

Dedicated to sustaining all life.

# Financial Summary for Fiscal Year 2018



**NORINCHUKIN**

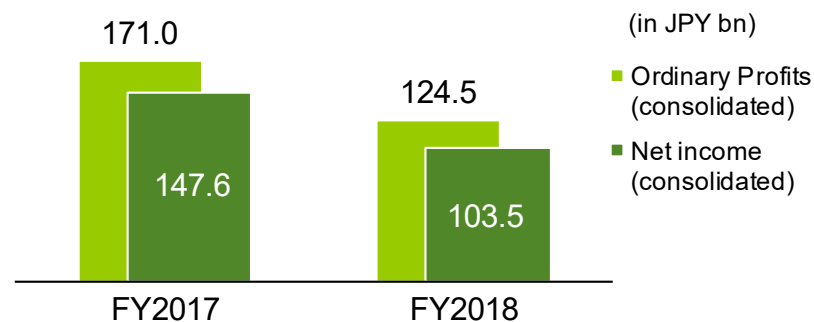
**May 22, 2019**

# Financial Highlights for FY2018

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

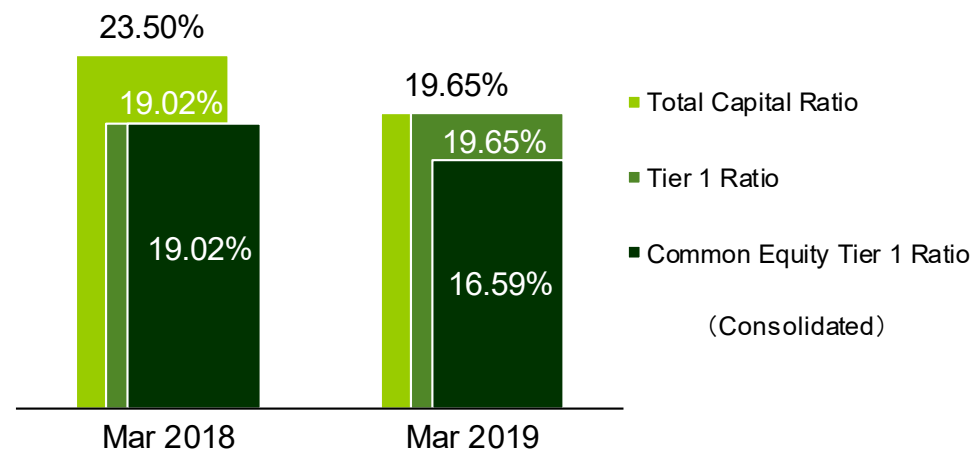
## Profits

【Consolidated】	(in JPY bn)		
	FY2017	FY2018	Change
Ordinary Profits	171.0	124.5	(46.4)
Net Income	147.6	103.5	(44.0)



## Capital Position (under Basel III)

【Consolidated】	Change		
	Mar 2018	Mar 2019	Change
Common Equity Tier 1 Ratio	19.02%	16.59%	(2.43%)
Tier 1 Ratio	19.02%	19.65%	0.63%
Total Capital Ratio	23.50%	19.65%	(3.85%)



# Income Statement Summary

【Consolidated】 (in JPY bn)

	FY2017	FY2018	Change
1 Ordinary Income	1,449.9	1,732.1	282.1
2 Interest Income	1,146.8	1,311.2	164.4
3 <Interests on/Dividends from Securities>	1,050.2	1,178.4	128.1
4 <Interests on Loans>	79.4	108.5	29.1
5 Ordinary Expenses	1,278.9	1,607.6	328.6
6 Interest Expenses	1,021.3	1,269.1	247.8
7 <Expenses on Funding from Members>	339.5	347.3	7.8
8 General and Administrative Expenses	162.8	162.0	(0.8)
9 Ordinary Profits	171.0	124.5	(46.4)
10 Income before Income Taxes	183.8	124.2	(59.6)
11 Net Income	147.6	103.5	(44.0)

【Non-consolidated】 (in JPY bn)

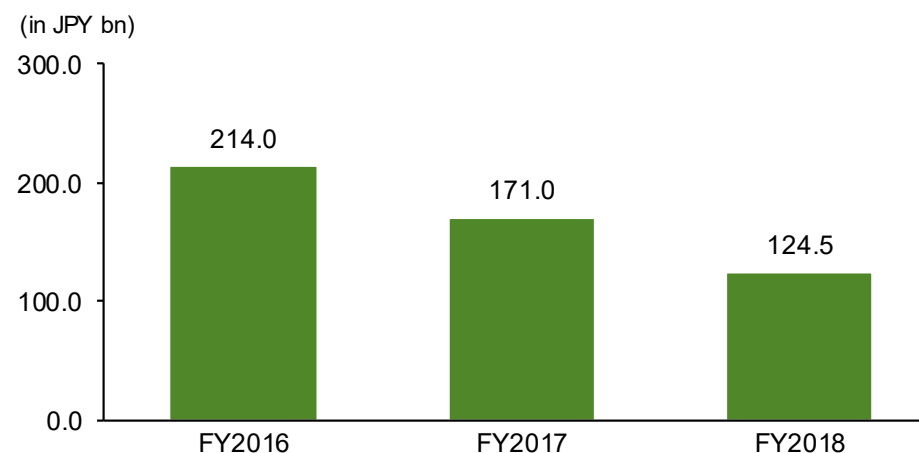
	FY2017	FY2018	Change
12 Ordinary Profits	158.8	117.4	(41.4)
13 Net Income	129.9	100.6	(29.3)

【Reference (Non-consolidated)】

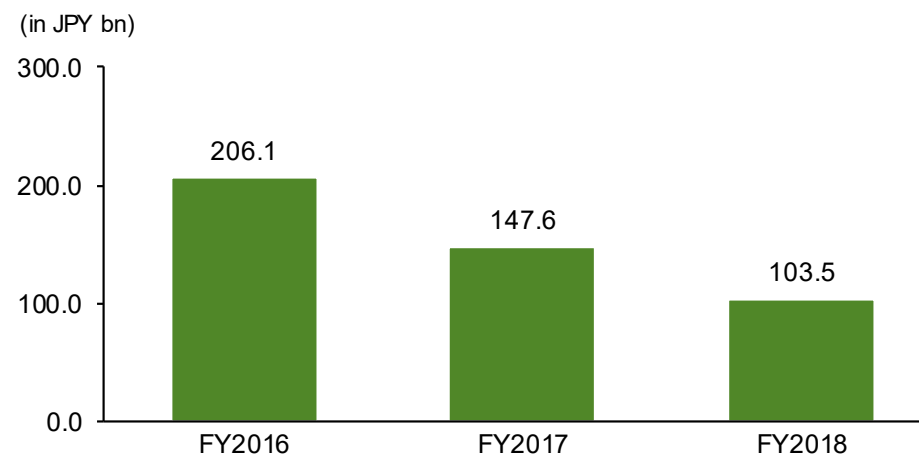
14 Net Gains/Losses on Sale of Securities	22.8	66.3	43.4
15 Credit-related Expenses <sup>(Note)</sup>	(4.0)	1.9	5.9
16 Disposal of Securities	1.1	0.4	(0.6)

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

## Ordinary Profits over Time (Consolidated)



## Net Income over Time (Consolidated)



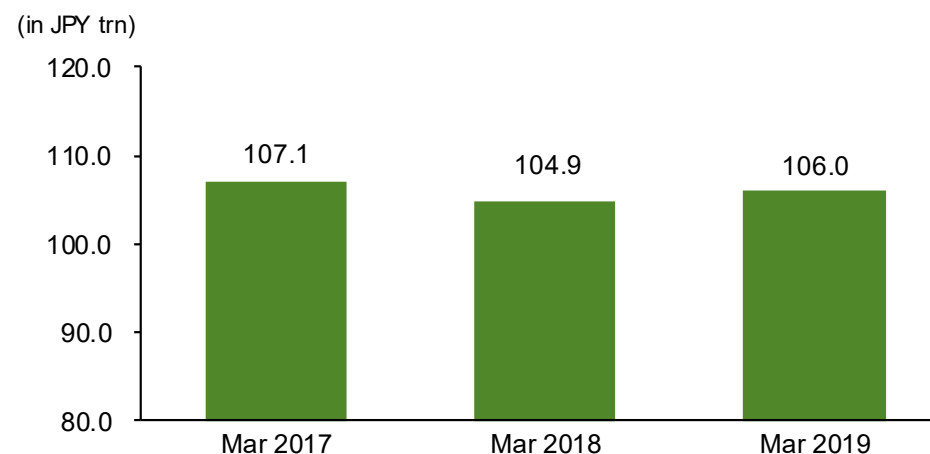
# Balance Sheet Summary

【Consolidated】		(in JPY bn)		
		Mar 2018	Mar 2019	Change
1	Loans and Bills Discounted	11,858.9	18,613.0	6,754.0
2	Securities	52,321.8	55,658.7	3,336.8
3	Money Held in Trust	7,439.7	8,667.3	1,227.6
4	Cash and Due from Banks	28,756.3	18,941.6	(9,814.7)
5	Others	4,550.8	4,073.1	(477.7)
6	<b>Total Assets</b>	<b>104,927.7</b>	<b>105,953.9</b>	<b>1,026.1</b>
7	Deposits <sup>(Note)</sup>	67,204.7	67,845.1	640.4
8	Debentures	1,766.4	1,254.2	(512.2)
9	Payables under Repurchase Agreements	15,080.6	15,111.2	30.6
10	Others	14,129.7	14,269.9	140.1
11	<b>Total Liabilities</b>	<b>98,181.6</b>	<b>98,480.6</b>	<b>298.9</b>
12	<b>Total Net Assets</b>	<b>6,746.0</b>	<b>7,473.2</b>	<b>727.1</b>

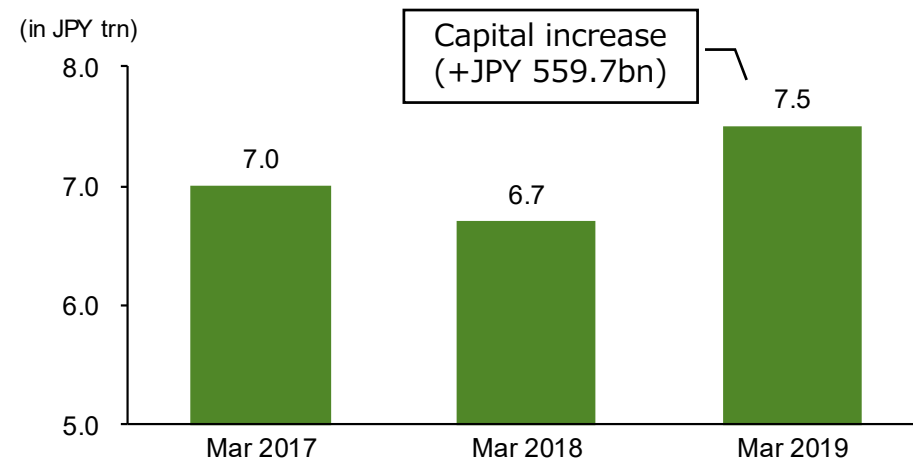
(Note) Deposits include deposits and entrusted funds (the majority are short-term funds received from members) for accounting purpose.

【Non-consolidated】		(in JPY bn)		
		Mar 2018	Mar 2019	Change
13	<b>Total Assets</b>	<b>103,417.6</b>	<b>104,176.8</b>	<b>759.1</b>
14	<b>Total Liabilities</b>	<b>96,763.5</b>	<b>96,794.9</b>	<b>31.4</b>
15	<b>Total Net Assets</b>	<b>6,654.0</b>	<b>7,381.8</b>	<b>727.7</b>
16	Gains/Losses on Revaluation of Securities	1,584.7	2,069.9	485.2

## Total Assets over Time (Consolidated)

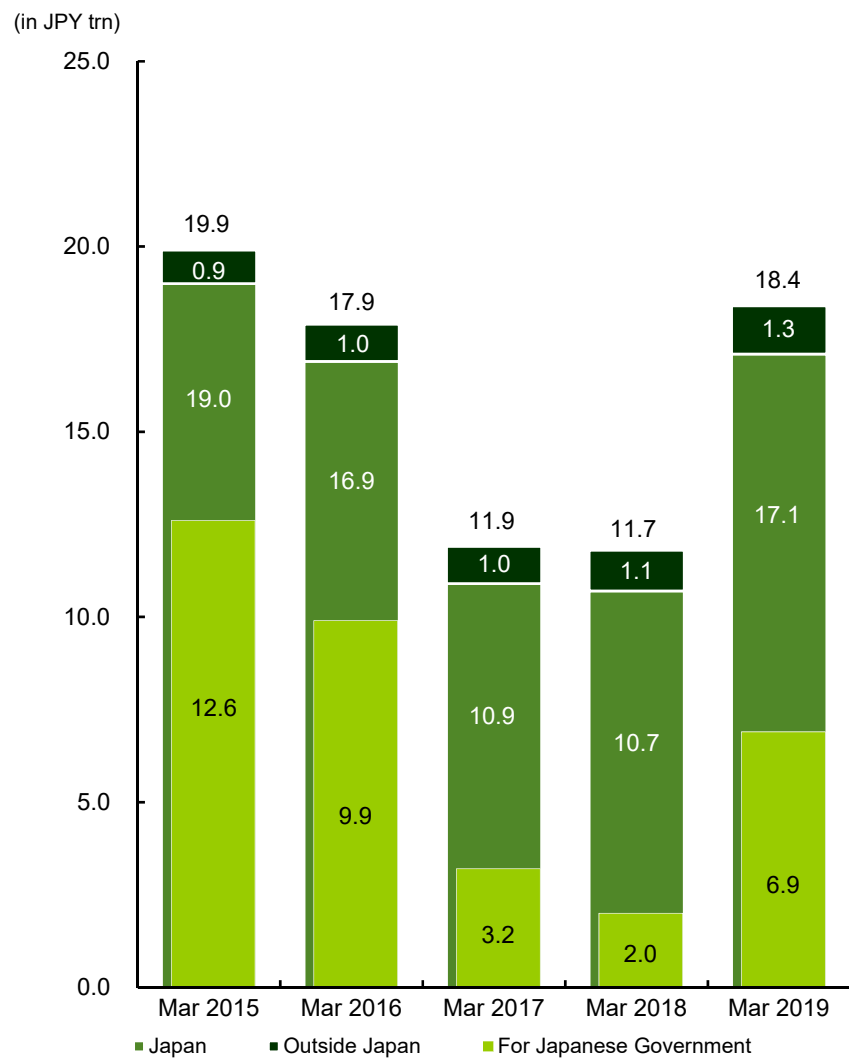


## Net Assets over Time (Consolidated)

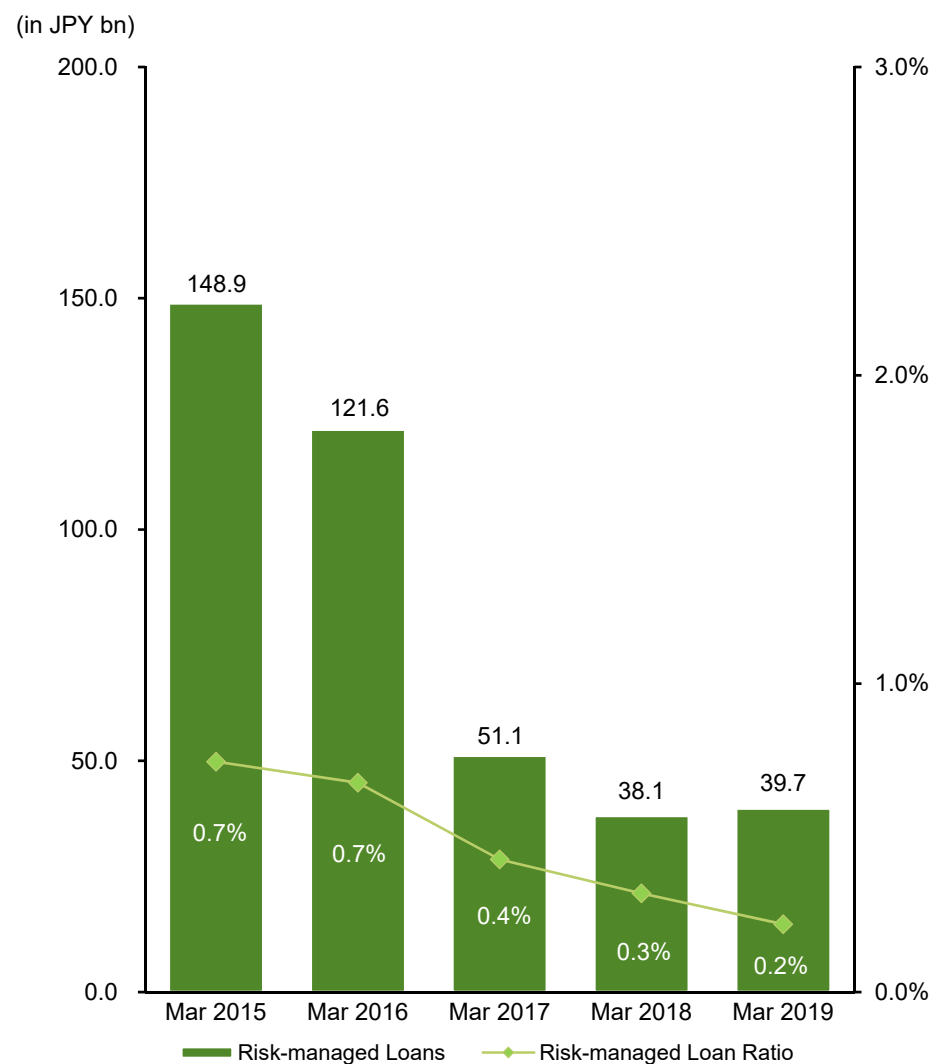


# Loan and Bills Discounted (Non-consolidated)

## Loans and Bills Discounted over Time

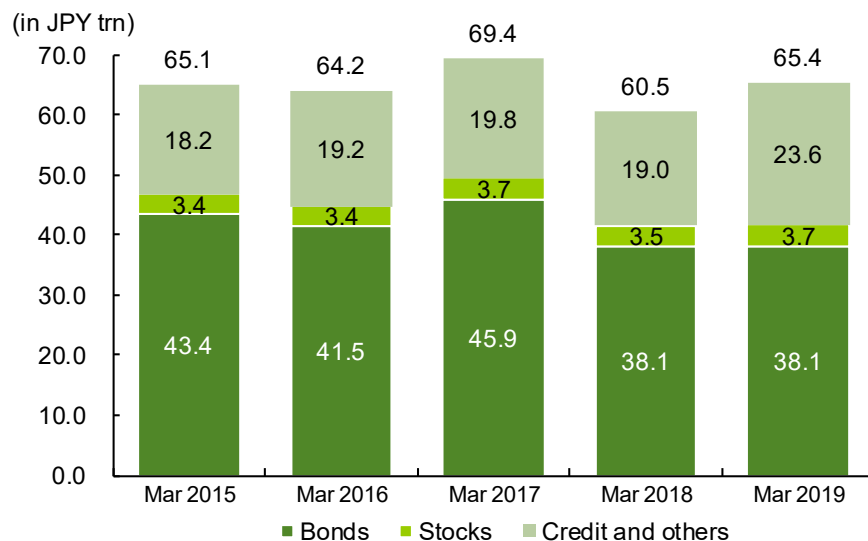


## Risk-managed Loans over Time



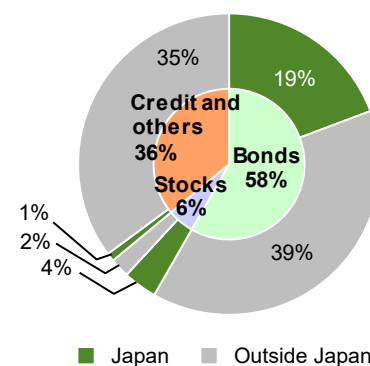
# Market Investment Portfolio (Non-consolidated)

## Market Investment Portfolio over Time

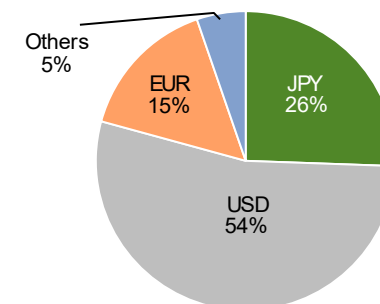


## Market Investment Portfolio (Mar 2019)

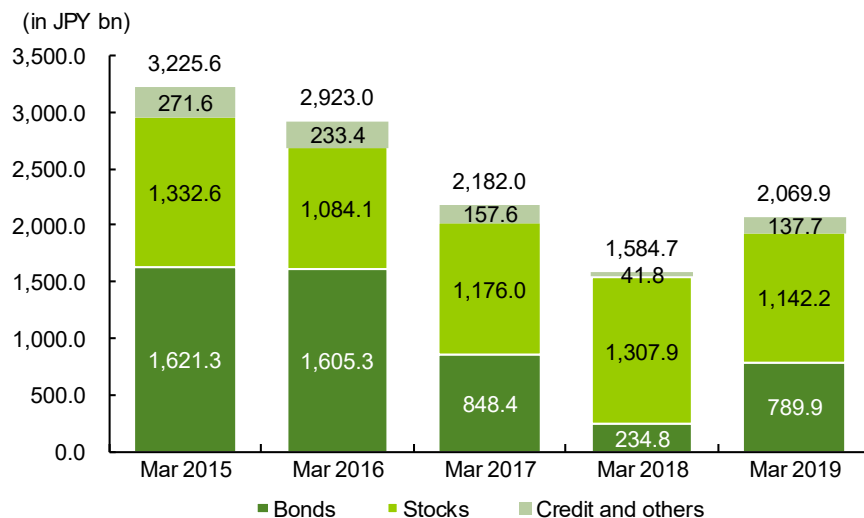
### Market Investment Portfolio by Risk



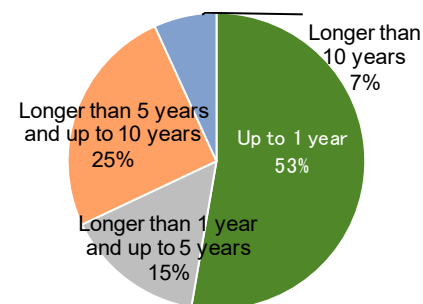
### Market Investment Portfolio by Currency



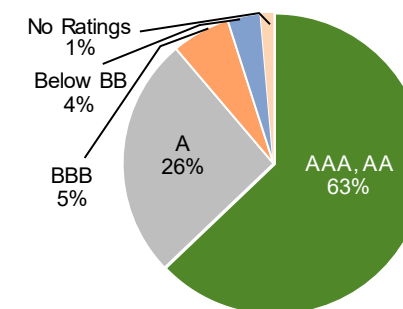
## Net Unrealized Gains and Losses over Time



### Bond and Credit Portfolio By Rate Reset Maturity

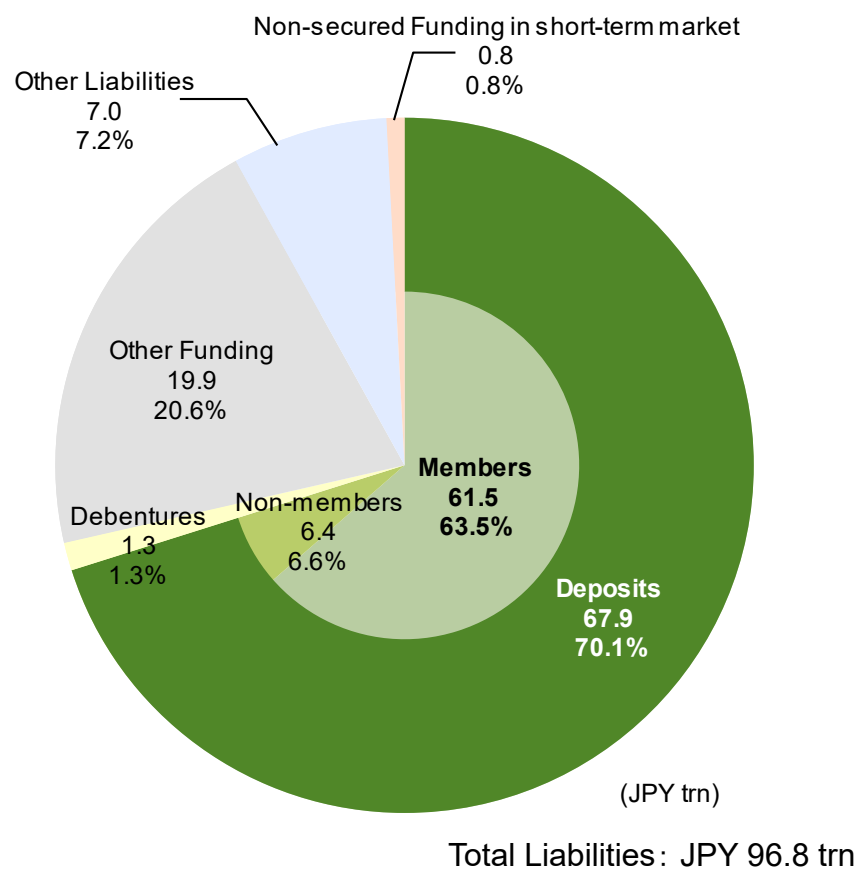


### Market Investment Portfolio by Rating



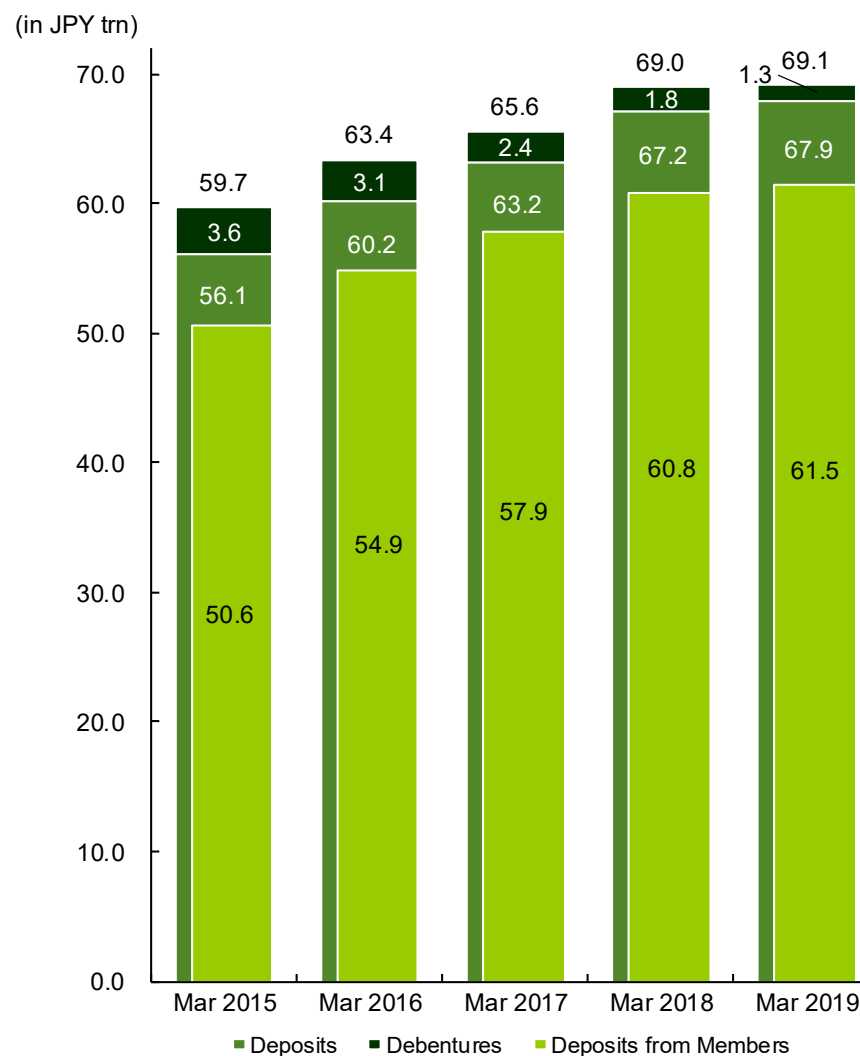
# Funding (Non-consolidated)

## 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.

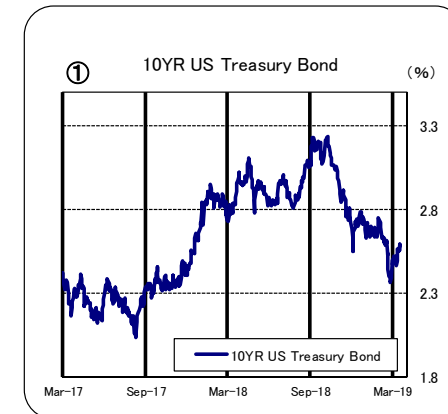
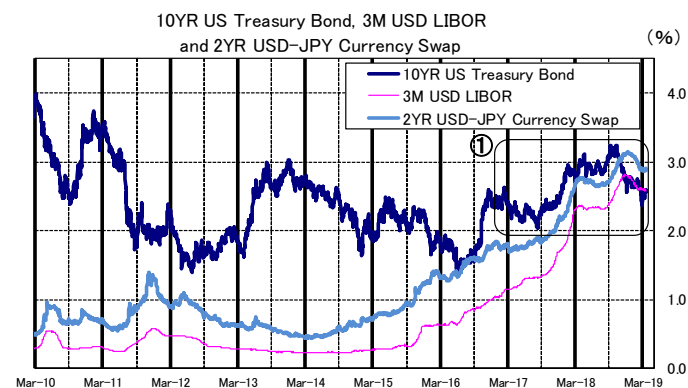
## Deposits and Debtentures over Time



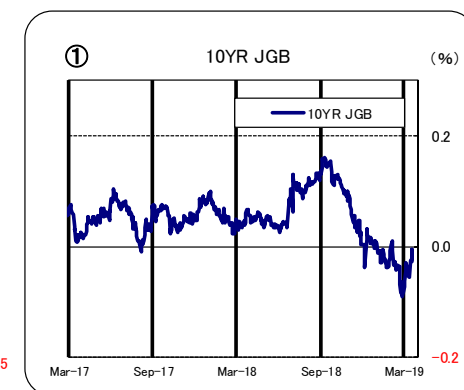
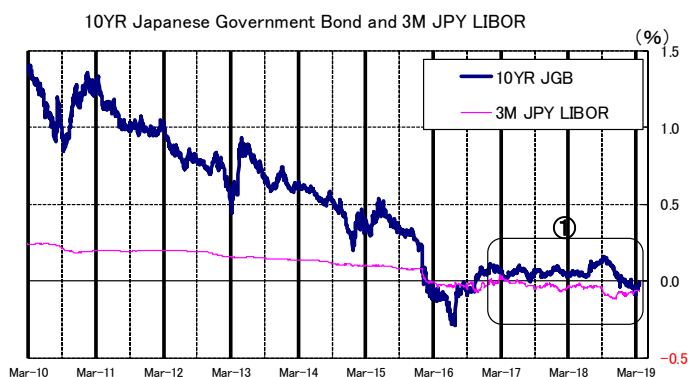
# Earning Yields (Non-consolidated)

	Average (in JPY trn)		Earnings (in JPY bn)		Yield	
	FY2018	YOY Change	FY2018	YOY Change	FY2018	YOY Change
<b>【Investment】</b>						
1 Loans and Bills Discounted	14.1	2.6	103.9	27.7	0.73%	0.07%
2 Securities	55.9	(4.2)	1,414.5	179.0	2.53%	0.48%
3 Yen-denominated Securities (including Net Gains/Losses on Sales)	15.8	(1.1)	236.0	227.0	1.49%	1.43%
4 Foreign Currency-denominated Securities (including Net Gains/Losses on Sales)	40.0	(3.1)	1,178.5	(47.9)	2.94%	0.10%
5 Short-term Investment Assets	2.8	(2.5)	11.3	5.7	0.40%	0.29%
<b>【Funding】</b>						
6 From Member Banks	61.6	1.9	347.3	7.8	0.56%	(0.01%)
7 Debentures	1.5	(0.5)	3.4	(2.1)	0.23%	(0.04%)
8 Funding from Markets	24.9	(5.1)	328.2	94.9	1.31%	0.54%
9 From the Yen Market	3.2	0.4	(0.2)	(0.2)	(0.01%)	(0.01%)
10 From Foreign Currencies Markets	21.7	(5.5)	328.5	95.2	1.51%	0.66%
<b>(Reference)</b>						
11 Foreign Currencies Funding (Including Currency Swaps, etc.)	42.3	(2.6)	825.0	297.3	1.95%	0.78%

## (Reference) US Dollar Interest Rates over Time



## (Reference) Yen Interest Rates over Time





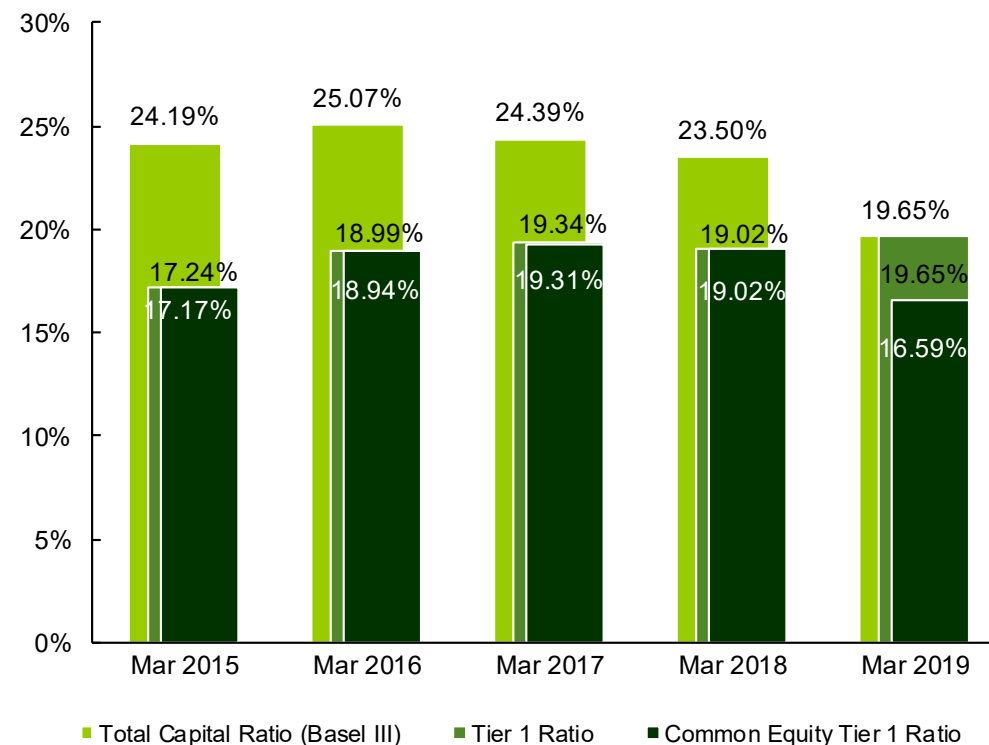
# Capital Position

【Consolidated】

(in JPY bn)

	Mar 2018	Mar 2019	Change
1 Tier 1 Capital	6,432.6	8,489.8	2,057.2
2 Common Equity Tier 1 Capital (CET1)	6,430.8	7,170.5	739.6
3 Capital Stock and Capital Surplus	3,455.5	4,015.2	559.7
4 Earned Surplus	1,917.8	1,921.5	3.7
5 Unrealized Gains on Other Securities	1,152.8	1,501.7	348.9
6 Additional Tier 1 Capital	1.7	1,319.3	1,317.5
7 Tier 2 Capital	1,513.4	1.1	(1,512.2)
8 Subordinated Bonds and Loans	1,513.2	0.9	(1,512.3)
9 Total Capital	7,946.1	8,491.0	544.9
10 Risk-weighted Assets	33,810.3	43,200.2	9,389.8
11 Common Equity Tier 1 Ratio	19.02%	16.59%	(2.43%)
12 Tier 1 Ratio	19.02%	19.65%	0.63%
13 Total Capital Ratio	23.50%	19.65%	(3.85%)

## Capital Ratios over Time (Consolidated)



## Leverage Ratio (Consolidated)

【Consolidated】

	Mar 2018	Mar 2019
14 Leverage Ratio	6.03%	7.87%

## Liquidity Coverage Ratio (Consolidated)

【Consolidated】

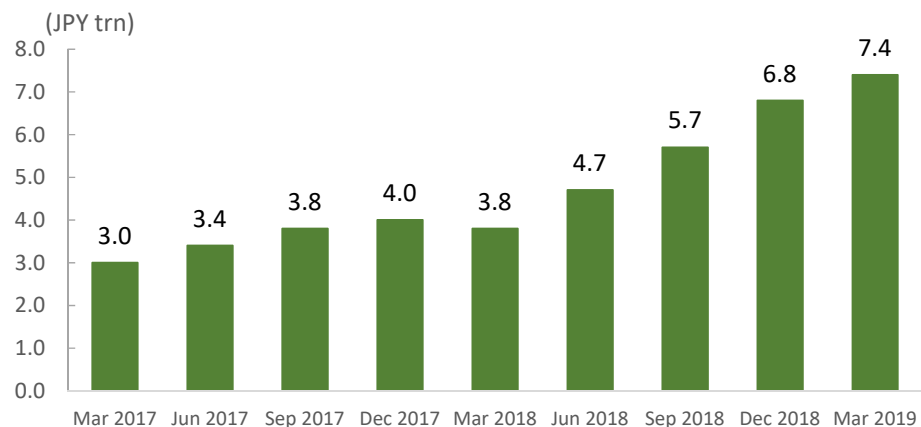
	FY2018	1Q	2Q	3Q	4Q
15 Liquidity Coverage Ratio (Note)	450%	443%	411%	378%	

(Note) Item 15: simple averages of observations over the previous quarter

# (Additional Info) Bank's Investment in CLOs

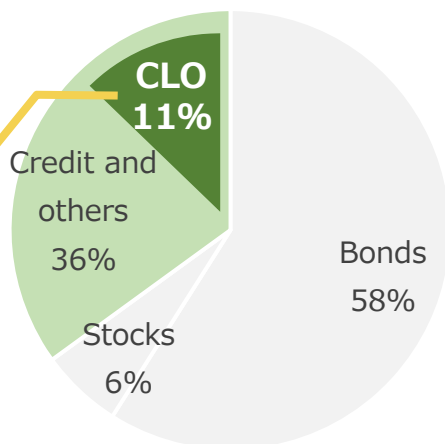
- The Bank applies a consistent approach to robust due diligence and disciplined risk management in CLO investments

## Bank's CLO Holdings over Time



## Market Investment Portfolio

- 11% of investment portfolio
- Only triple-A rated and held-to-maturity securities



## Due Diligence and Risk Management

### Investment Guidelines

- Solely on the most senior, triple-A rated tranche
- Strict requirements on stipulations and underlying assets
- Bank-original, rigorous stress-test scenarios

### Investment Process

- Credit review process on each transaction by the Credit Risk Management Division in addition to the analysis by the investment team

### Managers

- Collateral managers only with good track-records and disciplined investment style

### Monitoring

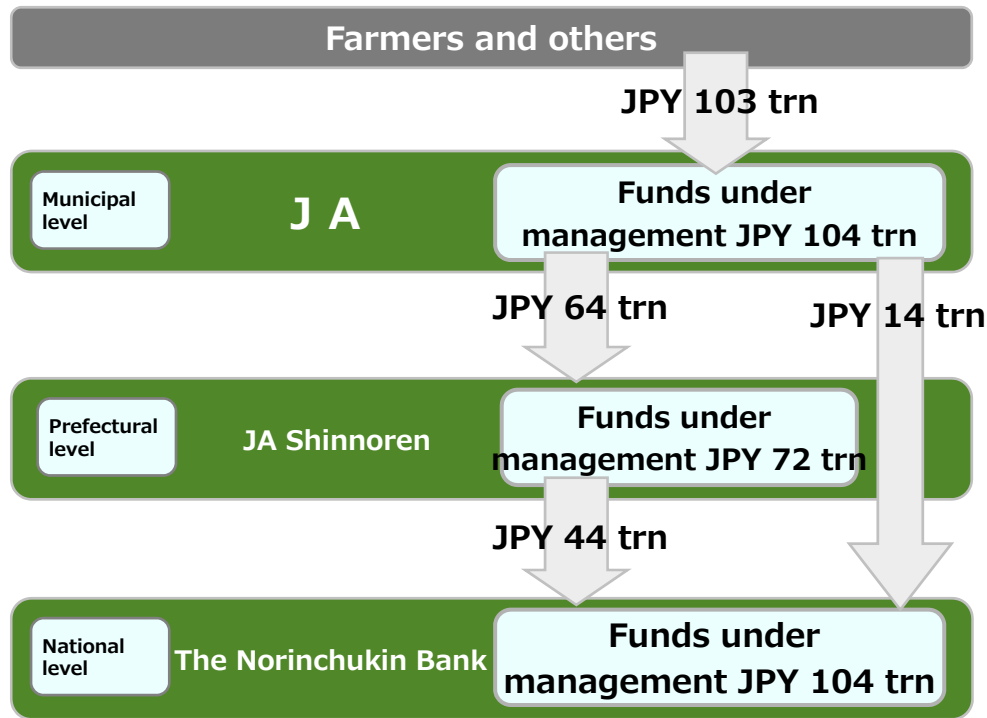
- Periodical review on the compliance status of tests and underlying asset quality
- Frequent communication with the managers

# Appendix

# Business Base of JA Bank

JA Bank = JA + JA Shinnoren + The Norinchukin Bank

## Flow of Funds in JA Bank (As of Mar. 31, 2019)

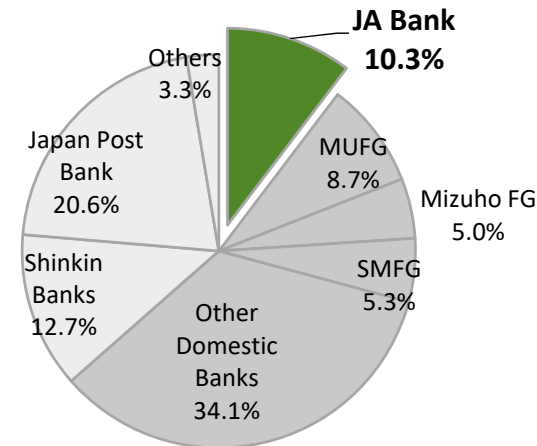


Total funds under management of JA Bank\* JPY 158 trn

\* Total funds under management =  
Funds under management - Deposits

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

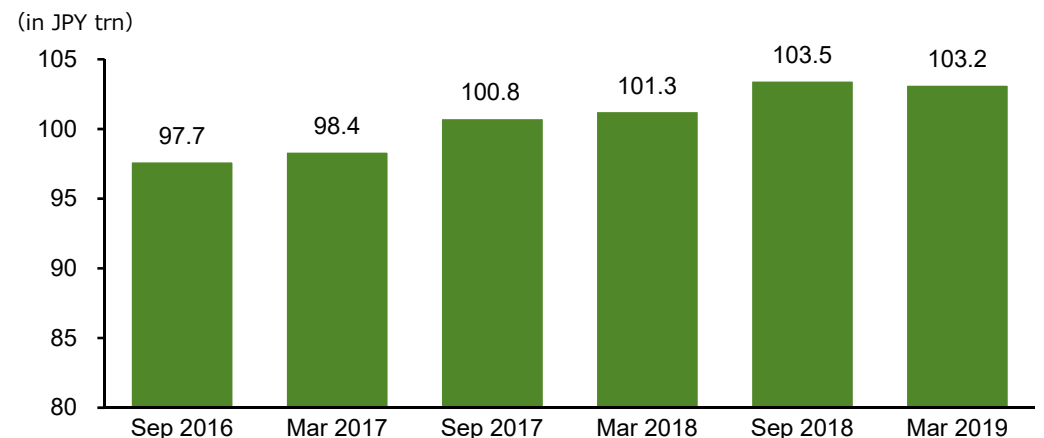
## Retail Deposits and Savings in Japan (As of Sep. 30, 2018)



Total: JPY 876 trn

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.

## JA Bank Deposits and Savings (JPY trillion)



(Preliminary Figure)

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