



Chapter 4.1
Maturity transformation of deposits

Outline

- Problem and model assumptions
- Social optimum
- Direct lending
- Direct lending with trading
- Bank lending
- Summary

■ Problem and model assumptions

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Maturity mismatch

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- ▶ Banks are an **equilibrium** outcome

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- ▶ Banks are implementing the **social optimum** to address the maturity mismatch

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This presentation is based on
Andreas Krause: Theoretical Foundations of Banking, 2025

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