

Japan Bank for International Cooperation

Summary of Japanese GAAP-Based Financial Statements for First Half of FY2006

Japan Bank for International Cooperation (JBIC; Governor: Kyosuke Shinozawa) made public its financial statements for the first half of the fiscal year ending March 2007 (FY2006) in accordance with generally accepted accounting principles and practices for Japanese private corporations (Japanese GAAP) on December 27, 2006. In order to ensure its objectivity, JBIC obtained an auditor's report from ERNST & YOUNG SHINNIHON pursuant to Article 193.2 of the Securities Transaction Law.

Financial highlights of the Japanese GAAP-based financial statements for the first half of FY2006 are as follows.

I. Income (Loss)

JBIC's asset-liability structure is characterized by long maturities of both assets and liabilities, with the overall loan assets having a longer maturity than the liabilities. Thus low and stable interest rates in recent years have enabled JBIC to post consistently robust levels of net interest income. As there was no significant change in this trend during the first half of FY2006, net operating income of the International Financial Account amounted to 27.8 billion yen, the Overseas Economic Cooperation Account 78.3 billion yen and The Bank Account 106.2 billion yen. Net ordinary income, subsequent to provision for allowance for possible loan losses and other ordinary gain and loss, of the International Financial Account amounted to 27.9 billion yen, the Overseas Economic Cooperation Account 78.4 billion yen and The Bank Account 106.3 billion yen. Due to extraordinary income composed mainly of reversal for possible loan losses for sovereign debtors and a grant provided by the Japanese government, net income of the International Financial Account amounted to 31.1 billion yen, the Overseas Economic Cooperation Account 100.7 billion yen and The Bank Account 131.8 billion yen.

This grant has been provided since FY2003 in accordance with the policy of the Japanese government to ensure fiscal soundness of JBIC under the "Changes of the Debt Relief Method" announced in FY2002. (15.0 billion yen for the first half of FY2006)

<The Bank Account>

(Unit: hundred millions of yen)

	First Half of FY2006	First Half of FY2005
Gross Operating Profit	1,177	1,419
Net Interest Income	1,151	1,372
Net Fees and Commissions	28	32
Net Other Operating Income	2	15
General and Administrative Expenses	116	111
Net Operating Income (Prior to Provision for General Allowance for Possible Loan Losses)	1,062	1,308
Provision for General Allowance for Possible Loan Losses	-	-
Other Ordinary Gain/Loss ()	1	0
Net gain/loss on stocks	-	2
Write-off of Loans	-	-
Provision for Specific Allowance for Possible Loan Losses	-	-
Provision for Allowance for Possible Losses on Specific Overseas Loans	-	-
Others	1	1
Net Ordinary Income	1,063	1,307
Net Extraordinary Income	255	365
Grant from general account	150	150
Recovery of Written-off Claims	19	27
Reversal of Allowance for Possible Loan Losses	87	188
Net Income	1,318	1,673

<International Financial Account>

(Unit: hundred millions of yen)

	First Half of FY2006	First Half of FY2005
Gross Operating Profit	351	635
Net Interest Income	317	586
Net Fees and Commissions	35	35
Net Other Operating Income	2	14
General and Administrative Expenses	72	69
Net Operating Income (Prior to Provision for General Allowance for Possible Loan Losses)	278	565
Provision for General Allowance for Possible Loan Losses	-	20
Other Ordinary Gain/Loss ()	1	93
Net gain/loss on stocks	-	-
Write-off of Loans	-	-
Provision for Specific Allowance for Possible Loan Losses	-	89
Provision for Allowance for Possible Losses on Specific Overseas Loans	-	4
Others	1	1
Net Ordinary Income	279	492
Net Extraordinary Income	32	23
Recovery of Written-off Claims	10	23
Reversal of allowance for possible loan losses	21	-
Net Income	311	515

<Overseas Economic Cooperation Account>

(Unit: hundred millions of yen)

	First Half of FY2006	First Half of FY2005
Gross Operating Profit	827	784
Net Interest Income	833	786
Net Fees and Commissions	7	3
Net Other Operating Income	0	1
General and Administrative Expenses	43	42
Net Operating Income (Prior to Provision for General Allowance for Possible Loan Losses)	783	742
Provision for General Allowance for Possible Loan Losses	-	-
Other Ordinary Gain/Loss ()	0	1
Net gain/loss on stocks	-	2
Write-off of Loans	-	-
Gain on sale of Securities	-	-
Write-off of Securities	-	-
Others	0	1
Net Ordinary Income	784	741
Net Extraordinary Income	224	416
Grant from General Account	150	150
Recovery of Written-off Claims	8	4
Reversal of Allowance for Possible Loan Losses	66	262
Net Income	1,007	1,158

(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.

II. Assets, Liabilities and Capital

As of September 30, 2006, the International Financial Account had total assets of 9,738.3 billion yen (decreased 125.3 billion yen from the previous fiscal year), total liabilities of 879.3 billion yen (decreased 138.1 billion yen from the previous fiscal year), and total net assets of 1,659.0 billion yen. The Overseas Economic Cooperation Account had total assets of 10,941.3 billion yen (decreased 92.9 billion yen from the previous fiscal year), total liabilities of 3,841.0 billion yen (decreased 213.0 billion yen from the previous fiscal year), and total net assets of 7,100.3 billion yen. Overall, the Bank had total assets of 20,679.6 billion yen (decreased 218.2 billion yen from the previous fiscal year), total liabilities of 11,920.3 billion yen (decreased 351.1 billion yen from the previous fiscal year), and total net assets of 8,759.4 billion yen.

(Unit: hundred millions of yen)

	As of September 30, 2006			As of March 31, 2006		
	The Bank Account	International Financial Account	Overseas Economic Cooperation Account	The Bank Account	International Financial Account	Overseas Economic Cooperation Account
Total Assets	206,796	97,383	109,413	208,978	98,636	110,342
Cash and Due from Banks	6,929	6,601	329	6,555	6,368	187
Securities	1,147	6	1,140	1,195	4	1,191
Loans	186,908	78,560	108,348	190,236	80,800	109,436
Miscellaneous Assets	2,753	2,053	700	2,760	2,052	709
Customer's Liabilities for Acceptances and Guarantees	11,398	11,398	-	10,661	10,661	-
Allowance for Possible Loan Losses	2,644	1,458	1,186	2,731	1,480	1,252
Total Liabilities	119,203	80,793	38,410	122,714	82,174	40,540
Bonds and Notes	21,304	21,204	100	20,540	20,440	100
Borrowings	84,283	46,200	38,083	89,268	49,066	40,202
Miscellaneous Liabilities	2,044	1,883	161	2,071	1,900	171
Acceptances and Guarantees	11,398	11,398	-	10,661	10,661	-
Total Capital and Retained Earnings	-	-	-	86,264	16,462	69,802
Capital	-	-	-	80,511	9,855	70,656
Retained Earnings and Reserve	-	-	-	5,752	6,607	855
Total Net Assets	87,594	16,590	71,003	-	-	-
Capital	80,705	9,855	70,850	-	-	-
Retained Earnings and Reserve	6,710	6,557	153	-	-	-
Valuation and Translation Adjustments	178	178	-	-	-	-

III. 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 ERNST & YOUNG SHINNIHON based on the 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 30, 1999).

What is unique about JBIC’s operations is that its loans for developing country governments are taken to be official credit. Thus, when an indebted country is temporarily unable to service debt due to economic difficulties, debt rescheduling will sometimes take place, based on an international agreement among the creditor countries in the Paris Club, in order to ensure sustainable debt service. A debtor country receiving such temporary support for overcoming the liquidity problem will implement economic restructuring programs agreed upon with the IMF to acquire sustainable debt service capacity.

As for the probability of repayment for the loans rescheduled in the Paris Club, this needs to reflect their nature as official credit, whereby the above international framework provides an asset-securing mechanism which is not found with private financial institutions. Nevertheless, to facilitate comparison between JBIC and private financial institutions, JBIC, in principle, treats the loans rescheduled in the Paris Club and whose debtor countries are categorized as “needs attention” in its self assessment of asset quality as loans assets required to be disclosed, classifying them either as restructured loans (under the Banking Law of Japan) or substandard loans (under the Financial Revitalization Law).

<Risk-Monitored Loans>

In the following table, loans were classified based on self-assessment on asset quality and in accordance with the disclosure standard of risk-monitored loans adopted by private financial institutions under the relevant regulations of the Banking Law of Japan.

(Unit: hundred millions of yen, %)

<The Bank Account>	As of the end of September 2006	Change from the end of March 2006	As of the end of March 2006	Ratio to Total Loans	
				End of September 2006	End of March 2006
Total Amounts of Risk-Monitored Loans	5,695	596	6,291	3.05	3.31
Bankrupt Loans	473	-	473	0.25	0.25
Non-Accrual Loans	2,020	513	2,534	1.08	1.33
Past Due Loans (Three months or more)	-	27	27	-	0.01
Restructured Loans	3,200	56	3,256	1.71	1.71
Total Amounts of Outstanding Loans	186,908	3,328	190,236	100.00	100.00

(Unit: hundred millions of yen, %)

<International Financial Account>	As of the end of September 2006	Change from the end of March 2006	As of the end of March 2006	Ratio to Total Loans	
				End of September 2006	End of March 2006
Total Amounts of Risk-Monitored Loans	3,093	381	3,475	3.94	4.30
Bankrupt Loans	473	-	473	0.60	0.59
Non-Accrual Loans	1,256	308	1,564	1.60	1.94
Past Due Loans (Three months or more)	-	27	27	-	0.03
Restructured Loans	1,364	45	1,410	1.74	1.75
Total Amounts of Outstanding Loans	78,559	2,240	80,800	100.00	100.00

(Unit: hundred millions of yen, %)

<Overseas Economic Cooperation Account >	As of the end of September 2006	Change from the end of March 2006	As of the end of March 2006	Ratio to Total Loans	
				End of September 2006	End of March 2006
Total Amounts of Risk-Monitored Loans	2,601	215	2,816	2.40	2.57
Bankrupt Loans	-	-	-	-	-
Non-Accrual Loans	764	205	969	0.71	0.89
Past Due Loans (Three months or more)	-	-	-	-	-
Restructured Loans	1,836	10	1,846	1.70	1.69
Total Amounts of Outstanding Loans	108,348	1,087	109,436	100.00	100.00

< Loan Assets Required to be Disclosed under the FRL >

In the following table, loan assets were classified based on self-assessment on asset quality and in accordance with disclosure requirements set forth in the Financial Revitalization Law (FRL).

(Unit: hundred millions of yen, %)

<The Bank Account>	As of the end of September 2006	Change from the end of March 2006	As of the end of March 2006	Ratio to Total Loans	
				End of September 2006	End of March 2006
Credits required to be disclosed under the FRL	5,695	596	6,291	2.85	3.11
Bankrupt and Quasi-bankrupt Assets	477	1	476	0.24	0.24
Doubtful Assets	2,016	514	2,531	1.01	1.25
Substandard Loans	3,200	83	3,284	1.60	1.62
Normal Assets	194,087	2,011	196,098	97.15	96.89
Total	199,782	2,608	202,390	100.00	100.00

(Unit: hundred millions of yen, %)

<International Financial Account>	As of the end of September 2006	Change from the end of March 2006	As of the end of March 2006	Ratio to Total Loans	
				End of September 2006	End of March 2006
Credits required to be disclosed under the FRL	3,093	381	3,475	3.41	3.77
Bankrupt and Quasi-bankrupt Assets	477	1	476	0.53	0.52
Doubtful Assets	1,251	309	1,561	1.38	1.69
Substandard Loans	1,364	73	1,437	1.50	1.56
Normal Assets	87,655	1,144	88,800	96.59	96.23
Total	90,749	1,525	92,275	100.00	100.00

(Unit: hundred millions of yen, %)

<Overseas Economic Cooperation Account>	As of the end of September 2006	Change from the end of March 2006	As of the end of March 2006	Ratio to Total Loans	
				End of September 2006	End of March 2006
Credits required to be disclosed under the FRL	2,601	215	2,816	2.39	2.56
Bankrupt and Quasi-bankrupt Assets	-	-	-	-	-
Doubtful Assets	764	205	969	0.70	0.88
Substandard Loans	1,836	10	1,846	1.68	1.68
Normal Assets	106,431	866	107,298	97.61	97.44
Total	109,032	1,082	110,115	100.00	100.00

End