FY2024 3rd Quarter Financial Results Overview

February 3, 2025

AOZORA BANK

Key Points

Net revenue	Business-related profit*2	Profit attributable to owners of parent
62.7 billion yen 2.0 billion yen increase year-on-year Progress rate*1: **75%**	**21.0 billion yen** 2.2 billion yen increase year-on-year Progress rate*3: **85%**	**16.2 billion yen** 30.9 billion yen increase year-on-year Progress rate*1: **90%**

Business overview

- Net interest income*4 grew by 6.4 billion yen year-on-year, 3.7 billion yen of which represented domestic growth, as a result of ALM operations based upon higher yen interest rates
- Aozora's Strategic Investments Business, the Bank's focused area, remained strong mainly in corporate lending, LBO financing and renewable energy financing transactions
- GMO Aozora Net Bank (GANB) achieved profitability in terms of both business profit and net income in 3Q for the first time since the launch of the business

Balance sheet repositioning

- U.S. non-recourse office loans:
  Workouts progressed and the number of "In Danger of Bankruptcy" borrowers declined to 13, from 21 as of December 31, 2023 when Aozora started the workout process. Outstanding balances also decreased by US$290 million (approximately 40%) from US$719 million to US$428 million
- Securities portfolio:
  The net risk balance of legacy assets was maintained at zero. Unrealized losses were within controllable levels in line with the plan for FY2024

Progress on the capital and business alliance with Daiwa Securities Group

- The alliance got off to a good start as Aozora began to provide corporate finance (including investments and loans to start-ups) to customers referred by Daiwa Securities Group as well as real estate finance and other financial products

3Q dividend: 19 yen per common share (full-year dividend forecast: 76 yen per common share)

*1 Percentage progress towards full-year earnings forecast
*2 Business profit + Gains/losses on stock transactions
*3 Percentage progress towards the full-year plan
*4 Excluding gains on cancellation of investment trusts

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(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)

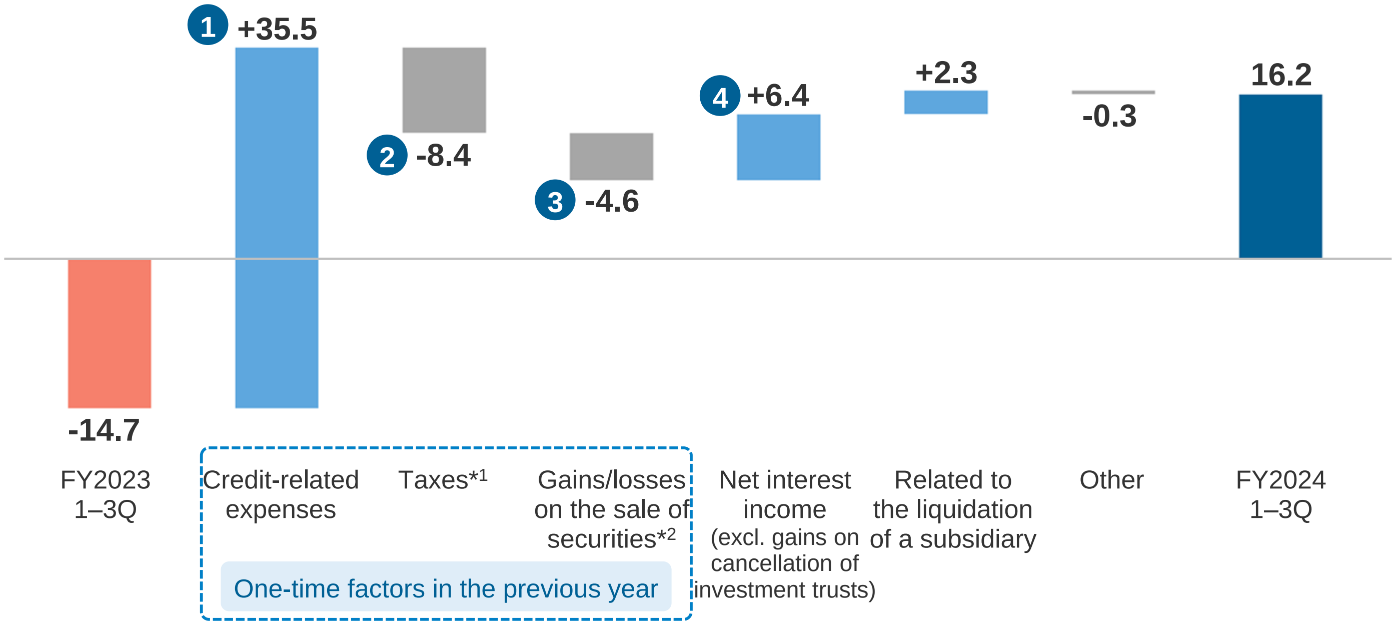
<Reference>

(billion yen)	FY2024 Forecast	FY2024 1Q	FY2024 2Q	FY2024 3Q	FY2024 1-3Q A	Progress	FY2023 1-3Q B	A - B Change	A - B %
Net revenue	**84.0**	**20.7**	**20.7**	**21.2**	**62.7**	**74.7%**	**60.6**	**+2.0**	**+3.4%**
Net interest income		12.0	12.6	11.7	36.5		33.9	+2.5	
Non-interest income		8.6	8.0	9.4	26.2		26.6	-0.4	
General & administrative expenses		-14.9	-15.3	-15.8	-46.1		-45.6	-0.4	
Gains/losses on equity method investments		0.7	0.4	0.1	1.3		2.2	-0.8	
Business profit (A)	**24.0**	**6.4**	**5.8**	**5.6**	**17.9**	**74.8%**	**17.2**	**+0.6**	**+4.1%**
Credit-related expenses		-1.3	-2.2	-3.7	-7.3		-42.9	+35.5	
Gains/losses on stock transactions (B)		0.7	1.1	1.2	3.0		1.5	+1.5	
Ordinary profit	**24.0**	**5.8**	**4.1**	**3.2**	**13.2**	**55.4%**	**-24.8**	**+38.1**	**-**
Extraordinary profit/loss		3.4	-0.2	-	3.1		-0.0	+3.1	
Profit before income taxes		**9.3**	**3.8**	**3.2**	**16.4**		**-24.8**	**+41.3**	**-**
Taxes		-2.0	0.0	1.2	-0.6		8.8	-9.4	
Gains/losses attributable to non-controlling interests		0.2	0.4	-0.2	0.4		1.3	-0.8	
Profit attributable to owners of parent	**18.0**	**7.5**	**4.3**	**4.3**	**16.2**	**90.2%**	**-14.7**	**+30.9**	**-**
	FY2024 Plan								
Business-related profit (A)+(B)	**24.7**	**7.1**	**6.9**	**6.8**	**21.0**	**85.2%**	**18.8**	**+2.2**	**+11.8%**
ROE	**4.6%**	**-**	**-**	**-**	**5.2%**				

P/L Summary (2)

Major factors in change in profit attributable to owners of parent (FY2023 1–3Q vs FY2024 1–3Q)

(billion yen)



*1 Excluding taxes related to the liquidation of a subsidiary

*2 Gains/losses on cancellation of investment trusts + Gains/losses on bond transactions + Gains/losses on stock transactions

1. A decrease in credit-related expenses (44.9 billion yen) recorded in previous year for U.S. non-recourse office loans, which contributed to the recovery from negative profit attributable to owners of parent recorded in 1–3Q of FY2023
2. Absence of income taxes — deferred (as a result of an increase in deferred tax assets) that were recorded in the previous year due to net loss*
3. Resulting from: (i) decrease in gains on the sale of equities held solely for investment purposes (8.9 billion yen → 2.0 billion yen); (ii) decrease in gains on the sale of REITs, private placement investment trusts, etc. (12.2 billion yen → 4.1 billion yen); and (iii) positive effect due to the absence of loss cuts associated with restructuring the securities portfolio conducted in the previous year (minus 10.2 billion yen)
4. Resulting primarily from: (i) improvement in domestic net interest income mainly due to higher yen interest rates and increased loan outstandings; and (ii) decrease in foreign currency funding costs mainly due to the previous year's disposition of foreign bonds

* Deferred tax assets were reversed in 4Q of FY2023.

Results by business segment (1)

P/L

Business-related profit by business segment

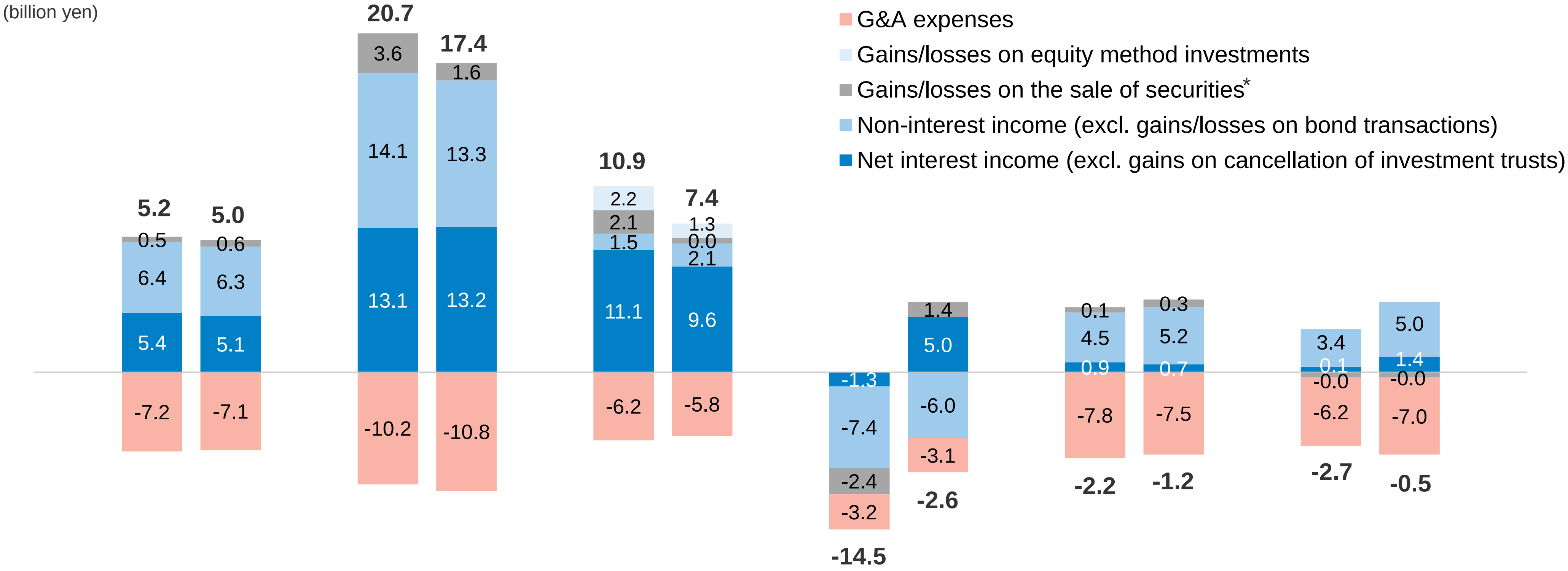
(billion yen)	FY2024 Plan	FY2024 1Q	2Q	3Q	1-3Q A	Progress	<Reference> FY2023 1-3Q B	Change A - B
Institutional Banking Group	6.6	1.8	1.8	1.3	1 5.0	76%	5.2	-0.2
Structured Finance Group	22.1	5.5	4.9	6.8	2 17.4	79%	20.7	-3.2
International Business Group	11.5	3.4	2.5	1.4	3 7.4	65%	10.9	-3.4
Market Group	-9.5	-0.0	-1.0	-1.6	4 -2.6	-	-14.5	+11.8
Customer Relations Group	-2.8	-0.2	-0.4	-0.5	-1.2	-	-2.2	+1.0
Allied Banking Group	0.9	0.3	0.0	-0.0	0.3	40%	0.8	-0.4
Retail Banking Group	-3.7	-0.5	-0.5	-0.4	-1.5	-	-3.0	+1.5
GMO Aozora Net Bank	-	-0.5	-0.4	5 0.3	-0.5	-	-2.7	+2.1
Other*	-	-2.8	-0.5	-0.9	-4.4	-	1.3	-5.8
Total	**24.7**	**7.1**	**6.9**	**6.8**	**21.0**	**85%**	**18.8**	**+2.2**

* 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 1–3Q of FY2023, 2.0 billion yen in 1–3Q of FY2024)

1. Almost in line with plan 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 finance and renewable energy finance. Progressed strongly in 3Q towards the plan partially due to the execution of a customer's significant financing transaction. A year-on-year decline was mainly due to a decrease in gains on the sale of REITs
3. Continued selective origination of overseas corporate loans with a focus on portfolio quality, which led to a decrease in outstandings. A year-on-year decline in business-related profit was due to the absence of the previous year's gains on the sale of overseas equities
4. Significantly reduced the deficit in business-related profit compared to the plan as a result of improving ALM-related net interest income (a year-on-year increase of 6.4 billion yen) mainly due to higher yen interest rates and lower foreign currency funding costs as well as an increase in net trading revenues, while the negative carry from legacy assets remained
5. GANB achieved positive net income in 3Q for the first time since the launch of the business, as initially projected

Results by business segment (2)

Business-related profit breakdown by business segment



FY2023 1-3Q FY2024 1-3Q	FY2023 1-3Q FY2024 1-3Q	FY2023 1-3Q FY2024 1-3Q	FY2023 1-3Q FY2024 1-3Q	FY2023 1-3Q FY2024 1-3Q	FY2023 1-3Q FY2024 1-3Q
Institutional Banking Group	**Structured Finance Group**	**International Business Group**	**Market Group**	**Customer Relations Group**	**GMO Aozora Net Bank**
◆ Corporate Business Group ◆ M&A Advisory Group	◆ Acquisition & Structured Finance Group ◆ Environment Business Group ◆ Special Situations Group ◆ Real Estate Finance Group	◆ International Business Group	◆ Financial Markets Group	◆ Allied Banking Group ◆ Retail Banking Group	

* Gains/losses on cancellation of investment trusts + Gains/losses on bond transactions + Gains/losses on stock transactions

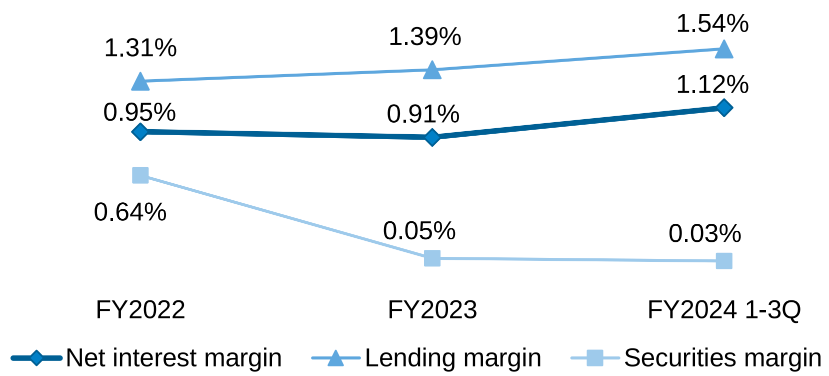
Net interest income

(billion yen)	FY2023 1-3Q A	FY2024 1Q	FY2024 2Q	FY2024 3Q	FY2024 1-3Q B	Change B - A
Net interest income	**33.9**	**12.0**	**12.6**	**11.7**	**36.5**	**+2.5**
Net interest income (excl. gains on cancellation of investment trusts)	**29.8**	**12.0**	**12.6**	**11.6**	**36.3**	1 **+6.4**
Interest income	**127.0**	**41.4**	**40.2**	**40.5**	**122.3**	**-4.7**
Interest on loans and discounts	98.1	33.9	32.3	31.8	98.2	+0.0
Interest and dividends on securities	22.9	5.1	5.3	5.8	16.2	-6.6
Incl. gains on cancellation of investment trusts	4.1	0.0	-0.0	0.1	0.2	-3.9
Interest expenses	**-93.0**	**-29.3**	**-27.6**	**-28.7**	2 **-85.7**	**+7.2**
Incl. repurchase interest, etc.	-13.9	-4.1	-4.0	-4.5	-12.8	+1.0
Incl. interest on swaps	-63.4	-19.8	-18.3	-17.7	-55.9	+7.4
Average balance of interest-earning assets	6,067.1	5,654.8	5,675.5	5,931.1	5,754.2	-312.9
Yield on interest-earning assets	2.77%	2.91%	2.76%	2.65%	2.77%	-0.00%
Average balance of interest-bearing liabilities	6,758.2	6,799.9	6,943.0	6,952.0	6,898.7	+140.5
Yield on interest-bearing liabilities	1.82%	1.73%	1.57%	1.64%	1.65%	-0.17%
Net interest margin	0.95%	1.18%	1.19%	1.01%	1.12%	+0.17%

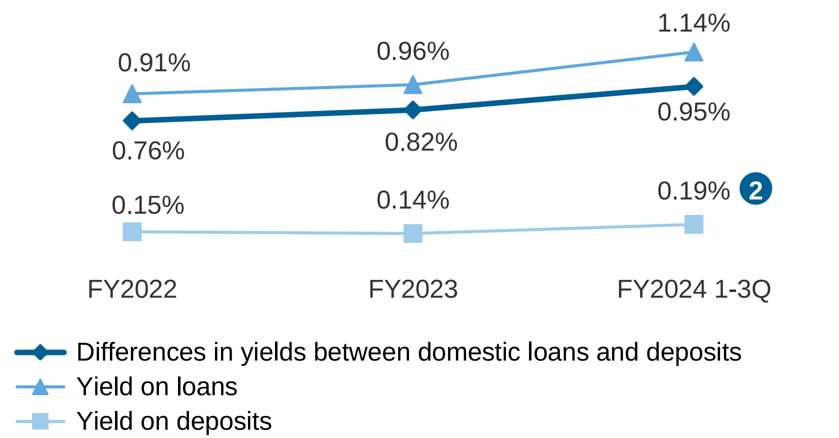
Net interest income, excluding gains on the cancellation of investment trusts, increased 6.4 billion yen year-on-year

1. The 6.4 billion yen increase was comprised of increases of 3.7 billion yen domestically and 2.7 billion yen overseas
   - The domestic increase was mainly due to a rise on the yield on loans in response to the BOJ's policy shift towards higher interest rates
   - The overseas increase was mainly because 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
2. The impact of higher time deposit interest rates and other factors on yen funding costs has been limited at this point (yield on yen deposits increased by 5 bps year-on-year)

Net interest margin, lending margin and securities margin



Differences in yields between domestic loans and deposits



Non-interest income

(billion yen)	FY2023 1-3Q A	FY2024 1Q	2Q	3Q	1-3Q B	Change B - A
Non-interest income	**26.6**	**8.6**	**8.0**	**9.4**	**26.2**	**-0.4**
Net fees and commissions	**14.7**	**5.6**	**4.8**	**7.9**	**18.3**	**+3.6**
Loan-related fee income	6.3	2.4	1.3	3.7	1 7.6	+1.2
Investment trust fee income	2.5	1.0	1.1	1.2	3.3	+0.8
GANB fee income	3.2	1.3	1.2	2.1	2 4.7	+1.4
M&A fee income	1.2	0.2	0.1	0.1	0.5	-0.7
Other	1.3	0.5	0.8	0.6	2.0	+0.7
Net trading revenues	**0.7**	**1.2**	**0.1**	**0.0**	**1.4**	**+0.6**
Net other ordinary income	**11.1**	**1.7**	**3.1**	**1.4**	**6.3**	**-4.7**
Incl. gains/losses on bond transactions	5.1	1.7	0.6	0.5	2.9	3 -2.2
Incl. gains/losses from limited partnerships	8.1	1.7	3.3	2.3	7.4	-0.6
Incl. gains/losses on financial derivatives	0.5	0.3	0.8	-0.4	0.7	+0.1

Steady progress mainly due to an increase in net fees and commissions

1. Loan-related fee income steadily grew mainly in LBO finance and renewable energy finance, which are among Aozora's strengths. The increase in 3Q was mainly due to the execution of a significant LBO financing transaction

2. GANB made steady progress in generating revenues from its core businesses, which led to a significant increase in its fee income both for the quarter and on a year-on-year basis

3. The decline was mainly due to a decrease in gains on the sale of REITs and private placement investment trusts

Equity investments

Capital gains and other equity returns*1

(billion yen)

	FY2023 1-3Q A	FY2024 1Q	FY2024 2Q	FY2024 3Q	FY2024 1-3Q B	Change B - A
Real estate-related equities	5.3	0.9	0.6	0.4	1 2.0	-3.3
Investment in business recovery claims	0.9	0.4	0.5	0.5	2 1.5	+0.6
Buyout funds	2.2	-0.5	1.8	0.2	1.5	-0.6
Venture funds	-0.7	-0.1	-0.2	-0.4	-0.8	-0.0
Domestic/overseas equity investments	3.0	0.7	0.2	0.1	1.1	-1.9
Other (incl. overseas debt funds)	0.4	0.3	0.0	0.3	0.7	+0.2
Total	**11.2**	**1.6**	**3.0**	**1.4**	**6.1**	**-5.1**
<Reference>						
Gains/losses on stock transactions*2	**1.5**	**0.7**	**1.1**	**1.2**	**3.0**	**+1.5**

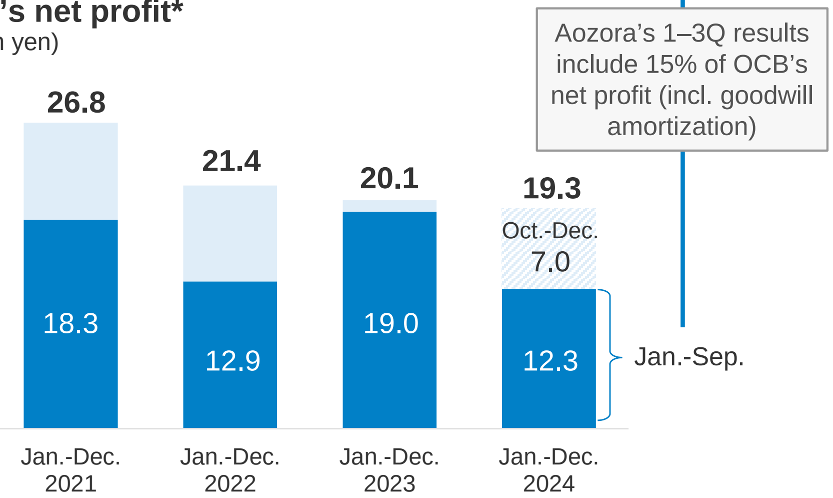
1 Capital gains decreased year-on-year mainly due to a decrease in gains on the sale of domestic unlisted REITs (3.3 billion yen → 1.4 billion yen)

2 The purchased amount of domestic business recovery claims increased, and associated capital gains also increased year-on-year

(billion yen)	FY2023 1-3Q A	FY2024 1Q	FY2024 2Q	FY2024 3Q	FY2024 1-3Q B	Change B - A
Gains/losses on equity method investments	**2.2**	**0.7**	**0.4**	**0.1**	**3 1.3**	**-0.8**

OCB's net profit*

(billion yen)

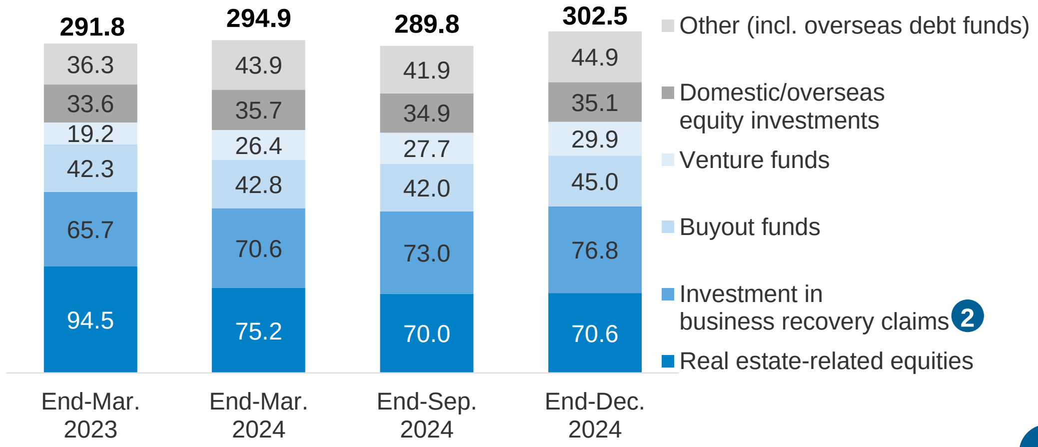


* Uses an exchange rate of 0.0061 yen per 1 Vietnamese dong

3 OCB's net profit decreased in the January–September period mainly due to investments in digital banking and human resources as well as additional provisions to loan loss reserves. Full-year net profit was almost flat compared to the previous year

Equity investments*3

(billion yen)



*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

G&A expenses

P/L

(billion yen)	FY2023 1-3Q A	FY2024 1Q	FY2024 2Q	FY2024 3Q	FY2024 1-3Q B	Change B - A
G&A expenses	**45.6**	**14.9**	**15.3**	**15.8**	1 **46.1**	**+0.4**
Personnel	22.5	7.0	7.7	7.6	22.4	-0.0
Non-personnel	21.2	7.1	7.0	7.3	21.5	+0.2
Incl. IT-related	9.3	3.0	3.0	3.3	9.4	+0.1
Taxes	1.9	0.7	0.6	0.7	2.1	+0.2

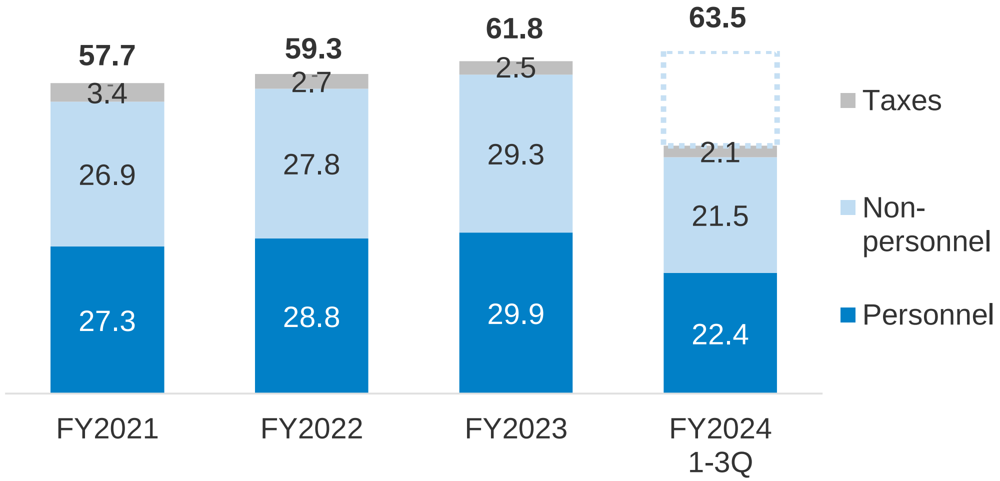
(million yen)						
Business-related profit per employee	**6.9**	**-**	**-**	**-**	**7.7**	**+0.7**

1 G&A expenses represented 73% of the original budget (63.5 billion yen)

- Aozora maintained cost control amid increasing inflationary pressures
- Necessary investments were made mainly in human resources and IT areas

G&A expenses

(billion yen)



Credit-related expenses

P/L

(billion yen)	FY2023 1-3Q	FY2023 Full year	FY2024 1Q	FY2024 2Q	FY2024 3Q	FY2024 1-3Q
Credit-related expenses	**-42.9**	**-46.9**	**-1.3**	**-2.2**	**-3.7**	**-7.3**
Specific loan loss reserves, etc.*1	-39.2	-41.6	-0.5	-3.1	-1.5	-5.2
General loan loss reserves, etc.*2	-3.7	-5.2	-0.8	0.9	-2.1	-2.1

*1 Including specific loan loss reserves, write-off of loans, gains/losses on disposition of loans and recoveries of written-off receivables

*2 Including general loan loss reserves and reserve for credit losses on off-balance-sheet instruments

Ratio of loan loss reserves to total loans

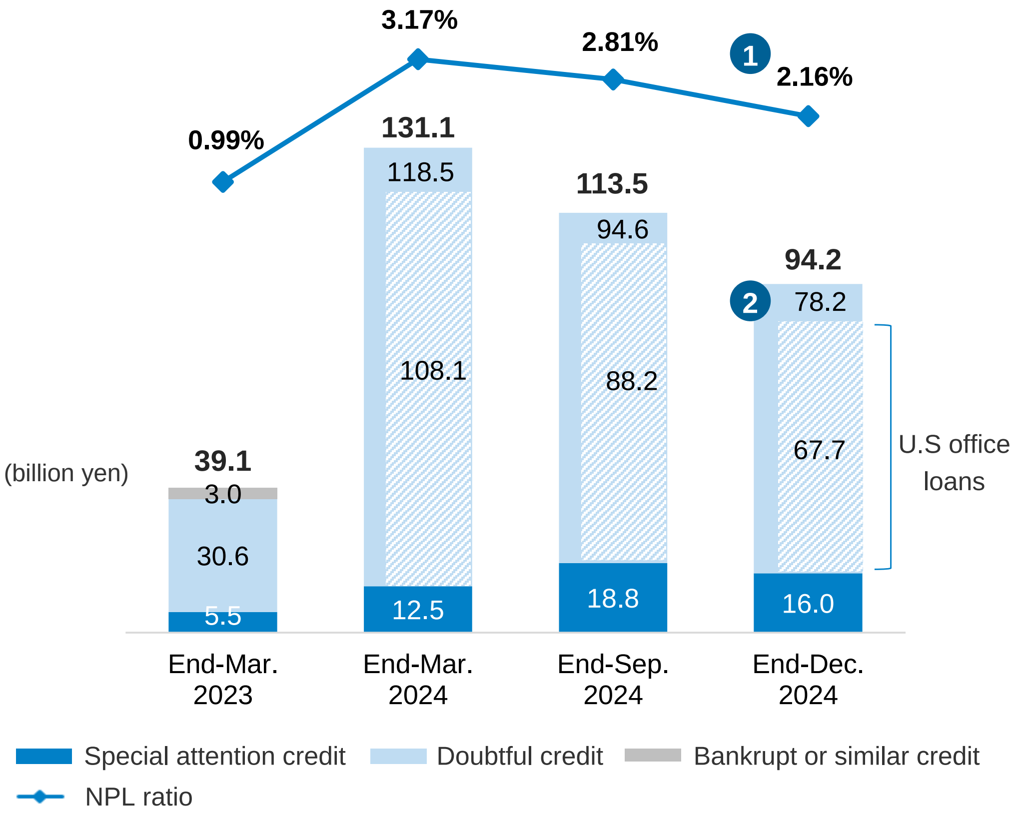
(billion yen)	End-Mar. 2024	End-Sep. 2024	End-Dec. 2024
Loan loss reserves (A)	87.9	77.0	76.6
General loan loss reserves	37.4	38.2	40.1
Total loans (B)	4,071.2	3,967.5	4,287.5
Loans subject to loan loss reserves (C)	3,691.3	3,578.3	3,769.4
(A) / (B)	2.15%	1.94%	1.78%
(A) / (C)	2.38%	2.15%	2.03%
Reserve ratio for need attention credit	6.8%	6.2%	6.8%
Reserve ratio for normal credit	0.4%	0.4%	0.3%

Additional credit expenses from U.S. non-recourse office loans were limited

- U.S. non-recourse office loans
  - Credit-related expenses were a net expense of 2.0 billion yen (specific loan loss reserves, etc.: expenses of 2.2 billion yen, general loan loss reserves, etc.: reversals of 0.1 billion yen). Net expenses recorded in 3Q were 0.5 billion yen
- Other than U.S. non-recourse office loans
  - Credit-related expenses were a net expense of 5.3 billion yen mainly from loans to domestic borrowers facing earnings performance issues (specific loan loss reserves, etc.: expenses of 3.0 billion yen, general loan loss reserves, etc.: expenses of 2.3 billion yen). Net expenses recorded in 3Q were 3.2 billion yen

Non-performing loans based on the FRA*

P/L



1. The ratio of NPLs to total claims (NPL ratio) declined 1.01 percentage points from March 31, 2024

2. Doubtful credits decreased by 40.3 billion yen (principally due to a decrease of 40.4 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 as workouts progressed

(billion yen)	End-Mar. 2023	End-Mar. 2024	End-Sep. 2024	End-Dec. 2024
Total claims	3,936.0	4,127.2	4,027.3	4,346.4
NPLs (A)	39.1	131.1	113.5	94.2
Coverage (B)	36.5	122.8	104.4	86.0
Reserves	13.2	54.7	48.6	44.9
Collateral & guarantees	23.3	68.1	55.8	41.1
Coverage ratio (B) / (A)	93%	94%	92%	91%

* Financial Reconstruction Act

2. Balance sheet

Balance sheet summary

(billion yen)	End-Mar. 2024 A	End-Sep. 2024	End-Dec. 2024 B	Change B - A
Loans and bills discounted	4,071.2	3,967.5	1 4,287.5	+216.2
Securities	1,186.5	1,220.8	1,322.4	+135.8
Cash and due from banks	1,579.7	1,769.3	1,424.4	-155.2
Trading assets	173.7	217.8	206.0	+32.3
Deferred tax assets	44.5	48.4	47.1	+2.5
Other	547.0	464.6	636.8	+89.8
Total assets	**7,603.0**	**7,688.6**	**7,924.5**	**+321.5**

(billion yen)	End-Mar. 2024 A	End-Sep. 2024	End-Dec. 2024 B	Change B - A
Deposits / Negotiable certificates of deposit	5,776.3	5,722.0	5,797.3	+20.9
Bonds payable	181.3	119.9	130.6	-50.7
Borrowed money	563.3	697.3	700.8	+137.5
Cash collateral received for securities lent	260.6	283.9	354.5	+93.8
Trading liabilities	165.0	138.3	206.7	+41.6
Other	265.0	266.5	279.1	+14.0
Total liabilities	**7,211.9**	**7,228.1**	**7,469.1**	**+257.2**
Capital stock / Capital surplus	187.4	239.4	2 239.4	+51.9
Retained earnings	228.4	238.1	239.8	+11.3
Valuation difference on available-for-sale securities	-45.8	-32.8	3 -45.3	+0.4
Deferred gains/losses on hedges	4.3	-1.4	4.8	+0.4
Foreign currency translation adjustment	10.1	9.0	8.3	-1.7
Other	6.4	8.1	8.2	+1.8
Total net assets	**391.0**	**460.5**	**455.3**	**+64.2**
Total liabilities and net assets	**7,603.0**	**7,688.6**	**7,924.5**	**+321.5**

1. Loans and bills discounted, mainly domestic loans, increased by 216.2 billion yen compared to March 31, 2024
2. Capital stock and capital surplus increased compared to March 31, 2024 as new shares were issued to Daiwa Securities Group Inc. through a third-party allotment
3. Unrealized losses on the securities portfolio increased from September 30, 2024 due the impact of a weaker yen

Loans (1) —Summary—

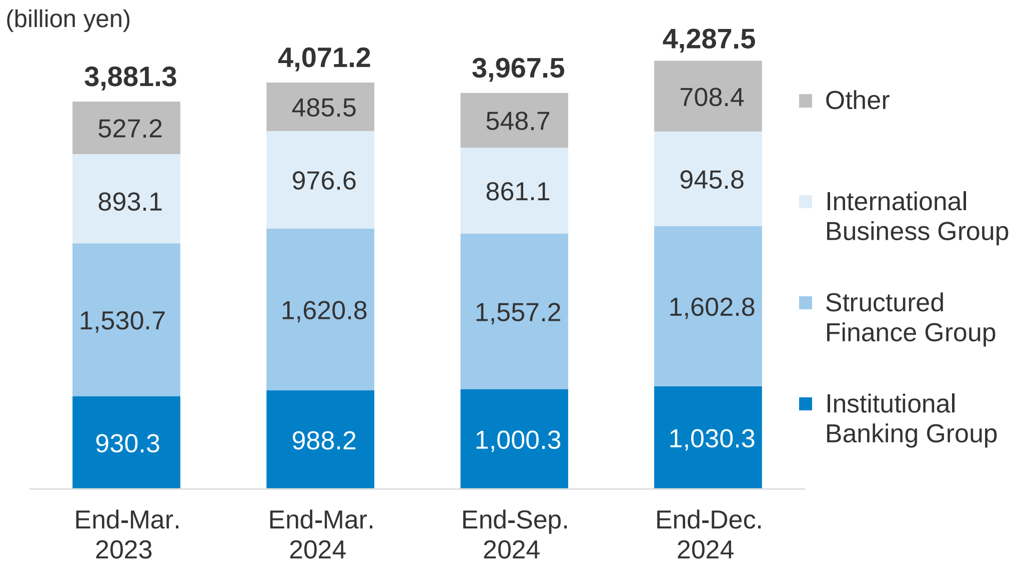
(billion yen)	End-Mar. 2024 A	End-Sep. 2024	End-Dec. 2024 B	Change B - A
Total loans (A)	**4,071.2**	**3,967.5**	**4,287.5**	**+216.2**
Domestic loans	2,598.1	2,675.7	1 2,902.7	+304.6
Overseas loans* (B)	1,473.1	1,291.8	2 1,384.7	-88.4
(B) / (A)	36.2%	32.6%	32.3%	-

* Overseas loans are with no final risk residing in Japan

1. Domestic loans increased mainly in corporate loans, LBO finance and loans to the public sector

2. 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. The overseas loan ratio declined as a result of our risk management strategy for FY2024

Loan outstandings by business segment



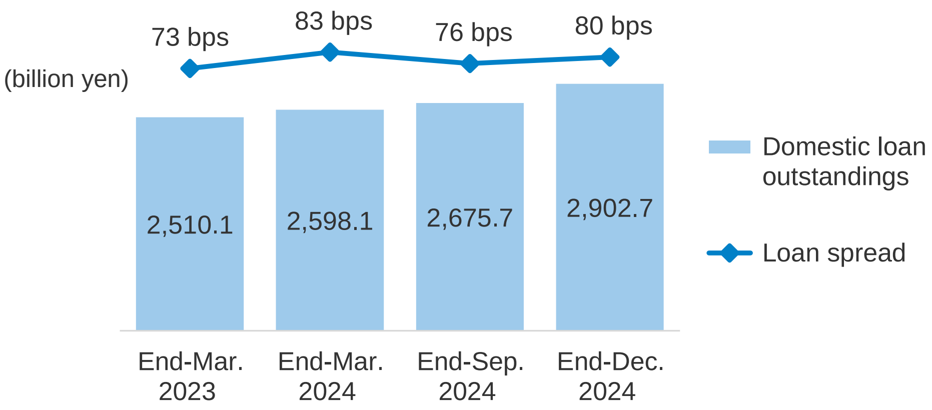
Loans (2) —Domestic—

Balance sheet

Balance and share by industry (billion yen)	End-Mar. 2024 A	End-Sep. 2024	End-Dec. 2024 B	Change B - A	*Share*
Manufacturing	300.9	335.0	1 371.7	+70.8	*13%*
Utilities (electric power/gas/ heat supply/water service)	126.0	163.8	2 150.8	+24.7	*5%*
Information and communications	128.1	119.1	121.7	-6.4	*4%*
Transport, postal services	42.7	44.4	49.2	+6.4	*2%*
Wholesale and retail sale	85.9	68.0	71.2	-14.7	*2%*
Financial and insurance	363.8	359.5	393.0	+29.2	*13%*
Real estate	758.1	736.9	746.1	-12.0	*26%*
Incl. non-recourse loans	427.9	414.8	412.9	-15.0	*14%*
Leasing	183.2	194.5	202.6	+19.4	*7%*
Other services	162.9	197.2	200.4	+37.4	*7%*
Other	445.9	456.8	3 595.4	+149.5	*21%*
Total	**2,598.1**	**2,675.7**	**2,902.7**	**+304.6**	*100%*

1. Loan exposure to the manufacturing industry increased mainly due to new LBO financing transactions
2. Loan exposure to the utilities industry increased compared to March 31, 2024, driven by the origination of renewable energy financing transactions and loans to the public sector, but decreased from September 30, 2024 due to the sell-down of syndicated loans
3. Loan exposure to “Other” industries increased mainly due to GANB’s loans to the public sector

Domestic loan outstandings and loan spread*



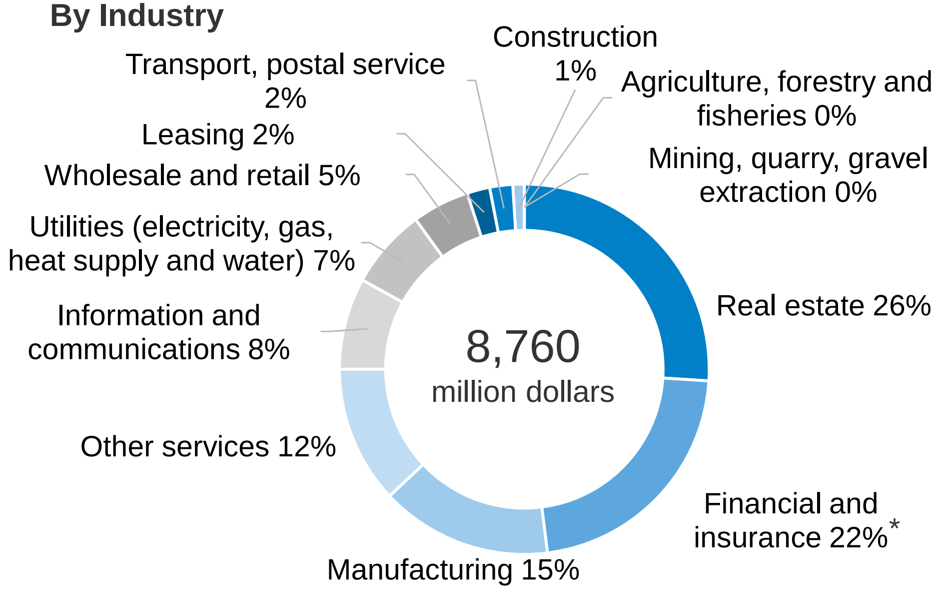
* The loan spread is on non-consolidated and management accounting bases and does not include NPLs

Loans (3) —Overseas—

(billion yen)	End-Mar. 2024 A	End-Sep. 2024	End-Dec. 2024 B	Change B - A
Total loans (A)	4,071.2	3,967.5	4,287.5	+216.2
Overseas loans* (US$ million)	**9,726**	**9,045**	**8,760**	**-966**
Overseas loans (B)	1,473.1	1,291.8	1,384.7	-88.4
(B) / (A)	36.2%	32.6%	32.3%	-
Foreign exchange rate (US$/JPY)	*¥151.46*	*¥142.82*	*¥158.07*	*¥6.61*

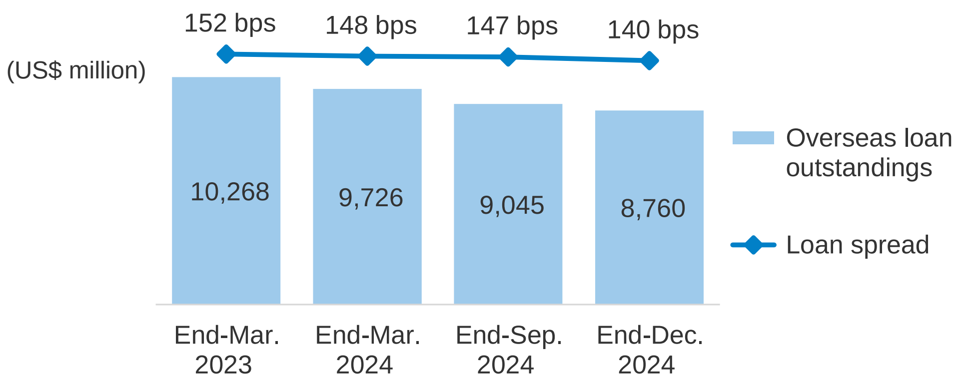
* Overseas loans are with no final risk residing in Japan

By Industry



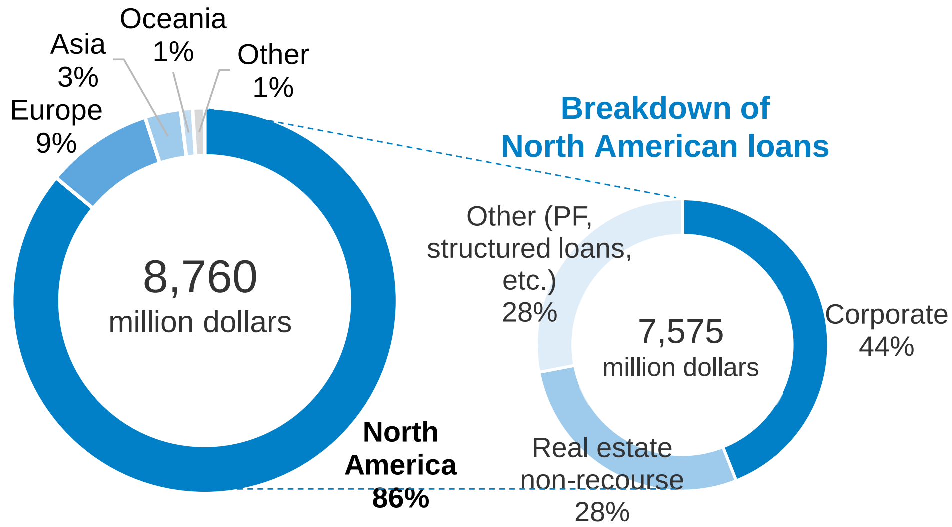
* The majority of "Financial and insurance" consist of the most senior tranche (AAA-rated) of middle-market CLO backed by diversified portfolio of U.S. medium-sized companies.

Overseas loan outstandings and loan spread*



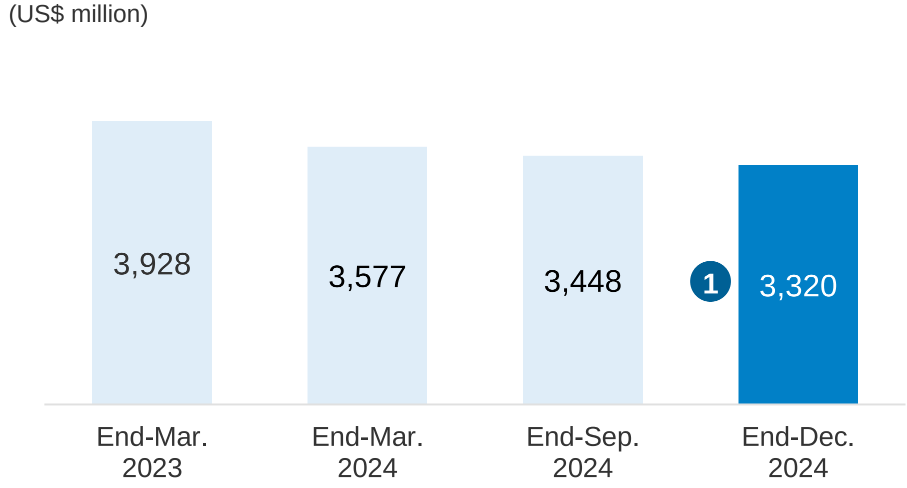
* The loan spread is on non-consolidated and management accounting bases and does not include NPLs. The cost of forex forwards to which hedge accounting is not applied is included in funding costs.

By region



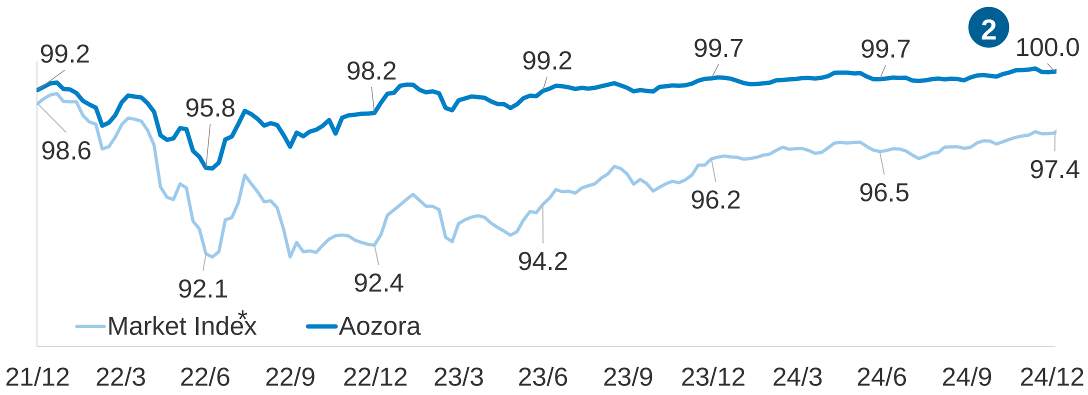
Loans (4) —North American corporate loans—

North American corporate loan outstandings



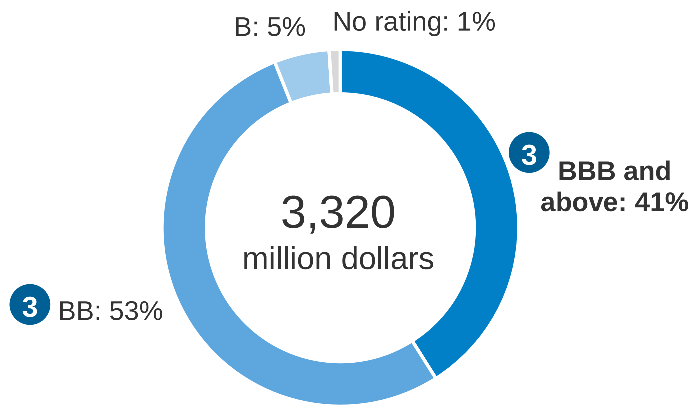
1. Aozora continued selective origination with a focus on portfolio quality while taking into consideration exposure control on a yen basis. Loan outstandings declined on a US dollar basis
2. The average bid price of the Bank's loan portfolio continued to outperform the market index
3. The percentage 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*

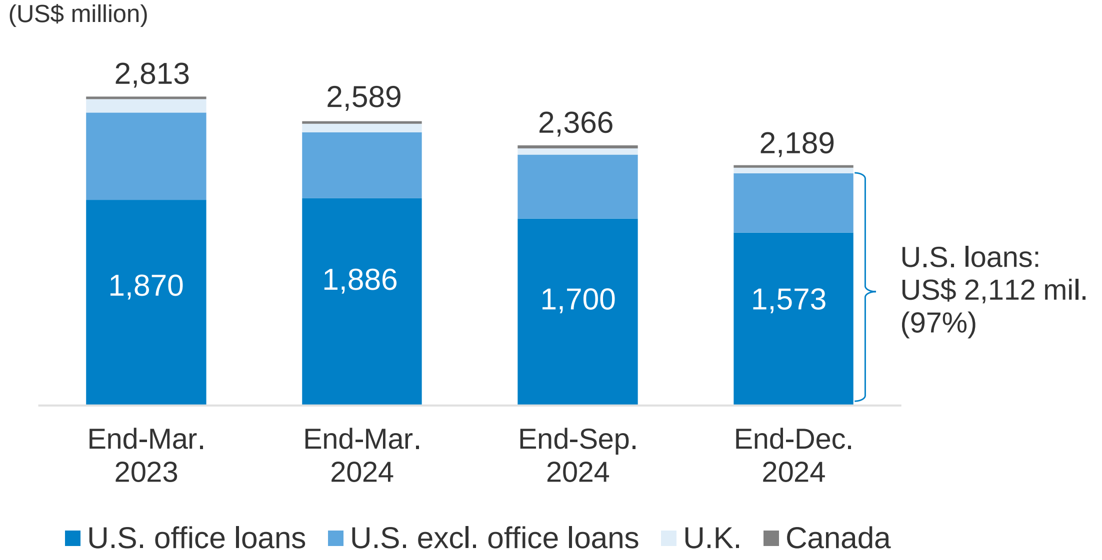


* S&P credit rating (facility basis)

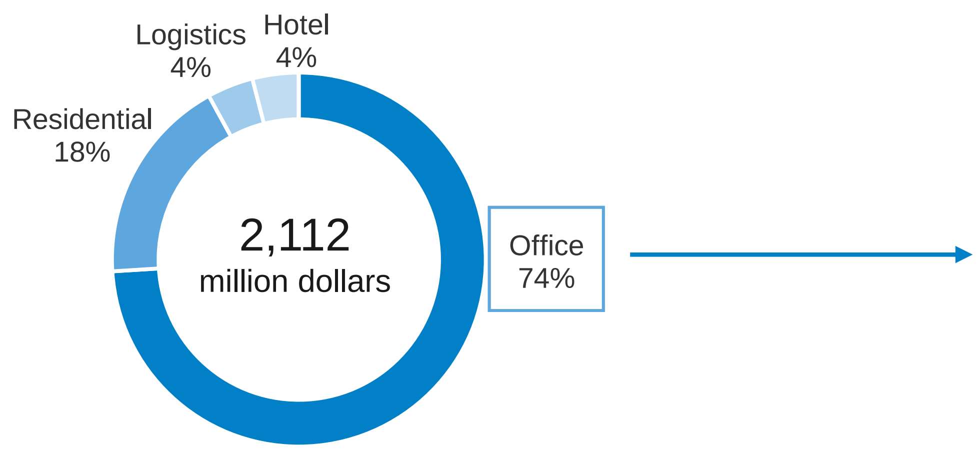
Loans (5) —Overseas real estate non-recourse loans—

Balance sheet

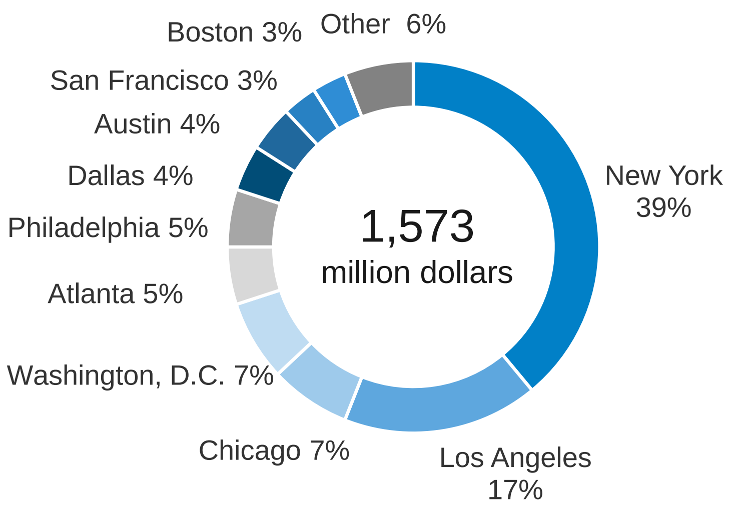
Overseas real estate non-recourse loan outstandings



By U.S. sector — Total



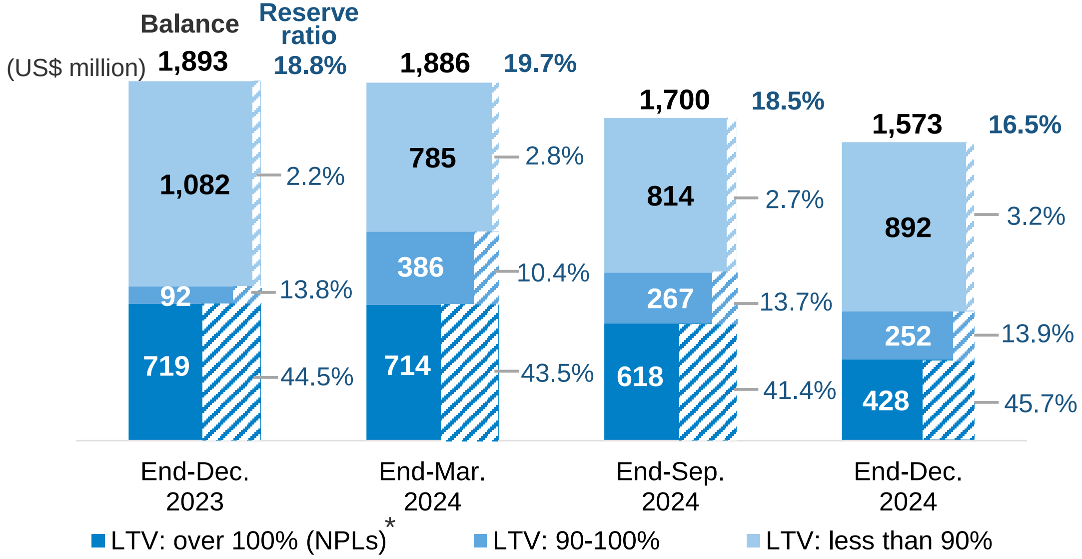
By U.S. city — Office loans only



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

- Workouts have significantly progressed since starting of the workout process in December 2023
  - NPL outstandings (NPLs on this page are defined as loans to “In Danger of Bankruptcy” borrowers): US$719 million → US$428 million (a decrease of US$290 million or 40%)
  - Number of NPL borrowers: 21 → 13
- Four workouts were resolved during 3Q (including one borrower whose rating was upgraded upon a successful restructuring)

U.S. office loan portfolio



* U.S. office loans with an LTV of over 100% are classified as NPLs (loans to “In Danger of Bankruptcy” borrowers) in principle.

As of December 31, 2024

	Number of transactions	Total outstandings (US$ million)	Average LTV*3	% of valuation decline
Major cities*1		291	195%	-62%
Other cities*2		136	162%	-57%
Total NPLs	**13**	**428**	**185%**	**-60%**
Total Normal Loans	**26**	**1,145**	**80%**	**-19%**
Total	**39**	**1,573**		

As of September 30, 2024

	Number of transactions	Total outstandings (US$ million)	Average LTV*3	% of valuation decline
Major cities*1		417	172%	-58%
Other cities*2		201	164%	-57%
Total NPLs	**17**	**618**	**170%**	**-58%**
Total Normal Loans	**25**	**1,082**	**80%**	**-15%**
Total	**42**	**1,700**		

*1 New York, Washington, D.C., Chicago, Los Angeles and San Francisco
*2 Cities other than the above
*3 Taking into account the risk of price declines over the period ending FY2025 for NPLs

(US$ million)	End-Dec. 2023				End-Mar. 2024				End-Sep. 2024				End-Dec. 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	814	22	2.7%	20	892	29	3.2%	21
LTV: 90-100%	92	12	13.8%	2	386	40	10.4%	6	267	36	13.7%	5	252	35	13.9%	5
LTV: over 100% (NPLs)	719	320	44.5%	21	714	310	43.5%	21	618	256	41.4%	17	428	195	45.7%	13
Total	**1,893**	**357**	**18.8%**	**47**	**1,886**	**373**	**19.7%**	**47**	**1,700**	**314**	**18.5%**	**42**	**1,573**	**260**	**16.5%**	**39**

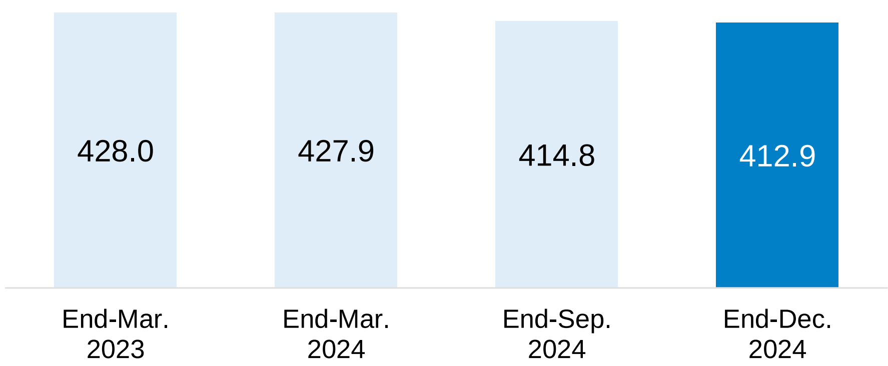
* Total exposure basis

For an NPL borrower as of September 30, 2024, the majority of the loan was reclassified to “LTV: less than 90%” as a result of restructuring

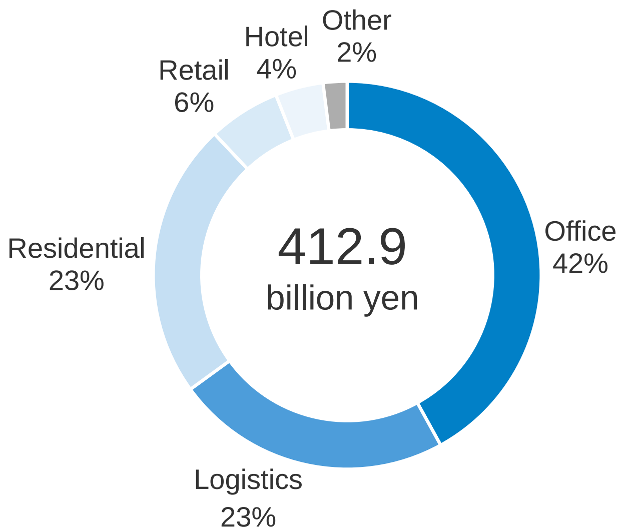
Loans (7) —Domestic real estate non-recourse loans—

Domestic real estate non-recourse loan outstandings

(billion yen)



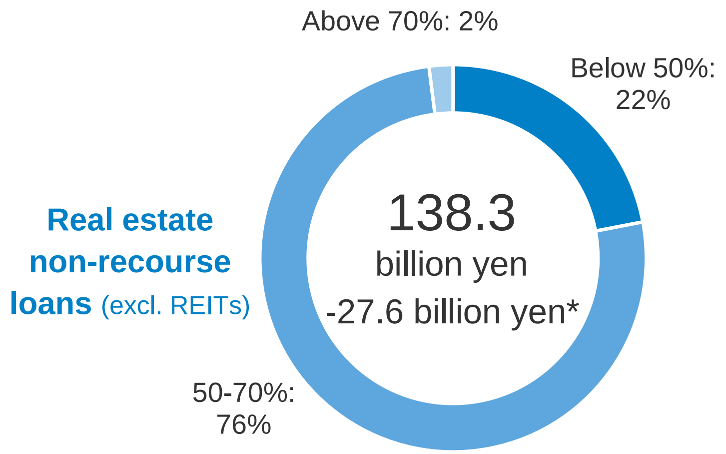
By sector

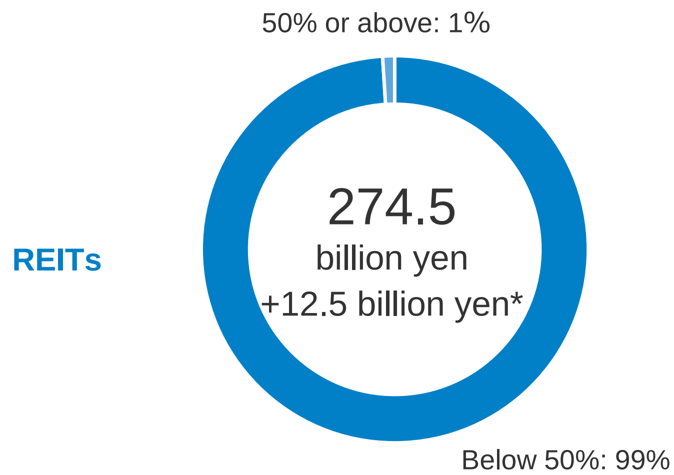


By region

	Metropolitan	Incl. Tokyo	Other
Proportion by region	85%	63%	15%

LTV





* Compared to March 31, 2024

Securities (1)

Balance sheet

(billion yen)	Book value: End-Mar. 2024 A	Book value: End-Sep. 2024	Book value: End-Dec. 2024 B	Book value: Change B - A	Unrealized gains/losses: End-Mar. 2024 C	Unrealized gains/losses: End-Sep. 2024	Unrealized gains/losses: End-Dec. 2024 D	Unrealized gains/losses: Change D - C
JGBs	52.5	62.0	71.8	+19.3	-2.1	-2.5	-3.1	-0.9
Municipal bonds	29.0	31.3	33.2	+4.1	-0.2	-0.2	-0.4	-0.2
Corporate bonds / short-term corporate bonds	107.5	109.1	99.5	-7.9	-0.4	-0.6	-0.7	-0.3
Equities	31.1	31.6	32.7	+1.5	14.7	14.2	15.8	+1.0
Foreign bonds	493.9	508.6	586.4	+92.5	-60.6	-42.1	-62.0	-1.3
Foreign government bonds	262.6	291.6	359.1	+96.5	-32.1	-21.2	-33.3	-1.1
MBS	99.2	94.0	96.3	-2.9	-28.6	-22.1	-30.0	-1.4
Other	132.0	122.9	130.9	-1.1	0.1	1.2	1.4	+1.2
Other securities	472.3	478.1	498.4	+26.1	-10.0	-15.9	-8.8	+1.1
ETFs	59.9	63.5	66.3	+6.3	-10.4	-7.9	-12.2	-1.7
Investments in limited partnerships	181.4	180.0	192.2	+10.7	1.0	1.3	1.8	+0.7
REITs	35.1	31.0	29.9	-5.2	3.5	2.6	2.4	-1.1
Investment trusts	153.9	158.5	167.1	+13.1	-4.7	-12.2	-1.0	+3.6
Other	41.7	44.9	42.8	+1.1	0.5	0.3	0.1	-0.3
Total	**1,186.5**	**1,220.8**	**1,322.4**	**+135.8**	**-58.7**	**-47.2**	**-59.3**	**-0.6**
Foreign exchange rate (US$/JPY)	*¥151.46*	*¥142.82*	*¥158.07*	*¥6.61*				
Unrealized gains/losses, incl. unrealized gains/losses on hedging instruments					**-51.1**	**-48.4**	**-51.0**	**+0.0**

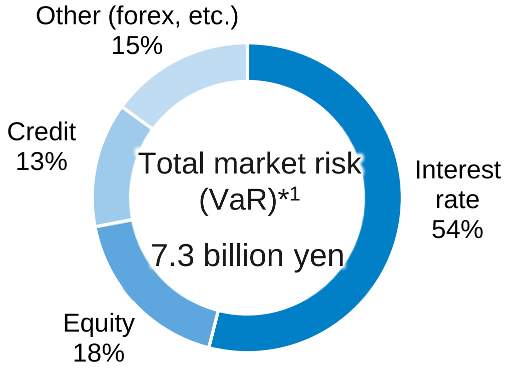
	U.S. government bonds	MBS	Municipal bonds	JGBs	JGBs: Long-term JGBs	JGBs: Short-term JGBs
<Reference> Duration*	4 years	7 years	5 years	8 years	12 years	0.2 years

* As of December 31, 2024, non-consolidated basis

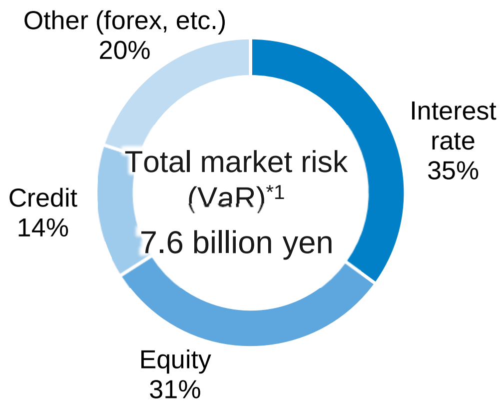
Securities (2)

Market risk (VaR*1)

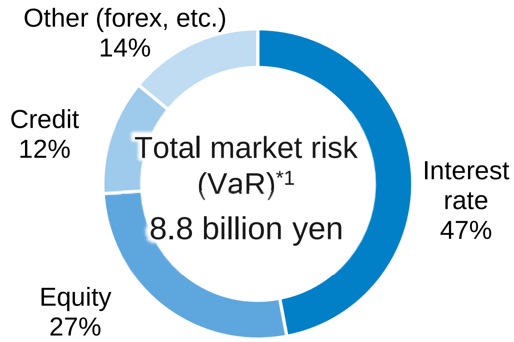
End-Mar. 2024



End-Sep. 2024



End-Dec. 2024



Market risk (10 BPV*2)

(billion yen)	End-Mar. 2024	End-Sep. 2024	End-Dec. 2024
ALM securities operations	+0.0	-0.4	-0.9
Incl. U.S. dollar interest rate risk	+0.0	-0.2	-0.6
Incl. yen interest rate risk	+0.0	-0.2	-0.3

*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 December 31, 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 1–3Q of FY2024.

Legacy asset breakdown		Balance			Unrealized gains/losses* (billion yen)		
		End-Mar. 2024	End-Sep. 2024	End-Dec. 2024	End-Mar. 2024	End-Sep. 2024	End-Dec. 2024
U.S. government bonds	US$ million	1,150	1,150	1,150	-11.0	-10.4	-10.1
European government bonds	EUR million	350	350	350	-9.1	-7.7	-7.4
MBS	US$ million	823	792	779	-30.7	-27.5	-29.7
Credit ETFs (investment grade bonds)	US$ million	465	465	465	-13.6	-13.0	-14.4
Total of the above					-64.7	-58.7	-61.7
Total across the Bank					-51.1	-48.4	-51.0

* Including hedging instruments (derivatives, bear funds)

Funding

(billion yen)	End-Mar. 2024 A	End-Sep. 2024	End-Dec. 2024 B	Change B - A
Total core funding	**5,957.7**	**5,841.9**	1 **5,927.9**	**-29.8**
Deposits / NCDs	5,776.3	5,722.0	5,797.3	+20.9
Incl. the balance of retail deposits	3,654.8	3,495.7	3,386.6	-268.1
Bonds	181.3	119.9	130.6	-50.7
Retail funding ratio*	61%	60%	57%	
Loan-to-deposit ratio incl. NCDs	70%	69%	74%	

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

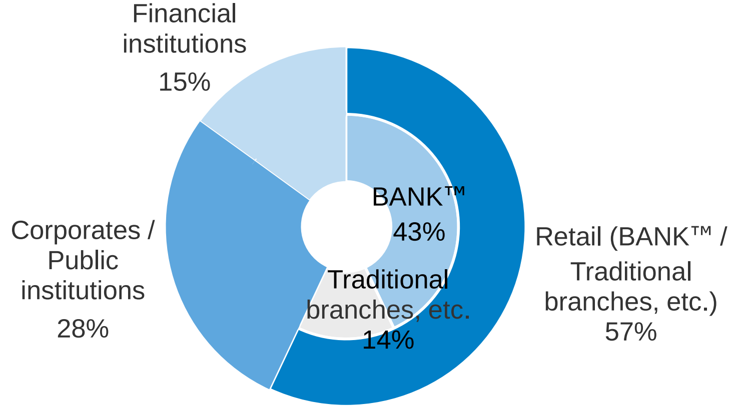
(billion yen)	End-Mar. 2024 A	End-Sep. 2024	End-Dec. 2024 B	Change B - A
Liquidity reserves*	**1,466.7**	**1,326.9**	**1,158.0**	**-308.7**

* 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. Aozora continued to work to return towards a more optimal level of liquidity reserves that increased in 2H of FY2023, which led to a decrease in the retail deposit balance, while the corporate deposit balance increased

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 policy on deposit management. Following the BOJ's policy rate hike in January 2025, Aozora raised interest rates on ordinary deposits at BANK™ from 0.2% to 0.35%

Core funding by customer segment

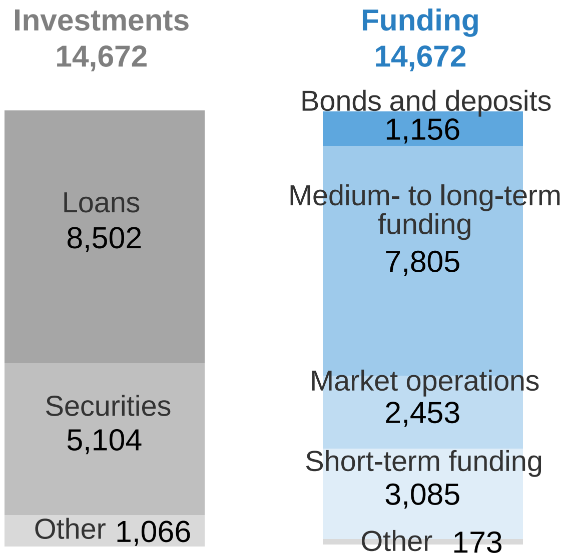


2 BANK™ deposit breakdown

	End-Mar. 2024 A	End-Sep. 2024	End-Dec. 2024 B	Change B - A
Ordinary deposits	75.1%	67.5%	63.6%	-11.5%
Time deposits	24.9%	32.5%	36.4%	+11.5%

Foreign currency investments/funding

(US$ million)



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

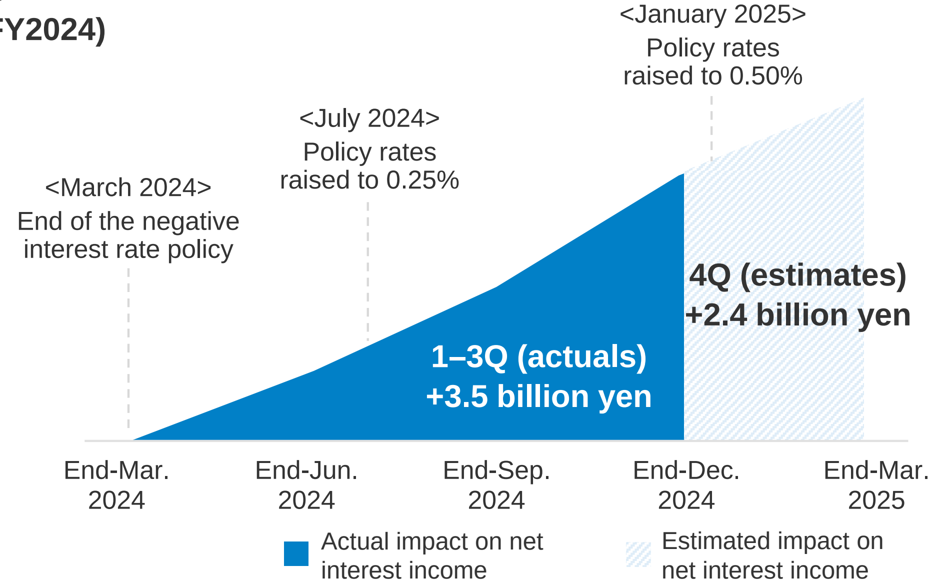
Reference: Sensitivity analysis to an increase in yen interest rates

Balance sheet

Impact of the BOJ's policy rate hikes in March/July 2024 and January 2025 on net interest income (actuals in 1–3Q of FY2024 and estimates for 4Q of FY2024)

(billion yen)	Actual impact in 1–3Q (April–December)	Estimated impact for 4Q (January–March)*
Investments	+6.0	approx. +4.9
Funding	-2.5	approx. -2.5
Total	**+3.5**	**approx. +2.4**

* 4Q estimate assumptions:
- No changes in the balance sheet (non-consolidated basis) from December 31, 2024
- Assuming a 0.5% interest rate on the BOJ's current account



<Reference>

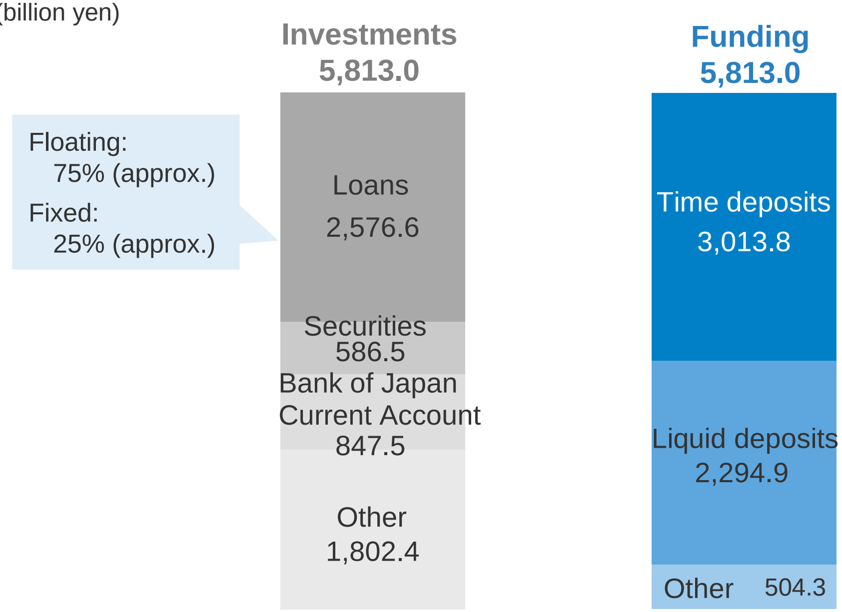
Estimated impact of a 0.25% increase in yen interest rates for all terms on annual net interest income

➡ **approx. +5.3 billion yen**

Estimate assumptions:
- An interest rate increase of 0.25% for all terms
- No change in the balance sheet (non-consolidated basis) from December 31, 2024
- Pass-through to interest rates on deposits: 50%

Yen-denominated investments/funding

(billion yen)



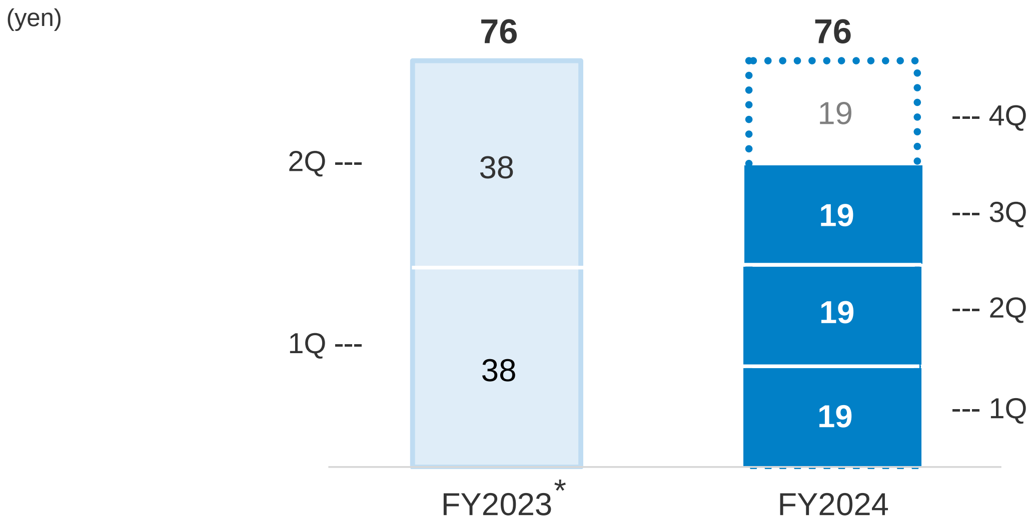
3. Dividend / Capital adequacy ratio

Dividend

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)				19 yen	**76 yen**
Dividend payment (FY2024)	19 yen	19 yen	19 yen		

Dividend payments



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

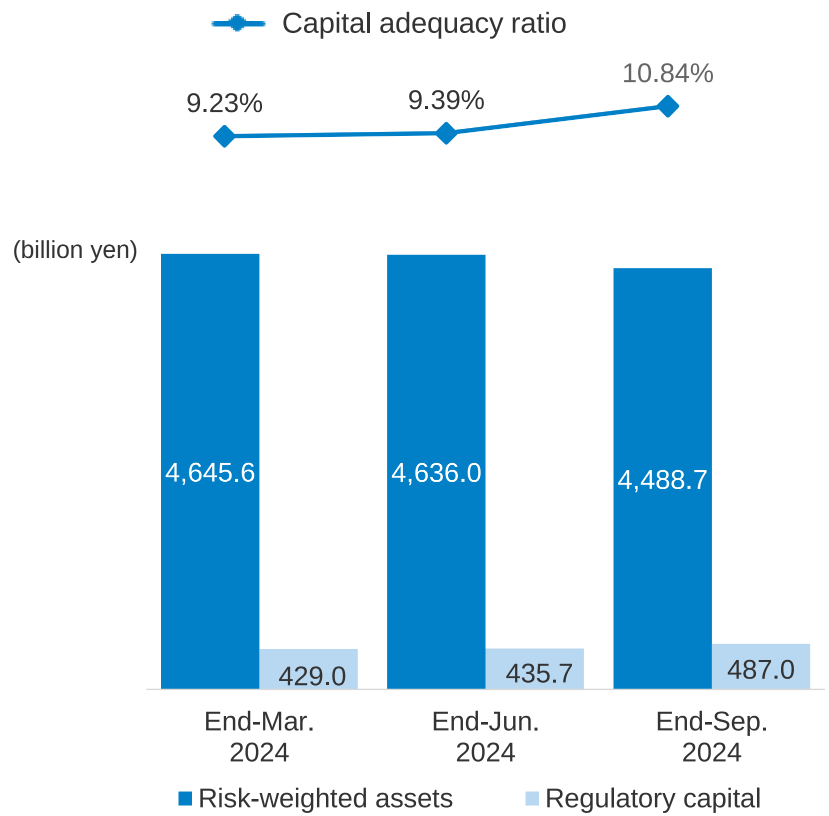
Reference: Capital adequacy ratio (as of September 30, 2024)

- The consolidated capital adequacy ratio (domestic standard) as of December 31, 2024 is expected to be approximately 10.6% and the CET1 (Common Equity Tier 1) ratio to be approximately 8.5% (to be announced in mid-February 2025)

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



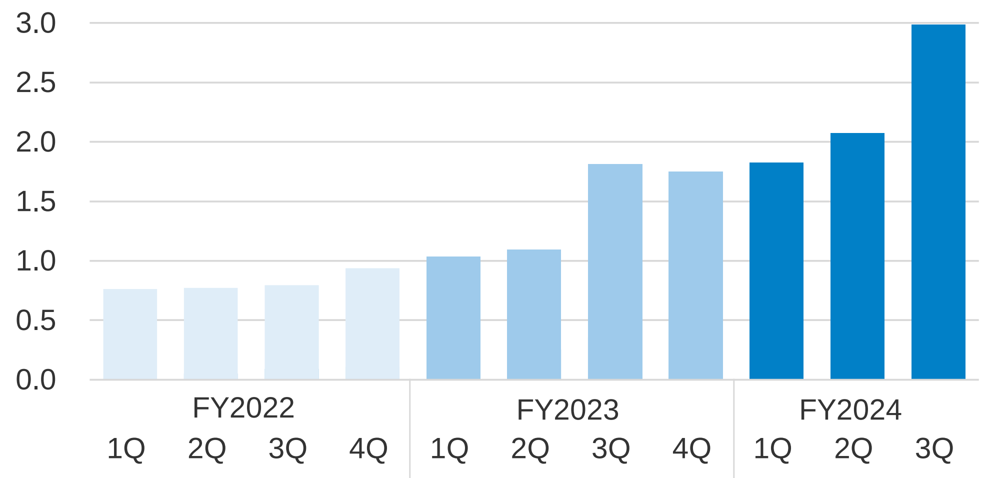
4. Group companies

GMO Aozora Net Bank (GANB)

Group companies

Quarterly net revenue

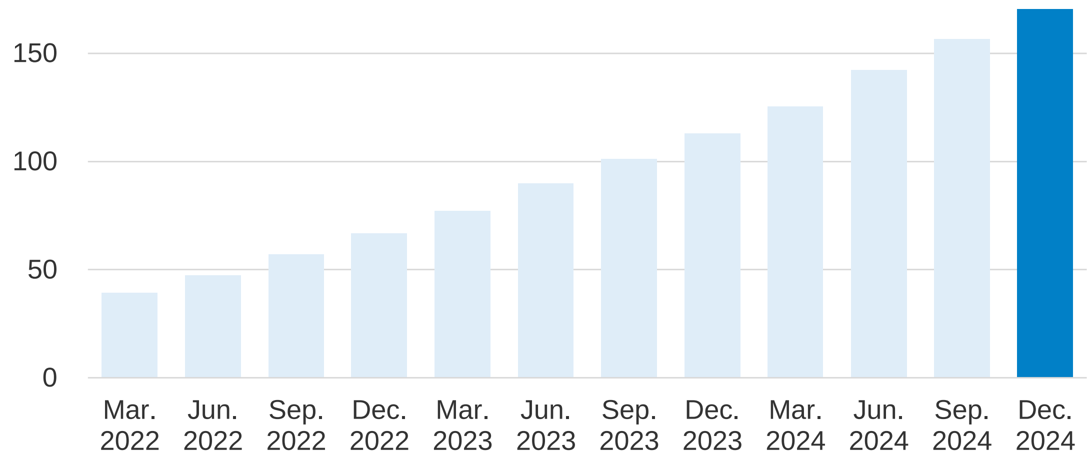
(billion yen)



	FY2022	FY2023	FY2024
Net revenue	3.2	5.7	6.8
Business profit	-3.8	-2.7	-0.0

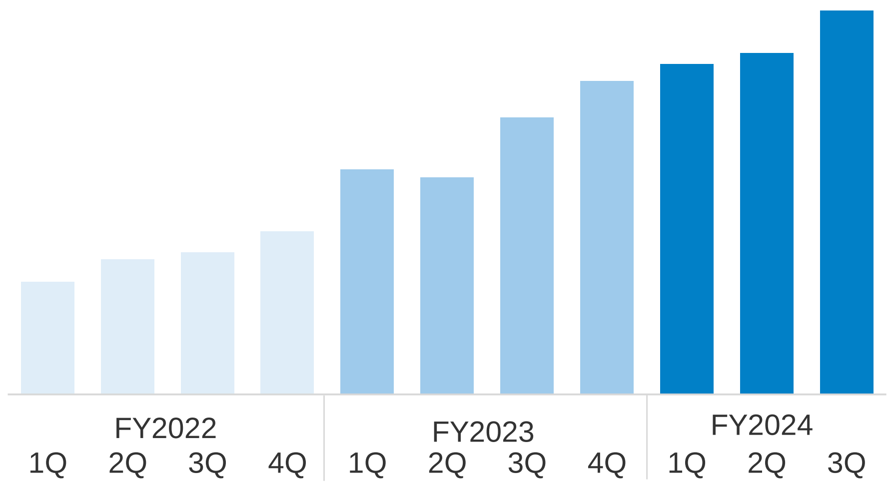
Number of corporate accounts

(thousand)



(Note) As of the end of each month

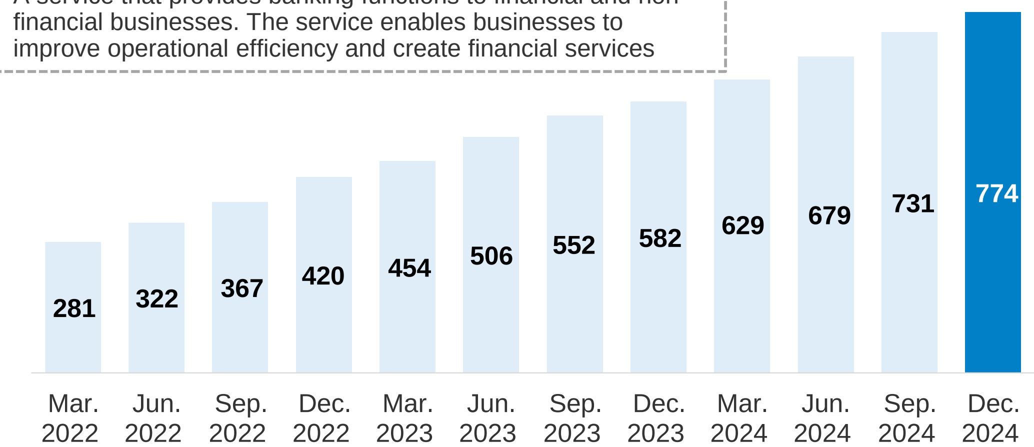
Number of transfer transactions



For GANB's financial results, please also refer to the Data Book on the Aozora website.

Number of "BaaS byGMO Aozora" contracts

BaaS byGMO Aozora
A service that provides banking functions to financial and non-financial businesses. The service enables businesses to improve operational efficiency and create financial services



(Note) As of the end of each month

Aozora Group companies / consolidated, non-consolidated difference

Group companies

(billion yen)

(A) Non-consolidated net income	**11.7**
(B) Profit attributable to owners of parent	**16.2**
(B) - (A) (a + b) Difference	**4.4**

Breakdown of the difference

(a) Consolidated subsidiaries/affiliates			**1.5**
	Share of Earnings[*1]	**Net Revenue**	**Net Income**
GMO Aozora Net Bank, Ltd.	50.0% [*2]	6.8	-1.0
Aozora Loan Services Co., Ltd.	67.6%	1.2	0.1
Aozora Securities Co., Ltd.	100.0%	0.2	-0.5
Aozora Regional Consulting Co., Ltd.	100.0%	0.0	0.0
Aozora Investment Management Co., Ltd.	100.0%	1.3	0.4
Aozora Real Estate Investment Advisors Co., Ltd.	100.0%	0.0	-0.0
ABN Advisors Co., Ltd.	100.0%	0.3	0.0
Aozora Corporate Investment Co., Ltd.	100.0%	0.4	0.1
Aozora Asia Pacific Limited	100.0%	0.3	0.0
Aozora Europe Limited	100.0%	0.5	0.0
Aozora North America, Inc.	100.0%	3.6	1.7
Other	-	-0.7	-0.8
Orient Commercial Joint Stock Bank	15.0%	-	1.3 [*3]

(b) Consolidation adjustments		**2.9**
Gains/losses attributable to non-controlling interests (GMO Aozora Net Bank, Ltd.)	-	0.5
Other[*4]	-	2.3

*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

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