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ふくおかフィナンシャルグループ

Investor Meeting

Financial Results & Earnings Projections

Management Strategy

Minna Bank

June 2021

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Part I

Financial Results & Earnings Projections

Summary of Financial Results for FY2020

Profit & loss (3 banks total)

(¥ bil.)

[Compared to projection of Nov. 2020]	3 banks non-consolidated total FY2020	YoY chg.	Bank of Fukuoka (non-consolidated) FY2020	YoY chg.	Kumamoto Bank (non-consolidated) FY2020	YoY chg.	Juhachi-Shinwa Bank (non-consolidated) FY2020	YoY chg.
Gross business profit	202.5	1.3	133.9	2.6	18.9	0.2	49.8	- 1.5
Net interest income	179.0	0.5	115.1	1.6	17.8	- 0.0	46.0	- 1.1
Domestic	167.4	- 1.5	105.9	0.6	17.8	0.0	43.7	- 2.2
International	11.6	2.0	9.3	1.0	0.0	- 0.0	2.3	1.0
Non-interest income	23.6	0.8	18.8	1.0	1.1	0.2	3.7	- 0.4
Net fees and commissions	20.5	- 0.5	15.7	- 0.4	1.0	0.2	3.8	- 0.3
Specified trade income	2.6	0.1	2.6	0.2	0.1	- 0.0	- 0.1	- 0.2
Bond-related income	0.5	1.2	0.5	1.1	0.0	0.0	0.0	0.0
Overhead expenses (-)	122.4	- 0.7	68.4	0.6	13.3	- 0.3	40.7	- 1.0
Actual business profit	80.2	2.0	65.5	2.0	5.6	0.5	9.0	- 0.5
Transfer to general reserve for possible loan losses (-)	- 12.2	- 72.2	- 10.0	- 49.1	0.0	- 5.8	0.0	- 15.1
Business profit	92.4	74.2	75.5	51.1	5.6	6.3	9.0	14.7
Core business profit [+3.2]	79.7	0.8	65.1	0.8	5.6	0.5	9.0	- 0.5
Other operating profit (loss)	- 18.7	- 9.0	- 9.9	- 9.2	0.3	2.8	- 7.0	- 0.3
Ordinary profit	73.6	65.2	65.6	41.8	5.9	9.0	2.1	14.3
Extraordinary profit (loss)	- 1.8	9.3	- 0.2	0.1	- 0.2	- 0.2	- 1.4	9.4
Income (loss) before income	71.9	74.5	65.5	41.9	5.7	8.9	0.7	23.7
Income taxes (-)	14.5	19.8	16.0	11.5	1.1	2.2	- 2.5	6.1
Net income [-2.1]	57.3	54.7	49.5	30.4	4.7	6.6	3.1	17.6
Credit cost (-) [-4.5]	0.3	- 61.1	2.4	- 36.6	- 0.9	- 7.7	- 1.2	- 16.9

Profit & loss (FFG consolidated)

[Compared to projection of Nov. 2020]	FY2020	YoY chg.
Gross business profit	217.2	+2.5
Actual business profit	68.8	+2.0
Core business profit	68.2	+0.8
Ordinary profit [(0.6)]	60.4	+65.7
Consolidated net income* [+0.6]	44.6	(66.0)

* Net income attributable to owners of the parent

Consolidation adjustments

Net income (3 banks total)	57.3
FFG non-consolidated	(10.4)
Adjustment related to Minna Bank	(5.0)
Subsidiary income	4.4
Securities adjustment, etc.	(1.8)
Negative goodwill	-
FFG consolidated net income	446

Point 1 *Core business profit is 79.7 billion yen*

- YoY chg. +0.8 billion yen
- Core business profit increased year-on-year due to an increase in net interest income (buildup of the balance of loans to SMEs, such as financing support) and a decrease in expenses (impact of COVID-19, etc.).

Point 2 *Transfer of 0.3 billion yen to credit cost*

- Credit cost decreased 61.1 billion yen year-on-year, due in part to turnaround of previous year's factors (forward-looking provisions, prevention provisions for COVID-19, integration expenses)

Point 3 *Net income is 57.3 billion yen*

- YoY chg. +54.7 billion yen
- Net income amounted to 57.3 billion yen as a result of the above credit cost plus an increase in extraordinary profit (loss) (turnaround of the Juhachi-Shinwa branch impairment)

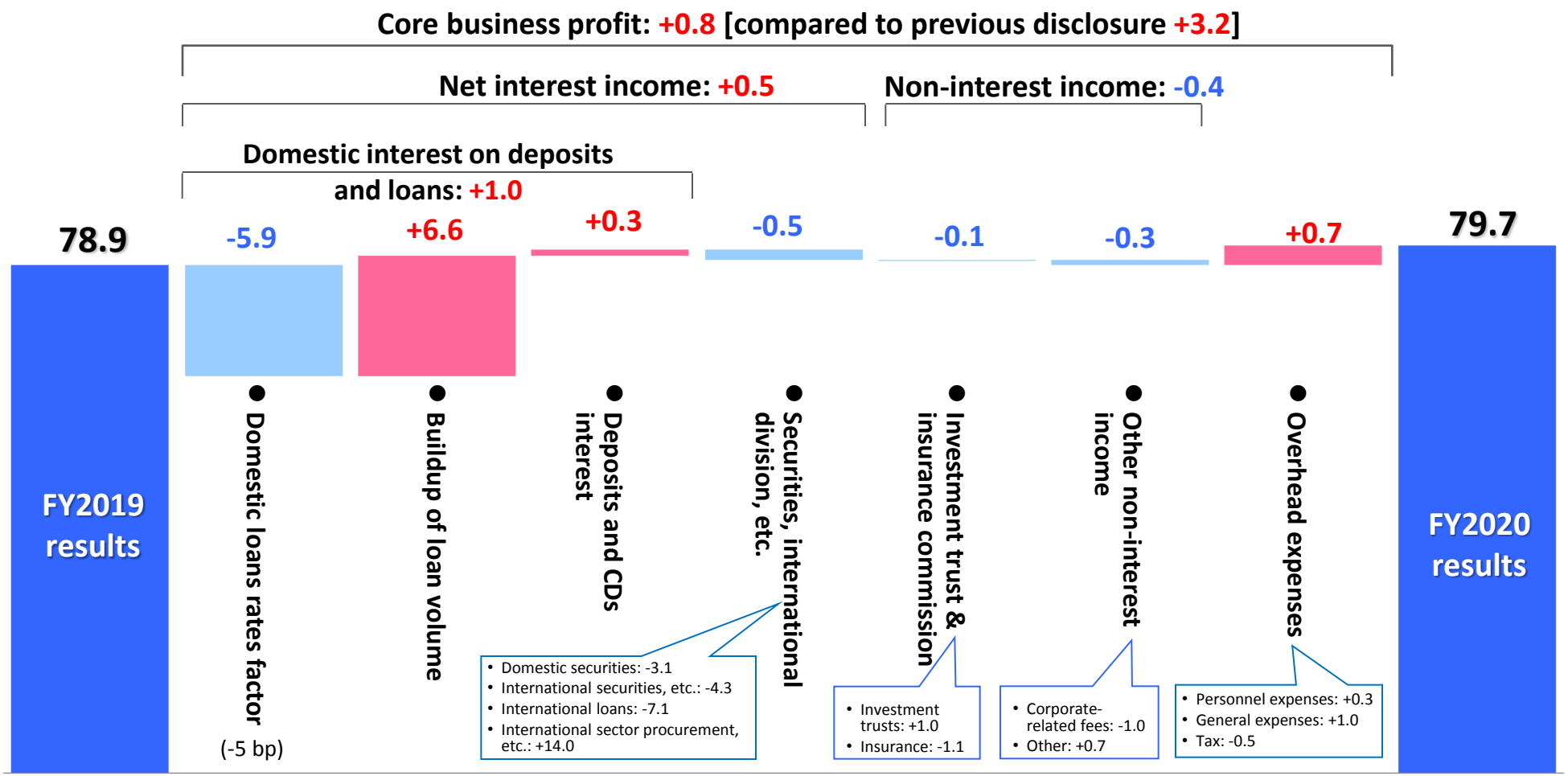
Point 4 *Consolidated net income is 44.6 billion yen*

- YoY chg. -66.0 billion yen
- Consolidated net income decreased 66.0 billion yen year-on-year as a result of an increase in non-consolidated net income of 54.7 billion yen and the turnaround of gains on negative goodwill of -117.4 billion yen.

Transition of Top Line: FY2020 Results

FY2020 full-year results [YoY chg.]

(¥ bil.)



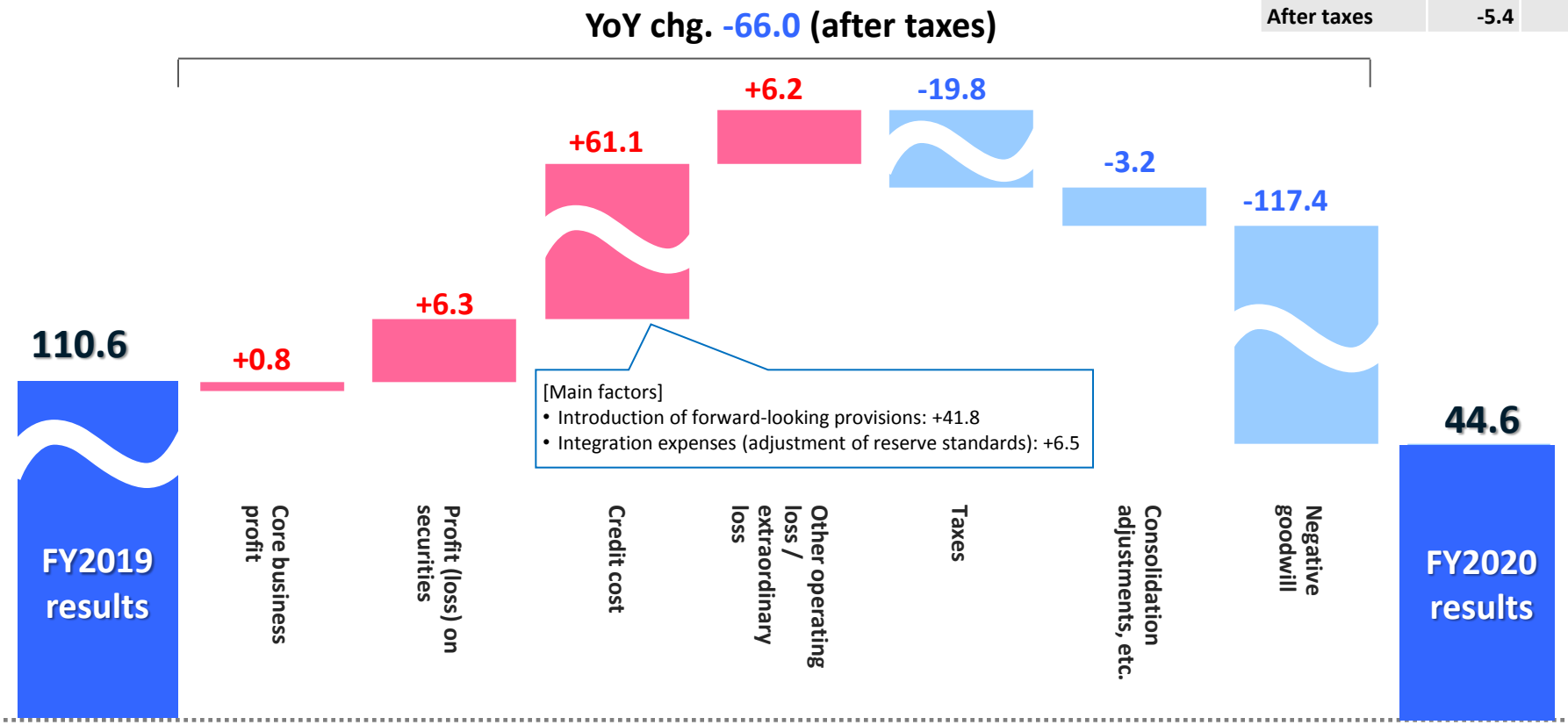
FY2020 Consolidated Net Income: Factors Driving Year-on-Year Change

FY2020 consolidated net income [YoY chg.]

(¥ bil.)

Integration expenses	FY 2019	FY 2020	YoY chg.
Before taxes	-15.1	-9.3	+5.8
After taxes	-11.0	-6.9	+.42

Related to Minna Bank	FY 2019	FY 2020	YoY chg.
After taxes	-5.4	-5.0	+0.5



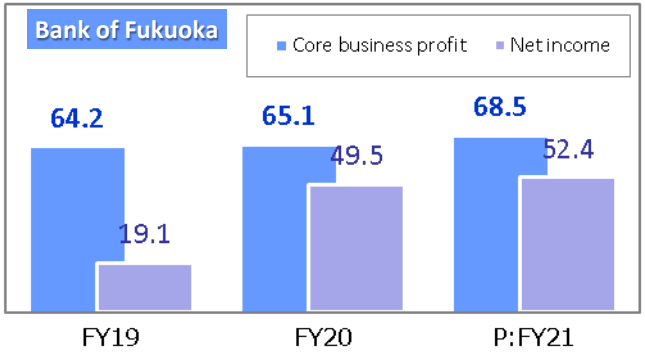
Earnings Projections for FY2021

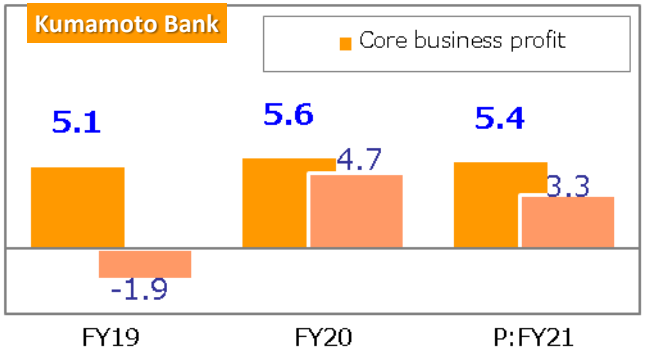
Profit & loss (3 banks total)

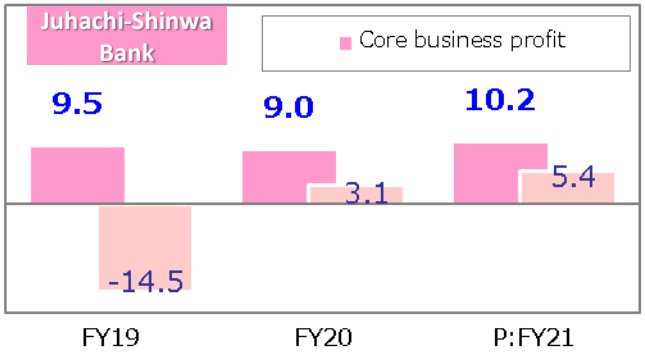
(¥ bil.)

	3 banks non-consolidated total		Bank of Fukuoka (non-consolidated)		Kumamoto Bank (non-consolidated)		Juhachi-Shinwa Bank (non-consolidated)	
	P:FY2021	YoY chg.	P:FY2021	YoY chg.	P:FY2021	YoY chg.	P:FY2021	YoY chg.
Gross business profit	206.0	3.4	138.8	4.9	18.8	- 0.0	48.3	- 1.4
Net interest income	177.5	- 1.5	116.6	1.5	17.7	- 0.1	43.1	- 2.9
Domestic	164.0	- 3.3	105.3	- 0.6	17.7	- 0.1	41.0	- 2.7
International	13.5	1.9	11.3	2.1	0.0	0.0	2.1	- 0.2
Non-interest income	28.5	4.9	22.2	3.4	1.1	0.1	5.2	1.4
Net fees and commissions	23.8	3.3	17.8	2.1	1.0	0.0	5.0	1.2
Specified trade income	1.7	- 0.9	1.4	- 1.2	0.1	0.0	0.2	0.3
Bond-related income	3.0	2.5	3.0	2.5	0.1	0.0	0.0	- 0.0
Overhead expenses (-)	- 118.9	3.4	- 67.4	1.0	- 13.4	- 0.1	- 38.1	2.6
Actual business profit	87.0	6.9	71.4	5.9	5.4	- 0.2	10.2	1.1
Core business profit	84.0	4.4	68.5	3.4	5.4	- 0.2	10.2	1.2
Ordinary profit	84.3	10.7	73.1	7.4	4.4	- 1.6	6.9	4.9
Net income	61.1	3.8	52.4	2.9	3.3	- 1.4	5.4	2.2
Credit cost (-)	- 5.8	- 5.5	- 3.5	- 1.1	- 0.8	- 1.7	- 1.5	- 2.7

Profit & loss [by Bank] (¥ bil.)







* FY19 is shown on a non-consolidated total basis

Profit & loss (FFG consolidated)

	P:FY2021	YoY chg.
Gross business profit	221.4	+4.2
Actual business profit	77.8	+9.0
Core business profit	74.8	+6.6
Ordinary profit	72.1	+11.7
Consolidated net income*	50.0	+5.4

* Net income attributable to owners of the parent

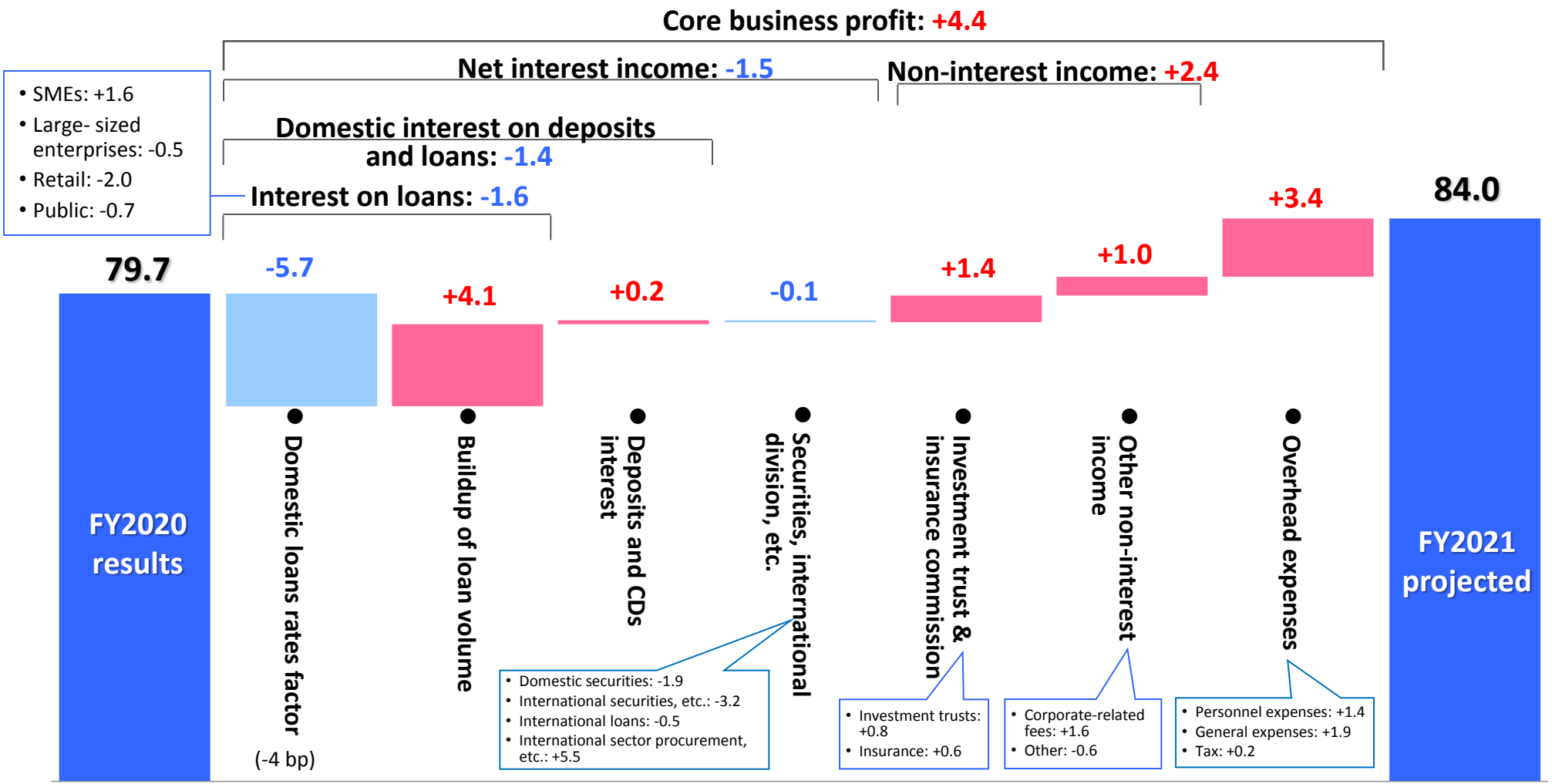
Consolidation adjustments

Net income (3 banks total)	61.1
FFG non-consolidated	-8.5
Adjustment related to Minna Bank	-5.7
Subsidiary income	4.3
Securities adjustment, etc.	-1.3
FFG consolidated net income	50.0

Transition of Top Line: FY2021 Projected

FY2021 Projected [YoY chg.]

(¥ bil.)



Earnings Projections for FY2021: Factors Driving Year-on-Year Change

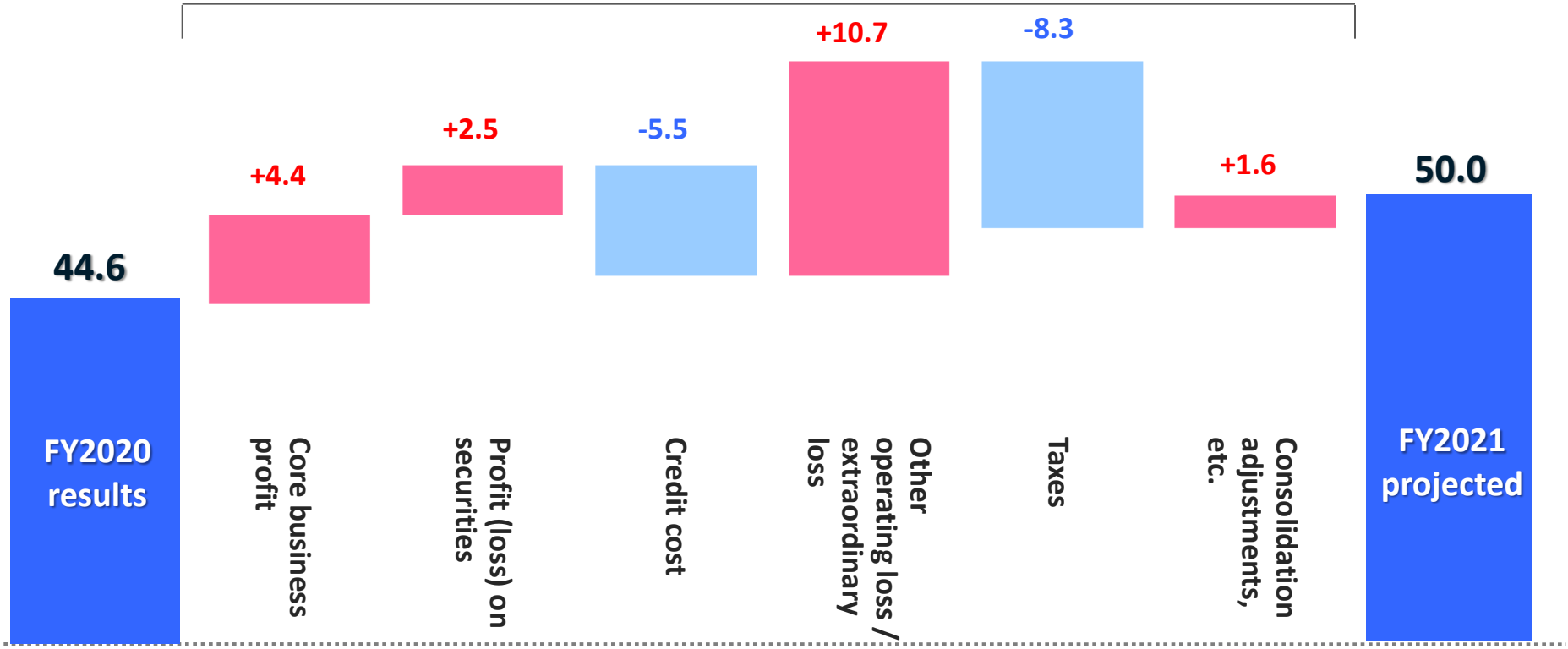
FY2021 projected consolidated net income [YoY chg.]

(¥ bil.)

Integration expenses	FY 2020	FY 2021	YoY chg.
Before taxes	-9.3	-2.1	+7.2
After taxes	-6.9	-1.5	+5.3

Related to Minna Bank	FY 2020	FY 2021	YoY chg.
After taxes	-5.0	-5.7	-0.7

YoY chg. +5.3 (after taxes)

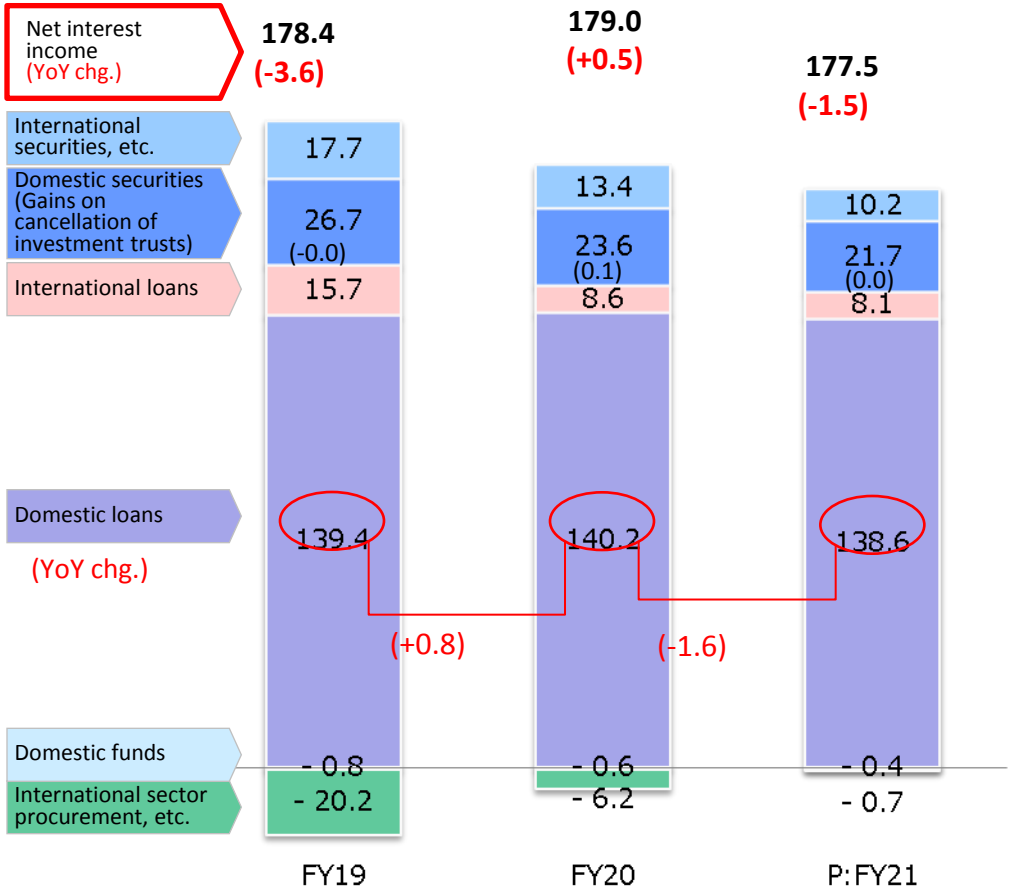


Net Interest Income

- Net interest income in FY2021 is projected to be 177.5 billion yen, a decrease of 1.5 billion yen year-on-year. We plan to make up for the negative impact of redeeming domestic bonds with broader securities investment diversification, etc.
- Domestic deposit loan gross margin is projected to be 1.01%, a decrease of 4 bp.

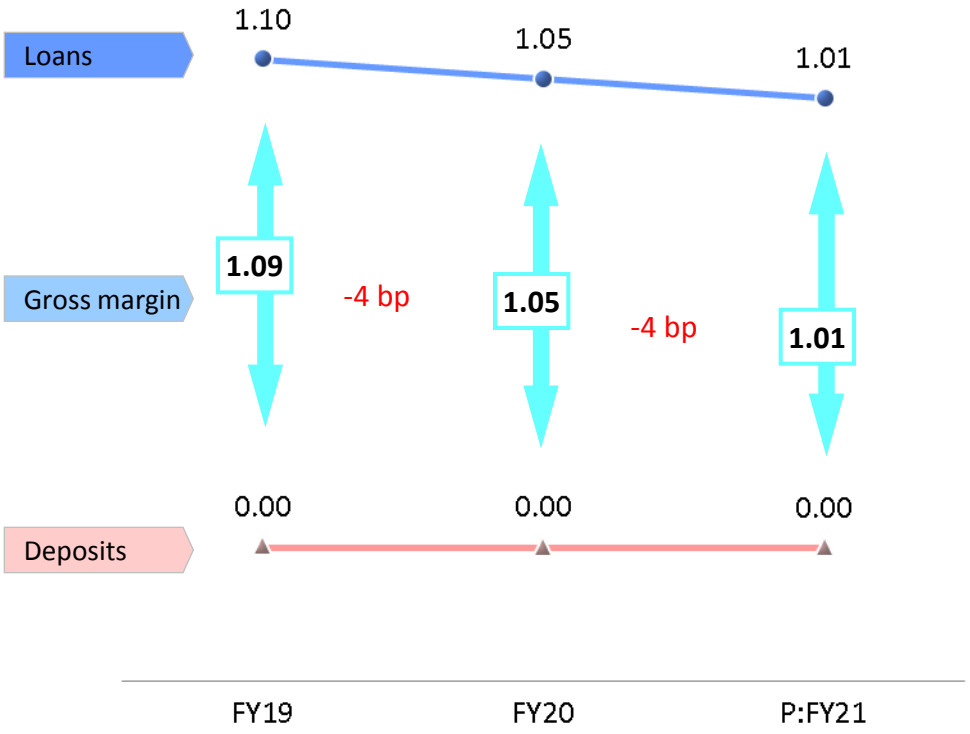
Net interest income (3 banks total)

* Domestic loans ... Excluding loans to FFG and Government (¥ bil.)
* Domestic funds ... Domestic deposits + CDs



Domestic deposit loan gross margin (3 banks total)

* Domestic loans ... Excluding loans to FFG and Government (%)
* Domestic funds ... Domestic deposits + CDs

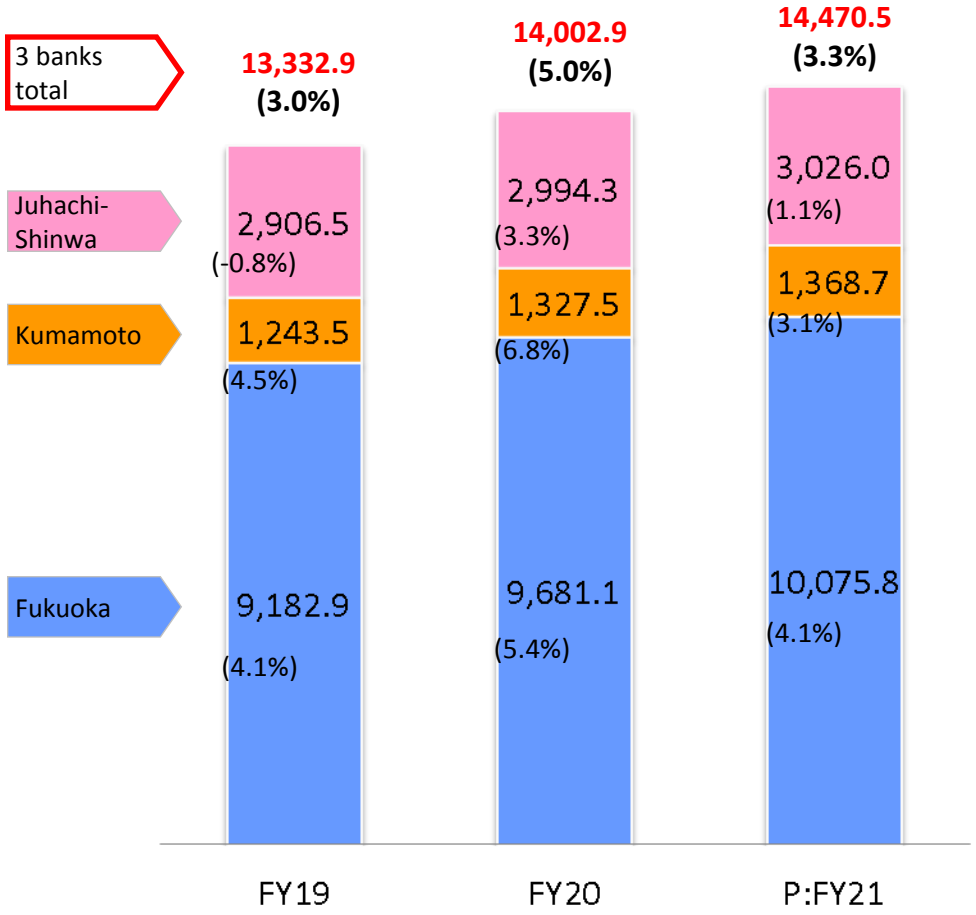


Loans

- Loans increased at an annual rate of +5.0% in FY2020, due to an increase in the balance of loans to SMEs.
- In FY2021, an annual rate of +3.3% is projected, due mainly to loans to SMEs.

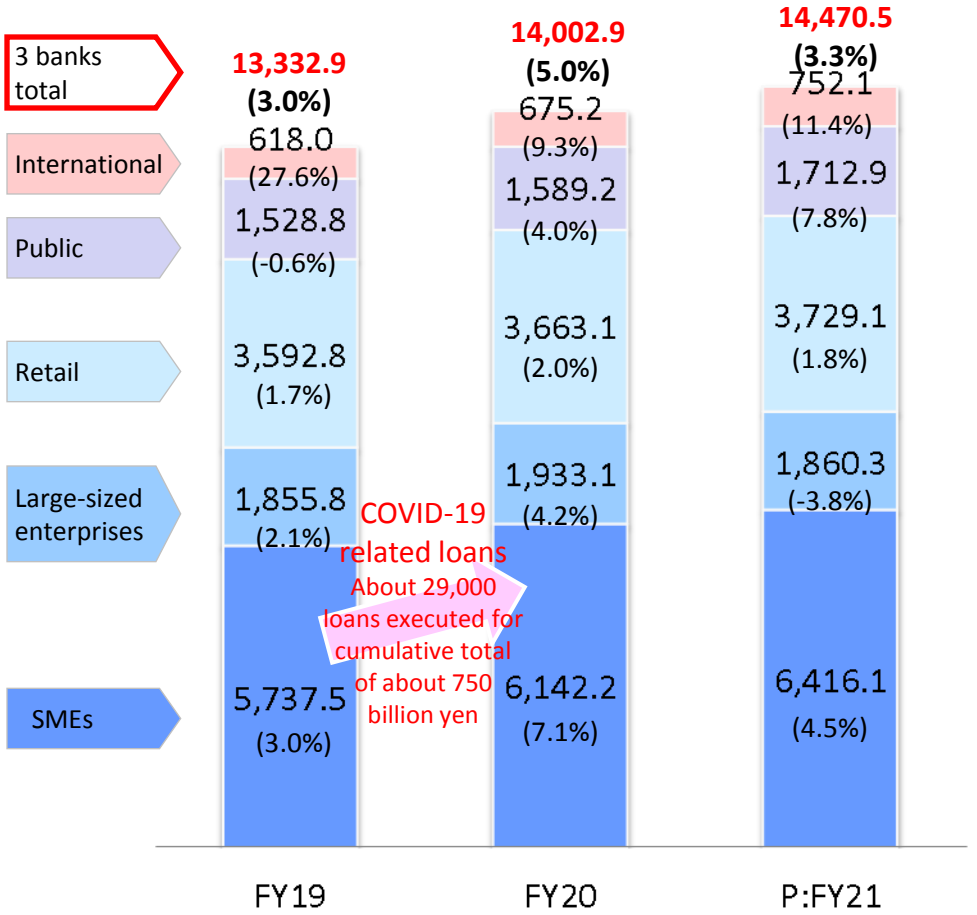
Loans (domestic + international)

* Excluding loans to FFG and Government (annual rate) (¥ bil.)



Loans (by segment)

* Excluding loans to FFG and Government (annual rate) (¥ bil.)

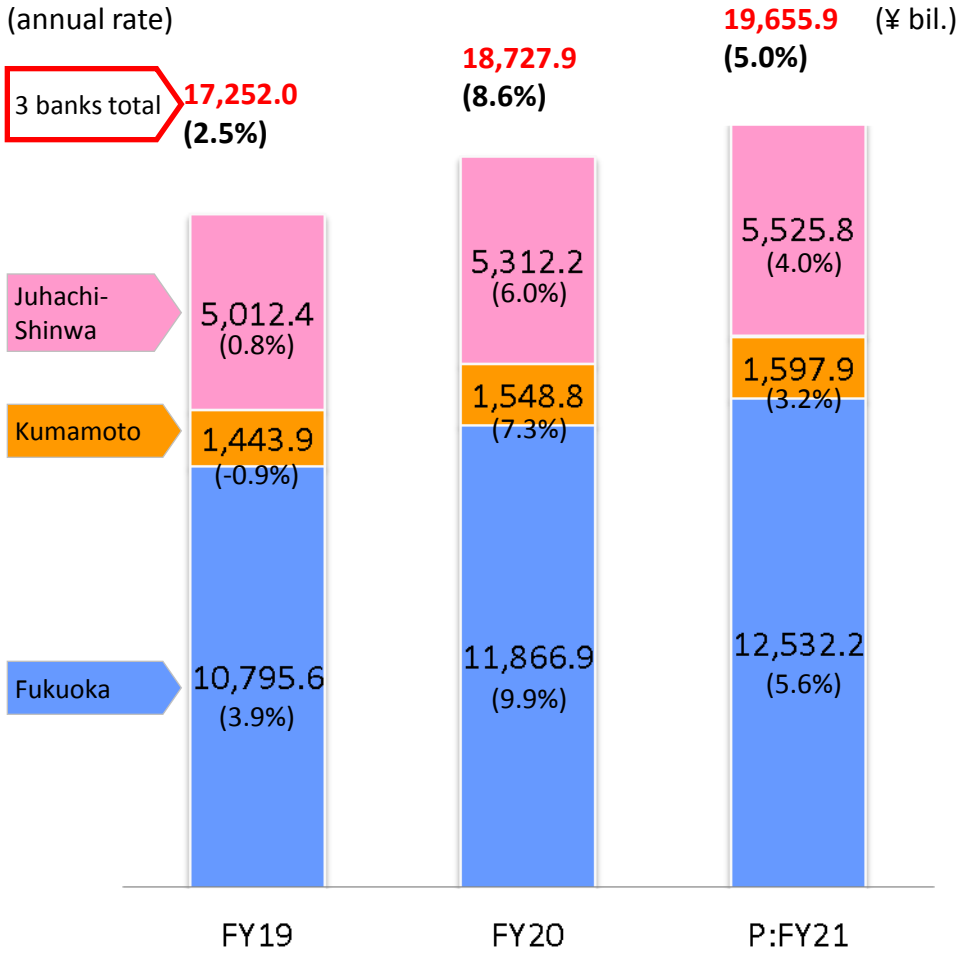


* Itemized loans by segment show the balance standardized across the 3 banks.

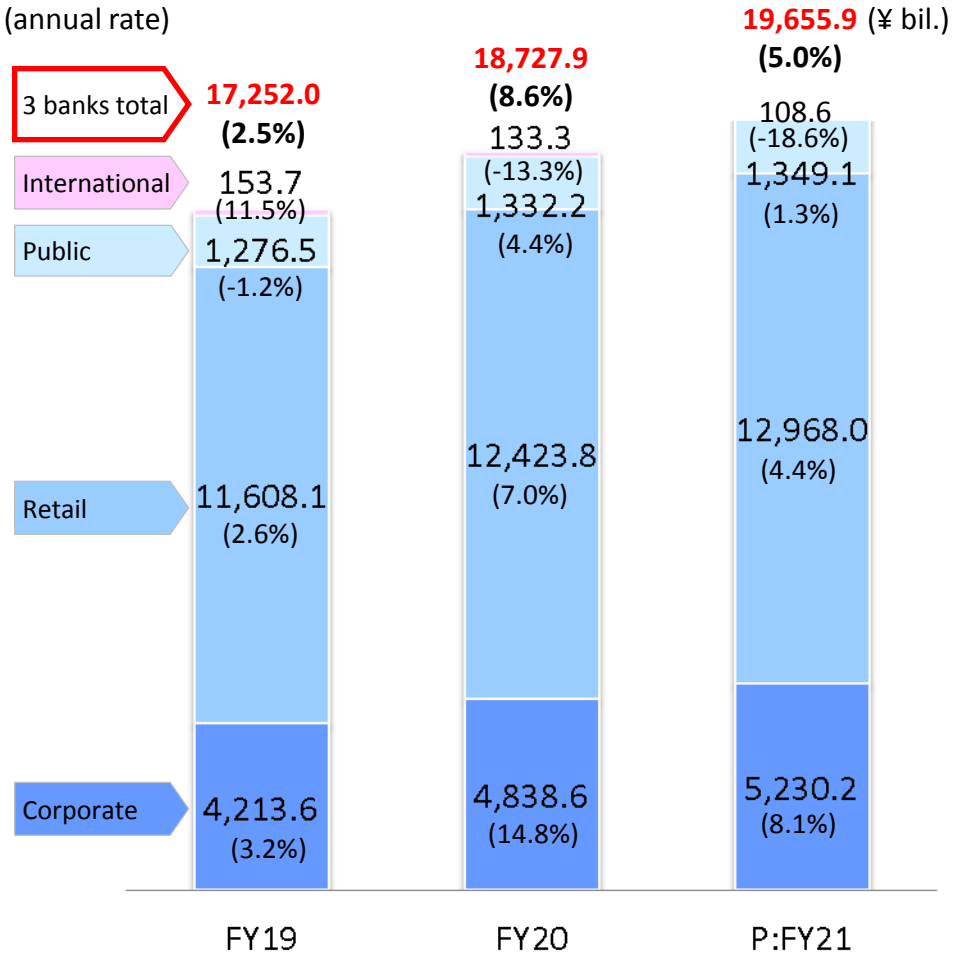
Deposits & CDs

- Deposits & CDs maintained an increasing trend in both retail and corporate segments
- The increasing trend is projected to continue in FY2021.

Deposits and CDs (domestic + international)



Deposits and CDs (by segment)

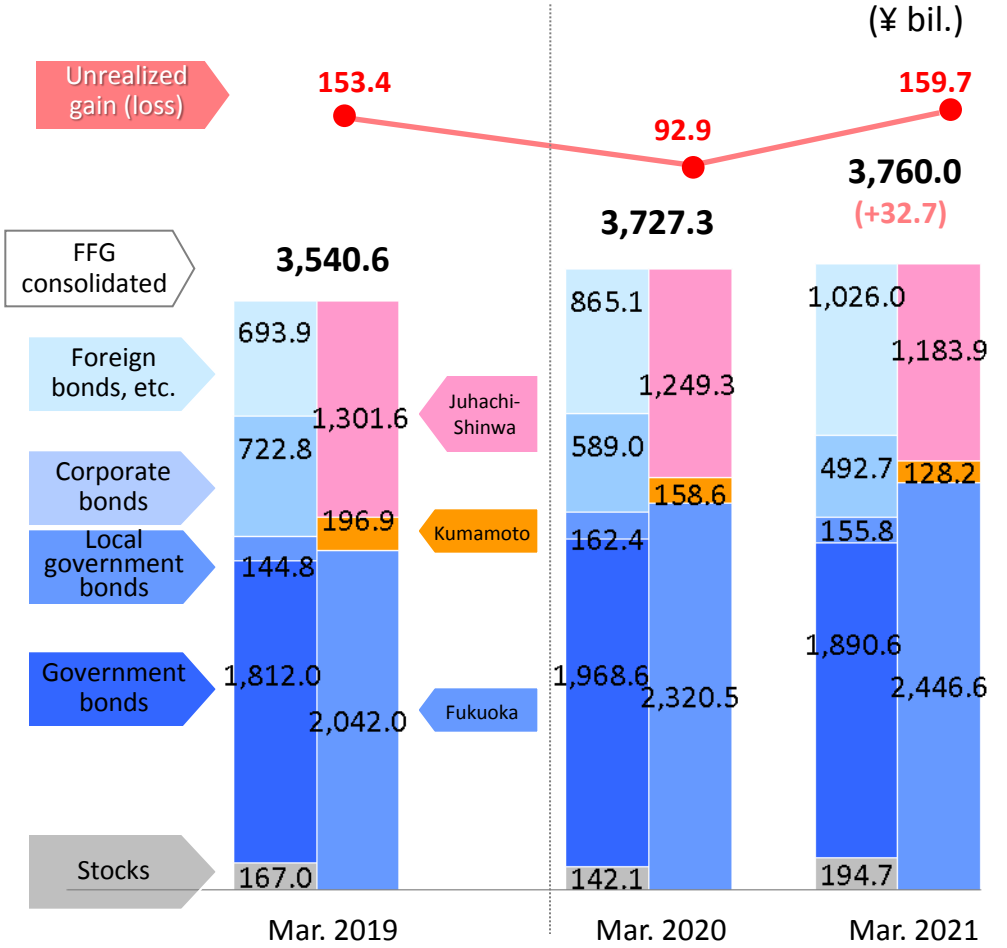


* Itemized loans by segment show the balance standardized across the 3 banks.

Securities

- Unrealized gain on securities as of March 31, 2021 is 159.7 billion yen, an increase of about 67 billion yen from March 31, 2020.
- Although domestic bond duration lengthened, the materiality test reference value for interest rate risk was low.

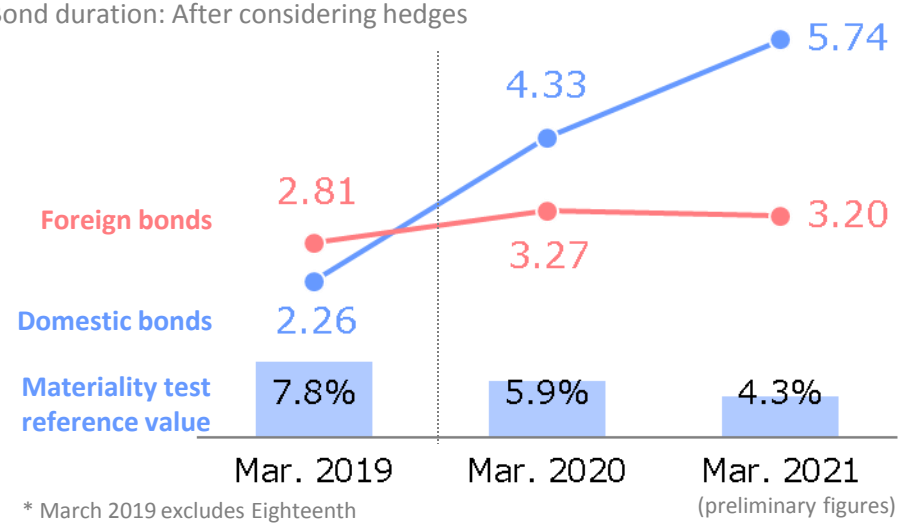
Securities portfolio (FFG consolidated)



* Unrealized gain (loss) for March 2019 excludes Eighteenth

Bond duration & materiality test reference value

* Bond duration: After considering hedges



* March 2019 excludes Eighteenth

Securities-related profit & loss (3 banks total)

[¥ bil.]	FY18	FY2019	FY2020
Stocks	6.5	(0.1)	5.0
Bonds	1.2	(0.7)	0.5
Total	7.7	(0.8)	5.5

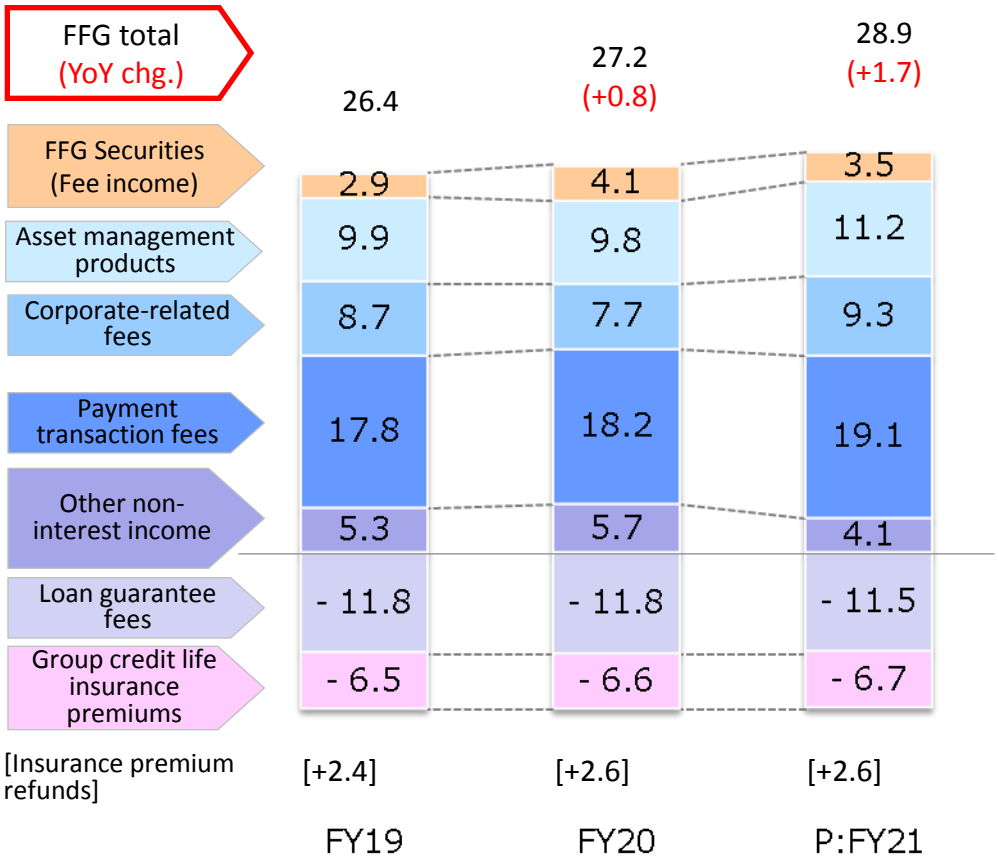
Non-Interest Income

- Non-interest income is projected to increase 1.7 billion yen year-on-year due to increases in asset management income and corporate-related fees.
- We will build asset management products sales through a portfolio-based business style unaffected by market fluctuations.

Non-interest income (3 banks total + FFG Securities)

* Excluding gains (losses) on bonds

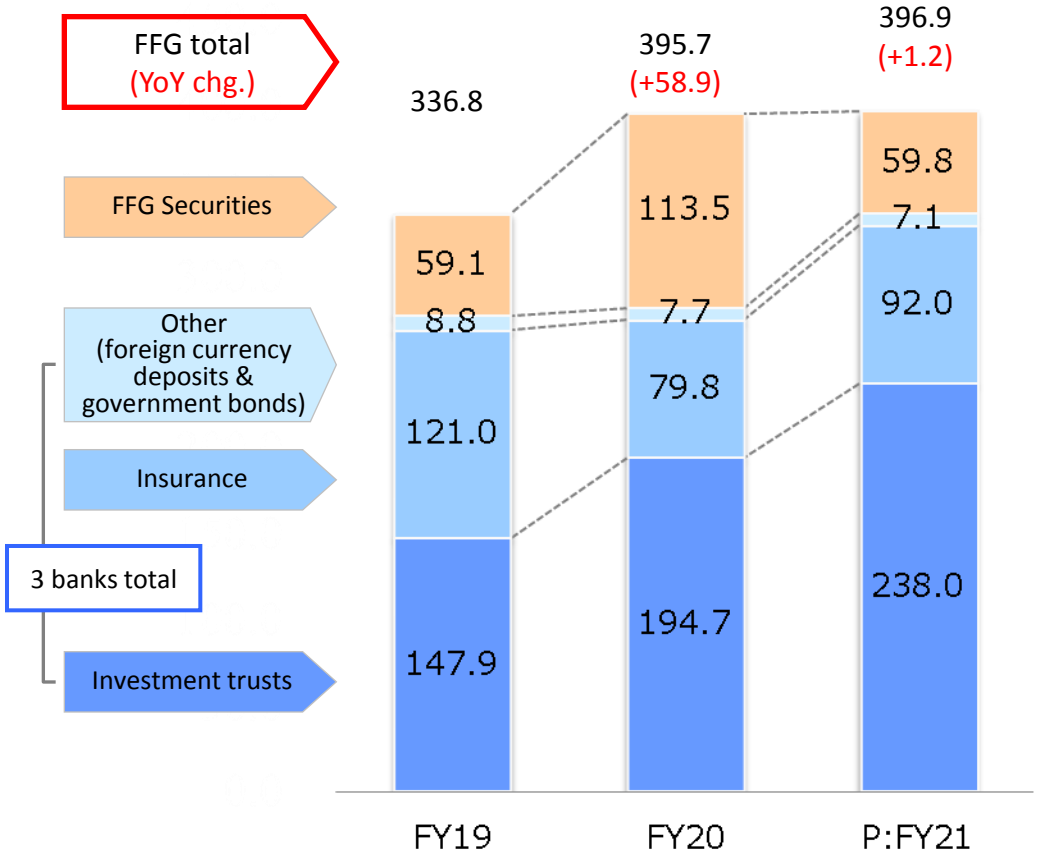
(¥ bil.)



Asset management product sales

* Figures for FFG Securities are the total sales of investment trusts and bonds

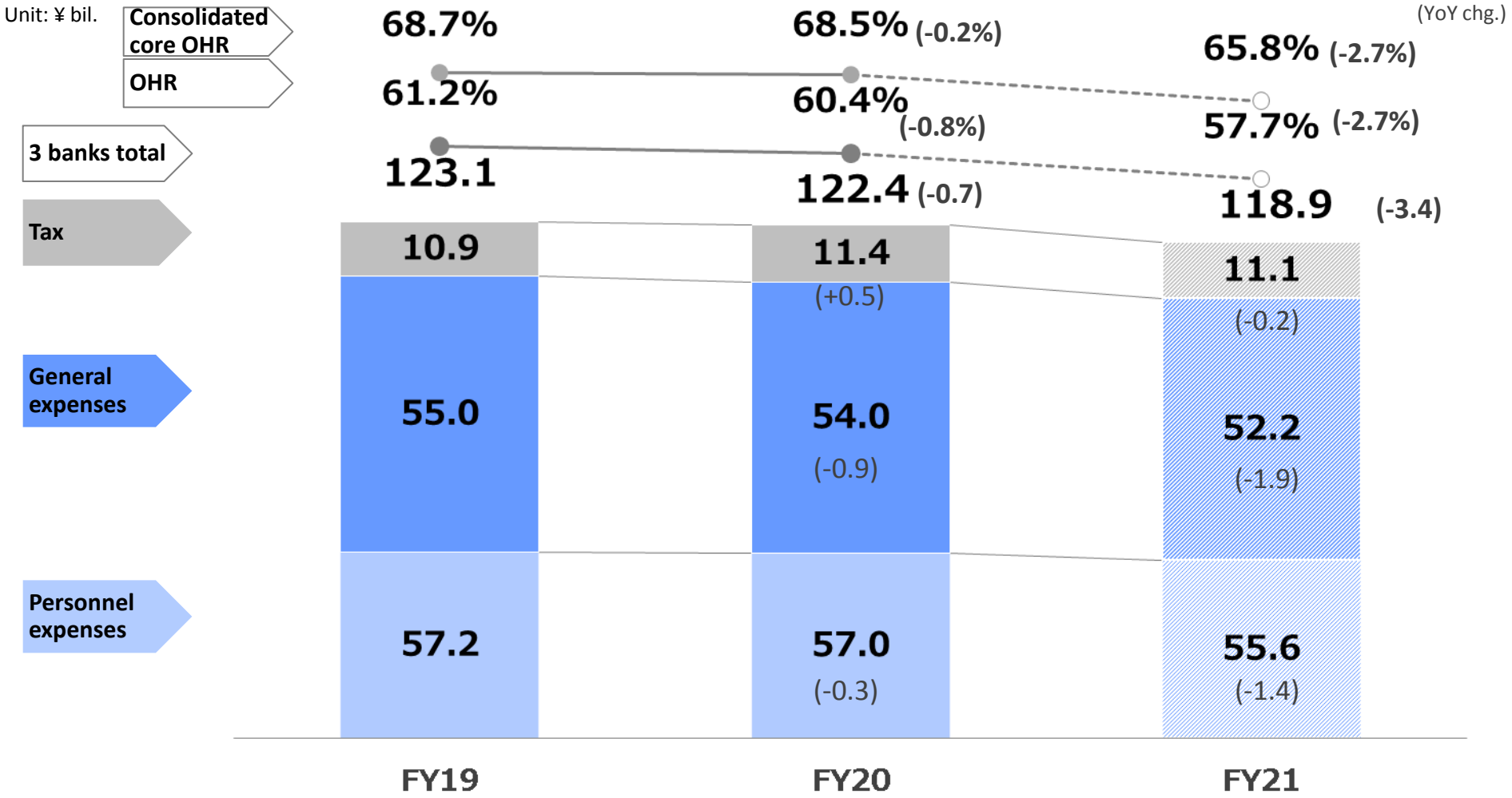
(¥ bil.)



Overhead Expenses

- In FY2020, while tax increased as a result of increases in consumption tax and integration investment, controlled personnel expenses and general expenses resulted in overhead expenses decreasing by 0.7 billion yen.
- In FY2021, overhead expenses are projected to decrease by 3.4 billion yen due to reducing overhead expenses associated with integration of the former Eighteenth Bank's IT systems and rolling out cost-cutting measures.

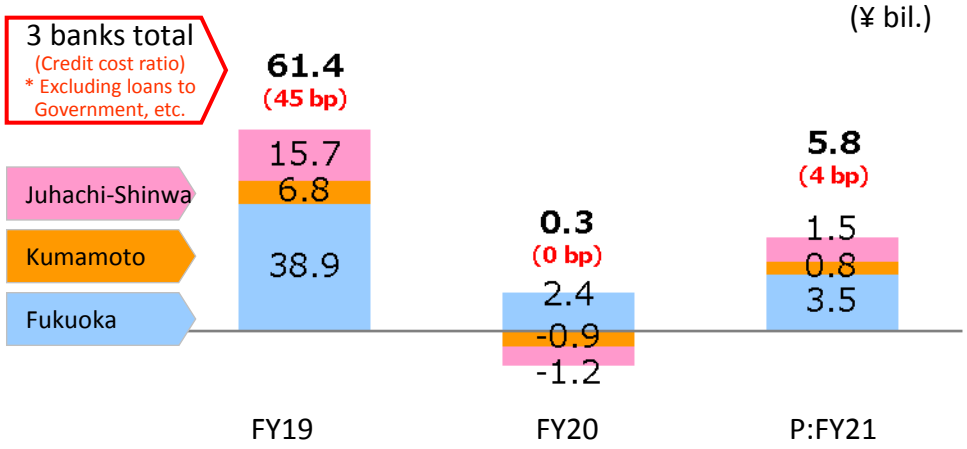
By category / OHR (3 banks total)



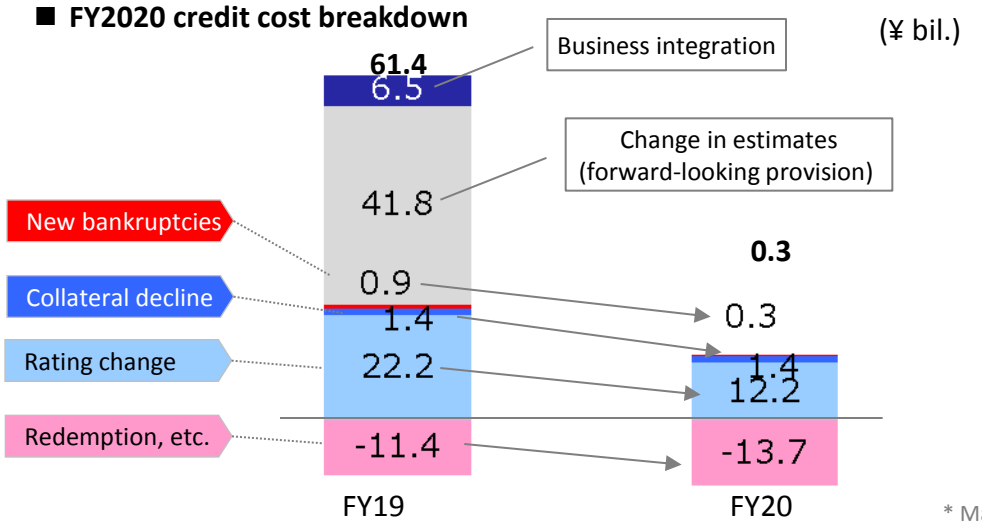
Credit Cost & NPL

- In FY2020, we recorded a transfer of 0.3 billion yen to credit cost due to utilization of a forward-looking provision.
- In FY2021, a transfer of 5.8 billion yen is projected. Reserve for possible loan losses is expected to exceed 200 billion yen, while the reserve ratio will remain high at 1.0%.

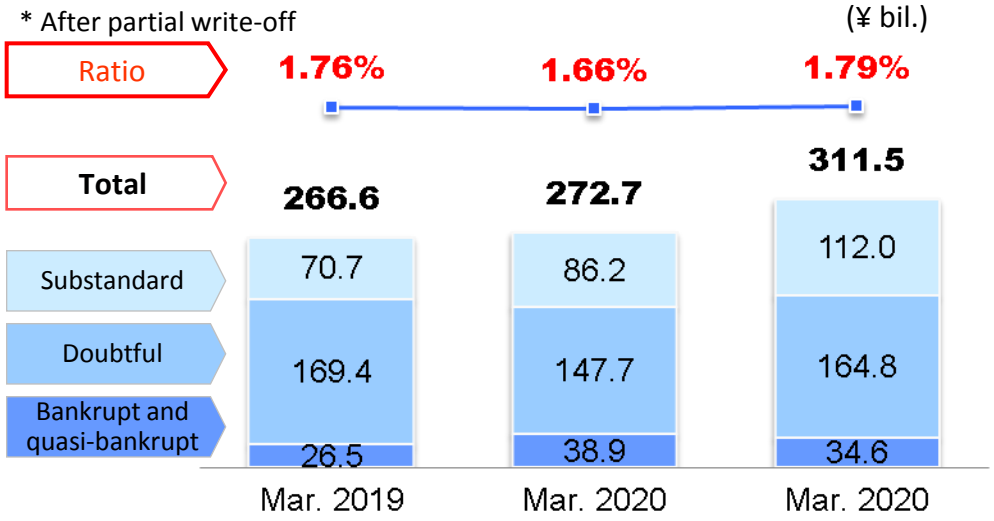
Credit cost (3 banks total)



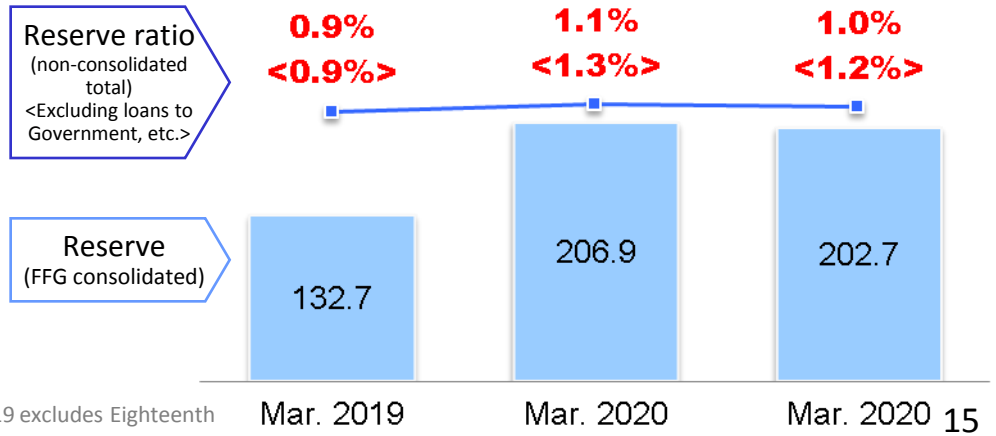
■ **FY2020 credit cost breakdown**



Non-performing loans & ratio (3 banks total)



Changes in reserve & reserve ratio (¥ bil.)



* March 2019 excludes Eighteenth

Part II

Management Strategy

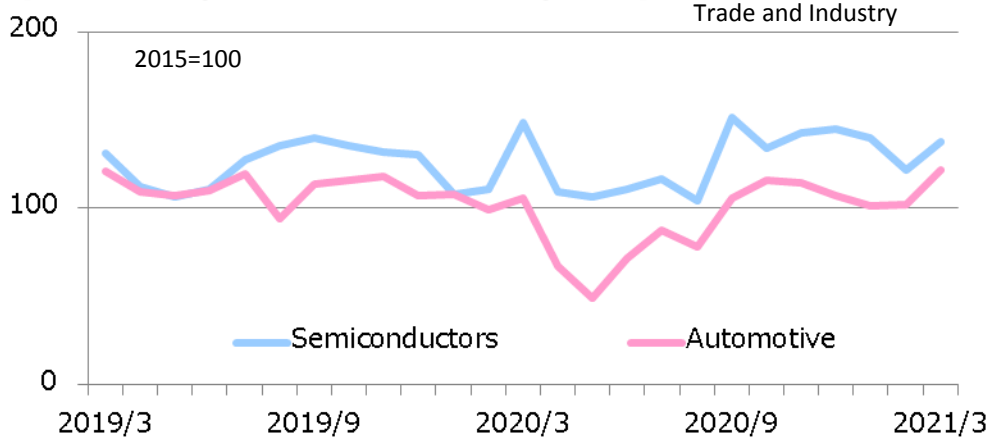
Business Environment Surrounding FFG

- In FY2021, Kyushu is expected to experience moderate economic recovery on the back of an upswing in external demand and a softening financial environment.
- FFG will work to establish a solid management base capable of sustainable growth even in a highly uncertain business environment.

Kyushu economy

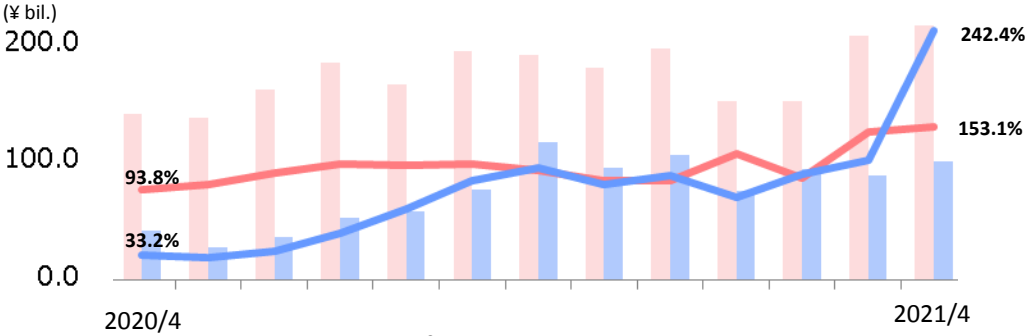
[Industrial production index / Kyushu]

Source: Kyushu Bureau of Economy, Trade and Industry



[Trade in the Kyushu economic region]

With China Exports — YoY change, monthly
With US Exports — YoY change, monthly

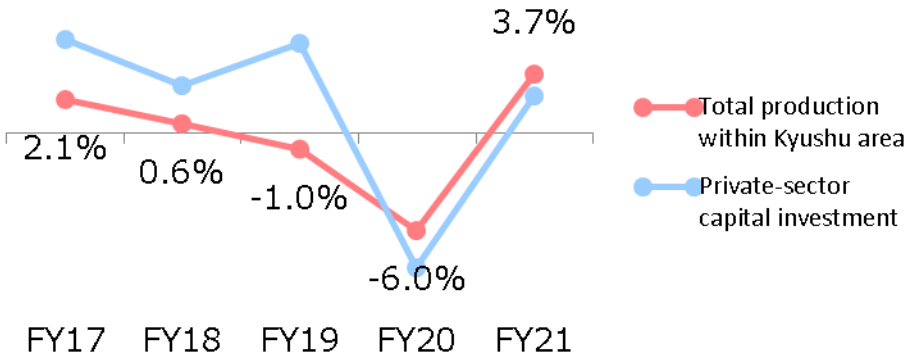


Source: *Overview of Trade in the Kyushu Economic Region*, Moji Customs

Future outlook

[Total production within the Kyushu area]

Source: Kyushu Bureau of Economy, Trade and Industry



Highly uncertain business environment

- Protraction of low-interest-rate environment
- Contraction of regional economy
- Advance of digital technologies
- Changing customer needs
- Legal reform / deregulation

→

- **Stronger market operations**
- **Supply of risk money**
- **Promotion of sustainability**
- **Challenge in new business areas**

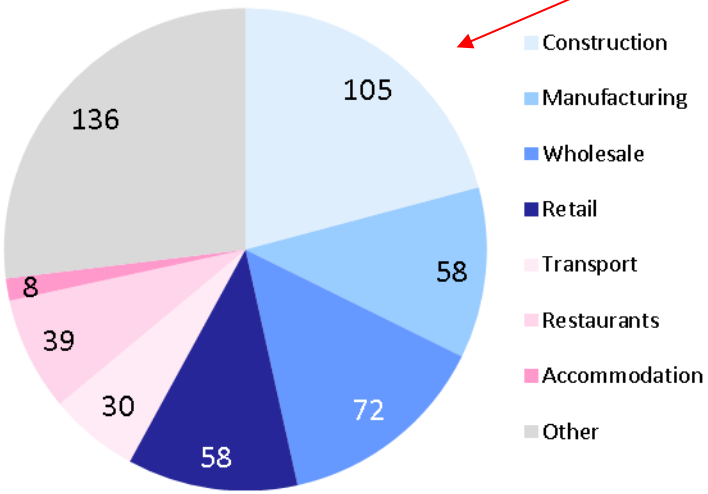
Response to COVID-19

- In FY2020, we prioritized financing support, etc. and provided a total of 750 billion yen across 29,000 loans related to COVID-19.
- Providing support to customers affected by COVID-19 will remain an important issue to be addressed in FY2021.

[COVID-19 related loans]

Total amount of loans executed

		Period to Mar. 2021	
		Number of loans	Total loan amount
Total		28,728	753.8 billion yen
(¥ bil.)	Loans not involving guarantee companies	955	249.3 billion yen
	Loans involving guarantee companies	27,773	5,045 billion yen



- Average loan amount @ 18 million yen
- Average interest rate 1.3%
- ¾ of all loans have a term greater than 7 years

COVID-19 support in FY2021

- In addition to rapid financing support, focus will be in effective assistance tailored to each customer's actual situation, including support for core business and support for business succession and restructuring

- **M&A, business succession**
- **Business matching**
- **Business restructuring support***
- **Support for core business through regional trading companies**
- **Digitization support, etc.**

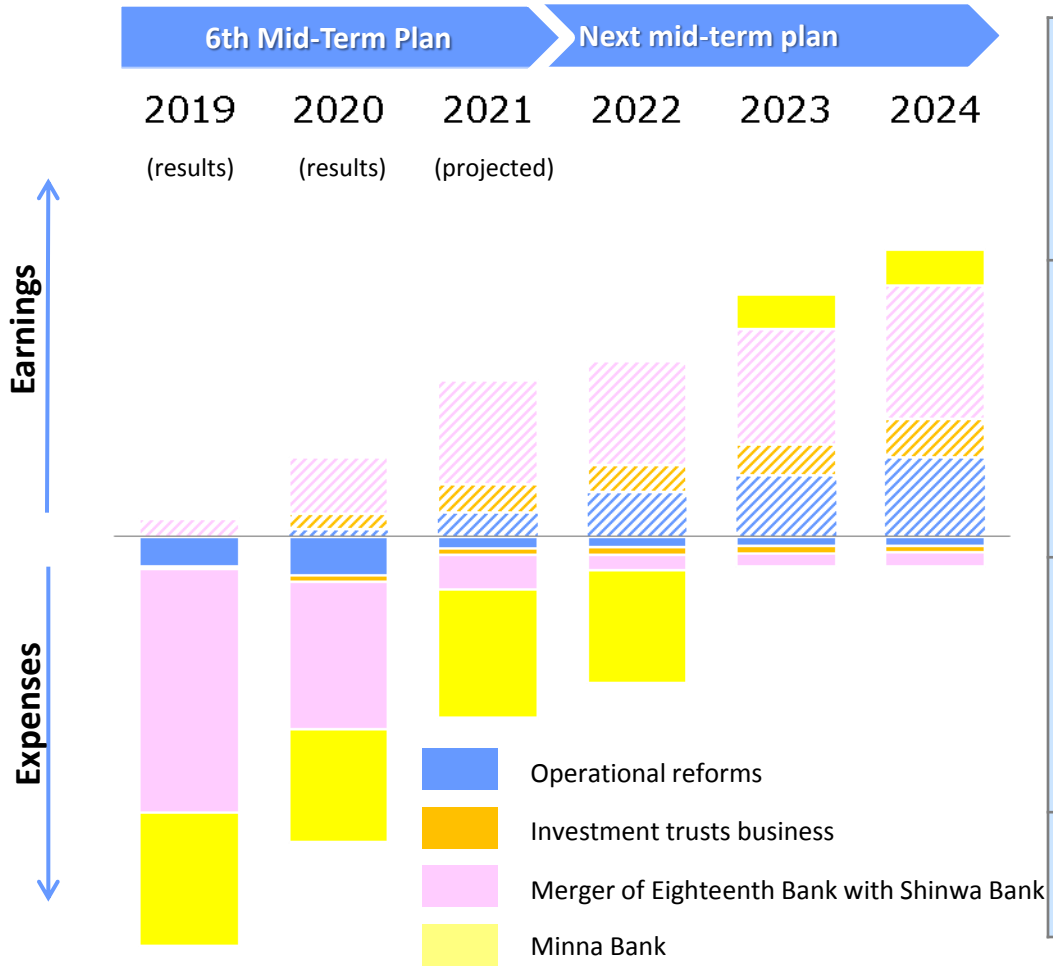
* Business restructuring support

- One of the nation's largest ever subsidy measures aimed at providing restructuring support to businesses during the COVID-19 pandemic
- FFG's 3 banks strengthened the system by setting up a dedicated unit in headquarters to deal with applications from businesses quickly.
  - Response to first invitation for applications (Apr. 2021)
    - **More than 1,000 consultations received at FFG's 3 banks**

Investment Effects of Key Measures

- In FY2021, the peak of the cost burden for key measures will be passed, and some benefits will be realized.
- Effects associated with the key measures will be fully realized in the next mid-term plan.

Investment effects of key measures (image)



Initiatives for key measures

Operational reforms	FY2020	• Installation of tablets at all branches • Reallocation of personnel to areas of growth
	FY2021	• Establishment of labor-saving systems at branches
Merger of Eighteenth Bank with Shinwa Bank	FY2020	• Merger of Eighteenth Bank with Shinwa Bank • Integration of administration/IT systems completed
	FY2021	• Consolidation of branches: 68 branches • Secondments to local Nagasaki companies
Investment trusts business	FY2020	• Establishment of “Investment Trust Palette” service at Bank of Fukuoka
	FY2021	• Rollout of “Investment Trust Palette” service to Kumamoto Bank and Juhachi-Shinwa Bank
Minna Bank	FY2021	• Service launch in late May • Acquisition of 400,000 accounts (B2C) in first fiscal year

Strengthening Cost Competitiveness

- By working on a Group-wide review of overhead expenses, we will enhance our cost competitiveness and secure a competitive advantage.
- Combined with the effects of key measures, we will improve consolidated core OHR to about 60% in FY2024.

Group project for OHR structural reform

Vision

- Improvement of OHR accompanied by improvement of top line (sustainable growth)

Target

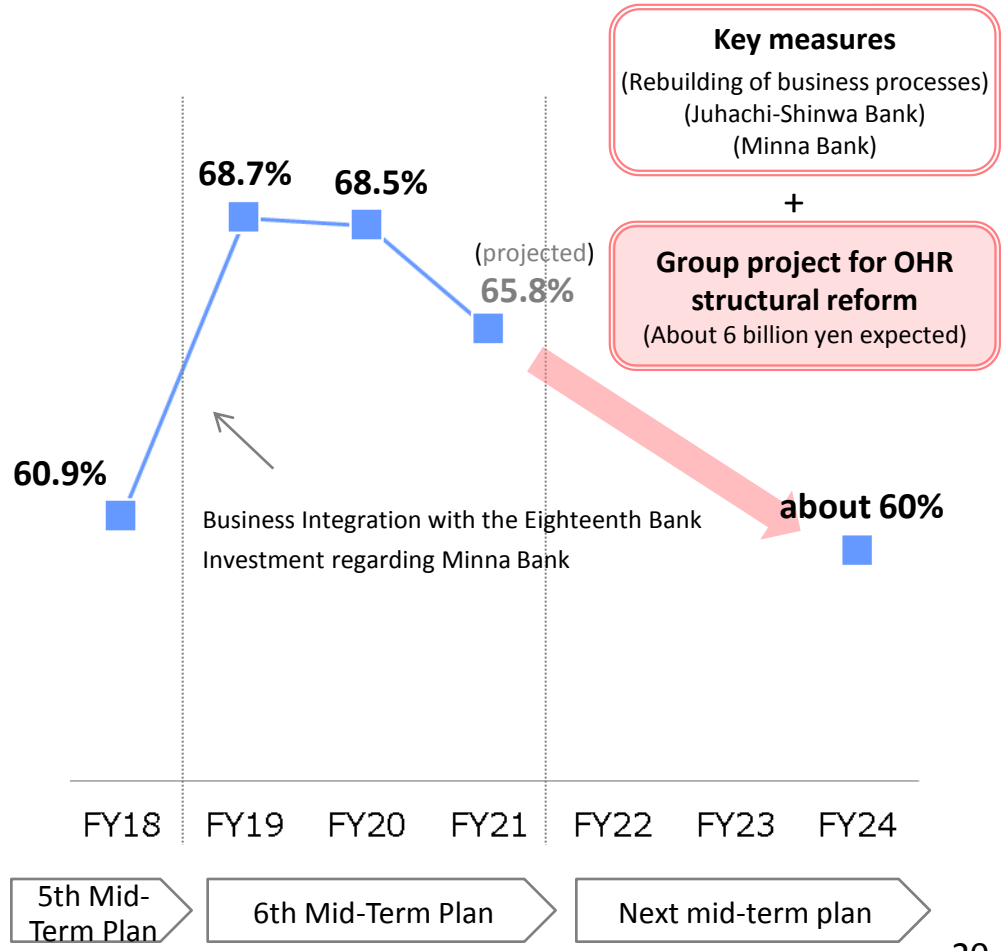
- Improve consolidated core OHR to about 60% in the final year of the next mid-term plan (FY2024).

Main overhead expense items for review

Security	Cleaning	Building management	Vehicles
Advertising	Systems related	Real-estate-related	Mail, etc.

Review of unit prices / Review of quantities and specifications
Process improvement / Digitization
Closure/reduction based on cost effectiveness

Consolidated core OHR



Response to Environmental Changes 1: Market Operation

- We will build a portfolio responsive to changes in the market environment and capable of efficiently capturing the fruits of economic growth.
- We will aim to secure returns that are stable over the long term, while diversifying investment risks and investment timing.

Responses to changes in the market environment

Shift in profit distribution: From interest rates to equity

- Protraction of low-interest-rate environment, reduction of company's interest-bearing debt
- Expansion of shareholder returns through corporate growth

Differences in adaptation to the COVID-19 pandemic

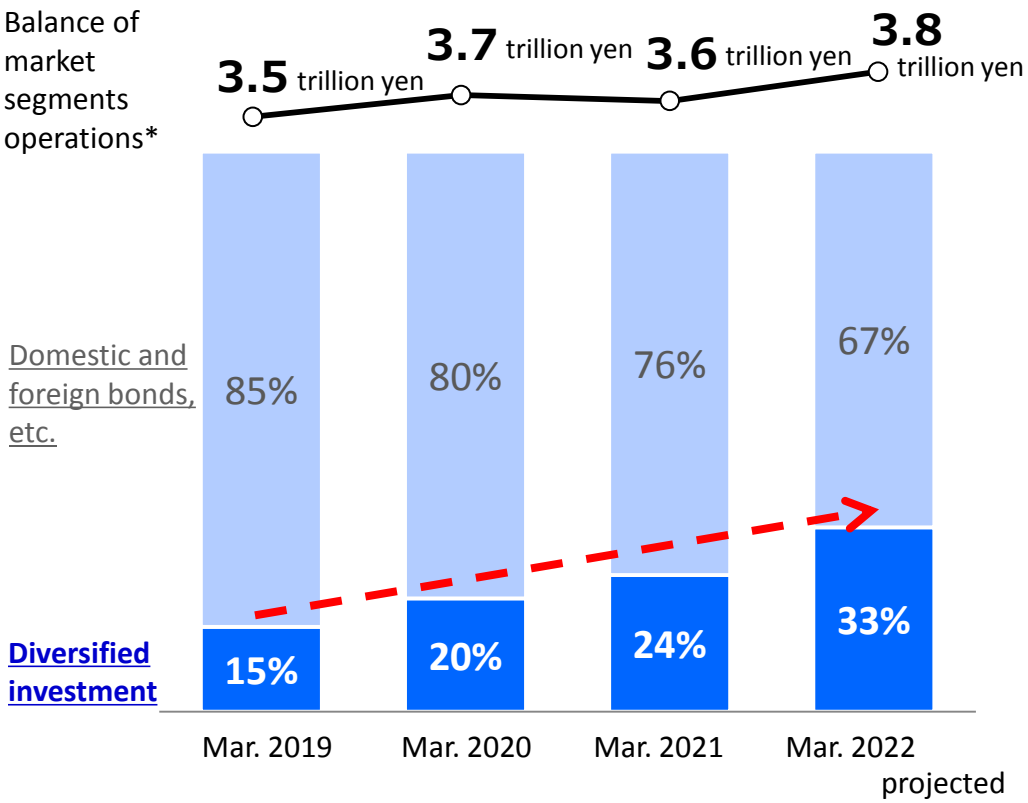
- Expected growth in new areas, such as digitization
- Differences in speed of recovery between countries/sectors

Continue to expand diversified investments (¥ bil.)

	FY2019 results	FY2020 results	FY2021 projected
Domestic and foreign bonds, etc.	27.2	25.5	23.7
Diversified investment	6.4	9.1	10.8
Market segments profit & loss*	33.6	34.5	34.5

* Excluding gains (losses) on bond/stock transactions (based on internal control figures)

Progress of investment diversification



* Book-value balance of securities (net investment) on a consolidated basis (Mar. 2019 includes the former Eighteenth Bank)

Response to Environmental Changes 2: Supply of Risk Money

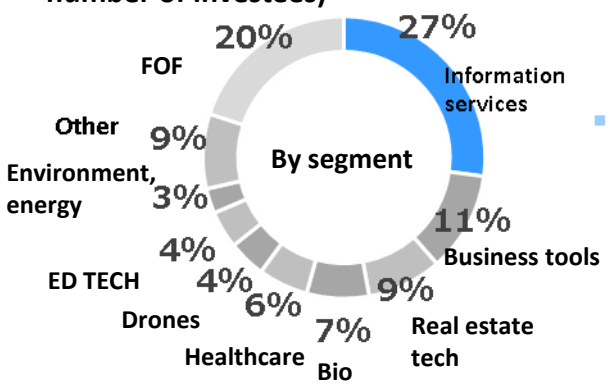
- FFG supports the creation of new services and new industries through venture investment.
- Our vision is to revitalize local economies through the supply of risk money.

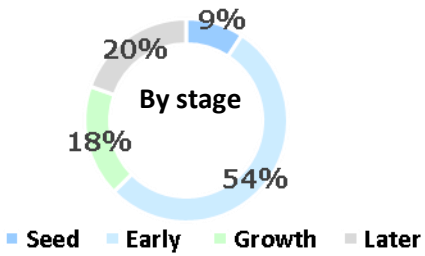
Venture investment

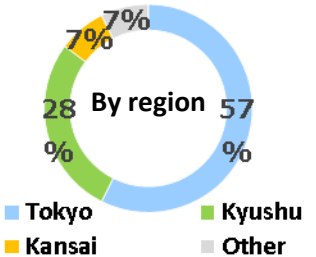
As of Mar. 2021

Name	Fund size	Number of investees
Fund 1	5.0 billion yen	• Venture companies: 46 • Venture funds: 9
Fund 2	5.0 billion yen	• Venture companies: 16 (including 6 follow-up investments) • Venture funds: 5
Total	10.0 billion yen	• Venture companies: 56 • Venture funds: 14

Portfolio (Total of funds 1&2, based on number of investees)







X-Tech Matchup

➢ **An event to match up FFG's customers (local companies) with venture companies boasting the latest technology**

	Participating companies	Number of negotiations
1st: Jan. 2019	225	330
2nd: Dec. 2019	137	250
3rd: Jan. 2020	170	266
4th: Nov. 2020	550	150

Held in conjunction with the **X-Tech Innovation** business contest for venture companies

130 applicant companies in 2020

Support for entrepreneur creation

- Acceleration programs
- Mentoring events

シード期の資金調達をサポートする アクセラレーションプログラム UP DRAFT Batch 2

S.C.A.L.E.

- Support for entrepreneur education
- Support for the creation of university-initiated ventures

NFEC FFGアントレプレナーシップセンター

QBS 九州大学ビジネス・スクール Kyushu University Business School

START

Response to Environmental Changes 3: Promotion of Sustainability

- In April this year, we established a subsidiary supporting the SDGs. Its mission is to support local companies and communities to quickly initiate and to maintain management/actions based on the keyword of "sustainable."
- FFG is also working on quantifying physical risks and transition risks for climate change risk.

Establishment of SDG support subsidiary (Sustainable Scale)

Mission / roles

To help realize sustainable local communities by instilling the significance and usefulness of SDGs into local companies and backing activities that lead to sustainable growth

Specific initiatives

1. Promote the "importance of the SDGs initiative"
2. Make an inventory of and link the company's principles (raison d'être) and business activities from the perspective of the SDGs
3. **Evaluate measures for SDG initiatives**
4. **Communicate and promote SDG initiatives**

Evaluation of corporate value from a sustainable ≈ SDGs perspective
~ Development of a "new scale" from the perspective of SDGs

Customers	**Evaluation with a greater emphasis on future potential** **➡ Improvement of reliability, improvement/enhancement of sustainability**
Bank	**Improvement/enhancement of customer's sustainability** **➡ Improvement of lending health, new demand**

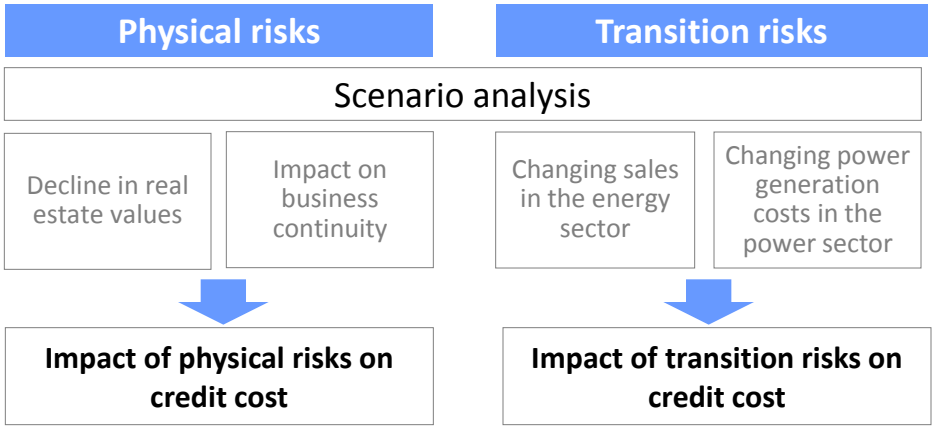
Initiatives for climate change risk

Establishment of "Policy on Environmentally and Socially Conscious Lending"

For coal-fired power generation businesses, our policy is to not engage in financing new construction while taking care not to impede the supply of funds to power companies

Sophistication of risk management

- Efforts to quantify physical risks and transition risks



Also consider use in customer's business

Response to Environmental Changes 4: Challenge in New Business Areas

- We will expand our solutions function by anticipating future environmental changes and local customer needs and by taking on new business areas.

Challenge to open up new business areas

Mega trends (impact on local communities/customers)

- SDGs
- Digital
- Diversification
- Deregulation

Take on challenge of creating new business by predicting/anticipating environmental changes and local community/customer needs

Verification testing process

Mechanism for creating business quickly from a customer perspective

Idea generation 100 projects	Verification testing 8 projects	Commercialization 4 projects

Commercialized projects (scheduled Sep. 2020 – Jul. 2021)

- **Online lending:** Findy
- **Local currency business:** MINA Coin
- **Card for foreign residents in Japan:** Epre
- **Business efficiency improvement service for SMEs:** EASYBIZ

Recent initiatives

Regional general trading company (iBank business)

Marketing support functions with focus on local resources

1. Crowd funding
2. Branding support for local products
3. Local EC malls

Advertising business (iBank business)

Strengthening and utilization of digital marketing functions

1. Expand consulting service to local companies in collaboration with regional trading companies
2. Utilize marketing functions throughout FFG Group

Cooperation

Digitization support

Trial in Nagasaki from Apr. 2019

Focused on helping local companies introduce cloud computing for their indirect operations

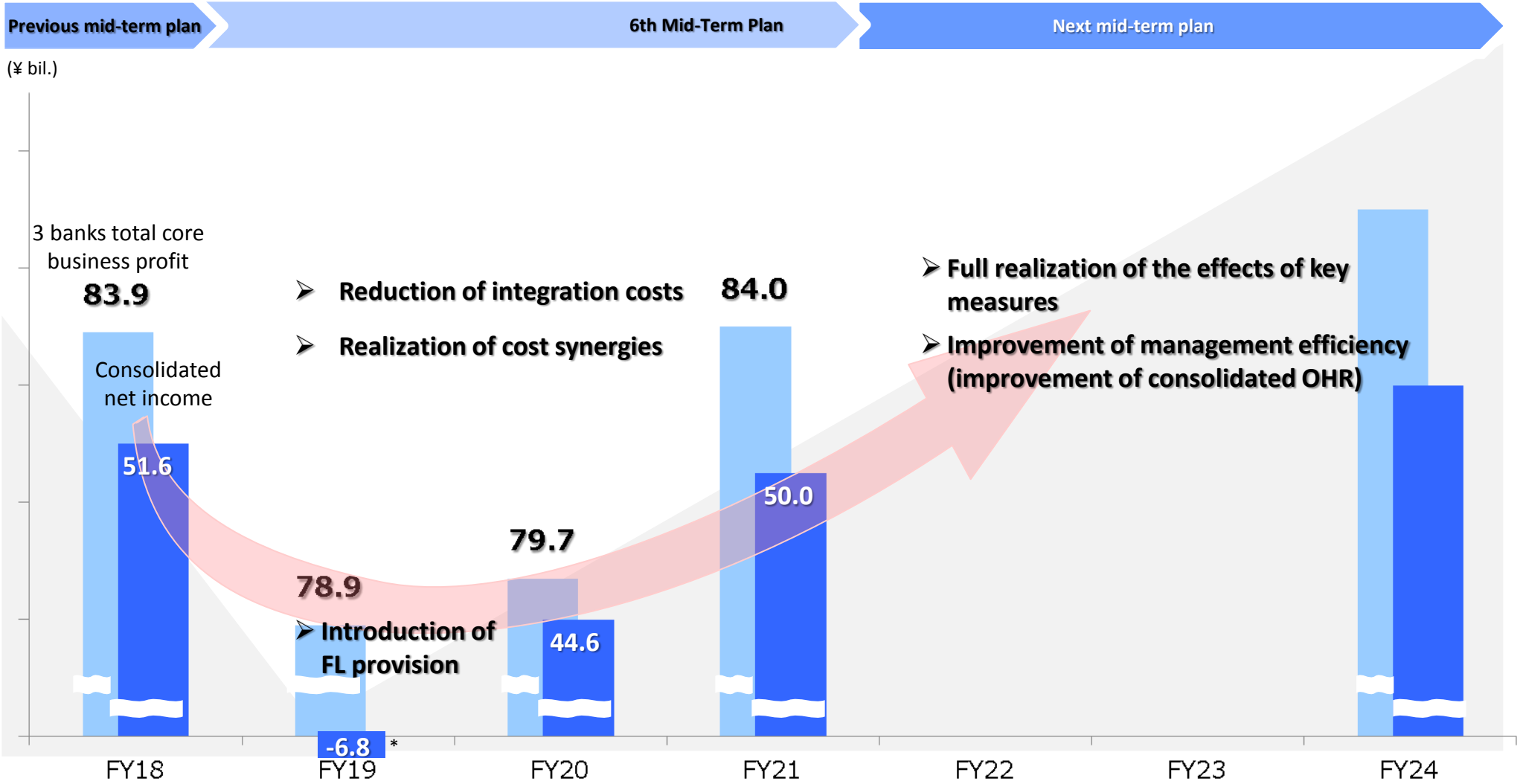
Implemented first in Nagasaki

Helped more than 300 companies in 2 years

→ Plans to roll out in Fukuoka and Kumamoto (this fiscal year)

Profit Growth of FFG

- In FY2021, the effects of key measures will gradually be realized, and both core business profit and consolidated net income are projected to increase.
- In the next mid-term plan, in addition to the full implementation of key measures, we will achieve sustainable growth by promoting new growth strategies and improving management efficiency.

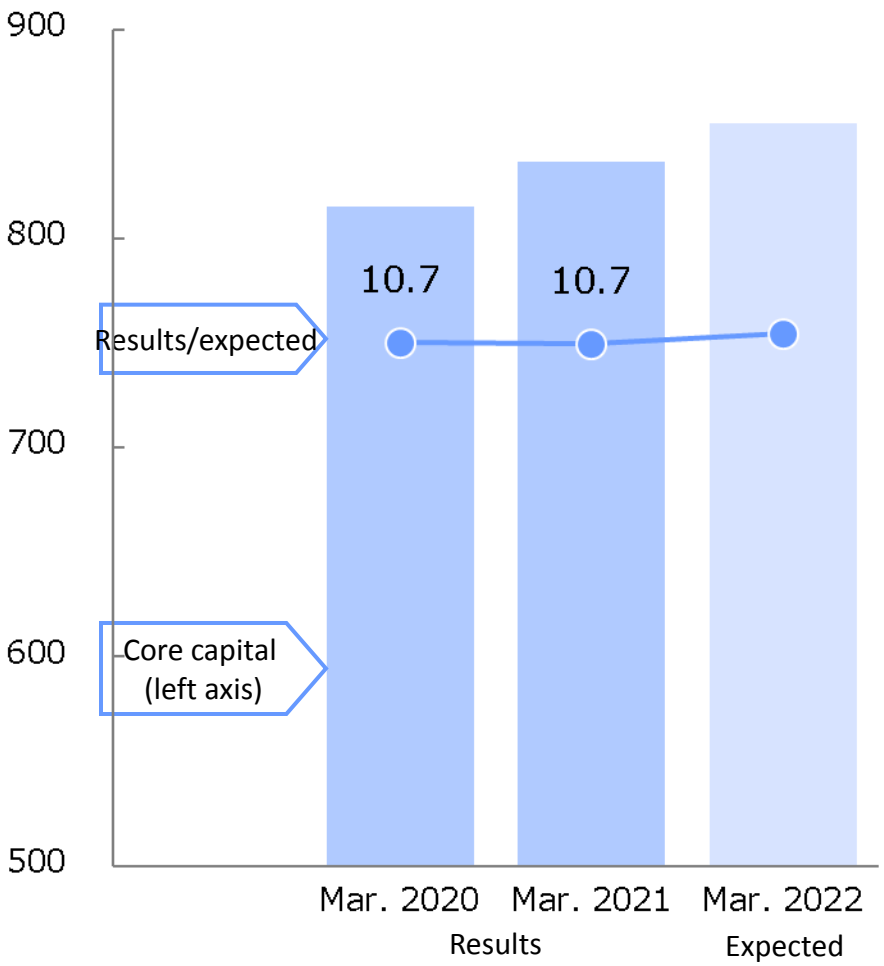


* Excluding negative goodwill

Capital Policy & Shareholder Returns

- Based on the premise of maintaining capital soundness, we strive for balanced capital management, making returns to shareholders and growth investments aimed at improving corporate value.

Capital adequacy ratio (FFG consolidated) (¥ bil., %)



Capital policy

Capital policy

- Based on the premise of maintaining soundness, strive for capital management that balances shareholder returns with growth investment

Shareholder returns

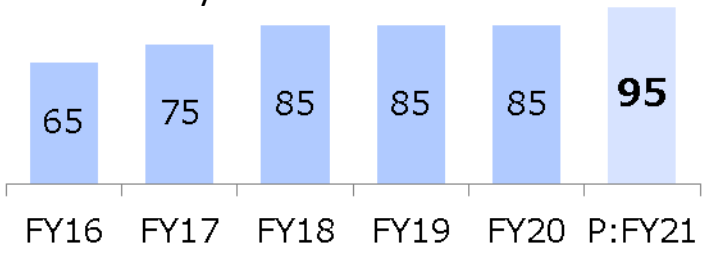
- Aim for continuous dividend payments (maintain/increase) through stable profit growth
  - ✓ **Dividend payout ratio: About 35%**
    (Set table of target dividends)

Dividend policy

FY2021

- An **annual dividend of 95 yen (dividend increase)** is planned in line with the table of target dividends for consolidated net income of 50–55 billion yen

Dividend per share (¥)



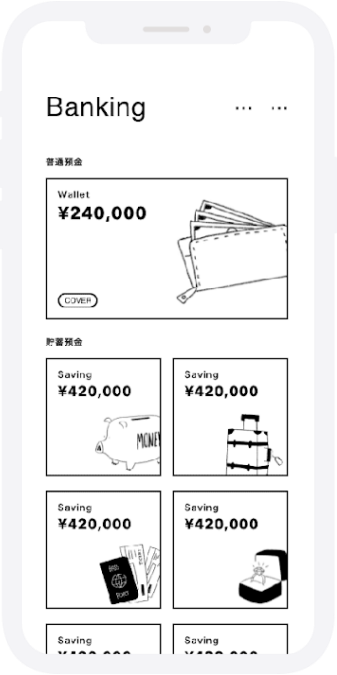
Part III

Minna Bank

[Minna Bank] Overview of Minna Bank

Overview of Minna Bank, Japan's first digital bank

Minna no Ginko



Launch of commercial operations: May 28, 2021

Mission	**Deliver valuable connections to everyone**
Target	■ To provide minimalist financial services that cater to the sensibilities, behaviors, and needs of **digital natives** (a collective term for Millennials and Generation Z) who have grown up with the internet and smartphones since childhood.
Service concepts	1) **Transform everyone's voice into reality** - New financial services aligned with evolving customer behaviors 2) **Deliver the best to everyone** - Comprehensive financial concierge based on customer understanding 3) **Integrate into everyone's lives** - Banking as a Service (BaaS) business
Business domains	1) **B2C services**: Providing financial services to Japan's digital natives with a next-generation banking system 2) **B2B2X services**: Providing the financial functions of a digital bank to partner companies via an API 3) **IP monetization**: continue to develop banking functionality and license the IP externally

Reference [Minna Bank] Media coverage of business launch announcement

Fukuoka Financial Group

- Awareness and recognition of Minna Bank has increased since the January 14th “Japan’s first digital bank” press release.

Examples of domestic media coverage

■ **Outlets: Nikkei xTECH / NewsPicks / GIZMODO**

Example of international media coverage

■ **Outlet: FINTECH FUTURES (UK)**

[Minna Bank] Service overview and roadmap

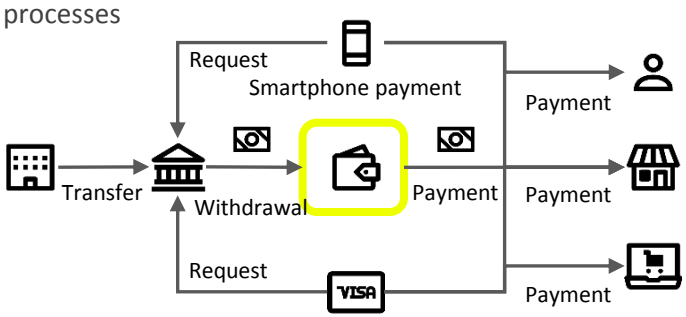
- Deliver the "digital wallet", the integration of banking and wallets on the smartphone.
  - ⇨ Full digitalization enables the complete redesign of: (1) the concept of time (**instant completion**), (2) the concept of things (**completed on smartphone**), (3) the concept of operation (**single fingertip**), and (4) the concept of information (**Account Aggregation**)

Service overview

Now

☐ **The world of physical wallets**

✓ Without digitalization, banks and consumer behavior can only be connected in the physical world through paper processes

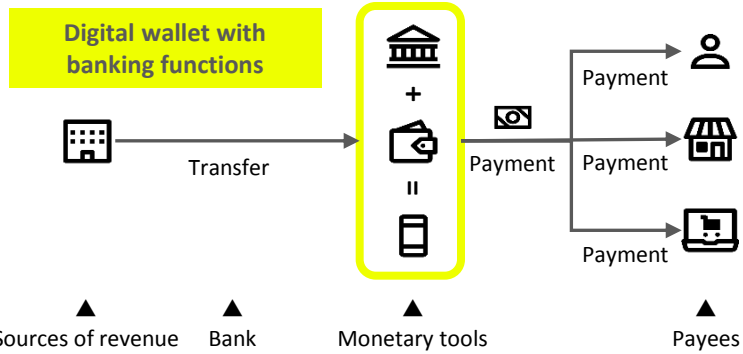


Minna Bank

☐ **The world of mobile banking and mobile wallets**

✓ Novel value enabled by full digitalization

✓ Ease of use similar to digital services (eg. Social Networking)



Service roadmap

	Save/ manage	Deposit	Withdraw	Insufficient funds	Surplus funds
At service launch	Account opening	Deposit by transfer	Withdrawal by transfer	Overdraft	Savings account
	Ordinary deposit	ATM deposit	ATM withdrawal		
	Purpose-specific deposit		Virtual debit		
	Subscription				
	Aggregation				
	Referral				
+ More	Community account	Money collection/ remittance	Account transfer	Consumer loans (overdraft/loan on deed)	
	Loyalty program	Automatic deposits from other banks	Debit card (physical)	Sophistication of credit model	Operations concierge

Scope of business plan

[Minna Bank] Key Features of Each Service

Account Opening

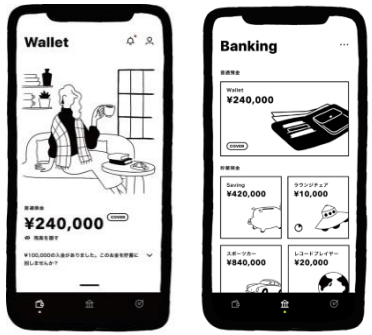
✓Accounts can be opened any time, 24/7
✓No paper process (application entirely completed on smartphone)
✓ID verification via video call
✓Available to individuals aged 15 or older

Box

✓Savings account opened simultaneously with ordinary deposit account
✓Deposits can be managed for specific purposes using up to 20 “Boxes” (no usage fees)
✓Flexible automatic savings can be set on daily, weekly, monthly or yearly cycles

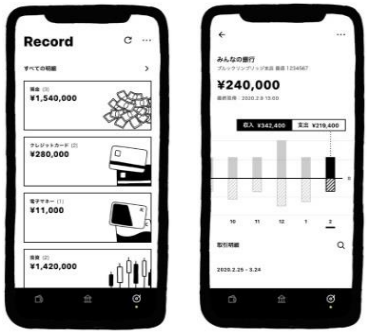
Wallet

✓Ordinary deposit account that can be used like a wallet
✓All services are cardless and can be completed on smartphone
✓Deposits and withdrawals are made via smartphone at Seven Bank ATMs
✓Simple transfers using QR codes



Record

✓ Asset management function developed in collaboration with Money Forward, Inc.
✓ Account aggregation of more than 1,300 financial institutions and services for consolidated management of finances with hashtags and graphs.

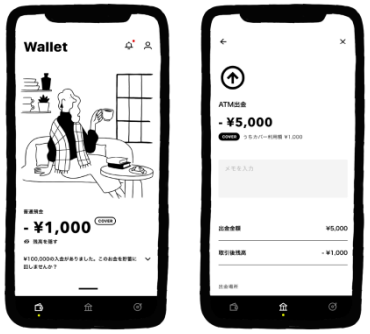


Debit Card

✓Virtual debit card issued simultaneously with account opening (no annual fee)
✓Cardless means payments can be made immediately after opening an account (JCB brand)
✓Online settlement / smartphone payments

Cover

✓Optional free service for premium service subscribers
✓Overdraft limit of up to 50,000 yen
✓0% interest / no interest charges on borrowings
✓No fixed monthly repayments (pay when convenient)



[Minna Bank] Premium Service (Subscription)

- A subscription-based premium service combining multiple services in an integrated package with 1-year free trial.

Enhanced convenience

1. Batch updating function in Record

Transaction data linked in Record can be updated as frequently as the user chooses

2. Cover (free option for subscribers)

Overdraft protection allowing an advance of up to 50,000 yen in an emergency (subject to screening)

… and more

Features

Only 600 yen per month

Free trial

First year free, continue for 600 yen per month

No interest for Cover (overdraft protection)

No interest on any borrowings up to 50,000 yen

High level of cashback

Since the rebate is in cash, not points, cash withdrawals are possible

Enhanced value

1. **1.0% cashback debit card**

   Regular cashback rate is 0.2%

2. **No ATM fees for up to 15 withdrawals per month**

   Regular fee is 110 yen per withdrawal

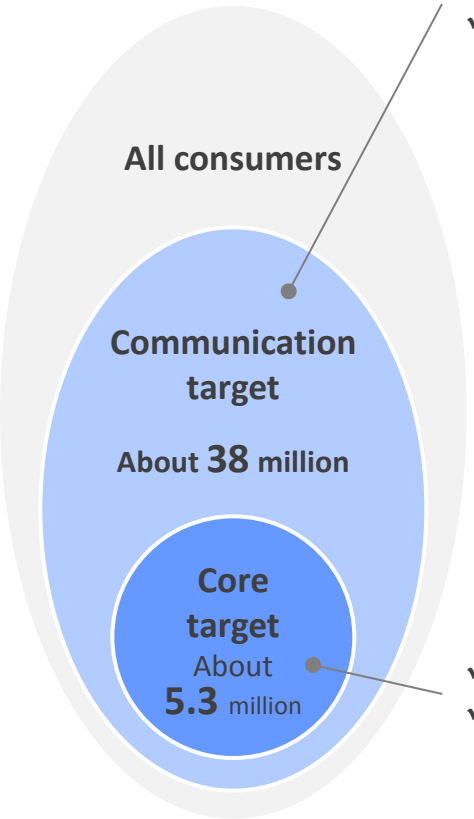
3. **Up to 10 fee-free transfers to other banks per month**

   Regular fee is 200 yen per transfer to other banks

[Minna Bank] Target Segments

- Unique "Core Target" and "Communication Target" segments have been defined based on various statistical data.
- The Core Target persona is for product / service design, and the Communication Target is for planning customer acquisition tactics.

Breakdown of target segments and communication policy



Defined by Minna Bank based on various statistical data, etc.

✓Target group for communication including segments adjacent to the core target segment.
✓Group is divided into **10** clusters for accurate media targeting and message personalization.

Cluster (example)	User issues	Value proposition	Function	Banner
Income barely covers expenses	Doesn't have enough money	Sense of security in a pinch	**Cover**	Minna no Ginko Automatically covers insufficient funds up to 50,000 yen * Requires subscription to premium service
Student / worker who wants to manage their money	Lack of continuity / knowledge in money management	Ease of management / visualization	**Box**	Banking Manage your precious money with a swipe
Likes new things	Wants to try new things	Design qualities / worldview	**Brand (UI/UX)**	Minna no Ginko The new bank is frictionless

image

✓Most desirable customer segments. Develop financial services that meet the needs of these segments.
✓Established 3 segments (personas) through a variety of analysis and user interviews, etc.

Students
who are inconvenienced paying and receiving money during club activities, etc.

Young, career-minded people
who want to make good use of a stylish bank digitally and conveniently

Power couples
who want to manage the money between them in a fun and convenient way

[Minna Bank] Marketing Plan for User Acquisition

- Leveraging knowledge obtained from iBank*, which is mainly engaged in data marketing, we have developed a plan for user acquisition that combines digital advertising and a referral program.
- We will promote new users to open accounts by optimizing advertising operations and adjusting rewards based on the characteristics of the target segment.

* iBank is a neo-bank subsidiary established by FFG in April 2016

Account acquisition flow

1 Digital advertising

(knowledge obtained from Bank)

2 Referral program

Account opening (Conversion)

Referral to friends/acquaintances

Primary marketing tactics

1 Digital advertising

- ✓Implement advertising operations for the 10 clusters with an optimal mix of channels / value propositions / creatives
- ✓Utilize Google's machine learning to improve accuracy and reduce costs in order to maximize the number of new accounts opened

2 Referral program

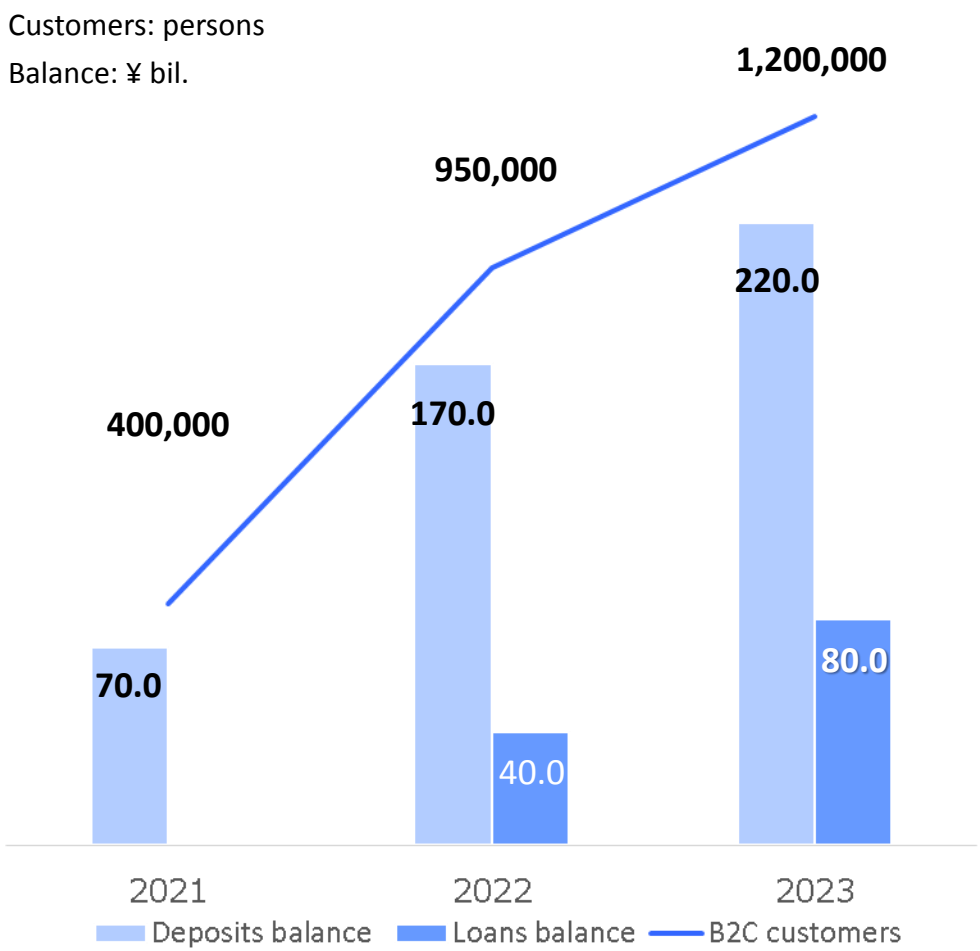
- ✓Encourage customers to recommend Minna Bank to their friends and acquaintances by providing rewards to both for opening an account
- ✓Reduce advertising costs by adjusting rewards

Key metrics (Y1)		
	Number of new accounts opened (B2C)	400,000 accounts
	Cost of acquiring accounts	2 billion yen
	Cost per acquisition (CPA)	About 1,000–10,000 yen (Avg.: 5,000 yen)

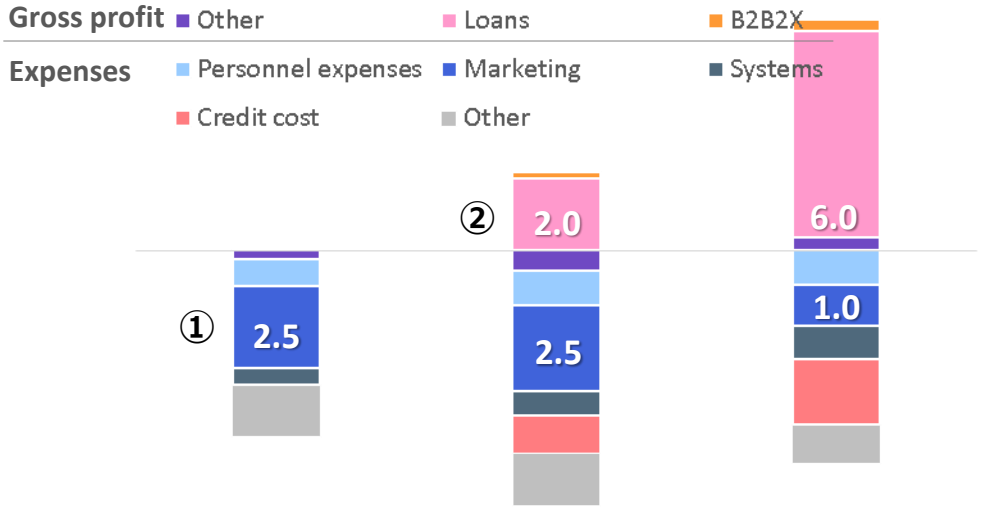
[Minna Bank] Primary Metrics

- Number of customers is projected to reach 400,000 with 70 billion yen in deposits in the first year, reaching 1.2 million customers with 220 billion yen in the third year. We also expect to acquire 80 billion yen in consumer loans, which will be launched in the second year.
- Despite marketing expenses and other upfront costs for acquiring customers, we aim to make Minna Bank profitable in the third year primarily by bolstering profits from loans.

Projected number of customers / volume

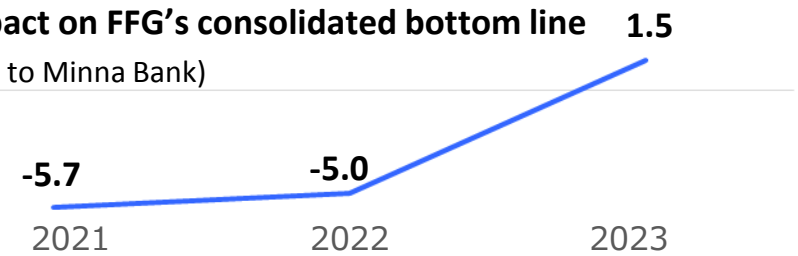


Projected earnings



■ **Impact on FFG's consolidated bottom line**

(Related to Minna Bank)



1) After launch, implement an aggressive marketing strategy to acquire customers to form an earnings base
2) In Year 2, plan to introduce consumer loans to increase earnings

* Loan portfolio assumption: Average of 400,000 yen per loan at an average interest rate of 12% and a default rate of about 3%

[Minna Bank] Social Media Presence

Social Media Accounts

Twitter

Facebook

Instagram

note

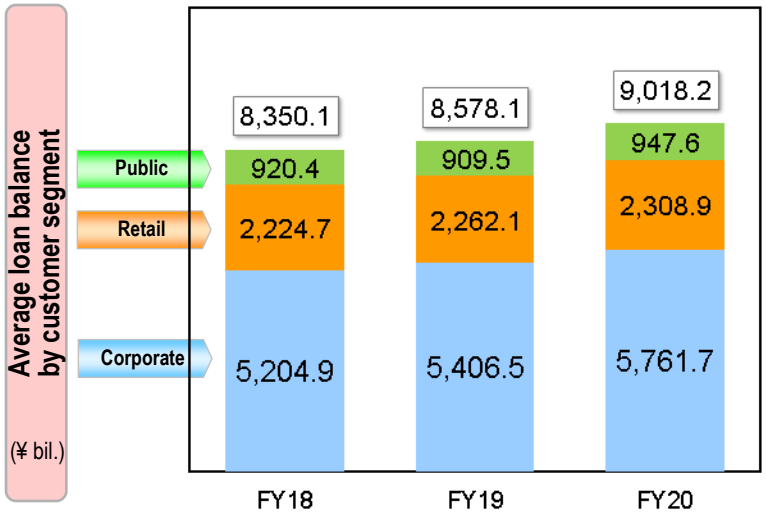
Part IV

[Reference] Figures

Average Balance of Loans (by Bank)

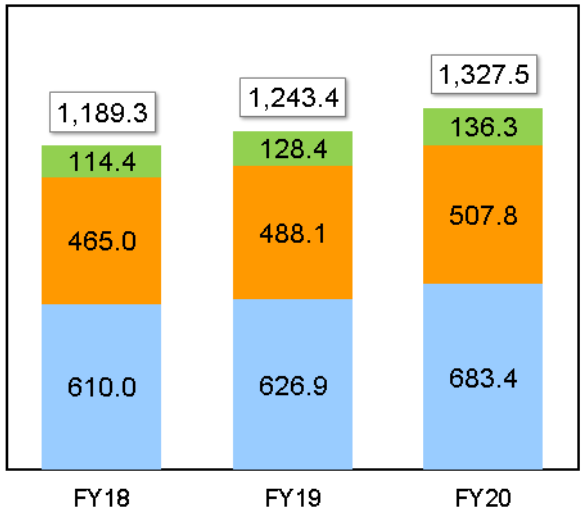
Bank of Fukuoka (domestic, non-consolidated)

* Excluding loans to FFG and Government



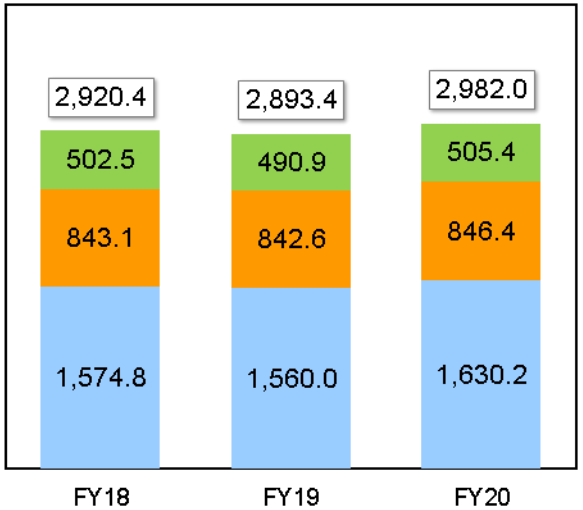
Kumamoto Bank (domestic, non-consolidated)

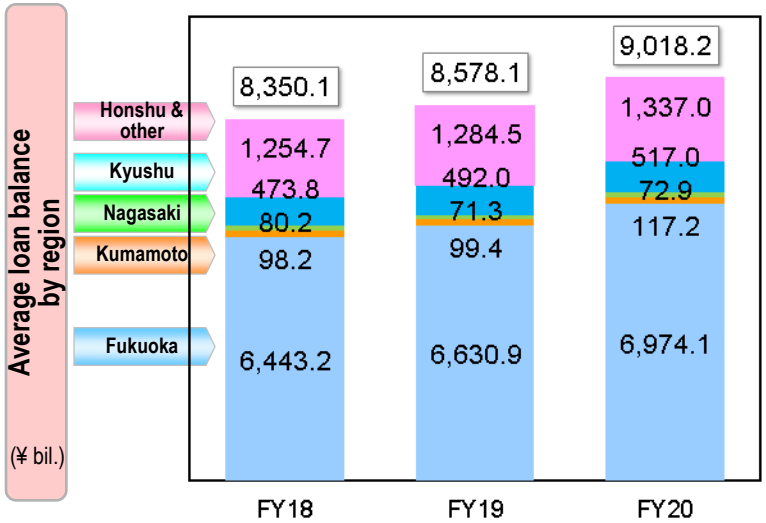
* Excluding loans to Government

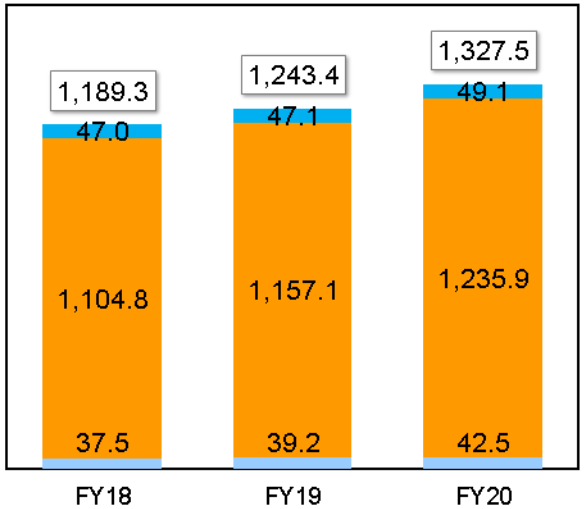


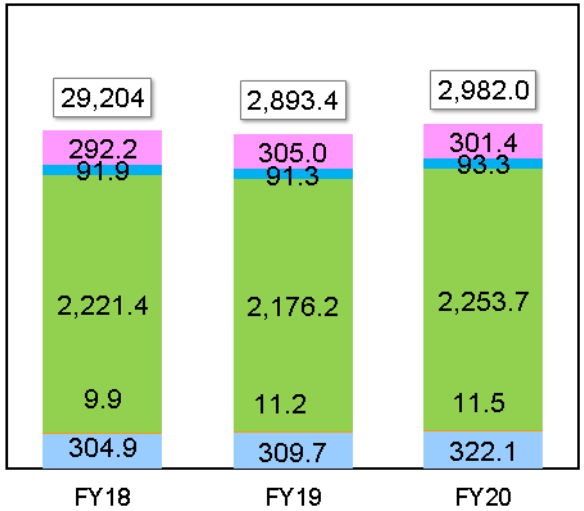
Juhachi-Shinwa Bank (domestic, non-consolidated)

* Excluding loans to Government









Average Balance of Loans (by Industry)

Fukuoka Financial Group

Classification by industry

(¥ bil.)

	Mar. 31, 2021								Change from Mar. 31, 2020			
	3 banks total	%	Fukuoka	%	Kumamoto	%	Juhachi-Shinwa	%	3 banks total	Fukuoka	Kumamoto	Juhachi-Shinwa
Domestic loans (excluding the special international financial transactions account)	17,294.6	100.0%	11,282	100.0%	1,882	100.0%	4,131	100.0%	1,010.1	465.3	265.4	279.4
Manufacturing	901.7	5.2%	659.5	5.8%	53.2	2.8%	188.8	4.6%	18.3	18.6	3.4	-3.8
Agriculture and forestry	39.0	0.2%	18.8	0.2%	9.5	0.5%	10.5	0.2%	-1.7	-1.6	0.1	-0.4
Fishery	29.1	0.2%	11.2	0.1%	3.0	0.2%	14.8	0.4%	-1.2	-1.9	0.4	0.3
Mining, quarrying and gravel	21.3	0.1%	11.2	0.1%	0.7	0.0%	9.4	0.2%	1.0	-1.0	0.0	2.1
Construction	427.9	2.5%	265.9	2.4%	60.7	3.2%	101.2	2.4%	72.5	54.2	12.2	6.1
Electricity, gas, heat supply and	436.8	2.5%	336.6	3.0%	20.9	1.1%	79.2	1.9%	36.2	36.5	1.1	-1.4
Information and communications	50.2	0.3%	35.2	0.3%	3.2	0.2%	11.6	0.3%	1.4	2.3	-0.5	-0.4
Transport and postal service	787.6	4.6%	654.9	5.8%	20.6	1.1%	112.0	2.7%	72.4	51.1	3.3	17.9
Wholesale and retail trade	1,273.6	7.4%	922.9	8.2%	95.7	5.1%	254.8	6.2%	46.7	27.7	8.8	10.0
Finance and insurance	777.0	4.5%	703.9	6.2%	6.8	0.4%	66.2	1.6%	132.5	130.2	-0.1	2.3
Real estate and leasing	3,070.0	17.7%	2,368.8	21.0%	247.9	13.2%	453.2	11.0%	105.7	108.4	1.3	-4.1
(Real estate)	2,719.7	15.7%	2,105.0	18.7%	241.0	12.8%	373.7	9.0%	100.7	101.9	1.4	-2.5
Services	1,403.0	8.1%	877.5	7.8%	170.8	9.1%	354.6	8.6%	115.0	71.8	17.2	26.0
Government, local public sector	4,351.0	25.2%	2,069.3	18.3%	666.3	35.4%	1,615.3	39.1%	320.0	-82.0	196.2	205.8
Others	3,725.8	21.5%	2,345.7	20.8%	521.5	27.7%	858.4	20.8%	91.4	50.7	21.8	18.8

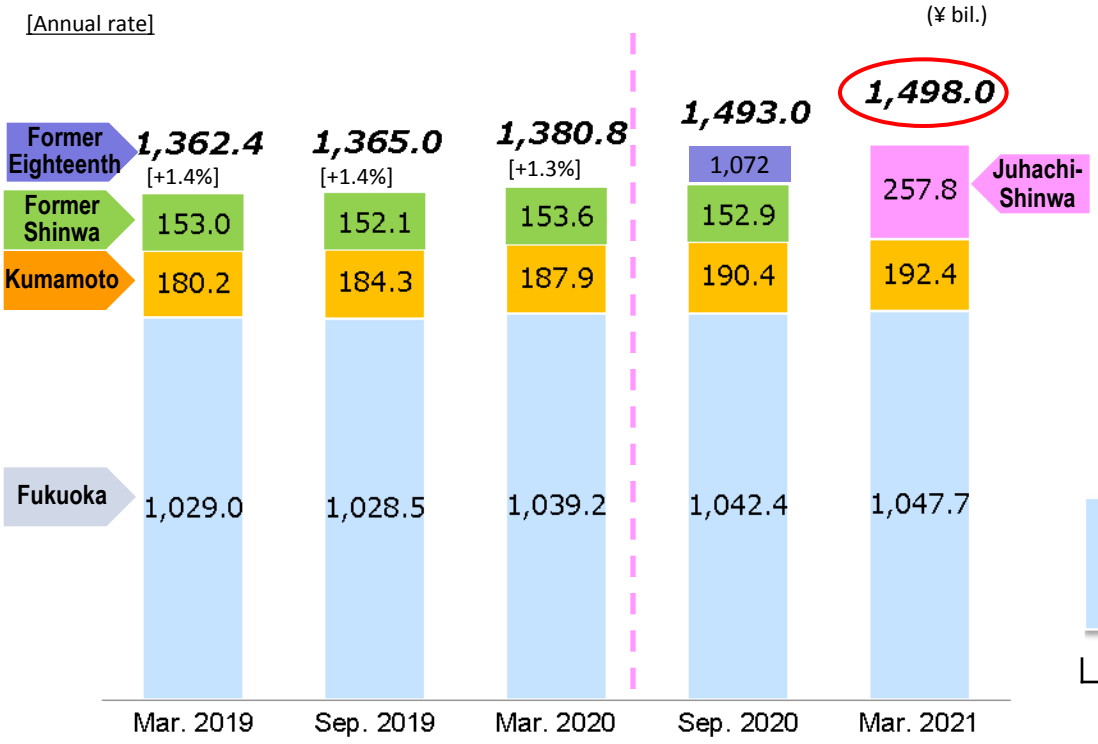
Loans based on the FRA, classified by industry

(¥ bil.)

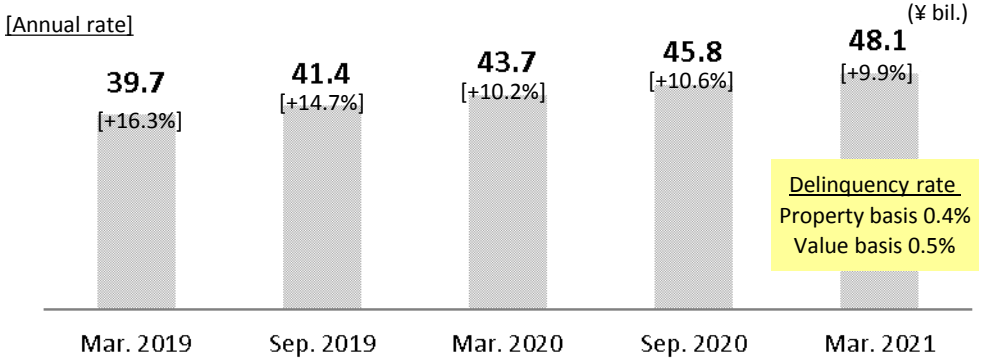
	Mar. 31, 2021								Change from Mar. 31, 2020			
	3 banks total	%	Fukuoka	%	Kumamoto	%	Juhachi-Shinwa	%	3 banks total	Fukuoka	Kumamoto	Juhachi-Shinwa
Domestic loans (excluding the special international financial transactions account)	311.5	100.0%	184.0	100.0%	39.4	100.0%	88.0	100.0%	38.8	30.5	2.6	5.5
Manufacturing	40.7	13.1%	25.7	14.0%	3.3	8.3%	11.7	13.3%	-2.5	0.4	-2.4	-0.5
Agriculture and forestry	3.3	1.1%	2.1	1.1%	0.8	2.0%	0.4	0.5%	-0.2	0.0	0.0	-0.1
Fishery	2.8	0.9%	0.7	0.4%	1.2	3.1%	0.9	1.1%	2.2	0.5	1.0	0.7
Mining, quarrying and gravel	0.0	0.0%	–	–	0.0	0.0%	–	–	-0.1	–	-0.1	–
Construction	10.3	3.3%	6.4	3.5%	1.7	4.4%	2.2	2.5%	-0.7	0.0	0.2	-1.0
Electricity, gas, heat supply and	10.2	3.3%	9.1	5.0%	0.2	0.5%	0.9	1.0%	8.6	7.7	0.0	0.9
Information and communications	1.2	0.4%	0.3	0.2%	0.4	0.9%	0.5	0.5%	0.1	0.0	0.0	0.0
Transport and postal service	13.2	4.2%	6.5	3.5%	0.6	1.4%	6.2	7.0%	6.0	2.2	0.2	3.6
Wholesale and retail trade	71.6	23.0%	38.4	20.9%	7.7	19.6%	25.4	28.9%	4.4	1.8	1.3	1.2
Finance and insurance	10.2	3.3%	10.0	5.4%	0.1	0.3%	0.0	0.0%	2.7	2.7	-0.1	0.0
Real estate and leasing	32.9	10.5%	20.7	11.2%	4.9	12.4%	7.3	8.3%	4.3	4.1	0.3	-0.1
(Real estate)	32.4	10.4%	20.4	11.1%	4.7	12.0%	7.3	8.3%	4.2	4.0	0.2	0.0
Services	84.5	27.1%	44.9	24.4%	14.4	36.6%	25.2	28.6%	15.3	11.9	2.5	0.8
Government, local public sector	–	–	–	–	–	–	–	–	–	–	–	–
Others	30.6	9.8%	19.1	10.4%	4.1	10.5%	7.3	8.3%	-1.2	-1.0	-0.2	-0.1

State of Apartment Loans

Balance of apartment loans (loans not involving guarantee companies)



Balance of investment mortgages (prestige)



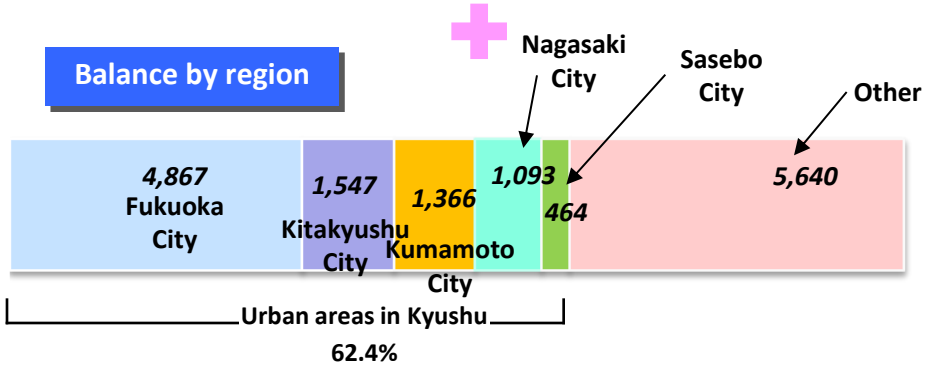
State of apartment loans (loans not involving guarantee companies)

Screening stance

- Assessed comprehensively, verifying both debtor attributes and financed property
- Property potential and liquidity are investigated, before verifying CF taking into account vacancy risk and interest rate risk

Vacancy risk	Stress loading rising 10% every 10 years
Interest rate risk	Stress loading rising 2% in the 5th year onward

Balance by region



✓ **60% in urban areas (central districts of Fukuoka, Kumamoto and Nagasaki)**

* Since prior to integration of the former Eighteenth Bank's IT systems, sum of Fukuoka, Kumamoto and former Shinwa figures

Delinquency rate*

Property basis	0.24%
Value basis	0.19%

Value of collateral (market value basis)*

Balance (A)	1,423.3 billion yen
Value of collateral (B)	1,179.9 billion yen

Collateral coverage ratio (B/A): 82.9%

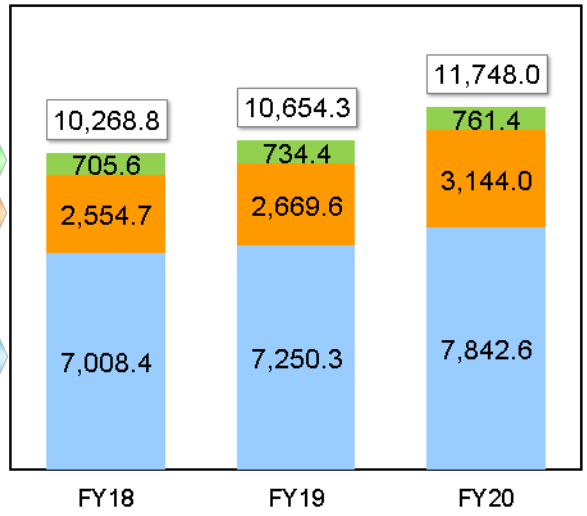
Average Balance of Deposits & CDs (by Bank)

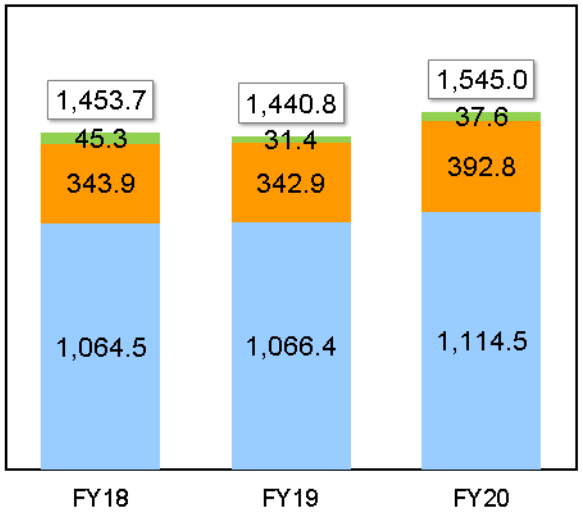
Fukuoka Financial Group

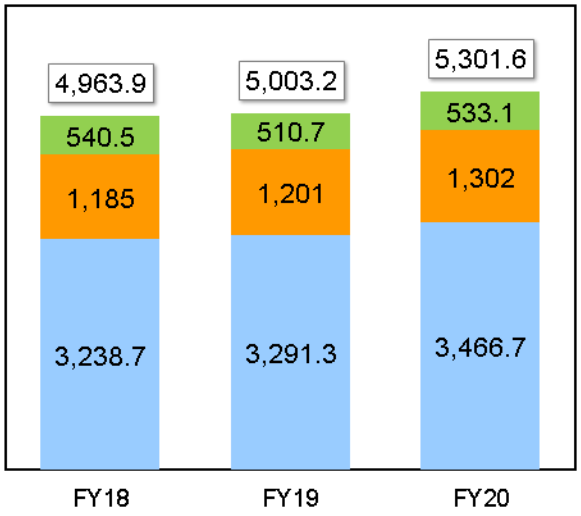
Bank of Fukuoka (domestic, non-consolidated) | **Kumamoto Bank** (domestic, non-consolidated) | **Juhachi-Shinwa Bank** (domestic, non-consolidated)

Average deposit balance by customer segment (¥ bil.)

Public | Corporate | Retail

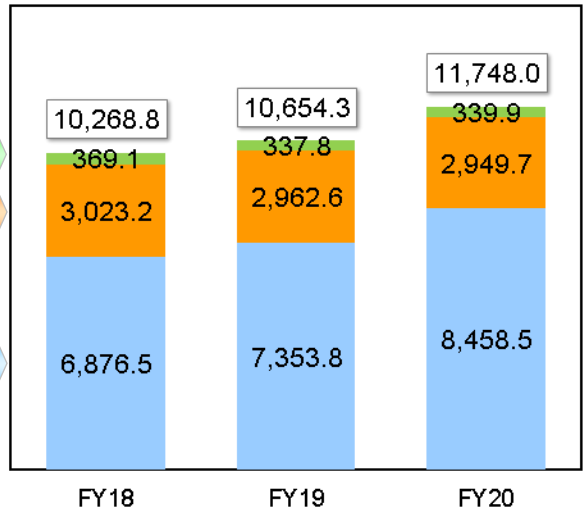


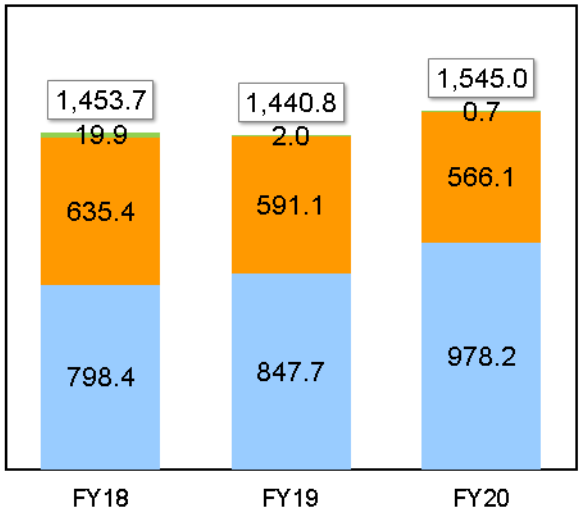


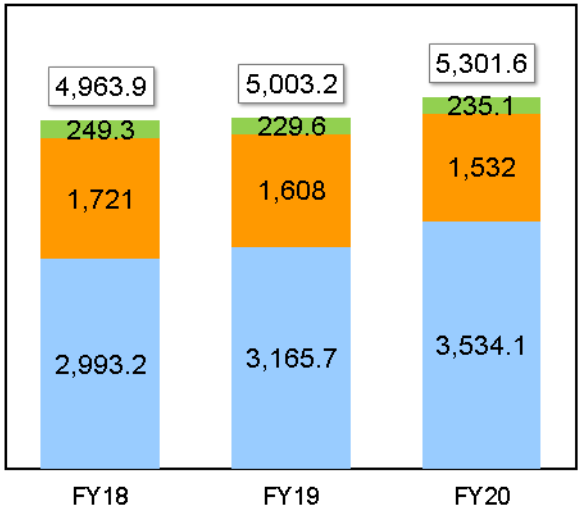


Average deposit balance by deposit type (¥ bil.)

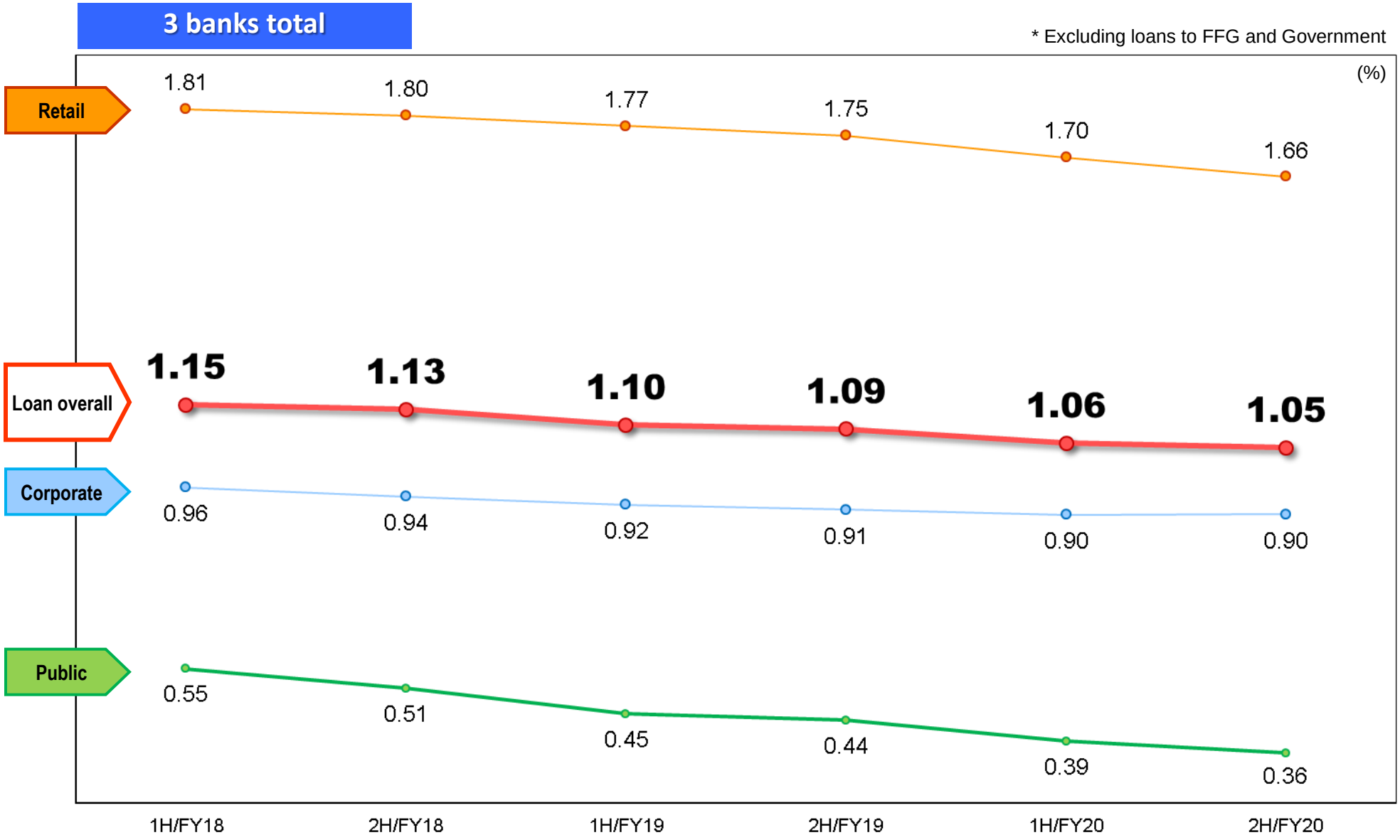
CDs | Fixed | Floating







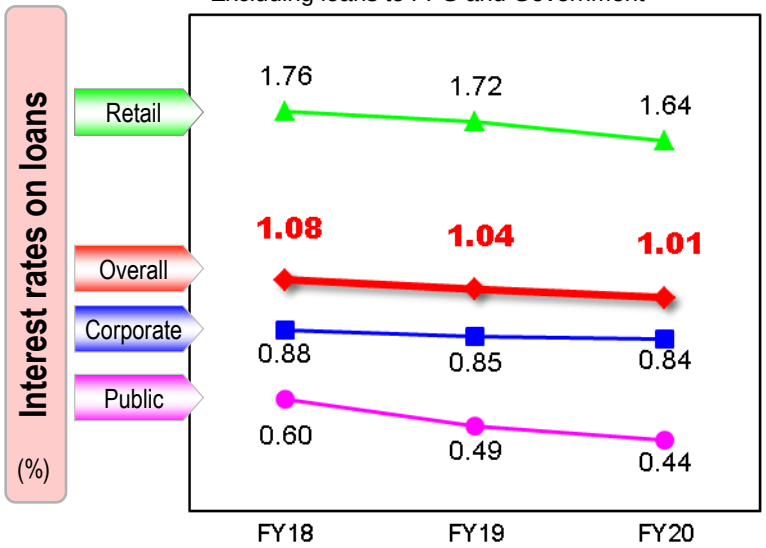
Interest Rates on Loans (by Segment)

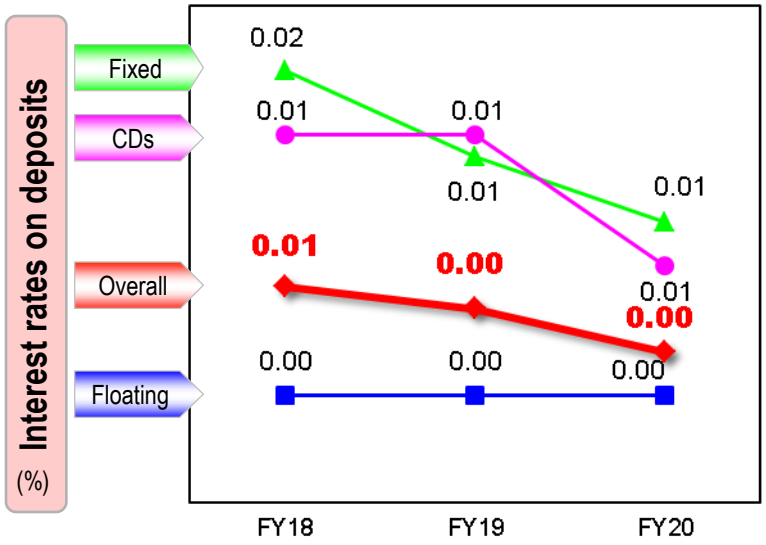


Interest Rates on Loans and Deposits & CDs (by Bank)

Bank of Fukuoka (domestic, non-consolidated)

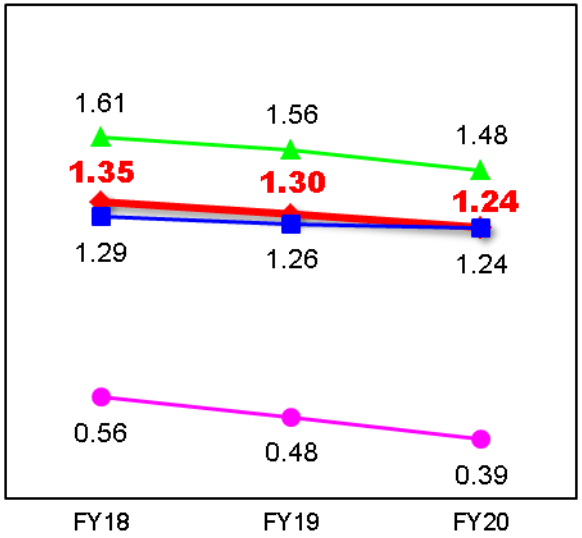
* Excluding loans to FFG and Government

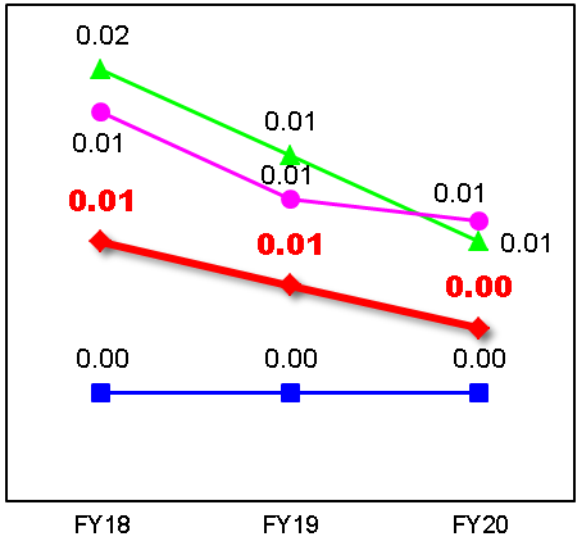




Kumamoto Bank (domestic, non-consolidated)

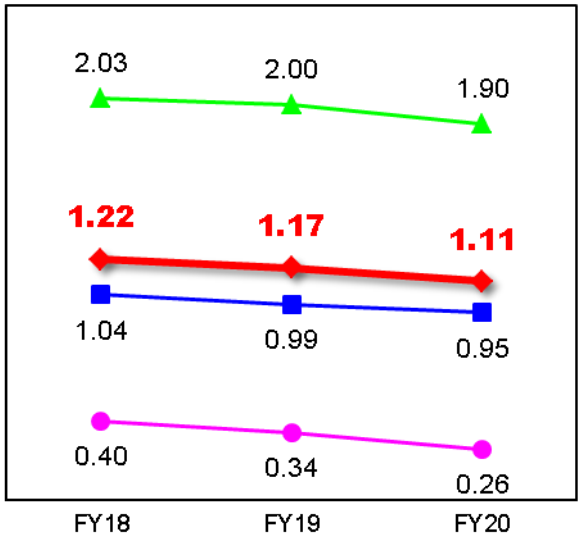
* Excluding loans to Government

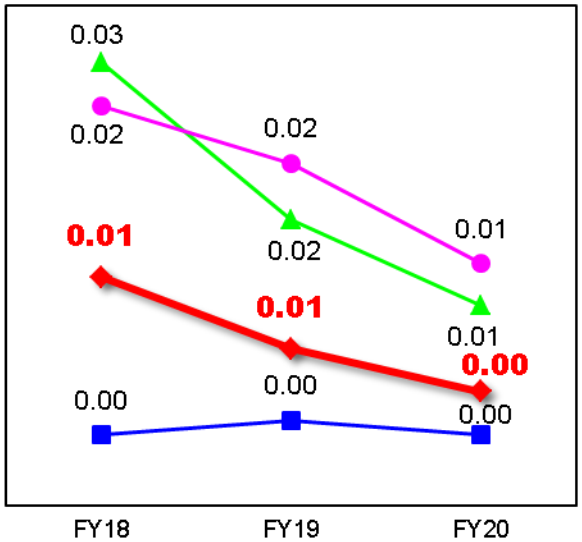




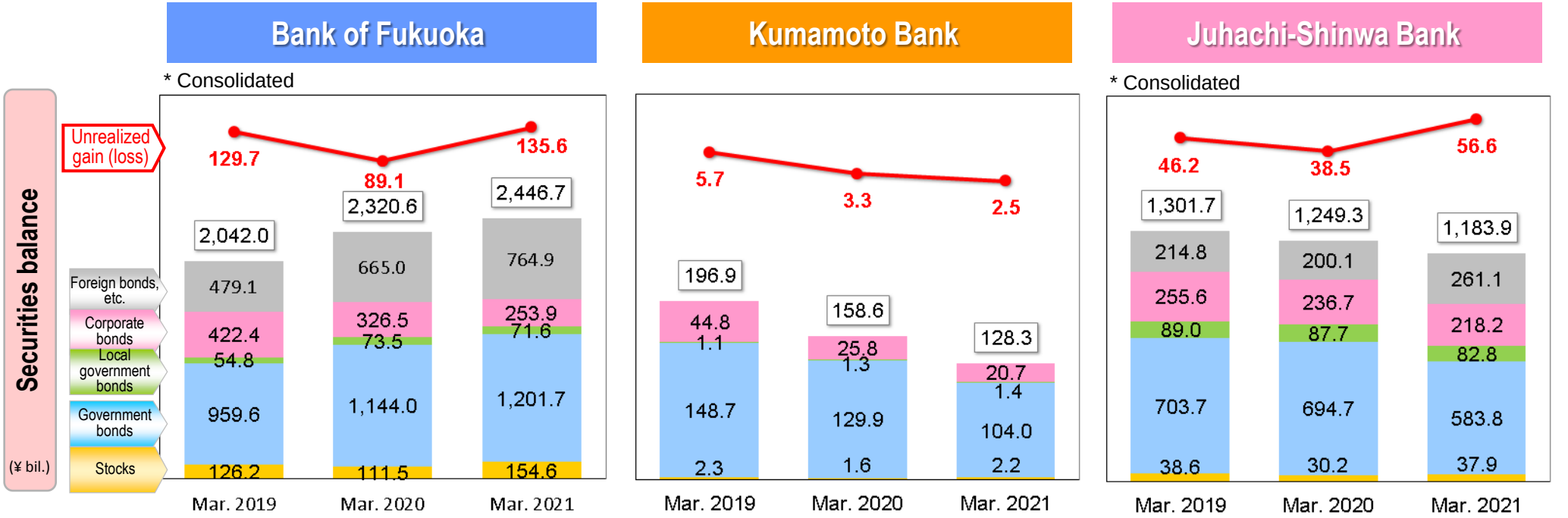
Juhachi-Shinwa Bank (domestic, non-consolidated)

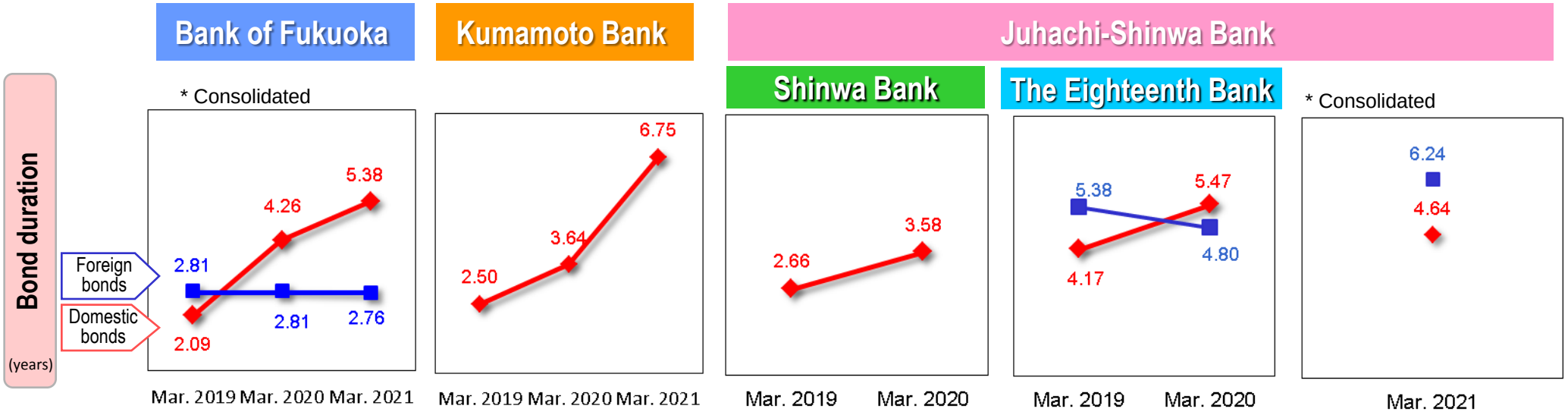
* Excluding loans to Government





Securities (by Bank)

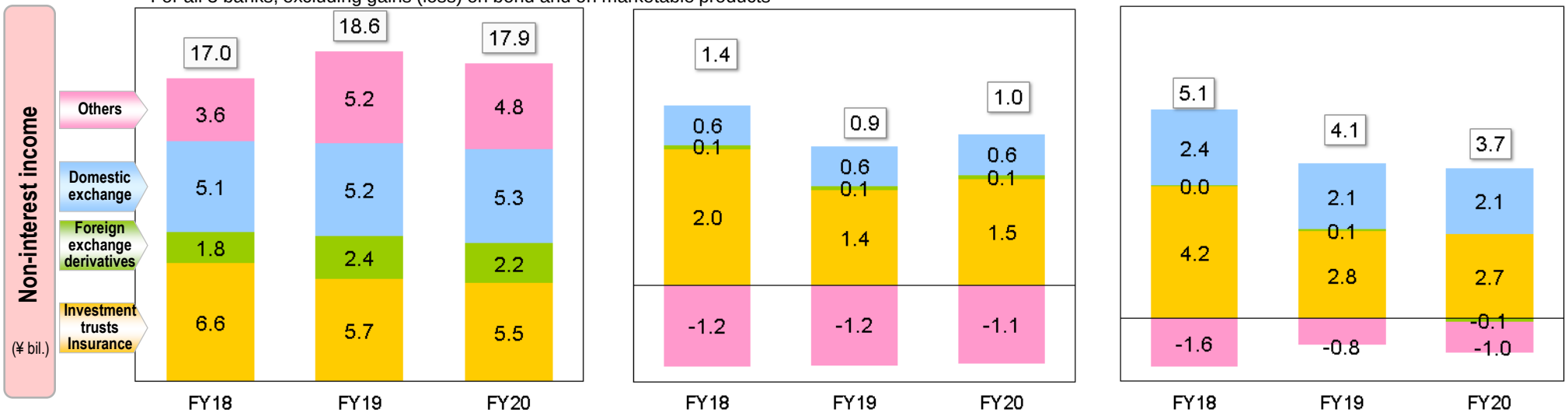




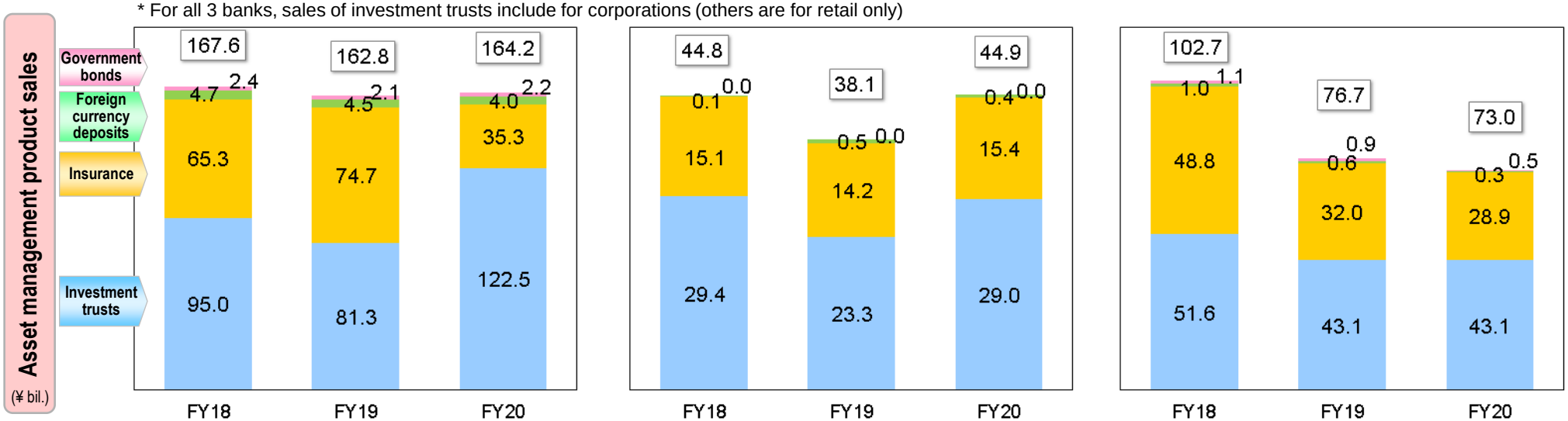
Non-Interest Income / Asset Management Products Sales (by Bank)

Bank of Fukuoka | Kumamoto Bank | Juhachi-Shinwa Bank

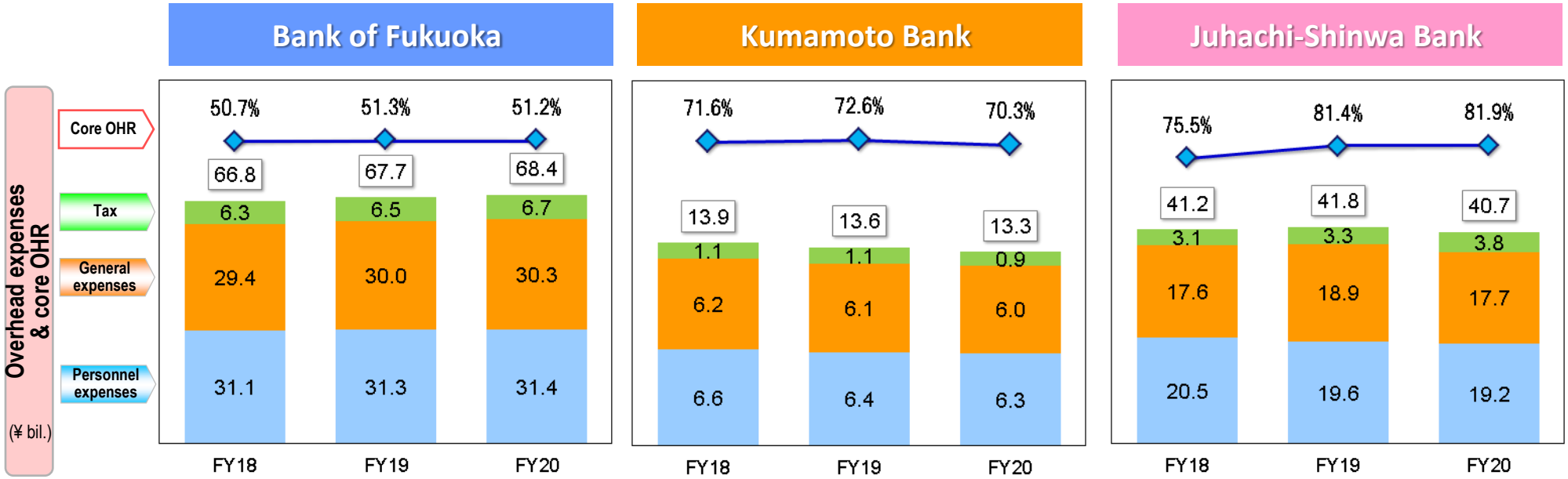
* For all 3 banks, excluding gains (loss) on bond and on marketable products



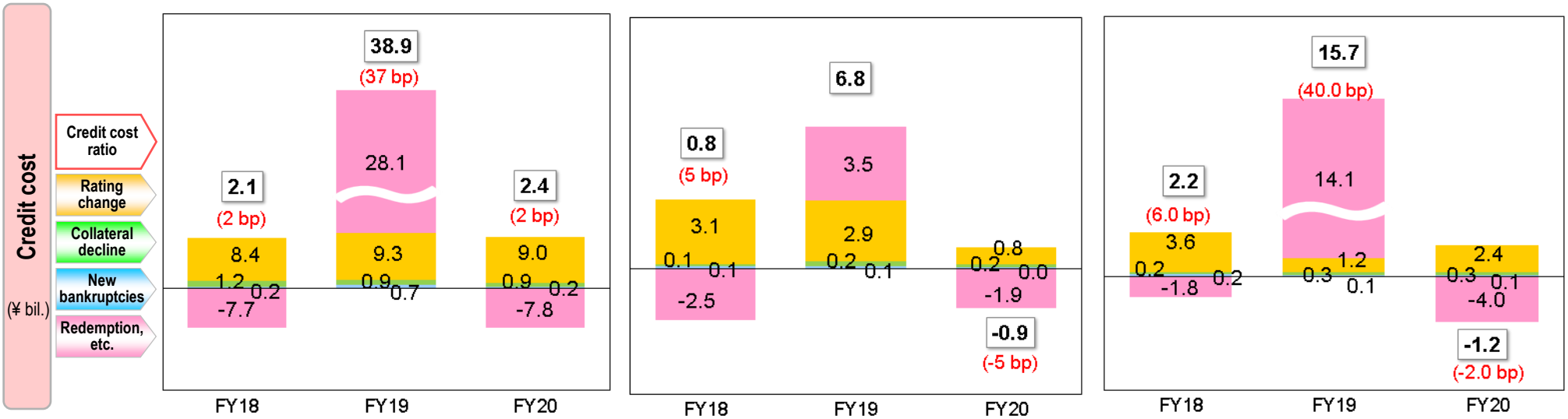
* For all 3 banks, sales of investment trusts include for corporations (others are for retail only)



Overhead Expenses / Credit Cost (by Bank)



* Core OHR = Overhead expenses / (Gross business profit - Gains (losses) on bonds)



Non-Performing Loans / Capital Adequacy Ratio (by Bank)

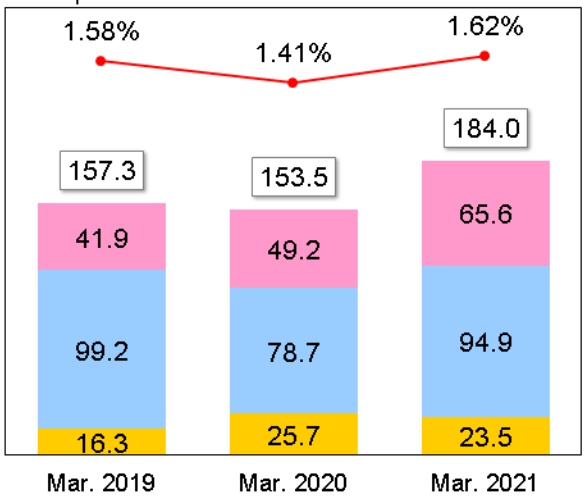
Non-performing loans & ratio

(¥ bil.)

Ratio | Substandard | Doubtful | Bankrupt & quasi-bankrupt

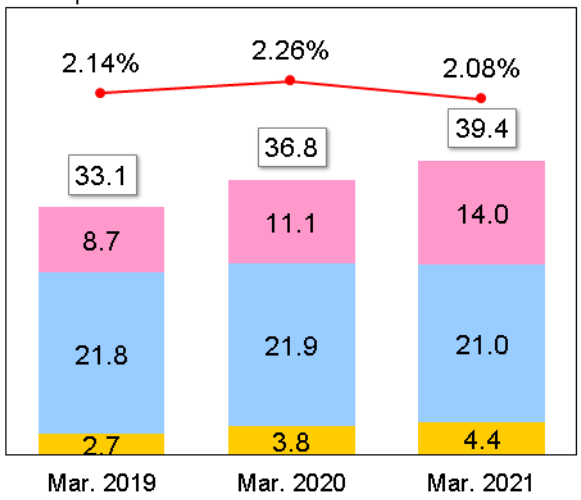
Bank of Fukuoka

* After partial write-off



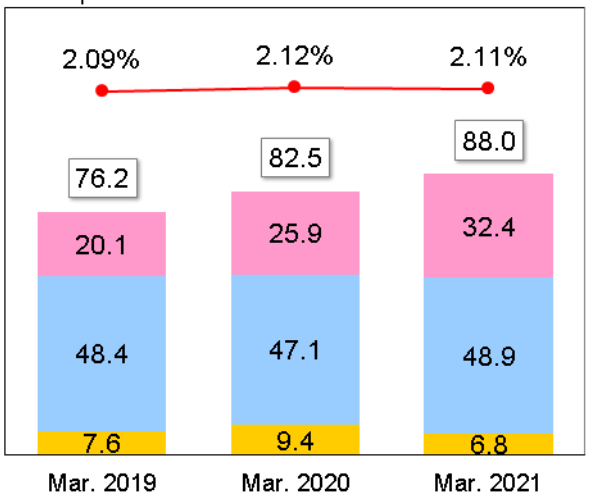
Kumamoto Bank

* After partial write-off



Juhachi-Shinwa Bank

* After partial write-off



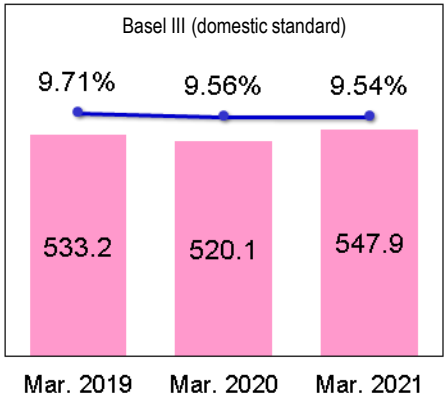
Capital adequacy ratio

(¥ bil.)

Capital adequacy ratio | Core capital

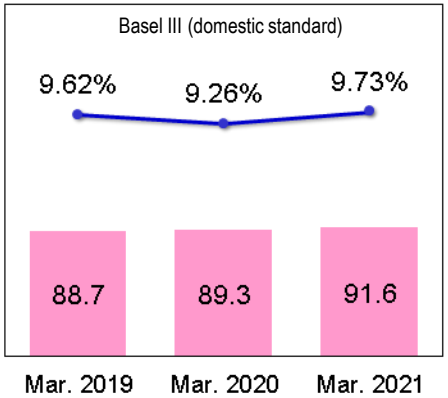
Bank of Fukuoka (consolidated)

Credit risk measurement: Advanced internal rating based approach
Operational risk measurement: Standardized approach



Kumamoto Bank

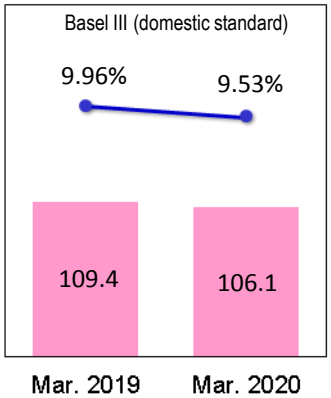
Credit risk measurement: Standard approach
Operational risk measurement: Standardized approach



Juhachi-Shinwa Bank (consolidated)

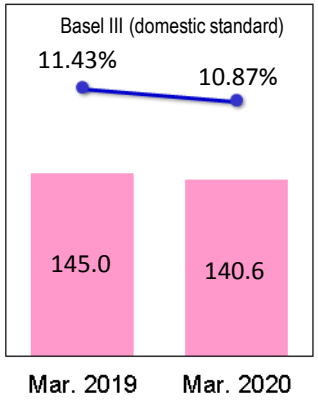
Shinwa Bank

Credit risk measurement: Standard approach
Operational risk measurement: Standardized approach

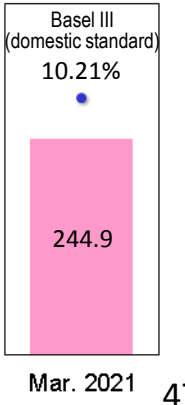


The Eighteenth Bank (consolidated)

Standard approach
Basic indicator approach



Standard approach
Basic indicator approach



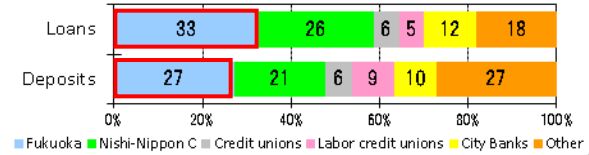
Part V

[Reference] Kyushu Economy

Market Share

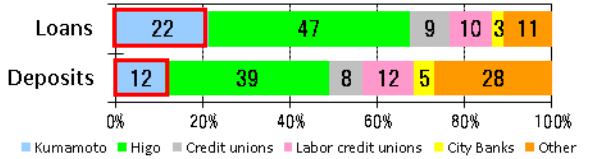
Fukuoka Pref.

Population	Number of business establishments	Loans	Deposits
5,060,000	223,000	22.1 trillion yen	37.2 trillion yen



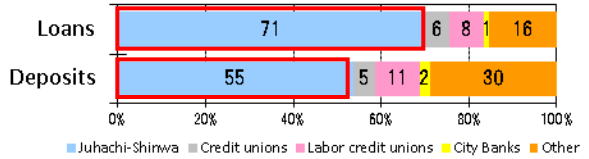
Kumamoto Pref.

Population	Number of business establishments	Loans	Deposits
1,770,000	74,000	5.4 trillion yen	11.3 trillion yen



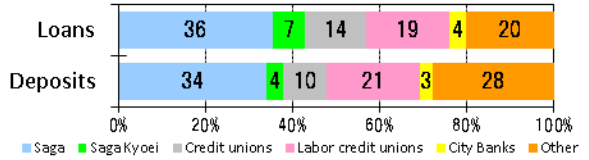
Nagasaki Pref.

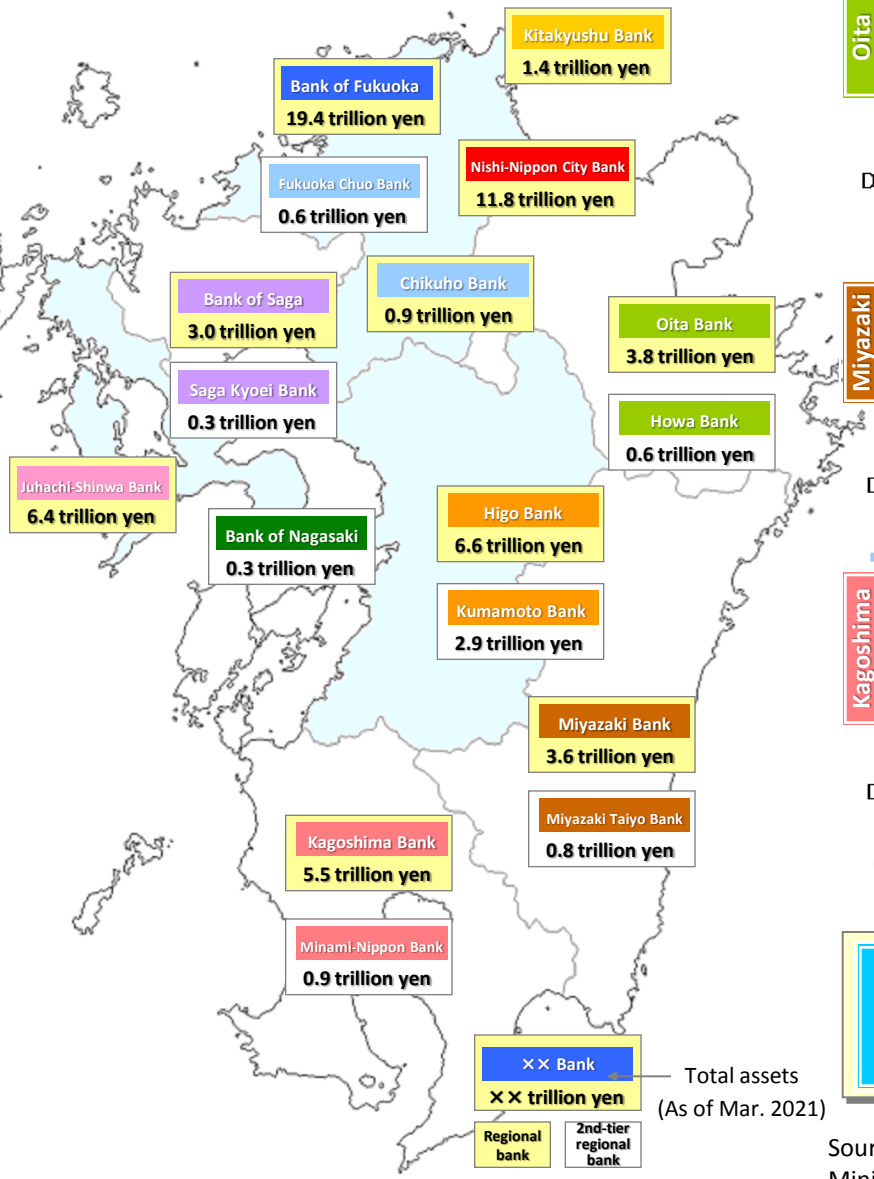
Population	Number of business establishments	Loans	Deposits
1,360,000	63,000	3.9 trillion yen	8.4 trillion yen



Saga Pref.

Population	Number of business establishments	Loans	Deposits
820,000	38,000	1.9 trillion yen	5.4 trillion yen



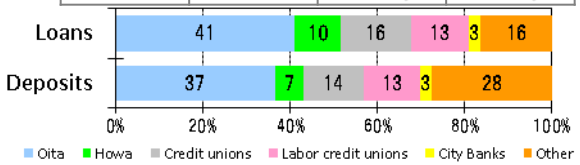


Total assets
(As of Mar. 2021)

Source: Financial digests

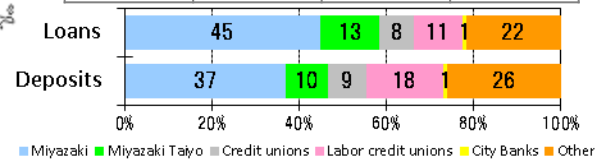
Oita Pref.

Population	Number of business establishments	Loans	Deposits
1,150,000	54,000	3.4 trillion yen	7.8 trillion yen



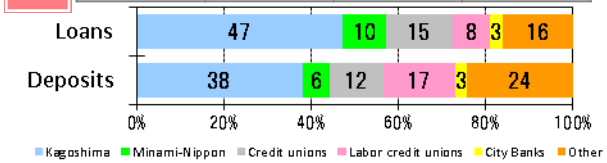
Miyazaki Pref.

Population	Number of business establishments	Loans	Deposits
1,100,000	53,000	3.2 trillion yen	6.2 trillion yen



Kagoshima Pref.

Population	Number of business establishments	Loans	Deposits
1,630,000	77,000	5.0 trillion yen	9.9 trillion yen



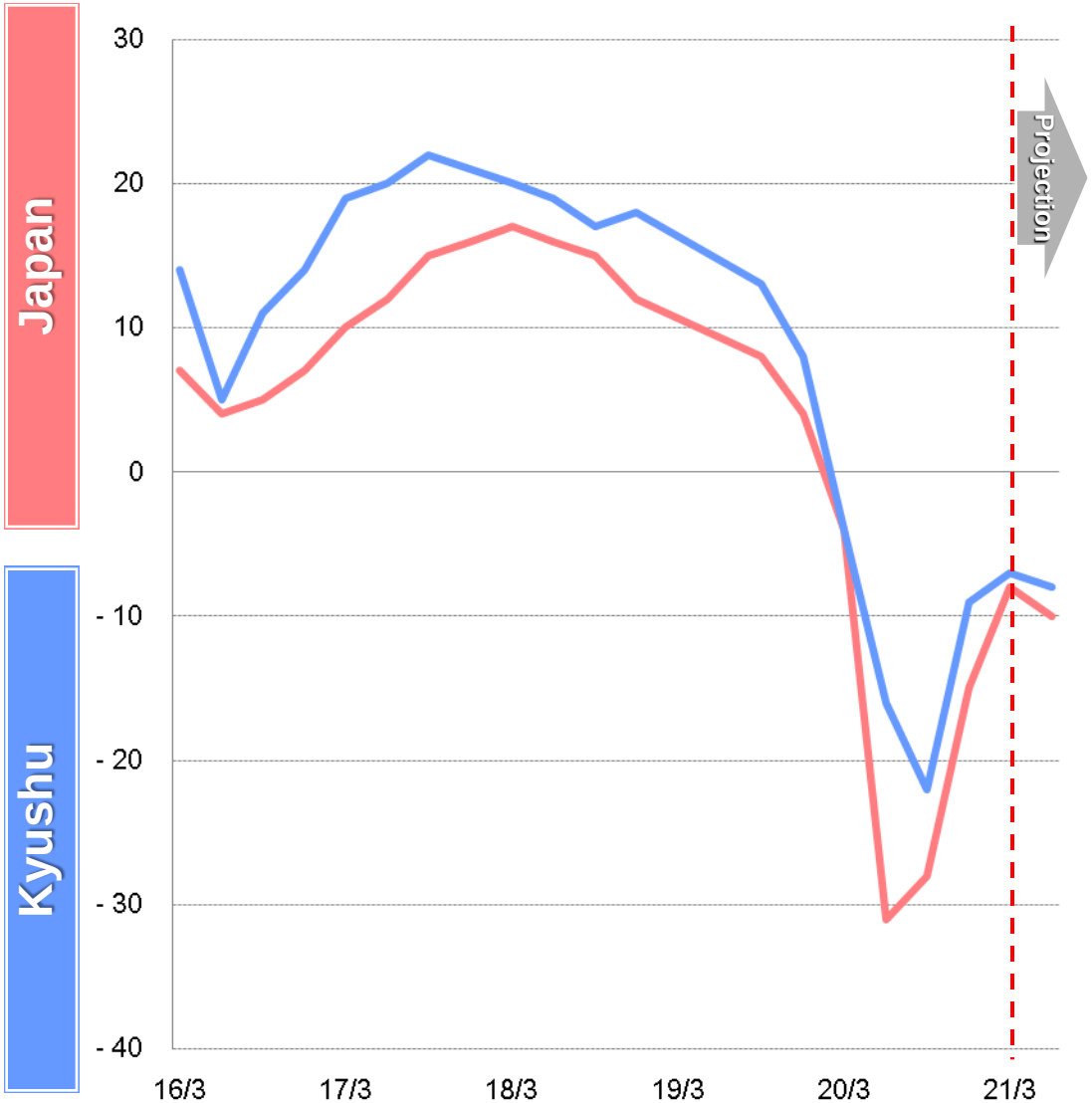
Kyushu

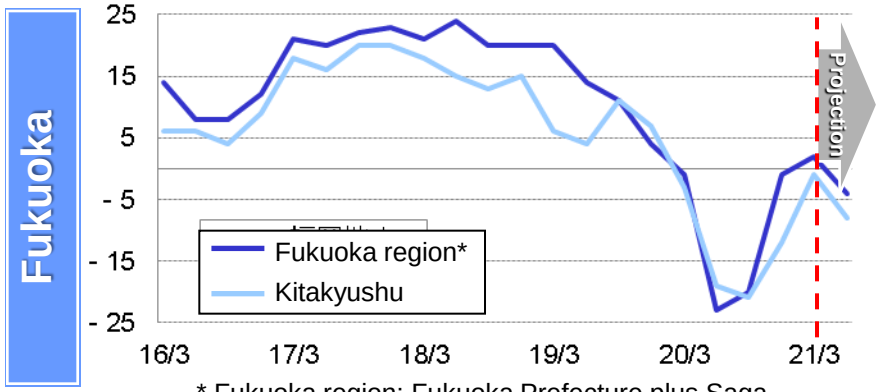
Population	Number of business establishments	Loans	Deposits
12,870,000	583,000	45.0 trillion yen	86.0 trillion yen

Sources: *2016 Economic Census for Business Activity*, Ministry of Internal Affairs and Communications
"Financial Map 2021," Monthly Kinyu Journal

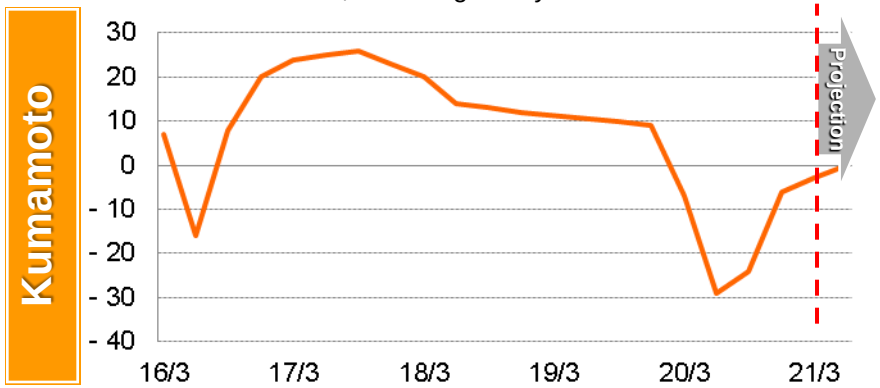
Economic Trends

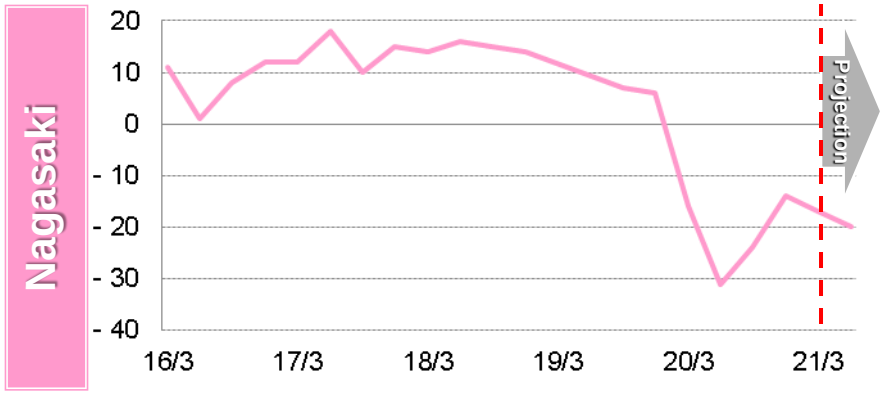
Bank of Japan's Tankan Business conditions D.I.





* Fukuoka region: Fukuoka Prefecture plus Saga Prefecture, excluding Kitakyushu

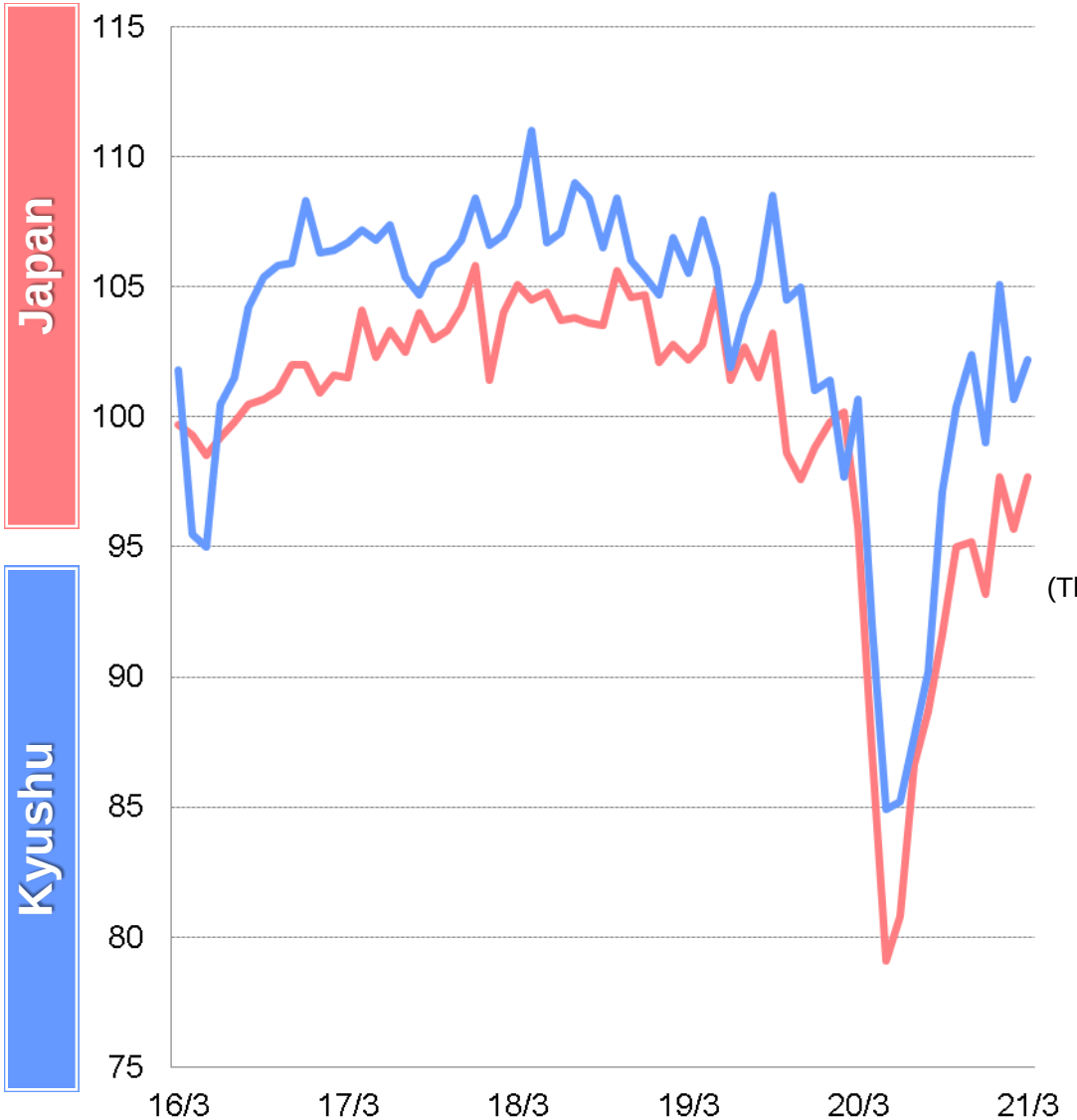




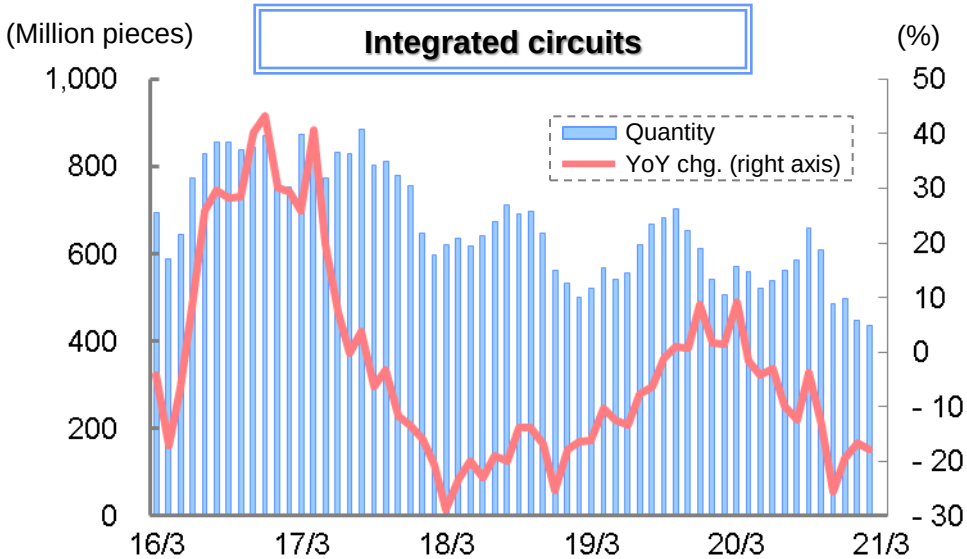
Source: Bank of Japan

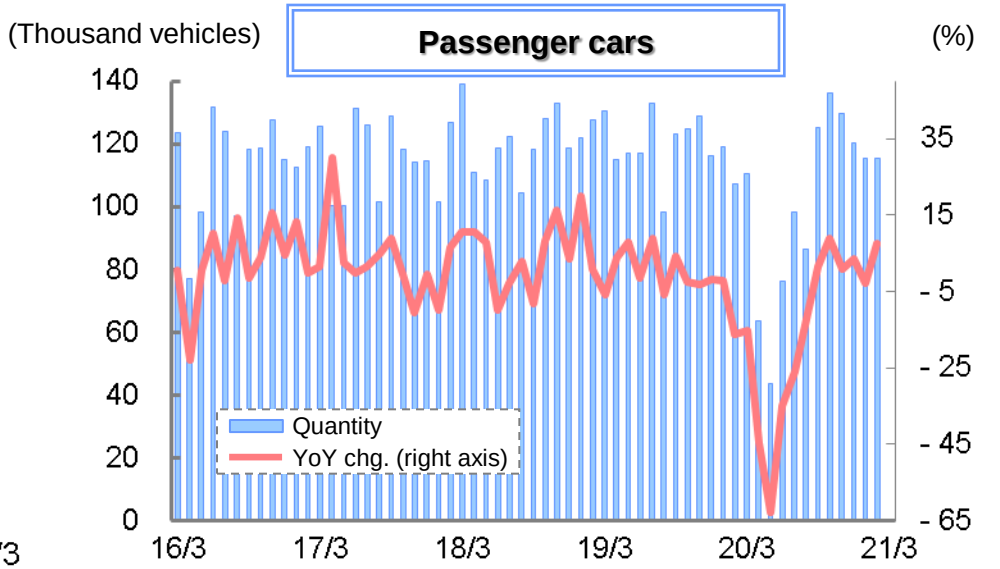
Industrial Production Trends

Industrial production index (FY2015 = 100)



[Kyushu] Main industry trends

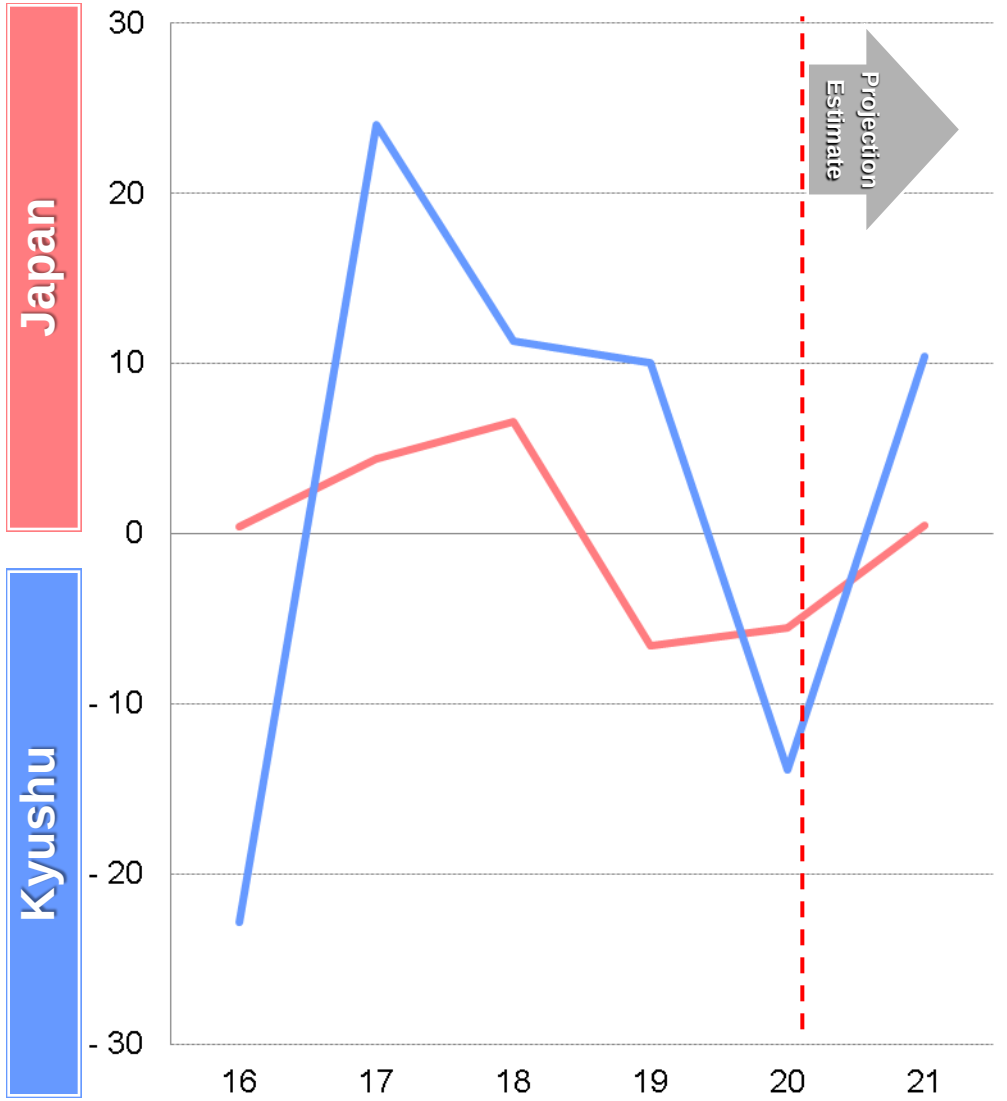




Source: Kyushu Bureau of Economy, Trade and Industry

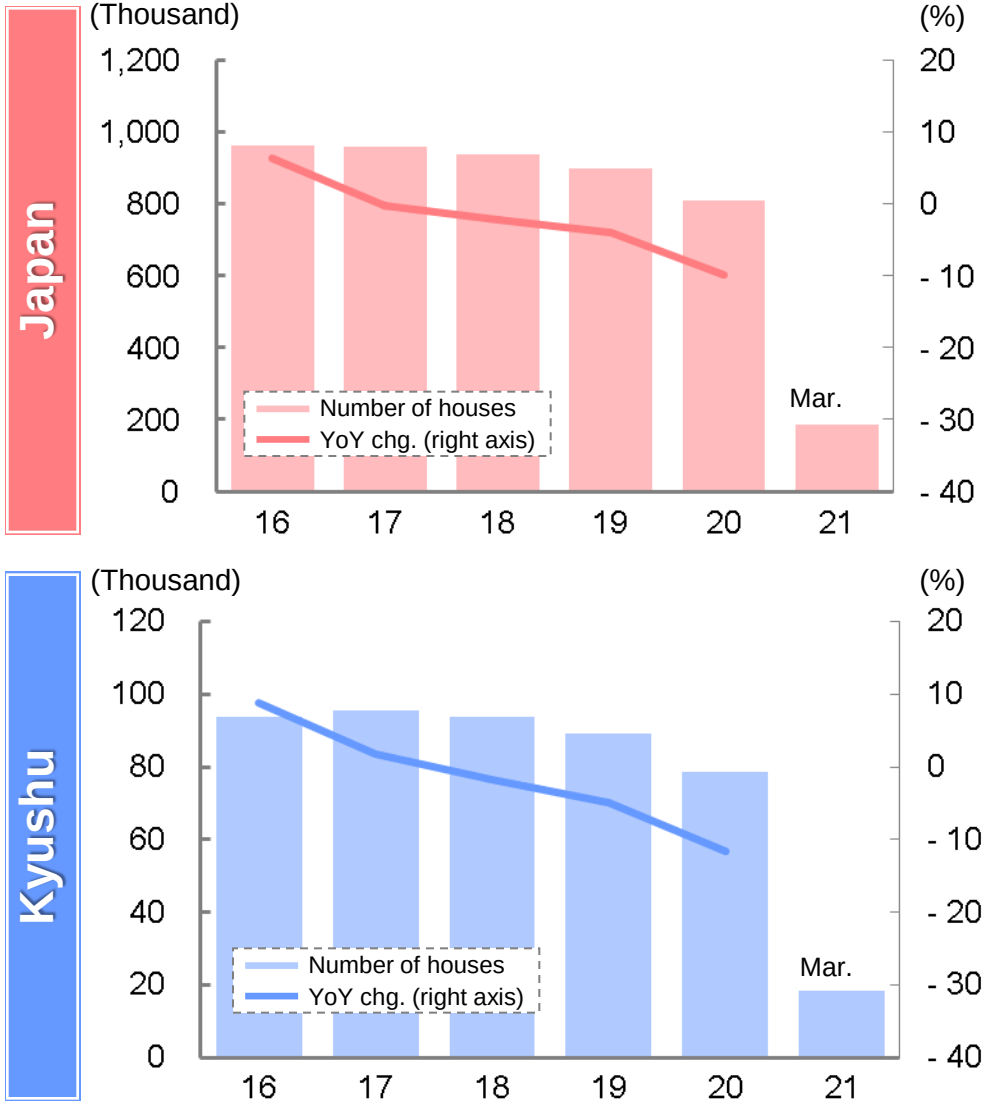
Capital Investment / Housing Investment

Capital investment: Bank of Japan's Tankan (YoY chg.)



Source: Bank of Japan

Housing starts



Source: Ministry of Land, Infrastructure and Transport

Volatility of standard land prices

<Ministry of Land, Infrastructure and Transport: 2021 outline of results of posted land prices survey>

- Japan: There have been falls for the first time in 6 years for all uses, 5 years for residential lands, and 7 years for commercial lands
- 3 major metropolitan areas: Both residential and commercial lands fell for the first time in 8 years
- Other areas: There have been falls for the first time in 4 years for all uses and for commercial lands, and 3 years for residential lands

(Announced in March 2021, Ministry of Land, Infrastructure and Transport)

(%)

	Residential land			Commercial land		
	2020	2021	Change	2020	2021	Change
Japan	0.8	-0.4	-1.2	3.1	-0.8	-3.9
3 major metropolitan areas	1.1	-0.6	-1.7	5.4	-1.3	-6.7
Tokyo area	1.4	-0.5	-1.9	5.2	-1.0	-6.2
Fukuoka	3.5	1.5	-2.0	6.7	2.4	-4.3
Saga	0.6	0.3	-0.3	0.6	0.0	-0.6
Nagasaki	0.2	-0.4	-0.6	1.2	-0.4	-1.6
Kumamoto	1.1	0.4	-0.7	3.5	0.2	-3.3
Oita	1.3	0.6	-0.7	1.1	-0.4	-1.5
Miyazaki	-0.2	-0.3	-0.1	-0.7	-0.9	-0.2
Kagoshima	-0.9	-1.1	-0.2	-0.9	-1.4	-0.5
Yamaguchi	0.3	-0.1	-0.4	-0.2	-0.4	-0.2

Major cities in Fukuoka Pref.

(%)

	Residential land		Commercial land	
	2020	2021	2020	2021
Fukuoka City	6.8	3.3	16.5	6.6
Kitakyushu City	0.1	-0.1	1.3	0.1

Major cities in Kumamoto Pref.

	Residential land		Commercial land	
	2020	2021	2020	2021
Kumamoto City	1.5	0.7	6.3	0.8
Yatsushiro City	-0.4	-0.6	-0.8	-0.6

Major cities in Nagasaki Pref.

	Residential land		Commercial land	
	2020	2021	2020	2021
Nagasaki City	1.3	-0.2	5.3	0.0
Sasebo City	0.1	0.0	0.6	0.4

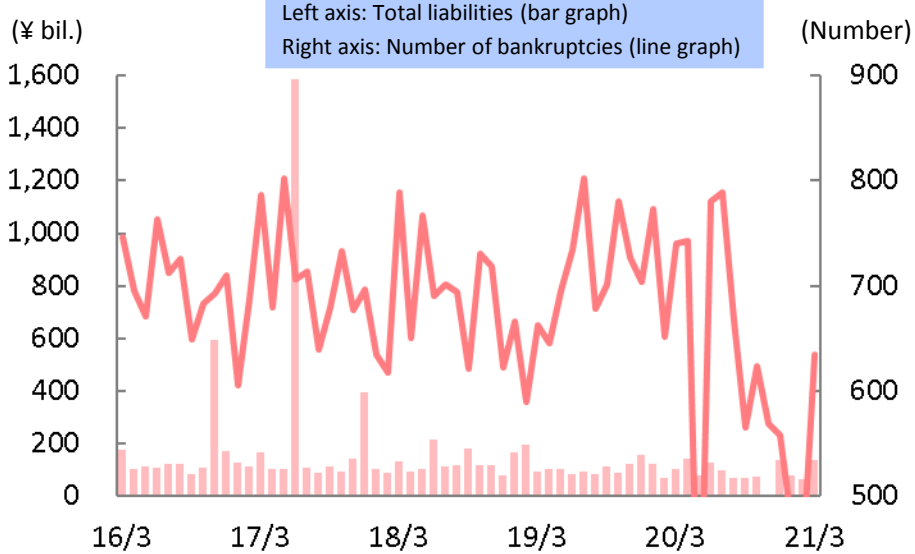
Source: Ministry of Land, Infrastructure and Transport

Corporate Bankruptcies

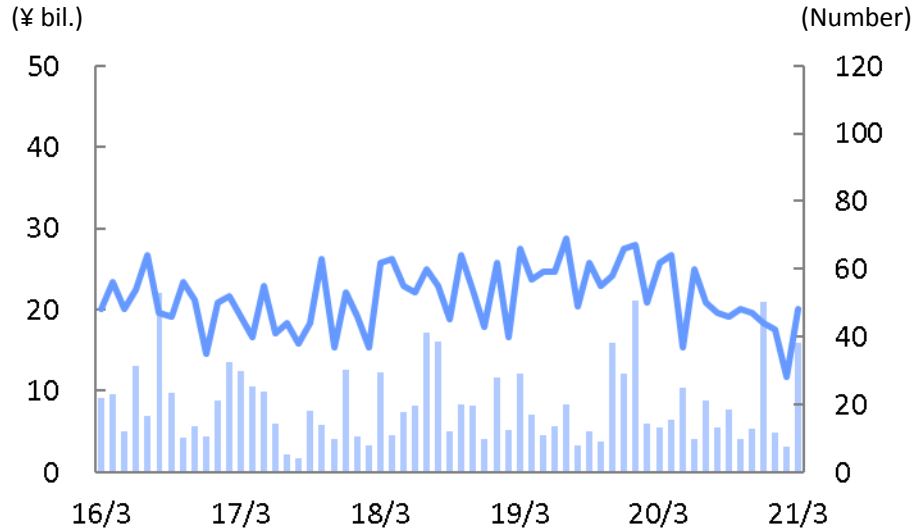
Number of bankruptcies and total liabilities

Left axis: Total liabilities (bar graph)
Right axis: Number of bankruptcies (line graph)

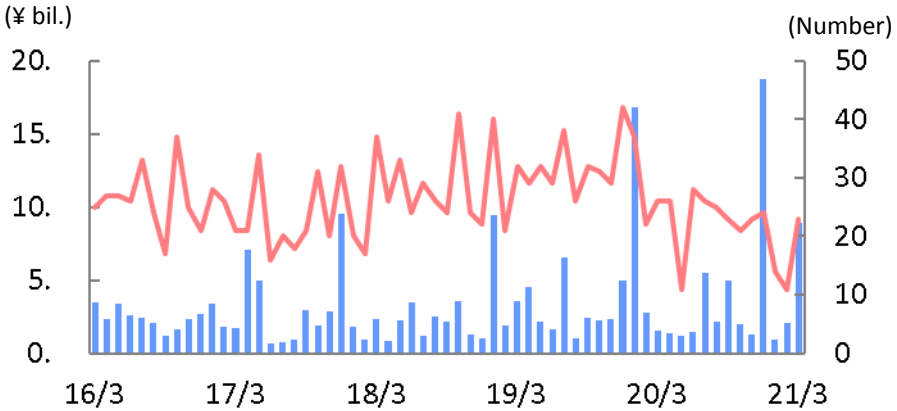
Japan



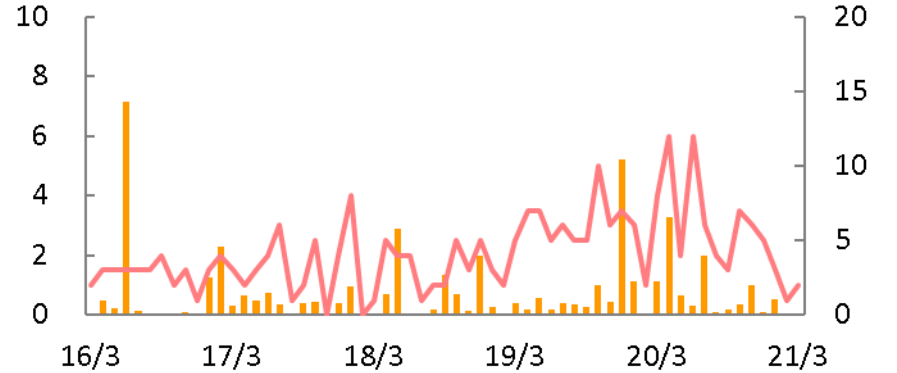
Kyushu



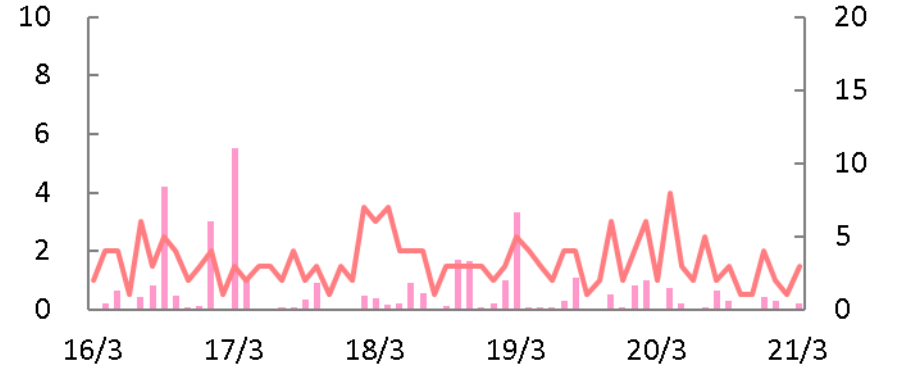
Fukuoka



Kumamoto



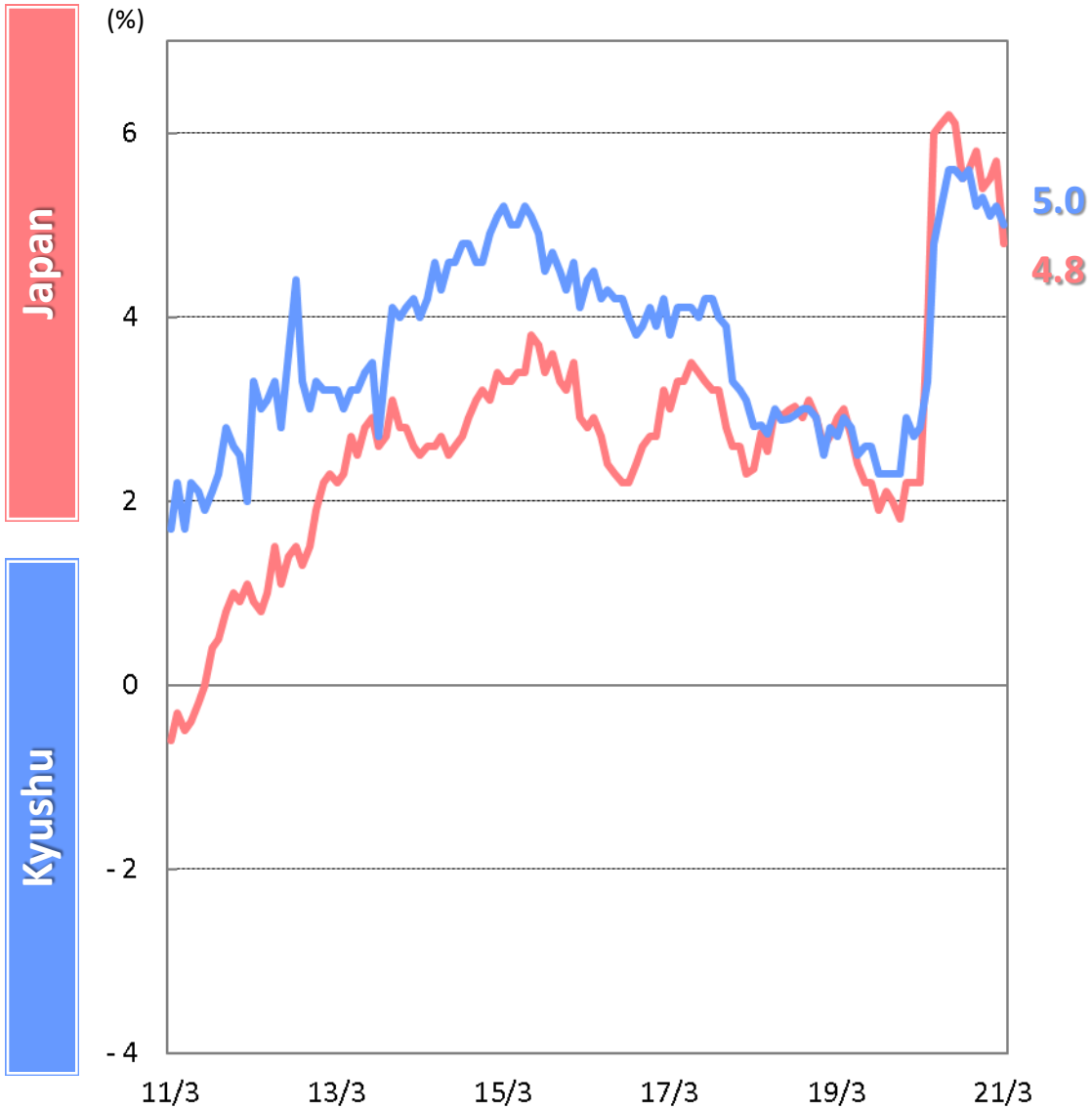
Nagasaki

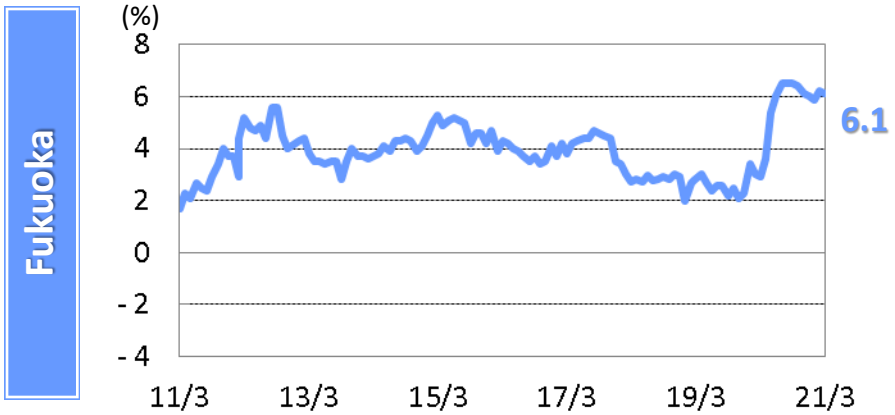


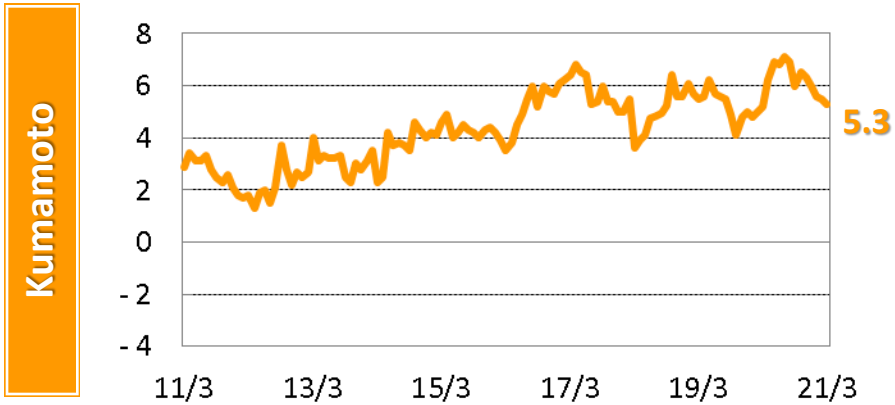
Source: Tokyo Shoko Research

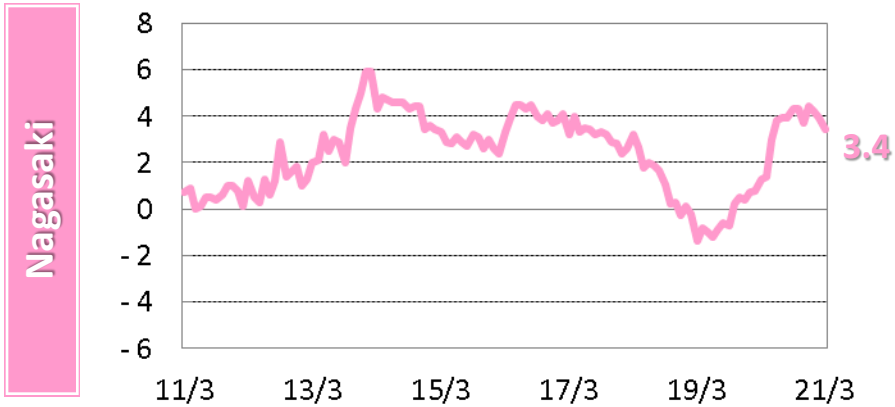
Loans

Rate of increase of bank loans (YoY chg., monthly)





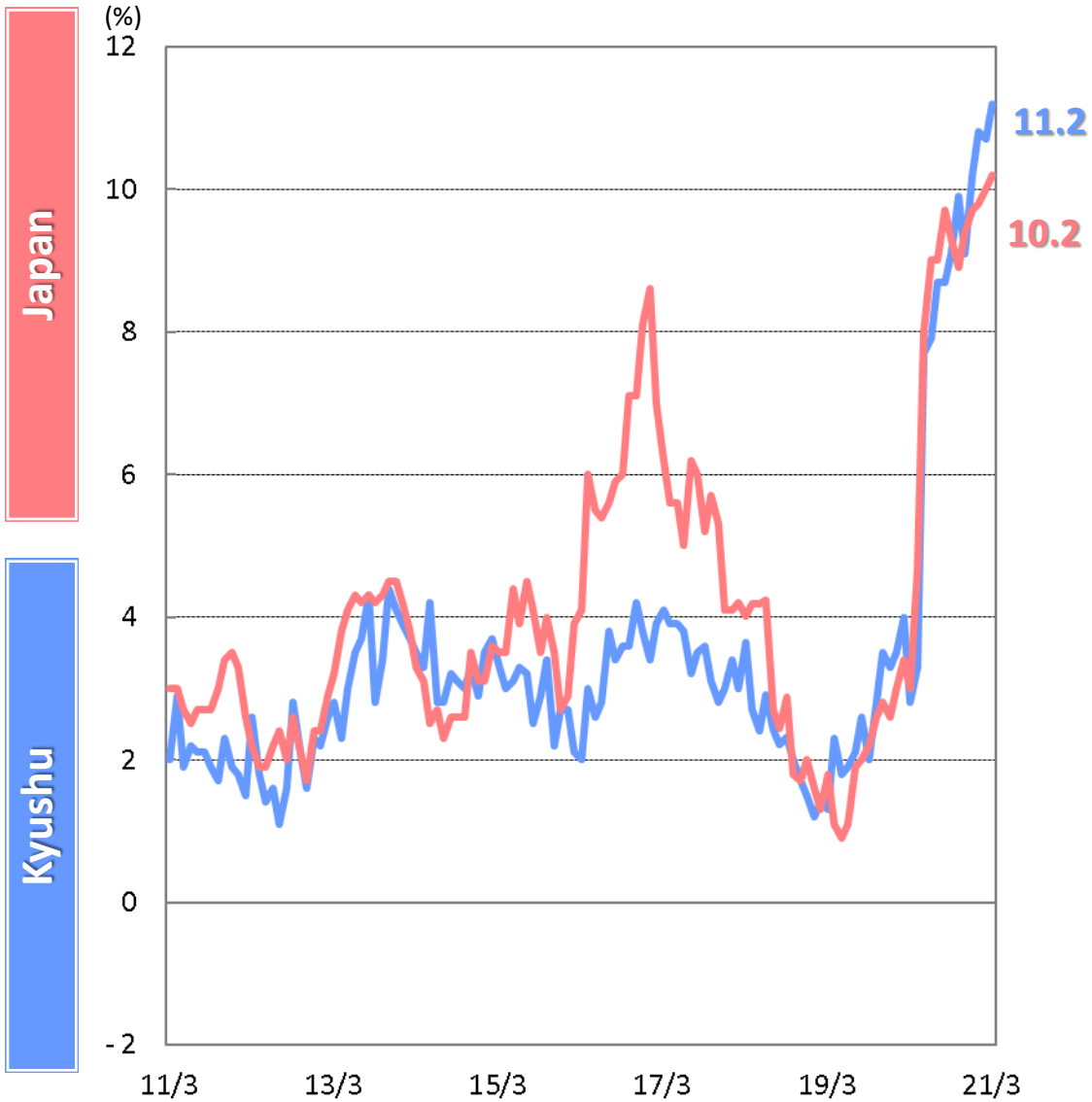


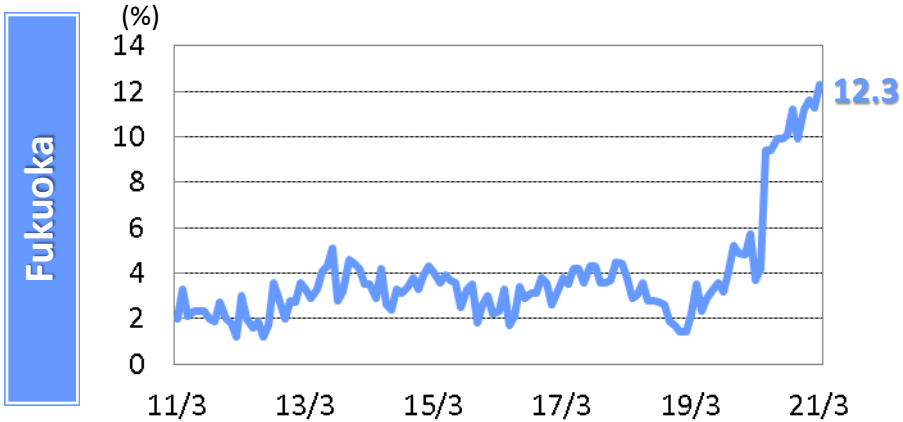


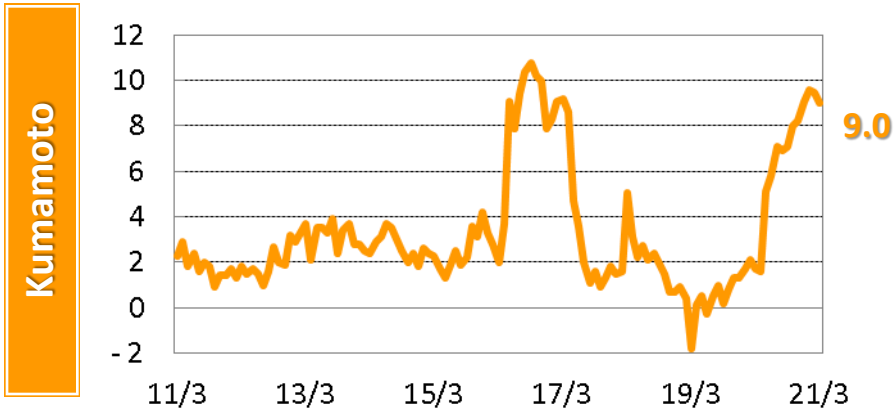
Source: Bank of Japan

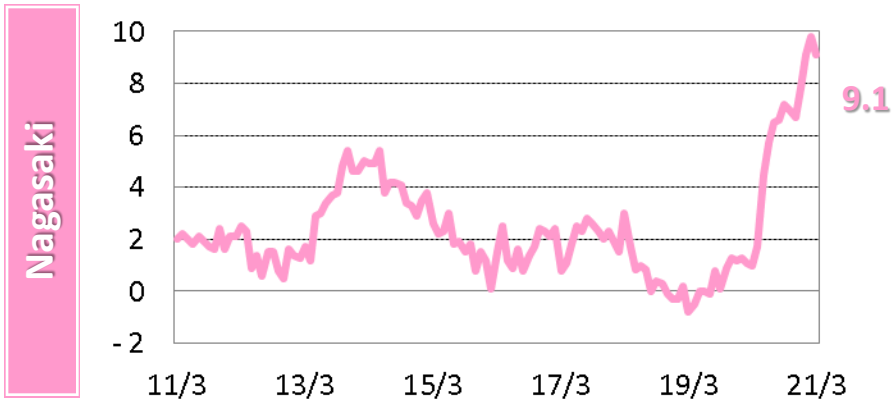
Deposits

Rate of increase of bank deposits (YoY chg., monthly)









Source: Bank of Japan

Contact for further inquiries:

Public Relations Group, Corporate Planning Division

Fukuoka Financial Group

- **Phone:** **+81 - 92 - 723 - 2255**
- **E-mail:** **ffg-ir@fukuoka-fg.com**
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