

**FY2021  
Third Quarter  
Financial Results  
Overview**

**January 31, 2022**

# 3<sup>rd</sup> Quarter Financial Highlights

## FY2021 full-year earnings forecast revised upwards in light of stronger than expected customer-related transactions

(billion yen)	Apr.-Dec.	Progress towards Original Forecast	Original Full-year Forecast	Revised Full-year Forecast	Difference
<b>Net Revenue</b>	<b>79.3</b>	<b>82%</b>	<b>97.0</b>	<b>102.0</b>	+5.0 (+5.2%)
<b>Business Profit</b>	<b>38.8</b>	<b>92%</b>	<b>42.5</b>	<b>47.0</b>	+4.5 (+10.6%)
<b>Profit attributable to owners of parent</b>	<b>28.5</b>	<b>95%</b>	<b>30.0</b>	<b>34.0</b>	+4.0 (+13.3%)

### Key points

- ◆ Net interest income was strong due to higher loan outstandings, particularly overseas loans, and increased year-on-year for the first nine months
- ◆ Customer-related transactions remained strong in 3Q. As a result, non-interest income for the first nine months significantly increased compared to the previous year. Aozora's Strategic Investments Business made steady progress, mainly in buyout finance and limited partnership investments
- ◆ Additional provisions were made to general loan loss reserves as a result of higher loan outstandings while credit-related expenses remained within our original expectations

### Following the upward revision to the FY2021 full-year earnings forecast, the Bank has also revised upwards its full-year dividend forecast

**Full-year Dividend Forecast: 145 yen per common share (17 yen higher than the original forecast)**

**Dividend for 3Q: 40 yen per common share (8 yen higher than the dividend for 2Q)**

(Note) Unless otherwise stated, all amounts stated in 1 billion yen have been rounded down to the nearest 0.1 billion yen.

In addition, "1Q" refers to the period from April to June, "2Q" refers to the period from July to September, and "3Q" refers to the period from October to December.

# PL summary

- ◆ Earnings results continued to be strong through 3Q (Oct.-Dec.). During the first nine months (Apr.-Dec.), net revenue increased by 10.1 billion yen compared to the previous year
  - Net interest income increased year-on-year while the significant growth in non-interest income, particularly from customer-related transactions, was a major driver of revenue for the first nine months
  - G&A expenses were in line with the original plan as the Bank continued its focus on cost control
  - Credit-related expenses were a net expense of 1.2 billion yen. The Bank recorded gains on stock transactions in 3Q associated with gains from customer business-related transactions

	FY2020 Apr. - Dec. A	FY2021				Change B - A		FY2021 Revised Full-year Forecast	Progress
		Apr. - Jun.	Jul. - Sep.	Oct. - Dec.	Apr. - Dec. B	Amount	%		
(billion yen)									
<b>Net revenue</b>	<b>69.1</b>	<b>26.7</b>	<b>25.6</b>	<b>26.8</b>	<b>79.3</b>	<b>+10.1</b>	<b>+14.6%</b>	<b>102.0</b>	<b>78%</b>
Net interest income	38.2	11.8	12.8	14.0	38.7	+0.4			
Non-interest income	30.9	14.9	12.8	12.7	40.5	+9.6			
General & administrative expenses	-39.7	-13.8	-14.0	-14.1	-42.1	-2.3			
Gains/losses on equity method investments	0.2	0.5	0.6	0.4	1.7	+1.4			
<b>Business profit</b>	<b>29.7</b>	<b>13.4</b>	<b>12.2</b>	<b>13.1</b>	<b>38.8</b>	<b>+9.1</b>	<b>+30.9%</b>	<b>47.0</b>	<b>83%</b>
Credit-related expenses	-1.7	2.0	-1.5	-1.7	-1.2	+0.4			
Gains/losses on stock transactions	2.3	0.0	0.0	0.8	0.8	-1.5			
<b>Ordinary profit</b>	<b>28.8</b>	<b>15.6</b>	<b>10.8</b>	<b>12.3</b>	<b>38.7</b>	<b>+9.9</b>	<b>+34.4%</b>	<b>47.0</b>	<b>83%</b>
Extraordinary profit/loss	-0.0	-	-0.1	-0.0	-0.2	-0.2			
<b>Profit before income taxes</b>	<b>28.8</b>	<b>15.6</b>	<b>10.6</b>	<b>12.2</b>	<b>38.5</b>	<b>+9.6</b>	<b>+33.5%</b>		
Taxes	-8.5	-4.4	-3.1	-3.6	-11.2	-2.7			
Gains/losses attributable to non-controlling interests	1.6	0.3	0.4	0.5	1.3	-0.3			
<b>Profit attributable to owners of parent</b>	<b>22.0</b>	<b>11.5</b>	<b>7.8</b>	<b>9.1</b>	<b>28.5</b>	<b>+6.5</b>	<b>+29.9%</b>	<b>34.0</b>	<b>84%</b>

# Net interest income

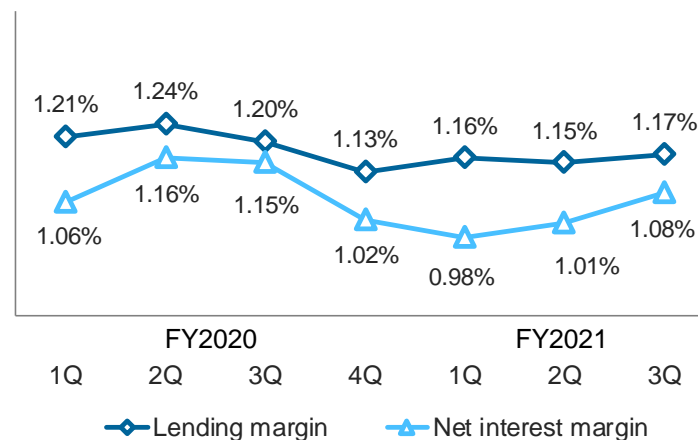
- ◆ Net interest income was 38.7 billion yen, an increase of 0.4 billion yen compared to the previous year
  - Net interest income increased by 1.2 billion yen in 3Q compared to 2Q due to increased interest on loans and discounts as well as interest and dividends on securities
- ◆ While lending margins (yield on loans – yield on funding) narrowed by 6 bps year-on-year, they remained steady over the past three quarters

(billion yen)	FY2020	FY2021			Apr. - Dec. B	Change B - A
	Apr. - Dec. A	Apr. - Jun.	Jul. - Sep.	Oct. - Dec.		
<b>Net interest income</b>	<b>38.2</b>	<b>11.8</b>	<b>12.8</b>	<b>14.0</b>	<b>38.7</b>	<b>+0.4</b>
<b>Interest income</b>	<b>52.1</b>	<b>15.6</b>	<b>16.1</b>	<b>17.5</b>	<b>49.3</b>	<b>-2.7</b>
Interest on loans and discounts	35.1	10.8	10.9	11.4	33.2	-1.8
Interest and dividends on securities	16.3	4.5	4.9	5.8	15.3	-1.0
Other interest income	0.6	0.2	0.2	0.2	0.8	+0.1
<b>Interest expenses</b>	<b>-13.8</b>	<b>-3.7</b>	<b>-3.3</b>	<b>-3.4</b>	<b>-10.5</b>	<b>+3.2</b>
Interest on deposits and NCDs	-4.3	-1.4	-1.4	-1.5	-4.4	-0.1
Interest on debentures and bonds	-1.6	-0.6	-0.5	-0.4	-1.5	+0.1
Interest on borrowings and rediscount	-1.4	-0.3	-0.2	-0.2	-0.8	+0.6
Other interest expenses	-1.5	-0.2	-0.1	-0.1	-0.5	+1.0
Interest on swaps	-4.8	-1.0	-0.9	-1.0	-3.1	+1.6

(Note) Decreases in expenses are shown as positive.

	FY2020	FY2021			Apr. - Dec. B	Change B - A
	Apr. - Dec. A	Apr. - Jun.	Jul. - Sep.	Oct. - Dec.		
Yield on total investments (A)	1.50%	1.26%	1.26%	1.33%	1.28%	-0.22%
Yield on loans (B)	1.60%	1.44%	1.40%	1.42%	1.42%	-0.18%
Yield on securities	1.93%	1.32%	1.52%	1.72%	1.52%	-0.41%
Yield on funding (C)	0.38%	0.28%	0.25%	0.25%	0.26%	-0.12%
Net interest margin (A)-(C)	1.12%	0.98%	1.01%	1.08%	1.02%	-0.10%
Lending margin (B)-(C)	1.22%	1.16%	1.15%	1.17%	1.16%	-0.06%

## Net interest margin and lending margin



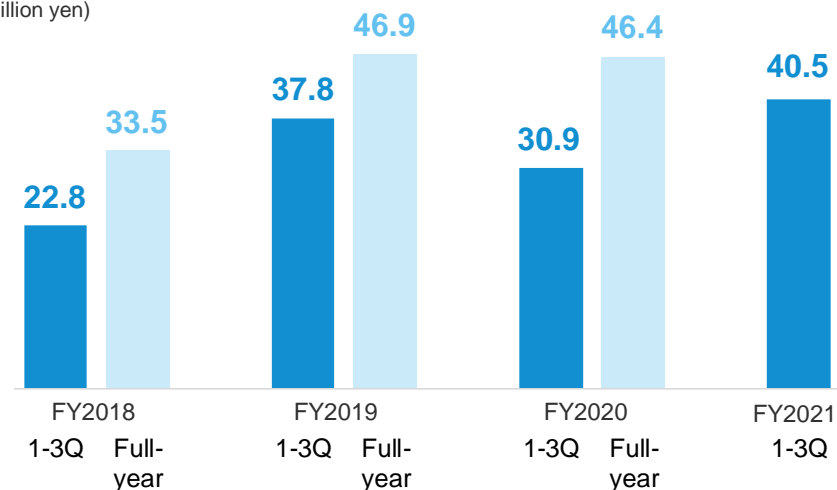
# Non-interest income

- ◆ Non-interest income was 40.5 billion yen, an increase of 9.6 billion yen year-on-year due to a strong level of customer-related transactions
  - Aozora's Strategic Investments Business and earnings from investment product sales to retail customers were strong. As a result, net fees and commissions, net trading revenues, and gains from limited partnerships all made steady progress
  - Gains/losses on bond transactions were 5.8 billion yen (compared to 12.7 billion yen in the previous year). The ratio of gains/losses on bond transactions to net revenue declined to 7%

	FY2020	FY2021				Change B - A
	Apr. - Dec. A	Apr. - Jun.	Jul. - Sep.	Oct. - Dec.	Apr. - Dec. B	
(billion yen)						
<b>Non-interest income</b>	<b>30.9</b>	<b>14.9</b>	<b>12.8</b>	<b>12.7</b>	<b>40.5</b>	<b>+9.6</b>
Net fees and commissions	8.7	2.4	4.3	3.3	10.1	+1.4
Net trading revenues	6.6	6.4	1.5	4.1	12.1	+5.4
Gains/losses on bond transactions	12.7	1.5	3.9	0.3	5.8	-6.8
Net other ordinary income excl. gains/losses on bond transactions	2.7	4.5	2.9	4.8	12.3	+9.5
Incl. Gains from limited partnerships	3.8	3.5	1.7	2.0	7.3	+3.4
(Ref.) Ratio of gains/losses on bond transactions to net revenue	18%	6%	15%	1%	7%	

## Non-interest income

(billion yen)



# Non-interest income – Net fees and commissions / Net trading revenues

- ◆ Net fees and commissions were 10.1 billion yen, an increase of 1.4 billion yen compared to the previous year. Net trading revenues were a gain of 12.1 billion yen, 5.4 billion yen higher when compared with last year
  - Loan-related fee income remained strong in 3Q, allowing the year-to-date results to equal the same level as the prior year
  - Earnings from investment product sales to retail customers were strong
  - Fee income from GMO Aozora Net Bank (GANB) was 2.6 billion yen for the first nine months, an increase of 1.5 billion yen compared to the previous year

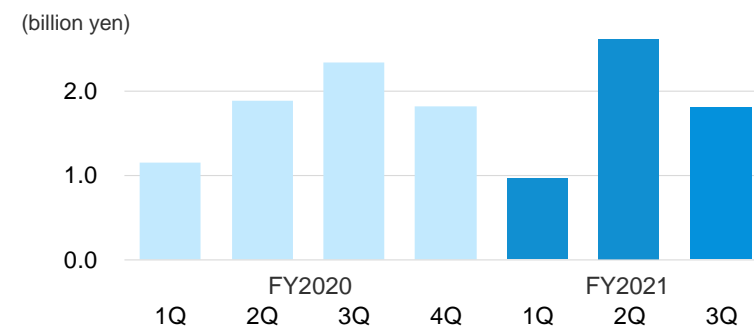
(billion yen)	FY2020	FY2021			Apr. - Dec. B	Change B - A
	Apr. - Dec. A	Apr. - Jun.	Jul. - Sep.	Oct. - Dec.		
<b>Net fees and commissions</b>	<b>8.7</b>	<b>2.4</b>	<b>4.3</b>	<b>3.3</b>	<b>10.1</b>	<b>+1.4</b>
<b>Fees and commissions received</b>	<b>10.4</b>	<b>3.2</b>	<b>5.2</b>	<b>4.3</b>	<b>12.8</b>	<b>+2.4</b>
Loan business-related and deposits	5.6	1.0	2.7	1.8	5.6	-0.0
Securities-related and agency	2.2	0.7	0.9	1.1	2.8	+0.6
Other	2.5	1.4	1.6	1.3	4.4	+1.8
Incl. GANB fee income	1.0	0.9	0.8	0.7	2.6	+1.5
<b>Fees and commissions payments</b>	<b>-1.7</b>	<b>-0.8</b>	<b>-0.9</b>	<b>-0.9</b>	<b>-2.7</b>	<b>-1.0</b>
<b>Net trading revenues</b>	<b>6.6</b>	<b>6.4</b>	<b>1.5</b>	<b>4.1</b>	<b>12.1</b>	<b>+5.4</b>

## Earnings from investment product sales to retail customers

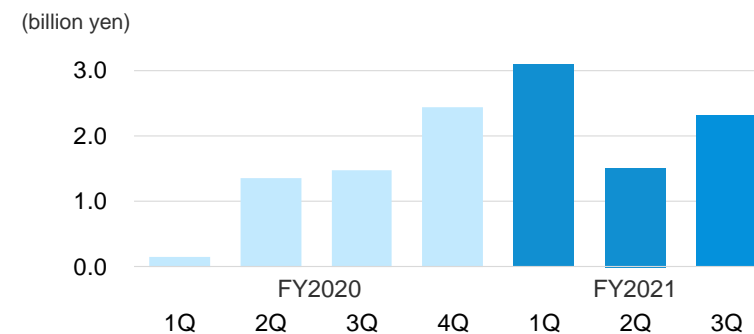
<b>Earnings from investment product sales</b>	<b>2.9</b>	<b>3.1</b>	<b>1.5</b>	<b>2.3</b>	<b>6.9</b>	<b>+3.9</b>
Investment trusts	0.5	0.3	0.4	0.4	1.1	+0.5
Insurance	0.1	0.0	0.0	0.0	0.1	-0.0
Structured bonds	2.2	2.7	1.0	1.8	5.6	+3.4

(Note) Earnings from the sale of investment trusts and insurance are included in net fees and commissions. Earnings from the sale of structured bonds are included in net trading revenues.

## Loan-related fee income



## Earnings from investment product sales to retail customers

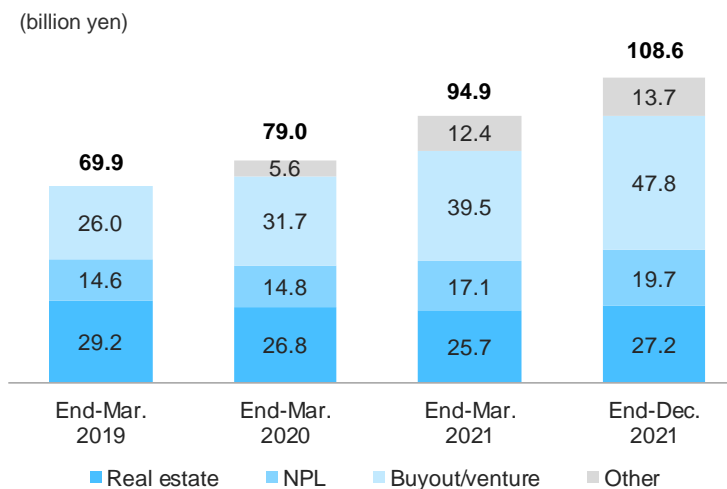


# Non-interest income – Net other ordinary income

- ◆ Gains/losses on bond transactions were a gain of 5.8 billion yen, compared with a gain of 12.7 billion yen in the previous year
  - The Bank recorded losses on the sale of foreign government bonds in 3Q as a result of rebalancing its U.S. government bond position in light of U.S. interest rate trends
- ◆ Net other ordinary income (excl. gains/losses on bond transactions) was 12.3 billion yen, an increase of 9.5 billion yen year-on-year
  - Gains from limited partnerships were 7.3 billion yen, an increase of 3.4 billion yen compared to the previous year. Real estate-related, distressed loan-related, and buyout-related gains were all strong

	FY2020	FY2021			Apr. - Dec. B	Change B - A
	Apr. - Dec. A	Apr. - Jun.	Jul. - Sep.	Oct. - Dec.		
(billion yen)						
<b>Gains/losses on bond transactions</b>	<b>12.7</b>	<b>1.5</b>	<b>3.9</b>	<b>0.3</b>	<b>5.8</b>	<b>-6.8</b>
Japanese government bonds (JGBs)	-	0.0	0.0	-	0.1	+0.1
Foreign government bonds and mortgage bonds	10.3	-1.0	0.8	-0.9	-1.1	-11.5
Other	2.3	2.4	3.0	1.3	6.8	+4.4
Incl. Private placement investment trusts	2.4	1.3	2.0	0.9	4.2	+1.7
Incl. REITs	1.0	0.4	0.8	0.3	1.6	+0.6
Incl. Foreign currency ETFs	-1.1	-	-	0.0	0.0	+1.2
<b>Net other ordinary income excl. gains/losses on bond transactions</b>	<b>2.7</b>	<b>4.5</b>	<b>2.9</b>	<b>4.8</b>	<b>12.3</b>	<b>+9.5</b>
Incl. Gains from limited partnerships	3.8	3.5	1.7	2.0	7.3	+3.4
Real estate-related	0.8	0.1	0.2	0.9	1.3	+0.5
Distressed loan-related	1.5	2.0	0.6	0.4	3.1	+1.6
Buyout/venture-related	1.1	1.1	0.6	0.4	2.2	+1.0
Other	0.3	0.2	0.1	0.1	0.6	+0.2

## Limited partnership investments\*



\* Management accounting basis

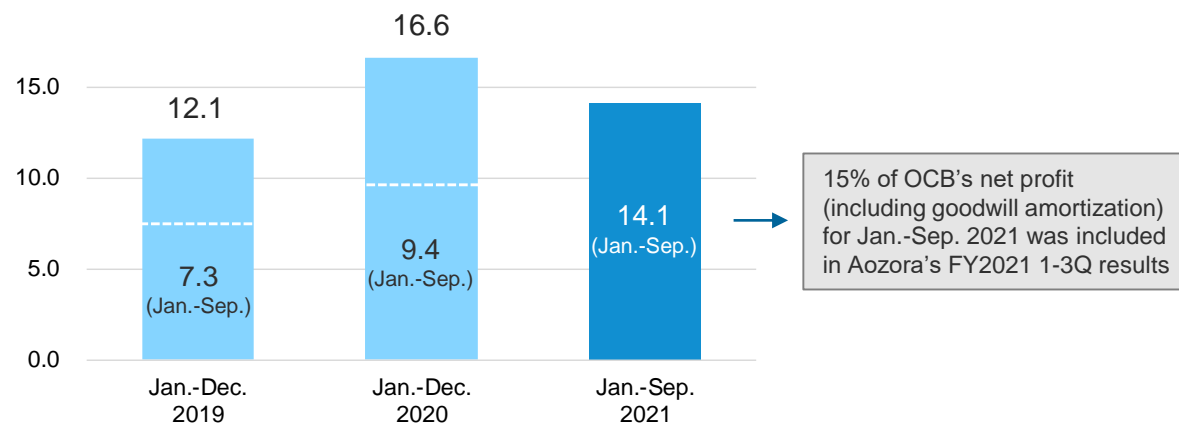
# Gains/losses on equity method investments/stock transactions

- ◆ Gains/losses on equity method investments were a net gain of 1.7 billion yen
  - While Orient Commercial Joint Stock Bank's (OCB) net profit declined slightly during the Jul.-Sep. period (reflected in the Bank's gains/losses on equity method investments for Oct.-Dec.) due to the impact of local lockdowns in Vietnam, it increased significantly year-on-year during the Jan.-Sep. period
- ◆ Gains/losses on stock transactions were a gain of 0.8 billion yen
  - The Bank realized gains associated with customer business-related transactions in 3Q made through its Strategic Investments Business

(billion yen)	FY2020	FY2021				Change B - A
	Apr. - Dec. A	Apr. - Jun.	Jul. - Sep.	Oct. - Dec.	Apr. - Dec. B	
Gains/losses on equity method investments	0.2	0.5	0.6	0.4	1.7	+1.4
Gains/losses on stock transactions	2.3	0.0	0.0	0.8	0.8	-1.5

## OCB Net profit\*

(billion yen)



\* Taken from OCB's website. Uses an exchange rate of 0.0047 yen per 1 Vietnamese dong



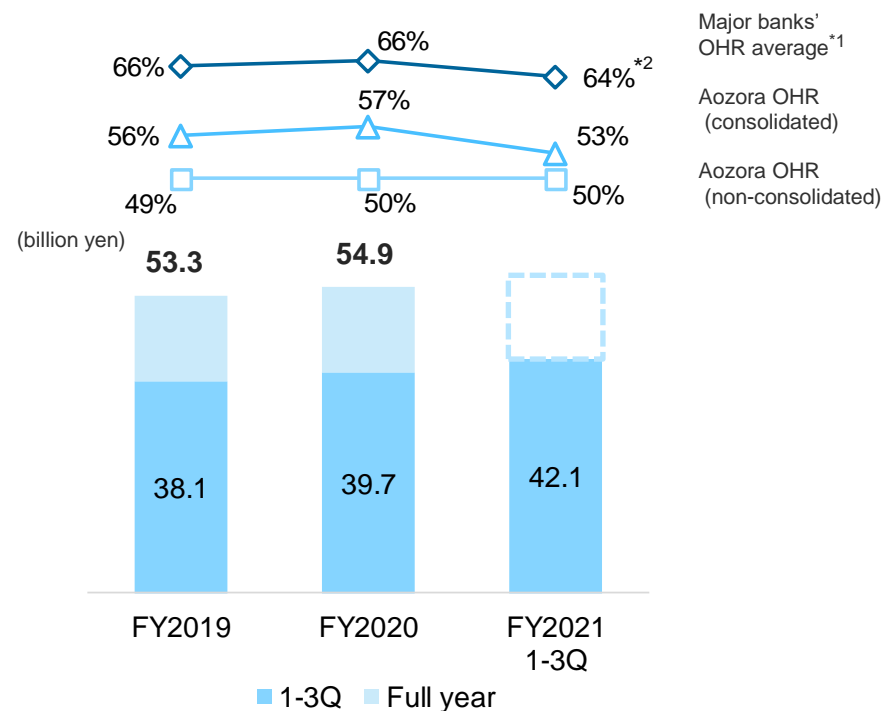
# G&A expenses

- ◆ G&A expenses were 42.1 billion yen, an increase of 2.3 billion yen year-on-year, representing progress of 75% towards the original budget
  - Personnel and IT-related expenses increased due to resource investments in the Bank's focus areas
- ◆ The Overhead Ratio (OHR) was 53% on a consolidated basis and declined compared to the previous year, reflecting the strong level of net revenue

## G&A expenses breakdown

(billion yen)	FY2020	FY2021				Change B - A
	Apr. - Dec. A	Apr. - Jun.	Jul. - Sep.	Oct. - Dec.	Apr. - Dec. B	
<b>G&amp;A expenses (A)</b>	<b>39.7</b>	<b>13.8</b>	<b>14.0</b>	<b>14.1</b>	<b>42.1</b>	<b>+2.3</b>
Personnel	18.7	6.3	6.7	6.6	19.7	+1.0
Non-Personnel	18.6	6.4	6.5	6.6	19.6	+0.9
Incl. IT-related	7.2	2.5	2.7	2.8	8.1	+0.9
Tax	2.3	1.1	0.7	0.7	2.6	+0.3
<b>Net revenue (B)</b>	<b>69.1</b>	<b>26.7</b>	<b>25.6</b>	<b>26.8</b>	<b>79.3</b>	
<b>OHR (A) / (B)</b>	<b>57%</b>	-	-	-	<b>53%</b>	
<b>OHR (non-consolidated)</b>	<b>49%</b>	-	-	-	<b>50%</b>	

## G&A expenses and OHR



\*1 Major banks refers to MUFG, SMFG, Mizuho FG, Resona HD, Sumitomo Mitsui Trust HD and Shinsei

\*2 Interim period of FY2021

# Credit-related expenses

- ◆ Credit-related expenses were a net expense of 1.2 billion yen, compared to a net expense of 1.7 billion yen in the previous year, and remained at a level within our original expectations
  - 1Q saw the reversal of general loan loss reserves mainly due to improved credit ratings and the repayment of overseas loans, while the Bank made additional provisions to general loan loss reserves in 2Q and 3Q in light of higher loan balances
- ◆ The ratio of loan loss reserves to total loans remained adequate at 1.48%
  - The ratio of loan loss reserves to overseas loans was approximately 2.2%

	FY2020	FY2021			Apr. - Dec. B	Change B - A
	Apr. - Dec. A	Apr. - Jun.	Jul. - Sep.	Oct. - Dec.		
(billion yen)						
<b>Credit-related expenses</b>	<b>-1.7</b>	<b>2.0</b>	<b>-1.5</b>	<b>-1.7</b>	<b>-1.2</b>	<b>+0.4</b>
Write-off of loans	-0.1	-0.4	-0.2	-0.5	-1.2	-1.0
Loan loss reserves	1.2	2.3	-1.3	-1.1	-0.1	-1.3
Specific loan loss reserves	-0.5	-1.4	0.2	0.6	-0.4	+0.1
General loan loss reserves	1.8	3.8	-1.6	-1.8	0.2	-1.5
Gains/losses on disposition of loans	-3.1	-	-0.0	-	-0.0	+3.1
Recoveries of written-off claims	0.2	0.1	0.0	0.0	0.1	-0.0
Reserve for credit losses on off-balance-sheet instruments	0.1	-0.0	0.0	-0.0	-0.0	-0.1

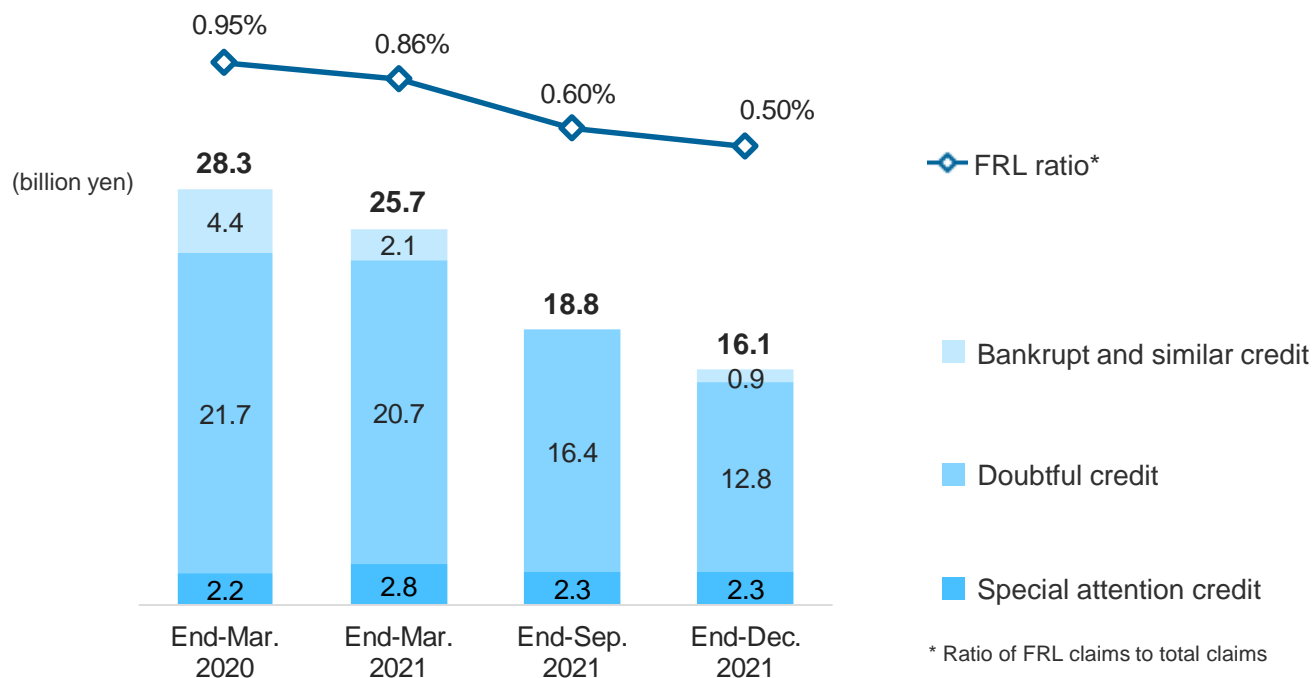
## Ratio of loan loss reserves to total loans

(billion yen)	End - Mar. 2021	End - Sep. 2021	End - Dec. 2021
Loan loss reserves (A)	50.8	48.5	47.7
General loan loss reserves (B)	40.1	37.9	39.8
Total loans (C)	2,948.8	3,144.7	3,225.3
(A) / (C)	1.72%	1.54%	1.48%
(B) / (C)	1.36%	1.20%	1.23%

# Financial Reconstruction Law (FRL) claims (non-consolidated)

◆ The ratio of FRL claims to total claims was 0.50%, a decrease of 0.36% from March 31, 2021

➤ FRL claims decreased by 9.5 billion yen compared to March 31, 2021 and 2.6 billion yen compared to September 30, 2021 mainly due to progress in the work-out of non-performing loans



(billion yen)	End - Mar. 2020	End - Mar. 2021	End - Sep. 2021	End - Dec. 2021
Total claims	2,979.8	2,964.2	3,133.0	3,213.5
FRL claims (A)	28.3	25.7	18.8	16.1
Coverage (B)	27.5	22.8	17.9	15.2
Reserves	15.2	12.2	12.0	9.4
Collateral & guarantees	12.3	10.6	5.8	5.8
Coverage ratio (B) / (A)	97%	89%	95%	94%

# Balance sheet summary

- ◆ Total assets were 6,377.5 billion yen, an increase of 460.6 billion yen compared to March 31, 2021.  
Total net assets were 521.9 billion yen, representing an increase of 31.9 billion yen from March 31, 2021

(billion yen)	End - Mar. 2021 A	End - Sep. 2021	End - Dec. 2021 B	Change B - A
Loans and bills discounted	2,948.8	3,144.7	3,225.3	+276.5
Securities	1,393.3	1,347.1	1,342.0	-51.2
Cash and due from banks	950.1	942.2	1,096.6	+146.5
Trading assets	154.6	113.8	107.5	-47.0
Other	469.9	526.9	605.8	+135.8
<b>Total assets</b>	<b>5,916.8</b>	<b>6,074.9</b>	<b>6,377.5</b>	<b>+460.6</b>

(billion yen)	End - Mar. 2021 A	End - Sep. 2021	End - Dec. 2021 B	Change B - A
Deposits / Negotiable certificates of deposit	4,012.5	4,358.8	4,580.8	+568.3
Bonds	198.3	178.2	170.4	-27.8
Borrowed money	349.7	340.2	413.1	+63.4
Payables under securities lending transactions	431.6	325.6	343.8	-87.8
Trading liabilities	140.4	102.0	96.6	-43.8
Other	294.0	253.5	250.6	-43.4
<b>Total liabilities</b>	<b>5,426.8</b>	<b>5,558.4</b>	<b>5,855.5</b>	<b>+428.7</b>
<b>Total net assets</b>	<b>490.0</b>	<b>516.4</b>	<b>521.9</b>	<b>+31.9</b>
<b>Total liabilities and net assets</b>	<b>5,916.8</b>	<b>6,074.9</b>	<b>6,377.5</b>	<b>+460.6</b>

# Loans – Balance by industry

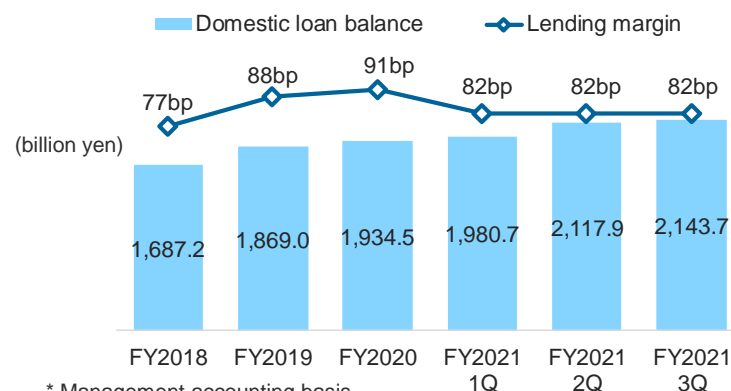
- ◆ Loans were 3,225.3 billion yen, an increase of 276.5 billion yen compared to March 31, 2021. Domestic loans increased by 209.2 billion yen

(billion yen)	End - Mar. 2021 A	End - Sep. 2021	End - Dec. 2021 B	Change B - A
<b>Total loans (A)</b>	<b>2,948.8</b>	<b>3,144.7</b>	<b>3,225.3</b>	<b>+276.5</b>
Domestic loans	1,934.5	2,117.9	2,143.7	+209.2
Overseas loans* (B)	1,014.2	1,026.8	1,081.5	+67.3
(B) / (A)	34.4%	32.7%	33.5%	-

\* With no final risk residing in Japan

					Share
<b>Loans by domestic offices (excl. Japan offshore market accounts)</b>	<b>2,329.3</b>	<b>2,487.5</b>	<b>2,530.0</b>	<b>+200.6</b>	<b>78%</b>
Manufacturing	212.2	216.4	233.9	+21.6	7%
Information and communications	113.1	87.1	98.7	-14.3	3%
Transport, postal services	35.7	35.5	37.5	+1.7	1%
Wholesale and retail sale	71.8	76.3	82.6	+10.7	3%
Financial and insurance	363.5	370.1	360.6	-2.9	11%
Real estate	626.0	677.1	681.3	+55.3	21%
Incl. Non-recourse loans	342.8	357.6	358.3	+15.4	11%
Leasing	75.7	92.2	94.9	+19.2	3%
Other services	186.0	180.0	152.7	-33.2	5%
Other	644.8	752.4	787.3	+142.4	24%
Incl. Overseas (HQ booked)	421.4	397.1	409.1	-12.2	13%
<b>Loans by overseas offices incl. Japan offshore market accounts</b>	<b>619.4</b>	<b>657.2</b>	<b>695.3</b>	<b>+75.8</b>	<b>22%</b>
<b>Total</b>	<b>2,948.8</b>	<b>3,144.7</b>	<b>3,225.3</b>	<b>+276.5</b>	<b>100%</b>

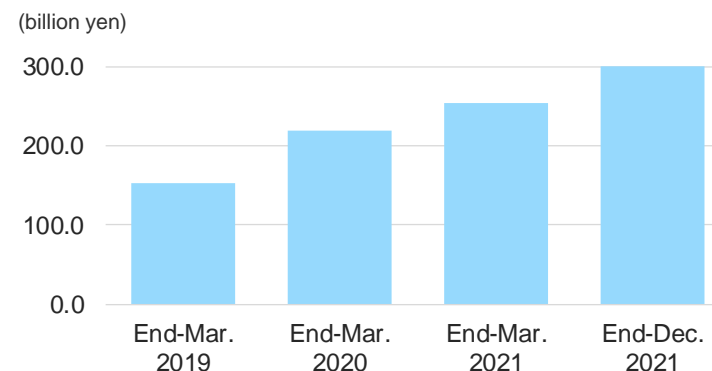
## Domestic loan balance and lending margin\*



\* Management accounting basis.

Loan balances are presented as of the end of the relevant fiscal period

## LBO finance and project finance balances\*



\* Related to domestic corporate business (internal management basis)

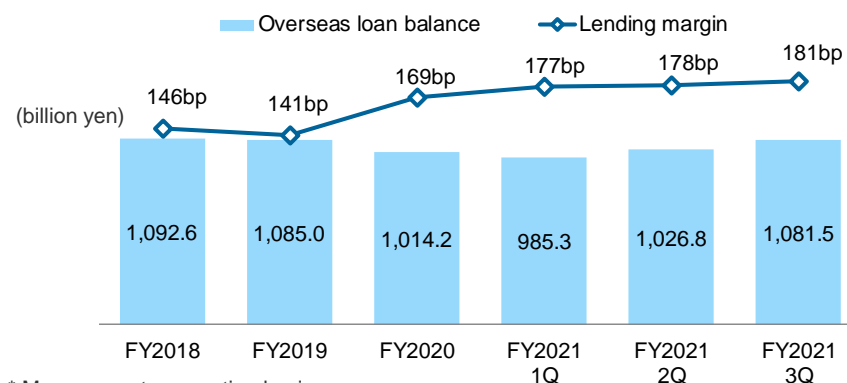
# Loans - Overseas

- ◆ Overseas loans were 1,081.5 billion yen, an increase of 67.3 billion yen from March 31, 2021 (an increase of 248 million on a U.S. dollar-basis)
  - Overseas loans increased by 54.7 billion yen (an increase of 236 million on a U.S. dollar-basis) compared to September 30, 2021 due to the origination of new loans while lending margins remained stable

(billion yen)		End - Mar. 2021 A	End - Sep. 2021	End - Dec. 2021 B	Change B - A
Total loans	(A)	2,948.8	3,144.7	3,225.3	+276.5
<b>Overseas loans*</b>	<b>(B)</b>	<b>1,014.2</b>	<b>1,026.8</b>	<b>1,081.5</b>	<b>+67.3</b>
	(B) / (A)	34.4%	32.7%	33.5%	-
U.S. dollar basis (\$ million)		9,160	9,172	9,408	+248
Foreign exchange rate (US\$/JPY)		¥110.72	¥111.95	¥114.96	¥4.24

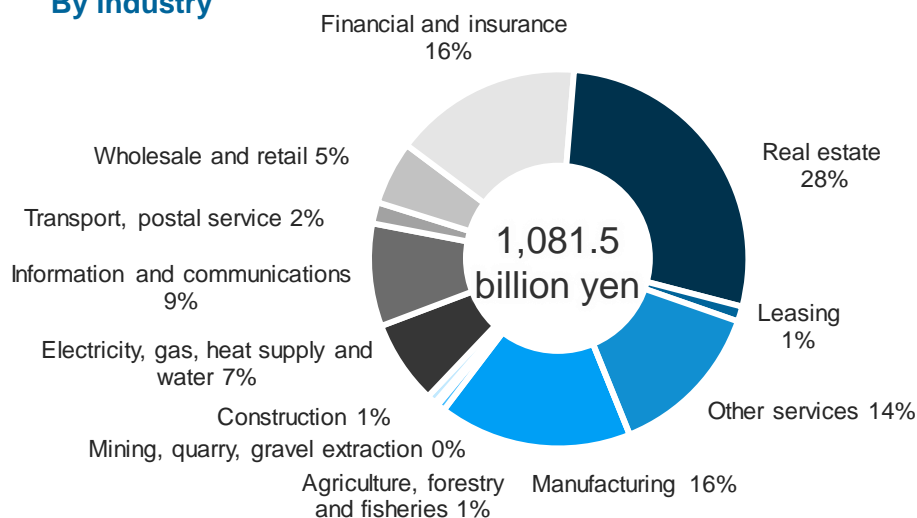
\* With no final risk residing in Japan

## Overseas loan balance and lending margin\*

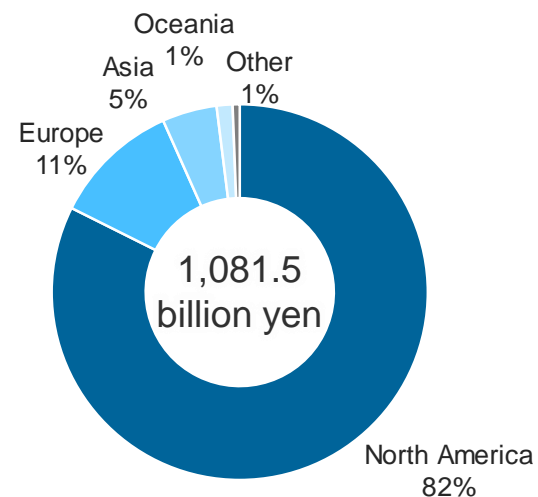


\* Management accounting basis.  
Loan balances are presented as of the end of the relevant fiscal period

## By industry



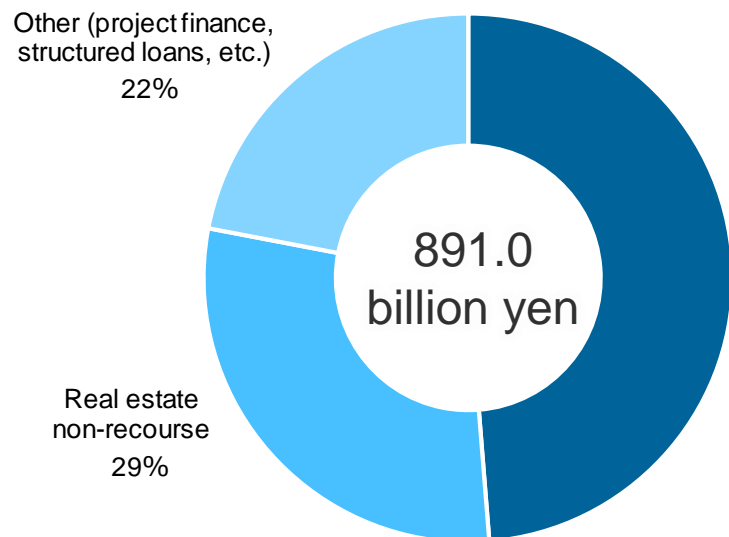
## By region



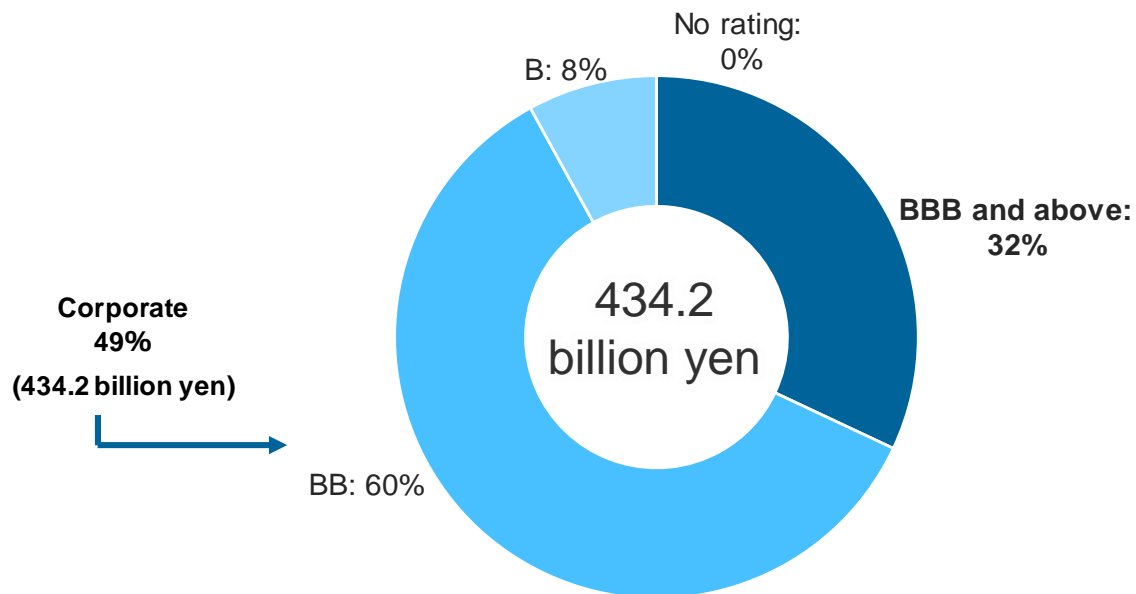
# Loans – North American corporate loans

- ◆ The Bank's North American corporate loan balances totaled 434.2 billion yen, an increase of 32.3 billion yen (147 million on a U.S. dollar-basis) compared to March 31, 2021
  - While loan balances decreased in 1Q mainly due to prepayments, they increased from 2Q onwards due to the origination of new loans

North American loan portfolio summary



North American corporate loans by credit rating\*

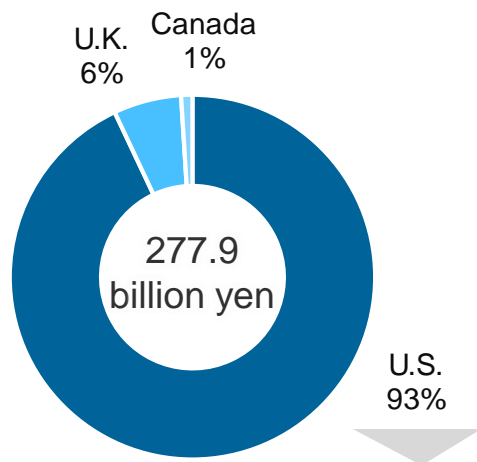


\* S&P credit rating (facility basis)

# Loans – Overseas Real Estate Non-Recourse Loans (NRLs)

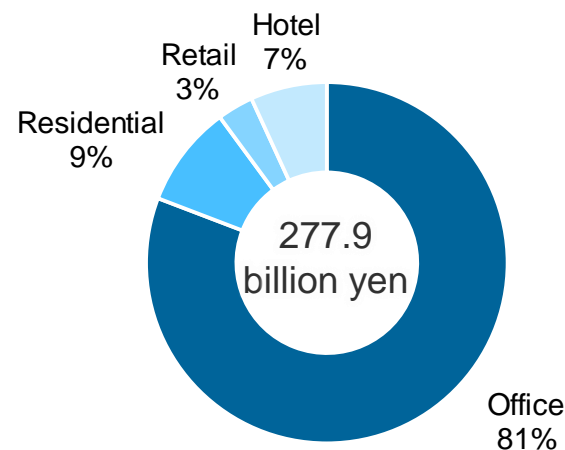
- ◆ Overseas real estate non-recourse loan balances were 277.9 billion yen, an increase of 8.7 billion yen (a decrease of 13 million on a U.S. dollar-basis) compared to March 31, 2021
- Loan balances increased by 22.8 billion yen (139 million on a U.S. dollar-basis) compared to September 30, 2021 as the Bank continued to focus on the selective origination of high-quality loans in 3Q

## By region



City	%
New York	29%
Washington, D.C.	11%
Los Angeles	10%
Chicago	8%
Atlanta	6%
San Francisco	5%
Miami	4%
Minneapolis	3%
Philadelphia	3%
Arlington	3%
Other (12 cities)	18%

## By sector



## Overseas real estate NRL policy

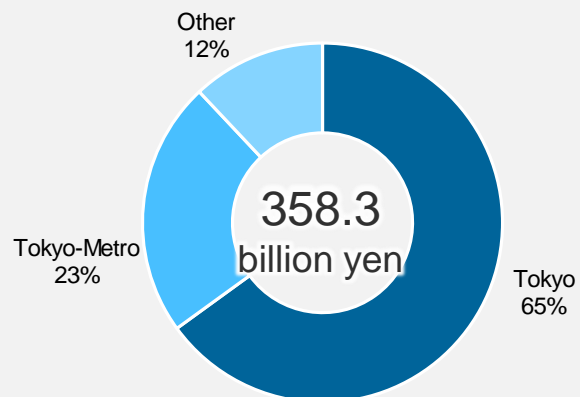
- ◆ Senior secured loans only. No mezzanine or construction loans
- ◆ Loans arranged via sponsors with excellent management ability and banks with proven track records
- ◆ Loans with LTVs below 65% at time of approval according to an evaluation by a U.S.-based appraisal office (third-party evaluation)



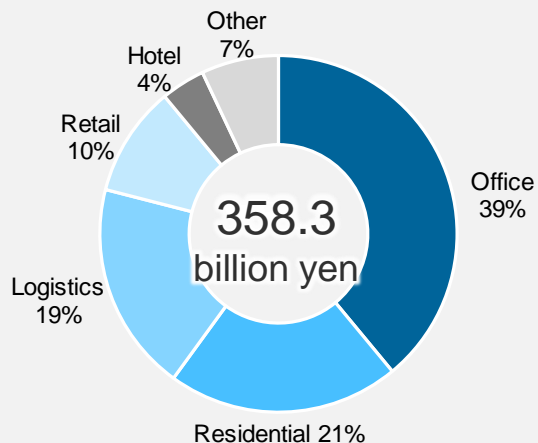
# Loans – Domestic Real Estate Non-Recourse Loans (NRLs)

- ◆ The Bank's domestic real estate non-recourse loan balance was 358.3 billion yen, an increase of 15.4 billion yen compared to March 31, 2021
  - Office loans decreased by 4% and hotel loans decreased by 2% compared to March 31, 2021, while the percentage of logistics loans increased by 3% during the same period

## By region

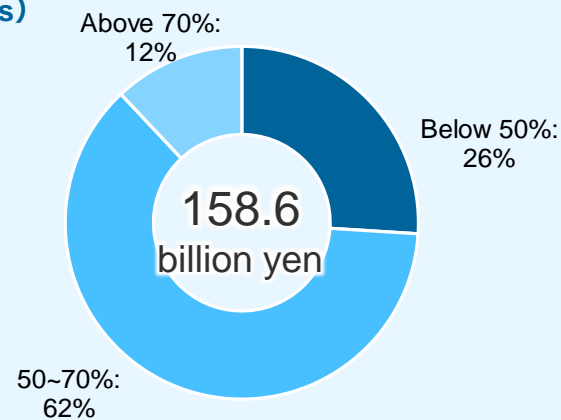


## By sector

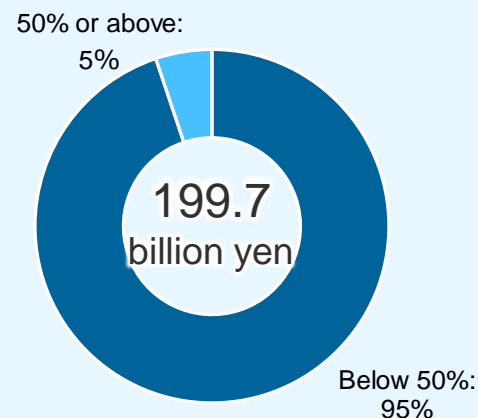


## LTV

### Real estate NRLs (excl. REITs)



### REITs

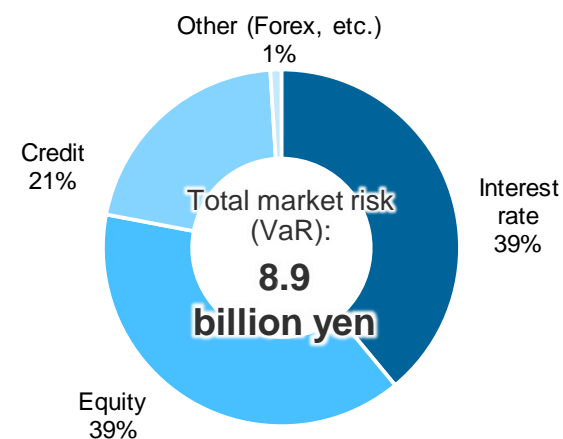


# Securities

- ◆ Securities were 1,342.0 billion yen, a decrease of 51.2 billion yen compared to March 31, 2021
  - Foreign government bond balances decreased in 3Q, as in the first half, as the Bank rebalanced its U.S. government bond position in response to U.S. interest rate trends
- ◆ Unrealized gains, including unrealized gains/losses on hedging instruments, were a net gain of 58.1 billion yen, an improvement of 15.2 billion yen from March 31, 2021

	Book value				Unrealized gains/losses			
	End - Mar. 2021 A	End - Sep. 2021	End - Dec. 2021 B	Change B - A	End - Mar. 2021 C	End - Sep. 2021	End - Dec. 2021 D	Change D - C
(billion yen)								
JGBs	37.7	37.5	37.4	-0.3	0.2	0.3	0.3	+0.0
Municipal bonds	145.1	163.1	165.5	+20.3	-0.3	0.0	0.0	+0.4
Corporate bonds / short-term corporate bonds	117.8	136.2	159.0	+41.2	0.9	0.9	1.0	+0.0
Equities	27.4	33.4	35.6	+8.2	20.4	26.4	27.3	+6.8
Foreign bonds	600.5	481.5	447.1	-153.3	-4.5	0.1	-2.0	+2.5
Foreign government bonds	283.2	211.2	172.4	-110.7	-3.3	-0.0	-0.6	+2.6
MBS	213.8	174.7	179.7	-34.1	-4.7	-3.1	-4.1	+0.5
Other	103.4	95.4	94.9	-8.5	3.5	3.4	2.8	-0.6
Other securities	464.6	495.2	497.2	+32.5	26.6	32.5	33.3	+6.7
ETFs	164.5	168.3	163.9	-0.5	-0.9	0.9	0.6	+1.5
Investments in limited partnerships	94.9	106.8	108.6	+13.6	2.6	2.9	2.5	-0.0
REITs	72.7	78.5	79.9	+7.1	8.3	9.1	8.9	+0.5
Investment trusts	103.1	106.1	108.5	+5.3	11.2	12.5	14.1	+2.9
Other	29.2	35.4	36.1	+6.9	5.3	6.9	7.1	+1.7
<b>Total</b>	<b>1,393.3</b>	<b>1,347.1</b>	<b>1,342.0</b>	<b>-51.2</b>	<b>43.4</b>	<b>60.5</b>	<b>60.0</b>	<b>+16.6</b>
Unrealized gains, incl. unrealized gains/losses on hedging instruments					42.8	58.6	58.1	+15.2

## Market risk (VaR)



## U.S. dollar interest rate risk (10BPV)

Mar. 31, 2021:	-3.5 billion yen
Sep. 30, 2021:	-2.6 billion yen
Dec. 31, 2021:	-2.5 billion yen

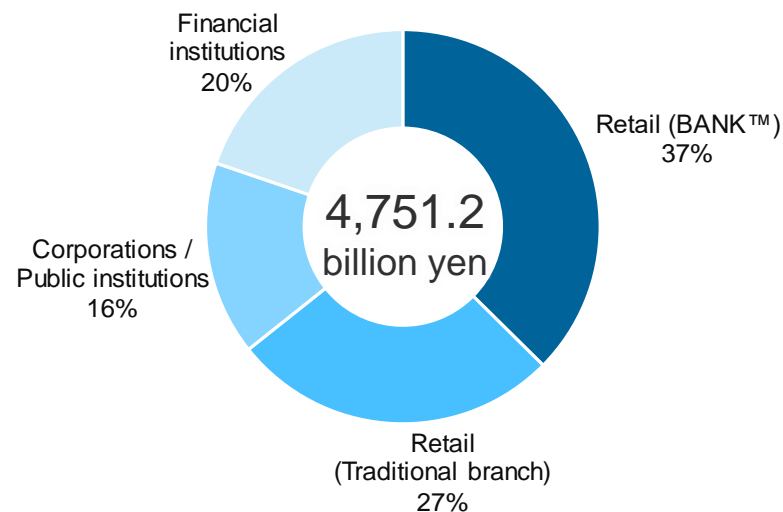
# Funding

- ◆ Total core funding (deposits, negotiable certificates of deposit, and bonds) was 4,751.2 billion yen, an increase of 540.4 billion yen from March 31, 2021
  - The number of customers for our retail internet banking platform, BANK™, steadily increased to approximately 340,000 as of December 31, 2021

	End - Mar. 2021 A	End - Sep. 2021	End - Dec. 2021 B	Change B - A
<b>Total core funding</b>	<b>4,210.8</b>	<b>4,537.0</b>	<b>4,751.2</b>	<b>+540.4</b>
Deposits / NCDs	4,012.5	4,358.8	4,580.8	+568.3
Bonds	198.3	178.2	170.4	-27.8
Retail funding ratio *	61%	64%	64%	
Loan-to-deposit ratio incl. NCDs	73%	72%	70%	

\* Defined as follows:  
Retail funding ratio = Retail deposits / Total core funding

Funding by customer segment



# Mid-term KPIs

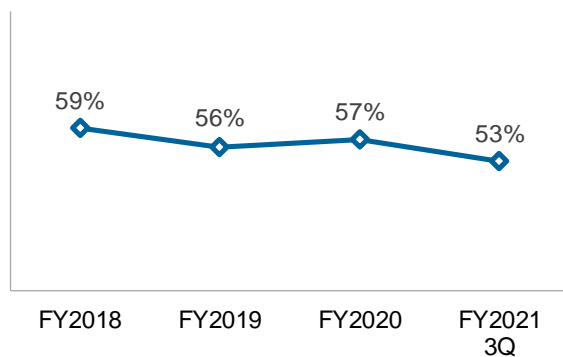
	FY2020 Results	FY2021 3Q Results	Mid-Term Plan Targets (FY2020~2022)	(Ref.) FY2021 Interim Major Banks' Average <sup>*3</sup>
Overhead Ratio (OHR)	57%	53%	Below 55%	64%
Business Profit <sup>*1</sup> ROA	0.8%	0.8% <sup>*2</sup>	1%	0.5%
ROE	6.3%	7.5% <sup>*2</sup>	8% or higher	7.2%

\* 1 Including gains/losses on equity method investments

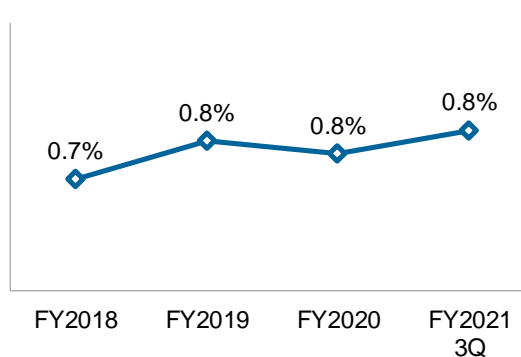
\* 2 Annualized basis

\* 3 Major banks refers to MUFG, SMFG, Mizuho FG, Resona HD, Sumitomo Mitsui Trust HD, and Shinsei.

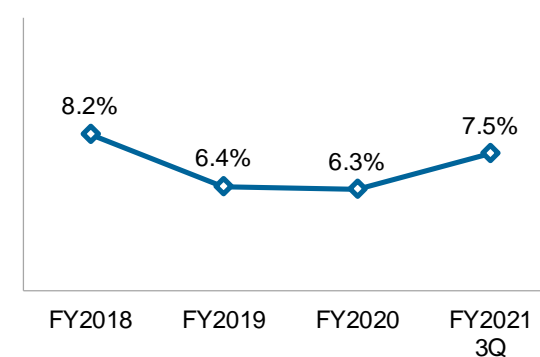
### Overhead Ratio (OHR)



### Business Profit ROA



### ROE



# Progress of Aozora's Sustainability Targets

## Promoting Aozora's Strategic Investments Business

Promoting Innovation

### Realizing "Financial Inclusion"

#### ◆ Growth Support for Venture Companies

	FY2021~FY2030 Targets	FY2021 1-3Q Results
Number of Venture-related Investments:	<b>100</b> transactions	<b>5</b>
GMO Aozora Net Bank Small businesses & start-ups:	<b>200,000</b> account openings	Progress in line with plan

#### ◆ Contributing to Regional Communities through Business Recovery

	FY2021~FY2025 Targets	FY2021 1-3Q Results
Number of Business Recovery Fund-based transactions:	<b>100</b> transactions	<b>11</b>

### Promoting "Industrial Transition"

#### ◆ Investments Designed to Support Structural Transformation

	FY2021~FY2025 Targets	FY2021 1-3Q Results
Number of equity investments with a primary focus on engagement:	<b>100</b> transactions	<b>21</b>

## Response to Climate Change

Environmental Protection

#### ◆ Sustainable Financing Amount

	FY2021~FY2030 Targets	FY2021 1-3Q Results
Total:	<b>1 trillion yen</b>	<b>90.0 billion yen</b>
Includes Environmental Financing of	<b>700 billion yen</b>	<b>82.9 billion yen</b>

#### ◆ CO2 Emissions as a Business Entity

By FY2030 Targets	By FY2050* Targets
<b>↓ 50% reduction</b> (compared to FY2020)	<b>0 (net zero)</b> *Or as early as possible

#### ◆ Amount of Project Financing for Coal-fired Power Plants

By FY2040 Targets
<b>0 (zero)</b>

## Protecting and Providing for the Next Generation

Life Satisfaction

#### ◆ Business/Asset Succession Consulting

	FY2021~FY2025 Targets	FY2021 1-3Q Results
Number of Consulting contracts:	<b>1,800</b>	<b>279</b>

# Aozora's Strategic Investments Business - Equity Investments -

- ◆ Equity investment balances increased by 22.6 billion yen compared to March 31, 2021, mainly due to increases in buyout-related private equity and domestic equity investments
- ◆ Realized capital gains and other equity returns totaled 9.5 billion yen and included gains from real estate-related, distressed loan-related, and buyout-related limited partnerships as well as gains from customer business-related stock transactions

	Equity investment balances*1			Realized capital gains and other equity returns*2	
	End - Mar. 2021 A	End - Dec. 2021 B	Change B - A	FY2020	FY2021 Apr. - Dec.
(billion yen)					
Investment in business recovery claims	51.7	53.1	+1.4	1.5	3.0
Real estated-related equities	69.2	73.1	+3.8	6.1	2.4
Buyout/venture (Private equity funds, etc.)	39.5	47.8	+8.3	1.8	2.0
Domestic/overseas equity investments	16.0	23.8	+7.7	1.3	1.3
Other	12.4	13.6	+1.2	0.4	0.5
<b>Total</b>	<b>188.9</b>	<b>211.6</b>	<b>+22.6</b>	<b>11.4</b>	<b>9.5</b>

\*1 Management accounting basis, customer business-related equity investment balances on a mark-to-market basis

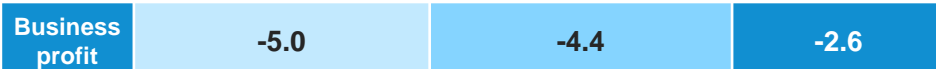
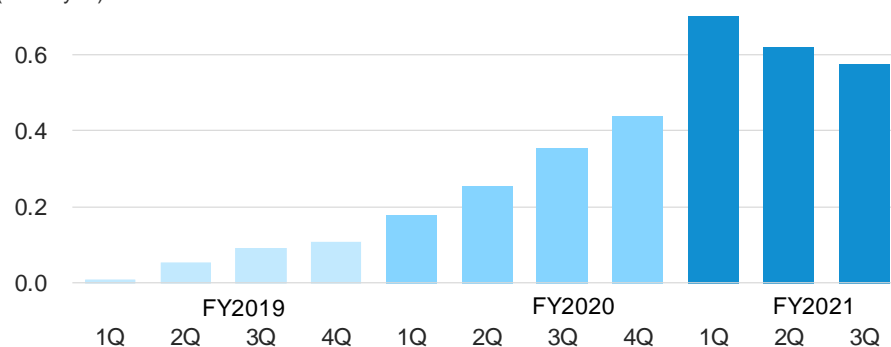
\*2 Management accounting basis, including gains/losses on stock transactions, gains/losses from limited partnerships, and interest and dividends on securities

# GMO Aozora Net Bank (GANB)

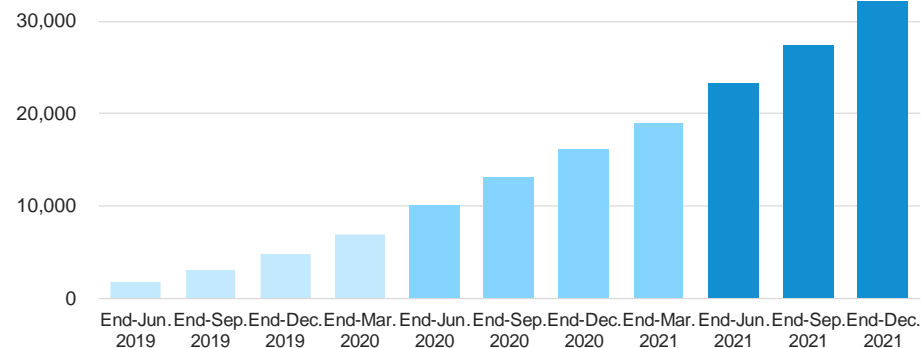
- ◆ Net revenue decreased slightly in 3Q compared to 2Q mainly due to a reduction in transfer fees
- ◆ Compared to 2Q, the number of transfer transactions increased at a faster pace during 3Q. GANB plans to achieve net revenue growth and attain profitability during FY2022 by increasing the number of corporate accounts and transfer transactions through a strengthening of its sales operations, including the recently established “Corporate Introduction Program”

## Quarterly net revenue

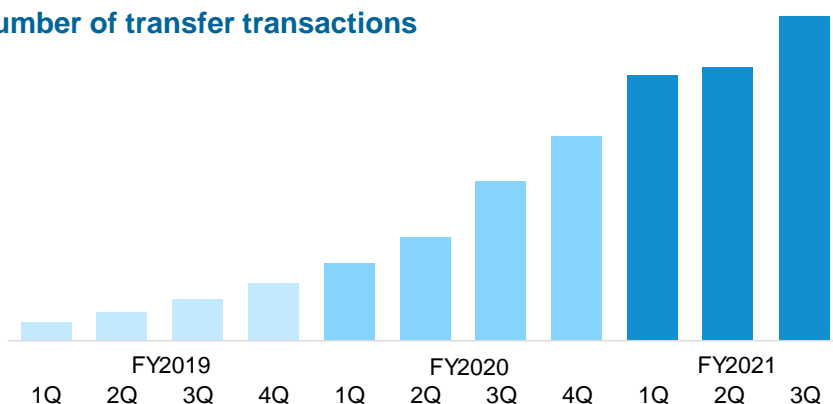
(billion yen)



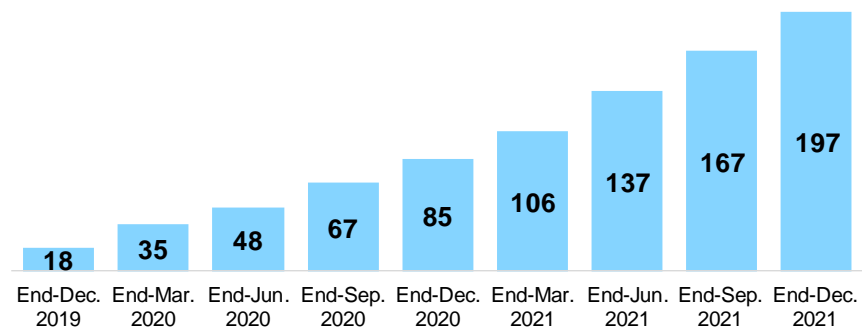
## Number of corporate accounts



## Number of transfer transactions



## Number of API connection contracts

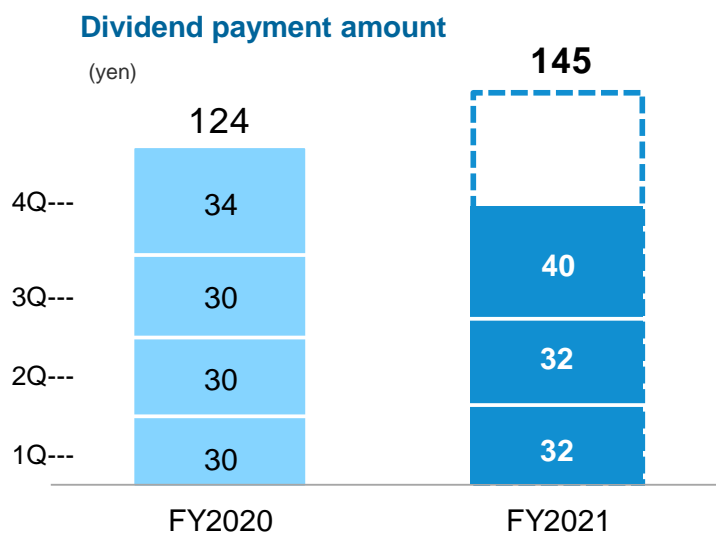


# Dividends

- ◆ Following the upward revision to the FY2021 full-year earnings forecast, the Bank has also revised upwards its full-year dividend forecast to 145 yen per common share based on a target dividend payout ratio of 50%, an increase of 17 yen compared to the original forecast and 21 yen compared to the previous year
- ◆ The 3<sup>rd</sup> quarter dividend is 40 yen per common share, 8 yen higher than the 2<sup>nd</sup> quarter dividend

## Dividend per common share

	1st quarter	2nd quarter	3rd quarter	Year-end	Full-year
Current forecast (FY2021)	-	-	-	41 yen	<b>145 yen</b>
Dividend payment (FY2021)	32 yen	32 yen	40 yen		



(Note) The dividend forecast for FY2021 of 145 yen per common share is based on the total dividend amount, which is 50% of the consolidated net earnings forecast divided by the total number of common shares issued, excluding treasury stock, as of March 31, 2021.

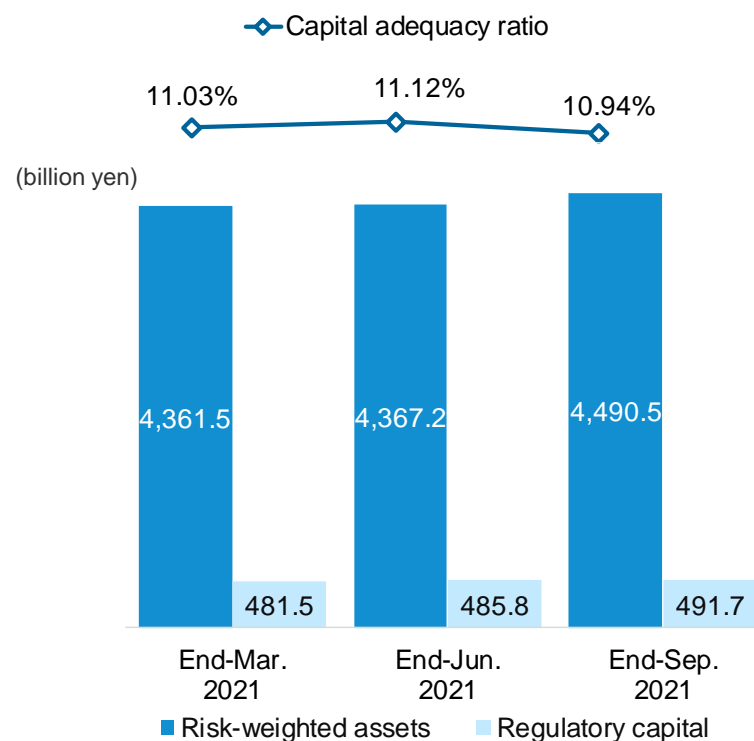


# Reference: Capital adequacy ratio (as of September 30, 2021)

- ◆ The consolidated capital adequacy ratio (domestic standard) is expected to remain at an adequate level (to be announced in mid-February 2022)
- The capital adequacy ratio was 10.94% as of September 30, 2021. The CET1 ratio (Tier 1 Common Capital Ratio) was approximately 10.8%

## Domestic Standard

(billion yen)	End-Mar. 2021 A	End-Jun. 2021	End-Sep. 2021 B	Change B - A
Capital adequacy ratio	11.03%	11.12%	10.94%	-0.09 %
Regulatory capital (A - B)	481.5	485.8	491.7	+10.1
Instruments and reserve (A)	505.3	509.9	516.0	+10.7
Shareholders' equity	463.8	471.0	475.3	+11.5
Other	41.4	38.9	40.6	-0.8
Regulatory adjustment (B)	23.8	24.1	24.3	+0.5
Risk-weighted assets	4,361.5	4,367.2	4,490.5	+128.9
Credit risk assets	3,853.5	3,887.2	3,959.0	+105.4
Market risk assets	355.7	327.8	375.6	+19.9
Operational risk assets	152.2	152.2	155.8	+3.5



# Reference: PL summary (non-consolidated basis)

	FY2020 Apr. - Dec. A	FY2021				Change B - A		FY2021 Revised Full-year Forecast	Progress
		Apr. - Jun.	Jul. - Sep.	Oct. - Dec.	Apr. - Dec. B	Amount	%		
(billion yen)									
Net revenue	66.1	22.7	22.2	22.7	67.7	+1.6	+2.4%	90.0	75%
Business profit (before provisions to general loan-loss reserves)	34.0	11.5	11.0	11.4	34.1	+0.1	+0.4%	44.5	77%
Ordinary profit	32.9	13.7	9.8	10.5	34.2	+1.2	+3.9%	44.5	77%
Net income	24.0	10.1	6.8	7.4	24.4	+0.3	+1.4%	31.0	79%

# Reference: Consolidated, non-consolidated difference

(billion yen)

<b>(A) Non-consolidated net income</b>	<b>24.4</b>
<b>(B) Profit attributable to owners of parent</b>	<b>28.5</b>
<b>(B) - (A) (a + b) Difference</b>	<b>4.1</b>

## Breakdown of the difference

<b>(a) Consolidated subsidiaries/affiliates</b>	<b>2.1</b>
---	------------

	Line of Business	Share of Earnings <sup>*1</sup>	Net Earnings
GMO Aozora Net Bank, Ltd.	Internet banking business	50.0% <sup>*2</sup>	-2.7
Aozora Loan Services Co., Ltd.	Distressed loan servicing	67.6%	0.1
Aozora Securities Co., Ltd.	Financial instruments business	100.0%	1.8
Aozora Regional Consulting Co., Ltd.	Business consulting services	100.0%	0.0
Aozora Investment Management Co., Ltd.	Investment management services	100.0%	0.1
Aozora Real Estate Investment Advisors Co., Ltd.	Investment advisory services	100.0%	0.0
ABN Advisors Co., Ltd.	M&A advisory services	100.0%	0.0
Aozora Corporate Investment Co., Ltd.	Venture Capital investment	100.0%	0.0
Aozora Asia Pacific Finance Limited	Financial services (Hong Kong)	100.0%	-0.3
Aozora Europe Limited	Financial services (London)	100.0%	0.1
Aozora North America, Inc.	Financial services (New York)	100.0%	1.1
AZB Funding	SPC	100.0%	0.1
Aozora GMAC Investment Limited	Investments	100.0%	-0.0
Orient Commercial Joint Stock Bank	Commercial Bank (Vietnam)	15.0%	1.7 <sup>*3</sup>

<b>(b) Consolidation adjustments</b>	<b>1.9</b>
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Gains/losses attributable to non-controlling interests (GMO Aozora Net Bank, Ltd.)	1.3
Other	0.5

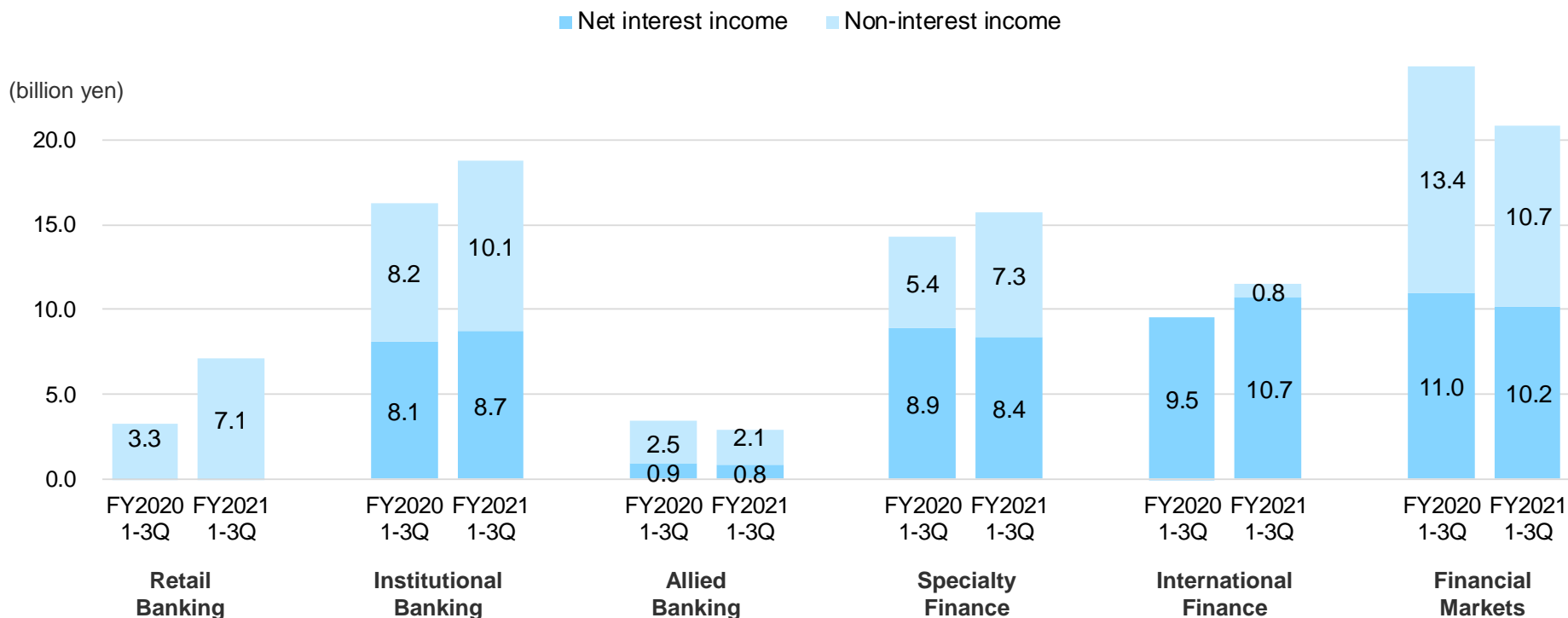
\*1 Percentage of profit and loss attributable to owners of parent

\*2 Voting rights ratio is 85.1%

\*3 Revenue contribution from equity method investments

# Reference: Results by business segment

## Consolidated net revenue by business segment\*



\* Management accounting basis, excluding non-business segment income.

Aozora changed its methods for calculating the net revenue by business segment starting in FY2021. Net revenue by business segments for FY2020 1-3Q is presented to reflect these new calculation methods.

## <Contact>

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