

Japan Bank for International Cooperation

Summary of Japanese GAAP-Based Financial Statements for Fiscal Year Ending September 2008

Japan Bank for International Cooperation (JBIC; Governor: Hiroshi Watanabe) made public its financial statements for the fiscal year ending September 2008 in accordance with generally accepted accounting principles and practices for Japanese private corporations (Japanese GAAP) on December 26, 2008. In order to ensure its objectivity, JBIC obtained an auditor's report from ERNST & YOUNG SHINNIHON LLC 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 fiscal year ending September 2008 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 FY2008, net operating income of the International Financial Account amounted to 23.5 billion yen, the Overseas Economic Cooperation Account 80.5 billion yen and The Bank Account 104.0 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 13.5 billion yen, the Overseas Economic Cooperation Account 48.7 billion yen and The Bank Account 62.2 billion yen. Due to a grant provided by the Japanese government and other extraordinary income and loss, net income of the International Financial Account amounted to 10.7 billion yen, the Overseas Economic Cooperation Account 55.3 billion yen and The Bank Account 66.0 billion yen.

This grant has been provided since FY 2003 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. (6.8 billion yen for FY2008)

<The Bank Account>

(Unit: hundred millions of yen)

	Fiscal Year ending September 2008	First Half of FY2007
Gross Operating Profit	1,192	1,265
Net Interest Income	1,191	1,238
Net Fees and Commissions	11	40
Net Other Operating Income	10	14
General and Administrative Expenses	152	122
Net Operating Income (Prior to Provision for General Allowance for Possible Loan Losses)	1,040	1,142
Provision for General Allowance for Possible Loan Losses	379	-
Other Ordinary Gain/Loss ()	39	141
Net Gain/Loss on Stocks	-	140
Write-off of Loans	-	-
Provision for Specific Allowance for Possible Loan Losses	0	-
Provision for Allowance for Possible Losses on Specific Overseas Loans	41	-
Others	1	1
Net Ordinary Income	622	1,283
Net Extraordinary Income	39	305
Grant from General Account	68	100
Reversal of Allowance for Possible Loan Losses	-	196
Others	28	9
Net Income	661	1,589

<International Financial Account>

(Unit: hundred millions of yen)

	Fiscal Year ending September 2008	First Half of FY2007
Gross Operating Profit	330	374
Net Interest Income	315	343
Net Fees and Commissions	24	45
Net Other Operating Income	10	14
General and Administrative Expenses	95	76
Net Operating Income (Prior to Provision for General Allowance for Possible Loan Losses)	235	298
Provision for General Allowance for Possible Loan Losses	60	-
Other Ordinary Gain/Loss ()	40	1
Net Gain/Loss on Stocks	-	-
Write-off of Loans	-	-
Provision for Specific Allowance for Possible Loan Losses	0	-
Provision for Allowance for Possible Losses on Specific Overseas Loans	41	-
Others	1	1
Net Ordinary Income	135	299
Net Extraordinary Income	28	122
Reversal of Allowance for Possible Loan Losses	-	112
Others	28	10
Net Income	107	420

<Overseas Economic Cooperation Account>

(Unit: hundred millions of yen)

	Fiscal Year ending September 2008	First Half of FY2007
Gross Operating Profit	862	890
Net Interest Income	876	895
Net Fees and Commissions	13	5
Net Other Operating Income	0	0
General and Administrative Expenses	57	46
Net Operating Income (Prior to Provision for General Allowance for Possible Loan Losses)	805	844
Provision for General Allowance for Possible Loan Losses	319	-
Other Ordinary Gain/Loss ()	0	141
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	487	985
Net Extraordinary Income	67	184
Grant from General Account	68	100
Reversal of Allowance for Possible Loan Losses	-	84
Others	1	0
Net Income	553	1,169

(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, 2008, the International Financial Account had total assets of 9,052.8 billion yen (increased 2.2 billion yen from the previous fiscal year), total liabilities of 7,288.2 billion yen (decreased 21.7 billion yen from the previous fiscal year), and total net assets of 1,764.6 billion yen. The Overseas Economic Cooperation Account had total assets of 10,976.4 billion yen (decreased 71.4 billion yen from the previous fiscal year), total liabilities of 3,134.8 billion yen (decreased 192.9 billion yen from the previous fiscal year), and total net assets of 7,841.6 billion yen. Overall, the Bank had total assets of 20,029.1 billion yen (decreased 69.3 billion yen from the previous fiscal year), total liabilities of 10,422.9 billion yen (decreased 214.7 billion yen from the previous fiscal year), and total net assets of 9,606.2 billion yen.

(Unit: hundred millions of yen)

	As of September 30, 2008			As of March 31, 2008		
	The Bank Account	International Financial Account	Overseas Economic Cooperation Account	The Bank Account	International Financial Account	Overseas Economic Cooperation Account
Total Assets	200,291	90,528	109,764	200,984	90,506	110,478
Cash and Due from Banks	2,471	2,430	41	3,073	3,054	19
Securities	1,143	107	1,036	1,045	8	1,037
Loans	177,316	68,105	109,211	176,255	66,627	109,628
Miscellaneous Assets	5,736	5,152	585	6,981	6,392	589
Customer's Liabilities for Acceptances and Guarantees	15,775	15,775	0	15,369	15,369	-
Allowance for Possible Loan Losses	2,458	1,263	1,195	2,038	1,162	876
Total Liabilities	104,229	72,882	31,348	106,376	73,099	33,277
Bonds and Notes	22,124	22,124	0	20,534	20,534	-
Borrowings	65,563	34,421	31,143	69,722	36,655	33,067
Miscellaneous Liabilities	585	450	136	569	428	141
Acceptances and Guarantees	15,775	15,775	0	15,369	15,369	-
Total Net Assets	96,062	17,646	78,416	94,608	17,407	77,201
Capital	84,623	10,055	74,568	83,761	9,855	73,906
Retained Earnings and Reserve	10,897	7,049	3,849	10,525	7,229	3,295
Valuation and Translation Adjustments	542	542	0	322	322	-

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 LLC 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 2008	Change from the end of March 2008	As of the end of March 2008	Ratio to Total Loans	
				End of September 2008	End of March 2008
Total Amounts of Risk-Monitored Loans	9,951	5,936	4,015	5.61	2.28
Bankrupt Loans	359	-	359	0.20	0.20
Non-Accrual Loans	1,825	6	1,832	1.03	1.04
Past Due Loans (Three months or more)	-	-	-	-	-
Restructured Loans	7,767	5,943	1,825	4.38	1.04
Total Amounts of Outstanding Loans	177,316	1,061	176,255	100.00	100.00

(Unit: hundred millions of yen, %)

<International Financial Account>	As of the end of September 2008	Change from the end of March 2008	As of the end of March 2008	Ratio to Total Loans	
				End of September 2008	End of March 2008
Total Amounts of Risk-Monitored Loans	2,530	645	1,885	3.71	2.83
Bankrupt Loans	359	-	359	0.53	0.54
Non-Accrual Loans	1,092	6	1,098	1.60	1.65
Past Due Loans (Three months or more)	-	-	-	-	-
Restructured Loans	1,079	651	428	1.58	0.64
Total Amounts of Outstanding Loans	68,105	1,478	66,627	100.00	100.00

(Unit: hundred millions of yen, %)

<Overseas Economic Cooperation Account >	As of the end of September 2008	Change from the end of March 2008	As of the end of March 2008	Ratio to Total Loans	
				End of September 2008	End of March 2008
Total Amounts of Risk-Monitored Loans	7,422	5,291	2,130	6.80	1.94
Bankrupt Loans	-	-	-	-	-
Non-Accrual Loans	734	-	734	0.67	0.67
Past Due Loans (Three months or more)	-	-	-	-	-
Restructured Loans	6,688	5,291	1,396	6.12	1.27
Total Amounts of Outstanding Loans	109,211	417	109,628	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>				Ratio to Total Loans	
	As of the end of September 2008	Change from the end of March 2008	As of the end of March 2008	End of September 2008	End of March 2008
Credits required to be disclosed under the FRL	9,951	5,936	4,015	5.12	2.08
Bankrupt and Quasi-bankrupt Assets	359	3	362	0.18	0.19
Doubtful Assets	1,825	4	1,829	0.94	0.95
Substandard Loans	7,767	5,943	1,825	4.00	0.95
Normal Assets	184,312	4,509	188,821	94.88	97.92
Total	194,263	1,427	192,836	100.00	100.00

(Unit: hundred millions of yen, %)

<International Financial Account>				Ratio to Total Loans	
	As of the end of September 2008	Change from the end of March 2008	As of the end of March 2008	End of September 2008	End of March 2008
Credits required to be disclosed under the FRL	2,530	645	1,885	2.99	2.28
Bankrupt and Quasi-bankrupt Assets	359	3	362	0.42	0.44
Doubtful Assets	1,092	4	1,095	1.29	1.33
Substandard Loans	1,079	651	428	1.28	0.52
Normal Assets	81,958	1,210	80,748	97.01	97.72
Total	84,488	1,855	82,633	100.00	100.00

(Unit: hundred millions of yen, %)

<Overseas Economic Cooperation Account>				Ratio to Total Loans	
	As of the end of September 2008	Change from the end of March 2008	As of the end of March 2008	End of September 2008	End of March 2008
Credits required to be disclosed under the FRL	7,422	5,291	2,130	6.76	1.93
Bankrupt and Quasi-bankrupt Assets	-	-	-	-	-
Doubtful Assets	734	-	734	0.67	0.67
Substandard Loans	6,688	5,291	1,396	6.09	1.27
Normal Assets	102,354	5,719	108,073	93.24	98.07
Total	109,775	428	110,203	100.00	100.00

End