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# Financial Highlights for the Third Quarter of Fiscal Year 2019

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Kansai Mirai Bank, Limited



MINATO BANK

February 14, 2020

(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 1-3Q of FY 2019

## ■ Posted JPY6.3 bn of net income attributable to owners of parent

Down JPY65.2 bn, YoY

Progress ratio to full-year target \*1 50.4%

● Absence of gain from negative goodwill posted in FY'18 :

Down JPY56.6 bn, YoY

● Integration-related cost \*2 : Increase JPY6.8 bn, YoY

## ■ Posted JPY107.8 bn of Gross operating profit

Down JPY4.7 bn, or 4.2%, 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 JPY2.0 bn, YoY

Average loan balance(excluding loans to government) +2.74%

Loan-to-deposit spread (0.05)%

## ■ Operating expenses : JPY85.8 bn

Decreased JPY1.4 bn, or 1.6%, YoY (improved)

## ■ Credit related expenses, net : JPY4.1 bn (cost)

Increased JPY3.1 bn, YoY (worsen)

By partially reconsideration of credit evaluation method.

\*1. Target of net income attributable to owners of parent for FY2019

Full year: JPY12.5 bn

\*2. Include loss on retirement and cancellation of conduct and impairment loss for fixed assets

\*3. Total of group banks, deposits Include NCDs.

\*4. Negative figures represent items that would reduce net income

Kansai Mirai FG Consolidated (JPY bn)	1-3Q of FY2019	YoY change	
			%
Net income attributable to owners of parent (1)	6.3	(65.2)	(91.1)%
(excluding Gain from negative goodwill)	(6.3)	(8.6)	(57.8)%
Gross operating profit (2)	107.8	(4.7)	(4.2)%
Net interest income (3)	82.1	(3.6)	
From domestic loans and deposits *3 (4)	73.4	(2.0)	
Fees and commission income (5)	20.4	(3.3)	
Other operating income (6)	5.2	+2.2	
Net gains/(losses) on bonds (7)	2.8	+2.0	
Operating expenses (excluding group banks' non-recurring items) (8)	(85.8)	+1.4	+1.6%
OHR (9)	79.6%	+2.0%	
Actual net operating profit (2+8) (10)	21.9	(3.2)	(13.0)%
Net gains/(losses) on stocks (11)	0.1	(1.2)	
Credit related expenses, net (12)	(4.1)	(3.1)	
Other gains/(losses), net (13)	(8.1)	(3.0)	
Ordinary profits (14)	9.7	(10.7)	(52.2)%
Extraordinary gains/(losses) (15)	(0.5)	(56.9)	
Gain from negative goodwill (16)	—	(56.6)	
Income before income taxes (17)	9.2	(67.6)	(87.9)%

# Breakdown of Financial Results for the 1-3Q of FY 2019

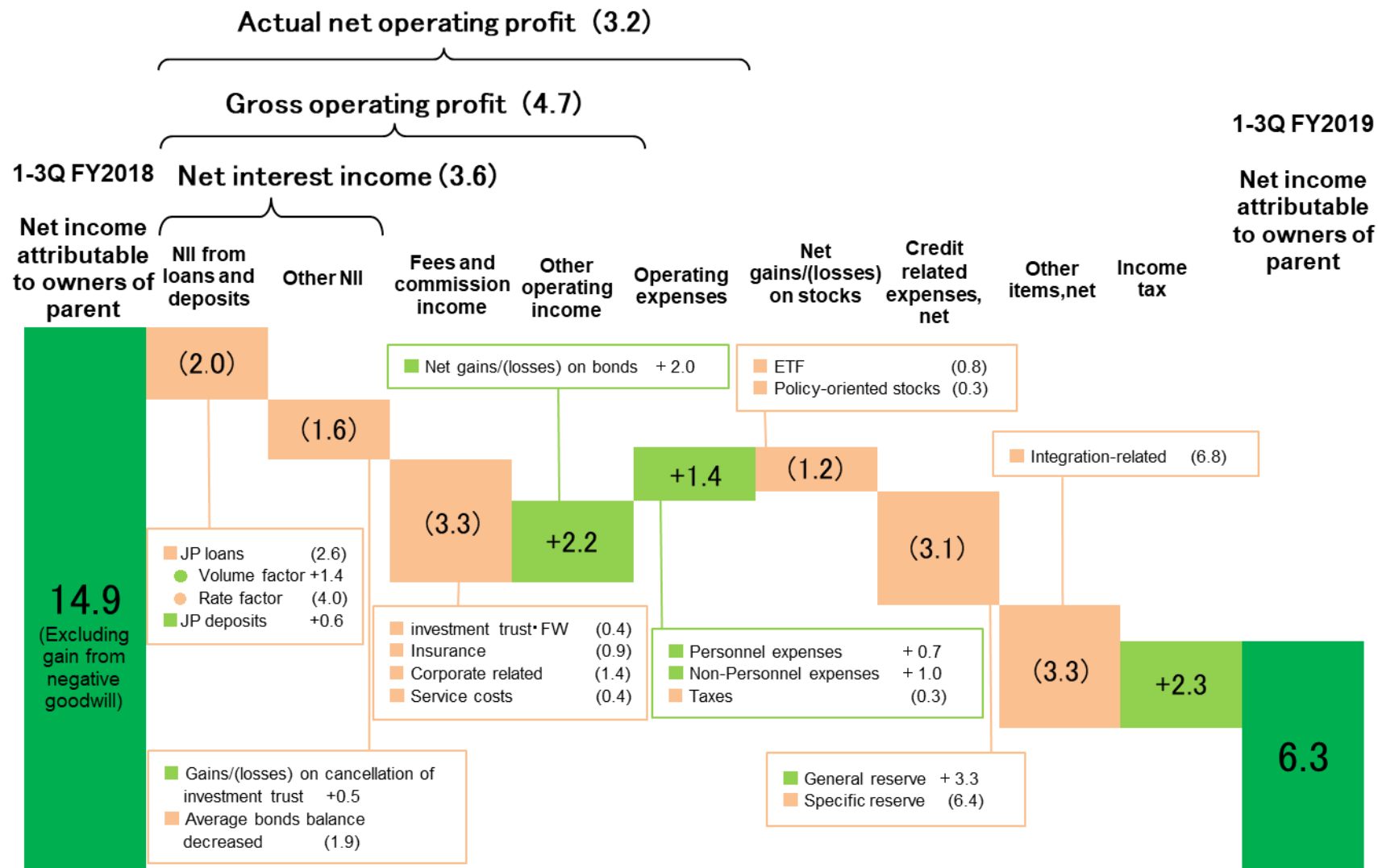
(JPY bn)	Kansai Mirai FG (Consolidated) (A)		Total of two group banks (Non-consolidated) (B)				Difference (A)-(B)	
		YoY change		YoY change(*1)	Kansai Mirai	Minato		YoY change
<b>Gross operating profit</b> (1)	107.8	(4.7)	100.6	(2.2)	71.2	29.4	7.1	(2.4)
Net interest income (2)	82.1	(3.6)	81.3	(3.9)	58.9	22.4	0.8	+0.3
From domestic loans and deposits (3)			73.4	(2.0)	53.8	19.6		
Gains/(losses) on cancellation of investment trust (4)	2.5	+0.5	2.4	+0.6	1.9	0.4	0.1	+0.0
Fees and commission income (5)	20.4	(3.3)	14.5	(2.1)	9.1	5.3	5.8	(1.2)
Other operating income (6)	5.2	+2.2	4.7	+3.8	3.1	1.6	0.4	(1.6)
Net gains/(losses) on bonds (7)	2.8	+2.0	3.0	+3.7	1.8	1.2	(0.2)	(1.7)
Operating expenses (excluding group banks' non-recurring items) (8)	(85.8)	+1.4	*2 (83.1)	+0.9	*2 (58.3)	(24.7)	(2.7)	+0.5
OHR (9)	79.6%	+2.0%	82.5%	+0.9%	81.8%	84.2%		
<b>Actual net operating profit</b> (10)	21.9	(3.2)	17.5	(1.3)	12.9	4.6	4.4	(1.9)
<b>Core net operating profit</b> (excluding gains/(losses) on cancellation of investment trust) (11)			12.0	(5.7)	9.0	3.0		
Net gains/(losses) on stocks (12)	0.1	(1.2)	5.0	+1.8	5.1	(0.1)	(4.8)	(3.0)
Credit related expenses, net (13)	(4.1)	(3.1)	(2.7)	(2.3)	(2.1)	(0.6)	(1.4)	(0.7)
Other gains/(losses), net (14)	(8.1)	(3.0)	(8.9)	(3.1)	(8.7)	(0.2)	0.8	+0.1
Ordinary profits (15)	9.7	(10.7)	10.8	(5.0)	7.1	3.6	(1.0)	(5.6)
Extraordinary gains/(losses) (16)	(0.5)	(56.9)	(0.9)	(1.0)	(0.8)	(0.0)	0.3	(55.8)
Gain from negative goodwill (17)	—	(56.6)	—	—	—	—	—	(56.6)
<b>Income before income taxes (and noncontrolling interests)</b> (18)	9.2	(67.6)	9.9	(6.0)	6.2	3.6	(0.6)	(61.5)
<b>Net income (attributable to owners of parent)</b> (19)	6.3	(65.2)	6.8	(5.4)	4.3	2.4	(0.5)	(59.8)

\*1. "Simple total of two group banks' non-consolidated (1-3Q of FY 2019)" – "Simple total of three group banks' non-consolidated (1-3Q 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 JPY0.5 bn of goodwill amortization by Kansai Mirai related to acquisition of former Biwako Bank

# Factors for the YoY Change in Periodic Profits

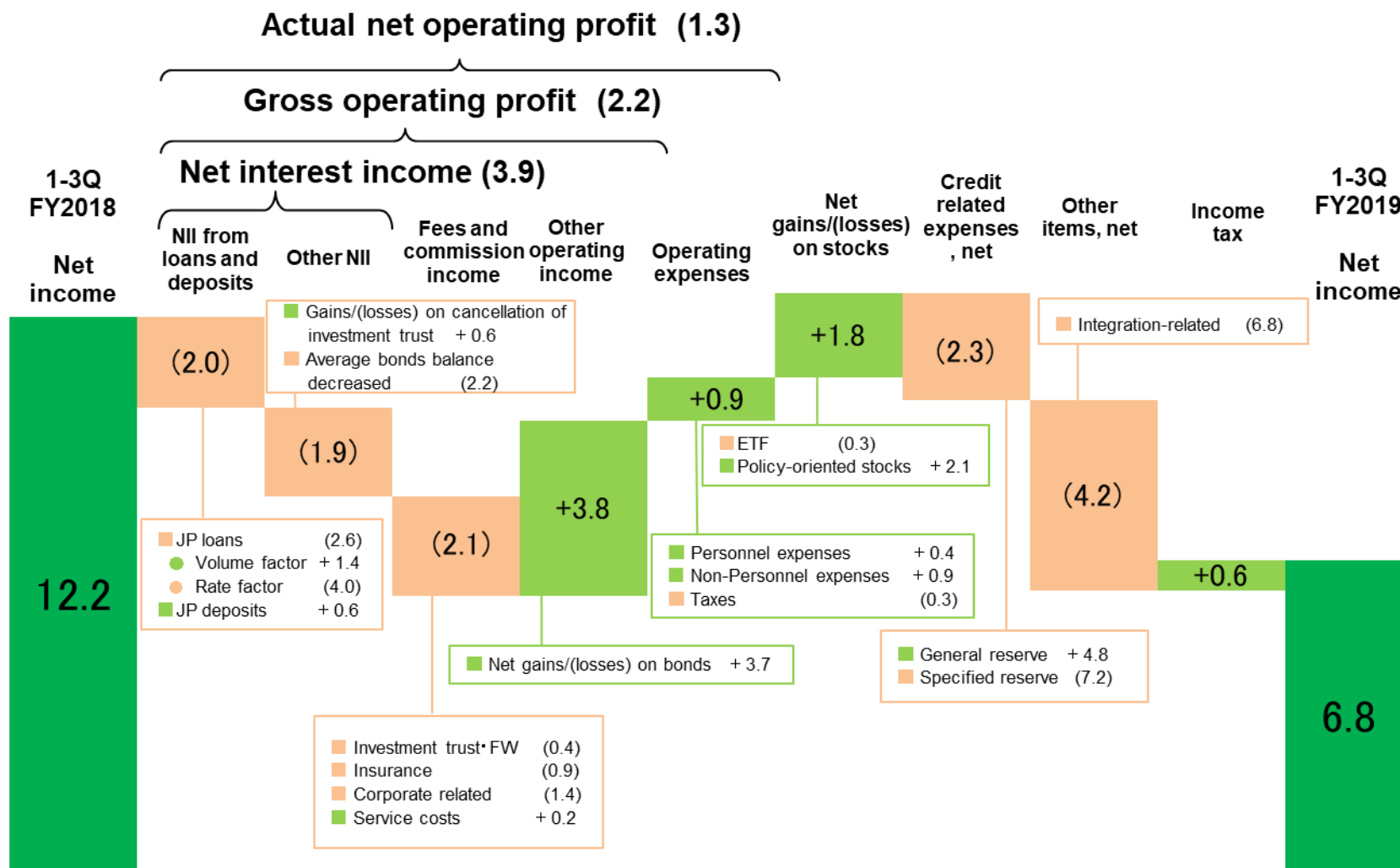
(JPY bn)



# Factors for the YoY Change in Periodic Profits

Total of group banks

(JPY bn)



# Trend of Loans and Deposits (Domestic\*)

Total of group banks

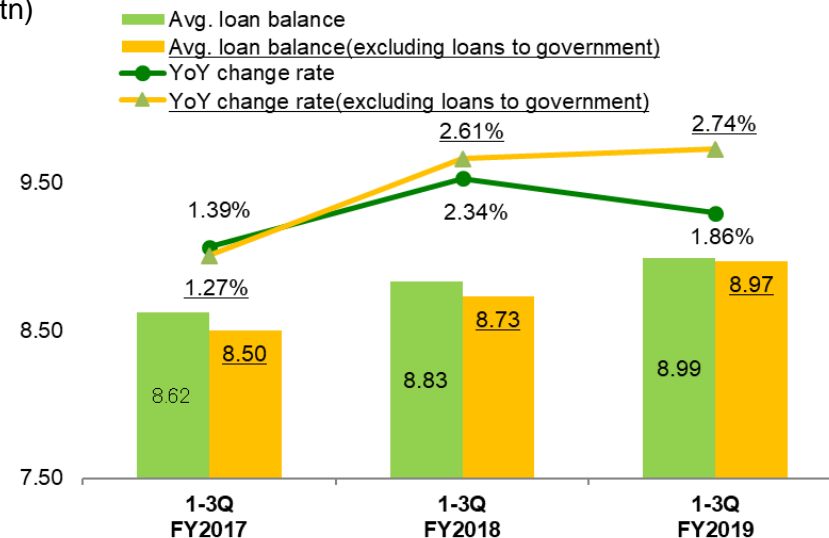
## Average loan / deposit balance, rates and spread

Avg.Bal : Trillion Yen Income/Cost : Billion Yen		FY2019			
		1-3Q		Revised Plan	
		Act.	YoY		YoY
Loans	Avg. Bal. (1)	8.99	+1.86%	9.07	+0.21 (+2.34%)
	Rate (2)	1.13%	(0.06)%	1.13%	(0.05)%
	Income (3)	76.6	(2.6)	102.7	(2.2)
Deposits (including NCDs)	Avg. Bal. (4)	10.76	(1.14)%	10.86	(0.04) (Δ 0.33%)
	Rate (5)	0.03%	(0.00)%	0.03%	(0.00)%
	Cost (6)	(3.1)	+0.6	(4.0)	+0.7
Loan-to-deposit	Spread (7)	1.09%	(0.05)%	1.09%	(0.04)%
	Net interest income (8)	73.4	(2.0)	98.6	(1.5)

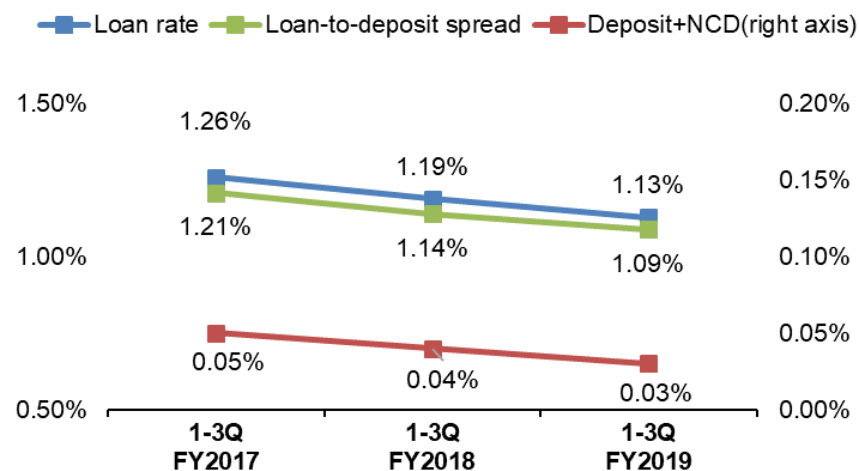
\* Excluding loans and deposits denominated in foreign currencies, etc.

## 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

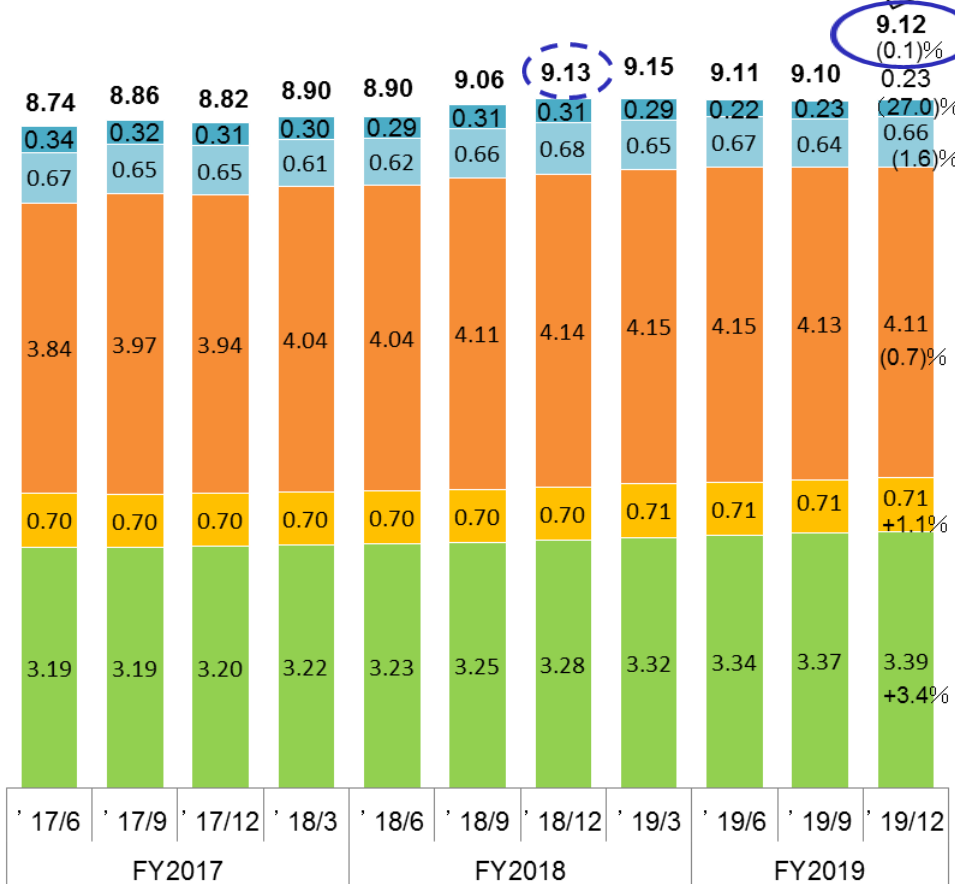
## Term-end loan balance (all locations\*1)

(JPY tn, % represents YoY change)

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

- Residential housing+consumer loans
- SMEs
- Lending to the Government
- Apartment loans
- Large companies and other

Excluding lending to the Government +0.9%

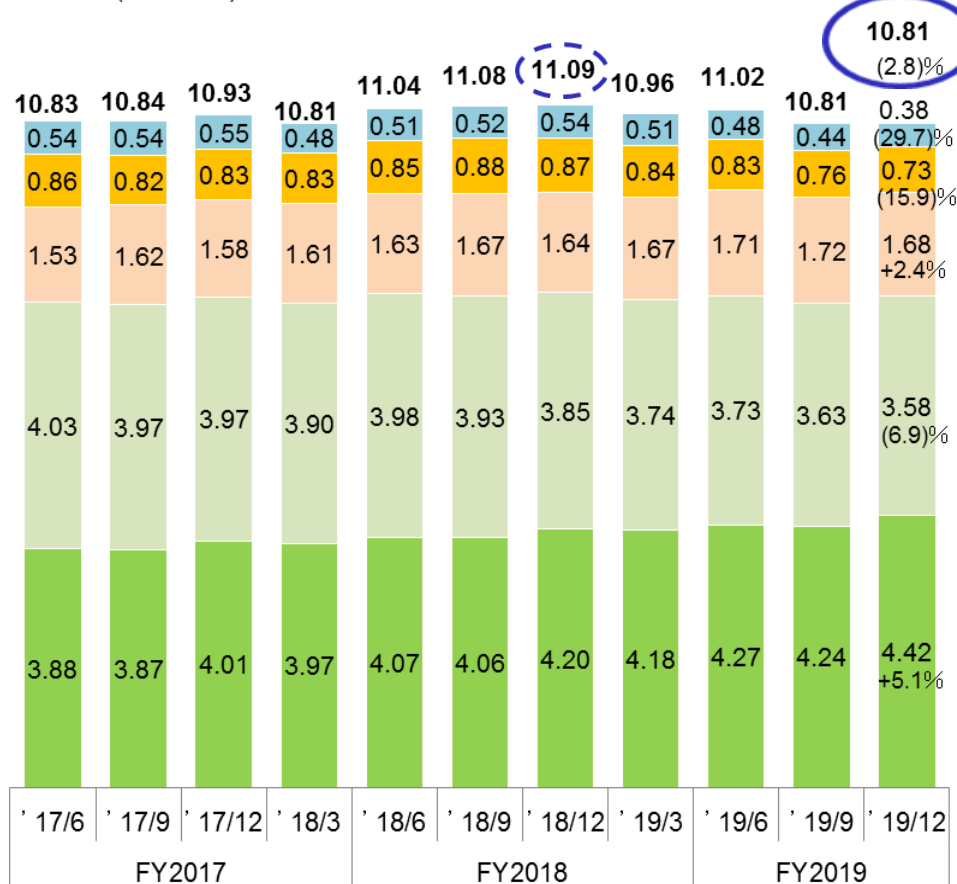


## Term-end deposit balance (all locations\*2)

(JPY tn, % represents YoY change)

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

- Individual (liquid deposits and other) \*3
- Corporate (liquid deposits and other) \*3
- Other (incl. NCD)
- Individual (time deposits)
- Corporate (time deposits)



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

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

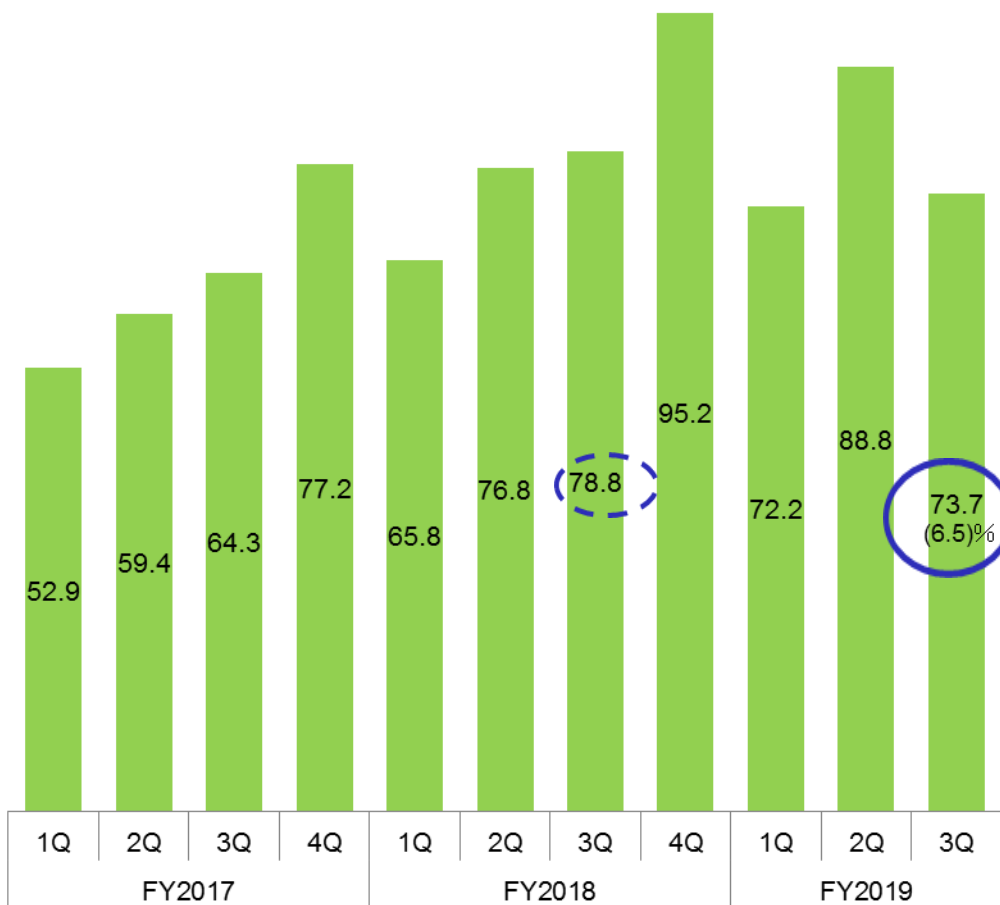
# Housing Loan Business

Total of group banks

## Residential housing loan origination

(JPY bn, % represents YoY change)

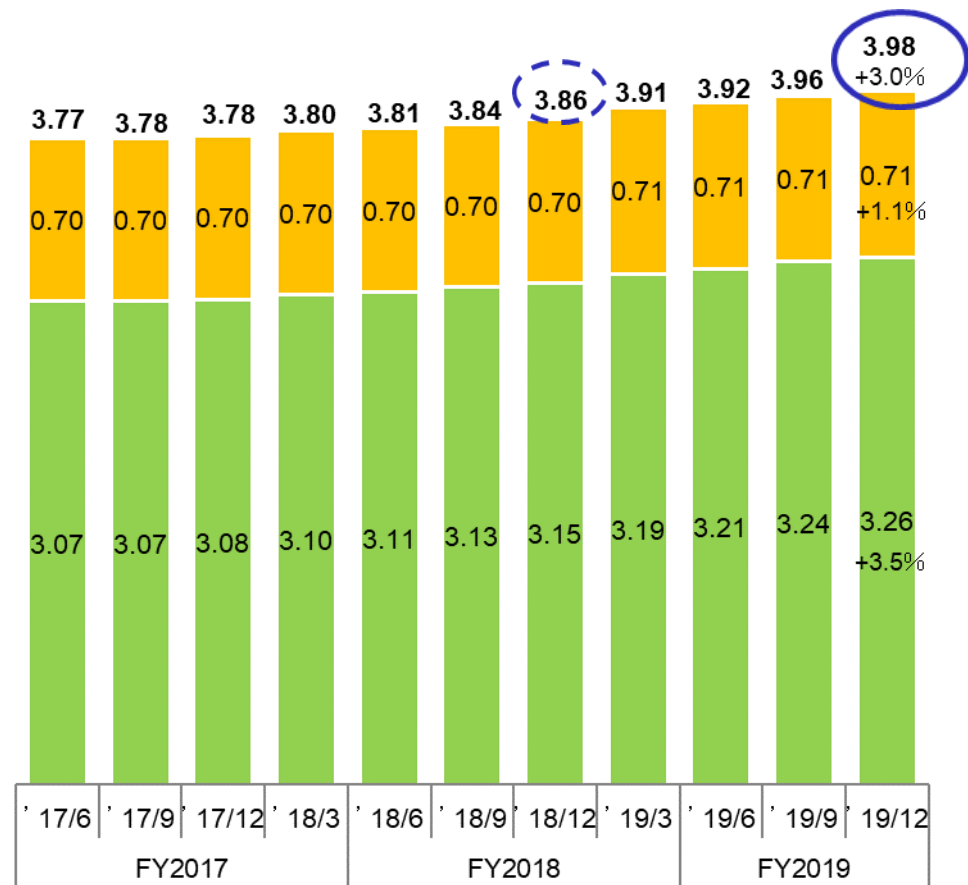
(including Flat)



## Term-end housing loan balance

(JPY tn, % represents YoY change)

■ Residential housing loan ■ Apartment loan

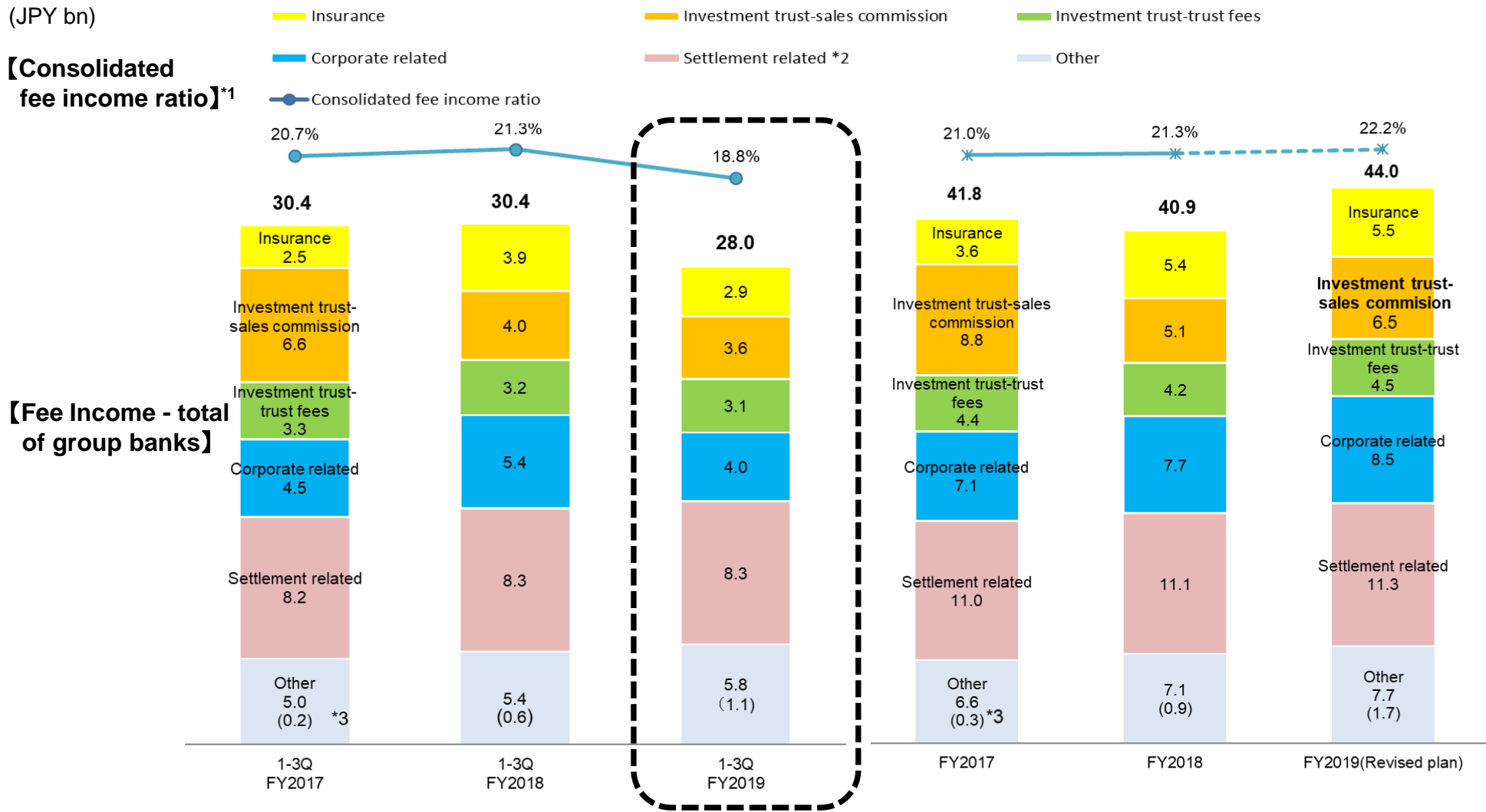




# Trend of Fee Income

Total of group banks

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



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

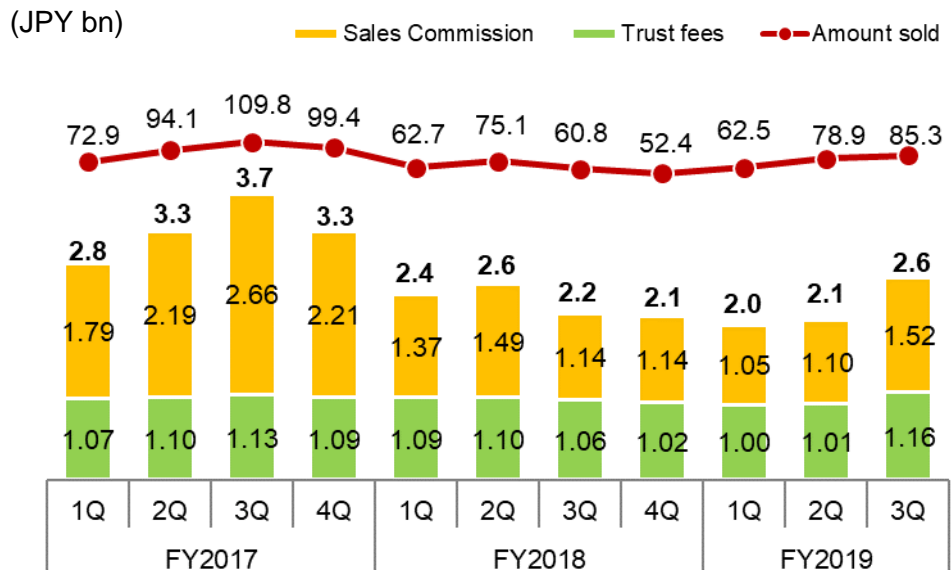
\*2. Fees and commission from domestic exchange, account transfer, EB, VISA debit card

\*3. ( ): Connected to housing loan

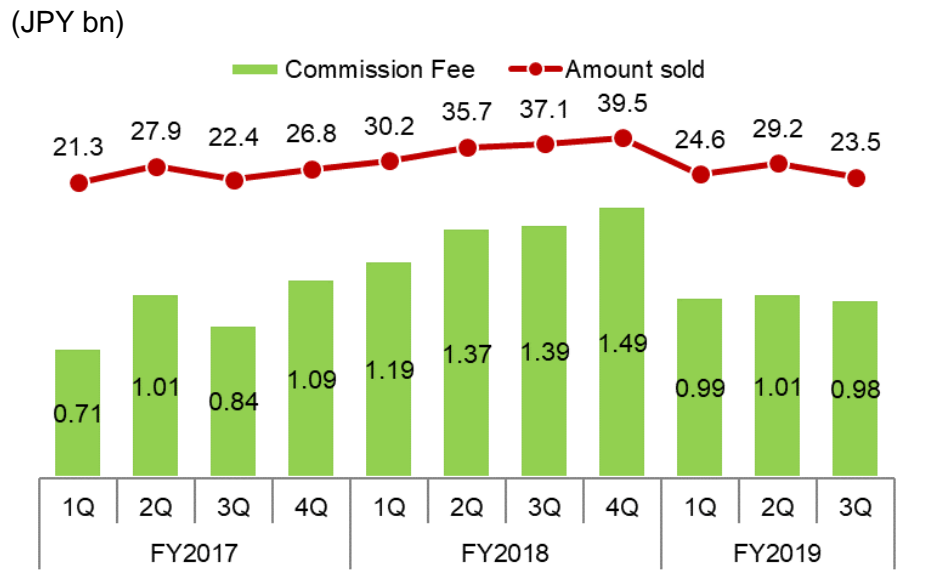
# Asset Formation Support Business

Total of group banks

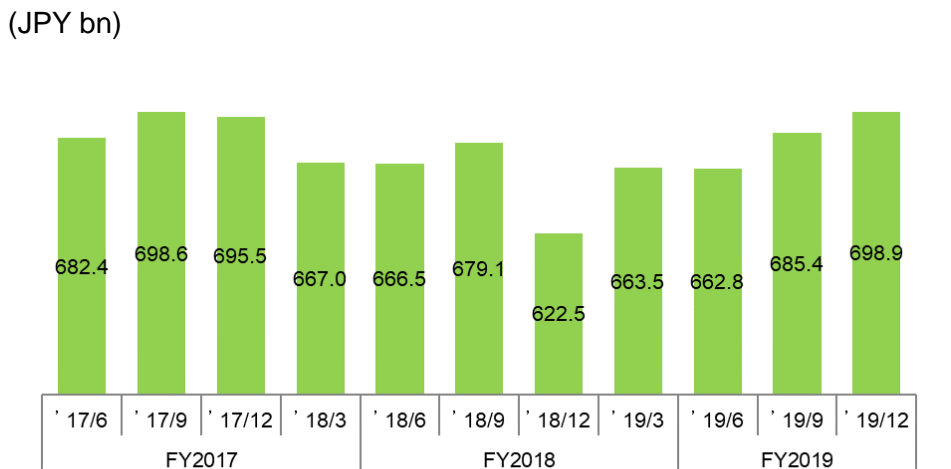
## Investment trust and fund wrap



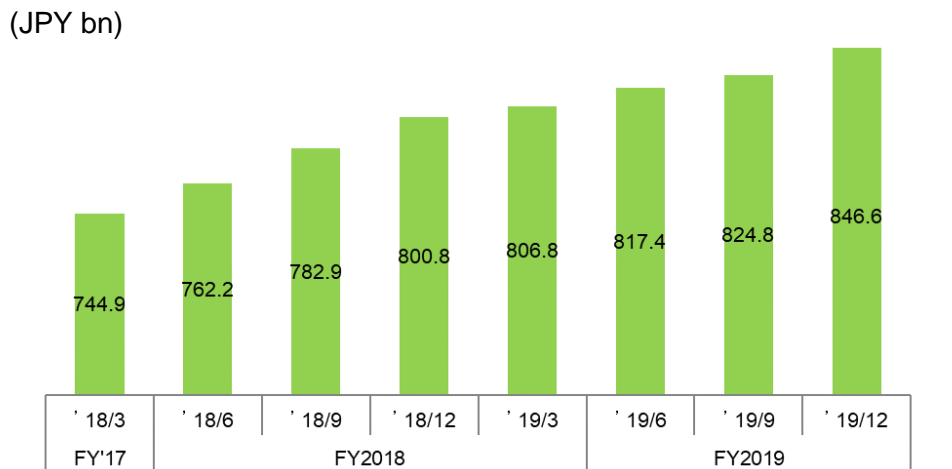
## Insurance



## For Individuals, Investment trust and fund wrap



## Insurance Balance



## Trend of credit costs

(JPY bn)	FY2017 Act (reference) *1	FY2018		FY2019	
		1-3Q (9Ms)	Act	1-3Q (9Ms)	Target
<b>Net credit cost (FG Consolidated)</b> (1)	(2.9)	(1.0)	(5.0)	(4.1)	
<b>Net credit cost (Total of group banks)</b> (2)	(1.1)	(0.4)	(4.1)	(2.7)	(3.5)
General reserve (3)	3.0	(3.5)	(1.4)	1.3	
Specified reserve and other items (4)	(4.2)	3.1	(2.6)	(4.0)	
New bankruptcy, downward migration (5)	(8.8)	(4.7)	(8.7)	(3.7)	
Collection/ upward migration (6)	4.6	7.8	6.0	(0.3)	
<b>Difference</b> (Total of consolidated group banks - (2)) (7)	(1.7)	(0.6)	(0.9)	(1.4)	
HL, guarantee subsidiaries (8)	(0.9)	(0.4)	(0.5)	(1.4)	
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)	(1.6)	(5.6)	(6.1)	
Total of group banks *3 (11)	(1.3)	(0.6)	(4.5)	(4.0)	

(Notes) 1. Positive figures represent reversal gains

2. Credit cost ratio is calculated by annualized credit cost

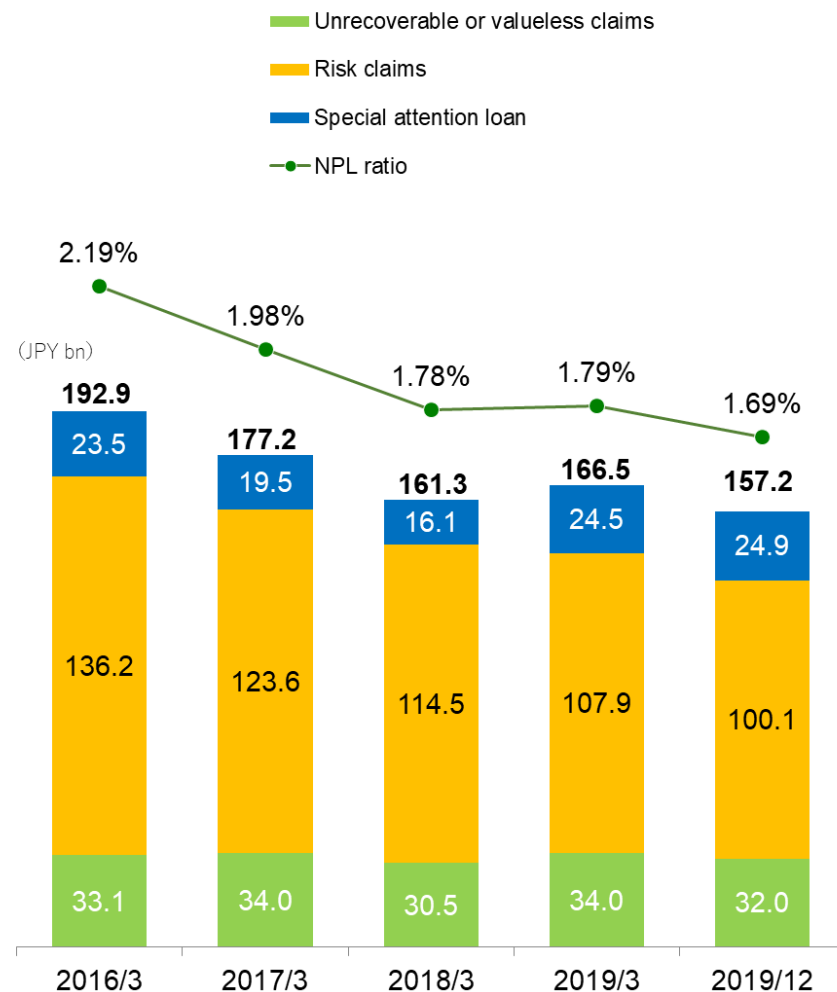
\*1. Some figures of FY2017 are adjusted to reflect the KMFG integration stated in accordance with a standard applied for FY2018

\*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)

## Trend of NPL balance and ratio

(Financial Reconstruction Act criteria)



## Securities

(JPY bn)	2019/3	2019/9	2019/12	Unrealized gain/(loss)
Available-for-sale securities *1 (1)	781.8	648.8	643.6	30.2
Stocks (2)	21.8	19.6	18.9	23.3
Bonds (3)	603.7	512.0	510.1	0.7
JGBs (4)	35.9	38.1	27.6	(0.1)
Average duration (years) (5)	3.3	5.7	12.7	-
Basis point value (BPV) (6)	(0.1)	(0.2)	(0.3)	-
Local government bonds and Corporate bonds (7)	567.8	473.9	482.5	0.8
Other (8)	156.2	117.1	114.5	6.0
Foreign bonds (9)	32.3	17.7	26.8	0.1
Average duration (years) (10)	7.2	6.6	7.6	-
Bases point value (BPV) (11)	(0.2)	(0.1)	(0.2)	-
Net unrealized gains/(losses) (12)	31.0	28.2	30.2	
Bonds held to maturity *2 (13)	207.6	193.7	204.0	4.0
JGBs (14)	111.9	104.3	110.5	2.0
Net unrealized gains/(losses) (15)	4.6	5.2	4.0	

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

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

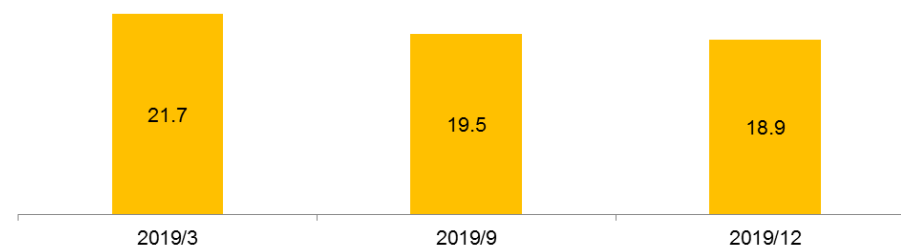
## Unrealized gains or losses

(JPY bn)	2019/3	2019/9	2019/12
Bonds + Others (1)+(2)	3.6	8.0	6.8
Bonds (1)	2.0	2.1	0.7
Others (2)	1.6	5.8	6.0
Foreign securities (3)	0.5	0.8	0.1
Investment trusts, REIT (4)	0.8	4.4	5.5
ETF (5)	(0.1)	-	0.0
Others (6)	0.5	0.5	0.3

## Status of policy-oriented stocks\*3 held

■ Break-even price (Nikkei average basis) : Approx.5,400 yen

(JPY bn)



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

## Capital Adequacy Ratio (Domestic standard – FG Consolidated)

(JPY bn)	2019/3 Actual	2019/12 Actual	Change	〈Reference〉 Group banks (Consolidated)	
				Kansai Mirai	Minato
<b>Consolidated capital adequacy ratio</b> (1)	6.86%	<b>8.33%</b>	+1.47%	9.27%	6.80%
<b>Total Capital</b> (2)	462.0	461.9	(0.0)	357.4	139.5
Core Capital:instruments and reserves (3)	481.6	483.9	+2.3	382.7	144.0
Capital stock and surplus (4)	462.9	469.2	+6.3	364.1	135.5
Subordinated loans (5)	6.0	5.2	(0.7)	4.0	1.2
Eligible provisions (6)	19.5	12.2	(7.3)	19.5	6.5
Core Capital:regulatory adjustments (7)	19.6	22.0	+2.4	25.2	4.5
<b>Risk weighted assets</b> (8)	6,727.4	5,541.2	(1,186.1)	3,853.3	2,050.9
Credit risk weighted assets (*) (9)	6,475.6	5,290.9	(1,184.6)	3,601.1	1,979.2
Amount equivalent to market risk / 8% (10)	5.2	3.9	(1.2)	0.9	—
Amount equivalent to operational risk / 8% (11)	246.6	246.3	(0.2)	170.2	71.6
Credit risk weighted assets adjustments (12)	—	—	—	81.0	—

(\*) Measuring method of credit risk weight assets

	2019/3	2019/12
<b>Kansai Mirai Financial Group, Inc</b>	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)
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 〉

■ 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 investment trust (69.0) bn