

Indicator 10.5.1

Indicator Name, Target and Goal

Indicator 10.5.1 Financial Soundness Indicators (FSIs)

Target 10.5 Improve the regulation and monitoring of global financial markets and institutions and strengthen the implementation of such regulations

Goal 10 Reduce inequality within and among countries

10.5.1-3 Nonperforming loans (NPLs) net of provisions to capital

Definition and Rationale

○ Definition

This FSI is calculated by taking the value of nonperforming loans (NPLs) less the value of specific loan loss provisions as the numerator and capital as the denominator. Capital is measured as total regulatory capital.

○ Concepts

A loan is classified as NPL when payment of principal or interest is past due by 90 days or more, or evidence exists that a full or partial amount of a loan is not going to be recovered. Only specific loan loss provisions are used in this calculation and they refer charges against the value of specific loans. Data exclude accrued interest in NPLs. Capital is measured as total regulatory capital calculated based on Basel I, II, or III depending on countries' supervisory practices.

○ Rationale and Interpretation:

This FSI is a capital adequacy ratio and is an important indicator of the capacity of bank capital to withstand losses from NPLs that are not covered by specific loan loss provisions.

Data Sources and Collection Method

All data are regularly reported from banks to the Financial Services Agency (FSA) (or the Bank of Japan (BOJ)). All banks' accounting data are in accordance with national accounting rules.

Method of Computation and Other Methodological Considerations

- Computation Method

This FSI is calculated by taking the value of nonperforming loans (NPLs) less the value of specific loan loss provisions as the numerator and capital as the denominator.

- Comments and limitations

Accounting rules generally follow the J-GAAP.

The banks excluded from the sample are insignificant in terms of amounts.

Data Disaggregation

N/A

References

IMF FSI Compilation Guide Chapter 7. Specification of Core Financial Soundness Indicators for Deposit Takers

<https://www.imf.org/External/pa4158/fsi-guides/chapter-7.pdf>

IMF SDDS Plus Metadata (Japan) :

<https://dsbb.imf.org/sddsplus/dqaf-base/country/JPN/category/FSI03>

Custodian Ministries of Data

Financial Services Agency

(Bank of Japan)

Custodian Ministries of Related Policies

Financial Services Agency

International Organizations

International Monetary Fund (IMF)