



INTRODUCTION

• **Academic Year:** 2025/2026

• **Course Description:** This course explores advanced topics in Banking, with an emphasis on the intersection between financial intermediation, accounting standards, and monetary policy. Students will engage with both theoretical frameworks and empirical research to develop a critical understanding of the mechanisms that shape modern banking systems.

Key areas of focus include Expected Credit Loss models under IFRS 9 and CECL, where students will learn to assess the implications of different accounting approaches for financial stability and bank performance. The course also examines the nature and measurement of bank risk, including credit, operating, liquidity, and systemic risk, and their role in regulatory frameworks and market discipline.

A central theme is the distinction between soft and hard information in lending, highlighting how relationship banking influence credit allocation and monitoring. Finally, the course investigates the transmission mechanisms of monetary policy, with special attention to the role of banks in channeling interest rate changes, quantitative easing, and unconventional policies to the real economy.

Students will strengthen their ability to:

- Apply advanced concepts of risk measurement and credit loss recognition.
- Critically analyze the role of information in banking and lending decisions.
- Evaluate the interaction between monetary policy and the banking sector.
- Develop independent research skills in the field of Banking and Financial Economics.

By the end of the course, students will be equipped with both the technical knowledge and methodological tools to contribute to academic and professional debates in Banking.

• **Type of Course:** Elective

• **ECTS:** 3

• **Course and Semester:** Master in Economics and Finance - January-February

• **Language:** English

• **Title:** Topics in Economics and Finance IV (MEF)

• **Professor:** Sergio Mayordomo Gómez (Bank of Spain) and Germán López Espinosa (Universidad de Navarra)

LEARNING OUTCOMES (Competencies)

GENERAL COMPETENCIES

CG1) Train high-level specialists in both economic theory and finance.



Universidad de Navarra

CG2) Provide students with the appropriate and necessary mathematical and econometric techniques for both theoretical and empirical work in the fields of economic theory and finance.

CG3) Familiarize students with research fields and the most relevant literature in economic theory and finance.

CG4) Develop students' critical capacity towards economic or financial phenomena and enhance their communication skills.

CG5) Provide students with the basic theoretical foundations to start doctoral studies in economics or finance.

SPECIFIC COMPETENCIES

CE4) Handle the main statistical and econometric programs used in the areas of economics and finance.

CE7) Examine the concept of market risk using models for its assessment.

CE10) Prepare an original working paper on a subject related to one of the courses covered during the program.

PROGRAM

PART I

IFRS 9. Financial Instruments

Initial Measurement.

Subsequent Measurement.

Derecognition.

Impairment. Expected Credit Losses: 12-month ECL, Lifetime ECL, Disclosures, Impact on Regulatory Capital, SA vs IRB.

How to Analyze IFRS 9 Disclosures: Some examples.

Academic literature on provisions and expected credit loss models

PART II

Bank Risk – Management and Measurement

- Types of Risk: Credit risk, Market risk, Liquidity risk, Operational risk
- Systemic Risk and Contagion
- Risk Measurement Techniques

Soft vs. Hard Information in Lending

- Hard Information
- Soft Information



- Information Asymmetry & Adverse Selection. Role of Collateral
- Relationship Lending

Monetary Policy Transmission Mechanisms

- Channels of Transmission
- Role of Bank Balance Sheets

EDUCATIONAL ACTIVITIES

The course is designed to combine theoretical knowledge with research-oriented practice. The following activities will support student learning:

Lectures and Theoretical Sessions

- Introduction to key concepts in banking, including risk measurement, expected credit loss models, soft vs. hard information in lending, and monetary policy transmission.
- Critical discussion of recent academic articles and policy papers.

Independent Study and Reading

- Guided reading of academic literature and policy reports.
- Preparation for class discussions and presentations.

Student Presentations

- Students will prepare and deliver presentations on selected research papers.
- Peer feedback will be encouraged to foster critical thinking and improve academic communication skills.

GRADING SYSTEM

The final grade for the course will be based on continuous assessment, with equal weight assigned to three main components. Students will be evaluated as follows:

1. Bank Provisions Analysis (33%)

- Each student will select a bank and prepare a written assignment analyzing all aspects related to its loan loss provisions and expected credit loss models.
- The analysis should combine both accounting and banking perspectives, highlighting regulatory implications and research insights.

2. Empirical exercise to measure banks' market risk and their contribution to systemic risk (27%)

- Assignment to calculate the Value at Risk (VaR) for specific banks using quantile regression methods using Stata or Python.



- Students will also determine each bank's individual contribution to systemic risk.

3. Research Idea Development (40%)

- Students will propose and develop a research idea connected to one of the following topics:
 - Bank Risk
 - Relationship Lending
 - Monetary Policy Transmission Mechanisms
- The proposal should clearly articulate the research question, its relevance and a potential methodological approach.
- Emphasis will be placed on clarity, depth of analysis, and originality of the critical perspective.

Important: To pass the course, students must obtain a minimum grade of 3.5/10 in each of the three components.

OFFICE HOURS

- Sergio Mayordomo Gómez (sergio.mayordomo@bde.es). Contact by e-mail and appointment.
- Germán López Espinosa (glespinosa@unav.es)

Office: 2200 (Amigos Building)

Office hours: Monday 15:00 - 17:00

BIBLIOGRAPHY

PART I

Ertan, A. "Expected Losses, Unexpected Costs? Evidence from SME Credit Access under IFRS 9." *The Accounting Review* 100 (2025): 443–473.

Li, Xiao, J. Ng, and W. Saffar. "Accounting-Driven Bank Monitoring and Firms' Debt Structure: Evidence from IFRS 9 Adoption." *Management Science* 70 (2024): 54-77.

Lopez-Espinosa, G., G. Ormazabal, and Y. Sakasai. "Switching from Incurred to Expected Loan Loss Provisioning: Early Evidence." *Journal of Accounting Research* 59 (2021): 757–804.

Lu, Y., and V. V. Nikolaev. "Expected Loan Loss Provisioning: An Empirical Model." *The Accounting Review* 97 (2022): 319–346.

Mahieux, L., H. Sapra, and G. Zhang "CECL: Timely Loan Loss Provisioning and Bank Regulation" *Journal of Accounting Research* 61 (2023): 3-46.

PART II

Agarwal, S., Mayordomo, S., Rodriguez-Moreno, M., and Tarantino, E. (2025) "Mortgage Liquidity Shocks and Corporate Lending: Evidence from Household-Initiated Bank Balance Sheet". Working Paper.

Arce, O., Mayordomo, S., and Gimeno, R. (2021) "Making room for the needy: The credit-reallocation effects of the ECB's Corporate QE" *Review of Finance*, 25, 43-84



Arce, O., García-Posada, M., Mayordomo, S., and Ongena, S. (2023) "Bank lending policies and monetary policy: some lessons from the negative interest era". *Economic Policy* 38 (116), 899-941.

Banco de España. Annual Report 2022. Chapter 3. The current episode of price pressures in the euro area, the monetary policy response and its effects.

Blanco, R., García-Posada, M., Mayordomo, S. and Rodríguez-Moreno, M. (2024) "Access to credit and firm survival during a crisis: The case of zero-bank-debt firms", *Journal of Financial Intermediation*, 59, 101102.

Bolton, P., Freixas, X., Gambacorta, L., Mistrulli, P.E., (2016) "Relationship and transaction lending in a crisis", *Review of Financial Studies* 29, 2643–2676.

Boot, A. W. A. (2000). Relationship banking: What do we know? *Journal of Financial Intermediation*, 9, 7–25.

Dwarkasing, M., Dwarkasing, N., & Ongena, S. (2017). The bank lending channel of monetary policy: A review of the literature and an agenda for future research. *The Palgrave Handbook of European Banking*, 383-407.

Flodén, F., Kilström, M., Sigurdsson, J., and Vestman, R. (2021) "Household Debt and Monetary Policy: Revealing the Cash-Flow Channel", *The Economic Journal*, Volume 131, Issue 636, Pages 1742–1771

Gomez, M., Landier, A., Sraer, D., and Thesmar, D. (2021) "Banks' exposure to interest rate risk and the transmission of monetary policy" *Journal of Monetary Economics*, Volume 117, Pages 543-570.

Hull, J. C. (2022) "Risk Management and Financial Institutions" (6th Edition). Wiley Finance Latest Edition: Sixth Edition (2022).

Jiménez, G., Ongena, S., Peydró, J. L., Saurina, J. (2012) "Credit supply and monetary policy: Identifying the bank balance-sheet channel with loan applications". *American Economic Review*, 2012, vol. 102, no 5, p. 2301-2326.

Kysucky, V., and Norden, L. (2014) "The Benefits of Relationship Lending in a Cross-Country Context: A Meta-Analysis", *Management Science*, Vol. 62, No. 1.

Liberti, J. M., and Petersen M. A. "Information: Hard and Soft", *The Review of Corporate Finance Studies*, Volume 8, Issue 1, March 2019, Pages 1-41.

López-Espinosa, G., Mayordomo, S., & Moreno, A. (2017). "When does relationship lending start to pay?". *Journal of Financial Intermediation*, 31, 16-29.

Peek, J. and Rosengren, E. S. (2012). *The Role of Banks in the Transmission of Monetary Policy. The Oxford Handbook of Banking*

Rostagno, M. et al. (2021) *Monetary policy in times of crisis: A tale of two decades of the European Central Bank*. Oxford University Press.