- ☐ B Both portions remain constant in absolute terms.
- ☒ C Interest portion falls and principal portion rises over time.
- ☐ D Principal portion falls and interest portion remains constant over time.

ANSWER C

WHY Because the outstanding principal declines with each payment, interest charged in the next period is lower, so a greater share of each constant total payment goes to amortising principal. This is the standard amortisation profile of a fixed-rate annuity mortgage.

QUESTION 7

SINGLE CHOICE

Which pricing approach sets the interest rate on a retail loan by adding a risk-adjusted margin to a benchmark funding rate, with the margin reflecting the customer's probability of default and loss given default?

- ☐ A Cost-plus deposit pricing
- ☒ B Risk-based pricing
- ☐ C Flat-rate community pricing
- ☐ D Penetration pricing

ANSWER B

WHY Risk-based pricing uses a benchmark (e.g. swap or base rate) plus a credit spread driven by PD, LGD and expected loss, so riskier customers are charged more. Cost-plus deposit pricing is a funding/liquidity concept, while flat and penetration pricing are market/competitive approaches unrelated to credit risk.

QUESTION 8

SINGLE CHOICE

Which control is most effective at reducing losses from card-not-present (CNP) fraud on a retail bank's debit card portfolio?

- ☒ A Strong Customer Authentication (SCA) compliant 3-D Secure on e-commerce transactions
- ☐ B Raising the daily ATM cash withdrawal limit
- ☐ C Disabling SMS transaction alerts to reduce notification fatigue
- ☐ D Issuing all debit cards with a magnetic stripe only

ANSWER A

WHY 3-D Secure with SCA requires at least two independent authentication factors (knowledge, possession, inherence), materially reducing successful CNP fraud by making stolen card details alone insufficient. The other options either increase exposure or strip away controls.

QUESTION 9

SINGLE CHOICE

A retail bank wishes to offer a deposit product that provides the customer with full liquidity but pays a variable interest rate typically higher than its standard instant-access savings account. Which deposit product is best characterised by these features?

- ☐ A Term deposit (fixed-term CD)
- ☐ B Notice account
- ☒ C High-interest instant-access savings account
- ☐ D Current (checking) account

ANSWER C

WHY An instant-access savings account (often marketed as a 'high-interest' savings account) pays a variable rate that is typically higher than a basic current account and allows immediate withdrawals without penalty, matching all three stated features. Term deposits lock funds for a fixed period, notice accounts require a withdrawal notice period, and current accounts pay little or no interest and are designed for transactional use.