WEEK 8 · MODULE 5

Banks: Management and Regulation

Financial Institutions and Markets · MF50004.01

Prof. Jiajun Jiang · Fudan University · 9 and 12 November 2026

From shareholder value to a bank’s balance sheet

Week 7

Earnings, capital allocation and value per share

→

Week 8

How banks fund assets, earn income and absorb losses

The central trade-off

Banks provide liquid claims to customers while financing assets that are often longer-term and harder to sell.

Four questions organise the week

Session	Question
1 · Bank management	How can a bank earn a return while meeting payments and absorbing losses?
2 · Regulation	Which vulnerabilities do capital, liquidity and supervision address?
3 · China’s banking business	How do ownership, customers and funding shape earnings and risk?
4 · Repair and reform	How should China combine recapitalisation, consolidation and exit?

Read both sides of the bank balance sheet

Assets: uses of funds	Liabilities and equity: funding
Cash and central-bank balances · 10	Customer deposits · 80
Securities · 20	Wholesale borrowing · 10
Loans, net of allowances · 65	Common equity · 10
Other assets · 5	Total · 100

> **Hypothetical bank · units of currency**
>
> Assets 100 = liabilities 90 + equity 10.

Mishkin & Eakins, Ch. 17; teaching example where indicated.

Lending creates a deposit; payments create a funding need

Loan granted
Loan asset +10; borrower deposit +10

→

Borrower pays another bank
Deposit −10; settlement balances −10

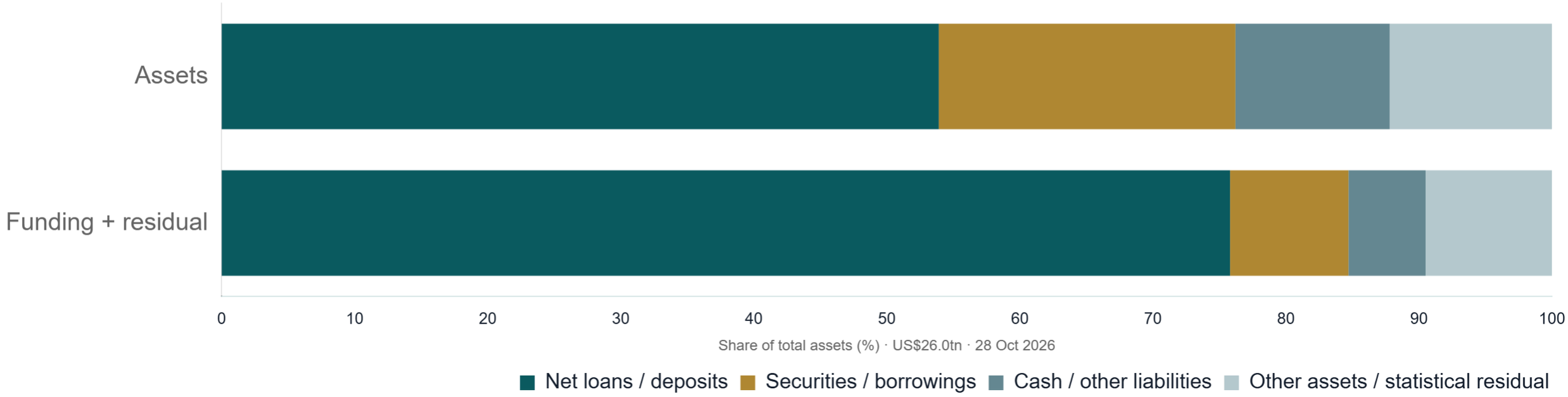
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Bank manages the outflow
Use liquid assets or replace the funding

Hypothetical loan and interbank payment, with other entries unchanged.

Bank of England, Money creation in the modern economy (2014); hypothetical entries.

A current U.S. balance sheet shows the scale of transformation



Federal Reserve H.8, Table 3; 28 October 2026, not seasonally adjusted.

Four management decisions must fit together

Decision	Manager’s question
Liquidity	Can we meet payments under stress?
Assets	Which loans and securities earn enough for their risks?
Funding	How stable and expensive are deposits and market borrowing?
Capital	How much loss can we absorb while continuing to operate?

Mishkin & Eakins, Ch. 17; teaching example where indicated.

A deposit outflow changes liquidity before it changes equity

Hypothetical starting bank	After a deposit withdrawal of 8
Cash 10; securities 20; loans 65; other 5	Cash 2; other assets unchanged
Deposits 80; borrowing 10; equity 10	Deposits 72; borrowing 10; equity 10
Assets = funding = 100	Assets = funding = 92

If cash becomes insufficient

Borrow against collateral · sell assets · attract funding · slow new lending

Mishkin & Eakins, Ch. 17; teaching example where indicated.

Credit management connects approval, monitoring and recovery

Before lending

Cash flows, collateral and borrower incentives

→

During the loan

Covenants, monitoring and concentration limits

→

When repayment weakens

Recognise losses; restructure or recover

A portfolio problem

Many individually plausible loans can share the same property, industry or local-government exposure.

Mishkin & Eakins, Ch. 17; teaching example where indicated.

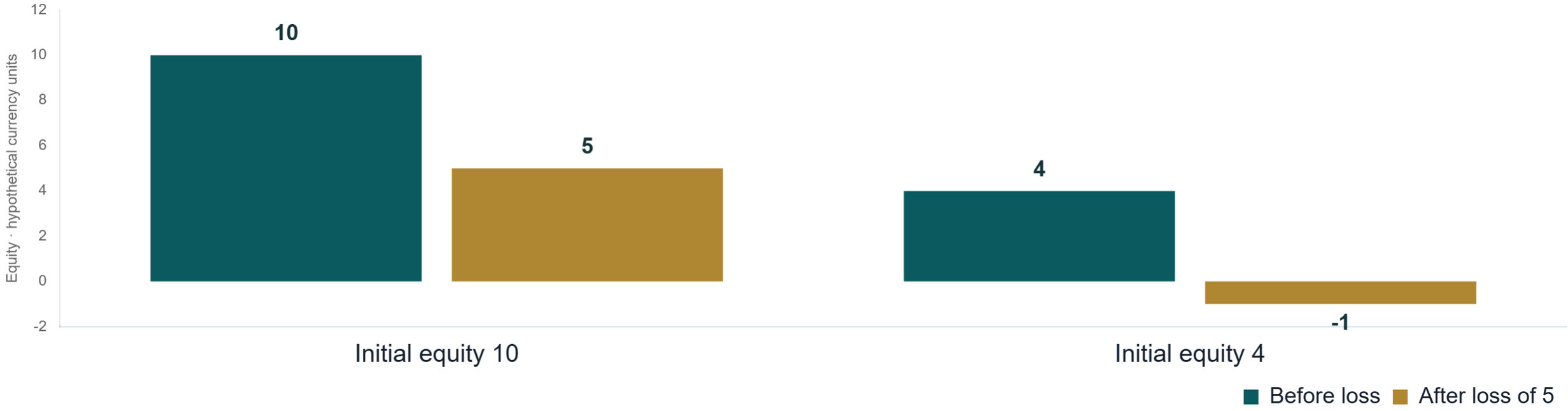
Rate changes affect both earnings and economic value

Channel	Hypothetical exposure	Effect of higher rates
Repricing income	Rate-sensitive assets 40; liabilities 60	+1 percentage point → annual net interest income −0.20
Economic value	Longer-duration assets than liabilities	Asset values can fall more than liability values
Customer behaviour	Depositors can move into better-paying products	Funding costs may rise faster than expected

The income example assumes immediate parallel repricing and fixed balances.

Mishkin & Eakins, Ch. 17; teaching example where indicated.

Equity determines how far an asset loss can be absorbed



Hypothetical banks: assets 100; identical asset loss of 5; liabilities unchanged.

Mishkin & Eakins, Ch. 17; teaching example where indicated.

Follow income through to the return on equity

Hypothetical annual income statement	Amount
Interest income − interest expense	4.0 − 2.0 = 2.0
Add net fees; subtract operating costs	+0.6 − 1.0
Subtract provision expense and tax	−0.4 − 0.3
Net profit	0.9

Average assets 100; average equity 10; average earning assets 90.

> **Three different ratios**
>
> ROA = 0.9%; ROE = 9%; NIM = 2 / 90 = 2.22%.

Mishkin & Eakins, Ch. 17; teaching example where indicated.

A provision recognises a loss before the final write-off

Stage	Simplified accounting effect
Expected loss rises by 2	Provision expense +2; profit and equity fall by 2 before tax
Loan allowance increases	Gross loan stays recorded; net loan value falls
Later write off 2 already fully provided	Gross loan and allowance both fall; no new loss from that portion

Manager’s question

Do the allowance and reported profit reflect the borrower’s actual condition?

Mishkin & Eakins, Ch. 17; teaching example where indicated.

Fees and contingent commitments change the risk mix

Activity	Income opportunity	Exposure to manage
Payment and advisory services	Fees	Operational, conduct and reputation risk
Credit line or guarantee	Commitment or guarantee fees	Future funding needs and borrower default
Loan sale or securitisation	Origination and servicing fees	Retained exposure, servicing and underwriting incentives
Derivatives	Hedging and client revenues	Counterparty, market and liquidity risk

Mishkin & Eakins, Ch. 17; teaching example where indicated.

Would you approve this loan expansion?

Hypothetical proposal	Constraint
Add 10 of long-term loans	Fund with short-term wholesale borrowing
Annual incremental interest income 0.60	Funding cost 0.35; expected credit losses 0.15
Before overhead and tax: surplus 0.10	Limited spare capital; concentrated industry exposure

DISCUSSION · 6 MINUTES

Approve, modify or reject? Identify the most important constraint and a change that would improve the proposal.

SESSION 2 · 45 MINUTES

Why banks need several kinds of regulation

Capital absorbs losses; liquidity meets payments; supervision tests the business behind the ratios.

Bank distress imposes costs beyond its shareholders

Bank losses

Depositors, creditors and shareholders react

→

Balance-sheet adjustment

Asset sales, withdrawals and reduced lending

→

Wider effects

Other banks, payment users and borrowers are affected

Regulatory objective

Preserve critical financial services while assigning losses and limiting incentives to take excessive risk.

Mishkin & Eakins, Ch. 17; teaching example where indicated.

Capital requirements distinguish the quality of loss absorption

Basel baseline	Minimum ratio to risk-weighted assets
Common Equity Tier 1: highest-quality going-concern capital	4.5%
Tier 1: CET1 plus eligible additional instruments	6.0%
Total capital: Tier 1 plus eligible Tier 2	8.0%
Capital conservation buffer, held in CET1	Additional 2.5%

Jurisdictional, countercyclical and systemic-bank requirements can add to these baselines.

Basel Framework, capital definitions and minimum requirements; national rules add requirements.

Risk weights and leverage limits address different weaknesses

Hypothetical bank	Calculation
Assets: cash 10, government securities 30, corporate loans 60	Illustrative weights: 0%, 0%, 100%
CET1 capital: 8	RWA = 60; CET1 ratio = 13.3%
Simplified exposure measure: 100	Capital / exposure = 8.0%
Add 40 of zero-weight assets financed with debt	RWA ratio unchanged; simple capital/exposure falls to 5.7%

Illustration only: actual weights, regulatory adjustments and leverage exposures depend on the rules.

Basel Framework; hypothetical calculation.

Liquidity rules cover a short stress and a longer funding horizon

Rule	Question	Core ratio
Liquidity Coverage Ratio (LCR)	Can the bank withstand 30 days of stressed net outflows?	High-quality liquid assets / net cash outflows ≥100%
Net Stable Funding Ratio (NSFR)	Does a one-year funding structure support the assets?	Available / required stable funding ≥100%

> **Capital and liquidity work together**
>
> A solvent bank needs payment capacity; a liquid bank still needs assets worth more than its obligations.

Basel Framework: LCR and NSFR.

Supervision tests how the bank measures and manages risk

Reported measures
Capital, liquidity, asset quality and earnings

→

Supervisory assessment
Loan files, governance, concentrations and stress tests

→

Corrective action
Improve controls; retain earnings; restrict growth; raise capital

A stress test translates a scenario into losses, funding needs and remaining capital.

Mishkin & Eakins, Ch. 18; Basel supervisory review principles.

Banks can meet a higher capital ratio by shrinking assets

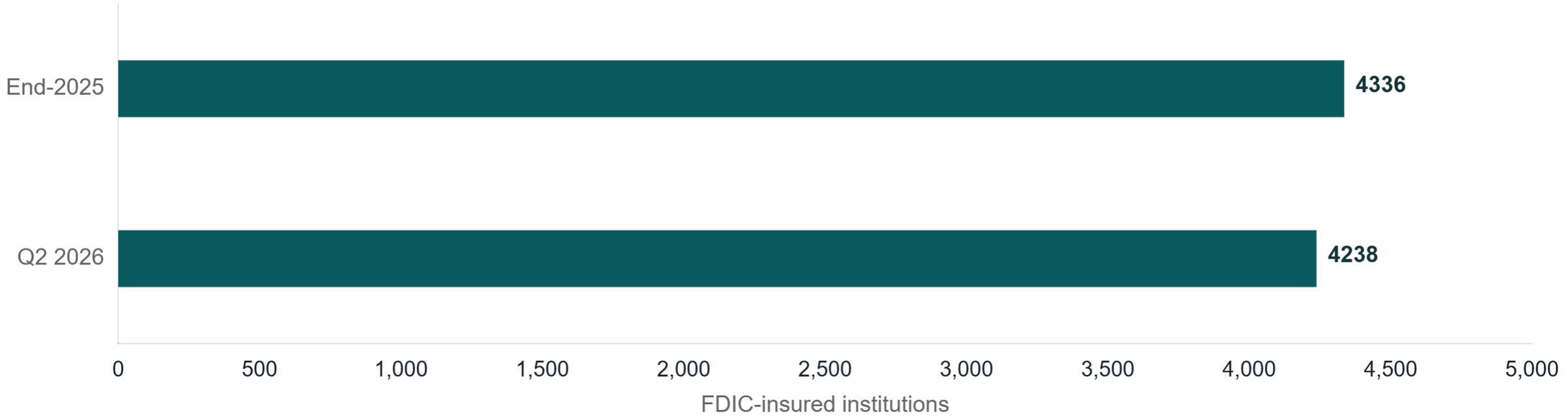
Research Spotlight · Gropp, Mosk, Ongena & Wix · RFS 2019

The 2011 EBA exercise required selected banks to reach a 9% core Tier 1 ratio by June 2012.

Research question	Evidence
How did affected banks respond relative to comparable banks?	Capital ratios rose mainly through lower risk-weighted assets
What happened to borrowers?	Corporate and retail lending contracted; dependent firms experienced weaker real outcomes
Policy implication	Assess how a ratio improves, alongside the reported improvement

Gropp, Mosk, Ongena & Wix (2019), Review of Financial Studies 32(1), 266–299.

Bank structure reflects history, scale and competition



FDIC-insured commercial banks and savings institutions; historical and latest observations.

Q2 2026 · FDIC-insured institutions

ROA 1.37% annualised · NIM 3.32% · quarterly net income US$90.1bn.

FDIC: 4,336 institutions at end-2025; 4,238 in Q2 2026.

Competition changes how banks fund and serve customers

Change	Business-model consequence
Digital distribution	Lower servicing costs; easier deposit comparison and switching
Securities markets and nonbank lenders	Borrowers and savers gain alternatives
Bank groups and cross-border operations	Scale and product breadth; more complex supervision
Consolidation	Potential efficiencies alongside integration and concentration risks

Mishkin & Eakins, Ch. 19; links to W04 and W05.

Credit Suisse: a business-model crisis became a funding crisis

Reported position or event	Observation
Capital at end-2022	CET1 ratio 14.1%
Liquidity in Q3 2022	Average LCR 192%
Funding pressure in Q4 2022	CHF138bn deposit withdrawals
15 March 2023	CHF13.2bn deposit outflow in one day
19 March 2023	UBS acquisition announced with official support

FINMA, Lessons Learned from the CS Crisis (19 December 2023), pp. 56, 63–64.

Credit Suisse links governance, confidence and liquidity

Repeated losses and control failures

Customers and markets reassess the franchise

→

Confidence weakens

Withdrawals and expensive funding accelerate

→

Options narrow

Emergency liquidity, restructuring or combination

FINMA, Lessons Learned from the CS Crisis (2023).

When should a supervisor intervene?

Credit Suisse decision

A major bank reports regulatory buffers but has repeated losses, control failures and accelerating client withdrawals.

DISCUSSION · 6 MINUTES

Which intervention would you prioritise: stronger governance, additional capital, a funding plan or a restructuring partner? Explain the trigger for escalating further.

Regulation works through several complementary defences

Before stress

Sound lending, governance and buffers

→

During stress

Credible information and timely corrective action

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At failure

Allocate losses and preserve critical services

SESSION 3 · 45 MINUTES

How China’s banking structure shapes earnings and risk

Ownership, funding and customer mix determine how common pressures affect different banks.

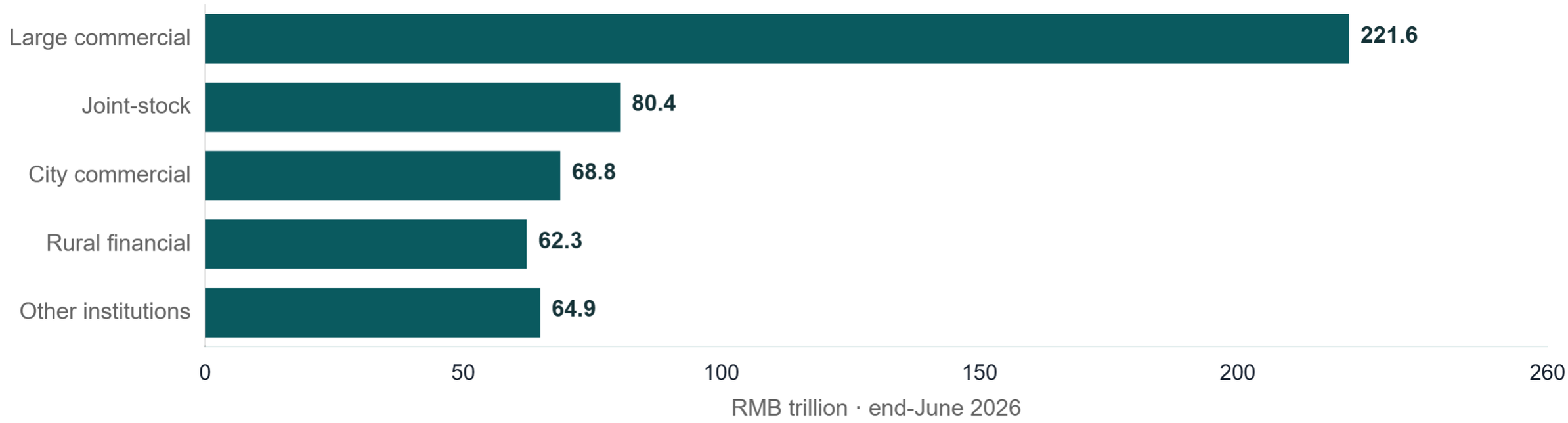
China’s banks serve different customers and policy roles

Institution group	Role and examples
Six large commercial banks	National deposit and lending networks: ICBC, ABC, BOC, CCB, Bank of Communications, Postal Savings Bank
National joint-stock banks	Commercial banking across regions; ownership structures differ
City and rural institutions	Local businesses, households and agriculture; greater geographic concentration
Private and foreign banks	Specialised models, digital lending or cross-border services
Policy and development institutions	Mandated financing; separate from commercial-bank performance aggregates

NFRA institution classifications; Handbook of China’s Financial System, Ch. 1.

Large banks hold a substantial share of banking assets

Banking financial institutions · end-June 2026 · RMB trillion



NFRA, end-June 2026 balance-sheet statistics. Total assets: RMB498.0tn.

Ownership matters through incentives and business relationships

Named example	Ownership structure	Question for analysis
Bank of China	Huijin is a controlling state shareholder; MOF also holds shares	How are owner objectives translated into lending and capital decisions?
China Minsheng Bank	Reports no controlling shareholder or actual controller	How do dispersed owners and the board monitor management?
Local city/rural banks	Ownership and local borrower relationships vary	How concentrated are lending and related-party exposures?

BOC interim report (2026); Minsheng interim report (2025); Handbook, Ch. 1.

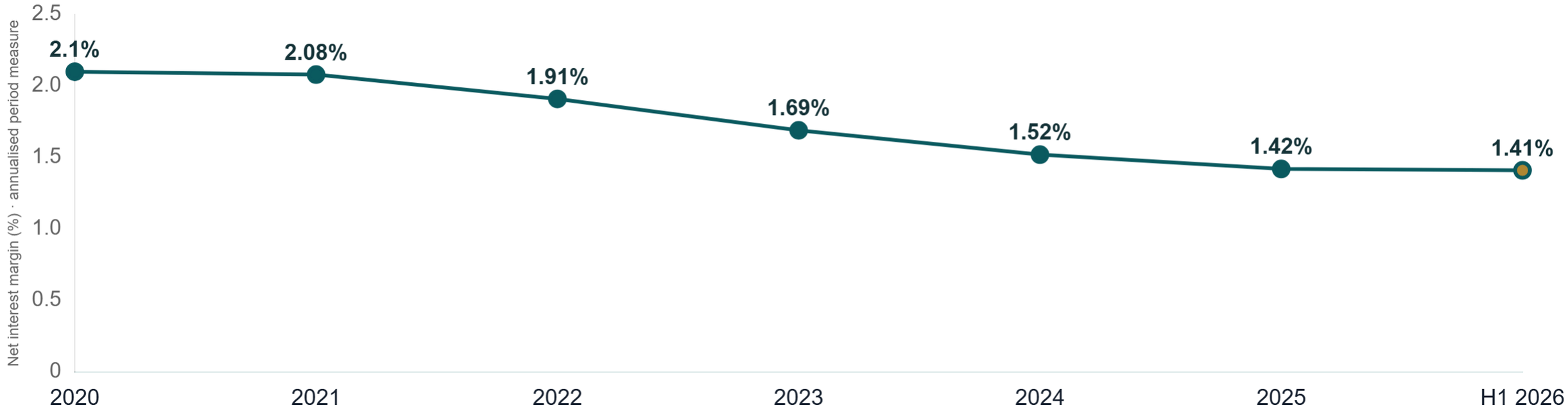
Funding and asset mix explain more than the bank label

Balance-sheet question	Chinese banking context	U.S. comparison
What funds the bank?	Large customer-deposit franchises; competition for term savings	Deposits also dominate; mix varies sharply across banks
What earns the income?	Corporate and household loans plus a substantial securities book	Loans and securities; customer and product mix varies
Which links create concentration?	Local firms, property, infrastructure and public-sector relationships	Commercial property, sectors and concentrated depositor groups
What should we compare?	Funding stability, asset yield, credit cost and capital	Use the same measures before interpreting profitability

China commercial banks, H1 2026: non-interest income = 23.65% of total income.

Original Lecture 10 comparison; Fed H.8; NFRA; Handbook, Ch. 1.

China’s net interest margin has narrowed



NFRA commercial-bank indicators: annual 2020–2025 and annualised H1 2026.

Asset yields and deposit costs adjust on different schedules

Asset income
Loan repricing, competition and borrower refinancing

→

Funding costs
Deposit rates, term contracts and product switching

→

Net margin
The difference depends on timing and customer behaviour

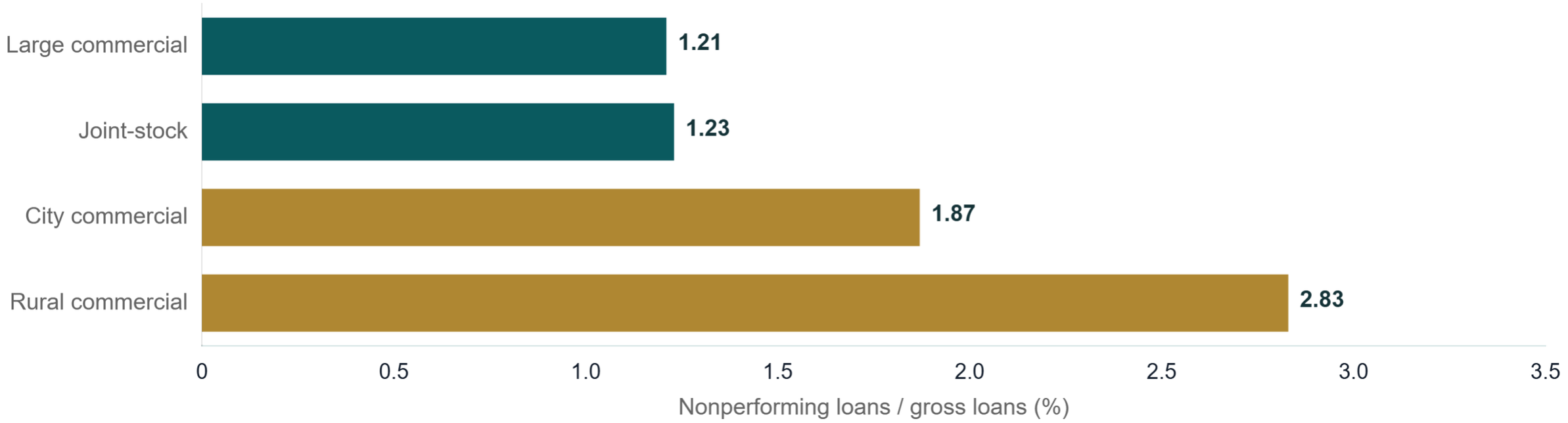
Illustrative annual repricing

Earning assets 100 lose 0.30 in interest income; funding 90 saves 0.09 in interest cost → net interest income falls 0.21.

Teaching scenario; links to W05–W06.

Read asset quality together with profitability and capital

Commercial-bank NPL ratios by type · end-June 2026 · %



All commercial banks: ROA 0.58% · ROE 7.72% · total capital ratio 15.26%.

NFRA, H1/end-June 2026. Profitability annualised; capital and NPLs at period end.

Provision coverage depends on both losses and classification

Hypothetical loan book	Amount / ratio
Gross loans	100
Nonperforming loans	2 → NPL ratio 2%
Loan-loss allowance	4 → provision coverage 200%
Newly identified problem loans raise NPLs to 4	Coverage falls to 100% if allowance remains 4

The allowance is an accounting loss buffer; coverage is allowance divided by reported NPLs.

NFRA indicator definitions; hypothetical calculation.

Property and local debt connect borrowers to bank earnings

Borrower cash flows weaken

Property sales, land revenue or project income decline

→

Bank response

Extend, reprice, restructure, provide or recover

→

Bank consequences

Income timing, credit losses and capital needs change

Connection to Week 6

Replacing an LGFV claim with a government bond can reduce credit risk while changing the bank's yield and capital use.

W06 local-debt analysis; bank balance-sheet implications.

Green credit combines a growth opportunity with underwriting

China · end-September 2026

Green loans: RMB 49.22 trillion; reported year-on-year growth 13.0%.

Instrument or decision	What the bank must evaluate
Project and equipment loans	Project revenue, technology and policy dependence
Green bonds and related services	Issuer credit, use of proceeds and disclosure
Environmental risk assessment	Physical risks, transition costs and borrower adaptation

PBoC, Q3 2026 loan allocation report, reproduced by Heilongjiang financial authority.

How should a bank respond to a narrower margin?

Management proposal	Possible consequence
Grow the loan book faster	More income volume; greater capital and credit exposure
Cut deposit rates and operating costs	Lower expenses; possible customer losses
Expand fees and specialised lending	Diversification; new conduct and underwriting risks
Retain more earnings	More internal capital; lower current shareholder distributions

DISCUSSION · 6 MINUTES

Choose two responses for a bank with limited spare capital and concentrated local lending. Explain one response you would avoid.

Averages conceal different banking problems

Nationwide banks: scale, transmission and capital deployment.

Local banks: customer information, geographic concentration and owner incentives.

Across the system: narrower margins raise the value of efficient operations and sound credit decisions.

SESSION 4 · 45 MINUTES

How should weak bank balance sheets be repaired?

Recognise losses, restore capital and incentives, and keep essential services functioning.

Reforms changed bank incentives in stages

Reform stage	Balance-sheet or incentive change
1994: three policy banks established	Separate designated policy financing from commercial-bank business
1999: four asset management companies established	Transfer and resolve legacy bad assets of the large banks
2000s: recapitalisation, strategic investment and listings	Rebuild capital and introduce shareholder scrutiny
2015: deposit-rate ceiling removed; deposit insurance introduced	Change funding competition and clarify depositor protection
2024: revised capital rules take effect	More risk-sensitive measurement and proportional requirements

Handbook of China's Financial System, Ch. 1; NFRA capital rules (2024).

Different authorities address different parts of the problem

Authority	Banking role
National Financial Regulatory Administration (NFRA)	Prudential supervision of banks and insurers; institutional and conduct oversight
People’s Bank of China (PBoC)	Monetary policy, macroprudential policy and financial stability functions
Ministry of Finance and public owners	Fiscal resources and state-capital responsibilities
Other market and foreign-exchange authorities	Securities and cross-border obligations within their mandates

China’s revised capital rules, effective January 2024, use three regulatory groups based on size and cross-border complexity.

Chinese minimum CET1 ratio: 5%, plus the 2.5% conservation buffer and other applicable requirements.

NFRA and PBoC mandates; 2023 regulatory reorganisation.

The 2018 asset-management rules changed who bears investment losses

Earlier friction	Reform direction
Expected principal protection on investment products	No promised principal or return guarantees in asset management
Pooled funding and maturity mismatch	Closer matching and separate product management
Layers of products obscured the final exposure	Limits on nesting and stronger look-through regulation
Smoothed returns hid investment risk	Net-asset-value measurement and disclosure

PBoC, CBIRC, CSRC and SAFE, asset-management guidance (2018).

The location of an exposure does not determine its economic risk



Guofeng Sun (2019), original "banks' shadow" diagram; historical structure.

China’s large-bank recapitalisation supports lending capacity

Completed gross equity financing · 2025 · RMB billion



Total RMB520bn, including RMB500bn subscribed by the Ministry of Finance. 2026 announced ICBC and ABC plans: up to RMB260bn combined, separate from the completed 2025 financing.

Bank issuance reports; MOF; ICBC/ABC announcements and ABC Q3 2026 report.

Fresh equity creates headroom; loan growth uses it

Hypothetical bank	CET1 / risk-weighted assets
Before injection	10 / 100 = 10.0%
New common equity of 2, held temporarily in zero-weight cash	12 / 100 = 12.0%
Then add 20 of 100%-weighted loans	12 / 120 = 10.0%

The decision after recapitalisation

Which assets justify using the new loss-absorbing capacity?

Hypothetical capital example; excludes other regulatory adjustments.

Henan: 25 institutions became one rural commercial bank

Before opening
25 separate legal entities

→

February 2025
Henan Rural Commercial Bank opens

→

Transfer
Assets, liabilities, business and staff pass to the successor

Initial opening approval

Registered capital RMB29.25bn · 891 branches

Registered share capital describes the opening institution; it is not a measure of fresh cash injected.

NFRA Henan opening approval (24 February 2025); Henan legislature, opening on 26 February.

Loss recognition, capital and liquidity solve different problems

Recognise and allocate losses

Value assets; determine which claims absorb shortfalls

→

Restore viable capital

Retain earnings, bring in owners or restructure liabilities

→

Secure liquidity and operations

Fund payments, preserve records and keep critical services working

A merger combines balance sheets. It creates value only if the combined business and repair plan improve the outcome.

Bank resolution principles; link to W04 Baoshang case.

Support works better when it changes incentives

Repair action	Condition that strengthens the outcome
Public equity	Clear valuation, owner accountability and performance objectives
Merger	Credible asset review and a funded integration plan
Bad-asset disposal	Transparent transfer values and explicit loss allocation
Temporary liquidity	Viable counterparty, appropriate collateral and a repayment plan

Mishkin & Eakins, Ch. 18; China bank-reform analysis.

Design a repair package for a weak local bank

Case-based hypothetical	Information available
Local loan concentration; reported losses may be incomplete	Large deposit franchise and useful payment network
Thin capital; limited private funding interest	A stronger regional bank could acquire it
Public funds are available but limited	Local firms still need working-capital loans

DISCUSSION · 6 MINUTES

Choose a sequence of actions. Who should absorb existing losses, what should public support fund, and what must change in the successor bank?

The four questions lead to one banking assessment

Question	Evidence to examine
Can the bank earn sustainably?	Margin, fees, costs and realistic credit-loss charges
Can it meet payments?	Funding concentration, liquid assets and collateral
Can it absorb losses?	Capital quality, exposure and stress outcomes
Will repair improve the next decision?	Ownership, governance, supervision and loss allocation

Before next class

Reading

Mishkin & Eakins, Chapters 20–22: mutual funds, insurance and other nonbank institutions.

Next meetings: 16 and 19 November · Non-depository institutions

References: institutions, statistics and cases

Source	Use in this lecture
Mishkin & Eakins, Chapters 17–19; Handbook of China's Financial System, Ch. 1	Bank management, regulation and Chinese institutions
Federal Reserve H.8; FDIC Quarterly Banking Profile	Current U.S. balance sheet, profitability and institution count
Basel Committee, Basel Framework	Capital, leverage, liquidity and supervision
FINMA, Lessons Learned from the CS Crisis (19 December 2023)	Credit Suisse case
NFRA statistical tables and regulatory releases	Chinese banking assets, margins, asset quality and capital
Ministry of Finance; recipient-bank filings; bank-restructuring approvals	Recapitalisation and local-bank case

References: banking structure and capital allocation

Source	Use in this lecture
Bank of England (2014), Money creation in the modern economy	Loan creation and interbank payment
Sun (2019), China's shadow banking: Bank's shadow and traditional shadow banking, BIS WP 822	Original balance-sheet diagram
PBoC and partner regulators (2018), asset-management guidance	Risk allocation and regulatory perimeter
Choi, Escalante & Larsen (2020), Green Banking in China, CPI	Green instruments and historical loan performance
PBoC Q3 2026 loan allocation report	Current green-loan scale
Original Lecture 10; archived Chinese banking slides	Coverage and historical teaching figures

Gropp, Mosk, Ongena & Wix (2019). Banks Response to Higher Capital Requirements. RFS 32(1), 266–299.

APPENDIX

Optional reference pages

Definitions, worked examples and original historical exhibits

Appendix: compare bank ratios using the right denominator

Measure	Numerator	Denominator
ROA	Net profit	Average total assets
ROE	Net profit	Average equity
NIM	Net interest income	Average earning assets
NPL ratio	Nonperforming loans	Gross loans
Provision coverage	Loan-loss allowance	Nonperforming loans
CET1 ratio	Regulatory CET1	Risk-weighted assets
Regulatory leverage ratio	Tier 1 capital	Regulatory exposure measure

Mishkin; NFRA definitions; Basel Framework.

Appendix: the leverage and capital calculations

$$ROE = \frac{\text{Net profit}}{\overline{Equity}} = ROA \times \frac{\overline{Assets}}{\overline{Equity}}$$

Illustration	Result
Profit 0.9; average assets 100; average equity 10	ROA0.9%; equity multiplier10; ROE9%
Loss5; initial equity10 or4	Remaining equity5 or−1
CET1 rises10→12 with RWA100	Ratio10%→12%
RWA then rises100→120	Ratio returns to10%

Hypothetical calculations.

Appendix: green-credit rules, pilots and instruments

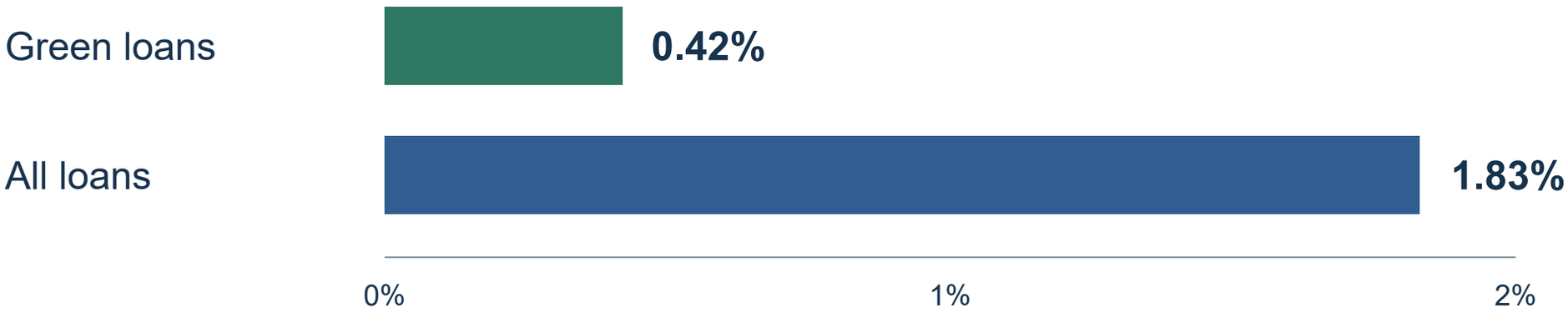
Development	Purpose
2012 Green Credit Guidelines	Integrate environmental and social risks into bank lending
2017 initial pilot areas in Zhejiang, Jiangxi, Guangdong, Guizhou and Xinjiang	Test local institutions, incentives and green-finance products
Credit products and related instruments	Project loans, equipment finance, bond financing and credit enhancement
Assessment	Borrower cash flows, environmental performance and risk-adjusted returns

CBRC Green Credit Guidelines (2012); initial pilot announcement (2017); CPI (2020).

Appendix: historical green-loan performance

Reported NPL ratios · end2018

Green lending compared with all lending

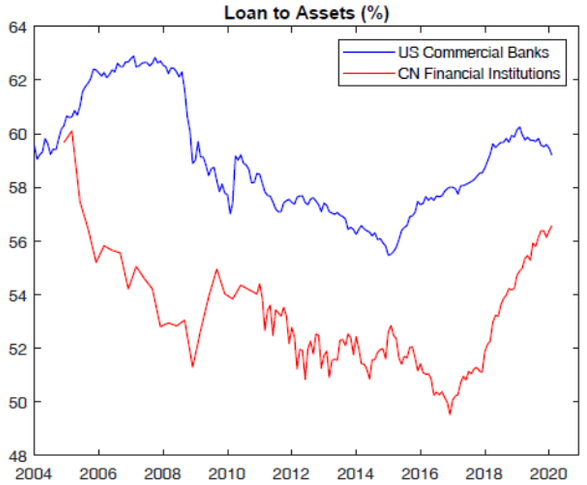


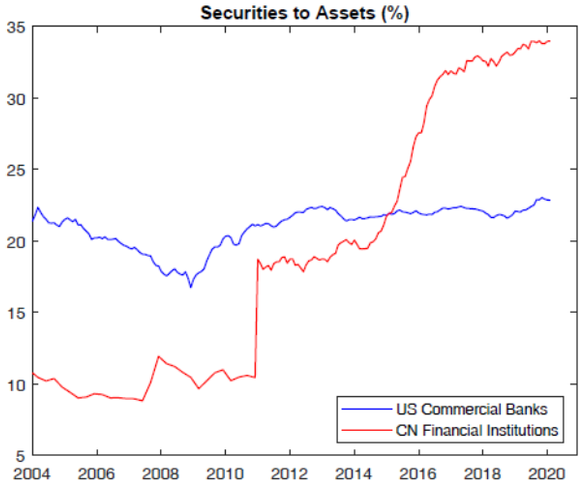
Different sector, borrower and guarantee mixes may explain part of the gap.

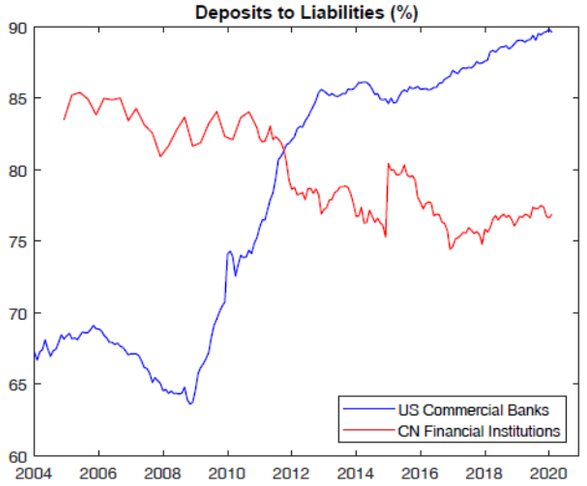
Source: CPI, Green Banking in China (2020), p12; underlying CBIRC and PBoC (2019).

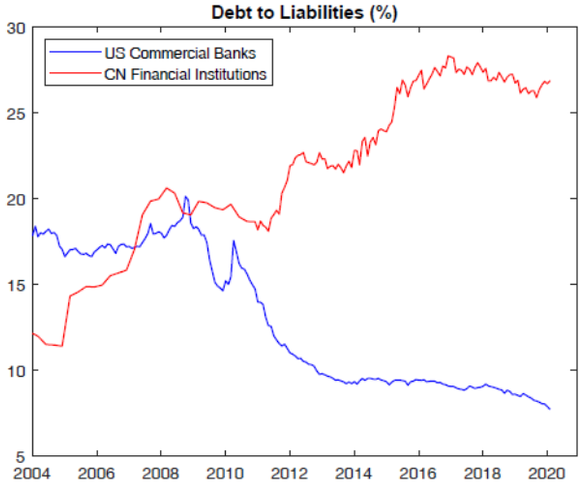
Choi, Escalante & Larsen (2020), Green Banking in China, p. 12; end-2018 observations.

Appendix: the original China–U.S. balance-sheet comparison









	US	CN	
	(USD) trillion	(USD) trillion	(CNY) 万亿
Assets	15.73	41.18	288.3
Loans	9.32	23.30	163.1
Liabilities	13.72	37.60	263.2
Deposits	12.30	28.91	202.3

as of 2020/2

Jun Pan teaching graphic, reproduced in Lecture 10 (2024); historical series through 2019 and table dated February 2020.

Appendix: a bank-repair checklist

Before a decision	Question
Asset review	What are realistic recoveries and unrecognised losses?
Liability map	Who has a claim, with what priority and protection?
Viability	Can the business generate earnings after realistic credit costs?
Funding	What cash is needed to preserve operations during repair?
Capital and ownership	Who invests, who absorbs losses and who controls the successor?
Follow-up	Which governance and lending practices will change?

Teaching synthesis of the bank-management and resolution framework.

Appendix: how securitisation changes the funding chain

Originating bank
Creates loans and sells a defined pool

→

Special-purpose vehicle
Funds the pool by issuing securities

→

Investors
Receive cash flows from the underlying loans

Role or exposure	What remains to examine
Servicing	Who collects payments and handles arrears?
Retained interests or guarantees	Which losses can return to the bank?
Origination incentives	Does the lender still have incentives to screen borrowers?

Mishkin & Eakins, Ch. 19; original Lecture 10.