

## BANK ASSETS, THEIR NATURE AND CONTENT

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### ABSTRACT

This thesis aims to provide an in-depth analysis of bank assets, focusing on their nature, meaning and impact on financial stability. By examining their various types and characteristics, this study seeks to shed light on the challenges and opportunities that bank assets present to the global economy.

**Keywords:** assets, global economy, investment, deposit, loan, stock.

Bank assets are an important component of the global financial system, which plays an important role in economic development and stability. As financial intermediaries, banks receive funds from various sources such as deposits and channel them into investments, loans and other financial products. The nature and composition of bank assets varies widely, from traditional forms such as cash, mortgages and government securities to more complex instruments such as derivatives and hedged products. The composition, characteristics and risks associated with standing bank assets are important for assessing the overall health and solvency of financial institutions, as well as for policymakers, regulators and market participants.

Banks act as financial intermediaries by accepting deposits from individuals and institutions and providing loans and credit facilities. To understand the nature of bank assets, it is very important to correctly identify and classify them. Bank assets are resources that bring economic benefits to the bank. These assets can be divided into three categories: cash, investment assets and loans and advances. Cash assets include physical currency, balances at other banks, and reserves at the Central Bank. Investment assets consist of marketable securities, government bonds, and other financial instruments held by banks for investment purposes. Loans and advances include credit extended by banks to borrowers, including mortgages, personal loans, and business loans. Proper classification of bank assets allows regulators and stakeholders to effectively monitor and assess a bank's financial position, liquidity position, and risk profile.

Bank assets can be divided into two main categories: cash and non-cash assets. Cash funds mainly consist of physical currency, foreign currency deposits kept at the

Central Bank and deposits with other financial institutions. These assets serve as reserves and provide the necessary liquidity to meet depositors' cash withdrawal requirements. In addition, liquidity also facilitates the bank's ability to meet its obligations to other financial institutions and government agencies. On the other hand, non - cash assets cover many financial instruments including loans, investments and securities. Loans, one of the most important non- cash assets, consist of various lending activities such as personal loans, mortgage loans and corporate loans. Investments primarily involve the bank buying stocks, bonds, and other financial instruments with the intent of earning income or capital appreciation. In addition, banks hold securities as part of their investment portfolio, including government bonds and corporate securities. These non- cash assets are critical to a bank's profitability as they generate interest income, dividend income and capital gains.

The nature and content of bank assets are important elements to consider in understanding the role of banks in the financial system. Bank assets can be divided into various types, including loans and advances, investments, cash and balances with central banks, and fixed assets. Loans and advances constitute a significant part of bank assets, which refer to funds borrowed by borrowers for various purposes such as business expansion, capital investment or personal use. Banks carefully assess the creditworthiness of borrowers and analyze their ability to repay the loan before granting a loan. Investments are another major component of bank assets and consist of financial instruments such as government securities, corporate bonds, and stocks. Investments provide income to banks through interest or dividend payments, and they also serve as a means of managing liquidity and diversifying risks. In addition, banks hold cash and maintain balances with Central Banks to meet customer withdrawal requirements and facilitate seamless settlement of transactions. Finally, fixed assets refer to the physical infrastructure and equipment that banks use in their operations, including office buildings, computer systems and furniture. Understanding the nature and content of bank assets is essential for regulators, economists, and policymakers to assess the stability, profitability, and risk exposure of banks, establish appropriate regulations, and effectively supervise financial institutions.

One of the main factors affecting the composition of bank assets is the state of the economy. In times of economic growth and stability, banks are more willing and able to lend to borrowers, resulting in an increase in their loan portfolios. This is because the overall level of risk in the economy is low, making it easier for borrowers to meet their debt obligations. Conversely, during an economic downturn or downturn, banks may become more cautious and tighten their lending criteria. As a result, the loan portfolio of banks usually decreases during these periods. Another factor affecting the composition of bank assets is the interest rate environment. When interest rates are

low, borrowers are encouraged to borrow more, which leads to an increase in the demand for loans and banks' loan portfolios. On the other hand, when interest rates are high, demand for loans decreases and banks may shift their investments to other asset classes, such as government securities or mortgage-backed securities. In addition, regulations and control policies play an important role in shaping the composition of bank assets. Adequacy of capital Regulatory requirements such as leverage ratios and liquidity coverage ratios affect banks' asset allocations by placing limits on the amount of risk banks can take.

For example, banks are required to hold a certain percentage of their assets in highly liquid and low-risk investments to ensure the liquidity of depositors. In general, the composition of bank assets is affected by a complex interplay of economic conditions, interest rates, and regulatory frameworks.

### **Summary**

In conclusion, understanding the nature and content of a bank's assets is critical to analyzing its financial health and risk profile. Bank assets are divided into various categories including cash and cash equivalents, loans and advances, investments and fixed assets. These assets play a crucial role in generating income for the bank through interest and other forms of income. However, the composition and quality of a bank's assets are important factors that determine its resilience to economic downturns and its ability to absorb losses. Therefore, regulators and investors closely monitor the quality of a bank's assets, which ensures that it maintains a diversified and well-performing asset portfolio.

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