

Banking services

English for the Financial Sector

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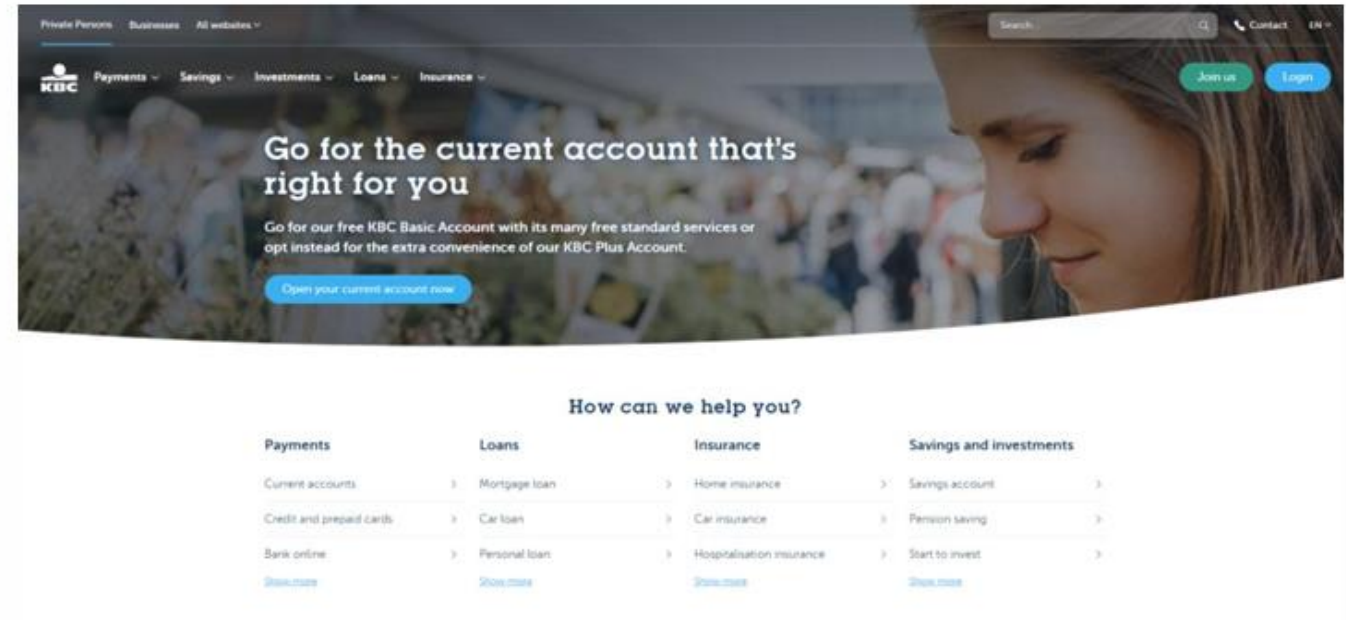
BANK DEFINITION

- Bank = Credit Institution (regulation)
- Regulatory definition:
“credit institution’ means an undertaking the business of which is to **take deposits** or other repayable funds from the public and to grant credits **for its own account**” [Article 4(1) CRR]



BANK FUNCTIONS

- Lending
- Deposit taking
- Maturity transformation
- Leverage
- Monetary transmission
- Liquidity provisioning/payments
- Etc.



BANK ASSETS (EXAMPLE – BELFIUS)



Assets	YEAR END
(In thousands of EUR)	
I. Cash and balances with central banks	10,236,669
II. Loans and advances due from banks	14,121,427
III. Loans and advances to customers	90,056,926
IV. Investments held to maturity	5,441,999
V. Financial assets available for sale	17,982,597
VI. Financial assets measured at fair value through profit or loss	3,240,298
VII. Derivatives	20,303,034
VIII. Gain/loss on the hedged item in portfolio hedge of interest rate risk	3,720,764
IX. Investments in equity method companies	31,481
X. Tangible fixed assets	1,059,212
XI. Intangible assets	162,074
XII. Goodwill	103,966
XIII. Current tax assets	20,343
XIV. Deferred tax assets	235,399
XV. Other assets	1,224,230
XVI. Non current assets (disposal group) held for sale and discontinued operations	18,782
TOTAL ASSETS	167,959,201

Cash (6%)
Credit (62%)

Investments (30%)

Corporate (1%)

Other (1%)

A substantial part of especially larger banks' balances consists of 'non-credit'

BANK LIABILITIES (EXAMPLE – BELFIUS)



Liabilities (In thousands of EUR)		YEAR END
I.	Due to banks	11,109,893
II.	Customer borrowings and deposits	76,274,483
III.	Debt securities	22,027,063
IV.	Financial liabilities measured at fair value through profit or loss	8,892,710
V.	Technical provisions of insurance companies	15,149,692
VI.	Derivatives	21,264,032
VII.	Gain/loss on the hedged item in portfolio hedge of interest rate risk	105,017
VIII.	Provisions and contingent liabilities	425,300
IX.	Subordinated debts	1,198,968
X.	Current tax liabilities	51,351
XI.	Deferred tax liabilities	176,964
XII.	Other liabilities	1,762,321
XIII.	Liabilities included in disposal group and discontinued operations	0
TOTAL LIABILITIES		158,437,793

Deposits (55%)

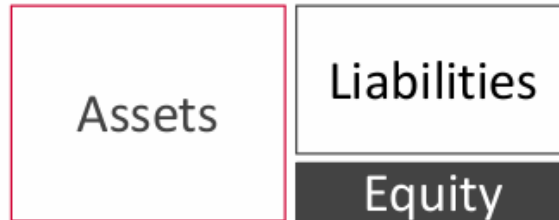
**Market funding
(44%)**

Corporate (0.1%)

Other (1%)

A substantial part of especially larger banks' funding consists of 'non-deposits'

BANK EQUITY (EXAMPLE – BELFIUS)



Equity (In thousands of EUR)	YEAR END
XIV. Subscribed capital	3,458,066
XV. Additional paid-in capital	209,232
XVI. Treasury shares	0
XVII. Reserves and retained earnings	4,811,537
XVIII. Net income for the period	605,502
CORE SHAREHOLDERS' EQUITY	9,084,337
XIX. Remeasurement available-for-sale reserve on securities	812,081
XX. Frozen fair value of financial assets reclassified to loans and advances	(474,031)
XXI. Remeasurement defined benefit plan	112,998
XXII. Discretionary participation features of insurance contracts	0
XXIII. Other reserves	(14,147)
GAINS AND LOSSES NOT RECOGNISED IN THE STATEMENT OF INCOME	436,901
TOTAL SHAREHOLDERS' EQUITY	9,521,237
XXIV. Non-controlling interests	171
TOTAL EQUITY	9,521,408

Issuance (39%)
Retained earnings (57%)

Gains and losses not recognised (4.5%)

Non-controlling interest (0.0%)

BANK LEVERAGE (EXAMPLE – BELFIUS)

- Banks are among the most leveraged institutions
- Leverage ratio is usually debt over equity
- In banking the leverage ratio is calculated as exposures over equity



17 : 1

