

NEWS RELEASE

<Aozora Bank Reports Results for the First Nine Months of FY2006> -Net Income at Record High for First Three Quarters- -Specialty Finance and Corporate Lending Key Profit Drivers-

TOKYO January 29, 2007 – Aozora Bank, Ltd, (“Aozora” or “the Bank”), a leading Japanese commercial bank, today reported its financial results for the nine months to December 31, 2006.

Aozora posted record high operating profit and net income for the first three quarters of the 2006 fiscal year. These excellent financial results reflect the continued success of our management focus on outperforming the Japanese Banking industry in terms of earnings and loan growth using our unique business platform built around wholesale corporate lending and investment banking in the Japanese and international markets.

CONSOLIDATED FINANCIAL HIGHLIGHTS

- Consolidated operating profits increased to 50.3 billion yen in the nine months ended December 31, 2006, up 11.3% on the same period in the prior year. After eliminating the impact of the “macro hedge income”¹ recorded in the prior period, our consolidated operating profits increased 32.0%.
- Aozora’s loan book grew to 3,552.0 billion yen as of December 31, 2006, an increase of 13.3% from March 31, 2006, compared to an industry average of 1.0%, by leveraging our core capabilities in marketing and risk management.
- Net income grew 0.7% to 74.8 billion yen in the nine months ended December 31, 2006. After eliminating the impact of the “macro hedge” recorded in the prior period, the increase was 11.4%. The nine months total is a record high for the Bank at this stage in the fiscal year. Growth in net income was driven by net revenue growth coupled with stringent cost control. Credit related expenses (including recoveries of written-off claims) resulted in income of 17.8 billion yen for the nine months ended December 31, 2006, lower than the level for the same period last year by 5.4 billion yen, or 23.4%.

¹ This represents a swap position built up for hedging purposes (the “macro hedge” position) that was closed out in FY 2002 based on the accounting standards at that time, realizing a gain (27.3 billion yen) recognized as income for accounting purposes over the subsequent 3 years. For the nine months ended December 31, 2005, 7.09 billion yen was recognized as net interest income. As this income did not result from risk positions or transactions in that period, the impact in FY 2005 should be adjusted for comparison purposes. Macro hedge adjusted net interest income is referred to as “core net interest income”.

- Net revenue rose 4.7% to 88.3 billion yen boosted by strong growth in net non-interest income. After eliminating the impact of the macro hedge the increase was 14.3%.
- Net non-interest income climbed 21.5% to 54.9 billion yen boosted by significant gains from bond transactions, gains from investments in funds and investment partnerships and further growth in net fees and commissions.
- The overhead ratio of expenses to revenue was 44.0% for the nine months ended December 31, 2006, down from the 45.3% level of the first half.
- Total assets amounted to 6,132.8 billion yen as of December 31, 2006, an increase of 136.9 billion yen compared with March 31, 2006.
- Aozora is maintaining its full year earnings forecasts for net income of 81.0 billion yen and operating profits of 65.2 billion yen for the fiscal year ending March 31, 2007.

Aozora Bank Chairman and CEO Michael E. Rossi said; "These results and our high level of confidence to achieve our full year earnings targets are further evidence that Aozora is delivering on its commitment to outperform the Japanese Banking sector in terms of earnings growth and loan growth. Our annualized loan growth has far exceeded the industry average which is testament to our three core strengths: risk management, sales and marketing, and capability in specialty finance."

EARNINGS REVIEW

Net revenue rose 4.7% to 88.3 billion yen compared with the same period a year earlier, or 14.3% after eliminating the impact of the macro hedge. Stable revenue growth demonstrates the ongoing success of Aozora's strategy of diversifying earnings into areas such as specialty finance, derivative sales and fund investments where the Bank can most effectively leverage its core structuring and risk management expertise.

Net interest income was 33.5 billion yen in the nine months to December 31. "Core net interest income" increased 4.1% in the nine months to December 2006, as compared to the same period in the prior year, after adjusting for the impact of the macro hedge income. The increase is even greater if adjustment is made for the funding cost of non-interest bearing assets such as fund and investment partnership investments. Reported net interest income declined by 14.7% compared with the same period in the prior year.

The Bank's average yield on consolidated loans improved to 2.17% in the first three quarters of FY2006 from a 1.93% average in the same period a year ago. The average margin on our consolidated loans above our average interest cost of debentures and deposits rose to 1.66% from 1.56%. This 0.1 percent margin increase, together with an overall 415.7 billion yen increase in consolidated loan volume since March 31, 2006, drove an improvement in "core net interest income".

Fees and commissions increased by 7.9% to 11.3 billion with the majority of fee income consisting of loan related items, including fees from securitizations.

Net gains on bond transactions of 10.5 billion increased by 183.9% from the comparable prior year period, reflecting gains on sale of REITs and foreign bonds that were primarily generated in the first quarter.

Net trading revenues decreased by 6.3% from the comparable prior year period, reflecting lower demand for derivative products.

Net other operating income excluding net gains on bond transactions was up 9.6% on the comparable prior year period to 27.9 billion yen. Non-consolidated net other operating income was primarily generated from returns on investments in investment partnerships (12.7 billion yen before funding costs) such as real estate investment partnerships (6.9 billion yen before funding costs), NPL-related investment partnerships (2.8 billion yen before funding costs) and private equity investment partnerships (1.5 billion yen before funding costs), and gains on hedge fund investments (11.3 billion yen before funding costs).

General and administrative expenses increased 5.7% to 38.9 billion yen in the nine months to December 31, 2006 versus the same period a year earlier, in line with management's commitment to contain cost growth. Personnel costs and information technology spending rose as Aozora continued to grow its business by actively investing in technology platforms and people. At the same time, management promoted a series of efficiency initiatives and cost control measures, achieving an overhead ratio (the proportion of net revenue accounted for by expenses) of 44.0% for the nine month period.

As a result, business profit rose 3.9% to 49.4 billion yen (or 22.1% after adjustment for the macro hedge) and operating profits rose 11.3% (or 32.0% after adjustment for the macro hedge) to 50.3 billion yen, in each case compared to the comparable period a year earlier.

Income before income taxes rose 0.3% (or 11.1% after adjustment for the macro hedge) to 73.5 billion. Gains at the operating profit level were partially offset by a decrease in extraordinary profit on reversals of reserves for possible loan losses.

Net income increased 0.7% (or 11.4% after adjustment for the macro hedge) to 74.8 billion yen. This represents a record high for Aozora for the first nine months of any fiscal year.

BALANCE SHEET SUMMARY

Total assets amounted to 6,132.8 billion yen as of December 31, 2006, a gain of 136.9 billion yen, or 2.3%, versus March 31, 2006. Increases in loans and bills discounted and securities were the biggest contributors to asset growth. Over the course of the fiscal year to December 31, 2006, the Bank has reduced 1) cash and due from banks, 2) call loans and bills bought, and 3) receivables under securities borrowing transactions and transferred funds to assets generating a higher rate of return such as securities and loans and bills discounted.

Loans and bills discounted increased by 1.8% from September 30, 2006, taking the year to date increase to 415.7 billion yen, or 13.3%, with outstanding loans and bills discounted of 3,552.0 billion yen as of December 31, 2006. The main drivers were non-recourse loans, funding to the information technology and telecommunications sectors, and additional international lending. Management expects to grow our loan book from these levels and position Aozora as one of the strongest growing Japanese banks.

Securities holdings increased 276.3 billion yen, or 17.0%, to 1,904.5 billion as of December 31, 2006, mainly due to increases in our holdings of treasury bills and financing bills.

On the funding side, deposits (excluding negotiable certificates of deposit) as of December 31, 2006, decreased 133.1 billion yen, or 5.7%, to 2,206.3 billion yen compared to September 30, 2006. In the three months from September 30, 2006, net deposit inflows from retail customers were more than offset by a reduction in the level of corporate deposits. Our primary sources of funding for asset growth the first nine months of FY2006 were debentures, retail deposits, bonds issued and retained earnings.

OPERATIONAL HIGHLIGHTS

- On November 14, 2006, Aozora shares debuted on the First Section of the Tokyo Stock Exchange. The TSE listing was achieved in conjunction with the largest initial public offering in Japan for eight years.
- On November 20, 2006, Aozora opened its first new retail branch in 15 years, in the Nihonbashi district of central Tokyo. The branch offers customized wealth management services targeted at high net worth individuals.
- In November 2006, Aozora invested US\$500 million to obtain an indirect minority ownership interest in General Motors Acceptance Corporation, the finance subsidiary of General Motors Corporation.
- In November 2006, Aozora launched a new corporate rehabilitation fund to assist small and medium sized businesses in Japan's northern island of Hokkaido. The new fund works in partnership with 23 shinkin credit unions operating in the region. The initiative is part of the Bank's strategy of leveraging longstanding relationships with Japanese regional lenders to generate new business opportunities.

OUTLOOK

Aozora is maintaining its current earnings forecasts for the full fiscal year ending March 31, 2007, for net income of 81.0 billion yen and operating profits of 65.2 billion yen on a consolidated basis.

FINANCIAL RESULTS GLOBAL CONFERENCE CALL

Aozora will hold a global conference call to discuss its financial results for the nine months ended December 31, 2006, and answer questions on Monday January 29, 2007. The call will begin at 10:00 PM in Tokyo, 7:00 AM in New York and 12:00 PM (Noon) in London. For conference call dial-in information, please visit our website (<http://www.aozorabank.co.jp/english>) or call our IR agent Taylor Rafferty in Tokyo at 81-3-5444-2730 (attn: Mr. Yuhau Lin), in New York at 212-889-4350 (attn: Mr. Tom Meyers), or in London at 44-20-7614-2900 (attn: Ms. Laura Martin).

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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. On November 14, 2006, Aozora successfully listed its shares on the First Section of the Tokyo Stock Exchange.

News and other information about Aozora Bank, Ltd. is available at <http://www.aozorabank.co.jp/en/company/>

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