Plenary session 1: Global stock take with financial institutions

JHF and its Green Initiatives

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# About JHF

| Date of Establishment | April 1, 2007  
|-----------------------|-----------------  
| Replaced GHLC established in 1950  
※GHLC: Government Housing Loan Corporation |
| Total asset | 25,864 billion JPY as of end of FY2017  
(app. 235 billion USD) ※  
| Capital | 701.5 billion JPY as of end of FY2017  
(app. 6.4 billion USD) ※  
100% Owned by the Government of Japan |
| Net Income | 196.2 billion JPY for FY2017  
(app. 1.78 billion USD) ※  
| Supervising Authorities | Ministry of Land, Infrastructure, Transport and Tourism (MLIT), and  
Ministry of Finance (MOF) |
| Number of Employees | 871 as of April 1, 2019,  
※1 USD=110JPY |
GHLC and JHF

20th Century

Borrowers → GHLC

Apply inspection of construction → Issue certificate after on-site inspection

Local Govt. Units

Inspection business was opened to private inspection institutions in 1999.

21st Century

Borrowers → JHF

Apply inspection of construction → Issue certificate after on-site inspection

Inspection Institutions

JHF → Investors

Issue MBS

Transfer “Flat 35”

Banks and Mortgage Banks

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Mortgage interest rates in Japan

※The interest rate for Flat 3 is the lowest rates among lenders with maturity of 21～35 years and maximum LTV of 90%
※The interest rate for ARM and 10 year Hybrid ARM are for borrowers with preferential treatment.

※ARM: Adjustable Rate Mortgage

[June 2019]
Hierarchy of technical standards for houses

The Building Standards Act applicable to all houses

Technical standards for Flat 35

Technical standards for Flat 35S (with interest-rate reduction)

Energy Efficiency
Earthquake Resilience
Elderly Accessibility
Durability and Flexibility
Flat35S

Flat 35S is a system in which reduced interest rates are applied for a certain period for customers applying for Flat 35 to acquire high-quality housing in terms of energy efficiency, earthquake-resistance and others.

There are two interest-rate reduction plans for Flat 35S; Flat 35S (Interest rate plan A) and Flat 35S (Interest rate plan B).

Eligible for application from April 1, 2019 to March 31, 2020

<table>
<thead>
<tr>
<th>Interest-rate reduction plan</th>
<th>Duration of interest-rate reduction</th>
<th>Range of interest-rate reduction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Flat 35S (Interest rate plan A)</td>
<td>First 10 years</td>
<td>Reduction of 0.25%/year from Flat 35</td>
</tr>
<tr>
<td>Flat 35S (Interest rate plan B)</td>
<td>First 5 years</td>
<td></td>
</tr>
</tbody>
</table>

*1 There is a budgetary ceiling for Flat 35S. Applications will be accepted until the total amount reaches the ceiling. The end date will be notified on the Flat 35 website (www.flat35.com) by three weeks prior to ending.

*2 Flat 35S is available when constructing and purchasing new housings as well as purchasing existing housings (except “Flat 35” refinancing).

Interest rate (as of June 2019)

**Flat35**

<table>
<thead>
<tr>
<th></th>
<th>1.27%</th>
<th>0.25%</th>
<th>1.27%</th>
</tr>
</thead>
</table>

**Flat35S**

<table>
<thead>
<tr>
<th></th>
<th>1.02%</th>
<th>10 years (plan A)</th>
<th>35 years</th>
</tr>
</thead>
</table>
Three pillars to ensure quality of houses under Flat 35

1. Technical Standards

- Related to the country’s housing policies
  - Promoting
    - Energy efficient housing
    - Earthquake resilient housing
    - Barrier-free housing
    - Durable and flexible housing

2. Inspection of Construction

- Inspection system which can work throughout the country
  - Agreement
  - Inspection Institutions
  - JHF

- Contributing to construction quality  
  - 【As a manual】

- Prevent disputes between construction company and client  
  - 【As a contract】

- Minimize time and cost in the preparation of design documents, etc.  
  - 【As a documents of inspection】

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Outline of the 1st JHF Green Bond

- Issued JHF Green Bond (Straight Bond with 20 years maturity) in January 2019
- The first Green Bond issuance in Japan to finance residential mortgages
- Issued under the Green Bond Issuance Promotion Platform provided by Ministry of the Environment, GoJ

Nominal coupon : 0.548% (5.5bp+20 year JGB)
Amount issued : 10 billion JPY

<table>
<thead>
<tr>
<th>Maturity</th>
<th>20 years</th>
<th>Collateral</th>
<th>General lien</th>
</tr>
</thead>
<tbody>
<tr>
<td>Launching</td>
<td>January 11, 2019</td>
<td>BIS risk weight</td>
<td>10%</td>
</tr>
<tr>
<td>Issuance</td>
<td>January 21, 2019</td>
<td>Credit rating</td>
<td>A+ (S&amp;P), AA+ (R&amp;I)</td>
</tr>
</tbody>
</table>

In March 2019, JHF was awarded the Japan Green Bond Award under the Japan Green Innovation Category from Ministry of the Environment.
Outstanding balance of the bond and underlying mortgages

(100 million yen)

- **JHF Green Bond**
- **Mortgages w/o Prepayment**
- **Mortgages with 10% PSJ**

※PSJ : Prepayment Standard Japan
### Bilateral collaboration with Asian and other counterparts

JHF has concluded Memorandum of Understanding or similar documents with government financial institutions in Asia and US, hereby promoting exchange of information in the field of housing finance. In 2018, a new law was enacted to authorize JHF to extend consulting services as well.

<table>
<thead>
<tr>
<th>Date</th>
<th>Counterpart</th>
<th>Main business</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sep 5, 2016</td>
<td>Myanmar: DUHD, MOC/CHDB (DUHD, MOC: Department of Urban and Housing Development, Ministry of Construction) (CHDB: Construction and Housing Development Bank)</td>
<td>Primary market lending</td>
</tr>
<tr>
<td>Jul 10, 2017</td>
<td>Indonesia: SMF (SMF: Sarana Multigriya Finansial)</td>
<td>Secondary market operation</td>
</tr>
<tr>
<td>March 1, 2019</td>
<td>Philippines: NHMFC (NHMFC: National Home Mortgage Finance Corporation)</td>
<td>Secondary market operation</td>
</tr>
</tbody>
</table>

【Ginnie Mae, US】 【SMC, Thailand】 【CHIDB, Myanmar】 【SMF, Indonesia】 【NHMFC, Philippines】
Collaboration with multilateral entities

➢ The European Covered Bond Council (ECBC)

Japan Housing Finance Agency has been working with the ECBC under The Energy Efficient Mortgages (EEM) Initiative.

In May 2019, Japan Housing Finance Agency has joined the Advisory Council of the Energy Efficient Mortgages Pilot Scheme.

➢ The World Bank and The Global Environment Facility (GEF)

In May 2018, Japan Housing Finance Agency was invited to speak at the Green Housing Finance Roundtable hosted by the World Bank.

In February 2019, Japan Housing Finance Agency delivered a presentation on its green undertakings at BBL meeting hosted by the GEF.
Thank you for your attention

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“Diamond Fuji”
Photo by Masahiro Kobayashi