

FY2024 Interim Financial Results Overview

**and Update on the Capital and Business
Alliance with Daiwa Securities Group Inc.**

November 15, 2024

Key Points

Net revenue

41.4 billion yen

3.1 billion yen decrease year-on-year
Progress rate*¹: **49%**

Business-related profit

14.1 billion yen

10.8 billion yen decrease year-on-year
Progress rate*²: **58%**

Profit attributable to owners of parent

11.9 billion yen

0.1 billion yen decrease year-on-year
Progress rate*¹: **66%**

*1 Percentage of progress towards full-year earnings forecasts

*2 Percentage of progress towards the full-year plan

Customer-related business

- Customer-related business was almost in line with the full-year plan, driven by corporate loans and the timely sale of derivatives, taking advantage of a weaker yen, as well as revenue mainly from LBO and environmental finance. As a result, net interest income increased by 3.6 billion yen, or 17.5% year-on-year, excluding gains on the cancellation of investment trusts
- The number of corporate accounts at GMO Aozora Net Bank (GANB) continued to grow and exceeded 150,000. GANB is expected to maintain positive business profit from 2H of FY2024 onwards (business profit became profitable on a single month basis in October 2024)

Response to balance sheet issues

- U.S. non-recourse office loans:
Workouts progressed in 1H, and loan outstandings decreased by US\$186 million compared to March 31, 2024 as five workout loans were fully resolved. The number of “In Danger of Bankruptcy borrowers” decreased by four. Additional provisions to loan loss reserves were limited
- Securities portfolio:
Unrealized losses were within controllable levels in line with the plan for FY2024

Progress on the capital and business alliance with Daiwa Securities Group

- Additional business profit targets for FY2027 were set at 10 billion yen due to the effects of the capital and business alliance
- Aozora and Daiwa Securities Group began personnel exchanges, creating increased collaboration opportunities in both the corporate and retail business areas

2Q dividend: 19 yen per common share (full-year dividend forecast: 76 yen per common share)

Contents

1. P/L

Page	4	P/L Summary
	6	Results by business segment
	8	Net interest income
	9	Non-interest income
	10	Equity investments —Aozora’s Strategic Investments Business—
	11	G&A expenses
	12	Credit-related expenses
	13	Non-performing loans based on the FRA

2. Balance sheet

15	Balance sheet summary
16	Loans
16	Loans (1) —Summary—
17	Loans (2) —Domestic—
18	Loans (3) —Overseas—
19	Loans (4) —North American corporate loans—
20	Loans (5) —Overseas real estate non-recourse loans—
21	Loans (6) —U.S. non-recourse office loans—
22	Loans (7) —Domestic real estate non-recourse loans—
23	Securities
25	Funding
26	Reference: Sensitivity analysis to an increase in interest rates

3. Capital adequacy ratio / Dividend

28	Capital adequacy ratio (preliminary)
29	Dividend

4. Group companies

31	GMO Aozora Net Bank (GANB)
32	Aozora Group companies / consolidated, non-consolidated difference

Update on the capital and business alliance with Daiwa Securities Group Inc.

34	Impact of the alliance with Daiwa Securities Group Inc.
35	Potential areas of business collaboration

(Note) “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.

1. P/L

P/L Summary (1)

P/L

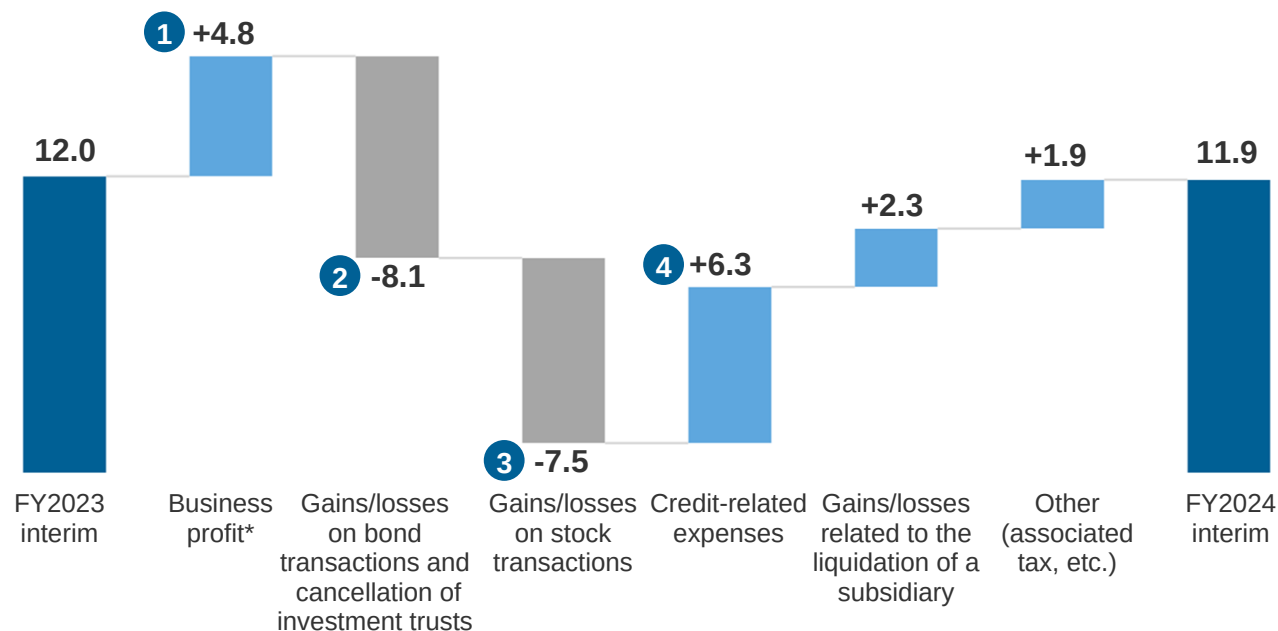
	FY2024 Forecast	FY2024			Progress	<Reference>		
		1Q	2Q	Interim A		FY2023 Interim B	A - B Change	%
(billion yen)								
Net revenue	84.0	20.7	20.7	41.4	49.3%	44.5	-3.1	-7.1%
Net interest income		12.0	12.6	24.7		25.1	-0.4	
Non-interest income		8.6	8.0	16.7		19.4	-2.6	
General & administrative expenses		-14.9	-15.3	-30.3		-30.4	+0.0	
Gains/losses on equity method investments		0.7	0.4	1.2		1.4	-0.2	
Business profit (A)	24.0	6.4	5.8	12.3	51.3%	15.6	-3.3	-21.1%
Credit-related expenses		-1.3	-2.2	-3.6		-9.9	+6.3	
Gains/losses on stock transactions (B)		0.7	1.1	1.8		9.4	-7.5	
Ordinary profit	24.0	5.8	4.1	9.9	41.6%	14.3	-4.3	-30.5%
Extraordinary profit/loss		3.4	-0.2	3.1		-0.0	+3.1	
Profit before income taxes		9.3	3.8	13.1		14.3	-1.2	-8.6%
Taxes		-2.0	0.0	-1.9		-3.4	+1.4	
Gains/losses attributable to non-controlling interests		0.2	0.4	0.7		1.0	-0.3	
Profit attributable to owners of parent	18.0	7.5	4.3	11.9	66.2%	12.0	-0.1	-1.1%
	FY2024 Plan							
ROE	4.6%	-	-	5.7%		5.6%	+0.1%	-
Business-related profit (A)+(B)*¹	24.7	7.1	6.9	14.1	57.5%	25.0	-10.8*²	-43.3%
Customer-related business (excl. financial market-related and retail businesses)		7.7	8.5	16.3		29.5	-13.2	-44.8%
Retail business		-0.5	-0.5	-1.0		-2.3	+1.2	-
Financial market-related business		-0.0	-1.0	-1.0		-2.2	+1.1	-

*1 Business profit + Gains/losses on stock transactions, management accounting basis

*2 Business-related profit declined mainly because the previous year's gains on the cancellation of investment trusts (4.1 billion yen), gains on the sale of domestic REITs (3.9 billion yen) and gains on the sale of equities held solely for investment purposes (6.7 billion yen) all decreased.

Major factors in change in profit attributable to owners of parent (FY2023 1H vs FY2024 1H)

(billion yen)



* Excluding gains/losses on bond transactions and cancellation of investment trusts

- 1 Increases in (i) net interest income excluding gains on the cancellation of investment trusts (3.6 billion yen) partly due to the impact of higher yen interest rates; and (ii) non-interest income mainly due to the improved performance of GANB (0.8 billion yen) and retail business
- 2 Decreases mainly in (i) gains on the cancellation of investment trusts (4.1 billion yen); and (ii) gains on the sale of domestic REITs (3.9 billion yen) as a result of reducing exposure from a risk control perspective, both of which were recorded in 1H of FY2023
- 3 A decrease in gains on the sale of equities held solely for investment purposes (6.7 billion yen → 1.0 billion yen), and the absence of gains on the sale of overseas equities recorded in 1H of FY2023 (2.1 billion yen)
- 4 A decrease in credit-related expenses mainly for U.S. non-recourse office loans

Results by business segment (1)

P/L

Business-related profit by business segment

(billion yen)	FY2024 Plan	FY2024			Progress	<Reference>	
		1Q	2Q	Interim A		FY2023 Interim B	Change A - B
Institutional Banking Group	6.6	1.8	1.8	1 3.6	55%	3.6	+0.0
Structured Finance Group	22.1	5.5	4.9	2 10.5	48%	16.7	-6.1
International Business Group	11.5	3.4	2.5	3 6.0	52%	7.0	-1.0
Market Group	-9.5	-0.0	-1.0	4 -1.0	-	-2.2	+1.1
Customer Relations Group	-2.8	-0.2	-0.4	-0.6	-	-1.7	+1.1
Allied Banking Group	0.9	0.3	0.0	0.4	50%	0.5	-0.0
Retail Banking Group	-3.7	-0.5	-0.5	-1.0	-	-2.3	+1.2
GMO Aozora Net Bank	-	-0.5	-0.4	5 -0.9	-	-2.1	+1.1
Other*	-	-2.8	-0.5	-3.4	-	3.7	-7.1
Total	24.7	7.1	6.9	14.1	57%	25.0	-10.8

* Including: (i) business-related profit not included in the business segments (e.g. G&A expenses not allocated to each business segment); and (ii) gains on the sale of equities held solely for investment purposes (6.7 billion yen in 1H of FY2023, 1.0 billion yen in 1H of FY2024)

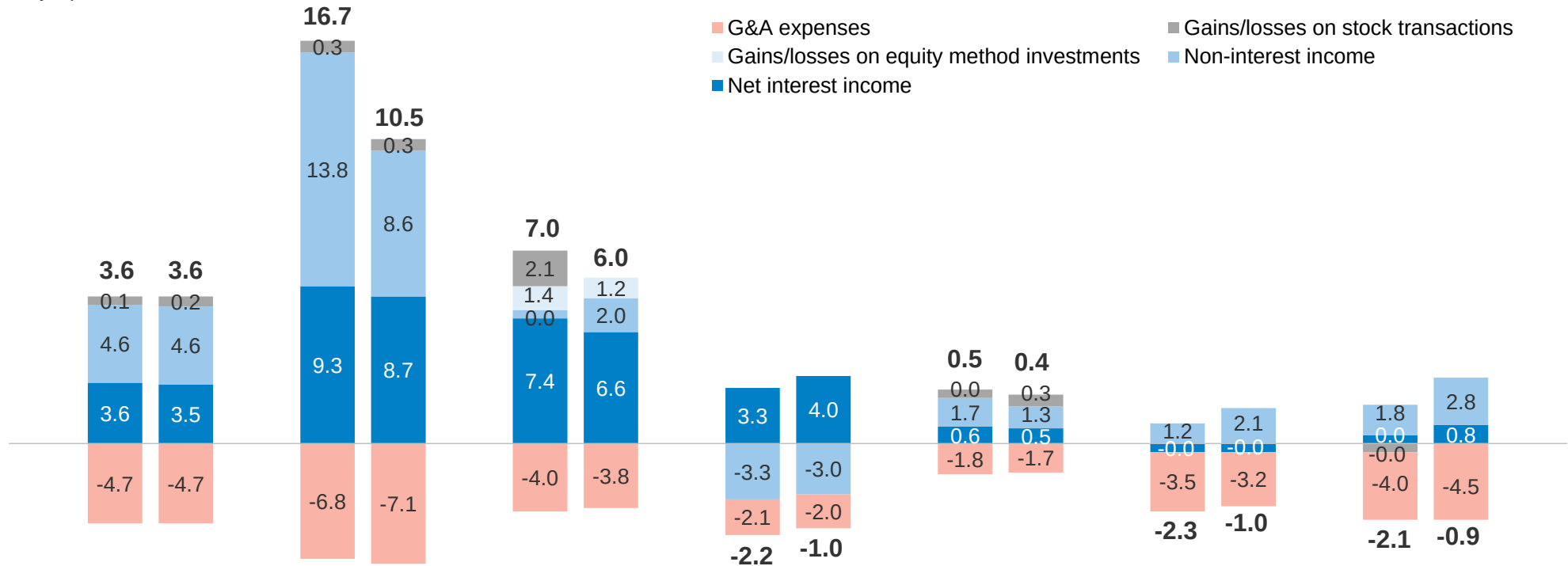
- 1 Steady performance mainly in corporate lending as well as revenue from the timely sale of derivatives, including foreign exchange and commodity-related, taking advantage of the market environment
- 2 Maintained favorable performance in LBO and environmental finance, almost in line with the plan. A year-on-year decline was mainly due to the absence of a large-sized LBO finance transaction and a decrease in gains on the sale of REITs
- 3 Steady progress compared to the plan mainly due to stable earnings from overseas corporate loans as well as an improvement in gains from limited partnerships, which offset the absence of the previous year's gains on the sale of overseas equities
- 4 Recovery in business-related profit mainly due to changes in the financial environment, including the BOJ's policy shift towards higher interest rates, as well as an improvement in net interest income resulting from the loss cut taken on securities in FY2023
- 5 GANB continued to reduce a net loss in business-related profit and is expected to become profitable from 2H of FY2024 onwards

Results by business segment (2)

P/L

Business-related profit breakdown by business segment

(billion yen)



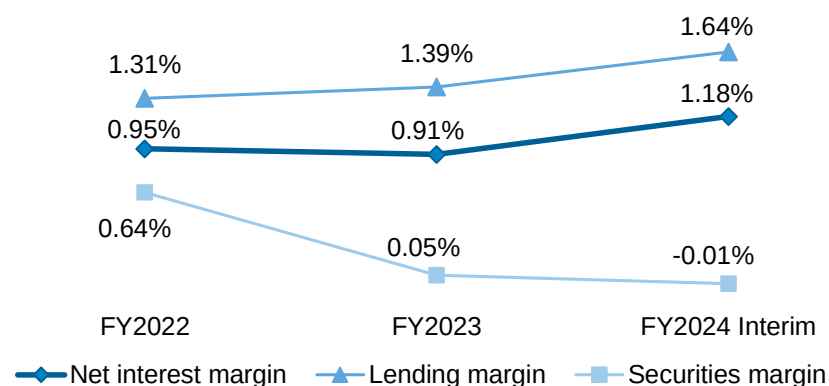
FY2023 Interim	FY2024 Interim	FY2023 Interim	FY2024 Interim	FY2023 Interim	FY2024 Interim	FY2023 Interim	FY2024 Interim	FY2023 Interim	FY2024 Interim	FY2023 Interim	FY2024 Interim
Institutional Banking Group		Structured Finance Group		International Business Group		Market Group		Customer Relations Group		GMO Aozora Net Bank	
◆ Corporate Business Group		◆ Acquisition & Structured Finance Group		◆ International Business Group		◆ Financial Markets Group		◆ Allied Banking Group		◆ Retail Banking Group	
◆ M&A Advisory Group		◆ Environment Business Group									
		◆ Special Situations Group									
		◆ Real Estate Finance Group									

	FY2023 Interim A	FY2024			Change B - A
(billion yen)		1Q	2Q	Interim B	
Net interest income	25.1	12.0	12.6	24.7	-0.4
Net interest income (excl. gains on cancellation of investment trusts)	21.0	12.0	12.6	24.6	+3.6
Interest income	84.9	41.4	40.2	81.7	-3.1
Interest on loans and discounts	64.8	33.9	32.3	66.3	+1.5
Interest and dividends on securities	16.2	5.1	5.3	10.4	-5.8
Incl. gains on cancellation of investment trusts	4.1	0.0	-0.0	0.0	-4.1
Interest expenses	-59.7	-29.3	-27.6	-56.9	+2.7
Incl. repurchase interest, etc.	-8.9	-4.1	-4.0	-8.2	+0.6
Incl. interest on swaps	-40.8	-19.8	-18.3	-38.1	+2.7
Average balance of interest-earning assets	5,978.6	5,654.8	5,675.5	5,665.2	-313.3
Yield on interest-earning assets	2.83%	2.91%	2.76%	2.83%	+0.00%
Average balance of interest-bearing liabilities	6,681.9	6,799.9	6,943.0	6,871.9	+190.0
Yield on interest-bearing liabilities	1.78%	1.73%	1.57%	1.65%	-0.12%
Net interest margin	1.05%	1.18%	1.19%	1.18%	+0.13%

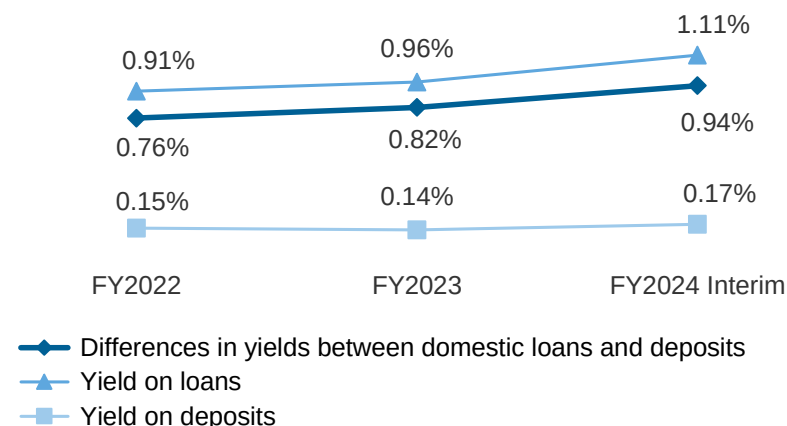
3.6 billion yen increase year-on-year in net interest income excluding gains on the cancellation of investment trusts

- Interest on loans and discounts increased mainly in our domestic business, primarily due to the impact of higher yen interest rates
- While yen funding costs increased mainly due to the BOJ's policy shift towards higher interest rates, foreign currency funding costs decreased as a result of the loss cut taken on foreign bonds in FY2023 as well as a decline in foreign currency basis costs which more than offset the increase, resulting in a net reduction of overall interest expenses
 - The impact of higher time deposit interest rates and other factors on yen funding costs has been limited at this point (overall yen funding costs increased by approximately 4 bps year-on-year)

Net interest margin, lending margin and securities margin



Differences in yields between domestic loans and deposits



(billion yen)	FY2023 Interim A	FY2024		Interim B	Change B - A
		1Q	2Q		
Non-interest income	19.4	8.6	8.0	16.7	-2.6
Net fees and commissions	10.3	5.6	4.8	10.4	+0.0
Loan-related fee income	5.1	2.4	1.3	3.8	-1.3
Investment trust fee income	1.6	1.0	1.1	2.1	+0.5
GANB fee income	1.7	1.3	1.2	2.6	+0.8
M&A fee income	0.8	0.2	0.1	0.3	-0.4
Other	0.9	0.5	0.8	1.3	+0.4
Net trading revenues	0.1	1.2	0.1	1.3	+1.2
Net other ordinary income	8.9	1.7	3.1	4.8	-4.0
Incl. gains/losses on bond transactions	6.4	1.7	0.6	2.3	-4.0
Incl. gains/losses from limited partnerships	5.4	1.7	3.3	5.1	-0.2
Incl. gains/losses on financial derivatives	-0.1	0.3	0.8	1.1	+1.2

Steady progress on net fees and commissions, while gains/losses on bond transactions decreased year-on-year

- 1 Loan-related fee income was strong mainly in LBO and environmental finance, which are among Aozora's strengths, and despite the decline versus last year which included a large-sized financing transaction
- 2 GANB fee income increased year-on-year due to growth in the number of corporate accounts and fee business
- 3 Gains/losses on bond transactions decreased mainly due to the absence of gains on the sale of domestic REITs which were included in 1H of FY2023 as a result of reducing Aozora's real estate exposure from a risk control perspective

Equity investments —Aozora's Strategic Investments Business—

P/L

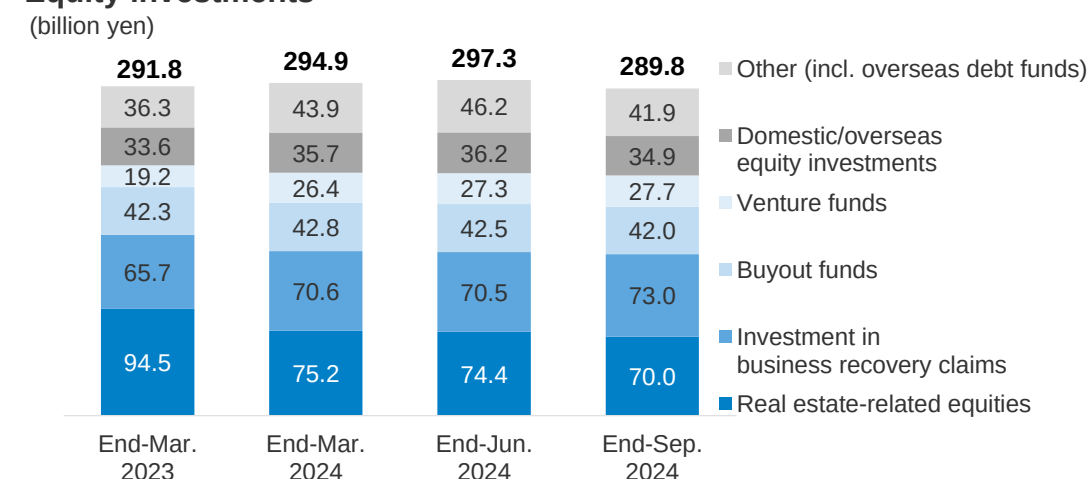
Capital gains and other equity returns*1

(billion yen)	FY2023 Interim A	FY2024			Change B - A
		1Q	2Q	Interim B	
Real estate-related equities	5.2	0.9	0.6	1.6	-3.6
Investment in business recovery claims	0.5	0.4	0.5	0.9	+0.3
Buyout funds	1.3	-0.5	1.8	1.3	-0.0
Venture funds	-0.6	-0.1	-0.2	-0.4	+0.1
Domestic/overseas equity investments	2.9	0.7	0.2	0.9	-1.9
Other (incl. overseas debt funds)	0.2	0.3	0.0	0.3	+0.1
Total	9.7	1.6	3.0	4.7	-4.9

<Reference>

Gains/losses on stock transactions*2	9.4	0.7	1.1	1.8	-7.5
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Equity investments*3



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

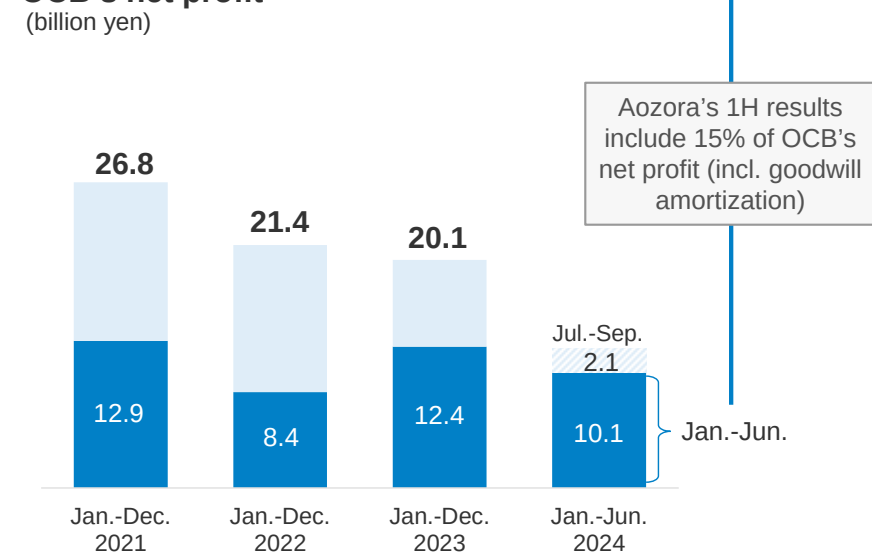
*2 Including gains/losses on the sale of equities held solely for investment purposes

*3 Management accounting and mark-to-market bases

- 1 Capital gains decreased year-on-year mainly due to a decrease in gains on the sale of domestic unlisted REITs (3.3 billion yen → 1.2 billion yen)
- 2 Capital gains from exit transactions on domestic and Asian funds were recorded in 2Q

(billion yen)	FY2023 Interim A	FY2024			Change B - A
		1Q	2Q	Interim B	
Gains/losses on equity method investments	1.4	0.7	0.4	1.2	-0.2

OCB's net profit*



* Uses an exchange rate of 0.0061 yen per 1 Vietnamese dong

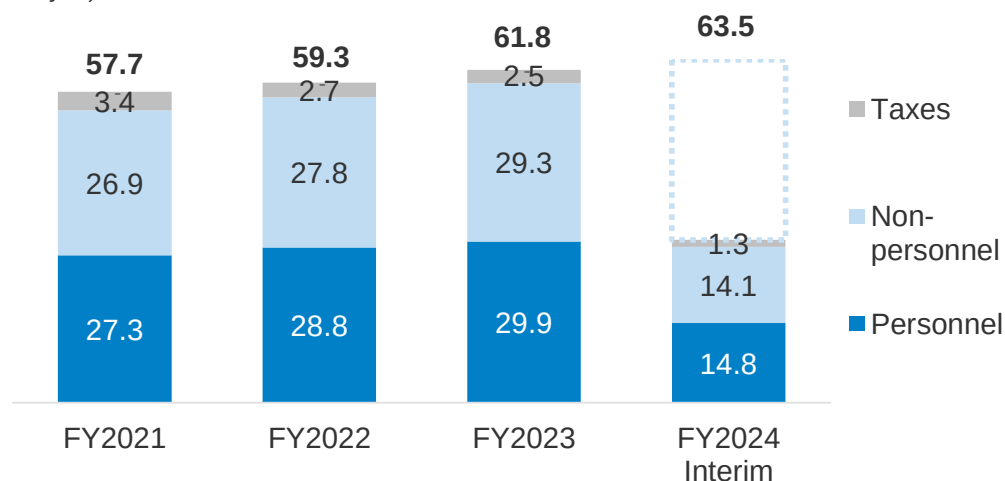
	FY2023 Interim A	FY2024			Change B - A
(billion yen)		1Q	2Q	Interim B	
G&A expenses	30.4	14.9	15.3	30.3	-0.0
Personnel	14.9	7.0	7.7	14.8	-0.1
Non-personnel	14.1	7.1	7.0	14.1	+0.0
Incl. IT-related	6.1	3.0	3.0	6.0	-0.0
Taxes	1.3	0.7	0.6	1.3	+0.0
(million yen)					
Business-related profit per employee	9.2	-	-	5.2	-4.0

Maintained cost control while making necessary investments

- 1 G&A expenses represented 48% of the original budget (63.5 billion yen)
- 2 - Aozora continued investing in its human resources. For FY2024, the pay-scale increase was 3.5% and salary raise rate was 6.8%
 - Overall personnel expenses were flat year-on-year mainly due to a reduction in bonus payments as a result of the FY2023 financial results

G&A expenses

(billion yen)



(billion yen)	FY2023		FY2024		
	Interim	Full year	1Q	2Q	Interim
Credit-related expenses	-9.9	-46.9	-1.3	-2.2	-3.6
Loan loss reserves	-9.7	-44.5	-1.7	-2.5	-4.2
Specific loan loss reserves	-7.5	-40.8	-0.4	-3.0	-3.4
General loan loss reserves	-2.1	-3.7	-1.2	0.5	-0.7
Reserve for credit losses on off-balance-sheet instruments	-0.0	-1.4	0.3	0.4	0.8
Write-off of loans	-0.0	-0.6	-0.0	-0.0	-0.0
Gains/losses on disposition of loans	-0.4	-0.9	-0.0	-0.0	-0.1
Recoveries of written-off receivables	0.3	0.7	0.0	0.0	0.0

Credit-related expenses recorded for U.S. non-recourse office loans were limited

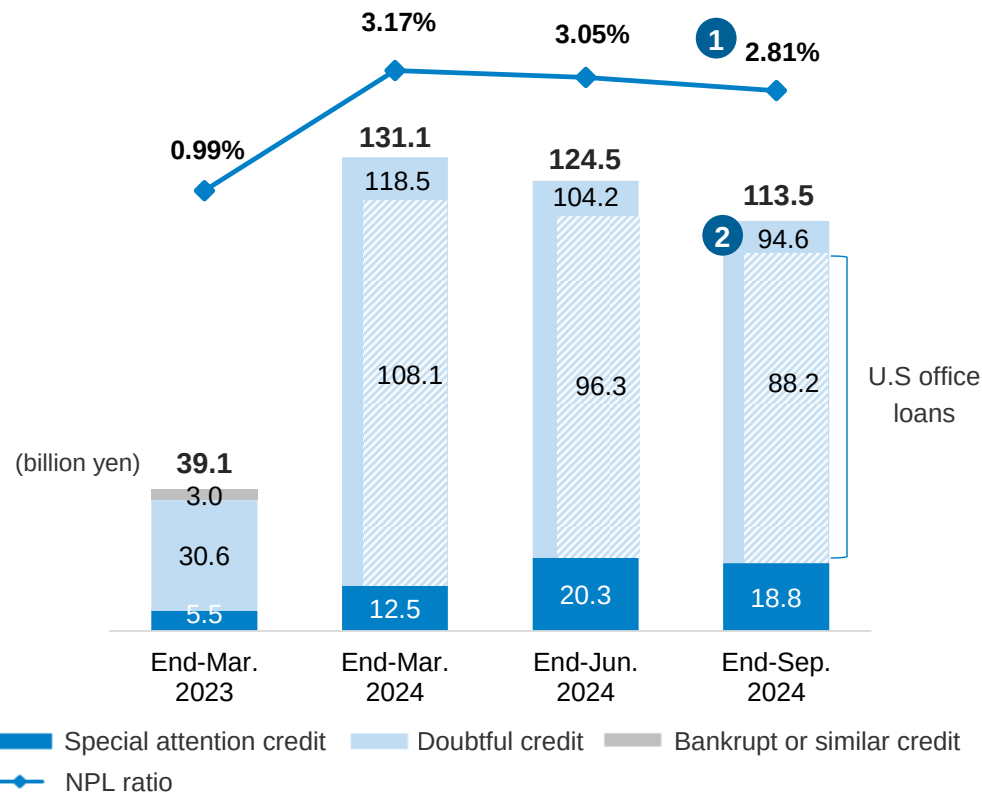
- U.S. non-recourse office loans
 - Credit-related expenses were a net expense of 1.4 billion yen (provision to specific loan loss reserves: 3.3 billion yen, reversals of general loan loss reserves and reserve for credit losses on off-balance-sheet instruments: 1.9 billion yen)
 - Workouts steadily progressed (five workouts fully resolved during 1H). Aozora also continued a review of property valuations for a segment of the office loan portfolio
- Other than U.S. non-recourse office loans
 - Credit-related expenses were a net expense of 2.1 billion yen mainly due to general loan loss reserves for domestic borrowers

Ratio of loan loss reserves to total loans

(billion yen)	End-Mar. 2024	End - Jun. 2024	End - Sep. 2024
Loan loss reserves (A)	87.9	83.6	77.0
General loan loss reserves	37.4	38.7	38.2
Total loans (B)	4,071.2	4,018.4	3,967.5
Loans subject to loss reserves (C)	3,691.3	3,681.0	3,578.3
(A) / (B)	2.15%	2.08%	1.94%
(A) / (C)	2.38%	2.27%	2.15%
Reserve ratio for need attention credit	6.8%	6.5%	6.2%
Reserve ratio for normal credit	0.4%	0.4%	0.4%

Non-performing loans based on the FRA*

P/L



- 1 The ratio of NPLs to total claims (NPL ratio) declined 0.36 percentage points from March 31, 2024
- 2 Doubtful credits decreased by 23.8 billion yen (including a decrease of 19.9 billion yen in U.S. non-recourse office loans) from March 31, 2024 as a result of the collection of U.S. non-recourse office loans during the workout process

(billion yen)	End-Mar. 2023	End-Mar. 2024	End-Jun. 2024	End-Sep. 2024
Total claims	3,936.0	4,127.2	4,077.6	4,027.3
NPLs (A)	39.1	131.1	124.5	113.5
Coverage (B)	36.5	122.8	111.0	104.4
Reserves	13.2	54.7	51.6	48.6
Collateral & guarantees	23.3	68.1	59.3	55.8
Coverage ratio (B) / (A)	93%	94%	89%	92%

* Financial Reconstruction Act

2. Balance sheet

Balance sheet summary

Balance sheet

(billion yen)	End-Mar. 2024 A	End - Jun. 2024	End-Sep. 2024 B	Change B - A
Loans and bills discounted	4,071.2	4,018.4	① 3,967.5	-103.7
Securities	1,186.5	1,230.9	1,220.8	+34.3
Cash and due from banks	1,579.7	1,605.4	1,769.3	+189.5
Trading assets	173.7	203.9	217.8	+44.0
Deferred tax assets	44.5	43.7	48.4	+3.8
Other	547.0	580.5	464.6	-82.4
Total assets	7,603.0	7,683.0	7,688.6	+85.6

- ① Overseas loans and bills discounted decreased mainly as a result of steady progress on workouts for the U.S. non-recourse office loan portfolio as well as the impact of a stronger yen compared to March 31, 2024, while domestic loans and bills discounted increased
- ② Deposits/Negotiable certificates of deposit decreased compared to March 31, 2024 as the Bank returned its liquidity reserves to a more optimal level
- ③ Capital stock and capital surplus increased as new shares were issued to Daiwa Securities Group Inc. through a third party allotment
- ④ Unrealized losses on the securities portfolio decreased partly due to the impact of a stronger yen compared to March 31, 2024

(billion yen)	End-Mar. 2024 A	End - Jun. 2024	End-Sep. 2024 B	Change B - A
Deposits / Negotiable certificates of deposit	5,776.3	5,705.3	② 5,722.0	-54.3
Bonds payable	181.3	191.0	119.9	-61.4
Borrowed money	563.3	562.8	697.3	+134.0
Cash collateral received for securities lent	260.6	292.6	283.9	+23.2
Trading liabilities	165.0	193.6	138.3	-26.7
Other	265.0	340.0	266.5	+1.4
Total liabilities	7,211.9	7,285.4	7,228.1	+16.2
Capital stock / Capital surplus	187.4	187.4	③ 239.4	+51.9
Retained earnings	228.4	236.0	238.1	+9.7
Valuation difference on available-for-sale securities	-45.8	-50.9	④ -32.8	+12.9
Deferred gains/losses on hedges	4.3	6.1	-1.4	-5.8
Foreign currency translation adjustment	10.1	10.2	9.0	-1.0
Other	6.4	8.5	8.1	+1.6
Total net assets	391.0	397.5	460.5	+69.4
Total liabilities and net assets	7,603.0	7,683.0	7,688.6	+85.6

Loans (1) —Summary—

Balance sheet

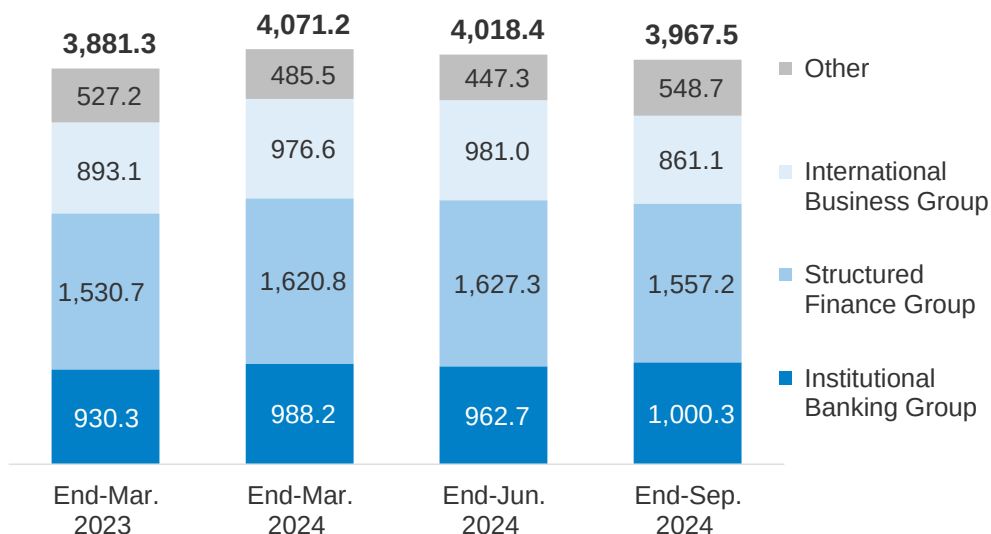
(billion yen)	End-Mar. 2024 A	End - Jun. 2024	End-Sep. 2024 B	Change B - A
Total loans (A)	4,071.2	4,018.4	3,967.5	-103.7
Domestic loans	2,598.1	2,530.3	① 2,675.7	+77.5
Overseas loans* (B)	1,473.1	1,488.0	② 1,291.8	-181.3
(B) / (A)	36.2%	37.0%	32.6%	-

* Overseas loans are with no final risk residing in Japan

- Domestic loans increased, which was in alignment with the Bank's risk-taking policy for FY2024 ("focused allocation of capital and resources to Aozora's Strategic Investments Business intended primarily for the domestic market")
- Overseas loans decreased as a result of a decrease in both corporate loans and overseas real estate non-recourse loans on a U.S. dollar basis, coupled with the impact of a stronger yen compared to March 31, 2024. The overseas loan ratio declined, reflecting the Bank's risk management strategy for FY2024

Loan outstandings by business segment

(billion yen)

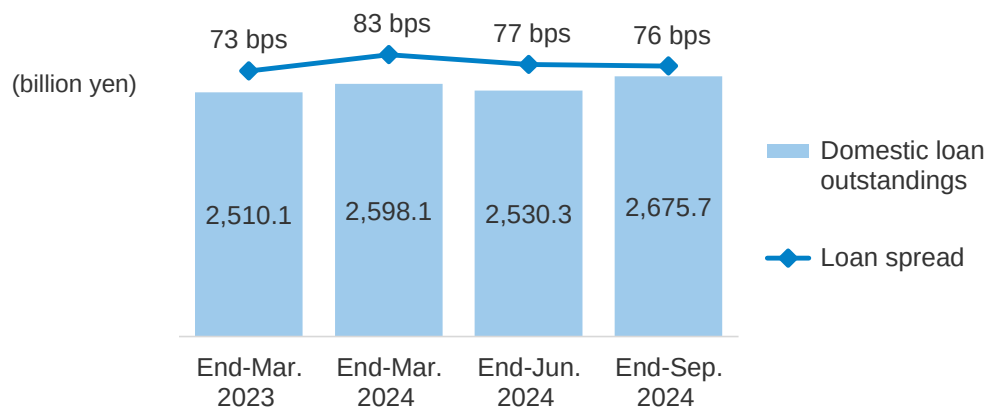


Balance by industry

(billion yen)	End-Mar. 2024 A	End - Jun. 2024	End-Sep. 2024 B	Change B - A	Share
Manufacturing	300.9	304.6	1 335.0	+34.1	13%
Utilities (electric power/gas/ heat supply/water service)	126.0	141.0	2 163.8	+37.7	6%
Information and communications	128.1	120.6	119.1	-9.0	4%
Transport, postal services	42.7	42.6	44.4	+1.6	2%
Wholesale and retail sale	85.9	68.5	68.0	-17.9	3%
Financial and insurance	363.8	351.8	359.5	-4.2	13%
Real estate	758.1	735.4	736.9	-21.1	28%
Incl. non-recourse loans	427.9	409.3	414.8	-13.1	16%
Leasing	183.2	192.6	194.5	+11.2	7%
Other services	162.9	170.8	197.2	+34.2	7%
Other	445.9	401.8	456.8	+10.9	17%
Total	2,598.1	2,530.3	2,675.7	+77.5	100%

- 1 Loan exposure to the manufacturing industry increased mainly due to new LBO financing transactions
- 2 Loan exposure to the utilities industry increased, driven by the origination of environmental finance transactions and loans to the public sector

Domestic loan outstandings and loan spread*



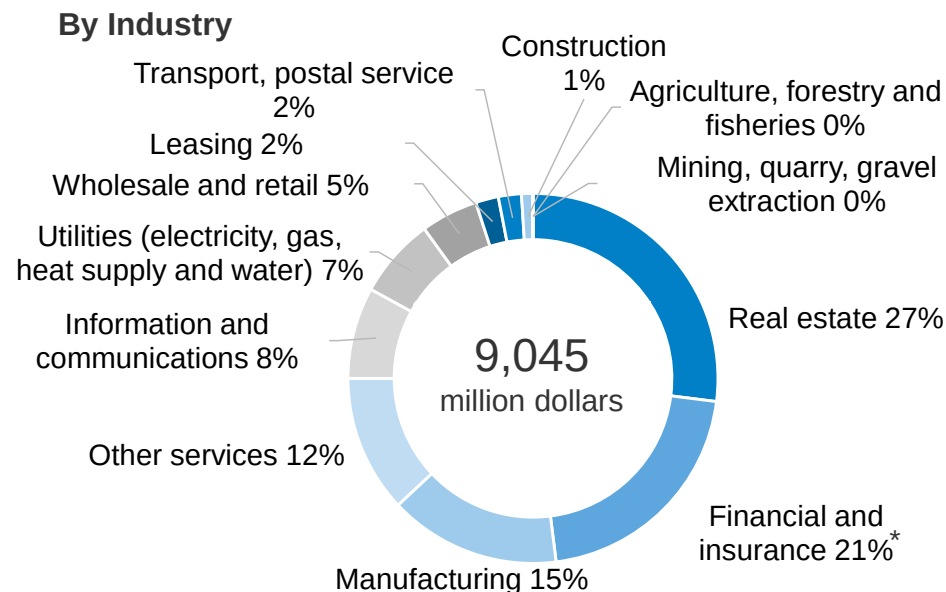
* The loan spread is on non-consolidated and management accounting bases and does not include NPLs

Loans (3) —Overseas—

Balance sheet

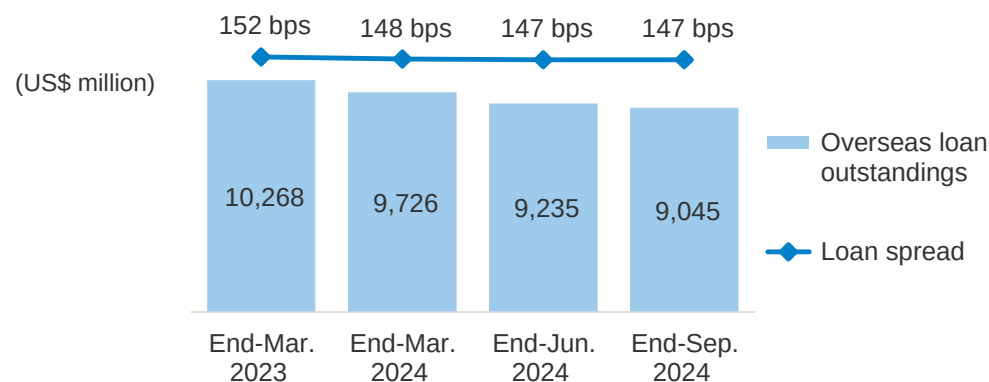
(billion yen)	End-Mar. 2024 A	End - Jun. 2024	End-Sep. 2024 B	Change B - A
Total loans (A)	4,071.2	4,018.4	3,967.5	-103.7
Overseas loans* (US\$ million)	9,726	9,235	9,045	-681
Overseas loans (B)	1,473.1	1,488.0	1,291.8	-181.3
(B) / (A)	36.2%	37.0%	32.6%	-
Foreign exchange rate (US\$/JPY)	¥151.46	¥161.12	¥142.82	¥-8.64

* Overseas loans are with no final risk residing in Japan



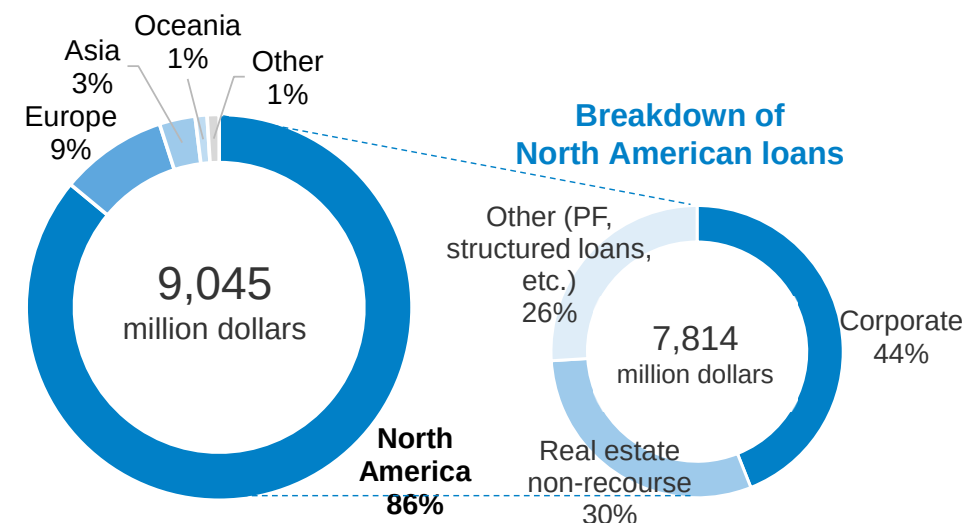
* The majority of "Financial and insurance" consist of the most senior tranche (AAA-rated) of middle-market CLO backed by diversified portfolio of U.S. medium-sized companies.

Overseas loan outstandings and loan spread*



* The loan spread is on non-consolidated and management accounting bases and does not include NPLs. The cost of forex forwards to which hedge accounting is not applied is included in funding costs.

By region

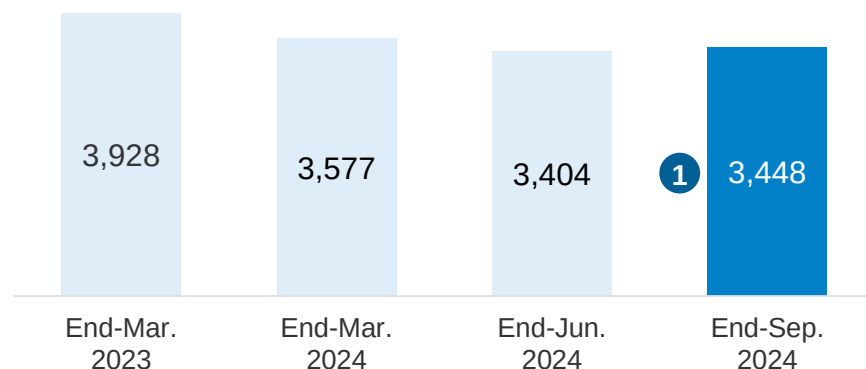


Loans (4) —North American corporate loans—

Balance sheet

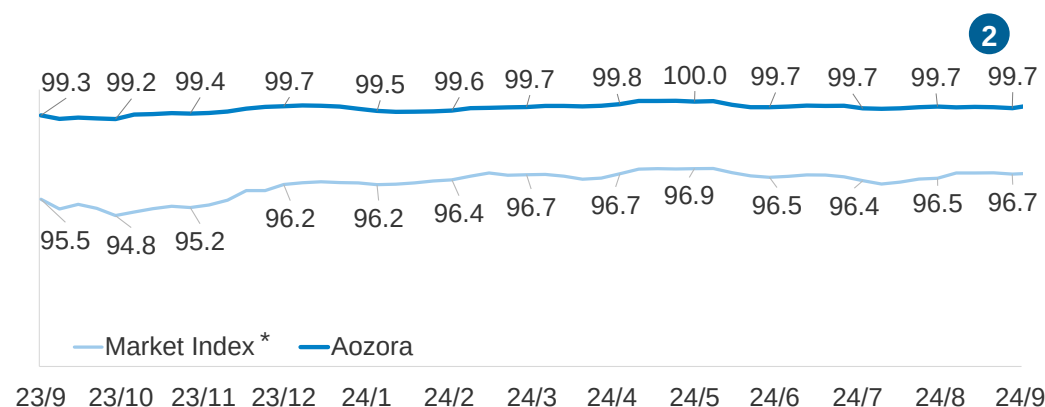
North American corporate loan outstandings

(US\$ million)



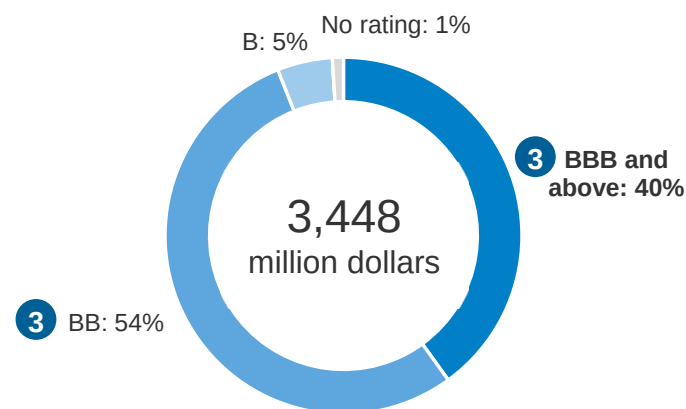
- 1 Aozora continued selective origination while taking into consideration exposure control on a yen basis. North American corporate loan outstandings on a yen basis declined compared to June 30, 2024
- 2 The average bid price of the Bank's loan portfolio continued to outperform the market index
- 3 The percentage of loans rated BB or higher remained high at 94%, which reflects the high quality of the Bank's loan portfolio

Average bid price



* Source: PitchBook Data, Inc.

North American corporate loans by credit rating*



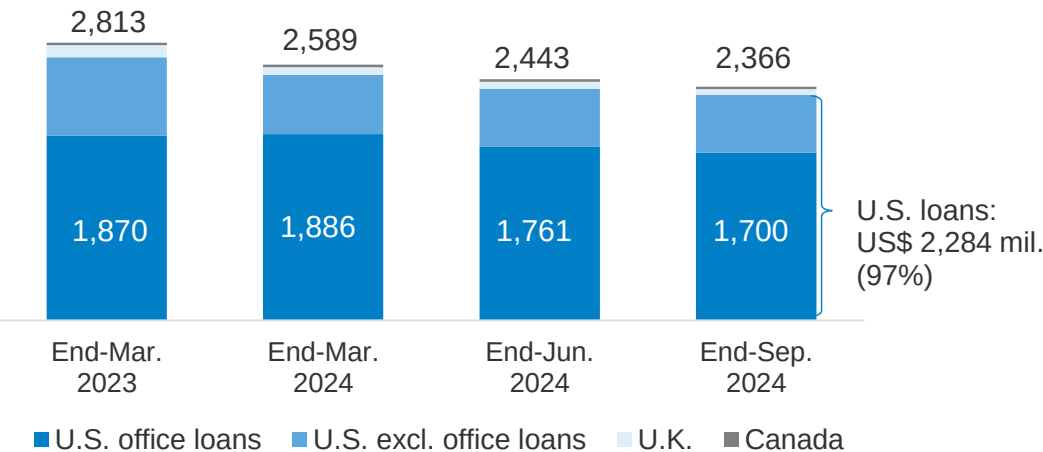
* S&P credit rating (facility basis)

Loans (5) —Overseas real estate non-recourse loans—

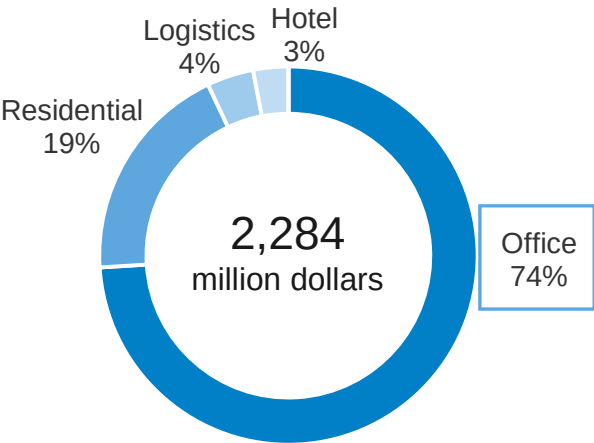
Balance sheet

Overseas real estate non-recourse loan outstandings

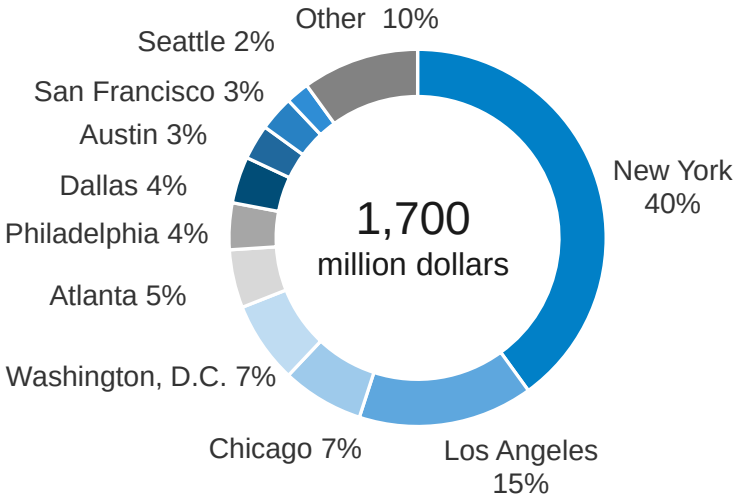
(US\$ million)



By U.S. sector — Total



By U.S. city — Office loans only

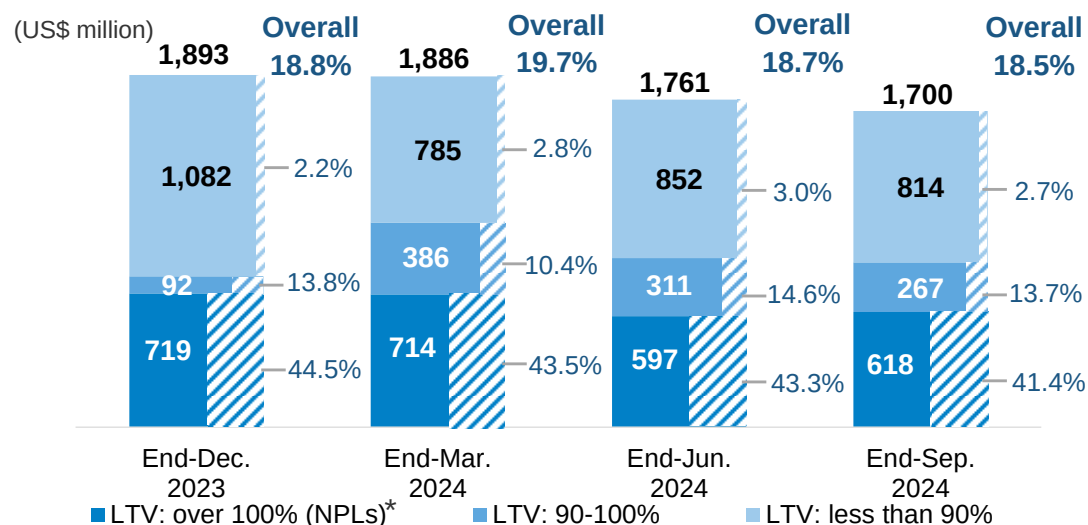


Loans (6) —U.S. non-recourse office loans—

Balance sheet

- Workouts steadily progressed, with three workouts fully resolved during 1Q and a further two workouts during 2Q. U.S. non-recourse office loan outstandings decreased by US\$186 million compared to March 31, 2024
- One borrower was downgraded to the “In Danger of Bankruptcy borrowers” status in 2Q

Aozora's U.S. office loan portfolio (balance and reserve ratio)



* U.S. office loans with an LTV of over 100% are classified as NPLs in principle.

Breakdown of Aozora's U.S. office loan portfolio by region (as of September 30, 2024)

	Number of transactions	Total outstandings (US\$ million)	Average LTV ^{*2}	% of valuation decline
New York		157	141%	-53%
Washington, D.C.		-	-	-
Chicago		118	211%	-68%
Los Angeles		91	174%	-69%
San Francisco		49	177%	-69%
Other ^{*1}		201	164%	-57%
Total NPLs	17	618	170%	-61%
Total Normal Loans	25	1,082	80%	-15%
Total	42	1,700		

*1 Including NPLs in the following six cities/county: Atlanta, Arlington, Austin, Orange County, Minneapolis, and Seattle

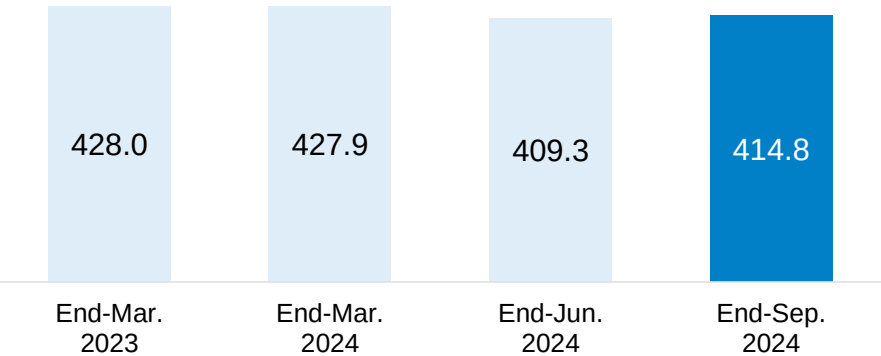
*2 Taking into account the risk of price declines over the period ending FY2025 for NPLs

(US\$ million)	End-Dec. 2023				End-Mar. 2024				End-Jun. 2024				End-Sep. 2024			
	Balance	Reserves	Reserve ratio*	Number of borrowers	Balance	Reserves	Reserve ratio*	Number of borrowers	Balance	Reserves	Reserve ratio*	Number of borrowers	Balance	Reserves	Reserve ratio*	Number of borrowers
LTV: less than 90%	1,082	23	2.2%	24	785	22	2.8%	20	852	25	3.0%	21	814	22	2.7%	20
LTV: 90-100%	92	12	13.8%	2	386	40	10.4%	6	311	45	14.6%	5	267	36	13.7%	5
LTV: over 100% (NPLs)	719	320	44.5%	21	714	310	43.5%	21	597	258	43.3%	18	618	256	41.4%	17
Total	1,893	357	18.8%	47	1,886	373	19.7%	47	1,761	330	18.7%	44	1,700	314	18.5%	42

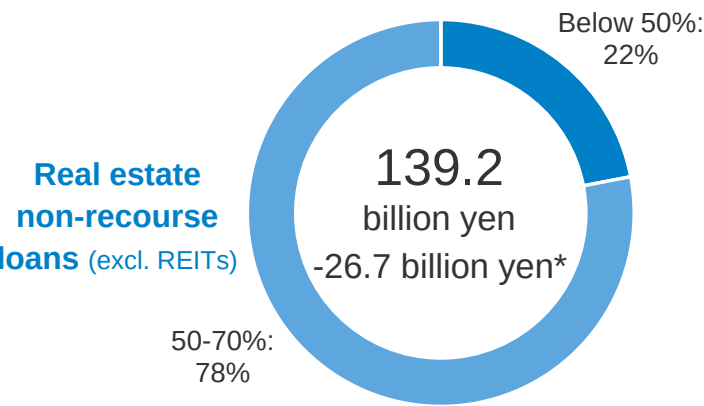
* Total exposure basis

Loans (7) —Domestic real estate non-recourse loans—

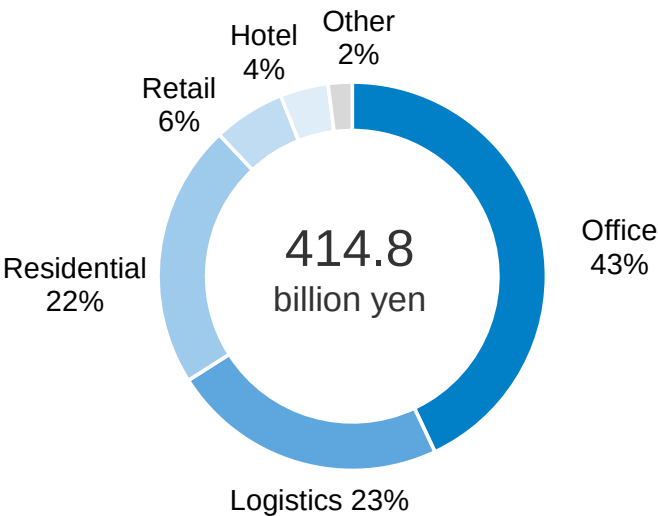
Domestic real estate non-recourse loan outstandings
(billion yen)



LTV

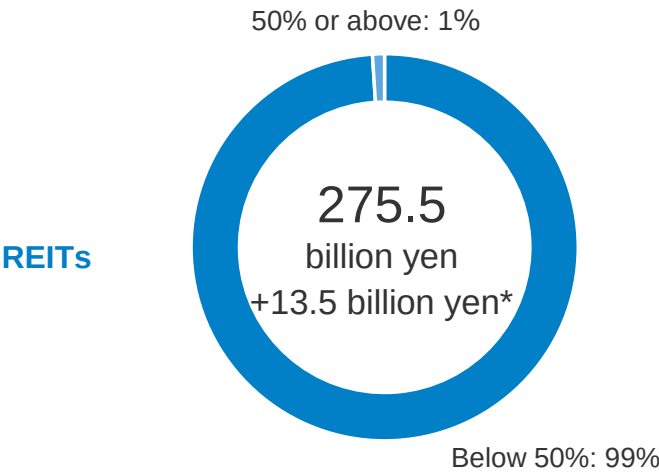


By sector



By region

	Metropolitan		Other
		Incl. Tokyo	
Proportion by region	85%	65%	15%



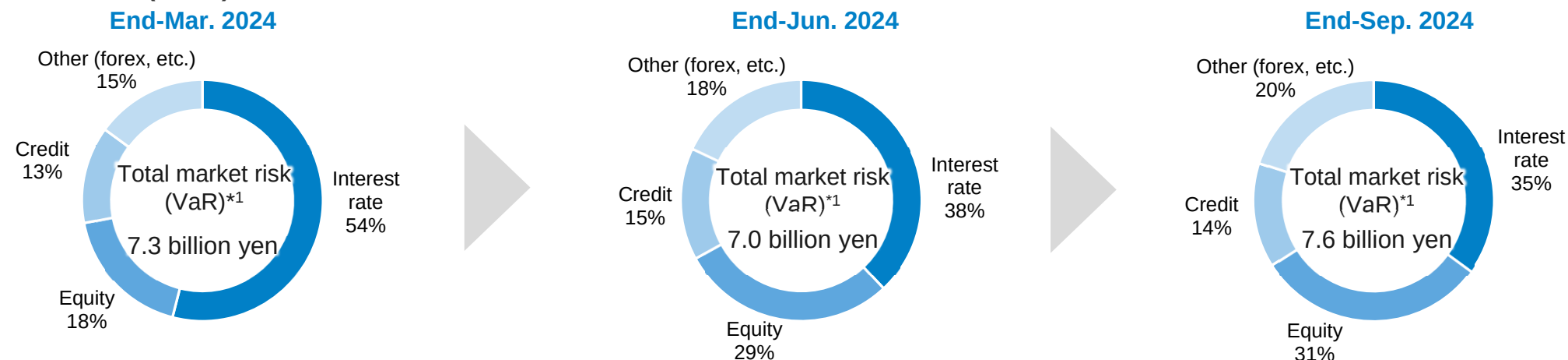
* Compared to March 31, 2024

	Book value				Unrealized gains/losses			
(billion yen)	End-Mar. 2024 A	End - Jun. 2024	End-Sep. 2024 B	Change B - A	End-Mar. 2024 C	End - Jun. 2024	End-Sep. 2024 D	Change D - C
JGBs	52.5	58.9	62.0	+9.4	-2.1	-3.1	-2.5	-0.3
Municipal bonds	29.0	30.6	31.3	+2.2	-0.2	-0.3	-0.2	-0.0
Corporate bonds / short-term corporate bonds	107.5	110.3	109.1	+1.5	-0.4	-0.7	-0.6	-0.1
Equities	31.1	33.3	31.6	+0.5	14.7	16.8	14.2	-0.5
Foreign bonds	493.9	508.4	508.6	+14.6	-60.6	-66.6	-42.1	+18.4
Foreign government bonds	262.6	277.7	291.6	+29.0	-32.1	-35.4	-21.2	+10.8
MBS	99.2	102.4	94.0	-5.2	-28.6	-31.1	-22.1	+6.4
Other	132.0	128.2	122.9	-9.1	0.1	0.0	1.2	+1.1
Other securities	472.3	489.1	478.1	+5.8	-10.0	-10.5	-15.9	-5.8
ETFs	59.9	67.7	63.5	+3.5	-10.4	-12.2	-7.9	+2.5
Investments in limited partnerships	181.4	187.1	180.0	-1.4	1.0	1.1	1.3	+0.2
REITs	35.1	32.4	31.0	-4.0	3.5	2.9	2.6	-0.9
Investment trusts	153.9	157.3	158.5	+4.5	-4.7	-2.8	-12.2	-7.4
Other	41.7	44.3	44.9	+3.1	0.5	0.4	0.3	-0.1
Total	1,186.5	1,230.9	1,220.8	+34.3	-58.7	-64.5	-47.2	+11.5
Foreign exchange rate (US\$/JPY)	¥151.46	¥161.12	¥142.82	¥-8.64				
Unrealized gains/losses, incl. unrealized gains/losses on hedging instruments					-51.1	-55.3	-48.4	+2.6

	U.S. government bonds	MBS	Municipal bonds	JGBs	Long-term JGBs	Short-term JGBs
<Reference> Duration*	5 years	7 years	5 years	7 years	14 years	0.2 years

* As of September 30, 2024, non-consolidated basis

Market risk (VaR^{*1})



Market risk (10 BPV^{*2})

(billion yen)	End-Mar. 2024	End-Jun. 2024	End-Sep. 2024
ALM securities operations	+0.0	-0.3	-0.4
Incl. U.S. dollar interest rate risk	+0.0	-0.2	-0.2
Incl. yen interest rate risk	+0.0	-0.1	-0.2

^{*1} VaR is a risk indicator for daily monitoring operations (e.g. banking book, ALM, trading book) considering the holding period. The value as of September 30, 2024 is on a preliminary basis.

^{*2} ALM securities investments only

ALM securities operations —legacy assets—

- Legacy assets: Securities that Aozora acquired before the U.S. and European interest rate hikes in FY2022 and to which Aozora intends to reduce unrealized losses over the medium to long term. Our policy is to basically maintain the net risk balance at zero
- The Bank did not implement any additional loss cuts in 1H of FY2024.

Legacy asset breakdown		Balance			Unrealized gains/losses* (billion yen)		
		End-Mar. 2024	End-Jun. 2024	End-Sep. 2024	End-Mar. 2024	End-Jun. 2024	End-Sep. 2024
U.S. government bonds	US\$ million	1,150	1,150	1,150	-11.0	-11.8	-10.4
European government bonds	EUR million	350	350	350	-9.1	-9.4	-7.7
MBS	US\$ million	823	808	792	-30.7	-32.3	-27.5
Credit ETFs (investment grade bonds)	US\$ million	465	465	465	-13.6	-14.9	-13.0
Total of the above					-64.7	-68.5	-58.7
Total across the Bank					-51.1	-55.3	-48.4

* Including hedging instruments (derivatives, bear funds)

(billion yen)	End-Mar. 2024 A	End - Jun. 2024	End-Sep. 2024 B	Change B - A
Total core funding	5,957.7	5,896.3	① 5,841.9	-115.7
Deposits / NCDs	5,776.3	5,705.3	5,722.0	-54.3
Incl. the balance of retail deposits	3,654.8	3,600.6	3,495.7	-159.0
Bonds	181.3	191.0	119.9	-61.4
Retail funding ratio*	61%	61%	60%	
Loan-to-deposit ratio incl. NCDs	70%	70%	69%	

* Defined as follows:

Retail funding ratio = Retail deposits / Total core funding

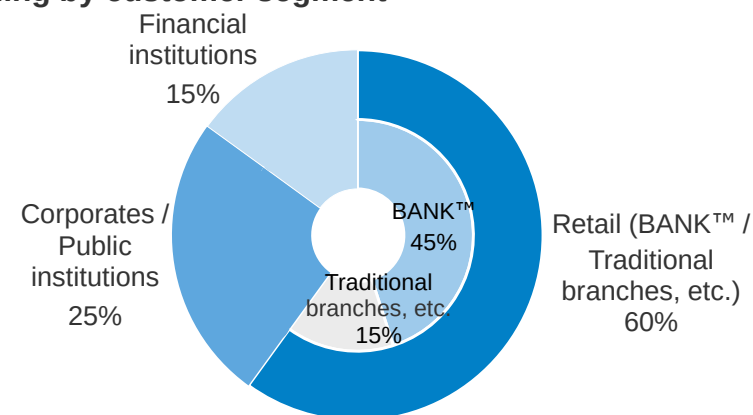
(billion yen)	End-Mar. 2024 A	End - Jun. 2024	End-Sep. 2024 B	Change B - A
Liquidity reserves	1,466.7	1,360.0	1,326.9	-139.8

* Non-consolidated basis

Surplus funds at hand for cash management purpose operated with high liquidity method including BOJ current account balance, JGBs, U.S. government bonds and call loans

- ① The Bank worked to return towards a more optimal level of liquidity reserves that increased in 2H of FY2023
- ② An increase in interest rates on time deposits at BANK™ triggered a shift of funds from ordinary deposits, which was in line with Aozora's current policy on deposit management

Core funding by customer segment



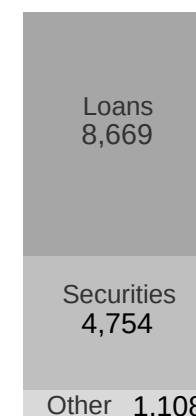
BANK™ deposit breakdown ②

	End-Mar. 2024 A	End-Sep. 2024 B	Change B - A
Ordinary deposits	75.1%	67.5%	-7.7%
Time deposits	24.9%	32.5%	+7.7%

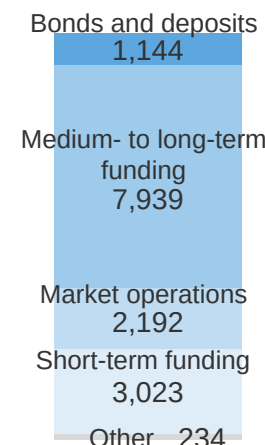
Foreign currency investments/funding

(US\$ million)

Investments
14,532



Funding
14,532



- Medium- to long-term funding:
Currency swap
Long-term forex forward
- Market operations:
Repo
Interbank
TRS
- Short-term funding:
Forex forward

Reference: Sensitivity analysis to an increase in interest rates

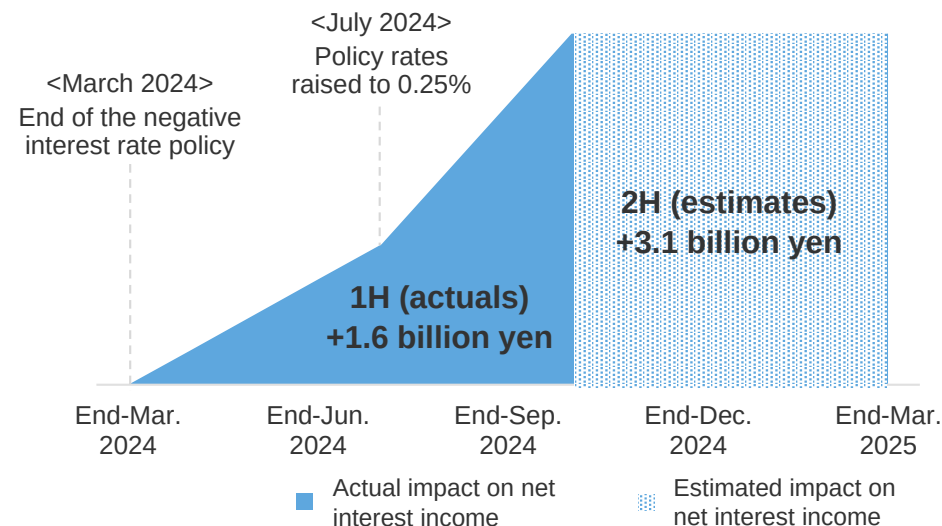
Balance sheet

Impact of the BOJ's policy rate hikes in March and July 2024 on net interest income (actuals in 1H of FY2024 and estimates for 2H of FY2024)

(billion yen)	Actual impact in 1H (April-September)	Estimated impact for 2H (October-March)*
Investments	+3.0	approx. +6.1
Funding	-1.4	approx. -3.0
Total	+1.6	approx. +3.1

* 2H estimate assumptions:

- No changes in yen interest rates and the balance sheet (non-consolidated basis) from September 30, 2024
- Assuming a 0.25% interest rate on the BOJ's current account



<Reference>

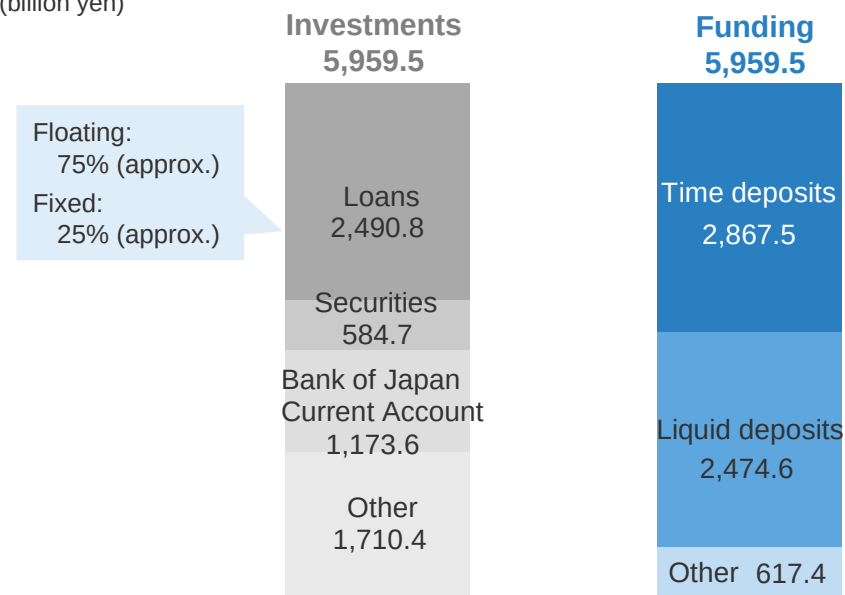
Estimated impact of a 0.25% increase in yen interest rates for all terms on annual net interest income

➔ **approx. +5.5 billion yen**

Estimate assumptions:

- An interest rate increase of 0.25% for all terms
- No change in the balance sheet (non-consolidated basis) from September 30, 2024
- Pass-through to interest rates on deposits: 50%

Yen-denominated investments/funding (billion yen)



3. Capital adequacy ratio / Dividend

Capital adequacy ratio (preliminary)

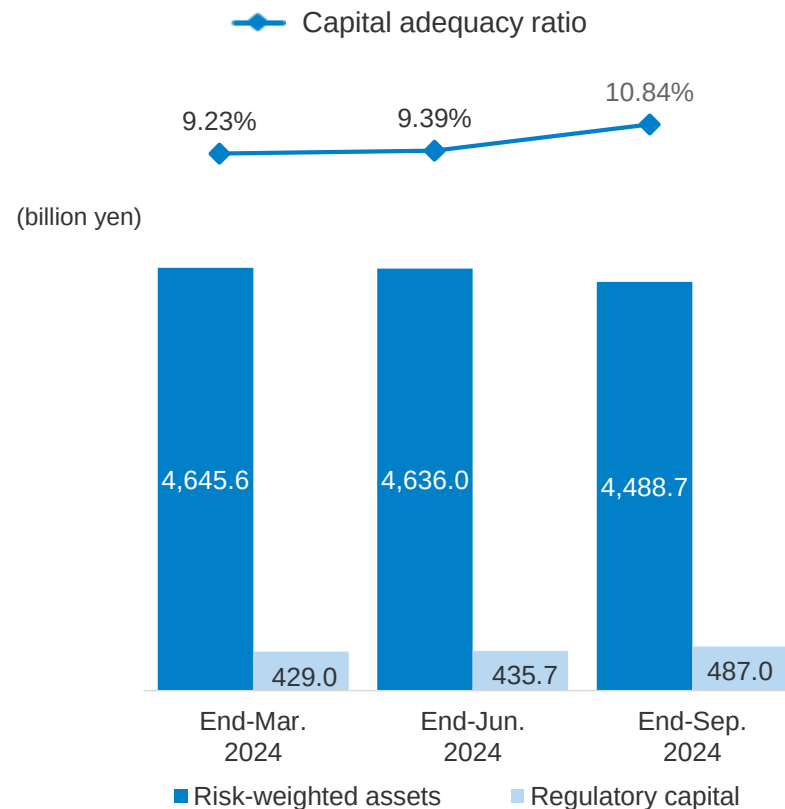
Capital adequacy
ratio / Dividend

- Following the issuance of new shares through a third party allotment to Daiwa Securities Group Inc. (investment took place on July 1, 2024, capital increased by 51.9 billion yen), the Bank's capital adequacy ratio and CET1 ratio improved

Domestic standard

(billion yen)	End-Mar. 2024 A	End - Jun. 2024	End-Sep. 2024 B	Change B - A
Capital adequacy ratio	9.23%	9.39%	10.84%	+1.61 %
Regulatory capital (A - B)	429.0	435.7	487.0	+58.0
Instruments and reserves (A)	467.5	475.4	527.2	+59.6
Shareholders' equity	413.1	418.4	472.2	+59.1
Other	54.4	56.9	55.0	+0.5
Regulatory adjustment (B)	38.5	39.6	40.2	+1.6
Risk-weighted assets	4,645.6	4,636.0	4,488.7	-156.8
Credit risk assets	4,273.1	4,271.3	4,124.2	-148.9
Market risk	238.9	231.2	223.9	-14.9
Operational risk	133.4	133.4	140.5	+7.0
<Reference> CET1 ratio*	7.1%	7.1%	8.9%	+1.8 %

* Approximate rate

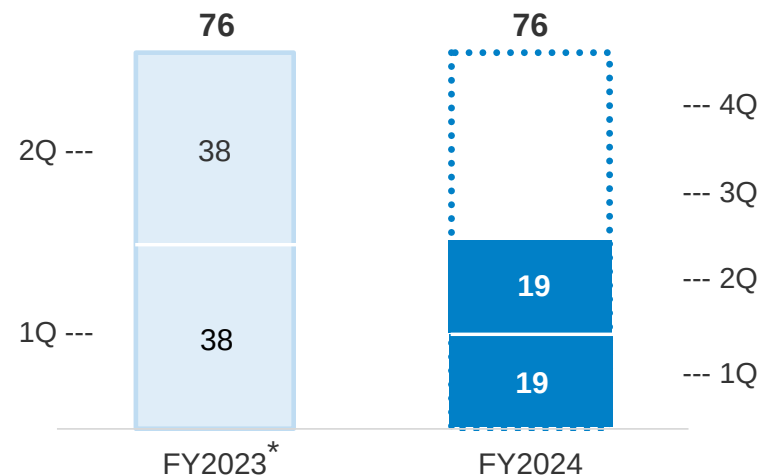


Dividend per common share

Record date	June 30 (1st quarter)	September 30 (2nd quarter)	December 31 (3rd quarter)	March 31 (4th quarter)	Full-year
Current forecast (FY2024)			—	—	76 yen
Dividend payment (FY2024)	19 yen	19 yen			

Dividend payments

(yen)

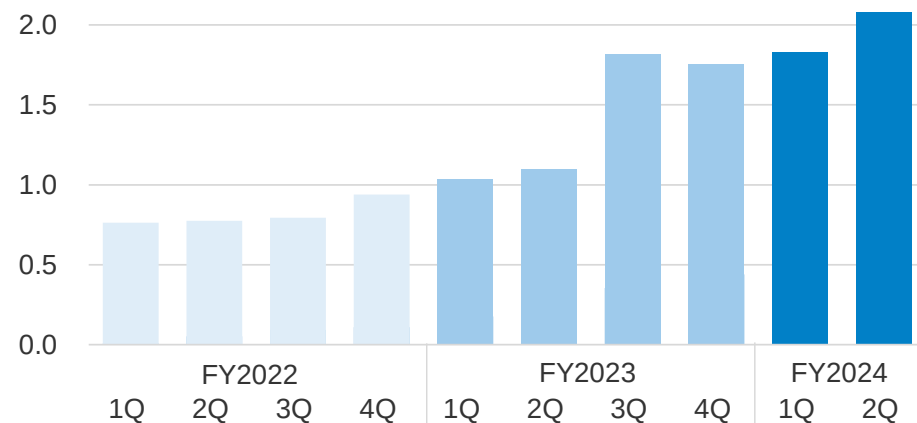


* No dividend payments in 3Q and 4Q of FY2023

4. Group companies

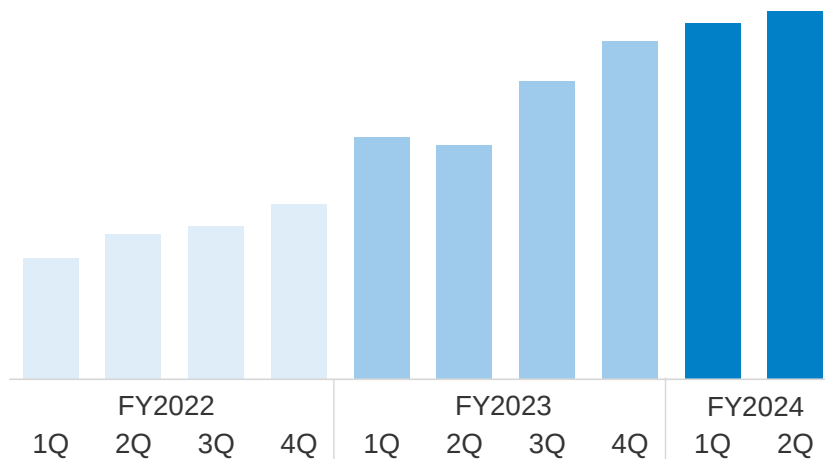
Quarterly net revenue

(billion yen)



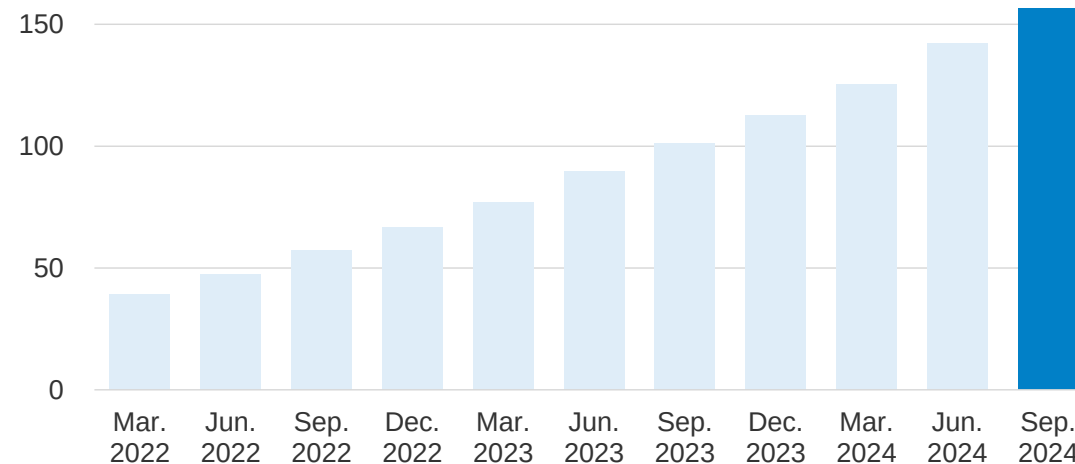
Net revenue	3.2	5.7	3.9
Business profit	-3.8	-2.7	-0.6

Number of transfer transactions



Number of corporate accounts

(thousand)

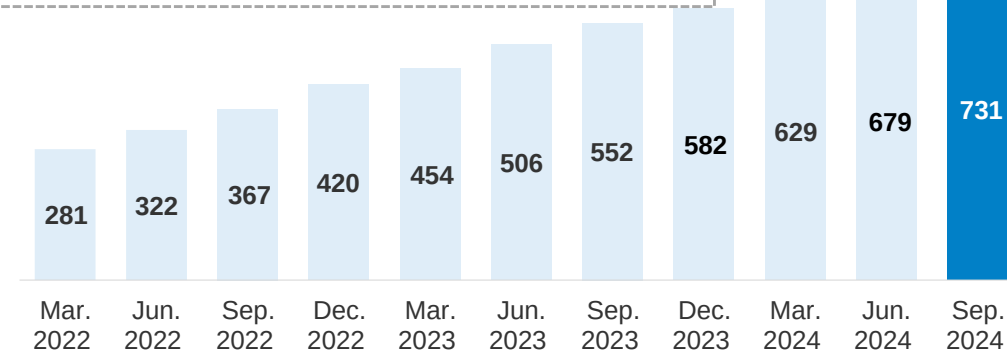


(Note) As of the end of each month

Number of “BaaS byGMO Aozora” contracts

BaaS byGMO Aozora

GANB offers each of its banking function as a standalone service. Corporate customers purchase only necessary banking functions and incorporate them into their back-office payment processes, such as salary transfer and expenses settlement



(Note) As of the end of each month

Aozora Group companies / consolidated, non-consolidated difference

Group companies

(billion yen)

(A) Non-consolidated net income	7.7
(B) Profit attributable to owners of parent	11.9
(B) - (A) (a + b) Difference	4.2

Breakdown of the difference

(a) Consolidated subsidiaries/affiliates	1.4
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	Share of Earnings ^{*1}	Net Revenue	Net Income
GMO Aozora Net Bank, Ltd.	50.0% ^{*2}	3.9	-1.4
Aozora Loan Services Co., Ltd.	67.6%	0.7	0.0
Aozora Securities Co., Ltd.	100.0%	0.1	-0.3
Aozora Regional Consulting Co., Ltd.	100.0%	0.0	0.0
Aozora Investment Management Co., Ltd.	100.0%	0.8	0.2
Aozora Real Estate Investment Advisors Co., Ltd.	100.0%	0.0	-0.0
ABN Advisors Co., Ltd.	100.0%	0.2	0.0
Aozora Corporate Investment Co., Ltd.	100.0%	0.2	0.1
Aozora Asia Pacific Limited	100.0%	0.2	0.0
Aozora Europe Limited	100.0%	0.3	0.0
Aozora North America, Inc.	100.0%	2.4	1.2
Other	-	0.3	0.2
Orient Commercial Joint Stock Bank	15.0%	-	1.2 ^{*3}

(b) Consolidation adjustments	2.8
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Gains/losses attributable to non-controlling interests (GMO Aozora Net Bank, Ltd.)	-	0.7
Other ^{*4}	-	2.0

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

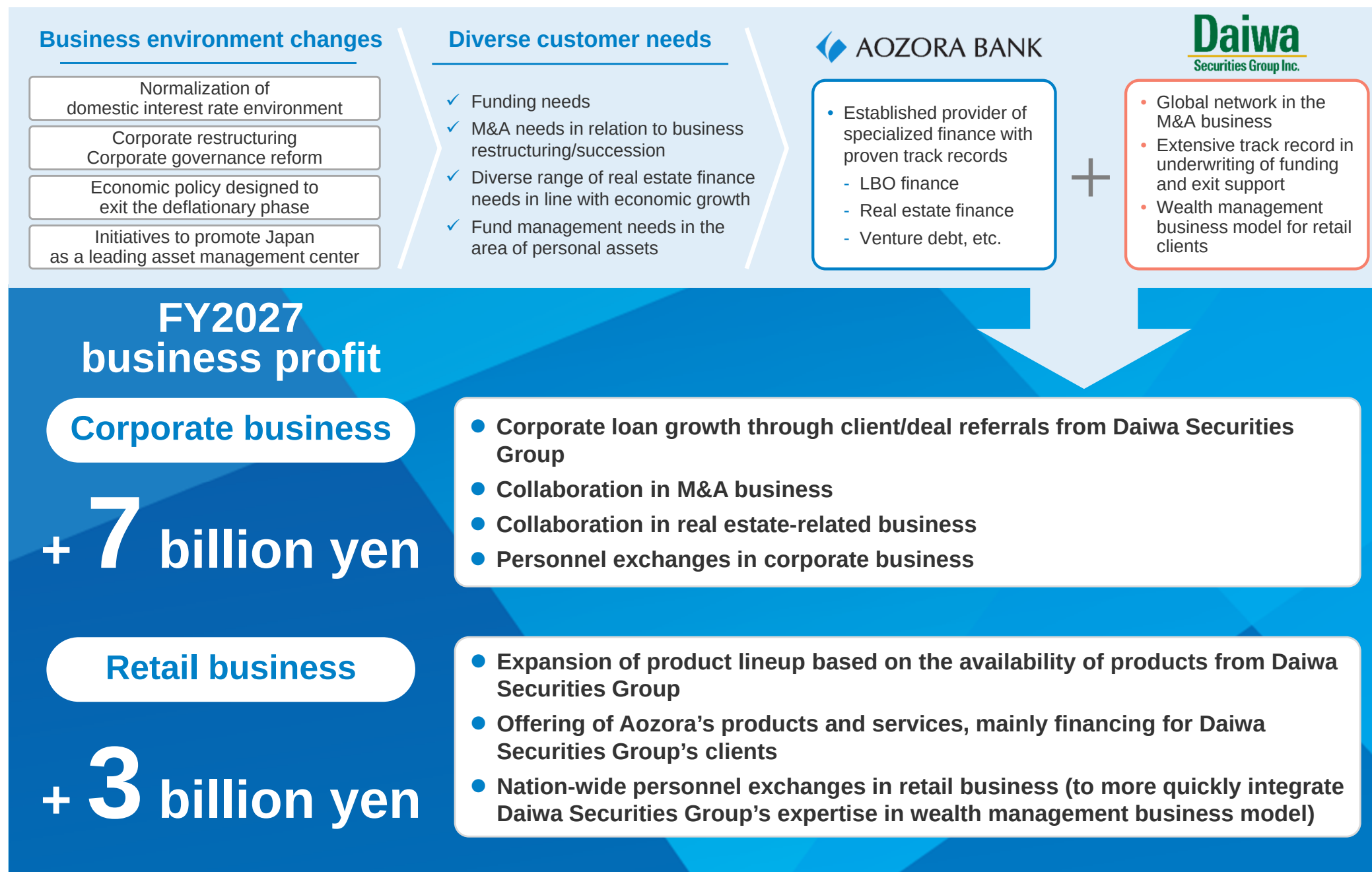
*2 Voting rights ratio is 85.1%.

*3 Revenue contribution from equity method investments

*4 Including a net gain of 2.3 billion yen due to the liquidation of a subsidiary

**Update on the capital and business alliance with
Daiwa Securities Group Inc.**

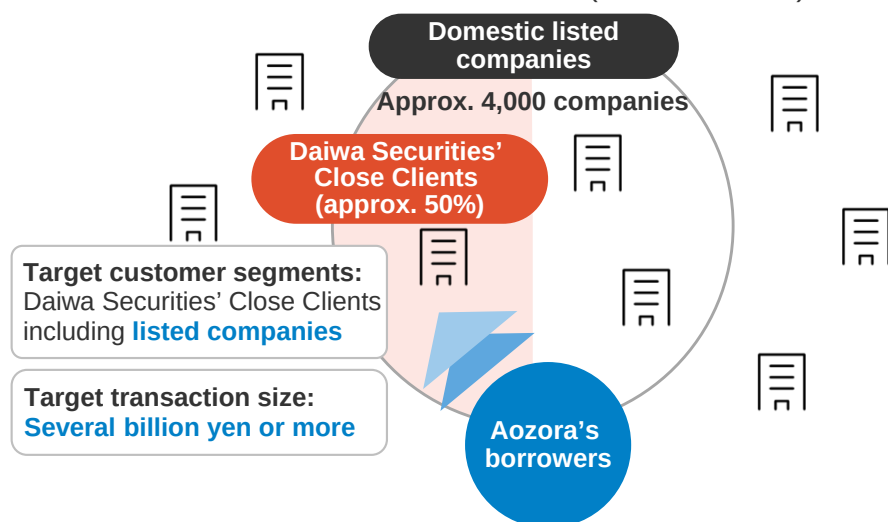
Impact of the alliance with Daiwa Securities Group Inc.



Potential areas of business collaboration

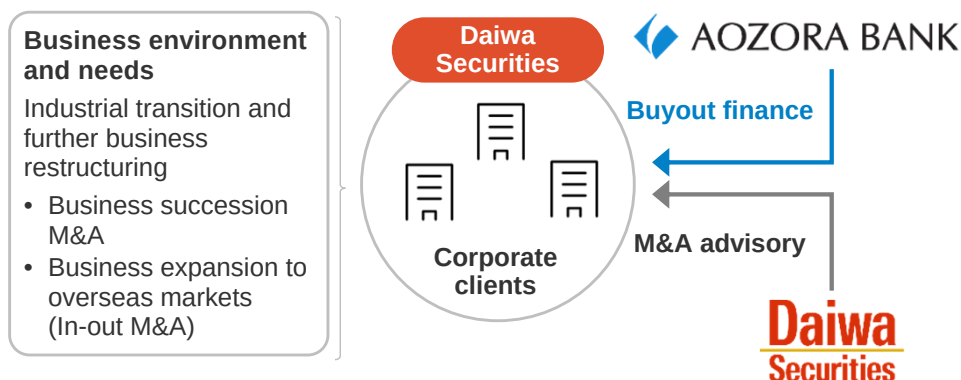
① Corporate lending

- Aim to further accelerate Aozora's Strategic Investments Business through expansion of the Bank's customer base by providing loans to the listed companies for whom Daiwa Securities acts as lead underwriter ("Close Clients")



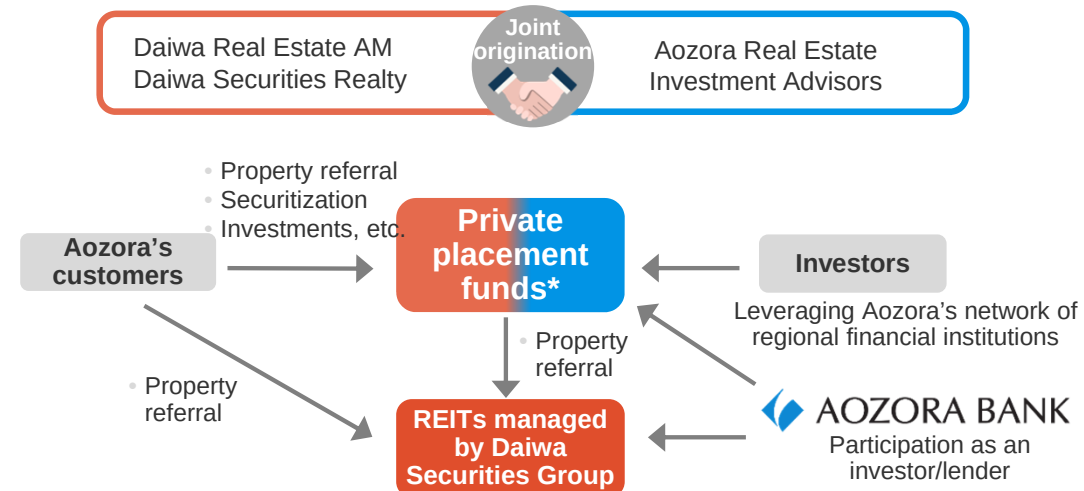
② M&A

- Aim to achieve earnings growth by expanding buyout financing opportunities for M&A transactions sourced by Daiwa Securities



③ Real estate-related business

- Offer Aozora's customers a wider range of solutions by leveraging the collaboration regarding real estate securitization with Daiwa Securities Group



④ Retail business (wealth management)

- Aim to achieve earnings growth by offering the products of Daiwa Securities Group and Aozora to respective clients/customers



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