

# **The Norinchukin Bank**

**農林中央金庫**

***Bank Presentation***

***Capital and Financial Positions***

***as of June 30, 2009***

**August 26 2009**

**Revised on September 4, 2009**

# Introduction

*~ Bank Presentation of Capital and Financial Positions as of June 30, 2009 ~*

- **The Norinchukin Bank has decided to release quarterly financial summary starting this August to help provide a better understanding of the Bank, in addition to the Bank's previously disclosed capital status based on Basel II standard**
- **Financial figures released herein have not been audited by an auditing firm**
- **Your understanding of the above would be greatly appreciated as you read through this presentation**

# Financial Highlights as of June 30, 2009 (Non-consolidated)

## ■ Capital Adequacy Ratio: 17.10% , Tier I Ratio: 11.23% (Preliminary Figures)

- The Bank maintains a solid capital position, with a capital adequacy ratio of over 17%

## ■ Unrealized losses on securities were JPY 1,668.2bn (improved by JPY 424.6bn from the end of March 2009)

- The Bank saw a steady improvement in the status of its losses from the revaluation of securities in the first quarter since the launch of the Business Renewal Plan (FY2009 to FY 2012)

## ■ Ordinary Profits for the fiscal first quarter stood at JPY 78.9bn

- Under the Business Renewal Plan (FY2009 to FY 2012), the Bank aims to secure ordinary profits of JPY 50.0bn to JPY100.0bn per annum over the 4 year term

# Capital Position (Non-consolidated : Preliminary Figures)

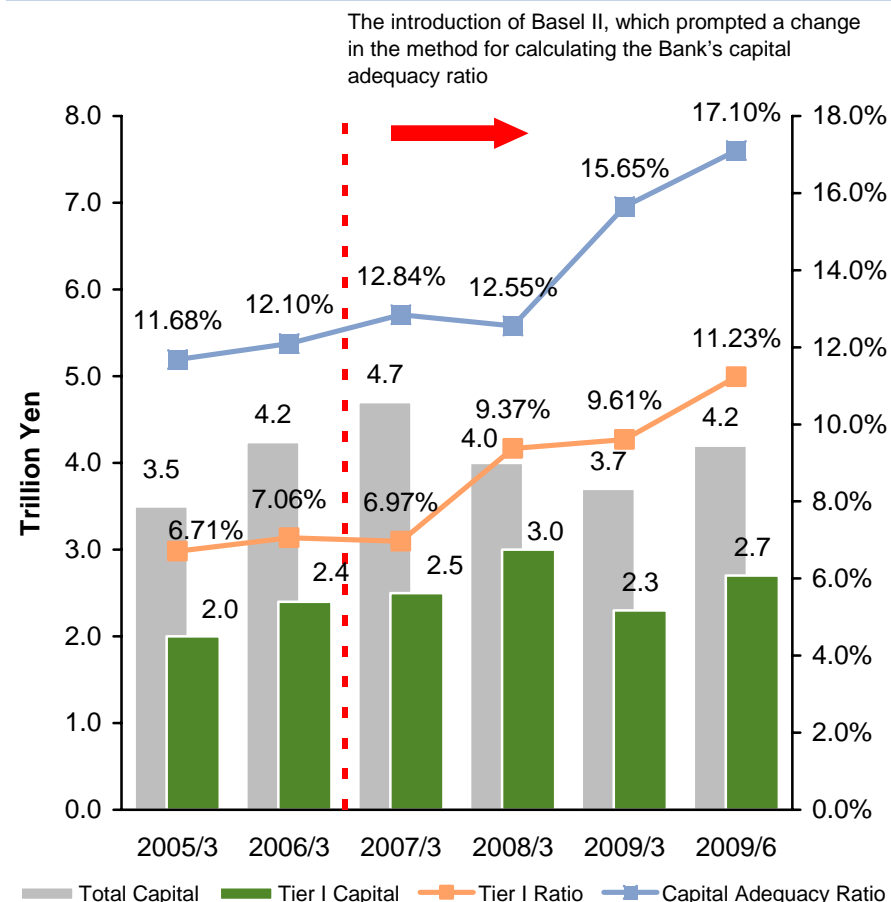
## ~ A Sound Level of Capital Adequacy ~

- The Bank's Capital Adequacy increased, owing mainly to a decrease in unrealized losses on securities
- Both the Bank's capital adequacy ratio and its Tier I ratio are maintained at high levels of 17.10% (up 1.45% from March 2009) and 11.23% (up 1.61% from March 2009), respectively

### Capital Breakdown (in JPY 100mn)

	March 31 2009	June 30 2009	Change
1 Tier I capital	23,006	27,806	4,799
2 Capital stock and capital surplus	34,463	34,463	-
3 Earned surplus	7,886	8,464	577
4 Unrealized losses on other securities	-18,718	-14,262	4,456
5 Tier II capital	17,700	17,979	278
6 Perpetual subordinated bonds and loans	14,760	14,860	99
7 Dated subordinated bonds, loans, and preferred stock	2,707	2,888	181
8 Deductions	3,271	3,455	183
9 Total Capital	37,435	42,330	4,895
10 Risk-weighted assets	239,171	247,501	8,330
11 BIS Capital Adequacy Ratio	15.65%	17.10%	1.45%
12 Tier I Ratio	9.61%	11.23%	1.61%

### Capital Adequacy Ratio Trend



Note1: "Unrealized losses on other securities" represents the amount after deducting deferred tax assets (liabilities) from the unrealized gains/losses on securities.

Note2: Non-consolidated results as of June 30 2009 (The financial figures provided above have not been audited by an auditing firm).

Source: The Norinchukin Bank

# Income Statement Summary (Non-consolidated)

~ Ordinary profits at JPY78.9bn ~

- In order to achieve the goal of JPY50.0bn to 100.0bn in ordinary profit, which is targeted by the Business Renewal Plan, the Bank accumulated profit steadily in the fiscal first quarter

	(in JPY 100mn)	June 30 2009	
1	Ordinary Income	3,642	
2	Interest Income	1,690	
3	Other Operating Income	1,121	<ul style="list-style-type: none"> <li>■ Gains on Sales of Bonds: JPY90.1bn</li> </ul>
4	Other Ordinary Income	798	<ul style="list-style-type: none"> <li>■ Gains on Sales of Stocks &amp; Other Securities: JPY5.3bn</li> </ul>
5	Ordinary Expenses	2,852	
6	Interest Expenses	1,892	
7	Other Operating Expenses	430	<ul style="list-style-type: none"> <li>■ Gains on Money Held in Trust: JPY 73.7bn</li> </ul>
8	General and Administrative Expenses	307	
9	Other Ordinary Expenses	182	<ul style="list-style-type: none"> <li>■ Total Losses on Sales of Securities: JPY 7.5bn</li> <li>■ (Losses on Sales of Bonds: JPY 7.5bn)</li> </ul>
10	Ordinary Profits	789	
11	Extraordinary Profits	4	
12	Extraordinary Losses	8	<ul style="list-style-type: none"> <li>■ Losses on Revaluation of Bonds: JPY 24.3bn</li> <li>■ Losses on Revaluation of Stocks &amp; Other Securities: JPY3.0bn</li> </ul>
13	Income Before Income Taxes	785	
14	Net Income	574	<ul style="list-style-type: none"> <li>■ Total Losses on Revaluation of Securities: JPY27.3bn</li> <li>■ Losses on Money Held in Trust: JPY 4.1bn</li> <li>■ Credit-related Costs: JPY 10.9bn</li> </ul>

Note: Non-consolidated figures as June 30 2009 (The financial figures provided above have not been audited by an auditing firm).  
Source: The Norinchukin Bank

# Balance Sheet Summary (Non-consolidated)

## ~ Prudent Portfolio Management ~

- Total assets grew by around JPY6.0 trillion due to increased fixed income investments

(in JPY 100mn)	March 31 2009	June 30 2009	Change	Change (%)
<b>(Asset)</b>				
1 Loans and Bills Discounted	109,478	101,687	-7,790	-7.1%
2 Securities	395,588	439,385	43,796	11.1%
3 Money Held in Trust	56,539	69,379	12,839	22.7%
4 Cash and Due from Banks	27,633	33,796	6,162	22.3%
5 Others	35,753	39,875	4,122	11.5%
6 Total Assets	624,992	684,123	59,130	9.5%
<b>(Liabilities)</b>				
7 Deposits	375,015	378,781	3,766	1.0%
8 Negotiable Cert. of Deposit	3,212	4,075	863	26.9%
9 Debentures	52,550	53,523	972	1.8%
10 Borrowed Money	58,736	50,391	-8,344	-14.2%
11 Others	110,755	167,657	56,902	51.4%
12 Total Liabilities	600,269	654,430	54,161	9.0%
<b>(Net Assets)</b>				
13 Paid-in Capital	34,213	34,213	-	-
14 Capital Surplus	250	250	-	-
15 Retained Earnings	7,881	8,458	577	7.3%
16 Others	-17,621	-13,229	4,392	N/A
17 Total Net Assets	24,723	29,692	4,969	20.1%

- Investments in foreign bonds such as U.S. and European government bonds comprise a large portion of increase in invested assets

- The majority of funding is covered by deposits from the Bank's members

- Foreign currency funding such as Repos grew in line with the Bank's increase in invested foreign assets

- Net assets as of June 30, 2009 grew 20% in the fiscal first quarter, due mainly to a decrease in unrealized losses on securities

# The Fair Value of Securities (Non-consolidated)

~ Decrease in unrealized losses on securities ~

- Unrealized losses on securities were JPY 1,668.2bn (an improvement of JPY424.6bn in the fiscal first quarter)
- Unrealized losses on securities have decreased due to the appreciation of stock prices and tightening of credit spreads

Net Unrealized Gains/Losses ( in JPY 100mn)		March 31 2009	June 30 2009	Change
[Fair Value of Other Securities]				
1	Stocks	234	751	517
2	Bonds	474	40	-434
3	Japanese Government Bonds	469	60	-409
4	Municipal Government Bonds	1	0	-1
5	Corporate Bonds	3	-19	-22
6	Others	-18,081	-14,523	3,558
7	Foreign Bonds	307	-1,307	-1,614
8	Foreign Stocks	-140	-119	21
9	Others	-18,248	-13,096	5,152
10	Investment Trusts	-18,196	-13,041	5,155
11	Subtotal	-17,373	-13,732	3,641
[Fair Value of Money Held in Trust]				
12	Other Money Held in Trust	-464	-160	304
[Securities reclassified into other holding purpose classification]				
13	"Other Securities" reclassified into "Held-to-Maturity Debt Securities"	3,090	-2,790	300
14	Total ( + + )	- 20,929	-16,682	4,246

■ Rise in yields on longer end negatively affected the Bank's fixed income holdings

■ Recovery of both domestic and overseas stock markets as well as tightened credit spreads pared down unrealized losses on securities

Note: The difference in the amount of Held-to-Maturity Debt Securities between the balance sheet and the fair value is JPY 256.9bn

Non-consolidated figures as of June 30, 2009 (The financial figures provided above have not been audited by an auditing firm)  
Source: The Norinchukin Bank



# Investments in Securitized Products (Non-consolidated: Preliminary Figures)

~ Securitization exposures (Note1) (Note2) ~

■ The Bank's securitized product portfolio mainly comprises 1) highly-rated, and 2) primary securitized products (ABS and CLO)

## 1 Exposures by product

(in JPY 100mn)

	AAA	AA	A	BBB	Below BBB	Total	Change From March End
1 ABS	25,039	38	1,128	297	245	26,749	255
2 RMBS (Note 3)	5,226	407	391	162	52	6,239	-286
3 CMBS	2,609	1,284	1,041	742	238	5,916	-112
4 CDO	10,979	4,771	2,582	1,496	1,838	21,669	-278
5 CLO	9,852	4,182	2,237	1,079	1,528	18,880	-201
6 Resecuritized Products (Note 4)	717	400	252	397	293	2,061	-111
7 CBO and Others	408	188	92	19	16	726	33
8 Others	0	0	0	11	636	648	-55
9 Total	43,855	6,502	5,143	2,711	3,011	61,223	-477

## 2. Unrealized Gains/Losses and Total Losses by product

	AAA	AA	A	BBB	Below BBB	Total	Change From March End	Losses (Note 5)
10 ABS	-443	-5	-118	-14	-13	-595	93	-114
11 RMBS (Note 3)	-54	-148	-24	-34	0	-262	98	-50
12 CMBS	-207	-45	-74	-83	-31	-442	-2	-3
13 CDO	-532	-532	-446	-217	-145	-1,873	212	-106
14 CLO	-430	-308	-389	-151	-119	-1,400	131	-64
15 Resecuritized Products (Note 4)	-84	-170	-56	-73	-25	-409	28	-48
16 CBO and Others	-18	-53	0	7	0	-63	54	6
17 Others	0	0	0	1	0	1	1	0
18 Total	-1,238	-731	-663	-348	-190	-3,171	404	-275

Note 1: Securitized Products are defined internally based on the definition in Basel II. Includes Sub-prime related products.

Note 2: The amount of securitization exposure is net exposure after write-off and revaluation. For some CMBS, the amount of exposure JPY 127.7bn (Revaluation Losses JPY 1.2bn), which should be included in Specialized Lending (SL) under Basel II, is not included here.

Note 3: Includes Sub-prime RMBS. Not include mortgage-backed securities related with US Government sponsored entities.

Note 4: Re-securitized Products such as ABS-CDO, CDO of CDO's. Includes ABS-CDO and CDO of CDO's that contain Sub-prime RMBS as underlying assets.

Note 5: Total value of revaluation losses and unrealized losses of financial instruments with embedded derivatives as of FY 2009/6.

Note: As of the end of June 2009, non-consolidated basis. (Financials above have not been audited by auditors.)

Source: The Norinchukin Bank

## 3. Exposures by currency

(JPY in 100mn)

	Exposures	Change From March End	Unrealized Gains/Losses	Change From March End	Losses (Note 5)
1 USD	43,386	-306	-2,231	316	-174
2 Euro	8,314	235	-717	85	-64
3 GBP	506	63	-23	-1	0
4 JPY	9,016	-468	-198	4	-36
5 Total	61,223	-477	-3,171	404	-275

### (Reference) Fair Value of Securitization Exposures

Securitization exposure includes investment securities, monetary claims bought, outstanding loans as well as accrued income and undrawn commitments.

As for securitized products, which are rarely transacted in the current market (such as credit card debt security ABS in ABS and CLO in CDO), the Bank determined that quoted prices provided by brokers or vendors are no longer deemed as fair value, and values such products at reasonably estimated amounts.

The Bank's middle office, which is independent of these transactions, verifies the adequacy of the fair value assessments.



# Investments in Subprime-related Products and Other Products (Non-consolidated: Preliminary Figures)

~ Subprime-related products, Credit to Monoline Insurers, Leveraged Loans, etc. ~

■ Exposure to subprime-related products stood at JPY 124.0bn (After JPY7.3bn revaluation losses and JPY 27.3bn unrealized losses)

## 1. Investment on Sub-prime Loan Related Products (Note1) (in JPY 100mn)

### (1) Sub-prime Loan related products (Sub-prime RMBS: primary Instruments) (Note2)

	Exposures	Change From March End	Unrealized Gains/Losses	Change From March End	Losses
1 AAA	271	-4	-15	10	0
2 AA	277	-30	-146	23	-9
3 A	172	-6	-23	38	-24
4 BBB	81	-17	-29	10	-9
5 below BBB	52	10	0	0	-7
6 Total	854	-49	-215	81	-50

### (2) ABS-CDO including sub-prime RMBS (squared instruments) (Note3)(Note 4)

	Exposures	Change From March End	Unrealized Gains/Losses	Change From March End	Losses
7 AAA	17	-5	0	19	-20
8 AA	0	0	0	0	0
9 A	2	-1	0	0	0
10 BBB	36	-20	-5	2	0
11 below BBB	149	-47	-25	-25	3
12 Total	206	-72	-31	-5	-17

### (3) CDO of CDO's including sub-prime RMBS (cubic instruments) (Note5)(Note6)

	Exposures	Change From March End	Unrealized Gains/Losses	Change From March End	Losses
13 AAA	0	-163	0	39	0
14 AA	0	0	0	0	0
15 A	172	169	-27	-27	0
16 BBB	0	0	0	0	0
17 below BBB	8	-37	0	0	-6
18 Total	180	-33	-27	12	-6

### (4) Total of sub-prime loan related products (Total of (1) to (3))

	Exposures	Change From March End	Unrealized Gains/Losses	Change From March End	Losses
19 AAA	288	-174	-15	68	-20
20 AA	277	-30	-146	23	-9
21 A	346	161	-50	11	-24
22 BBB	117	-38	-34	13	-9
23 below BBB	209	-76	-25	-25	-10
24 Total	1,240	-155	-273	90	-73

Note 1: The Bank has not loaned in pure Sub-prime loans.  
 Note 2: Ratios by vintage (Issuance year) is 99%, 1%, and 0% for 2004 and before, 2005-2006, and after 2007, respectively.  
 Note 3: Ratios by vintage (Issuance year) is 50%, 32%, and 18% for 2004 and before, 2005-2006, and after 2007, respectively.  
 Note 4: Capital Note issued by SIV is JPY288 (After Non-write-off and non-revaluation losses).  
 Note 5: Ratios by (Issuance year) is 100%, 0%, and 0% for 2004 and before, 2005-2006, and after 2007, respectively.  
 Note 6: CDO of CDO's contains RMBS even if only slightly. Include only a few sub-prime RMBS.

## 2. Investment on Monoline Products (in JPY 100mn) (Note 7)

	Exposures	Change From March End	Unrealized Gains/Losses	Change From March End	Losses
1 Financial Products with Monoline guarantee (Note 8)	1,635	-19	-394	40	0
2 Monoline Products in Securitization business	0	0	0	0	0
3 Total	1,635	-19	-394	40	0

## 3. Investment on Leveraged Loans (Note9) (in JPY 100mn)

	Exposures	Change From March End
4 Domestic	425	-3
5 Overseas	1,507	-52
6 Total	1,933	-54

## 4. Trading of Sub-prime loan related products

The Bank has not originated, underwritten nor traded ABCP, SIV, and leveraged loans. The Bank does not own any sub-prime loan related products in its trading account and is not involved in any unconsolidated off-balance transactions. The Bank is only involved in sponsoring 1 SPC to provide liquidity to its domestic customers' account receivables (Exposures : JPY95.7bn)

## 5. Investment on Bonds Issued by US Housing-related GSEs (Note 10) (in JPY 100mn)

	Exposures	Change From March End	Unrealized Gains/Losses	Change From March End	Losses
7 Agency Mortgage Bonds	27,618	7,561	803	-214	0
8 Agency Bonds	21,262	8,414	327	-333	0
9 Total	48,881	15,976	1,131	-547	0

### (Reference) Subprime-related products within fund investments (Note)

■ The Bank does not hold any funds that invest mainly in subprime-related products, but some of the funds managed by an external company to which the Bank entrusts its management do include subprime RMBS (primary securitized products). Outstanding balances of subprime RMBS and its unrealized losses within these funds were JPY 110.6bn and JPY39.4bn, respectively.

Note: Based on internal research on funds whose assets are identifiable.

Note 7: Other than financial products guaranteed by monoline, the Bank holds securitized products (CDO) which include monoline CDS. Exposure of monoline-CDS calculated based on monoline-CDS ratio to securitized product amounts is JPY5.1bn.  
 Note 8: Non-guaranteed grades for underlying assets of ABS (US) and CLO (US) are above investment grades. No sub-prime related loan products for guaranteed products.  
 Note 9: Internal definition of loans mainly targets LBOs. The reserve for individual possible loan losses is JPY 6.9bn.  
 Note 10: The Bank has JPY 1,303.6bn of mortgage-backed security bonds issued and guaranteed by Ginnie Mae, a US government-owned corporation.  
 Note: As of the end of June 2009, non-consolidated basis. (Financials above have not been audited by auditors.)  
 Source: The Norinchukin Bank

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