



FY2020 Interim Financial Results Overview

November 16, 2020



Interim Financial Highlights

Positive progress towards the full-year results forecast

Net revenue	45.0 billion yen (progress rate: 50%)
Business profit	19.0 billion yen (progress rate: 55%)
Profit attributable to owners of parent	15.1 billion yen (progress rate: 53%)

Key points

- Achieved increased net interest income as a result of lower foreign currency funding costs and higher average loan balances
- Achieved an encouraging level of recovery in retail and corporate customer-based transactions since July. Results within our financial markets business remained strong
- Maintained active portfolio monitoring and strong risk controls while rebalancing our loan and securities portfolios
- Continued our conservative allocation of loan-loss reserves while making additional provisions to reserves in 2Q in light of the potential long-term impact of the COVID-19 pandemic.
FRL ratio decreased by 0.12% compared to March 31, 2020, mainly due to the collection and sale of non-performing claims

Dividend for 2Q: 30 yen per common share (25% of the full-year dividend forecast of 122 yen)

PL summary

■ Net revenue, business profit and profit attributable to owners of parent represented progress of 50%, 55% and 53%, respectively, towards the full-year forecasts

	FY2019 Interim A	FY2020		Interim B	Change B - A	FY2020 full-year forecast	Progress
(billion yen)		Apr. - Jun.	Jul. - Sep.				
Net revenue	50.1	21.3	23.7	45.0	-5.0	90.0	50%
Net interest income	24.7	12.4	13.1	25.5	0.8		
Non-interest income	25.4	8.9	10.6	19.5	-5.8		
General & administrative expenses	-25.2	-12.8	-13.2	-26.0	-0.8		
Gains/losses on equity method investments	-	-	-	-	-		
Business profit	24.9	8.5	10.4	19.0	-5.9	34.5	55%
Credit-related expenses	1.4	0.1	-0.3	-0.1	-1.5		
Gains/losses on stock transactions	2.5	1.0	0.1	1.1	-1.3		
Ordinary profit	29.1	8.7	10.1	18.9	-10.1	40.0	47%
Extraordinary profit/loss	0.0	-	-0.0	-0.0	-0.0		
Profit before income taxes	29.1	8.7	10.1	18.9	-10.1		
Taxes	-10.0	-1.9	-3.0	-4.9	+5.0		
Gains/losses attributable to non-controlling interests	1.1	0.6	0.5	1.1	-0.0		
Profit attributable to owners of parent	20.2	7.4	7.6	15.1	-5.1	28.5	53%

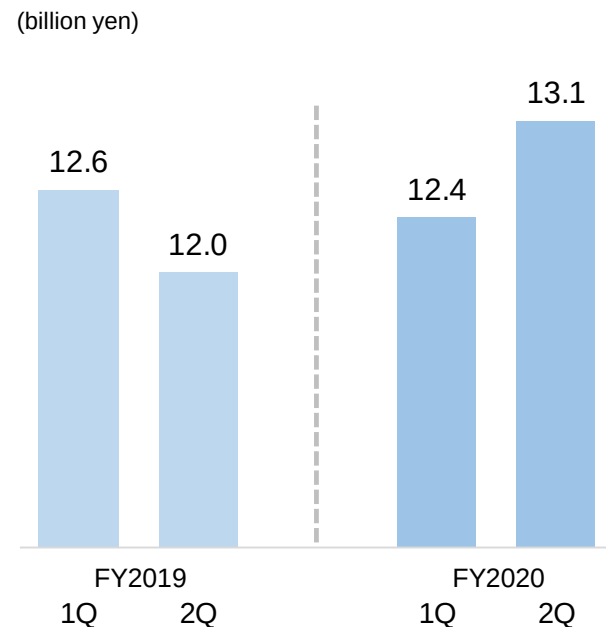
Net interest income

- Net interest income was 25.5 billion yen, an increase of 0.8 billion yen year on year, mainly due to higher average loan balances and lower foreign currency funding costs
 - Interest income decreased by 14.4 billion yen year on year as a result of lower U.S. dollar interest rates as well as a lower level of dividends on foreign currency ETFs and investment trusts compared to the previous year

	FY2019 Interim A	FY2020		Interim B	Change B - A
(billion yen)		Apr. - Jun.	Jul. - Sep.		
Net interest income	24.7	12.4	13.1	25.5	+0.8
Interest income	49.9	18.2	17.2	35.4	-14.4
Interest on loans and discounts	31.8	12.6	11.6	24.3	-7.4
Interest and dividends on securities	16.6	5.4	5.2	10.6	-5.9
Other interest income	1.4	0.1	0.2	0.4	-1.0
Interest expenses	-25.2	-5.8	-4.0	-9.9	+15.2
Interest on deposits and NCDs	-3.6	-1.5	-1.4	-2.9	+0.7
Interest on debentures and bonds	-1.2	-0.5	-0.5	-1.1	+0.1
Interest on borrowings and rediscount	-0.5	-0.6	-0.5	-1.1	-0.5
Other interest expenses	-6.5	-0.6	-0.4	-1.1	+5.4
Interest on swaps	-13.1	-2.4	-1.1	-3.6	+9.5

Decreases in expenses are shown as positive

<Net interest income>



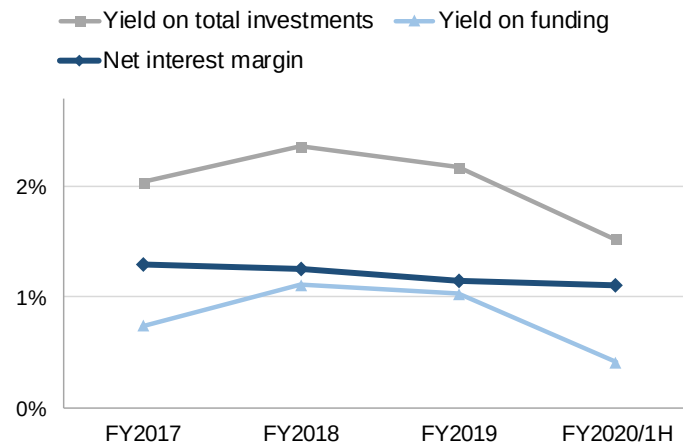
Net interest margin

■ Lending margins (yield on loans – yield on funding) increased by 10 bps compared to the previous year

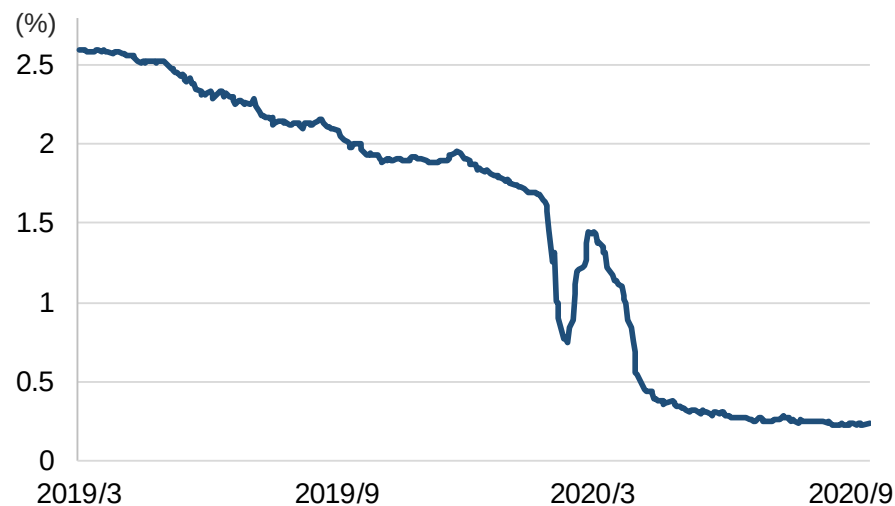
- The change was mainly due to a lower cost of funding as a result of a lower U.S. dollar-yen basis swap spreads as well as lower U.S. dollar market interest rates

Net interest margin	FY2019	FY2020		Interim B	Change B - A
	Interim A	Apr. - Jun.	Jul. - Sep.		
Yield on total investments (A)	2.29%	1.55%	1.49%	1.52%	-0.77%
Yield on loans (B)	2.25%	1.70%	1.57%	1.64%	-0.61%
Yield on securities	2.71%	1.97%	1.89%	1.93%	-0.78%
Yield on funding (C)	1.12%	0.49%	0.33%	0.41%	-0.71%
Net interest margin (A) - (C)	1.17%	1.06%	1.16%	1.11%	-0.06%
Lending margin (B) - (C)	1.13%	1.21%	1.24%	1.23%	+0.10%

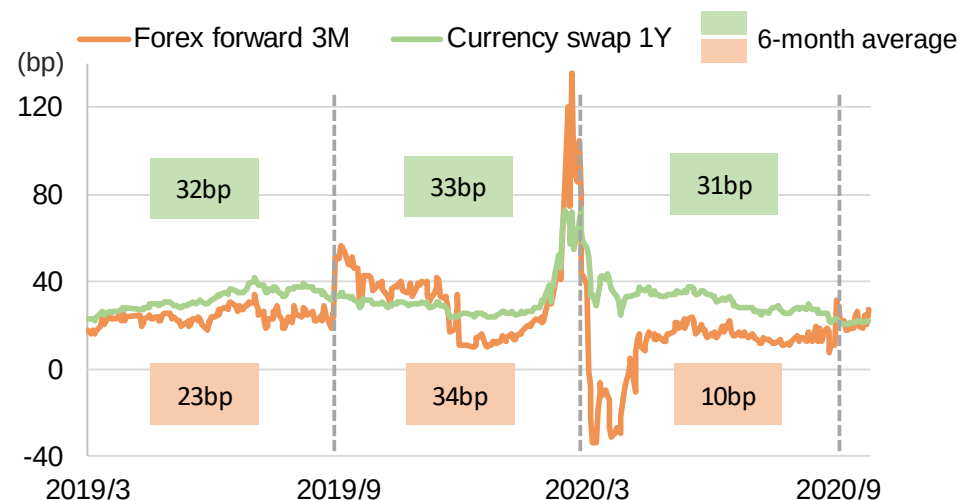
<Net interest margin>



<U.S. Dollar 3M Libor>



<U.S. dollar-yen swap spreads>



Non-interest income

■ Non-interest income was 19.5 billion yen, a decrease of 5.8 billion yen year on year

- Despite the negative impact from state of emergency and subsequent restrictions on non-essential activities in 1Q, starting from July the Bank experienced a steady recovery in customer-based transactions from its retail and corporate customers
- The Bank recorded gains on bond transactions mainly due to gains recorded in 1Q on the sale of U.S. government bonds and mortgage bonds in response to the global decline in interest rates

	FY2019 Interim A	FY2020		Interim B	Change B - A
(billion yen)		Apr. - Jun.	Jul. - Sep.		
Non-interest income	25.4	8.9	10.6	19.5	-5.8
Net fees and commissions	6.4	1.9	2.9	4.9	-1.5
Net trading revenues	5.9	-0.7	3.0	2.2	-3.6
Gains/losses on bond transactions	9.7	7.9	2.9	10.9	+1.2
Net other ordinary income excl. gains/losses on bond transactions	3.2	-0.2	1.6	1.4	-1.8
<i>Non-interest income ratio</i>	<i>51%</i>	<i>42%</i>	<i>45%</i>	<i>43%</i>	

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

- Net fees and commissions were 4.9 billion yen, a decrease of 1.5 billion yen year on year
 - While loan-related fees declined compared to the previous year, overall results remained relatively strong mainly due to a higher level of syndicated loan and LBO finance activity
- Net trading revenues were a gain of 2.2 billion yen, 3.6 billion yen lower when compared with last year. While the results for 1Q were below expectations, the Bank has seen an encouraging level of recovery in its trading business
- Earnings from the sale of investment products to retail customers saw considerable improvement starting from July, mainly in the sale of structured bonds

(billion yen)	FY2019	FY2020		Interim B	Change B - A
	Interim A	Apr. - Jun.	Jul. - Sep.		
Net fees and commissions	6.4	1.9	2.9	4.9	-1.5
Fees and commissions received	7.4	2.5	3.4	5.9	-1.4
Loan business-related and deposits	4.3	1.2	1.9	3.2	-1.1
Securities-related and agency	1.6	0.6	0.7	1.4	-0.2
Other	1.4	0.5	0.7	1.3	-0.0
Fees and commissions payments	-0.9	-0.5	-0.5	-1.0	-0.0
Net trading revenues	5.9	-0.7	3.0	2.2	-3.6

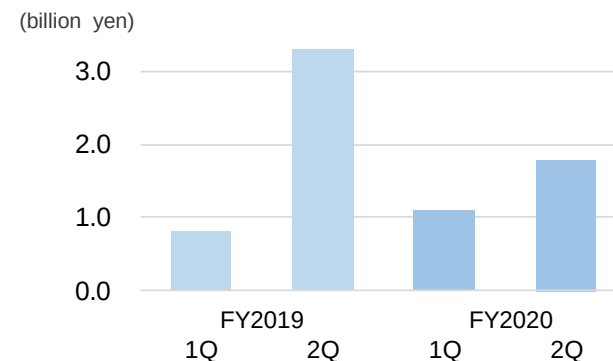
Earnings from investment product sales to retail customers

Earnings from investment product sales	2.8	0.1	1.3	1.5	-1.3
Investment trusts	0.5	0.1	0.2	0.3	-0.1
Insurance	0.2	0.0	0.0	0.0	-0.1
Structured bonds	2.0	-0.0	1.0	1.0	-1.0
Cross-sell ratio*	30%	-	-	24%	-

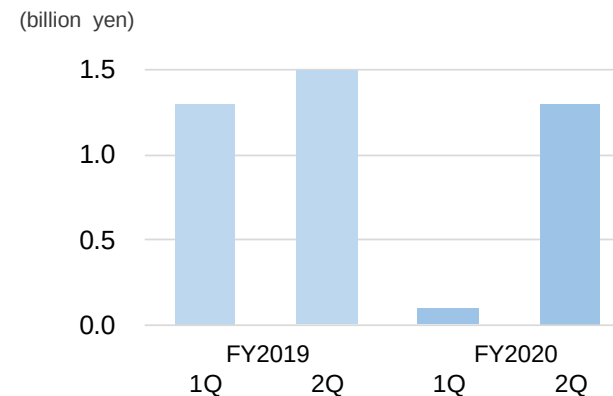
* Cross-sell ratio = balance of investment products / retail funding

(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>



Non-interest income – Net other ordinary income (gains/losses on bond transactions)

■ Gains/losses on bond transactions were a gain of 10.9 billion yen, compared with a gain of 9.7 billion yen in FY2019

- The Bank recorded gains on bond transactions mainly due to gains recorded in 1Q on the sale of U.S. government bonds and mortgage bonds in response to the global decline in interest rates. Unrealized gains improved as a result of recovery in financial market conditions

	FY2019 Interim A (billion yen)	FY2020		Interim B	Change B - A
		Apr. - Jun.	Jul. - Sep.		
Gains/losses on bond transactions	9.7	7.9	2.9	10.9	1.2
Japanese government bonds (JGBs)	-	-	-	-	-
Foreign government bonds and mortgage bonds	5.4	6.4	2.0	8.4	+3.0
Other	4.2	1.5	0.8	2.4	-1.8
Incl. Private placement investment trusts	0.7	0.9	0.5	1.4	+0.6
Incl. REITs	2.2	0.4	0.5	1.0	-1.2
Incl. Foreign currency ETFs	0.3	0.4	-0.4	-0.0	-0.4

(Reference)

Gains/losses on stock transactions	2.5	1.0	0.1	1.1	-1.3
Gains/losses on equity method investments	-	-	-	-	-

Orient Commercial Joint Stock Bank (Vietnam)

- ◆ Orient Commercial Joint Stock Bank (OCB) became an affiliated company of Aozora after the Bank acquired 15% of OCB's common shares (equity method investment), and is expected to begin contributing to Aozora's revenue in 3Q FY2020.

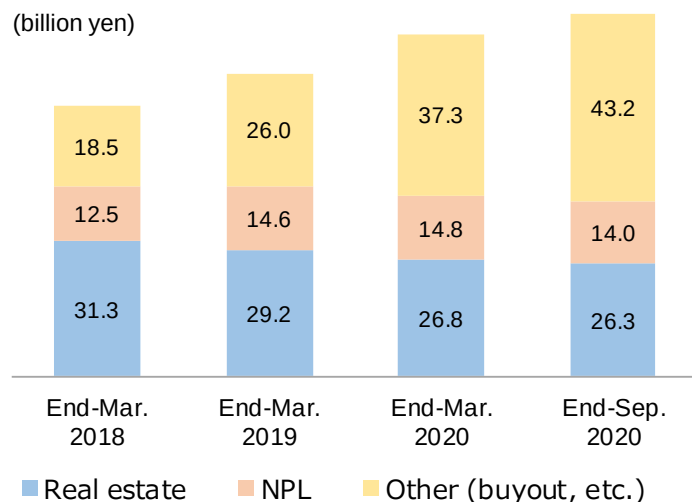
Non-interest income – Net other ordinary income (excl. gains/losses on bond transactions)

- Net other ordinary income (excl. gains/losses on bond transactions) was 1.4 billion yen, a decrease of 1.8 billion yen compared to the previous year

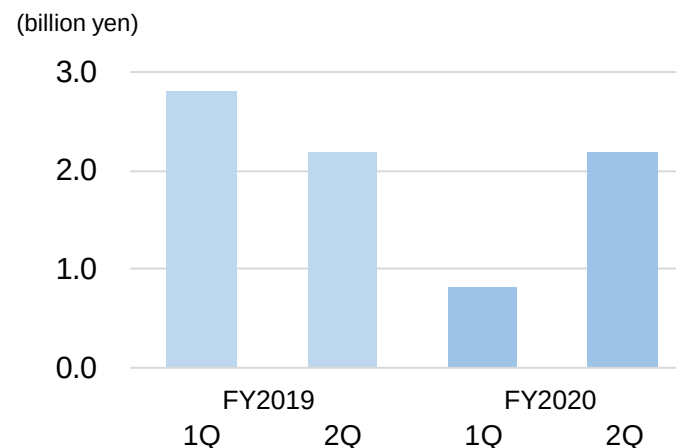
➤ Gains from limited partnerships were 3.1 billion yen, a decrease of 1.9 billion yen. Buyout-related transactions recovered in 2Q

	FY2019 Interim A	FY2020		Interim B	Change B - A
		Apr. - Jun.	Jul. - Sep.		
(billion yen)					
Net other ordinary income excl. gains/losses on bond transactions	3.2	-0.2	1.6	1.4	-1.8
Incl. Gains from limited partnerships	5.0	0.8	2.2	3.1	-1.9
Real estate-related	0.9	0.3	0.3	0.6	-0.2
Distressed loan-related	2.3	0.8	0.4	1.3	-1.0
Other (Buyout, etc.)	1.7	-0.4	1.5	1.0	-0.7

<Limited partnership investments*>



<Gains from limited partnerships>



* Management accounting basis

G&A expenses

■ G&A expenses were 26.0 billion yen, an increase of 0.8 billion yen year on year

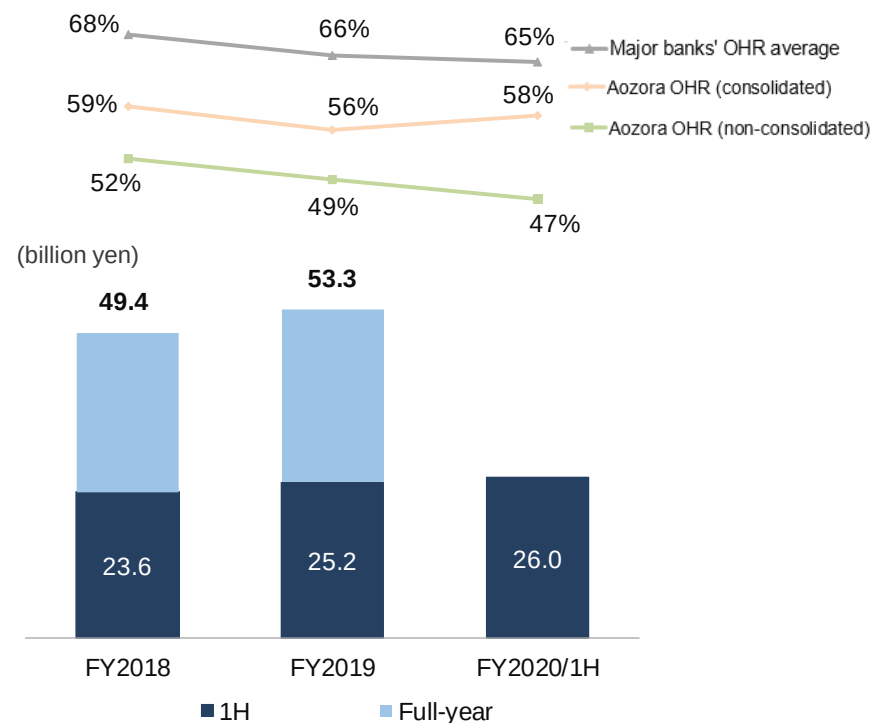
- Expenses associated with Aozora's internet banking subsidiary and our new retail banking smartphone app, BANK™, both increased
- G&A expenses were 47% of the full-year budget of 56.0 billion yen as the Bank maintained its focus on cost control. The Overhead Ratio (OHR) was 58%

<G&A expenses breakdown>

	FY2019 Interim A	FY2020		Interim B	Change B - A
(billion yen)		Apr. - Jun.	Jul. - Sep.		
G&A expenses (A)	25.2	12.8	13.2	26.0	+0.8
Personnel	11.8	5.9	6.3	12.2	+0.4
Non-Personnel	11.5	5.9	6.1	12.1	+0.5
Tax	1.7	0.9	0.7	1.6	-0.1

Net revenue (B)	50.1	21.3	23.7	45.0
OHR (A) / (B)	50%			58%
OHR (non-consolidated basis)	44%			47%

<G&A expenses and OHR>



(Note) Major banks refers to MUFG, SMFG, Mizuho FG, Resona HD, Sumitomo Mitsui Trust HD and Shinsei.

Credit-related expenses

■ Credit-related expenses were a net expense of 0.1 billion yen

- The Bank recorded 2.2 billion yen in losses on the disposition of loans as a result of rebalancing its loan portfolio in order to maintain strong risk controls. Provisions made to general loan loss reserves during the previous fiscal year were a net reversal. The Bank made additional provisions to general loan loss reserves in light of the potential long-term impact of COVID-19

■ The ratio of loan loss reserves to total loans remained high at 1.66%

	FY2019 Interim A (billion yen)	FY2020			Change B - A
		Apr. - Jun.	Jul. - Sep.	Interim B	
Credit-related expenses	1.4	0.1	-0.3	-0.1	-1.5
Write-off of loans	-0.3	-0.6	0.1	-0.4	-0.1
Loan loss reserves	1.3	0.9	1.3	2.3	+1.0
Specific loan loss reserves	-3.3	-1.8	2.4	0.6	+3.9
General loan loss reserves	4.6	2.8	-1.0	1.7	-2.9
Gains/losses on disposition of loans	-0.0	-0.2	-1.9	-2.2	-2.2
Recoveries of written-off claims	0.3	0.0	0.0	0.0	-0.3
Reserve for credit losses on off-balance-sheet instruments	0.1	0.1	0.0	0.1	+0.0

<Ratio of loan loss reserves to total loans>

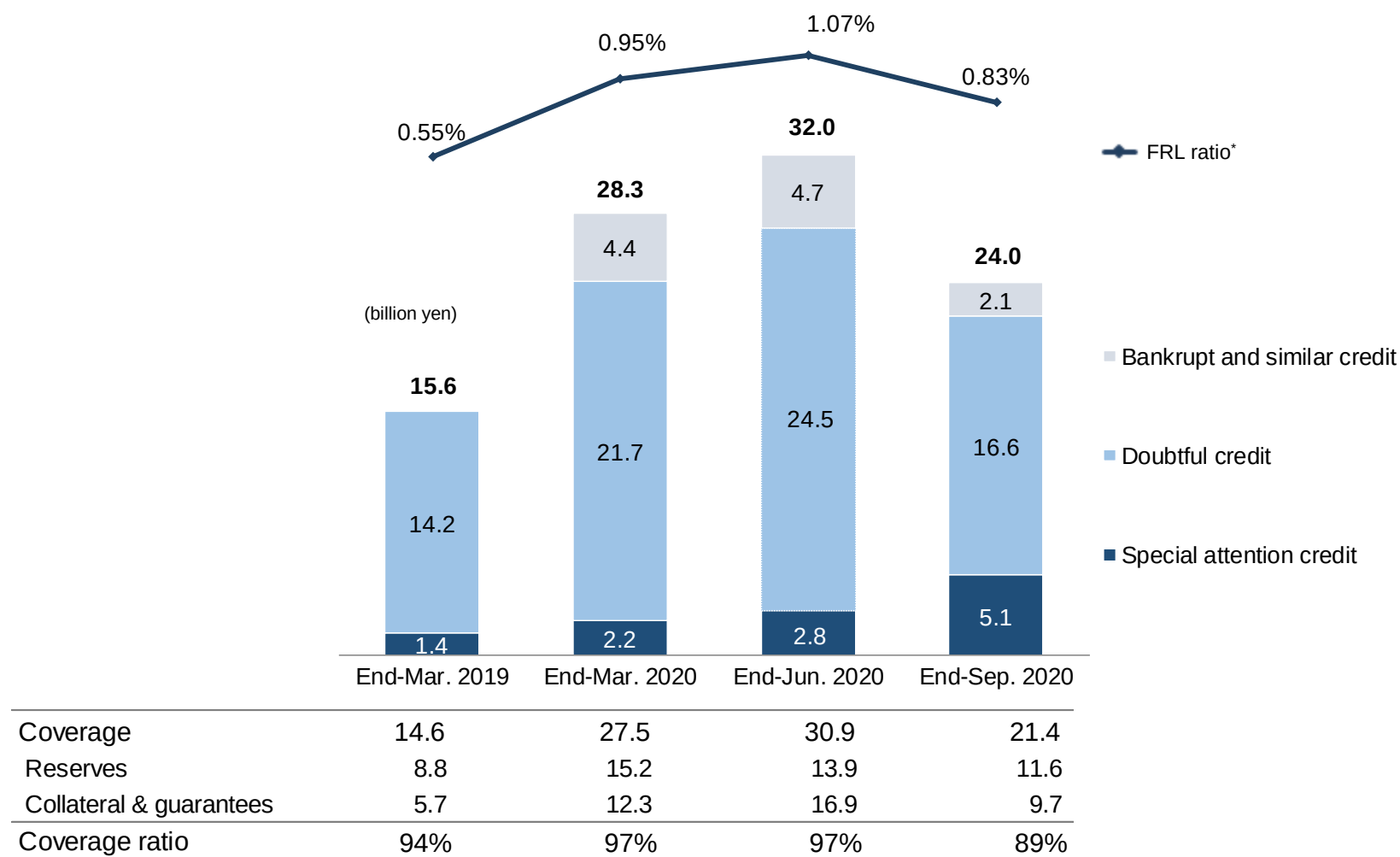
	End - Mar. 2020 (billion yen)	End - Jun. 2020	End - Sep. 2020
Loan loss reserves (A)	53.7	49.6	47.6
General loan loss reserves (B)	40.2	37.4	38.4
Total loans (C)	2,954.1	2,979.3	2,866.6
(A) / (C)	1.82%	1.66%	1.66%
(B) / (C)	1.36%	1.25%	1.34%

- ◆ In the 4th quarter of FY2019, the Bank reviewed the condition of all borrowers and conservatively established loan loss reserves on the assumption that some borrowers might see a decline in their credit ratings. Credit costs were 40bps.
- ◆ Additional provisions were made to loss reserves during the interim period in light of the long-term impact of COVID-19 on business and economic activity.

- ◆ The Bank uses a conservative approach, including the discounted cash flow (DCF) method, for certain normal (lower-rated) and need attention category borrowers with larger loan exposures.

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

- The ratio of FRL claims to total claims was 0.83%, a decrease of 0.12% from the end of March 2020
- FRL claims decreased by 4.3 billion yen, mainly due to the collection and sale of bankrupt and doubtful credit claims



* Ratio of FRL claims to total claims

Balance sheet summary

- Total assets were 5,583.8 billion yen, an increase of 284.0 billion yen compared to March 31, 2020
 - Overseas loans and securities portfolios were rebalanced
- Net assets were 474.4 billion yen, representing an increase of 49.6 billion yen from March 31, 2020
 - The valuation difference on other securities improved by 44.0 billion yen from March 31, 2020

	End - Mar. 2020 A	End - Jun. 2020	End - Sep. 2020 B	Change B - A
(billion yen)				
Loans and bills discounted	2,954.1	2,979.3	2,866.6	-87.4
Securities	1,073.6	1,132.6	1,130.0	+56.3
Cash and due from banks	464.2	625.9	853.7	+389.5
Trading assets	259.3	220.3	224.8	-34.4
Other	548.3	735.9	508.4	-39.8
Total assets	5,299.8	5,694.1	5,583.8	+284.0

	End - Mar. 2020 A	End - Jun. 2020	End - Sep. 2020 B	Change B - A
(billion yen)				
Deposits / Negotiable certificates of deposit	3,396.8	3,541.7	3,647.0	+250.1
Debentures / Bonds	259.9	233.8	220.3	-39.6
Borrowed money	427.6	655.8	436.5	+8.9
Payables under securities lending transactions	281.3	405.7	349.8	+68.5
Trading liabilities	211.2	180.3	182.0	-29.1
Other	298.0	212.8	273.5	-24.4
Total liabilities	4,875.0	5,230.3	5,109.3	+234.3
Total net assets	424.7	463.8	474.4	+49.6
Total liabilities and net assets	5,299.8	5,694.1	5,583.8	+284.0

Funding

■ Total core funding (deposits, negotiable certificates of deposit, debentures and bonds) was 3,867.3 billion yen, an increase of 210.5 billion yen from March 31, 2020

➤ The successful launch of BANK™, our new retail banking smartphone app, was an important driver behind the further expansion of our retail customer base, and new account applications are steadily increasing. The percentage of retail funding to total core funding was 59%

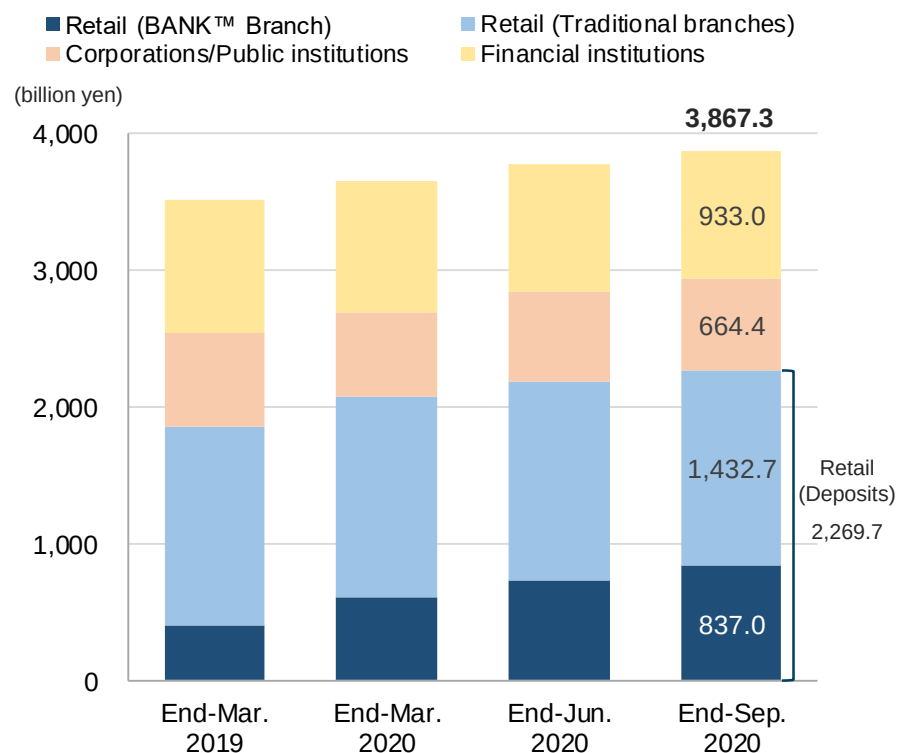
(billion yen)	End - Mar. 2020 A	End - Jun. 2020	End - Sep. 2020 B	Change B - A
Total core funding	3,656.8	3,775.5	3,867.3	+210.5
Deposits / NCDs	3,396.8	3,541.7	3,647.0	+250.1
Debentures / Bonds	259.9	233.8	220.3	-39.6
Retail funding ratio *	57%	58%	59%	
Stable funding ratio *	75%	75%	76%	

* Defined as follows:

Retail funding ratio = Retail deposits / Total core funding

Stable funding ratio = (Retail deposits + Corporate long-term derivative-embedded deposits and borrowings) / (Total core funding + Corporate long-term derivative-embedded borrowings)

<Funding by customer segment>



Loan-to-deposit ratio incl. NCDs	86%	87%	84%	79%
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Loans – Balance by industry

■ Loans were 2,866.6 billion yen, a decrease of 87.4 billion yen from March 31, 2020

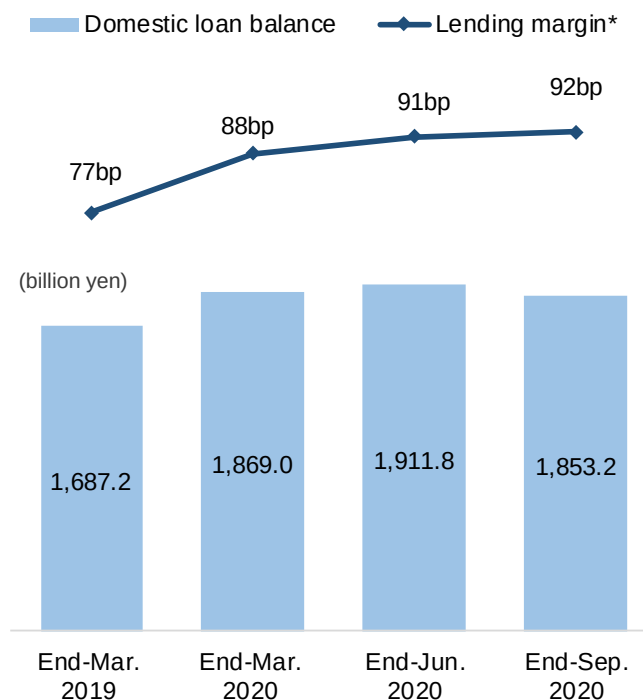
- Domestic loans decreased by 15.7 billion yen during the interim period. Domestic loan balances increased in 1Q as a proactive response to financing needs, but decreased in 2Q as a result of the repayment of several larger-sized loans
- Lending margins expanded as a result of the origination of high value-added transactions, mainly LBO finance

(billion yen)	End - Mar. 2020 A	End - Jun. 2020	End - Sep. 2020 B	Change B - A
Total loans	(A) 2,954.1	2,979.3	2,866.6	-87.4
Domestic loans	1,869.0	1,911.8	1,853.2	-15.7
Overseas loans *	(B) 1,085.0	1,067.4	1,013.3	-71.7
(B) / (A)	36.7%	35.8%	35.3%	

* With no final risk residing in Japan

			Share		
Loans by domestic offices (excl. Japan offshore market accounts)	2,272.0	2,310.0	2,244.1	78%	-27.8
Manufacturing	240.9	254.4	241.9	8%	1.0
Information and communications	77.7	92.2	87.5	3%	+9.8
Transport, postal services	35.5	34.3	34.0	1%	-1.5
Wholesale and retail sale	68.3	66.5	58.7	2%	-9.6
Financial and insurance	412.0	410.0	390.0	14%	-21.9
Real estate	625.8	634.8	636.0	22%	+10.1
Incl. Non-recourse loans	351.6	350.2	359.0	13%	+7.3
Leasing	32.6	32.7	32.2	1%	-0.3
Other services	213.0	213.5	198.0	7%	-14.9
Other	565.9	571.2	565.5	20%	-0.4
Incl. Overseas (Headquarters booked)	411.4	406.1	399.8	14%	-11.5
Loans by overseas offices incl. Japan offshore market accounts	682.0	669.2	622.4	22%	-59.6
Total	2,954.1	2,979.3	2,866.6	100%	-87.4

<Domestic loan balance and lending margin>



* Management accounting basis

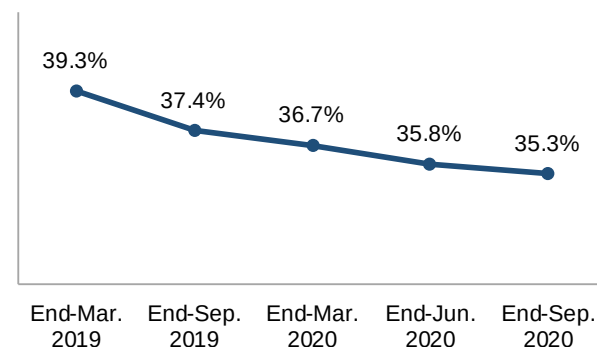
Loans – Overseas

- Overseas loans were 1,013.3 billion yen, a decrease of 71.7 billion yen from March 31, 2020
 - The Bank maintains strict monitoring of its loan portfolio, and continued rebalancing its North American corporate loan exposure to improve overall asset quality
- The percentage of overseas loans to total loans was 35.3%
 - Of overseas loans, 80% were in North America. Exposure to aircraft finance continued to be minimal, at 1.3% of overseas loans

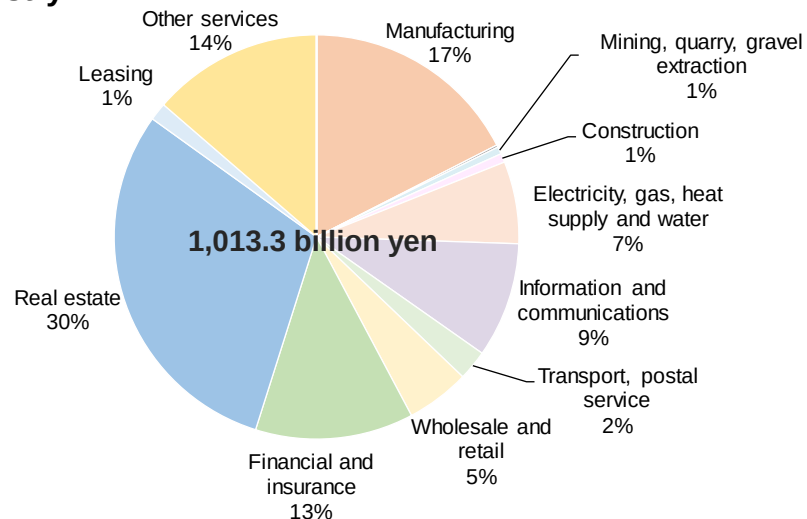
		End - Mar. 2020	End - Jun. 2020	End - Sep. 2020	Change B - A
	(billion yen)	A		B	
Total loans	(A)	2,954.1	2,979.3	2,866.6	-87.4
Overseas loans * (B)		1,085.0	1,067.4	1,013.3	-71.7
	(B) / (A)	36.7%	35.8%	35.3%	-
U.S. dollar basis (\$ million)		9,970	9,907	9,581	-388
Foreign exchange rate (US\$/JPY)		¥108.83	¥107.74	¥105.76	¥-3.07

* With no final risk residing in Japan

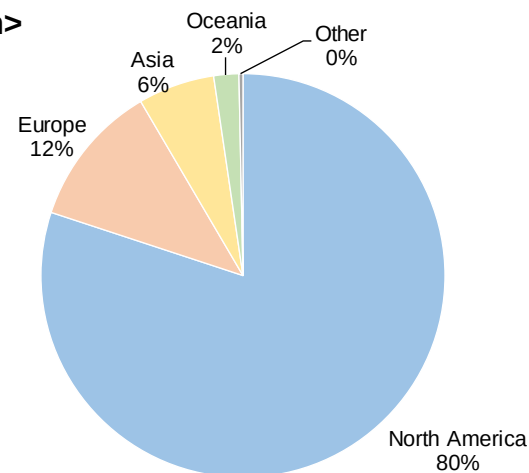
<Overseas loan ratio>



<By industry>



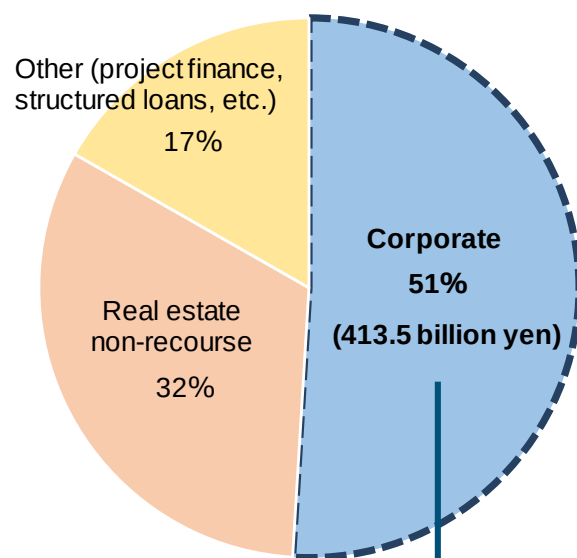
<By region>



Loans – North American corporate loans

- Over 50% of North American loans were corporate loans. The percentage of higher-rated borrowers was relatively high compared to the market index*
- Aozora continued to rebalance its North American corporate loan portfolio in order to improve overall asset quality
- In September, the Bank commenced operations of Aozora North America, Inc. (ANA), its wholly-owned U.S. subsidiary, strengthening its monitoring capabilities and expanding its information network

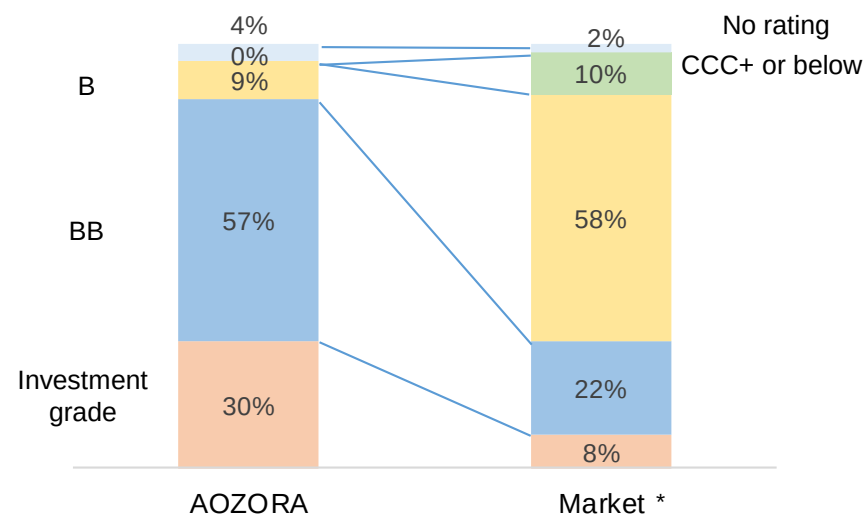
<North American loan breakdown>



<Ratio within corporate loans>

	Aozora	Market*
Retail:	1.7%	3.4%
Oil & Gas:	0.8%	3.2%

<North American corporate loans by credit rating**>

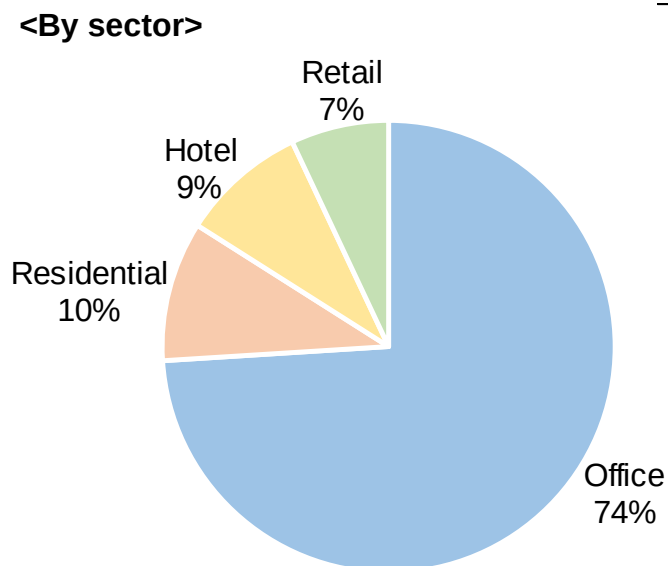
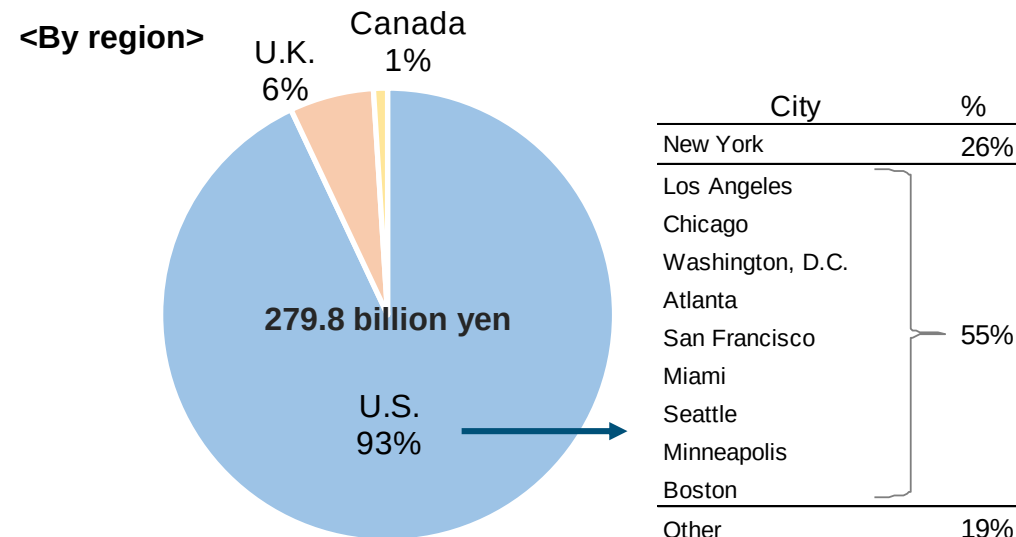


* Market data from S&P (LSTA Leveraged Loan Index basis)

** S&P credit rating (facility basis)

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

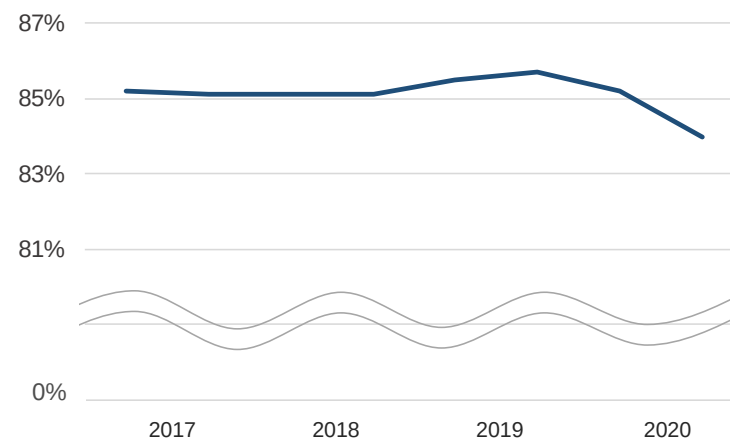
■ Of overseas real estate NRLs, over 90% were in North America. A significant share was secured mainly by office buildings located in major U.S. cities



U.S. office loan policy

- ◆ Senior loans only
- ◆ No construction loans
- ◆ Mostly targeted loans at an LTV of under 65% at time of approval

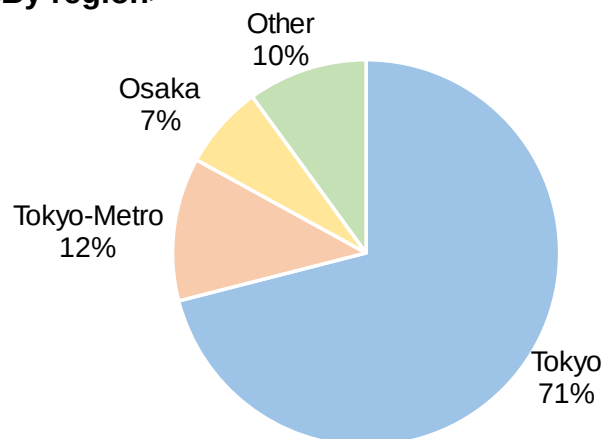
<U.S. Office Average Occupancy Rate>



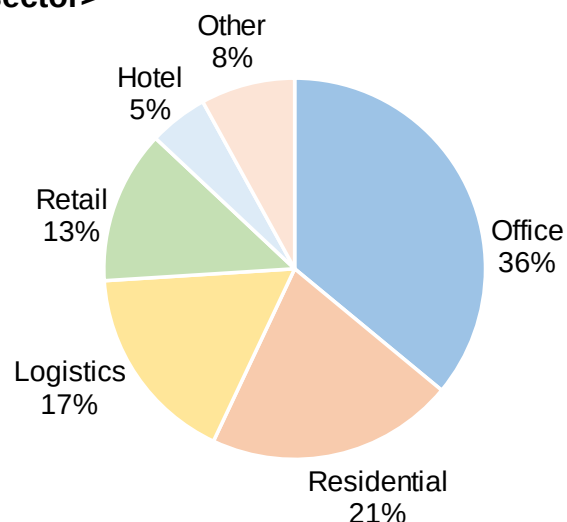
Loans – Domestic Real Estate Non-Recourse Loans (NRLs)

- Tokyo-metro focused. Most NRLs were office, residential or warehouse
- Approximately 90% of the real estate NRLs excluding REITs remained at an LTV of 70% or below. Over 90% of REITs remained at an LTV of less than 50%

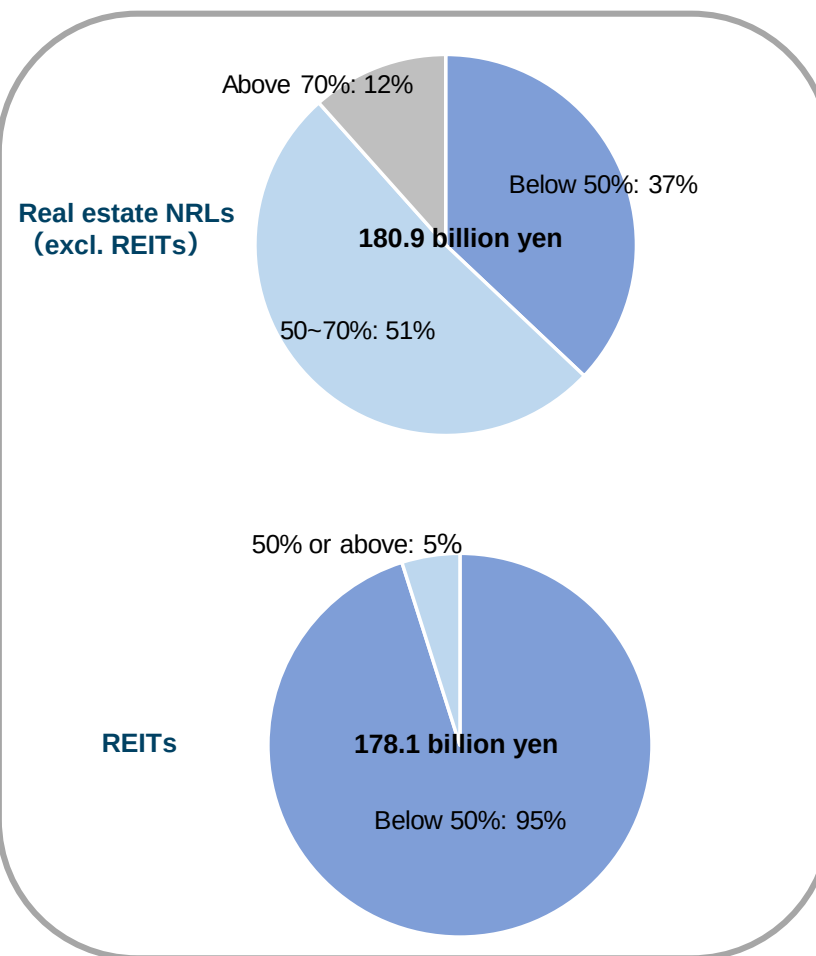
<By region>



<By sector>



<LTV>



(Note) Third-party evaluation basis

Securities

- Securities were 1,130.0 billion yen, an increase of 56.3 billion yen compared to March 31, 2020
 - Foreign bonds increased, while foreign currency credit ETFs decreased as a result of portfolio rebalancing
- Total unrealized gains were a net gain of 28.1 billion yen, an improvement of 46.8 billion yen from March 31, 2020

	Book value				Unrealized gains / losses			
	End - Mar. 2020 A	End - Jun. 2020	End - Sep. 2020 B	Change B - A	End - Mar. 2020 C	End - Jun. 2020	End - Sep. 2020 D	Change D - C
(billion yen)								
JGBs	-	-	5.0	5.0	-	-	0.0	0.0
Municipal bonds	37.8	58.1	60.1	22.3	0.1	0.0	0.1	0.0
Corporate bonds / short-term corporate bonds	60.2	62.8	80.6	20.4	0.4	0.5	0.6	0.1
Equities	16.7	20.0	22.0	+5.3	10.1	13.3	15.4	+5.3
Foreign bonds	486.5	527.6	525.3	+38.7	14.3	12.3	10.6	-3.6
Foreign government bonds	237.6	245.0	236.5	-1.1	11.6	8.2	7.7	-3.8
MBS	189.9	220.0	218.8	+28.8	4.5	2.5	0.8	-3.7
Other	58.9	62.4	69.9	+11.0	-1.8	1.4	2.0	+3.9
Other securities	472.1	464.0	436.7	-35.4	-43.7	-8.6	1.2	+44.9
ETFs	207.9	180.4	161.6	-46.3	-27.7	-9.2	-4.1	+23.6
Investments in limited partnerships	79.0	82.5	83.5	+4.5	1.7	1.7	1.3	-0.3
REITs	73.4	74.3	71.4	-1.9	-3.6	-0.8	0.5	+4.1
Investment trusts	102.7	99.6	92.7	-9.9	-16.8	-3.9	-0.6	+16.2
Other	8.9	26.9	27.3	+18.3	2.8	3.8	4.1	+1.3
Total	1,073.6	1,132.6	1,130.0	+56.3	-18.6	17.7	28.1	+46.8

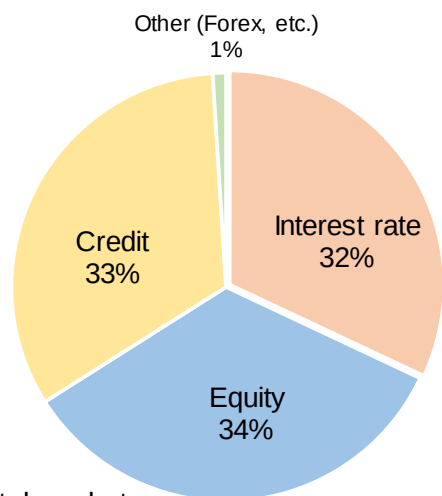
Securities – Net gains/losses and Risk

■ Gains on the sale of securities and unrealized gains both improved. As a result, securities-related gains/losses (the sum of realized and unrealized gains) for the first half were a gain of approximately 62.0 billion yen

➤ The Bank flexibly managed its risk position in light of the recovery of market conditions starting from April

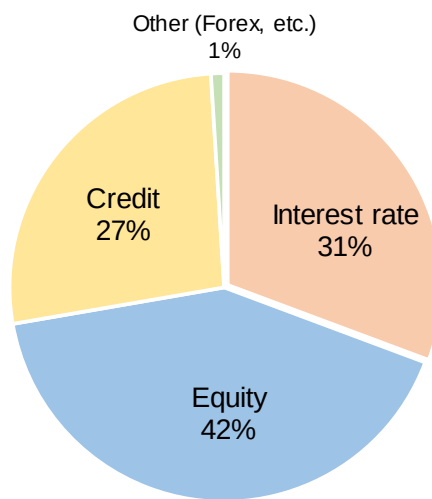
<Market risk (VaR)>

End-Mar. 2020



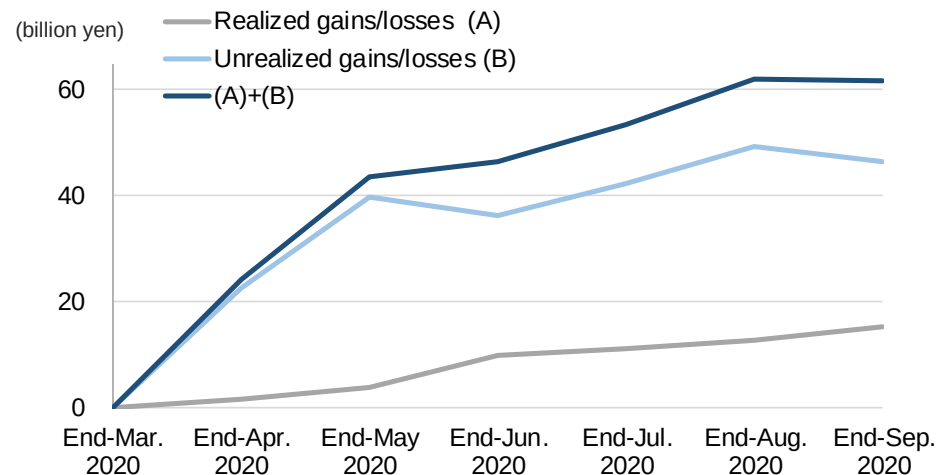
Total market risk (VaR): 7.5 billion yen

End-Sep. 2020



8.3 billion yen

<Change in securities-related gains/losses in FY2020>



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

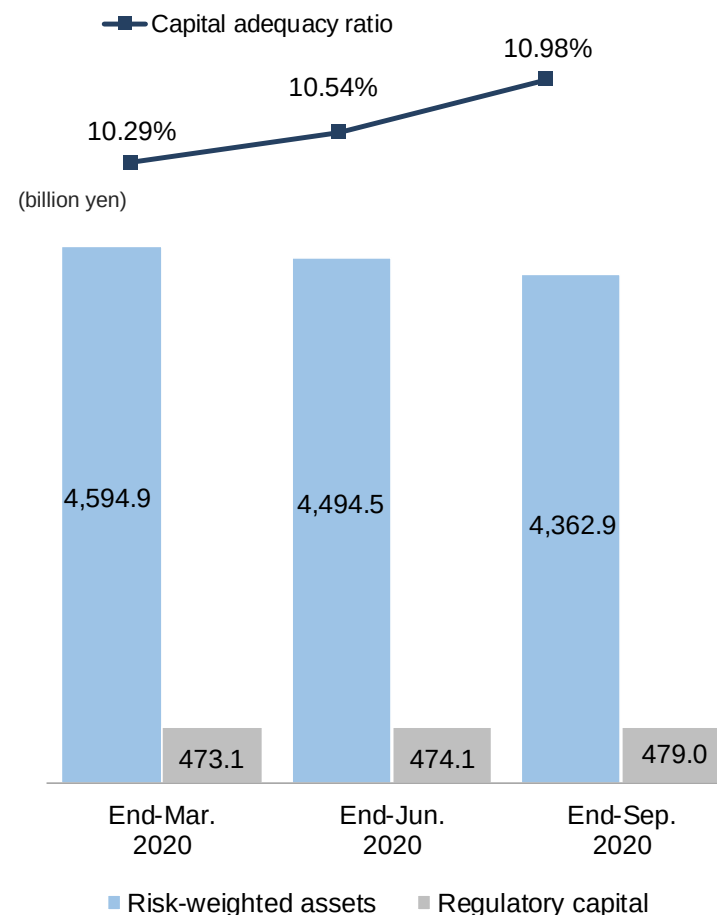
	End-Mar. 2020	End-Jun. 2020	End-Sep. 2020
(billion yen)	-2.3	-2.4	-2.2

Capital adequacy ratio (preliminary basis)

- The consolidated capital adequacy ratio (domestic standard) remained at an adequate level at 10.98% (preliminary basis)
 - The CET1 ratio (Tier 1 Common Capital Ratio) was approximately 10.3%

<Domestic standard>

(billion yen)	End-Mar. 2020 A	End-Jun. 2020	End-Sep. 2020 B	Change B - A
Capital adequacy ratio	10.29%	10.54%	10.98%	0.69%
Regulatory capital (A - B)	473.1	474.1	479.0	+5.9
Instruments and reserve (A)	488.3	489.3	494.5	+6.1
Shareholders' equity	449.2	453.2	457.4	+8.1
Other	39.1	36.1	37.0	-2.0
Regulatory adjustment (B)	15.2	15.2	15.4	+0.1
Risk-weighted assets	4,594.9	4,494.5	4,362.9	-231.9
Credit risk assets	4,065.1	4,006.1	3,869.0	-196.1
Market risk assets	380.1	338.7	349.0	-31.0
Operational risk assets	149.6	149.6	144.8	-4.7



Dividends

■ The 2nd quarter dividend for FY2020 is one quarter of the full-year dividend forecast of 122 yen per common share

➤ Aozora intends to continue quarterly dividend payments

Dividend per common share

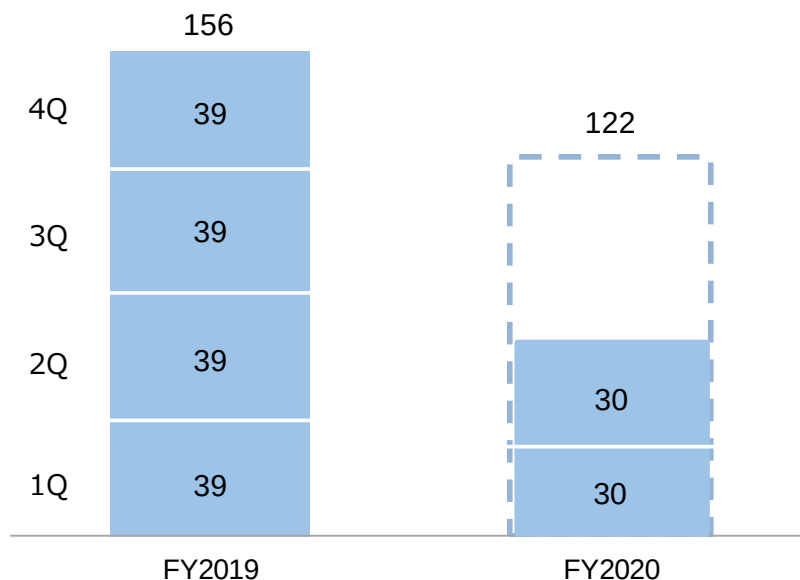
	1st quarter	2nd quarter	3rd quarter	Year-end	Full-year
Current forecast (FY2020)			—	—	122 yen*
Dividend payment (FY2020)	30 yen	30 yen			

* The dividend forecast is based on the total dividend amount, which is 50% of the consolidated earnings forecast for FY2020 of 28.5 billion yen divided by the total number of common shares issued, excluding treasury stock, as of March 31, 2020

The dividend policy based on a dividend payout ratio of 50% will be flexibly managed, along with maintaining our full year dividend forecast of 122 yen, in light of the uncertain economic environment

<Dividends*>

(yen)



Reference: PL summary (non-consolidated basis)

	FY2019 Interim A (billion yen)	FY2020		Interim B	Change B - A		FY2020 full-year forecast	Progress
		Apr. - Jun.	Jul.-Sep.		Amount	%		
Net revenue	46.7	20.4	24.8	45.3	-1.3	-2.9%	82.0	55%
Business profit (before general loan-loss reserves)	26.0	10.0	14.1	24.1	-1.9	-7.4%	37.0	65%
Ordinary profit	29.9	10.0	13.6	23.7	-6.2	-20.8 %	42.0	56%
Net income	20.0	8.1	9.9	18.0	-1.9	-9.9 %	28.5	63%

Reference: Consolidated, non-consolidated difference

				(billion yen)
Non-consolidated net income				18.0
Subsidiaries				
Company Name	Line of Business	Share of Earnings*	Net Earnings	
GMO Aozora Net Bank, Ltd.	Internet banking business	50.0% **	-2.3	
Aozora Loan Services Co., Ltd.	Distressed loan servicing	67.6%	0.0	
Aozora Securities Co., Ltd.	Financial instruments business	100.0%	0.1	
Aozora Regional Consulting Co., Ltd.	Business consulting services	100.0%	0.0	
Aozora Investment Management Co., Ltd.	Investment management services	100.0%	0.0	
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%	0.0	
Aozora Europe Limited	Financial services (London)	100.0%	0.1	
Aozora North America, Inc.	Financial services (New York)	100.0%	0.1	
AZB Funding	SPC	100.0%	-0.8	
Aozora GMAC Investment Limited	Investments	100.0%	-0.0	
Total				-2.8
Consolidation adjustments				-0.1
Profit attributable to owners of parent				15.1
Difference				-2.9
Reference: Loss attributable to non-controlling interests				-1.1

* Percentage of profit and loss attributable to owners of parent

** Voting rights ratio is 85.1%.

Reference: GMO Aozora Net Bank (GANB)

■ Focus on the expansion of corporate customer services

◆ A unique online bank primarily targeting corporate customers

- Corporate account applications increasing at a strong pace (monthly increase of 2,000 accounts)
- Pivot to financial inclusion with a key focus on new ventures and freelance workers

◆ No.1 Open API (Application Programming Interface) Bank

- API collaborations with 67 firms as of September 30, 2020 (up by 32 from March 31), a significant increase in the number of API connection contracts as a result of DX (digital transformation) promotion across all industries



Received an Award of Excellence in the Financial Institution Category of the Japan Financial Innovation Award 2020

- First domestic bank to create a free, always-connected API testing environment and community for IT engineers (“sunabar”)

◆ Promotion of platform banking

- Offering banking features to corporate customers intending to engage in financial services

◆ FY2020 service expansions for corporate customers (including plans)

- Grant and subsidy application support service, bank transfer fee subscription program, seal-less online corporate account opening system, online tax payment/return filing system, business loans, etc.

◆ Collaboration with Aozora’s FinTech Sales Management Office

- Aozora provides solutions and support for its customers across the group on behalf of GANB



Reference: Mid-term KPIs

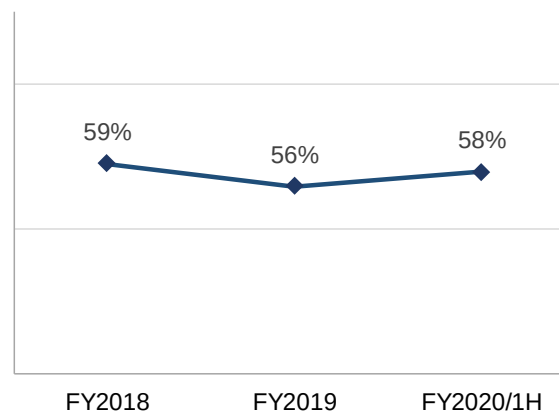
	FY2019 Results	FY2020 Interim Results	Mid-Term Plan Targets (FY2020-22)	(Ref.) FY2020 Interim Major Banks' Average***
Overhead ratio (OHR)	56%	58%	Below 55%	65%
Business profit* ROA	0.8%	0.7%**	1%	0.5%**
ROE	6.4%	6.7%**	8% or higher	4.7%**

* Including gains/losses on equity method investments

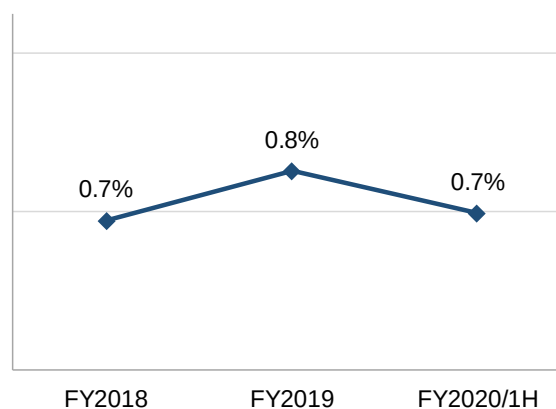
** Annualized basis

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

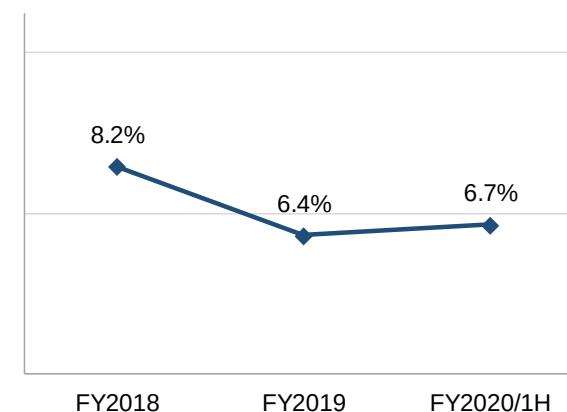
OHR



Business profit ROA

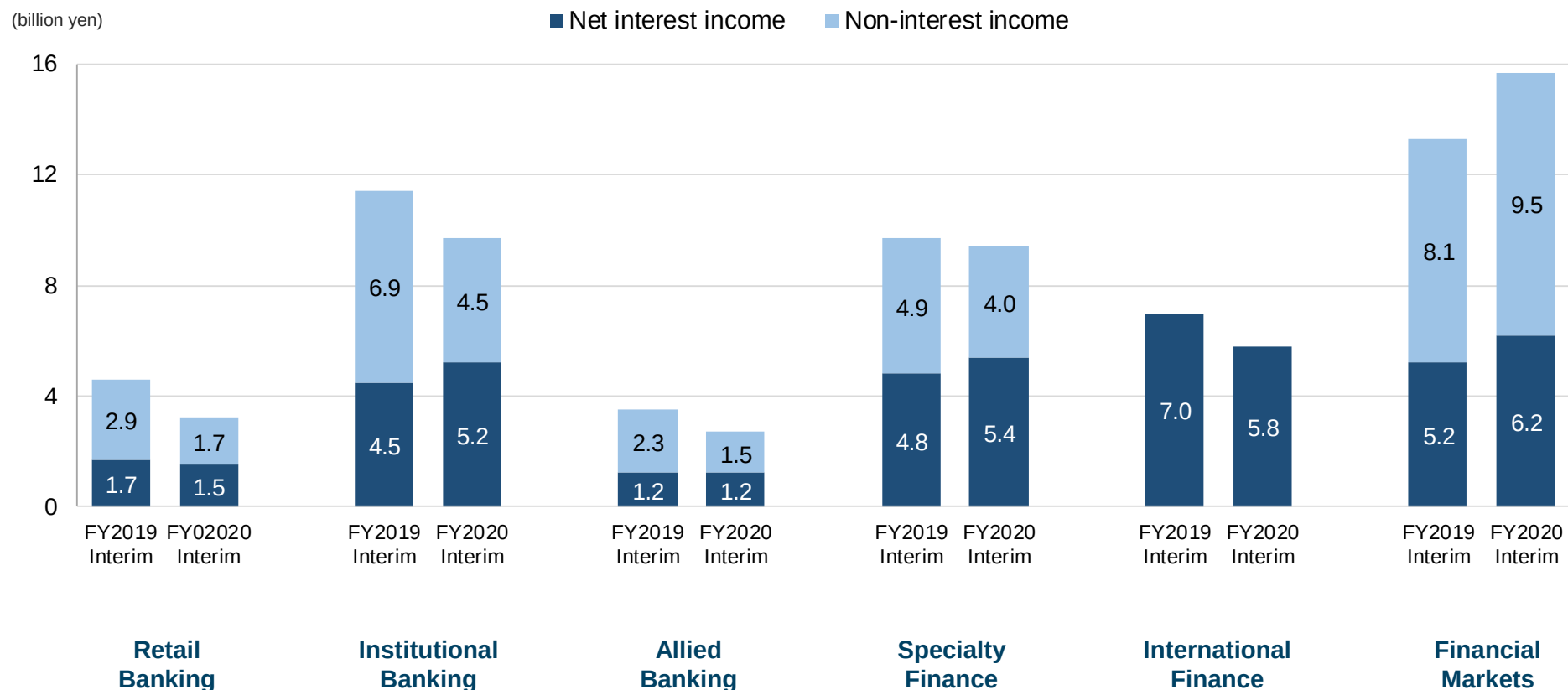


ROE



Reference: Results by business segment

<Consolidated net revenue by business segment>



(Note) Management accounting basis, excluding non-business segment income

Appendix

Aozora at a Glance

■ Franchise

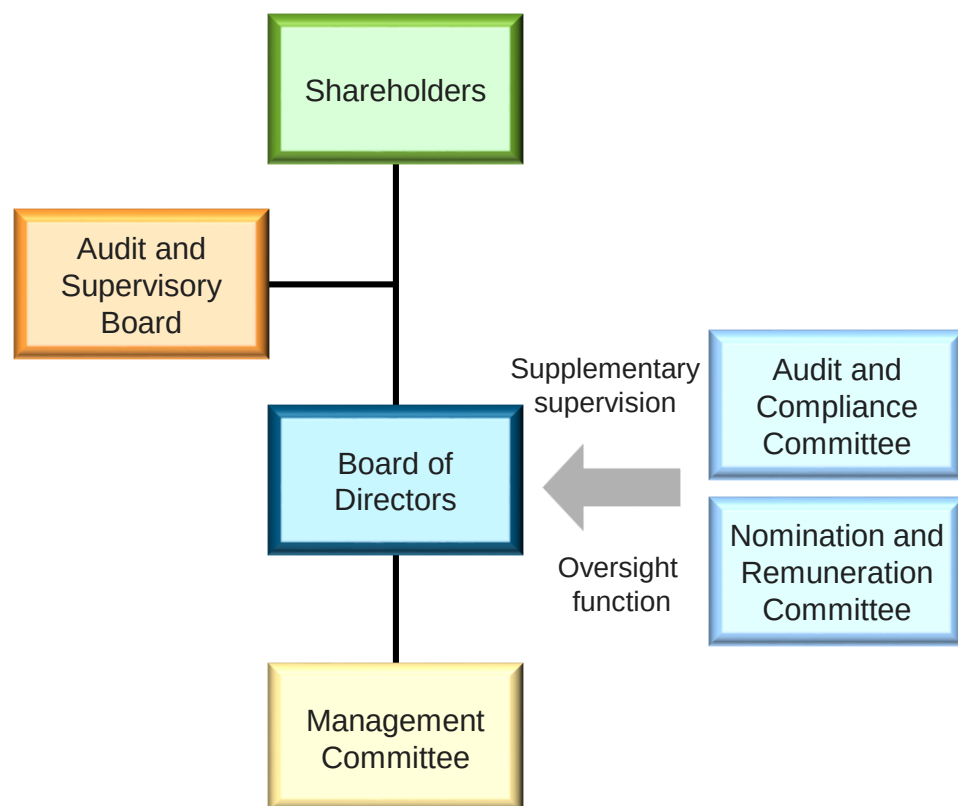
- ◆ **Headquarters:** 6-1-1 Kojimachi, Chiyoda-ku, Tokyo
- ◆ **Total Assets:** JPY 5,583.8 billion yen
- ◆ **Credit Ratings:** BBB+ / A- / A (S&P / R&I / JCR)
- ◆ **Office Network:**
 - Domestic: 21 offices nationwide
 - Overseas: New York, London, Shanghai, Singapore, Hong Kong
- ◆ **Major Subsidiaries:**
 - 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:** 2,323 (consolidated basis, as of September 30, 2020)

■ 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:** Early and full repayment of public funds
- 2017:** Headquarters relocated to Chiyoda-ku, Kojimachi

Corporate Governance / Management Oversight

- 4 of the 8 board members are outside directors; 2 of 3 members of the Audit and Supervisory Board are outside members



Board of Directors

Director and Chairman Mr. Shinsuke Baba
Appointed Representative Director, President and CEO in 2012, and Director and Chairman in June 2020

Representative Director, President and CEO Mr. Kei Tanikawa
Appointed Representative Director and Deputy President in 2018, and Representative Director, President and CEO in June 2020

Director, Senior Managing Executive Officer and CFO Ms. Tomomi Akutagawa
Appointed MEO, Head of Corporate Strategy Unit, and Head of Office of Corporate Secretary in 2017, and Director, Senior Managing Executive Officer, and CFO in 2019

Director and Senior Managing Executive Officer Mr. Koji Yamakoshi
Appointed MEO and Head of Specialty Finance Group in 2016, SMEO, Head of Business Banking Group and Corporate Banking Group in 2019, and Director and Senior Managing Executive Officer in June 2020

Director Mr. Shunsuke Takeda*
Former Director, Deputy Chairman and CEO, Orix Corporation

Director Mr. Hiroyuki Mizuta*
Former President and Representative Director, Resona Bank, Ltd.

Director Mr. Ippei Murakami*
Former President, Nisshin Seifun Group Inc.

Director Mr. Tomonori Ito*
Adjunct Professor, Hitotsubashi University Business School

* Outside Directors

Management Team

- **Mr. Shinsuke Baba** Director and Chairman
- **Mr. Kei Tanikawa** Representative Director, President and CEO
- **Ms. Tomomi Akutagawa** Director, Senior Managing Executive Officer and CFO
- **Mr. Koji Yamakoshi** Director, Senior Managing Executive Officer and Head of Corporate Banking Group

➤ **Mr. Fumihiko Hirose**
SMEO, Head of Specialty Finance Group

➤ **Mr. Masato Mano**
MEO, Head of Allied Banking Group

➤ **Mr. Takayoshi Nomura**
MEO, Head of Retail Banking Group

➤ **Mr. Takeshi Ito**
MEO, Head of Advisory & Investment Group

➤ **Mr. Takashi Kato**
MEO, Head of Financial Markets Group

➤ **Mr. Masaki Onuma**
MEO, Head of International Finance Group

➤ **Mr. Kazuhiro Yasuda**
EO, General Manager of Kansai Branch

➤ **Ms. Akemi Hashimoto**
EO, Head of Business Banking Group

➤ **Mr. Tetsuji Okuda**
EO, Deputy Head of Financial Markets Group

➤ **Mr. Toru Takahashi**
EO, General Manager of Institutional Banking Management Division

➤ **Mr. Hiroki Nakazato**
EO, General Manager of Acquisition & Project Finance Division

➤ **Mr. Yukio Sekizawa**
SMEO, Head of Compliance & Governance Unit, and Head of Operations Group

➤ **Mr. Masayoshi Ohara**
SMEO, CRO and CCRO

➤ **Mr. Yutaka Aoyama**
MEO, Head of Human Resources Unit

➤ **Mr. Hideto Oomi**
MEO, Head of Corporate Strategy Unit, Head of Trust Business Group, Office of Corporate Secretary, and Special Assignment

➤ **Mr. Tomoyuki Yamada**
EO, CTO

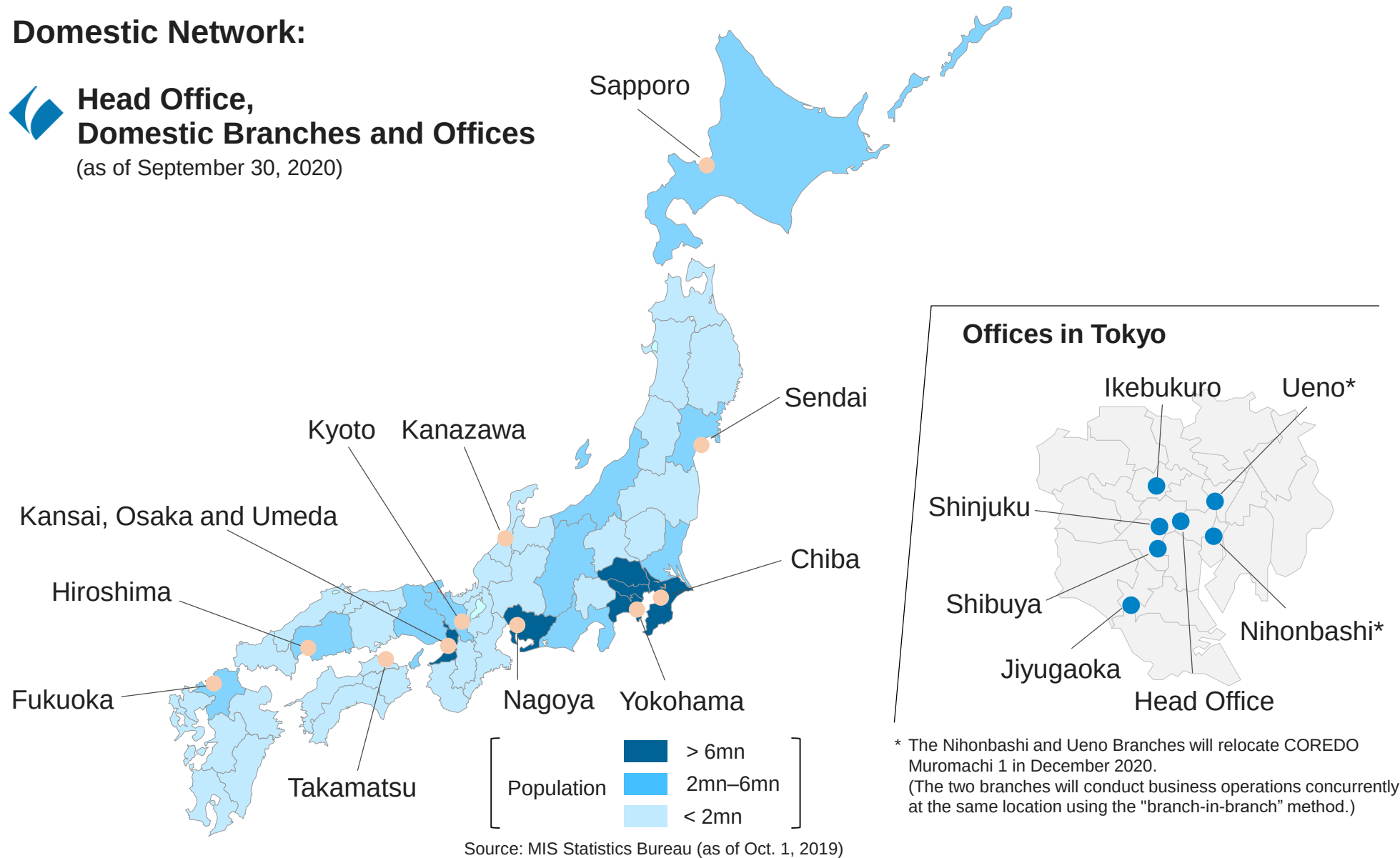
➤ **Mr. Akira Sakai**
EO, Deputy CFO

➤ **Mr. Jun Shinozaki**
EO, Deputy CCRO

Aozora Network

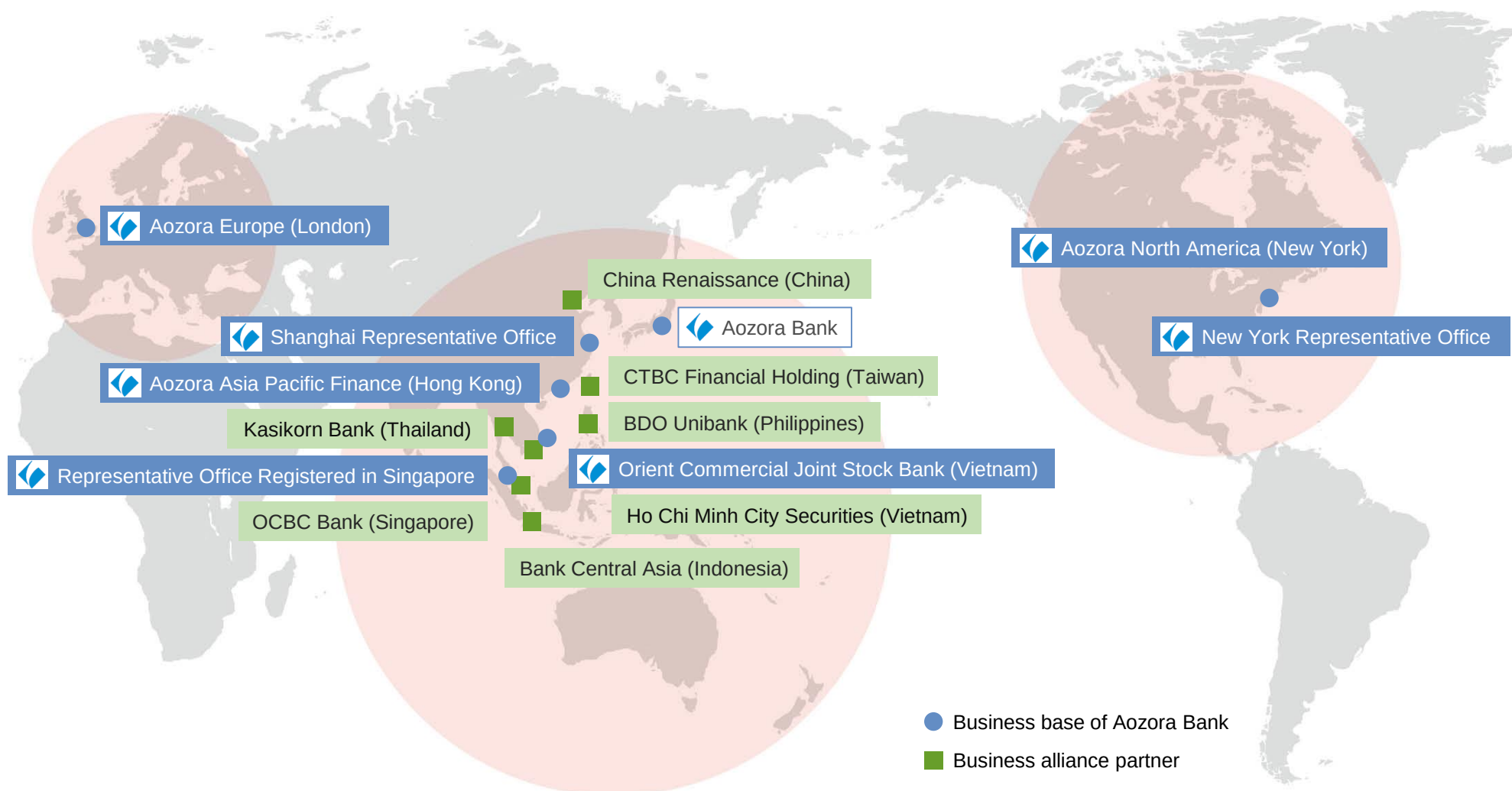
Domestic Network:

 **Head Office,
Domestic Branches and Offices**
(as of September 30, 2020)



Aozora Network

Overseas Network



<Contact>

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Corporate Communication Division

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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