May 15, 2009

Company name: Aozora Bank, Ltd.
Name of representative: Katsutoshi Ishida, Vice Chairman
Listed exchange: TSE, Code 8304
Enquiries: Masaaki Harada
Corporate Communication Group
Financial Management Division (03 3263 1111)

Aozora Bank Announces Financial Results for FY2008 and Earnings Forecast for FY2009

TOKYO, May 15, 2009 – Aozora Bank, Ltd. (“Aozora” or “the Bank”), a leading Japanese commercial bank, today announced its financial results for the fiscal year ended March 31, 2009 and its earnings forecast for fiscal year 2009.

I. FY2008 Results and Earnings Forecast for FY2009

The Bank has taken decisive action in FY2008 to significantly address legacy and non-core assets such as overseas investments, and implemented measures to cover existing credit as well as preventative measures, including the strengthening of reserves, to best position the Bank for a return to profitability in FY2009 and beyond. As a result, consolidated net income for the fiscal year ended March 31, 2009 was a loss of 242.6 billion yen, as compared to net income of 5.9 billion yen in the fiscal year ended March 31, 2008, and consolidated net revenue for the fiscal year ended March 31, 2009 was -5.0 billion yen as compared to 39.8 billion yen in the fiscal year ended March 31, 2008. The primary reasons for the decline in results as compared to the prior year were the impact of the write-downs and reserves taken on the investments and loans for GMAC, CDOs, ETFs, hedge funds, Lehman Brothers and a general increase in credit costs, as forecast on February 10, 2009. The primary factors for the difference between the FY2008 actual results and full year forecast on February 10, 2009 were restructuring costs, such as a reserve established for the Bank’s Voluntary Retirement Program (VRP), additional reserves against TK investments and higher credit costs. Both the factors behind the difference as compared to last year’s results and the February 10, 2009 forecast are more fully described later in this release.
The Bank’s credit actions have led to an increase in the percentage of Financial Reconstruction Law disclosed claims covered by reserves, collateral and guarantees (on a non-consolidated basis) from 85.4% as at March 31, 2008 to 93.5% as at March 31, 2009 - one of the highest amongst major Japanese banks. Despite the Bank recording losses of over 200 billion yen, Aozora’s preliminary Tier 1 ratio was 12.58%, at March 31, 2009, one of the highest ratios in the Japanese banking industry. The Bank also retained ample liquidity of over 1.2 trillion yen.

Aozora’s Acting President and Acting Chief Executive Officer Brian Prince commented, "Our results for fiscal year 2008 were clearly disappointing. It has been a terrible year for our industry and for Aozora Bank, resulting in no dividend payment forecast for fiscal year 2008 as indicated in the February 10, 2009 announcement. A reduction in remuneration for Directors, Executive Officers and Auditors has remained in place since October 2008. We have also made the decision to pay no bonuses to management level employees this summer. Since November, our new management team has acted aggressively to sell off or write down our non-core legacy assets. While these actions have created significant losses, together with measures to further improve efficiency, Aozora is now a more sharply focused organization and one much better positioned to return to profitability in fiscal year 2009 and beyond. Our new corporate strategy reflects today’s market realities. As a company we will be returning to our historical roots in the domestic lending business, especially real estate finance and specialized lending, areas where we have traditionally excelled.”

Summary of FY2008 Results

- The Bank's consolidated preliminary Tier 1 capital ratio was 12.58% at March 31, 2009 and its preliminary capital adequacy ratio was 11.60%, enabling Aozora to remain as one of the best capitalized of the major Japanese banks.
- Aozora ended the year with a strong liquidity position. The liquidity reserve was 1.215 trillion yen at March 31, 2009, a 327 billion yen increase since September 2008.
- Retail deposits increased 29.0% during the year to 1.88 trillion yen. Retail deposits represented 41.5% of the total balance of deposits, debentures and corporate bonds as of March 31, 2009.
- Net interest income was 57.8 billion yen, up 5.8% as compared to the previous year, largely as a result of an 18 basis point improvement in the net interest margin.
- A total of -239.6 billion yen from the special factors described below and credit costs contributed to an ordinary loss of 232.1 billion yen. Excluding special factors, the adjusted net revenue was 66.0 billion yen.
- A total of 155.9 million shares, 94.5% of the program's authorization, were repurchased between November 17, 2008 and March 31, 2009 under Aozora's previously announced share repurchase program.

  - A series of actions on legacy and non-core assets and other restructuring measures:
    - Special factors: The Bank writing-down its investment in GMAC by 35.8 billion yen, recording CDO related losses of 9.9 billion yen, write-downs related to hedge fund investments of 47.6 billion yen, losses on the disposition of the Bank's ETF investment of 32.0 billion yen and a net loss on its exposure to Lehman Brothers of 13.2 billon yen.
    - As a result of the above actions, the book value of the GMAC investment stood at approximately USD 15 million as of March 31, 2009, CDOs were 1.0 billion yen, and the outstanding ETF exposure was decreased to zero. The necessary disposals have been completed. The decision has been made to redeem all hedge funds and the Bank significantly wrote down its exposure to Lehman Brothers.
    - Credit costs for FY2008 were 101.1 billion yen, excluding Lehman Brothers related credit, as compared to income of 6.4 billion yen in FY2007, in which there was a reversal of reserves for possible loan losses. This was due to the reinforcement of measures to cover existing credit as well as preventative measures including the strengthening of reserves in response to faster than anticipated deterioration in economic and credit conditions.
    - The ratio of the allowance for possible loan losses to total loans was 3.73% at March 31, 2009, an increase from 1.20% at March 31, 2008.
    - Through the implementation of a number of strict cost control initiatives and the reduction of employee bonus payments, general and administrative expenses declined 7.3% during FY2008 as compared to the prior year.
    - To further advance business rationalization, the Bank initiated a Voluntary Retirement Program (VRP) in March. A reserve in the amount of 2.1 billion yen was established in the 4th quarter for severance costs related to this program.
    - In line with the Bank's business restructuring, total consolidated assets were 6,077.3 billion yen at March 31, 2009, a decrease of 1,181.7 billion yen from the prior year.
    - The FRL Ratio (non-consolidated) was 4.33% at March 31, 2009, an increase from 0.99% at March 31, 2008. As was the case in the FY2008, the major factors in the increase of disclosed claims were claims amounting to 26.7 billion yen to Lehman Brothers, and claims to New City Residence Investment Corporation of 12.2 billion yen. The percentage of FRL claims covered by reserves, collateral and guarantees increased to 93.5% as of March 31, 2009, as compared to 85.4% as of March 31, 2008.

Earnings Forecast for FY2009

Aozora also announced today its fiscal year 2009 earnings forecast. On a consolidated basis, net income for fiscal year 2009 is forecast to be 5.0 billion yen, and consolidated net revenue for fiscal year 2009 is forecast to be 72.0 billion yen. The Bank stated that while its first priority is to ensure its profitability, the forecast assumes a continuation of difficult operating conditions and the Bank will make every effort to realize its intent of returning to profitability in FY2009.

FY2008 Financial Results and FY2009 Earnings Forecast (Consolidated)

(100 million yen)	Ordinary Income	Net Revenue	Business Profit	Ordinary Profit	Net Income
FY2008 Actual Result (a)	1,826	-50	-529	-2,321	-2,426
FY2009 Forecast (b)	1,350	720	260	30	50
Change (b)-(a)	-476	770	789	2,351	2,476
Percentage Change	-26.1%	-	-	-	-
FY2007 Actual Results	2,010	398	-120	-216	59

FY2008 Financial Results and FY2009 Earnings Forecast (Non-consolidated)

(100 million yen)	Ordinary Income	Business Profit before general loan-loss reserve	Ordinary Profit	Net Income
FY2008 Actual Result (a)	1,778	-196	-2,359	-2,453
FY2009 Forecast (b)	1,300	245	25	50
Change (b)-(a)	-478	441	2,384	2,503
Percentage Change	-26.9%	-	-	-
FY2007 Actual Results	1,898	-22	-251	35

II. Comparison of FY2008 Full-Year Earnings Forecasts and Actual Results

The full-year earnings for fiscal year 2008 incorporate the following major changes as compared to the forecast published on February 10, 2009:

- Restructuring costs: A reserve in the amount of 2.1 billion yen was established in the 4th quarter for severance costs related to the Voluntary Retirement Program (VRP).
- Losses from TK investments: Additional losses of approximately 7.0 billion yen were recorded due to the reinforcement of preventative measures such as a conservative review of valuations and the strengthening of reserves in response to faster than anticipated deterioration in economic and credit conditions.
- Increased credit costs: Based upon a year end assessment of our portfolio and faster than anticipated deterioration in economic and credit conditions, we increased reserves for credit costs by an additional 33.4 billion yen.
- ETF sales: In the 4th quarter, the Bank sold all of its ETFs, which had unrealized losses of approximately 30 billion recorded in the 3rd quarter. The actual loss incurred upon the sale of this position was 1.2 billion yen higher than forecast.

(Comparison of Earnings Forecasts and Actual Results for Full Fiscal Year 2008)

Consolidated basis

(100 million yen)	Ordinary Income	Net Revenue	Business Profit	Ordinary Profit	Net Income
Full-Year Forecast (a)	1,850	-20	-520	-1,910	-1,960
Actual Results (b)	1,826	-50	-529	-2,321	-2,426
Change (b-a)	-24	-30	-9	-411	-466
Percentage Change	-1.3%	-	-	-	-

Non-consolidated basis

(100 million yen)	Ordinary Income	Business Profit before general loan-loss reserve	Ordinary Profit	Net Income
Full-Year Forecast (a)	1,800	-160	-1,940	-1,990
Actual Results (b)	1,778	-196	-2,359	-2,453
Change (b-a)	-22	-36	-419	-463
Percentage Change	-1.2%	-	-	-

Ⅰ. Revenue and Expenses

(100 million yen)	FY2007 Jan.-Mar.	FY2007 Full-Year (A)	FY2008 Jan.-Mar.	FY2008 Full-Year (B)	Change (B)－(A) Amount	Change (B)－(A) %	Page
Net revenue	**-38**	**398**	**-68**	**-50**	**-447**	**-**	-
Net interest income	140	547	122	578	32	5.8%	6
Net interest margin	*0.72%*	*0.67%*	*0.89%*	*0.85%*	-	*0.18%*	6
Net fees and commissions	56	166	14	101	-65	-39.4%	7
Net trading revenues	42	94	-39	308	214	227.7%	7
Net other ordinary income	-276	-409	-164	-1,037	-628	-	7,8
General & administrative expenses	-127	-517	-107	-480	38	7.3%	8
Business profit	**-165**	**-120**	**-175**	**-529**	**-410**	-	-
Gains / losses on stock transactions	-85	-62	-336	-345	-283	-	9
Ordinary profit	**-228**	**-216**	**-1,287**	**-2,321**	**-2,105**	-	-
Net income	**-189**	**59**	**-1,332**	**-2,426**	**-2,485**	-	-

Credit-related expenses incl. recoveries of written-off claims	-30	64	-724	-1,345	-1,408	-	9
Taxes	52	188	-12	-72	-260	-	10

To facilitate a refocus on the domestic lending market in which the Bank excels, and return to profitability in the next fiscal year, the Bank conducted a review of certain legacy and non-core assets such as overseas investments during FY2008. As a result, a consolidated net revenue loss of 5.0 billion yen was recognized. Excluding special factors related to GMAC, CDO, and hedge fund investment losses, and profit from the Lehman Brothers related CDS, the adjusted net revenue was 66.0 billion yen.

A 3.2 billion yen increase in net interest income, and a 21.4 billion yen increase in net trading revenues (including 22.2 billion yen in profits from credit default swaps hedging credit exposures to Lehman Brothers) were offset by a 62.8 billion yen decrease in net other ordinary income due mainly to further write-downs of the GMAC related investment and losses from hedge fund investments. As a result, the Bank's consolidated net revenue fell 44.7 billion yen year on year to -5.0 billion yen for FY2008.

General and administrative expenses were 48.0 billion yen, a decrease of 3.8 billion yen year on year, following the implementation of a number of strict cost control initiatives and a reduction of employee bonus payments. Overall, business profit decreased by 41.0 billion yen to -52.9 billion yen.

Credit-related expenses were -134.5 billion yen, an increase of 140.8 billion yen year on year. Gains / losses on stock transactions fell 28.3 billion yen to -34.5 billion yen, and taxes, including deferred income tax credits, decreased 26.0 billion yen to -7.2 billion yen. As a result, consolidated net income fell 248.5 billion yen to -242.6 billion yen.

1. Net Revenue

(1)①Net Interest Income

(100 million yen)		FY2007 Jan.-Mar.	FY2007 Full-Year (A)	FY2008 Jan.-Mar.	FY2008 Full-Year (B)	Change (B)－(A)
Net interest income	(a)-(b)	140	547	122	578	32
Interest income	(a)	337	1,380	255	1,245	-135
Interest on loans and discounts		262	1,026	199	971	-55
Interest and dividends on securities		58	274	40	202	-72
Other interest income		18	80	13	68	-12
Interest on swaps		-1	-	2	4	4
Interest expenses	(b)	197	834	133	667	-167
Interest on deposits and NCDs※		61	225	60	246	21
Interest on debentures		53	174	48	216	43
Interest on borrowings and rediscount		5	19	8	25	6
Other interest expenses		33	169	8	92	-77
Interest on swaps		46	248	9	88	-160

※ Negotiable certificates of deposit

Net interest income for FY2008 increased 3.2 billion yen (5.8%) year on year to 57.8 billion yen. The main factors were a decrease of 4.5 billion yen associated with the decreased average loan balance and an increase of 9.2 billion yen associated with the expanded net interest margin due to a decrease in foreign currency funding costs and other factors.

(1)②Net Interest Margin

		FY2007 Jan.-Mar.	FY2007 Full-Year (A)	FY2008 Jan.-Mar.	FY2008 Full-Year (B)	Change (B)－(A)
Yield on total investments	(a)	2.08%	2.15%	1.95%	2.03%	-0.12%
Yield on loans	(b)	2.59%	2.63%	2.17%	2.38%	-0.25%
Yield on securities		1.30%	1.51%	1.40%	1.35%	-0.16%
Yield on funding	(c)	1.36%	1.48%	1.06%	1.18%	-0.30%
Net interest margin	(a)-(c)	0.72%	0.67%	0.89%	0.85%	0.18%
Loan margin	(b)-(c)	1.23%	1.15%	1.11%	1.20%	0.05%

The net interest margin increased by 18bps reflecting a decrease in the yield on funding, which exceeded the decrease in the yield on total investments, due to a drop in foreign currency funding costs and other factors. The loan margin increased 5 bps from 1.15% to 1.20%.

While the yield on loans decreased in the fourth quarter of FY2008 (January 1, 2009 to March 31, 2009), the yield on securities and the yield on funding improved, so the net interest margin improved.

(2) Net Fees and Commissions

(100 million yen)	FY2007 Jan.-Mar.	FY2007 Full-Year (A)	FY2008 Jan.-Mar.	FY2008 Full-Year (B)	Change (B)－(A)
Net fees and commissions (a)-(b)	56	166	14	101	-65
Fees and commissions earned (a)	61	182	16	116	-66
Business-related loans	45	117	8	74	-43
Securities-related and agency	9	37	4	19	-17
Others	7	29	5	22	-7
Fees and commissions incurred (b)	-5	-16	-3	-15	1

Largely as a result of a more cautious approach to new lending transactions, net fees and commissions were 10.1 billion yen, a decrease of 6.5 billion yen year on year. Fees related to the loan business decreased 4.3 billion yen, or 36.4%, year on year, and fees from securities-related and agency transactions decreased by 1.7 billion yen, resulting in an overall year on year decrease.

(3) Net Trading Revenues

(100 million yen)	FY2007 Jan.-Mar.	FY2007 Full-Year (A)	FY2008 Jan.-Mar.	FY2008 Full-Year (B)	Change (B)－(A)
Net trading revenues	42	94	-39	308	214
Net income on trading-related financial derivatives transactions	42	97	-39	308	211
Net other trading income	-0	-3	0	-0	3

Net trading revenues increased by 21.4 billion yen year on year, mainly due to gains totaling 22.2 billion yen arising from CDS transactions with Lehman Brothers as the reference entity, recorded in the FY2008 interim results.

(4) Gains/losses on Bond Transactions

(100 million yen)	FY2007 Jan.-Mar.	FY2007 Full-Year (A)	FY2008 Jan.-Mar.	FY2008 Full-Year (B)	Change (B)－(A)
Gains/losses on bond transactions	-82	-450	-58	-177	273
Japanese government bonds	5	-22	4	17	39
Foreign government bonds and mortgage bonds	1	-15	1	10	25
Others	-88	-413	-63	-204	210
Collateralized Debt Obligations (CDOs) only	-84	-429	-23	-98	331
Profit from hedge funds (Available For Sale)	-1	16	-20	-76	-92
Others	-3	-1	-19	-30	-29

In FY2008, impairment losses of 9.8 billion yen on CDOs, and losses of 7.6 billion yen related to hedge fund investments (available for sale), resulted in losses on bond transactions of 17.7 billion yen.

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

(100 million yen)	FY2007 Jan.-Mar.	FY2007 Full-Year (A)	FY2008 Jan.-Mar.	FY2008 Full-Year (B)	Change (B)－(A)
Net other ordinary income Excluding gains/losses on bond transactions	-194	42	-106	-859	-901
Gains /losses on foreign currency transactions	6	18	24	-40	-58
Gains /losses on derivatives other than trading, net	1	-6	2	5	11
Profit from hedge funds (Trading)	-79	14	-15	-348	-362
Profit from limited partnerships	20	133	-54	-35	-168
Real estate related	11	54	-13	-6	-60
Distressed loan related	8	47	-18	-11	-58
Other (venture capital, etc.)	1	33	-23	-18	-51
Gains on distressed loans (Aozora Loan Services)	11	28	21	41	13
Debenture issue cost	-1	-4	-1	-4	0
Profit (losses) on GMAC investment	-149	-131	6	-358	-227
Others	-1	-10	-89	-120	-110

A loss of 85.9 billion yen was recorded for net other ordinary income excluding gains/losses on bond transactions in FY2008. The main contributors were a loss of 34.8 billion yen on hedge fund investments (for trading), a loss of 11.6 billion yen related to limited partnerships (including 8.1 billion yen in investment loss reserves recorded in Others), and a loss of 35.8 billion on the GMAC investment. The profit of 0.6 billion yen for GMAC during the period between January and March 31, 2009 was the result of exchange rate fluctuation.

The book value of the investment in FIM LLC (40% owner of GMAC LLC) as of March 2009 was USD 15 million. The investment has now been written down by a cumulative 97%.

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

(100 million yen)	FY2007 Jan.-Mar.	FY2007 Full-Year (A)	FY2008 Jan.-Mar.	FY2008 Full-Year (B)	Change (B)－(A)
G & A expenses	-127	-517	-107	-480	38
Personnel	-59	-253	-39	-226	27
Non-personnel expense	-61	-236	-61	-229	7
Tax	-7	-28	-7	-25	3

General and administrative expenses decreased by 3.8 billion yen, or 7.3% year on year, to 48.0 billion yen, as a result of a number of strict cost controls and the reduction of bonuses.

To further advance business rationalization the Bank initiated a Voluntary Retirement Program (VRP) in March 2009.

3. Credit-Related Expenses

(100 million yen)	FY2007 Jan.-Mar.	FY2007 Full-Year (A)	FY2008 Jan.-Mar.	FY2008 Full-Year (B)	Change (B)－(A)
Reversal of reserve for possible loan losses, etc. incl. recoveries of written-off claims	-30	64	-724	-1,345	-1,408
Write-off of loans	-12	-28	-137	-459	-430
Loss on disposition of loans	-12	-12	-25	-71	-59
Specific reserve for possible loan losses	25	10	-182	-352	-361
General reserve for possible loan losses	-31	87	-374	-453	-541
Reversal of reserve for credit losses on off-balance- sheet instruments	-1	3	-6	-11	-14
Recoveries of written-off claims	1	3	-0	1	-2
Others	-	1	-	-	-1

Credit-related expenses were 134.5 billion yen, in contrast with a 6.4 billion yen profit in FY2007. Major factors in this increase were an increase in loan write-offs of 45.9 billion yen, including 33.4 billion yen in loans to Lehman Brothers, an increase in general reserves for possible loan losses of 45.3 billion yen, an increase in specific reserves for possible loan losses of 35.2 billion yen, and a loss of 7.1 billion yen on the disposition of loans. The reserve for possible loan losses was 9.8 billion yen in the previous fiscal year (reversal of general reserve for possible loan losses: 8.7 billion yen; reversal of specific reserve for possible loan losses: 1.0 billion yen), while there was no reversal this fiscal year. The ratio of loan loss reserves strengthened from 1.20% as at March 31, 2008 to 3.73% as at March 31, 2009, as the Bank took decisive action to reinforce both preventative measures and measures to cover existing credit for the future.

4. Stock Transactions

(100 million yen)	FY2007 Jan.-Mar.	FY2007 Full-Year (A)	FY2008 Jan.-Mar.	FY2008 Full-Year (B)	Change (B)－(A)
Exchange Traded Funds	-54	-12	-334	-326	-314
Japanese stocks	-27	-25	-2	-9	16
Others	-5	-25	-0	-10	15
CDO equities only	-5	-25	-0	-1	24
Total	-85	-62	-336	-345	-283

In FY2008, gains / (losses) on stock transactions stood at -34.5 billion yen, mainly due to losses on the sale of the ETFs. All ETFs have been redeemed, taking the Bank's balance of holdings to zero.

5. Other Transactions

(100 million yen)	FY2007		FY2008		Change (B)－(A)
	Jan.-Mar.	Full-Year (A)	Jan.-Mar.	Full-Year (B)	
Gains/losses on stock futures transactions	38	17	21	1	-16
Gains on money held in trust	2	6	-0	2	-4
Others	6	-17	-72	-104	-87
Total	46	6	-51	-100	-106

Other transactions for FY2008 were a loss of 10.0 billion yen. The main factors in this were 2.5 billion yen in investment loss reserves for securities held by the Bank and costs of 2.1 billion yen associated with the voluntary retirement program.

6. Taxes

(100 million yen)	FY2007		FY2008		Change (B)－(A)
	Jan.-Mar.	Full-Year (A)	Jan.-Mar.	Full-Year (B)	
Taxes	52	188	-12	-72	-260

Tax credits were -7.2 billion for FY2008. This is due to a more conservative calculation of tax effects in consideration of the current market environment.

Ⅱ. Balance Sheet

(100 million yen)	Mar. 31, 2008 (A)	Mar. 31, 2009 (B)	Change (B)−(A)		Dec. 31, 2008	Page
			Amount	%		
Total assets	**72,591**	**60,773**	**-11,817**	**-16.3%**	**63,507**	
Loan and bills discounted	42,845	34,849	-7,996	-18.7%	38,193	12
Securities	16,522	11,266	-5,256	-31.8%	10,788	13
Others	13,224	14,658	1,434	10.8%	14,526	
Total liabilities	**64,910**	**55,477**	**-9,433**	**-14.5%**	**57,079**	
Deposits	23,655	26,256	2,602	11.0%	24,120	
Negotiable certificates of deposit	9,539	2,842	-6,697	-70.2%	2,478	12
Debentures	20,656	14,897	-5,760	-27.9%	17,814	
Corporate bonds	1,240	1,150	-89	-7.2%	1,213	
Others	9,820	10,332	511	5.2%	11,454	
Total net assets	**7,681**	**5,296**	**-2,385**	**-31.0%**	**6,428**	
Capital stock	4,198	4,198	-	-	4,198	
Capital surplus	333	333	-	-	333	
Retained earnings	3,472	967	-2,505	-72.2%	2,299	
Valuation difference on available-for-sale securities	-278	-8	270	-	-336	
Others	-45	-194	-149	-	-67	
Total liabilities and net assets	**72,591**	**60,773**	**-11,817**	**-16.3%**	**63,507**	

Total assets were 6,077.3 billion yen as of March 31, 2009, a decrease of 16.3%, or 1,181.7 billion yen compared to March 31, 2008. Included was a decrease of 799.6 billion yen, or 18.7%, in the loan portfolio and a decrease of 525.6 billion yen, or 31.8%, in the securities portfolio. On the funding side, deposits have increased by 11.0% since end-FY2007, mainly due to a 423.2 billion yen increase in retail deposits. The debenture balance decreased by 576 billion yen (-27.9%) and the balance of negotiable certificates of deposit decreased by 669.7 billion yen (-70.2%), mainly because of the suspension of debenture issuance due to unfavorable market conditions and our adjustment of funding from public and financial institutions and corporations in light of the decrease in assets. As a result of these actions, total liabilities fell 943.3 billion yen, or 14.5%, to 5,547.7 billion yen.

1. Funding (Deposits and Debentures) *(non-consolidated)*

(100 million yen)	Mar. 31, 2008 (A)	Mar. 31, 2009 (B)	Change (B)－(A)	Dec. 31, 2008
Retail	14,940	19,107	4,167	17,035
Corporate, etc.	3,979	3,891	-88	3,140
Public Institutions	3,597	2,984	-613	3,094
Financial Institutions (Debentures)	21,293	15,563	-5,730	18,518
Financial Institutions (Deposits)	11,490	3,780	-7,710	4,021
Deposits and Debentures total	55,299	45,325	-9,974	45,807

A focus on the retail market helped funding from retail customers increase markedly by 416.7 billion yen, replacing some of the funding from corporate customers and financial institutions. The sale of debentures to financial institutions decreased by 573.0 billion, financial institution deposits decreased by 771.0 billion yen and funding from corporate customers decreased by 8.8 billion yen. Due to unfavorable debt market conditions, the Bank elected to suspend the issuance of debentures in October. The increase in retail customer deposits over the three-month period from January 1, 2009 to March 31, 2009 was 208.7 billion yen. Despite the decrease in debenture issuance, the Bank's liquidity reserve was in excess of 1.2 trillion yen as of March 31, 2009.

2. Loans

(100 million yen)	Mar. 31, 2008 (A)	Mar. 31, 2009 (B)	Change (B)－(A)	Dec. 31, 2008
Loans outstanding	42,845	34,849	-7,996	38,193

The loan book decreased 18.7%, or 799.6 billion yen, from end-FY2007 as the Bank took a more cautious approach to new lending in the difficult financial environment. In comparison to end-FY2007, lending to the telecommunications industry increased (2.9 billion yen), while lending to Japan government (-205.5 billion yen), the finance/insurance industry (-151.7 billion yen), various service industries (-108.7 billion yen), wholesale/retail sector (-56.8 billion yen) and overseas loans (-39.8 billion yen) all decreased. Lending to the real estate sector also decreased (-138.9 billion yen), and this included decrease in non-recourse loans of 46.4 billion yen.

3. Securities

(100 million yen)	Book value				Unrealized gains/losses			
	Mar. 31, 2008 (A)	Mar. 31, 2009 (B)	Change (B)－(A)	Dec. 31, 2008	Mar. 31, 2008 (A)	Mar. 31, 2009 (B)	Change (B)－(A)	Dec. 31, 2008
JGBs	8,855	7,052	-1,803	5,552	-61	32	93	40
Municipal bonds	26	52	26	53	0	0	0	1
Corporate bonds	622	495	-127	618	0	-3	-3	0
Equities	315	296	-19	309	2	-1	-3	-4
Foreign bonds	2,822	1,900	-922	2,063	-18	-32	-14	-30
CDOs only	109	10	-100	23	-	1	1	2
Others	3,882	1,471	-2,411	2,193	-201	-4	197	-343
Hedge funds	1,740	527	-1,212	776	-26	-	26	-34
ETFs (Linked to Japanese stocks index)	579	-	-579	384	-175	-	175	-307
Investment in limited partnerships	1,018	866	-151	926	7	1	-6	-0
REITs	84	-	-84	29	-9	-	9	-
Others	462	77	-385	79	2	-4	-7	-2
GMAC only	371	14	-356	14	-	-	-	-
CDOs only	1	0	-1	0	-	-	-	-
Total	16,522	11,266	-5,256	10,788	-278	-8	270	-336

Securities decreased by 525.6 billion yen in comparison with end-FY2007, primarily due to decreases in JGBs, hedge funds, foreign bonds, ETFs and the GMAC related investment of 180.3 billion yen, 121.2 billion yen, 92.2 billion yen, 57.9 billion yen and 35.6 billion yen, respectively. Following the sale of all ETF and REIT exposures, the outstanding balance was zero as of the end of March 2009. Total unrealized losses amounted to 0.8 billion yen as of March 31, 2009, a significant improvement on the December 31, 2008 loss amount of 33.6 billion yen. Floating rate JGBs were valued, as in the interim period and in the 3rd quarter, 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.

(1) Collateralized Debt Obligation (CDO) Exposure

(100 million yen)	Number of deals	Historical cost as of Mar. 31 (A)	B/S amount as of Mar. 31 (B)	B/S amount to Hist. cost (B)/(A)	Unrealized valuation loss	
					(P/L)	(Equity)
Debt	27	400	7	1.8%	-37	+1
Equity	3	22	0	0.0%	-	-
ABS CDOs Total (a)	30	422	7	1.7%	-37	+1
SIVs (b)	2	29	0	0.0%	-0	-
Sub Total (a)+(b)=(c)	32	452	7	1.6%	-37	+1
Synthetic CDOs (d)	3	102	3	2.5%	-62	-
Total (c)+(d)	35	554	10	1.7%	-99	+1

The CDO balance sheet amount stood at 1.0 billion yen as of March 31, 2009. Within this total, debt securities amounted to 0.7 billion yen, equities were 0.0 billion yen, and synthetic CDOs were 0.3 billion yen. 9.9 billion yen was taken to the P/L as a valuation loss in FY2008.

(2) GMAC

(USD million)	Initial investment amount	Book value as of Mar.31,2008	Book value as of Jun.30,2008	Book value as of Sep.30,2008	Book value as of Dec.31,2008	Book value as of Mar.31,2009
GMAC investment	500	370	308	150	16	15

Total losses for FY2008 were 35.8 billion yen. In the fourth quarter of FY2008 (January 1, 2009 to March 31, 2009), a profit of 0.6 billion yen was recorded; however, this was due to exchange rate fluctuations and there is no change to the loss amount in its home currency. The book value of the investment stood at approximately USD 15 million as of March 31, 2009, a cumulative impairment of 97%.

4. Investment in Limited Partnerships and Hedge Funds

(100 million yen)	Mar. 31, 2008 (A)	Mar. 31, 2009 (B)	Change (B)－(A)	Dec. 31, 2008
Limited partnerships	1,018	866	-151	926
Real estate related	206	196	-10	204
Distressed loan related	525	412	-114	434
Others	286	259	-27	288
Hedge funds	1,740	527	-1,212	776

Investments in limited partnerships (TK Investments) decreased by 15.1 billion yen, or 14.9%, from end-FY2007. During the period, there was a general reduction in the volume of new distressed loans, real estate and venture investments due to unfavorable market conditions. Hedge fund investments decreased 121.2 billion yen, or 69.7%, from end-FY2007, to 52.7 billion yen. Of the remaining balance, approximately 44.0 billion yen remains exposed to price fluctuation risk. The decision has been made to redeem all hedge funds.

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

(100 million yen, %)	Mar. 31, 2008 (A)	Mar. 31, 2009 (B)	Change (B)－(A)	Dec. 31, 2008
Bankrupt and similar credit	0	437	436	472
Doubtful credit	306	813	507	537
Special attention credit	93	152	59	96
FRL credit, total (a)	399	1,401	1,002	1,105
Normal credit (b)	39,688	30,956	-8,732	34,917
Total credit (c)((a)+(b))	40,087	32,357	-7,730	36,022
FRL credit ratio (a)/(c)	0.99%	4.33%	3.34%	3.06%

Non-performing claims as defined by the Financial Reconstruction Law (FRL) increased 100.2 billion yen to 140.1 billion yen. The FRL Ratio was up 3.34% from end-FY2007 to 4.33%.The major factors in the increase of disclosed claims were claims amounting to 26.7 billion yen to Lehman Brothers, and claims to New City Residence Investment Corporation of 12.2 billion yen. The proportion of claims covered by reserves, collateral and guarantees (non-consolidated) increased from 85.4% to 93.5%, continuing to be one of the highest levels amongst major Japanese banks.

Ⅳ. Capital Adequacy Ratio (Preliminary)

	Mar. 31, 2008 (A)	Mar. 31, 2009 (B)	Change (B)－(A)	Dec. 31, 2008
Capital adequacy ratio	14.29%	11.60%	-2.69%	13.71%
Tier1 ratio	15.23%	12.58%	-2.65%	14.81%

Note: Figures as of December 31, 2008 and March 31, 2009 are also calculated in accordance with the FSA Notification Number 79 issued in 2008 (special treatment of FSA Notification Number 19 issued in 2006). Calculation using the prior methodology would result in a decrease in the capital adequacy ratio of approximately 0.7% as of December 31, 2008 and approximately 0.02% as of March 31, 2009.

Aozora's Tier 1 ratio is among the highest in the Japanese banking industry. The Bank's capital adequacy ratio was 11.60% and Tier 1 ratio was 12.58%. The ratio of tangible equity divided by tangible assets was 8.7%.

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 become 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/en/company/

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.