


Financial Intermediary Balance Sheet Management

Tobias Adrian (/search?value1=Tobias+Adrian&option1=author&noRedirect=true&sortField=prism_publicationDate&sortDescending=true)¹ and Hyun Song Shin (/search?value1=Hyun+Song+Shin&option1=author&noRedirect=true&sortField=prism_publicationDate&sortDescending=true)²

 View Affiliations and Author Notes

Vol. 3:289-307 (Volume publication date December 2011)

First published as a Review in Advance on September 09, 2011

© Annual Reviews

 View Citation

Abstract

Conventional discussions of balance sheet management by nonfinancial firms take the set of positive net present value (NPV) projects as given, which in turn determines the size of the assets of the firm. The focus is on the composition of equity and debt in funding such assets. In contrast, the balance sheet management of financial intermediaries reveals that it is equity that behaves like the predetermined variable, and the asset size of the bank or financial intermediary is determined by the degree of leverage that is permitted by market conditions. The relative stickiness of equity reveals possible non-pecuniary benefits to bank owners so that they are reluctant to raise new equity, even during boom periods when equity raising is associated with less stigma, and hence smaller discounts. We explore the empirical evidence for both market-based financial intermediaries such as the Wall Street investment banks, as well as the commercial bank subsidiaries of the large U.S. bank holding companies (BHCs). We further explore the aggregate consequences of such behavior by the banking sector for the propagation of the financial cycle and securitization.

Keyword(s): capital (/search?value1=%22capital%22&option1=pub_keyword), debt (/search?value1=%22debt%22&option1=pub_keyword), leverage (/search?value1=%22leverage%22&option1=pub_keyword), procyclicality (/search?value1=%22procyclicality%22&option1=pub_keyword).

Most Read This Month

Climate Finance (/content/journals/10.1146/annurev-financial-102620-103311)

Stefano Giglio, Bryan Kelly and Johannes Stroebe
pp. 15–36 (22)

Long-Run Asset Returns (/content/journals/10.1146/annurev-financial-082123-105515)

David Chambers, Elroy Dimson, Antti Ilmanen and Paul Rintamäki
pp. 435–458 (24)

Retail and Institutional Investor Trading Behaviors: Evidence from China (/content/journals/10.1146/annurev-financial-082123-110132)

Lin Tan, Xiaoyan Zhang and Xinran Zhang
pp. 459–483 (25)

Retail CBDC: Implications for Banking and Financial Stability (/content/journals/10.1146/annurev-financial-082123-105958)

Sebastian Infante, Kyungmin Kim, Anna Orlik, André F. Silva and Robert Tetlow
pp. 207–232 (26)

Corporate Culture (/content/journals/10.1146/annurev-financial-092321-124541)

Gary B. Gorton, Jillian Grennan and Alexander K. Zentefis
pp. 535–561 (27)

Most Cited

 (/rss/content/journals/financial/mostcitedarticles?fmt=rss)

The Real Effects of Financial Markets (/content/journals/10.1146/annurev-financial-110311-101826)

Philip Bond (/search?value1=Philip+Bond&option1=author&noRedirect=true&sortField=prism_publicationDate&sortDescending=true), Alex Edmans (/search?value1=Alex+Edmans&option1=author&noRedirect=true&sortField=prism_publicationDate&sortDescending=true) and Itay Goldstein (/search?

value1=Itay+Goldstein&o
Vol. 4 (2012), pp. 339–360

Climate Finance (/content/journals/10.1146/annurev-financial-102620-103311)

Stefano Giglio (/search?value1=Stefano+Giglio&option1=author&noRedirect=true&sortField=prism_publicationDate&sortDescending=true), Bryan Kelly (/search?value1=Bryan+Kelly&option1=author&noRedirect=true&sortField=prism_publicationDate&sortDescending=true), and Johannes Stroebel (/search?value1=Johannes+Stroebel&option1=author&noRedirect=true&sortField=prism_publicationDate&sortDescending=true).
Vol. 13 (2021), pp. 15–36

Financialization of Commodity Markets (/content/journals/10.1146/annurev-financial-110613-034432)

[Ing-Haw Cheng \(/search?value1=Ing-Haw+Cheng&option1=author&noRedirect=true&sortField=prism_publicationDate&sortDescending=true\)](#), and [Wei Xiong \(/search?value1=Wei+Xiong&option1=author&noRedirect=true&sortField=prism_publicationDate&sortDescending=true\)](#).
Vol. 6 (2014), pp. 419–441

A Survey of Systemic Risk Analytics (/content/journals/10.1146/annurev-financial-110311-101754)

Dimitrios Bisias (/search?value1=Dimitrios+Bisias&option1=author&noRedirect=true&sortField=prism_publicationDate&sortDescending=true), Mark Flood (/search?value1=Mark+Flood&option1=author&noRedirect=true&sortField=prism_publicationDate&sortDescending=true), Andrew W. Lo (/search?value1=Andrew+W.+Lo&option1=author&noRedirect=true&sortField=prism_publicationDate&sortDescending=true) and Stavros Valavanis (/search?value1=Stavros+Valavanis&option1=author&noRedirect=true&sortField=prism_publicationDate&sortDescending=true).
Vol. 4 (2012), pp. 255–296

CEO Compensation (/content/journals/10.1146/annurev-financial-120209-133958)

Carola Frydman (/search?value1=Carola+Frydman&option1=author&noRedirect=true&sortField=prism_publicationDate&sortDescending=true) and Dirk Jenter (/search?value1=Dirk+Jenter&option1=author&noRedirect=true&sortField=prism_publicationDate&sortDescending=true).
Vol. 2 (2010), pp. 75–102

+ More

About Annual Reviews:

What We Do
(/about/what-we-do)

Press and News
(/about/press-center).

Careers
(./page/about/careers-at-annual-reviews)

Contact Us
(./page/about/contact-us)

FAQ
(/page/about/faq)

Help (/help/main)

Discover Content:

Journals A-Z
([./content/publications](#)).

Impact Factor Rankings
([/about/impact-factors](#)).

Publication Dates
(./journal/pubdates).

[Online Events \(/page/events\)](/page/events)

Article Collections
([./page/collectionarchive](#)).
Knowable Magazine
(<https://knowablemagazine.org/>)

Katina Magazine
(<https://katinamagazine.org/>)

Against the Grain
(<https://www.charleston-hub.com/about/about-against-the-grain/>).

Libraries and Institutions:

Subscribe to Open (S20) (/S20).

Librarian Resource Center (/page/librarians/librarian-resource-page).

Institutional Account Administration
(<https://www.annualreviews.org/registration/signin-or-register.action?signInTarget=%2Fadmin>)

Institutional Pricing (/page/subscriptions/instchoice).

Usage Statistics (/action/showInstitutionUsageReport)

Charleston Hub (<https://www.charleston-hub.com/>)

Katina | Librarianship Elevated (<https://katinamagazine.org/>).

Charleston Advisor (Archive)

(<https://annurev.publisher.ingentaconnect.com/content/annurev/tca/>).

Against the Grain (<https://www.charleston-hub.com/about/about-against-the-grain/>).

Author Resources:

Article Preparation and Submission
(./page/authors/general-information).

Editorial Principles and Policies
(./page/authors/editorial-policies)

Contact Us
(./page/authors/contact-us)

Copyright and Permissions
(./page/about/copyright-and-permissions)

Article Proposals
([./page/authors/author-instructions/unsolicited-authors](#)).

© Copyright 2026 (/page/about/trademark). | [Contact Us \(/page/about/contact-us\)](#). | [Email Preferences \(/userpreferencecenter\)](#). | [Annual Reviews Directory \(/db/directory\)](#). | [Multimedia \(/topic/multimedia?target=do-topic\)](#) | [Supplemental Materials \(/db/suppl\)](#) | [FAQs \(/page/about/faq\)](#) | [Privacy Policy \(/page/about/privacy\)](#) | [Cookie Settings](#)

in







<https://www.linkedin.com/company/annual-report-2023>

(<http://dx.doi.org/10.1016/j.jmb.2014.08.011>) and www.journalreviews.com