

**The Norinchukin Bank**  
**農林中央金庫**  
**Presentation of Capital Position and Others**  
**as of December 31, 2008**  
*February 20, 2009*



# Financial Highlights as of December 31, 2008 (Non-consolidated)

## ■ Capital adequacy ratio of 10.74% and Tier I ratio of 6.80% (Preliminary Figures)

- Amid the financial market turmoil, the Bank maintained its capital adequacy ratio at a sound level in the upper 10% range.

## ■ Securitization exposures are JPY 6,043.4bn (after JPY 244.6bn revaluation losses and JPY 385.1bn unrealized losses)

- Revaluation losses on the Bank's holding securities are subject to change since their fair values are recorded at the end of the fiscal year. Under the present extremely severe business environment due to the ongoing global market turmoil, there is a risk that the Bank might not be able to meet its forecasted ordinary profits of JPY 100bn (non-consolidated). Furthermore, the Bank might fall into the red if the external situation worsens.
- An announcement will be released promptly if the Bank decides to revise its forecasted ordinary profits, based on future market movements.

## ■ A capital increase of JPY 1,905.6bn (net increase) at most by the end of March 2009 was decided (on February 20, 2009)

- The Bank seeks to further enhance its capital base, which enables the Bank to manage its funds more stably even under the severely stressed environment, in order to fulfill its role as a central financial institution for cooperatives.

# 1. Capital Position (Non-consolidated, Preliminary Figures)

## ~ Capital adequacy ratio at the end of December 2008 ~

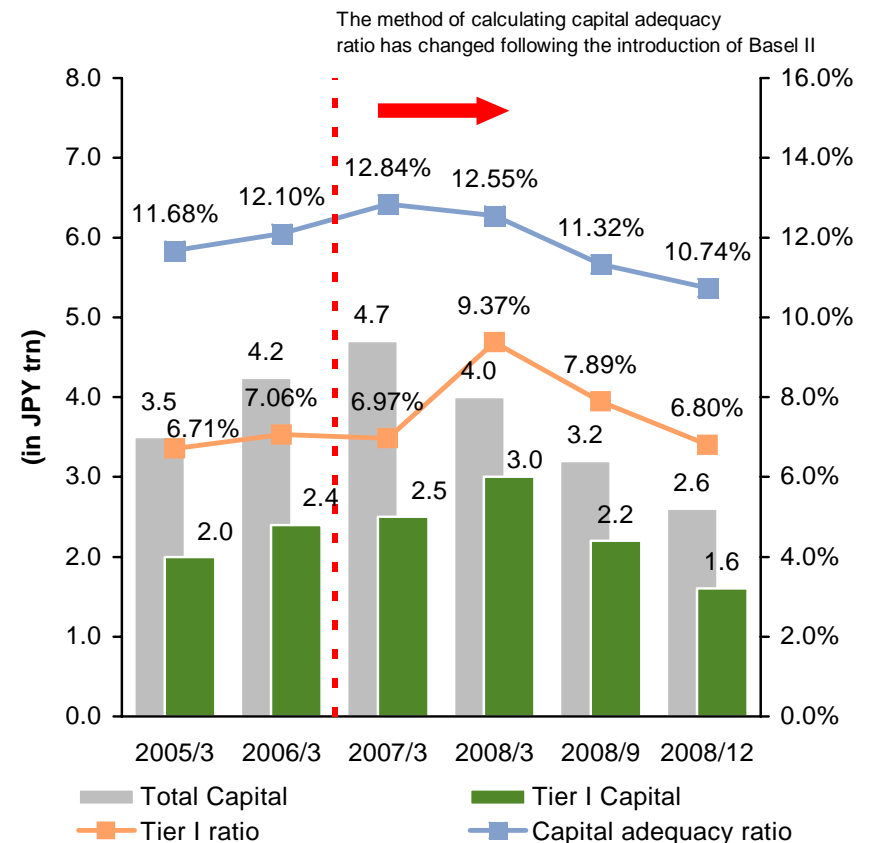
- Risk weighted assets are JPY 24,499.5bn, down by JPY 4,094.9bn from the end of September 2008
- Despite a decline in the capital adequacy ratio, off by 0.58% from the end of September 2008, the Bank maintained its capital adequacy ratio at a sound level in the upper 10% range

Capital adequacy ratio (in JPY 100mn)

	2008/9	2008/12	Change
Tier I Capital	22,566	16,679	-5,887
Tier II Capital	13,078	12,503	-575
Deductions	3,260	2,868	-392
Total Capital	32,384	26,314	-6,070
Risk Weighted Assets	285,945	244,995	-40,949
Capital Adequacy Ratio	11.32%	10.74%	-0.58%
Tier I Ratio	7.89%	6.80%	-1.09%

Note: At the end of December 2008, non-consolidated basis.  
Source: The Norinchukin Bank

Changes in capital adequacy ratio



# 2 – (1). Investment on Securitized Products (Non-consolidated)

## ~ Securitization exposures (Note 1) ~

■ Securitization exposures are JPY 6,043.4bn (after JPY 244.6bn revaluation losses and JPY 385.1bn unrealized losses)

### 1. Investment on Securitized Products (Note 1)

#### 1 Exposures by product (Note 2)

(JPY in 100mn)

	AAA	AA	A, BBB	Below BBB	Total	Change from March end
1 ABS	23,016	1,224	1,062	6	25,309	6,893
2 RMBS (Note 3)	5,722	641	454	33	6,851	-1,625
3 CMBS	3,969	759	1,494	13	6,237	-1,256
4 CDO	15,476	2,212	3,397	370	21,457	-3,701
5 CLO	13,732	1,793	2,753	304	18,584	-1,394
6 Resecuritized Products (Note 4)	1,244	293	556	65	2,159	-1,965
7 CBO and Others	500	125	88	0	714	-342
8 Others	0	0	261	317	578	-281
9 Total	48,185	4,838	6,669	740	60,434	27

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

(JPY in 100mn)

	AAA	AA	A, BBB	Below BBB	Total	Change from March end	Losses (Note 5)
10 ABS	-489	-116	-65	0	-672	-137	0
11 RMBS (Note 3)	-197	-222	-79	-1	-501	39	-320
12 CMBS	-249	-46	-147	0	-443	83	-6
13 CDO	-969	-358	-771	-1	-2,100	716	-2,094
14 CLO	-744	-323	-634	0	-1,702	232	-145
15 Resecuritized Products (Note 4)	-157	0	-122	-1	-280	525	-1,895
16 CBO and Others	-67	-34	-13	0	-116	-42	-53
17 Others	0	0	-134	0	-134	-104	-25
18 Total	-1,906	-744	-1,198	-2	-3,851	598	-2,446

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 143.1bn (Revaluation Losses JPY 1.1bn), 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 in the 2008/12.

Note: At the end of December 2008, Preliminary figures, non-consolidated basis.

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	41,467	4,061	-2,554	593	-2,264
2 Euro	8,316	-2,038	-1,114	89	-63
3 GBP	416	-225	-23	20	-11
4 JPY	10,233	-1,769	-159	-104	-106
5 Total	60,434	27	-3,851	598	-2,446

■ Exposures, revaluation losses and unrealized losses are subject to change since they are recorded at fair value or other values as of the closing date of fiscal year.

#### [Reference] Fair Value of Securitization Exposures

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

Most of investment securities among securitization exposures have a fair value on an outstanding basis. Loans and monetary claims bought do not have a fair value. Fair value assessment is performed based on "Accounting Standards for Financial Instruments" and "Practical Guidelines on Accounting for Financial Instruments" at quoted prices provided by securities firms or other third-parties. However, as for securitized products (a part of ABS, CMBS and CDO) which have recently been rarely dealt in the market, the Bank considered that market prices are no longer be deemed as fair value, and evaluates such securitized products based on reasonably estimated amounts from the end of December 2008.

Our independent middle office comprehensively verifies the accuracy of fair value.

# 2-(2). Investments on Sub-prime Loan related Products and Other Products (Non-consolidated)

~ Sub-prime loan related products, Monoline, Leveraged loans etc ~

■ Net exposure of sub-prime loan related products is JPY 156.3bn (after JPY 64.2bn revaluation losses and JPY 62.2bn 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 (Note 3)
1 AAA	280	-142	-140	-27	-61
2 AA	513	-294	-220	18	-145
3 A, BBB	148	-250	-74	96	-59
4 below BBB	33	1	-1	-1	-54
5 Total	975	-686	-436	85	-320

### (2) ABS-CDO including sub-prime RMBS (squared instruments) (Note4)

	Exposures	Change from March end	Unrealized Gains/Losses	Change from March end	Losses (Note 3)
6 AAA	24	-122	-16	30	0
7 AA	0	-565	0	41	0
8 A, BBB	329	260	-104	-94	-70
9 below BBB	18	3	0	0	-44
10 Total	373	-423	-120	-22	-115

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

	Exposures	Change from March end	Unrealized Gains/Losses	Change from March end	Losses (Note 3)
11 AAA	124	-276	-65	48	0
12 AA	89	76	0	8	-206
13 A, BBB	0	0	0	0	0
14 below BBB	0	0	0	0	0
15 Total	214	-199	-65	57	-206

### (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 (Note 3)
16 AAA	430	-541	-222	51	-61
17 AA	602	-783	-220	68	-352
18 A, BBB	478	10	-178	1	-130
19 below BBB	51	5	-1	-1	-98
20 Total	1,563	-1,308	-622	120	-642

Note 1: The Bank has not loaned in pure Sub-prime loans.

Note 2: Ratios by vintage (Issuance year) is 98%, 2%, and 0% for 2004 and before, 2005-2006, and after 2007, respectively.

Note 3: Total value of impaired losses and unrealized losses of compound instruments in 1st-half of 2009/3.

Note 4: Capital Note issued SIV is JPY0.46mn (After JPY22mn write-off and non-revaluation losses).

Ratios by (issuance year) is 51%, 32%, and 17% for 2004 and before, 2005-2006, and after 2007, respectively.

Note 5: CDO of CDO's contains RMBS even if only slightly. Include only a few sub-prime RMBS included.

Ratios by vintage (issuance year) is 70%, 30%, and 0% for 2004 and before, 2005-2006, and after 2007, respectively.

Note 6: Non-guaranteed grade for nonrecourse loan and CLO is above investment grades. No sub-prime related loan products for guaranteed products.

The Bank has CDO including monoline-CDS in addition to monoline guaranteed products. Exposure of monoline-CDS calculated based on monoline-CDS ratio to securitized product amounts is JPY6.2bn.

Note 7: Internal definition of loans mainly targets LBOs. The reserve for individual possible loan losses is JPY 4.6bn.

Note 8: The Bank has JPY 576.5bn of mortgaged-backed security bonds issued and guaranteed by Ginnee Mae, a US government-owned corporation.

Note: At the end of December 2006. Preliminary figures, non-consolidated basis.

Source: The Norinchukin Bank

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

	Exposures	Change from March end	Unrealized Gains/Losses	Change from March end	Losses (Note 5)
1 Financial Products with Monoline guarantee (iv)	1,420	-517	-252	1	-281
2 Monoline Products in Securitization business	0	0	0	0	0
3 Total	1,420	-517	-252	1	-281

## 3. Investment on Leveraged Loans (Note7) (in JPY 100mn)

	Exposures	Change from March end	Unrealized Gains/Losses	Change from March end	Losses (Note 5)
4 Domestic	452	-103			
5 Overseas	1,563	-341			
6 Total	2,016	-445			

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

The Bank has not originated, underwritten traded ABCP, SIV, and leveraged loans. The Bank do not own any Sub-prime loan related products in our trading account and are not involved in any unconsolidated off-balance transactions. The Bank is only involved in sponsoring 1 SPC to provide liquidity to our domestic client's account receivables (Exposures : JPY94.5bn)

## 5. Investment on Bonds Issued by US Housing-related GSEs (Note 8) (in JPY 100mn)

	Exposures	Change from March end	Unrealized Gains/Losses	Change from March end	Losses (Note 5)
7 Agency Mortgage Bonds	19,339	-16,304	718	-84	0
8 Agency Bonds	12,170	-8,511	389	-330	0
9 Total	31,509	-24,816	1,107	-415	0

■ Exposures, revaluation losses and unrealized losses are subject to change since they are recorded at fair value or other values as of the closing date of fiscal year.

[Reference] Sub-prime loan related products within fund investment (note)

■ The Bank does not own any fund mainly investing in sub-prime loan related products but some funds of which the bank commissions the management, include sub-prime RMBS (primary instruments). Sub-prime RMBS is JPY 132.5bn and unrealized loss within these funds is JPY 54bn. In addition, the Bank has sub-prime related derivatives exposure of JPY 1.8bn on purchase basis (unrealized loss is JPY 1.1bn).

Note: Internal research basis for funds which the bank can look through the individual assets within each fund.

### 3. Capital Funding

~ Approach in FY 2009/3 ~

- A capital increase of JPY 1,905.6bn (net increase) at most by the end of March 2009 was decided

#### Funding from Members by the end of March 2009

November 27, 2008

- A decision to increase core capital (Tier I) by over JPY 1trn in FY 2009/3 was announced

February 20, 2009

- The capital increase was decided

Increase in Tier	Up to JPY 1,382.4bn	(Lower Dividend Rate Stocks)
Increase in Tier	Up to JPY 523.2bn	(Perpetual Subordinated Loans)

- Realize more effective fund management with excess capital by placing greater emphasis on stability and security
- Fulfill the Bank's role as a central financial institution for cooperatives more efficiently

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