

Financial Intermediary

1 Banking Sector

Accepts all savings deposits and buys shares in all firms.

$$\sum_j \sum_s b_{j,s+1,t+1} = \sum_i q_{it} s_{i,t+1}$$
$$(1 + r_{t+1}) \sum_j \sum_s b_{j,s+1,t+1} = \sum_i (q_{i,t+1} + \pi_{i,t+1}) s_{i,t+1}$$

s is shares purchased, q is share price, π is after-tax profits.