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**Aozora Reports Net Income of 42.3 billion for FY2013;
Increased 4.4% Compared to Previous Year, 103.2% of Forecast;
Announces FY2013 Dividend Payment, FY2014 Earnings and Dividend Forecast**

TOKYO May 15, 2014 – Aozora Bank, Ltd. (“Aozora” or “the Bank”), a leading Japanese commercial bank, today announced its financial results for FY2013, its earnings forecast for FY2014, as well as the Bank’s FY2013 fourth quarter dividend payment and FY2014 dividend forecast.

Earnings results for FY2013

Aozora reported consolidated net income of 42.3 billion yen, an increase of 4.4% year on year. This result also exceeded the full-year forecast of 41.0 billion yen.

Shinsuke Baba, Representative Director, President and Chief Executive Officer of Aozora Bank commented, “Our net income of 42.3 billion yen exceeded the full-year forecast and represented a strong start for the first year of Aozora’s new phase. While aggregate loan demand increased moderately during the period, pricing competition has been increasingly intense in the domestic market. Despite the challenges of a difficult operating environment, we achieved positive results due to the Bank’s sharp focus on balancing risk and return, as well as solid performance from our business groups, including the continued strong sales of financial products to our mass affluent retail, corporate and financial institution customers. As a result of our performance this past year, today we announced a total dividend per common share for FY2013 of 14.5 yen. This amount exceeds the original forecast of 14.0 yen. The fourth quarter dividend will be 4.5 yen.”

Baba concluded, “We remain committed to enhancing our corporate value through a focus on refining and implementing our business model which is designed to achieve sustainable earnings. I would like to express my gratitude to all of our stakeholders for their continuing support.”

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

- Net income was 42.3 billion yen, an increase of 1.8 billion yen, or 4.4% year on year, exceeding the full-year forecast. This result included growth in earnings primarily from the sale of financial products to our mass affluent retail customers, the sale of derivative-related products to our corporate and financial institution customers, as well as favorable gains from investments in limited partnerships.
 - Net revenue was 80.6 billion yen, a year on year decrease of 3.9 billion yen, or 4.6%. This decline was mainly the result of risk reduction measures taken by the Bank in the first six months of FY2013. While not included in net revenue, the Bank recorded 5.2 billion yen in gains on the sale of domestic equity ETFs, which brought total business-related revenue to 85.8 billion yen.
 - The Bank’s net interest margin increased 2 bps to 1.09%. Contributing to this result was a reduction in funding costs of 9 bps, while the Bank managed a decline of only 7 bps in the yield on total investments.
 - General and administrative expenses were 39.3 billion yen, a year on year increase of 0.6 billion yen, or 1.6%. While expenses increased related to the Bank’s business development, including its retail business, the OHR based on business-related revenue, including gains on the sale of domestic equity ETFs, remained low at 45.8% which reflected the ongoing priority assigned to efficient operations.

- Credit-related expenses were a net expense of 2.3 billion yen, compared with a net expense of 2.4 billion yen in FY2012. This result included recoveries of claims written-off in previous fiscal years, as well as the Bank's conservative allocation of reserves. The ratio of credit-related expenses to total loans remained low at 0.09%.
- Loans at year-end were 2,643.5 billion yen, a decrease of 76.2 billion yen, or 2.8%, from March 31, 2013. This result mainly reflected the reduction of less profitable, short-term loans towards the end of the fiscal year, as well as the Bank's sharp focus on balancing risk and return throughout the year.
- The percentage of retail funding to total core funding (the sum of deposits, negotiable certificates of deposit and debentures) was stable at 63.8%. The Bank maintained adequate liquidity reserves of approximately 520 billion yen as of March 31, 2014.
- Non-performing claims as defined by the Financial Reconstruction Law (FRL) were 80.2 billion yen, a decrease of 26.1 billion yen, or 24.6%, from March 31, 2013. The FRL ratio improved by 0.85 points to 2.98%. In addition, the percentage of FRL claims covered by reserves, collateral and guarantees remained high at 89.1% as of March 31, 2014. The ratio of loan loss reserves to total loans on a consolidated basis remained high at 2.44%.
- The Bank's consolidated capital adequacy ratio (Basel III basis, domestic standard) remained high at 15.13% (preliminary basis).

2. FY2013 Performance (April 1, 2013 to March 31, 2014)

Consolidated basis

(100 million yen)	Ordinary Income	Net Revenue	Business Profit	Ordinary Profit	Net Income	Net Income per common share
FY2013 results (a)	1,318	806	413	522	423	34.87 Yen
FY2012 results (b)	1,181	845	458	411	406	28.05 Yen
Change (a) - (b)	137	-39	-45	111	18	6.82 Yen
Percentage change ((a)-(b)) / (b)	11.6%	-4.6%	-9.8%	27.0%	4.4%	24.3%
FY2013 full-year forecast (c)		880	480	420	410	33.73 Yen
Achievement (a)/(c)		91.6%	86.0%	124.3%	103.2%	103.4%

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
FY2013 results (a)	1,264	820	457	512	416	34.24 Yen
FY2012 results (b)	1,135	798	439	407	405	28.01 Yen
Change (a)-(b)	128	22	18	105	11	6.23 Yen
Percentage change ((a)-(b)) / (b)	11.3%	2.8%	4.2%	25.8%	2.7%	22.2%
FY2013 full-year forecast (c)		830	455	400	380	31.16 Yen
Achievement (a)/(c)		98.8%	100.5%	127.9%	109.5%	109.9%

Comparison between FY2013 and FY2012 ordinary income

Reason for the difference between FY2012 and FY2013 ordinary income:

FY2013 ordinary income increased in excess of 10% compared with the previous year on both a consolidated and non-consolidated basis due to significant year on year increases in 'recoveries of written-off claims' and 'gain on sales of stocks and other securities' which are included in 'other ordinary income.'

3. FY2013 Dividend Payment

	Dividend per common share				
Record date	1 st quarter	2 nd quarter	3 rd quarter	Year-end	Total
Previous forecast				4.00 yen	14.00 yen
Year-end payment				4.50 yen	14.50 yen
Payments in FY2013	3.00 yen	3.00 yen	4.00 yen		
Payments in FY2012	-	-	-	13.90 yen	13.90 yen

The total payment amount will be 14.50 yen as a result of recording consolidated net income of 42.3 billion yen, exceeding the full-year forecast. The Bank previously announced a dividend forecast of 14.00 yen per common share for FY2013 based on a total dividend amount representing 40% of the consolidated net income forecast.

In accordance with the Comprehensive Recapitalization Plan, in June the Bank will pay an annual super preferred dividend of 20.49 billion yen from Other Capital Surplus, representing an installment repayment of public funds, in addition to the existing dividend for preferred shares.

4. Earnings Forecast for FY2014

Consolidated basis

(100 million yen)	Net Revenue	Business Profit	Ordinary Profit	Net Income	Net Income per common share
FY2014 forecast (a)	920	510	515	430	35.60 Yen
FY2013 results (b)	806	413	522	423	34.87 Yen
Change (a) - (b)	114	97	-12	7	0.73 Yen
Percentage change	14.1%	23.6%	-2.3%	1.6%	2.1%
FY2012 results	845	458	411	406	28.05 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
FY2014 forecast (a)	860	475	495	420	34.74 Yen
FY2013 results (b)	820	457	512	416	34.24 Yen
Change (a) - (b)	40	18	-17	4	0.50 Yen
Percentage change	4.9%	3.9%	-3.2%	1.0%	1.5%
FY2012 results	798	439	407	405	28.01 Yen

5. FY2014 Dividend Payment Forecast

	Full-year dividend per common share
FY2014 forecast	14.70 Yen
Payments in FY2013	14.50 Yen

The dividend payment forecast for FY2014 is based on the total dividend amount, which is 40% 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, 2014.

The dividend payment forecast for FY2014 is only disclosed on a full-year basis. As was our practice in FY2013, the Bank will pay common share dividends on a quarterly basis.

I. Revenue and Expenses

(100 million yen)	FY2012		FY2013		Change (B) – (A)		Page
	3 months Jan.- Mar.	Full - Year (A)	3 months Jan.- Mar.	Full - Year (B)	Amount	%	
Net revenue	206	845	205	806	-39	-4.6%	-
Net interest income	116	460	106	437	-23	-5.0%	6
Net fees and commissions	38	100	32	125	25	25.1%	6
Net trading revenues	18	62	32	98	36	57.4%	7
Gains/losses on bond transactions	18	142	9	4	-138	-96.9%	7
Net other ordinary income excluding gains/losses on bond transactions	15	80	25	142	61	76.2%	7
General & administrative expenses	-101	-387	-104	-393	-6	1.6%	8
Business profit	104	458	100	413	-45	-9.8%	-
Ordinary profit	103	411	109	522	111	27.0%	-
Net income	99	406	82	423	18	4.4%	-
Credit-related expenses incl. recoveries of written-off claims	0	-24	6	-23	1	-	8
Gains/losses on stock transactions	4	0	5	124	123	-	8
Taxes	-4	-3	-27	-98	-95	-	8

In FY2013, the Bank recorded consolidated net revenue of 80.6 billion yen, a year on year decrease of 3.9 billion yen, or 4.6%. This decline was mainly due to a decrease in gains on bond transactions of 13.8 billion yen, to 0.4 billion yen, reflecting risk reduction measures taken by the Bank in the first six months of FY2013. While not included in net revenue, the Bank recorded gains on the sale of domestic equity ETFs of 5.2 billion yen, which brought total business-related net revenue to 85.8 billion yen.

Net interest income was 43.7 billion yen, a decrease of 2.3 billion yen, or 5.0% year on year. The Bank's net interest margin increased 2 bps to 1.09%. Contributing to this result was a reduction in funding costs of 9 bps, while the Bank managed a decline of only 7 bps in the yield on total investments.

Net fees and commissions were 12.5 billion yen, an increase of 2.5 billion yen, or 25.1% year on year, and net trading revenues were 9.8 billion yen, an increase of 3.6 billion yen, or 57.4%, both increases reflecting growth in earnings mainly related to the sale of financial products. Net other ordinary income, excluding gains/losses on bond transactions, increased 6.1 billion yen, or 76.2%, to 14.2 billion yen, reflecting favorable gains from investments in limited partnerships. Gains/losses on bond transactions were a gain of 0.4 billion yen, a decrease of 13.8 billion yen year on year, as a result of the risk reduction measures described above.

General and administrative expenses increased 0.6 billion yen, or 1.6%, to 39.3 billion yen, as a result of an increase in expenses related to business development, including retail business. The OHR based on business-related revenue, including gains on the sale of domestic equity ETFs, was 45.8%, which reflected the ongoing priority assigned to efficient operations.

Consolidated business profit was 41.3 billion yen, a decrease of 4.5 billion yen, or 9.8%.

Credit-related expenses were a net expense of 2.3 billion yen, compared with a net expense of 2.4 billion yen in FY2012. This result included recoveries of claims written-off in previous fiscal years, as well as the Bank's conservative allocation of reserves. The ratio of credit-related expenses to total loans remained low at 0.09%.

Ordinary profit was 52.2 billion yen, an increase of 11.1 billion yen, or 27.0%, mainly the result of gains on the sale of domestic equity ETFs, as well as gains from the sale of overseas investments recorded in the first quarter of FY2013. This result represented the fifth consecutive year on year increase. Taxes were a net expense of 9.8 billion yen, compared with a net expense of 0.3 billion yen in FY2012.

As a result of the aforementioned factors, consolidated net income was 42.3 billion yen, an increase of 1.8 billion yen, or 4.4%, year on year, exceeding the full-year forecast of 41.0 billion yen.

1. Net Revenue

(1)①Net Interest Income

(100 million yen)	FY2012		FY2013		Change (B) – (A)
	3 months Jan.- Mar.	Full - Year (A)	3 months Jan.- Mar.	Full - Year (B)	
Net interest income (a)-(b)	116	460	106	437	-23
Interest income (a)	159	648	141	590	-58
Interest on loans and discounts	116	470	103	424	-46
Interest and dividends on securities	36	145	34	141	-4
Other interest income	4	17	3	14	-3
Interest on swaps	3	16	2	11	-5
Interest expenses (b)	-43	-188	-35	-153	35
Interest on deposits and NCDs *	-33	-143	-27	-118	25
Interest on debentures	-2	-13	-1	-6	8
Interest on borrowings and rediscount	-1	-5	-1	-6	-1
Other interest expenses	-3	-12	-2	-10	2
Interest on swaps	-4	-15	-3	-14	1

* Negotiable certificates of deposit

(1)②Net Interest Margin

	FY2012		FY2013		Change (B) – (A)
	3 months Jan.- Mar.	Full - Year (A)	3 months Jan.- Mar.	Full - Year (B)	
Yield on total investments (a)	1.56%	1.56%	1.44%	1.49%	-0.07%
Yield on loans (b)	1.83%	1.88%	1.56%	1.63%	-0.25%
Yield on securities	1.13%	1.12%	1.22%	1.18%	0.06%
Yield on funding (c)	0.44%	0.49%	0.37%	0.40%	-0.09%
Net interest margin (a)-(c)	1.12%	1.07%	1.07%	1.09%	0.02%
Loan margin (b)-(c)	1.39%	1.39%	1.19%	1.23%	-0.16%

Net interest income was 43.7 billion yen, a decrease of 2.3 billion yen, or 5.0%, year on year. The yield on total investments was 1.49%, a decline of 7 bps, which included an improvement in the yield on securities, offset by a decline in the yield on loans. Funding costs were reduced 9 bps to 0.40%, reflecting our continuing efforts to reduce funding costs. The net interest margin increased 2 bps to 1.09%.

(2) Net Fees and Commissions

(100 million yen)	FY2012		FY2013		Change (B) – (A)
	3 months Jan.- Mar.	Full - Year (A)	3 months Jan.- Mar.	Full - Year (B)	
Net fees and commissions (a)-(b)	38	100	32	125	25
Fees and commissions received (a)	40	107	35	134	27
Loan business-related	23	60	17	63	4
Securities-related and agency	13	35	14	57	21
Others	4	12	4	14	2
Fees and commissions payments (b)	-2	-7	-3	-9	-2

Net fees and commissions were 12.5 billion yen, an increase of 2.5 billion yen, or 25.1% year on year.

Earnings from the sale of investment trusts, insurance and structured bonds aimed at the Bank's mass affluent retail customers continued to show strong progress. As shown in the following table, earnings from the Bank's retail-related business increased 2.1 billion yen, or 47.7%, year on year, to 6.4 billion yen, significantly exceeding the FY2012 result. This result reflected the Bank's efforts to further strengthen its asset management consultation services, including an increase in sales staff and the provision of specialist training, as well as enhancements to the Bank's product line-up.

【Ref. 】 Earnings from Retail-Related Business

(100 million yen)	FY2012		FY2013		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	17	43	16	64	21

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

(3) Net Trading Revenues

(100 million yen)	FY2012		FY2013		Change (B)－(A)
	3 months Jan.- Mar.	Full - Year (A)	3 months Jan.- Mar.	Full - Year (B)	
Net trading revenues	18	62	32	98	36
Income on trading-related financial derivatives transactions	11	39	30	80	40
Others	7	23	2	18	-5

Net trading revenues were 9.8 billion yen, an increase of 3.6 billion yen, or 57.4%, year on year, as a result of the favorable sale of structured bonds to retail customers, as well as the sale of other derivative-related products to corporate and financial institution customers.

(4) Gains/losses on Bond Transactions

(100 million yen)	FY2012		FY2013		Change (B)－(A)
	3 months Jan.- Mar.	Full - Year (A)	3 months Jan.- Mar.	Full - Year (B)	
Gains/losses on bond transactions	18	142	9	4	-138
Japanese government bonds	3	31	-	2	-29
Foreign government bonds and mortgage bonds	-4	67	-	-47	-114
Others	19	44	9	49	5
Collateralized Debt Obligations (CDOs) only	0	-1	-0	-1	-0
Profit from hedge funds	2	4	1	4	0
Others (REIT, foreign currency ETFs, etc.)	17	41	8	46	5

Gains/losses on bond transactions decreased 13.8 billion yen year on year to 0.4 billion yen. This included a loss of 2.4 billion yen in the first six months of FY2013 as a result of risk reduction measures taken by the Bank, including to its U.S. Treasury bond positions, while a gain of 2.8 billion yen was recorded from the third quarter of FY2013.

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

(100 million yen)	FY2012		FY2013		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	15	80	25	142	61
Gains /losses on foreign currency transactions	4	5	-4	-2	-8
Gains /losses on derivatives other than trading, net	-2	-7	-0	3	10
Gains from limited partnerships	5	47	27	129	81
Real estate-related	-5	6	14	48	42
Distressed loan-related	2	16	5	45	30
Others (Buyout and venture capital, etc.)	8	26	9	35	10
Gains on distressed loans (Aozora Loan Services)	7	22	2	9	-12
Debenture issue cost	-0	-0	-0	-0	0
Others	1	13	0	3	-10

Net other ordinary income, excluding gains/losses on bond transactions, increased 6.1 billion yen, or 76.2%, to 14.2 billion yen, mainly reflecting gains from investments in limited partnerships.

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

(100 million yen)	FY2012		FY2013		Change (B)–(A)
	3 months Jan.- Mar.	Full - Year (A)	3 months Jan.- Mar.	Full - Year (B)	
G & A expenses	-101	-387	-104	-393	-6
Personnel	-51	-193	-52	-200	-7
Non-personnel expense	-46	-176	-47	-175	1
Tax	-4	-19	-5	-19	0

General and administrative expenses were 39.3 billion yen, a year on year increase of 0.6 billion yen, or 1.6%. While expenses increased related to the Bank's business development, including its retail business, the result was 98.3% of the full-year budget of 40.0 billion yen, due to the continued focus on cost control. The OHR based on business-related revenue, including gains on the sale of domestic equity ETFs, remained low at 45.8%, which reflected the ongoing priority assigned to efficient operations.

3. Credit-Related Expenses

(100 million yen)	FY2012		FY2013		Change (B)–(A)
	3 months Jan.- Mar.	Full - Year (A)	3 months Jan.- Mar.	Full - Year (B)	
Credit-related expenses	0	-24	6	-23	1
Write-off of loans	-19	-27	0	-13	14
Gains/losses on disposition of loans	-8	-63	-1	15	78
Reserve for possible loan losses	25	49	22	-82	-131
Specific reserve for possible loan losses	1	-141	13	-9	132
General reserve for possible loan losses	24	190	8	-73	-263
Reserve for credit losses on off-balance-sheet instruments	2	3	-16	-19	-22
Recoveries of written-off claims	1	14	1	76	62

Credit-related expenses were a net expense of 2.3 billion yen, compared with a net expense of 2.4 billion yen in FY2012. This result included recoveries of claims written-off in previous fiscal years, as well as the Bank's conservative allocation of reserves. The ratio of credit-related expenses to total loans remained low at 0.09%.

4. Gains/losses on Stock Transactions

(100 million yen)	FY2012		FY2013		Change (B)–(A)
	3 months Jan.- Mar.	Full - Year (A)	3 months Jan.- Mar.	Full - Year (B)	
Gains/losses on stock transactions	4	0	5	124	123

Gains/losses on stock transactions were a gain of 12.4 billion yen, mainly the result of gains on the sale of domestic equity ETFs, as well as gains from the sale of overseas investments in the first quarter of FY2013. Gains on the sale of domestic equity ETFs included in business-related net revenue, net of gains/losses from stock futures, amounted to 5.2 billion yen.

5. Taxes

(100 million yen)	FY2012		FY2013		Change (B)–(A)
	3 months Jan.- Mar.	Full - Year (A)	3 months Jan.- Mar.	Full - Year (B)	
Taxes	-4	-3	-27	-98	-95

A net tax expense of 9.8 billion yen was recognized in FY2013, compared with a net expense of 0.3 billion yen in FY2012. This represented an effective tax rate (taxes as a proportion of income before income taxes) of 18.8%. The period for the estimation of future taxable income for the calculation of deferred tax assets was changed from 3 years to 5 years during the first quarter of FY2013. 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, 2013 (A)	Mar.31, 2014 (B)	Change (B)－(A)		Dec.31, 2013	Page
			Amount	%		
Total assets	50,167	48,054	-2,113	-4.2%	48,580	-
Loan and bills discounted	27,197	26,435	-762	-2.8%	27,779	10
Securities	13,058	11,686	-1,372	-10.5%	10,761	11
Cash and due from banks	4,045	4,419	374	9.2%	4,393	-
Others	5,867	5,514	-353	-6.0%	5,647	-
Total liabilities	44,808	42,894	-1,914	-4.3%	43,533	-
Deposits	27,034	27,567	532	2.0%	27,414	10
Negotiable certificates of deposit	3,355	2,531	-825	-24.6%	3,179	10
Debentures	1,694	1,976	282	16.6%	1,813	10
Others	12,725	10,821	-1,904	-15.0%	11,127	-
Total net assets	5,358	5,160	-198	-3.7%	5,047	-
Capital stock	1,000	1,000	-	-	1,000	-
Capital surplus	3,307	3,102	-205	-6.2%	3,102	-
Retained earnings	1,985	2,098	114	5.7%	2,067	-
Treasury stock	-993	-993	-	-	-993	-
Valuation difference on available-for-sale securities	123	-31	-154	-	-75	-
Foreign currency translation adjustment	-78	-69	10	-	-64	-
Others	16	53	38	240.8%	11	-
Total liabilities and net assets	50,167	48,054	-2,113	-4.2%	48,580	-

Total assets were 4,805.4 billion yen as of March 31, 2014, a decrease of 211.3 billion yen, or 4.2%, compared to March 31, 2013. Loans decreased from March 31, 2013 by 76.2 billion yen, or 2.8%, to 2,643.5 billion yen. Securities decreased by 137.2 billion yen, or 10.5%, from March 31, 2013, to 1,168.6 billion yen, as a result of a reduction of JGBs and foreign bonds.

On the funding side, deposits and negotiable certificates of deposit decreased 29.2 billion yen, while debentures increased 28.2 billion yen as compared to March 31, 2013. Funding from retail customers was approximately 2,050 billion yen, and the percentage of retail funding to total core funding was stable at 63.8%. Total liabilities decreased 191.4 billion yen, or 4.3%, to 4,289.4 billion yen as compared to March 31, 2013.

Net assets were 516.0 billion yen, representing a decrease of 19.8 billion yen, or 3.7%, in comparison with March 31, 2013. This change mainly reflected the repayment of public funds through a super preferred dividend made from Other Capital Surplus based on the Comprehensive Recapitalization Plan. Net assets per common share were 292.83 yen, as compared to 308.58 yen per common share as of March 31, 2013.

1. Funding (Deposits and Debentures)

(100 million yen)	Mar. 31, 2013 (A)	Mar. 31, 2014 (B)	Change (B)–(A)	Dec. 31, 2013
Retail	20,727	20,463	-264	20,265
Corporate, etc.	7,074	6,503	-572	7,062
Financial Institutions	2,633	3,166	533	3,302
Financial Institutions (Debentures)	1,649	1,942	293	1,777
Total core funding	32,083	32,073	-10	32,405

Total core funding was almost unchanged at 3,207.3 billion yen. 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 63.8%.

The Bank maintained adequate liquidity reserves of approximately 520 billion yen as of March 31, 2014.

2. Loans

(100 million yen)	Mar. 31, 2013 (A)	Mar. 31, 2014 (B)	Change (B)–(A)	Dec. 31, 2013
Loans	27,197	26,435	-762	27,779

Loans were 2,643.5 billion yen, a decrease of 76.2 billion yen, or 2.8%, from March 31, 2013. Domestic loans decreased approximately 230 billion yen, reflecting the reduction of less profitable, short-term loans towards the end of the fiscal year, as well as the Bank's sharp focus on balancing risk and return throughout the year in an increasingly competitive domestic banking market. Overseas loans increased approximately 155 billion yen from March 31, 2013, as a result of the Bank's selective origination of loans, mainly focusing on North America.

In comparison with March 31, 2013, domestic loans to the wholesale and retail trade sector, leasing sector and other services increased, while loans to the finance and insurance and real estate sectors decreased.

3. Securities

(100 million yen)	Book value				Unrealized gains/losses			
	Mar. 31, 2013 (A)	Mar. 31, 2014 (B)	(B) – (A)	Dec.31, 2013	Mar. 31, 2013 (A)	Mar. 31, 2014 (B)	(B) – (A)	Dec.31, 2013
JGBs	4,650	3,459	-1,192	2,755	60	20	-40	16
TDB only	1,502	1,702	200	1,002	0	-0	-0	-0
15Y floating rate only	1,468	1,453	-15	1,453	38	23	-15	23
Municipal bonds	113	169	56	139	2	1	-1	-0
Corporate bonds	642	575	-67	566	-1	3	4	-2
Equities	270	295	25	267	5	6	1	8
Foreign bonds	4,658	3,672	-986	3,736	-7	-108	-100	-145
Others	2,725	3,516	791	3,298	121	38	-84	74
Hedge funds	90	79	-11	81	17	21	4	19
ETFs	696	1,308	612	1,220	32	6	-26	26
Investment in limited partnerships	525	430	-95	437	2	0	-2	5
REIT	287	349	62	313	72	14	-58	23
Others	1,127	1,349	223	1,247	-2	-3	-1	1
Money market funds only	1,000	1,247	247	1,201	0	-3	-3	1
Total	13,058	11,686	-1,372	10,761	180	-40	-220	-48

Securities decreased 137.2 billion yen, or 10.5%, from March 31, 2013, to 1,168.6 billion yen. JGBs were reduced 119.2 billion yen, or 25.6%, and foreign bonds were reduced by 98.6 billion yen, or 21.2%. ETFs, including U.S. dollar denominated ETFs, were increased by 61.2 billion yen, or 87.9%, for the purpose of portfolio diversification.

Total unrealized losses amounted to 4.0 billion yen, compared with unrealized gains of 18.0 billion yen as of March 31, 2013. This represented an improvement of 0.8 billion yen from December 31, 2013.

Note (1): Floating rate JGBs, as of March 31, 2014, were valued in the same way as at March 31, 2013, on the basis of internal calculations pursuant to Practical Issues Task Force No.25, 'Practical Solution on Measurement of Fair Value for Financial Assets' issued by the Accounting Standards Board of Japan.

Note (2): A portion of beneficial interests in investment trusts within 'monetary claims bought' is marked at fair value, but the amounts (balance sheet total 4.6 billion yen; valuation gains of 2.6 billion yen as of March 31, 2014) are not included in the table above.

4. Investments in Limited Partnerships and Hedge Funds

(100 million yen)	Mar. 31, 2013 (A)	Mar. 31, 2014 (B)	Change (B)–(A)	Dec. 31, 2013
Limited partnerships	525	430	-95	437
Real estate-related	130	106	-24	100
Distressed loan-related	238	185	-53	188
Others	156	139	-17	148
Hedge funds	90	79	-11	81

Investments in limited partnerships decreased 9.5 billion yen, or 18.0%, from March 31, 2013, to 43.0 billion yen, mainly due to redemptions.

III. Disclosed Claims under the Financial Reconstruction Law

(Non-consolidated)

(100 million yen)	Mar. 31, 2013 (A)	Mar. 31, 2014 (B)	Change (B) – (A)	Dec. 31, 2013
Bankrupt and similar credit	72	36	-36	41
Doubtful credit	792	567	-224	653
Special attention credit	200	199	-1	201
FRL credit, total (a)	1,063	802	-261	895
Normal credit (b)	26,688	26,033	-655	27,405
Total credit (c)((a)+(b))	27,751	26,834	-917	28,301
FRL credit ratio (a)/(c)	3.83%	2.98%	-0.85%	3.16%

Non-performing claims as defined by the Financial Reconstruction Law (FRL) were 80.2 billion yen, a decrease of 26.1 billion yen, or 24.6%, from March 31, 2013. The FRL ratio improved by 0.85 points to 2.98%. In addition, the percentage of FRL claims covered by reserves, collateral and guarantees remained high at 89.1% as of March 31, 2014. The ratio of loan loss reserves to total loans on a consolidated basis remained high, increasing 0.11 points to 2.44% as of March 31, 2014.

IV. Capital Adequacy Ratio (Preliminary)

(100 million yen)	Mar. 31, 2014	Mar. 31, 2013	Dec. 31, 2013
Capital adequacy ratio	15.13%	15.70%	15.95%
Regulatory capital	5,289	4,675	4,998
Risk assets	34,956	29,763	31,328

(Basel II basis, domestic standard)

Aozora's consolidated capital adequacy ratio remained high at 15.13% (preliminary basis). As of the end of FY2013, the Basel III (domestic standard) was applied in the calculation of the capital adequacy ratio.

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.