

# Japan Bank for International Cooperation (Account for Ordinary Operations)

<https://www.jbic.go.jp/ja/>

## 1. Summary of operations implemented using FILP funds

- Loans and other financial tools that contribute to promoting overseas development and acquisition of strategically important natural resources, maintaining and improving the international competitiveness of Japanese industries, promoting the overseas projects for preserving the global environment such as preventing the global warming and preventing international financial turmoil or dealing with damage caused thereby.
- The General Services Account pertains to all services other than special services concerning projects for the overseas development of social capital.

## 2. Amount of lending under FY2019 FILP

(Unit: billion yen)

FY2019 FILP	Estimated outstanding amount of FILP lending at the end of FY2018
941.2	7,271.4

## 3. Estimated policy cost analysis of the project

### (1) Policy cost (Unit: billion yen)

Category	FY2018	FY2019	Fluctuation
1. Government expenditure (subsidies, etc.)	-	-	-
2. Government revenue (payments to the government, etc.)*	-204.9	-187.7	+17.2
3. Opportunity cost of capital investments, etc.	257.8	235.5	-22.3
<b>Total (1+2+3=policy cost(A))</b>	<b>52.9</b>	<b>47.8</b>	<b>-5.1</b>
Analysis period (years)	26 years	25 years	-1 year

### (2) Breakdown of policy cost by the time of the provision of funds (Unit: billion yen)

Category	FY2018	FY2019	Fluctuation
(A) Policy cost (previously cited)	52.9	47.8	-5.1
1) Opportunity cost of capital investments, etc. provided before the beginning of the analysis period	263.3	236.3	-27.0
2) Policy cost expected to be newly accrued during the analysis period	-210.4	-188.5	+21.9
Government expenditure (subsidies, etc.)	-	-	-
Government revenue (payments to the government, etc.)*	-204.9	-187.7	+17.2
Opportunity cost of surplus, etc.	-9.0	-4.1	+4.9
Opportunity cost of capital investments, etc.	3.5	3.3	-0.2

### (3) Year-to-Year comparison analysis

(Computing any fluctuation from previous year)

(Unit: billion yen)

Policy cost		FY2018	FY2019	Simple fluctuation
		Simple comparison (before adjustment)	52.9	47.8
Past year comparison (after adjustment)	1) Adjusting initial years (Analysis results after adjusting initial year to that for FY2019 analysis)		2) Adjusting assumed interest rates (Analysis results of re-estimation using assumed interest rate for FY2018)	Real fluctuation (2-1)
		78.7	52.7	-26.0

#### [Real fluctuation factor analysis]

##### ○Factors behind policy cost increase

- Increase in cost due to finalization of FY2017 results and revision of FY2018 projections (+5.4 billion yen)
- Increase in cost due to advanced redemption (+2.8 billion yen)
- Others (increase in retained earnings reserves at the beginning of the analysis period, etc.) (+13.8 billion yen)

##### ○Factors behind policy cost decrease

- Decrease in cost due to decrease in loan losses (-36.3 billion yen)
- Decrease in cost through new loans provided in FY2019 (-11.7 billion yen)

### (4) Breakdown of policy cost by causative factor (Unit: billion yen)

(A) Policy cost in FY2019 (previously cited)	47.8
1) Prepayments	20.9
2) Loan losses	562.7
3) Others (including profit spread)	-535.8

### (5) Sensitivity analysis (cases where assumptions change)

(Unit: billion yen)

(A) Policy cost (previously cited)	Case for raising lending and fundraising rates by 1 %	Fluctuation	1. Government expenditure (subsidies, etc.)			2. Government revenue (payments to the government, etc.)*			3. Opportunity cost of capital investments, etc.		
47.8	156.9	+109.1	-	-	-	-191.4	-	-	-	+300.5	

(A) Policy cost (previously cited)	Case for raising the bad loan write-off by 10 %	Fluctuation	1. Government expenditure (subsidies, etc.)			2. Government revenue (payments to the government, etc.)*			3. Opportunity cost of capital investments, etc.		
47.8	104.9	+57.1	-	-	-	+28.4	-	-	-	+28.7	

(Note) Components in each column may not add up to the total because of rounding.

\* Government revenue (payments to the government, etc.) is booked as a negative amount. Example: -10 b. yen for 10 b. yen in payments to government, etc.

#### 4. Outline of estimation and project prospect employed in the analysis

- 1) The estimation covers the General Services Account of the Japan Bank for International Cooperation.
- 2) Scale of account: Outstanding balance of financing at the end of FY2017 is ¥16.1107 trillion, ¥2.0100 trillion for FY2018 (estimate), and ¥2 trillion for FY2019 (estimate).
- 3) The analysis period is 25 years from FY2019 to FY2043, when the longest-term loans will be repaid.
- 4) The new loans are assumed to be collected based on the amortization schedule of the outstanding loans.
- 5) The standard interest rates of the the JBIC apply to new loans.
- 6) Early prepayments rate based on the past record is used for the estimation. Furthermore, regarding prepayment premiums, although there are cases where a set percentage of original principal for prepayment premiums is secured in some projects, this revenue is not estimated in the analysis.
- 7) For the administrative expenses of FY2019, the expense associated with new financing and the one associated with the management of past financing are distinguished and the latter will be decreased according to the transition of the balance from FY2020.
- 8) Sovereign loans losses are estimated based on internal country ratings in order to reflect the unique characteristics of public organizations (i.e., Paris Club) as much as possible, while, in the case of non-sovereign loans, the estimated charge-off amount is calculated using external statistical data widely used by private financial institutions (total amount during analysis period is ¥563.4 billion; however, the estimated amount is strictly a potential amount and will not necessarily be actualized in the future). The loan loss provision ratio for both loans is as given below.
- 9) At the end of FY2017, the outstanding balance of the risk management loans was ¥414.7 billion. The share of such loans in the total outstanding loan balance was 3.07%.

FY	Result				Estimated 2018	Planned 2019	Assumptions for calculation 2020-2043
	2014	2015	2016	2017			
Prepayment ratio	1.71%	2.82%	1.21%	2.28%	1.44%	0.85%	Each FY: 1.44% <sup>Note 1</sup>
Loan loss provision ratio	-	-	-	-	-	-	Cumulative total: 3.92% <sup>Note 2</sup>

Note 1: Percentage against gross amount of planned repayment in the following fiscal year and thereafter.

2: Percentage of gross amount of estimated bad debts during the analysis term against the balance at the beginning of the FY2020 term.

#### 5. Reasons for granting of subsidies, mechanism and underlying laws

To enhance the business base for performing projects stipulated in the Japan Bank for International Cooperation Act, as needed, capital investment is received from the Special Account for FILP and General Account.

(Underlying laws and regulations)

[Capital investment provision]

“Japan Bank for International Cooperation Act”

Article 4: The Government may, when it finds it to be necessary, make contributions to JBIC within the amount appropriated in the budget.

[The national treasury payment provision]

“Japan Bank for International Cooperation Act”

Article 31: In the event that the amount of the surplus recorded in the settlement of accounts for each business year exceeds zero in each account related to the operations listed in each Item of Article 26-2 hereof, JBIC shall accumulate, as a reserve, the amount calculated in accordance with the standards prescribed by a Cabinet Order, among such surplus, until it reaches the amount prescribed by the Cabinet Order, and if there is still a surplus, JBIC shall pay the amount of such surplus into the National Treasury within three (3) months after the end of such business year.

“Order for Enforcement of the Japan Bank for International Cooperation Act”

Article 6: The amounts calculated according to the standards specified by an ordinance under paragraph 1, Article 31 of the Act shall be equivalent to the amounts provided according to the classification of accounts in the following items:

1 Account for general services (general services as provided in item 1, Article 26-2 of the Act; hereinafter the same shall apply): Amount equivalent to 50/100 of a surplus booked through the settlement of accounts in each business year

Paragraph 2: The amounts specified by an ordinance under paragraph 1, Article 31 of the Act shall be equivalent to the amounts provided according to the classification of accounts in the following items:

1 Account for general services: Amount equivalent to the capital specified in the account for general services

Article 7: In the event that the amount of the surplus recorded in each of the general and special services accounts through the settlement of accounts for each business year exceeds zero, JBIC shall submit to the Minister of Finance by June 20 of the following business year a statement of the payment to the national treasury in such business year calculated under paragraph 1, Article 31 of the Act, attaching thereto a balance sheet as of the end of such business year and an income statement of such business year and other financial documents which clarify the basis for the calculation of such payment to the national treasury.

Article 8: Concerning the payment to the national treasury in each of the general and special services accounts, the amount of the surplus prescribed in paragraph 1, Article 31 of the Act shall be divided depending on the amount of the contribution from the investment account of the General Account or the Special Account for FILP in each statement and returned to the General Account or the investment account of the Special Account for FILP.

Paragraph 2: The amount of the contribution prescribed in the previous clause shall be the amount of the contribution from the General Account for the investment account of the Special Account for FILP on the first day of business year when the amount of the surplus prescribed in the same clause occurred (In the event that the amount of the contribution from the General Account or the investment account of the Special Account for FILP increases/decreases during such business year after that day, the amount obtained by multiplying the number of days from the day of increase/decrease to the end of such business year by such increased/decreased amount of the contribution shall be added/reduced).

## 6. Special remarks

The policy cost analysis of the Japan Bank for International Cooperation (Account for Ordinary Operations) basically books the payments to the national treasury throughout the period of analysis, so that additional fiscal spending is not required.

### (Reference) Outcome and social and economic benefits of operations

#### 1) Lending and Equity participation

- Aggregate amount of loan, equity participation and guarantee commitments from FY 1950-2017: ¥78.5390 trillion (including ¥71.1192 trillion in loans and ¥436.8 billion in equity participation)
- Loan, equity participation and guarantee commitments in FY2017: ¥1.1899 trillion (including ¥1.0639 trillion in loans and ¥77.8 billion in equity participation)
- Loan, equity participation and guarantee disbursements in FY2017: ¥1.8045 trillion (including ¥1.6861 trillion in loans and ¥39.9 billion in equity participation)
- Loan, equity participation and guarantee outstanding balance at the end of FY2017: ¥16.1787 trillion (including ¥13.6557 trillion in loans and ¥262.7 billion in equity participation)
- Loan, equity participation and guarantee commitment planned for FY2019: ¥2 trillion (including ¥1.9000 trillion in loans and ¥100.0 billion in equity participation)

#### 2) Primary types of financing for social and economic benefits

JBIC provides necessary finance in order to develop and obtain foreign resources, which are important for Japan, maintain and improve the international competitiveness of Japanese industry, prevent global warming and otherwise protect the global environment, prevent international financial turmoil or deal with damage caused thereby, and contribute to the sound development of domestic and international economic societies. Instances of social and economic benefits are as follows:

- Export loans: Assistance for exports to developing countries of marine vessels and plants by Japanese companies that have a significant effect on production and employment
- Import loans: Contributions to the supply to Japan of important resources, aircraft, etc.
- Overseas investment loans: Securing and ensuring stable supply of resources and energy to Japan, a country poor in natural resources, and assistance for the reinforcement of competitive strength through the development of international operations implemented by Japanese companies under conditions of intense international competition
- Untied loans: Promotion of global warming prevention and other projects to conserve the global environment. Contributions to the international assistance activities of Japanese companies through efforts such as the development of the economic infrastructure in developing countries and assistance for developing-country governments to cope with financial crises
- Bridge loans: Assistance for facilitation of trades to foreign governments which have difficulties in carrying out transactions due to payment difficulty
- Equity participation: Supporting overseas operations of its clients by participating in their investments.

#### (Reference 1) Effect on development and obtaining of foreign resources which are important for Japan

Among domestic demand for major natural resources, natural resources supplied by projects funded by JBIC (import loans/investment loans for the purpose of assuring the stable supply of energy and other important resources that support the economic activities of Japan) in FY2017 included 54.8 million barrels of crude oil, 88,300 tons of copper ore (on a contained metal basis), and 6.3 million tons of coal. (Japan Bank for International Cooperation survey, FY2018)

#### (Reference 2) Effect on maintenance and improvement of the international competitiveness of Japanese industries

(Survey concerning the effects of export financing on the domestic economy)

In relation to export-related operations financed in FY2016 and FY2017, the production by export corporations and the order placed to domestic suppliers is ¥225.5 billion in total. Of this amount, the order to medium and small business is estimated ¥29.2 billion (Total approved amount is ¥174.1 billion). The estimated employees maintained/hired within the export corporations are about 350 per year. (Japan Bank for International Cooperation survey, FY2018)

(Survey on the effects on the Japanese economy)

The economic effects expected from the operations receiving financing can be classified into investment demand effect associated with initial capital investment and future production effect associated with future production activities. Of this, the trial calculation was performed, for the investment demand effect arising from the investment (aggregate total of operation funding about 1.8095 trillion yen, total approved loan: 579.9 billion yen) in operations receiving the loans - export loans, overseas investment loans including energy and natural resources finance or untied loans - approved in FY2017 up to the first induction stage. As a result, the effect on the Japanese economy is estimated to be about 819.9 billion yen when value added is taken into account. In addition, the effect on foreign economies is about 421.0 billion yen when value added is taken into account. (Japan Bank for International Cooperation survey, FY2018)

(Survey on gain of foreign assets by Japanese companies)

The amount of foreign assets gained by Japanese companies through operations receiving the overseas investment loans conducted in FY2017 is estimated to be about 1.5839 trillion yen. (Japan Bank for International Cooperation survey, FY2018)

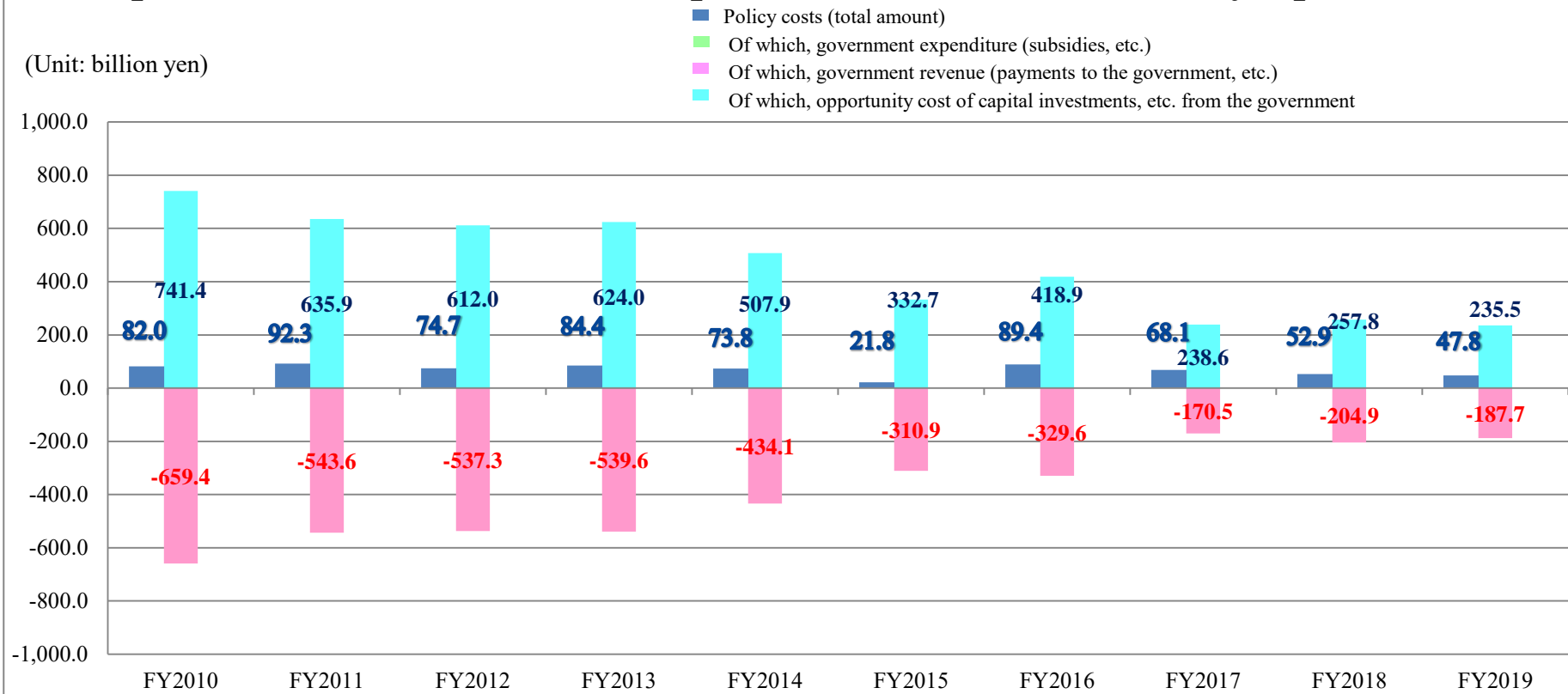
#### (Reference 3) Effect on the preservation of the global environment

In FY2017, JBIC financed Global action for Reconciling Economic growth and Environmental preservation (GREEN) projects (total approved loan guarantee: 43.6 billion yen) was carried out in line with the J-MRV Guidelines. (Note) The estimated cut amount of greenhouse gas during the loan period was 18.33 million tons in total (CO2 equivalent) (Japan Bank for International Cooperation survey, FY2018).

(Note) Guidelines for Measurement, Reporting and Verification of GHG Emission Reductions in JBIC's GREEN projects (the J-MRV Guidelines)

# (Reference) Changes in Policy Costs by Component

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Notes 1. Policy costs for each fiscal year differ in assumptions including interest rates applied to estimates.

2. Figures from FY2010 to FY2011 indicate the policy cost of JFC, that for FY2012 indicates the policy cost of JBIC operation, and those from FY2013 to FY2015 indicate the policy cost of JBIC.

### (Point)

• Policy cost analysis of Japan Bank for International Cooperation (Account for Ordinary Operations) books the payments to the national treasury throughout the period of analysis, so that additional fiscal spending including subsidies, etc. from the government is not required. However, policy cost is incurred because the profit level does not exceed the opportunity cost of capital investments.

## (Reference) Financial Statements

## Balance Sheet

(Unit: million yen)

Item	End of FY2017 (Result)	End of FY2018 (Estimated)	End of FY2019 (Planned)	Item	End of FY2017 (Result)	End of FY2018 (Estimated)	End of FY2019 (Planned)
(Assets)				(Liabilities and equity)			
Cash and deposits	1,500,902	280,933	278,887	Borrowed money	8,370,759	7,554,644	7,114,120
Cash	0	0	0	Loans payable	8,370,759	7,554,644	7,114,120
Deposits	1,500,902	280,933	278,887	Bonds	4,392,597	5,395,420	6,041,367
Account for sales under agreement to resell	-	752,404	619,572	Other liabilities	435,187	1,010,555	969,114
Securities	338,928	416,771	516,771	Accrued expenses	54,096	99,701	132,210
Stocks	255	255	255	Advance revenues	54,323	43,085	32,366
Other securities	338,673	416,516	516,516	Derivatives	181,103	722,057	658,827
Loans	13,512,657	14,095,345	14,357,519	Cash collateral received for financial instruments	56,080	56,080	56,080
Loan on deeds	13,512,657	14,095,345	14,357,519	Other liabilities	89,586	89,632	89,632
Other assets	377,191	535,675	647,254	Reserve for bonuses	541	565	587
Prepaid expenses	625	625	625	Reserve for directors' bonuses	9	10	10
Accrued revenue	84,657	245,799	359,253	Reserves for retirement pensions	6,779	6,779	6,779
Derivatives	43,182	39,923	38,048	Reserve for directors' retirement benefits	25	12	12
Cash collateral paid for financial instruments	141,180	141,180	141,180	Acceptances and guarantees	2,259,369	2,432,940	2,611,324
Other assets	107,547	108,147	108,147	(Total liabilities)	15,465,267	16,400,923	16,743,312
Tangible fixed assets	28,355	28,058	28,071	Capital	1,514,200	1,534,300	1,555,500
Buildings	2,841	2,896	2,950	Retained earnings	883,902	881,152	895,952
Land	24,312	24,312	24,312	Earned reserve	821,601	852,752	866,952
Construction in progress	79	-	-	Other retained earnings	62,300	28,400	29,000
Other tangible fixed assets	1,123	850	809	Earned surplus carried forward	62,300	28,400	29,000
Intangible fixed assets	3,464	7,151	7,440	Total shareholders' equity	2,398,102	2,415,452	2,451,452
Software	3,464	7,151	7,440	Valuation difference on securities	- 1,210	95	95
Customer's liabilities for acceptance and guarantee	2,259,369	2,432,940	2,611,324	Deferral hedge profit/loss	- 114,833	- 594,593	- 516,077
Allowances for bad debts	- 273,542	- 327,398	- 388,055	Total valuation differences and translation adjustments	- 116,043	- 594,498	- 515,982
				(Total equity)	2,282,059	1,820,954	1,935,470
Total assets	17,747,326	18,221,877	18,678,782	Total liabilities and equity	17,747,326	18,221,877	18,678,782

Notes. Components may not add up to the total because of rounding.

## Income Statement

(Unit: million yen)

Item	FY2017 (Result)	FY2018 (Estimated)	FY2019 (Planned)
Ordinary income	389,600	549,574	871,060
Revenue from fund management	336,747	527,159	855,917
Interest on loans	323,959	517,926	851,640
Interest and dividends on securities	1,829	619	-
Interest on deposits	10,946	8,589	4,277
Other interest received	12	25	-
Revenue from service transactions, etc.	23,722	18,443	15,042
Other service revenue	23,722	18,443	15,042
Other operating revenue	129	-	-
Capital gain on government and other bonds	129	-	-
Other ordinary income	29,001	3,972	101
Bad debt recovered	0	3,208	-
Equity earnings regarding investment in association	28,832	-	-
Other ordinary income	168	764	101
Ordinary expenses	327,301	521,146	841,970
Financing cost	249,256	431,432	751,444
Interest on borrowed money	115,371	185,291	292,766
Interest on bonds	90,628	121,675	214,983
Interest on interest-rate swap	43,192	124,345	243,575
Other interest paid	66	120	120
Expenses for service transactions, etc.	1,793	2,979	2,632
Other service expenses	1,793	2,979	2,632
Other operating expenses	5,410	9,978	3,571
Foreign exchange trading losses	139	5,557	-
Amortization of bond issue expenses	2,310	3,827	2,739
Financial derivatives expenses	2,218	-	-
Other operating expenses	744	594	832
Business expenses	19,272	22,902	23,666
Other ordinary expenses	51,570	53,856	60,658
Provision of allowance for bad debts	51,506	53,856	60,658
Capital loss on stocks, etc.	57	-	-
Other ordinary expenses	7	-	-
Ordinary profit	62,299	28,428	29,089
Extraordinary profits	10	0	-
Gain on sales and retirement of noncurrent assets	10	0	-
Extraordinary loss	8	28	89
Loss on sales and retirement of noncurrent assets	8	28	89
Net profit	62,300	28,400	29,000

Note. Components may not add up to the total because of rounding.