

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.

◆ 2012 Fiscal Year - 2016 Fiscal Year Risk Management Loans

(Unit: 100 million yen,%)

Classification	FY2012			FY2013			FY2014		
	Outstanding loan etc*	Purchased loan	Total	Outstanding loan etc*	Purchased loan	Total	Outstanding loan etc*	Purchased loan	Total
Insolvent debtor loan(A)	1,050	64	1,113	883	83	966	757	85	842
Delinquent loan(B)	5,423	379	5,801	4,215	380	4,595	3,542	379	3,921
Delinquent loan more than 3 months(C)	1,284	185	1,469	1,118	171	1,289	966	146	1,111
Sub-total(D)=(A)+(B)+(C)	7,756	628	8,384	6,216	634	6,850	5,265	609	5,875
Ratio(D)/(G)×100	4.26	0.63	2.98	4.00	0.58	2.58	3.95	0.52	2.35
Restructured loan(E)	12,195	460	12,654	10,357	465	10,822	8,333	444	8,777
Total(F)=(A)+(B)+(C)+(E)	19,951	1,087	21,038	16,573	1,099	17,672	13,599	1,053	14,652
Ratio(F)/(G)×100	10.97	1.09	7.47	10.68	1.00	6.67	10.20	0.90	5.87
Principal balance(G)	181,920	99,827	281,747	155,224	109,818	265,042	133,294	116,394	249,688

(Unit: 100 million yen,%)

Classification	FY2015			FY2016		
	Outstanding loan etc*	Purchased loan	Total	Outstanding loan etc*	Purchased loan	Total
Insolvent debtor loan(A)	684	98	783	608	106	715
Delinquent loan(B)	3,038	375	3,413	2,509	358	2,866
Delinquent loan more than 3 months(C)	788	150	938	697	136	833
Sub-total(D)=(A)+(B)+(C)	4,510	623	5,133	3,814	600	4,414
Ratio(D)/(G)×100	3.93	0.49	2.11	3.92	0.44	1.89
Restructured loan(E)	6,862	446	7,308	5,714	455	6,169
Total(F)=(A)+(B)+(C)+(E)	11,373	1,069	12,442	9,528	1,055	10,583
Ratio(F)/(G)×100	9.92	0.83	5.12	9.78	0.77	4.52
Principal balance(G)	114,692	128,323	243,015	97,384	136,616	233,999

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 four 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 83.3 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 58% 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.

2016 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 612	Preserved part by collateral/ security 294	Full amount other than preserved part by collateral/ security is reversed 318		Individual bad debt reserve funds 318 (100%)	Insolvent debtors loan amount 608	
	Actual insolvent debtors 1,066	Preserved part by collateral/ security 468	Full amount other than preserved part by collateral/ security is reversed 598			598 (100%)	Delinquent loan amount 2,509
	Potential insolvent debtors 1,456	Preserved part by collateral/ security 858	Part other than preserved part by collateral/ security is reversed is reserved by the expected loss rate of next three years 598			228 (38.2%)	
	Attention needed debtors	Reserved by the expected loss rate of next three years based on past bad debt result rate				General bad debt reserve funds 220 (3.4%)	Amount of delinquent loan more than 3 months 697
	Management needed debtors 6,480	6,480					Restructured loan amount 5,714
	Other attention needed debtors 4,697	Reserved by the expected loss rate of next one year based on past bad debt result rate				47 (1.0%)	
	Normal debtors 83,360	Reserved by the expected loss rate of next three years based on past bad debt result rate 83,360				60 (0.1%)	
Purchased loans	Insolvent debtors 107	Preserved part by collateral/ security 52	Full amount other than preserved part by collateral/ security is reversed 55		Individual bad debt reserve fund 55 (100%)	Insolvent debtors loan amount 106	
	Actual insolvent debtors 333	Preserved part by collateral/ security 146	Full amount other than preserved part by collateral/ security is reversed 187			187 (100%)	Delinquent loan amount 358
	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			2 (17.8%)	
	Attention needed debtors	Reserved by the expected loss rate of next three years based on past bad debt result rate				General bad debt reserve fund 24 (4.0%)	Amount of delinquent loan more than 3 months 136
	Management needed debtors 596	596					Restructured loan amount 455
	Other attention needed debtors 250	Reserved by the expected loss rate of next one year based on past bad debt result rate				9 (3.5%)	
	Normal debtors 135,396	Reserved by the expected loss rate of next three years based on past bad debt result rate 135,396				230 (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.