



Kyushu FG

Measures to Realize Management That Is Conscious of Capital Costs and Stock Prices

March 2024

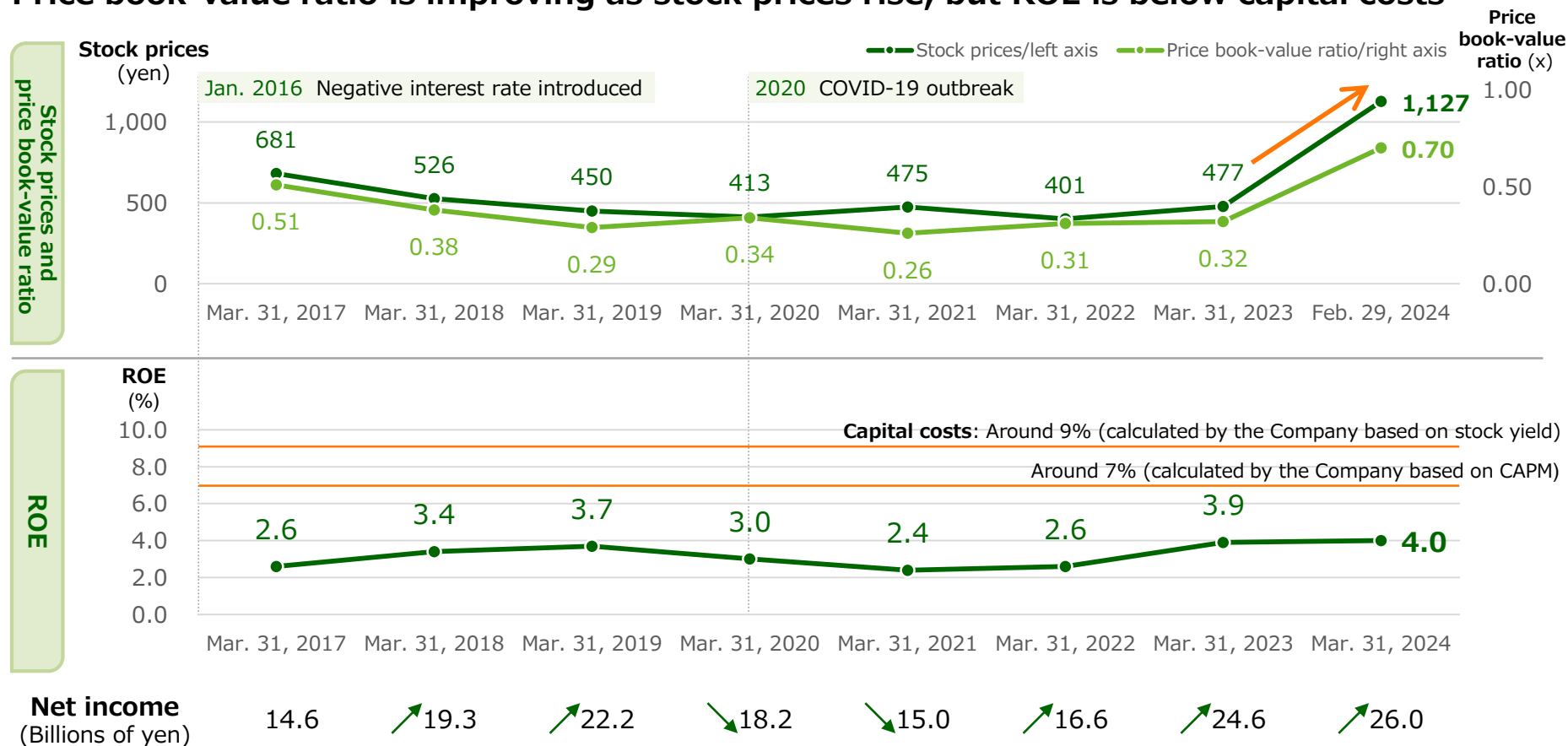
Kyushu Financial Group
Kyushu Financial Group, Inc.



1. Analysis of Current Situation (Evaluation of Our Stock Price, Etc.)

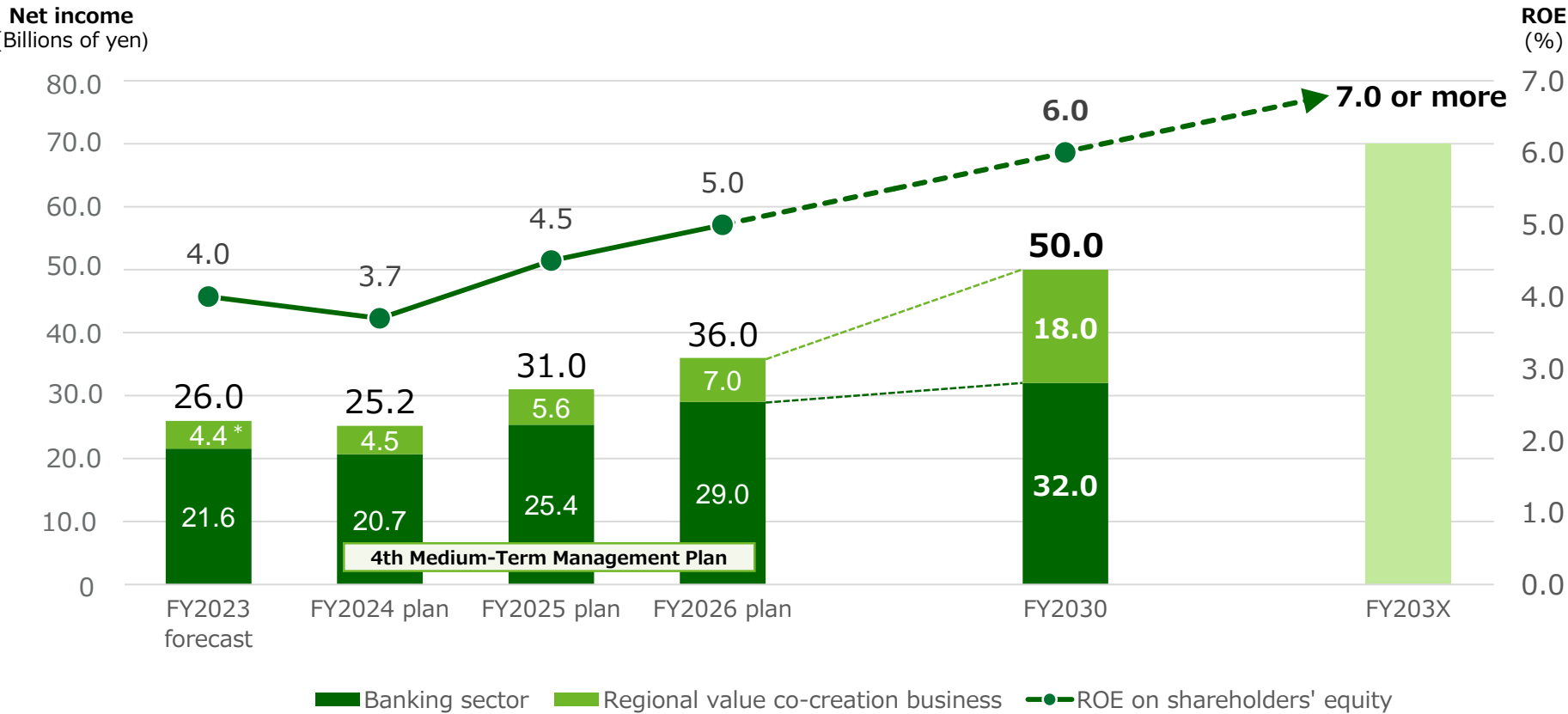
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Price book-value ratio is improving as stock prices rise, but ROE is below capital costs



2. The Group's Vision (Improving Profits and ROE)

Continuously improve risk and return, and aim for ROE of 7% or more that is commensurate with capital costs over the medium- to long-term



*Bank deposits and fees and commissions from corporate solutions are included in regional value co-creation business

3. Price Book-Value Ratio Improvement Logic Tree

Improving price book-value ratio	Improving ROE	Improving RORA	Strengthening profitability	Strengthening core businesses	◆ Increasing corporate loans and personal loans	p.5
				Strengthening fees and commissions	◆ Providing advanced consulting for corporate affairs, etc. (corporate services) ◆ Initiatives for assets under management and trust business (personal services)	p.6
			Controlling costs	Controlling expenses	◆ Controlling OHR	p.7
				Controlling credit expenses	◆ Initiatives to reduce credit costs through improved management support, etc.	p.8
		Controlling financial leverage	Controlling risks assets	Asset allocation	◆ Control within the target capital adequacy ratio range	p.9
			Efficient use of capital	Reducing risk assets	◆ Reducing cross-shareholdings	p.10
				New businesses	◆ Investing in new businesses	p.9
			Enhancing shareholder returns	Performance-linked dividends	◆ Increasing dividends through improved profits	
				Purchasing treasury shares	◆ Timely and appropriate implementation	
	Improving PER	Controlling capital costs	Reducing business risks	Improving performance volatility	◆ Reducing the discrepancy between performance forecasts and actual results, and enhancing dialogue with investors	p.11
				Improving ESG evaluations	◆ Improving governance matters	
		Improving expected growth rate	Revitalizing local economies	Strengthening regional value co-creation business	◆ Initiatives for our Co-Creation Vision	p.13

4. Improving RORA ① Strengthening Core Businesses

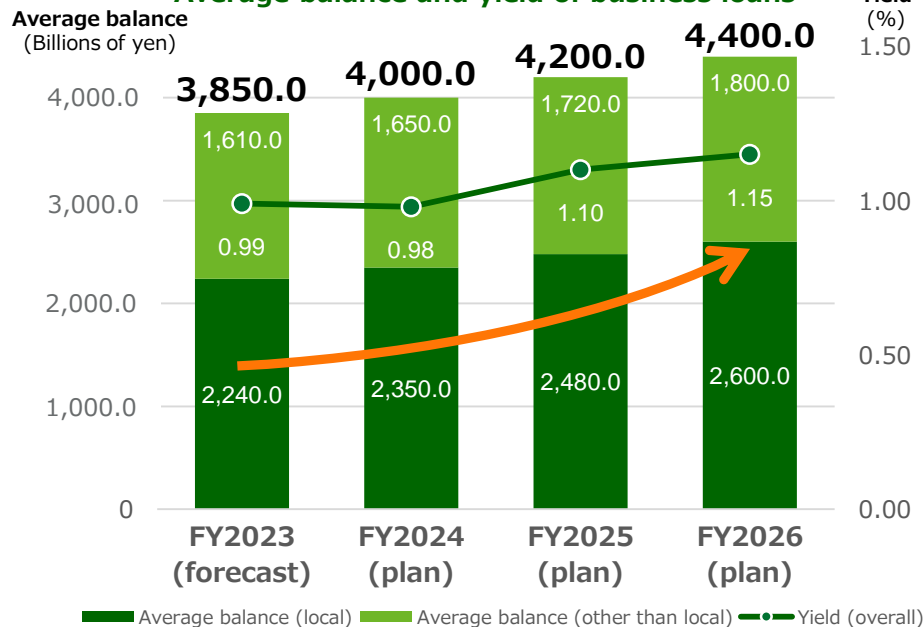
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Corporate loans

Responding to local funding needs in electronic device-related industries, etc.

Increase in interest on loans and discounts in FY2026 + ¥12.5 billion
(Interest rate factor + ¥6.2 billion, average balance factor + ¥6.3 billion)

Average balance and yield of business loans

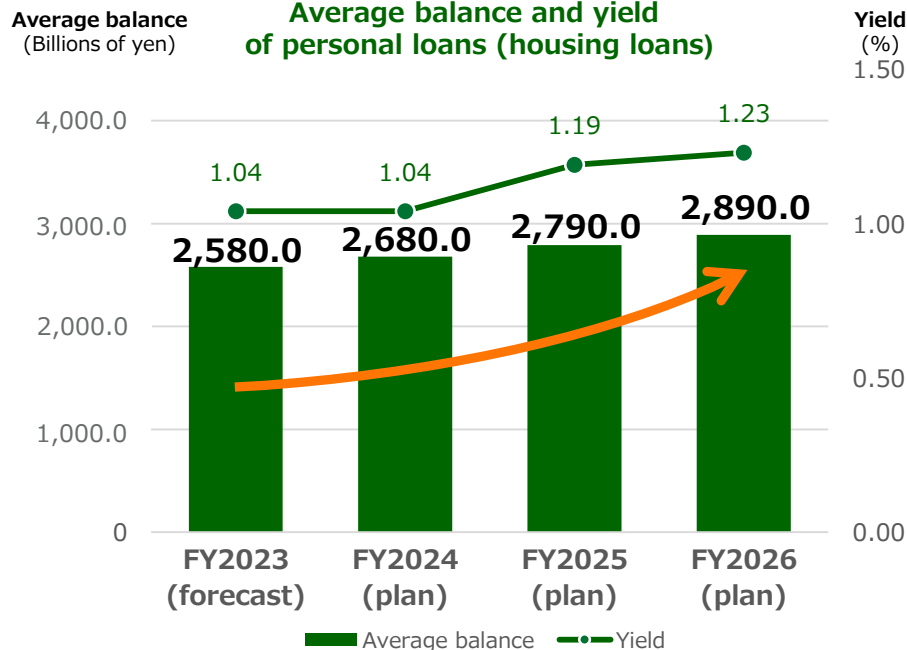


Personal loans (housing loans)

Promoted as a core product for individual transactions

Increase in housing loan interest in FY2026 + ¥8.7 billion
(Interest rate factor + ¥4.9 billion, average balance factor + ¥3.8 billion)

Average balance and yield of personal loans (housing loans)



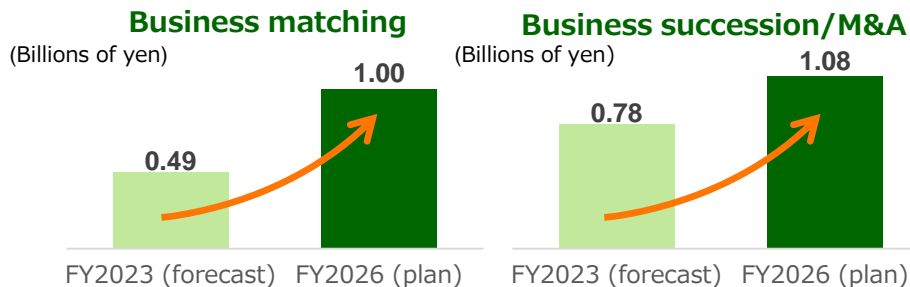
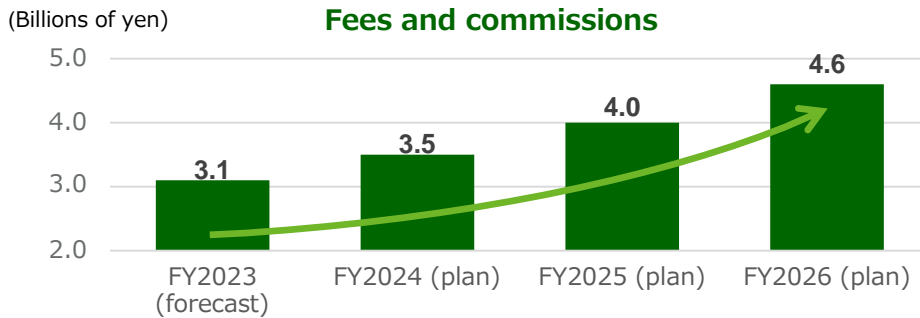
4. Improving RORA ② Strengthening Fees and Commissions

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Corporate solutions

Supporting the growth of local industries

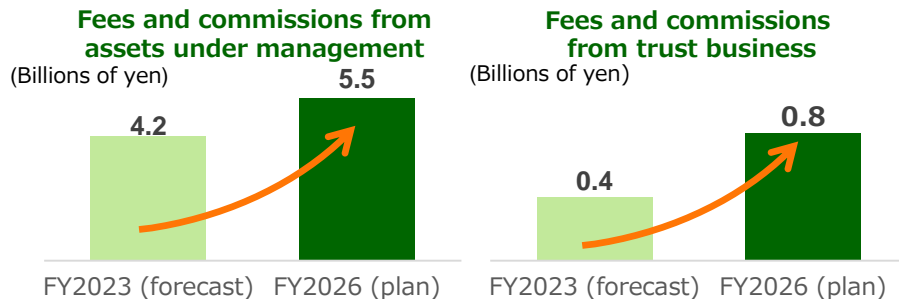
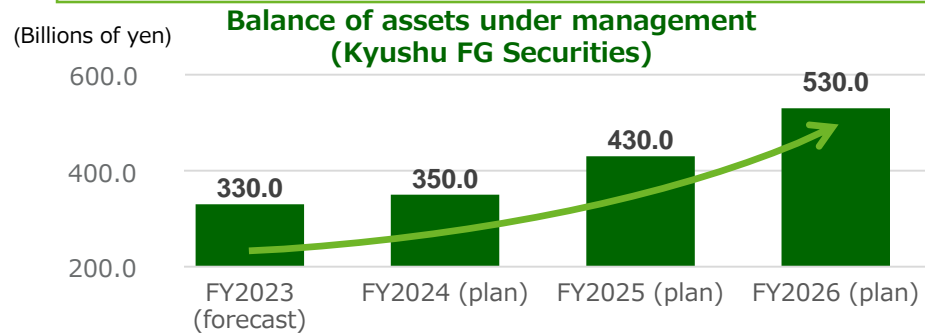
Increase in fees and commissions from corporate solutions + ¥1.5 billion
(incl. business matching + ¥0.51 billion, business succession/M&A + ¥0.29 billion)



Assets under management

Evolution of life plan consulting

Increase in balance of assets under management (Kyushu FG Securities) + ¥200.0 billion
(Fees and commissions from assets under management + ¥1.3 billion, incl. trust business + ¥0.4 billion)

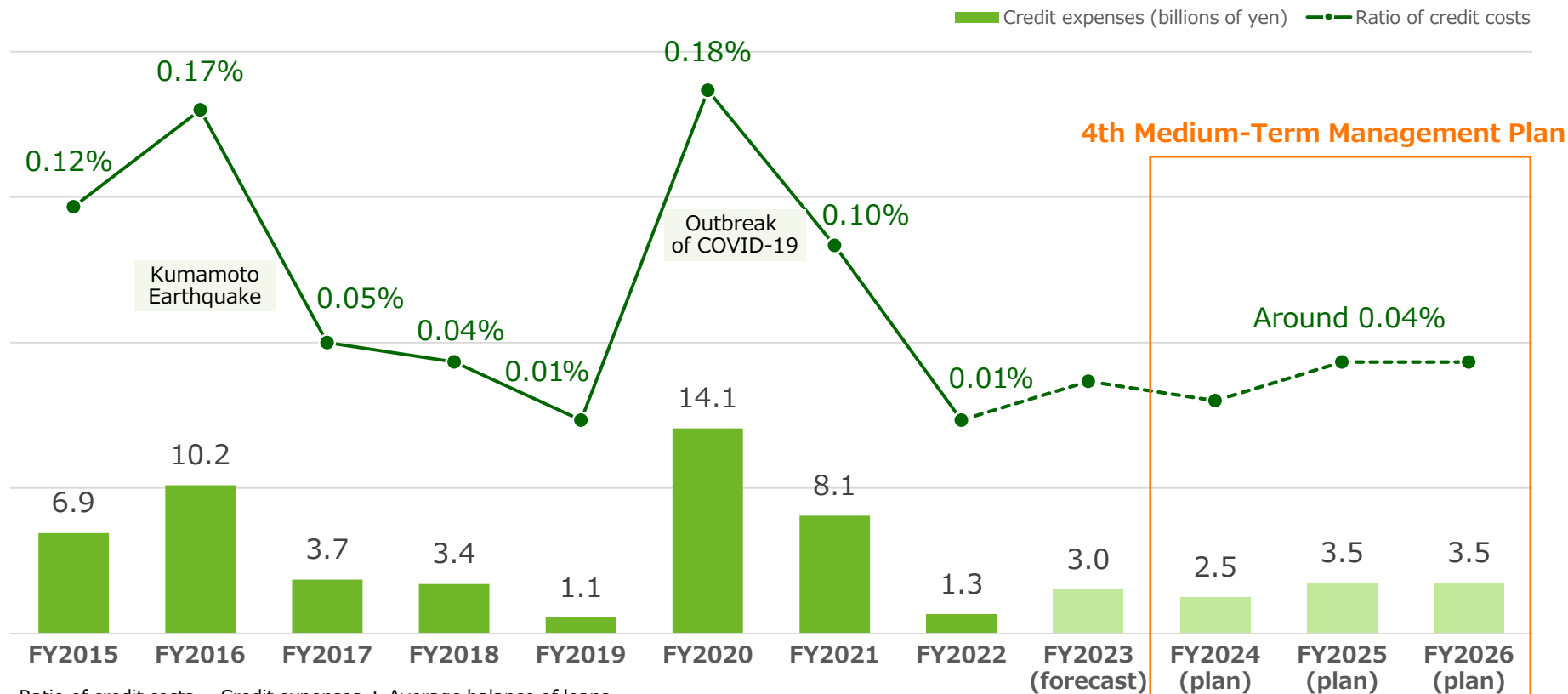


OHR improved by over 10% due to an increase in gross income from business



4. Improving RORA ④ Controlling Credit Expenses

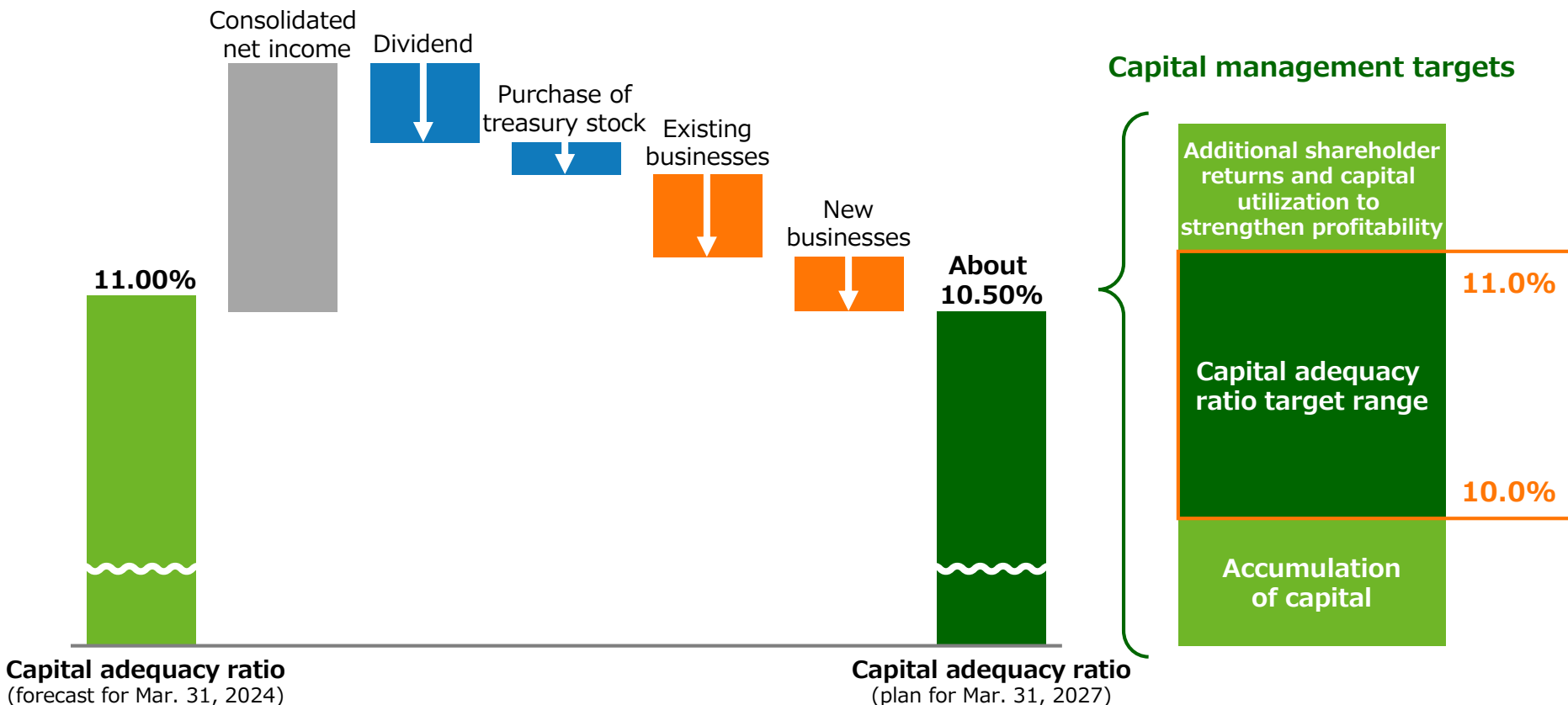
The ratio of credit costs is expected to hover around 0.04% due to the reduction of credit costs through management improvement support, etc.



Ratio of credit costs = Credit expenses ÷ Average balance of loans

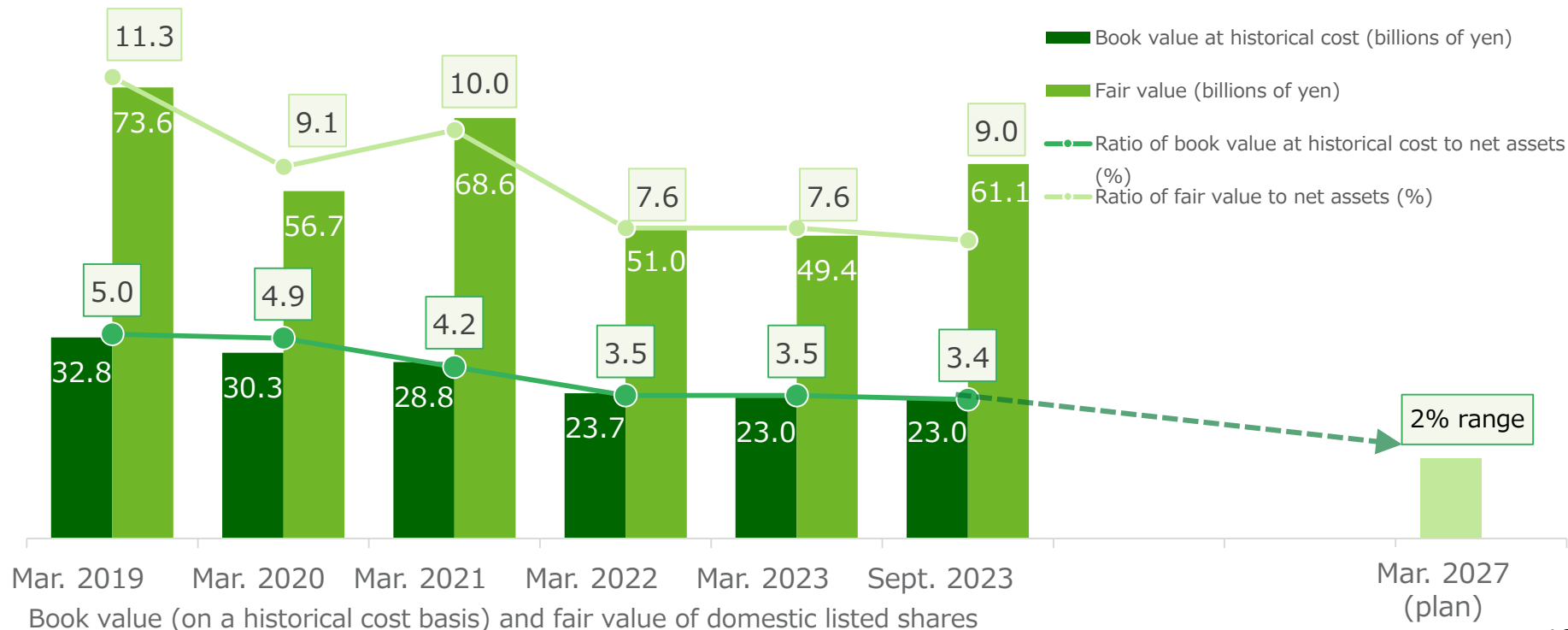
5. Controlling Financial Leverage ① Asset Allocation/New Businesses/ Performance-Linked Dividends

Operate with an appropriate level of capital adequacy ratio of 10 to 11% to provide stable financial services to local communities



Reducing cross-shareholdings

- ◆ Although there are fluctuations on a fair value basis, reduction is steadily progressing on a book value basis
- ◆ Furthermore, we plan to reduce the ratio of book value at historical cost to net assets to the 2% range

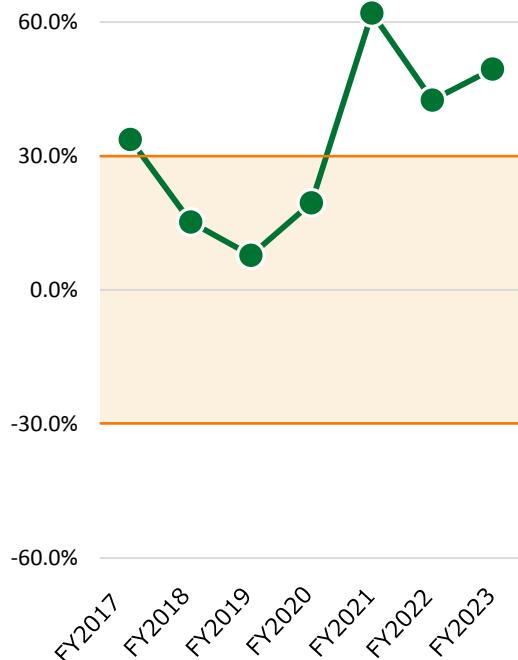


6. Controlling Capital Costs (Improving Performance Volatility/Improving ESG Evaluations)

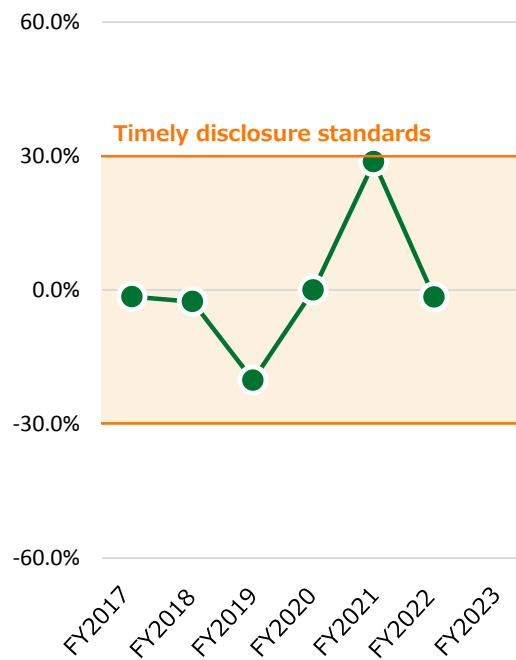
Improving Performance Volatility

Aiming to reduce the discrepancy between performance forecasts (published values) and actual results, and enhance dialogue with investors

Interim



Full year



Improving ESG Evaluations

- ◆ Ranked as a top regional bank for FTSE ESG score
- ◆ Working to raise the evaluation of strengthening governance, which is below the average for banks

FTSE ESG score



7. Expected Price Book-Value Ratio

- ◆ Present **growth strategies** expected by the market and aim to **build up a track record** that meets those expectations
- ◆ Aim for a price book-value ratio of over 1x as soon as possible

Price book-value ratio = ROE × PER (x) →

		10.0	12.5	15.0	17.5	20.0	22.5	25.0
ROE (%)	7.0	0.70	0.88	1.05	1.23	1.40	1.58	1.75
	6.5	0.65	0.81	0.98	1.14	1.30	1.46	1.63
	6.0	0.60	0.75	0.90	1.05	1.20	1.35	1.50
	5.5	0.55	0.69	0.83	0.96	1.10	1.24	1.38
	5.0	0.50	0.63	0.75	0.88	1.00	1.13	1.25
	4.5	0.45	0.56	0.68	0.79	0.90	1.01	1.13
	4.0	0.40	0.50	0.60	0.70*	0.80	0.90	1.00
	3.5	0.35	0.44	0.53	0.61	0.70	0.79	0.88
	3.0	0.30	0.38	0.45	0.53	0.60	0.68	0.75

FY2026
targets

*Feb. 29, 2024

8. Improving Expected Growth Rate (Revitalizing Local Economies)

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Group companies, etc.

Banks

FY2023

Medium-Term Plan

Forecast



Business development divisions

Finance divisions other than the banking divisions



Including trust

Deposits and corporate solutions

Consolidated net income **¥26.0B**

FY2026 (final year of the Medium-Term Plan)

19%
¥7.0B

Regional value co-creation business

Business development divisions
Finance divisions other than the banking divisions

HR (recruiting, temp staff, education)
Research & consulting

¥0.6B

Kyushu Digital Solutions

¥0.2B

Kyushu Mirai Creation

New businesses

Group companies
(leasing, card)

¥2.1B

Kyushu FG Securities

¥0.6B

Banking sector (deposit service and
corporate solutions)

¥3.4B

81%
¥29.0B

Excluding deposits and corporate solutions

¥36.0B

FY2030 (Co-Creation Vision)

36%
¥18.0B

Regional value co-creation business

Business development divisions
Finance divisions other than the banking divisions

HR (recruiting, temp staff, education)
Research & consulting

¥1.0B

Kyushu Mirai Creation

¥0.3B

Kyushu Digital Solutions

¥1.0B

Kyushu Accounting Services

¥0.02B

New businesses

¥3.6B

New businesses

Group companies
(leasing, card)

¥2.1B

Kyushu FG Securities

¥5.0B

Banking sector (deposit service and
corporate solutions)

¥5.0B

64%
¥32.0B

Excluding deposits and corporate solutions

¥50.0B

*Regional value co-creation business on p.3 of ¥4.4B includes bank deposit service and corporate solutions

This material includes statements regarding the Group's future performance.

These statements do not constitute a guarantee of its future performance and involve risks and uncertainties.

Please note carefully that future performance may differ from targets or forecasts due to changes in the business environment or other factors.



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