

Annual Report 2000



The Bank of Fukuoka

The Bank of Fukuoka, Ltd., is one of Japan’s top regional banks and maintains the leading position in its home market of Fukuoka Prefecture and the greater Kyushu region in western Japan.

With a management philosophy of contributing to the development of its home market and taking an enterprising approach to offer clients superior-quality financial services, the Bank of Fukuoka is committed to being a bank that is well trusted and liked by the people in the communities it serves.

The Bank of Fukuoka is proud of its efforts to continually make major contributions to the further development of its home market economy and society by accurately addressing the increasingly diverse and sophisticated needs of clients.

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CONSOLIDATED FINANCIAL HIGHLIGHTS

Years ended March 31, 2000 and 1999 The Bank of Fukuoka, Ltd. and Its Consolidated Subsidiaries

	Millions of yen		Millions of U.S. dollars (Note 1)
	2000	1999	2000
For the Year:			
Total income	¥ 212,938	¥ 244,733	\$ 2,006
Total expenses.....	206,888	237,247	1,949
Income before income taxes and minority interests.....	6,049	7,490	56
Net income.....	3,104	2,446	29
At Year-End:			
Deposits.....	¥5,692,990	¥5,703,269	\$53,631
Loans and bills discounted.....	4,885,064	5,158,120	46,020
Securities	947,975	847,029	8,930
Total assets	6,576,694	6,882,310	61,956
Total stockholders' equity	335,142	332,596	3,157
Capital ratio (%) (Note 4).....	10.57	10.54	

	Yen		U.S. dollars (Note 1)
Per Share Data:			
Net income (Note 2):			
Basic.....	¥4.93	¥3.90	\$0.046
Diluted.....	4.78	3.86	0.045

- Notes: 1. The U.S. dollar amounts represent translations of Japanese yen at ¥106.15=US\$1.00, the exchange rate on March 31, 2000.
 2. Net income per share is computed based on the weighted average number of shares of common stock outstanding during the year.
 3. The years stated in the text are for the fiscal year, which runs from April 1 of the previous year through March 31.
 4. Capital ratios are based on domestic standards for 2000 and BIS guidelines for 1999.

NON-CONSOLIDATED FINANCIAL HIGHLIGHTS

Years ended March 31, 2000 and 1999 The Bank of Fukuoka, Ltd.

	Millions of yen		Millions of U.S. dollars (Note 1)
	2000	1999	2000
For the Year:			
Total income	¥ 178,793	¥ 207,194	\$ 1,684
Total expenses.....	170,228	196,913	1,603
Income before income taxes.....	8,565	10,280	80
Net income.....	5,290	4,537	49
At Year-End:			
Deposits.....	¥5,718,888	¥5,729,517	\$53,875
Loans and bills discounted.....	4,855,752	5,120,002	45,744
Securities	948,582	847,997	8,936
Total assets	6,502,195	6,750,542	61,254
Total stockholders' equity	337,580	332,866	3,180
Capital ratio (%) (Note 4).....	10.75	10.64	
Per Share Data:			
Net income (Note 2):			
Basic.....	¥8.35	¥7.20	\$0.078
Diluted.....	7.80	6.75	0.073
Cash dividends applicable to the year.....	5.00	5.00	0.024

- Notes: 1. The U.S. dollar amounts represent translations of Japanese yen at ¥106.15=US\$1.00, the exchange rate on March 31, 2000.
 2. Net income per share is computed based on the weighted average number of shares of common stock outstanding during the year.
 3. The years stated in the text are for the fiscal year, which runs from April 1 of the previous year through March 31.
 4. Capital ratios are based on domestic standards for 2000 and BIS guidelines for 1999.



Kiyoshi Teramoto
President

BUSINESS ENVIRONMENT

In fiscal 2000, ended March 31, 2000, the Japanese economy recovered modestly, thanks to government stimulus policies, an economic upturn in Asia, and other factors. However, a self-sustainable recovery backed by private demand failed to materialize, and economic conditions remained difficult.

Comprehensive stimulus policies centered on public works projects and tax-rate reductions continued to lift public spending as in the previous term, and housing investment enjoyed an upturn after plummeting in fiscal 1999. In addition, personal consumption saw some gains, as consumers were more inclined to make purchases after refraining from spending for some time. However, personal consumption failed to recover in earnest amid unfavorable employment and wage conditions. On the other hand, industrial production expanded due to the economic recovery in Asia and stronger demand in information-related areas. Still, private-sector capital investment continued declining as in fiscal 1999, and

observers remained cautious about the future course of the economy.

On the financial front, the Japanese government's injection of public funds and support for regional financial institutions alleviated instability in the financial system. Major banks merged, integrated, and consolidated their operations, and financial institutions continued to forge realignments in the wake of Japan's "Big Bang" reforms.

FINANCIAL PERFORMANCE

Against this backdrop, the Bank of Fukuoka, Ltd., worked aggressively to boost deposits from individual customers. As a result, domestic deposits, other than negotiable certificates of deposit, increased ¥26.0 billion year on year. However, overseas deposits decreased ¥96.9 billion. Total deposits fell ¥10.6 billion during the year and stood at ¥5,718.9 billion (US\$53.9 billion) at the end of fiscal 2000. Loans and bills discounted decreased ¥264.3 billion during the term and stood at ¥4,855.7 billion (US\$45.7 billion) at the end of fiscal 2000, as lower demand for capital offset

ongoing efforts to boost lending, especially to businesses in our home market and to individual customers.

Reflecting our commitment to raise the efficiency of fund management and fund procurement and improve operating efficiency at all levels, net operating income (*gyomu juneki*) rose ¥9.0 billion, to ¥39.0 billion (US\$367 million). Meanwhile, we strove to improve the quality of our asset base through adequate provisions against potential credit risk, based on the asset self-assessment guidelines issued in the *Financial Inspection Manual* by Japan's Financial Supervisory Agency (FSA). Given these factors, income before income taxes decreased ¥1.7 billion year on year, to ¥8.5 billion (US\$80 million), and net income increased ¥753 million year on year, to ¥5.3 billion (US\$49 million).

Our capital ratio, calculated according to the Domestic Standard, was 10.75%.

MANAGEMENT POLICIES

The operating environment in the banking industry is undergoing unprecedented change and upheaval. We are witnessing a dynamic realignment and weeding out process in the wake of Japan's Big Bang reforms, and companies from other industries are actively entering the banking field.

To fully adapt to the tremendous changes taking place in the operating environment, in April 2000 the Bank inaugurated its New Century Plan, a new medium-term management plan. The plan focuses on three goals: 1) obtaining strong customer support and market approval, 2) building a stable company structure, and 3) creating a dynamic corporate culture.

The plan covers the three-year period

from fiscal 2001 to fiscal 2004 and sets tangible goals to be achieved by the end of fiscal 2004. First, the Bank aims to boost core net operating income (defined as net operating income minus provision of general reserve for possible loan losses minus capital gains and losses from securities) to ¥60 billion or more and to raise net income to ¥30 billion or more. Moreover, the plan calls for lifting both the Tier I capital ratio and return on investment to 8% or more and raising the ratio of loans to small and medium-sized businesses to 70%–75%.

To achieve these ends, the New Century Plan outlines five basic strategies.

First, we are rebuilding our underlying business structure to be fully prepared for the age of “mega-competition”. With banks competing intensely today, it is extremely important that we satisfy the diverging and more sophisticated needs of our customers to ensure that they continue choosing our services. Therefore, we are completely revamping our business promotion systems and practices kept over many years. In concrete terms, we are developing business strategies attuned to the needs of customers across the spectrum, from major corporations to individuals, and offering comprehensive and sophisticated financial services tailored to guarantee customer satisfaction.

Second, the Bank is strengthening its earnings capabilities. Gaining the unwavering support of our customers requires being able to generate steady earnings. In addition, we must focus on the fact that the market evaluates financial institutions on their earnings capabilities as well as on the health of their assets. Therefore, the Bank is working to diversify its securities

investment portfolio and reduce nonperforming assets to enhance asset profitability. Moreover, we are aggressively entering new business areas, as evidenced by our Japanese-style 401(k) pension plan, and providing other high-quality services to satisfy customers.

Third, the Bank is creating a low-cost business structure. With an eye on strengthening earnings capabilities, it is essential to boost cost-competitiveness and build a low-cost business structure, namely by improving operating efficiency. Toward this end, we are maintaining and upgrading service levels for customers, revamping branch services, and revolutionizing our Bank business operating systems. Further reducing administrative costs is another important focus. We are collaborating with the Hiroshima Bank, Ltd., in systems integration, promoting cooperation with other banks, and bolstering cost and investment management to further reduce administrative costs.

Fourth, the Bank is developing more sophisticated risk-management techniques. Banks face more diverse and complicated risk factors as deregulation and internationalization take hold in the industry. Therefore, we recognize that exercising general control over all types of risk and achieving a balance between risk and return is extremely important in today's banking operations. We are making concerted efforts to enhance our risk-management systems and develop more advanced risk-analysis methods.

Fifth, providing proper training to ensure that the Bank emerges as a winner in the post-Big Bang era is vital. We must furnish each employee with the highly specialized skills and expertise demanded for

meeting increasingly diverse and complex customer needs. To accomplish this, the Bank is working to offer more specialized training and education to its workforce.

The Bank is implementing a number of policies in line with these five basic strategies. By achieving the goals of the medium-term New Century Plan, we hope to achieve our mission to be a regional bank offering highly advanced services to all customers in the home market and fostering growth and development in local communities.

August 2000



Kiyoshi Teramoto
President

STRATEGIC INITIATIVES

THE BANK'S BAD DEBT DISPOSAL

During the year under review, the Bank revised policies regarding write-offs and reserve standards in accordance with guidelines set out in the FSA's *Financial Inspection Manual*. These activities were part of a greater focus on disposing of bad loans in our banking operations.

In fiscal 2000, prolonged economic weakness eroded corporate earnings, and falling land prices depressed the value of real estate held as collateral. The Bank also had to deal with occurrences after the settling of accounts. The Bank made the greatest possible effort to write off loans and make provisions for possible loan losses. The provision of general reserve for possible loan losses was ¥3.4 billion. And other credit cost for specific problem loans was ¥31.6 billion including the provision of specific reserve for possible loan losses.

BAD DEBT STATUS

In Japan, banks must disclose nonperforming loans and other assets under the standards of the Banking Law and the Financial Reconstruction Law (FRL).

Based on the first set of standards, the amount of the Bank's risk-monitored loans at the fiscal year-end stood at ¥272.1 billion, an increase of ¥93.5 billion from the previous fiscal year-end. The rise stemmed from a broader interpretation of the definition of "non-accrual loans" in line with revisions in the Japanese Bankers Association's *Japanese Banking Industry Accounting Standard* as well as from stricter self-assessment of assets. The aforementioned change in "non-accrual loans" standards accounted

for ¥38.0 billion of the increase, with the remaining ¥55.5 billion reflecting poorer corporate earnings because of protracted economic weakness.

Based on the second set of standards, the amount of nonperforming assets at fiscal year-end was ¥273.4 billion, including ¥78.0 billion of bankrupt or quasi-bankrupt assets, ¥99.0 billion of doubtful assets, and ¥96.4 billion of substandard assets.

The main difference between the two sets of standards is the range of disclosure. The Banking Law requires only disclosure of the amount of risk-monitored loans. In contrast, FRL standards require a broader disclosure of securities lent, foreign exchange transactions, accrued income, suspense payments, and customers' liabilities for acceptances and guarantees as well as outstanding loans.

A total of 86.0% of nonperforming assets disclosed under the FRL standards are covered by collateral, guarantees, and reserves. These loans are not all unrecoverable. Since some customers are able to revitalize business operations through measures such as provisions for more favorable loan terms, it is fully appropriate to process loans to such customers under FRL standards.



Since fiscal 1999, the Bank has been actively disclosing detailed information on nonperforming loans, even though such disclosure is not compulsory. We are publishing the results of our asset self-assessment surveys to gain the additional trust of customers. Those loans falling under categories II, III, and IV (loans other than those for which there is no danger of repayment or losing value) stood at ¥590.3 billion at the fiscal year-end. This amount represented 11.8% of total credit-risk assets.

FUTURE ISSUES

The Bank is working diligently to recover nonperforming loans. For example, we were quick to establish a specialist section to manage the sale of real estate held as collateral. We are also directly selling nonperforming loans themselves. Moreover, the Bank is further strengthening loan inspection systems and developing more sophisticated risk-management techniques to minimize the risk of loan default in the future.

RISK MANAGEMENT

Credit Risk

The Bank works to ensure the health of its primary asset, its loan portfolio, through a basic credit policy specifying fundamental guidelines for loan financing and through strict loan management and accurate assessments of borrower creditworthiness. By gathering a wide variety of credit information on potential corporate borrowers, using advanced financial analysis systems to determine the soundness of individual companies, and monitoring industry trends, we gain a clear understanding of the financial soundness of borrowers.

Moreover, special sections oversee an

integrated risk-management system using credit ratings for borrowers as well as loan write-offs, loan provisions, and disclosure policies founded on asset self-assessments to accurately assess credit risk. We are developing ways to better quantify credit risk, or measure how lending changes the makeup of our loan portfolio, with the aim of providing more sophisticated lending services to customers.

Market Risk

The Bank is committed to maintaining stable earnings through Asset and Liability Management (ALM), which focuses on controlling market risk, including interest rate and price movement risk. Specifically, the ALM Committee meets monthly to formulate management policies based on forecasts for interest rates and other variables and to control risk using swaps and other derivatives.

A new ALM system assesses all risk derived from interest rate fluctuations. Specifically, we assess and manage interest rate risk from the trading of negotiable securities, derivatives, and other financial instruments as well as for domestic savings, loans, and equivalents. This is accomplished using a comprehensive basis point value index tracking profit and loss changes from fluctuations in interest rates of as little as 0.01%.

For managing risk from price movements, we use exhaustive techniques for unrealized profit and loss while also taking into account future interest rate trends and the introduction of market-value accounting. Risk from the trading of derivatives, foreign-exchange futures, and other off-balance-sheet transactions is strictly controlled through

limitations on trading amounts and rules for cutting losses.

Systems Risk

The Bank is thoroughly reassessing all aspects of computer systems operation following a systems breakdown in March 2000 and reviewing all potential sources of future mishaps. We are implementing appropriate countermeasures and making concerted efforts to improve systems operating procedures and prevent accidents from occurring again.

A backup computer system, supporting communications lines, and a secondary deposit register are maintained to ensure that operations continue during a major emergency. Moreover, the Bank has formulated a security policy with basic guidelines for protecting information assets and is committed to reducing systems risk through stricter controls.

INSPECTION SYSTEM

The Bank carries out comprehensive inspections once a year at all branches to prevent any adverse consequences of noncompliance with regulations in such areas as credit-risk management, internal and management controls, and clerical settlement.

Moreover, divisions involved in market transactions are inspected for compliance with market risk-management regulations, and systems divisions are inspected for compliance with systems risk-management rules. The aim is to ensure the effectiveness of risk-management strategies.

SYSTEMS INTEGRATION WITH HIROSHIMA BANK

In August 1998, the Bank of Fukuoka and the Hiroshima Bank reached a basic agreement to integrate their computer systems. After conducting feasibility studies and verifying the effects, the two banks signed a final agreement in January 2000. The two parties are now making progress in jointly integrating systems. The integrated computer system is scheduled to begin operating in January 2002.

GOALS OF INTEGRATION

The Bank wants to rapidly provide the high-quality financial services customers demand in order to outperform rivals in the extremely competitive banking industry transformed by Japan's Big Bang reforms. Therefore, taking maximum advantage of cutting-edge information technologies and investing in new and more advanced computer systems are essential.

We are marshalling personnel and expertise from the two banks to jointly develop and use computer systems. The aim of these actions is to rapidly put highly competitive settlement systems tailored for quick and flexible response to future business strategies on-line. We also intend to reduce system-related expenses about 30% through integration.

FINANCIAL REVIEW (NON-CONSOLIDATED)

EARNINGS PERFORMANCE

With the intensification of interest rate competition in the wake of full-scale deregulation, the Bank has worked to enhance the efficiency of its fund-procurement and fund-management activities, reduce costs, and implement other measures to streamline its overall operations. Furthermore, the Bank strengthened its financial structure by disposing of nonperforming loans and making transfers to the reserve for the disposal of nonperforming loans. Consequently, net operating income—which is approximately equal to gross operating profit less general and administrative expenses—increased to ¥39.0 billion (US\$367.6 million). The Bank posted income before income taxes of ¥8.5 billion (US\$80.7 million) and net income of ¥5.2 billion (US\$49.8 million). Net income per share (basic) amounted to ¥8.35 (US\$0.078), compared with ¥7.20 in the previous fiscal year.

	Millions of yen	
	2000	1999
Interest income, net.....	¥110,032	¥108,336
Fees and commissions income, net.....	13,896	12,721
Trading (loss) income, net.....	(5)	78
Other operating (loss) income, net.....	(3,891)	3,600
Gross operating profit.....	120,033	124,736
Provision of reserve for general possible loan losses.....	3,377	17,330
Operating expenses.....	77,630	77,346
Net operating income.....	¥ 39,025	¥ 30,059

	Millions of yen				
	2000	1999	1998	1997	1996
Total income.....	¥178,793	¥207,194	¥246,669	¥216,529	¥229,211
Income (loss) before income taxes.....	8,565	10,280	10,320	5,144	(16,635)
Net income (loss).....	5,290	4,537	4,113	5,055	(18,817)

CAPITAL RATIO

According to the standard definition of capital for Japanese banks, as agreed upon by the Ministry of Finance and the BIS, the Bank's capital ratio was 10.75% at March 31, 2000.

	Millions of yen	
	2000 (Domestic Standard)	1999 (BIS Guidelines)
Tier I.....	¥ 279,608	¥ 274,593
Tier II.....	159,117	194,841
[Including unrealized gains on securities].....	—	[24,212]
Total capital (A).....	¥ 438,726	¥ 469,434
Risk-adjusted assets:		
On-balance-sheet items.....	¥3,950,566	¥4,265,008
Off-balance-sheet items.....	127,011	143,164
Total (B).....	¥4,077,578	¥4,408,173
Capital ratio (A)/(B) x 100 (%).....	10.75	10.64

R E S E R V E F O R P O S S I B L E L O A N L O S S E S

The Bank's reserve for possible loan losses was increased to ¥99,223 million (US\$934.7 million), due primarily to aggressive efforts to dispose of nonperforming loans.

	Millions of yen				
	2000	1999	1998	1997	1996
Reserve for possible loan losses:					
General reserve	¥34,310	¥30,932	¥13,602	¥15,061	¥14,550
Specific reserve.....	64,801	64,021	60,744	42,686	54,490
Reserve for loans to specific overseas countries.....	111	251	—	5	138
Total.....	¥99,223	¥95,205	¥74,346	¥57,753	¥69,179

R I S K - M O N I T O R E D L O A N S

	Millions of yen	
	2000	1999
Loans to borrowers in bankruptcy (A)	¥ 33,271	¥ 51,017
Delinquent loans (B).....	142,752	32,650
Loans past due for 3 months or more (C)	3,568	7,946
Restructured loans (D)	92,472	87,032
Total (E = A + B + C + D)	272,066	178,647
Total loans and bills discounted (F).....	4,855,752	5,120,002
Risk-monitored loans as a percentage of total loans and bills discounted (E/F) (%)	5.60%	3.49%
Balance of reserve for possible loan losses (G).....	99,223	95,205
Reserve ratio (G/E) (%)	36.47	53.29
Guarantees and collateral (H)	155,223	—
Coverage ratio (G+H/E) (%)	93.52	—

Notes: 1. Risk-Monitored Loans are disclosed based on the standards under the Banking Law. As all loans are disclosed irrespective of amounts covered by collateral or guarantees, the disclosed amount should not be construed as representing an amount that is wholly unrecoverable.

2. In fiscal 2000, the Bank adopted the uniform nonaccrual loan accounting method for loans to "bankrupt customers," "virtually bankrupt customers," and "potentially bankrupt customers," as classified in the self-assessment categories. As such, loans to customers in these categories are recognized as "nonaccrual" even if not past due.

3. (A) Loans to borrowers in bankruptcy: Nonaccrual loans to borrowers in legal bankruptcy as defined in the Corporation Tax Law

(B) Delinquent loans: Nonaccrual loans other than loans to borrowers in bankruptcy and restructured loans

(C) Loans past due for 3 months or more: Loans on which payments of principal or interest have been in arrears for 3 months or more, but do not meet the criteria for loans to borrowers in bankruptcy and delinquent loans

(D) Restructured loans: Loans which 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, and are not classified in any of the above categories

PROBLEM ASSETS BASED ON REVITALIZATION LAW STANDARD

Years ended March 31, 2000 and 1999 The Bank of Fukuoka, Ltd.

Millions of Yen					
Year ended March 31, 2000					
	Balance	Guarantees and collateral	Reserve for possible loan losses	Amount covered	Coverage ratio
	(A)	(B)	(C)	(D=B+C)	(E=D/A) (%)
Bankrupt and quasi-bankrupt assets	¥ 78,035	¥ 39,513	¥38,521	¥ 78,035	100.0%
Doubtful assets	98,994	60,741	26,279	87,021	87.9
Substandard assets	96,355	55,211	14,971	70,183	72.8
Total	¥273,385	¥155,466	¥79,773	¥235,239	86.0%
Year ended March 31, 1999					
	Balance	Guarantees and collateral	Reserve for possible loan losses	Amount covered	Coverage ratio
	(A)	(B)	(C)	(D=B+C)	(E=D/A) (%)
Bankrupt and quasi-bankrupt assets	¥ 86,511	¥30,923	¥55,588	¥ 86,511	100.0%
Doubtful assets	45,729	34,113	8,433	42,546	93.0
Substandard assets	59,551	33,933	6,409	40,342	67.7
Total	¥191,793	¥98,970	¥70,430	¥169,401	88.3%

Notes: Based on Article 6 (1998 Law, Number 132) of the "Law Related to Emergency Measures for Financial Reconstruction," for the assessment of such balance sheet items as securities lent, loans, foreign exchange, accrued income and suspense payment in other assets, and customers' liabilities and acceptances and guarantees, the quality of these assets was categorized as follows on the basis of the financial condition and operating performance of the obligor.

1. *Bankrupt and Quasi-Bankrupt*—This refers to claims or items corresponding to claims against obligors under bankruptcy due to such reasons as bankruptcy, company reorganization, and composition.
2. *Doubtful*—This refers to claims against obligors that are not yet in bankruptcy but have experienced deterioration in financial condition and operating performance and concerning which there is a high probability of contractual defaults in principal and interest payments.
3. *Substandard*—This refers to loans past due three months or more and restructured loans.
4. *Normal*—This refers to claims against obligors that are experiencing no particular problems with financial conditions or operating performance and excluding claims in the three previous categories.

NON-CONSOLIDATED FIVE-YEAR SUMMARY

Years ended March 31 The Bank of Fukuoka, Ltd.

	Millions of yen				
	2000	1999	1998	1997	1996
Income:					
Interest on loans and bills discounted	¥ 114,263	¥ 119,170	¥ 121,411	¥ 122,623	¥ 135,799
Interest and dividends on securities	33,455	47,725	55,068	58,628	60,788
Total income.....	178,793	207,194	246,669	216,529	229,211
Expenses:					
Interest on deposits	19,069	33,564	47,218	53,933	80,216
General and administrative expenses	78,147	77,532	78,274	78,239	73,583
Total expenses	170,228	196,913	236,348	211,385	245,847
Income (loss) before income taxes	8,565	10,280	10,320	5,144	(16,635)
Net income (loss)	5,290	4,537	4,113	5,055	(18,817)
Assets:					
Loans and bills discounted	4,855,752	5,120,002	5,226,766	5,029,891	4,853,744
Securities.....	948,582	847,997	1,033,968	1,071,827	1,089,550
Foreign exchange assets	3,469	4,232	4,904	6,491	5,989
Total assets.....	6,502,195	6,750,542	6,877,234	6,760,556	6,665,096
Liabilities:					
Deposits	5,718,888	5,729,517	5,764,232	5,840,208	5,734,427
Foreign exchange liabilities.....	363	277	211	448	263
Total liabilities	6,164,615	6,417,675	6,626,844	6,511,059	6,437,718
Stockholders' equity:					
Common stock	58,657	57,365	57,365	57,365	47,367
Capital surplus and legal reserve	81,797	77,192	76,562	75,747	65,157
Voluntary reserve and retained earnings	140,791	141,674	116,461	116,383	114,852
Total stockholders' equity.....	337,580	332,866	250,389	249,496	227,378
Capital ratio (%) (Consolidated).....	10.57%	10.54%	9.98%	9.08%	9.18%
Yen					
Per Share:					
Net income (loss):					
Basic	¥ 8.35	¥ 7.20	¥ 6.52	¥ 8.31	¥ (32.10)
Diluted	7.80	6.75	6.27	—	—
Cash dividends applicable to the year	5.00	5.00	5.00	5.00	5.00
Stockholders' equity.....	531.83	528.25	397.36	395.94	387.90

Note: Capital ratios are based on domestic standards for 2000 and BIS guidelines for 1996-1999.

CONSOLIDATED BALANCE SHEETS

March 31, 2000 and 1999 The Bank of Fukuoka, Ltd. and Its Consolidated Subsidiaries

	March 31,		
	2000	1999	2000
	(Millions of yen)		(Millions of U. S. dollars) (Note 2)
Assets			
Cash and cash due from banks	¥ 264,302	¥ 201,618	\$ 2,489
Call loans and bills bought (Note 8)	136,101	186,892	1,282
Monetary receivables bought	1,054	906	9
Trading assets	5,460	764	51
Money held in trust (Note 3)	17,500	14,500	164
Securities (Notes 4 and 8)	947,975	847,029	8,930
Loans and bills discounted (Notes 5 and 8)	4,885,064	5,158,120	46,020
Foreign exchange assets (Note 6)	3,469	4,249	32
Other assets	108,751	113,154	1,024
Premises and equipment (Note 7)	152,676	154,180	1,438
Deferred tax assets (Note 14)	47,258	36,694	445
Customers' liabilities for acceptances and guarantees (Note 13)	142,017	164,199	1,337
Reserve for possible loan losses (Note 1(f))	(134,847)	-	(1,270)
Reserve for losses on investments	(89)	-	(0)
Total assets	¥6,576,694	¥6,882,310	\$ 61,956
Liabilities, minority interests and stockholders' equity			
Liabilities			
Deposits	¥5,692,990	¥5,703,269	\$53,631
Call money and bills sold	23,225	44,004	218
Borrowed money (Note 9)	149,459	181,843	1,407
Foreign exchange liabilities (Note 6)	363	277	3
Bonds payable (Note 10)	21,230	-	200
Convertible bonds (Note 10)	47,419	50,000	446
Other liabilities	104,759	197,803	986
Reserve for possible loan losses (Note 1(f))	-	133,721	-
Reserve for retirement allowances (Note 11)	14,120	13,600	133
Reserve for possible losses on loans sold (Note 12)	3,395	3,668	31
Deferred tax liabilities on land revaluation account (Note 7)	40,142	40,468	378
Excess of net assets acquired over cost	7	32	0
Acceptances and guarantees (Note 13)	142,017	164,199	1,337
Total liabilities	6,239,131	6,547,682	58,776
Minority interests	2,421	2,031	22
Stockholders' equity			
Common stock	58,657	57,365	552
Capital surplus	36,912	35,624	347
Land revaluation account (Note 7)	56,332	56,634	530
Retained earnings (Note 20)	185,892	185,626	1,751
Total	337,795	335,250	3,182
Less treasury stock	(2,652)	(2,653)	(24)
Total stockholders' equity	335,142	332,596	3,157
Total liabilities, minority interests and stockholders' equity	¥6,576,694	¥6,882,310	\$ 61,956

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME

Years ended March 31, 2000 and 1999 The Bank of Fukuoka, Ltd. and Its Consolidated Subsidiaries

	Years ended March 31,		
	2000	1999	2000
	(Millions of yen)		(Millions of U.S. dollars) <i>(Note 2)</i>
Income			
Income from funds under management:			
Interest on loans and bills discounted	¥115,571	¥120,541	\$1,088
Interest and dividends on securities	32,694	47,906	307
Other interest income	1,443	5,158	13
Fees and commissions	20,786	19,791	195
Trading income	9	80	0
Other operating income	34,904	45,402	328
Other income	7,529	5,855	70
Total income	212,938	244,733	2,006
Expenses			
Cost of fund-raising:			
Interest on deposits	19,054	33,513	179
Interest on borrowings	3,644	4,763	34
Other interest expenses	18,063	27,397	170
Fees and commissions	4,946	4,950	46
Trading expenses	14	1	0
Other operating expenses	34,119	35,962	321
General and administrative expenses	79,172	80,220	745
Other expenses	47,873	50,437	450
Total expenses	206,888	237,247	1,949
Income before income taxes and minority interests	6,049	7,490	56
Provision for income taxes <i>(Note 14)</i> :			
Current	13,379	15,440	126
Deferred	(10,826)	(10,692)	(101)
	2,552	4,748	24
Minority interests	392	296	3
Net income <i>(Note 15)</i>	¥ 3,104	¥ 2,446	\$ 29

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

Years ended March 31, 2000 and 1999 The Bank of Fukuoka, Ltd. and Its Consolidated Subsidiaries

	Years ended March 31,		
	2000	1999	2000
	(Millions of yen)		(Millions of U.S. dollars)
Common stock			(Note 2)
Balance at beginning of year	¥ 57,365	¥ 57,365	\$ 540
Conversion of convertible bonds	1,292	-	12
Balance at end of year	¥ 58,657	¥ 57,365	\$ 552
Capital surplus			
Balance at beginning of year	¥ 35,624	¥ 35,624	\$ 335
Conversion of convertible bonds	1,288	-	12
Balance at end of year	¥ 36,912	¥ 35,624	\$ 347
Land revaluation account			
Balance at beginning of year	¥ 56,634	¥ -	\$ 533
Transfer from liabilities	-	56,634	-
Transfer to retained earnings	(302)	-	(2)
Balance at end of year	¥ 56,332	¥ 56,634	\$ 530
Retained earnings			
Balance at beginning of year	¥185,626	¥160,864	\$1,748
Prior period adjustment for adoption of tax-effect accounting	-	25,446	-
Transfer from land revaluation account	366	-	3
Net income	3,104	2,446	29
Appropriations:			
Cash dividends paid	(3,145)	(3,130)	(29)
Bonuses to directors and statutory auditors	(60)	-	(0)
Balance at end of year	¥185,892	¥185,626	\$1,751

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended March 31, 2000 The Bank of Fukuoka, Ltd. and Its Consolidated Subsidiaries

	Year ended March 31, 2000	
	(Millions of yen)	(Millions of U.S. dollars)
		(Note 2)
Cash flows from operating activities:		
Income before income taxes and minority interests	¥ 6,049	\$ 56
Depreciation and amortization	21,957	207
Net change in reserve for possible loan losses	1,125	10
Net change in reserve for losses on investments	89	0
Net change in reserve for possible losses on loans sold	(273)	(2)
Net change in reserve for retirement allowances	519	4
Interest income	(149,708)	(1,410)
Interest expenses	40,761	383
Net gain related to securities transactions	(192)	(1)
Net income from money held in trust	(204)	(1)
Net exchange loss	456	4
Net loss from disposition of premises and equipment	611	5
Net change in trading assets	(4,696)	(44)
Net change in loans and bills discounted	273,056	2,572
Net change in deposits	(10,278)	(96)
Repayment of borrowed money	(12,384)	(116)
Net change in deposits with banks	4,068	38
Net change in call loans	50,642	477
Net change in call money	(20,779)	(195)
Net change in pledged money for securities lending transactions	(96,906)	(912)
Net change in foreign exchange assets	780	7
Net change in foreign exchange liabilities	86	0
Net change in bonds payable	21,230	200
Interest received	155,652	1,466
Interest paid	(47,267)	(445)
Bonuses to directors and statutory auditors	(60)	(0)
Other, net	18,033	169
Subtotal	252,371	2,377
Income taxes paid	(19,675)	(185)
Net cash provided by operating activities	232,696	2,192
Cash flows from investing activities:		
Purchases of securities	(465,069)	(4,381)
Purchases of equity investments in a subsidiary	(21)	(0)
Proceeds from sale of securities	199,974	1,883
Proceeds from maturity of securities	128,787	1,213
Purchases of money held in trust	(3,000)	(28)
Interest received from investing activities	200	1
Purchases of premises and equipment	(4,641)	(43)
Proceeds from sale of premises and equipment	1,234	11
Net cash used in investing activities	(142,535)	(1,342)
Cash flows from financing activities:		
Repayment of subordinated borrowed money	(20,000)	(188)
Dividends paid	(3,145)	(29)
Dividends paid to minority interests	(2)	(0)
Proceeds from sale of treasury stock	1	0
Net cash used in financing activities	(23,146)	(218)
Effect of exchange rate changes on cash and cash equivalents	(261)	(2)
Net increase in cash and cash equivalents	66,751	628
Cash and cash equivalents at beginning of year	162,970	1,535
Cash and cash equivalents at end of year (Note 16)	¥229,722	\$2,164

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended March 31, 2000 and 1999 The Bank of Fukuoka, Ltd. and Its Consolidated Subsidiaries

1. Summary of Significant Accounting Policies

a. Basis of Presentation

The accompanying consolidated financial statements of The Bank of Fukuoka, Ltd. (“the Bank”) and subsidiaries have been compiled from the consolidated financial statements prepared by the Bank as required under the Securities and Exchange Law of Japan and have been prepared in accordance with accounting principles and practices generally accepted in Japan, which may differ in certain material respects from accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

As permitted by the Securities and Exchange Law, 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 the Bank and all companies controlled directly or indirectly by the Bank. All significant intercompany balances and transactions have been eliminated in consolidation.

The Bank does not have any companies over which the Bank exercises significant influence in terms of their operating and financial policies.

The excess of net assets at fair value over cost at the date of acquisition is amortized over a period of five years on a straight-line basis.

c. Trading Assets and Liabilities

Trading account transactions are 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 balance sheets 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 end of the fiscal year;

Futures, options and other derivative transactions are valued on the assumption that they were settled at the end of the fiscal year.

d. Securities

Convertible bonds and stocks listed and traded on stock exchanges are valued at the lower of cost by the moving-average method or market. Other securities, including listed Japanese government bonds, are valued at cost by the moving-average method.

e. Premises and Equipment

Premises and equipment are carried at cost less accumulated depreciation.

Depreciation of premises and equipment is calculated mainly by the declining-balance method over the estimated useful lives of the respective assets.

Depreciation of leased assets, which is included in "Other assets," is calculated by the straight-line method over the respective lease terms.

f. Reserve for Possible Loan Losses

The reserve for possible loan losses is provided in accordance with the policies regarding write-offs and reserve standards developed by the Bank. A reserve for possible loan losses is provided, as described below, pursuant to the Bank's internal rules for self-assessment of asset quality and for providing reserves for possible credit losses:

For loans to borrowers who are classified as substantially bankrupt or who are bankrupt in the formal legal sense, a reserve is provided based on the amount remaining after deduction of the amount of collateral considered disposable and an estimate of amounts recoverable under guarantees.

For loans to borrowers who, although not actually bankrupt in the legal sense, have experienced serious management difficulties and whose failure is imminent, a reserve is provided after an assessment of the borrower's solvency. The provision represents the amount considered uncollectible after deduction of the amount of collateral considered disposable and an estimate of the amounts recoverable under guarantees.

A reserve for loans to specific foreign borrowers (including the reserve for losses on overseas investments provided pursuant to Article 55-2 of the Special Taxation Measures Law) is provided based on the amount of estimated losses arising from the changes in the political and economic situation of their respective countries.

For other loans, a reserve is provided based on the Bank's historical loan loss experience.

In accordance with the amendment of the Enforcement Regulations of the Japanese Banking Law, a reserve for possible loan losses, which was previously included in liabilities, is presented as a deduction from assets in the consolidated balance sheets as of March 31, 2000. As a result, total assets and total liabilities at March 31, 2000 decreased by ¥134,847 million as compared with the corresponding amounts at March 31, 1999.

g. Reserve for Losses on Investments

The reserve for losses on investments is provided to cover any future potential losses on investments in companies. Consideration is given to the financial situation of the companies in determining the necessary amount to be accounted for under the above reserve.

h. Foreign Currency Accounts

The Bank and subsidiaries maintain their accounting records in yen. Foreign currency accounts are translated into yen at the market exchange rate prevailing at the end of each accounting period, except that certain special accounts, as approved by the Japanese regulatory authorities, are translated at historical rates.

i. Leases

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

j. New Accounting Standard

A new accounting standard for research and development costs became effective the fiscal year ended March 31, 2000. In connection with this, the Bank and subsidiaries changed their method of accounting for computer software to capitalizing certain development costs for software intended for internal use instead of charging them to income as incurred. Such capitalized software costs are amortized over a period of five years on a straight-line basis. The effect of this change was to increase income before income taxes and minority interests by ¥1,313 million for the year ended March 31, 2000.

k. 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.

l. Appropriation of Retained Earnings

Under the Commercial Code of Japan, 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.

m. Cash and Cash Equivalents

Cash and cash equivalents consist of cash and deposits with central banks which are included in "Cash and cash due from banks" in the consolidated balance sheets.

2. U.S. Dollar Amounts

Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The rate of ¥106.15 = US\$1.00, the approximate rate of exchange on March 31, 2000, 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. Money Held in Trust

The carrying and aggregate market value of money held in trust amounted to ¥17,500 million and ¥17,750 million, respectively, at March 31, 2000.

4. Securities

Securities at March 31, 2000 were as follows:

	<u>2000</u>
	<i>(Millions of yen)</i>
National government bonds	¥420,116
Local government bonds	25,097
Corporate bonds	157,650
Share stocks	87,483
Other securities	<u>257,628</u>
Total	<u>¥947,975</u>

The carrying and related fair values of marketable securities at March 31, 2000 were as follows:

	<u>Carrying</u>	<u>Estimated</u>	<u>Net</u>
	<u>value</u>	<u>fair value</u>	<u>unrealized</u>
	<i>(Millions of yen)</i>		
(1) Listed securities:			
Bonds	¥108,666	¥ 118,579	¥ 9,912
Stock	75,484	124,088	48,604
Others	<u>129,559</u>	<u>129,921</u>	<u>362</u>
Subtotal	<u>313,711</u>	<u>372,590</u>	<u>58,879</u>
(2) Unlisted securities:			
Bonds	246,439	250,407	3,967
Stock	2,257	7,384	5,127
Others	<u>58,607</u>	<u>58,197</u>	<u>(409)</u>
Subtotal	<u>307,305</u>	<u>315,990</u>	<u>8,685</u>
Total	<u>¥621,016</u>	<u>¥688,580</u>	<u>¥67,564</u>

5. Loans and Bills Discounted

Loans and bills discounted at March 31, 2000 and 1999 included the following loans:

	<i>(Millions of yen)</i>	
	2000	1999
Loans to borrowers in bankruptcy	¥ 47,159	¥ 64,847
Delinquent loans	168,543	60,876
Loans past due for three months or more	3,576	8,177
Restructured loans	102,958	98,605
Total	¥ 322,237	¥232,506

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

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

Restructured loans are loans which 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.

In the year ended March 31, 2000, certain loans were placed on nonaccrual status based on the result of the Bank's self-assessment of asset quality. Consequently, the balance of loans to borrowers in bankruptcy included loans previously classified as loans past due for three months or more of ¥829 million and other accruing loans of ¥1,960 million, and the balance of delinquent loans included loans previously classified as loans past due for three months or more of ¥11,063 million, restructured loans of ¥68,784 million and other accruing loans of ¥36,674 million at March 31, 2000.

6. Foreign Exchange Assets and Liabilities

Foreign exchange assets and liabilities at March 31, 2000 and 1999 consisted of the following:

	<i>(Millions of yen)</i>	
	2000	1999
Assets:		
Due from foreign banks	¥ 519	¥ 663
Foreign exchange bills bought	366	865
Foreign exchange bills receivable	2,583	2,720
Total	¥3,469	¥ 4,249
Liabilities:		
Due to foreign banks	¥ 57	¥ 63
Foreign exchange bills sold	305	191
Foreign exchange bills payable	0	22
Total	¥ 363	¥ 277

7. Premises and Equipment

Land utilized for the Bank's business activities was revalued at March 31, 1998 on the basis prescribed in the Law Concerning the Revaluation of Land. The income tax effect on the difference between the book value and the revalued amount has been presented under liabilities as "Deferred tax liabilities on land revaluation account" and the remaining balance has been presented under stockholders' equity as "Land revaluation account" in the accompanying consolidated balance sheets.

8. Pledged Assets

Assets pledged as collateral for deposits of ¥43,845 million at March 31, 2000 were as follows:

	<i>(Millions of yen)</i>
Securities	¥189,365
Loans and bills discounted	14,430
Bills bought	13,000
Total	¥216,795

At March 31, 2000 in addition, securities totaling ¥189,192 million were pledged as collateral for settlement of exchange and other or as variation margin, and lease receivables totaling ¥55,476 million were pledged as collateral for borrowed money.

9. Borrowed Money

Borrowed money at March 31, 2000 and 1999 included subordinated borrowings amounting to ¥46,000 million and ¥66,000 million, respectively.

10. Bonds Payable and Convertible Bonds

Bonds payable at March 31, 2000 represented unsecured 6.275% bonds, payable in U.S. dollars, due 2004.

Convertible bonds at March 31, 2000 and 1999 represented unsecured 1.1% subordinated convertible bonds, payable in yen, due 2007, which, unless previously redeemed, are convertible at any time up to and including September 28, 2007 into shares of common stock of the Bank at the option of the holders at a conversion price of ¥559 per share at March 31, 2000. Under the provisions of the issue, the conversion price is subject to adjustments in certain cases which include stock splits.

11. Reserve for Retirement Allowances

This reserve is provided at the amount which would be required to be paid if all eligible employees retired voluntarily at the end of the period concerned.

In addition, the Bank has contributory pension plans covering substantially all Japanese employees. The unamortized balance of past service costs at March 31, 2000 was nil.

12. Reserve for Possible Losses on Loans Sold

The reserve for possible losses on loans sold is provided against possible future losses after consideration of the value of the collateral of the loans sold to the Cooperative Credit Purchasing Company, Limited.

13. 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 the Bank's right of indemnity from the applicants.

14. Income Taxes

Income taxes applicable to the Bank and subsidiaries comprise corporation, enterprise and inhabitants' taxes, which, in the aggregate, resulted in statutory tax rates of 41.6 percent and 47.2 percent for 2000 and 1999, respectively.

The significant components of the deferred tax assets and liabilities as of March 31, 2000 and 1999 were as follows:

	<i>(Millions of yen)</i>	
	<u>2000</u>	<u>1999</u>
Deferred tax assets:		
Reserve for possible loan losses	¥34,766	¥24,890
Reserve for retirement allowances	3,940	3,543
Other	8,685	8,273
Valuation allowance for deferred tax assets	—	—
	<u>47,392</u>	<u>36,707</u>
Deferred tax liabilities:		
Reserve for special depreciation	126	—
Other	8	12
Net deferred tax assets	<u>¥47,258</u>	<u>¥36,694</u>

On March 30, 2000, the "Ordinance Regarding the Imposition of Enterprise Taxes through External Standards Taxation on Banks in Tokyo" was passed by the Tokyo Metropolitan Assembly and was made law. Under this legislation, the Tokyo metropolitan enterprise tax is levied on total gross operating profit rather than net income effective the year beginning April 1, 2000. Because the new enterprise tax is not regarded as a tax subject to deferred tax accounting, the Bank's effective statutory tax rate will decrease. As a result of this change, deferred tax assets at March 31, 2000 decreased by ¥68 million and provision for income taxes deferred for the year ended March 31, 2000 increased by the same amount. Also, deferred tax liabilities on the land revaluation account decreased by ¥64 million and the land revaluation account increased by the same amount at March 31, 2000.

15. Net Income per Share

Net income per share for the years ended March 31, 2000 and 1999 was as follows:

	<i>(Yen)</i>	
	<u>2000</u>	<u>1999</u>
Net income per share:		
Basic	¥4.93	¥3.90
Diluted	4.78	3.86

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

Diluted net income per share is computed based on the weighted average number of shares of common stock outstanding each year after giving effect to the dilutive potential of common shares to be issued upon the convertible bonds.

16. Supplementary Cash Flow Information

a) Reconciliation of Cash and Cash Equivalents

The reconciliation of cash and cash due from banks in the consolidated balance sheet to cash and cash equivalents at March 31, 2000 was as follows:

	<u><i>(Millions of yen)</i></u>
Cash and due from banks	¥ 264,302
Interest-earning deposits with other banks	<u>(34,580)</u>
Cash and cash equivalents	<u>¥ 229,722</u>

b) Major Non-Cash Transactions

The major non-cash transactions during the year ended March 31, 2000 were as follows:

	<u><i>(Millions of yen)</i></u>
Increase in common stock due to conversion of convertible bonds	¥1,292
Increase in capital surplus due to conversion of convertible bonds	1,288
Decrease in convertible bonds due to conversion	2,581

17. Leases

(a) Lessees' Accounting

The following pro forma amounts represent the acquisition costs, accumulated depreciation and net book value of leased assets as of March 31, 2000 and 1999, which would have been reflected in the consolidated balance sheets if finance lease accounting had been applied to the finance lease transactions currently accounted for as operating leases:

	<i>(Millions of yen)</i>	
	<u>2000</u>	<u>1999</u>
Equipment:		
Acquisition costs	¥267	¥280
Accumulated depreciation	145	107
Net book value	<u>¥121</u>	<u>¥173</u>

Lease payments relating to finance lease transactions accounted for as operating leases amounted to ¥56 million for the year ended March 31, 2000, and ¥64 million for the year ended March 31, 1999. The depreciation expense of the leased assets computed by the straight-line method over the respective lease terms and the interest expense portion included in the lease payments amounted to ¥48 million and ¥6 million, respectively, for the year ended March 31, 2000, and ¥53 million and ¥9 million, respectively, for the year ended March 31, 1999.

Future minimum lease payments subsequent to March 31, 2000 for finance lease transactions accounted for as operating leases are summarized as follows:

<u>Year ending March 31,</u>	<u><i>(Millions of yen)</i></u>
2001	¥ 51
2002 and thereafter	86
Total	<u>¥137</u>

(b) Lessors' Accounting

The following amounts represent the acquisition costs, accumulated depreciation and net book value of leased assets relating to finance lease transactions accounted for as operating leases at March 31, 2000 and 1999:

	<i>(Millions of yen)</i>	
	<u>2000</u>	<u>1999</u>
Equipment:		
Acquisition costs	¥130,813	¥116,074
Accumulated depreciation	84,954	49,699
Net book value	<u>¥ 45,859</u>	<u>¥ 66,374</u>

Lease income relating to finance lease transactions accounted for as operating leases amounted to ¥21,467 million for the year ended March 31, 2000 and ¥21,729 million for the year ended March 31, 1999. The depreciation expense of the lease assets computed by the straight-line method over the respective lease terms and the interest income portion included in the lease income amounted to ¥15,072 million and ¥2,010 million, respectively, for the year ended March 31, 2000 and ¥18,001 million and ¥3,499 million, respectively, for the year ended March 31, 1999.

Future minimum lease income subsequent to March 31, 2000 for finance lease transactions accounted for as operating leases is summarized as follows:

<u>Years ending March 31,</u>	<u>(Millions of yen)</u>
2001	¥16,702
2002 and thereafter	31,616
Total	<u>¥48,318</u>

18. Derivative Transactions

The Bank has entered into interest rate swap agreements and interest rate cap and floor transactions to reduce its exposure to adverse fluctuations in interest rates relating to its financed funds. The total contract amounts of these interest rate swap agreements at March 31, 2000 were ¥363,556 million. The contract amounts of the cap transactions written and held were ¥1,000 million and ¥17,956 million, respectively, at March 31, 2000. Net unrealized loss relating to these interest rate swap agreements and interest rate cap and floor transactions at March 31, 2000 amounted to ¥17,506 million.

In addition, the Bank has entered into currency swap agreements and foreign exchange contracts to reduce its exposure to adverse fluctuations in foreign exchange rates relating to receivables and payables denominated in foreign currencies. The total contract amount of these currency swap agreements at March 31, 2000 was ¥65,552 million. Net unrealized profit or loss relating to these currency swap agreements at March 31, 2000 amounted to a profit of ¥259 million. Forward exchange contracts to sell and buy foreign currencies, which were accounted for at market value at the balance sheet date, amounted to ¥40,384 million at March 31, 2000.

19. Segment Information

The business segment information of the Bank and subsidiaries for the years ended March 31, 2000 and 1999 is as follows:

Year ended March 31, 2000

	Bank	Lease	Others	Combined	Eliminations and Corporate Assets	Consolidated
	<i>(Millions of yen)</i>					
I. Total income generated from business with:						
External customers	¥ 176,844	¥28,685	¥ 6,728	¥ 212,258	¥ –	¥ 212,258
Internal units	1,286	3,537	7,692	12,515	(12,515)	–
	¥ 178,130	¥32,222	¥14,420	¥ 224,774	¥(12,515)	¥ 212,258
Total expenses generated	¥ 168,396	¥33,265	¥15,152	¥ 216,814	¥(11,777)	¥ 205,036
Net profit (loss) generated	¥ 9,734	¥(1,042)	¥ (732)	¥ 7,959	¥ (738)	¥ 7,221
II. Assets, depreciation and capital expenditures						
Assets	¥6,502,193	¥62,504	¥60,086	¥6,624,784	¥(48,090)	¥6,576,694
Depreciation	¥ 4,150	¥17,663	¥ 148	¥ 21,962	¥ –	¥ 21,962
Capital expenditures	¥ 4,452	¥20,355	¥ 188	¥ 24,996	¥ –	¥ 24,996

Year ended March 31, 1999

	Bank	Others	Combined	Eliminations and Corporate Assets	Consolidated
	<i>(Millions of yen)</i>				
I. Total income generated from business with:					
External customers	¥ 206,057	¥ 38,261	¥ 244,318	¥ –	¥ 244,318
Internal units	779	9,896	10,675	(10,675)	–
	¥ 206,836	¥ 48,158	¥ 254,994	¥ (10,675)	¥ 244,318
Total expenses generated	¥ 195,897	¥ 50,846	¥ 246,743	¥ (10,631)	¥ 236,111
Net profit (loss) generated	¥ 10,938	¥ (2,688)	¥ 8,250	¥ (43)	¥ 8,206
II. Assets, depreciation and capital expenditures					
Assets	¥6,750,542	¥205,713	¥6,956,256	¥ (73,946)	¥6,882,310
Depreciation	¥ 4,720	¥ 17,878	¥ 22,598	¥ –	¥ 22,598
Capital expenditures	¥ 5,527	¥ 20,292	¥ 25,819	¥ –	¥ 25,819

Corporate assets included under the column heading “Eliminations and Corporate Assets” amounted to ¥21,936 million at March 31, 2000, and represent mainly cash due from banks and securities of the subsidiaries.

The disclosure of geographical segment information has been omitted as total income and total assets of the foreign operations consisted of less than 10% of the consolidated totals for the years ended March 31, 2000 and 1999.

The disclosure of income from international operations has been omitted as income from international operations consisted of less than 10% of the consolidated total for the year ended March 31, 2000. Income from international operations for the year ended March 31, 1999 totaled ¥38,559 million, or 15.7% of consolidated total income.

20. Subsequent Event

The following appropriations of retained earnings of the Bank, which have not been reflected in the consolidated financial statements for the year ended March 31, 2000, were approved at a stockholders' meeting held on June 29, 2000:

	<i>(Millions of yen)</i>
Cash dividends (¥2.5 per share)	¥1,586
Bonuses to directors and statutory auditors	50
	<u>¥1,636</u>



REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

The Board of Directors
The Bank of Fukuoka, Ltd.

We have examined the consolidated balance sheets of The Bank of Fukuoka, Ltd. and subsidiaries as of March 31, 2000 and 1999, and the related consolidated statements of income and stockholders' equity for the years then ended and the consolidated statement of cash flows for the year ended March 31, 2000, all expressed in yen. Our examinations were made in accordance with auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated financial statements, expressed in yen, present fairly the consolidated financial position of The Bank of Fukuoka, Ltd. and subsidiaries at March 31, 2000 and 1999, and the consolidated results of their operations for the years then ended and their cash flows for the year ended March 31, 2000 in conformity with accounting principles and practices generally accepted in Japan applied on a consistent basis.

As described in Note 1 to the consolidated financial statements, The Bank of Fukuoka, Ltd. and subsidiaries have adopted a new accounting standard for research and development costs in the preparation of their consolidated financial statements for the year ended March 31, 2000.

The U.S. dollar amounts in the accompanying consolidated financial statements are presented solely for convenience. Our examination 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 to the consolidated financial statements.

Century Ota Shoma & Co.

Fukuoka, Japan
June 29, 2000

See Note 1 to the consolidated financial statements which explains the basis of presenting the consolidated financial statements of The Bank of Fukuoka, Ltd. and subsidiaries under Japanese accounting principles and practices.

NON-CONSOLIDATED BALANCE SHEETS

Years ended March 31, 2000 and 1999 The Bank of Fukuoka, Ltd.

	March 31,		2000 <i>(Millions of U.S. dollars) (Note 2)</i>
	2000	1999	
	<i>(Millions of yen)</i>		
Assets			
Cash and cash due from banks	¥ 263,748	¥ 201,215	\$ 2,484
Call loans	79,501	123,792	748
Bills bought <i>(Note 7)</i>	56,600	63,100	533
Monetary receivables bought	1,054	906	9
Trading assets	5,460	764	51
Money held in trust	16,500	14,500	155
Securities <i>(Notes 3 and 7)</i>	948,582	847,997	8,936
Loans and bills discounted <i>(Notes 4 and 7)</i>	4,855,752	5,120,002	45,744
Foreign exchange assets	3,469	4,232	32
Other assets <i>(Note 6)</i>	35,135	27,784	330
Premises and equipment <i>(Note 5)</i>	151,574	153,026	1,427
Deferred tax assets <i>(Note 18)</i>	42,112	32,949	396
Customers' liabilities for acceptances and guarantees <i>(Note 13)</i>	142,017	160,271	1,337
Reserve for possible loan losses	(99,223)	-	(934)
Reserve for losses on investments	(89)	-	(0)
Total assets	¥6,502,195	¥6,750,542	\$61,254
Liabilities and stockholders' equity			
Liabilities			
Deposits <i>(Note 8)</i>	¥5,718,888	¥5,729,517	\$ 53,875
Call money	23,225	44,004	218
Bills sold	-	-	-
Borrowed money	62,989	83,023	593
Foreign exchange liabilities	363	277	3
Bonds payable <i>(Note 9)</i>	21,230	-	200
Convertible bonds <i>(Note 9)</i>	47,419	50,000	446
Other liabilities <i>(Note 10)</i>	91,183	197,803	859
Reserve for possible loan losses	-	95,205	-
Reserve for retirement allowances <i>(Note 11)</i>	13,760	13,433	129
Reserve for possible losses on loans sold <i>(Note 12)</i>	3,395	3,668	31
Deferred tax liabilities on land revaluation account	40,142	40,468	378
Acceptances and guarantees <i>(Note 13)</i>	142,017	160,271	1,337
Total liabilities	6,164,615	6,417,675	58,074
Stockholders' equity			
Common stock <i>(Note 14)</i>	58,657	57,365	552
Capital surplus <i>(Note 14)</i>	36,912	35,624	347
Legal reserve <i>(Note 15)</i>	44,885	41,568	422
Land revaluation account	56,332	56,634	530
Voluntary reserve	134,220	112,220	1,264
Retained earnings	6,571	29,454	61
Total stockholders' equity	337,580	332,866	3,180
Total liabilities and stockholders' equity	¥6,502,195	¥6,750,542	\$61,254

See accompanying notes to non-consolidated financial statements.

NON-CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS

Years ended March 31, 2000 and 1999 The Bank of Fukuoka, Ltd.

	Years ended March 31,		
	2000	1999	2000
	<i>(Millions of yen)</i>		<i>(Millions of U.S. dollars) (Note 2)</i>
Income			
Income from funds under management:			
Interest on loans and bills discounted	¥114,263	¥119,170	\$1,076
Interest and dividends on securities	33,455	47,725	315
Other interest income	1,439	5,145	13
Fees and commissions	20,833	19,847	196
Trading income	9	80	0
Other operating income <i>(Note 16)</i>	1,984	9,380	18
Other income <i>(Note 16)</i>	6,805	5,841	64
Total income	178,793	207,194	1,684
Expenses			
Cost of fund-raising:			
Interest on deposits	19,069	33,564	179
Interest on borrowings	4,800	7,295	45
Other interest expenses	15,332	22,938	144
Fees and commissions	6,936	7,126	65
Trading expenses	14	1	0
Other operating expenses <i>(Note 17)</i>	5,875	5,780	55
General and administrative expenses	78,147	77,532	736
Other expenses <i>(Note 17)</i>	40,047	42,671	377
Total expenses	170,228	196,913	1,603
Income before income taxes	8,565	10,280	80
Provision for income taxes <i>(Note 18)</i> :			
Current	12,700	14,236	119
Deferred	(9,424)	(8,493)	(88)
Net income <i>(Note 19)</i>	5,290	4,537	49
Retained earnings at beginning of year	29,454	4,241	277
Prior period adjustment for adoption of tax-effect accounting	-	24,455	-
Transfer from land revaluation account	366	-	3
Appropriations			
Legal reserve	3,317	630	31
Voluntary reserve	22,000	-	207
Dividends	3,161	3,150	29
Bonuses to directors and statutory auditors	60	-	0
Total	28,538	3,780	268
Retained earnings at end of year <i>(Note 21)</i>	¥ 6,571	¥ 29,454	\$ 61

See accompanying notes to non-consolidated financial statements.



NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

Years ended March 31, 2000 and 1999 The Bank of Fukuoka, Ltd.

1. Summary of Significant Accounting Policies

a. Basis of Presentation

The accompanying non-consolidated financial statements of The Bank of Fukuoka, Ltd. (“the Bank”) have been compiled from the non-consolidated financial statements prepared by the Bank as required under the Securities and Exchange Law of Japan and have been prepared in accordance with accounting principles and practices generally accepted in Japan, which may differ in certain material respects from accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

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

b. Accounting Policies

The accompanying non-consolidated financial statements of the Bank have been prepared on the basis of the same accounting policies as those discussed in Note 1 to the consolidated financial statements. Accordingly, the accompanying non-consolidated financial statements should be read in conjunction with the notes to the consolidated financial statements.

c. New Accounting Standard

A new accounting standard for research and development costs became effective the fiscal year ended March 31, 2000. In this connection, the Bank changed its method of accounting for computer software to capitalizing certain development costs for software intended for internal use instead of charging them to income as incurred. Such capitalized software costs are amortized over a period of five years on a straight-line basis. The effect of this change was to increase income before income taxes by ¥1,313 million for the year ended March 31, 2000.

2. U.S. Dollar Amounts

Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The rate of ¥106.15 = US\$1.00, the approximate rate of exchange on March 31, 2000, 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, 2000 and 1999 were as follows:

	<i>(Millions of yen)</i>	
	2000	1999
National government bonds	¥420,107	¥280,530
Local government bonds	25,097	216
Corporate bonds	157,650	167,223
Share stocks	88,143	91,518
Other securities	257,583	308,507
Total	¥948,582	¥847,997

4. Loans and Bills Discounted

Loans and bills discounted at March 31, 2000 and 1999 consisted of the following:

	<i>(Millions of yen)</i>	
	2000	1999
Bills discounted	¥ 135,864	¥ 162,151
Loans on bills	783,491	919,473
Loans on deeds	3,153,649	3,183,320
Overdrafts	782,746	855,057
Total	¥4,855,752	¥5,120,002

Loans and bills discounted at March 31, 2000 and 1999 included the following loans:

	<i>(Millions of yen)</i>	
	2000	1999
Loans to borrowers in bankruptcy	¥ 33,271	¥ 51,017
Delinquent loans	142,752	32,650
Loans past due for three months or more	3,568	7,946
Restructured loans	92,472	87,032
Total	¥272,066	¥178,647

See Note 5 to the consolidated financial statements for the description of these loans.

In the year ended March 31, 2000, certain loans were placed on nonaccrual status based on the result of the Bank's self-assessment of asset quality. Consequently, the balance of loans to borrowers in bankruptcy included loans previously classified as loans past due for three months or more of ¥829 million and other accruing loans of ¥1,960 million, and the balance of delinquent loans included loans previously classified as loans past due for three months or more of ¥10,059 million, restructured loans of ¥66,110 million and other accruing loans of ¥35,957 million at March 31, 2000.

5. Premises and Equipment

Premises and equipment at March 31, 2000 and 1999 consisted of the following:

	<i>(Millions of yen)</i>	
	<u>2000</u>	<u>1999</u>
Land	¥118,109	¥117,784
Buildings	64,662	63,994
Other	33,851	35,039
Total	<u>216,623</u>	<u>216,819</u>
Accumulated depreciation	<u>(65,048)</u>	<u>(63,793)</u>
Net book value	<u>¥151,574</u>	<u>¥153,026</u>

6. Other Assets

Other assets at March 31, 2000 and 1999 consisted of the following:

	<i>(Millions of yen)</i>	
	<u>2000</u>	<u>1999</u>
Accrued income	¥13,654	¥17,260
Prepaid expenses	20	21
Other	21,460	10,502
Total	<u>¥35,135</u>	<u>¥27,784</u>

7. Pledged Assets

Assets pledged as collateral for deposits of ¥43,845 million at March 31, 2000 were as follows:

	<i>(Millions of yen)</i>
Securities	¥189,365
Loans and bills sold	14,430
Bills bought	13,000
Total	<u>¥216,795</u>

At March 31, 2000, in addition, securities totaling ¥189,157 million were pledged as collateral for settlement of exchange and other or as variation margin.

8. Deposits

A breakdown of deposits at March 31, 2000 and 1999 is as follows:

	<i>(Millions of yen)</i>	
	<u>2000</u>	<u>1999</u>
Current deposits	¥ 12,531	¥ 99,166
Ordinary deposits	1,810,444	1,589,243
Deposits at notice	88,586	104,835
Time deposits	3,238,521	3,453,006
Negotiable certificates of deposit	134,340	74,110
Other deposits	434,464	409,154
Total	<u>¥5,718,888</u>	<u>¥5,729,517</u>

9. Bonds Payable and Convertible Bonds

See Note 10 to the consolidated financial statements for the description of these bonds.

10. Other Liabilities

Other liabilities at March 31, 2000 and 1999 consisted of the following:

	<i>(Millions of yen)</i>	
	<u>2000</u>	<u>1999</u>
Domestic exchange settlement account, credit	¥ 1,998	¥ 1,885
Corporation tax	5,085	10,920
Accrued expenses	31,198	36,628
Unearned income	5,544	5,883
Employees' deposits	4,128	4,433
Deposits on securities sold	29,164	126,071
Other	14,063	11,979
Total	<u>¥91,183</u>	<u>¥197,803</u>

11. Reserve for Retirement Allowances

See Note 11 to the consolidated financial statements for the description of reserve for retirement allowances.

12. Reserve for Possible Losses on Loans Sold

See Note 12 to the consolidated financial statements for the description of reserve for possible losses on loans sold.

13. Acceptances and Guarantees

See Note 13 to the consolidated financial statements for the description of acceptances and guarantees.

14. Common Stock and Capital Surplus

Information with respect to the common stock and capital surplus of the Bank at March 31, 2000 and 1999 is as follows:

	<i>(Millions of yen)</i>	
	2000	1999
Common stock:		
Balance at beginning of year	¥57,365	¥57,365
Conversion of convertible bonds	1,292	-
Balance at end of year	<u>¥58,657</u>	<u>¥57,365</u>
(Shares issued and outstanding at end of year)	(634,744 thousand shares)	(630,127 thousand shares)
Capital surplus:		
Balance at beginning of year	¥35,624	¥35,624
Conversion of convertible bonds	1,288	-
Balance at end of year	<u>¥36,912</u>	<u>¥35,624</u>

The authorized number of shares of common stock was 1.8 billion shares at March 31, 2000 and 1999 with a par value of ¥50 per share.

15. Legal Reserve

Under the Banking Law of Japan, an amount equivalent to at least 20% of cash dividends and other cash appropriations of retained earnings shall be appropriated to the legal reserve from the retained earnings until such reserve equals 100% of stated capital. This reserve is not available for dividends but may be used to reduce a deficit or may be transferred to capital.

16. Other Operating Income and Other Income

The composition of other operating income for the years ended March 31, 2000 and 1999 was as follows:

	<i>(Millions of yen)</i>	
	2000	1999
Other operating income:		
Gains on foreign exchange transactions	¥ 456	¥ 673
Gains on sales of bonds	1,320	8,440
Gains on redemption of bonds	172	210
Other	35	56
Total	<u>¥ 1,984</u>	<u>¥9,380</u>

The components of other income for the years ended March 31, 2000 and 1999 were as follows:

	<i>(Millions of yen)</i>	
	2000	1999
Other income:		
Gains on sales of stocks and other securities	¥4,142	¥3,652
Gains on money held in trust	219	213
Gains on dispositions of premises and equipment	172	353
Collection of written-off claims	490	5
Others	1,780	1,618
Total	¥6,805	¥5,841

17. Other Operating Expenses and Other Expenses

The composition of other operating expenses for the years ended March 31, 2000 and 1999 was as follows:

	<i>(Millions of yen)</i>	
	2000	1999
Other operating expenses:		
Losses on sales of bonds	¥1,092	¥1,678
Losses on redemption of bonds	3,773	3,127
Others	1,010	974
Total	¥5,875	¥5,780

The components of other expenses for the years ended March 31, 2000 and 1999 were as follows:

	<i>(Millions of yen)</i>	
	2000	1999
Other expenses:		
Transfer to reserve for possible loan losses	¥33,549	¥23,261
Loans written off	7	556
Transfer to reserve for possible losses on loans sold	547	558
Losses on sales of stocks and other securities	125	2,696
Losses on devaluation of stocks and securities	1,154	4,677
Losses on money held in trust	20	7
Losses on sales and disposal of premises and equipment	763	1,016
Losses on sales of loans collateralized by real estate to the Cooperative Credit Purchasing Company, Limited	-	1,015
Others	3,878	8,882
Total	¥40,047	¥42,671

18. Income Taxes

Income taxes applicable to the Bank comprise corporation tax, inhabitants' taxes and enterprise tax which, in the aggregate, resulted in statutory tax rates of 41.6% and 47.2% for 2000 and 1999, respectively.

The effective tax rates reflected in the non-consolidated statements of income and retained earnings for the years ended March 31, 2000 and 1999 differ from the statutory tax rates for the following reasons:

	<u>2000</u>	<u>1999</u>
Statutory tax rates	41.6%	47.2%
Effect of:		
Tax rate changes on deferred taxes	-	11.1
Expenses not deductible for income tax purposes	2.8	2.8
Dividend income deductible for income tax purposes	(6.0)	(5.7)
Other, net	(0.2)	0.3
Effective tax rates	38.2%	55.8%

The significant components of the Bank's deferred tax assets and liabilities as of March 31, 2000 and 1999 were as follows:

	<i>(Millions of yen)</i>	
	<u>2000</u>	<u>1999</u>
Deferred tax assets:		
Reserve for possible loan losses	¥31,725	¥22,267
Reserve for retirement allowances	3,836	3,527
Other	6,675	7,154
Valuation allowance for deferred tax assets	-	-
	<u>42,238</u>	<u>32,949</u>
Deferred tax liabilities:		
Reserve for special depreciation	126	-
Net deferred tax assets	<u>¥42,112</u>	<u>¥32,949</u>

On March 30, 2000, the "Ordinance Regarding the Imposition of Enterprise Taxes through External Standards Taxation on Banks in Tokyo" was passed by the Tokyo Metropolitan Assembly and was made law. Under this legislation, the Tokyo metropolitan enterprise tax is levied on total gross operating profit rather than net income effective the year beginning April 1, 2000. Because the new enterprise tax is not regarded as a tax subject to deferred tax accounting, the Bank's effective statutory tax rate will decrease. As a result of this change, deferred tax assets at March 31, 2000 decreased by ¥68 million and provision for income taxes, deferred for the year ended March 31, 2000 increased by the same amount. Also, deferred tax liabilities on the land revaluation account decreased by ¥64 million and the land revaluation account increased by the same amount at March 31, 2000.

19. Net Income per Share

Net income per share for the years ended March 31, 2000 and 1999 was as follows:

	<i>(Yen)</i>	
	<u>2000</u>	<u>1999</u>
Net income:		
Basic	¥8.35	¥7.20
Diluted	7.80	6.75

Basic net income per share is computed based on the weighted average number of shares of common stock outstanding during the year. Diluted net income per share is computed based on the weighted average number of shares of common stock outstanding each year after giving effect to the dilutive potential of common shares to be issued upon the conversion of convertible bonds.

20. Leases

The following pro forma amounts represent the acquisition costs, accumulated depreciation and net book value of leased assets as of March 31, 2000 and 1999 which would have been reflected in the non-consolidated balance sheets if finance lease accounting had been applied to the finance lease transactions currently accounted for as operating leases:

	<i>(Millions of yen)</i>	
	<u>2000</u>	<u>1999</u>
Equipment:		
Acquisition costs	¥13,418	¥12,596
Accumulated depreciation	5,058	4,338
Net book value	<u>¥ 8,359</u>	<u>¥ 8,258</u>

Lease payments relating to finance lease transactions accounted for as operating leases amounted to ¥2,930 million and ¥2,442 million for the years ended March 31, 2000 and 1999, respectively. The depreciation expense of the leased assets computed by the straight-line method over the respective lease terms and the interest expense portion included in the lease payments amounted to ¥2,199 million and ¥615 million, respectively, for the year ended March 31, 2000, and ¥1,879 million and ¥582 million, respectively, for the year ended March 31, 1999.

Future minimum lease payments subsequent to March 31, 2000 for finance lease transactions accounted for as operating leases are summarized as follows:

<u>Year ending March 31,</u>	<u><i>(Millions of yen)</i></u>
2001	¥2,365
2002 and thereafter	6,503
Total	<u>¥8,868</u>



21. Subsequent Event

The following appropriation of retained earnings, which has not been reflected in the non-consolidated financial statements for the year ended March 31, 2000, was approved at a stockholders' meeting held on June 29, 2000:

	<u>(Millions of yen)</u>
Transfer to legal reserve	¥1,000
Cash dividends (¥2.50 per share)	1,586
Bonuses to directors and statutory auditors	50
Reserve for special depreciation	176
Transfer to voluntary reserve	<u>1,000</u>
Total	<u>¥3,813</u>



REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

The Board of Directors
The Bank of Fukuoka, Ltd.

We have examined the non-consolidated balance sheets of The Bank of Fukuoka, Ltd. as of March 31, 2000 and 1999, and the related non-consolidated statements of income and retained earnings for the years then ended, all expressed in yen. Our examinations were made in accordance with auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying non-consolidated financial statements, expressed in yen, present fairly the financial position of The Bank of Fukuoka, Ltd. at March 31, 2000 and 1999, and the results of its operations for the years then ended in conformity with accounting principles and practices generally accepted in Japan applied on a consistent basis.

As described in Note 1 to the non-consolidated financial statements, The Bank of Fukuoka, Ltd. has adopted a new accounting standard for research and development costs in the preparation of its non-consolidated financial statements for the year ended March 31, 2000.

The U.S. dollar amounts in the accompanying non-consolidated financial statements are presented solely for convenience. Our examination 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 to the non-consolidated financial statements.

Century Ota Showa & Co.

Fukuoka, Japan
June 29, 2000

See Note 1 to the non-consolidated financial statements which explains the basis of presenting the non-consolidated financial statements of The Bank of Fukuoka, Ltd. under Japanese accounting principles and practices.

COMPANY DATA

Board of Directors and Auditors

Chairman

Ryoji Tsukuda

President

Kiyoshi Teramoto

Deputy Presidents

Setsuya Yukimasa

Masaaki Tani

Managing Directors

Yoshiji Okamoto

Masatoshi Tanaka

Akira Kawata

Isamu Ueda

Kazunori Shibuta

Kazuo Oniki

Directors

Hirosato Akiyama

Seiji Yamauchi

Tadahiro Yoshida

Osamu Suematsu

Yoshiyuki Terahara

Azuma Yoshioka

Kazutoshi Nakamura

Yukuo Osada

Masazumi Tsuru

Standing Auditors

Yukio Migita

Kimio Hiramoto

Junichirou Kotabe

Auditors

Seiji Yoshida

Hiroo Nagano

(As of July 2000)

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Trade & Foreign Business Operations Center

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Phone: 21-6219-4570 Fax: 21-6219-5614

Dalian Representative Office

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Dalian, P.R.C.
Phone: 411-282-3643 Fax: 411-282-3644

Number of Offices

Domestic:	
Fukuoka Prefecture	158
Other districts	17
International:	
Hong Kong/Seoul/Shanghai/Dalian	4
Total	179

(As of July 2000)