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Company name: Aozora Bank, Ltd.
Name of representative: Shinsuke Baba, President and CEO
Listed exchange: TSE, Code 8304
Contact: Hiroyuki Kajitani
Corporate Communication Division (03 6752 1111)

Aozora Reports Net Earnings of 11.3 billion for the First Three Months of FY2018; Progress of 26% towards Full-year Forecast

TOKYO July 30, 2018 – Aozora Bank, Ltd. (“Aozora” or “the Bank”), a leading Japanese commercial bank, today announced its financial results for the first three months of FY2018.

Financial Results for the first three months of FY2018

In the first three months of FY2018, Aozora reported consolidated net revenue of 22.0 billion yen and profit attributable to owners of parent of 11.3 billion yen, representing progress of 24% and 26%, 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 the banking sector continued to face challenging business conditions, we focused on further leveraging our core competencies in each of the six business areas of focus in line with our new Mid-term Plan which we announced in May. As a result of this approach, Aozora is pleased to report first quarter business profit of 10.4 billion yen and net earnings of 11.3 billion yen, each representing progress of 26% of our full-year forecast. Today we also announced a first quarter dividend of 40 yen per common share.”

Baba concluded, “As always, our bank remains committed to providing differentiated and high-quality financial products and services to our customers. We will do this by leveraging our core competencies and maintaining sound risk taking based on disciplined risk management. I believe that the actions we are taking will serve to further enhance our corporate value. I would like to express my gratitude to all of our stakeholders for their continued support.”

1. Summary of the results for the first three months (Consolidated)

- Net revenue was 22.0 billion yen, an increase of 0.3 billion yen, or 1.7% year on year, and business profit was 10.4 billion yen, an increase of 0.3 billion yen, or 3.2%. Profit attributable to owners of parent was 11.3 billion yen, a decrease of 3.1 billion yen, or 21.7%.
 - Net interest income was 14.0 billion yen, an increase of 1.0 billion yen, or 8.3% year on year, and reflected the Bank’s ongoing focus on disciplined balance sheet management as well as an increase in the yield on loans and securities.
 - Non-interest income was 8.0 billion yen, a decrease of 0.7 billion yen, or 8.2% year on year. The decline was mainly due to lower net trading revenues, while gains from limited partnerships remained strong.
 - General and administrative expenses were 11.6 billion yen, approximately the same as the previous year, and represented progress of 22.4% of the full-year budget of 52.0 billion yen. This result was mainly due to incremental expenses associated with the Bank’s business areas of focus, offset in part by continued cost control measures taken by the bank during the period.
 - Credit-related expenses were a net reversal of 0.7 billion yen, mainly due to the reversal of general loan loss reserves. Gains/losses on stock transactions were a gain of 5.1 billion yen.

- Total loans were 2,634.8 billion yen, an increase of 23.6 billion yen, or 0.9%, compared to March 31, 2018. Domestic loans increased by 9.6 billion yen from March 31, 2018, and overseas loans increased by 13.9 billion yen from March 31, 2018.
- Total core funding (deposits, negotiable certificates of deposit, debentures and bonds) was 3,353.0 billion yen, an increase of 124.5 billion yen, or 3.9%, from March 31, 2018. The percentage of retail funding to total core funding was 54%.
- Non-performing claims as defined by the Financial Reconstruction Law (FRL) were 6.7 billion yen, a decrease of 0.1 billion yen, or 2.3%, from March 31, 2018. The FRL ratio declined by 0.01 points to 0.25%. The ratio of loan loss reserves to total loans on a consolidated basis remained high at 1.62%.
- Aozora will announce its June 30, 2018 consolidated capital adequacy ratio (domestic standard) at a later date, but is expected to remain at an adequate level. The Bank's consolidated capital adequacy ratio (domestic standard) as of March 31, 2018 was 10.39%.

Note: All amounts stated in 1 billion yen have been rounded down to the nearest 0.1 billion yen.

2. Performance in the first three months of FY2018 (April 1, 2018 to June 30, 2018)

Consolidated basis

(billion yen)	Net revenue	Business profit	Ordinary profit	Profit attributable to owners of parent	Profit attributable to owners of parent per common share*
FY2018 1 st quarter (Apr.-Jun.) (a)	22.0	10.4	16.6	11.3	97.49yen
FY2017 1 st quarter (Apr.-Jun.) (b)	21.6	10.1	17.5	14.5	124.52 yen
Change (a) - (b)	0.3	0.3	-0.9	-3.1	-27.03 yen
Percentage change ((a)-(b)) / (b)	1.7%	3.2%	-5.5%	-21.7%	-21.7%
FY2018 full-year forecast (c)	92.0	40.0	58.5	43.0	368.59 yen
Progress (a)/(c)	24.0%	26.1%	28.4%	26.5%	26.4%

Non-consolidated basis

(billion yen)	Net revenue	Business profit before general loan-loss reserve	Ordinary profit	Profit	Profit per common share*
FY2018 1 st quarter (Apr.-Jun.) (a)	20.6	10.5	16.8	11.6	99.49 yen
FY2017 1 st quarter (Apr.-Jun.) (b)	20.6	10.2	17.6	14.5	125.15 yen
Change (a) - (b)	-0.0	0.2	-0.8	-2.9	-25.66 yen
Percentage change ((a)-(b)) / (b)	-0.2%	2.7%	-4.7%	-20.5%	-20.5%
FY2018 full-year forecast (c)	84.0	41.0	59.0	42.0	360.02 yen
Progress (a)/(c)	24.6%	25.6%	28.5%	27.6%	27.6%

Note: The Bank consolidated every ten common shares into one common share on October 1, 2017. Figures in "Profit attributable to owners of parent per common share" and "Profit per common share" are presented as if the share consolidation was effective at the beginning of FY2017.

I. Revenue and Expenses

(billion yen)	FY2017	FY2018	Change (B) – (A)		Page
	Apr.-Jun. (A)	Apr.-Jun. (B)	Amount	%	
Net revenue	21.6	22.0	0.3	1.7%	-
Net interest income	12.9	14.0	1.0	8.3%	4
Net interest margin	1.42%	1.44%	0.02%	-	4
Non-interest income	8.7	8.0	-0.7	-8.2%	-
Net fees and commissions	1.8	1.6	-0.2	-14.5%	5
Net trading revenues	3.6	2.2	-1.4	-38.4%	5
Gains/losses on bond transactions	1.0	1.5	0.5	49.3%	6
Net other ordinary income excluding gains/losses on bond transactions	2.1	2.6	0.4	22.3%	6
General & administrative expenses	-11.5	-11.6	-0.0	-0.3%	6
Business profit	10.1	10.4	0.3	3.2%	-
Credit-related expenses	4.6	0.7	-3.8	-	7
Gains/losses on stock transactions	3.3	5.1	1.8	-	7
Other gains/losses	-0.4	0.2	0.6	-	-
Ordinary profit	17.5	16.6	-0.9	-5.5%	-
Extraordinary profit/loss	-	-	-	-	-
Profit before income taxes	17.5	16.6	-0.9	-5.5%	-
Taxes	-3.1	-5.4	-2.2	-	7
Profit attributable to owners of parent	14.5	11.3	-3.1	-21.7%	-

In the first three months of FY2018, the Bank recorded consolidated net revenue of 22.0 billion yen, an increase of 0.3 billion yen, or 1.7% year on year.

Net interest income was 14.0 billion yen, an increase of 1.0 billion yen, or 8.3% year on year. This change was due to factors including an increase in yields on loans and securities as well as continued disciplined balance sheet management.

Non-interest income was 8.0 billion yen, a decrease of 0.7 billion yen, or 8.2% year on year. While earnings from the sale of financial products to the Bank's mass affluent retail customers and gains from limited partnerships remained strong, net trading revenues declined by 1.4 billion yen, or 38.4% year on year.

General and administrative expenses were 11.6 billion yen, approximately the same level as the previous year, and represented progress of 22.4% of the full-year budget of 52.0 billion yen. This result was mainly due to incremental expenses associated with the Bank's business areas of focus, offset in part by continued cost control measures taken by the Bank during the period.

Consolidated business profit was 10.4 billion yen, an increase of 0.3 billion yen, or 3.2% year on year.

Credit-related expenses were a net reversal of 0.7 billion yen, mainly due to the reversal of general loan loss reserves. Gains/losses on stock transactions were a gain of 5.1 billion yen. Ordinary profit and profit before income taxes were both 16.6 billion yen, a decrease of 0.9 billion yen, or 5.5% year on year. Taxes were a net expense of 5.4 billion yen.

As a result of the above factors, profit attributable to owners of parent was 11.3 billion yen, a decrease of 3.1 billion yen, or 21.7% year on year, representing progress of 26% of the full-year forecast of 43.0 billion yen.

1. Net Revenue

(1) (i) Net Interest Income

(billion yen)	FY2017	FY2018	Change (B)－(A)
	Apr.-Jun. (A)	Apr.-Jun. (B)	
Net interest income (a)-(b)	12.9	14.0	1.0
Interest income (a)	19.3	24.1	4.7
Interest on loans and discounts	11.2	13.5	2.3
Interest and dividends on securities	7.4	10.0	2.5
Other interest income	0.6	0.4	-0.2
Interest on swaps	-	-	-
Interest expenses (b)	-6.4	-10.0	-3.6
Interest on deposits and NCDs	-1.3	-1.7	-0.4
Interest on debentures and bonds	-0.3	-0.3	0.0
Interest on borrowings and rediscount	-0.3	-0.3	-0.0
Other interest expenses	-1.1	-2.1	-1.0
Interest on swaps	-3.3	-5.5	-2.1

Net interest income was 14.0 billion yen, an increase of 1.0 billion yen, or 8.3% year on year. Interest income increased by 4.7 billion yen year on year due to an increase in interest on loans and discounts as a result of the higher yield for overseas loans resulting from rising U.S. dollar interest rates. Also contributing to the increase in interest income was the increase in average loan balances compared to the previous year. Also contributing was an increase in interest and dividends on securities largely due to an increase in dividends on investment trusts and ETFs. Interest expenses increased by 3.6 billion yen year on year, largely the result of a rise in U.S. dollar interest rates.

(1) (ii) Net Interest Margin

	FY2017	FY2018	Change (B)－(A)
	Apr.-Jun. (A)	Apr.-Jun. (B)	
Yield on total investments (a)	2.09%	2.41%	0.32%
Yield on loans	1.77%	2.07%	0.30%
Yield on securities	3.13%	3.54%	0.41%
Yield on funding (b)	0.67%	0.97%	0.30%
Net interest margin (a)-(b)	1.42%	1.44%	0.02%

The yield on total investments increased by 32 bps year on year. The change was due to an increase in the yield on loans reflecting an increase in U.S. dollar interest rates as the Bank maintained its focus on risk and return, as well as an increase in the yield on securities, mainly due to an increase in dividends on investment trusts and ETFs.

Funding costs increased by 30 bps over the prior year. Foreign currency funding costs increased due to an increase in U.S. dollar interest rates, the impact of which exceeded the slight decline in yen funding costs. As a result of all these factors, the net interest margin rose modestly by 2 bps to 1.44% year on year.

(2) Net Fees and Commissions

(billion yen)	FY2017	FY2018	Change (B) – (A)
	Apr.-Jun. (A)	Apr.-Jun. (B)	
Net fees and commissions (a)-(b)	1.8	1.6	-0.2
Fees and commissions received (a)	2.2	2.0	-0.2
Loan business-related and deposits	0.7	0.7	-0.0
Securities-related and agency	1.0	0.9	-0.0
Others	0.3	0.3	-0.0
Fees and commissions payments (b)	-0.3	-0.3	-0.0

Net fees and commissions were 1.6 billion yen, a decrease of 0.2 billion yen, or 14.5% year on year. Fee income from loans as well as the sale of investment trusts and insurance to our mass affluent retail customers remained almost the same as the previous year.

Earnings from the sale of financial products (investment trusts, insurance, and structured bonds) to our mass affluent retail customers were 1.6 billion yen, roughly the same as the previous year.

[Ref.] Earnings from Financial Product Sales to Retail Customers

(billion yen)	FY2017	FY2018	Change (B) – (A)
	Apr.-Jun. (A)	Apr.-Jun. (B)	
Earnings from the sale of investment trusts, insurance and structured bonds	1.7	1.6	-0.0

Note: Earnings from the sale of structured bonds are recorded as net trading revenues.

(3) Net Trading Revenues

(billion yen)	FY2017	FY2018	Change (B) – (A)
	Apr.-Jun. (A)	Apr.-Jun. (B)	
Net trading revenues	3.6	2.2	-1.4

Net trading revenues were 2.2 billion yen, a decrease of 1.4 billion yen, or 38.4% year on year. This result was mainly due to the decline in earnings from the sale of derivative-related products to our financial institution customers.

Aozora strives to achieve stable earnings by providing derivative-related products to meet the investment needs of our financial institution customers and the hedging needs of our corporate customers, as well as securing trading revenues deriving from customer transactions.

(4) Gains/Losses on Bond Transactions

(billion yen)	FY2017	FY2018	Change (B) – (A)
	Apr.-Jun. (A)	Apr.-Jun. (B)	
Gains/losses on bond transactions	1.0	1.5	0.5
Japanese government bonds	-	-	-
Foreign government bonds and mortgage bonds	0.3	0.1	-0.2
Others	0.6	1.3	0.7

Gains/losses on bond transactions were a gain of 1.5 billion yen, mainly due to gains on the sale of REITs. For the first three months of FY2017, gains/losses on bond transactions were a gain of 1.0 billion yen.

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

(billion yen)	FY2017	FY2018	Change (B) – (A)
	Apr.-Jun. (A)	Apr.-Jun. (B)	
Net other ordinary income excluding gains/losses on bond transactions	2.1	2.6	0.4
Incl. Gains from limited partnerships	2.6	2.8	0.1
Real estate-related	1.2	0.8	-0.4
Distressed loan-related	1.3	0.9	-0.4
Others (buyout, etc.)	-0.0	0.9	1.0

Net other ordinary income, excluding gains/losses on bond transactions, was 2.6 billion yen, an increase of 0.4 billion yen, or 22.3% year on year. Gains from limited partnerships were 2.8 billion yen, an increase of 0.1 billion yen year on year, mainly supported by gains associated with buyout related investments.

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

(billion yen)	FY2017	FY2018	Change (B) – (A)
	Apr.-Jun. (A)	Apr.-Jun. (B)	
G&A expenses	-11.5	-11.6	-0.0
Personnel expense	-5.4	-5.6	-0.2
Non-personnel expense	-4.8	-4.9	-0.1
Tax	-1.2	-0.9	0.2

General and administrative expenses were 11.6 billion yen, almost the same as the previous year, and represented progress of 22.4% of the full-year budget of 52.0 billion yen. This result was mainly due to incremental expenses associated with the Bank's business areas of focus, offset in part by continued cost control measures taken by the bank during the period. Expenses associated with the opening of the Bank's internet banking venture are expected to increase in the second quarter, with the first quarter progressing roughly as planned. The OHR was 52.7%.

3. Credit-Related Expenses

(billion yen)	FY2017	FY2018	Change (B)－(A)
	Apr.-Jun. (A)	Apr.-Jun. (B)	
Credit-related expenses	4.6	0.7	-3.8
Write-off of loans	-0.0	-0.1	-0.1
Reserve for possible loan losses	3.8	0.6	-3.1
Specific reserve for possible loan losses	2.8	-0.1	-2.9
General reserve for possible loan losses	1.0	0.7	-0.2
Gains/losses on disposition of loans	-	-	-
Recoveries of written-off claims	0.5	0.2	-0.3
Reserve for credit losses on off-balance-sheet instruments	0.2	0.1	-0.1

In the first quarter, credit-related expenses were a net reversal of 0.7 billion yen, principally due to the reversal of general loan loss reserves reflecting an overall improvement in credit conditions and the risk profile of our borrowers. This result compares with a net reversal of 4.6 billion yen recorded in the previous year, mainly due to the reversal of specific loan loss reserves resulting from the collection of non-performing claims. The ratio of loan loss reserves to total loans was 1.62% and reflects the Bank's mid- to long-term perspective on the conservative allocation of reserves.

4. Gains/losses on Stock Transactions

(billion yen)	FY2017	FY2018	Change (B)－(A)
	Apr.-Jun. (A)	Apr.-Jun. (B)	
Gains/losses on stock transactions	3.3	5.1	1.8

Gains/losses on stock transactions were a gain of 5.1 billion yen mainly due to gains from the sale of domestic equities.

5. Taxes

(billion yen)	FY2017	FY2018	Change (B)－(A)
	Apr.-Jun. (A)	Apr.-Jun. (B)	
Taxes	-3.1	-5.4	-2.2

Taxes were a net expense of 5.4 billion yen. The effective tax rate was 32.9%.

II. Balance Sheet

(billion yen)	Mar. 31, 2018 (A)	Jun. 30, 2018 (B)	Change (B) — (A)		Page
			Amount	%	
Total assets	4,912.7	4,927.8	15.0	0.3%	-
Loan and bills discounted	2,611.2	2,634.8	23.6	0.9%	9
Securities	1,139.8	1,194.3	54.5	4.8%	10
Cash and due from banks	543.1	533.9	-9.2	-1.7%	-
Trading assets	179.6	159.2	-20.4	-11.4%	-
Others	438.8	405.3	-33.4	-7.6%	-
Total liabilities	4,475.5	4,497.5	21.9	0.5%	-
Deposits and negotiable certificates of deposit	2,970.9	3,094.5	123.5	4.2%	9
Debentures, Bonds	257.5	258.4	0.9	0.4%	9
Borrowed money	315.2	295.4	-19.7	-6.3%	-
Payables under securities lending transactions	431.3	381.8	-49.5	-11.5%	-
Trading liabilities	130.2	137.7	7.5	5.8%	-
Others	370.2	329.5	-40.7	-11.0%	-
Total net assets	437.2	430.2	-6.9	-1.6%	-
Capital stock	100.0	100.0	-	0.0%	-
Capital surplus	87.3	87.3	-	0.0%	-
Retained earnings	243.1	248.2	5.0	2.1%	-
Treasury stock	-3.3	-3.3	-	0.0%	-
Valuation difference on available-for-sale securities	35.3	23.0	-12.3	-34.8%	-
Others	-25.2	-25.0	0.2	-	-
Total liabilities and net assets	4,912.7	4,927.8	15.0	0.3%	-

Total assets were 4,927.8 billion yen as of June 30, 2018, an increase of 15.0 billion yen, or 0.3%, compared to March 31, 2018.

Loans were 2,634.8 billion yen, an increase of 23.6 billion yen, or 0.9%, from March 31, 2018. Domestic loans increased 9.6 billion yen, while overseas loans increased 13.9 billion yen. Securities increased by 54.5 billion yen, or 4.8%, from March 31, 2018, to 1,194.3 billion yen.

Total liabilities were 4,497.5 billion yen, an increase of 21.9 billion yen, or 0.5%, compared to March 31, 2018. The Bank continued to flexibly manage its funding position in light of its asset requirements. Total core funding (deposits, negotiable certificates of deposit, debentures and bonds) was 3,353.0 billion yen, an increase of 124.5 billion yen, or 3.9%, from March 31, 2018.

Net assets were 430.2 billion yen, representing a decrease of 6.9 billion yen, or 1.6%, from March 31, 2018.

Net assets per common share were 3,677.56 yen, as compared to 3,735.00 yen per common share as of March 31, 2018.

1. Funding (Deposits/NCDs and Debentures/Bonds)

(billion yen)	Mar. 31, 2018 (A)	Jun. 30, 2018 (B)	Change (B) – (A)
Total core funding	3,228.5	3,353.0	124.5

Funding sources by product

(billion yen)	Mar. 31, 2018 (A)	Jun. 30, 2018 (B)	Change (B) – (A)
Deposits/NCDs	2,970.9	3,094.5	123.5
Debentures/Bonds	257.5	258.4	0.9

Funding sources by customer

(billion yen)	Mar. 31, 2018 (A)	Jun. 30, 2018 (B)	Change (B) – (A)
Retail	1,811.3	1,810.0	-1.2
Corporate	581.1	682.0	100.8
Financial Institutions	835.9	860.9	24.9

Note: Corporate includes public entities.

The Bank continued to flexibly manage its funding position in light of its asset requirements. Total core funding (deposits, negotiable certificates of deposit, debentures and bonds) was 3,353.0 billion yen, an increase of 124.5 billion yen, or 3.9%, from March 31, 2018. The percentage of retail funding to total core funding was 54%.

While market availability for foreign currency funding remains stable, the Bank is making ongoing efforts to further diversify and strengthen its funding base.

As of June 30, 2018, the Bank maintained adequate liquidity reserves of 636.9 billion yen.

2. Loans

(billion yen)	Mar. 31, 2018 (A)	Jun. 30, 2018 (B)	Change (B) – (A)
Loans	2,611.2	2,634.8	23.6
Domestic loans	1,638.1	1,647.7	9.6
Overseas loans	973.1	987.0	13.9
U.S. dollar basis (\$ million)	\$9,157	\$8,929	-\$227

Note: Overseas loans refer to those with no final risk residing in Japan.

Loans were 2,634.8 billion yen, an increase of 23.6 billion yen, or 0.9%, from March 31, 2018.

Domestic loans increased by 9.6 billion yen from March 31, 2018.

Overseas loans increased by 13.9 billion yen from March 31, 2018. Excluding the impact of foreign exchange rate changes, overseas loans on a U.S. dollar basis declined \$227 million compared to March 31, 2018 due to the prepayment of several larger loans, while the Bank selectively originated corporate and real estate non-recourse loans, mainly in North America where the risk-return profile remains relatively attractive.

3. Securities

(billion yen)	Book Value			Unrealized Gains/Losses		
	Mar. 31, 2018 (A)	Jun. 30, 2018 (B)	Change (B) - (A)	Mar. 31, 2018 (A)	Jun. 30, 2018 (B)	Change (B) - (A)
JGBs	8.0	8.0	-	0.0	0.0	0.0
Municipal bonds	32.4	32.9	0.5	0.1	0.1	0.0
Corporate bonds	34.2	35.2	1.0	0.1	0.1	-0.0
Equities	84.7	82.6	-2.1	65.2	60.2	-5.0
Foreign bonds	484.0	490.2	6.2	-16.9	-21.5	-4.5
Foreign government bonds	228.0	220.8	-7.1	-11.7	-13.5	-1.8
Mortgage bonds	159.6	171.7	12.1	-7.1	-8.1	-1.0
Others	96.3	97.6	1.2	1.8	0.1	-1.6
Others	496.3	545.1	48.8	9.8	3.4	-6.3
ETFs	257.3	290.6	33.2	-1.3	-5.4	-4.1
Investment in limited partnerships	62.4	65.3	2.8	0.9	0.5	-0.3
REIT	73.6	74.3	0.7	3.0	3.6	0.6
Investment trusts	79.9	92.6	12.7	0.8	-0.7	-1.5
Others	22.9	22.2	-0.7	6.3	5.4	-0.9
Total	1,139.8	1,194.3	54.5	58.4	42.4	-15.9
Total unrealized gains, including unrealized gains/losses on hedging instruments				22.7	6.8	-15.9

Securities were 1,194.3 billion yen as of June 30, 2018, an increase of 54.5 billion yen, or 4.8%, compared to March 31, 2018. The higher level was mainly the result of increases in the Bank's ETF and investment trust positions.

Compared with March 31, 2018, total unrealized gains decreased by 15.9 billion yen to 42.4 billion yen as of June 30, 2018 due to the partial realization of gains on the Bank's equity portfolio. The Bank's Japanese equity ETF position is hedged, as is a portion of equities. Total unrealized gains, including unrealized gains/losses on hedging instruments, were 6.8 billion yen.

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

(billion yen)		Mar. 31, 2018 (A)	Jun. 30, 2018 (B)	Change (B)－(A)
	Bankrupt and similar credit	0.1	-	-0.1
	Doubtful credit	4.6	4.6	0.0
	Special attention credit	2.1	2.1	-
FRL credit, total (a)		6.9	6.7	-0.1
Normal credit (b)		2,653.5	2,679.2	25.7
Total credit (c)=((a)+(b))		2,660.4	2,686.0	25.6
FRL credit ratio (a)/(c)		0.26%	0.25%	-0.01%

Non-performing claims as defined by the Financial Reconstruction Law (FRL) were 6.7 billion yen, approximately the same compared to March 31, 2018. The FRL ratio declined by 0.01 points to 0.25%. The percentage of FRL claims covered by reserves, collateral and guarantees was 86.2%. The ratio of loan loss reserves to total loans remained high at 1.62% on a consolidated 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.