

Financial Summary for the 1st Half of Fiscal Year 2018

November 21, 2018



NORINCHUKIN

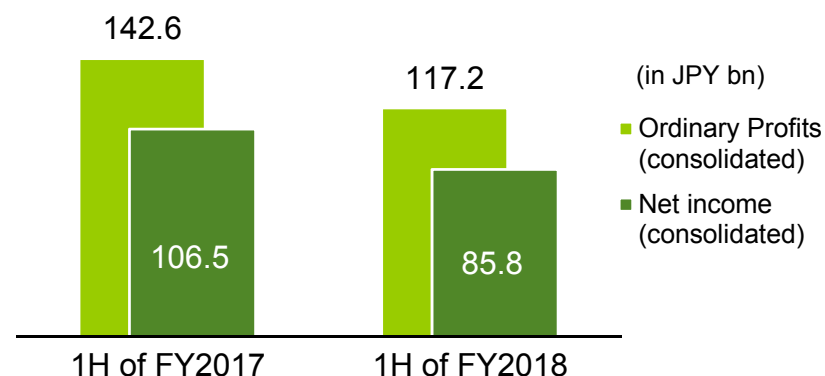
Financial Highlights for the 1st Half of FY2018

- ~ Maintained steady profits though declined due to increased foreign currencies funding expenses ~
- ~ Capital adequacy ratios remained at a high level ~

Profits

【Consolidated】 (in JPY bn)

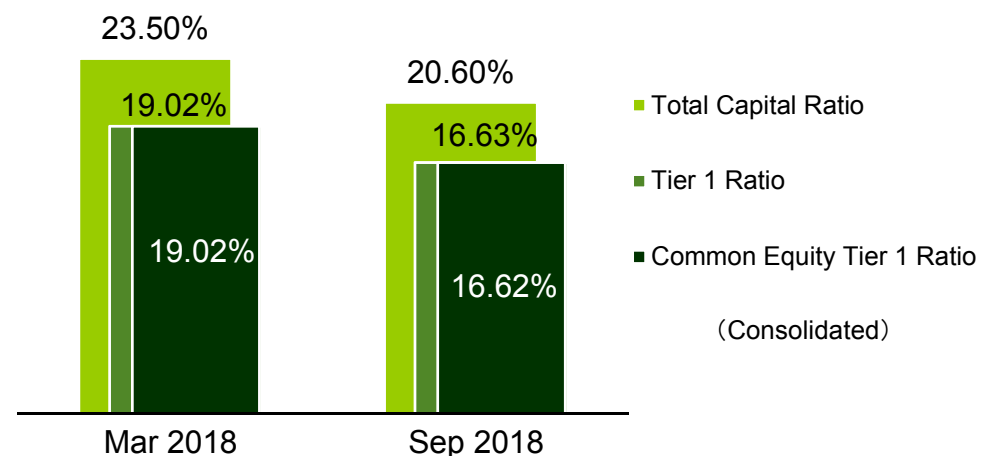
	1H of FY2017	1H of FY2018	Change
Ordinary Profits	142.6	117.2	(25.3)
Net Income	106.5	85.8	(20.7)



Capital Position (under Basel III)

【Consolidated】

	Mar 2018	Sep 2018	Change
Common Equity Tier 1 Ratio	19.02%	16.62%	(2.40%)
Tier 1 Ratio	19.02%	16.63%	(2.39%)
Total Capital Ratio	23.50%	20.60%	(2.90%)



Income Statement Summary

【Consolidated】

		(in JPY bn)		
		1H of FY2017	1H of FY2018	Change
1	Ordinary Income	756.0	911.0	154.9
2	Interest Income	589.0	682.2	93.1
3	<Interests on/Dividends from Securities>	541.4	617.8	76.4
4	<Interests on Loans>	37.6	51.9	14.3
5	Ordinary Expenses	613.4	793.7	180.3
6	Interest Expenses	490.9	606.1	115.2
7	<Expenses on Funding from Members>	168.0	173.5	5.4
8	General and Administrative Expenses	80.8	80.4	(0.4)
9	Ordinary Profits	142.6	117.2	(25.3)
10	Income before Income Taxes	141.8	117.1	(24.7)
11	Net Income	106.5	85.8	(20.7)

【Non-consolidated】

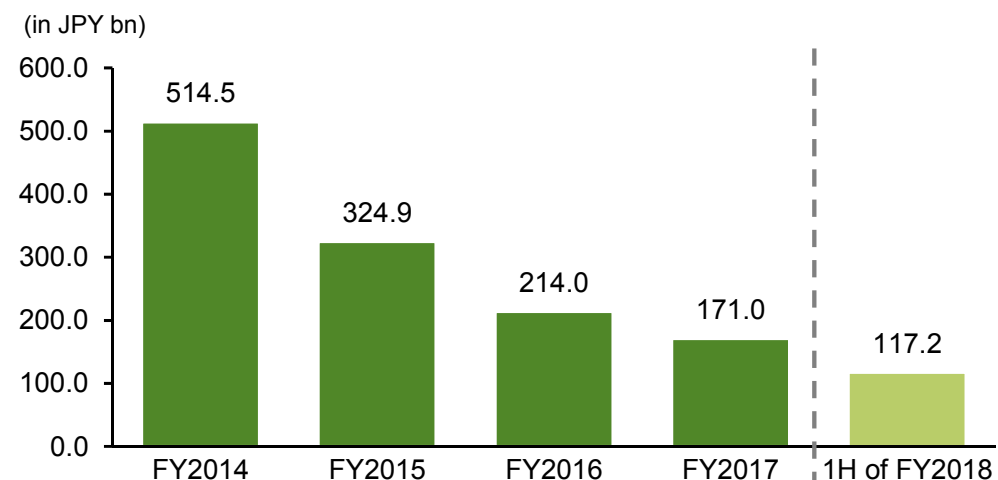
		(in JPY bn)		
		1H of FY2017	1H of FY2018	Change
12	Ordinary Profits	138.2	115.8	(22.4)
13	Net Income	104.5	86.5	(17.9)

【Reference (Non-consolidated)】

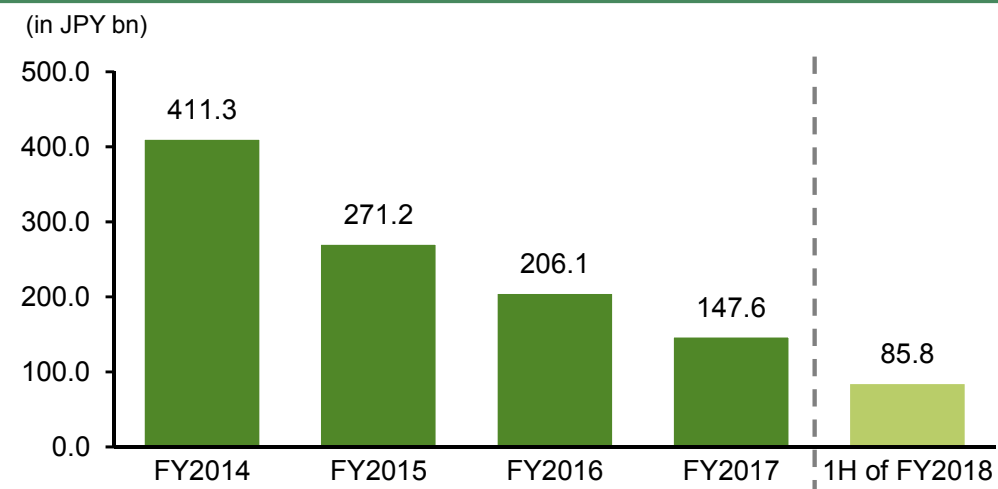
14	Gains on Sale of Securities	35.4	97.5	62.0
15	Losses on Sale of Securities	1.9	71.3	69.4
16	Credit-related Expenses ^(Note)	3.3	(0.1)	(3.5)
17	Disposal of Securities	1.1	0.2	(0.8)

(Note) Negative numbers for credit-related expenses indicate reversals

Ordinary Profits over Time (Consolidated)



Net Income over Time (Consolidated)



Balance Sheet Summary

【Consolidated】

(in JPY bn)

	Mar 2018	Sep 2018	Change
1 Loans and Bills Discounted	11,858.9	13,943.4	2,084.4
2 Securities	52,321.8	53,987.4	1,665.6
3 Money Held in Trust	7,439.7	8,736.9	1,297.2
4 Cash and Due from Banks	28,756.3	26,322.9	(2,433.4)
5 Others	4,550.8	5,050.3	499.4
6 Total Assets	104,927.7	108,041.1	3,113.4
7 Deposits ^(Note)	67,204.7	69,398.4	2,193.6
8 Debentures	1,766.4	1,507.5	(258.9)
9 Payables under Repurchase Agreements	15,080.6	15,025.1	(55.4)
10 Others	14,129.7	15,443.4	1,313.6
11 Total Liabilities	98,181.6	101,374.5	3,192.8
12 Total Net Assets	6,746.0	6,666.6	(79.4)

(Note) Deposits include deposits and entrusted funds (the majority are short-term funds received from members) for accounting purpose.

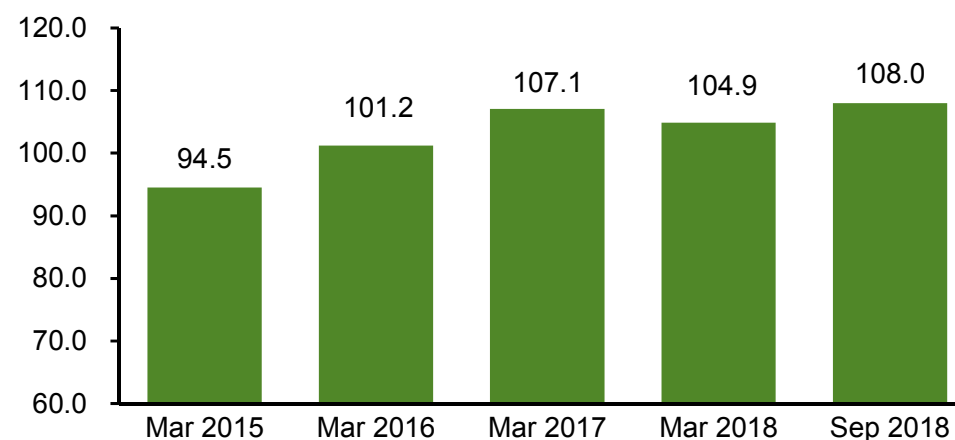
【Non-consolidated】

(in JPY bn)

	Mar 2018	Sep 2018	Change
13 Total Assets	103,417.6	106,408.0	2,990.4
14 Total Liabilities	96,763.5	99,831.4	3,067.8
15 Total Net Assets	6,654.0	6,576.6	(77.4)
16 Gains/Losses on Revaluation of Securities	1,584.7	1,447.8	(136.8)

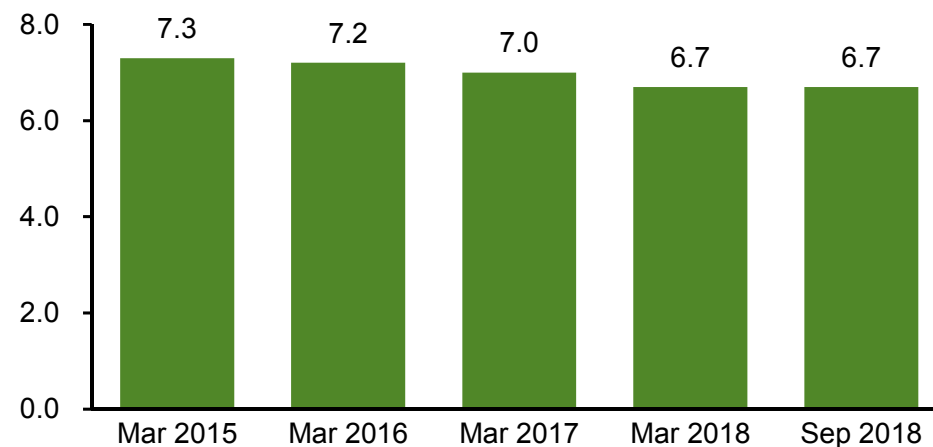
Total Assets over Time (Consolidated)

(in JPY trn)



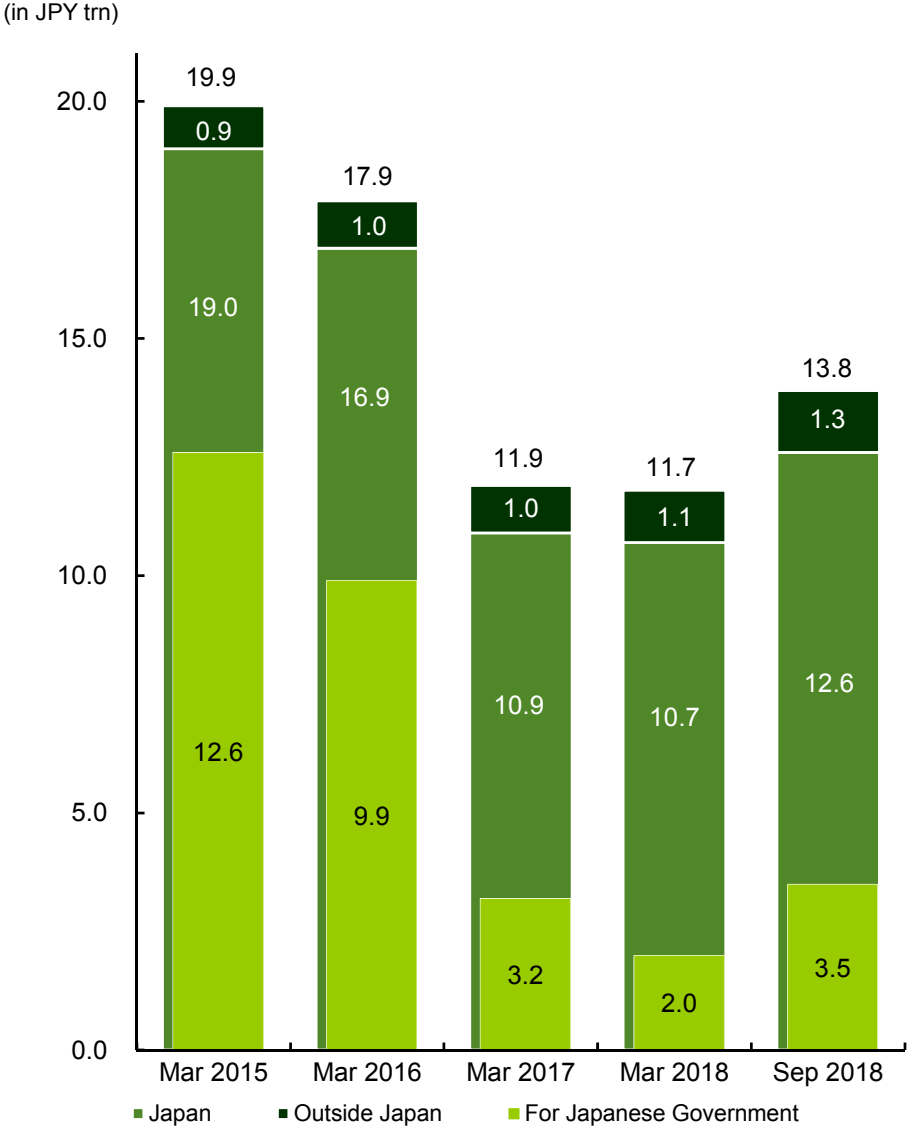
Net Assets over Time (Consolidated)

(in JPY trn)

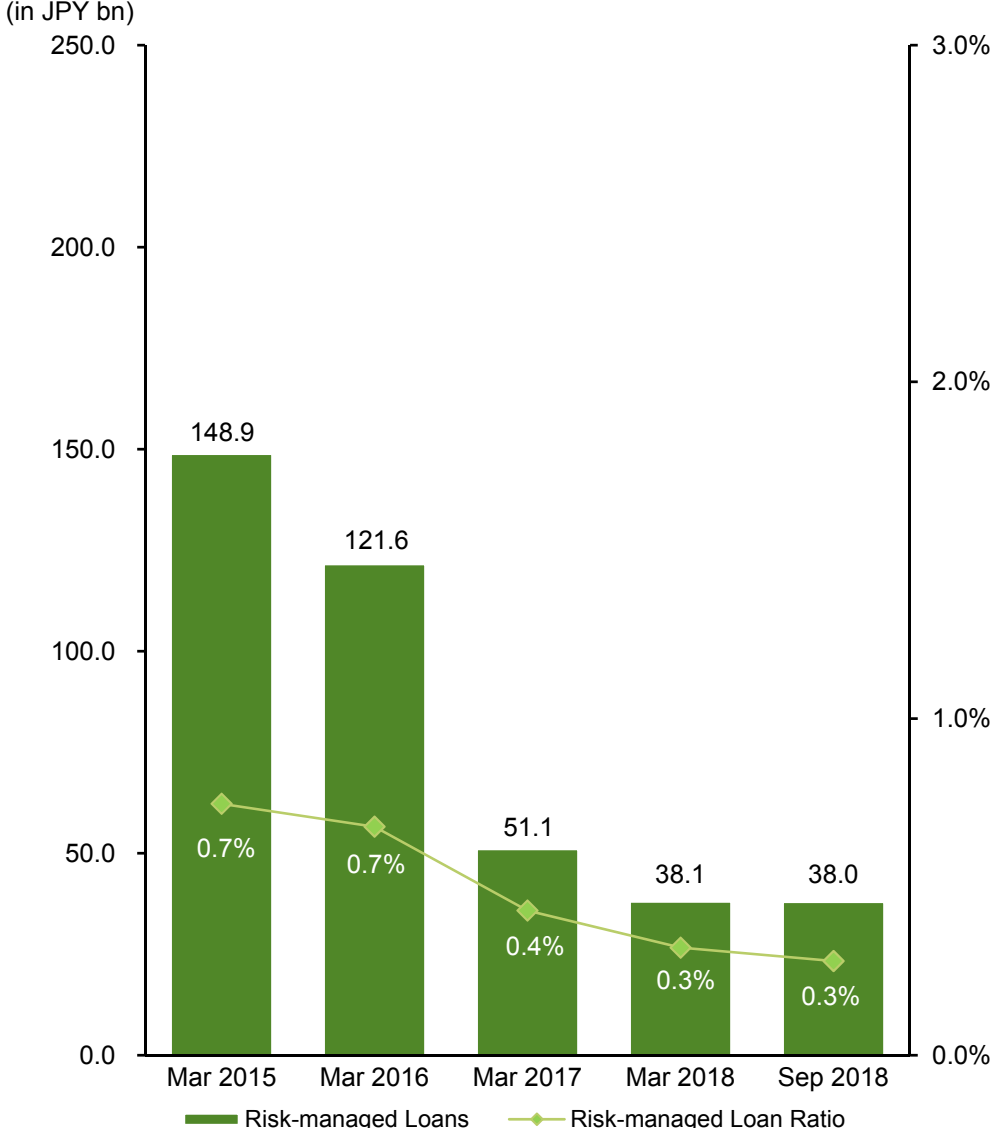


Loan and Bills Discounted (Non-consolidated)

Loans and Bills Discounted over Time

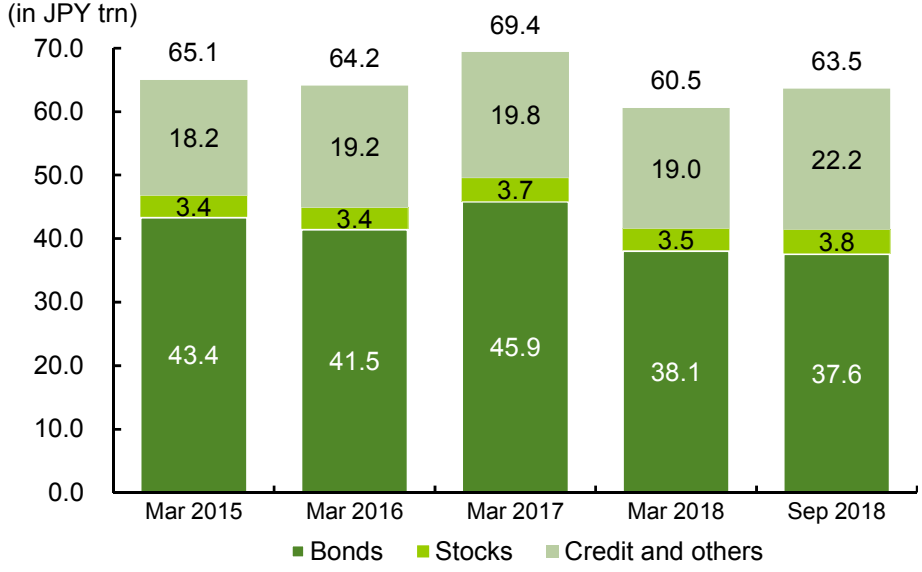


Risk-managed Loans over Time

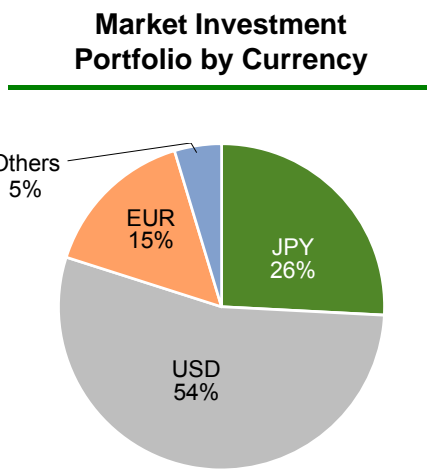
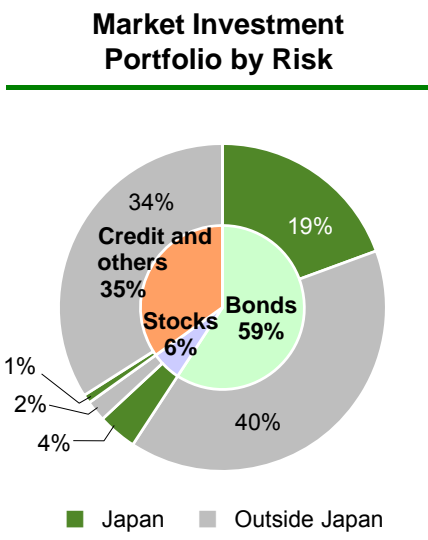


Market Investment Portfolio (Non-consolidated)

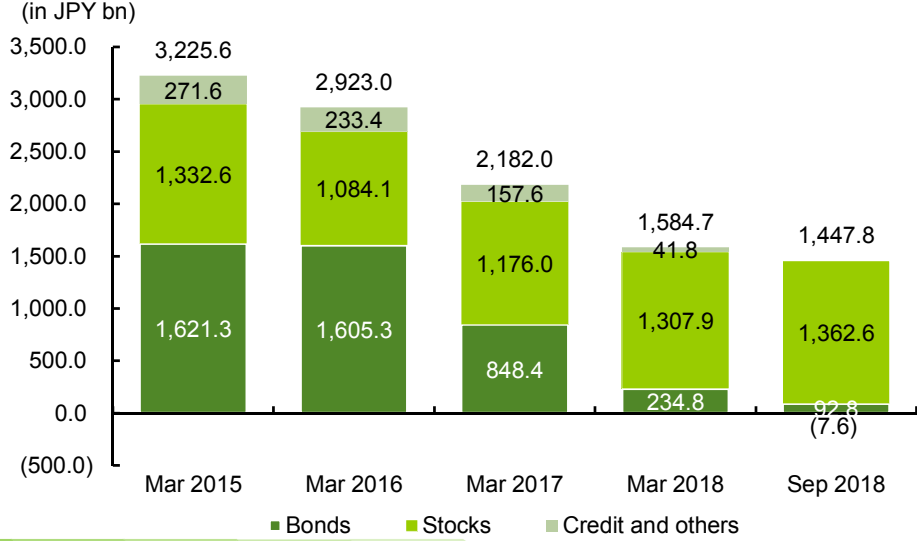
Market Investment Portfolio over Time



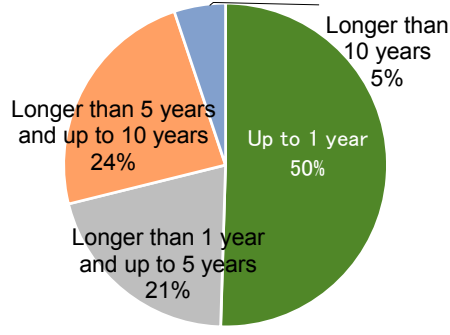
Market Investment Portfolio (Sep 2018)



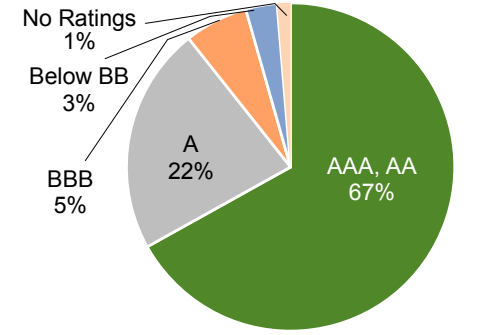
Net Unrealized Gains and Losses over Time



Bond and Credit Portfolio by Rate Reset Maturity

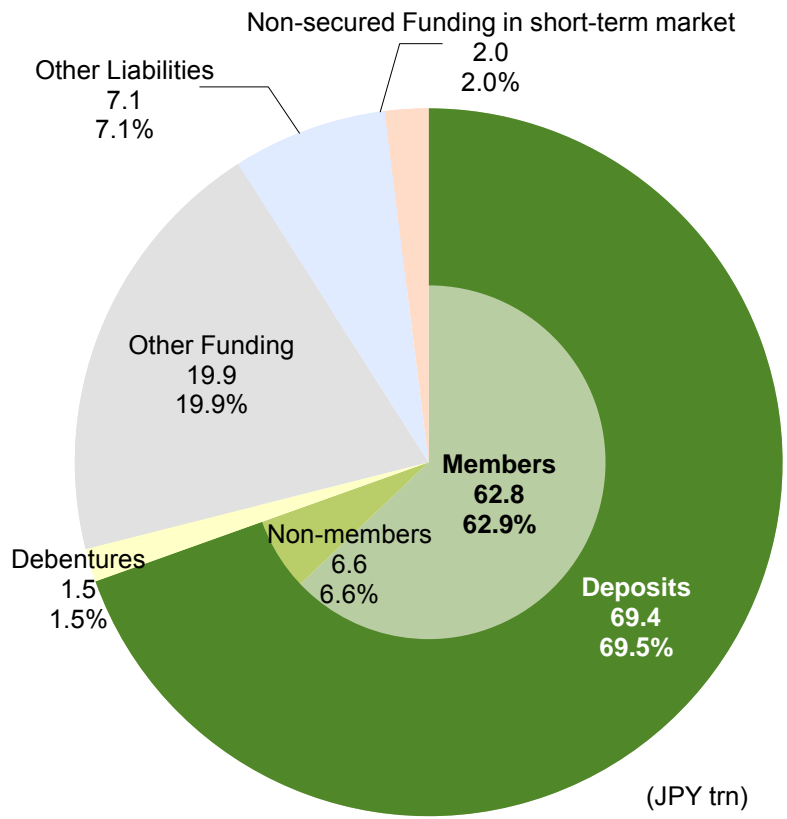


Market Investment Portfolio by Rating



Funding (Non-consolidated)

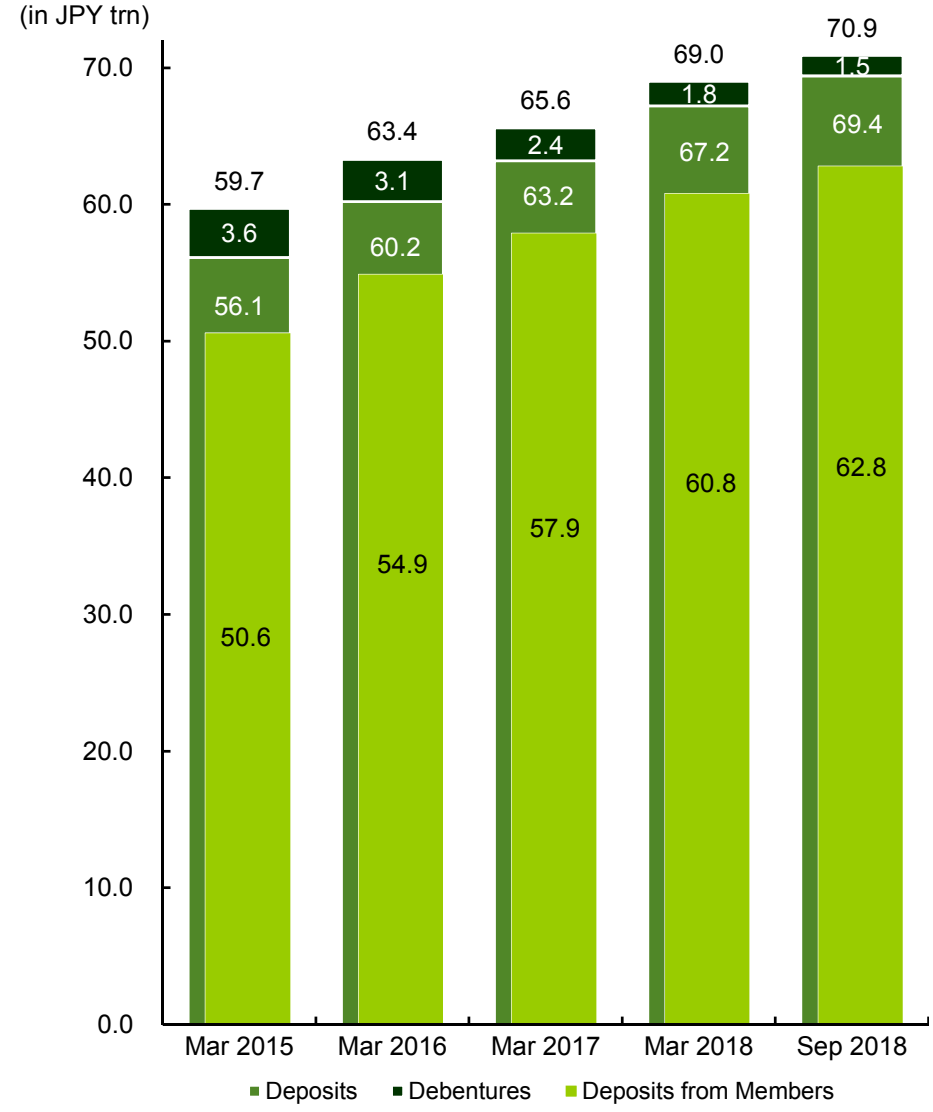
Breakdown of Funding



Total Liabilities: JPY 99.8 trn

(Note) Deposits include deposits and entrusted funds (the majority are short-term funds received from members) for accounting purpose. Other funding includes borrowed money (secured and subordinated loans) such as payables under repurchase agreements and payables under securities lending transactions. Other liabilities include acceptance & guarantees and reserves. Short-term unsecured funding from markets include trading liabilities, negotiable certificates of deposits, and unsecured call money.

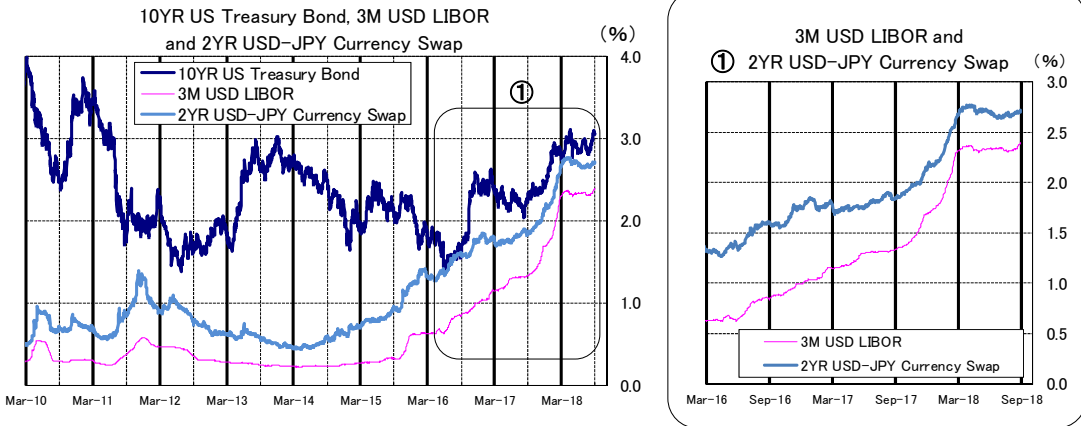
Deposits and Debtentures over Time



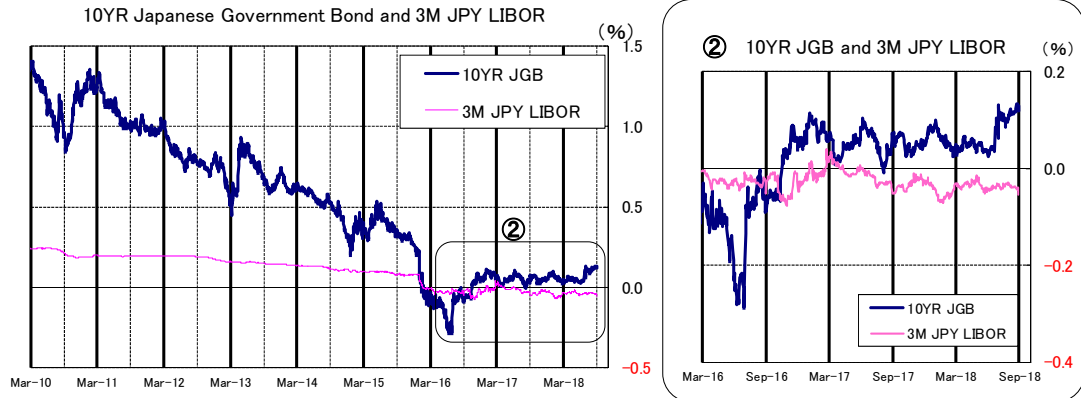
Earning Yields (Non-consolidated)

		Average (in JPY tm)		Earnings (in JPY bn)		Yield	
		1H of FY2018	YOY Change	1H of FY2018	YOY Change	1H of FY2018	YOY Change
【Investment】							
1	Loans and Bills Discounted	12.3	0.9	50.0	14.1	0.81%	0.18%
2	Securities	55.5	(5.5)	737.2	72.1	2.65%	0.48%
3	Yen-denominated Securities (including Net Gains/Losses on Sales)	15.9	(1.4)	138.6	113.7	1.74%	1.45%
4	Foreign Currency-denominated Securities (including Net Gains/Losses on Sales)	39.6	(4.0)	598.5	(41.5)	3.01%	0.09%
5	Short-term Investment Assets	3.3	(2.4)	4.6	2.2	0.27%	0.19%
【Funding】							
6	From Member Banks	61.6	2.3	173.5	5.4	0.56%	(0.00%)
7	Debentures	1.6	(0.6)	2.0	(1.1)	0.24%	(0.03%)
8	Funding from Markets	25.9	(6.2)	150.3	38.0	1.16%	0.46%
9	From the Yen Market	2.9	0.2	(0.0)	(0.0)	(0.00%)	(0.00%)
10	From Foreign Currencies Markets	22.9	(6.5)	150.3	38.0	1.31%	0.55%
(Reference)							
11	Foreign Currencies Funding (Including Currency Swaps, etc.)	42.6	(4.0)	379.8	135.6	1.79%	0.74%

(Reference) US Dollar Interest Rates over Time



(Reference) Yen Interest Rates over Time



Capital Position

【Consolidated】

(in JPY bn)

	Mar 2018	Sep 2018	Change
1 Tier 1 Capital	6,432.6	6,348.6	(84.0)
2 Common Equity Tier 1 Capital (CET1)	6,430.8	6,345.7	(85.0)
3 Capital Stock and Capital Surplus	3,455.5	3,455.5	-
4 Earned Surplus	1,917.8	2,003.6	85.8
5 Unrealized Gains on Other Securities	1,152.8	1,053.7	(99.1)
6 Additional Tier 1 Capital	1.7	2.8	1.0
7 Tier 2 Capital	1,513.4	1,513.5	0.0
8 Subordinated Bonds and Loans	1,513.2	1,513.2	-
9 Total Capital	7,946.1	7,862.1	(83.9)
10 Risk-weighted Assets	33,810.3	38,164.5	4,354.1
11 Common Equity Tier 1 Ratio	19.02%	16.62%	(2.40%)
12 Tier 1 Ratio	19.02%	16.63%	(2.39%)
13 Total Capital Ratio	23.50%	20.60%	(2.90%)
14 Total Capital Ratio on Fully Loaded Basis (Note 1)	23.21%	20.34%	(2.87%)

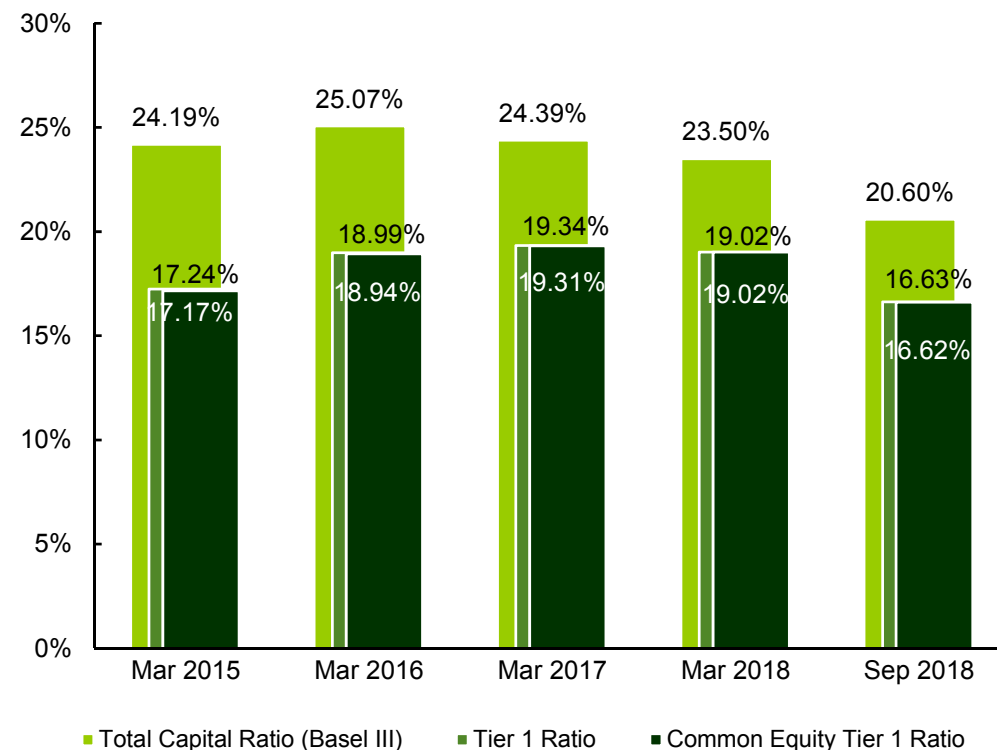
(Note1) Item 14: based on a Basel III fully loaded basis

Leverage Ratio (Consolidated)

【Consolidated】

	Mar 2018	Sep 2018
15 Leverage Ratio	6.03%	5.79%

Capital Ratios over Time (Consolidated)



Liquidity Coverage Ratio (Consolidated)

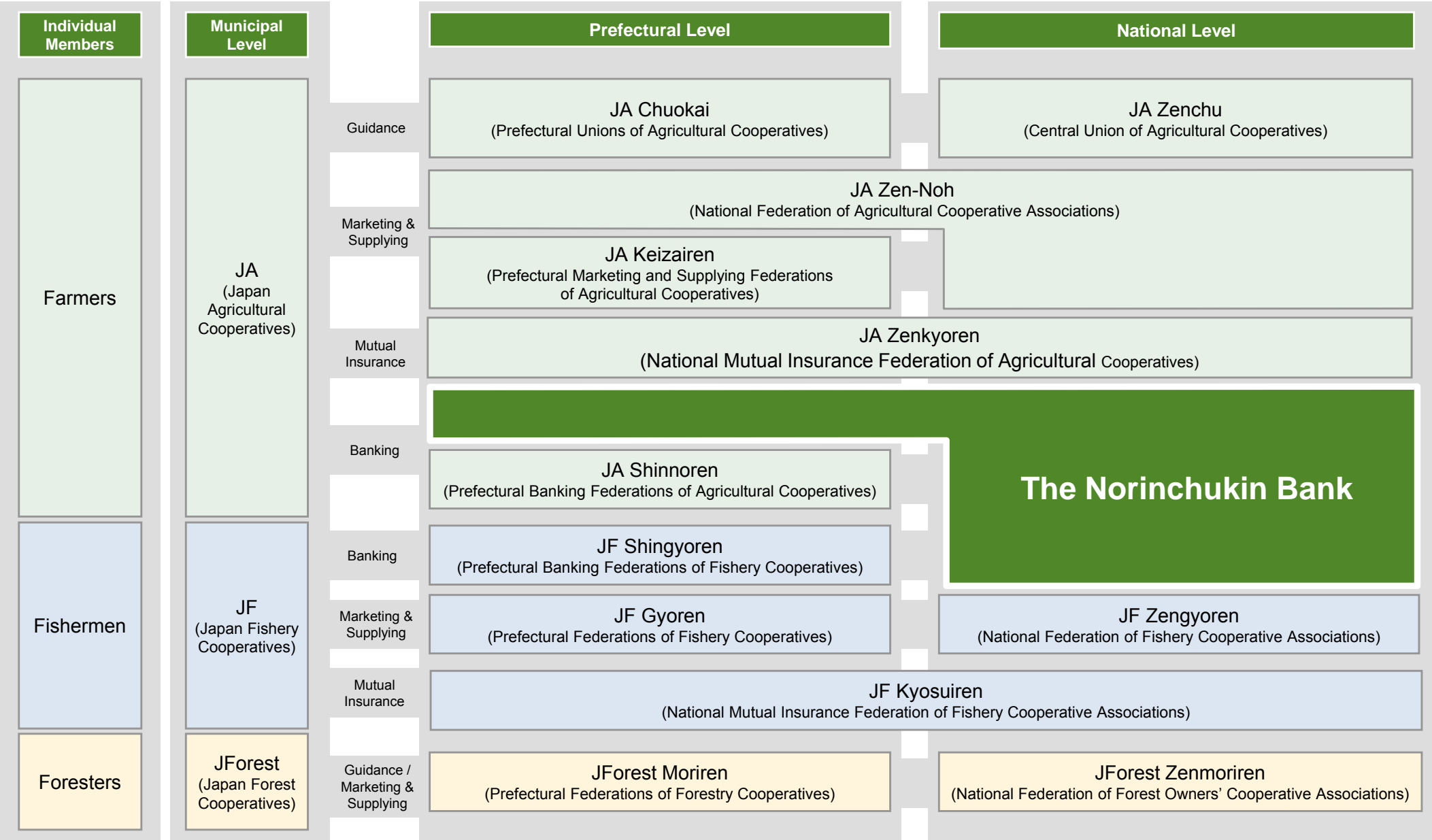
【Consolidated】

	FY2018	1Q	2Q
16 Liquidity Coverage Ratio (Note 2)	450%	443%	443%

(Note2) Item 16: simple averages of observations over the previous quarter

Appendices

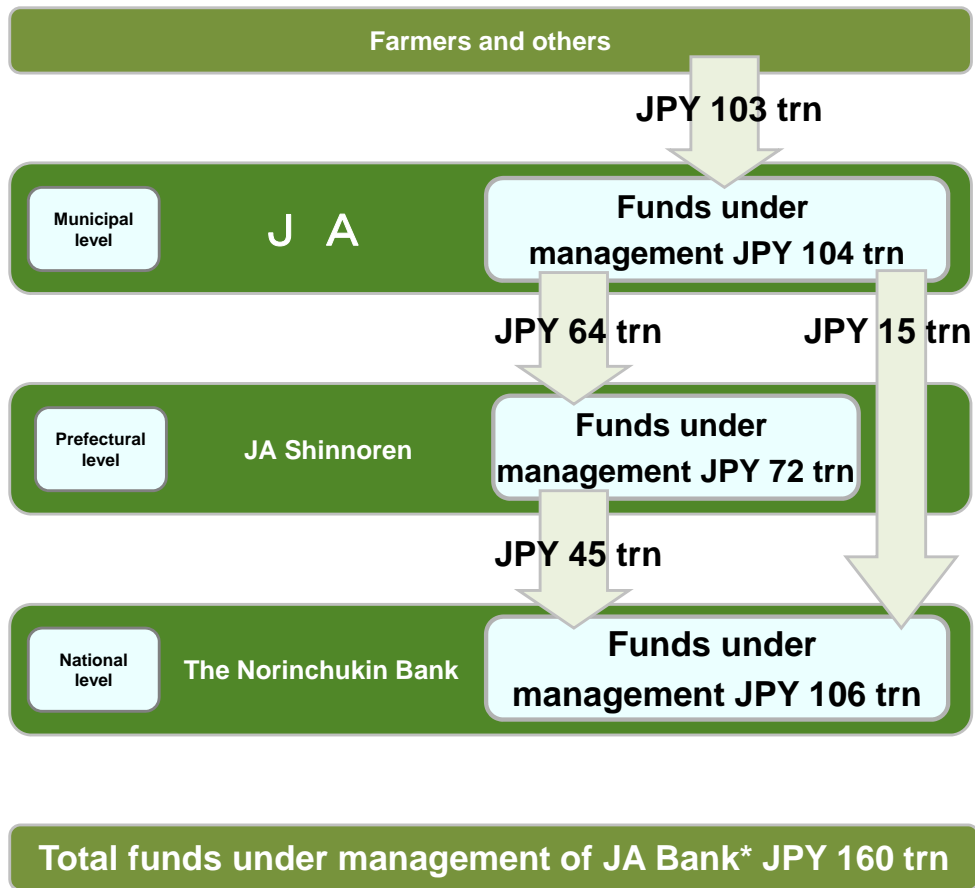
Structure of the Cooperative System



Business Base of JA Bank

JA Bank = JA + JA Shinnoren + The Norinchukin Bank

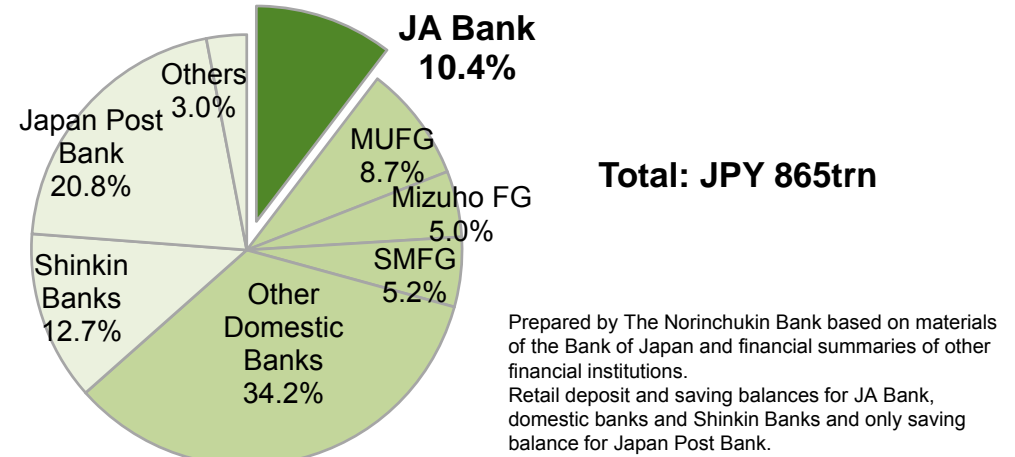
Flow of Funds in JA Bank (As of Sep. 30, 2018)



* Total funds under management (JP¥ trn) = Funds under management – Deposits

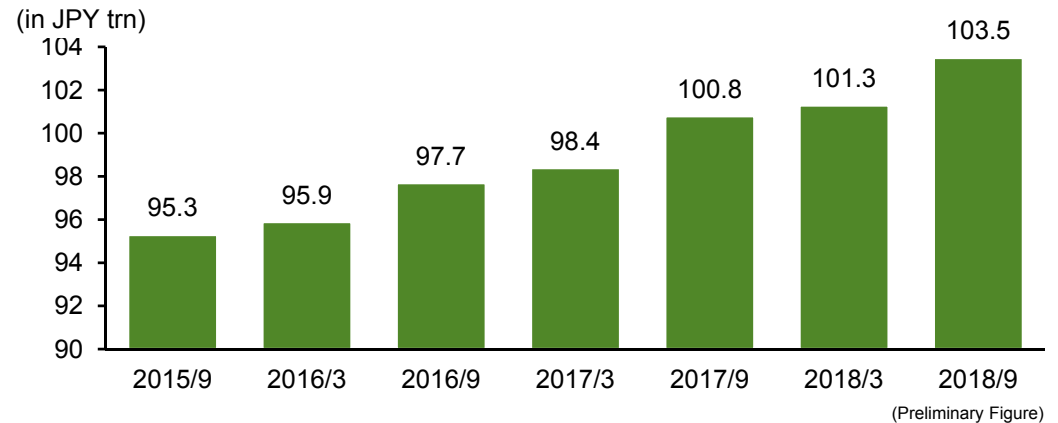
JA Bank accounts for 10% of the total amount of retail deposits and savings in the Japan.

Retail Deposits and Savings in Japan (As of Mar. 31, 2018)



Increasing amount of deposits and savings of JA Bank

JA Bank Deposits and Savings (JP¥ trillion)



Assessment of Capital and Liquidity Adequacy

The Bank establishes risk appetite and implements Internal Capital Adequacy Assessment Process (ICAAP) and Individual Liquidity Adequacy Assessment (ILAA) as a board-level management framework of the two most important elements for financial institutions so that it can manage profits, capital and risk in a consistent and efficient manner, securing adequate level of liquidity.

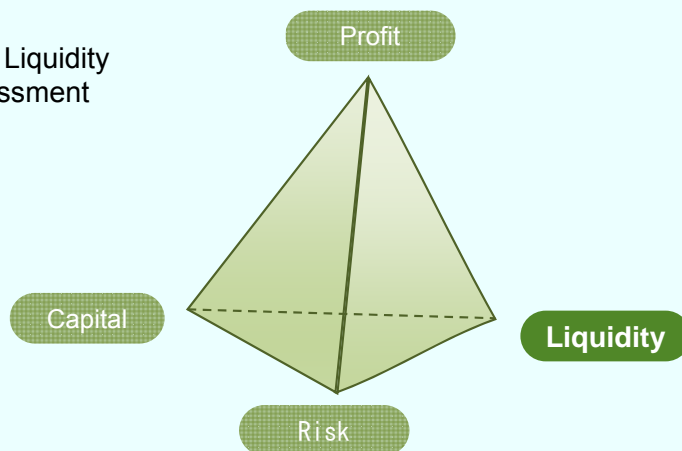
Risk Appetite

- In implementing the Bank's strategies, risk appetite reflects specific views on risk-taking, and defines what types of risks and magnitude of risk the Bank is willing to accept
- Risk appetite is established to manage the Banks' business strategies, risk and capital in a consistent framework, and to clarify the tolerable level of liquidity which enables the Bank's strategic risk-taking

ILAA

- A framework for assessing the sufficiency of liquidity and appropriateness of liquidity risk management to support strategic risk-taking for profits

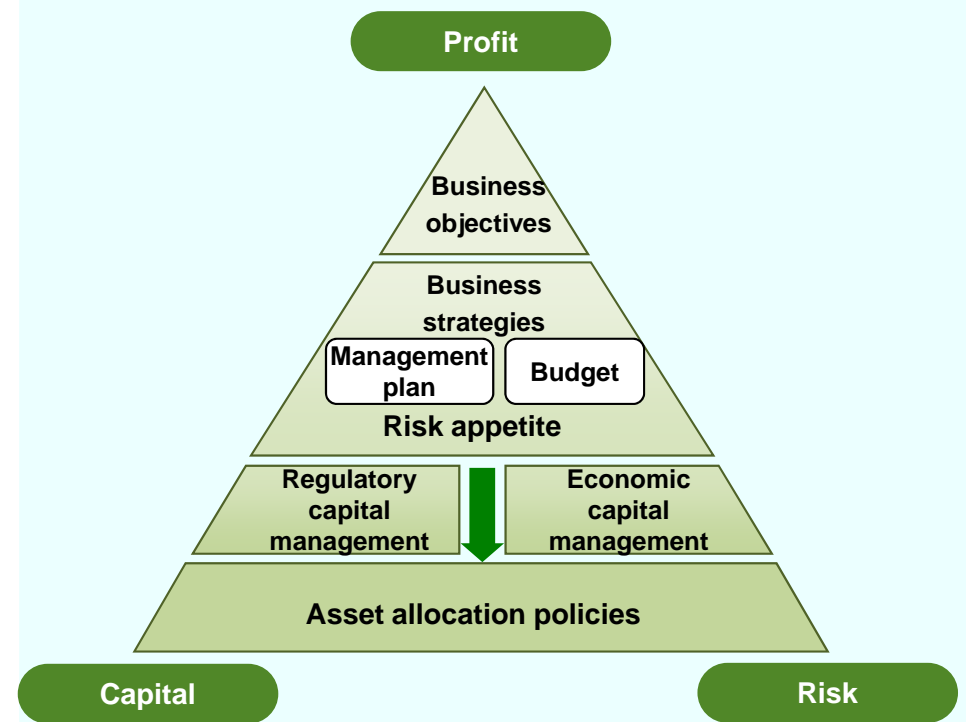
ILAA: Individual Liquidity Adequacy Assessment



ICAAP

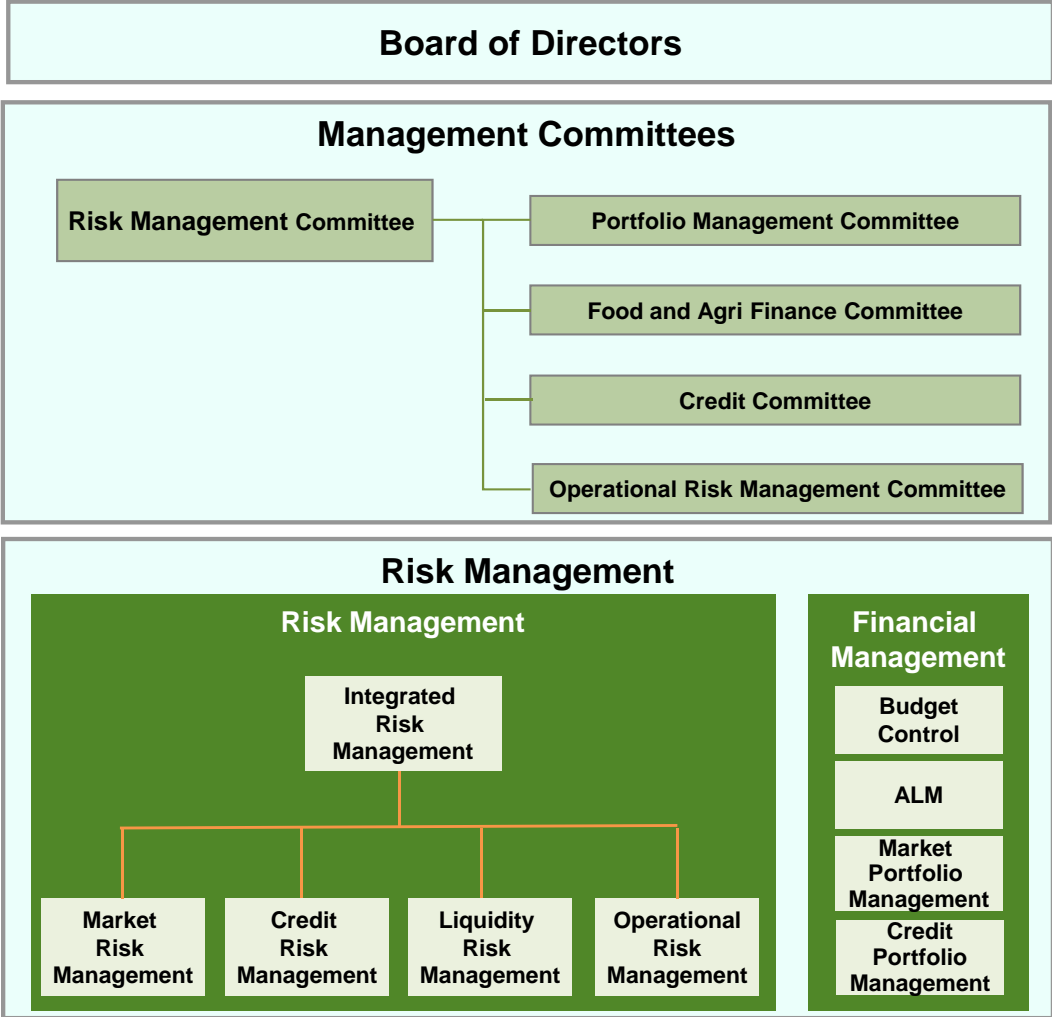
- A process for demonstrating the appropriate management of risks that a company is facing so that it can achieve its business objectives, and for the appropriate maintenance and control of a sufficient level of internal capital to cover these risks

ICAAP: Internal Capital Adequacy Assessment Process



Risk Management System

The Bank has employed an “integrated risk management” system with a central focus on economic capital management.



1. Board of Directors

- The Board of Directors sets business objectives in the form of medium-term management plans, risk appetite, management plans and budgets based on them. It also determines a risk management framework for their implementation.
- Based on feedbacks from internal and external audits, the board keeps track of the risk management regimes.

2. Management Committees

- The Risk Management Committee discusses and determines important issues associated with the management of economic and regulatory capital and the handling of respective risks.
- Based on the determination, each relevant committee, such as the Portfolio Management Committee, sets concrete portfolio management policies.

3. Risk Management

- As part of its integrated risk management efforts, the Bank has established individual units to watch over market risk, credit risk, liquidity risk and operational risk as well as a unit to supervise such units. Their roles and responsibilities have been clearly defined.
- Through its integrated risk management efforts, the Bank, under its risk management framework, has established its financial management practices flexible enough to ensure that it maintains sound and profitable business performance and, at the same time, to strike an optimal balance among risk, profit, and capital in volatile markets and in constantly changing economic and financial environments.

Corporate Brand

■ Brand Statement

Our work at The Norinchukin Bank won't change the world overnight.

Our focus is on the agriculture, fishery and forestry industries.
This means that nature is our partner, and nothing in nature bears fruit overnight.
Industries in this sector don't make things
—they produce and nurture life as a legacy for future generations.

This is precisely why we are dedicated to serving those who sustain these industries
and their local communities, no matter how small the scale of their operations.
As the financial institution wholly devoted to this sector
—the very cornerstone of our nation, we strive consistently
to generate solid outcomes in the global financial markets.

Our history spans more than 90 years.

But that alone is no longer enough.
We must take on a greater role than ever before
if this sector is to continue developing in response to the changing times.

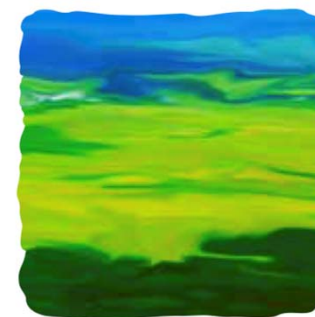
We must harness our financial knowledge to make
new contributions that extend beyond our past functions and scope.
We must do our utmost to address on-the-ground issues.
We must respond to the needs not only of producers,
but also to those of processors, distributors and consumers.

The life generated by the agriculture, fishery and forestry industries sprouts
the workings of all life well into the future.

Now is the time for each and every one of us to give our all.
We aim to make the chain of life that connects us to the future
more bounteous and more certain.

Dedicated to sustaining all life.

■ Logo



NORINCHUKIN

The landscape depicted here represents Japan itself where
agriculture, fishery and forestry are connected to all life.
The tapestry woven from the earth, the seas and
the forests portrays the breath of life and the strength of will
that carries each one of us forward, step by step.
This is our logo, and it embodies the spirit of us all.

■ Our interpretation of “ life ”

The agriculture, fishery and forestry industries
produce and nurture life as a legacy for future generations.
The Norinchukin Bank's mission of contributing to the development of
the agriculture, fishery and forestry industries simply means contributing to
handing down “life” as the blessings of the earth and the seas and
the “life” of the people who enjoy such blessings to future generations.

Investments in Securitized Products (Non-consolidated)

1 Investment in Securitized Products (Notes 1 & 2)

							(JPY in bn)			
		AAA	AA	A	BBB	Below BBB	Total	Change from Mar 2018	Unrealized Gains /Losses	Change from Mar 2018
1	ABS	976.5	-	-	-	-	976.5	11.9	-	-
2	RMBS	2,355.8	24.9	3.3	1.1	-	2,385.2	▲5.9	2.7	▲0.7
3	CMBS	68.1	-	-	-	-	68.1	4.7	▲11.4	▲0.3
4	CDO (Note 3)	5,737.8	-	-	-	0.0	5,737.8	1,924.4	-	-
5	Total	9,138.4	24.9	3.3	1.1	0.0	9,167.8	1,935.1	▲8.6	▲1.1

Exposures by Currency

		(JPY in bn)			
			Change from Mar 2018	Unrealized Gains /Losses	Change from Mar 2018
1	USD	5,351.1	1,433.8	▲11.4	▲0.3
2	EUR	1,923.3	470.3	3.1	▲0.8
3	GBP	654.6	▲74.4	-	-
4	AUD	971.4	98.3	-	-
5	JPY	267.4	7.0	▲0.4	0.0
6	Total	9,167.8	1,935.1	▲8.6	▲1.1

2 Investment in Bonds Issued by US Housing-related GSEs (Note 4)

		(JPY in bn)			
		Exposures	Change from Mar 2018	Unrealized Gains /Losses	Change from Mar 2018
1	Agency Mortgage Bonds	1,488.7	4.8	▲35.7	▲27.0
2	Agency Bonds	-	-	-	-
3	Total	1,488.7	4.8	▲35.7	▲27.0

3 Others

The Bank does not own any products related to ABCP, SIV, nor leveraged loans in its trading account and is not involved in any unconsolidated off-balance sheet transactions related to them as well as it has not originated, underwritten nor traded those products.

In addition, the Bank does not have a balance on loans internally defined as those used mainly for LBOs nor a balance on monoline wrapped financial instruments.

(Note 1) Securitized products are internally defined based on the definition under the Basel capital framework. Does not include mortgage-backed securities related to US government sponsored entities.

(Note 2) The Bank does not have any exposure to sub-prime related RMBS or CDO in its investments in securitized products.

(Note 3) The Bank has little exposure (less than JPY0.1bn) to re-securitized products such as ABS-CDO, and CDO of CDO's.

The Bank does not have any exposure to re-securitized products (i.e. products containing at least one securitized product as an underlying asset) under the Basel capital framework.

(Note 4) The Bank has JPY6,097.7bn of mortgage-backed security bonds issued and guaranteed by Government National Mortgage Association and has JPY58.0bn of counterparty exposure of securities financing transactions with Federal Home Loan Mortgage Corporation.

As of Sep 30, 2018, non-consolidated basis

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- This presentation material contains forward-looking statements regarding the Bank's forecasts, plans, and objectives. Such forward-looking statements inherently involve risks and uncertainties, because they are related to events and circumstances that may or may not arise in the future. The future performance, results of operations, and financial condition of the Bank may be materially different from the information expressed or implied by such forward-looking statements.
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