November 12, 2015

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Aozora Reports Net Income of 24.3 billion for the First Half of FY2015
2.7% increase compared to previous year; Progress of 57% towards full-year forecast

TOKYO November 12, 2015 – Aozora Bank, Ltd. ("Aozora" or "the Bank"), a leading Japanese commercial bank, today announced its interim financial results for FY2015.

FY2015 Interim Financial Results

In the first half of FY2015, Aozora reported consolidated net revenue of 46.5 billion yen, business profit of 26.6 billion yen, and net income of 24.3 billion yen, representing progress of 48%, 50%, and 57%, respectively, towards the full-year forecasts.

Shinsuke Baba, Representative Director, President and Chief Executive Officer of Aozora Bank commented, "Aozora entered a new stage of development following the full repayment of public funds, and we are pleased to get off to a good start in the face of increasing uncertainty in global markets. We were able to achieve net revenue of 46.5 billion yen, a year on year increase reflecting our efforts to leverage the '6 Focuses' of our updated Business Model, as well as our ongoing attention to disciplined balance sheet management. In addition, we reported net income of 24.3 billion yen which represented progress of 57%, and places us well on track to achieve our full-year earnings forecast of 43.0 billion yen. Reflecting these results, today we announced a second quarter dividend of 4.0 yen per common share, the same amount as the first quarter dividend, while our full-year forecast is 18.40 yen. We also remain committed to a 50% payout ratio for the full-year."

Baba concluded, "We will strive to further enhance Aozora's corporate value through the provision of differentiated services while taking full advantage of the Bank's expertise. We also reaffirm our commitment to the forward-looking management of risk. I would like to express my gratitude to all of our stakeholders for their continued support."

1. Summary of the interim results (Consolidated)

- Net revenue was 46.5 billion yen, an increase of 0.3 billion yen, or 0.7% year on year, and business profit was 26.6 billion yen, a decrease of 0.6 billion yen, or 2.3% year on year. Net income was 24.3 billion yen, an increase of 0.6 billion yen, or 2.7%, representing progress of 57% towards the full-year forecast of 43.0 billion yen.

    - Net interest income increased 1.1 billion yen, or 4.6% year on year, to 25.4 billion yen. The net interest margin increased 10 bps to 1.29% as the Bank continued its disciplined approach to balance sheet management.

    - General and administrative expenses were 19.9 billion yen, a year on year increase of 1.0 billion yen, or 5.0%. The OHR (general and administrative expenses as a percentage of net revenue) was 42.7%, due to the ongoing priority assigned to efficient operations.

    - Credit-related expenses were a net reversal of 1.8 billion yen, compared with a net reversal of 10.5 billion yen in the first half of FY2014, mainly due to the recoveries of written-off claims.

- The loan balance was 2,610.4 billion yen, a decrease of 165.4 billion yen, or 6.0%, from March 31, 2015. Overseas loans increased 50.8 billion yen, while domestic loans decreased 216.2 billion yen, reflecting the Bank's ongoing focus on balancing risk and return as well as a reduction in low yielding loans.

- Funding from retail customers was approximately 2,030 billion yen. The percentage of retail funding to total core funding (the sum of deposits, negotiable certificates of deposit, debentures and bonds) was stable at approximately 60%. The Bank maintained adequate liquidity reserves as of September 30, 2015, approximately 600 billion yen following the full repayment of public funds.

- Non-performing claims as defined by the Financial Reconstruction Law (FRL) were 25.0 billion yen, a decrease of 13.2 billion yen, or 34.6%, from March 31, 2015. The FRL ratio was below 1%, at 0.94%. The ratio of loan loss reserves to total loans on a consolidated basis remained high at 2.43%.

- The Bank's consolidated capital adequacy ratio (domestic standard) remained at an adequate level, approximately 11.02% (preliminary basis) after the full repayment of public funds in June 2015.

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

2. FY2015 Interim Performance (April 1, 2015 to September 30, 2015)

Consolidated basis

(100 million yen)	Net Revenue	Business Profit	Ordinary Profit	Net Income	Net Income per common share
1H FY2015 (Apr. – Sept.) (a)	465	266	297	243	20.83 Yen
1H FY2014 (Apr. – Sept.) (b)	462	273	380	237	19.65 Yen
Change (a) - (b)	3	-6	-83	6	1.18 Yen
Percentage change ((a)-(b)) / (b)	0.7%	-2.3%	-22.0%	2.7%	6.0%
FY2015 full-year forecast (c)	960	530	535	430	36.86 Yen
Progress (a)/(c)	48.4%	50.2%	55.4%	56.5%	56.5%

Non-consolidated basis

(100 million yen)	Net Revenue	Business Profit before general loan-loss reserve	Ordinary Profit	Net Income	Net Income per common share
1H FY2015 (Apr. – Sept.) (a)	442	260	289	238	20.38 Yen
1H FY2014 (Apr. – Sept.) (b)	427	253	366	282	23.51 Yen
Change (a)-(b)	15	8	-78	-44	-3.13 Yen
Percentage change ((a)-(b)) / (b)	3.5%	3.1%	-21.1%	-15.6%	-13.3 %
FY2015 full-year forecast (c)	890	490	495	400	34.29 Yen
Progress (a)/(c)	49.6%	53.1%	58.3%	59.4%	59.4%

Ⅰ. Revenue and Expenses

(100 million yen)	FY2014		FY2015		Change (B)－(A)		Page
	3 months Jul.- Sept.	Interim (A)	3 months Jul.- Sept.	Interim (B)	Amount	%	
Net revenue	**243**	**462**	**230**	**465**	**3**	**0.7%**	-
Net interest income	123	243	124	254	11	4.6%	4
Net interest margin	*1.19%*	*1.19%*	*1.27%*	*1.29%*	*0.10%*	-	4
Non-interest income	120	219	106	211	-8	-3.7%	-
Net fees and commissions	51	75	31	58	-18	-23.5%	4
Net trading revenues	31	55	14	51	-3	-6.3%	5
Net other ordinary income	39	89	62	102	13	14.8%	-
Gains/losses on bond transactions	5	32	23	45	13	38.7%	5
Net other ordinary income excluding gains/losses on bond transactions	34	57	39	57	1	1.1%	5
General & administrative expenses	-95	-189	-100	-199	-10	-5.0%	6
Business profit	**148**	**273**	**130**	**266**	**-6**	**-2.3%**	-
Credit-related expenses	18	105	2	18	-87	-	6
Ordinary profit	**164**	**380**	**137**	**297**	**-83**	**-22.0%**	-
Extraordinary profit	-0	-57	-0	-0	57	-	-
Taxes	-50	-86	-18	-54	32	-	6
Net income	**113**	**237**	**119**	**243**	**6**	**2.7%**	-

In the first half of FY2015, consolidated net revenue increased 0.3 billion yen, or 0.7% year on year, to 46.5 billion yen, representing progress of 48% towards the full-year forecast of 96.0 billion yen.

Net interest income was 25.4 billion yen, an increase of 1.1 billion yen, or 4.6% year on year. The Bank's net interest margin increased 10 bps to 1.29%. Contributing to this result was an increase in the yield on total investments of 11 bps as the Bank continued its disciplined balance sheet management.

Non-interest income was 21.1 billion yen, a decrease of 0.8 billion yen, or 3.7% year on year. Net fees and commissions were 5.8 billion yen, a decrease of 1.8 billion yen, or 23.5% year on year, and net trading revenues were 5.1 billion yen, a decrease of 0.3 billion yen, or 6.3%. Gains/losses on bond transactions were a gain of 4.5 billion yen, compared with a gain of 3.2 billion yen in the first half of FY2014. Net other ordinary income, excluding gains/losses on bond transactions, was 5.7 billion yen, an increase of 0.1 billion yen, or 1.1%, from the first half of FY2014, mainly due to gains from limited partnerships.

General and administrative expenses were 19.9 billion yen, an increase of 1.0 billion yen, or 5.0% year on year. The OHR was 42.7%, due to the ongoing priority the Bank has assigned to efficient operations.

Consolidated business profit was 26.6 billion yen, a decrease of 0.6 billion yen, or 2.3%.

Credit-related expenses were a net reversal of 1.8 billion yen, mainly due to the recoveries of written-off claims, compared with a net reversal of 10.5 billion yen in the first half of FY2014.

Ordinary profit was 29.7 billion yen, a decrease of 8.3 billion yen, or 22.0%, mainly attributable to the change in the reversal of credit-related expenses noted above. During the first half of FY2014, the Bank recognized an extraordinary loss of 5.7 billion yen as a result of crystallizing a negative foreign currency translation adjustment. Taxes were a net expense of 5.4 billion yen, compared with a net expense of 8.6 billion yen in the first half of FY2014.

As a result of the aforementioned factors, consolidated net income was 24.3 billion yen, an increase of 0.6 billion yen, or 2.7% year on year, representing progress of 57% towards the full-year forecast of 43.0 billion yen.

1. Net Revenue

(1)①Net Interest Income

(100 million yen)		FY2014 3 months Jul.- Sept.	FY2014 Interim (A)	FY2015 3 months Jul.- Sept.	FY2015 Interim (B)	Change (B)－(A)
Net interest income	(a)-(b)	123	243	124	254	11
Interest income	(a)	157	310	160	325	16
Interest on loans and discounts		107	209	110	218	9
Interest and dividends on securities		45	92	48	96	4
Other interest income		3	6	2	10	5
Interest on swaps		1	3	1	2	-1
Interest expenses	(b)	-34	-67	-36	-71	-4
Interest on deposits and NCDs		-24	-49	-21	-42	6
Interest on debentures and bonds		-1	-3	-2	-3	-0
Interest on borrowings and rediscount		-2	-4	-2	-4	-1
Other interest expenses		-3	-5	-3	-6	-1
Interest on swaps		-4	-7	-8	-16	-8

(1)②Net Interest Margin

		FY2014 3 months Jul.- Sept.	FY2014 Interim (A)	FY2015 3 months Jul.- Sept.	FY2015 Interim (B)	Change (B)－(A)
Yield on total investments	(a)	1.52%	1.53%	1.63%	1.64%	0.11%
Yield on loans		1.60%	1.59%	1.61%	1.59%	0.00%
Yield on securities		1.41%	1.46%	1.89%	1.86%	0.40%
Yield on funding	(b)	0.33%	0.34%	0.36%	0.35%	0.01%
Net interest margin	(a)-(b)	1.19%	1.19%	1.27%	1.29%	0.10%

Net interest income was 25.4 billion yen, an increase of 1.1 billion yen, or 4.6% year on year. Interest income increased 1.6 billion yen, mainly as a result of the Bank's continued focus on balancing risk and return. The net interest margin increased 10 bps to 1.29%, reflecting an improvement of 11 bps in the yield on total investments, mainly due to an improvement in the yield on securities, while the Bank managed to keep the yield on loans unchanged year on year.

(2) Net Fees and Commissions

(100 million yen)		FY2014 3 months Jul.- Sept.	FY2014 Interim (A)	FY2015 3 months Jul.- Sept.	FY2015 Interim (B)	Change (B)－(A)
Net fees and commissions	(a)-(b)	51	75	31	58	-18
Fees and commissions received	(a)	53	80	33	62	-18
Loan business-related		33	42	14	25	-17
Securities-related and agency		17	33	16	30	-3
Others		3	6	4	8	2
Fees and commissions payments	(b)	-2	-5	-3	-5	0

Net fees and commissions were 5.8 billion yen, decreasing 1.8 billion yen, or 23.5%, compared to the first six months of FY2014, mainly due to a year on year decline in loan-related fee income.

Earnings from the sale of investment trusts, insurance and structured bonds aimed at the Bank's mass affluent retail customers increased 0.5 billion yen, or 16.1% year on year, to 3.7 billion yen. The Bank will continue its 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)	FY2014 3 months Jul.- Sept.	FY2014 Interim (A)	FY2015 3 months Jul.- Sept.	FY2015 Interim (B)	Change (B)－(A)
Earnings related to the sale of investment trusts, insurance and structured bonds	16	32	18	37	5

Note: Earnings related to the sale of investment trusts and insurance are recorded as net fees and commissions, and earnings related to the sale of structured bonds are recorded as trading revenues.

(3) Net Trading Revenues

(100 million yen)	FY2014 3 months Jul.- Sept.	FY2014 Interim (A)	FY2015 3 months Jul.- Sept.	FY2015 Interim (B)	Change (B)－(A)
Net trading revenues	31	55	14	51	-3
Income on trading-related financial derivatives transactions	25	48	15	40	-8
Others	5	7	-1	11	4

Net trading revenues were 5.1 billion yen, a decrease of 0.3 billion yen, or 6.3% year on year. This result included the continued favorable sale of derivative-related products to our corporate and financial institution customers, in addition to growth in earnings related to the sale of structured bonds to our mass affluent retail customers.

(4) Gains/Losses on Bond Transactions

(100 million yen)	FY2014 3 months Jul.- Sept.	FY2014 Interim (A)	FY2015 3 months Jul.- Sept.	FY2015 Interim (B)	Change (B)－(A)
Gains/losses on bond transactions	5	32	23	45	13
Japanese government bonds	4	18	6	7	-11
Foreign government bonds and mortgage bonds	1	1	6	23	22
Others	-0	13	11	14	1
Profit from hedge funds	2	5	6	7	2
Others (J-REIT, foreign currency ETFs, etc.)	-2	8	5	8	-0

Gains/losses on bond transactions were a gain of 4.5 billion yen, compared with a gain of 3.2 billion yen in the first half of FY2014. Contributing to this result were gains on the sale of foreign government bonds.

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

(100 million yen)	FY2014 3 months Jul.- Sept.	FY2014 Interim (A)	FY2015 3 months Jul.- Sept.	FY2015 Interim (B)	Change (B)－(A)
Net other ordinary income excluding gains/losses on bond transactions	34	57	39	57	1
Gains/losses on foreign currency transactions	4	-1	-7	-15	-14
Gains/losses on derivatives other than trading, net	-0	-0	1	-1	-0
Gains from limited partnerships	17	30	29	49	19
Real estate-related	4	7	3	4	-3
Distressed loan-related	7	17	12	25	8
Others (Buyout, etc.)	5	6	14	20	14
Gains on distressed loans (Aozora Loan Services)	5	7	3	2	-5
Others	8	21	14	21	0

Net other ordinary income, excluding gains/losses on bond transactions, was 5.7 billion yen, an increase of 0.1 billion yen, or 1.1% year on year. This result included solid gains from limited partnerships of 4.9 billion yen, mainly from the Bank’s distressed loan business.

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

(100 million yen)	FY2014		FY2015		Change (B)－(A)
	3 months Jul.- Sept.	Interim (A)	3 months Jul.- Sept.	Interim (B)	
G & A expenses	-95	-189	-100	-199	-10
Personnel	-50	-98	-53	-102	-4
Non-personnel expense	-40	-80	-43	-85	-5
Tax	-5	-11	-4	-12	-1

General and administrative expenses increased 1.0 billion yen, or 5.0% year on year, to 19.9 billion yen, mainly due to increased staff in our focus business areas, including our retail business, as well as additional system and branch related expenses. The OHR was 42.7% 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)	FY2014		FY2015		Change (B)－(A)
	3 months Jul.- Sept.	Interim (A)	3 months Jul.- Sept.	Interim (B)	
Credit-related expenses	18	105	2	18	-87
Write-off of loans	-2	-2	-0	-0	1
Gains/losses on disposition of loans	0	27	0	-1	-27
Reserve for possible loan losses	14	44	-1	-0	-44
Specific reserve for possible loan losses	56	68	6	-8	-75
General reserve for possible loan losses	-42	-24	-7	7	31
Reserve for credit losses on off-balance-sheet instruments	-5	6	2	-2	-8
Recoveries of written-off claims	10	31	1	22	-9

Credit-related expenses were a net reversal of 1.8 billion yen, compared with a net reversal of 10.5 billion yen in the first half of FY2014, mainly due to the recoveries of written-off claims in the first quarter of FY2015. The ratio of loan loss reserves to total loans remained high at 2.43%, which reflected the Bank's continued conservative allocation of reserves.

4. Taxes

(100 million yen)	FY2014		FY2015		Change (B)－(A)
	3 months Jul.- Sept.	Interim (A)	3 months Jul.- Sept.	Interim (B)	
Taxes	-50	-86	-18	-54	32

A net tax expense of 5.4 billion yen was recognized in the first half of FY2015, compared with a net expense of 8.6 billion yen in the first half of FY2014. The effective tax rate (taxes as a proportion of pre-tax income) was 18.1%. In calculating deferred tax assets, the Bank continued its conservative estimation of future taxable income and future deductible temporary differences in consideration of the uncertainty of such estimations.

Ⅱ. Balance Sheet

(100 million yen)	Mar. 31, 2015 (A)	Jun. 30, 2015	Sept.30, 2015 (B)	Change (B)－(A)		Page
				Amount	%	
Total assets	**49,245**	**48,496**	**46,383**	**-2,861**	**-5.8%**	**-**
Loan and bills discounted	27,758	27,163	26,104	-1,654	-6.0%	8
Securities	9,841	10,887	9,496	-345	-3.5%	9
Cash and due from banks	5,505	5,364	5,698	192	3.5%	-
Others	6,141	5,081	5,086	-1,055	-17.2%	-
Total liabilities	**43,571**	**44,510**	**42,381**	**-1,190**	**-2.7%**	**-**
Deposits	26,981	28,074	27,380	399	1.5%	8
Negotiable certificates of deposit	2,867	3,166	2,987	120	4.2%	8
Debentures, Bonds	2,461	2,514	2,514	53	2.1%	8
Borrowed money	1,872	1,888	1,910	37	2.0%	-
Others	9,390	8,868	7,590	-1,800	-19.2%	-
Total net assets	**5,674**	**3,985**	**4,003**	**-1,672**	**-29.5%**	**-**
Capital stock	1,000	1,000	1,000	-	-	-
Capital surplus	2,897	873	873	-2,024	-69.9%	-
Retained earnings	2,350	1,838	1,911	-440	-18.7%	-
Treasury stock	-993	-34	-34	959	-	-
Valuation difference on available-for-sale securities	349	238	163	-186	-53.3%	-
Foreign currency translation adjustment	12	16	12	-0	-3.4%	-
Others	59	55	78	19	31.9%	-
Total liabilities and net assets	**49,245**	**48,496**	**46,383**	**-2,861**	**-5.8%**	**-**

Total assets were 4,638.3 billion yen as of September 30, 2015, a decrease of 286.1 billion yen, or 5.8%, compared to March 31, 2015. Loans were 2,610.4 billion yen, a decrease of 165.4 billion yen, or 6.0%, from March 31, 2015. Reflecting the Bank’s ongoing focus on balancing risk and return, overseas loans increased approximately 51 billion yen while domestic loans decreased approximately 216 billion yen. Securities decreased by 34.5 billion yen, or 3.5%, from March 31, 2015, to 949.6 billion yen.

On the funding side, total liabilities were 4,238.1 billion yen, a decrease of 119.0 billion yen, or 2.7%, compared to March 31, 2015. Deposits and negotiable certificates of deposit increased 52.0 billion yen. Funding from retail customers was approximately 2,030 billion yen, and the percentage of retail funding to total core funding (the sum of deposits, negotiable certificates of deposit, debentures and bonds) was stable at approximately 60%.

Net assets were 400.3 billion yen, representing a decrease of 167.2 billion yen, or 29.5%, in comparison with March 31, 2015. This decrease mainly reflected the full repayment of public funds.

Net assets per common share were 342.33 yen, as compared to 336.83 yen per common share as of March 31, 2015.

1. Funding (Deposits and Debentures/Bonds)

(100 million yen)	Mar. 31, 2015 (A)	Jun. 30, 2015	Sept. 30, 2015 (B)	Change (B)−(A)
Total core funding	32,309	33,754	32,881	572

Funding sources by products

(100 million yen)	Mar. 31, 2015 (A)	Jun. 30, 2015	Sept. 30, 2015 (B)	Change (B)−(A)
Deposits / NCDs	29,847	31,241	30,367	520
Debentures/ Bonds	2,461	2,514	2,514	53

Funding sources by customers

(100 million yen)	Mar. 31, 2015 (A)	Jun. 30, 2015	Sept. 30, 2015 (B)	Change (B)−(A)
Retail	20,597	20,422	20,282	-316
Corporate	6,135	7,189	6,589	454
Financial Institutions	5,576	6,144	6,010	434

Note: Corporate includes public entities

Total core funding (the sum of deposits, negotiable certificates of deposit, debentures and bonds) was 3,288.1 billion yen, an increase of 57.2 billion yen, or 1.8%, from March 31, 2015. The percentage of retail funding to total core funding was stable at approximately 60%.

The Bank maintained adequate liquidity reserves as of September 30, 2015, approximately 600 billion yen following the full repayment of public funds.

2. Loans

(100 million yen)	Mar. 31, 2015 (A)	Jun. 30, 2015	Sept. 30, 2015 (B)	Change (B)−(A)
Loans	27,758	27,163	26,104	-1,654
Domestic loans	20,197	19,276	18,035	-2,162
Overseas loans	7,561	7,887	8,069	508

Note: Overseas loans with no final risk residing in Japan

Loans were 2,610.4 billion yen, a decrease of 165.4 billion yen, or 6.0%, from March 31, 2015.

Domestic loans decreased approximately 216 billion yen as a result of the Bank's ongoing focus on balancing risk and return, as well as a reduction in low yielding loans. Overseas loans increased by approximately 51 billion yen as a result of the Bank's selective origination of real estate non-recourse loans and corporate loans, mainly in North America where risk-return profiles remain attractive.

3. Securities

(100 million yen)	Book Value				Unrealized Gains/Losses			
	Mar. 31, 2015 (A)	Jun. 30, 2015	Sept. 30, 2015 (B)	Change (B) – (A)	Mar. 31, 2015 (A)	Jun. 30, 2015	Sept. 30, 2015 (B)	Change (B) – (A)
JGBs	1,940	1,940	1,354	-586	9	9	0	-9
TDB only	1,602	1,602	1,273	-329	0	0	-0	-0
15Y floating rate only	338	338	81	-257	9	9	0	-9
Municipal bonds	185	158	150	-35	1	1	1	-0
Corporate bonds	393	445	387	-6	0	1	-2	-2
Equities	418	447	433	16	263	265	251	-12
Foreign bonds	3,704	3,776	3,183	-521	36	-56	-3	-39
Others	3,200	4,122	3,988	788	201	151	-5	-207
Hedge funds	72	70	48	-24	24	24	16	-9
ETFs	1,444	2,233	2,085	640	111	72	-40	-150
Investment in limited partnerships	675	677	719	44	6	6	11	5
REIT	482	552	534	53	59	49	22	-37
Investment trusts	324	324	405	81	-2	-2	-15	-13
Others	204	266	197	-6	4	3	1	-2
Total	9,841	10,887	9,496	-345	511	370	242	-269

Securities were 949.6 billion yen as of September 30, 2015, a decrease of 34.5 billion yen, or 3.5%, compared to March 31, 2015. The Bank continues to secure stable interest income through an ongoing focus on the diversification and performance of its investment portfolio. In the first half of FY2015, domestic equities and foreign currency denominated ETFs were increased, while JGBs and foreign bonds were reduced.

Total unrealized gains were 24.2 billion yen, a decline compared to unrealized gains of 51.1 billion yen as of March 31, 2015, reflecting increased uncertainty in global markets.

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

(100 million yen)		Mar. 31, 2015 (A)	Jun. 30, 2015	Sept. 30, 2015 (B)	Change (B)−(A)
Bankrupt and similar credit		3	3	3	-0
Doubtful credit		262	273	207	-54
Special attention credit		118	115	40	-78
FRL credit, total	(a)	382	391	250	-132
Normal credit	(b)	27,871	27,209	26,222	-1,649
Total credit	(c)=((a)+(b))	28,253	27,599	26,472	-1,781
FRL credit ratio	(a)/(c)	1.35%	1.41%	0.94%	-0.41%

Non-performing claims as defined by the Financial Reconstruction Law (FRL) were 25.0 billion yen, a decrease of 13.2 billion yen, or 34.6%, from March 31, 2015, mainly due to the collection of claims, including doubtful and special attention credits. The FRL ratio was below 1%, at 0.94%. The percentage of FRL claims covered by reserves, collateral and guarantees remained high at 78.6% as of September 30, 2015. The ratio of loan loss reserves to total loans on a consolidated basis remained high at 2.43% as of September 30, 2015.

Ⅳ. Capital Adequacy Ratio (Preliminary)

(100 million yen)	Mar. 31, 2015 (A)	Jun. 30, 2015	Sept. 30, 2015 (B)	Change (B)−(A)
Capital adequacy ratio	14.45%	10.56%	11.02%	-3.43%
Regulatory capital	5,429	4,087	4,137	-1,293
Risk assets	37,569	38,696	37,510	-59

Aozora's consolidated capital adequacy ratio (domestic standard) remained at an adequate level, approximately 11.02% (preliminary basis) following the full repayment of public funds. For reference purposes, the Bank's CET1 ratio was approximately 10.1 %.

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.