

Japan Bank for International Cooperation

Summary of Japanese GAAP-Based Financial Statements for First Half of FY2003

Japan Bank for International Cooperation (JBIC; Governor: Kyosuke Shinozawa) prepared its financial statements for the first half of FY2003 in accordance with generally accepted accounting principles and practices for Japanese private corporations (Japanese GAAP) and released it on January 7, 2004. In order to ensure objectivity, JBIC obtained an auditor's certification from ChuoAoyama Audit Corporation pursuant to Article 193.2 of the Securities Transaction Law.

Financial highlights of the Japanese GAAP-based financial statements for the first half of the FY2003 are as follows.

(Unit: Million yen)

	First Half of FY2003			First Half of FY2002		
	The Bank Account	International Financial Account	Overseas Economic Cooperation Account	The Bank Account	International Financial Account	Overseas Economic Cooperation Account
Ordinary Revenue	267,363	141,038	126,324	280,100	162,347	117,752
Ordinary Expenses	179,619	110,834	68,785	205,413	127,919	77,493
Net Ordinary Income	87,743	30,203	57,539	74,687	34,428	40,259
Net Extraordinary Income/ Loss (Δ)	37,554	502	37,051	△758,697	△27,928	△730,769
(ODA-loan related Losses)	(-)	(-)	(-)	(△855,616)	(△39,188)	(△816,428)
Net Income/Loss(Δ)	125,297	30,705	94,591	△684,009	6,500	△690,509

(Note) As to ODA-loan related losses, please refer to next section I.

(Unit: Million yen, %)

	As of September 30, 2003			As of March 31, 2003		
	The Bank Account	International Financial Account	Overseas Economic Cooperation Account	The Bank Account	International Financial Account	Overseas Economic Cooperation Account
Total Assets	21,129,483	10,586,003	10,543,479	21,294,849	10,717,200	10,577,649
Cash and Due from Banks	591,804	570,285	21,519	288,284	228,527	59,756
Securities	122,852	-	122,852	122,912	-	122,912
Loans	19,385,247	8,962,398	10,422,849	20,164,343	9,738,760	10,425,582
Miscellaneous Assets	562,852	477,037	85,814	367,673	224,946	142,726
Customer's Liabilities for Acceptances and Guarantees	680,401	680,401	-	629,082	629,082	-
Allowance for Possible Loan Losses	△243,600	△126,648	△116,951	△308,163	△127,151	△181,011
Total Liabilities	13,457,401	8,981,049	4,476,352	13,776,818	9,112,705	4,664,112
Bonds and Notes	1,655,889	1,630,889	25,000	1,589,084	1,564,084	25,000
Borrowings	10,809,174	6,384,788	4,424,386	11,218,681	6,606,964	4,611,717
Miscellaneous Liabilities	292,930	273,186	19,743	321,126	300,891	20,234
Acceptances and Guarantees	680,401	680,401	-	629,082	629,082	-
Total Capital and Retained Earnings	7,672,081	1,604,954	6,067,127	7,518,031	1,604,494	5,913,536
Capital	7,548,844	985,500	6,563,344	7,489,844	985,500	6,504,344
Retained Earnings and Reserve	123,237	619,454	△496,216	28,186	618,994	△590,807
Capital and Retained Earnings / Total Assets (%)	36.3%	15.2%	57.5%	35.3%	15.0%	55.9%

I. States of Income and Loss

Since JBIC's asset-liability structure is such that the maturity of both assets and liabilities is long and the overall loan assets have longer maturity than liabilities, the recent trend of interest rates has led to an increase in net ordinary income. There was no significant change in this trend over the first half of FY2003. As a result, net ordinary income amounts to 30.2 billion yen for the International Financial Account, 57.5 billion yen for the Overseas Economic Cooperation Account and 87.7 billion yen for the Bank Account.

One noteworthy point about the first half of FY2002 was that grant aid for debt relief provided by the Japanese government was replaced by a waiver of loans provided by JBIC in accordance with the "Changes of the Debt Relief Method" announced by the Japanese government on December 10, 2002. JBIC thus has either written off or entirely set aside allowance for corresponding ODA loans, which is reflected in the extraordinary loss ("ODA loan-related loss") of 855.6 billion yen. As a result, net loss for the first half of FY2002 totaled 684 billion yen.

Meanwhile, to maintain the financial soundness of JBIC, the Japanese government provided JBIC a grant totaling 15 billion yen out of its general account for the reported half year. (For the entire FY2003, JBIC expects to receive a total of 30 billion yen as a grant for this purpose.) This amount was reported as part of extraordinary income ("Revenue from government grant").

<The Bank Account>

(Unit: 100 Million yen)

	First Half of FY2003	First Half of FY2002
Gross operating profit	1,006	874
Net interest income	1,043	878
Net fees and commissions	20	21
Net other operating income	△57	△25
General and Administrative Expenses (△)	△129	△125
Personnel expenses (△)	△58	△60
Premises and equipment expenses (△)	△66	△61
Taxes (△)	△4	△3
Net operating income (prior to provision for general allowance for possible loan losses)	876	749
Provision for general allowance for possible loan losses	-	-
Other ordinary gain/loss (△)	1	△2
Write-off of securities	△1	△3
Write-off of Loans	△1	-
Others	4	1
Net ordinary income	877	746
Net extraordinary income/loss (△)	375	△7,586
ODA-loan related losses	-	△8,556
Net income/loss (△ indicates net loss for the term)	1,252	△6,840

(Note) General allowance for possible loan losses is the allowance for claims on debtors other than Bankrupt Borrowers, Substantially Bankrupt Borrowers and Potentially bankrupt Borrowers.

<International Financial Account>

(Unit: 100 Million yen)

	First Half of FY2003	First Half of FY2002
Gross operating profit	380	425
Net interest income	415	426
Net fees and commissions	22	22
Net other operating income	△56	△23
General and Administrative Expenses (Δ)	△81	△78
Personnel expenses (Δ)	△36	△37
Premises and equipment expenses (Δ)	△42	△38
Taxes (Δ)	△2	△2
Net operating income (prior to provision for general allowance for possible loan losses)	299	347
Provision for general allowance for possible loan losses	-	-
Other ordinary gain/loss (Δ)	2	△2
Write-off of securities	-	△3
Write-off of Loans	△1	-
Others	3	0
Net ordinary income	302	344
Net extraordinary income/loss (Δ)	5	△279
ODA-loan related losses	-	△391
Net income /loss(Δ indicates net loss for the term)	307	65

<Overseas Economic Cooperation Account>

(Unit: 100 Million yen)

	First Half of FY2003	First Half of FY2002
Gross operating profit	625	449
Net interest income	628	451
Net fees and commissions	△1	△0
Net other operating income	△0	△1
General and Administrative Expenses (Δ)	△48	△46
Personnel expenses (Δ)	△22	△23
Premises and equipment expenses (Δ)	△24	△22
Taxes (Δ)	△1	△1
Net operating income (prior to provision for general allowance for possible loan losses)	576	402
Provision for general allowance for possible loan losses	-	-
Other ordinary gain/loss (Δ)	△1	0
Write-off of securities	△1	-
Write-off of Loans	-	-
Others	0	0
Net ordinary income/loss (Δ)	575	402
Net extraordinary income/loss (Δ)	370	△7,307
ODA-loan related losses	-	△8,164
Net income /loss (Δ indicates net loss for the term)	945	△6,905

II. States of Assets, Liabilities, and Capital

As of September 30, 2003, the International Financial Account had total assets of 10,586.0 billion yen (decreased 131.2 billion yen from the previous fiscal year), total liabilities of 8,981.0 billion yen (decreased 131.7 billion yen from the previous fiscal year), and total capital and retained earnings of 1,604.9 billion yen (increased 0.5 billion yen from the previous fiscal year). The Overseas Economic Cooperation Account had total assets of 10,543.4 billion yen (decreased 34.2 billion yen from the previous fiscal year), total liabilities of 476.3 billion yen (decreased 187.8 billion yen from the previous fiscal year), and total capital and retained earnings of 6,067.1 billion yen (decreased 153.6 billion yen from the previous fiscal year). Overall, the Bank had total assets of 21,129.4 billion yen (decreased 165.4 billion yen from the previous fiscal year), total liabilities of 13,457.4 billion yen (decreased 319.4 billion yen from the previous fiscal year), and total capital and retained earnings of 7,672.0 billion yen (decreased 154.0 billion yen from the previous fiscal year).

III. State of Loans

The results of self-assessment, including the classification of risk-monitored loans shown below and loan assets required to be disclosed in accordance with disclosure requirements set forth in the Financial Revitalization Law (FRL), were audited by ChuoAoyama Audit Corporation based on Practical Guidelines for Examining Internal Control Regarding Self-Assessment of Assets in Banks and Other Financial Institutions and Auditing Writeoffs for Defaulted Loans and Provisioning for Possible Loan Losses,” (Japanese Institute of Certified Public Accountants, Special Committee Report No. 4, April 15, 1997).

What is unique about JBIC’s business operations is that it provides public loans to developing country governments. When an indebted country is temporarily unable to service debt due to economic difficulties, debt rescheduling will take place sometimes, based on an international agreement among the creditor countries in the Paris Club, in order to ensure sustainable debt service. While receiving such temporary support for overcoming the liquidity problem, a debtor country implements economic restructuring programs agreed upon with the IMF to acquire sustainable debt service capacity.

In the past, JBIC did not, in principle, enter loan assets rescheduled in the Paris Club either under Risk-Monitored Loans or Credits Required to be Disclosed under the Financial Revitalization Law. Instead, their amounts were cited in a note to the financial statements. This was based on the consideration that, unlike loans provided by private financial institutions, their nature as public credit provides an asset securing mechanism under such international framework which accords a high probability of repayment.

Although this international framework will remain unchanged in the foreseeable future, JBIC has shifted its focus to easy-to-understand operational comparison between JBIC and private financial institutions. Therefore, starting from the reported half, JBIC classified loans rescheduled in the Paris Club, of which the debtors are categorized as “Needs attention” in its self assessment on asset quality, either as restructured loans (under the Banking Law of Japan) or substandard loans (under the Financial Revitalization Law) and, in principle, made them public.

<Risk-Monitored Loans>

Based on self-assessment on asset quality, loans in the following table were classified by their collectibility, considering the disclosure standard of risk-monitored loans adopted by commercial financial institutions under the Banking Law of Japan.

(Unit: 100 Million yen, %)

<The Bank Account>	As of the end of September 2003	Change from the end of March 2003	As of the end of March 2003	Ratio to total loans	
				End of September 2003	End of March 2003
Total Amounts of Risk-Monitored Loans	15,066	7,521	7,545	7.77%	3.74%
Past Due Loans (Three months or more)	298	△1,140	1,438	0.15%	0.71%
Restructured Loans	11,849	8,125	3,724	6.11%	1.85%
Non-Accrual Loans	2,917	541	2,376	1.51%	1.18%
Bankrupt Loans	1	△5	6	0.00%	0.00%
Total Amounts of Outstanding Loans	193,852	△7,791	201,643	100.00%	100.00%

(Unit: 100 Million yen, %)

<International Financial Account>	As of the end of September 2003	Change from the end of March 2003	As of the end of March 2003	Ratio to total loans	
				End of September 2003	End of March 2003
Total Amounts of Risk-Monitored Loans	6,697	570	6,127	7.47%	6.29%
Past Due Loans (Three months or more)	104	△822	926	0.12%	0.95%
Restructured Loans	4,189	465	3,724	4.67%	3.82%
Non-Accrual Loans	2,401	931	1,470	2.68%	1.51%
Bankrupt Loans	1	△5	6	0.00%	0.01%
Total Amounts of Outstanding Loans	89,623	△7,764	97,387	100.00%	100.00%

(Unit: 100 Million yen, %)

<Overseas Economic Cooperation Account>	As of the end of September 2003	Change from the end of March 2003	As of the end of March 2003	Ratio to total loans	
				End of September 2003	End of March 2003
Total Amounts of Risk-Monitored Loans	8,368	6,951	1,417	8.03%	1.36%
Past Due Loans (Three months or more)	193	△318	511	0.19%	0.49%
Restructured Loans	7,659	7,659	-	7.35%	-
Non-Accrual Loans	515	△390	905	0.49%	0.87%
Bankrupt Loans	-	-	-	-	-
Total Amounts of Outstanding Loans	104,228	△27	104,255	100.00%	100.00%

< Credits Required to be Disclosed under the FRL >

Based on self-assessment on asset quality, credits in the following table were classified by their collectibility in accordance with disclosure requirements set forth in the Financial Revitalization Law (FRL).

(Unit: 100 Million yen, %)

<The Bank Account>	As of the end of September 2003	Change from the end of March 2003	As of the end of March 2003	Ratio to total loans	
				End of September 2003	End of March 2003
Credits required to be disclosed under the Financial Revitalization Law	15,196	7,518	7,678	7.50%	3.64%
Bankrupt and Quasi-bankrupt Assets	849	427	422	0.42%	0.20%
Doubtful Assets	2,199	106	2,093	1.09%	0.99%
Substandard Loans	12,147	6,985	5,162	5.99%	2.45%
Normal Assets	187,452	△15,605	203,057	92.50%	96.36%
Total	202,648	△8,088	210,736	100.00%	100.00%

(Unit: 100 Million yen, %)

<International Financial Account>	As of the end of September 2003	Change from the end of March 2003	As of the end of March 2003	Ratio to total loans	
				End of September 2003	End of March 2003
Credits required to be disclosed under the Financial Revitalization Law	6,827	567	6,260	7.00%	5.96%
Bankrupt and Quasi-bankrupt Assets	849	427	422	0.87%	0.40%
Doubtful Assets	1,684	497	1,187	1.73%	1.13%
Substandard Loans	4,294	△356	4,650	4.40%	4.43%
Normal Assets	90,752	△8,058	98,810	93.00%	94.04%
Total	97,579	△7,492	105,071	100.00%	100.00%

(Unit: 100 Million yen, %)

<Overseas Economic Cooperation Account>	As of the end of September 2003	Change from the end of March 2003	As of the end of March 2003	Ratio to total loans	
				End of September 2003	End of March 2003
Credits required to be disclosed under the Financial Revitalization Law	8,368	6,951	1,417	7.96%	1.34%
Bankrupt and Quasi-bankrupt Assets	-	-	-	-	-
Doubtful Assets	515	△390	905	0.49%	0.86%
Substandard Loans	7,852	7,341	511	7.47%	0.48%
Normal Assets	96,699	△7,548	104,247	92.04%	98.66%
Total	105,068	△596	105,664	100.00%	100.00%

End