November 14, 2014

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Aozora Reports Net Income of 23.7 billion for the First Half of FY2014

- Progress of 55% towards full-year forecast -

TOKYO November 14, 2014 – Aozora Bank, Ltd. ("Aozora" or "the Bank"), a leading Japanese commercial bank, today announced its interim financial results for FY2014.

FY2014 Interim Financial Results

In the first half of FY2014, Aozora reported consolidated net revenue of 46.2 billion yen and net income of 23.7 billion yen, representing progress of 50% and 55%, respectively, towards the full-year forecasts of 92.0 billion yen and 43.0 billion yen.

Shinsuke Baba, Representative Director, President and Chief Executive Officer of Aozora Bank commented, "While corporate earnings in Japan continued to show improvement, aggregate domestic loan demand was sluggish and loan pricing competition remained intense. Despite these conditions, we achieved year on year increases in both net interest income and non-interest income as a result of our disciplined and efficient balance sheet management, as well as efforts to enhance the performance of our focus business areas. We recorded net income of 23.7 billion yen, placing us soundly on track to achieve our full-year forecast of 43.0 billion yen. In addition, today we announced that the second quarter dividend payment will be 3 yen per common share."

Baba concluded, "The Bank remains focused on efficiency and we are committed to refining and implementing our business model which is designed to achieve sustainable earnings growth. I would like to express my gratitude to all of our stakeholders for their continuing support."

1. Summary of the interim results (Consolidated)

- Net revenue was 46.2 billion yen, an increase of 7.5 billion yen, or 19.3% year on year, reflecting year on year increases in both net interest income and non-interest income. Business profit was 27.3 billion yen, an increase of 7.8 billion yen, or 40.2% year on year. Net income was 23.7 billion yen, representing progress of 55% towards the full-year forecast of 43.0 billion yen.

    - Net interest income increased 2.6 billion yen, or 12.0% year on year, to 24.3 billion yen. The net interest margin increased 14 bps to 1.19% as the Bank continued its disciplined and efficient balance sheet management. Non-interest income was 21.9 billion yen, an increase of 4.9 billion yen, or 28.7% year on year, mainly due to growth in fee income, as well as earnings from the sale of derivative-related products.

    - General and administrative expenses were 18.9 billion yen, a year on year reduction of 0.3 billion yen, or 1.7%. The OHR (general and administrative expenses as a percentage of net revenue) remained low at 41.0%, due to the ongoing priority assigned to efficient operations.

    - Credit-related expenses were a net reversal of 10.5 billion yen, compared with a net expense of 3.5 billion yen in the first half of FY2013. This result included the reversal of reserves as a result of preventative measures previously taken by the Bank, in addition to significant recoveries of written-off claims and gains on the disposition of loans recorded in the first quarter of FY2014.

- The loan balance increased 76.3 billion yen, or 2.9%, to 2,719.8 billion yen from March 31, 2014. Overseas loans increased by 90.8 billion yen while domestic loans decreased 14.5 billion yen as the Bank maintained its focus on balancing risk and return.

- The percentage of retail funding to total core funding (the sum of deposits, negotiable certificates of deposit and debentures) was stable at 62.1%. The Bank maintained adequate liquidity reserves of approximately 520 billion yen as of September 30, 2014.

- Non-performing claims as defined by the Financial Reconstruction Law (FRL) were 52.0 billion yen, a decrease of 28.1 billion yen, or 35.1%, from March 31, 2014. The FRL ratio improved by 1.10 points to 1.88%. In addition, the percentage of FRL claims covered by reserves, collateral and guarantees remained high at 88.0% as of September 30, 2014.

- The Bank's consolidated capital adequacy ratio (Basel III basis, domestic standard) remained high at 14.94% (preliminary basis).

2. FY2014 Interim Performance (April 1, 2014 to September 30, 2014)

Consolidated basis

(100 million yen)	Ordinary Income	Net Revenue	Business Profit	Ordinary Profit	Net Income	Net Income per common share
H1 FY2014 (Apr. – Sept.) (a)	682	462	273	380	237	19.65 Yen
H1 FY2013 (Apr. – Sept.) (b)	739	387	194	274	240	19.83 Yen
Change (a) - (b)	-57	75	78	106	-3	-0.18 Yen
Percentage change ((a)-(b)) / (b)	-7.7%	19.3%	40.2%	38.8%	-1.3%	-0.9%
FY2014 full-year forecast (c)		920	510	515	430	35.60 Yen
Progress (a)/(c)		50.2%	53.4%	73.8%	55.0%	55.2%

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
H1 FY2014 (Apr. – Sept.) (a)	659	427	253	366	282	23.51 Yen
H1 FY2013 (Apr. – Sept.) (b)	712	419	242	267	237	19.57 Yen
Change (a)-(b)	-53	8	11	99	45	3.94 Yen
Percentage change ((a)-(b)) / (b)	-7.5%	1.9%	4.5%	37.0%	19.1%	20.1%
FY2014 full-year forecast (c)		860	475	495	420	34.74 Yen
Progress (a)/(c)		49.7%	53.2%	74.0%	67.1%	67.7%

3. Comparison of FY2014 Interim Earnings Forecasts and Actual Results

1. Difference between earnings forecasts and actual results

In the first half of FY2014, consolidated and non-consolidated ordinary profit, as well as non-consolidated net income, exceeded the respective FY2014 interim forecasts announced on May 15, 2014 by over 30%. As a result, net income per common share also exceeded the interim forecast by over 30% on a non-consolidated basis.

(1) Difference between consolidated earnings forecasts and actual results

FY2014 Interim (April 1, 2014 to September 30, 2014)

(100 million yen)	Ordinary Profit	Net Income	Net Income per common share
Interim Forecast (a)	250	210	17.37 Yen
Actual Results (b)	380	237	19.65 Yen
Difference (b) - (a)	130	27	2.28 Yen
Percentage difference	52.1%	12.6%	13.1%

(2) Difference between non-consolidated earnings forecasts and actual results

FY2014 Interim (April 1, 2014 to September 30, 2014)

(100 million yen)	Ordinary Profit	Net Income	Net Income per common share
Interim Forecast (a)	240	205	16.94 Yen
Actual Results (b)	366	282	23.51 Yen
Difference (b) - (a)	126	77	6.57 Yen
Percentage difference	52.7%	37.4%	38.8%

2. Reason for the difference between earnings forecasts and actual results

The difference was due to the Bank’s favorable net revenue performance in the first half of FY2014, as well as a net reversal in credit-related expenses of 10.5 billion yen on a consolidated basis and 10.4 billion yen on a non-consolidated basis.

Ⅰ. Revenue and Expenses

(100 million yen)	FY2013 3 months Jul.- Sept.	FY2013 Interim (A)	FY2014 3 months Jul.- Sept.	FY2014 Interim (B)	Change (B)－(A) Amount	Change (B)－(A) %	Page
Net revenue	**179**	**387**	**243**	**462**	**75**	**19.3%**	**-**
Net interest income	106	217	123	243	26	12.0%	5
Net interest margin	*1.06%*	*1.05%*	*1.19%*	*1.19%*	*0.14%*	-	5
Net fees and commissions	33	62	51	75	13	21.4%	5
Net trading revenues	26	47	31	55	8	17.0%	6
Net other ordinary income	14	61	39	89	28	45.1%	-
Gains/losses on bond transactions	-23	-24	5	32	56	-	6
Net other ordinary income excluding gains/losses on bond transactions	37	85	34	57	-28	-33.4%	6
General & administrative expenses	-95	-193	-95	-189	3	1.7%	7
Business profit	**85**	**194**	**148**	**273**	**78**	**40.2%**	**-**
Ordinary profit	**122**	**274**	**164**	**380**	**106**	**38.8%**	**-**
Net income	**107**	**240**	**113**	**237**	**-3**	**-1.3%**	**-**
Credit-related expenses	2	-35	18	105	141	-	7
Extraordinary Profit	-0	-0	-0	-57	-57	-	-
Taxes	-15	-34	-50	-86	-52	-	7

In the first half of FY2014, consolidated net revenue increased 7.5 billion yen, or 19.3% year on year, to 46.2 billion yen, representing progress of 50% towards the full-year forecast of 92.0 billion yen.

Net interest income was 24.3 billion yen, an increase of 2.6 billion yen, or 12.0% year on year. The Bank’s net interest margin increased 14 bps to 1.19%. Contributing to this result was an increase in the yield on total investments of 6 bps as the Bank continued its disciplined and efficient balance sheet management. Also contributing was a reduction in funding costs of 8 bps year on year as a result of our ongoing efforts to reduce funding costs.

Non-interest income increased 4.9 billion yen, or 28.7% year on year, to 21.9 billion yen. Net fees and commissions were 7.5 billion yen, an increase of 1.3 billion yen, or 21.4% year on year, and net trading revenues were 5.5 billion yen, an increase of 0.8 billion yen, or 17.0%, due to growth in fee income and earnings from the sale of derivative-related products. Gains/losses on bond transactions were a gain of 3.2 billion yen, compared with a loss of 2.4 billion yen in the first half of FY2013. Net other ordinary income, excluding gains/losses on bond transactions, was 5.7 billion yen, a decrease of 2.8 billion yen, or 33.4%, from the first half of FY2013.

General and administrative expenses were 18.9 billion yen, a reduction of 0.3 billion yen, or 1.7% year on year. The OHR remained low at 41.0%, due to the ongoing priority assigned to efficient operations.

Consolidated business profit increased 7.8 billion yen, or 40.2%, to 27.3 billion yen.

Credit-related expenses were a net reversal of 10.5 billion yen, compared with a net expense of 3.5 billion yen in the first half of FY2013. This result included the reversal of reserves as a result of preventative measures previously taken by the Bank, in addition to significant recoveries of written-off claims and gains on the disposition of loans recorded in the first quarter of FY2014.

Ordinary profit was 38.0 billion yen, an increase of 10.6 billion yen, or 38.8%. During the first quarter of FY2014, 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 8.6 billion yen, compared with a net expense of 3.4 billion yen in the first half of FY2013.

As a result of the aforementioned factors, consolidated net income was 23.7 billion yen, a decrease of 0.3 billion yen, or 1.3% year on year, representing progress of 55% towards the full-year forecast of 43.0 billion yen.

1. Net Revenue

(1)①Net Interest Income

(100 million yen)		FY2013 3 months Jul.- Sept.	FY2013 Interim (A)	FY2014 3 months Jul.- Sept.	FY2014 Interim (B)	Change (B)－(A)
Net interest income	(a)-(b)	106	217	123	243	26
Interest income	(a)	145	297	157	310	13
Interest on loans and discounts		103	212	107	209	-2
Interest and dividends on securities		35	73	45	92	19
Other interest income		4	7	3	6	-1
Interest on swaps		3	6	1	3	-3
Interest expenses	(b)	-39	-80	-34	-67	13
Interest on deposits and NCDs *		-30	-62	-24	-49	13
Interest on debentures		-1	-3	-1	-3	0
Interest on borrowings and rediscount		-1	-3	-2	-4	-1
Other interest expenses		-2	-5	-3	-5	0
Interest on swaps		-4	-8	-4	-7	0

* Negotiable certificates of deposit

(1)②Net Interest Margin

		FY2013 3 months Jul.- Sept.	FY2013 Interim (A)	FY2014 3 months Jul.- Sept.	FY2014 Interim (B)	Change (B)－(A)
Yield on total investments	(a)	1.47%	1.47%	1.52%	1.53%	0.06%
Yield on loans	(b)	1.63%	1.65%	1.60%	1.59%	-0.06%
Yield on securities		1.11%	1.13%	1.41%	1.46%	0.33%
Yield on funding	(c)	0.41%	0.42%	0.33%	0.34%	-0.08%
Net interest margin	(a)-(c)	1.06%	1.05%	1.19%	1.19%	0.14%
Loan margin	(b)-(c)	1.22%	1.23%	1.27%	1.25%	0.02%

Net interest income was 24.3 billion yen, an increase of 2.6 billion yen, or 12.0% year on year. The yield on total investments improved 6 bps to 1.53%. This result reflected an improvement in the yield on securities, while the Bank managed a decline of only 6 bps in the yield on loans due to its continued focus on balancing risk and return. Funding costs were reduced 8 bps to 0.34% as a result of our ongoing efforts to reduce funding costs. The net interest margin increased 14 bps to 1.19%.

(2) Net Fees and Commissions

(100 million yen)		FY2013 3 months Jul.- Sept.	FY2013 Full - Year (A)	FY2014 3 months Jul.- Sept.	FY2014 Interim (B)	Change (B)－(A)
Net fees and commissions	(a)-(b)	33	62	51	75	13
Fees and commissions received	(a)	35	67	53	80	14
Loan business-related		19	30	33	42	12
Securities-related and agency		13	29	17	33	3
Others		3	7	3	6	-1
Fees and commissions payments	(b)	-2	-4	-2	-5	-0

Net fees and commissions were 7.5 billion yen, an increase of 1.3 billion yen, or 21.4% year on year, due to growth 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 were almost unchanged at 3.2 billion yen compared to the first half of FY2013. 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)	FY2013 3 months Jul.- Sept.	FY2013 Interim (A)	FY2014 3 months Jul.- Sept.	FY2014 Interim (B)	Change (B)－(A)
Earnings related to the sale of investment trusts, insurance and structured bonds	15	33	16	32	-1

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

(3) Net Trading Revenues

(100 million yen)	FY2013 3 months Jul.- Sept.	FY2013 Interim (A)	FY2014 3 months Jul.- Sept.	FY2014 Interim (B)	Change (B)－(A)
Net trading revenues	26	47	31	55	8
Income on trading-related financial derivatives transactions	21	35	25	48	12
Others	5	11	5	7	-4

Net trading revenues were 5.5 billion yen, an increase of 0.8 billion yen, or 17.0% year on year, as a result of the favorable sale of derivative-related products to our corporate and financial institution customers.

(4) Gains/losses on Bond Transactions

(100 million yen)	FY2013 3 months Jul.- Sept.	FY2013 Interim (A)	FY2014 3 months Jul.- Sept.	FY2014 Interim (B)	Change (B)－(A)
Gains/losses on bond transactions	-23	-24	5	32	56
Japanese government bonds	0	1	4	18	17
Foreign government bonds and mortgage bonds	-35	-48	1	1	49
Others	12	22	-0	13	-10
Profit from hedge funds	2	2	2	5	3
Others (J-REIT, foreign currency ETFs, etc.)	10	20	-2	8	-12

Gains/losses on bond transactions were a gain of 3.2 billion, compared with a loss of 2.4 billion yen in the first half of FY2013. Contributing to this result were gains on the sale of JGBs and J-REITs.

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

(100 million yen)	FY2013 3 months Jul.- Sept.	FY2013 Interim (A)	FY2014 3 months Jul.- Sept.	FY2014 Interim (B)	Change (B)－(A)
Net other ordinary income excluding gains/losses on bond transactions	37	85	34	57	-28
Gains /losses on foreign currency transactions	-4	-0	4	-1	-1
Gains /losses on derivatives other than trading, net	1	3	-0	-0	-3
Gains from limited partnerships	34	71	17	30	-41
Real estate-related	17	25	4	7	-19
Distressed loan-related	5	24	7	17	-7
Others (Buyout and venture capital, etc.)	12	21	5	6	-15
Gains on distressed loans (Aozora Loan Services)	5	9	5	7	-2
Debenture issue cost	-0	-0	-0	-0	-0
Others	0	2	8	21	19

Net other ordinary income, excluding gains/losses on bond transactions, was 5.7 billion yen, a decrease of 2.8 billion yen, or 33.4% year on year. Contributing to this result were gains from limited partnerships of 3.0 billion yen, mainly from the Bank's distressed loan business, a decrease from the first half of FY2013, as well as 'Others' of 2.1 billion yen, mainly representing gains on overseas investments recorded in the first quarter of FY2014.

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

(100 million yen)	FY2013 3 months Jul.- Sept.	FY2013 Interim (A)	FY2014 3 months Jul.- Sept.	FY2014 Interim (B)	Change (B)－(A)
G & A expenses	-95	-193	-95	-189	3
Personnel	-49	-97	-50	-98	-0
Non-personnel expense	-43	-85	-40	-80	5
Tax	-4	-10	-5	-11	-1

General and administrative expenses were 18.9 billion yen, a year on year reduction of 0.3 billion yen, or 1.7%, reflecting the Bank's continued focus on cost control. The OHR remained low at 41.0% 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 3 months Jul.- Sept.	FY2013 Interim (A)	FY2014 3 months Jul.- Sept.	FY2014 Interim (B)	Change (B)－(A)
Credit-related expenses	2	-35	18	105	141
Write-off of loans	-9	-12	-2	-2	10
Gains/losses on disposition of loans	11	14	0	27	12
Reserve for possible loan losses	-24	-77	14	44	121
Specific reserve for possible loan losses	7	-12	56	68	79
General reserve for possible loan losses	-31	-66	-42	-24	42
Reserve for credit losses on off-balance-sheet instruments	0	-1	-5	6	7
Recoveries of written-off claims	24	41	10	31	-10

Credit-related expenses were a net reversal of 10.5 billion yen, compared with a net expense of 3.5 billion yen in the first half of FY2013. This result included the reversal of reserves as a result of preventative measures previously taken by the Bank, in addition to significant recoveries of written-off claims and gains on the disposition of loans recorded in the first quarter of FY2014. The ratio of loan loss reserves to total loans remained high at 2.22%, which reflected the Bank's continued conservative allocation of reserves.

5. Taxes

(100 million yen)	FY2013 3 months Jul.- Sept.	FY2013 Interim (A)	FY2014 3 months Jul.- Sept.	FY2014 Interim (B)	Change (B)－(A)
Taxes	-15	-34	-50	-86	-52

A net tax expense of 8.6 billion yen was recognized in the first half of FY2014, compared with a net expense of 3.4 billion yen in the first half of FY2013. The effective tax rate, excluding the impact of extraordinary losses related to foreign currency translation adjustment, was 22.6%. 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, 2014 (A)	Jun. 30, 2014	Sept.30, 2014 (B)	Change (B)－(A)			Page
				Amount	%		
Total assets	**48,054**	**49,224**	**50,435**	**2,380**	**5.0%**		**-**
Loan and bills discounted	26,435	26,420	27,198	763	2.9%		9
Securities	11,686	12,882	12,202	516	4.4%		10
Cash and due from banks	4,419	3,728	4,755	337	7.6%		-
Others	5,514	6,194	6,279	764	13.9%		-
Total liabilities	**42,894**	**44,114**	**45,238**	**2,344**	**5.5%**		**-**
Deposits	27,567	26,912	27,517	-49	-0.2%		9
Negotiable certificates of deposit	2,531	2,627	3,266	735	29.0%		9
Debentures	1,976	2,073	2,289	313	15.9%		9
Borrowed money	1,588	2,231	1,783	195	12.3%		-
Others	9,234	10,271	10,383	1,149	12.5%		-
Total net assets	**5,160**	**5,110**	**5,197**	**37**	**0.7%**		**-**
Capital stock	1,000	1,000	1,000	-	-		-
Capital surplus	3,102	2,897	2,897	-205	-6.6%		-
Retained earnings	2,098	2,164	2,239	141	6.7%		-
Treasury stock	-993	-993	-993	-	-		-
Valuation difference on available-for-sale securities	-31	4	8	39	-		-
Foreign currency translation adjustment	-69	-13	-3	66	-		-
Others	53	51	50	-4	-6.8%		-
Total liabilities and net assets	**48,054**	**49,224**	**50,435**	**2,380**	**5.0%**		**-**

Total assets were 5,043.5 billion yen as of September 30, 2014, an increase of 238.0 billion yen, or 5.0%, compared to March 31, 2014. Loans increased 76.3 billion yen, or 2.9%, from March 31, 2014, to 2,719.8 billion yen. Securities increased from March 31, 2014 by 51.6 billion yen, or 4.4%, to 1,220.2 billion yen.

On the funding side, total liabilities were 4,523.8 billion yen, an increase of 234.4 billion yen, or 5.5%, compared to March 31, 2014. Deposits and negotiable certificates of deposit increased 68.6 billion yen, while debentures increased 31.3 billion yen. Funding from retail customers was approximately 2,055.3 billion yen, increasing 9.1 billion yen, or 0.4%, from March 31, 2014, while the percentage of retail funding to total core funding (the sum of deposits, negotiable certificates of deposit and debentures) was stable at 62.1%.

Net assets were 519.7 billion yen, representing an increase of 3.7 billion yen, or 0.7%, in comparison with March 31, 2014. Net assets per common share were 313.46 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)	Jun. 30, 2014	Sept. 30, 2014 (B)	Change (B)－(A)
Total core funding	32,073	31,612	33,072	999

Funding sources by products

(100 million yen)	Mar. 31, 2014 (A)	Jun. 30, 2014	Sept. 30, 2014 (B)	Change (B)－(A)
Deposits / NCDs	30,097	29,538	30,783	686
Debentures	1,976	2,073	2,289	313

Funding sources by customers

(100 million yen)	Mar. 31, 2014 (A)	Jun. 30, 2014	Sept. 30, 2014 (B)	Change (B)－(A)
Retail	20,463	20,486	20,553	91
Corporate	6,503	5,777	6,751	248
Financial Institutions	5,107	5,350	5,768	660

Note: Corporate includes public entities

Total core funding (the sum of deposits, negotiable certificates of deposit and debentures) was 3,307.2 billion yen, an increase of 99.9 billion yen, or 3.1%, from March 31, 2014. The Bank continued its efforts to reduce funding costs while maintaining a stable funding base. The percentage of retail funding to total core funding was stable at 62.1%.

The Bank maintained adequate liquidity reserves of approximately 520 billion yen as of September 30, 2014.

2. Loans

(100 million yen)	Mar. 31, 2014 (A)	Jun. 30, 2014	Sept. 30, 2014 (B)	Change (B)－(A)
Loans	26,435	26,420	27,198	763
Domestic loans	21,016	20,826	20,871	-145
Overseas loans	5,419	5,594	6,328	908

Note: Overseas loans with no final risk residing in Japan

Loans increased 76.3 billion yen, or 2.9%, from March 31, 2014, to 2,719.8 billion yen. Domestic loans decreased 14.5 billion yen as the Bank maintained its focus on balancing risk and return, while overseas loans increased 90.8 billion yen as a result of the Bank's selective origination of loans, mainly in North America.

In comparison with June 30, 2014, domestic loans and overseas loans increased by 4.5 billion yen and 73.4 billion yen, respectively.

3. Securities

(100 million yen)	Book Value				Unrealized gains/losses			
	Mar. 31, 2014 (A)	Jun. 30, 2014	Sept. 30, 2014 (B)	Change (B) – (A)	Mar. 31, 2014 (A)	Jun. 30, 2014	Sept. 30, 2014 (B)	Change (B) – (A)
JGBs	3,459	4,047	3,395	-64	20	12	9	-11
TDB only	1,702	3,002	2,502	800	-0	-0	-0	-0
15Y floating rate only	1,453	941	787	-666	23	12	8	-15
Municipal bonds	169	137	124	-45	1	1	1	0
Corporate bonds	575	488	418	-158	3	3	1	-2
Equities	295	302	308	13	6	7	7	1
Foreign bonds	3,672	3,885	4,126	454	-108	-61	-62	46
Others	3,516	4,022	3,832	316	38	72	84	46
Hedge funds	79	69	73	-6	21	19	21	1
ETFs	1,308	1,795	1,892	584	6	24	29	23
Investment in limited partnerships	430	398	407	-23	0	0	-0	-0
REIT	349	367	409	60	14	28	38	23
Investment trusts	1,247	1,274	912	-335	-3	-1	-4	-2
Others	102	120	139	37	-0	1	1	1
Total	11,686	12,882	12,202	516	-40	33	40	80

Securities increased 51.6 billion yen, or 4.4%, from March 31, 2014, to 1,220.2 billion yen. Foreign bonds increased 45.4 billion yen and domestic equities and foreign currency denominated ETFs increased 58.4 billion yen from March 31, 2014, while investment trusts decreased 33.5 billion yen as a result of the Bank’s ongoing focus on diversifying its investment portfolio.

Total unrealized gains amounted to 4.0 billion yen, increasing 8.0 billion yen from March 31, 2014.

Note: A portion of beneficial interests in investment trusts within ‘monetary claims bought’ is marked at fair value, but the amounts (balance sheet total 0.8 billion yen; valuation gains of 2 million yen as of September 30, 2014) are not included in the table above.

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

(100 million yen)		Mar. 31, 2014 (A)	Jun. 30, 2014	Sept. 30, 2014 (B)	Change (B)−(A)
Bankrupt and similar credit		36	26	5	-31
Doubtful credit		567	538	403	-164
Special attention credit		199	177	113	-86
FRL credit, total	(a)	802	741	520	-281
Normal credit	(b)	26,033	26,123	27,134	1,102
Total credit	(c)((a)+(b))	26,834	26,864	27,654	820
FRL credit ratio	(a)/(c)	2.98%	2.75%	1.88%	-1.10%

Non-performing claims as defined by the Financial Reconstruction Law (FRL) were 52.0 billion yen, a decrease of 28.1 billion yen, or 35.1%, from March 31, 2014, mainly due to the collection of claims, including doubtful credit and special attention credit. The FRL ratio improved by 1.10 points to 1.88%. In addition, the percentage of FRL claims covered by reserves, collateral and guarantees remained high at 88.0% as of September 30, 2014. The ratio of loan loss reserves to total loans on a consolidated basis remained high at 2.22% as of September 30, 2014.

Ⅳ. Capital Adequacy Ratio (Preliminary)

(100 million yen)	Mar. 31, 2014 (A)	Jun. 30, 2014	Sept. 30, 2014 (B)	Change (B)−(A)
Capital adequacy ratio	15.13%	15.47%	14.94%	-0.19%
Regulatory capital	5,289	5,432	5,539	250
Risk assets	34,956	35,099	37,055	2,099

Aozora's consolidated capital adequacy ratio (Basel III basis, domestic standard) remained high at 14.94% (preliminary basis).

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.