

# FY2021 Financial Results Overview

May 16, 2022



# Financial Highlights

**Full-year earnings increased compared to the previous year and exceeded the higher revised full-year forecast**

<b>Net revenue</b>	<b>103.0 billion yen</b> (6.4 billion yen increase year-on-year, 106% of original forecast, 101% of revised forecast)
<b>Business profit</b>	<b>47.8 billion yen</b> (5.1 billion yen increase year-on-year, 113% of original forecast, 102% of revised forecast)
<b>Profit attributable to owners of parent</b>	<b>35.0 billion yen</b> (6.0 billion yen increase year-on-year, 117% of original forecast, 103% of revised forecast)

## Key points

- ◆ Net revenue, business profit, and profit attributable to owners of parent all increased year-on-year and exceeded the higher revised full-year forecast announced in January, 2022
- ◆ Net interest income was strong and increased compared to the previous year, mainly as a result of increased loan outstandings. Non-interest income was a major driver of net revenue growth, particularly net fees and commissions and net trading revenues, reflecting strong customer-related business
- ◆ Aozora continued to promote its Strategic Investments Business, resulting in the steady expansion of the Bank's buyout finance and private equity business
- ◆ Credit-related expenses were approximately 10 bps of total loan outstandings, a level in line with the original plan

**Full-year dividend: 149 yen per common share**

**(25 yen increase year-on-year, 21 yen higher compared to the original forecast, 4 yen higher compared to the revised forecast)**

(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, "3Q" refers to the period from October to December, and "4Q" refers to the period from January to March.

# FY2022 Earnings and Dividend Forecast

## Earnings Forecast

<Consolidated>

(billion yen)

	FY2021 Original Forecast	FY2021 Revised Forecast	FY2021 Results
Net Revenue	97.0	102.0	103.0
Business profit*1	42.5	47.0	47.8
Ordinary profit	42.5	47.0	46.2
Profit attributable to owners of parent	30.0	34.0	35.0

### FY2022 Forecast

**103.0**

**46.0**

**49.5**

**36.0**

<Non-consolidated>

(billion yen)

	FY2021 Original Forecast	FY2021 Revised Forecast	FY2021 Results
Net revenue	87.0	90.0	88.2
Business profit (before provisions to general loan loss reserves)	42.0	44.5	42.2
Ordinary profit	42.0	44.5	41.0
Net income	29.0	31.0	29.8

### FY2022 Forecast

**85.0**

**38.0**

**41.0**

**29.0**

## Dividend Forecast\*2

	FY2021 Original Forecast	FY2021 Revised Forecast	FY2021 Results
Full-year dividend per common share	128 yen	145 yen	149 yen

### FY2022 Forecast

**154 yen**

\*1 Including gains/losses on equity method investments

\*2 Aozora's mid- to long-term dividend policy is based on a target dividend payout ratio of 50% of net earnings. The FY2022 full-year dividend target of 154 yen per common share will be flexibly managed on a quarterly basis in light of Aozora's financial results

# PL summary

- ◆ Business profit and profit attributable to owners of parent both increased due to strong growth in net revenue
  - Net interest income increased by 1.5 billion yen compared to the previous year mainly due to higher loan outstandings. Non-interest income increased by 4.9 billion yen year-on-year while the Bank rebalanced its securities position in 4Q
  - G&A expenses increased by 2.8 billion yen compared to the previous year, in line with the original plan, mainly as a result of increased personnel in the Bank's focus areas as well as higher IT-related expenses
  - Credit-related expenses were a net expense of 3.7 billion yen, representing a decrease compared to the previous year despite provisions to specific loan-loss reserves in 4Q

	FY2020 Full year A	FY2021				Full year B	Change B - A		FY2021 Original forecast	Progress	FY2021 Revised forecast	Progress
		Apr. - Jun.	Jul. - Sep.	Oct. - Dec.	Jan. - Mar.		Amount	%				
(billion yen)												
<b>Net revenue</b>	<b>96.5</b>	<b>26.7</b>	<b>25.6</b>	<b>26.8</b>	<b>23.7</b>	<b>103.0</b>	<b>+6.4</b>	<b>+6.7%</b>	<b>97.0</b>	<b>106%</b>	<b>102.0</b>	<b>101%</b>
Net interest income	50.0	11.8	12.8	14.0	12.8	51.6	+1.5					
Non-interest income	46.4	14.9	12.8	12.7	10.8	51.3	+4.9					
General & administrative expenses	-54.9	-13.8	-14.0	-14.1	-15.6	-57.7	-2.8					
Gains/losses on equity method investments	1.1	0.5	0.6	0.4	0.9	2.6	+1.5					
<b>Business profit</b>	<b>42.6</b>	<b>13.4</b>	<b>12.2</b>	<b>13.1</b>	<b>8.9</b>	<b>47.8</b>	<b>+5.1</b>	<b>+12.1%</b>	<b>42.5</b>	<b>113%</b>	<b>47.0</b>	<b>102%</b>
Credit-related expenses	-4.3	2.0	-1.5	-1.7	-2.4	-3.7	+0.6					
Gains/losses on stock transactions	2.3	0.0	0.0	0.8	1.1	2.0	-0.3					
<b>Ordinary profit</b>	<b>38.9</b>	<b>15.6</b>	<b>10.8</b>	<b>12.3</b>	<b>7.4</b>	<b>46.2</b>	<b>+7.3</b>	<b>+18.8%</b>	<b>42.5</b>	<b>109%</b>	<b>47.0</b>	<b>98%</b>
Extraordinary profit/loss	-0.0	-	-0.1	-0.0	-0.0	-0.3	-0.3					
<b>Profit before income taxes</b>	<b>38.9</b>	<b>15.6</b>	<b>10.6</b>	<b>12.2</b>	<b>7.4</b>	<b>45.9</b>	<b>+6.9</b>	<b>+18.0%</b>				
Taxes	-12.2	-4.4	-3.1	-3.6	-1.6	-12.9	-0.7					
Gains/losses attributable to non-controlling interests	2.2	0.3	0.4	0.5	0.6	1.9	-0.2					
<b>Profit attributable to owners of parent</b>	<b>28.9</b>	<b>11.5</b>	<b>7.8</b>	<b>9.1</b>	<b>6.4</b>	<b>35.0</b>	<b>+6.0</b>	<b>+20.8%</b>	<b>30.0</b>	<b>117%</b>	<b>34.0</b>	<b>103%</b>

# Net interest income

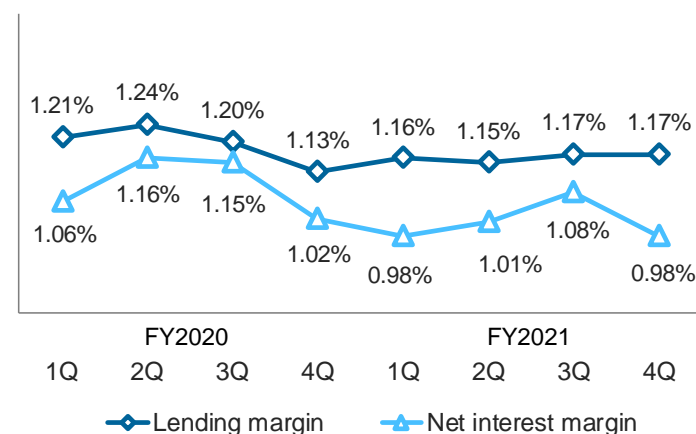
- ◆ Net interest income was 51.6 billion yen, an increase of 1.5 billion yen compared to the previous year
  - While net interest margins narrowed somewhat year-on-year, net interest income increased due to higher loan outstandings
- ◆ Lending margins (yield on loans – yield on funding) remained steady throughout the fiscal year

(billion yen)	FY2020	FY2021				Full year B	Change B - A
	Full year A	Apr. - Jun.	Jul. - Sep.	Oct. - Dec.	Jan. - Mar.		
<b>Net interest income</b>	<b>50.0</b>	<b>11.8</b>	<b>12.8</b>	<b>14.0</b>	<b>12.8</b>	<b>51.6</b>	<b>+1.5</b>
<b>Interest income</b>	<b>67.8</b>	<b>15.6</b>	<b>16.1</b>	<b>17.5</b>	<b>16.7</b>	<b>66.1</b>	<b>-1.6</b>
Interest on loans and discounts	45.6	10.8	10.9	11.4	11.5	44.7	-0.8
Interest and dividends on securities	21.2	4.5	4.9	5.8	4.9	20.2	-0.9
Other interest income	0.9	0.2	0.2	0.2	0.2	1.0	+0.1
<b>Interest expenses</b>	<b>-17.7</b>	<b>-3.7</b>	<b>-3.3</b>	<b>-3.4</b>	<b>-3.9</b>	<b>-14.5</b>	<b>+3.1</b>
Interest on deposits and NCDs	-5.6	-1.4	-1.4	-1.5	-1.7	-6.1	-0.5
Interest on debentures and bonds	-2.2	-0.6	-0.5	-0.4	-0.3	-1.9	+0.3
Interest on borrowings and rediscount	-1.7	-0.3	-0.2	-0.2	-0.2	-1.1	+0.5
Other interest expenses	-1.8	-0.2	-0.1	-0.1	-0.2	-0.7	+1.1
Interest on swaps	-6.1	-1.0	-0.9	-1.0	-1.3	-4.5	+1.6

(Note) Decreases in expenses are shown as positive.

	FY2020	FY2021				Full year B	Change B - A
	Full year A	Apr. - Jun.	Jul. - Sep.	Oct. - Dec.	Jan. - Mar.		
Yield on total investments (A)	1.46%	1.26%	1.26%	1.33%	1.25%	1.27%	-0.19%
Yield on loans (B)	1.56%	1.44%	1.40%	1.42%	1.44%	1.42%	-0.14%
Yield on securities	1.83%	1.32%	1.52%	1.72%	1.46%	1.50%	-0.33%
Yield on funding (C)	0.36%	0.28%	0.25%	0.25%	0.27%	0.26%	-0.10%
Net interest margin (A)-(C)	1.10%	0.98%	1.01%	1.08%	0.98%	1.01%	-0.09%
Lending margin (B)-(C)	1.20%	1.16%	1.15%	1.17%	1.17%	1.16%	-0.04%

## Net interest margin and lending margin



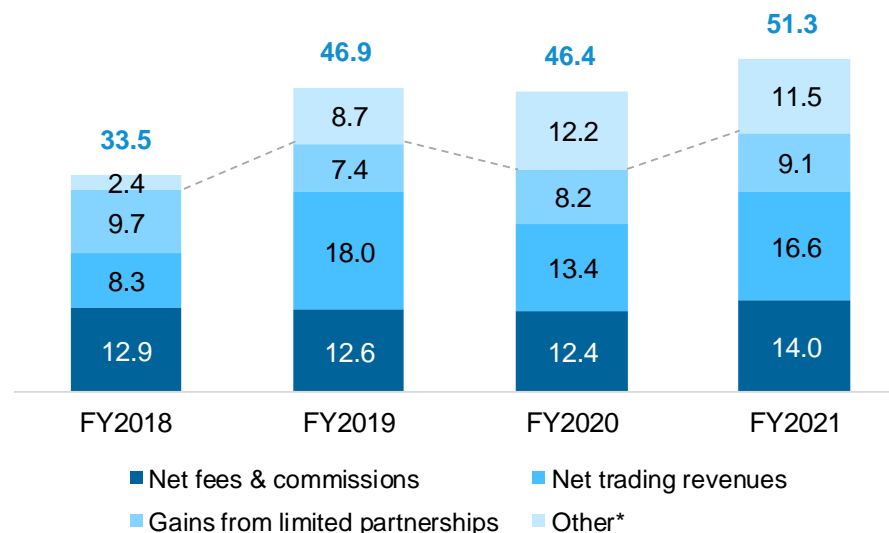
# Non-interest income

- ◆ Non-interest income was 51.3 billion yen, an increase of 4.9 billion yen year-on-year
  - Customer-related business revenue, such as loan fees, gains from limited partnerships, and earnings from investment product sales to retail customers, were strong throughout the fiscal year
  - Gains/losses on bond transactions were 4.5 billion yen (compared to 8.1 billion yen in the previous year). The ratio of gains/losses on bond transactions to net revenue declined to 4%

(billion yen)	FY2020	FY2021				Full year B	Change B - A
	Full year A	Apr.- Jun.	Jul.- Sep.	Oct. - Dec.	Jan. - Mar.		
<b>Non-interest income</b>	<b>46.4</b>	<b>14.9</b>	<b>12.8</b>	<b>12.7</b>	<b>10.8</b>	<b>51.3</b>	<b>+4.9</b>
Net fees and commissions	12.4	2.4	4.3	3.3	3.8	14.0	+1.5
Net trading revenues	13.4	6.4	1.5	4.1	4.4	16.6	+3.2
Gains/losses on bond transactions	8.1	1.5	3.9	0.3	-1.3	4.5	-3.6
Net other ordinary income excl. gains/losses on bond transactions	12.4	4.5	2.9	4.8	3.8	16.2	+3.8
Incl. Gains from limited partnerships	8.2	3.5	1.7	2.0	1.8	9.1	+0.8
(Ref.) Ratio of gains/losses on bond transactions to net revenue	8%	6%	15%	1%	-6%	4%	

## Non-interest income

(billion yen)



\* Gains/losses on bond transactions and net other ordinary income (excl. gains from limited partnerships)

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

- ◆ Net fees and commissions were 14.0 billion yen, an increase of 1.5 billion yen compared to the previous year. Net trading revenues were a gain of 16.6 billion yen, 3.2 billion yen higher when compared with last year
  - Loan-related fee income increased by 0.2 billion yen year-on-year, mainly as a result of buyout finance activity
  - Fee income from GMO Aozora Net Bank (GANB) was 3.2 billion yen, an increase of 1.6 billion yen year-on-year
  - Earnings from investment product sales to retail customers increased by 2.6 billion yen compared to the previous year

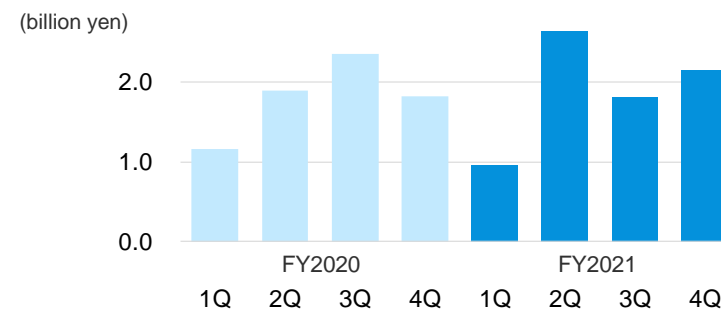
(billion yen)	FY2020	FY2021				Full year B	Change B - A
	Full year A	Apr. - Jun.	Jul. - Sep.	Oct. - Dec.	Jan. - Mar.		
<b>Net fees and commissions</b>	<b>12.4</b>	<b>2.4</b>	<b>4.3</b>	<b>3.3</b>	<b>3.8</b>	<b>14.0</b>	<b>+1.5</b>
<b>Fees and commissions received</b>	<b>14.9</b>	<b>3.2</b>	<b>5.2</b>	<b>4.3</b>	<b>4.8</b>	<b>17.7</b>	<b>+2.8</b>
Loan business-related and deposits	7.5	1.0	2.7	1.8	2.2	7.8	+0.2
Securities-related and agency	3.1	0.7	0.9	1.1	1.1	3.9	+0.8
Other	4.1	1.4	1.6	1.3	1.5	5.9	+1.7
Incl. GANB fee income	1.6	0.9	0.8	0.7	0.6	3.2	+1.6
<b>Fees and commissions payments</b>	<b>-2.4</b>	<b>-0.8</b>	<b>-0.9</b>	<b>-0.9</b>	<b>-0.9</b>	<b>-3.7</b>	<b>-1.2</b>
<b>Net trading revenues</b>	<b>13.4</b>	<b>6.4</b>	<b>1.5</b>	<b>4.1</b>	<b>4.4</b>	<b>16.6</b>	<b>+3.2</b>

## Earnings from investment product sales

<b>Earnings from investment product sales</b>	<b>5.4</b>	<b>3.1</b>	<b>1.5</b>	<b>2.3</b>	<b>1.1</b>	<b>8.0</b>	<b>+2.6</b>
Investment trusts	0.8	0.3	0.4	0.4	0.3	1.4	+0.6
Insurance	0.2	0.0	0.0	0.0	0.0	0.1	-0.0
Structured bonds	4.3	2.7	1.0	1.8	0.7	6.4	+2.0

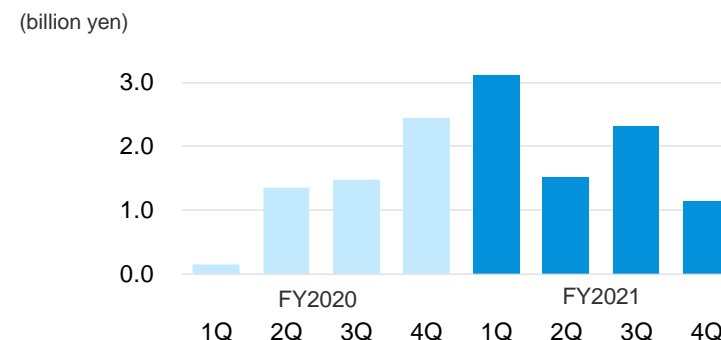
(Note) Earnings from the sale of investment trusts and insurance are included in net fees and commissions. Earnings from the sale of structured bonds are included in net trading revenues.

## Loan-related fee income



\* Management accounting basis

## Earnings from investment product sales

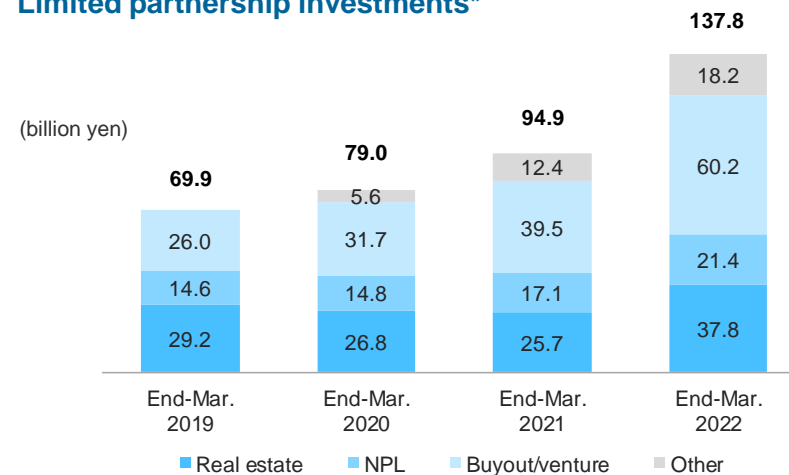


# Non-interest income – Net other ordinary income

- ◆ Gains/losses on bond transactions were a gain of 4.5 billion yen, compared with a gain of 8.1 billion yen in FY2020
  - The Bank recorded 1.3 billion yen in losses on bond transactions in 4Q as a result of rebalancing its U.S. government bond and foreign currency ETF positions in light of current economic conditions
- ◆ Net other ordinary income (excl. gains/losses on bond transactions) was 16.2 billion yen, an increase of 3.8 billion yen year-on-year
  - Gains from limited partnerships were 9.1 billion yen, an increase of 0.8 billion yen compared to the previous year, representing a continued level of stable gains

(billion yen)	FY2020	FY2021				Full year B	Change B - A
	Full year A	Apr. - Jun.	Jul. - Sep.	Oct. - Dec.	Jan. - Mar.		
<b>Gains/losses on bond transactions</b>	<b>8.1</b>	<b>1.5</b>	<b>3.9</b>	<b>0.3</b>	<b>-1.3</b>	<b>4.5</b>	<b>-3.6</b>
Japanese government bonds (JGBs)	-0.4	0.0	0.0	-	-	0.1	+0.6
Foreign government bonds and mortgage bonds	7.3	-1.0	0.8	-0.9	-0.8	-1.9	-9.3
Other	1.2	2.4	3.0	1.3	-0.5	6.2	+5.0
Incl. Private placement investment trusts	2.3	1.3	2.0	0.9	-0.1	4.1	+1.7
Incl. REITs	0.7	0.4	0.8	0.3	0.5	2.2	+1.4
Incl. Foreign currency ETFs	-2.0	-	-	0.0	-0.9	-0.9	+1.1
<b>Net other ordinary income excl. gains/losses on bond transactions</b>	<b>12.4</b>	<b>4.5</b>	<b>2.9</b>	<b>4.8</b>	<b>3.8</b>	<b>16.2</b>	<b>+3.8</b>
Incl. Gains from limited partnerships	8.2	3.5	1.7	2.0	1.8	9.1	+0.8
Real estate-related	4.0	0.1	0.2	0.9	0.9	2.2	-1.7
Distressed loan-related	1.6	2.0	0.6	0.4	0.2	3.3	+1.6
Buyout/venture-related	2.0	1.1	0.6	0.4	0.4	2.6	+0.6
Other	0.5	0.2	0.1	0.1	0.2	0.8	+0.3

## Limited partnership investments\*



\* Management accounting basis



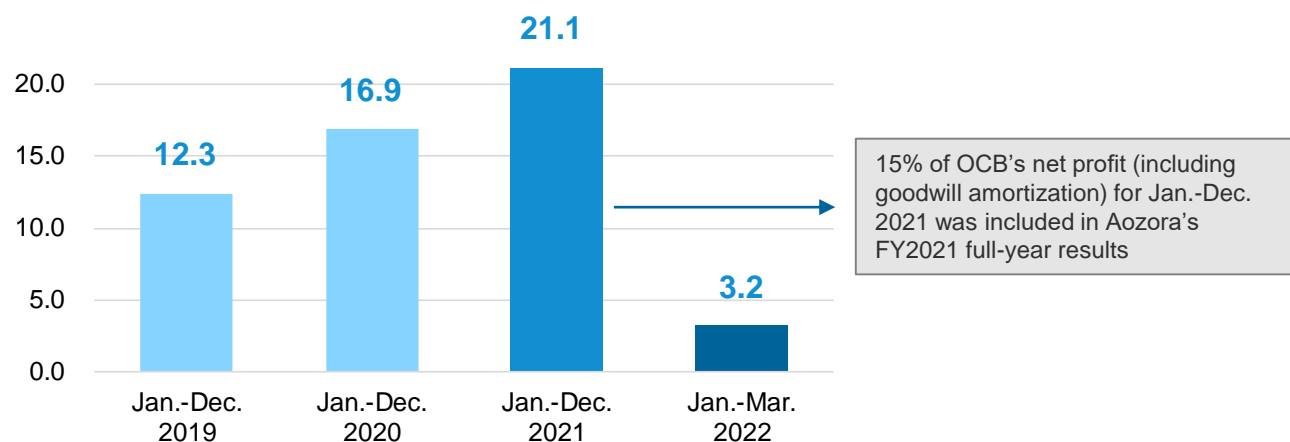
# Gains/losses on equity method investments/stock transactions

- ◆ Gains/losses on equity method investments were a net gain of 2.6 billion yen
  - This result includes gains/losses from Orient Commercial Joint Stock Bank (OCB). Starting in FY2021, OCB's full-year results were included in Aozora's full-year gains/losses on equity method investments (only the 2H results were included in FY2020)
- ◆ Gains/losses on stock transactions were a gain of 2.0 billion yen, a decrease of 0.3 billion yen year-on-year

(billion yen)	FY2020	FY2021					Change B - A
	Full year A	Apr. - Jun.	Jul. - Sep.	Oct. - Dec.	Jan. - Mar.	Full year B	
Gains/losses on equity method investments	1.1	0.5	0.6	0.4	0.9	2.6	+1.5
Gains/losses on stock transactions	2.3	0.0	0.0	0.8	1.1	2.0	-0.3

## OCB Net profit\*

(billion yen)



\* Taken from OCB's website. Uses an exchange rate of 0.0048 yen per 1 Vietnamese dong

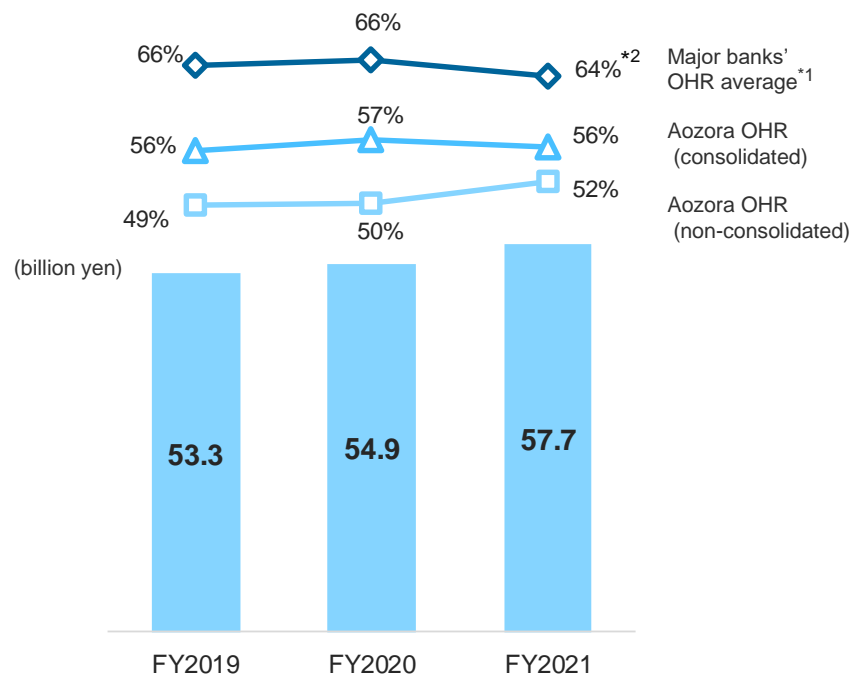
# G&A expenses

- ◆ G&A expenses were 57.7 billion yen, an increase of 2.8 billion yen year-on-year
  - Personnel expenses increased due to the hiring of additional staff in the Bank's business areas of focus
  - IT-related expenses increased mainly for cybersecurity, infrastructure development, and compliance regulations related to the Bank's market operations
- ◆ The Overhead Ratio (OHR) was 56% on a consolidated basis, an improvement compared to the previous year, reflecting the strong level of net revenue

## G&A expenses breakdown

	FY2020	FY2021					Change B - A
	Full year A	Apr. - Jun.	Jul. - Sep.	Oct. - Dec.	Jan. - Mar.	Full year B	
(billion yen)							
<b>G&amp;A expenses (A)</b>	<b>54.9</b>	<b>13.8</b>	<b>14.0</b>	<b>14.1</b>	<b>15.6</b>	<b>57.7</b>	<b>+2.8</b>
Personnel	25.9	6.3	6.7	6.6	7.6	27.3	+1.4
Non-Personnel	25.8	6.4	6.5	6.6	7.2	26.9	+1.0
Incl. IT-related	10.0	2.5	2.7	2.8	3.0	11.2	+1.1
Tax	3.1	1.1	0.7	0.7	0.7	3.4	+0.2
<b>Net revenue (B)</b>	<b>96.5</b>	<b>26.7</b>	<b>25.6</b>	<b>26.8</b>	<b>23.7</b>	<b>103.0</b>	
<b>OHR (A) / (B)</b>	<b>57%</b>	-	-	-	-	<b>56%</b>	
<b>OHR (non-consolidated)</b>	<b>50%</b>	-	-	-	-	<b>52%</b>	

## G&A expenses and OHR



\*1 Major banks refers to MUFG, SMFG, Mizuho FG, Resona HD, Sumitomo Mitsui Trust HD and Shinsei.  
 Values calculated based on each company's publicly-available financial data

\*2 3Q FY2021

# Credit-related expenses

- ◆ Credit-related expenses were a net expense of 3.7 billion yen, compared to a net expense of 4.3 billion yen in the previous year
  - Provisions to general loan loss reserves were a net reversal due to the improved credit ratings of borrowers, mainly as a result of the improved credit quality of overseas borrowers, as the Bank made provisions to specific loan-loss reserves in 4Q
- ◆ The ratio of loan loss reserves to total loans remained adequate at 1.46%
  - The ratio of loan loss reserves to overseas loans was approximately 1.9%, a slight decline compared to December 31, 2021, mainly due to upgrades in borrower credit ratings

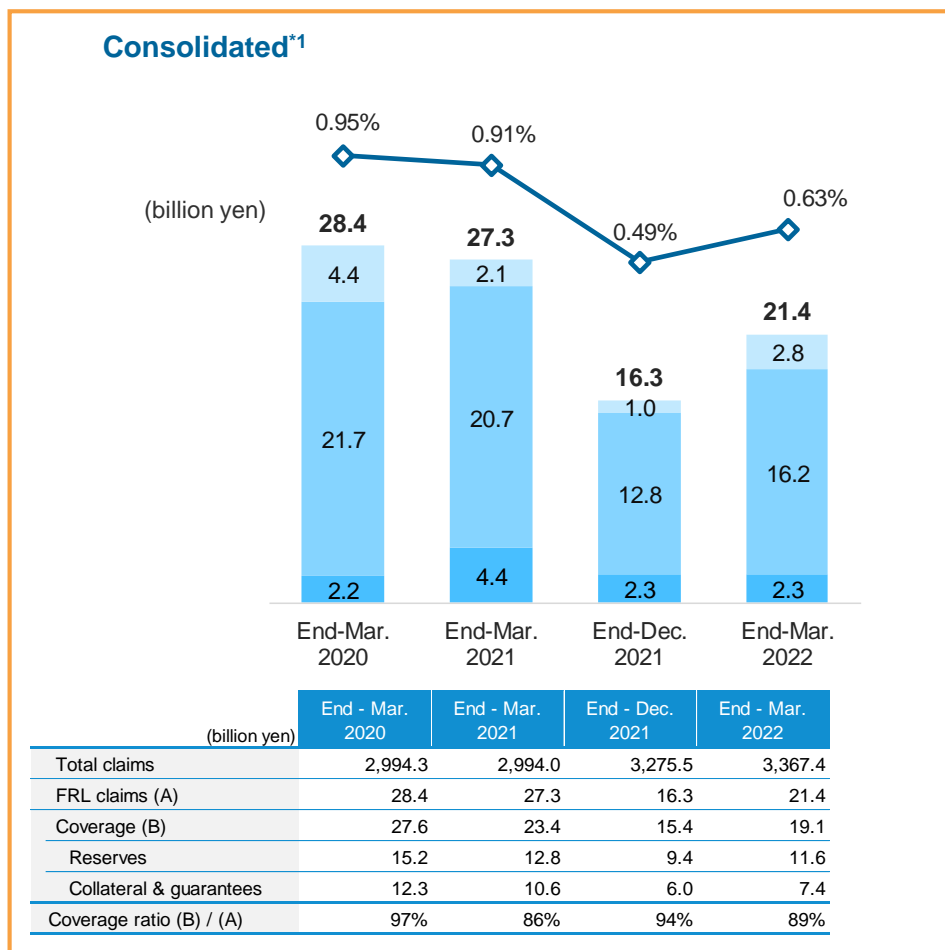
(billion yen)	FY2020	FY2021				Full year B	Change B - A
	Full year A	Apr. - Jun.	Jul. - Sep.	Oct. - Dec.	Jan. - Mar.		
<b>Credit-related expenses</b>	<b>-4.3</b>	<b>2.0</b>	<b>-1.5</b>	<b>-1.7</b>	<b>-2.4</b>	<b>-3.7</b>	<b>+0.6</b>
Write-off of loans	-0.1	-0.4	-0.2	-0.5	-0.1	-1.3	-1.1
Loan loss reserves	-0.7	2.3	-1.3	-1.1	-2.5	-2.7	-1.9
Specific loan loss reserves	-0.8	-1.4	0.2	0.6	-3.8	-4.3	-3.4
General loan loss reserves	0.1	3.8	-1.6	-1.8	1.3	1.6	+1.5
Gains/losses on disposition of loans	-3.5	-	-0.0	-	-0.0	-0.0	+3.5
Recoveries of written-off claims	0.2	0.1	0.0	0.0	-0.0	0.1	-0.0
Reserve for credit losses on off-balance-sheet instruments	-0.0	-0.0	0.0	-0.0	0.2	0.2	+0.2

## Ratio of loan loss reserves to total loans

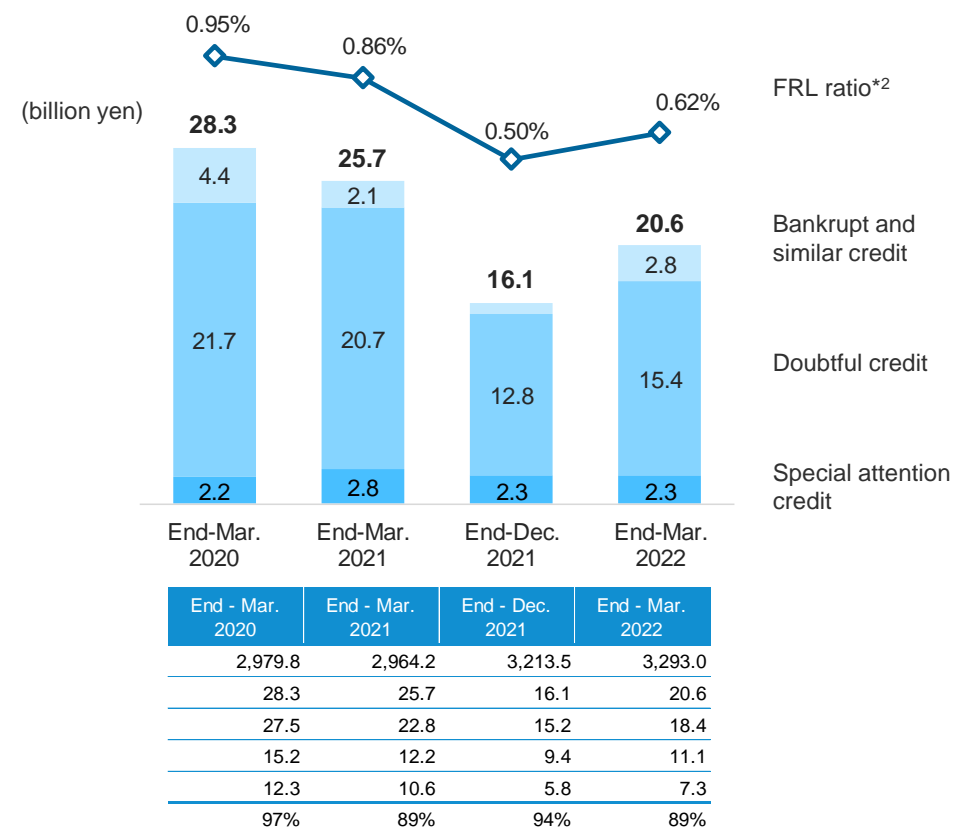
(billion yen)	End - Mar. 2021	End - Dec. 2021	End - Mar. 2022
Loan loss reserves (A)	50.8	47.7	48.6
General loan loss reserves (B)	40.1	39.8	38.4
Total loans (C)	2,948.8	3,225.3	3,317.1
(A) / (C)	1.72%	1.48%	1.46%
(B) / (C)	1.36%	1.23%	1.16%

# Financial Reconstruction Law (FRL) claims

- ◆ The ratio of FRL claims to total claims (consolidated) was 0.63%, a decrease of 0.28% from March 31, 2021
  - FRL claims (consolidated) decreased by 5.9 billion yen compared to March 31, 2021 mainly due to progress in the work-out of non-performing loans. FRL claims increased by 5.0 billion yen compared to December 31, 2021



## Non-consolidated (reference)



\*1 The Bank began disclosing results on a consolidated basis starting from March 31, 2022 in light of amendments to the Ordinance for Enforcement of the Banking Act

\*2 Ratio of FRL claims to total claims

# Balance sheet summary

- ◆ Total assets were 6,728.6 billion yen, an increase of 811.7 billion yen compared to March 31, 2021
- ◆ Total net assets were 487.2 billion yen, representing a decrease of 2.7 billion yen from March 31, 2021

(billion yen)	End - Mar. 2021 A	End - Dec. 2021	End - Mar. 2022 B	Change B - A
Loans and bills discounted	2,948.8	3,225.3	3,317.1	+368.3
Securities	1,393.3	1,342.0	1,478.1	+84.8
Cash and due from banks	950.1	1,096.6	1,141.9	+191.8
Trading assets	154.6	107.5	133.0	-21.5
Other	469.9	605.8	658.3	+188.4
<b>Total assets</b>	<b>5,916.8</b>	<b>6,377.5</b>	<b>6,728.6</b>	<b>+811.7</b>

(billion yen)	End - Mar. 2021 A	End - Dec. 2021	End - Mar. 2022 B	Change B - A
Deposits / Negotiable certificates of deposit	4,012.5	4,580.8	4,871.5	+859.0
Bonds	198.3	170.4	168.9	-29.4
Borrowed money	349.7	413.1	432.3	+82.5
Payables under securities lending transactions	431.6	343.8	356.9	-74.7
Trading liabilities	140.4	96.6	129.2	-11.2
Other	294.0	250.6	282.3	-11.7
<b>Total liabilities</b>	<b>5,426.8</b>	<b>5,855.5</b>	<b>6,241.3</b>	<b>+814.5</b>
<b>Total net assets</b>	<b>490.0</b>	<b>521.9</b>	<b>487.2</b>	<b>-2.7</b>
<b>Total liabilities and net assets</b>	<b>5,916.8</b>	<b>6,377.5</b>	<b>6,728.6</b>	<b>+811.7</b>

# Loans – Balance by industry

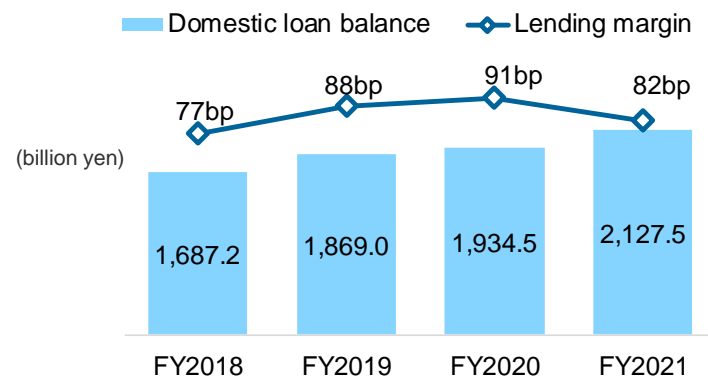
◆ Loans were 3,317.1 billion yen, an increase of 368.3 billion yen compared to March 31, 2021. Domestic loans increased by 192.9 billion yen

(billion yen)	End - Mar. 2021 A	End - Dec. 2021	End - Mar. 2022 B	Change B - A
<b>Total loans (A)</b>	<b>2,948.8</b>	<b>3,225.3</b>	<b>3,317.1</b>	<b>+368.3</b>
Domestic loans	1,934.5	2,143.7	2,127.5	+192.9
Overseas loans* (B)	1,014.2	1,081.5	1,189.6	+175.3
(B) / (A)	34.4%	33.5%	35.9%	-

\* With no final risk residing in Japan

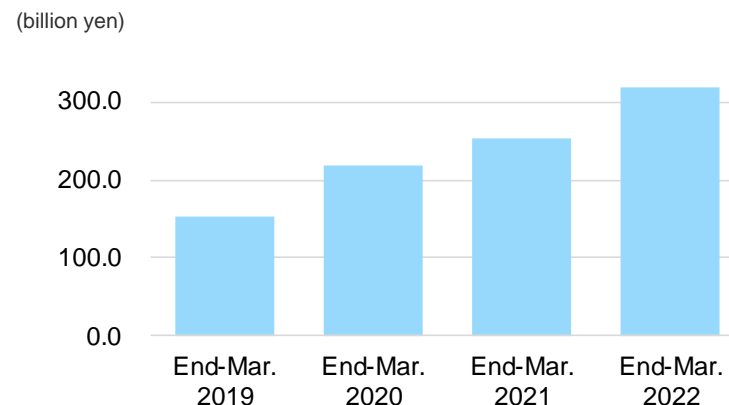
					Share
<b>Loans by domestic offices (excl. Japan offshore market accounts)</b>	<b>2,329.3</b>	<b>2,530.0</b>	<b>2,545.7</b>	<b>+216.3</b>	77%
Manufacturing	212.2	233.9	236.8	+24.5	7%
Information and communications	113.1	98.7	102.6	-10.4	3%
Transport, postal services	35.7	37.5	40.3	+4.6	1%
Wholesale and retail sale	71.8	82.6	77.9	+6.0	2%
Financial and insurance	363.5	360.6	352.0	-11.5	11%
Real estate	626.0	681.3	715.0	+89.0	22%
Incl. Non-recourse loans	342.8	358.3	380.8	+38.0	11%
Leasing	75.7	94.9	100.5	+24.8	3%
Other services	186.0	152.7	153.8	-32.1	5%
Other	644.8	787.3	766.3	+121.5	23%
Incl. Overseas (HQ booked)	421.4	409.1	439.2	+17.7	13%
<b>Loans by overseas offices incl. Japan offshore market accounts</b>	<b>619.4</b>	<b>695.3</b>	<b>771.3</b>	<b>+151.9</b>	23%
<b>Total</b>	<b>2,948.8</b>	<b>3,225.3</b>	<b>3,317.1</b>	<b>+368.3</b>	100%

## 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)

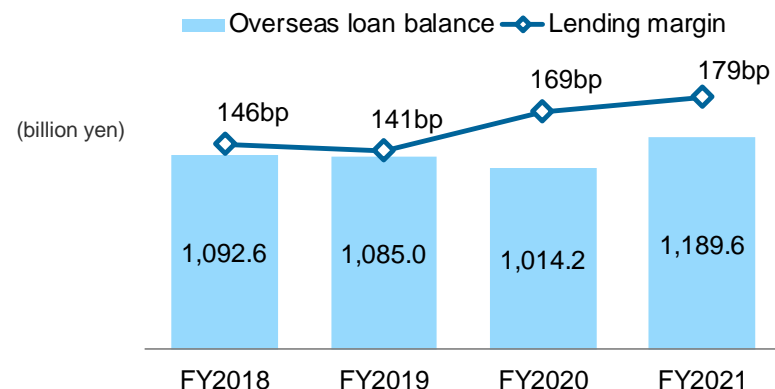
# Loans - Overseas

- ◆ Overseas loans were 1,189.6 billion yen, an increase of 175.3 billion yen from March 31, 2021 (an increase of 556 million on a U.S. dollar-basis)
  - Loan balances increased and lending spreads remained stable as the Bank continued to originate loans with favorable risk-return profiles

(billion yen)	End - Mar. 2021 A	End - Dec. 2021	End - Mar. 2022 B	Change B - A
Total loans (A)	2,948.8	3,225.3	3,317.1	+368.3
<b>Overseas loans* (B)</b>	<b>1,014.2</b>	<b>1,081.5</b>	<b>1,189.6</b>	<b>+175.3</b>
(B) / (A)	34.4%	33.5%	35.9%	-
U.S. dollar basis (\$ million)	9,160	9,408	9,716	+556
Foreign exchange rate (US\$/JPY)	¥110.72	¥114.96	¥122.43	¥11.71

\* With no final risk residing in Japan

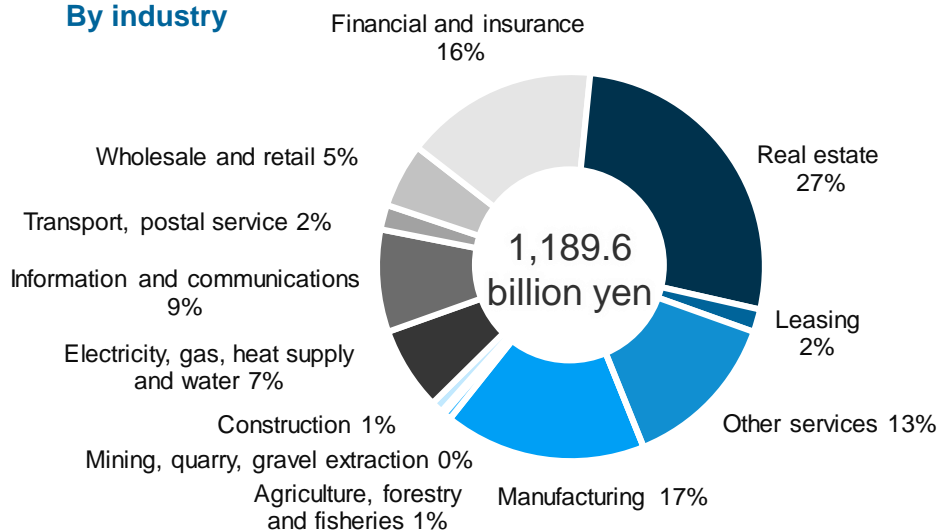
## Overseas loan balance and lending margin\*



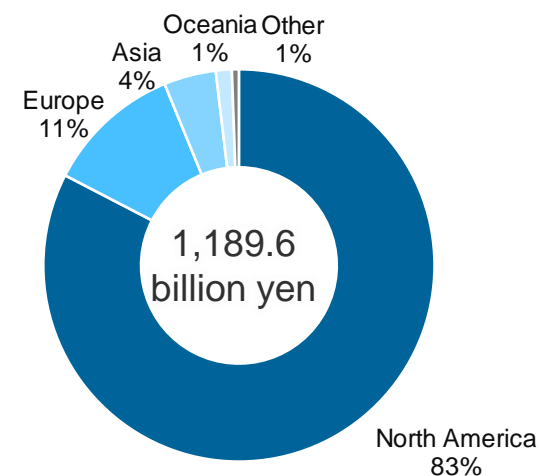
\* Management accounting basis.

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

## By industry



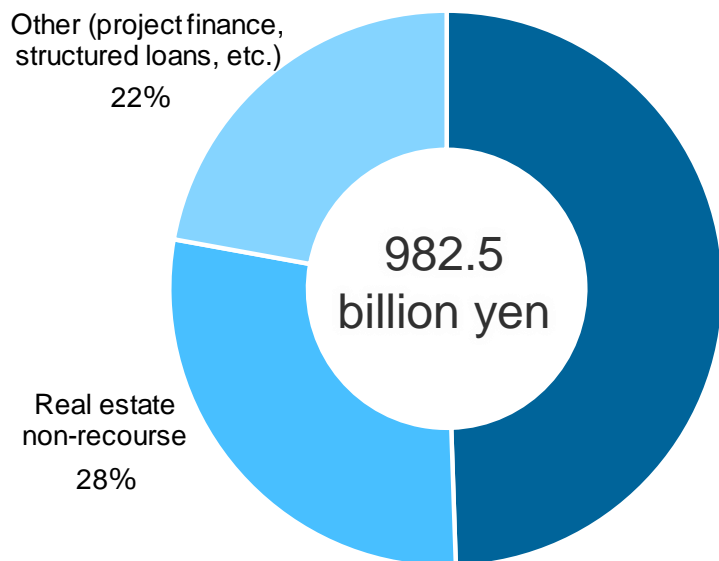
## By region



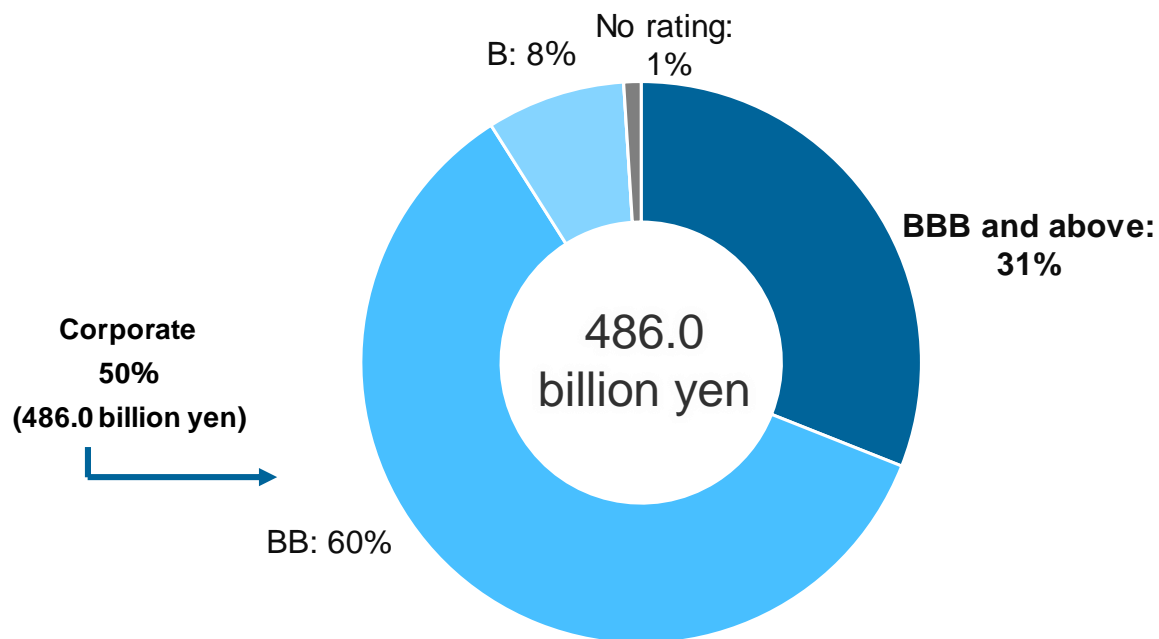
# Loans – North American corporate loans

- ◆ The Bank's North American corporate loan balances totaled 486.0 billion yen, an increase of 84.1 billion yen compared to March 31, 2021 (an increase of 339 million on a U.S. dollar-basis)
  - The Bank continued to originate new loans starting in 2Q despite decreased loan balances in 1Q mainly due to pre-payment
  - The proportion of loans rated BB or higher was 91% (compared to 90% as of March 31, 2021)

North American loan portfolio summary



North American corporate loans by credit rating\*



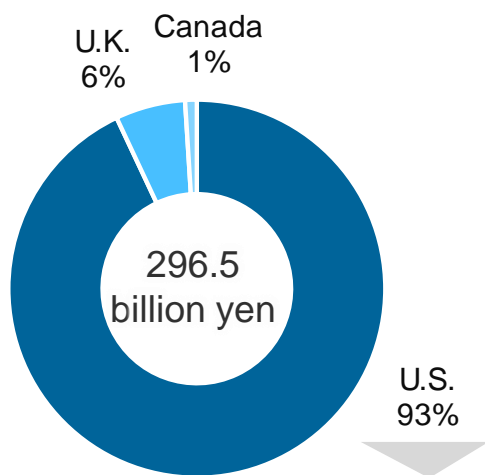
\* S&P credit rating (facility basis)



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

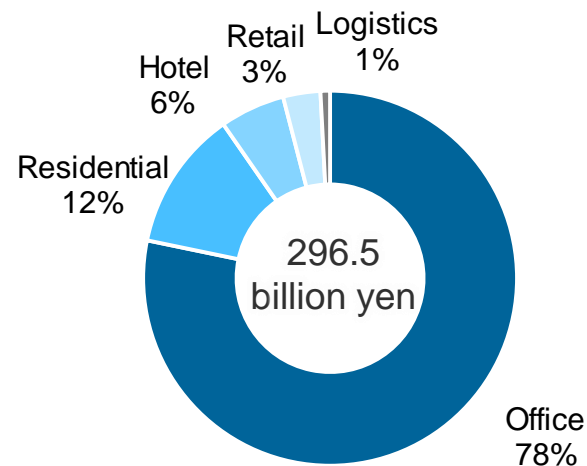
- ◆ Overseas real estate non-recourse loan outstandings were 296.5 billion yen, an increase of 27.2 billion yen compared to March 31, 2021 (a decrease of 9 million on a U.S. dollar-basis)
  - Loan outstandings increased by 18.5 billion yen (4 million on a U.S. dollar-basis) compared to December 31, 2021 as the Bank continued to focus on the selective origination of new loans in light of market conditions in 4Q

## By region



City	%
New York	33%
Los Angeles	8%
Washington, D.C.	8%
Chicago	8%
Atlanta	6%
Miami	4%
San Francisco	4%
Minneapolis	3%
Philadelphia	3%
Arlington	3%
Other (14 cities)	20%

## By sector



## Overseas real estate NRL policy

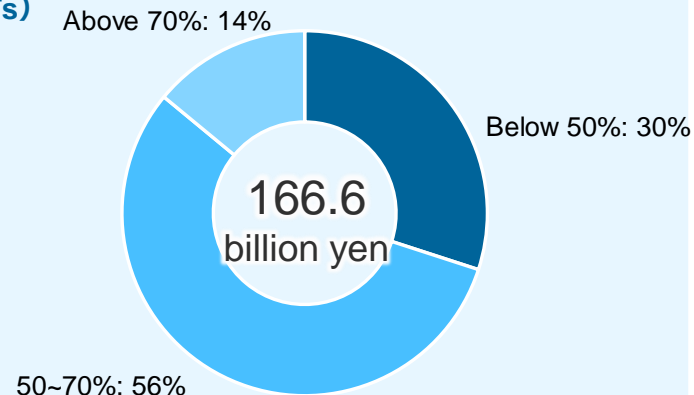
- ◆ Senior secured loans only. No mezzanine or construction loans
- ◆ Loans arranged via sponsors with strong management and banks with proven track records
- ◆ Loans with LTVs below 65% at time of approval according to an evaluation by a U.S.-based appraisal office (third-party evaluation)

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

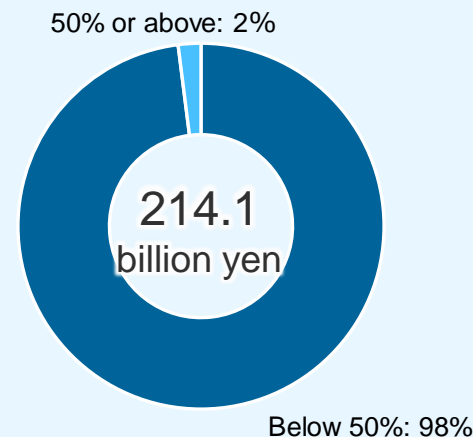
- ◆ The Bank's domestic real estate non-recourse loan balance was 380.8 billion yen, an increase of 38.0 billion yen compared to March 31, 2021
- Office loans decreased by 5% compared to March 31, 2021. The percentage of residential, logistics, and retail loans increased by 3% during the same period

## LTV

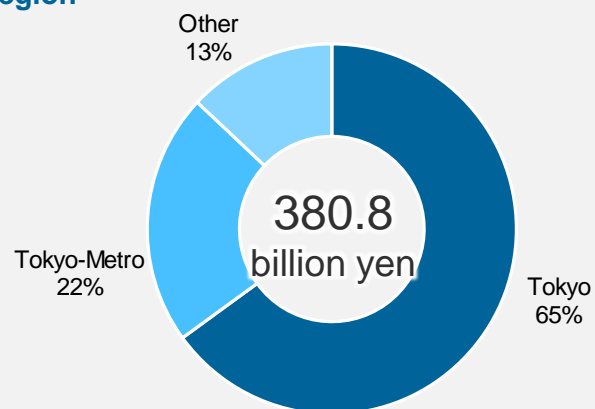
### Real estate NRLs (excl. REITs)



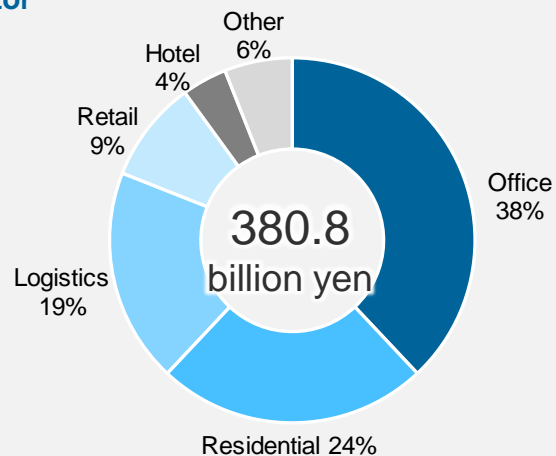
### REITs



### By region



### By sector

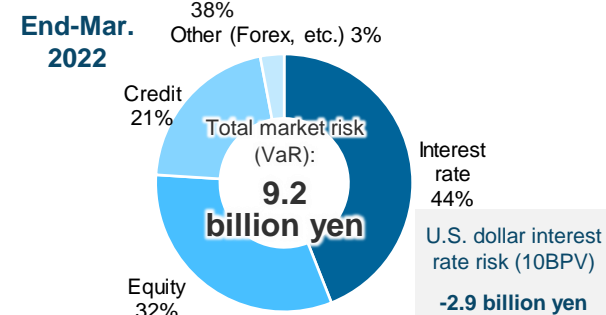
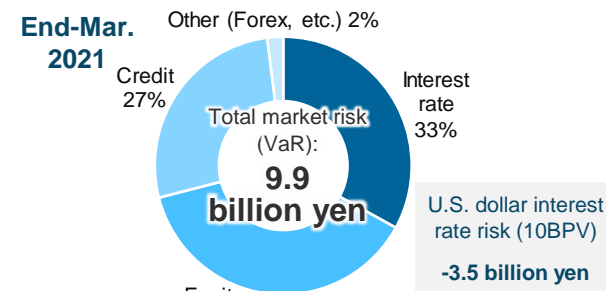


# Securities

- ◆ Securities were 1,478.1 billion yen, an increase of 84.8 billion yen compared to March 31, 2021
  - The Bank flexibly managed its U.S. government bond and U.S. mortgage-backed securities positions throughout the fiscal year in response to U.S. interest rate trends
  - Limited partnership investments increased due to the promotion of Aozora's Strategic Investments Business
- ◆ Unrealized gains, including unrealized gains/losses on hedging instruments, were a net gain of 5.2 billion yen, a decrease of 37.5 billion yen from March 31, 2021

	Book value				Unrealized gains/losses			
	End - Mar. 2021 A	End - Dec. 2021	End - Mar. 2022 B	Change B - A	End - Mar. 2021 C	End - Dec. 2021	End - Mar. 2022 D	Change D - C
(billion yen)								
JGBs	37.7	37.4	76.3	+38.5	0.2	0.3	-0.7	-1.0
Municipal bonds	145.1	165.5	164.2	+19.1	-0.3	0.0	-1.2	-0.9
Corporate bonds / short-term corporate bonds	117.8	159.0	172.9	+55.0	0.9	1.0	0.4	-0.5
Equities	27.4	35.6	31.5	+4.1	20.4	27.3	20.4	-0.0
Foreign bonds	600.5	447.1	536.0	-64.4	-4.5	-2.0	-28.4	-23.8
Foreign government bonds	283.2	172.4	264.1	-19.0	-3.3	-0.6	-13.3	-9.9
MBS	213.8	179.7	171.9	-41.9	-4.7	-4.1	-15.6	-10.8
Other	103.4	94.9	99.9	-3.4	3.5	2.8	0.5	-2.9
Other securities	464.6	497.2	497.0	+32.3	26.6	33.3	15.4	-11.2
ETFs	164.5	163.9	153.0	-11.4	-0.9	0.6	-11.4	-10.5
Investments in limited partnerships	94.9	108.6	137.8	+42.8	2.6	2.5	2.4	-0.1
REITs	72.7	79.9	76.0	+3.2	8.3	8.9	7.7	-0.6
Investment trusts	103.1	108.5	93.0	-10.0	11.2	14.1	10.4	-0.7
Other	29.2	36.1	36.9	+7.7	5.3	7.1	6.2	+0.8
<b>Total</b>	<b>1,393.3</b>	<b>1,342.0</b>	<b>1,478.1</b>	<b>+84.8</b>	<b>43.4</b>	<b>60.0</b>	<b>5.8</b>	<b>-37.5</b>
Unrealized gains, incl. unrealized gains/losses on hedging instruments					42.8	58.1	5.2	-37.5

## Market risk (VaR)



## U.S. Government Bond Risk Management

- ✓ In 4Q (Jan.-Mar.), the Bank hedged approximately 30% of the interest rate risk on its U.S. government bond position using derivatives. Aozora continued to flexibly implement its interest risk reduction operations through April 2022 onwards, hedging approximately half of its U.S. Treasury holdings

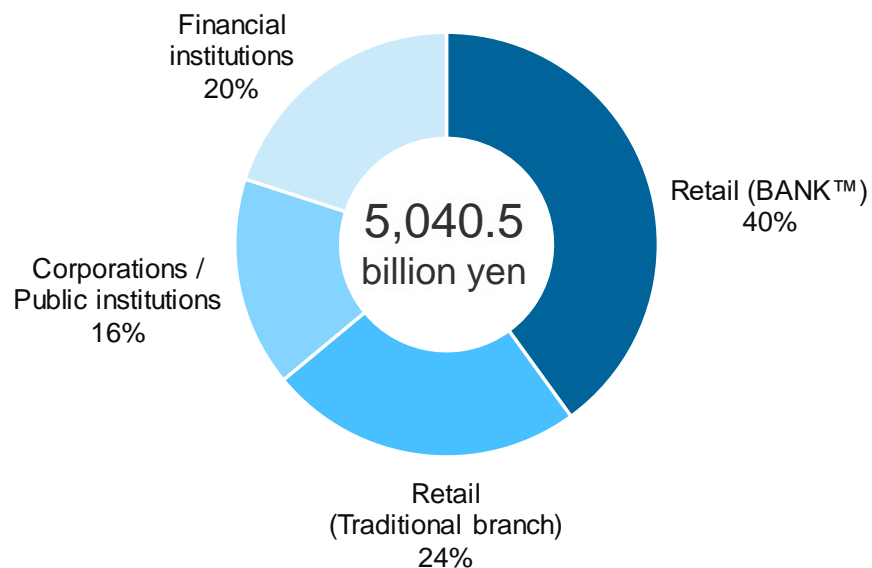
# Funding

- ◆ Total core funding (deposits, negotiable certificates of deposit, and bonds) was 5,040.5 billion yen, an increase of 829.6 billion yen from March 31, 2021
- The number of customers for our retail internet banking platform, BANK™, almost doubled to approximately 400,000 as of March 31, 2022 (compared to approximately 220,000 in the previous year)

	End - Mar. 2021 A	End - Dec. 2021	End - Mar. 2022 B	Change B - A
<b>Total core funding</b>	<b>4,210.8</b>	<b>4,751.2</b>	<b>5,040.5</b>	<b>+829.6</b>
Deposits / NCDs	4,012.5	4,580.8	4,871.5	+859.0
Bonds	198.3	170.4	168.9	-29.4
Retail funding ratio *	61%	64%	64%	
Loan-to-deposit ratio incl. NCDs	73%	70%	68%	

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

Funding by customer segment



# Mid-term KPIs

	FY2020 Results	FY2021 Results	Projections based on FY2022 Forecast	Mid-term Plan Targets (FY2020~2022)	(Ref.) FY2021 3Q Major Banks' Average <sup>*3</sup>
<b>Overhead Ratio (OHR)</b>	57%	<b>56%</b>	58% (adjusted OHR <sup>*2</sup> : 56%)	Below 55%	64%
<b>Business Profit<sup>*1</sup> ROA</b>	0.8%	<b>0.8%</b>	0.7%	1%	0.5% <sup>*4</sup>
<b>ROE</b>	6.3%	<b>7.2%</b>	7.5%	8% or higher	6.7% <sup>*4</sup>

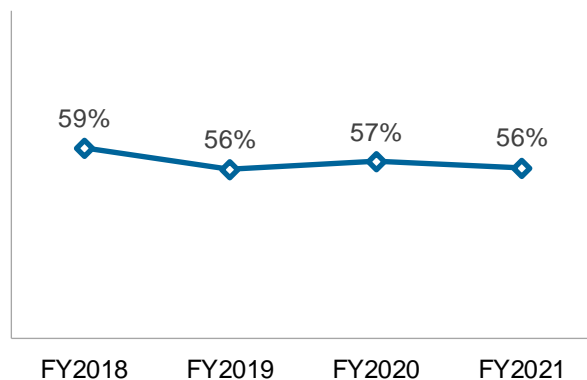
\* 1 Including gains/losses on equity method investments

\* 2 G&A expenses / (net revenue + customer business-related gains/losses on stock transactions)

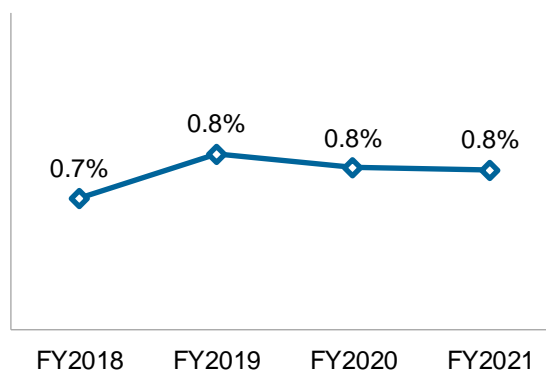
\* 3 Major banks refers to MUFG, SMFG, Mizuho FG, Resona HD, Sumitomo Mitsui Trust HD, and Shinsei.  
Values calculated based on each company's publically-available financial data

\* 4 Annualized basis

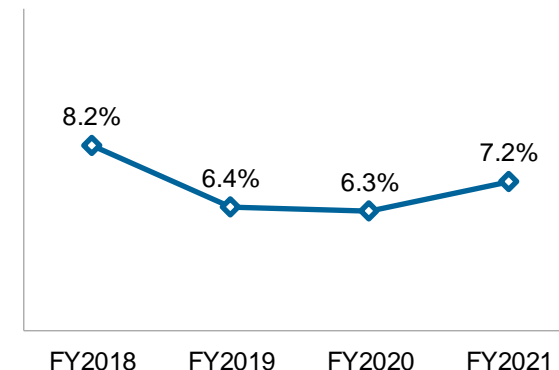
## Overhead Ratio (OHR)



## Business Profit ROA



## ROE



# Aozora's Sustainability Targets – Progress Report

## Promoting Aozora's Strategic Investments Business

Promoting Innovation

### Realizing “Financial Inclusion”

#### ◆ Growth Support for Venture Companies

	FY2021~FY2030 Targets	FY2021 Results
Number of Venture-related Investments:	<b>100</b> transactions	<b>12</b>
GMO Aozora Net Bank Small businesses & start-ups:	<b>200,000</b> account openings	<b>23,600</b> (approx.)

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

	FY2021~FY2025 Targets	FY2021 Results
Number of Business Recovery Fund-based transactions:	<b>100</b> transactions	<b>21</b>

### Promoting “Industrial Transition”

#### ◆ Investments Designed to Support Structural Transformation

	FY2021~FY2025 Targets	FY2021 Results
Number of equity investments with a primary focus on engagement:	<b>100</b> transactions	<b>33</b>

## Response to Climate Change

Environmental Protection

#### ◆ Sustainable Financing Amount

	FY2021~FY2030 Targets	FY2021 Results
Total:	<b>1 trillion yen</b>	<b>148.5 billion yen</b>
Includes Environmental Financing of	<b>700 billion yen</b>	<b>137.7 billion yen</b>

#### ◆ CO2 Emissions as a Business Entity

	By FY2030 Targets	By FY2050* Targets	FY2021 Results
	<b>↓ 50% reduction</b> (compared to FY2020)	<b>0 (net zero)</b> *Or as early as possible	<b>To be disclosed in the Annual Report (late July)</b>

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

	By FY2040 Targets	As of March 31, 2022
	<b>0 (zero)</b>	<b>29.2 billion yen</b>

## Protecting and Providing for the Next Generation

Life Satisfaction

#### ◆ Business/Asset Succession Consulting

	FY2021~FY2025 Targets	FY2021 Results
Number of Consulting contracts:	<b>1,800</b>	<b>314</b>

# Aozora's Strategic Investments Business - Equity Investments -

- ◆ Equity investments increased by 55.8 billion yen compared to March 31, 2021, mainly due to increases in real estate-related equities and buyout-related private equity investments
- ◆ Realized capital gains and other equity returns totaled 12.3 billion yen and included gains from real estate-related, distressed loan-related, and buyout-related limited partnerships

	Equity investments*1			Realized capital gains and other equity returns*2		
	(billion yen)	End - Mar. 2021 A	End - Mar. 2022 B	Change B - A	FY2020	FY2021
Investment in business recovery claims		51.7	56.1	+4.4	1.5	3.2
Real estate-related equities		69.2	84.5	+15.2	6.1	4.1
Buyout/venture (Private equity funds, etc.)		39.5	52.3	+12.8	1.8	2.5
Domestic/overseas equity investments		16.0	25.7	+9.6	1.3	1.7
Other		12.4	26.0	+13.5	0.4	0.7
<b>Total</b>		<b>188.9</b>	<b>244.8</b>	<b>+55.8</b>	<b>11.4</b>	<b>12.3</b>

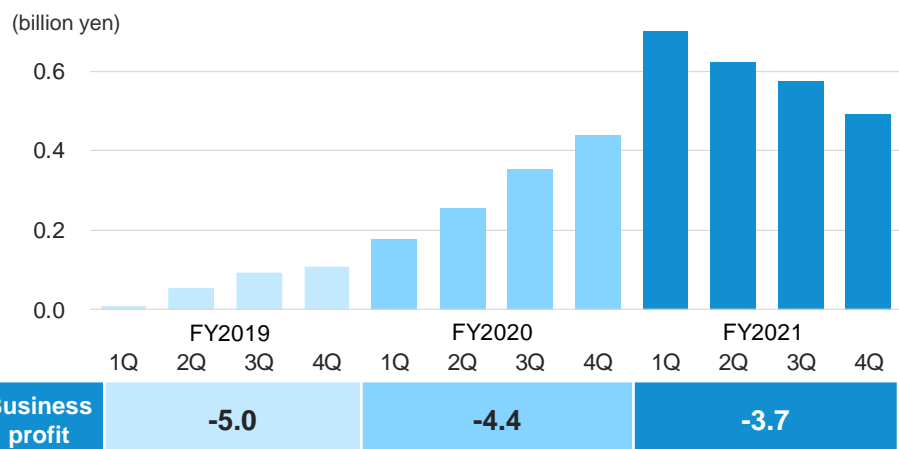
\*1 Management accounting basis, customer business-related equity investment balances on a mark-to-market basis

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

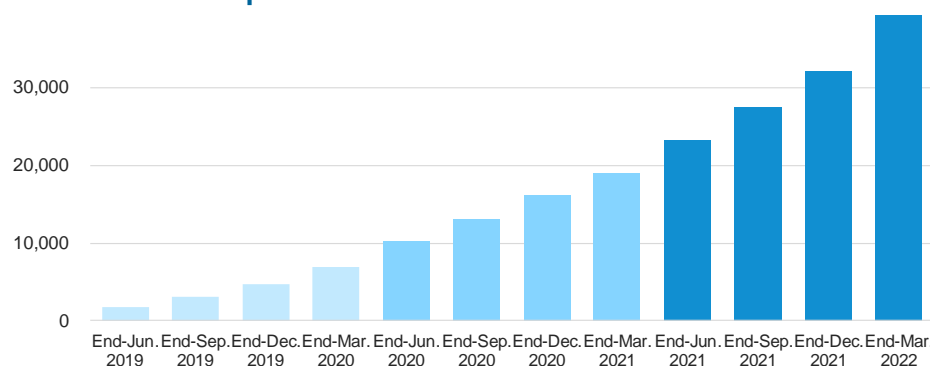
# GMO Aozora Net Bank (GANB)

- ◆ The number of corporate accounts, transfer transactions, and API connection contracts continued to grow in 4Q. Net revenue decreased compared to 3Q due to the significant impact from the reduction in transfer fees
- ◆ GANB plans to achieve net revenue growth and attain profitability during FY2022 by further increasing the number of corporate accounts and transfer transactions while strengthening its “Simple Embedded Finance Services” and promoting the use of its debit card. Initial FY2022 performance is favorable

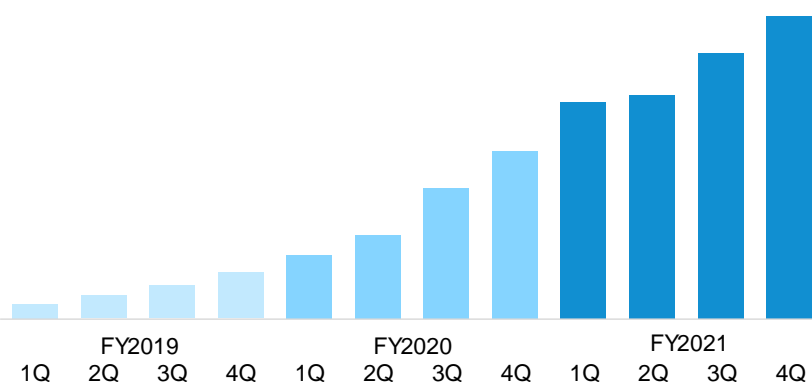
### Quarterly net revenue



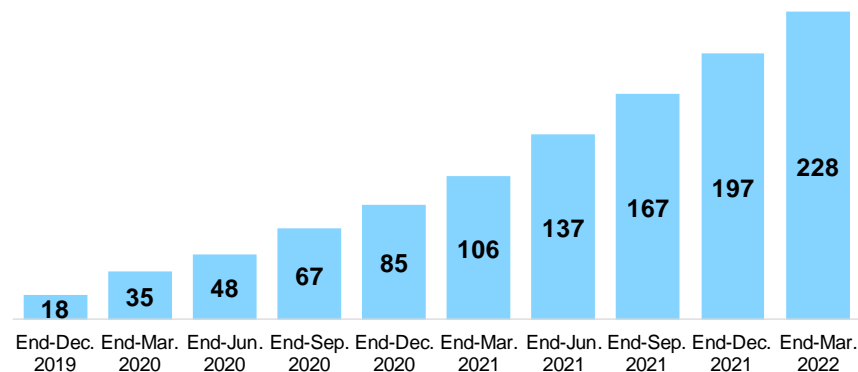
### Number of corporate accounts



### Number of transfer transactions



### Number of API connection contracts



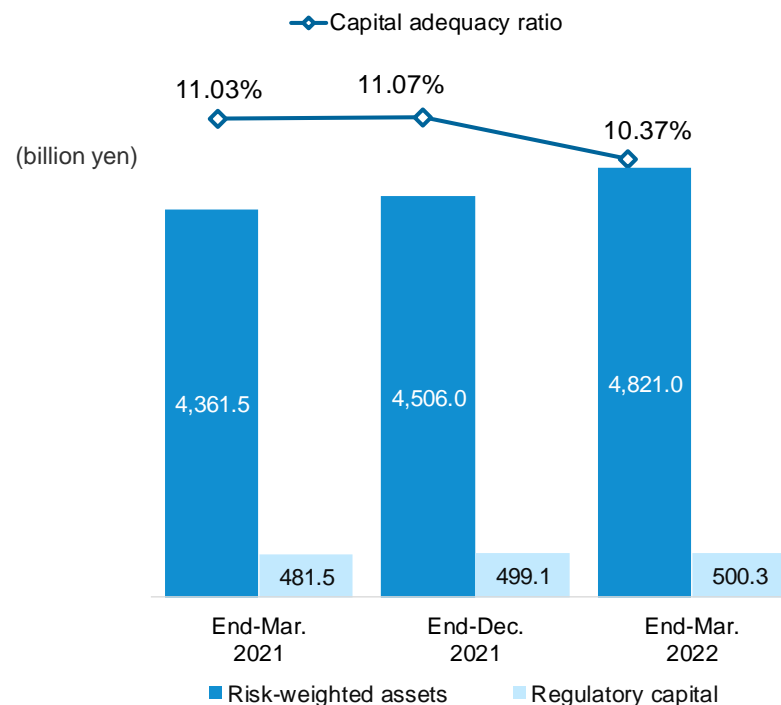


# Reference: Capital adequacy ratio (preliminary basis)

- ◆ The consolidated capital adequacy ratio (domestic standard) remained at an adequate level at 10.37% (preliminary basis)
- The CET1 ratio (Tier 1 Common Capital Ratio) was approximately 9.3%

## Domestic Standard

(billion yen)	End-Mar. 2021 A	End-Dec. 2021	End-Mar. 2022 B	Change B - A
Capital adequacy ratio	11.03%	11.07%	10.37%	-0.66 %
Regulatory capital (A - B)	481.5	499.1	500.3	+18.8
Instruments and reserve (A)	505.3	523.4	523.7	+18.3
Shareholders' equity	463.8	479.8	481.0	+17.1
Other	41.4	43.5	42.6	+1.2
Regulatory adjustment (B)	23.8	24.3	23.3	-0.4
Risk-weighted assets	4,361.5	4,506.0	4,821.0	+459.4
Credit risk assets	3,853.5	3,991.5	4,245.7	+392.1
Market risk assets	355.7	358.6	407.8	+52.0
Operational risk assets	152.2	155.8	167.4	+15.2



# Dividends

- ◆ The fourth quarter dividend is 45 yen per common share. The FY2021 full-year dividend is 149 yen per common share, a 25 yen increase compared to the FY2020 full-year dividend per common share of 124 yen
- ◆ The full-year dividend forecast for FY2022 is 154 yen per common share based on a target dividend payout ratio of 50%

## Dividend per common share

	1st quarter	2nd quarter	3rd quarter	4th quarter	Full-year
Current forecast (FY2022)					<b>154 yen</b>
Dividend payment (FY2021)	32 yen	32 yen	40 yen	<b>45 yen</b>	<b>149 yen</b>
Dividend payment (FY2020)	30 yen	30 yen	30 yen	34 yen	124 yen

(Note) Aozora's mid- to long-term dividend policy is based on a target dividend payout ratio of 50% of net earnings.

The FY2022 full-year dividend target of 154 yen per common share will be flexibly managed on a quarterly basis in light of Aozora's financial results.

The current FY2022 dividend forecast per common share is based on the total dividend amount, which is 50% of the consolidated net earnings forecast of 36.0 billion yen.

While only the full-year dividend forecast is shown here, the Bank intends to continue quarterly dividend payments.

## Reference: PL summary (non-consolidated basis)

	FY2020 Full year A	FY2021					FY2021 Full year B	Change B - A	
		Apr. - Jun.	Jul. - Sep.	Oct. - Dec.	Jan. - Mar.	Amount		%	
(billion yen)									
Net revenue	89.4	22.7	22.2	22.7	20.5	88.2	-1.1	-1.3%	
Business profit (before provisions to general loan-loss reserves)	45.0	11.5	11.0	11.4	8.0	42.2	-2.8	-6.3%	
Ordinary profit	41.4	13.7	9.8	10.5	6.7	41.0	-0.4	-1.1%	
Net income	29.5	10.1	6.8	7.4	5.4	29.8	+0.3	+1.1%	

# Reference: Consolidated, non-consolidated difference

(billion yen)

(A) Non-consolidated net income	29.8
(B) Profit attributable to owners of parent	35.0
(B) - (A) (a + b) Difference	5.1

## Breakdown of the difference

(a) Consolidated subsidiaries/affiliates	2.5
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	Line of Business	Share of Earnings <sup>*1</sup>	Net Earnings
GMO Aozora Net Bank, Ltd.	Internet banking business	50.0% <sup>*2</sup>	-3.9
Aozora Loan Services Co., Ltd.	Distressed loan servicing	67.6%	0.0
Aozora Securities Co., Ltd.	Financial instruments business	100.0%	1.9
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%	1.5
AZB Funding	SPC	100.0%	0.4
Aozora GMAC Investment Limited	Investments	100.0%	-0.0
Orient Commercial Joint Stock Bank	Commercial Bank (Vietnam)	15.0%	2.6 <sup>*3</sup>

(b) Consolidation adjustments	2.5
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Gains/losses attributable to non-controlling interests (GMO Aozora Net Bank, Ltd.)	1.9
Other	0.6

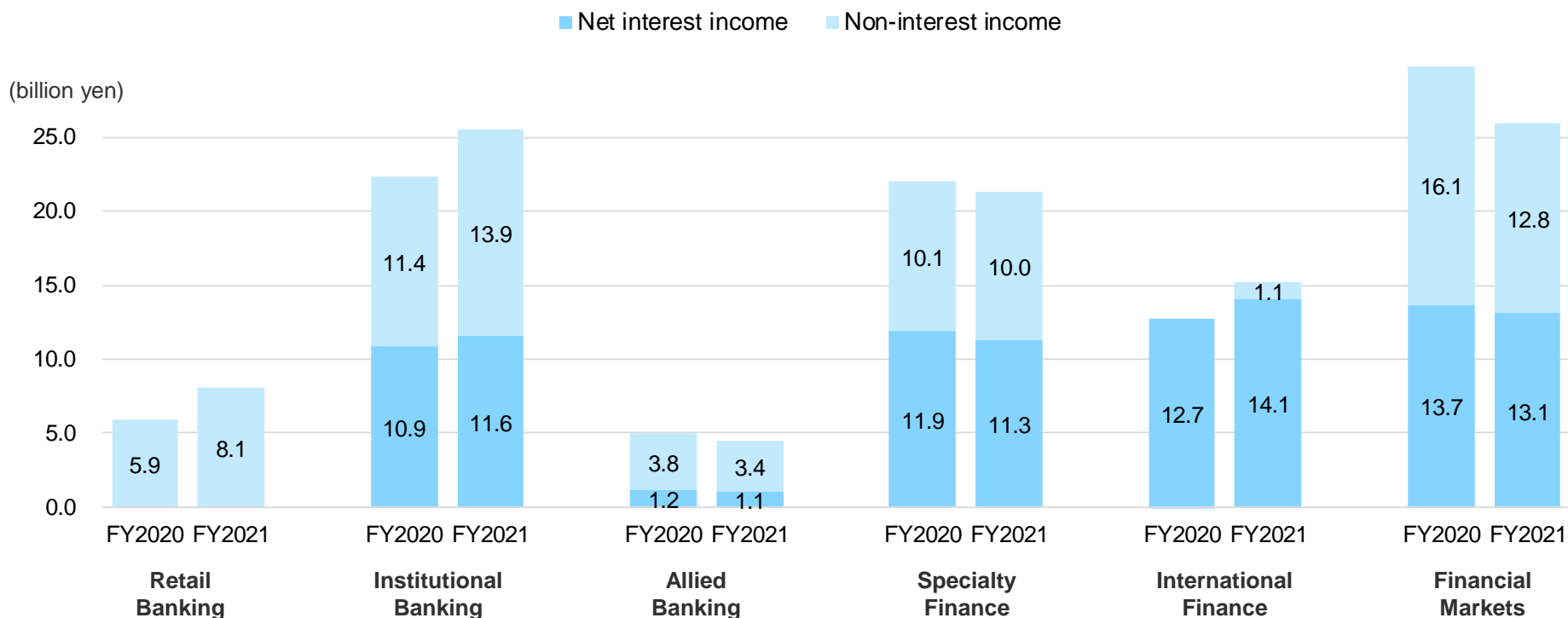
\*1 Percentage of profit and loss attributable to owners of parent

\*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 segment for FY2020 is presented to reflect these new calculation methods

# Appendix

# Aozora at a Glance

## ■ Franchise

- ◆ **Headquarters:** 6-1-1 Kojimachi, Chiyoda-ku, Tokyo
- ◆ **Total Assets:** JPY 6,728.6 billion
- ◆ **Credit Ratings:** BBB+ / A- / A (S&P / R&I / JCR)
- ◆ **Office Network:**
  - Domestic: 20 offices nationwide
  - Overseas: New York, London, Shanghai, Singapore, Hong Kong
- ◆ **Major Subsidiaries:**
  - GMO Aozora Net Bank, Ltd.
  - Aozora Loan Services Co., Ltd.
  - Aozora Securities Co., Ltd.
  - Aozora Regional Consulting Co., Ltd.
  - Aozora Investment Management Co., Ltd.
  - Aozora Real Estate Investment Advisors Co., Ltd.
  - ABN Advisors Co., Ltd.
  - Aozora Corporate Investment Co., Ltd.
  - Aozora Asia Pacific Finance Limited
  - Aozora Europe Limited
  - Aozora North America, Inc.
- ◆ **Full-time Employees:** 2,382 (consolidated basis, as of March 31, 2022)

## ■ History

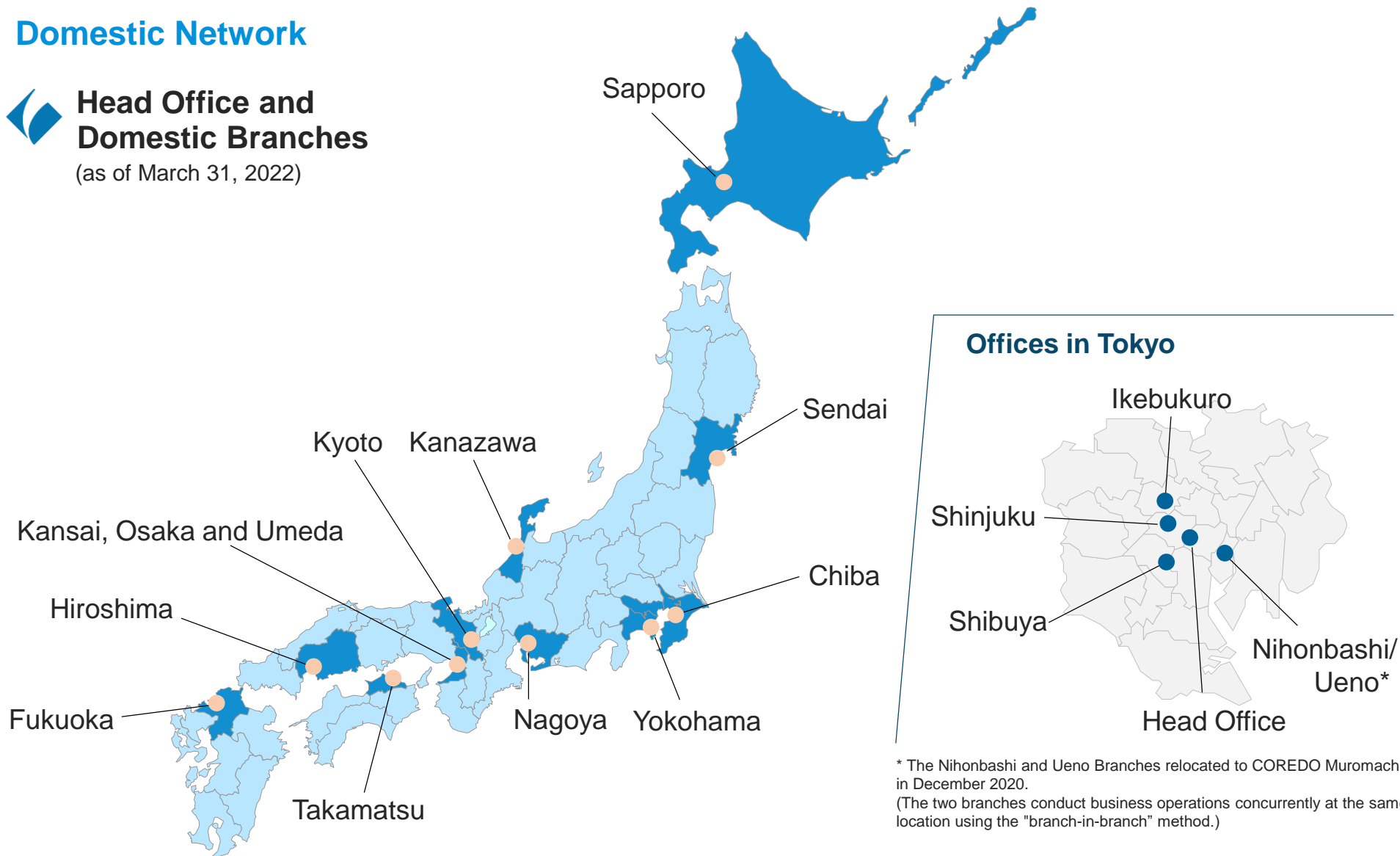
- 1957:** Established as The Nippon Fudosan Bank, Limited
- 1977:** Changed name to The Nippon Credit Bank, Ltd.
- 1998:** Temporarily nationalized
- 2000:** Re-privatized
- 2001:** Changed name to Aozora Bank, Ltd.
- 2006:** Listed on the First Section of the Tokyo Stock Exchange
- 2012:** Announced Comprehensive Recapitalization Plan
- 2015:** Full repayment of public funds
- 2017:** Headquarters relocated to Chiyoda-ku, Kojimachi
- 2022:** Listed on the Prime Market segment of the Tokyo Stock Exchange following the restructuring of the TSE's market segments

# Aozora Network

## Domestic Network

### Head Office and Domestic Branches

(as of March 31, 2022)

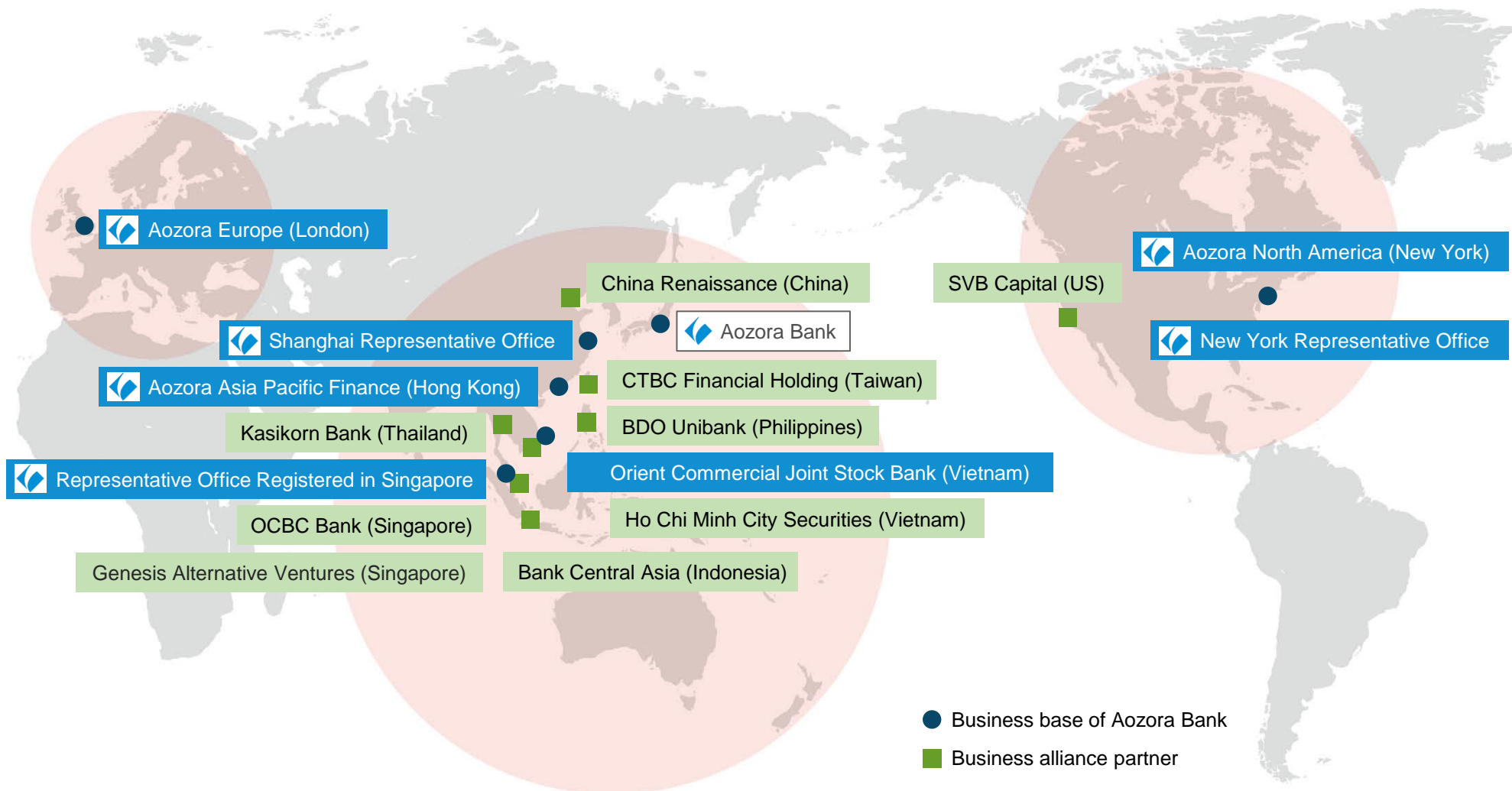


\* The Nihonbashi and Ueno Branches relocated to COREDO Muromachi 1 in December 2020.  
(The two branches conduct business operations concurrently at the same location using the "branch-in-branch" method.)



# Aozora Network

## Overseas Network



**<Contact>**

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This presentation contains forward-looking statements regarding the Bank's financial condition and results of operations. These forward-looking statements, which include the Bank's views and assumptions with respect to future events, involve certain risks and uncertainties. Actual results may differ from forecasts due to changes in economic conditions and other factors including the effects of changes in general economic conditions, changes in interest rates, stock markets and foreign currency, and any ensuing decline in the value of our securities portfolio, incurrence of significant credit-related cost and the effectiveness of our operational, legal and other risk management policies