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# Financial Highlights for the First Half of Fiscal Year 2020

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RESONA

## Kansai Mirai Financial Group



Kansai Mirai Bank, Limited



MINATO BANK

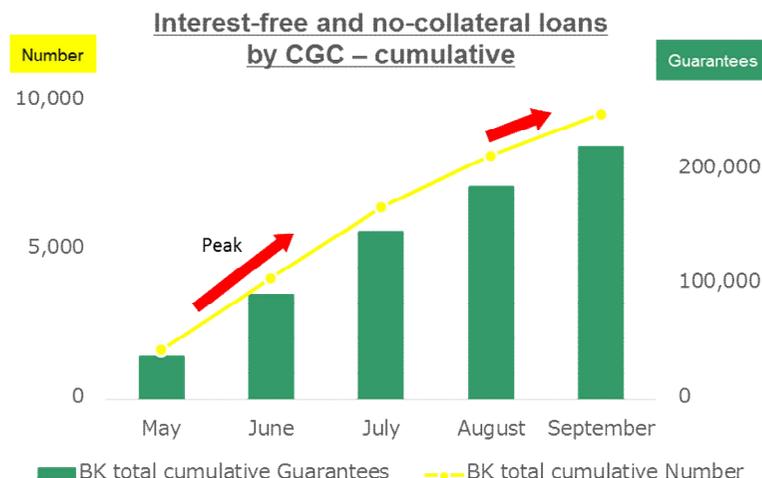
November 10, 2020

(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.

# Response to the COVID-19 (“Finance + $\alpha$ ” Initiatives)

## Customer Support Initiatives

- COVID-19 related loan (initiatives of interest-free and no-collateral loans)
  - Interest-free and no-collateral loans by Credit Guarantee Corporations (CGC) – both the number and guarantees reach a peak from May to July and calm down currently.



- Re-growth Support for customers affected by the COVID-19
  - < Customer support by branch and HQ together >
    - Build-up organization to enable in-depth support for customers’ business needs by branch and HQ together
  - Kansai Mirai Bank: Corporate Business Division, Strategic Support Group
  - Minato Bank: Business Growth Encourage Group
  - < Reinforce capital subordinated loan initiatives >
    - For customers re-growth support, establish collaborative funds with Resona bank and Development Bank of Japan and reinforce initiatives of capital subordinated loan for re-growth support.

Collaborative Fund (preferred stocks / subordinated loan)		Capital Subordinated Loan	
Collaborative Fund		Kansai Mirai Bank	Minato Bank
RKD Encourage Fund (SME)	KR Encourage Fund (SME)	Mirai Mezzanine Fund	Minato Mezzanine Fund
Total 10.0 billion yen	Total 5.0 billion yen	Total 3.0 billion yen	Total 1.0 billion yen

## Efforts on Non face-to-face Channel

- Promotion of Group App set up
  - Due to increase in Non face-to-face Channel needs, the number of Group App download is steadily increased
- Recommend Non face-to-face consulting and transaction



### < Support of Inheritance / Business Succession / Asset Formation >

- Launch “Web Consultation service” for inheritance and succession by utilizing ZOOM (Kansai Mirai)
- Execute asset formation support campaign “STAY HOME PARTY” only for internet banking transaction (Kansai Mirai)
- Execute Minato Net de Investment trust campaign (Minato)

## Regional Encourage

- Encourage medical institutions and regional economy through various products
  - < Encourage through loan products >
    - “CSR privately-placed bond - MyDo Okini” Add medical support donation in Osaka and Shiga as recipients of the contribution (Kansai Mirai)
    - Commence release “Minato regional medical support privately-placed bond - Kansha” (Minato)
    - Commence release “Minato enterprise support fund - Gohanjyo” (Minato)
  - < Encourage through investment products >
    - Implement “Regional medical support project” (Kansai Mirai)
- Other enforcement
  - Donation of hygiene products and protective clothing through municipality or social welfare organization
  - Production and donation of simple face shield



# Outline of Financial Results for the 1H of FY 2020

## **Net income attributable to owners of parent : JPY5.3 bn**

Down JPY2.4 bn, or 31.8%, YoY

Full year target : JPY6.0 bn

Progress rate against the full year target : 89.0%

## **Actual net operating profit : JPY13.8 bn**

Down JPY0.4 bn, or 3.3%, YoY

## **Gross operating profit : JPY69.1 bn**

Down JPY2.4 bn, or 3.4%, YoY

- Net interest income from domestic loans and deposits : JPY48.2 bn

Down JPY0.7 bn, YoY

Average loan balance +2.50%, Loan-to-deposit spread (0.04)%

The rate of decline continues to decrease

- Fees and Commission income : JPY13.4 bn, Up JPY0.6 bn, YoY
- Housing loan related business have been strong, despite the constraint on face-to-face business activities amid the COVID-19

## **Operating expenses : JPY55.2 bn**

Decreased JPY1.9 bn, YoY(improved)

- Reduction in operating expenses absorbed the integration-related cost (JPY1.8 bn).

## **Credit related expenses, net : JPY5.8 bn (cost)**

Increased JPY5.7 bn, YoY

Credit related expenses, net have progressed in one-third of full-year target despite the rapid spread of COVID-19

(Reference Total of two banks : JPY4.0 bn (cost) ,

Full year target : JPY12.5 bn (cost) )

## **[Reference] Total of two banks**

## **Actual net operating profit : JPY10.7 bn**

Full year target : JPY21.0 bn Progress rate : 51.0%

## **Net income : JPY5.2 bn**

Full year target : JPY5.0 bn Progress rate : 104.5%

Kansai Mirai FG Consolidated (JPY bn)	1H of FY2020	YoY change	
			%
Net income attributable to owners of parent (1)	5.3	(2.4)	(31.8)%
Gross operating profit (2)	69.1	(2.4)	(3.4)%
Net interest income (3)	53.0	(1.7)	
From domestic loans and deposits *1 (4)	48.2	(0.7)	
Fees and commission income (5)	13.4	+ 0.6	
Other operating income (6)	2.5	(1.2)	
Net gains/(losses) on bonds (7)	1.0	(1.4)	
Operating expenses (excluding group banks' non-recurring items) (8)	(55.2)	+ 1.9	+ 3.4%
OHR (9)	79.9%	(0.0)	
Actual net operating profit (2+8) (10)	13.8	(0.4)	(3.3)%
Net gains/(losses) on stocks (11)	0.7	+ 0.5	
Credit related expenses, net (12)	(5.8)	(5.7)	
Other gains/(losses), net (13)	(1.9)	+ 2.6	
Ordinary profit (14)	6.7	(3.0)	(31.1)%
Extraordinary gains/(losses) (15)	0.4	(0.3)	
Income before income taxes (16)	7.2	(3.4)	(32.0)%

\*1. Total of group banks, deposits include NCDs \*2. Negative figures represent items that would reduce net income

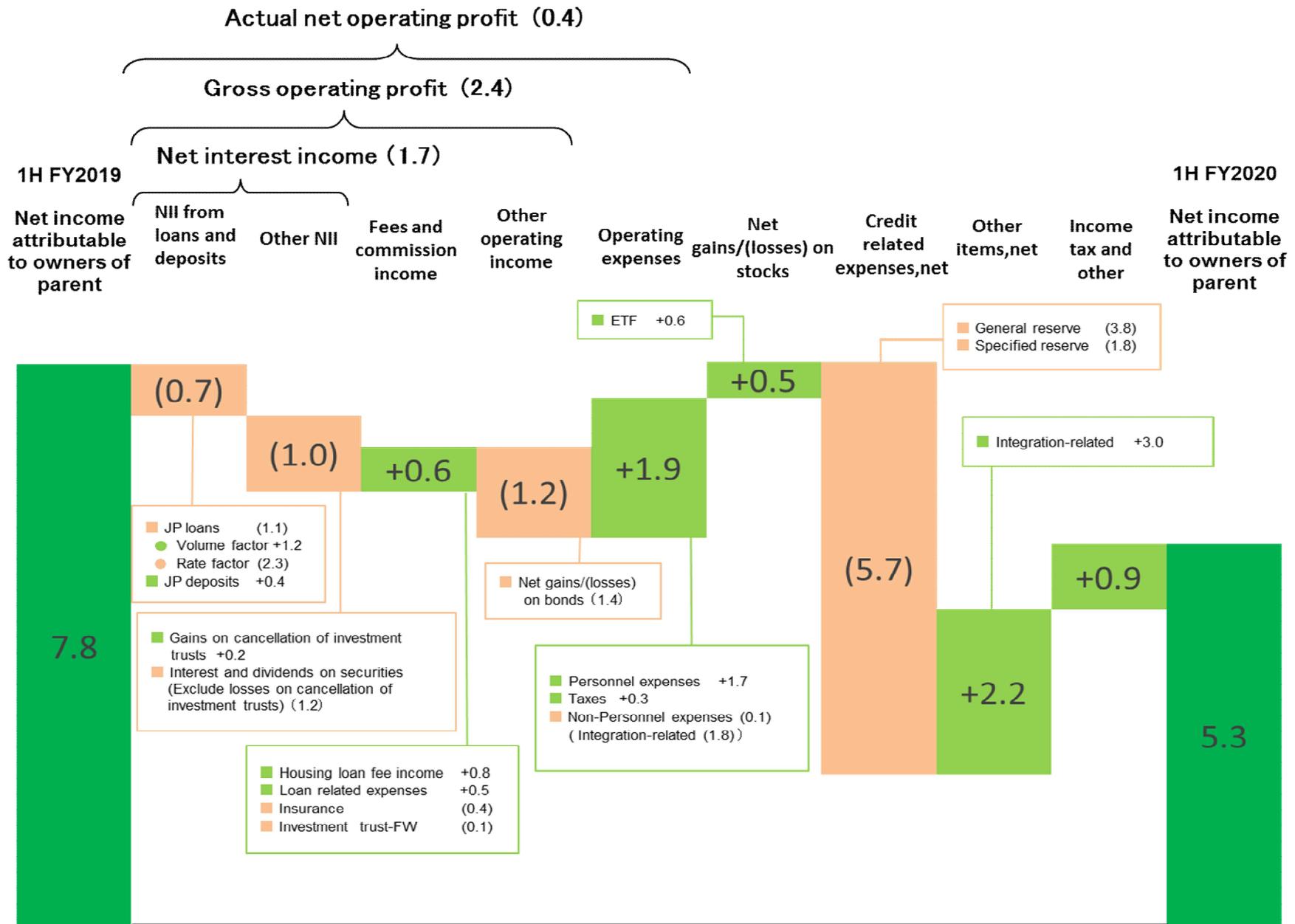
# Breakdown of Financial Results for the 1H of FY 2020

(JPY bn)	Kansai Mirai FG (Consolidated) (A)		Total of two group banks (Non-consolidated) (B)				Difference (A)-(B)	
		YoY change		YoY change	Kansai Mirai	Minato		YoY change
<b>Gross operating profit</b> (1)	69.1	(2.4)	64.1	(2.7)	45.2	18.8	5.0	+ 0.3
Net interest income (2)	53.0	(1.7)	52.3	(2.0)	38.0	14.3	0.7	+ 0.3
From domestic loans and deposits (3)			48.2	(0.7)	35.4	12.8		
Gains/(losses) on cancellation of investment trust (4)	1.7	+ 0.2	1.1	(0.3)	0.8	0.3	0.5	+ 0.5
Fees and commission income (5)	13.4	+ 0.6	9.6	+ 0.7	6.1	3.5	3.8	(0.1)
Other operating income (6)	2.5	(1.2)	2.0	(1.4)	1.1	0.9	0.4	+ 0.2
Net gains/(losses) on bonds (7)	1.0	(1.4)	0.9	(1.7)	0.2	0.7	0.1	+ 0.2
Operating expenses (excluding group banks' non-recurring items) (8)	(55.2)	+ 1.9	* (53.4)	+ 1.8	* (37.6)	(15.8)	(1.8)	+ 0.0
OHR (9)	79.9%	(0.0)%	83.3%	+ 0.6%	83.1%	83.7%		
<b>Actual net operating profit</b> (10)	13.8	(0.4)	* 10.7	(0.8)	* 7.6	3.0	3.1	0.4
<b>Core net operating profit (excluding gains/(losses) on cancellation of investment trust)</b> (11)			8.5	+ 1.1	6.5	2.0		
Net gains/(losses) on stocks (12)	0.7	+ 0.5	2.3	(2.3)	1.5	0.7	(1.6)	+ 2.8
Credit related expenses, net (13)	(5.8)	(5.7)	(4.0)	(4.6)	(2.2)	(1.8)	(1.7)	(1.0)
Other gains/(losses), net (14)	(1.9)	+ 2.6	(2.4)	+ 2.6	(1.7)	(0.7)	0.4	(0.0)
Ordinary profit (15)	6.7	(3.0)	6.5	(5.2)	5.2	1.2	0.2	+ 2.2
Extraordinary gains/(losses), net (16)	0.4	(0.3)	0.6	+ 0.1	0.7	(0.0)	(0.2)	(0.4)
<b>Income before income taxes (and noncontrolling interests)</b> (17)	7.2	(3.4)	7.2	(5.1)	5.9	1.2	0.0	+ 1.7
<b>Net income (attributable to owners of parent)</b> (18)	5.3	(2.4)	5.2	(3.7)	4.3	0.8	0.1	+ 1.2

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

# Factors for the YoY Change in Periodic Profits

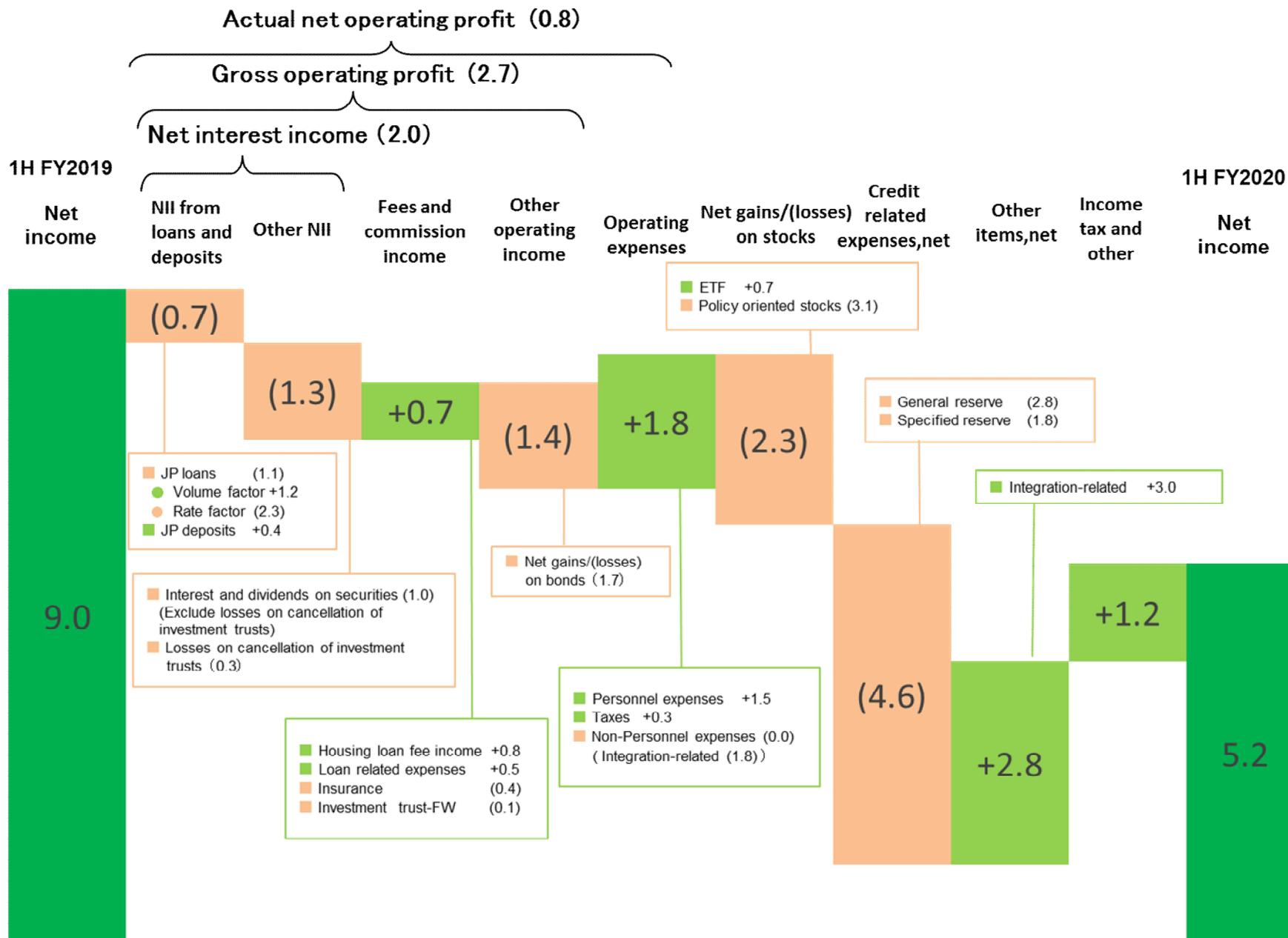
(JPY bn)



# Factors for the YoY Change in Periodic Profits

Total of group banks

(JPY bn)



# Trend of Loans and Deposits (Domestic<sup>\*1</sup>)

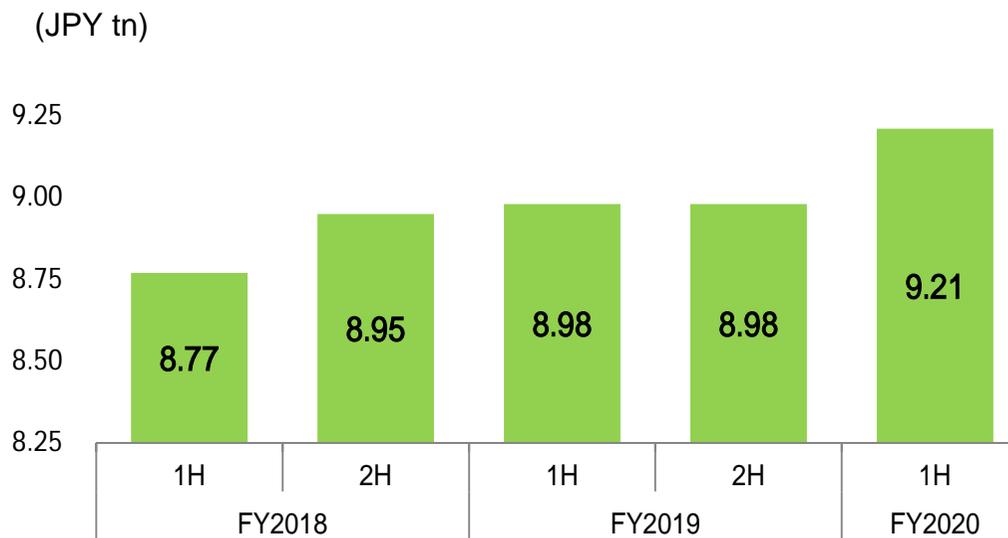
Total of group banks

## Average loan / deposit balance, rates and spread

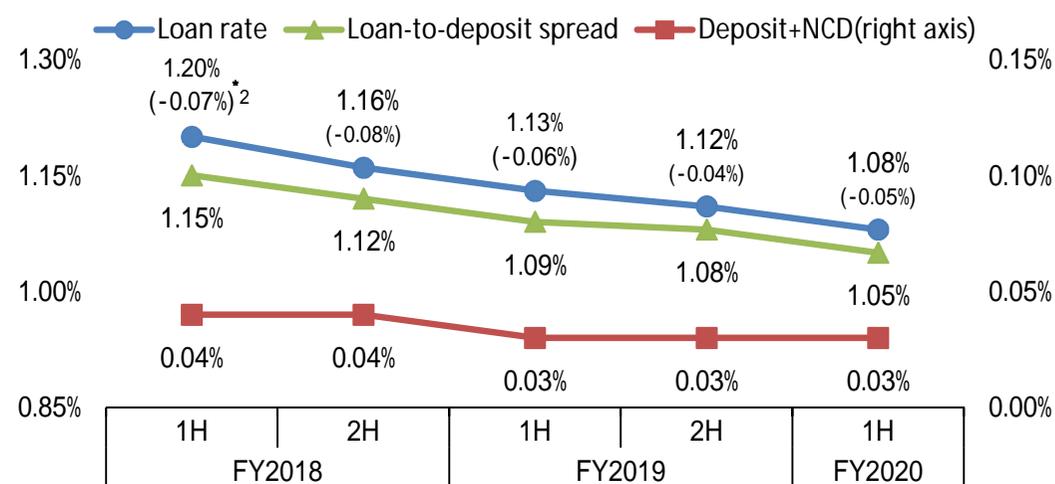
Avg.Bal : Trillion Yen Income/Cost : Billion Yen		FY2020			
		1H Act.	YoY	Revised Plan	YoY
Loans	Avg. Bal. (1)	9.21	+2.50%	9.32	+3.75%
	Rate (2)	1.08%	(0.05)%	1.07%	(0.05)%
	Income (3)	49.9	(1.1)	100.2	(1.3)
Deposits (including NCDs)	Avg. Bal. (4)	10.87	+ 0.52%	10.96	+2.13%
	Rate (5)	0.03%	(0.00)%	0.02%	(0.00)%
	Cost (6)	(1.6)	+0.4	(3.2)	+0.8
Loan-to-deposit	Spread (7)	1.05%	(0.04)%	1.04%	(0.04)%
	Net interest income (8)	48.2	(0.7)	96.9	(0.5)

\* 1 Excluding loans and deposits denominated in foreign currencies, etc.

## Average loan balance



## Loan to deposit rate and spread



\* 2 % represents YoY change.

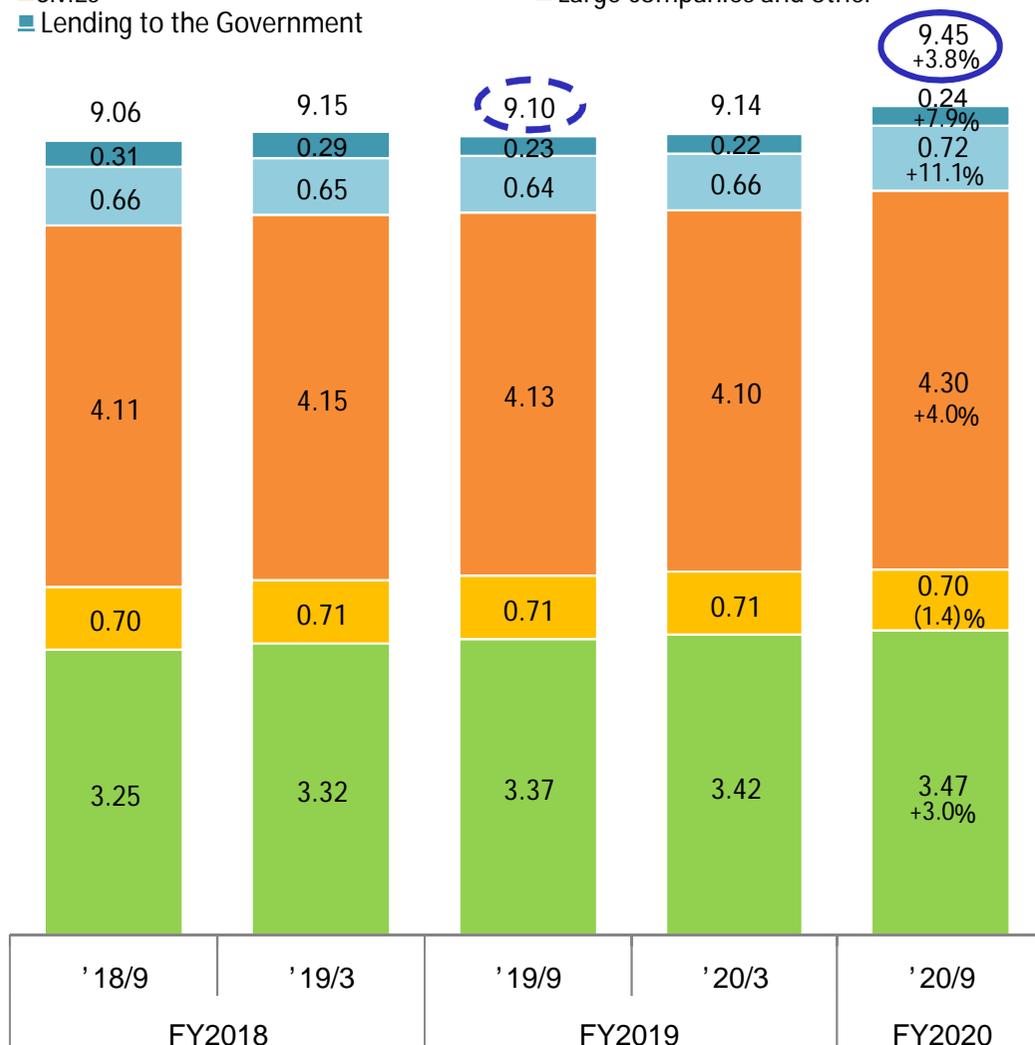
# Term-end Balance of Loans and Deposits

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.

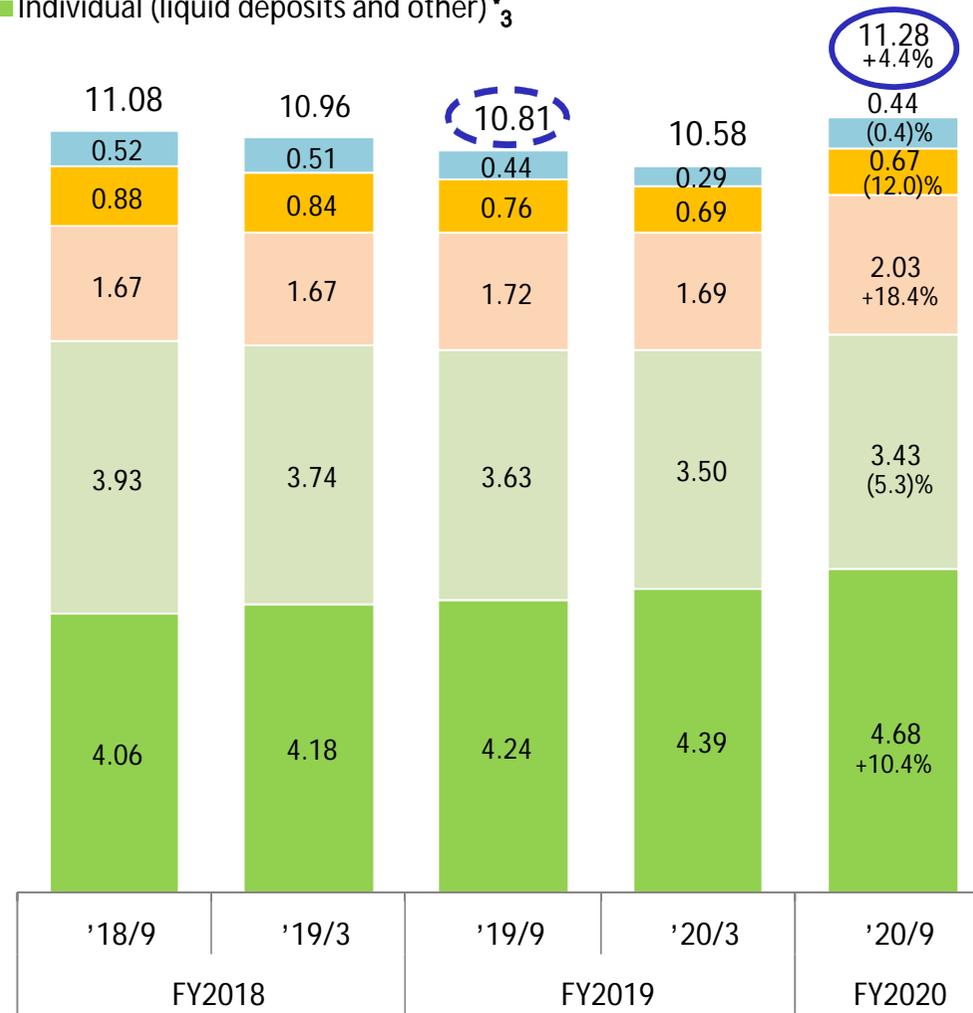
- Residential housing+consumer loans
- SMEs
- Lending to the Government
- Apartment loans
- Large companies and other



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

(JPY tn, % represents YoY change) \* 2.All deposits, including which denominated in foreign currencies, etc.

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

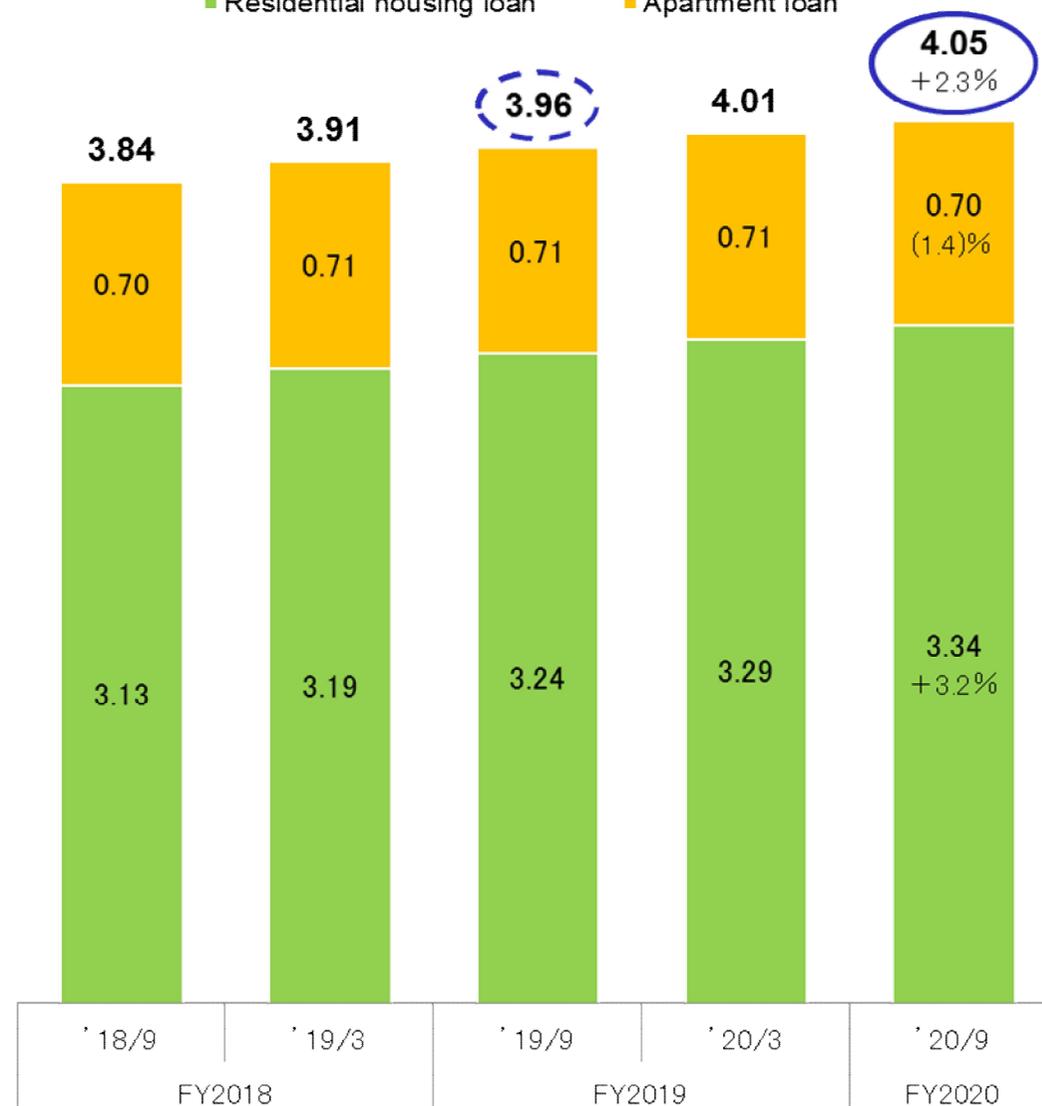
(including Flat)



## Term-end housing loan balance

(JPY tn, % represents YoY change)

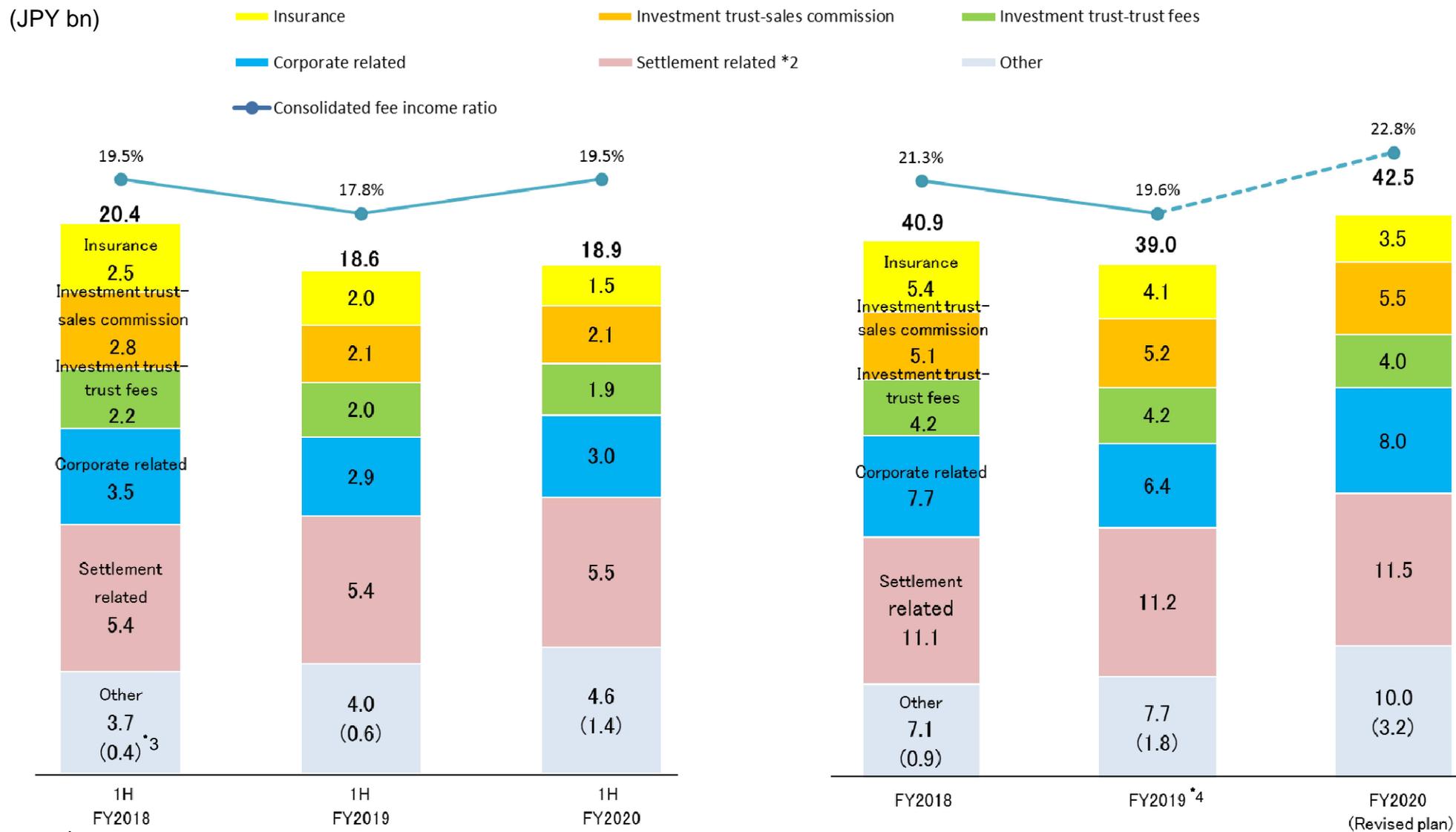
■ Residential housing loan ■ Apartment loan



# Trend of Fee Income

Total of group banks

## Consolidated fee income ratio,<sup>1</sup> 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

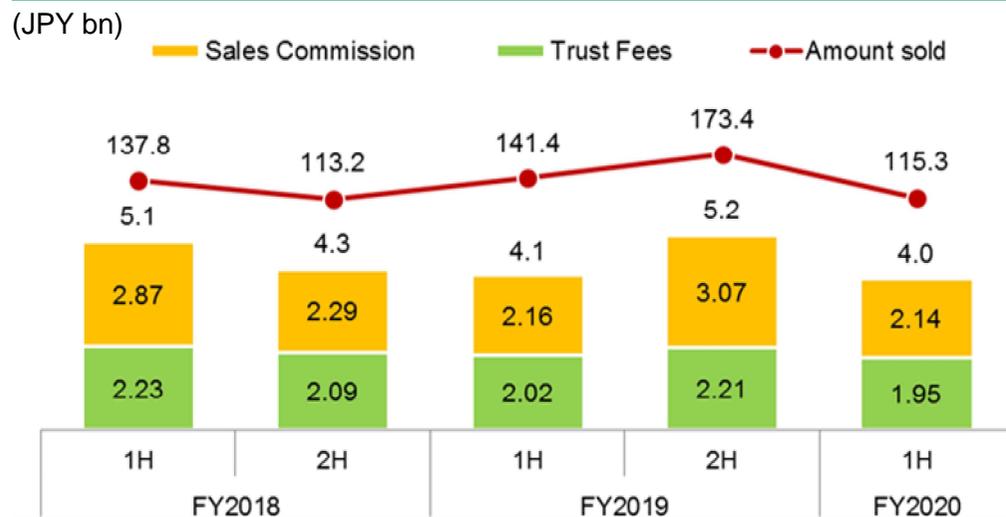
3. (:): Connected to housing loan

4. Corporate related and other figures for the fiscal year 2019 have changed from the figures announced in May 2020.

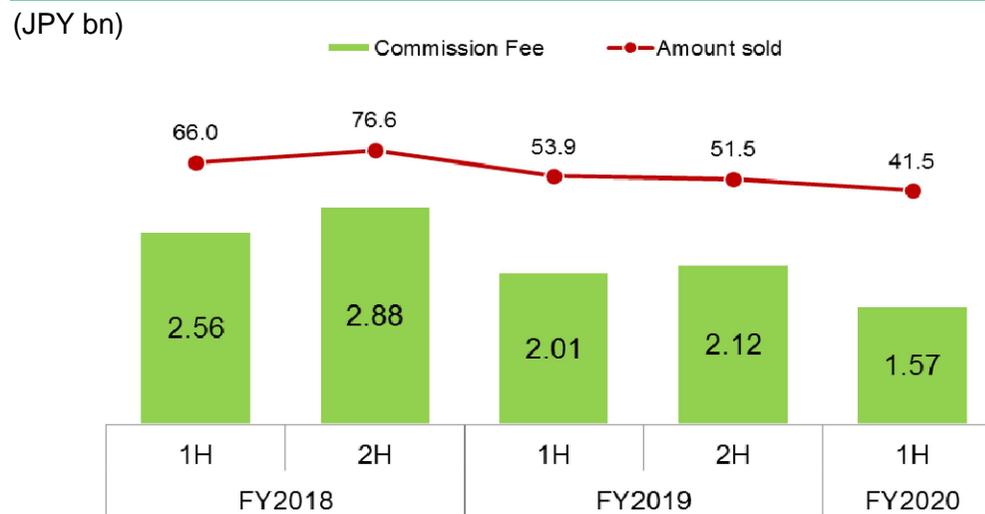
# Asset Formation Support Business

Total of group banks

## Investment trust and fund wrap



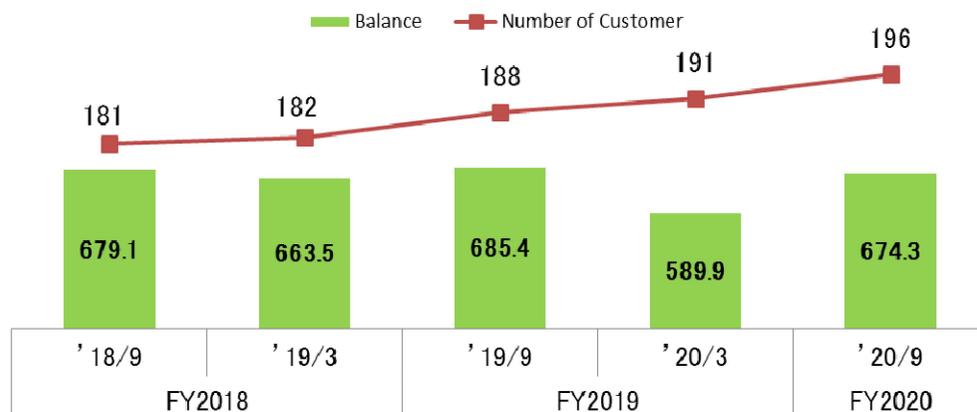
## Insurance



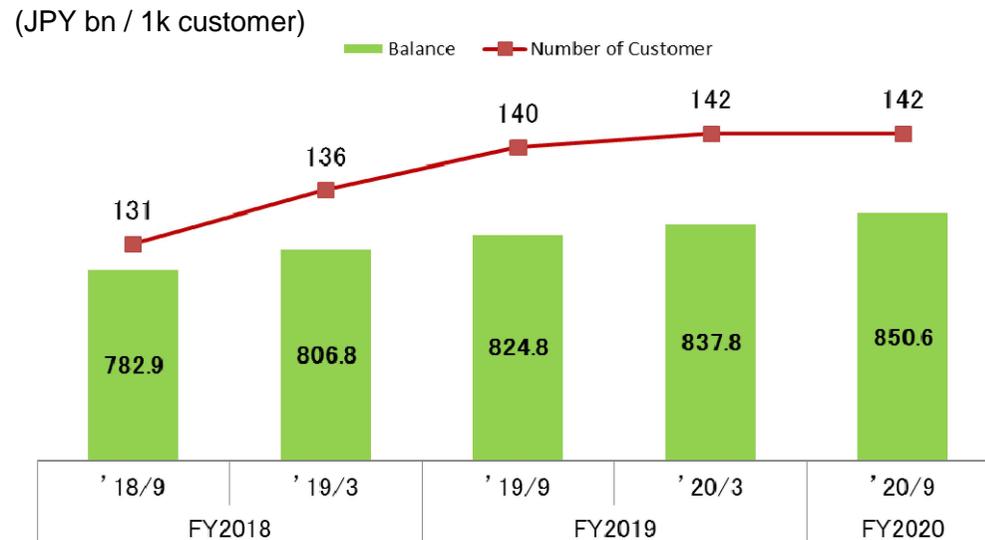
## Balance of investment trust and fund wrap for individuals · The Number of Customers

(JPY bn / 1k customer)

Net inflow of funds (investment trust, etc.)  
(New purchase – withdrawal and redemption, etc.)  
1H of FY2020 : Approx +19.0 bn



## Insurance Balance · The Number of Customers



# Credit Costs and NPL

Total of group banks/  
FG Consolidated

## Trend of credit costs

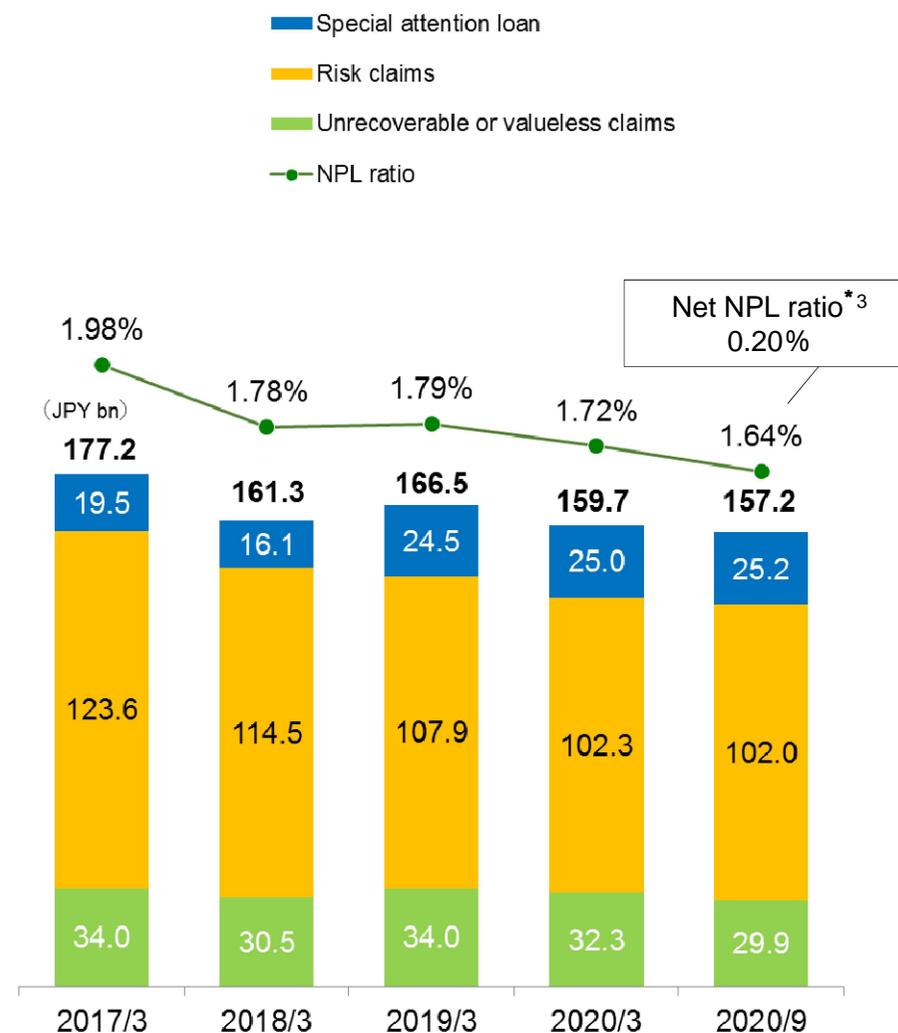
(JPY bn)	FY2018 Act (reference)	FY2019		FY2020	
		1H Act	Act	1H Act	Revised Plan
<b>Net credit cost (FG Consolidated)</b> (1)	(5.0)	(0.0)	(6.2)	(5.8)	
<b>Net credit cost (Total of group banks)</b> (2)	(4.1)	0.6	(4.7)	(4.0)	(12.5)
General reserve (3)	(1.4)	1.2	1.6	(1.5)	
Specified reserve and other items (4)	(2.6)	(0.6)	(6.3)	(2.4)	
New bankruptcy, downward migration (5)	(8.7)	(3.0)	(6.8)	(4.3)	
Collection/ upward migration (6)	6.0	2.4	0.4	1.8	
<b>Difference (1) - (2)</b> (7)	(0.9)	(0.7)	(1.4)	(1.7)	
HL, guarantee subsidiaries (8)	(0.5)	(0.7)	(1.6)	(1.2)	
HL, Credit card companies (9)	(0.1)	(0.0)	(0.0)	(0.0)	
< Credit cost ratio >				(Unit:bps)	
Total of consolidated group banks*1 (10)	(5.6)	(0.1)	(6.8)	(12.5)	
Total of group banks*2 (11)	(4.5)	1.3	(5.1)	(8.5)	

(Notes) 1. Positive figures represent reversal gains  
2. Credit cost ratio is calculated by annualized credit cost

- \*1. Credit cost / (Loans and bills discounted + acceptances and guarantees)  
(Simple average of the balances at the beginning and end of the term)  
\*2. Credit cost / total credits defined under the Financial Reconstruction Act  
(Simple average of the balances at the beginning and end of the term)  
\*3. Net of collateral, guarantees and loan loss reserves

## Trend of NPL balance and ratio

(Financial Reconstruction Act criteria)



# Securities Portfolio

Total of  
group banks

## Securities

(JPY bn)		2019/3	2020/3	2020/9	Unrealized gain/(loss)
Available-for-sale securities * 1	(1)	781.8	636.3	689.0	13.7
Stocks	(2)	21.8	16.2	14.6	13.0
Bonds	(3)	603.7	513.5	589.7	(0.2)
JGBs	(4)	35.9	36.2	67.8	(0.7)
Average duration (years)	(5)	3.3	13.8	12.7	-
Basis point value (BPV)	(6)	(0.01)	(0.04)	(0.08)	-
Local government bonds and Corporate bonds	(7)	567.8	477.2	521.9	0.4
Other	(8)	156.2	106.6	84.6	0.9
Foreign bonds	(9)	32.3	7.1	12.9	0.0
Average duration (years)	(10)	7.2	4.6	7.2	-
Bases point value (BPV)	(11)	(0.02)	(0.00)	(0.00)	-
Net unrealized gains/(losses)	(12)	31.0	2.9	13.7	
Bonds held to maturity * 2	(13)	207.6	217.7	239.9	2.0
JGBs	(14)	111.9	105.2	107.4	0.8
Net unrealized gains/(losses)	(15)	4.6	2.6	2.0	

\*1.Acquisition cost basis,marketable securities.

\*2.Consolidated BS amount basis,marketable securities.

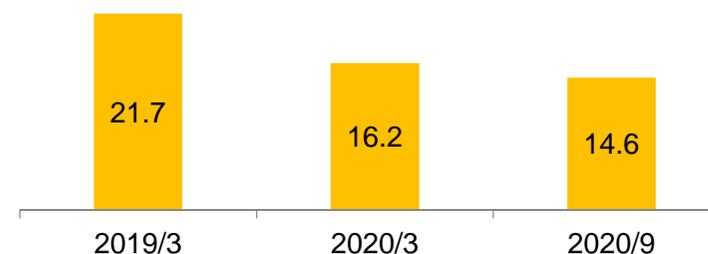
## Unrealized gains or losses

(JPY bn)		2019/3	2020/3	2020/9
Bonds + Others	(1)+(2)	3.6	(6.5)	0.6
Bonds	(1)	2.0	(0.2)	(0.2)
Others	(2)	1.6	(6.3)	0.9
Foreign securities	(3)	0.5	(0.1)	0.0
Investment trusts, REIT	(4)	0.8	(5.2)	0.8
ETF	(5)	(0.1)	(0.9)	(0.0)
Others	(6)	0.5	0.0	0.0

## Status of policy-oriented stocks<sup>3</sup> held

Break-even price (Nikkei average basis) : Approx.10,200 yen

(JPY bn)



\*3.Acquisition cost basis,marketable securities.



# Capital Adequacy Ratio

FG  
Consolidated

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

(JPY bn)	2020/3 Actual	2020/9 Actual	Change	Reference Group banks (Consolidated)	
				Kansai Mirai	Minato
<b>Consolidated capital adequacy ratio</b> (1)	8.05%	<b>8.33%</b>	+ 0.28%	8.64%	7.84%
<b>Total Capital</b> (2)	447.5	454.5	+7.0	326.6	160.4
Core Capital:instruments and reserves (3)	465.1	472.0	+6.9	347.4	164.5
Capital stock and surplus (4)	463.1	468.5	+5.4	337.4	158.9
Subordinated loans (5)	0.9	-	(0.9)	-	-
Eligible provisions (6)	8.0	9.9	+1.9	16.7	6.4
Core Capital:regulatory adjustments (7)	17.6	17.5	(0.1)	20.7	4.0
<b>Risk weighted assets</b> (8)	5,557.4	5,451.7	(105.6)	3,776.7	2,044.8
Credit risk weighted assets (*) (9)	5,312.5	5,212.4	(100.0)	3,500.4	1,974.9
Amount equivalent to market risk / 8% (10)	5.0	3.2	(1.7)	1.1	-
Amount equivalent to operational risk / 8% (11)	239.8	236.0	(3.8)	165.1	69.9
Credit risk weighted assets adjustments (12)	-	-	-	109.9	-

(\*) Measuring method of credit risk weight assets

Change in RWAs
Decline in RWAs related to loans (53.5) bn
Decline in the balance of investment trusts and others (30.6) bn

Kansai Mirai Financial Group, Inc	Fundamental Internal Ratings Based Approach (F-IRB)
Kansai Mirai Bank,Limited	Fundamental Internal Ratings Based Approach (F-IRB)
The Minato Bank, Ltd	Standardized Approach(SA) F-IRB at FG Consolidated

# Earnings Target FY2020

FG  
Consolidated

## F G consolidated

(JPY bn)	1H Act.	Full-year target	Change from original
Net Income attributable to owners of parent (1)	5.3	6.0	-

## Ordinary dividend per share

(JPY)	Dividend per share	Change from original target
Ordinary dividend (annual) (2)	10	-
Interim dividend (3)	-	-

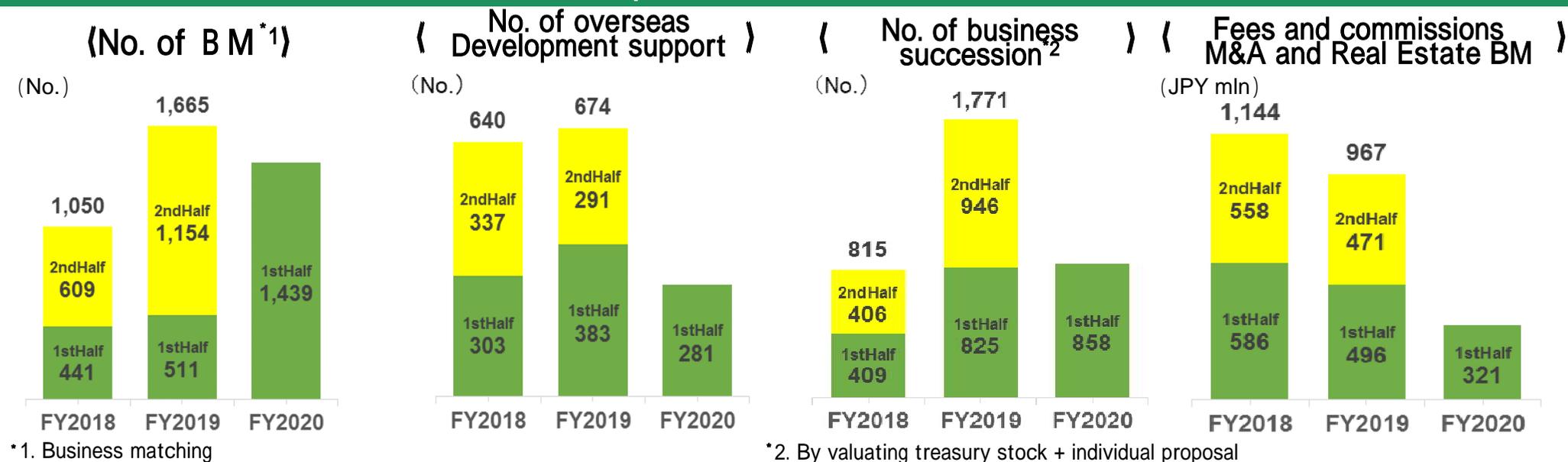
## Total of group banks / Non-consolidated base

(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)	64.1	133.0	-	(2.5)	45.2	92.5	-	(2.1)	18.8	40.5	-	(0.4)
Operating expenses (5)	(53.4)	(109.5)	+ 2.5	+ 0.3	(37.6)	(77.0)	+ 2.5	(0.1)	(15.8)	(32.5)	-	+ 0.3
Actual net operating profit (6)	10.7	23.5	+ 2.5	(2.2)	7.6	15.5	+ 2.5	(2.1)	3.0	8.0	-	-
Net gains/(losses) on stocks (7)	2.3	2.5	-	(2.7)	1.5	1.5	-	(4.2)	0.7	1.0	-	+ 1.4
Credit related expenses, net (8)	(4.0)	(12.5)	-	(7.8)	(2.2)	(7.5)	-	(4.5)	(1.8)	(5.0)	-	(3.3)
Income before income taxes (9)	7.2	9.5	+ 2.5	(2.8)	5.9	6.5	+ 2.5	(0.2)	1.2	3.0	-	(2.5)
Net income (10)	5.2	6.5	+ 1.5	(1.8)	4.3	4.5	+ 1.5	-	0.8	2.0	-	(1.8)

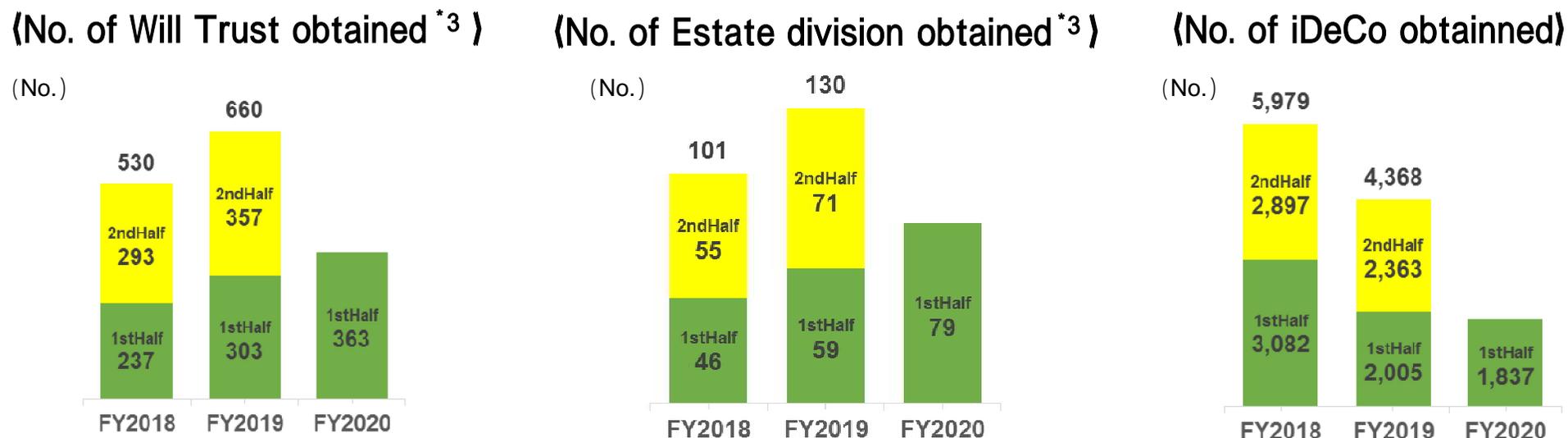
# Know How expansion across the Group banks

Total of group banks

## Corporate solution business



## Consulting to individual customers



\*3. Entrusted to Resona Bank