

Dedicated to sustaining all life.

# Financial Summary for the 1<sup>st</sup> Half of Fiscal Year 2019



**NORINCHUKIN**

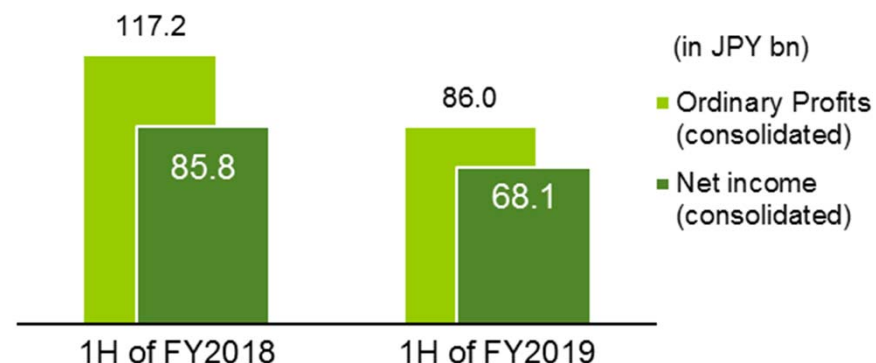
**November 21, 2019**

# Financial Highlights for the 1st Half of FY2019

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

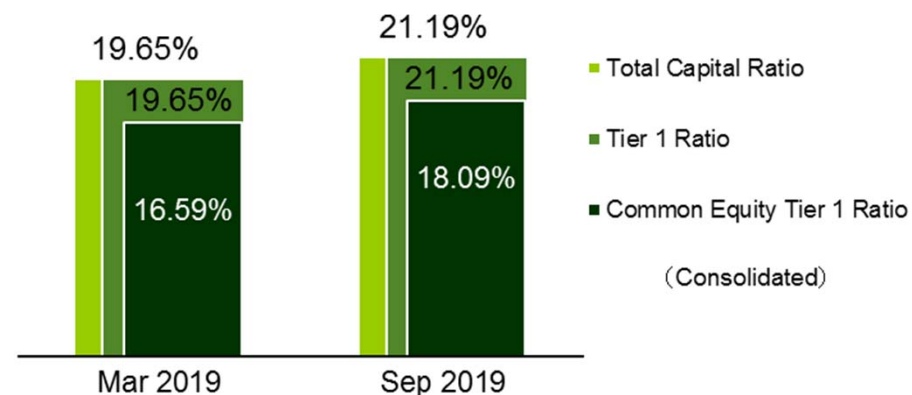
## Profits

【Consolidated】		(in JPY bn)	
	1H of FY2018	1H of FY2019	Change
Ordinary Profits	117.2	86.0	(31.1)
Net Income	85.8	68.1	(17.6)



## Capital Position (under Basel III)

【Consolidated】			
	Mar 2019	Sep 2019	Change
Common Equity Tier 1 Ratio	16.59%	18.09%	1.50%
Tier 1 Ratio	19.65%	21.19%	1.54%
Total Capital Ratio	19.65%	21.19%	1.54%



# Income Statement Summary

【Consolidated】 (in JPY bn)

	1H of FY2018	1H of FY2019	Change
1 Ordinary Income	911.0	830.8	(80.1)
2 Interest Income	682.2	643.7	(38.4)
3 <Interest and Dividends on Securities>	617.8	565.6	(52.1)
4 <Interest on Loans and Bills Discounted>	51.9	62.9	10.9
5 Ordinary Expenses	793.7	744.7	(49.0)
6 Interest Expenses	606.1	622.8	16.7
7 <Expenses on Funding from Members>	173.5	168.7	(4.7)
8 General and Administrative Expenses	80.4	77.9	(2.4)
9 Ordinary Profits	117.2	86.0	(31.1)
10 Income before Income Taxes	117.1	87.5	(29.5)
11 Profit Attributable to Owners of Parent	85.8	68.1	(17.6)

【Non-consolidated】 (in JPY bn)

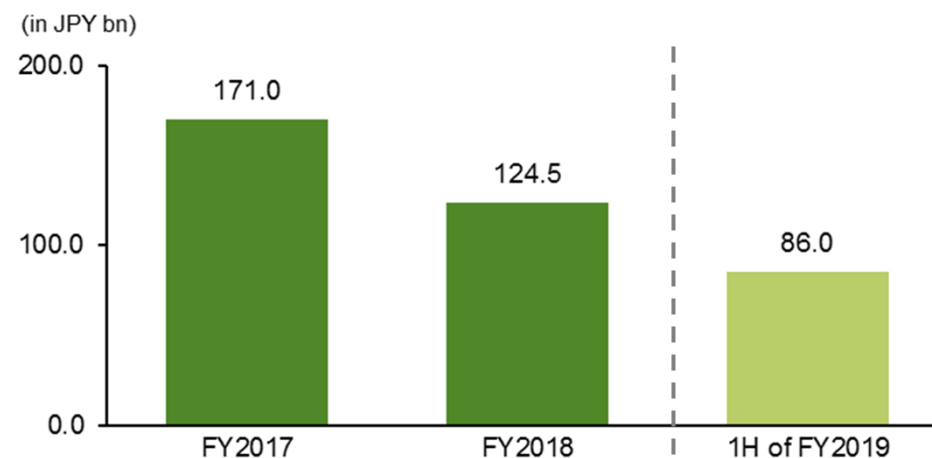
	1H of FY2018	1H of FY2019	Change
12 Ordinary Profits	115.8	84.4	(31.4)
13 Net Income	86.5	68.7	(17.8)

【Reference (Non-consolidated)】

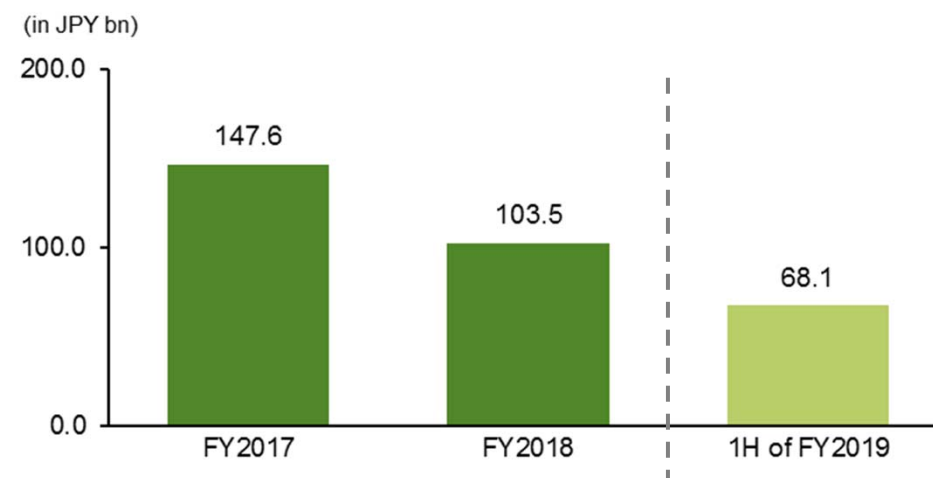
14 Net Gains/Losses on Sales of Securities	26.1	51.3	25.1
15 Credit Costs <sup>(Note)</sup>	(0.1)	0.5	0.7
16 Write-off of Securities	0.2	0.3	0.0

(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 2019	Sep 2019	Change
1 Loans and Bills Discounted	18,613.0	19,193.2	580.2
2 Securities	55,658.7	55,424.8	(233.8)
3 Money Held in Trust	8,667.3	6,997.9	(1,669.4)
4 Cash and Due from Banks	18,941.6	21,659.5	2,717.8
5 Others	4,073.1	5,122.5	1,049.3
6 Total Assets	105,953.9	108,398.2	2,444.2
7 Deposits <sup>(Note)</sup>	67,845.1	68,282.1	436.9
8 Debentures	1,254.2	1,007.7	(246.4)
9 Payables under Repurchase Agreements	15,111.2	15,617.3	506.0
10 Others	14,269.9	15,720.2	1,450.2
11 Total Liabilities	98,480.6	100,627.5	2,146.8
12 Total Net Assets	7,473.2	7,770.7	297.4

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

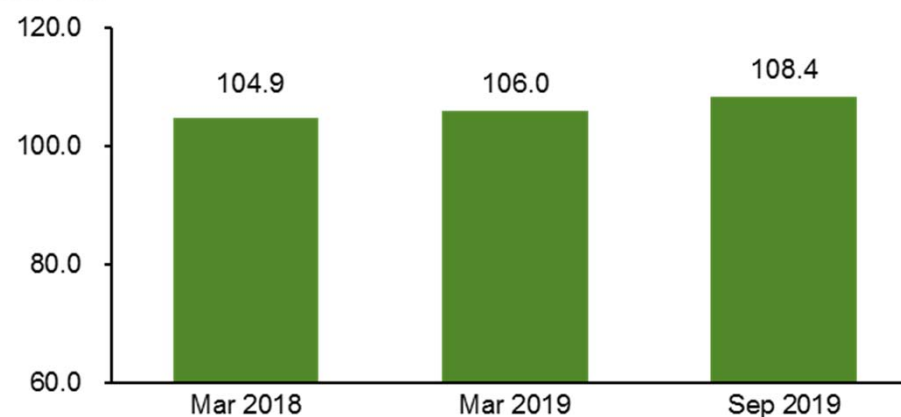
【Non-consolidated】

(in JPY bn)

	Mar 2019	Sep 2019	Change
13 Total Assets	104,176.8	106,479.7	2,302.9
14 Total Liabilities	96,794.9	98,796.2	2,001.3
15 Total Net Assets	7,381.8	7,683.4	301.5
16 Gains/Losses on Revaluation of Securities	2,069.9	2,791.5	721.5

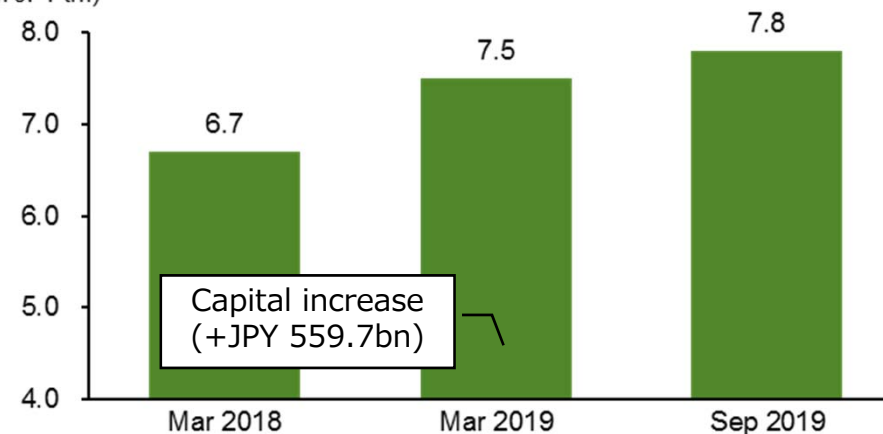
## Total Assets over Time (Consolidated)

(in JPY tm)



## Net Assets over Time (Consolidated)

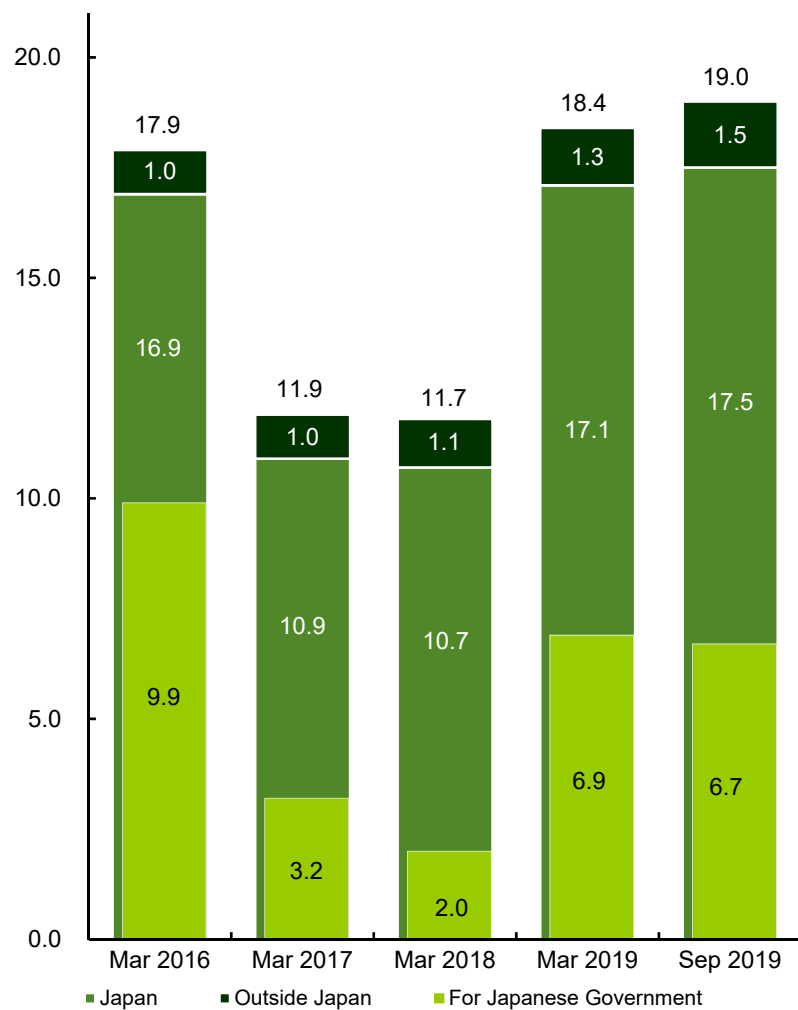
(in JPY tm)



# Loan and Bills Discounted (Non-consolidated)

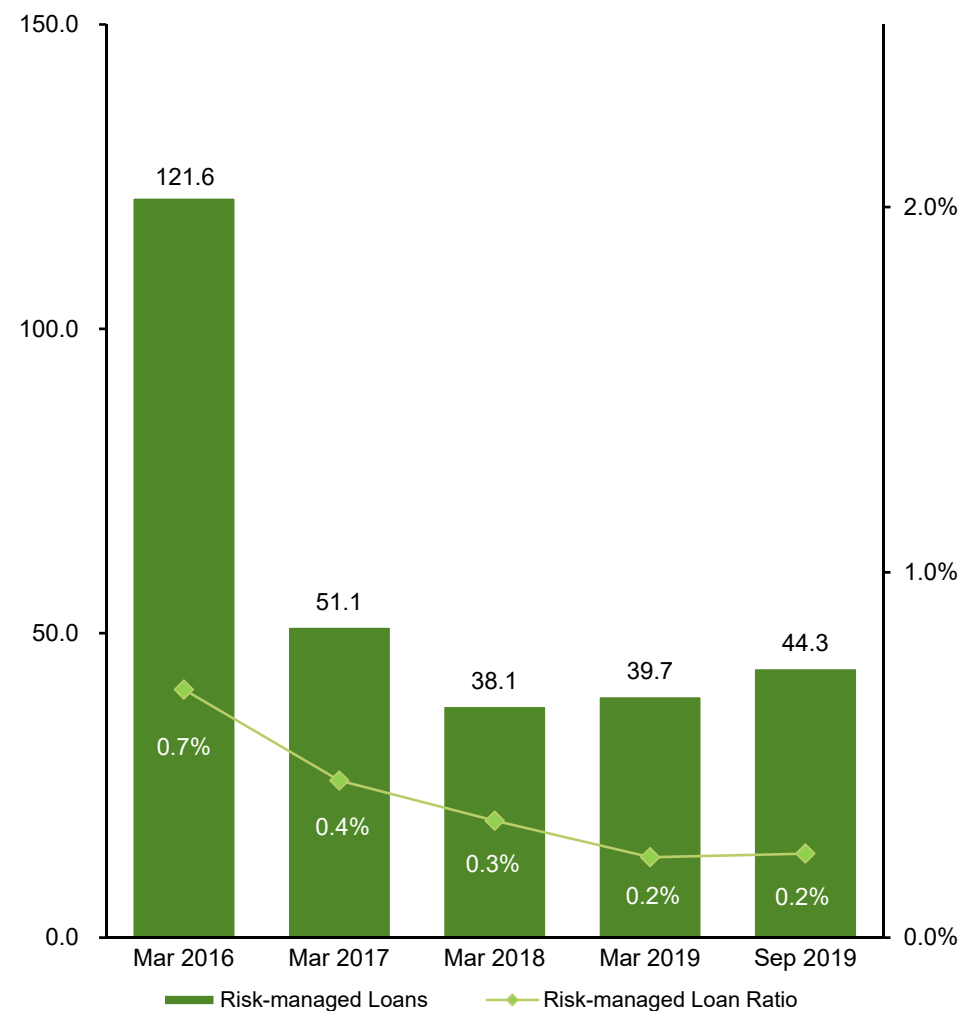
## Loans and Bills Discounted over Time

(in JPY trn)



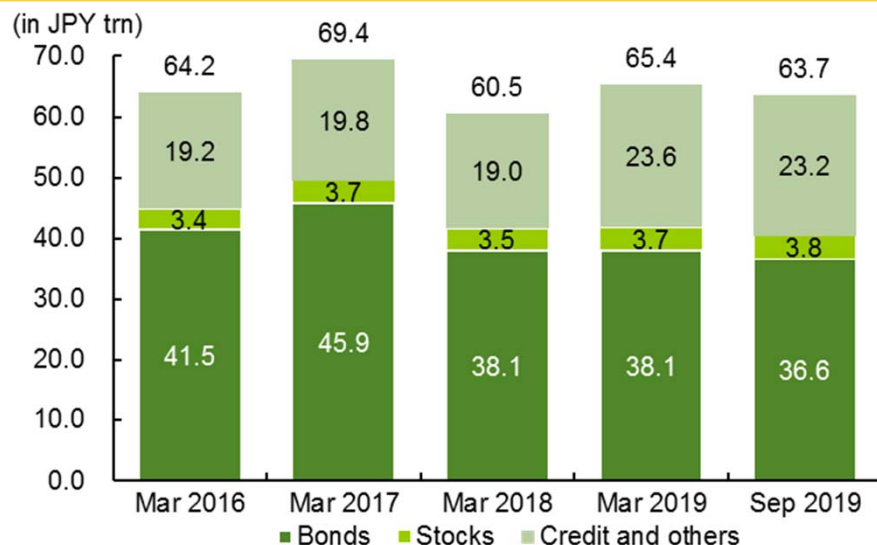
## Risk-managed Loans over Time

(in JPY bn)



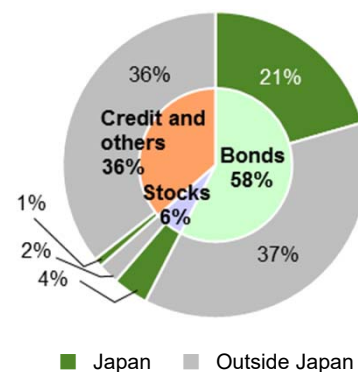
# Market Investment Portfolio (Non-consolidated)

## Market Investment Portfolio over Time

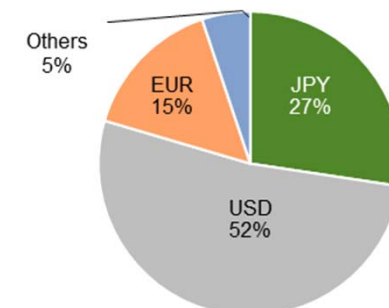


## Market Investment Portfolio (Sep 2019)

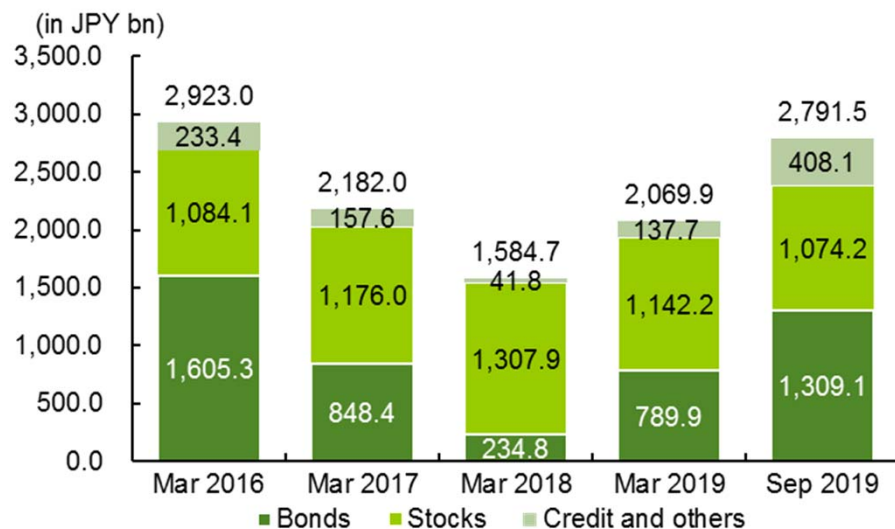
### Market Investment Portfolio by Risk



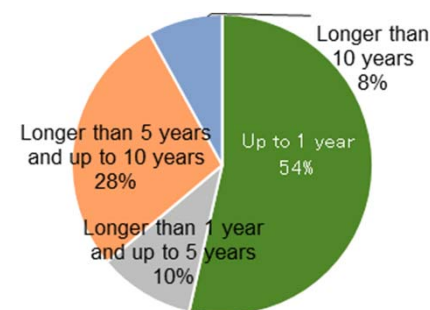
### Market Investment Portfolio by Currency



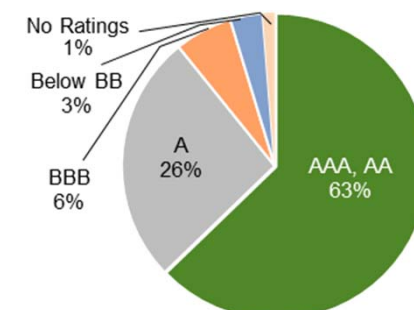
## Net Unrealized Gains and Losses over Time



### Bond and Credit Portfolio By Rate Reset Maturity

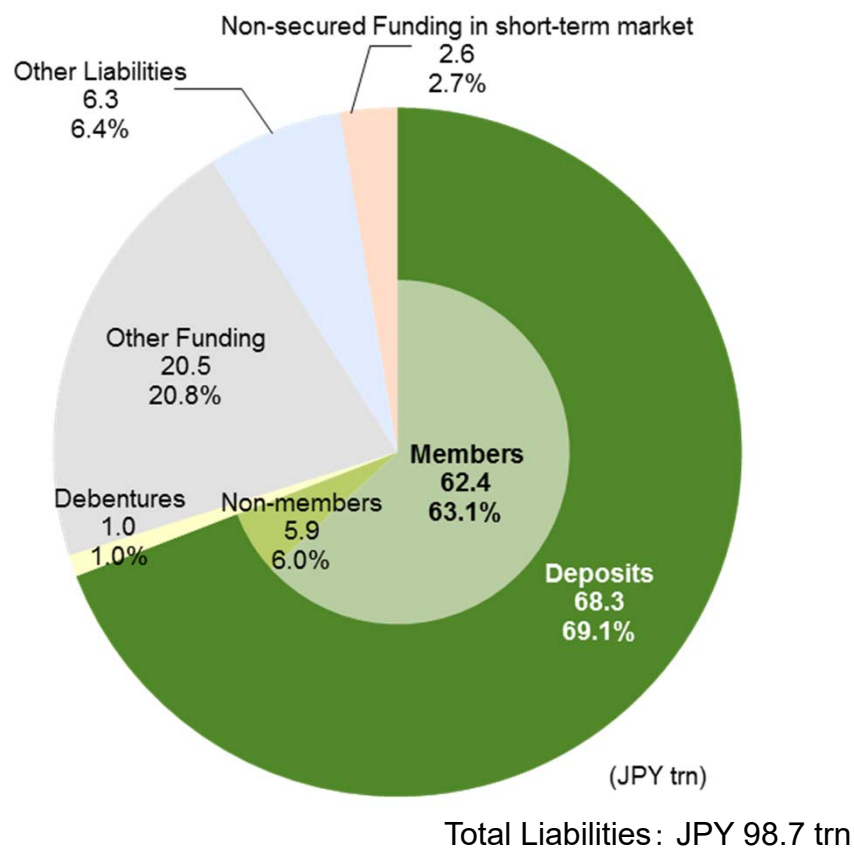


### Market Investment Portfolio by Rating



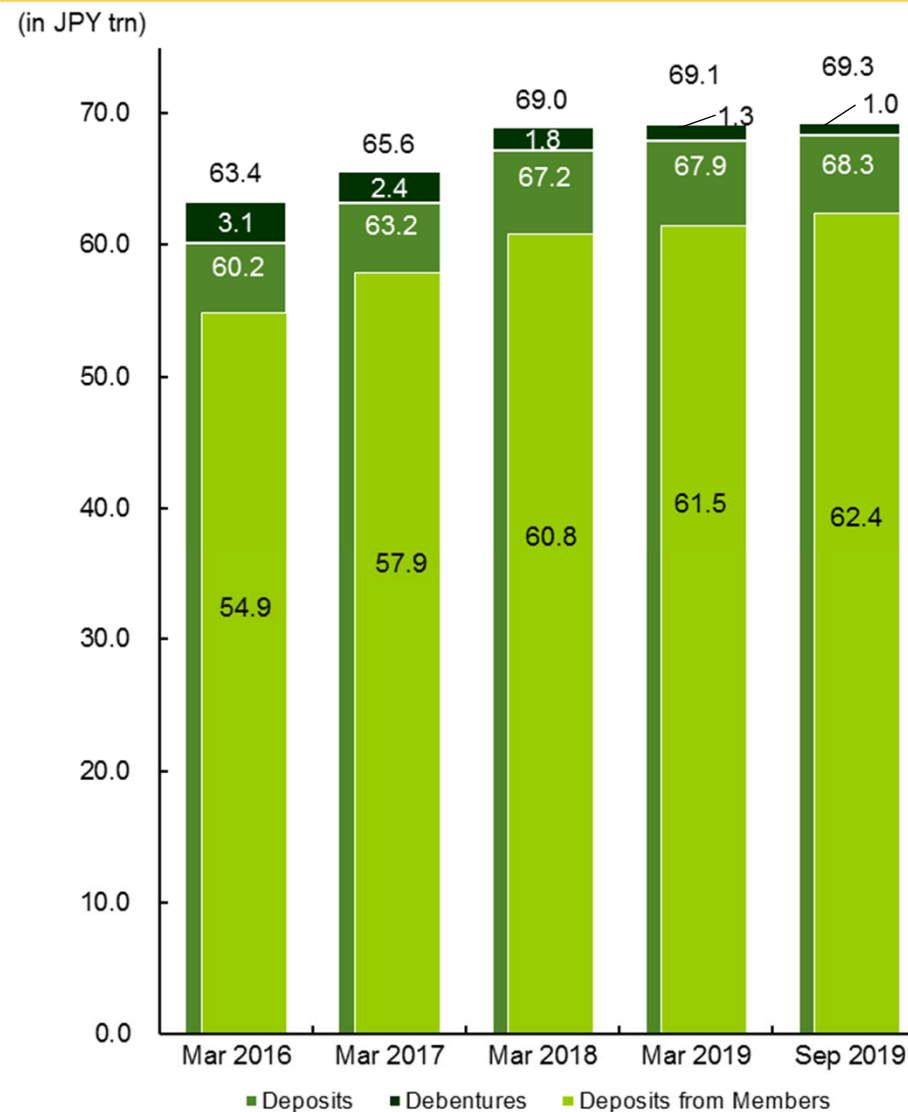
# Funding (Non-consolidated)

## 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 acceptances & guarantees and reserves. Short-term unsecured funding from markets include trading liabilities, negotiable certificates of deposit, and unsecured call money.

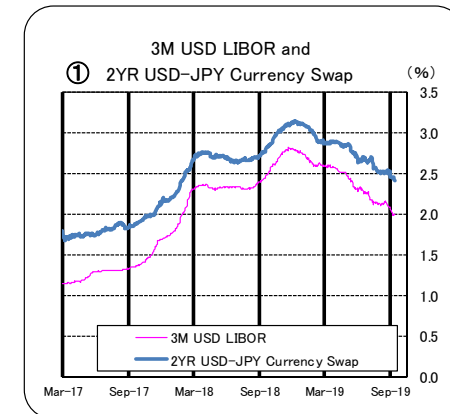
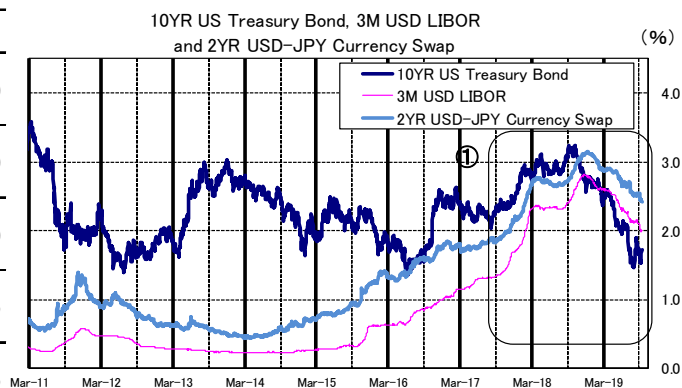
## Deposits and Debtentures over Time



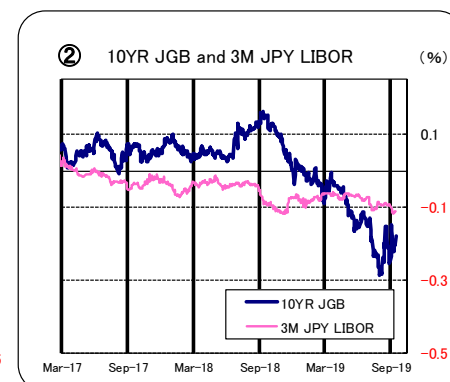
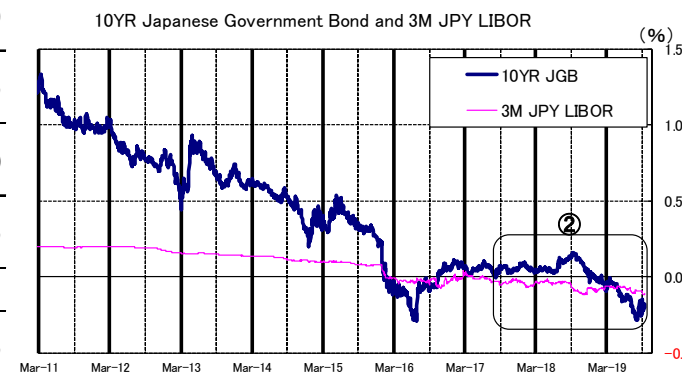
# Earning Yields (Non-consolidated)

	Average (in JPY trn)		Earnings (in JPY bn)		Yield	
	1H of FY2019	YOY Change	1H of FY2019	YOY Change	1H of FY2019	YOY Change
<b>【Investment】</b>						
1 Loans and Bills Discounted	18.6	6.2	58.1	8.0	0.62%	(0.18%)
2 Securities	56.5	0.9	708.4	(28.8)	2.51%	(0.14%)
3 Yen-denominated Securities (including Net Gains/Losses on Sales)	16.2	0.3	55.3	(83.3)	0.68%	(1.06%)
4 Foreign Currency-denominated Securities (including Net Gains/Losses on Sales)	40.2	0.5	653.0	54.4	3.25%	0.24%
5 Short-term Investment Assets	1.4	(1.9)	6.5	1.9	0.90%	0.62%
<b>【Funding】</b>						
6 From Member Banks	61.3	(0.3)	168.7	(4.7)	0.55%	(0.01%)
7 Debentures	1.1	(0.5)	1.0	(0.9)	0.19%	(0.06%)
8 Funding from Markets	25.9	0.0	180.8	30.5	1.39%	0.24%
9 From the Yen Market	4.1	1.1	(0.4)	(0.3)	(0.02%)	(0.02%)
10 From Foreign Currencies Markets	21.8	(1.1)	181.3	30.9	1.66%	0.35%
<b>(Reference)</b>						
11 Foreign Currencies Funding (Including Currency Swaps, etc.)	42.5	(0.1)	423.7	43.8	1.99%	0.22%

## (Reference) US Dollar Interest Rates over Time



## (Reference) Yen Interest Rates over Time





# Capital Position

【Consolidated】 (in JPY bn)

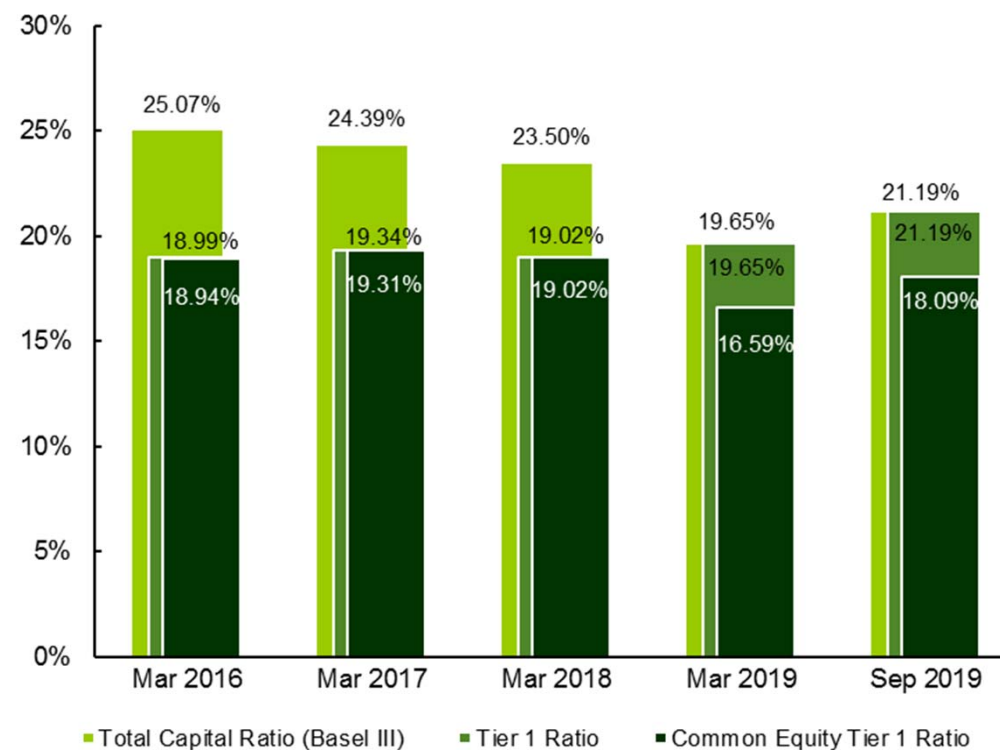
	Mar 2019	Sep 2019	Change
1 Tier 1 Capital	8,489.8	9,030.4	540.5
2 Common Equity Tier 1 Capital (CET1)	7,170.5	7,710.8	540.3
3 Capital Stock and Capital Surplus	4,015.2	4,015.2	-
4 Earned Surplus	1,921.5	1,989.7	68.1
5 Unrealized Gains on Other Securities	1,501.7	2,022.1	520.3
6 Additional Tier 1 Capital	1,319.3	1,319.5	0.2
7 Tier 2 Capital	1.1	1.2	0.0
8 Subordinated Bonds and Loans	0.9	0.9	-
9 Total Capital	8,491.0	9,031.6	540.6
10 Risk-weighted Assets	43,200.2	42,603.9	(596.2)
11 Common Equity Tier 1 Ratio	16.59%	18.09%	1.50%
12 Tier 1 Ratio	19.65%	21.19%	1.54%
13 Total Capital Ratio	19.65%	21.19%	1.54%

## Leverage Ratio (Consolidated)

【Consolidated】

	Mar 2019	Sep 2019
14 Leverage Ratio	7.87%	8.19%

## Capital Ratios over Time (Consolidated)



## Liquidity Coverage Ratio (Consolidated)

【Consolidated】

	FY2019	1Q	2Q	3Q	4Q
15 Liquidity Coverage Ratio (Note)	320%	402%	-	-	-

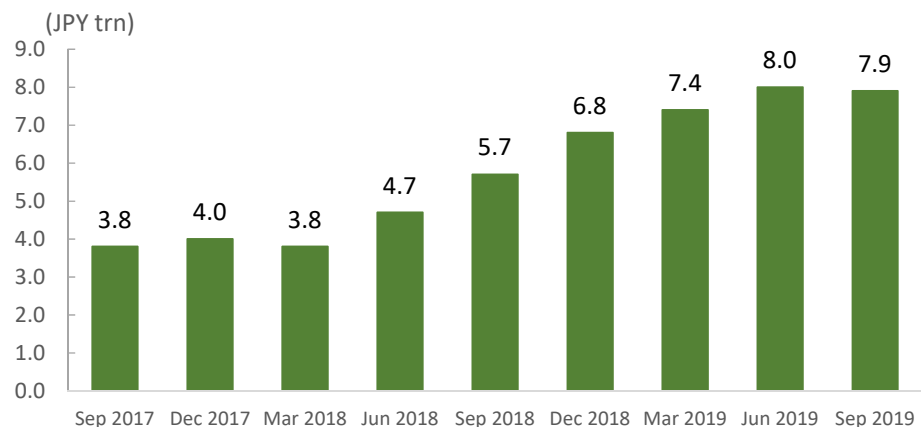
(Note) Item 15: simple averages of observations over the previous quarter

# Appendix

# (Additional Info) Bank's Investment in CLOs

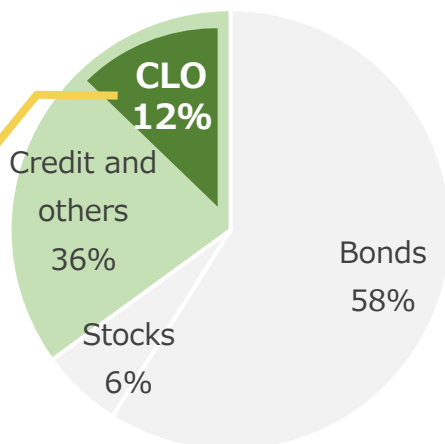
- The Bank applies a consistent approach to robust due diligence and disciplined risk management in CLO investments

## Bank's CLO Holdings over Time



## Market Investment Portfolio

- 12% 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

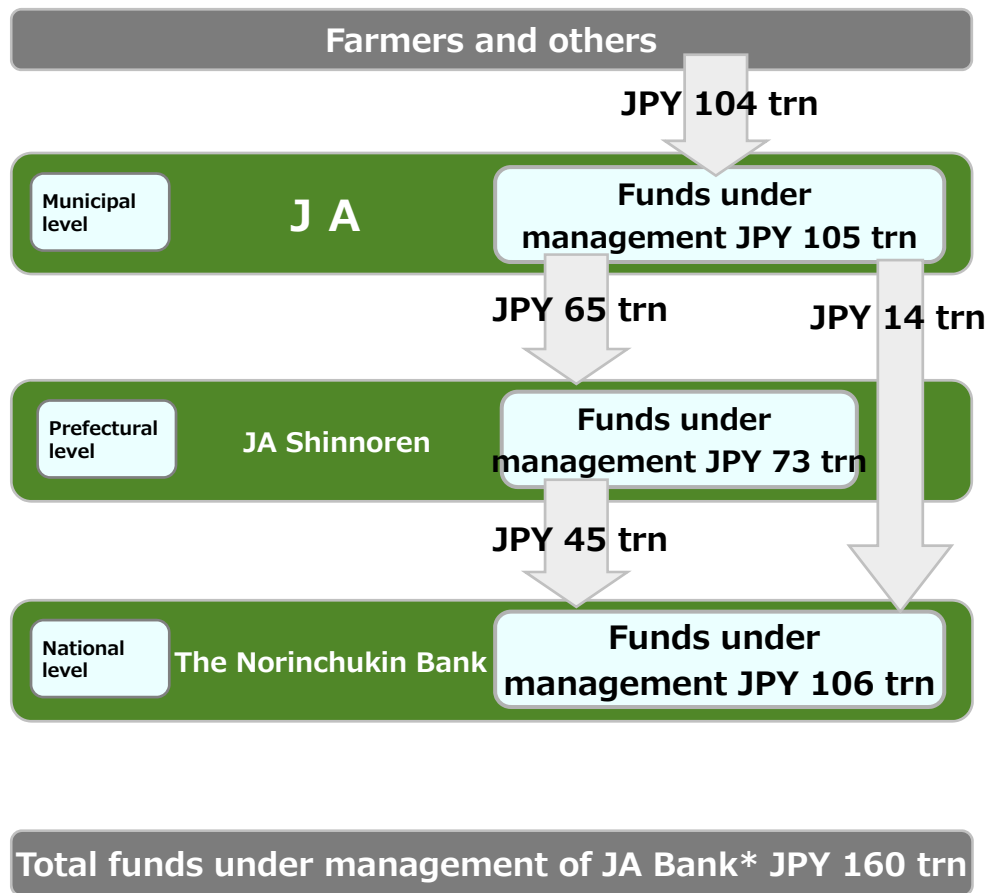
### Monitoring

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

# Business Base of JA Bank

JA Bank = JA + JA Shinnoren + The Norinchukin Bank

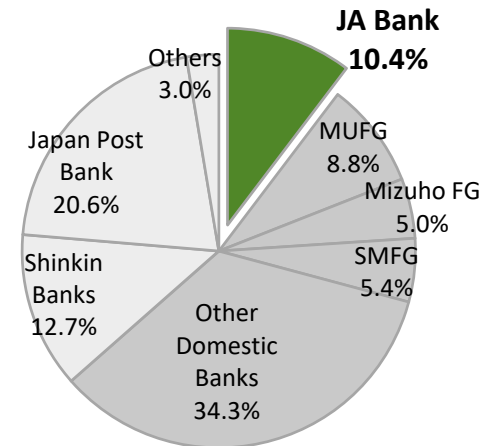
## Flow of Funds in JA Bank (As of Sep. 30, 2019)



\* 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.

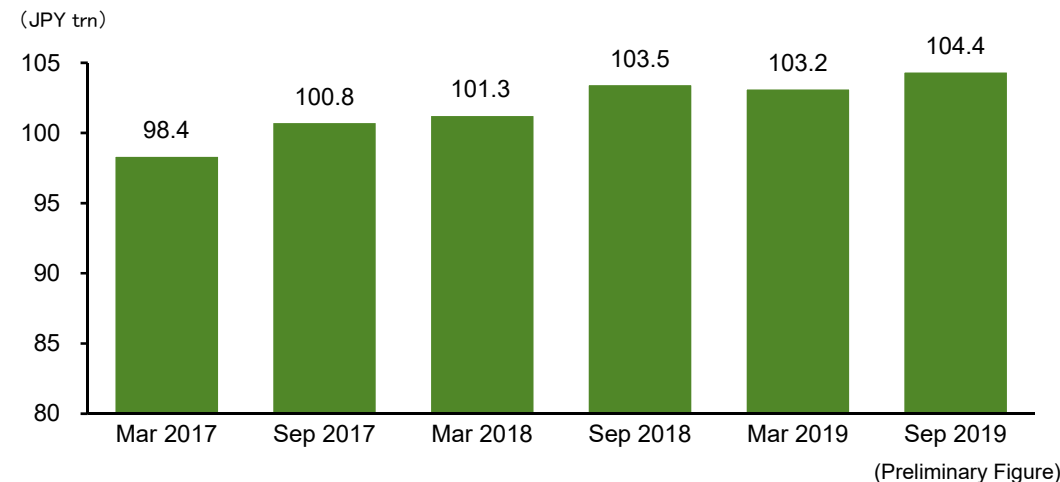
## Retail Deposits and Savings in Japan (As of Mar. 31, 2019)



Total: JPY 880 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)



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