

# 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 FY2020 FILP

(Unit: billion yen)

FY2020 FILP	Estimated outstanding amount of FILP lending at the end of FY2019
1,152.5	8,106.9

## 3. Estimated policy cost analysis of the project

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

Category	FY2019	FY2020	Fluctuation
1. Government expenditure (subsidies, etc.)	-	-	-
2. Government revenue (payments to the government, etc.)* <sup>1</sup>	-187.7	-105.0	+82.7
3. Opportunity cost of capital investments, etc.	235.5	135.3	-100.2
<b>Total (1+2+3=policy cost(A))</b>	<b>47.8</b>	<b>30.3</b>	<b>-17.5</b>
Analysis period (years)	25 years	24 years	-1 year

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

Category	FY2019	FY2020	Fluctuation
(A) Policy cost (previously cited)	47.8	30.3	-17.5
1) Opportunity cost of capital investments, etc. provided before the beginning of the analysis period	236.3	129.0	-107.3
2) Policy cost expected to be newly accrued during the analysis period	-188.5	-98.6	+89.8
Government expenditure (subsidies, etc.)	-	-	-
Government revenue (payments to the government, etc.)* <sup>1</sup>	-187.7	-105.0	+82.7
Opportunity cost of surplus, etc.	-4.1	0.7	+4.7
Opportunity cost of capital investments, etc.	3.3	5.7	+2.4

### (5) Sensitivity analysis (cases where assumptions change) (Unit: billion yen)

(A) Policy cost (previously cited)	Case before the negative interest rate policy* <sup>2</sup>	Fluctuation			
			1. Government expenditure (subsidies, etc.)	2. Government revenue (payments to the government, etc.)* <sup>1</sup>	3. Opportunity cost of capital investments, etc.
30.3	100.5	+70.2	-	-176.2	+246.4

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

(Computing any fluctuation from previous year)

(Unit: billion yen)

Policy cost		FY2019	FY2020	Simple fluctuation
		Simple comparison (before adjustment)	47.8	30.3
Past year comparison (after adjustment)	1) Adjusting initial years (Analysis results after adjusting initial year to that for FY2020 analysis)	76.5	60.5	-16.0
	2) Adjusting assumed interest rates (Analysis results of re-estimation using assumed interest rate for FY2019)			Real fluctuation (2-1)

[Real fluctuation factor analysis]

○Factors behind policy cost increase

- Increase in cost due to finalization of FY2018 results and revision of FY2019 projections (+7.7 billion yen)
- Increase in cost due to increase in advanced redemption (+2.1 billion yen)
- Others (Increase in administrative cost due to new financing, etc.) (+23.4 billion yen)

○Factors behind policy cost decrease

- Decrease in cost due to decrease in loan losses (-36.1 billion yen)
- Decrease in cost through new loans provided in FY2020 (-8.3 billion yen)
- Cost decrease due to supplementary FY2019 budgets and FILPs (-4.8 billion yen)

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

(A) Policy cost in FY2020 (previously cited)	30.3
1) Prepayments	23.3
2) Loan losses	526.8
3) Others (including profit spread)	-519.8

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

\*<sup>1</sup> 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.

\*<sup>2</sup> Assumed interest rates (discount factor and future interest rate) are based on the market yield on Japanese government bonds on January 28, 2016, before the introduction of the negative interest rate policy.

#### 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 FY2018 is 16.426 trillion yen, 2.5 trillion yen for FY2019 (estimate), and 2.3 trillion yen for FY2020 (estimate).
- 3) The analysis period is 24 years from FY2020 to FY2043, when the longest-term loans will be repaid.
- 4) 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.
- 5) For the administrative expenses of FY2020, 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 FY2021.
- 6) 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 527.2 billion yen; 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.
- 7) At the end of FY2018, the outstanding balance of the risk management loans was 379.1 billion yen. The share of such loans in the total outstanding loan balance was 2.79%.

FY	Result				Estimated	Planned	Assumptions for calculation
	2015	2016	2017	2018	2019	2020	2021-2043
Prepayment ratio	2.82%	1.21%	2.28%	2.35%	1.06%	0.89%	Each FY: 1.77% <sup>Note 1</sup>
Loan loss provision ratio	-	-	-	-	-	-	Cumulative total: 3.63% <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 FY2021 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 (General Services Account) 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 1950-2018: 80,256.1 billion yen (including 72,441.8 billion yen in loans and 480.6 billion yen in equity participation)
- Loan, equity participation and guarantee commitments in FY2018: 1,717.1 billion yen (including 1,322.6 billion yen in loans and 43.8 billion yen in equity participation)
- Loan, equity participation and guarantee disbursements in FY2018: 1,814.4 billion yen (including 1,404.6 billion yen in loans and 42.5 billion yen in equity participation)
- Loan, equity participation and guarantee outstanding balance at the end of FY2018: 16,505.3 billion yen (including 13,719.3 billion yen in loans and 292.7 billion yen in equity participation)
- Loan, equity participation and guarantee commitment planned for FY2020: 2,300.0 billion yen (including 2,200.0 billion yen in loans and 100.0 billion yen 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 FY2018 included 19.7 million barrels of crude oil, 96,000 tons of copper ore (on a contained metal basis). (Japan Bank for International Cooperation survey, FY2019)

#### (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 FY2017 and FY2018, the production by export corporations and the order placed to domestic suppliers is 124.5 billion yen in total. Of this amount, the order to medium and small business is estimated 16.3 billion yen (Total approved amount is 134.1 billion yen). The estimated employees maintained/hired within the export corporations are about 199 per year. (Japan Bank for International Cooperation survey, FY2019)

##### (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 2,420.1 billion yen, total approved loan: 1,049.0 billion yen) in operations receiving the loans - export loans, overseas investment loans including energy and natural resources finance or untied loans - approved in FY2018 up to the first induction stage. As a result, the effect on the Japanese economy is estimated to be about 826.8 billion yen when value added is taken into account. In addition, the effect on foreign economies is about 1,005.3 billion yen when value added is taken into account. (Japan Bank for International Cooperation survey, FY2019)

##### (Survey on gain of foreign assets by Japanese companies)

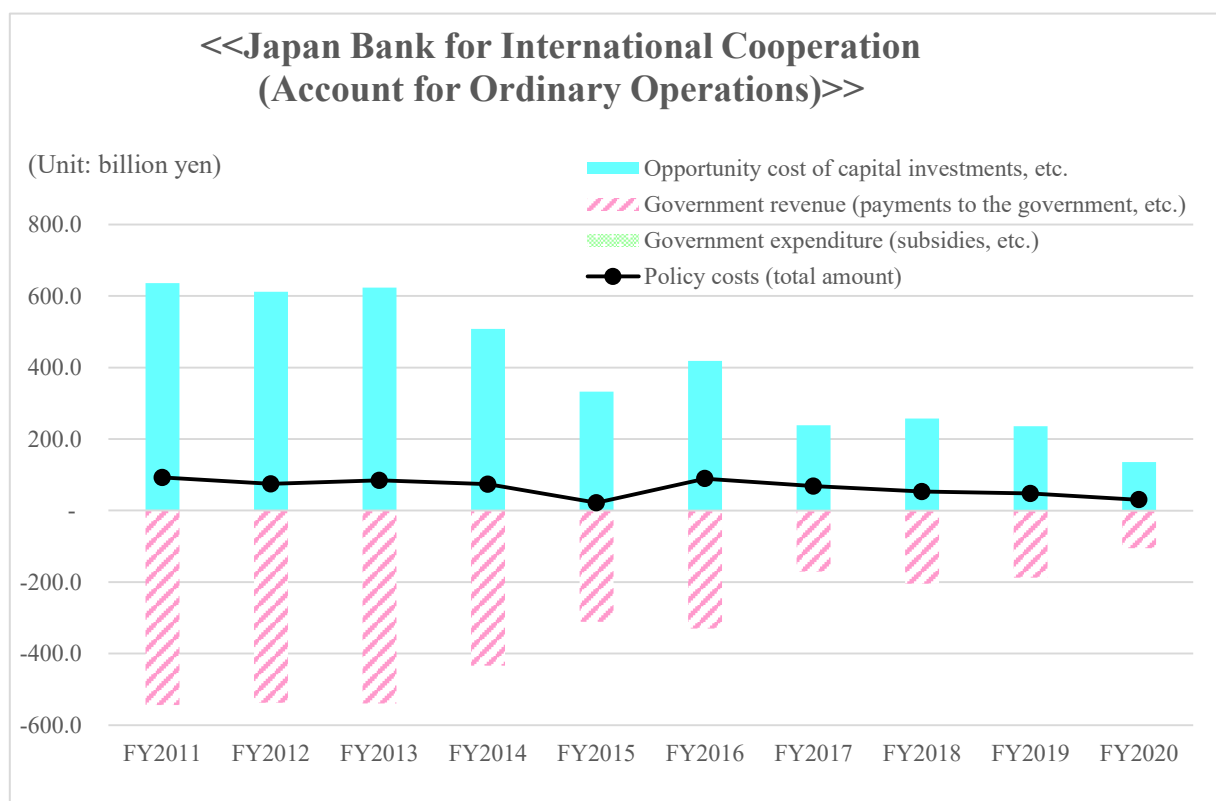
The amount of foreign assets gained by Japanese companies through operations receiving the overseas investment loans conducted in FY2018 is estimated to be about 4,500.0 billion yen. (Japan Bank for International Cooperation survey, FY2019)

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

Loan guarantees totaling 11.2 billion yen were approved in FY2018 for projects subjected to JBIC's environmental operations called "Global Action for Reconciling Economic Growth and Environmental Preservation (GREEN)," which support the global diffusion of advanced Japanese technologies given high ratings internationally and projects expected to substantially reduce greenhouse gas emissions (according to a JBIC survey in FY2019).

# Overview of policy cost analysis results

## [Changes in policy costs]



### Notes :

1. Policy costs for each fiscal year differ in assumptions including interest rates applied to estimates.
2. Figures for FY2011 indicate the policy cost of JFC, that for FY2012 indicates the policy cost of JBIC operation, those from FY2013 to FY2015 indicate the policy cost of JBIC, and those from FY2019 to FY2020 indicate the policy cost of JBIC (General Services Account).

(Unit: billion yen)

FY	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020
Policy costs (total amount)	92.3	74.7	84.4	73.8	21.8	89.4	68.1	52.9	47.8	30.3
Government expenditure (subsidies, etc.)	-	-	-	-	-	-	-	-	-	-
Government revenue (payments to the government, etc.)	-543.6	-537.3	-539.6	-434.1	-310.9	-329.6	-170.5	-204.9	-187.7	-105.0
Opportunity cost of capital investments, etc.	635.9	612.0	624.0	507.9	332.7	418.9	238.6	257.8	235.5	135.3

### 【Explanation of policy cost trends】

• Policy cost analysis of Japan Bank for International Cooperation (General Services Account) 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, etc..

### 【FILP agency's self-assessment of policy cost analysis results (FY2020)】

- The policy cost for the JBIC Account for Ordinary Operations came to the second lowest level in the past 10 years as the discount factor assumed for all FILP agencies was low throughout the policy cost analysis period.
- In the sensitivity analysis of the case before the negative interest rate policy, the policy cost increased by about 70.2 billion yen from the basic case as a rise in opportunity cost of capital investments due to a hike in assumed interest rates throughout the analysis period surpassed a hike in payments to the Government through the assumed interest rate change.
- As the policy cost analysis for the JBIC Account for Ordinary Operations basically books payments to the Government throughout the analysis period, we assess that the account's financial soundness is secured, with no additional fiscal spending required.
- Investments in projects approved for JBIC loans in FY2018 produced a great investment demand effect (estimated at about 826.8 billion yen in value added for primary investment induction), indicating that the policy cost for the JBIC Account for Ordinary Operations represents an indispensable cost for the spillover effect for the Japanese economy.

## (Reference) Financial Statements

## Balance Sheet

(Unit: million yen)

Item	End of FY2018 (Result)	End of FY2019 (Estimated)	End of FY2020 (Planned)	Item	End of FY2018 (Result)	End of FY2019 (Estimated)	End of FY2020 (Planned)
<b>(Assets)</b>				<b>(Liabilities and equity)</b>			
Cash and deposits	946,130	275,945	276,235	Borrowed money			
Cash	0	0	0	Loans payable	7,574,713	7,069,183	6,302,381
Deposits	946,130	275,945	276,235	Bonds	4,583,492	5,653,817	6,708,477
Account for sales under agreement to resell	-	624,600	551,119	Other liabilities	304,322	733,703	800,705
Securities	362,975	427,075	497,075	Accrued expenses	68,147	95,623	132,099
Stocks	255	255	255	Advance revenues	51,282	42,203	31,963
Other securities	362,720	426,820	496,820	Derivatives	140,073	550,992	591,759
Loans				Cash collateral received for financial instruments	44,620	44,620	44,620
Loan on deeds	13,571,216	14,160,150	14,519,561	Other liabilities	200	265	265
Other assets	276,949	373,719	490,649	Reserve for bonuses	560	587	609
Prepaid expenses	591	591	591	Reserve for directors' bonuses	10	10	10
Accrued revenue	110,720	206,536	329,643	Reserves for retirement pensions	6,975	6,975	6,975
Derivatives	42,253	42,545	36,368	Reserve for directors' retirement benefits	31	12	11
Cash collateral paid for financial instruments	123,040	123,040	123,040	Acceptances and guarantees	2,491,767	2,505,769	2,662,154
Other assets	345	1,007	1,007	(Total liabilities)	14,961,871	15,970,055	16,481,322
Tangible fixed assets	27,940	27,958	28,488	Capital	1,534,300	1,590,500	1,660,500
Buildings	2,759	2,903	3,290	Retained earnings	905,802	912,577	930,327
Land	24,312	24,312	24,312	Earned reserve	852,752	879,277	895,927
Construction in progress	79	-	196	Other retained earnings			
Other tangible fixed assets	791	743	690	Earned surplus carried forward	53,051	33,300	34,400
Intangible fixed assets				Total shareholders' equity	2,440,102	2,503,077	2,590,827
Software	6,701	6,810	6,120	Valuation difference on securities	-558	-592	-592
Customer's liabilities for acceptance and guarantee	2,491,767	2,505,769	2,662,154	Deferral hedge profit/loss	-10,776	-417,410	-436,805
Allowances for bad debts	-293,039	-346,895	-396,648	Total valuation differences and translation adjustments	-11,333	-418,001	-437,397
				(Total equity)	2,428,769	2,085,076	2,153,430
<b>Total assets</b>	<b>17,390,640</b>	<b>18,055,131</b>	<b>18,634,752</b>	<b>Total liabilities and equity</b>	<b>17,390,640</b>	<b>18,055,131</b>	<b>18,634,752</b>

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

## Income Statement

(Unit: million yen)

Item	End of FY2018 (Result)	End of FY2019 (Estimated)	End of FY2020 (Planned)
Ordinary income	476,750	545,472	860,717
Revenue from fund management	450,328	493,545	844,126
Interest on loans	435,396	483,363	839,431
Interest and dividends on securities	1,361	585	-
Interest on deposits	13,536	9,562	4,696
Other interest received	34	35	-
Revenue from service transactions, etc.	22,714	21,705	16,490
Other service revenue	22,714	21,705	16,490
Other operating revenue	272	-	-
Capital gain on government and other bonds	55	-	-
Return on financial derivatives	197	-	-
Other business income	20	-	-
Other ordinary income	3,436	30,222	101
Bad debt recovered	3,208	29,308	-
Capital gains on stocks, etc.	62	-	-
Other ordinary income	166	914	101
Ordinary expenses	423,706	511,560	826,305
Financing cost	365,856	426,349	744,008
Interest on borrowed money	156,898	164,509	244,008
Interest on bonds	113,065	127,237	224,893
Interest on interest-rate swap	95,775	134,571	274,987
Other interest paid	118	32	120
Expenses for service transactions, etc.	2,303	2,797	2,773
Other service expenses	2,303	2,797	2,773
Other operating expenses	2,695	5,546	5,453
Foreign exchange trading losses	1,008	1,978	-
Amortization of bond issue expenses	1,082	2,739	4,330
Other operating expenses	605	829	1,123
Business expenses	20,601	23,012	24,318
Other ordinary expenses	32,250	53,856	49,753
Provision of allowance for bad debts	19,497	53,856	49,753
Provision on stocks	11,788	-	-
Equity earnings regarding investment in association	965	-	-
Ordinary profit	53,044	33,912	34,412
Extraordinary profits	6	5	-
Gain on sales and retirement of noncurrent assets	6	5	-
Extraordinary loss	-	618	12
Loss on sales and retirement of noncurrent assets	-	618	12
<b>Net profit</b>	<b>53,051</b>	<b>33,300</b>	<b>34,400</b>

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