



ANNUAL REPORT 2007

PRESIDENT'S STATEMENT

Now in October of 2007 we are standing at the edge of an historic change; we are starting over as a member of Fukuoka Financial Group. On 1st of October, 2007 we joined the regional banking group, which had owned The Bank of Fukuoka and The Kumamoto Family Bank. This merger create a Japan's leading aggregate of regional banking business.

The Shinwa Bank, Ltd. is a commercial bank headquartered in Sasebo City, Nagasaki, Japan, with its network spreading over the northern Kyushu Area – Nagasaki, Saga, and Fukuoka. The forerunner of the Bank – The Ninety-ninth Bank – was founded in 1879, and The Shinwa Bank itself was established in 1939 as a result of the consolidation of a number of community banks in Nagasaki. Since then the Bank has grown as a pivotal bank serving people and companies in the regional community. In 2001 the Bank agreed with The Kyushu Bank, a financial institution operating chiefly in Nagasaki and Fukuoka, about the integration of the two banks. In 2002 the two banks jointly established Kyushu-Shinwa Holdings as the holding company; concurrently, the two banks were converted into subsidiaries of the holding company. In 2003 the two banks were amalgamated, with its name as “The Shinwa Bank”, to form the largest financial institution in Nagasaki.

During the term under review the Bank put emphasis upon strengthening earning power, generating the gross profits of ¥25 billion in a non-consolidated basis. However, it wrote off ¥78 billion of possible loan losses for the reconstruction of corporate clients who are weak in financial standing. As a result, the Bank went into the red: ¥57 billion in the operating losses and ¥67 billion in the net losses. The capital adequacy ratio was 4.89% at the end of the term.

We have suffered the stagnancy of ailing regional economy. It is evident that the losses are due to the enormous write-offs of bad loans to corporate customers in Nagasaki where business has been slack and slow for a long time. In the severe circumstance we decided to establish stable management and sound financial standing by participating in Fukuoka Financial Group. From now on we will endeavor to develop our financing capacity and to revive our customers' business activities under the biggest banking group in Kyushu Area.

FY 2008 is the first term of Fukuoka Financial Group's mid-term plan. Under the ambitious plan, we shall drastically finish remaining bad loans; we shall continuously strengthen earning power; we shall securely establish a corporate-governing organization, and we shall positively introduce financial products and services of higher quality. With clear strategy of the management and with high morale of the staff, our prospect is encouraging. To you, and customers, we extend our cordial appreciation for your ongoing support: Nothing is more grateful than your help.

October 2007

Kazuo Oniki

President

The Shinwa Bank, Ltd.

Bank Data

The Shinwa Bank, Ltd.

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Number of Office: 138

Number of Employees: 1,930

Consolidated Balance Sheets as of March 31, 2007 and 2006
The Shinwa Bank, Ltd. and Consolidated Subsidiaries

As of March 31	Millions of yen		Thousands of U.S. dollars (Note 2)
	2007	2006	2007
ASSETS			
Cash and Due from Banks	61,883	90,417	524,210
Call Loans	160,520	94,584	1,359,762
Commercial Paper and Other Debt Purchased	13	37	110
Trading Account Securities (Note 4)	777	109	6,581
Money Held in Trust	3,631	6,727	30,758
Investment Securities (Notes 5 and 6)	579,980	602,619	4,913,002
Loans and Discounted Bills (Note 5)	1,566,283	1,718,963	13,267,962
Foreign Currencies	5,802	1,426	49,148
Other Assets	12,738	17,086	107,903
Premises and Equipment (Note 5)	-	66,776	-
Tangible Fixed Assets	59,535	-	504,320
Intangible Fixed Assets	1,378	-	11,673
Deferred Income Taxes (Note 10)	25,443	36,891	215,527
Consolidation Adjustment Accounts	-	20	-
Customer's Liability under Acceptances and Guarantees	15,940	28,984	135,027
Allowance for Loan Losses	(124,803)	(88,494)	(1,057,204)
Allowance for Investment Losses	(42)	-	(355)
TOTAL ASSETS	2,369,083	2,576,149	20,068,470
LIABILITIES			
Deposits	2,110,770	2,139,299	17,880,304
Negotiable Certificates of Deposits	54,437	46,622	461,135
Collateral Money for Bond Lending (Note 5)	47,571	186,385	402,973
Borrowings (Note 5)	13,734	14,802	116,340
Foreign Currencies	17	21	144
Corporate Bonds	15,000	15,000	127,064
Other Liabilities	15,312	11,229	129,707
Reserve for Bonus	821	860	6,954
Accrued Severance and Pension Liabilities (Note 7)	11,048	11,728	93,587
Deferred Income Taxes on Land Revaluation	15,968	16,422	135,264
Negative Goodwill	2	-	16
Acceptances and Guarantees	15,940	28,984	135,027
TOTAL LIABILITIES	2,300,625	2,471,357	19,488,564
MINORITY INTERESTS	-	5,018	-
SHAREHOLDERS' EQUITY			
Common Stock	-	30,213	-
Capital Surplus	-	27,442	-
Accumulated Profits	-	17,195	-
Land Revaluation Reserve, Net of Taxes (Note 5)	-	22,261	-
Unrealized Gain on Securities, Net	-	2,659	-
TOTAL SHAREHOLDERS' EQUITY	-	99,772	-
TOTAL LIABILITIES, MINORITY INTERESTS AND SHAREHOLDERS' EQUITY	-	2,576,149	-
NET ASSETS			
Common Stock	45,213	-	382,998
Capital Surplus	42,442	-	359,525
Accumulated Deficits	(49,646)	-	(420,550)
Total Shareholders' Equity	38,008	-	321,965
Unrealized Gain on Securities, Net	3,753	-	31,791
Land Revaluation Reserve, Net of Taxes (Note 5)	21,623	-	183,168
Total Valuation and Translation Adjustments	25,376	-	214,959
Minority Interests	5,073	-	42,973
TOTAL NET ASSETS	68,458	-	579,906
TOTAL LIABILITIES AND NET ASSETS	2,369,083	-	20,068,470

The accompanying notes are an integral part of these statements.

Consolidated Statements of Income for the years ended March 31, 2007 and 2006

The Shinwa Bank, Ltd. and Consolidated Subsidiaries

For the Years ended March 31	Millions of yen		Thousands of U.S. dollars (Note 2)
	2007	2006	2007
INCOME			
Interest Income	51,998	51,003	440,474
Interest on Loans	38,824	43,181	328,877
Interest and Dividends on Securities	12,303	7,696	104,218
Interest on Call Loans	313	54	2,651
Interest on Bond Lending	3	-	25
Interest on Deposits with Banks	0	0	0
Other Interest Income	553	71	4,684
Fees and Commissions	8,978	8,023	76,052
Other Operating Income	8,496	13,721	71,969
Other Income	3,998	13,689	33,867
TOTAL INCOME	73,472	86,437	622,380
EXPENSES			
Interest Expense	8,115	4,125	68,742
Interest on Deposits	2,811	1,319	23,811
Interest on Negotiable Certificates of Deposits	98	25	830
Interest on Call Money	-	0	-
Interest on Payables under Repurchase Agreements	24	29	203
Interest on Collateral Money for Bond Lending	2,734	1,333	23,159
Interest on Borrowings	272	172	2,304
Interest on Corporate Bonds	485	79	4,108
Other Interest Expenses	1,688	1,165	14,299
Fees and Commissions	3,192	3,218	27,039
Other Operating Expenses	2,507	259	21,236
General and Administrative Expenses	30,753	30,784	260,508
Other Expenses	86,563	35,895	733,274
TOTAL EXPENSES	131,132	74,282	1,110,817
Operating Profits (Loss)	(57,659)	12,155	(488,428)
Extraordinary Profit	1,361	2,400	11,529
Extraordinary Loss	637	2,812	5,396
Profits (Loss) before Income Taxes	(56,936)	11,743	(482,304)
Income Taxes	380	503	3,218
Deferred Income Taxes	10,334	6,098	87,539
Minority Interests	(6)	0	(50)
Net Profits (Loss)	(67,645)	5,140	(573,019)

The accompanying notes are an integral part of these statements.

Consolidated Statements of Shareholders' Equity for the year ended March 31, 2006

The Shinwa Bank, Ltd. and Consolidated Subsidiaries

For the Years ended March 31	Millions of yen 2006
CAPITAL SURPLUS:	
Balance at the Beginning of the Year	37,511
Increase in Capital Surplus	9,298
Increase due to Issuance of Stocks	9,298
Decrease in Capital Surplus	19,367
Reversal of Capital Surplus	19,367
Balance at the End of the Year	27,442
RETAINED EARNINGS(ACCUMULATED DEFICITS):	
Balance at the Beginning of the Year	(7,109)
Increase in Retained Earnings	25,633
Net Profits	5,140
Transfer from Capital Surplus	19,367
Transfer from Land Revaluation Reserve	1,125
Decrease in Retained Earnings	(1,328)
Cash Dividends Paid	1,328
Balance at the End of the Year	17,195

The accompanying notes are an integral part of these statements

Consolidated Statements of Changes in Net Assets for the year ended March 31, 2007

The Shinwa Bank, Ltd. and Consolidated Subsidiaries

Millions of yen

	Shareholders' Equity			Valuation and Translation Adjustments			Minority Interests	Total Net Assets	
	Common Stock	Capital Surplus	Retained Earnings	Total Shareholders' Equity	Net Unrealized Gain on other Securities	Land Revaluation Reserve			Total Valuation and Translation Adjustments
Balance at the Beginning of the Year	30,213	27,442	17,195	74,851	2,659	22,261	24,921	5,018	104,791
Changes during the Period:									
Issuance of Stocks	15,000	15,000	-	30,000	-	-	-	-	30,000
Cash Dividends	-	-	(187)	(187)	-	-	-	-	(187)
Net Loss	-	-	(67,645)	(67,645)	-	-	-	-	(67,645)
Transfer from Land Revaluation Reserve	-	-	638	638	-	-	-	-	638
Increase due to Inclusion of Subsidiaries	-	-	351	351	-	-	-	-	351
Net Change in Items other than Shareholders' Equity	-	-	-	-	1,093	(638)	454	54	509
Total Changes during the Period	15,000	15,000	(66,842)	(36,842)	1,093	(638)	454	54	(36,333)
Balance at the End of the Year	45,213	42,442	(49,646)	38,008	3,753	21,623	25,376	5,073	68,458

Thousands of U.S. dollars (Note 2)

	Shareholders' Equity			Valuation and Translation Adjustments				Minority Interests	Total Net Assets
	Common Stock	Capital Surplus	Retained Earnings	Total Shareholder's Equity	Net Unrealized Gain on other Securities	Land Revaluation Reserve	Total Valuation and Translation Adjustments		
Balance at the Beginning of the Year	255,933	232,460	145,658	634,061	22,524	188,572	211,105	42,507	887,683
Changes during the Period:									
Issuance of Stocks	127,064	127,064	-	254,129	-	-	-	-	254,129
Cash Dividends	-	-	(1,584)	(1,584)	-	-	-	-	(1,584)
Net Loss	-	-	(573,019)	(573,019)	-	-	-	-	(573,019)
Transfer from Land Revaluation Reserve	-	-	5,404	5,404	-	-	-	-	5,404
Increase due to Inclusion of Subsidiaries	-	-	2,973	2,973	-	-	-	-	2,973
Net Change in Items other than Shareholders' Equity	-	-	-	-	9,258	(5,404)	3,845	457	4,311
Total Changes during the Period	127,064	127,064	(566,217)	(312,088)	9,258	(5,404)	3,845	457	(307,776)
Balance at the End of the Year	382,998	359,525	(420,550)	321,965	31,791	183,168	214,959	42,973	579,906

The accompanying notes are an integral part of these statements

Consolidated Statements of Cash Flows for the years ended March 31, 2007 and 2006

The Shinwa Bank, Ltd. and Consolidated Subsidiaries

For the Years ended March 31	Millions of yen		Thousands of U.S. dollars (Note 2)
	2007	2006	2007
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit (Loss) before Income Taxes	(56,936)	11,743	(482,304)
Depreciation	1,818	2,298	15,400
Impairment Loss in Premises and Equipment	206	2,349	1,745
Amortization of Consolidation Adjustment Accounts	-	6	-
Amortization of Negative Goodwill	40	-	338
Equity in Profits in Affiliates	710	13	6,014
Increase in Allowance for Loan Losses	33,571	4,223	284,379
Increase in Allowance for Losses on Investment Securities	9	-	76
Decrease in Reserve for Bonus	(42)	(54)	(355)
Decrease in Accrued Severance and Pension Liabilities	(689)	(453)	(5,836)
Income from Investments	(51,998)	(51,003)	(440,474)
Interest Expense	8,115	4,125	68,742
Net Gain Related to Securities Transactions	(6,089)	(13,842)	(51,579)
Net Gain from Money Held in Trust	11	(0)	93
Foreign Currencies Gain	(214)	58	(1,812)
Net Loss on Disposed Premises and Equipment	-	167	-
Net Loss in Tangible Fixed Assets	(72)	-	(609)
Net Change in Loans and Discounted Bills	154,333	107,554	1,307,352
Net Change in Deposits	(24,782)	(163,689)	(209,927)
Net Change in Negotiable Certificates of Deposits	7,814	3,663	66,192
Net Change in Borrowings Excluding Subordinated Debt	(1,067)	371	(9,038)
Net Change in Due from Banks (Excluding Due from Bank of Japan)	300	19	2,541
Net Change in Call Loans	(65,911)	(94,091)	(558,331)
Net Change in Call Money	(20)	(1,492)	(169)
Net Change in Collateral Money for Bond Lending	(143,330)	140,236	(1,214,146)
Net Change in Foreign Currencies (Assets)	(4,375)	1,682	(37,060)
Net Change in Foreign Currencies (Liabilities)	(4)	(44)	(33)
Interest Received	51,283	50,468	434,417
Interest Paid	(6,920)	(6,481)	(58,619)
Other, Net	2,108	2,747	17,856
SUB TOTAL	(102,130)	577	(865,141)
Income Taxes Returned	74	122	626
Income Taxes Paid	(1,081)	(285)	(9,157)
NET CASH PROVIDED BY OPERATING ACTIVITIES	(103,138)	414	(873,680)

For the Years ended March 31	Millions of yen		Thousands of U.S. dollars (Note 2)
	2007	2006	2007
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for Purchase of Securities	(339,920)	(266,023)	(2,879,457)
Proceeds from Sale of Securities	310,971	117,130	2,634,231
Proceeds from Maturity of Securities	68,945	63,222	584,032
Payment for Increase in Money Held in Trust	(131)	(3,836)	(1,109)
Proceeds from Decrease in Money Held in Trust	3,215	108	27,234
Payment for Purchase of Premises and Equipment	-	(1,287)	-
Payment for Purchase of Tangible Fixed Assets	(1,210)	-	(10,249)
Proceeds from Sale of Premises and Equipment	-	1,916	-
Proceeds from Sale of Tangible Fixed Assets	3,410	-	28,886
Payment for Purchase of Intangible Fixed Assets	(440)	-	(3,727)
Payment for Purchase of Subsidiaries' Stocks Incidental to Change in Consolidation	(24)	-	(203)
NET CASH USED IN INVESTING ACTIVITIES	44,816	(88,769)	379,635
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from Subordinated Loans	-	2,500	-
Repayment for Subordinated Loans	-	(500)	-
Proceeds from Issuance of Subordinated Corporate Bonds	-	14,585	-
Proceeds from Issuance of Stocks	29,844	18,527	252,808
Cash Dividends Paid	(187)	(1,328)	(1,584)
Dividends from Minority Interests	-	5,000	-
NET CASH USED IN FINANCING ACTIVITIES	29,656	38,783	251,215
EFFECT OF EXCHANGE-RATE CHANGES ON CASH AND CASH EQUIVALENTS	12	14	101
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(28,652)	(49,556)	(242,710)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	89,387	138,944	757,196
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	60,735	89,387	514,485

The accompanying notes are an integral part of these statements.

Notes to Consolidated Financial Statements
The Shinwa Bank, Ltd. and Consolidated Subsidiaries

1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements have been prepared based on the accounts maintained by The Shinwa Bank, Ltd. (the "Bank") and its consolidated subsidiaries in accordance with accounting principles and practices generally accepted in Japan under the requirements of the Japanese Commercial Code, other applicable rules and regulations, which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards. The accompanying consolidated financial statements are translated from the original Japanese version and compiled from the consolidated financial statements filed with the Ministry of Finance as required by the Securities and Exchange Law of Japan, and include certain additional financial information for the convenience of readers outside Japan. Under the Enforcement Regulations of the Japanese Banking Law, all Japanese yen figures are rounded down to the nearest one million yen. Accordingly, the figures in the breakdowns may not add up to their sums. The consolidated financial statements are not intended to present the consolidated financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

2. U.S. Dollar Amounts

U.S. dollar amounts presented in the accompanying consolidated financial statements are included solely for the convenience of readers outside Japan. The approximate rate of ¥118.05 = US\$1.00, prevailing on March 31, 2007, has been used for the translation. The inclusion of such amounts should not be construed as representations that Japanese yen amounts have been or could be converted into U.S. dollars at this rate or any other rate.

3. Consolidated Subsidiaries (For the year ended March 31, 2007)

There are eight consolidated subsidiaries including the following firms.

- (1) Shinwa Business Services Co., Ltd.
- (2) Shinwa Real Estate Services Co., Ltd.
- (3) Shinwa Research Institute of Economy and Culture, Inc.
- (4) Shinwa Venture Capital Co., Ltd.
- (5) Nishi-Kyushu Guarantee Co., Ltd.
- (6) Shinwa Corporate Partners Co., Ltd.

4. Significant accounting policies

(1) Trading account securities

Listed trading account securities are stated at fair value. The cost is determined by the weighted average method.

(2) Investment securities

- a. Marketable equity securities and debt securities classified as available-for-sale securities are carried at fair value with the unrealized gains and losses, net of taxes, reported in a separate component of shareholders' equity. Equity and debt securities without available market quotations are carried at cost determined using the weighted average method or at amortized cost respectively.
- b. Securities, managed as trust assets for money in trust, are stated in the same manner as those described in the said items (1) and (2) a.

(3) Derivatives

Derivatives transactions are stated at fair value.

(4) Depreciation

a. Tangible Fixed Assets

Depreciation of tangible fixed assets is calculated using the declining-balance method, except for depreciation of buildings (excluding building improvements) acquired on or after April 1, 1998 which is calculated using the straight-

line method.

Estimated Useful Life

Buildings	3-50 years
Equipment	3-20 years

b. Intangible Assets

Intangible assets are amortized on a straight-line basis; software for internal use is thus done over the estimated useful life (five years).

(5) Allowance for loan losses

Write-offs of loans and allowance for loan losses are calculated as follows:

- For claims to legally bankrupt customers and those to virtually bankrupt customers, a reserve is provided on the balance after deducting from the book value of claims the anticipated amount recoverable through disposal of collateral and the anticipated amount recoverable by guarantees.
- For claims to potentially bankrupt customers, a reserve is provided on the balance considered necessary after deducting from the amount of claims the anticipated amount recoverable through disposal of collateral and the anticipated amount recoverable by guarantees.
- For the other claims, a reserve is provided using default rates computed based on the loan loss incurred during a certain period in the past.

All claims are assessed by the Company's branch offices and business divisions based on the self-assessment rules for asset quality, and asset inspection divisions which are independent from branches and business divisions audit their assessment. Based on the results of the audits, reserves are provided. For a portion of claims, with a collateral or a guarantee, to legally or virtually bankrupt customers, the assessed amount of collateral and the anticipated amount recoverable by guarantees are deducted from the amount of claims.

The balances written off as unrecoverable are as follows:

As of March 31	Millions of yen		Thousands of U.S. dollars(Note 2)
	2007	2006	2007
Write-offs as Unrecoverable	78,067	65,967	661,304

(6) Employee Bonus

Reserve for employee bonuses is provided, in provision for payment of bonuses to employees, by the amount of estimated bonuses attributable to this fiscal term.

(7) Employees' Retirement Benefits

Effective April 1, 2000, the Accounting Standard for Retirement Benefit was issued by the Business Accounting Deliberation Council. In accordance with the new standard, accrued severance indemnities are provided based on the amount of projected benefit obligation reduced by pension plan assets at fair value at the end of the annual period. Prior service costs are amortized over a certain period (10 years) within employees' average remaining service period on a straight-line basis. Unrecognized prior service costs and unrecognized actuarial differences are amortized over a certain period (10 years) within employees' average remaining service period on a straight-line basis from the next period.

(8) Foreign currency translation

Assets and liabilities denominated in foreign currencies are translated into yen at the exchange rates in effect at the respective balance sheet dates.

(9) Leases

Finance leases, other than those which are deemed to transfer the ownership of the leased assets to lessees, are accounted for by a method similar to that applicable to ordinary operating leases.

(10) Consumption Taxes

No national and local consumption taxes are included in expenses.

5. Notes to Balance Sheets

- (1) Investment securities include stock issued by affiliated companies as follows:

As of March 31	Millions of yen		Thousands of U.S. dollars(Note 2)
	2007	2006	2007
Stock issued by Affiliated Companies	-	26	-

- (2) Loans and discounted bills include “loans to legally bankrupt borrowers” and “delinquent loans” as follows:

As of March 31	Millions of yen		Thousands of U.S. dollars(Note 2)
	2007	2006	2007
Loans to Legally Bankrupt Borrowers	9,339	8,052	79,110
Delinquent Loans	174,576	118,889	1,478,831

“Loans to legally bankrupt borrowers” represent loans meeting the following conditions:

- Loans on which no interest is accrued (excluding the portion written off, referred to hereinafter as the “loans without accrued interest”), as their principal or interest amounts are deemed uncollectable due to the continued delinquency of principal or interest over a considerable period of time and other factors.
- Loans meeting the conditions prescribed by the item 3-(a) through (e) or item 4 of Paragraph 2, Article 96 of the Corporation Tax Law Enforcement Regulations (1965 Government Ordinance No.97).

“Delinquent loans” represent the loans without accrued interest, excluding “loans to legally bankrupt borrowers” or loans with interest payments postponed for purposes of restructuring or supporting borrowers’ business.

- (3) Loans and discounted bills include “Loans with overdue period of three months or more” as follows:

As of March 31	Millions of yen		Thousands of U.S. dollars(Note 2)
	2007	2006	2007
Loans with Overdue Period of Three Months or More	250	79	2,117

“Loans with overdue period of three months or more” represent those loans for which principal or interest payments are in arrears for three months or more from the day following the agreed payment date, but are not classified as “loans to legally bankrupt borrowers” or “delinquent loans.”

- (4) Loans and discounted bills include “loans with relaxed conditions” as follows:

As of March 31	Millions of yen		Thousands of U.S. dollars(Note 2)
	2007	2006	2007
Loans with Relaxed Conditions	31,611	62,013	267,776

“Loans with relaxed conditions” refer to the following:

Loans for which certain conditions have been relaxed for the benefit of the borrower through measures such as the reduction and exemption of interest, the deferral of interest payments, the deferral of principal repayments, or the abandonment of claims in order to reconstruct or support the borrowers’ business, but are not classified as “loans to legally bankrupt borrowers,” “delinquent loans,” or “loans with overdue period of three months or more.”

- (5) “Loans to legally bankrupt borrowers,” “delinquent loans,” “loans with overdue period of three months or more” and “loans with relaxed conditions” totaled as follows:

As of March 31	Millions of yen		Thousands of U.S. dollars(Note 2)
	2007	2006	2007
Total Amount of Loans and Discounted Bills Listed in Items (2), (3) and (4) above	215,776	189,034	1,827,835

(6) Pledged Assets

Assets that are pledged as collateral are as follows:

As of March 31	Millions of yen		Thousands of U.S. dollars (Note 2)
	2007	2006	2007
Assets that are Pledged as Collateral Securities	-	3,683	-
Obligations Corresponding to Collateral Assets Call Money	-	-	-

In addition, securities lent with cash collateral amount to ¥48,206 million (US\$408,352 thousand) as at March 31, 2007, which correspond to ¥47,571 million (US\$402,973 thousand) of collateral money for bond lending.

Besides, the following assets are pledged as collateral.

As of March 31	Millions of yen		Thousands of U.S. dollars (Note 2)
	2007	2006	2007
Collateral to Exchange Settlements and for Deposit Money of Future Securities	191,770	131,873	1,624,481
Cash and Due from Banks	4	9	33
Loans	-	30,000	-
Other Assets	61	21	516

(7) Commitment lines

Commitment lines are agreements relating to loans and current accounts where borrowing is applicable up to a certain limit upon the request of borrowers as long as no breach is made under the terms and conditions of relative loan agreements. The unused commitment balance relating to these loan agreements is listed as below, all of which can terminate within one year, or can be unconditionally cancelled at any time.

As of March 31	Millions of yen		Thousands of U.S. dollars (Note 2)
	2007	2006	2007
Unused Commitment Balance	403,775	419,345	3,420,372

Many of the agreements cease with no loan applied; therefore, the unused loan commitment does not necessarily affect future cash flows. Such conditions are included in the agreements to allow the Bank to stop loans or to decrease applicable limits for the purpose of protecting loan assets or to address material change in business conditions. The Bank implements protection of loan assets through, if necessary, securing collaterals (real estate, securities, etc.) or other measures. After agreement is effected, according to internal lending procedures the Bank reviews financial condition of borrowers. The Bank takes necessary measures including revision of agreement and security of loan assets.

(8) Land Revaluation

In accordance with the law concerning the revaluation of land (Law No. 34 promulgated on March 31, 1998), land for business use has been revalued. The tax effect of the revaluation difference is recorded as "Deferred Income Taxes on Land Revaluation" in liabilities and the remaining after-tax amount is recorded as "Land Revaluation Reserve, Net of Taxes" in shareholders' equity.

Date of revaluation: March 31, 1998

Methods for revaluation as set forth in Article 3, paragraph 3 of the law concerning revaluation of land: Land prices are determined based on the assessed amount for taxes on fixed assets as set forth in Article 2, item 3 of the enforcement ordinance concerning land revaluation (Government Ordinance No. 199 promulgated on March 31, 1998), reflecting appropriate adjustments including the price adjustment for depth of the land, time adjustment, and adjustment based on recent sales prices of adjacent land.

Excess of the total fair value of the land for business use revalued under Article 10 of the law over the total book value of the land after revaluation were as follows:

As of March 31	Millions of yen		Thousands of U.S. dollars (Note 2)
	2007	2006	2007
Excess of the Total Fair Value of the Land for Business Use Revalued	28,113	25,741	238,144

(9) Accumulated depreciation of premises and equipment/ tangible fixed assets is as follows:

As of March 31	Millions of yen		Thousands of U.S. dollars(Note 2)	
	2007	2006	2007	
Accumulated Depreciation of Premises and Equipment	-	38,433	-	
Accumulated Depreciation of Tangible Fixed Assets	35,155	-	297,797	

(10) "Borrowings" include loans of which repayment orders are subordinated to all other debts as follows:

As of March 31	Millions of yen		Thousands of U.S. dollars (Note 2)	
	2007	2006	2007	
Borrowings of which Repayment Orders are Subordinated to All Other Debts	6,500	6,500	55,061	

6. Market Values of Securities

(1) Trading Account Securities

As of March 31	Millions of yen		Thousands of U.S. dollars (Note 2)
	2007	2006	2007
Book Value	777	109	6,581
Unrealized Gain (Loss)	0	(0)	0

(2) Marketable Bonds to be held until Maturity

None

(3) Other Marketable Securities

As of March 31, 2007	Millions of yen			Thousands of U.S. Dollars (Note 2)
	Cost	Book Value	Unrealized Gain (Loss)	Unrealized Gain (Loss)
Stocks	29,128	38,462	9,334	79,068
Bonds	507,512	504,011	(3,500)	(29,648)
Government Bonds	404,098	400,496	(3,601)	(30,504)
Local Government Bonds	29,512	29,522	9	76
Corporate Bonds	73,901	73,992	90	762
Other	26,398	26,435	36	304
Total	563,038	568,909	5,870	49,724

Book value is calculated based on the closing prices of the Tokyo Stock Exchange at the end of the fiscal year.

As of March 31, 2006	Millions of yen		
	Cost	Book Value	Unrealized Gain (Loss)
Stocks	17,543	26,651	9,107
Bonds	415,577	409,548	(6,029)
Government Bonds	327,144	321,039	(6,105)
Local Government Bonds	34,744	34,695	(49)
Corporate Bonds	53,688	53,813	125
Other	154,268	154,954	686
Total	587,390	591,154	3,764

Book value is calculated based on the closing prices of the Tokyo Stock Exchange at the end of the fiscal year.

(4) Bonds sold before Maturity

None

(5) Other Marketable Securities sold

As of March 31, 2007			As of March 31, 2006		
Millions of yen			Thousands of U.S. dollars (Note 2)		
Proceeds	Gain	Loss	Proceeds	Gain	Loss
307,724	10,899	2,506	2,606,725	92,325	21,228

As of March 31, 2006		
Millions of yen		
Proceeds	Gain	Loss
121,601	14,199	279

(6) Book Value of Available-for-sale Securities

As of March 31	Millions of yen		Thousands of U.S. dollars (Note 2)
	2007	2006	2007
Unlisted Stocks (excluding OTC Stocks)	2,894	3,117	24,515
Private Placement Corporate Bonds	8,102	7,564	68,631

(7) Securities for which the intent of holding was changed

None

(8) Available-for-sale Securities with maturities are redeemable under the following schedule:

As of March 31, 2007	Millions of yen			
	Within 1 Year	Over 1 Year Within 5 Years	Over 5 Years Within 10 Years	Over 10 Years
Bonds	67,299	297,112	56,464	91,235
Government Bonds	42,675	227,844	39,135	90,840
Local Government Bonds	5,638	20,901	2,982	-
Corporate Bonds	18,985	48,366	14,346	395
Other	2,046	15,275	6,807	2,297
Total	69,346	312,388	63,271	93,533

As of March 31, 2007	Thousands of U.S. dollars (Note 2)			
	Within 1 Year	Over 1 Year Within 5 Years	Over 5 Years Within 10 Years	Over 10 Years
Bonds	570,088	2,516,831	478,305	772,850
Government Bonds	361,499	1,930,063	331,512	769,504
Local Government Bonds	47,759	177,052	25,260	-
Corporate Bonds	160,821	409,707	121,524	3,346
Other	17,331	129,394	57,662	19,457
Total	587,429	2,646,234	535,967	792,316

As of March 31, 2006	Millions of yen			
	Within 1 Year	Over 1 Year Within 5 Years	Over 5 Years Within 10 Years	Over 10 Years
Stocks	-	-	-	764
Bonds	50,474	235,861	78,250	44,985
Government Bonds	34,603	175,627	66,213	44,595
Local Government Bonds	6,161	23,277	5,255	-
Corporate Bonds	9,709	36,956	6,781	390
Other	1,180	74,429	21,419	38,807
Total	51,654	310,291	99,670	84,557

7. Retirement benefits

(1) Information on the accrued severance and pension liabilities is as follows:

As of March 31	Millions of yen		Thousands of U.S. dollars(Note 2)
	2007	2006	2007
Projected Benefit Obligation	(20,755)	(20,907)	(175,815)
Plan Assets at Fair Value	13,644	12,750	115,578
Unfunded Benefit Obligation	(7,111)	(8,156)	(60,237)
Unrecognized Net Benefit Obligation in Transition	-	-	-
Unrecognized Actuarial Differences	0	917	0
Unrecognized Prior Service Costs	(3,983)	(4,489)	(33,739)
Net Amount Recognized in the Consolidated Balance Sheets	(11,048)	(11,728)	(93,587)
Accrued Severance and Pension Liabilities	(11,048)	(11,728)	(93,587)

(2) Net periodic severance and pension costs are as follows:

For the Years ended March 31	Millions of yen		Thousands of U.S. dollars(Note 2)
	2007	2006	2007
Service Costs	900	900	7,623
Interest Cost	417	424	3,532
Expected Return on Plan Assets	(166)	(135)	(1,406)
Amortization of Prior Service Costs	(505)	(505)	(4,277)
Amortization of Actuarial Differences	322	666	2,727
Amortization of Net Benefit Obligation in Transition	-	-	-
Other	-	-	-
Net Periodic Severance and Pension Costs	968	1,350	8,199

(3) Assumptions used in the accounting for retirement benefits are as follows:

For the Years ended March 31	2007	2006
Discount Rate	2.0%	2.0%
Expected Return Rate	2.0%	2.0%
Method Attributing Expected Benefits to Periods of Service	Point-Basis	Point-Basis
Amortization Period of Prior Service Costs	10 years	10 years
Amortization Period of Actuarial Differences	10 years	10 years

8. Finance Lease

Finance lease transactions, except where the ownership of the leased assets is substantially transferred to the lessee, are as follows:

(1) As Lessee

For the Year ended March 31, 2007	Millions of yen			Thousands of U.S. dollars (Note 2)
	Movables	Other	Total	Total
Amount Equivalent to the Purchase Price of the Leased Assets	4,846	-	4,846	41,050
Amount Equivalent to Accumulated Depreciation	2,618	-	2,618	22,177
Amount Equivalent to Balance at Fiscal-Year End	2,227	-	2,227	18,864

For the Year ended March 31, 2006

	Millions of yen		
	Movables	Other	Total
Amount Equivalent to the Purchase Price of the Leased Assets	4,445	-	4,445
Amount Equivalent to Accumulated Depreciation	2,486	-	2,486
Amount Equivalent to Balance at Fiscal Year End	1,958	-	1,958

Amount Equivalent to Lease Payable:

For the Years ended March 31	Millions of yen		Thousands of U.S. dollars (Note 2)
	2007	2006	2007
Within One Year	905	691	7,666
Over One Year	1,321	1,267	11,190
Total	2,227	1,958	18,864

For the Years ended March 31	Millions of yen		Thousands of U.S. dollars (Note 2)
	2007	2006	2007
Lease Fees Paid	705	722	5,972
Amount Equivalent to Depreciation	705	722	5,972

Note: The lease period is set at the estimated useful life of the assets and the straight-line method of depreciation is used to compute the remaining value of the assets.

(2) As Lessor

For the Year ended March 31, 2007

There are no items described due to the transfer of all the leased assets.

For the Year ended March 31, 2006

	Millions of yen		
	Movables	Other	Total
Purchase Price of the Leased Assets	2,825	-	2,825
Accumulated Depreciation	1,470	-	1,470
Balance at Fiscal Year-End	1,355	-	1,355

Amount Equivalent to Lease Receivable:

For the Years ended March 31	Millions of yen		Thousands of U.S. dollars (Note 2)
	2007	2006	2007
Within One Year	-	584	-
Over One Year	-	855	-
Total	-	1,439	-

For the Years ended March 31	Millions of yen		Thousands of U.S. dollars (Note 2)
	2007	2006	2007
Lease Income	361	800	3,058
Depreciation Expense	306	650	2,592
Interest Income Included in Lease Income	39	96	330

9. Financial Derivative Transactions

(1) Financial Derivative Transactions

The Bank enters into bond futures, over-the-counter (OTC) bond options and interest rate swaps for the purpose of hedging risks associated with interest rate fluctuations. In addition, the Bank enters into forward foreign exchange contracts for the purpose of hedging risks associated with currency fluctuations. The Bank applies the Japanese standards for capital adequacy ratio to calculate the amount of credit risk associated with interest rate-related transactions. The current risk as of March 31, 2007 and 2006 is as follows:

As of March 31	Millions of yen		Thousands of U.S. dollars(Note 2)
	2007	2006	2007
Current Risk	614	325	5,201

(2) Market Value of Derivative Financial Instruments

a. Interest Rate-Related Transactions

As of March 31, 2007	Millions of yen			Thousands of U.S. dollars (Note 2)	
	Contractual or Notional Amount	Over One Year	Market Value	Unrealized Gain (Loss)	Unrealized Gain (Loss)
Over-the-counter transactions					
Interest Rate Swaps					
Receiving Floating/Pay Fixed	745	-	(6)	(6)	(50)
Interest Rate Options	-	-	-	-	-
Other	-	-	-	-	-
Total	/	/	(6)	(6)	(50)

Note: The market values of over-the-counter transactions are calculated according to the discounted current value, pricing models and so on.

As of March 31, 2006	Millions of yen			Thousands of U.S. dollars (Note 2)	
	Contractual or Notional Amount	Over One Year	Market Value	Unrealized Gain (Loss)	Unrealized Gain (Loss)
Over-the-counter transactions					
Interest Rate Swaps					
Receiving Floating/Pay Fixed	2,455	1,615	(41)	(41)	
Interest Rate Options	-	-	-	-	-
Other	-	-	-	-	-
Total	/	/	(41)	(41)	

Note: The market values of over-the-counter transactions are calculated according to the discounted current value, pricing models and so on.

b. Foreign Exchange-Related Transactions

As of March 31, 2007	Millions of yen			Thousands of U.S. dollars (Note 2)	
	Contractual or Notional Amount	Over One Year	Market Value	Unrealized Gain (Loss)	Unrealized Gain (Loss)
Over-the-Counter Transactions					
Currency Swaps	19,006	17,275	(169)	(169)	(1,431)
Over-the-Counter Transactions					
Forward Foreign Exchange Contracts					
Sold	109	-	(0)	(0)	(0)
Bought	204	-	1	1	8
Currency Options	-	-	-	-	-
Other	-	-	-	-	-
Total	/	/	(168)	(168)	(1,423)

Note: The market values are calculated according to the discounted current value and the market value.

As of March 31, 2006	Millions of yen			
	Contractual or Notional Amount	Over One Year	Market Value	Unrealized Gain (Loss)
Over-the-Counter Transactions				
Currency Swaps	40,093	18,325	(181)	(181)
Over-the-Counter Transactions				
Forward Foreign Exchange Contracts				
Sold	4,691	-	(40)	(40)
Bought	4,724	-	66	66
Currency Options	-	-	-	-
Other	-	-	-	-
Total	/	/	(154)	(154)

c. Equity-Related Transactions

None

d. Bond-Related Transactions

None

e. Commodity-Related Transactions

None

f. Credit Derivative Transactions

As of March 31, 2007	Millions of yen				Thousands of U.S. dollars (Note 2)
	Contractual or Notional Amount	Over One Year	Market Value	Unrealized Gain (Loss)	Unrealized Gain (Loss)
Over-the-Counter Transactions					
Credit Default Swap					
Sold	1,000	-	5	5	42
Bought	-	-	-	-	-
Total	/	/	5	5	42

As of March 31, 2006	Millions of yen			
	Contractual or Notional Amount	Over One Year	Market Value	Unrealized Gain (Loss)
Over-the-Counter Transactions				
Credit Default Swap				
Sold	1,000	1,000	15	15
Bought	-	-	-	-
Total	/	/	15	15

Note: The market values are calculated according to the discounted current value and the market value. Derivative transactions under hedge accounting are excluded from these figures.

10. Income Taxes

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities are as follows:

As of March 31	Millions of yen		Thousands of U.S. dollars(Note 2)
	2007	2006	2007
Deferred Tax Assets:			
Allowance for Loan Losses	80,764	56,055	684,150
Accrued Severance and Pension Liabilities	5,261	5,515	44,565
Depreciation Expense	1,362	1,630	11,537
Accrued Enterprise Tax	71	113	601
Amortization of Securities	4,349	3,062	36,840
Other	1,219	2,484	10,326
Deferred Tax Assets – Sub-total	93,029	68,863	788,047
Valuation Allowance	(65,468)	(30,863)	(554,578)
Total Deferred Tax Assets	27,560	37,999	233,460
Deferred Tax Liabilities:			
Unrealized Gains on Securities	(2,117)	(1,108)	(17,933)
Total Deferred Tax Liabilities	(2,117)	(1,108)	(17,933)
Net Deferred Tax Assets	25,443	36,891	215,527

11. Per-Share Information

For the Year ended March 31	Yen		U.S. dollars(Note 2)
	2007	2006	2007
Net Assets Per-share	59.54	185.96	0.50
Net Profit (Loss) Per-share	(156.31)	14.80	(1.32)

The above information is based on the following data:

For the Year ended March 31	Millions of yen		Thousands of U.S. dollars (Note 2)
	2007	2006	2007
Net Profit (Loss)	(67,645)	5,140	(573,019)
Net Income not Attributable to Common Shareholders	-	375	-
Dividends Paid on Preferred Stocks	-	375	-
Net Profit (Loss) Available to Common Shareholders	(67,645)	4,765	(573,019)
	Thousands		
Weighted Average Number of Shares of Common Stocks Outstanding	432,760	321,860	

Non-Consolidated Balance Sheets as of March 31, 2007 and 2006

The Shinwa Bank, Ltd.

As of March 31	Millions of yen		Thousands of U.S. dollars(Note 2)
	2007	2006	2007
ASSETS			
Cash and Due from Banks	61,878	90,417	524,167
Call Loans	160,520	94,584	1,359,762
Commercial Paper and Other Debt Purchased	13	37	110
Trading Account Securities	777	109	6,581
Japanese Government Bonds	665	76	5,633
Japanese Local Government Bonds	112	32	948
Money Held in Trust	3,631	6,727	30,758
Investment Securities	591,809	614,778	5,013,206
Japanese Government Bonds	400,496	321,039	3,392,596
Japanese Local Government Bonds	28,777	34,695	243,769
Corporate Bonds	82,012	61,353	694,722
Corporate Stocks	53,526	41,942	453,418
Others	26,997	155,747	228,691
Loans and Discounted Bills (Note 4)	1,547,678	1,694,741	13,110,360
Bills Discounted	33,579	36,958	284,447
Loans on Bills	192,311	239,262	1,629,063
Loans on Deeds	1,140,086	1,210,190	9,657,653
Overdrafts	181,700	208,330	1,539,178
Foreign Currencies	5,802	1,426	49,148
Due from Foreign Banks	5,759	1,375	48,784
Foreign Bills of Exchange Bought	38	30	321
Foreign Bills of Exchange Receivable	4	20	33
Other Assets	12,595	16,976	106,692
Domestic Exchange Settlement Account, Debit	0	-	0
Prepaid Expenses	260	249	2,202
Accrued Income	2,575	2,905	21,812
Derivatives	6	112	50
Expenses for Issuance of Stocks	-	45	-
Expenses for Delivery of Stocks	161	-	1,363
Expenses for Issuance of Corporate Bonds	138	276	1,168
Others	9,453	13,386	80,076
Premises and Equipment (Note 4)	-	64,842	-
Tangible Assets	59,526	-	504,243
Intangible Assets	1,376	-	11,656
Deferred Income Taxes (Note 6)	25,064	36,868	212,316
Customer's Liability under Acceptances and Guarantees	15,599	28,984	132,138
Allowance for Loan Losses	(111,390)	(74,745)	(943,583)
Allowance for Losses on Investment Securities	(3,284)	(2,187)	(27,818)
TOTAL ASSETS	2,371,599	2,573,561	20,089,783

As of March 31	Millions of yen		Thousands of U.S. dollars(Note 2)
	2007	2006	2007
LIABILITIES			
Deposits	2,123,586	2,142,095	17,988,869
Current Deposits	98,063	102,228	830,690
Ordinary Deposits	827,497	860,948	7,009,716
Savings Deposits	19,493	22,593	165,124
Deposits at Notice	6,637	8,462	56,221
Time Deposits	1,094,084	1,088,203	9,267,971
Installment Savings	7,439	8,947	63,015
Others	70,370	50,710	596,103
Negotiable Certificates of Deposits	54,437	46,622	461,135
Collateral Money for Bond Lending (Note 4)	47,571	186,385	402,973
Borrowings (Note 4)	13,734	14,802	116,340
Foreign Currencies	17	21	144
Foreign Bills of Exchange Sold	10	21	84
Foreign Bills of Exchange Payable	6	0	50
Corporate Bonds	15,000	15,000	127,064
Other Liabilities	10,980	11,032	93,011
Domestic Exchange Settlement Account, Credit	30	24	254
Accrued Income Taxes	217	455	1,838
Accrued Expenses	2,667	1,447	22,592
Unearned Income	2,418	2,983	20,482
Reserve for Interest on Installment Savings	3	1	25
Derivatives	1,797	2,526	15,222
Others	3,846	3,592	32,579
Reserve for Bonus	773	815	6,548
Accrued Severance and Pension Liabilities	11,022	11,713	93,367
Deferred Income Taxes on Land Revaluation	15,968	16,422	135,264
Acceptances and Guarantees	15,599	28,984	132,138
TOTAL LIABILITIES	2,308,691	2,473,896	19,556,891
SHAREHOLDERS' EQUITY			
Common Stock	-	30,213	-
Capital Surplus	-	27,442	-
Legal Retained Earnings	-	12,195	-
Undivided Profits	-	4,892	-
Land Revaluation Reserve, Net of Taxes (Note 4)	-	22,261	-
Unrealized Gain on Securities, Net	-	2,658	-
TOTAL SHAREHOLDERS' EQUITY	-	99,664	-
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	-	2,573,561	-
NET ASSETS			
Common Stock	45,213	-	382,998
Capital Surplus	42,442	-	359,525
Legal Retained Earnings	12,195	-	103,303
Accumulated Deficits	(62,320)	-	(527,911)
Land Revaluation Reserve, Net of Taxes (Note 4)	21,623	-	183,168
Unrealized Gain on Securities, Net	3,752	-	31,783
TOTAL NET ASSETS	62,907	-	532,884
TOTAL LIABILITIES AND NET ASSETS	2,371,599	-	20,089,783

The accompanying notes are an integral part of these statements.

Non-Consolidated Statements of Income and Retained Earnings

for the years ended March 31, 2007 and 2006

The Shinwa Bank, Ltd.

For the Years ended March 31	Millions of yen		Thousands of U.S. dollars (Note 2)
	2007	2006	2007
INCOME			
Interest Income	51,816	50,873	438,932
Interest on Loans	38,659	43,050	327,479
Interest and Dividends on Securities	12,286	7,697	104,074
Interest on Call Loans	313	54	2,651
Interest on Bond Lending	3	-	25
Interest on Deposits with Banks	0	0	0
Interest on Interest Swap	539	55	4,565
Other Interest Income	13	16	110
Fees and Commissions	8,979	8,024	76,060
Other Operating Income	8,468	13,677	71,732
Gains on Foreign Exchange Transactions	43	121	364
Gains on Sale of Trading Account Securities	13	2	110
Gains on Sale of Bonds	8,374	2,012	70,936
Gains on Derivatives	35	33	296
Others	-	11,507	-
Other Income	3,626	12,871	30,715
Gains on Sale of Stocks and Other Securities	2,522	12,110	21,363
Gains on Money held in Trust	0	262	0
Others	1,103	498	9,343
TOTAL INCOME	72,891	85,445	617,458
EXPENSES			
Interest Expense	8,116	4,121	68,750
Interest on Deposits	2,812	1,319	23,820
Interest on Negotiable Certificates of Deposits	98	25	830
Interest on Call Money	-	0	-
Interest on Payables under Repurchase Agreements	24	29	203
Interest on Collateral Money for Bond Lending	2,734	1,333	23,159
Interest on Borrowings	272	171	2,304
Interest on Corporate Bonds	485	79	4,108
Interest on Interest Swap	1,687	1,156	14,290
Other Interest Expenses	1	6	8
Fees and Commissions	3,192	3,218	27,039
Other Operating Expenses	2,506	258	21,228
Losses on Sale of Bonds	2,506	258	21,228
General and Administrative Expenses	30,306	30,027	256,721
Other Expenses	86,277	35,583	730,851
Provision for Loan Losses	78,820	30,462	667,683
Write-off of Loans	38	64	321
Losses on Sale of Stocks and Other Securities	-	20	-
Losses on Devaluation of Stocks and Other Securities	2,299	34	19,474
Losses on Money Held in Trust	12	-	101
Provision for Reserve for Possible Loss in Investment	1,096	2,187	9,284
Provision for Reserve for Possible Loss in Subsidiaries	742	-	6,285
Depreciation in Expenses for Issuance of Stocks	-	22	-
Depreciation in Expenses for Delivery of Stocks	40	-	338
Depreciation in Expenses for Issuance of Corporate Bonds	138	138	1,168
Others	3,088	2,651	26,158
TOTAL EXPENSES	130,399	73,209	1,104,608

For the Years ended March 31	Millions of yen		Thousands of U.S. dollars (Note 2)
	2007	2006	2007
Operating Profit (Loss)	(57,508)	12,236	(487,149)
Extraordinary Profit	1,075	2,164	9,106
Extraordinary Loss	529	2,740	4,481
Profit (Loss) before Income Taxes	(56,962)	11,661	(482,524)
Income Taxes	365	469	3,091
Deferred Income Taxes	10,336	6,095	87,556
Net Profit (Loss)	(67,664)	5,095	(573,180)
APPROPRIATION			
Reversal of Land Revaluation Reserve	-	1,125	-
Interim Dividends	-	1,328	-
Accumulated Profits (Deficits) at the End of the Year	-	4,892	-

Subsequent Event

On June 28, 2006, the shareholders authorized the disposition of accumulated profits as follows:

March 31	Millions of Yen
Accumulated Profits as of March 31, 2006	4,892
Dividends for Preferable Stocks	187
Accumulated Profits Carried forward	4,705

The accompanying notes are an integral part of these statements.

Non-Consolidated Statements of Changes in Net Assets for the year ended March 31, 2007

The Shinwa Bank, Ltd. and Consolidated Subsidiaries

Millions of yen

	Shareholders' Equity			Valuation and Translation Adjustments				Total Net Assets
	Common Stock	Capital Surplus	Retained Earnings	Total Shareholders' Equity	Net Unrealized Gain on other Securities	Land Revaluation Reserve	Total Valuation and Translation Adjustments	
Balance at the Beginning of the Year	30,213	27,442	17,088	74,744	2,658	22,261	24,920	99,664
Changes during the Period:								
Issuance of Stocks	15,000	15,000	-	30,000	-	-	-	30,000
Cash Dividends	-	-	(187)	(187)	-	-	-	(187)
Net Loss	-	-	(67,664)	(67,664)	-	-	-	(67,664)
Transfer from Land Revaluation Reserve	-	-	638	638	-	-	-	638
Net Change in Items other than Shareholders' Equity	-	-	-	-	1,094	(638)	455	455
Total Changes during the Period	15,000	15,000	(67,212)	(37,212)	1,094	(638)	455	(36,757)
Balance at the End of the Year	45,213	42,442	(50,124)	37,531	3,753	21,623	25,376	62,907

Thousands of U.S. dollars (Note 2)

	Shareholders' Equity			Valuation and Translation Adjustments				Total Net Assets
	Common Stock	Capital Surplus	Retained Earnings	Total Shareholders' Equity	Net Unrealized Gain on other Securities	Land Revaluation Reserve	Total Valuation and Translation Adjustments	
Balance at the Beginning of the Year	255,933	232,460	144,752	633,155	22,515	188,572	211,096	844,252
Changes during the Period:								
Issuance of Stocks	127,064	127,064	-	254,129	-	-	-	254,129
Cash Dividends	-	-	(1,584)	(1,584)	-	-	-	(1,584)
Net Loss	-	-	(573,180)	(573,180)	-	-	-	(573,180)
Transfer from Land Revaluation Reserve	-	-	5,404	5,404	-	-	-	5,404
Net Change in Items other than Shareholders' Equity	-	-	-	-	9,267	(5,404)	3,854	3,854
Total Changes during the Period	127,064	127,064	(569,351)	(315,222)	9,267	(5,404)	3,854	(311,368)
Balance at the End of the Year	382,998	359,525	(424,599)	317,924	31,791	183,168	214,959	532,884

The accompanying notes are an integral part of these statements

Notes to Non-Consolidated Financial Statements
The Shinwa Bank, Ltd.

1. Basis of Presenting Consolidated Financial Statements

The accompanying non-consolidated financial statements have been prepared based on the accounts maintained by The Shinwa Bank, Ltd. (the "Bank") in accordance with accounting principles and practices generally accepted in Japan under the requirements of the Japanese Commercial Code and other applicable rules and regulations, which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards. The accompanying non-consolidated financial statements are translated from the original Japanese version and compiled from the non-consolidated financial statements filed with the Ministry of Finance as required by the Securities and Exchange Law of Japan, and include certain additional financial information for the convenience of readers outside Japan. Under the Enforcement Regulations of the Japanese Banking Law, all Japanese yen figures are rounded down to the nearest one million yen. Accordingly, the figures in the breakdown may not add up to their sums. The non-consolidated financial statements are not intended to present the non-consolidated financial position and results of operations in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

2. U.S. Dollar Amounts

U.S. dollar amounts presented in the accompanying financial statements are included solely for the convenience of readers outside Japan. The approximate rate of ¥118.05 = US\$1.00, prevailing on March 31, 2007, has been used for the translation. The inclusion of such amounts should not be construed as representations that Japanese yen amounts have been or could be converted into U.S. dollars at this rate or any other rate.

3. Significant accounting policies

(1) Trading account securities

Listed trading account securities are stated at fair value. The cost is determined by the weighted average method.

(2) Investment securities

Equity investments in subsidiaries are stated at cost. Marketable equity securities and debt securities classified as available-for-sale securities are carried at fair value with the unrealized gains and losses, net of taxes, reported in a separate component of shareholders' equity. Equity and debt securities without available market quotations are carried at cost determined using the weighted average method or at amortized cost respectively.

(3) Derivatives

Derivatives transactions are stated at fair value.

(4) Depreciation

a. Tangible Fixed Assets

Depreciation of tangible fixed assets is calculated using the declining-balance method, except for depreciation of buildings (excluding building improvements) acquired on or after April 1, 1998 which is calculated using the straight-line method.

Estimated Useful Life	
Buildings	3-50 years
Equipment	3-20 years

b. Intangible Assets

Intangible assets are amortized on a straight-line basis; software for internal use is thus done over the estimated useful life (five years).

(5) Foreign currency translation

Assets and liabilities denominated in foreign currencies are translated into yen at the exchange rates in effect at the respective balance sheet dates.

(6) Allowance for loan losses

Write-offs of loans and allowance for loan losses are calculated as follows:

- a. For claims to legally bankrupt customers and those to virtually bankrupt customers, a reserve is provided on the balance after deducting from the book value of claims the anticipated amount recoverable through disposal of collateral and the anticipated amount recoverable by guarantees.
- b. For claims to potentially bankrupt customers, a reserve is provided on the balance considered necessary after deducting from the amount of claims the anticipated amount recoverable through disposal of collateral and the anticipated amount recoverable by guarantees.
- c. For the other claims, a reserve is provided using default rates computed based on the loan loss incurred during a certain period in the past.

All claims are assessed by the Company's branch offices and business divisions based on the self-assessment rules for asset quality, and asset inspection divisions which are independent from branches and business divisions audit their assessment. Based on the results of the audits, reserves are provided. For a portion of claims, with a collateral or a guarantee, to legally or virtually bankrupt customers, the assessed amount of collateral and the anticipated amount recoverable by guarantees are deducted from the amount of claims. The balances written off as unrecoverable are as follows:

As of March 31	Millions of yen		Thousands of
	2007	2006	U.S. dollars(Note 2)
Write-offs as Unrecoverable	62,384	45,954	528,454

(7) Employee Bonus

Reserve for employee bonuses is provided, in provision for payment of bonuses to employees, by the amount of estimated bonuses attributable to the respective fiscal year.

(8) Employees' Retirement Benefits

Effective April 1, 2000, the Accounting Standard for Retirement Benefit was issued by the Business Accounting Deliberation Council. In accordance with the new standard, accrued severance indemnities are provided based on the amount of projected benefit obligation reduced by pension plan assets at fair value at the end of the annual period. Prior service costs are amortized over a certain period (10 years) within employees' average remaining service period on a straight-line basis. Actuarial gains or losses are amortized over a certain period (10 years) within employees' average remaining service period on a straight-line basis from the next period in which they arise.

(9) Leases

Finance leases, other than those which are deemed to transfer the ownership of the leased assets to lessees, are accounted for by a method similar to that applicable to ordinary operating leases.

(10) Consumption Taxes

No national and local consumption taxes are included in expenses. However, those consumption taxes, etc. for tangible fixed assets which are not tax-deductible are expensed as incurred.

4. Notes to Balance Sheets

(1) Investments in subsidiaries are as follows:

As of March 31	Millions of yen		Thousands of U.S. dollars (Note 2)
	2007	2006	2007
Stock issued by Affiliated Companies	12,954	12,176	109,733

(2) Loans and discounted bills included “loans to legally bankrupt borrowers” and “delinquent loans” as follows:

As of March 31	Millions of yen		Thousands of U.S. dollars (Note 2)
	2007	2006	2007
Loans to Legally Bankrupt Borrowers	6,547	4,375	55,459
Delinquent Loans	159,090	96,379	1,347,649

“Loans to legally bankrupt borrowers” represent loans meeting the following conditions:

- a. Loans on which no interest is accrued (excluding the portion written off, referred to hereinafter as the “loans without accrued interest”), as their principal or interest amounts are deemed uncollectable due to the continued delinquency of principal or interest over a considerable period of time and other factors.
- b. Loans meeting the conditions prescribed by the item 3-(a) through (e) or item 4 of Paragraph 2, Article 96 of the Corporation Tax Law Enforcement Regulations (1965 Government Ordinance No.97).

“Delinquent loans” represent the loans without accrued interest, excluding loans to “legally bankrupt borrowers” or loans with interest payments postponed for purposes of restructuring or supporting borrowers’ business.

(3) Loans and discounted bills include “loans with overdue period of three months or more” as follows:

As of March 31	Millions of yen		Thousands of U.S. dollars (Note 2)
	2007	2006	2007
Loans with Overdue Period of Three Months or More	250	79	2,117

“Loans with overdue period of three months or more” represent those loans for which principal or interest payments are in arrears for three months or more from the day following the agreed payment date, but are not classified as “loans to legally bankrupt borrowers” or “delinquent loans.”

(4) Loans and discounted bills include “loans with relaxed conditions” as follows:

As of March 31	Millions of yen		Thousands of U.S. dollars (Note 2)
	2007	2006	2007
Loans with Relaxed Conditions	31,611	61,984	267,776

“Loans with relaxed conditions” refer to the following:

Loans for which certain conditions have been relaxed for the benefit of the borrower through measures such as the reduction and exemption of interest, the deferral of interest payments, the deferral of principal repayments, or the abandonment of claims in order to reconstruct or support the borrowers’ business, but are not classified as “loans to legally bankrupt borrowers,” “delinquent loans,” or “loans with overdue period of three months or more.”

(5) “Loans to legally bankrupt borrowers,” “delinquent loans,” “loans with overdue period of three months or more” and “loans with relaxed conditions” totaled as follows:

As of March 31	Millions of yen		Thousands of U.S. dollars (Note 2)
	2007	2006	2007
Total Amount of Loans and Discounted Bills Listed in Items (2), (3) and (4) above	197,500	162,818	1,673,019

(6) Pledged Assets

Assets that are pledged as collateral are as follows:

As of March 31	Millions of yen		Thousands of U.S. dollars (Note 2)
	2007	2006	2007
Assets that are Pledged as Collateral Securities	-	3,683	-
Obligations Corresponding to Collateral Assets Call Money	-	-	-

In addition, Securities lent with cash collateral amount to ¥48,206 million (US\$408,352 thousand) as at March 31, 2006, which correspond to ¥47,571 million (US\$402,973 thousand) of collateral money for bond lending.

Besides, the following assets are pledged as collateral.

As of March 31	Millions of yen		Thousands of U.S. dollars (Note 2)
	2007	2006	2007
Collateral to Exchange Settlements and for Deposit Money of Future Securities	191,770	131,873	1,624,481
Deposits	4	9	33
Loans	-	30,000	-
Other Assets	61	21	516

(7) Commitment lines

Commitment lines are agreements relating to loans and current accounts where borrowing is applicable up to a certain limit upon the request of borrowers as long as no breach is made under the terms and conditions of relative loan agreements. The unused commitment balance relating to these loan agreements is listed as below, all of which can terminate within one year, or can be unconditionally cancelled at any time.

As of March 31	Millions of yen		Thousands of U.S. dollars (Note 2)
	2007	2006	2007
Unused Commitment Balance	403,775	421,205	3,420,372

Many of the agreements cease with no loan applied; therefore, the unused loan commitment does not necessarily affect future cash flows. Such conditions are included in the agreements to allow the Bank to stop loans or to decrease applicable limits for the purpose of protecting loan assets or to address material change in business conditions. The Bank implements protection of loan assets through, if necessary, securing collaterals (real estate, securities, etc.) or other measures. After agreement is effected, according to internal lending procedures the Bank reviews financial condition of borrowers. The Bank takes necessary measures including revision of agreement and security of loan assets.

(8) Land Revaluation

In accordance with the law concerning the revaluation of land (Law No. 34 promulgated on March 31, 1998), land for business use has been revalued. The tax effect of the revaluation difference is recorded as "Deferred Income Taxes on Land Revaluation" in liabilities and the remaining after-tax amount is recorded as "Land Revaluation Reserve, Net of Taxes" in shareholders' equity.

Date of revaluation: March 31, 1998

Methods for revaluation as set forth in Article 3, paragraph 3 of the law concerning revaluation of land: Land prices are determined based on the assessed amount for taxes on fixed assets as set forth in Article 2, item 3 of the enforcement ordinance concerning land revaluation (Government Ordinance No. 199 promulgated on March 31, 1998), reflecting appropriate adjustments including the price adjustment for depth of the land, time adjustment, and adjustment based on recent sales prices of adjacent land.

Excess of the total fair value of the land for business use revalued under Article 10 of the law over the total book value of the land after revaluation are as follows:

As of March 31	Millions of yen		Thousands of U.S. dollars (Note 2)
	2007	2006	2007
Excess of the Total Fair Value of the Land for Business Use Revalued	28,113	25,741	238,144

(9) Accumulated depreciation of premises and equipment/ Tangible Fixed Assets are as follows:

As of March 31	Millions of yen		Thousands of U.S. dollars (Note 2)
	2007	2006	2007
Accumulated Depreciation of Premises and Equipment	-	36,458	-
Accumulated Depreciation of Tangible Fixed Assets	35,144	-	297,704

(10) Gains on sale of premises and equipment/ tangible fixed assets deducted from the acquisition costs of newly acquired premises and equipment as replacements are as follows:

As of March 31	Millions of yen		Thousands of U.S. dollars (Note 2)
	2007	2006	2007
Deduction of Cost of Premises and Equipment	-	17,234	-
Deduction of Cost of Tangible Fixed Assets	17,234	-	145,988

(11) "Borrowings" include loans of which repayment orders are subordinated to all other debts as follows:

As of March 31	Millions of yen		Thousands of U.S. dollars (Note 2)
	2007	2006	2007
Borrowings of which Repayment Orders are Subordinated to All Other Debts	6,500	6,500	55,061

5. Finance Lease

Finance lease transactions, except where the ownership of the leased assets is substantially transferred to the lessee, are as follows:

For the Year ended March 31, 2007	Millions of yen			Thousands of U.S. dollars (Note 2)
	Movables	Other	Total	Total
Amount Equivalent to the Purchase Price of the Leased Assets	4,813	-	4,813	40,770
Amount Equivalent to Accumulated Depreciation	2,592	-	2,592	21,956
Amount Equivalent to Balance at Fiscal Year-End	2,220	-	2,220	18,805

For the Year ended March 31, 2006	Millions of yen		
	Movables	Other	Total
Amount Equivalent to the Purchase Price of the Leased Assets	5,333	-	5,333
Amount Equivalent to Accumulated Depreciation	2,917	-	2,917
Amount Equivalent to Balance at Fiscal Year End	2,415	-	2,415

Amount Equivalent to Lease Payable:

For the Years ended March 31	Millions of yen		Thousands of U.S. dollars (Note 2)
	2007	2006	2007
Within One Year	900	868	7,623
Over One Year	1,320	1,547	11,181
Total	2,220	2,415	18,805

For the Years ended March 31	Millions of yen		Thousands of U.S. dollars (Note 2)
	2007	2006	2007
Lease Fees Paid	918	889	7,776
Amount Equivalent to Depreciation	918	889	7,776

Note: The lease period is set at the estimated useful life of the assets and the straight-line method of depreciation is used to compute the remaining value of the assets.

6. Income Taxes

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities are as follows:

As of March 31	Millions of yen		Thousands of U.S. dollars (Note 2)
	2007	2006	2007
Deferred Tax Assets:			
Allowance for Loan Losses	65,000	41,733	550,614
Accrued Severance and Pension Liabilities	5,250	5,510	44,472
Stocks Issued by Subsidiaries	13,429	13,429	113,756
Allowance for Losses on Investment Securities	1,327	884	11,240
Depreciation Expense	1,362	1,573	11,537
Accrued Enterprise Tax	63	113	533
Amortization of Securities	4,292	3,062	36,357
Other	1,201	2,449	10,173
Deferred Tax Assets – Sub-total	91,927	68,758	778,712
Valuation Allowance	(64,740)	(30,780)	(548,411)
Total Deferred Tax Assets	27,187	37,977	230,300
Deferred Tax Liabilities:			
Unrealized Gains on Securities	(2,122)	(1,108)	(17,975)
Total Deferred Tax Liabilities	(2,122)	(1,108)	(17,975)
Net Deferred Tax Assets	25,064	36,868	212,316

7. Per-Share Information

For the Year ended March 31	Yen		U.S. dollars (Note 2)
	2007	2006	2007
Net Assets Per-share	58.69	185.67	0.49
Net Profit (Loss) Per-share	(156.35)	14.66	(1.32)

The above information is based on the following data:

For the Year ended March 31	Millions of yen		Thousands of U.S. dollars (Note 2)
	2007	2006	2007
Net Profit (Loss)	(67,664)	5,095	(573,180)
Net Income not Attributable to Common Shareholders	-	375	-
Dividends Paid on Preferred Stocks	-	375	-
Net Profit (Loss) Available to Common Shareholders	(67,664)	4,720	(573,180)
Thousands			
Weighted Average Number of Shares of Common Stocks Outstanding	432,760	321,860	