

## Risk Management Loans

Japan Housing Finance Agency is not a corporation to which Banking Act (1981 Law No. 59) is applied. However, it has disclosed risk management loans by referring to the disclosure standards in private financial institutions from 1997 fiscal year. In addition, after 2000 fiscal year it has disclosed risk management loans based on the criteria in self-assessment results.

**It should be noted that among these risk management loans not all of the disclosed outstanding balance is to be uncollectible, as the recovery from the first rank of mortgage and other collateral can be achieved.**

### 2010 fiscal year - 2014 fiscal year risk management loans

(Unit : 100 million yen,%)

Classification	FY 2010			FY 2011			FY 2012		
	Outstanding loan etc*	Purchased loan	Total	Outstanding loan etc*	Purchased loan	Total	Outstanding loan etc*	Purchased loan	Total
Insolvent debtor loan(A)	1,920	42	1,961	1,245	51	1,296	1,050	64	1,113
Delinquent loan(B)	7,748	361	8,108	5,940	390	6,330	5,423	379	5,801
Delinquent loan more than 3 months(C)	1,482	151	1,634	1,415	174	1,590	1,284	185	1,469
Sub-total(D)=(A)+(B)+(C)	11,150	554	11,704	8,600	615	9,215	7,756	628	8,384
Ratio(D)/(G)×100	4.36	0.86	3.66	4.00	0.71	3.06	4.26	0.63	2.98
Restructured loan(E)	15,118	310	15,428	13,836	422	14,259	12,195	460	12,654
Total(F)=(A)+(B)+(C)+(E)	26,268	864	27,132	22,436	1,037	23,474	19,951	1,087	21,038
Ratio(F)/(G)×100	10.28	1.34	8.48	10.44	1.20	7.80	10.97	1.09	7.47
Principal balance(G)	255,587	64,372	319,959	214,972	86,099	301,071	181,920	99,827	281,747

(Unit : One hundred million yen,%)

Classification	FY 2013			FY 2014		
	Outstanding loan etc*	Purchased loan	Total	Outstanding loan etc*	Purchased loan	Total
Insolvent debtor loan(A)	883	83	966	757	85	842
Delinquent loan(B)	4,215	380	4,595	3,542	379	3,921
Delinquent loan more than 3 months(C)	1,118	171	1,289	966	146	1,111
Sub-total(D)=(A)+(B)+(C)	6,216	634	6,850	5,265	609	5,875
Ratio(D)/(G)×100	4.00	0.58	2.58	3.95	0.52	2.35
Restructured loan(E)	10,357	465	10,822	8,333	444	8,777
Total(F)=(A)+(B)+(C)+(E)	16,573	1,099	17,672	13,599	1,053	14,652
Ratio(F)/(G)×100	10.68	1.00	6.67	10.20	0.90	5.87
Principal balance(G)	155,224	109,818	265,042	133,294	116,394	249,688

Note: The total may not match due to rounding.

\* For disclosure standards of risk management loans, they are to be disclosed based on the asset self-assessment results.

\* "Outstanding loan etc" means loans and reimbursement loans relating to loans other than purchased loans.

Note:

1 Insolvent debtor loan(A)

Loan principal outstanding amount of the borrowers who are categorized as insolvent debtors as a result of asset self-assessment.

2 Delinquent loan(B)

Loan principal outstanding amount loaned to borrowers who are categorized as actual insolvent debtors and potential insolvent debtors as a result of asset self-assessment.

3 Delinquent loan more than 3 months(C)

Loan principal outstanding amount which has become overdue and has passed the repayment period by more than three months, and which does not fall into Insolvent debtor loan(A) nor Delinquent loan (B).

4 Restructured loan(E)

Loan principal outstanding amount for which the beneficial arrangements for debtors such as reduction of interest rate, deferral of interest payments, and principle repayment grace (hereinafter "change of repayment conditions") were carried out in advance with the aim for the debtor's management reconstruction or support, and which does not fall into Insolvent debtor loan (A) nor Delinquent loan (B).

However, among the amount which has passed 4 years since the repayment conditions were changed, the amount which has been repaid normally is not included in restructured loans as its credit risk becomes equal to normal loans. The total loan principal outstanding amount which falls into this category and therefore is not included in restructured loans is 163.6 billion yen.

It should be noted that the disclosed restructured loan amount includes loans whose repayment conditions have been changed due to the request of the government's economic measures etc.

5 Reference

For loans of the Japan Housing Finance Agency, not all of the disclosed outstanding balance is to be uncollectible as the recovery from the first rank of mortgage and other collateral can be achieved.

### [Restructured loans]

JHF carries out loan repayment counselling with care and encourage the continuation of repayment by changing repayment conditions in accordance with the circumstances of individual customers who obtained houses using our loans such as "Flat 35 (purchased program)," and who has found it temporarily difficult to repay the loan due to various circumstances, such as changes in the living environment or even in the case of large-scale natural disasters such as the Great Hanshin-Awaji Earthquake or the Great East Japan Earthquake, so that customers can continue to live in a house which is the foundation of life.

In addition, based on the cabinet decision of October 1998, for the loan repayment difficulty due to employer's bankruptcy etc, JHF provides special measures and the mitigation measures of lending conditions in accordance to the national policy.

Our restructured loans, which account for about 60% of the risk management loans, were caused by the implementation of the repayment terms amendment as a measure to fulfill the above-mentioned policy objectives. Moreover, restructured loans have a lower credit loss ratio compared to other risk management loans, and we believe it is unlikely to lead to the proliferation of bad debts.

JHF supports customers by changing repayment conditions so they can continue to live in their houses as long as they can. At the same time, JHF is committed to maintain sound financial conditions.

## 2014 fiscal self-assessment and risk management loans

(Unit: 100 million yen)

	Self-assessment debtor classification	Self-assessment loan classification				Reserve funds (Reserve ratio)	Risk management loans
		Unclassified	Classification II	Classification III	Classification IV		
Outstanding loans etc	Insolvent debtors 762	Preserved part by collateral/ security 376	Full amount other than preserved part by collateral/ security is reversed 385		Individual bad debt reserve funds 385 (100%)	Insolvent debtors loan amount 757	
	Actual insolvent debtors 1,518	Preserved part by collateral/ security 746	Full amount other than preserved part by collateral/ security is reversed 773			773 (100%)	Delinquent loan amount 3,542
	Potential insolvent debtors 2,042	Preserved part by collateral/ security 1,285	Part other than preserved part by collateral/ security is reversed is reserved by the expected loss rate of next three years 757			268 (35.4%)	
	Attention needed debtors	Reserved by the expected loss rate of next three years based on past bad debt result rate 9,407			General bad debt reserve funds 515 (5.5%)	Amount of delinquent loan more than 3 months 966	
	Management needed debtors 9,407	Reserved by the expected loss rate of next one year based on past bad debt result rate 5,657				68 (1.2%)	Restructured loan amount 8,333
	Other attention needed debtors 5,657	Reserved by the expected loss rate of next three years based on past bad debt result rate 114,314			104 (0.1%)		
Normal debtors 114,314	Reserved by the expected loss rate of next three years based on past bad debt result rate 114,314						
Purchased loans	Insolvent debtors 86	Preserved part by collateral/ security 41	Full amount other than preserved part by collateral/ security is reversed 45		Individual bad debt reserve fund 45 (100%)	Insolvent debtors loan amount 85	
	Actual insolvent debtors 354	Preserved part by collateral/ security 156	Full amount other than preserved part by collateral/ security is reversed 198			198 (100%)	Delinquent loan amount 379
	Potential insolvent debtors 29	Preserved part by collateral/ security 16	Part other than preserved part by collateral/ security is reversed is reserved by the expected loss rate of next three years 13			4 (26.8%)	
	Attention needed debtors	Reserved by the expected loss rate of next three years based on past bad debt result rate 596			General bad debt reserve fund 36 (6.1%)	Amount of delinquent loan more than 3 months 146	
	Management needed debtors 596	Reserved by the expected loss rate of next one year based on past bad debt result rate 266				10 (3.9%)	Restructured loan amount 444
	Other attention needed debtors 266	Reserved by the expected loss rate of next three years based on past bad debt result rate 115,163			253 (0.2%)		
Normal debtors 115,163	Reserved by the expected loss rate of next three years based on past bad debt result rate 115,163						

### Note

- Amount less than the unit has been rounded.
- The reserve ratio is an reserve rate for the balance after deducting the preserved amount by collateral and securities for “actual insolvent debtors/ debtors” and “potential insolvent debtors.” It is a reserve rate for loans for “attention needed debtors” and “normal debtors.”
- Major differences between self-assessment and risk management loans
  - ・ The applicable loans are loans, reimbursement loans, accrued interest on loans, accrued interest on purchased loans, suspense payments, and advance receivables in self-assessment, whereas they include loans, purchased loans, and reimbursement loans in risk management loans.
  - ・ The debtor classification in self-assessment are classified by repayment situations and financial contents etc of debtors, whereas risk management loans are classified based on repayment situations of debtors excluding the amount of loans to insolvent debtors and delinquent loans.
- For the calculation of reserve funds of purchased loans, the increase in new purchased loans in recent years and the change in the future portfolio, in addition to bad debt results during a certain period in the past, etc, are taken into account.