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**Aozora Reports Net Income of 43.7 billion for FY2014;
Exceeds FY2013 Result and FY2014 Forecast;
Announces FY2014 Dividend Payment, FY2015 Earnings and Dividend Forecast**

TOKYO May 15, 2015 – Aozora Bank, Ltd. (“Aozora” or “the Bank”), a leading Japanese commercial bank, today announced its financial results for FY2014, its FY2014 total dividend payment, as well as the Bank’s FY2015 earnings forecast including net income of 43.0 billion yen and dividend forecast of 18.40 per common share.

Earnings results for FY2014

Aozora reported consolidated net revenue of 92.8 billion yen and net income of 43.7 billion yen for FY2014. These results exceeded the full-year forecast of 92.0 billion yen and 43.0 billion yen, respectively.

Shinsuke Baba, Representative Director, President and Chief Executive Officer of Aozora Bank commented, “While the Japanese economy continued its moderate recovery in FY2014, we experienced ongoing pressure on domestic lending margins. Despite this challenging environment, we achieved strong business performance, recording year on year increases in both net revenue and net income, while exceeding our full-year forecasts. We believe the positive results reflect the Bank’s disciplined balance sheet management focused on risk and return, as well as the diversification of our sources of income. As a result of our performance this past year, today we announced a total dividend per common share for FY2014 of 14.90 yen, exceeding the original forecast of 14.70 yen. The fourth quarter dividend will be 4.90 yen per common share.”

Baba concluded, “We also announced today the decision to make an early and full repayment of public funds on June 29, subject only to the approval of the regulatory authorities. In addition, we have established an updated business model and new mid-term financial targets. As we enter a new stage in our development following the full repayment of public funds, we remain committed to the further enhancement of the Bank’s corporate value. I would like to express my gratitude to all of our stakeholders for their continued support.”

1. Summary of the full-year results (Consolidated)

- Net revenue was 92.8 billion yen, an increase of 12.2 billion yen, or 15.2% year on year, reflecting increases in both net interest income and non-interest income. Business profit was 52.7 billion yen, an increase of 11.4 billion yen, or 27.6% year on year. Net income was 43.7 billion yen, an increase of 1.4 billion yen, or 3.2% year on year, exceeding the full-year forecast of 43.0 billion yen.
 - Net interest income increased 6.3 billion yen, or 14.4% year on year, to 50.0 billion yen. The net interest margin expanded 12 bps to 1.21% as a result of an increase in the yield on total investments as the Bank continued its disciplined balance sheet management, as well as ongoing efforts to reduce funding costs.
 - Non-interest income was 42.9 billion yen, an increase of 5.9 billion yen, or 16.1% year on year, mainly due to growth in earnings from the sale of financial products to our mass affluent retail customers, as well as the sale of derivative-related products to our corporate and financial institution customers.
 - General and administrative expenses were 40.2 billion yen, a year on year increase of 0.8 billion yen, or 2.1%. The OHR (general and administrative expenses as a percentage of net revenue) was 43.3%, due to the ongoing priority assigned to efficient operations.

- Credit-related expenses were a net reversal of 4.7 billion yen, compared with a net expense of 2.3 billion yen in FY2013. This result included the reversal of specific reserves mainly due to an improvement in the condition of borrowers, in addition to the recoveries of written-off claims. As a preventative measure, the Bank allocated additional loan loss reserves during the fourth quarter (Jan-Mar).
- The loan balance increased 132.3 billion yen, or 5.0%, to 2,775.8 billion yen from March 31, 2014. Overseas loans increased approximately 210 billion yen, while domestic loans decreased approximately 80 billion yen as the Bank maintained its focus on balancing risk and return.
- Funding from retail customers was approximately 2,060 billion yen, an increase of 13.5 billion yen, or 0.7% year on year, from March 31, 2014. The percentage of retail funding to total core funding (the sum of deposits, negotiable certificates of deposit and debentures) was 63.8%. The Bank maintained adequate liquidity reserves of 630.0 billion yen as of March 31, 2015.
- Non-performing claims as defined by the Financial Reconstruction Law (FRL) were 38.2 billion yen, a decrease of 42.0 billion yen, or 52.4%, from March 31, 2014. The FRL ratio improved by 1.63 points to 1.35%. The percentage of FRL claims covered by reserves, collateral and guarantees was 80.4% as of March 31, 2015. The ratio of loan loss reserves to total loans on a consolidated basis remained high at 2.29%.
- The Bank's consolidated capital adequacy ratio (Basel III basis, domestic standard) remained at an adequate level at 14.45% (preliminary basis).

2. FY2014 Performance (April 1, 2014 to March 31, 2015)

Consolidated basis

(100 million yen)	Ordinary Income	Net Revenue	Business Profit	Ordinary Profit	Net Income	Net Income per common share
FY2014 results (a)	1,300	928	527	597	437	36.19 Yen
FY2013 results (b)	1,318	806	413	522	423	34.87 Yen
Change (a) - (b)	-18	122	114	75	14	1.32 Yen
Percentage change ((a)-(b)) / (b)	-1.4%	15.2%	27.6%	14.3%	3.2%	3.8%
FY2014 full-year forecast (c)		920	510	515	430	35.60 Yen
Achievement (a)/(c)		100.9%	103.3%	115.9%	101.6%	101.7%

Non-consolidated basis

(100 million yen)	Ordinary Income	Net Revenue	Business Profit before general loan-loss reserve	Ordinary Profit	Net Income	Net Income per common share
FY2014 results (a)	1,235	859	490	579	483	40.16 Yen
FY2013 results (b)	1,264	820	457	512	416	34.24 Yen
Change (a)-(b)	-28	38	33	67	67	5.92 Yen
Percentage change ((a)-(b)) / (b)	-2.2%	4.7%	7.2%	13.1%	16.1%	17.3%
FY2014 full-year forecast (c)		860	475	495	420	34.74 Yen
Achievement (a)/(c)		99.8%	103.1%	116.9%	115.0%	115.6%

3. FY2014 Dividend Payment

	Dividend per common share				
Record date	1 st quarter	2 nd quarter	3 rd quarter	Year-end	Total
Previous forecast				4.70 yen	14.70 yen
Year-end payment				4.90 yen	14.90 yen
Payments in FY2014	3.00 yen	3.00 yen	4.00 yen		
Payments in FY2013	3.00 yen	3.00 yen	4.00 yen	4.50 yen	14.50 yen

The total dividend per common share for FY2014 will be 14.90 yen as a result of recording consolidated net income of 43.7 billion yen, exceeding the full-year forecast. The Bank previously announced a dividend forecast of 14.70 yen per common share for FY2014 based on a total dividend amount representing 40% of the consolidated net income forecast.

4. Earnings Forecast for FY2015

Consolidated basis

(100 million yen)	Net Revenue	Business Profit	Ordinary Profit	Net Income	Net Income per common share
FY2015 forecast (a)	960	530	535	430	36.86 Yen
FY2014 results (b)	928	527	597	437	36.19 Yen
Change (a) - (b)	32	3	-62	-7	0.67 Yen
Percentage change	3.4%	0.6%	-10.3%	-1.6%	1.9%
FY2013 results	806	413	522	423	34.87 Yen

Non-consolidated basis

(100 million yen)	Net Revenue	Business Profit before general loan-loss reserve	Ordinary Profit	Net Income	Net Income per common share
FY2015 forecast (a)	890	490	495	400	34.29 Yen
FY2014 results (b)	859	490	579	483	40.16 Yen
Change (a) - (b)	31	0	-84	-83	-5.87 Yen
Percentage change	3.7%	0.0%	-14.4%	-17.2%	-14.6%
FY2013 results	820	457	512	416	34.24 Yen

5. FY2015 Dividend Forecast

	Full-year dividend per common share
FY2015 forecast	18.40 yen
Payments in FY2014	14.90 yen

The full-year dividend forecast per common share for FY2015 is based on the total dividend amount, which is 50% of the consolidated net income forecast for the full year, divided by the total number of common shares issued, excluding treasury stock, as of March 31, 2015.

The dividend forecast for FY2015 is only disclosed on a full-year basis. As was our practice in FY2014, the Bank will pay common share dividends on a quarterly basis.

Note: From FY2015 onwards, consolidated net income represents 'profit attributable to owners of parent' in accordance with the Revised Accounting Standards for Business Combinations and related standards and implementation guidance.

I. Revenue and Expenses

(100 million yen)	FY2013		FY2014		Change (B)–(A)		Page
	3 months Jan.- Mar.	Full - Year (A)	3 months Jan.- Mar.	Full - Year (B)	Amount	%	
Net revenue	205	806	231	928	122	15.2%	-
Net interest income	106	437	119	500	63	14.4%	6
Net interest margin	1.07%	1.09%	1.17%	1.21%	0.12%	-	6
Net fees and commissions	32	125	41	145	20	16.2%	6
Net trading revenues	32	98	42	125	27	27.4%	7
Net other ordinary income	34	146	29	158	12	8.3%	-
Gains/losses on bond transactions	9	4	-11	29	24	545.4%	7
Net other ordinary income excluding gains/losses on bond transactions	25	142	40	130	-12	-8.5%	7
General & administrative expenses	-104	-393	-116	-402	-8	-2.1%	8
Business profit	100	413	114	527	114	27.6%	-
Ordinary profit	109	522	52	597	75	14.3%	-
Net income	82	423	95	437	14	3.2%	-
Credit-related expenses	6	-23	-72	47	70	-	8
Extraordinary profit	-0	-0	-0	-58	-57	-	-
Taxes	-27	-98	42	-102	-4	-	8

In FY2014, consolidated net revenue increased 12.2 billion yen, or 15.2% year on year, to 92.8 billion yen, exceeding the full-year forecast of 92.0 billion yen.

Net interest income was 50.0 billion yen, an increase of 6.3 billion yen, or 14.4% year on year. The Bank's net interest margin increased 12 bps to 1.21%. Contributing to this result was an increase in the yield on total investments of 6 bps as the Bank continued its disciplined balance sheet management. Also contributing was a reduction in funding costs of 6 bps year on year as a result of our ongoing efforts to reduce funding costs.

Non-interest income increased 5.9 billion yen, or 16.1% year on year, to 42.9 billion yen. Net fees and commissions were 14.5 billion yen, an increase of 2.0 billion yen, or 16.2% year on year, and net trading revenues were 12.5 billion yen, an increase of 2.7 billion yen, or 27.4%, due to growth in fee income and earnings from the sale of derivative-related products. Gains/losses on bond transactions were a gain of 2.9 billion yen, increasing 2.4 billion yen in comparison to FY2013. Net other ordinary income, excluding gains/losses on bond transactions, was 13.0 billion yen, a decrease of 1.2 billion yen, or 8.5% year on year.

General and administrative expenses were 40.2 billion yen, an increase of 0.8 billion yen, or 2.1% year on year. The OHR was 43.3% due to growth in net revenue, as well as the ongoing priority the Bank has assigned to efficient operations.

Consolidated business profit increased 11.4 billion yen, or 27.6%, to 52.7 billion yen.

Credit-related expenses were a net reversal of 4.7 billion yen, compared with a net expense of 2.3 billion yen in FY2013. This result included the reversal of specific reserves mainly due to an improvement in the condition of borrowers, in addition to the recoveries of written-off claims. As a preventative measure, the Bank allocated additional loan loss reserves during the fourth quarter (Jan-Mar).

Ordinary profit was 59.7 billion yen, an increase of 7.5 billion yen, or 14.3%. During the first quarter (Apr-Jun), an extraordinary loss of 5.7 billion yen was recognized as a result of crystallizing a negative foreign currency translation adjustment previously recorded in consolidated net assets in conjunction with the sale of an impaired overseas legacy investment. Taxes were a net expense of 10.2 billion yen, compared with a net expense of 9.8 billion yen in FY2013.

As a result of the aforementioned factors, consolidated net income was 43.7 billion yen, an increase of 1.4 billion yen, or 3.2% year on year, exceeding the full-year forecast of 43.0 billion yen.

1. Net Revenue

(1)① Net Interest Income

(100 million yen)	FY2013		FY2014		Change (B)–(A)
	3 months Jan.- Mar.	Full - Year (A)	3 months Jan.- Mar.	Full - Year (B)	
Net interest income (a)-(b)	106	437	119	500	63
Interest income (a)	141	590	152	634	44
Interest on loans and discounts	103	424	110	429	5
Interest and dividends on securities	34	141	38	177	36
Other interest income	3	14	3	23	9
Interest on swaps	2	11	1	5	-6
Interest expenses (b)	-35	-153	-33	-134	19
Interest on deposits and NCDs *	-27	-118	-22	-93	25
Interest on debentures	-1	-6	-1	-6	0
Interest on borrowings and rediscount	-1	-6	-2	-7	-2
Other interest expenses	-2	-10	-3	-10	-1
Interest on swaps	-3	-14	-5	-18	-3

* Negotiable certificates of deposit

(1)② Net Interest Margin

	FY2013		FY2014		Change (B)–(A)
	3 months Jan.- Mar.	Full - Year (A)	3 months Jan.- Mar.	Full - Year (B)	
Yield on total investments (a)	1.44%	1.49%	1.50%	1.55%	0.06%
Yield on loans (b)	1.56%	1.63%	1.61%	1.60%	-0.03%
Yield on securities	1.22%	1.18%	1.38%	1.45%	0.27%
Yield on funding (c)	0.37%	0.40%	0.33%	0.34%	-0.06%
Net interest margin (a)-(c)	1.07%	1.09%	1.17%	1.21%	0.12%
Loan margin (b)-(c)	1.19%	1.23%	1.28%	1.26%	0.03%

Net interest income was 50.0 billion yen, an increase of 6.3 billion yen, or 14.4% year on year. Interest income increased 4.4 billion yen, reflecting year on year increases in interest on loans and discounts as well as interest and dividends on securities as the Bank continued its focus on balancing risk and return. Interest expenses were reduced 1.9 billion yen as a result of our ongoing efforts to reduce funding costs. The net interest margin increased 12 bps to 1.21%, due to an improvement of 6 bps in the yield on total investments and a reduction of 6 bps in funding costs.

(2) Net Fees and Commissions

(100 million yen)	FY2013		FY2014		Change (B)–(A)
	3 months Jan.- Mar.	Full - Year (A)	3 months Jan.- Mar.	Full - Year (B)	
Net fees and commissions (a)-(b)	32	125	41	145	20
Fees and commissions received (a)	35	134	44	156	22
Loan business-related	17	63	18	72	8
Securities-related and agency	14	57	19	69	13
Others	4	14	7	15	1
Fees and commissions payments (b)	-3	-9	-3	-11	-2

Net fees and commissions were 14.5 billion yen, an increase of 2.0 billion yen, or 16.2% year on year, due to growth in earnings from the sale of investment trusts and insurance to the Bank's mass affluent retail customers, as well as loan-related fee income.

Earnings from the Bank's retail-related business, which is the sum of earnings from the sale of investment trusts and insurance to our mass affluent retail customers (referred to in the preceding paragraph) and also the sale of structured bonds (included in 'Net Trading Revenues'), increased 1.6 billion yen, or 24.3% year on year, to 8.0 billion yen. This result reflected the Bank's continued efforts to further strengthen the capabilities of its sales staff, as well as enhance its investment product line-up in order to respond to the needs of its customers.

【Ref.】 Earnings from Retail-Related Business

(100 million yen)	FY2013		FY2014		Change (B)–(A)
	3 months Jan.- Mar.	Full - Year (A)	3 months Jan.- Mar.	Full - Year (B)	
Earnings related to the sale of investment trusts, insurance and structured bonds	16	64	26	80	16

Note: Earnings related to the sale of structured bonds are recorded as trading revenues.

(3) Net Trading Revenues

(100 million yen)	FY2013		FY2014		Change (B)–(A)
	3 months Jan.- Mar.	Full - Year (A)	3 months Jan.- Mar.	Full - Year (B)	
Net trading revenues	32	98	42	125	27
Income on trading-related financial derivatives transactions	30	80	23	92	13
Others	2	18	18	32	14

Net trading revenues were 12.5 billion yen, an increase of 2.7 billion yen, or 27.4% year on year, mainly as a result of the continued favorable sale of derivative-related products to our corporate and financial institution customers.

(4) Gains/losses on Bond Transactions

(100 million yen)	FY2013		FY2014		Change (B)–(A)
	3 months Jan.- Mar.	Full - Year (A)	3 months Jan.- Mar.	Full - Year (B)	
Gains/losses on bond transactions	9	4	-11	29	24
Japanese government bonds	-	2	0	20	18
Foreign government bonds and mortgage bonds	-	-47	4	9	56
Others	9	49	-15	-0	-50
Profit from hedge funds	1	4	1	7	3
Others (J-REIT, foreign currency ETFs, etc.)	8	45	-16	-7	-53

Gains/losses on bond transactions were 2.9 billion yen, increasing 2.4 billion yen in comparison to FY2013, mainly as a result of gains on the sale of JGBs. The Bank continued to focus on the diversification and performance of its investment portfolio.

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

(100 million yen)	FY2013		FY2014		Change (B)–(A)
	3 months Jan.- Mar.	Full - Year (A)	3 months Jan.- Mar.	Full - Year (B)	
Net other ordinary income excluding gains/losses on bond transactions	25	142	40	130	-12
Gains /losses on foreign currency transactions	-4	-2	-3	7	9
Gains /losses on derivatives other than trading, net	-0	3	-0	-0	-3
Gains from limited partnerships	27	129	41	90	-39
Real estate-related	14	48	3	12	-36
Distressed loan-related	5	45	7	33	-13
Others (Buyout, etc.)	9	35	30	45	9
Gains on distressed loans (Aozora Loan Services)	2	9	2	10	1
Debenture issue cost	-0	-0	-0	-0	-0
Others	0	3	2	24	20

Net other ordinary income, excluding gains/losses on bond transactions, was 13.0 billion yen, a decrease of 1.2 billion yen, or 8.5% year on year. This result included solid gains from limited partnerships of 9.0 billion yen, mainly from the Bank's buyout funds and distressed loan business.

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

(100 million yen)	FY2013		FY2014		Change (B)–(A)
	3 months Jan.- Mar.	Full - Year (A)	3 months Jan.- Mar.	Full - Year (B)	
G & A expenses	-104	-393	-116	-402	-8
Personnel	-52	-200	-56	-204	-4
Non-personnel expense	-47	-175	-54	-175	0
Tax	-5	-19	-6	-23	-4

General and administrative expenses increased 0.8 billion yen, or 2.1% year on year, to 40.2 billion yen, mainly due to head count increases in our retail staff. The OHR was 43.3% due to growth in net revenue, as well as the ongoing priority the Bank has assigned to efficient operations.

3. Credit-Related Expenses

(100 million yen)	FY2013		FY2014		Change (B)–(A)
	3 months Jan.- Mar.	Full - Year (A)	3 months Jan.- Mar.	Full - Year (B)	
Credit-related expenses	6	-23	-72	47	70
Write-off of loans	0	-13	-3	-6	7
Gains/losses on disposition of loans	-1	15	-0	26	11
Reserve for possible loan losses	22	-82	-79	-30	52
Specific reserve for possible loan losses	13	-9	6	86	95
General reserve for possible loan losses	8	-73	-86	-116	-43
Reserve for credit losses on off-balance-sheet instruments	-16	-19	8	6	26
Recoveries of written-off claims	1	76	2	50	-26

Credit-related expenses were a net reversal of 4.7 billion yen, compared with a net expense of 2.3 billion yen in FY2013. This result included the reversal of specific reserves mainly due to an improvement in the condition of borrowers, in addition to the recoveries of written-off claims. Credit-related expenses were a net expense of 7.2 billion yen in the fourth quarter (Jan-Mar), as the Bank allocated additional loan loss reserves, mainly for overseas loans, as a preventative measure. The ratio of loan loss reserves to total loans remained high at 2.29%.

4. Taxes

(100 million yen)	FY2013		FY2014		Change (B)–(A)
	3 months Jan.- Mar.	Full - Year (A)	3 months Jan.- Mar.	Full - Year (B)	
Taxes	-27	-98	42	-102	-4

A net tax expense of 10.2 billion yen was recognized in FY2014, compared with a net expense of 9.8 billion yen in FY2013. The effective tax rate, excluding the impact of extraordinary losses related to foreign currency translation adjustment, was 17.1%.

Deferred income taxes were a net reversal of 5.4 billion yen in the fourth quarter (Jan-Mar). This result reflected a net tax expense of approximately 3.9 billion yen due to a reduction in the corporate tax rate, offset by the estimation of taxable losses incurred in previous years as future deductible temporary differences. As a result, taxes were a net reversal of 4.2 billion yen in the fourth quarter.

II. Balance Sheet

(100 million yen)	Mar. 31, 2014 (A)	Dec. 31, 2014	Mar. 31, 2015 (B)	Change (B)–(A)		Page
				Amount	%	
Total assets	48,054	51,023	49,245	1,190	2.5%	-
Loan and bills discounted	26,435	27,620	27,758	1,323	5.0%	10
Securities	11,686	12,580	9,841	-1,846	-15.8%	11
Cash and due from banks	4,419	3,936	5,505	1,087	24.6%	-
Others	5,514	6,886	6,141	626	11.4%	-
Total liabilities	42,894	45,520	43,571	677	1.6%	-
Deposits	27,567	27,018	26,981	-586	-2.1%	10
Negotiable certificates of deposit	2,531	2,906	2,867	336	13.3%	10
Debentures	1,976	2,305	2,461	486	24.6%	10
Borrowed money	1,588	1,795	1,872	285	17.9%	-
Others	9,234	11,496	9,390	156	1.7%	-
Total net assets	5,160	5,502	5,674	514	10.0%	-
Capital stock	1,000	1,000	1,000	-	-	-
Capital surplus	3,102	2,897	2,897	-205	-6.6%	-
Retained earnings	2,098	2,306	2,350	252	12.0%	-
Treasury stock	-993	-993	-993	-	-	-
Valuation difference on available-for-sale securities	-31	221	349	380	-	-
Foreign currency translation adjustment	-69	13	12	81	-	-
Others	53	59	59	6	10.4%	-
Total liabilities and net assets	48,054	51,023	49,245	1,190	2.5%	-

Total assets were 4,924.5 billion yen as of March 31, 2015, an increase of 119.0 billion yen, or 2.5%, compared to March 31, 2014. Loans increased from March 31, 2014 by 132.3 billion yen, or 5.0%, to 2,775.8 billion yen. Overseas loans increased approximately 210 billion yen, while domestic loans decreased approximately 80 billion yen as the Bank maintained its focus on balancing risk and return. Securities were 984.1 billion yen, a decrease of 184.6 billion yen, or 15.8%, compared to March 31, 2014.

On the funding side, total liabilities were 4,357.1 billion yen, an increase of 67.7 billion yen, or 1.6%, compared to March 31, 2014. Deposits and negotiable certificates of deposit decreased 25.0 billion yen, while debentures increased 48.6 billion yen. Funding from retail customers was approximately 2,060 billion yen, increasing 13.5 billion yen, or 0.7%, and the percentage of retail funding to total core funding (the sum of deposits, negotiable certificates of deposit and debentures) was 63.8%.

Net assets were 567.4 billion yen, representing an increase of 51.4 billion yen, or 10.0%, in comparison with March 31, 2014. This increase reflected FY2014's net income as well as an increase in the valuation difference on available-for-sale securities, reduced in part as a result of dividend payments including the installment repayment of public funds (super preferred dividend) based on the Comprehensive Recapitalization Plan.

Net assets per common share were 336.83 yen, as compared to 292.83 yen per common share as of March 31, 2014.

1. Funding (Deposits and Debentures)

(100 million yen)	Mar. 31, 2014 (A)	Dec. 31, 2014	Mar. 31, 2015 (B)	Change (B)–(A)
Total core funding	32,073	32,230	32,309	236

Funding sources by products

(100 million yen)	Mar. 31, 2014 (A)	Dec. 31, 2014	Mar. 31, 2015 (B)	Change (B)–(A)
Deposits / NCDs	30,097	29,925	29,847	-250
Debentures	1,976	2,305	2,461	486

Funding sources by customers

(100 million yen)	Mar. 31, 2014 (A)	Dec. 31, 2014	Mar. 31, 2015 (B)	Change (B)–(A)
Retail	20,463	20,435	20,597	135
Corporate	6,503	6,114	6,135	-367
Financial Institutions	5,107	5,681	5,576	468

Note: Corporate includes public entities

Total core funding (the sum of deposits, negotiable certificates of deposit and debentures) was 3,230.9 billion yen, an increase of 23.6 billion yen, or 0.7%, from March 31, 2014. The Bank maintained a stable funding base, while it continued its efforts to reduce funding costs, as well as conducted flexible operations based on the level of interest-earning assets. Funding from retail customers was 2,059.7 billion yen, an increase of 13.5 billion yen, or 0.7%, and the percentage of retail funding to total core funding was 63.8%.

The Bank maintained adequate liquidity reserves of 630.0 billion yen as of March 31, 2015.

2. Loans

(100 million yen)	Mar. 31, 2014 (A)	Dec. 31, 2014	Mar. 31, 2015 (B)	Change (B)–(A)
Loans	26,435	27,620	27,758	1,323
Domestic loans	21,016	20,414	20,197	-818
Overseas loans	5,419	7,206	7,561	2,141

Note: Overseas loans with no final risk residing in Japan

Loans increased 132.3 billion yen, or 5.0%, from March 31, 2014, to 2,775.8 billion yen. Domestic loans decreased 81.8 billion yen as the Bank maintained its focus on balancing risk and return. Overseas loans increased by 214.1 billion yen as a result of the Bank's selective origination of loans, mainly in North America where risk-return profiles remain attractive.

3. Securities

(100 million yen)	Book Value				Unrealized Gains/Losses			
	Mar. 31, 2014 (A)	Dec. 31, 2014	Mar. 31, 2015 (B)	Change (B) – (A)	Mar. 31, 2014 (A)	Dec. 31, 2014	Mar. 31, 2015 (B)	Change (B) – (A)
JGBs	3,459	3,689	1,940	-1,519	20	8	9	-11
TDB only	1,702	2,902	1,602	-100	-0	0	0	0
15Y floating rate only	1,453	787	338	-1,115	23	8	9	-14
Municipal bonds	169	159	185	16	1	2	1	1
Corporate bonds	575	418	393	-182	3	2	0	-3
Equities	295	381	418	123	6	229	263	257
Foreign bonds	3,672	3,856	3,704	32	-108	-14	36	143
Others	3,516	4,077	3,200	-315	38	118	201	164
Hedge funds	79	76	72	-7	21	24	24	4
ETFs	1,308	2,118	1,444	136	6	34	111	105
Investment in limited partnerships	430	405	675	244	0	3	6	5
REIT	349	439	482	133	14	65	59	45
Investment trusts	1,247	860	324	-923	-3	-9	-2	1
Others	102	179	204	101	-0	1	4	4
Total	11,686	12,580	9,841	-1,846	-40	345	511	551

Securities were 984.1 billion yen as of March, 31, 2015, a decrease of 184.6 billion yen, or 15.8%, compared to March 31, 2014. Japanese government bonds (JGBs) and investment trusts, including money market funds, were reduced as the Bank continued its focus on the diversification and performance of its investment portfolio.

Total unrealized gains amounted to 51.1 billion yen, increasing 55.1 billion yen from March 31, 2014. This result mainly reflected an improvement in unrealized gains on foreign bonds as well as an increase in unrealized gains on ETFs, in addition to an increase in unrealized gains on equities recorded in the third quarter due to the public offering of an unlisted stock owned by the Bank over the years.

Note: A portion of beneficial interests in investment trusts within 'monetary claims bought' is marked at fair value, but the amounts (balance sheet total 0.7 billion yen; valuation gains of 1 million yen as of March 31, 2015) are not included in the table above.

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

(100 million yen)	Mar. 31, 2014 (A)	Dec. 31, 2014	Mar. 31, 2015 (B)	Change (B)–(A)
Bankrupt and similar credit	36	3	3	-33
Doubtful credit	567	280	262	-306
Special attention credit	199	118	118	-81
FRL credit, total (a)	802	401	382	-420
Normal credit (b)	26,033	27,720	27,871	1,838
Total credit (c)=((a)+(b))	26,834	28,121	28,253	1,418
FRL credit ratio (a)/(c)	2.98%	1.42%	1.35%	-1.63%

Non-performing claims as defined by the Financial Reconstruction Law (FRL) were 38.2 billion yen, a decrease of 42.0 billion yen, or 52.4%, from March 31, 2014, mainly due to the collection of claims, including doubtful credit and special attention credit. The FRL ratio improved by 1.63 points to 1.35%. The percentage of FRL claims covered by reserves, collateral and guarantees was 80.4% as of March 31, 2015. The ratio of loan loss reserves to total loans on a consolidated basis remained high at 2.29% as of March, 31, 2015.

IV. Capital Adequacy Ratio (Preliminary)

(100 million yen)	Mar. 31, 2014 (A)	Dec. 31, 2014	Mar. 31, 2015 (B)	Change (B)–(A)
Capital adequacy ratio	15.13%	14.97%	14.45%	-0.68%
Regulatory capital	5,289	5,617	5,429	140
Risk assets	34,956	37,505	37,570	2,615

Aozora's consolidated capital adequacy ratio (Basel III basis, domestic standard) was 14.45% (preliminary basis) and remained at an adequate level.

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

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

Forward-Looking Statements

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