

Corporate Governance in Nationalised Commercial Bank in Japan

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DIC

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Ashikaga Bank

- Business Franchise is in Tochigi prefecture.
- The Bank had many depositors and borrowers in the region.
- The Bank's loan in the region accounted for about 50% of total outstanding loans.

Tochigi prefecture;

- 70miles from Tokyo Metropolitan(one hour trip by bullet train)
- two million in its population
- well-known sights Temples and Shrines of Nikko (in the UNESCO World Heritage List)

Ashikaga Bank, Nov. 2003(1)

- The Bank declared that it fell into liabilities in excess of assets.
 - Capital Adequacy Ratio $\Delta 3.7\% =$ failed bank
- Financial System Management Council (FSMC) recognised the necessity of taking the Anti-Systemic Risk measure.
 - ⇒ Nationalisation
- DICJ acquired the bank's share in accordance with FSMC requirement.



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Ashikaga Bank, Nov. 2003 (2)

- The management of the bank was subject to be appointed and dismissed by the government.
- Financial Services Agency ordered that, to minimize impacts of the failure in the regional economy, Ashikaga bank should;
 - operate banking services as usual
 - supply liquidity for their needs to “good and sound” borrowers



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Improvements by Appointed New Bank Management

- 1) Formulated a new business plan.
 - financing the regional credit demand smoothly, focusing on SMEs.
- 2) Initiated civil litigation against former directors and auditors. (Feb. 2005)
- 3) Strengthens corporate governance as well as listed company.
 - Advisory Board (Feb. 2004)
 - Committee System; Nomination, Audit, Compensation (June 2004)
 - Public Disclosure in compliance with accounting standard



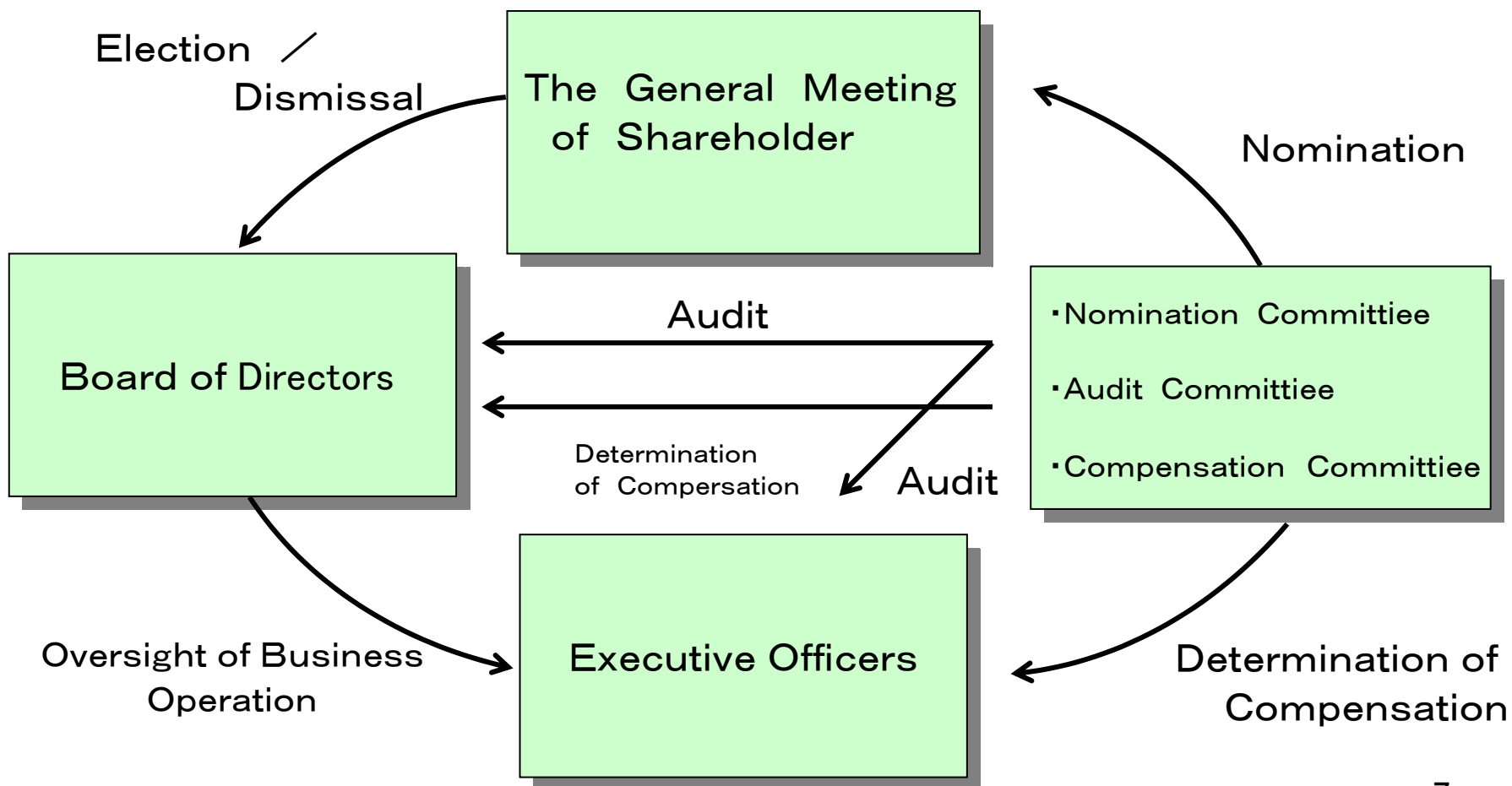
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The Role of DICJ on the Bank

The DICJ

- elects or dismisses the director on the General Meeting of Shareholder.
 - sole Shareholder of the Bank
- oversees the management operating the banking service appropriately.
 - member of the Operation Audit Committee
- implements procedures for the exit.
 - The exit is a) merger, b) business transfer, c) share transfer.

Framework of Committee System of Ashikaga Bank



Thank you !



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For more information, please visit www.dic.go.jp