

Sirs:

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Creation of the “First Mid-Term Management Plan” for the Fukuoka Financial Group

Bank of Fukuoka (Masaaki Tani, Director & President) and Kumamoto Family Bank (Kazuyuki Kawaguchi, Director & President) have developed the “First Mid-Term Management Plan” (period: 2 years; April 2, 2007 to March 31, 2009) for the “Fukuoka Financial Group (FFG)”, a holding company to be established on April 2, 2007. The gist of the plan is as follows:

Based on this plan, FFG will become a financial group that creates values for all stakeholders by implementing strategies and measures that make the best use of the respective strengths of the two banks and creating a synergy through integration.

1. FFG Management Principle

FFG shares with the Bank of Fukuoka and Kumamoto Family Bank a new and uniform management principle and engages in daily business activities while contributing to the region.

FFG will 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 choice.

2. FFG Corporate Vision

FFG will contribute to the regional community and achieve sustainable growth by offering high-level and high-quality financial products and services in conjunction with the Bank of Fukuoka as the core bank as well as further expanding the customer base through “expansion of business areas” with Fukuoka Prefecture and Kumamoto Prefecture as the core business areas.

		The final year of the First Mid-Term Management Plan (FY2008)	Future vision (within 5 years)
Revenue	Total core business profit of the two banks	88 billion yen	120 billion yen or more
	FFG’s consolidated net income	42 billion yen	60 billion yen or more
	ROE	8%	10% or higher
Financial status	Nonperforming loans ratio	In the range of 1%	Less than 1%
	Corporate rating	Acquiring AA rating	AA or higher
Market valuation	Market capitalization	800 billion yen	1 trillion yen or more
Asset size	Total assets	10 trillion yen	12 trillion yen or more

3. Basic Policy of the FFG “First Mid-Term Management Plan”

The basic policy of the FFG “First Mid-Term Management Plan” is to establish the group corporate governance system, expand the customer base through integration of the sales strategies of the two banks, and immediately maximize the integration synergy by pursuing the benefits of shared business processes and IT systems as well as coordination of human resources.

[Basic Policy]

- Rapid achievement and maximization of the synergy effect by integration
- Establishment of a unified group corporate governance system
- Coordination of human resources and corporate cultures of the two banks

4. Management Plan Period

Period: 2 years; April 2, 2007 to March 31, 2009

5. Grand Strategy and Gist of Actions and Tactics

The Grand Strategy of the FFG “First Mid-Term Management Plan” consists of the following 6 strategies: Marketing Strategy, Risk Management Strategy, Business Process Strategy, IT Strategy, Human Resources Strategy and Quality Strategy.

Marketing Strategy aims to implement the “broader area strategy” by further enhancing the strength of retail banking services of the Kumamoto Family Bank while making full use of the products and marketing prowess of the Bank of Fukuoka as a group.

The Risk Management Strategy aims to establish a group risk management system by reinforcing the level of risk controls of the two banks. The Business Process Strategy aims to make business processes more efficient throughout the group by unifying the business process schemes of the two banks. The IT Strategy aims to establish a competitive IT infrastructure by integrating the systems of the two banks. The Human Resources Strategy aims to implement strategic allocations of human resources and reinforce sales forces. The Quality Strategy aims to establish a group brand to unify the group based on the new FFG management principle, as well as establish, as one of the most important challenges confronting the group, a system to strictly maintain regulatory compliance.

Grand Strategy		Gist of Actions/Tactics
Marketing Strategy	Corporate Banking Strategy Retail Banking Strategy	<ul style="list-style-type: none"> •Marketing Strategy using the respective strengths of the two banks Bank of Fukuoka) Whole lines of corporate banking services Developing business models for SMEs and retail businesses Kumamoto Family Bank) Strategy focused on retail banking in Kumamoto prefecture
	Market Sales Strategy	<ul style="list-style-type: none"> •Establishment of group securities portfolios •Gaining diversified revenue sources and stable revenue
	Risk Management Strategy	<ul style="list-style-type: none"> •Establishment of a group risk management system Conforming to Basel II •Simultaneous implementation of disposal of nonperforming loans and business revitalization
Business Process Strategy		<ul style="list-style-type: none"> •Integration of business process schemes of the two banks •Making the group business process more efficient (joint outsourcing, etc.)
IT Strategy		<ul style="list-style-type: none"> •Establishment of a competitive group IT infrastructure •Integrating the systems
Human Resources Strategy		<ul style="list-style-type: none"> •Strategic allocations of human resources •Nurturing group human resources, reinforcing sales forces
Quality Strategy		<ul style="list-style-type: none"> •Creating unity of the group (Group management principle, group brand) •Establishing a group compliance system

6. Management Target

The business target of the FFG “First Mid-Term Management Plan” in the final fiscal year (FY 2008) consists of the following 3 management indices: “Consolidated net income”, “Consolidated nonperforming loans ratio” and “Consolidated ROE.”

The other target indices are expected to be as follows based on the scenarios in the FFG “First Mid-Term Management Plan”: “Consolidated capital adequacy ratio”, “Consolidated Tier I ratio” and “External corporate rating.”

The final fiscal year of the plan (FY 2008)

		Leveled-off interest rate scenario	Increased interest rate scenario
Target	Consolidated net income	42 billion yen	46 billion yen
	Consolidated nonperforming loans ratio	In the range of 1%	
	Consolidated ROE	8.0%	8.5%
Other indexes	Consolidated capital adequacy ratio	10%	
	Consolidated Tier I ratio	8%	
	External corporate rating	Acquiring AA rating	

Reference: Simple tally of the two banks (FY 2008)

		Total of 2 banks	Bank of Fukuoka	Kumamoto Family Bank
Leveled-off interest rate	Core business profit	88 billion yen	73 billion yen	15 billion yen
	Net income	47 billion yen	38 billion yen	9 billion yen
Increased interest rate	Core business profit	95 billion yen	79 billion yen	16 billion yen
	Net income	51.5 billion yen	41.5 billion yen	10 billion yen

* Preconditions (Interest rate scenarios)

Leveled-off interest rate: O/N interest rate 0.50%, annual TIBOR 0.85%, 10-year SWAP 2.0%

Increased interest rate: O/N interest rate 0.50%-1.0%, annual TIBOR 1%-1.50%, 10-year SWAP 2.10%-2.60%

7. Dividend Policy

While becoming a financial group that aims to create values for all stakeholders, FFG has introduced a performance-based dividend payment in response to shareholders’ expectations, and plans to pay dividends based on the level of the consolidated current net income, starting in the period ending on March 31, 2008.

Level of consolidated current net income	Per share dividend (Reference value)
Below 25 billion yen	Per year 7 yen -
25 - 30 billion yen	Per year 8 yen -
30 - 35 billion yen	Per year 9 yen -
35 - 40 billion yen	Per year 10 yen -
40 - 45 billion yen	Per year 11 yen -
Over 45 billion yen	Per year 12 yen -

However, these are subject to change depending on business development and risk environments, etc.

8. Mid-Term Management Plan for Subsidiary Banks

In accordance with the creation of the FFG “First Mid-Term Management Plan”, the Bank of Fukuoka has revised the target indices in its existing Mid-Term Management Plan, and the Kumamoto Family Bank has created a new Mid-Term Management Plan.

Based on the FFG “First Mid-Term Management Plan”, both of the two subsidiary banks aim to expand their customer base in Fukuoka Prefecture and Kumamoto Prefecture by implementing the Marketing Strategy based on their respective strengths, offering high-level financial services by drawing upon the group’s superior abilities, and improving service quality.

(1) Mid-Term Management Plan for the Bank of Fukuoka

a. Gist of the Mid-Term Management Plan

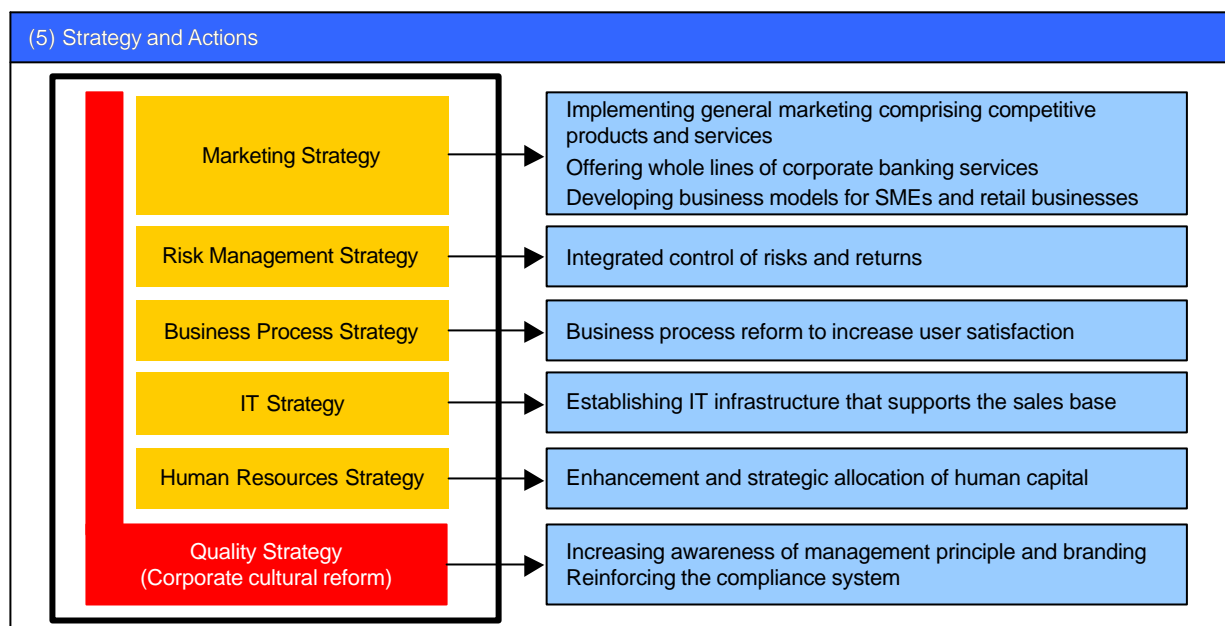
(1) Naming, Plan Period	(4) Target indexes	Levelled-off interest rate	Increased interest rate
“Mid-Term Management Plan 2007” Period: April 2007 - March 2009 (2 years)	Core business profit	73 billion yen	79 billion yen
(2) Bank Vision	Net income	38 billion yen	41.5 billion yen
“Beyond Your Expectation”	Nonperforming loans ratio	In the range of 1%	
(3) Basic Policy	O H R	Less than 50%	47%
“Full Fledged Development of Knowledge and Actions”	Balance of loans to SMEs & retail	4 trillion yen	
	Share of loans in Fukuoka Prefecture	30%	

b. Strategy and Actions

The Mid-Term Management Plan for the Bank of Fukuoka is to translate “service quality improvement” into “customer base expansion”, and the Bank of Fukuoka will implement strategies and actions to achieve a 30% share in Fukuoka Prefecture.

The Marketing Strategy aims to offer whole lines of corporate banking services by supplying competitive products and exploiting marketing forces and developing business models for SMEs and retail businesses based mainly on cross-selling.

The Risk Management Strategy aims to establish a system for integrated control of risks and returns. The Business Process Strategy aims to implement business process reforms to improve user satisfaction, and the IT Strategy aims to establish an IT infrastructure to support the sales base. The Human Resource Strategy aims to reinforce training facilities and re-establish training systems for the enhancement and strategic allocation of human capital. The Quality Strategy aims to reform corporate culture by increasing awareness among the group of the group’s management principle and branding, as well as reinforcing the compliance system.



(2) Mid-Term Management Plan for the Kumamoto Family Bank

a. Gist of the Mid-Term Management Plan

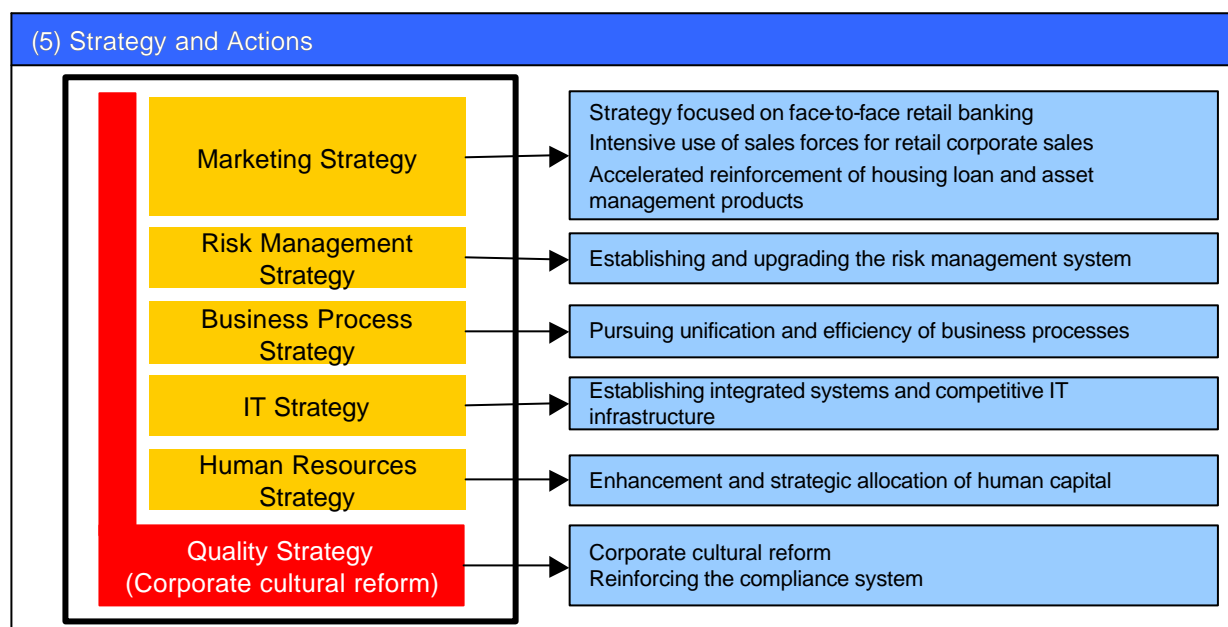
(1) Naming. Plan Period	(4) Target indexes	Leveled-off interest rate	Increased interest rate
"Mid-Term Management Plan 2007" Period: April 2007 - March 2009 (2 years)	Core business profit	15 billion yen	16 billion yen
	Net income	9 billion yen	10 billion yen
(2) Bank Vision	Nonperforming loans ratio	In the range of 3%	
"Bank vital to the region"	OH R	55%	53%
(3) Basic Policy	Balance of loans to SMEs & retail businesses	1.1 trillion yen	
"Aggressive and disciplined management"	Balance of deposits	1.3 trillion yen	
	Asset Management Products Sales	100 billion yen per year (FY 2008)	

b. Strategy and Actions

The Mid-Term Management Plan for the Kumamoto Family Bank aims to expand the customer base through the integration of sales strategies with the Bank of Fukuoka and expanded sales networks, pursue efficiency by sharing business processes and systems with the Bank of Fukuoka, improve the risk management system, and so forth.

The Marketing Strategy aims to enhance face-to-face retail sales – one of the strengths of the Kumamoto Family Bank, and implement actions focused on retail businesses in Kumamoto Prefecture.

The Risk Management Strategy aims to upgrade risk management and establish a risk management system. The Business Process Strategy and IT Strategy aim to unify business processes and integrate systems with the Bank of Fukuoka to improve efficiency. The Human Resource Strategy aims to nurture human resources by the group for the enhancement and strategic allocation of human capital. The Quality Strategy aims to reform corporate culture by increasing awareness among the group of the group's management principle and branding, as well as reinforcing the compliance system.



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END

(Reference) Group Brand

The group symbol and logos representing the Fukuoka Financial Group are as follows:

Group symbol and logos

Group symbol



- A message the group symbol is meant to convey is “Link = Ring.”
The dynamic ring represents our desire that FFG will become a link between regions, people and companies.
- The color “blue” represents the “beautiful sea and sky” of the Kyushu region and our affection for the region beyond prefectural borders.

Group logos

ふくおかフィナンシャルグループ
Fukuoka Financial Group

あなたのいちばんに。
FFG ふくおかフィナンシャルグループ

Group brand strategy

Fukuoka Financial Group (FFG) takes action with the group’s management principle as the common value of the group, defines the “Core value” as the group’s commitment to continue to deliver real value to customers, shareholders, the community and employees, and puts into action the brand slogan “To be your favorite.”

Core value/Brand slogan



Your closest bank

Your reliable bank

Your sophisticated bank

Fukuoka Financial Group will

- Use its vast knowledge and information,
- Listen to, have conversations with and collaborate with customers in earnest, and
- Continue to offer proposals with professionalism and humor that exceeds customers’ expectations.

The brand slogan represents the FFG’s “Core value” expressed in a single phrase.

Group brand slogan

To be your favorite

Major images

