

Relationship Banking at the Bank of Fukuoka

■ Activities in Bankable Areas

● Enhancement of the core competence of traditional regional banks

- Development of relations via the dispatch of personnel to companies
 - Reduction of the asymmetry of information; development of long-term relations
 - Accumulation of information on industry types and characteristics (development of credit assessment know-how)
- Utilization of ability to judge local real estate value (an ability not possessed by mega banks)
 - Corporate needs for real estate (expected source of information)
 - Improvement of corporate value through real estate
 - Ultimate control for credit risk
- Development of long-term relations with administration and local corporate leaders
 - Organization of regional and urban revitalization

Competitiveness
(information resources)

● High value-added face-to-face operations

- Turn-around of business clients
 - Utilization of various business revitalization techniques
- Utilization of financial know-how (solution business)
 - Non-recourse loans, syndicated loans, financing proposals to liquidation of assets
 - Business restructuring, corporate reorganization, M&A advisory

Value-added
operations

● Provision of new types of products

- Financing not excessively dependent on collateral and guarantees
 - Property-backed loans (issues with commodification)
 - Covenant financing
 - Loan scoring products, remote channels
- Business matching (alliances with leasing companies, etc.)

Expansion of
retail business

Stronger support for business clients based on life cycle
More thorough financing techniques suited to SMEs
Sustainable contribution to local economies utilizing accumulated local information

■ Activities in Non-Bankable Areas

● Fund applications (Stage I)

Arrangement of regional business revitalization funds (2003)

- Undertaking of the disposal of NPLs and business revitalization
 - Method of debt restructuring for companies with excessive debt
- Alliance between funds and Group servicer
 - Maintenance of relations with borrowers
 - Prevention of the loss of reputation
- Maintenance of upside profitability

● Fund applications (Stage II)

Arrangement of regional contribution funds (2006)

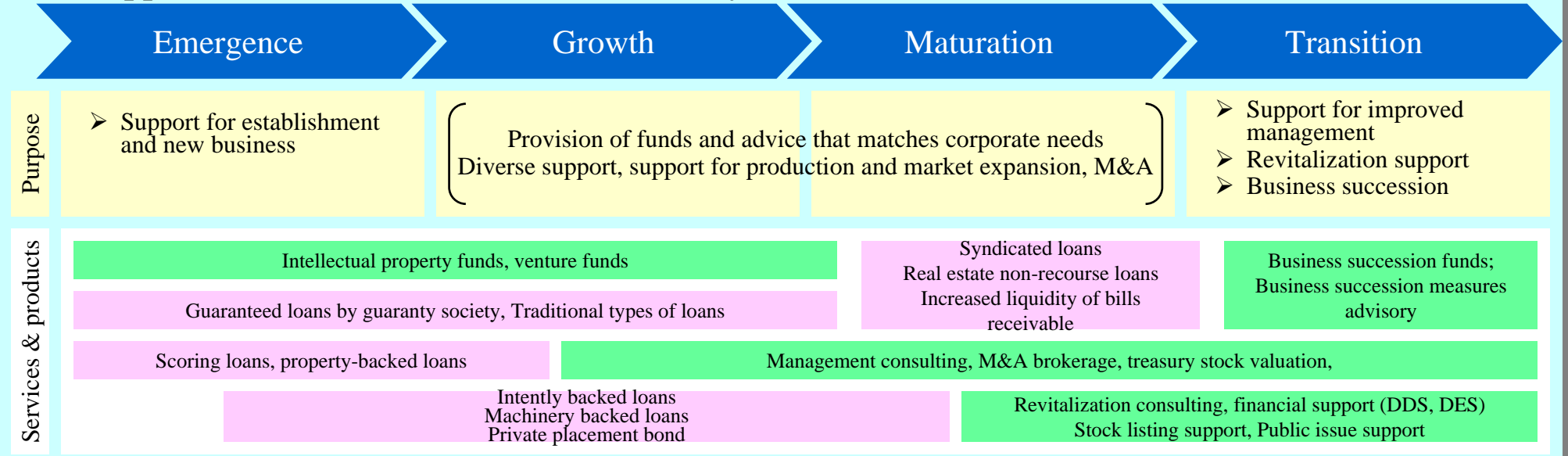
- Nurturing of venture companies; business succession
 - Provision of equity players
 - Provision of hands-on specialist personnel
- Ability to assess business valuation and intellectual property valuation, etc.
 - Cooperation with manufacturers, trading companies and academic experts
- Ensuring returns on investments

● Revitalization of regional banks

- Expansion of alliance strategies for regional banks
 - Business alliances based on the disposal of NPLs and business revitalization
 - Management integration based on capital support

Relationship Banking at the Bank of Fukuoka (classification by area)

■ Support for business clients based on life cycle



■ Financing methods suited to SMEs

- Scoring business loans
- Loans backed by assignment of property/obligations
 - Inventory-backed financing, increased liquidity of bills receivable
- Covenant financing
 - Exit finance for business revitalization
- Adoption of equity and other risk money
 - Joint investment with the Organization for Small & Medium Enterprises and Regional Innovation, Japan (SMRJ)
 - Venture funds, intellectual property funds
- Arrangement of market-based indirect finance
 - Syndicated loans
 - Real estate non-recourse loans

■ ■ Assessment of business value
 Financing style that is not excessively dependent on collateral or guarantees

■ Contribution to local economies utilizing accumulated local information

- Support for the formulation of visions for local public entities
 - Regional and urban development, attraction of businesses
 - Public-private partnerships
- Cooperation with local universities, think tanks and administrations
 - Support for local companies entering the automobile and semiconductor industries
 - Support for the improvement of technology and for research and development
 - Attraction of businesses
- Cooperation with external experts
 - Consulting firms, law offices
 - Funds

Management Style of the Broad Area-based Regional Financial Group

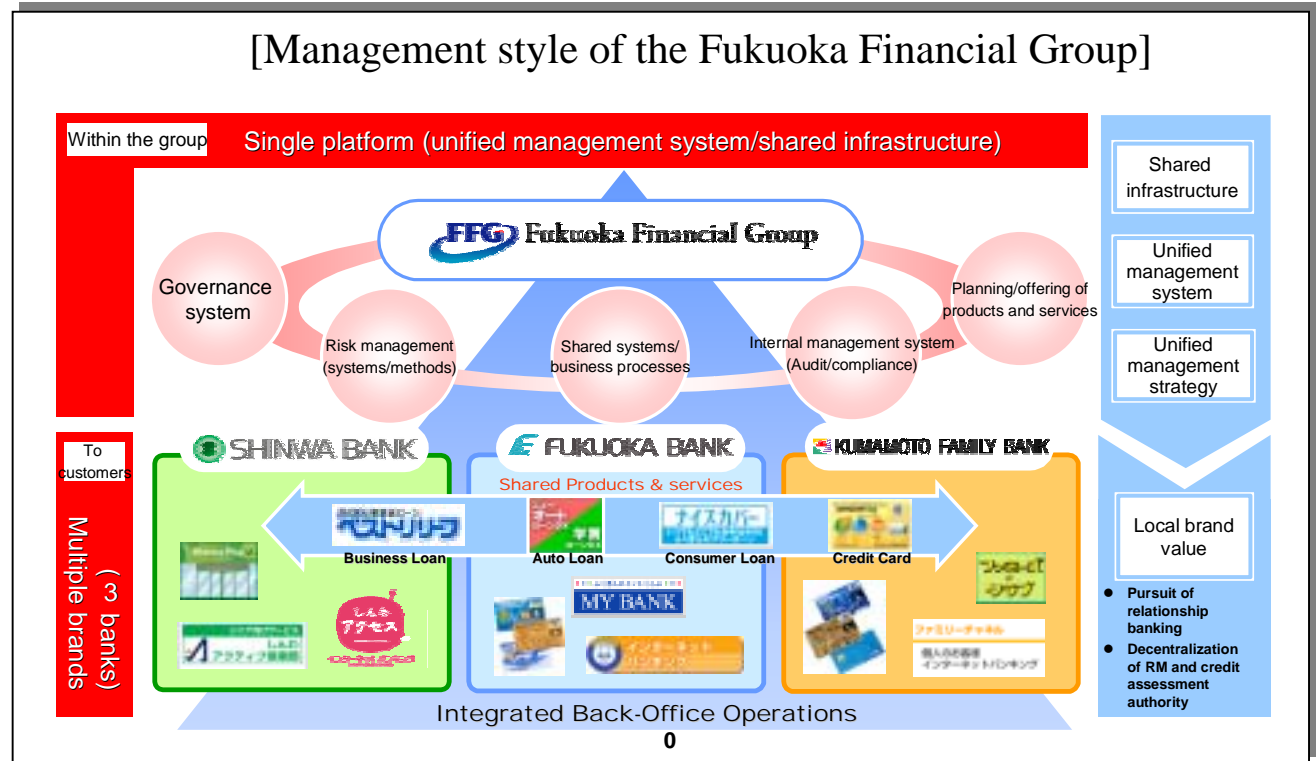
■ Wide-area expansion of single platform/multiple brand

● Commitment to the community

- Utilization of the brand value of regional financial institutions
 - Long-term relations with administration and local companies
 - Historical relations with local communities
- Decentralization of RM and credit assessment authority
 - Core of the relationship banking function

● Pursuit of economies of scale

- Provision of a single platform
 - Management of integrated management by holding company
 - Group integrated risk management
 - Internal controls
 - Planning and development of products/services
 - Integration of IT infrastructure



● Horizontal expansion of the BOF-style relationship banking function

- Strategic sharing roles between core bank (BOF) and area banks
 - Narrowing of retail business by the Kumamoto Family Bank to Kumamoto Prefecture (provision of solution business by BOF)
 - Full-line business in Nagasaki Prefecture by the Shinwa Bank (transfer of BOF's solution business know-how to Shinwa Bank)
- Expansion of BOF's schemes for business revitalization and disposal of NPLs to Kumamoto and Nagasaki

● Utilization of Group bank's information assets

- Expansion of customer networks
 - Market expansion, establishment of strongholds, response to M&A needs
 - Secure supply chain using customers of the 3 Group banks
 - Implementation of joint business fairs
- Contribution to the revitalization of all of Kyushu as an autonomous economic bloc