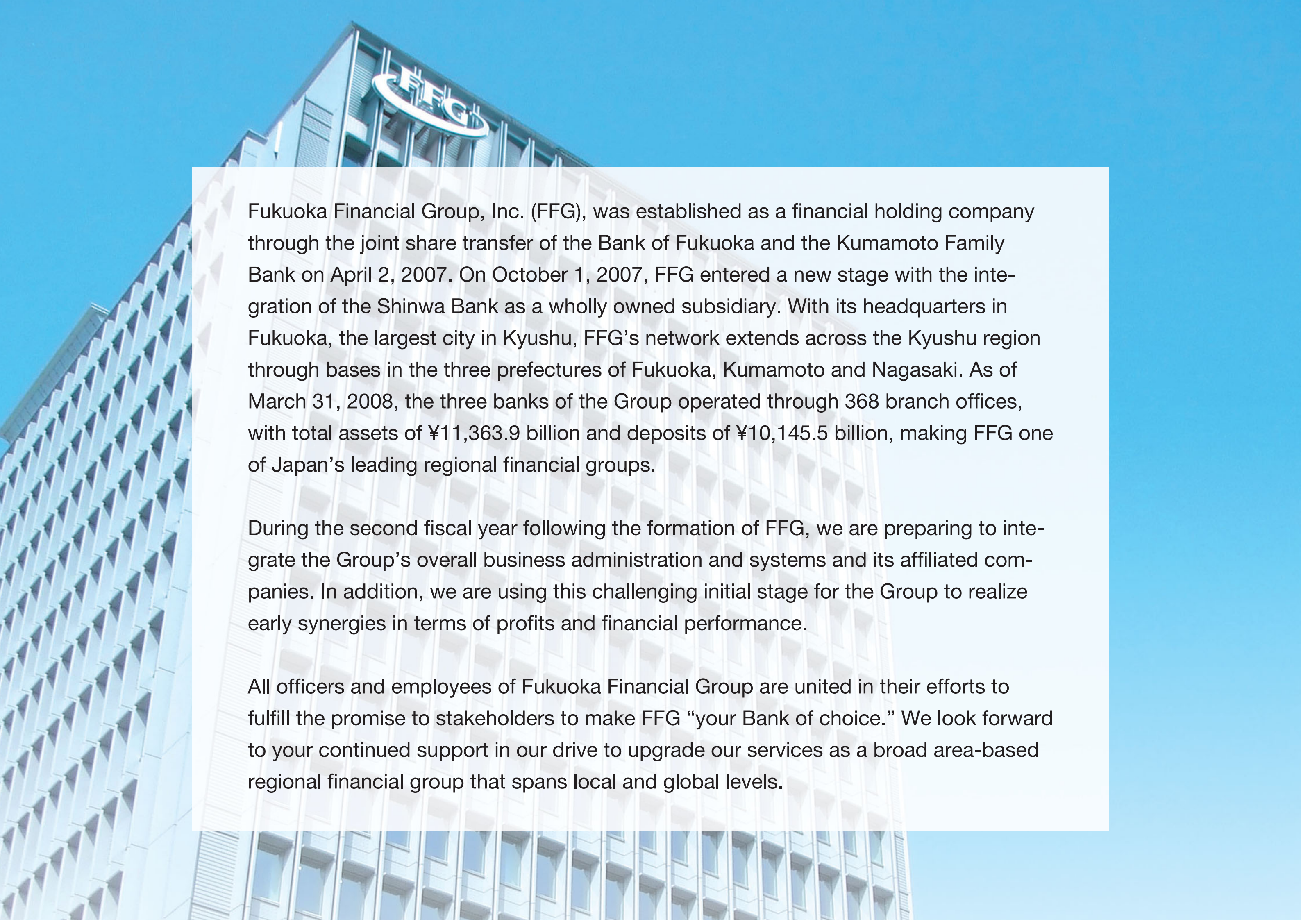
Fukuoka Financial Group

Annual Report 2008

Year ended March 31, 2008



Fukuoka Financial Group, Inc. (FFG), was established as a financial holding company through the joint share transfer of the Bank of Fukuoka and the Kumamoto Family Bank on April 2, 2007. On October 1, 2007, FFG entered a new stage with the integration of the Shinwa Bank as a wholly owned subsidiary. With its headquarters in Fukuoka, the largest city in Kyushu, FFG's network extends across the Kyushu region through bases in the three prefectures of Fukuoka, Kumamoto and Nagasaki. As of March 31, 2008, the three banks of the Group operated through 368 branch offices, with total assets of ¥11,363.9 billion and deposits of ¥10,145.5 billion, making FFG one of Japan's leading regional financial groups.

During the second fiscal year following the formation of FFG, we are preparing to integrate the Group's overall business administration and systems and its affiliated companies. In addition, we are using this challenging initial stage for the Group to realize early synergies in terms of profits and financial performance.

All officers and employees of Fukuoka Financial Group are united in their efforts to fulfill the promise to stakeholders to make FFG "your Bank of choice." We look forward to your continued support in our drive to upgrade our services as a broad area-based regional financial group that spans local and global levels.

Contents

About the Fukuoka Financial Group 1
Kyushu, FFG's Home Market 2
Message from the President 4
FFG's Second Mid-Term Management Plan 10
Financial Highlights
Fukuoka Financial Group 12
The Bank of Fukuoka 13
The Kumamoto Family Bank 14
The Shinwa Bank 15

Special Feature: FFG's Three Promises 16
Corporate Governance 18
Compliance Measures 19
Risk Management Activities 20
CSR 26
Financial Section 29
Corporate Data 52

Disclaimer Regarding Forward-looking Statements

The forward-looking statements in this annual report are based on management's assumptions and beliefs in light of information available up to the date of publication, and involve both known and unknown risks and uncertainties. Actual financial results may differ materially from those presented in this document, being dependent on a number of factors.

About the Fukuoka Financial Group

Group Management Principles

FFG aims to become a financial group that creates values for all stakeholders by:

- **Enhancing perception and taking actions without fear of failure,**
- **Pursuing high quality for future progress, and**
- **Bolstering people's optimum choices.**

Enhancing perception and taking actions without fear of failure

With our inquisitive "antenna" raised at all times for a wide variety of information and current world trends as well as sensitivity that allows us to be responsive, we are constantly refining our determination to take actions in various situations without fear of failure.

Pursuing high quality for future progress

We will evolve steadily by placing some of our focus on the future. FFG's mission is to offer, with the best manners possible, products and services that are genuinely valuable to people.

Bolstering people's optimum choices

FFG's objectives are working with customers and partners to come up with ideas, handling problems and making choices.

Through these management principles, we aim to be recognized as a value-creating partner by our customers, the regional community, shareholders, and our colleagues.

The FFG Brand

Putting into practice the Group's management principles, FFG aims to express its core value as its commitment delivering real value to customers, shareholders and the regional community. The Bank will also continue to develop its brand slogan, "To be your Bank of choice."

● Brand Slogan

"To be your Bank of choice"

● Symbol

● Core Values (the pledge to our customers embodied in our slogan)

Your closest bank ——— We will lend a sympathetic ear to, converse with and collaborate with customers.
Your reliable bank ——— Using our vast knowledge and information, we will offer optimal solutions to each and every one of our customers.
Your sophisticated bank — As a professional financial service group, we will continue to make proposals that exceed the expectations of our customers.

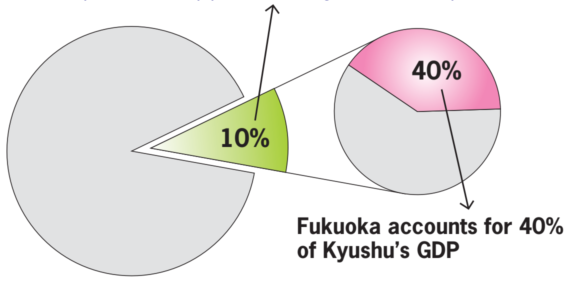
- Fukuoka, a town referred to as the face of Kyushu, is therefore at the beginning of the name Fukuoka Financial Group. The visual image and sound of the word "Fukuoka" expresses our Group's growth, rapid progress and stability.
- The message embodied in our symbol is "Link = Ring." Our desire to become a link between regions, people and companies is represented by a dynamic ring.
- The color blue represents the "brilliant sea and sky" of Kyushu, as well as our affection for the region beyond prefectural borders and organizational frameworks.

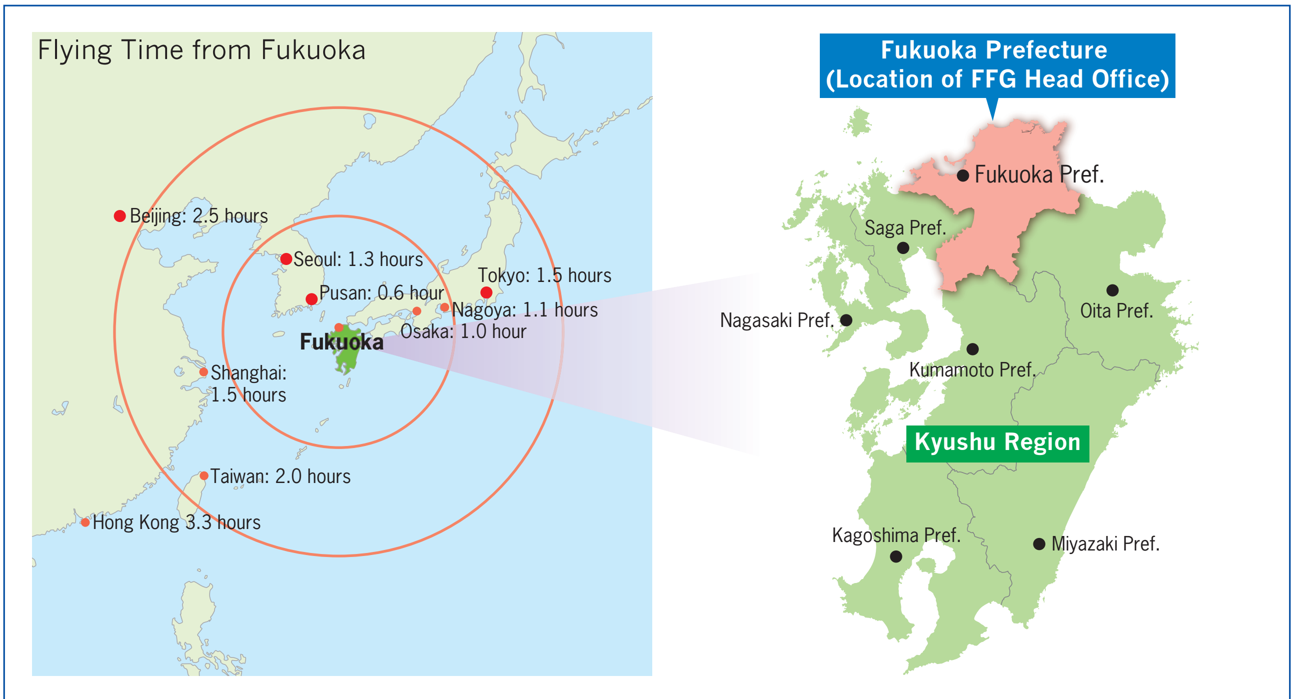
Profile of Fukuoka

◆Gateway to Asia
- To Beijing, China: 1,000 km, 150 min.
- Three million people from around the world travel to and from Japan via Fukuoka annually

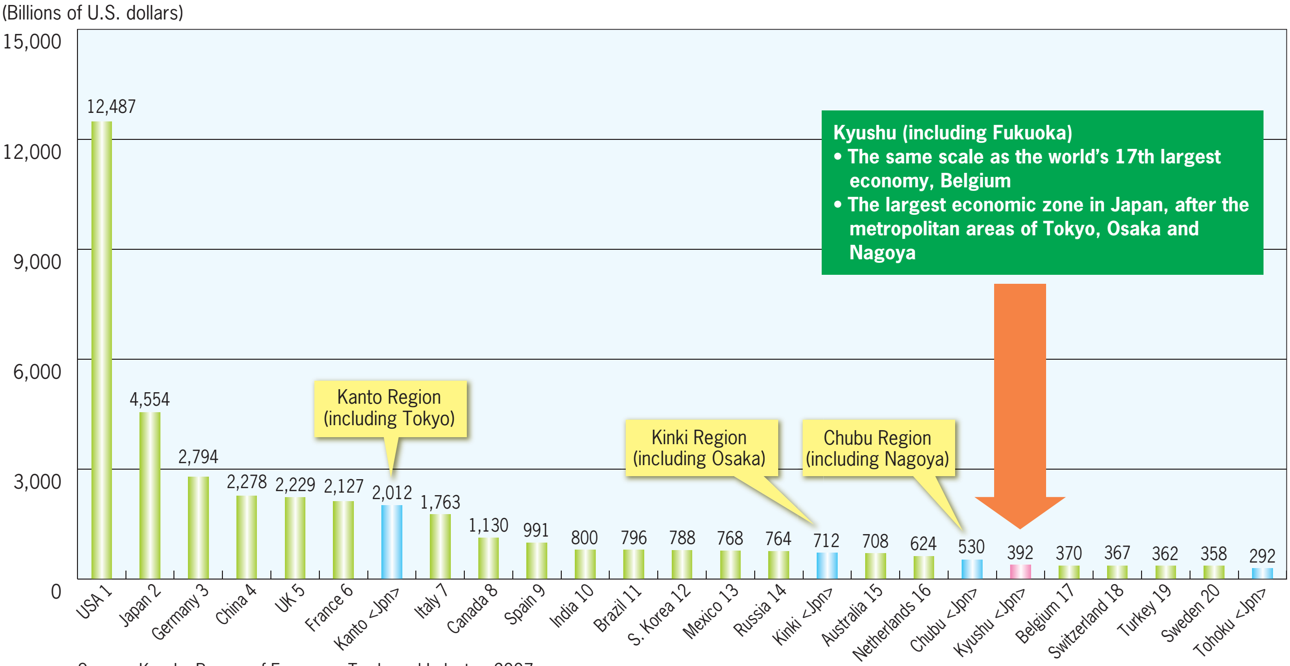
◆Hub to Greater Kyushu region
- Accounts for 40% of Kyushu’s population and gross production
- Continuous population growth
- Regional hub for economic activity, information, leisure and logistics, with professional human resources

Kyushu represents approximately 10% of Japan’s GDP





Comparison of Economic Scale (GDP)

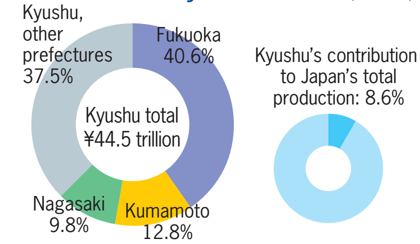


Source: Kyushu Bureau of Economy, Trade and Industry, 2007

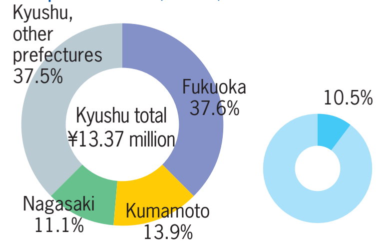
Analysis by Prefecture

- In terms of gross prefectural production, population and number of business premises in Kyushu, the three prefectures of Fukuoka, Kumamoto and Nagasaki account for more than 60% of the total. Fukuoka Prefecture alone accounts for about 40%.
- In terms of loans, deposits and commercial sales, the three prefectures of Fukuoka, Kumamoto and Nagasaki account for more than 70% of the total. Fukuoka Prefecture alone accounts for about 50%.

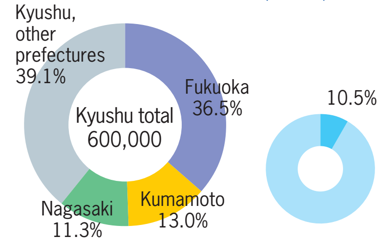
●Production by Prefecture (2005)



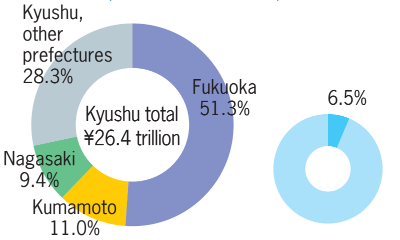
●Population (2007)



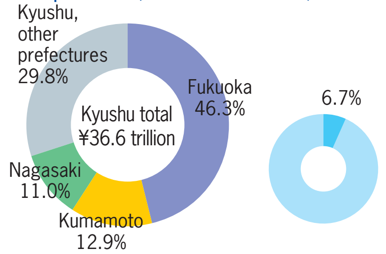
●Business Premises (2006)



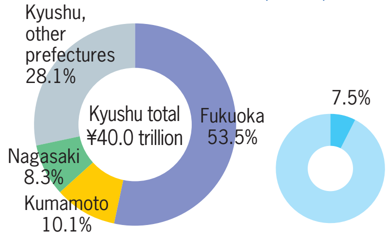
●Loans (March 31, 2008)



●Deposits (March 31, 2008)

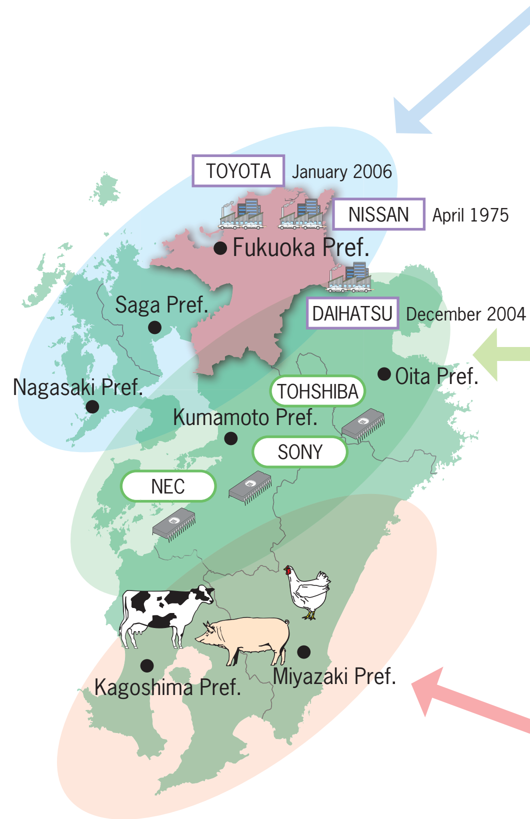


●Commercial Sales (2004)



Sources: *Kyushu Data Book 2008*, Nishinippon Shimbun Co., Ltd., and Bank of Japan

Kyushu, the Island of Cars, Silicon and Food

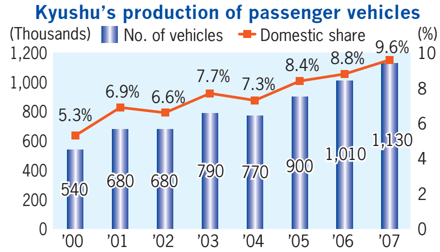


Northern Kyushu, a center for the automobile industry

Produces 1 million vehicles per year

Kyushu, with planned annual production of more than 1 million vehicles, is an important car-producing region, accounting for 10% of Japan's automobile output.

Kyushu's production of passenger vehicles



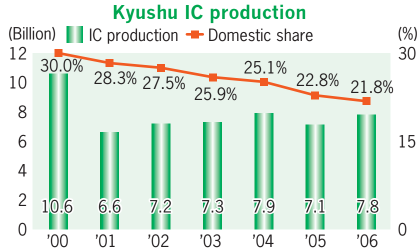
Source: Kyushu Bureau of Economy, Trade and Industry

Central Kyushu, a center for semiconductor production

22% of Japan's semiconductor production

Kyushu is home to a flourishing semiconductor industry, facilitated by its high-quality water sources, abundant workforce and well-developed infrastructure of roads and ports. It represents approximately 22% of Japan's total semiconductor production.

Kyushu IC production



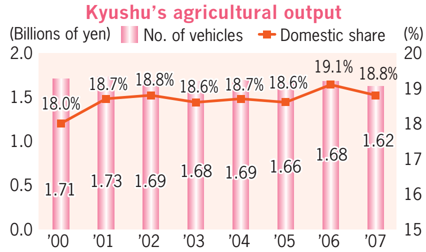
Source: Kyushu Bureau of Economy, Trade and Industry

Southern Kyushu, the nation's breadbasket

A ¥1.6 trillion industry

Blessed with abundant natural land and sea resources, Southern Kyushu accounts for approximately 20% of Japan's total agricultural output.

Kyushu's agricultural output



Source: Kyushu Bureau of Economy, Trade and Industry

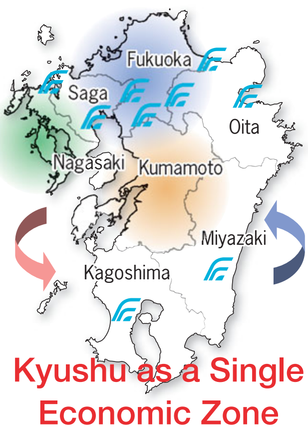
I would like to thank all our stakeholders for their support and patronage. The Fukuoka Financial Group (FFG) was formed in April 2007 through the joint share transfer of the Bank of Fukuoka and the Kumamoto Family Bank. This new structure set the stage for broad-based expansion throughout the Kyushu region, spearheaded by the Bank of Fukuoka. This gave us new status as a financial holding company. Subsequently, we integrated the Shinwa Bank as a wholly owned subsidiary in October 2007. This is the second fiscal year since these mergers, and the dominating issues for our business operations have been implementation of measures for groupwide business and systems integration and the consolidation of branch networks and affiliated companies. At the same time, the Group now faces the challenge of achieving its initial performance targets, demonstrating the first round of successes as a result of the integration.

Broad area-based business model seamlessly covering the entire Kyushu both horizontally and vertically

- The three umbrella banks will pursue horizontal coverage at their respective home markets of Fukuoka, Kumamoto and Nagasaki prefectures. Each bank will establish thorough relations with its clients and further cultivate its existing franchise. The Group will promote vertical coverage to the rest of the Kyushu region by leveraging the branch network of the core bank, the Bank of Fukuoka, to expand the customer base further.
- FFG's broad area-based strategy makes full use of the Group's scale of operations as one of the largest regional financial groups in Japan, its seamless coverage and customer base extending over a broad region, and the cross-selling of quality products and services.
- In the lending business, FFG's share of the Kyushu market is currently 25%. The aim is to increase this level to 30% within five years.

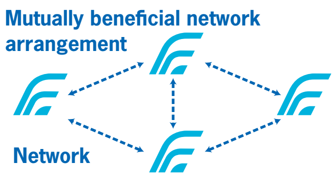
Horizontal coverage

- Further develop core markets—Fukuoka, Kumamoto and Nagasaki—to be the No. 1 bank in the region
- Concentrated network of branches in northern Kyushu



Vertical coverage

- Marketing network based on the Bank of Fukuoka's branches in other prefectures
- Remote development from headquarters of client liaison staff, taking advantage of time and distance from Fukuoka



Network of branches in three prefectures in Southern Kyushu and in Honshu, Japan's largest island

Group Targets for Lending and Market Share by Prefecture

	Current	At the Conclusion of the Mid-Term Management Plan (March 31, 2010)	Targets for Five Years after Plan Instigation (March 31, 2012)
Fukuoka	29%	32%	Aim for the mid-30% range
Nagasaki	31%	28%	In excess of 30% Regain the top position in the prefecture
Kumamoto	22%	24%	In excess of 25% Increase shares through collaboration with Bank of Fukuoka
All Kyushu	25%		In excess of 30%

Basic Policy and Sales Strategy for Group Banks

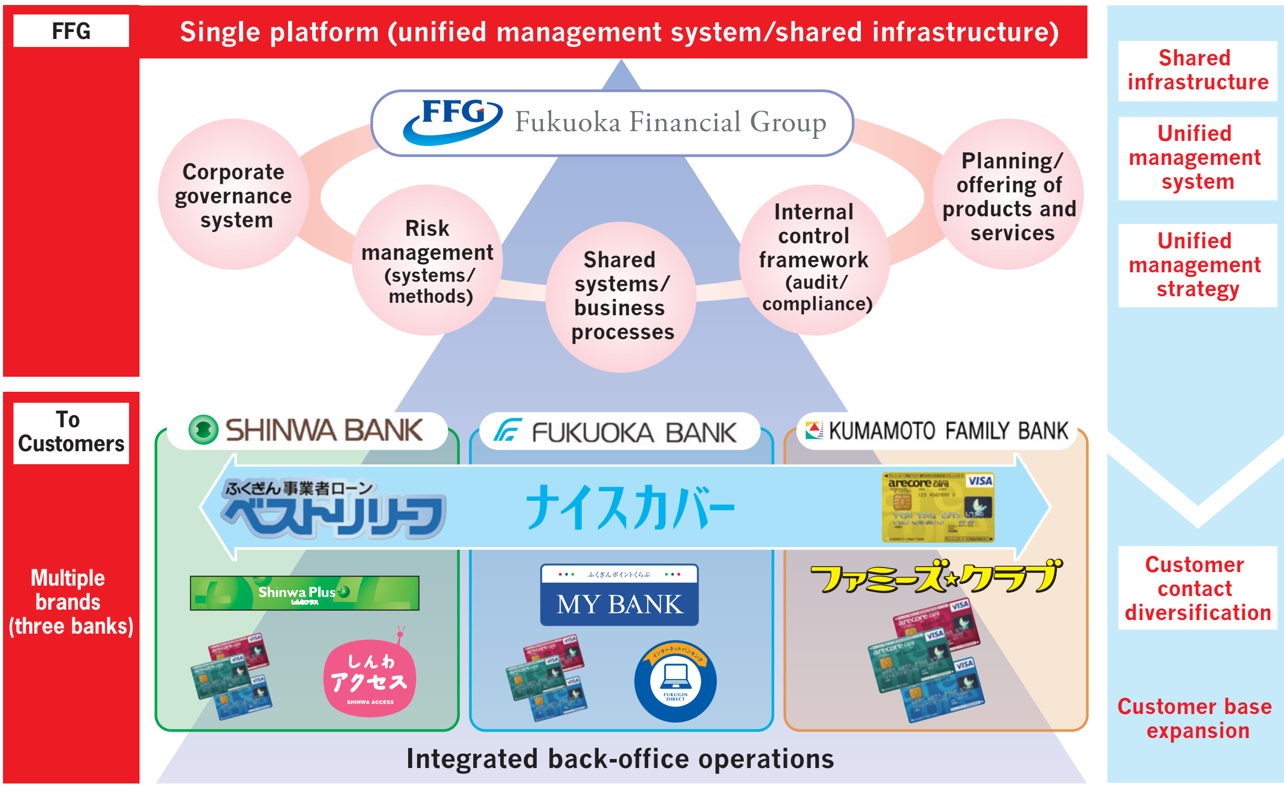
Core Bank	The Bank of Fukuoka	• Implement full marketing lineup • Enhance the base of operations in home market of Fukuoka • Expand into other prefectures in Kyushu • Accumulated advanced financial methods
Area Banks	The Shinwa Bank	• Further develop Nagasaki market • Concentrate human resources in Nagasaki Prefecture • Market solutions • Improve risk-taking ability
	The Kumamoto Family Bank	• Further develop Kumamoto market • Revise marketing style

Support and collaborate with area banks

Masaaki Tani
President

Multi-brand/single-platform management style to provide FFG's three banks with communal management infrastructure, while integrating Head Office planning functions across the Group

- Regional banks in Japan have strong brand power in the regional community, with customers and local governments. Accordingly, FFG's strategy leverages regional branding strength to expand its business.
- The three banks will work to expand their customer base by leveraging brand strength at the point of contact with customers.
- FFG, the holding company, will function as a headquarters, providing a common platform to the three banks, handling such functions as corporate governance, risk management and marketing.
- Back-office operations will be integrated as extensively as possible to realize synergy effects akin to a merger process. Also, a highly competitive IT system and effective administrative and processing systems will be established.
- This multi-brand, single-platform structure is the very core of FFG's management system.



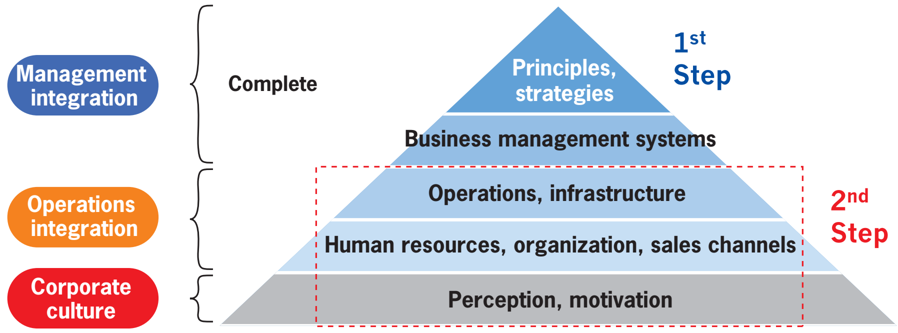
Progressing from Management Merger to the Integration of Operations and a Shared Business Philosophy

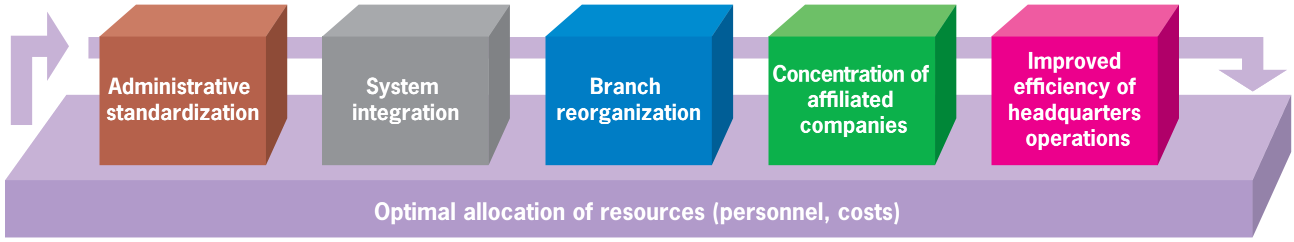
We have completed the first year of the management integration stage for our management principles and strategies. During the second year, we will fully integrate remaining business areas and foster a shared corporate culture throughout the Group.

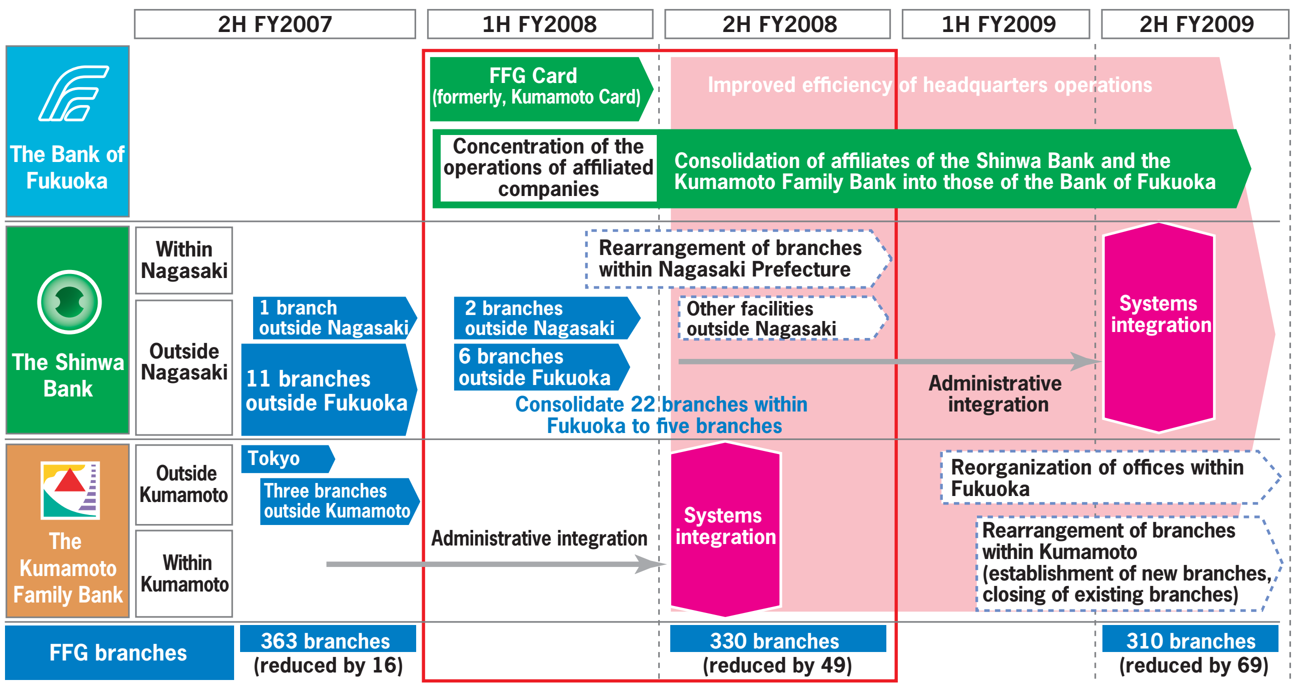
We have progressed smoothly with the integration of the Kumamoto Family Bank and the Shinwa Bank through the process of branch office elimination and consolidation, which was begun during the previous fiscal year, and 50 branch offices will be integrated during the current fiscal year. In January 2009, we plan to complete the system integration with the Kumamoto Family Bank and with the Shinwa Bank a year later.

After integration of systems and other functions, we will be able to unify back-office operations by consolidating the affiliated companies of the three banks and integrating their business and systems. This step will provide advantages of scale and step up the pace of improvements to efficiency.

●Three integration processes







Note: Figures in parentheses indicate comparisons with the 379 branches that existed as of September 30, 2007.

Maximizing the Synergistic Effects of Integration

For FFG, maximizing the synergistic effects of the integration of its three banks is a prime management issue. Through the business integration of the Group's banks, the number of FFG employees will be reduced by 740 before the end of the final year of the Mid-Term Management Plan. With an additional 260 employees dispatched externally through personnel transfers, the workforce should be rationalized by some 1,000 jobs. Increasing the ratio of staff per branch and through the transfer of sales expertise from the Bank of Fukuoka to the Shinwa Bank and the Kumamoto Family Bank should achieve simultaneous reductions in costs and improvements in profits. By the final year of the Mid-Term Management Plan, we anticipate benefits from synergies amounting to approximately ¥13.8 billion.

In terms of expenses, we have to bolster investment relating to systems integration for the Kumamoto Family Bank and the Shinwa Bank and aggressive investment in branch offices. However, we can implement various cost-reduction measures utilizing the Bank of Fukuoka's streamlining expertise and advantages of scale to achieve cost reductions of ¥6.6 billion by the final year of the Mid-Term Management Plan, compared with the fiscal year ended March 31, 2008, with plans to hold costs to ¥111.5 billion for all three banks. In particular, the effect of enhanced efficiency on personnel expenses should represent reductions amounting to ¥4.5 billion through adjustments to recruitment and expansion of personnel transfers.

Disposal of Non-Performing Loans and Credit Costs

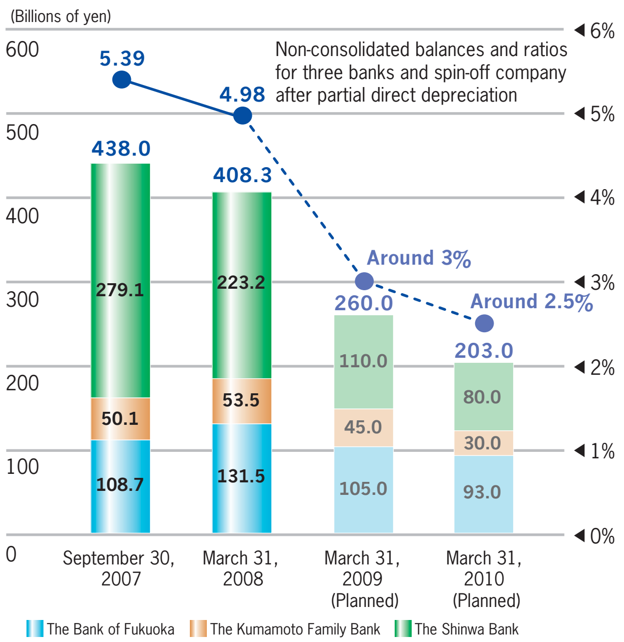
One management issue for FFG is holding down non-performing loans over the short term to control credit costs for the Kumamoto Family Bank and the Shinwa Bank. As of March 31, 2008, disclosed non-performing loans were down ¥29.7 billion compared with September 30, 2007, with a balance of ¥408.3 billion. This represented a 0.4 percentage point decrease in the ratio of non-performing loans, to 4.98%.

During the last fiscal year, FFG moved off its balance sheets ¥215.0 billion in non-performing loans. The Kumamoto Family Bank has already reached its peak using this method for the treatment of non-performing loans, and the Shinwa Bank will hit its maximum at around ¥140.0 billion during the current term, with a substantial reduction to approximately ¥50.0 billion anticipated for the next fiscal year.

Credit costs for the previous fiscal year exceeded planned amounts by ¥6.0 billion for the Bank of Fukuoka and by ¥9.0 billion for the Kumamoto Family Bank. Revisions to Japan's Money Lending Business Control and Regulation Law and the tightening of its Building Codes have had some impact on regional businesses, leading to a conservative approach to bolstering reserves.

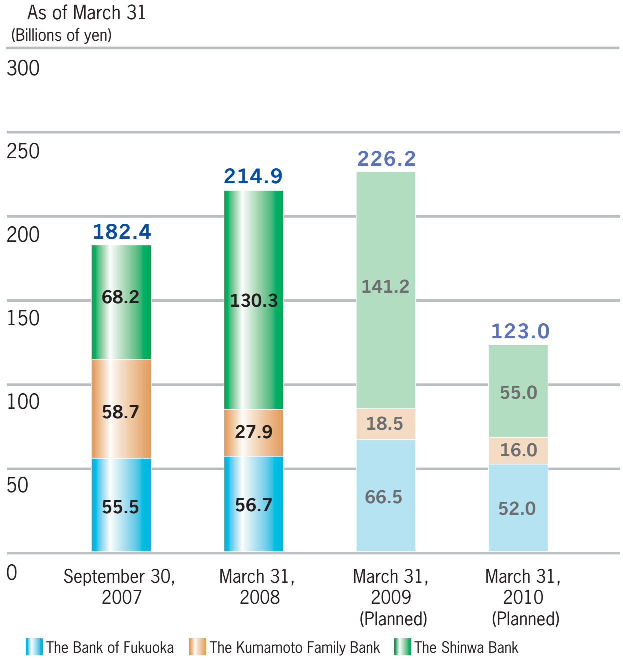
●Balance and Ratio of Non-Performing Loans

As of March 31



●Off-Balance-Sheet Treatment of Non-Performing Loans

As of March 31



FFG's Vision for the Future: First-Class Japanese Regional Financial Group, with Operations Commensurate with Size

- Our vision is to become a first-class regional financial group in Japan, with corresponding substance and volume.
- The phase up to March 31, 2010 under the current mid-term management plan is bound to experience slow growth, due to the disposal of non-performing loans by the two integrated banks and the business integration process.
- However, these two years are the run-up phase to rapid growth. As Group management becomes more sophisticated and improvements to the balance sheet and income statement are completed, the next mid-term management period will usher in rapid growth phase. By that time, our targets for fiscal 2011, five years after integration, will be more closely in our sights.
- After completing the rehabilitation of the Shinwa Bank and the Kumamoto Family Bank, which were previously struggling to establish sound management, we will become an open regional financial group that is capable of conducting mergers and acquisitions with any business format.

Run-up Phase to Rapid Growth

Final Year of the Second Mid-Term Management Plan (FY2009)

Core business profit	¥88.5 billion
Consolidated net income	¥33.5 billion
Consolidated ROE	Around 6%
Overhead ratio	Around 55%
Total assets	¥12 trillion
Total loans	¥8.4 trillion
Deposits and CDs	¥10.5 trillion
Ratio of non-performing loans	2% to 3%
Capital adequacy ratio	About 9%

- **Creation of FFG corporate culture**
- **Rapid achievement and maximization of the synergy effects of integration**
- **Establishment of unified Group management**

More sophisticated Group management

- Systems integration (unification of business management infrastructure)

Improving the balance sheet

- Completion of the disposal of non-performing loans for Kumamoto Family Bank and Shinwa Bank
- Restructuring of the loan portfolio
- Reconstruction of the funding structure, such as for deposits
- Systems integration (unification of product and service infrastructure)

Improving income statements

- Transfer of business expertise
- Systems integration (unification of infrastructure for developing and selling products and services)
- Integration of branches and sales channels
- Efficient allocation of Group human resources
- Integration of affiliated companies

Rapid growth phase

Vision for FFG in Five Years (FY2011)

Core business profit	More than ¥120 billion
Consolidated net income	More than ¥65 billion
Consolidated ROE	Mid 8% level
Overhead ratio	40% to 50%
Total assets	¥13 trillion
Total loans	Around ¥9.5 trillion
Deposits and CDs	Around ¥11.5 trillion
Ratio of non-performing loans	1% to 2%
Capital adequacy ratio	10% to 20%

- **First-class Japanese regional financial group with operations commensurate with its size**
- **An open regional financial group structure**

FFG's dividend policy

In addition to its target of being a financial institution that creates value for all its stakeholders, FFG has established a performance-related dividend policy to ensure it meets shareholders' expectations. FFG is implementing a policy of dividend payments corresponding to the level of consolidated net income.

● Dividend Policy for the Second Mid-Term Management Plan

- Maintaining current performance-related dividend payments

  Note: The table may be extended in accordance with rises in income level.

- Defining the dividend amount per share in stages according to the level of FFG's consolidated net income
- Paying dividends based on the dividend table below

• Dividend Table

FFG's consolidated net income level	Dividend target
Up to ¥25 billion	¥7 per share
¥25 billion up to ¥30 billion	¥8 per share
¥30 billion up to ¥35 billion	¥9 per share
¥35 billion up to ¥40 billion	¥10 per share
¥40 billion up to ¥45 billion	¥11 per share
¥45 billion up to ¥50 billion	¥12 per share
¥50 billion up to ¥55 billion	¥13 per share
¥55 billion or more	¥14 per share

Note: FFG's consolidated net income represents profit after the amortization of goodwill.

● FFG's Dividend Policy Approach

• Group's target payout ratio = More than 20%

$$\text{Group's dividend payout ratio} = \frac{\text{Total amount of FFG dividends}}{\text{FFG's consolidated net income (after amortization of goodwill)}}$$

• Target Dividends per Share

FFG's consolidated net income		Dividends per share	Dividend payout ratio
FY2007	¥1.2 billion	¥7	171.6%
FY2008	¥25.0 billion	¥8	23.7%
FY2009	¥33.0 billion	¥9	20.2%

To Our Stakeholders

By consolidating and integrating our bank networks built up over the years with the help of our stakeholders, we will continue on our mission to become a regional financial group featuring broad-based development that covers the Kyushu region. The officers and employees of the Group are united in the aim of making FFG "your Bank of choice." We aim to be "your closest bank" and a partner for regional communities, business associates, and customers. We also aim to be "your reliable bank" in the provision of services and products; and "your sophisticated bank" as a vanguard financial institution.

November 2008

Masaaki Tani

President

FFG's Second Mid-Term Management Plan (from October 1, 2007 to March 31, 2010)

FFG has taken the consolidation of the Shinwa Bank on October 1, 2007, as an opportunity to launch its new Mid-Term Management Plan. Concurrently, the mid-term management plans of the Bank of Fukuoka, the Kumamoto Family Bank and the Shinwa Bank were formulated in line with the policies of FFG's new plan.

Based on this new plan, the Group is developing a unified management strategy to provide enhanced services through a wide network. This approach is commensurate with our new image as a broad area-based regional financial group. Furthermore, through unified Group management effectively utilizing its resources, we aim to realize early synergistic effects of integration.

■ Positioning of the Second Mid-Term Management Plan

■ Basic policy of FFG's Second Mid-Term Management Plan

The Second Mid-Term Management Plan aims to establish a single Group management system and to expand FFG's customer base through uniform management strategies. The basic policy underpinning the plan is to maximize at an early stage the synergistic effects of integration by sharing business administration and IT functions and pursuing merits brought about by human resource integration.

Basic Policy

◆ Establishment of a single Group management system
◆ Early maximization of the synergistic effects of integration
◆ Creation of an FFG culture

■ Period of Implementation

Term of the Plan: 2.5 years, from October 1, 2007, to March 31, 2010

■ Target Management Indices

The following four management indices are targeted for the final year of the Second Mid-Term Management Plan (FY2009, ending March 31, 2010): consolidated net income, consolidated non-performing loan ratio, consolidated return on equity and the combined overhead ratio for the Group's three banks.

In addition to these four targeted indices, we forecast the following levels for the consolidated capital adequacy ratio and consolidated Tier I ratio based on the scenario laid out in the Second Mid-Term Management Plan.

For the years ended March 31 or as of March 31

		FY2008	FY2009
Target indices	Consolidated net income	¥25 billion	¥33 billion
	Consolidated non-performing asset ratio	Around 3%	Around 2.5%
	Consolidated return on equity	4.5% to 5%	Around 6%
	Total overhead ratio for the Group's three banks	55% to 60%	Around 55%
Other indices	Capital adequacy ratio	8.5% to 9.0%	Around 9%
	Tier I ratio	Around 5%	Around 6%

Note: The indices represent the revised figures announced on April 7, 2008.

Three Group Banks' Mid-Term Management Plans 2008 (from October 1, 2007 to March 31, 2010)

The Bank of Fukuoka

The Bank of Fukuoka's Mid-Term Management Plan links raising service quality to customer base expansion, and dictates strategies and measures to gain a 30% share of total loans within Fukuoka Prefecture.

● Target Bank Image

"A bank that exceeds expectations"

● Basic Policy

"Overall development of expertise and action"

The Kumamoto Family Bank

The Kumamoto Family Bank's Mid-Term Management Plan aims to refine its chief strengths—friendliness and service—while utilizing FFG's expertise to become an indispensable regional bank.

● Target Bank Image

"An indispensable regional bank"

● Basic Policy

"Aggressive, disciplined management"

The Shinwa Bank

The Shinwa Bank's Mid-Term Management Plan focuses on resolving the problem of non-performing loans and realizing a drastic reinforcement of profitability to become a bank that develops and grows with the region.

● Target Bank Image

"A bank that develops and grows with the region"

● Basic Policy

"Reform and progress"

■ Target Management Indices

For the years ended March 31 or as of March 31

	The Bank of Fukuoka		The Kumamoto Family Bank		The Shinwa Bank	
	2009	2010	2009	2010	2009	2010
Core business profit	¥6.20 billion	¥6.75 billion	¥9.0 billion	¥9.0 billion	¥10.5 billion	¥12.0 billion
Net income	¥30.0 billion	¥33.5 billion	¥0.5 billion	¥4.5 billion	¥3.0 billion	¥5.0 billion
Non-performing loans ratio	1.5% to 2%	Around 1.5%	3% to 3.5%	2.5% to 3%	Around 7%	5.5% to 6.0%
Overhead ratio	Around 55%	50% to 55%	Around 65%	Around 65%	70% to 75%	65% to 70%
Loans to small and medium-sized enterprises	¥4.3 trillion	¥4.5 trillion	¥860 billion	¥880 billion	¥1 trillion	¥1 trillion

For the years ended March 31,

(Billions of yen) Reference: Group of three banks (consolidated total)

(Consolidated)	2008	2007	2006	YoY Change
Ordinary income	277.8	260.9	281.9	21.0
Gross business profit	178.3	194.8	178.9	(15.8)
Net interest income	150.7	154.1	150.8	(3.3)
Net fees and commissions	27.0	28.3	27.2	(1.1)
Net trading income	0.4	2.4	0.4	(2.1)
Net other operating income	0.2	9.9	0.6	(9.3)
Expenses (excluding extraordinary disposition)	111.6	104.6	107.4	2.7
Business profit	79.0	83.9	83.9	0
Core business profit	74.6	86.8	79.9	(6.9)
Ordinary profit	25.9	(26.8)	19.2	46.0
Total credit cost	29.2	115.1	29.2	(85.9)
Net income	1.3	(47.6)	0.7	48.3

- FFG's consolidated statements of income only reflect the Shinwa Bank's performance for the second half of the fiscal year ended March 31, 2008; first-half performance is not included.
- "( )" denotes minus.

The year ended March 31, 2008, presented a harsh operating environment, affected by disorder in the financial markets against the background of the U.S. subprime loan problem. However, as a result of its efforts to boost interest on loans and other interest income, FFG posted ordinary income of ¥277.8 billion.

FFG's consolidated core business profit was ¥74.6 billion, influenced by an increase in capital investment for branch office remodeling to improve customer services and overhead expenses incurred for management integration, in addition to subsidiary banks' performances falling short of initial projections.

In light of business trends and changes in the operating environment, we took a conservative approach in bolstering reserve for possible losses during the year, leading to total credit costs of ¥29.2 billion. Net income was ¥1.3 billion, primarily arising from impairment loss on marketable securities held by the bank because of a sluggish financial market.

Major Financial Indicators

As of March 31,

(%)

	2008
Ratio of non-performing loans	4.98
(Group of three banks + spin-off company)	
Capital adequacy ratio (consolidated)	8.76
Tier I ratio (consolidated)	5.14

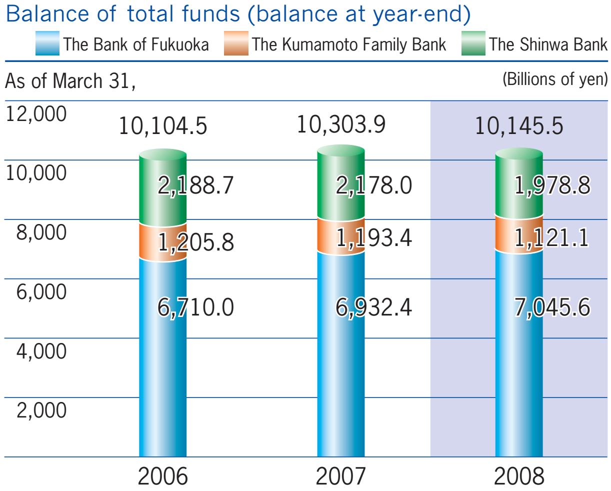
The ratio of non-performing loans for the three FFG banks and spin-off company was 4.98%, arising from moving off the balance sheets Shinwa Bank's non-performing loans and conservative asset evaluations in preparation for the future by Fukuoka Bank and other Group entities (after partial direct depreciation).

The capital adequacy ratio was 8.76%, with a Tier I ratio of 5.14%.

Total funds (deposits + negotiable certificates of deposit)

Total funds were down ¥158.4 billion from the previous year, at ¥10,145.5 billion, despite aggressive marketing focused on personal deposits, principally arising from the elimination and consolidation of subsidiary banks' branches.

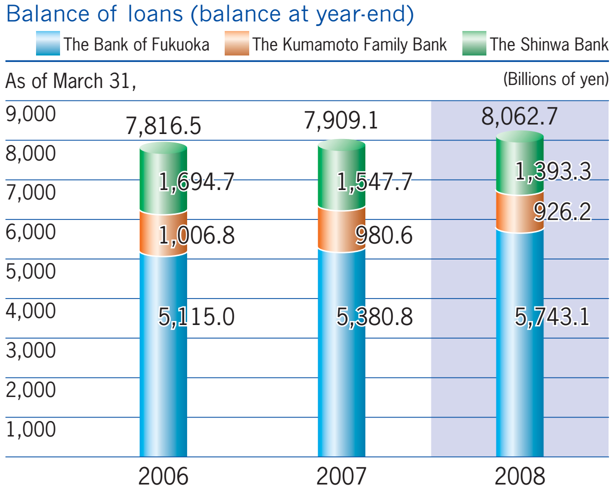
Balance of total funds (balance at year-end)



Total loans

During the year, the Kumamoto Family Bank and the Shinwa Bank moved loans off their balance sheets. These banks also worked aggressively to respond to the financing needs of local corporate and individual customers. As a result, total loans grew ¥153.6 billion during the year, to ¥8,062.7 billion.

Balance of loans (balance at year-end)



Financial Highlights (The Bank of Fukuoka)

For the years ended March 31,

(Billions of yen)

(Non-consolidated)	2007	2008	YoY Change
Ordinary income	177.8	212.7	34.8
Gross business profit	130.2	125.8	(4.4)
Net interest income	105.2	108.3	3.1
Domestic	100.9	104.3	3.4
International	4.3	4.0	(0.3)
Net fees and commissions	21.5	19.3	(2.2)
Net trading income	2.4	0.4	(2.1)
Net other operating income	1.1	(2.1)	(3.2)
Expenses	70.5	72.8	2.3
Business profit	62.1	60.3	(1.8)
Core business profit	60.0	58.5	(1.5)
Ordinary profit	56.3	29.7	(26.6)
Total credit cost	3.3	9.3	6.1
Net income	33.0	17.4	(15.6)

● "( )" denotes minus.

The Bank of Fukuoka posted ordinary income of ¥212.7 billion, up ¥34.8 billion from the previous year. This rise was principally attributable to the expansion of interest on loans and other interest income.

Core business profit declined ¥1.5 billion, to ¥58.5 billion. Although the Bank increased domestic interest income by boosting loans, this was offset by diminishing sales from asset management products and increases in capital investment for branch office remodeling and expenses related to management integration.

Ordinary profit stood at ¥29.7 billion. This was affected by an ¥18.0 billion loss on sales of FFG's shares held by the Bank (which was accounted for as a capital transaction and is not reflected in FFG's consolidated results), impairment loss on marketable securities because of a sluggish domestic financial market and a conservative approach in bolstering the reserve for possible losses.

Net income for the year fell ¥15.6 billion, to ¥17.4 billion, due to the decrease in ordinary profit.

Major financial indicators

As of March 31,

(%)

	2007	2008	Compared with 2007
Ratio of non-performing loans (non-consolidated)	2.41	2.49	0.08
Capital adequacy ratio (consolidated)	11.29	9.61	(1.68)
Tier I ratio	9.78	8.45	(1.33)

● "( )" denotes minus.

The ratio of non-performing loans stood at 2.49% as of March 31, 2008, up 0.08 percentage point from a year earlier (after partial direct depreciation). This was a result of a conservative asset evaluation that took into account business trends and changes in operating environment.

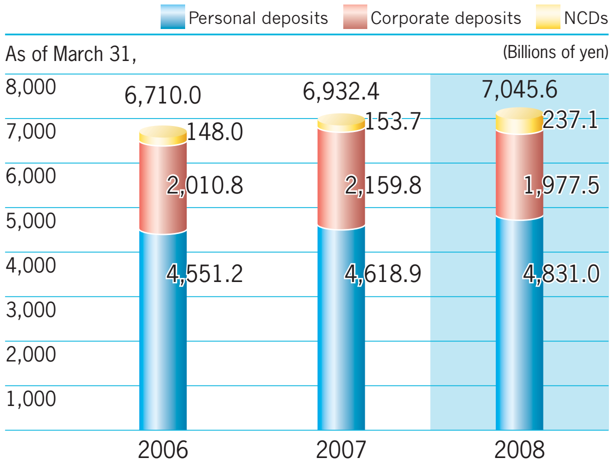
The capital adequacy ratio (Japan domestic standard) was 9.61%, down 1.68 percentage points from March 31, 2007, principally arising from capital support provided to Shinwa Bank.

The Tier I ratio declined 1.33 percentage points, to 8.45%.

Total funds (deposits + negotiable certificates of deposit)

Total funds increased ¥113.2 billion from the previous year, to ¥7,045.6 billion, as a result of a ¥212.1 billion rise in personal deposits gained through aggressive marketing to individual customers.

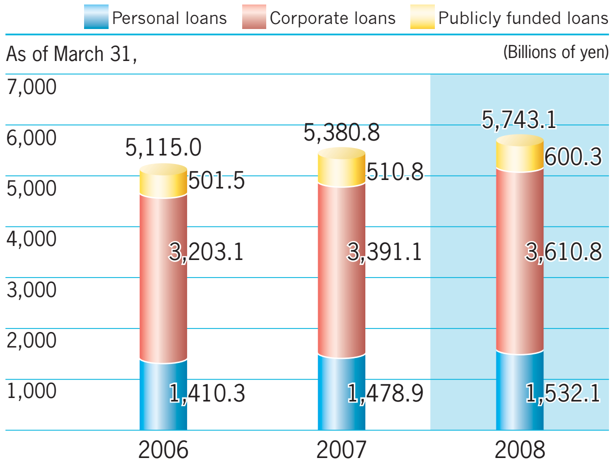
Balance of total funds (balance at year-end)



Loans

Total loans discounted stood at ¥5,743.1 billion at March 31, 2008, up ¥362.3 billion from a year earlier. The rise includes a ¥219.7 billion increase in corporate loans, fueled by an aggressive drive to provide financing through new transactions centered on local companies, and a ¥53.2 billion advance in personal loans, primarily arising from efforts to boost housing loans.

Balance of loans (balance at year-end)



Corporate loans include loans to FFG of ¥70.0 billion at March 31, 2008, and loans to the Kumamoto Family Bank of ¥10.0 billion at March 31, 2007, and March 31, 2008.

Financial Highlights (The Kumamoto Family Bank)

For the years ended March 31,

(Billions of yen)

(Non-consolidated)	2007	2008	YoY Change
Ordinary income	35.1	35.1	0
Gross business profit	26.4	26.1	(0.3)
Net interest income	25.5	23.7	(1.8)
Domestic	25.5	23.7	(1.7)
International	0.1	(0)	(0.1)
Net fees and commissions	1.9	2.4	0.5
Net trading income	—	—	—
Net other operating income	(1.1)	(0)	1.0
Expenses	17.0	17.9	0.9
Business profit	2.6	8.7	6.1
Core business profit	10.6	8.2	(2.4)
Ordinary loss	(61.8)	(9.9)	51.9
Total credit cost	68.6	13.9	(54.7)
Net loss	(57.0)	(15.6)	41.4

● "( )" denotes minus.

Ordinary income was approximately the same level as for the previous fiscal year, at ¥35.1 billion. A decline in interest on loans and other interest income was offset by an increase in net fees and commissions led by growth in sales from asset management products.

Core business profit decreased ¥2.4 billion, to ¥8.2 billion, mainly as a result of reduced net interest income arising from the higher cost of generating interest on deposits and increased system integration expenses.

The Bank posted an ordinary loss of ¥9.9 billion, which represents an improvement of ¥51.9 billion, arising from reduced total credit costs, because of a ¥2.2 billion impairment loss on marketable securities.

The Bank recorded a net loss of ¥15.6 billion, mainly due to a partial reversal of deferred tax assets in conjunction with revisions to the Bank's earnings plan.

Major financial indicators

As of March 31,

(%)

	2007	2008	Compared with 2007
Ratio of non-performing loans (non-consolidated)	5.70	5.68	(0.02)
Capital adequacy ratio (consolidated)	6.61	6.14	(0.47)
Tier I ratio	3.92	3.58	(0.34)

● "( )" denotes minus.

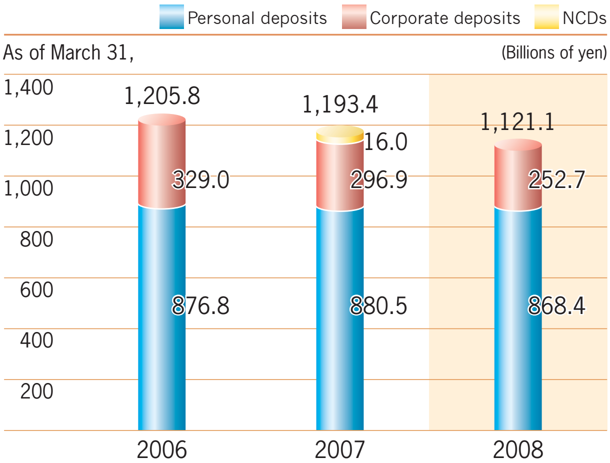
As a result of moving non-performing loans off the balance sheets and other factors, the ratio of non-performing loans decreased 0.02 percentage point from the end of the previous year, to 5.68% as of March 31, 2008 (after partial direct depreciation).

The capital adequacy ratio (Japan domestic standard) was 6.14%, down 0.47 percentage point from a year earlier, with the Tier I ratio diminishing 0.34 percentage point, to 3.58%.

Total funds (deposits + negotiable certificates of deposit)

The balance of total funds shrank ¥72.3 billion, to ¥1,121.1 billion, despite growth in sales from asset management products. This decline included a ¥12.1 billion reduction in personal deposits and a ¥44.2 billion falloff in corporate deposits.

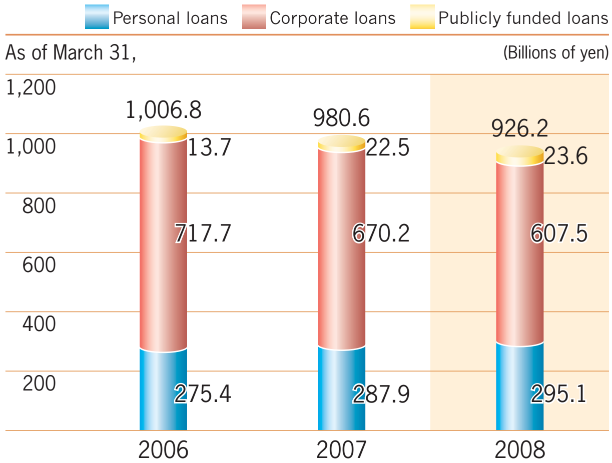
Balance of total funds (balance at year-end)



Loans

Corporate loans decreased ¥62.7 billion from the previous year, owing to disposal of non-performing loans, but personal loans grew ¥7.2 billion, led by housing loans. As a result, the balance of total loans discounted fell ¥54.4 billion, to ¥926.2 billion.

Balance of loans (balance at year-end)



Financial Highlights (The Shinwa Bank)

For the years ended March 31,

(Billions of yen)

(Non-consolidated)	2007	2008	Second half	YoY Change
Ordinary income	72.9	55.1	28.2	(17.8)
Gross business profit	55.5	37.1	17.2	(18.3)
Net interest income	43.7	35.5	17.0	(8.3)
Domestic	43.9	35.3	16.8	(8.7)
International	(0.2)	0.2	0.2	0.4
Net fees and commissions	5.8	5.5	2.4	(0.3)
Net trading income	—	—	—	—
Net other operating income	6.0	(3.8)	(2.2)	(9.8)
Expenses	30.3	27.5	13.4	(2.9)
Business profit (loss)	31.8	(19.1)	9.4	(50.9)
Core business profit	19.3	12.8	6.7	(6.5)
Ordinary loss	(57.5)	(96.5)	(4.3)	(39.0)
Total credit cost	84.3	96.8	2.7	12.5
Net loss	(67.7)	(102.4)	(1.9)	(34.8)

Ordinary income declined ¥17.8 billion, to ¥55.1 billion. Primary factors were lower interest on loans arising from aggressive efforts to shift non-performing loans off the balance sheet and reduced interest on marketable securities.

Core business profit was down ¥6.5 billion, at ¥12.8 billion, with lower domestic interest income failing to offset reduced expenses.

The Bank posted an ordinary loss of ¥96.5 billion during the year, caused by the aligning of its provision standards to FFG's standards in a bid to resolve non-performing loan problems and making a substantially larger reserve for possible loan losses.

In addition to the above factors, a ¥7.9 billion impairment loss on fixed assets arising from the elimination and consolidation of branch offices led to a net loss of ¥102.4 billion.

- Shinwa Bank's performance is included in the FFG consolidated statements of income from October 1, 2007.
- "(　)" denotes minus.

Major financial indicators

As of March 31,

(%)

	2007	2008	Compared with 2007
Ratio of non-performing loans (non-consolidated + spin-off company)	13.55	15.73	2.18
Capital adequacy ratio (consolidated)	5.76	8.05	2.29
Tier I ratio	2.88	4.45	1.57

- "(　)" denotes minus.

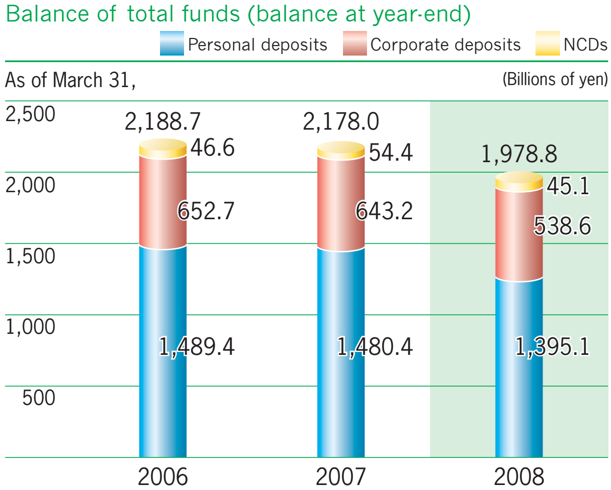
Despite efforts to address its non-performing asset problems quickly and the employment of FFG's self-evaluation standards, Shinwa Bank's ratio of non-performing loans rose 2.18%, to 15.73% (after partial direct depreciation).

Owing to a capital influx from FFG, the bank's capital adequacy ratio (Japan domestic standard), was 8.05% as of March 31, 2008, up 2.29 percentage points from one year earlier. The Tier I ratio rose 1.57 percentage points, to 4.45%.

Total funds (deposits + negotiable certificates of deposit)

The balance of total funds diminished ¥199.2 billion, to ¥1,978.8 billion, primarily resulting from the elimination and consolidation of branch offices. This reduction included an ¥85.3 billion drop-off in personal deposits and a ¥104.6 billion decrease in corporate deposits.

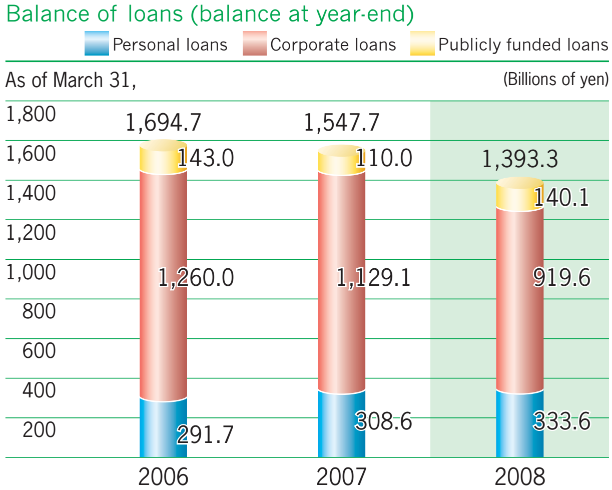
Balance of total funds (balance at year-end)



Loans

Personal loans grew ¥25.0 billion from the previous year, led by housing loans. However, promotion of off-balancing non-performing loans resulted in a decrease in total loans discounted of ¥154.4 billion, to ¥1,393.3 billion.

Balance of loans (balance at year-end)



To be: "Your closest bank"

■ Building an extended, accessible network

As of March 31, 2008, the three banks of the Group operated through 368 branch offices; this extended network represents greater access for a larger number of customers across the Kyushu region.

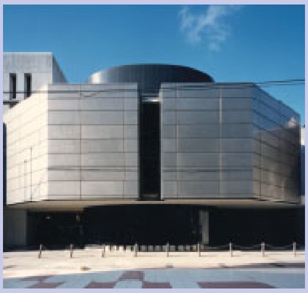
The forthright and sincere desire of the Group is to employ the existing locally based information networks of its three banks to provide quality financial services for the satisfaction of its customers.

■ Open, inviting and accessible branch facilities

While committed more than ever to offering services attuned to its customers, FFG provides a welcoming space for customers at its facilities across Fukuoka, Kumamoto and Nagasaki prefectures. The resident specialist staff at FFG's branches offers individual consultations, host money management and other seminars, and enhances their family friendly services—available even on holidays—through onsite children's play areas.

■ ATM "Free Pass" across Fukuoka, Nagasaki and Kumamoto prefectures

One of the key factors in FFG's enhanced convenience and accessibility is its ATM network. For example, customers of the Kumamoto Family Bank and the Shinwa Bank can use the ATMs of the Bank of Fukuoka without paying commissions while on business or shopping in Fukuoka on weekdays. FFG's greatest satisfaction is to be of use and boost convenience for its customers.



Shinwa Bank Head Office

Enhanced convenience and accessibility through FFG's ATM network

Kumamoto Family Bank Head Office

Bank of Fukuoka's *Fukugin Lipla* housing and savings information service

Bank of Fukuoka Head Office

FFG's network has been vastly extended through the integration of the three banks.

To be: "Your reliable bank"

■ Providing information services that help solve problems for customers

In each bank of the Group, we have established facilities that respond to diverse customer needs and ensure we provide the most appropriate services for each customer.

● The Bank of Fukuoka's *Fukugin Lipla** service, offering consultation on housing and money matters

Customers can easily make reservations to consult one of our team of architects or interior coordinators. We also provide amenities for children and weekend open times to ensure an environment conducive to leisurely consultations. Customers can browse through our resource library of more than 1,000 specialist publications on housing and savings or, after taking advantage of a free membership, can borrow up to two volumes for two weeks at a time. In addition, we host seminars on a variety of subjects centered on home and money matters.

*"*Lipla*" is derived from a combination of the words "life, living, library, and plaza."

● The Kumamoto Family Bank's Loan Plaza and Information Plaza consultation services

At the Loan Plaza, which is open on weekdays and weekends, customers can discuss mortgages and other loans. The Information Plaza caters to customers wishing to discuss investment management, various personal loans and other issues. Furthermore, we periodically hold Money Seminars that serve as a source of valuable lifestyle-related information for customers.

● The Shinwa Bank's Shinwa Plaza, specializing in consultation for individual customers

Waiting times are kept to a minimum by restricting this service to individual customers. Services are tailored to the individual needs of our diversified customer base.

■ Gaining the trust of all customers

At all points of contact, we want customers to perceive FFG as "your Bank of choice," dedicated to seeking solutions for any issues that arise. We place great value on our relations with each customer, which in turn earns us their trust.

To be: "Your sophisticated bank"

Introduction of the Plaza Concept <Spotlight on new branches>

■ A new branch design concept focused on the comfort of all customers

Branch offices are the ultimate point of contact between a bank and its customers. All Bank of Fukuoka branches are equipped with automated external defibrillators (AEDs), with more than 20 branches currently undergoing reconstruction and approximately 120 in the process of refurbishment. Our new branch design concept, which takes onboard the FFG brand concept of "your bank of choice," is guided by the ideal of always striving "for your comfort."

Our newly designed branches, which are barrier-free in the interest of universal access, focus on an ambience combining warmth and quality throughout the wooden interiors. Our creative solutions have taken into consideration the needs of all customers, including wheelchair access to ATMs and banking counter services and providing multifunctional toilet facilities.

Through such initiatives, FFG aims to remain "your Bank of choice" by building branches focused on the comfort of all customers.

<New branch design concept>

"For your comfort"

In every corner of our new branches,
customers should experience:
(1) professionalism (trust and peace of mind) and
(2) comfort (familiarity, smartness and sophistication).

Group Outline

To demonstrate in a timely and appropriate manner its functions as a holding company (business management of subsidiary banks and Group companies), including the strengthening of the governance system of the Group, preservation of the risk control system and creation of an internal management system, the Fukuoka Financial Group will operate under the following management and business framework.

Corporate Governance Overview

■ **Board of Directors and Directors**

The number of directors will be 14 or less (including external directors), and these directors will make decisions regarding matters stipulated by laws, ordinances and articles of incorporation, as well as discussions/decisions on basic guidelines related to Group management and important matters concerning business management of the three Group banks and their business affairs.

■ **Board of Corporate Auditors and Corporate Auditors**

The number of corporate auditors will be five or less, and in addition to conducting audits of directors' job performance, corporate auditors will work closely with the Internal Audit Division and the accounting auditors and conduct audits regarding the status, etc., of business conditions and assets of the Group. In addition, the Board of Corporate Auditors will report, discuss and make decisions regarding basic guidelines concerning audits of the Group, audit planning, audit methods and other important matters related to auditing.

■ **Corporate Auditor Department**

To enable the corporate auditor system to function efficiently, staff will be exclusively designated to support the corporate auditors.

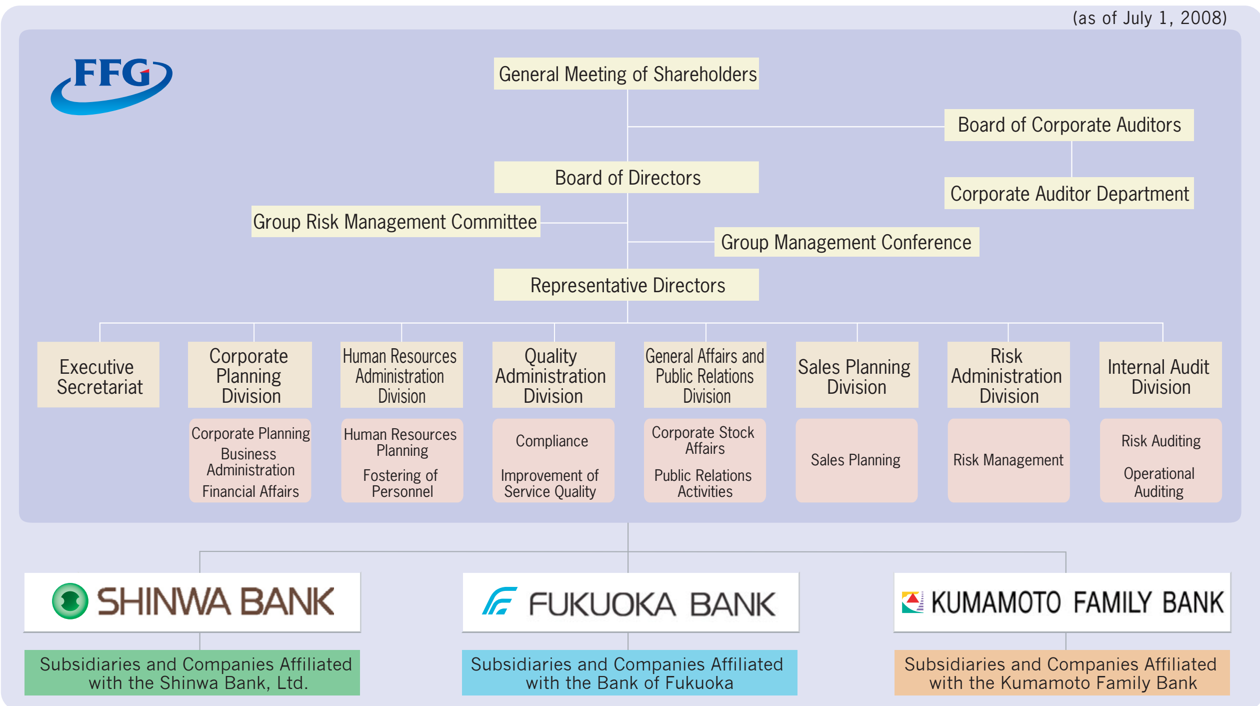
■ **Group Management Conference**

Based on basic guidelines stipulated and matters entrusted by the Board of Directors, the Group Management Conference will discuss important matters related to business and affairs of the Group, including Group management and operational planning.

■ **Group Risk Management Committee**

In addition to carrying out discussions concerning each of the risk management systems of the Group, the Group Risk Management Committee will discuss and report on matters related to asset portfolio management and compliance.

Corporate Governance Framework



Compliance Measures

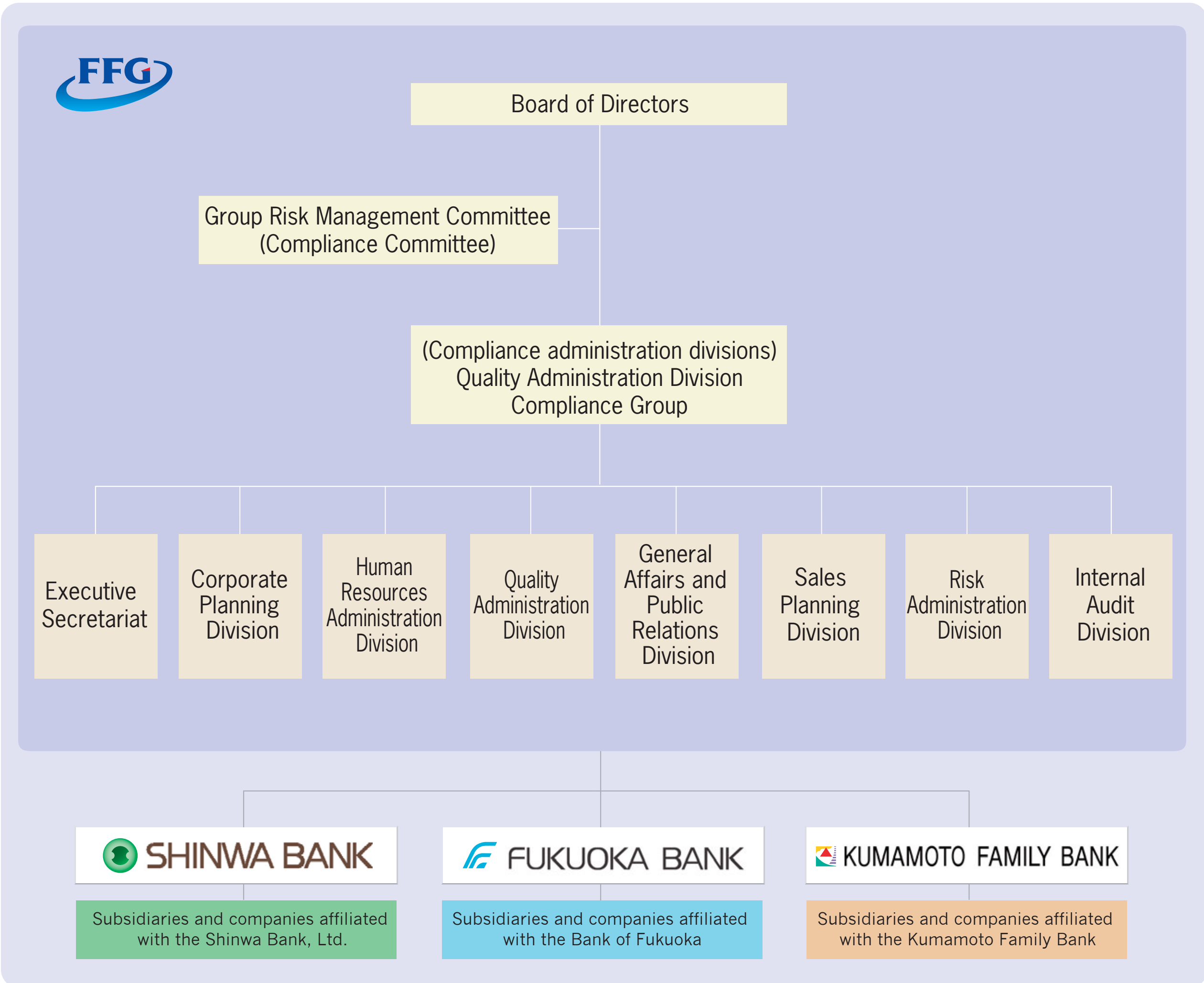
Trust is the most important asset of a financial institution, rendering compliance as a crucial theme. FFG considers compliance to be one of its most vital management issues, and strives to reinforce its compliance framework.

Specifically, FFG, the Bank of Fukuoka, Kumamoto Family Bank and Shinwa Bank have each established their own compliance administration departments, which work in cooperation with related departments to take appropriate measures to check that business is conducted in accordance with all laws, ordinances and social norms. We have formulated a Compliance Charter, which expresses the basic values, mindset and behavior standards adopted throughout the Group toward compliance, and a Compliance Manual compiling ethical provisions, in-house regulations, laws and other pertinent legislature. These are publicized groupwide through training, instruction and other activities.

FFG has established a Compliance Committee as a subcommittee of the Board of Directors to periodically assess and monitor the compliance framework. We also formulate a Compliance Program for each fiscal year as a practical plan for sustained implementation of compliance measures. FFG is endeavoring to fortify its organization and regulations with regard to compliance.

FFG will continue to improve its compliance to gain the further trust and support of its customers and shareholders.

FFG's Compliance Framework



Risk Management

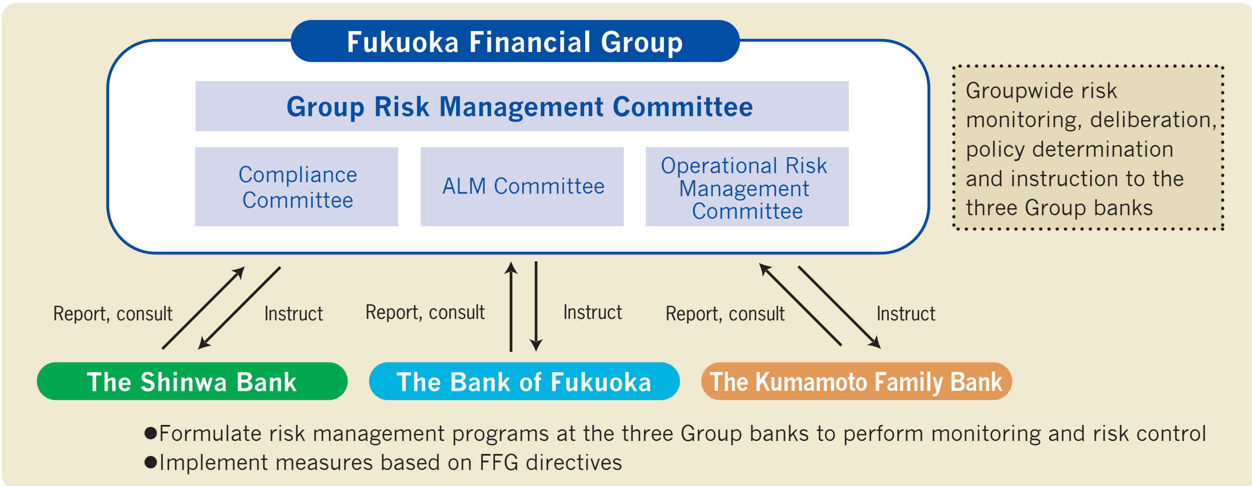
Although advancements in financial technology and deregulation easing have expanded business opportunities for financial institutions, they have also caused the risks these institutions face to become more diverse and complex.

The Fukuoka Financial Group (FFG) strives to understand and analyze risks more fully and will work to enhance groupwide risk management in recognition of its importance.

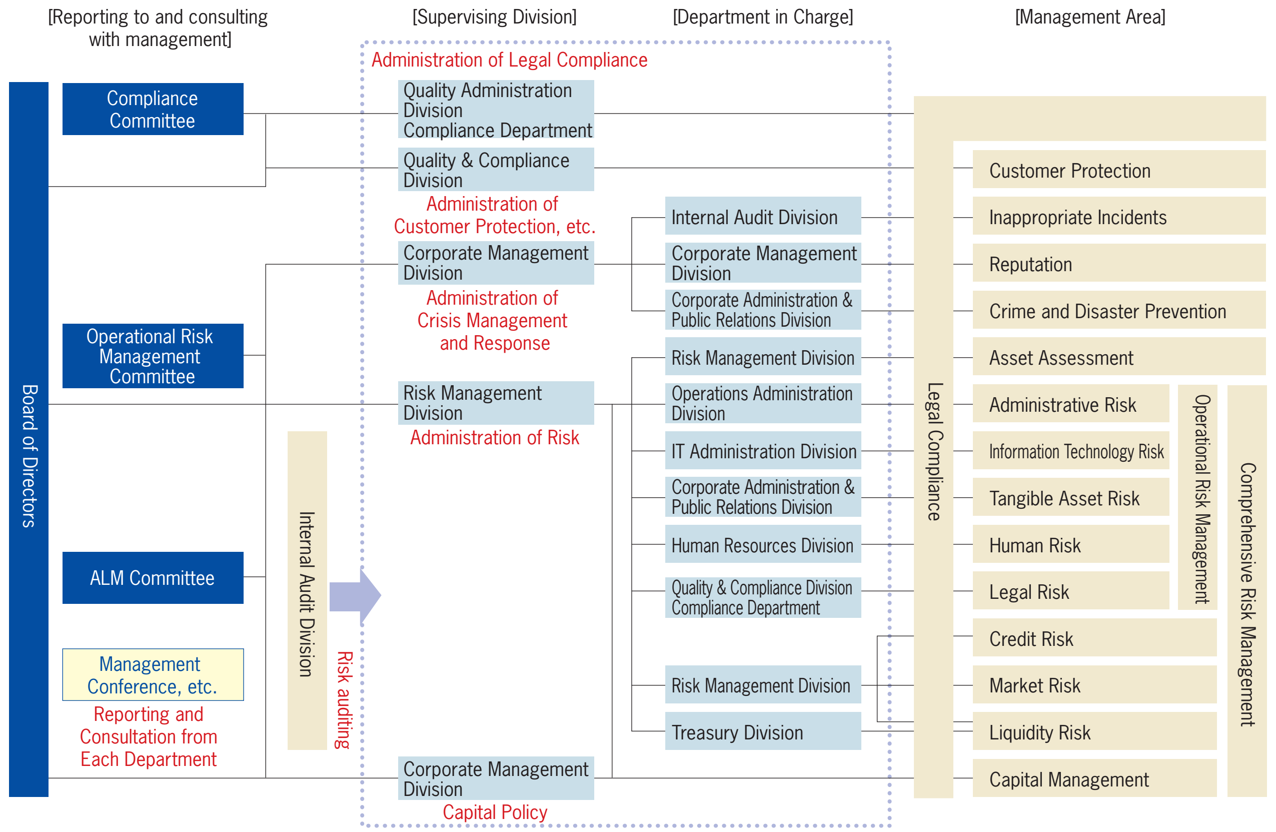
The Board of Directors has formulated a risk management policy to lay down the basic rules and a risk management program as a yearly action plan. The three Group banks have instituted similar measures.

FFG has also established the Group Risk Management Committee to periodically report to and consult with management concerning the status of all types of risk and comprehensive risk management for the Group.

Risk management at the three Group banks is carried out by departments at each bank, based on the policies of FFG. The banks also deliberate specific measures to respond dynamically to changes in their internal and external environments and report to and discuss such measures with the Group Risk Management Committee.



■ Risk Management Framework at Group Banks



Capital Adequacy Management System

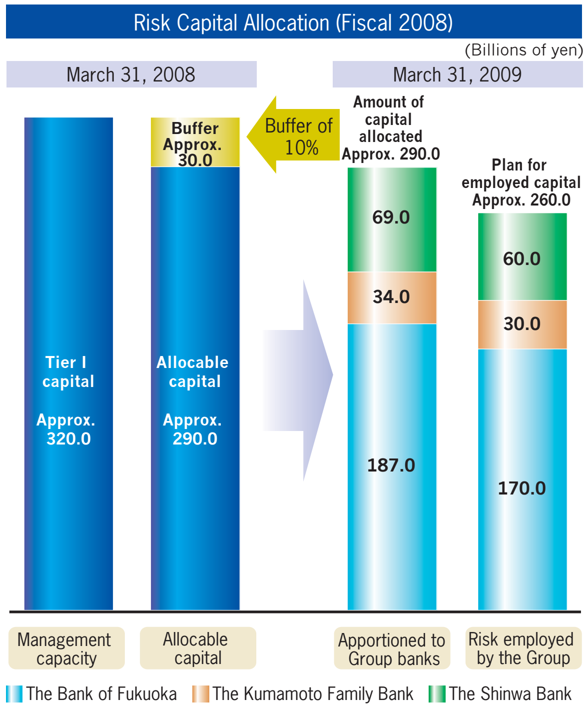
To uphold the confidence of our customers and our investors, we strive to enrich and maintain sufficient capital through a risk capital allocation system within the framework of comprehensive risk management, recognizing that maintaining a financial foundation adequate to handle risks is one of the Group's most importance tasks.

The risk capital allocation system apportions risk capital to each business administration department and risk category by segment. By monitoring and controlling the amount of risk in each segment so as not to exceed the segment's risk capital, the total amount of risk-taking groupwide is kept within the scope of the Group's management capacity (a fixed portion of Tier I capital) and the soundness of capital is maintained.

The risk capital allocation system is carried out through the following processes:

1) Designate management capacity (based on Tier I capital)
2) Designate risks to be measured and how to measure them
3) Monitor risks by setting alarm points for each business administration department and each risk category
   –Formulate a total amount of risk-taking in light of management capacity
   –Make management and marketing policy reflect how much risk is taken in each area
4) Monitor risks by setting alarm points for each business administration department and each risk category
   – Monitor companywide risk-taking amounts on a monthly basis
   –Risk Administration Division periodically reports to the Group Risk Management Committee and the Board of Directors
   (At the Group's banks, the Risk Administration Division reports to the Board of Directors)

●Risk Capital Allocation



Basel II Implementation

Basel II is an international framework launched on March 31, 2007, by the Basel Committee on Banking Supervision, concerning capital adequacy ratio regulations for financial institutions. The following three pillars represent the major regulatory requirements set by Basel II:

- First pillar: Requiring minimum capital adequacy ratios
- Second pillar: Strengthening internal management and supervisory verification at financial institutions
- Third pillar: Enhancing market discipline by increasing required disclosures

The Basel II framework provides a range of options for determining capital requirements to offset credit risk and operational risk, allowing banks to select the approaches that are most appropriate for their operations. The chart below shows approaches selected by FFG and its Group banks.

Regulatory Approval	Credit Risk		Operational Risk	
Not Required	Standardized Approach FFG*	The Kumamoto Family Bank The Shinwa Bank	Basic Indicator Approach	
			Standardized Approach FFG	The Bank of Fukuoka The Shinwa Bank The Kumamoto Family Bank
Required	Foundation Internal Rating-based Approach	The Bank of Fukuoka*		
	Advanced Internal Rating-based Approach		Advanced Measurement Approach	

*In calculating its capital adequacy ratio, FFG uses figures calculated by the standardized approach for The Bank of Fukuoka as well.

Credit Risk Management

FFG considers appropriate management of credit risk one of the most important management issues for banks and has established a Risk Management Policy as its basic policy concerning credit risk management for the Group. The three Group banks have instituted credit policies that elucidate standards for judgment and behavior as their basic approach to appropriately operating their credit businesses under FFG's Risk Management Policy. FFG has also created a Credit Risk Management Program as an action plan for enhancing the Group's credit risk management framework and handling credit risks associated with strengthening the Group's credit portfolio operations.

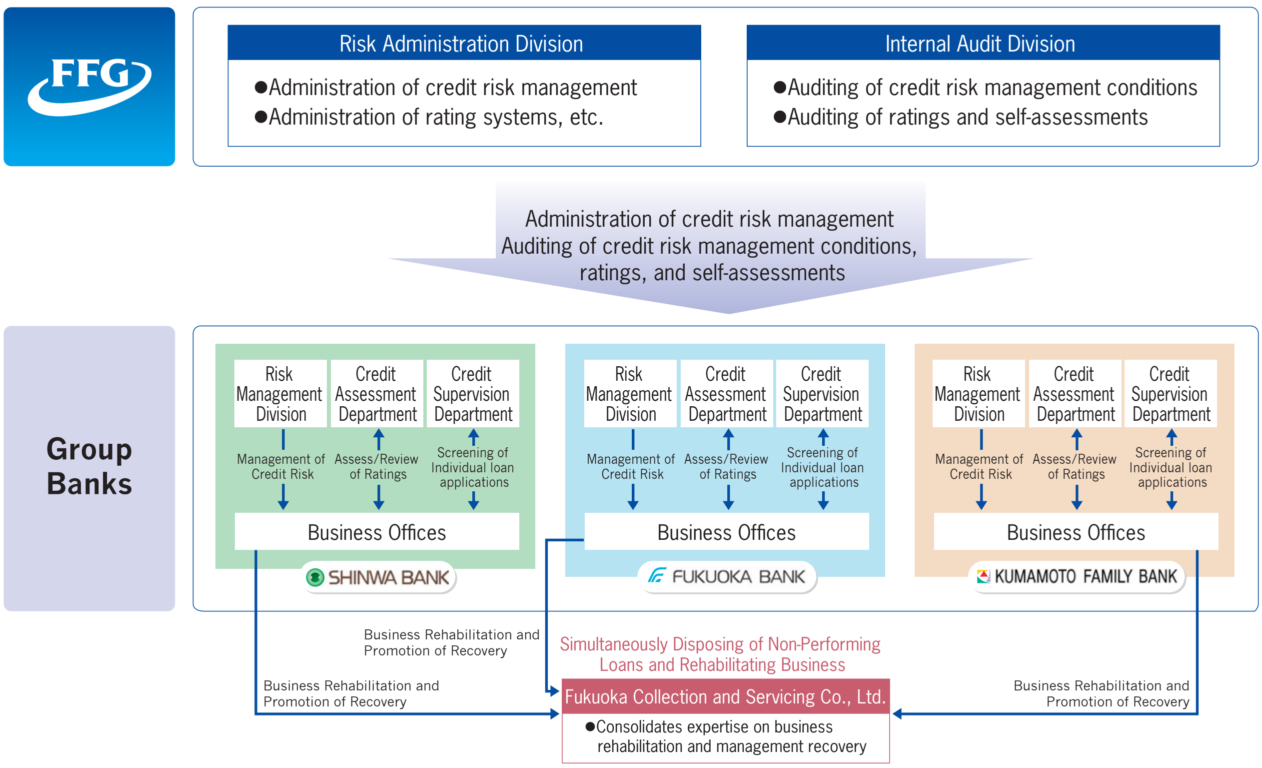
■ Credit Risk Management Framework

FFG's Risk Administration Division administers the formulation of credit risk management policy and manages the rating systems and credit risk for the Group.

The credit assessment departments within each of the Group's banks conduct most rating reviews, while FFG's Risk Administration Division handles Group-level management of obligors' dealings with banks within the Group.

Individual loan applications are screened primarily by the review departments of Group banks, in conjunction with business offices.

FFG's Internal Audit Division audits the soundness of asset content, the accuracy of ratings and self-assessments, and the appropriateness of credit risk management conditions, and reports its findings to the Board of Directors. The division also audits individual bank's activities and reports the audit results to the respective Boards of Directors.



■ Credit Risk Assessment and Quantifications

To appropriately manage credit risks on an individual and portfolio basis, FFG assesses the credit risk for each obligor and for each loan transaction, based on an internal rating system built around obligor ratings. We then quantify the credit risk to quantitatively ascertain and manage it.

■ Obligor Ratings

Obligor ratings express the certainty that a obligor will fulfill its obligations, assigning it a rating based on the scoring of its financial condition. The ratings are reviewed periodically—at least once a year and whenever a obligor's credit status changes—to enable the timely ascertainment of the conditions of individual obligors and portfolios.

The obligor ratings are assigned consistently in the obligor and loan categories in the self-assessment, as shown in the following chart, and are ranked as the core of credit risk management, including considerations for write-offs and loan loss provisions.

■ Correlation among Obligor Rating and Category, Loan Category and Default Category According to the Basel II Internal Rating-Based Approach

<table>
<tr><th colspan="3">Obligor Rating</th><th rowspan="2">Obligor Category[1]</th><th rowspan="2">Claim Category[2]</th><th rowspan="2">Default According to Basel II Internal Rating-Based Approach</th></tr>
<tr><th>Rating Rank</th><th>Risk Level</th><th>Definition</th></tr>
<tr><td>1</td><td>No risk</td><td>Highest level of certainty of debt redemption, and stable</td><td rowspan="7">Normal</td><td rowspan="8">Normal</td><td rowspan="8">Non-default</td></tr>
<tr><td>2</td><td>Slight risk</td><td>Extremely high level of certainty of debt redemption, and stable</td></tr>
<tr><td>3</td><td>Small risk</td><td>High level of certainty of debt redemption, and stable</td></tr>
<tr><td>4</td><td>Above average</td><td>Adequate level of certainty of debt redemption, but might decline going forward</td></tr>
<tr><td>5</td><td>Average</td><td>No problem with certainty of debt redemption in the immediate future, but may decline going forward</td></tr>
<tr><td>6</td><td>Permissible</td><td>No problem with certainty of debt redemption in the immediate future, but likely to decline going forward</td></tr>
<tr><td>7</td><td>Below average</td><td>No current problem with certainty of debt redemption, but substantial concerns about future declines</td></tr>
<tr><td>8</td><td>Needs attention 1</td><td>Apparent problem with debt redemption, and will require care in management</td><td rowspan="2">Needs attention</td></tr>
<tr><td>9</td><td>Needs attention 2</td><td>Apparent serious problem with debt redemption, and will require detailed care in management
Applies to one of the following:
•Obligors with loans past due for three months or more
•Obligors with restructured loans</td><td>Substandard</td><td rowspan="4">Default</td></tr>
<tr><td>10</td><td>In danger of bankruptcy</td><td>Experiencing financial difficulties, with a substantial chance of business failure going forward</td><td>In danger of bankruptcy</td><td>Doubtful</td></tr>
<tr><td>11</td><td>Effectively bankrupt</td><td>Not yet in legal or formal bankruptcy, but experiencing business failure in substance</td><td>Effectively bankrupt</td><td rowspan="2">In bankruptcy or rehabilitation, or in quasi-bankruptcy or rehabilitation</td></tr>
<tr><td>12</td><td>Bankrupt</td><td>In legal and/or formal bankruptcy</td><td>Bankrupt</td></tr>
</table>

Notes

1. The *Financial Inspection Manual* published by Japan's Financial Services Agency requires division of obligors into the five categories as shown in the chart above, according to their repayment ability, which is to be judged based on their financial condition, cash flow, profitability, and related factors. These categories are called "obligor categories."
2. Pursuant to the provisions of Article 6 of the *Law Concerning Emergency Measures for the Revitalization of the Functions of the Financial System (Financial Revitalization Law)*, loans receivable are to be divided into the four categories shown in the chart above on the basis of the financial condition and business performance of the obligors, based on the asset appraisal standards provided in Article 4 of the *Enforcement Regulations of the Law Concerning Emergency Measures for the Revitalization of the Functions of the Financial System.* These are called "claim categories."

■ Quantification of Credit Risk

FFG quantifies credit risk based on an internal rating system centered on obligor ratings to rationally ascertain credit risk and ensure efficient application of the capital policy and credit criteria. We allocate risk capital and manage our credit portfolio on the basis of the results of these calculations.

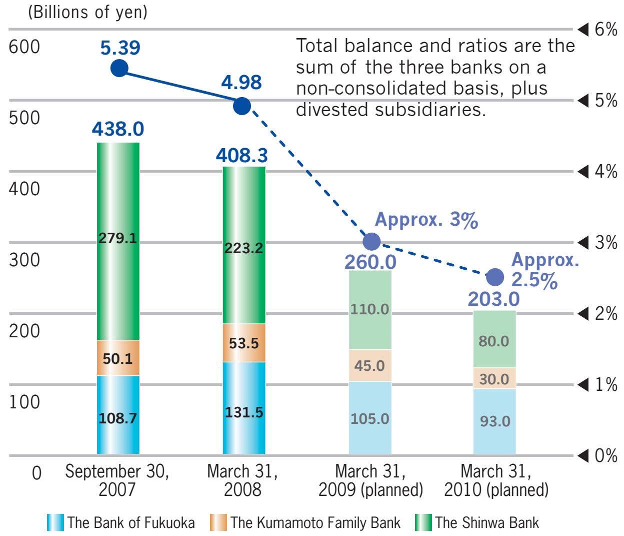
■ Framework of Individual Credit Management and Status of Non-Performing Loans

In adopting individual loan applications, FFG conducts analysis and assessment from a broad perspective and strives to make precise, rigorous credit judgments by verifying the reasonableness of credit preservation through collateral.

Even after extending credit, we engage in preventive management before loans become delinquent and work to swiftly and appropriately respond at such time, through follow-up management that includes periodically reviewing the obligor's business situation, re-assessing its collateral and strengthening management of overdue accounts.

●Status of Non-Performing Loans

(Loans Disclosed under the Financial Revitalization Law: After Partial Direct Write-offs)



Market Risk Management

FFG's Board of Directors has established a basic policy on market risk management. In light of this basic policy, the Group Risk Management Committee has determined a management policy for market risk, including ALM, as a system for controlling risk groupwide by monitoring the status of policy implementation and risk.

Moreover, FFG's Risk Management Division ascertains and analyzes the market risk conditions and status of market risk management of the Group, based on reporting from the market risk administration divisions of the Group banks. The Group's Risk Management Division forms a framework for advising the market risk administration divisions of the Group banks on risk management arrangements and periodically reporting to the Board of Directors.

In particular, the division manages market risk by considering the risk profiles of the Group banks, aligning the risk profiles with the risk capital apportioned to the banks and monitoring risk within the bands predefined for each type of risk.

The trading and banking divisions use the common yardstick of VaR for setting such limits on risk.

Liquidity Risk Management

The Board of Directors of the Group has instituted a basic policy on liquidity risk management in the recognition that downplaying liquidity risk could lead to the serious problems of business failure and, in turn, the systemic risk of a chain reaction of defaults by financial institutions. In light of this basic policy, the Group's Risk Management Committee has determined a liquidity risk management policy following consultations with the ALM subcommittees of the Group banks, which forms a framework for controlling risk across the Group by monitoring the status of policy implementation and risk conditions.

Furthermore, the Group's Risk Administration Division ascertains and analyzes the Group's liquidity risk situation and the status of liquidity risk management, based on reporting from the liquidity risk administration divisions of the Group banks. The Group's Risk Administration Division forms a framework for advising the liquidity risk administration divisions of the Group banks on risk management arrangements and periodically reports to the Board of Directors.

In particular, the division manages liquidity risk by determining management categories according to the status of cash flow at the Group banks, actions to be taken for each category and limits for each type of risk associated with cash flow in consideration of the banks' risk profiles.

Operational Risk Management

Operational risk refers to risks associated with inadequacies in the Group's internal business processes, mistakes by officers or regular employees, and system failures, as well as losses attributable to external factors such as disasters. Operational risk is managed by classification into administrative risk, system risk, tangible assets risk, human risk, and legal risk.

Diversification of financial products and handling services owing to advancement of financial technology and regulatory easing and the expansion of systems and networks have increased the possibility of large-scale losses due to clerical errors, misconduct and disasters. Operational risk management is crucial to responding to such changes in the operating environment and building a framework for preventive risk management.

The Board of Directors of the Group maintains organizational frameworks and mechanisms for appropriate management of operational risk. By establishing Operational Risk Management Rules, which stipulate basic regulations for forestalling the manifestation of risks and minimizing the impact in the event of occurrence, and an Operational Risk Management Program, which specifies priorities action items for each fiscal year, the Group comprehensively manages operational risk.

In addition, to appropriately designate, assess, understand, manage, and reduce operational risk, we collect and analyze related loss information for apparent risks, and for potential risks we use risk control self-assessments (RCSA: self-assessment on risk and the effectiveness of risk control) to implement appropriate countermeasures. The Group also monitors and controls operational risk in an appropriate and timely manner through the Board of Directors and the Operational Risk Management Committee.

CSR Measures

The basis of FFG's CSR activities is to instigate proactive, sustained action on social issues and demands.

FFG has established "Three Activity Layers" to underpin these activities. This concept involves FFG focusing on areas where maximum contributions can be made utilizing its functions and properties as a broad-ranging financial group, thus enabling individual employees who actually carry out activities to implement specific solid measures with clearer vision and initiative.

By optimizing a combination of the Three Activity Areas and the Three Activity Layers, FFG and its employees effectively utilize the Group's management resources and fulfill their respective roles—FFG as a good corporate citizen and its employees as good corporate members—at the same time developing various business activities with the aim of contributing to social innovation and new value creation.

■ Three Activity Layers

Activity Layer I: Promotion of Environmental Harmony

Environmental issues with global impacts are also important for the regions with which FFG coexists. The Group is striving to restrict and reduce its environmental impact and is actively providing stakeholders with products and services that contribute to environmental preservation.

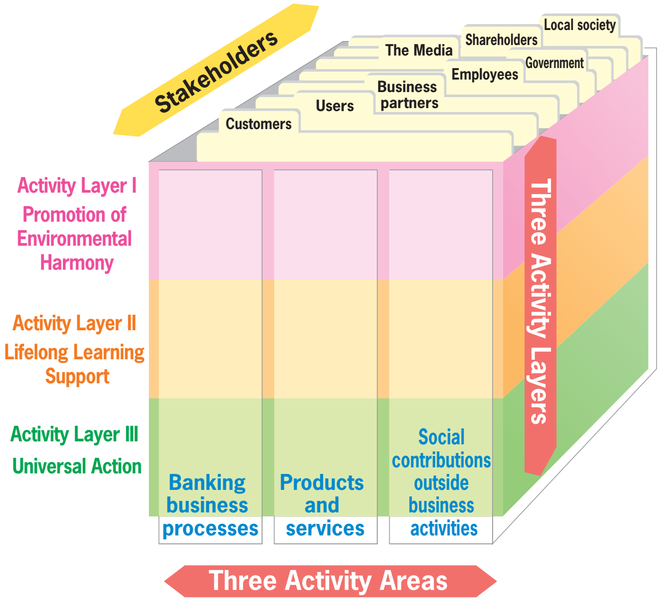
Layer II: Lifelong Learning Support

We support lifelong learning by spreading financial knowledge throughout the life stages of a host of people, which includes shaping the sensibilities and qualities of the children who will lead the next generation. Furthermore, as a corporate citizen we conduct various corporate educational activities.

Layer III: Universal Action

Adhering to the slogan "amenity for all," we conduct activities to develop nondiscriminatory design, functionality and services that are user friendly for the elderly, the physically challenged, children and women. This approach is evident in our branches and other facilities, in our products and services, and in the responses of all our employees.

■ The CSR Cube—Combining Three Activity Areas and Three Activity Layers



The optimal combination of Three Activity Areas and Three Activity Layers = Rising to the challenges of social innovation and new value creation through the development of balanced CSR management.

■ Three Activity Areas

1. CSR in banking business processes

Measures that extend through all banking business, from construction and improvement of a foundation for corporate management that spans corporate governance, compliance, and various forms of risk management and disclosure, through recruitment of staff and activities to reduce the Group's environmental impact

2. CSR in products and services

Activities and financial business for the development and provision of socially aware products and services utilizing the financial functions of the bank

3. CSR through social contributions outside business activities

Measures with little direct relationship to the Group's banking businesses that contribute to resolving social issues by employing management resources, such as voluntary and cultural activities

Activity Layer I: Promotion of Environmental Harmony

■ Environment-related investment and finance activities

FFG actively invests in and finances environmental projects, including wind farms for power generation, waste-disposal plants, and water-purification and recycling enterprises. The Kumamoto Family Bank offers preferential interest rates on loans for environmentally friendly housing, automotive, and nursing-care products.

■ Environmentally friendly office buildings

In June 2008, construction was completed on FFG's new headquarters building, in Otemon, Chuo-ku, Fukuoka. The building incorporates a 15-meter-high vaulted garden so that visitors can appreciate the greenery and moats of the Maizuru and Ohori parks that this garden faces. To preserve the natural charm of this locale, our building reduces the environmental burden and promotes the use of natural energy.

Rooftop solar panels generate 22 kilowatts per day.

● Cooling and heating tubes

Cooling and heating tubes harness geothermal energy through the building's air intake. Outside air temperatures are higher than in-ground temperatures in summer and lower in winter. This differential can be exploited through thermal circulation to pre-cool and pre-heat intake air.

● Natural ventilators

Air vents in the lower frames of the window sashes bring in fresh air from outdoors. This reduces air-conditioning energy consumption, while natural breezes enhance the comfort of the interior.

● High-speed insulating low-energy glass

Special glass lowers the air-conditioning load and controls sunlight within the building.

● Exterior walls

Our building's exterior is designed to screen sunlight in summer and absorb winter sunshine. This follows the same principles of the deep eaves of the roofs on traditional Japanese houses.

● The three Group banks adopt a Cool Biz policy

● A Bank of Fukuoka cleanup activity

● Kumamoto Family Bank's Kumamoto Castle cleanup

Activity Layer II: Lifelong Learning Support

■ Enhancing sensibilities among regional citizens

FFG supports people living fulfilling lives, led by children.

● Implementation of the “job shadow” program

On August 8, 2008, the Bank of Fukuoka and FFG implemented the job shadow workplace experience, which is a program offered by the world’s largest economic education foundation, Junior Achievement. These opportunities were presented to 41 pupils from Fukuoka Metropolitan Fukusho High School. This initiative is a new career training program in our Lifelong Learning Support conducted as part of our corporate social responsibilities. Each pupil shadows an employee for a day. By being directly involved with the working patterns of our staff in the head office, students gain experience in a dynamic organization and have an opportunity to form impressions and opinions about work and their plans.

● Student in the job shadow program

● A seminar outlining the *Fukugin Lipla* service

● Baseball training room operated by active players

Activity Layer III: Universal Action

■ 194 qualified service assistants

Our awareness of such social needs as barrier-free facilities and universal designs has evolved in step with the ageing of Japan’s population. In this changing environment, many corporations have promoted service assistant qualifications in response to diversified requirements. These qualifications help train key personnel in hospitality and related technologies for older and physically challenged customers.

FFG introduced 194 qualified service assistants at the Bank of Fukuoka by the end of September 2008. In the future, this campaign will be extended throughout the bank, with managers and assistant managers encouraged to gain qualification. We will continue to conduct in-house training of service assistants and enhance groupwide understanding of their role to ensure that we welcome all customers with true hospitality.

Financial Section

FFG

Consolidated Balance Sheets	30
Consolidated Statements of Income	31
Consolidated Statements of Changes in Net Assets	32
Consolidated Statements of Cash Flows	33
Notes to Consolidated Financial Statements	34
Report of Independent Auditors	45

The Bank of Fukuoka

Non-Consolidated Balance Sheets (Unaudited)	46
Non-Consolidated Statements of Income (Unaudited)	47

The Kumamoto Family Bank

Non-Consolidated Balance Sheets (Unaudited)	48
Non-Consolidated Statements of Income (Unaudited)	49

The Shinwa Bank

Non-Consolidated Balance Sheets (Unaudited)	50
Non-Consolidated Statements of Income (Unaudited)	51

CONSOLIDATED BALANCE SHEETS

Fukuoka Financial Group, Inc. and its subsidiaries
As of March 31, 2008

	2008	2008
	Millions of yen	Millions of U.S. dollars (Note 2)
Assets		
Cash and due from banks (Note 16)	¥ 347,944	$ 3,472
Call loans and bills bought	76,557	764
Monetary receivables bought	174,736	1,744
Trading assets	10,425	104
Money held in trust (Note 4)	3,524	35
Securities (Notes 3, 8, 12, and 13)	2,363,835	23,593
Loans and bills discounted (Note 5)	7,977,486	79,623
Foreign exchange assets (Notes 5 and 6)	5,140	51
Other assets (Note 8)	126,470	1,262
Tangible fixed assets (Notes 7 and 8)	180,645	1,803
Intangible fixed assets	189,400	1,890
Deferred tax assets (Note 14)	63,082	629
Customers' liabilities for acceptances and guarantees (Note 12)	88,845	886
Reserve for possible loan losses	(244,105)	(2,436)
Reserve for possible investment losses	(88)	(0)
Total assets	**¥11,363,902**	**$113,423**
Liabilities		
Deposits (Note 8)	¥10,107,416	$100,882
Call money and bills sold (Note 8)	2,504	24
Payables under securities lending transactions (Note 8)	42,371	422
Trading liabilities	7	0
Borrowed money (Notes 8 and 9)	203,808	2,034
Foreign exchange liabilities (Note 6)	782	7
Short-term bonds payable	50,000	499
Bonds payable (Note 10)	133,796	1,335
Other liabilities	101,224	1,010
Reserve for employee retirement benefits (Note 11)	2,266	22
Reserve for loss on interest repayments	1,162	11
Reserve for reimbursement of deposits	3,838	38
Reserve for contingent loss	272	2
Deferred tax liabilities on land revaluation (Notes 7 and 14)	32,779	327
Negative goodwill	307	3
Acceptances and guarantees (Note 12)	88,845	886
Total liabilities	**¥10,771,385**	**$107,509**
Net assets		
Common stock	¥ 124,799	$ 1,245
Capital surplus	104,697	1,044
Retained earnings	224,572	2,241
Treasury stock	(3,206)	(31)
Total stockholders' equity	**450,862**	**4,500**
Net unrealized gains on other securities (Note 13)	17,348	173
Net deferred hedge losses	(4,008)	(40)
Land revaluation account (Note 7)	47,469	473
Total valuation and transaction adjustments	60,809	606
Minority interests	80,844	806
Total net assets	**¥ 592,516**	**$ 5,913**
Total liabilities and net assets	**¥11,363,902**	**$113,423**

CONSOLIDATED STATEMENTS OF INCOME

Fukuoka Financial Group, Inc. and its subsidiaries
For the year ended March 31, 2008

	2008	2008
	Millions of yen	Millions of U.S. dollars (Note 2)
Income		
Income from funds under management:		
Interest on loans and bills discounted	¥155,358	$1,550
Interest and dividends on securities	37,372	373
Interest on call loans and bills bought	1,015	10
Interest on due from banks	1,538	15
Interest on others	3,549	35
Trust fees	1	0
Fees and commissions	42,272	421
Trading income	429	4
Other operating income	18,411	183
Other income	19,655	196
Total income	**¥279,603**	**$2,790**
Expenses		
Cost of fund-raising:		
Interest on deposits	¥ 26,454	$ 264
Interest on call money and bills sold	705	7
Interest on payables under securities lending transactions	3,775	37
Interest on borrowed money	1,461	14
Interest on short-term bonds payable	11	0
Interest on bonds payable	4,100	40
Interest on bonds with stock subscription rights	0	0
Interest on others	11,675	116
Fees and commissions	15,230	152
Trading expenses	0	0
Other operating expenses	18,224	181
General and administrative expenses	112,486	1,122
Other expenses	62,982	628
Total expenses	**¥257,109**	**$2,566**
Income before income taxes and minority interests	22,494	224
Provision for income taxes:		
Current	18,655	186
Deferred	1,836	18
	20,491	**204**
Minority interests	**751**	**7**
Net income (Note 15)	**¥1,252**	**$12**

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Fukuoka Financial Group, Inc. and its subsidiaries
For the year ended March 31, 2008

	Millions of yen				
	Stockholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total stockholders' equity
Balance as of March 31, 2007	¥ 79,890	¥ 58,165	¥231,025	¥(10,758)	¥358,322
Changes during the period:					
Increase (Decrease) due to stock transfer	20,109	43,060		(31,781)	31,387
Issuance of new shares	24,799	29,666			54,465
Cash dividends			(7,190)		(7,190)
Net income			1,252		1,252
Acquisition of treasury stock				(190)	(190)
Disposition of treasury stock		5,357		11,018	16,376
Cancellation of treasury stock		(31,551)		31,551	—
Transfer from land revaluation account			(514)		(514)
Decrease in treasury stock resulting from inclusion of consolidated subsidiaries				(3,045)	(3,045)
Net change in items other than stockholders' equity					
Total changes during the period	¥ 44,908	¥ 46,532	¥ (6,452)	¥ 7,552	¥ 92,540
Balance as of March 31, 2008	¥124,799	¥104,697	¥224,572	¥ (3,206)	¥450,862

	Millions of yen					
	Valuation and translation adjustments					
	Net unrealized gains on other securities	Net deferred hedge losses	Land revaluation account	Total valuation and translation adjustments	Minority interests	Total net assets
Balance as of March 31, 2007	¥ 45,912	¥ (77)	¥46,955	¥ 92,790	¥51,393	¥502,506
Changes during the period:						
Increase (Decrease) due to stock transfer						31,387
Issuance of new shares						54,465
Cash dividends						(7,190)
Net income						1,252
Acquisition of treasury stock						(190)
Disposition of treasury stock						16,376
Cancellation of treasury stock						—
Transfer from land revaluation account						(514)
Decrease in treasury stock resulting from inclusion of consolidated subsidiaries						(3,045)
Net change in items other than stockholders' equity	(28,564)	(3,931)	514	(31,980)	29,451	(2,529)
Total changes during the period	¥(28,564)	¥(3,931)	¥ 514	¥(31,980)	¥29,451	¥ 90,010
Balance as of March 31, 2008	¥ 17,348	¥(4,008)	¥47,469	¥ 60,809	¥80,844	¥592,516

	Millions of U.S. dollars (Note 2)				
	Stockholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total stockholders' equity
Balance as of March 31, 2007	$ 797	$ 580	$2,305	$(107)	$3,576
Changes during the period:					
Increase (Decrease) due to stock transfer	200	429		(317)	313
Issuance of new shares	247	296			543
Cash dividends			(71)		(71)
Net income			12		12
Acquisition of treasury stock				(1)	(1)
Disposition of treasury stock		53		109	163
Cancellation of treasury stock		(314)		314	—
Transfer from land revaluation account			(5)		(5)
Decrease in treasury stock resulting from inclusion of consolidated subsidiaries				(30)	(30)
Net change in items other than stockholders' equity					
Total changes during the period	$ 448	$ 464	$ (64)	$ 75	$ 923
Balance as of March 31, 2008	$1,245	$1,044	$2,241	$ 31	$4,500

	Millions of U.S. dollars (Note 2)					
	Valuation and translation adjustments					
	Net unrealized gains on other securities	Net deferred hedge losses	Land revaluation account	Total valuation and translation adjustments	Minority interests	Total net assets
Balance as of March 31, 2007	$ 458	$ (0)	$(468)	$ 926	$512	$5,015
Changes during the period:						
Increase (Decrease) due to stock transfer						313
Issuance of new shares						543
Cash dividends						(71)
Net income						12
Acquisition of treasury stock						(1)
Disposition of treasury stock						163
Cancellation of treasury stock						—
Transfer from land revaluation account						(5)
Decrease in treasury stock resulting from inclusion of consolidated subsidiaries						(30)
Net change in items other than stockholders' equity	(285)	(39)	5	(319)	293	(25)
Total changes during the period	$(285)	$(39)	$ 5	$(319)	$293	$ 898
Balance as of March 31, 2008	$ 173	$(40)	$ 473	$ 606	$806	$5,913

CONSOLIDATED STATEMENTS OF CASH FLOWS

Fukuoka Financial Group, Inc. and its subsidiaries
For the year ended March 31, 2008

	2008 Millions of yen	2008 Millions of U.S. dollars (Note 2)
Cash flows from operating activities:		
Income before income taxes and minority interests	¥ 22,494	$ 224
Depreciation of premises and equipment	6,697	66
Impairment losses	2,042	20
Amortization of goodwill	6,077	60
Equity in income from investment in affiliates	(112)	(1)
Net change in reserve for possible loan losses	(45,144)	(450)
Net change in reserve for possible investment losses	30	0
Net change in reserve for employee retirement benefits	(15,239)	(152)
Loss on contribution to employee retirement benefit trust	627	6
Contribution to employee retirement benefit trust	6,894	68
Net change in reserve for loss on interest repayments	(24)	0
Net change in reserve for reimbursement of deposits	3,451	34
Net change in reserve for contingent Loss	213	2
Interest income	(198,833)	(1,984)
Interest expenses	48,186	480
Net losses related to securities transactions	17,249	172
Net losses related to money held in trust	(0)	(0)
Net exchange gains	(1,683)	(16)
Net losses on disposition of fixed assets	1,750	17
Net change in trading assets	(1,181)	(11)
Net change in trading liabilities	(3,824)	(38)
Net change in loans and bills discounted	(169,887)	(1,695)
Net change in deposits	(64,206)	(640)
Net change in borrowed money (excluding subordinated borrowed money)	(7,903)	(78)
Net change in deposits with banks	(26,100)	(260)
Net change in call loans	17,052	170
Net change in call money	88,146	879
Net change in payables under securities lending transactions	(77,937)	(777)
Net change in foreign exchange assets	(159)	(1)
Net change in foreign exchange liabilities	469	4
Net change in short-term bonds payable	50,000	499
Interest received	202,011	2,016
Interest paid	(48,382)	(482)
Other, net	(44,466)	(443)
Subtotal	(231,693)	(2,312)
Refunded income taxes	10	0
Income taxes paid	(31,700)	(316)
Net cash used in operating activities	(263,382)	(2,628)
Cash flows from investing activities:		
Payments for purchases of securities	(1,324,151)	(13,216)
Proceeds from sale of securities	1,001,600	9,997
Proceeds from redemption of securities	669,181	6,679
Increase of money held in trust	(36)	0
Decrease of money held in trust	110	1
Payments for purchases of tangible fixed assets	(10,036)	(100)
Proceeds from sale of tangible fixed assets	793	7
Payments for purchases of intangible fixed assets	(5,598)	(55)
Proceeds from sale of intangible fixed assets	13	0
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(115,300)	(1,150)
Net cash provided by investing activities	216,577	2,161
Cash flows from financing activities		
Increase in subordinated borrowings	60,000	598
Decrease in subordinated borrowings	(30,000)	(299)
Payments for redemption of subordinated bonds and bonds with subscription rights to shares	(180)	(1)
Proceeds from issuance of common stock	49,598	495
Proceeds from issuance of preferred fund certificates	25,000	249
Dividends paid	(7,175)	(71)
Dividends paid to minority stockholders	(1,428)	(14)
Payments for purchases of treasury stock	(190)	(1)
Proceeds from sale of treasury stock	9,101	90
Payments for purchases of common stock from minority stockholders	(18)	0
Other, net	(414)	(4)
Net cash provided by financing activities	104,292	1,040
Effect of exchange rate changes on cash and cash equivalents	(190)	(1)
Net increase in cash and cash equivalents	57,296	571
Cash and cash equivalents at beginning of the year	164,537	1,642
Net increase in cash and cash equivalents due to stock transfer	61,944	618
Cash and cash equivalents at end of the year (Note 16)	¥ 283,777	$ 2,832

Fukuoka Financial Group, Inc. and its subsidiaries
Year ended March 31, 2008

1. Summary of Significant Accounting Policies

a. Basis of Presentation

Fukuoka Financial Group Inc. ("FFG" or the "Company") was established through a mutual equity transfer by the Bank of Fukuoka, Ltd. and Kumamoto Family Bank on April 2, 2007. The equity transfer was accounted for applying the purchase method stipulated in accounting standards relating to business combinations with the Bank of Fukuoka as the acquiring company and Kumamoto Family Bank as the acquired company. Consolidated financial statements are available for only one fiscal year, as the Company was established in April 2007.

The accompanying consolidated financial statements of FFG and its consolidated subsidiaries are prepared in accordance with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards and are compiled from the consolidated financial statements prepared by FFG as required under the Financial Instruments and Exchange Law of Japan

As permitted by the Financial Instruments and Exchange Law of Japan, amounts of less than one million yen have been omitted. As a result, the totals shown in the accompanying consolidated financial statements (both in yen and U.S. dollars) do not necessarily agree with the sums of the individual amounts.

b. Principles of Consolidation

The accompanying consolidated financial statements include the accounts of FFG and all companies controlled directly or indirectly by FFG. All significant intercompany balances and transactions have been eliminated in consolidation.

Affiliated companies over which FFG exercises significant influence in terms of their operating and financial policies are accounted for by the equity method in the consolidated financial statements.

Differences between the cost and the underlying net equity at fair value of investments in subsidiaries at the date of acquisition are amortized over a period of 5 years on a straight-line basis.

The Shinwa Bank and nine other companies became consolidated subsidiaries from September 28, 2007, through acquisition of the Shinwa Bank's stock. However, liquidation of Shinwa Real Estate Services Co., Ltd., was completed on January 29, 2008.

Furthermore, FFG Preferred Capital Cayman Limited was established as a consolidated subsidiary on February 5, 2008.

c. Trading Assets and Liabilities

Trading account transactions are the transactions in which profit opportunities arise from the differences between markets and short-term movements in rates and other indices, including interest rates, currency exchange rates, and dealing in marketable securities. These transactions are included in the consolidated financial statements as of the respective trading dates.

"Trading assets" and "Trading liabilities" are valued as follows: Securities and monetary assets are valued at market price at the balance sheet date; swaps, futures, options and other derivative transactions are valued on the assumption that they were settled at the balance sheet date.

Gains and losses on specific transactions are recorded by adding or deducting differences between valuation gains or losses at the previous balance sheet date and those at the current balance sheet date to the interest earned or paid in the current year for securities, monetary assets, etc. With respect to derivatives, the differences between the gains and losses from assumed settlement at the previous balance sheet date and those at the current balance sheet date are added to or deducted from the interest earned or paid in the current year.

d. Securities

Held-to-Maturity debt securities are stated at cost or amortized cost (straight-line method).

Other Securities whose market value is available are stated at the market value at the fiscal year-end (cost of securities sold is calculated using the moving-average method), and other nonmarketable securities are stated at cost or amortized cost computed by the moving-average method.

Unrealized gains and losses on Other Securities are included in net assets, net of income taxes.

e. Derivative transactions

Derivatives for purposes other than trading are stated at market value.

f. Depreciation

Depreciation of tangible fixed assets of consolidated subsidiaries conducting banking business is computed using the declining-balance method. However, certain banks employ the straight-line method for buildings, excluding equipment and furniture, acquired on or after April 1, 1998.

Buildings	3 years to 50 years
Equipment and furniture	2 years to 20 years

Depreciation of tangible fixed assets of other consolidated subsidiaries is principally computed using the declining-balance method, based on the estimated useful life of the assets.

Intangible fixed assets are depreciated using the straight-line method. Costs of computer software developed or obtained for internal use are deferred and amortized using the straight-line method for the estimated useful life of 5 years.

Goodwill is depreciated using the straight-line method over 20 years for two companies; negative goodwill is depreciated using the straight-line method over 5 years for four companies and over 20 years for one company.

g. Treatment of deferred assets

Bond issue expenses and stock issue expenses are treated at full cost at the time of expenditure.

h. Reserve for possible loan losses

The Reserve for Possible Loan Losses is maintained in accordance with internally established standards for write-offs and provisions:

- For credits extended to obligors that are legally bankrupt under the Bankruptcy Law, Special Liquidation in the Commercial Law or other similar laws ("Bankrupt Obligors"), and to obligors that are effectively in similar conditions ("Substantially Bankrupt Obligors"), reserves are maintained at 100% of amounts of claims, net of expected amounts from the disposal of collateral and/or the amounts recoverable under guarantees.
- For credits extended to obligors that are not yet legally or formally bankrupt but who are substantially bankrupt, reserves are maintained at the amount deemed necessary based on overall solvency analyses, on the amount of claims less expected amounts recoverable from the disposal of collateral and/or the amounts recoverable under guarantees.
- For credit extended or obligors that are not yet legally or formally bankrupt but who are substantially bankrupt or the obligors whose credit terms are rescheduled or reconditioned and exceed the certain threshold, the Discounted Cash Flow Method (the DCF Method) are applied if cash flows on repayment of principals and collection of interest of the loan can be reasonably estimated. The DCF Method requires that the difference between the cash flows discounted by the original interest rate and the carrying value of the loan be provided as a reserve for possible loan losses.
- For credits extended to other obligors, reserves are maintained at rates derived from default experiences for a certain period in the past, etc.

All credits are assessed by each credit origination department, and the results of the assessments are verified and examined by the independent examination department.

Reserves for Possible Losses on Loans are provided for on the basis of such verified assessments.

Regarding loans with collateral or guarantees extended by Kumamoto Family Bank, Shinwa Bank and certain major consolidated subsidiaries to obligors who are substantially or legally bankrupt, the balance of the amount of claims less expected amounts recoverable from the disposal of collateral and/or the amounts recoverable under guarantees is directly deducted from the amount of claims as the estimated uncollectible amount. As of the year-end, such a deducted amount was ¥63,603 million.

Reserve for loan losses in the consolidated subsidiaries are provided by the actual write-off ratio, etc.

i. Reserve for possible investment losses

The reserve for possible investment losses is provided for the estimated losses on certain investments based on an assessment of the issuers' financial condition and uncertainty about future recoverability of the decline in fair values of the investments.

j. Reserve for employee retirement benefits

Reserve for employee retirement benefits, which is provided for the future pension payment to employees, is recorded at the amount accrued at the end of the fiscal year, based on the projected benefit obligation and the estimated pension plan asset amounts at the end of the current fiscal year. Prior service liabilities and actuarial gains or losses are amortized mainly as follows:

- Actuarial gains or losses are recognized as income or losses from the following fiscal year under the straight-line method over the average remaining service period of the current employees (10–13 years).

k. Reserve for loss on interest repayments

The reserve accounts for the necessary amount to prepare for possible losses on claims for repayments of interests on loans that exceed the maximum interest rate set by the Interest Limitation Law.

l. Reserve for reimbursement of deposits

The reserve for reimbursement of deposit accounts for the necessary amount for deposits discontinued from liabilities in consideration of past payment performance.

m. Reserve for contingent loss

The reserve for contingent loss is provided as the amount considered necessary to cover possible contingent losses.

n. Translation of assets and liabilities denominated in foreign currencies

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

o. Leases

Non-cancelable lease transactions of FFG and its domestic subsidiaries are accounted for as operating leases (whether such leases are classified as operating leases or finance leases), except that lease agreements which stipulate the transfer of ownership of the leased assets to FFG are accounted for as finance leases.

p. Hedge accounting

1) Hedge accounting for interest rate risks

For derivatives to hedge the interest rate risk associated with various financial assets and liabilities, FFG applies the deferred method which is stipulated in "Accounting and Auditing Treatment of Accounting Standards for Financial Instruments in Banking Industry" (JICPA Industry Audit Committee Report No. 24). FFG assesses the effectiveness of such hedge for offsetting changes in interest rate, by classifying the hedge items (such as deposits and loans) and the hedging instruments (such as interest rate swaps) by their maturity. FFG assesses the effectiveness of such hedges for fixing cash flows by verifying the correlation between the hedged items and the hedging instruments.

2) Hedge accounting for foreign exchange risks

FFG applies the deferred method of hedge accounting for derivatives to hedge foreign exchange risks associated with various foreign currency denominated monetary assets and liabilities as stipulated in "Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in Banking Industry" (JICPA Industry Audit Committee Report No. 25). The effectiveness of the currency-swap transactions, exchange-swap transactions and similar transactions hedging the foreign exchange risks of monetary assets and liabilities denominated in foreign currencies is assessed based on comparison of foreign currency position of the hedged monetary assets and liabilities and the hedging instruments.

Deferred hedges based on one-to-one hedges are applied to certain assets and liabilities of FFG.

q. Income taxes

Deferred tax assets and liabilities are determined based on the differences between financial reporting and the tax bases of the assets and liabilities and are measured using the enacted tax rates and laws which will be in effect when the differences are expected to reverse.

r. Appropriation of retained earnings

Under the Corporation Law, the appropriation of retained earnings with respect to a given financial period is made by resolution of the stockholders at a general meeting held subsequent to the close of such financial period. The accounts for that period do not, therefore, reflect such appropriations. See Note 24.

s. Cash and cash equivalents

For purposes of the consolidated statements of cash flows, cash and cash equivalents include cash and deposits with the Bank of Japan, etc. which are included in "Cash and due from banks" in the consolidated balance sheet.

2. U.S. Dollar Amounts

Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The rate of ¥100.19 = U.S.$1, the approximate rate of exchange on March 31, 2008, has been used in translation. The inclusion of such amounts is not intended to imply that Japanese yen have been or could be readily converted, realized or settled in U.S. dollars at that rate or any other rate.

3. Securities

Securities at March 31, 2008 were as follows:

(Millions of yen)

	2008
National government bonds	¥ 755,861
Local government bonds	44,553
Corporate bonds	827,881
Equity securities	146,700
Other	588,837
Total	¥2,363,835

Information regarding marketable securities classified as Other Securities at March 31, 2008 is as follows:

(Millions of yen)

	Acquisition cost	Carrying value	Net unrealized gain (loss)
Listed securities:			
Stock	¥ 97,981	¥ 132,497	¥34,515
Bonds	1,572,795	1,568,907	(3,887)
Others	582,433	578,771	(3,662)
Total	¥2,253,210	¥2,280,175	¥26,965

Sales of securities classified as Other Securities amounted to ¥975,810 million with aggregate sales gain and loss of ¥20,396 million and ¥6,372 million, respectively, for the year ended March 31, 2008.

The redemption schedule for securities with maturity dates classified as Other Securities and securities classified as Held-to-Maturity securities at March 31, 2008 is summarized as follows:

(Millions of yen)

	1 year or less	More than 1 year but less than 5 years	More than 5 years but less than 10 years	More than 10 years
Bonds	¥311,127	¥719,744	¥431,585	¥165,840
Others	28,146	211,084	218,143	108,455
Total	¥339,273	¥930,828	¥649,729	¥274,295

The securities included ¥3,381 million of stock of affiliates. Securities at March 31, 2008 included bonds offered through private placement. FFG's guarantee obligation for such private placement bonds was ¥50,442 million.

4. Money Held in Trust

Money held in trust at March 31, 2008 consisted of the following:

	Acquisition cost	Carrying value	Net unrealized gain (loss)
Money held in trust for trading purpose	—	—	—
Money held in trust being held to maturity	—	—	—
Other money held in trust	¥3,524	¥3,524	—

5. Loans and Bills Discounted

Loans and bills discounted at March 31, 2008 included the following loans:

(Millions of yen)

	2008
Loans to borrowers in bankruptcy	¥ 19,435
Delinquent loans	249,190
Loans past due for three months or more	1,665
Restructured loans	150,429
Total	¥420,720

Loans are generally placed on non-accrual status when the ultimate collectibility of either the principal or interest becomes doubtful because payments have been in arrears for a certain period of time or due to other reasons. Loans to borrowers in bankruptcy represent non-accrual loans to borrowers in legal bankruptcy as defined in the Corporation Tax Law. Delinquent loans represent non-accrual loans other than loans to borrowers in bankruptcy and restructured loans.

Loans past due for three months or more represent loans on which payments of principal or interest have been in arrears for three months or more, but do not meet the criteria for loans to borrowers in bankruptcy and delinquent loans.

Restructured loans are loans that have been restructured to support the rehabilitation of certain borrowers who are encountering financial difficulties, with the intention of ensuring recovery of the loans by providing easier repayment terms for the borrowers (such as by reducing the rate of interest or by providing a grace period for the payment of principal/interest, etc.), and are not classified in any of the above categories.

Notes discounted are recorded as cash lending/borrowing transactions in accordance with "Accounting and auditing treatments of the Application of Accounting Standards for Financial Instruments in the Banking Industry" (JICPA Industry Audit Committee, Report No. 24). FFG has a right to sell or collateralize such bills at its discretion. Total face value of commercial bills and bills of exchange acquired through discounting amounted to ¥101,998 million at March 31, 2008.

At year-end, the balance of the loan principal accounted for as sale through securitization transactions was ¥69,596 million. Furthermore, consolidated subsidiaries conducting banking business continued to hold ¥43,747 million in subordinated beneficiary rights of transferred loans that were accounted for under loans, so reserves for loan losses accounted for a ¥113,343 million aggregate principal amount, including previously disposed priority beneficiary rights.

Furthermore, money held in trust is entrusted as cash reserves in relation to loan securitization transactions.

Line-of-credit agreements relating to overdrafts and loans are agreements which oblige FFG to lend funds up to a certain limit agreed to in advance. FFG makes the loan upon the request of an obligor to draw down funds under such a loan agreement as long as there is no breach of the various terms and conditions stipulated in the relevant loan agreement. The unused line-of-credit balance relating to these overdrafts and loan agreements at March 31, 2008 amounted to ¥2,839,674 million. The amount related to overdrafts and loans with a term of one year or less or overdrafts and loans which permit unconditional cancellation at any time was ¥2,698,923 million at March 31, 2008.

As many of these contracts expire undrawn, the aggregate total of the undrawn amount does not necessarily affect the future cash flows of FFG and its consolidated subsidiaries. Many of these contracts have clauses that allow FFG and its consolidated subsidiaries to turn down a loan request or reduce the amounts of the credit line if there is a change in financial conditions, a need to establish increased securities, or other similar reasons. In addition to obtaining necessary collateral (real estate, securities, etc.) at the time the commitment contract is entered into, FFG and its consolidated subsidiaries assess the condition of the customer's business operations, and analyze other information, based on internal procedures and standards. If necessary, the contract is reviewed and revised, or additional steps are taken to secure the credit extended to the customer.

6. Tangible Fixed Assets

Land used for Bank of Fukuoka's business activities has been revalued on the basis prescribed by the Law Concerning Land Revaluation (Proclamation No. 34 dated March 31, 1998). As for the revaluation difference, the income tax account corresponding to the revaluation difference amount is included in liabilities as "Deferred tax liabilities on land revaluation account," and the revaluation difference, net of this deferred tax liability, is included in net assets as "Land revaluation account."

Date of revaluation: March 31, 1998
Revaluation method as stated in Article 3-3 Law Concerning Land Revaluation:
The value of land is based on the official notice prices calculated as directed by public notification of the Commissioner of the National Tax Administration and as provided in the Law Concerning Public Notification of Land Prices, as stipulated in Article 2-4 of the Ordinance Implementing the Law Concerning Land Revaluation (Government Ordinance No. 119 dated March 31, 1998), after making reasonable adjustments. Difference between the revalued carrying amount and fair value of lands being revalued pursuant to the Article 10 of the law was ¥29,703 million.

Accumulated depreciation for tangible fixed assets amounted to ¥95,578 million.

The accelerated depreciation entry for tangible fixed assets amounted to ¥18,809 million.

7. Pledged Assets

Assets pledged as collateral at March 31, 2008 consisted of the following:

(Millions of yen)

	2008
Assets pledged as collateral:	
Cash and due from banks	¥ 558
Securities	511,841
Other assets	103
Liabilities corresponding to assets pledged as collateral:	
Deposits	37,502
Payables under securities lending transactions	42,371
Borrowed money	122,300

In addition, securities totaling ¥484,375 million and deposits of ¥287 million and other assets of ¥112 million were pledged at March 31, 2008. Cash held on deposit as Bank of Japan common collateral, collateral for settlement of exchange or as guarantee on futures transactions came to ¥287 million at March 31, 2008.

None of the assets pledged as collateral was collateral pledged in connection with borrowings by affiliate companies.

Other assets included deposits of ¥2,103 million at March 31, 2008.

8. Borrowed money

Borrowed money at March 31, 2008 included subordinated borrowings amounting to ¥74,500 million.

9. Bonds payable

Bonds payable included callable (subordinated) debenture bonds of ¥104,500 million, payable in yen, due 2008 to 2017.

10. Retirement benefit plans

FFG and its subsidiaries have defined benefit plans, i.e., corporate pension plans and lump-sum payment plans, covering substantially all employees who are entitled to lump-sum or annuity payments, the amounts of which are determined by reference to their basic rates of pay, length of service, and the conditions under which termination occurs.

On April 1, 2008, the Bank of Fukuoka's corporate pension fund, Kumamoto Family Bank's corporate pension fund and Shinwa Bank's corporate pension fund were merged, and authorization was received for the establishment of the Fukuoka Financial Group Corporate Pension Fund as the continuation of the Bank of Fukuoka's corporate pension fund.

The following table sets forth the funded and accrued status of the plans, and the amounts recognized in the consolidated balance sheets as of March 31, 2008 for FFG and its subsidiaries' defined benefit plans:

(Millions of yen)

	2008
Project benefit obligation	¥(108,435)
Fair value of plan assets	117,976
Retirement benefit trust included above	59,525
Projected benefit obligation in excess of plan assets	9,540
Unrecognized net actuarial differences	12,839
Unrecognized prior service cost	—
Net liability recognized	22,379
Prepaid pension cost	24,646
Reserve for employees' retirement benefits	(2,266)

The components of retirement benefit expenses for the year ended March 31, 2008 are outlined as follows:

(Millions of yen)

	2008
Service cost	¥ 3,151
Interest cost	1,897
Expected return on plan assets	(4,269)
Expense for prior service cost	—
Expense for net actuarial loss	(1,475)
Other (temporarily paid premium severance pay, etc.)	40
Retirement benefit expenses	¥ (654)

The assumptions used in the accounting for the above plans were as follows:

	2008
(a) Discount rate	2.0%
(b) Expected return on plan assets	3.0–3.5%
(c) Allocation basis of expect retirement benefits	Fixed
(d) Amortization basis of unrecognized prior service cost	—
(e) Amortization term of unrecognized net actuarial loss	10–13 years

11. Acceptances and Guarantees

All contingent liabilities arising from acceptances and guarantees are included in this account. As a contra account, "Customers' liabilities for acceptances and guarantees" is shown on the assets side, which represents FFG's right of indemnity from the applicants.

FFG's guarantees total ¥50,442 million for private placement corporate bonds. Relevant acceptances and guarantees and customers' liabilities for acceptances and guarantees have been recorded in the net amount.

12. Net unrealized gains on securities

Net unrealized gains on securities at March 31, 2008 consisted of the following:

(Millions of yen)

	2008
Gross unrealized gains on securities classified as Other Securities	¥27,779
Deferred tax liabilities applicable to unrealized gains	10,410
Unrealized gains on securities, net of the applicable income taxes before adjustment for Minority Interests	17,369
Minority Interests	5
FFG's interest in net unrealized gains on valuations of other securities held by affiliates accounted for by the equity method	(15)
Net unrealized gains on securities classified as Other Securities	17,348

13. Income Taxes

The aggregate statutory income tax rate used for calculation of deferred income tax assets and liabilities was 40.43%

The following table summarizes the significant differences between the statutory tax rate and the effective tax rate for consolidated financial statement purposes for the year ended March 31, 2008.

(%)

	2008
Statutory tax rate	40.43
Increase in valuation reserve	45.73
Nondeductible goodwill amortization	10.96
Entertainment expenses and other items permanently excluded from expenses	1.67
Per capital residence tax	0.64
Dividend revenue and other items permanently excluded from gross revenue	(0.71)
Tax rate difference with overseas consolidated subsidiaries	(2.71)
Consolidated adjustment	(2.81)
Other	(2.11)
Effective tax rate	91.09

The significant components of the deferred tax assets and liabilities as of March 31, 2008 were as follows:

(Millions of yen)

	2008
Deferred tax assets:	
Reserve for possible loan losses	¥ 118,199
Net losses carried forward	79,695
Reserve for employees' retirement benefits	12,161
Depreciation of securities	12,685
Depreciation expenses	3,427
Other	9,449
Subtotal	235,619
Valuation allowance	(150,780)
Total	¥ 84,838
Deferred tax liabilities:	
Unrealized gain on securities	¥ (10,410)
Retirement benefit trust	(10,712)
Reserve for special depreciation	(533)
Other	(99)
Total	¥ (21,755)
Net deferred tax assets	¥ 63,082

14. Net Income per Share

Net income per share for the year ended March 31, 2008 was as follows:

(Yen)

	2008
Net income per share:	
Basic	¥1.22
Diluted	—

Basic net income per share is computed based on the weighted average number of shares of common stock outstanding during the year.

As there are no dilutive securities, the amount of diluted net income per share of common stock is not stated.

15. Supplementary Cash Flow Information

Reconciliation of cash and cash equivalents

The reconciliation of cash and due from banks in the consolidated balance sheets to cash and cash equivalents in the consolidated statements of cash flows at March 31, 2008 was as follows:

(Millions of yen)

	2008
Cash and due from banks	¥347,944
Interest-earning deposits with other banks	(64,166)
Cash and cash equivalents	283,777

16. Material non-fund transactions

The Bank of Fukuoka common stock acquired during the year through the conversion of the Bank of Fukuoka's convertible bonds was exchanged for the Company's common stock through a stock swap. This transaction resulted in the following changes in capital reserves and stock acquisition rights.

(Millions of yen)

	2008
Increase in capital reserves due to stock swap	¥4,866
Reduction in corporate bonds with stock acquisition rights due to exercise of stock acquisition rights	4,867

Note: The above is based on conversion of convertible bonds issued prior to commercial code revisions.

17. Assets and liabilities held by newly consolidated banking subsidiaries

Breakdown of assets and liabilities arising from the new consolidation of Shinwa Bank and others through stock acquisition at the time of consolidation and stock acquisition prices and expenditures (net) for stock acquisitions.

(Millions of yen)

	2008
Assets	¥ 2,185,777
Liabilities	(2,127,204)
Minority interests	(5,097)
Goodwill	122,896
Stock acquisition price	176,372
Cash and cash equivalents	61,071
Net expenditures for stock acquisitions	115,300

18. Leases

As lessee

The following pro forma amounts represent the acquisition costs, accumulated depreciation and net book value of leased assets as of March 31, 2008, which would have been reflected in the consolidated balance sheet if finance lease accounting had been applied to the finance lease transactions currently accounted for as operating leases:

(Millions of yen)

	2008
Equipment:	
Acquisition costs	¥13,917
Accumulated depreciation	6,838
Accumulated losses on impairment	14
Net book value	¥ 7,063

Lease payments relating to finance lease transactions accounted for as operating leases amounted to ¥2,505 million for the year ended March 31, 2008. The accumulated impairment of lease assets came to ¥4 million. The depreciation expense of the leased assets computed by the straight-line method over the respective lease terms and the interest expense portion included in the lease payments amounted to ¥2,244 million and ¥180 million, respectively, for the year ended March 31, 2008.

Future minimum lease payments subsequent to March 31, 2008 for finance lease transactions accounted for as operating leases are summarized as follows:

Year ending March 31,	(Millions of yen)
Within one year	¥2,039
Over one year	5,221
Total	¥7,260

As of March 31, 2008, the accumulated impairment of these lease assets came to ¥5 million.

Operating leases

Total future lease payments under non-cancelable operating leases at March 31, 2008 were as follows:

(Millions of yen)

	2008
Within one year	¥301
Over one year	477
Total	¥779

19. Derivative transactions

FFG has entered into various derivative transactions in order to manage certain risks arising from adverse fluctuations in foreign currency exchange rates, interest rates and debt security prices.

Information regarding the derivative transactions outstanding as of March 31, 2008 is as follows:

■ Interest-related transactions

(Millions of yen)

As of March 31, 2008	Notional amount	Fair value	Unrealized gain (loss)
Interest-rate futures	¥18,825	¥(104)	¥(104)
Sell	18,825	(104)	(104)
Buy	—	—	—
Interest rate swaps	490,110	1,246	1,235
Receive/fixed and pay/floating	246,533	3,946	3,694
Receive/floating and pay/fixed	243,576	(2,699)	(2,459)
Interest swaptions	18,109	27	160
Sell	7,534	(10)	139
Buy	10,575	38	21
Caps	50,069	(4)	84
Sell	24,879	(90)	166
Buy	25,189	85	(81)
Floor	8,136	0	0
Sell	4,068	(47)	(9)
Buy	4,068	47	9
Total	—	¥1,165	¥1,375

Note: The derivative transactions accounted for as hedges have been excluded from the table above.

■ Currency-related transactions

(Millions of yen)

As of March 31, 2008	Notional amount	Fair value	Unrealized gain (loss)
Currency Swap	¥960,360	¥2,007	¥1,961
Foreign exchange contract	40,331	153	153
Sell	18,984	738	738
Buy	21,346	(584)	(584)
Currency options	69,873	0	149
Sell	34,936	(547)	12
Buy	34,936	547	136
Total	—	¥2,161	¥2,264

Note: The derivative transactions accounted for as hedges have been excluded from the table above.

■ Bond–related transactions

(Millions of yen)

As of March 31, 2008	Notional amount	Fair value	Unrealized gain (loss)
Bond futures	¥400	¥(7)	¥(7)
Sell	400	(7)	(7)
Buy	—	—	—
Total	—	¥(7)	¥(7)

Note: The derivative transactions accounted for as hedges have been excluded from the table above.

■ Credit derivative transactions

(Millions of yen)

As of March 31, 2008	Notional amount	Fair value	Unrealized gain (loss)
Credit default swaps	¥11,000	¥(231)	¥(232)
Sell	11,000	(231)	(232)
Buy	—	—	—
Total	—	¥(231)	¥(232)

Note: The derivative transactions accounted for as hedges have been excluded from the table above.

■ Hybrid financial instrument transactions

(Millions of yen)

As of March 31, 2008	Notional amount	Fair value	Unrealized gain (loss)
Hybrid loans	¥31,500	¥(1,339)	¥(1,339)
Total	—	¥(1,339)	¥(1,339)

20. Segment Information

(a) Business Segment Information

FFG's operation includes guarantee and other businesses in addition to banking business. As such operations are immaterial, separate segment information is not disclosed.

(b) Geographic Segment Information

The disclosure of geographical segment information has been omitted as operating income and total assets of the foreign operations constituted less than 10% of the consolidated totals.

(c) Income from International Operations

(Millions of yen)

	Income from international operations	Consolidated operating income	Income from international operations/ Consolidated operating income
Year ended March 31, 2008	¥28,403	¥277,795	10.22%

21. Related-Party Transactions

1. For the fiscal year ended March 31, 2008

(1) Directors and principal individual shareholders

Attribute	Name	Address	Common Stock	Title	Equity Ownership	Relationship	Transactions	Transaction amount	Account	Balance at end of year
Director	Hidemi Ashizuka	—	—	FFG's corporate auditor Executive President and Representative Director of Kyushu Electric Power Co., Inc.	—	—	Loan	¥420 million	Loan	¥1,188 million
		—	—	FFG's corporate auditor President and Representative Director of Fukuoka SRP Co., Ltd.	—	—	Loan	¥38 million	Loan	¥442 million
Director	Tsuguo Nagao	—	—	FFG's corporate auditor President and Representative Director of Nishi-Nippon Railroad Co., Ltd.	—	—	Loan Debt guarantees	¥873 million ¥(19) million	Loan Acceptances and guarantees	¥9,597 million ¥380 million

Note: Terms and conditions of the transactions are similar to those of others.

(2) Others

There were no relevant transactions with related parties to report.

22. Business combination

The Company was established through a mutual equity transfer between the Bank of Fukuoka and Kumamoto Family Bank on April 2, 2007. The equity transfer was accounted for applying the purchase method stipulated in accounting standards relating to business combinations with the Bank of Fukuoka as the acquiring company and Kumamoto Family Bank as the acquired company.

1. The name and business content of the acquired company, the main reasons, date and legal form of the business combination, and the name and acquired ratio of voting rights after the business combination

(1) The name and business content of the acquired company

Kumamoto Family Bank, commercial banking services

(2) Main reasons for the business combination

Both banks aim to realize customer service improvements through mutual sales network expansion, to boost contributions to regional society through financial services, to raise employee satisfaction and to realize a financial group that exceeds stakeholder expectations through sustainable growth in corporate value for both institutions.

Furthermore, the two banks will utilize management resources more efficiently to facilitate mutual rapid growth, and develop a wider range of financial services over a broader area by raising their brand value more effectively.

(3) Date of the business combination

April 2, 2007

(4) Legal form of the business combination

Establishment of a mutual holding company through equity transfer

(5) Company name after the business combination

Fukuoka Financial Group, Inc.

(6) The acquired ratio of voting rights

100%

2. Term for which the acquired company's business results are included in the consolidated financial statements

From April 1, 2007, to March 31, 2008

3. The acquisition costs for the acquired company and breakdown

The acquisition cost of the acquired company was ¥63,590 million, which was the value of shares issued to shareholders of the acquired company and other costs.

4. Transfer ratio by share type and the computation method, issued number of shares and their appraisal value

(1) Transfer ratio by share type

(a) 1 share of FFG common stock to 1 share of Bank of Fukuoka common stock

(b) 0.217 share of FFG common stock to 1 share of Kumamoto Family Bank common stock

(c) 1 share of FFG type 1 preferred stock to 1 share of Kumamoto Family Bank first series type 1 preferred stock

(d) 1 share of FFG type 2 preferred stock to 1 share of Kumamoto Family Bank first series type 2 preferred stock

(2) Computation method

To facilitate the calculation of the stock transfer ratio, both banks appointed Mizuho Securities Co., Ltd. as a financial adviser. The results of analysis using the Mizuho Securities' market value standard method, the discounted cash flow method and the market value net asset method were presented to both banks. Subsequently, the Bank of Fukuoka appointed KPMG FAS Japan and Kumamoto Family Bank appointed Deloitte Tohmatsu FAS as financial advisers, requesting validation of their respective stock transfer ratios and consequently receiving statements expressing a fair opinion from a financial standpoint.

(3) Issued number of shares and their appraisal value

Issued number of shares	755,916,290 shares of common stock
	18,742,000 shares of type 1 preferred stock
	40,000,000 shares of type 2 preferred stock

As the Company's shares did not yet exist on the date of the announcement of the equity transfer, the appraisal value of shares for common stock was taken at the acquired company's market average of ¥830, which was the value of five days prior to the announcement of an agreement over the principal conditions of the business combination. Moreover, appraisal value for preferred stock was taken as par value of stock issued as there was no market value. However, the appraisal value for common stock and preferred stock held by the Bank of Fukuoka prior to the date of announcement of the equity transfer was based on book value.

5. Amount of goodwill generated, its sources, and its amortization method and term

(1) The amount of goodwill was ¥60,534 million.

(2) Sources of goodwill

To be generated by expected future excess earning power resulting from operational expansion

(3) Amortization method and term

Uniform amortization over 20 years

6. Amount and breakdown of assets received and liabilities assumed on the date of the business combination

(1) Assets

	(Millions of yen)
Total assets received	¥1,311,095
Loans	979,364
Marketable securities	233,408
Reserve for loan losses	(27,330)

(2) Liabilities

	(Millions of yen)
Total liabilities assumed	¥1,283,007
Deposits	1,176,954

The Company gained approval for transfer of shares of Shinwa Bank at an extraordinary meeting of shareholders of Kyushu-Shinwa Holdings, Inc., on August 29, 2007 followed by authorization from the appropriate authorities on September 27, 2007. Accordingly, we fulfilled all prerequisites for inclusion of Shinwa Bank as a subsidiary. As a result, stock payment was completed based on a stock subscription contract relating to a third-party allocation of new shares conducted by Shinwa Bank on September 28, 2007. In accordance with these developments, Shinwa Bank became a consolidated subsidiary of the Company.

1. The name and business content of the acquired company, the main reasons, date and legal form of the business combination, and the acquired ratio of voting rights

(1) The name and business content of the acquired company

Shinwa Bank, commercial banking services

(2) Main reasons for the business combination

Maintaining and improving business continuity of the Shinwa Bank into the future will protect the bank's clients and secure the stability of regional financial systems. Furthermore, this will mobilize the Group's capacities to truly regenerate Shinwa Bank, aiming to realize regional economic stimulation by creating a more enduring position for the bank as a regional financial institution.

(3) Date of the business combination

September 28, 2007

(4) Legal form of the business combination

Cash acquisition of shares

(5) The acquired ratio of voting rights

59.9% (100% after additional stock acquisition on October 1, 2007)

2. Term for which the acquired company's business results are included in the consolidated financial statements

From September 30, 2007, to March 31, 2008

3. The acquisition costs for the acquired company and breakdown

The acquisition cost of the acquired company was ¥176,372 million.

4. Amount of goodwill generated, its sources, and its amortization method and term

(1) The amount of goodwill was ¥122,896 million.

(2) Sources of goodwill

To be generated by expected future excess earning power resulting from operational expansion

(3) Amortization method and term

Uniform amortization over 20 years

5. Amount and breakdown of assets received and liabilities assumed on the date of the business combination

(1) Assets

	(Millions of yen)
Total assets received	¥2,185,777
Loans	1,451,166
Marketable securities	568,080
Reserve for loan losses	(170,688)

(2) Liabilities

	(Millions of yen)
Total liabilities assumed	¥2,127,204
Deposits	2,002,576

23. Subsequent events

The following distribution of retained earnings of FFG, which has not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2008, was approved at the shareholders' meeting held on June 27, 2008 and became effective June 30, 2008:

	(Millions of yen)
Dividends on common stock (¥2.5 per share)	¥2,148
Dividends on type 1 preferred stock (¥7.0 per share)	¥ 131

ERNST & YOUNG SHINNIHON

Report of Independent Auditors

The Board of Directors
Fukuoka Financial Group Inc.

We have audited the accompanying consolidated balance sheets of Fukuoka Financial Group Inc. and consolidated subsidiaries as of March 31 2008, and the related consolidated statements of income, changes in net assets, and cash flows for the years then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Fukuoka Financial Group Inc. and consolidated subsidiaries at March 31, 2008, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2008 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2.

Ernst & Young ShinNihon

June 24, 2008

Ernst & Young ShinNihon

A MEMBER OF ERNST & YOUNG GLOBAL

NON-CONSOLIDATED BALANCE SHEETS (Unaudited)

The Bank of Fukuoka, Ltd.
As of March 31, 2008 and 2007

	2008	2007	2008
	Millions of yen	Millions of yen	Millions of U.S. dollars
Assets			
Cash and due from banks	¥ 266,591	¥ 190,879	$ 2,660
Call loans	48,557	72,400	484
Receivables under securities lending transactions	17,358	—	173
Monetary receivables bought	164,652	100,620	1,643
Trading assets	9,749	7,900	97
Securities	1,581,458	2,044,291	15,784
Loans and bills discounted	5,743,126	5,380,802	57,322
Foreign exchange assets	3,012	2,758	30
Other assets	100,406	53,374	1,002
Tangible fixed assets	132,093	128,979	1,318
Intangible fixed assets	9,298	7,947	92
Deferred tax assets	23,359	3,653	233
Customers' liabilities for acceptances and guarantees	62,728	57,498	626
Reserve for possible loan losses	(68,656)	(67,105)	(685)
Total assets	**¥8,093,734**	**¥7,984,001**	**$80,783**
Liabilities			
Deposits	¥7,045,597	¥6,932,412	$70,322
Call money	77,978	12,157	778
Payables under securities lending transactions	42,371	120,309	422
Trading liabilities	7	3,832	0
Borrowed money	243,117	184,049	2,426
Foreign exchange liabilities	759	284	7
Bonds payable	109,296	111,074	1,090
Bonds with stock subscription rights	—	5,047	—
Other liabilities	62,967	75,663	628
Reserve for loss on interest repayments	1,102	1,141	10
Reserve for reimbursement of deposits	3,226	—	32
Reserve for contingent loss	271	—	2
Deferred tax liabilities on land revaluation	32,779	33,282	327
Acceptances and guarantees	62,728	57,498	626
Total liabilities	**¥7,682,206**	**¥7,536,752**	**$76,676**
Net assets			
Common stock	¥82,329	¥79,890	$ 821
Capital surplus	60,480	58,058	603
Retained earnings	205,964	227,265	2,055
Treasury stock	—	(10,752)	—
Total stockholders' equity	**348,774**	**354,463**	**3,481**
Net unrealized gains on other securities	19,292	45,908	192
Net deferred hedge losses	(4,008)	(77)	(40)
Land revaluation account	47,469	46,955	473
Total valuation and transaction adjustments	62,752	92,785	626
Total net assets	**¥ 411,527**	**¥ 447,249**	**$ 4,107**
Total liabilities and net assets	**¥8,093,734**	**¥7,984,001**	**$80,783**

NON-CONSOLIDATED STATEMENTS OF INCOME (Unaudited)

The Bank of Fukuoka, Ltd.
For the years ended March 31, 2008 and 2007

	2008	2007	2008
	Millions of yen	Millions of yen	Millions of U.S. dollars
Income			
Income from funds under management:			
Interest on loans and bills discounted	¥112,805	¥ 97,860	$1,125
Interest and dividends on securities	31,982	35,318	319
Interest on call loans	929	501	9
Interest on receivables under securities lending transactions	36	—	0
Interest on bills bought	—	0	—
Interest on due from banks	1,519	154	15
Interest on swaps	1,624	563	16
Interest on others	1,627	940	16
Trust fees	1	2	0
Fees and commissions	33,331	34,067	332
Trading income	395	2,448	3
Other operating income	11,430	2,305	114
Other income	17,044	3,667	170
Total income	**¥212,729**	**¥177,829**	**$2,123**
Expenses			
Cost of fund-raising:			
Interest on deposits	¥ 19,281	¥ 8,023	$ 192
Interest on call money	1,497	526	14
Interest on payables under securities lending transactions	3,775	5,565	37
Interest on bills sold	—	1	—
Interest on borrowed money	2,822	2,059	28
Interest on bonds payable	3,479	1,055	34
Interest on bonds with stock subscription rights	0	128	0
Interest on swaps	11,236	12,743	112
Interest on others	108	15	1
Fees and commissions	14,077	12,612	140
Trading expenses	0	—	0
Other operating expenses	13,559	1,199	135
General and administrative expenses	73,079	71,655	729
Other expenses	42,602	7,391	425
Total expenses	**¥185,520**	**¥122,980**	**$1,851**
Income before income taxes	27,209	54,849	271
Provision for income taxes:			
Current	10,663	22,962	106
Deferred	(871)	(1,098)	(8)
Net income	**¥ 17,417**	**¥ 32,984**	**$ 173**

NON-CONSOLIDATED BALANCE SHEETS (Unaudited)

Kumamoto Family Bank, Ltd.
As of March 31, 2008 and 2007

	2008	2007	2008
	Millions of yen	Millions of yen	Millions of U.S. dollars
Assets			
Cash and due from banks	¥ 25,214	¥ 63,148	$ 251
Call loans	6,882	—	68
Monetary receivables bought	75	136	0
Securities	227,782	234,213	2,273
Loans and bills discounted	926,237	980,574	9,244
Foreign exchange assets	613	440	6
Other assets	7,904	5,731	78
Tangible fixed assets	17,660	17,424	176
Intangible fixed assets	1,295	496	12
Deferred tax assets	21,943	26,993	219
Customers' liabilities for acceptances and guarantees	12,327	14,294	123
Reserve for possible loan losses	(26,766)	(26,998)	(267)
Total assets	**¥1,221,170**	**¥1,316,455**	**$12,188**
Liabilities			
Deposits	¥1,121,103	¥1,193,437	$11,189
Call money	10,000	—	99
Payables under securities lending transactions	17,358	—	173
Borrowed money	10,000	45,800	99
Foreign exchange liabilities	6	2	0
Bonds payable	35,500	35,500	354
Other liabilities	7,748	8,376	77
Reserve for bonus	—	489	—
Reserve for employee retirement benefits	—	6,145	—
Reserve for contingent loss	160	494	1
Reserve for reimbursement of deposits	187	—	1
Deferred tax liabilities on land revaluation	2,107	2,113	21
Acceptances and guarantees	12,327	14,294	123
Total liabilities	**¥1,216,500**	**¥1,306,655**	**$12,141**
Net assets			
Common stock	¥ 14,980	¥ 34,262	$ 149
Capital surplus	6,249	23,164	62
Retained earnings	(15,626)	(48,695)	(155)
Treasury stock	—	(121)	—
Total stockholders' equity	**5,604**	**8,609**	**55**
Net unrealized gains on other securities	(1,758)	357	(17)
Land revaluation account	824	833	8
Total valuation and transaction adjustments	(933)	1,190	(9)
Total net assets	**¥ 4,670**	**¥ 9,800**	**$ 46**
Total liabilities and net assets	**¥1,221,170**	**¥1,316,455**	**$12,188**

NON-CONSOLIDATED STATEMENTS OF INCOME (Unaudited)

Kumamoto Family Bank, Ltd.
For the years ended March 31, 2008 and 2007

	2008	2007	2008
	Millions of yen	Millions of yen	Millions of U.S. dollars
Income			
Income from funds under management:			
Interest on loans and bills discounted	¥ 25,872	¥ 26,652	$ 258
Interest and dividends on securities	3,195	2,208	31
Interest on call loans	158	72	1
Interest on receivables under resale agreements	—	5	—
Interest on due from banks	1	1	0
Interest on swaps	30	174	0
Interest on others	7	16	0
Fees and commissions	4,879	4,269	48
Other operating income	164	509	1
Other income	943	1,186	9
Total income	**¥ 35,253**	**¥ 35,097**	**$ 351**
Expenses			
Cost of fund-raising:			
Interest on deposits	¥ 3,874	¥ 2,574	$ 38
Interest on call money	4	0	0
Interest on payables under securities lending transactions	36	—	0
Interest on borrowed money	316	168	3
Interest on bonds payable	1,303	840	13
Interest on others	1	9	0
Fees and commissions	2,466	2,383	24
Other operating expenses	200	1,564	1
General and administrative expenses	18,599	17,579	185
Other expenses	18,776	71,906	187
Total expenses	**¥ 45,580**	**¥ 97,028**	**$ 454**
Loss before income taxes	(10,327)	(61,930)	(103)
Provision for income taxes:			
Current	22	19	0
Deferred	5,285	(4,915)	52
Net loss	**¥(15,635)**	**¥(57,034)**	**$(156)**

NON-CONSOLIDATED BALANCE SHEETS (Unaudited)

The Shinwa Bank, Ltd.
As of March 31, 2008 and 2007

	2008	2007	2008
	Millions of yen	Millions of yen	Millions of U.S. dollars
Assets			
Cash and due from banks	¥ 58,741	¥ 61,878	$ 586
Call loans	106,591	160,520	1,063
Monetary receivables bought	10	13	0
Trading account securities	676	777	6
Money held in trust	3,524	3,631	35
Securities	590,653	591,809	5,895
Loans and bills discounted	1,393,349	1,547,678	13,907
Foreign exchange assets	1,514	5,802	15
Other assets	8,218	12,595	82
Tangible fixed assets	50,727	59,526	506
Intangible fixed assets	1,256	1,376	12
Deferred tax assets	24,268	25,064	242
Customers' liabilities for acceptances and guarantees	13,376	15,599	133
Reserve for possible loan losses	(133,090)	(111,390)	(1,328)
Reserve for possible investment losses	(5,829)	(3,284)	(58)
Total assets	**¥2,113,988**	**¥2,371,599**	**$21,099**
Liabilities			
Deposits	¥1,978,755	¥2,178,023	$19,750
Payables under securities lending transactions	—	47,571	—
Borrowed money	11,841	13,734	118
Foreign exchange liabilities	16	17	0
Bonds payable	15,000	15,000	149
Other liabilities	10,401	10,980	103
Reserve for bonus	—	773	—
Reserve for employee retirement benefits	4,242	11,022	42
Reserve for reimbursement of deposits	423	—	4
Deferred tax liabilities on land revaluation	13,194	15,968	131
Acceptances and guarantees	13,376	15,599	133
Total liabilities	**¥2,047,252**	**¥2,308,691**	**$20,433**
Net assets			
Common stock	¥ 93,781	¥ 45,213	$ 936
Capital surplus	56,249	42,442	561
Retained earnings	(98,367)	(50,124)	(981)
Total stockholders' equity	**51,663**	**37,531**	**515**
Net unrealized gains on other securities	(2,488)	3,752	(24)
Land revaluation account	17,560	21,623	175
Total valuation and transaction adjustments	15,072	25,376	150
Total net assets	**¥ 66,736**	**¥ 62,907**	**$ 666**
Total liabilities and net assets	**¥2,113,988**	**¥2,371,599**	**$21,099**

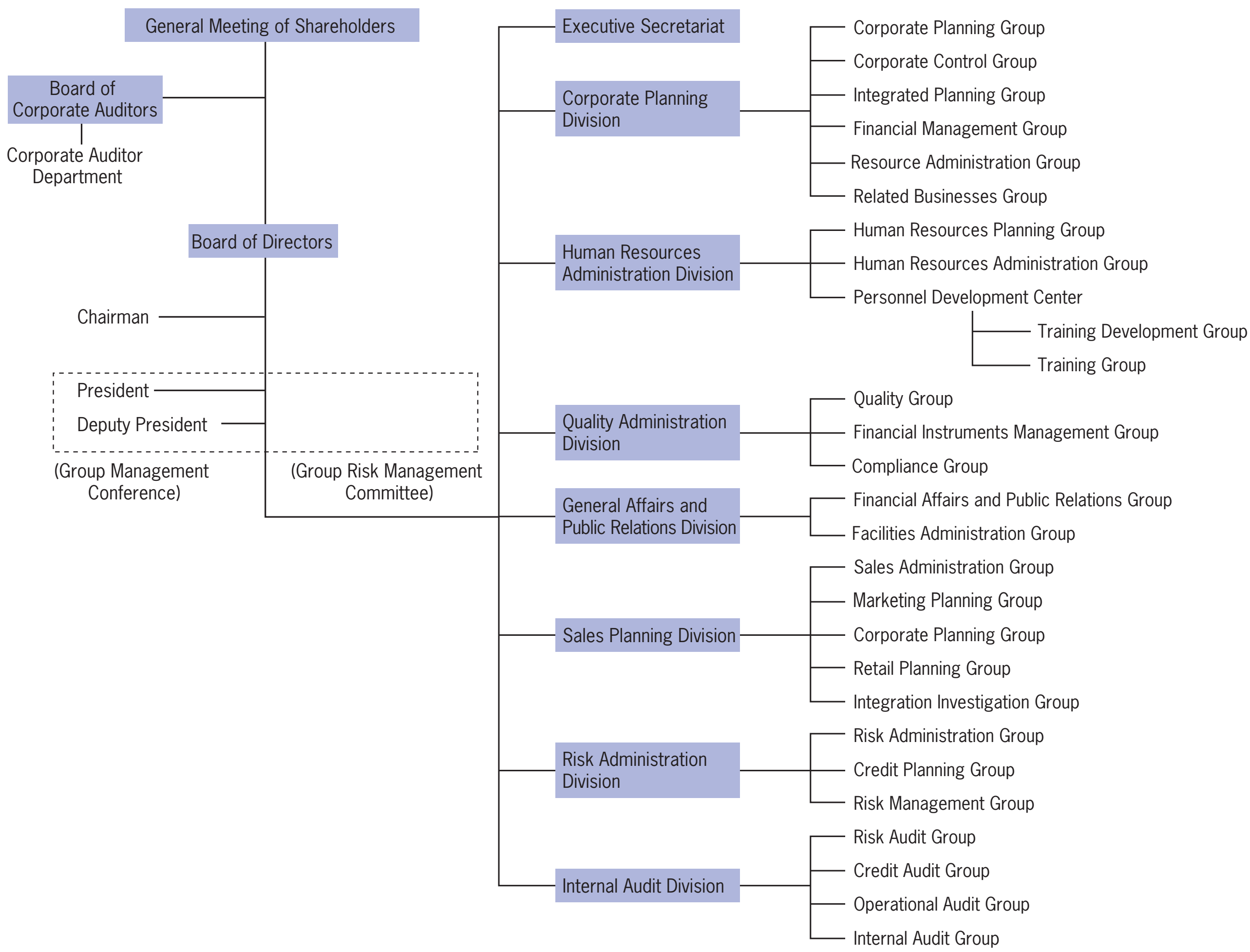
NON-CONSOLIDATED STATEMENTS OF INCOME (Unaudited)

The Shinwa Bank, Ltd.
For the years ended March 31, 2008 and 2007

	2008	2007	2008
	Millions of yen	Millions of yen	Millions of U.S. dollars
Income			
Income from funds under management:			
Interest on loans and bills discounted	¥ 36,148	¥ 38,659	$ 360
Interest and dividends on securities	5,749	12,286	57
Interest on call loans	1,119	313	11
Interest on receivables under securities lending transactions	—	3	—
Interest on due from banks	43	0	0
Interest on swaps	473	539	4
Interest on others	102	13	1
Fees and commissions	8,664	8,979	86
Other operating income	2,294	8,468	22
Other income	5,164	4,701	51
Total income	**¥ 59,760**	**¥ 73,966**	**$ 596**
Expenses			
Cost of fund-raising:			
Interest on deposits	¥ 6,465	¥ 2,911	$ 64
Interest on call money	0	—	0
Interest on payables under repurchase agreements	—	24	—
Interest on payables under securities lending transactions	23	2,734	0
Interest on borrowed money	246	272	2
Interest on bonds payable	575	485	5
Interest on swaps	875	1,687	8
Interest on others	1	1	0
Fees and commissions	3,192	3,192	31
Other operating expenses	6,097	2,506	60
General and administrative expenses	27,223	30,306	271
Other expenses	115,596	86,806	1,153
Total expenses	**¥ 160,298**	**¥130,928**	**$ 1,599**
Loss before income taxes	(100,538)	(56,962)	(1,003)
Provision for income taxes:			
Current	54	365	0
Refunded income taxes	(153)	—	(1)
Deferred	1,990	10,336	19
Net loss	**¥(102,430)**	**¥ (67,664)**	**$(1,022)**

Corporate Data

Organizational Chart (as of July 1, 2008)



Corporate Officers (as of July 1, 2008)

Chairman of the Board and President
Masaaki Tani

Director and Deputy President
Kazunori Shibuta

Directors
Osamu Obata
Takashige Shibato
Takashi Yoshikai
Nobuhisa Eto
Hajime Suzuki
Kiyokazu Kishimoto
Kazuo Oniki
Shunsuke Yoshizawa

External Directors
Ryuji Yasuda
Hideaki Takahashi

Corporate Auditors
Katsuhiro Nagahama

External Corporate Auditors
Hidemi Ashizuka
Tsuguo Nagao

International Network

Hong Kong
(Hong Kong Representative Office)
3101 Alexandra House, 18, Charter Road, Central, Hong Kong
852-2524-2169

Shanghai
(Shanghai Representative Office)
Room 2010, Shanghai International Trade Centre,
2010 Yan An Xi Road, Shanghai, China
86-21-6219-4570

Dalian
(Dalian Representative Office)
Room 622, Furama Hotel, No. 60 Ren Min Road, Dalian, China
86-411-8282-3643

Company Outline (as of March 31, 2008)

Corporate Name	Fukuoka Financial Group, Inc.	Securities Code	8354
Head Office	8-3, Otemon 1-chome, Chuo-ku, Fukuoka, 810-8693 Japan	Stock Listings	Tokyo Stock Exchange, First Section; Osaka Securities Exchange; Fukuoka Stock Exchange
Date of Establishment	April 2, 2007	Number of Employees	6,560
Paid-in Capital	¥124.7 billion		

Share Information (as of March 31, 2008)

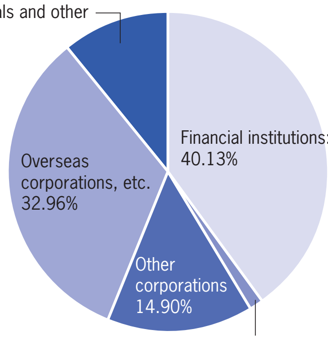
	Common stock	Type 1 preferred stock
Number of authorized shares	1,800,000,000	18,878,000
Number of shares Issued	859,761,868	18,742,000
Number of shareholders	33,200	563

Major Shareholders of Common Stock (as of March 31, 2008)

(Thousands of shares, %)

	Shares held	Ratio of shares held to issued number of shares
The Master Trust Bank of Japan, Ltd. (Trust account)	39,972	4.64
Japan Trustee Services Bank. Ltd. (Trust account)	37,519	4.36
State Street Bank and Trust Company (Standing proxy: Mizuho Corporate Bank, Ltd., Kabutocho Custody & Proxy Department within the Settlement & Clearing Services Division)	23,158	2.69
State Street Bank and Trust Company 505103 (Standing proxy: Mizuho Corporate Bank, Ltd., Kabutocho Custody & Proxy Department within the Settlement & Clearing Services Division)	20,818	2.42
Kyushu Electric Power Co., Inc.	19,296	2.24
Nippon Life Insurance Company	18,072	2.10
Meiji Yasuda Life Insurance Company	17,719	2.06
The Dai-Ichi Mutual Life Insurance Company	17,315	2.01
Sumitomo Life Insurance Company	17,298	2.01
The Hiroshima Bank Ltd.	16,679	1.94

Common Stock Distribution by Type of Shareholder (as of March 31, 2008)



Ratings (as of May 30, 2008)

	Type	Rating	Rating definition
Fukuoka Financial Group			
Rating and Investment Information, Inc. (R&I)	Issuer rating	A+	The credit quality is high. It is also accompanied by some excellent factors.
	Short-term debt rating	a-1	A superior degree of certainty regarding the repayment of short-term financial obligation.
Japan Credit Rating Agency, Ltd. (JCR)	Senior long-term credit rating	A	A high level of capacity to honor the financial commitment on the obligation.
	Short-term debt rating	J-1	The highest level of capacity of the obligor to honor its short-term financial commitment on the obligation.
The Bank of Fukuoka			
Moody's Investors Service	Long-term deposit rating	A3	Obligations rated A are considered upper-medium grade and are subject to low credit risk.
	Short-term deposit rating	P-2	Issuers (or supporting institutions) rated Prime-2 have a strong ability to repay short-term debt obligations.
Rating and Investment Information, Inc. (R&I)	Issuer rating	AA-	The credit quality is very high. It is also accompanied by excellent factors.
Japan Credit Rating Agency, Ltd. (JCR)	Senior long-term credit rating	A+	A high level of capacity to honor the financial commitment on the obligation.
Kumamoto Family Bank			
Rating and Investment Information, Inc. (R&I)	Issuer rating	A+	The credit quality is high. It is also accompanied by some excellent factors.
Japan Credit Rating Agency, Ltd. (JCR)	Senior long-term credit rating	A	A high level of capacity to honor the financial commitment on the obligation.
Shinwa Bank			
Japan Credit Rating Agency, Ltd. (JCR)	Senior long-term credit rating	A	A high level of capacity to honor the financial commitment on the obligation.

Fukuoka Financial Group