

Jean Dermine Insead

This is a revision of the business of global banking. With the increased globalization of the world economy few sectors are the equal of banking and financial services in dynamism or structural change. Roy C. Smith and Ingo Walter assess this transformation-its causes, its course and its consequences. They begin by examining international commercial banking, including the issue of cross-border risk evaluation and exposure management, and the creation of a viable regulatory framework in a global competitive context. They then undertake a parallel assessment of international investment banking, linking the two by means of a bridge chapter. Finally, they focus on the factors that determine winners and losers in these markets and explore the problems of strategic position and execution.

The definitive guide to complying with the brand-new Basel III requirements and creating sustainable value With the Final Standard of Basel III published and implementation deadlines set, there's no better time for the revised and updated edition of the cornerstone resource bankers, bank regulators, auditors, and risk managers worldwide rely on--Bank Valuation and Value-Based Management. Whether you're complying with the new standards of practice, valuing a bank, or searching for sustainable value creation, you can do it quicker and more effectively with the insight only Jean Dermine can offer. Renowned for his expertise in asset and liability

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management, European financial markets, and banking theory, Dermine provides the most comprehensive reference available on the essence of banking--asset-liability management, with particular focus on an institution's banking book. Along with an in-depth exploration of what drives value in a bank, he equips you with his personal bank valuation model aimed at assessing decisions that enhance shareholder value.

Complementing his toolbox of practical instruments for valuing banks, Dermine gives you a robust, integrated value-based management framework for addressing such managerial issues as fund transfer pricing, risk-adjusted performance evaluation, deposit pricing, capital management, loan pricing and provisioning, securitization, and the measurement of interest-rate risk. Relevant in banking systems across the globe, this new edition includes the latest methods and strategies for:

- Identifying the drivers of sustainable value creation
- Choosing a fund transfer price that includes liquidity and solvency risks
- Allocating economic capital to business units
- Pricing deposits and loans
- Estimating the duration of nonmaturing accounts
- Allocating provisions on performing and nonperforming loans.

Throughout the book, extensive mathematical formulas and exercises ground conceptual coverage to hands-on practices. A wealth of exercises and real-world problems work to develop your intuitive sense for asset-liability management in the international banking community. *Bank Valuation and Value-Based Management, Second Edition*, is your one-stop resource for all the information critical to your success. **PRAISE FOR BANK VALUATION AND VALUE BASED MANAGEMENT,**

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Second Edition: "Professor Dermine's book covers the full range of critical topics in banking today--valuation, pricing, and risk management. Analytical, complete, and relevant, this book is a gem! At a time of increased scrutiny of the banking industry, this volume uses an analytic approach that will serve the reader well for years to come. A must-read for anyone in the profession." -- ANTHONY M. SANTOMERO, Director, Citigroup; former president, Federal Reserve Bank of Philadelphia; Senior Advisor, McKinsey & Company; and Richard K. Mellon Professor Emeritus of Finance, the Wharton School "Valuing banks, especially large and complex ones, poses special challenges that recent history has made abundantly clear at great cost to investors and taxpayers. This second edition of the leading volume in the field builds on its strengths as a comprehensive treatment of the key valuation and bank management components. It is a must-read for anyone seeking to understand modern banking and finance." -- INGO WALTER, Seymour Milstein Professor of Finance, Corporate Governance, and Ethics at the Stern School of Business, New York University "It is extraordinarily clear and very helpful for my day-to-day activity. It is significantly increasing my understanding of the bank." -- PAOLO BELTRATTI, Professor of Finance, Bocconi University, and former chairman of the management board, Intesa Sanpaolo. "A jewel. I will recommend it." -- BRUNO COLMANT, Roland Berger, former member of the NYSE management committee

Case Studies in Finance links managerial decisions to capital markets and the

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expectations of investors. At the core of almost all of the cases is a valuation task that requires students to look to financial markets for guidance in resolving the case problem. The focus on value helps managers understand the impact of the firm on the world around it. These cases also invite students to apply modern information technology to the analysis of managerial decisions. The cases may be taught in many different combinations. The eight-part sequence indicated by the table of contents relates to course designs used at the authors' schools. Each part of the casebook suggests a concept module, with a particular orientation.

[Case Studies in Finance](#)

[Applied Mergers and Acquisitions](#)

[The Specialization of Financial Institutions, the EEC Model](#)

[World Scientific Reference On Contingent Claims Analysis In Corporate Finance \(In 4 Volumes\)](#)

[European Banking in the 1990s](#)

[An Overview](#)

[On the Measurement of the Market Value of a Bank](#)

[The Economics of Bank Mergers in the European Union](#)

[The Economics of Bank Mergers in the European Unions, a Review of the Public Policy Issues](#)

[Portfolio Optimization by Financial Intermediaries in an Asset Pricing Model](#)

Recovery Risk

In this ground-breaking new title, Risk Books brings together three prominent editors provide a timely reference text on loss given default (LGD) measurement and management and the requirements of the Basel II Capital Accord.

A value management framework designed specifically for banking and insurance The Value Management Handbook is a comprehensive, practical reference written specifically for bank and insurance valuation and value management. Spelling out how the finance risk functions add value in their respective spheres, this book presents a framework for measuring – and more importantly, influencing – the value of the firm from the position of the CFO and CRO. Case studies illustrating value-enhancing initiatives are designed to help Heads of Strategy offer CEOs concrete ideas toward creating more value, and discussion of "hard" and "soft" skills put CFOs and CROs in a position to better influence strategy and operations. The challenge of financial services valuation is addressed in terms of the roles of risk and capital, and business-specific "value trees" demonstrate the success of successful value enhancement initiatives. While most value management resources fail to adequately address the unique role of risk and capital in banks, insurance, and asset management, this book fills the gap by providing concrete, business-specific information that connects management actions and value creation, helping readers to: Measure value accurately for more productive value-based management initiatives and evaluation of growth opportunities Apply a quantitative, risk-adjusted value management framework

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reconciled with the way financial services shares are valued by the market Develop a v set specific to the industry to inspire initiatives that increase the firm's value Study th quantitative and qualitative management frameworks that move CFOs and CROs from measurement to management The roles of CFO and CRO in financial firms have change dramatically over the past decade, requiring business savvy and the ability to challenge CEO. The Value Management Handbook provides the expert guidance that leads CFOs and CROs toward better information, better insight, and better decisions.

A hands-on guide to the theory and practice of bank credit analysis and ratings In this revised edition, Jonathan Golin and Philippe Delhaise expand on the role of bank credit analysts and the methodology of their practice. Offering investors and practitioners an insider's perspective on how rating agencies assign all-important credit ratings to banks, the book is updated to reflect today's environment of increased oversight and demand for greater transparency. It includes international case studies of bank credit analysis, suggestions and insights for understanding and complying with the Basel Accords, techniques for reviewing asset quality on both quantitative and qualitative bases, explains the restructuring of distressed banks, and much more. Features charts, graphs, and spreadsheet illustrations to further explain topics discussed in the text Includes international case studies from North America, Asia, and Europe that offer readers a global perspective Offers coverage of the Basel Accords on Capital Adequacy and Liquidity and shares the authors' view that a bank could be compliant under those and

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other regulations without being creditworthy A uniquely practical guide to bank credit analysis as it is currently practiced around the world, The Bank Credit Analysis Handbook, Second Edition is a must-have resource for equity analysts, credit analysts, bankers, as well as wealth managers and investors.

[A Guide for Analysts, Bankers and Investors](#)

[The Regulation of Financial Services in the EC](#)

[Strategies, Risks, Processes, and Technologies](#)

[Pricing Policies of Financial Intermediaries](#)

[A Review of the Public Policy Issues](#)

[Threats to International Financial Stability](#)

[Inflation, Taxes and Banks' Market Values](#)

[International Trade in Banking](#)

[Bank Valuation and Value Based Management: Deposit and Loan Pricing, Performance](#)

[Evaluation, and Risk, 2nd Edition](#)

[The Gains from European Banking Integration, a Call for a Pro-active Competition Policy](#)

[The Bank Credit Analysis Handbook](#)

The Handbooks in Finance are intended to be a definitive source for comprehensive and accessible information in the field of finance. Each individual volume in the series presents an accurate self-contained survey of a sub-field of finance, suitable for use by finance and economics professors and

lecturers, professional researchers, graduate students and as a teaching supplement. It is fitting that the series Handbooks in Finance devotes a handbook to Asset and Liability Management. Volume 2 focuses on applications and case studies in asset and liability management. The growth in knowledge about practical asset and liability modeling has followed the popularity of these models in diverse business settings. This volume portrays ALM in practice, in contrast to Volume 1, which addresses the theories and methodologies behind these models. In original articles practitioners and scholars describe and analyze models used in banking, insurance, money management, individual investor financial planning, pension funds, and social security. They put the traditional purpose of ALM, to control interest rate and liquidity risks, into rich and broad-minded frameworks. Readers interested in other business settings will find their discussions of financial institutions both instructive and revealing. * Focuses on pragmatic applications * Relevant to a variety of risk-management industries * Analyzes models used in most financial sectors This volume, based on conference organized by the International Center for Monetary and Banking Studies in association with the Centre for Economic Policy Research, brings together a leading group of economists, financial theorists, policy-makers and bankers to analyse threats to international financial stability. The potential fragility of the international financial and

monetary system has been highlighted by recent international debt crises as well as by rapid financial innovation and important regulatory changes. The book examines the anatomy and propagation of international financial crises, assesses the adequacy of current regulatory and supervisory practices, and suggests measures that would help to avoid or contain financial crises. The papers, written by academics, are discussed by leading bank supervisors and regulators and by central and private bankers. The volume offers a unique combination of analytical rigour and practical relevance and will interest all those concerned with the stability of the international financial system.

Black and Scholes (1973) and Merton (1973, 1974) (hereafter referred to as BSM) introduced the contingent claim approach (CCA) to the valuation of corporate debt and equity. The BSM modeling framework is also named the 'structural' approach to risky debt valuation. The CCA considers all stakeholders of the corporation as holding contingent claims on the assets of the corporation. Each claim holder has different priorities, maturities and conditions for payouts. It is based on the principle that all the assets belong to all the liability holders. The BSM modeling framework gives the basic fundamental version of the structural model where default is assumed to occur when the net asset value of the firm at the maturity of the pure-discount debt becomes negative, i.e., market value of the assets of the firm falls below the

face value of the firm's liabilities. In a regime of limited liability, the shareholders of the firm have the option to default on the firm's debt. Equity can be viewed as a European call option on the firm's assets with a strike price equal to the face value of the firm's debt. Actually, CCA can be used to value all the components of the firm's liabilities, equity, warrants, debt, contingent convertible debt, guarantees, etc. In the four volumes we present the major academic research on CCA in corporate finance starting from 1973, with seminal papers of Black and Scholes (1973) and Merton (1973, 1974). Volume I covers the foundation of CCA and contributions on equity valuation. Volume II focuses on corporate debt valuation and the capital structure of the firm. Volume III presents empirical evidence on the valuation of debt instruments as well as applications of the CCA to various financial arrangements. The papers in Volume IV show how to apply the CCA to analyze sovereign credit risk, contingent convertible bonds (CoCos), deposit insurance and loan guarantees.

Volume 1: Foundations of CCA and Equity Valuation
Volume 1 presents the seminal papers of Black and Scholes (1973) and Merton (1973, 1974). This volume also includes papers that specifically price equity as a call option on the corporation. It introduces warrants, convertible bonds and taxation as contingent claims on the corporation. It highlights the strong relationship between the CCA and the Modigliani-Miller (M&M) Theorems, and the relation

to the Capital Assets Pricing Model (CAPM). Volume 2: Corporate Debt Valuation with CCA Volume 2 concentrates on corporate bond valuation by introducing various types of bonds with different covenants as well as introducing various conditions that trigger default. While empirical evidence indicates that the simple Merton's model underestimates the credit spreads, additional risk factors like jumps can be used to resolve it. Volume 3: Empirical Testing and Applications of CCA Volume 3 includes papers that look at issues in corporate finance that can be explained with the CCA approach. These issues include the effect of dividend policy on the valuation of debt and equity, the pricing of employee stock options and many other issues of corporate governance. Volume 4: Contingent Claims Approach for Banks and Sovereign Debt Volume 4 focuses on the application of the contingent claim approach to banks and other financial intermediaries. Regulation of the banking industry led to the creation of new financial securities (e.g., CoCos) and new types of stakeholders (e.g., deposit insurers).

[EC Banking Regulation, Centralization Or National Autonomy](#)

[The Measurement of Interest Rate Risk by Financial Intermediaries](#)

[European banking integration, ten years after](#)

[The Next Challenge in Credit Risk Management](#)

[The Regulation of International Financial Services](#)

[Home Country Control and Mutual Recognition](#)

[Global Banking](#)

[Bank Valuation and Value-Based Management: Deposit and Loan Pricing,](#)

[Performance Evaluation, and Risk Management](#)

[European Equity Markets](#)

[Some Pitfalls](#)

[Pitfalls in the Application of RAROC, with Reference to Loan Management](#)

This book focuses on all major aspects of the asset management industry including its regulations, strategies, processes, applied technologies and risks. It provides a serious resource for readers seeking greater depth and alternative opinions on specific industry developments, and breadth for specialists interested in the dynamics of the industry.

The primary purpose of this study is to develop a framework that will explain the behavior of financial intermediaries and, more precisely, their pricing policies. As financial intermediation is the business of financial assets and liabilities, use is made of concepts and models developed tradition ally in Finance and Economics to end up with recommendations not only for optimal choices of interest rates but also for proper regulation and more sensible accounting methods. Also, the econometric implications of deposit rates stickiness are

examined and empirically tested on Belgian data. My debt to many people has been growing during these years and it is a great pleasure to print a text and have the opportunity to thank those who have been so helpful. First of all, let me thank Professor Jacques Dreze, my thesis director. I am grateful to Jacques for encouragements, guidance and so many stimulating discussions. I also thank the members of the Jury, Professors A. Jacquemin, A. Kervyn de Lettenhove, A. Lamfalussy, P. Reding and A. Siaens for comments on earlier drafts of the manuscript. Discussions with Professor P. Howitt while he was visiting the Center for Operations Research and Econometrics (C.O.R.E., Universite Catholique de Louvain) in 1979 have greatly contributed to my understanding of the economics of risk sharing between lenders and borrowers. Philippe Gille has been extremely helpful in carrying out the joint econometric estimation in Chapter Five and in suggesting a fine way to present the results. Bank Valuation & Value-Based Management provides bankers, bank regulators, auditors, and risk managers with foundational concepts and practical tools for effectively managing a bank. An expert in asset and liability management, European financial markets, and banking theory, Jean Dermine provides rigorous foundations to discuss asset and liability management at a global level, with an integrated focus on an institution's banking book. He covers bank valuation,

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fund transfer pricing, deposit and loan pricing, risk management, and performance measurement, and addresses two high-profile issues for banks worldwide: portfolio credit risk and liquidity risk. This thorough and innovative guide presents insightful coverage on the hazards of measuring portfolio credit risk, the impact of liquidity risk on fund transfer pricing, and the practice of performance measurement in the banking industry. Numerous real-world examples from the U.S. subprime crisis help illustrate the nature and dynamics of these issues. Inside, you will find a framework for discussing such managerial issues as: Bank valuation Fund transfer pricing Deposit pricing Capital management Loan pricing and provisioning Securitization Measurement of interest rate risk Performance measurement At the same time that it helps readers develop an intuitive sense for asset-liability management, this practical book follows through with rigorous mathematical formulas and examples from the international banking community. In addition, exercises are incorporated throughout the text to facilitate discussions of how theoretical concepts can be applied to real-world problems. This authoritative guide to bank management also features an exclusive companion Web site, www.mhprofessional.com/bankvaluation, which includes additional chapters and exercise solutions that serve as key supplements to the core text. Creating value in banking depends on a

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rocksolid understanding of what drives value and the right valuation model to help make the tough decisions that will enhance shareholder value. Bank Valuation & Value-Based Management is your one-stop reference for each of these critical issues.

[A Resource for Bank and Insurance Company Finance and Risk Functions Centralization Or National Autonomy](#)

[Loan Valuation, a Modern Finance Perspective](#)

[The Value Management Handbook](#)

[Global Asset Management](#)

[Seventh Edition](#)

[Handbook of Asset and Liability Management](#)

[Journal of Economics & Business](#)

[Measuring the Market Value of a Bank](#)

[European banking in the 1990s](#)

[Internationalisation of Financial Markets, Efficiency and Stability](#)

Widely adopted in hardback, the second edition of this text, now in paperback has been thoroughly revised and updated to evaluate the impact of proposals to integrate the European financial markets.

A comprehensive guide to the world of mergers and acquisitions Why do so many M&A transactions fail? And what drives the success of those deals that are consummated? Robert Bruner explains that M&A can be understood as a response by

managers to forces of turbulence in their environment. Despite the material failure rates of mergers and acquisitions, those pulling the trigger on key strategic decisions can make them work if they spend great care and rigor in the development of their M&A deals. By addressing the key factors of M&A success and failure, Applied Mergers and Acquisitions can help readers do this. Written by one of the foremost thinkers and educators in the field, this invaluable resource teaches readers the art and science of M&A valuation, deal negotiation, and bargaining, and provides a framework for considering tradeoffs in an effort to optimize the value of any M&A deal.

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[European Capital Markets with a Single Currency](#)

[The BIS Proposal for the Measurement of Interest Rate Risk](#)

[A Primer](#)

[Europe Banking Integration, Ten Years After](#)

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