

July 31, 2013

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**Aozora Reports Net Income of 13.3 Billion for the First Three Months of FY2013  
- Progress of 32.5% towards the full-year forecast -**

**TOKYO July 31, 2013** – Aozora Bank, Ltd. (“Aozora” or “the Bank”), a leading Japanese commercial bank, today announced its financial results for the first three months of FY2013.

**Financial results for the first three months of FY2013**

For the first three months of FY2013 Aozora reported consolidated net revenue of 20.8 billion yen and net income of 13.3 billion yen, representing progress of 23.6% and 32.5%, respectively, towards the full-year forecasts of 88.0 billion yen and 41.0 billion yen.

Shinsuke Baba, Representative Director, President and Chief Executive Officer of Aozora Bank commented, “During the first three months of FY2013, we saw increasing volatility in the global markets, while more recently the domestic economy has been showing signs of recovery. With net income of 13.3 billion yen, an increase of 27% compared with last year, we were able to get off to a good start towards the achievement of our full-year forecast. Our revenues grew, mainly due to the success we have enjoyed in business areas such as the cross-selling of financial products to our mass affluent retail customers, and as a result of gains from investments made in previous years. In addition, today we announced that the first quarterly dividend payment will be 3 yen per common share.”

Baba continued, “With new management, the Bank remains focused on efficiency and we are committed to the implementation of our business model designed to achieve sustainable growth. I would like to express my gratitude to all of our stakeholders for their continuing support.”

**1. Summary of the first three month’s results (Consolidated)**

- The Bank recorded net revenue of 20.8 billion yen, an increase of 0.2 billion yen, or 1.0%, year on year. Business profit was 11.0 billion yen, an increase of 0.2 billion yen, or 1.7%, year on year. Net income was 13.3 billion yen, an increase of 2.9 billion yen, or 27.5%, representing progress of 32.5% towards the full-year forecast of 41.0 billion yen.
  - While net interest income decreased 1.0 billion yen, or 8.4%, year on year to 11.1 billion yen, non-interest income increased 1.2 billion yen, or 14.4%, to 9.7 billion yen, mainly reflecting growth in revenues from the cross-selling of financial products to our mass affluent retail customers and gains from distressed loan-related limited partnerships. As a result of these factors, net revenue was 20.8 billion yen. In addition, while not included in net revenue, business-related profits of 1.6 billion yen, including gains on the sale of domestic equity ETFs, were recorded.
  - General and administrative expenses remained almost unchanged at 9.8 billion yen 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), improved 0.4 points year on year to 47.1%.
  - Credit-related expenses were a net expense of 3.8 billion yen, compared with a net profit of 0.4 billion yen in the first three months of FY2012. This change reflected the Bank’s more conservative allocation of reserves in addition to preventative measures taken by the Bank to date, while profits, including recoveries of written-off claims, were recorded in the most recent quarter as a result of previously taken preventative measures.

- Ordinary profit was 15.2 billion yen, an increase of 5.3 billion yen, or 53.1%, year on year, mainly as a result of gains from the sale of investments held by an overseas consolidated subsidiary.
- The percentage of retail funding to total core funding (the sum of deposits, negotiable certificates of deposit, debentures and bonds) was stable at 67.7%. The Bank maintained sufficient liquidity reserves of approximately 510 billion yen as of June 30, 2013.
- Non-performing claims as defined by the Financial Reconstruction Law (FRL) were 97.6 billion yen, a decrease of 8.7 billion yen, or 8.2%, from March 31, 2013, 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 0.13 points from March 31, 2013 to 3.70%. In addition, the percentage of FRL claims covered by reserves, collateral and guarantees remained high at 90.2% as of June 30, 2013. The ratio of loan loss reserves to total loans outstanding on a consolidated basis increased 0.32 points from March 31, 2013 to 2.65%, remaining one of the highest among major Japanese banks.
- Aozora will announce its Tier 1 and capital adequacy ratios as of June 30, 2013 at a later date. As of March 31, 2013, these ratios were 15.70% and 16.27%, respectively, and are expected to increase slightly when the final June 30 ratios are announced.

## 2. Performance in the first three months of FY2013 (April 1, 2013 to June 30, 2013)

### Consolidated basis

(100 million yen)	Ordinary Income	Net Revenue	Business Profit	Ordinary Profit	Net Income	Net Income per common share
Q1 FY2013 (a)	398	208	110	152	133	11.05 Yen
Q1 FY2012 (b)	290	205	108	99	104	6.97 Yen
Change (a) - (b)	108	2	2	53	29	4.08 Yen
Percentage change ((a)-(b)) / (b)	37.1%	1.0%	1.7%	53.1%	27.5%	58.5%
FY2013 Full-Year Forecast (c)		880	480	420	410	33.73 Yen
Progress (a) / (c)		23.6%	22.9%	36.2%	32.5%	32.8%

### 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
Q1 FY2013 (a)	323	195	105	85	69	5.53 Yen
Q1 FY2012 (b)	281	197	106	102	108	7.19 Yen
Change (a)-(b)	42	-2	-1	-16	-39	-1.66 Yen
Percentage change ((a)-(b)) / (b)	15.0%	-0.8%	-1.3%	-16.1%	-36.3%	-23.1%
FY2013 Full-Year Forecast (c)		830	455	400	380	31.16 Yen
Progress (a) / (c)		23.5%	23.0%	21.3%	18.1%	17.7%

## I. Revenue and Expenses

(100 million yen)	FY2012		FY2013	Change (B)–(A)		Page
	Apr.- Jun. (A)	Full-Year	Apr.-Jun. (B)	Amount	%	
<b>Net revenue</b>	<b>205</b>	<b>845</b>	<b>208</b>	<b>2</b>	<b>1.0%</b>	-
Net interest income	121	460	111	-10	-8.4%	4
Net fees and commissions	20	100	29	9	45.8%	4
Net trading revenues	13	62	21	8	65.0%	5
Gains/losses on bond transactions	44	142	-1	-45	-	5
Net other ordinary income excluding gains/losses on bond transactions	8	80	48	40	480.4%	5
General & administrative expenses	-98	-387	-98	-0	0.2%	6
<b>Business profit</b>	<b>108</b>	<b>458</b>	<b>110</b>	<b>2</b>	<b>1.7%</b>	-
<b>Ordinary profit</b>	<b>99</b>	<b>411</b>	<b>152</b>	<b>53</b>	<b>53.1%</b>	-
<b>Net income</b>	<b>104</b>	<b>406</b>	<b>133</b>	<b>29</b>	<b>27.5%</b>	-
Credit-related expenses incl. recoveries of written-off claims	4	-24	-38	-41	-	6
Gains/losses on stock transactions	-1	0	78	79	-	6
Taxes	6	-3	-18	-24	-	6

In the first three months of FY2013, the Bank recorded consolidated net revenue of 20.8 billion yen, an increase of 0.2 billion yen, or 1.0%, year on year, and progress of 23.6% towards the full-year forecast of 88.0 billion yen.

Net interest income was 11.1 billion yen, a decrease of 1.0 billion yen, or 8.4%, year on year, partly due to a decrease in interest on loans and discounts reflecting a decline in the yield on loans. Non-interest income was 9.7 billion yen, an increase of 1.2 billion yen, or 14.4%, year on year. Mainly reflecting growth in earnings from the cross-selling of financial products to mass affluent customers, net fees and commissions were 2.9 billion yen, an increase of 0.9 billion yen, or 45.8%, and net trading revenues were 2.1 billion yen, an increase of 0.8 billion yen, or 65.0%. While gains/losses on bond transactions were a loss of 0.1 billion yen, compared with a net profit of 4.4 billion yen in the first three months of FY2012, net other ordinary income, excluding gains/losses on bond transactions, improved 4.0 billion yen, or 480.4%, to 4.8 billion yen, mainly reflecting the contribution of gains from distressed loan-related limited partnerships. In addition, while not included in net revenue, business-related profits of 1.6 billion yen, including gains on the sale of domestic equity ETFs, were recorded.

General and administrative expenses were almost unchanged at 9.8 billion yen, reflecting the Bank's continued strict control on costs. The overhead ratio, or OHR (general and administrative expenses as a percentage of net revenues), improved 0.4 points year on year to 47.1%. As a result of the above factors, consolidated business profit increased 0.2 billion yen, or 1.7%, to 11.0 billion yen, representing progress of 22.9% towards the full-year forecast of 48.0 billion yen.

Credit-related expenses were a net expense of 3.8 billion yen, compared with a net profit of 0.4 billion yen in the first three months of FY2012. This change reflected the Bank's more conservative allocation of reserves in addition to preventative measures taken by the Bank to date, while profits, including recoveries of written-off claims, were recorded in the most recent quarter as a result of previously taken preventative measures.

Ordinary profit was 15.2 billion yen, an increase of 5.3 billion yen, or 53.1%, year on year, representing progress of 36.2% towards the full-year forecast of 42.0 billion yen. This result mainly reflected profits from an overseas consolidated subsidiary. Taxes were a net expense of 1.8 billion yen, compared with a net profit of 0.6 billion yen in the first three months of FY2012.

As a result of the aforementioned factors, consolidated net income was 13.3 billion yen, an increase of 2.9 billion yen, or 27.5%, year on year, representing progress of 32.5% towards the full-year forecast of 41.0 billion yen.

## 1. Net Revenue

### (1)① Net Interest Income

(100 million yen)	FY2012		FY2013	Change (B)–(A)
	Apr.- Jun. (A)	Full-Year	Apr.- Jun. (B)	
Net interest income (a)-(b)	121	460	111	-10
Interest income (a)	172	648	152	-20
Interest on loans and discounts	121	470	108	-12
Interest and dividends on securities	43	145	38	-5
Other interest income	4	17	3	-1
Interest on swaps	5	16	3	-2
Interest expenses (b)	-51	-188	-41	10
Interest on deposits and NCDs *	-39	-143	-31	8
Interest on debentures	-5	-13	-2	3
Interest on borrowings and rediscount	-1	-5	-1	-0
Other interest expenses	-3	-12	-3	-0
Interest on swaps	-4	-15	-4	-0

\* Negotiable certificates of deposit

### (1)② Net Interest Margin

	FY2012		FY2013	Change (B)–(A)
	Apr.- Jun. (A)	Full-Year	Apr.- Jun. (B)	
Yield on total investments (a)	1.68%	1.56%	1.48%	-0.20%
Yield on loans (b)	1.94%	1.88%	1.67%	-0.27%
Yield on securities	1.33%	1.12%	1.15%	-0.18%
Yield on funding (c)	0.55%	0.49%	0.43%	-0.12%
Net interest margin (a)-(c)	1.13%	1.07%	1.05%	-0.08%
Loan margin (b)-(c)	1.39%	1.39%	1.24%	-0.15%

Net interest income was 11.1 billion yen, a decrease of 1.0 billion yen, or 8.4%, year on year, partly due to a decrease in interest on loans and discounts reflecting a decline in the yield on loans. Funding costs were reduced 12 bps from 0.55% in the first three months of FY2012 to 0.43%, reflecting our efforts to reduce funding costs while maintaining a stable base of retail deposits. The net interest margin was 1.05%, reflecting a decline in the yield on total investments.

### (2) Net Fees and Commissions

(100 million yen)	FY2012		FY2013	Change (B)–(A)
	Apr.- Jun. (A)	Full-Year	Apr.- Jun. (B)	
Net fees and commissions (a)-(b)	20	100	29	9
Fees and commissions received (a)	22	107	32	10
Loan business-related	13	60	11	-2
Securities-related and agency	6	35	17	11
Others	3	12	4	1
Fees and commissions payments (b)	-2	-7	-3	-1

Net fees and commissions were 2.9 billion yen, an increase of 0.9 billion yen, or 45.8%, 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 strong progress, increasing 134.9%, year on year, to 1.8 billion yen, significantly exceeding the result of the first three months of FY2012.

【Ref.】 Earnings from retail-related business

(100 million yen)	FY2012		FY2013	Change (B) – (A)
	Apr.- Jun. (A)	Full-Year	Apr.- Jun. (B)	
Earnings related to the sale of investment trusts and annuity insurance, and structured bonds	8	43	18	10

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

(3) Net Trading Revenues

(100 million yen)	FY2012		FY2013	Change (B) – (A)
	Apr.- Jun. (A)	Full-Year	Apr.- Jun. (B)	
Net trading revenues	13	62	21	8
Net income on trading-related financial derivatives transactions	9	39	14	5
Others	3	23	7	3

Net trading revenues were 2.1 billion yen, an increase of 0.8 billion yen, or 65.0%, year on year, reflecting favorable sales of structured bonds as well as other derivatives-related products.

(4) Gains/losses on Bond Transactions

(100 million yen)	FY2012		FY2013	Change (B) – (A)
	Apr.- Jun. (A)	Full-Year	Apr.- Jun. (B)	
Gains/losses on bond transactions	44	142	-1	-45
Japanese government bonds	12	31	1	-11
Foreign government bonds and mortgage bonds	30	67	-13	-43
Others	2	44	11	9
Collateralized Debt Obligations (CDOs) only	-0	-1	1	1
Profit from hedge funds (Available For Sale)	1	4	0	-0
Others	1	41	10	9

Gains/losses on bond transactions were a loss of 0.1 billion yen, compared with a net profit of 4.4 billion yen in the first three months of FY2012, reflecting the Bank's position adjustment of mainly U.S. treasuries in the face of volatile market conditions.

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

(100 million yen)	FY2012		FY2013	Change (B) – (A)
	Apr.- Jun. (A)	Full-Year	Apr.- Jun. (B)	
Net other ordinary income excluding gains/losses on bond transactions	8	80	48	40
Gains /losses on foreign currency transactions	-4	5	4	7
Gains /losses on derivatives other than trading, net	-2	-7	2	3
Profit from limited partnerships	6	47	36	31
Real estate related	4	6	8	4
Distressed loan related	4	16	19	15
Other (Buyout and venture capital, etc.)	-2	26	9	12
Gains on distressed loans (Aozora Loan Services)	6	22	4	-1
Debenture issue cost	-0	-0	-0	0
Others	2	13	2	-0

Net other ordinary income, excluding gains/losses on bond transactions, improved 4.0 billion yen, or 480.4%, to 4.8 billion yen, mainly reflecting an increase in profit from investments in distressed loan and buyout-related limited partnerships.

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

(100 million yen)	FY2012		FY2013	Change (B)–(A)
	Apr.- Jun. (A)	Full-Year	Apr.- Jun. (B)	
G & A expenses	-98	-387	-98	-0
Personnel	-47	-193	-49	-2
Non-personnel expense	-44	-176	-43	1
Tax	-7	-19	-6	0

General and administrative expenses were almost unchanged at 9.8 billion yen, reflecting the Bank's continued strict control on costs. The overhead ratio, or OHR (general and administrative expenses as a percentage of net revenues), improved 0.4 points year on year to 47.1%.

## 3. Credit-Related Expenses

(100 million yen)	FY2012		FY2013	Change (B)–(A)
	Apr.- Jun. (A)	Full-Year	Apr.- Jun. (B)	
Credit-related expenses	4	-24	-38	-41
Write-off of loans	-3	-27	-3	0
Gains/losses on disposition of loans	1	-63	3	3
Reserves for loan losses	-4	49	-53	-50
Specific reserve for possible loan losses	-10	-141	-19	-8
General reserve for possible loan losses	7	190	-35	-41
Reserve for credit losses on off-balance-sheet instruments	1	3	-2	-2
Recoveries of written-off claims	9	14	17	8

Credit-related expenses were a net expense of 3.8 billion yen, compared with a net profit of 0.4 billion yen in the first three months of FY2012. This change reflected the Bank's more conservative allocation of reserves in addition to preventative measures taken by the Bank to date, while profits, including recoveries of written-off claims, were recorded in the most recent quarter as a result of previously taken preventative measures.

The ratio of loan loss reserves to total loans outstanding on a consolidated basis increased 0.32 points from March 31, 2013 to 2.65%.

## 4. Gains/losses on stock transactions

(100 million yen)	FY2012		FY2013	Change (B)–(A)
	Apr.- Jun. (A)	Full-Year	Apr.- Jun. (B)	
Gains/losses on stock transactions	-1	0	78	79

Gains/losses on stock transactions were 7.8 billion yen, compared to a loss of 0.1 billion yen in the first three months of FY2012, mainly as a result of gains from the sale of investments held by an overseas consolidated subsidiary.

## 5. Taxes

(100 million yen)	FY2012		FY2013	Change (B)–(A)
	Apr.- Jun. (A)	Full-Year	Apr.- Jun. (B)	
Taxes	6	-3	-18	-24

A net tax expense of 1.8 billion yen was recognized in the first three months of FY2013, compared with a net profit of 0.6 billion yen in the first three months of FY2012. 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 three months of FY2013. Deferred tax assets have been calculated conservatively in consideration of the uncertainty of such estimations.

## II. Balance Sheet

(100 million yen)	Mar. 31, 2013 (A)	Jun.30, 2013 (B)	Change (B)–(A)		Jun.30, 2012	Page
			Amount	%		
<b>Total assets</b>	<b>50,167</b>	<b>45,953</b>	<b>-4,214</b>	<b>-8.4%</b>	<b>48,751</b>	-
Loan and bills discounted	27,197	25,758	-1,439	-5.3%	24,744	8
Securities	13,058	12,925	-133	-1.0%	13,135	9
Cash and due from banks	4,045	1,910	-2,135	-52.8%	3,050	-
Others	5,867	5,360	-507	-8.6%	7,822	-
<b>Total liabilities</b>	<b>44,808</b>	<b>41,036</b>	<b>-3,773</b>	<b>-8.4%</b>	<b>42,699</b>	-
Deposits	27,034	26,618	-416	-1.5%	27,063	} 8
Negotiable certificates of deposit	3,355	1,976	-1,379	-41.1%	1,303	
Debentures	1,694	1,594	-100	-5.9%	2,081	
Others	12,725	10,848	-1,878	-14.8%	12,253	-
<b>Total net assets</b>	<b>5,358</b>	<b>4,917</b>	<b>-441</b>	<b>-8.2%</b>	<b>6,052</b>	-
Capital stock	1,000	1,000	-	-	4,198	-
Capital surplus	3,307	3,102	-205	-6.2%	336	-
Retained earnings	1,985	1,937	-47	-2.4%	1,684	-
Treasury stock	-993	-993	-	-	-154	-
Valuation difference on available-for-sale securities	123	-69	-192	-	66	-
Others	-63	-60	3	-	-76	-
<b>Total liabilities and net assets</b>	<b>50,167</b>	<b>45,953</b>	<b>-4,214</b>	<b>-8.4%</b>	<b>48,751</b>	-

Total assets were 4,595.3 billion yen as of June 30, 2013, a decrease of 421.4 billion yen, or 8.4%, compared with March 31, 2013. The loan balance was 2,575.8 billion yen, a decrease of 143.9 billion yen, or 5.3% from March 31, 2013. Securities decreased by 13.3 billion yen, or 1.0%, to 1,292.5 billion yen.

On the funding side, total deposits and negotiable certificates of deposit decreased 179.5 billion yen as compared to March 31, 2013. Funding from retail customers was 2,043.6 billion yen, decreasing 29.1 billion yen, or 1.4%, from March 31, 2013, while the percentage of retail funding to total core funding remained stable at 67.7%. Total liabilities decreased 377.3 billion yen, or 8.4%, to 4,103.6 billion yen.

Net assets were 491.7 billion yen, representing a decrease of 44.1 billion yen, or 8.2%, 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, and the payment of preferred and common share dividends. Net assets per common share were 289.51 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)	Jun. 30, 2013 (B)	Change (B)–(A)	Jun. 30, 2012
Retail	20,727	20,436	-291	21,516
Corporate, etc.	7,074	5,130	-1,944	4,110
Financial Institutions (Debentures)	1,649	1,552	-97	2,000
Financial Institutions (Deposits)	2,633	3,070	438	2,820
Deposits and Debentures total	32,083	30,188	-1,895	30,446

We continued our efforts to reduce funding costs while maintaining a stable base of retail deposits. Funding from retail customers was 2,043.6 billion yen, decreasing 29.1 billion yen, or 1.4%, from March 31, 2013, while the percentage of retail funding to total core funding was stable at 67.7%.

The Bank maintained sufficient liquidity reserves of approximately 510 billion yen as of June 30, 2013.

## 2. Loans

(100 million yen)	Mar. 31, 2013 (A)	Jun. 30, 2013 (B)	Change (B)–(A)	Jun.30, 2012
Loans outstanding	27,197	25,758	-1,439	24,744

Loans decreased from March 31, 2013 by 143.9 billion yen, or 5.3%, to 2,575.8 billion yen. Domestic loans decreased by 146.8 billion yen in comparison with March 31, 2013, partly due to seasonal factors including redemptions of short-term loans as well as the repayment of real estate non-recourse loans, while overseas loans increased by 2.9 billion yen.

### 3. Securities

(100 million yen)	Book value				Unrealized gains/losses			
	Mar. 31, 2013 (A)	Jun. 30, 2013 (B)	(B) – (A)	Jun.30, 2012	Mar. 31, 2013 (A)	Jun. 30, 2013 (B)	(B) – (A)	Jun.30, 2012
JGBs	4,650	5,708	1,058	5,847	60	12	-48	67
TDB only	1,502	2,802	1,300	2,536	0	-0	-0	-0
15Y floating rate only	1,468	1,461	-7	1,490	38	31	-7	60
Municipal bonds	113	150	36	87	2	-0	-2	1
Corporate bonds	642	653	11	673	-1	-4	-3	-1
Equities	270	263	-7	267	5	6	1	-1
Foreign bonds	4,658	3,328	-1,330	3,871	-7	-118	-110	26
Others	2,725	2,824	99	2,390	121	46	-75	15
Hedge funds	90	89	-2	93	17	19	2	16
ETFs	696	701	4	812	32	11	-21	1
Investment in limited partnerships	525	546	21	539	2	4	1	3
REIT	287	250	-37	133	72	19	-52	-5
Others	1,127	1,239	112	812	-2	-7	-5	0
Money market funds only	1,000	1,195	195	701	0	-5	-5	1
<b>Total</b>	<b>13,058</b>	<b>12,925</b>	<b>-133</b>	<b>13,135</b>	<b>180</b>	<b>-58</b>	<b>-238</b>	<b>107</b>

Securities decreased 13.3 billion yen to 1,292.5 billion yen from March 31, 2013. JGBs were 570.8 billion yen, an increase of 105.8 billion, or 22.7%, from March 31, 2013, due to an increase in short-term treasury discount bills. Foreign bonds were 332.8 billion yen, a decrease of 133.0 billion yen, or 28.6%, reflecting the Bank's position adjustment of mainly U.S. treasuries in the face of volatile market conditions.

Total unrealized losses amounted to 5.8 billion yen, compared with gains of 18.0 billion yen as of March 31, 2013.

Note (1): Floating rate JGBs, as of June 30, 2013, 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' are marked at fair value, but the amounts (balance sheet total 9.9 billion yen; valuation gains of 0.8 billion yen as of June 30, 2013) are not included in the table above.

### 4. Investment in Limited Partnerships and Hedge Funds

(100 million yen)	Mar. 31, 2013 (A)	Jun. 30, 2013 (B)	Change (B)–(A)	Jun.30, 2012
Limited partnerships	525	546	21	539
Real estate related	130	133	3	123
Distressed loan related	238	261	22	247
Others	156	152	-5	169
Hedge funds	90	89	-2	93

Investments in limited partnerships increased by 2.1 billion yen, or 4.0%, to 54.6 billion yen, from March 31, 2013. Hedge fund investments decreased 0.2 billion yen, or 1.8%, compared with March 31, 2013.

### III. Disclosed Claims under the Financial Reconstruction Law

(Non-consolidated)

(100 million yen, %)	Mar. 31, 2013 (A)	Jun. 30, 2013 (B)	Change (B)–(A)	Jun.30, 2012
Bankrupt and similar credit	72	29	-43	47
Doubtful credit	792	704	-88	639
Special attention credit	200	243	43	356
FRL credit, total (a)	1,063	976	-87	1,043
Normal credit (b)	26,688	25,364	-1,324	24,336
Total credit (c)((a)+(b))	27,751	26,340	-1,411	25,379
FRL credit ratio (a)/(c)	3.83%	3.70%	-0.13%	4.10%

Non-performing claims as defined by the Financial Reconstruction Law (FRL) were 97.6 billion yen, a decrease of 8.7 billion yen, or 8.2%, from March 31, 2013, 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 0.13 points from March 31, 2013 to 3.70%. In addition, the percentage of FRL claims covered by reserves, collateral and guarantees remained high at 90.2% as of June 30, 2013. The ratio of loan loss reserves to total loans outstanding on a consolidated basis increased 0.32 points from March 31, 2013 to 2.65%, 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. 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.*