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Fukuoka Financial Group

Financial Highlights

Third Quarter of FY2023

February 9, 2024

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Definitions of terms and figures used in this document

In cases where definitions are different from those listed below, details are stated on each page.

FFG consolidated	Consolidated financial results of Fukuoka Financial Group
Banks total	Simple sum of the non-consolidated figures of the Bank of Fukuoka, the Kumamoto Bank, the Juhachi-Shinwa Bank and the <u>Fukuoka Chuo Bank</u> ^(Note)
Group total	Banks total + FFG Securities
Related to Minna Bank	Total of Minna Bank and Zerobank Design Factory
Net income	Net income for the period (interim, quarter) for non-consolidate and banks combined
Consolidated net income	Net income for the period (interim, quarter) attributable to owners of the parent

Note: About the figures of the Fukuoka Chuo Bank

- Business integration between the Company and the Fukuoka Chuo Bank took effect on October 1, 2023.
- Regarding the Fukuoka Chuo Bank, profit (loss) figures for the third quarter of FY2023 (three months) and figures for the balance as of December 31, 2023 have been consolidated and combined after making necessary adjustments. **Figures for previous fiscal years do not include figures for the Fukuoka Chuo Bank.**

- All or part of the matters contained in this document may be amended or changed without notice.
- Regarding statements about future earnings contained in this document, it should be noted that actual results could vary with respect to forecasts or targets as a consequence of changes in the business environment or other factors.
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Profit & Loss Summary

Profit & Loss

Banks total (Unit: ¥ bil.)	2023/3Q		2022/3Q	FY2023 projected*	
		YoY chg.		Progress	
Gross business profit	167.1	+23.4	143.7		
Net interest income	152.5	+10.6	141.9		
Domestic	144.4	+14.2	130.2		
International	8.1	-3.6	11.7		
Non-interest income (excl. bond-related income)	18.8	-4.8	23.7		
Overhead expenses (-)	85.3	+2.4	82.9		
Core business profit 1	86.1	+3.4	82.7	114.1	75.5%
Excluding gains (losses) on cancellation of investment trusts	87.9	+4.6	83.3		
Ordinary profit	76.3	+15.9	60.3	78.5	97.2%
Net income 2	56.4	+11.4	45.0	58.5	96.4%
Credit cost (-)	8.3	+5.3	3.0	10.7	77.9%
Gains (losses) on securities	-0.5	+18.2	-18.8	-23.2	2.3%
Gains (losses) on bonds	-4.2	+17.7	-21.9		
Gains (losses) on stocks	3.7	+0.6	3.1		
FFG consolidated (Unit: ¥ bil.)	2023/3Q		2022/3Q	2023 projected	
		YoY chg.		Progress	
Gross business profit	181.9	+26.7	155.3		
Overhead expenses (-)	111.7	+6.3	105.4		
Core business profit	74.5	+1.6	72.9		
Ordinary profit	59.4	+12.1	47.3	59.5	99.9%
Gain on negative goodwill (extraordinary income)	21.5	+21.5	—	21.5	100.0%
Consolidated net income 3	62.1	+29.4	32.6	61.5	101.0%

(1) Financial highlights

[Banks total]

1 Core business profit: ¥86.1 billion → Steady progress at 75.5% of FY2023 projected

— Increased ¥3.4 billion year-on-year due mainly to increase in domestic net interest income

2 Net income: ¥56.4 billion

— Increased ¥11.4 billion year-on-year due to an improvement in gains (losses) on government and other bonds (turnaround from FY2022 loss-cutting in foreign bonds), despite an increase in credit cost

[FFG consolidated]

3 Consolidated net income (2023/3Q actual): ¥62.1 billion

— Increased ¥29.4 billion due mainly to recording a gain on negative goodwill of ¥21.5 billion resulting from the business integration with Fukuoka Chuo Bank

4 Consolidated net income (FY2023 projected): ¥61.5 billion

— No change in FY2023 projection. Losses from changing securities portfolio, etc. will be recorded in 4Q to secure future earnings and reduce risk.

(2) Consolidation difference in bottom line

(Unit: ¥ bil.)	2023/3Q	YoY chg.	2022/3Q
Net income (banks total)	56.4	+11.4	45.0
FFG non-consolidated	-11.0	-2.3	-8.7
Related to Minna Bank	-6.6	-1.2	-5.4
Subsidiary income	2.5	-0.7	3.2
Gain on negative goodwill	21.5	+21.5	—
Other consolidation adjustments	-0.7	+0.8	-1.5
Consolidated net income	62.1	+29.4	32.6

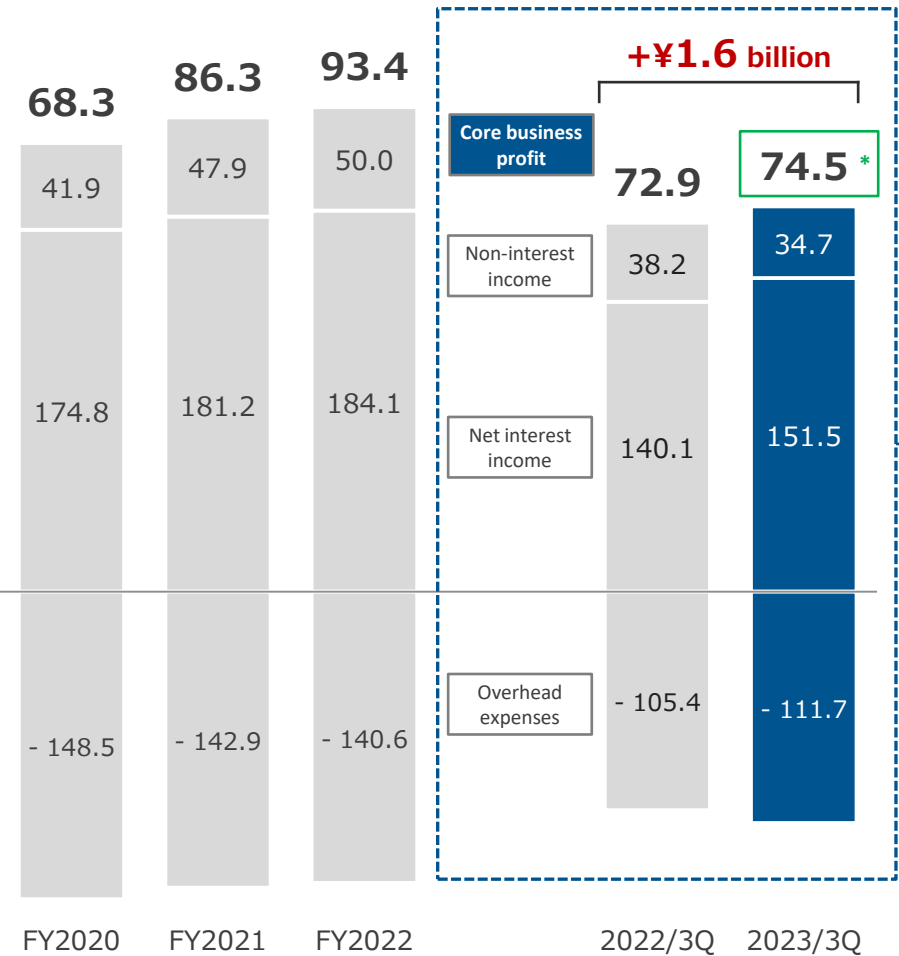
* Based on disclosure of November 13, 2023

Top Line (Consolidated Core Business Profit)

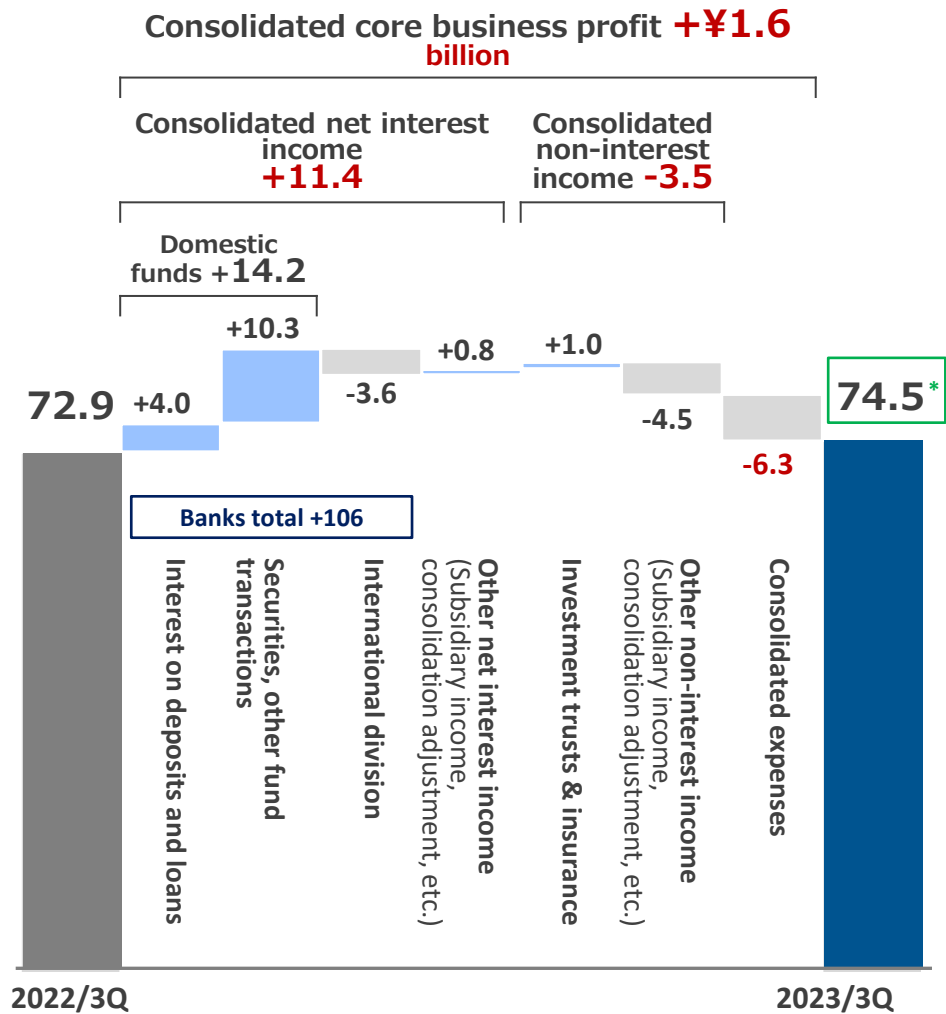
Profit & Loss

Core business profit (FFG consolidated) (Unit: ¥ bil.)

Non-interest income: Excluding gains (losses) on bonds
 Overhead expenses: Excluding non-recurring expenses



Breakdown of year-on-year changes (FFG consolidated) (Unit: ¥ bil.)

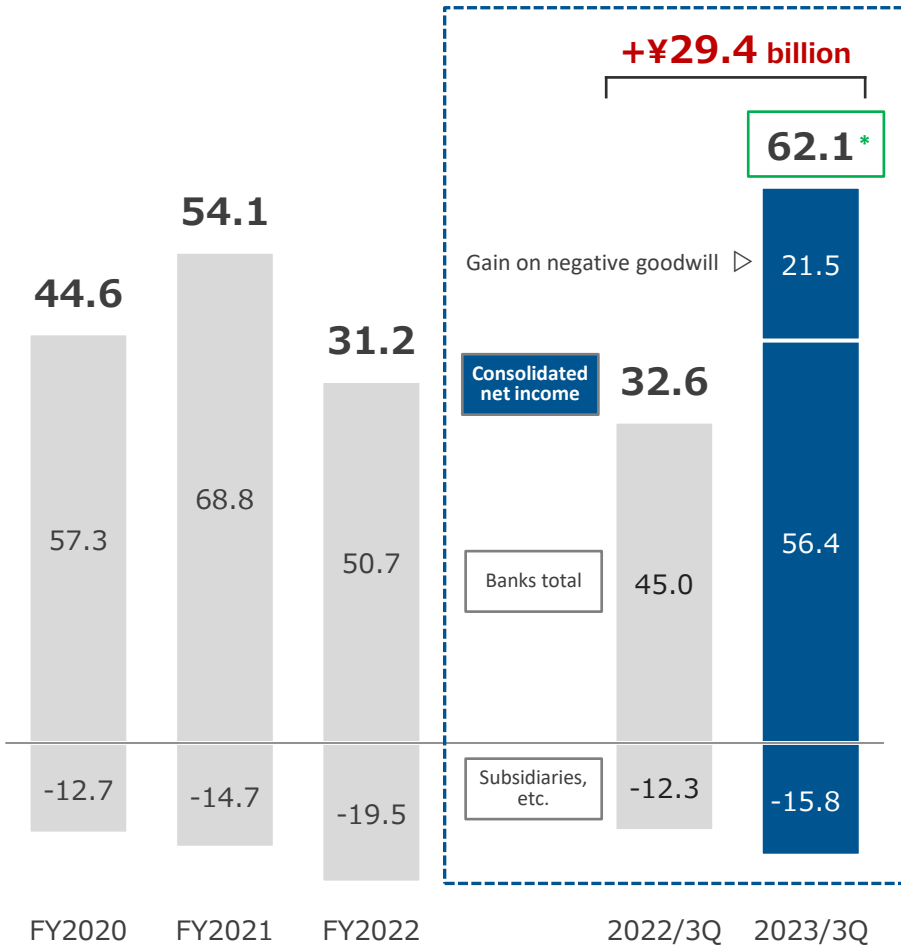


* Including 3Q FY2023 (3 months) core business profit of Fukuoka Chuo Bank [non-consolidated]: ¥0.4 billion

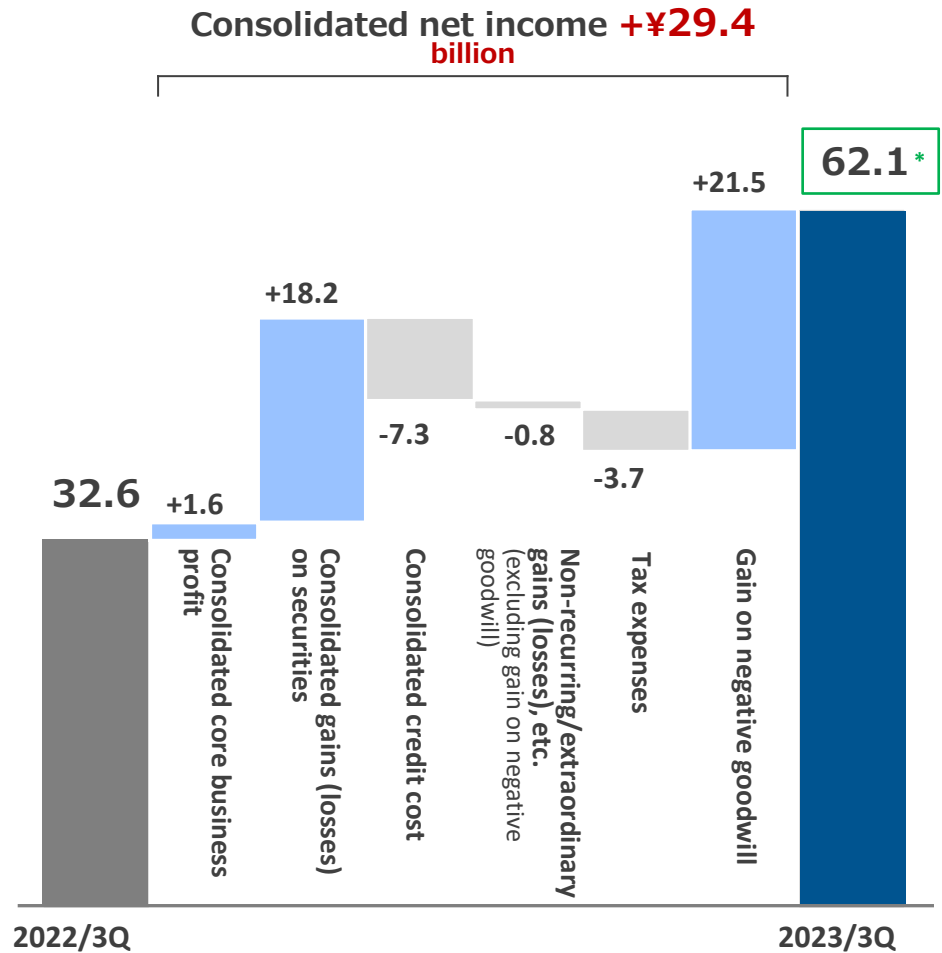
Bottom Line (Consolidated Net Income)

Profit & Loss

Consolidated net income (Unit: ¥ bil.)



Breakdown of year-on-year changes (Unit: ¥ bil.)



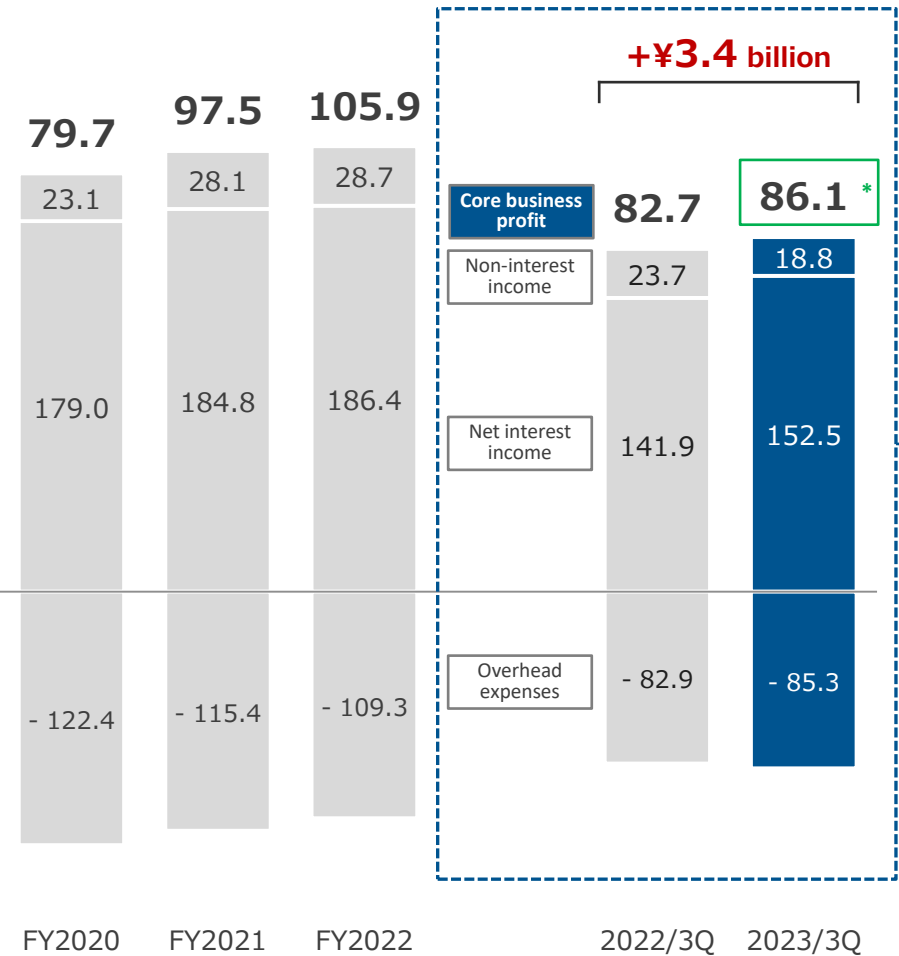
* Including 3Q FY2023 (3 months) net profit of Fukuoka Chuo Bank [non-consolidated]: ¥1.1 billion

[Supplement] Core Business Profit (banks total)

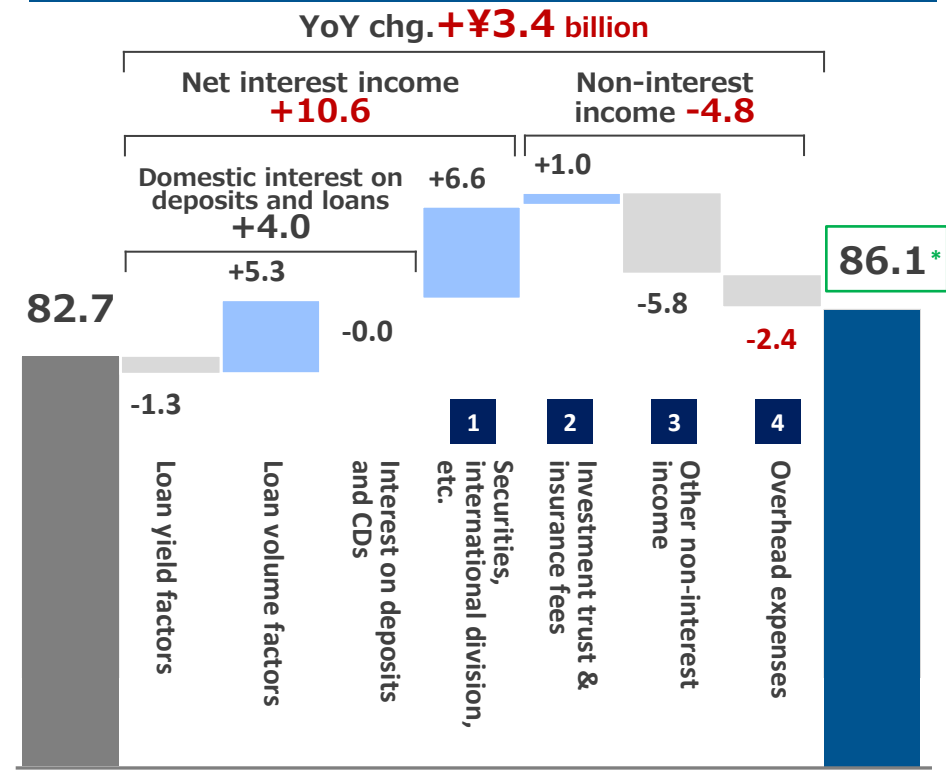
Profit & Loss

Core business profit (banks total) (Unit: ¥ bil.)

Non-interest income: Excluding gains (losses) on bonds
 Overhead expenses: Excluding non-recurring expenses



Breakdown of year-on-year changes (banks total) (Unit: ¥ bil.)



- 1** Domestic securities: +1.7, Domestic, other fund transactions: +8.5, International division, etc. -3.6
- 2** Investment trusts: +1.0, Insurance: +0.0
- 3** Corporate-related fees: +0.3, Loan guarantee fees -0.5, Gains (losses) on foreign exchange derivatives, etc.: -5.4
- 4** Personnel expenses: -0.6, Non-personnel expenses: -1.5, Taxes: -0.3

* Including 3Q FY2023 (3 months) core business profit of Fukuoka Chuo Bank [non-consolidated]: ¥0.4 billion (net interest income: +1.8, non-interest income: +0.1, overhead expenses: -1.6)

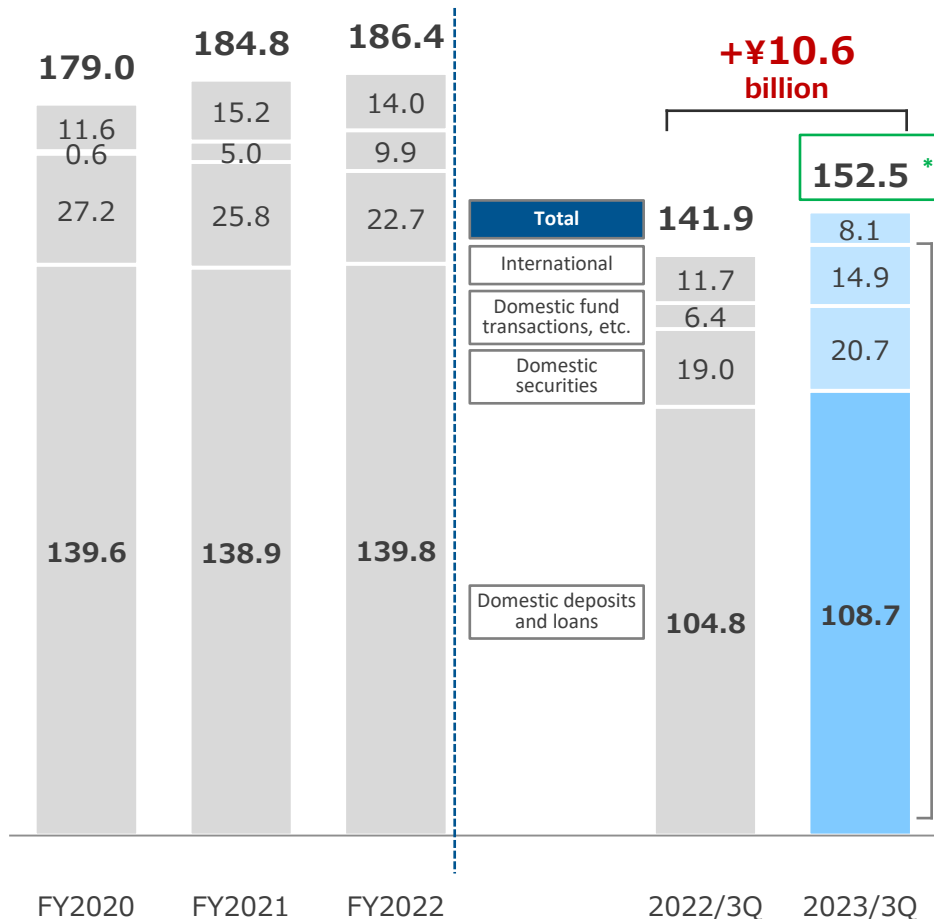
Net Interest Income (banks total)

- Domestic net interest income increased by ¥14.2 billion due mainly to increases in interest on deposits and loans and in fund transactions (interest on swaps, etc.); international net interest income decreased by ¥3.6 billion due to higher funding costs resulting from rising overseas interest rates

Net interest income (banks total)

(Unit: ¥ bil.)

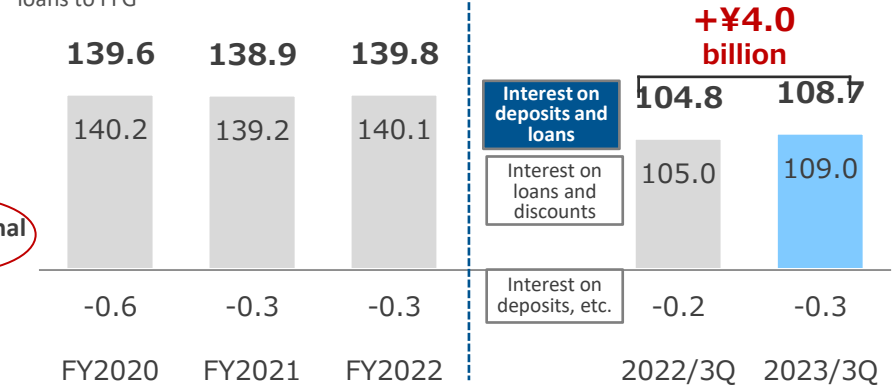
Domestic deposits and loans: Excluding loans to Government and Bank of Fukuoka loans to FFG



Domestic interest on deposits and loans (banks total)

(Unit: ¥ bil.)

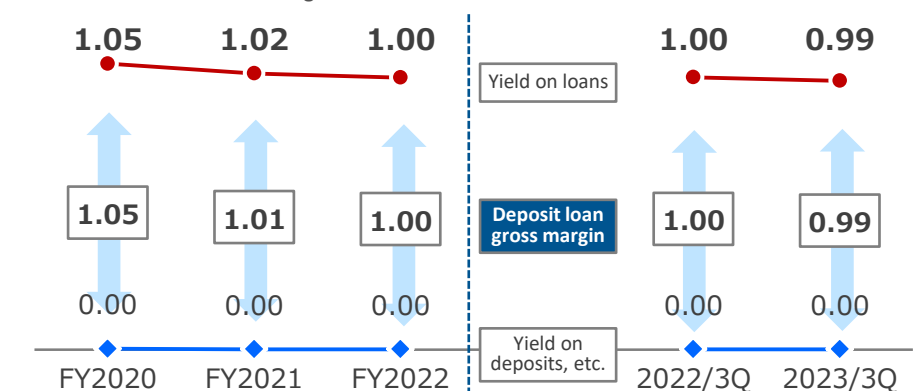
Interest on loans and discounts: Excluding loans to Government and Bank of Fukuoka loans to FFG



Domestic deposit loan gross margin (banks total)

3Q: 9 months (Unit: %)

Yield on loans: Yield excluding loans to Government and Bank of Fukuoka loans to FFG



* Including 3Q FY2023 (3 months) net interest income of Fukuoka Chuo Bank [non-consolidated]: ¥1.8 billion

Non-interest Income (Group total : excluding gains (losses) on bonds)

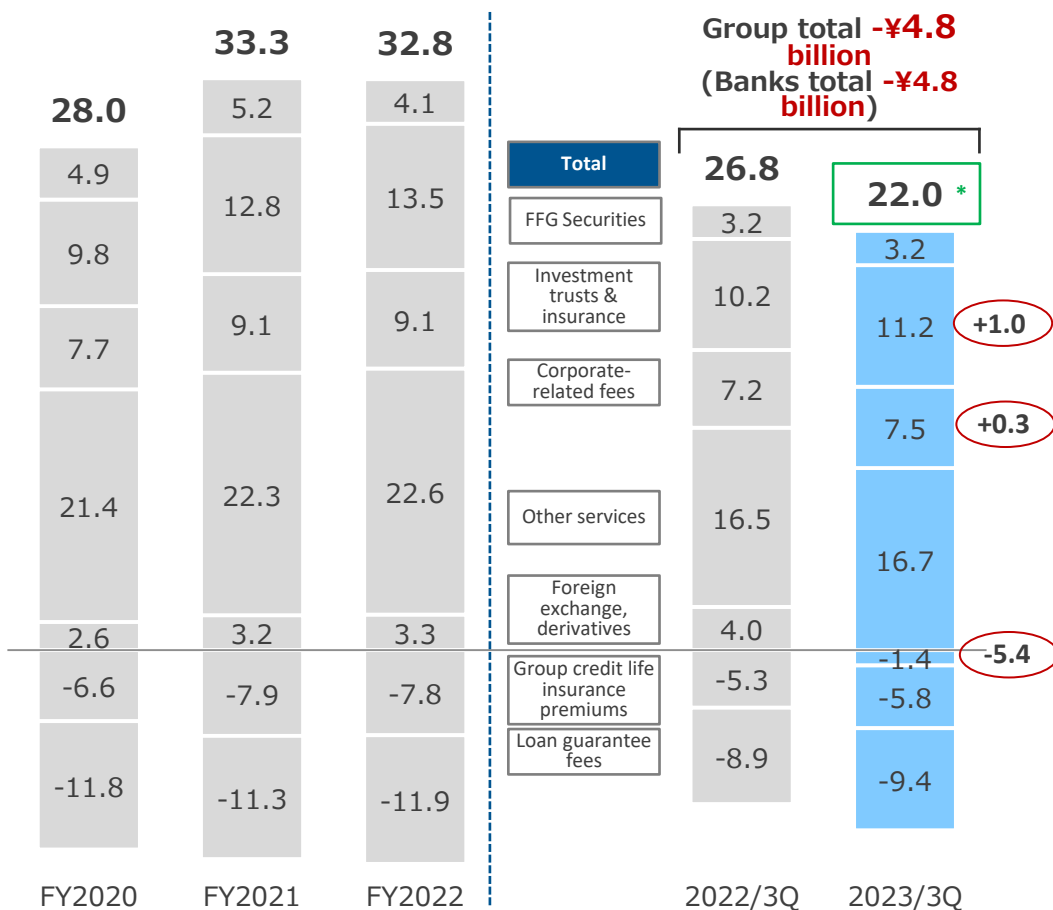
Profit & Loss

- Investment trust commissions and insurance fees (+¥1.0 billion YoY) and corporate-related fees (+¥0.3 billion) increased steadily
- Gains (losses) on foreign exchange and derivatives decreased by ¥5.4 billion due mainly to the decline from the previous year's foreign exchange gains (due to depreciation of the yen)

Non-interest income (Group total)

(Unit: ¥ bil.)

Corporate-related fees: Loan fees (syndicated loans, structured finance, etc.), M&A fees, etc.



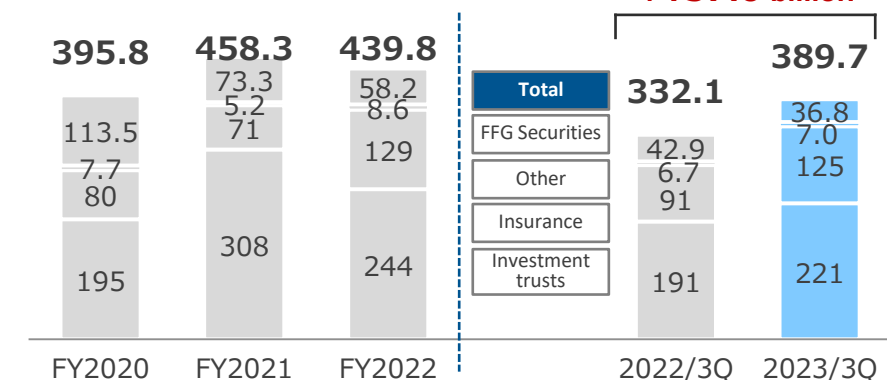
Asset management product sales (Group total)

3Q: 9 months

(Unit: ¥ bil.)

Other: Foreign currency deposits & government bonds

+¥57.6 billion

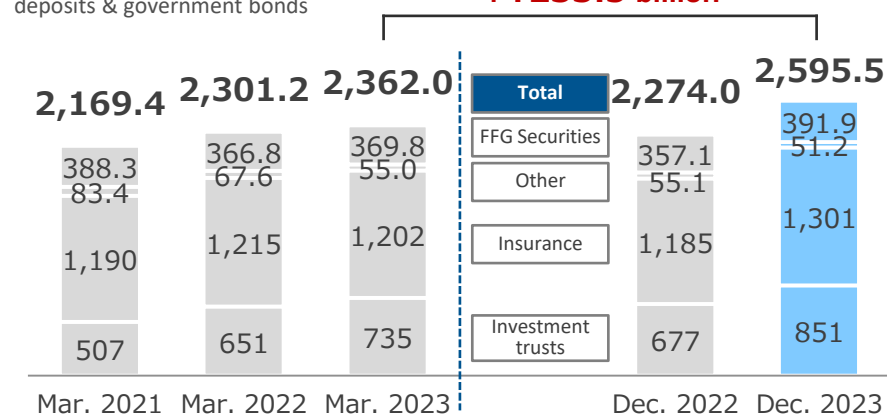


Balance of assets under management for individual customers (Group total)

(Unit: ¥ bil.)

Other: Foreign currency deposits & government bonds

+¥233.5 billion



Consolidated Expenses

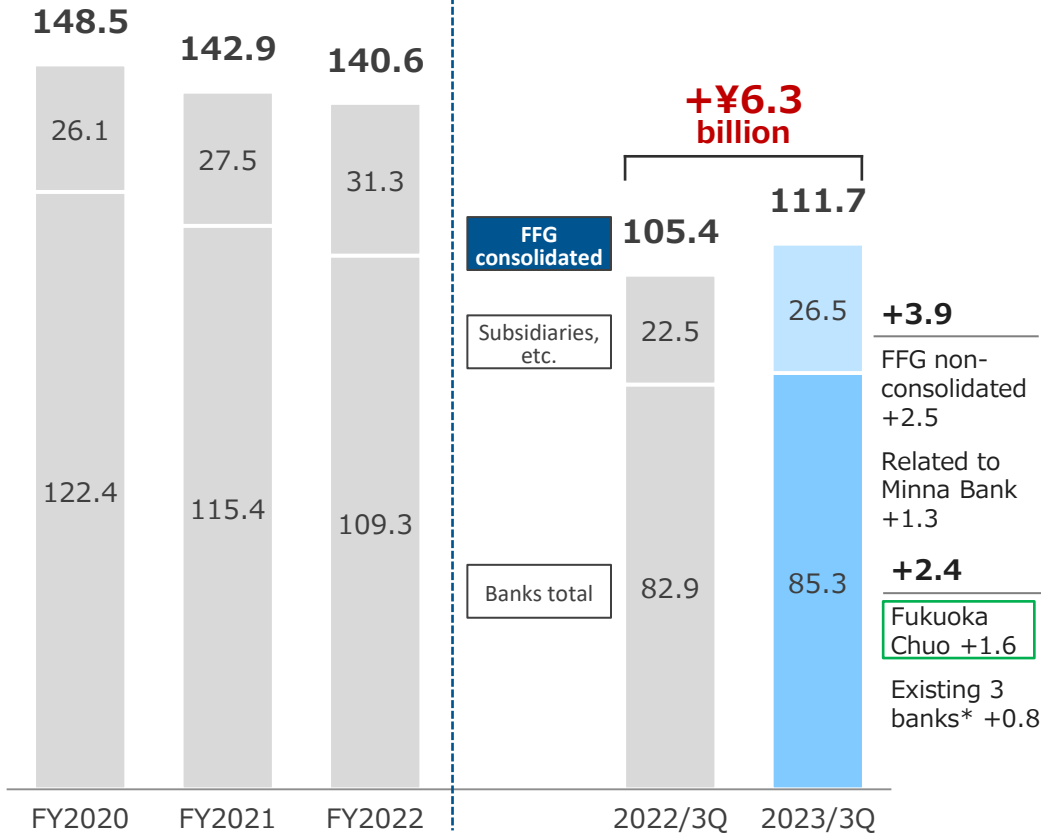
Profit & Loss

- Increased by ¥6.3 billion year-on-year due to growth investments (DX-related system costs, etc.) and business integration with the Fukuoka Chuo Bank
- Consolidated core OHR remained at about 60.0%, the same level as FY2022, thanks to the accumulation of gross business profit

Overhead expenses (FFG consolidated)

(Unit: ¥ bil.)

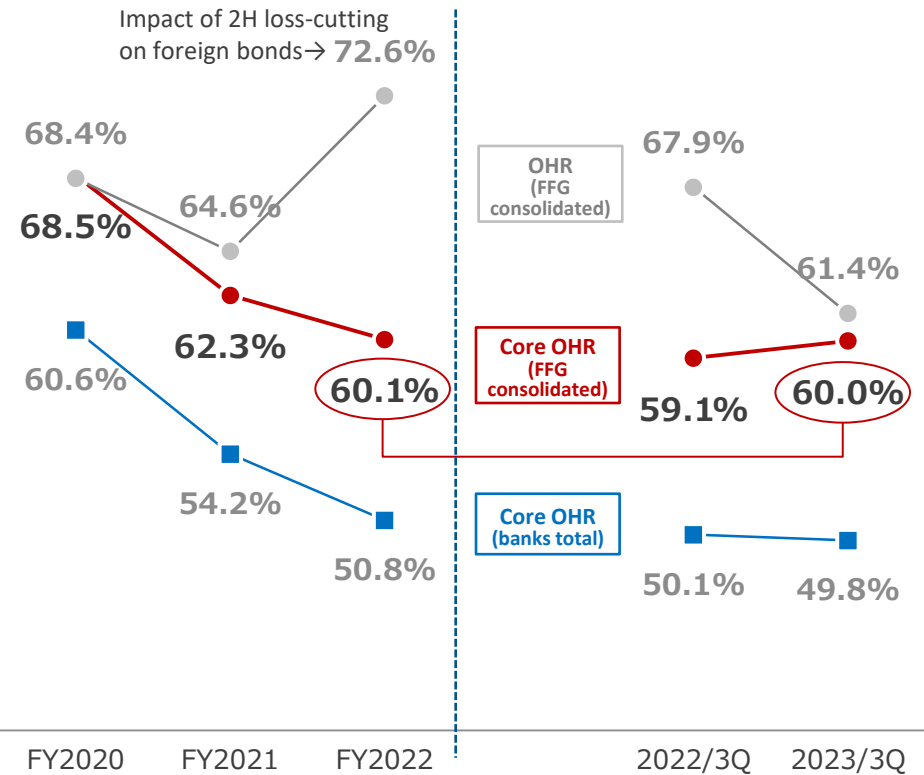
[Excluding non-recurring expenses]



Core OHR (FFG consolidated)

$$\text{OHR (\%)} = \frac{\text{Overhead expenses (excluding non-recurring expenses)}}{\text{Gross business profit}}$$

$$\text{Core OHR(\%)} = \frac{\text{Overhead expenses (excluding non-recurring expenses)}}{\text{Gross business profit (excluding gains (losses) on bonds)}}$$



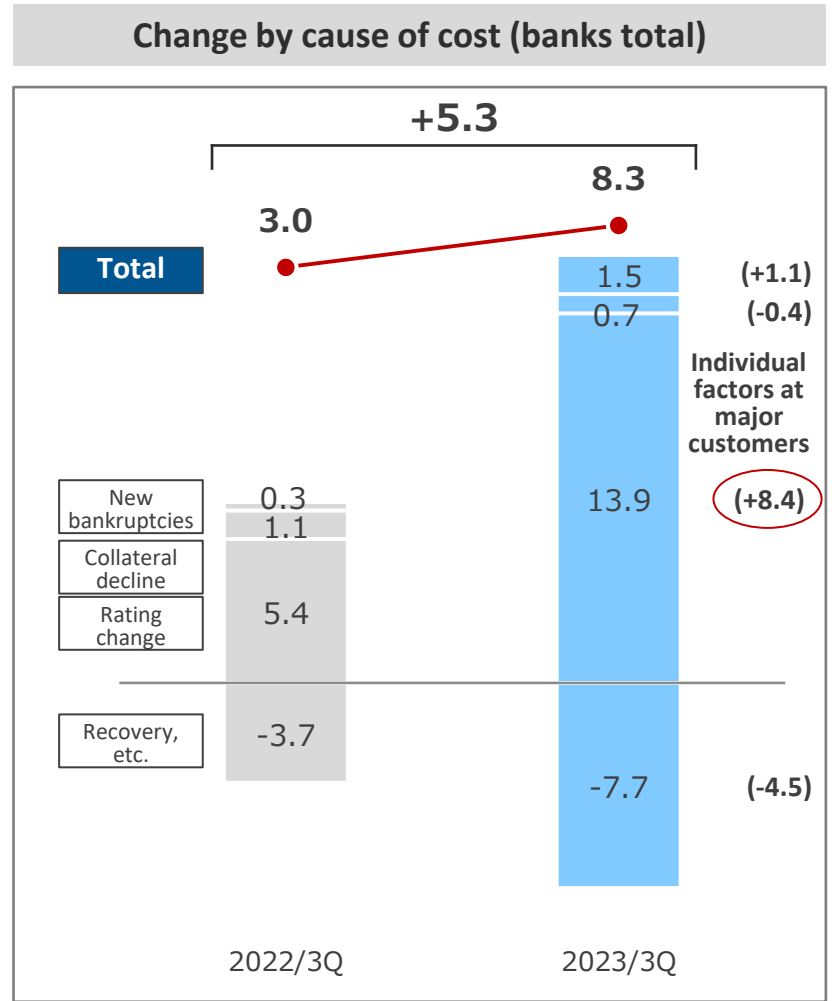
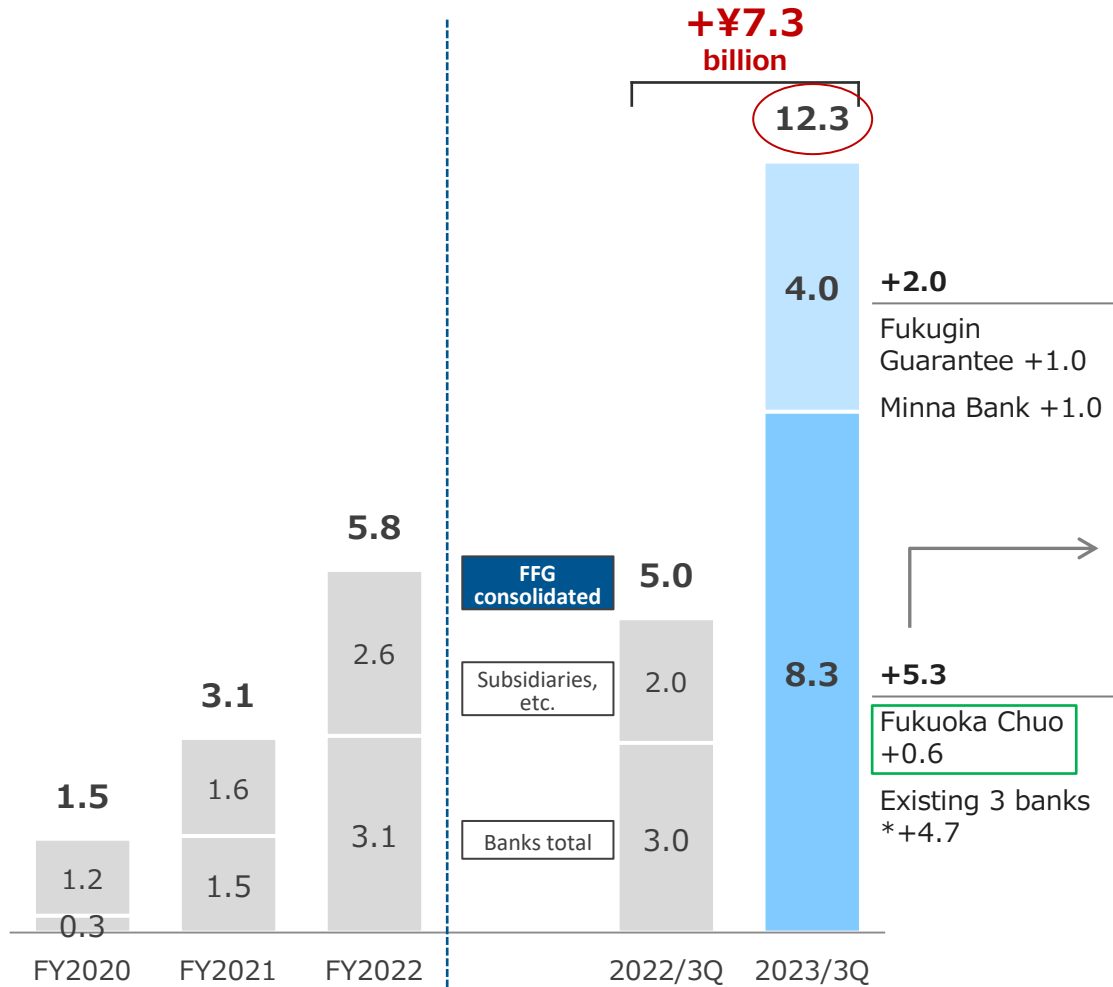
* Total of Fukuoka, Kumamoto and Juhachi-Shinwa

Consolidated Credit Cost

Profit & Loss

- Transferred a total of ¥12.3 billion (+¥7.3 billion year-on-year) for all banks due in part to individual factors at major customers (rehabilitation support, etc.)

Credit cost (FFG consolidated) (Unit: ¥ bil.)



* Total of Fukuoka, Kumamoto and Juhachi-Shinwa

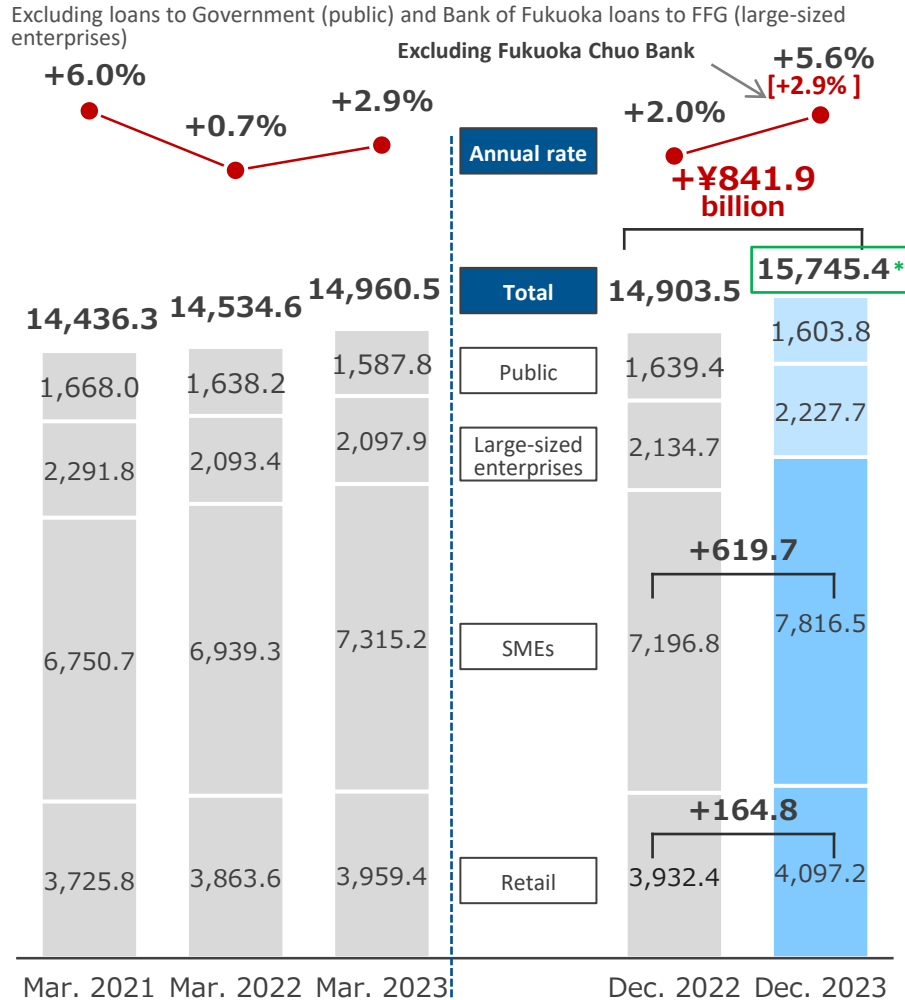
Loans

Assets and Liabilities, etc.

- Loans to major segments, both SMEs and retail, grew steadily (Annual rate excluding Fukuoka Chuo Bank: end of period +2.9%, average balance +2.8%)

Balance at end of period (banks total)

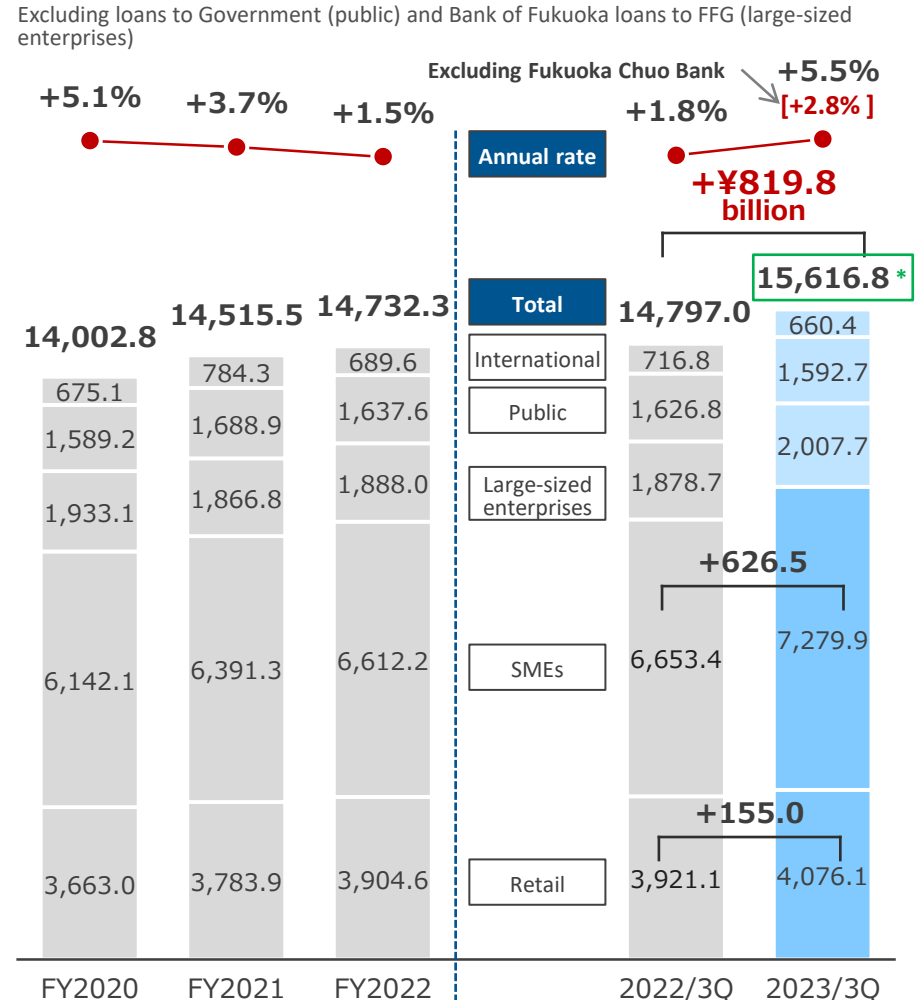
(Unit: ¥ bil.)



Average balance (banks total)

3Q: 3 months

(Unit: ¥ bil.)



* Including balance of Fukuoka Chuo Bank [non-consolidated] as of Dec. 31, 2023: ¥401.8 billion

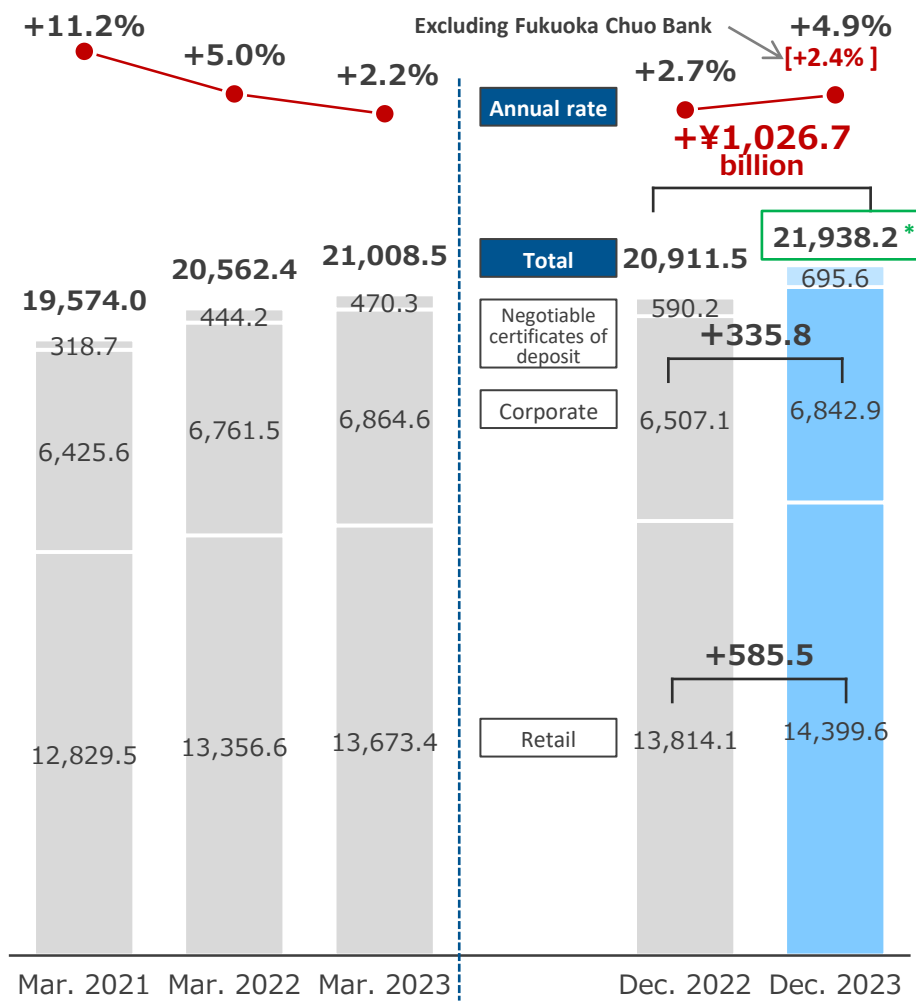
* Including average balance of Fukuoka Chuo Bank [non-consolidated]: ¥400.2 billion

Deposits, etc. (including negotiable certificates of deposit)

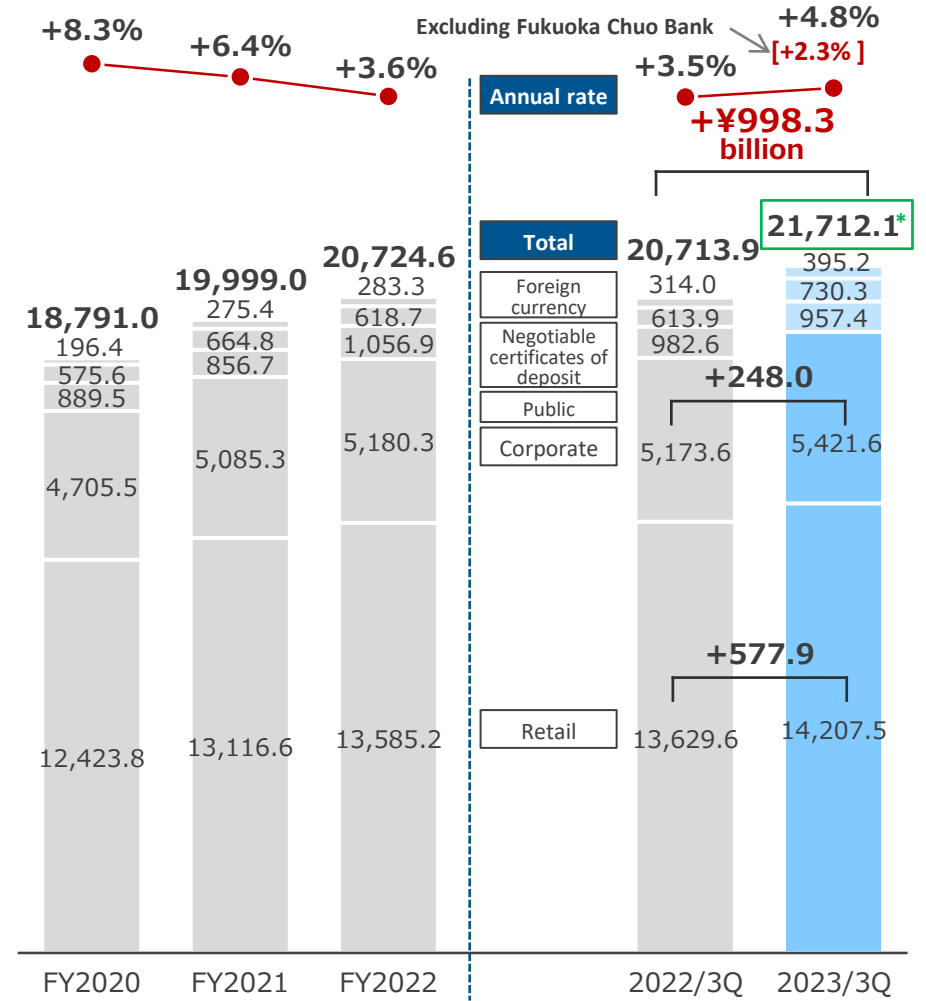
Assets and Liabilities, etc.

- Both personal deposits and corporate deposits remained strong (Annual rate excluding Fukuoka Chuo Bank: end of period +2.4%, average balance + 2.3%)

Balance at end of period (banks total) (Unit: ¥ bil.)



Average balance (banks total) 3Q: 3 months (Unit: ¥ bil.)



* Including balance of Fukuoka Chuo Bank [non-consolidated] as of Dec. 31, 2023: ¥528.0 billion

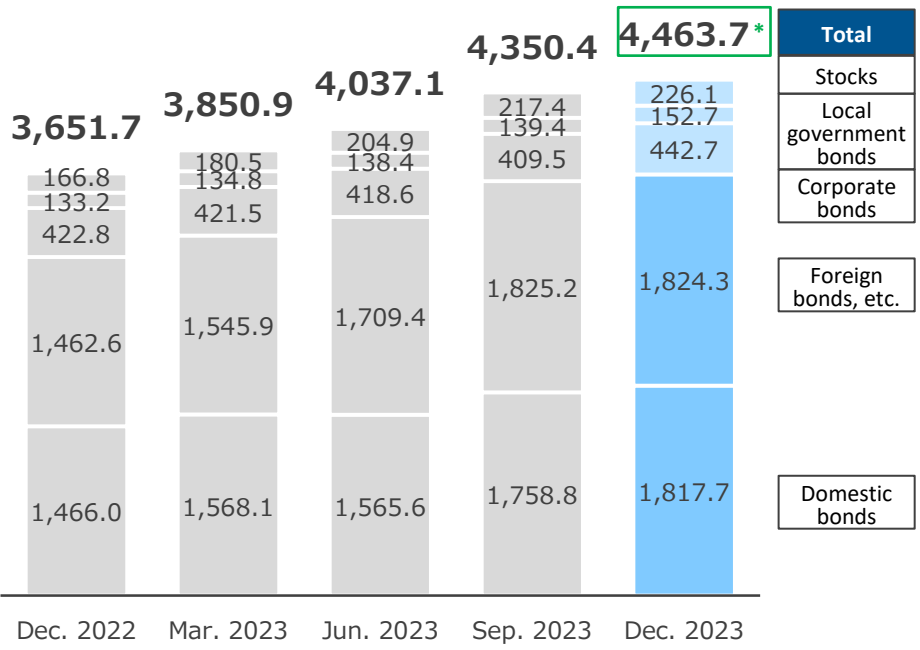
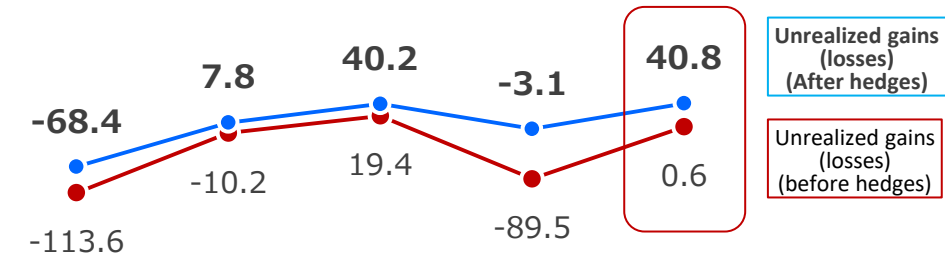
* Including average balance of Fukuoka Chuo Bank [non-consolidated]: ¥526.8 billion

Securities

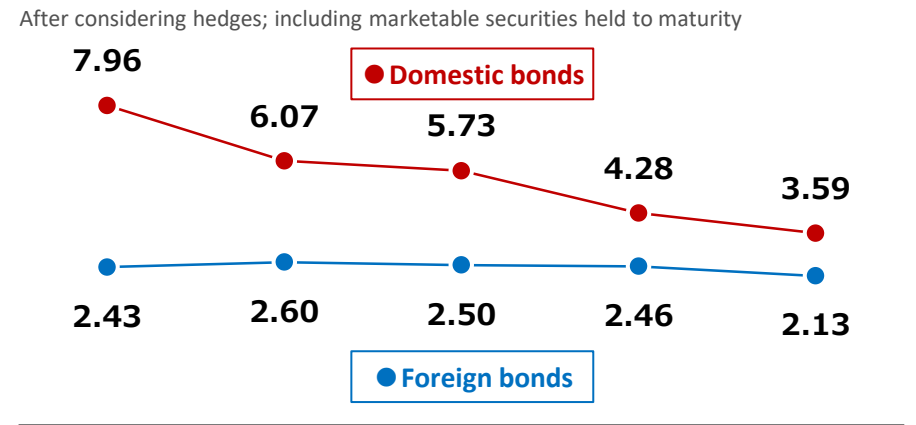
Assets and Liabilities, etc.

- Unrealized gains (losses) at the end of the period were positive both before and after considering hedges, on the back of rising bond prices associated with declining domestic and overseas interest rates

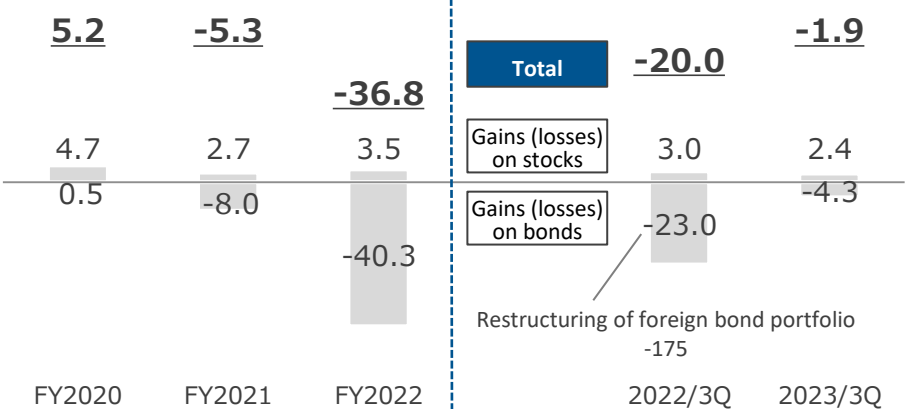
Balance at end of period, unrealized gains (losses) (FFG consolidated) (Unit: ¥ bil.)



Bond duration (banks total) (Unit: Years)



Gains (losses) on securities (FFG consolidated) (Unit: ¥ bil.)



* Including balance of Fukuoka Chuo Bank [non-consolidated] as of Dec. 31, 2023: ¥86.5 billion; unrealized gains (losses): unrealized gain of +¥0.8 billion

NPLs Disclosed under the FRL, Reserve for Possible Loan Losses

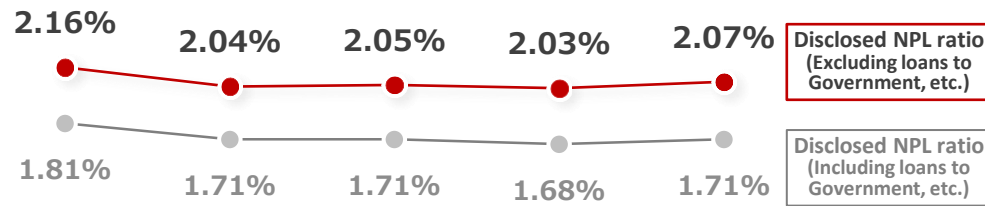
Assets and Liabilities, etc.

- Balance of disclosed NPLs remains low, and no deterioration in the loan portfolio has been seen
- The level of reserve for possible loan losses as a percentage of all loans (reserve ratio) has remained high at around 1.2%

Balance and ratio of disclosed NPLs under the FRL (FFG consolidated)

(Unit: ¥ bil.)

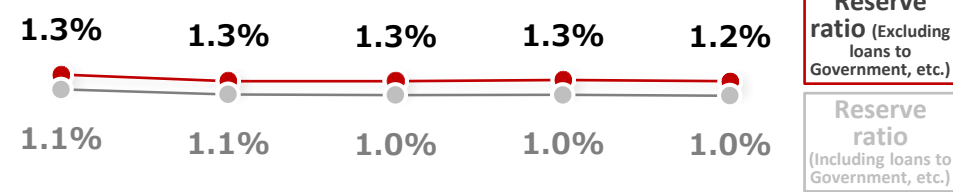
Excluding loans to Government and Bank of Fukuoka loans to FFG



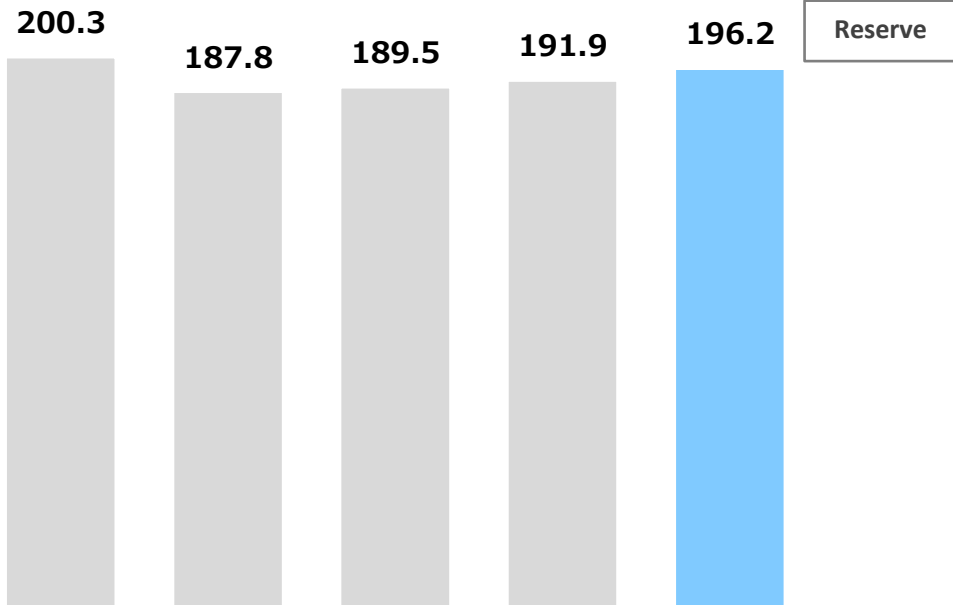
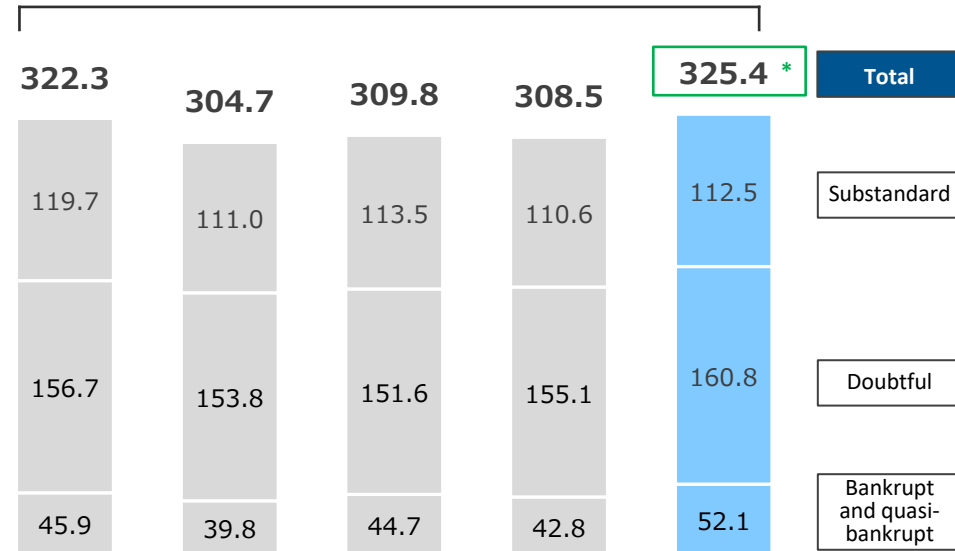
Reserve and reserve ratio (FFG consolidated)

(Unit: ¥ bil.)

Excluding loans to Government and Bank of Fukuoka loans to FFG
Reserve ratio = Reserve for possible loan losses ÷ Balance of total credit (FRL basis)



+¥3.1 billion



* Including balance of Fukuoka Chuo Bank as of Dec. 31, 2023: ¥15.6 billion; effect of disclosed NPL ratio: +0.04%

Minna Bank

Minna Bank

- Number of accounts has steadily increased; deposits increased by ¥2.5 billion from March to ¥25.2 billion (temporarily down from the September 2023 following the end of the campaign, etc.)
- Loans and cover exceeded ¥10 billion due mainly to growth in loans (NPL ratio is 7.06%)

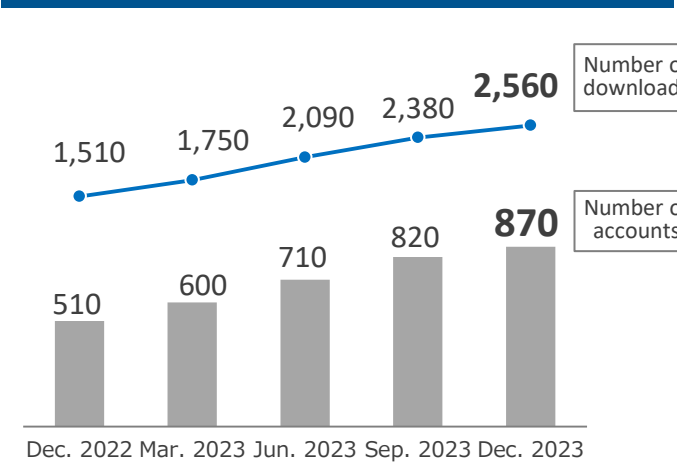
Balance sheet (Unit: ¥ bil.) (December 31, 2023)

Assets		Liabilities	
Cash and due from banks	4.0	Deposits	25.3
Call loans	5.0	Other liabilities	0.7
Monetary claims bought	0.0	Provision for retirement benefits	0.0
Securities	2.8	Provision for share awards	0.0
Loans and bills discounted	10.9	Total	26.1
Other assets	7.6	Net assets	
Property, plant and equipment	0.0	Share capital	8.2
Deferred tax assets	0.1	Capital surplus	8.2
Allowance for loan losses	-0.9	Retained earnings	-12.5
		Valuation difference on available-for-sale securities	-0.2
		Total	3.6
Total	29.8	Total	29.8

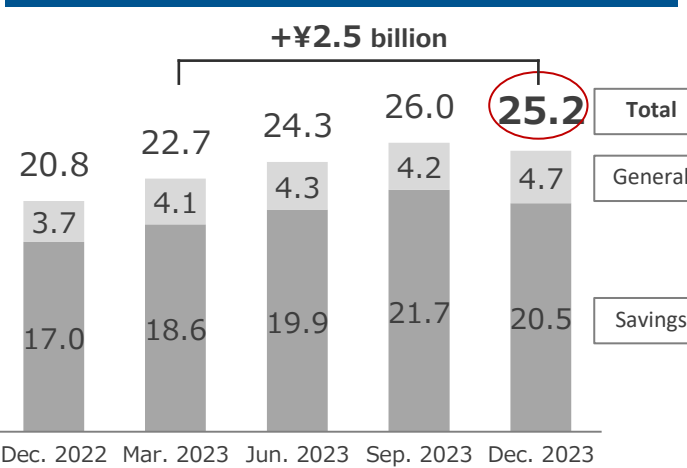
Profit & loss summary (Unit: ¥ bil.)

	2023/3Q	YoY chg	2023/3Q
Gross business profit	0.6	+0.7	-0.1
Net interest income	0.6	+0.6	0.1
Interest on loans and discounts	0.6	+0.6	0.1
Non-interest income (excl. gains (losses) on bonds)	0.0	+0.1	-0.1
Overhead expenses (-)	4.6	+1.0	3.6
Core business profit	-3.9	-0.3	-3.6
Ordinary profit	-5.0	-1.3	-3.8
Net income	-3.8	-1.0	-2.8
Credit cost (-)	1.1	+1.0	0.1

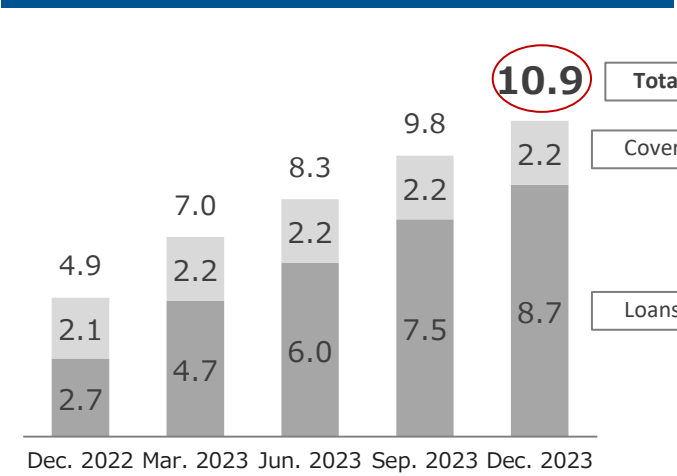
Number of downloads and accounts (Unit: Thousands)



Balance of deposits (excluding special deposits) (Unit: ¥ bil.)



Balance of loans and cover (Unit: ¥ bil.)



NPLs disclosed under the FRL (Unit: ¥ bil., %)

