
Financial Highlights for the First Quarter of Fiscal Year 2019



Kansai Mirai Bank, Limited



MINATO BANK

August 9, 2019

(Note) Please note this report contains forward-looking statements which may be affected due to various factor in the future. Amount stated in this report are rounded down to the nearest unit.

Outline of Financial Results for the 1Q of FY 2019

■ Net income attributable to owners of parent : JPY2.0 bn

Down JPY58.1 bn, YoY

Progress rate against the full year target*1 : 16.6%

(Progress rate against 1H target*1 : 41.5%)

- Absence of gain from negative goodwill posted in FY'18 : Down JPY56.6 bn, YoY
- Down JPY1.5 bn, or 42.1%, YoY, if above factor is excluded
- Integration-related cost : Increase JPY1.8 bn, YoY

■ Gross operating profit : JPY34.7 bn

Down JPY1.6bn, or 4.6%, YoY

Increase in net gains on bonds partially made up for decrease in net interest income from loans and deposits, interest and dividends on securities and fees and commission income.

- Net interest income from domestic loans and deposits : Down JPY0.7 bn, YoY
Average loan balance +2.75%, Loan-to-deposit spread (0.06)%

■ Operating expenses : JPY28.3 bn

Decreased JPY1.4 bn, or 4.9%, YoY (improved)

■ Actual net operating profit : JPY6.4 bn

Down JPY0.2 bn, or 3.4%, YoY

Decrease in gross operating profits was mostly offset by strict control of operating expenses

■ Credit related expenses, net : JPY0.7 bn (cost)

Increased JPY0.1 bn, YoY

In line with the plan against the full year target of JPY5.5 bn

	Kansai Mirai FG Consolidated (JPY bn)	1Q of FY2019	
		YoY change	%
Net income attributable to owners of parent	(1)	2.0	(58.1) (96.5)%
(excluding Gain from negative goodwill)		2.0	(1.5) (42.1)%
Gross operating profit	(2)	34.7	(1.6) (4.6)%
Net interest income	(3)	26.5	(2.0)
Fees and commission income	(4)	6.0	(0.8)
Other operating income	(5)	2.1	+1.1
Net gains/(losses) on bonds	(6)	1.5	+1.4
Operating expenses (excluding group banks' non-recurring items)	(7)	(28.3)	+1.4 +4.9%
OHR	(8)	81.5%	(0.2)% (improved)
Actual net operating profit (2+7)	(9)	6.4	(0.2) (3.4)%
Net gains/(losses) on stocks	(10)	(0.0)	(0.6)
Credit related expenses, net	(11)	(0.7)	(0.1)
Other gains/(losses), net	(12)	(2.4)	(1.1)
Ordinary profits	(13)	3.2	(2.1) (40.2)%
Extraordinary gains/(losses)	(14)	(0.1)	(56.6)
Gain from negative goodwill	(15)	—	(56.6)
Income before income taxes	(16)	3.1	(58.8) (94.9)%

*1. Target of net income attributable to owners of parent for FY2019
Full year: JPY12.5 bn , 1H: JPY5.0 bn

*2. Negative figures represent items that would reduce net income

Breakdown of Financial Results for the 1Q of FY 2019

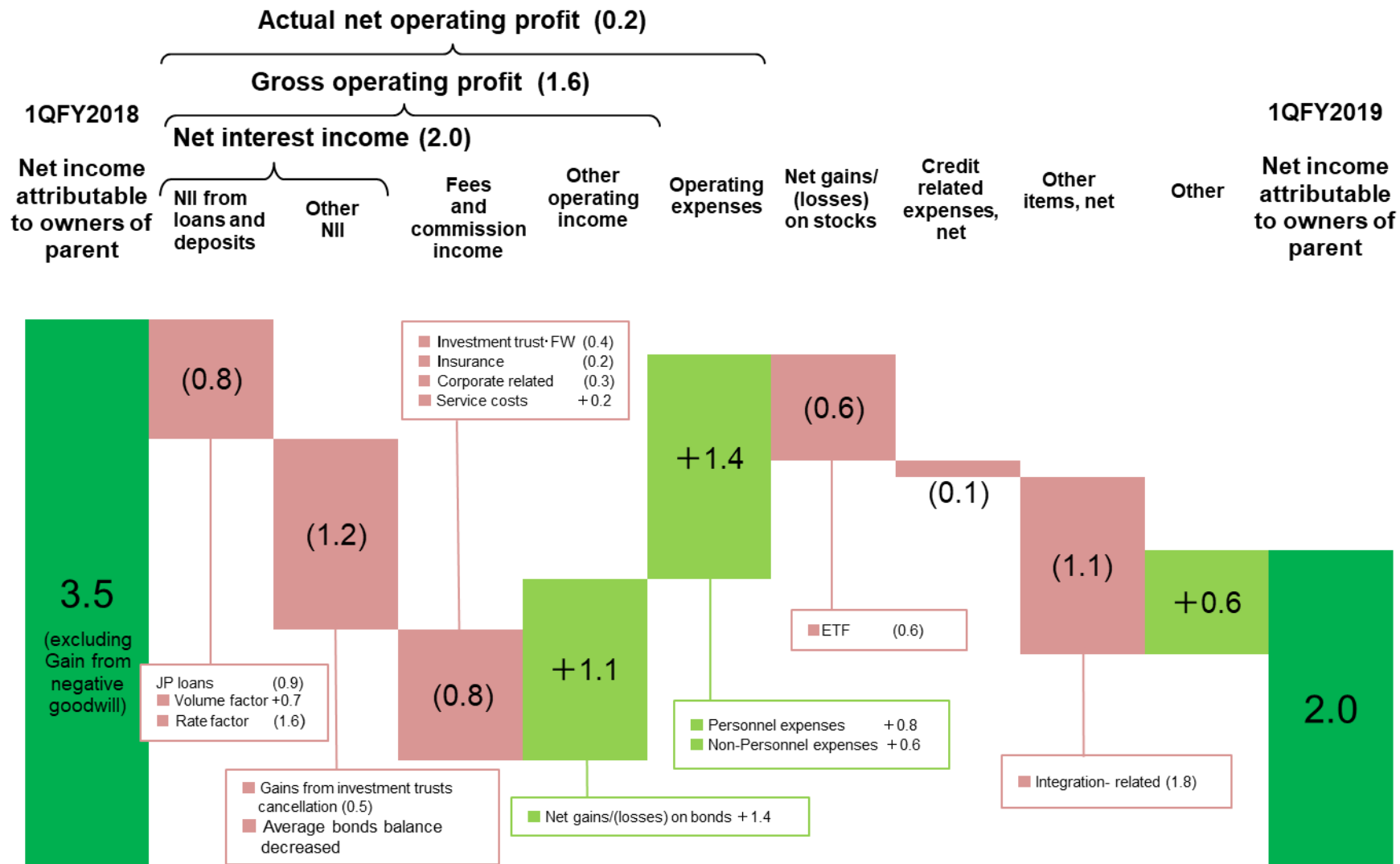
(JPY bn)	Kansai Mirai FG (Consolidated) (A)		Total of two group banks (Non-consolidated) (B)		Kansai Mirai		Minato		Difference (A)-(B)	
		YoY change		YoY change(*1)						YoY change
Gross operating profit (1)	34.7	(1.6)	32.5	(1.1)	23.1	9.4	2.1	(0.5)	2.1	(0.5)
Net interest income (2)	26.5	(2.0)	26.3	(2.3)	19.1	7.1	0.1	+0.3	0.1	+0.3
Fees and commission income (3)	6.0	(0.8)	4.0	(0.3)	2.2	1.7	1.9	(0.4)	1.9	(0.4)
Other operating income (4)	2.1	+1.1	2.0	+1.5	1.6	0.4	0.0	(0.3)	0.0	(0.3)
Net gains/(losses) on bonds (5)	1.5	+1.4	1.7	+1.8	1.3	0.3	(0.1)	(0.3)	(0.1)	(0.3)
Operating expenses (excluding group banks' non-recurring items) (6)	(28.3)	+1.4	*2 (27.3)	+1.2	*2 (18.8)	(8.5)	(0.9)	+0.2	(0.9)	+0.2
OHR (7)	81.5%	(improved) (0.2)%	84.1%	(improved) (0.8)%	81.3%	91.0%				
Actual net operating profit (8)	6.4	(0.2)	5.1	+0.1	4.3	0.8	1.2	(0.3)	1.2	(0.3)
Net gains/(losses) on stocks (9)	(0.0)	(0.6)	(0.0)	(0.5)	(0.0)	(0.0)	0.0	(0.1)	0.0	(0.1)
Credit related expenses, net (10)	(0.7)	(0.1)	(0.1)	(0.9)	(0.0)	(0.0)	(0.5)	+0.8	(0.5)	+0.8
Other gains/(losses), net (11)	(2.4)	(1.1)	(2.6)	(1.1)	(2.7)	0.0	0.2	+0.0	0.2	+0.0
Ordinary profits (12)	3.2	(2.1)	2.2	(2.5)	1.5	0.7	0.9	+0.4	0.9	+0.4
Extraordinary gains/(losses) (13)	(0.1)	(56.6)	(0.1)	(0.3)	(0.1)	(0.0)	(0.0)	(56.3)	(0.0)	(56.3)
Gain from negative goodwill (14)	—	(56.6)	—	—	—	—	—	(56.6)	—	(56.6)
Income before income taxes (and noncontrolling interests) (15)	3.1	(58.8)	2.1	(2.9)	1.4	0.7	0.9	(55.9)	0.9	(55.9)
Net income (attributable to owners of parent) (16)	2.0	(58.1)	1.5	(2.3)	1.0	0.5	0.5	(55.8)	0.5	(55.8)

*1. "Simple total of two group banks' non-consolidated (1Q of FY 2019)" — "Simple total of three group banks' non-consolidated (1Q of FY 2018)"

*2. Exclude JPY0.1bn of goodwill amortization by Kansai Mirai related to acquisition of former Biwako Bank

Factors for the Changes in Periodic Profits

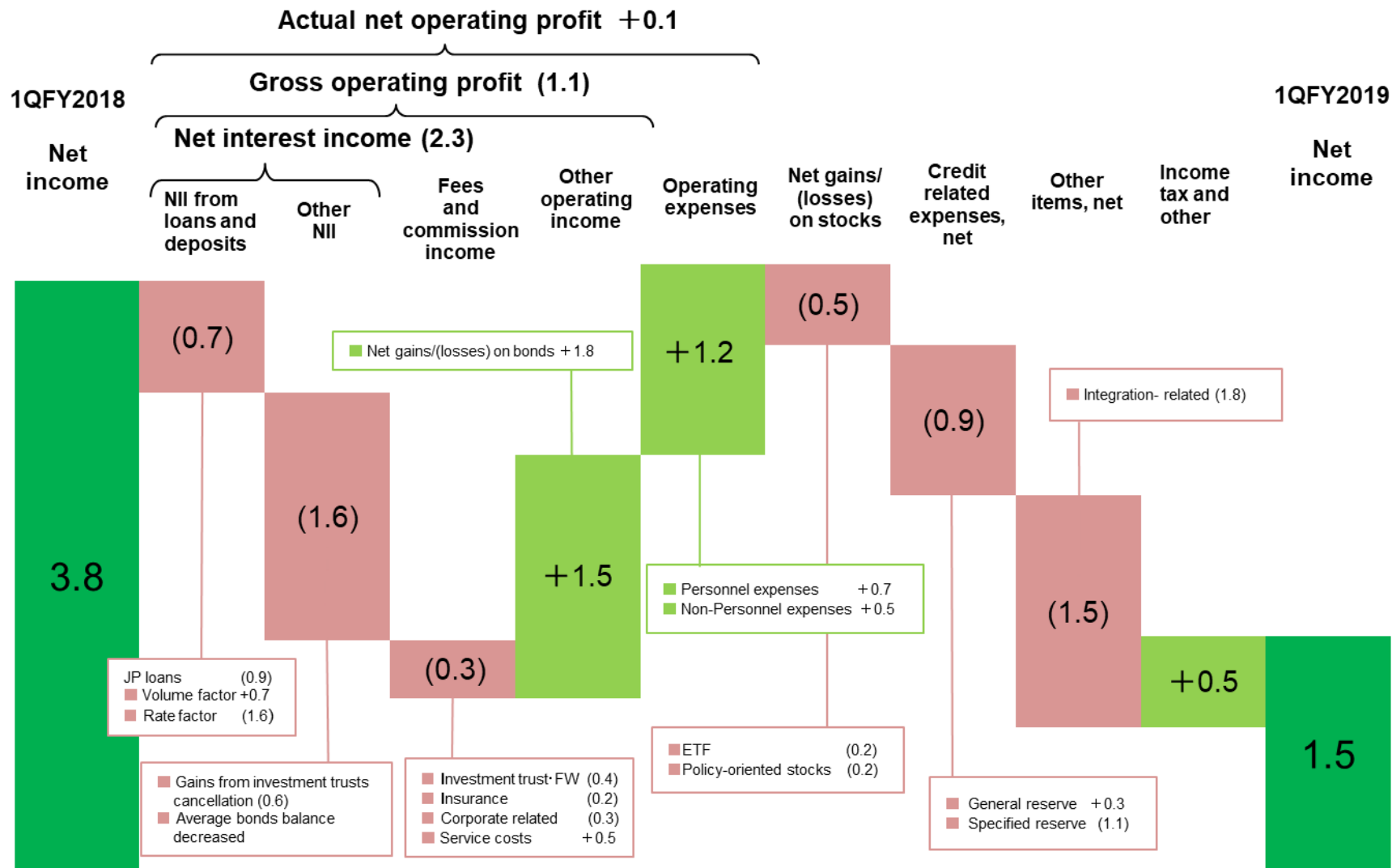
(JPY bn)



Factors for the Changes in Periodic Profits

Total of group banks

(JPY bn)



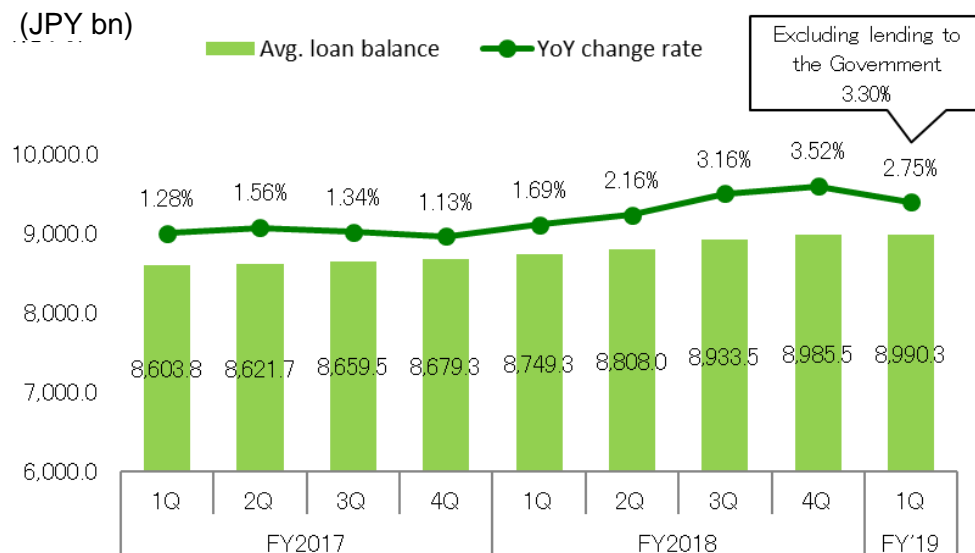
Trend of Loans and Deposits (Domestic*)

Total of group banks

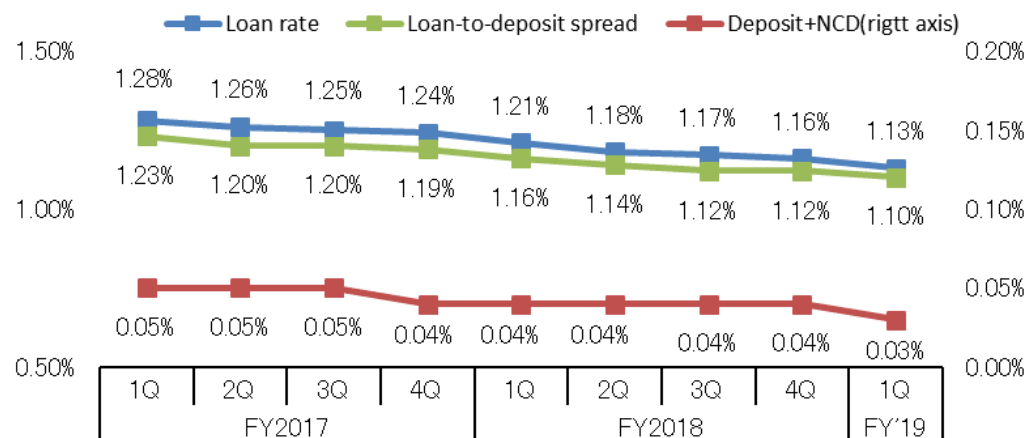
Average loan / deposit balance, rates and spread

(JPY bn)		FY2019			
		1Q		FY2019	
		Act.	YoY	Plan	YoY
Loans	Avg. Bal. (1)	8,990.3	+2.75%	9,164.4	+295.6 (+3.33%)
	Rate (2)	1.13%	(0.07)%	1.13%	(0.05)%
	Income (3)	25.5	(0.9)	103.7	(1.2)
Deposits (including NCDs)	Avg. Bal. (4)	10,886.3	+0.44%	11,018.5	+119.8 (+1.09%)
	Rate (5)	0.03%	(0.00)%	0.04%	(0.00)%
	Cost (6)	(1.0)	+0.2	(4.4)	+0.3
Loan-to-deposit	Spread (7)	1.10%	(0.06)%	1.09%	(0.04)%
	Net interest income (8)	24.4	(0.7)	99.2	(0.9)

Average loan balance, YoY change rate



Loan to deposit rate and spread



* Excluding loans and deposits denominated in foreign currencies, etc.

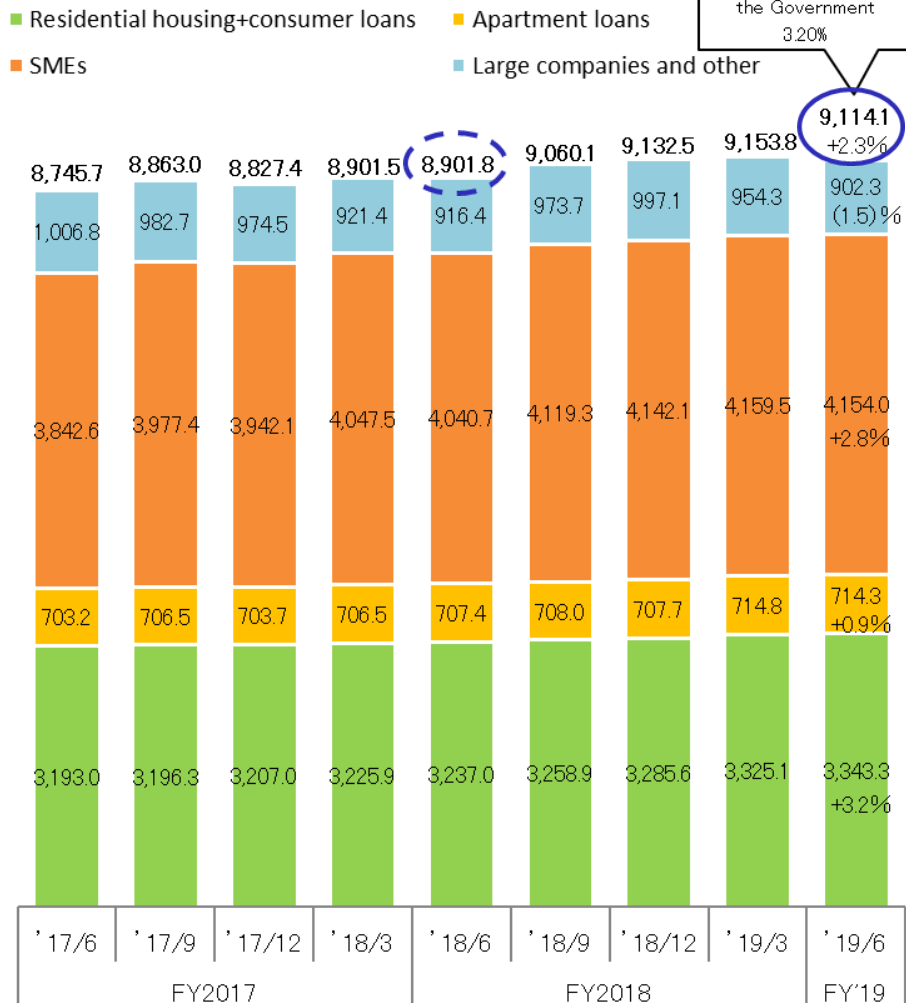
Term-end Balance of Loans and Deposits

Total of group banks

Term-end loan balance (all locations*1)

(JPY bn, % represents YoY change)

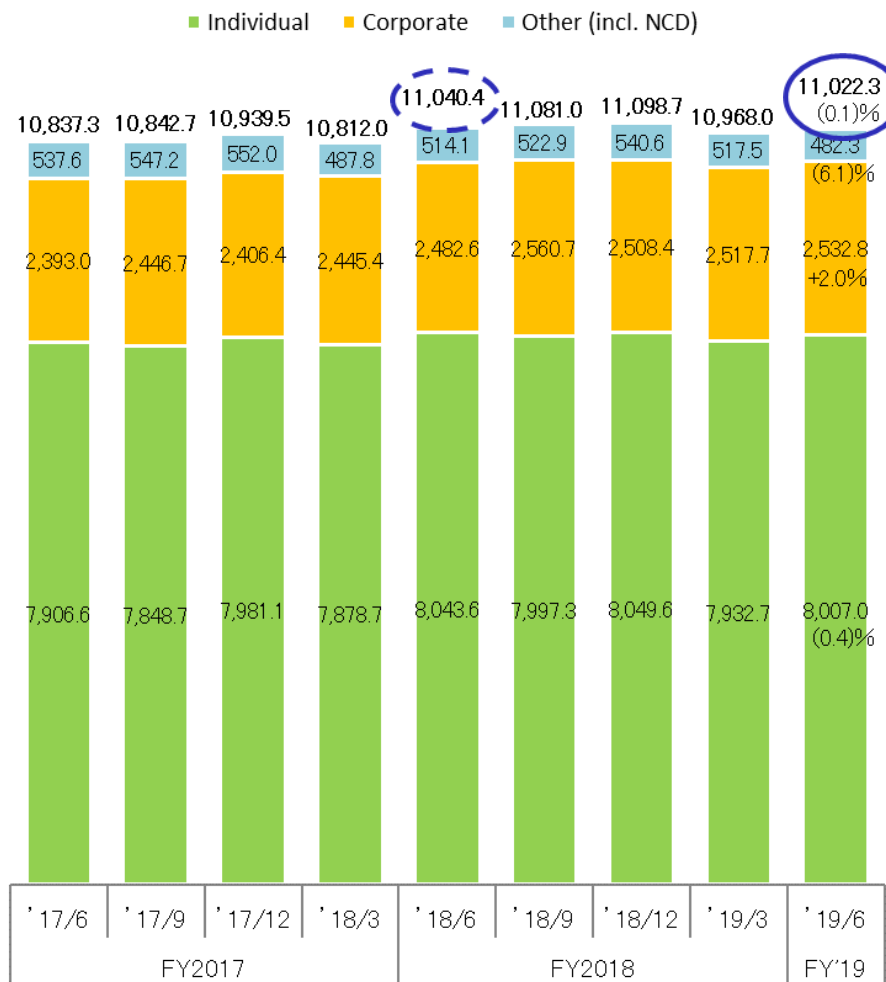
*1.All loans, including which denominated in foreign currencies, etc.



Term-end deposit balance (all locations*2)

(JPY bn, % represents YoY change)

*2.All deposits, including which denominated in foreign currencies, etc.



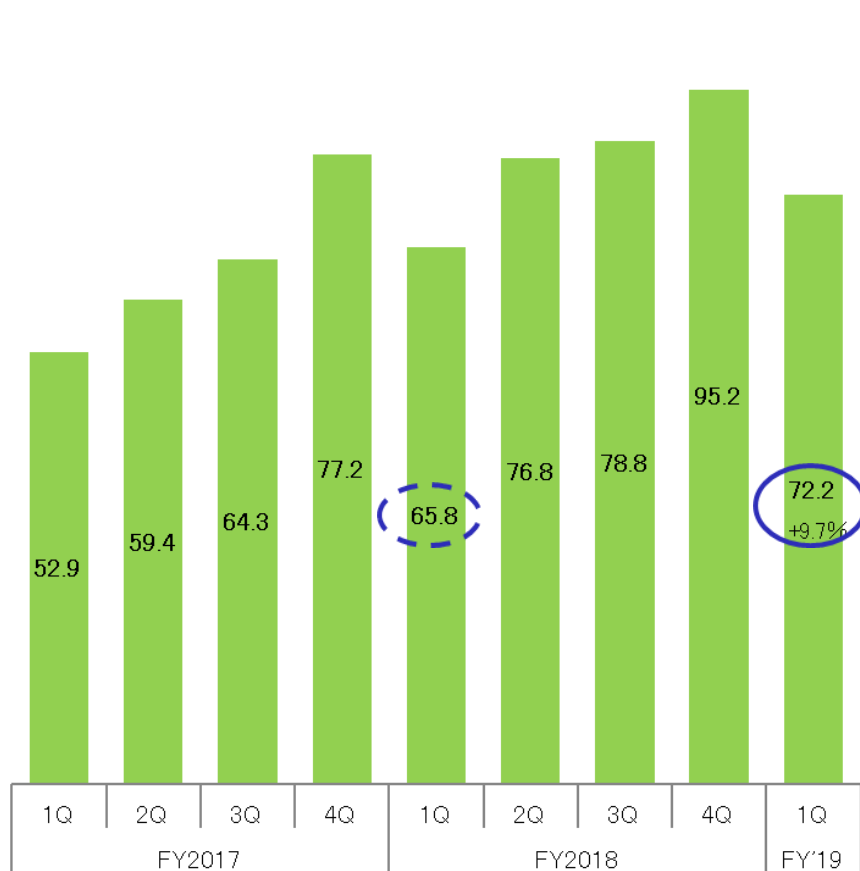
Housing Loan Business

Total of group banks

Residential housing loan origination

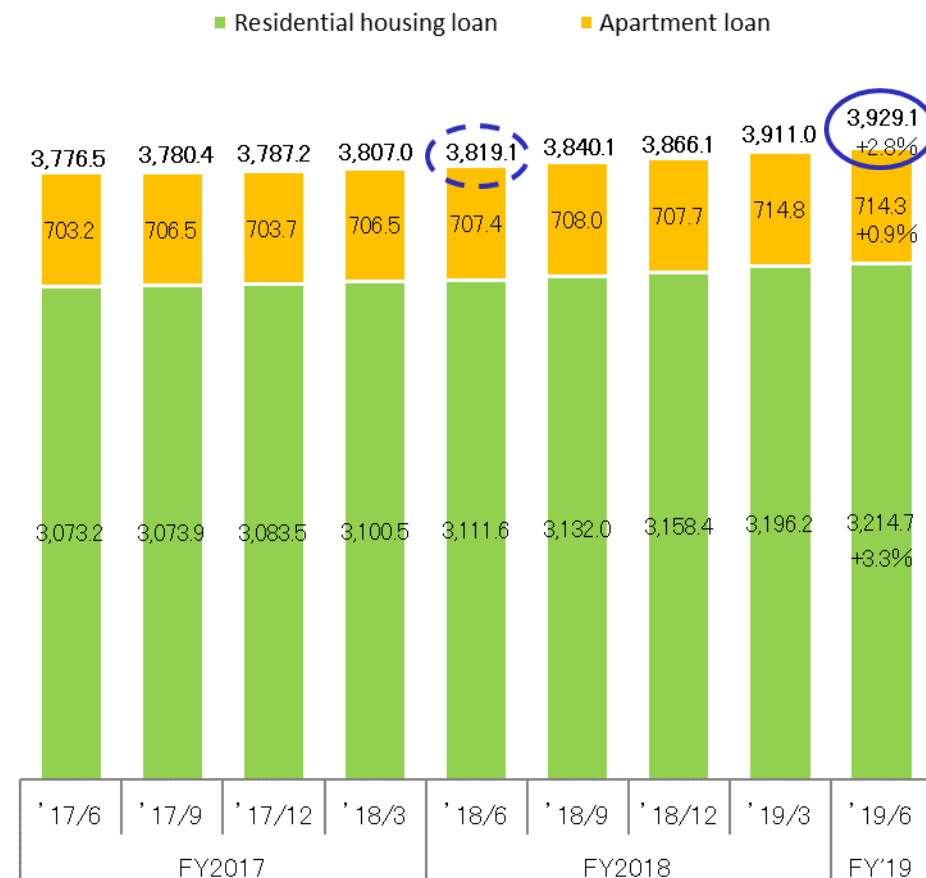
(JPY bn, % represents YoY change)

(including Flat)



Term-end housing loan balance

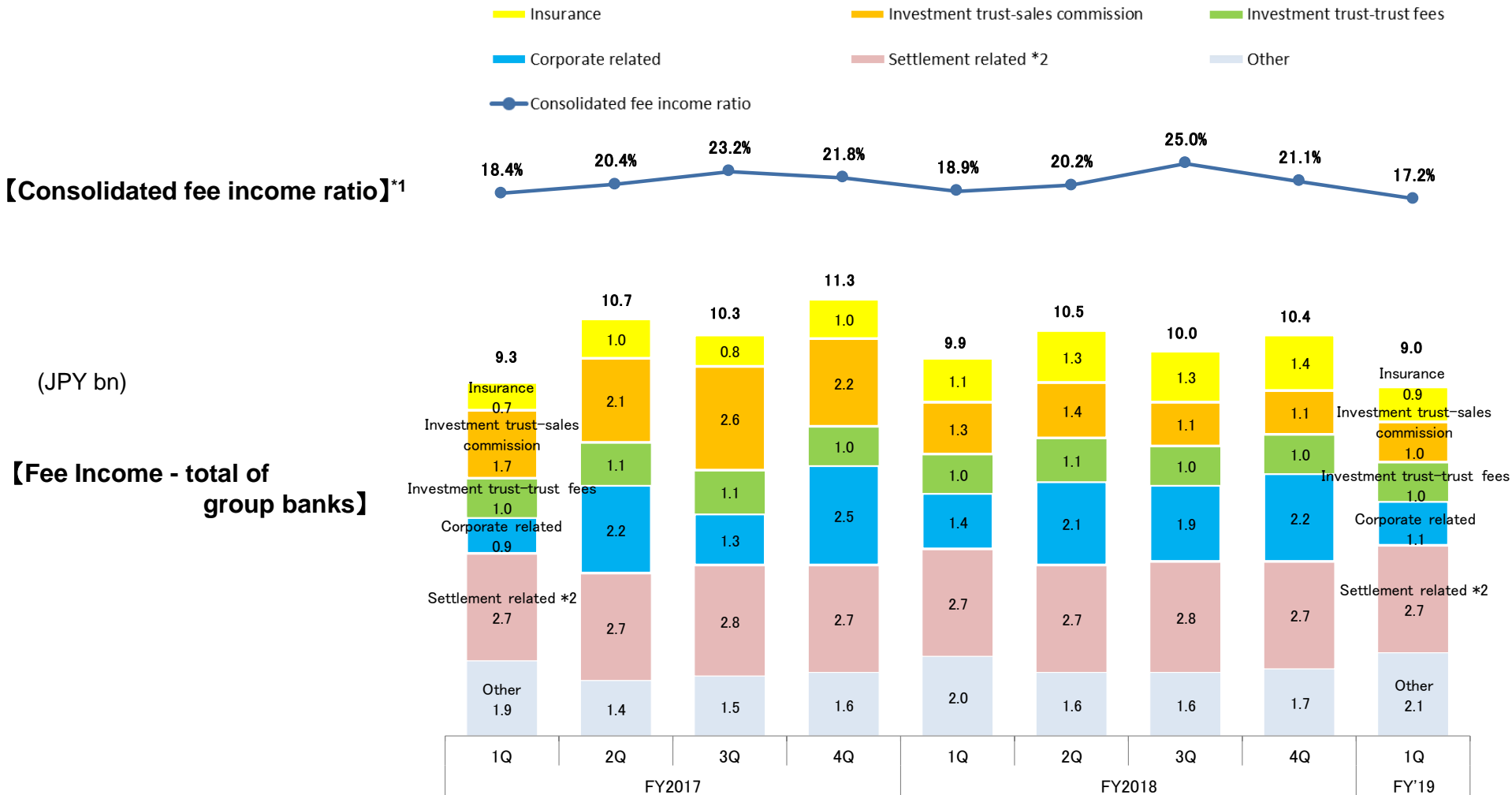
(JPY bn, % represents YoY change)



Trend of Fee Income

Total of group banks

Consolidated fee income ratio at 17.2 % for the 1Q of FY 2019



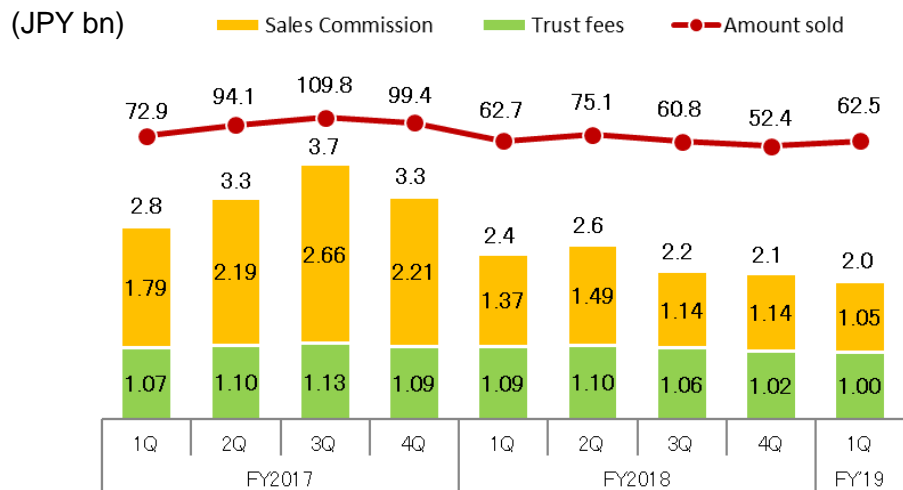
*1. Fees and commission income / Consolidated gross operating profit

*2. Fees and commission from domestic exchange, account transfer, EB, VISA debit card

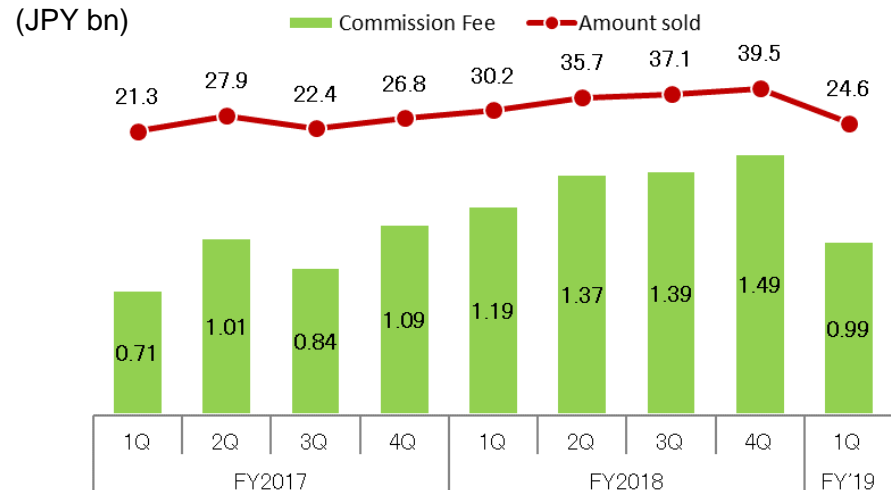
Asset Formation Support Business

Total of group banks

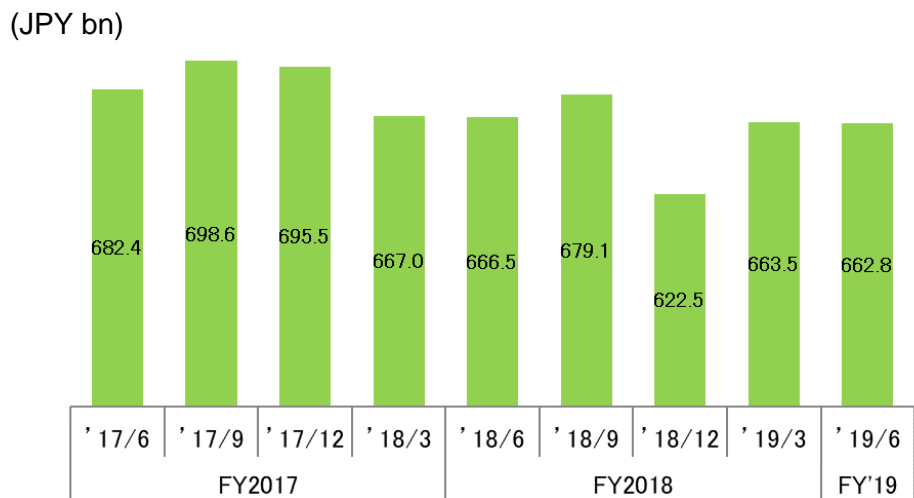
Investment trust and fund wrap



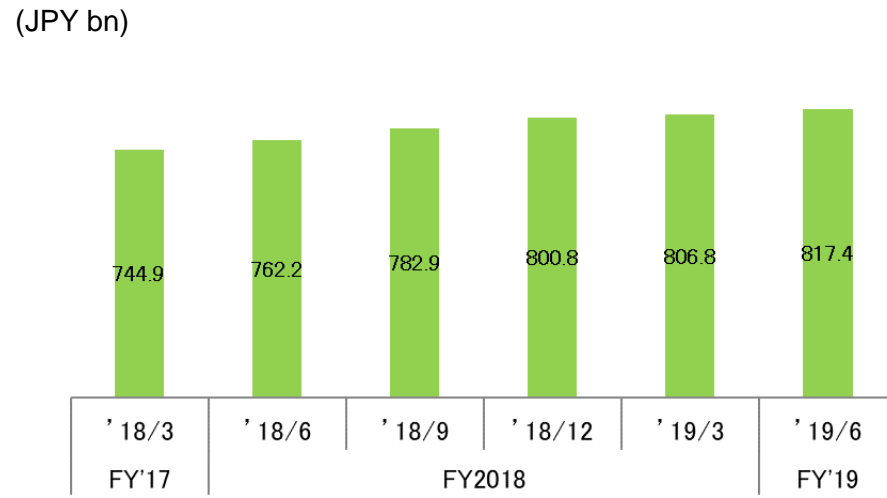
Insurance



Balance of investment trust and fund wrap for individuals



Insurance Balance



Trend of credit costs

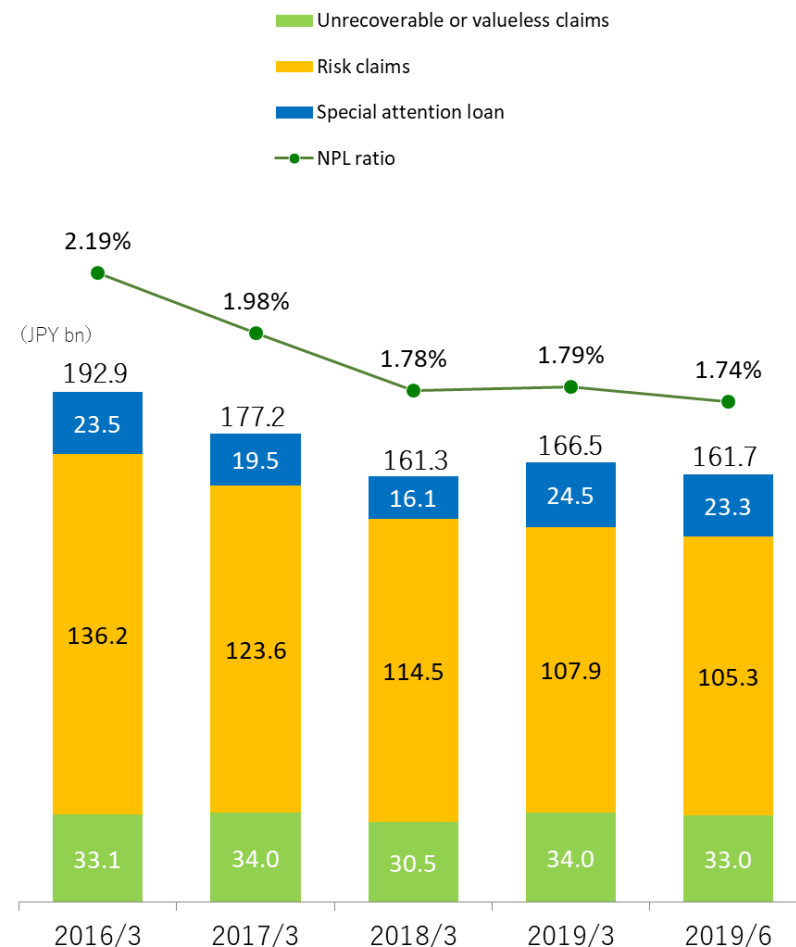
(JPY bn)	FY2017 Act (reference)*1	FY2018		FY2019	
		1Q Act	Act	1Q Act	Plan
Net credit cost (FG Consolidated) (1)	(2.9)	(0.6)	(5.0)	(0.7)	
Net credit cost (Total of group banks) (2)	(1.1)	0.8	(4.1)	(0.1)	(5.5)
General reserve (3)	3.0	(0.3)	(1.4)	(0.0)	
Specified reserve and other items (4)	(4.2)	1.2	(2.6)	(0.1)	
New bankruptcy, downward migration (5)	(8.8)	(2.1)	(8.7)	(0.8)	
Collection/ upward migration (6)	4.6	3.3	6.0	0.7	
Difference (Total of consolidated group banks - (2)) (7)	(1.7)	(1.4)	(0.9)	(0.5)	
HL, guarantee subsidiaries (8)	(0.9)	(1.1)	(0.5)	(0.5)	
HL, Credit card company (9)	(0.1)	(0.0)	(0.1)	(0.0)	
<Credit cost ratio>		(Unit:bps)			
Total of consolidated group banks *2 (10)	(3.3)	(0.6)	(5.6)	(0.7)	
Total of group banks *3 (11)	(1.3)	0.9	(4.5)	(0.1)	

(Note) Positive figures represent reversal gains

- *1. Figures are adjusted to reflect the KMFG integration.
- *2. Credit cost / (Loans and bills discounted + acceptances and guarantees)
(Simple average of the balances at the beginning and end of the term)
- *3. Credit cost / total credits defined under the Financial Reconstruction Act
(Simple average of the balances at the beginning and end of the term)
- *4. Some figures of FY2017 are stated in accordance with a standard
applied for FY2018.

Trend of NPL balance and ratio

(Financial Reconstruction Act criteria)



Securities

(JPY bn)	2018/3	2019/3	2019/6	Unrealized gain/(loss)
Available-for-sale securities *1 (1)	1,046.0	781.8	694.8	28.7
Stocks (2)	25.6	21.8	21.8	24.6
Bonds (3)	771.2	603.7	534.5	2.1
JGBs (4)	115.8	35.9	39.6	0.3
Average duration (years) (5)	4.3	3.3	5.6	-
Basis point value (BPV) (6)	(0.04)	(0.01)	(0.02)	-
Local government bonds and Corporate bonds (7)	655.4	567.8	494.8	1.8
Other (8)	249.1	156.2	138.4	1.8
Foreign bonds (9)	92.1	32.3	21.2	0.7
Average duration (years) (10)	7.7	7.2	6.9	-
Bases point value (BPV) (11)	(0.06)	(0.02)	(0.01)	-
Net unrealized gains/(losses) (12)	33.4	31.0	28.7	
Bonds held to maturity *2 (13)	217.3	207.6	205.7	5.3
JGBs (14)	124.1	111.9	112.1	2.6
Net unrealized gains/(losses) (15)	3.3	4.6	5.3	

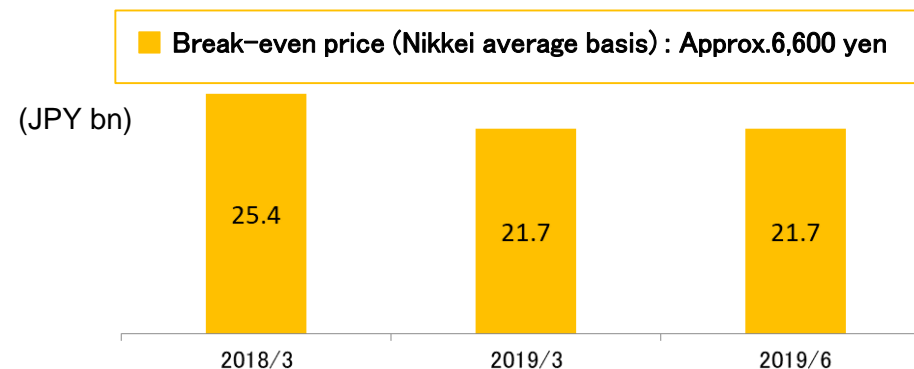
*1.Acquisition cost basis, marketable securities

*2.Consolidated BS amount basis, marketable securities

Unrealized gains or losses

(JPY bn)	2018/3	2019/3	2019/6
Bonds + Others (1)+(2)	(4.0)	3.6	4.0
Bonds (1)	1.5	2.0	2.1
Others (2)	(5.5)	1.6	1.8
Foreign bonds (3)	(3.6)	0.5	0.7
Investment trusts, REIT (4)	(0.5)	0.8	0.7
ETF (5)	(1.6)	(0.1)	(0.1)
Others (6)	0.2	0.5	0.5

Status of policy-oriented stocks*3 held



*3.Acquisition cost basis, marketable securities

Capital Adequacy Ratio

FG
Consolidated

Capital Adequacy Ratio (Domestic standard – FG Consolidated)

(JPY bn)	2019/3 Actual	2019/6 Actual*1	Change
Consolidated capital adequacy ratio (1)	6.86%	8.08%	+1.22%
Total Capital (2)	462.0	458.9	(3.0)
Core Capital:instruments and reserves (3)	481.6	471.8	(9.7)
Capital stock and surplus (4)	462.9	464.9	+2.0
Subordinated loans (5)	6.0	5.7	(0.2)
Eligible provisions (6)	19.5	7.6	(11.9)
Core Capital:regulatory adjustments (7)	19.6	12.9	(6.6)
Risk weighted assets (8)	6,727.4	5,675.0	(1,052.4)
Credit risk weighted assets (*) (9)	6,475.6	5,422.6	(1,053.0)
Amount equivalent to market risk / 8% (10)	5.2	5.7	+0.5
Amount equivalent to operational risk / 8% (11)	246.6	246.6	—

<Reference> Group banks (Consolidated)

	Kansai Mirai	Minato
Consolidated capital adequacy ratio	9.15%	6.75%
Total Capital	355.3	136.5
Core Capital:instruments and reserves	371.4	141.6
Capital stock and surplus	360.1	132.7
Subordinated loans	4.0	1.7
Eligible provisions	16.3	6.3
Core Capital:regulatory adjustments	16.1	5.0
Risk weighted assets	3,882.2	2,021.4
Credit risk weighted assets (*)	3,707.1	1,949.1
Amount equivalent to market risk / 8%	0.8	—
Amount equivalent to operational risk / 8%	174.2	72.3

(*) Measuring method of credit risk weight assets

	2019/3	2019/6
Kansai Mirai Financial Group, Inc	Foundation internal ratings based approach (F-IRB)	Foundation internal ratings based approach (F-IRB)
Kansai Mirai Bank, Ltd	—	Foundation internal ratings based approach (F-IRB)*1
The Kinki Osaka Bank, Ltd	Foundation internal ratings based approach (F-IRB)	—
Kansai Urban Banking Corporation	Standardized approach (S A)	—
The Minato Bank, Ltd	Standardized approach (S A)	Standardized approach (S A) < F-IRB at FG Consolidated > *1

*1. "Measuring method of credit risk weight assets" unified F-IRB at FG Consolidated .

