

May 12, 2011

Company name: Aozora Bank, Ltd.
Name of representative: Brian F. Prince, President and CEO
Listed exchange: TSE, Code 8304
Enquiries: Hiroyuki Kajitani
Corporate Communication Division (03 3263 1111)

Aozora Reports Net Income of 32.8 Billion; Forecasts for FY2011

TOKYO May 12, 2011 – Aozora Bank, Ltd. ("Aozora" or "the Bank"), a leading Japanese commercial bank, today announced its financial results for FY2010 and forecasts for FY2011.

FY2010 Financial Results

Aozora reported consolidated business profit of 37.0 billion yen, an increase of 3.5 billion yen, or 10.4%, year on year, and net income of 32.8 billion yen, an increase of 24.5 billion yen, or 295%, for the fiscal year ended March 31, 2011. The results were in excess of the full-year forecast that was revised upwards in February 2011 and represented the Bank's 8th consecutive quarterly profit.

Brian F. Prince, Representative Director, President and Chief Executive Officer of Aozora Bank commented, "On behalf of the management team, I want to extend our heartfelt sympathy to the people and communities adversely impacted by the Great Eastern Japan Earthquake and related disasters. We are praying for a swift recovery for all those affected by this disaster."

Prince continued, "We reported net income in FY2010 of 32.8 billion yen, an increase of 295% over the prior year and in excess of our revised forecasts announced in February 2011. Despite a continued difficult economic environment, we were able to record our 8th consecutive quarterly profit. The results were primarily a function of steady progress in improving our core businesses, reducing funding costs, disciplined expense management and improving credit quality. In addition, total loans increased in the quarter ended March 31, 2011, for the first time in the last 10 quarters. The number of domestic corporate borrowers, middle market borrowers in particular, also increased from the end of September 2010, following the establishment of a new group to promote middle market businesses last summer.

Despite the uncertainties with respect to the Japanese economy and the financial markets created by the recent disaster, we will continue to focus on disciplined risk management. We will also continue to focus on our core business by leveraging our capital base and financial strength in order to generate sustainable earnings while making a contribution to the recovery of the Japanese economy.

1. Summary of the full-year results (Consolidated)

- Business profit increased 3.5 billion yen, or 10.4%, to 37.0 billion yen and net income increased by 24.5 billion yen, or 295%, to 32.8 billion yen, representing the Bank's 8th consecutive quarterly profit. These results reflected the Bank's focus on its core businesses, a decrease in funding costs and a reduction in both general and administrative and credit-related expenses.
 - In FY2010, the Bank recorded consolidated net revenue of 77.9 billion yen, almost the same level as FY2009. However, when adjusted for the special factor of a 5.1 billion yen gain on CDS hedging transactions in FY2009, net revenues increased by 4.6 billion yen in real terms.

- Funding costs were reduced 15 basis points from 0.92% to 0.77%, reflecting our ongoing effort to reduce funding costs while maintaining a stable base of retail deposits.
 - General and administrative expenses were reduced by 8.9%, or 4.0 billion yen, year on year to 40.9 billion yen, as a result of the Bank's continued strict control on costs. Over the past two years, general and administrative expenses have been reduced by 14.8%, or 7.1 billion yen. The overhead ratio, or OHR, (general and administrative expenses as a percentage of net revenues) was 52.4%, close to the Bank's mid-term target of 50%.
 - Credit-related expenses decreased by 18.7 billion yen, or 75.5%, year on year, to 6.1 billion yen. The result reflected the preventative measures taken by the Bank to date including the conservative allocation of reserves, as well as the absence of significant credit events in FY2010. Credit-related expenses included a provision for the possible impact of the Great Eastern Japan Earthquake and related disasters.
- Loans increased 67.1 billion yen, or 2.5%, to 2,729.6 billion yen as compared with December 31, 2010, representing the first increase in the last 10 quarters. This change in trend reflected the positive contribution from growth in middle market and non-recourse real estate businesses, offsetting the continued reduction of overseas loans and domestic unsecured loans.
 - Funding from retail customers remained basically unchanged, and the percentage of retail funding to total core funding (the sum of deposits, negotiable certificates of deposit, debentures and bonds) remained high at 70.3% as of March 31, 2011. The Bank maintained sufficient liquidity reserves of 583.2 billion yen as of March 31, 2011.
 - Financial Reconstruction Law (FRL) claims (non-consolidated) were 127.5 billion yen, a decrease of 44.3 billion yen or 25.8% from the prior year. The FRL ratio decreased 0.93 points to 4.59%. The percentage of FRL claims covered by reserves, collateral and guarantees remained high at 86.1% as of March 31, 2011. Aozora's loan loss reserve was 3.67% of loans as of March 31, 2011, remaining one of the highest among major Japanese banks.
 - The Bank's consolidated capital adequacy ratio was 16.93%, and the Tier 1 ratio was 18.43% (both on a preliminary basis). These ratios remain among the highest in the Japanese banking industry. The 'Core Tier 1' ratio, excluding the net amount of deferred tax assets, was 16.92%. The tangible equity ratio, as defined on page 11, was 11.48%.

2. FY2010 Performance (April 1, 2010 to March 31, 2011):

Consolidated basis

(100 million yen)	Ordinary Income	Net Revenue	Business Profit	Ordinary Profit	Net Income	Net Income per common share
FY2010 (a)	1,267	779	370	287	328	20.49 Yen
FY2009 (b)	1,461	784	336	65	83	4.10 Yen
Change (a) - (b)	-194	-5	35	222	245	16.39 Yen
Percentage change ((a)-(b)) / (b)	-13.3%	-0.6%	10.4%	342.7%	295.0%	399.8%
FY2010 Full-Year Forecast (c)	1,250	770	360	285	320	19.96 Yen
Progress (a) / (c)	101.3%	101.2%	102.9%	100.7%	102.5%	102.7%

Non-Consolidated basis

(100 million yen)	Ordinary Income	Business Profit before general loan-loss reserve	Ordinary Profit	Net Income	Net Income per common share
FY2010 (a)	1,243	354	280	318	19.84 Yen
FY2009 (b)	1,408	335	50	76	3.66 Yen
Change (a)-(b)	-165	19	230	242	16.18 Yen
Percentage change ((a)-(b)) / (b)	-11.7%	5.6%	459.1%	316.3%	442.1%
FY2010 Full-Year Forecast (c)	1,200	345	250	285	17.62 Yen
Progress (a) / (c)	103.4%	102.6%	112.1%	111.7%	112.6%

3. Earnings Forecast for FY2011

Aozora also announced its fiscal year 2011 earnings forecast today as below.

FY2010 Financial Results and FY2011 Earnings Forecast (Consolidated)

(100 million yen)	Ordinary Income	Net Revenue	Business Profit	Ordinary Profit	Net Income	Net Income per common share
FY2011 Forecast (a)	1,200	810	405	300	330	20.63 Yen
FY2010 Actual (b)	1,267	779	370	287	328	20.49 Yen
Change (a) - (b)	-67	31	35	13	2	0.14 Yen
Percentage change	-5.3%	4.0%	9.3%	4.5%	0.6%	0.7%
FY2009 Actual	1,461	784	336	65	83	4.10 Yen

FY2010 Financial Results and FY2011 Earnings Forecast (Non-consolidated)

(100 million yen)	Ordinary Income	Net Revenue	Business Profit before general loan-loss reserve	Ordinary Profit	Net Income	Net Income per common share
FY2011 Forecast (a)	1,150	760	375	280	310	19.29 Yen
FY2010 Actual (b)	1,243	732	354	280	318	19.84 Yen
Change (a) - (b)	-93	28	21	-0	-8	-0.55 Yen
Percentage change	-7.5%	3.8%	6.0%	-0.1%	-2.6%	-2.8%
FY2009 Actual	1,408	741	335	50	76	3.54 Yen

I. Revenue and Expenses

(100 million yen)	FY2009		FY2010		Change (B) – (A)		Page
	Jan.- Mar.	Full-Year (A)	Jan.- Mar.	Full-Year (B)	Amount	%	
Net revenue	243	784	173	779	-5	-0.6%	-
Net interest income	114	467	108	450	-17	-3.7%	5
Net interest margin	0.93%	0.90%	0.95%	0.95%	0.05%	-	5
Net fees and commissions	30	137	29	104	-34	-24.4%	5
Net trading revenues	109	171	23	97	-74	-43.4%	6
Gains/losses on bond transactions	-91	13	-2	109	95	705.5%	6
Net other ordinary income excluding gains/losses on bond transactions	80	-5	14	20	25	-	6
General & administrative expenses	-126	-448	-107	-409	40	-8.9%	7
Business profit	117	336	66	370	35	10.4%	-
Ordinary profit	-11	65	91	287	222	342.7%	-
Net income	10	83	131	328	245	295.0%	-
Credit-related expenses incl. recoveries of written-off claims	-125	-247	34	-61	187	-75.5%	7
Taxes	19	8	37	34	26	323.4%	7

In FY2010, the Bank recorded consolidated net revenue of 77.9 billion yen, almost the same level as FY2009. However, when adjusted for the special factor of a 5.1 billion yen gain on CDS hedging transactions included in FY2009, net revenues increased by 4.6 billion yen in real terms.

Net interest income was 45.0 billion yen, representing a slight decrease due to a decline in average interest earning assets. Funding costs were reduced 15 bps from 0.92% to 0.77%, reflecting our ongoing efforts to reduce funding costs while maintaining a stable base of retail deposits. Net fees and commissions decreased by 3.4 billion yen, or 24.4%, to 10.4 billion yen, mainly due to the absence of large transactions that contributed to FY2009. Net trading revenues decreased by 7.4 billion yen, or 43.4%, to 9.7 billion yen, reflecting the absence of the aforementioned 5.1 billion yen gain on CDS hedging transactions included in FY2009. Gains/losses on bond transactions increased by 9.5 billion yen, or 705.5%, to 10.9 billion yen, reflecting gains on JGBs and foreign government bonds, as well as reduced losses from impairment on overseas corporate bonds and CMBS that were recorded in FY2009. Net other ordinary income, excluding gains/losses on bond transactions, improved by 2.5 billion yen to 2.0 billion yen mainly due to the contribution of earnings generated by Aozora Loan Services' NPL business.

General and administrative expenses were 40.9 billion yen, a reduction of 4.0 billion yen, or 8.9%, year on year, as a result of our continued strict controls 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. As a result of the above factors, consolidated business profit increased 3.5 billion yen, or 10.4%, to 37.0 billion yen.

Credit-related expenses were 6.1 billion yen, a year on year decrease of 18.7 billion yen, or 75.5%, reflecting the preventative measures taken by the Bank to date, including the conservative allocation of reserves, as well as the absence of significant credit events in FY2010. Credit-related expenses included a provision for the possible impact of the Great Eastern Japan Earthquake and related disasters. Taxes were a net benefit of 3.4 billion yen. As a result of the above factors, consolidated net income increased 24.5 billion yen, or 295%, to 32.8 billion yen, representing an 8th consecutive quarterly profit.

1. Net Revenue

(1)①Net Interest Income

(100 million yen)	FY2009		FY2010		Change (B)－(A)
	Jan.-Mar.	Full-Year (A)	Jan.-Mar.	Full-Year (B)	
Net interest income (a)-(b)	114	467	108	450	-17
Interest income (a)	207	892	177	756	-136
Interest on loans and discounts	160	684	131	567	-117
Interest and dividends on securities	32	144	31	132	-11
Other interest income	3	25	5	17	-7
Interest on swaps	12	40	9	39	-0
Interest expenses (b)	-93	-425	-68	-306	119
Interest on deposits and NCDs※	-65	-265	-50	-224	41
Interest on debentures	-20	-116	-7	-42	74
Interest on borrowings and rediscount	-1	-12	-1	-5	8
Other interest expenses	-5	-22	-6	-21	1
Interest on swaps	-1	-10	-3	-14	-4

※ Negotiable certificates of deposit

(1)②Net Interest Margin

	FY2009		FY2010		Change (B)－(A)
	Jan.-Mar.	Full-Year (A)	Jan.-Mar.	Full-Year (B)	
Yield on total investments (a)	1.78%	1.82%	1.65%	1.72%	-0.10%
Yield on loans (b)	2.05%	2.06%	2.00%	2.00%	-0.06%
Yield on securities	1.00%	1.12%	0.89%	1.02%	-0.10%
Yield on funding (c)	0.85%	0.92%	0.70%	0.77%	-0.15%
Net interest margin (a)-(c)	0.93%	0.90%	0.95%	0.95%	+0.05%
Loan margin (b)-(c)	1.20%	1.14%	1.30%	1.23%	+0.09%

Funding costs were reduced 15 basis points from 0.92% to 0.77%, 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 by 5 bps to 0.95%, and loan margin expanded by 9 bps to 1.23%.

(2) Net Fees and Commissions

(100 million yen)	FY2009		FY2010		Change (B)－(A)
	Jan.-Mar.	Full-Year (A)	Jan.-Mar.	Full-Year (B)	
Net fees and commissions (a)-(b)	31	137	29	104	-34
Fees and commissions received (a)	33	147	31	112	-35
Loan business-related	24	116	22	77	-39
Securities-related and agency	5	14	6	22	8
Others	4	17	3	13	-4
Fees and commissions payments (b)	-2	-10	-2	-8	2

Net fees and commissions were 10.4 billion yen, a decrease of 3.4 billion yen, or 24.4%, year on year. The absence of large transactions that contributed to the results in FY2009 resulted in fees on loan-related business decreasing from 11.6 billion yen to 7.7 billion yen. Fees on the sale of investment trusts and other products grew steadily.

(3) Net Trading Revenues

(100 million yen)	FY2009		FY2010		Change (B) – (A)
	Jan.-Mar.	Full-Year (A)	Jan.-Mar.	Full-Year (B)	
Net trading revenues	109	171	23	97	-74
Net income on trading-related financial derivatives transactions	109	170	21	89	-81
Others	0	1	2	7	7

Net trading revenues decreased by 7.4 billion yen, or 43.4%, year on year, to 9.7 billion yen, mainly due to the absence of a 5.1 billion yen gain on CDS hedging transactions included in FY2009. Core trading revenues have remained consistent, reflecting factors such as steady sales of derivative-embedded time deposits to retail customers.

(4) Gains/losses on Bond Transactions

(100 million yen)	FY2009		FY2010		Change (B) – (A)
	Jan.-Mar.	Full-Year (A)	Jan.-Mar.	Full-Year (B)	
Gains/losses on bond transactions	-91	13	-2	109	95
Japanese government bonds	0	53	-	65	11
Foreign government bonds and mortgage bonds	5	24	2	50	26
Others	-96	-64	-4	-6	58
Collateralized Debt Obligations (CDOs) only	1	16	-0	-2	-18
Profit from hedge funds (Available For Sale)	3	15	4	29	13
Others	-100	-95	-7	-32	63

Gains/losses on bond transactions increased 9.5 billion yen, or 705.5%, year on year to 10.9 billion yen, reflecting gains on JGBs and foreign government bonds, as well as reduced losses from impairment on overseas corporate bonds and CMBS that were recorded in FY2009.

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

(100 million yen)	FY2009		FY2010		Change (B) – (A)
	Jan.-Mar.	Full-Year (A)	Jan.-Mar.	Full-Year (B)	
Net other ordinary income excluding gains/losses on bond transactions	80	-5	14	20	25
Gains /losses on foreign currency transactions	-3	-52	9	-32	20
Gains /losses on derivatives other than trading, net	-0	2	1	4	3
Profit from limited partnerships	11	4	4	27	23
Real estate related	4	-0	3	7	7
Distressed loan related	5	18	4	20	2
Other (venture capital, etc.)	2	-13	-2	0	13
Gains on distressed loans (Aozora Loan Services)	4	18	6	28	10
Debenture issue cost	-0	-2	-0	-1	1
Others	69	25	-6	-7	-32

Net other ordinary income, excluding gains/losses on bond transactions, improved by 2.5 billion yen to 2.0 billion yen, mainly due to the contribution of earnings generated by Aozora Loan Services' NPL business. An allowance for investment losses of 1.2 billion yen was recorded in 'Others'.

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

(100 million yen)	FY2009		FY2010		Change (B) – (A)
	Jan.-Mar.	Full-Year (A)	Jan.-Mar.	Full-Year (B)	
G & A expenses	-126	-448	-107	-409	40
Personnel	-65	-219	-52	-197	21
Non-personnel expense	-56	-210	-50	-193	17
Tax	-5	-20	-5	-18	1

General and administrative expenses were reduced by 4.0 billion yen, or 8.9%, year on year to 40.9 billion yen. Over the past two years, general and administrative expenses have been reduced by 7.1 billion yen, or 14.8%. This result reflected our continued strict controls 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) decreased 4.8 points to 52.4% year on year, close to the Bank's mid-term target of 50%.

3. Credit-Related Expenses

(100 million yen)	FY2009		FY2010		Change (B) – (A)
	Jan.-Mar.	Full-Year (A)	Jan.-Mar.	Full-Year (B)	
Credit-related expenses	-125	-247	34	-61	187
Write-off of loans	-4	-114	-32	-51	63
Gains/losses on disposition of loans	-6	-13	8	11	24
Specific reserve for possible loan losses	-131	-155	85	-3	152
General reserve for possible loan losses	14	22	-32	-36	-59
Reversal of reserve for credit losses on off-balance-sheet instruments	1	5	0	9	4
Recoveries of written-off claims	1	6	4	10	3

Credit-related expenses decreased by 18.7 billion yen, or 75.5%, year on year to 6.1 billion yen. This result reflected the preventative measures taken by the Bank to date, including the conservative allocation of reserves, as well as the absence of significant credit events in FY2010. Credit-related expenses included a provision for the possible impact of the Great Eastern Japan Earthquake and related disasters. The ratio of loan loss reserves to loans outstanding was 3.67% as of March 31, 2011 and remained one of the highest among major Japanese banks.

4. Taxes

(100 million yen)	FY2009		FY2010		Change (B) – (A)
	Jan.-Mar.	Full-Year (A)	Jan.-Mar.	Full-Year (B)	
Taxes	19	8	37	34	26

A net tax benefit of 3.4 billion yen was recognized in FY2010 as a result of the calculation of deferred tax assets, in consideration of the earnings projection.

II. Balance Sheet

(100 million yen)	Mar. 31, 2010 (A)	Dec. 31, 2010 (B)	Mar. 31, 2011 (C)	Change (C) – (B)		Change (C) – (A)		Page
				Amount	%	Amount	%	
Total assets	51,573	48,313	49,184	870	1.8%	-2,390	-4.6%	-
Loans and bills discounted	30,702	26,625	27,296	671	2.5%	-3,407	-11.1%	9
Securities	12,763	14,192	13,357	-835	-5.9%	594	4.7%	10
Cash and due from banks	2,438	1,732	2,720	988	57.0%	282	11.5%	-
Others	5,670	5,765	5,812	47	0.8%	142	2.5%	-
Total liabilities	46,186	42,766	43,532	765	1.8%	-2,654	-5.7%	-
Deposits	29,460	28,126	27,774	-352	-1.3%	-1,686	-5.7%	} 9
Negotiable certificates of deposit	1,416	1,253	1,549	297	23.7%	134	9.5%	
Debentures	5,621	2,808	2,647	-161	-5.7%	-2,974	-52.9%	
Bonds payable	912	912	912	0	0.0%	0	0.0%	
Others	8,777	9,667	10,649	982	10.2%	1,872	21.3%	-
Total net assets	5,387	5,547	5,652	105	1.9%	265	4.9%	-
Capital stock	4,198	4,198	4,198	-	-	-	-	-
Capital surplus	333	333	333	-	-	-	-	-
Retained earnings	1,028	1,193	1,324	131	11.0%	296	28.8%	-
Valuation difference on available-for-sale securities	29	41	18	-23	-56.2%	-11	-37.8%	-
Others	-201	-218	-221	-3	-	20	-	-
Total liabilities and net assets	51,573	48,313	49,184	870	1.8%	-2,390	-4.6%	-

Total assets were 4,918.4 billion yen as of March 31, 2011, a decrease of 239.0 billion yen, or 4.6%, compared to March 31, 2010. Securities increased by 59.4 billion yen, or 4.7%, and loans and bills discounted decreased by 340.7 billion yen, or 11.1%, reflecting the continued reduction of overseas loans and domestic unsecured loans.

Loans increased 67.1 billion yen, or 2.5%, to 2,729.6 billion yen as compared with December 31, 2010, representing the first increase in the last 10 quarters. This change in trend reflected the positive contribution from growth in middle market and non-recourse real estate businesses. The number of domestic corporate borrowers, middle market borrowers in particular, increased from the end of September 2010, following the establishment of a new group to promote middle market businesses last summer.

On the funding side, total deposits and negotiable certificates of deposit decreased by 155.2 billion yen, or 5.0%, as compared to March 31, 2010, and debentures decreased 297.4 billion yen, or 52.9%. Funding from retail customers remained basically unchanged from March 31, 2010 at approximately 2,300 billion yen, and as a result, the percentage of retail funding to total core funding expanded from 63.1% as of March 31, 2010 to 70.3% as of March 31, 2011. Total liabilities decreased by 265.4 billion yen, or 5.7%, to 4,353.2 billion yen as compared to March 31, 2010.

Net assets were 565.2 billion yen, representing an increase of 26.5 billion yen, or 4.9%, in comparison with March 31, 2010.

1. Funding (Deposits and Debentures)

(100 million yen)	Mar. 31, 2010 (A)	Dec. 31, 2010 (B)	Mar. 31, 2011 (C)	Change (C)－(B)	Change (C)－(A)
Retail	23,603	23,514	23,118	-396	-484
Corporate, etc.	4,209	3,665	4,238	573	29
Financial Institutions (Debentures)	6,275	3,488	3,333	-155	-2,943
Financial Institutions (Deposits)	3,322	2,433	2,194	-239	-1,128
Deposits and Debentures total	37,409	33,099	32,883	-216	-4,526

On the funding side, total deposits and negotiable certificates of deposit decreased by 155.2 billion yen, or 5.0%, as compared to March 31, 2010, and debentures decreased 297.4 billion yen, or 52.9%. Funding from retail customers remained basically unchanged at approximately 2,300 billion yen, and as a result, the percentage of retail funding to total core funding increased from 63.1% as of March 31, 2010 to 70.3% as of March 31, 2011.

The Bank maintained sufficient liquidity reserves of 583.2 billion yen as of March 31, 2011.

2. Loans

(100 million yen)	Mar. 31, 2010 (A)	Dec. 31, 2010 (B)	Mar. 31, 2011 (C)	Change (C)－(B)	Change (C)－(A)
Loans outstanding	30,702	26,625	27,296	671	-3,407

Loans increased 67.1 billion yen, or 2.5%, to 2,729.6 billion yen as compared to December 31, 2010, representing the first increase in the last 10 quarters. This change in trend reflected the positive contribution from growth in middle market and non-recourse real estate businesses, offsetting the continued reduction of overseas loans and domestic unsecured loans. The number of domestic corporate borrowers, middle market borrowers in particular, increased from the end of September 2010, following the establishment of a new group to promote middle market businesses last summer.

In comparison to March 31, 2010, loans decreased by 340.7 billion yen, or 11.1%.

While overseas loans and lending to the finance/insurance sector decreased 148.9 billion yen and 69.5 billion yen, respectively, transportation increased 7.1 billion yen. While lending to the real estate sector decreased 30.5 billion yen, non-recourse loans increased by 9.8 billion yen.

3. Securities

(100 million yen)	Book value					Unrealized gains/losses		
	Mar. 31, 2010 (A)	Dec. 31, 2010 (B)	Mar. 31, 2011 (C)	Change (C) – (B)	Change (C) – (A)	Mar. 31, 2010	Dec. 31, 2010	Mar. 31, 2011
JGBs	7,940	8,226	6,771	-1,456	-1,170	55	61	57
Municipal bonds	50	72	103	31	53	1	0	-0
Corporate bonds	472	681	752	71	280	-0	4	-1
Equities	273	269	267	-2	-6	-0	-0	-2
Foreign bonds	2,644	3,080	3,404	323	760	-43	-20	-38
Others	1,384	1,864	2,061	197	676	39	34	28
Hedge funds	265	165	146	-19	-119	39	24	25
ETFs (linked to Japanese stock indices)	-	26	25	-1	25	-	1	0
Investment in limited partnerships	786	714	681	-32	-104	2	1	3
REITs	-	58	93	35	93	-	12	7
Others	334	902	1,115	214	782	-2	-5	-7
Money market funds only	300	798	995	198	695	-	-2	-5
Total	12,763	14,192	13,357	-835	594	52	79	44

Securities increased by 59.4 billion yen, or 4.7%, in comparison with March 31, 2010. Major factors in this change were a decrease in JGBs of 117.0 billion yen, or 14.7%, offset by an increase in foreign bonds, mainly U.S. Treasury bonds, of 76.0 billion yen, or 28.8%, and an increase in money market funds, assets comparable to the liquidity reserve, of 69.5 billion yen, or 231.7%.

Total unrealized gains amounted to 4.4 billion yen as of March 31, 2011, reflecting unrealized gains on JGBs, hedge funds, and REITs of 5.7 billion yen, 2.5 billion yen, and 0.7 billion yen, respectively.

Note (1): Floating rate JGBs as of March 31, 2011, 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 20.1 billion yen; valuation loss 2.2 billion yen as of end-March 2011) are not included in the table above.

4. Investment in Limited Partnerships and Hedge Funds

(100 million yen)	Mar. 31, 2010 (A)	Dec. 31, 2010 (B)	Mar. 31, 2011 (C)	Change (C) – (B)	Change (C) – (A)
Limited partnerships	786	714	681	-32	-104
Real estate related	171	167	143	-24	-28
Distressed loan related	379	321	306	-15	-73
Others	236	225	232	8	-3
Hedge funds	265	165	146	-19	-119

Investments in limited partnerships decreased by 10.4 billion yen, or 13.3 %, from March 31, 2010, mainly due to redemptions. Hedge fund investments decreased 11.9 billion yen, or 44.7%, as compared to March 31, 2010.

III. Disclosed Claims under the Financial Reconstruction Law

(Non-consolidated)

(100 million yen, %)	Mar. 31, 2010 (A)	Dec. 31, 2010 (B)	Mar. 31, 2011 (C)	Change (C)–(B)	Change (C)–(A)
Bankrupt and similar credit	418	94	119	25	-299
Doubtful credit	880	906	804	-102	-76
Special attention credit	420	353	352	-1	-68
FRL credit, total (a)	1,718	1,353	1,275	-78	-443
Normal credit (b)	29,359	25,767	26,443	676	-2,916
Total credit (c)((a)+(b))	31,078	27,120	27,718	598	-3,360
FRL credit ratio (a)/(c)	5.52%	4.98%	4.59%	-0.39%	-0.93%

Non-performing claims as defined by the Financial Reconstruction Law (FRL) were 127.5 billion yen, a decrease of 44.3 billion yen, or 25.8%, as compared to March 31, 2010. The FRL Ratio improved by 0.93 points to 4.59%.

The percentage of FRL claims covered by reserves, collateral and guarantees remained high at 86.1% as of March 31, 2011.

IV. Capital Adequacy Ratio (Preliminary)

	Mar. 31, 2010 (A)	Dec. 31, 2010 (B)	Mar. 31, 2011 (C)	Change (C)–(B)	Change (C)–(A)
Capital adequacy ratio	14.03%	16.60%	16.93%	0.33%	2.90%
Tier 1 ratio	15.22%	17.99%	18.43%	0.44%	3.21%
Core Tier 1 ratio (*)	14.05%	16.67%	16.92%	0.25%	2.87%

(FYI)

	Mar. 31, 2010 (A)	Dec. 31, 2010 (B)	Mar. 31, 2011 (C)	Change (C)–(B)	Change (C)–(A)
Core Tier 1 ratio on an all preferred stock excluded basis (**)	8.89%	10.78%	10.98%	0.20%	2.09%
Tangible equity ratio (***)	10.43%	11.47%	11.48%	0.01%	1.05%

Note: Figures are calculated in accordance with the FSA Notification Number 79 issued in 2008 (special treatment of FSA Notification Number 19 issued in 2006).

(*) Core Tier 1 ratio: (Tier 1 capital (excluding preferred securities and non-convertible preferred stock) minus deferred tax assets (net)) divided by risk-weighted assets

(**) Alternative calculation excluding all preferred stock: (Tier 1 capital (excluding preferred securities and all preferred stock) minus deferred tax assets (net)) divided by risk-weighted assets.

(***) The ratio of tangible equity divided by tangible assets.

Aozora's Tier 1 ratio as of end-March 2011 was among the highest in the Japanese banking industry. The Bank's capital adequacy ratio was 16.93%, Tier 1 ratio was 18.43%, and Core Tier 1 ratio was 16.92%.

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.