
Financial Highlights for the First Half of Fiscal Year 2019



Kansai Mirai Financial Group



Kansai Mirai Bank, Limited



MINATO BANK

November 8, 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 1H of FY 2019

■ Posted JPY7.8 bn of net income attributable to owners of parent

Down JPY57.8 bn, YoY
exceed the target by JPY2.8 bn

- Absence of gain from negative goodwill posted in FY'18 :
Down JPY56.6 bn, YoY
- Down JPY1.2bn, or 13.7%, YoY, if above factor is excluded
- Integration-related cost : Increase JPY2.4 bn, YoY

■ Posted JPY14.3 bn of Actual operating profit

Down JPY3.3 bn, or 18.9%, YoY

● Posted JPY71.5 bn of Gross operating profit

Down JPY4.6 bn, or 6.0%, 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 *1 :

Down JPY1.3 bn, YoY

Average loan balance +2.35%, Loan-to-deposit spread (0.05)%

● Operating expenses, net : JPY57.1 bn

Decreased JPY1.2 bn, or 2.1%, YoY (improved)

■ Credit related expenses, net : JPY0.0bn (cost)

Decreased JPY2.9 bn, YoY (improved)

[REFERENCE] Total of group banks

■ Actual net operating profit : JPY11.5 bn

Up JPY1.5 bn from the target

■ Net income

: JPY9.0 bn

Up JPY4.5 bn from the target

Kansai Mirai FG Consolidated (JPY bn)	1H of FY2019	YoY change	
			%
Net income attributable to owners of parent (1)	7.8	(57.8)	(88.0)%
(excluding Gain from negative goodwill)	(7.8)	(1.2)	(13.7)%
Gross operating profit (2)	71.5	(4.6)	(6.0)%
Net interest income (3)	54.8	(3.6)	
From domestic loans and deposits *1 (4)	48.9	(1.3)	
Fees and commission income (5)	12.8	(1.9)	
Other operating income (6)	3.8	+0.9	
Net gains/(losses) on bonds (7)	2.5	+1.5	
Operating expenses (excluding group banks' non-recurring items) (8)	(57.1)	+1.2	+2.1%
OHR (9)	79.9%	+3.1%	
Actual net operating profit (2+8) (10)	14.3	(3.3)	(18.9)%
Net gains/(losses) on stocks (11)	0.2	(1.0)	
Credit related expenses, net (12)	(0.0)	+2.9	
Other gains/(losses), net (13)	(4.6)	(1.2)	
Ordinary profits (14)	9.8	(2.6)	(21.3)%
Extraordinary gains/(losses) (15)	0.8	(55.6)	
Gain from negative goodwill (16)	—	(56.6)	
Income before income taxes (17)	10.6	(58.3)	(84.5)%

*1. Total of group banks, deposits Include NCDs.

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

Breakdown of Financial Results for the 1H of FY 2019

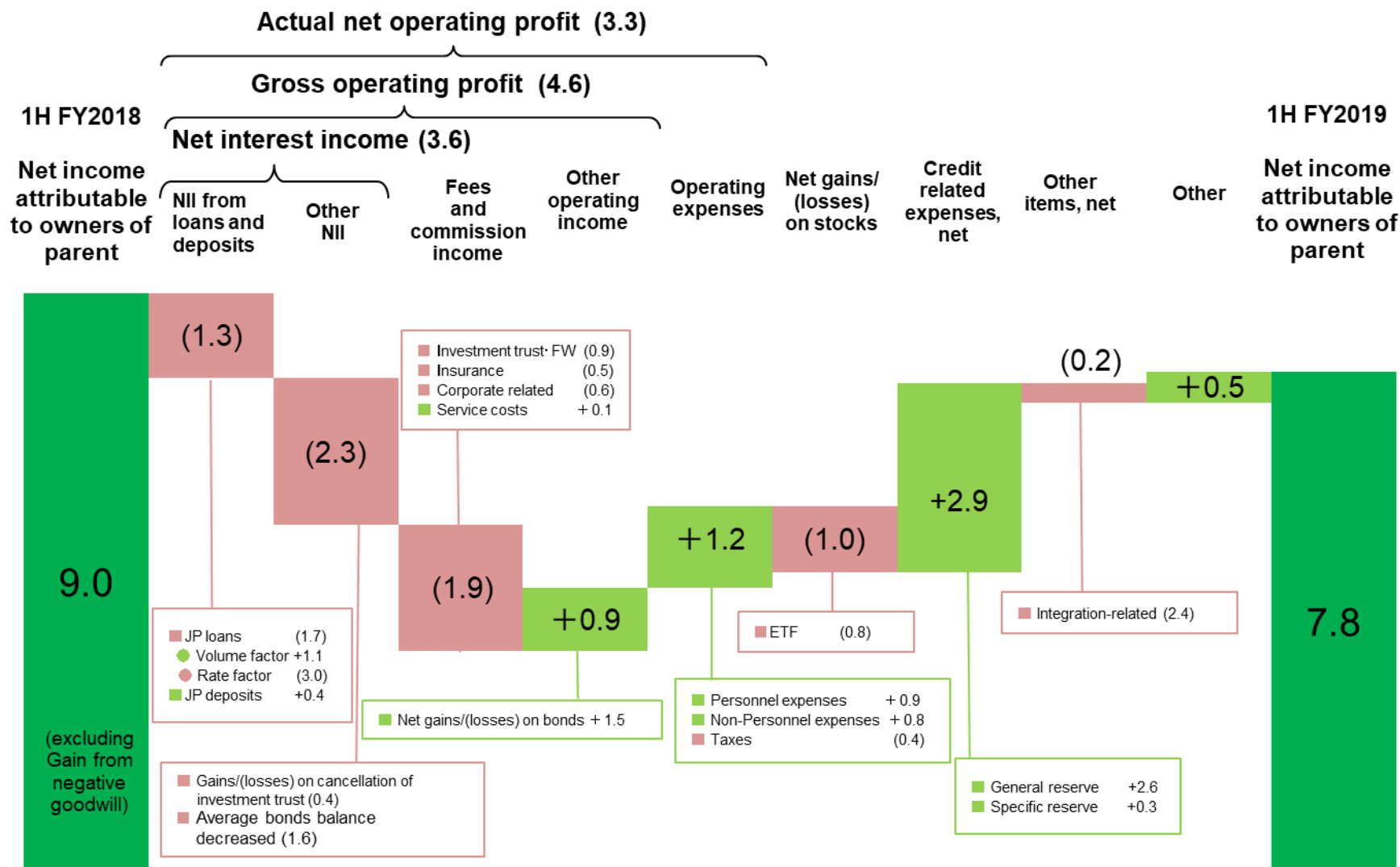
(JPY bn)	Kansai Mirai FG (Consolidated) (A)		Total of two group banks (Non-consolidated) (B)		Kansai Mirai		Minato		Difference (A)-(B)	
		YoY change		YoY change(*1)						YoY change
Gross operating profit	(1)	71.5	(4.6)	66.8	(2.9)	47.3	19.5	4.6	(1.6)	
Net interest income	(2)	54.8	(3.6)	54.4	(3.8)	39.4	14.9	0.4	+0.1	
From domestic loans and deposits	(3)			48.9	(1.3)	35.8	13.0			
Gains/(losses) on cancellation of investment trust	(4)	1.5	(0.4)	1.4	(0.3)	1.3	0.1	0.0	(0.1)	
Fees and commission income	(5)	12.8	(1.9)	8.8	(1.0)	5.3	3.4	3.9	(0.9)	
Other operating income	(6)	3.8	+0.9	3.5	+1.8	2.4	1.1	0.2	(0.8)	
Net gains/(losses) on bonds	(7)	2.5	+1.5	2.6	+2.2	1.7	0.8	(0.1)	(0.7)	
Operating expenses (excluding group banks' non-recurring items)	(8)	(57.1)	+1.2	*2 (55.2)	+0.9	*2 (38.8)	(16.4)	(1.8)	+0.3	
OHR	(9)	79.9%	+3.1%	82.6%	+2.2%	82.0%	84.2%			
Actual net operating profit	(10)	14.3	(3.3)	11.5	(2.0)	8.5	3.0	2.7	(1.2)	
Core net operating profit (excluding gains/(losses) on cancellation of investment trust)	(11)			7.4	(3.9)	5.4	2.0			
Net gains/(losses) on stocks	(12)	0.2	(1.0)	4.6	+2.2	4.8	(0.1)	(4.4)	(3.2)	
Credit related expenses, net	(13)	(0.0)	+2.9	0.6	+2.9	1.1	(0.4)	(0.7)	+0.0	
Other gains/(losses), net	(14)	(4.6)	(1.2)	(5.1)	(1.2)	(5.0)	(0.0)	0.5	+0.0	
Ordinary profits	(15)	9.8	(2.6)	11.8	+1.8	9.4	2.3	(1.9)	(4.5)	
Extraordinary gains/(losses)	(16)	0.8	(55.6)	0.5	+0.3	0.5	(0.0)	0.2	(56.0)	
Gain from negative goodwill	(17)	—	(56.6)	—	—	—	—	—	(56.6)	
Income before income taxes (and noncontrolling interests)	(18)	10.6	(58.3)	12.3	+2.1	9.9	2.3	(1.6)	(60.5)	
Net income (attributable to owners of parent)	(19)	7.8	(57.8)	9.0	+1.2	7.3	1.6	(1.1)	(59.1)	

*1. "Simple total of two group banks' non-consolidated (1H of FY 2019)" — "Simple total of three group banks' non-consolidated (1H of FY 2018)"
(Apr.1, 2019: Kansai Urban and Kinki Osaka merged into Kansai Mirai Bank. Figures of Kansai Mirai Bank before the merger are simple sum of non-consolidated results of two banks above.)

*2. Exclude JPY0.3 bn of goodwill amortization by Kansai Mirai related to acquisition of former Biwako Bank

Factors for the YoY Change in Periodic Profits

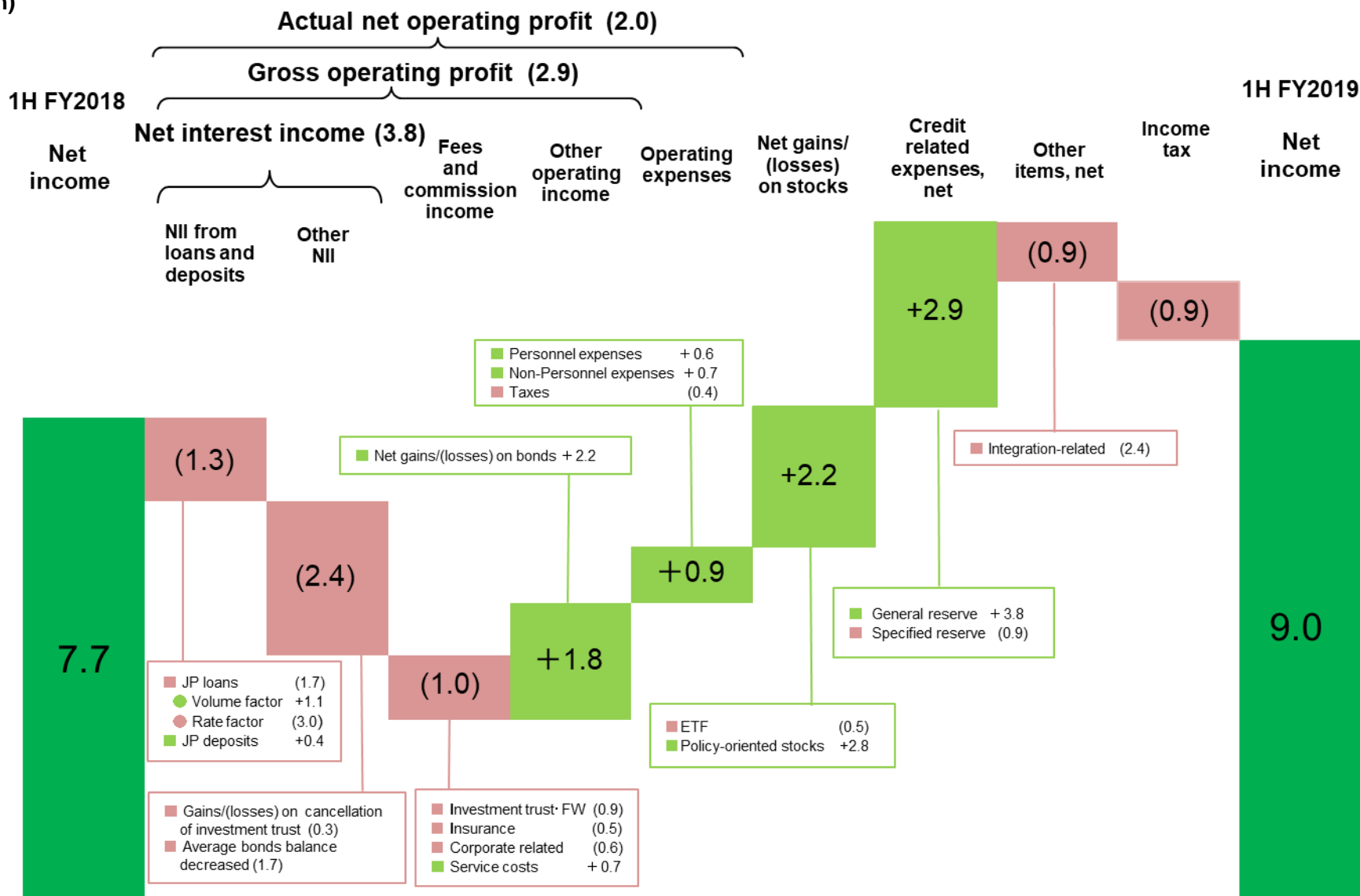
(JPY bn)



Factors for the YoY Change in Periodic Profits

Total of group banks

(JPY bn)



Trend of Loans and Deposits (Domestic*)

Total of
group banks

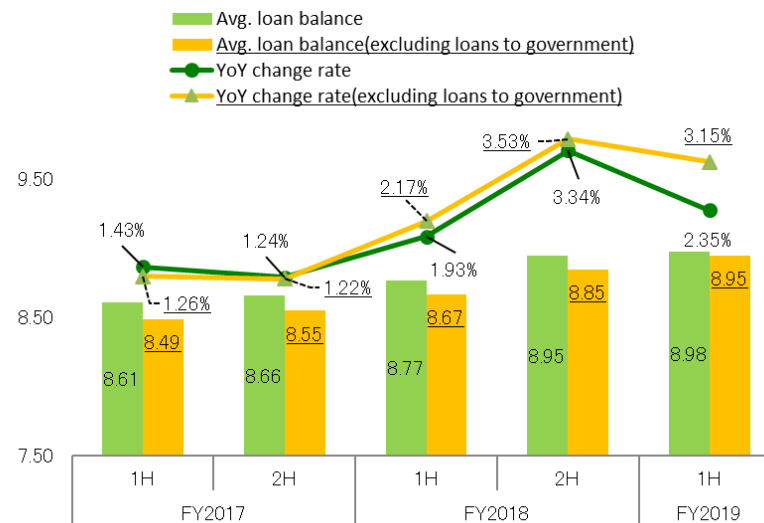
Average loan / deposit balance, rates and spread

Avg.Bal : Trillion Yen Income/Cost : Billion Yen		FY2019			
		1H		Revised Plan	
		Act.	YoY		YoY
Loans	Avg. Bal. (1)	8.98	+2.35%	9.07	+0.21 (+2.34%)
	Rate (2)	1.13%	(0.06)%	1.13%	(0.05)%
	Income (3)	51.0	(1.7)	102.7	(2.2)
Deposits (including NCDs)	Avg. Bal. (4)	10.82	(0.44)%	10.86	(0.04) (Δ 0.33%)
	Rate (5)	0.03%	(0.00)%	0.03%	(0.00)%
	Cost (6)	(2.1)	+0.4	(4.0)	+0.7
Loan-to-deposit	Spread (7)	1.09%	(0.05)%	1.09%	(0.04)%
	Net interest income (8)	48.9	(1.3)	98.6	(1.5)

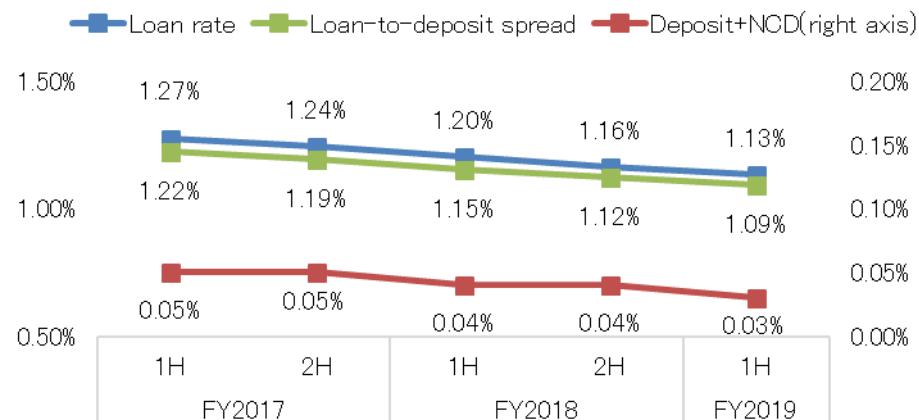
* Excluding loans and deposits denominated in foreign currencies, etc.

Average loan balance, YoY change ratio

(JPY tn)



Loan to deposit rate and spread



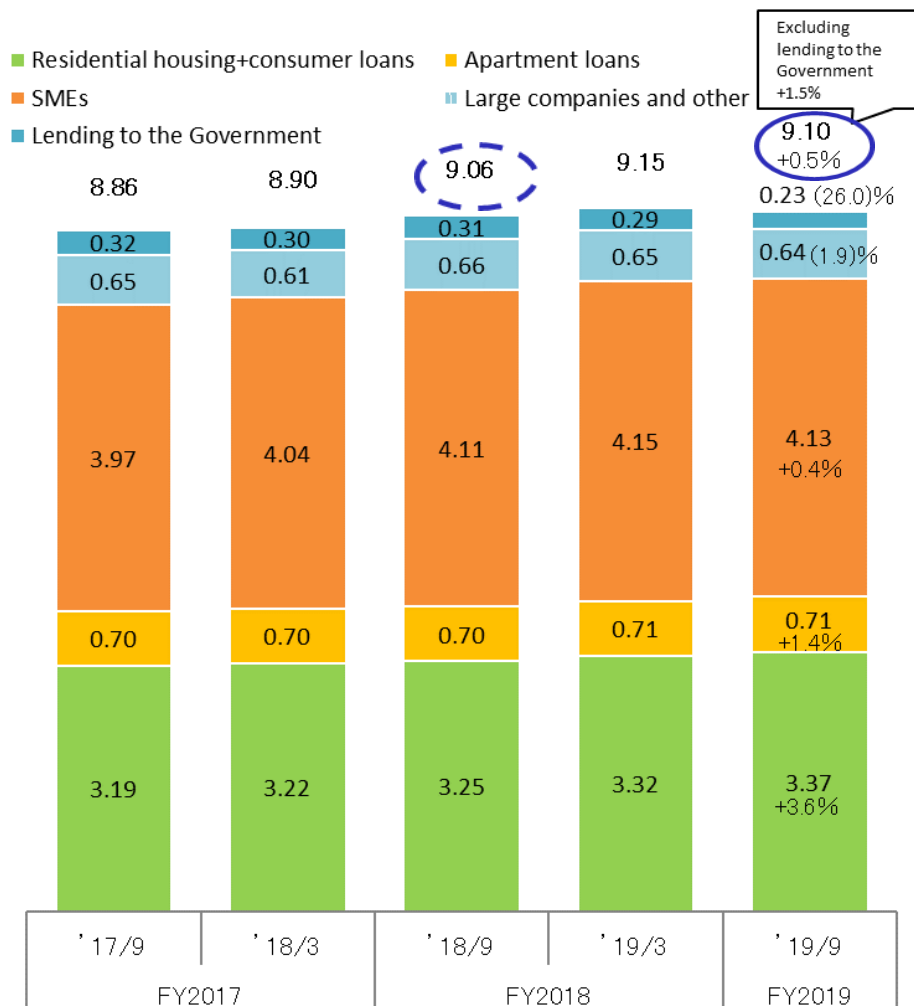
Term-end Balance of Loans and Deposits

Total of group banks

Term-end loan balance (all locations*1)

(JPY tn, % represents YoY change)

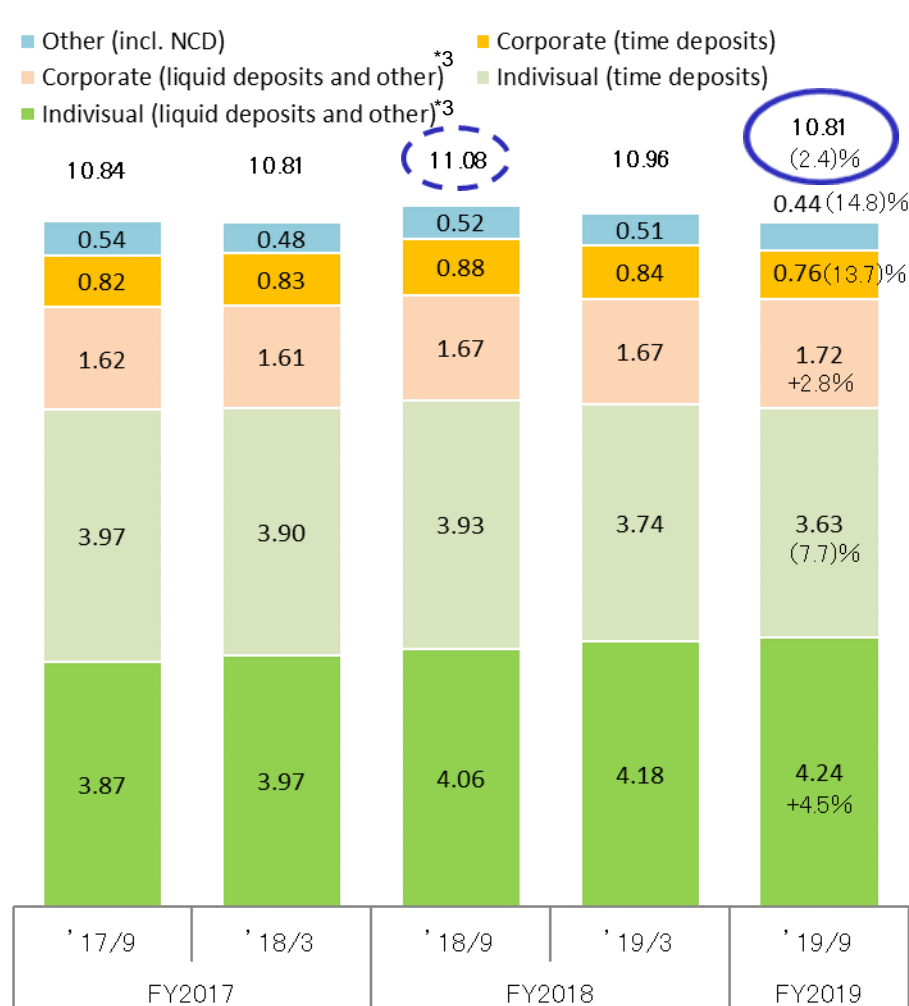
*1.All loans, including which denominated in foreign currencies, etc.



Term-end deposit balance (all locations*2)

(JPY tn, % represents YoY change)

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



*3.Total of the following account's amounts:

Current deposits, Ordinary deposits, Deposit, Deposits at notice, Separate deposits and other.

Housing Loan Business

Total of group banks

Residential housing loan origination

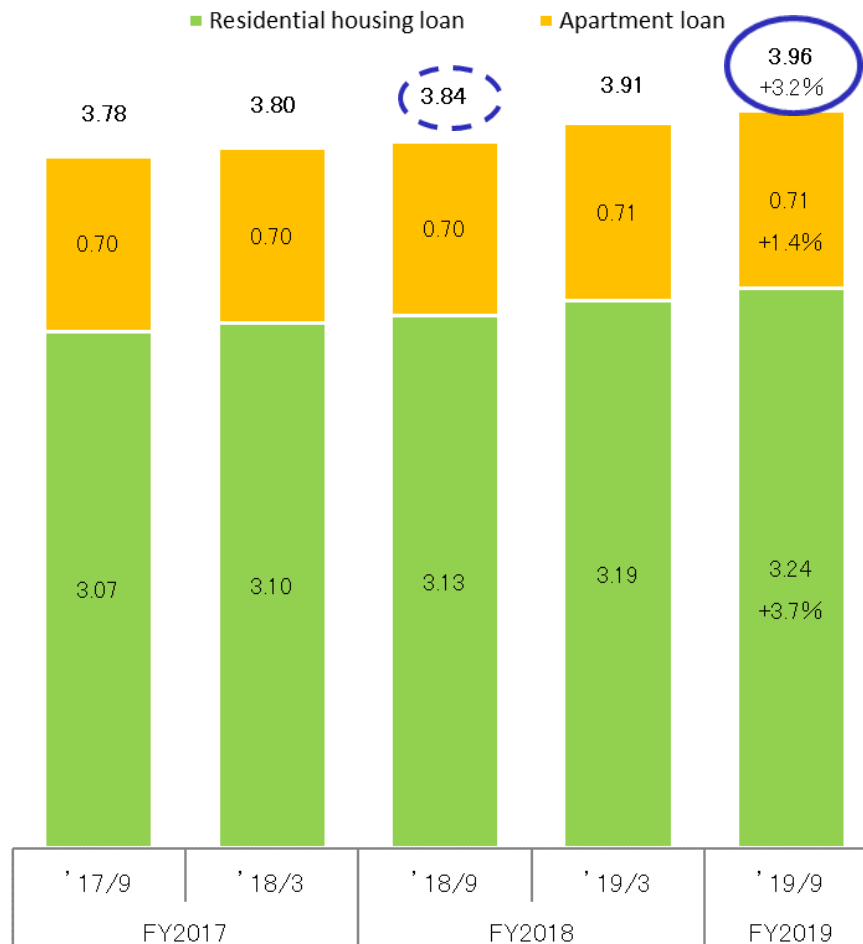
(JPY bn, % represents YoY change)

(including Flat)



Term-end housing loan balance

(JPY tn, % represents YoY change)



Trend of Fee Income

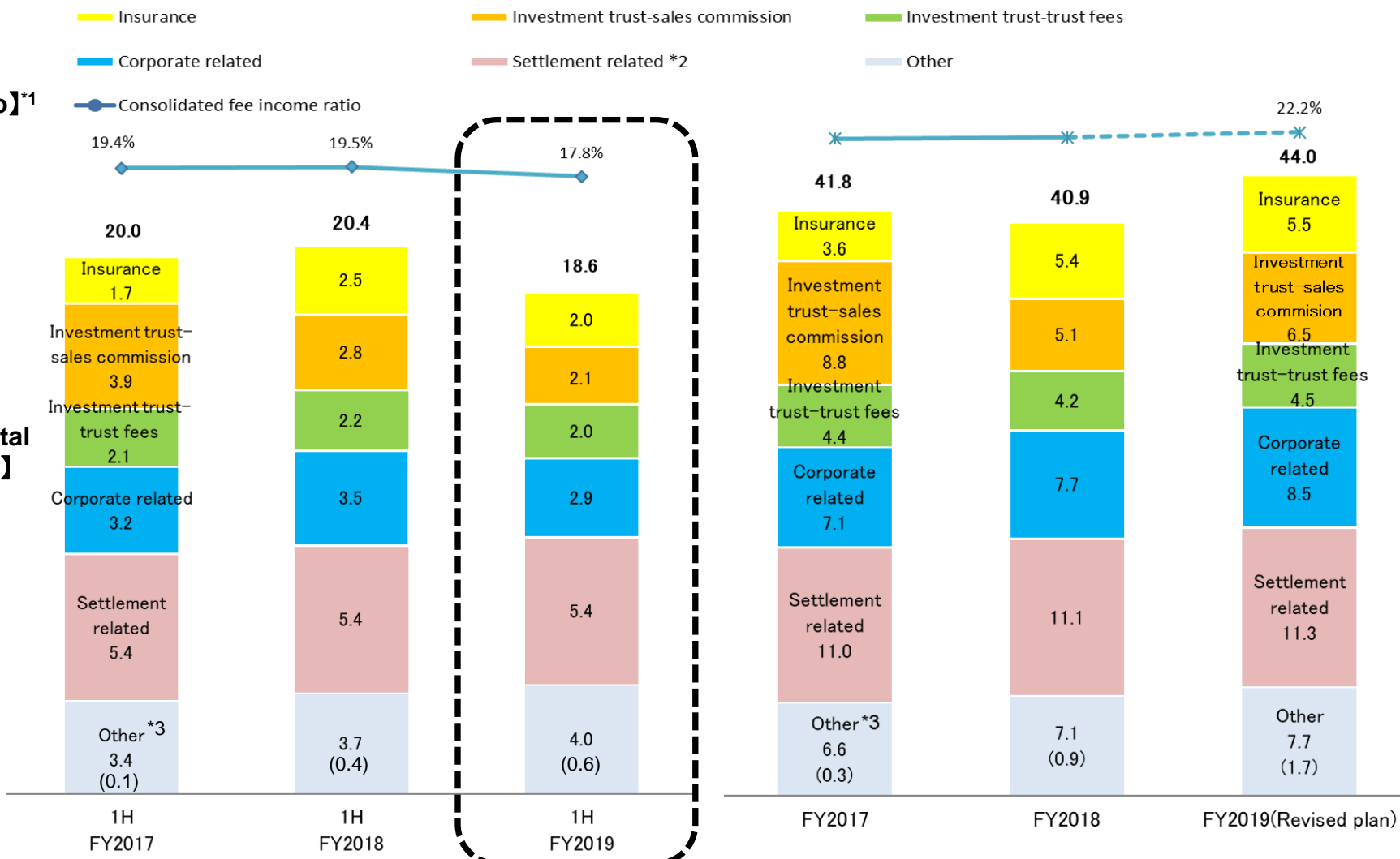
Total of group banks

Consolidated fee income ratio, Fee Income - total of group bank

(JPY bn)

【Consolidated fee income ratio】*1

【Fee Income - total of group banks】



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

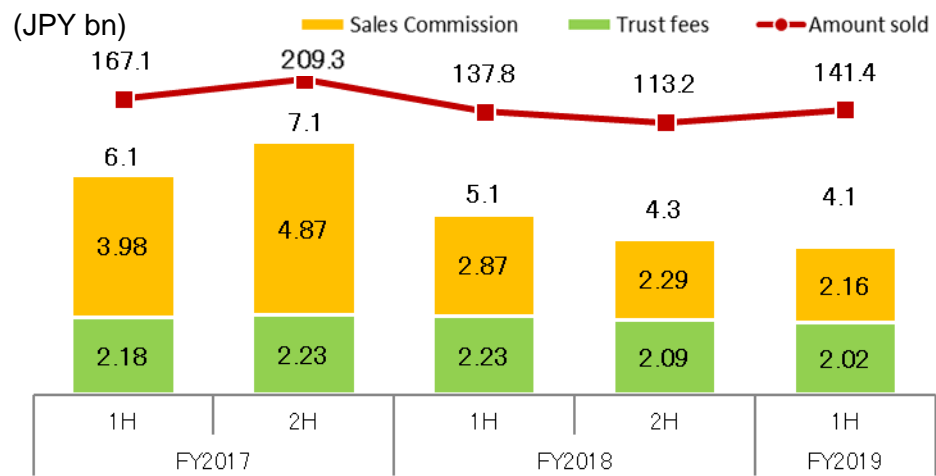
*2. Fees and commission from domestic exchange, account transfer, EB, VISA debit card

*3. ():Connected to housing loan

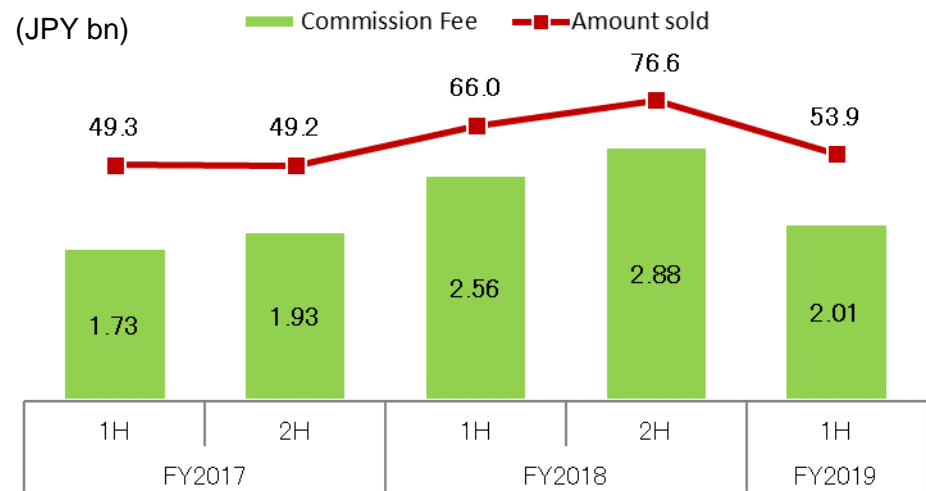
Asset Formation Support Business

Total of group banks

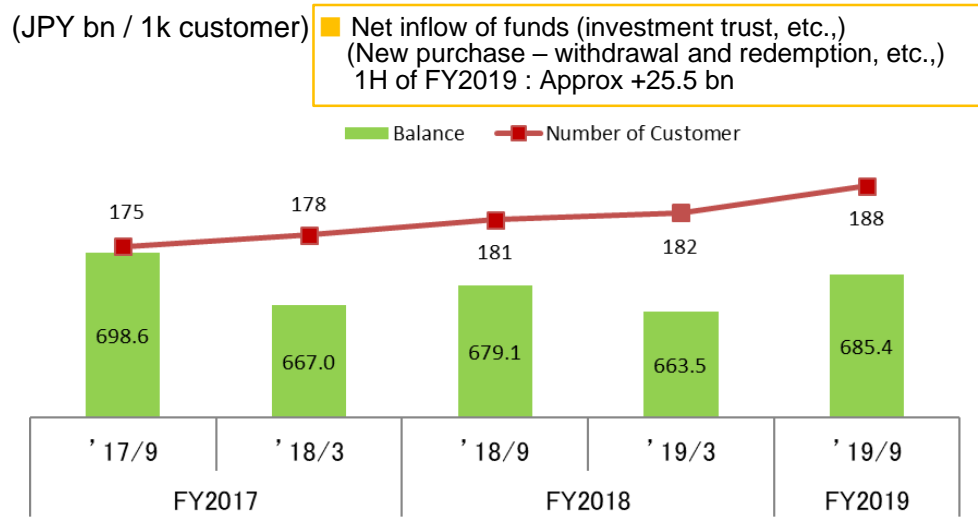
Investment trust and fund wrap



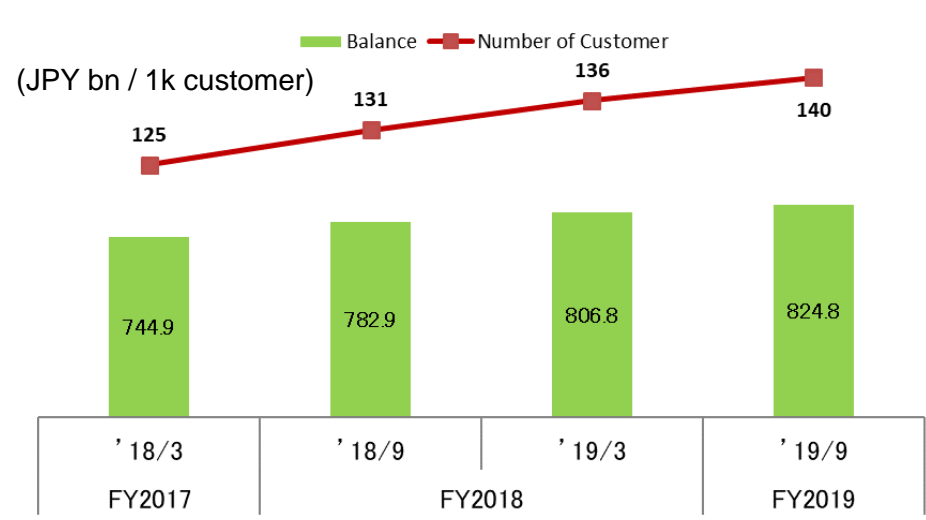
Insurance



For Individuals, Investment trust and fund wrap - The Number of Customers



Insurance Balance – The number of Customers



Trend of credit costs

(JPY bn)	FY2017 Act (reference) *1	FY2018		FY2019	
		1H Act	Act	1H Act	Target
Net credit cost (FG Consolidated) (1)	(2.9)	(0.3)	(5.0)	(0.0)	
Net credit cost (Total of group banks) (2)	(1.1)	(2.3)	(4.1)	0.6	(3.5)
General reserve (3)	3.0	(2.5)	(1.4)	1.2	
Specified reserve and other items (4)	(4.2)	0.2	(2.6)	(0.6)	
New bankruptcy, downward migration (5)	(8.8)	(3.8)	(8.7)	(3.0)	
Collection/ upward migration (6)	4.6	4.1	6.0	2.4	
Difference (Total of consolidated group banks - (2)) (7)	(1.7)	(0.7)	(0.9)	(0.7)	
HL, guarantee subsidiaries (8)	(0.9)	(0.4)	(0.5)	(0.7)	
HL, Credit card companies (9)	(0.1)	(0.0)	(0.1)	(0.0)	
< Credit cost ratio > (Unit:bps)					
Total of consolidated group banks *2 (10)	(3.3)	(6.8)	(5.6)	(0.1)	
Total of group banks *3 (11)	(1.3)	(5.0)	(4.5)	1.3	

(Notes) 1. Positive figures represent reversal gains

2. Credit cost ratio is calculated by annualized credit cost

*1. Some figures of FY2017 are adjusted to reflect the KMFG integration stated in accordance with a standard applied for FY2018

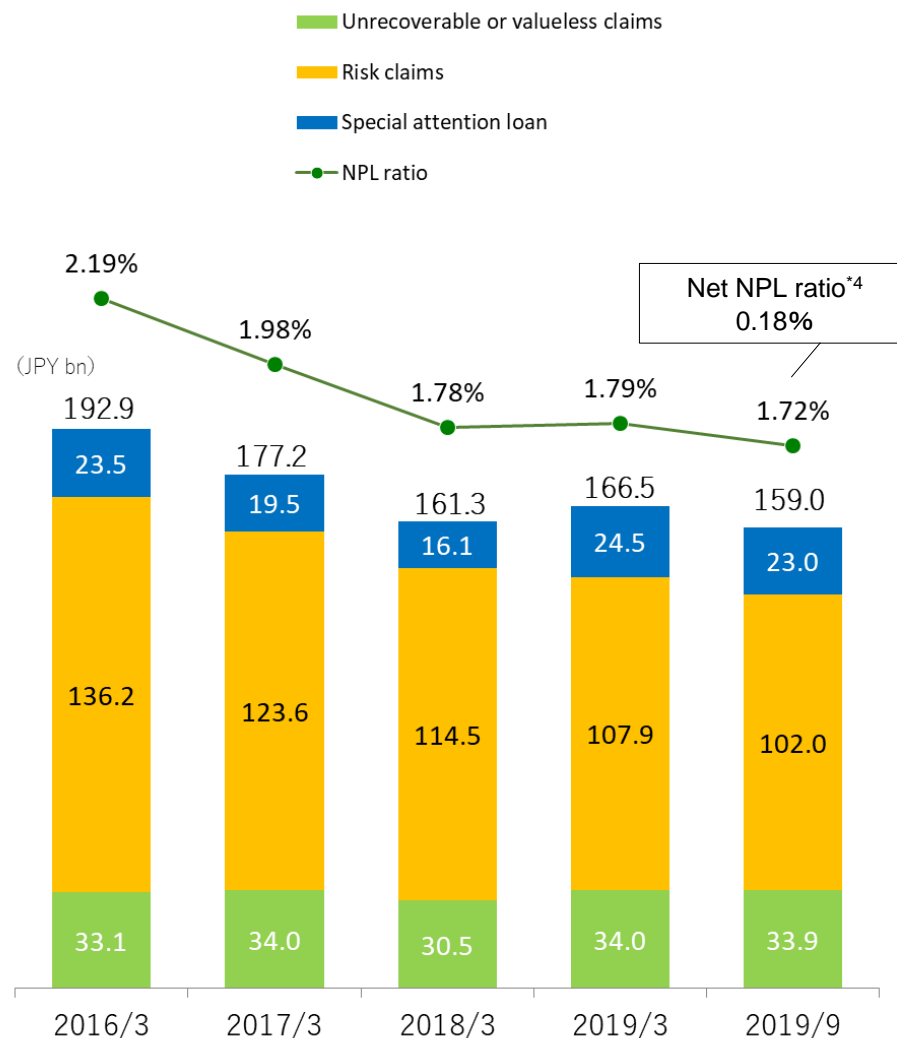
*2. Credit cost / (Loans and bills discounted + acceptances and guarantees)
(Simple average of the balances at the beginning and end of the term)

*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. Net of collateral, guarantees and loan loss reserves

Trend of NPL balance and ratio

(Financial Reconstruction Act criteria)



Securities

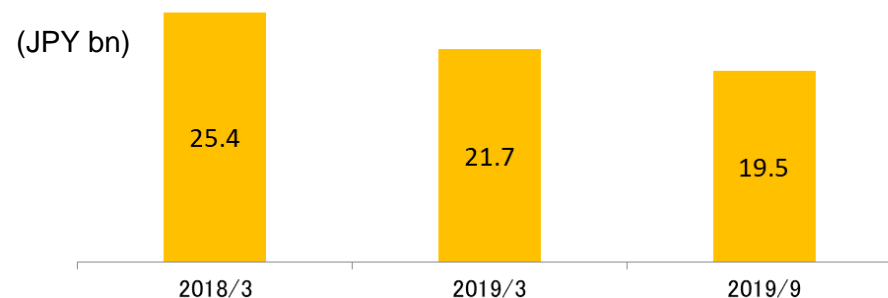
(JPY bn)	2018/3	2019/3	2019/9	Unrealized gain/(loss)
Available-for-sale securities *1 (1)	1,046.0	781.8	648.8	28.2
Stocks (2)	25.6	21.8	19.6	20.2
Bonds (3)	771.2	603.7	512.0	2.1
JGBs (4)	115.8	35.9	38.1	0.1
Average duration (years) (5)	4.3	3.3	5.7	-
Basis point value (BPV) (6)	(0.4)	(0.1)	(0.2)	-
Local government bonds and Corporate bonds (7)	655.4	567.8	473.9	2.0
Other (8)	249.1	156.2	117.1	5.8
Foreign bonds (9)	92.1	32.3	17.7	0.8
Average duration (years) (10)	7.7	7.2	6.6	-
Bases point value (BPV) (11)	(0.6)	(0.2)	(0.1)	-
Net unrealized gains/(losses) (12)	33.4	31.0	28.2	
Bonds held to maturity *2 (13)	217.3	207.6	193.7	5.2
JGBs (14)	124.1	111.9	104.3	2.5
Net unrealized gains/(losses) (15)	3.3	4.6	5.2	

Unrealized gains or losses

(JPY bn)	2018/3	2019/3	2019/9
Bonds + Others (1)+(2)	(4.0)	3.6	8.0
Bonds (1)	1.5	2.0	2.1
Others (2)	(5.5)	1.6	5.8
Foreign securities (3)	(3.6)	0.5	0.8
Investment trusts, REIT (4)	(0.5)	0.8	4.4
ETF (5)	(1.6)	(0.1)	-
Others (6)	0.2	0.5	0.5

Status of policy-oriented stocks*3 held

■ Break-even price (Nikkei average basis) : Approx.6,400 yen



*1.Acquisition cost basis. The presented figures include marketable securities only

*2.Consolidated BS amount basis. The presented figures include marketable securities only

*3.Acquisition cost basis. The presented figures include marketable securities only

Capital Adequacy Ratio (Domestic standard – FG Consolidated)

(JPY bn)	2019/3 Actual	2019/9 Actual	Change
Consolidated capital adequacy ratio (1)	6.86%	8.26%	+1.40%
Total Capital (2)	462.0	459.2	(2.7)
Core Capital:instruments and reserves (3)	481.6	481.7	+0.1
Capital stock and surplus (4)	462.9	470.7	+7.8
Subordinated loans (5)	6.0	5.5	(0.5)
Eligible provisions (6)	19.5	8.3	(11.1)
Core Capital:regulatory adjustments (7)	19.6	22.4	+2.8
Risk weighted assets (8)	6,727.4	5,553.6	(1,173.8)
Credit risk weighted assets (*) (9)	6,475.6	5,302.2	(1,173.3)
Amount equivalent to market risk / 8% (10)	5.2	5.0	(0.1)
Amount equivalent to operational risk / 8% (11)	246.6	246.3	(0.2)
Credit risk weighted assets adjustments (12)	—	—	—

<Reference> Group banks (Consolidated)

	Kansai Mirai	Minato
Consolidated capital adequacy ratio	9.30%	6.81%
Total Capital	356.9	138.2
Core Capital:instruments and reserves	382.6	142.9
Capital stock and surplus	367.1	134.1
Subordinated loans	4.0	1.5
Eligible provisions	16.6	6.5
Core Capital:regulatory adjustments	25.7	4.6
Risk weighted assets	3,836.6	2,028.6
Credit risk weighted assets (*)	3,619.3	1,956.9
Amount equivalent to market risk / 8%	0.9	—
Amount equivalent to operational risk / 8%	170.2	71.6
Credit risk weighted assets adjustments	46.1	—

(*) Measuring method of credit risk weight assets

■ Change in RWAs
● IRB approach applicable to KMB and MB* (*Applicable at an FG-consolidated level) (1,023.8) bn
● Decline in the balance of loans (55.9) bn

	2019/3	2019/9
Kansai Mirai Financial Group, Inc	Fundamental Internal Ratings Based Approach (F-IRB)	Fundamental Internal Ratings Based Approach (F-IRB)
Kansai Mirai Bank, Ltd	—	Fundamental Internal Ratings Based Approach (F-IRB)*1
The Kinki Osaka Bank, Ltd	Fundamental Internal Ratings Based Approach (F-IRB)	—
Kansai Urban Banking Corporation	Standardized Approach (SA)	—
The Minato Bank, Ltd	Standardized Approach (SA)	Standardized Approach (SA) < F-IRB at FG Consolidated >*1

Earnings Target FY2019

FG
Consolidated

FG consolidated

(JPY bn)	1H Act.	Full-year target	Change from original
Net Income attributable to owners of parent (1)	7.8	12.5	—

Ordinary dividend per share

(JPY)	Dividend per share	Change from original target
Ordinary dividend (annual) (2)	25	—
Interim dividend (3)	—	—

Total of group banks / Non-consolidated base

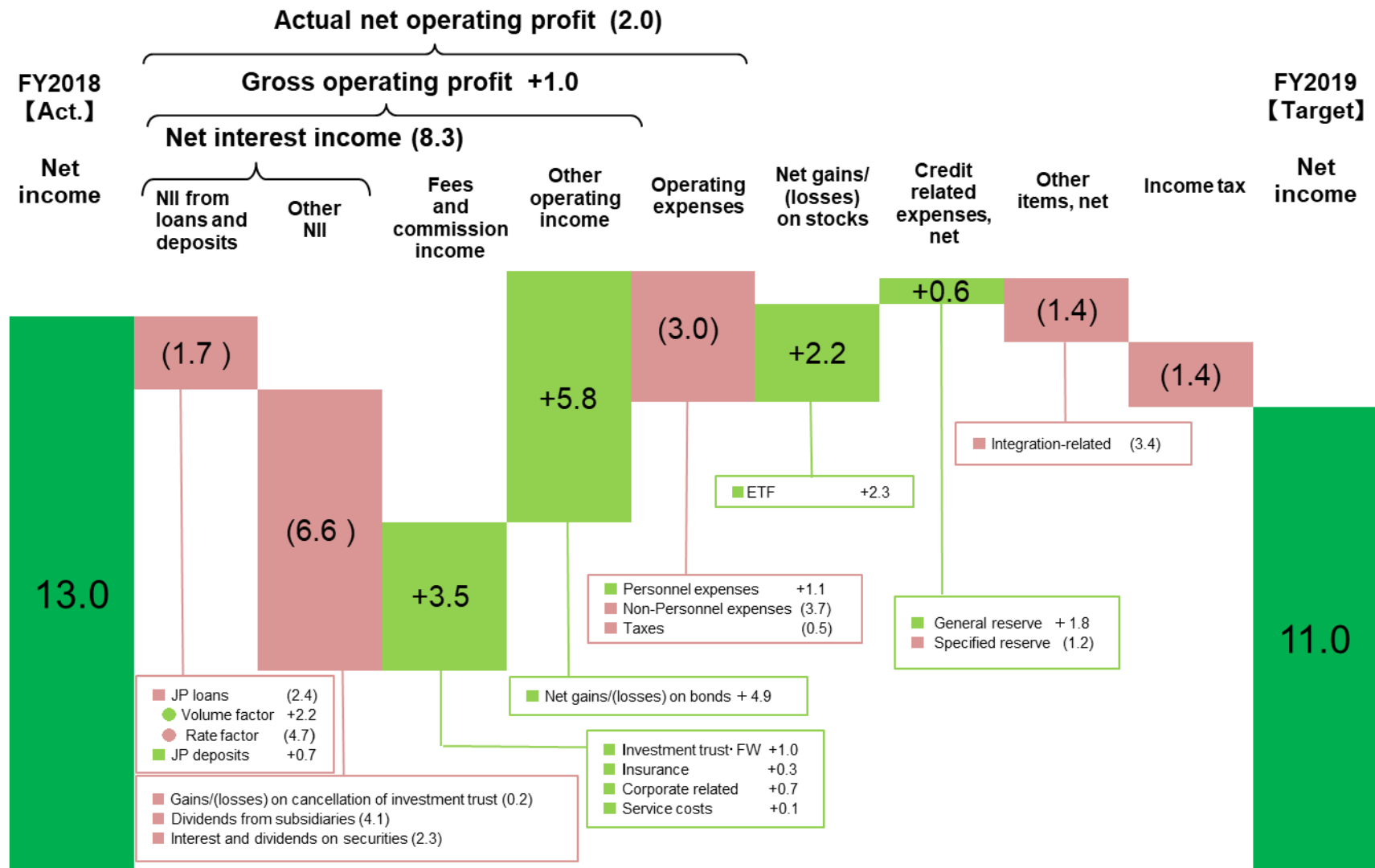
(JPY bn)	Total of group banks				Kansai Mirai				Minato			
	1H Act.	Full-year target	Change from original target	YoY change	1H Act.	Full-year target	Change from original target	YoY change	1H Act.	Full-year target	Change from original target	YoY change
	Gross operating profit (4)	66.8	140.5	(2.5)	+1.0	47.3	98.0	(2.5)	(1.9)	19.5	42.5	—
Operating expenses (5)	(55.2)	(115.0)	+2.5	(3.0)	(38.8)	(81.5)	+2.0	(3.1)	(16.4)	(33.5)	+0.5	+0.2
Actual net operating profit (6)	11.5	25.5	—	(2.0)	8.5	16.5	(0.5)	(5.1)	3.0	9.0	+0.5	+3.1
Net gains/(losses) on stocks (7)	4.6	6.0	+1.5	+2.2	4.8	6.0	+2.0	+2.6	(0.1)	0.0	(0.5)	(0.5)
Credit related expenses, net (8)	0.6	(3.5)	+2.0	+0.6	1.1	(1.5)	+2.0	+0.5	(0.4)	(2.0)	—	+0.0
Income before income taxes (9)	12.3	15.5	—	(0.4)	9.9	10.0	—	(1.6)	2.3	5.5	—	+1.1
Net income (10)	9.0	11.0	—	(2.0)	7.3	7.0	—	(1.6)	1.6	4.0	—	(0.4)

Gap Analysis : FY 2019 Target vs FY 2018 Result

Total of group banks

Net income (Total of group banks) <Approximate figures>

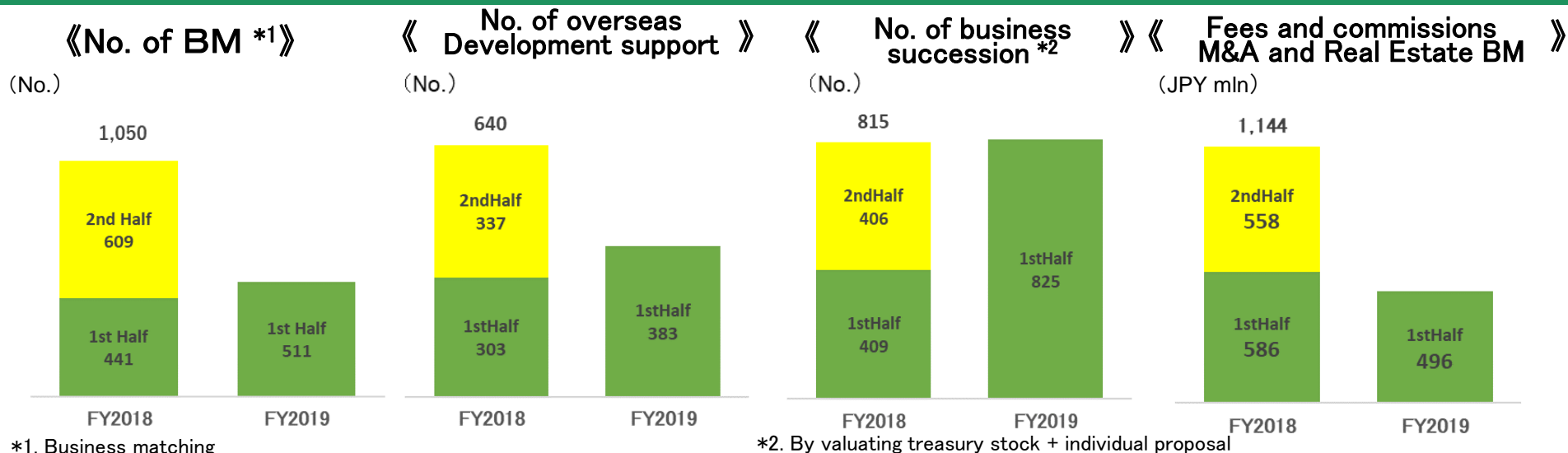
(JPY bn)



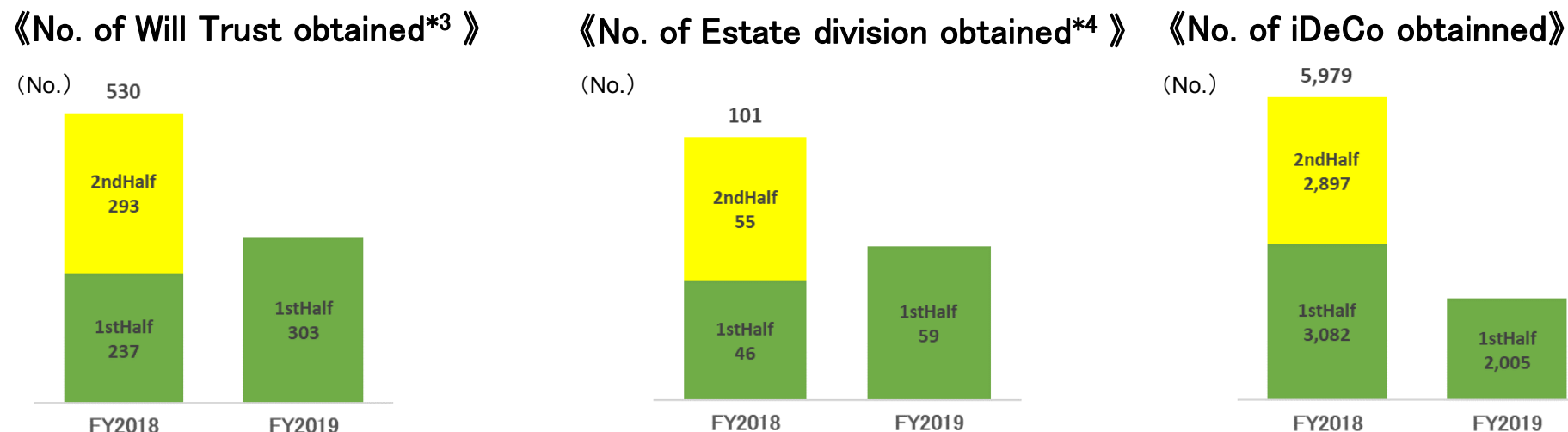
Know How expansion across the Group banks

Total of group banks

Corporate solution business



Consulting to individual customers



*3. Entrusted to Resana Bank