

# Japan Bank for International Cooperation (Ordinary Operations Account)

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## 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 Ordinary Operations Account pertains to all services other than special services concerning projects for the overseas development of social capital.

## 2. Amount of lending under FY2022 FILP

(Unit: billion yen)

FY2022 FILP	Estimated outstanding amount of FILP lending at the end of FY2021
1,515.0	8,130.9

## 3. Estimated policy cost analysis of the project

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

Category	FY2021	FY2022	Fluctuation
1. Government expenditure (subsidies, etc.)	-	-	-
2. Government revenue (payments to the government, etc.)*1	-141.3	-227.0	-85.7
3. Opportunity cost of capital investments, etc.	175.1	266.2	+91.1
<b>Total (1+2+3=policy cost(A))</b>	<b>33.8</b>	<b>39.3</b>	<b>+5.4</b>
Analysis period (years)	23 years	27 years	4 years

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

Category	FY2021	FY2022	Fluctuation
(A) Policy cost (previously cited)	33.8	39.3	+5.4
1) Opportunity cost of capital investments, etc. provided before the beginning of the analysis period	165.4	265.0	+99.6
2) Policy cost expected to be newly accrued during the analysis period	-131.6	-225.7	-94.1
Government expenditure (subsidies, etc.)	-	-	-
Government revenue (payments to the government, etc.)*1	-141.3	-227.0	-85.7
Opportunity cost of surplus, etc.	4.7	-10.4	-15.1
Opportunity cost of capital investments, etc.	5.0	11.6	+6.6

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

(Computing any fluctuation from previous year)

(Unit: billion yen)

Policy cost		FY2021	FY2022	Simple fluctuation
		Simple comparison (before adjustment)	33.8	39.3
Past year comparison (after adjustment)	1) Adjusting initial years (Analysis results after adjusting initial year to that for FY2022 analysis)	86.0	32.0	-54.0
	2) Adjusting assumed interest rates (Analysis results of re-estimation using assumed interest rate for FY2021)			<b>Real fluctuation (2-1)</b>

[Real fluctuation factor analysis]

#### ○Factors behind policy cost increase

- Increase in cost due to finalization of FY2020 results and revision of FY2021 projections (+66.0 billion yen)
- Others (Increase in cost due to a rise in administrative cost related to new loans in FY2022, etc.) (+9.0 billion yen)

#### ○Factors behind policy cost decrease

- Decrease in cost due to interest rate gap for new loans in provided in FY2022 (-81.4 billion yen)
- Decrease in cost due to decrease in loan losses (-41.1 billion yen)
- Decrease in cost due to decrease in prepayments (-6.5 billion yen)

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

(A) Policy cost in FY2022 (previously cited)	39.3
1) Prepayments	35.8
2) Loan losses	545.4
3) Others (including profit spread)	-542.0

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

(Unit: billion yen)

(A) Policy cost (previously cited)	Case before the negative interest rate policy*2	Fluctuation	1. Government expenditure (subsidies, etc.)			2. Government revenue (payments to the government, etc.)*1		3. Opportunity cost of capital investments, etc.	
39.3	102.7	+63.5	-	-	-	-146.1	-	+209.6	

(A) Policy cost (previously cited)	Case of a 1% increase in loan write-offs	Fluctuation	1. Government expenditure (subsidies, etc.)			2. Government revenue (payments to the government, etc.)*1		3. Opportunity cost of capital investments, etc.	
39.3	44.3	+5.0	-	-	-	+2.7	-	+2.3	

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

\*1 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.

\*2 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 Ordinary Operations Account of the Japan Bank for International Cooperation.
- 2) Scale of account: Outstanding balance of financing at the end of FY2020 is 13.7983 trillion yen, 2.6 trillion yen for FY2021 (estimate), and 2.2 trillion yen for FY2022 (estimate).
- 3) The analysis period is 27 years from FY2022 to FY2048, 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 FY2022, 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 FY2023.
- 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 write-off amount is calculated using external statistical data widely used by private financial institutions (total amount during analysis period is 546.0 billion yen; however, the estimated amount is strictly a potential amount and will not necessarily be actualized in the future). The loan write-off ratio for both loans is as given below.
- 7) At the end of FY2020, the outstanding balance of the risk management loans was 488.7 billion yen. The share of such loans in the total outstanding loan balance was 3.61%.

FY	Result				Estimated 2021	Planned 2022	Assumptions for calculation 2023-2048
	2017	2018	2019	2020			
Prepayment ratio	2.28%	2.35%	2.50%	1.44%	1.93%	0.69%	Each FY: 1.82% (Note 1)
Loan write-off ratio	-	-	0.02%	-	-	-	Cumulative total: 3.74% (Note 2)

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 FY2023 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 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 Ordinary operations account (ordinary operations 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 Ordinary operations account: Amount equivalent to the capital specified in the ordinary operations account

Article 7: In the event that the amount of the surplus recorded in each of the ordinary and special operations 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 ordinary and special operations 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 (Ordinary Operations 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 1950-2020: 84,530.9 billion yen (including 76,294.3 billion yen in loans and 502.4 billion yen in equity participation)
- Loan, equity participation and guarantee commitments in FY2020: 2,596.0 billion yen (including 2,259.3 billion yen in loans and 12.1 billion yen in equity participation)
- Loan, equity participation and guarantee disbursements in FY2020: 2,132.9 billion yen (including 1,835.7 billion yen in loans and 10.2 billion yen in equity participation)
- Loan, equity participation and guarantee outstanding balance at the end of FY2020: 15,633.5 billion yen (including 13,525.2 billion yen in loans and 273.2 billion yen in equity participation)
- Loan, equity participation and guarantee commitment planned for FY2022: 2,200.0 billion yen (including 2,050.0 billion yen in loans and 150.0 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: Assistance for imports of important resources for Japan, 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 FY2020 included 3.88 million tons of liquefied natural gas, 55.42 million barrels of crude oil, 1.00 million tons of coal, 29.2 million tons of iron ore (on a contained metal basis). (according to a JBIC survey in FY2021)

#### <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 FY2019 and FY2020, the production by export corporations and the order placed to domestic suppliers is 209.8 billion yen in total. Of this amount, the order to medium and small business is estimated 18.7 billion yen (Total approved amount is 189.7 billion yen). The estimated employees maintained/hired within the export corporations are about 4,052 per year. (according to a JBIC survey in FY2021)

(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. The trial calculation was performed for the primary investment demand effects of the investments (aggregate total of project funding at about 3,631.5 billion yen) in projects subject to export, investment, business development and other loans approved in FY2020 (worth about 1,134.9 billion yen). As a result, spillover effects on the Japanese economy are estimated at about 935.2 billion yen when value added is taken into account. In addition, the effect on foreign economies is about 1,773.8 billion yen when value added is taken into account. The spillover effects on the Japanese economy include the effects of not only the abovementioned projects but also projects subject to import loans. Spillover effects on developing and other foreign economies include the effects of projects subject to investment. (according to a JBIC survey in FY2021)

(Survey on gain of foreign assets by Japanese companies)

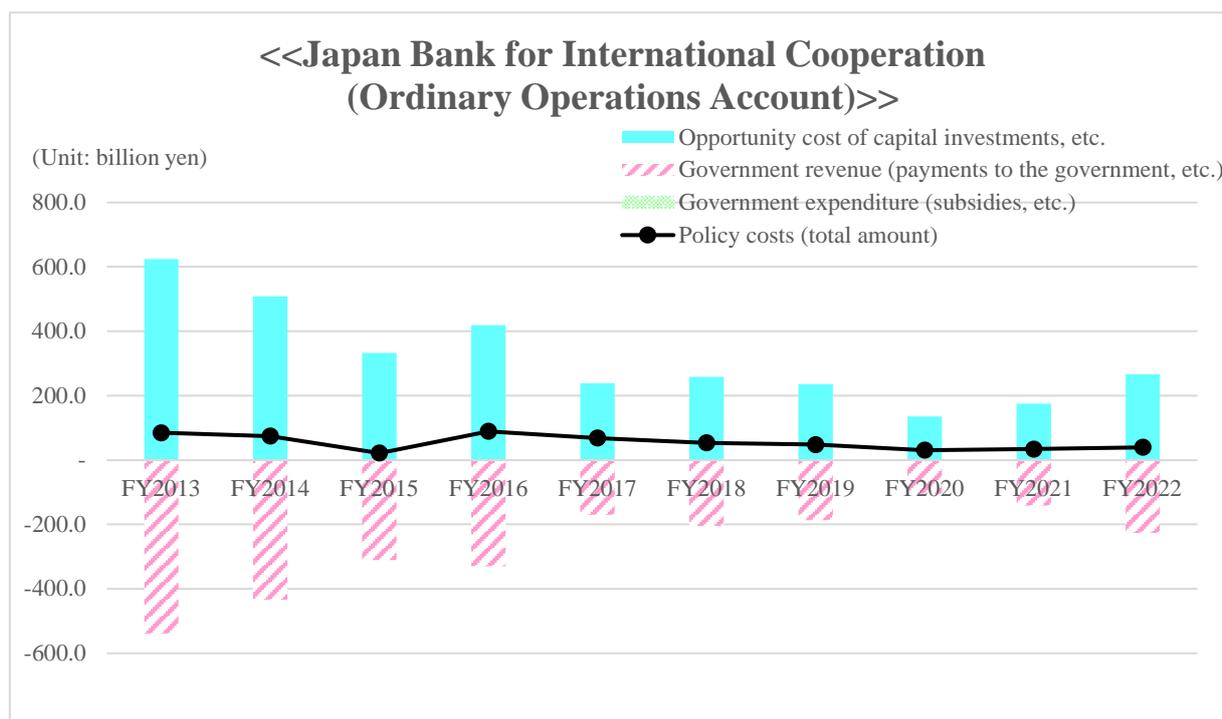
Foreign assets gained by Japanese companies through operations subject to investment loans and investment in FY2020 are estimated at about 1,712.8 billion yen (according to a JBIC survey in FY2021)

#### <Reference 3> Result on the preservation of the global environment

Loans totaling about 133.3 billion yen were approved in FY2020 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 FY2021).

# 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 from FY2013 to FY2015 indicate the policy cost of JBIC, and those from FY2019 to FY2022 indicate the policy cost of JBIC (Ordinary Operations Account).

(Unit: billion yen)

	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
Policy costs (total amount)	84.4	73.8	21.8	89.4	68.1	52.9	47.8	30.3	33.8	39.3
Government expenditure (subsidies, etc.)	-	-	-	-	-	-	-	-	-	-
Government revenue (payments to the government, etc.)	-539.6	-434.1	-310.9	-329.6	-170.5	-204.9	-187.7	-105.0	-141.3	-227.0
Opportunity cost of capital investments, etc.	624.0	507.9	332.7	418.9	238.6	257.8	235.5	135.3	175.1	266.2

### 【Explanation of policy cost trends】

- Policy cost analysis of Japan Bank for International Cooperation (Ordinary Operations 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 (FY2022)】

- The results of the analysis of the policy cost for the JBIC Ordinary Operations Account in FY2022 showed an increase in the policy cost due to such factors as a rise in the discount factor assumed for all FILP agencies throughout the policy cost analysis period compared with the previous year, but the cost was the fourth lowest level in the past 10 years.
- In the sensitivity analysis of the case before the negative interest rate policy, the policy cost increased by about 63.5 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.
- The results of the sensitivity analysis (case of a 1% increase in loan write-offs) showed an increase of around 5.0 billion yen in cost due to a increase in opportunity cost of capital investments, etc. and a decrease in payments to the government, etc.
- As the policy cost analysis for the JBIC Ordinary Operations Account 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 relevant projects approved for JBIC loans in FY2020 produced a large investment demand effect (estimated at about 935.2 billion yen in value added for primary investment induction), indicating that the policy cost for the JBIC Ordinary Operations Account represents an indispensable cost for the spillover effects on the Japanese economy.

## (Reference) Financial Statements

## Balance Sheet

(Unit: million yen)

Item	End of FY2020 (Result)	End of FY2021 (Estimated)	End of FY2022 (Planned)	Item	End of FY2020 (Result)	End of FY2021 (Estimated)	End of FY2022 (Planned)
<b>(Assets)</b>				<b>(Liabilities and net assets)</b>			
Cash and deposits	961,369	385,703	270,258	Borrowed money			
Cash	0	0	0	Borrowings	6,647,121	6,266,999	5,692,835
Deposits	961,369	385,703	270,258	Bonds payable	4,964,966	5,909,426	6,917,434
Account for sales under agreement to resell	-	662,354	476,083	Other liabilities	371,525	740,214	631,221
Securities	273,153	337,863	487,863	Accrued expenses	39,404	78,333	97,924
Stocks	255	255	255	Advance revenues	31,415	22,884	16,003
Other securities	272,898	337,608	487,608	Derivatives	130,750	469,882	348,178
Loans and bills discounted				Cash collateral received for financial instruments	127,610	127,610	127,610
Loan on deeds	13,525,185	13,953,009	14,579,297	Other liabilities	42,346	41,505	41,505
Other assets	277,353	326,624	386,558	Provision for bonuses	577	612	587
Prepaid expenses	659	659	659	Provision for directors' bonuses	10	10	10
Accrued revenue	48,507	152,847	215,209	Provision for retirement benefits	6,313	6,313	6,313
Derivatives	106,894	50,997	48,569	Provision for directors' retirement benefits	47	11	11
Cash collateral paid for financial instruments	104,420	104,420	104,420	Acceptances and guarantees	1,835,123	1,692,263	1,563,609
Other assets	16,874	17,701	17,701	(Total liabilities)	13,825,682	14,615,848	14,812,021
Tangible fixed assets	29,085	29,836	31,793	Capital	1,660,500	1,710,500	1,785,500
Buildings	3,687	4,174	5,198	Retained earnings	981,470	1,001,301	1,034,751
Land	24,312	24,312	24,312	Earned reserve	937,733	959,601	980,451
Construction in progress	32	640	1,176	Other retained earnings			
Other tangible fixed assets	1,054	710	1,107	Earned surplus carried forward	43,738	41,700	54,300
Intangible fixed assets				Total shareholders' equity	2,641,970	2,711,801	2,820,251
Software	4,207	9,901	10,087	Valuation difference on securities	2,021	-1,740	-1,740
Customer's liabilities for acceptance and guarantee	1,835,123	1,692,263	1,563,609	Deferral hedge profit/loss	96,385	-321,673	-235,533
Allowances for loan losses	-339,416	-393,316	-410,549	Total valuation differences and translation adjustments	98,406	-323,413	-237,274
				(Total net assets)	2,740,376	2,388,388	2,582,978
<b>Total assets</b>	<b>16,566,059</b>	<b>17,004,236</b>	<b>17,394,999</b>	<b>Total liabilities and net assets</b>	<b>16,566,059</b>	<b>17,004,236</b>	<b>17,394,999</b>

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

## Income Statement

(Unit: million yen)

Item	End of FY2020 (Result)	End of FY2021 (Estimated)	End of FY2022 (Planned)
Ordinary income	282,755	310,039	673,282
Revenue from fund management	232,622	286,528	661,611
Interest on loans and discounts	212,113	283,621	657,855
Interest and dividends on securities	1,649	253	-
Interest on deposits	2,257	2,631	3,756
Interest on interest swaps	16,519	-	-
Other interest received	85	23	-
Revenue from service transactions, etc.	26,392	20,165	11,538
Other service revenue	26,392	20,165	11,538
Other operating revenue	8,658	-	-
Foreign exchange trading profit	8,658	-	-
Other ordinary income	15,083	3,346	134
Recoveries of written-off claims	2	2,396	-
Gain on sale of stocks, etc.	4,177	-	-
Equity earnings regarding investment in association	10,709	-	-
Other ordinary income	196	951	134
Ordinary expenses	239,028	268,319	618,854
Financing cost	150,276	173,821	565,814
Interest on borrowed money	41,164	57,073	176,603
Interest on bonds	108,968	113,911	199,269
Interest on interest swaps	-	2,703	189,757
Other interest paid	145	134	185
Expenses for service transactions, etc.	2,308	3,363	3,223
Other service expenses	2,308	3,363	3,223
Other operating expenses	5,991	11,571	5,439
Foreign exchange trading losses	-	6,258	-
Amortization of bond issue expenses	1,112	4,434	4,481
Expenses on derivatives	4,105	-	-
Other operating expenses	775	880	958
Business expenses	19,605	25,663	27,145
Other ordinary expenses	60,846	53,900	17,233
Provision of allowance for loan losses	53,900	53,900	17,233
Loss on sale of stocks, etc.	0	-	-
Provision on stocks	6,946	-	-
Other ordinary expenses	0	-	-
Ordinary profit	43,728	41,721	54,428
Extraordinary profits	10	-	-
Gain on sales and retirement of noncurrent assets	10	-	-
Extraordinary loss	-	21	128
Loss on sales and retirement of noncurrent assets	-	21	128
<b>Net profit</b>	<b>43,738</b>	<b>41,700</b>	<b>54,300</b>

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