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**Aozora Reports Net Income of 46.3 Billion for FY2011;
Increased 41.1% compared to previous year;
Forecast for FY2012**

TOKYO May 14, 2012 – Aozora Bank, Ltd. (“Aozora” or “the Bank”), a leading Japanese commercial bank, today announced its financial results for FY2011 and forecast for FY2012.

FY2011 Financial Results

Aozora reported consolidated net revenue of 84.3 billion yen, an increase of 6.4 billion yen, or 8.2% year on year, and net income of 46.3 billion yen, an increase of 13.5 billion yen, or 41.1%, for FY2011. These results exceeded the full-year forecast that was revised upwards in October 2011.

Brian F. Prince, Representative Director, President and Chief Executive Officer of Aozora Bank commented, “This year we were able to clearly demonstrate our ongoing commitment to strengthening our core businesses and producing strong financial results. We reported net income of 46.3 billion yen, a 41% increase over the prior year. The steady progress in net interest income reflected continued improvement in the net interest margin as we continued our disciplined balance sheet management, resulting in our first year on year increase in three years. Our retail business continues to expand, generating organic growth of 44% in fees and commissions from the sale of investment trusts and annuity insurance to our mass affluent retail customers. We also succeeded in reducing general and administrative expenses by 5.2% which resulted in our overhead ratio (OHR) finishing well within our mid-term target of 50% or below.”

Prince continued, “Looking ahead, by focusing on three primary areas – strengthening our business franchise, strategic opportunities and capital efficiency – I am confident that we will be able to continue to generate strong returns for our stakeholders.”

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

- The Bank recorded business profit of 45.6 billion yen, an increase of 8.5 billion yen, or 23.0%, year on year, and net income of 46.3 billion yen, an increase of 13.5 billion yen, or 41.1%, representing year on year increases for the third consecutive year.
 - Net interest income was 45.3 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 in three years. Funding costs were reduced 19 bps from 0.77% to 0.58% in FY2011. The net interest margin improved 9 bps to 1.04%.
 - General and administrative expenses were reduced 2.1 billion yen, or 5.2%, year on year, to 38.7 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 45.9%, well within the Bank's mid-term target of 50% or below.
 - Credit-related expenses were a net expense of 0.8 billion yen, compared with a net expense of 6.1 billion yen in FY2010. This reflected the Bank's disciplined risk management and appropriate reserving policy based on borrowers' status, including disposal of non-performing loans, as well as preventative measures taken by the Bank to date, including the conservative allocation of reserves.
 - Comprehensive income was 47.1 billion yen, and net assets per common share were 284.22 yen, as compared to 256.27 yen as of March 31, 2011.

- Loans decreased slightly from March 31, 2011 by 57.4 billion yen, or 2.1%, to 2,672.2 billion yen, despite an increase from December 31, 2011 of 5.4 billion yen, or 0.2%. While overseas loans decreased 74 billion yen or 17.4%, domestic loans increased 16.6 billion yen, or 0.7%, during the term. 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 68.6%. The Bank maintained sufficient liquidity reserves of approximately 600 billion yen as of end-March 2012.
- Non-performing claims as defined by the Financial Reconstruction Law (FRL) were 109.1 billion yen, a decrease of 18.4 billion yen, or 14.4%, from March 31, 2011 reflecting the Bank's disciplined risk management and appropriate actions with regard to non-performing loans, based on the condition of borrowers. The FRL ratio decreased 0.60 points to 3.99%. In addition, the percentage of FRL claims covered by reserves, collateral and guarantees remained high at 85.3% as of March 31, 2012, and the ratio of loan loss reserves to total loans outstanding was 2.88%, remaining one of the highest among major Japanese banks.
- The Bank's consolidated capital adequacy ratio was 17.86%, 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 17.69%. The tangible equity ratio, as defined on page 11, was 11.90%.

2. FY2011 Performance (April 1, 2011 to March 31, 2012)

Consolidated basis

(100 million yen)	Ordinary Income	Net Revenue	Business Profit	Ordinary Profit	Net Income	Net Income per common share
FY2011 (a)	1,362	843	456	409	463	29.51 Yen
FY2010 (b)	1,267	779	370	287	328	20.49 Yen
Change (a) - (b)	95	64	85	122	135	9.02 Yen
Percentage change ((a)-(b)) / (b)	7.5%	8.2%	23.0%	42.7%	41.1%	44.0%
FY2011 Full-Year Forecast (c)	1,250	810	415	400	450	28.62 Yen
Progress (a) / (c)	108.9%	104.0%	109.8%	102.4%	102.8%	103.1%

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 (a)	1,302	789	425	395	451	28.74 Yen
FY2010 (b)	1,243	732	354	280	318	19.84 Yen
Change (a)-(b)	60	57	71	115	133	8.90 Yen
Percentage change ((a)-(b)) / (b)	4.8%	7.8%	20.1%	40.9%	41.8%	44.9 %
FY2011 Full-Year Forecast (c)	1,200	760	385	395	450	28.62 Yen
Progress (a) / (c)	108.5%	103.9%	110.4%	99.9%	100.3%	100.4%

3. Earnings Forecast for FY2012

Aozora also announced its fiscal year 2012 earnings forecast today as below.

FY2011 Financial Results and FY2012 Earnings Forecast (Consolidated)

(100 million yen)	Net Revenue	Business Profit	Ordinary Profit	Net Income	Net Income per common share
FY2012 Forecast (a)	830	440	390	400	25.28 Yen
FY2011 Actual (b)	843	456	409	463	29.51 Yen
Change (a) - (b)	-13	-16	-19	-63	-4.23 Yen
Percentage change	-1.5%	-3.4%	-4.7%	-13.6%	-14.3 %
FY2010 Actual	779	370	287	328	20.49 Yen

FY2011 Financial Results and FY2012 Earnings Forecast (Non-consolidated)

(100 million yen)	Net Revenue	Business Profit before general loan-loss reserve	Ordinary Profit	Net Income	Net Income per common share
FY2012 Forecast (a)	760	390	340	350	21.94 Yen
FY2011 Actual (b)	789	425	395	451	28.74 Yen
Change (a) - (b)	-29	-35	-55	-101	-6.80 Yen
Percentage change	-3.7%	-8.2%	-13.9%	-22.5%	-23.7 %
FY2010 Actual	732	354	280	318	19.84 Yen

I. Revenue and Expenses

(100 million yen)	FY2010		FY2011		Change (B) – (A)		Page
	Jan.- Mar.	Full-Year (A)	Jan.-Mar.	Full-Year (B)	Amount	%	
Net revenue	173	779	248	843	64	8.1%	-
Net interest income	108	450	111	453	3	0.6%	5
Net interest margin	0.95%	0.95%	1.01%	1.04%	0.09%	-	5
Net fees and commissions	29	104	32	95	-9	-8.6%	5
Net trading revenues	23	97	19	72	-24	-25.1%	6
Gains/losses on bond transactions	-2	109	72	171	62	57.4%	6
Net other ordinary income excluding gains/losses on bond transactions	14	20	14	52	32	159.9%	6
General & administrative expenses	-107	-409	-99	-387	21	-5.2%	7
Business profit	66	370	149	456	85	23.0%	-
Ordinary profit	91	287	114	409	122	42.7%	-
Net income	131	328	146	463	135	41.1%	-
Credit-related expenses incl. recoveries of written-off claims	34	-61	-27	-8	53	-	7
Taxes	37	34	32	54	19	56.4%	7

In FY2011, the Bank recorded consolidated net revenue of 84.3 billion yen, an increase of 6.4 billion yen, or 8.2%, year on year, and representing the first year on year increase in two years.

Net interest income was 45.3 billion yen, an increase of 0.3 billion yen, or 0.6%, year on year, representing the first year on year increase in three years. The net interest margin continued to improve while the average balance of interest earning assets declined as the Bank continued its disciplined balance sheet management. Funding costs were reduced 19 bps from 0.77% to 0.58% in 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 improved 9 bps to 1.04%. Net fees and commissions were 9.5 billion yen, a decrease of 0.9 billion yen, or 8.6%, and net trading revenues were 7.2 billion yen, a decrease of 2.4 billion yen, or 25.1%. Gains/losses on bond transactions increased 6.2 billion yen to 17.1 billion yen. Net other ordinary income, excluding gains/losses on bond transactions, improved 3.2 billion yen to 5.2 billion yen. The accounting treatment related to gains/losses from the impairment of securitized products including CMBS has changed in the fourth quarter. Following the change, 2.8 billion yen losses from the impairment of CMBS included in net revenue (gains/losses on bond transactions) in the first nine months of FY2011 (Apr.-Dec.) were reclassified mainly into credit-related expenses in the fourth quarter.

General and administrative expenses were 38.7 billion yen, a reduction of 2.1 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 45.9%, well within the Bank's mid-term target of 50% or below. As a result of the above factors, consolidated business profit increased 8.5 billion yen, or 23.0%, to 45.6 billion yen.

Credit-related expenses were a net expense of 0.8 billion yen, compared with a net expense of 6.1 billion yen in FY2010. This reflected the Bank's disciplined risk management and appropriate reserving policy based on borrowers' status, including disposal of non-performing loans, as well as preventative measures taken by the Bank to date, including the conservative allocation of reserves.

The ratio of loan loss reserves to total loans outstanding was 2.88% as of March 31, 2012, remaining one of the highest among major Japanese banks. Taxes were a net profit of 5.4 billion yen. As a result of the aforementioned factors, consolidated net income increased 13.5 billion yen, or 41.1%, year on year, to 46.3 billion yen, representing a year on year increase for the third consecutive year.

1. Net Revenue

(1)①Net Interest Income

(100 million yen)	FY2010		FY2011		Change (B) – (A)
	Jan.- Mar.	Full-Year (A)	Jan.-Mar.	Full-Year (B)	
Net interest income (a)-(b)	108	450	111	453	3
Interest income (a)	177	756	164	680	-75
Interest on loans and discounts	131	567	125	512	-55
Interest and dividends on securities	31	132	30	127	-6
Other interest income	5	17	3	15	-2
Interest on swaps	9	39	6	26	-13
Interest expenses (b)	-68	-306	-53	-228	78
Interest on deposits and NCDs *	-50	-224	-41	-177	47
Interest on debentures	-7	-42	-5	-26	16
Interest on borrowings and rediscount	-1	-5	-1	-4	1
Other interest expenses	-6	-21	-3	-10	11
Interest on swaps	-3	-14	-3	-11	3

* Negotiable certificates of deposit

(1)②Net Interest Margin

	FY2010		FY2011		Change (B) – (A)
	Jan.- Mar.	Full-Year (A)	Jan.-Mar.	Full-Year (B)	
Yield on total investments (a)	1.65%	1.72%	1.55%	1.62%	-0.10%
Yield on loans (b)	2.00%	2.00%	1.94%	1.94%	-0.06%
Yield on securities	0.89%	1.02%	0.92%	0.98%	-0.04%
Yield on funding (c)	0.70%	0.77%	0.54%	0.58%	-0.19%
Net interest margin (a)-(c)	0.95%	0.95%	1.01%	1.04%	0.09%
Loan margin (b)-(c)	1.30%	1.23%	1.40%	1.36%	0.13%

Net interest income was 45.3 billion yen, representing the first year on year increase in three years. 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 from 0.77% to 0.58% in 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 improved 9 bps to 1.04%, year on year, and the loan margin improved 13 bps to 1.36%.

(2) Net Fees and Commissions

(100 million yen)	FY2010		FY2011		Change (B) – (A)
	Jan.- Mar.	Full-Year (A)	Jan.-Mar.	Full-Year (B)	
Net fees and commissions (a)-(b)	29	104	32	95	-9
Fees and commissions received (a)	31	112	33	102	-10
Loan business-related	22	77	21	66	-11
Securities-related and agency	6	22	8	23	2
Others	3	13	5	12	-1
Fees and commissions payments (b)	-2	-8	-2	-7	1
Of which, fees from investment trusts and annuity insurance	4	14	5	21	6

Net fees and commissions were 9.5 billion yen, a decrease of 0.9 billion yen, or 8.6%, 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)
	Jan.- Mar.	Full-Year (A)	Jan.-Mar.	Full-Year (B)	
Net trading revenues	23	97	19	72	-24
Net income on trading-related financial derivatives transactions	21	89	11	53	-36
Others	2	7	8	19	12

Net trading revenues were 7.2 billion yen, a decrease of 2.4 billion yen, or 25.1%, 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)
	Jan.- Mar.	Full-Year (A)	Jan.-Mar.	Full-Year (B)	
Gains/losses on bond transactions	-2	109	72	171	62
Japanese government bonds	-	65	10	48	-16
Foreign government bonds and mortgage bonds	2	50	26	116	66
Others	-4	-6	36	7	13
Collateralized Debt Obligations (CDOs) only	-0	-2	-0	-0	2
Profit from hedge funds (Available For Sale)	4	29	-0	6	-23
Others	-7	-32	36	1	34

Gains/losses on bond transactions increased 6.2 billion yen, or 57.4%, year on year, to 17.1 billion yen, reflecting favorable sales of foreign government bonds. The 3.6 billion yen in Others in the fourth quarter (Jan.-Mar.) included 2.8 billion yen, reflecting a change in the accounting treatment related to gains/losses from the impairment of CMBS.

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

(100 million yen)	FY2010		FY2011		Change (B) – (A)
	Jan.- Mar.	Full-Year (A)	Jan.-Mar.	Full-Year (B)	
Net other ordinary income excluding gains/losses on bond transactions	14	20	14	52	32
Gains /losses on foreign currency transactions	9	-32	6	-12	20
Gains /losses on derivatives other than trading, net	1	4	-1	-2	-7
Profit from limited partnerships	-7	10	2	25	16
Real estate related	-9	-6	1	17	24
Distressed loan related	4	20	3	14	-6
Other (venture capital, etc.)	-2	-4	-1	-6	-2
Gains on distressed loans (Aozora Loan Services)	6	28	4	20	-8
Debenture issue cost	-0	-1	-0	-0	0
Others	5	10	3	21	11

Net other ordinary income, excluding gains/losses on bond transactions, improved 3.2 billion yen to 5.2 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)
	Jan.- Mar.	Full-Year (A)	Jan.-Mar.	Full-Year (B)	
G & A expenses	-107	-409	-99	-387	21
Personnel	-52	-197	-48	-187	10
Non-personnel expense	-50	-193	-47	-182	11
Tax	-5	-18	-4	-18	0

General and administrative expenses were reduced 2.1 billion yen, or 5.2%, year on year, to 38.7 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 45.9%, well within the Bank's mid-term target of 50% or below.

3. Credit-Related Expenses

(100 million yen)	FY2010		FY2011		Change (B) – (A)
	Jan.- Mar.	Full-Year (A)	Jan.-Mar.	Full-Year (B)	
Credit-related expenses	34	-61	-27	-8	53
Write-off of loans	-32	-51	-55	-65	-14
Gains/losses on disposition of loans	8	11	-121	-123	-134
Specific reserve for possible loan losses	85	-3	127	-8	-5
General reserve for possible loan losses	-32	-36	-8	149	186
Reversal of reserve for credit losses on off-balance-sheet instruments	0	9	1	1	-8
Recoveries of written-off claims	4	10	29	38	29

Credit-related expenses were a net expense of 0.8 billion yen, compared with a net expense of 6.1 billion yen in FY2010. This reflected the Bank's disciplined risk management and appropriate reserving policy based on borrowers' status including disposal of non-performing loans, as well as preventative measures taken by the Bank to date, including the conservative allocation of reserves. 2.8 billion yen losses from the impairment of CMBS included in net revenue in the first nine months of FY2011 (Apr.-Dec.) were reclassified mainly into credit-related expenses in the fourth quarter.

The ratio of loan loss reserves to total loans outstanding was 2.88% as of March 31, 2012 and remained one of the highest among major Japanese banks.

4. Taxes

(100 million yen)	FY2010		FY2011		Change (B) – (A)
	Jan.- Mar.	Full-Year (A)	Jan.-Mar.	Full-Year (B)	
Taxes	37	34	32	54	19

A net tax benefit of 5.4 billion yen was recognized in FY2011 as a result of the calculation of deferred tax assets, in consideration of the earnings projection. This result reflected the effect on deferred tax assets resulting from the recent reform of the tax system for the next fiscal year.

II. Balance Sheet

(100 million yen)	Mar. 31, 2011 (A)	Mar. 31, 2012 (B)	Change (B) – (A)		Dec. 31, 2011	Page
			Amount	%		
Total assets	49,184	50,974	1,791	3.6%	50,328	-
Loan and bills discounted	27,296	26,722	-574	-2.1%	26,667	9
Securities	13,357	13,223	-134	-1.0%	12,047	10
Cash and due from banks	2,720	2,604	-116	-4.3%	2,441	-
Others	5,812	8,426	2,614	45.0%	9,173	-
Total liabilities	43,532	44,898	1,367	3.1%	44,388	-
Deposits	27,774	27,197	-577	-2.1%	27,394	} 9
Negotiable certificates of deposit	1,549	2,098	549	35.4%	2,086	
Debentures	2,647	2,231	-416	-15.7%	2,443	
Bonds payable	912	-	-912	-	-	
Others	10,649	13,373	2,723	25.6%	12,465	
Total net assets	5,652	6,076	424	7.5%	5,940	-
Capital stock	4,198	4,198	-	-	4,198	-
Capital surplus	333	336	2	0.7%	336	-
Retained earnings	1,324	1,735	411	31.1%	1,589	-
Valuation difference on available-for-sale securities	18	33	16	86.5%	46	-
Others	-221	-227	-5	-	-229	-
Total liabilities and net assets	49,184	50,974	1,791	3.6%	50,328	-

Total assets were 5,097.4 billion yen as of March 31, 2012, an increase of 179.1 billion yen, or 3.6%, compared to March 31, 2011. Loans decreased slightly from March 31, 2011 by 57.4 billion yen, or 2.1%, to 2,672.2 billion yen, despite an increase from December 31, 2011 of 5.4 billion yen, or 0.2%. Overseas loans decreased 74 billion yen, or 17.4%, while domestic lending increased 16.6 billion yen, or 0.7%, during the term. Securities decreased by 13.4 billion yen, or 1.0%, to 1,322.3 billion yen.

On the funding side, deposits and negotiable certificates of deposit decreased 2.9 billion yen, 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 2,163.9 billion yen, decreasing 147.9 billion yen, or 6.4%, from March 31, 2011, while the percentage of retail funding to total core funding remained high at 68.6%. Total liabilities increased 136.7 billion yen, or 3.1%, to 4,489.8 billion yen as compared to March 31, 2011.

Net assets were 607.6 billion yen, representing an increase of 42.4 billion yen, or 7.5%, in comparison with March 31, 2011. Net assets per common share were 284.22 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)	Mar. 31, 2012 (B)	Change (B)–(A)	Dec. 31, 2011
Retail	23,118	21,639	-1,479	21,744
Corporate, etc.	4,238	5,396	1,158	4,472
Financial Institutions (Debentures)	3,333	2,120	-1,213	2,296
Financial Institutions (Deposits)	2,194	2,371	177	3,411
Deposits and Debentures total	32,883	31,526	-1,357	31,924

We continued our effort to reduce funding costs while maintaining a stable base of retail deposits. As a result, funding from retail customers was 2,163.9 billion yen, decreasing 147.9 billion yen from March 31, 2011, while the percentage of retail funding to total core funding remained high at 68.6%.

The Bank maintained sufficient liquidity reserves of approximately 600 billion yen as of March 31, 2012.

2. Loans

(100 million yen)	Mar. 31, 2011 (A)	Mar. 31, 2012 (B)	Change (B)–(A)	Dec. 31, 2011
Loans outstanding	27,296	26,722	-574	26,667

Loans decreased slightly from March 31, 2011 by 57.4 billion yen, or 2.1%, to 2,672.2 billion yen, despite an increase from December 31, 2011 of 5.4 billion yen, or 0.2%.

Domestic lending increased 16.6 billion yen, or 0.7%, in comparison with March 31, 2011, reflecting an increase in loans to the manufacturing sector, the finance/insurance sector and various services of 29.4 billion yen (12.1%), 25.9 billion yen (6.7%) and 15.6 billion yen (9.9%), respectively, while loans to the transport sector and information and telecommunications sector decreased 22.3 billion yen (12.8%) and 21.3 billion yen (32.1%), respectively. Loans to the real estate sector decreased 1.6 billion yen.

Our continued focus on middle market business showed positive results, including an increase in the number of new clients.

Overseas loans decreased 74.0 billion yen, or 17.4%, during the term, despite an increase from December 31, 2011 of 13.3 billion yen, or 3.9%.

3. Securities

(100 million yen)	Book value				Unrealized gains/losses			
	Mar. 31, 2011 (A)	Mar. 31, 2012 (B)	(B) – (A)	Dec. 31, 2011	Mar. 31, 2011 (A)	Mar. 31, 2012 (B)	(B) – (A)	Dec. 31, 2011
JGBs	6,771	6,160	-611	5,926	57	58	1	64
Municipal bonds	103	143	39	120	-0	1	1	1
Corporate bonds	752	706	-46	783	-1	-2	-1	4
Equities	267	267	1	265	-2	-0	1	-3
Foreign bonds	3,404	4,073	669	3,305	-38	-13	25	30
Others	2,061	1,874	-186	1,648	28	17	-11	-9
Hedge funds	146	105	-42	108	25	15	-10	17
ETFs	25	232	207	21	0	1	1	-3
Investment in limited partnerships	681	582	-99	592	3	0	-3	0
REIT	93	142	49	120	7	2	-5	-18
Others	1,115	814	-301	807	-7	-1	6	-4
Money market funds only	995	701	-294	697	-5	1	6	-3
Total	13,357	13,223	-134	12,047	44	60	17	87

Securities decreased 13.4 billion yen, or 1.0%, from March 31, 2011. In comparison with March 31, 2011, foreign bonds increased 66.9 billion yen, while JGBs and money market funds, assets comparable to the liquidity reserve, decreased 61.1 billion yen, or 9.0%, and 29.4 billion yen, or 29.6%, respectively.

Total unrealized gains amounted to 6.0 billion yen as of March 31, 2012, reflecting unrealized gains on JGBs of 5.8 billion yen.

Note (1): Floating rate JGBs, as of March 31, 2012, 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 11.5 billion yen; valuation loss 0.4 billion yen as of end-March 2012) are not included in the table above.

4. Investment in Limited Partnerships and Hedge Funds

(100 million yen)	Mar. 31, 2011 (A)	Mar. 31, 2012 (B)	Change (B)–(A)	Dec. 31, 2011
Limited partnerships	681	582	-99	592
Real estate related	143	123	-20	123
Distressed loan related	306	259	-47	269
Others	232	200	-33	200
Hedge funds	146	105	-42	108

Investment in limited partnerships decreased 9.9 billion yen, or 14.6%, from March 31, 2011, mainly due to redemptions. Hedge fund investments decreased 4.2 billion yen, or 28.4%, as compared to March 31, 2011.

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

(100 million yen, %)	Mar. 31, 2011 (A)	Mar. 31, 2012 (B)	Change (B)–(A)	Dec. 31, 2011
Bankrupt and similar credit	119	75	-45	74
Doubtful credit	804	640	-164	950
Special attention credit	352	377	25	281
FRL credit, total (a)	1,275	1,091	-184	1,305
Normal credit (b)	26,443	26,191	-252	25,916
Total credit (c)((a)+(b))	27,718	27,282	-436	27,220
FRL credit ratio (a)/(c)	4.59%	3.99%	-0.60%	4.79%

Non-performing claims as defined by the Financial Reconstruction Law (FRL) were 109.1 billion yen, a decrease of 18.4 billion yen, or 14.4%, from March 31, 2011, reflecting the Bank's disciplined risk management and appropriate actions with regard to non-performing loans, based on the condition of borrowers. The FRL ratio decreased 0.60 points to 3.99%. In addition, the percentage of FRL claims covered by reserves, collateral and guarantees remained high at 85.3% as of March 31, 2012, and the ratio of loan loss reserves to total loans outstanding was 2.88% as of March 31, 2012, remaining one of the highest among major Japanese banks.

IV. Capital Adequacy Ratio (Preliminary)

	Mar. 31, 2011 (A)	Mar. 31, 2012 (B)	Change (B)–(A)	Dec. 31, 2011
Capital adequacy ratio	16.93%	17.86%	0.93%	18.09%
Tier 1 ratio	18.43%	19.37%	0.94%	19.84%
Core Tier 1 ratio (*)	16.92%	17.69%	0.77%	18.29%

(Reference)

	Mar. 31, 2011 (A)	Mar. 31, 2012 (B)	Change (B)–(A)	Dec. 31, 2011
Core Tier 1 ratio on an all preferred stock excluded basis (**)	10.98%	11.78%	0.80%	12.24%
Tangible equity ratio (***)	11.48%	11.90%	0.42%	11.79%

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 March 31, 2012 was among the highest in the Japanese banking industry. The Bank's capital adequacy ratio was 17.86%, Tier 1 ratio was 19.37%, and Core Tier 1 ratio was 17.69%.

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.