

# Financial Highlights for Fiscal Year 2017



**Resona Holdings**

**May 11, 2018**

# Outline of Financial Results for FY2017

## ■ Posted JPY236.2 bn of net income attributable to owners of the parent

**Up JPY74.7 bn, or +46.2%, YoY, exceeding the full-year target (JPY235.0 bn) by JPY1.2 bn with an achievement ratio of 100.5% against the target**

- JPY150.5 bn, if one-off reductions of corporate income tax-charge related to 1) management integration of 3 regional banks in the Kansai region (JPY71.5 bn) and 2) realignment of loan guarantee subsidiaries (JPY14.1 bn) are excluded.  
Achievement ratio of 100.3% against the initial full-year target for FY2017 (JPY 150.0 bn)

## ■ Posted JPY211.6 bn of actual net operating profit

Down JPY6.6 bn, or 3.0%, YoY

- Gross operating profit: JPY552.5 bn, Down JPY10.5 bn, or 1.8%, YoY
  - Net interest income from domestic loans and deposits: JPY368.3 bn, Down JPY9.5 bn, YoY
    - Loan-to-deposit spread contracted by 8bps, while average loan balance increased by 1.91% YoY
  - Fee income: JPY168.0 bn, Up JPY7.4 bn, YoY
    - Primarily driven by an increase in corporate solution fees
  - Net gains on bonds (including futures): Down JPY10.6 bn, YoY
- Operating expenses: JPY341.2 bn, Declined JPY3.7 bn, YoY

## ■ Capital management: Implemented as announced at the beginning of FY2017

- Increased common DPS by +1.0 yen YoY, repurchasing and canceling Class 5 Preferred Shares (JPY100.0 bn)

## ■ Net income target for FY2018: JPY200.0 bn

## ■ Annual common DPS for FY2018: +1 yen increase planned

- 20->21 yen per annum, of which interim 10.5 yen

	Resona HD consolidated (JPY bn)	FY2017			FY2018 Target	
		YoY change		vs. Target (Jan. 2018)		
			%			
<b>Net income attributable to owners of the parent</b>	(1)	<b>236.2</b>	<b>+74.7</b>	<b>+46.2%</b>	<b>+ 1.2</b>	<b>200.0</b>
Gross operating profit	(2)	552.5	(10.5)	(1.8)%		
Net interest income	(3)	368.3	(9.5)			
Nil from loans and deposits (total of group banks)**	(4)	287.6	(18.2)			
Fee income	(5)	168.0	+7.4			
Fee income ratio	(6)	30.4%	+1.8%			
Trust fees	(7)	18.6	+0.7			
Fees and commission income	(8)	149.4	+6.7			
Other operating income	(9)	16.1	(8.4)			
Net losses on bonds (including futures)	(10)	(5.0)	(10.6)			
Operating expenses (excluding group banks' non-recurring items)	(11)	(341.2)	+3.7	+1.0%		
Cost income ratio (OHR)	(12)	61.7%	+0.5%			
<b>Actual net operating profit</b>	(13)	<b>211.6</b>	<b>(6.6)</b>	<b>(3.0)%</b>		
Net gains on stocks (including equity derivatives)	(14)	13.0	+9.7			
Credit related expenses, net	(15)	14.7	(2.7)			
Other losses, net	(16)	(23.6)	(12.7)			
<b>Income before income taxes</b>	(17)	<b>215.8</b>	<b>(12.3)</b>	<b>(5.4)%</b>		
Income tax and other	(18)	20.4	+87.1			
<b>DPS (Yen per year)</b>	(19)	<b>20.0</b>	<b>+1.0</b>	<b>+5.2%</b>		
EPS (yen)	(20)	100.51	+33.62			
BPS (yen)	(21)	900.72	+113.78			

\*1. Domestic banking account, deposits include NCDs

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

# Breakdown of Financial Results

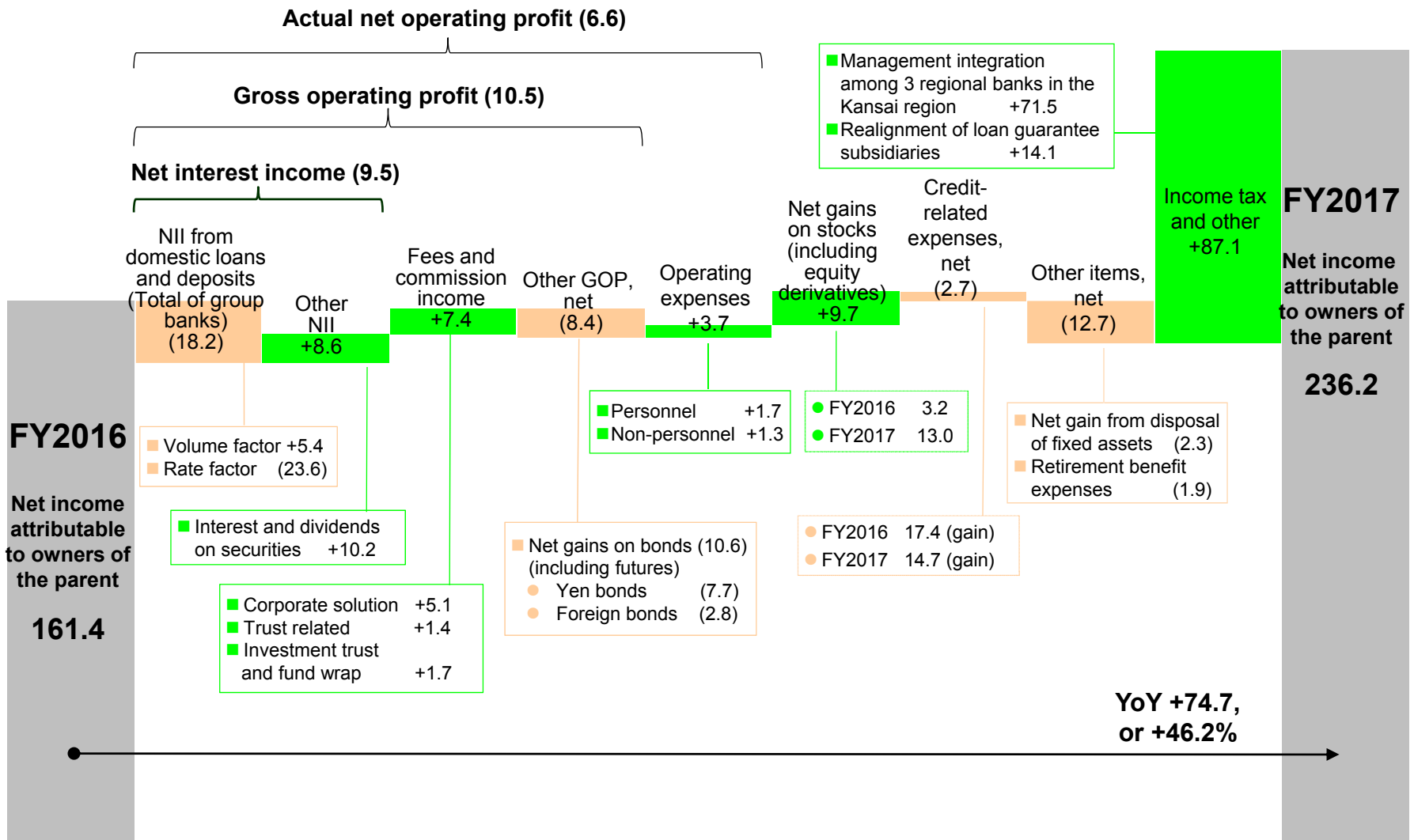
(JPY bn)	Resona Holdings (Consolidated) (A)		Total of three group banks (Non-consolidated) (B)		Resona Bank	Saitama Resona Bank	Kinki Osaka Bank	Realignment of loan guarantee subsidiaries	Difference (A)-(B) (Excluding the effect of realignment of loan guarantee subsidiaries)	
		YoY change		YoY change						YoY change
<b>Gross operating profit</b> (1)	<b>552.5</b>	<b>(10.5)</b>	<b>509.6</b>	<b>(8.1)</b>	345.4	117.1	46.9	4.9	<b>47.9</b>	<b>+2.5</b>
Net interest income (2)	368.3	(9.5)	366.1	(6.7)	234.9	96.0	35.1	4.9	7.1	+2.1
Net interest income from domestic loans (3)			287.6	(18.2)	182.6	78.7	26.2			
Trust fees (4)	18.6	+0.7	18.6	+0.7	18.6				(0.0)	(0.0)
Fees and commission income (5)	149.4	+6.7	109.4	+6.1	77.9	21.8	9.7		39.9	+0.5
Other operating income (6)	16.1	(8.4)	15.2	(8.3)	13.9	(0.6)	2.0		0.8	(0.1)
Net gains / (losses) on bonds (including futures) (7)	(5.0)	(10.6)	(5.0)	(10.6)	(3.0)	(3.6)	1.6		–	–
Operating expenses (excluding group banks' non-recurring items) (8)	(341.2)	+3.7	(322.1)	+4.5	(211.9)	(73.5)	(36.6)		(19.0)	(0.8)
<b>Actual net operating profit</b> (9)	<b>211.6</b>	<b>(6.6)</b>	<b>187.4</b>	<b>(3.5)</b>	<b>133.5</b>	<b>43.6</b>	<b>10.3</b>	<b>4.9</b>	<b>29.1</b>	<b>+1.8</b>
Net gains on stocks (including equity derivatives) (10)	13.0	+9.7	66.0	+62.7	51.2	12.4	2.3	52.9	(0.0)	(0.0)
Credit related expenses, net (11)	14.7	(2.7)	17.5	(0.7)	13.7	2.1	1.5		(2.7)	(1.9)
Other gains / (losses), net (12)	(23.6)	(12.7)	(19.9)	(9.2)	(12.0)	(6.2)	(1.6)		(3.6)	(3.5)
<b>Income before income taxes (and minority interests)</b> (13)	<b>215.8</b>	<b>(12.3)</b>	<b>250.9</b>	<b>+49.2</b>	<b>186.4</b>	<b>51.8</b>	<b>12.6</b>	<b>57.9</b>	<b>22.7</b>	<b>(3.6)</b>
Income taxes and other (14)	20.4	+87.1	(44.4)	+13.8	(29.6)	(11.7)	*1 (3.0)	*2 14.1	*1 64.8	+73.3
<b>Net income (attributable to owners of the parent)</b> (15)	<b>236.2</b>	<b>+74.7</b>	<b>206.5</b>	<b>+63.0</b>	<b>156.8</b>	<b>40.1</b>	<b>9.5</b>	<b>72.0</b>	<b>87.5</b>	<b>+69.6</b>

\*1. Include the effect of management integration among 3 regional banks in the Kansai region (JPY71.5 bn)

\*2. Income tax reduction relating to the realignment of loan guarantee subsidiaries is not cancelled out in a consolidation process

# Factors for the YoY Change in Periodic Profits

(JPY bn)



# Trend of Loans and Deposits

Total of Group Banks

## Average loan / deposit balance, rates and spread

Avg. bal : Trillion Yen Income/Cost : Billion Yen		Total of 3 banks		Total of 5 banks		
		FY2017		FY2018		
		Act.	YoY	Plan	YoY	
Average loan balance (Banking account) (1)		28.12	+1.78%			
Domestic acct.	Loans	Avg. Bal. (2)	27.63	+1.91%	34.59	+1.95%
		Rate (3)	1.05%	(0.08)%	1.04%	(0.06)%
		Income (4)	292.5	(18.3)	360.0	(14.2)
	Corporate Banking Business Unit <sup>*1</sup>	Avg. Bal. (5)	16.17	+2.79%	20.66	+2.67%
		Rate (6)	0.88%	(0.09)%	0.87%	(0.06)%
	Personal Banking Business Unit <sup>*2</sup>	Avg. Bal. (7)	10.48	+0.64%	12.79	+0.93%
		Rate (8)	1.36%	(0.07)%	1.34%	(0.05)%
	Deposits (Including NCDs)	Avg. Bal. (9)	41.72	+5.17%	50.42	+2.66%
		Rate (10)	0.01%	(0.00)%	0.01%	(0.00)%
		Cost (11)	(4.9)	+0.1	(8.9)	+0.5
	Loan-to-deposit	Spread (12)	1.04%	(0.08)%	1.02%	(0.06)%
		Net interest income (13)	287.6	(18.2)	351.0	(13.7)

Data compiled for a management and administration purpose

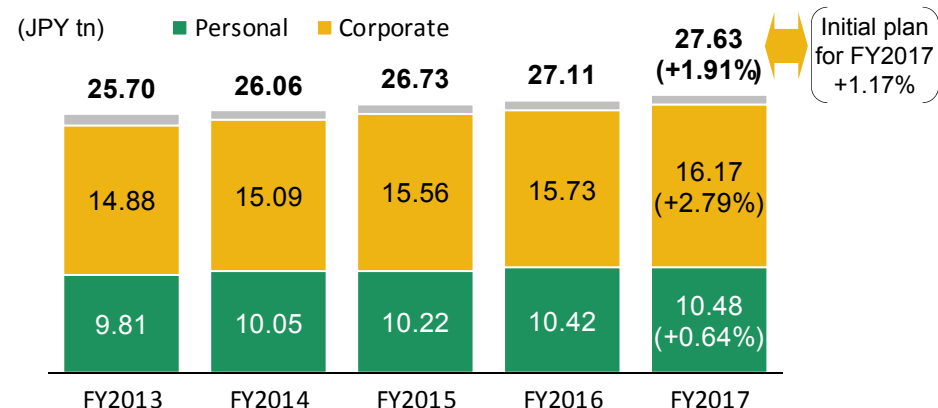
\*1. Corporate Banking Business Unit :

Corporate loans (excluding loans to governments) + apartment loans

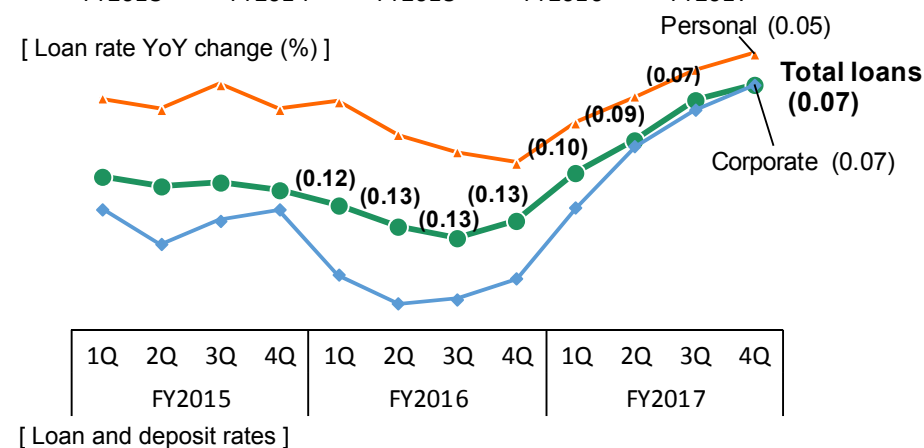
\*2. Personal Banking Business Unit:

Residential housing loans + other consumer loans

## Trend of average loan balance, loan to deposit spread (Domestic account)



Initial plan for FY2017 +1.17%



(%)	FY2015				FY2016				FY2017			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Loans	1.30	1.29	1.26	1.24	1.18	1.15	1.12	1.11	1.07	1.06	1.05	1.04
Deposits (including NCDs)	0.03	0.03	0.03	0.02	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.00
Spread	1.27	1.25	1.23	1.22	1.16	1.14	1.11	1.10	1.06	1.04	1.03	1.03

# Term-end Balance of Loans and Deposits

Total of Three Banks

## Term-end loan balance

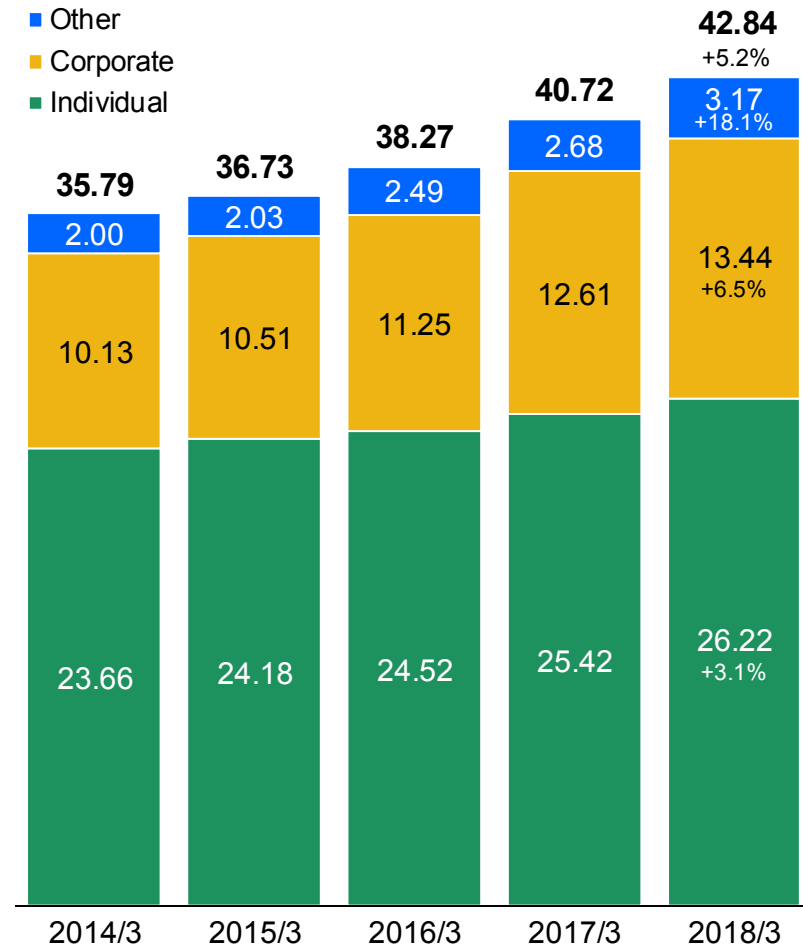
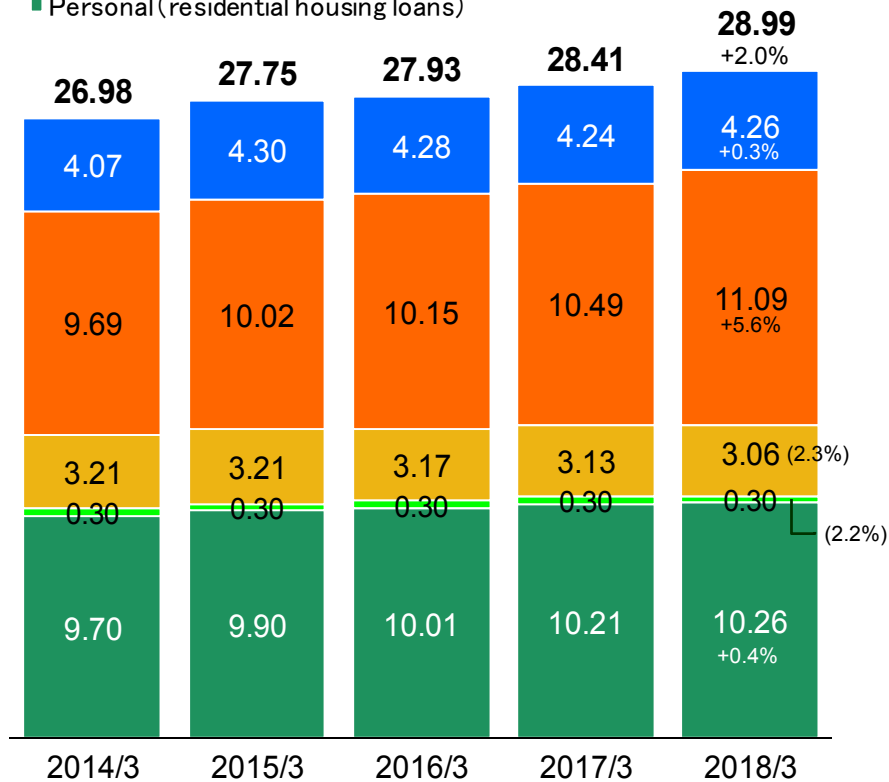
## Term-end deposit balance

JPY tn, % represents YoY change

JPY tn, % represents YoY change

- Corporate (large companies and other)\*1
- Corporate (SMEs)
- Corporate (apartment loans)
- Personal (consumer loans)
- Personal (residential housing loans)

- Other
- Corporate
- Individual



\*1. Include the loan extended to RHD from RB

# Housing Loan Business

Total of Three Banks

## New loan origination

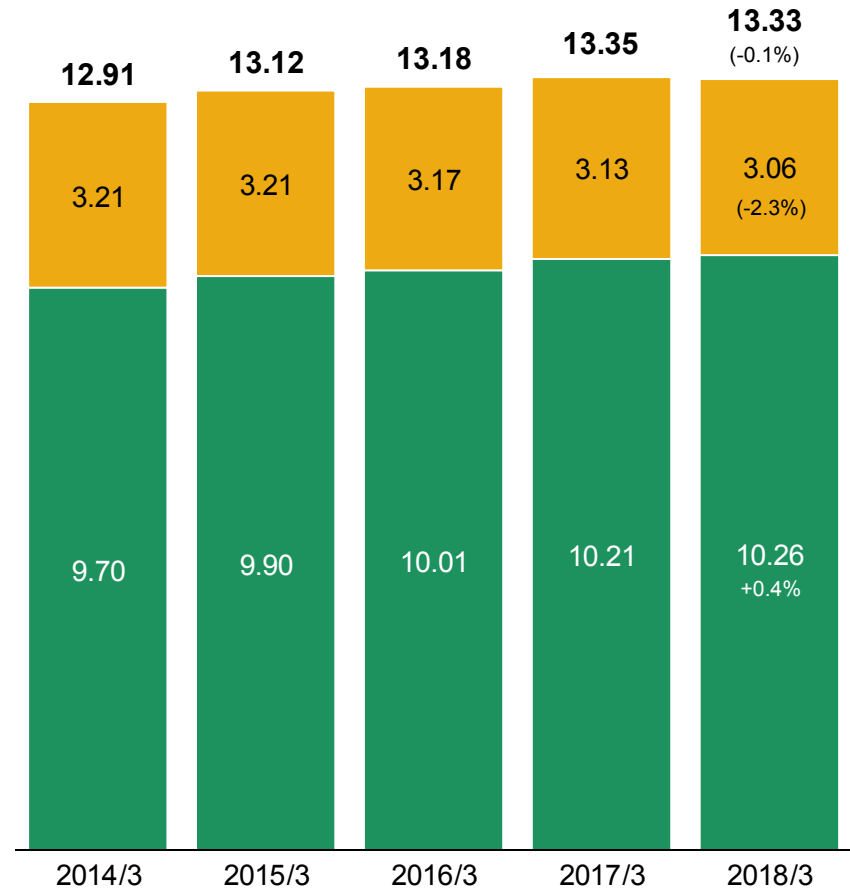
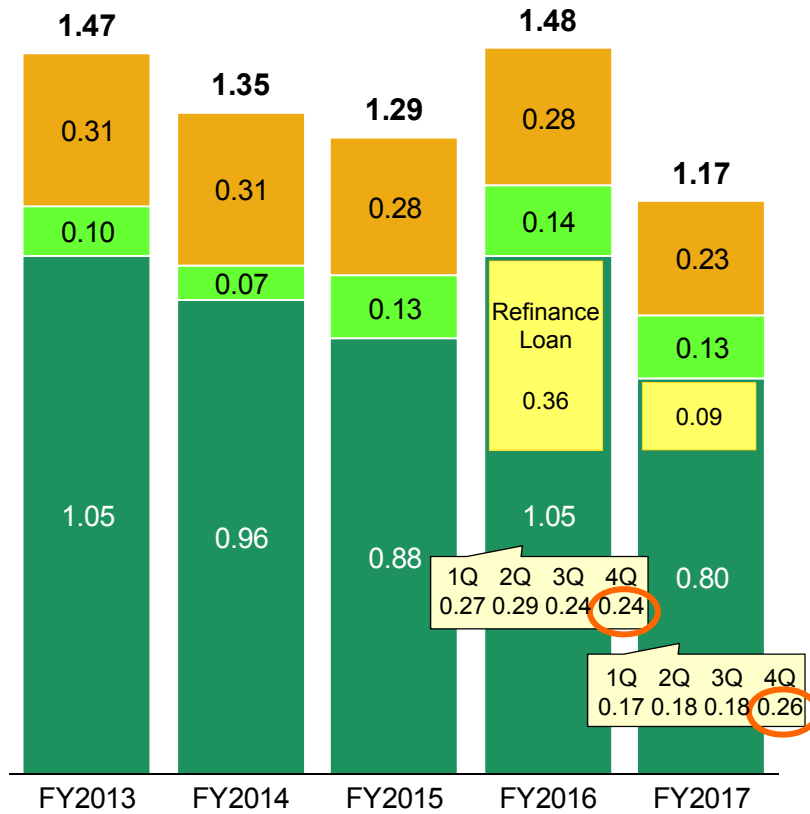
(JPY tn)

## Term-end loan balance

(JPY tn, % represents YoY change)

- Apartment loan
- Flat 35
- Residential housing loan

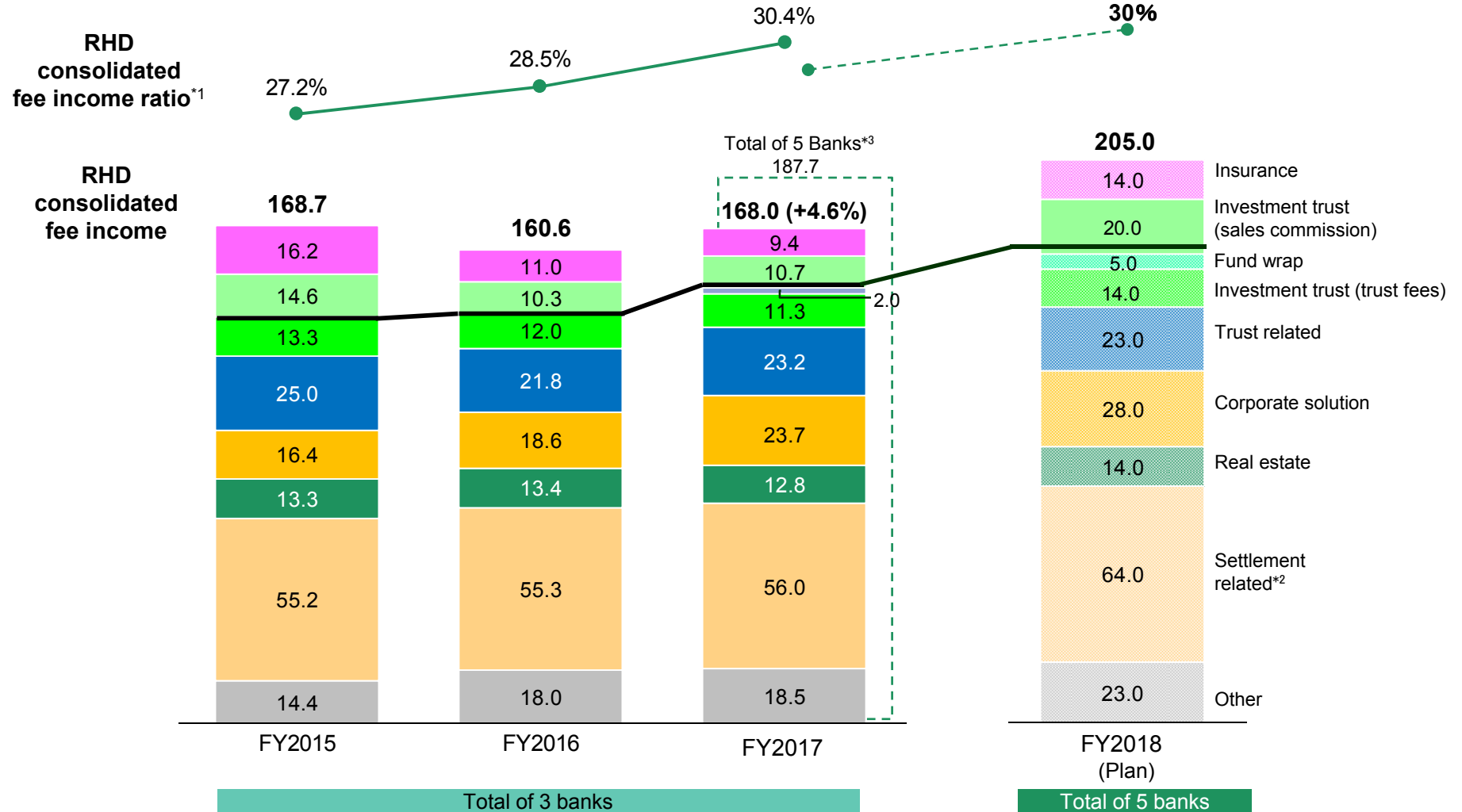
- Apartment loan
- Residential housing loan



# Trend of Fee Income

Consolidated fee income ratio at 30.4% for FY2017

JPY bn, % represents YoY change



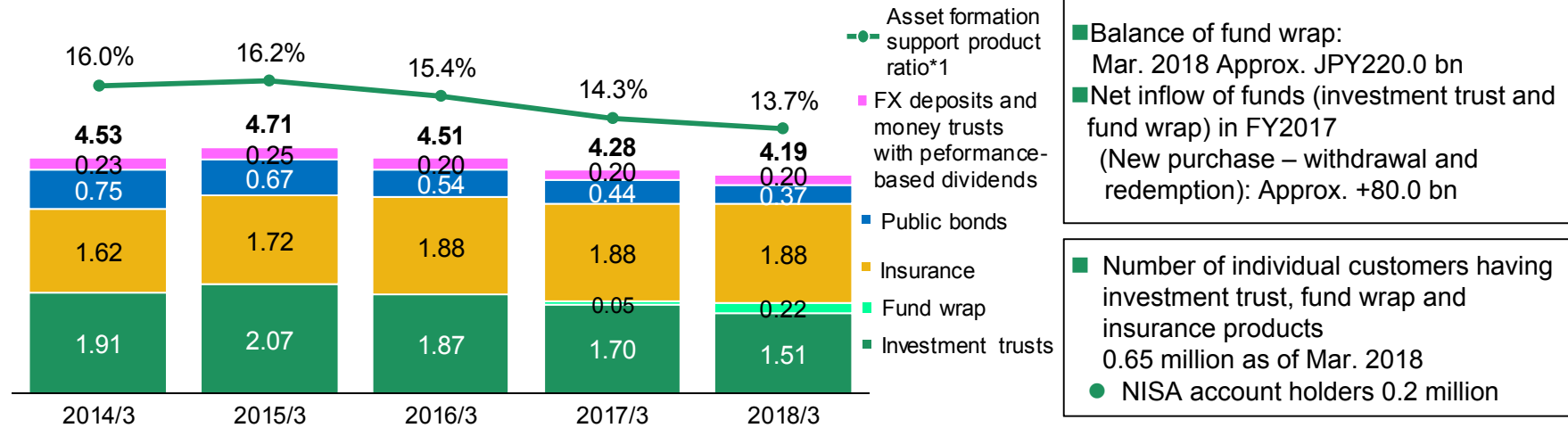
\*1. (Fees and commission income + trust fees) / Consolidated gross operating profit  
 \*2. Fees and commission from domestic exchange, account transfer, EB, Visa debit card and fee income earned by Resona Kessai Service and Resona Card  
 \*3. Total of RHD consolidated, KU consolidated and MB consolidated figures



# Asset Formation Support Business

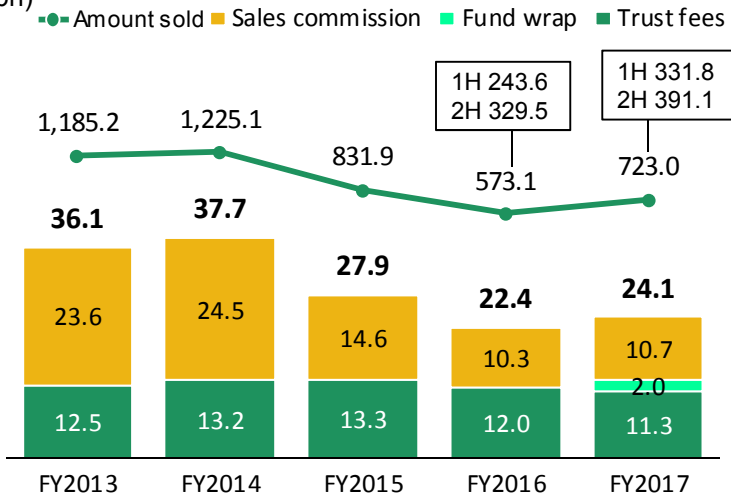
## Balance of asset formation support products sold to individuals

(JPY tn)



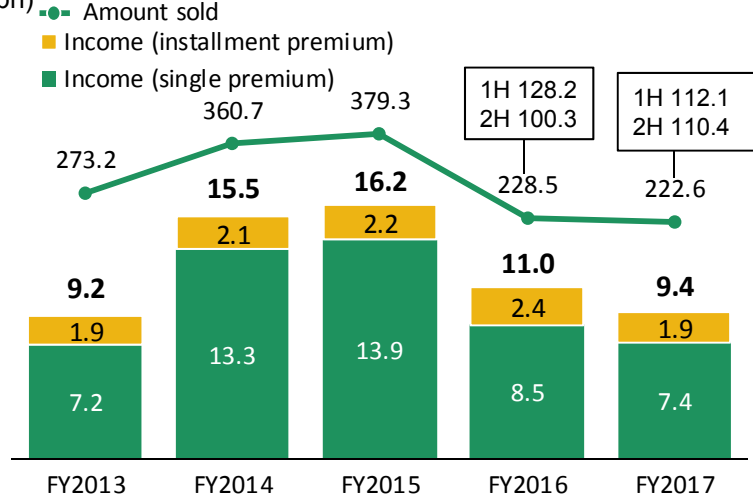
## Investment trust and fund wrap

(JPY bn)



## Insurance

(JPY bn)

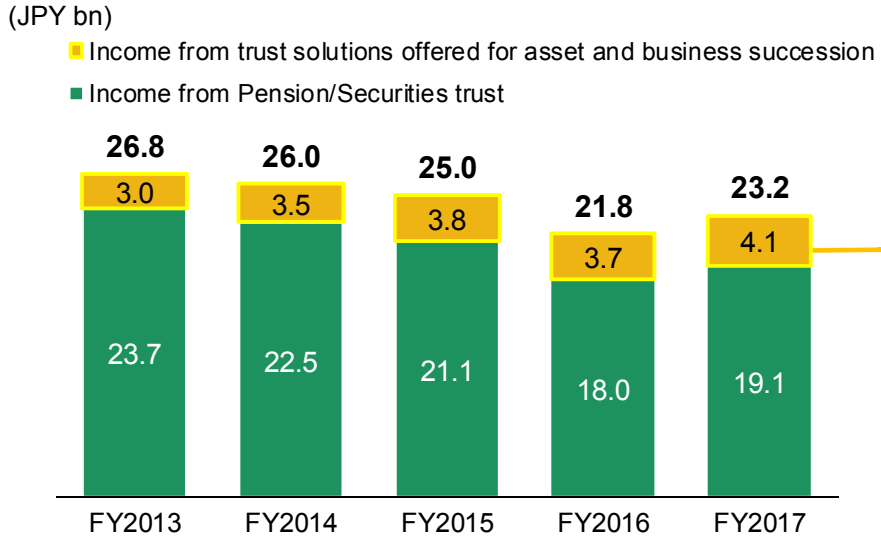


\*1. Asset formation support product ratio = balance of asset formation support products sold to individuals / (balance of asset formation support products sold to individuals and yen deposits held by individuals)  
\*2. Reported figures are compiled for a business administration purpose

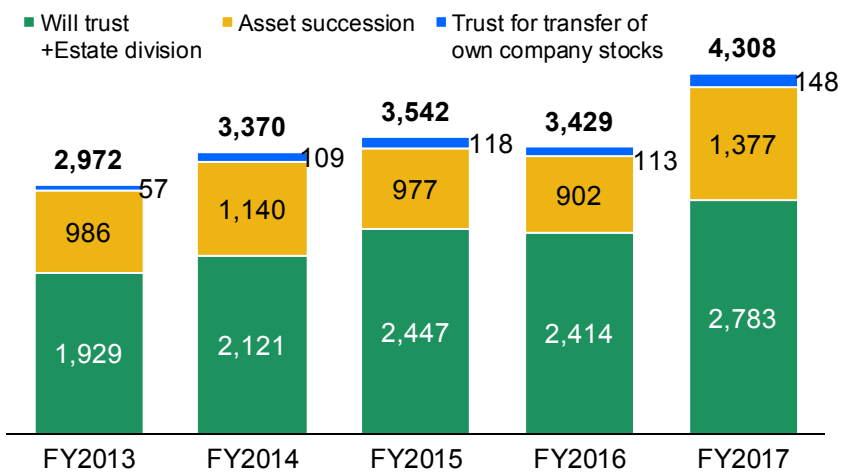
# Major Fee Businesses

Total of Three Banks

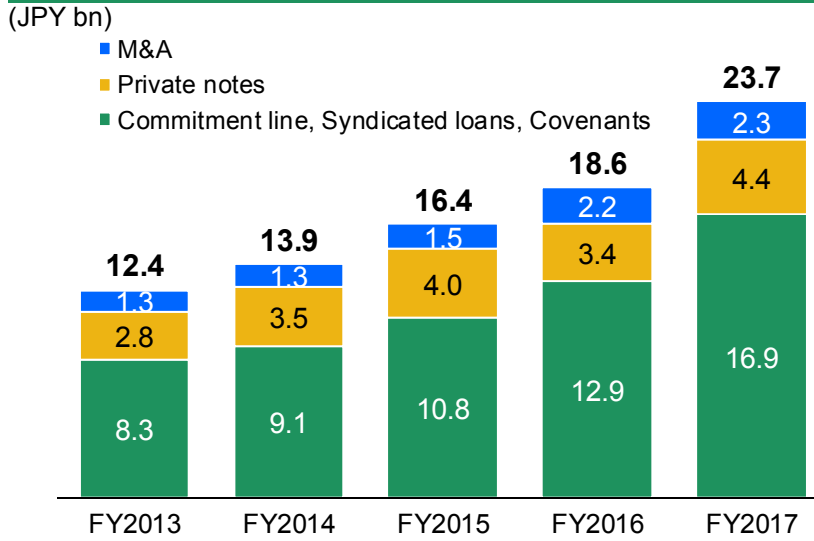
## Trust-related business



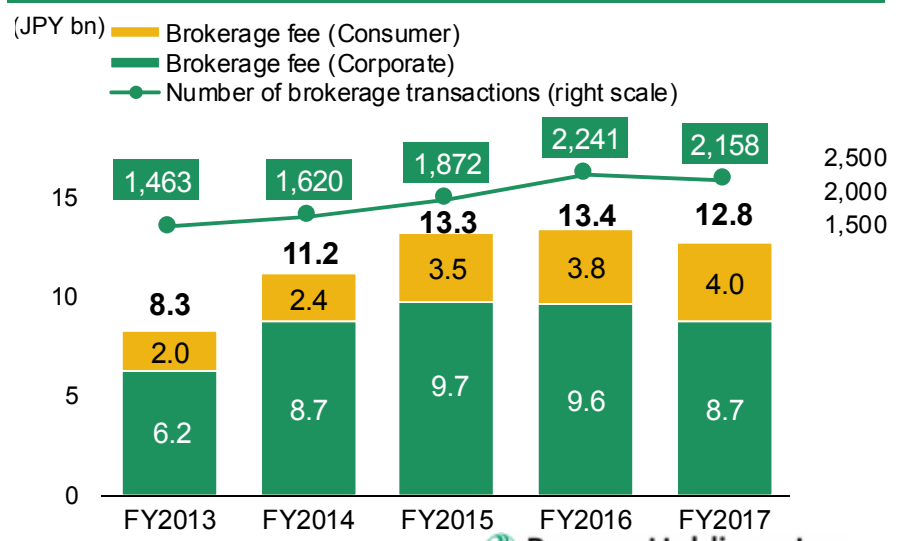
(Reference) Number of new asset succession-related contracts



## Corporate solutions business



## Real estate business\*1



\*1. Excluding gains from investments in real estate funds

# Credit Costs and NPL

## Trend of credit costs

(JPY bn)	Total of 3 banks			5 banks
	FY2015	FY 2016	FY 2017	FY 2018 Plan
<b>Net credit cost (RHD consolidated)</b> (1)	(25.8)	17.4	14.7	(18.5)
<b>Net credit cost (Total of group banks)</b> (2)	(23.4)	18.2	17.5	(13.0)
General reserve (3)	(0.0)	9.8	6.6	
Specific reserve and other items (4)	(23.4)	8.4	10.8	
New bankruptcy, downward migration (5)	(43.9)	(19.9)	(15.4)	
Collection/upward migration (6)	20.4	28.3	26.2	
<b>Difference (1) - (2)</b> (7)	(2.3)	(0.7)	(2.7)	(5.5)
HL guarantee subsidiaries (8)	2.6	2.0	1.1	
Resona Card (9)	(1.8)	(2.1)	(2.3)	
<b>&lt;Credit cost ratio&gt;</b> (bps)				
RHD consolidated* <sup>1</sup> (10)	(9.2)	6.1	5.1	(5.1)
Total of group banks* <sup>2</sup> (11)	(8.2)	6.3	5.9	(3.5)

(Note) Positive figures represent reversal gains

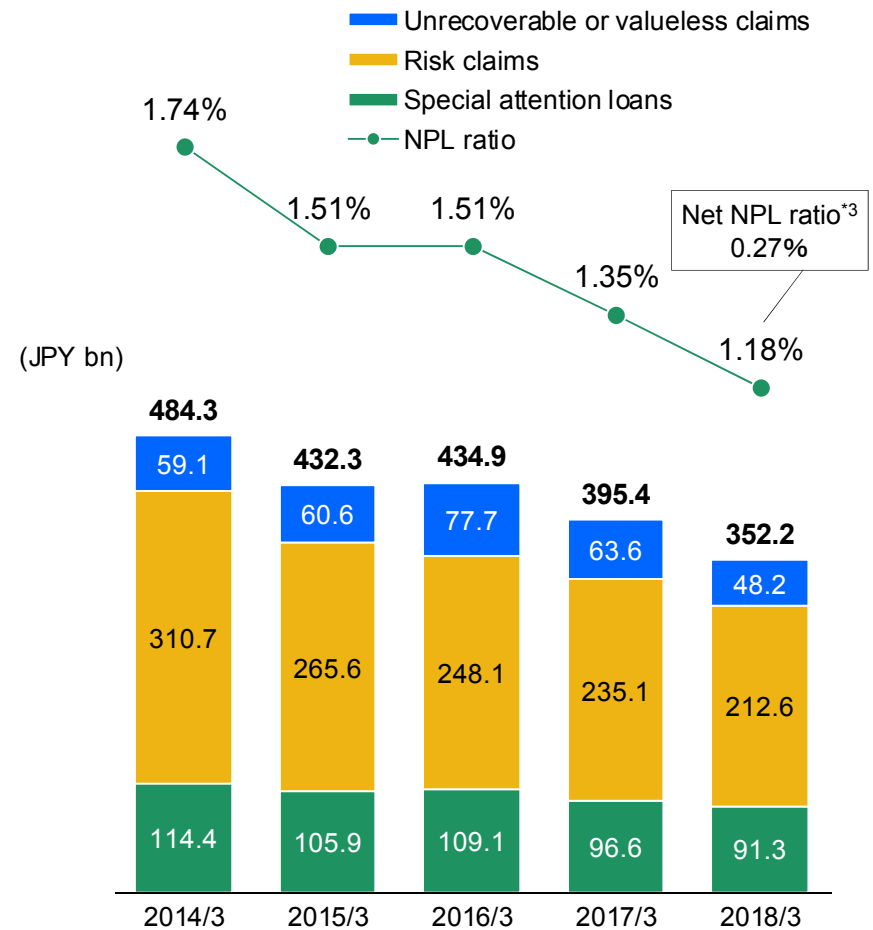
\*1. Credit cost / (Loans and bills discounted + acceptances and guarantees)  
(Simple average of the balances at the beginning and end of the term)

\*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 (Total of Three Group Banks)

(Financial Reconstruction Act criteria)



# Securities Portfolio

Total of  
Three Banks

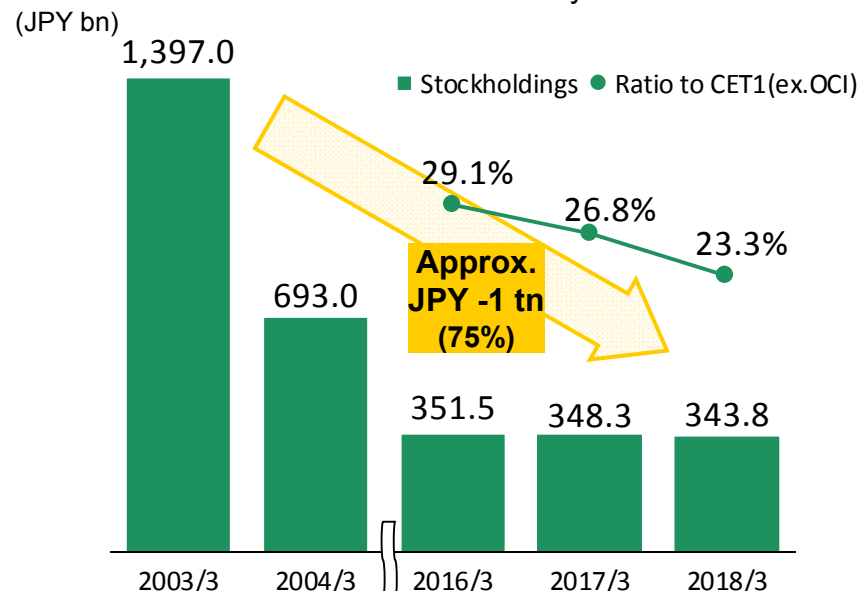
## Securities Portfolio<sup>\*1</sup>

(JPY bn)	2016/3	2017/3	2018/3	Unrealized gain/(loss)
Available-for-sale securities (1)	2,459.7	2,403.3	2,401.2	649.4
Stocks (2)	351.5	348.3	343.8	660.8
Bonds (3)	1,681.9	1,431.8	1,214.4	0.9
JGBs (4)	760.2	544.1	214.3	(1.2)
Average duration (years) (5)	3.1	7.0	8.0	-
Basis point value (BPV) (6)	(0.24)	(0.38)	(0.17)	-
Local government bonds and corporate bonds (7)	921.6	887.6	1,000.1	2.2
Other (8)	426.3	623.1	842.9	(12.3)
Foreign bonds (9)	239.2	258.0	312.2	(6.8)
Average duration (years) (10)	7.5	9.2	8.6	-
Basis point value (BPV) (11)	(0.16)	(0.22)	(0.25)	-
Net unrealized gain (12)	460.1	555.4	649.4	
Bonds held to maturity (13)	2,383.5	2,277.7	2,046.7	51.9
JGBs (14)	1,879.8	1,771.1	1,565.5	40.7
Net unrealized gain (15)	93.6	67.4	51.9	

## Status of policy-oriented stocks held

- Breakeven Nikkei average: Approx. 5,500 yen
- Balance of listed stocks disposed in FY2017 (acquisition cost basis): JPY4.5 bn, Net gain on sale: JPY8.8 bn
- Policy for holding policy-oriented stocks
  - After the injection of public funds, Resona reduced the balance of stockholdings in order to minimize the price fluctuation risk.
  - Resona will continue to determine whether or not to hold policy-oriented stocks after examining risks and returns, including the realizability of medium- and long-term business prospects, and aims to reduce the balance to a range between 10% and 20% of the CET1 capital<sup>\*2</sup> in the medium term.

➢ Plan to reduce JPY35.0 bn in 5 years from FY2016



\*1. Acquisition cost basis. The presented figures include marketable securities only  
 \*2. Excluding OCI (other comprehensive income)

# Capital Adequacy Ratio

RHD  
Consolidated

- CAR (Domestic std.) and CET1 ratio\* (International std.) as of Mar. 31, 2018 were 10.65% and 9.50%, respectively, maintaining sound capital adequacy level

\* Excluding unrealized gain on available for sale securities

## Domestic standard

(JPY bn)	2017/3	2018/3	Change
<b>Capital adequacy ratio</b> (1)	<b>11.69%</b>	<b>10.65%</b>	<b>(1.04)%</b>

<b>Total capital</b> (2)	<b>1,746.8</b>	<b>1,626.0</b>	<b>(120.7)</b>
Core Capital: instruments and reserves (3)	1,775.9	1,689.9	(85.9)
Stockholders' equity (4)	1,361.5	1,544.0	+182.5
Non-cumulative perpetual preferred stock subject to transitional arrangement (5)	100.0	-	(100.0)
Subordinated loans and bonds subject to transitional arrangement (6)	281.9	130.9	(150.9)
Core Capital: regulatory adjustments (7)	29.1	63.8	+34.7

<b>Risk weighted assets</b> (8)	<b>14,930.8</b>	<b>15,262.1</b>	<b>+331.3</b>
Credit risk weighted assets (9)	13,342.7	13,792.5	+449.7
Amount equivalent to market risk / 8% (10)	83.1	79.9	(3.2)
Amount equivalent to operational risk / 8% (11)	1,049.7	974.0	(75.7)
Credit risk weighted assets adjustments (12)	455.1	415.6	(39.4)

### ■ Factors for the change in FY2017

- Net income attributable to owners of the parent: +JPY236.2 bn
- Dividends to be distributed: JPY(48.9) bn
- Redemption of subordinated bonds: JPY(150.9) bn
- Repurchase and cancellation of Class 5 preferred stock: JPY(100.0) bn

## (Reference) International standard

(JPY bn)	2017/3	2018/3	Change
<b>Common equity Tier1 capital ratio</b> (13)	<b>10.74%</b>	<b>12.58%</b>	<b>+1.84%</b>
Excluding net unrealized gains on available-for-sale securities (14)	8.59%	9.50%	+0.91%
Tier1 capital ratio (15)	<b>11.40%</b>	<b>12.60%</b>	<b>+1.20%</b>
Total capital ratio (16)	<b>13.81%</b>	<b>13.56%</b>	<b>(0.25)%</b>

<b>Common equity Tier1 capital</b> (17)	<b>1,653.8</b>	<b>1,990.7</b>	<b>+336.9</b>
Instruments and reserves (18)	1,721.4	2,065.2	+343.8
Stockholders' equity (19)	1,361.5	1,544.0	+182.5
Net unrealized gains on available-for-sale securities (20)	331.8	486.6	+154.8
Regulatory adjustments (21)	67.6	74.4	+6.8
Other Tier1 capital (22)	101.2	2.7	(98.4)
Tier1 capital (23)	1,755.0	1,993.5	+238.5
Tier2 capital (24)	369.8	152.9	(216.9)
Total capital (Tier1+Tier2) (25)	2,124.9	2,146.4	+21.5

<b>Risk weighted assets</b> (26)	<b>15,386.1</b>	<b>15,818.0</b>	<b>+431.9</b>
Credit risk weighted assets (27)	14,036.9	14,477.5	+440.5
Amount equivalent to market risk / 8% (28)	83.1	79.9	(3.2)
Amount equivalent to operational risk / 8% (29)	1,049.7	974.0	(75.7)
Credit risk weighted assets adjustments (30)	216.1	286.5	+70.3

### ■ (Reference) Group banks, Bank holding company

Domestic standard (JPY bn)	Resona (Consolidated)	Saitama Resona (Non-consolidated)	KMFG (Consolidated)
<b>Capital adequacy ratio</b> (31)	<b>10.03%</b>	<b>11.37%</b>	<b>8.71%</b>
Total capital (32)	1,093.3	331.4	118.9
Risk weighted assets (33)	10,899.3	2,912.8	1,365.1

# Earnings Target for FY2018

RHD Consolidated  
Total of Group Banks

## RHD consolidated

( JPY bn )	1H	Full-year	YoY change
Net (interim) income attributable to owners of the parent (1)	113.0	200.0	(36.2)
KMFG *1 (2)	4.0	10.0	
Difference *2 (3)	43.5	53.0	

## Common DPS

	DPS	Change from previous year
Common stock (annual) (4)	21.0 yen	+1.0 yen
Interim dividend (5)	10.5 yen	+0.5 yen

## Total of group banks

(JPY bn)	Total of 5 banks			Resona Bank			Saitama Resona Bank			KMFG (total of 3 banks)		
	1H	Full-year	YoY change	1H	Full-year	YoY change	1H	Full-year	YoY change	1H	Full-year	YoY change
Gross operating profit (6)	314.0	631.5	+22.3	178.0	358.5	+13.1	62.5	123.0	+5.9	73.5	150.0	+3.4
Operating expenses (7)	(203.5)	(404.0)	(6.8)	(108.0)	(214.0)	(2.1)	(38.0)	(74.0)	(0.5)	(57.5)	(116.0)	(4.4)
Actual net operating profit (8)	110.5	227.5	+15.5	70.0	144.5	+11.0	24.5	49.0	+5.4	16.0	34.0	(0.9)
Net gains on stocks (including equity derivatives) (9)	4.0	18.5	(51.6)	3.0	16.0	(35.2)	0.5	1.0	(11.4)	0.5	1.5	(5.0)
Credit related expenses, net (10)	(5.0)	(13.0)	(27.7)	–	(3.0)	(16.7)	(1.0)	(3.0)	(5.1)	(4.0)	(7.0)	(5.9)
Income before income taxes (11)	100.5	214.0	(61.4)	69.0	150.0	(36.4)	22.5	42.5	(9.3)	9.0	21.5	(15.5)
Net (interim) income *3 (12)	72.5	153.5	(72.6)	50.0	107.5	(49.3)	15.5	29.5	(10.6)	7.0	16.5	(12.6)

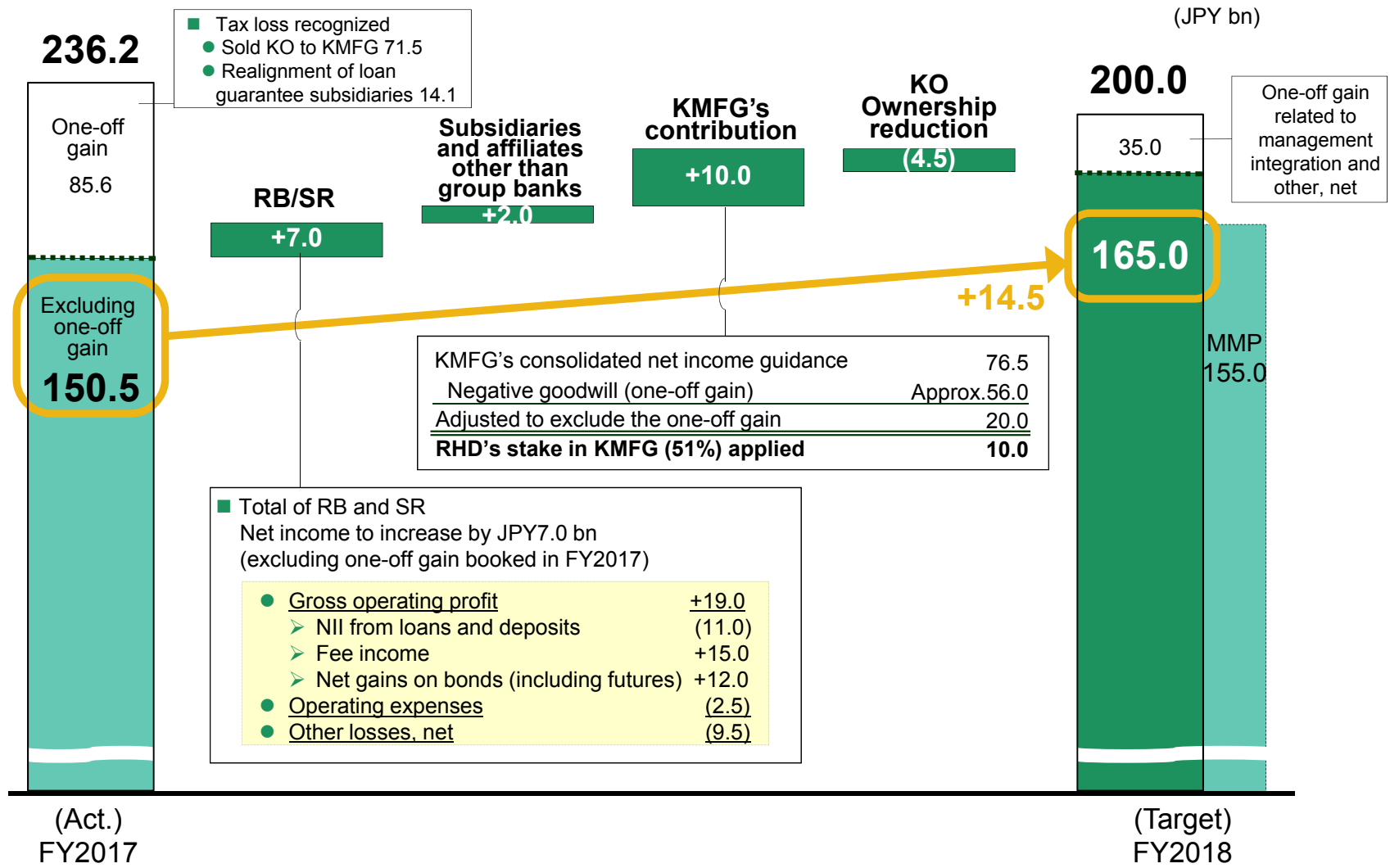
\*1. Applied RHD's 51% stake to the KMFG's net income guidance excluding one-off gain related to the management integration

\*2. Include the one-off gain related to the management integration and other, net (JPY35.0 bn)

\*3. Net (interim) income attributable to non-controlling shareholders are not deducted from net (interim) income

# Gap Analysis: FY2018 Target vs FY2017 Result

Net income attributable to owners of the parent (RHD consolidated) <Approximate figures>



# Direction of Capital Management

Continue allocation policy of equal weight to 1) investment for future growth, 2) higher capital adequacy, and 3) enlargement of shareholder return

- Class 5 PS repurchased and cancelled in FY2017, realizing shareholders' equity comprised solely of common shares

### CAR Target

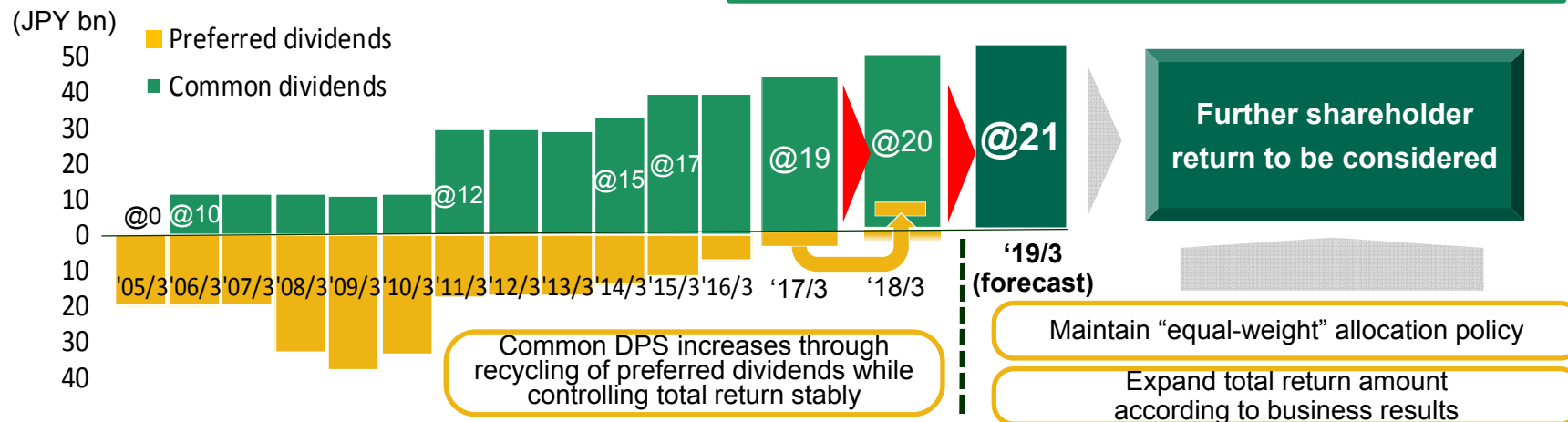
- Secure sufficient capital adequacy under the Japanese Domestic Std.
- Aim to achieve around 9% CET1 ratio\*1 under the International Std. (Mar. 2020)
  - Downside from KMFG integration recoverable in the mean time
  - Cope with the finalized Basel 3 (SA and capital floor revisions) utilizing the time horizon till their fully-loaded implementations

### ROE target

- Maintain ROE\*2 above 10%
  - :FY2017 15.76%

### Shareholder return policy

- Steady common DPS increases thus far, shifting preferred dividends to common shareholders (@5 yen, or 33%, increase in the past 5 years)
- Intend to further expand shareholder return based on the aforesaid "equal-weight" allocation policy
  - Common DPS forecast for FY2018: 21 yen per annum, + 1 yen YoY (of which, interim 10.5 yen, +0.5 yen YoY)
  - Consider further enlargement of shareholder return while keeping the level of common DPS after the above increase as "stable" dividends



\*1. Exclude unrealized gain on available-for-sale securities, net of tax effect

\*2. (Net income – preferred dividends) / (Total shareholders equity – balance of outstanding preferred shares)



## Progress of the Mid-term Management Plan and Final Year's KPIs based on the New 5 Banks Group Structure

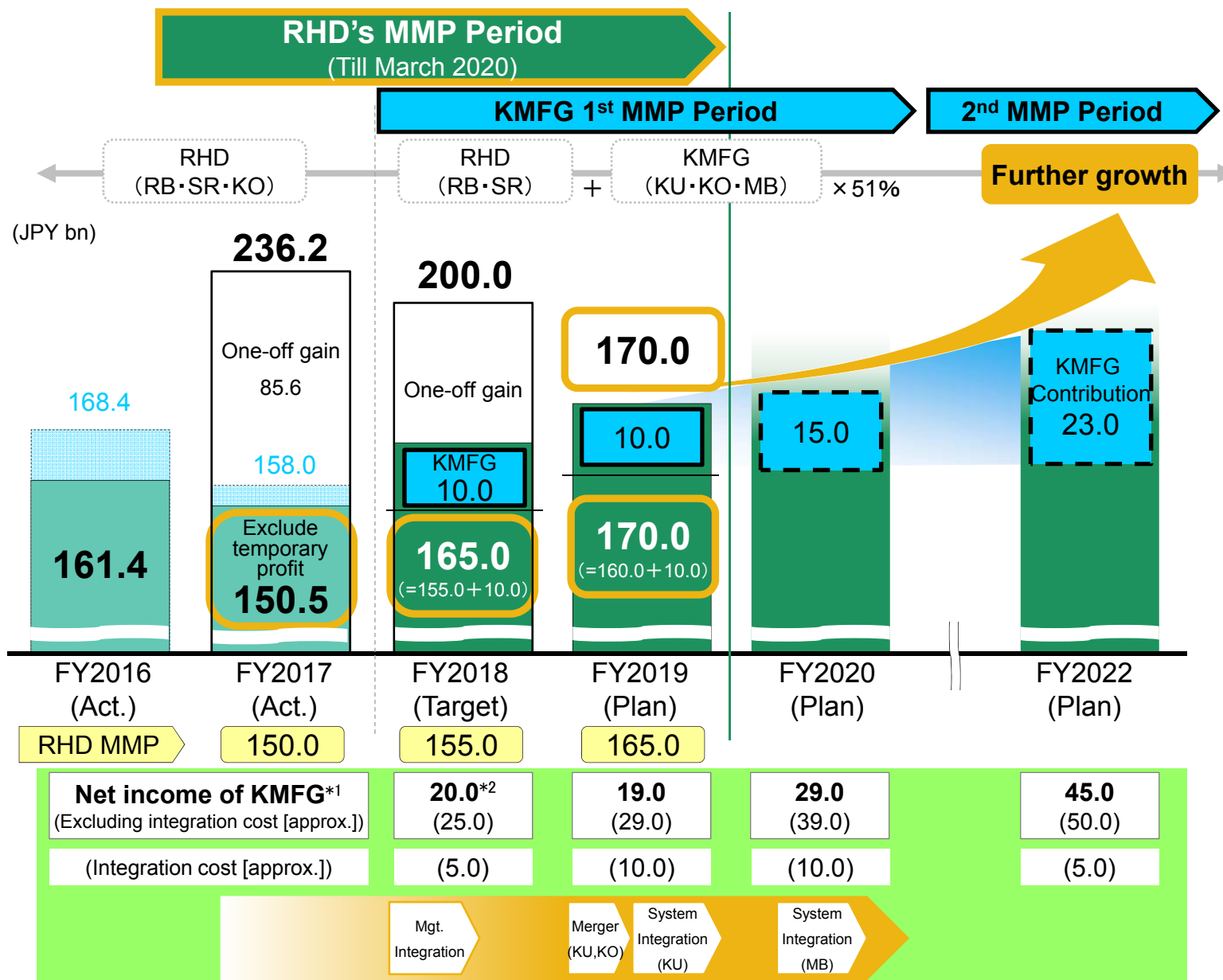
KPIs	RHD Plan (FY2019)	FY2017 (Act.)	KMFG Integration reflected*1 (FY2019)
Net income attributable to owners of the parent	<b>JPY 165 bn</b>	JPY236.2 bn (Excluding one-off gain JPY150.5 bn)	<b>JPY 170 bn</b> (RB+SR JPY160 bn)
Consolidated fee income ratio	<b>Over 35%</b>	30.4%	<b>Lower half of the 30% range</b> (RB+SR Over 35%)
Consolidated cost income ratio	<b>Below 60%</b>	61.7%	<b>60% level</b> (RB+SR below 60%)
ROE*2	<b>Over 10%</b>	15.76%	<b>Over 10%</b>
CET1 ratio*3	<b>9% level</b>	9.50%	<b>9% level</b>

\*1. Adjustments to the current RHD's medium-term management plan (MMP) are made by combining the following (1) and (2)  
 (1) KPIs for the final year (FY2019) in the RHD's MMP is adjusted to exclude KO's targets  
 (2) KMFG's target for the second year (FY2019) in the KMFG's MMP

\*2. (Net income – Preferred dividends) / (Total shareholders equity – balance of outstanding preferred shares)

\*3. Exclude unrealized gain on available-for-sale securities, net of tax effect

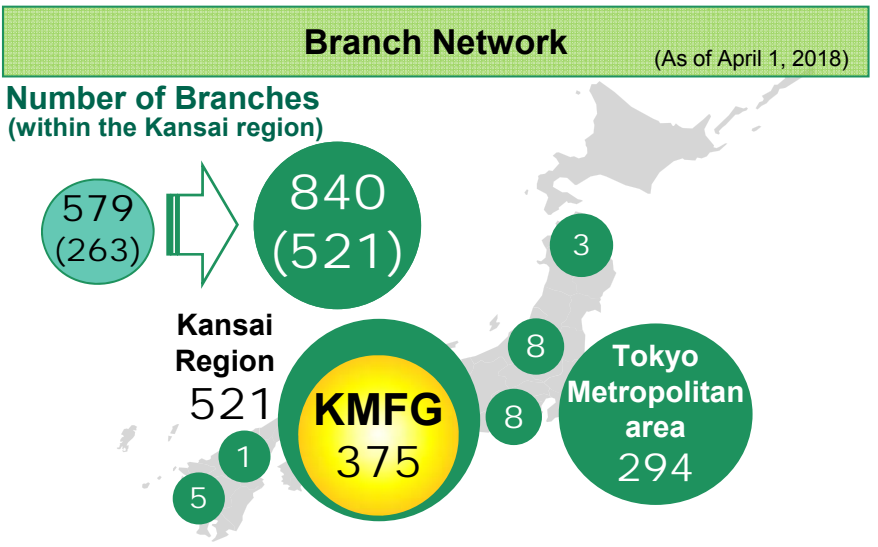
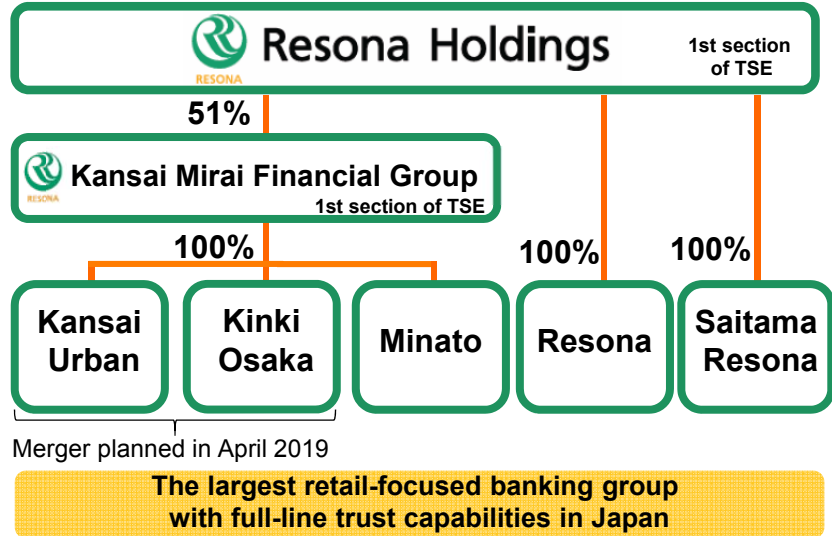
# Progress of RHD's MMP and Prospect of KMFG's Profit Contribution



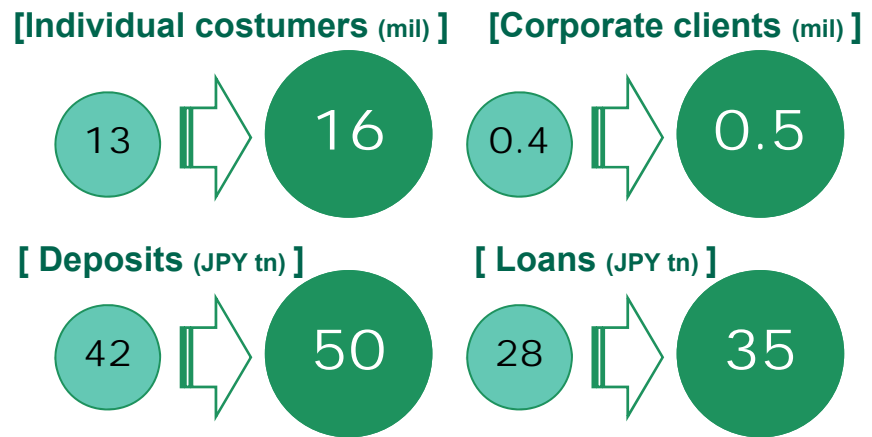
\*1. Before consideration of RHD's stake in KMFG (51%) \*2. Excluding one-off gain from recognizing "negative goodwill"

# (Reference) Obtaining the Largest Operating Base in the Kansai Region

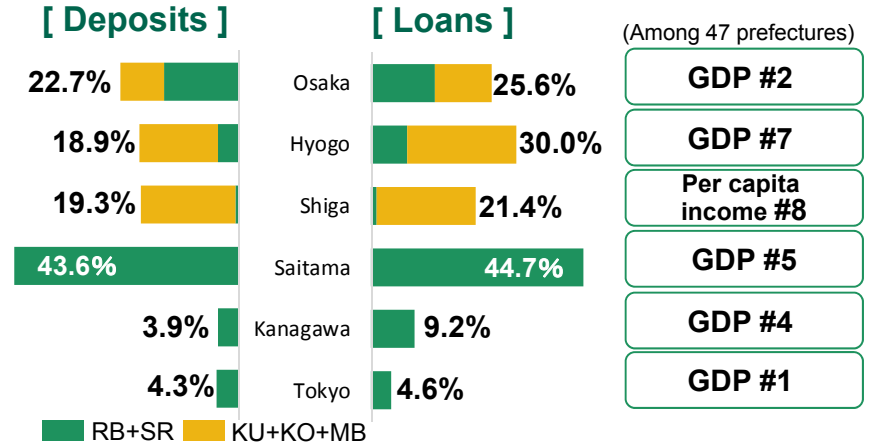
## Strengthened presence as Japan's largest retail-focused financial services group



## Customer Base and Business Scale



## Market Share (End of March 2018)



# (Reference) Overview of the KMFG's Mid-term Management Plan



**Kansai Mirai Financial Group**

New retail financial services model advancing together with the future of Kansai region



Kansai Urban Banking Corporation



Kinki Osaka Bank



MINATO BANK

**Goal**

Banking group considered “absolutely essential” by customers

Position of the first mid-term management plan (FY2018-FY2020)

- ◆ Build strong corporation among 3 banks through the management integration
- ◆ Contribute to regional societies by strengthening face-to-face interactions with our customers
- ◆ Fully preparing for the planned merger and systems integration

Overview of the strategy

Basic strategies

- Contributing to development and invigoration of communities KMFG serves
  - Sharing distinctive strengths each bank has developed
  - Offering customers first-class financial services and solutions with one stop convenience
- Enhancing productivity and customer convenience at the same time
  - Sharing the know-how of operational reforms
  - Adopting unified clerical work process and IT platforms
- Raising profitability, efficiency and soundness as one of the largest regional financial groups in Japan
  - Potential of vibrant Kansai market
  - Scale merit advantage

Business strategies

- |                    |   |
|--------------------|---|
| Corporate strategy | <ul style="list-style-type: none"> <li>• Expand loan volume</li> <li>• Strengthen consulting function</li> </ul>  |
| Personal strategy  | <ul style="list-style-type: none"> <li>• Differentiate services based on customer profile</li> <li>• Develop AUM business further</li> </ul>                |
| Loan strategy      | <ul style="list-style-type: none"> <li>• Strengthen housing loan</li> <li>• Strengthen apartment loan</li> <li>• Strengthen other consumer loans</li> </ul> |

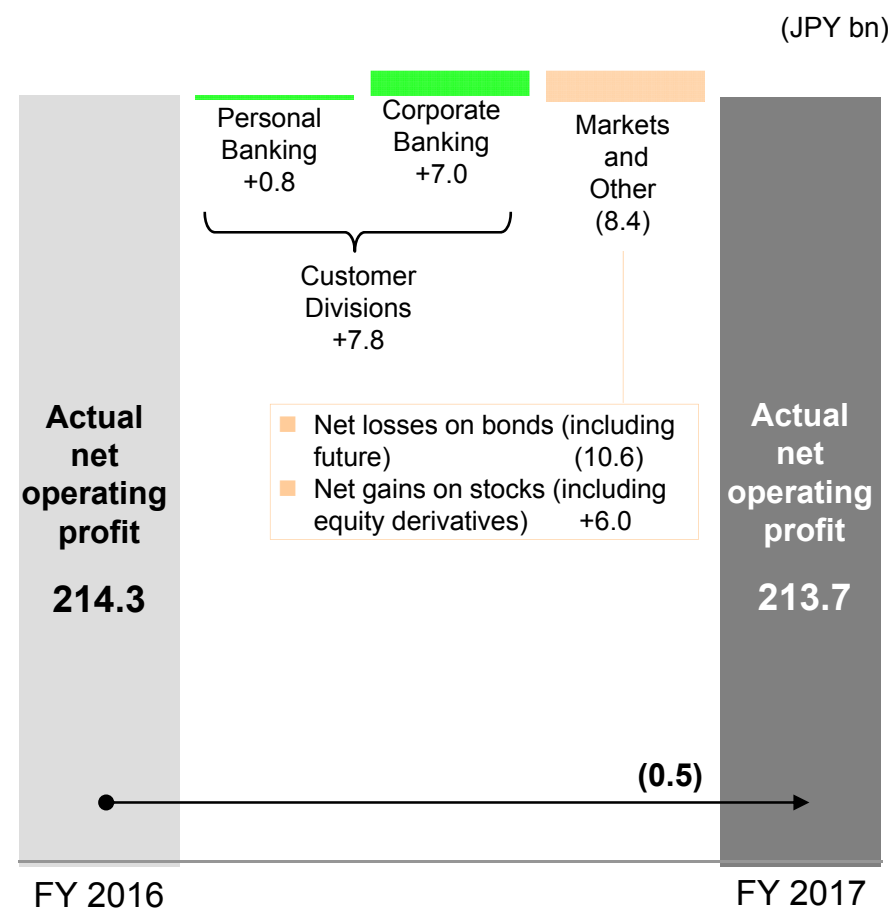
Primary KPIs

KPIs	FY2020	FY2022
(Consolidated) <b>Net income</b>	JPY29.0 bn	JPY45.0 bn
(Non-consolidated) <b>Actual net operating profit</b>	JPY52.0 bn	JPY70.0 bn
<b>Loans and bills discounted</b>	JPY9.8 tn	JPY10.5 tn
<b>Deposits</b>	JPY11.9 tn	JPY12.6 tn
<b>Consolidated fee income ratio</b>	Middle of the 20% range	Latter half of the 20% range
<b>Consolidated cost income ratio</b>	Latter half of the 60% range	60% level
<b>ROE</b>	Over 5%	8% level
<b>Capital adequacy ratio</b>	7% level	Over 7%

# (Reference) Outline of Financial Results of Each Segment (1)

**Actual net operating profit of customer division increased, driven by improved performance of the Corporate Banking segment**

(JPY bn)		FY2017	YoY Change
<b>Customer Divisions</b>	Gross operating profit (1)	492.5	+3.8
	Operating expense (2)	(331.4)	+3.7
	Actual net operating profit (3)	161.3	+7.8
<b>Personal Banking</b>	Gross operating profit (4)	219.3	(3.9)
	Operating expense (5)	(172.0)	+4.7
	Actual net operating profit (6)	47.3	+0.8
<b>Corporate Banking</b>	Gross operating profit (7)	273.1	+7.8
	Operating expense (8)	(159.4)	(1.0)
	Actual net operating profit (9)	114.0	+7.0
<b>Markets and Other</b>	Gross operating profit (10)	62.1	(8.3)
	Operating expense (11)	(9.7)	(0.0)
	Actual net operating profit (12)	52.3	(8.4)
<b>Total</b>	Gross operating profit (13)	554.7	(4.4)
	Operating expense (14)	(341.2)	+3.7
	Actual net operating profit (15)	213.7	(0.5)



## Definition of management accounting

1. Numbers reported above refer to 3 Resona Group banks and consolidated subsidiaries.
2. Gross operating profit of "Markets" segment includes a part of net gains/losses on stocks.
3. "Other" segment refers to the divisions in charge of management and business administration.

# (Reference) Outline of Financial Results of Each Segment (2)

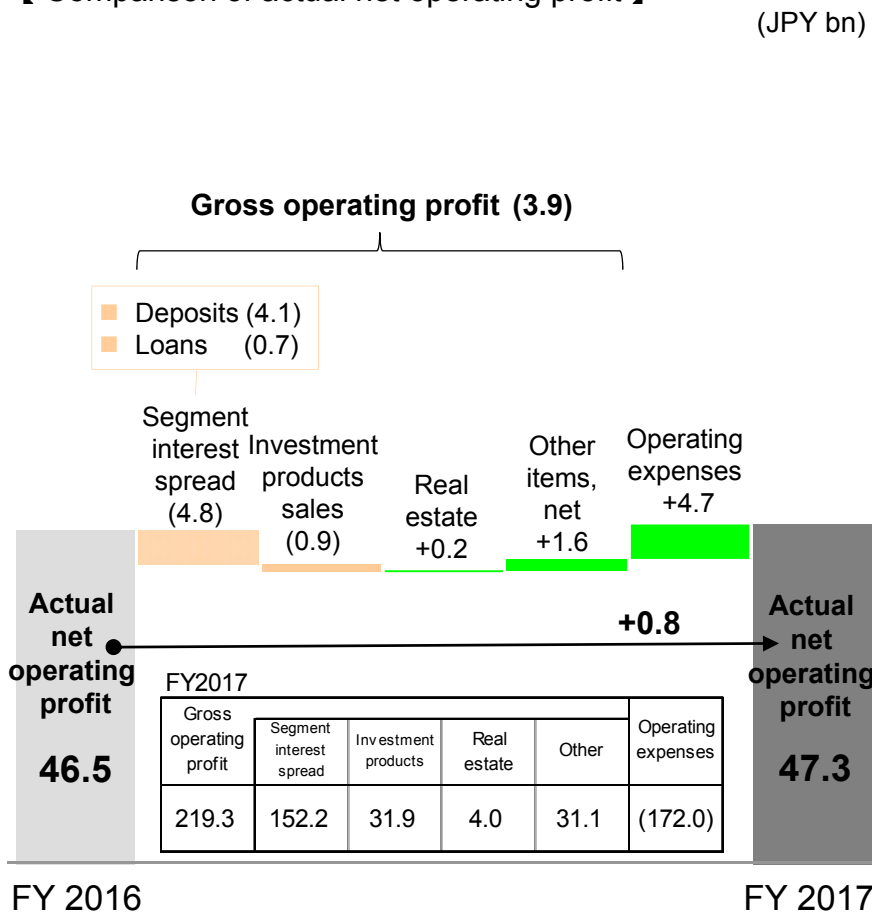
## Personal Banking Segment

- Actual net operating profit : Up JPY0.8 bn, YoY
  - Spread income from deposits declined, more than offset by improvement in operating expenses

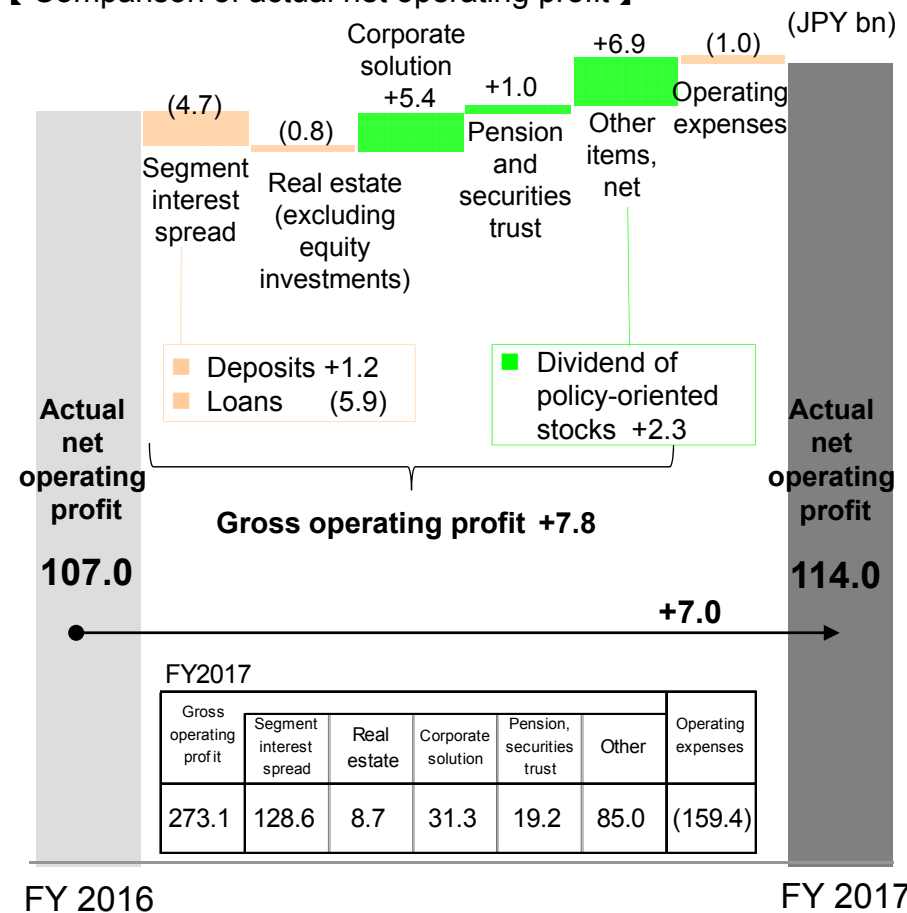
## Corporate Banking Segment

- Actual net operating profit : Up JPY7.0 bn, YoY
  - Corporate solution and trust related fees are growing

【 Comparison of actual net operating profit 】



【 Comparison of actual net operating profit 】



*The forward-looking statements contained in this material may be subject to material change due to the following factors.*

*These factors may include changes in the level of stock price in Japan, any development and change related to the government's and central bank's policies, laws, business practices and their interpretation, emergence of new corporate bankruptcies, changes in the economic environment in Japan and abroad and any other factors which are beyond control of the Resona Group.*

*These forward-looking statements are not intended to provide any guarantees of the Group's future performance. Please also note that the actual performance may differ from these statements.*

**Link Together Shape Future** *Next Action* **RESONA GROUP**



- The definitions of the acronyms and certain terms used in this document are as shown on the right

RHD: Resona Holdings, RB: Resona Bank, SR: Saitama Resona Bank,  
KO: Kinki Osaka Bank, KMFG: Kansai Mirai Financial Group,  
KU: Kansai Urban Banking Corporation, MB: Minato Bank  
3 Banks: RB+SR+KO, 5 Banks: RB+SR+KO+KU+MB