

NEWS RELEASE

Aozora Bank Reports Financial Results for the Three Months to June 30, 2007 –Record First Quarter Profit Boosted by Interest Income Growth–

TOKYO July 31, 2007 – Aozora Bank, Ltd., (“Aozora” or the “Bank”), a leading Japanese commercial bank, today reported financial results for the three months ended June 30, 2007. Fiscal first-quarter net income was the highest since the Bank began reporting financial results on a quarterly basis in FY2004. These results highlight Aozora’s continued growth and demonstrate that the group is on track to achieving its full year earnings projections.

FINANCIAL HIGHLIGHTS: First Quarter FY2007 (Consolidated Basis)

- Net income rose 11.8% to 37.0 billion yen, a record for the first quarter, driven by higher net interest income related to loan transactions and securities investments, and the additional recognition of deferred tax assets.
- Operating profit amounted to 17.2 billion yen representing 57% of the first half projection, evidence that Aozora is well on track to meet its target.
- Net revenue fell 5.3% to 27.1 billion yen, with a growing contribution from net interest income.
- Aozora continued to meet its targets for managing expenses. The Bank reduced expenses by 6.5% in the first quarter compared with the preceding quarter. Expenses rose 2.8% versus the same quarter a year earlier reflecting the overall growth in the Bank’s business.
- Credit related items produced income of 4.7 billion yen compared to full year projection of net credit related expenses of 3.5 billion yen. The Bank also booked a 14.9 billion yen gain on deferred income taxes reflecting management’s confidence in the sustainability of its earnings growth.
- Aozora maintained its interim and full-year earnings forecasts for FY2007.

Aozora Bank Chairman Kimikazu Noumi said: “I am very satisfied to report record-high net income for the fiscal first quarter which creates a strong platform for the Bank to meet its earnings targets for fiscal 2007. The results demonstrate the growing success of companywide initiatives to grow our core businesses as we seek to further strengthen Aozora’s unique position in the sector and generate sustainable earnings growth.”

EARNINGS REVIEW

Net revenue fell 5.3% to 27.1 billion yen in the first three months of FY2007, as a decline in non-interest income outweighed gains in net interest income.

The Bank reported a 33.5% rise in net interest income to 14.4 billion yen. This increase

resulted from a 1.5 billion yen rise in dividends on securities, a 0.7 billion yen gain from a higher average volume of the Bank's loan book, and enhanced net interest spreads, which contributed 1.4 billion yen. Aozora continues to benefit from the efforts of its reorganized sales and marketing teams, which helped the Bank achieve 17.5% growth in its loan book in FY2006.

Non-interest income declined 28.7% to 12.8 billion yen, reflecting the absence of a one-time gain of about 3.0 billion yen from the sale of REIT assets recorded in the same quarter a year ago. Net other operating income excluding net gains on bond transactions increased 50.4 percent to 12.8 billion yen helped by a strong contribution from hedge fund investments. The Bank reported losses of 2.1 billion yen on bond transactions compared with profits of 4.6 billion a year earlier. In addition to the absence of one-time gains, the Bank realized losses on holdings of corporate and Japanese government bonds. Net fees and commissions fell 16.8% to 3.0 billion yen, a consequence of a slight decline in loans outstanding in the quarter. Aozora reported a loss on net trading revenue of 0.9 billion yen versus a profit of 1.3 billion yen in the same quarter a year earlier. This reverse was due to lower than expected sales of derivative-related products.

General and administrative expenses rose 2.8% to 13.0 billion yen in the first three months of FY2007, comfortably in line with management targets. The ratio of expenses to net revenue rose 0.9 % to 47.1% on a rolling quarterly basis. Business profit declined 11.7% to 14.1 billion yen in the fiscal first quarter. While operating profit decreased 14.0% to 17.2 billion yen, this was in line with Bank estimates and Aozora remains firmly on track to meet its forecast for the fiscal first half ending September 30, 2007.

Extraordinary profit fell 61.5% to 5.1 billion yen due to significantly lower reversals of reserves for possible loan losses compared with the same quarter a year ago. Income before income taxes fell 32.8% to 22.2 billion yen. The Bank booked 14.9 billion yen in deferred income taxes in the quarter compared with 0.3 billion yen a year earlier, underscoring management confidence in sustained earnings growth. Credit related expenses fell 64.4% to 4.7 billion yen of profit, evidence of the efficiency of the Bank's credit risk management systems. As a consequence, net income rose 11.8% to 37.0 billion yen a record total for the fiscal first quarter.

BALANCE SHEET SUMMARY

Total assets stood at 6,548.2 billion yen as of June 30, 2007, little changed from the 6,544.0 billion yen in total assets at March 31, 2007.

As part of ongoing efforts to achieve the optimal balance in our loan portfolio, Aozora reduced real estate related loans by about 57 billion yen and lending to the Japanese government by about 25 billion yen in the quarter. As a consequence, the Bank's loan book contracted slightly, decreasing by 20.4 billion yen, or 0.6%, to 3,664.2 billion yen. Securities fell 4.7% to 1,828.2 billion yen in the quarter as Aozora reduced its overall holdings of Japan government debt securities. The Bank also cut its holdings of financial and treasury bills.

On the funding side, deposits and negotiable certificates of deposit both declined as the Bank raised its issuance of debentures. Total deposits fell by 145.9 billion yen to 2,185.0 billion yen in the quarter, however Aozora continued to attract new deposits

from retail customers with total retail deposits growing by about 15 billion to 1,400 billion yen in the quarter. Total liabilities declined 17.4 billion yen to 5,734.1 billion yen.

OPERATIONAL HIGHLIGHTS (FY2007 Q1)

- On April 11, 2007, Aozora announced the launch of a corporate rehabilitation fund with The San-in Godo Bank Ltd., dedicated to assisting small and medium-sized businesses based in Japan's regional markets. By partnering with Japanese regional lenders to offer financing solutions to corporate borrowers under rehabilitation, Aozora aims to win new business opportunities and contribute to the revitalization of regional economies. San-in Godo is a major regional lender based in Shimane Prefecture in Western Japan.
- On May 15, 2007, Aozora launched a new representative office in Shanghai, the Bank's first presence in China. Initially serving as a base for information gathering and research activities the new Shanghai office brings Aozora's network of overseas representative offices to five.
- On May 24, 2007, Aozora announced a comprehensive business alliance with The Bank of Yokohama, Ltd., to supplement the development of the Bank of Yokohama's investment banking business. This business tie-up presents an opportunity for mutual business expansion through the joint provision of a diverse range of financial solutions for the investment banking needs of The Bank of Yokohama's corporate customers.
- In June 2007, Standard & Poor's raised its long-term credit rating on Aozora to "A-" from "BBB+". This came a month after Moody's Investors Service raised its long-term rating on the Bank to "A2" from "Baa1".
- On June 27, 2007, shareholders approved the appointment of Mr. Federico J. Sacasa as President and Chief Operating Officer of Aozora at the Bank's first Annual General Shareholders' Meeting.

OUTLOOK

Aozora reiterated its projections for net income of 84.5 billion yen, operating profit of 66.5 billion yen and net revenue of 126.0 billion yen for the full fiscal year ending March 31, 2008. The Bank also maintained its interim forecasts for net income of 46.5 billion yen and operating profit of 30.0 billion yen for the six months ending September 30, 2007.

About Aozora Bank:

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.

Detailed disclosure and analysis of Aozora Bank's fiscal 2007 first quarter earnings is also available at <http://www.aozorabank.co.jp/en/company/>

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