

Six Japanese banks announce heavy fall in profits

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Six major banks in Japan have suffered a 58 per cent decrease in net profits since the onset of the global financial crisis

The mid-term statements of six leading banks revealed that their combined net profits during the first six months of this financial year plummeted £2.8billion (398.3 billion yen), compared to £6.6 billion (947.9 billion yen) the previous year.

Steep increases in the cost of disposing of non-performing loans combined with tumbling share prices were among the factors fuelling the losses in the six banking establishments.

Included among the six companies was Mitsubishi UFJ Financial Group Inc, the biggest bank in Japan, which posted its lowest quarterly profit in four years following losses relating to stockholdings and bad loan costs.

The bank has already slashed its full-year profit target by 66 per cent to 220 billion yen – which would make it the smallest full-year profit in six years.

Meanwhile, Mizuho Financial Group, the second largest bank, has reduced its profit target by 53 per cent and the third bank Sumitomo Mitsui Financial Group Inc by 63 per cent.

News of the net profit reduction of the nation's leading banks came days after the world's second largest economy was officially confirmed as having sunk into recession, after recording two consecutive quarterly contractions.

"As the Japanese economy goes into a recession we're seeing defaults rising, and the banks are getting concerned," said David Marshall, managing director at Fitch Ratings in Hong Kong, who described losses on equity holdings and provisions for bankrupt borrowers as "the two factors really hurting their earnings".

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