



# Norinchukin Bank and the JA Banking System

## THE CHARACTERISTICS OF THE BANK

### Capital

The Bank's capital is composed of common stocks, lower dividend stocks, and preferred stocks. Common stocks, amounting to ¥200 billion, are the most basic means of fund-raising for the Bank and are purchased by all of the shareholding member cooperatives. Lower dividend stocks are one type of common stock that is underwritten by certain members for specific purposes and are subject to special conditions whereby the equity dividend rate is lower than that of common stocks. As of the end of fiscal 2003, the balance of lower dividend stocks purchased by Shinnoren and Shingyoren (Prefectural Credit Federations of Fishery Cooperatives) stood at ¥1 trillion. Preferred stocks are equity funds purchased by non-members with no voting rights. In the past, the Bank has issued a total of ¥50 billion in such stocks through a private offering.

Perpetual subordinated loans and subordinated loans with maturity in Tier II classification under BIS requirements and borrowed from cooperative members serve to enhance the Bank's overall capital position.

In fiscal 2003, a steady increase in internal reserves boosted Tier I capital. Also, in Tier II capital, the Bank added ¥183 billion in perpetual subordinated loans to Upper Tier II capital, which comprises comparatively high-quality capital.

### Funding

Funding for the Bank consists mainly of deposits and Norinchukin Bank debentures. The Bank's deposits differ from those of other banks in that they are primarily made up of funds from cooperative members.

Specifically, deposits made by JA and Gyokyo (Fishery Cooperatives) members—who are directly involved in the primary industries—and local residents are entrusted to the Bank through the Shinnoren and Shingyoren. This system provides the Bank with a long-term, stable source of funding.