

Figure 10.15. A simplified bank balance sheet.

Assets (owned by the bank or owed to it)		% of balance sheet	Liabilities (what the bank owes households, firms and other banks)		% of balance sheet
1. Cash and reserve balances at the central bank	Owned by the bank: immediately accessible funds	2	1. Deposits	Owned by households and firms	50
2. Financial assets, some of which (government bonds) may be used as collateral for borrowing	Owned by the bank	30	2. Secured borrowing (collateral provided)	Includes borrowing from other banks via the money market	30
3. Loans to other banks	Via the money market	11	3. Unsecured borrowing (no collateral provided)		16
4. Loans to households and firms (e.g. mortgages)		55			
5. Fixed assets such as buildings and equipment	Owned by the bank	2			
Total assets		100	Total liabilities		96
			4. Net worth = Total assets – total liabilities = equity		4