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**Aozora Reports Interim Net Income of 22.6 Billion
- Increased 59.1% compared to previous year -**

TOKYO November 15, 2011 – Aozora Bank, Ltd. (“Aozora” or “the Bank”), a leading Japanese commercial bank, today announced its interim financial results for FY2011.

FY2011 Interim Financial Results

Aozora reported consolidated net revenue of 39.5 billion yen and net income of 22.6 billion yen. In consideration of the strong first half performance and other potential factors in the second half, the Bank revised upward its full-year earnings and annual dividend forecast on October 31, 2011.

Brian F. Prince, Representative Director, President and Chief Executive Officer of Aozora Bank commented, “In the first half, we recorded net income of 22.6 billion yen, an increase of 59% year on year, representing our 10th consecutive quarterly profit. This was a result of steady progress in our core businesses including the reduction of funding costs, as the Bank continued its disciplined balance sheet management. In addition, general and administrative expenses were well below both the initial budget and the previous interim period. While total loans decreased slightly in the first half compared to end-March 2011, domestic loans increased for the third consecutive quarter.

At the end of October this year, we announced the upward revision of our full-year net income forecast from 33.0 billion yen to 45.0 billion yen as well as our annual common share dividend forecast from 3 yen to 9 yen. I am pleased that we were able to make these upward revisions, and I believe that they reflect our continued focus on our corporate priorities.

We have one of the strongest capital positions among Japanese banks as well as ample liquidity, and we will stay focused on increasing our corporate value and sustainable profitability through disciplined risk management and a focus on our core businesses. I would like to express my gratitude for your continuing support.”

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

- The Bank recorded net income of 22.6 billion yen, an increase of 8.4 billion yen, or 59.1%, year on year, representing its 10th consecutive quarterly profit amid a recent slowdown in the domestic economy and financial market turmoil in the US and Europe.
 - Net interest income was 23.2 billion yen, almost unchanged year on year, reflecting continued improvement in the net interest margin as the Bank continued its disciplined balance sheet management. Funding costs were reduced 19 basis points from 0.81% to 0.62%. The net interest margin expanded 7 bps to 1.06%.
 - General and administrative expenses were reduced 5.2%, or 1.1 billion yen year on year, to 19.2 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 48.7%, achieving the Bank's mid-term target of 50% or below.
 - Credit-related expenses were a net profit of 2.6 billion yen, compared with a net expense of 6.4 billion yen in the first half of FY2010. This result included a reversal of the loan loss reserve, 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.
 - Comprehensive income for the first half of FY2011 resulted in a gain of 26.6 billion yen, and net assets per common share were 272.02 yen, as compared to 256.27 yen as of March 31, 2011.

- Loans were almost unchanged from the previous year, slightly decreasing by 28.0 billion yen, or 1.0%, to 2,701.6 billion yen. While overseas loans were deliberately decreased by 87.4 billion yen or 20.6%, domestic loans increased 59.4 billion yen, or 2.6%. 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 67.4%. The Bank maintained sufficient liquidity reserves of approximately 600 billion yen as of September 30, 2011.
- Financial Reconstruction Law (FRL) claims (non-consolidated) were 92.5 billion yen, a decrease of 35.0 billion yen or 27.5% from March 31, 2011, mainly reflecting progress in the disposal of non-performing loans. The FRL ratio improved 1.25 points to 3.34%. The percentage of FRL claims covered by reserves, collateral and guarantees remained high at 88.2% as of September 30, 2011. Aozora's loan loss reserve was 3.48% of loans as of September 30, 2011, remaining one of the highest among major Japanese banks.
- The Bank's consolidated capital adequacy ratio was 18.07%, and the Tier 1 ratio was 19.37% (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 17.88%. The tangible equity ratio, as defined on page 10, was 11.60%.
- In consideration of the strong first half performance and other potential factors in the second half, the Bank revised upward its full-year net income forecast on October 31 from 33.0 billion yen to 45.0 billion yen, or 36.4% above the initial forecast. In addition, the forecast for the annual dividend was revised upward from 3 yen to 9 yen per common share.

2. FY2011 Interim Performance (April 1, 2011 to September 30, 2011)

Consolidated basis

(100 million yen)	Ordinary Income	Net Revenue	Business Profit	Ordinary Profit	Net Income	Net Income per common share
H1 FY2011 (a)	645	395	203	205	226	15.09 Yen
H1 FY2010 (b)	698	421	218	154	142	9.48 Yen
Change (a) - (b)	-53	-26	-15	51	84	5.61 Yen
Percentage change ((a)-(b)) / (b)	-7.6%	-6.1%	-7.0%	33.5%	59.1%	59.2%
FY2011 Full-Year Forecast (c)	1,250	810	415	400	450	28.66 Yen
Progress (a) / (c)	51.6%	48.8%	48.9%	51.3%	50.1%	52.7%

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
H1 FY2011 (a)	618	372	190	202	226	15.12 Yen
H1 FY2010 (b)	681	397	209	157	147	9.82 Yen
Change (a)-(b)	-63	-25	-18	46	79	5.30 Yen
Percentage change ((a)-(b)) / (b)	-9.3%	-6.2%	-8.8%	29.1%	54.0%	54.0%
FY2011 Full-Year Forecast (c)	1,200	760	385	395	450	28.66 Yen
Progress (a) / (c)	51.5%	48.9%	49.4%	51.2%	50.2%	52.8%

I. Revenue and Expenses

(100 million yen)	FY2010		FY2011		Change (B) – (A)		Page
	Jul.- Sept.	Interim (A)	Jul.- Sept.	Interim (B)	Amount	%	
Net revenue	217	421	211	395	-26	-6.1%	-
Net interest income	113	234	112	232	-2	-0.9%	4
Net interest margin	0.95%	0.99%	1.04%	1.06%	0.07%	-	4
Net fees and commissions	33	53	23	43	-10	-18.4%	4
Net trading revenues	27	58	26	41	-17	-29.7%	5
Gains/losses on bond transactions	43	75	49	62	-13	-17.3%	5
Net other ordinary income excluding gains/losses on bond transactions	3	1	2	17	16	2409%	5
General & administrative expenses	-102	-203	-96	-192	11	-5.2%	6
Business profit	116	218	115	203	-15	-7.0%	-
Ordinary profit	81	154	109	205	51	33.5%	-
Net income	69	142	116	226	84	59.1%	-
Credit-related expenses incl. recoveries of written-off claims	-39	-64	7	26	89	-	6
Taxes	-10	-5	8	21	26	-	6

Net revenue was 39.5 billion yen in the first half, a decrease of 2.6 billion yen, or 6.1% year on year. This represented steady progress of 48.8% towards the full-year forecast of 81.0 billion yen.

Net interest income was 23.2 billion yen, almost the same level as the first half of FY2010. The net interest margin expanded 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 0.62%, from 0.81% in the first half 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 7 bps to 1.06% year on year. Net fees and commissions were 4.3 billion yen, a decrease of 1.0 billion yen year on year, and net trading revenues were 4.1 billion yen, a decrease of 1.7 billion yen. Gains/losses on bond transactions decreased 1.3 billion yen to 6.2 billion yen. Net other ordinary income, excluding gains/losses on bond transactions, improved 1.6 billion yen to 1.7 billion yen mainly due to profit from limited partnerships.

General and administrative expenses were 19.2 billion yen, a reduction of 1.1 billion yen, or 5.2%, 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 48.7%, exceeding the Bank's mid-term target of 50% or below. As a result of the above factors, consolidated business profit was 20.3 billion yen, a decrease of 1.5 billion yen, or 7.0%. This result represented 48.9% progress towards the revised full-year forecast of 41.5 billion yen.

Credit-related expenses were a net profit of 2.6 billion yen, compared with a net expense of 6.4 billion yen in the first half of FY2010, mainly due to a reversal of the loan loss reserve. This 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. Taxes were a net profit of 2.1 billion yen. As a result of the aforementioned factors, consolidated net income increased 8.4 billion yen, or 59.1%, to 22.6 billion yen. This result represented progress of 50.1% towards the revised full-year forecast of 45.0 billion yen in net income.

1. Net Revenue

(1)①Net Interest Income

(100 million yen)	FY2010		FY2011		Change (B)－(A)
	Jul.-Sept.	Interim (A)	Jul.-Sept.	Interim (B)	
Net interest income (a)-(b)	113	234	112	232	-2
Interest income (a)	192	399	170	352	-47
Interest on loans and discounts	146	298	129	261	-36
Interest and dividends on securities	33	74	29	68	-6
Other interest income	3	7	5	9	2
Interest on swaps	10	21	7	14	-7
Interest expenses (b)	-79	-165	-58	-120	45
Interest on deposits and NCDs※	-57	-119	-45	-93	27
Interest on debentures	-11	-26	-7	-14	12
Interest on borrowings and rediscount	-1	-2	-1	-2	0
Other interest expenses	-5	-10	-2	-5	5
Interest on swaps	-5	-7	-3	-6	1

※ Negotiable certificates of deposit

(1)②Net Interest Margin

	FY2010		FY2011		Change (B)－(A)
	Jul.-Sept.	Interim (A)	Jul.-Sept.	Interim (B)	
Yield on total investments (a)	1.73%	1.80%	1.63%	1.68%	-0.12%
Yield on loans (b)	2.01%	2.01%	1.93%	1.96%	-0.05%
Yield on securities	1.08%	1.22%	0.92%	1.05%	-0.17%
Yield on funding (c)	0.78%	0.81%	0.59%	0.62%	-0.19%
Net interest margin (a)-(c)	0.95%	0.99%	1.04%	1.06%	+0.07%
Loan margin (b)-(c)	1.23%	1.20%	1.34%	1.34%	+0.14%

Net interest income was 23.2 billion yen, almost the same level as the first half of FY2010. The net interest margin expanded 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 0.62%, from 0.81% in the first half 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 7 bps to 1.06% year on year, and the loan margin expanded 14 bps to 1.34%.

(2) Net Fees and Commissions

(100 million yen)	FY2010		FY2011		Change (B)－(A)
	Jul.-Sept.	Interim (A)	Jul.-Sept.	Interim (B)	
Net fees and commissions (a)-(b)	33	53	23	43	-10
Fees and commissions received (a)	35	58	24	47	-11
Loan business-related	23	38	15	31	-8
Securities-related and agency	8	12	6	11	-1
Others	4	7	3	5	-2
Fees and commissions payments (b)	-2	-5	-2	-4	1
Of which, fees from investment trusts and annuity Insurance	4	7	5	10	3

Net fees and commissions were 4.3 billion yen, a decrease of 1.0 billion yen or 18.4%, 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)
	Jul.-Sept.	Interim (A)	Jul.-Sept.	Interim (B)	
Net trading revenues	27	58	26	41	-17
Net income on trading-related financial derivatives transactions	26	57	23	34	-22
Others	1	1	3	6	5

Net trading revenues were 4.1 billion yen, a decrease of 1.7 billion yen or 29.7% 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)
	Jul.-Sept.	Interim (A)	Jul.-Sept.	Interim (B)	
Gains/losses on bond transactions	43	75	49	62	-13
Japanese government bonds	30	49	11	23	-26
Foreign government bonds and mortgage bonds	31	42	34	53	11
Others	-19	-17	3	-14	3
Collateralized Debt Obligations (CDOs) only	-2	-2	-	-	2
Profit from hedge funds (Available For Sale)	23	25	1	5	-19
Others	-41	-40	1	-19	20

Gains/losses on bond transactions decreased 1.3 billion yen, or 17.3%, to 6.2 billion yen.

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

(100 million yen)	FY2010		FY2011		Change (B) – (A)
	Jul.-Sept.	Interim (A)	Jul.-Sept.	Interim (B)	
Net other ordinary income excluding gains/losses on bond transactions	3	1	2	17	16
Gains /losses on foreign currency transactions	-9	-24	-11	-20	4
Gains /losses on derivatives other than trading, net	-3	-1	-1	-1	0
Profit from limited partnerships	6	10	4	18	7
Real estate related	1	-0	1	6	6
Distressed loan related	8	10	6	9	-1
Other (venture capital, etc.)	-4	0	-3	3	3
Gains on distressed loans (Aozora Loan Services)	12	16	8	13	-3
Debenture issue cost	-0	-0	-0	-0	0
Others	-3	0	2	8	7

Net other ordinary income, excluding gains/losses on bond transactions, improved 1.6 billion yen to 1.7 billion yen, mainly due to profit from limited partnerships.

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

(100 million yen)	FY2010		FY2011		Change (B)－(A)
	Jul.-Sept.	Interim (A)	Jul.-Sept.	Interim (B)	
G & A expenses	-102	-203	-96	-192	11
Personnel	-50	-96	-47	-92	4
Non-personnel expense	-48	-97	-45	-91	6
Tax	-4	-10	-3	-10	0

General and administrative expenses were reduced 1.1 billion yen, or 5.2%, year on year to 19.2 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 48.7%, achieving the Bank's mid-term target of 50% or below.

3. Credit-Related Expenses

(100 million yen)	FY2010		FY2011		Change (B)－(A)
	Jul.-Sept.	Interim (A)	Jul.-Sept.	Interim (B)	
Credit-related expenses	-39	-64	7	26	89
Write-off of loans	-9	-19	-5	-8	11
Gains/losses on disposition of loans	4	4	-12	-2	-6
Specific reserve for possible loan losses	-24	-34	-29	-35	-1
General reserve for possible loan losses	-7	-18	56	68	85
Reversal of reserve for credit losses on off-balance-sheet instruments	-5	-1	-6	-6	-5
Recoveries of written-off claims	2	3	4	7	4

Credit-related expenses were a net profit of 2.6 billion yen, compared with a net expense of 6.4 billion yen in the first half of FY2010, mainly due to a reversal of the loan loss reserve. This 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. The ratio of loan loss reserves to loans outstanding was 3.48% as of September 30, 2011 and remained one of the highest among major Japanese banks.

4. Taxes

(100 million yen)	FY2010		FY2011		Change (B)－(A)
	Jul.-Sept.	Interim (A)	Jul.-Sept.	Interim (B)	
Taxes	-10	-5	8	21	26

A net tax profit of 2.1 billion yen was recognized in the first half of FY2011 as a result of the calculation of deferred tax assets, in consideration of the earnings projection.

II. Balance Sheet

(100 million yen)	Mar. 31, 2011 (A)	Sept. 30, 2011 (B)	Change (B) – (A)		Sept. 30, 2010	Page
			Amount	%		
Total assets	49,184	50,520	1,336	2.7%	49,863	-
Loan and bills discounted	27,296	27,016	-280	-1.0%	28,318	8
Securities	13,357	12,939	-418	-3.1%	13,128	9
Cash and due from banks	2,720	1,773	-947	-34.8%	1,651	-
Others	5,812	8,792	2,980	51.3%	6,766	-
Total liabilities	43,532	44,654	1,122	2.6%	44,311	-
Deposits	27,774	27,754	-20	-0.1%	28,556	} 8
Negotiable certificates of deposit	1,549	1,788	239	15.4%	1,243	
Debentures	2,647	2,676	28	1.1%	3,404	
Bonds payable	912	-	-912	-	912	
Others	10,649	12,436	1,787	16.8%	10,197	
Total net assets	5,652	5,866	214	3.8%	5,551	-
Capital stock	4,198	4,198	-	-	4,198	-
Capital surplus	333	333	-	-	333	-
Retained earnings	1,324	1,498	174	13.1%	1,138	-
Valuation difference on available-for-sale securities	18	66	48	265.2%	92	-
Others	-221	-229	-8	-	-210	-
Total liabilities and net assets	49,184	50,520	1,336	2.7%	49,863	-

Total assets were 5,052.0 billion yen as of September 30, 2011, an increase of 133.6 billion yen, or 2.7%, compared to March 31, 2011. Loans were almost unchanged from March 31, 2011, decreasing 28.0 billion yen, or 1%, to 2,701.6 billion yen, reflecting a decrease of 87.4 billion yen or 20.6% in overseas loans, while domestic lending increased 59.4 billion yen, or 2.6%. Securities were at almost the same level as March 31, 2011, decreasing slightly by 41.8 billion yen, or 3.1% to 1,293.9 billion yen.

On the funding side, total deposits and negotiable certificates of deposit increased 21.9 billion yen, or 0.7%, 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 decreased 138.9 billion yen, or 6.0%, from March 31, 2011 to 2,172.9 billion yen, while the percentage of retail funding to total core funding remained high at 67.4%. Total liabilities increased 112.2 billion yen, or 2.6%, to 4,465.4 billion yen as compared to March 31, 2011.

Net assets were 586.6 billion yen, representing an increase of 21.4 billion yen, or 3.8%, in comparison with March 31, 2011. Net assets per common share were 272.02 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)	Sept. 30, 2011 (B)	Change (B)–(A)	Sept. 30, 2010
Retail	23,118	21,729	-1,389	23,508
Corporate, etc.	4,238	4,878	640	4,083
Financial Institutions (Debentures)	3,333	2,468	-865	4,075
Financial Institutions (Deposits)	2,194	3,144	950	2,449
Deposits and Debentures total	32,883	32,218	-665	34,115

We continued our effort to reduce funding costs while maintaining a stable base of retail deposits. As a result, funding from retail customers decreased 138.9 billion yen, or 6.0%, from March 31, 2011 to 2,172.9 billion yen, while the percentage of retail funding to total core funding remained high at 67.4%

The Bank maintained sufficient liquidity reserves of approximately 600 billion yen as of September 30, 2011.

2. Loans

(100 million yen)	Mar. 31, 2011 (A)	Sept. 30, 2011 (B)	Change (B)–(A)	Sept. 30, 2010
Loans outstanding	27,296	27,016	-280	28,318

Loans were almost unchanged from the previous year, decreasing 28.0 billion yen, or 1.0%, to 2,701.6 billion yen. While overseas loans were deliberately decreased by 87.4 billion yen or 20.6%, domestic lending increased 59.4 billion yen, or 2.6%. 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 49.1 billion yen (20.1%), 35.1 billion yen (9.0%) and 14.2 billion yen (9.1%), respectively, while loans to the information and telecommunications and wholesale/retail sectors decreased 21.5 billion yen (32.4%) and 14.0 billion yen (9.7%), respectively.

Loans to the real estate sector decreased 9.1 billion yen and non-recourse loans decreased 2.0 billion yen.

3. Securities

(100 million yen)	Book value				Unrealized gains/losses			
	Mar. 31, 2011 (A)	Sept. 30, 2011 (B)	(B) – (A)	Sept. 30, 2010	Mar. 31, 2011 (A)	Sept. 30, 2011 (B)	(B) – (A)	Sept. 30, 2010
JGBs	6,771	6,987	216	7,361	57	68	11	93
Municipal bonds	103	90	-13	37	-0	1	1	1
Corporate bonds	752	698	-54	631	-1	-0	1	1
Equities	267	265	-2	272	-2	-2	-0	-1
Foreign bonds	3,404	3,224	-179	2,892	-38	50	88	47
Others	2,061	1,675	-385	1,935	28	2	-26	21
Hedge funds	146	113	-33	171	25	19	-5	21
ETFs (Linked to Japanese stocks index)	25	22	-3	37	0	-3	-3	-2
Investment in limited partnerships	681	609	-72	721	3	3	-1	1
REIT	93	129	36	99	7	-10	-16	3
Others	1,115	802	-313	906	-7	-8	-0	-2
Money market funds only	995	695	-300	800	-5	-5	-0	0
Total	13,357	12,939	-418	13,128	44	119	75	161

Securities decreased 41.8 billion yen, or 3.1%, in comparison with March 31, 2011. An increase in JGBs of 21.6 billion yen, or 3.2%, was offset by a decrease in foreign bonds, mainly US Treasury Bonds, of 17.9 billion yen or 5.3% and money market funds, assets comparable to the liquidity reserve, of 30 billion yen, or 30.2%.

Total unrealized gains amounted to 11.9 billion yen as of September 30, 2011, reflecting unrealized gains on JGBs and foreign bonds of 6.8 billion yen and 5.0 billion yen, respectively.

Note (1): Floating rate JGBs, as of September 30, 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 billion yen; valuation loss 1.5 billion yen as of end-September 2011) are not included in the table above.

4. Investment in Limited Partnerships and Hedge Funds

(100 million yen)	Mar. 31, 2011 (A)	Sept. 30, 2011 (B)	Change (B)–(A)	Sept. 30, 2010
Limited partnerships	681	609	-72	721
Real estate related	143	126	-17	167
Distressed loan related	306	274	-32	328
Others	232	209	-23	227
Hedge funds	146	113	-33	171

Investment in limited partnerships decreased by 7.2 billion yen, or 10.6%, from March 31, 2011, mainly due to redemptions. Hedge fund investments decreased 3.3 billion yen, or 22.7%, as compared to March 31, 2011.

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

(100 million yen, %)	Mar. 31, 2011 (A)	Sept. 30, 2011 (B)	Change (B)–(A)	Sept. 30, 2010
Bankrupt and similar credit	119	74	-46	174
Doubtful credit	804	527	-276	814
Special attention credit	352	324	-28	430
FRL credit, total (a)	1,275	925	-350	1,419
Normal credit (b)	26,443	26,716	273	27,414
Total credit (c)((a)+(b))	27,718	27,641	-78	28,832
FRL credit ratio (a)/(c)	4.59%	3.34%	-1.25%	4.92%

Non-performing claims as defined by the Financial Reconstruction Law (FRL) were 92.5 billion yen, a decrease of 35 billion yen, or 27.5%, as compared to March 31, 2011, mainly reflecting progress in the disposal of non-performing loans. The FRL Ratio improved by 1.25 points to 3.34%. The percentage of FRL claims covered by reserves, collateral and guarantees remained high at 88.2% as of September 30, 2011.

IV. Capital Adequacy Ratio (Preliminary)

	Mar. 31, 2011 (A)	Sept. 30, 2011 (B)	Change (B)–(A)	Sept. 30, 2010
Capital adequacy ratio	16.93%	18.07%	1.14%	15.57%
Tier 1 ratio	18.43%	19.37%	0.94%	16.70%
Core Tier 1 ratio (*)	16.92%	17.88%	0.96%	15.59%

(Reference)

	Mar. 31, 2011 (A)	Sept. 30, 2011 (B)	Change (B)–(A)	Sept. 30, 2010
Core Tier 1 ratio on an all preferred stock excluded basis (**)	10.98%	11.87%	0.89%	10.07%
Tangible equity ratio (***)	11.48%	11.60%	0.12%	11.12%

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 September 30, 2011 was among the highest in the Japanese banking industry. The Bank's capital adequacy ratio was 18.07%, Tier 1 ratio was 19.37%, and Core Tier 1 ratio was 17.88%.

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.