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Research Update:

Japan Bank for International Cooperation's US\$1.5B Global Bonds Assigned 'AA' Rating

Primary Credit Analyst:

Takahira Ogawa, Singapore (65) 6239-6342; takahira_ogawa@standardandpoors.com

Secondary Credit Analyst:

Naoko Nemoto, Tokyo (81) 3-4550-8720; naoko_nemoto@standardandpoors.com

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Rationale

On June 11, 2008, Standard & Poor's Ratings Services assigned its 'AA' senior unsecured long-term foreign currency debt rating to Japan Bank for International Cooperation's (JBIC; AA/Stable/A-1+) US\$1.5 billion 4.25% Series 17 bond, which is due June 18, 2013. The bond carries the irrevocable and unconditional guarantee of the government of Japan (AA/Stable/A-1+).

The ratings on JBIC are based on its public policy role as the primary governmental financial institution that extends financial facilities to promote and support the Japanese government's external policy objectives. The bank is an integral part of the government's overall mechanism for advancing Japan's relations with other countries.

The ratings also incorporate the support that JBIC receives from the government, including capital contributions, low-cost funding from the Fiscal Investment and Loan Program, guarantees for debt issuance, and managerial support. In addition, the Japanese government (the bank's main creditor) has subordinated its lending to JBIC to below the bank's own bonds. Taking into account the bank's robust policy role and the strong direct government support that it receives, Standard & Poor's aligns its ratings on JBIC with those on the sovereign.

JBIC was established on Oct. 1, 1999, through the merger of the Export-Import Bank of Japan and the Overseas Economic Cooperation Fund. The 100% government-owned bank has two distinct operations: International Financial Operations (IFO) and Overseas Economic Cooperation Operations (OEEO), which are operated and funded under legally separated accounts. Under the IFO account, JBIC extends financial facilities to support Japanese corporations' trade- and overseas investment-related activities and to assist developing countries in their economic structural adjustment programs. Under the OEEO account, the bank provides concessionary funds--mainly in the form of Official Development Assistance (ODA) loans--to help developing countries in poverty reduction, structural economic reform, and other social developments. In conducting its businesses, the bank is prohibited from competing with private-sector financial institutions.

On Nov. 29, 2005, the government outlined the restructuring plan on eight governmental financial institutions, including JBIC. According to the plan, the ODA loan activity of JBIC will be merged with that of Japan International Cooperation Agency in fiscal 2008. IFO lending for the development of natural resource and energy-related projects and loans to maintain the international competitiveness of Japan, which are in line with the national policy, will be transferred to a newly created Japan Finance Corp. (JFC). JFC will handle a wide range of loans, such as those for small and midsize enterprises and for international finance from Oct. 1, 2008. Other activities--such as trade finance, investment finance, and untied loans--will likely be restricted to

the related activities of the new mandate.

Outlook

The outlook on JBIC is aligned with the outlook on Japan. We don't expect any significant change in the credit quality of JBIC's OECO and IFO accounts and currently outstanding and future debts even after Oct. 1, 2008, when reorganization of public financial organizations is scheduled to take place. This expectation is based on the clearer public-policy role that will be achieved through JFC and on the previous cases of reorganizations of public corporations.

Ratings List

Japan Bank for International Cooperation

Senior unsecured long-term FC debt rating AA

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