November 15, 2012

Company name: Aozora Bank, Ltd.
Name of representative: Shinsuke Baba, President and CEO
Listed exchange: TSE, Code 8304
Enquiries: Hiroyuki Kajitani
Corporate Communication Division (03 3263 1111)

Aozora Reports FY2012 Interim Results and FY2012 Dividend Payment Forecast
~ Net Income of 20.8 Billion; Progress of 52.1% towards the full-year forecast ~

TOKYO November 15, 2012 – Aozora Bank, Ltd. ("Aozora" or "the Bank"), a leading Japanese commercial bank, today announced its interim financial results for FY2012.

I. FY2012 Interim Financial Results

Aozora reported consolidated net revenue of 42.8 billion yen, business profit of 23.6 billion yen, and net income of 20.8 billion yen in the first half of FY2012. These results represented progress of 51.6%, 53.7%, and 52.1% towards the full-year forecasts of 83.0 billion yen, 44.0 billion yen, and 40.0 billion yen.

Shinsuke Baba, Representative Director, President and Chief Executive Officer of Aozora Bank commented, "Net income of 20.8 billion yen in the first half places us well on track towards our full-year earnings forecast. Our results reflected continued growth in net interest income while we continued our disciplined balance sheet management, as well as steady progress in building up earnings through our business operations, including the expansion of the sale of investment products to retail customers.

Baba continued, "On August 27 we announced our comprehensive recapitalization plan. With the approval of our shareholders on September 27, we have taken the first steps towards implementation of the full plan. Our FY2012 full-year dividend payment forecast announced today is consistent with the plan. We are ready to build on our strengths to develop our business model and expand our business franchise in order to contribute to the success of our customers and the economic growth of the country. I would like to express my gratitude for your continuing support."

1. Summary of the interim results (Consolidated)

- The Bank recorded net revenue of 42.8 billion yen, an increase of 3.3 billion yen, or 8.4%, year on year, business profit of 23.6 billion yen, an increase of 3.4 billion yen, or 16.5%. Net income was 20.8 billion yen, representing a 14th consecutive quarterly profit and steady progress of 52.1% towards the full-year forecast of 40.0 billion yen.
    - Net interest income was 23.6 billion yen, an improvement of 0.4 billion yen, or 1.7%, year on year, reflecting continued improvement of the net interest margin, while the Bank continued its disciplined balance sheet management. Funding costs were reduced 10 bps from 0.62% to 0.52% year on year. The net interest margin improved 3 bps to 1.09%.
    - General and administrative expenses were almost unchanged at 19.2 billion yen, a reduction of 0.2%, year on year, while the overhead ratio, or OHR (general and administrative expenses as a percentage of net revenues) was 44.8% as a result of the Bank's continued strict control on costs, well within the Bank's mid-term target of 50% or below.
    - Credit-related expenses were a net expense of 1.7 billion yen, compared with a net profit of 2.6 billion yen in the first half of FY2011. This reflected the Bank's continued disciplined risk management and appropriate reserving policy based on borrowers' status, as well as preventative measures taken by the Bank to date, including the conservative allocation of reserves.
    - Comprehensive income was 24.6 billion yen, and net assets per common share were 291.64 yen, as compared to 284.22 yen as of March 31, 2012.

- Loans decreased from March 31, 2012 by 106.5 billion yen, or 4.0%, to 2,565.6 billion yen. However, for the most recent quarter, loans increased from June 30, 2012 by 91.2 billion yen, or 3.7%. Our ongoing focus on middle market business showed positive results, including an increase in the number of new clients.

- The percentage of retail funding to total core funding (the sum of deposits, negotiable certificates of deposit, debentures and bonds) was stable at 67.8%. The Bank maintained sufficient liquidity reserves of approximately 600 billion yen as of September 30, 2012.

- Non-performing claims as defined by the Financial Reconstruction Law (FRL) were 99.5 billion yen, a decrease of 9.6 billion yen, or 8.8%, from March 31, 2012 reflecting the Bank's disciplined risk management and appropriate actions with regard to non-performing loans, based on the condition of borrowers. The FRL ratio improved by 0.19 points to 3.80%. In addition, the percentage of FRL claims covered by reserves, collateral and guarantees remained high at 91.1% as of September 30, 2012, and the ratio of loan loss reserves to total loans outstanding was 2.67%, remaining one of the highest among major Japanese banks.

- The Bank's consolidated capital adequacy ratio was 19.18%, and the Tier 1 ratio was 20.44% (both on a preliminary basis). These ratios remain among the highest in the Japanese banking industry. The 'Core Tier 1' ratio, excluding the net amount of deferred tax assets, was 18.76%. The tangible equity ratio, as defined on page 11, was 12.00%.

- The Bank is forecasting a dividend of 12.38 yen per common share, which is consistent with the recapitalization plan. A FY2012 dividend payment forecast had not been announced previously. Please refer to 'II. FY2012 Full-Year Dividend Payment Forecast' for details.

2. FY2012 Interim Performance (April 1, 2012 to September 30, 2012)

Consolidated basis

(100 million yen)	Ordinary Income	Net Revenue	Business Profit	Ordinary Profit	Net Income	Net Income per common share
H1 FY2012 (a)	599	428	236	200	208	13.92 Yen
H1 FY2011 (b)	645	395	203	205	226	15.09 Yen
Change (a) - (b)	-45	33	34	-5	-17	-1.17 Yen
Percentage change ((a)-(b)) / (b)	-7.0%	8.4%	16.5%	-2.6%	-7.6%	-7.8%
FY2012 Full-Year Forecast (c)		830	440	390	400	29.55 Yen
Progress (a) / (c)		51.6%	53.7%	51.3%	52.1%	47.1%

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 FY2012 (a)	577	403	225	196	206	13.76 Yen
H1 FY2011 (b)	618	372	190	202	226	15.12 Yen
Change (a)-(b)	-41	31	35	-6	-20	-1.36 Yen
Percentage change ((a)-(b)) / (b)	-6.6%	8.6%	18.5%	-3.2%	-8.9%	-9.0 %
FY2012 Full-Year Forecast (c)		760	390	340	350	25.67 Yen
Progress (a) / (c)		53.1%	57.8%	57.6%	58.8%	53.6%

II. FY2012 Full-Year Dividend Payment Forecast

	Dividend per common share (yen)		
	First Half	Second Half	Full-Year
Previous forecast			
Current forecast		12.38 Yen	12.38 Yen
Payments in current term			
Payments in previous term (FY2011)		9.00 Yen	9.00 Yen

The Bank is forecasting a dividend of 12.38 yen per common share for FY2012, which is consistent with the recapitalization plan. A FY2012 dividend payment forecast had not been announced previously.

The dividend payment forecast for FY2012 was calculated by dividing the total dividend payment, which is 40% of consolidated net income forecast for the full year, by the total number of common shares issued excluding treasury stock as of October 31, 2012.

As announced on September 27, 2012, based on the recapitalization plan, the Bank resolved to make a common share buyback of 330,000,000 shares (upper limit) between October 1, 2012 and September 30, 2013. As of October 31, 2012 the Bank had repurchased 205,000,000 common shares.

As such, the full-year dividend payment per common share is subject to change depending on the level of consolidated net income and the number of shares repurchased going forward.

Ⅰ. Revenue and Expenses

(100 million yen)	FY2011		FY2012		Change (B)－(A)		Page
	Jul.- Sept.	Interim (A)	Jul.-Sept.	Interim (B)	Amount	%	
Net revenue	**211**	**395**	**223**	**428**	**33**	**8.4%**	-
Net interest income	112	232	115	236	4	1.7%	5
Net interest margin	*1.04%*	*1.06%*	*1.05%*	*1.09%*	*0.03%*	-	5
Net fees and commissions	23	43	25	45	2	4.3%	5
Net trading revenues	26	41	28	41	0	0.4%	6
Gains/losses on bond transactions	49	62	36	79	17	28.2%	6
Net other ordinary income excluding gains/losses on bond transactions	2	17	18	27	10	55.7%	6
General & administrative expenses	-96	-192	-94	-192	0	-0.2%	7
Business profit	**115**	**203**	**128**	**236**	**34**	**16.5%**	-
Ordinary profit	**109**	**205**	**101**	**200**	**-5**	**-2.6%**	-
Net income	**116**	**226**	**104**	**208**	**-17**	**-7.6%**	-
Credit-related expenses incl. recoveries of written-off claims	7	26	-20	-17	-42	-	7
Taxes	8	21	5	10	-11	-51.6%	7

In the first half of FY2012, the Bank recorded consolidated net revenue of 42.8 billion yen, an increase of 3.3 billion yen, or 8.4%, year on year, and steady progress of 51.6% towards the full-year forecast of 83 billion yen.

Net interest income for the first half of FY2012 was 23.6 billion yen, an increase of 0.4 billion yen, or 1.7%, year on year. For the second quarter (Jul.-Sept.), net interest income recorded a year on year increase for the fourth consecutive quarter. The net interest margin continued to improve while the average balance of interest earning assets declined as the Bank continued its disciplined balance sheet management. Funding costs were reduced 10 bps from 0.62% in the first half of FY2011 to 0.52%, reflecting our ongoing efforts to reduce funding costs while maintaining a stable base of retail deposits. As a result of the reduction in funding costs, the net interest margin improved 3 bps to 1.09% year on year. Net fees and commissions were 4.5 billion yen, an increase of 0.2 billion yen, or 4.3%, and net trading revenues were 4.1 billion yen, an increase of 0.4%. Gains/losses on bond transactions increased 1.7 billion yen, or 28.2%, to 7.9 billion yen. Net other ordinary income, excluding gains/losses on bond transactions, improved 1.0 billion yen to 2.7 billion yen, or 55.7%. All non-interest income items increased year on year.

General and administrative expenses were almost unchanged at 19.2 billion yen, a reduction of 0.2%, year on year, while the OHR (general and administrative expenses as a percentage of net revenues) was 44.8% as a result of our continued strict control on costs, well within the Bank's mid-term target of 50% or below. As a result of the above factors, consolidated business profit increased 3.4 billion yen, or 16.5%, to 23.6 billion yen, representing progress of 53.7% towards the full-year forecast of 44.0 billion yen.

Credit-related expenses were a net expense of 1.7 billion yen, compared with a net profit of 2.6 billion yen in the first half of FY2011. This reflected the Bank’s disciplined risk management and appropriate reserving policy based on borrowers’ status, as well as preventative measures taken by the Bank to date, including the conservative allocation of reserves. The ratio of loan loss reserves to total loans outstanding was 2.67% as of September 30, 2012, remaining one of the highest among major Japanese banks. Taxes were a net profit of 1.0 billion yen. As a result of the aforementioned factors, consolidated net income was 20.8 billion yen, representing steady progress of 52.1% towards the full-year forecast of 40.0 billion yen and a 14th consecutive quarterly profit.

1. Net Revenue

(1)①Net Interest Income

(100 million yen)		FY2011 Jul.- Sept.	FY2011 Interim (A)	FY2012 Jul.- Sept.	FY2012 Interim (B)	Change (B)－(A)
Net interest income	(a)-(b)	112	232	115	236	4
Interest income	(a)	170	352	163	335	-17
Interest on loans and discounts		129	261	117	237	-24
Interest and dividends on securities		29	68	35	78	11
Other interest income		5	9	6	10	1
Interest on swaps		7	14	4	9	-5
Interest expenses	(b)	-58	-120	-48	-99	21
Interest on deposits and NCDs＊		-45	-93	-36	-75	17
Interest on debentures		-7	-14	-4	-8	6
Interest on borrowings and rediscount		-1	-2	-1	-2	-0
Other interest expenses		-2	-5	-3	-6	-1
Interest on swaps		-3	-6	-3	-7	-1

＊ Negotiable certificates of deposit

(1)②Net Interest Margin

		FY2011 Jul.- Sept.	FY2011 Interim (A)	FY2012 Jul.- Sept.	FY2012 Interim (B)	Change (B)－(A)
Yield on total investments	(a)	1.63%	1.68%	1.55%	1.61%	-0.07%
Yield on loans	(b)	1.93%	1.96%	1.90%	1.92%	-0.04%
Yield on securities		0.92%	1.05%	1.08%	1.20%	0.15%
Yield on funding	(c)	0.59%	0.62%	0.50%	0.52%	-0.10%
Net interest margin	(a)-(c)	1.04%	1.06%	1.05%	1.09%	0.03%
Loan margin	(b)-(c)	1.34%	1.34%	1.40%	1.40%	0.06%

Net interest income for the first half of FY2012 was 23.6 billion yen, an increase of 0.4 billion yen, or 1.7%, year on year. For the second quarter (Jul.-Sept.), net interest income recorded a year on year increase for the fourth consecutive quarter. The net interest margin continued to improve while the average balance of interest earning assets declined year on year as the Bank continued its disciplined balance sheet management. Funding costs were reduced 10 bps from 0.62% in the first half of FY2011 to 0.52%, reflecting our efforts to reduce funding costs while maintaining a stable base of retail deposits. As a result of the reduction in funding costs, the net interest margin improved 3bps to 1.09%, year on year, and the loan margin improved 6 bps to 1.40%.

(2) Net Fees and Commissions

(100 million yen)		FY2011 Jul.- Sept.	FY2011 Interim (A)	FY2012 Jul.- Sept.	FY2012 Interim (B)	Change (B)－(A)
Net fees and commissions	(a)-(b)	23	43	25	45	2
Fees and commissions received	(a)	24	47	27	49	2
Loan business-related		15	31	16	29	-2
Securities-related and agency		6	11	9	15	4
Others		3	5	3	6	0
Fees and commissions payments	(b)	-2	-4	-2	-4	-0

【Ref. 】Earnings from retail related business

Earnings related to the sale of investment trusts and annuity insurance, and structured bonds	7	14	10	18	4

Net fees and commissions were 4.5 billion yen, an increase of 0.2 billion yen, or 4.3%, year on year. Earnings related to the sale of investment trusts, annuity insurance, and structured bonds, targeting the needs of our mass affluent retail customers, showed steady progress, increasing 0.4 billion yen, or 27.3%, year on year, to 1.8 billion yen.

(3) Net Trading Revenues

(100 million yen)	FY2011		FY2012		Change
	Jul.- Sept.	Interim (A)	Jul.-Sept.	Interim (B)	(B)－(A)
Net trading revenues	26	41	28	41	0
Net income on trading-related financial derivatives transactions	23	34	19	28	-6
Others	3	6	9	13	7

Net trading revenues were almost unchanged at 4.1 billion yen, an increase of 0.4%, year on year.

(4) Gains/losses on Bond Transactions

(100 million yen)	FY2011		FY2012		Change
	Jul.- Sept.	Interim (A)	Jul.- Sept.	Interim (B)	(B)－(A)
Gains/losses on bond transactions	49	62	36	79	17
Japanese government bonds	11	23	5	17	-6
Foreign government bonds and mortgage bonds	34	53	19	49	-4
Others	3	-14	11	13	27
Collateralized Debt Obligations (CDOs) only	-	-	-	-0	-0
Profit from hedge funds (Available For Sale)	1	5	2	2	-3
Others	1	-19	10	11	30

Gains/losses on bond transactions increased 1.7 billion yen, or 28.2%, year on year, to 7.9 billion yen. The accounting treatment related to the impairment of securitized products including CMBS changed in the fourth quarter of FY2011. If we reflect this change in the accounting treatment on the Apr.-Sept. 2011 period, losses of -1.4 billion yen on CMBS included in Others would be reclassified into credit-related expenses.

(5) Net other ordinary income excluding Gains (Losses) on Bond Transactions

(100 million yen)	FY2011		FY2012		Change
	Jul.- Sept.	Interim (A)	Jul.-Sept.	Interim (B)	(B)－(A)
Net other ordinary income excluding gains/losses on bond transactions	2	17	18	27	10
Gains /losses on foreign currency transactions	-11	-20	-7	-11	9
Gains /losses on derivatives other than trading, net	-1	-1	-0	-2	-1
Profit from limited partnerships	5	23	13	18	-4
Real estate related	2	12	2	6	-5
Distressed loan related	5	9	6	10	1
Other (venture capital, etc.)	-3	2	5	3	0
Gains on distressed loans (Aozora Loan Services)	8	13	5	10	-2
Debenture issue cost	-0	-0	-0	-0	0
Others	1	3	8	11	8

Net other ordinary income, excluding gains/losses on bond transactions, improved 1.0 billion yen, or 55.7%, to 2.7 billion yen.

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

(100 million yen)	FY2011 Jul.- Sept.	FY2011 Interim (A)	FY2012 Jul.- Sept.	FY2012 Interim (B)	Change (B)－(A)
G & A expenses	-96	-192	-94	-192	0
Personnel	-47	-92	-47	-95	-3
Non-personnel expense	-45	-91	-43	-86	5
Tax	-3	-10	-4	-11	-1

General and administrative expenses were almost unchanged at 19.2 billion yen, or a reduction of 0.2% year on year, while the overhead ratio, or OHR (general and administrative expenses as a percentage of net revenues), was 44.8% reflecting our continued strict control on costs, well within the Bank's mid-term target of 50% or below.

3. Credit-Related Expenses

(100 million yen)	FY2011 Jul.- Sept.	FY2011 Interim (A)	FY2012 Jul.- Sept.	FY2012 Interim (B)	Change (B)－(A)
Credit-related expenses	7	26	-20	-17	-42
Write-off of loans	-5	-8	-7	-11	-3
Gains/losses on disposition of loans	-12	-2	-38	-35	-34
Specific reserve for possible loan losses	-29	-35	-102	-114	-79
General reserve for possible loan losses	56	68	123	130	62
Reserve for credit losses on off-balance-sheet instruments	-6	-6	1	2	7
Recoveries of written-off claims	4	7	2	11	4

Credit-related expenses were a net expense of 1.7 billion yen, compared with a net profit of 2.6 billion yen in the first half of FY2011. This reflected the Bank’s continued disciplined risk management and preventative measures taken by the Bank to date, including the conservative allocation of reserves.

The ratio of loan loss reserves to total loans outstanding was 2.67% as of September 30, 2012 and remained one of the highest among major Japanese banks.

4. Taxes

(100 million yen)	FY2011 Jul.- Sept.	FY2011 Interim (A)	FY2012 Jul.- Sept.	FY2012 Interim (B)	Change (B)－(A)
Taxes	8	21	5	10	-11

A net tax profit of 1.0 billion yen was recognized in the first half of FY2012 as a result of the calculation of deferred tax assets, in consideration of the earnings projection.

Ⅱ. Balance Sheet

(100 million yen)	Mar. 31, 2012 (A)	Sept.30, 2012 (B)	Change (B)－(A)		Jun.30, 2012	Page
			Amount	%		
Total assets	**50,974**	**51,301**	**327**	**0.6%**	**48,751**	-
Loan and bills discounted	26,722	25,656	-1,065	-4.0%	24,744	9
Securities	13,223	12,700	-524	-4.0%	13,135	10
Cash and due from banks	2,604	3,799	1,195	45.9%	3,050	-
Others	8,426	9,146	720	8.5%	7,822	-
Total liabilities	**44,898**	**45,136**	**238**	**0.5%**	**42,699**	-
Deposits	27,197	27,285	88	0.3%	27,063	9
Negotiable certificates of deposit	2,098	2,198	100	4.8%	1,303	
Debentures	2,231	1,845	-386	-17.3%	2,081	
Bonds payable	-	-	-	-	-	
Others	13,373	13,808	435	3.3%	12,253	
Total net assets	**6,076**	**6,165**	**89**	**1.5%**	**6,052**	-
Capital stock	4,198	4,198	-	-	4,198	-
Capital surplus	336	336	-	-	336	-
Retained earnings	1,735	1,788	52	3.0%	1,684	-
Valuation difference on available-for-sale securities	33	77	44	131.4%	66	-
Others	-227	-233	-7	-	-231	-
Total liabilities and net assets	**50,974**	**51,301**	**327**	**0.6%**	**48,751**	-

Total assets were 5,130.1 billion yen as of September 30, 2012, an increase of 32.7 billion yen, or 0.6%, compared to March 31, 2012. Loans decreased from March 31, 2012 by 106.5 billion yen, or 4.0%, to 2,565.6 billion yen as we continued disciplined balance sheet management and also as a result of certain repayments of loans to large lot borrowers. However, for the most recent quarter, loans increased from June 30, 2012 by 91.2 billion yen, or 3.7%. Our ongoing focus on middle market business showed positive results, including an increase in the number of new clients. Securities decreased by 52.4 billion yen, or 4.0%, from March 31, 2012, to 1,270.0 billion yen.

On the funding side, deposits and negotiable certificates of deposit increased 18.8 billion yen, as compared to March 31, 2012. We continued our effort to reduce funding costs while maintaining a stable base of retail deposits. As a result, funding from retail customers was 2,124.9 billion yen, a decrease of 39.0 billion yen, or 1.8%, from March 31, 2012, while the percentage of retail funding to total core funding was stable at 67.8%. Total liabilities increased 23.8 billion yen, or 0.5%, to 4,513.6 billion yen as compared to March 31, 2012.

Net assets were 616.5 billion yen, representing an increase of 8.9 billion yen, or 1.5%, in comparison with March 31, 2012. Net assets per common share were 291.64 yen, as compared to 284.22 yen per common share as of March 31, 2012.

1. Funding (Deposits and Debentures)

(100 million yen)	Mar. 31, 2012 (A)	Sept.30, 2012 (B)	Change (B)－(A)	Jun.30, 2012
Retail	21,639	21,249	-390	21,516
Corporate, etc.	5,396	5,505	109	4,110
Financial Institutions (Debentures)	2,120	1,793	-327	2,000
Financial Institutions (Deposits)	2,371	2,781	410	2,820
Deposits and Debentures total	31,526	31,328	-198	30,446

We reduced funding costs while maintaining a stable base of retail deposits. As a result, funding from retail customers was 2,124.9 billion yen, decreasing 39.0 billion yen, or 1.8%, from March 31, 2012, while the percentage of retail funding to total core funding was stable at 67.8%. Our loan to deposit ratio (including NCD) was 87.0%.

The Bank maintained sufficient liquidity reserves of approximately 600 billion yen as of September 30, 2012.

2. Loans

(100 million yen)	Mar. 31, 2012 (A)	Sept.30, 2012 (B)	Change (B)－(A)	Jun.30, 2012
Loans outstanding	26,722	25,656	-1,065	24,744

Loans decreased from March 31, 2012 by 106.5 billion yen, or 4.0%, to 2,565.6 billion yen as we continued disciplined balance sheet management and also as a result of certain repayments of loans to large lot borrowers in the first quarter of FY2012.

Loans to the finance/insurance sector and the information and telecommunications sector increased by 27.9 billion yen (6.7%) and 8.7 billion yen (19.3%), respectively, while loans to the real estate sector and wholesale and retail trade sector decreased by 63.3 billion yen (7.1%) and 22.5 billion yen (16.9%), respectively.

In comparison with June 30, 2012, loans increased by 91.2 billion yen, or 3.7%. Domestic and overseas loans increased by 66.7 billion yen, or 3.0%, and 24.5 billion yen, or 8.5%, respectively.

Our continued focus on middle market business showed positive results, including an increase in the number of new clients.

3. Securities

(100 million yen)	Book value				Unrealized gains/losses			
	Mar. 31, 2012 (A)	Sept.30, 2012 (B)	(B) – (A)	Jun.30, 2012	Mar. 31, 2012 (A)	Sept.30,, 2012 (B)	(B) – (A)	Jun.30, 2012
JGBs	6,160	5,446	-713	5,847	58	64	6	67
Municipal bonds	143	89	-54	87	1	1	0	1
Corporate bonds	706	627	-80	673	-2	-4	-2	-1
Equities	267	265	-2	267	-0	1	1	-1
Foreign bonds	4,073	3,717	-356	3,871	-13	38	52	26
Others	1,874	2,555	680	2,390	17	25	9	15
Hedge funds	105	84	-21	93	15	14	-1	16
ETFs	232	688	456	812	1	8	7	1
Investment in limited partnerships	582	543	-39	539	0	2	2	3
REIT	142	144	2	133	2	3	1	-5
Others	814	1,097	283	812	-1	-1	0	0
Money market funds only	701	1,001	300	701	1	1	0	1
Total	13,223	12,700	-524	13,135	60	126	66	107

Securities decreased 52.4 billion yen, or 4.0%, from March 31, 2012. In comparison with March 31, 2012, ETFs, particularly US dollar denominated, were increased by 45.6 billion yen for the purpose of investment portfolio diversification, while JGBs and foreign bonds decreased 71.3 billion yen, or 11.6%, and 35.6 billion yen, or 8.7%, respectively.
Money market funds, assets comparable to the liquidity reserve, increased by 30.0 billion yen, or 42.8%.

Total unrealized gains amounted to 12.6 billion yen, an increase of 6.6 billion yen, or 110.1% from March 31, 2012, reflecting unrealized gains on JGBs and foreign bonds of 6.4 billion yen and 3.8 billion yen, respectively.

Note (1): Floating rate JGBs, as of September 30, 2012, were valued in the same way as at March 31, 2012, 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' are marked at fair value from March 31, 2010, but the amounts (balance sheet total 10.9 billion yen; valuation loss 0.3 billion yen as of September 30, 2012) are not included in the table above.

4. Investment in Limited Partnerships and Hedge Funds

(100 million yen)	Mar. 31, 2012 (A)	Sept.30, 2012 (B)	Change (B)－(A)	Jun.30, 2012
Limited partnerships	582	543	-39	539
Real estate related	123	131	8	123
Distressed loan related	259	244	-15	247
Others	200	167	-32	169
Hedge funds	105	84	-21	93

Investment in limited partnerships decreased 3.9 billion yen, or 6.8%, from March 31, 2012, mainly due to redemptions. Hedge fund investments decreased 2.1 billion yen, or 20.2%, as compared to March 31, 2012.

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

(100 million yen, %)	Mar. 31, 2012 (A)	Sept.30, 2012 (B)	Change (B)－(A)	Jun.30, 2012
Bankrupt and similar credit	75	52	-23	47
Doubtful credit	640	744	105	639
Special attention credit	377	199	-178	356
FRL credit, total (a)	1,091	995	-96	1,043
Normal credit (b)	26,191	25,144	-1,047	24,336
Total credit (c)((a)+(b))	27,282	26,139	-1,143	25,379
FRL credit ratio (a)/(c)	3.99%	3.80%	-0.19%	4.10%

Non-performing claims as defined by the Financial Reconstruction Law (FRL) were 99.5 billion yen, a decrease of 9.6 billion yen, or 8.8%, from March 31, 2012, reflecting the Bank's disciplined risk management and appropriate actions with regard to non-performing loans, based on the condition of borrowers. The FRL ratio improved by 0.19 points to 3.80%. In addition, the percentage of FRL claims covered by reserves, collateral and guarantees remained high at 91.1% as of September 30, 2012, and the ratio of loan loss reserves to total loans outstanding was 2.67% as of September 30, 2012, remaining one of the highest among major Japanese banks.

Ⅳ. Capital Adequacy Ratio (Preliminary)

	Mar. 31, 2012 (A)	Sept.30, 2012 (B)	Change (B)－(A)	Jun.30, 2012
Capital adequacy ratio	17.86%	19.18%	1.32%	18.69%
Tier 1 ratio	19.37%	20.44%	1.07%	20.17%
Core Tier 1 ratio (*)	17.69%	18.76%	1.07%	18.49%

(Reference)

	Mar. 31, 2012 (A)	Sept.30, 2012 (B)	Change (B)－(A)	Jun.30, 2012
Tangible equity ratio (**)	11.90%	12.00%	0.10%	12.40%

Note: Figures are calculated in accordance with the FSA Notification Number 56 issued in 2012 (special treatment of FSA Notification Number 19 issued in 2006).
(*) Core Tier 1 ratio: (Tier 1 capital (excluding preferred securities and non-convertible preferred stock) minus deferred tax assets (net)) divided by risk-weighted assets.
(**) The ratio of tangible equity divided by tangible assets.

Aozora's Tier 1 ratio as of September 30, 2012 was among the highest in the Japanese banking industry. The Bank's capital adequacy ratio was 19.18%, Tier 1 ratio was 20.44%, and Core Tier 1 ratio was 18.76%.

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. In 2003, it became majority owned by Cerberus NCB Acquisition, L.P. 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 cost and the effectiveness of our operational, legal and other risk management policies.