

McGRAW-HILL FINANCE & INVESTING

BANK
VALUATION
&
VALUE-BASED
MANAGEMENT

*Deposit and Loan Pricing, Performance
Evaluation, and Risk Management*

JEAN DERMINE
PROFESSOR OF BANKING AND FINANCE, INSEAD

C O N T E N T S

Introduction 1

Chapter 1

Discounting, Present Value, and the Yield Curve 3

Chapter 2

**Coupon Bond Rate, Zero Coupon Bond Rate, Forward Rates,
and the Shape of the Yield Curve 16**

Chapter 3

Statistics: A Review 26

Chapter 4

**The Economics of Banking, and a Bank's Balance
Sheet and Income Statement 35**

PART ONE

BANK VALUATION

Chapter 5

The Valuation of Banks, Part 1 48

Chapter 6

The Valuation of Banks, Part 2 75

Chapter 7**Economic and Strategic Drivers of Bank Valuation 99****Chapter 8****Valuation of Fee-Based Activities 116****PART TWO****VALUE-BASED MANAGEMENT****Chapter 9****Value-Based Management in Banking: An Introduction 132****Chapter 10****Fund Transfer Pricing: Foundation and
Advanced Approaches 151****Chapter 11****Deposit Pricing and Repurchase Agreements 175****Chapter 12****Capital Regulation (Basel I), Economic Capital Allocation,
and Loan Pricing I (the Equity Spread) 187****Chapter 13****Capital Regulation (Basel II) 204****Chapter 14****Loss Given Default and Provisions on
Nonperforming Loans 219****Chapter 15****Loan Pricing II, Loan-Loss Provisions on Performing Loans,
and Estimates of Probabilities of Default 231**

Chapter 16

Securitization 250

PART THREE

RISK MANAGEMENT

Chapter 17

Risk Management in Banking: An Overview 266

Chapter 18

The Control of Interest-Rate Risk on the Banking Book, Part 1:
The Earnings at Risk 272

Chapter 19

The Control of Interest-Rate Risk on the Banking Book, Part 2:
The Economic Value at Risk 285

Chapter 20

Value at Risk in the Trading Book:
The Aggregation of Risks 306

Chapter 21

Liquidity Risk and Value Creation 325

Chapter 22

Credit Risk Portfolio Diversification: Credit Value at Risk 342

Chapter 23

Marginal Risk Contribution, Diversification, and Economic
Capital Allocation 365

Chapter 24

Forwards, Futures, Swaps, and Options: Counterparty Risk 380

Chapter 25

Credit Derivatives 400

Chapter 26

Operational Risk 414

References 424

Index 435

Supplemental chapters and solutions to the exercises are available
online at <http://www.mhprofessional.com/bankvaluation>.