

## 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.**

### 2011 fiscal year - 2015 fiscal year risk management loans

(Unit: 100 million yen,%)

Classification	FY2011			FY2012			FY2013		
	Outstanding loan etc*	Purchased loan	Total	Outstanding loan etc*	Purchased loan	Total	Outstanding loan etc*	Purchased loan	Total
Insolvent debtor loan(A)	1,245	51	1,296	1,050	64	1,113	883	83	966
Delinquent loan(B)	5,940	390	6,330	5,423	379	5,801	4,215	380	4,595
Delinquent loan more than 3 months(C)	1,415	174	1,590	1,284	185	1,469	1,118	171	1,289
Sub-total(D)=(A)+(B)+(C)	8,600	615	9,215	7,756	628	8,384	6,216	634	6,850
Ratio(D)/(G)×100	4.00	0.71	3.06	4.26	0.63	2.98	4.00	0.58	2.58
Restructured loan(E)	13,836	422	14,259	12,195	460	12,654	10,357	465	10,822
Total(F)=(A)+(B)+(C)+(E)	22,436	1,037	23,474	19,951	1,087	21,038	16,573	1,099	17,672
Ratio(F)/(G)×100	10.44	1.20	7.80	10.97	1.09	7.47	10.68	1.00	6.67
Principal balance(G)	214,972	86,099	301,071	181,920	99,827	281,747	155,224	109,818	265,042

(Unit: 100 million yen,%)

Classification	FY2014			FY2015		
	Outstanding loan etc*	Purchased loan	Total	Outstanding loan etc*	Purchased loan	Total
Insolvent debtor loan(A)	757	85	842	684	98	783
Delinquent loan(B)	3,542	379	3,921	3,038	375	3,413
Delinquent loan more than 3 months(C)	966	146	1,111	788	150	938
Sub-total(D)=(A)+(B)+(C)	5,265	609	5,875	4,510	623	5,133
Ratio(D)/(G)×100	3.95	0.52	2.35	3.93	0.49	2.11
Restructured loan(E)	8,333	444	8,777	6,862	446	7,308
Total(F)=(A)+(B)+(C)+(E)	13,599	1,053	14,652	11,373	1,069	12,442
Ratio(F)/(G)×100	10.20	0.90	5.87	9.92	0.83	5.12
Principal balance(G)	133,294	116,394	249,688	114,692	128,323	243,015

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 it is considered 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 104.0 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.

## 2015 fiscal year 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 689	Preserved part by collateral/ security 335	Full amount other than preserved part by collateral/ security is reversed 354		Individual bad debt reserve funds 354 (100%)	Insolvent debtors loan amount 684	
	Actual insolvent debtors 1,262	Preserved part by collateral/ security 581	Full amount other than preserved part by collateral/ security is reversed 681			681 (100%)	Delinquent loan amount 3,038
	Potential insolvent debtors 1,792	Preserved part by collateral/ security 1,106	Part other than preserved part by collateral/ security is reversed is reserved by the expected loss rate of next three years 686			263 (38.3%)	
	Attention needed debtors	Management needed debtors 7,735	Reserved by the expected loss rate of next three years based on past bad debt result rate 7,735		General bad debt reserve funds 316 (4.1%)	Amount of delinquent loan more than 3 months 788	
		Other attention needed debtors 4,989	Reserved by the expected loss rate of next one year based on past bad debt result rate 4,989			54 (1.1%)	Restructured loan amount 6,862
	Normal debtors 98,571	Reserved by the expected loss rate of next three years based on past bad debt result rate 98,571				81 (0.1%)	
Purchased loans	Insolvent debtors 99	Preserved part by collateral/ security 48	Full amount other than preserved part by collateral/ security is reversed 51		Individual bad debt reserve fund 51 (100%)	Insolvent debtors loan amount 98	
	Actual insolvent debtors 351	Preserved part by collateral/ security 154	Full amount other than preserved part by collateral/ security is reversed 197			197 (100%)	Delinquent loan amount 375
	Potential insolvent debtors 29	Preserved part by collateral/ security 17	Part other than preserved part by collateral/ security is reversed is reserved by the expected loss rate of next three years 12			3 (21.0%)	
	Attention needed debtors	Management needed debtors 604	Reserved by the expected loss rate of next three years based on past bad debt result rate 604		General bad debt reserve fund 30 (4.9%)	Amount of delinquent loan more than 3 months 150	
		Other attention needed debtors 257	Reserved by the expected loss rate of next one year based on past bad debt result rate 257			9 (3.6%)	Restructured loan amount 446
	Normal debtors 127,085	Reserved by the expected loss rate of next three years based on past bad debt result rate 127,085				241 (0.2%)	

### 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.