

Japan Bank for International Cooperation

Summary of Japanese GAAP-Based Financial Statements for First Half of FY2007

Japan Bank for International Cooperation (JBIC; Governor: Koji Tanami) made public its financial statements for the first half of the fiscal year ending March 2008 (FY2007) in accordance with generally accepted accounting principles and practices for Japanese private corporations (Japanese GAAP) on December 27, 2007. In order to ensure its objectivity, JBIC obtained an auditor's report from ERNST & YOUNG SHINNIHON pursuant to paragraph 1 of Article 193.2 of the Financial Products Exchange Law.

Financial highlights of the Japanese GAAP-based financial statements for the first half of FY2007 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 FY2007, net operating income of the International Financial Account amounted to 29.8 billion yen, the Overseas Economic Cooperation Account 84.4 billion yen and The Bank Account 114.2 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 29.9 billion yen, the Overseas Economic Cooperation Account 98.5 billion yen and The Bank Account 128.3 billion yen. Due to extraordinary income composed mainly of reversal for possible loan losses and a grant provided by the Japanese government, net income of the International Financial Account amounted to 42.0 billion yen, the Overseas Economic Cooperation Account 116.9 billion yen and The Bank Account 158.9 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. (10.0 billion yen for the first half of FY2007)

<The Bank Account>

(Unit: hundred millions of yen)

	First Half of FY2007	First Half of FY2006
Gross Operating Profit	1,265	1,177
Net Interest Income	1,238	1,151
Net Fees and Commissions	40	28
Net Other Operating Income	14	2
General and Administrative Expenses	122	116
Net Operating Income (Prior to Provision for General Allowance for Possible Loan Losses)	1,142	1,062
Provision for General Allowance for Possible Loan Losses	-	-
Other Ordinary Gain/Loss ()	141	1
Net gain/loss on stocks	140	-
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	1,283	1,063
Net Extraordinary Income	305	255
Grant from General Account	100	150
Recovery of Written-off Claims	10	19
Reversal of Allowance for Possible Loan Losses	196	87
Net Income	1,589	1,318

<International Financial Account>

(Unit: hundred millions of yen)

	First Half of FY2007	First Half of FY2006
Gross Operating Profit	374	351
Net Interest Income	343	317
Net Fees and Commissions	45	35
Net Other Operating Income	14	2
General and Administrative Expenses	76	72
Net Operating Income (Prior to Provision for General Allowance for Possible Loan Losses)	298	278
Provision for General Allowance for Possible Loan Losses	-	-
Other Ordinary Gain/Loss ()	1	1
Net gain/loss on stocks	-	-
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	299	279
Net Extraordinary Income	122	32
Recovery of Written-off Claims	10	10
Reversal of allowance for possible loan losses	112	21
Net Income	420	311

<Overseas Economic Cooperation Account>

(Unit: hundred millions of yen)

	First Half of FY2007	First Half of FY2006
Gross Operating Profit	890	827
Net Interest Income	895	833
Net Fees and Commissions	5	7
Net Other Operating Income	0	0
General and Administrative Expenses	46	43
Net Operating Income (Prior to Provision for General Allowance for Possible Loan Losses)	844	783
Provision for General Allowance for Possible Loan Losses	-	-
Other Ordinary Gain/Loss ()	141	0
Net gain/loss on stocks	140	-
Write-off of Loans	-	-
Provision for Specific Allowance for Possible Loan Losses	-	-
Provision for Allowance for Possible Losses on Specific Overseas Loans	-	-
Others	0	0
Net Ordinary Income	985	784
Net Extraordinary Income	184	224
Grant from General Account	100	150
Recovery of Written-off Claims	0	8
Reversal of Allowance for Possible Loan Losses	84	66
Net Income	1,169	1,007

(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 Net Assets

As of September 30, 2007, the International Financial Account had total assets of 9,807.8 billion yen (increased 70.9 billion yen from the previous fiscal year), total liabilities of 8,130.3 billion yen (increased 71.9 billion yen from the previous fiscal year), and total net assets of 1,677.5 billion yen. The Overseas Economic Cooperation Account had total assets of 11,043.8 billion yen (decreased 42.0 billion yen from the previous fiscal year), total liabilities of 3,576.5 billion yen (decreased 158.9 billion yen from the previous fiscal year), and total net assets of 7,467.2 billion yen. Overall, the Bank had total assets of 20,851.6 billion yen (increased 28.9 billion yen from the previous fiscal year), total liabilities of 11,706.8 billion yen (decreased 87.0 billion yen from the previous fiscal year), and total net assets of 9,144.8 billion yen.

(Unit: hundred millions of yen)

	As of September 30, 2007			As of March 31, 2007		
	The Bank Account	International Financial Account	Overseas Economic Cooperation Account	The Bank Account	International Financial Account	Overseas Economic Cooperation Account
Total Assets	208,516	98,078	110,438	208,227	97,369	110,858
Cash and Due from Banks	3,931	2,970	961	3,290	2,607	683
Securities	1,050	8	1,042	1,101	8	1,093
Loans	186,269	77,575	108,694	188,288	78,885	109,403
Miscellaneous Assets	3,069	2,462	607	2,612	1,982	629
Customer's Liabilities for Acceptances and Guarantees	16,037	16,037	-	14,970	14,970	-
Allowance for Possible Loan Losses	2,133	1,189	945	2,330	1,301	1,029
Total Liabilities	117,068	81,303	35,765	117,938	80,584	37,354
Bonds and Notes	20,416	20,416	-	19,761	19,761	-
Borrowings	78,733	43,214	35,519	80,948	43,800	37,148
Miscellaneous Liabilities	1,710	1,529	181	2,087	1,946	141
Acceptances and Guarantees	16,037	16,037	-	14,970	14,970	-
Total Net Assets	91,448	16,775	74,672	90,289	16,785	73,504
Capital	82,170	9,855	72,315	82,170	9,855	72,315
Retained Earnings and Reserve	9,368	7,010	2,357	8,130	6,941	1,189
Valuation and Translation Adjustments	90	90	-	11	11	-

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).

One characteristic of JBIC’s operations is that a considerable portion of its loans is official credit for the governments of developing countries. 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 loan 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 2007	Change from the end of March 2007	As of the end of March 2007	Ratio to Total Loans	
				End of September 2007	End of March 2007
Total Amounts of Risk-Monitored Loans	5,003	486	5,489	2.69	2.92
Bankrupt Loans	448	25	473	0.24	0.25
Non-Accrual Loans	2,046	11	2,035	1.10	1.08
Past Due Loans (Three months or more)	-	-	-	-	-
Restructured Loans	2,509	471	2,981	1.35	1.58
Total Amounts of Outstanding Loans	186,269	2,020	188,288	100.00	100.00

(Unit: hundred millions of yen, %)

<International Financial Account>	As of the end of September 2007	Change from the end of March 2007	As of the end of March 2007	Ratio to Total Loans	
				End of September 2007	End of March 2007
Total Amounts of Risk-Monitored Loans	2,405	463	2,868	3.10	3.64
Bankrupt Loans	448	25	473	0.58	0.60
Non-Accrual Loans	1,277	11	1,266	1.65	1.61
Past Due Loans (Three months or more)	-	-	-	-	-
Restructured Loans	680	449	1,129	0.88	1.43
Total Amounts of Outstanding Loans	77,575	1,310	78,885	100.00	100.00

(Unit: hundred millions of yen, %)

<Overseas Economic Cooperation Account >	As of the end of September 2007	Change from the end of March 2007	As of the end of March 2007	Ratio to Total Loans	
				End of September 2007	End of March 2007
Total Amounts of Risk-Monitored Loans	2,598	23	2,621	2.39	2.40
Bankrupt Loans	-	-	-	-	-
Non-Accrual Loans	769	-	769	0.71	0.70
Past Due Loans (Three months or more)	-	-	-	-	-
Restructured Loans	1,829	23	1,852	1.68	1.69
Total Amounts of Outstanding Loans	108,694	710	109,403	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 2007	Change from the end of March 2007	As of the end of March 2007	Ratio to Total Loans	
				End of September 2007	End of March 2007
Credits required to be disclosed under the FRL	5,003	486	5,489	2.46	2.68
Bankrupt and Quasi-bankrupt Assets	473	4	477	0.23	0.23
Doubtful Assets	2,022	10	2,032	0.99	0.99
Substandard Loans	2,509	471	2,981	1.23	1.46
Normal Assets	198,719	431	199,150	97.54	97.32
Total	203,722	917	204,639	100.00	100.00

(Unit: hundred millions of yen, %)

<International Financial Account>	As of the end of September 2007	Change from the end of March 2007	As of the end of March 2007	Ratio to Total Loans	
				End of September 2007	End of March 2007
Credits required to be disclosed under the FRL	2,405	463	2,868	2.55	3.03
Bankrupt and Quasi-bankrupt Assets	473	4	477	0.50	0.50
Doubtful Assets	1,253	10	1,263	1.33	1.33
Substandard Loans	680	449	1,129	0.72	1.19
Normal Assets	92,033	279	91,753	97.45	96.97
Total	94,438	183	94,621	100.00	100.00

(Unit: hundred millions of yen, %)

<Overseas Economic Cooperation Account>	As of the end of September 2007	Change from the end of March 2007	As of the end of March 2007	Ratio to Total Loans	
				End of September 2007	End of March 2007
Credits required to be disclosed under the FRL	2,598	23	2,621	2.38	2.38
Bankrupt and Quasi-bankrupt Assets	-	-	-	-	-
Doubtful Assets	769	-	769	0.70	0.70
Substandard Loans	1,829	23	1,852	1.67	1.68
Normal Assets	106,686	711	107,397	97.62	97.62
Total	109,284	734	110,017	100.00	100.00

End