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**Aozora Reports Net Income of 31.7 Billion for First Nine Months of FY2011
- Increased 60.8% compared to previous year -**

TOKYO January 30, 2012 – Aozora Bank, Ltd. (“Aozora” or “the Bank”), a leading Japanese commercial bank, today announced its financial results for the first nine months of FY2011.

Earnings results for the first nine months of FY2011

Aozora reported consolidated net revenue of 59.5 billion yen and net income of 31.7 billion yen for the first nine months. These results represented progress of 73% and 70%, respectively, towards the full-year forecasts, revised upward last October, of 81.0 billion yen and 45.0 billion yen.

Brian F. Prince, Representative Director, President and Chief Executive Officer of Aozora Bank commented, “Our earnings for the first nine months of FY2011 remained strong and we were pleased to be able to report 31.7 billion yen in net income, an increase of 12.0 billion yen or 61% over the prior year. Our results reflected steady progress in our core businesses, including stable performance of net interest income, while we continued our disciplined balance sheet management, and strict cost control. We feel well positioned given our strong capital base, ample liquidity, and sound balance sheet, and we remain on track to achieve our earnings targets for the full year.”

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

- The Bank recorded net income of 31.7 billion yen, an increase of 12.0 billion yen, or 60.8%, year on year, representing its 11th consecutive quarterly profit. This result represented steady progress of 70% towards the revised full-year forecast of 45.0 billion yen, including the negative effect on deferred tax assets of approximately 2.5 billion yen resulting from the recent revision of the corporate tax rate for the next fiscal year.
 - Net interest income was 34.2 billion yen, reflecting continued improvement of the net interest margin, while the Bank continued its disciplined balance sheet management. This represented the first year on year increase of a fiscal year to date result in five quarters. Funding costs were reduced 19 bps from 0.79% to 0.60%. The net interest margin expanded 10 bps to 1.05%.
 - General and administrative expenses were reduced 1.4 billion yen, or 4.6% year on year, to 28.8 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) was 48.4%, well within the Bank’s mid-term target of 50% or below.
 - Credit-related expenses were a net profit of 2.0 billion yen, compared with a net expense of 9.4 billion yen in the first nine months of FY2010. While the Bank conservatively strengthened its specific reserves, mainly for existing overseas credit, a reversal of the loan loss reserve, reflecting both the absence of significant credit events and preventative measures taken by the Bank to date, including the conservative allocation of reserves, resulted in a net profit.
 - Comprehensive income in the first nine months of FY2011 was 33.5 billion yen, and net assets per common share were 276.60 yen, as compared to 256.27 yen as of March 31, 2011.

- Loans decreased slightly from March 31, 2011 by 62.9 billion yen, or 2.3%, to 2,666.7 billion yen. While overseas loans were deliberately decreased by 87.3 billion yen or 20.6%, domestic loans increased 24.4 billion yen, or 1.1%. 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) remained high at 68.1%. The Bank maintained sufficient liquidity reserves of approximately 600 billion yen as of end-December 2011.
- The Bank conducted a strict review of its internal borrower ratings, mainly overseas borrowers, following the continuing uncertainty in the global financial market. As a result, non-performing claims as defined by the Financial Reconstruction Law (FRL) were 130.5 billion yen, and the FRL Ratio was 4.79%. The impact on credit-related expenses was limited, due to the preventative measures taken by the Bank to date including the conservative allocation of reserves. In addition, the percentage of FRL claims covered by reserves, collateral and guarantees remained high at 89.0% as of December 31, 2011, and the ratio of loan loss reserves to total loans outstanding was 3.42 % as of December 31, 2011, remaining one of the highest among major Japanese banks.
- Aozora will announce its Tier 1 ratio and capital adequacy ratio as of end-December, 2011, at a later date. As of September 30, 2011, these ratios were 19.37% and 18.07%, respectively, and are expected to remain high.

2. FY2011 First Nine Months Performance (April 1, 2011 to December 31, 2011)

Consolidated basis

(100 million yen)	Ordinary Income	Net Revenue	Business Profit	Ordinary Profit	Net Income	Net Income per common share
FY2011 nine months (Apr.-Dec.) (a)	924	595	307	295	317	21.20
FY2010 nine months (Apr.-Dec.) (b)	996	606	304	196	197	13.18
Change (a) - (b)	-72	-11	2	99	120	8.02
Percentage change ((a)-(b)) / (b)	-7.3%	-1.9%	0.8%	50.3%	60.8%	60.8%
FY2011 Full-Year Forecast (c)	1,250	810	415	400	450	28.62
Progress (a) / (c)	73.9%	73.4%	73.9%	73.8%	70.4%	74.1%

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
FY2011 nine months (Apr.-Dec.) (a)	875	552	280	283	307	20.54
FY2010 nine months (Apr.-Dec.) (b)	967	569	290	203	205	13.70
Change (a)-(b)	-92	-17	-9	80	102	6.84
Percentage change ((a)-(b)) / (b)	-9.5%	-3.0%	-3.2%	39.4%	50.0%	49.9%
FY2011 Full-Year Forecast (c)	1,200	760	385	395	450	28.62
Progress (a) / (c)	72.9%	72.7%	72.8%	71.6%	68.2%	71.8%

I. Revenue and Expenses

(100 million yen)	FY2010		FY2011		Change (B)–(A)		Page
	3 months Oct.- Dec.	9 months Apr.-Dec. (A)	3 months Oct.- Dec.	9 months Apr.-Dec. (B)	Amount	%	
Net revenue	185	606	199	595	-11	-1.9%	-
Net interest income	107	342	110	342	0	0.1%	4
Net interest margin	0.89%	0.95%	1.02%	1.05%	0.10%	-	4
Net fees and commissions	21	74	20	63	-11	-15.3%	4
Net trading revenues	16	74	13	53	-21	-27.8%	5
Gains/losses on bond transactions	36	110	37	99	-11	-10.3%	5
Net other ordinary income excluding gains/losses on bond transactions	5	6	21	38	32	522.0%	5
General & administrative expenses	-99	-302	-96	-288	14	-4.6%	6
Business profit	86	304	104	307	2	0.8%	-
Ordinary profit	43	196	90	295	99	50.3%	-
Net income	55	197	91	317	120	60.8%	-
Credit-related expenses incl. recoveries of written-off claims	-31	-94	-6	20	114	-	6
Taxes	2	-2	0	21	23	-	6

In the first nine months of FY2011, the Bank recorded consolidated net revenue of 59.5 billion yen, a decrease of 1.1 billion yen, or 1.9%, year on year. This represented progress of 73% towards the revised full-year forecast of 81.0 billion yen. Net revenue for the third quarter (Oct.-Dec.) was 19.9 billion yen, an increase of 1.4 billion yen, or 7.7%, year on year, representing the first year on year increase on a quarterly basis for four quarters.

Net interest income was 34.2 billion yen, representing the first year on year increase of a fiscal year to date result in five quarters. 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 19 bps to 0.60%, from 0.79%, in the first nine months of FY2011, 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 expanded 10 bps to 1.05% year on year. Net fees and commissions were 6.3 billion yen, a decrease of 1.1 billion yen year on year, and net trading revenues were 5.3 billion yen, a decrease of 2.1 billion yen. Gains/losses on bond transactions decreased 1.1 billion yen to 9.9 billion yen. Net other ordinary income, excluding gains/losses on bond transactions, improved 3.2 billion yen to 3.8 billion yen, mainly due to profit from limited partnerships.

General and administrative expenses were 28.8 billion yen, a reduction of 1.4 billion yen, or 4.6%, year on year, as a result of our continued strict control on costs, including the implementation of a Bank-wide cost review, which led to broad savings in personnel cost, technology cost and other operating expense categories. The OHR (general and administrative expenses as a percentage of net revenues) was 48.4%, well within the Bank's mid-term target of 50% or below. As a result of the above factors, consolidated business profit was 30.7 billion yen. This result represented 74% progress towards the revised full-year forecast of 41.5 billion yen.

Credit-related expenses were a net profit of 2.0 billion yen, compared with a net expense of 9.4 billion yen in the first nine months of FY2010. While the Bank conservatively strengthened its specific reserves mainly for existing overseas credit, a reversal of the loan loss reserve, reflecting both the absence of significant credit events and preventative measures taken by the Bank to date including the conservative allocation of reserves, resulted in a net profit. The ratio of loan loss reserve to total loans outstanding was 3.42% as of December 31, 2011 and remained one of the highest among major Japanese banks. Taxes were a net profit of 2.1 billion yen. As a result of the aforementioned factors, consolidated net income increased 12.0 billion yen, or 60.8%, to 31.7 billion yen. This result represented steady progress of 70% towards the revised full-year forecast of 45.0 billion yen, including the negative effect on deferred tax assets of approximately 2.5 billion yen resulting from the recent revision of the corporate tax rate for the next fiscal year.

1. Net Revenue

(1)① Net Interest Income

(100 million yen)	FY2010		FY2011		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)	107	342	110	342	0
Interest income (a)	180	579	165	517	-63
Interest on loans and discounts	138	436	126	387	-49
Interest and dividends on securities	27	101	29	97	-4
Other interest income	6	12	4	12	0
Interest on swaps	9	30	6	20	-10
Interest expenses (b)	-73	-238	-55	-175	63
Interest on deposits and NCDs※	-55	-174	-43	-136	38
Interest on debentures	-9	-34	-6	-20	14
Interest on borrowings and rediscount	-1	-4	-1	-3	1
Other interest expenses	-6	-16	-2	-7	9
Interest on swaps	-3	-10	-2	-8	2

※ Negotiable certificates of deposit

(1)② Net Interest Margin

	FY2010		FY2011		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)	1.63%	1.74%	1.57%	1.65%	-0.09%
Yield on loans (b)	1.98%	2.00%	1.90%	1.94%	-0.06%
Yield on securities	0.82%	1.08%	0.92%	1.01%	-0.07%
Yield on funding (c)	0.74%	0.79%	0.55%	0.60%	-0.19%
Net interest margin (a)-(c)	0.89%	0.95%	1.02%	1.05%	0.10%
Loan margin (b)-(c)	1.24%	1.21%	1.35%	1.34%	0.13%

Net interest income was 34.2 billion yen, representing the first year on year increase of a fiscal year to date result in five quarters. 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 19 basis points to 0.60%, from 0.79% in the first nine months of FY2010, 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 expanded 10 bps to 1.05% year on year, and the loan margin expanded 13 bps to 1.34%.

(2) Net Fees and Commissions

(100 million yen)	FY2010		FY2011		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)	21	74	20	63	-11
Fees and commissions received (a)	23	81	21	68	-12
Loan business-related	16	55	14	45	-10
Securities-related and agency	3	16	5	16	0
Others	4	10	3	8	-3
Fees and commissions payments (b)	-2	-6	-2	-5	1
Of which, fees from investment trusts and annuity insurance	3	10	5	15	5

Net fees and commissions were 6.3 billion yen, a decrease of 1.1 billion yen or 15.3%, year on year. The sale of investment products to our mass affluent retail customers showed steady progress.

(3) Net Trading Revenues

(100 million yen)	FY2010		FY2011		Change (B)–(A)
	3 months Oct.- Dec.	9 months Apr.-Dec. (A)	3 months Oct.- Dec.	9 months Apr.-Dec. (B)	
Net trading revenues	16	74	13	53	-21
Net income on trading-related financial derivatives transactions	12	69	8	42	-27
Others	4	5	5	11	6

Net trading revenues were 5.3 billion yen, a decrease of 2.1 billion yen or 27.8% year on year. Earnings from sales of derivative-embedded products decreased, mainly due to changes in the market environment.

(4) Gains/losses on Bond Transactions

(100 million yen)	FY2010		FY2011		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	36	110	37	99	-11
Japanese government bonds	16	65	16	38	-26
Foreign government bonds and mortgage bonds	5	48	36	89	42
Others	15	-2	-14	-29	-27
Collateralized Debt Obligations (CDOs) only	-0	-2	-0	-0	2
Profit from hedge funds (Available For Sale)	0	25	1	6	-19
Others	14	-25	-15	-34	-9

Gains/losses on bond transactions decreased 1.1 billion yen, or 10.3%, to 9.9 billion yen.

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

(100 million yen)	FY2010		FY2011		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	5	6	21	38	32
Gains /losses on foreign currency transactions	-17	-41	1	-19	22
Gains /losses on derivatives other than trading, net	5	4	-0	-1	-5
Profit from limited partnerships	9	16	0	23	7
Real estate related	3	2	5	16	14
Distressed loan related	6	16	3	12	-4
Other (venture capital, etc.)	1	-2	-7	-5	-3
Gains on distressed loans (Aozora Loan Services)	7	22	4	16	-6
Debenture issue cost	-0	-0	-0	-0	0
Others	2	5	16	18	13

Net other ordinary income, excluding gains/losses on bond transactions, improved 3.2 billion yen to 3.8 billion yen, mainly due to profit from limited partnerships. Income of 1.6 billion yen, recorded in 'Others' in the third quarter (Oct.-Dec.), was mainly due to overseas investments.

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

(100 million yen)	FY2010		FY2011		Change (B)–(A)
	3 months Oct.- Dec.	9 months Apr.-Dec. (A)	3 months Oct.- Dec.	9 months Apr.-Dec. (B)	
G & A expenses	-99	-302	-96	-288	14
Personnel	-50	-145	-47	-139	7
Non-personnel expense	-46	-143	-44	-135	8
Tax	-4	-14	-4	-14	-0

General and administrative expenses were reduced 1.4 billion yen, or 4.6%, year on year to 28.8 billion yen. This result reflected our continued strict control on costs including the implementation of a Bank-wide cost review which led to broad savings in personnel cost, technology cost and other operating expense categories. The overhead ratio, or OHR (general and administrative expenses as a percentage of net revenues) was 48.4%, well within the Bank's mid-term target of 50% or below.

3. Credit-Related Expenses

(100 million yen)	FY2010		FY2011		Change (B)–(A)
	3 months Oct.- Dec.	9 months Apr.-Dec. (A)	3 months Oct.- Dec.	9 months Apr.-Dec. (B)	
Credit-related expenses	-31	-94	-6	20	114
Write-off of loans	-0	-19	-3	-10	9
Gains/losses on disposition of loans	-1	3	0	-2	-5
Specific reserve for possible loan losses	-54	-88	-100	-135	-47
General reserve for possible loan losses	13	-4	90	158	162
Reversal of reserve for credit losses on off-balance-sheet instruments	10	9	5	-1	-9
Recoveries of written-off claims	2	5	2	9	4

Credit-related expenses were a net profit of 2.0 billion yen, compared with a net expense of 9.4 billion yen in the first nine months of FY2010. While the Bank conservatively strengthened its specific reserves mainly for existing overseas credit, a reversal of the loan loss reserve, reflecting both the absence of significant credit events and preventative measures taken by the Bank to date including the conservative allocation of reserves, resulted in a net profit. The ratio of loan loss reserves to total loans outstanding was 3.42% as of December 31, 2011 and remained one of the highest among major Japanese banks.

4. Taxes

(100 million yen)	FY2010		FY2011		Change (B)–(A)
	3 months Oct.- Dec.	9 months Apr.-Dec. (A)	3 months Oct.- Dec.	9 months Apr.-Dec. (B)	
Taxes	2	-2	0	21	23

A net tax profit of 2.1 billion yen was recognized in the first nine months of FY2011 as a result of the calculation of deferred tax assets, in consideration of the earnings projection and the negative effect on deferred tax assets of approximately 2.5 billion yen resulting from the recent revision of the corporate tax rate for the next fiscal year.

II. Balance Sheet

(100 million yen)	Mar. 31, 2011 (A)	Dec. 31, 2011 (B)	Change (B) – (A)		Sept. 30, 2011	Page
			Amount	%		
Total assets	49,184	50,328	1,145	2.3%	50,520	-
Loan and bills discounted	27,296	26,667	-629	-2.3%	27,016	8
Securities	13,357	12,047	-1,310	-9.8%	12,939	9
Cash and due from banks	2,720	2,441	-278	-10.2%	1,773	-
Others	5,812	9,173	3,361	57.8%	8,792	-
Total liabilities	43,532	44,388	857	2.0%	44,654	-
Deposits	27,774	27,394	-380	-1.4%	27,754	} 8
Negotiable certificates of deposit	1,549	2,086	537	34.7%	1,788	
Debentures	2,647	2,443	-204	-7.7%	2,676	
Bonds payable	912	-	-912	-	-	
Others	10,649	12,465	1,816	17.1%	12,436	-
Total net assets	5,652	5,940	288	5.1%	5,866	-
Capital stock	4,198	4,198	-	-	4,198	-
Capital surplus	333	336	2	0.7%	333	-
Retained earnings	1,324	1,589	265	20.0%	1,498	-
Valuation difference on available-for-sale securities	18	46	28	157.4%	66	-
Others	-221	-229	-8	-	-229	-
Total liabilities and net assets	49,184	50,328	1,145	2.3%	50,520	-

Total assets were 5,032.8 billion yen as of December 31, 2011, an increase of 114.5 billion yen, or 2.3%, compared to March 31, 2011. Loans decreased slightly from March 31, 2011 by 62.9 billion yen, or 2.3%, to 2,666.7 billion yen, reflecting a decrease of 87.3 billion yen, or 20.6%, in overseas loans, while domestic lending increased 24.4 billion yen, or 1.1%. Securities decreased by 131.0 billion yen, or 9.8%, to 1,204.7 billion yen.

On the funding side, total deposits and negotiable certificates of deposit increased 15.7 billion yen, or 0.5%, as compared to March 31, 2011, and bonds payable decreased 91.2 billion yen due to redemptions. We continued our effort to reduce funding costs while maintaining a stable base of retail deposits. As a result, funding from retail customers was 2,174.4 billion yen, decreasing 137.4 billion yen from March 31, 2011, while the percentage of retail funding to total core funding remained high at 68.1%. Total liabilities increased 85.7 billion yen, or 2.0%, to 4,438.8 billion yen as compared to March 31, 2011.

Net assets were 594.0 billion yen, representing an increase of 28.8 billion yen, or 5.1%, in comparison with March 31, 2011. Net assets per common share were 276.60 yen, as compared to 256.27 yen per common share as of March 31, 2011.

1. Funding (Deposits and Debentures)

(100 million yen)	Mar. 31, 2011 (A)	Dec. 31, 2011 (B)	Change (B)–(A)	Sept. 30, 2011
Retail	23,118	21,744	-1,374	21,729
Corporate, etc.	4,238	4,472	235	4,878
Financial Institutions (Debentures)	3,333	2,296	-1,037	2,468
Financial Institutions (Deposits)	2,194	3,411	1,217	3,144
Deposits and Debentures total	32,883	31,924	-959	32,218

We continued our effort to reduce funding costs while maintaining a stable base of retail deposits. As a result, funding from retail customers was 2,174.4 billion yen, decreasing 137.4 billion yen from March 31, 2011, while the percentage of retail funding to total core funding remained high at 68.1%.

The Bank maintained sufficient liquidity reserves of approximately 600 billion yen as of December 31, 2011.

2. Loans

(100 million yen)	Mar. 31, 2011 (A)	Dec. 31, 2011 (B)	Change (B)–(A)	Sept. 30, 2011
Loans outstanding	27,296	26,667	-629	27,016

Loans decreased slightly from March 31, 2011 by 62.9 billion yen, or 2.3%, to 2,666.7 billion yen. While overseas loans were deliberately decreased by 87.3 billion yen or 20.6%, domestic lending increased 24.4 billion yen, or 1.1%. Our continued focus on middle market business showed positive results, including an increase in the number of new clients.

In comparison with March 31, 2011, the Bank's domestic lending result reflected an increase in loans to the manufacturing sector, the finance/insurance sector and various services of 37.4 billion yen (15.4%), 41.8 billion yen (10.7%) and 16.3 billion yen (10.4%), respectively, while loans to the information and telecommunications and leasing sectors decreased 21.5 billion yen (32.3%) and 21.5 billion yen (24.9%), respectively.

Loans to the real estate sector decreased 21.0 billion yen and non-recourse loans decreased 3.6 billion yen

3. Securities

(100 million yen)	Book value				Unrealized gains/losses			
	Mar. 31, 2011 (A)	Dec. 31, 2011 (B)	(B) – (A)	Sept. 30, 2011	Mar. 31, 2011 (A)	Dec. 31, 2011 (B)	(B) – (A)	Sept. 30, 2011
JGBs	6,771	5,926	-845	6,987	57	64	7	68
Municipal bonds	103	120	17	90	-0	1	1	1
Corporate bonds	752	783	31	698	-1	4	5	-0
Equities	267	265	-2	265	-2	-3	-1	-2
Foreign bonds	3,404	3,305	-98	3,224	-38	30	68	50
Others	2,061	1,648	-413	1,675	28	-9	-37	2
Hedge funds	146	108	-38	113	25	17	-8	19
ETFs (Linked to Japanese stocks index)	25	21	-4	22	0	-3	-4	-3
Investment in limited partnerships	681	592	-89	609	3	0	-3	3
REIT	93	120	27	129	7	-18	-25	-10
Others	1,115	807	-309	802	-7	-4	3	-8
Money market funds only	995	697	-298	695	-5	-3	2	-5
Total	13,357	12,047	-1,310	12,939	44	87	43	119

Securities decreased 131.0 billion yen, or 9.8%, from March 31, 2011. In comparison with March 31, 2011, JGBs and money market funds, assets comparable to the liquidity reserve decreased 84.5 billion yen, or 12.5%, and 29.8 billion yen, or 30.0%, respectively.

Total unrealized gains amounted to 8.7 billion yen as of December 31, 2011, reflecting unrealized gains on JGBs and foreign bonds of 6.4 billion yen and 3.0 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 13.9 billion yen; valuation loss 0.3 billion yen as of end-December 2011) are not included in the table above.

4. Investment in Limited Partnerships and Hedge Funds

(100 million yen)	Mar. 31, 2011 (A)	Dec. 31, 2011 (B)	Change (B) – (A)	Sept. 30, 2011
Limited partnerships	681	592	-89	609
Real estate related	143	123	-20	126
Distressed loan related	306	269	-37	274
Others	232	200	-32	209
Hedge funds	146	108	-38	113

Investment in limited partnerships decreased by 8.9 billion yen, or 13.1%, from March 31, 2011, mainly due to redemptions. Hedge fund investments decreased 3.8 billion yen, or 26.2%, as compared to March 31, 2011.

III. Disclosed Claims under the Financial Reconstruction Law

(Non-consolidated)

(100 million yen, %)	Mar. 31, 2011 (A)	Dec. 31, 2011 (B)	Change (B)–(A)	Sept. 30, 2011
Bankrupt and similar credit	119	74	-46	74
Doubtful credit	804	950	147	527
Special attention credit	352	281	-71	324
FRL credit, total (a)	1,275	1,305	30	925
Normal credit (b)	26,443	25,916	-528	26,716
Total credit (c)((a)+(b))	27,718	27,220	-498	27,641
FRL credit ratio (a)/(c)	4.59%	4.79%	0.20%	3.34%

The Bank conducted a strict review of its internal borrower ratings, mainly overseas borrowers, following the continuing uncertainty in the global financial market. As a result, non-performing claims as defined by the Financial Reconstruction Law (FRL) were 130.5 billion yen, and the FRL Ratio was 4.79%. The impact on credit-related expenses was limited, due to the preventative measures taken by the Bank to date including the conservative allocation of reserves. In addition, the percentage of FRL claims covered by reserves, collateral and guarantees remained high at 89.0% as of December 31, 2011, and the ratio of loan loss reserves to total loans outstanding was 3.42% as of December 31, 2011, remaining one of the highest among major Japanese banks.

The Bank remains focused on disciplined risk management and will continue to take appropriate actions with regard to non-performing loans, based on the condition of borrowers.

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.