

Frequently Asked Questions



Below are the main frequently asked questions received by the Bank since the interim financial results briefing on November 20, 2017.

Q1	What is the projected cost increase related to the next generation system currently under development and what are the expected benefits?
A1	<p>Investment will total roughly JPY 30bn and system-related costs are likely to exceed JPY 20bn in FY2019. However, we project annual savings of roughly JPY 3bn in system-related costs by introducing open design and adopting weight-saving development methods. In addition, we plan to explore a range of possibilities such as consulting with other financial institutions about using the system in back-office administration and other areas to make it the de facto standard in the financial sector.</p>
Q2	How is the progress of reconstructing the securities portfolio?
A2	<p>We have reduced the balance of U.S. dollar-denominated bonds since U.S. interest rates started rising in 2H 2016. In 1H FY2017, we increased the balance of securities, particularly foreign bonds, while carefully monitoring market trends. As a result, as of September 30, 2017, total balance of securities increased by JPY 210.5bn to JPY 1,575.9bn from March 31, 2017.</p> <p>With U.S. interest rates now in an upward phase, we are managing our investments carefully. The unrealized gain/loss position on securities is not deteriorating.</p>
Q3	Why did the Bank book gains on reversal of allowance for loan losses?
A3	<p>The Bank makes precautionary provisions for general allowance for loan losses by using the loan loss ratio method generally and the DCF method for some large borrowers. Under the loan loss ratio method, the provisions are calculated as follows: loan balance x loan loss ratio x average term to maturity. System upgrades and access to more data in consumer loan have now made it possible to refine our calculations for allowance for loan losses in line with the average term to maturity for consumer loans.</p> <p>In 1H FY2017, these changes of calculation method resulted in gains on reversals of JPY 6bn. Also, including a drop in the loan loss ratio and other factors, gains on reversals totaled JPY 8.9bn. On an accounting basis, the net gain on reversals from loan loss reserves was JPY 6.8bn after factoring in a JPY 2.2bn provision for specific allowance for loan losses.</p>

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