January 31, 2013

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 Results for the First Nine Months of FY2012;
- Net Income of 30.6 billion; Progress of 76.6% towards the full-year forecast -

TOKYO January 31, 2013 – Aozora Bank, Ltd. ("Aozora" or "the Bank"), a leading Japanese commercial bank, today announced its financial results for the first nine months of FY2012.

I. Earnings results for the first nine months of FY2012

Aozora reported consolidated net revenue of 63.9 billion yen, business profit of 35.3 billion yen and net income of 30.6 billion yen for the first nine months of FY2012. These results represented progress of 77.0%, 80.2% and 76.6%, respectively, 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, "Our earnings for the first nine months of FY2012 place us well on track towards our full-year forecast. Our results reflected strong 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, "Following adoption of our comprehensive recapitalization plan announced in August last year, we began repayment of public funds from October. As announced on January 7 this year, Cerberus, the Bank's major shareholder, has conducted a secondary offering of Aozora shares. With a large number of new shareholders, we reaffirm our commitment to building on our strengths to develop our business model and expand our business franchise, as well as contributing 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 first nine months results (Consolidated)

- The Bank recorded net revenue of 63.9 billion yen, an increase of 4.4 billion yen, or 7.5% year on year, business profit of 35.3 billion yen, an increase of 4.6 billion yen, or 15.1% year on year. Net income was 30.6 billion yen, representing a 15th consecutive quarterly profit and steady progress of 76.6% towards the full-year forecast of 40.0 billion yen.

    - Net interest income was 34.4 billion yen, representing a steady year on year increase, while the Bank continued its disciplined balance sheet management. Funding costs were reduced 9 bps year on year from 0.60% to 0.51%. The loan margin expanded 4 bps to 1.38% while the net interest margin was unchanged at 1.05%.

    - General and administrative expenses were 28.6 billion yen, a reduction of 0.2 billion yen, or 0.7% year on year, as a result of the Bank's continued strict control on costs. The overhead ratio, or OHR (general and administrative expenses as a percentage of net revenues) remained low at 44.8%.

    - Credit-related expenses were a net expense of 2.4 billion yen, compared with a net profit of 2.0 billion yen in the first nine months of FY2011. The credit cost ratio (credit-related expenses as a percentage of the loan balance as of December 31, 2012) remained low at 0.12%. This result reflected the Bank's continued disciplined risk management and appropriate action based on borrowers' status, as well as preventative measures taken by the Bank to date, including the conservative allocation of reserves.

- Comprehensive income was 34.4 billion yen, and net assets per common share were 311.78 yen, as compared to 284.22 yen as of March 31, 2012.

■ The loan balance was 2,614.5 billion yen as of December 31, 2012, a decrease of 57.7 billion yen, or 2.2% from March 31, 2012, while loans increased by 48.8 billion yen, or 1.9% from September 30, 2012, representing an increase for the second consecutive quarter.

■ The percentage of retail funding to total core funding (the sum of deposits, negotiable certificates of deposit, debentures and bonds) was stable at 66.4%.The Bank maintained sufficient liquidity reserves of approximately 600 billion yen as of December 31, 2012.

■ Non-performing claims as defined by the Financial Reconstruction Law (FRL) were 113.0 billion yen, an increase of 3.9 billion yen, or 3.6% from March 31, 2012. The FRL ratio was 4.21% while the percentage of FRL claims covered by reserves, collateral and guarantees remained high at 91.8% as of December 31, 2012. The ratio of loan loss reserves to total loans outstanding was 2.6 % as of December 31, 2012, remaining one of the highest among major Japanese banks.

■ The Bank's Tier 1 and capital adequacy ratios as of December 31, 2012 will be announced at a later date. While these ratios are expected to decline compared to September 30, 2012 (20.43% and 19.16% respectively) due to the implementation of the comprehensive recapitalization plan, including a partial repayment of public funds, as well as the repurchase of common shares, they are expected to remain among the highest in the Japanese banking industry.

2. FY2012 First Nine Months Performance (April 1, 2012 to December 31, 2012)

Consolidated basis

(100 million yen)	Ordinary Income	Net Revenue	Business Profit	Ordinary Profit	Net Income	Net Income per common share
FY2012 nine months (Apr.-Dec.) (a)	874	639	353	308	306	21.40
FY2011 nine months (Apr.-Dec.) (b)	924	595	307	295	317	21.20
Change (a) - (b)	-49	44	46	13	-10	0.20
Percentage change ((a)-(b)) / (b)	-5.4%	7.5%	15.1%	4.2%	-3.3%	0.9%
FY2012 Full-Year Forecast (c)		830	440	390	400	30.58
Progress (a) / (c)		77.0%	80.2%	78.9%	76.6%	70.0%

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
FY2012 nine months (Apr.-Dec.) (a)	842	609	344	305	306	21.39
FY2011 nine months (Apr.-Dec.) (b)	875	552	280	283	307	20.54
Change (a)-(b)	-33	57	63	22	-1	0.85
Percentage change ((a)-(b)) / (b)	-3.8%	10.3%	22.5%	7.9%	-0.2%	4.1%
FY2012 Full-Year Forecast (c)		760	390	340	350	26.58
Progress (a) / (c)		80.2%	88.1%	89.7%	87.5%	80.5%

II. Upward Revision of Full-Year Dividend Payment Forecast

	Dividend per common share (yen)		
	First Half	Second Half	Full-Year
Previous forecast		12.38 Yen	12.38 Yen
Current forecast		12.82 Yen	12.82.Yen
Payments in current term			
Payments in previous term (FY2011)		9.00 Yen	9.00 Yen

The Bank announced a dividend forecast of 12.38 yen per common share for FY2012 in conjunction with its interim financial results. The forecast has been revised this time to 12.82 yen to reflect the decrease in the number of common shares issued excluding treasury stock as a result of progress in the repurchase of shares.

As announced on September 27, 2012, based on the comprehensive 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 December 31, 2012 the Bank had repurchased 248,750,000 shares. 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 December 31, 2012.

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 3 months Oct.- Dec.	FY2011 9 months Apr.-Dec. (A)	FY2012 3 months Oct.- Dec.	FY2012 9 months Apr.-Dec. (B)	Change (B)−(A) Amount	Change (B)−(A) %	Page
Net revenue	**199**	**595**	**211**	**639**	**44**	**7.5%**	**-**
Net interest income	110	342	108	344	2	0.6%	5
Net interest margin	*1.02%*	*1.05%*	*0.98%*	*1.05%*	*0.00%*	-	5
Net fees and commissions	20	63	17	62	-1	-1.6%	5
Net trading revenues	13	53	3	44	-9	-17.5%	6
Gains/losses on bond transactions	37	99	45	124	25	25.4%	6
Net other ordinary income excluding gains/losses on bond transactions	21	38	39	65	28	73.3%	6
General & administrative expenses	-96	-288	-94	-286	2	-0.7%	7
Business profit	**104**	**307**	**117**	**353**	**46**	**15.1%**	**-**
Ordinary profit	**90**	**295**	**108**	**308**	**13**	**4.2%**	**-**
Net income	**91**	**317**	**98**	**306**	**-10**	**-3.3%**	**-**
Credit-related expenses incl. recoveries of written-off claims	-6	20	-8	-24	-44	-	7
Taxes	0	21	-9	1	-20	-95.9	7

In the first nine months of FY2012, the Bank recorded consolidated net revenue of 63.9 billion yen, an increase of 4.4 billion yen, or 7.5% year on year. This represented progress of 77.0% towards the full-year forecast of 83.0 billion yen.

Net interest income was 34.4 billion yen, an increase of 0.2 billion yen, or 0.6% year on year. Funding costs were reduced 9 bps year on year to 0.51% from 0.60%, in the first nine months of FY2012, reflecting our ongoing efforts to reduce funding costs while maintaining a stable base of retail deposits. The loan margin expanded 4 bps to 1.38% while the net interest margin remained unchanged at 1.05% year on year. Net fees and commissions were 6.2 billion yen, a decrease of 0.1 billion yen, or 1.6% year on year, and net trading revenues were 4.4 billion yen, a decrease of 0.9 billion yen, or 17.5%. Gains/losses on bond transactions increased 2.5 billion yen, or 25.4% to 12.4 billion yen. Net other ordinary income, excluding gains/losses on bond transactions, increased 2.8 billion yen, or 73.3% to 6.5 billion yen.

General and administrative expenses were 28.6 billion yen, a reduction of 0.2 billion yen, or 0.7% year on year, while the OHR (general and administrative expenses as a percentage of net revenues) remained low at 44.8% reflecting our strict control on costs. As a result of the above factors, consolidated business profit was 35.3 billion yen, an increase of 4.6 billion yen, or 15.1%. This result represented 80.2% progress towards the full-year forecast of 44.0 billion yen.

Credit-related expenses were a net expense of 2.4 billion yen, compared with a net profit of 2.0 billion yen in the first nine months of FY2011. The credit cost ratio (credit related expenses as a percentage of loan balance as of December 31, 2012) remained low at 0.12%. This result reflected the Bank's disciplined risk management and appropriate action based on the status of borrowers, as well as preventative measures taken by the Bank to date, including the conservative allocation of reserves. Taxes were a net profit of 0.1 billion yen. As a result of the aforementioned factors, consolidated net income was 30.6 billion yen, representing steady progress of 76.6% towards the full-year forecast of 40.0 billion yen and a 15th consecutive quarterly profit.

1. Net Revenue

(1)①Net Interest Income

(100 million yen)		FY2011 3 months Oct.- Dec.	FY2011 9 months Apr.-Dec. (A)	FY2012 3 months Oct.- Dec.	FY2012 9 months Apr.-Dec. (B)	Change (B)－(A)
Net interest income	(a)-(b)	110	342	108	344	2
Interest income	(a)	165	517	154	489	-28
Interest on loans and discounts		126	387	117	354	-33
Interest and dividends on securities		29	97	30	109	12
Other interest income		4	12	3	14	1
Interest on swaps		6	20	3	13	-8
Interest expenses	(b)	-55	-175	-46	-145	30
Interest on deposits and NCDs※		-43	-136	-35	-111	25
Interest on debentures		-6	-20	-3	-11	9
Interest on borrowings and rediscount		-1	-3	-1	-3	-1
Other interest expenses		-2	-7	-3	-9	-2
Interest on swaps		-2	-8	-4	-11	-2

※ Negotiable certificates of deposit

(1)②Net Interest Margin

		FY2011 3 months Oct.- Dec.	FY2011 9 months Apr.-Dec. (A)	FY2012 3 months Oct.- Dec.	FY2012 9 months Apr.-Dec. (B)	Change (B)－(A)
Yield on total investments	(a)	1.57%	1.65%	1.45%	1.56%	-0.09%
Yield on loans	(b)	1.90%	1.94%	1.85%	1.89%	-0.05%
Yield on securities		0.92%	1.01%	0.95%	1.12%	0.11%
Yield on funding	(c)	0.55%	0.60%	0.47%	0.51%	-0.09%
Net interest margin	(a)-(c)	1.02%	1.05%	0.98%	1.05%	0.00%
Loan margin	(b)-(c)	1.35%	1.34%	1.38%	1.38%	0.04%

Net interest income was 34.4 billion yen, an increase of 0.2 billion yen, or 0.6% year on year. Funding costs were reduced 9 basis points year on year to 0.51%, from 0.60% in the first nine months of FY2011, reflecting our ongoing efforts to reduce funding costs while maintaining a stable base of retail deposits. The loan margin expanded 4bps to 1.38% year on year while the Bank continued its disciplined balance sheet management. Due to an increase in short-term low-yielding assets during the period, the net interest margin did not increase year on year.

(2) Net Fees and Commissions

(100 million yen)		FY2011 3 months Oct.- Dec.	FY2011 9 months Apr.-Dec. (A)	FY2012 3 months Oct.- Dec.	FY2012 9 months Apr.-Dec. (B)	Change (B)－(A)
Net fees and commissions	(a)-(b)	20	63	17	62	-1
Fees and commissions received	(a)	21	68	18	67	-1
Loan business-related		14	45	8	37	-8
Securities-related and agency		5	16	7	22	6
Others		3	8	3	8	0
Fees and commissions payments	(b)	-2	-5	-2	-5	0
Ref: Earnings from retail business						
Of which, fees from investment trusts, annuity insurance and structured bonds		7	21	10	27	6

Net fees and commissions were 6.2 billion yen, a decrease of 0.1 billion yen, or 1.6% 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 0.6 billion yen, or 26.6% to 2.7 billion yen.

(3) Net Trading Revenues

(100 million yen)	FY2011 3 months Oct.- Dec.	FY2011 9 months Apr.-Dec. (A)	FY2012 3 months Oct.- Dec.	FY2012 9 months Apr.-Dec. (B)	Change (B)－(A)
Net trading revenues	13	53	3	44	-9
Net income on trading-related financial derivatives transactions	8	42	0	29	-13
Others	5	11	3	15	4

Net trading revenues were 4.4 billion yen, a decrease of 0.9 billion yen, or 17.5% year on year. This reflected the temporary suspension of sales of derivative-embedded time deposits. The Bank resumed the sale of these deposits in December 2012.

(4) Gains/losses on Bond Transactions

(100 million yen)	FY2011 3 months Oct.- Dec.	FY2011 9 months Apr.-Dec. (A)	FY2012 3 months Oct.- Dec.	FY2012 9 months Apr.-Dec. (B)	Change (B)－(A)
Gains/losses on bond transactions	37	99	45	124	25
Japanese government bonds	16	38	11	28	-11
Foreign government bonds and mortgage bonds	36	89	22	71	-18
Others	-14	-29	13	25	54
Collateralized Debt Obligations (CDOs) only	-0	-0	-0	-1	-0
Profit from hedge funds (Available For Sale)	1	6	0	2	-4
Others	-15	-34	13	24	58

Gains/losses on bond transactions increased 2.5 billion yen, or 25.4% year on year to 12.4 billion yen.

The accounting treatment related to the impairment of securitized products including CMBS changed in the fourth quarter of FY2011. Gains/losses on bond transactions for Apr.- Dec. 2011 period do not reflect this change. If we reflect this change in the accounting treatment on the Apr.- Dec. 2011 period, losses of 2.8 billion yen included in Others would be reclassified mainly into credit-related expenses resulting in a small year on year change in gains/losses on bond transactions.

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

(100 million yen)	FY2011 3 months Oct.- Dec.	FY2011 9 months Apr.-Dec. (A)	FY2012 3 months Oct.- Dec.	FY2012 9 months Apr.-Dec. (B)	Change (B)－(A)
Net other ordinary income excluding gains/losses on bond transactions	21	38	39	65	28
Gains /losses on foreign currency transactions	1	-19	12	1	20
Gains /losses on derivatives other than trading, net	-0	-1	-2	-4	-4
Profit from limited partnerships	0	23	23	42	19
Real estate related	5	16	4	11	-6
Distressed loan related	3	12	4	13	2
Other (venture capital, etc.)	-7	-5	15	18	23
Gains on distressed loans (Aozora Loan Services)	4	16	5	15	-1
Debenture issue cost	-0	-0	-0	-0	0
Others	16	18	1	12	-7

Net other ordinary income, excluding gains/losses on bond transactions, improved 2.8 billion yen, or 73.3% year on year to 6.5 billion yen, mainly due to profit from limited partnership including venture capital.

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

(100 million yen)	FY2011		FY2012		Change
	3 months Oct.- Dec.	9 months Apr.-Dec. (A)	3 months Oct.- Dec.	9 months Apr.-Dec. (B)	(B)－(A)
G & A expenses	-96	-288	-94	-286	2
Personnel	-47	-139	-47	-142	-3
Non-personnel expense	-44	-135	-43	-129	6
Tax	-4	-14	-4	-15	-1

General and administrative expenses were 28.6 billion yen, a reduction of 0.2 billion yen, or 0.7% year on year. The overhead ratio, or OHR (general and administrative expenses as a percentage of net revenues) was 44.8% remaining one of the lowest among major Japanese banks.

3. Credit-Related Expenses

(100 million yen)	FY2011		FY2012		Change
	3 months Oct.- Dec.	9 months Apr.-Dec. (A)	3 months Oct.- Dec.	9 months Apr.-Dec. (B)	(B)－(A)
Credit-related expenses	-6	20	-8	-24	-44
Write-off of loans	-3	-10	3	-8	3
Gains/losses on disposition of loans	0	-2	-19	-55	-53
Specific reserve for possible loan losses	-100	-135	-28	-142	-7
General reserve for possible loan losses	90	158	36	166	8
Reserve for credit losses on off-balance-sheet instruments	5	-1	-1	1	1
Recoveries of written-off claims	2	9	2	13	4

Credit-related expenses were a net expense of 2.4 billion yen, compared with a net profit of 2.0 billion yen in the first nine months of FY2011. The credit cost ratio (credit-related expenses as a percentage of loan balance as of December 31, 2012) remained low at 0.12%. This result reflected the allocation of specific reserve for possible loan losses resulting from a review of internal ratings for certain borrowers and losses from the disposition of loans, as well as a reversal of the general reserve for possible loan losses which has been conservatively allocated to date.
The ratio of loan loss reserves to total loans outstanding was 2.6% as of December 31, 2012, remaining one of the highest among major Japanese banks.

4. Taxes

(100 million yen)	FY2011		FY2012		Change
	3 months Oct.- Dec.	9 months Apr.-Dec. (A)	3 months Oct.- Dec.	9 months Apr.-Dec. (B)	(B)－(A)
Taxes	0	21	-9	1	-20

A net tax profit of 0.1 billion yen was recognized in the first nine months 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)	Dec. 31, 2012 (B)	Change (B)－(A)		Sept. 30, 2012	Page
			Amount	%		
Total assets	**50,974**	**50,825**	**-150**	**-0.3%**	**51,301**	-
Loan and bills discounted	26,722	26,145	-577	-2.2%	25,656	9
Securities	13,223	12,534	-689	-5.2%	12,700	10
Cash and due from banks	2,604	3,791	1,188	45.6%	3,799	-
Others	8,426	8,354	-72	-0.9%	9,146	-
Total liabilities	**44,898**	**45,399**	**500**	**1.1%**	**45,136**	-
Deposits	27,197	27,290	94	0.3%	27,285	
Negotiable certificates of deposit	2,098	2,537	439	20.9%	2,198	
Debentures	2,231	1,747	-485	-21.7%	1,845	9
Bonds payable	-	-	-	-	-	
Others	13,373	13,825	452	3.4%	13,808	
Total net assets	**6,076**	**5,426**	**-650**	**-10.7%**	**6,165**	-
Capital stock	4,198	1,000	-3,198	-76.2%	4,198	-
Capital surplus	336	3,307	2,971	884.8%	336	-
Retained earnings	1,735	1,886	150	8.7%	1,788	-
Valuation difference on available-for-sale securities	33	68	35	103.5%	77	-
Others	-227	-834	-608	-268.0%	-233	-
Total liabilities and net assets	**50,974**	**50,825**	**-150**	**-0.3%**	**51,301**	-

Total assets were 5,082.5 billion yen as of December 31, 2012, a decrease of 15.0 billion yen, or 0.3%, compared to March 31, 2012. The loan balance was 2,614.5 billion yen, a decrease of 57.7 billion yen, or 2.2% from March 31, 2012, while loans increased by 48.8 billion yen, or 1.9% from September 30, 2012, representing an increase for the second consecutive quarter. Securities decreased by 68.9 billion yen, or 5.2%, to 1,253.4 billion yen.

On the funding side, total deposits and negotiable certificates of deposit increased 53.3 billion yen, or 1.8%, as compared to March 31, 2012, and debentures decreased 48.5 billion yen due to redemptions. We continued our effort to reduce funding costs while maintaining a stable base of retail deposits. Funding from retail customers was 2,097.7 billion yen, decreasing 66.1 billion yen, or 3.1% from March 31, 2012, while the percentage of retail funding to total core funding was stable at 66.4%. Total liabilities increased 50.0 billion yen, or 1.1% to 4,539.9 billion yen as compared to March 31, 2012.

Net assets were 542.6 billion yen, representing a decrease of 65.0 billion yen, or 10.7%, in comparison with March 31, 2012, mainly due to the repurchase and retirement of a part of the Series 5 preferred shares and the repurchase of common shares based on the recapitalization plan. Net assets per common share were 311.78 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)	Dec. 31, 2012 (B)	Change (B)−(A)	Sept. 30, 2012
Retail	21,639	20,997	-661	21,249
Corporate, etc.	5,396	5,399	3	5,505
Financial Institutions (Debentures)	2,120	1,699	-421	1,793
Financial Institutions (Deposits)	2,371	3,499	1,128	2,781
Deposits and Debentures total	31,526	31,574	48	31,328

We continued our effort to reduce funding costs while maintaining a stable base of retail deposits. Funding from retail customers was 2,097.7 billion yen, decreasing 66.1 billion yen, or 3.1% from March 31, 2012, while the percentage of retail funding to total core funding was stable at 66.4%. The loan to deposit ratio, including negotiable certificates of deposit, was 87.7%.

The Bank maintained sufficient liquidity reserves of approximately 600 billion yen as of December 31, 2012.

2. Loans

(100 million yen)	Mar. 31, 2012 (A)	Dec. 31, 2012 (B)	Change (B)−(A)	Sept. 30, 2012
Loans outstanding	26,722	26,145	-577	25,656

The loan balance was 2,614.5 billion yen as of December 31, 2012, a decrease of 57.7 billion yen, or 2.2% from March 31, 2012.

While the loan balance decreased in the first quarter of FY2012, due to certain repayments of loans to large lot borrowers, loans increased from the second quarter of FY2012 onwards. Loans as of December 31, 2012 increased by 48.8 billion yen, or 1.9% from September 30, 2012. Domestic and overseas loans increased by 6.3 billion yen, or 0.3%, and 42.6 billion yen, or 13.6%, respectively from September 30, 2012.

Our continued focus on middle market business has resulted in the acquisition of a number of new clients.

3. Securities

(100 million yen)	Book value				Unrealized gains/losses			
	Mar. 31, 2012 (A)	Dec. 31, 2012 (B)	(B) – (A)	Sept. 30, 2012	Mar. 31, 2012 (A)	Dec. 31, 2012 (B)	(B) – (A)	Sept. 30, 2012
JGBs	6,610	5,123	-1,037	5,446	58	58	-0	64
Municipal bonds	143	80	-62	89	1	1	-1	1
Corporate bonds	706	623	-83	627	-2	-3	-1	-4
Equities	267	267	-1	265	-0	2	2	1
Foreign bonds	4,073	4,107	34	3,717	-13	6	20	38
Others	1,874	2,334	460	2,555	17	44	27	25
Hedge funds	105	91	-13	84	15	17	2	14
ETFs	232	455	224	688	1	11	10	8
Investment in limited partnerships	582	513	-69	543	0	3	2	2
REIT	142	155	13	144	2	14	12	3
Others	814	1,120	305	1,097	-1	-0	1	-1
Money market funds only	701	1,001	300	1,001	1	1	0	1
Total	13,223	12,534	-689	12,700	60	108	48	126

Securities decreased 68.9 billion yen, or 5.2% from March 31, 2012. In comparison with March 31, 2012, ETFs, particularly US dollar denominated, were increased by 22.4 billion yen, or 96.6%, for the purpose of investment portfolio diversification, while JGBs decreased 103.7 billion yen, or 16.8%.

Money market funds, assets comparable to the liquidity reserve, increased by 30.0 billion yen, or 42.9%.

Total unrealized gains amounted to 10.8 billion yen as of December 31, 2012, an increase of 4.8 billion yen, or 79.5%, reflecting unrealized gains on JGBs and Others of 5.8 billion yen and 4.4 billion yen, respectively.

Note (1): Floating rate JGBs, as of December 31, were valued in the same way as at March 31, 2010, 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 end-March 2010, but the amounts (balance sheet total 9.4 billion yen; valuation loss -0.3 billion yen as of end-December 2012) are not included in the table above.

4. Investment in Limited Partnerships and Hedge Funds

(100 million yen)	Mar. 31, 2012 (A)	Dec. 31, 2012 (B)	Change (B)－(A)	Sept. 30, 2012
Limited partnerships	582	513	-69	543
Real estate related	123	134	11	131
Distressed loan related	259	220	-39	244
Others	200	159	-41	167
Hedge funds	105	91	-13	84

Investment in limited partnerships decreased by 6.9 billion yen, or 11.9% from March 31, 2012, mainly due to redemptions. Hedge fund investments decreased 1.3 billion yen, or 12.8%, as compared to March 31, 2012.

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

(100 million yen, %)		Mar. 31, 2012 (A)	Dec. 31, 2012 (B)	Change (B)－(A)	Sept. 30, 2012
Bankrupt and similar credit		75	47	-28	52
Doubtful credit		640	877	237	744
Special attention credit		377	206	-170	199
FRL credit, total	(a)	1,091	1,130	39	995
Normal credit	(b)	26,191	25,664	-527	25,144
Total credit	(c)((a)+(b))	27,282	26,794	-488	26,139
FRL credit ratio	(a)/(c)	3.99%	4.21%	0.22%	3.80%

Non-performing claims as defined by the Financial Reconstruction Law (FRL) were 113.0 billion yen, an increase of 3.9 billion yen, or 3.6% from March 31, 2012, reflecting the Bank's disciplined risk management and appropriate actions including a strict review of its internal borrower ratings. The FRL ratio was 4.21%. The impact on credit-related expenses was limited due to the Bank's conservative allocation of reserves to date. In addition, the percentage of FRL claims covered by reserves, collateral and guarantees remained high at 91.8% as of December 31, 2012. The ratio of loan loss reserves to total loans outstanding was 2.6% as of December 31, 2012, remaining one of the highest among major Japanese banks.

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.