

Financial Summary for the 1st Half of Fiscal Year 2016

November 22, 2016

農林中央金庫

The Norinchukin Bank

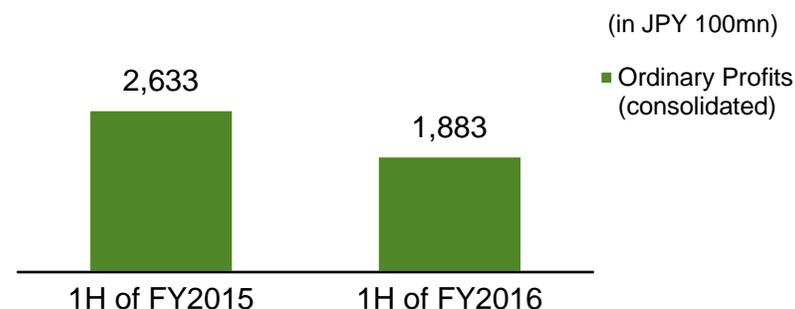
Financial Highlights for the 1st Half of FY2016

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

Profits

【Consolidated】 (in JPY 100mn)

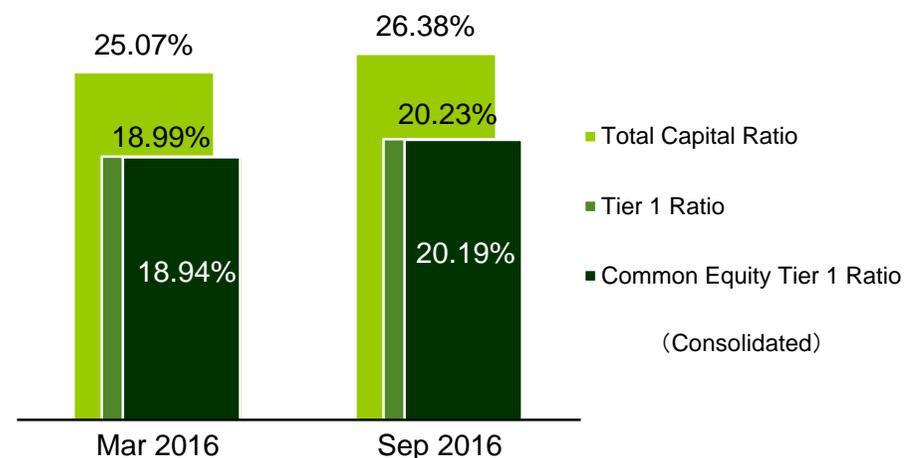
	1H of FY2015	1H of FY2016	Change
Ordinary Profits	2,633	1,883	(750)
Net Income	2,152	1,434	(718)



Capital Position (under Basel III)

【Consolidated】

	Mar 2016	Sep 2016	Change
Common Equity Tier 1 Ratio	18.94%	20.19%	1.24%
Tier 1 Ratio	18.99%	20.23%	1.25%
Total Capital Ratio	25.07%	26.38%	1.31%



Income Statement Summary

【Consolidated】

		(in JPY 100mn)		
		1H of FY2015	1H of FY2016	Change
1	Ordinary Income	7,068	7,006	(61)
2	Interest Income	5,843	5,076	(767)
3	<Interests on/Dividends from Securities>	5,434	4,714	(720)
4	<Interests on Loans>	323	295	(28)
5	Ordinary Expenses	4,434	5,123	688
6	Interest Expenses	3,383	3,971	587
7	<Expenses on Funding from Members>	1,673	1,760	87
8	General and Administrative Expenses	662	809	147
9	Ordinary Profits	2,633	1,883	(750)
10	Income before Income Taxes	2,622	1,938	(683)
11	Net Income	2,152	1,434	(718)

【Non-consolidated】

		(in JPY 100mn)		
		1H of FY2015	1H of FY2016	Change
12	Ordinary Profits	2,603	1,859	(743)
13	Net Income	2,137	1,424	(713)

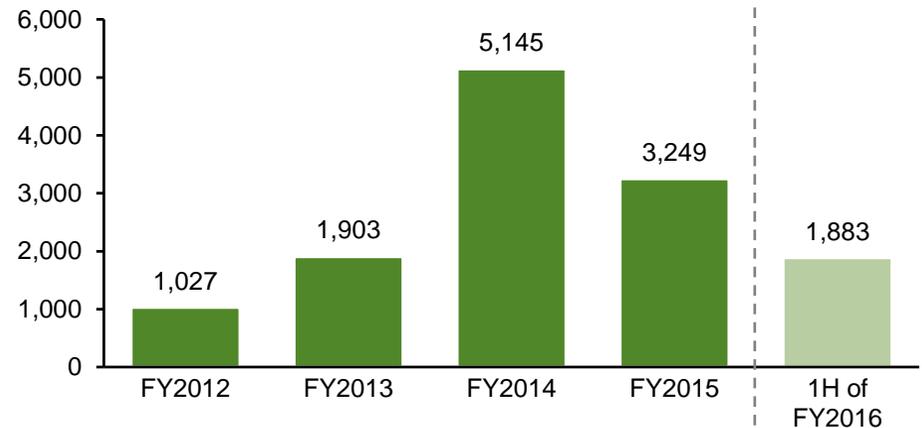
【Reference (Non-consolidated)】

14	Gains on Sale of Securities	141	602	460
15	Losses on Sale of Securities	23	0	(23)
16	Credit-related Expenses ^(Note)	(19)	(88)	(68)
17	Disposal of Securities	0	2	2

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

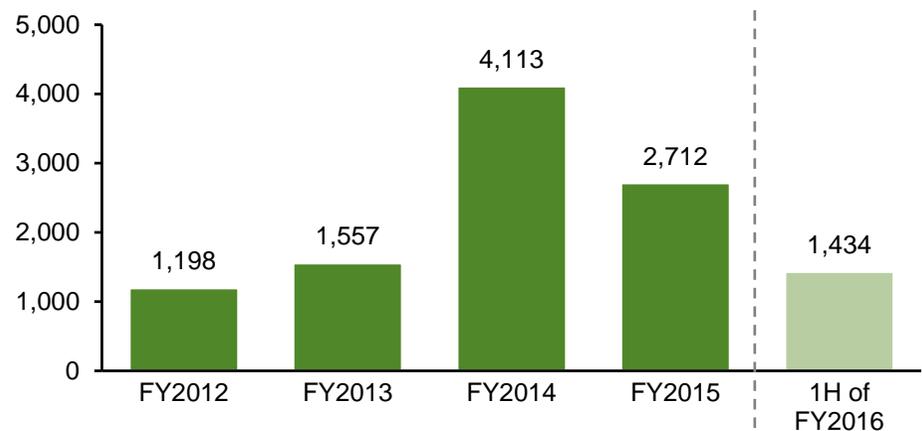
Ordinary Profits over Time (Consolidated)

(in JPY 100mn)



Net Income over Time (Consolidated)

(in JPY 100mn)



Balance Sheet Summary

【Consolidated】

(in JPY 100mn)

	Mar 2016	Sep 2016	Change
1 Loans and Bills Discounted	180,221	128,543	(51,677)
2 Securities	583,063	546,768	(36,295)
3 Money Held in Trust	49,229	55,478	6,248
4 Cash and Due from Banks	150,579	262,491	111,911
5 Others	48,734	28,321	(20,412)
6 Total Assets	1,011,829	1,021,604	9,774
7 Deposits ^(Note)	602,211	635,730	33,519
8 Debentures	31,220	27,677	(3,543)
9 Payables under Repurchase Agreements	184,882	170,450	(14,431)
10 Others	121,647	117,131	(4,515)
11 Total Liabilities	939,961	950,990	11,029
12 Total Net Assets	71,867	70,613	(1,254)

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

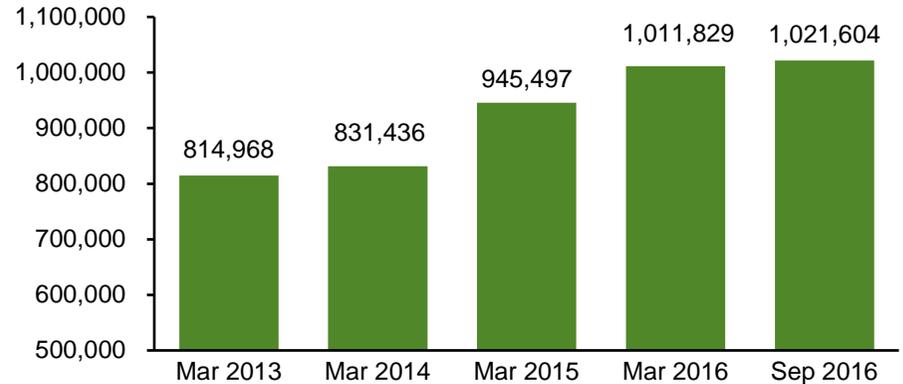
【Non-consolidated】

(in JPY 100mn)

	Mar 2016	Sep 2016	Change
13 Total Assets	1,001,300	1,010,040	8,739
14 Total Liabilities	929,964	939,967	10,002
15 Total Net Assets	71,336	70,073	(1,262)
16 Gains/Losses on Revaluation of Securities	29,230	26,951	(2,279)

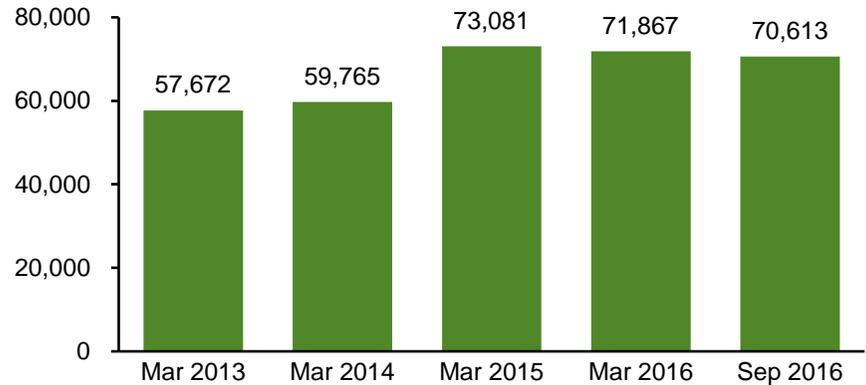
Total Assets over Time (Consolidated)

(in JPY 100mn)



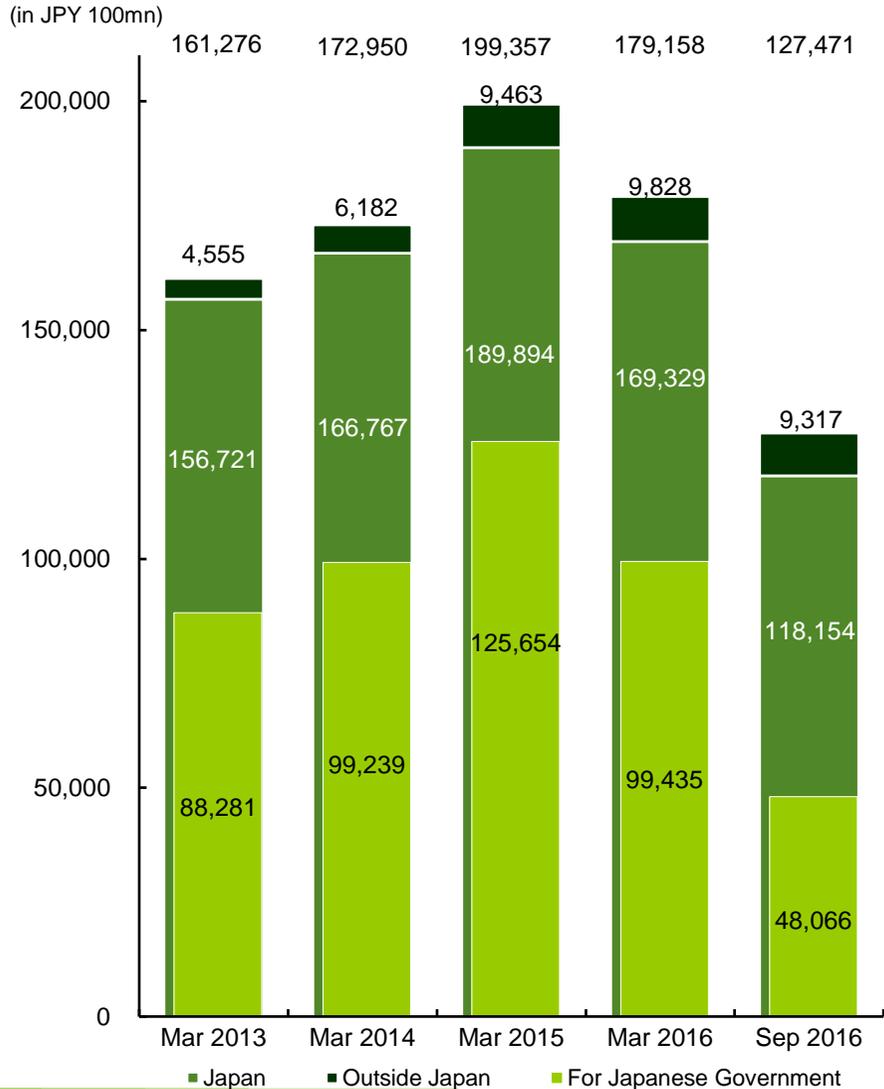
Net Assets over Time (Consolidated)

(in JPY 100mn)

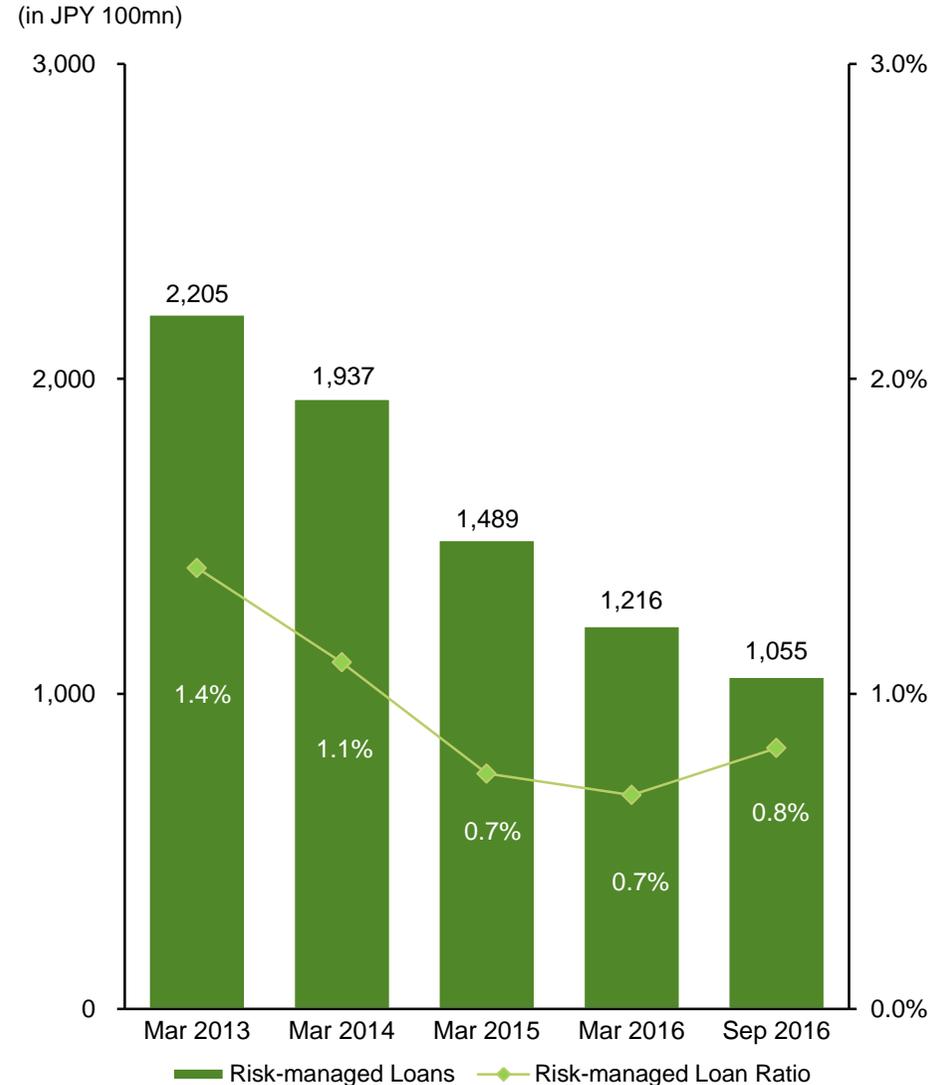


Loan and Bills Discounted (Non-consolidated)

Loans and Bills Discounted over Time

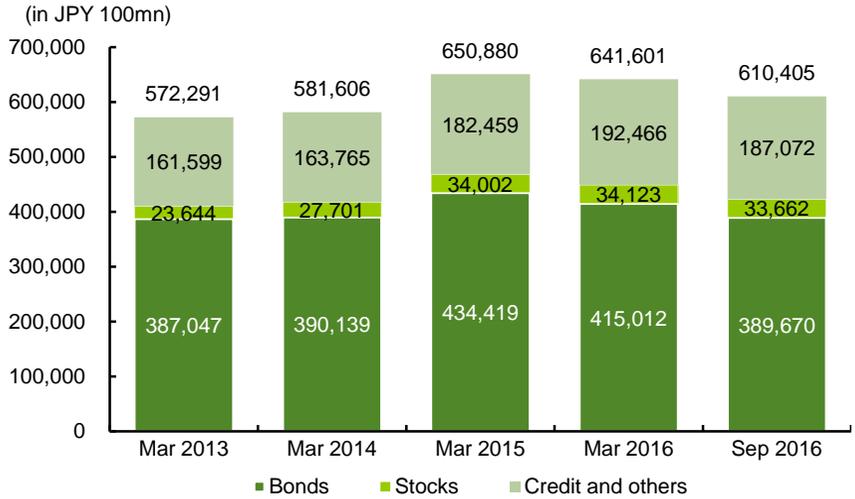


Risk-managed Loans over Time

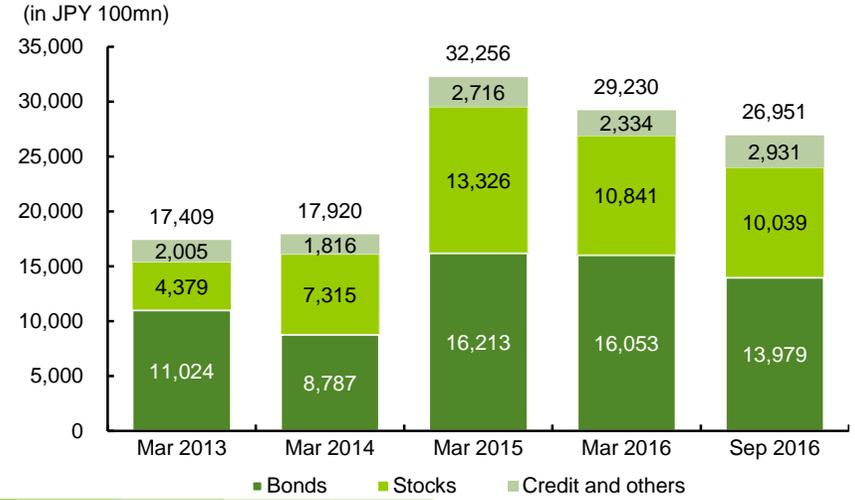


Market Investment Portfolio (Non-consolidated)

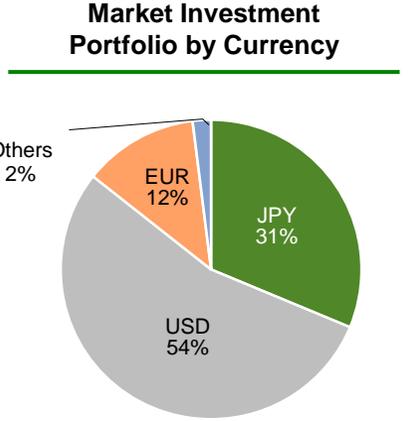
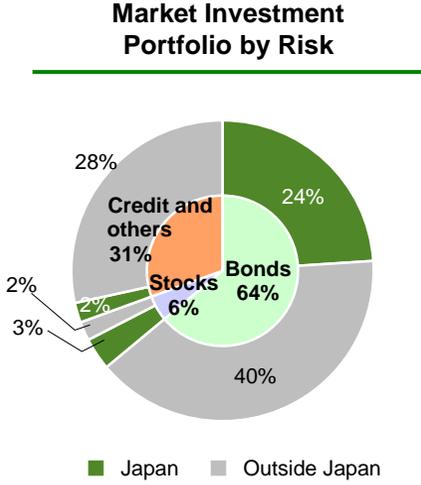
Market Investment Portfolio over Time



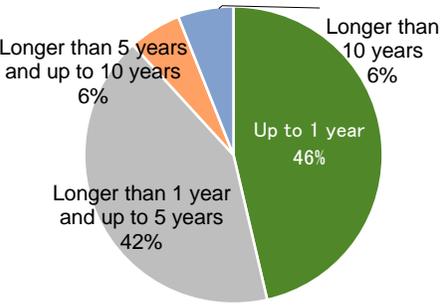
Net Unrealized Gains and Losses over Time



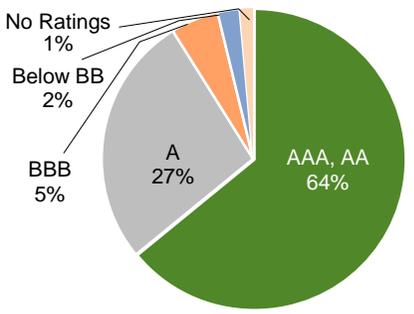
Market Investment Portfolio (Sep 2016)



Bond and Credit Portfolio by Rate Reset Maturity

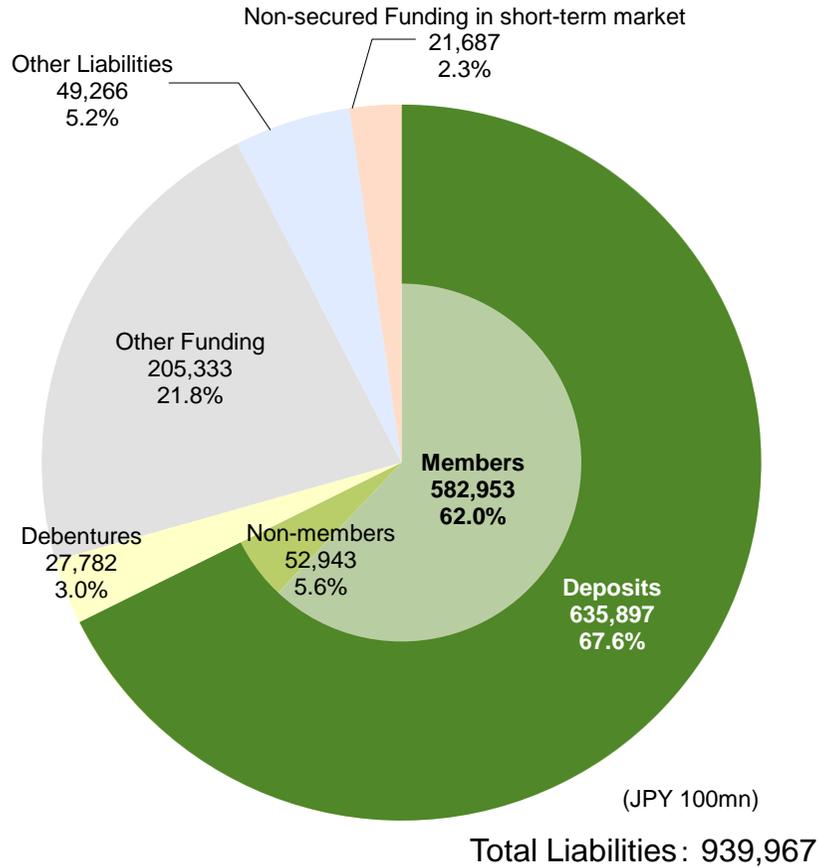


Market Investment Portfolio by Rating



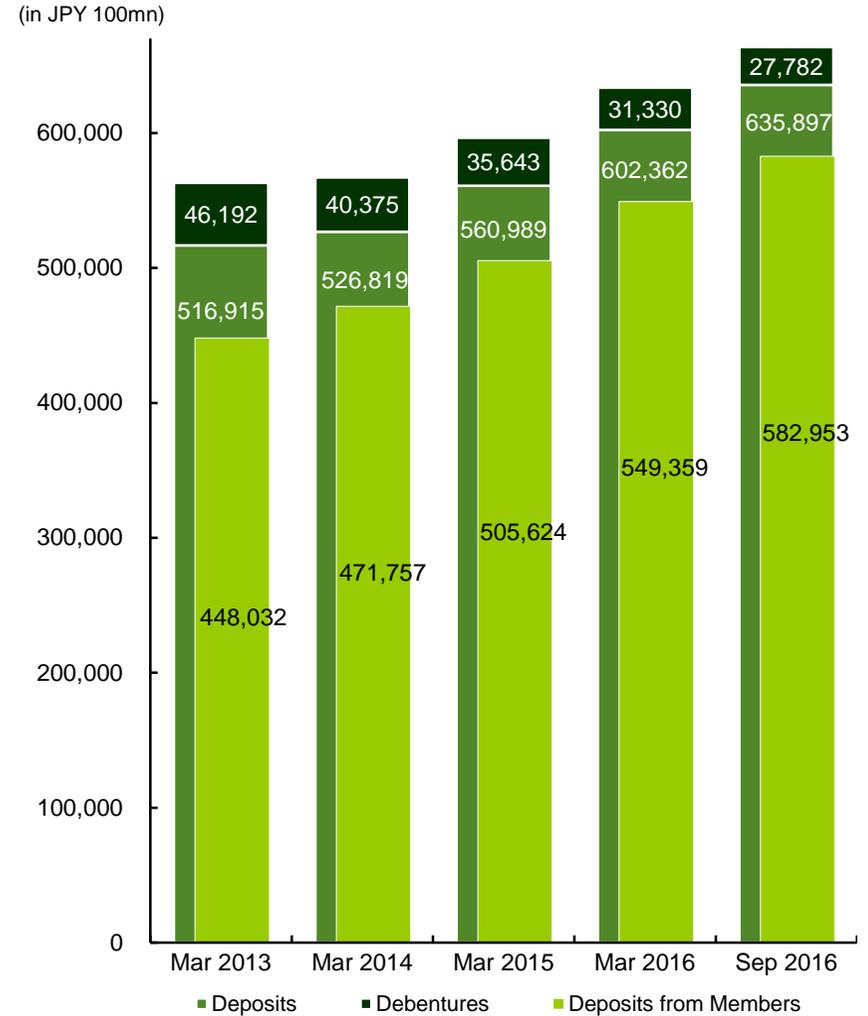
Funding (Non-consolidated)

Breakdown of Funding



(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.

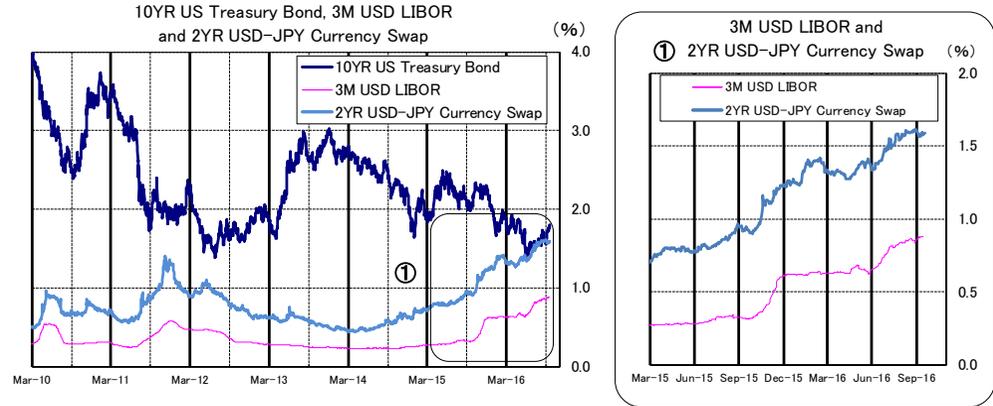
Deposits and Debitures over Time



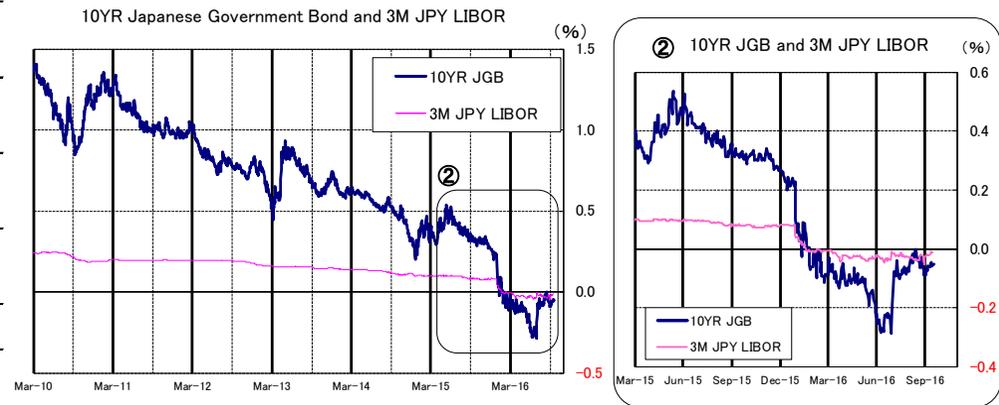
Earning Yields (Non-consolidated)

	Average (in JPY tm)		Earnings (in JPY 100mn)		Yield	
	1H of FY2016	YOY Change	1H of FY2016	YOY Change	1H of FY2016	YOY Change
【Investment】						
1 Loans and Bills Discounted	14.8	(4.6)	278	(27)	0.38%	0.06%
2 Securities	56.5	(5.3)	5,941	(267)	2.10%	0.09%
3 Yen-denominated Securities (including Net Gains/Losses on Sales)	17.5	(0.0)	1,149	306	1.31%	0.35%
4 Foreign Currency-denominated Securities (including Net Gains/Losses on Sales)	39.0	(5.2)	4,792	(573)	2.45%	0.03%
5 Short-term Investment Assets	5.8	3.5	19	(4)	0.07%	(0.14%)
【Funding】						
6 From Member Banks	56.7	4.4	1,760	87	0.62%	(0.02%)
7 Debentures	2.9	(0.5)	50	(21)	0.34%	(0.07%)
8 Funding from Markets	25.2	(6.5)	521	190	0.41%	0.20%
9 From the Yen Market	1.6	(1.2)	9	(6)	0.11%	0.00%
10 From Foreign Currencies Markets	23.5	(5.2)	511	197	0.43%	0.22%
(Reference)						
11 Foreign Currencies Funding (Including Currency Swaps, etc.)	40.1	(6.7)	1,345	560	0.67%	0.33%

(Reference) US Dollar Interest Rates over Time



(Reference) Yen Interest Rates over Time



Capital Position

【Consolidated】

	Mar 2016	Sep 2016	Change
1 Tier 1 Capital	62,932	63,298	366
2 Common Equity Tier 1 Capital (CET1)	62,788	63,149	361
3 Capital Stock and Capital Surplus	34,555	34,555	-
4 Earned Surplus	17,024	18,473	1,448
5 Unrealized Gains on Other Securities	12,711	11,718	(992)
6 Additional Tier 1 Capital	144	149	4
7 Tier 2 Capital	20,165	19,221	(944)
8 45% of Unrealized Gains on Other Securities	5,262	4,851	(410)
9 Subordinated Bonds and Loans	15,632	15,132	(500)
10 Total Capital	83,098	82,520	(578)
11 Risk-weighted Assets	331,352	312,750	(18,602)
12 Common Equity Tier 1 Ratio	18.94%	20.19%	1.24%
13 Tier 1 Ratio	18.99%	20.23%	1.25%
14 Total Capital Ratio	25.07%	26.38%	1.31%
15 CET 1 Ratio on Fully Loaded Basis (Note 1)	21.20%	22.35%	1.16%

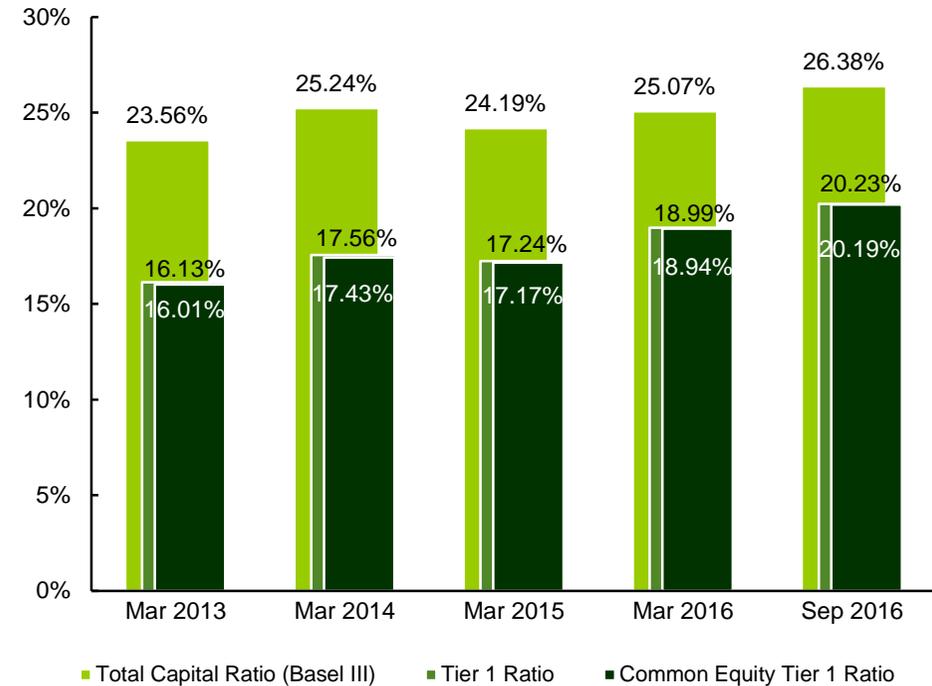
(Note1) Item 15: based on a Basel III fully loaded basis

Leverage Ratio (Consolidated)

【Consolidated】

	Mar 2016	Sep 2016
16 Leverage Ratio	6.14%	6.12%

Capital Ratios over Time (Consolidated)



Liquidity Coverage Ratio (Consolidated)

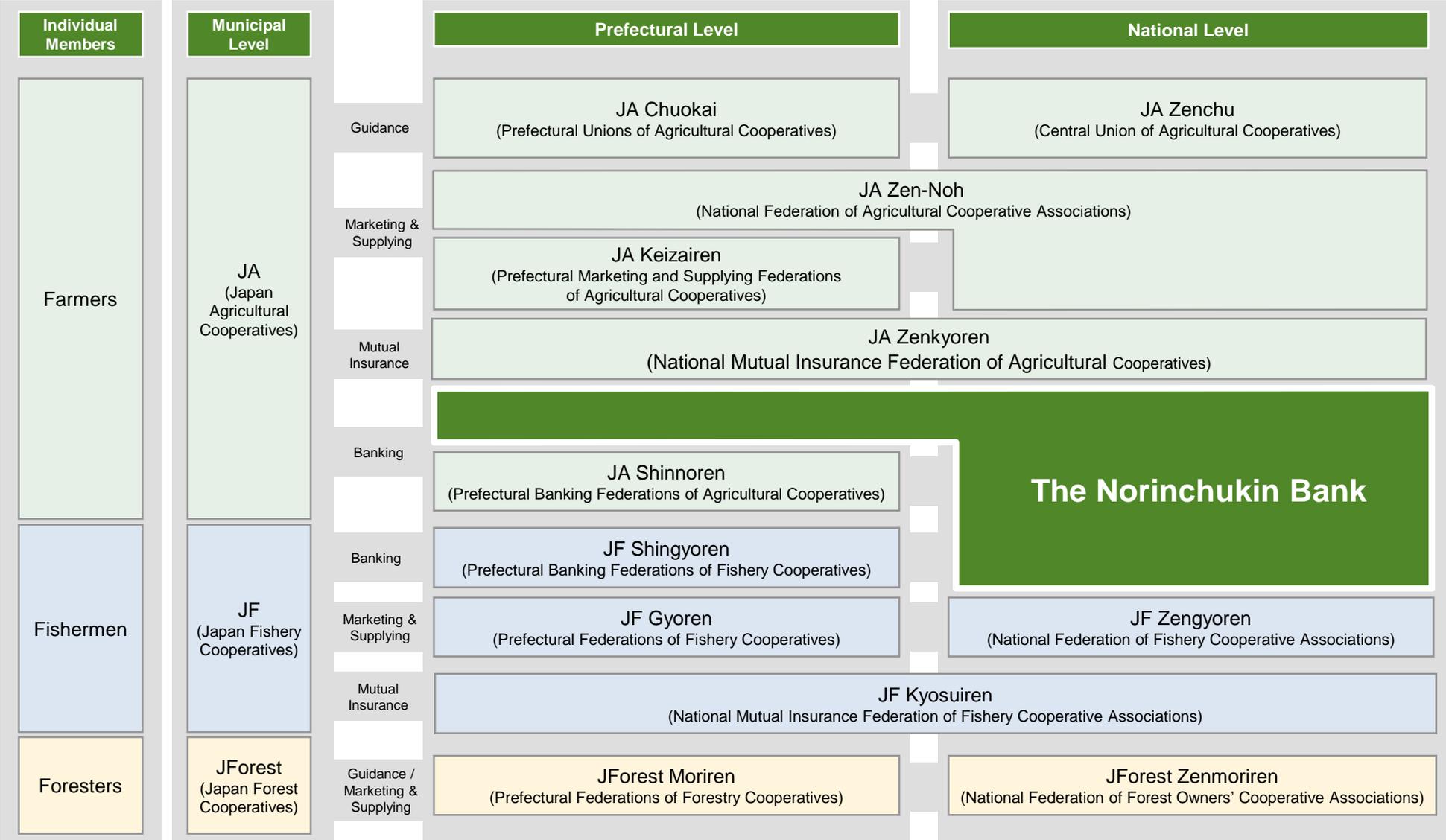
【Consolidated】

	FY2016	1Q	2Q
17 Liquidity Coverage Ratio (Note 2)	422%	450%	450%

(Note2) Item 17: the average of month-end LCRs in each quarter

Appendices

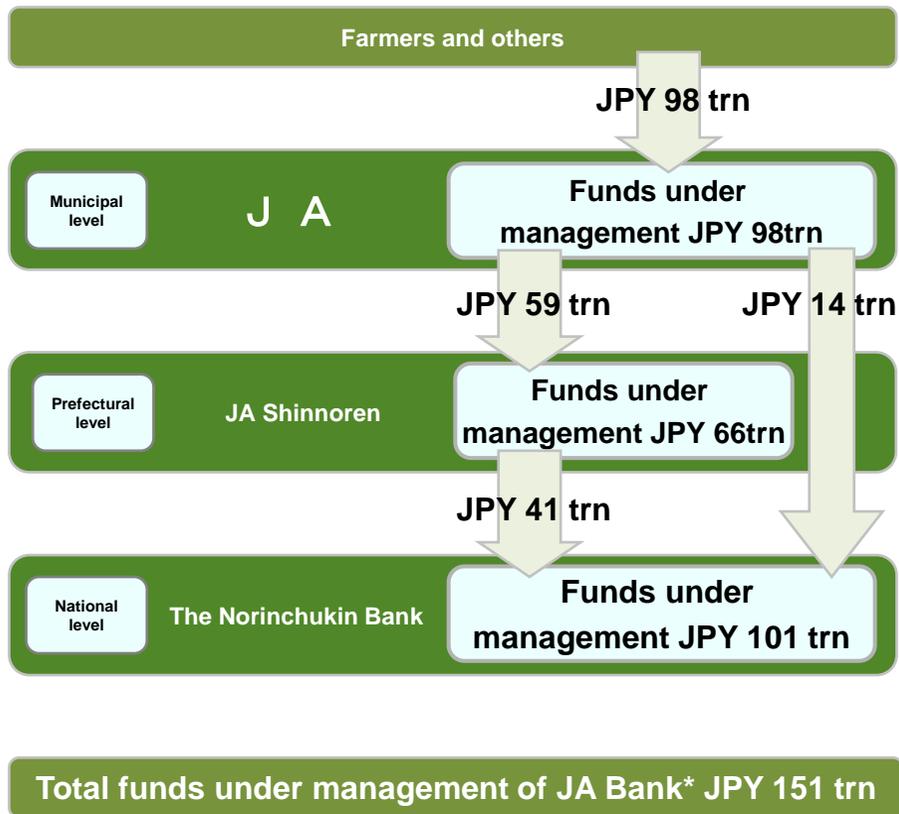
Structure of the Cooperative System



Business Base of JA Bank

JA Bank = JA + JA Shinnoren + The Norinchukin Bank

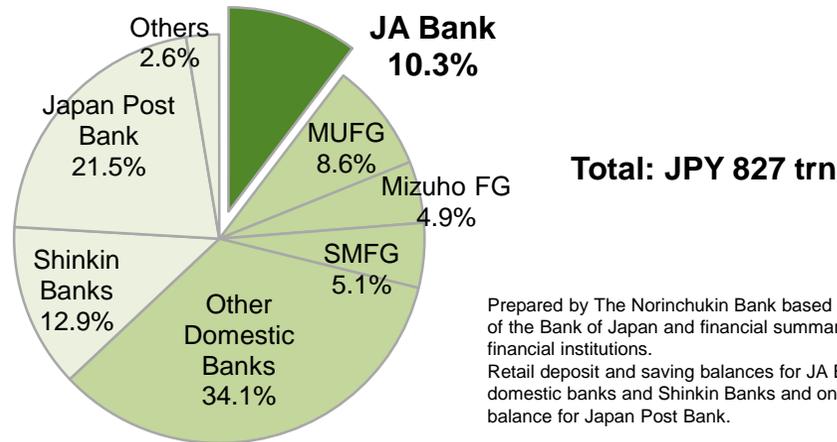
Flow of Funds in JA Bank (As of September 30, 2016)



* Total funds under management (JPY trn) = Funds under management (98+66+101) – Deposits (59+14+41)

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

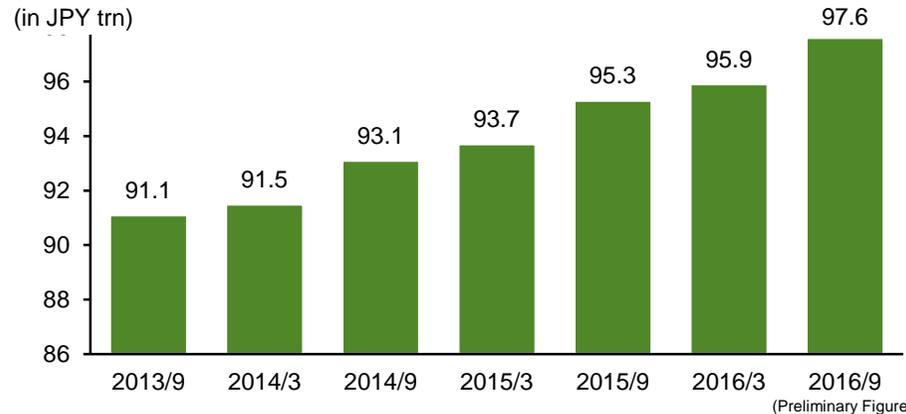
Retail Deposits and Savings in Japan (As of Mar. 31, 2016)



Prepared by The Norinchukin Bank based on materials of the Bank of Japan and financial summaries of other financial institutions. Retail deposit and saving balances for JA Bank, domestic banks and Shinkin Banks and only saving balance for Japan Post Bank.

Increasing amount of deposits and savings of JA Bank

JA Bank Deposits and Savings (JPY 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.

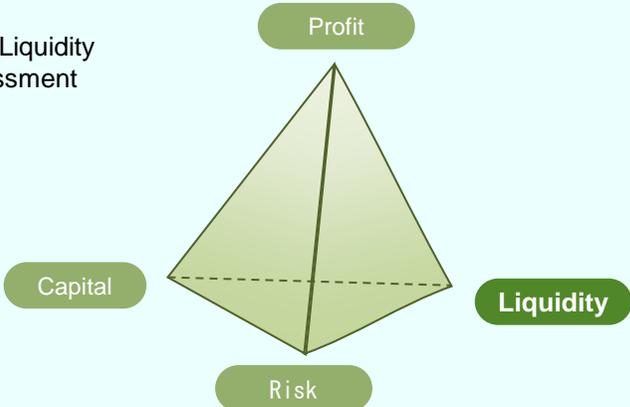
Risk Appetite

- 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

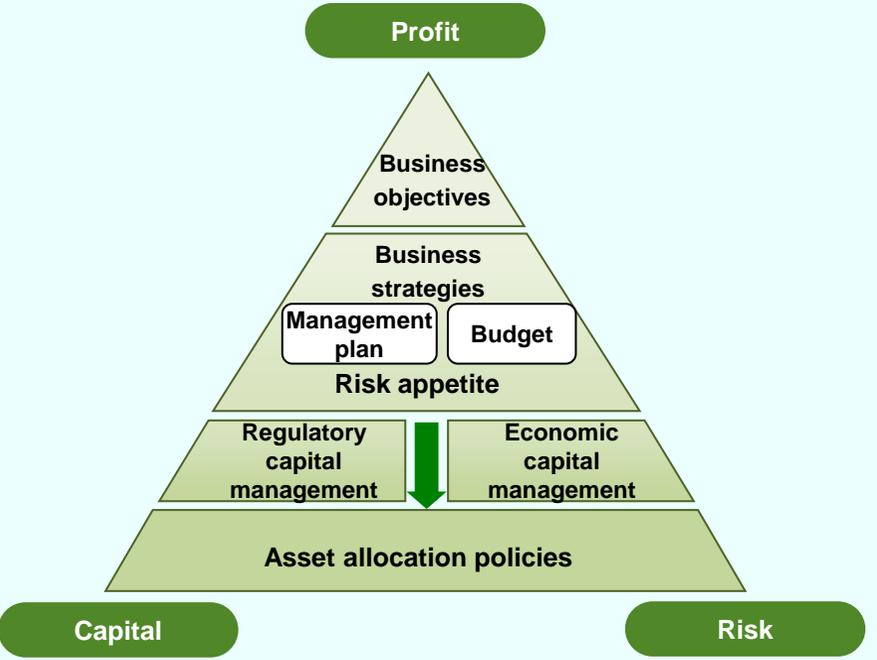
ILAA: Individual Liquidity Adequacy Assessment



ICAAP

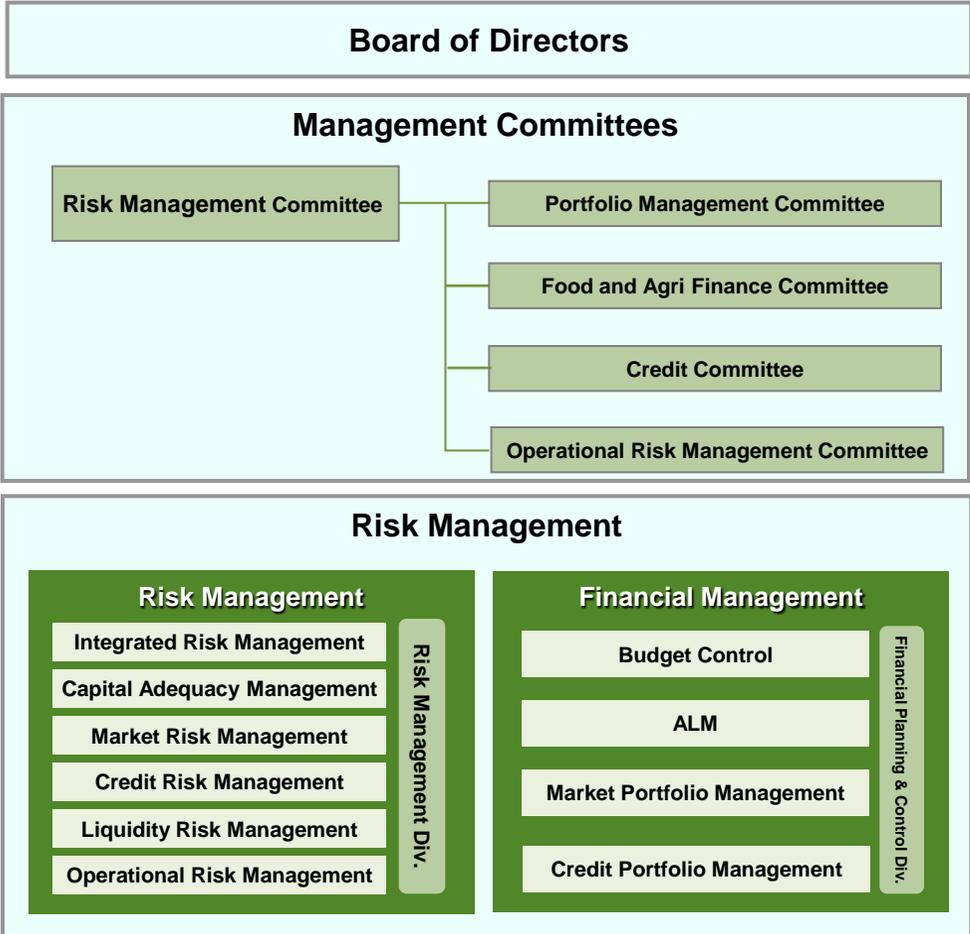
- A process for demonstrating the appropriate management of risks that a company is facing so that it can achieve its business objectives, and for the appropriate maintenance and control of a sufficient level of internal capital to cover these risks

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.

Investments in Securitized Products (Non-consolidated)

1 Investment in Securitized Products (Notes 1 & 2)

(JPY in 100mn)

	AAA	AA	A	BBB	Below BBB	Total	Change from Mar 2016	Unrealized Gains /Losses	Change from Mar 2016
1 ABS	8,344	-	-	-	-	8,344	1,719	▲ 17	5
2 RMBS	20,877	255	93	78	40	21,346	2,324	18	1
3 CMBS	591	-	-	-	-	591	▲ 63	▲ 116	17
4 CDO (Note 3)	21,891	131	70	-	0	22,093	726	▲ 17	63
5 Others	-	-	-	-	3	3	▲ 14	-	-
6 Total	51,705	386	163	78	43	52,378	4,692	▲ 132	88

Exposures by Currency

(JPY in 100mn)

		Change from Mar 2016	Unrealized Gains /Losses	Change from Mar 2016
1 USD	31,442	1,232	▲ 138	80
2 EUR	10,212	53	16	4
3 GBP	6,591	3,797	-	-
4 AUD	2,126	▲ 335	-	-
5 JPY	2,005	▲ 56	▲ 10	3
6 Total	52,378	4,692	▲ 132	88

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

(JPY in 100mn)

	Exposures	Change from Mar 2016	Unrealized Gains /Losses	Change from Mar 2016
1 Agency Mortgage Bonds	14,547	1,531	465	▲ 82
2 Agency Bonds	612	▲ 6,868	0	▲ 9
3 Total	15,160	▲ 5,337	465	▲ 92

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) Includes re-securitized products (i. e. products containing at least one securitized product as an underlying asset) under the Basel capital framework totaling JPY69.3bn.

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

(Note 4) The Bank has JPY3,046.7bn of mortgage-backed security bonds issued and guaranteed by Ginnie Mae, a US government-owned corporation.

As of Sep 30, 2016, non-consolidated basis

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