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**Aozora Reports Net Income of 35.1 billion for the First Nine Months of FY2015  
2.6% increase compared to previous year;  
Progress of 82% towards full-year forecast**

**TOKYO January 29, 2016** – Aozora Bank, Ltd. (“Aozora” or “the Bank”), a leading Japanese commercial bank, today announced its financial results for the first nine months of FY2015.

**Financial results for the first nine months of FY2015**

In the first nine months of FY2015, Aozora reported consolidated net revenue of 68.9 billion yen, business profit of 38.6 billion yen, and net income of 35.1 billion yen, representing progress of 72%, 73% and 82%, respectively, towards the full-year forecasts.

Shinsuke Baba, Representative Director, President and Chief Executive Officer of Aozora Bank commented, “In global markets, we have witnessed increasing uncertainty since last summer. Despite these conditions, we are pleased to report net income of 35.1 billion yen and remain on course to achieve our full-year forecast of 43.0 billion yen. This outcome reflects our efforts to leverage our updated business model’s ‘6 Focuses,’ as well as our ongoing attention to disciplined balance sheet management. Today we announced a third quarter dividend of 5.0 yen per common share, and our full-year forecast remains 18.40 yen. We also remain committed to a 50% payout ratio for the full-year. The dividend payment was 4.0 yen in the first and second quarters.”

Baba concluded, “Following the full repayment of public funds, we entered a new stage of development and will strive to further enhance Aozora’s corporate value through the provision of differentiated services while taking full advantage of our expertise. We also reaffirm our commitment to the forward-looking management of risk. I would like to express my gratitude to all of our stakeholders for their continued support.”

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

- Net revenue was 68.9 billion yen, a decrease of 0.9 billion yen, or 1.3% year on year, and business profit was 38.6 billion yen, a decrease of 2.7 billion yen, or 6.5% year on year. Net income was 35.1 billion yen, an increase of 0.9 billion yen, or 2.6%, representing progress of 82% towards the full-year forecast of 43.0 billion yen.
- Net interest income increased 0.7 billion yen, or 1.9% year on year, to 38.8 billion yen. The net interest margin increased 10 bps to 1.33% as the Bank continued its disciplined approach to balance sheet management and despite an increase in U.S. dollar funding costs.
- General and administrative expenses were 30.3 billion yen, a year on year increase of 1.8 billion yen, or 6.2%. The OHR (general and administrative expenses as a percentage of net revenue) was 44.0% and reflected the ongoing priority assigned to efficient operations.
- Credit-related expenses were a net reversal of 1.9 billion yen, compared with a net reversal of 11.9 billion yen in the first nine months of FY2014, mainly due to recoveries of written-off claims. No credit-related expenses were incurred during the third quarter (Oct.-Dec.).

- The loan balance was 2,600.0 billion yen, a decrease of 175.8 billion yen, or 6.3%, from March 31, 2015 (loans decreased 10.4 billion yen compared to September 30, 2015). Overseas loans increased 72.1 billion yen, while domestic loans decreased 247.9 billion yen, reflecting the Bank's ongoing focus on balancing risk and return as well as the reduction in low yielding loans which took place mainly in the first six months.
- Funding from retail customers was 2,019.4 billion yen. The percentage of retail funding to total core funding (the sum of deposits, negotiable certificates of deposit, debentures and bonds) was stable at approximately 60%. As of December 31, 2015, the Bank maintained adequate liquidity reserves of 617.1 billion yen following the full repayment of public funds.
- Non-performing claims as defined by the Financial Reconstruction Law (FRL) were 22.7 billion yen, a decrease of 15.5 billion yen, or 40.5%, from March 31, 2015. The FRL ratio further declined in the latest quarter to 0.85%. The ratio of loan loss reserves to total loans on a consolidated basis remained high at 2.48%.
- Aozora will announce its December 31, 2015 consolidated capital adequacy ratio (domestic standard) at a later date. As of September 30, 2015, the ratio was 11.02%, and is expected to remain at an adequate level.

Note: From FY2015 onwards, consolidated net income represents 'profit attributable to owners of parent' in accordance with the Revised Accounting Standard for Business Combinations and related standards and implementation guidance.

## 2. FY2015 First Nine Months Performance (April 1, 2015 to December 31, 2015)

### Consolidated basis

(100 million yen)	Net Revenue	Business Profit	Ordinary Profit	Net Income	Net Income per common share
<b>FY2015 nine months (Apr. – Dec.) (a)</b>	689	386	431	351	30.09 Yen
<b>FY2014 nine months (Apr. – Dec.) (b)</b>	698	412	545	342	28.39 Yen
<b>Change (a) - (b)</b>	-9	-27	-113	9	1.70 Yen
<b>Percentage change ((a)-(b)) / (b)</b>	-1.3%	-6.5%	-20.8%	2.6%	6.0%
<b>FY2015 full-year forecast (c)</b>	960	530	535	430	36.86 Yen
<b>Progress (a)/(c)</b>	71.7%	72.7%	80.6%	81.6%	81.6%

### Non-consolidated basis

(100 million yen)	Net Revenue	Business Profit before general loan-loss reserve	Ordinary Profit	Net Income	Net Income per common share
<b>FY2015 nine months (Apr. – Dec.) (a)</b>	650	373	419	342	29.31 Yen
<b>FY2014 nine months (Apr. – Dec.) (b)</b>	645	383	527	384	31.94 Yen
<b>Change (a)-(b)</b>	5	-10	-107	-42	-2.63 Yen
<b>Percentage change ((a)-(b)) / (b)</b>	0.7%	-2.6%	-20.4%	-10.9%	-8.2%
<b>FY2015 full-year forecast (c)</b>	890	490	495	400	34.29 Yen
<b>Progress (a)/(c)</b>	73.0%	76.1%	84.6%	85.4%	85.4%

## I. Revenue and Expenses

	FY2014		FY2015		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)							
<b>Net revenue</b>	<b>236</b>	<b>698</b>	<b>224</b>	<b>689</b>	<b>-9</b>	<b>-1.3%</b>	-
Net interest income	138	380	134	388	7	1.9%	4
<i>Net interest margin</i>	1.30%	1.23%	1.41%	1.33%	0.10%	-	4
Non-interest income	98	317	90	301	-16	-5.2%	-
Net fees and commissions	29	104	29	86	-18	-17.4%	5
Net trading revenues	29	83	24	75	-8	-9.6%	5
Net other ordinary income	41	130	37	139	10	7.5%	-
Gains/losses on bond transactions	8	40	15	60	20	49.7%	6
Net other ordinary income excluding gains/losses on bond transactions	33	90	22	79	-10	-11.4%	6
General & administrative expenses	-96	-285	-104	-303	-18	-6.2%	7
<b>Business profit</b>	<b>140</b>	<b>412</b>	<b>120</b>	<b>386</b>	<b>-27</b>	<b>-6.5%</b>	-
Credit-related expenses	14	119	0	19	-101	-	7
<b>Ordinary profit</b>	<b>164</b>	<b>545</b>	<b>135</b>	<b>431</b>	<b>-113</b>	<b>-20.8%</b>	-
Extraordinary profit	-0	-57	-0	-0	57	-	-
Taxes	-59	-144	-26	-80	64	-	7
<b>Net income</b>	<b>106</b>	<b>342</b>	<b>108</b>	<b>351</b>	<b>9</b>	<b>2.6%</b>	-

In the first nine months of FY2015, the Bank recorded consolidated net revenue of 68.9 billion yen, a decrease of 0.9 billion yen, or 1.3% year on year, representing progress of 72% towards the full-year forecast of 96.0 billion yen.

Net interest income was 38.8 billion yen, an increase of 0.7 billion yen, or 1.9% year on year. The Bank's net interest margin increased 10 bps to 1.33%. Contributing to this result was an increase in the yield on total investments of 12 bps as the Bank continued its disciplined balance sheet management, while funding costs increased 2 bps due to an increase in U.S. dollar funding costs.

Non-interest income was 30.1 billion yen, a decrease of 1.6 billion yen, or 5.2% year on year. Net fees and commissions were 8.6 billion yen, a decrease of 1.8 billion yen, or 17.4% year on year, and net trading revenues were 7.5 billion yen, a decrease of 0.8 billion yen, or 9.6%. Gains/losses on bond transactions were a gain of 6.0 billion yen, compared with a gain of 4.0 billion yen in the first nine months of FY2014. Net other ordinary income, excluding gains/losses on bond transactions, was 7.9 billion yen, a decrease of 1.0 billion yen, or 11.4%, from the first nine months of FY2014.

General and administrative expenses were 30.3 billion yen, an increase of 1.8 billion yen, or 6.2% year on year. The OHR was 44.0% and reflected the ongoing priority the Bank has assigned to efficient operations.

Consolidated business profit was 38.6 billion yen, a decrease of 2.7 billion yen, or 6.5%.

Credit-related expenses were a net reversal of 1.9 billion yen, mainly due to recoveries of written-off claims.

Ordinary profit was 43.1 billion yen, a decrease of 11.3 billion yen, or 20.8%. Taxes were a net expense of 8.0 billion yen.

As a result of the aforementioned factors, consolidated net income was 35.1 billion yen, an increase of 0.9 billion yen, or 2.6% year on year, representing progress of 82% towards the full-year forecast of 43.0 billion yen.

During the first nine months of FY2014, the Bank recorded a net reversal of 11.9 billion yen in credit-related expenses, in addition to an extraordinary loss of 5.7 billion yen which was recognized as a result of crystallizing a negative foreign currency translation adjustment. As a result of these factors, ordinary profit decreased while net income increased as compared to the first nine months of FY2014.

## 1. Net Revenue

### (1)① Net Interest Income

(100 million yen)	FY2014		FY2015		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)	138	380	134	388	7
Interest income (a)	172	482	173	498	17
Interest on loans and discounts	110	319	109	326	7
Interest and dividends on securities	47	139	62	157	18
Other interest income	14	19	2	12	-7
Interest on swaps	1	4	1	2	-2
Interest expenses (b)	-34	-101	-39	-111	-9
Interest on deposits and NCDs	-23	-72	-21	-63	9
Interest on debentures and bonds	-1	-4	-2	-5	-1
Interest on borrowings and rediscount	-2	-6	-2	-7	-1
Other interest expenses	-3	-8	-4	-10	-2
Interest on swaps	-5	-12	-11	-26	-14

### (1)② Net Interest Margin

	FY2014		FY2015		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)	1.64%	1.57%	1.79%	1.69%	0.12%
Yield on loans	1.61%	1.60%	1.65%	1.61%	0.01%
Yield on securities	1.51%	1.48%	2.39%	2.04%	0.56%
Yield on funding (b)	0.34%	0.34%	0.38%	0.36%	0.02%
Net interest margin (a)-(b)	1.30%	1.23%	1.41%	1.33%	0.10%

Net interest income was 38.8 billion yen, an increase of 0.7 billion yen, or 1.9% year on year. Interest income increased 1.7 billion yen, while interest expenses increased 0.9 billion yen. The yield on total investments increased 12 bps. This result included an improvement in the yield on loans as the Bank maintained its focus on balancing risk and return, as well as an improvement in the yield on securities which reflected the Bank's ongoing attention to the diversification and performance of its investment portfolio. Funding costs increased 2 bps due to an increase in U.S. dollar funding costs. The net interest margin increased 10 bps to 1.33%.

(2) Net Fees and Commissions

(100 million yen)	FY2014		FY2015		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)	29	104	29	86	-18
Fees and commissions received (a)	31	112	31	94	-18
Loan business-related	12	53	11	37	-17
Securities-related and agency	18	50	14	44	-6
Others	2	8	5	13	5
Fees and commissions payments (b)	-2	-7	-3	-7	0

Net fees and commissions were 8.6 billion yen, a decrease of 1.8 billion yen, or 17.4%, compared to the first nine months of FY2014, mainly due to a year on year decline in loan-related fee income.

Despite increased uncertainty in global markets, earnings from the sale of investment trusts, insurance and structured bonds aimed at the Bank's mass affluent retail customers increased slightly year on year to 5.4 billion yen. The Bank will continue its efforts to enhance its product line-up in order to respond to the needs of its customers, as well as strengthen the consultative skills of its sales staff.

【Ref.】 Earnings from Retail-Related Business

(100 million yen)	FY2014		FY2015		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	21	53	16	54	0

Note: Earnings related to the sale of investment trusts and insurance are recorded as net fees and commissions, and earnings related to the sale of structured bonds are recorded as trading revenues.

(3) Net Trading Revenues

(100 million yen)	FY2014		FY2015		Change (B) – (A)
	3 months Oct.-Dec.	9 months Apr.-Dec. (A)	3 months Oct.-Dec.	9 months Apr.-Dec. (B)	
Net trading revenues	29	83	24	75	-8
Income on trading-related financial derivatives transactions	21	69	19	58	-11
Others	7	14	6	17	3

Net trading revenues were 7.5 billion yen, a decrease of 0.8 billion yen, or 9.6% year on year. Earnings from the sale of derivative-related products targeting the asset management and funding needs of our corporate and financial institution customers remained stable.

## (4) Gains/Losses on Bond Transactions

(100 million yen)	FY2014		FY2015		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	8	40	15	60	20
Japanese government bonds	2	20	-0	7	-13
Foreign government bonds and mortgage bonds	4	5	7	30	25
Others	2	15	8	23	8
Profit from hedge funds	1	6	1	7	1
Others (J-REIT, foreign currency ETFs, etc.)	1	9	8	15	7

Gains/losses on bond transactions were a gain of 6.0 billion yen, compared with a gain of 4.0 billion yen in the first nine months of FY2014. Contributing to this result were gains on the sale of foreign government bonds and J-REITs.

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

(100 million yen)	FY2014		FY2015		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	33	90	22	79	-10
Gains/losses on foreign currency transactions	12	10	-10	-25	-35
Gains/losses on derivatives other than trading, net	1	0	-	-1	-1
Gains from limited partnerships	19	49	17	67	18
Real estate-related	2	9	4	9	-0
Distressed loan-related	8	25	10	35	9
Others (Buyout, etc.)	8	14	3	23	9
Gains on distressed loans (Aozora Loan Services)	1	9	3	6	-3
Others	1	22	11	33	11

Net other ordinary income, excluding gains/losses on bond transactions, was 7.9 billion yen, a decrease of 1.0 billion yen, or 11.4% year on year. This result included gains from limited partnerships of 6.7 billion yen, mainly from the Bank's distressed loan business.

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

(100 million yen)	FY2014		FY2015		Change (B) – (A)
	3 months Oct.-Dec.	9 months Apr.-Dec. (A)	3 months Oct.-Dec.	9 months Apr.-Dec. (B)	
G & A expenses	-96	-285	-104	-303	-18
Personnel	-50	-148	-52	-153	-5
Non-personnel expense	-40	-120	-47	-132	-11
Tax	-5	-16	-6	-18	-2

General and administrative expenses increased 1.8 billion yen, or 6.2% year on year, to 30.3 billion yen, mainly due to increased staff in our focus business areas, including our retail business, as well as additional system and branch related expenses. The OHR was 44.0% and reflected the ongoing priority the Bank has assigned to efficient operations.

## 3. Credit-Related Expenses

(100 million yen)	FY2014		FY2015		Change (B) – (A)
	3 months Oct.-Dec.	9 months Apr.-Dec. (A)	3 months Oct.-Dec.	9 months Apr.-Dec. (B)	
Credit-related expenses	14	119	0	19	-101
Write-off of loans	-1	-3	-1	-1	1
Gains/losses on disposition of loans	-0	26	-	-1	-27
Reserve for possible loan losses	5	49	-11	-12	-61
Specific reserve for possible loan losses	12	80	3	-5	-85
General reserve for possible loan losses	-7	-31	-14	-7	24
Reserve for credit losses on off-balance-sheet instruments	-8	-2	1	-2	0
Recoveries of written-off claims	18	49	12	34	-15

Credit-related expenses were a net reversal of 1.9 billion yen, compared with a net reversal of 11.9 billion yen in the first nine months of FY2014, mainly due to recoveries of written-off claims. No credit-related expenses were incurred during the third quarter (Oct.-Dec.). The ratio of loan loss reserves to total loans remained high at 2.48%, which reflected the Bank's continued conservative allocation of reserves.

## 4. Taxes

(100 million yen)	FY2014		FY2015		Change (B) – (A)
	3 months Oct.-Dec.	9 months Apr.-Dec. (A)	3 months Oct.-Dec.	9 months Apr.-Dec. (B)	
Taxes	-59	-144	-26	-80	64

A net tax expense of 8.0 billion yen was recognized in the first nine months of FY2015, compared with a net expense of 14.4 billion yen in the first nine months of FY2014. The effective tax rate (taxes as a proportion of pre-tax income) was 18.6%. In calculating deferred tax assets, the Bank continued its 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, 2015 (A)	Sept. 30, 2015	Dec.31, 2015 (B)	Change (B)–(A)		Page
				Amount	%	
<b>Total assets</b>	<b>49,245</b>	<b>46,383</b>	<b>47,157</b>	<b>-2,088</b>	<b>-4.2%</b>	-
Loan and bills discounted	27,758	26,104	26,000	-1,758	-6.3%	9
Securities	9,841	9,496	10,516	675	6.9%	10
Cash and due from banks	5,505	5,698	5,745	240	4.4%	-
Others	6,141	5,086	4,895	-1,246	-20.3%	-
<b>Total liabilities</b>	<b>43,571</b>	<b>42,381</b>	<b>43,158</b>	<b>-412</b>	<b>-0.9%</b>	-
Deposits	26,981	27,380	27,177	196	0.7%	9
Negotiable certificates of deposit	2,867	2,987	2,951	85	3.0%	9
Debentures, Bonds	2,461	2,514	2,527	66	2.7%	9
Borrowed money	1,872	1,910	2,057	185	9.9%	-
Others	9,390	7,590	8,445	-945	-10.1%	-
<b>Total net assets</b>	<b>5,674</b>	<b>4,003</b>	<b>3,998</b>	<b>-1,676</b>	<b>-29.5%</b>	-
Capital stock	1,000	1,000	1,000	-	-	-
Capital surplus	2,897	873	873	-2,024	-69.9%	-
Retained earnings	2,350	1,911	1,972	-378	-16.1%	-
Treasury stock	-993	-34	-34	959	-	-
Valuation difference on available-for-sale securities	349	163	110	-239	-68.5%	-
Foreign currency translation adjustment	12	12	13	0	3.8%	-
Others	59	78	64	5	8.8%	-
<b>Total liabilities and net assets</b>	<b>49,245</b>	<b>46,383</b>	<b>47,157</b>	<b>-2,088</b>	<b>-4.2%</b>	-

Total assets were 4,715.7 billion yen as of December 31, 2015, a decrease of 208.8 billion yen, or 4.2%, compared to March 31, 2015. Loans were 2,600.0 billion yen, a decrease of 175.8 billion yen, or 6.3%, from March 31, 2015 (loans decreased 10.4 billion yen compared to September 30, 2015). Reflecting the Bank's ongoing focus on balancing risk and return, overseas loans increased 72.1 billion yen while domestic loans decreased 247.9 billion yen. Securities increased by 67.5 billion yen, or 6.9%, from March 31, 2015, to 1,051.6 billion yen.

On the funding side, total liabilities were 4,315.8 billion yen, a decrease of 41.2 billion yen, or 0.9%, compared to March 31, 2015. Deposits and negotiable certificates of deposit increased 28.1 billion yen. Funding from retail customers was 2,019.4 billion yen and the percentage of retail funding to total core funding (the sum of deposits, negotiable certificates of deposit, debentures and bonds) was stable at approximately 60%.

Net assets were 399.8 billion yen, representing a decrease of 167.6 billion yen, or 29.5%, in comparison with March 31, 2015. This decrease mainly reflected the full repayment of public funds.

Net assets per common share were 341.96 yen, as compared to 336.83 yen per common share as of March 31, 2015.

## 1. Funding (Deposits and Debentures/Bonds)

(100 million yen)	Mar. 31, 2015 (A)	Sept. 30, 2015 (B)	Dec. 31, 2015 (C)	Change (C) – (A)	Change (C) – (B)
Total core funding	32,309	32,881	32,656	348	-225

### Funding sources by products

(100 million yen)	Mar. 31, 2015 (A)	Sept. 30, 2015 (B)	Dec. 31, 2015 (C)	Change (C) – (A)	Change (C) – (B)
Deposits/NCDs	29,847	30,367	30,129	281	-238
Debentures/Bonds	2,461	2,514	2,527	66	13

### Funding sources by customers

(100 million yen)	Mar. 31, 2015 (A)	Sept. 30, 2015 (B)	Dec. 31, 2015 (C)	Change (C) – (A)	Change (C) – (B)
Retail	20,597	20,282	20,194	-403	-87
Corporate	6,135	6,589	6,370	235	-219
Financial Institutions	5,576	6,010	6,092	516	81

Note: Corporate includes public entities

Total core funding (the sum of deposits, negotiable certificates of deposit, debentures and bonds) was 3,265.6 billion yen, an increase of 34.8 billion yen, or 1.1%, from March 31, 2015. The percentage of retail funding to total core funding was stable at approximately 60%.

As of December 31, 2015, the Bank maintained adequate liquidity reserves of 617.1 billion yen following the full repayment of public funds.

## 2. Loans

(100 million yen)	Mar. 31, 2015 (A)	Sept. 30, 2015 (B)	Dec. 31, 2015 (C)	Change (C) – (A)	Change (C) – (B)
Loans	27,758	26,104	26,000	-1,758	-104
Domestic loans	20,197	18,035	17,719	-2,479	-316
Overseas loans	7,561	8,069	8,282	721	213

Note: Overseas loans with no final risk residing in Japan

Loans were 2,600.0 billion yen, a decrease of 175.8 billion yen, or 6.3%, from March 31, 2015 (loans decreased 10.4 billion yen compared to September 30, 2015).

Domestic loans decreased 247.9 billion yen as a result of the Bank's ongoing focus on balancing risk and return, as well as the reduction in low yielding loans which took place mainly in the first six months. Compared to September 30, 2015, domestic loans declined only 31.6 billion yen. Overseas loans increased by 72.1 billion yen as a result of the Bank's selective origination of real estate non-recourse loans and corporate loans, mainly in North America where risk-return profiles remain attractive.

### 3. Securities

(100 million yen)	Book Value				Unrealized Gains/Losses			
	Mar. 31, 2015 (A)	Sept. 30, 2015	Dec. 31, 2015 (B)	Change (B) – (A)	Mar. 31, 2015 (A)	Sept. 30, 2015	Dec. 31, 2015 (B)	Change (B) – (A)
JGBs	1,940	1,354	1,252	-688	9	0	-0	-10
TDB only	1,602	1,273	1,172	-430	0	-0	0	0
15Y floating rate only	338	81	80	-258	9	0	-0	-10
Municipal bonds	185	150	176	-9	1	1	2	0
Corporate bonds	393	387	343	-50	0	-2	2	2
Equities	418	433	431	13	263	251	250	-13
Foreign bonds	3,704	3,183	3,897	192	36	-3	-65	-101
Others	3,200	3,988	4,417	1,216	201	-5	-1	-203
Hedge funds	72	48	44	-28	24	16	14	-11
ETFs	1,444	2,085	2,202	757	111	-40	-45	-155
Investment in limited partnerships	675	719	697	22	6	11	8	3
REIT	482	534	570	88	59	22	29	-29
Investment trusts	324	405	707	382	-2	-15	-11	-9
Others	204	197	197	-6	4	1	3	-1
<b>Total</b>	<b>9,841</b>	<b>9,496</b>	<b>10,516</b>	<b>675</b>	<b>511</b>	<b>242</b>	<b>187</b>	<b>-324</b>

Securities were 1,051.6 billion yen as of December 31, 2015, an increase of 67.5 billion yen, or 6.9%, compared to March 31, 2015. In the first nine months of FY2015, foreign currency denominated ETFs and investment trusts increased, while JGBs were reduced. Interest and dividends on securities were 15.7 billion yen, reflecting the Bank's continued efforts to secure stable income through an ongoing focus on the diversification and performance of its investment portfolio.

Total unrealized gains declined from March 31, 2015 to 18.7 billion yen, reflecting increased uncertainty in global markets, while the Bank continued to diversify the risk in its portfolio taking into consideration correlations.

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

(Non-consolidated)

(100 million yen)	Mar. 31, 2015 (A)	Sept. 30, 2015	Dec. 31, 2015 (B)	Change (B)–(A)
Bankrupt and similar credit	3	3	1	-2
Doubtful credit	262	207	187	-75
Special attention credit	118	40	39	-78
FRL credit, total (a)	382	250	227	-155
Normal credit (b)	27,871	26,222	26,228	-1,643
Total credit (c)=(a)+(b)	28,253	26,472	26,455	-1,797
FRL credit ratio (a)/(c)	1.35%	0.94%	0.85%	-0.50%

Non-performing claims as defined by the Financial Reconstruction Law (FRL) were 22.7 billion yen, a decrease of 15.5 billion yen, or 40.5%, from March 31, 2015, mainly due to the collection of claims, including doubtful and special attention credits. The FRL ratio further declined in the latest quarter to 0.85%. The percentage of FRL claims covered by reserves, collateral and guarantees remained high at 82.1% as of December 31, 2015. The ratio of loan loss reserves to total loans on a consolidated basis remained high at 2.48% as of December 31, 2015.

*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 costs and the effectiveness of our operational, legal and other risk management policies.*