Profits and Balance-Sheet Developments of Japanese Banks in Fiscal 1999

For a key to the symbols and abbreviations used in this article, see page 204.

I. Overview

Operating profits of Japanese banks[1] in fiscal 1999 amounted to ¥4.6 trillion, up sharply from ¥3.8 trillion in fiscal 1998 (Table 1). Operating profits from core business[2]—which show the basic profitability of banks—maintained a relatively high level, recording ¥5.0 trillion, a moderate increase from ¥4.8 trillion in the previous fiscal year (Chart 1). On the other hand, the amount of nonperforming-loan disposal declined sharply to ¥6.1 trillion from the record high of ¥13.5 trillion in fiscal 1998. Nevertheless, it was still larger than operating profits from core business. The figures for recurring profits and net income in fiscal 1999, ¥2.4 trillion and ¥0.9 trillion respectively, were positive for the first time in three years, following

Table 1
Selected Profit/Loss Items

tril. yen

Fiscal years	1996	97	98	99
Operating profits from core business	5.2	4.7	4.8	5.0
Net bond-related gains/losses	0.4	0.7	0.9	–0.1
Net transfers to allowance for possible loan losses (A)	–0.1	–0.1	–1.6	–0.1
Operating profits	5.9	5.1	3.8	4.6
Net stock-related gains/losses	1.0	2.7	0.8	3.8
Loan-loss provisioning and loan write-offs (B)[1]	–6.9	–12.3	–11.9	–6.0
Recurring profits/losses	0.5	–4.7	–7.2	2.4
Net income/losses	0.3	–4.3	–4.4	0.9
Disposal of nonperforming loans (A + B)	–7.0	–12.4	–13.5	–6.1

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

Nikkei 225 Stock Average (yen)	18,003	16,527	15,836	20,337
10-year government bond yields (percent)	2.450	1.876	1.745	1.770
Foreign exchange rate (yen per U.S. dollar)	123.97	133.39	119.99	105.29

Note: *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) and secondary losses + net transfers to the allowance for losses from sales of loans + net transfers to the allowance for assistance to special borrowers + losses from sales of loans + losses from assistance and other renunciation claims + loan write-offs in trust accounts.

1. "Japanese banks" refers to All Banks at end-March, 2000, i.e., 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 60 member banks of the Second Association of Regional Banks (hereafter, regional banks II). Figures in this report exclude data for the following banks: Shinsei Bank (the former Long-Term Credit Bank of Japan), Nippon Credit Bank, Kokumin Bank, Tokyo Sowa Bank, Niigata Chuo Bank, Namihaya Bank, and Kofuku Bank. Unless otherwise noted, figures in this report are on a nonconsolidated basis.

2. In order to see the basic profitability of banks, 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 the basic profitability of banks, 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.

two consecutive years of heavy losses. This was because banks posted large net stock-related gains to dispose of their nonperforming loans.

The average risk-based capital adequacy ratio of internationally active banks rose further from the level of end-March 1999, increasing to 11.79 percent at end-March 2000 (weighted average on a consolidated basis). This was mainly due to the improvement in net income to a positive figure and a decrease in risk-adjusted assets. In addition, as a result of the enhancement of the capital base of regional banks and regional banks II, the capital adequacy ratio of noninternationally active banks rose from the level of end-March 1999 to 9.69 percent (weighted average on a nonconsolidated basis).

Major features of the performance of Japanese banks and important issues they are faced with, drawn from an analysis of the profits and balance-sheet developments in fiscal 1999, are summarized below.

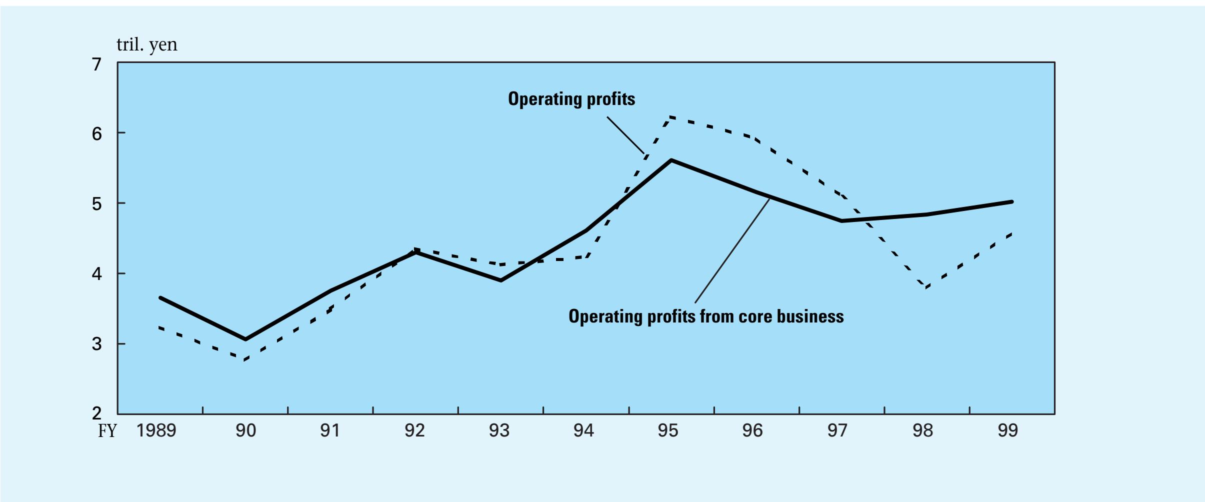
A. Profitability

Operating profits from core business were at a relatively high level in fiscal 1999. This was due primarily to the following two factors. First, net interest income increased due to an expansion of overall interest margin. The expansion was attributable to the fact that the decline in the yield on interest-earning assets was relatively small because of many banks' efforts to improve their lending spreads while the average rate on banks' interest-bearing liabilities declined due to the introduction of the zero interest rate policy in February 1999. And second, general and administrative expenses continued to decline owing to banks' restructuring efforts, including reduction in the number of employees and branches.

From fiscal 2000, however, it will not always be easy for banks to increase net interest income by expanding interest margin, considering the following two factors. First, there is only limited room for further decline in the average rate on banks' interest-bearing liabilities. And second, banks, especially those that have strengthened their capital base through the injection of public funds, are placing greater emphasis on increasing lending to small and medium-sized firms to meet targets laid down in their plans for restoring sound management submitted to the Financial Reconstruction Commission (FRC). With respect to general and administrative expenses, expenses arising from mergers and integration and the burden of investment in information technology (IT) in order to remain competitive are likely to increase, while further cuts are expected due to progress in corporate restructuring (see Box 1 on pages 178–179).

Therefore, in order to steadily increase their profitability, banks should (1) further improve their efficiency through outsourcing of business and restructuring aimed at cutting labor and other costs, (2) secure lending spreads that properly reflect the credit risk involved, (3) promote lending to small and medium-sized firms and individuals, the long-term issue for the management of Japanese

Chart 1
Total Operating Profits and Operating Profits from Core Business



banks, (4) enhance the customer base by offering products and services that meet customers' needs promptly, and by diversifying the delivery channels of their services, and (5) expand new sources of profits (e.g., increases in profits from fees and commissions). It would become more crucial for each bank to engage in such strategic management based on identification of the business areas and types of customers in which each bank has a comparative advantage.

B. Nonperforming Loans

The amount of nonperforming-loan disposal in fiscal 1999 dropped below half of the largest-ever amount in fiscal 1998. Nevertheless, it remained at a high level exceeding operating profits from core business. This was due to a worsening of borrowers' financial condition and an increase in the unsecured portion of loans due to a fall in land prices.

The two keys to future developments in the disposal of nonperforming loans from fiscal 2000 onward are (1) how the borrowers' financial conditions will be in the future, especially those in the real estate, services, wholesaling and retailing, and construction sectors, which account for a large proportion of nonperforming loans, and (2) whether the amount of loans unsecured by collateral will continue to increase due to the fall in land prices.

It remains a major issue to remove nonperforming loans from banks' balance sheets (hereafter, final disposal of nonperforming loans), by collecting the secured portion of loans through the sale of collateral and liquidating nonperforming loans. Calculation of the cumulative total of final disposal from fiscal 1991 through fiscal 1999 based on certain assumptions shows that approximately 60 percent of the total book value (principal) of nonperforming loans have been removed from banks' balance sheets. However, it is hoped that banks will continue working actively on this issue.

C. Changes in the Accounting Standards

The implementation of mark-to-market accounting and accounting for retirement benefits in fiscal 2000 is likely to have some impact on banks' financial condition and business operations.

With the introduction of mark-to-market accounting, the capital account will fluctuate in line with stock prices and interest rates (bond prices) since the bulk of banks' stocks that are cross-held for the purpose of long-term investment and bonds will be evaluated at fair value from fiscal 2001. This has already prompted banks to bring forward the disposal of unrealized losses ahead of their original schedules. In future, banks will be required to make investment in securities giving due consideration to the impact on their financial statements of fluctuations in the fair value of securities they hold.

With respect to accounting for retirement benefits, banks showed signs of starting to make up promptly the unrecognized differences arising from accounting changes (the so-called shortfall in reserves for retirement allowances). Some of them made up part of the shortfall during fiscal 1999 ahead of their original schedules, and a large number of banks planned to make it up during fiscal 2000 or within five years by establishing retirement benefit trusts. Nevertheless, attention should be paid to the following in making up the shortfall in reserves for retirement allowances: (1) the early making up of the shortfall will have some impact on banks' net profits/losses; and (2) banks which will reduce the shortfall in reserves for retirement allowances by offering their stockholdings as retirement benefit trusts will not be able to insulate themselves completely against the risk of stock price fluctuations.

II. Profits

A. Operating Profits from Core Business

Operating profits from core business[3] increased moderately for the second consecutive year, and maintained a relatively high level of ¥5.0 trillion compared with the ¥4.8 trillion in fiscal 1998. This was attributed to the following factors. First, net interest income on domestic operations,[4] which accounts for a large proportion of income, increased, reaching ¥9.5 trillion, as against ¥9.3 trillion in fiscal 1998, although gross operating profits on international operations continued to decline in

3. Operating profits from core business are gross operating profits on international and domestic operations (before adding or subtracting net bond-related gains/losses and write-offs in the trust account) minus general and administrative expenses. Gross operating profits on domestic operations comprise net interest income, net fees and commissions, and net income from specified transactions, all on domestic operations.
4. 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.

fiscal 1999. And second, general and administrative expenses[5] declined to ¥7.1 trillion from ¥7.3 trillion in the previous fiscal year (Chart 2).

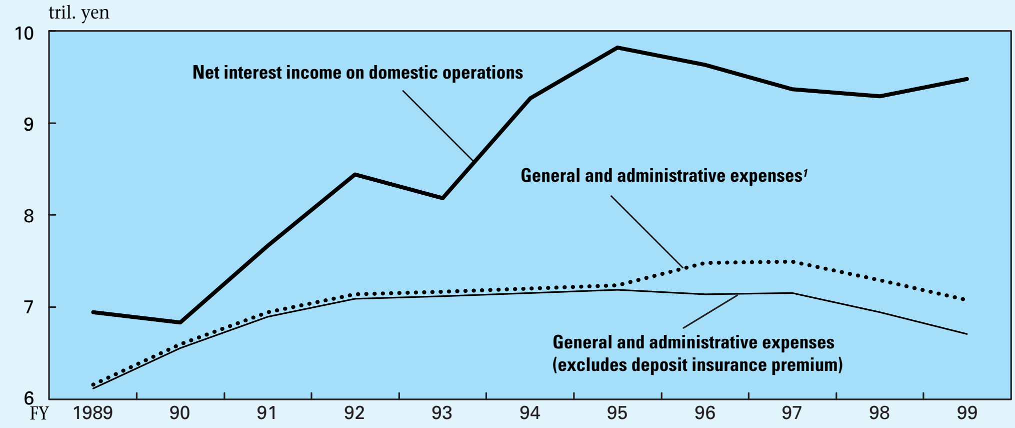
1. Net interest income on domestic operations

a. Annual average balance of interest-earning assets for domestic operations

The annual average balance of interest-earning assets for domestic operations as a whole remained more or less unchanged from fiscal 1998, recording ¥604 trillion vis-à-vis ¥602 trillion in fiscal 1998 (Chart 3). This was because the decline in the annual average balance of lending was offset by the increase in that of securities. The annual average balance of lending, which accounts for the greater part of the interest-earning assets for domestic operations, declined below the level of fiscal 1998.

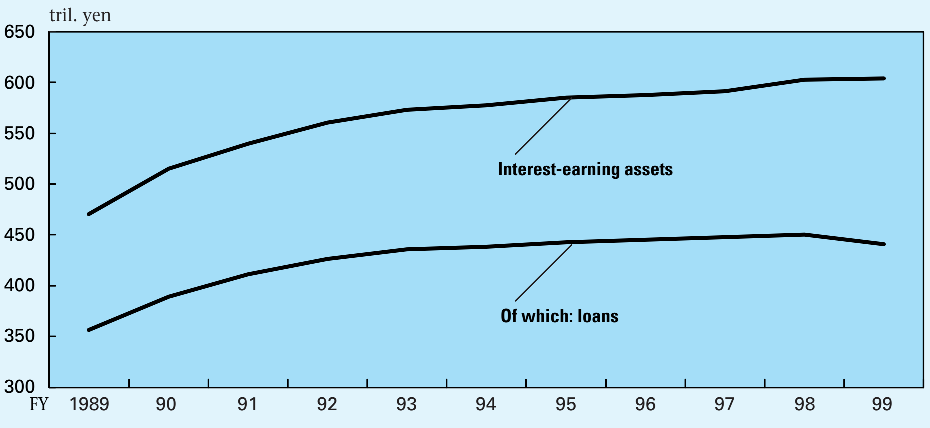
With regard to lending, the banks' attitude became positive due to the strengthening of their capital base through the injection of public funds at end-March 1999 and a smooth increase in fund-raising, including through deposits. However, firms' demand for external funds was stagnant, and they continued

Chart 2
Net Interest Income on Domestic Operations and General and Administrative Expenses



Note: *1.* Includes debenture issuance expenses.

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



5. The increase in general and administrative expenses in fiscal 1996 in Chart 2 was due to the increase in premium payments for deposit insurance resulting from the increase in the general premium rate from 0.012 percent to 0.048 percent and from the introduction of special premium payment (0.036 percent).

their balance-sheet restructuring by reducing interest-bearing liabilities. As a result, the annual average balance of domestic loans did not increase.

Meanwhile, in the case of securities, a breakdown of their annual average balance showed that most of the increase in funds surplus was invested in bonds, primarily government bonds with short- to medium-term remaining maturity, and that the increase in stocks was minimal. The slight increase in stocks was partly due to the increase in book value resulting from gains from realization of stockholding gains, while banks continued to reduce the stocks cross-held for long-term investment.

b. Overall interest margin

The overall interest margin of banking and trust accounts on domestic operations expanded somewhat to 1.55 percentage points in fiscal 1999, from 1.50 percentage points in fiscal 1998 (Chart 4). This expansion was attributable to the fact that the decline in yields on interest-earning assets was relatively small while the average rate on interest-bearing liabilities decreased due to a further fall in short-term interest rates resulting from the zero interest rate policy adopted by the Bank of Japan in February 1999. The relatively small decline in yields on interest-earning assets, in spite of a rather sharp fall in yields on securities, was attributed to the moves by many banks to secure lending spreads appropriate to the creditworthiness of borrowers in view of improving profitability.

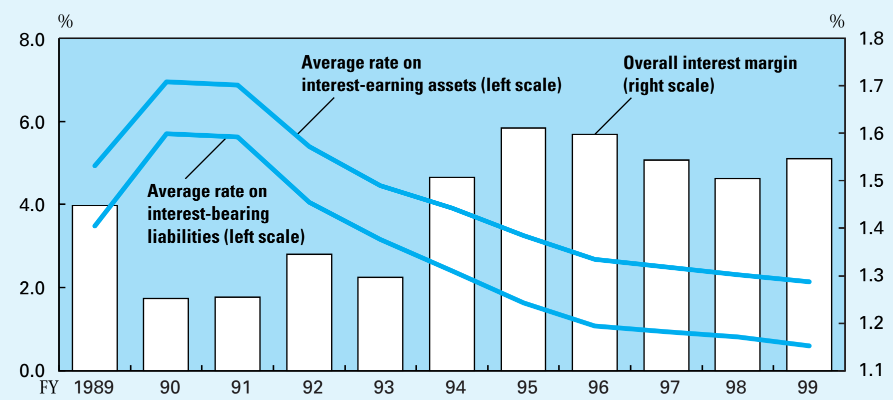
2. Net fees and commissions on domestic operations

Net fees and commissions on domestic operations[6] increased to ¥1.3 trillion in fiscal 1999, up 1.5 percent from the previous fiscal year. This was mainly due to the increase in fees and commissions from sales of investment trusts and liquidation of assets. However, the ratio of net fees and commissions to the total profits of Japanese banks was still low compared with that of major U.S. and European banks, the profitability of which has improved due to increases in net fees and commissions: while net fees and commissions of Japanese banks account for only slightly above 10 percent of gross operating profits on domestic operations, in the case of U.S. banks such income accounts for almost 40 percent. It is hoped that Japanese banks will increase their net income from fees and commissions to strengthen their profitability.

3. Gross operating profits on international operations

Gross operating profits on international operations[7] remained on a declining trend in fiscal 1999, falling to ¥1.2 trillion from ¥1.4 trillion in fiscal 1998 (Chart 5). This was because Japanese banks continued to scale down their international operations or withdraw from the international arena altogether, resulting in a sharp decline in the annual average balance of interest-earning assets in such operations to ¥85.2 trillion from ¥122.7 trillion in

Chart 4
Overall Interest Margin (Domestic Operations, 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 is excluded here, as it is included in the above-mentioned net interest income. The figures are those before subtracting loan write-offs in trust accounts.
7. Excluding bond-related gains/losses.

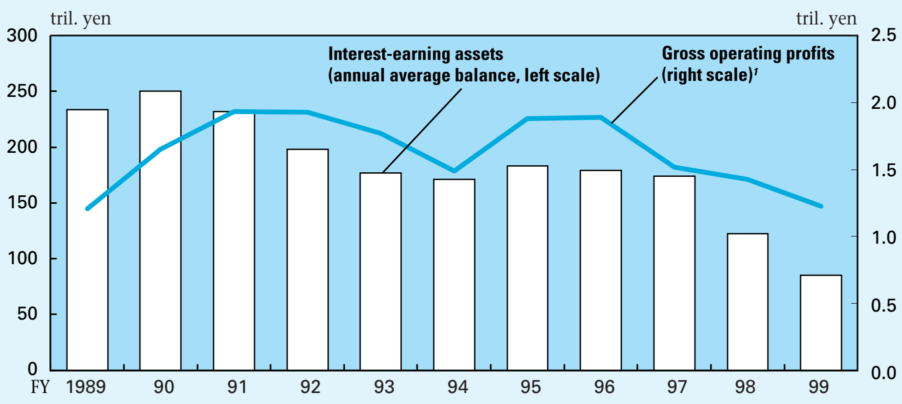
the previous fiscal year.[8] In addition, the negative factors during fiscal 1998, such as the reduction in profitability due to an increase in the Japan premium and the intensified constraints on the procurement of foreign currencies, eased significantly in fiscal 1999 due to the Japanese government's measures to stabilize the financial system[9] and the strengthening of banks' capital base through the injection of public funds and through their own efforts.

4. General and administrative expenses

General and administrative expenses, i.e., personnel expenses and premises and equipment expenses, declined for the second consecutive year in fiscal 1999 to ¥7.1 trillion, down by 3.0 percent from ¥7.3 trillion in fiscal 1998 (Chart 6).

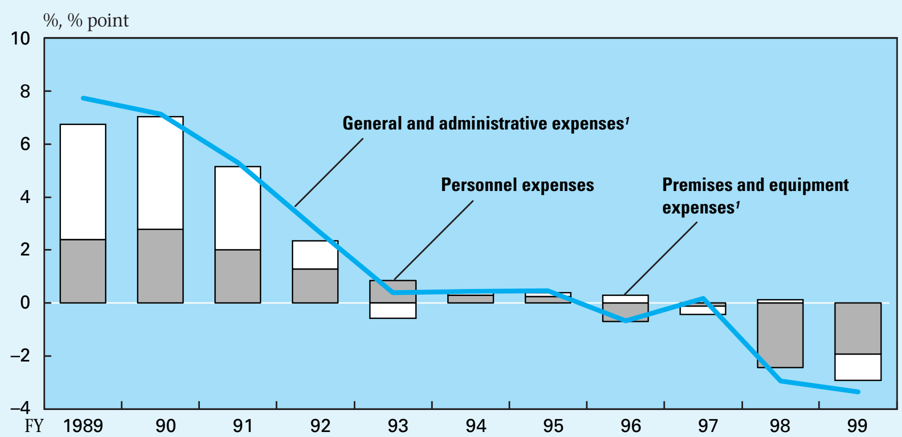
Personnel expenses declined by 3.8 percent from fiscal 1998 due mainly to the following: (1) a reduction in the number of employees through curbing of recruitment and promotion of early retirement and transfers to affiliated companies; and (2) a reduction in bonus payments. The number of employees at the end of fiscal 1999 represented a

Chart 5
Gross Operating Profits and Interest-Earning Assets for International Operations



Note: *1.* Excludes net bond-related gains/losses.

Chart 6
General and Administrative Expenses and Contribution of Major Components



Note: *1.* Includes debenture issuance expenses and excludes deposit insurance premium.

8. The decline is in some degree partly due to a special factor of a shift from Euro-yen impact loans to domestic spread loans.
9. In October 1998, the Law concerning Emergency Measures for the Reconstruction of the Functions of the Financial System (hereafter referred to as the Financial Reconstruction Law, or FRL) and the Financial Function Early Strengthening Law were enacted.

reduction of nearly 70,000, or 17 percent, from the record high of 414,000 in fiscal 1993 (the number of employees[10] at the end of fiscal 1999 declined to 345,000 from 359,000 at the end of fiscal 1998).

Premises and equipment expenses in fiscal 1999 declined by 1.6 percent from the previous year. Factors behind this decline were cost reductions achieved by (1) reviewing of suppliers and purchase prices for equipment and supplies, (2) negotiating for lower rentals for branches and costs of business outsourcing, and (3) consolidation and closing of manned branches.[11]

B. Net Bond-Related Gains/Losses

Banks recorded net bond-related losses of ¥0.1 trillion in fiscal 1999 after posting net bond-related gains of ¥0.9 trillion in fiscal 1998 (Chart 7). During the first half of fiscal 1998, many banks recorded large gains on government bond-selling operations while increasing the balance of bond holdings, when long-term interest rates were declining, i.e., bond prices were increasing. In fiscal 1999, however, it was difficult for these banks to secure the same level of gains on bond-selling operations as the previous year, since long-term interest rates stayed within 1.4–1.9 percent, a relatively narrow range compared with that in the past few years.

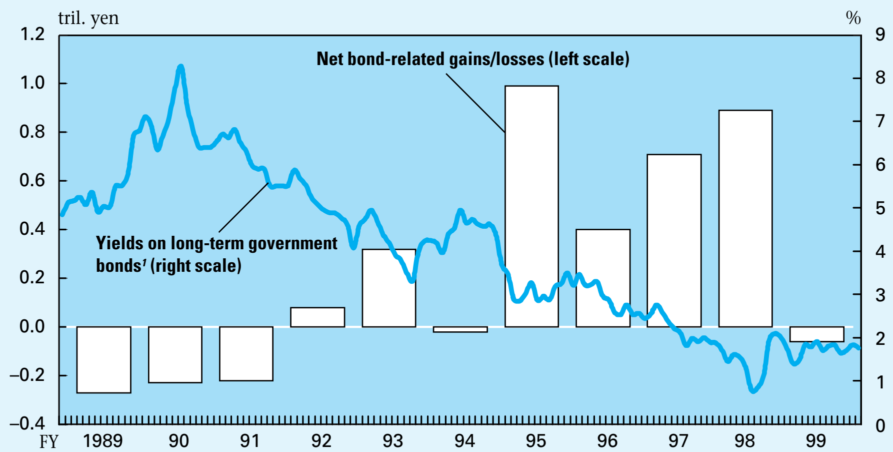
C. Recurring Profits/Losses and Net Income/Losses

1. Net stock-related gains/losses

Net stock-related gains[12] marked a record high of ¥3.8 trillion[13] in fiscal 1999 from ¥0.8 trillion in fiscal 1998 (Chart 8). This was attributable to posting of large gains on stock-selling operations aimed at securing funds for nonperforming-loan disposal while stock prices were firm.

A breakdown of the gains/losses shows that losses from stock-selling operations and stock write-downs increased from the previous fiscal year (to ¥1.1 trillion in fiscal 1999 from ¥0.6 trillion in fiscal 1998 and to ¥1.1 trillion from ¥0.9 trillion, respectively) while gains on stock-selling operations also increased considerably to ¥6.0 trillion in fiscal 1999 from ¥2.3 trillion in the previous year. This was due to the fact that banks employing the cost method disposed of unrealized losses by selling or making write-downs on stocks with weak prices in view of the introduction of mark-to-market accounting.

Chart 7
Net Bond-Related Gains/Losses



Note: *1.* Yields on 10-year newly issued bonds. For data before November 1998, yields on bonds with the longest remaining maturity.

10. Excluding temporary workers, contract employees, and those seconded to other organizations.
11. The decline is also partly due to the appreciation of the yen, which caused a decline in the value of general and administrative expenses of overseas branches in yen terms (from ¥119.99 to the U.S. dollar at end-March 1999 to ¥105.29 at end-March 2000).
12. Net stock-related gains/losses = gains on stock-selling operations – losses from stock-selling operations – stock write-downs.
13. Calculated according to the Uniform Accounting Standards revision of 1989, which separated securities-related gains/losses into stock-related accounts and bond-related accounts.

2. Disposal of nonperforming loans

The amount of nonperforming-loan disposal[14] stood at ¥6.1 trillion, less than half the peak level of ¥13.5 trillion in fiscal 1998 but still a high level, exceeding operating profits from core business (Chart 9). Furthermore, it far exceeded the forecast.[15] The relatively large amount of disposal can be attributed to the following four factors: (1) borrowers' balance sheets deteriorated further; (2) some large-scale borrowers requested banks to waive huge amounts of claims; (3) the total of unsecured portions of loans increased due to the fall in land prices;[16] and (4) some banks extended additional assistance to their affiliated nonbanks.

One feature of fiscal 1998 was the massive amount of net transfer to the allowance for possible loan losses (APLL). In fiscal 1999, however, the amount of net transfer was only ¥0.1 trillion, since the amount of loans to which APLL was applied and the ratio of APLL to those loans remained almost unchanged from the previous year.

3. Recurring profits and net income

Recurring profits and net income both recorded the first positive figures in three years following huge

Chart 8
Net Stock-Related Gains/Losses

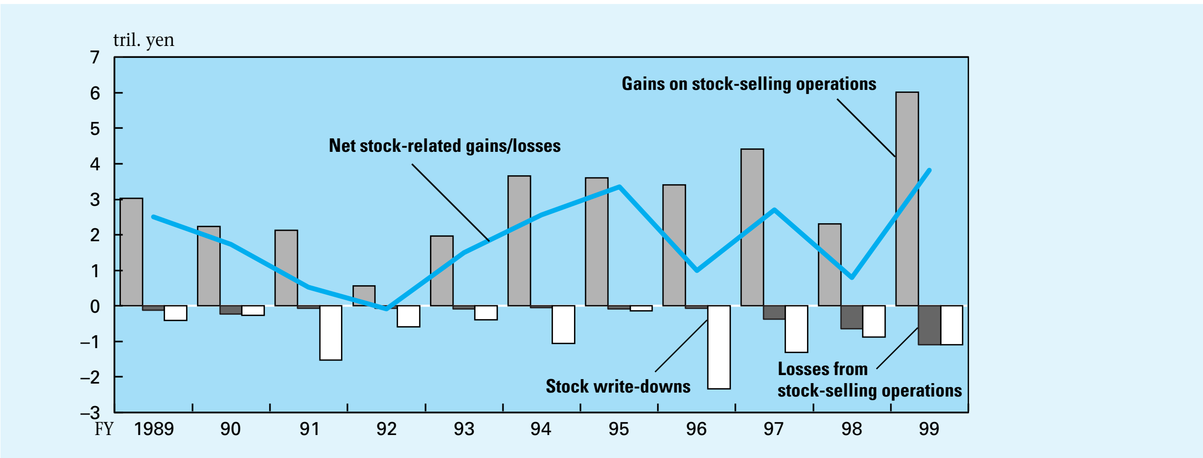
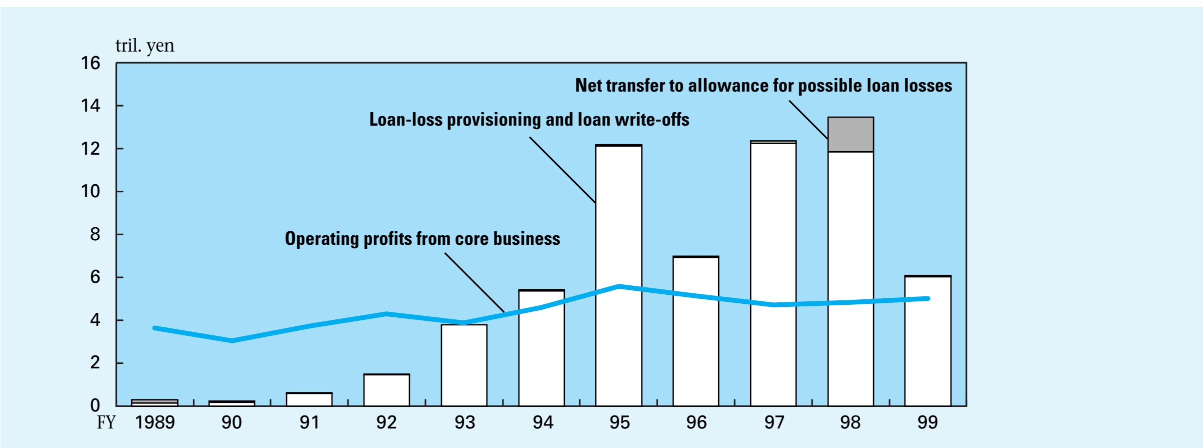


Chart 9
Disposal of Nonperforming Loans



14. 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).
15. The amount of nonperforming-loan disposal of city banks, long-term credit banks, and trust banks totaled ¥4.5 trillion in fiscal 1999, which was 1.6 times greater than the ¥2.9 trillion forecasted at the time of the release of the financial statements for the semiannual settlement in November 1999.
16. In 1999, the annual average rate of published land prices for nationwide commercial land declined by 8.0 percent from the previous year, and continued to decline by almost 10 percent annually.

losses in fiscal 1997 and 1998 (profits of ¥2.4 trillion and ¥0.9 trillion in fiscal 1999 as against losses of ¥7.2 trillion and ¥4.4 trillion in fiscal 1998, respectively). This was attributable to posting of large net stock-related gains aimed at securing funds for nonperforming-loan disposal, which exceeded operating profits from core business. The number of banks reporting losses declined sharply compared with fiscal 1998, with 12 banks reporting recurring losses and 13 reporting net losses, as against 64 and 64 in fiscal 1998 (Chart 10).

D. Appropriation of Profits

Many banks continued to retain a major part of their profits to accumulate earned surplus as early as possible. Specifically, the city banks, the long-term credit banks, and the trust banks, which had strengthened their capital base through the injection of public funds, continued to hold down or reduce dividend payments on common stocks (the number of Japanese banks that reduced dividend payments on common stocks declined to 13 in fiscal 1999 from 26 in fiscal 1998, Chart 11). In addition, all of the city banks, the long-term credit banks, and the trust banks suspended directors' bonus payments for five successive years. At the same time, approximately 70 percent of regional banks and regional banks II suspended or reduced such payments in fiscal 1999 (67 Japanese banks suspended directors' bonus payments and 28 reduced such payments).

In addition, the number of banks that suspended dividend payments on common stocks, mostly those reporting net losses, remained almost unchanged at 12, as against 13 in fiscal 1998.

Chart 10
Number of Banks Reporting Net Losses

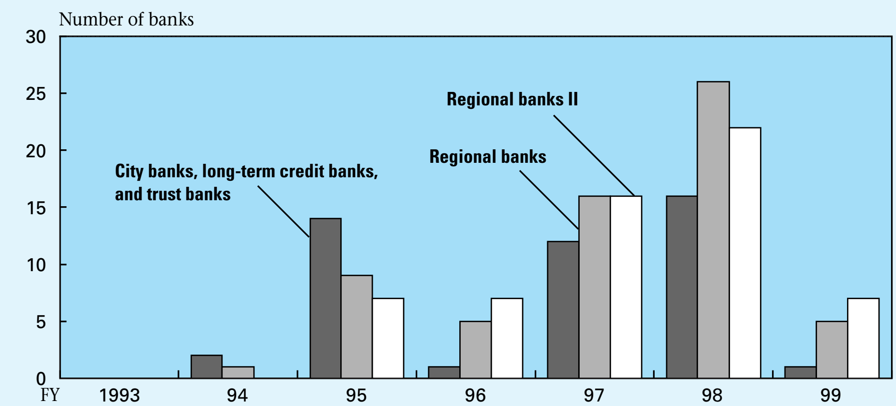
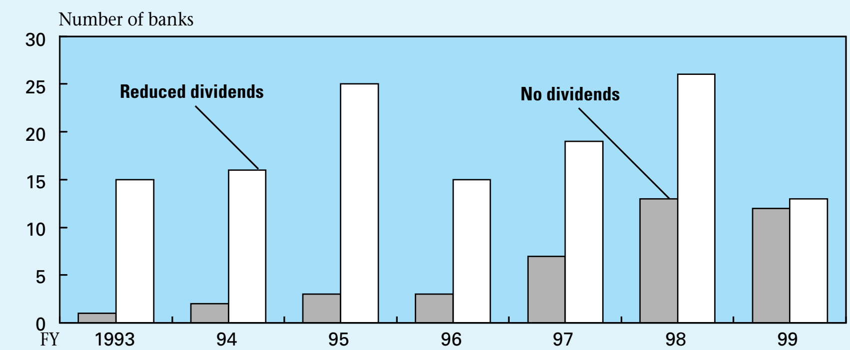


Chart 11
Dividend Payments[1]



Note: *1.* Dividends on common stocks.

III. Disposal of Nonperforming Loans

A. Cumulative Total of Nonperforming-Loan Disposal

The cumulative losses from disposal of nonperforming loans by Japanese banks between fiscal 1991 and fiscal 1999 reached ¥62.5 trillion, including the disposal of ¥6.1 trillion made at the settlement of accounts for fiscal 1999.

These massive cumulative losses far exceeded Japanese banks' operating profits from core business of ¥41.9 trillion during this period. The shortfall was generally financed by net bond-related gains of ¥3.1 trillion, net stock-related gains of ¥16.2 trillion, gains on sales of premises and movable property of ¥1.6 trillion, and a decrease in capital accounts of ¥17.7 trillion.[17]

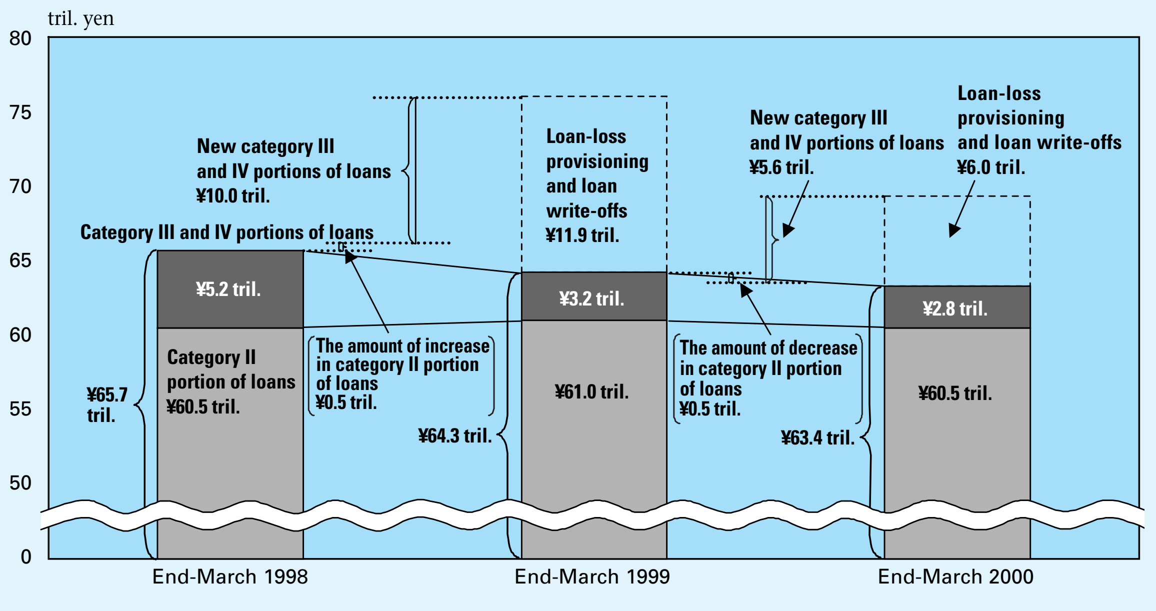
B. State of Nonperforming Loans on a Stock Basis

1. Self-assessment results (Chart 12)

Portions of loans classified as categories II, III, and IV ("classified assets")[18] amounted to ¥63.4 trillion at end-March 2000 on a post-disposal basis, i.e., after loan write-offs and loan-loss provisioning for category III and IV portions of loans. This amount was lower than the ¥64.3 trillion at end-March 1999.

Category III and IV portions of loans decreased by a mere ¥0.4 trillion from the previous year, despite the huge loan write-offs and loan-loss provisioning amounting to ¥6.0 trillion, excluding transfers to the APLL. This was due to the emergence of new nonperforming loans, of which ¥5.6 trillion was estimated to be classified in categories III and IV.

Chart 12
Self-Assessment Results[1]



Note: *1.* Banks surveyed differ for each period, thus precise comparison using these figures is not possible.

17. The decrease in capital accounts equals the cumulative net losses reported by banks during the period. Figures for fiscal 1998 and 1999 are the total of net losses of banks on the assumption that banks would not record deferred tax assets.

18. The figures are the same as those released by the Financial Services Agency (FSA) on July 28, 2000. The figures exclude data for Nippon Credit Bank, Kokumin Bank, Kofuku Bank, Tokyo Sowa Bank, Namihaya Bank, and Niigata Chuo Bank. However, they include data for Shinsei Bank. The figures for end-March 1998 and 1999 are those released by the Financial Supervision Agency (now the Financial Services Agency) on July 23, 1999. The figures at end-March 1999 exclude data for the former Long-Term Credit Bank of Japan, Nippon Credit Bank, Kokumin Bank, Tokyo Sowa Bank, Kofuku Bank, and Midori Bank; and the figures at end-March 1998 exclude data for Hokkaido Takushoku Bank, the former Long-Term Credit Bank of Japan, Nippon Credit Bank, Tokuyo City Bank, Kyoto Kyoei Bank, Naniwa Bank, Fukutoku Bank, and Midori Bank.

2. Disclosure under the FRL (Chart 13)

The total amount of assets specified and disclosed by banks under the Financial Reconstruction Law (FRL)[19] decreased to ¥31.8 trillion at end-March 2000, from ¥33.9 trillion a year earlier. In detail, the yearly change in each category was as follows: "unrecoverable or valueless" assets decreased to ¥7.8 trillion from ¥10.3 trillion; "risk" assets decreased to ¥16.2 trillion from ¥17.4 trillion; and assets requiring "special attention" increased to ¥7.8 trillion from ¥6.2 trillion.

3. Loan-loss provisioning by debtor category (Chart 14)

With regard to assets disclosed in accordance with the FRL, 56 banks voluntarily disclosed loan-loss provisions and the amount secured by collateral. Loan-loss provision ratios by debtor category[20] calculated based on data disclosed by the banks were approximately equal to those at end-March 1999 when the ratios increased significantly following the recommendation in "The Viewpoint," released by the FRC.[21] Thus, it could be said that the amount of disposal of nonperforming loans resulting from an increase in loan-loss provision ratios had almost stopped expanding. The loan-loss provision ratios by debtor category are outlined below.

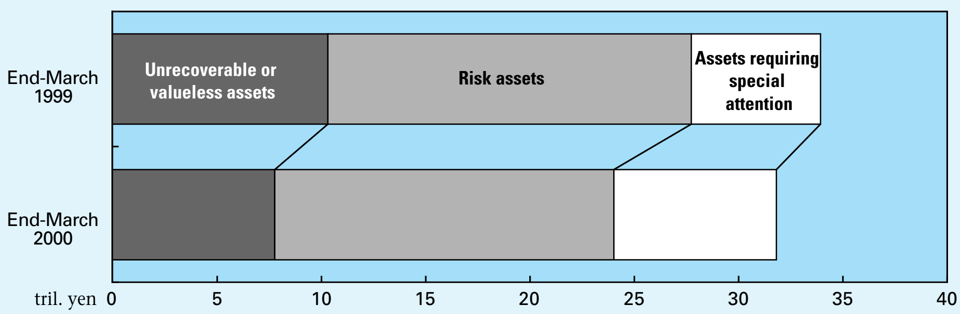
a. "Unrecoverable or valueless" assets (loans to "bankrupt" and "effectively bankrupt" borrowers)

The loan-loss provision ratio was 100 percent for the portion of loans to "bankrupt" and "effectively bankrupt" borrowers that was unsecured by collateral (classified as categories III and IV).

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

The loan-loss provision ratio was 68 percent for the unsecured portion of "risk" assets, i.e., the

Chart 13
Assets Disclosed under the Financial Reconstruction Law[1]



Note: *1.* Banks surveyed differ for each period, thus precise comparison using these figures is not possible.

19. The figures are the same as those released by the FRC on July 28, 2000. The figures exclude data for Nippon Credit Bank, Tokyo Sowa Bank, Kokumin Bank, Niigata Chuo Bank, Kofuku Bank, and Namihaya Bank. However, they include data for Shinsei Bank. The figures for end-March 1999 are those released by the FRC on January 27, 2000. The figures exclude data for the former Long-Term Credit Bank of Japan, Nippon Credit Bank, Kokumin Bank, Kofuku Bank, and Tokyo Sowa Bank.

Of the loans disclosed in accordance with the FRL, "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" are part of loans to borrowers that "need attention." Since end-March 1999, city banks, long-term credit banks, and trust banks have been obliged to disclose their assets under the FRL. Since end-September 1999, regional banks and regional banks II have also been obliged to do so. However, disclosure of the loan-loss provision ratios and of loans secured by collateral is voluntary.

20. The loan-loss provision ratio is the total amount of loan-loss provisions and loan write-offs as a percentage of loans unsecured by collateral.

21. The FRC released "The Viewpoint on the Write-offs and Allowances in Association with the Capital Injection" (hereafter, "The Viewpoint") on January 25, 1999. This is targeted only at banks applying for injection of public funds into their capital and subject to the international standard for risk-based capital adequacy ratios. "The Viewpoint" recommends that banks make loan-loss provisions for the following proportion of each asset category: (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 are not required to use this ratio if they have carried specific allowances based on their collectibility of each asset); (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.

category III portion of loans to borrowers "in danger of bankruptcy." This was approximately equal to the 70 percent recommended in "The Viewpoint."

c. Assets requiring "special attention" (portion of loans to borrowers that "need attention")

The loan-loss provision ratio was 17 percent for the unsecured portion of assets requiring "special attention." This slightly exceeded the 15 percent recommended in "The Viewpoint."[22]

4. Risk management loans[23] by industry (Chart 15)

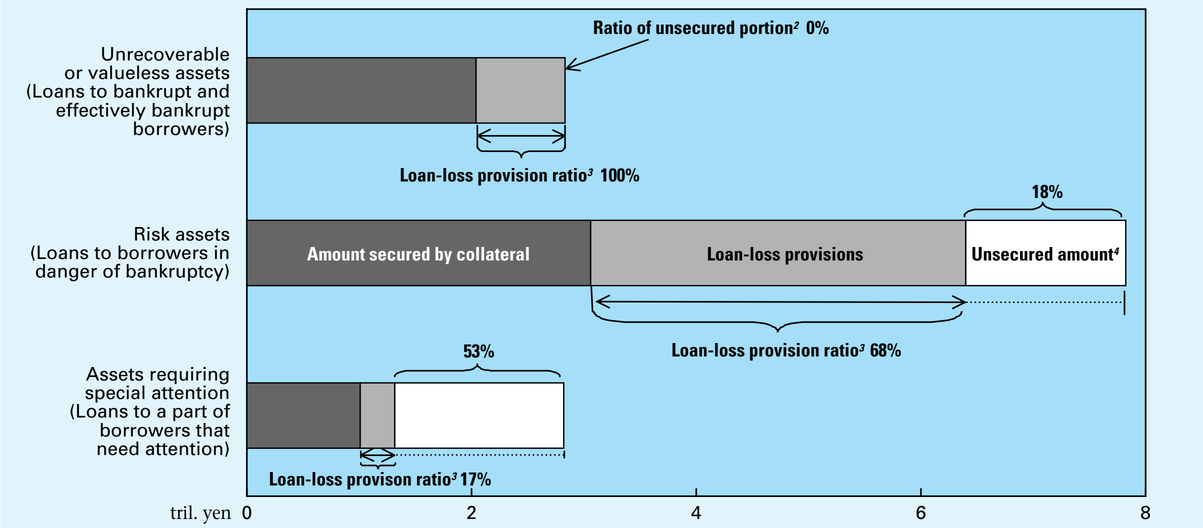
According to the data on risk management loans released by 62 banks, which voluntarily disclosed risk management loans by industry (17 city banks, long-term credit banks, and trust banks and 45 regional banks and regional banks II), just under 80 percent of the total risk management loans were loans to the real estate, services, wholesaling and retailing, and construction industries. Moreover, the proportion of risk management loans to the total loans by industry was higher in the real estate and construction industries than other industries. As compared with end-March 1999, risk management loans decreased significantly in the real estate, services, and finance and insurance industries, but they increased in the wholesaling and retailing, and construction industries.[24]

5. Prospects for the disposal of nonperforming loans

Considering that nonperforming-loan disposal resulting from an increase in the loan-loss provision ratio has almost stopped increasing, the keys to developments in the disposal of nonperforming loans from fiscal 2000 onward are (1) to what

Chart 14

Loan-Loss Provisions to Assets under the Financial Reconstruction Law[1]



Notes: 1. The total of figures for 56 banks, which disclose loan-loss provisioning to assets disclosed under the Financial Reconstruction Law and the amount secured by collateral. The total figure for these 56 banks accounts for slightly above 40 percent of the grand total amount of loans of all Japanese banks disclosed under the Financial Reconstruction Law.
2. The unsecured portion (the total amount of loans minus the amount secured by collateral minus loan-loss provisions) as a percentage of the total amount of loans.
3. The total amount of loan-loss provisions and loan write-offs as a percentage of loans unsecured by collateral.
4. Equivalent to category III loans based on the self-assessment framework.

22. 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 FRL. Loans to borrowers requiring "special attention" are all or a portion of the assets that require "special attention," and they constitute part of loans to borrowers that "need attention."
23. "Risk management loans" corresponds to "loans under special risk review," which was used in the report in the November 1999 issue of the *Bank of Japan Quarterly Bulletin*.
24. The comparison was made between the total for risk management loans by industry disclosed by 31 banks at end-March 1999 and 2000.

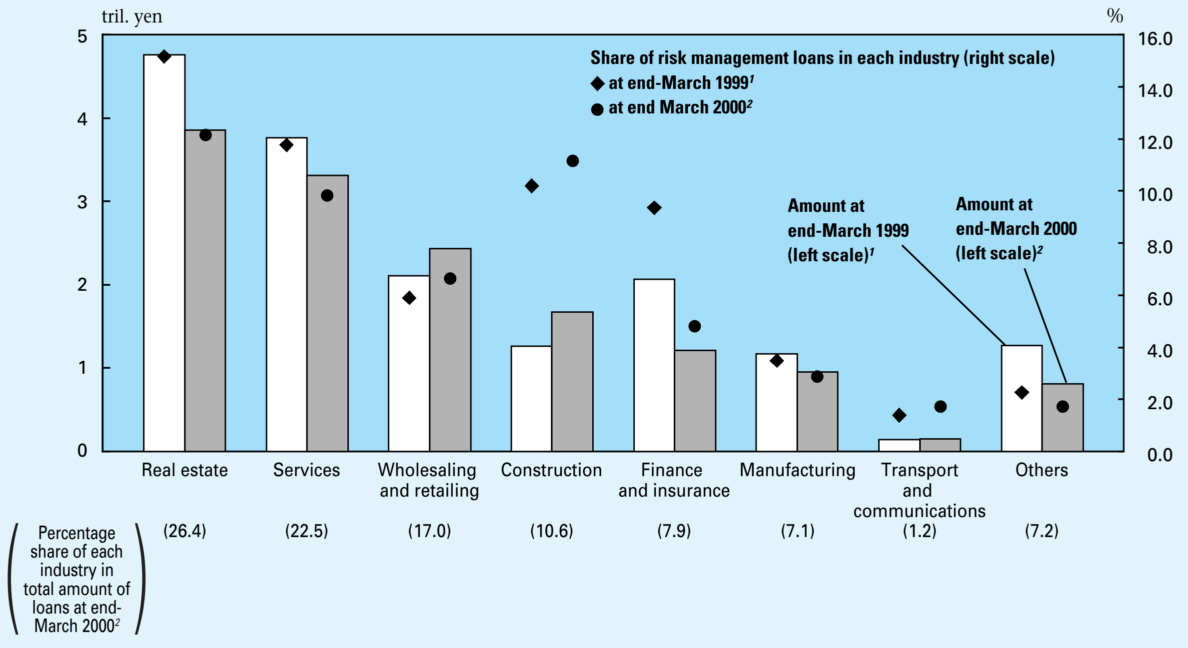
extent borrowers' financial condition will worsen, in particular, what portion of loans to "normal" borrowers and borrowers that "need attention" will deteriorate to become loans to borrowers "in danger of bankruptcy" or worse, and (2) to what extent the portion of loans unsecured by collateral will continue to increase due to the fall in land prices.

From this viewpoint, the following two developments will require attention. First, to what extent borrowers in industries to which there is a large proportion of nonperforming loans—such as real estate, services, construction, and wholesaling and retailing—are able to improve their balance sheets by making efforts to (1) improve the profitability of their core operations, (2) reduce interest-bearing debt, and (3) cut costs, while adjusting to the change in the accounting standard.[25] Second, developments in land prices, which have been following a downtrend since 1991 in land for both commercial and residential use (Chart 16), will require attention.

C. Progress in the Final Disposal of Nonperforming Loans (Chart 17)

In addition to accounting treatment such as loan-loss provisioning, it is very important that banks continue moving toward the complete removal of nonperforming loans from balance sheets by, e.g., selling such loans or collateral (final disposal of nonperforming loans). Final disposal can bring the following benefits: (1) cash flow improves;[26] (2) the risk of additional losses arising from a fall in collateral value is averted; (3) the cost of managing and collecting loans is reduced; and (4) public confidence in the banks is restored through a reduction in the amount of disclosed nonperforming loans.

Chart 15
Risk Management Loans by Industry

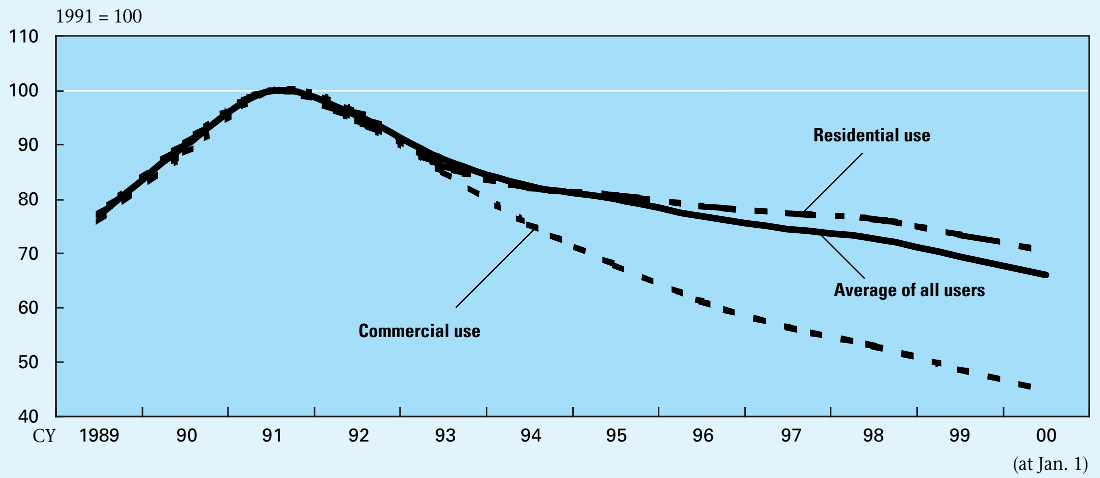


Notes: 1. The total of figures for 31 banks which disclosed their risk management loans by industry at end-March 1999 and 2000.
2. The total of figures for 62 banks which disclosed their figures at end-March 2000.

25. From fiscal 2000, firms are required to make up the shortfall in reserves for retirement allowances resulting from the change in the accounting standard with the introduction of accounting for retirement benefits and to adopt devaluation of real estate for sale.

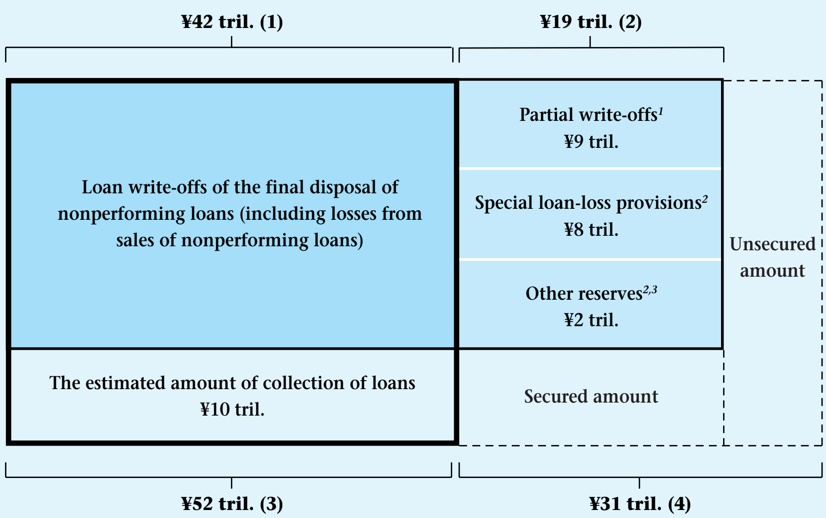
26. Banks' cash flow will improve due to the following. First, the inflow of cash will increase through the sale of collateral or nonperforming assets. Second, tax payment will decrease because, when losses are realized, loan-loss provisioning previously made will become deductible. By reinvesting this increased cash flow in assets earning higher returns, banks will be able to boost the overall profitability of asset portfolios.

Chart 16
Published Land Prices



Source: National Land Agency, "*Heisei 12-nen Chika Kouji no Happyo* (Publication of Land Price in 2000)."

Chart 17
Final Disposal of Nonperforming Loans (Fiscal 1991 through 1999)



(1) Loan write-offs of the final disposal of nonperforming loans (including losses from sales of nonperforming loans): ¥42 tril.
(2) Partial write-offs and special loan-loss provisions and other reserves at end-March 2000: ¥19 tril.
(1) + (2) = total amount of disposal of nonperforming loans: ¥61 tril.
(3) The total principal of the disposed loans removed from banks' balance sheets with the final disposal (estimated): ¥52 tril.
(4) The total of "unrecoverable or valueless" assets and "risk" assets plus partial write-offs at end-March 2000: ¥31 tril.
(3) + (4) = total amount of nonperforming loans to which loan-loss provisioning and loan write-offs have been applied (estimated): ¥83 tril.

(Ratio of final disposal to the total amount of nonperforming loans on a book value basis [ratio of (3) to the total of (3) + (4)] = about 60 percent)

Notes: *1.* Not included in the final disposal of loans in that collateral has not been disposed yet.
2. Loans of debtors who apply special loan-loss provisions are included in (4) to facilitate calculation.
3. Total of allowances for losses from sales of loans and for specific debtors.

From fiscal 1991 through 1999, the total disposal, excluding transfers to the APLL, amounted to ¥61 trillion. Of this amount, ¥19 trillion worth (¥9 trillion for partial write-offs,[27] ¥8 trillion for special loan-loss provisions, and ¥2 trillion for other reserves) had not yet been removed from balance sheets at end-March 2000. Therefore, loan write-offs of the final disposal of nonperforming loans (which includes losses on sales of such assets and losses arising from financial support) is estimated to be ¥42 trillion, which accounts for about 70 percent of the total disposal.

It is difficult to accurately identify the total principal of nonperforming loans corresponding to the above ¥42 trillion disposal. Using a given loan-loss ratio,[28] it is estimated to be approximately ¥52 trillion, and this figure matches the amount of nonperforming loans removed from balance sheets in final disposal (on a book-value basis). Meanwhile, the principal of nonperforming loans not completely written off at end-March 2000, namely "unrecoverable or valueless" assets, "risk" assets, and partial write-offs, stood at ¥31 trillion. Thus, of the ¥83 trillion, i.e., the total of the above ¥52 trillion and ¥31 trillion, of principal of nonperforming loans written off or for which provisions were made between fiscal 1991 and fiscal 1999, about 60 percent or ¥52 trillion have been removed from balance sheets.[29]

The progress in the final disposal of nonperforming loans is explained in the following sections taking each of the three methods of disposal in turn: (1) write-offs, collection of loans through the sale of collateral, removal from banks' balance sheets of loans remaining after the sale of collateral, and waiving of claims; (2) liquidation of loans by bulk sales; and (3) sales of loans to the Cooperative Credit Purchasing Company (CCPC).

1. Write-offs

Since fiscal 1995, the amount of the final disposal of nonperforming loans by means of write-offs has been at a relatively high level due to collection through the disposal of collateral and waiving of claims on borrowers such as *jusen* (housing loan companies), affiliated nonbanks, and general contractors. Banks are likely to continue collecting nonperforming loans through the disposal of collateral, since the conditions for carrying out final disposal of nonperforming loans have improved as seen in the more expeditious auction procedures.[30]

2. Liquidation of loans

Since fiscal 1997, final disposal of nonperforming loans through liquidation of loans seems to have increased significantly due to an expansion in bulk sales of loans to foreign investors mainly by city banks, long-term credit banks, and trust banks. The increase in liquidation of loans has been supported partly by changes in legislation that facilitate this method of disposal.[31]

It is important that the market for liquidation of nonperforming loans improves through establishment of more sophisticated methods to calculate sales prices and further diversification in liquidation schemes,[32] thereby increasing the final disposal of nonperforming loans.

3. Loans sold to the CCPC

To remove nonperforming loans from balance sheets, banks had been primarily selling loans to the CCPC[33] in the years since its establishment

27. "Partial write-offs" is the writing off of loans to "bankrupt" and "effectively bankrupt" borrowers that are secured by collateral or guaranteed but cannot be recovered through the sale of collateral (classified as category IV). However, these write-offs are excluded from the final disposal figure in this report because the collateral has not yet been disposed of.
28. The loan-loss ratio is calculated on the basis of average loan-loss ratios and other factors at the time the assets are sold to the Cooperative Credit Purchasing Company (CCPC).
29. The loan-loss ratio with a 10 percent variance does not greatly affect the result of the calculation.
30. Compared with discretionary sales, auctions have drawbacks such as low sales prices and complicated and time-consuming sales procedures. However, auction procedures have been reviewed following the revision of the Civil Execution Law in fiscal 1998 with the aim of ensuring prompt execution of delivery orders. The review included an increase in the number of staff assigned to the enforcement unit at law courts, and provision of auction information via the Internet. Also, in November 1999, the Supreme Court set a new judicial precedent by allowing a petition for eviction from the premises by a mortgagee who subrogated the right of property owner against unauthorized occupants of the mortgaged property. Consequently, it is expected that sales of collateral will be expedited.
31. Law revisions including the enactment of a law concerning registered assignments of financial claims to be set up against a third party (effective October 1, 1998) and the Servicer Law allowing asset-collection companies to manage and collect financial assets (effective February 1, 1999).
32. For example, loans subject to bulk sales have been primarily loans to "bankrupt" and "effectively bankrupt" borrowers. The liquidation market would expand if liquidation targets were to include loans to borrowers "in danger of bankruptcy" and loans to borrowers that "need attention."
33. When the CCPC was established, the majority of nonperforming loans were sold to it. Thus, there was no cushion against the risk of values of collateral real estate declining.

in January 1993. However, the amount of final disposal through the CCPC seems to have decreased slightly, due to the increase in bulk sales to foreign investors. The majority of loans sold to the CCPC for final disposal used to be collected through the disposal of collateral. However, since fiscal 1998, the CCPC has been conducting bulk sales of nonperforming loans brought in by a number of banks, and it also started to undertake multi-bank bulk sales (MBBS) and common debtor transactions.[34]

D. Progress in the Disclosure of Nonperforming Loans (Table 2)

Since fiscal 1998, banks have been obliged to disclose data for nonperforming loans to which the provisions of the FRL apply (non-consolidated)[35] and risk management loans (nonconsolidated and consolidated). Further, classification of assets in self-assessment (based on borrower category) was made consistent with the obligatory disclosure items.[36] A number of banks voluntarily disclosed information on the results

Table 2
Disclosure of Nonperforming Loans

Obligatory items	Voluntary items disclosed at end-March 2000	Number of banks that disclosed information
• Assets disclosed under the Financial Reconstruction Law (nonconsolidated)[1]	• Loans based on the self-assessment framework (category II, III, and IV loans)	Slightly under 20 percent
	Of which: loans by debtor category	Several banks
• Risk management loans (consolidated and nonconsolidated)	• Amount secured by collateral and loan-loss provisions of assets disclosed under the Financial Reconstruction Law	About 50 percent
	• Loan-loss provision ratio for "normal" borrowers	Several banks
	• Risk management loans by industry and area	Slightly under 50 percent

Note: *1.* Disclosed in accordance with the Financial Reconstruction Law.

34. MBBS are arrangements whereby the CCPC combines the loans brought in by a number of banks and sells the unit to investors. Common debtor transactions are arrangements whereby the CCPC categorizes nonperforming loans brought in by a number of banks by type of borrower, and then sells units thereof.

35. Disclosure is mandatory at city banks, long-term credit banks, and trust banks from end-March 1999, and at regional banks and regional banks II from end-September 1999.

36. To ensure consistency between asset classification in self-assessment, accounting treatment, and public disclosure, which had not previously been brought into relation with each other, Article 21 of the Banking Law, Article 19, Paragraphs 2 and 3 of the Banking Law Enforcement Order, and guidelines for supervision define "loans to borrowers in legal bankruptcy" and "overdue loans" in risk management loans as loans for which accrued interest is recorded off the balance sheet, regardless of the standard of tax laws. Accordingly, the number of banks that (1) recorded accrued interest on loans to "borrowers in danger of bankruptcy" and "bankrupt" and "effectively bankrupt borrowers" off the balance sheet, and (2) disclosed the loans to "borrowers in danger of bankruptcy" and "bankrupt" and "effectively bankrupt borrowers" as "loans to borrowers in legal bankruptcy" and "overdue loans" increased. The guideline on accounting released by the Japanese Bankers Association in September 1999 recommended, in principle, that accrued interest on loans to "borrowers in danger of bankruptcy" and "bankrupt" and "effectively bankrupt borrowers" should be recorded off the balance sheet.

of self-assessment or collateral and loan-loss provisioning of disclosed assets to which provisions of the FRL apply.

The number of banks that disclosed more voluntary items increased gradually during fiscal 1999 as shown below.[37] It is hoped that banks will continue to make efforts to further disclose data on nonperforming loans.

1. Classified assets based on self-assessment

The number of banks that disclosed classified assets based on self-assessment was just under 20 percent of all banks, increasing from just a few banks at end-March 1999. Just under 40 percent of these banks disclosed classified assets by borrower category.

2. The amount of collateral and loan-loss provisioning of loans disclosed in accordance with the FRL

All city banks, long-term credit banks, and trust banks, and nearly 50 percent of regional banks and regional banks II disclosed the amount of collateral and loan-loss provisioning of "unrecoverable or valueless" assets, "risk" assets, and assets requiring "special attention."[38]

3. Loan-loss provision ratios for "normal" borrowers

Only a few city banks, long-term credit banks, and trust banks disclosed loan-loss provision ratios for loans to "normal" borrowers and borrowers that "need attention" (other than borrowers requiring "special attention"), although the number of banks disclosing these ratios is gradually increasing.

4. The amount of nonperforming loans by industry and area

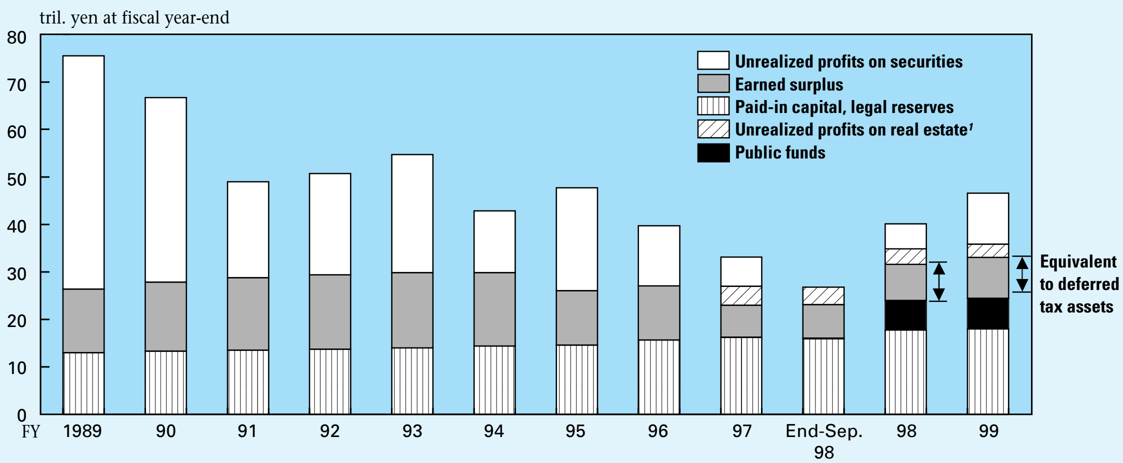
All city banks, long-term credit banks, and trust banks disclosed data for risk management loans by industry and area, such as those to Asia, and several of them disclosed ratios of secured portions. In addition, the number of regional banks and regional banks II that disclosed risk management loans by industry doubled to slightly below 40 percent from slightly below 20 percent at end-March 1999.

IV. Financial Strength of Banks

A. Capital and Unrealized Gains (Chart 18)

Japanese banks' financial strength[39] in terms of their aggregated capital and unrealized gains had

Chart 18
Banks' Financial Strength



Note: *1.* For banks that adopted land revaluation after fiscal 1997.

37. The data used are those of voluntary items disclosed in their press releases or data on financial statements released for fiscal 1999.
38. Many banks disclose the amount of collateral and loan-loss provisioning of *assets* requiring "special attention," and some banks also disclose such data in relation to *borrowers* requiring "special attention."
39. The financial strength of banks is measured by the total of capital, legal reserves, earned surplus, and unrealized gains on securities and on real estate (the latter applies only to those banks that revalued landholdings). Unrealized gains on real estate are the sum of the revaluation difference, deferred tax liabilities relating to the revaluation, and unrealized losses on landholdings after revaluation.

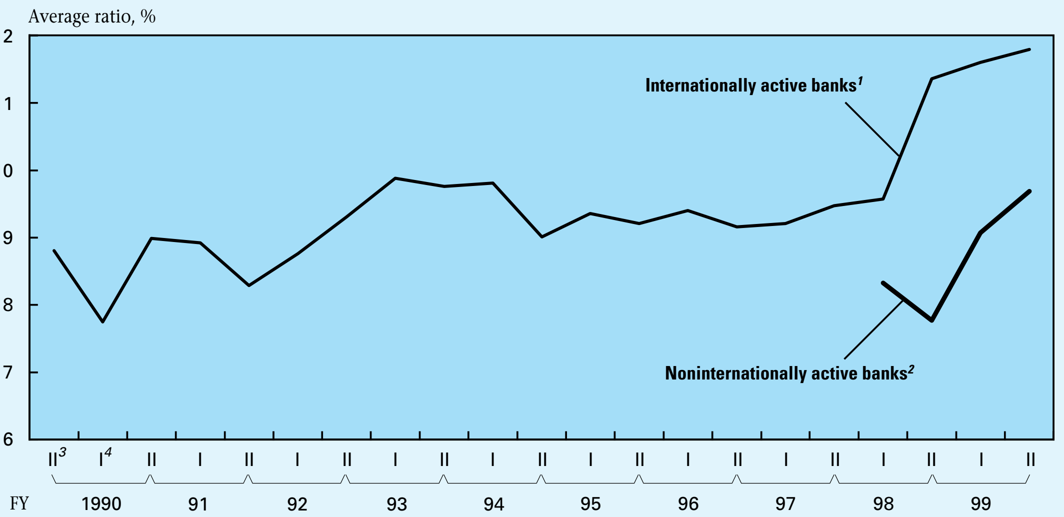
improved from a year earlier (end-March 1999) despite the large net losses for the accounting period. This improvement was due to the public funds injection into their capital and the large amount of deferred tax assets recorded on the balance sheet. The aggregated capital and unrealized gains of Japanese banks at end-March 2000 also increased approximately to the level of end-March 1996. This was attributable to (1) increases in earned surplus as a result of the turnaround in net income, (2) increases in capital of regional banks and regional banks II due to public funds injection and self-acquired capital, and (3) a surge in unrealized gains on securities reflecting a rise in stock prices.

Deferred tax assets[40] decreased to ¥8.2 trillion from ¥8.9 trillion at end-March 1999, but they remained approximately equal to earned surplus, which was ¥8.6 trillion.

B. Risk-Based Capital Adequacy Ratios (Chart 19)

The consolidated risk-based capital adequacy ratios of internationally active banks[41] at end-March 2000 increased to 11.79 percent (on a weighted average basis) from a year earlier, when the ratios soared due to injections of public funds into their capital. This

Chart 19
Average Risk-Based Capital Adequacy Ratios



Notes: *1.* Data are for banks subject to the international standard at end-March 2000. Consolidated basis.
2. Data are for banks subject to the domestic standard at the end of each accounting period. Nonconsolidated basis.
3. End of the fiscal year (March).
4. End of the semiannual accounting period (September).

40. In tax-effect accounting, if loan-loss provisioning that was previously nondeductible is likely to become deductible in the near future, the amount equivalent to the expected tax reduction (tax effect) is recorded as "deferred tax asset." Accordingly, the capital account (earned surplus) increases by the same amount. The tax effect is not realized as a tax refund but as a decrease in tax resulting from a reduction of taxable income. Therefore, the expected tax effect may not be realized if actual taxable income is small. With regard to this point, the JICPA released in November 1999 a report titled "Judgment on Recoverability of Deferred Tax Assets," which calls for accounting rules for deferred tax assets depending on past performance. In accordance with the report, a large number of banks will be subject to the rule limiting the level of deferred tax assets to within the level of taxable income in the last five years. Consequently, if taxable income, which determines the degree of tax effect, decreased to significantly below the amount expected at the settlement of accounts for fiscal 1999, banks will have to reduce deferred tax assets to an appropriate level, and this will exert downward pressure on the capital account (earned surplus).

41. At end-March 2000, 26 banks were subject to the unified international standard and 110 banks were subject to the domestic standard. In fiscal 1999, eight banks closed down their overseas branches, thereby becoming noninternationally active banks.

was attributable to an increase in Tier I capital caused by the turnaround in net income to a positive figure and a reduction in risk-adjusted assets.

The nonconsolidated risk-based capital adequacy ratio of noninternationally active banks at end-March 1999 also increased to 9.69 percent (on a weighted average basis). This was mainly attributable to the strengthening of the capital base of regional banks and regional banks II.

V. Impact of Changes in Accounting Rules on Management of Banks' Operations

A. Introduction of Mark-to-Market Accounting (See Box 2 on Pages 180–183)

1. Mark-to-market valuation of securities

In April 2000, mark-to-market accounting went into effect reflecting the "Practical Guidelines Concerning Accounting for Financial Instruments."[42] With regard to securities, which are considered to be affected significantly by the mark-to-market accounting, the guidelines divide them into the following four categories and determine their accounting treatment accordingly: (1) investment securities held for trading; (2) bonds held to maturity; (3) equity interests in subsidiaries and affiliates, including joint ventures; and (4) other investment securities. Securities held by banks are mainly likely to fall into the last category.[43] Mark-to-market valuation of securities in this category will come into effect from fiscal 2001, giving banks a one-year transitional period. However, those who wish can apply it to do so from fiscal 2000.[44]

2. Impact on capital accounts

"Other investment securities" ([4] above) will be recognized as assets on balance sheets at fair value. Unrealized gains/losses arising from revaluation[45] will not be recognized in the statement of income, but will be directly recorded in the capital account in most cases,[46] taking into account the tax-effect accounting.[47] Consequently, the capital accounts on balance sheets of banks will become susceptible to fluctuations in stock prices and interest rates (i.e., bond prices). In particular, if securities generate net unrealized losses, the capital accounts of banks will shrink and profits available for distribution will be reduced.[48]

Therefore, banks are expected to invest in securities in view of the effects on financial statements of changes resulting from mark-to-market valuation of securities.

B. Introduction of Accounting for Retirement Benefits (See Box 3 on Pages 184–185)

1. Differences arising from accounting changes: shortfalls in reserves

In April 2000, a new accounting standard for retirement benefits went into effect in line with the "Practical Guidelines Concerning Accounting Standard for Retirement Benefits."[49] The difference, or the shortfall in reserves, arising from the implementation of the new standard is determined by subtracting reserves for retirement allowances and pension assets from projected benefit obligations (PBOs) equivalent to the discounted value on expected retirement benefits accrued up to the current fiscal period. The total shortfall of 80 banks, disclosed in their data on financial statements released for fiscal 1999, was an aggregate ¥1.3 trillion, about 20 percent of the earned surplus. Banks must make up the shortfall through expenses within 15 years.

---

42. The JICPA released the guidelines in January 2000, following the release of the Business Accounting Deliberation Council's "Opinion Concerning the Establishment of Accounting Standards for Financial Instruments" in January 1999.
43. Many bond portfolios and cross-shareholdings for the purpose of long-term investment fall into this category.
44. Mark-to-market accounting will be applied from the interim closing of the fiscal year for businesses with interim closing.
45. Unrealized gains/losses are determined by deducting amortized cost (acquisition cost for stocks) from fair value. Amortized cost is the total of acquisition cost and interest arising from the difference between book value and face value.
46. Another method can also be used. In this method, losses arising from revaluation, but not gains, are recorded in the statement of income, and the gains are recorded directly on the capital account in the balance sheet, taking into account tax-effect accounting.
47. Tax-effect accounting is applied to the increase/decrease in tax payments resulting from sale of securities carrying unrealized gains/losses. Tax payments increase/decrease by the amount of gains/losses multiplied by the effective tax rate.
48. Under the Commercial Code, the profits available for distribution are the amount of the capital account excluding such items as capital and legal reserves. Therefore, if securities show unrealized losses, the capital account will shrink and profits available for distribution will decrease. On the other hand, if securities show unrealized profits, the capital account will increase but will not change the amount of profits available for distribution since the increase due to mark-to-market valuation will be deducted from the profits available for distribution.
49. Released by the JICPA in September 1999. These guidelines were released following the release of "Accounting Standards for Retirement Benefits" by the Business Accounting Deliberation Council in June 1998.

2. Banks' response

In fiscal 1999, some banks have been making up the shortfall ahead of their original schedules. The majority of banks plan to expedite the making-up: about 40 percent of the 69 banks that announced their schedule will finish making up by end-March 2000 and another 40 percent will do so within the next two to five years.[50]

The shortfall can also be made up by establishing retirement benefit trusts for pension assets as well as increasing the reserves for retirement allowances. Therefore, many banks seeking an early treatment are also considering reducing the shortfall by placing stocks with unrealized gains in retirement benefit trusts.

In any case, efforts to make up the shortfall will be a factor decreasing net income in and after fiscal 2000. Even if banks reduce the shortfall by placing stocks with unrealized gains in retirement benefit trusts, they should keep in mind that they cannot avoid the risk of price volatility in stocks.

50. Expenses stemming from making up the shortfall due to the implementation of the new accounting standards can be recorded as an extraordinary loss if the shortfall is made up within five years.

Box 1 **Information Technology (IT)-Related Investment (Chart for Box 1)**

1. Banks' Tasks and IT-Related Investment

Along with the effort to dispose of nonperforming loans, Japanese banks are working on the following tasks in order to improve profitability and competitiveness: (1) streamlining their business operations and promoting efficiency by cutting costs; (2) expanding business and attracting new customers; and (3) enhancing profit management and risk management. Recently, IT-related investment[1] by banks has attracted attention because their strategy in this area will largely determine their success at the above tasks. The progress in banks' achievement of the above tasks in relation to such investment is as follows.

(1) Streamlining banks' business operations and promoting efficiency (investment to streamline operations and cut costs)

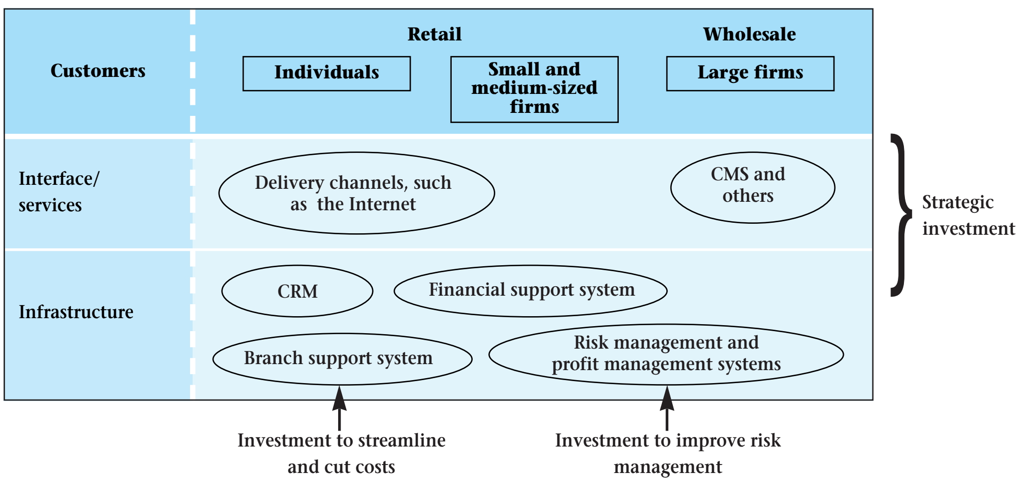
Banks have been promoting computerization of back-office work, and in addition, some have recently been reducing personnel expenses and improving the efficiency of back-office work through development of in-house communications networks and concentration[2] of all back-office processing at computer centers. Further, some banks have tied up to share their systems in order to save investment costs as well as administrative and maintenance expenses.

(2) Expanding business and attracting new customers (strategic investment)

Many banks are investing in IT-related areas with the aim of expanding profits by developing commission business, attracting quality customers, and expanding and diversifying their customer base.

As for services for corporate customers, banks are improving cash management service (CMS) in the face of competition from foreign-capital institutions in Japan. Further, banks are installing a

Chart for Box 1 **The Current State of IT-Related Investment**



1. IT is defined as the full range of information and communications technology related to computers and network infrastructure.
2. Some banks have facilitated reciprocal processing among branches, for example, for verification of registered seals, and integrated existing systems with state-of-the-art terminals.

system called credit scoring, which examines corporate credit risk, in order to increase small-lot lending to small and medium-sized firms.[3]

As for services for individual customers, banks are expected to work at improving banking services provided through the Internet and establishing banks that provide banking services exclusively through the Internet. These are not only to cut transaction costs but also to expand and diversify the customer base. Moreover, as part of customer relationship management (CRM), some banks are establishing and utilizing sophisticated customer databases to provide more effective and efficient services through identifying customers with whom transactions are highly profitable and the needs of those customers.

(3) Enhancing profit management and risk management

Banks need to enhance risk management in order to increase opportunities to raise profits by active risk taking. In view of this, some banks have integrated market and credit risk management and automated data transfer between front, middle, and back offices by straight-through processing (STP). With regard to profit management, a number of banks have been improving their managerial accounting systems to deal with changes in accounting rules, such as the introduction of mark-to-market accounting, and to examine performance by sector and business.

2. Other Considerations

In order to expand IT-related investment, while still facing a heavy burden of nonperforming-loan disposal, banks must (1) cut recurring expenses, (2) promote streamlining of operations by merging or closing down branches, and (3) promote efficiency. Unlike investment to streamline operations and cut costs, it is not easy to predict the positive effects of strategic IT-related investment (section 1, item [2]) in quantitative terms. Thus, business strategies, for example, deciding customers and areas of transaction which banks should target, will be the key for success in IT-related investment.

With regard to the technological aspect of IT-related investment, many banks spent considerable time establishing computer systems, placing emphasis on installing highly reliable mainframe computers. However, the recent IT-related investment has called attention to the need for flexibility in system development in the short term.[4] Banks need to deal with compatibility with existing systems and reexamine the current development of systems. Although mergers and acquisitions of banks are usually considered to increase IT-related investment, banks will have to tackle other tasks in the short term, such as integration of systems. There are domestic and international examples of some banks integrating functions of systems using the system of one bank as a base system. Other banks choose systems with qualities preferable for each business area. In any case, banks need to pay attention to (1) the cost burden arising from integration, (2) the compatibility of different systems, and (3) system stability and the sustainability of business efficiency after integration.

3. The degrees of creditworthiness of small and medium-sized firms are represented by scores, based on various characteristics. In the past, this method was used primarily in screening loans to individuals.
4. Development of distributed systems is growing faster than development of conventional mainframe-centric systems.

Box 2 Summary of Mark-to-Market Accounting and Its Impact on Banks

In January 1999, the Business Accounting Deliberation Council released its "Opinion Concerning the Establishment of Accounting Standards for Financial Instruments." The Japanese Institute of Certified Public Accountants (JICPA) summarized points at issue and released an open draft, and then published the "Practical Guidelines Concerning Accounting for Financial Instruments" in January 2000. The new accounting standards (hereafter, mark-to-market accounting) became effective in April 2000, but for securities classified under "other investment securities" according to the criteria below, mark-to-market accounting will be applied from fiscal 2001, giving banks a one-year transitional period. However, those who wish can apply it to do so from fiscal 2000.[1]

The introduction of mark-to-market accounting is likely to affect not only banks' balance sheets and statements of income but also their daily business operations, such as bond investment, equity holding, and asset and liability management (ALM). Details of these effects are shown below, under the following four categories: (1) banks' balance sheets and statements of income; (2) bond investment; (3) cross-shareholdings for the purpose of long-term investment; and (4) ALM.

1. Impact on Banks' Balance Sheets and Statements of Income

According to the new accounting standards, securities held by banks are categorized into the following four types according to the purpose of investment: (1) investment securities held for trading; (2) bonds held to maturity; (3) equity interests in subsidiaries and affiliates, including joint ventures; and (4) other investment securities. Standards of valuation for each type and effects on and response by banks are described below (Table for Box 2 and Chart 1 for Box 2).

(1) Investment securities held for trading

Investment securities held for trading must be evaluated at fair value, and gains/losses arising from revaluation must be included in net profits/losses during the period in which they arise. A typical example of these securities is securities in the trading account. Introduction of mark-to-market accounting does not have any impact on trading accounts, because banks with trading accounts have been using

Table for Box 2 Standards of Valuation for Each Type of Securities Held by Banks

Type	Appraisal standards and accounting treatment
Investment securities held for trading	Fair value. Gains/losses arising from revaluation must be included in net profits or losses.
Bonds held to maturity	Amortized cost[1]
Equity interests in subsidiaries and affiliates, including joint ventures	Acquisition cost
Other investment securities	Fair value. Gains/losses arising from revaluation are directly recognized in the capital account on the balance sheet, and not recognized in statements of income.[2]

Notes: *1.* Amortized cost is the total of acquisition cost and interest arising from the difference between book value and face value (amortization and accumulation). The "guidelines" show calculation methods as the following: (1) the "interest method," which first calculates the sum of total bond coupon received and the amount arising from adjustment of interest rates (the amount of difference between acquisition cost and face value) and then allocates this sum to profits/losses for each term, using a compound interest rate to form a fixed rate to the book value of the bonds, and (2) the "straight-line method," which divides the amount arising from adjustment of interest rates by the number of dates held (from the date of acquisition to the date of redemption) and allocates the amount to profits/losses for each term.

2. When unrealized gains/losses arising from revaluation are directly recorded in the capital account. On the contrary, when another method is used, the appraisal gain is recognized in the capital accounts of the statement of income, and the appraisal loss is recognized as losses in the statement of income.

1. Mark-to-market accounting will be applied from the interim closing of the fiscal year for businesses with interim closings.

mark-to-market accounting for their accounts since fiscal 1997. For banks that do not hold trading accounts, however, mark-to-market accounting will affect investment securities held for trading, depending on their policy of securities holding.

(2) Bonds held to maturity

Bonds held to maturity are evaluated at amortized cost,[2] and gains/losses arising from a change in the fair value are not recognized. To classify securities under this category, banks should have a strong determination and ability to hold the securities to maturity. In order to prevent banks from evading mark-to-market valuation, once securities are classified as "bonds held to maturity," a bank would be punished[3] if even a portion were transferred to other categories or if they were sold before reaching maturity. Large banks therefore only classify as "bonds held to maturity" a limited amount of bonds, for example, some private notes.

(3) Equity interests in subsidiaries and affiliates, including joint ventures

Equity interests in subsidiaries and affiliates, including joint ventures, are evaluated at acquisition cost, and thus gains/losses arising from revaluation are not recognized.

(4) Other investment securities

Securities categorized as "other investment securities" are recognized in balance sheets at fair value, and gains/losses arising from revaluation are calculated by deducting amortized cost (acquisition cost in the case of stocks) from fair value. There are two accounting methods applied for recording gains/losses arising from revaluation: (1) banks do not recognize gains/losses arising from revaluation in statements of income but directly recognize them, net of income taxes,[4] in the capital account; and (2) banks recognize losses arising from revaluation of securities, but do not record gains in the statement of income and directly record them, net of income taxes, in the capital account. Many banks are likely to use method (1).

Many securities held by banks as bond portfolios and cross-shareholdings are likely to be categorized as "other investment securities." Therefore, the capital account on the balance sheet of banks tends to fluctuate, reflecting changes in stock prices and

Chart 1 for Box 2 **Impact on Banks' Balance Sheets: An Example**

[1] Under Previous Accounting Method

Assets		Liabilities and capital	
Loans	40.0	Deposits	55.0
		Other liabilities	10.0
Commodity securities	1.0		
Securities	19.5	Capital	2.0
Other assets	7.8		
		Earned surplus	1.3
Total assets	68.3	Total liabilities and capital accounts	68.3

Note: *1.* Unrealized gains on marketable securities = 2.0, assuming that they are unrealized gains of "other investment securities."

[2] After Implementation of Mark-to-Market Accounting

Assets		Liabilities and capital	
Loans	40.0	Deposits	55.0
		Deferred tax liability[1]	0.8
Investment securities held for trading	1.0	Other liabilities	10.0
Bonds held to maturity	0.5		
Equity interests in subsidiaries and affiliates including joint ventures	1.0	Capital	2.0
Other investment securities[1]	20.0	Gains/losses arising from revaluation[1]	1.2
Other assets	7.8	Earned surplus	1.3
Total assets	70.3	Total liabilities and capital accounts	70.3

2. See Note 1 to Table for Box 2.

3. There are the following two penalties: (1) banks must transfer all the remaining securities held in this category to other ones; and (2) banks will not be allowed to categorize securities as "bonds held to maturity" for two fiscal years. However, banks will not be penalized if they are not responsible for the causes, such as a significant deterioration in the creditworthiness of issuers.

4. Tax-effect accounting is applied to deal with increase/decrease in tax as a result of sales of securities with unrealized gains/losses. The tax payment increases by gains/losses on sale multiplied by the effective tax rate. For example, if the effective tax rate were 40 percent, gains/losses arising from revaluation multiplied by 0.6 would be recorded in the capital accounts, and gains/losses multiplied by 0.4 would be recorded as deferred tax liability/asset.

Box 2 (continued)

interest rates (bond prices). Should "other investment securities" carry unrealized losses, the capital account will decrease, as will the amount of profits available for distribution.[5] Thus, banks with a small amount of unrealized gains will be more sensitive to changes in the fair value of securities.

2. Impact on Bond Investment

(1) Investment strategy attaching greater importance to composite profits/losses than realized profits/losses (Chart 2 for Box 2)

With regard to bond investment strategy, banks previously attached greater importance to realized profits/losses, such as profit margin and capital gains/losses, all of which are recorded as core operating profits. However, with the introduction of mark-to-market accounting, gains/losses arising from revaluation of bonds will be recognized in the capital account, and thus banks are expected to attach greater importance to composite profits/losses—the total of realized profits/losses and gains/losses arising from revaluation.

(2) Possible change in investment strategy attaching greater importance to the direct yield of bonds

To date, some banks have been purchasing high-coupon bonds at a premium, attaching greater importance to the direct yield of bonds. However, with the application of the amortized cost method, losses arising from redemption must be amortized every year since the application will offset the return from the high coupon. Banks are likely to change their investment strategy.

(3) Impact on purchases of bonds/structured notes with embedded derivatives

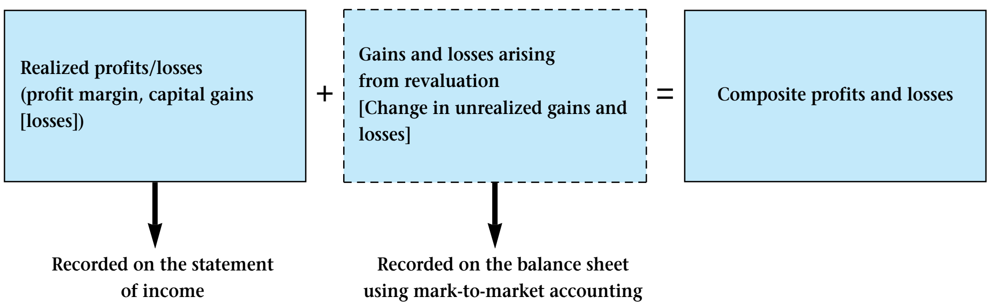
From fiscal 2000, derivatives embedded in bonds/structured notes must be evaluated at fair value,[6] and their gains/losses arising from revaluation must be recognized in the statement of income. Thus, banks are likely to change their strategy of purchase in relation to bonds with embedded derivatives.

3. Impact on Banks' Stance Regarding Cross-Shareholding for the Purpose of Long-Term Investment

(1) Review of cross-shareholdings to reduce risks of price fluctuations in stocks

Banks have continued cross-shareholding for the purpose of long-term investment and the realization of gains by cross-trading stocks in the process of disposing of nonperforming loans. Accordingly, a rise in book value increases the vulnerability to the changes in stock prices.

Chart 2 for Box 2 **Realized Profits and Losses and Composite Profits and Losses**



5. See Footnote 31 on page 172.
6. According to the guidelines, when derivatives are included in contracts for bonds and other instruments and the principal can be reduced depending on the prices of underlying instruments (e.g., stocks, foreign exchange, or others), the derivatives must be evaluated at fair value. The gains/losses arising from the revaluation will be recognized in the balance sheet and the statement of income.

In addition, with the introduction of mark-to-market accounting, the book value of stocks will rise by an amount equivalent to unrealized gains. Consequently, many banks are increasingly aware of the vulnerability to the changes in stock prices. This is one of the reasons for sales of stocks cross-held for the purpose of long-term investment.

(2) Ban on cross trades

Cross trades are banned by the guidelines.[7] Thus, banks may face difficulty in acquiring funds to flexibly write off nonperforming loans and write down stocks.

4. Impact on ALM

In mark-to-market accounting, derivatives are, in principle, evaluated at fair value and gains/losses arising from revaluation are recognized in the statement of income. Gains/losses on derivatives for hedging purposes can be deferred in hedge accounting.[8] Nevertheless, it is hard to identify each hedging transaction underlying the contract because hedging and hedged items in the ALM of banks are composed of multiple transactions, and therefore in many cases application of normal hedge accounting is difficult. In view of this situation, the JICPA formulated a risk adjustment approach, a transitional measure to apply for two years. With this, banks may defer recognition of gains/losses arising from revaluation of derivatives in the statement of income if the following conditions are met:[9]

(1) Appropriate risk management policies have been formulated by the bank's board of directors, a suitable internal control system has been established, and investment procedures have been determined and properly documented.

(2) The risk limit has been properly calculated in accordance with established procedures, and risks have been reduced.

(3) Risk management systems have been established to facilitate measuring, monitoring, and controlling risks, and the adequacy of the systems has been examined by a third-party section.

As a result, the effects on ALM are likely to be mitigated for fiscal 2000 and 2001, due largely to the fact that a large amount of gains/losses arising from revaluation of interest rate swaps through ALM can be deferred. However, depending on the content of the hedge accounting standards,[10] which are to be applied in fiscal 2002 or later, each bank may have to conduct ALM operations giving more in-depth consideration to hedged items, hedging measures, and hedge ratios.

7. The guidelines do not allow transactions to be recognized as sales if they are (1) repurchases of the same financial asset that was just sold; or (2) based on a repurchase agreement contracted at the time of selling.

8. In hedge accounting, gains/losses arising from revaluation are, in principle, deferred for recognition in the statement of income (deferred hedge accounting). However, if the hedged item is the securities categorized in "other investment securities" (for definition, see above), gains/losses on both the derivatives and the securities can be recognized in the statement of income (mark-to-market accounting). Either way, profits will not be affected since gains/losses will be deferred to record or canceled out.

9. On February 15, 2000, the JICPA issued Industry Audit Committee Report No. 15 titled "Temporary Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in Banking Industry."

10. Details of the hedge accounting standards, which will be applied in fiscal 2002 or later, will be determined taking into account trends in the United States and Europe.

Box 3 Summary of Accounting for Retirement Benefits

1. Introduction of Accounting for Retirement Benefits

In June 1998, the Business Accounting Deliberation Council introduced the new accounting standards for retirement benefits. The new standards took into account the following points regarding corporate pension plans, including employees' pension funds and tax-qualified pension plans. First, there is a shortfall in pension reserves due partly to a decrease in yields on assets. Second, information on corporate pensions is valuable for investment and corporate management. Third, the standards for accounting and disclosure of firms in Japan should be consistent with international standards. In September 1999, the JICPA released "Practical Guidelines Concerning Accounting Standards for Retirement Benefits," which outlines the practical application of the new accounting standards for retirement benefits.

Accounting for retirement benefits became effective from fiscal periods beginning on or after April 1, 2000.[1]

2. Accounting for Retirement Benefits (Chart for Box 3)

Highlights of the accounting for retirement benefits comprise the following four points:

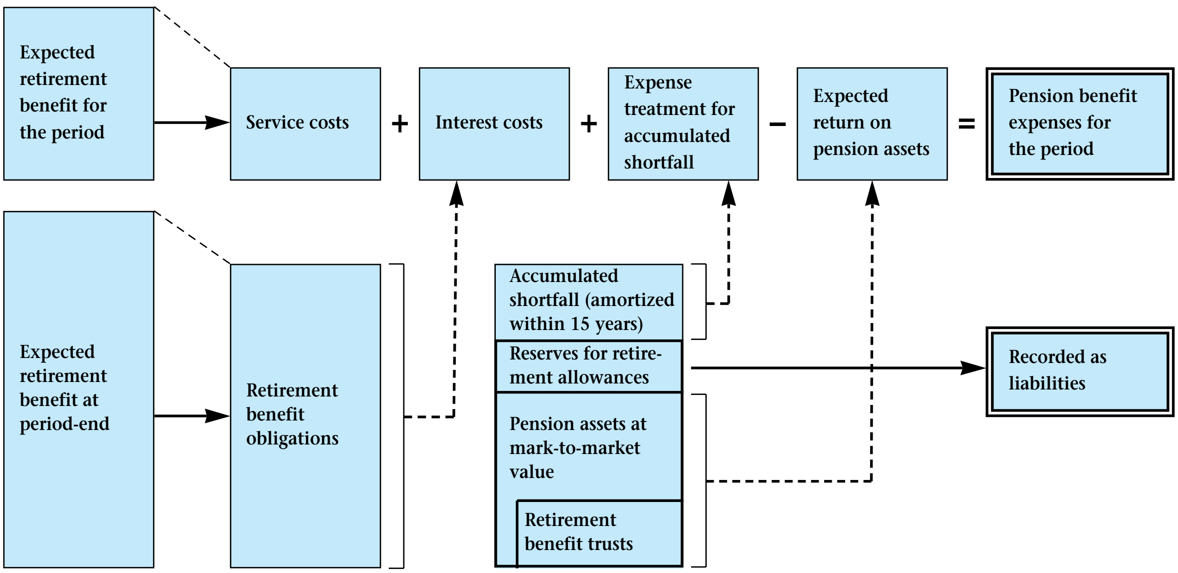
(1) PBOs should be calculated by discounting the benefit obligations to the present value.
(2) Pension assets should be evaluated at fair value.
(3) Differences arising from accounting changes can be amortized over a period of up to 15 years. If they are disposed of within five years, they can be recorded as extraordinary losses.
(4) Notes to financial statements should be improved.

Details of accounting methods are summarized below.

(1) Differences arising from accounting changes: shortfall in reserves

Differences arising from accounting changes—shortfall in reserves—is the total of pension assets and reserves for retirement allowances deducted

Chart for Box 3 **Accounting for Retirement Benefits**



Discounted to the present value—computed based on yield on long-term bonds with high creditworthiness.

1. However, business owners who find it difficult to shift to the new accounting standards immediately from the fiscal period due to shortage of resources—e.g., staff and facilities for conducting calculations relating to corporate pension plans—can start applying the accounting standards from April 2001 or the start of a later fiscal period on condition that they add a footnote to their financial statements.

from the PBOs. The amount can be amortized over a fixed number of years up to 15 years.

The PBOs are calculated by discounting a portion of the total retirement benefits to be paid at the time of each employee's retirement, at a fixed discount rate (based on the expected period from the present to retirement). The portion is the amount that is considered to accrue by the end of a fiscal period, and the discount rate is determined based on the yield of long-term bonds with high creditworthiness. Pension assets are assets accumulated for the payment of retirement benefits under corporate pension plans, and they are evaluated at fair value at the end of a fiscal period.

Only reserves for retirement allowances are recorded as liabilities on balance sheets.

(2) Utilization of retirement benefit trusts

According to the guidelines, if assets meeting certain requirements[2] were transferred to retirement benefit trusts (formed for payment of retirement allowances) within the first half of the fiscal year in which the new accounting standards are applied, the difference arising from accounting changes (shortfall in reserves) could be reduced by the amount equivalent to the fair value of the assets.[3] Accordingly, a large number of banks have transferred or are planning to transfer securities to retirement benefit trusts during fiscal 1999 or in the first half of fiscal 2000.[4]

(3) Recognition of retirement benefit expenses (recognition in the statement of income)

The amount recognized as retirement benefit expenses is the sum of expenses for service costs, interest costs, and expenses related to the amortization of differences arising from accounting changes, minus the amount of expected return on pension assets including those transferred to retirement benefit trusts.

Service costs are calculated by discounting the retirement benefit expected to accrue during the fiscal period at a fixed discount rate and based on the remaining period before retirement. Interest costs are the amount of interest accrued during the fiscal period computed on PBOs at the beginning of the period. Expected investment return on pension assets for the period is computed by multiplying the amount of pension assets at the beginning of the period by the rationally expected rate of return.

The difference between expected return and actual return is treated as part of differences arising from calculations,[5] and this amount will be recognized over a certain number of years of the average remaining period before retirement. In addition, if the fair value of retirement benefit trust assets decreases, the amount of decrease is recognized as part of differences arising from calculations.[6]

2. All the following requirements should be met. First, appropriate management of the retirement benefit trusts can be confirmed, e.g., by rules for retirement allowances, as those used in payments of retirement benefits. Second, trust assets in the retirement benefit trusts should only be used for payment of retirement benefits. Third, retirement benefit trusts are legally kept separate from the reporting enterprises, and it is prohibited to (1) return the trust assets to reporting enterprises, or (2) use the trust assets in a false manner or one harmful to beneficiaries. And fourth, management, administration, and disposition of trust assets should be done by the trustee in accordance with the trust contract.
3. Differences arising from accounting changes can be reduced if transfer to retirement benefit trusts was made within the first half of the fiscal year in which the new accounting standards are applied. The transfer is regarded as having been made on the first day of the fiscal year.
4. While the book value of assets transferred to retirement benefit trusts is recognized as expenses in the statement of income, the differences arising from accounting changes can be reduced by the amount equivalent to the fair value of the assets. Thus, the greater the unrealized gains of assets, the larger the effect from transferring assets to trusts, in that the differences arising from accounting changes are reduced. By contrast, if transfer of assets is conducted in the second half of the first fiscal year when the new accounting standards are applied, the unrealized gains on the assets will be recognized as profits in the statement of income at the time of transfer. On the balance sheet, however, the amount equivalent to the fair value of the assets will be deducted from reserves for retirement allowances. Thus, this operation does not have a direct effect (a reduction in the differences arising from accounting changes) unless it is conducted within the first half of the fiscal year in which the new accounting standards are applied.
5. "Differences arising from calculations" are (1) the difference between expected return on pension assets and actual return, and (2) the difference between the estimated values used for computing PBOs and the actual amount of retirement benefits, and (3) the difference arising from changes in estimated values.
6. The JICPA released "Q&A for Accounting for Retirement Benefits" on January 19, 2000.

ANNEX: FINANCIAL STATEMENTS OF FINANCIAL INSTITUTIONS

Income Statement of All Banks[1]

bil. yen

Fiscal years	1989	90	91	92	93
Recurring income	52,184.9	61,662.6	58,029.1	45,732.8	41,359.8
Operating income	48,768.8	59,055.7	55,520.1	44,837.2	39,097.8
Interest income	44,655.6	54,832.0	52,071.6	41,112.4	34,784.4
Fees and commissions	2,322.6	2,200.5	2,027.2	2,079.0	2,187.4
Income from specified transactions[2]					
Other operating income	1,790.4	2,023.1	1,421.2	1,645.6	2,125.8
Temporary income	3,416.0	2,606.9	2,508.9	895.5	2,262.0
Recurring expenses	48,266.1	58,521.1	55,385.0	43,590.8	39,905.0
Operating expenses	45,814.3	56,681.9	52,357.1	40,712.0	35,171.0
Interest expenses[3]	37,656.6	48,161.1	43,823.1	32,012.1	26,076.6
Expenses for money trust management	276.3	394.7	325.5	224.0	191.4
Fees and commissions	522.4	559.6	566.3	565.9	576.9
Expenses on specified transactions[2]					
Other operating expenses	1,339.0	1,306.8	982.3	971.0	1,355.2
Transfers to allowance for possible loan losses	139.7	56.8	39.0	23.2	–6.3
Debenture expenses	37.7	26.4	21.2	18.1	15.6
General and administrative expenses	6,118.7	6,571.0	6,925.0	7,121.5	7,152.8
Temporary expenses	2,451.7	1,839.1	3,027.9	2,878.7	4,734.0
Recurring profits/losses	3,918.7	3,141.5	2,644.0	2,141.9	1,454.7
Operating profits	3,231.2	2,768.5	3,488.5	4,349.2	4,118.2
Gross profits on operations	9,527.4	9,422.8	10,473.8	11,512.1	11,280.3
Net interest income	7,275.4	7,065.7	8,574.0	9,324.4	8,899.2
Net fees and commissions	1,800.2	1,640.8	1,460.9	1,513.0	1,610.4
Profits on specified transactions[2]					
Other operating profits	451.4	716.3	438.8	674.6	770.6
Extraordinary profits	377.2	227.5	341.4	227.6	193.2
Extraordinary losses	396.3	235.2	319.1	266.5	224.5
Net income/loss before taxes	3,899.6	3,133.9	2,666.3	2,103.0	1,423.4
Corporate income tax, inhabitants taxes, and enterprise taxes[4]	1,878.0	1,456.7	1,392.3	1,232.4	671.0
Income tax benefits[5]					
Net income/loss	2,021.6	1,677.1	1,273.9	870.6	752.3

Notes: *1.* Figures are for All Banks, excluding those that had failed before the end of fiscal 1999. For definitions of All banks, city banks, long-term credit banks, trust banks, regional banks, and regional banks II, see Footnote 1 on page 158. Figures for banks that were taken over by other banks before the end of fiscal 1999 are, in principle, included in all those for the respective absorbing bank starting from fiscal 1989.
Figures are on a nonconsolidated basis, and include only banking accounts.
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 All Banks[1]

(continued from the previous page)

Fiscal years	94	95	96	97	98	99
Recurring income	40,447.0	42,212.2	38,517.5	34,848.8	30,355.7	30,242.8
Operating income	36,534.9	38,269.8	34,787.7	30,169.0	27,721.3	23,750.9
Interest income	32,699.5	33,128.9	29,449.1	25,138.3	21,821.0	18,777.0
Fees and commissions	2,270.7	2,374.9	3,145.0	2,564.5	2,309.6	2,162.6
Income from specified transactions[2]				224.9	234.0	193.0
Other operating income	1,564.6	2,765.9	2,193.5	2,241.1	3,356.5	2,618.2
Temporary income	3,912.1	3,942.3	3,729.7	4,679.8	2,634.4	6,491.9
Recurring expenses	39,470.6	44,660.4	38,015.9	39,507.4	37,537.7	27,862.9
Operating expenses	32,474.4	32,190.0	28,993.1	25,162.5	23,991.0	19,212.4
Interest expenses[3]	23,471.8	22,789.3	19,301.2	15,593.0	12,224.6	9,029.6
Expenses for money trust management	177.0	145.5	117.4	83.3	62.8	35.2
Fees and commissions	574.6	580.0	585.8	600.7	614.1	595.3
Expenses on specified transactions[2]				28.5	8.2	20.1
Other operating expenses	1,187.9	1,527.2	1,554.3	1,336.4	2,243.7	2,418.8
Transfers to allowance for possible loan losses	39.4	57.9	69.1	106.5	1,606.1	71.6
Debenture expenses	12.1	8.6	12.1	8.8	6.9	12.5
General and administrative expenses	7,188.3	7,226.7	7,470.4	7,488.4	7,287.1	7,064.3
Temporary expenses	6,996.2	12,470.3	9,022.8	14,344.9	13,546.6	8,650.4
Recurring profits/losses	976.3	–2,448.2	501.5	–4,658.6	–7,182.0	2,379.8
Operating profits	4,237.5	6,225.3	5,912.0	5,089.9	3,793.1	4,578.3
Gross profits on operations	11,477.3	13,518.6	13,463.6	12,693.6	12,693.3	11,722.1
Net interest income	9,404.6	10,485.1	10,265.2	9,628.7	9,659.2	9,782.5
Net fees and commissions	1,696.0	1,794.8	2,559.1	1,963.7	1,695.4	1,567.2
Profits on specified transactions[2]				196.4	225.8	172.9
Other operating profits	376.6	1,238.7	639.2	904.6	1,112.8	199.4
Extraordinary profits	162.8	488.7	345.3	1,279.0	775.8	535.8
Extraordinary losses	337.4	610.8	344.7	368.6	749.0	549.3
Net income/loss before taxes	801.7	–2,570.3	502.1	–3,748.2	–7,155.1	2,366.3
Corporate income tax, inhabitants taxes, and enterprise taxes[4]	625.5	1,111.9	229.8	545.6	615.4	748.4
Income tax benefits[5]					–3,334.3	694.9
Net income/loss	176.2	–3,682.3	272.3	–4,293.8	–4,436.2	923.0

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

bil. yen

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 1999. For definitions of All banks, city banks, long-term credit banks, trust banks, regional banks, and regional banks II, see Footnote 1 on page 158. Figures for banks that were taken over by other banks before the end of fiscal 1999 are, in principle, included in all those for the respective absorbing bank starting from fiscal 1989.
Figures are on a nonconsolidated basis, and include only banking accounts.
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	99
Recurring income	29,520.7	31,521.1	29,436.9	25,893.7	22,165.6	22,573.9
Operating income	25,936.2	28,480.6	26,243.8	21,910.3	20,024.3	16,800.1
Interest income	22,855.6	24,399.4	21,937.2	18,048.9	15,355.4	12,781.1
Fees and commissions	1,765.3	1,840.8	2,597.4	2,006.1	1,738.9	1,560.1
Income from specified transactions[2]				220.8	229.3	191.0
Other operating income	1,315.3	2,240.4	1,709.2	1,634.4	2,700.6	2,267.9
Temporary income	3,584.5	3,040.5	3,193.1	3,983.4	2,141.3	5,773.9
Recurring expenses	29,332.5	34,362.1	29,267.6	30,143.9	28,156.0	20,660.1
Operating expenses	23,485.3	24,264.0	22,204.5	18,708.3	17,528.7	13,846.0
Interest expenses[3]	18,320.6	18,759.4	16,548.8	13,230.5	10,441.1	7,775.8
Expenses for money trust management	147.1	124.2	103.2	72.7	55.2	30.9
Fees and commissions	355.6	357.2	361.2	375.6	387.5	360.4
Expenses on specified transactions[2]				28.0	7.2	19.5
Other operating expenses	895.5	1,226.9	1,225.7	930.4	1,772.9	2,003.3
Transfers to allowance for possible loan losses	32.2	50.0	68.8	129.4	1,034.9	2.0
Debenture expenses	12.1	8.6	12.1	8.8	6.9	12.5
General and administrative expenses	3,869.2	3,861.8	3,987.8	4,005.6	3,878.2	3,672.4
Temporary expenses	5,847.2	10,098.0	7,063.1	11,435.6	10,627.2	6,814.1
Recurring profits/losses	188.3	–2,841.0	169.3	–4,250.2	–5,990.3	1,913.8
Operating profits	2,598.1	4,340.7	4,142.5	3,274.7	2,550.7	2,984.9
Gross profits on operations	6,511.6	8,261.2	8,211.3	7,418.4	7,470.7	6,671.9
Net interest income	4,682.1	5,764.1	5,491.6	4,891.1	4,969.5	5,036.1
Net fees and commissions	1,409.7	1,483.6	2,236.2	1,630.5	1,351.3	1,199.6
Profits on specified transactions[2]				192.8	222.1	171.4
Other operating profits	419.8	1,013.4	483.4	704.0	927.6	264.7
Extraordinary profits	120.1	382.0	234.2	1,028.1	693.8	487.5
Extraordinary losses	277.4	326.0	215.1	235.4	560.1	413.2
Net income/loss before taxes	30.9	–2,785.0	188.4	–3,457.5	–5,856.6	1,988.0
Corporate income tax, inhabitants taxes, and enterprise taxes[4]	189.7	431.7	75.4	157.7	190.6	345.0
Income tax benefits[5]					–2,454.6	880.3
Net income/loss	–158.8	–3,216.7	113.0	–3,615.1	–3,592.6	762.7

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

bil. yen

Fiscal years	1989	90	91	92	93
Recurring income	12,384.7	16,219.6	16,526.3	13,572.0	11,801.6
Operating income	11,756.5	15,558.4	16,078.9	13,375.3	11,494.0
Interest income	11,066.7	14,864.4	15,381.5	12,587.6	10,619.6
Fees and commissions	349.1	369.7	408.2	436.5	476.5
Income from specified transactions[2]					
Other operating income	340.6	324.1	289.1	351.0	397.8
Temporary income	628.2	661.2	447.4	196.7	307.5
Recurring expenses	11,349.9	15,203.5	15,655.5	12,635.1	11,075.4
Operating expenses	10,727.4	14,689.7	14,947.8	12,044.5	10,305.0
Interest expenses[3]	7,457.7	11,268.7	11,410.6	8,339.4	6,523.8
Expenses for money trust management	95.0	124.2	92.1	55.1	40.1
Fees and commissions	163.6	184.1	195.3	209.1	220.1
Expenses on specified transactions[2]					
Other operating expenses	344.8	307.8	257.2	276.1	290.8
Transfers to allowance for possible loan losses	25.1	11.9	12.8	10.0	2.5
General and administrative expenses	2,736.0	2,917.0	3,071.6	3,209.7	3,267.6
Temporary expenses	622.4	513.8	707.7	590.6	770.4
Recurring profits/losses	1,034.8	1,016.0	870.8	936.8	726.1
Operating profits	1,124.3	993.0	1,223.2	1,385.8	1,229.1
Gross profits on operations	3,885.4	3,921.9	4,307.7	4,605.6	4,499.3
Net interest income	3,704.0	3,719.9	4,062.9	4,303.4	4,135.9
Net fees and commissions	185.4	185.6	212.8	227.3	256.3
Profits on specified transactions[2]					
Other operating profits	–4.3	16.4	31.9	74.8	107.0
Extraordinary profits	47.4	41.0	86.5	74.1	95.8
Extraordinary losses	42.2	41.2	69.5	82.7	114.2
Net income/loss before taxes	1,040.0	1,015.8	887.8	928.2	707.8
Corporate income tax, inhabitants taxes, and enterprise taxes[4]	475.4	490.9	445.9	516.2	360.0
Income tax benefits[5]					
Net income/loss	564.6	524.9	441.9	412.0	347.7

Notes: *1.* Figures are for All Banks, excluding those that had failed before the end of fiscal 1999. For definitions of All banks, city banks, long-term credit banks, trust banks, regional banks, and regional banks II, see Footnote 1 on page 158. Figures for banks that were taken over by other banks before the end of fiscal 1999 are, in principle, included in all those for the respective absorbing bank starting from fiscal 1989.
Figures are on a nonconsolidated basis, and include only banking accounts.
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	99
Recurring income	10,926.3	10,691.2	9,080.6	8,955.2	8,190.1	7,668.9
Operating income	10,598.7	9,789.2	8,543.9	8,258.7	7,697.0	6,950.9
Interest income	9,843.9	8,729.5	7,511.9	7,089.4	6,465.6	5,995.9
Fees and commissions	505.4	534.0	547.6	558.4	570.7	602.5
Income from specified transactions[2]				4.1	4.7	2.0
Other operating income	249.2	525.6	484.3	606.6	655.9	350.2
Temporary income	327.6	901.9	536.7	696.4	493.0	718.0
Recurring expenses	10,138.2	10,298.3	8,748.3	9,363.5	9,381.7	7,202.8
Operating expenses	8,989.1	7,926.0	6,788.5	6,454.2	6,462.2	5,366.4
Interest expenses[3]	5,151.2	4,029.9	2,752.4	2,362.5	1,783.5	1,253.9
Expenses for money trust management	29.8	21.3	14.1	10.7	7.6	4.3
Fees and commissions	219.0	222.8	224.7	225.1	226.6	234.9
Expenses on specified transactions[2]				0.5	1.0	0.6
Other operating expenses	292.5	300.3	328.6	406.0	470.8	415.5
Transfers to allowance for possible loan losses	7.3	7.9	0.2	–22.9	571.2	69.5
General and administrative expenses	3,319.0	3,364.9	3,482.5	3,482.8	3,408.9	3,391.9
Temporary expenses	1,149.0	2,372.2	1,959.7	2,909.3	2,919.4	1,836.4
Recurring profits/losses	788.1	392.8	332.3	–408.4	–1,191.6	466.0
Operating profits	1,639.4	1,884.6	1,769.5	1,815.2	1,242.4	1,593.4
Gross profits on operations	4,965.8	5,257.5	5,252.3	5,275.1	5,222.6	5,050.2
Net interest income	4,722.5	4,721.0	4,773.6	4,737.5	4,689.6	4,746.4
Net fees and commissions	286.4	311.2	322.9	333.3	344.1	367.6
Profits on specified transactions[2]				3.6	3.7	1.5
Other operating profits	–43.2	225.2	155.8	200.6	185.1	–65.2
Extraordinary profits	42.8	106.7	111.1	250.9	82.0	48.4
Extraordinary losses	60.0	284.8	129.6	133.2	189.0	136.1
Net income/loss before taxes	770.8	214.7	313.7	–290.7	–1,298.5	378.3
Corporate income tax, inhabitants taxes, and enterprise taxes[4]	435.8	680.2	154.4	387.9	424.7	403.4
Income tax benefits[5]					–879.7	–185.4
Net income/loss	335.0	–465.5	159.3	–678.7	–843.6	160.3

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

bil. yen

Fiscal years	1989	90	91	92	93
Loans and discounts	450,946.8	474,243.2	487,663.3	493,573.3	490,672.6
Loans	423,678.6	447,140.0	463,364.4	471,809.3	471,536.2
Of which: Loans to other financial institutions	737.7	792.8	679.3	661.2	530.4
Bills discounted	27,268.1	27,103.1	24,298.8	21,764.0	19,136.4
Trading account securities	2,708.9	2,950.4	2,600.6	3,365.5	3,364.0
Money held in trust	6,356.5	5,157.9	4,414.3	4,514.8	4,637.3
Investment securities	119,787.2	120,345.0	115,742.9	112,751.6	112,802.6
Government bonds	28,897.0	28,058.7	24,532.9	24,256.9	24,300.5
Local government bonds	6,546.7	6,613.6	6,687.4	7,071.9	7,523.1
Corporate bonds	21,687.8	22,771.1	24,286.9	24,448.9	24,010.0
Stocks	27,951.4	31,522.7	33,030.8	33,130.5	34,779.9
Securities loaned	1,657.7	935.9	556.9	471.8	451.5
Call loans	25,738.4	17,989.7	17,062.3	16,035.3	13,013.3
Bills purchased	1,542.3	1,115.6	493.5	309.8	118.5
Monetary claims purchased	3,138.9	1,041.1	813.0	759.2	1,056.8
Cash and due from banks	148,577.9	120,279.0	101,410.5	84,216.8	88,919.0
Of which: Cash	30,697.8	31,783.4	24,801.2	18,927.0	18,325.7
Of which: Checks and bills due	28,164.4	29,158.8	21,771.9	16,038.2	15,284.2
Negotiable certificates of deposit	3,645.4	3,166.0	2,435.7	2,202.8	2,614.9
Foreign exchanges	11,816.6	9,212.5	7,913.9	6,659.9	5,874.5
Total interest-earning assets	728,928.4	710,102.2	705,301.4	695,629.2	694,527.8
Premises and movable property	4,783.4	5,427.2	6,013.6	6,353.6	6,352.7
Deferred tax assets[2]					
Customers' liabilities for acceptances and guarantees	57,531.6	57,650.3	53,224.3	44,228.5	38,503.0
Allowance for possible loan losses[3]					
Total assets	868,654.7	852,283.8	837,855.1	785,572.8	777,451.3

Notes: *1.* Figures are for All Banks, excluding those that had failed before the end of fiscal 1999. For definitions of All banks, city banks, long-term credit banks, trust banks, regional banks, and regional banks II, see Footnote 1 on page 158. Figures for banks that were taken over by other banks before the end of fiscal 1999 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.
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. Moved from "liabilities and stockholders' equity" to "assets" in fiscal 1999.

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

(continued from the previous page)

	94	95	96	97	98	99
Loans and discounts	490,693.6	509,576.1	519,477.3	506,785.4	487,830.9	476,283.2
Loans	472,262.5	490,831.6	503,433.8	491,964.9	476,677.8	465,592.7
Of which: Loans to other financial institutions	479.1	631.0	1,311.8	1,905.6	2,125.8	3,298.5
Bills discounted	18,431.0	18,744.4	16,043.5	14,820.4	11,153.1	10,690.4
Trading account securities	2,929.5	1,604.9	1,520.2	1,366.0	1,362.2	4,668.6
Money held in trust	5,054.0	5,122.5	5,308.7	4,506.3	3,254.8	2,561.9
Investment securities	116,559.0	119,293.7	121,285.6	123,525.9	121,674.1	136,382.3
Government bonds	25,457.8	24,790.7	25,483.6	30,878.6	31,459.4	43,266.0
Local government bonds	8,514.4	9,405.5	9,599.8	9,283.7	9,546.4	10,181.0
Corporate bonds	22,231.0	20,765.5	18,236.1	16,920.7	17,703.2	17,830.2
Stocks	38,080.0	41,288.0	42,059.4	42,940.5	42,674.4	44,489.5
Securities loaned	331.7	305.1	69.2	69.3	155.9	173.0
Call loans	13,210.4	10,596.0	9,531.4	13,223.9	10,729.6	8,833.7
Bills purchased	361.5	1,127.0	1,745.5	6,225.5	4,980.5	2,912.5
Monetary claims purchased	1,337.8	942.9	1,106.3	1,005.1	1,789.7	1,510.7
Cash and due from banks	80,774.9	69,854.1	60,026.1	47,468.3	31,254.1	38,595.9
Of which: Cash	15,315.8	13,442.3	12,440.9	10,719.8	9,913.2	9,581.5
Of which: Checks and bills due	12,382.1	10,706.4	8,888.9	7,105.8	6,161.9	5,562.1
Negotiable certificates of deposit	2,260.2	2,672.8	3,457.1	1,812.3	1,645.1	1,341.1
Foreign exchanges	5,426.0	5,585.7	5,721.8	5,303.4	4,016.0	3,336.4
Total interest-earning assets	692,340.5	701,871.3	706,102.5	689,844.2	649,019.8	649,605.4
Premises and movable property	6,276.7	6,315.1	6,249.5	10,190.4	9,730.8	9,473.9
Deferred tax assets[2]					8,900.9	8,237.5
Customers' liabilities for acceptances and guarantees	36,169.5	38,339.3	41,959.1	40,814.0	36,067.4	31,530.7
Allowance for possible loan losses[3]						–12,022.7
Total assets	771,165.8	781,382.1	793,484.1	798,257.9	756,663.6	738,453.6

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

bil. yen

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 movable property	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
Allowance for possible loan losses[3]					
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 1999. For definitions of All banks, city banks, long-term credit banks, trust banks, regional banks, and regional banks II, see Footnote 1 on page 158. Figures for banks that were taken over by other banks before the end of fiscal 1999 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.
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. Moved from "liabilities and stockholders' equity" to "assets" in fiscal 1999.

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	99
Loans and discounts	317,030.6	329,714.6	338,579.1	324,350.8	303,670.4	296,656.1
Loans	308,176.0	320,751.1	331,059.1	317,530.5	298,868.3	291,957.8
Of which: Loans to other financial institutions	449.4	626.4	1,309.4	1,887.1	2,095.0	3,259.2
Bills discounted	8,854.5	8,963.5	7,520.0	6,820.3	4,802.1	4,698.3
Trading account securities	2,251.7	1,210.0	1,049.6	1,154.3	1,029.9	4,391.4
Money held in trust	3,743.4	3,650.7	3,795.5	3,137.1	2,171.6	1,715.6
Investment securities	73,931.8	74,955.4	75,805.6	81,035.5	78,063.8	87,104.5
Government bonds	13,425.7	12,825.0	13,033.0	18,615.6	17,938.4	26,545.2
Local government bonds	3,731.6	3,952.9	3,706.8	3,429.0	2,724.7	2,650.4
Corporate bonds	9,946.3	8,830.7	6,877.4	5,807.6	5,915.6	5,558.5
Stocks	32,321.8	34,875.4	35,652.7	36,633.1	36,543.8	38,327.0
Securities loaned	299.0	283.0	50.7	38.0	105.2	89.1
Call loans	4,378.5	3,920.1	3,526.2	6,263.5	3,764.7	2,636.4
Bills purchased	183.4	679.7	1,186.3	4,168.6	3,618.4	1,817.0
Monetary claims purchased	909.7	499.0	459.8	472.1	798.9	507.7
Cash and due from banks	65,117.5	55,596.7	47,808.6	37,426.8	21,947.7	27,116.4
Of which: Cash	10,644.1	9,545.5	8,261.8	6,748.1	6,255.2	6,016.6
Of which: Checks and bills due	9,644.5	8,631.3	7,135.6	5,581.3	4,987.4	4,532.5
Negotiable certificates of deposit	1,378.9	1,796.9	2,519.2	1,029.3	996.5	731.3
Foreign exchanges	5,140.0	5,281.8	5,385.8	5,033.9	3,804.6	3,133.9
Total interest-earning assets	455,577.0	459,979.6	464,931.2	450,089.5	407,511.7	408,298.5
Premises and movable property	3,415.5	3,411.8	3,341.5	6,182.9	5,618.6	5,376.5
Deferred tax assets[2]					6,648.2	5,731.3
Customers' liabilities for acceptances and guarantees	29,687.4	32,112.9	35,522.8	34,466.3	30,025.1	26,077.1
Allowance for possible loan losses[3]						–7,470.6
Total assets	516,622.0	522,641.8	534,607.9	539,840.7	494,293.4	479,236.6

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

bil. yen

Fiscal years	1989	90	91	92	93
Loans and discounts	148,397.1	156,915.5	163,507.0	168,396.2	170,712.5
Loans	135,743.4	143,839.0	151,679.2	157,592.5	160,937.3
Of which: Loans to other financial institutions	179.8	45.0	14.0	29.9	29.2
Bills discounted	12,653.7	13,076.5	11,827.7	10,803.6	9,775.2
Trading account securities	1,123.6	1,055.1	1,096.4	733.5	699.3
Money held in trust	2,422.8	1,767.1	1,479.5	1,284.3	1,300.2
Investment securities	41,698.1	44,822.4	43,102.1	42,034.0	42,097.1
Government bonds	12,869.4	13,995.9	12,453.8	12,212.8	11,870.1
Local government bonds	3,696.0	3,758.8	3,642.8	3,496.7	4,217.3
Corporate bonds	11,007.6	12,030.4	12,106.0	12,391.5	12,543.5
Stocks	4,626.7	5,166.0	5,307.5	5,356.8	5,571.3
Securities loaned	517.6	244.5	204.9	94.4	79.6
Call loans	10,215.8	8,869.2	9,826.4	9,855.3	8,970.9
Bills purchased	1,177.9	1,090.6	461.5	291.3	117.5
Monetary claims purchased	1,172.7	379.0	242.0	286.4	384.6
Cash and due from banks	17,725.7	14,313.9	14,418.9	14,567.8	16,362.6
Of which: Cash	6,705.5	6,792.6	6,144.1	5,414.4	5,080.5
Of which: Checks and bills due	5,057.2	5,043.8	4,067.1	3,437.8	3,042.7
Negotiable certificates of deposit	1,237.3	821.2	905.3	772.1	926.7
Foreign exchanges	447.1	450.9	411.3	368.7	320.3
Total interest-earning assets	213,962.9	219,928.2	225,560.1	229,906.2	233,475.7
Premises and movable property	2,117.0	2,350.9	2,644.0	2,805.8	2,846.5
Deferred tax assets[2]					
Customers' liabilities for acceptances and guarantees	5,449.0	5,743.9	6,007.1	6,175.2	6,409.6
Allowance for possible loan losses[3]					
Total assets	240,590.1	246,558.6	253,944.5	248,330.4	251,652.8

Notes: *1.* Figures are for All Banks, excluding those that had failed before the end of fiscal 1999. For definitions of All banks, city banks, long-term credit banks, trust banks, regional banks, and regional banks II, see Footnote 1 on page 158. Figures for banks that were taken over by other banks before the end of fiscal 1999 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.
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. Moved from "liabilities and stockholders' equity" to "assets" in fiscal 1999.

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

(continued from the previous page)

	94	95	96	97	98	99
Loans and discounts	173,663.0	179,861.5	180,898.2	182,434.7	184,160.5	179,627.1
Loans	164,086.5	170,080.5	172,374.7	174,434.4	177,809.5	173,634.9
Of which: Loans to other financial institutions	29.6	4.6	2.4	18.5	30.8	39.3
Bills discounted	9,576.5	9,780.9	8,523.4	8,000.1	6,351.0	5,992.2
Trading account securities	677.7	394.9	470.6	211.7	332.3	277.3
Money held in trust	1,310.6	1,471.8	1,513.2	1,369.2	1,083.2	846.3
Investment securities	42,627.2	44,338.2	45,480.1	42,490.4	43,610.2	49,277.8
Government bonds	12,032.2	11,965.7	12,450.6	12,263.0	13,521.0	16,720.8
Local government bonds	4,782.7	5,452.6	5,893.0	5,854.7	6,821.7	7,530.6
Corporate bonds	12,284.7	11,934.8	11,358.8	11,113.1	11,787.6	12,271.8
Stocks	5,758.2	6,412.6	6,406.7	6,307.4	6,130.6	6,162.5
Securities loaned	32.8	22.0	18.5	31.3	50.7	84.0
Call loans	8,831.9	6,675.8	6,005.2	6,960.4	6,965.0	6,197.3
Bills purchased	178.1	447.3	559.2	2,056.9	1,362.1	1,095.5
Monetary claims purchased	428.1	443.9	646.6	533.0	990.9	1,002.9
Cash and due from banks	15,657.4	14,257.4	12,217.5	10,041.5	9,306.3	11,479.4
Of which: Cash	4,671.7	3,896.9	4,179.1	3,971.7	3,658.0	3,564.8
Of which: Checks and bills due	2,737.6	2,075.1	1,753.3	1,524.5	1,174.5	1,029.5
Negotiable certificates of deposit	881.4	876.0	938.0	783.0	648.6	609.8
Foreign exchanges	286.0	303.9	336.1	269.4	211.3	202.5
Total interest-earning assets	236,763.4	241,891.7	241,171.4	239,754.7	241,508.1	241,306.9
Premises and movable property	2,861.1	2,903.3	2,908.0	4,007.5	4,112.2	4,097.5
Deferred tax assets[2]					2,252.7	2,506.2
Customers' liabilities for acceptances and guarantees	6,482.1	6,226.4	6,436.3	6,347.7	6,042.3	5,453.5
Allowance for possible loan losses[3]						–4,552.1
Total assets	254,543.7	258,740.3	258,876.3	258,417.3	262,370.2	259,217.0

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

bil. yen

Fiscal years	1989	90	91	92	93
Deposits	588,551.3	574,179.8	552,355.2	523,997.8	523,725.5
Current deposits	27,156.5	27,729.8	26,578.0	24,876.2	24,071.1
Ordinary deposits	61,506.7	61,151.8	61,908.4	62,873.4	66,310.7
Savings deposits				682.1	1,047.9
Deposits at notice	41,798.1	36,815.3	32,953.4	28,886.5	29,394.8
Time deposits	364,068.8	364,376.4	360,448.2	346,875.3	343,172.8
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	49,281.9	39,850.0	44,597.6	44,522.4	42,800.8
Bills sold	16,339.2	13,374.0	13,941.6	11,638.0	7,116.4
Commercial paper[2]					
Borrowed money	7,773.2	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	6,356.5	5,157.9	4,414.3	4,514.8	4,637.3
Total interest-bearing liabilities	734,040.1	714,788.1	701,567.0	682,413.6	679,699.6
Allowance for possible loan losses[4]	3,106.6	3,129.6	3,544.8	4,398.1	5,191.2
Reserve for retirement allowances	989.9	984.2	982.8	979.9	982.4
Other reserves[5]	2.5	0.0	0.0	0.2	0.0
Reserves under special laws	286.0	286.8	247.7	279.7	308.5
Deferred tax liabilities related to land revaluation[6]					
Acceptances and guarantees	57,531.6	57,650.3	53,224.3	44,228.5	38,503.0
Land revaluation differential[6]					
Total liabilities	842,269.5	824,480.2	809,065.6	756,250.0	747,637.8
Common stock	6,698.1	6,980.8	7,029.5	7,053.7	7,091.9
New stock subscriptions	412.6	5.9	15.0	28.4	100.0
Legal reserves	5,876.8	6,291.6	6,476.1	6,633.6	6,774.5
Capital surplus	4,546.9	4,827.7	4,879.2	4,909.2	4,943.4
Retained surplus	1,329.8	1,463.8	1,596.8	1,724.3	1,831.0
Land revaluation differential[6]					
Earned surplus	13,397.9	14,538.3	15,268.8	15,606.9	15,846.8
Voluntary reserves	11,203.1	12,635.4	13,775.0	14,539.0	14,903.5
Unappropriated profits at the end of the term	2,194.8	1,902.9	1,493.8	1,067.8	943.3
Total stockholders' equity[7]	26,385.1	27,816.3	28,789.5	29,322.8	29,813.4
Total liabilities and stockholders' equity	868,654.7	852,283.8	837,855.1	785,572.8	777,451.3

Notes: *1.* Figures are for All Banks, excluding those that had failed before the end of fiscal 1999. For definitions of All banks, city banks, long-term credit banks, trust banks, regional banks, and regional banks II, see Footnote 1 on page 158. Figures for banks that were taken over by other banks before the end of fiscal 1999 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.
2. Newly established in fiscal 1998.
3. Newly established in fiscal 1997.
4. Moved from "liabilities and stockholders' equity" to "assets" in fiscal 1999.
5. Includes reserve for possible losses on sales of loans, such as sales of loans to the CCPC.
6. "Land revaluation differential" was newly established in fiscal 1997 with the implementation of the Law Concerning the Revaluation of Land. 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). "Land revaluation differential (liabilities)" was discontinued in fiscal 1999 since all the banks were obliged to adopt accounting for effects of income taxes.
7. 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	99
Deposits	526,119.6	520,301.0	524,032.0	509,947.7	489,335.0	495,279.1
Current deposits	21,459.0	24,338.3	21,621.7	19,811.8	20,554.0	22,524.6
Ordinary deposits	67,713.8	76,071.1	81,905.1	88,827.0	98,360.7	116,494.5
Savings deposits	3,317.5	8,387.6	11,092.4	13,698.8	14,483.8	14,163.2
Deposits at notice	28,815.6	28,908.2	30,023.7	25,330.4	17,953.0	19,108.6
Time deposits	352,898.4	326,784.0	326,333.4	317,324.6	302,740.3	293,443.9
Negotiable certificates of deposit	24,323.0	36,422.4	42,175.6	43,678.2	43,153.5	41,168.4
Debentures	26,651.7	27,652.3	27,998.0	26,140.8	24,894.2	24,480.4
Call money	40,100.4	40,161.3	39,064.7	31,813.2	27,365.8	22,036.6
Bills sold	5,095.7	7,684.1	4,315.4	4,113.7	801.5	1,653.5
Commercial paper[2]					1,808.5	2,152.7
Borrowed money	21,837.8	21,937.1	24,569.4	27,557.2	22,119.2	21,264.6
Foreign exchanges	950.6	1,188.6	1,671.2	1,185.9	1,333.2	1,335.3
Corporate bonds[3]				993.0	1,528.1	2,856.0
Convertible bonds	761.1	699.2	647.7	878.6	662.1	845.0
Due to trust accounts	34,778.9	32,107.2	27,194.5	22,356.4	17,334.2	17,882.3
Money held in trusts	5,054.0	5,122.5	5,308.7	4,506.3	3,254.8	2,561.9
Total interest-bearing liabilities	676,930.9	684,482.5	688,906.8	668,072.6	630,688.3	631,437.8
Allowance for possible loan losses[4]	6,303.9	11,908.2	10,608.2	16,156.7	14,675.2	—
Reserve for retirement allowances	988.3	987.1	984.6	974.3	959.2	997.1
Other reserves[5]	1.0	30.3	585.4	1,105.3	1,497.5	1,678.4
Reserves under special laws	313.6	321.5	332.2	0.2	0.2	0.2
Deferred tax liabilities related to land revaluation[6]					1,511.8	1,420.2
Acceptances and guarantees	36,169.5	38,339.3	41,959.1	40,814.0	36,067.4	31,530.7
Land revaluation differential[6]				4,038.5	15.5	—
Total liabilities	741,296.6	755,359.6	766,432.5	775,302.3	722,996.7	703,291.7
Common stock	7,277.7	7,404.5	7,875.4	8,135.1	12,124.8	12,487.0
New stock subscriptions	13.9	13.9	73.7	0.0	1.7	25.2
Legal reserves	7,058.5	7,147.5	7,659.9	8,141.2	11,874.4	11,957.5
Capital surplus	5,125.0	5,120.5	5,554.0	5,949.0	9,676.2	9,757.3
Retained surplus	1,933.4	2,026.9	2,105.8	2,192.1	2,198.1	2,200.1
Land revaluation differential[6]					2,101.7	2,116.3
Earned surplus	15,518.9	11,456.5	11,442.6	6,679.2	7,564.0	8,575.8
Voluntary reserves	15,166.7	14,963.0	11,111.5	10,802.0	6,407.0	7,258.8
Unappropriated profits at the end of the term	352.2	–3,506.5	331.1	–4,122.7	1,157.0	1,316.9
Total stockholders' equity[7]	29,869.1	26,022.5	27,051.6	22,955.6	33,666.9	35,161.9
Total liabilities and stockholders' equity	771,165.8	781,382.1	793,484.1	798,257.9	756,663.6	738,453.6

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

bil. yen

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[4]	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[5]	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[6]					
Acceptances and guarantees	52,082.6	51,906.4	47,217.3	38,053.3	32,093.5
Land revaluation differential[6]					
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[6]					
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[7]	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 1999. For definitions of All banks, city banks, long-term credit banks, trust banks, regional banks, and regional banks II, see Footnote 1 on page 158. Figures for banks that were taken over by other banks before the end of fiscal 1999 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.
2. Newly established in fiscal 1998.
3. Newly established in fiscal 1997.
4. Moved from "liabilities and stockholders' equity" to "assets" in fiscal 1999.
5. Includes reserve for possible losses on sales of loans, such as sales of loans to the CCPC.
6. "Land revaluation differential" was newly established in fiscal 1997 with the implementation of the Law Concerning the Revaluation of Land. 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). "Land revaluation differential (liabilities)" was discontinued in fiscal 1999 since all the banks were obliged to adopt accounting for effects of income taxes.
7. 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	99
Deposits	304,287.8	298,164.6	300,188.7	287,505.5	262,475.1	264,356.6
Current deposits	13,810.3	15,888.1	14,134.8	12,797.5	13,534.7	15,328.6
Ordinary deposits	32,935.6	37,562.6	40,449.4	44,622.5	49,767.5	62,509.1
Savings deposits	1,343.5	3,594.4	5,241.9	7,159.3	7,733.2	7,490.7
Deposits at notice	25,413.8	25,937.5	27,208.6	22,442.5	14,998.8	16,098.8
Time deposits	200,001.7	177,843.2	177,395.8	169,515.3	152,652.3	143,425.8
Negotiable certificates of deposit	22,724.3	33,614.6	39,127.8	41,702.4	41,029.9	39,389.7
Debentures	26,651.7	27,652.3	27,998.0	26,140.8	24,894.2	24,480.4
Call money	35,726.3	34,110.5	34,120.9	28,462.8	25,071.9	20,482.5
Bills sold	4,853.2	6,522.1	3,646.7	3,061.1	660.6	1,469.3
Commercial paper[2]					1,793.5	2,152.7
Borrowed money	18,914.8	18,861.9	21,619.4	24,392.1	19,099.9	18,584.8
Foreign exchanges	931.0	1,169.5	1,651.4	1,170.9	1,320.3	1,326.3
Corporate bonds[3]				963.0	1,498.1	2,693.4
Convertible bonds	643.1	612.2	534.0	725.9	529.1	437.4
Due to trust accounts	34,500.3	31,867.4	27,034.6	22,246.5	17,238.0	17,782.1
Money held in trusts	3,743.4	3,650.7	3,795.5	3,137.1	2,171.6	1,715.6
Total interest-bearing liabilities	446,574.8	450,013.8	454,196.5	435,629.1	395,562.7	393,718.3
Allowance for possible loan losses[4]	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	434.9
Other reserves[5]	1.0	22.4	537.9	993.4	1,287.5	1,423.1
Reserves under special laws	195.9	202.2	210.4	0.2	0.2	0.2
Deferred tax liabilities related to land revaluation[6]					1,011.7	913.7
Acceptances and guarantees	29,687.4	32,112.9	35,522.8	34,466.3	30,025.1	26,077.1
Land revaluation differential[6]				2,933.3	0.0	—
Total liabilities	497,112.6	506,468.0	517,834.0	526,362.4	471,453.8	455,811.1
Common stock	5,084.8	5,169.4	5,538.5	5,757.1	9,625.6	9,610.2
New stock subscriptions	0.0	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	8,999.9
Capital surplus	3,754.2	3,719.1	4,088.1	4,446.2	8,065.1	7,873.9
Retained surplus	885.2	936.4	986.9	1,038.6	1,068.5	1,126.0
Land revaluation differential[6]					1,400.7	1,404.2
Earned surplus	9,785.1	6,348.8	6,160.4	2,236.4	2,679.5	3,411.1
Voluntary reserves	9,819.3	9,447.5	6,025.7	5,718.4	2,041.0	2,441.3
Unappropriated profits at the end of the term	–34.2	–3,098.8	134.7	–3,482.0	638.6	969.8
Total stockholders' equity[7]	19,509.4	16,173.8	16,773.8	13,478.3	22,839.5	23,425.5
Total liabilities and stockholders' equity	516,622.0	522,641.8	534,607.9	539,840.7	494,293.4	479,236.6

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

bil. yen

Fiscal years	1989	90	91	92	93
Deposits	199,746.1	204,021.9	210,305.9	212,703.0	216,444.9
Current deposits	9,871.9	10,069.8	8,380.4	8,289.8	8,066.3
Ordinary deposits	30,765.6	30,686.1	31,536.7	32,274.7	34,303.3
Savings deposits				308.5	535.4
Deposits at notice	6,022.7	4,947.6	4,332.1	4,070.1	3,733.6
Time deposits	123,820.7	132,204.6	141,062.5	145,667.1	147,569.8
Negotiable certificates of deposit	4,009.2	3,436.5	2,538.4	2,005.5	1,581.7
Call money	6,315.3	6,082.2	5,139.5	4,991.4	5,564.8
Bills sold	1,771.6	1,242.8	1,069.1	1,166.3	337.6
Commercial paper[2]					
Borrowed money	767.2	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	333.6	254.9	224.3	135.6
Due to trust accounts	47.4	47.5	99.9	196.8	248.2
Money held in trusts	2,422.8	1,767.0	1,479.5	1,284.3	1,300.2
Total interest-bearing liabilities	210,863.2	215,558.6	220,238.6	222,917.7	226,083.0
Allowance for possible loan losses[4]	851.9	853.5	910.4	1,077.3	1,277.1
Reserve for retirement allowances	469.8	474.9	484.4	495.5	504.7
Other reserves[5]	0.0	0.0	0.0	0.2	0.0
Reserves under special laws	117.8	122.6	112.0	114.8	121.2
Deferred tax liabilities related to land revaluation[6]					
Acceptances and guarantees	5,449.0	5,743.9	6,007.1	6,175.2	6,409.6
Land revaluation differential[6]					
Total liabilities	232,031.4	237,499.1	244,455.2	238,479.0	241,566.0
Common stock	1,989.2	2,087.9	2,127.5	2,151.3	2,170.6
New stock subscriptions	98.0	5.9	15.0	28.4	0.0
Legal reserves	1,899.1	2,074.0	2,192.3	2,292.1	2,355.9
Capital surplus	1,169.2	1,266.0	1,307.7	1,337.3	1,352.7
Retained surplus	729.9	808.0	884.5	954.7	1,003.2
Land revaluation differential[6]					
Earned surplus	4,572.6	4,904.8	5,154.4	5,379.4	5,560.2
Voluntary reserves	3,961.8	4,328.0	4,657.6	4,911.1	5,155.8
Unappropriated profits at the end of the term	610.8	576.7	496.8	468.3	404.3
Total stockholders' equity[7]	8,558.6	9,072.3	9,489.3	9,851.3	10,086.8
Total liabilities and stockholders' equity	240,590.1	246,558.6	253,944.5	248,330.4	251,652.8

Notes: *1.* Figures are for All Banks, excluding those that had failed before the end of fiscal 1999. For definitions of All banks, city banks, long-term credit banks, trust banks, regional banks, and regional banks II, see Footnote 1 on page 158. Figures for banks that were taken over by other banks before the end of fiscal 1999 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.
2. Newly established in fiscal 1998.
3. Newly established in fiscal 1997.
4. Moved from "liabilities and stockholders' equity" to "assets" in fiscal 1999.
5. Includes reserve for possible losses on sales of loans, such as sales of loans to the CCPC.
6. "Land revaluation differential" was newly established in fiscal 1997 with the implementation of the Law Concerning the Revaluation of Land. 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). "Land revaluation differential (liabilities)" was discontinued in fiscal 1999 since all the banks were obliged to adopt accounting for effects of income taxes.
7. All figures for stockholders' equity are those before the appropriation of profits.

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

(continued from the previous page)

	94	95	96	97	98	99
Deposits	221,831.8	222,136.4	223,843.3	222,442.2	226,859.9	230,922.5
Current deposits	7,648.8	8,450.2	7,486.9	7,014.4	7,019.3	7,196.0
Ordinary deposits	34,778.2	38,508.5	41,455.7	44,204.5	48,593.3	53,985.4
Savings deposits	1,974.0	4,793.2	5,850.5	6,539.5	6,750.6	6,672.5
Deposits at notice	3,401.8	2,970.6	2,815.2	2,887.9	2,954.2	3,009.8
Time deposits	152,896.7	148,940.8	148,937.6	147,809.2	150,088.0	150,018.0
Negotiable certificates of deposit	1,598.7	2,807.8	3,047.8	1,975.8	2,123.6	1,778.7
Call money	4,374.1	6,050.8	4,943.9	3,350.4	2,293.8	1,554.2
Bills sold	242.5	1,162.0	668.7	1,052.6	140.9	184.2
Commercial paper[2]				0.0	15.0	0.0
Borrowed money	2,923.0	3,075.2	2,950.0	3,165.1	3,019.3	2,679.8
Foreign exchanges	19.6	19.1	19.7	15.0	12.9	9.0
Corporate bonds[3]				30.0	30.0	162.5
Convertible bonds	118.0	87.0	113.7	152.7	132.9	407.6
Due to trust accounts	278.6	239.8	159.9	109.8	96.2	100.2
Money held in trusts	1,310.6	1,471.8	1,513.2	1,369.2	1,083.2	846.3
Total interest-bearing liabilities	230,356.1	234,468.7	234,710.2	232,443.5	235,125.6	237,719.4
Allowance for possible loan losses[4]	1,550.6	2,893.1	2,646.6	3,986.9	5,417.5	—
Reserve for retirement allowances	515.7	523.5	532.2	537.0	539.4	562.2
Other reserves[5]	0.0	7.9	47.5	112.0	210.1	255.3
Reserves under special laws	117.6	119.3	121.8	0.0	0.0	0.0
Deferred tax liabilities related to land revaluation[6]					500.1	506.4
Acceptances and guarantees	6,482.1	6,226.4	6,436.3	6,347.7	6,042.3	5,453.5
Land revaluation differential[6]				1,105.2	15.5	—
Total liabilities	244,184.0	248,891.6	248,598.4	248,939.9	251,542.8	247,480.6
Common stock	2,192.9	2,235.0	2,336.9	2,378.0	2,499.2	2,876.8
New stock subscriptions	13.9	13.9	73.7	0.0	1.7	25.2
Legal reserves	2,419.0	2,491.9	2,584.9	2,656.4	2,740.8	2,957.6
Capital surplus	1,370.8	1,401.4	1,465.9	1,502.8	1,611.1	1,883.4
Retained surplus	1,048.2	1,090.5	1,119.0	1,153.6	1,129.6	1,074.1
Land revaluation differential[6]					701.0	712.1
Earned surplus	5,733.8	5,107.8	5,282.2	4,442.8	4,884.5	5,164.7
Voluntary reserves	5,347.4	5,515.5	5,085.7	5,083.6	4,366.0	4,817.6
Unappropriated profits at the end of the term	386.3	–407.7	196.4	–640.8	518.4	347.1
Total stockholders' equity[7]	10,359.7	9,848.7	10,277.8	9,477.3	10,827.3	11,736.4
Total liabilities and stockholders' equity	254,543.7	258,740.3	258,876.3	258,417.3	262,370.2	259,217.0

Symbols and Abbreviations Used in This Article

CY	Calendar year	% points	Percentage points
FY	Fiscal year	bil.	Billions
%	Percent	tril.	Trillions