Annual Report

Year Ended March 31, 2009

2009

FFG Fukuoka Financial Group

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.

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.

Financial Summary

Fukuoka Financial Group Inc. and its subsidiaries
Years ended March 31

	(Billions of yen)			(Billions of U.S. dollars*2)
	2009	2008*1	YoY Change	**2009**
For the year:				
Ordinary income	**¥281.2**	¥277.8	¥3.4	**2.9**
Gross business profit	**182.6**	178.3	4.2	**1.9**
Net interest income	**167.5**	150.7	16.8	**1.7**
Net fees and commissions	**25.8**	27.0	(1.2)	**0.3**
Net trading income	**0.3**	0.4	(0.2)	**0.0**
Net other operating income	**(11.0)**	0.2	(11.2)	**(0.1)**
Business profit	**73.0**	79.0	(6.0)	**0.7**
Core business profit	**69.8**	74.6	(4.9)	**0.7**
Ordinary profit	**3.1**	25.9	(22.8)	**0.0**
Total credit cost	**50.0**	29.2	20.9	**0.5**
Net income	**21.9**	1.3	20.7	**0.2**
At Year-End:				
Total assets	**11,781.3**	11,363.9	417.4	**119.9**
Total loans	**8,127.2**	7,977.5	149.8	**82.7**
Securities	**2,295.1**	2,363.8	(68.8)	**23.4**
Total deposits (deposits + negotiable certificates of deposit)	**10,210.5**	10,107.4	103.1	**103.9**
Total liabilities	**11,191.3**	10,771.4	419.9	**113.9**
Total net assets	**589.9**	592.5	(2.6)	**6.0**
	(Yen)			(U.S. dollars)
Per Share Data:				
Basic net income	**25.30**	1.22	24.08	**0.26**
Dividends	**8.00**	7.00	1.00	**0.08**
	(%)			
Ratios:				
Return on equity	**4.27**	0.25		
Capital adequacy ratio	**9.26**	8.76		
Tier I ratio	**5.56**	5.14		
Ratio of non-performing loans (Group of the three banks + spin-off company)	**3.70**	4.98		

Notes:
(1) 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.
(2) U.S. dollar amounts are translated, for reference only, at the rate of ¥98.23=$1 effective on March 31, 2009.

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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

FFG

- 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.

Kyushu, FFG's Home Market

Profile of Fukuoka

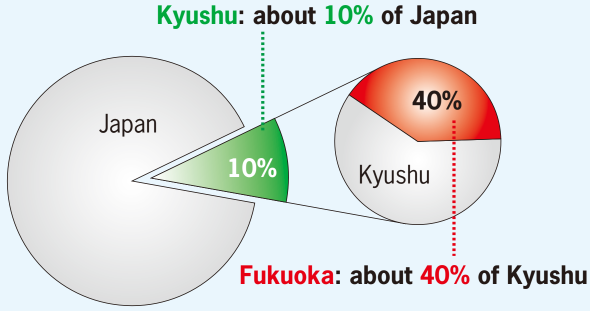
◆Gateway to Asia

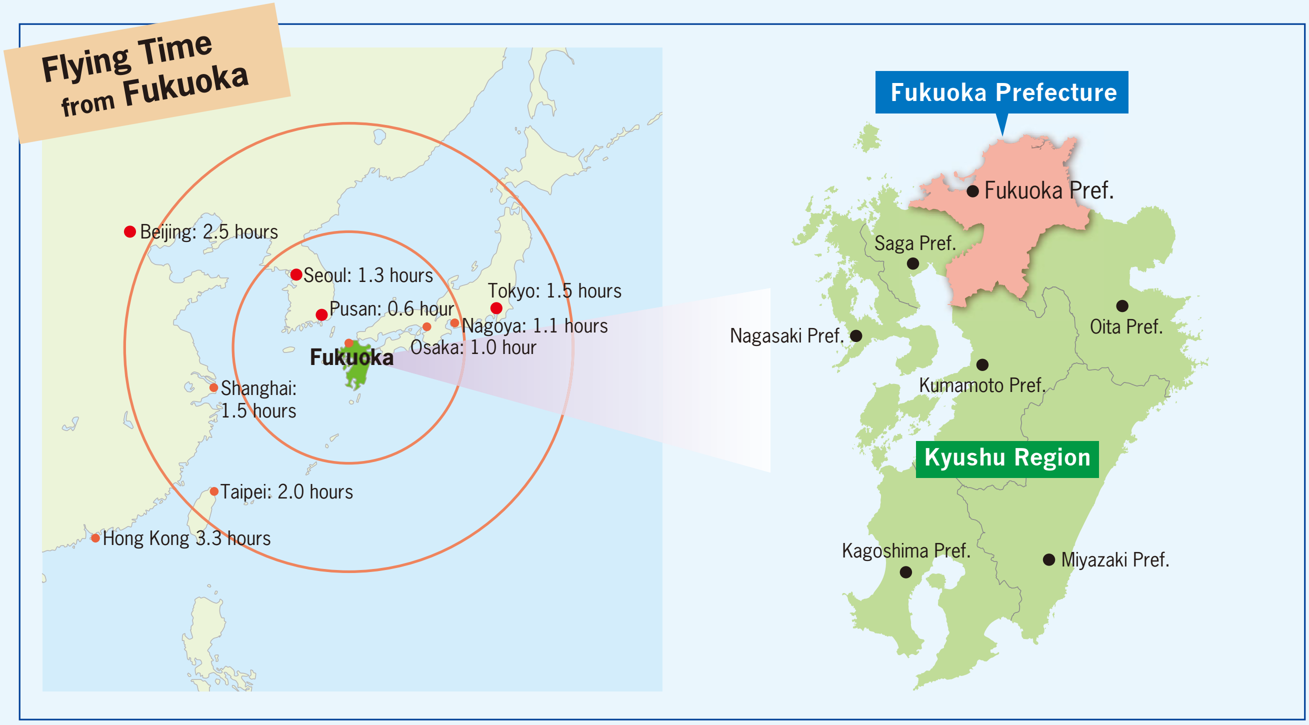
- To China: 1,000 km, 150 min.
- Three million Japanese and others from around the world travel to and from Japan via Fukuoka annually.

◆Hub to Greater Kyushu region

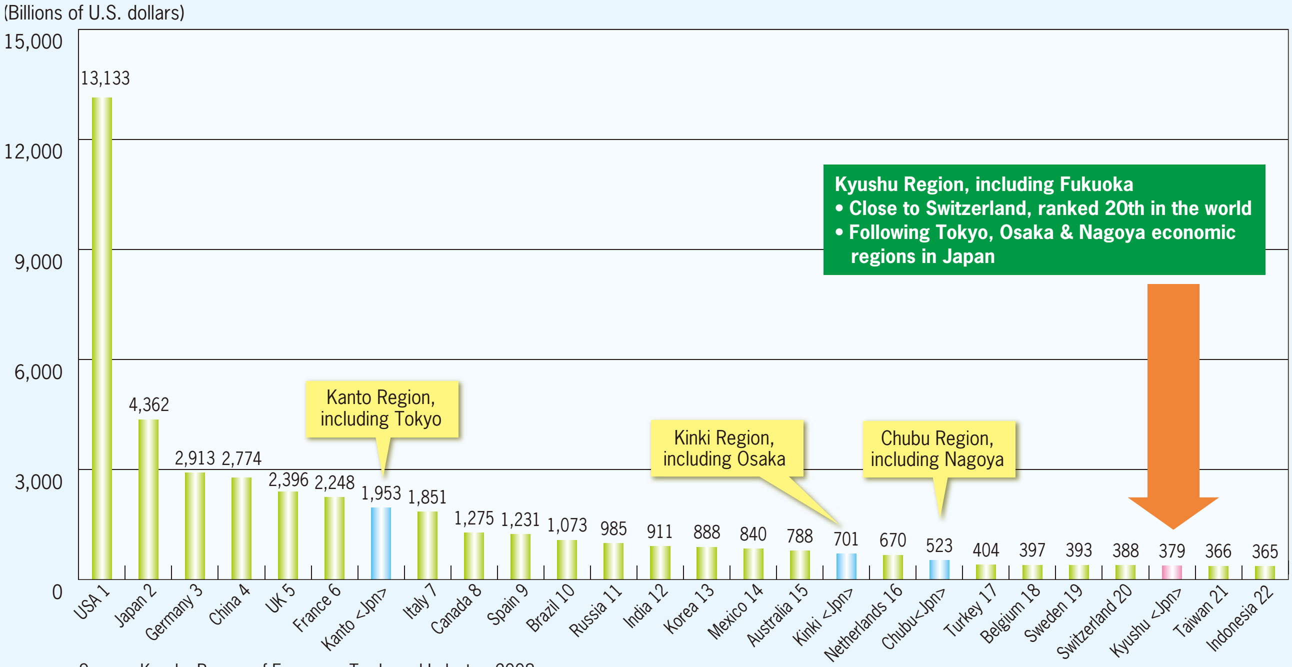
- Accounts for 40% of Kyushu's population and gross production
- Continuous population growth
- Regional hub for economic activity, information, leisure and logistics, with professional human resources

GDP share of Kyushu to the total Japan





Comparison of Economic Scale (GDP)

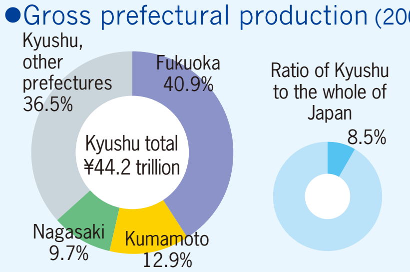


Source: Kyushu Bureau of Economy, Trade and Industry, 2008

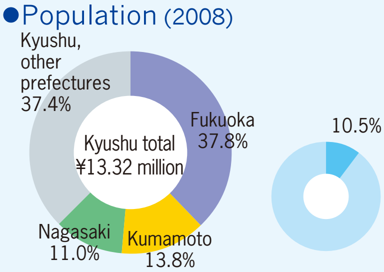
Analysis by Prefecture

- In terms of gross prefectural production, population and number of business premises in Kyushu, the 3 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 3 prefectures of Fukuoka, Kumamoto and Nagasaki account for more than 70% of the total. Fukuoka Prefecture alone accounts for about 50%.

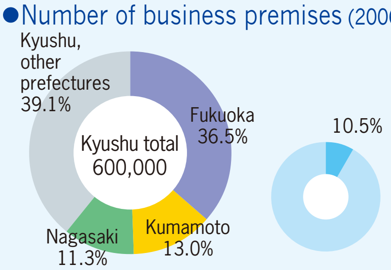
●Gross prefectural production (2006)



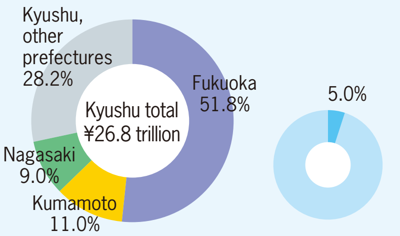
●Population (2008)



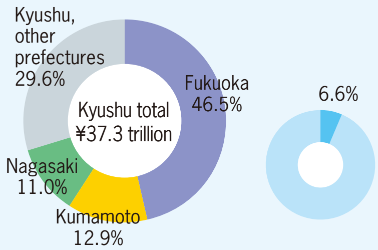
●Number of business premises (2006)



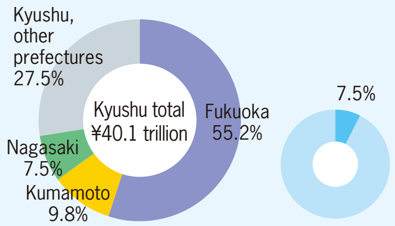
●Loans (March 31, 2009)



●Deposits (March 31, 2009)

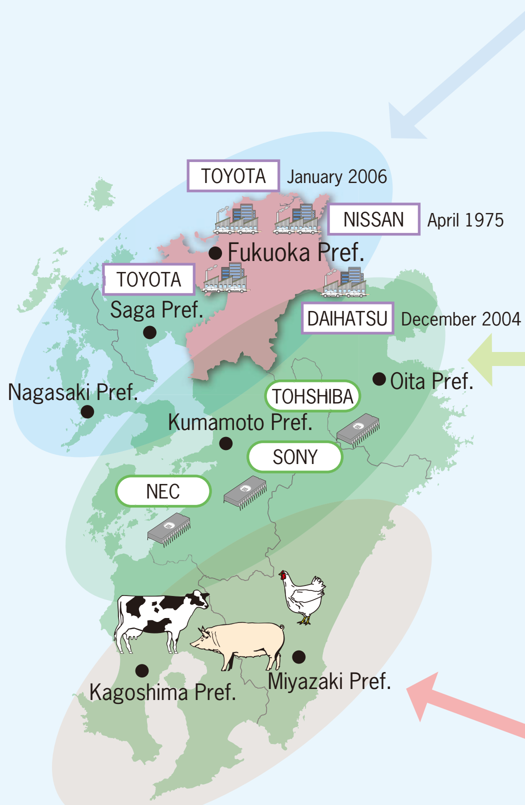


●Commercial Sales (2007)



Sources: *Kyushu Data Book 2009*, Nishinippon Shimbun Co., Ltd., and Bank of Japan

Kyushu, the Island of Cars, Silicon and Food

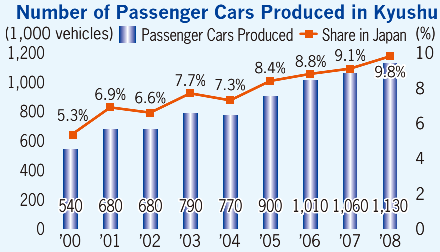


Northern Kyushu, Center of "Car Island"

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.

Number of Passenger Cars Produced in Kyushu



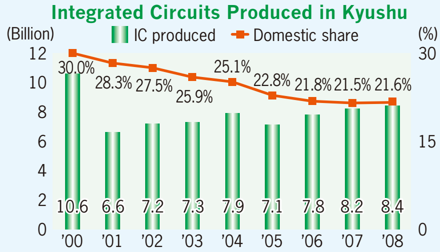
Source: Kyushu Bureau of Economy, Trade and Industry

Middle Kyushu, contributes to "Silicon Island"

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.

Integrated Circuits Produced in Kyushu



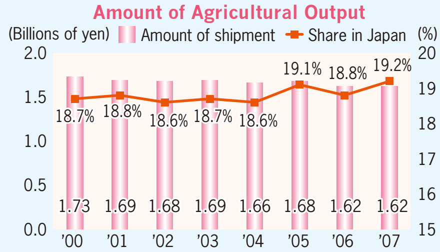
Source: Kyushu Bureau of Economy, Trade and Industry

Southern Kyushu, a center of "Food Island"

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.

Amount of Agricultural Output



Source: The Ministry of Agriculture, Forestry & Fisheries of Japan

I would like to offer my sincere thanks to all our stakeholders for their support and patronage.

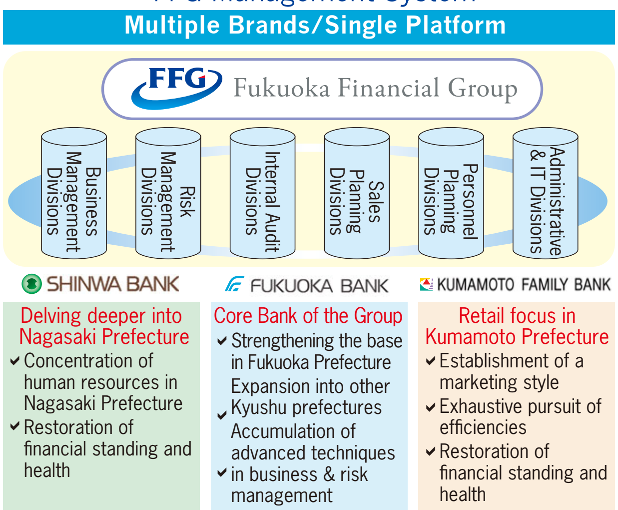
The fiscal year ended March 31, 2009, was characterized by destabilized global financial conditions. This ricocheted through the domestic and overseas real economies, precipitating a harsh business environment for the Fukuoka Financial Group (FFG) and other financial institutions, and indeed for all companies. However, precisely such adverse circumstances allow FFG to prove its full merits as a broad-area-based regional financial group committed to contributing to local communities and the regional customers and small and medium-sized enterprises that form the core of its client base.

The Group’s Second Mid-Term Management Plan, which was formulated in October 2007, is approaching its final year. FFG is treating this plan as its “run-up phase to rapid growth.” With this directive, we have made steady progress with integration of the administration and systems of the Group’s three banks and of affiliated companies with headquarters operations. Accordingly, through the February 2009 demerger, business regeneration activities and the handling of business related to non-performing loans by the Kumamoto Family Bank and Shinwa Bank were transferred to the Bank of Fukuoka to support the Group’s business regeneration.

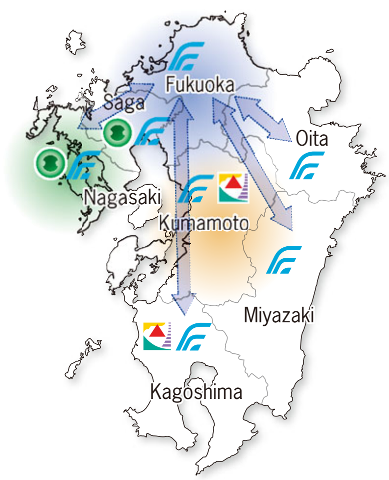
To propel its flying start to a new stage of growth, FFG will endeavor to build a stronger management foundation through its three-bank Group structure by dedicating its full strength to the successful completion of the Mid-Term Management Plan.

FFG Management System and Strategy

FFG Management System



Broad-Area-based Regional Financial Group



Masaaki Tani
President

The chart on the left shows the Fukuoka Financial Group's management system. FFG—the holding company—handles integrated management of the Group by providing its three banks with a common platform for business management, internal audits, administration and IT systems. At the same time, the three Group banks are expanding community-based business that makes the most of their distinguishing characteristics, leveraging their strong brand power, targeting their three home prefectures.

We call FFG's management style "Multi Brands, Single Platform." We are confident that this is the best style for integrating the management of regional banks in Japan.

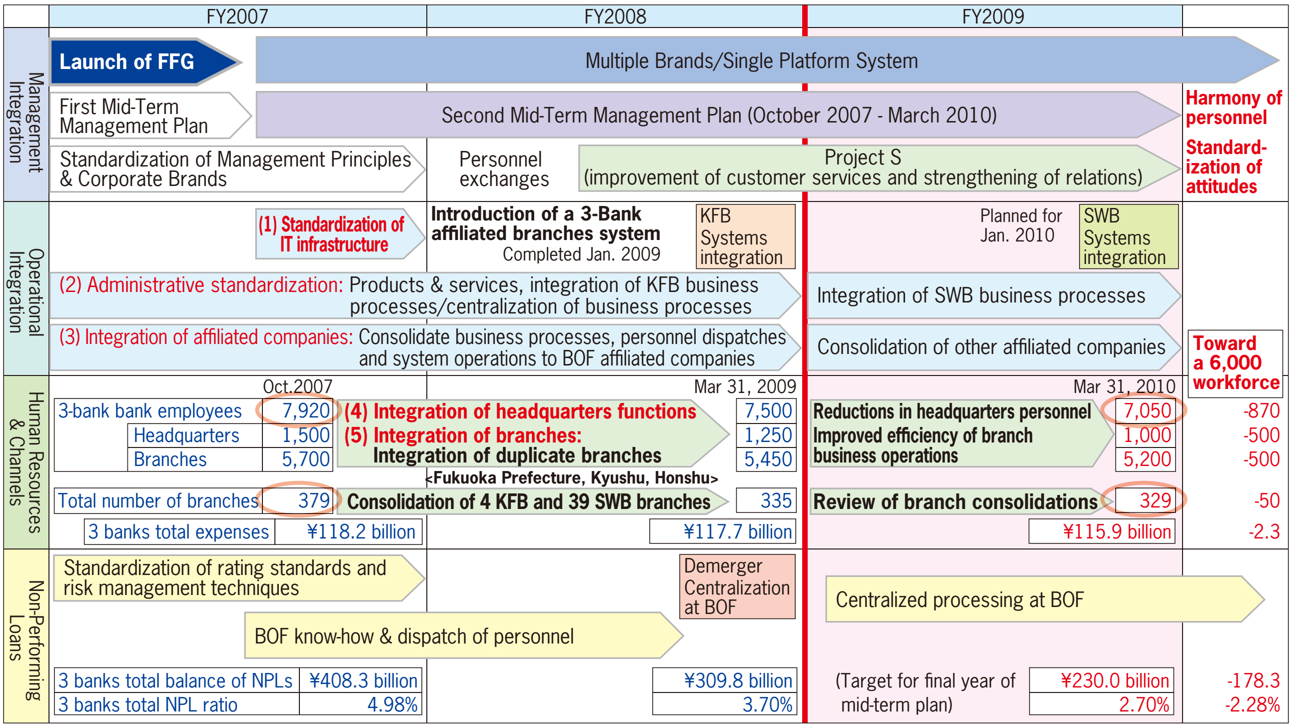
The chart on the right shows FFG's management strategy. The three Group banks are pushing ahead with "horizontal coverage" by making full use of their substantial networks in Fukuoka, Kumamoto and Nagasaki prefectures.

Meanwhile, we are building a broad-based regional financial group that covers the entire Kyushu region. To achieve this objective, our core bank—the Bank of Fukuoka—is increasing its "vertical coverage" through branch offices in other prefectures in Kyushu.

Kyushu is home to some 13 million people and 600,000 businesses. The region has great potential as a focal point for the automobile, electronics, agriculture and food industries and as a gateway to the rest of Asia.

The size of the bank loan market in Kyushu is ¥33 trillion. At FFG, we aim to increase our share of this market from the current 22% to more than 30%.

Progress Toward Management Integration



In terms of developing operational infrastructure, in January 2009 we completed the integration of IT systems at the Kumamoto Family Bank. We also plan to complete the integration of IT systems at the Shinwa Bank in January next year.

Through this integration of IT systems, all three Group banks will have common systems. This means we will be able to concentrate administration in a way that increases our management efficiency and our capacity for developing financial products and services. We will also become able to install an advanced risk management system.

We are also pushing ahead with restructuring our Group personnel and branch office channels, thanks to the improved administrative efficiencies resulting from the concentration of our headquarters functions, the reorganization of overlapping branch offices within the Group and the integration of our IT systems.

Looking at Group personnel, when the Shinwa Bank was merged in October 2007, employees numbered 7,900. In March 2010, we expect to have a workforce of 7,000. By further improving efficiencies, we hope to establish a system that can operate with a staff of 6,000. We will also proceed with reorganizations to reduce the number of branch offices from 379 in October 2007 to 329 in March 2010.

Accelerating Non-Performing Loan Disposal through the Demerger

In February 2009, the NPL-related business units of the Kumamoto Family Bank and the Shinwa Bank were taken over by the Bank of Fukuoka by way of a demerger. As a result of this demerger, the three Group banks' organizations, personnel and loan assets related to business revitalization and the disposal of non-performing loans were integrated into the Bank of Fukuoka. We have now laid the framework to dispose of NPLs by taking advantage of the Bank of Fukuoka's expertise.

This demerger caused the NPL ratio to fall to 1.3% at the Kumamoto Family Bank and 3.5% at the Shinwa Bank. In other words, we achieved one of our greatest challenges—separating ourselves from the NPL problem—in both name and reality.

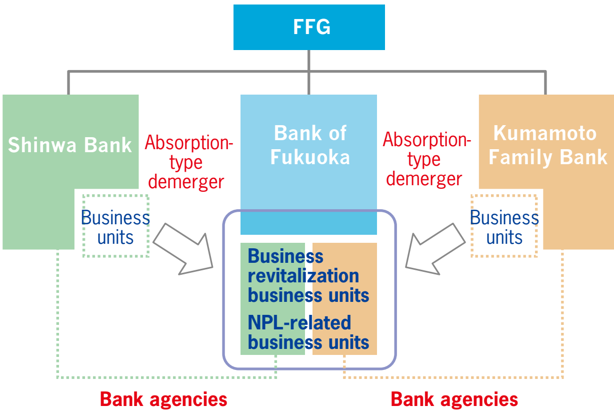
We have also made remarkable improvements in our financial health, with the capital adequacy ratio rising to just over 9% at the Kumamoto Family Bank, and to just over 10% at the Shinwa Bank.

Consequently, both banks are now able to take on risks in a more positive manner, and they have formed structures by which they can make greater contributions to the development of local economies by smoothly fulfilling their financial functions in local areas.

Absorption-Type Demerger Contracts & Bank Agency Contracts

- **The business revitalization business units of the Kumamoto Family Bank and Shinwa Bank will be taken over by the Bank of Fukuoka via a demerger (absorption-type demerger—*kyushu-bunkatsu*).**
- **The organization/operations/business assets of the Group's "business revitalization/NPL-related business units" will be concentrated at the Bank of Fukuoka, and managed centrally.**

[Absorption-type demerger contracts: Dec. 26, 2008; Effective date: Feb. 13, 2009]



- **The Kumamoto Family Bank and Shinwa Bank will continue to offer deposit and exchange transactions and to maintain relations as loan advice centers in their capacity as bank agencies.**

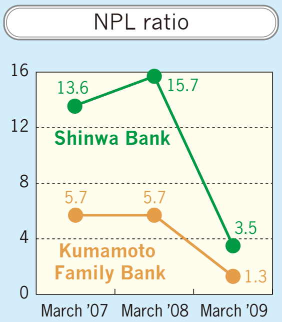
[Bank agency contracts: Jan. 26, 2009; Agency operations start date: Feb. 2, 2009]

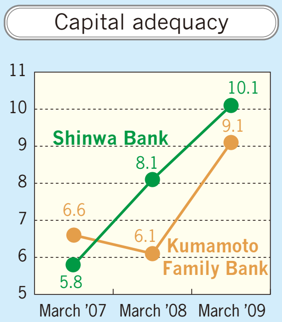
Succession of Loan Assets through Demerger

Size of split loans	Split company	
	KFB	SWB
Number of obligors	539	768
Balance of loans (approx.)	¥64.0 billion	¥194.5 billion
(Percentage of total loans, approx.)	7%	14%
After partial direct write-off (approx.)	¥50.2 billion	¥155.8 billion

Demerger

Size of assumed loans	Successor company
	BOF
Number of obligors	1,307
Balance of loans (approx.)	¥258.5 billion
After partial direct write-off (approx.)	¥206.0 billion





Results of Management Integration

The Kumamoto Family Bank and the Shinwa Bank both faced the massive task of improving their balance sheets, including mitigating the problem of non-performing assets, the price volatility risk of securities and the weakness of capital. The non-performing loan problem at both banks was resolved through the demerger that I mentioned earlier. Furthermore, by selling those CDOs, shares, structured loans and the like that have a large price volatility risk, we have substantially reduced the downside risks contained in our asset portfolio.

With respect to the capital adequacy ratio, we have also made considerable improvements at the Kumamoto Family Bank and at the Shinwa Bank.

Turning to overhead expenses, on the one hand expenses increased ¥9.8 billion due to investments in branch office refurbishments, systems and other forward-looking items that contribute to the improvement of service quality. On the other hand, the integration had a cost-reducing effect of ¥12.1 billion. Therefore, our net reduction was ¥2.3 billion, compared with fiscal 2007.

Another effect of integration resulting from the demerger has been the financial advantage of recording deferred tax assets. In fiscal 2008, we realized an advantage of ¥41.7 billion, and in fiscal 2009, we expect to record a tax advantage of ¥15.7 billion—a collective benefit of ¥57.3 billion.

Balance of Non-Performing Loans and Credit Costs

Non-performing loans are displayed on the left. Through the February 2009 demerger, non-performing loans were consolidated at the Bank of Fukuoka, radically cutting the balance of non-performing loans at Kumamoto Family Bank and Shinwa Bank.

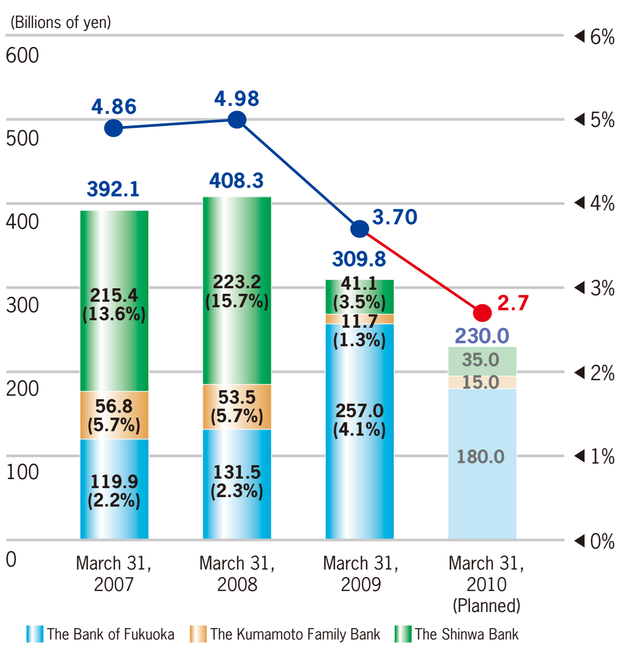
Notwithstanding this initiative, the Group's overall non-performing loan balance is on a downtrend. We plan to reduce the non-performing loan ratio to around 2.7% by March 31, 2010.

Credit costs are shown on the right. Kumamoto Family Bank and Shinwa Bank were tightening obligor ratings at the time of FFG's integration, slashing credit costs during the last fiscal year by ¥3.6 billion (39 basis points) and ¥5.9 billion (45 basis points), respectively. In the current fiscal year, with the eradication of the non-performing loan problem, the two banks estimate reductions of ¥2.0 billion (20 basis points) each.

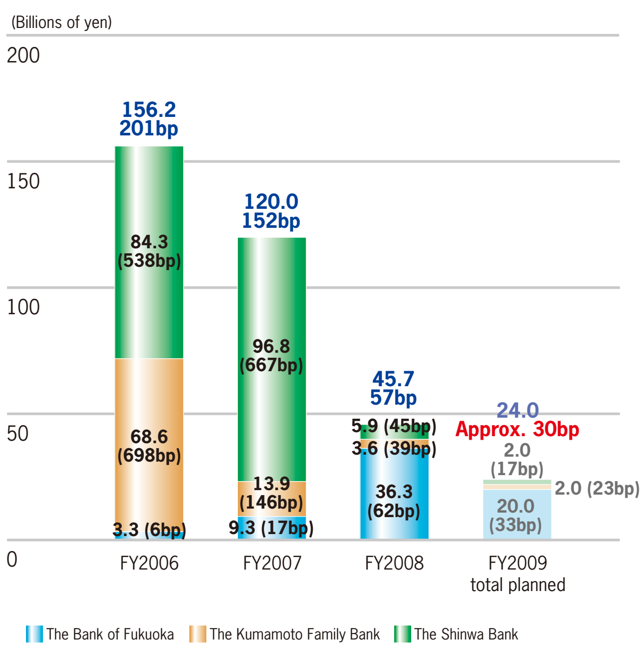
The Bank of Fukuoka posted ¥36.3 billion (62 basis points) arising from an increase in new bankruptcies and preventative provisions implemented in line with the demerger.

During the current fiscal year, the three banks have earmarked ¥24.0 billion (30 basis points) as reasonable credit costs in light of the fact that economic recovery is not imminent.

Outstanding NPLs under FRL & NPL Ratios



3-Bank Total Credit Cost (breakdown by factor)



The Next Mid-Term Management Plan

Second Mid-Term Management Plan

Run-up phase to rapid growth

- Establish a muscular management base through the construction of a management and business infrastructure

March 2010

Next Mid-Term Management Plan

Toward the rapid growth phase

- First-class regional financial group in Japan, with substance corresponding to our size

Target indices of the FFG Second Mid-Term Management Plan

Target indices	Target forecast
Consolidated net income	¥28.0 billion
Consolidated NPL ratio	mid 2% range
Consolidated ROE	about 5%
3 banks total OHR	about 60%

Other indices

Management indices	Forecast
Capital adequacy ratio	mid 9% range
Tier I ratio	about 6%

Management indices	FY2008 planned	FY2009 forecast
Dividend per share	¥8	¥8
Dividend pay-out ratio	about 30%	about 25%

■ Construction of a management and business infrastructure
+
■ Stronger customer relations

Future vision

Index	Target forecast
3-Bank total core business profit	at least ¥100.0 billion
Consolidated net income	at least ¥50.0 billion

Maximize the use of the infrastructure built under the current Mid-Term Management Plan

[B/S improvements]
- ✔ End to the disposal of NPLs
- ✔ Restructuring of loan portfolio
- ✔ Rebuilding of funding structure, such as deposits

[P/L improvements]
- ✔ Expansion of business know-how throughout the Group
- ✔ Promotion of the effective use of resources and the new development of products and services following the integration of administrative systems

Looking at the target indices for the final year of our current Second Mid-Term Management Plan, as explained on the previous page, we have set a target for consolidated net income of ¥28 billion.

Although the worsening external environment has forced us to lower our income target from the level that we had initially estimated, I believe we can expect good things of our next mid-term management plan because we have steadily promoted improvements to our balance sheet through infrastructure development under our management integration and by rearranging our portfolios.

During the upcoming growth phase, we aim to become a regional financial group that is first-class in Japan, in terms of both quality and size.

By utilizing the infrastructure that we have built so far, we hope to achieve substantial improvements in productivity. In sales, we hope to achieve dramatic improvements in service quality and stronger customer relations.

Our vision for the future at the end of the next three-year period is for the total core business profit of the three banks to reach ¥100 billion, and our consolidated net income to be about ¥50 billion.

FFG's Dividend Policy

FFG aims to be a financial group that creates value for all its stakeholders. In addition, we have established a performance-related dividend policy to ensure that we meet shareholders' expectations. From the fiscal year ended March 31, 2008, FFG has implemented a policy of dividend payments corresponding to the level of consolidated net income.

Dividend policy during the now FFG mid-term plan

[Implementation of performance-based dividend payments]

- Maintaining the current performance-based dividend payments (table)
  * Add the number of tables as the profit level increases.
- Defining the dividends per share in stages according to the level of FFG's consolidated net income
- Paying dividends based on the "Dividend table"

[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.

Dividend policy during the now FFG mid-term plan

[Dividend policy approach]

- Target group dividend payout ratio = in excess of 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
FY07	¥1.2 billion	¥7	573.8%
FY08	¥21.9 billion	¥8	31.6%
FY09E	¥28.0 billion	¥8	24.7%

As indispensable regional institutions, FFG's banks place great value on communications with customers to build intimate relationships of mutual trust. We will continue to apply ourselves with sincerity to an array of business activities that foster empathy and understanding among all stakeholders of our brand slogan, "To be your bank of choice."

September 2009

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 or ending March 31 or as of March 31

		FY 2008	FY2009 (Estimate)
Target indices	Consolidated net income	¥21.9 billion	¥28.0 billion
	Consolidated non-performing asset ratio	3.7%	Mid 2% range
	Consolidated return on equity	4.27%	Around 5%
	Total overhead ratio for the Group's three banks	68.0%	Around 60%
Other indices	Capital adequacy ratio	9.26%	Mid 9% range
	Tier I ratio	5.56%	Around 6%

Note: Figures have been revised following the forecast announced on May 15, 2009.

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 or ending March 31 or as of March 31

	The Bank of Fukuoka		The Kumamoto Family Bank		The Shinwa Bank	
	FY 2008	FY2009 (Estimate)	FY 2008	FY2009 (Estimate)	FY 2008	FY2009 (Estimate)
Core business profit	¥58.6 billion	¥60.0 billion	¥6.0 billion	¥6.1 billion	¥8.7 billion	¥8.0 billion
Net income	¥26.4 billion	¥35.5 billion	¥0.7 billion	¥2.5 billion	¥(0.9) billion	¥2.0 billion
Non-performing loans ratio	4.1%	High 2% range	1.3%	Low 2% range	3.5%	High 2% range
Overhead ratio	61.3%	Mid 50% range	73.7%	Mid 70% range	91.9%	Mid 70% range
Loans to small and medium-sized enterprises	¥4.3 trillion	¥4.4 trillion	¥765.5 billion	¥780.0 billion	¥855.7 billion	¥880.0 billion

Note: Figures have been revised following the forecast announced on May 15, 2009.

Operating Results

Financial Summary

For the years ended March 31

(Billions of yen)

(Non-consolidated)	2008	2009	YoY Change
Ordinary income	212.7	197.3	(15.3)
Gross business profit	125.8	120.9	(4.9)
Net interest income	108.3	114.0	5.7
Domestic	104.3	108.4	4.1
International	4.0	5.6	1.6
Net fees and commissions	19.3	16.2	(3.1)
Net trading income	0.4	0.2	(0.2)
Net other operating income	(2.1)	(9.5)	(7.3)
Expenses	72.8	74.1	1.3
Business profit	60.3	46.2	(14.0)
Core business profit	58.5	58.6	0.1
Ordinary profit	29.7	16.9	(12.8)
Total credit cost	9.3	36.3	26.9
Net income	17.4	26.4	9.0

● "( )" denotes minus.

The Bank of Fukuoka posted ordinary income of ¥197.3 billion, a decline of ¥15.3 billion from the previous year. This was primarily due to a reduction in income from fees and commissions arising from lackluster investment trust sales.

A falloff in net fees and commissions as a result of the above factors was offset by a rise in net interest income resulting from greater loans, leading an increase in core business profit of ¥0.1 billion, to ¥58.6 billion.

Ordinary profit stood at ¥16.9 billion, a drop of ¥12.8 billion, as deteriorating corporate performances boosted credit costs and the downturn in the financial and capital markets in Japan and overseas necessitated disposal of impairment for securities held.

As a result of the above factors, aided by tax effect income accompanying the demergers, net income for the year grew ¥9.0 billion, to ¥26.4 billion.

Major financial indicators

As of March 31,

(%)

	2008	2009	Compared with 2008
Ratio of non-performing loans (non-consolidated + spin-off company)	2.25	4.07	1.82

Note: Figure as of March 31, 2009, includes spin-off company.

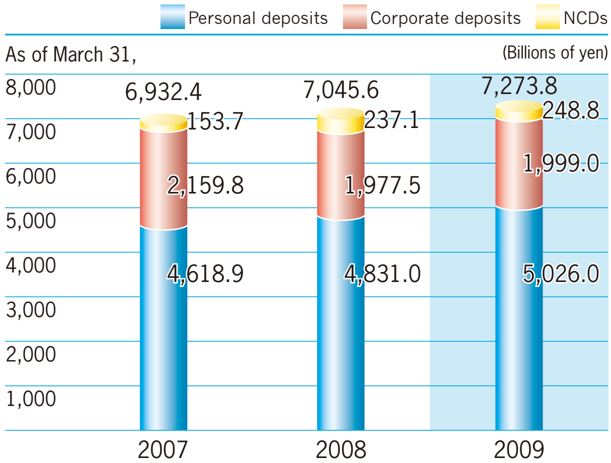
	2008	2009	Compared with 2008
Capital adequacy ratio (consolidated)	9.61	11.14	1.53
Tier I ratio	8.45	9.22	0.77

The ratio of non-performing loans stood at 4.07% as of March 31, 2009, up 1.82 percentage points from one year earlier (after partial direct depreciation). This was due to the combined impact of new bankruptcies and downgrades stemming from worsening corporate performance and the Group's demergers (succession of loans from Kumamoto Family Bank and Shinwa Bank).

The capital adequacy ratio (Japan domestic standard) was 11.14%, up 1.53 percentage points from the previous year, while the Tier I ratio gained 0.77 percentage point, to 9.22%.

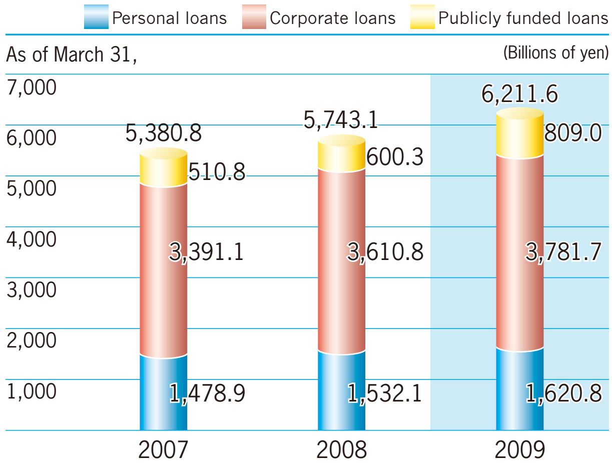
Total deposits (deposits + negotiable certificates of deposit)

Balance of total deposits (balance at year-end)



Loans

Balance of loans (balance at year-end)



Corporate loans include loans to FFG of ¥70.0 billion at March 31, 2008, and ¥105.0 billion of March 31,2009, and loans to the Kumamoto Family Bank of ¥10.0 billion at March 31, 2008.

The Bank of Fukuoka's Business Strategy

As the Group's core bank, the Bank of Fukuoka's medium-term management plan is to drive forward Group profitability and step up the pace of ongoing growth, while promoting leading-edge sales and marketing methods and the advancement of risk management.

The bank's marketing strategy is centered on expanding corporate sales for its full line-up, leveraging its competitive products and marketing capacity, and implementing measures to construct an individual marketing business model based on cross-sales.

Establishment: March 31, 1945
Head Office: 13-1, Tenjin 2-chome, Chuo-ku, Fukuoka, Japan
Paid-in Capital: ¥82.3 billion
Website: http://www.fukuokabank.co.jp/

Topics

Business Unit Demergers by FFG Group Banks

In light of the aggravated business climate arising from the chaos in the global financial markets, we have concentrated at the Bank of Fukuoka the organization, human resources and know-how required for the business generation of the FFG Group, ensuring that there is no disruption to business regeneration support for customers. Hence, the bank is able to provide a top-quality regeneration support menu of cutting-edge financial methods and solution functions in a precise and timely fashion.

In addition, alleviating the burden on Kumamoto Family Bank and Shinwa Bank facilitates a system for the two institutions with greater leeway in risk-taking. By stepping up deployment of smooth regional financial functions, both banks contribute to local economic stimulation through the establishment stable financial systems.

FFG Business Consulting
Business Matching Floor

Various Support Initiatives for Corporate Customers

In August 2008, we established FFG Business Consulting, utilizing our broad-ranging, diverse network as a specialist organization to provide effective support for customers' trading area enlargement, business expansion and management improvements. This initiative enables us to provide powerful backup for Kyushu's regional enterprises by supporting business negotiations between customers across prefectural boundaries and expansion of sales channels using FFG's overseas bases.

Furthermore, in May 2008 we launched *FFG Survey Monthly*, a new economic magazine targeting all customers of the Group's banks. This publication, packed with information on economic trends in Fukuoka, Kumamoto and Nagasaki prefectures and other areas of Kyushu, in addition to features on company visits by the presidents of each bank and top-level dialogs, is gaining high acclaim from its readership.

Food Negotiation Meeting hosted by FFG Agricultural Island Kyushu 2009

FFG Survey Monthly

Operating Results

Financial Summary

For the years ended March 31,

(Billions of yen)

(Non-consolidated)	2008	2009	YoY Change
Ordinary income	35.1	34.3	(0.8)
Gross business profit	26.1	23.6	(2.5)
Net interest income	23.7	22.4	(1.4)
Domestic	23.7	22.3	(1.5)
International	(0.0)	0.1	0.1
Net fees and commissions	2.4	1.9	(0.5)
Net trading income	—	—	—
Net other operating income	(0.0)	(0.6)	(0.6)
Expenses	17.9	17.4	(0.5)
Business profit	8.7	7.6	(1.1)
Core business profit	8.2	6.0	(2.2)
Ordinary loss	(9.9)	(0.5)	9.4
Total credit cost	13.9	3.6	(10.3)
Net income (loss)	(15.6)	0.7	16.4

● "( )" denotes minus.

Ordinary income eased ¥0.8 billion, to ¥34.3 billion on the back of declining net interest income accompanying a falloff in interest from loans.

Core business profit decreased ¥2.2 billion, to ¥6.0 billion, mainly owing to lower net interest income resulting from the above factors and a decline in net fees and commission led by lackluster sales of investment trusts.

The bank's ordinary loss improved ¥9.4 billion, to ¥0.5 billion, aided by lighter credit costs.

Net income for the year, impacted by the above factors and tax effect income accompanying the demergers, stood at ¥0.7 billion, recovering ¥16.4 billion from the previous year's net loss.

Major financial indicators

As of March 31,

(%)

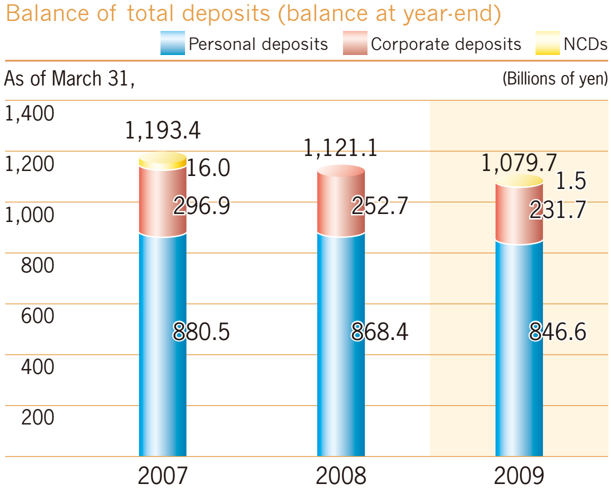
	2008	2009	Compared with 2008
Ratio of non-performing loans (non-consolidated)	5.68	1.33	(4.35)
Capital adequacy ratio (consolidated)	6.14	9.15	3.01
Tier I ratio	3.58	7.04	3.46

● "( )" denotes minus.

As a result of the business unit demergers, loans for business regeneration were transferred to the Bank of Fukuoka, pushing the ratio of non-performing loans down 4.35 percentage points, to 1.33% (after partial direct depreciation). The capital adequacy ratio (Japan domestic standard) was 9.15%, up 3.01 percentage points from a year earlier, with the Tier I ratio growing 3.46 percentage points, to 7.04%.

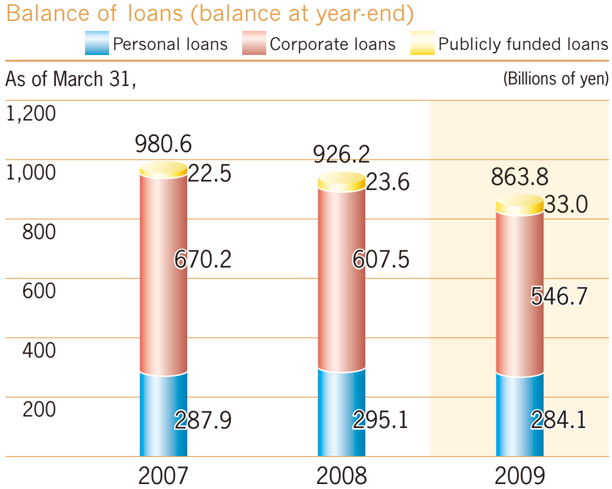
Total deposits (deposits + negotiable certificates of deposit)

Balance of total deposits (balance at year-end)



Loans

Balance of loans (balance at year-end)



Kumamoto Family Bank's Business Strategy

Based on FFG's common management strategy, Kumamoto Family Bank's medium-term management plan is to expand its customer base utilizing the Group's broad-ranging network and advanced financial products and services, to pursue higher efficiency through the sharing of administration and systems, and to strive to advance its risk management system.

The bank's marketing strategy involves reinforcing retail sales by leveraging the strength of its "Face to Face" business approach and developing its priority measures and policies for retail sales within Kumamoto Prefecture.

Establishment: January 19, 1929
Head Office: 29-20, Suizenji 6-chome, Kumamoto, Japan
Paid-in Capital: ¥47.8 billion
Website: http://www.kf-bank.jp/

Topics

Successful Completion of Systems Integration

With the objective of supplying common products and services as part of FFG, Kumamoto Family Bank has taken steps toward integrating into a common system with the Bank of Fukuoka. On January 5, 2009, the new system went into operation.

This new system facilitates uniform management of information and detailed analysis, which should in turn enable the timely provision of multifaceted financial services. For example, it boosts security by enabling the selection of safer IC cards and biometric identification cards in addition to conventional magnetic-stripe cash cards. Further, the expansion of Internet banking functions that the system brings allows procedures for investment trust purchases and changes to housing loan conditions to be conducted online, without physical visits to bank branches.

Expansion of Branch Renewals

As part of the Universal Action aspect of its CSR activities, Kumamoto Family Bank has followed the Bank of Fukuoka's lead in upgrading branch facilities. Renewal work at branches—the primary interface between bank and customers—is currently under way.

A wooden design is employed throughout, bringing home the FFG brand slogan of "To be your Bank of choice." Moreover, branch lobbies and ATM corners have been drastically expanded with various new devices and innovations deployed. By upgrading and expanding the functions of consultation booths and meeting rooms, the bank creates an ambiance that allows customers to conduct their transactions in a relaxed atmosphere.

New bank branch interior

Operating Results

Financial Summary

For the years ended March 31,

(Billions of yen)

(Non-consolidated)	2008	2009	YoY Change
Ordinary income	55.1	48.7	(6.4)
Gross business profit	37.1	28.5	(8.7)
Net interest income	35.5	30.5	(5.0)
Domestic	35.3	30.1	(5.2)
International	0.2	0.4	0.2
Net fees and commissions	5.5	4.6	(0.8)
Net trading income	—	—	—
Net other operating income	(3.8)	(6.7)	(2.9)
Expenses	27.5	26.1	(1.3)
Business profit (loss)	(19.1)	23.2	42.3
Core business profit	12.8	8.7	(4.0)
Ordinary loss	(96.5)	(12.6)	83.9
Total credit cost	96.8	5.9	(90.9)
Net loss	(102.4)	(0.9)	101.5

● "( )" denotes minus.

Ordinary income declined ¥6.4 billion, to ¥48.7 billion. The primary factor was a falloff in interest, owing to the disposal of non-performing loans, and from the elimination and consolidation of branches.

These factors pushed down net interest income, which was the main cause of a ¥4.0 billion decrease in core business profit, to ¥8.7 billion. The bank posted an ordinary loss of ¥12.6 billion, an ¥83.9 billion improvement on the previous year, largely due to consolidation of self-assessment criterion to FFG's standards during the previous fiscal year and increasing the reserve for possible loan losses, which significantly lowered credit costs.

In addition to the above factors, the bank posted tax-effect income as a result of the demergers, all of which led to net loss for the year of ¥0.9 billion, which was ¥101.5 billion better than during the previous year.

● Shinwa Bank's performance is included in the FFG consolidated statements of income from October 1, 2007. (First-half profits and losses were not included in Shinwa Bank's financial results for fiscal 2007.)

Major financial indicators

As of March 31,

(%)

	2008	2009	Compared with 2008
Ratio of non-performing loans (non-consolidated)	15.73	3.47	(12.26)
Capital adequacy ratio (consolidated)	8.05	10.12	2.07
Tier I ratio	4.45	6.36	1.91

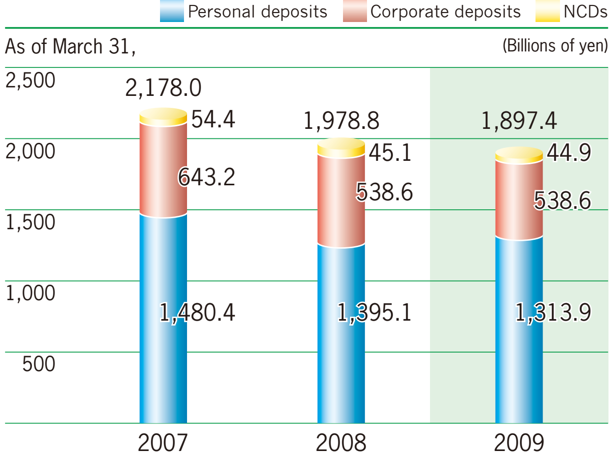
Note: Figure as of March 31, 2008, includes spin-off company.

● "( )" denotes minus.

As a result of the demergers, loans for business regeneration were transferred to the Bank of Fukuoka, thrusting down the ratio of non-performing loans 12.26 percentage points, to 3.47% (after partial direct depreciation). The capital adequacy ratio (Japan domestic standard) was 10.12%, up 2.07 percentage points from a year earlier, with the Tier I ratio growing 1.91 percentage points, to 6.36%.

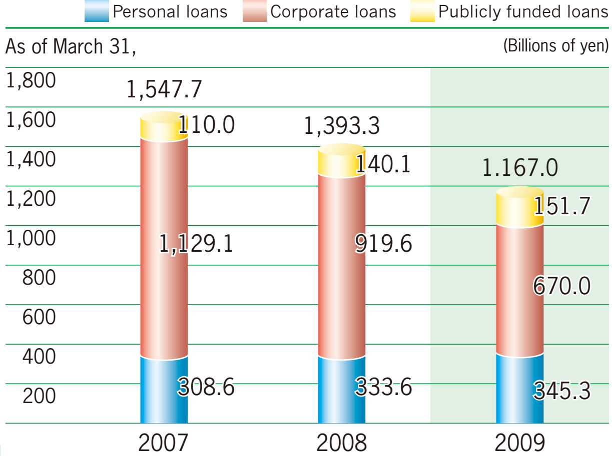
Total deposits (deposits + negotiable certificates of deposit)

Balance of total deposits (balance at year-end)



Loans

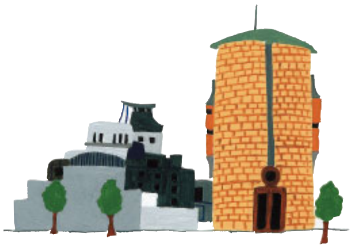
Balance of loans (balance at year-end)



Shinwa Bank's Business Strategy

The bank's medium-term management plan aims to leverage the expertise accumulated by FFG to simultaneously resolve the ongoing problem of non-performing loans and radically reinforce earning capacity. Shinwa Bank aims to become Nagasaki Prefecture's leading bank by providing the region with a stable supply of high-quality financial products.

The bank's marketing strategy hinges on focusing marketing resources within Nagasaki Prefecture and utilizing FFG's power to bolster sales. Further, Shinwa Bank expanding its customer base by raising service quality to realize a radical reinforcement of earning capacity.



Establishment: September 1, 1939
Head Office: 10-12, Shimanose-cho, Sasebo, Nagasaki, Japan
Paid-in Capital: ¥25.8 billion
Website: http://www.shinwabank.co.jp/

Topics

130 Years Since Shinwa Bank's Foundation

In 1879, in what is now Hirado, Nagasaki, Shinwa Bank's predecessor, the 99th National Bank, was established. Accordingly, February 15, 2009, marks the 130th anniversary of the bank's foundation. A range of events are planned, spearheaded by the slogan: "130 years with your help. Looking forward to our future together with the region."

The bank has worked in cooperation with musicians from Japan and overseas and various Nagasaki organizations to jointly host Nagasaki Music Festival 2009, in addition to holding lobby concerts and organizing the Shinwa Bank Collection Exhibition, at which pictures, sculptures and other works of art owned by the bank are put on display to the public.

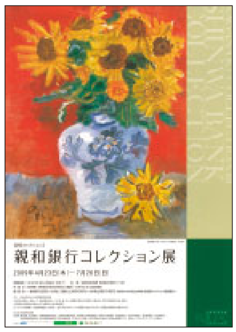
Lobby concert

Nagasaki Business Exchange Forum

In April 2008, the Group banks and their respective customer membership organizations hosted the Nagasaki Business Exchange Forum in Nagasaki City.

The event featured booths representing an array of industries by 120 participating enterprises from Nagasaki, Fukuoka and Kumamoto prefectures. Supplementing the Business Exchange Forum, were an FFG Asia Market Penetration Support Seminar and FFG Tourism Seminar.

A business exchange forum on this scale is rare for Nagasaki Prefecture: approximately 3,500 visitors from Nagasaki and beyond attended the event. This represented the largest such forum ever hosted by a financial institution in the region.



Shinwa Bank Collection Exhibition

Startup of the "My Bank" Point Club

Shinwa Bank's "My Bank" loyalty point club commenced transactions in February 2009.

Participation entails no membership or annual fees. Subscribers are awarded point equivalents for their banking transactions, and the total number of accumulated points can be leveraged to gain loans at preferential interest rates. Members are also entitled to an array of other privileges, such as waiver on service charges outside ATM operating hours and gratis money transfers to the Bank of Fukuoka and Kumamoto Family Bank.

Nagasaki Business Exchange Forum

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**

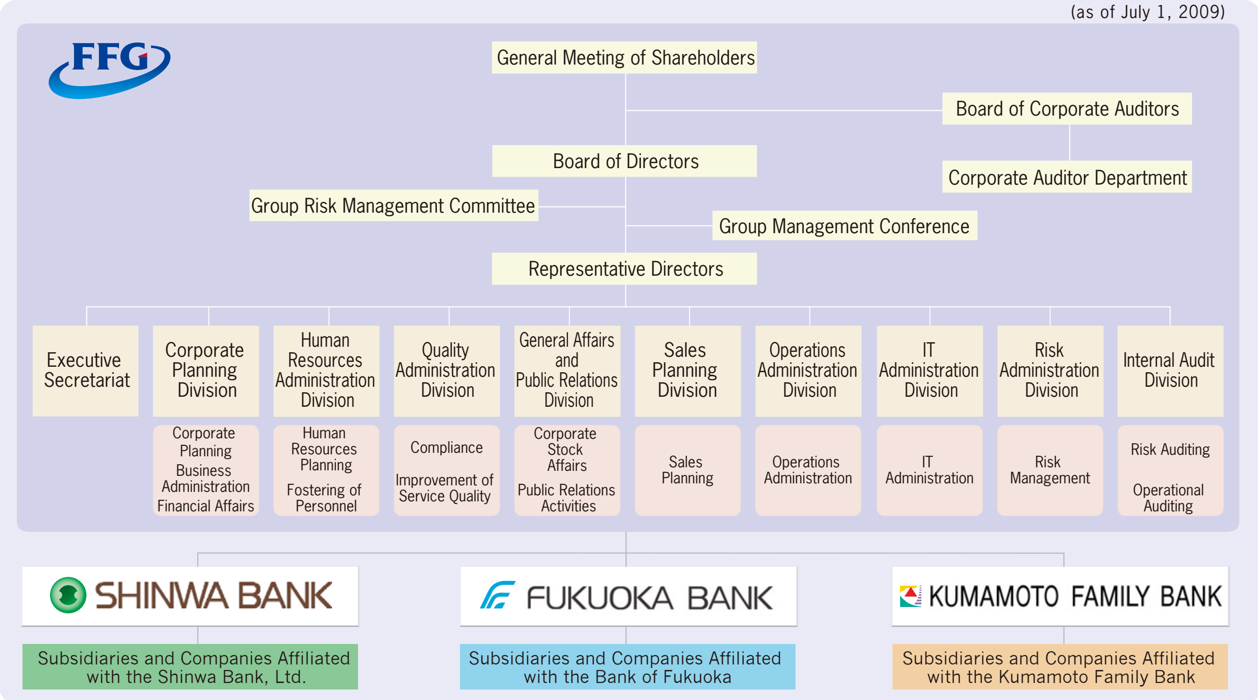
Based on basic guidelines stipulated and matters entrusted by the Board of Directors, the Group Management Conference will discuss important matters related to business and affairs of the Group, including Group management and operational planning.

■ **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

(as of July 1, 2009)



Compliance Measures

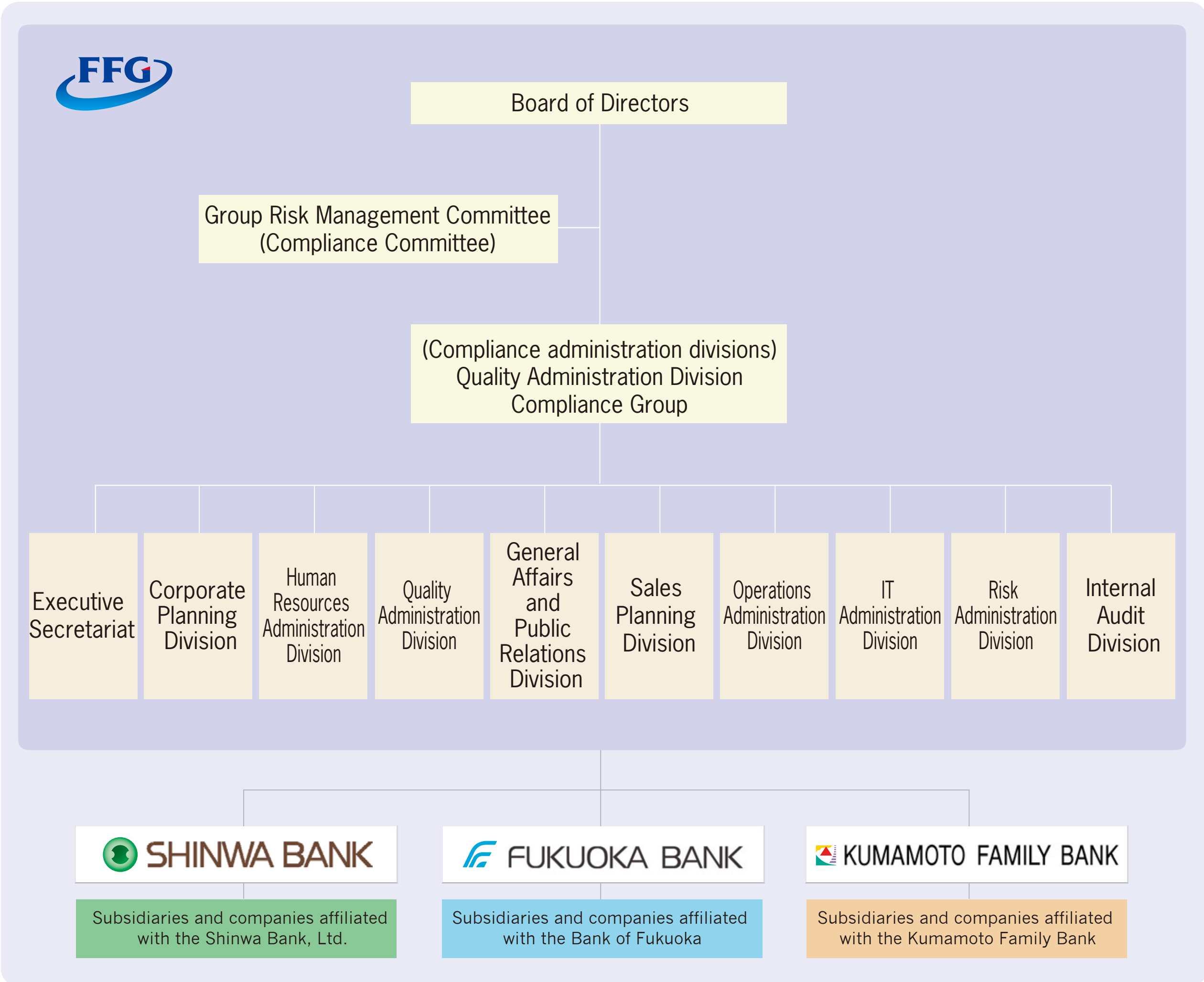
Trust is the most important asset of a financial institution, rendering compliance as a crucial theme. FFG considers compliance to be one of its most vital management issues, and strives to reinforce its compliance framework.

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



Approach to Risk Management

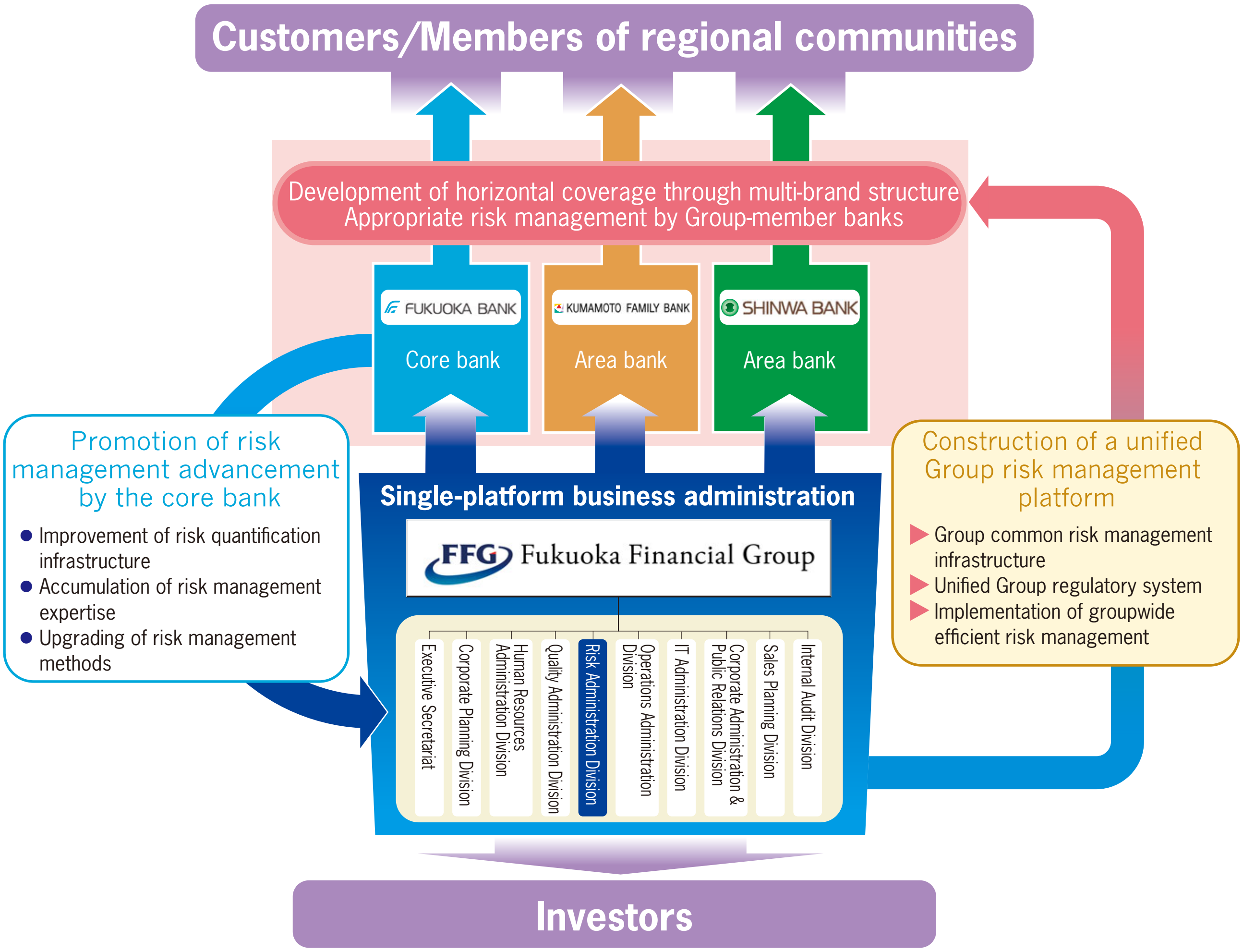
Although financial deregulation, globalization and the development of IT technologies have expanded business opportunities for banks, they have caused the risks that these institutions face to become more diverse and complex. In this environment, the importance of risk management has become increasingly important, embracing recognition, comprehension and analysis of risks and the implementation of appropriate control measures.

FFG, in so far as is possible, applies a uniform yardstick to quantify the diverse risks that arise in the pursuit of its business and, based on comprehensive understanding, aims for management that strikes a balance between maintaining soundness and raising profitability. This is implemented groupwide through the FFG's risk management measures.

Furthermore, FFG aims for horizontal coverage, leveraging its multi-brand triad of the Bank of Fukuoka, the Kumamoto Family Bank and the Shinwa Bank, with an efficient single-platform business administration system in the implementation of its groupwide management.

With regard to risk management, we promote the advancement of various risk management methods and improvement of infrastructure at the Bank of Fukuoka, which is positioned as the core bank of the Group's structure. These developments are subsequently introduced by the Kumamoto Family Bank and the Shinwa Bank.

In terms of regulation, FFG institutes a Risk Management Policy as a common standard applied within the Group and formulates an annual Risk Management Program, which serves as an action plan. Through this stance, we are reinforcing and upgrading risk management groupwide.



■ Risk Classifications and Definitions

In so far as is possible, FFG exhaustively deals with risks arising in the execution of its business activities. We differentiate these risks into the following classifications, which we manage in accordance with their respective risk characteristics.

Furthermore, for more effective implementation we carry out ongoing revisions to each risk management method in tune with advances in risk quantification technologies and other developments.

■ Risk Classifications Targeted for Management

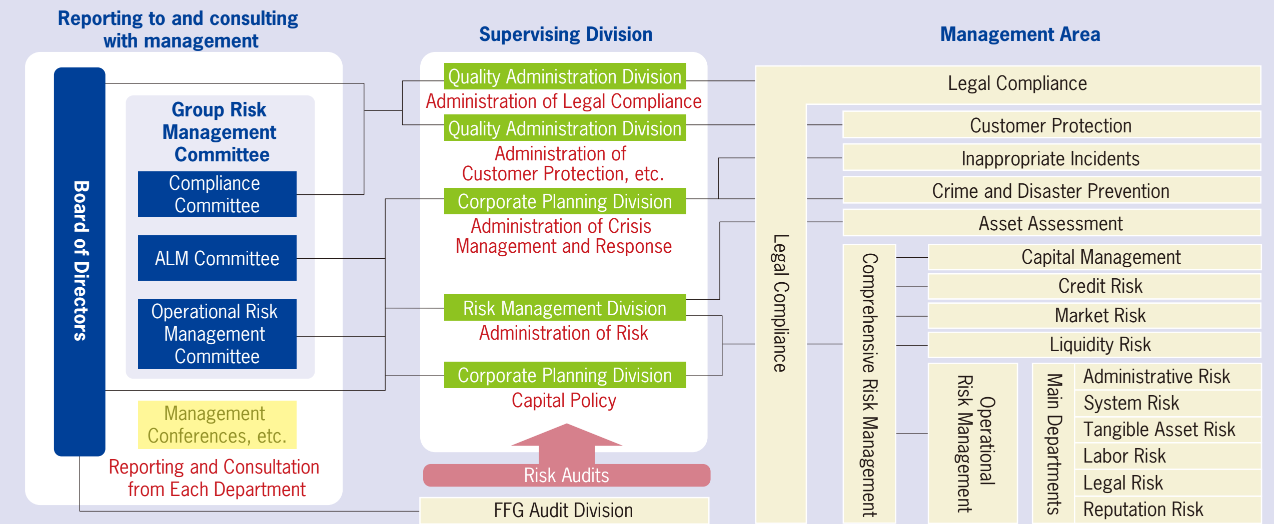
Risk categories		Definitions	Methods	
Credit Risk		Risk of losses arising from asset values that fallen or been erased (including off-balance-sheet assets) by the worsening financial position of obligors	Management by VaR	Integrated risk management
Market Risk		Risk of losses arising from variation in the value of held assets and liabilities (including off-balance-sheet assets and liabilities) as a result of fluctuations in market risk factors, such as interest rates, exchange rates and stock prices, or from variation in profits generated by assets and liabilities		
	Interest-Rate Risk	Risk of losses arising from declining profits caused by interest-rate fluctuations in the event of mismatched periods for interest rates applicable to assets and liabilities		
	Volatility Risk	Risk of losses arising from fluctuations in prices of securities and other instruments		
	Exchange-Rate Risk	Risk of losses arising from currency rate fluctuations in the event of a position of excessive assets or liabilities on a net basis for foreign-currency-denominated assets and liabilities		
Operational Risk		Risk of losses arising from inappropriate business mechanisms, activities by executives and employees or systems, or from the impact of external events The following are risk management subcategories.	Management using a fixed quantitative scale	Comprehensive risk management
	Administrative Risk	Risk of losses arising from failure by executives and employees or other organizational staff (such as part-time and dispatched workers) to perform their duties, from accidents or fraud, or from other similar risks		
	System Risk	Risk of losses arising from computer system down time or system deficiencies, from illegal use of computers, or from other similar risks (including risks arising from disasters, social infrastructure accidents and other such mishaps)		
	Tangible Asset Risk	Risk of losses arising from damage to tangible assets as a result of disasters, criminal acts or asset management defects		
	Labor Risk	Risk of losses arising from problems with labor practices (problems with treatment of personnel, management of employee duties and union activities), from workplace health and safety environment issues, or risk from employer liabilities caused by claims arising from illegal conduct of executives and employees		
	Legal Risk	Risk of losses arising from violations of laws or contracts, forming of improper contracts, and other legal causes		
	Reputation Risk	Risk of losses arising from unsubstantiated or untrue rumors among customers or in the market that detract from the Group's reputation, or from risks arising from loss of confidence or obstruction to business operations as a result of public disclosure of improper business administration	Management by qualitative assessment	
Liquidity Risk				
	Cash Management Risk	Risk of losses arising from difficulties in securing necessary funds as a result of mismatching the period of cash management and procurement or unforeseen cash outflows, or from fund procurement unavoidably carried out at interest rates significantly higher than usual		
	Market Liquidity Risk	Risk of losses arising from the inability to carry out transactions due to market disruptions and other factors, or from transactions unavoidably conducted at prices significantly less favorable than usual		

■ The Risk Management System for FFG and the Group's Banks

FFG has established a Group Risk Management Committee, comprising the holding company and Group banks, to monitor the various risks that the Group faces and to deliberate on risk management measures and policies attuned to changes in the internal and external environments.

In addition, Group banks have founded similar risk management systems that carry out comprehensive risk management for the Group in close cooperation with FFG.

FFG's Risk Management Framework



Comprehensive Risk Management

■ About comprehensive risk management

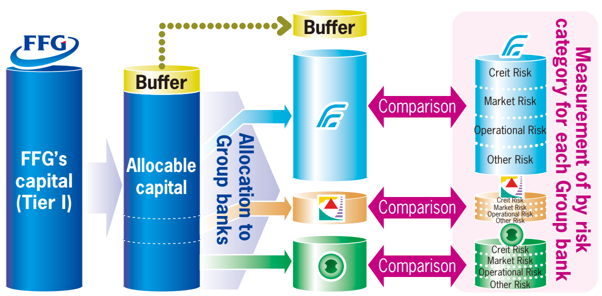
Comprehensive risk management makes an integrated assessment of risks that financial institutions face, evaluated for each risk category, by comparison with that financial institution's capital. Categories include credit risk, market risk and operational risk, including credit-concentration risk and interest rate risk on bank accounts, which are not considered in the calculation of the capital adequacy ratio.

FFG operates a policy of "Establishing and upgrading appropriate comprehensive risk management frameworks that grasp the risk profiles of banks, as the business of financial institutions becomes more diverse and complex, in order to raise management efficiency and profitability through the effective use of capital, while maintaining the soundness and appropriateness of banks." Based on this policy, FFG is deploying such universal yardsticks as VaR to measure various risks and, after taking a total value, carries out comprehensive risk management by comparison with FFG's capital.

■ Risk Capital Allocation System

FFG has introduced a risk capital allocation system within the framework of its comprehensive risk management. This system takes allocable capital as the remainder after deduction of a buffer for risks that are difficult to measure from FFG's capital (Tier I capital) and monitors and manages to contain risk measured within this range using a universal yardstick. Allocable capital is allocated to the Bank of Fukuoka, the Kumamoto Family Bank and the Shinwa Bank respectively.

Framework of the Group Risk Capital Allocation System



Equity Capital Management

Through appropriate management of capital adequacy for the Group and the Group banks to ensure sufficient capital concomitant with risk, FFG is striving to maintain soundness and appropriateness of the Group's overall business.

Specifically, we monitor the Group's capital adequacy from the standpoints of "regulatory capital" (capital required under capital adequacy ratio regulations) and "economic capital" (risk capital required for comprehensive risk management) and manage our business in a way that avoids problems with capital soundness.

In addition, we conduct periodic stress tests as a part of our capital adequacy verification process. This involves setting multiple scenarios relating to increases in credit costs arising from company bankruptcies, falling collateral values and other factors, and losses from marketable securities arising from market fluctuations in interest and exchange rates and other variables, to confirm capital soundness under stress conditions. These tests are conducted for both regulatory and economic capital.

●Basel II Implementation

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 first pillar provides a range of options that financial institutions can select to match their internal control levels. The chart below shows approaches selected by FFG and its Group banks.

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

Credit risk is the risk of losses arising from asset values that fallen or been erased by the worsening financial position of obligors.

This is the main risk category incurred by the Group. Appropriate credit risk management while posting appropriate profits and maintaining soundness of assets is one of the most important issues in bank management.

FFG's basic policy on groupwide credit risk management is set out in its Risk Management Policy, which forms the basis for a Credit Policy for each of the Group's three banks. This policy indicates a basic approach covering the judgment and behavior for the appropriate operation of credit businesses.

FFG has also created a Credit Risk Management Program as an action plan for enhancing groupwide credit risk management framework and handling credit risk associated with strengthening groupwide credit portfolio operations.

■ Credit Risk Management System

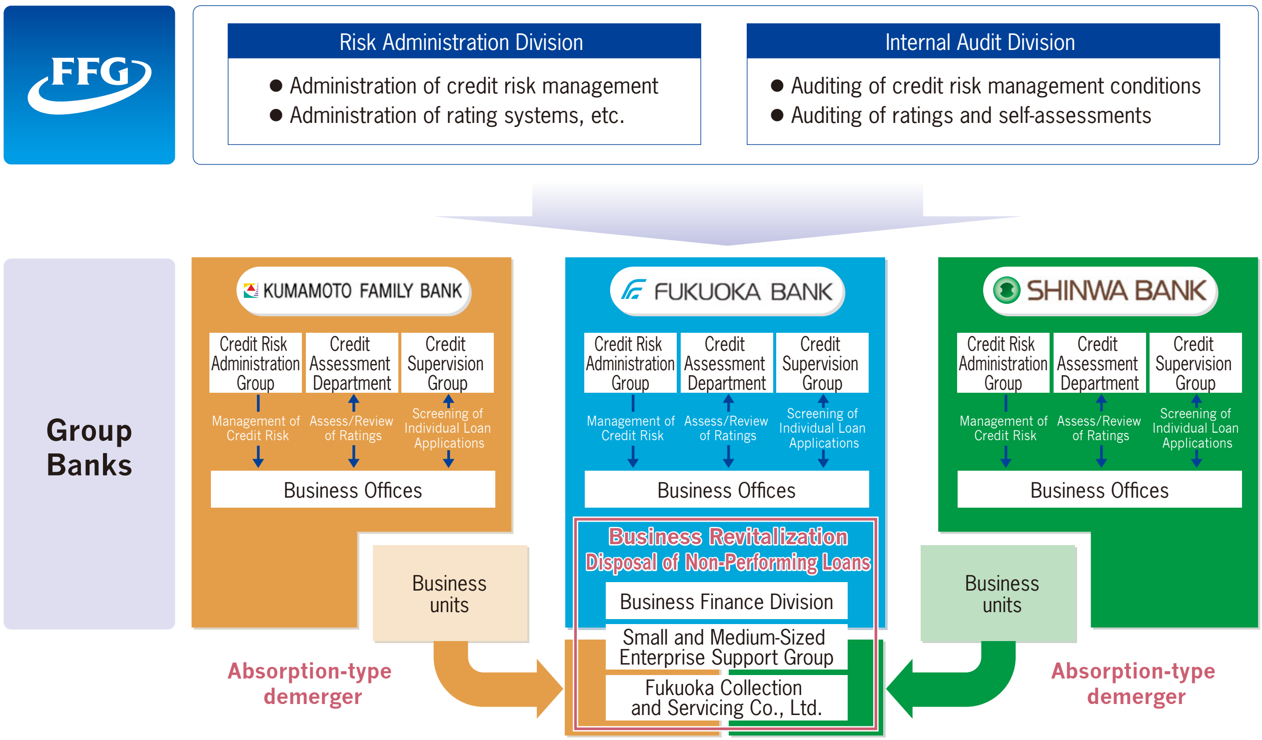
The Credit Risk Management System is centered on a Risk Management Division, which administers the formulation of credit risk management policy and manages the rating systems and credit risk for the Group.

The credit assessment departments within each of the Group's banks conduct rating reviews based on the credit ratings system, and 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 from an independent standpoint based on business trust agreements from the Group's banks.

The division reports its findings to FFG's Board of Directors. The audit departments of the Group's three banks receive audit reports from the FFG's Internal Audit Division and report 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 an obligor will fulfill its obligations, so are assigned to business corporations based on the scoring of its financial condition. The ratings are reviewed periodically—at least once a year and whenever an obligor's credit status changes—to enable the timely ascertainment of the conditions of individual obligors and portfolios.

In addition, obligor ratings are linked to obligor and loan categories based on laws and regulations and are also used in self-assessments, write-offs and loan loss provisions. Accordingly, they are ranked as the core of credit risk management.

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

Obligor Rating			Obligor Category	Claim Category	Default According to Basel II Internal Rating-Based Approach
Rating Rank	Risk Level	Definition			
1	No risk	Highest level of certainty of debt redemption, and stable	Normal	Normal	Non-default
2	Slight risk	Extremely high level of certainty of debt redemption, and stable			
3	Small risk	High level of certainty of debt redemption, and stable			
4	Above average	Adequate level of certainty of debt redemption, but might decline going forward			
5	Average	No problem with certainty of debt redemption in the immediate future, but may decline going forward			
6	Permissible	No problem with certainty of debt redemption in the immediate future, but likely to decline going forward			
7	Below average	No current problem with certainty of debt redemption, but substantial concerns about future declines			
8	Needs attention 1	Apparent problem with debt redemption, and will require care in management	Needs attention		
9	Needs attention 2	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		Substandard	Default
10	In danger of bankruptcy	Experiencing financial difficulties, with a substantial chance of business failure going forward	In danger of bankruptcy	Doubtful	
11	Effectively bankrupt	Not yet in legal or formal bankruptcy, but experiencing business failure in substance	Effectively bankrupt	In bankruptcy or rehabilitation, or in quasi-bankruptcy or rehabilitation	
12	Bankrupt	In legal and/or formal bankruptcy	Bankrupt		

■ 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.

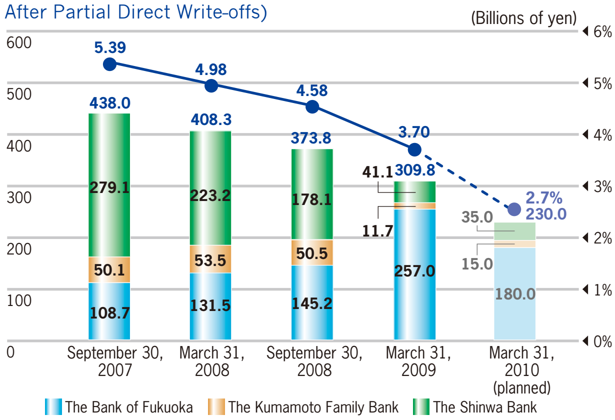
■ Framework for Individual Credit Management and Status of Non-Performing Loans

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.

Outstanding NPLs under FRL & NPL Ratios

(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 provides 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.

Specifically, the division manages market risk by considering the risk profiles of the Group banks and monitoring the implementation status of various risk limits set by aligning them with risk capital apportioned to the banks. The trading and banking divisions use the common yardstick of VaR for setting such limits on risk.
Note: VaR is the largest loss likely to be suffered on a portfolio position with a given probability.

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 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 committees 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.

Specifically, 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 such external factors as disasters. Operational risk is managed by classification into administrative risk, system risk, tangible assets risk, labor risk, legal risk and reputation 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 becoming increasingly important in 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 priority 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 and 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.

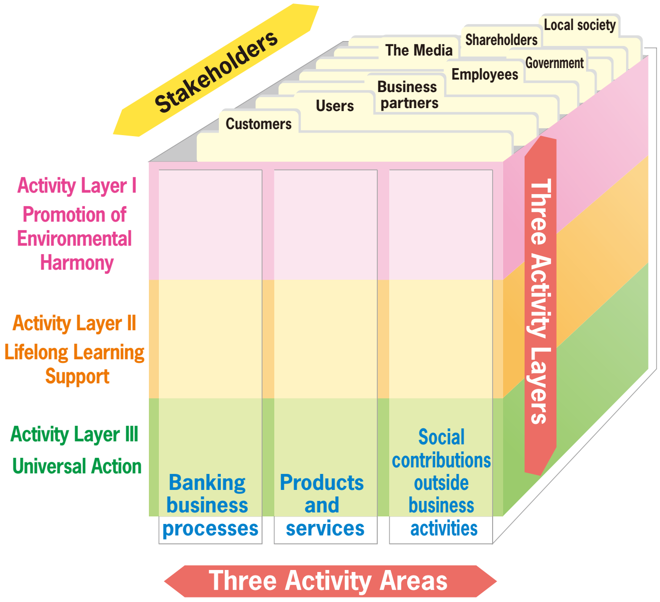
Layer II: Lifelong Learning Support

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

■ Promotion of Environmental Harmony

The various environmental problems that exert adverse impact on the earth are also of major importance for the Kyushu region—the base for FFG's operations. What FFG can strive to achieve as a financial institution is to control and reduce its own environmental burden and, through the medium of finance, actively to provide products and services conducive to environmental protection. To this end, FFG has established an environmental management system (EMS) based on a groupwide environmental policy. This system aims to stimulate all the Group's executives and employees to think and act with regard to environmental problems. Accordingly, the Groups three banks have adopted a Cool Biz policy and conduct regular cleanup activities as members of the regional communities they serve.

Kumamoto Family Bank gained ISO14001 certification for its EMS in September 2005, which was renewed in September 2008.

The Four Pillars of FFG's Environmental Policy

(1) Ongoing EMS implementation

- To establish targets for regional environmental protection and to achieve these objectives through concrete activities
- To evaluate activities and carry out requisite revisions in pursuit of ongoing EMS improvements

(2) Environmental endeavors through FFG's businesses

- To strive to contribute to local communities through business-based environmental activities

(3) Implementation of environmentally considerate activities

- To work to reduce the burden on the environment through energy-conservation and resource-saving measures and social contribution activities that consider environmental protection

(4) Thorough environmental communications targeting all FFG executives and employees

- To raise awareness of this policy among all the Group's executives and employees, encouraging them to think about environmental problems, act voluntarily and carry out improvement activities

■ Lifelong Learning Support

We are carrying out groupwide regional contribution activities and sports promotion to foster greater hands-on experience of culture, the arts and sports. The Bank of Fukuoka invited customers to a New Year Concert and performances by the Bolshoi Circus, and Shinwa Bank, as part of celebrations to mark 130 years since its foundation, hosted the Shinwa Bank Collection Exhibition, featuring exhibits owned by the bank, at the Nagasaki Prefectural Art Museum.

On August 8, 2008, FFG implemented the job shadow* workplace experience, which is a program that allows high school students to attach themselves to a working staff member to observe working practices. This mentorship approach helps pupils to make prudent decisions about their career options.

The Group also provides media for business communications, such as Agricultural Island Kyushu 2009, a business forum of food product manufacturers, buyers and related entities and offering financial seminars for individuals to cultivate correct knowledge and rational evaluation on personal finance matters.

* Job Shadow is a work-experience program offered by the world's largest economic education foundation, Junior Achievement.

Bolshoi Circus

Shinwa Bank Collection Exhibition

Agricultural Island Kyushu 2009

Selected for Inclusion in the FTSE4Good Index

In September 2009, the FFG Group's shares were selected for inclusion in the FTSE4 Good Index, developed by FTSE International Limited of the United Kingdom, an independent company jointly owned by The Financial Times and the London Stock Exchange. Corporations throughout the world are selected for inclusion in this index based on global standards for corporate social responsibility. Accordingly, the index is an indicator of socially responsible investment.

FTSE4Good

■ Universal Action

FFG's Universal Action to realize its vision "To be your Bank of choice" is based on three pillars: "hard" action at retail outlet facilities; "soft" action through services and products; and "human" action via response to customers.

Hard Action: Branch facilities and various functions

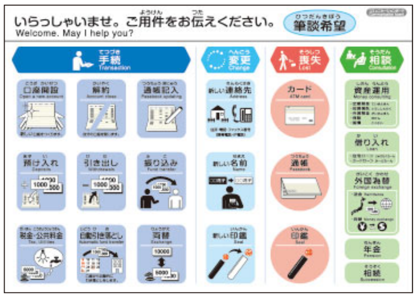
The Bank of Fukuoka has, to the best of its ability, rebuilt or renovated all its branches—the point of contact between bank and customer—in its drive to realize the FFG brand slogan, "To be your Bank of choice." The upgraded branches feature banking counters and other facilities designed with an underlying wooden theme, an ambience of warmth and quality, and a layout aspiring to be barrier free to facilitate universal access. Moreover, the Bank of Fukuoka has wheelchairs available at all branches and, at the request of customers, has installed toilet facilities at all rebuilt branches and in as many remodeled and existing stores as could be accommodated. In the future, Kumamoto Family Bank and Shinwa Bank plan to follow suit with similar broad-ranging branch upgrade initiatives.

Low-level counters and wheelchairs for the physically challenged

Soft Action: Top-grade, hospitable services

FFG has instigated activities that encourage staff to move across to the counter to provide support in branch lobbies. This proactive approach ensures a smooth and stress-free banking experience for customers when conducting their transactions.

As part of its endeavors to build an environment conducive to universal ease of use, at all its branches the Bank of Fukuoka has installed visual guidance in the form of signboards to facilitate consultations without anxiety for customers with difficulties in verbal communications or in sign language and communication boards for the hard of hearing, non-native Japanese speakers and those lacking confidence in spoken and written language. In addition, all branches now provide umbrellas for customer use in response to popular demand. In the future, we will continue with action to cultivate a banking environment that is friendly and considerate to all customers.



Communication board and signboard for a money exchanger

Human Action: Hospitality instilled in all employees

FFG aims to operate banks at which assistance is spontaneously offered to customers who are experiencing difficulties. For example, we are promoting service assistant qualifications and providing relevant training at bank branches to stimulate key personnel to further their hospitality and related technological skills so they may better serve older and physically challenged customers.

Customer assistants are deployed in all Group bank branches to provide assistance from a customer perspective, and all employees are encouraged question the intrinsic nature of true service and provide hospitality tailored to the branch in which they work.

Service assistant training

Financial Section

FFG

The Bank of Fukuoka

The Kumamoto Family Bank

The Shinwa Bank

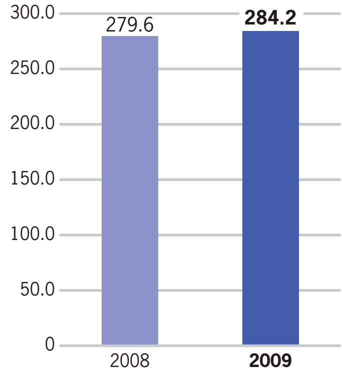
Market Conditions

During the fiscal year ended March 31, 2009, the crisis that commenced in overseas financial markets plunged the global business community into deeper recession, leading to an abrupt contraction in overseas demand. The Japanese economy was buffeted by these worsening conditions with unprecedented rapidity during the second half of the fiscal year. Accordingly, aggravated business performances and a standstill in fund management led to an increase in corporate bankruptcies and a sudden deterioration in employment conditions. These and other factors resulted in the continuation of extremely tight market conditions.

The financial industry, impacted by the deepening global financial crisis and concerns about the outlook for the world economy, saw drastic declines in the Nikkei Stock Average, which hit ¥7,054 in March 2009—its lowest level since the bursting of Japan's economic bubble in the early 1990s. Foreign currency exchange markets featured rapid appreciation of the yen against the U.S. dollar, the euro and currencies of developing nations from the summer onward, passing ¥87 to the dollar by the end of the year. Reflecting the weakening real economy, the Bank of Japan cut the policy interest rate twice. However, with a growing prevalence of risk avoidance by market participants, companies tended to retain liquidity. This resulted in stringent markets for commercial paper and corporate bonds and a marked widening in credit spreads.

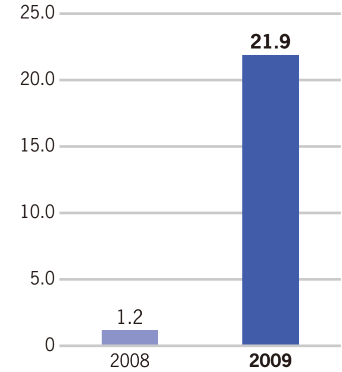
Total Income

(Years ended March, 31) (Billions of yen)



Net Income

(Years ended March, 31) (Billions of yen)



Initiatives during the Year

In response to these economic conditions, the Fukuoka Financial Group aimed to provide higher-quality financial services as a broad area-based regional financial group. Specifically, we focused on integrating the branch networks and affiliated companies of the Group's three banks and sharing administrative and IT infrastructure. These and other measures enabled us to consolidate our management infrastructure. The February 2009 demergers enabled business regeneration operations and non-performing loans of the Kumamoto Family Bank and Shinwa Bank to be transferred to the Bank of Fukuoka with the objective of fortifying the Group's business regeneration framework and improving the financial strength of the Kumamoto Family Bank and Shinwa Bank. This initiative facilitated steady progress with business regeneration.

Operating Results

During the fiscal year, total income rose ¥4,610 million from the previous term, to ¥284,213 million, primarily as a result of efforts to bolster loans and other interest income. Total expenses also grew, rising ¥33,049 million, to ¥290,158 million, mainly boosted by an impairment loss on marketable securities arising from falling stock prices and larger reserve for possible loan losses in light of worsening corporate business results. As a result of these factors, the Group posted a loss before income taxes and minority interests of ¥5,944 million. However, net income increased ¥20,682 million from the previous term, to ¥21,934 million, in line with the posting of deferred tax assets arising from the corporate demergers.

Financial Position

FFG's total deposits (deposits + negotiable certificates of deposit) stood at ¥10,210.4 billion at March 31, 2009, up ¥103.0 billion from a year earlier, led by steady performance by personal deposits. Loans and bills discounted advanced ¥149.7 billion to ¥8,127.2 billion, driven by efforts to develop new transactions centered on local companies, to expand total transactions, and to aggressively meet needs through such products as housing loans for personal customers. Marketable securities declined ¥68.7 billion from the end of the previous fiscal year to ¥2,295.0 billion, because of diversification of investment in consideration of safety and profitability factors.

As a result of the above factors, total assets as of March 31, 2009 stood at ¥11,781.2 billion, up ¥417.3 billion from the end of the previous term.

The consolidated capital adequacy ratio rose 0.50 percentage point from the end of the previous term, to 9.26%. Pursuant to Article 52-25 of the Banking Law (Notification 20 issued in 2006 by the Japanese Financial Services Agency), this ratio is a standard for bank holding companies to assess whether or not their capital adequacy status is appropriate in light of assets and other property held by the holding company and its subsidiaries. The Tier I ratio increased 0.42 percentage point to 5.56% from the end of the previous term.

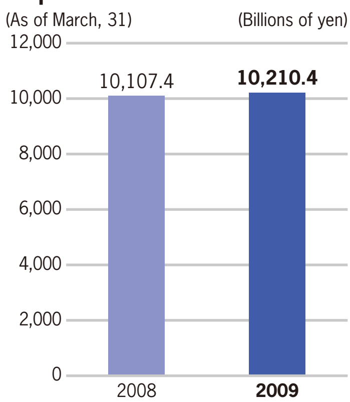
Cash Flows

Net cash provided by operating activities came to ¥207,535 million. Net cash provided by investing activities was ¥21,972 million, mainly due to proceeds from sale of securities, while net cash used in financing activities amounted to ¥11,235 million, primarily used for dividends paid.

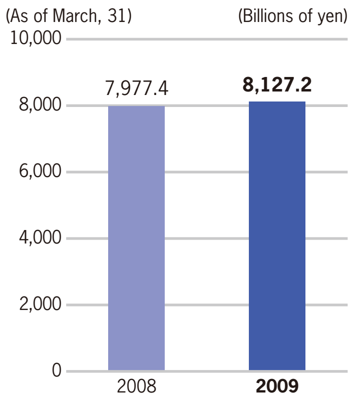
As a result, cash and cash equivalents at the end of the year totaled ¥501,992 million, up ¥218,214 million from the preceding year-end.

Note: Shinwa Bank was included in the scope of consolidation from the second half of the fiscal year ended March 31, 2008. Accordingly, the consolidated statements of income for the preceding fiscal year only reflect Shinwa Bank's second-half performance.

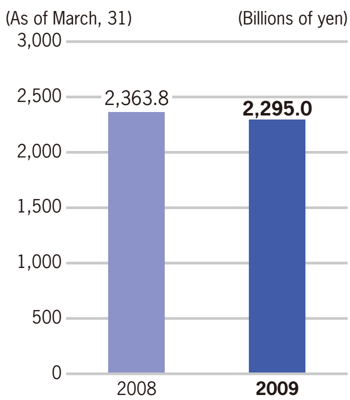
Deposits



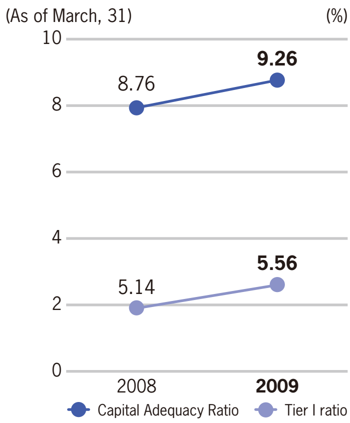
Loans and Bills Discounted



Securities



Capital Adequacy Ratio, Tier I ratio



Ernst & Young ShinNihon LLC

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, 2009 and 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, 2009 and 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, 2009 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 LLC

Ernst & Young ShinNihon LLC

June 22, 2009

CONSOLIDATED BALANCE SHEETS

Fukuoka Financial Group, Inc. and its subsidiaries
As of March 31, 2009 and 2008

	2009	2008	2009
	Millions of yen	Millions of yen	Millions of U.S. dollars (Note 2)
Assets			
Cash and due from banks (Note 6)	¥ 532,240	¥ 347,944	$ 5,418
Call loans and bills bought	153,282	76,557	1,560
Monetary receivables bought	144,459	174,736	1,470
Trading assets	1,770	10,425	18
Money held in trust	—	3,524	—
Securities (Notes 3, 6, 10 and 11)	2,295,083	2,363,835	23,364
Loans and bills discounted (Note 4)	8,127,246	7,977,486	82,736
Foreign exchange assets (Notes 4)	6,572	5,140	66
Other assets (Note 6)	122,569	126,470	1,247
Tangible fixed assets (Notes 5)	189,089	180,645	1,924
Intangible fixed assets	185,233	189,400	1,885
Deferred tax assets (Note 12)	116,950	63,082	1,190
Customers' liabilities for acceptances and guarantees (Note 10)	77,391	88,845	787
Reserve for possible loan losses	(170,509)	(244,105)	(1,735)
Reserve for possible investment losses	(123)	(88)	(1)
Total assets	**¥11,781,256**	**¥11,363,902**	**$119,935**
Liabilities			
Deposits (Note 6)	10,210,483	10,107,416	103,944
Call money and bills sold	70,000	2,504	712
Payables under securities lending transactions (Note 6)	6,563	42,371	66
Trading liabilities	—	7	—
Borrowed money (Notes 6 and 7)	483,826	203,808	4,925
Foreign exchange liabilities	800	782	8
Short-term bonds payable	35,000	50,000	356
Bonds payable (Note 8)	154,916	133,796	1,577
Other liabilities	114,030	101,224	1,160
Reserve for employee retirement benefits (Note 9)	488	2,266	4
Reserve for loss on interest repayments	1,128	1,162	11
Reserve for reimbursement of deposits	3,766	3,838	38
Reserve for contingent loss	374	272	3
Deferred tax liabilities on land revaluation (Notes 5)	32,270	32,779	328
Negative goodwill	273	307	2
Acceptances and guarantees (Note 10)	77,391	88,845	787
Total liabilities	**¥11,191,315**	**¥10,771,385**	**$113,929**
Net assets			
Common stock	¥ 124,799	¥ 124,799	$ 1,270
Capital surplus	104,263	104,697	1,061
Retained earnings	241,430	224,572	2,457
Treasury stock	(2,503)	(3,206)	(25)
Total stockholders' equity	**467,989**	**450,862**	**4,764**
Net unrealized gains on other securities (Note11)	5,090	17,348	51
Net deferred hedge losses	(6,269)	(4,008)	(63)
Land revaluation account (Note 5)	46,717	47,469	475
Total valuation and transaction adjustments	45,537	60,809	463
Minority interests	76,413	80,844	777
Total net assets	**¥ 589,941**	**¥ 592,516**	**$ 6,005**
Total liabilities and net assets	**¥11,781,256**	**¥11,363,902**	**$119,935**

CONSOLIDATED STATEMENTS OF INCOME

Fukuoka Financial Group, Inc. and its subsidiaries
For the years ended March 31, 2009 and 2008

	2009	2008	2009
	Millions of yen	Millions of yen	Millions of U.S. dollars (Note 2)
Income			
Income from funds under management:			
Interest on loans and bills discounted	¥171,985	¥155,358	$1,750
Interest and dividends on securities	34,375	37,372	349
Interest on call loans and bills bought	1,100	1,015	11
Interest on securities lending transactions	20	—	0
Interest on due from banks	971	1,538	9
Interest on others	4,038	3,549	41
Trust fees	1	1	0
Fees and commissions	42,661	42,272	434
Trading income	266	429	2
Other operating income	11,780	18,411	119
Other income	17,010	19,655	173
Total income	**¥284,213**	**¥279,603**	**$2,893**
Expenses			
Cost of fund-raising:			
Interest on deposits	28,659	26,454	291
Interest on call money and bills sold	110	705	1
Interest on payables under securities lending transactions	1,176	3,775	11
Interest on borrowed money	2,283	1,461	23
Interest on short-term bonds payable	339	11	3
Interest on bonds payable	3,911	4,100	39
Interest on bonds with stock subscription rights	—	0	—
Interest on others	8,516	11,675	86
Fees and commissions	16,821	15,230	171
Trading expenses	—	0	—
Other operating expenses	22,824	18,224	232
General and administrative expenses	132,447	112,486	1,348
Other expenses	73,066	62,982	743
Total expenses	**¥290,158**	**¥257,109**	**$2,953**
Income (loss) before income taxes and minority interests	(5,944)	22,494	(60)
Provision for income taxes:			
Current	15,890	18,655	161
Deferred	(46,785)	1,836	(476)
	(30,894)	**20,491**	**(314)**
Minority interests	**3,015**	**751**	**30**
Net income (Note 13)	**¥ 21,934**	**¥ 1,252**	**$ 223**

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Fukuoka Financial Group, Inc. and its subsidiaries
For the years ended March 31, 2009 and 2008

	Millions of yen										
	Stockholders' equity					Valuation and translation adjustments					
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total stockholders' equity	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	¥79,890	¥ 58,165	¥231,025	¥(10,758)	¥358,322	¥ 45,912	¥ (77)	¥46,955	¥ 92,790	¥51,393	¥502,506
Changes during the period:											
Increase (Decrease) due to stock transfer	20,109	43,060		(31,781)	31,387						31,387
Issuance of new shares	24,799	29,666			54,465						54,465
Cash dividends			(7,190)		(7,190)						(7,190)
Net income			1,252		1,252						1,252
Acquisition of treasury stock				(190)	(190)						(190)
Disposition of treasury stock		5,357		11,018	16,376						16,376
Cancellation of treasury stock		(31,551)		31,551	—						—
Transfer from land revaluation account			(514)		(514)						(514)
Decrease in treasury stock resulting from inclusion of consolidated subsidiaries				(3,045)	(3,045)						(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	¥ 44,908	¥ 46,532	¥ (6,452)	¥ 7,552	¥ 92,540	¥(28,564)	¥(3,931)	¥ 514	¥(31,980)	¥29,451	¥ 90,010
Balance as of March 31, 2008	**¥124,799**	**¥104,697**	**¥224,572**	**¥(3,206)**	**¥450,862**	**¥ 17,348**	**¥(4,008)**	**¥47,469**	**¥ 60,809**	**¥80,844**	**¥592,516**
Changes during the period:											
Cash dividends			**(5,828)**		**(5,828)**						**(5,828)**
Net income			**21,934**		**21,934**						**21,934**
Acquisition of treasury stock				**(123)**	**(123)**						**(123)**
Disposition of treasury stock		**(434)**		**826**	**391**						**391**
Transfer from land revaluation account			**752**		**752**						**752**
Net change in items other than stockholders' equity						**(12,258)**	**(2,260)**	**(752)**	**(15,272)**	**(4,430)**	**(19,702)**
Total changes during the period	**—**	**¥ (434)**	**¥ 16,857**	**¥ 702**	**¥ 17,126**	**¥(12,258)**	**¥(2,260)**	**¥ (752)**	**¥(15,272)**	**¥ (4,430)**	**¥ (2,575)**
Balance as of March 31, 2009	**¥124,799**	**¥104,263**	**¥241,430**	**¥(2,503)**	**¥467,989**	**¥ 5,090**	**¥(6,269)**	**¥46,717**	**¥ 45,537**	**¥76,413**	**¥589,941**

	Millions of U.S. dollars (Note 2)										
	Stockholders' equity					Valuation and translation adjustments					
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total stockholders' equity	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, 2008	$1,270	$1,065	$2,286	$(32)	$4,589	$ 176	$(40)	$483	$ 619	$823	$6,031
Changes during the period:											
Cash dividends			**(59)**		**(59)**						**(59)**
Net income			**223**		**223**						**223**
Acquisition of treasury stock				**(1)**	**(1)**						**(1)**
Disposition of treasury stock		**(4)**		**8**	**3**						**3**
Transfer from land revaluation account			**7**		**7**						**7**
Net change in items other than stockholders' equity						**(124)**	**(23)**	**(7)**	**(155)**	**(45)**	**(200)**
Total changes during the period	**—**	**$ (4)**	**$ 171**	**$ 7**	**$ 174**	**$(124)**	**$(23)**	**$ (7)**	**$(155)**	**$ (45)**	**$ (26)**
Balance as of March 31, 2009	**$1,270**	**$1,061**	**$2,457**	**$(25)**	**$4,764**	**$ 51**	**$(63)**	**$475**	**$ 463**	**$777**	**$6,005**

CONSOLIDATED STATEMENTS OF CASH FLOWS

Fukuoka Financial Group Inc. and its subsidiaries
For the years ended March 31, 2009 and 2008

	2009	2008	2009
	Millions of yen	Millions of yen	Millions of U.S. dollars (Note 2)
Cash flows from operating activities:			
Income (loss) before income taxes and minority interests	¥ (5,944)	¥ 22,494	$ (60)
Depreciation of tangible fixed assets	8,397	6,697	85
Impairment losses	1,034	2,042	10
Amortization of goodwill	9,137	6,077	93
Equity in (income) loss from investment in affiliates	230	(112)	2
Net change in reserve for possible loan losses	(73,595)	(45,144)	(749)
Net change in reserve for possible investment losses	35	30	0
Net change in reserve for employee retirement benefits	(1,778)	(15,239)	(18)
Loss on contribution to employee retirement benefit trust	3,199	627	32
Contribution to employee retirement benefit trust	1,798	6,894	18
Net change in reserve for loss on interest repayments	(33)	(24)	(0)
Net change in reserve for reimbursement of deposits	(71)	3,451	(0)
Net change in reserve for contingent losses	101	213	1
Interest income	(212,492)	(198,833)	(2,163)
Interest expenses	44,997	48,186	458
Net losses related to securities transactions	8,562	17,249	87
Net losses related to money held in trust	—	(0)	—
Net exchange gains	(8,784)	(1,683)	(89)
Net losses on disposition of fixed assets	2,256	1,750	22
Net change in trading assets	8,655	(1,181)	88
Net change in trading liabilities	(7)	(3,824)	(0)
Net change in loans and bills discounted	(149,759)	(169,887)	(1,524)
Net change in deposits	103,067	(64,206)	1,049
Net change in borrowed money (excluding subordinated borrowed money)	278,017	(7,903)	2,830
Net change in deposits with banks	33,918	(26,100)	345
Net change in call loans	(46,448)	17,052	(472)
Net change in call money	67,495	88,146	687
Net change in payables under securities lending transactions	(35,808)	(77,937)	(364)
Net change in foreign exchange assets	(1,431)	(159)	(14)
Net change in foreign exchange liabilities	18	469	0
Net change in short-term bonds payable	(15,000)	50,000	(152)
Net change in issuance and redemption of bonds	30,000	—	305
Interest received	227,396	202,011	2,314
Interest paid	(44,807)	(48,382)	(456)
Other, net	(18,648)	(44,466)	(189)
Subtotal	213,705	(231,693)	2,175
Refunded income taxes	167	10	1
Income taxes paid	(6,338)	(31,700)	(64)
Net cash provided by (used in) operating activities	**207,535**	**(263,382)**	**2,112**
Cash flows from investing activities:			
Payments for purchases of securities	(973,361)	(1,324,151)	(9,908)
Proceeds from sale of securities	543,570	1,001,600	5,533
Proceeds from redemption of securities	471,559	669,181	4,800
Increase of money held in trust	—	(36)	—
Decrease of money held in trust	—	110	—
Payments for purchases of tangible fixed assets	(16,858)	(10,036)	(171)
Proceeds from sale of tangible fixed assets	5,971	793	60
Payments for purchases of intangible fixed assets	(11,242)	(5,598)	(114)
Proceeds from sale of intangible fixed assets	2,333	13	23
Purchase of investments in subsidiaries resulting in change in scope of consolidation	—	(115,300)	—
Net cash provided by investing activities	**21,972**	**216,577**	**223**
Cash flows from financing activities			
Increase in subordinated borrowings	10,000	60,000	101
Decrease in subordinated borrowings	(8,000)	(30,000)	(81)
Payments for redemption of subordinated bonds and bonds with subscription rights to shares	—	(180)	—
Proceeds form issuance of common stock	—	49,598	—
Proceeds from issuance of preferred fund certificates	—	25,000	—
Dividends paid	(6,734)	(7,175)	(68)
Dividends paid to minority stockholders	(1,511)	(1,428)	(15)
Payments for purchases of treasury stock	(123)	(190)	(1)
Proceeds from sale of treasury stock	271	9,101	2
Payments for purchases of common stock from minority stockholders	—	(18)	—
Payments for refund to minority stockholders	(5,000)	—	(50)
Other, net	(137)	(414)	(1)
Net (used in) cash provided by financing activities	**(11,235)**	**104,292**	**(114)**
Effect of exchange rate changes on cash and cash equivalents	**(58)**	**(190)**	**(0)**
Net increase in cash and cash equivalents	**218,214**	**57,296**	**2,221**
Cash and cash equivalents at beginning of the year	**283,777**	**164,537**	**2,888**
Net increase in cash and cash equivalents due to stock transfer	**—**	**61,944**	**—**
Cash and cash equivalents at end of the year (Note 14)	**¥ 501,992**	**¥ 283,777**	**$ 5,110**

Fukuoka Financial Group, Inc. and its subsidiaries
Years ended March 31, 2009 and 2008

1. Summary of Significant Accounting Policies

a. Basis of Presentation

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.

FFG Business Consulting Co., Ltd., came into the scope of consolidation through its establishment on August 1, 2008.

Shinwa Business Services Co., Ltd., Kumamoto Family Business Co., Ltd., and Shinwa Research Institute of Economy and Culture, Inc., were excluded from the scope of consolidation due to liquidation. However, these companies are included in the income statements prior to their liquidation.

c. Trading Assets and Liabilities

Trading account transactions are the transactions in which profit opportunities arise from the differences between different 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.

In the past, the value of floating-rate government bonds was based on actual market prices, and this value was indicated in the consolidated balance sheets. However, owing to recent changes in conditions in the market environment, market prices were deemed an inaccurate indicator of the true value of these bonds. Consequently, a rational method has been used to calculate the value of these bonds as of March 31, 2009, and this figure is posted in the consolidated financial statements. Owing to this change, in the consolidated financial statements "securities" is ¥18,697 million higher, "deferred tax assets" was ¥5,012 million lower, and "net valuation gains and losses on Other Securities" was ¥13,684 million higher than it would have been under the previous method. The rational method used to calculate the value of floating-rate government bonds utilizes future cash flow based on the expected yield, using a discount rate determined from the yield curve on government bonds, and the yield on government bonds is used as the principal determinant of price.

e. Derivative Transactions

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

f. Depreciation

Depreciation of the 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
Other	2 years to 20 years

Depreciation of the tangible fixed assets of other consolidated subsidiaries is principally computed using the declining-balance method, based on 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 three companies and over 20 years for one company.

Lease assets under finance leases which do not transfer ownership of leased assets to lessees, consisting primarily of office equipments, are depreciated by the straight-line method over the lease terms of the respective assets. Residual value of the tangible fixed assets under finance leases which do not transfer ownership of leased assets to lessees is guaranteed residual value on lease agreements or zero value.

g. Treatment of Deferred Assets

Bond issue expenses and stock issue expenses are treated at full cost at 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 (after direct reductions are made as discussed below), net of expected amounts from the disposal of collateral and/or on 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 on 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 the amounts calculated using historical default rates, historical loss rates and other factors.

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 consolidated subsidiaries engaged in banking business 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 March 31, 2009 and 2008, such a deducted amount were ¥146,014 million and ¥63,603 million, respectively.

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. The consolidated subsidiaries engaged in banking businesses recorded prepaid pension costs within Other Assets on the consolidated balance sheets due to the overfunded status of their respective plan.

Prior service liabilities and actuarial gains or losses are amortized mainly in the following manner:

- 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 (9–13 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, owing to depositor requests for reimbursement.

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

Finance leases of FFG's domestic subsidiaries, commenced prior to April 1, 2008 which do not transfer ownership of leased assets to lessees, are accounted for as operating 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 20.

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.

t. Accounting Change

Lease accounting

Prior to April 1, 2008, the Company and consolidated domestic subsidiaries accounted for finance leases which do not transfer ownership of the leased property to the lessee as operating leases. On March 31, 2007, the Accounting Standards Board of Japan issued ASBJ Statement No.13, "Accounting Standard for Lease Transactions" and ASBJ Guidance No.16, "Guidance on Accounting Standard for Lease Transactions". The new accounting standards require that all finance leasing transactions should be capitalized.

Effective April 1, 2008, the Company and consolidated domestic subsidiaries adopted the new accounting standards for finance leases commencing on or after April 1, 2008 and recognized those leases on the consolidated balance sheet, except for certain immaterial or short-term finance leases, which are accounted for as operating leases. As permitted, finance leases which commenced prior to April 1, 2008 and have been accounted for as operating leases, continue to be accounted for as operating leases.

As a result, lease assets included in "Tangible fixed assets" and lease obligations included in "Other liabilities" increased by ¥5,168 million and ¥5,084 million, respectively, compared to the previous method.

The effect on the financial result was not material.

Valuation of inventories

Prior to April 1, 2008, inventories of certain consolidated subsidiaries are stated at cost determined by the specific identification method.

Effective April 1, 2008, the certain domestic subsidiaries adopted the "Accounting Standard for Measurement of Inventories ("ASBJ statment No. 9" issued by the Accounting Standard Board of Japan on July 5, 2006).

This standard requires that inventories held for sale in the ordinary course of business be measured at the lower of cost or net selling value, which is defined as the selling price less additional estimated manufacturing costs and estimated direct selling expenses. The replacement cost may be used in place of the net selling value, if appropriate.

As a result, losses before income taxes for the year ended March 31, 2009 increased by ¥158 million.

2. U.S. Dollar Amounts

Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The rate of ¥98.23 = U.S.$1, the approximate rate of exchange on March 31, 2009, 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, 2009 and 2008 are as follows:

(Millions of yen)

	2009	2008
National government bonds	¥ 815,099	¥ 755,861
Local government bonds	38,647	44,553
Corporate bonds	906,664	827,881
Equity securities	104,448	146,700
Other	430,223	588,837
Total	¥2,295,083	¥2,363,835

Equity securities included stocks of affiliates of ¥3,108 million and ¥3,381 million at March 31, 2009 and 2008, respectively.

National government bonds at March 31, 2009, included bonds of ¥45,729 million, which were being rented to third parties without collateral under lending contracts (securities lending transactions).

Corporate bonds included bonds offered through private placement. FFG's guarantee obligation for such private-placement bonds was ¥42,877 million and ¥50,442 million at March 31, 2009 and 2008, respectively.

Information regarding marketable securities classified as Other Securities at March 31, 2009 and 2008, is as follows:

(Millions of yen)

2009	Acquisition cost	Carrying value	Net unrealized gain (loss)
Listed securities:			
Stock	¥ 83,690	¥ 91,103	¥ 7,412
Bonds	1,572,433	1,586,221	13,788
Others	424,306	411,844	(12,461)
Total	¥2,080,430	¥2,089,169	¥ 8,739

(Millions of yen)

2008	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

Carrying values are fair values based on market prices as of the end of the fiscal year. In the past, the value of floating-rate government bonds was based on actual market prices, and this value was indicated as the carrying value. However, because of recent changes in the financial environment, market prices were deemed an inaccurate indicator of the true value of these bonds. Consequently, a rational method has been used to calculate the value of these bonds as of March 31, 2009, and this figure is used as the carrying value. Owing to this change, in the consolidated balance sheets "securities" is ¥18,697 million higher, "deferred tax assets" is ¥5,012 million lower, and "net unrealized gains on other securities" is ¥13,684 million higher than would have been the case under the previous method.

The rational method used to calculate the value of floating-rate government bonds utilizes projected cash flow based on government bond yields, using a discount rate determined from the yield curve on government bonds, and the yield on government bonds is used as the principal determinant of price.

Other Securities with fair values (market prices or rationally calculated values) that have fallen substantially below the acquisition cost and are not expected to recover to the acquisition cost are carried at their fair values. The unrealized losses have been recognized for such securities during the period (hereinafter, "recording impairment losses"). During the fiscal year, impairment losses of ¥10,629 million were recorded. The determination of whether the fair value has fallen significantly is based on independent asset classification, with issuers of securities divided into the following classifications.

Bankrupt, effectively bankrupt, in danger of bankruptcy	Fair value below acquisition cost
Needs attention	Fair value 30% or more below acquisition cost
Normal	Fair value 50% or more below acquisition cost, or fair value 30% or more but less than 50% below acquisition cost and market price below a certain level

A bankrupt issuer is one that is currently bankrupt, under special liquidation, in disposition by suspension of business by a clearinghouse, or legally or formally bankrupt from the standpoint of effective management. Effectively bankrupt indicates that an issuer is experiencing business failure in substance. An issuer in danger of bankruptcy is one that is highly likely to be classified as bankrupt in the future. Needs attention indicates an issuer that will require care in management. A normal issuer is one that is falls outside the above-stated categories of bankrupt issuer, effectively bankrupt issuer, issuer in danger of bankruptcy and issuer requiring caution.

In the past, all Other Securities having fair value were carried at their fair value when the fair value fell 30% or more below the acquisition cost, recording the net unrealized loss as impairment losses in the fiscal year. However, owing to recent changes in the financial environment, the Group has revised as stated above its basis for recording impairment losses from the fiscal year. Because of this change, impairment losses on securities were ¥17,159 million lower in the fiscal year ended March 31, 2009, than they would have been under the previous method.

Sales of securities classified as Other Securities amounted to ¥524,610 million with aggregate sales gain and loss of ¥13,554 million and ¥10,497 million, respectively, for the year ended March 31, 2009.

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, 2009 and 2008 are summarized as follows:

(Millions of yen)

2009	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	**¥196,099**	**¥727,807**	**¥630,260**	**¥206,244**
Others	**41,497**	**138,044**	**166,366**	**69,453**
Total	**¥237,596**	**¥865,851**	**¥796,627**	**¥275,698**

(Millions of yen)

2008	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

4. Loans and Bills Discounted

Loans and bills discounted at March 31, 2009 and 2008 included the following loans:

(Millions of yen)

	2009	2008
Loans to borrowers in bankruptcy	**¥ 21,702**	¥ 19,435
Delinquent loans	**217,982**	249,190
Loans past due for three months or more	**329**	1,665
Restructured loans	**66,262**	150,429
Total	**¥306,276**	¥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.

As indicated in "h. Reserve for Possible Loan Losses" of "1. Summary of Significant Accounting Policies" the "Notes to Consolidated Financial Statements," in the year ended March 31, 2009, Company subsidiary the Bank of Fukuoka, Ltd., and that company's consolidated subsidiaries wrote off directly the estimated uncollectible amount. Compared with the method used previously, this had the effect of reducing loans to borrowers in bankruptcy by ¥63,302 million and reducing delinquent loans by ¥69,778 million.

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 the discretion of FFG. At March 31, 2009 and 2008, total face value of commercial bills and bills of exchange acquired through discounting amounted to ¥77,665 million and ¥101,998 million, respectively.

At March 31, 2009 and 2008, the balance of the loan principal accounted for as sale were ¥46,006 million and ¥69,596 million, respectively. Furthermore, at March 31, 2009 and 2008, consolidated subsidiaries conducting banking business continued to hold ¥42,387 million and ¥43,747 million, respectively, in subordinated beneficiary rights of transferred loans that were accounted for under loans, so reserves for loan losses accounted for ¥88,394 million and ¥113,343 million, respectively, aggregate principal amount, including previously disposed priority beneficiary rights.

Line-of-credit agreements relating to overdrafts and loans are agreements which oblige FFG to lend funds up to a certain limit agreed 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, 2009 and 2008 amounted to ¥2,874,964 million and ¥2,839,674 million, respectively. 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 were ¥2,780,916 million and ¥2,698,923 million at March 31, 2009 and March 2008, respectively.

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 estates, 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.

5. Tangible Fixed Assets

Land used for the 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. At March 31, 2009 and 2008, difference between the revalued carrying amount and fair value of lands being revalued pursuant to the Article 10 of the law were ¥19,351 million and ¥29,703 million, respectively.

Accumulated depreciation for tangible fixed assets amounted to ¥92,942 million and ¥95,578 million at March 31, 2009 and 2008, respectively.

The accelerated depreciation entry for tangible fixed assets amounted to ¥17,995 million and ¥18,809 million at March 31, 2009 and 2008, respectively.

6. Pledged Assets

Assets pledged as collateral at March 31, 2009 and 2008 consisted of the following:

(Millions of yen)

	2009	2008
Assets pledged as collateral:		
Cash and due from banks	**¥ 5**	¥ 558
Securities	**691,313**	511,841
Other assets	**175**	103
Liabilities corresponding to assets pledged as collateral:		
Deposits	**31,105**	37,502
Payables under securities lending transactions	**6,563**	42,371
Borrowed money	**250,600**	122,300

In addition, securities totaling ¥503,028 million and other assets of ¥26 million were pledged as Bank of Japan common collateral, collateral for settlement of exchange or as guarantee on futures transactions at March 31, 2009.

Securities totaling ¥484,375 million and deposits of ¥287 million and other assets of ¥112 million were pledged as Bank of Japan common collateral, collateral for settlement of exchange or as guarantee on futures transactions 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 ¥1,824 million and ¥2,103 million at March 31, 2009 and 2008, respectively.

7. Borrowed Money

Borrowed money at March 31, 2009 and 2008, included subordinated borrowings amounting to ¥76,500 million and ¥74,500 million, respectively.

8. Bonds Payable

Bonds payable included callable (subordinated) debenture bonds of ¥104,500 million, payable in yen, due 2009 to 2017.

9. 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, the Kumamoto Family Bank's corporate pension fund and the 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 Company's consolidated subsidiaries, the Kumamoto Family Bank and the Shinwa Bank, revised their retirement benefit plans on April 1, 2009, making a partial shift from lump-sum payment plans to advance payment plans and revising defined-benefit plans to cash balance plans.

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, 2009 and 2008, for the defined benefit plans of FFG and its subsidiaries:

(Millions of yen)

	2009	2008
Project benefit obligation	**¥(109,400)**	¥(108,435)
Fair value of plan assets	**120,659**	117,976
Retirement benefit trust included above	**68,486**	59,525
Projected benefit obligation in excess of plan assets	**11,259**	9,540
Unrecognized net actuarial differences	**37,808**	12,839
Unrecognized prior service cost	**—**	—
Net liability recognized	**49,068**	22,379
Prepaid pension cost	**49,556**	24,646
Reserve for employees' retirement benefits	**(488)**	(2,266)

The components of retirement benefit expenses for the year ended March 31, 2009 and 2008 are outlined as follows:

(Millions of yen)

	2009	2008
Service cost	**¥3,509**	¥3,151
Interest cost	**2,183**	1,897
Expected return on plan assets	**(4,127)**	(4,269)
Expense for prior service cost	**—**	—
Expense for net actuarial gain (loss)	**1,866**	(1,475)
Other (temporarily paid premium severance pay, etc.)	**71**	40
Retirement benefit expenses	**¥3,502**	¥(654)

The assumptions used in the accounting for the above plans at March 31, 2009 and 2008 are as follows:

	2009	2008
(a) Discount rate	**2.0%**	2.0%
(b) Expected return on plan assets	**3.5%**	3.0–3.5%
(c) Allocation basis of expect retirement benefits	**Fixed**	Fixed
(d) Amortization basis of unrecognized prior service cost	**—**	—
(e) Amortization term of unrecognized net actuarial loss	**9–13 years**	10–13 years

10. 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 ¥42,877 million and ¥50,442 million at March 31, 2009 and 2008, respectively, for private placement corporate bonds. Relevant acceptances and guarantees and customers' liabilities for acceptances and guarantees have been recorded in the net amount.

11. Net Unrealized Gains on Securities

Net unrealized gains on securities at March 31, 2009 and 2008 consisted of the following:

(Millions of yen)

	2009	2008
Gross unrealized gains on securities classified as Other Securities	**¥9,353**	¥27,779
Deferred tax liabilities applicable to unrealized gains	**4,263**	10,410
Unrealized gains on securities, net of the applicable income taxes before adjustment for Minority Interests	**5,090**	17,369
Minority Interests	**(15)**	5
FFG's interest in net unrealized gains on valuations of other securities held by affiliates accounted for by the equity method	**(15)**	(15)
Net unrealized gains on securities classified as Other Securities	**5,090**	17,348

12. Income Taxes

The significant components of the deferred tax assets and liabilities as of March 31, 2009 and 2008 are as follows:

(Millions of yen)

	2009	2008
Deferred tax assets:		
Reserve for possible loan losses	**¥ 112,455**	¥ 118,199
Net losses carried forward	**99,423**	79,695
Reserve for employees' retirement benefits	**10,168**	12,161
Depreciation of securities	**13,526**	12,685
Depreciation expenses	**3,145**	3,427
Other	**9,342**	9,449
Subtotal	**248,062**	235,619
Valuation allowance	**(115,079)**	(150,780)
Total	**132,982**	¥ 84,838
Deferred tax liabilities:		
Unrealized gain on securities	**(4,263)**	¥ (10,410)
Retirement benefit trust	**(11,231)**	(10,712)
Reserve for special depreciation	**(533)**	(533)
Other	**(3)**	(99)
Total	**(16,032)**	¥ (21,755)
Net deferred tax assets	**¥ 116,950**	¥ 63,082

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

The Company omitted the reconciliation between the statutory income tax rate and the effective income tax rate as a percentage of income before income taxes and minority interests for the years ended March 31, 2009 due to the loss before income taxes and minority interests for the years ended March 31, 2009.

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

13. Net Income Per Share

Net income per share for the years ended March 31, 2009 and 2008 are as follows:

(Yen)

	2009	2008
Net income per share:		
Basic	**¥25.30**	¥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.

14. 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, 2009 and 2008 are as follows:

(Millions of yen)

	2009	2008
Cash and due from banks	**¥532,240**	¥347,944
Interest-earning deposits with other banks	**(30,247)**	(64,166)
Cash and cash equivalents	**501,992**	283,777

15. 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, 2009 and 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)

	2009	2008
Acquisition costs:		
Tangible fixed assets	**¥11,098**	¥13,917
Intangible fixed assets	**33**	—
Total acquisition costs	**11,131**	¥13,917
Accumulated depreciation	**5,573**	6,838
Accumulated losses on impairment	**3**	14
Net book value	**¥ 5,554**	¥ 7,063

Lease payments relating to finance lease transactions accounted for as operating leases amounted to ¥2,166 million and ¥2,505 million for the years ended March 31, 2009 and 2008, respectively. The accumulated impairment of lease assets for the years ended March 31, 2009 and 2008 came to ¥5 million and ¥4 million, respectively. The depreciation expense of the leased assets computed by the straight-line method over the respective lease terms amounted to ¥1,984 million and ¥2,244 million for the years ended March 31, 2009 and 2008, respectively. The interest expense portion included in the lease payments amounted to ¥193 million and ¥180 million for the years ended March 31, 2009 and 2008, respectively.

Future minimum lease payments subsequent to March 31, 2009 and 2008 for finance lease transactions accounted for as operating leases are summarized as follows:

(Millions of yen)

	2009	2008
Within one year	**¥1,817**	¥2,039
Over one year	**3,916**	5,221
Total	**¥5,733**	¥7,260

Operating leases

Total future lease payments under non-cancelable operating leases at March 31, 2009 and 2008 are as follows:

(Millions of yen)

	2009	2008
Within one year	**¥164**	¥301
Over one year	**287**	477
Total	**¥451**	¥779

16. 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, 2009 and 2008 are as follows:

■ Interest-related transactions

(Millions of yen)

As of March 31, 2009	Notional amount	Fair value	Unrealized gain (loss)
Interest rate swaps	**¥508,007**	**¥ 1,271**	**¥ 1,267**
Receive/fixed and pay/floating	**255,231**	**4,530**	**4,186**
Receive/floating and pay/fixed	**252,775**	**(3,258)**	**(2,918)**
Interest swaptions	**10,170**	**14**	**82**
Sell	**4,300**	**(67)**	**0**
Buy	**5,870**	**82**	**81**
Caps	**35,428**	**(2)**	**48**
Sell	**17,529**	**(29)**	**118**
Buy	**17,899**	**26**	**(70)**
Floor	**10,940**	**0**	**0**
Sell	**5,470**	**(58)**	**(58)**
Buy	**5,470**	**58**	**58**
Total	**—**	**¥ 1,283**	**¥ 1,398**

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

(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, 2009	Notional amount	Fair value	Unrealized gain (loss)
Currency Swap	**¥1,066,609**	**¥1,975**	**¥1,926**
Foreign exchange contract	**45,610**	**1,354**	**1,354**
Sell	**20,745**	**833**	**833**
Buy	**24,864**	**521**	**521**
Total	**—**	**¥3,329**	**¥3,280**

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

(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.

■ Bonds–related transactions

(Millions of yen)

As of March 31, 2009	Notional amount	Fair value	Unrealized gain (loss)
Bond futures	**¥200**	**¥1**	**¥1**
Sell	**200**	**1**	**1**
Buy	**—**	**—**	**—**
Total	**—**	**¥1**	**¥1**

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

(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, 2009	Notional amount	Fair value	Unrealized gain (loss)
Credit default swaps	**¥18,000**	**¥(600)**	**¥(601)**
Sell	**18,000**	**(600)**	**(601)**
Buy	**—**	**—**	**—**
Total	**—**	**¥(600)**	**¥(601)**

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

(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, 2009	Notional amount	Fair value	Unrealized gain (loss)
Compound instruments	¥5,482	¥(986)	¥(986)
Total	—	¥(986)	¥(986)

(Millions of yen)

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

17. 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 for the years ended March 31, 2009 and 2008.

(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 for the years ended March 31, 2009 and 2008.

(c) Income from International Operations

The disclosure of income from international operation information has been omitted as operating income constituted less than 10% of the consolidated totals for the year ended March 31, 2009.

(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%

18. Related-Party Transactions

(1) Directors and principal individual shareholders

2009

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 Telecommunication Network Co.,Inc.	—	—	Loan	¥(63) million	Loan	¥1,125 million
		—	—	FFG's corporate auditor President and Representative Director of Fukuoka SRP Co., Ltd.	—	—	Loan	¥(2) million	Loan	¥440 million
Director	Tsuguo Nagao	—	—	FFG's corporate auditor President and Representative Director of Nishi-Nippon Railroad Co., Ltd.	—	—	Loan Debt Guarantees	¥9,263 million ¥(53) million	Loan Acceptances and guarantees	¥18,860 million ¥326 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 for the years ended March 31, 2009 and 2008.

19. Business Combination

Jointly Controlled Transactions

At Board of Directors meetings held by the Company's consolidated subsidiaries, the Kumamoto Family Bank, Ltd. (hereinafter, "Kumamoto Family Bank") the Shinwa Bank Ltd. (hereinafter "Shinwa Bank") and the Bank of Fukuoka, Ltd. (hereinafter, the "Bank of Fukuoka") on December 26, 2008, the decision was reached to conduct a consolidation-type merger of the businesses related to revitalization and nonperforming loans of Kumamoto Family Bank and Shinwa Bank into the Bank of Fukuoka, and a consolidation-type merger agreement was concluded on that date.

Thereafter, on February 12, 2009, permission was received from the relevant authorities. Consequently, this division went into effect on February13, 2009, as initially planned.

1. Names and businesses of companies involved in merger, method of corporate merger, name of post-merger entity and overview of transaction, including the purpose of the transaction

(1) Names and businesses of merging companies

Bank of Fukuoka (surviving company) - Businesses related to revitalization and nonperforming loans

Kumamoto Family Bank (divisively reorganizing company) - Businesses related to revitalization and nonperforming loans

Shinwa Bank (divisively reorganizing company) - Businesses related to revitalization and nonperforming loans

(2) Method of corporate merger

A consolidation-type merger, with Kumamoto Family Bank and Shinwa Bank as the divisively reorganizing companies and the Bank of Fukuoka as the surviving company.

(3) Name of post-merger entity

No changes were made to the names of Bank of Fukuoka, Kumamoto Family Bank and Shinwa Bank.

(4) Overview of transaction, including the purpose of the transaction

The merger was introduced to reinforce the Group's operational reorganization business, thereby preventing delays in business restructuring in the currently difficult business environment. Specifically, the organizations, personnel and expertise of the Group companies' operational reorganization business were consolidated at the Bank of Fukuoka. By integrating information and simplifying the organization, the Company expects to accelerate decision-making, and progress in creating an organization that leverages the Bank of Fukuoka's sophisticated financial methods and solutions to offer a menu of quick and effective restructuring support options.

2. Overview of accounting method used

This consolidation-type merger was handled as a jointly controlled transaction, based on "Accounting Standards for Business Combinations" (Business Accounting Council), the "Accounting Standard for Business Divestitures" (ASBJ Statement No. 7) and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10).

20. 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, 2009, was approved at a shareholders meeting held on June 26, 2009 and became effective June 29, 2009:

	(Millions of yen)
Dividends on common stock (¥4.0 per share)	**¥3,436**
Dividends on type 1 preferred stock (¥7.0 per share)	**¥ 131**

NON-CONSOLIDATED BALANCE SHEETS (Unaudited)

The Bank of Fukuoka, Ltd.
As of March 31, 2009 and 2008

	2009	2008	2009
	Millions of yen	Millions of yen	Millions of U.S. dollars
Assets			
Cash and due from banks	¥ 364,392	¥ 266,591	$ 3,709
Call loans	156,882	48,557	1,597
Receivables under securities lending transactions	10,101	17,358	102
Monetary receivables bought	133,339	164,652	1,357
Trading assets	1,656	9,749	16
Securities	1,425,858	1,581,458	14,515
Loans and bills discounted	6,211,567	5,743,126	63,234
Foreign exchange assets	3,941	3,012	40
Other assets	94,033	100,406	957
Tangible fixed assets	141,446	132,093	1,439
Intangible fixed assets	7,630	9,298	77
Deferred tax assets	84,262	23,359	857
Customers' liabilities for acceptances and guarantees	54,740	62,728	557
Reserve for possible loan losses	(119,776)	(68,656)	(1,219)
Reserve for possible investment losses	(5,819)	—	(59)
Total assets	**¥8,564,256**	**¥8,093,734**	**$87,185**
Liabilities			
Deposits	¥7,273,819	¥7,045,597	$74,048
Call money	83,575	77,978	850
Payables under securities lending transactions	6,563	42,371	66
Trading liabilities	—	7	—
Borrowed money	374,932	243,117	3,816
Foreign exchange liabilities	781	759	7
Bonds payable	100,416	109,296	1,022
Other liabilities	73,217	62,967	745
Reserve for loss on interest repayments	1,069	1,102	10
Reserve for reimbursement of deposits	2,845	3,226	28
Reserve for contingent loss	372	271	3
Deferred tax liabilities on land revaluation	32,270	32,779	328
Acceptances and guarantees	54,740	62,728	557
Total liabilities	**¥8,004,607**	**¥7,682,206**	**$81,488**
Net assets			
Common stock	¥82,329	¥82,329	$838
Capital surplus	60,480	60,480	615
Retained earnings	369,455	205,964	3,761
Total stockholders' equity	**512,266**	**348,774**	**5,214**
Net unrealized gains on other securities	6,935	19,292	70
Net deferred hedge losses	(6,269)	(4,008)	(63)
Land revaluation account	46,717	47,469	475
Total valuation and transaction adjustments	47,382	62,752	482
Total net assets	**¥ 559,649**	**¥ 411,527**	**$ 5,697**
Total liabilities and net assets	**¥8,564,256**	**¥8,093,734**	**$87,185**

NON-CONSOLIDATED STATEMENTS OF INCOME (Unaudited)

The Bank of Fukuoka, Ltd.
For the years ended March 31, 2009 and 2008

	2009	2008	2009
	Millions of yen	Millions of yen	Millions of U.S. dollars
Income			
Income from funds under management:			
Interest on loans and bills discounted	¥117,997	¥ 112,805	$ 1,201
Interest and dividends on securities	25,838	31,982	263
Interest on call loans	1,114	929	11
Interest on receivables under securities lending transactions	250	36	2
Interest on bills bought	22	—	0
Interest on due from banks	977	1,519	9
Interest on swaps	1,675	1,624	17
Interest on others	1,968	1,627	20
Trust fees	1	1	0
Fees and commissions	30,702	33,331	312
Trading income	220	395	2
Other operating income	5,380	11,430	54
Other income	11,829	17,044	120
Total income	**¥197,978**	**¥212,729**	**$ 2,015**
Expenses			
Cost of fund-raising:			
Interest on deposits	¥ 19,212	¥ 19,281	$195
Interest on call money	1,279	1,497	13
Interest on payables under securities lending transactions	1,176	3,775	11
Interest on borrowed money	3,110	2,822	31
Interest on bonds payable	2,765	3,479	28
Interest on bonds with stock subscription rights	—	0	—
Interest on swaps	7,761	11,236	79
Interest on others	550	108	5
Fees and commissions	14,518	14,077	147
Other operating expenses	14,857	13,559	151
General and administrative expenses	75,611	73,079	769
Other expenses	45,762	42,602	465
Total expenses	**¥186,606**	**¥185,520**	**$ 1,899**
Income before income taxes	**11,371**	**27,209**	**115**
Provision for income taxes:			
Current	14,821	10,663	150
Deferred	(29,892)	(871)	(304)
Net income	**¥ 26,442**	**¥ 17,417**	**$ 269**

NON-CONSOLIDATED BALANCE SHEETS (Unaudited)

The Kumamoto Family Bank, Ltd.
As of March 31, 2009 and 2008

	2009	2008	2009
	Millions of yen	Millions of yen	Millions of U.S. dollars
Assets			
Cash and due from banks	¥ 22,469	¥ 25,214	$ 228
Call loans	11,236	6,882	114
Monetary receivables bought	48	75	0
Securities	221,396	227,782	2,253
Loans and bills discounted	863,755	926,237	8,793
Foreign exchange assets	503	613	5
Other assets	13,577	7,904	138
Tangible fixed assets	19,644	17,660	199
Intangible fixed assets	6,579	1,295	66
Deferred tax assets	18,529	21,943	188
Customers' liabilities for acceptances and guarantees	9,894	12,327	100
Reserve for possible loan losses	(8,881)	(26,766)	(90)
Total assets	**¥1,178,755**	**¥1,221,170**	**$11,999**
Liabilities			
Deposits	¥1,079,719	¥1,121,103	$10,991
Call money	3,600	10,000	36
Payables under securities lending transactions	10,101	17,358	102
Borrowed money	—	10,000	—
Foreign exchange liabilities	4	6	0
Bonds payable	10,000	35,500	101
Other liabilities	10,618	7,748	108
Reserve for reimbursement of deposits	440	187	4
Reserve for contingent loss	153	160	1
Deferred tax liabilities on land revaluation	2,061	2,107	20
Acceptances and guarantees	9,894	12,327	100
Total liabilities	**¥1,126,593**	**¥1,216,500**	**$11,468**
Net assets			
Common stock	¥47,802	¥14,980	$486
Capital surplus	47,802	6,249	486
Retained earnings	(42,909)	(15,626)	(436)
Total stockholders' equity	**52,694**	**5,604**	**536**
Net unrealized gains on other securities	(1,289)	(1,758)	(13)
Land revaluation account	756	824	7
Total valuation and transaction adjustments	(532)	(933)	(5)
Total net assets	**¥ 52,161**	**¥ 4,670**	**$ 531**
Total liabilities and net assets	**¥1,178,755**	**¥1,221,170**	**$11,999**

NON-CONSOLIDATED STATEMENTS OF INCOME (Unaudited)

The Kumamoto Family Bank, Ltd.
For the years ended March 31, 2009 and 2008

	2009	2008	2009
	Millions of yen	Millions of yen	Millions of U.S. dollars
Income			
Income from funds under management:			
Interest on loans and bills discounted	¥24,138	¥ 25,872	$245
Interest and dividends on securities	3,263	3,195	33
Interest on call loans	375	158	3
Interest on due from banks	1	1	0
Interest on swaps	9	30	0
Interest on others	19	7	0
Fees and commissions	4,234	4,879	43
Other operating income	638	164	6
Other income	1,856	943	18
Total income	**¥34,537**	**¥ 35,253**	**$351**
Expenses			
Cost of fund-raising:			
Interest on deposits	3,656	3,874	37
Interest on call money	13	4	0
Interest on payables under securities lending transactions	230	36	2
Interest on borrowed money	270	316	2
Interest on bonds payable	1,255	1,303	12
Interest on others	19	1	0
Fees and commissions	2,364	2,466	24
Other operating expenses	1,254	200	12
General and administrative expenses	18,224	18,599	185
Other expenses	10,464	18,776	106
Total expenses	**¥37,754**	**¥ 45,580**	**$384**
Income before income taxes	**(3,217)**	**(10,327)**	**(32)**
Provision for income taxes:			
Current	17	22	0
Deferred	(3,981)	5,285	(40)
Net loss	**¥ 746**	**¥(15,635)**	**$ 7**

NON-CONSOLIDATED BALANCE SHEETS (Unaudited)

The Shinwa Bank, Ltd.
As of March 31, 2009 and 2008

	2009	2008	2009
	Millions of yen	Millions of yen	Millions of U.S. dollars
Assets			
Cash and due from banks	¥ 147,724	¥ 58,741	$ 1,503
Call loans	2,339	106,591	23
Monetary receivables bought	0	10	0
Trading assets	114	676	1
Money held in trust	—	3,524	—
Securities	660,342	590,653	6,722
Loans and bills discounted	1,167,049	1,393,349	11,880
Foreign exchange assets	2,127	1,514	21
Other assets	10,925	8,218	111
Tangible fixed assets	46,170	50,727	470
Intangible fixed assets	2,520	1,256	25
Deferred tax assets	17,243	24,268	175
Customers' liabilities for acceptances and guarantees	12,180	13,376	123
Reserve for possible loan losses	(30,681)	(133,090)	(312)
Reserve for possible investment losses	—	(5,829)	—
Total assets	**¥ 2,038,056**	**¥ 2,113,988**	**$ 20,747**
Liabilities			
Deposits	¥1,897,433	¥1,978,755	$19,316
Borrowed money	10,043	11,841	102
Foreign exchange liabilities	14	16	0
Bonds payable	15,000	15,000	152
Other liabilities	8,742	10,401	88
Reserve for employee retirement benefits	—	4,242	—
Reserve for reimbursement of deposits	480	423	4
Deferred tax liabilities on land revaluation	11,404	13,194	116
Acceptances and guarantees	12,180	13,376	123
Total liabilities	**¥ 1,955,300**	**¥ 2,047,252**	**$ 19,905**
Net assets			
Common stock	¥80,831	¥93,781	$822
Capital surplus	80,831	56,249	822
Retained earnings	(95,407)	(98,367)	(971)
Total stockholders' equity	**66,256**	**51,663**	**674**
Net unrealized gains on other securities	1,043	(2,488)	10
Land revaluation account	15,456	17,560	157
Total valuation and transaction adjustments	16,499	15,072	167
Total net assets	**¥ 82,756**	**¥ 66,736**	**$ 842**
Total liabilities and net assets	**¥ 2,038,056**	**¥ 2,113,988**	**$ 20,747**

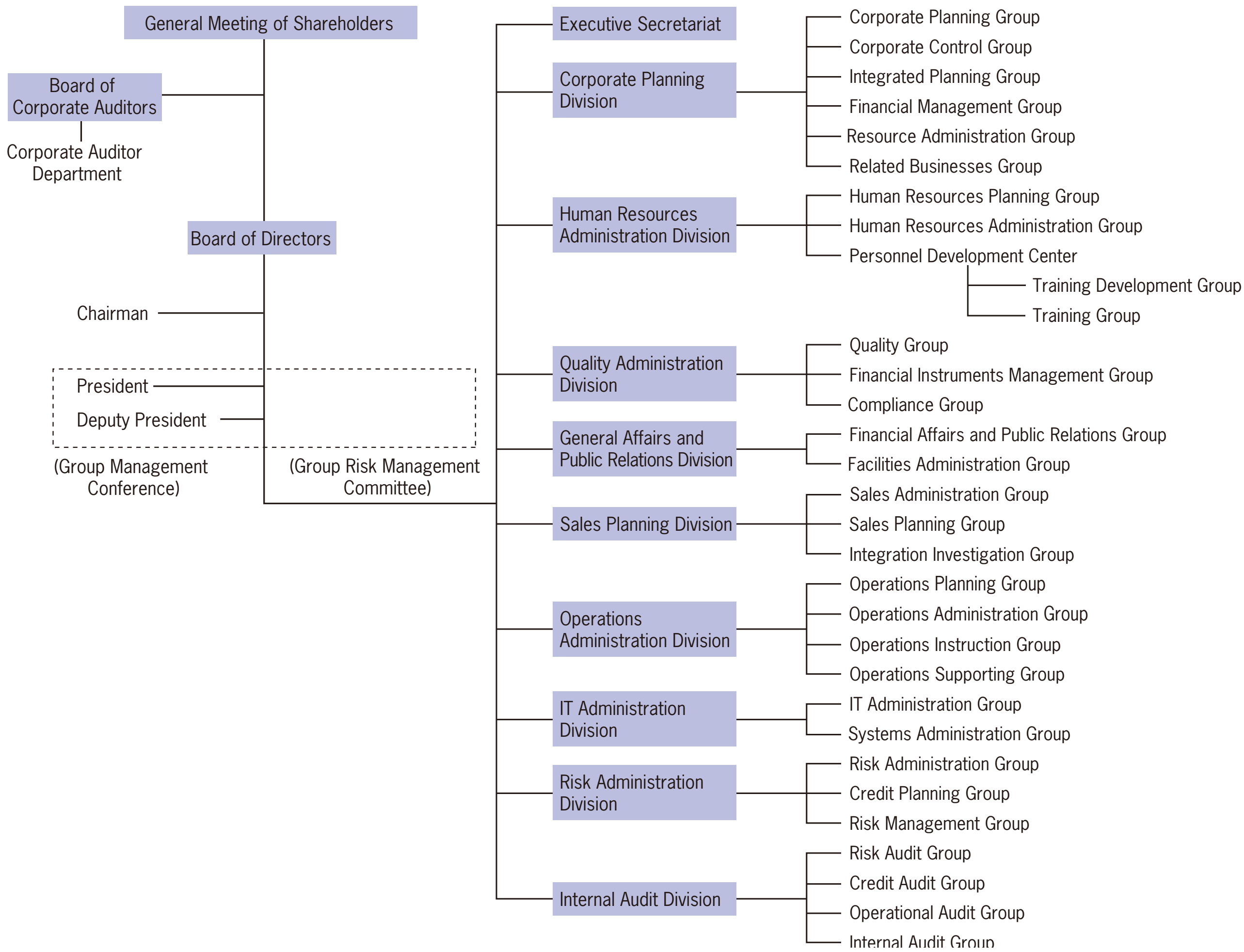
NON-CONSOLIDATED STATEMENTS OF INCOME (Unaudited)

The Shinwa Bank, Ltd.
For the years ended March 31, 2009 and 2008

	2009	2008	2009
	Millions of yen	Millions of yen	Millions of U.S. dollars
Income			
Income from funds under management:			
Interest on loans and bills discounted	¥ 30,793	¥ 36,148	$ 313
Interest and dividends on securities	5,715	5,749	58
Interest on call loans	793	1,119	8
Interest on due from banks	2	43	0
Interest on swaps	342	473	3
Interest on others	5	102	0
Fees and commissions	7,850	8,664	79
Other operating income	424	2,294	4
Other income	4,908	5,164	49
Total income	**¥ 50,836**	**¥ 59,760**	**$ 517**
Expenses			
Cost of fund-raising:			
Interest on deposits	5,884	6,465	59
Interest on call money	23	0	0
Interest on payables under securities lending transactions	—	23	—
Interest on borrowed money	245	246	2
Interest on bonds payable	588	575	5
Interest on swaps	417	875	4
Interest on others	1	1	0
Fees and commissions	3,223	3,192	32
Other operating expenses	7,083	6,097	72
General and administrative expenses	26,569	27,223	270
Other expenses	21,587	115,596	219
Total expenses	**¥ 65,624**	**¥ 160,298**	**$ 668**
Income before income taxes	**(14,787)**	**(100,538)**	**(150)**
Provision for income taxes:			
Current	81	54	0
Refunded income taxes	—	(153)	—
Deferred	(13,926)	1,990	(141)
Net loss	**¥ (943)**	**¥(102,430)**	**$ (9)**

Corporate Data

Organizational Chart (as of July 1, 2009)



Board of Directors and Auditors (as of July 1, 2009)

Chairman of the Board and President
Masaaki Tani

Director and Deputy President
Kazunori Shibuta

Directors
Osamu Obata
Takashige Shibato
Takashi Yoshikai
Fumio Sakurai
Jiro Furumura
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, 2009)

Corporate Name	Fukuoka Financial Group, Inc.
Head Office	8-3, Otemon 1-chome, Chuo-ku, Fukuoka, 810-8693 Japan
Date of Establishment	April 2, 2007
Paid-in Capital	¥124.7 billion
Securities Code	8354
Stock Listings	Tokyo Stock Exchange, First Section; Osaka Securities Exchange; Fukuoka Stock Exchange
Number of Employees	7,479

Share Information (as of March 31, 2009)

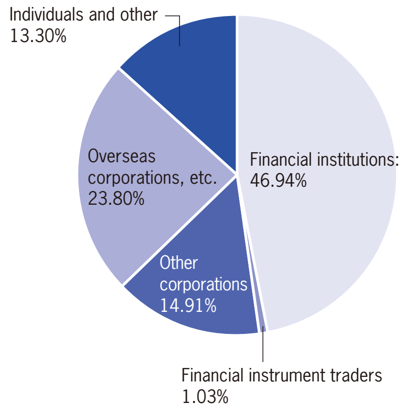
	Common stock	Type 1 preferred stock
Number of authorized shares	1,800,000,000	18,878,000
Number of shares Issued	859,761,868	18,742,000
Number of shareholders	33,124	572

Major Shareholders (as of March 31, 2009)

(Thousands of shares, %)

	Shares held	Ratio of shares held to issued number of shares
Japan Trustee Services Bank. Ltd. (Trust account)	53,641	6.10
The Master Trust Bank of Japan, Ltd. (Trust account)	51,733	5.88
Japan Trustee Services Bank. Ltd. (Trust account 4G)	48,122	5.47
Kyushu Electric Power Co., Inc.	19,496	2.21
Nippon Life Insurance Company	18,072	2.05
Meiji Yasuda Life Insurance Company	17,719	2.01
The Dai-Ichi Mutual Life Insurance Company	17,315	1.97
Sumitomo Life Insurance Company	17,297	1.96
The Hiroshima Bank Ltd.	16,529	1.88
Sonpo Japan Insurance Inc.	10,250	1.16

Common Stock Distribution by Type of Shareholder (as of March 31, 2009)



Ratings (as of June 1, 2009)

	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	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.
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			
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.

Fukuoka Financial Group