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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 Net Income of 34.1 Billion for the First Nine Months of FY2013;
Increased 11.4% compared to previous year;
Progress of 83.3% towards the full-year forecast**

TOKYO January 31, 2014 – Aozora Bank, Ltd. (“Aozora” or “the Bank”), a leading Japanese commercial bank, today announced its financial results for the first nine months of FY2013.

Earnings results for the first nine months of FY2013

Aozora reported consolidated net income of 34.1 billion yen, an increase of 11.4% year on year, representing progress of 83.3% towards the full-year forecast of 41.0 billion yen.

Shinsuke Baba, Representative Director, President and Chief Executive Officer of Aozora Bank commented, “In the first nine months of FY2013, the Japanese economy recovered moderately and domestic corporate performance continued to show improvement. On the other hand, domestic corporate loan demand remained sluggish. Operating within these conditions, we recorded net income of 34.1 billion yen, an 11.4% year on year increase, and remain well on track to achieve our full-year earnings forecast. Our business groups continued to show strong progress during the third quarter. We continued to post strong results from the sale of financial products to our mass affluent retail customers, as well as from the sale of derivative-related products to our corporate and financial institution customers. We were also able to generate positive loan growth. Reflecting our positive results, today we announced that the third quarter dividend payment will be 4 yen per common share.”

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

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

- Net income was 34.1 billion yen, an increase of 3.5 billion yen, or 11.4%, year on year, reflecting continued growth in earnings primarily from the sale of financial products to our mass affluent retail customers, the sale of derivative-related products to our corporate and financial institution customers, as well as favorable gains from investments in limited partnerships. This result represented progress of 83.3% towards the full-year forecast of 41.0 billion yen.
 - Net revenue was 60.1 billion yen, a year on year decrease of 3.8 billion yen, or 5.9%. Business-related net revenue, including 5.1 billion yen in gains on the sale of domestic equity ETFs, was 65.3 billion yen, representing progress of 74.2% towards the full-year forecast of 88.0 billion yen. In the third quarter (Oct.-Dec.) of FY2013, net revenue was 21.4 billion yen, representing an increase of 0.4 billion yen from the third quarter of FY2012.
 - General and administrative expenses remained almost unchanged at 28.9 billion yen as a result of the Bank's continued strict control on costs and represented 72.3% of the full-year budget of 40.0 billion yen. The OHR based on business-related revenue, including gains on the sale of domestic equity ETFs, was 44.3%.
 - Credit-related expenses were a net expense of 2.9 billion yen, compared with a net expense of 2.4 billion yen in the first nine months of FY2012. This result included a net reversal of 0.6 billion yen in the third quarter (Oct.-Dec.) of FY2013 which reflected recoveries of written-off claims, as a result of previously taken preventative measures. The ratio of credit-related expenses to total loans on an annualized basis remained low at 0.14%.

- Loans were 2,777.9 billion yen, an increase of 58.2 billion yen, or 2.1% from March 31, 2013. Loans increased for the second consecutive quarter, increasing 202.1 billion yen over the six month period to December 31, 2013.
- The percentage of retail funding to total core funding was stable at 62.5%. The Bank maintained sufficient liquidity reserves of approximately 520 billion yen as of December 31, 2013.
- Non-performing claims as defined by the Financial Reconstruction Law (FRL) were 89.5 billion yen, a decrease of 16.8 billion yen, or 15.8%, from March 31, 2013. The FRL ratio improved by 0.67 points to 3.16%. In addition, the percentage of FRL claims covered by reserves, collateral and guarantees remained high at 90.9% as of December 31, 2013. The ratio of loan loss reserves to total loans on a consolidated basis remained high at 2.42%.
- The Bank's capital adequacy and Tier 1 ratios as of December 31, 2013 will be announced at a later date, and the Bank expects to maintain a high level of capital. As of September 30, 2013, the capital adequacy and Tier 1 ratios were 16.09% and 16.62%, respectively.

2. FY2013 First Nine Months Performance (April 1, 2013 to December 31, 2013)

Consolidated basis

(100 million yen)	Ordinary Income	Net Revenue	Business Profit	Ordinary Profit	Net Income	Net Income per common share
FY2013 nine months (Apr. – Dec.) (a)	1,058	601	312	413	341	28.20 Yen
FY2012 nine months (Apr. – Dec.) (b)	874	639	353	308	306	21.40 Yen
Change (a) - (b)	183	-38	-41	106	35	6.80 Yen
Percentage change ((a)-(b)) / (b)	21.0%	-5.9%	-11.5%	34.3%	11.4%	31.8%
FY2013 Full-Year Forecast (c)		880	480	420	410	33.73 Yen
Progress (a) / (c)		68.3%	65.1%	98.4%	83.3%	83.6%

Non-Consolidated basis

(100 million yen)	Ordinary Income	Net Revenue	Business Profit before general loan- loss reserve	Ordinary Profit	Net Income	Net Income per common share
FY2013 nine months (Apr. – Dec.) (a)	1,016	627	360	403	334	27.59 Yen
FY2012 nine months (Apr. – Dec.) (b)	842	609	344	305	306	21.39 Yen
Change (a)-(b)	174	17	17	98	28	6.20 Yen
Percentage change ((a)-(b)) / (b)	20.7%	2.9%	4.9%	32.1%	9.1%	29.0%
FY2013 Full-Year Forecast (c)		830	455	400	380	31.16 Yen
Progress (a) / (c)		75.5%	79.2%	100.8%	88.0%	88.5%

I. Revenue and Expenses

	FY2012		FY2013		Change (B) — (A)		Page
	3 months Oct.- Dec.	9 months Apr.- Dec. (A)	3 months Oct.- Dec.	9 months Apr.- Dec. (B)	Amount	%	
(100 million yen)							
Net revenue	211	639	214	601	-38	-5.9%	-
Net interest income	108	344	114	331	-13	-3.8%	4
Net fees and commissions	17	62	31	93	31	49.8%	4
Net trading revenues	3	44	19	66	22	49.6%	5
Gains/losses on bond transactions	45	124	19	-5	-129	-	5
Net other ordinary income excluding gains/losses on bond transactions	39	65	32	117	52	79.2%	5
General & administrative expenses	-94	-286	-97	-289	-3	1.1%	6
Business profit	117	353	118	312	-41	-11.5%	-
Ordinary profit	108	308	139	413	106	34.3%	-
Net income	98	306	102	341	35	11.4%	-
Credit-related expenses incl. recoveries of written-off claims	-8	-24	6	-29	-5	-	6
Gains/losses on stock transactions	0	-4	11	119	123	-	6
Taxes	-9	1	-38	-71	-72	-	6

In the first nine months of FY2013, the Bank recorded consolidated net revenue of 60.1 billion yen, a year on year decrease of 3.8 billion yen, or 5.9%. The decline was mainly due to losses on bond transactions of 0.5 billion yen compared with gains of 12.4 billion yen in the first nine months of FY2012, reflecting risk reduction measures taken by the Bank in the first six months of FY2013. Business-related net revenue, including 5.1 billion yen in gains on the sale of domestic equity ETFs, was 65.3 billion yen, representing progress of 74.2% towards the full-year forecast of 88.0 billion yen. In the third quarter (Oct.-Dec.) of FY2013, net revenue was 21.4 billion yen, an increase of 0.4 billion yen compared to the third quarter of FY2012.

Net interest income was 33.1 billion yen, a decrease of 1.3 billion yen, or 3.8%, year on year. In the third quarter (Oct.-Dec.) of FY2013, net interest income was 11.4 billion yen, representing an increase of 0.6 billion yen, compared to the third quarter of FY2012. The net interest margin expanded 4 bps to 1.09% year on year. Net fees and commissions were 9.3 billion yen, an increase of 3.1 billion yen, or 49.8%, and net trading revenues were 6.6 billion yen, an increase of 2.2 billion yen, or 49.6%, both increases reflecting growth in earnings mainly related to the sale of financial products. Net other ordinary income, excluding gains/losses on bond transactions, increased 5.2 billion yen, or 79.2%, to 11.7 billion yen, reflecting favorable gains from investments in limited partnerships. Gains/losses on bond transactions were a loss of 0.5 billion yen, compared with a gain of 12.4 billion yen in the first nine months of FY2012, reflecting risk reduction measures as described above.

General and administrative expenses remained almost unchanged at 28.9 billion yen as a result of the Bank's continued strict control on costs and represented 72.3% of the full-year budget of 40.0 billion yen. The OHR based on business-related revenue, including gains on the sale of domestic equity ETFs, was 44.3%.

Consolidated business profit was 31.2 billion yen, a decrease of 4.1 billion yen, or 11.5%.

Credit-related expenses were a net expense of 2.9 billion yen, compared with a net expense of 2.4 billion yen in the first nine months of FY2012. This result included a net reversal of 0.6 billion yen in the third quarter (Oct.-Dec.) of FY2013 which reflected recoveries of written-off claims, as a result of previously taken preventative measures. The ratio of credit-related expenses to total loans on an annualized basis remained low at 0.14%.

Ordinary profit was 41.3 billion yen, an increase of 10.6 billion yen, or 34.3%, mainly reflecting gains on the sale of domestic equity ETFs, as well as gains from the sale of overseas investments recorded in the first quarter of FY2013. Taxes were a net expense of 7.1 billion yen, compared with a net benefit of 0.1 billion yen in the first nine months of FY2012.

As a result of the aforementioned factors, consolidated net income was 34.1 billion yen, an increase of 3.5 billion yen, or 11.4%, year on year, representing progress of 83.3% towards the full-year forecast of 41.0 billion yen.

1. Net Revenue

(1)①Net Interest Income

(100 million yen)	FY2012		FY2013		Change (B) – (A)
	3 months Oct.- Dec.	9 months Apr.- Dec.(A)	3 months Oct.- Dec.	9 months Apr.- Dec.(B)	
Net interest income (a)-(b)	108	344	114	331	-13
Interest income (a)	154	489	152	449	-40
Interest on loans and discounts	117	354	110	322	-32
Interest and dividends on securities	30	109	34	107	-1
Other interest income	3	14	4	11	-2
Interest on swaps	3	13	3	8	-4
Interest expenses (b)	-46	-145	-38	-118	27
Interest on deposits and NCDs *	-35	-111	-30	-91	20
Interest on debentures	-3	-11	-1	-4	7
Interest on borrowings and rediscount	-1	-3	-1	-4	-1
Other interest expenses	-3	-9	-2	-7	1
Interest on swaps	-4	-11	-3	-11	-0

* Negotiable certificates of deposit

(1)②Net Interest Margin

	FY2012		FY2013		Change (B) – (A)
	3 months Oct.- Dec.	9 months Apr.- Dec.(A)	3 months Oct.- Dec.	9 months Apr.- Dec.(B)	
Yield on total investments (a)	1.45%	1.56%	1.55%	1.50%	-0.06%
Yield on loans (b)	1.85%	1.89%	1.67%	1.66%	-0.23%
Yield on securities	0.95%	1.12%	1.25%	1.17%	0.05%
Yield on funding (c)	0.47%	0.51%	0.39%	0.41%	-0.10%
Net interest margin (a)-(c)	0.98%	1.05%	1.16%	1.09%	0.04%
Loan margin (b)-(c)	1.38%	1.38%	1.28%	1.25%	-0.13%

Net interest income was 33.1 billion yen, a decrease of 1.3 billion yen, or 3.8%, year on year. In the third quarter (Oct.-Dec.) of FY2013, net interest income was 11.4 billion yen, increasing 0.6 billion yen compared to the third quarter of FY2012. Funding costs were reduced 10 bps from the first nine months of FY2012 to 0.41%, reflecting our continuing efforts to reduce funding costs. The net interest margin expanded 4 bps to 1.09%.

(2) Net Fees and Commissions

(100 million yen)	FY2012		FY2013		Change (B) – (A)
	3 months Oct.- Dec.	9 months Apr.- Dec.(A)	3 months Oct.- Dec.	9 months Apr.- Dec.(B)	
Net fees and commissions (a)-(b)	17	62	31	93	31
Fees and commissions received (a)	18	67	33	100	32
Loan business-related	8	37	17	47	10
Securities-related and agency	7	22	13	42	20
Others	3	8	3	11	3
Fees and commissions payments (b)	-2	-5	-2	-7	-1

Net fees and commissions were 9.3 billion yen, an increase of 3.1 billion yen, or 49.8%, year on year.

Earnings related to the sale of investment trusts, insurance and structured bonds, aimed at the Bank's mass affluent retail customers, continued to show strong progress. Earnings from retail-related business increased 2.1 billion yen, or 78.4%, year on year, to 4.8 billion yen, significantly exceeding the result of the first nine months of FY2012. This result reflected the Bank's efforts to further strengthen its asset management consultation services, including an increase in sales staff and the provision of specialist training, as well as enhance its product line-up.

【Ref.】 Earnings from retail-related business

(100 million yen)	FY2012		FY2013		Change (B) – (A)
	3 months Oct.- Dec.	9 months Apr.- Dec. (A)	3 months Oct.- Dec.	9 months Apr.- Dec. (B)	
Earnings related to the sale of investment trusts, insurance, and structured bonds	9	27	15	48	21

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

(3) Net Trading Revenues

(100 million yen)	FY2012		FY2013		Change (B) – (A)
	3 months Oct.- Dec.	9 months Apr.- Dec. (A)	3 months Oct.- Dec.	9 months Apr.- Dec. (B)	
Net trading revenues	3	44	19	66	22
Income on trading-related financial derivatives transactions	0	29	14	50	21
Others	3	15	5	16	1

Net trading revenues were 6.6 billion yen, an increase of 2.2 billion yen, or 49.6%, year on year, reflecting the favorable sale of structured bonds to retail customers, as well as the sale of other derivative-related products to corporate and financial institution customers.

(4) Gains/losses on Bond Transactions

(100 million yen)	FY2012		FY2013		Change (B) – (A)
	3 months Oct.- Dec.	9 months Apr.- Dec. (A)	3 months Oct.- Dec.	9 months Apr.- Dec. (B)	
Gains/losses on bond transactions	45	124	19	-5	-129
Japanese government bonds	11	28	0	2	-26
Foreign government bonds and mortgage bonds	22	71	1	-47	-118
Others	13	25	18	40	15
Collateralized Debt Obligations (CDOs) only	-0	-1	-1	-1	-0
Profit from hedge funds (Available For Sale)	0	2	1	3	1
Others	13	24	18	38	14

Gains/losses on bond transactions were a loss of 0.5 billion yen, compared with a gain of 12.4 billion yen in the first nine months of FY2012. This loss reflected risk reduction measures taken by the Bank, including to its U.S. Treasury bond positions, in the first six months of FY2013. In the third quarter (Oct.-Dec.) of FY2013, gains/losses on bond transactions were a gain of 1.9 billion yen.

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

(100 million yen)	FY2012		FY2013		Change (B) – (A)
	3 months Oct.- Dec.	9 months Apr.- Dec. (A)	3 months Oct.- Dec.	9 months Apr.- Dec. (B)	
Net other ordinary income excluding gains/losses on bond transactions	39	65	32	117	52
Gains /losses on foreign currency transactions	12	1	2	2	1
Gains /losses on derivatives other than trading, net	-2	-4	0	3	7
Gains from limited partnerships	23	42	31	102	60
Real estate related	4	11	9	34	24
Distressed loan related	4	13	16	41	27
Others (Buyout and venture capital, etc.)	15	18	5	27	9
Gains on distressed loans (Aozora Loan Services)	5	15	-2	7	-8
Debenture issue cost	-0	-0	-0	-0	0
Others	1	12	0	3	-9

Net other ordinary income, excluding gains/losses on bond transactions, increased 5.2 billion yen, or 79.2%, to 11.7 billion yen, mainly reflecting gains from investments in limited partnerships.

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

(100 million yen)	FY2012		FY2013		Change (B) – (A)
	3 months Oct.- Dec.	9 months Apr.- Dec. (A)	3 months Oct.- Dec.	9 months Apr.- Dec. (B)	
G & A expenses	-94	-286	-97	-289	-3
Personnel	-47	-142	-50	-148	-6
Non-personnel expense	-43	-129	-42	-128	2
Tax	-4	-15	-4	-14	1

General and administrative expenses remained almost unchanged at 28.9 billion yen as a result of the Bank's continued strict control on costs and represented 72.3% of the full-year budget of 40.0 billion yen. The OHR, general and administrative expenses as a percentage of net revenue, was 48.1%. The OHR based on business-related revenue, including gains on the sale of domestic equity ETFs, was 44.3%.

3. Credit-Related Expenses

(100 million yen)	FY2012		FY2013		Change (B) – (A)
	3 months Oct.- Dec.	9 months Apr.- Dec. (A)	3 months Oct.- Dec.	9 months Apr.- Dec. (B)	
Credit-related expenses	-8	-24	6	-29	-5
Write-off of loans	3	-8	-1	-13	-5
Gains/losses on disposition of loans	-19	-55	2	16	71
Reserve for possible loan losses	8	24	-27	-104	-128
Specific reserve for possible loan losses	-28	-142	-11	-22	119
General reserve for possible loan losses	36	166	-16	-82	-248
Reserve for credit losses on off-balance-sheet instruments	-1	1	-2	-3	-4
Recoveries of written-off claims	2	13	34	75	62

Credit-related expenses were a net expense of 2.9 billion yen, compared with a net expense of 2.4 billion yen in the first nine months of FY2012. This result included a net reversal of 0.6 billion yen in the third quarter (Oct.-Dec.) of FY2013 which reflected recoveries of written-off claims, as a result of previously taken preventative measures. The ratio of credit-related expenses to total loans on an annualized basis remained low at 0.14%.

4. Gains/losses on Stock Transactions

(100 million yen)	FY2012		FY2013		Change (B) – (A)
	3 months Oct.- Dec.	9 months Apr.- Dec. (A)	3 months Oct.- Dec.	9 months Apr.- Dec. (B)	
Gains/losses on stock transactions	0	-4	11	119	123

Gains/losses on stock transactions were a gain of 11.9 billion yen, compared to a loss of 0.4 billion yen in the first nine months of FY2012, mainly reflecting gains on the sale of domestic equity ETFs, as well as gains from the sale of overseas investments in the first quarter of FY2013.

5. Taxes

(100 million yen)	FY2012		FY2013		Change (B) – (A)
	3 months Oct.- Dec.	9 months Apr.- Dec. (A)	3 months Oct.- Dec.	9 months Apr.- Dec. (B)	
Taxes	-9	1	-38	-71	-72

A net tax expense of 7.1 billion yen was recognized in the first nine months of FY2013, compared with a net benefit of 0.1 billion yen in the first nine 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 quarter of FY2013. In calculating deferred tax assets, we made a conservative estimation of future taxable income and future deductible temporary differences in consideration of the uncertainty of such estimations.

II. Balance Sheet

(100 million yen)	Mar. 31, 2013 (A)	Sept. 30, 2013	Dec. 31, 2013 (B)	Change (B) — (A)		Page
				Amount	%	
Total assets	50,167	47,939	48,580	-1,587	-3.2%	-
Loan and bills discounted	27,197	26,951	27,779	582	2.1%	8
Securities	13,058	11,133	10,761	-2,296	-17.6%	9
Cash and due from banks	4,045	4,715	4,393	348	8.6%	-
Others	5,867	5,140	5,647	-220	-3.7%	-
Total liabilities	44,808	42,914	43,533	-1,276	-2.8%	-
Deposits	27,034	27,490	27,414	379	1.4%	8
Negotiable certificates of deposit	3,355	3,220	3,179	-176	-5.3%	8
Debentures	1,694	1,653	1,813	119	7.0%	8
Others	12,725	10,552	11,127	-1,598	-12.6%	-
Total net assets	5,358	5,025	5,047	-311	-5.8%	-
Capital stock	1,000	1,000	1,000	-	-	-
Capital surplus	3,307	3,102	3,102	-205	-6.2%	-
Retained earnings	1,985	2,005	2,067	83	4.2%	-
Treasury stock	-993	-993	-993	-	-	-
Valuation difference on available-for-sale securities	123	-27	-75	-198	-	-
Others	-63	-61	-53	9	-	-
Total liabilities and net assets	50,167	47,939	48,580	-1,587	-3.2%	-

Total assets were 4,858.0 billion yen as of December 31, 2013, a decrease of 158.7 billion yen, or 3.2%, compared to March 31, 2013. Loans increased from March 31, 2013 by 58.2 billion yen, or 2.1%, to 2,777.9 billion yen. Loans increased for the second consecutive quarter, increasing 202.1 billion yen over the six month period to December 31, 2013. Securities decreased by 229.6 billion yen, or 17.6%, from March 31, 2013, to 1,076.1 billion yen.

On the funding side, deposits and negotiable certificates of deposit increased 20.3 billion yen, as compared to March 31, 2013. Funding from retail customers was 2,026.5 billion yen, a decrease of 46.2 billion yen, or 2.2%, from March 31, 2013, while the percentage of retail funding to total core funding was stable at 62.5%. Total liabilities decreased 127.6 billion yen, or 2.8%, to 4,353.3 billion yen as compared to March 31, 2013.

Net assets were 504.7 billion yen, representing a decrease of 31.1 billion yen, or 5.8%, 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 300.68 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)	Sept. 30, 2013	Dec.31, 2013 (B)	Change (B)–(A)
Retail	20,727	20,268	20,265	-462
Corporate, etc.	7,074	6,980	7,062	-13
Financial Institutions	2,633	3,501	3,302	669
Financial Institutions (Debentures)	1,649	1,614	1,777	128
Total core funding	32,083	32,363	32,405	322

We continued our efforts to reduce funding costs while maintaining a stable base of retail funding. Funding from retail customers was 2,026.5 billion yen, decreasing 46.2 billion yen, or 2.2%, from March 31, 2013, while the percentage of retail funding to total core funding was stable at 62.5%.

The Bank maintained sufficient liquidity reserves of approximately 520 billion yen as of December 31, 2013.

2. Loans

(100 million yen)	Mar. 31, 2013 (A)	Sept. 30, 2013	Dec.31, 2013 (B)	Change (B)–(A)
Loans	27,197	26,951	27,779	582

Loans were 2,777.9 billion yen, an increase of 58.2 billion yen, or 2.1%, from March 31, 2013. Loans increased for the second consecutive quarter, increasing 202.1 billion yen over the six month period to December 31, 2013. Domestic loans increased 64.3 billion yen and overseas loans increased 137.7 billion yen as compared to June 30, 2013.

Our ongoing focus on SME 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, 2013 (A)	Sept. 30, 2013	Dec. 31, 2013 (B)	(B) – (A)	Mar. 31, 2013 (A)	Sept. 30, 2013	Dec. 31, 2013 (B)	(B) – (A)
JGBs	4,650	3,715	2,755	-1,895	60	20	16	-43
TDB only	1,502	1,302	1,002	-500	0	0	-0	-0
15Y floating rate only	1,468	1,458	1,453	-15	38	28	23	-15
Municipal bonds	113	157	139	26	2	1	-0	-2
Corporate bonds	642	683	566	-75	-1	-2	-2	-1
Equities	270	265	267	-3	5	7	8	3
Foreign bonds	4,658	3,267	3,736	-922	-7	-88	-145	-138
Others	2,725	3,045	3,298	573	121	46	74	-47
Hedge funds	90	83	81	-9	17	18	19	2
ETFs	696	928	1,220	524	32	-3	26	-6
Investment in limited partnerships	525	489	437	-88	2	3	5	3
REIT	287	305	313	26	72	29	23	-48
Others	1,127	1,241	1,247	120	-2	-2	1	2
Money market funds only	1,000	1,199	1,201	201	0	-1	1	1
Total	13,058	11,133	10,761	-2,296	180	-18	-48	-228

Securities decreased 229.6 billion yen, or 17.6%, to 1,076.1 billion yen from March 31, 2013. In comparison with March 31, 2013, JGBs decreased 189.5 billion yen, or 40.8%, and foreign bonds decreased 92.2 billion yen, or 19.8%.

Total unrealized losses amounted to 4.8 billion yen, compared with unrealized gains of 18.0 billion yen as of March 31, 2013.

Note (1): Floating rate JGBs, as of December 31, 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' is marked at fair value, but the amounts (balance sheet total 2.5 billion yen; valuation gains of 0.4 billion yen as of December 31, 2013) are not included in the table above.

4. Investment in Limited Partnerships and Hedge Funds

(100 million yen)	Mar. 31, 2013 (A)	Sept. 30, 2013	Dec. 31, 2013 (B)	Change (B) – (A)
Limited partnerships	525	489	437	-88
Real estate related	130	140	100	-29
Distressed loan related	238	192	188	-50
Others	156	157	148	-8
Hedge funds	90	83	81	-9

Investment in limited partnerships decreased 8.8 billion yen, or 16.8%, from March 31, 2013, mainly due to redemptions. Hedge fund investments decreased 0.9 billion yen, or 9.6%, as compared to March 31, 2013.

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

(100 million yen, %)	Mar. 31, 2013 (A)	Sept. 30, 2013	Dec. 31, 2013 (B)	Change (B) – (A)
Bankrupt and similar credit	72	28	41	-30
Doubtful credit	792	653	653	-138
Special attention credit	200	198	201	1
FRL credit, total (a)	1,063	879	895	-168
Normal credit (b)	26,688	26,492	27,405	718
Total credit (c)((a)+(b))	27,751	27,371	28,301	550
FRL credit ratio (a)/(c)	3.83%	3.21%	3.16%	-0.67%

Non-performing claims as defined by the Financial Reconstruction Law (FRL) were 89.5 billion yen, a decrease of 16.8 billion yen, or 15.8%, from March 31, 2013. The FRL ratio improved by 0.67 points to 3.16%. In addition, the percentage of FRL claims covered by reserves, collateral and guarantees remained high at 90.9% as of December 31, 2013. The ratio of loan loss reserves to total loans on a consolidated basis remained high, increasing 0.09 points to 2.42% as of December 31, 2013.

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.