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Unlike banking textbooks that emphasise institutional arrangements in the banking world, the primary purpose of this book is to propose a sound valuation model for banks. Surprisingly, very few publications on the subject are available. Anchored in the fields of economics and finance, this book provides not only useful tools for valuing banks, but also an integrated value-based management framework for discussing managerial issues such as fund transfer pricing, risk-adjusted performance evaluation, deposit pricing, capital management, loan pricing and provisioning, securitization, and the measurement of interest-rate risk. To create value in banking, it is necessary to first understand the drivers of value. A sound and explicit bank valuation model is, as shown in this book, a very powerful tool for evaluating decisions that enhance shareholder value. In short, the book provides rigorous foundations for discussing asset and liability management, the control of long-term value creation and risks in banks. The second edition incorporates a discussion of the significant impact of the Basel III regulations on capital and liquidity.

About the Author. Jean Dermine is professor of banking and finance at INSEAD, one of the world’s leading business schools. The author of numerous articles on asset and liability management, European banking, and the theory of banking, he has been a visiting professor at New York University, the Wharton School, and the Stockholm School of Economics, among other universities. His work has been quoted frequently in the press, including The Economist, the Financial Times, The New York Times, and The Wall Street Journal. "Bank Valuation & Value-Based Management" provides bankers, bank regulators, auditors, and risk managers with foundational concepts and practical tools for effectively managing a bank. He covers bank valuation, 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.

Details about Bank Valuation and Value Based Management: Deposit and Loan Pricing, Performance Evaluation, and Risk: The professional resource every investment banker must have—the definitive guide to complying with the brand-new Basel III requirements. Anchored in the fields of economics and finance, Bank Valuation and Value Based Management, Second Edition details asset-liability management and provides rigorous foundations to discuss the control of value creation and risk in banks.