Financial System Report Annex Series

BOJ Reports & Research Papers

Financial Results of Japan's Banks for Fiscal 2025

Financial System and Bank Examination Department
Bank of Japan
September 2026

The total of major banks, regional banks, and *shinkin* banks covered in this *Report* is as follows (as of end-March 2026).

Major banks comprise the following 10 banks: Mizuho Bank, MUFG Bank, Sumitomo Mitsui Banking Corporation, Resona Bank, Saitama Resona Bank, Mitsubishi UFJ Trust and Banking Corporation, Mizuho Trust and Banking Company, Sumitomo Mitsui Trust Bank, SBI Shinsei Bank, and Aozora Bank. Regional banks comprise the 61 member banks of the Regional Banks Association of Japan (Regional banks I) and the 35 member banks of the Second Association of Regional Banks (Regional banks II). *Shinkin* banks are the 247 *shinkin* banks that hold current accounts at the Bank of Japan.

Financial Institutions Divisions I and II,
Financial System and Bank Examination Department, Bank of Japan
post.fsbe2@boj.or.jp

Background

The Bank of Japan issues the *Financial System Report* semiannually with the objectives of assessing the stability of Japan's financial system from a macroprudential perspective and enhancing communication with concerned parties with respect to financial stability issues. The *Report* provides a regular and comprehensive assessment of the financial system.

The *Financial System Report Annex Series* supplements the *Financial System Report* by providing more detailed analysis and insight into a selected topic. This paper covers the financial results of Japan's banks for fiscal 2025 to provide an annual analysis.

Abstract

The three main features of the financial results of Japan's banks for fiscal 2025 are as follows:

First, net income increased for major financial groups and regional banks, while it decreased for *shinkin* banks. For all types of banks, net income was boosted by an improvement in pre-provision net revenue (PPNR) excluding profits/losses from investment trusts due to cancellations, which indicates core profitability, and in realized gains/losses on stockholdings, while losses on sales of bonds, reflecting rising yen interest rates, exerted downward pressure.

Second, PPNR excluding profits/losses from investment trusts due to cancellations increased for all types of banks. It was boosted by an increase in net interest income, mainly due to rising yen interest rates, and an increase in net non-interest income.

Third, capital adequacy ratios increased for domestic banks, while they declined for internationally active banks. Nonetheless, for all types of banks, they remained sufficiently above the regulatory requirements.

Contents

I. Outline of Financial Results of Japan's Banks for Fiscal 2025

A. Profits and Losses 1

B. Profit Levels from a Long-Term Perspective 3

C. Balance Sheets 5

II. Financial Results of Japan's Major Banks and Regional Banks for Fiscal 2025

A. Core Profitability

1. Net Interest Income 7
2. Interest Rate Spreads on Loans and Loans Outstanding 8
3. Interest Rate Spreads on Securities 11
4. Net Non-Interest Income 13
5. General and Administrative Expenses 15

B. Realized and Valuation Gains/Losses on Securities Holdings

1. Realized Gains/Losses on Securities Holdings 16
2. Valuation Gains/Losses on Securities Holdings 17

C. Credit Costs and Non-Performing Loans

1. Credit Costs 18
2. Non-Performing Loans 20
3. Loan-Loss Provisions 21

D. Capital Adequacy Ratios, Dividends, and Share Repurchases

1. Capital Adequacy Ratios 23
2. Dividends and Share Repurchases 24

Box: Banks' profit projections for fiscal 2026 25

III. Financial Results of Japan's *Shinkin* Banks for Fiscal 2025

A. Core Profitability

1. Net Interest Income 26
2. Interest Rate Spreads on Loans and Loans Outstanding 27
3. Interest Rate Spreads on Securities 28
4. Net Non-Interest Income 28
5. General and Administrative Expenses 29

B. Realized and Valuation Gains/Losses on Securities Holdings

1. Realized Gains/Losses on Securities Holdings 29
2. Valuation Gains/Losses on Securities Holdings 30

C. Credit Costs and Non-Performing Loans

1. Credit Costs 30
2. Non-Performing Loans 31
3. Loan-Loss Provisions 31

D. Capital Adequacy Ratios 32

Glossary 33

I. Outline of Financial Results of Japan's Banks for Fiscal 2025[1]

A. Profits and Losses

At major financial groups, net income for fiscal 2025 was about 6.0 trillion yen, increasing by 32.7 percent from the previous year. Net income was boosted by an increase in net interest income following the rise in yen interest rates and an increase in domestic loans outstanding. In addition, net income was boosted by an increase in net non-interest income, mainly owing to an increase in fees and commissions associated with deposits and lending and growth in income from the settlement business of a group company of a financial group, and by a rise in realized gains on stockholdings, reflecting progress in sales of strategic stockholdings. Meanwhile, realized gains/losses on bondholdings improved. This was because, while losses on sales of bonds were recorded as some of the major banks offset their losses on bondholdings, the disposal of losses remained small in scale compared with a year earlier. Under such circumstances, credit costs increased from the low level recorded a year earlier, when loan-loss provisions were reversed for some large borrowers. The increase was due to provisions made for some large borrowers that were downgraded both domestically and overseas, and to precautionary loan-loss provisions that were built up, mainly in response to the impact of the situation in the Middle East.

At major banks (on a non-consolidated basis), net income for fiscal 2025 was about 4.3 trillion yen, increasing by 30.6 percent from the previous year due to an increase in both net interest income and net non-interest income.

I-A-1: Main profit and loss items at major financial groups and banks

100 mil.yen,%

	Major Financial Groups			Major Banks (non-consolidated)		
	FY2025	y/y chg.	y/y % chg.	FY2025	y/y chg.	y/y % chg.
Net interest income	78,803	+10,384	+15.2	58,885	+9,237	+18.6
Net non-interest income	90,079	+7,961	+9.7	39,397	+2,347	+6.3
General and administrative expenses	-95,993	-9,160	+10.5	-48,561	-4,801	+11.0
PPNR	83,157	+12,708	+18.0	49,722	+6,782	+15.8
(excluding profits and losses from investment trusts due to cancellations)	(82,495)	(+14,028)	(+20.5)	(49,059)	(+8,102)	(+19.8)
Realized gains/losses on bondholdings	-5,533	+7,228	——	-5,527	+7,088	——
Realized gains/losses on stockholdings	15,424	+1,206	——	14,956	+1,448	——
Credit costs	-9,621	-3,645	——	-2,945	-2,812	——
(Credit cost ratio)	——	——	——	(7bps)	(+7bps)	——
Other profit and loss items	-1,853	+1,999	——	1,313	+1,140	——
Net income before income taxes	81,575	+19,496	+31.4	57,519	+13,647	+31.1
Tax-related expenses	-20,378	-4,247	+26.3	-14,767	-3,641	+32.7
Net income	59,742	+14,719	+32.7	42,752	+10,006	+30.6

Notes: 1. Regarding credit costs, negative numbers represent a rise in costs while positive numbers represent an increase in reversals.

2. For major financial groups, PPNR includes profits/losses on investments in affiliates. Some items for which there exist no data on a financial group basis are calculated using bank data on a non-consolidated basis.

Sources: Published accounts of each financial group; BOJ.

[1] Figures provided in Chapters I and II are calculated on a non-consolidated basis unless otherwise noted.

At regional banks, net income for fiscal 2025 was about 1.7 trillion yen, increasing by 37.4 percent from the previous year. Net income was boosted by (1) an increase in net interest income due to the rise in yen interest rates and an increase in loans outstanding, (2) an increase in net non-interest income, mainly due to a rise in income from fees and commissions, and (3) a rise in realized gains on stockholdings, despite downward pressure exerted by a deterioration in realized gains/losses on bondholdings.

At *shinkin* banks, net income for fiscal 2025 was about 0.2 trillion yen, decreasing by 16.9 percent from the previous year. Net income was reduced by an increase in general and administrative expenses and a deterioration in realized gains/losses on bondholdings, although net interest income increased due to the rise in yen interest rates.

I-A-2: Main profit and loss items at regional banks and *shinkin* banks

100 mil.yen,%

	Regional banks (non-consolidated)			*Shinkin* banks		
	FY2025	y/y chg.	y/y % chg.	FY2025	y/y chg.	y/y % chg.
Net interest income	48,528	+7,107	+17.2	18,166	+1,194	+7.0
Net non-interest income	7,185	+1,009	+16.3	758	+73	+10.7
General and administrative expenses	-30,034	-1,543	+5.4	-12,868	-388	+3.1
PPNR	25,679	+6,572	+34.4	6,056	+879	+17.0
(excluding profits and losses from investment trusts due to cancellations)	(24,614)	(+6,000)	(+32.2)	(5,720)	(+643)	(+12.7)
Realized gains/losses on bondholdings	-11,361	-6,645	——	-4,248	-2,676	——
Realized gains/losses on stockholdings	11,152	+6,884	——	2,027	+1,340	——
Credit costs	-1,849	-303	——	-584	-154	——
(Credit cost ratio)	(6bps)	(+1bps)	——	(7bps)	(+2bps)	——
Other profit and loss items	470	+28	——	197	+223	——
Net income before income taxes	24,091	+6,536	+37.2	3,448	-387	-10.1
Tax-related expenses	-6,602	-1,779	+36.9	-1,033	-105	+11.4
Net income	17,489	+4,757	+37.4	2,416	-493	-16.9

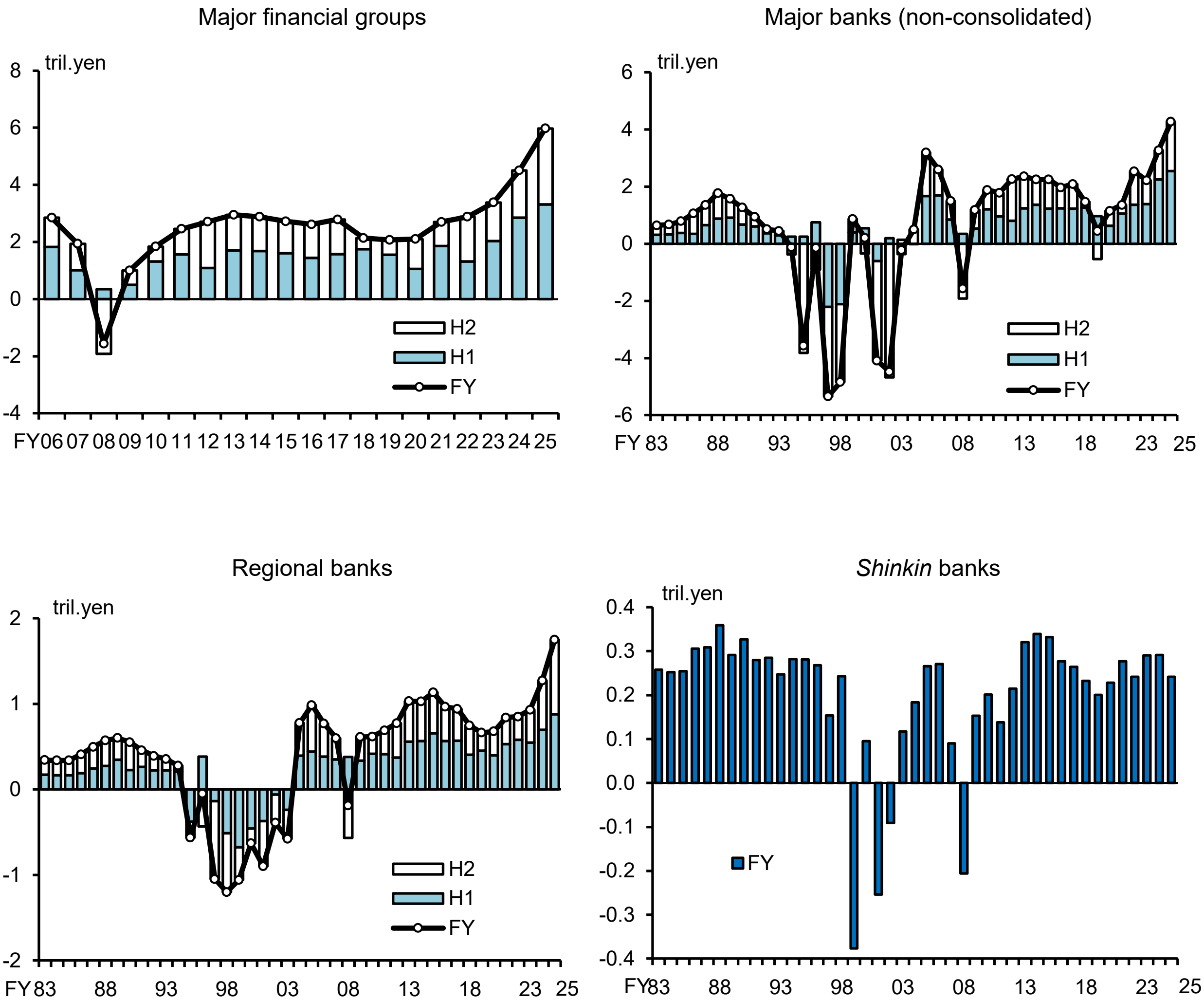
Note: Regarding credit costs, negative numbers represent a rise in costs while positive numbers represent an increase in reversals.

Source: BOJ.

B. Profit Levels from a Long-Term Perspective

Net income for fiscal 2025 for major financial groups and regional banks increased for the sixth consecutive year, while that for *shinkin* banks decreased for the first time in three years. Meanwhile, net income for major banks (on a non-consolidated basis) increased for the second consecutive year.

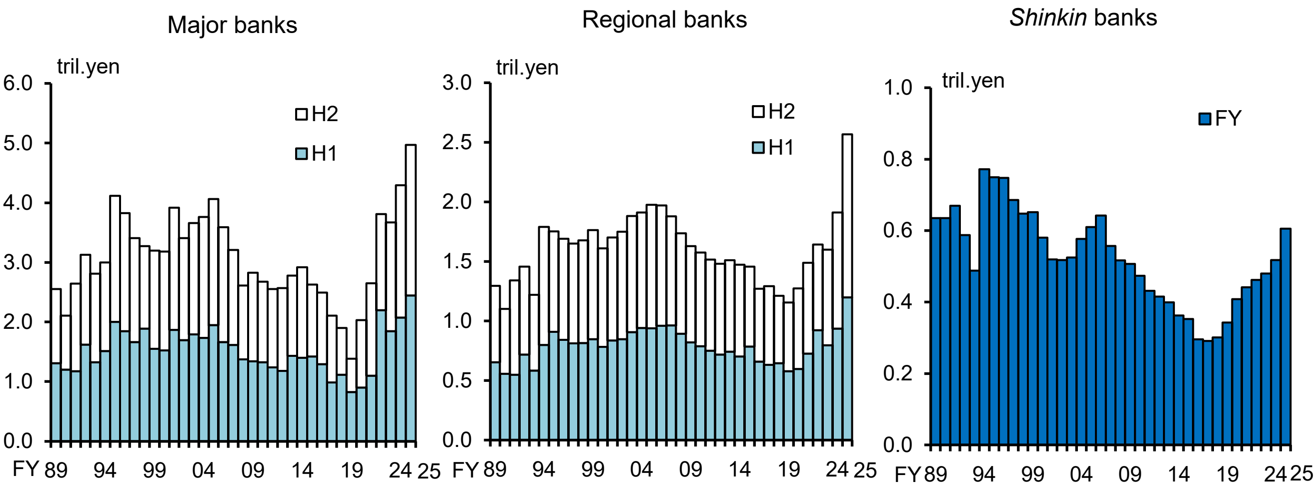
I-B-1: Net income



Source: BOJ.

With regard to core profitability, PPNR for fiscal 2025 for major banks and regional banks increased by 15.8 percent and 34.4 percent, respectively, from the previous year. At *shinkin* banks, it increased by 17.0 percent from the previous year. PPNR excluding profits/losses from investment trusts due to cancellations to remove temporary fluctuations also increased for all types of banks.

I-B-2: PPNR



Source: BOJ.

C. Balance Sheets

Looking at developments in balance sheets for fiscal 2025 at major banks, total assets increased by 31.7 trillion yen, reflecting an increase in loans and bills discounted in the domestic and international business sectors and a rise in foreign securities, despite a decrease in cash and due from banks (such as current deposits held at the Bank of Japan). On the liability side, the main increase was in deposits and NCD at home and abroad.

I-C-1: Main balance sheet items of major banks

tril.yen

	End-Mar. 2026	y/y chg.	Change from end-Sep. 2025		End-Mar. 2026	y/y chg.	Change from end-Sep. 2025
Loans and bills discounted	418.4	+29.0	+23.8	Deposits and NCD	729.7	+30.6	+30.4
Domestic business sector	273.9	+12.7	+10.9	Domestic business sector	540.2	+12.3	+15.1
International business sector	144.4	+16.3	+12.9	International business sector	189.6	+18.3	+15.3
Securities	189.8	+9.2	+1.9	Loans from BOJ	25.2	-15.1	-3.1
JGBs	63.6	-0.9	+0.1	Due to trust accounts	6.5	-2.1	-2.6
Stocks	14.4	+1.4	+0.2	Other liabilities	241.9	+16.3	+14.9
Foreign securities	90.1	+10.0	+2.3	Total liabilities	1,003.3	+29.8	+39.6
Cash and due from banks	255.8	-34.3	-11.2	Total net assets	33.9	+1.9	+0.1
Other assets	173.2	+27.9	+25.2	Retained earnings	16.3	+1.5	+0.4
Total assets	1,037.2	+31.7	+39.7	Net valuation gains/losses on securities	5.3	+1.1	+0.1

Source: BOJ.

At regional banks, total assets increased by 8.6 trillion yen, reflecting an increase in loans and bills discounted, despite a decrease in cash and due from banks (such as current deposits held at the Bank of Japan). On the liability side, deposits and NCD in particular increased.

I-C-2: Main balance sheet items of regional banks

tril.yen

	End-Mar. 2026	y/y chg.	Change from end-Sep. 2025		End-Mar. 2026	y/y chg.	Change from end-Sep. 2025
Loans and bills discounted	338.7	+14.3	+8.3	Deposits and NCD	423.5	+7.2	+5.2
Securities	93.8	-0.8	-2.4	Current deposits	267.2	+1.3	+5.1
JGBs	25.4	+2.1	+1.3	Other liabilities	65.5	-0.9	-0.9
Cash and due from banks	64.9	-7.6	-3.1	Total liabilities	489.0	+6.3	+4.3
Other assets	17.1	+2.7	+1.9	Total net assets	25.5	+2.3	+0.5
Total assets	514.6	+8.6	+4.8	Net valuation gains/losses on securities	2.2	+1.0	-0.2

Source: BOJ.

With regard to *shinkin* banks, total assets decreased by 0.1 trillion yen, mainly reflecting a decrease in cash and due from banks (such as current deposits held at the Bank of Japan and deposits at the Shinkin Central Bank), despite an increase in loans and bills discounted. On the liability side, total liabilities decreased due to a decline in other liabilities (such as loans from the Bank of Japan), despite an increase in deposits and NCD.

I-C-3: Main balance sheet items of *shinkin* banks

tril.yen

	End-Mar. 2026	y/y chg.		End-Mar. 2026	y/y chg.
Loans and bills discounted	82.7	+1.3	Deposits and NCD	161.3	+0.3
Securities	45.0	-0.3	Current deposits	80.1	+0.1
JGBs	7.9	+0.2	Other liabilities	3.8	-0.6
Cash and due from banks	40.8	-1.3	Total liabilities	165.1	-0.2
Other assets	4.8	+0.2	Total net assets	8.2	+0.2
Total assets	173.2	-0.1	Net valuation gains/losses on securities	-1.9	-0.0

Source: BOJ.

II. Financial Results of Japan's Major Banks and Regional Banks for Fiscal 2025

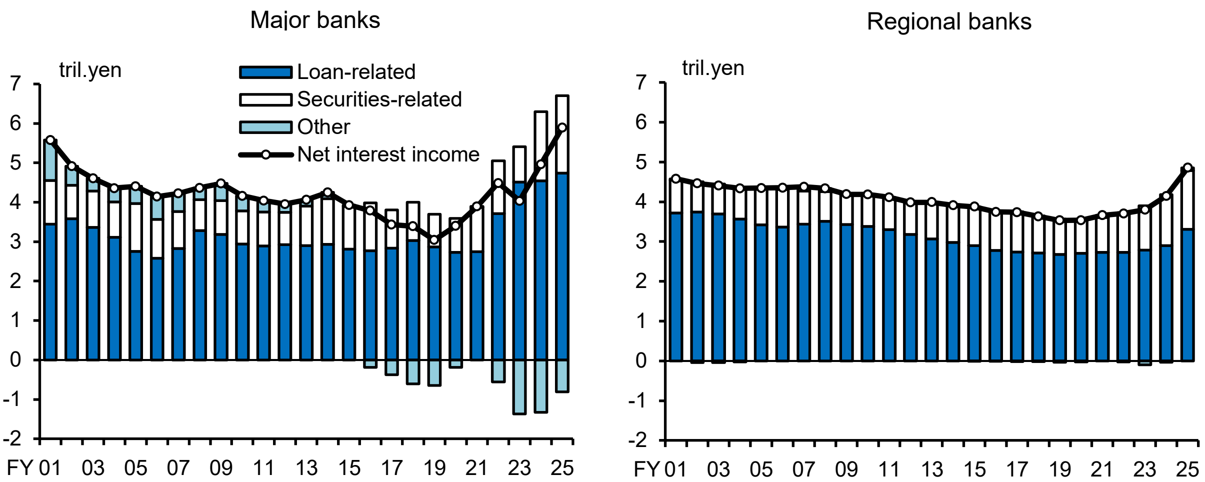
This chapter outlines banks' core profitability (net interest income, net non-interest income, and general and administrative expenses), realized and valuation gains/losses on securities holdings, credit costs and non-performing loans, as well as capital adequacy ratios, dividends, and share repurchases. The financial results of *shinkin* banks are outlined in Chapter III.

A. Core Profitability

1. Net Interest Income

Net interest income for fiscal 2025 increased by 18.6 percent for major banks and 17.2 percent for regional banks from the previous year. Loan-related income increased due to an increase in domestic loans outstanding and an improvement in interest rate spreads on loans. Furthermore, securities-related income also increased, mainly reflecting an improvement in interest rate spreads on securities.

II-A-1: Net interest income



Note: Loan-related = (average loans outstanding) * (interest rate spreads on loans).
Securities-related = (average securities holdings outstanding) * (interest rate spreads on securities).
Source: BOJ.

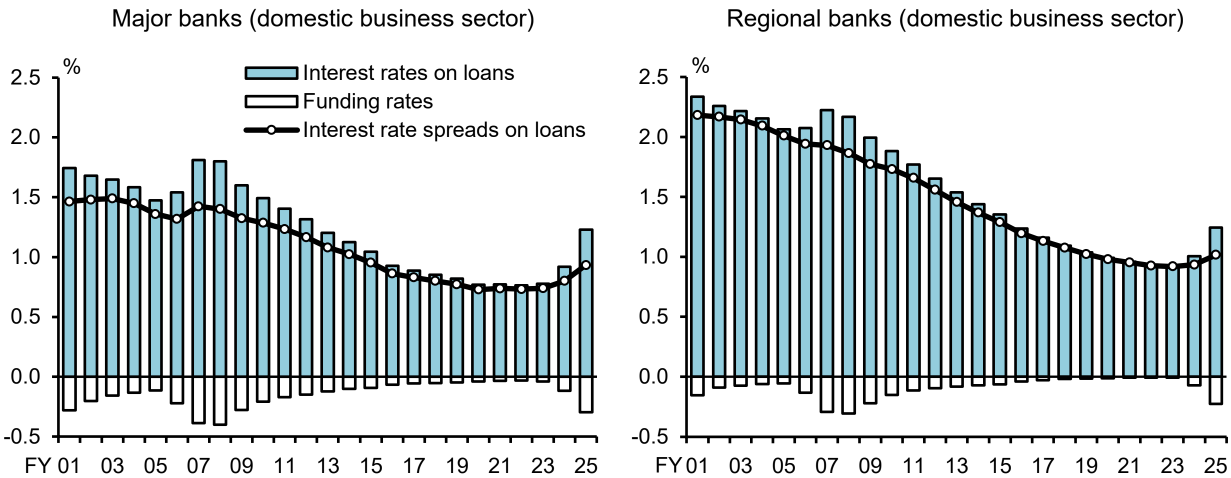
2. Interest Rate Spreads on Loans and Loans Outstanding

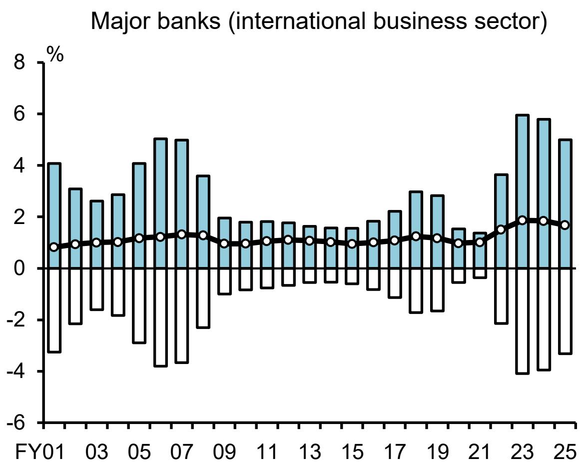
(1) Interest Rate Spreads on Loans

Interest rate spreads on loans in the domestic business sector widened at both major banks and regional banks, as the increase in interest rates on loans resulting from the rise in yen interest rates exceeded the increase in funding rates.

At major banks, interest rate spreads on loans in the international business sector narrowed to some extent. This was because the decline in interest rates on loans resulting from the past interest rate cuts in the United States exceeded the decline in funding rates.

II-A-2: Interest rate spreads on loans



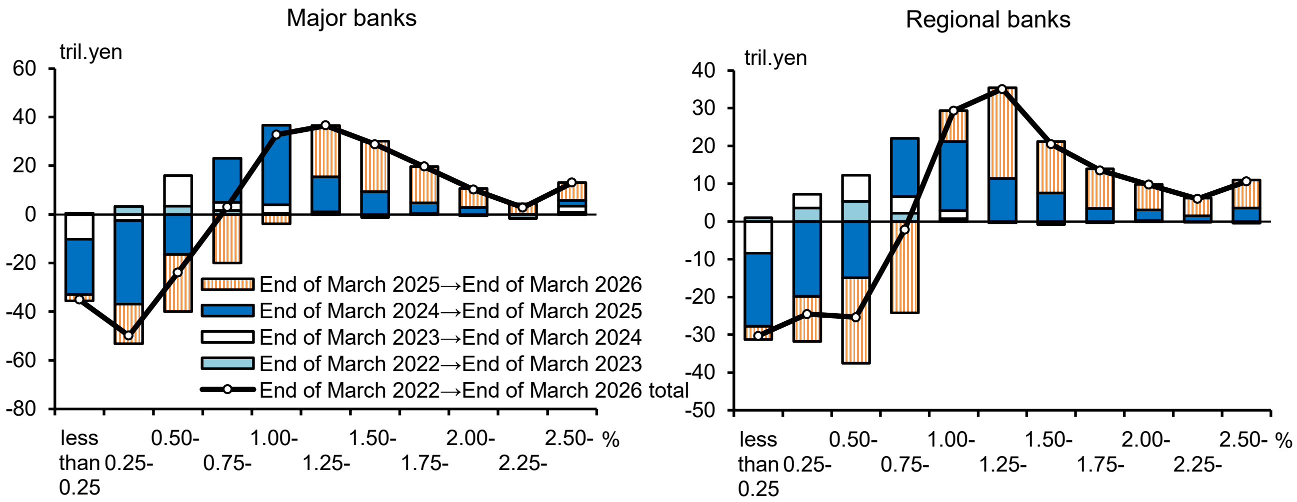


Note: Interest rates on loans = (interest income on loans + commissions on bills discounted) / average amount of loans outstanding.
Funding rates = (funding costs - interest expenses on interest rate swaps) / average amount of funding outstanding.
Source: BOJ.

(2) Loans Outstanding by Lending Rate

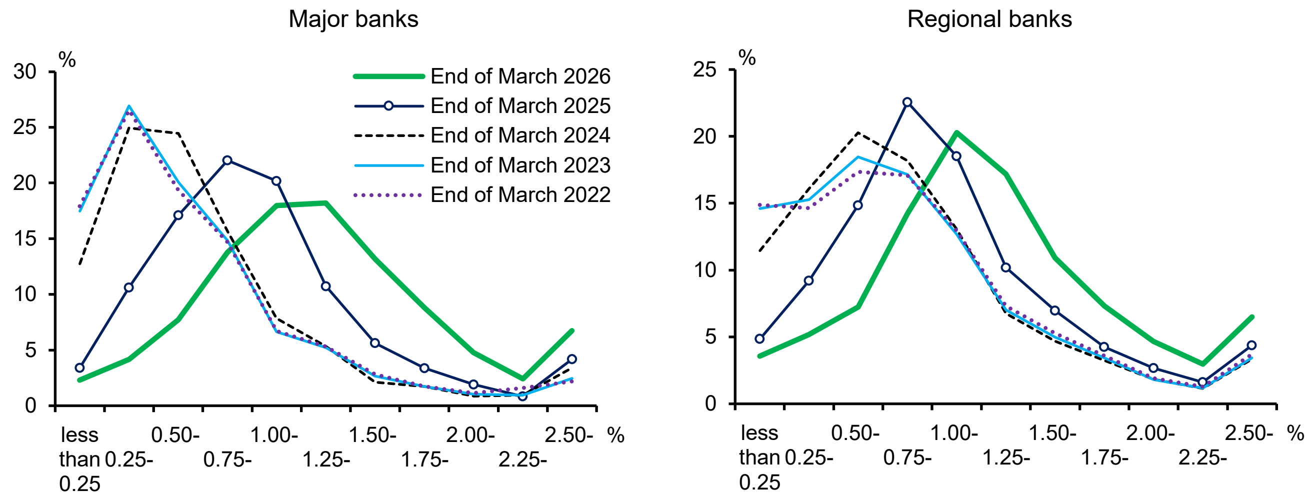
Looking at developments in loans outstanding by lending rate (yen loans outstanding in the domestic business sector) at both major banks and regional banks, recently, loans with lending rates of less than 1.0 percent have decreased while those with lending rates of 1.25 percent or above have increased.

II-A-3: Changes in loans outstanding by lending rate (from the end of March 2022 to the end of March 2026)



Note: The data are for yen loans outstanding in the domestic business sector (excluding loans to the financial sector) based on the amount outstanding at month-end.
Source: BOJ.

II-A-4: Changes in proportion of loans outstanding by lending rate (from the end of March 2022 to the end of March 2026)

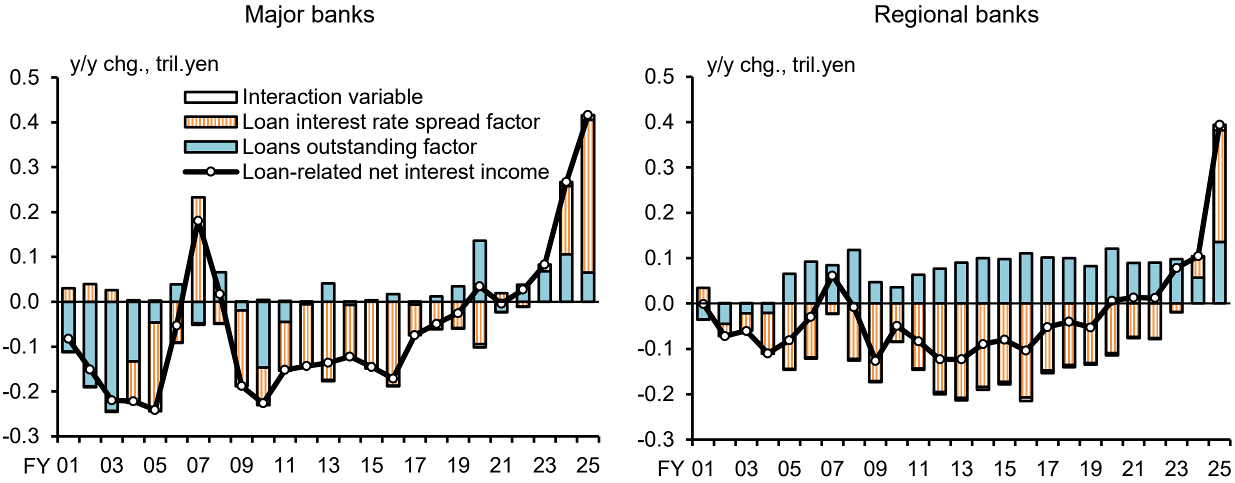


Note: The data are for yen loans outstanding in the domestic business sector (excluding loans to the financial sector) based on the amount outstanding at month-end.
Source: BOJ.

(3) Contributions of Loans Outstanding and Loan Interest Rate Spread to Changes in Loan-Related Net Interest Income

Looking at the <u>changes in net interest income from domestic lending activities</u> by loan interest rate spread and loans outstanding, at <u>major banks</u>, loan-related net interest income was boosted by a widening in interest rate spreads on loans, reflecting the rise in yen interest rates, and an increase in loans outstanding, mainly due to loan demand associated with merger and acquisition (M&A) deals. At <u>regional banks</u>, such income was boosted by a widening in interest rate spreads on loans and an increase in loans outstanding.

II-A-5: Changes in loan-related net interest income (domestic business sector)

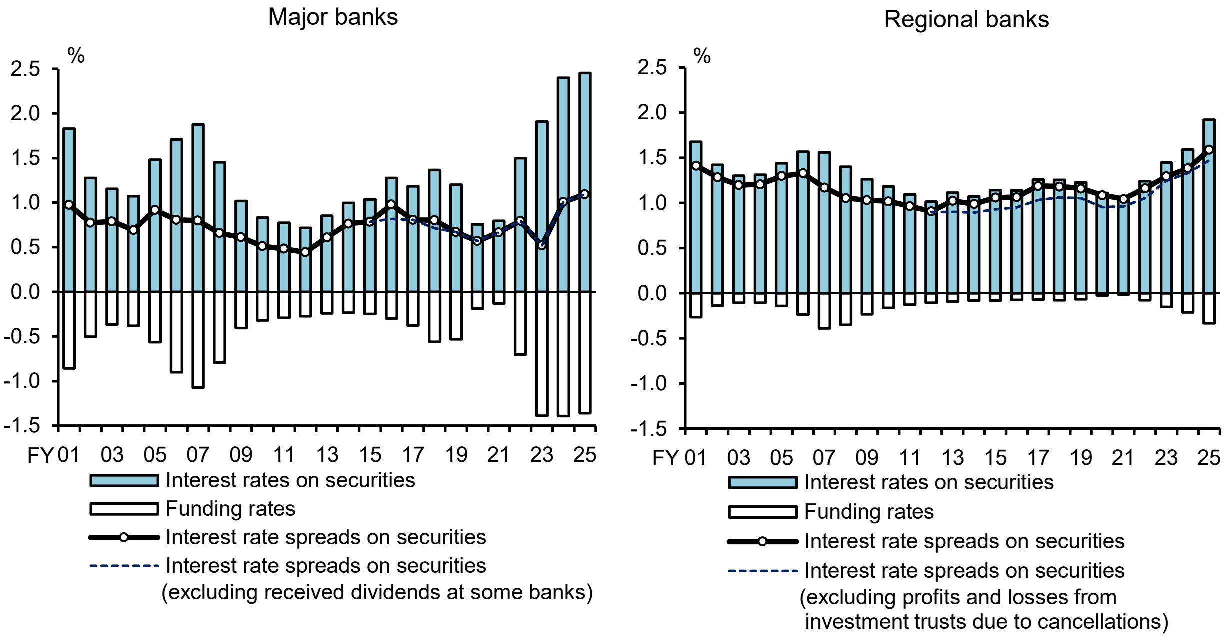


Note: Loan-related net interest income = (average amount of loans outstanding) * (interest rate spreads on loans).
Source: BOJ.

3. Interest Rate Spreads on Securities

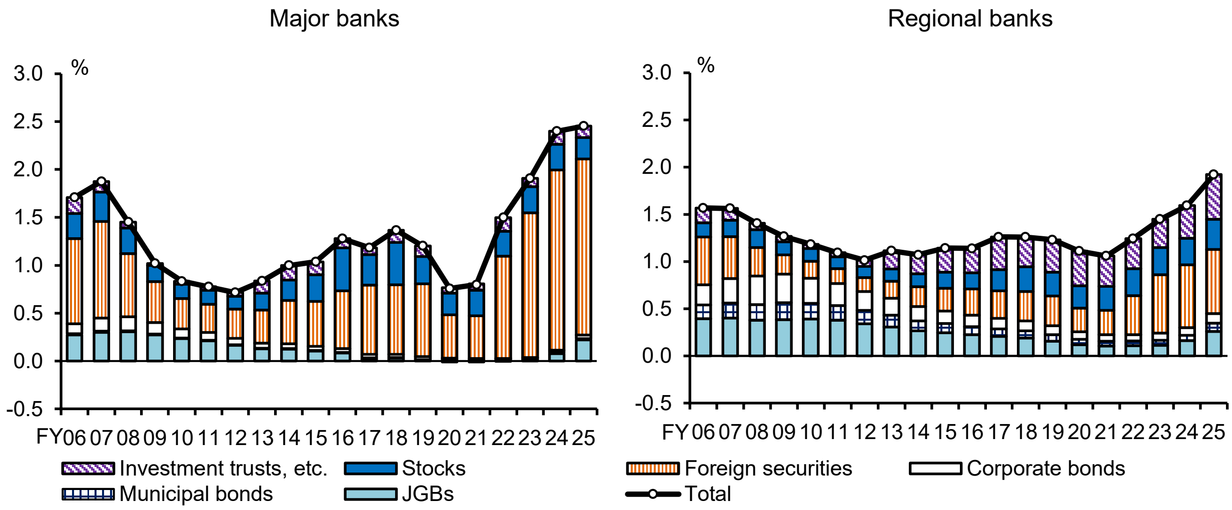
Interest rate spreads on securities widened at both major banks and regional banks, as interest rates on securities rose, mainly reflecting sales of low-yielding bonds with valuation losses and reinvestment in bonds.

II-A-6: Interest rate spreads on securities



Note: Interest rates on securities = interest and dividends on securities / average amount of securities outstanding.
Funding rates = (funding costs - interest expenses on interest rate swaps) / average amount of funding outstanding.
Source: BOJ.

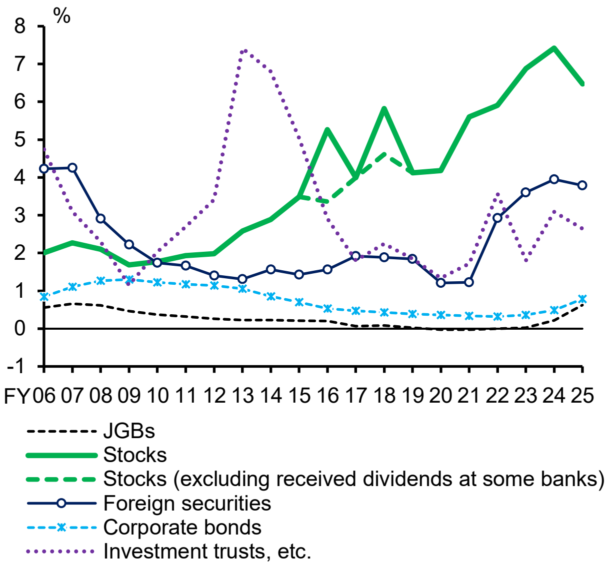
II-A-7: Decomposition of interest rate spreads on securities by product type

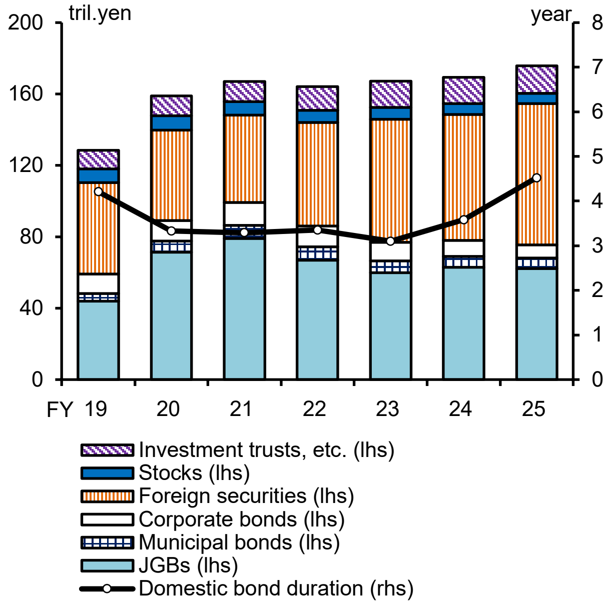


Note: For major banks, the rises in interest rate spreads on stocks in fiscal 2016 and 2018 reflect dividends received from subsidiaries at some banks.
Source: BOJ.

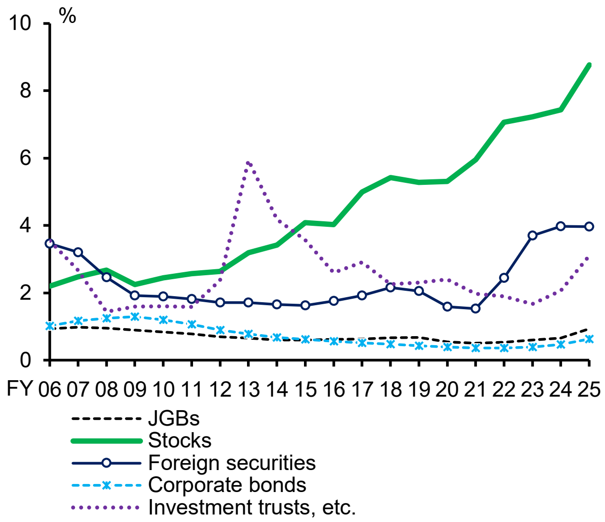
II-A-8: Interest rates on securities holdings and amounts outstanding by product type (at fiscal year-end)

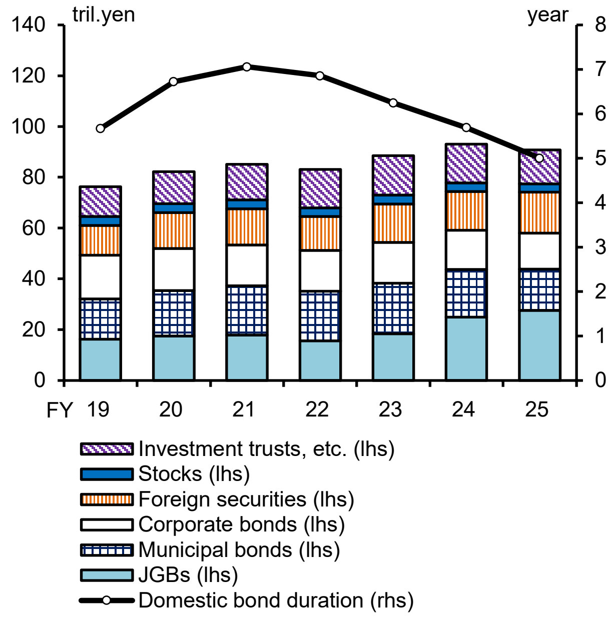
Major banks





Regional banks



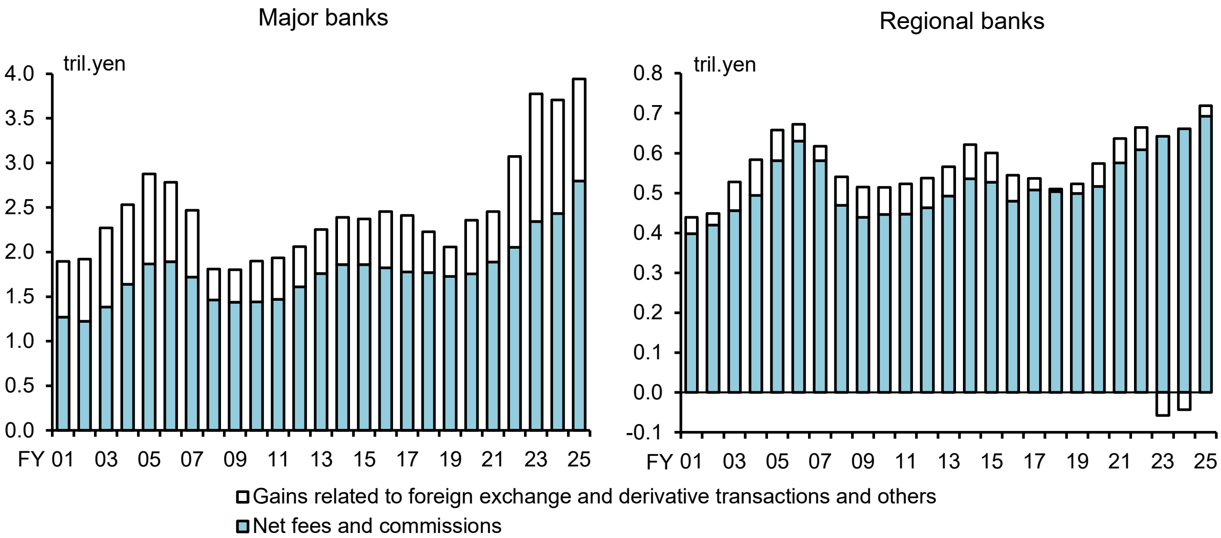


Source: BOJ.

4. Net Non-Interest Income

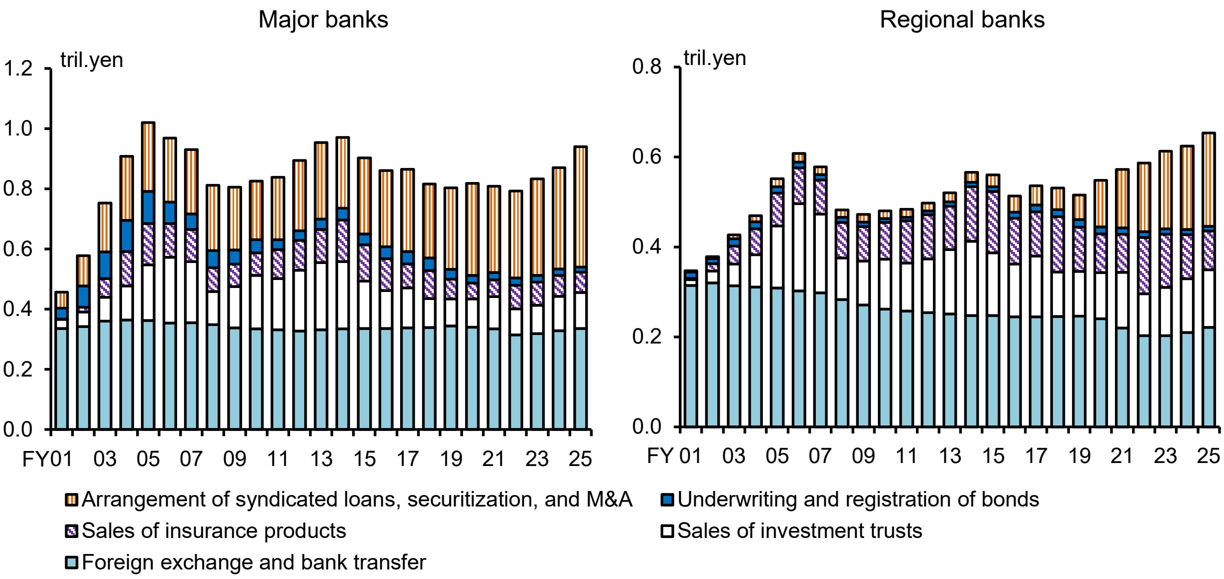
At major banks, net non-interest income increased by 6.3 percent from the previous year. Specifically, income from fees and commissions increased as deposits and loan handling fees accumulated both domestically and overseas. At regional banks, net non-interest income increased by 16.3 percent from the previous year. This was because, in addition to the increase in income from fees and commissions, gains related to foreign exchange and derivative transactions and others improved.

II-A-9: Net non-interest income



Source: BOJ.

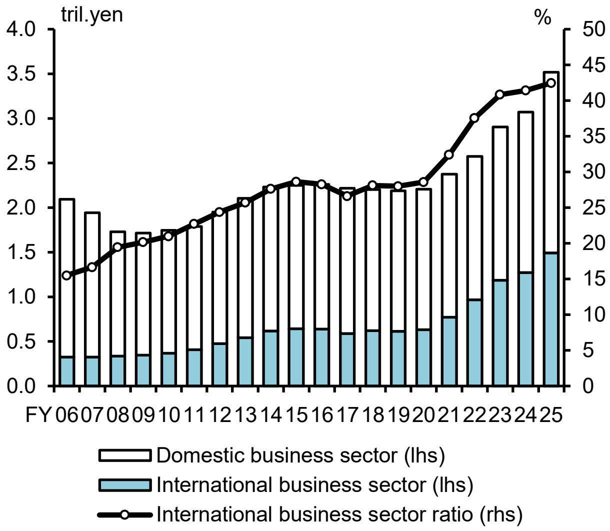
II-A-10: Income from fees and commissions (domestic business sector)



Note: Among items of income from fees and commissions, the 5 items listed above are counted. As for regional banks, "Arrangement of syndicated loans, securitization, and M&A" from fiscal 2020 onward includes income such as from structured finance and business succession.

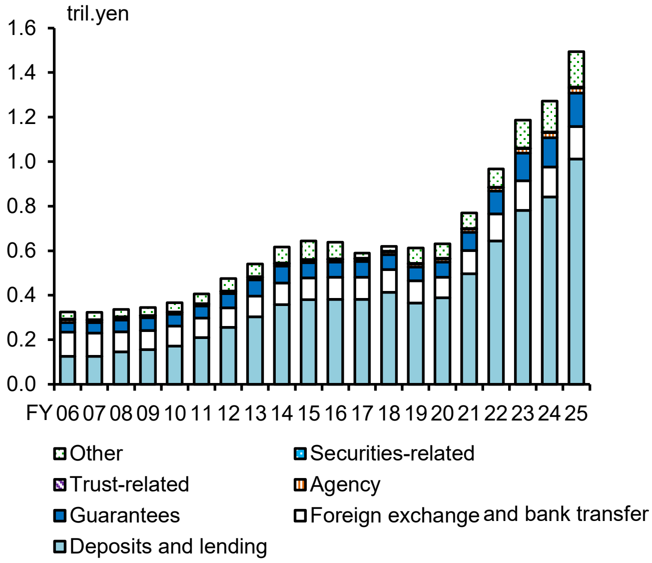
Source: BOJ.

II-A-11: Income from fees and commissions at major banks (breakdown according to domestic and international business sectors)



Source: BOJ.

II-A-12: Income from fees and commissions in the international business sector at major banks



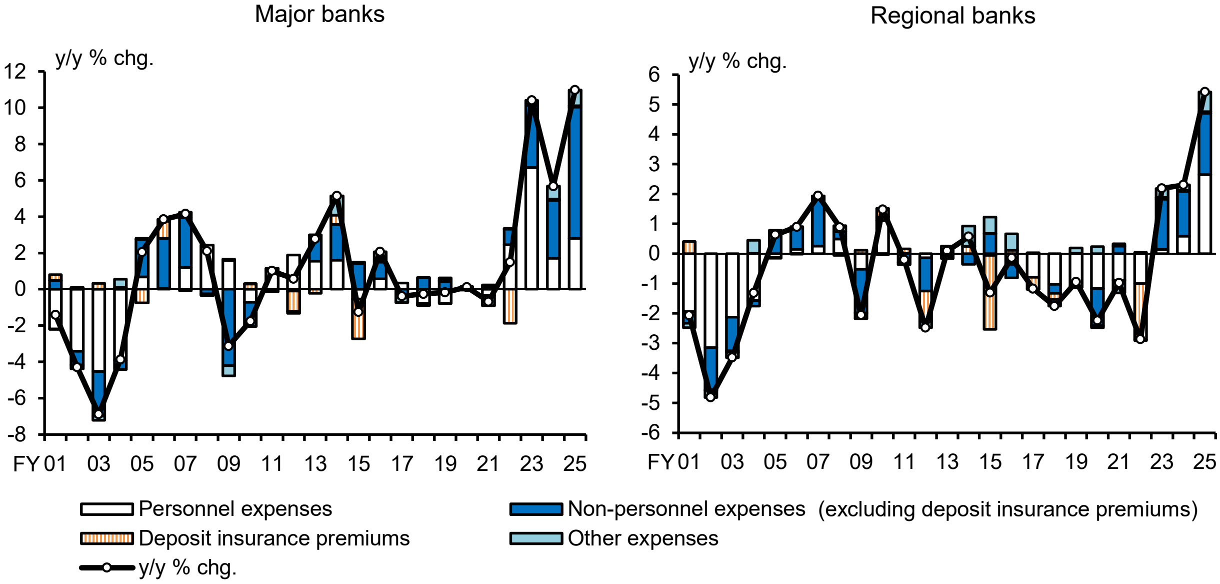
Note: The figures are categorized based on each bank's internal definition. Thus, there are variations on such categorization. "Deposits and lending" includes income from fees and commissions related to the arrangement of syndicated loans, commitment lines, securitization, and M&A transactions.

Source: BOJ.

5. General and Administrative Expenses

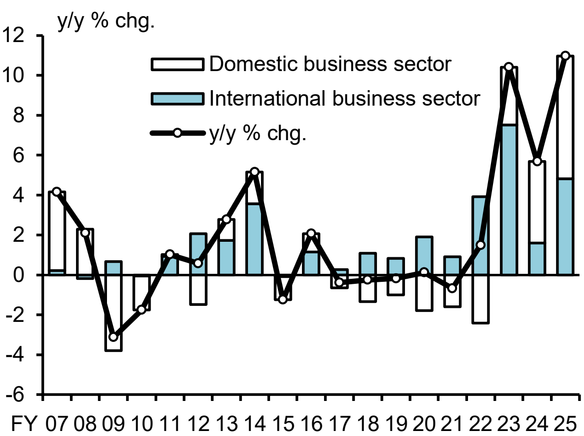
At major and regional banks, general and administrative expenses increased by 11.0 percent and 5.4 percent, respectively, from the previous year due to an increase in both non-personnel and personnel expenses. The adjusted overhead ratios (OHRs) (= overhead costs / gross operating profits from core business [hereinafter referred to as "core gross operating profits"], excluding profits and losses from investment trusts due to cancellations) declined both at major banks and regional banks due to an increase in core gross operating profits.

II-A-13: Decomposition of general and administrative expenses



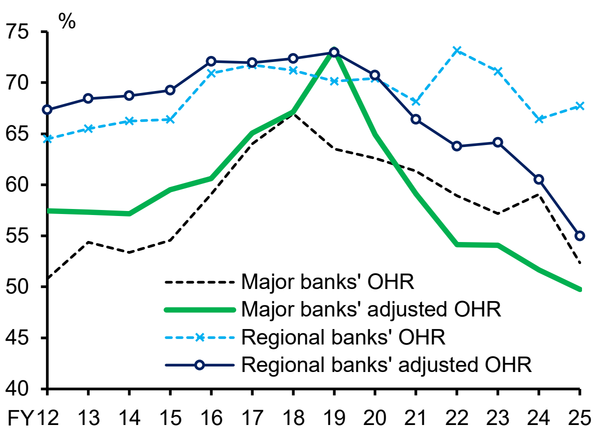
Source: BOJ.

II-A-14: Decomposition of general and administrative expenses according to domestic and international business sectors at major banks



Source: BOJ.

II-A-15: OHRs



Note: OHR = overhead costs / gross operating profits.
Adjusted OHR = overhead costs / core gross operating profits (excluding profits and losses from investment trusts due to cancellations).
Source: BOJ.

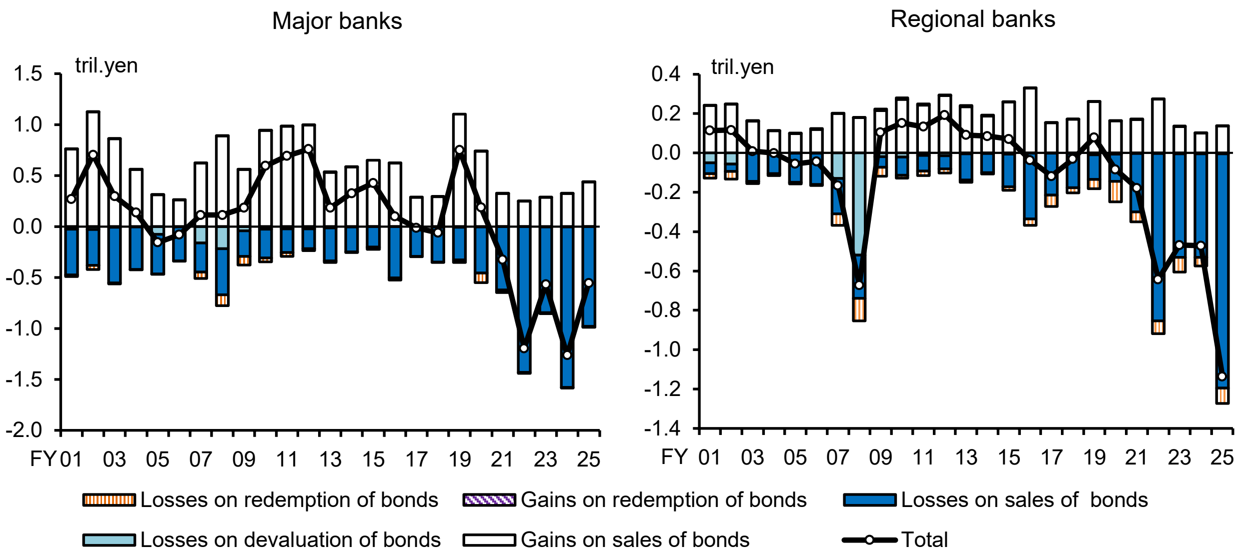
B. Realized and Valuation Gains/Losses on Securities Holdings

1. Realized Gains/Losses on Securities Holdings

With regard to realized gains/losses on bondholdings, realized losses decreased at major banks. Although losses on sales of bonds were recorded as some of the major banks offset their losses on bondholdings, the disposal of losses remained small in scale compared with a year earlier. Realized losses increased at regional banks due to an increase in losses on sales of domestic bonds.

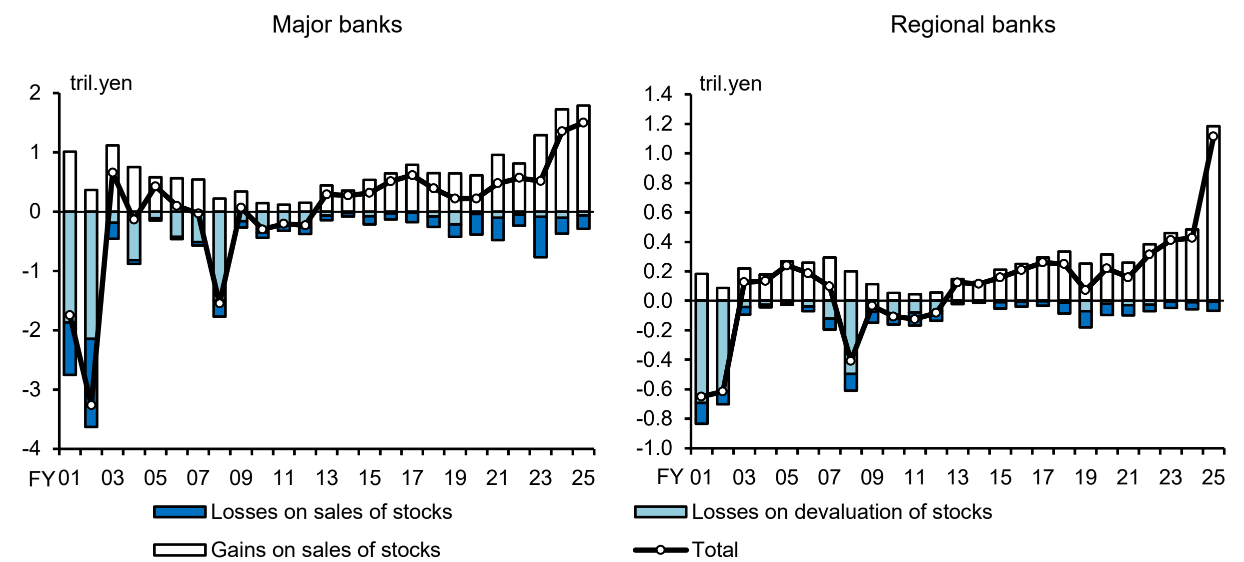
As for realized gains/losses on stockholdings, realized gains increased at major banks, mainly owing to progress in sales of strategic stockholdings. Such gains expanded at regional banks, partly due to stock sales to offset losses on domestic bond sales.

II-B-1: Realized gains/losses on bondholdings



Source: BOJ.

II-B-2: Realized gains/losses on stockholdings

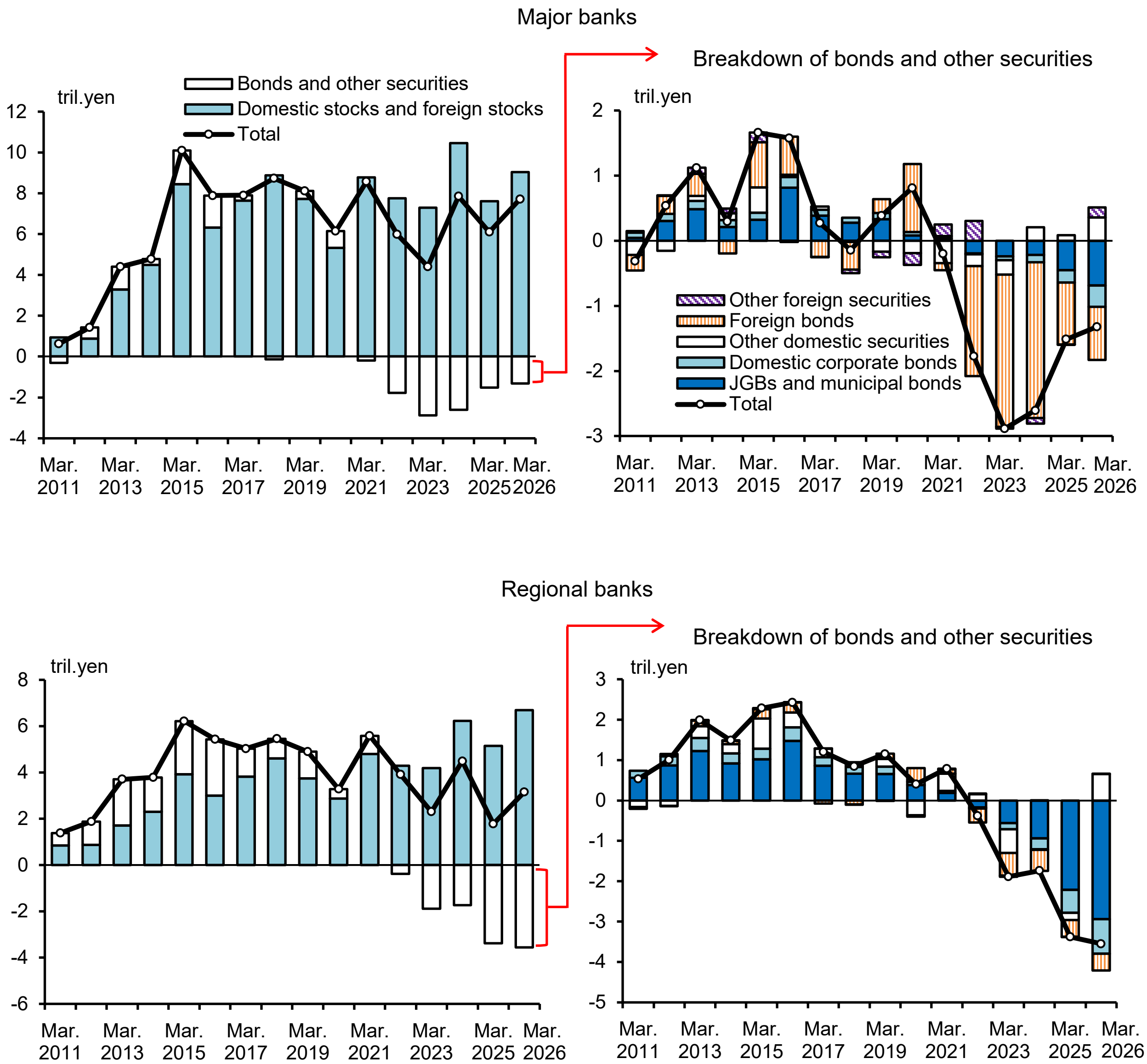


Source: BOJ.

2. Valuation Gains/Losses on Securities Holdings

Looking at valuation gains/losses on available-for-sale securities holdings as of the end of March 2026, gains increased at all types of banks compared with the end of March 2025, maintaining a high level. In terms of a breakdown, valuation gains on stockholdings, which accounted for the majority, increased at both major banks and regional banks, reflecting a rise in stock prices. Valuation losses on holdings of bonds and other securities decreased at major banks, mainly due to the offsetting of losses on foreign bondholdings, while they increased at regional banks, mainly due to an increase in valuation losses on domestic bonds, reflecting rising yen interest rates. Meanwhile, valuation gains on equity-based investment trusts included in other domestic securities improved for all types of banks, reflecting the rise in stock prices.

II-B-3: Valuation gains/losses on available-for-sale securities holdings



Notes: 1. The breakdown of bonds and other securities at both major and regional banks is shown on the right.
"Other domestic securities" and "Other foreign securities" include investment trusts and funds.
2. The data are as of month-end.
Source: BOJ.

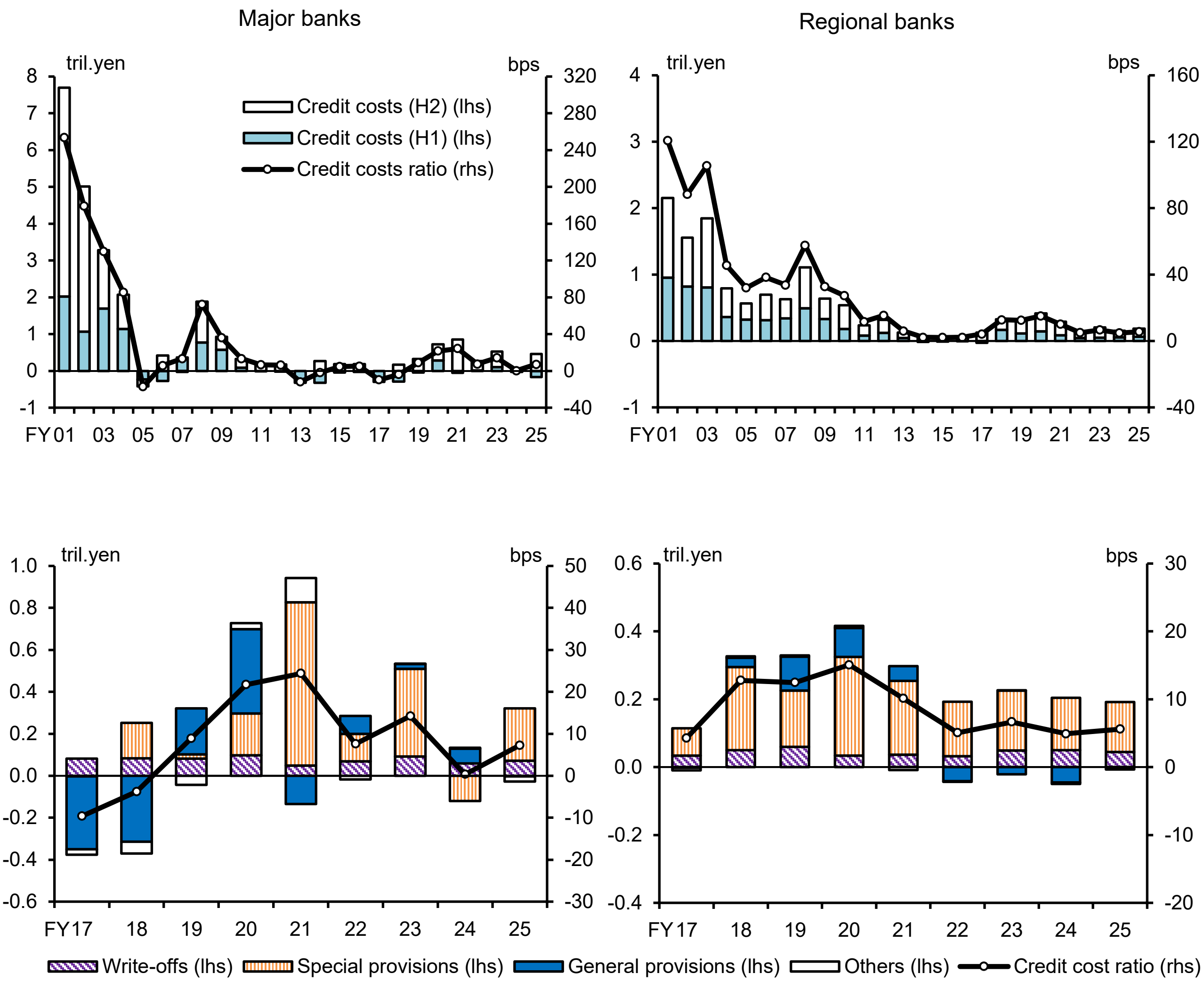
C. Credit Costs and Non-Performing Loans

1. Credit Costs

Credit costs remained at a low level. At major banks, credit costs increased to some extent due to provisions made for some large borrowers that were downgraded both domestically and overseas and to a rebound from the reversals of loan-loss provisions for large borrowers recorded in the previous fiscal year. Meanwhile, precautionary loan-loss provisions were recorded in response to the impact of the situation in the Middle East. At regional banks as well, credit costs increased to some extent.

The credit cost ratio (= credit costs / total loans outstanding) was 7 basis points (an increase of 7 basis points from the previous year) at major banks and 6 basis points (an increase of 1 basis point from the previous year) at regional banks.

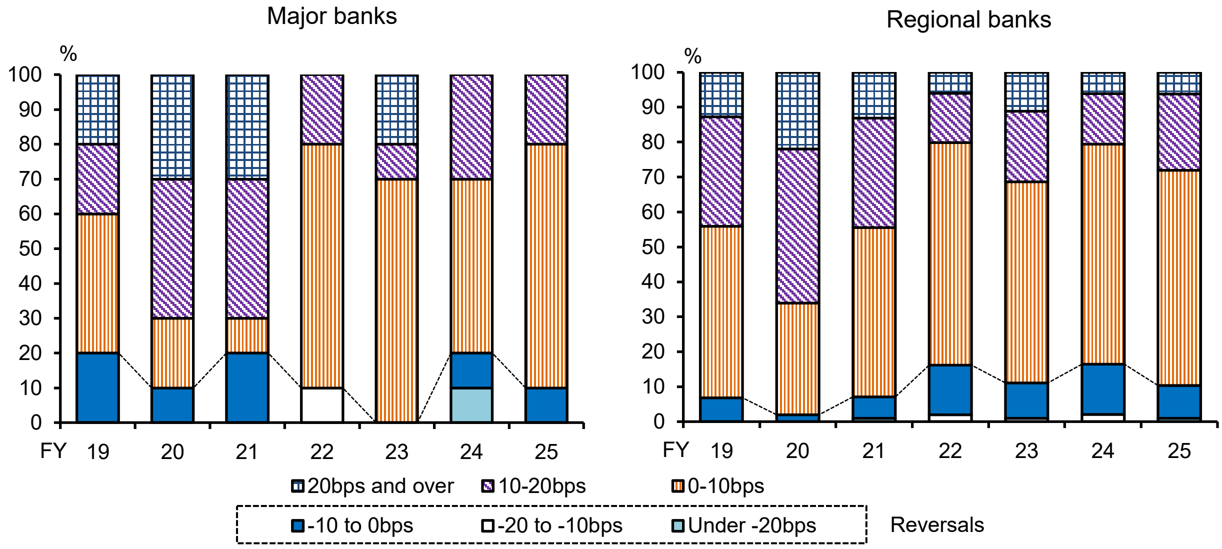
II-C-1: Credit costs and credit cost ratios



Note: The lower charts show the breakdown of credit costs at major banks and regional banks, respectively.
Source: BOJ.

The distribution of credit cost ratios among banks shows that, at major banks, the overall share of banks incurring credit costs increased, although the share of those with credit costs of 10 basis points or greater decreased. At regional banks, the share of those with credit costs of 10 basis points or greater increased and the overall share of banks incurring credit costs also increased.

II-C-2: Credit cost ratio distribution



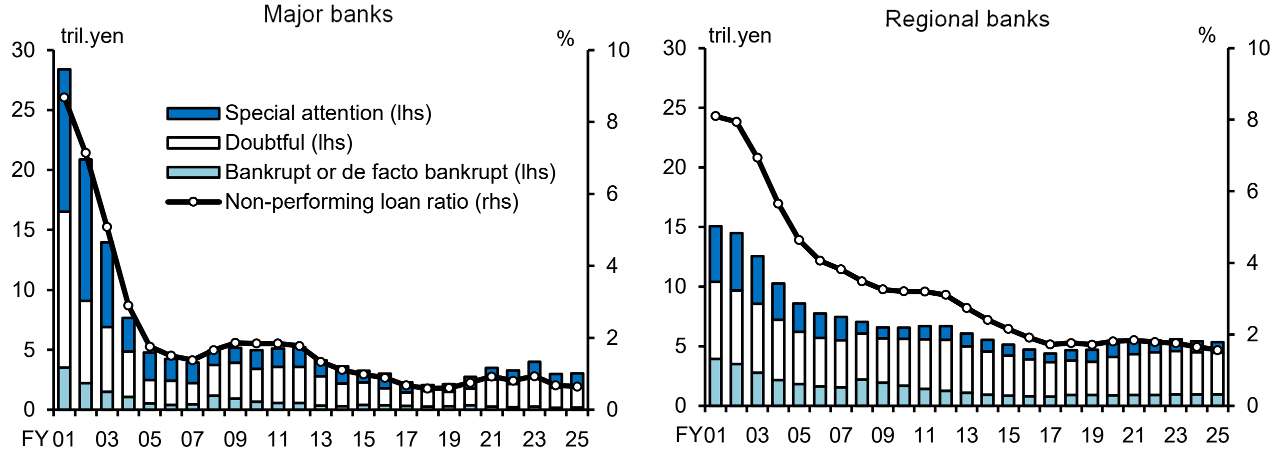
Note: Proportion of the number of banks by credit cost ratio.
Source: BOJ.

2. Non-Performing Loans

Non-performing loan (NPL) ratios were generally flat at both major banks and regional banks, remaining at low levels. The NPL ratios for foreign loans increased at the three major banks, mainly due to the downgrading of some large borrowers in Latin America and other regions.

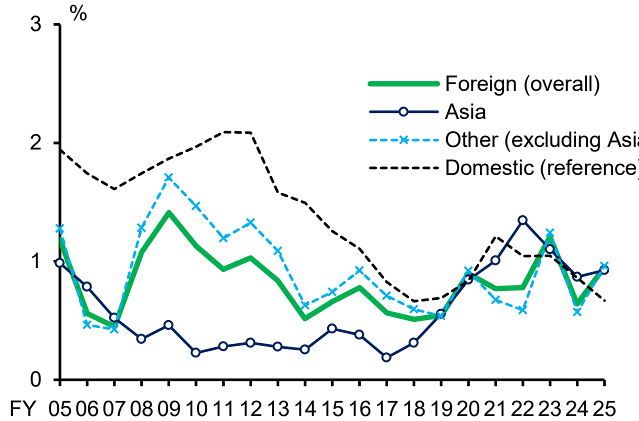
Looking at the proportion of loans outstanding by borrower classification, the ratio of "normal" loans remained high, exceeding 95 percent at major banks and standing at 90 percent at regional banks.

II-C-3: Non-performing loans outstanding and non-performing loan ratios



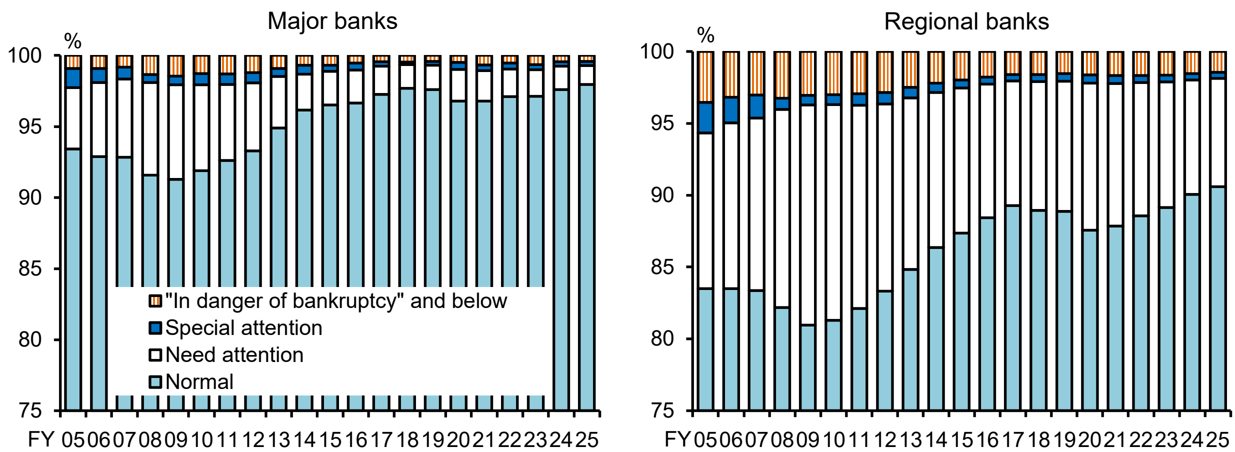
Source: BOJ.

II-C-4: Non-performing foreign loan ratios (three major banks)



Source: Published accounts of each bank.

II-C-5: Proportion of loans outstanding by borrower classification



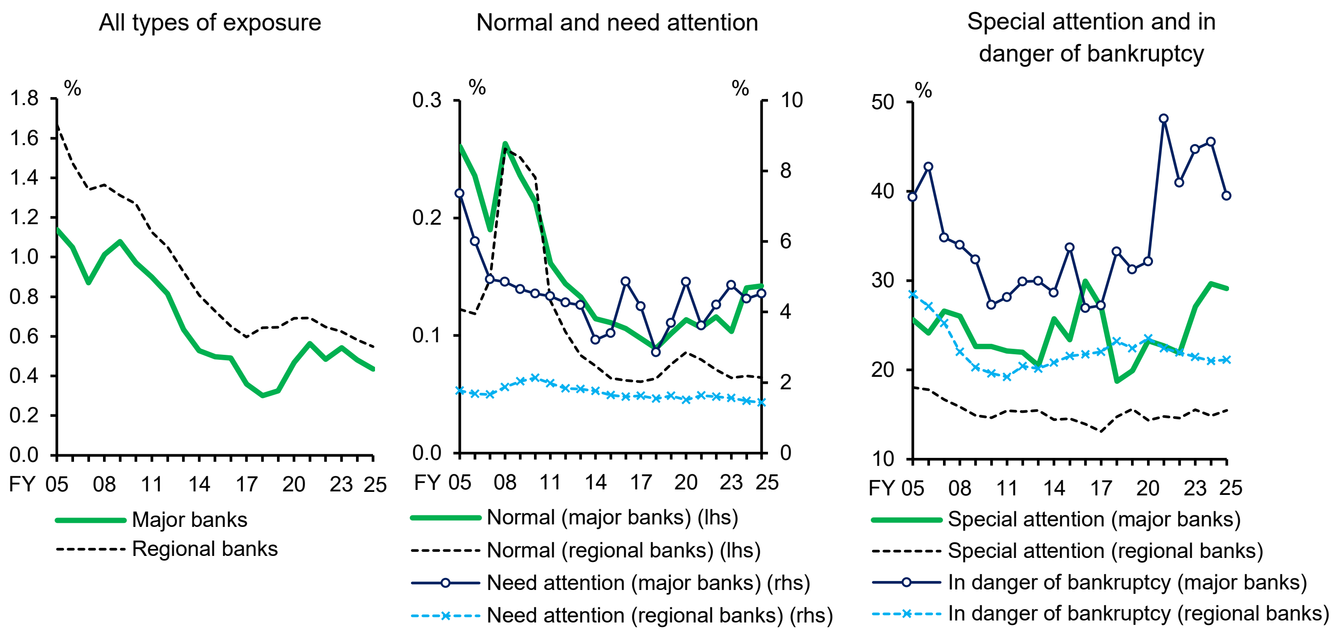
Notes: 1. The data are calculated on a write-off basis.
2. "Need attention" indicates "Need attention excluding special attention."
Source: BOJ.

3. Loan-Loss Provisions

(1) Loan-Loss Provision Ratios

At major banks, the average loan-loss provision ratio for all types of exposure decreased to some extent from the previous year, as the loan-loss provision ratio for "in danger of bankruptcy" loans declined. At regional banks, the average loan-loss provision ratio for all types of exposure decreased to some extent.

II-C-6: Loan-loss provision ratios



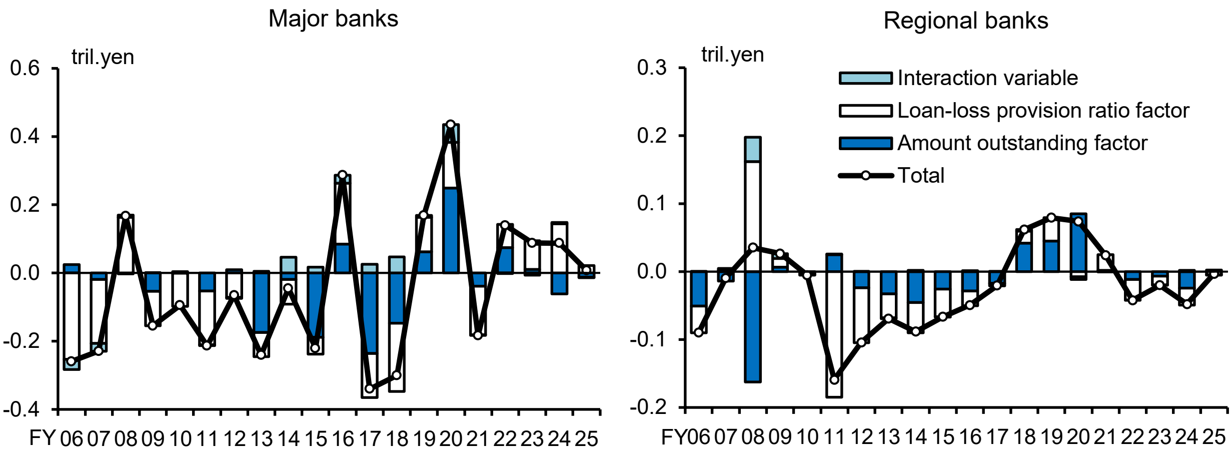
Notes: 1. The data include loans to which the discounted cash flow method is applied.
2. The loan-loss provision ratio is calculated as loan-loss provisions divided by the total amount of claims (not the uncovered amount of claims).
3. "Need attention" indicates "Need attention excluding special attention."

Source: BOJ.

(2) Outstanding Amount of Loan-Loss Provisions

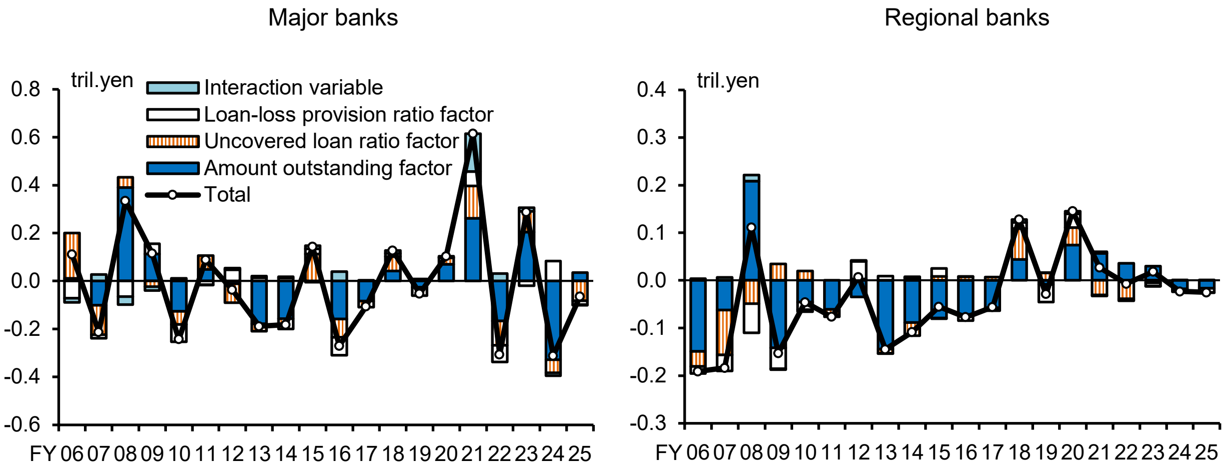
Looking at the outstanding amount of loan-loss provisions at major banks, while general provisions were generally flat, special provisions decreased, reflecting a decline in the uncovered loan ratio. At regional banks, both general provisions and special provisions were generally flat.

II-C-7: Factors of change in general loan-loss provisions



Note: Each factor represents the sum of the amount calculated by borrower classification.
Source: BOJ.

II-C-8: Factors of change in special loan-loss provisions



Note: Each factor represents the sum of the amount calculated by borrower classification.
Source: BOJ.

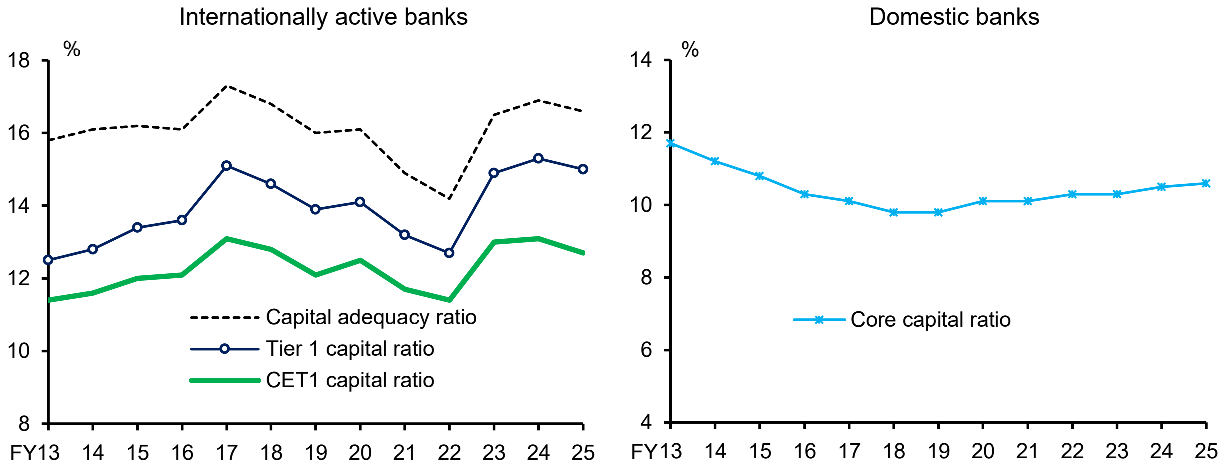
D. Capital Adequacy Ratios, Dividends, and Share Repurchases

1. Capital Adequacy Ratios

Both the common equity Tier 1 capital ratio (CET1 capital ratio) and the capital adequacy ratio of internationally active banks on a consolidated bank basis declined. This was because risk-weighted assets increased, mainly due to an increase in lending, in addition to the effects of equity investment by some banks.

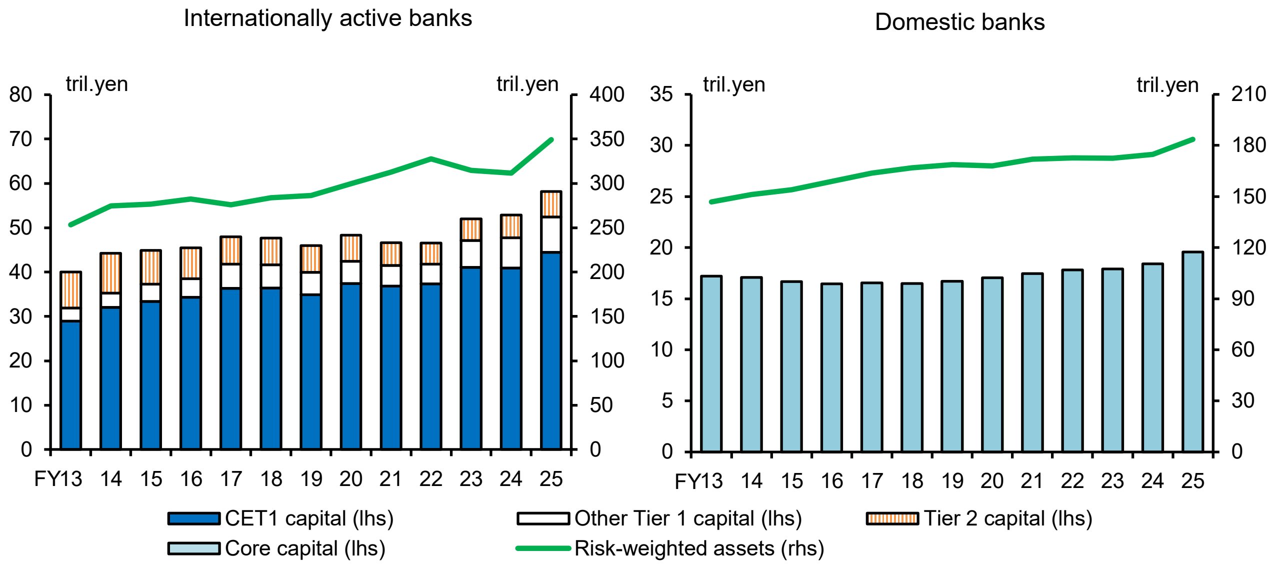
The capital adequacy ratio of domestic banks rose due to an increase in capital.

II-D-1: Capital adequacy ratios



Source: BOJ.

II-D-2: Capital components and risk-weighted assets

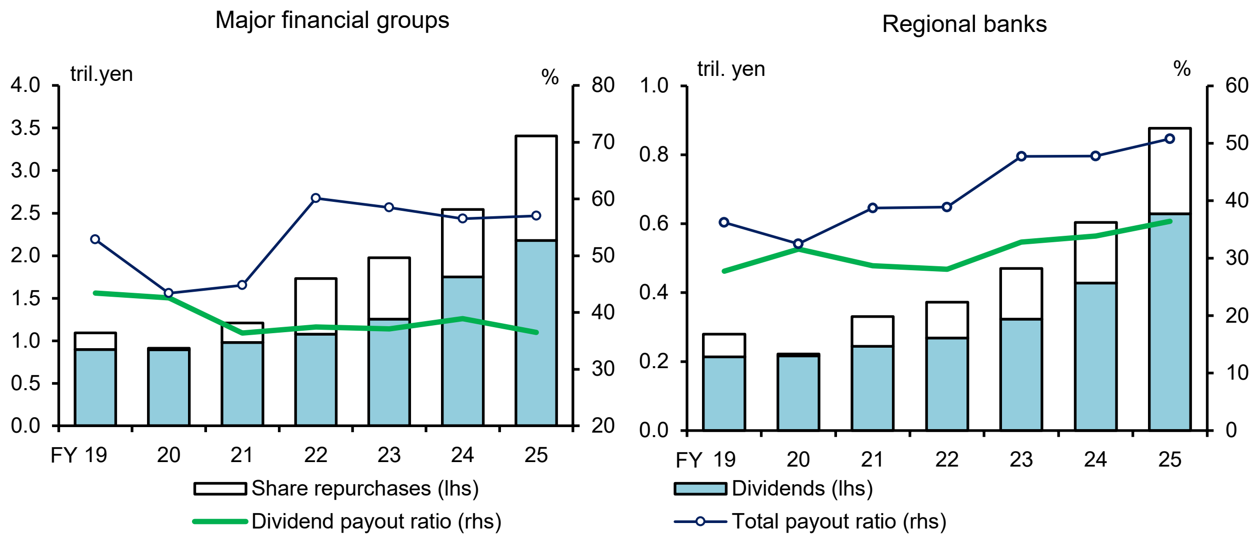


Note: The numerator of the capital adequacy ratio at domestic banks has been referred to as "Core capital" in order to distinguish the definition of "capital" in the current Financial Services Agency public notice from that in the former public notice (the same applies to Charts III-D-1 and III-D-2).
Source: BOJ.

2. Dividends and Share Repurchases

Looking at payouts to shareholders by major banks and regional banks, the amount of both dividends and share repurchases increased.

II-D-3: Banks' payouts to shareholders



Notes: 1. The figures are on a financial group basis (those for some regional banks are on a consolidated bank basis).
2. Regional banks' share repurchases exclude preferred equities.
Source: Published accounts of each financial group and bank.

Box: Banks' profit projections for fiscal 2026

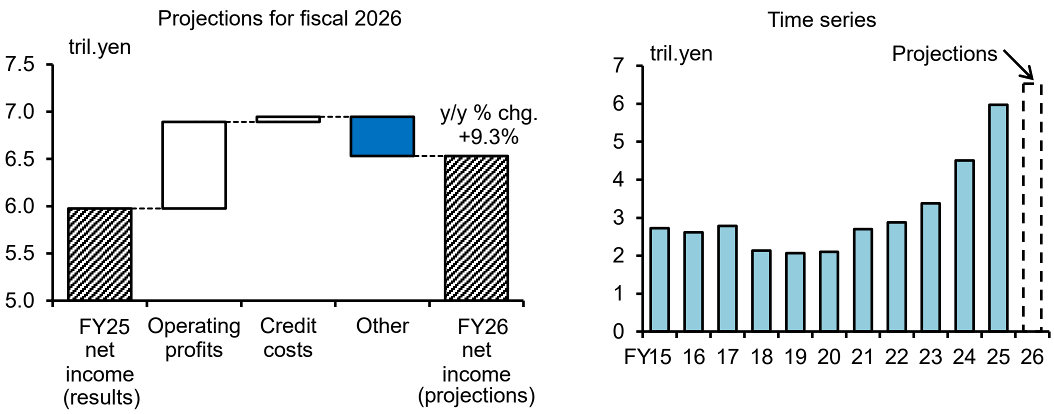
Net income for fiscal 2026 is projected to increase at both major financial groups and regional banks (on a non-consolidated basis).

Looking at factors behind changes in the net income of major financial groups from the previous year, operating profits are projected to increase, mainly as a result of an expansion in loan and deposit income due to the rise in yen interest rates and the dissipation of the disposal of losses on bondholdings carried out in the previous fiscal year. Meanwhile, credit costs are expected to remain at the same level as the previous fiscal year. Regarding the impact of the situation in the Middle East, many banks identify losses that exceed the precautionary provisions set aside in the previous fiscal year as downside risks, and the incorporation of additional losses into profit projections remains limited. In light of such factors, the net income of major financial groups is projected to increase by about 9.3 percent from fiscal 2025.

At regional banks as a whole, net income is projected to increase by about 10 percent from fiscal 2025, as net interest income is expected to increase, reflecting an improvement in lending-deposit interest margins and an uptrend in loans outstanding.

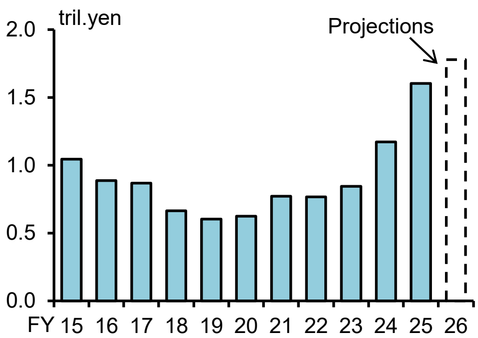
However, attention should be paid to the impact on profits from developments in economic activity and prices at home and abroad, including the aforementioned geopolitical risks, as well as from developments in financial and foreign exchange markets.

B-1: Net income of major financial groups



Note: For financial groups that have not published their projections for fiscal 2026, the missing figures are complemented by using available figures, such as actual figures for the most recent fiscal year.
Sources: Published accounts of each major financial group; BOJ.

B-2: Net income of regional banks



Note: On a non-consolidated basis. Covers only banks that have announced their net income projections for fiscal 2026.
Sources: Published accounts of each bank; BOJ.

III. Financial Results of Japan's *Shinkin* Banks for Fiscal 2025

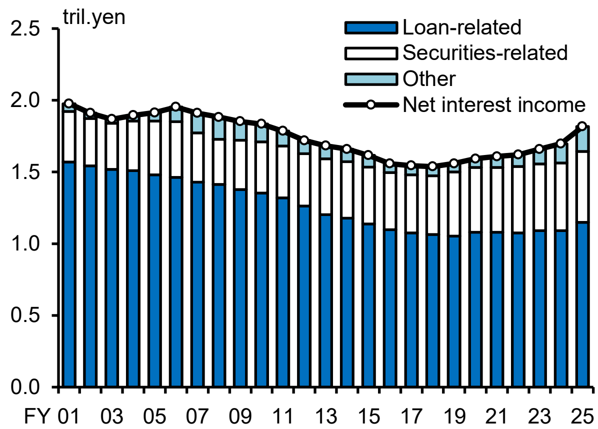
This chapter outlines *shinkin* banks' core profitability (net interest income, net non-interest income, and general and administrative expenses), realized and valuation gains/losses on securities holdings, credit costs and non-performing loans, as well as capital adequacy ratios.

A. Core Profitability

1. Net Interest Income

Net interest income increased by 7.0 percent from the previous year. Loan-related and securities-related income increased due to a rise in domestic interest rates.

III-A-1: Net interest income



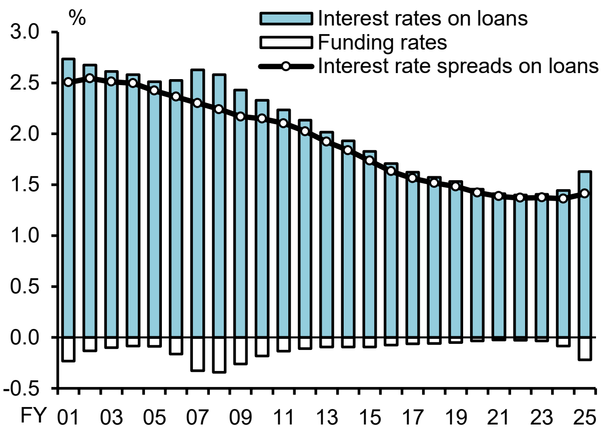
Notes: 1. "Other" includes interest income on deposits at the Shinkin Central Bank and at the Bank of Japan.
2. Loan-related = (average loans outstanding) * (interest rate spreads on loans).
Securities-related = (average securities holdings outstanding) * (interest rate spreads on securities).
Source: BOJ.

2. Interest Rate Spreads on Loans and Loans Outstanding

(1) Interest Rate Spreads on Loans

Interest rate spreads on loans expanded to some extent, as the increase in interest rates on loans due to the rise in yen interest rates exceeded the increase in funding rates. The distribution of interest rate spreads for *shinkin* banks shifted upward to some extent.

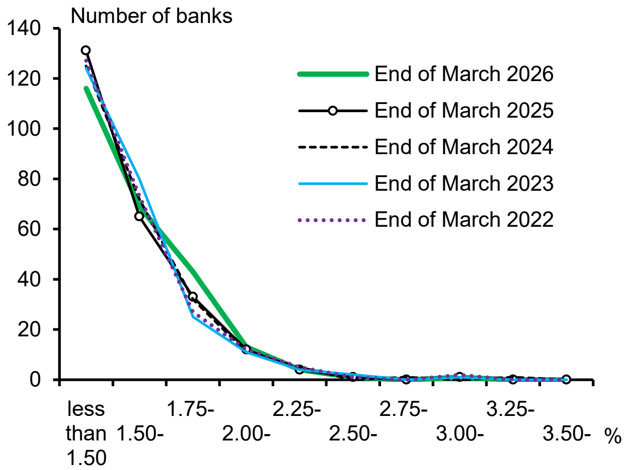
III-A-2: Interest rate spreads on loans



Note: Interest rates on loans = (interest income on loans + commissions on bills discounted) / average amount of loans outstanding. Funding rates = (funding costs - interest expenses on interest rate swaps) / average amount of funding outstanding. The same applies to Chart III-A-3.

Source: BOJ.

III-A-3: Distribution of interest rate spreads on loans

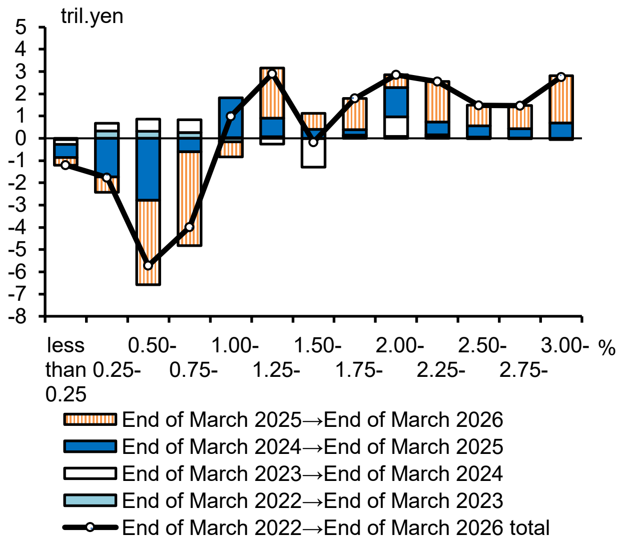


Source: BOJ.

(2) Loans Outstanding by Lending Rate

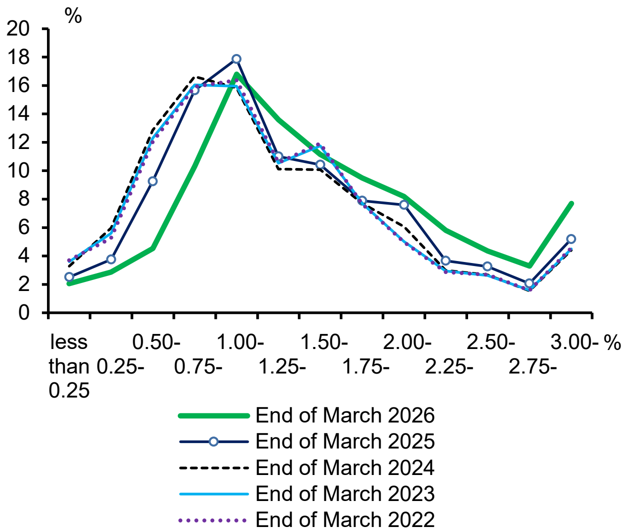
Looking at developments in loans outstanding by lending rate, recently, the outstanding amount of loans with lending rates of less than 1.25 percent has decreased, while that of loans with lending rates of 1.25 percent or above has increased.

III-A-4: Changes in loans outstanding by lending rate (from the end of March 2022 to the end of March 2026)



Source: BOJ.

III-A-5: Changes in proportion of loans outstanding by lending rate (from the end of March 2022 to the end of March 2026)

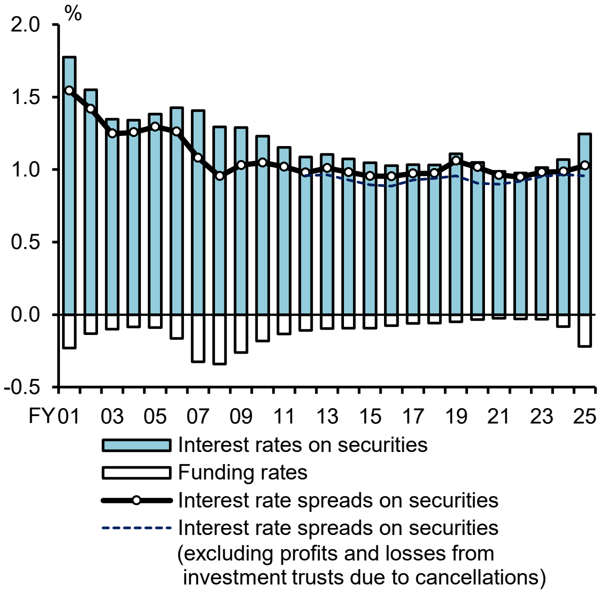


Source: BOJ.

3. Interest Rate Spreads on Securities

Interest rate spreads on securities widened to some extent, as interest rates on securities rose, mainly reflecting sales of low-yielding domestic bonds with valuation losses and reinvestment in domestic bonds. The outstanding amount of securities was more or less unchanged.

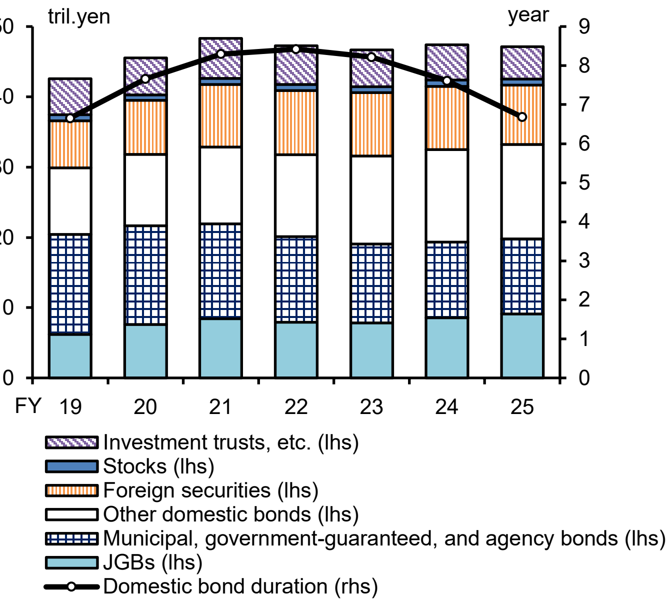
III-A-6: Interest rate spreads on securities



Note: Interest rates on securities = interest and dividends on securities / average amount of securities outstanding. Funding rates = (funding costs - interest expenses on interest rate swaps) / average amount of funding outstanding.

Source: BOJ.

III-A-7: Outstanding amounts of securities by product type (at fiscal year-end)

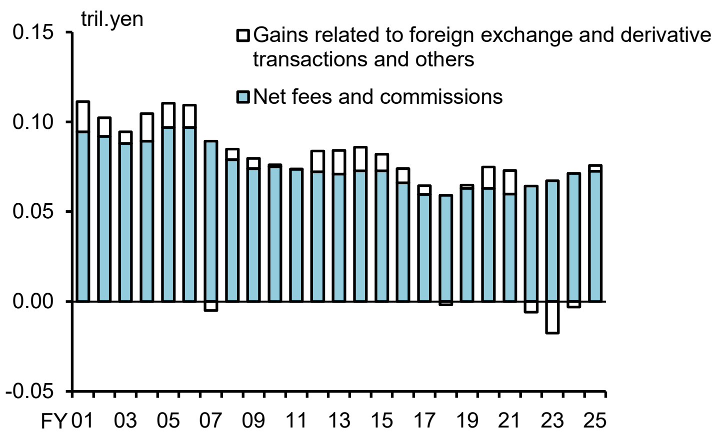


Source: BOJ.

4. Net Non-Interest Income

Net non-interest income increased by 10.7 percent from the previous year, as income from fees and commissions increased, mainly reflecting growing sales of assets under custody, and gains related to foreign exchange and derivative transactions and others improved.

III-A-8: Net non-interest income

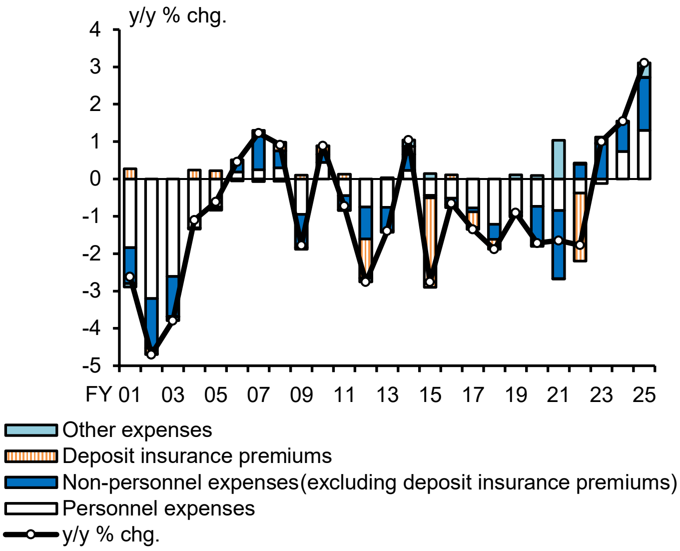


Source: BOJ.

5. General and Administrative Expenses

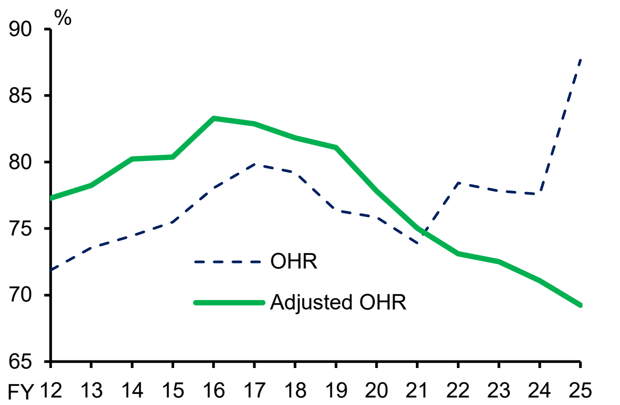
General and administrative expenses increased by 3.1 percent from the previous year due to an increase in both personnel and non-personnel expenses. The adjusted OHR (= overhead costs / core gross operating profits, excluding profits and losses from investment trusts due to cancellations) decreased as core gross operating profits increased.

III-A-9: Decomposition of general and administrative expenses



Source: BOJ.

III-A-10: OHRs



Note: OHR = overhead costs / gross operating profits. Adjusted OHR = overhead costs / core gross operating profits (excluding profits and losses from investment trusts due to cancellations).

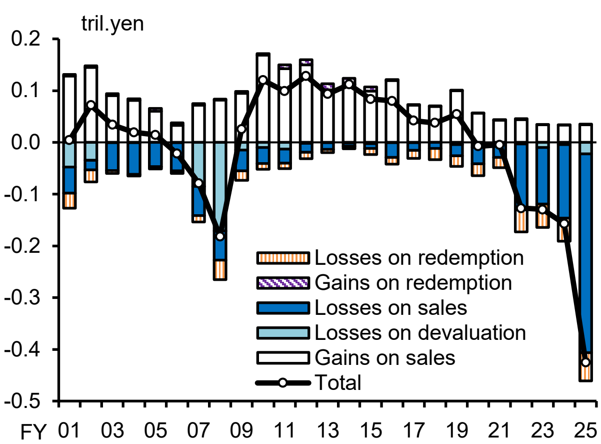
Source: BOJ.

B. Realized and Valuation Gains/Losses on Securities Holdings

1. Realized Gains/Losses on Securities Holdings

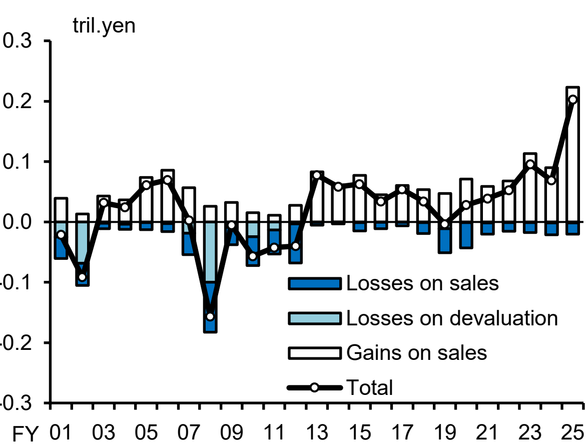
Realized losses on bondholdings increased due to an increase in losses on sales of domestic bonds. Meanwhile, realized gains on stockholdings increased due to stock sales to offset losses on domestic bond sales.

III-B-1: Realized gains/losses on bondholdings



Source: BOJ.

III-B-2: Realized gains/losses on stockholdings

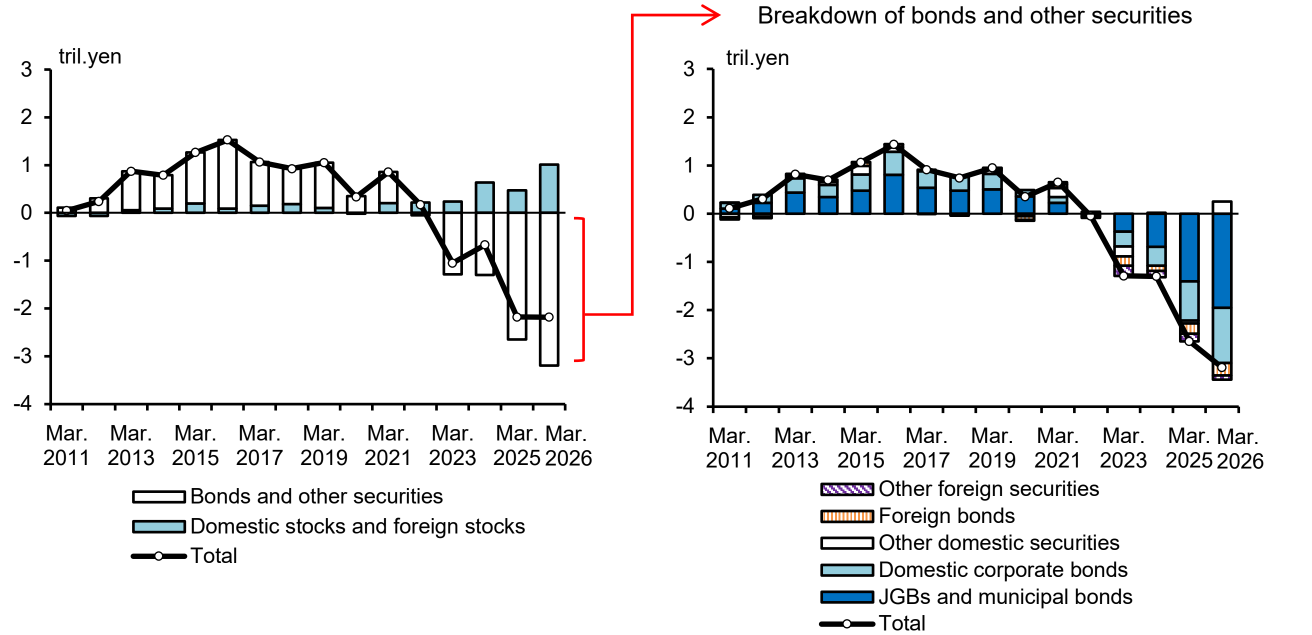


Source: BOJ.

2. Valuation Gains/Losses on Securities Holdings

Valuation gains/losses on available-for-sale securities holdings as of the end of March 2026 were more or less unchanged. This was because, while valuation losses on bonds and other securities increased -- particularly those on domestic bonds -- reflecting rising yen interest rates, valuation gains on stocks increased.

III-B-3: Valuation gains/losses on available-for-sale securities holdings



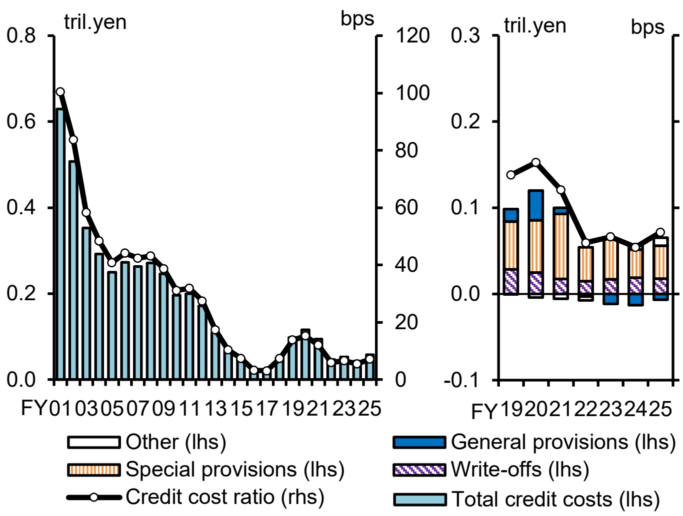
Notes: 1. "Other domestic securities" and "Other foreign securities" include investment trusts and funds.
2. The data are as of month-end.
Source: BOJ.

C. Credit Costs and Non-Performing Loans

1. Credit Costs

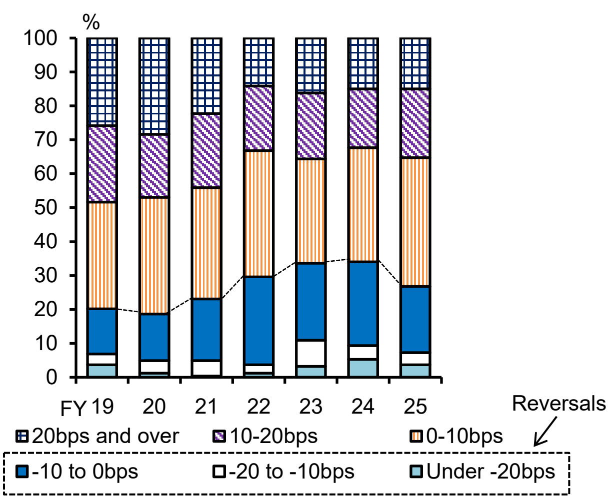
Credit costs remained at a low level. The credit cost ratio was 7 basis points (a decrease of 2 basis points from the previous year).

III-C-1: Credit costs and credit cost ratio



Source: BOJ.

III-C-2: Distribution of credit cost ratios

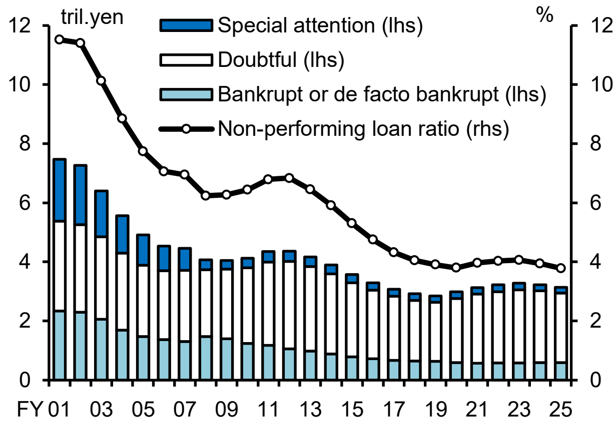


Note: Proportion of number of banks by credit cost ratio.
Source: BOJ.

2. Non-Performing Loans

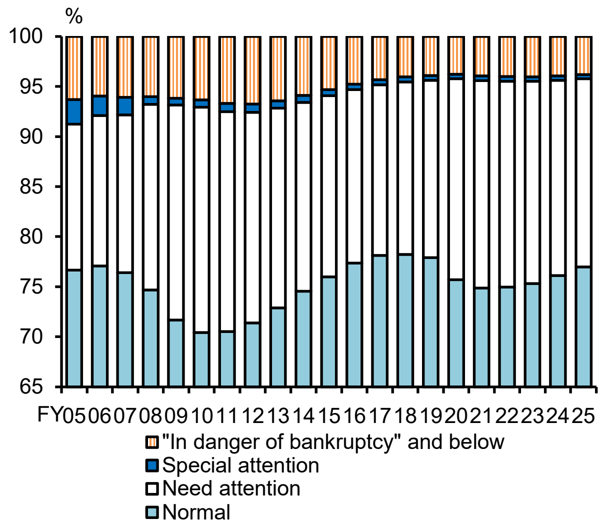
The NPL ratio remained at a low level. While the proportion of "need attention excluding special attention" loans outstanding declined to some extent, the proportion of "normal" loans outstanding increased slightly.

III-C-3: Non-performing loans outstanding and non-performing loan ratio



Source: BOJ.

III-C-4: Proportion of loans outstanding by borrower classification



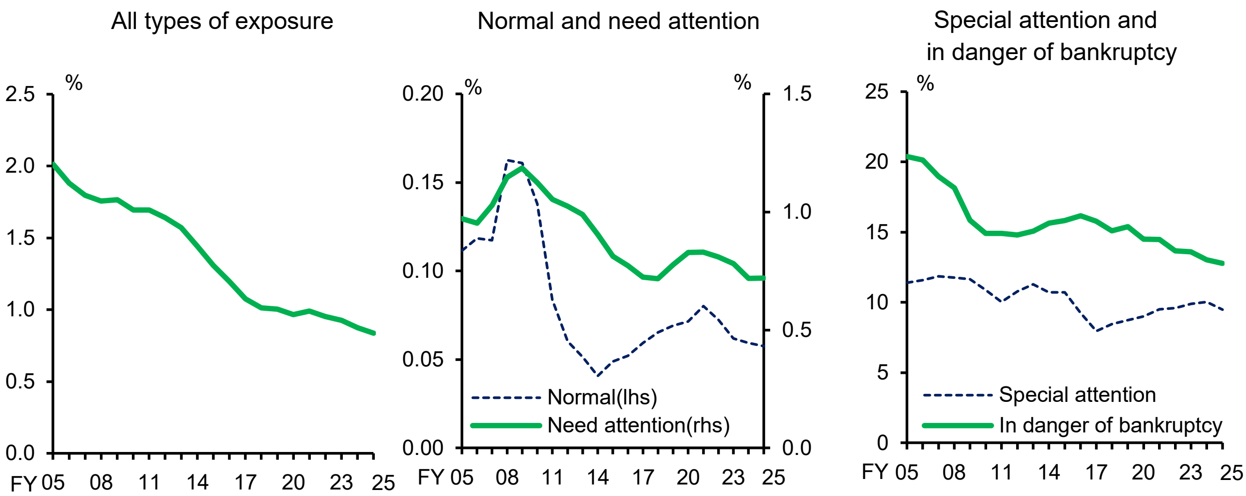
Notes: 1. The data are calculated on a write-off basis.
2. "Need attention" indicates "Need attention excluding special attention."
Source: BOJ.

3. Loan-Loss Provisions

(1) Loan-Loss Provision Ratios

The average loan-loss provision ratios for all types of exposure declined to some extent.

III-C-5: Loan-loss provision ratios

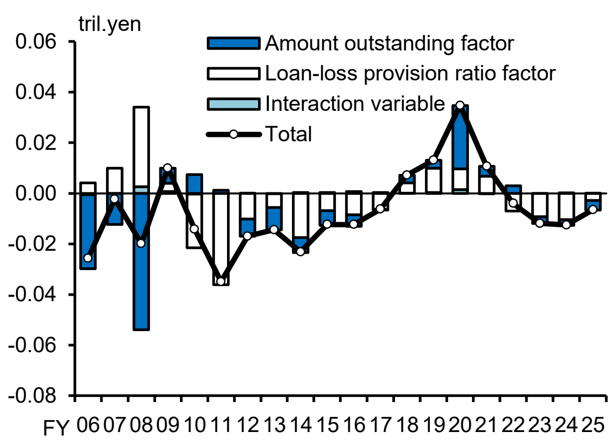


Notes: 1. The data include loans to which the discounted cash flow method is applied.
2. The loan-loss provision ratio is calculated by dividing loan-loss provisions by the total amount of claims (not the uncovered amount of claims).
3. "Need attention" indicates "Need attention excluding special attention."
Source: BOJ.

(2) Outstanding Amount of Loan-Loss Provisions

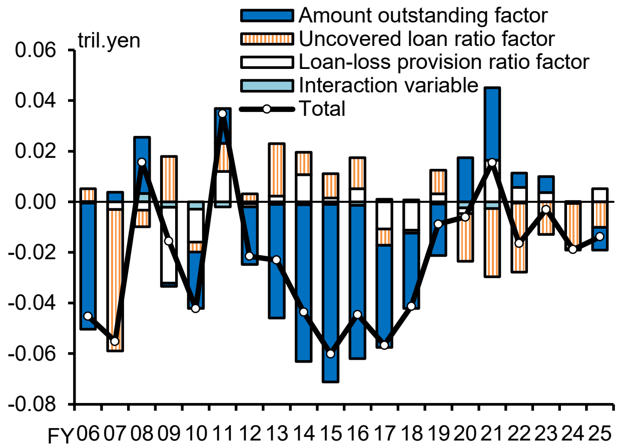
As for the outstanding amount of loan-loss provisions, general provisions decreased due to a decline in the outstanding amount of "need attention" loans. Meanwhile, special provisions decreased, reflecting the rise in the coverage ratio (i.e., negative contribution of "uncovered loan ratio factor") and the decline in the outstanding amount of loans.

III-C-6: Factors of change in general loan-loss provisions



Note: Each factor represents the sum of the amount calculated by borrower classification.
Source: BOJ.

III-C-7: Factors of change in special loan-loss provisions

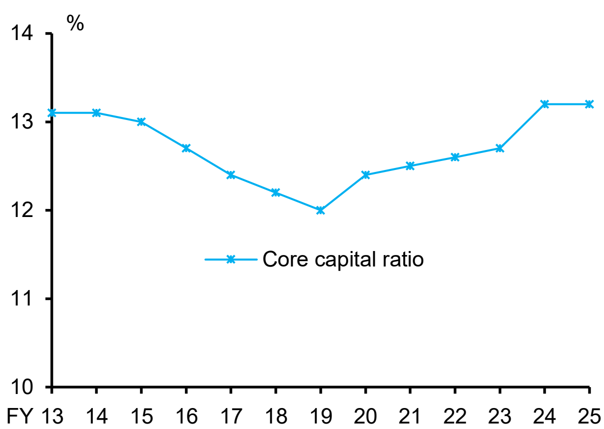


Note: Each factor represents the sum of the amount calculated by borrower classification.
Source: BOJ.

D. Capital Adequacy Ratios

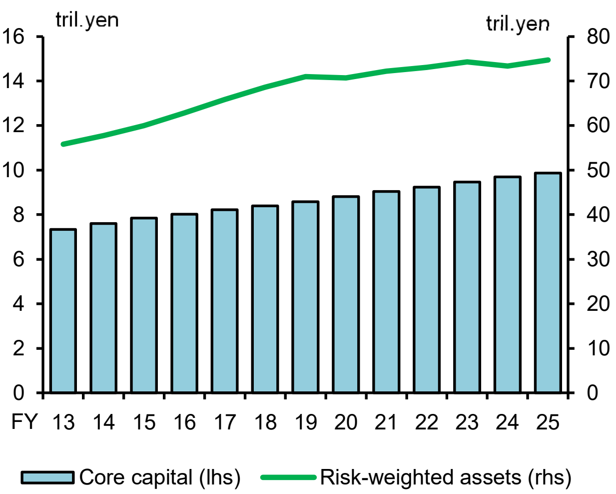
The capital adequacy ratio was flat, as risk-weighted assets increased while retained earnings were accumulated.

III-D-1: Capital adequacy ratios



Source: BOJ.

III-D-2: Capital and risk-weighted assets



Source: BOJ.

Glossary

Financial statements of financial institutions

Net income = operating profits from core business + realized gains/losses on stockholdings + realized gains/losses on bondholdings – credit costs ± others (such as extraordinary gains/losses)

Gross operating profits from core business = core gross operating profits = net interest income + net non-interest income

Operating profits from core business = pre-provision net revenue (PPNR) = net interest income + net non-interest income – general and administrative expenses

Net interest income = interest income – interest expenses

Net non-interest income = net fees and commissions + profits on specified transactions + other operating profits – realized gains/losses on bondholdings

Realized gains/losses on stockholdings = gains on sales of stocks – losses on sales of stocks – losses on devaluation of stocks

Realized gains/losses on bondholdings = gains on sales of bonds + gains on redemption of bonds – losses on sales of bonds – losses on redemption of bonds – losses on devaluation of bonds

Credit costs = loan-loss provisions + write-offs + losses on credit sales – recoveries of write-offs

Credit cost ratio = credit costs / total loans outstanding

Capital adequacy ratios of internationally active banks

Common equity Tier 1 (CET1) capital ratio = CET1 capital / risk-weighted assets

CET1 capital includes common equities and retained earnings.

Tier 1 capital ratio = Tier 1 capital / risk-weighted assets

Tier 1 capital includes CET1 capital and preferred equities that meet certain conditions.

Total capital adequacy ratio = Total capital / risk-weighted assets

Total capital includes Tier 1 capital and subordinated bonds that meet certain conditions.

Capital adequacy ratios of domestic banks

Core capital ratio = core capital / risk-weighted assets

Core capital includes common equities and retained earnings as well as preferred equities that meet certain conditions.