

APPENDIX

Proposal Export-Import Bank's ("EXIM Bank") Samurai Bond (Comments made by Mizuho Securities)

*Having repeatedly investigated whether domestic institutional investors' funds could be channeled to India through Samurai bonds, in October 2004, Mizuho Securities hosted a non-deal road show in Tokyo for the ICICI Bank, which is listed on the NSE. Meanwhile, with investors inclined to resume investment in India through Sovereign issue, the EXIM Bank's non-deal road show was held in August 2005.

Thereafter, references of India were introduced in research reports and relevant informational activities were held for domestic investors, leading to the bank's long-awaited first Samurai bond six months later when Mizuho Securities served as lead manager.

*Briefing sessions held for investors in Japan, without presenting specific cases.

The briefing session for investors on February 7, 2006 was also attended by Ambassador Tripathi and Minister Thakur (Economic & Commercial) from The Embassy of India, and the favorable state of India's economy was explained to domestic institutional investors.

At the social gathering following the briefing session for investors on February 7, guest speaker Eisuke Sakakibara, former Vice Minister of Finance for International Affairs and currently a professor at Keio University, commented, "With India, the interest for investment trust seems somewhat overheated, but it is significant for Japan's investors to have various opportunities to invest in India, including EXIM Bank's Samurai bond."

Proposal - (Comments made by ADB)

ADB Issues Indian Rupee Bonds

MANILA, PHILIPPINES (February 27, 2004) - The Asian Development Bank (ADB) issued today its debut Indian rupee (INR) bonds in the domestic capital market of India. The issue has a principal amount of INR 5 billion and a bullet maturity of 10 years. The lead arrangers of the issue were HSBC and ICICI Securities, with Bank of India and Union Bank of India participating in the syndicate as co-arrangers.

Priced at par, ADB's rupee bonds carry a semiannual coupon of 5.4% per annum to yield 17 basis points over the 7.37% Indian G-Sec due April 2014. Before launching the issue, ADB and the lead arrangers conducted an extensive road show to present the deal to key institutional investors in Mumbai, New Delhi, and Kolkata.

Offered through a bookbuilding process, the issue generated strong demand with total bids amounting to over INR10 billion or double the issue amount. The issue achieved a broad distribution with up to 60% of the bonds placed with banks, 21% with insurance companies, and 19% with mutual funds. The bonds will be listed on the National Stock Exchange.

ADB's rupee bond issue represents many firsts in the Indian capital market: first issue by a foreign entity, first supranational issue, and first issue rated triple-A by Fitch, Moody's and Standard & Poors. Just as importantly, the issue also marks the first time that ADB has tapped the domestic bond market of a developing member country. ADB Vice President Liqun Jin said, "This pioneering transaction will enable ADB to accomplish a key developmental goal. ADB will be able to offer private sector borrowers in Indian rupee loans for projects in need of long-term local currency financing. These rupee loans provide the most effective protection against exchange rate risk, particularly as most ADB-financed projects generate revenues in local currency. In 2003, ADB's local currency lending in India totalled about INR 5 billion for 3 private sectors projects in priority sectors such as infrastructure, health care, and housing finance".

The bond issue underscores ADB's confidence in the Indian capital market. This, together with the new standards created through this issue in respect of regulatory framework, documentation, disclosure, clearing and settlement, and pricing benchmark, will facilitate issuance by other foreign borrowers. In addition, the issue would help enhance liquidity in the domestic swap market, particularly as ADB plans to undertake interest rate swap transaction for asset and liability management purposes.

Thierry de Longuemar, ADB Treasurer, said "The issue is the first step in ADB's strategy to tap the domestic bond markets of its developing member countries. ADB will consider issuing other local currency bonds particularly in those developing member countries where the bond markets are sufficiently developed and suitable projects with local currency financing needs can be identified.

Proposal - (Comments made by JBIC)

- 1) On August 30, Japan Bank for International Cooperation (JBIC) held a signing in Bangkok for a baht-denominated fixed-rate bond guaranteed by the Japanese government.
- 2) The issue of this baht-denominated bond was based on ABMI that the Japanese government is promoting within the ASEAN+3 (Japan, China and Korea) framework. The Japanese issue will be the first bond issue denominated in an Asian currency in line with the same concept. Concerning the bond issuance of non-Thai issuers in the Thai market, in May of last year, the Thai government presented guidelines, based on ABMI, to make it possible for foreign governments and their financial institutions to obtain permission individually to issue bonds. In keeping, JBIC has consulted closely with Thailand to acquire permission in July of this year for the issue of baht-denominated bond and has advanced preparations in kind. It has issued the bond under this time frame, based on the market environment. The issuing of this bond represents the first time for a foreign government or its financial institution to issue a bond denominated in Asian currency in line with ABMI.

- 3) Baht-funds procured through the issue of this bond will be granted to Japanese companies conducting business in Thailand through the branches of Japanese financial institutions in Bangkok (Mizuho Corporate Bank, Bank of Tokyo-Mitsubishi and Sumitomo Mitsui Banking Corporation) for capital expenditure and long-term operating funds. Among ASEAN countries, manufacturing industries continue to concentrate in Thailand. With the country's increasing presence as a manufacturing base, Japanese companies are actively investing in Thailand once again, based on the Free Trade Agreement between Japan and Thailand and the progress of the ASEAN-Japan Comprehensive Economic Partnership, as a strategic base for global business expansion. By making financing possible in local currency, with no exchange risk, it is expected that a wide range of fund needs of local Japanese companies will be satisfied
- 4) Through the issuing of bonds denominated in Asian currency, JBIC views the following as crucial issues; (i) the supporting of the development of the bond market in ASEAN countries, China and Korea, within the ABMI framework, and (ii) the flexible accommodation of the diversifying fund needs of Japanese companies through financing procured in local currency. JBIC's policy in future will be one of actively promoting efforts to issue bonds denominated in Asian currency and procure financing in local currency, based on such fund needs and through deliberation with the authorities concerned in each country.

Proposal 2 Additional (Comments made by ADB)

ADB Prices 1 Billion Yuan Panda Bonds in China

MANILA, PHILIPPINES (13 October 2005) - ADB today priced its debut renmimbi-denominated bonds ("Panda") in the domestic capital market of the People's Republic of China (PRC). The issue has a principal amount of RMB 1 billion and a bullet maturity of 10 years.

"ADB would like to thank the PRC Government for its extensive support in making this market-opening transaction possible," ADB Treasurer Mikio Kashiwagi says. "ADB is particularly pleased to have been given the opportunity to be the first foreign issuer, together with International Finance Corporation, in PRC's bond market. We hope this pioneering transaction will contribute to the further development of PRC's bond market."

Priced at par, the Panda bonds carry an annual coupon of 3.34% per annum and have a maturity date of 14 October 2015. Prior to pricing, ADB and the sole lead manager, Bank of China International (BOCI) Ltd, conducted road shows in Beijing and Shanghai to present the deal to over 100 institutional investors.

Offered through a book-building process with a price guidance of 3.30% to 3.39%, the issue generated strong demand with total bids amounting to almost RMB3 billion or three times the issue amount.

The issue achieved a broad distribution with up to 39% of the bonds placed with domestic banks, 31% with foreign banks, 15% with insurance companies, and 15% with other investor types such as fund management companies, credit cooperatives, and social security funds. The bonds will be traded in the interbank market with clearing and settlement through The China Government Securities Depository Trust & Clearing Co., Ltd.

"We are pleased to be able to successfully price ADB's inaugural Panda bond issue," says Mr.

Kashiwagi. "The strength of the order book allows ADB to price the issue at the tighter end of the price guidance. The tight pricing reflects investors' understanding of ADB's high quality credit and the diversification opportunity offered by this pioneering transaction."

ADB will use the proceeds of the Panda bonds to fund its development projects in PRC. The objective is to help reduce currency mismatches for borrowers that have no foreign exchange earnings. After India and the Philippines, PRC is the third country where ADB plans to undertake local currency financing.

The issuance represents another milestone in ADB's quest to develop the region's bond markets. Since early 2004, ADB has completed three other market-opening transactions in the region's local currency bond markets, including India, Malaysia, and Thailand.

With these landmark issues, ADB continues its role as a pioneer in regional bond markets, providing local and international investors with the highest quality debt securities supported with best practice issue standards and role model disclosure and documentation. ADB's other market-opening transactions in the region include a Samurai bond issue in Japan 1970, an Arirang bond issue in the Republic of Korea in 1995, and a New Taiwan Dollar issue in Taipei, China in 1995.

The issuance of Panda bonds will have an important development impact on the PRC's bond market. One of the key benefits involves the promotion of more diversity in bond issuers, a key element in product innovation. As an issuer with AAA credit ratings, ADB, through its Panda bonds, will offer domestic investors in the PRC an excellent opportunity to add new debt securities of the highest quality to their bond portfolio. At 10 years, the bonds will also respond to the needs of institutional investors such as pension funds and insurance companies for longer maturity assets to better match their long-dated liabilities.

"The Panda bonds will represent a step toward adopting best international standards particularly in documentation, disclosure, and deal management," Mr. Kashiwagi adds.

The Offering Circular for the Panda bonds follows ADB's standard information memorandum, which complies with the disclosure requirements of all the markets that ADB has issued bonds, including EU countries, Japan, and the United States. It provides domestic market participants with a model for high quality and transparent disclosure documents.

ADB issued the Panda bonds using a bookbuilding process and sole bookrunner to ensure a market clearing price as well as uniform pricing to all investors. The transaction documents will also facilitate future bond issuance by other foreign borrowers.

Another benefit is that the Panda bonds will have a strong signaling effect to the international community. ADB's Panda bonds will represent the readiness of PRC's bond market infrastructure for participation by international institutions, particularly with respect to the depth of investor base, capabilities of market intermediaries, transparency and liquidity of risk free benchmark yield curve, and efficiency of depository, clearing, and settlement system.

Proposal - (Comments made by JBIC)

1. JBIC signed a guarantee contract for a baht-denominated corporate bond issued by Tri Petch Isuzu Sales Co., Ltd. (TIS), a Thai corporation jointly managed by Mitsubishi Corporation and Isuzu Motors (with its head office located in Bangkok). Under this guarantee, TIS will issue corporate bonds in the amount of 3.5 billion bahts (around ¥10 million) guaranteed by Mitsubishi Corporation, the parent company. JBIC will provide a backup guarantee to Mitsubishi Corporation. The funds obtained from this corporate bond issue will be applied to the long-term funds necessary for the local manufacture and sale of Isuzu-brand pickup trucks. This is the first time for TIS to issue a corporate bond in Thailand's capital market.
2. From the perspective of exchange risk avoidance, local Japanese corporations advancing into Asia must procure business funds in the local currency. Because the bond market is underdeveloped in many of these countries, the situation for issuing bonds has been a difficult one, and means of funding have been limited. Under these circumstances, even in Thailand, where the bond market is comparatively developed, highly creditworthy Japanese companies are not necessarily highly recognized in the local bond market. Thus, for smooth bond issuing, complementarity from JBIC, as a financial institution of the Japanese government, is being sought. Based on the needs of such Japanese companies, the bank's guarantee function will be applied to support smooth bond issuing of Japanese companies in local markets.
3. In December 2002, the Japanese government proposed ABMI. At present, deliberations are underway among ASEAN and the relevant governmental authorities for Japan, China, and Korea. To prevent a recurrence of Asia's currency crisis, ABMI is being discussed with the aim of developing and activating the bond market in every Asian country to apply funds from within Asia, with a high savings rate, for development within the region. Recently, as part of the efforts to promote ABMI, JBIC established a new guarantee system for corporate bonds issued in local currencies by local Japanese corporations (see the attached schematic diagram); this will be the first case of actual application.

Proposal - (Comments made by NEXI)

Concerning bonds denominated in local currency issued by Japanese companies advancing into Asia, independent administrative institution Nippon Export and Investment Insurance (NEXI) will provide Overseas Untied Loan Insurance (with guarantee obligation) for the corporate bonds denominated in bahts issued by Isuzu Motor's local Thai corporation.

At present, the funding of Japanese companies advancing into Asia frequently takes the form of loans from financial institutions backed by the parent company in Japan or dependence on remittances from the parent company. Under these circumstances, if a mechanism for issuing bonds is established, it will diversify fund procurement means for Japanese companies advancing into Asia. As a result, it will be possible to procure funds, even if the liquidity of bank funding decreases. Moreover, making medium and long-term funding possible in local currency will eliminate exchange risks and contribute to operation stability.

By providing coverage for the bond issues of Japanese companies advancing into Asia, NEXI will both be making it easy for these Japanese companies to procure funds and will be activating intraregional investment. Consequently, it will be of help in the development of ABMI, currently under deliberation.

1. Isuzu Motors has a share of about 40% of the market for one-ton pickup trucks in Thailand. Since 2003, it has been consolidating its manufacture of one-ton pickup trucks in Thailand, where it plans to expand its export base, as well. The Thai corporation, Isuzu (Thailand) Co., Ltd., will issue 1 billion bahts (around ¥2.7 billion) in bonds denominated in the local currency, targeting Thailand's domestic investors, to procure some of the capital expenditure funds for reinforcing product development and production capability for the one-ton pickup trucks it currently manufactures in Thailand.
2. Accompanying its provision of guarantees for the aforementioned bonds denominated in local currency, for the guarantee obligations that it bears, Mizuho Corporate Bank will have NEXI underwrite its Overseas Untied Loan Insurance (guarantee obligation), with Mizuho Corporate Bank being the policyholder and the insured.

Proposal - (Comments made by JBIC)

- 1) JBIC resolved to guarantee the ¥22 billion in 10-year, yen-denominated, privately placed bonds that Philippine National Oil Company - Energy Development Corporation (PNOC-EDC) issued for the purpose of procuring the necessary funds for the Philippine's geothermal heat development projects. The various related contracts between the Philippine government and PNOC-EDC were signed in Tokyo. With these bonds, the Philippine government will guarantee the principal and interest over the entire period, and JBIC will guarantee the principal and interest over the latter five years.
- 2) PNOC-EDC engages in geothermal and other non-oil energy source development projects. The funds procured through these bonds are slated to be applied to the reinforcement of geothermal heat recovery capability in geothermal development projects that PNOC-EDC is conducting in such regions as Leyte and Mindanao, as well as to environmental measure.
- 3) This guarantee will be provided based on the Resource Mobilization Plan for Asia, which the Japanese government announced last year as the Second Stage of the New Miyazawa Initiative and will be the first case of applying the guarantee on publicly offered bonds; a function that was included to the role of JBIC at the time of its establishment. The bank's provision of the guarantee will support PNOC-EDC's procurement of funds from the international finance and capital markets. It is expected to accelerate the back-flow of the long-term private funds from Japan to the Philippines and to further activate the Tokyo market. In addition, with the support of international institutions and JBIC, this project will be significant for the Philippines, which is currently engaged in structural reform of its electricity sector, as it will assist with the diversification of domestic energy utilization.

Proposal -- (Comments made by NEXI)

Independent administrative institution Nippon Export and Investment Insurance (NEXI) has resolved to provide Overseas Untied Loan Insurance, with 97.5% of the principal and interest as the limit, for the ¥50 billion in 10-year, yen-denominated, privately placed bonds issued by the government of the Republic of the Philippines. The funds procured through bond issue can be earmarked for the Philippine's domestic industrial infrastructure projects, such as for roads.

Amid the downturn in investment in emerging market economies since the terrorist attacks in the US, NEXI's coverage of the Philippine political risk and the Philippine government's credit risk has made the circulation of Japan's private funds possible. In addition, this has made a reduction of fund procurement costs on the order of 3%, compared with the current negotiable price for the Philippine Samurai bond, possible for the Philippines. Through these funds, the Philippines will be provided with domestic industrial infrastructure, and Japan-Philippines trade and investment will likely continue to accelerate henceforth.

This case marks the third in which Overseas Untied Loan Insurance has been provided for bond issuing, following that involving the Malaysian government in December 1998 and that involving Thailand's PTT Exploration and Production Public Company Limited in April 1999. It is the first such case for NEXI.