

Financial Summary for Fiscal Year 2016

May 24, 2017

農林中央金庫

The Norinchukin Bank

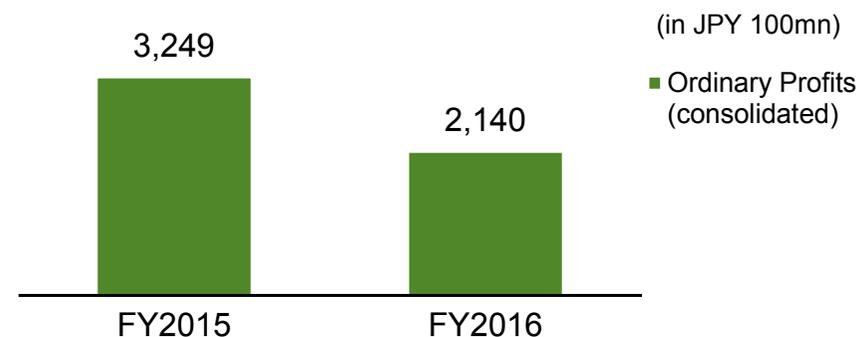
Financial Highlights for FY2016

- ~ 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)

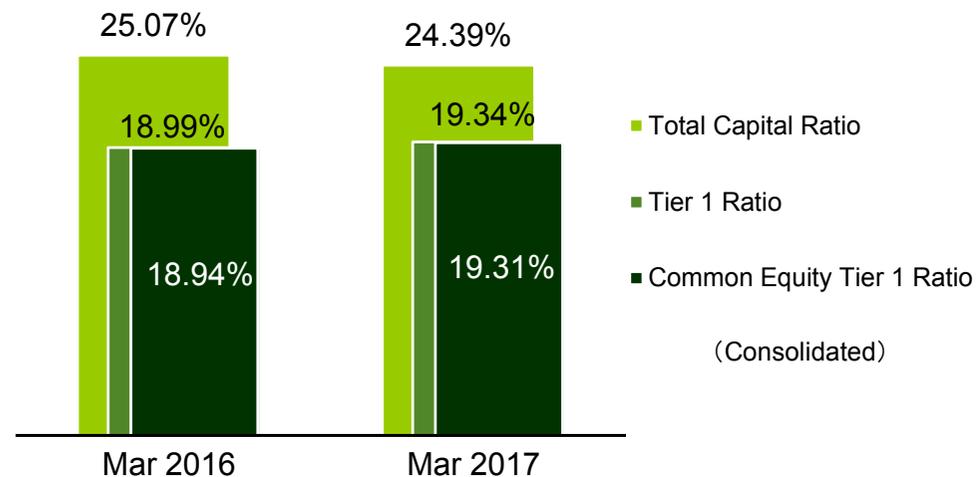
	FY2015	FY2016	Change
Ordinary Profits	3,249	2,140	(1,108)
Net Income	2,712	2,061	(651)



Capital Position (under Basel III)

【Consolidated】

	Mar 2016	Mar 2017	Change
Common Equity Tier 1 Ratio	18.94%	19.31%	0.37%
Tier 1 Ratio	18.99%	19.34%	0.35%
Total Capital Ratio	25.07%	24.39%	(0.68%)



Income Statement Summary

【Consolidated】

(in JPY 100mn)

	FY2015	FY2016	Change
1 Ordinary Income	12,879	13,653	774
2 Interest Income	10,348	11,065	717
3 <Interests on/Dividends from Securities>	9,497	10,266	768
4 <Interests on Loans>	647	630	(16)
5 Ordinary Expenses	9,629	11,512	1,883
6 Interest Expenses	7,159	8,588	1,428
7 <Expenses on Funding from Members>	3,397	3,496	98
8 General and Administrative Expenses	1,625	1,625	0
9 Ordinary Profits	3,249	2,140	(1,108)
10 Income before Income Taxes	3,235	2,209	(1,025)
11 Net Income	2,712	2,061	(651)

【Non-consolidated】

(in JPY 100mn)

	FY2015	FY2016	Change
12 Ordinary Profits	3,221	2,133	(1,087)
13 Net Income	2,715	2,034	(681)

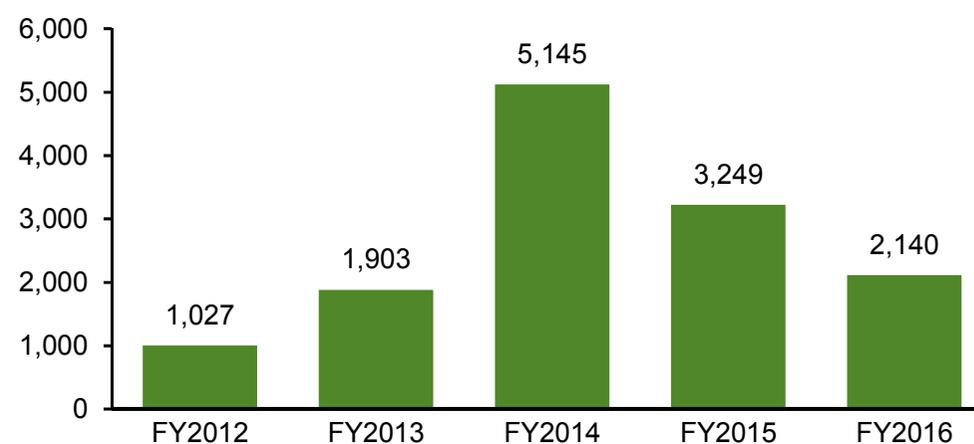
【Reference (Non-consolidated)】

14 Gains on Sale of Securities	389	628	239
15 Losses on Sale of Securities	191	250	58
16 Credit-related Expenses ^(Note)	(193)	27	220
17 Disposal of Securities	2	0	(2)

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

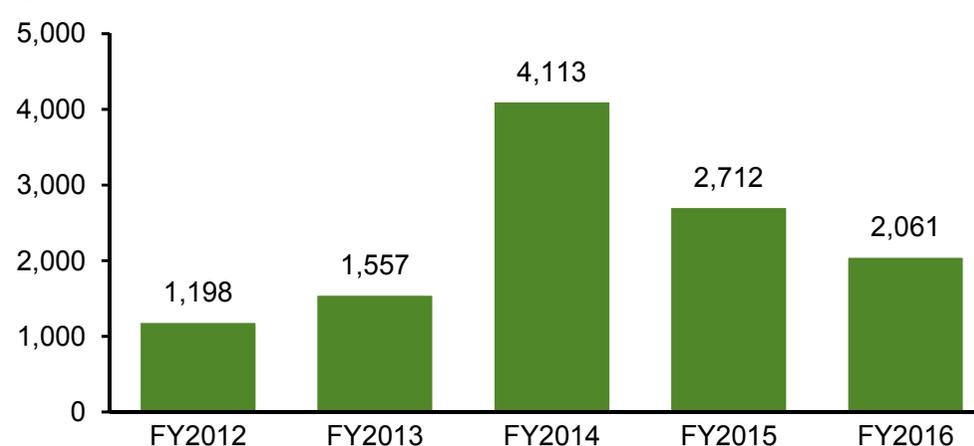
Ordinary Profits over Time (Consolidated)

(in JPY 100mn)



Net Income over Time (Consolidated)

(in JPY 100mn)



Balance Sheet Summary

【Consolidated】

(in JPY 100mn)

	Mar 2016	Mar 2017	Change
1 Loans and Bills Discounted	180,221	120,582	(59,638)
2 Securities	583,063	620,790	37,726
3 Money Held in Trust	49,229	69,836	20,606
4 Cash and Due from Banks	150,579	229,390	78,811
5 Others	48,734	30,026	(18,708)
6 Total Assets	1,011,829	1,070,627	58,798
7 Deposits ^(Note)	602,211	631,436	29,225
8 Debentures	31,220	24,128	(7,092)
9 Payables under Repurchase Agreements	184,882	196,450	11,567
10 Others	121,647	148,524	26,877
11 Total Liabilities	939,961	1,000,539	60,578
12 Total Net Assets	71,867	70,088	(1,779)

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

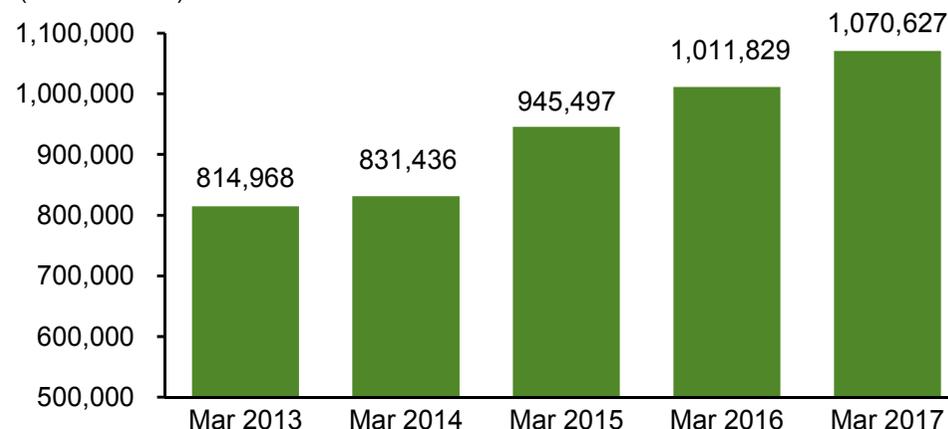
【Non-consolidated】

(in JPY 100mn)

	Mar 2016	Mar 2017	Change
13 Total Assets	1,001,300	1,058,124	56,823
14 Total Liabilities	929,964	988,733	58,769
15 Total Net Assets	71,336	69,390	(1,945)
16 Gains/Losses on Revaluation of Securities	29,230	21,820	(7,409)

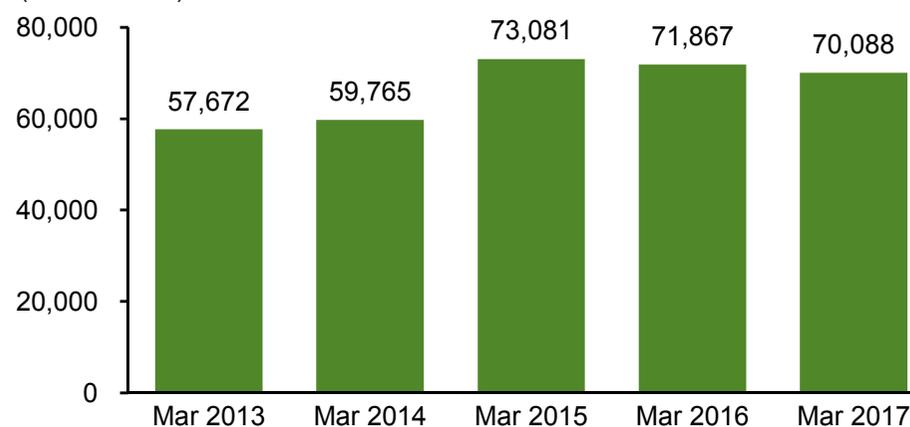
Total Assets over Time (Consolidated)

(in JPY 100mn)



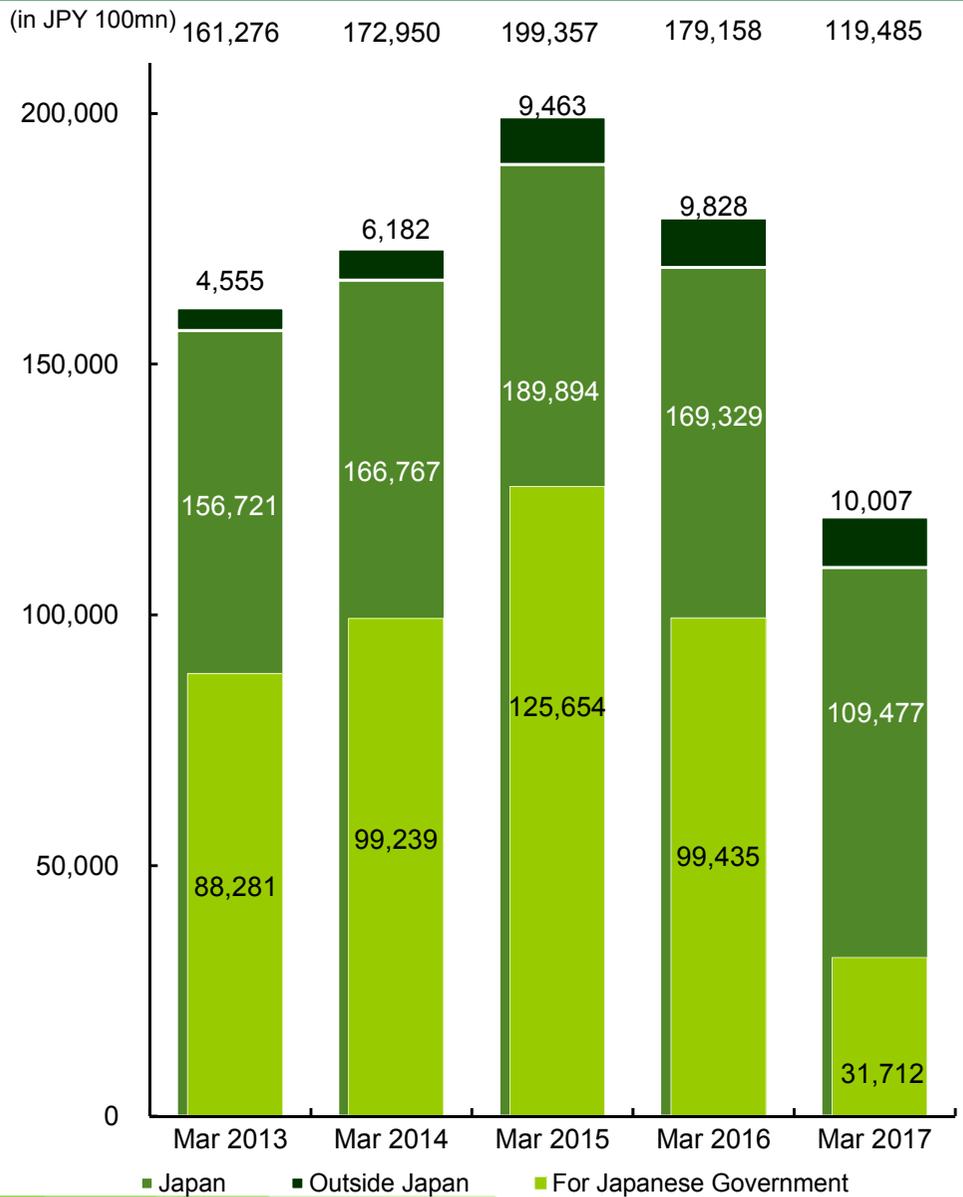
Net Assets over Time (Consolidated)

(in JPY 100mn)

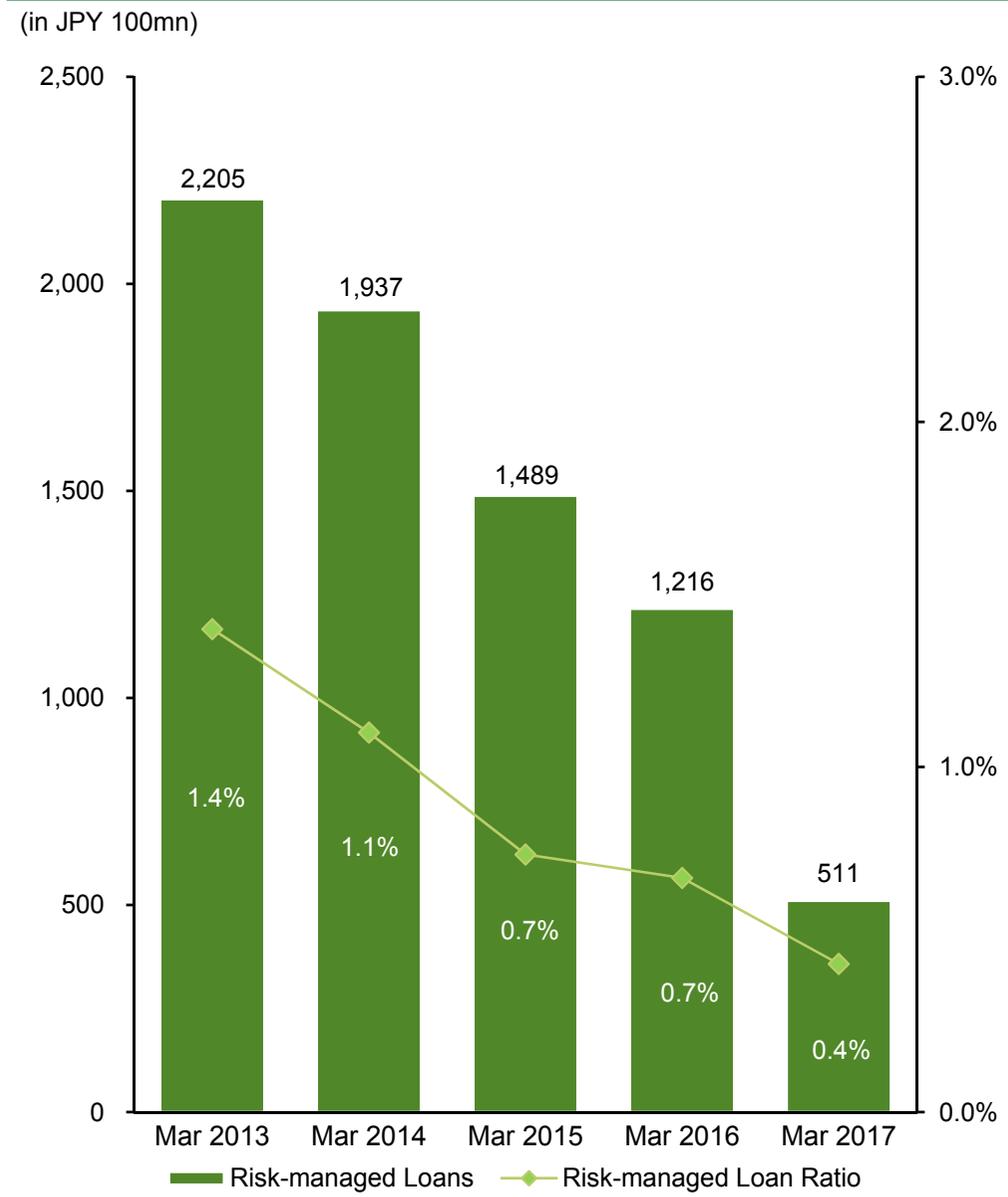


Loan and Bills Discounted (Non-consolidated)

Loans and Bills Discounted over Time

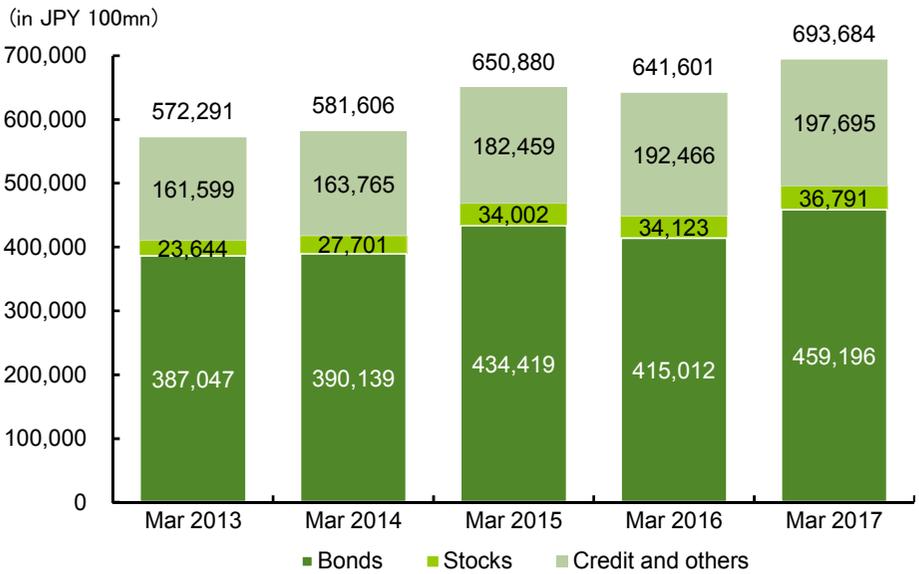


Risk-managed Loans over Time



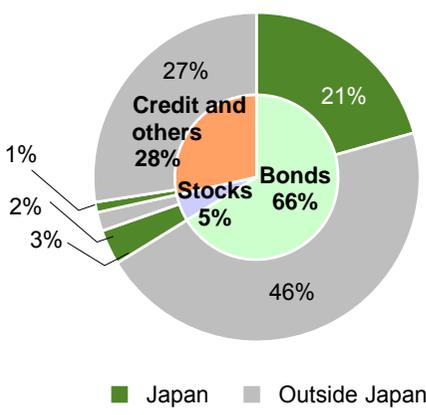
Market Investment Portfolio (Non-consolidated)

Market Investment Portfolio over Time

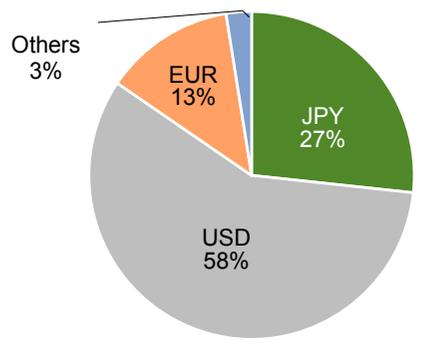


Market Investment Portfolio (Mar 2017)

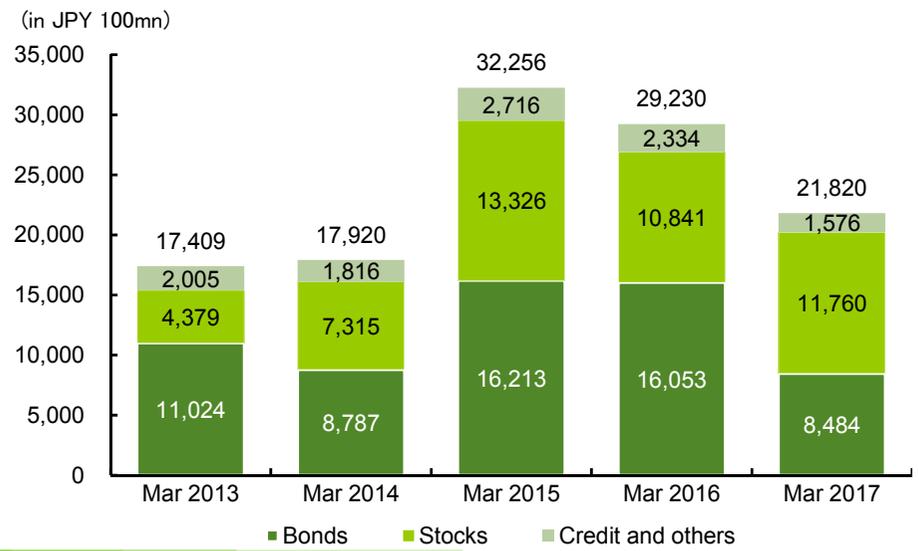
Market Investment Portfolio by Risk



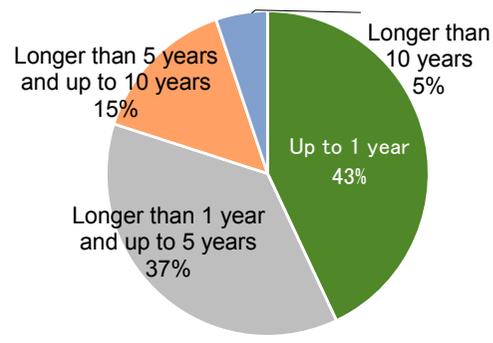
Market Investment Portfolio by Currency



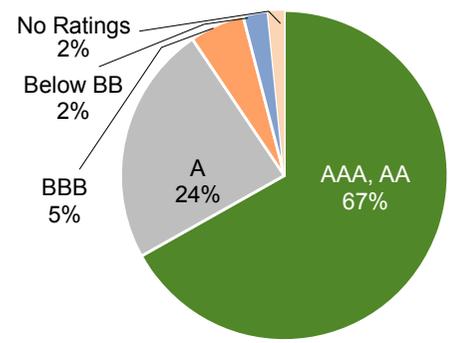
Net Unrealized Gains and Losses over Time



Bond and Credit Portfolio by Rate Reset Maturity

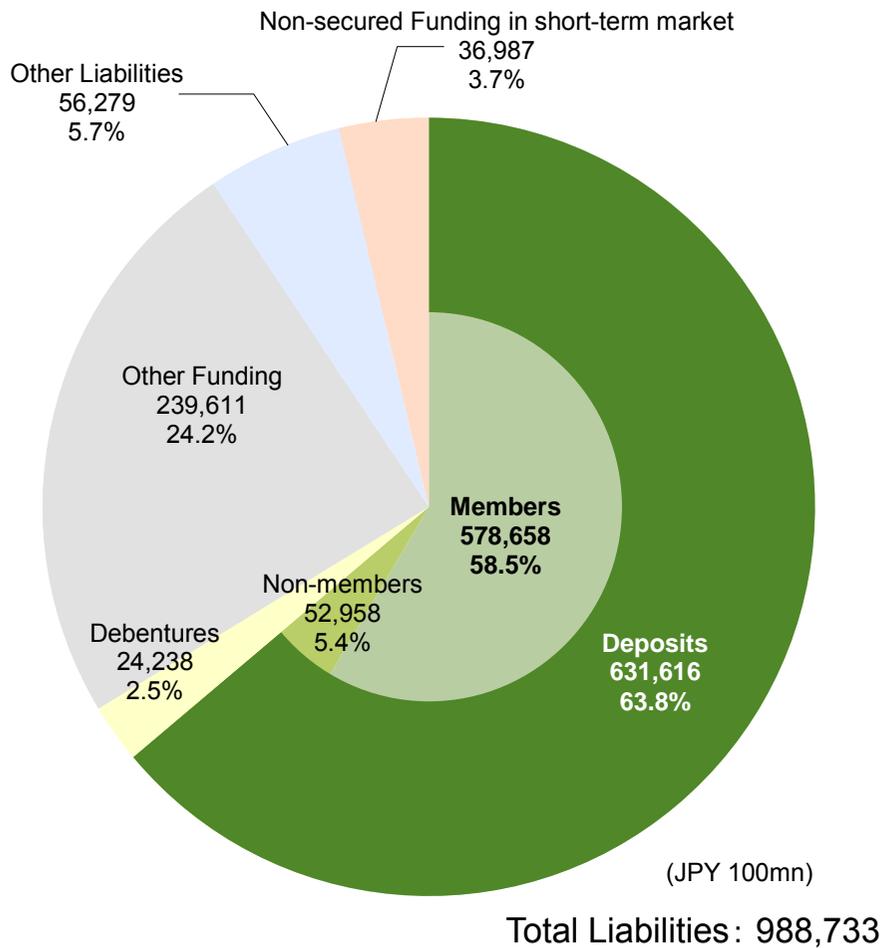


Market Investment Portfolio by Rating



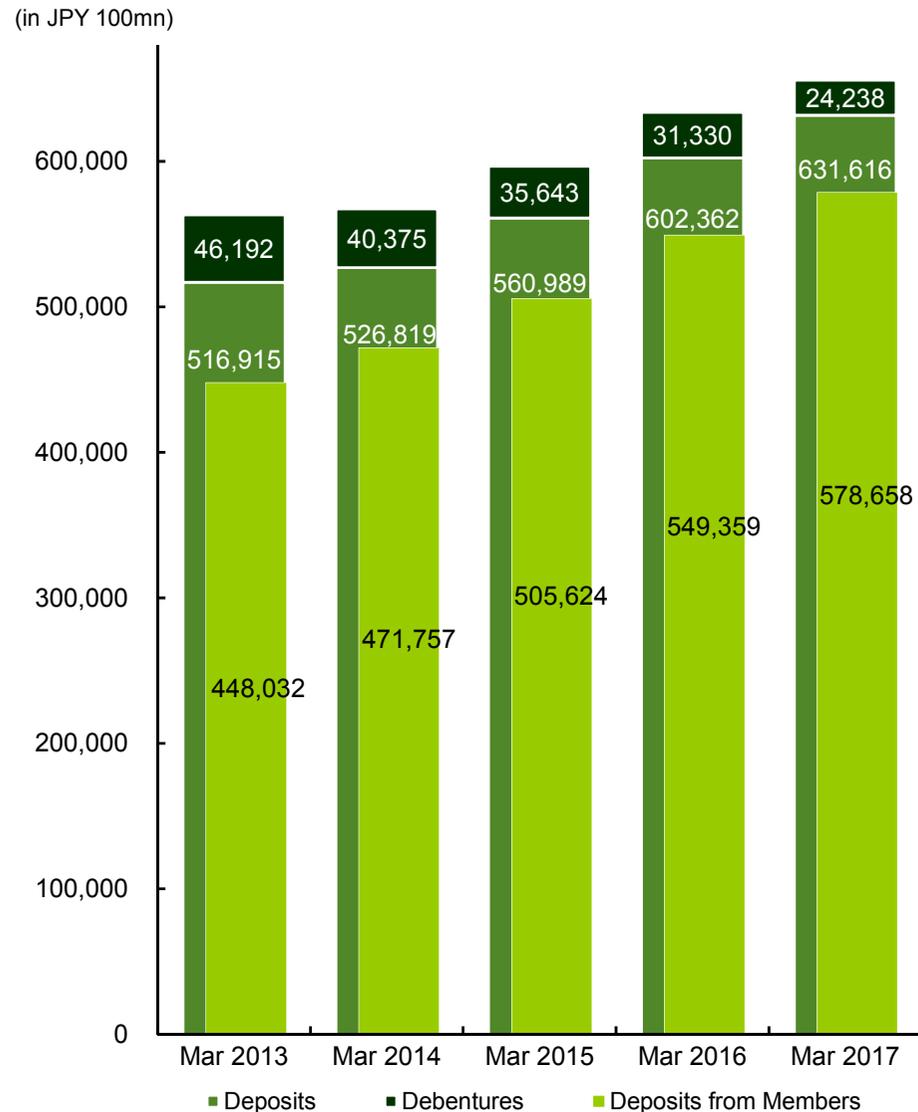
Funding (Non-consolidated)

Breakdown of Funding



(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.

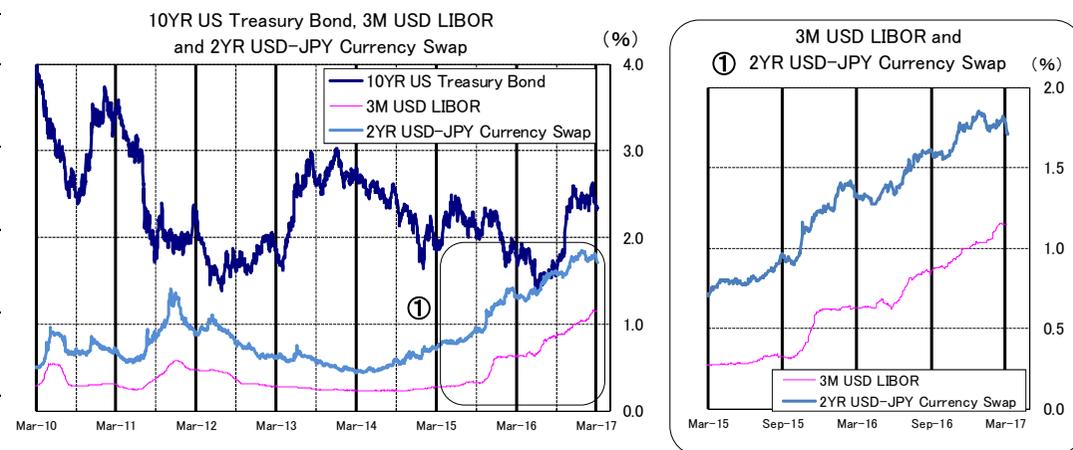
Deposits and Debentures over Time



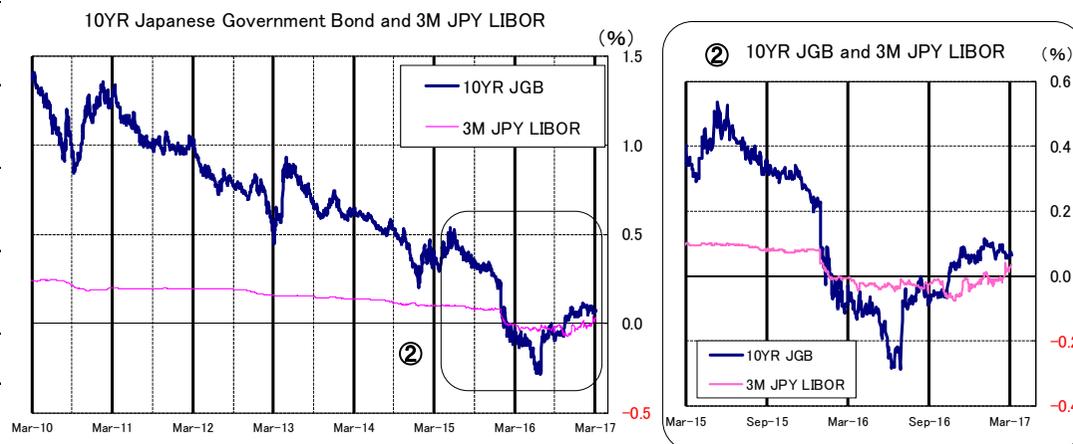
Earning Yields (Non-consolidated)

	Average (in JPY tm)		Earnings (in JPY 100mn)		Yield	
	FY2016	YOY Change	FY2016	YOY Change	FY2016	YOY Change
【Investment】						
1 Loans and Bills Discounted	13.6	(5.5)	597	(15)	0.44%	0.12%
2 Securities	59.0	(2.5)	11,303	535	1.91%	0.17%
3 Yen-denominated Securities (including Net Gains/Losses on Sales)	17.6	0.1	1,677	213	0.95%	0.11%
4 Foreign Currency-denominated Securities (including Net Gains/Losses on Sales)	41.4	(2.7)	9,626	321	2.32%	0.22%
5 Short-term Investment Assets	4.9	2.5	37	(22)	0.08%	(0.17%)
【Funding】						
6 From Member Banks	57.0	4.0	3,496	98	0.61%	(0.03%)
7 Debentures	2.7	(0.5)	90	(44)	0.32%	(0.08%)
8 Funding from Markets	29.1	(1.4)	1,377	560	0.47%	0.21%
9 From the Yen Market	1.8	(1.2)	10	(22)	0.06%	(0.05%)
10 From Foreign Currencies Markets	27.3	(0.2)	1,367	583	0.50%	0.22%
(Reference)						
11 Foreign Currencies Funding (Including Currency Swaps, etc.)	44.2	(1.4)	3,418	1,518	0.77%	0.36%

(Reference) US Dollar Interest Rates over Time



(Reference) Yen Interest Rates over Time



Capital Position

【Consolidated】

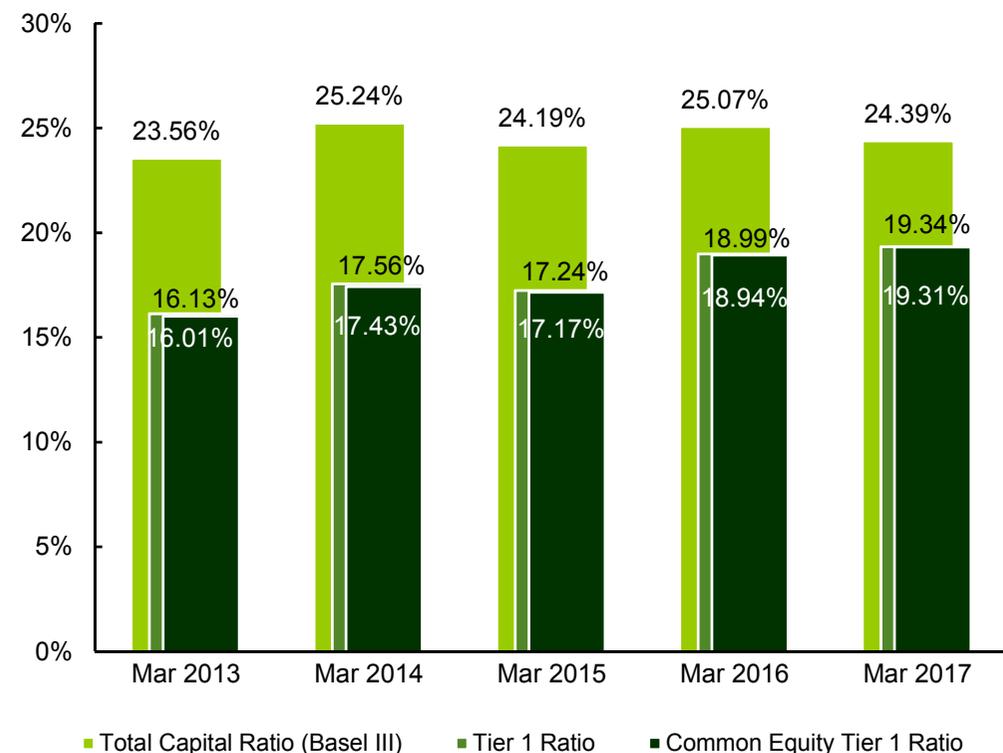
	Mar 2016	Mar 2017	Change
1 Tier 1 Capital	62,932	64,891	1,958
2 Common Equity Tier 1 Capital (CET1)	62,788	64,783	1,995
3 Capital Stock and Capital Surplus	34,555	34,555	-
4 Earned Surplus	17,024	18,407	1,382
5 Unrealized Gains on Other Securities	12,711	12,674	(36)
6 Additional Tier 1 Capital	144	107	(36)
7 Tier 2 Capital	20,165	16,916	(3,249)
8 45% of Unrealized Gains on Other Securities	5,262	1,964	(3,297)
9 Subordinated Bonds and Loans	15,632	15,132	(500)
10 Total Capital	83,098	81,807	(1,291)
11 Risk-weighted Assets	331,352	335,394	4,041
12 Common Equity Tier 1 Ratio	18.94%	19.31%	0.37%
13 Tier 1 Ratio	18.99%	19.34%	0.35%
14 Total Capital Ratio	25.07%	24.39%	(0.68%)
15 CET 1 Ratio on Fully Loaded Basis (Note 1)	21.20%	20.20%	(1.00%)

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

Leverage Ratio (Consolidated)

	Mar 2016	Mar 2017
16 Leverage Ratio	6.14%	5.98%

Capital Ratios over Time (Consolidated)



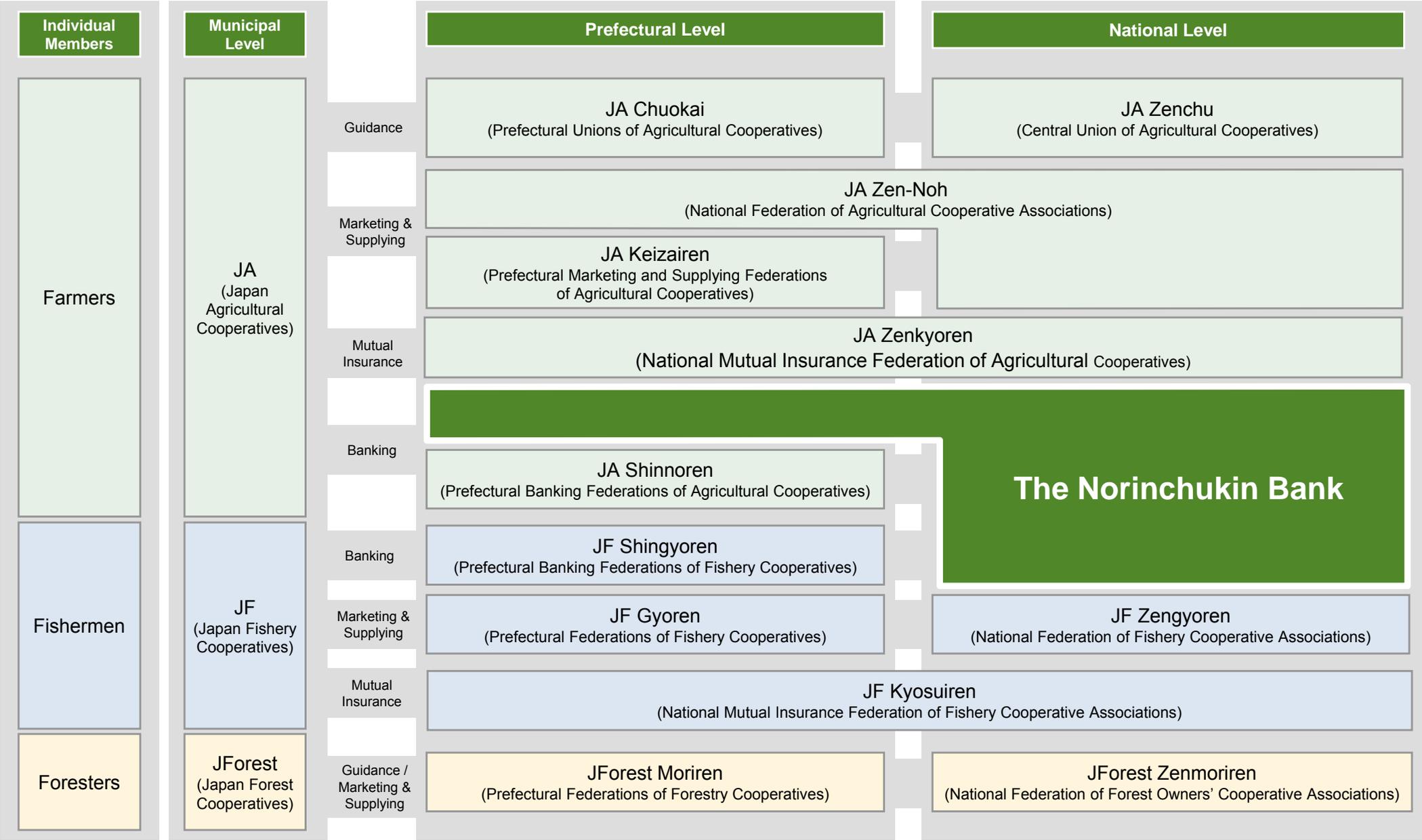
Liquidity Coverage Ratio (Consolidated)

	FY2016	1Q	2Q	3Q	4Q
17 Liquidity Coverage Ratio (Note 2)	422%	450%	481%	531%	

(Note2) Item 17: simple averages of observations over the previous quarter

Appendices

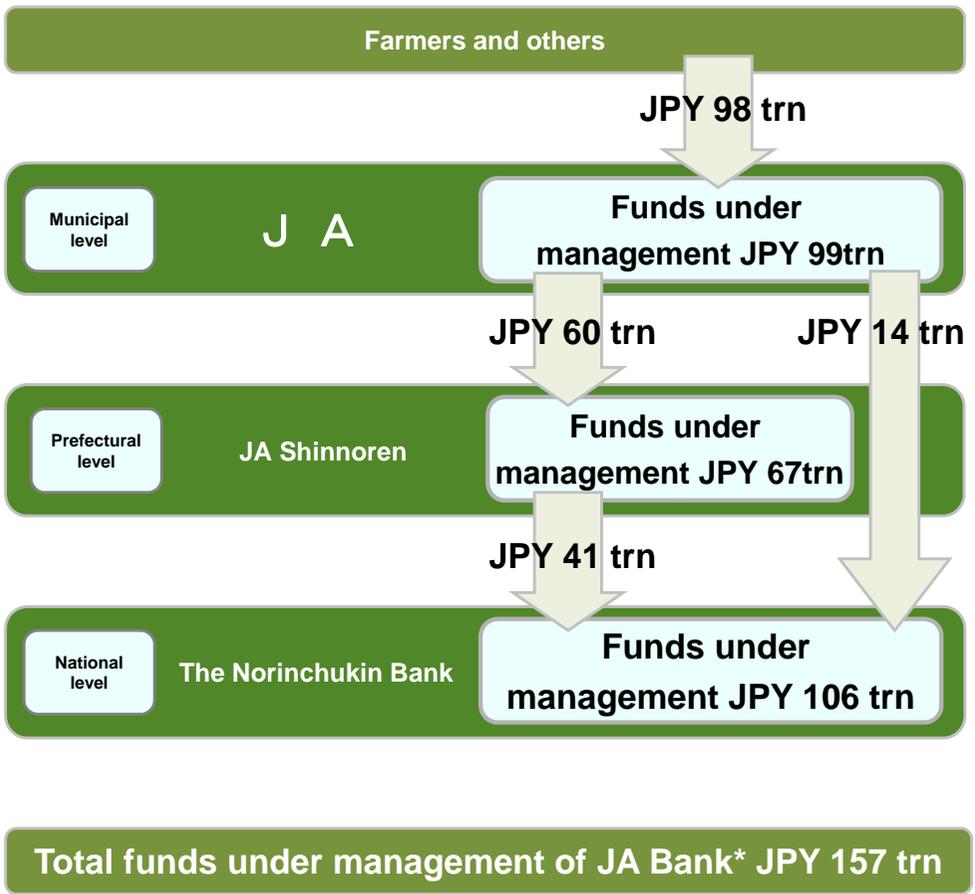
Structure of the Cooperative System



Business Base of JA Bank

JA Bank = JA + JA Shinnoren + The Norinchukin Bank

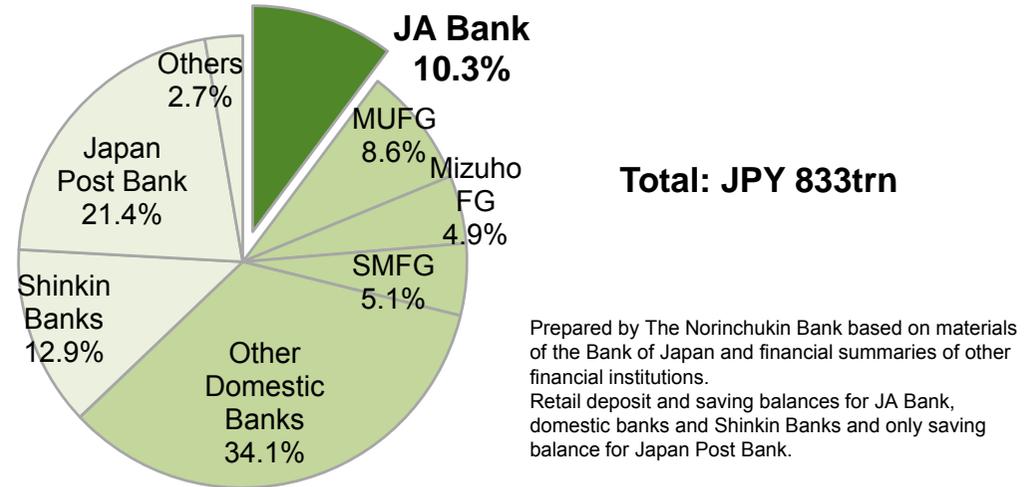
Flow of Funds in JA Bank (As of March 31, 2017)



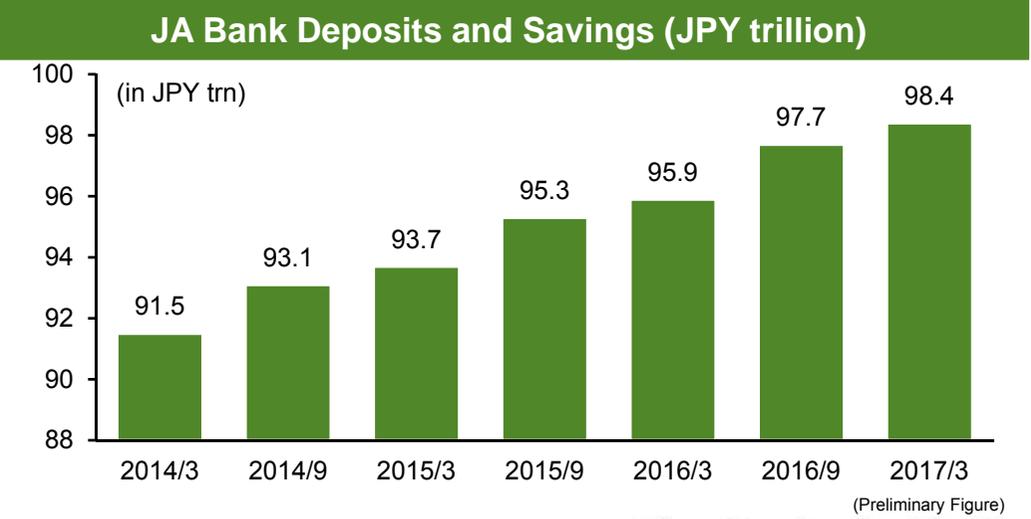
* Total funds under management (JPY trn) = Funds under management (99+67+106) – Deposits (60+14+41)

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 Sep. 30, 2016)



Increasing amount of deposits and savings of JA Bank



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.

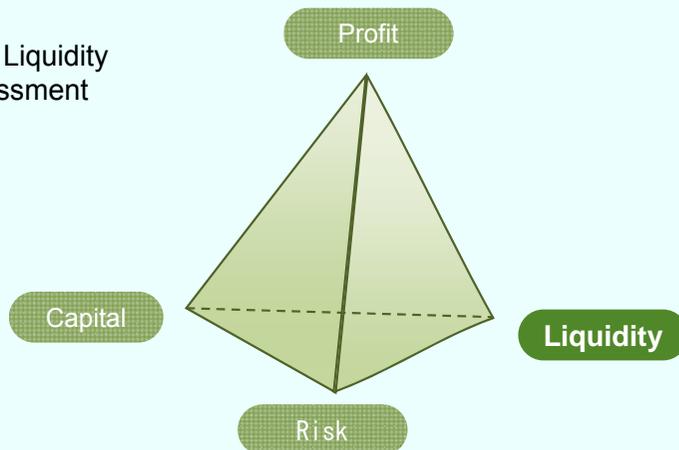
Risk Appetite

- 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

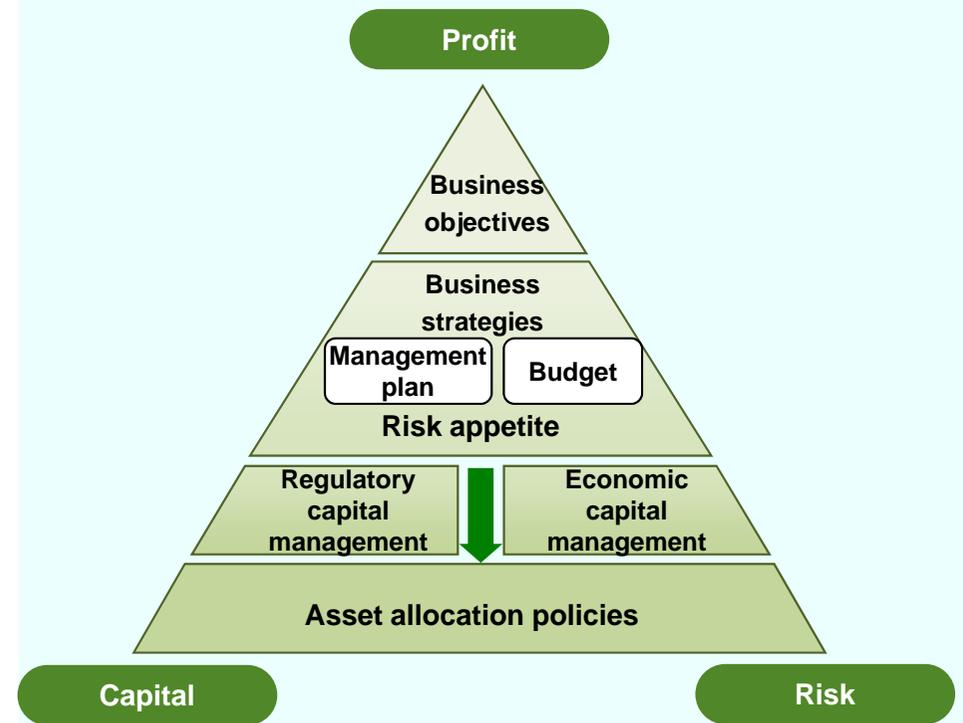
ILAA: Individual Liquidity Adequacy Assessment



ICAAP

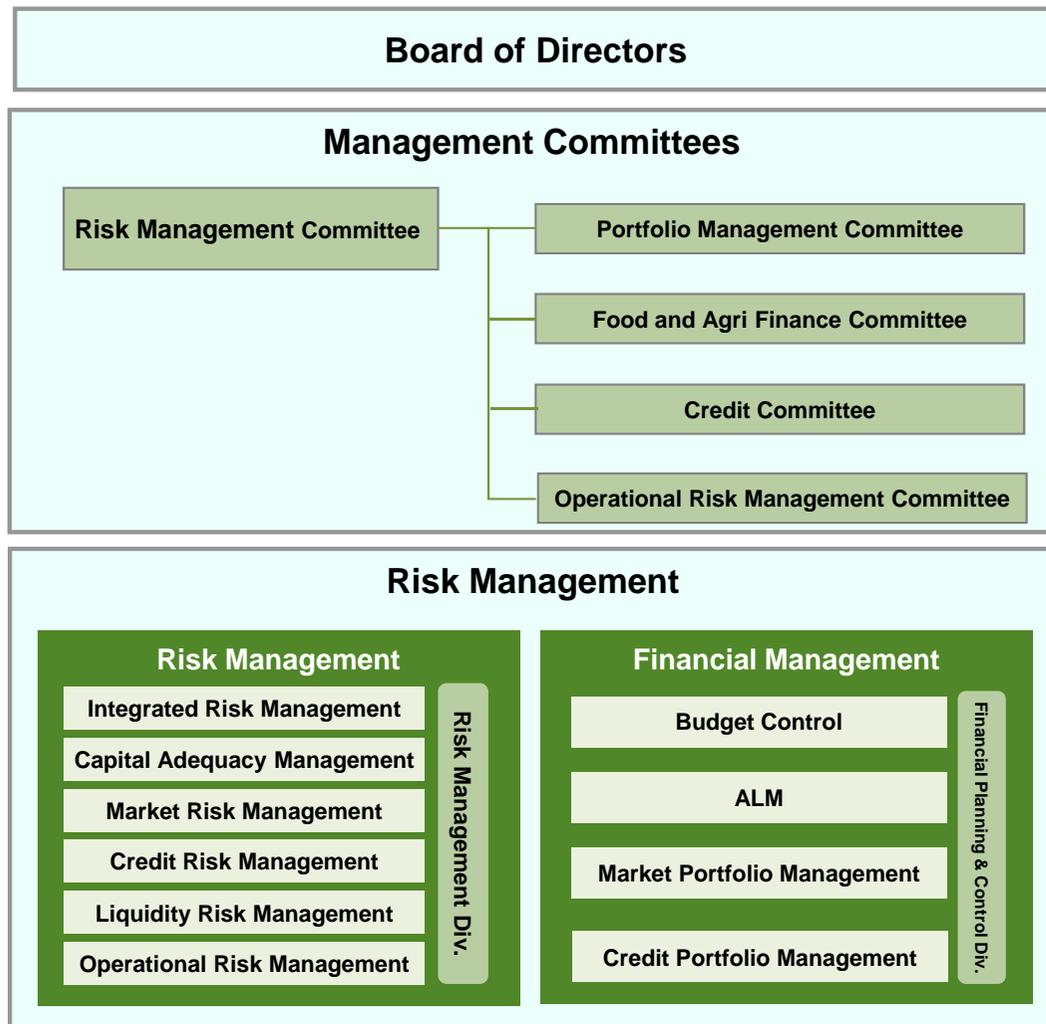
- A process for demonstrating the appropriate management of risks that a company is facing so that it can achieve its business objectives, and for the appropriate maintenance and control of a sufficient level of internal capital to cover these risks

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	10,597	42	-	76	-	10,716	4,091	▲ 15	6
2 RMBS	23,018	199	92	50	-	23,361	4,340	0	▲ 16
3 CMBS	660	-	-	-	-	660	5	▲ 125	8
4 CDO (Note 3)	30,168	144	75	-	0	30,389	9,022	▲ 4	77
5 Others	-	-	-	-	2	2	▲ 15	-	-
6 Total	64,445	387	168	127	2	65,130	17,444	▲ 145	76

Exposures by Currency

(JPY in 100mn)

		Change from Mar 2016	Unrealized Gains /Losses	Change from Mar 2016
1 USD	38,472	8,262	▲ 135	83
2 EUR	11,780	1,620	▲ 1	▲ 13
3 GBP	7,278	4,484	-	-
4 AUD	5,461	2,999	-	-
5 JPY	2,137	75	▲ 7	5
6 Total	65,130	17,444	▲ 145	76

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	15,213	2,196	244	▲ 302
2 Agency Bonds	-	▲ 7,480	-	▲ 10
3 Total	15,213	▲ 5,284	244	▲ 313

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 JPY51.2bn.

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 JPY4,166.7bn of mortgage-backed security bonds issued and guaranteed by Ginnie Mae, a US government-owned corporation.

As of Mar 31, 2017, non-consolidated basis

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