

August 1, 2019

Company name: Aozora Bank, Ltd.

Name of representative: Shinsuke Baba, President and CEO

Listed exchange: TSE, Code 8304

Contact: Hiroyuki Kajitani

Corporate Communication Division (03 6752 1111)

Aozora Reports Net Earnings of 11.8 billion for the First Three Months of FY2019; 4.5% Increase Over Prior Year, Progress of 33% towards Full-year Forecast

TOKYO August 1, 2019 – Aozora Bank, Ltd. (“Aozora” or “the Bank”), a leading Japanese commercial bank, today announced its financial results for the first three months of FY2019.

Financial Results for the first three months of FY2019

In the first three months of FY2019, Aozora reported consolidated net revenue of 23.3 billion yen, business profit of 11.0 billion yen, and profit attributable to owners of parent of 11.8 billion yen, representing progress of 27%, 31%, and 33%, respectively, towards the full-year forecasts.

Shinsuke Baba, Representative Director, President and Chief Executive Officer of Aozora Bank commented, “During the first quarter, the global economy, led by the US market, continued its moderate recovery path, while concerns over a slowdown in economic growth grew due to prolonged trade disputes between the U.S. and China. In Japan, the ongoing low interest rate environment remained in place amid global monetary easing trends. With these conditions in mind, Aozora is pleased to report increases in both net revenue and earnings, representing progress of 27% and 33%, respectively, of our full-year forecast. Today we also announced a first quarter dividend of 39 yen per common share, equivalent to a quarter of the full-year dividend forecast of 156 yen per common share.”

Baba concluded, “Our management team remains committed to enhancing the performance of each business area through a selection and concentration strategy while striving to further increase our corporate value. We will also remain focused on new business initiatives for future growth. I would like to express my gratitude to all of our stakeholders for their understanding and continued support.”

1. Summary of the results for the first three months (Consolidated)

- Net revenue was 23.3 billion yen, an increase of 1.2 billion yen, or 5.8% year on year, and business profit was 11.0 billion yen, an increase of 0.5 billion yen, or 5.7%. Profit attributable to owners of parent was 11.8 billion yen, an increase of 0.5 billion yen, or 4.5%.
 - Net interest income was 12.6 billion yen, a decrease of 1.3 billion yen, or 10.0% year on year. The decline was primarily due to lower interest and dividends on securities, despite higher average asset balances.
 - Non-interest income was 10.6 billion yen, an increase of 2.6 billion yen, or 33.2% year on year, mainly due to a 3.3 billion yen increase in gains on bond transactions, while net fees and commissions, as well as gains from limited partnerships, remained strong.
 - General and administrative expenses were 12.3 billion yen, a year-on-year increase of 0.6 billion yen, or 5.9%, mainly due to incremental expenses associated with the Bank’s new internet banking operations. First quarter expenses represented 23% of the full-year budget of 53.0 billion yen as the Bank continued its focus on cost control.
 - Credit-related expenses were a net reversal of 4.4 billion yen, mainly due to the reversal of general loan loss reserves.

- Total loans were 2,788.5 billion yen, an increase of 8.6 billion yen, or 0.3%, compared to March 31, 2019. Domestic loans increased by 19.9 billion yen compared to March 31, 2019, while avoiding any loan spread compression, and overseas loans increased by \$191 million on a U.S. dollar basis (down 11.3 billion on a yen basis) as a result of the Bank's disciplined risk management and selective approach to new originations.
- Total core funding (deposits, negotiable certificates of deposit, debentures and bonds) was 3,505.5 billion yen, a decrease of 9.1 billion yen, or 0.3%, from March 31, 2019. The percentage of retail funding to total core funding was 54%.
- Non-performing claims as defined by the Financial Reconstruction Law (FRL) were 17.0 billion yen, an increase of 1.4 billion yen, from March 31, 2019. As a result, the FRL ratio edged up slightly to 0.59%. The ratio of loan loss reserves to total loans on a consolidated basis remained relatively high at 1.43%.
- Aozora will announce its June 30, 2019 consolidated capital adequacy ratio (domestic standard) at a later date, but is expected to remain at an adequate level. The Bank's consolidated capital adequacy ratio (domestic standard) as of March 31, 2019 was 10.27%.

Note: All amounts stated in 1 billion yen have been rounded down to the nearest 0.1 billion yen.

2. Performance in the first three months of FY2019 (April 1, 2019 to June 30, 2019)

Consolidated basis

(billion yen)	Net revenue	Business profit	Ordinary profit	Profit attributable to owners of parent	Profit attributable to owners of parent per common share
FY2019 1 st quarter (Apr.-Jun.) (a)	23.3	11.0	16.8	11.8	101.87yen
FY2018 1 st quarter (Apr.-Jun.) (b)	22.0	10.4	16.6	11.3	97.49 yen
Change (a) - (b)	1.2	0.5	0.2	0.5	4.38 yen
Percentage change ((a)-(b)) / (b)	5.8%	5.7%	1.3%	4.5%	4.5%
FY2019 full-year forecast (c)	88.0	35.0	51.0	36.5	312.82 yen
Progress (a)/(c)	26.5%	31.5%	33.0%	32.6%	32.6%

Non-consolidated basis

(billion yen)	Net revenue	Business profit before general loan-loss reserve	Ordinary profit	Profit	Profit per common share
FY2019 1 st quarter (Apr.-Jun.) (a)	21.4	11.2	17.0	11.5	98.67 yen
FY2018 1 st quarter (Apr.-Jun.) (b)	20.6	10.5	16.8	11.6	99.49 yen
Change (a) - (b)	0.7	0.7	0.2	-0.0	-0.82 yen
Percentage change ((a)-(b)) / (b)	3.7%	6.8%	1.3%	-0.8%	-0.8%
FY2019 full-year forecast (c)	80.5	37.5	52.0	36.5	312.82 yen
Progress (a)/(c)	26.6%	29.9%	32.8%	31.5%	31.5%

I. Revenue and Expenses

(billion yen)	FY2018	FY2019	Change (B)–(A)		Page
	Apr.–Jun. (A)	Apr.–Jun. (B)	Amount	%	
Net revenue	22.0	23.3	1.2	5.8%	-
Net interest income	14.0	12.6	-1.3	-10.0%	4
<i>Net interest margin</i>	1.44%	1.22%	-0.22%	-	4
Non-interest income	8.0	10.6	2.6	33.2%	-
Net fees and commissions	1.6	1.9	0.3	22.1%	5
Net trading revenues	2.2	1.7	-0.4	-21.3%	5
Gains/losses on bond transactions	1.5	4.8	3.3	219.4%	6
Net other ordinary income excluding gains/losses on bond transactions	2.6	2.0	-0.5	-20.8%	6
General & administrative expenses	-11.6	-12.3	-0.6	-5.9%	6
Business profit	10.4	11.0	0.5	5.7%	-
Credit-related expenses	0.7	4.4	3.6	-	7
Gains/losses on stock transactions	5.1	1.1	-4.0	-	7
Other gains/losses	0.2	0.2	0.0	-	-
Ordinary profit	16.6	16.8	0.2	1.3%	-
Extraordinary profit/loss	-	0.0	0.0	-	-
Profit before income taxes	16.6	16.8	0.2	1.3%	-
Taxes	-5.4	-5.4	-0.0	-	7
Profit attributable to owners of parent	11.3	11.8	0.5	4.5%	-

In the first three months of FY2019, the Bank recorded consolidated net revenue of 23.3 billion yen, an increase of 1.2 billion yen, or 5.8% year on year.

Net interest income was 12.6 billion yen, a decrease of 1.3 billion yen, or 10.0% year on year. This was primarily due to lower interest and dividends on securities, despite higher average asset balances.

Non-interest income was 10.6 billion yen, an increase of 2.6 billion yen, or 33.2% year on year, mainly due to a 3.3 billion yen increase in gains on bond transactions. Net fees and commissions, as well as gains from limited partnerships, remained strong.

General and administrative expenses were 12.3 billion yen, a year-on-year increase of 0.6 billion yen, or 5.9%, and represented progress of 23% towards our full-year forecast of 53.0 billion yen. The increase in expenses was mainly due to incremental expenses associated with the Bank's new internet banking operations.

Consolidated business profit was 11.0 billion yen, an increase of 0.5 billion yen, or 5.7% year on year.

Credit-related expenses were a net reversal of 4.4 billion yen, mainly due to the reversal of general loan loss reserves. Gains/losses on stock transactions were a gain of 1.1 billion yen. Ordinary profit was 16.8 billion yen, an increase of 0.2 billion yen, or 1.3% year on year. Taxes were a net expense of 5.4 billion yen.

As a result of the above factors, profit attributable to owners of parent was 11.8 billion yen, an increase of 0.5 billion yen, or 4.5% year on year, representing progress of 33% of the full-year forecast of 36.5 billion yen.

1. Net Revenue

(1) (i) Net Interest Income

(billion yen)	FY2018	FY2019	Change (B)–(A)
	Apr.-Jun. (A)	Apr.-Jun. (B)	
Net interest income (a)-(b)	14.0	12.6	-1.3
Interest income (a)	24.1	25.6	1.5
Interest on loans and discounts	13.5	16.0	2.4
Interest and dividends on securities	10.0	8.8	-1.2
Other interest income	0.4	0.7	0.2
Interest on swaps	-	-	-
Interest expenses (b)	-10.0	-12.9	-2.9
Interest on deposits and NCDs	-1.7	-1.8	-0.1
Interest on debentures and bonds	-0.3	-0.6	-0.2
Interest on borrowings and rediscount	-0.3	-0.2	0.0
Other interest expenses	-2.1	-3.3	-1.1
Interest on swaps	-5.5	-6.8	-1.3

Net interest income was 12.6 billion yen, a decrease of 1.3 billion yen, or 10.0% year on year. Interest income increased by 1.5 billion yen year on year. Interest on loans and discounts increased as a result of the higher yield for overseas loans resulting from rising U.S. dollar interest rates in addition to higher average loan balances. However, interest and dividends on securities decreased largely due to a decrease in dividends on investment trusts. Interest expenses increased by 2.9 billion yen year on year, largely the result of a rise in U.S. dollar interest rates.

(1) (ii) Net Interest Margin

	FY2018	FY2019	Change (B)–(A)
	Apr.-Jun. (A)	Apr.-Jun. (B)	
Yield on total investments (a)	2.41%	2.38%	-0.03%
Yield on loans	2.07%	2.30%	0.23%
Yield on securities	3.54%	2.86%	-0.68%
Yield on funding (b)	0.97%	1.16%	0.19%
Net interest margin (a)-(b)	1.44%	1.22%	-0.22%

The yield on total investments declined by 3 bps year on year. The change was due to a decrease in the yield on securities mainly resulting from a decrease in dividends on investment trusts, while the yield on loans increased by 23 bps as the Bank maintained its focus on risk and return. Funding costs increased by 19 bps over the prior year due to an increase in U.S. dollar interest rates. As a result of these factors, the net interest margin declined to 1.22%.

(2) Net Fees and Commissions

(billion yen)	FY2018	FY2019	Change (B) – (A)
	Apr.-Jun. (A)	Apr.-Jun. (B)	
Net fees and commissions (a)-(b)	1.6	1.9	0.3
Fees and commissions received (a)	2.0	2.4	0.4
Loan business-related and deposits	0.7	0.9	0.2
Securities-related and agency	0.9	0.8	-0.1
Others	0.3	0.5	0.2
Fees and commissions payments (b)	-0.3	-0.4	-0.0

Net fees and commissions were 1.9 billion yen, an increase of 0.3 billion yen, or 22.1% year on year, while loan business related fees remained strong.

Earnings from the sale of financial products (investment trusts, insurance, and structured bonds) to our mass affluent retail customers were 1.3 billion yen, a year-on-year decrease of 0.3 billion yen. This was mainly the result of customers maintaining a wait-and-see attitude due to uncertainties in the market contributing to a decrease in earnings from the sale of structured bonds and insurance.

[Ref.] Earnings from Financial Product Sales to Retail Customers

(billion yen)	FY2018	FY2019	Change (B) – (A)
	Apr.-Jun. (A)	Apr.-Jun. (B)	
Earnings from the sale of investment trusts, insurance and structured bonds	1.6	1.3	-0.3

Note: Earnings from the sale of structured bonds are recorded as net trading revenues.

(3) Net Trading Revenues

(billion yen)	FY2018	FY2019	Change (B) – (A)
	Apr.-Jun. (A)	Apr.-Jun. (B)	
Net trading revenues	2.2	1.7	-0.4

Net trading revenues were 1.7 billion yen, a decrease of 0.4 billion yen, or 21.3% year on year. This result was mainly due to the year on year decline in earnings from the sale of structured bonds to our retail customers.

(4) Gains/Losses on Bond Transactions

(billion yen)	FY2018	FY2019	Change (B) – (A)
	Apr.-Jun. (A)	Apr.-Jun. (B)	
Gains/losses on bond transactions	1.5	4.8	3.3
Japanese government bonds	-	-	-
Foreign government bonds and mortgage bonds	0.1	3.2	3.0
Others	1.3	1.6	0.2

Gains/losses on bond transactions were a gain of 4.8 billion yen, mainly due to gains on the sale of REITs and U.S. government bonds. For the first three months of FY2018, gains/losses on bond transactions were a gain of 1.5 billion yen.

(5) Net Other Ordinary Income Excluding Gains/Losses on Bond Transactions

(billion yen)	FY2018	FY2019	Change (B) – (A)
	Apr.-Jun. (A)	Apr.-Jun. (B)	
Net other ordinary income excluding gains/losses on bond transactions	2.6	2.0	-0.5
Incl. Gains from limited partnerships	2.8	2.8	0.0
Real estate-related	0.8	0.1	-0.7
Distressed loan-related	0.9	1.3	0.3
Others (buyout, etc.)	0.9	1.3	0.3

Net other ordinary income, excluding gains/losses on bond transactions, was 2.0 billion yen, a decrease of 0.5 billion yen, or 20.8% year on year. Gains from limited partnerships remained strong at 2.8 billion yen, mainly supported by gains associated with buyout-related investments and distressed loan-related gains.

2. General and Administrative Expenses (G&A Expenses)

(billion yen)	FY2018	FY2019	Change (B) – (A)
	Apr.-Jun. (A)	Apr.-Jun. (B)	
G&A expenses	-11.6	-12.3	-0.6
Personnel expense	-5.6	-5.6	0.0
Non-personnel expense	-4.9	-5.6	-0.6
Tax	-0.9	-0.9	-0.0

General and administrative expenses were 12.3 billion yen, an increase of 0.6 billion yen, or 5.9%, compared to the previous year. The increase was mainly due to incremental expenses associated with the Bank's new internet banking operations. First quarter expenses represented 23% of the full-year budget of 53.0 billion yen as the Bank continued its focus on cost control. The Overhead Ratio (OHR) was 52.8%.

3. Credit-Related Expenses

(billion yen)	FY2018	FY2019	Change (B)–(A)
	Apr.-Jun. (A)	Apr.-Jun. (B)	
Credit-related expenses	0.7	4.4	3.6
Write-off of loans	-0.1	-0.0	0.1
Reserve for possible loan losses	0.6	4.1	3.5
Specific reserve for possible loan losses	-0.1	-1.0	-0.9
General reserve for possible loan losses	0.7	5.2	4.4
Gains/losses on disposition of loans	-	-0.0	-0.0
Recoveries of written-off claims	0.2	0.2	0.0
Reserve for credit losses on off-balance-sheet instruments	0.1	0.1	-0.0

In the first quarter, credit-related expenses were a net reversal of 4.4 billion yen, mainly due to the reversal of general loan loss reserves, despite a limited number of new non-performing claims. This result compares with a net reversal of 0.7 billion yen recorded in the previous year. The ratio of loan loss reserves to total loans remained relatively high at 1.43% and reflected the Bank's conservative allocation of reserves.

4. Gains/losses on Stock Transactions

(billion yen)	FY2018	FY2019	Change (B)–(A)
	Apr.-Jun. (A)	Apr.-Jun. (B)	
Gains/losses on stock transactions	5.1	1.1	-4.0

Gains/losses on stock transactions were a gain of 1.1 billion yen, a year-on-year decrease of 4.0 billion yen.

5. Taxes

(billion yen)	FY2018	FY2019	Change (B)–(A)
	Apr.-Jun. (A)	Apr.-Jun. (B)	
Taxes	-5.4	-5.4	-0.0

Taxes were a net expense of 5.4 billion yen. The effective tax rate was 32.5%.

II. Balance Sheet

(billion yen)	Mar. 31, 2019 (A)	Jun. 30, 2019 (B)	Change (B) — (A)		Page
			Amount	%	
Total assets	5,255.0	5,297.9	42.8	0.8%	-
Loan and bills discounted	2,779.8	2,788.5	8.6	0.3%	9
Securities	1,240.8	1,267.1	26.3	2.1%	10
Cash and due from banks	618.7	568.0	-50.7	-8.2%	-
Trading assets	199.9	230.2	30.3	15.2%	-
Others	415.6	443.9	28.2	6.8%	-
Total liabilities	4,806.3	4,831.1	24.7	0.5%	-
Deposits and negotiable certificates of deposit	3,230.7	3,223.5	-7.1	-0.2%	9
Debentures, Bonds	283.9	282.0	-1.9	-0.7%	9
Borrowed money	320.5	333.2	12.7	4.0%	-
Payables under securities lending transactions	450.8	470.2	19.3	4.3%	-
Trading liabilities	177.7	191.4	13.6	7.7%	-
Others	342.4	330.6	-11.8	-3.5%	-
Total net assets	448.7	466.7	18.0	4.0%	-
Capital stock	100.0	100.0	-	0.0%	-
Capital surplus	87.3	87.3	-	0.0%	-
Retained earnings	259.0	266.9	7.9	3.1%	-
Treasury stock	-3.3	-3.3	-	-	-
Valuation difference on available-for-sale securities	23.5	33.4	9.9	42.4%	-
Others	-17.8	-17.6	0.2	-	-
Total liabilities and net assets	5,255.0	5,297.9	42.8	0.8%	-

Total assets were 5,297.9 billion yen as of June 30, 2019, an increase of 42.8 billion yen, or 0.8%, compared to March 31, 2019.

Loans were 2,788.5 billion yen, an increase of 8.6 billion yen, or 0.3%, from March 31, 2019. Securities increased by 26.3 billion yen, or 2.1%, from March 31, 2019, to 1,267.1 billion yen.

Total liabilities were 4,831.1 billion yen, an increase of 24.7 billion yen, or 0.5%, compared to March 31, 2019. The Bank continued to flexibly manage its funding position in light of its asset requirements. Total core funding (deposits, negotiable certificates of deposit, debentures and bonds) was 3,505.5 billion yen, a decrease of 9.1 billion yen, or 0.3%, from March 31, 2019.

Net assets were 466.7 billion yen, representing an increase of 18.0 billion yen, or 4.0%, from March 31, 2019.

Net assets per common share were 4,003.74 yen, as compared to 3,844.08 yen per common share as of March 31, 2019.

1. Funding (Deposits/NCDs and Debentures/Bonds)

(billion yen)	Mar. 31, 2019 (A)	Jun. 30, 2019 (B)	Change (B) – (A)
Total core funding	3,514.6	3,505.5	-9.1

Funding sources by product

(billion yen)	Mar. 31, 2019 (A)	Jun. 30, 2019 (B)	Change (B) – (A)
Deposits/NCDs	3,230.7	3,223.5	-7.1
Debentures/Bonds	283.9	282.0	-1.9

Funding sources by customer

(billion yen)	Mar. 31, 2019 (A)	Jun. 30, 2019 (B)	Change (B) – (A)
Retail	1,852.2	1,887.6	35.3
Corporate	689.6	629.4	-60.1
Financial Institutions	972.7	988.4	15.6

Note: Corporate includes public entities.

Total core funding (deposits, negotiable certificates of deposit, debentures and bonds) was 3,505.5 billion yen, a decrease of 9.1 billion yen, or 0.3%, from March 31, 2019. The percentage of retail funding to total core funding was 54%.

For foreign currency funding, the Bank is making ongoing efforts to further diversify and strengthen its funding base, including issuing U.S. dollar foreign currency bonds.

As of June 30, 2019, the Bank maintained adequate liquidity reserves of 630.2 billion yen.

2. Loans

(billion yen)	Mar. 31, 2019 (A)	Jun. 30, 2019 (B)	Change (B) – (A)
Loans	2,779.8	2,788.5	8.6
Domestic loans	1,687.2	1,707.1	19.9
Overseas loans	1,092.6	1,081.3	-11.3
U.S. dollar basis (\$ million)	\$9,844	\$10,035	\$191

Note: Overseas loans refer to those with no final risk residing in Japan.

Loans were 2,788.5 billion yen, an increase of 8.6 billion yen, or 0.3%, from March 31, 2019.

Domestic loans increased by 19.9 billion yen from March 31, 2019 as the Bank maintained its focus on risk and return while avoiding any loan spread compression.

Overseas loans increased by \$191 million on a U.S. dollar basis (down 11.3 billion on a yen basis) from March 31, 2019. This was the result of the Bank's disciplined risk management and selective approach to new originations of corporate loans, mainly in North America.

3. Securities

(billion yen)	Book Value			Unrealized Gains/Losses		
	Mar. 31, 2019 (A)	Jun. 30, 2019 (B)	Change (B) - (A)	Mar. 31, 2019 (A)	Jun. 30, 2019 (B)	Change (B) - (A)
JGBs	5.0	4.0	-1.0	0.0	-0.0	-0.0
Municipal bonds	31.8	33.7	1.9	0.2	0.2	0.0
Corporate bonds	50.4	54.9	4.5	0.3	0.7	0.4
Equities	66.5	56.4	-10.0	48.5	46.0	-2.4
Foreign bonds	568.4	581.7	13.3	-8.5	-0.1	8.4
Foreign government bonds	261.4	280.0	18.6	-5.3	-1.6	3.6
Mortgage bonds	193.9	188.5	-5.4	-4.3	-1.8	2.5
Others	113.0	113.2	0.1	1.1	3.4	2.2
Others	518.6	536.1	17.5	-2.5	2.2	4.7
ETFs	254.3	274.1	19.7	-10.4	-4.4	5.9
Investment in limited partnerships	69.9	73.6	3.7	0.2	0.7	0.4
REIT	65.1	69.9	4.8	5.3	5.6	0.2
Investment trusts	117.3	106.6	-10.6	-2.5	-4.2	-1.6
Others	11.9	11.6	-0.2	4.9	4.7	-0.1
Total	1,240.8	1,267.1	26.3	37.9	49.1	11.2

Total unrealized gains, including unrealized gains/losses on hedging instruments	14.3	26.7	12.4
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Securities were 1,267.1 billion yen as of June 30, 2019, an increase of 26.3 billion yen, or 2.1%, compared to March 31, 2019.

Compared with March 31, 2019, total unrealized gains increased by 11.2 billion yen to 49.1 billion yen as of June 30, 2019.

A portion of the Bank's equity position is hedged. Total unrealized gains, including unrealized gains/losses on hedging instruments, were 26.7 billion yen, a 12.4 billion yen increase compared to March 31, 2019. Aozora remains committed to maintaining its focus on disciplined risk management.

III. Disclosed Claims under the Financial Reconstruction Law (Non-consolidated)

	(billion yen)	Mar. 31, 2019 (A)	Jun. 30, 2019 (B)	Change (B)－(A)
	Bankrupt and similar credit	-	3.2	3.2
	Doubtful credit	14.2	12.3	-1.8
	Special attention credit	1.4	1.4	-
	FRL credit, total (a)	15.6	17.0	1.4
	Normal credit (b)	2,805.0	2,821.1	16.1
	Total credit (c)=((a)+(b))	2,820.6	2,838.1	17.5
	FRL credit ratio (a)/(c)	0.55%	0.59%	0.04%

Non-performing claims as defined by the Financial Reconstruction Law (FRL) were 17.0 billion yen, an increase of 1.4 billion yen compared to March 31, 2019. This was mainly due to its recovery finance business involving the origination of third party recovery finance exposures from insolvent borrowers, while the Bank continued the disposal of its existing non-performing claims. The FRL ratio edged up slightly to 0.59%. The percentage of FRL claims covered by reserves, collateral and guarantees was 94.2%. The ratio of loan loss reserves to total loans remained relatively high at 1.43% on a consolidated basis.

Aozora Bank, Ltd. is a leading provider of lending, securitization, business and asset revitalization, asset management, loan syndication and investment advisory services to financial institutions, corporate and retail customers. Originally established in 1957 as the Nippon Fudosan Bank, Ltd., the Bank changed its name to Aozora Bank, Ltd. in 2001. Aozora is proud of its heritage and the long-term relationships it has developed with corporate, financial and individual customers over the years. Building on this heritage, Aozora has created a strong customer-oriented and performance-based culture that will contribute to both innovative business solutions for customers and sustainable earnings growth for investors and shareholders.

News and other information about Aozora Bank, Ltd. is available at <https://www.aozorabank.co.jp/english/>

Forward-Looking Statements

This announcement 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 costs and the effectiveness of our operational, legal and other risk management policies.