

NEWS RELEASE

<Aozora Bank Reports Financial Results for FY2006> - Higher Net Revenue & Operating Profit - -Specialty Finance and Corporate Lending Drive Solid Growth-

TOKYO, May 15, 2007 – Aozora Bank, Ltd, (“Aozora” or “the Bank”), a leading Japanese commercial bank, today reported financial results for the year ended March 31, 2007, its earnings projection for the current year, and a statement regarding its medium term capital targets.

The Bank achieved the highest level of net revenue since re-privatization, grew operating profit for a third successive year in FY2006 and beat the Bank’s forecast for net income. Aozora continues to outperform its peer group in the Japanese banking industry in terms of earnings and loan growth.

These solid earnings results highlight the growing success of Aozora’s unique business model built around wholesale corporate lending and investment banking in the Japanese and international financial markets.

The earnings projection for the current fiscal year shows that Aozora expects to achieve low double-digit top line revenue growth while maintaining positive operating leverage. While gains from credit reserve releases are expected to diminish, Aozora will increase its recognition of Deferred Tax Assets this year as the full utilization of its carried forward tax losses is expected in the near term.

Aozora announced in its medium term capital targets that it plans to redeem and cancel the government held preference shares at the earliest opportunity, and manage its capital structure to a more normalized level designed to maintain regulatory compliance, support an A rating, minimize the cost of capital and maximize shareholder value.

This announcement also for the first time includes a quarterly earnings breakdown, reflective of an initiative by Aozora Management to offer shareholders and other stakeholders the highest possible level of corporate transparency.

CONSOLIDATED FINANCIAL HIGHLIGHTS (All comparisons year-on-year)

- Net revenue rose 0.2% to 114.4 billion yen, the highest since the Bank was re-privatized in 2000. Net revenue was boosted by strong growth in net non-interest income. After eliminating the impact of the “macro hedge income”¹, which was 8.41 billion yen, the increase was 8.1%.
- Consolidated operating profits rose 1.6% to 62.4 billion yen, marking a third straight year of growth. After eliminating the impact of the “macro hedge income” recorded in the prior period, consolidated operating profits increased 17.7%.
- Aozora’s loan book grew 17.5% to 3,684.6 billion yen, significantly outperforming the industry growth rate of 0.7%².
- Net non-interest income grew 13.6% to 69.5 billion yen helped by the contribution from net fees and commissions .
- The overhead ratio of expenses to revenue rose 2.9 percentage points to 46.2%. Expenses rose as Aozora boosted IT investment and expanded its specialty finance division through new hires to support continued business growth.
- Net income fell 32.1% to 81.5 billion yen reflecting a decline in extraordinary profit from the reversal of reserves for possible loans losses compared with the previous fiscal year. This result beat the Bank’s forecast for net income of 81 billion yen. After eliminating the impact of the “macro hedge” recorded in the prior period, net income recorded a decline of 27.0%.
- Total assets amounted to 6,544.0 billion yen as of March 31, 2007, an increase of 548.0 billion yen compared to a year ago.
- Aozora forecasts net income of 84.5 billion yen, operating profits of 66.5 billion yen and non-consolidated business profit before general loan-loss reserve of 60.0 billion yen for the fiscal year ending March 31, 2008.

Aozora Bank Chairman Kimikazu Noumi commented, "We are pleased to announce that in fiscal 2006 the Bank exceeded its financial targets, realizing its highest level of Net revenue since 2000. Aozora's strong earnings growth, augmented by annualized loan growth that is significantly higher than the industry average, underscores the Bank's commitment to realizing consistent, sustainable top line revenue growth through earnings diversification and our core competence in risk management--all of which is focused on outperforming the sector to create a uniquely profitable Japanese bank."

¹This 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 12 months ended March 31, 2006, 8.41 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”.

² According to Japanese Bankers Association data.

EARNINGS REVIEW

Net revenue rose 0.2% to 114.4 billion yen compared with a year earlier, or 8.1% after eliminating the impact of the macro hedge. Revenue has grown every year since the re-privatization of the Bank in 2000, a key indicator of the success of Aozora's strategy of diversifying earnings into areas where the Bank can most effectively leverage its core structuring and risk management expertise. These include high-growth banking services such as specialty finance, derivatives sales and fund investments.

Net interest income fell 15.3% to 44.9 billion yen in FY2006. However, "core net interest income" increased 0.7% on an annualized basis, 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.

The Bank's average yield on consolidated loans improved to 2.21% in FY2006 from a 1.93% average a year ago. While the average margin on our consolidated loans above our average interest cost of debentures and deposits, which didn't include swap cost, rose to 1.67% from 1.56%.

Net fees and commissions increased by 1.3% to 16.0 billion with loan related items, including fees from loan related items and securitizations.

Net trading revenues declined by 29.8% to 5.5 billion yen versus the previous fiscal year owing to lower demand for, and spread from OTC derivative products.

Net gains on bond transactions amounted to 11.0 billion, from – 1.0 billion yen of the previous year. This reflected gains on sale of REITs and foreign bonds that were primarily generated in the first quarter.

Net other operating income excluding net gains on bond transactions declined by 4.1% to 37.0 billion yen. It was primarily generated from returns on investments in investment partnerships (15.7 billion yen before funding costs) such as real estate investment partnerships (7.7 billion yen before funding costs), NPL-related investment partnerships (4.7 billion yen before funding costs) and private equity investment partnerships (3.3 billion yen before funding costs), and gains on fund investments (16.3 billion yen before funding costs). The funding cost of fund investments and investment partnership assets is estimated at 7.9 billion yen as compared to 4.7 billion yen in FY2005.

General and administrative expenses increased 6.9% to 52.8 billion yen versus the same period a year earlier. While maintaining a tight rein on cost control, in FY2006 Aozora boosted investment in personnel and information technology spending in line with Bank's strategy of growing its business by actively investing in technology platforms and people. Concurrently, 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 46.2% in FY2006.

As a result, business profit declined 4.9% to 61.6 billion yen (or rose 9.3% after adjustment for the macro hedge) and operating profits rose 1.6% (or 17.7% after adjustment for the macro hedge) to 62.4 billion yen, compared with the previous fiscal year.

Income before income taxes fell 25.7% (or 19.5% after adjustment for the macro hedge) to 81.0 billion. Gains at the operating profit level were offset by a significant decrease in extraordinary profit on reversals of reserves for possible loan losses.

Net income declined 32.1% (or 27.0% after adjustment for the macro hedge) to 81.5 billion yen.

ROA, ROE and EARNINGS PER SHARE

Our annualized Return on Assets ratio was 1.25%, calculated by dividing net income by total assets as of March 31, 2007.

Our annualized Return on Equity ratio was 10.29%, calculated by dividing net income by net assets as of March 31, 2007.

Basic earnings per share amounted to 52.59 yen as of March 31, 2007. Fully diluted earnings per share was 38.52 yen.

Net Assets per share at March 31st, 2007 stood at 369.81 yen when the preference shares are excluded.

BALANCE SHEET SUMMARY

Total assets amounted to 6,544.0 billion yen as of March 31, 2007, up 548.0 billion yen, or 9.1%, from a year earlier. This gain reflected significant increases in loans, bills and securities.

Loans and bills discounted rose 548.3 billion yen, or 17.5%, to 3,684.6 billion yen. The prime contributors were non-recourse loans, funding to the information technology and telecommunications sectors, and additional international lending.

Securities holdings grew 290.7 billion yen, or 17.9%, to 1,918.9 billion, owing largely to higher holdings of JGB.

Total liabilities were 5,751.5 billion yen, an increase of 479.6 billion yen, or 9.1%. Deposits (excluding negotiable certificates of deposit) increased 5.4 billion yen, or 0.2%, to 2,330.9 billion yen, due to increased deposits from retail customers. Retail deposits were 1,385.0 billion yen, an increase of 113.2 billion yen, or 8.9%. Debentures were up 390.2 billion yen, or 36.8%, to 1,450.5 billion yen. Call money and bills sold decreased 71.3 billion yen, or 18.5%, to 313.2 billion yen. This was mainly because electronically settled bills went into in a Bank of Japan loan account, requiring Aozora to re-categorize those funds as part of the others account.

Net assets stood at 792.5 billion yen at year-end, up 69.1 billion yen, or 9.6%. This was due to a 75.5 billion yen, or 27.9% increase in retained earnings, to 346.4 billion yen.

Regulatory Capital stood at 714.2 billion yen at year-end, down 17.1 billion yen, or -2.3% as a result of increased capital deduction due to a new Basel II related regulation. Risk-weighted assets stood at 4,512.6 billion yen as of March 31, 2007, up 757.6 billion yen, or 20.2%, from March 31, 2006, brought on by an increase in loans and the change of risk-weight due to this new regulation. As a result, our capital adequacy ratio declined to 15.82%, versus 19.47% a year earlier. In addition, our Tier-1 capital ratio declined to 17.50% from 19.12%. These ratios declined mainly due to asset increase and Basel II. However, they remain among the highest in the Japanese banking industry.

FRL Ratio was 1.04% from 0.68% a year ago, and well within our acceptable range of up to 3.00%.

QUARTERTY EARNINGS REVIEW (Consolidated)

	(Q4) FY2006	(Q4) FY2005	% Change
Net Revenue	26,062	29,811	-12.6%
Operating Profit before Credit Costs	12,171	17,231	-29.4%
Operating Profit	12,122	16,257	-25.4%
Net Income	6,684	45,845	-85.4%

(Units: millions of yen)

Net revenue amounted to 26.0 billion yen in the three months ended March 31, 2007, down 12.6% compared with the corresponding quarter a year earlier. Growing revenue from other operating income was offset by declines in trading revenues. Although fees and commissions were slightly down on Q4 2005, it remains the second strongest quarter for fees and commissions in the last 3 years.

Consolidated operating profit was 12.1 billion yen in the fourth quarter versus 16.3 billion a year ago, representing a 25.4% decrease.

Net income in the fourth quarter dropped 85.4% to 6.7 billion yen as a significant level of excessive credit reserves were released in the previous year. Aozora has had net credit reserve releases for the past three years, however these have diminished as Aozora has begun to return to a more normalized level of credit costs.

MEDIUM TERM CAPITAL TARGETS

The Aozora Bank Ltd. Board of Directors has considered the medium term capital targets for the Bank. The Board believes the Bank continues to make sound progress in the revitalization of its business, having returned to consistent profitable operations, and generated retained earnings adequate to fund the repayment of the public moneys. The Board believes it is appropriate in the medium term to begin the process of normalizing the capital structure of the Bank.

1. Target Capital Adequacy

Aozora aims to achieve a level of capital adequacy adequate for regulatory compliance with Basel II in Japan as an international standard bank. In addition, the capital level should support a single A or equivalent rating from the major credit rating agencies. Aozora aims to achieve a capital adequacy level under Basel II of 12% to 13%, with a tier 1 capital ratio of 10% to 11%. Aozora aims to include hybrid tier 1 capital in its tier 1 ratio, initially up to 15% of the total tier 1 capital.

2. Repayment of Public Funds

Consistent with the target capital adequacy, Aozora is putting strategic priority on the redemption and cancellation of all of the remaining, outstanding government owned convertible preference shares, subject to meeting the pricing term and other criteria for redemption and the approval of the relevant authorities.

3. Dividend policy

Aozora is committed to delivering shareholder value, and recognizes that the payment of a competitive level of dividends is an important part of the overall investment proposition. During the period that the government owns the convertible preference shares, Aozora continues to ensure the achievement of the Business Revitalization Plan and to determine an appropriate level of dividend payment. Aozora aims for a payout ratio at least comparable to Japanese major banks in the medium term.

4. Common Stock Buy Back

Aozora recognizes that buying back and cancellation of excessive common stock is an effective mechanism along with the above-mentioned methods to right-size the Bank's capital base, and maximize the value of the equity investment for common stockholders. After redemption of public funds and in the absence of appropriate alternatives, Aozora may consider the option of buying back and cancellation of common stock as part of the medium term strategy to migrate to its medium term capital structure.

OPERATIONAL HIGHLIGHTS (2nd half FY2006) and RECENT TOPICS

- On May 15, Aozora opened a Shanghai representative office as part of efforts to strengthen the Bank's information-gathering network in China.
- On May 4, Moody's raised Aozora's long-term rating to "A2" from "Baa1" and bank financial strength rating to "C-" from "D".
- On February 22, Aozora announced the appointments of Kimikazu Noumi as Chairman and CEO, and Federico J. Sacasa as Senior Managing Executive Officer in the Office of the Chief Executive. Their appointments reflect Aozora's drive to create a unique franchise combining the Bank's Japanese identity and commitment to global best practices. The board plans to nominate Mr. Sacasa as President and COO in June 2007, subject to shareholder approval.
- On December 28, 2006, Aozora launched the Hokkaido Shinkin Recovery fund to help 23 shinkin credit unions rehabilitate small and medium sized enterprises in Japan's northern island. The move was in line with the Bank's strategy of drawing on its strong ties with regional financial institutions to diversify its business.
- On November 20, 2006, Aozora opened its first new retail branch in 15 years. The new Nihonbashi branch offers wealth management services to high-net-worth individuals.
- On November 14, 2006, Aozora listed on the First Section of the Tokyo Stock Exchange in Japan's biggest initial public offering for eight years.
- In November, 2006, the Bank invested US\$500 million to obtain an indirect minority ownership interest in General Motors Acceptance Corporation, a finance subsidiary of General Motors Corporation.

OUTLOOK

Aozora forecasts net income of 84.5 billion yen, operating profit of 66.5 billion yen and net revenue of 126.0 billion yen on a consolidated basis, in the fiscal year ending March 31, 2008.

<Consolidated>

	Year Ended March 2007	Year Ended March 2008	% Change
Operating Income	194,545	229,000	+15.9%
Net Revenue	114,398	126,000	+10.1%
Business Profit	61,603	69,000	+12.0%
Operating Profits	62,405	66,500	+6.6%
Net Income	81,510	84,500	+3.7%

(Units: millions of yen)

<Non-consolidated>

	Year Ended March 2007	Year Ended March 2008	% Change
Operating Income	188,088	213,000	+13.2%
Business Profit before Credit Costs	61,252	60,000	-2.0%
Operating Profits	61,960	57,000	-8.0%
Net Income	82,168	76,000	-7.5%

(Units: millions of yen)

DIVIDENDS

As previously disclosed in the Business Revitalization Plan Aozora plans to pay a cash dividend of 1.78 yen per share to our common shareholders. This plan is subject to approval at the Board Meeting, scheduled to be held on May 31, 2007.

FINANCIAL RESULTS GLOBAL CONFERENCE CALL

Aozora will hold a global conference call to discuss its financial results for year ended March 31, 2007, and answer questions on Tuesday May 15, 2007. The call will begin at 10:00 PM in Tokyo, 9:00 AM in New York and 2:00 PM in London. For conference call dial-in information, please call our IR agent Taylor Rafferty in Tokyo at 81-3-5444-2730 (attn: Mr. James Hawrylak), 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. 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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