Profits and Balance-Sheet Developments of Japanese Banks in Fiscal 1998

I. Overview

Operating profits of Japanese banks in fiscal 1998 amounted to ¥3.8 trillion, down from ¥5.1 trillion in fiscal 1997 (Table 1).[1] Operating profits from core business—which show the basic profitability of financial institutions—however, maintained a relatively high level, recording ¥4.8 trillion, a slight increase from the ¥4.7 trillion of the previous year.[2] On the other hand, recurring losses and net losses marked record levels of ¥7.2 trillion and ¥4.5 trillion, respectively. This was due mainly to the disposal of nonperforming loans amounting to ¥13.5 trillion.

The average risk-based capital adequacy ratio of internationally active banks rose significantly from the previous year, increasing to 11.46 percent at end-March 1999 from 9.55 percent at end-March 1998 (weighted average on a consolidated basis). This was mainly due to the injection of public funds into banks such as city banks, long-term credit banks, and trust banks. In addition, as a result of the introduction of accounting for effects of income taxes in nonconsolidated financial statements, deferred tax assets of as much as ¥8.9 trillion were newly recorded.

Important tasks for Japanese banks drawn from an analysis of the profits and balance-sheet developments in fiscal 1998 are summarized below.

A. Disposal of Nonperforming Loans

Fiscal 1998 saw the largest-ever amount of loan write-offs and provisioning for loan losses, the disposal of nonperforming loans being the most urgent task for Japanese banks. It even surpassed the amount in fiscal 1995, when nonperforming loans to *jusen* (housing loan companies) were disposed of, and that in fiscal 1997, when banks started write-offs and loan-loss provisioning based on the results of their self-assessment of assets. The disposal of nonperforming loans in fiscal 1998, when banks faced persistent economic deterioration and a continued downtrend in the prices of collateral, was characterized by two factors. The first was banks' attempts to increase the accuracy of self-assessment of assets, motivated by the intensive on-site examination by the Financial Supervisory Agency (FSA) and the Bank of Japan and the preparation of the "Final Report of the Working Group on Financial Inspection Manuals" (hereafter referred to as "Financial Inspection Manuals") by the FSA. The second was a rise in the ratio of loan-loss provisions to nonperforming loans accomplished in line with "The Viewpoint on the Write-offs and Allowances in Association with the Capital Injection" (hereafter referred to as "The Viewpoint") released by the Financial Reconstruction Commission (FRC).[3]

As described above, considerable progress was made in the disposal of nonperforming loans in terms of loan write-offs and loan-loss provisioning in fiscal 1998. Nevertheless, the situation continued to warrant close attention since the future course of the Japanese economy may change borrowers' financial condition and consequently increase nonperforming assets. Further, various tasks remain before nonperforming loans can be finally removed from banks' balance sheets, such as settlement of collateralized assets and

1. "Japanese banks" refers to All Banks, comprising the nine city banks, the three long-term credit banks, seven trust banks (excluding foreign-owned trust banks and trust banks that started business after October 1993), the 64 member banks of the Regional Banks Association of Japan (hereafter regional banks), and the 61 member banks of the Second Association of Regional Banks (hereafter regional banks II). Figures in this report exclude data for the following failed banks: Long-Term Credit Bank of Japan, Nippon Credit Bank, Kokumin Bank, Tokyo Sowa Bank, and Kofuku Bank. They also exclude those for Namihaya Bank and Midori Bank, which were the subject of measures taken under the Deposit Insurance Law in fiscal 1998.
2. In order to see the basic profitability of financial institutions, it is appropriate to exclude the impact on operating profits of net bond-related gains/losses, write-offs in trust accounts, and net transfer to the allowance for possible loan losses. Therefore, in this report, operating profits from core business are used as a measure of basic profitability, and are derived from the following formula:
   Operating profits from core business = operating profits – net bond-related gains/losses + (loan write-offs in trust accounts – write-back of the special reserve funds in trust accounts) + net transfer to the allowance for possible loan losses.
   Net bond-related gains/losses = gains on bond-selling operations + gains from redemption of bonds – losses from bond-selling operations – losses from redemption of bonds – write-downs of bonds.
3. The "Financial Inspection Manuals" was released by the FSA on April 8, 1999. "The Viewpoint" was released by the FRC on January 25, 1999. The latter recommended that internationally active banks receiving an injection of public funds set aside the following proportion of each asset category as loan-loss provisions:
   (1) about 70 percent of assets whose borrowers are categorized as being "in danger of bankruptcy" and which are not covered by collateral or guarantees (banks that have made adequate allowances based on the collectibility of each asset are not required to follow this ratio);
   (2) about 15 percent of assets whose borrowers are categorized as requiring "special attention" and which are not covered by collateral or guarantees; and
   (3) an appropriate proportion of assets whose borrowers are categorized as those that "need attention" (excluding those requiring "special attention") calculated from the historical loan-loss ratio taking into account the average remaining maturity of such assets.

liquidation of nonperforming assets.

The financial statements for fiscal 1998 reflected banks' efforts to improve their disclosure of nonperforming loans by establishing an appropriate link between self-assessment of assets, accounting treatment, and disclosure practice. It is important that such efforts be continued with a view to showing the accurate status of nonperforming loans.

B. Introduction of Accounting for Effects of Income Taxes

The capital account of Japanese banks on a nonconsolidated basis at end-March 1999 amounted to ¥33.7 trillion, an increase of about ¥10 trillion from ¥23.0 trillion at end-March 1998.

However, it should be noted that almost 30 percent of the capital account corresponded to deferred tax assets worth ¥8.9 trillion, which were generated as a result of the introduction of accounting for effects of income taxes in nonconsolidated financial statements. Deferred tax assets represent the estimated amount of future tax reduction that can be expected as a result of the existence of temporary differences and loss carryforwards at the end of the current fiscal year.[4] However, in order to enjoy the tax benefit in the future, banks must earn enough taxable income

Table 1
Selected Profit/Loss Items

¥ trillions

Fiscal years	1995	96	97	98
Operating profits from core business	5.6	5.2	4.7	4.8
Net interest income	11.4	11.1	10.4	10.3
General and administrative expenses	–7.2	–7.5	–7.5	–7.3
Net bond-related gains/losses	1.0	0.4	0.7	0.9
Net transfers to allowance for possible loan losses (A)	–0.06	–0.07	–0.1	–1.6
Operating profits	6.2	5.9	5.1	3.8
Net stock-related gains/losses	3.4	1.0	2.7	0.8
Loan-loss provisioning and loan write-offs (B)[1]	–12.1	–6.9	–12.3	–11.9
Recurring profits/losses	–2.4	0.5	–4.7	–7.2
Gains/losses on sales of premises	0.3	0.04	0.7	0.6
Income tax benefit/expense[2]	—	—	—	3.3
Net income/losses	–3.7	0.3	–4.3	–4.5
Disposal of nonperforming loans (A+B)	–12.2	–7.0	–12.4	–13.5

[Reference] Developments in the Financial Markets (End of Period)

	1995	96	97	98
Nikkei 225 Stock Average (yen)	21,406	18,003	16,527	15,836
Government bond yields (percent)	3.211	2.450	1.876	1.745
Foreign exchange rate (yen per U.S. dollar)	106.49	123.97	133.39	119.99

Notes: *1.* Loan-loss provisioning and loan write-offs = loan write-offs + net transfers to special loan-loss provisions + losses from sales of nonperforming loans to the Cooperative Credit Purchasing Company (CCPC) + losses from sales of loans + other renunciation claims.
2. With the introduction of accounting for effects of income taxes, income tax benefits worth ¥3.3 trillion deriving from taxable loan-loss provisioning and loss carryforwards were recorded on the income statement for fiscal 1998. On the balance sheet for fiscal 1998, the corresponding deferred tax assets worth ¥3.3 trillion were recorded, together with the deferred tax assets for the previous four years worth ¥5.5 trillion—which had not appeared on the income statements of the respective years. As a result, deferred tax assets on the balance sheet for fiscal 1998 summed to ¥8.9 trillion.

4. For the definition of temporary differences, refer to Footnote 14 on page 150.

within the carryback period stipulated in the tax law. Thus, it is necessary to recognize these assets based on rational forecasts of future taxable income following the guidance of the Japanese Institute of Certified Public Accountants (JICPA).

C. Efforts to Improve Profitability

In the past, the earnings of Japanese financial institutions depended heavily on interest income from domestic operations, and the amount of such income basically depended on the volume of lending. However, as demonstrated in plans for restoring sound management released by financial institutions that received public funds, in the future increases in income are expected to come from an improved interest margin on lending rather than from quantitative expansion of loans. Nevertheless, the earnings of Japanese banks in fiscal 1998 revealed that there had only been a modest expansion in the interest margin on lending. Therefore, in order to fundamentally strengthen their profitability, banks should (1) secure lending spreads commensurate with the credit risk involved, (2) focus their management resources on areas in which they are highly competitive, and (3) find new sources of profits and reduce general and administrative expenses through the outsourcing of business and a reconstruction of delivery channels.[5]

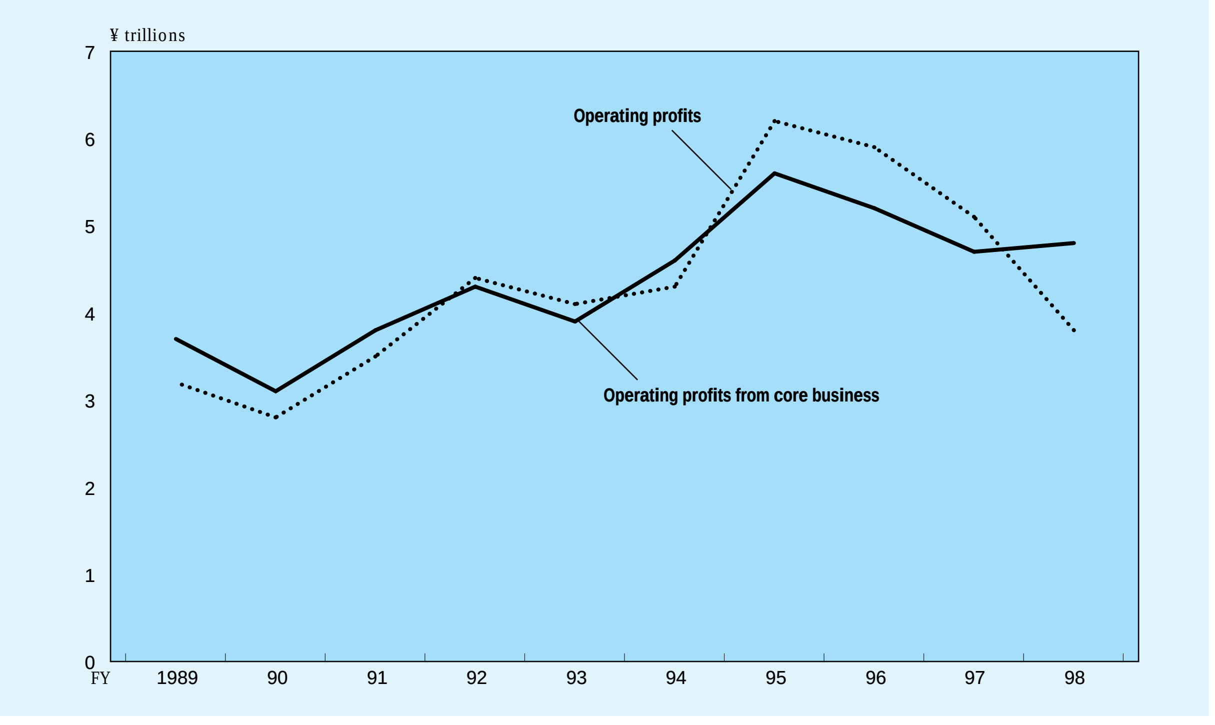
For those that received public funds, strengthening profitability is an especially urgent task in order for them to grow out of the support from public funds as soon as possible. To achieve higher profitability, banks must adequately control risks, and to this end, they need to have an accurate grasp of their risk profiles and to upgrade their risk management systems.

II. Profits

A. Operating Profits from Core Business

Operating profits from core business, which had been declining moderately after reaching a peak in fiscal 1995, recorded a relatively high level of ¥4.8 trillion in fiscal 1998, increasing slightly from the ¥4.7 trillion of fiscal 1997 (Chart 1). This can be attributed to the fact that (1) net interest income

Chart 1
Total Operating Profits and Operating Profits from Core Business



5. Delivery channels are means by which financial products and services are delivered to customers. Branch networks used to be the dominant delivery channels, but technological innovations have created many new channels that might replace them: such as mini branches using automatic teller machines (ATMs), telephone banking, and Internet banking.

declined only marginally, from ¥10.4 trillion in fiscal 1997 to ¥10.3 trillion, despite the sharp contraction in the annual average balance of interest-earning assets, mainly in international operations, and (2) general and administrative expenses, which had previously risen steadily, were reduced from ¥7.5 trillion in fiscal 1997 to ¥7.3 trillion (Chart 2).[6]

1. Net interest income

a. Interest-earning assets

The annual average balance of interest-earning assets declined sharply in fiscal 1998 to ¥701 trillion from ¥744 trillion in fiscal 1997 (Chart 3). This marked the lowest level since fiscal 1989, when the balance was ¥693 trillion. The fall was attributable to a substantial

Chart 2
Growth in Operating Profits from Core Business and Contribution of Major Components

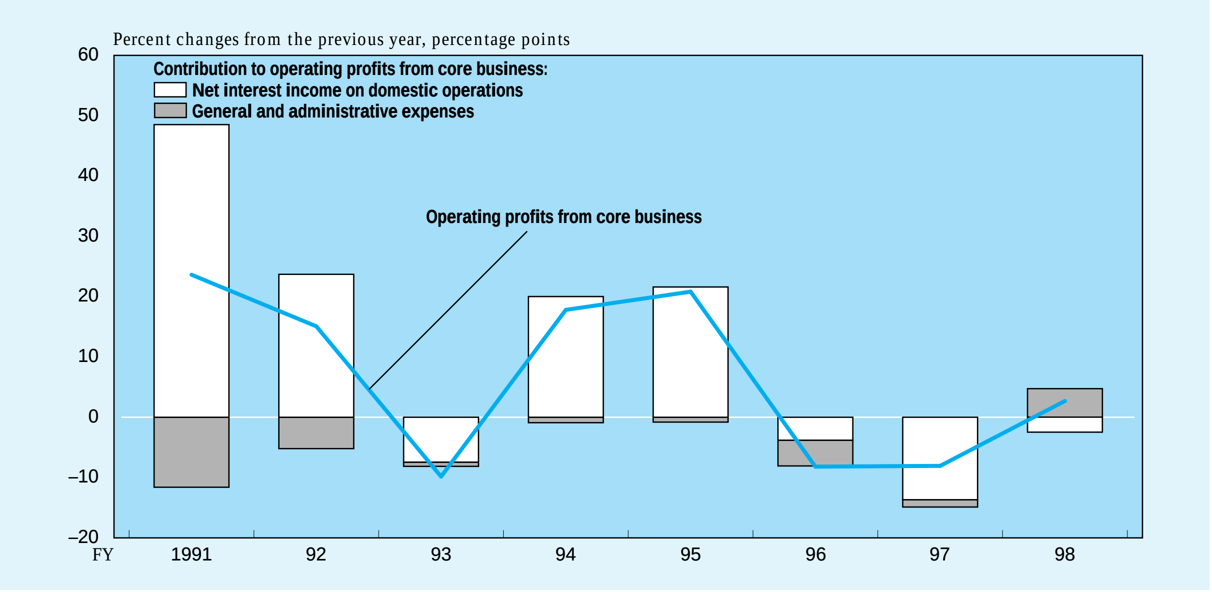
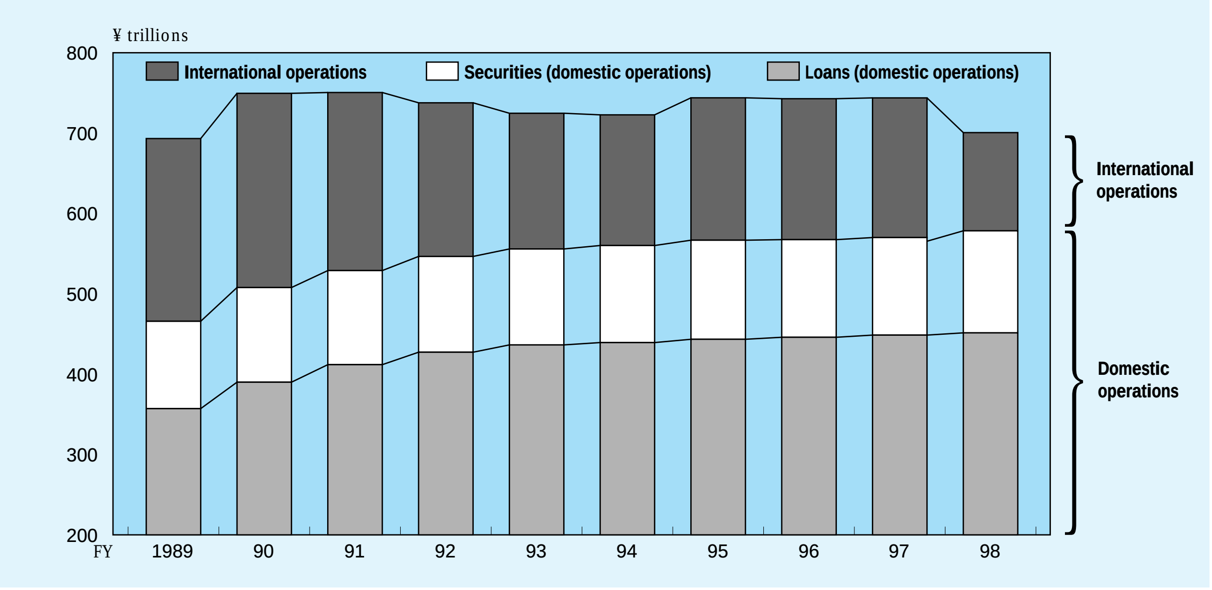


Chart 3
Interest-Earning Assets (Annual Average Balance, Total of Banking and Trust Accounts)



6. Net interest income from loan trusts and that from jointly managed money trusts with agreements to compensate for losses on principal, which are usually posted as net fees and commissions in trust accounts, are included here in net interest income.

contraction in the interest-earning assets for banks' international operations, whose annual average balance dropped in fiscal 1998 to ¥123 trillion from ¥174 trillion in fiscal 1997. Factors behind this decline were (1) intensified constraints on the procurement of foreign currencies, (2) worsened profitability due to an increase in the "Japan premium," and (3) an increased number of banks withdrawing from or downsizing international operations. Meanwhile, the annual average balance of interest-earning assets for domestic operations increased somewhat, to ¥603 trillion in fiscal 1998 from ¥592 trillion in fiscal 1997. This was due to a shift from Euro-yen impact loans to domestic spread loans, a special factor.

The annual average balance of domestic loans rose modestly to ¥451 trillion in fiscal 1998 from ¥449 trillion in fiscal 1997. In fiscal 1998, credit demand remained sluggish reflecting firms' stagnant demand for funds for fixed investment and their efforts to restructure their balance sheets through the reduction of interest-bearing liabilities. With respect to banks' lending attitude, more emphasis was placed than before on profitability. For example, they set floors to lending spreads according to the size of credit risk and continued to curtail lending to certain industries deemed to be high-risk. In the last few months of fiscal 1998, however, banks gradually became more active in extending loans due to the following factors: (1) substantial improvement in the fund-raising conditions following the government's measures to stabilize the financial system and the Bank's additional monetary easing; (2) strengthening of their capital base through the injection of public funds and through their own efforts; and (3) expansion of the credit guarantee system, such as the establishment of the Special Guarantee System for the Financial Stabilization of Small and Medium Enterprises in October 1998.[7]

The annual average balance of securities in fiscal 1998 was ¥129 trillion, almost unchanged from the ¥131 trillion in fiscal 1997. This was because an increase in the holding of Japanese government bonds (JGBs) in the first half of fiscal 1998 was offset by a decrease in the holding of foreign securities, which occurred as banks scaled down their international operations.

b. Overall interest margin

In fiscal 1998, the overall interest margin of both banking and trust accounts on domestic operations contracted slightly to 1.506 percent from 1.545 percent in fiscal 1997 (Chart 4). While funding costs declined in line with the fall in short-term interest rates resulting from the Bank's monetary easing, yields on securities also followed a downtrend.

By contrast, the interest margin on lending expanded in fiscal 1998 for the first time in the four years since fiscal 1994, showing a slight increase to 1.438 percent from 1.393 percent in fiscal 1997. In fiscal 1998, fund-raising costs declined more substantially than yields on loans. Specifically, the average rate on banks' interest-bearing liabilities dropped by 0.135 percentage point, to 0.810 percent from 0.945 percent in fiscal 1997, whereas yields on loans decreased by only 0.090 percentage point, to 2.248 percent from 2.338 percent in fiscal 1997.

2. General and administrative expenses

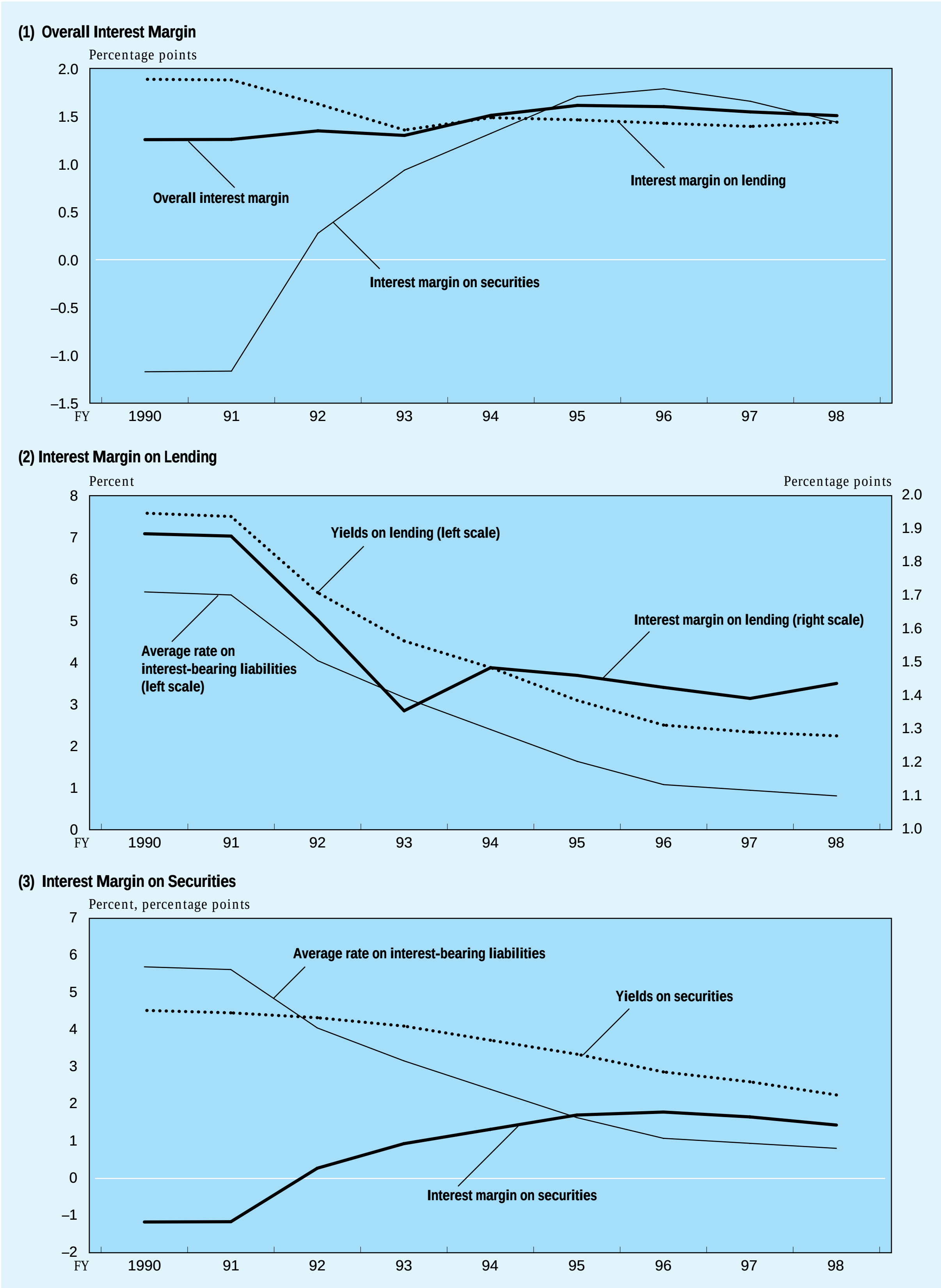
After almost uninterrupted increases, general and administrative expenses declined by 2.7 percent to ¥7.3 trillion, from ¥7.5 trillion in the previous fiscal year. This was due mainly to a reduction in personnel expenses (Chart 5 on page 148).

Personnel expenses fell to ¥3.5 trillion, from ¥3.7 trillion in fiscal 1997.[8] One factor behind this was a cutback in the number of employees through the curbing of recruitment as well as promotion of early retirement and transfers to affiliated companies. The annual average number of employees decreased to 373,000, from 384,000 in fiscal 1997.[9] Another factor was the curtailment of wages and salaries observed at an increasing number of banks.

Premises and equipment expenses posted almost the same level in fiscal 1998, ¥3.4 trillion, as the previous fiscal year. Although banks continued to reduce the recurring portion of these expenses, they maintained an active stance on information technology (IT)-related investment in strategic areas,

7. In October 1998, the financial reconstruction legislation, including the Law concerning Emergency Measures for the Reconstruction of the Functions of the Financial System (hereafter referred to as the Financial Reconstruction Law), and legislation relating to the early strengthening of financial functions, including the Financial Function Early Strengthening Law (hereafter referred to as the Early Strengthening Law), were enacted.
8. If the deposit insurance premium, which was raised substantially in fiscal 1996, is excluded, general and administrative expenses also fell in fiscal 1996 slightly below the level of the previous fiscal year due to a fall in personnel expenses.
9. Excluding temporary workers, contract employees, and those seconded to other organizations.

Chart 4
Overall Interest Margin (Domestic Operations, Total of Banking and Trust Accounts)



and their expenditure on outsourced administrative tasks increased.

B. Net Bond-Related Gains/Losses

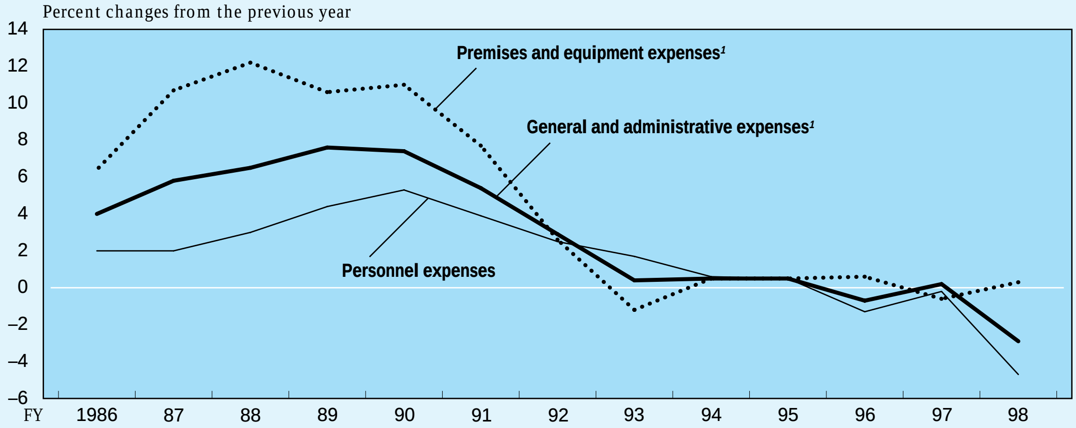
Net bond-related gains marked a relatively high level of ¥0.9 trillion, showing some increase from the ¥0.7 trillion of fiscal 1997 (Chart 6). With long-term interest rates at relatively low levels during the first half of the fiscal year, banks increased their holding of bonds and realized large gains on bond-selling operations. During the second half of fiscal 1998, however, they compressed their bond holdings given the rise in long-term interest rates. Consequently, net bond-related gains fell sharply compared to the first half.

C. Recurring Profits/Losses and Net Income/Losses

1. Net stock-related gains/losses

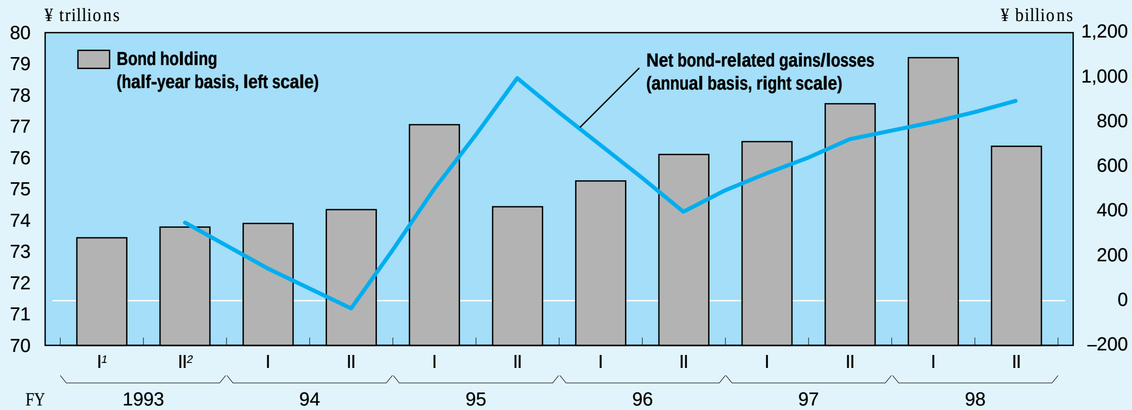
Net stock-related gains totaled ¥0.8 trillion, down considerably from the ¥2.7 trillion of the previous fiscal year (Chart 7).[10] This can be attributed to

Chart 5
General and Administrative Expenses



Note: *1.* Excludes deposit insurance premiums.

Chart 6
Net Bond-Related Gains/Losses and Amounts Outstanding of Bond Holding



Notes: *1.* April–September.
2. October–March.

10. Net stock-related gains/losses = gains on stock-selling operations – losses from stock-selling operations – stock write-downs.

(1) the sharp drop in stock prices in the middle of the fiscal year, and (2) conspicuous moves among banks to recognize unrealized losses—for example, banks that adopted the cost method employed a stricter standard for mandatory reduction of the book value to reflect impairment in the market value of stocks. Further, banks that held shares in failed financial institutions, such as Long-Term Credit Bank of Japan and Nippon Credit Bank, were forced to make massive write-downs or to sell stocks at a loss.[11]

The total book value of stocks held by banks at end-March 1999 was ¥42.7 trillion, remaining at almost the same level as the ¥43.0 trillion at end-March 1998. On the one hand, banks actively dissolved their cross-holdings of stocks that had been continued for the purpose of long-term investment, while on the other, they subscribed to capital increases by affiliated or closely related companies to support them financially.

2. Disposal of nonperforming loans

The amount of nonperforming-loan disposal marked a new record of ¥13.5 trillion, surpassing even the remarkable levels of fiscal 1995 and fiscal 1997 (Chart 8).[12]

Chart 7
Net Stock-Related Gains/Losses and Amounts Outstanding of Stock Holding

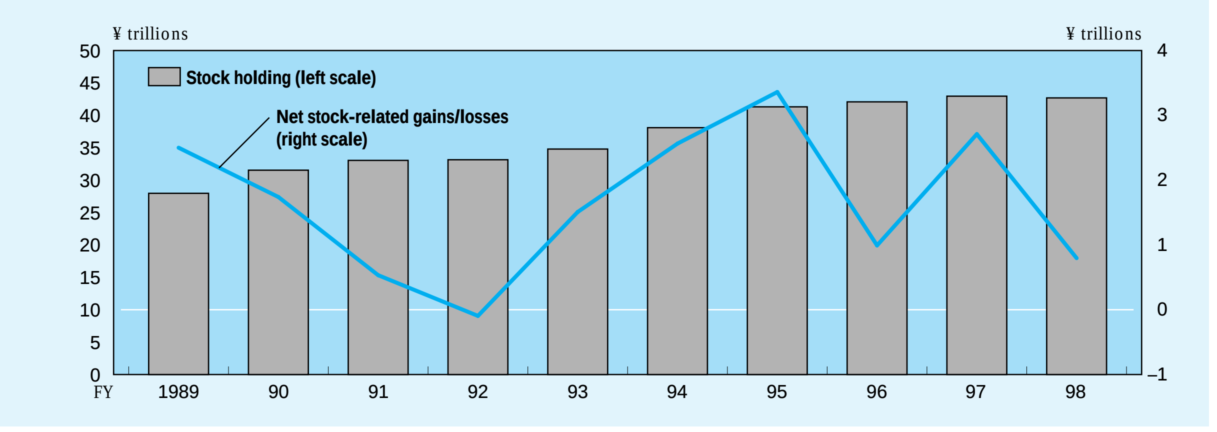
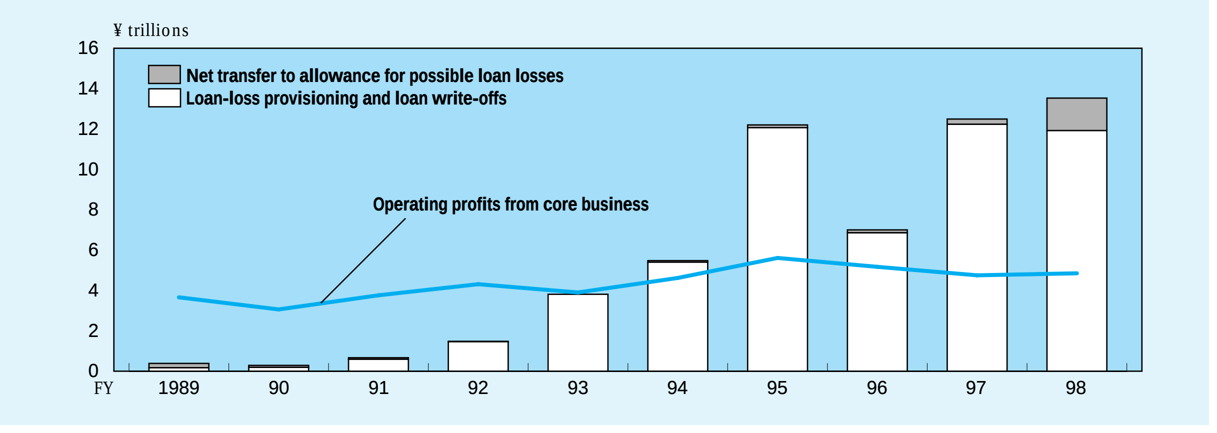


Chart 8
Disposal of Nonperforming Loans



11. Some banks, while adhering to the cost method, wrote down stocks more drastically than was required by the commercial law, with a view to recognizing unrealized losses on stocks in advance of their planned sales. Some banks treated such write-downs and losses on sales of stocks of Long-Term Credit Bank of Japan and/or Nippon Credit Bank as extraordinary losses instead of temporary expenses.

12. The amount of disposal of nonperforming loans = net transfer to the allowance for possible loan losses (APLL) + loan-loss provisioning and loan write-offs (for the definition, see Note 1 to Table 1).

Although transfers to the APLL are operating expenses, here they are discussed together with other loan-loss provisioning and loan write-offs, which are treated as temporary expenses or extraordinary losses.

One characteristic of the disposal of nonperforming loans in fiscal 1998 was the massive net transfer to the allowance for possible loan losses (APLL), which totaled ¥1.6 trillion. This was because (1) in view of the instructions in the "Financial Inspection Manuals," many banks raised the ratio of APLL to loans whose borrowers are categorized as those that "need attention," and (2) following the release of "The Viewpoint," many banks, for loans to borrowers categorized as requiring "special attention"—which are part of borrowers categorized as those that "need attention"—set aside APLL at much higher ratios than for other loans that "need attention."[13]

In the meantime, loan-loss provisioning and loan write-offs amounted to ¥11.9 trillion, reaching close to the historically high levels of fiscal 1995 and fiscal 1997. This reflected the increasing accuracy of banks' self-assessment of assets and a raising of the ratio of provisions to loans outstanding.

3. Deferred income tax benefits

With the introduction of accounting for effects of income taxes for nonconsolidated financial statements, 134 banks—all but four regional banks and the failed banks—adopted this new accounting system. As a result, ¥3.3 trillion worth of deferred income tax benefits, which derived from temporary differences and loss carryforwards existing at the end of fiscal 1998, was added to net income.[14] This caused net losses to decrease to about half the size of recurring losses. Combined with the ¥5.5 trillion for the past four years, a total of ¥8.9 trillion was posted on the balance sheet as deferred tax assets, which contributed to an increase in the capital account.

4. Recurring losses and net losses

Recurring losses and net losses both reached record highs, with the former rising to ¥7.2 trillion from the ¥4.7 trillion of fiscal 1997 and the latter to ¥4.5 trillion from the ¥4.3 trillion of fiscal 1997. This was due mainly to the huge losses incurred as a result of the disposal of nonperforming loans. The number of banks that recorded recurring and net losses in fiscal 1998 also marked a record high (Table 2). Specifically, 72 banks reported recurring losses and

Table 2
Number of Banks Reporting Recurring Losses and Net Losses[1]

(1) Recurring Losses

Number of banks; figures in parentheses are the number of banks that existed at the end of fiscal 1998

Fiscal years	1993	94	95	96	97	98
City banks (9)	0	2	7	1	10	9
Long-term credit banks (3)	0	0	3	1	2	3
Trust banks (7)	0	1	7	1	3	7
Regional banks (64)	0	1	9	5	15	25
Regional banks II (61)	0	3	9	16	24	28
Total (144)	0	7	35	24	54	72

(2) Net Losses

Number of banks; figures in parentheses are the number of banks that existed at the end of fiscal 1998

Fiscal years	1993	94	95	96	97	98
City banks (9)	0	1	7	1	9	8
Long-term credit banks (3)	0	0	3	1	2	3
Trust banks (7)	0	1	7	0	3	7
Regional banks (64)	0	1	9	5	16	26
Regional banks II (61)	0	3	12	15	24	27
Total (144)	0	6	38	22	54	71

Note: *1.* Figures for each fiscal year include failed banks, provided that they still existed at the end of the fiscal year.

13. The names of borrower categories have been changed from those that had been used in previous issues of the *Quarterly Bulletin* and *Annual Review*. Specifically, the "sound," "marked," "close to bankruptcy," and "de facto bankrupt" categories were changed to "normal," "need attention," "in danger of bankruptcy," and "effectively bankrupt," respectively.

14. Temporary differences are the differences between the tax basis of an asset/liability and its reported amount in the financial statements. This, together with the amount of loss carryforwards under the tax law, are hereafter referred to as "temporary differences."

71 reported net losses, as against 54 and 54 in fiscal 1997.[15]

D. Appropriation of Profits

Many banks, having reported net losses and also having received an injection of public funds into their capital base, reinforced their stance of retaining a major part of their profits.

With respect to dividend payments, 21 banks reduced dividends from the previous fiscal year, while 20 paid no dividends (Table 3).[16]

All of the city banks, the long-term credit banks, and the trust banks have suspended directors' bonus payments for four successive years since fiscal 1995. Meanwhile, approximately 70 percent of regional banks and regional banks II reduced or suspended such payments in fiscal 1998—among the 120 regional banks and regional banks II, 62 suspended directors' bonuses, while 24 reduced them.

III. Disposal of Nonperforming Loans

A. Cumulative Total of Nonperforming-Loan Disposal

Cumulative losses from the disposal of nonperforming loans by Japanese banks between fiscal 1991 and fiscal 1998, in the wake of the bursting of the economic "bubble," reached ¥56.6 trillion. (See Box 1 on page 152 for details on past disposal of nonperforming loans.)

This massive loss on nonperforming-loan disposal far exceeded Japanese banks' operating profits from core business of ¥37.0 trillion during this period. The excess was generally financed by net bond-related gains of ¥3.2 trillion, net stock-related gains of ¥12.4 trillion, and gains on sales of real estate of ¥1.7 trillion, as well as a decrease in capital accounts of ¥17.4 trillion.[17]

B. Self-Assessment Results

Loans classified as categories II, III, and IV ("classified assets") based on self-assessment amounted to ¥64.3 trillion at end-March 1999 on a post-disposal basis—i.e., after execution of loan write-offs and loan-loss provisioning for category III and IV loans. This amount was marginally lower than the ¥65.7 trillion at end-March 1998 (Chart 9 on page 153).[18] In detail, category IV loans totaled ¥0.1 trillion, the same level as a year earlier, category III loans decreased substantially to ¥3.2 trillion from the ¥5.0 trillion of the previous year, and category II loans increased slightly to ¥61.0 trillion from the previous year's ¥60.5 trillion.

Despite the huge loan write-offs and loan-loss provisioning amounting to ¥11.9 trillion—excluding transfers to the APLL—category III and IV loans decreased by a mere ¥1.9 trillion from the previous year. This was due to the emergence of new nonperforming loans, of which ¥10 trillion was estimated to be categories III and IV.

The increase in nonperforming loans in fiscal 1998 was due to a deterioration in borrowers' financial condition reflecting the sluggishness of the economy, and an increase in the portion of loans

Table 3
Dividend Payments[1]

Fiscal years	1993	94	95	96	97	98
Reduced dividends	**10**	**14**	**27**	**13**	**9**	**21**
No dividends[2]	**2**	**3**	**6**	**10**	**17**	**20**

Notes: *1.* Figures for each fiscal year include failed banks provided that they still existed at the end of the fiscal year.
2. Includes banks that reduced dividends to zero.

15. The figures include failed banks, provided that they still existed at the end of the fiscal year.
16. Dividend payments are considered based on the sum of dividends paid at the interim and final settlement of accounts.
17. The decrease in capital accounts equals the cumulative net losses reported by banks during the period. For fiscal 1998, net losses that would have been recorded by banks without the gains arising from the introduction of accounting for effects of income taxes are also included.
18. The figures are the same as those released by the FSA on July 23, 1999. Figures in this section exclude data for the following banks: figures at end-March 1998 exclude Hokkaido Takushoku Bank, Long-Term Credit Bank of Japan, Nippon Credit Bank, Tokuyo City Bank, Kyoto Kyoei Bank, Naniwa Bank, Fukutoku Bank, and Midori Bank; and figures at end-March 1999 exclude Long-Term Credit Bank of Japan, Nippon Credit Bank, Kokumin Bank, Tokyo Sowa Bank, Kofuku Bank, and Midori Bank.

Box 1 Progress in the Disposal of Nonperforming Loans

Cumulative losses incurred on the disposal of nonperforming loans, including transfers to the allowance for possible loan losses (APLL), between fiscal 1991 and fiscal 1998 reached ¥56.6 trillion. A look at the progress in nonperforming-loan disposal during this period reveals a close link to changes in the institutional framework (Chart for Box 1).

1. Before Fiscal 1993

Tax-deductible disposal was central to the disposal of nonperforming loans.

2. From Fiscal 1993

A notice from the Director of the Banking Bureau of the Ministry of Finance confirmed that the ministry, in principle, would not object to financial institutions' conducting nondeductible loan write-offs or loan-loss provisioning.[1] Given this notice, banks actively engaged in nondeductible loan write-offs and loan-loss provisioning with respect to their nonperforming loans, and the amount of disposal increased as a result.

3. Fiscal 1995

With the passage of the Law Concerning Special Packages for Promoting Disposal of Claims and Debts of the Specified *Jusen* Companies (enacted in June 1996)—which would establish a new framework for the disposal of nonperforming loans to *jusen*—in prospect, the disposal of nonperforming loans reached its first peak.

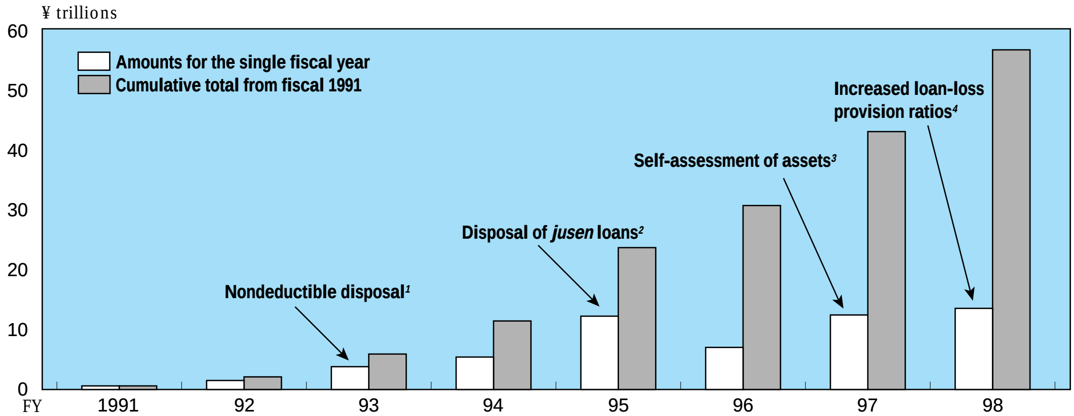
4. Fiscal 1997

Loan write-offs and loan-loss provisioning based on self-assessment of assets were introduced based on the interim report on Prompt Corrective Action released by a working group on December 26, 1996. The disposal of nonperforming loans marked a second peak.

5. Fiscal 1998

Following the implementation of intensive on-site examination by the Financial Supervisory Authority (FSA) and the Bank of Japan and the preparation of the "Financial Inspection Manuals" by the FSA, banks improved the precision of their self-assessment of assets. The manuals outlined recommended approaches to the calculation of appropriate amounts of loan write-offs and loan-loss provisioning. In addition, the Financial Reconstruction Commission released "The Viewpoint on the Write-offs and Allowances in Association with the Capital Injection." In accordance with these guidelines, banks dramatically increased the ratio of APLL to the unsecured portion of loans to borrowers requiring "special attention," as well as the ratio of special loan-loss provisions to category III loans to borrowers "in danger of bankruptcy." (For details, see Box 3 on pages 158–160.) As a result, nonperforming-loan disposal reached a new record high.

Chart for Box 1 Disposal of Nonperforming Loans



Notes: 1. Progress in nondeductible transfers to special loan-loss provisions (SLP).
2. Write-offs of and special loan-loss provisioning for loans to *jusen* (housing loan companies).
3. Start of loan write-offs and loan-loss provisioning based on self-assessment of assets.
4. Banks' attempts to increase the accuracy of self-assessment of assets and a raising of loan-loss provision ratios following intensive on-site examination, the preparation of "Financial Inspection Manuals," and the release of "The Viewpoint."

1. The notice refers to the "Policy Guidelines on the Problem of Nonperforming Loans Held by Financial Institutions" (Notice No. 212 issued by the then Banking Bureau of the Ministry of Finance on February 8, 1994).

unsecured by collateral due to the fall in asset prices. These factors were compounded by the greater precision in the self-assessment of assets following the implementation of intensive on-site examination by the FSA and the Bank and the publication of the "Financial Inspection Manuals." As a result, category III and IV loans increased.

C. Loan-Loss Provisioning by Debtor Category

At almost all banks disclosing loan-loss provisions to assets in accordance with the Financial Reconstruction Law, loan-loss provision ratios were 100 percent for category III and IV loans to "bankrupt" and "effectively bankrupt" borrowers (Table 4

Chart 9

Self-Assessment Results

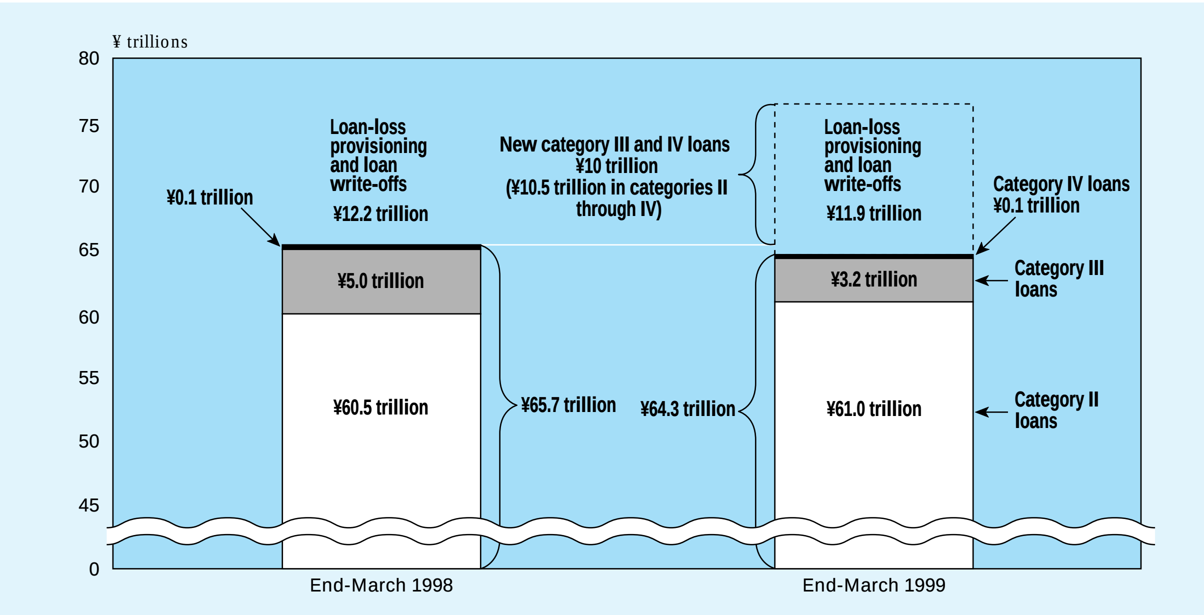


Table 4

Assets Classified under the Financial Reconstruction Law[1]

¥ trillions; figures in parentheses are in percentages

[Reference] Classification of borrower under the self-assessment framework	Asset classification under the Financial Reconstruction Law	Total loans A	Loan-loss provisions[2] B	Amount secured by collateral[3] C	Unsecured amount[4] D = A – B – C
"Bankrupt" and "effectively bankrupt"	Unrecoverable or valueless	3.3	1.2 (100)	2.1 (64)	0.0 (0)
"In danger of bankruptcy"	Risk	6.4	2.6 (74)	2.9 (46)	0.9 (14)
"Need attention"	Special attention	2.8	0.3 (17)	1.1 (39)	1.4 (51)

[Reference] Category III and IV loans outstanding based on the self-assessment framework

Notes: *1.* Of the banks that disclose their assets under the Financial Reconstruction Law, included in the figures are the 48 banks that disclose the collateral coverage of each asset category. The 48 banks are six of the city banks, long-term credit banks, and trust banks; 33 regional banks, and nine regional banks II. The assets of these 48 banks account for 40.6 percent of the total assets of all Japanese banks. Figures for assets requiring "special attention" are those of 30 banks: eight of the city banks, long-term credit banks, and trust banks; 16 regional banks; and six regional banks II. The assets of these 30 banks account for 47.2 percent of the total assets of all Japanese banks.

2. Figures in parentheses are the ratio of loan-loss provisions (B) to the amount which might not be collectible (A minus C).

3. Figures in parentheses are the ratio of the amount secured by collateral (C) to the total amount of loans (A).

4. Figures in parentheses are the ratio of the unsecured portion (D) to the total amount of loans (A).

and Box 2).[19] Further, banks that made such disclosure generally made provisions for loans to borrowers "in danger of bankruptcy" and assets requiring "special attention" at levels exceeding

Box 2 Loan Write-Offs and Loan-Loss Provisioning Based on Self-Assessment

1. New Guidelines for Loan Write-Offs and Loan-Loss Provisioning

Under the Prompt Corrective Action (PCA) framework, financial institutions are required to carry out loan write-offs and loan-loss provisioning based on the results of self-assessment of assets. Each financial institution is encouraged to decide its own criteria for such write-offs and provisioning based on the commercial law and generally accepted accounting principles. The recent establishment of three guidelines listed below has further clarified the requirements for banks' loan write-offs and loan-loss provisioning.[1] There are no substantial differences between the approaches laid down in these three guidelines. The three guidelines are the following:

(1) "The Final Report of the Working Group on Financial Inspection Manuals," released by the Financial Supervisory Authority (FSA) on April 8, 1999 (referred to as the "Financial Inspection Manuals");[2]

(2) An amended version of the "Practical Guideline for Evaluation of Internal Control over Valuation of Assets and Audits of Write-offs of Bad Loans and Allowance for Doubtful Loans of Banks and Similar Financial Institutions," issued by the Japanese Institute of Certified Public Accountants (JICPA) on April 30, 1999 (the amended guideline is hereafter referred to as the "Practical Guideline");[3] and

(3) A proposal for amendment of the "basic policies for assessment of assets based on Article 3, Paragraph 2 of the Financial Function Early Strengthening Law" issued by the Financial Reconstruction Commission (FRC) on June 29, 1999 (hereafter referred to as the FRC Notification).[4]

The FRC also released "The Viewpoint on the Write-offs and Allowances in Association with the Capital Injection" (hereafter "The Viewpoint") on January 25, 1999. This lays down the general standard for loan-loss provisioning with respect to loans to borrowers "in danger of bankruptcy" and loans to borrowers that "need attention"—i.e., loans to borrowers requiring "special attention" and those to the remaining portion of borrowers that "need attention." "The Viewpoint," however, is targeted only at banks applying for an injection of public funds and subject to the international standard for risk-based capital adequacy ratios.

On June 10, 1999, the FRC released the "Basic Policies for Capital Injections for Regional Financial Institutions." With regard to the disposal of nonperforming loans, this merely requires that regional financial institutions carry

1. Previously, banks' self-assessment was governed by the PCA framework set down in Notice No. 104 issued by the Financial Inspection Department of the Ministry of Finance on March 5, 1997 (hereafter the "Self-Assessment Guideline"), and banks' loan write-offs and loan-loss provisioning were governed by the "Practical Guideline for Evaluation of Internal Control over Valuation of Assets and Audits of Write-offs of Bad Loans and Allowance for Doubtful Loans of Banks and Similar Financial Institutions" released by the Japanese Institute of Certified Public Accountants (JICPA) in Report No. 4 of the Ad Hoc Committee for Audits of Banks on April 15, 1997.
2. To be applied to audits of financial statements from July 1999.
3. To be applied from fiscal 1999. However, it is also possible to apply the "Practical Guideline" to the financial statements for fiscal 1998.
4. The FRC required that the policies be applied from fiscal 1999.

19. The loan-loss provision ratio is the total amount of loan-loss provisions and loan write-offs as a percentage of outstanding loans unsecured by collateral.
Of the loans disclosed in accordance with the Financial Reconstruction Law, "unrecoverable or valueless" assets correspond to loans classified in banks' self-assessment as those to "bankrupt" and "effectively bankrupt" borrowers, while "risk" assets correspond to loans to borrowers "in danger of bankruptcy." Assets requiring "special attention" constitute part of loans to "need attention" borrowers. At end-March 1999, only city banks, long-term credit banks, and trust banks were obliged to disclose assets under the Financial Reconstruction Law, but many regional banks and regional banks II also disclosed these assets.

those recommended by "The Viewpoint," which is applicable to internationally active banks receiving an injection of public funds.[20] The loan-loss provision ratios by debtor category are outlined below.

out "necessary and sufficient write-offs and provisioning" starting from September 1999 in accordance with the "Practical Guideline," setting no standard for loan-loss provision ratios.

2. Standards Set by New Guidelines for Loan Write-Offs and Loan-Loss Provisioning

(1) Loans to "bankrupt" and "effectively bankrupt" borrowers

Previous standards—i.e., the "Self-Assessment Guideline"—allowed for the portion of loans likely to be collected through, for example, liquidation dividends to be classified under category III. Therefore, there were cases where some category III and IV loans were not written off or covered by loan-loss provisions at the end of the fiscal year. The new guidelines—i.e., the "Financial Inspection Manuals"—however, state that liquidation dividends from "bankrupt" and "effectively bankrupt" borrowers should be classified under category II, and that the full amount of category III and IV loans must be written off or covered by loan-loss provisions.

(2) Loans to borrowers "in danger of bankruptcy"

The new guidelines have clarified the methods of calculating the necessary amount of loan-loss provisions—i.e., the amount of anticipated losses—for loans to borrowers "in danger of bankruptcy." Specifically, the guidelines' proposed formulae for estimating losses include the following:

(1) expected loss = (total amount of loans – possible collection through collateral or guarantees – anticipated liquidation dividends) × probability of default; and

(2) expected loss on marketable loans = book value – projected sales price.[5]

"The Viewpoint" recommends that banks make special loan-loss provisions for 70 percent of category III loans to borrowers "in danger of bankruptcy."

(3) Loans to borrowers that "need attention"

There is a wide degree of variation among borrowers that "need attention" in terms of their financial position and their ability to fulfil debt obligations. Guidelines therefore propose that banks categorize loans to borrowers that "need attention" according to the degree of credit risk, and set aside adequate loan-loss provisions for each category. Accordingly, financial institutions classify loans to borrowers that "need attention" into several categories and determine appropriate provision ratios for each of them.

The "Financial Inspection Manuals" suggest that loans be classified into the following two categories and an allowance for possible loan losses (APLL) be set aside for each: (1) loans to borrowers requiring "special attention," defined as borrowers for whom all or part of the loan requires "special attention"—i.e., "loans past due three months or more" or "restructured loans"; and (2) loans to borrowers that "need attention" other than those requiring "special attention."

In "The Viewpoint," it is recommended that banks set aside an APLL equivalent to 15 percent of

5. The "Practical Guideline" stipulates that, from fiscal 2000 onward, the "present value method" of loan-loss provisioning be applied to loans to borrowers "in danger of bankruptcy" and loans to borrowers that "need attention" if future cash flow from the loans can be rationally estimated. The present value method calls for making loan-loss provisions equal to the difference between the book value of the loan and the present value of future cash flows discounted by the initially contracted interest rates. It is also possible to apply this method to financial statements for fiscal 1999.

20. Here, the explanation is based on the aggregate figures of banks that revealed the amount of provisions set aside for losses on assets requiring disclosure under the Financial Reconstruction Law. It is believed that many of these banks have been relatively aggressive in the disposal of nonperforming loans, and thus it is thought that the loan-loss provision ratios for all Japanese banks are somewhat lower than the figures given.

1. "Unrecoverable or valueless" assets (loans to "bankrupt" and "effectively bankrupt" borrowers)

The loan-loss provision ratio was almost 100 percent for the portion of loans to "bankrupt" and "effectively bankrupt" borrowers that was unsecured by collateral (classified as categories III and IV). As a result, there were almost no category III or IV loans of "unrecoverable or valueless" assets for which loan-loss provisions had not been set aside at end-March 1999.

2. "Risk" assets (loans to borrowers "in danger of bankruptcy")

The loan-loss provision ratio for category III loans of "risk" assets—the ratio of the total amount of special provisions to the total amount of category III loans of "risk" assets—was 74 percent. This exceeded the 70 percent recommended in "The Viewpoint."

(Box 2 continued)

assets whose borrowers require "special attention" (part of loans to borrowers that "need attention") and that are not secured by collateral or guarantees. At the same time, for loans to borrowers that "need attention" other than those requiring "special attention," "The Viewpoint" calls for setting aside an APLL calculated based on the historical loan-loss ratio taking into account the average remaining maturity of the loans.

Table for Box 2 summarizes the standards for loan write-offs and loan-loss provisioning described in these guidelines.

Table for Box 2 Loan Write-Offs and Loan-Loss Provisioning by Debtor Category

Debtor category[1]	New guidelines on loan write-offs and loan-loss provisioning[2]	[Reference] "The Viewpoint"
"Bankrupt" and "effectively bankrupt" borrowers ("unrecoverable or valueless" assets)	**Write off or make special loan-loss provisions for the full portion unsecured by collateral or guarantees (categories III and IV equivalent).**	—
Borrowers "in danger of bankruptcy" ("risk" assets)	**Make the necessary amount of special loan-loss provisions for the portion unsecured by collateral or guarantees (category III equivalent). The following methods can be used to determine the necessary amount. 1. The amount of loss projected to be incurred over a certain period (three years is deemed reasonable).[3] 2. For marketable loans, the book value less projected sales price.**	**70 percent of category III loans**
Borrowers that "need attention" and "normal" borrowers	**Set aside loan-loss provisions for the amount of loss projected to be incurred over a certain period.[3] The following time frames are deemed reasonable.**	—
Borrowers requiring "special attention" (assets requiring "special attention")[1]	**Average remaining maturity of loans, or three years.**	**15 percent of the portion unsecured by collateral or guarantees**
Borrowers that "need attention" excluding borrowers requiring "special attention"	**Average remaining maturity of loans, or one year.**	**An appropriate amount calculated based on the historical loan-loss ratio taking into account the average remaining maturity of loans.**
"Normal" borrowers ("nonclassified" assets)	**Average remaining maturity of loans, or one year.**	—

Notes: *1.* The debtor categories are those used in banks' self-assessment. Asset categories in parentheses are those established under the Financial Reconstruction Law. Assets requiring "special attention" are a subset of loans to borrowers requiring "special attention" (see Box 3 on pages 158–160 for details).
2. Guidelines laid down in the "Financial Inspection Manuals," "Practical Guidelines," and the FRC Notification. Since there is no significant difference in the approaches indicated by the three guidelines, the description here is based primarily on the "Financial Inspection Manuals."
3. To determine the amount of expected losses, it is necessary to first calculate the expected loan-loss ratio by making necessary revisions, based on the outlook, to the average historical loan-loss ratio or the average probability of default. This ratio is then multiplied by the amount of outstanding loans (for loans to borrowers "in danger of bankruptcy," by the amount of category III loans).

3. Assets requiring "special attention"

The loan-loss provision ratio for the portion of assets requiring "special attention" that was unsecured by collateral—the ratio of the APLL to such portion—was 17 percent. This also exceeded the 15 percent recommended in "The Viewpoint."[21]

4. Loans to borrowers that "need attention" and "normal" borrowers

Few banks disclose loan-loss provision ratios for loans to borrowers that "need attention" and "normal" borrowers. For information, the ratio of the APLL to estimated overall credit exposure was 0.63 percent, twice the 0.32 percent recorded at end-March 1998.[22]

D. Prospects for the Disposal of Nonperforming Loans

1. Developments in the immediate future

It is unlikely that vast additional losses will arise in and after fiscal 1999 from loans to borrowers "in danger of bankruptcy" or from "bankrupt" or "effectively bankrupt" borrowers, considering the very high loan-loss provision ratios for these categories of loans as of end-March 1999.

The most important factors determining future losses from the disposal of nonperforming loans are (1) to what extent borrowers' financial condition will deteriorate reflecting economic trends, and how much of assets will degrade as a result—i.e., from loans to "normal" borrowers and borrowers that "need attention" to those to borrowers "in danger of bankruptcy" or worse, and (2) how much category III and IV loans will increase as a result.

2. Final disposal

As mentioned above, Japanese banks have carried out sizable loan-loss provisioning, but it should be noted that the final disposal of these nonperforming loans also remains of major consequence. Specifically, final disposal refers to the removal of nonperforming loans from banks' balance sheets. This can be achieved by (1) collecting, through the sale of collateral, the secured portion of loans for which loan-loss provisions have been set aside, or (2) selling nonperforming loans inclusive of the secured portion. By taking such steps, financial institutions can benefit in the following ways.

a. Improvement in cash flow

Cash flow will improve due to the following: (1) there will be an inflow of cash from the disposal of collateral or from the sale of nonperforming loans; and (2) tax payments will be reduced when nonperforming loans are finally disposed of—i.e., when the amount of actual loan loss is determined—and thereby the amount for which nondeductible provisioning was previously made is written off as tax-deductible. By reinvesting this cash flow in assets earning higher returns, it is possible to boost the profitability of the entire asset portfolio.

b. Avoidance of downside risk

The risk of additional losses arising from a fall in collateral value can be avoided.

c. Reduction of the cost of managing and collecting loans

d. Reduction of the amount of disclosed nonperforming loans

3. Progress in the final disposal

From fiscal 1991 through fiscal 1998, Japanese banks wrote off or made loan-loss provisions for a significant amount of nonperforming loans. According to estimates, the cumulative losses incurred on the portion of these loans that was completely removed from balance sheets, as a result of collection through the disposal of collateral or the sale of the loans, amounted to approximately ¥30 trillion. Assuming that 20 percent of the principal of these nonperforming loans was collected, the total principal of the disposed loans is estimated to have been approximately ¥40 trillion.[23] Meanwhile, the amount outstanding of nonperforming loans that are covered by loan-loss provisions but have not been completely disposed of is also estimated at a total of approximately ¥40 trillion.[24]

21. The loan-loss provision ratio of 15 percent recommended in "The Viewpoint" is for the unsecured portion of loans to borrowers requiring "special attention," which is slightly different from the assets requiring "special attention" disclosed by banks in accordance with the Financial Reconstruction Law.

22. Overall credit exposure is the total of loans, foreign exchange, accrued interest, accrued payments, suspense payments applied to loans, loaned securities, and customers' liabilities for acceptances and guarantees. In this report, credit exposure is calculated by incorporating accrued earnings in place of accrued interest and accrued payments, neither of which are included in disclosed financial statements, and leaving out suspense payments applied to loans.

23. The assumption of 20 percent is based on the average collection ratio of 10–20 percent on loans sold to the Cooperative Credit Purchasing Company (CCPC).

24. The amount of nonperforming assets here is the total of "unrecoverable or valueless" assets and "risk" assets (the amount before partial write-offs plus the amount of "loans under special risk review" for banks that do not disclose "risk" assets) disclosed based on the Financial Reconstruction Law and the amount outstanding of loans to the CCPC.

In other words, of all the nonperforming loans that have been written off or covered by provisions between fiscal 1991 and fiscal 1998, only 50 percent—approximately 40 trillion—have been completely removed from balance sheets, for example by being collected through the disposal of collateral or sale of the loans.

Since fiscal 1997, city banks, long-term credit banks, and trust banks, in particular, have actively undertaken bulk sales of nonperforming loans. In fiscal 1998, regional banks and regional banks II also began to engage in such activities. As a result, the total book value of nonperforming loans sold by Japanese banks during fiscal 1998 is considered to have reached at least ¥5 trillion, as compared to ¥1–2 trillion in fiscal 1997. In fiscal 1998, laws were established to facilitate the liquidation of nonperforming loans.[25] Under this new framework,

Box 3 Definitions of Nonperforming Loans

The difference between (1) problem assets disclosed under the Financial Reconstruction Law, (2) loans under special risk review as defined by the New Standard—in which definitions of "loans to borrowers in legal bankruptcy" and "overdue loans" were changed—and (3) loans under special risk review as defined by the Old Standard, is outlined in Table for Box 3.

1. The Range of Assets to Be Disclosed

Loans under special risk review cover loans only, whereas problem assets disclosed based on the Financial Reconstruction Law cover overall credit exposure—including loans, loaned securities, foreign exchange, accrued interest, suspense payments, and customers' liabilities for acceptances and guarantees. Accordingly, the total amount of loans under special risk review is smaller than that of problem assets disclosed under the Financial Reconstruction Law.

It should be noted, however, that, among the problem assets disclosed based on the Financial Reconstruction Law, the category of assets requiring "special attention" contains only loans. For this reason, the total of problem assets disclosed based on the Financial Reconstruction Law exceeds that of loans under special risk review by the amount of "credit exposure other than loans" categorized as "unrecoverable or valueless" assets and "risk" assets (Chart for Box 3 on page 160). This gap totaled approximately ¥0.5 trillion for city banks, long-term credit banks, and trust banks at end-March 1999.

2. Criteria for Classification of Assets

The Old Standard made classifications based on the quality of each loan—i.e., whether debt obligations were being fulfilled. On the other hand, the basic rule for categorization under the New Standard and under the Financial Reconstruction Law is that assets be classified based on the status of the debtor—i.e., classified into the borrower categories used in the self-assessment framework.[1]

It should be noted, however, that under the New Standard, "loans past due three months or more" and "restructured loans" are classified according to the quality of each loan. Assets requiring "special attention" disclosed based on the Financial Reconstruction Law are also classified in light of the quality of each loan, and do not include loans to

1. The previous uniform disclosure standards set by the then Federation of Bankers' Associations of Japan, the present Japanese Bankers Association (*Zenginkyo*), defined "loans to borrowers in legal bankruptcy" and "overdue loans," two categories of loans under special risk review, as loans for which tax laws did not require the recognition of accrued interest on books—i.e., loans on which interest payments have been past due six months or more. However, the uniform disclosure standards were abolished in March 1999 following a revision of the Banking Law Enforcement Order that required disclosure of loans under special risk review. Consequently, "loans to borrowers under legal bankruptcy" and "overdue loans" have been redefined as loans for which each bank has decided not to recognize accrued interest as earnings, irrespective of the standard laid down by tax laws.
In the financial statements for fiscal 1998, many of the major banks adopted new standards for the recognition of accrued interest based on the debtor categories used in self-assessment. Specifically, they decided not to record accrued interest on loans to "bankrupt" borrowers, "effectively bankrupt" borrowers, and borrowers "in danger of bankruptcy." Accordingly, by definition, two categories of loans under special risk review—"loans to borrowers in legal bankruptcy" and "overdue loans"—came to be classified based on the status of the borrower. Meanwhile, most regional banks still adhere to the Old Standard.

25. Such laws include (1) the Special Purpose Company Law allowing securitization of specified assets through special purpose companies (effective September 1, 1998); (2) a law recognizing registered assignments of financial claims to be set up against a third party (effective October 1, 1998); and (3) the Servicer Law allowing asset-collection companies to manage and collect financial assets (effective February 1, 1999).

banks are likely to continue selling nonperforming loans to complete their final disposal.[26]

E. Progress in the Disclosure of Nonperforming Loans

To restore confidence at home and abroad, Japanese banks must not only dispose of nonperforming loans but also adequately disclose them (Box 3).

This prompted Japanese banks to expand disclosure in fiscal 1998. First, banks began to disclose assets classified according to the categories laid down in the Financial Reconstruction Law, such disclosure being mandatory at city banks, long-term credit banks, and trusts banks at end-March 1999. Second, new trends were observed in the disclosure of loans under special risk review: (1) banks started to disclose these loans on both a nonconsolidated and a consolidated basis following revisions to

borrowers that "need attention" categorized under the self-assessment framework whose debtors are adequately fulfilling debt obligations. As a result, "loans past due three months or more" and "restructured loans" classified under the New Standard together are equivalent to the amount of assets requiring "special attention" disclosed under the Financial Reconstruction Law.

Table for Box 3 Comparison of Problem Assets Disclosed under the Financial Reconstruction Law and Loans under Special Risk Review

	Disclosed assets under the Financial Reconstruction Law	Loans under special risk review[1]	
		New Standard	Old Standard
Legal bases	**Financial Reconstruction Law (Article 7)**	**Banking Law (Article 21); Banking Law Enforcement Order (Article 19, paragraphs 2 and 3); and guidelines for supervision by the FSA**	
Start of disclosure	**From end-March 1999 for city banks, long-term credit banks, and trust banks; from end-September 1999 for regional banks and regional banks II; and from end-March 2000 for *shinkin* banks**	**From end-March 1999[2]**	**From end-March 1998[3]**
Basis of disclosure	**Nonconsolidated**	**Consolidated and nonconsolidated (consolidated basis to start from end-March 1999)**	
Assets disclosed	**Overall credit exposure (loans and other credits)**	**Loans**	
Criteria for classification of assets	**By borrower (based on the financial condition of each borrower)[4]**		**By loan (based on the fulfillment of debt obligations)**
Basis for recognizing accrued interest	—	**Borrower standard[5]**	**Tax Law standard[6]**

Notes: *1.* Either standard can be chosen by banks.
2. Some banks shifted to the New Standard from end-September 1998.
3. Disclosure of nonperforming loans on a limited scale started at end-March 1993. From end-March 1998, the scope of disclosure was expanded to include loans under special risk review—i.e., "loans to borrowers in legal bankruptcy," "overdue loans," "loans past due three months or more," and "restructured loans."
4. Assets requiring "special attention" disclosed under the Financial Reconstruction Law and "loans past due three months or more" and "restructured loans" under the New Standard are classified according to the quality of each loan.
5. Accrued interest is not recognized for loans to borrowers judged to be "in danger of bankruptcy" or worse.
6. Accrued interest is not recognized if interest payments have been overdue for more than six months.

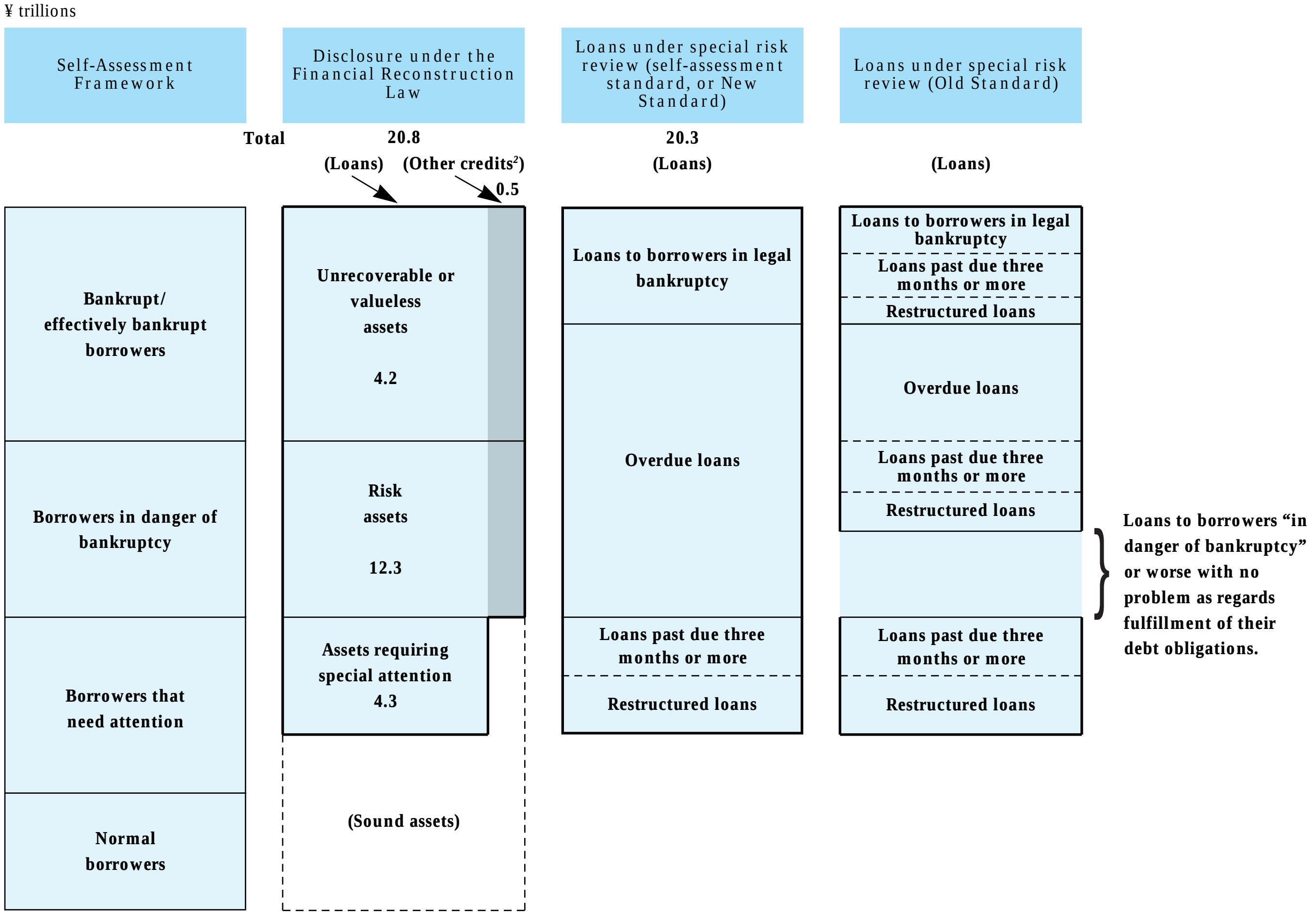
26. For example, of the 15 banks that applied for an injection of public funds in fiscal 1998, at least ten stated in their plans for restoring sound management that they would continue the bulk sale of nonperforming loans in fiscal 1999 and thereafter.

the Banking Law Enforcement Order, whereas previously, these loans had been disclosed based only on nonconsolidated financial statements according to the uniform disclosure standards set by the then Federation of Bankers' Associations of Japan, the present Japanese Bankers Association (*Zenginkyo*); and (2) in order to make the debtor categories consistent with those used in banks' self-assessment, some banks redefined "loans to borrowers in legal bankruptcy" and "overdue loans."[27] These changes secured consistency between banks' self-assessment, accounting treatment, and public disclosure, which had not previously been brought into relation with each other.

Banks have also prioritized the disclosure of information as part of their strategies to heighten their market profiles, and are therefore actively devising new disclosure formats. Specifically,

Box 3 (continued)

Chart for Box 3 Difference in the Definitions of Nonperforming Loans under Various Disclosure Frameworks[1]



Notes: *1.* Figures are for a total of 17 city banks, long-term credit banks, and trust banks.
2. Includes loaned securities, foreign exchange, accrued interest, suspense payments, and customers' liabilities for acceptances and guarantees.

27. Most city banks, long-term credit banks, and trust banks made three types of disclosure for nonperforming loans: (1) disclosure of loans under special risk review based on the former definition of "loans to borrowers in legal bankruptcy" and "overdue loans"; (2) disclosure of loans under special risk review based on the new definition; and (3) disclosure of assets based on the Financial Reconstruction Law. Refer to Box 3 for a detailed explanation on the differences between the three.

a growing number of banks are disclosing their self-assessment results or the collateral coverage and loan-loss provisions for each loan category disclosed.

IV. Financial Strength of Banks

A. Capital and Unrealized Profits

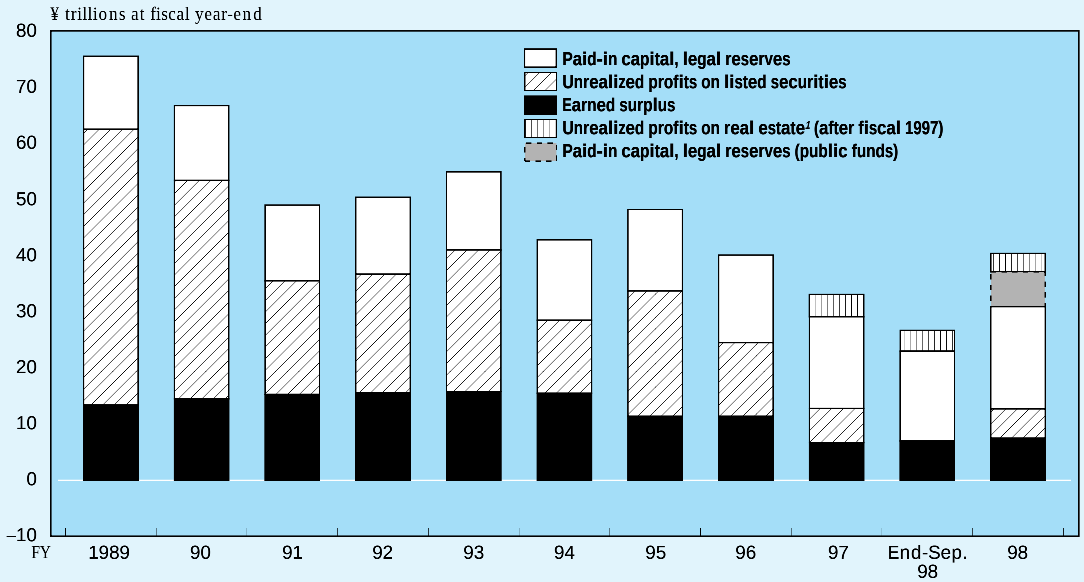
Aggregated capital accounts of Japanese banks at end-March 1999 reached ¥33.7 trillion, a substantial increase from the ¥23.0 trillion at end-March 1998. This expansion, despite the large net losses for the term totaling ¥4.5 trillion, was attributable to (1) the public funds injection in preferred stocks worth ¥6.2 trillion and other capital increases of an estimated ¥1.8 trillion, and (2) an expansion in capital accounts reflecting the vast deferred tax assets of ¥8.9 trillion recorded on the balance sheet (Chart 10, and Box 4 on pages 162–163). The increased portion attributable to the deferred tax assets accounted for approximately 26 percent of the aggregated capital accounts, and together with the portion attributable to the addition of public funds, more than 40 percent.

In capital accounts, earned surplus increased only slightly to ¥7.6 trillion from the ¥6.7 trillion at end-March 1998. This was because the massive disposal of nonperforming loans of ¥13.5 trillion offset the boost from the deferred tax assets. With regard to unrealized profits at end-March 1999, unrealized gains on listed securities totaled ¥4.3 trillion, falling below the end-March 1998 figure of ¥5.3 trillion. Banks revaluing landholdings at end-March 1999 posted unrealized gains of ¥3.3 trillion, which was also lower than the ¥4.0 trillion at end-March 1998.[28]

B. Risk-Based Capital Adequacy Ratios

The consolidated risk-based capital adequacy ratio of internationally active banks at end-March 1999 recorded a historic high of 11.46 percent on a weighted average basis, 1.91 percentage points higher than at end-March 1998 (Chart 11 on page 164). This was due, as stated earlier, to the significant reduction in risk assets primarily reflecting the curtailment of overseas risk exposure, and also to the increase in the capital account. The nonconsolidated risk-based

Chart 10
Banks' Financial Strength



Note: *1*. Recognized since fiscal 1997.

28. Unrealized profits on holdings of land are calculated as follows based on figures posted by banks that revalued their holdings of land: the revaluation differential plus deferred tax liabilities relating to the revaluation minus unrealized losses on holdings of land following the revaluation. The number of banks included in the calculation at end-March 1998 is different from that at end-March 1999.

capital adequacy ratio of noninternationally active banks at end-March 1999 was 7.73 percent on a weighted average basis, 0.77 percentage point lower than at end-March 1998. This was attributable to a decrease in Tier I capital caused by the net losses reported in fiscal 1998.[29]

Box 4 Current State of Deferred Tax Assets

1. Description of Tax-Effect Accounting

Accounting for effects of income taxes is an accounting technique for reflecting in financial statements advance or deferred payments of corporate taxes arising from differences in the revenues and expenses reported for financial and tax purposes. For example, nondeductible loan-loss provisioning has no influence on taxable income in the current year, but if it becomes tax-deductible in the future, taxable income will be reduced accordingly. Since such temporary differences existing at the end of the current year will lead to deductible amounts in future years, this amount multiplied by the effective tax rate is recorded as a deferred tax asset. Similarly, loss carryforwards can reduce taxable income for up to five years from the time they are incurred, and therefore deferred tax assets can also be recorded for future reductions in taxes.

2. Introduction of Accounting for Effects of Income Taxes in Nonconsolidated Financial Statements

Accounting for effects of income taxes is prevalent nearly everywhere in Europe and the United States. Japan, too, has allowed the use of this method in consolidated financial statements. In October 1998, the Business Accounting Deliberation Council issued an opinion outlining the principles for accounting for effects of income taxes. Following this statement, the application of such accounting to nonconsolidated financial statements was permitted starting from those for fiscal 1998 (Table for Box 4).[1]

During fiscal 1998, all but four regional banks, or 134 of Japan's 138 banks, introduced accounting for effects of income taxes in nonconsolidated financial statements.[2] Deferred tax assets recorded at these banks on a nonconsolidated basis came to a total of ¥8.9 trillion, equivalent to 26.5 percent of aggregate capital accounts of all Japanese banks. Looking at the ratio of deferred tax assets to capital accounts by type of bank, the ratio was 29.1 percent for city banks, long-term credit banks, and trust banks, while it was 21.0 percent for regional banks and regional banks II.

3. Relevance of Deferred Tax Assets in Financial Statements

Deferred tax assets are estimated amounts of future tax reductions. Therefore, they cannot be recorded unless it is foreseeable that taxable income will exceed the amount of temporary differences or loss carryforwards at the time of the settlement of these differences or during the period over which losses can be carried forward. If the temporary difference is greater than the anticipated taxable income, banks run the risk of not being able to enjoy fully the tax-reducing effect of the deferred tax assets when the temporary difference is reconciled. Therefore, it is extremely important to ascertain whether deferred tax assets are recorded properly in order to obtain an accurate grasp of the financial strength of financial institutions.

From this point of view, the Financial Supervisory Agency specified in its guidelines for supervision that it should check whether the amount of deferred tax assets is appropriate.

1. From fiscal 1999 onward, tax-effect accounting will be mandatory for both nonconsolidated and consolidated financial statements.
2. Excludes six failed banks: Long-Term Credit Bank of Japan, Nippon Credit Bank, Kokumin Bank, Tokyo Sowa Bank, Kofuku Bank, and Midori Bank. Hereafter in this box, figures exclude failed banks unless otherwise noted.

29. A total of ten long-term credit banks, regional banks, and regional banks II closed down their overseas branches, therefore becoming noninternationally active banks. As a result, 34 banks were subject to the international standard and 110 banks, including failed banks, were subject to the domestic standard at end-March 1999.

V. Consolidated Financial Statements

The standard pertaining to the consolidation of financial statements was revised beginning with the results for fiscal 1998. The criterion for determining the range of subsidiaries and affiliates to be covered in consolidated financial statements was changed from the share of voting rights to the degree of

The guidelines also stipulate that, if the amount of deferred tax assets exceeds the total anticipated income for the next five years, the agency should investigate the background, including whether external auditors have been properly consulted.

In light of this standard, it is valuable to examine the equivalence between Japanese banks' projected income and the deferred tax assets recorded. Calculations show that the deferred tax assets recorded by city banks, long-term credit banks, and trust banks are equivalent to slightly less than six years' worth of anticipated taxable income, while those recorded by regional banks and regional banks II are equivalent to slightly more than four years' worth.

Deferred tax assets exceeding the total anticipated taxable income of the next five years should not be a problem if future tax reductions are projected based on rational estimation. Be that as it may, to enhance confidence at home and abroad, efforts should be made to recognize deferred tax assets only when it is highly probable that their effects will be realized, and to ensure the transparency of accounting procedures by giving sufficient explanation of figures.

Table for Box 4 Deferred Tax Assets

¥ trillions, except as noted

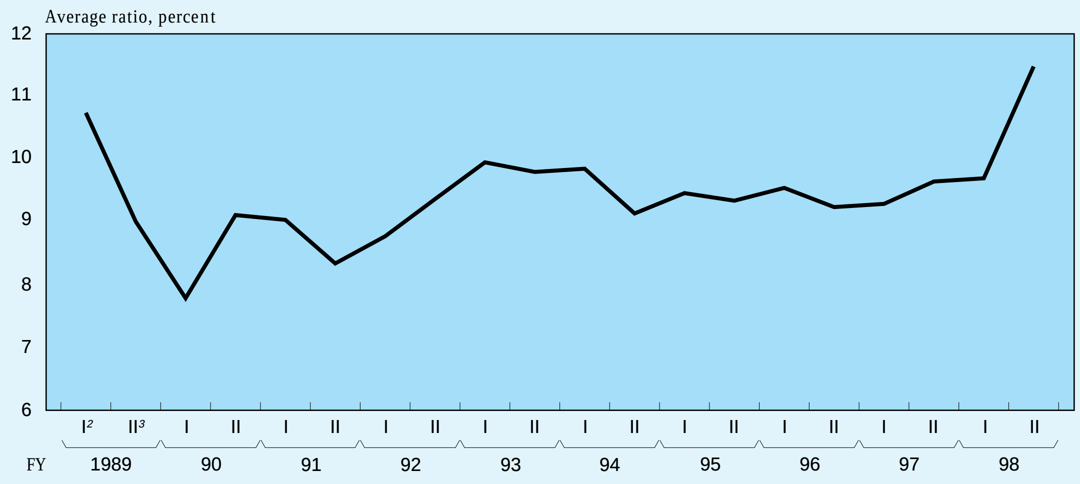
	Deferred tax assets	Capital accounts	Ratio of deferred tax assets to capital accounts (percent)	Size of deferred tax assets in terms of anticipated taxable income[1]
City banks, long-term credit banks, and trust banks	**6.6**	**22.8**	**29.1**	**Equivalent to projected taxable income for less than six years**
Regional banks and regional banks II	**2.3**	**10.8**	**21.0**	**Equivalent to projected taxable income for more than four years**
All Banks	**8.9**	**33.7**	**26.5**	**Equivalent to projected taxable income for more than five years**

Note: *1.* Annual taxable income is estimated at 80 percent of the average operating profits from fiscal 1994 through fiscal 1998. The multiplier, 80 percent, is derived from the projection for future taxable income based on banks' plans for restoring sound management. The number of years is produced by dividing deferred tax assets by the effective tax rate, and dividing this amount by the estimated annual taxable income.

control and influence (Table 5 and Box 5). As a result, the majority of affiliated nonbanks, which were traditionally not consolidated, were either consolidated or accounted for under the equity method.

Total assets on a consolidated basis at end-March 1999 were ¥788 trillion compared with ¥757 trillion on a nonconsolidated basis.[30] Consolidated assets were only 4 percent larger than the unconsolidated amount because loans to consolidated subsidiaries and affiliates were canceled out. Accordingly, the consolidated figure for loans under special risk review was only 1.04 times the nonconsolidated figure.

Chart 11
Average Risk-Based Capital Adequacy Ratios of Internationally Active Banks, Consolidated Basis[1]



Notes: *1.* Data are for banks subject to the international standard at end-March 1999.
2. End of the semiannual accounting period.
3. End of the fiscal year.

Table 5
Consolidated Financial Statements

¥ trillions (balance sheet), ¥ billions (income statement); except as noted

		Nonconsolidated basis (a)	Consolidated basis[1] (b)	(b – a)	Ratio of consolidated to nonconsolidated (percent)
Balance sheet	**Total assets[2]**	**757.1**	**788.1**	**31.0**	**104.1**
	Of which: loans	**488.8**	**497.1**	**8.3**	**101.7**
	Risk-based capital adequacy ratios[3] (percent)	**10.99**	**10.69**	**–0.30**	
Income statement	**Recurring profits/losses**	**–7,240**	**–7,420**	**–180**	
	Net income/losses	**–4,480**	**–5,360**	**–880**	

Notes: *1.* Figures exclude data for banks consolidated under other banks.
2. The nonconsolidated figure excludes the paid-in capital and capital reserves of banks consolidated under other banks.
3. Weighted averages of internationally and noninternationally active banks.

30. Figures in this section are adjusted for double-counting. That is, the aggregate balance-sheet figures exclude data for Yasuda Trust & Banking, Nippon Trust Bank, Wakashio Bank, and Bank of Kansai, and the income-statement figures exclude data for Nippon Trust Bank and Wakashio Bank. Yasuda Trust & Banking and Bank of Kansai were included in income statement data because, having been put under the control of their parents late in the fiscal year, their performance was not reflected in the income statements of their parents for fiscal 1998. Nonconsolidated figures include those of all of the aforementioned banks.

Box 5 Expansion of the Range of Subsidiaries and Affiliates in Consolidated Financial Statements

The revised standard for the consolidation of financial statements applies starting from those for fiscal 1998. Under the new standard, the range of subsidiaries and affiliates to be incorporated is determined based on the degree of parent companies' control and influence, whereas previously it was determined based only on the share of voting rights (Table 1 for Box 5).

1. Expansion of the Range of Subsidiaries and Affiliates in Consolidated Financial Statements

The previous criterion for determining the subsidiaries and affiliates to be consolidated was the parent's share of voting rights. However, two new criteria were introduced following the release of a report in June 1997 by the Business Accounting Deliberation Council on the revision of the system for the preparation and the publishing of consolidated financial statements. Specifically, (1) a "control standard," applied when a company is able to control the financial condition or the body deciding business or management policies of another firm; and (2) an "influence standard," applied when a company is able to exert significant influence over the financial condition of another firm.

2. An Increase in Consolidated Subsidiaries and Active Application of the Equity Method

The review of the definition of subsidiaries and affiliates led to a sizable increase at Japanese banks in the number of consolidated subsidiaries as well as firms accounted for under the equity method (some nonconsolidated subsidiaries and affiliates).[1] Such subsidiaries and firms totaled 1,962—including 1,401 newly recognized institutions—marking a significant increase from the number under the old standard (Table 2 for Box 5 on page 166).

Table 1 for Box 5 Expansion of the Definition of Subsidiaries and Affiliates

	Old standard	New standard
Subsidiaries	**Firms in which the parent company holds more than 50 percent of the voting rights. This also applies to instances where more than 50 percent of the voting rights is held by (1) the parent and its subsidiaries, or (2) the subsidiaries.**	**Firms that satisfy any one of the following conditions, including firms that satisfy the conditions when "the parent company and its subsidiaries"or "subsidiaries" is substituted for "the parent company." (1) Firms in which the parent company holds more than 50 percent of the voting rights. (2) Firms in which the parent company holds from 40 to 50 percent of the voting rights, and which also meet certain conditions (e.g., the majority of the members of decision-making bodies such as the board of directors is made up of personnel from the parent company). (3) Firms in which the aggregate share of the voting rights held by the parent company, entities having close relationships with the parent company, and entities that are in alliance with the parent company is more than 50 percent, and which also meet certain conditions (the same as in [2] above).[1]**
Affiliates	**Firms in which the parent company (by itself or together with its subsidiaries) holds from 20 to 50 percent of the voting rights.**	**Firms that satisfy any one of the following conditions and are not subsidiaries. (1) Firms in which the parent company (by itself or together with its subsidiaries; the same applies to [2] and [3] below) holds 20 percent or more of the voting rights. (2) Firms in which the parent company holds from 15 to 20 percent of the voting rights, and which also meet certain conditions (e.g., there are personnel from the parent company serving as directors). (3) Firms in which the aggregate share of the voting rights held by the parent company, entities having a close relationship with the parent company, and entities that are in alliance with the parent company is 20 percent or more, and which also meet certain conditions (the same as in [2] above).[1]**

Note: *1.* Entities having close relationships are defined as follows: entities that are closely related through capital investment, personnel, financing, technology, and transactions, and which are therefore considered as casting the same vote as the parent.
Entities that are in alliance are defined as follows: entities that agree to cast the same vote as the parent.

1. Investment in nonconsolidated subsidiaries—a nonconsolidated subsidiary is a firm that satisfies the requirements for a subsidiary but is excluded from consolidation in view of its significance for the parent's financial statements—must be reflected in the consolidated balance sheets under the equity method. Exceptions are those companies that are judged to have no substantial impact, given their income level, on consolidated financial statements even if the equity method were applied.

The risk-based capital adequacy ratio (the weighted average of internationally and non-internationally active banks) was 10.69 percent on a consolidated basis, and 10.99 percent on a nonconsolidated basis.

Trends in profits showed that consolidated recurring losses were ¥7.4 trillion, ¥0.2 trillion higher than the unconsolidated recurring losses of ¥7.2 trillion. Net losses on a consolidated basis totaled ¥5.4 trillion, ¥0.9 trillion greater than the unconsolidated net losses of ¥4.5 trillion. Both recurring losses and net losses were larger on a consolidated basis because many subsidiaries and affiliates, like their parent banks, posted losses due to the disposal of nonperforming loans.

VI. Outlook for Improvement in Profitability

A. Measurement of Profitability

In fiscal 1998, a series of laws, including the Financial Reconstruction Law and the Financial Function Early Strengthening Law, was enacted for the purpose of stabilizing the financial system, and public funds were injected into 15 banks, which included city banks, long-term credit banks, and trust banks. These measures, together with the monetary easing by the Bank, have made an effective contribution to restoring stability to the financial system.

To end public assistance at the earliest possible time, banks will have to accumulate sufficient capital reserves through various efforts, including those to improve profitability. From this standpoint, a comparison of the profitability of Japanese and U.S. banks is provided below.

1. ROA and ROE

ROA and ROE are commonly used measures of profitability (Chart 12).[31] The ROA of Japanese banks has constantly remained at low levels since the period before the economic "bubble." By contrast, the ROA of U.S. banks has grown dramatically following the completion of nonperforming-loan disposal in the first half of the 1990s, and is currently about four times that of Japanese banks.

Box 5 (continued)

Table 2 for Box 5 Number of Consolidated Subsidiaries and of Firms Accounted for under the Equity Method

Number of firms

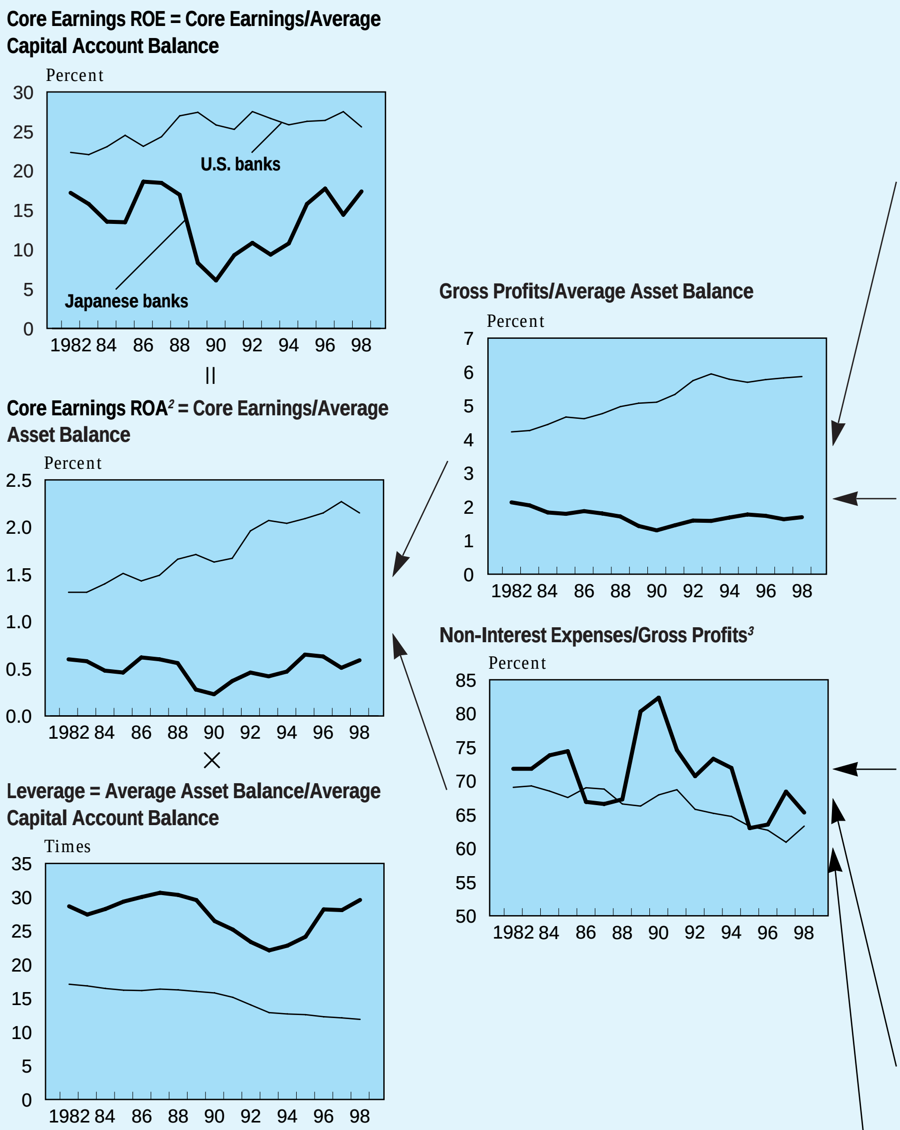
	All Banks[1]	Of which: newly included[2]	City banks, long-term credit banks, and trust banks	Of which: newly included[2]
Consolidated subsidiaries	**1,654**	**1,131**	**900**	**387**
Firms accounted for under the equity method	**308**	**270**	**216**	**178**
Total	**1,962**	**1,401**	**1,116**	**565**

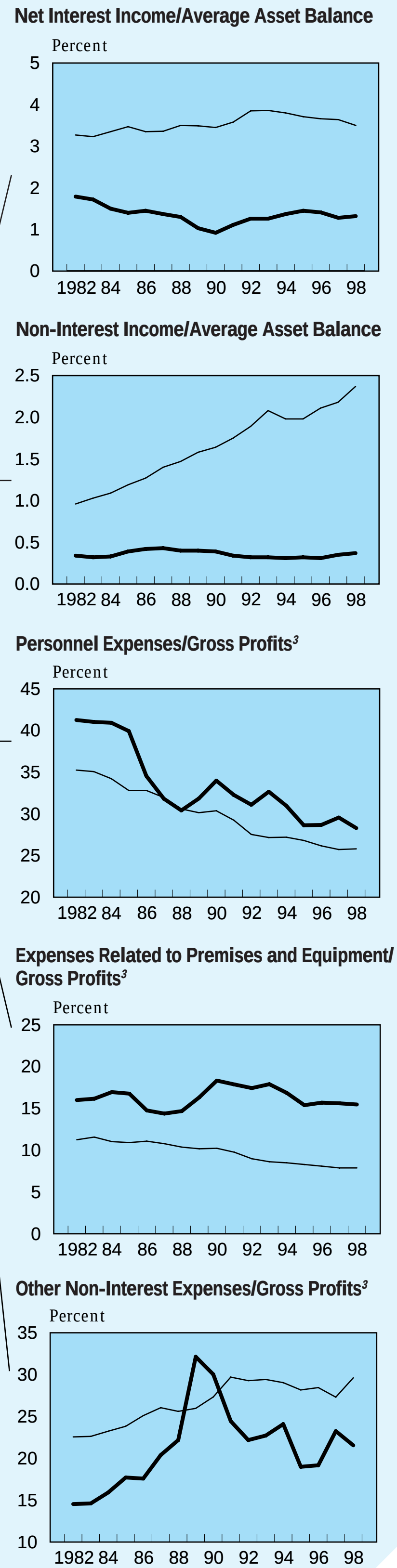
Notes: *1.* Figures are for firms whose parents are included in All Banks.
2. The numbers include all subsidiaries and affiliates that were consolidated or accounted for under the equity method by banks that started to disclose consolidated financial statements for fiscal 1998.

31. Return on assets (ROA) = net income/total assets.
Return on equity (ROE) = net income/equity.
Net income was replaced by core earnings, defined as follows, in the calculation of ROA and ROE to facilitate comparison of Japanese and U.S. banks.
Core earnings in Japan = operating profits from core business + temporary profits (excluding net stock-related gains/losses, loan write-offs, and loan-loss provisioning).
Core earnings in the United States = pretax net operating income + provisions for loans and lease losses and allocated transfer risk.

Chart 12

ROE Analyses of Japanese and U.S. Banks[1]





Notes: 1. Data for Japan are for each fiscal year, and those for the United States are for each calendar year.

2. Core earnings ROA = core earnings/average asset balance
= gross profits/average asset balance – non-interest expenses/average asset balance
= gross profits/average asset balance ¥ (1 – non-interest expenses/gross profits).

Core earnings = gross profits – non-interest expenses.

Gross profits = net interest income + non-interest income.

3. Higher ratios indicate lower efficiency.

Non-interest expenses = personnel expenses + expenses related to premises and equipment + other non-interest expenses.

Sources: Federal Deposit Insurance Corporation, "Historical Statistics on Banking"; Bank of Japan.

ROE showed less disparity than ROA because Japanese banks were highly leveraged. Nevertheless, although the difference has continued to narrow, the ROE of U.S. banks has consistently exceeded that of Japanese ones.

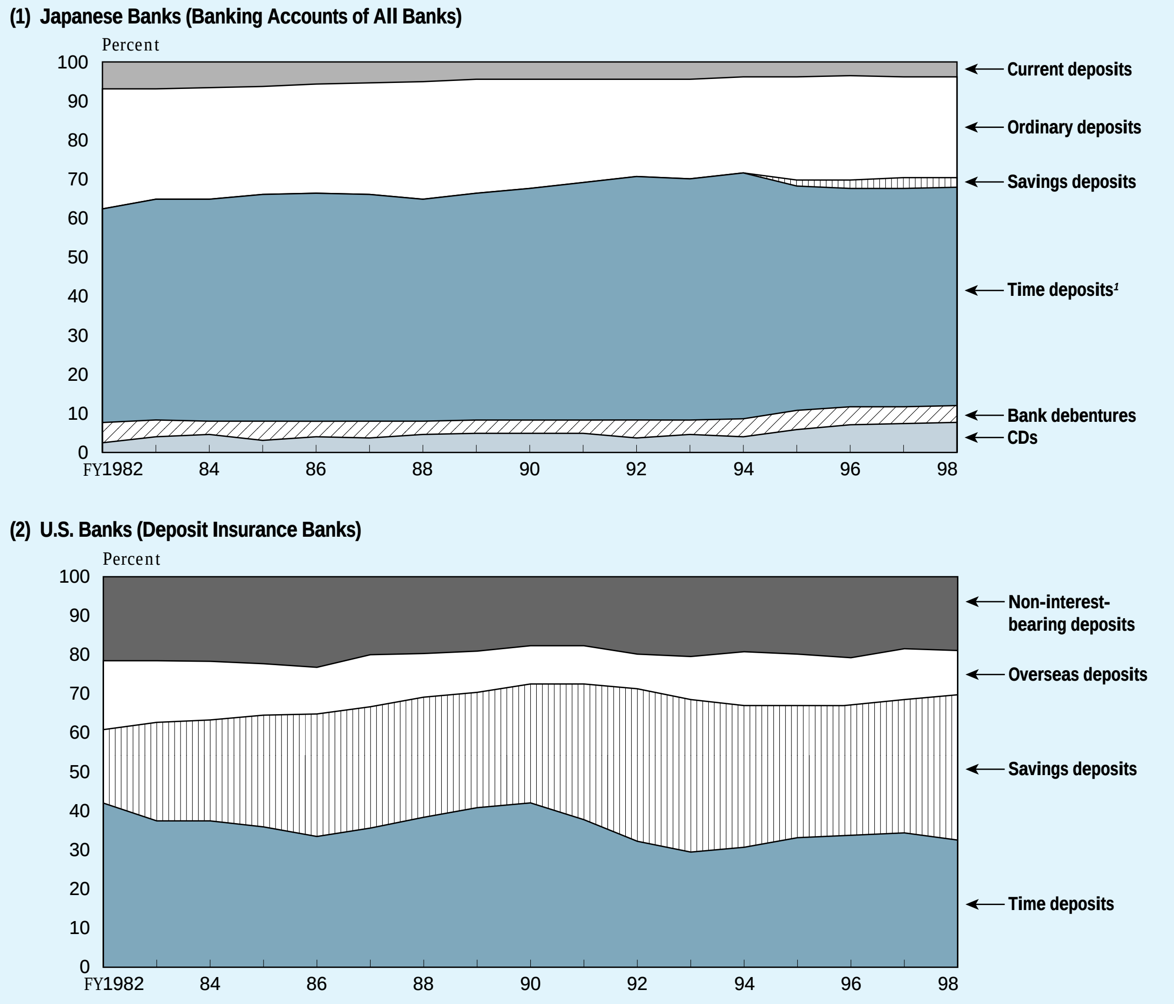
2. Elements of ROA

The "return" of ROA can be broken down into gross profits (net interest income plus non-interest income) and non-interest expenses (such as general and administrative expenses). The ratio of gross profits to total assets has continued to rise at U.S. banks, increasing the disparity between U.S. and Japanese banks.

a. Gross profits

When gross profits are broken down into net interest income and non-interest income, the net interest income of Japanese banks as a ratio of total assets can be seen to be lower than that of U.S. banks. This situation can be attributed to the following factors. First, at U.S. banks, non-interest-bearing deposits account for about 20 percent of total deposits, resulting in relatively low fund-raising costs (Chart 13). And second, compared to U.S. banks, Japanese banks have smaller lending spreads. The narrower spreads could be the result of the fact that Japanese banks do not necessarily charge interest

Chart 13
Comparison of Deposits and Other Liabilities of Japanese and U.S. Banks



Note: *1.* Includes time deposits, installment savings, and fixed savings.
Sources: Federal Deposit Insurance Corporation, "Historical Statistics on Banking"; Bank of Japan.

commensurate with the credit risk involved, and that the share of consumer loans, which have high profit margins, is smaller in Japan than in the United States.

The ratio of non-interest income to the average asset balance of Japanese banks has been low throughout the 1980s and 1990s, while that of U.S. banks has risen constantly during that period. Some of the reasons for the higher ratio at U.S. banks were (1) collection of service charges on deposit accounts, (2) considerable growth in credit card-related fees, (3) an increase in fees from the sales and servicing of mutual funds and annuities, and (4) an increase in fees related to liquidation of assets and mergers and acquisitions.

b. Expenses

As regards non-interest expenses, the overhead ratio (OHR) of Japanese banks has generally been higher than that of U.S. banks, but the difference has been small. Breaking down the OHR into three ratios—personnel expenses, expenses related to premises and equipment, and other non-interest expenses—the ratio of personnel expenses was somewhat lower and that of expenses related to premises and equipment was considerably less at U.S. banks than at Japanese ones.[32] However, the ratio of other non-interest expenses was higher at U.S. banks. This seemed to be in most part attributable to the larger expenses on mergers and acquisitions of financial institutions and the sizable fees for the outsourcing of operations, as well as active IT-related investments.[33]

B. Toward Improved Profitability

As mentioned above, a significant gap separates U.S. and Japanese banks in terms of ROA. Behind this lie historical and institutional factors, making it impossible to simply argue about superior or inferior profitability. However, Japanese banks might do well to note two points that have led to higher ROA at U.S. banks. First, U.S. banks have always striven to provide services fine-tuned to customer needs by thorough marketing, and second, they have sought effective utilization of business resources, such as capital and labor, by appropriately measuring the risks and returns pertaining to each area of operations.

Specific measures to be taken by Japanese banks to improve profitability would include the following: (1) securing lending spreads that duly reflect the risk involved; (2) investing business resources in fields in which they have comparative advantages; (3) making IT-related investments to promote new business strategies; and (4) finding new sources of income or restraining costs by outsourcing business and reviewing delivery channels.

It is obvious that more advanced risk management is a prerequisite for such business development. Further enhancement of risk management ability would limit unforeseen losses and facilitate entry into lucrative business. By making possible management of risk-adjusted income, it would also contribute to appropriate resource allocation and to the establishment of the framework indispensable for such resource allocation.

32. OHR is expenses divided by earnings. Here, non-interest expenses are divided by gross profits.
33. IT-related investment refers to system investment, but is not limited to investment in traditional on-line accounting systems. It also includes investment in information systems that accumulate and compile customer information and advance financial technology for the purpose of promoting new business strategies.

ANNEX: FINANCIAL STATEMENTS OF FINANCIAL INSTITUTIONS

Income Statement of All Banks[1]

¥ billions

Fiscal years	1989	90	91	92	93
Recurring income	52,240.4	61,739.6	58,108.9	45,798.3	41,418.0
Operating income	48,823.5	59,131.6	55,597.9	44,901.8	39,153.9
Interest income	44,708.2	54,906.2	52,147.3	41,175.1	34,838.7
Fees and commissions	2,323.8	2,201.7	2,028.5	2,080.4	2,188.8
Income from specified transactions[2]					
Other operating income	1,791.4	2,023.6	1,422.0	1,646.3	2,126.3
Temporary income	3,416.9	2,607.9	2,510.9	896.3	2,264.0
Recurring expenses	48,315.9	58,593.6	55,460.5	43,652.5	39,960.3
Operating expenses	45,861.4	56,752.3	52,429.3	40,771.4	35,223.0
Interest expenses[3]	37,686.7	48,212.1	43,874.9	32,050.0	26,106.9
Expenses for money trust management	276.6	395.0	325.7	224.1	191.4
Fees and commissions	523.7	561.2	567.9	567.8	578.5
Expenses on specified transactions[2]					
Other operating expenses	1,339.5	1,307.2	982.7	971.7	1,355.9
Transfers to allowance for possible loan losses	139.7	57.0	38.9	23.1	–6.2
Debenture expenses	37.7	26.4	21.2	18.1	15.6
General and administrative expenses	6,134.1	6,588.2	6,943.5	7,140.5	7,172.0
Temporary expenses	2,454.4	1,841.3	3,031.1	2,881.1	4,737.2
Recurring profits/losses	3,924.5	3,145.8	2,648.3	2,145.7	1,457.7
Operating profits	3,239.0	2,774.3	3,494.3	4,354.5	4,122.3
Gross profits on operations	9,550.5	9,446.0	10,497.9	11,536.3	11,303.8
Net interest income	7,298.1	7,089.1	8,598.1	9,349.2	8,923.2
Net fees and commissions	1,800.1	1,640.4	1,460.5	1,512.5	1,610.2
Profits on specified transactions[2]					
Other operating profits	451.9	716.4	439.2	674.5	770.3
Extraordinary profits	377.2	227.6	341.6	227.7	193.3
Extraordinary losses	396.4	235.3	319.3	266.6	224.6
Net income/loss before taxes	3,905.4	3,138.1	2,670.6	2,106.7	1,426.4
Corporate income tax, inhabitants taxes, and enterprise taxes[4]	1,880.9	1,459.0	1,395.2	1,234.5	673.1
Income tax benefits[5]					
Net income/loss	2,024.4	1,679.1	1,275.4	872.2	753.2

After adjustment trust accounts[6]

Net interest income	7,781.4	7,480.4	8,956.1	9,847.1	9,515.8
Net fees and commissions	1,316.7	1,249.2	1,102.5	1,014.6	1,017.6

Notes: 1. Figures are for All Banks, excluding those that had failed before the end of fiscal 1998. For definitions of All banks, city banks, long-term credit banks, trust banks, regional banks, and regional banks II, see Footnote 1 on page 142. Figures for banks that were taken over by other banks before the end of fiscal 1998 are included in all those for the respective absorbing bank starting from fiscal 1989.
Figures are on a nonconsolidated basis, and include only banking accounts unless otherwise noted.
2. Newly established in fiscal 1997.
3. Includes expenses on management of money trusts.
4. Figures through fiscal 1997 do not include enterprise taxes as they were recorded as temporary expenses.
5. Newly established in fiscal 1998 due to the introduction of accounting for the effect of income taxes.
6. Interest income and expenses in trust accounts on loan trusts and on jointly managed money trusts with agreements to compensate for losses on principal, which are posted as fees and commissions in the income statement, are included here in net interest income.

Income Statement of All Banks[1]

(continued from the previous page)

	94	95	96	97	98
Recurring income	40,504.5	42,265.5	38,562.9	34,892.8	30,395.8
Operating income	36,587.9	38,319.1	34,832.0	30,211.7	27,759.5
Interest income	32,750.6	33,175.3	29,490.5	25,176.0	21,854.1
Fees and commissions	2,272.3	2,376.6	3,146.7	2,566.2	2,311.2
Income from specified transactions[2]				224.9	235.1
Other operating income	1,564.9	2,767.1	2,194.7	2,244.3	3,358.8
Temporary income	3,916.5	3,946.3	3,730.9	4,681.1	2,636.3
Recurring expenses	39,523.3	44,710.0	38,058.7	39,550.4	37,632.0
Operating expenses	32,519.2	32,229.0	29,026.0	25,192.8	24,021.9
Interest expenses[3]	23,495.3	22,807.3	19,312.6	15,602.6	12,232.9
Expenses for money trust management	177.0	145.5	117.4	83.3	62.8
Fees and commissions	576.0	581.2	587.0	601.7	615.1
Expenses on specified transactions[2]				28.5	8.2
Other operating expenses	1,188.6	1,527.9	1,555.2	1,337.3	2,245.4
Transfers to allowance for possible loan losses	39.6	58.1	69.1	105.7	1,606.6
Debenture expenses	12.1	8.6	12.1	8.8	6.9
General and administrative expenses	7,207.4	7,245.6	7,489.8	7,508.0	7,306.5
Temporary expenses	7,004.0	12,480.9	9,032.7	14,357.6	13,610.1
Recurring profits/losses	981.1	–2,444.6	504.1	–4,657.6	–7,236.2
Operating profits	4,245.7	6,235.6	5,923.4	5,102.2	3,800.4
Gross profits on operations	11,504.9	13,548.0	13,494.5	12,724.7	12,720.5
Net interest income	9,432.3	10,513.5	10,295.2	9,656.7	9,684.0
Net fees and commissions	1,696.3	1,795.3	2,559.6	1,964.5	1,696.1
Profits on specified transactions[2]				196.4	226.9
Other operating profits	376.2	1,239.2	639.5	907.0	1,113.4
Extraordinary profits	163.0	488.9	345.5	1,279.4	776.1
Extraordinary losses	337.6	610.9	345.0	368.7	749.4
Net income/loss before taxes	806.6	–2,566.6	504.7	–3,747.0	–7,209.5
Corporate income tax, inhabitants taxes, and enterprise taxes[4]	629.9	1,115.1	231.5	546.2	615.4
Income tax benefits[5]					–3,349.5
Net income/loss	176.7	–3,681.8	273.2	–4,293.3	–4,475.4

After adjustment trust accounts[6]

	94	95	96	97	98
Net interest income	10,324.5	11,350.5	11,137.3	10,376.0	10,252.2
Net fees and commissions	804.1	958.3	1,717.6	1,245.2	1,127.9

Income Statement of City Banks, Long-Term Credit Banks, and Trust Banks[1]

¥ billions

Fiscal years	1989	90	91	92	93
Recurring income	**39,800.1**	**45,443.0**	**41,502.7**	**32,160.7**	**29,558.2**
Operating income	37,012.3	43,497.3	39,441.2	31,461.9	27,603.7
Interest income	33,588.9	39,967.6	36,690.1	28,524.8	24,164.8
Fees and commissions	1,973.6	1,830.8	1,619.0	1,642.5	1,710.9
Income from specified transactions[2]					
Other operating income	1,449.8	1,698.9	1,132.1	1,294.7	1,728.0
Temporary income	2,787.8	1,945.7	2,061.5	698.8	1,954.5
Recurring expenses	**36,916.2**	**43,317.5**	**39,729.5**	**30,955.6**	**28,829.6**
Operating expenses	35,086.9	41,992.2	37,409.3	28,667.5	24,866.0
Interest expenses[3]	30,198.8	36,892.4	32,412.5	23,672.7	19,552.9
Expenses for money trust management	181.3	270.5	233.4	169.0	151.3
Fees and commissions	358.8	375.6	371.0	356.8	356.8
Expenses on specified transactions[2]					
Other operating expenses	994.2	999.0	725.1	694.9	1,064.4
Transfers to allowance for possible loan losses	114.6	44.9	26.2	13.1	–8.8
Debenture expenses	37.7	26.4	21.2	18.1	15.6
General and administrative expenses	3,382.7	3,654.0	3,853.4	3,911.8	3,885.2
Temporary expenses	1,829.3	1,325.3	2,320.2	2,288.1	3,963.6
Recurring profits/losses	**2,883.9**	**2,125.5**	**1,773.2**	**1,205.1**	**728.6**
Operating profits	2,106.9	1,775.6	2,265.3	2,963.4	2,889.0
Gross profits on operations	5,642.0	5,500.9	6,166.1	6,906.5	6,781.0
Net interest income	3,571.4	3,345.7	4,511.1	5,021.0	4,763.2
Net fees and commissions	1,614.8	1,455.2	1,248.0	1,285.7	1,354.1
Profits on specified transactions[2]					
Other operating profits	455.6	699.9	407.0	599.8	663.6
Extraordinary profits	**329.8**	**186.6**	**254.9**	**153.5**	**97.3**
Extraordinary losses	**354.1**	**193.9**	**249.7**	**183.8**	**110.3**
Net income/loss before taxes	**2,859.6**	**2,118.1**	**1,778.5**	**1,174.8**	**715.6**
Corporate income tax, inhabitants taxes, and enterprise taxes[4]	**1,402.6**	**965.9**	**946.4**	**716.2**	**311.0**
Income tax benefits[5]					
Net income/loss	**1,457.0**	**1,152.2**	**832.1**	**458.6**	**404.6**

Notes: 1. Figures are for All Banks, excluding those that had failed before the end of fiscal 1998. For definitions of All banks, city banks, long-term credit banks, trust banks, regional banks, and regional banks II, see Footnote 1 on page 142. Figures for banks that were taken over by other banks before the end of fiscal 1998 are included in all those for the respective absorbing bank starting from fiscal 1989.
Figures are on a nonconsolidated basis, and include only banking accounts unless otherwise noted.
2. Newly established in fiscal 1997.
3. Includes expenses on management of money trusts.
4. Figures through fiscal 1997 do not include enterprise taxes as they were recorded as temporary expenses.
5. Newly established in fiscal 1998 due to the introduction of accounting for the effect of income taxes.

Income Statement of City Banks, Long-Term Credit Banks, and Trust Banks[1]

(continued from the previous page)

	94	95	96	97	98
Recurring income	29,520.7	31,521.1	29,436.9	25,893.7	22,166.7
Operating income	25,936.2	28,480.6	26,243.8	21,910.3	20,025.4
Interest income	22,855.6	24,399.4	21,937.2	18,048.9	15,355.4
Fees and commissions	1,765.3	1,840.8	2,597.4	2,006.1	1,738.9
Income from specified transactions[2]				220.8	230.4
Other operating income	1,315.3	2,240.4	1,709.2	1,634.4	2,700.6
Temporary income	3,584.5	3,040.5	3,193.1	3,983.4	2,141.3
Recurring expenses	29,332.5	34,362.1	29,267.6	30,143.9	28,157.0
Operating expenses	23,485.3	24,264.0	22,204.5	18,708.3	17,529.8
Interest expenses[3]	18,320.6	18,759.4	16,548.8	13,230.5	10,442.2
Expenses for money trust management	147.1	124.2	103.2	72.7	55.2
Fees and commissions	355.6	357.2	361.2	375.6	387.5
Expenses on specified transactions[2]				28.0	7.2
Other operating expenses	895.5	1,226.9	1,225.7	930.4	1,772.9
Transfers to allowance for possible loan losses	32.2	50.0	68.8	129.4	1,034.9
Debenture expenses	12.1	8.6	12.1	8.8	6.9
General and administrative expenses	3,869.2	3,861.8	3,987.8	4,005.6	3,878.2
Temporary expenses	5,847.2	10,098.0	7,063.1	11,435.6	10,627.2
Recurring profits/losses	188.3	–2,841.0	169.3	–4,250.2	–5,990.3
Operating profits	2,598.1	4,340.7	4,142.5	3,274.7	2,550.7
Gross profits on operations	6,511.6	8,261.2	8,211.3	7,418.4	7,470.7
Net interest income	4,682.1	5,764.1	5,491.6	4,891.1	4,968.4
Net fees and commissions	1,409.7	1,483.6	2,236.2	1,630.5	1,351.3
Profits on specified transactions[2]				192.8	223.2
Other operating profits	419.8	1,013.4	483.4	704.0	927.6
Extraordinary profits	120.1	382.0	234.2	1,028.1	693.8
Extraordinary losses	277.4	326.0	215.1	235.4	560.1
Net income/loss before taxes	30.9	–2,785.0	188.4	–3,457.5	–5,856.6
Corporate income tax, inhabitants taxes, and enterprise taxes[4]	189.7	431.7	75.4	157.7	190.6
Income tax benefits[5]					–2,454.6
Net income/loss	–158.8	–3,216.7	113.0	–3,615.1	–3,592.6

Income Statement of Regional Banks and Regional Banks II[1]

¥ billions

Fiscal years	1989	90	91	92	93
Recurring income	12,440.3	16,296.6	16,606.2	13,637.5	11,859.8
Operating income	11,811.1	15,634.3	16,156.7	13,439.9	11,550.2
Interest income	11,119.2	14,938.6	15,457.2	12,650.3	10,673.9
Fees and commissions	350.2	370.9	409.5	437.9	477.9
Income from specified transactions[2]					
Other operating income	341.6	324.7	289.9	351.6	398.3
Temporary income	629.1	662.2	449.4	197.6	309.5
Recurring expenses	11,399.7	15,276.1	15,731.0	12,696.9	11,130.6
Operating expenses	10,774.6	14,760.1	15,020.0	12,103.9	10,357.0
Interest expenses[3]	7,487.9	11,319.7	11,462.5	8,377.3	6,554.1
Expenses for money trust management	95.2	124.5	92.3	55.1	40.1
Fees and commissions	164.9	185.6	196.9	211.0	221.8
Expenses on specified transactions[2]					
Other operating expenses	345.3	308.2	257.6	276.8	291.5
Transfers to allowance for possible loan losses	25.1	12.1	12.7	10.0	2.6
Debenture expenses	0.0	0.0	0.0	0.0	0.0
General and administrative expenses	2,751.3	2,934.2	3,090.1	3,228.7	3,286.9
Temporary expenses	625.1	516.0	710.9	592.9	773.5
Recurring profits/losses	1,040.5	1,020.4	875.1	940.6	729.1
Operating profits	1,132.0	998.7	1,228.9	1,391.1	1,233.3
Gross profits on operations	3,908.5	3,945.1	4,331.8	4,629.8	4,522.8
Net interest income	3,726.6	3,743.4	4,087.0	4,328.1	4,160.0
Net fees and commissions	185.3	185.2	212.5	226.9	256.1
Profits on specified transactions[2]					
Other operating profits	–3.7	16.5	32.2	74.8	106.7
Extraordinary profits	47.5	41.0	86.6	74.1	96.0
Extraordinary losses	42.3	41.4	69.6	82.8	114.3
Net income/loss before taxes	1,045.7	1,020.0	892.1	931.9	710.8
Corporate income tax, inhabitants taxes, and enterprise taxes[4]	478.4	493.1	448.8	518.3	362.1
Income tax benefits[5]					
Net income/loss	567.4	526.8	443.3	413.6	348.7

Notes: 1. Figures are for All Banks, excluding those that had failed before the end of fiscal 1998. For definitions of All banks, city banks, long-term credit banks, trust banks, regional banks, and regional banks II, see Footnote 1 on page 142. Figures for banks that were taken over by other banks before the end of fiscal 1998 are included in all those for the respective absorbing bank starting from fiscal 1989.
Figures are on a nonconsolidated basis, and include only banking accounts unless otherwise noted.
2. Newly established in fiscal 1997.
3. Includes expenses on management of money trusts.
4. Figures through fiscal 1997 do not include enterprise taxes as they were recorded as temporary expenses.
5. Newly established in fiscal 1998 due to the introduction of accounting for the effect of income taxes.

Income Statement of Regional Banks and Regional Banks II[1]

(continued from the previous page)

	94	95	96	97	98
Recurring income	10,983.8	10,744.5	9,126.1	8,999.2	8,229.1
Operating income	10,651.7	9,838.6	8,588.2	8,301.4	7,734.1
Interest income	9,895.1	8,775.9	7,553.2	7,127.1	6,498.7
Fees and commissions	507.0	535.7	549.3	560.1	572.4
Income from specified transactions[2]				4.1	4.7
Other operating income	249.5	526.8	485.5	609.9	658.2
Temporary income	332.0	905.9	537.8	697.7	494.9
Recurring expenses	10,190.8	10,347.9	8,791.2	9,406.5	9,474.9
Operating expenses	9,033.9	7,965.0	6,821.4	6,484.5	6,492.0
Interest expenses[3]	5,174.7	4,047.8	2,763.7	2,372.1	1,790.8
Expenses for money trust management	29.9	21.3	14.1	10.7	7.6
Fees and commissions	220.3	224.0	225.8	226.1	227.6
Expenses on specified transactions[2]				0.5	1.0
Other operating expenses	293.1	301.0	329.4	406.9	472.4
Transfers to allowance for possible loan losses	7.4	8.1	0.3	–23.7	571.7
Debenture expenses	0.0	0.0	0.0	0.0	0.0
General and administrative expenses	3,338.2	3,383.8	3,502.0	3,502.4	3,428.3
Temporary expenses	1,156.9	2,382.9	1,969.7	2,922.0	2,982.9
Recurring profits/losses	792.9	396.5	334.9	–407.4	–1,245.9
Operating profits	1,647.6	1,894.9	1,780.9	1,827.6	1,249.7
Gross profits on operations	4,993.3	5,286.9	5,283.2	5,306.3	5,249.8
Net interest income	4,750.3	4,749.4	4,803.6	4,765.6	4,715.5
Net fees and commissions	286.6	311.7	323.4	334.0	344.8
Profits on specified transactions[2]				3.6	3.7
Other operating profits	–43.6	225.7	156.1	203.0	185.8
Extraordinary profits	43.0	106.9	111.3	251.3	82.3
Extraordinary losses	60.1	285.0	129.9	133.4	189.3
Net income/loss before taxes	775.7	218.4	316.3	–289.5	–1,352.9
Corporate income tax, inhabitants taxes, and enterprise taxes[4]	440.1	683.4	156.1	388.6	424.8
Income tax benefits[5]					–894.9
Net income/loss	335.5	–465.0	160.2	–678.1	–882.8

Assets of All Banks at Fiscal Year-End[1]

¥ billions

Fiscal years	1989	90	91	92	93
Loans and discounts	451,701.8	475,063.0	488,508.9	494,429.1	491,549.2
Loans	424,326.9	447,849.7	464,116.9	472,585.2	472,344.9
Of which: Loans to other financial institutions	737.7	792.8	679.3	661.2	530.4
Bills discounted	27,374.9	27,213.2	24,391.9	21,843.8	19,204.2
Trading account securities	2,712.3	2,952.4	2,601.8	3,365.8	3,364.8
Money held in trust	6,362.3	5,161.5	4,414.9	4,515.4	4,637.8
Investment securities	119,908.2	120,494.1	115,879.5	112,886.1	112,941.2
Government bonds	28,933.7	28,101.8	24,569.6	24,282.1	24,324.3
Local government bonds	6,556.2	6,623.3	6,697.0	7,082.0	7,532.4
Corporate bonds	21,729.8	22,820.5	24,331.1	24,513.1	24,082.4
Stocks	27,963.4	31,535.5	33,044.9	33,145.2	34,796.2
Securities loaned	1,657.7	935.9	557.9	472.8	452.5
Call loans	25,746.1	18,005.8	17,085.8	16,035.5	13,020.0
Bills purchased	1,542.3	1,115.6	493.5	309.8	118.5
Monetary claims purchased	3,138.9	1,123.1	813.0	759.2	1,056.8
Cash and due from banks	148,594.8	120,306.0	101,431.0	84,231.9	88,935.0
Of which: Cash	30,711.0	31,796.6	24,815.7	18,940.7	18,339.8
Of which: Checks and bills due	28,170.3	29,164.7	21,776.7	16,041.8	15,288.8
Negotiable certificates of deposit	3,645.4	3,166.0	2,435.7	2,202.8	2,614.9
Foreign exchanges	11,820.0	9,214.8	7,916.3	6,661.9	5,876.3
Total interest-earning assets	729,821.1	711,185.7	706,316.1	696,622.9	695,553.5
Premises and equipment	4,797.4	5,443.0	6,030.1	6,371.3	6,370.5
Deferred tax assets[2]					
Customers' liabilities for acceptances and guarantees	57,551.6	57,687.7	53,266.6	44,275.4	38,550.0
Total assets	869,628.6	853,467.7	838,983.9	786,651.4	778,562.2
Average balance of interest-earning assets[3]	693,230.9	749,480.7	750,473.7	737,685.1	724,813.5

Notes: 1. Figures are for All Banks, excluding those that had failed before the end of fiscal 1998. For definitions of All banks, city banks, long-term credit banks, trust banks, regional banks, and regional banks II, see Footnote 1 on page 142. Figures for banks that were taken over by other banks before the end of fiscal 1998 are included in all those for the respective absorbing bank starting from fiscal 1989.
Figures are on a nonconsolidated basis, and include only banking accounts unless otherwise noted.
2. A new item established in fiscal 1998 due to the application of accounting for the effect of income taxes in nonconsolidated financial statements.
3. Total of banking and trust accounts. Based on the sum of interest-earning assets of banking accounts, loan trusts, and jointly managed money trusts with agreements to compensate for losses on principal, but excludes loans from trust accounts to banking accounts.

Assets of All Banks at Fiscal Year-End[1]

(continued from the previous page)

	94	95	96	97	98
Loans and discounts	491,601.5	510,545.8	520,465.6	507,768.0	488,804.8
Loans	473,102.7	491,731.1	504,359.1	492,895.5	477,612.0
Of which: Loans to other financial institutions	479.1	631.0	1,311.8	1,905.6	2,125.8
Bills discounted	18,498.7	18,814.7	16,106.4	14,872.3	11,192.8
Trading account securities	2,931.0	1,607.0	1,521.6	1,366.2	1,362.5
Money held in trust	5,054.0	5,122.5	5,308.7	4,506.3	3,254.8
Investment securities	116,693.9	119,428.3	121,405.1	123,645.2	121,800.7
Government bonds	25,477.1	24,815.1	25,515.9	30,926.2	31,501.0
Local government bonds	8,527.6	9,412.3	9,602.5	9,286.0	9,550.1
Corporate bonds	22,305.6	20,836.7	18,290.7	16,963.3	17,763.6
Stocks	38,096.0	41,308.3	42,077.4	42,957.3	42,688.1
Securities loaned	332.7	306.1	70.2	70.3	157.7
Call loans	13,229.5	10,603.5	9,543.4	13,241.3	10,743.2
Bills purchased	361.5	1,127.0	1,745.5	6,225.5	4,980.5
Monetary claims purchased	1,337.8	942.9	1,106.3	1,005.1	1,789.7
Cash and due from banks	80,797.1	69,874.2	60,043.8	47,489.1	31,273.4
Of which: Cash	15,330.9	13,461.6	12,457.7	10,739.1	9,930.7
Of which: Checks and bills due	12,386.3	10,716.7	8,895.0	7,114.2	6,168.9
Negotiable certificates of deposit	2,260.2	2,672.8	3,457.1	1,812.3	1,645.1
Foreign exchanges	5,427.5	5,587.4	5,723.6	5,304.6	4,017.1
Total interest-earning assets	693,412.1	702,987.6	707,225.9	690,965.7	650,136.5
Premises and equipment	6,294.3	6,332.7	6,267.2	10,208.0	9,754.8
Deferred tax assets[2]					8,921.9
Customers' liabilities for acceptances and guarantees	36,216.4	38,386.2	42,009.6	40,865.4	36,121.0
Total assets	772,322.6	782,587.1	794,700.1	799,474.9	757,903.6
Average balance of interest-earning assets[3]	722,740.3	743,989.1	742,822.6	743,812.5	700,703.7

Assets of City Banks, Long-Term Credit Banks, and Trust Banks at Fiscal Year-End[1]

¥ billions

Fiscal years	1989	90	91	92	93
Loans and discounts	302,549.7	317,327.7	324,156.3	325,177.2	319,960.1
Loans	287,935.2	303,301.1	311,685.1	314,216.8	310,598.9
Of which: Loans to other financial institutions	557.9	747.8	665.3	631.3	501.2
Bills discounted	14,614.4	14,026.6	12,471.2	10,960.3	9,361.2
Trading account securities	1,585.3	1,895.3	1,504.1	2,632.0	2,664.8
Money held in trust	3,933.7	3,390.9	2,934.7	3,230.5	3,337.1
Investment securities	78,089.1	75,522.6	72,640.7	70,717.6	70,705.4
Government bonds	16,027.6	14,062.8	12,079.1	12,044.2	12,430.5
Local government bonds	2,850.7	2,854.8	3,044.6	3,575.2	3,305.8
Corporate bonds	10,680.2	10,740.7	12,180.9	12,057.4	11,466.5
Stocks	23,324.7	26,356.7	27,723.2	27,773.7	29,208.6
Securities loaned	1,140.1	691.4	351.9	377.4	372.0
Call loans	15,522.5	9,120.5	7,235.9	6,180.0	4,042.5
Bills purchased	364.4	25.0	32.0	18.5	1.0
Monetary claims purchased	1,966.2	662.1	571.0	472.8	672.3
Cash and due from banks	130,852.2	105,965.1	86,991.6	69,648.9	72,556.4
Of which: Cash	23,992.3	24,990.8	18,657.1	13,512.7	13,245.2
Of which: Checks and bills due	23,107.3	24,115.1	17,704.8	12,600.4	12,241.4
Negotiable certificates of deposit	2,408.1	2,344.8	1,530.4	1,430.7	1,688.2
Foreign exchanges	11,369.5	8,761.6	7,502.6	6,291.2	5,554.2
Total interest-earning assets	514,965.4	490,174.0	479,741.4	465,723.0	461,052.1
Premises and equipment	2,666.4	3,076.2	3,369.7	3,547.8	3,506.2
Deferred tax assets[2]					
Customers' liabilities for acceptances and guarantees	52,082.6	51,906.4	47,217.3	38,053.3	32,093.5
Total assets	628,064.6	605,725.1	583,910.6	537,242.4	525,798.4

Notes: 1. Figures are for All Banks, excluding those that had failed before the end of fiscal 1998. For definitions of All banks, city banks, long-term credit banks, trust banks, regional banks, and regional banks II, see Footnote 1 on page 142. Figures for banks that were taken over by other banks before the end of fiscal 1998 are included in all those for the respective absorbing bank starting from fiscal 1989.
Figures are on a nonconsolidated basis, and include only banking accounts unless otherwise noted.
2. A new item established in fiscal 1998 due to the application of accounting for the effect of income taxes in nonconsolidated financial statements.

Assets of City Banks, Long-Term Credit Banks, and Trust Banks at Fiscal Year-End[1]

(continued from the previous page)

	94	95	96	97	98
Loans and discounts	317,030.6	329,714.6	338,579.1	324,350.8	303,670.4
Loans	308,176.0	320,751.1	331,059.1	317,530.5	298,868.3
Of which: Loans to other financial institutions	449.4	626.4	1,309.4	1,887.1	2,095.0
Bills discounted	8,854.5	8,963.5	7,520.0	6,820.3	4,802.1
Trading account securities	2,251.7	1,210.0	1,049.6	1,154.3	1,029.9
Money held in trust	3,743.4	3,650.7	3,795.5	3,137.1	2,171.6
Investment securities	73,931.8	74,955.4	75,805.6	81,035.5	78,063.8
Government bonds	13,425.7	12,825.0	13,033.0	18,615.6	17,938.4
Local government bonds	3,731.6	3,952.9	3,706.8	3,429.0	2,724.7
Corporate bonds	9,946.3	8,830.7	6,877.4	5,807.6	5,915.6
Stocks	32,321.8	34,875.4	35,652.7	36,633.1	36,543.8
Securities loaned	299.0	283.0	50.7	38.0	105.2
Call loans	4,378.5	3,920.1	3,526.2	6,263.5	3,764.7
Bills purchased	183.4	679.7	1,186.3	4,168.6	3,618.4
Monetary claims purchased	909.7	499.0	459.8	472.1	798.9
Cash and due from banks	65,117.5	55,596.7	47,808.6	37,426.8	21,947.7
Of which: Cash	10,644.1	9,545.5	8,261.8	6,748.1	6,255.2
Of which: Checks and bills due	9,644.5	8,631.3	7,135.6	5,581.3	4,987.4
Negotiable certificates of deposit	1,378.9	1,796.9	2,519.2	1,029.3	996.5
Foreign exchanges	5,140.0	5,281.8	5,385.8	5,033.9	3,804.6
Total interest-earning assets	455,577.0	459,979.6	464,931.2	450,089.5	407,511.7
Premises and equipment	3,415.5	3,411.8	3,341.5	6,182.9	5,618.6
Deferred tax assets[2]					6,648.2
Customers' liabilities for acceptances and guarantees	29,687.4	32,112.9	35,522.8	34,466.3	30,025.1
Total assets	516,622.0	522,641.8	534,607.9	539,840.7	494,293.4

Assets of Regional Banks and Regional Banks II at Fiscal Year-End[1]

¥ billions

Fiscal years	1989	90	91	92	93
Loans and discounts	149,152.1	157,735.3	164,352.6	169,251.9	171,589.1
Loans	136,391.6	144,548.6	152,431.8	158,368.4	161,746.0
Of which: Loans to other financial institutions	179.8	45.0	14.0	29.9	29.2
Bills discounted	12,760.4	13,186.6	11,920.7	10,883.4	9,843.0
Trading account securities	1,127.0	1,057.1	1,097.7	733.8	700.0
Money held in trust	2,428.6	1,770.7	1,480.2	1,284.9	1,300.7
Investment securities	41,819.1	44,971.5	43,238.8	42,168.5	42,235.8
Government bonds	12,906.2	14,039.0	12,490.5	12,237.9	11,893.8
Local government bonds	3,705.5	3,768.5	3,652.4	3,506.7	4,226.6
Corporate bonds	11,049.6	12,079.8	12,150.2	12,455.7	12,615.9
Stocks	4,638.7	5,178.8	5,321.7	5,371.5	5,587.6
Securities loaned	517.6	244.5	205.9	95.4	80.6
Call loans	10,223.6	8,885.3	9,850.0	9,855.5	8,977.5
Bills purchased	1,177.9	1,090.6	461.5	291.3	117.5
Monetary claims purchased	1,172.7	461.0	242.0	286.4	384.6
Cash and due from banks	17,742.6	14,340.9	14,439.4	14,582.9	16,378.6
Of which: Cash	6,718.7	6,805.8	6,158.7	5,428.1	5,094.6
Of which: Checks and bills due	5,063.1	5,049.6	4,071.9	3,441.4	3,047.3
Negotiable certificates of deposit	1,237.3	821.2	905.3	772.1	926.7
Foreign exchanges	450.5	453.2	413.7	370.7	322.2
Total interest-earning assets	214,855.7	221,011.7	226,574.8	230,899.9	234,501.4
Premises and equipment	2,131.1	2,366.7	2,660.4	2,823.5	2,864.3
Deferred tax assets[2]					
Customers' liabilities for acceptances and guarantees	5,469.1	5,781.3	6,049.4	6,222.1	6,456.5
Total assets	241,564.0	247,742.5	255,073.3	249,408.9	252,763.8

Notes: 1. Figures are for All Banks, excluding those that had failed before the end of fiscal 1998. For definitions of All banks, city banks, long-term credit banks, trust banks, regional banks, and regional banks II, see Footnote 1 on page 142. Figures for banks that were taken over by other banks before the end of fiscal 1998 are included in all those for the respective absorbing bank starting from fiscal 1989.
Figures are on a nonconsolidated basis, and include only banking accounts unless otherwise noted.
2. A new item established in fiscal 1998 due to the application of accounting for the effect of income taxes in nonconsolidated financial statements.

Assets of Regional Banks and Regional Banks II at Fiscal Year-End[1]

(continued from the previous page)

	94	95	96	97	98
Loans and discounts	174,570.9	180,831.2	181,886.5	183,417.2	185,134.5
Loans	164,926.7	170,979.9	173,300.0	175,365.1	178,743.7
Of which: Loans to other financial institutions	29.6	4.6	2.4	18.5	30.8
Bills discounted	9,644.2	9,851.2	8,586.4	8,052.0	6,390.7
Trading account securities	679.2	397.0	472.0	211.9	332.5
Money held in trust	1,310.6	1,471.8	1,513.2	1,369.2	1,083.2
Investment securities	42,762.0	44,472.9	45,599.5	42,609.7	43,736.9
Government bonds	12,051.4	11,990.1	12,482.8	12,310.6	13,562.6
Local government bonds	4,796.0	5,459.4	5,895.7	5,857.0	6,825.4
Corporate bonds	12,359.3	12,006.0	11,413.3	11,155.7	11,848.0
Stocks	5,774.2	6,432.9	6,424.7	6,324.2	6,144.3
Securities loaned	33.8	23.0	19.5	32.3	52.5
Call loans	8,851.0	6,683.3	6,017.2	6,977.8	6,978.6
Bills purchased	178.1	447.3	559.2	2,056.9	1,362.1
Monetary claims purchased	428.1	443.9	646.6	533.0	990.9
Cash and due from banks	15,679.5	14,277.5	12,235.2	10,062.3	9,325.6
Of which: Cash	4,686.8	3,916.1	4,195.9	3,991.0	3,675.5
Of which: Checks and bills due	2,741.8	2,085.4	1,759.4	1,532.9	1,181.5
Negotiable certificates of deposit	881.4	876.0	938.0	783.0	648.6
Foreign exchanges	287.5	305.6	337.8	270.7	212.5
Total interest-earning assets	237,835.1	243,008.0	242,294.7	240,876.2	242,624.8
Premises and equipment	2,878.8	2,920.9	2,925.7	4,025.1	4,136.2
Deferred tax assets[2]					2,273.7
Customers' liabilities for acceptances and guarantees	6,529.0	6,273.3	6,486.8	6,399.1	6,095.9
Total assets	255,700.6	259,945.2	260,092.2	259,634.2	263,610.2

Liabilities and Stockholders' Equity of All Banks at Fiscal Year-End[1]

¥ billions

Fiscal years	1989	90	91	92	93
Deposits	589,382.7	575,217.6	553,311.6	524,935.4	524,681.1
Current deposits	27,194.7	27,770.1	26,608.4	24,900.6	24,097.3
Ordinary deposits	61,602.2	61,244.8	62,003.1	62,970.2	66,413.8
Savings deposits				682.6	1,050.0
Deposits at notice	41,810.6	36,829.9	32,969.3	28,894.1	29,404.5
Time deposits	364,600.8	365,070.8	361,112.2	347,560.5	343,870.7
Negotiable certificates of deposit	32,831.8	32,037.6	25,684.2	25,471.2	23,678.9
Debentures	22,460.8	24,975.4	27,025.8	27,273.3	27,242.0
Call money	49,301.4	39,861.2	44,606.6	44,529.4	42,822.9
Bills sold	16,342.2	13,374.0	13,941.6	11,638.0	7,116.4
Commercial paper[2]					
Borrowed money	7,776.0	12,458.3	14,507.5	19,301.7	21,521.0
Foreign exchanges	3,730.1	1,749.6	1,725.4	1,336.0	1,154.8
Corporate bonds[3]					
Convertible bonds	2,160.1	2,016.6	1,767.6	1,367.0	1,191.4
Due to trust accounts	16,331.2	17,923.2	23,052.4	30,196.4	34,174.4
Money held in trusts	6,362.3	5,161.5	4,414.9	4,515.4	4,637.8
Total interest-bearing liabilities	734,891.3	715,833.7	702,532.1	683,357.9	680,677.3
Allowance for possible loan losses	3,110.6	3,133.3	3,549.7	4,403.0	5,197.3
Reserve for retirement allowances	991.7	986.2	984.8	982.0	984.5
Other reserves[4]	2.5	0.0	0.0	0.2	0.0
Reserves under special laws	286.4	287.2	248.0	280.0	308.7
Deferred tax liabilities related to land revaluation[5]					
Acceptances and guarantees	57,551.6	57,687.7	53,266.6	44,275.4	38,550.0
Land revaluation differential[5]					
Total liabilities	843,203.4	825,622.6	810,151.8	757,284.9	748,704.7
Common stock	6,709.2	6,992.0	7,040.6	7,064.9	7,103.1
New stock subscriptions	412.6	5.9	15.0	28.4	100.0
Legal reserves	5,888.8	6,304.1	6,488.9	6,646.6	6,787.6
Capital surplus	4,555.0	4,835.9	4,887.3	4,917.3	4,951.5
Retained surplus	1,333.8	1,468.2	1,601.5	1,729.2	1,836.0
Land revaluation differential[5]					
Earned surplus	13,414.8	14,556.2	15,287.3	15,626.4	15,866.7
Voluntary reserves	11,217.1	12,651.3	13,792.0	14,556.8	14,922.3
Unappropriated profits at the end of the term	2,197.6	1,904.9	1,495.3	1,069.6	944.3
Total stockholders' equity[6]	26,425.1	27,857.8	28,832.0	29,366.4	29,857.5
Total liabilities and stockholders' equity	869,628.6	853,467.7	838,983.9	786,651.4	778,562.2

Notes: 1. Figures are for All Banks, excluding those that had failed before the end of fiscal 1998. For definitions of All banks, city banks, long-term credit banks, trust banks, regional banks, and regional banks II, see Footnote 1 on page 142. Figures for banks that were taken over by other banks before the end of fiscal 1998 are included in all those for the respective absorbing bank starting from fiscal 1989.
Figures are on a nonconsolidated basis, and include only banking accounts unless otherwise noted.
2. Newly established in fiscal 1998.
3. Newly established in fiscal 1997.
4. Includes reserve for possible losses on sales of loans, such as sales of loans to the CCPC.
5. With the implementation of the Law Concerning the Revaluation of Land, it was required that the difference in the book value of land before and after revaluation be recorded as "land revaluation differential" in the liability account starting from fiscal 1997. In fiscal 1998, the law was amended requiring the land revaluation differential to be reflected in the capital account after adjustment for the tax effect. As a result, "deferred tax assets related to land revaluation" and "deferred tax liabilities related to land revaluation" were newly created, and the land revaluation differential started to be recorded in the capital account. Banks that do not account for the effect of income taxes continue to record the land revaluation differential as a liability.
6. All figures for stockholders' equity are those before the appropriation of profits.

Liabilities and Stockholders' Equity of All Banks at Fiscal Year-End[1]

(continued from the previous page)

	94	95	96	97	98
Deposits	527,145.1	521,348.3	525,085.6	511,015.7	490,389.1
Current deposits	21,482.6	24,379.3	21,650.4	19,840.8	20,580.6
Ordinary deposits	67,818.1	76,191.4	82,026.1	88,947.5	98,488.1
Savings deposits	3,323.3	8,398.1	11,106.2	13,711.1	14,494.2
Deposits at notice	28,827.2	28,921.3	30,040.4	25,349.4	17,985.8
Time deposits	353,665.8	327,544.7	327,097.4	318,125.4	303,531.3
Negotiable certificates of deposit	24,323.0	36,422.4	42,175.6	43,678.2	43,153.5
Debentures	26,651.7	27,652.3	27,998.0	26,140.8	24,894.2
Call money	40,103.6	40,190.3	39,092.1	31,817.9	27,367.3
Bills sold	5,095.7	7,684.1	4,319.9	4,113.7	801.5
Commercial paper[2]					1,808.5
Borrowed money	21,837.8	21,937.1	24,569.4	27,557.2	22,119.2
Foreign exchanges	950.6	1,188.6	1,671.2	1,185.9	1,333.2
Corporate bonds[3]				993.0	1,528.1
Convertible bonds	761.1	699.2	647.7	878.6	662.1
Due to trust accounts	34,778.9	32,107.2	27,194.5	22,356.4	17,334.2
Money held in trusts	5,054.0	5,122.5	5,308.7	4,506.3	3,254.8
Total interest-bearing liabilities	677,960.2	685,559.9	689,993.2	669,146.0	631,744.6
Allowance for possible loan losses	6,314.4	11,925.2	10,628.5	16,182.9	14,758.6
Reserve for retirement allowances	990.5	989.2	986.7	976.4	961.3
Other reserves[4]	1.0	30.3	585.4	1,105.3	1,497.5
Reserves under special laws	313.7	321.7	332.5	0.2	0.2
Deferred tax liabilities related to land revaluation[5]					1,514.6
Acceptances and guarantees	36,216.4	38,386.2	42,009.6	40,865.4	36,121.0
Land revaluation differential[5]				4,038.5	15.5
Total liabilities	742,409.4	756,520.3	767,603.7	776,474.4	724,221.9
Common stock	7,288.8	7,415.6	7,886.5	8,146.2	12,136.0
New stock subscriptions	13.9	13.9	73.7	0.0	1.7
Legal reserves	7,071.6	7,160.7	7,673.2	8,154.7	11,888.0
Capital surplus	5,133.1	5,128.6	5,562.1	5,957.1	9,684.4
Retained surplus	1,938.5	2,032.1	2,111.1	2,197.5	2,203.6
Land revaluation differential[5]					2,105.5
Earned surplus	15,538.7	11,476.4	11,462.8	6,699.4	7,550.2
Voluntary reserves	15,185.9	14,982.2	11,130.7	10,821.5	6,426.6
Unappropriated profits at the end of the term	352.8	–3,505.8	332.1	–4,122.1	1,123.6
Total stockholders' equity[6]	29,913.2	26,066.7	27,096.3	23,000.4	33,681.6
Total liabilities and stockholders' equity	772,322.6	782,587.1	794,700.1	799,474.9	757,903.6

Liabilities and Stockholders' Equity of City Banks, Long-Term Credit Banks, and Trust Banks at Fiscal Year-End[1]

¥ billions

Fiscal years	1989	90	91	92	93
Deposits	388,805.2	370,158.0	342,049.3	311,294.8	307,280.5
Current deposits	17,284.6	17,660.0	18,197.7	16,586.5	16,004.8
Ordinary deposits	30,741.0	30,465.7	30,371.7	30,598.7	32,007.5
Savings deposits				373.6	512.4
Deposits at notice	35,775.4	31,867.7	28,621.3	24,816.5	25,661.2
Time deposits	240,248.1	232,171.8	219,385.8	201,208.2	195,603.0
Negotiable certificates of deposit	28,822.5	28,601.1	23,145.8	23,465.7	22,097.1
Debentures	22,460.8	24,975.4	27,025.8	27,273.3	27,242.0
Call money	42,966.7	33,767.8	39,458.0	39,531.0	37,236.0
Bills sold	14,567.6	12,131.2	12,872.5	10,471.8	6,778.8
Commercial paper[2]					
Borrowed money	7,006.0	10,482.2	12,431.7	16,595.9	18,765.4
Foreign exchanges	3,693.8	1,728.9	1,695.2	1,312.3	1,135.2
Corporate bonds[3]					
Convertible bonds	1,770.0	1,682.9	1,512.7	1,142.8	1,055.8
Due to trust accounts	16,283.9	17,875.7	22,952.5	29,999.7	33,926.3
Money held in trusts	3,933.7	3,390.9	2,934.7	3,230.5	3,337.1
Total interest-bearing liabilities	523,176.9	499,229.5	481,328.4	459,495.9	453,616.6
Allowance for possible loan losses	2,254.7	2,276.1	2,634.4	3,320.8	3,914.0
Reserve for retirement allowances	520.1	509.4	498.4	484.4	477.6
Other reserves[4]	2.4	0.0	0.0	0.0	0.0
Reserves under special laws	168.2	164.2	135.8	164.9	187.3
Deferred tax liabilities related to land revaluation[5]					
Acceptances and guarantees	52,082.6	51,906.4	47,217.3	38,053.3	32,093.5
Land revaluation differential[5]					
Total liabilities	610,238.1	586,981.1	564,610.4	517,770.9	506,071.8
Common stock	4,708.9	4,892.9	4,902.0	4,902.5	4,921.3
New stock subscriptions	314.6	0.0	0.0	0.0	100.0
Legal reserves	3,977.7	4,217.6	4,283.8	4,341.5	4,418.6
Capital surplus	3,377.7	3,561.7	3,571.5	3,571.9	3,590.8
Retained surplus	600.0	655.9	712.3	769.6	827.8
Land revaluation differential[5]					
Earned surplus	8,825.3	9,633.5	10,114.4	10,227.5	10,286.7
Voluntary reserves	7,241.2	8,307.4	9,117.4	9,628.0	9,747.6
Unappropriated profits at the end of the term	1,584.0	1,326.2	997.0	599.5	539.1
Total stockholders' equity[6]	17,826.5	18,744.0	19,300.2	19,471.5	19,726.6
Total liabilities and stockholders' equity	628,064.6	605,725.1	583,910.6	537,242.4	525,798.4

Notes: 1. Figures are for All Banks, excluding those that had failed before the end of fiscal 1998. For definitions of All banks, city banks, long-term credit banks, trust banks, regional banks, and regional banks II, see Footnote 1 on page 142. Figures for banks that were taken over by other banks before the end of fiscal 1998 are included in all those for the respective absorbing bank starting from fiscal 1989.
Figures are on a nonconsolidated basis, and include only banking accounts unless otherwise noted.
2. Newly established in fiscal 1998.
3. Newly established in fiscal 1997.
4. Includes reserve for possible losses on sales of loans, such as sales of loans to the CCPC.
5. With the implementation of the Law Concerning the Revaluation of Land, it was required that the difference in the book value of land before and after revaluation be recorded as "land revaluation differential" in the liability account starting from fiscal 1997. In fiscal 1998, the law was amended requiring the land revaluation differential to be reflected in the capital account after adjustment for the tax effect. As a result, "deferred tax assets related to land revaluation" and "deferred tax liabilities related to land revaluation" were newly created, and the land revaluation differential started to be recorded in the capital account. Banks that do not account for the effect of income taxes continue to record the land revaluation differential as a liability.
6. All figures for stockholders' equity are those before the appropriation of profits.

Liabilities and Stockholders' Equity of City Banks, Long-Term Credit Banks, and Trust Banks at Fiscal Year-End[1]

(continued from the previous page)

	94	95	96	97	98
Deposits	304,287.8	298,164.6	300,188.7	287,505.5	262,475.1
Current deposits	13,810.3	15,888.1	14,134.8	12,797.5	13,534.7
Ordinary deposits	32,935.6	37,562.6	40,449.4	44,622.5	49,767.5
Savings deposits	1,343.5	3,594.4	5,241.9	7,159.3	7,733.2
Deposits at notice	25,413.8	25,937.5	27,208.6	22,442.5	14,998.8
Time deposits	200,001.7	177,843.2	177,395.8	169,515.3	152,652.3
Negotiable certificates of deposit	22,724.3	33,614.6	39,127.8	41,702.4	41,029.9
Debentures	26,651.7	27,652.3	27,998.0	26,140.8	24,894.2
Call money	35,726.3	34,110.5	34,120.9	28,462.8	25,071.9
Bills sold	4,853.2	6,522.1	3,646.7	3,061.1	660.6
Commercial paper[2]					1,793.5
Borrowed money	18,914.8	18,861.9	21,619.4	24,392.1	19,099.9
Foreign exchanges	931.0	1,169.5	1,651.4	1,170.9	1,320.3
Corporate bonds[3]				963.0	1,498.1
Convertible bonds	643.1	612.2	534.0	725.9	529.1
Due to trust accounts	34,500.3	31,867.4	27,034.6	22,246.5	17,238.0
Money held in trusts	3,743.4	3,650.7	3,795.5	3,137.1	2,171.6
Total interest-bearing liabilities	446,574.8	450,013.8	454,196.5	435,629.1	395,562.7
Allowance for possible loan losses	4,753.3	9,015.0	7,961.5	12,169.9	9,257.7
Reserve for retirement allowances	472.6	463.6	452.4	437.3	419.8
Other reserves[4]	1.0	22.4	537.9	993.4	1,287.5
Reserves under special laws	195.9	202.2	210.4	0.2	0.2
Deferred tax liabilities related to land revaluation[5]					1,011.7
Acceptances and guarantees	29,687.4	32,112.9	35,522.8	34,466.3	30,025.1
Land revaluation differential[5]				2,933.3	0.0
Total liabilities	497,112.6	506,468.0	517,834.0	526,362.4	471,453.8
Common stock	5,084.8	5,169.4	5,538.5	5,757.1	9,625.6
New stock subscriptions	0.0	0.0	0.0	0.0	0.0
Legal reserves	4,639.4	4,655.6	5,075.0	5,484.8	9,133.6
Capital surplus	3,754.2	3,719.1	4,088.1	4,446.2	8,065.1
Retained surplus	885.2	936.4	986.9	1,038.6	1,068.5
Land revaluation differential[5]					1,400.7
Earned surplus	9,785.1	6,348.8	6,160.4	2,236.4	2,679.5
Voluntary reserves	9,819.3	9,447.5	6,025.7	5,718.4	2,041.0
Unappropriated profits at the end of the term	–34.2	–3,098.8	134.7	–3,482.0	638.6
Total stockholders' equity[6]	19,509.4	16,173.8	16,773.8	13,478.3	22,839.5
Total liabilities and stockholders' equity	516,622.0	522,641.8	534,607.9	539,840.7	494,293.4

Liabilities and Stockholders' Equity of Regional Banks and Regional Banks II at Fiscal Year-End[1]

¥ billions

Fiscal years	1989	90	91	92	93
Deposits	200,577.6	205,059.6	211,262.3	213,640.6	217,400.5
Current deposits	9,910.1	10,110.1	8,410.7	8,314.1	8,092.5
Ordinary deposits	30,861.2	30,779.2	31,631.5	32,371.6	34,406.4
Savings deposits				309.0	537.6
Deposits at notice	6,035.2	4,962.2	4,348.0	4,077.6	3,743.3
Time deposits	124,352.8	132,899.0	141,726.4	146,352.3	148,267.7
Negotiable certificates of deposit	4,009.2	3,436.5	2,538.4	2,005.5	1,581.7
Call money	6,334.8	6,093.4	5,148.6	4,998.4	5,586.9
Bills sold	1,774.6	1,242.8	1,069.1	1,166.3	337.6
Commercial paper[2]					
Borrowed money	770.0	1,976.1	2,075.8	2,705.8	2,755.6
Foreign exchanges	36.3	20.7	30.1	23.7	19.6
Corporate bonds[3]					
Convertible bonds	390.1	333.7	254.9	224.3	135.6
Due to trust accounts	47.4	47.5	99.9	196.8	248.2
Money held in trusts	2,428.6	1,770.7	1,480.2	1,284.9	1,300.7
Total interest-bearing liabilities	211,714.4	216,604.2	221,203.7	223,862.0	227,060.8
Allowance for possible loan losses	855.9	857.2	915.2	1,082.2	1,283.3
Reserve for retirement allowances	471.6	476.8	486.4	497.6	506.9
Other reserves[4]					
Reserves under special laws	118.1	122.9	112.3	115.1	121.4
Deferred tax liabilities related to land revaluation[5]					
Acceptances and guarantees	5,469.1	5,781.3	6,049.4	6,222.1	6,456.5
Land revaluation differential[5]					
Total liabilities	232,965.3	238,641.5	245,541.4	239,513.9	242,632.9
Common stock	2,000.4	2,099.1	2,138.6	2,162.4	2,181.7
New stock subscriptions	98.0	5.9	15.0	28.4	0.0
Legal reserves	1,911.1	2,086.5	2,205.2	2,305.1	2,369.0
Capital surplus	1,177.3	1,274.1	1,315.8	1,345.4	1,360.8
Retained surplus	733.8	812.3	889.3	959.6	1,008.2
Land revaluation differential[5]					
Earned surplus	4,589.5	4,922.7	5,172.9	5,398.9	5,580.0
Voluntary reserves	3,975.9	4,343.9	4,674.6	4,928.8	5,174.7
Unappropriated profits at the end of the term	613.6	578.7	498.3	470.1	405.3
Total stockholders' equity[6]	8,598.7	9,113.9	9,531.8	9,894.9	10,130.9
Total liabilities and stockholders' equity	241,564.0	247,742.5	255,073.3	249,408.9	252,763.8

Notes: 1. Figures are for All Banks, excluding those that had failed before the end of fiscal 1998. For definitions of All banks, city banks, long-term credit banks, trust banks, regional banks, and regional banks II, see Footnote 1 on page 142. Figures for banks that were taken over by other banks before the end of fiscal 1998 are included in all those for the respective absorbing bank starting from fiscal 1989.
Figures are on a nonconsolidated basis, and include only banking accounts unless otherwise noted.
2. Newly established in fiscal 1998.
3. Newly established in fiscal 1997.
4. Includes reserve for possible losses on sales of loans, such as sales of loans to the CCPC.
5. With the implementation of the Law Concerning the Revaluation of Land, it was required that the difference in the book value of land before and after revaluation be recorded as "land revaluation differential" in the liability account starting from fiscal 1997. In fiscal 1998, the law was amended requiring the land revaluation differential to be reflected in the capital account after adjustment for the tax effect. As a result, "deferred tax assets related to land revaluation" and "deferred tax liabilities related to land revaluation" were newly created, and the land revaluation differential started to be recorded in the capital account. Banks that do not account for the effect of income taxes continue to record the land revaluation differential as a liability.
6. All figures for stockholders' equity are those before the appropriation of profits.

Liabilities and Stockholders' Equity of Regional Banks and Regional Banks II at Fiscal Year-End[1]

(continued from the previous page)

	94	95	96	97	98
Deposits	222,857.3	223,183.7	224,896.9	223,510.2	227,914.0
Current deposits	7,672.3	8,491.2	7,515.6	7,043.4	7,045.9
Ordinary deposits	34,882.5	38,628.8	41,576.8	44,325.1	48,720.7
Savings deposits	1,979.8	4,803.7	5,864.3	6,551.8	6,761.1
Deposits at notice	3,413.4	2,983.8	2,831.8	2,906.9	2,987.0
Time deposits	153,664.1	149,701.5	149,701.6	148,610.1	150,879.0
Negotiable certificates of deposit	1,598.7	2,807.8	3,047.8	1,975.8	2,123.6
Call money	4,377.3	6,079.7	4,971.2	3,355.1	2,295.4
Bills sold	242.5	1,162.0	673.2	1,052.6	140.9
Commercial paper[2]					15.0
Borrowed money	2,923.0	3,075.2	2,950.0	3,165.1	3,019.3
Foreign exchanges	19.6	19.1	19.7	15.0	12.9
Corporate bonds[3]				30.0	30.0
Convertible bonds	118.0	87.0	113.7	152.7	132.9
Due to trust accounts	278.6	239.8	159.9	109.8	96.2
Money held in trusts	1,310.6	1,471.8	1,513.2	1,369.2	1,083.2
Total interest-bearing liabilities	231,385.4	235,546.1	235,796.7	233,516.9	236,181.9
Allowance for possible loan losses	1,561.1	2,910.2	2,667.0	4,013.0	5,500.8
Reserve for retirement allowances	517.9	525.6	534.3	539.1	541.5
Other reserves[4]		7.9	47.5	112.0	210.1
Reserves under special laws	117.8	119.5	122.1	0.0	0.0
Deferred tax liabilities related to land revaluation[5]					502.9
Acceptances and guarantees	6,529.0	6,273.3	6,486.8	6,399.1	6,095.9
Land revaluation differential[5]				1,105.2	15.5
Total liabilities	245,296.7	250,052.3	249,769.7	250,112.0	252,768.1
Common stock	2,204.0	2,246.2	2,348.0	2,389.1	2,510.4
New stock subscriptions	13.9	13.9	73.7	0.0	1.7
Legal reserves	2,432.2	2,505.2	2,598.3	2,669.9	2,754.3
Capital surplus	1,378.9	1,409.5	1,474.0	1,510.9	1,619.2
Retained surplus	1,053.3	1,095.6	1,124.2	1,158.9	1,135.1
Land revaluation differential[5]					704.8
Earned surplus	5,753.6	5,127.6	5,302.4	4,463.0	4,870.7
Voluntary reserves	5,366.6	5,534.7	5,105.0	5,103.1	4,385.6
Unappropriated profits at the end of the term	386.9	–407.1	197.5	–640.1	485.1
Total stockholders' equity[6]	10,403.8	9,892.9	10,322.5	9,522.1	10,842.1
Total liabilities and stockholders' equity	255,700.6	259,945.2	260,092.2	259,634.2	263,610.2