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**Aozora Reports Net Income of 10.4 Billion for the First Three Months of FY2012
- Steady progress of 26.1% towards the full-year forecast -**

TOKYO July 30, 2012 – Aozora Bank, Ltd. (“Aozora” or “the Bank”), a leading Japanese commercial bank, today announced its financial results for the first three months of FY2012.

Financial results for the first three months of FY2012

Aozora reported consolidated net revenue of 20.5 billion yen, business profit of 10.8 billion yen, and net income of 10.4 billion yen, for the first three months of FY2012. These results represented progress of 24.8%, 24.5%, and 26.1% towards the full-year forecasts of 83 billion yen, 44 billion yen, and 40 billion yen.

Brian F. Prince, Representative Director, President and Chief Executive Officer of Aozora Bank commented, “We were able to make a good start to the year despite facing a difficult operating environment around the world. Net income of 10.4 billion yen in the first quarter places us on track to achieve our full-year earnings forecast. While loan demand in general during the quarter remained sluggish, we were able to continue to make improvements in our business operations while continuing our disciplined balance sheet management, further expanding our net interest margin, as well as maintaining strict risk management. We expect to face many challenges over the balance of the year but remain confident that we will achieve our major goals and continue to strengthen our business.”

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

- The Bank recorded net revenue of 20.5 billion yen, an increase of 2.1 billion yen, or 11.4%, year on year, and business profit of 10.8 billion yen, an increase of 2.0 billion yen, or 22.8%. Net income was 10.4 billion yen, representing steady progress of 26.1% towards the full-year forecast of 40.0 billion yen and a 13th consecutive quarterly profit.
- Net interest income was 12.1 billion yen, reflecting continued improvement of the net interest margin, while the Bank continued its disciplined balance sheet management. This represented a year on year increase for the third consecutive quarter. Funding costs were reduced 10 bps from 0.65% to 0.55% in the first three months of FY2012. The net interest margin improved 4 bps to 1.13%.
- General and administrative expenses were almost unchanged year on year at 9.8 billion yen, reflecting the Bank’s continued strict control on costs. The overhead ratio, or OHR (general and administrative expenses as a percentage of net revenues) was 47.5%, remaining well within the Bank’s mid-term target of 50% or below.
- Credit-related expenses were a net profit of 0.4 billion yen, compared with a net profit of 1.9 billion yen in the first three months of FY2011. This reflected the Bank’s continued disciplined risk management and preventative measures taken by the Bank to date including the conservative allocation of reserves, as well as the absence of significant credit events during the term.
- Comprehensive income was 13.3 billion yen, and net assets per common share were 284.08 yen, as compared to 284.22 yen as of March 31, 2012.

- The percentage of retail funding to total core funding (the sum of deposits, negotiable certificates of deposit, debentures and bonds) remained high at 70.7%. The Bank maintained sufficient liquidity reserves of approximately 620 billion yen as of end-June 2012.
- Non-performing claims as defined by the Financial Reconstruction Law (FRL) decreased 4.9 billion yen, or 4.5%, to 104.3 billion yen from March 31, 2012. The FRL ratio increased slightly to 4.10% as total credit decreased. The percentage of FRL claims covered by reserves, collateral and guarantees remained high at 88.4% as of June 30, 2012, and the ratio of loan loss reserves to total loans outstanding was 3.06%, remaining one of the highest among major Japanese banks.
- Aozora will announce its Tier 1 ratio and capital adequacy ratio as of end-June 2012, at a later date. As of March 31, 2012, these ratios were 19.37% and 17.86%, respectively, and are expected to remain high.

2. FY2012 Performance in the first three months (April 1, 2012 to June 30, 2012)

Consolidated basis

(100 million yen)	Net Revenue	Business Profit	Ordinary Profit	Net Income	Net Income per common share
FY2012 Apr.-Jun. (a)	205	108	99	104	6.97 Yen
FY2011 Apr.-Jun. (b)	184	88	96	110	7.33 Yen
Change (a) - (b)	21	20	3	-5	-0.36 Yen
Percentage change ((a)-(b)) / (b)	11.4%	22.8%	3.0%	-4.7%	-4.9%
FY2012 Full-Year Forecast (c)	830	440	390	400	25.28 Yen
Progress (a) / (c)	24.8%	24.5%	25.5%	26.1%	27.6%

Non-consolidated basis

(100 million yen)	Net Revenue	Business Profit before general loan-loss reserve	Ordinary Profit	Net Income	Net Income per common share
FY2012 Apr.-Jun. (a)	197	106	102	108	7.19 Yen
FY2011 Apr.-Jun. (b)	175	84	96	110	7.34 Yen
Change (a)-(b)	21	22	6	-2	-0.15 Yen
Percentage change ((a)-(b)) / (b)	12.1%	26.2%	6.3%	-1.8%	-2.0 %
FY2012 Full-Year Forecast (c)	760	390	340	350	21.94 Yen
Progress (a) / (c)	25.9%	27.2%	29.9%	30.8%	32.8 %

I. Revenue and Expenses

(100 million yen)	FY2011 Apr. - Jun. A	FY2012 Apr. - Jun. B	Change B - A		FY2012 12 Month Earnings Forecast	%	Page
			Amt.	%			
Net revenue	184	205	21	11.4%	830	24.8%	-
Net interest income	120	121	1	0.9%	-	-	4
Net interest margin	1.09%	1.13%	0.04%	-	-	-	4
Net fees and commissions	21	20	-1	-4.0%	-	-	4
Net trading revenues	15	13	-3	-17.1%	-	-	5
Gains/losses on bond transactions	13	44	30	228.1%	-	-	5
Net other ordinary income excluding Gains/losses on bond transactions	15	8	-7	-46.2%	-	-	5
General & administrative expenses	-97	-98	-1	1.0%	-	-	6
Business profit	88	108	20	22.8%	440	24.5%	-
Ordinary profit	96	99	3	3.0%	390	25.5%	-
Net income	110	104	-5	-4.7%	400	26.1%	-
Credit-related expenses	19	4	-15	-80.6%	-	-	6
Taxes	13	6	-8	-57.6%	-	-	6

In the first three months of FY2012, the Bank recorded consolidated net revenue of 20.5 billion yen, an increase of 2.1 billion yen, or 11.4%, year on year, and steady progress of 24.8% towards the full-year forecast of 83 billion yen.

Net interest income was 12.1 billion yen, an increase of 0.1 billion yen, or 0.9%, year on year, representing a year on year increase for the third consecutive quarter. 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, resulting in a year on year increase in net interest income. Funding costs were reduced 10 bps from 0.65% to 0.55% in the first three months of FY2012, 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 4 bps to 1.13%. Net fees and commissions were 2 billion yen, a decrease of 0.1 billion yen, or 4.0%, and net trading revenues were 1.3 billion yen, a decrease of 0.3 billion yen, or 17.1%, both representing slight year on year decreases. Gains/losses on bond transactions increased 3 billion yen to 4.4 billion yen. Net other ordinary income, excluding gains/losses on bond transactions, decreased 0.7 billion yen, or 46.2%, to 0.8 billion yen.

General and administrative expenses were almost unchanged year on year at 9.8 billion yen, reflecting the Bank's continued strict control on costs. The OHR (general and administrative expenses as a percentage of net revenues) was 47.5%, remaining well within the Bank's mid-term target of 50% or below. As a result of the above factors, consolidated business profit increased 2.0 billion yen, or 22.8%, to 10.8 billion yen, representing progress of 24.5% towards the full-year forecast of 44 billion yen.

Credit-related expenses were a net profit of 0.4 billion yen, compared with a net profit of 1.9 billion yen in the first three months of FY2011. This reflected the Bank's continued disciplined risk management and the preventative measures taken by the Bank to date including the conservative allocation of reserves, as well as the absence of significant credit events during the term. The ratio of loan loss reserves to total loans outstanding was 3.06% as of June 30, 2012, remaining one of the highest among major Japanese banks. Taxes were a net profit of 0.6 billion yen. As a result of the aforementioned factors, consolidated net income was 10.4 billion yen, representing progress of 26.1% towards the full-year forecast of 44 billion yen and a 13th consecutive quarterly profit.

1. Net revenue

(1)①Net interest income

(100 million yen)	FY2011 Apr. - Jun. (A)	FY2012 Apr. - Jun. (B)	Change (B)-(A)
Net interest income (a)-(b)	120	121	1
Interest income (a)	182	172	-10
Interest on loans and discounts	132	121	-12
Interest and dividends on securities	39	43	4
Other interest income	3	4	0
Interest on swaps	8	5	-2
Interest expenses (b)	-62	-51	11
Interest on deposits and NCDs※	-48	-39	8
Interest on debentures	-7	-5	2
Interest on borrowings and rediscount	-1	-1	-0
Other interest expenses	-3	-3	0
Interest on swaps	-4	-4	-0

※ Negotiable certificates of deposit

(1)②Net interest margin

(100 million yen)	FY2011 Apr. - Jun. (A)	FY2012 Apr. - Jun. (B)	Change (B)-(A)
Yield on total investments (a)	1.74%	1.68%	-0.06%
Yield on loans (b)	1.99%	1.94%	-0.05%
Yield on securities	1.17%	1.33%	0.16%
Yield on funding (c)	0.65%	0.55%	-0.10%
Net interest margin (a)-(c)	1.09%	1.13%	0.04%
Loan margin (b)-(c)	1.34%	1.39%	0.05%

Net interest income was 12.1 billion yen, an increase of 0.1 billion yen, or 0.9%, year on year, representing a year on year increase for the third consecutive quarter. 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, resulting in a year on year increase in net interest income. Funding costs were reduced 10 bps from 0.65% to 0.55%, 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 4 bps to 1.13%, and the loan margin improved 5 bps to 1.39%.

(2) Net fees and commissions

(100 million yen)	FY2011 Apr. - Jun. (A)	FY2012 Apr. - Jun. (B)	Change (B)-(A)
Net fees and commissions (a)-(b)	21	20	-1
Fees and commissions received (a)	23	22	-1
Loan business-related	15	13	-3
Securities-related and agency	4	6	2
Others	3	3	0
Fees and commission paid (b)	-2	-2	0

Net fees and commissions were 2.0 billion yen, a decrease of 0.1 billion yen, or 4.0%, year on year.

【Ref.】 Earnings from retail related business

(100 million yen)	FY2011 Apr. - Jun. (A)	FY2012 Apr. - Jun. (B)	Change (B)-(A)
Earnings related to the sale of investment trusts, annuity insurance, and structured bonds	6	8	1

Earnings related to the sale of investment trusts, annuity insurance, and structured bonds, targeting the needs of our mass affluent retail customers, showed steady progress, increasing 19.8%, year on year, to 0.8 billion yen.

(3) Net trading revenues

(100 million yen)	FY2011 Apr. - Jun. (A)	FY2012 Apr. - Jun. (B)	Change (B)-(A)
Net trading revenues	15	13	-3
Net income on trading-related financial derivatives transactions	12	9	-3
Others	3	3	0

Net trading revenues were 1.3 billion yen, a decrease of 0.3 billion yen, or 17.1%, year on year.

(4) Gains/losses on bond transactions

(100 million yen)	FY2011 Apr. - Jun. (A)	FY2012 Apr. - Jun. (B)	Change (B)-(A)
Gains/losses on bond transactions	13	44	30
Japanese government bonds	11	12	1
Foreign government bonds and mortgage bonds	19	30	11
Others	-17	2	18
Collateralized debt obligations (CDOs) only	-	-0	-0
Profit from hedge funds (Available for sale) only	4	1	-4
Others	-21	1	22

Gains/losses on bond transactions increased 3.0 billion yen, or 228.1%, year on year, to 4.4 billion yen, reflecting favorable foreign government bond investment activities. The accounting treatment related to the impairment of securitized products including CMBS changed in the fourth quarter of FY2011. If we reflect this change in accounting treatment on the first quarter of FY2011 (Apr.-Jun. 2011), losses of 1.4 billion yen on CMBS included in Others would be reclassified into credit-related expenses.

(5) Net other ordinary income excluding gains (losses) on bond transactions

(100 million yen)	FY2011 Apr. - Jun. (A)	FY2012 Apr. - Jun. (B)	Change (B)-(A)
Net other ordinary income excluding gains/losses on bond transactions	15	8	-7
Gains /losses on foreign currency transactions	-9	-4	5
Gains /losses on derivatives other than trading, net	0	-2	-2
Profit from limited partnerships	18	6	-12
Real estate related	9	4	-5
Distressed loan related	3	4	0
Other (venture capital, etc.)	5	-2	-8
Gains on distressed loans (Aozora Loan Services)	5	6	1
Debenture issue cost	-0	-0	0
Others	2	2	0

Net other ordinary income, excluding gains/losses on bond transactions, decreased 0.7 billion yen, or 46.2%, year on year, to 0.8 billion yen.

2. General and administrative expenses (G & A expenses)

(100 million yen)	FY2011 Apr. - Jun. (A)	FY2012 Apr. - Jun. (B)	Change (B)-(A)
G & A expenses	-97	-98	-1
Personnel	-44	-47	-3
Non-personnel expense	-46	-44	2
Tax	-6	-7	-1

General and administrative expenses were almost unchanged year on year at 9.8 billion yen, reflecting the Bank's continued strict control on costs. The overhead ratio, or OHR (general and administrative expenses as a percentage of net revenues) was 47.5%, remaining well within the Bank's mid-term target of 50% or below.

3. Credit-related expenses

(100 million yen)	FY2011 Apr. - Jun. (A)	FY2012 Apr. - Jun. (B)	Change (B)-(A)
Credit-related expenses	19	4	-15
Write-off of loans	-2	-3	-1
Loss on disposition of loans	10	1	-10
Specific allowance for loan losses	-6	-10	-4
General allowance for loan losses	12	7	-5
Reserve for credit losses on off-balance- sheet instruments	1	1	-0
Recoveries of written-off claims	3	9	6

Credit-related expenses were a net profit of 0.4 billion yen, compared with a net profit of 1.9 billion yen in the first three months of FY2011. This reflected the Bank's continued disciplined risk management and the preventative measures taken by the Bank to date including the conservative allocation of reserves, as well as the absence of significant credit events during the term.

The ratio of loan loss reserves to total loans outstanding was 3.06% as of June 30, 2012 and remained one of the highest among major Japanese banks.

4. Taxes

(100 million yen)	FY2011 Apr. - Jun. (A)	FY2012 Apr. - Jun. (B)	Change (B)-(A)
Taxes	13	6	-8

A net tax profit of 0.6 billion yen was recognized in the first three month of FY2012 as a result of the calculation of deferred tax assets, in consideration of the earnings projection.

II. Balance Sheet

(100 million yen)	Mar. 31, 2012 (A)	Jun. 30, 2012 (B)	Change (B) – (A)		Dec. 31, 2011	Page
			Amount	%		
Total assets	50,974	48,751	-2,223	-4.4%	50,328	-
Loan and bills discounted	26,722	24,744	-1,977	-7.4%	26,667	8
Securities	13,223	13,135	-89	-0.7%	12,047	9
Cash and due from banks	2,604	3,050	446	17.1%	2,441	-
Others	8,426	7,822	-604	-7.2%	9,173	-
Total liabilities	44,898	42,699	-2,199	-4.9%	44,388	-
Deposits	27,197	27,063	-134	-0.5%	27,394	} 8
Negotiable certificates of deposit	2,098	1,303	-795	-37.9%	2,086	
Debentures	2,231	2,081	-150	-6.7%	2,443	
Others	13,373	12,253	-1,120	-8.4%	12,465	
Total net assets	6,076	6,052	-24	-0.4%	5,940	-
Capital stock	4,198	4,198	-	-	4,198	-
Capital surplus	336	336	-	-	336	-
Retained earnings	1,735	1,684	-52	-3.0%	1,589	-
Valuation difference on available-for-sale securities	33	66	32	96.1%	46	-
Others	-227	-231	-4	-	-229	-
Total liabilities and net assets	50,974	48,751	-2,223	-4.4%	50,328	-

Total assets were 4,875.1 billion yen as of June 30, 2012, a decrease of 222.3 billion yen, or 4.4%, compared to March 31, 2012. Loans decreased from March 31, 2012 by 197.7 billion yen, or 7.4%, to 2,474.4 billion yen, as we continued disciplined balance sheet management and also as a result of certain repayments of loans to large lot borrowers. Securities were 1,313.5 billion yen, almost the same level as March 31, 2012.

On the funding side, deposits and negotiable certificates of deposit decreased 92.9 billion yen, as compared to March 31, 2012. We continued our effort to reduce funding costs while maintaining a stable base of retail deposits. As a result, funding from retail customers was 2,151.6 billion yen, decreasing 12.3 billion yen, or 0.6%, from March 31, 2012, while the percentage of retail funding to total core funding remained high at 70.7%. Total liabilities decreased 219.9 billion yen, or 4.9%, to 4,269.9 billion yen as compared to March 31, 2012.

Net assets after the dividend payment were 605.2 billion yen, representing a decrease of 2.4 billion yen, or 0.4%, in comparison with March 31, 2012. Net assets per common share were 284.08 yen, as compared to 284.22 yen per common share as of March 31, 2012.

1. Funding (Deposits and debentures)

(100 million yen)	Mar. 31, 2012 (A)	Jun. 30, 2012 (B)	Change (B)–(A)	Dec. 31, 2011
Retail	21,639	21,516	-123	21,744
Corporate, etc.	5,396	4,110	-1,285	4,472
Financial institutions (Debentures)	2,120	2,000	-120	2,296
Financial institutions (Deposits)	2,371	2,820	449	3,411
Deposits and Debentures total	31,526	30,446	-1,080	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 2,151.6 billion yen, decreasing 12.3 billion yen, or 0.6%, from March 31, 2011, while the percentage of retail funding to total core funding remained high at 70.7%. Our loan-to-deposit ratio (including NCD) was 87.2%.

The Bank maintained sufficient liquidity reserves of approximately 620 billion yen as of June 30, 2012.

2. Loans

(100 million yen)	Mar. 31, 2012 (A)	Jun. 30, 2012 (B)	Change (B)–(A)	Dec. 31, 2011
Loans outstanding	26,722	24,744	-1,977	26,667

Loans decreased from March 31, 2012 by 197.7 billion yen, or 7.4%, to 2,474.4 billion yen, as we continued disciplined balance sheet management and also as a result of certain repayments of loans to large lot borrowers.

In comparison to March 31, 2012, lending to transport, postal services increased 9.8 billion yen, while overseas loans, lending to the real estate sector, and wholesale and retail trade decreased by 62.0 billion yen, 59.3 billion yen and 23.5 billion yen, respectively.

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

3. Securities

(100 million yen)	Book value				Unrealized gains/losses			
	Mar. 31, 2012 (A)	Jun. 30, 2012 (B)	Change (B)–(A)	Dec. 31, 2011	Mar. 31, 2012 (A)	Jun. 30, 2012 (B)	Change (B)–(A)	Dec. 31, 2011
JGBs	6,160	5,847	-312	5,926	58	67	10	64
Municipal bonds	143	87	-56	120	1	1	-0	1
Corporate bonds	706	673	-34	783	-2	-1	1	4
Equities	267	267	-1	265	-0	-1	-1	-3
Foreign bonds	4,073	3,871	-202	3,305	-13	26	40	30
Others	1,874	2,390	516	1,648	17	15	-2	-9
Hedge funds	105	93	-11	108	15	16	1	17
ETFs	232	812	580	21	1	1	1	-3
Investment in limited partnerships	582	539	-43	592	0	3	2	0
REIT	142	133	-9	120	2	-5	-7	-18
Others	814	812	-2	807	-1	0	1	-4
Money market funds only	701	701	-0	697	1	1	-0	-3
Total	13,223	13,135	-89	12,047	60	107	47	87

Securities were 1,313.5 billion yen, almost the same level as March 31, 2012. In comparison with March 31, 2012, ETFs, particularly US dollar denominated, were increased by 58.0 billion yen for the purpose of investment portfolio diversification, while JGBs and foreign bonds decreased 31.2 billion yen, or 5.1%, and 20.2 billion yen, or 5.0%, respectively.

Total unrealized gains increased 4.7 billion yen, or 77.4%, to 10.7 billion yen, from March 31, 2012, reflecting unrealized gains on JGBs of 6.7 billion yen.

Note (1): Floating rate JGBs, as of June 30, 2012, were valued in the same way as at March 31, 2012, 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 13.1 billion yen; valuation loss 0.3 billion yen as of end-June 2012) are not included in the table above.

4. Investment in limited partnerships and hedge funds

(100 million yen)	Mar. 31, 2012 (A)	Jun. 30, 2012 (B)	Change (B)–(A)	Dec. 31, 2011
Limited partnerships	582	539	-43	592
Real estate related	123	123	0	123
Distressed loan related	259	247	-12	269
Others	200	169	-30	200
Hedge funds	105	93	-11	108

Investment in limited partnerships decreased 4.3 billion yen, or 7.3%, from March 31, 2012, mainly due to redemptions. Hedge fund investments decreased 1.1 billion yen, or 10.9%, as compared to March 31, 2012.

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

(100 million yen, %)	Mar. 31, 2012 (A)	Jun. 30, 2012 (B)	Change (B)–(A)	Dec. 31, 2011
Bankrupt and similar credit	75	47	-27	74
Doubtful credit	640	639	0	950
Special attention credit	377	356	-21	281
FRL credit, total (a)	1,091	1,043	-49	1,305
Normal credit (b)	26,191	24,336	-1,855	25,916
Total credit (c)((a)+(b))	27,282	25,379	-1,903	27,220
FRL credit ratio (a)/(c)	3.99%	4.10%	0.11%	4.79%

Non-performing claims as defined by the Financial Reconstruction Law (FRL) decreased 4.9 billion yen, or 4.5%, to 104.3 billion yen from March 31, 2012. Due to decrease in the total credit, the FRL ratio increased slightly to 4.10%. The percentage of FRL claims covered by reserves, collateral and guarantees remained high at 88.4% as of June 30, 2012, and the ratio of loan loss reserves to total loans outstanding was 3.06%, remaining one of the highest among major Japanese banks.

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.