Financial Highlights for the First Quarter of Fiscal Year 2018



Resona Holdings

July 31, 2018

- Abbreviations and definitions of the figures presented in this material are as follows:

In order to facilitate understandings of how management integration of KMFG impacted the periodic profitability of Resona Holdings, “YoY” and “Adjusted YoY” comparisons are presented in this material. Definitions are as follows:

[YoY]		Comparison with the HD’s consolidated results for 1Q/FY2017
[Adjusted YoY]	HD Consolidated	Comparison with the total sum of HD consolidated, KU Consolidated and MB consolidated results for 1Q/FY2017 (held for internal administration purpose) * * (Adjusted to deduct KU consolidated, KO consolidated and MB consolidated minority interests (of 48.8%) in net income)
	5 Banks Total	Comparison with the total sum of non-consolidated results of 5 banks

Abbreviations

[HD] Resona Holdings, [RB] Resona Bank, [SR] Saitama Resona Bank,

[KMFG] Kansai Mirai Financial Group, [KU] Kansai Urban Banking Corporation, [KO] Kinki Osaka Bank, [MB] Minato Bank,

[3 Banks] RB, SR, KO, [5 Banks] RB, SR, KU, KO, MB

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.

Outline of Financial Results for the 1Q of FY2018

- **Posted JPY69.9 bn of net income attributable to owners of the parent**

  Up JPY32.7 bn, or 87.8%, YoY

  Progress rate against the full year target : 34.9%

  - Excluding one-off gain (JPY39.8 bn) related to management integration of KMFG: JPY30.0 bn

- **Posted JPY158.8 bn of gross operating profit**

  Down JPY0.9 bn, or 0.6%, on an adjusted YoY basis

  Secured the same level as 1Q of FY2017, making up for the decline in net interest income from domestic loans and deposits (-2.8 bn) with increase in fee income (+3.1 bn)

  - Average loan balance increased by 2.63%, on an adjusted YoY basis, while loan-to-deposit spread contracted by 6 bps

    Rate of loan balance increase exceeded the level assumed in the full year plan, primarily driven by an increase in loans to SMEs

  - Fee income ratio : 30.3%

    Primarily driven by an increase in corporate solution fees and housing loan-related fees

- **Operating expenses: JPY107.2 bn**

  Increased JPY1.9 bn, on an adjusted YoY basis

  In line with the full-year plan despite increase in IT costs to accelerate digitalization initiatives

- **Credit related expenses: JPY1.8 bn (cost)**

  Increased JPY8.4 bn, on an adjusted YoY basis

  In line with the full-year plan despite decrease in reversal gain

Resona HD consolodated (JPY bn)		1Q of FY2018	YoY change	YoY change %	[Reference] Adjusted YoY change	Adjusted YoY change %
Net income attributable to owners of the parent	(1)	**69.9**	**+32.7**	**+87.8%**	**+31.0**	**+79.8%**
EPS (yen)	(2)	30.21	+14.16	+88.2%		
BPS (yen)	(3)	910.61	+107.12	+13.3%		
Gross operating profit	(4)	158.8	+25.9	+19.5%	(0.9)	(0.6)%
Net interest income	(5)	106.0	+17.2		(4.5)	
NII from loans and deposits (total of group banks)*1	(6)	88.8	+16.5		(2.8)	
Fee income	(7)	48.1	+7.1		+3.1	
Fee income ratio	(8)	30.3%	(0.5)%		+2.1%	
Trust fees	(9)	4.6	+0.3		+0.3	
Fees and commission income	(10)	43.4	+6.8		+2.8	
Other operating income	(11)	4.6	+1.5		+0.4	
Net gains / (losses) on bonds (including futures)	(12)	(0.0)	+1.2		+0.7	
Operating expenses (excluding group banks' non-recurring items)	(13)	(107.2)	(21.8)	(25.5)%	(1.9)	(1.8)%
Cost income ratio (OHR)	(14)	67.5%	+3.2%		+1.6%	
Actual net operating profit	(15)	**51.5**	**+4.0**	**+8.5%**	**(2.9)**	**(5.4)%**
Net gains on stocks (including equity derivatives)	(16)	2.1	(0.0)		(0.7)	
Credit related expenses, net	(17)	(1.8)	(8.7)		(8.4)	
Other gains / (losses), net	(18)	32.5	+38.0		+38.8	
Income before income taxes	(19)	**84.4**	+33.3	+65.1%	**26.6**	**+46.1%**
Income taxes and other	(20)	(13.4)	+0.1		+1.3	
Net income attributable to noncontrolling interests	(21)	(1.1)	(0.7)		+2.9	

*1. Domestic banking account of 5 banks total, deposits include NCDs
*2. Negative figures represent items that would reduce net income

Breakdown of Financial Results

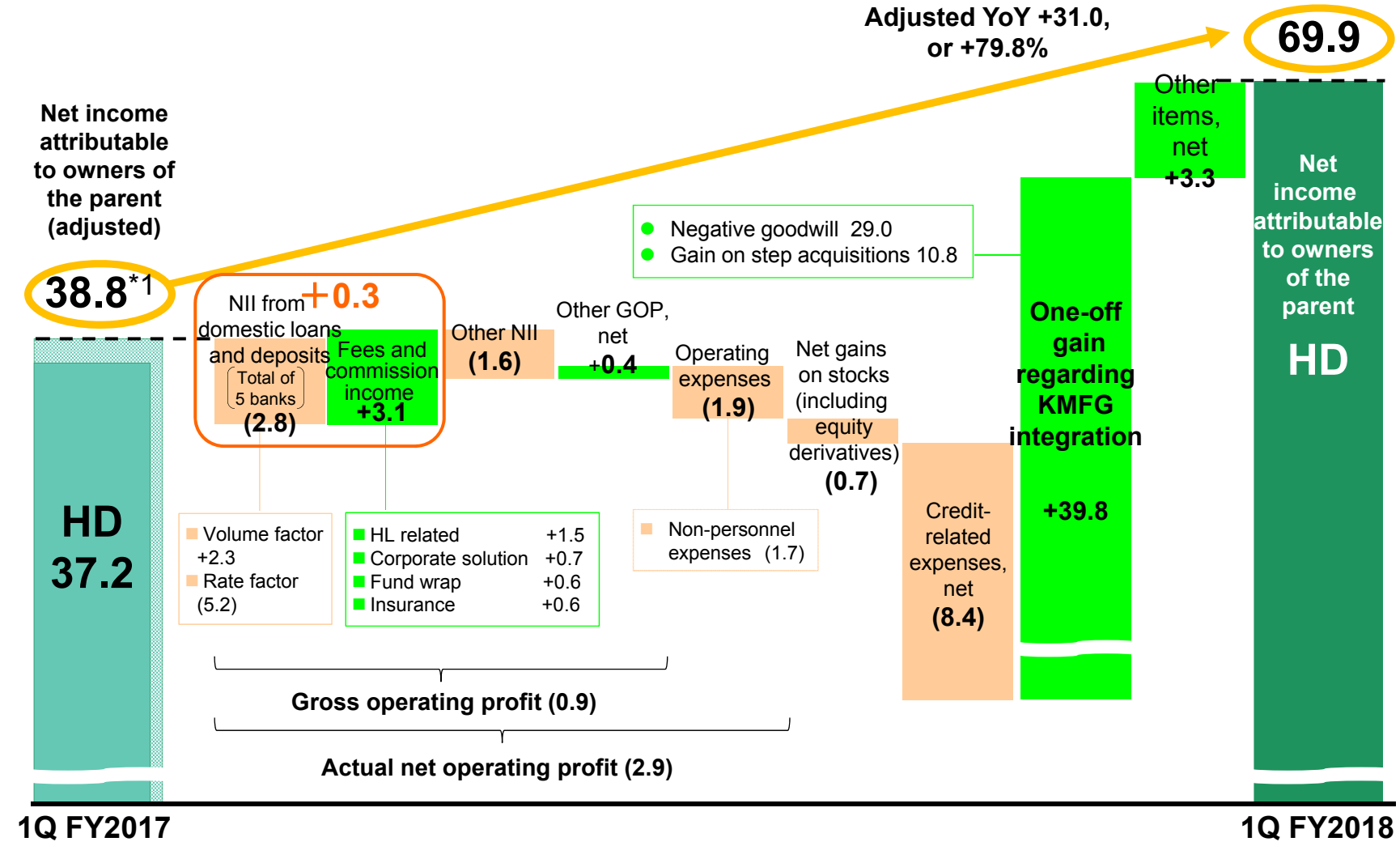
(JPY bn)		Resona Holdings (Consolidated) (A)	YoY	[reference] Adjusted YoY	Total of 5 group banks (Non-consolidated) (B)	[reference] Adjusted YoY	Resona Bank	Saitama Resona Bank	Total of group banks under KMFG	Difference (A)-(B)
Gross operating profit	(1)	**158.8**	**+25.9**	**(0.9)**	**145.2**	**(1.0)**	80.8	30.7	33.6	13.5
Net interest income	(2)	106.0	+17.2	(4.5)	105.0	(4.2)	54.1	22.1	28.7	0.9
NII from domestic loans and deposits	(3)				88.8	(2.8)	44.6	18.9	25.2	
Trust fees	(4)	4.6	+0.3	+0.3	4.6	+0.2	4.6			(0.0)
Fees and commission income	(5)	43.4	+6.8	+2.8	31.5	+2.7	19.6	7.5	4.4	11.9
Other operating income	(6)	4.6	+1.5	+0.4	4.0	+0.1	2.3	1.1	0.4	0.6
Net gains / (losses) on bonds (including futures)	(7)	(0.0)	+1.2	+0.7	(0.2)	+0.5	(0.9)	0.7	(0.0)	0.2
Operating expenses (excluding group banks' non-recurring items)*1	(8)	(107.2)	(21.8)	(1.9)	(101.0)	(1.2)	(53.5)	(18.8)	(28.6)	(6.2)
Actual net operating profit	(9)	**51.5**	**+4.0**	**(2.9)**	**44.2**	**(2.3)**	27.2	11.9	5.0	**7.3**
Net gains on stocks (including equity derivatives)	(10)	2.1	(0.0)	(0.7)	2.0	(0.9)	2.0	(0.5)	0.4	0.1
Credit related expenses, net	(11)	(1.8)	(8.7)	(8.4)	1.4	(5.8)	0.0	0.6	0.8	(3.3)
Other (losses), net	(12)	32.5	+38.0	+38.8	(7.2)	(1.3)	(5.1)	(0.7)	(1.2)	39.7
One-off gain related to management integration under KMFG	(13)	39.8	+39.8	+39.8						39.8
Income before income taxes	(14)	**84.4**	**+33.3**	**+26.6**	**40.5**	**(10.5)**	24.1	11.2	5.0	**43.9**
Income taxes and other	(15)	(13.4)	+0.1	+1.3	(11.5)	+1.4	(6.8)	(3.4)	(1.2)	(1.9)
Net income attributable to noncontrolling interests	(16)	(1.1)	(0.7)	+2.9						(1.1)
Net income (attributable to owners of the parent)	(17)	**69.9**	**+32.7**	**+31.0**	**28.9**	**(9.0)**	17.3	7.7	3.8	**40.9**

*1. Total of 5 group banks excludes amortization of goodwill

Factors for the Changes in Periodic Profits (Adjusted YoY Comparison)

HD Consolidated

(JPY bn)



*1. HD consolidated financial result + (KU consolidated financial result + MB consolidated financial result) x 51.2% - KO consolidated financial result x (100%-51.2%) as of 1Q of FY2017

Trend of Loans and Deposits

Total of Group Banks

Average loan / deposit balance, rates and spread (Domestic account)

5 banks

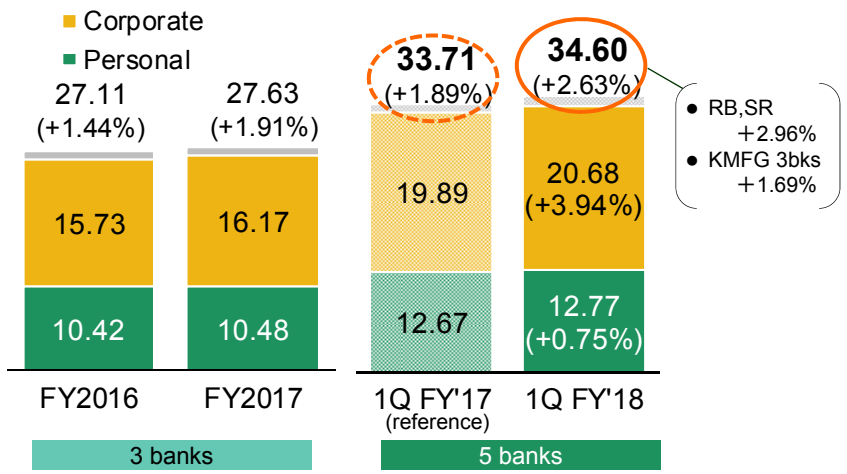
Avg. bal : Trillion Yen Income/Cost : Billion Yen			1Q Act.	1Q adjusted YoY	FY2018 Plan	FY2018 YoY
Loans	Avg. Bal.	(1)	34.60	+2.63%	34.59	+1.95%
	Rate	(2)	1.05%	(0.06)%	1.04%	(0.06)%
	Income	(3)	90.8	(3.3)	360.0	(14.2)
Corporate Banking Business Unit *1	Avg. Bal.	(4)	20.68	+3.94%	20.66	+2.67%
	Rate	(5)	0.90%	(0.06)%	0.87%	(0.06)%
Personal Banking Business Unit *2	Avg. Bal.	(6)	12.77	+0.75%	12.79	+0.93%
	Rate	(7)	1.35%	(0.06)%	1.34%	(0.05)%
Deposits (Including NCDs)	Avg. Bal.	(8)	50.47	+4.20%	50.42	+2.66%
	Rate	(9)	0.01%	(0.00)%	0.01%	(0.00)%
	Cost	(10)	(2.0)	+0.4	(8.9)	+0.5
Loan-to-deposit	Spread	(11)	1.03%	(0.06)%	1.02%	(0.06)%
	Net interest income	(12)	88.8	(2.8)	351.0	(13.7)

*1. Data compiled for a management and administration purpose, Corporate Banking Business Unit : Corporate loans (excluding loans to governments) + apartment loans

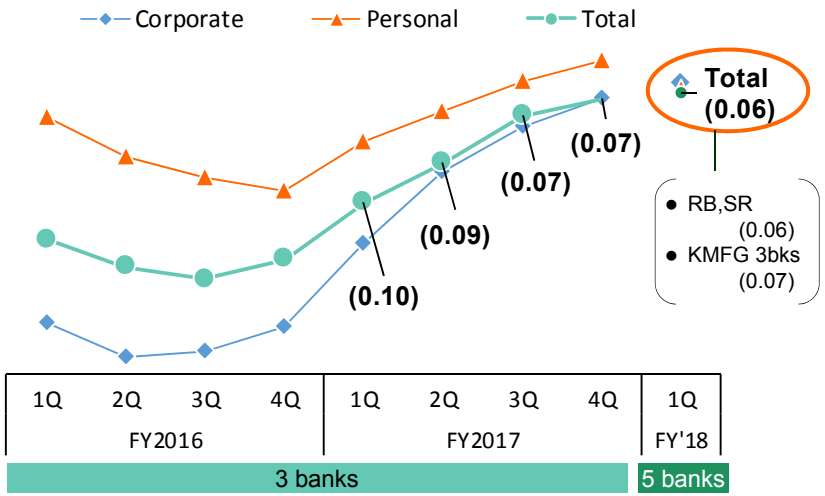
*2. Data compiled for a management and administration purpose, Personal Banking Business Unit: Residential housing loans + other consumer loans

Trend of average loan balance, loan rate change (Domestic account)

[Average loan balance (JPY tn), YoY change (%)]



[Loan rate YoY change (%)]

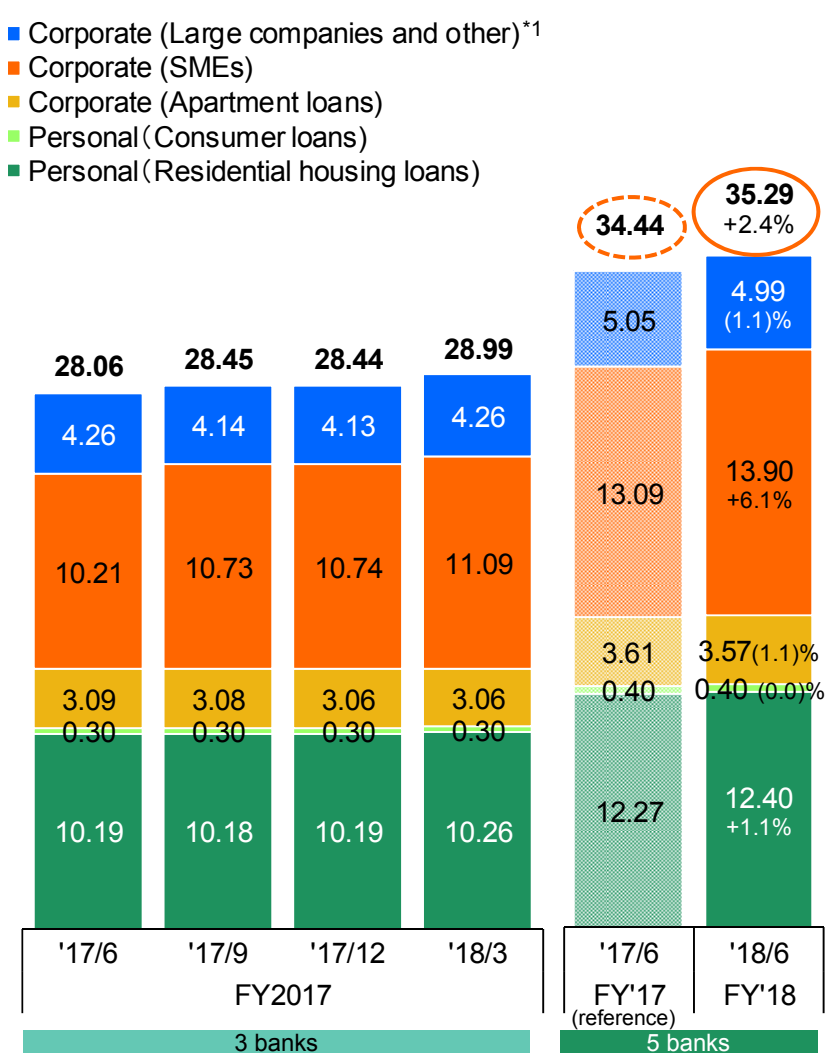


Term-end Balance of Loans and Deposits

Total of Group Banks

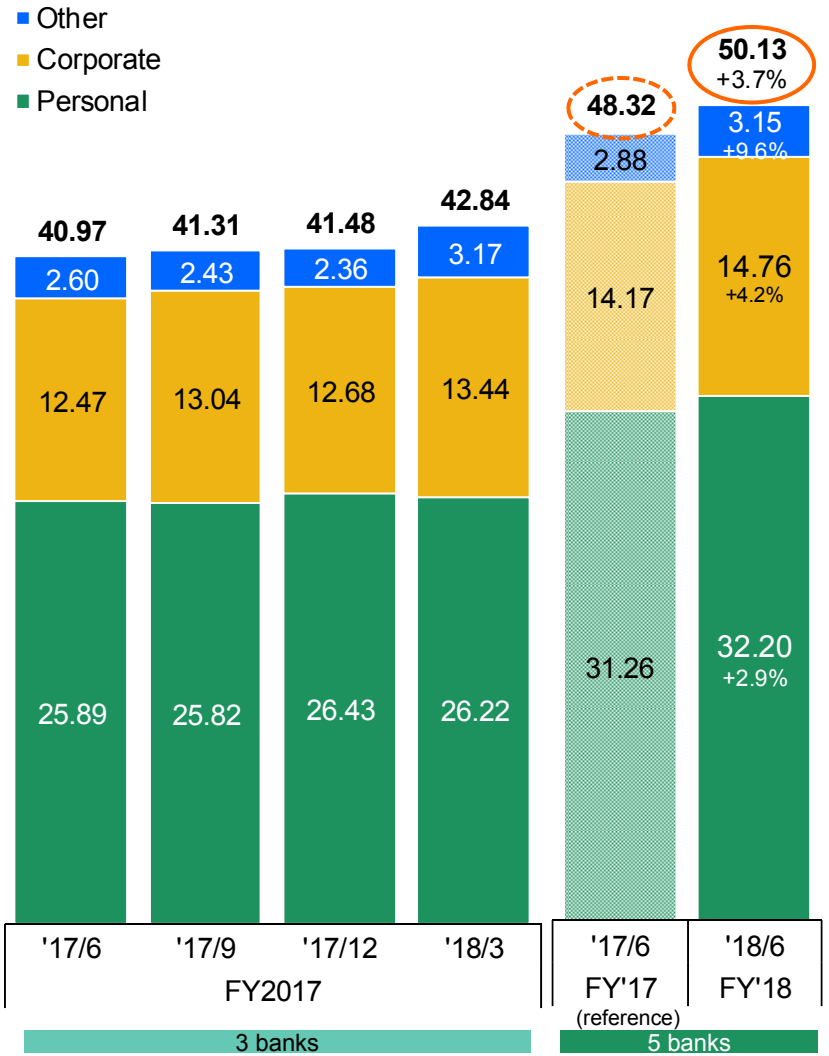
Term-end loan balance

JPY tn, % represents YoY change



Term-end deposit balance

JPY tn, % represents YoY change



*1. Include the loan extended to RHD and KMFG from RB

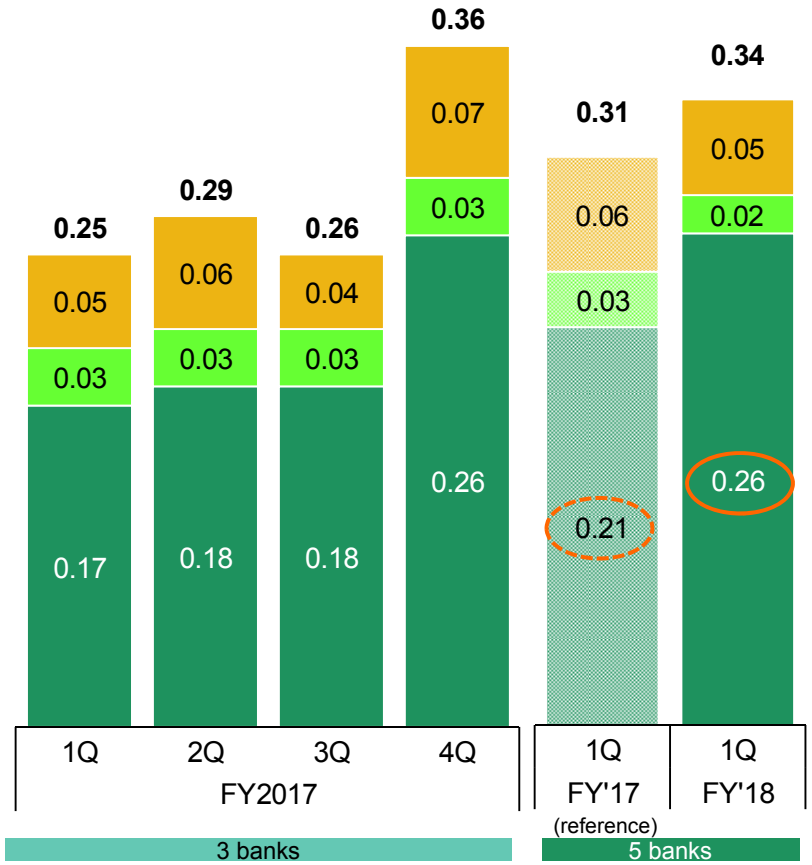
Housing Loan Business

Total of Group Banks

New loan origination

(JPY tn)

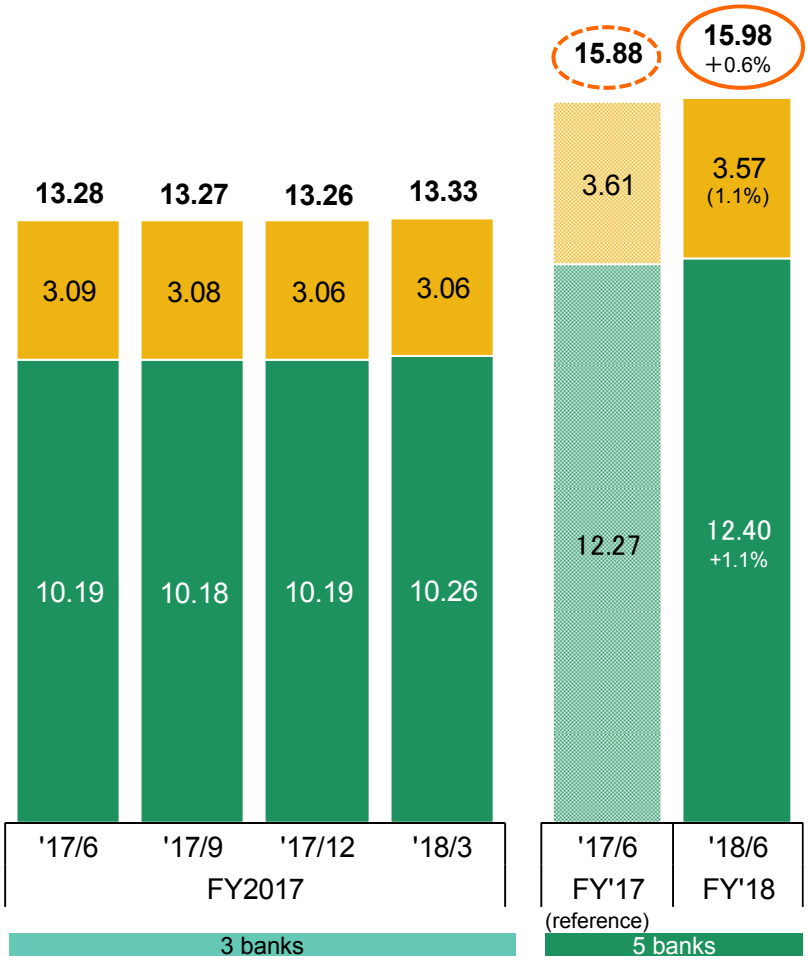
- Apartment loan
- Flat 35
- Residential housing loan



Term-end loan balance

JPY tn, % represents YoY change

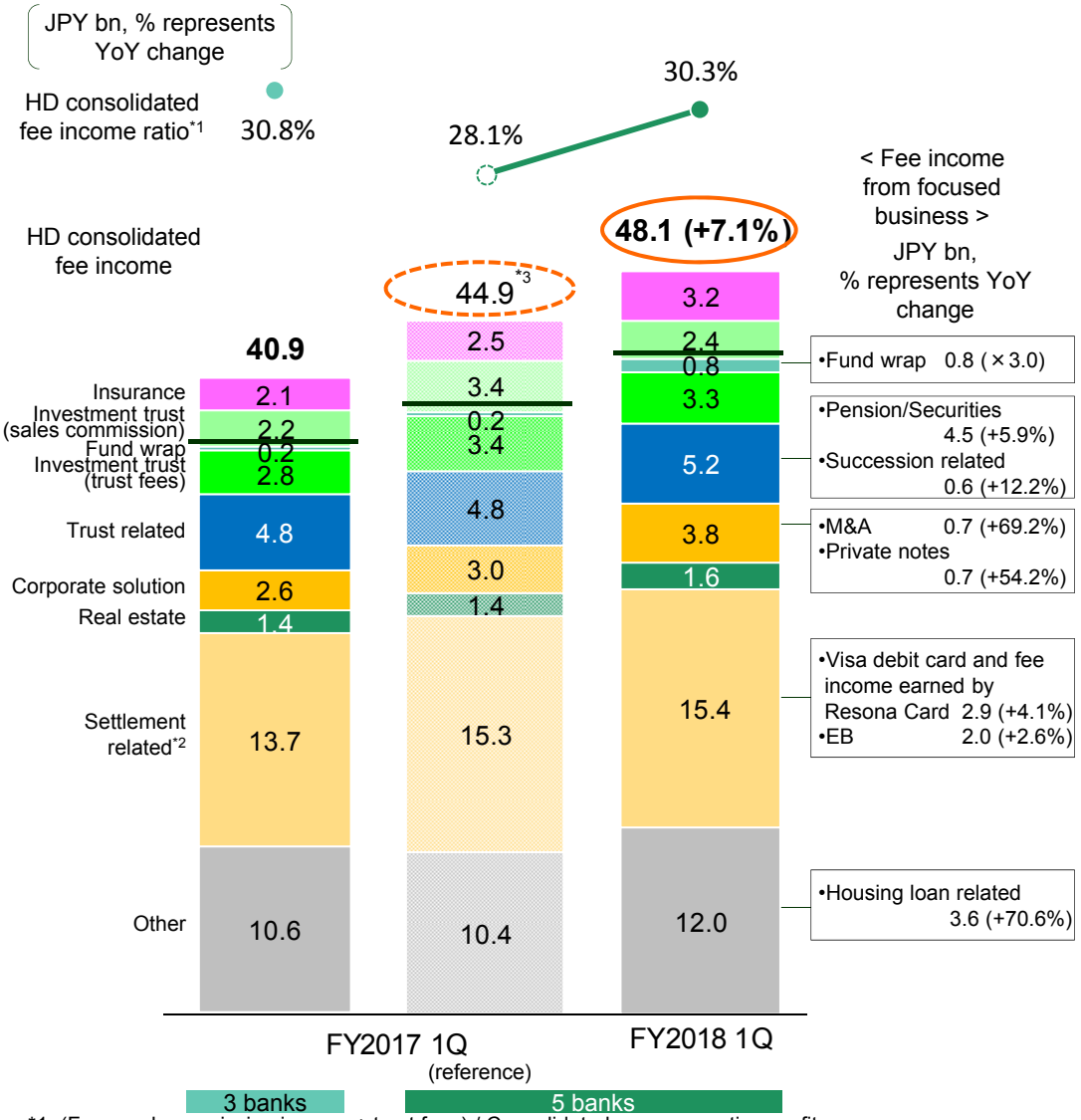
- Apartment loan
- Residential housing loan



Fee Income

HD Consolidated

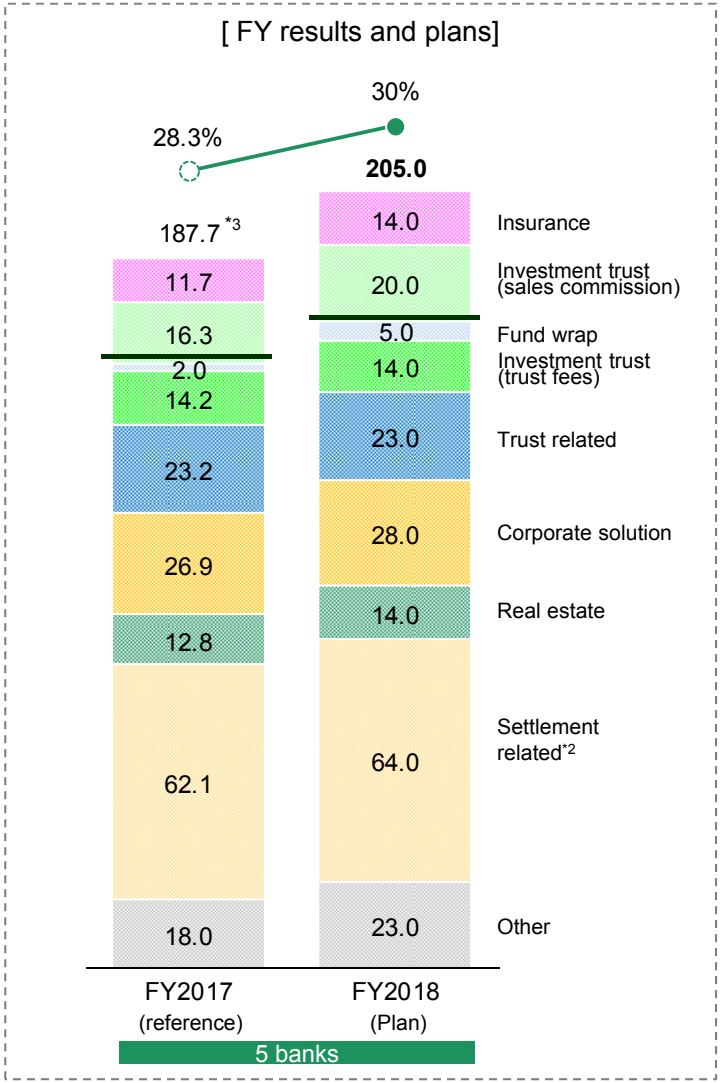
Consolidated fee income ratio at 30.3% for the 1Q of FY2018



< Fee income from focused business >

JPY bn, % represents YoY change

- •Fund wrap 0.8 (×3.0)
- •Pension/Securities 4.5 (+5.9%)
- •Succession related 0.6 (+12.2%)
- •M&A 0.7 (+69.2%)
- •Private notes 0.7 (+54.2%)
- •Visa debit card and fee income earned by Resona Card 2.9 (+4.1%)
- •EB 2.0 (+2.6%)
- •Housing loan related 3.6 (+70.6%)

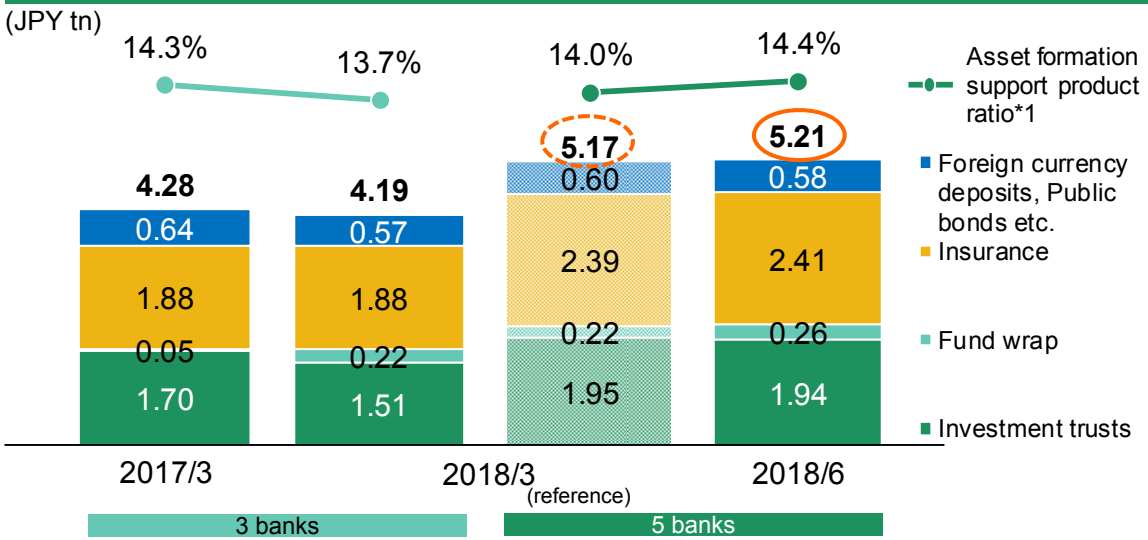


*1. (Fees and commission income + trust fees) / Consolidated gross operating profit
*2. Fees and commission from domestic exchange, account transfer, EB, Visa debit card and fee income earned by Resona Kessai Service and Resona Card
*3. Total of HD consolidated, KU consolidated and MB consolidated figures

Asset Formation Support Business

HD Consolidated

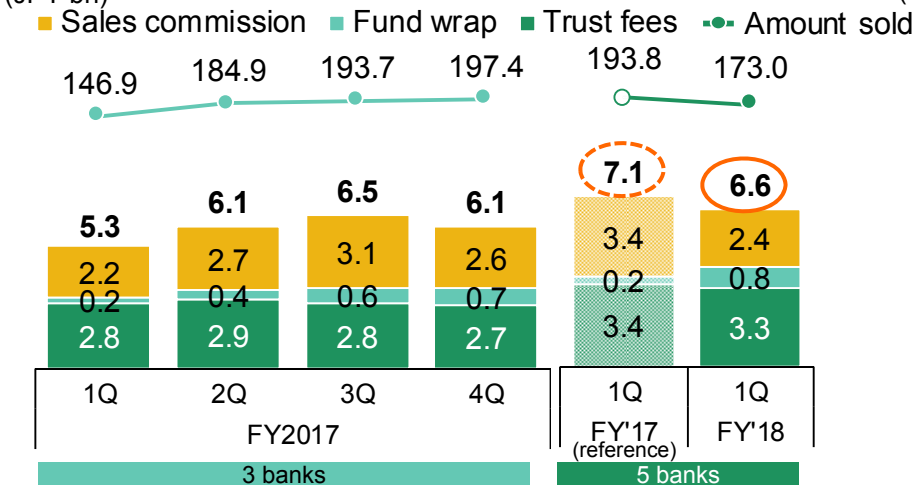
Balance of asset formation support products sold to individuals



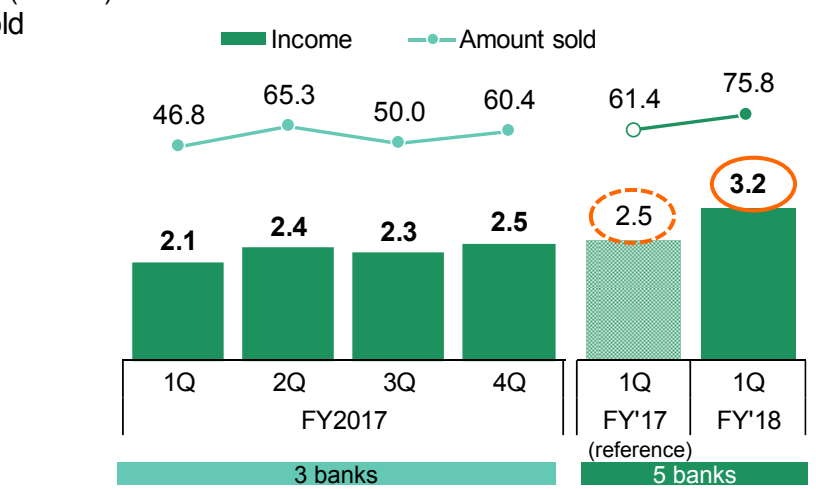
- Balance of fund wrap: Approx. JPY260.0 bn as of June 2018
- Net inflow of funds (investment trust and fund wrap) in FY2018 1Q (New purchase – withdrawal and redemption): Approx. +14.0 bn

- Number of individual customers having investment trust, fund wrap and insurance products 0.87 million as of June 2018
  - NISA account holders 0.29 million

Investment trust and fund wrap



Insurance



*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

Credit Costs and NPL

HD Consolidated
Total of Group Banks

Trend of credit costs

(JPY bn)		FY'16 (3 banks)	FY2017 1Q (3 banks)	FY2017 (3 banks)	FY2018 1Q Act (5 banks)	FY2018 Plan (5 banks)
Net credit cost (RHD consolidated)	(1)	17.4	6.8	14.7	(1.8)	(18.5)
Net credit cost (Total of group banks)	(2)	18.2	6.9	17.5	1.4	(13.0)
General reserve	(3)	9.8	2.0	6.6	2.3	
Specific reserve and other items	(4)	8.4	4.9	10.8	(0.9)	
New bankruptcy, downward migration	(5)	(19.9)	(4.6)	(15.4)	(7.9)	
Collection/ upward migration	(6)	28.3	9.5	26.2	6.9	
Difference (1) - (2)	(7)	(0.7)	(0.1)	(2.7)	(3.3)	(5.5)
HL guarantee subsidiaries	(8)	2.0	0.6	1.1	(0.7)	
Resona Card	(9)	(2.1)	(0.7)	(2.3)	(0.6)	

<Credit cost ratio> (bps)

RHD consolidated*1	(10)	6.1	9.7	5.1	(2.0)	(5.1)
Total of group banks*2	(11)	6.3	9.6	5.9	1.6	(3.5)

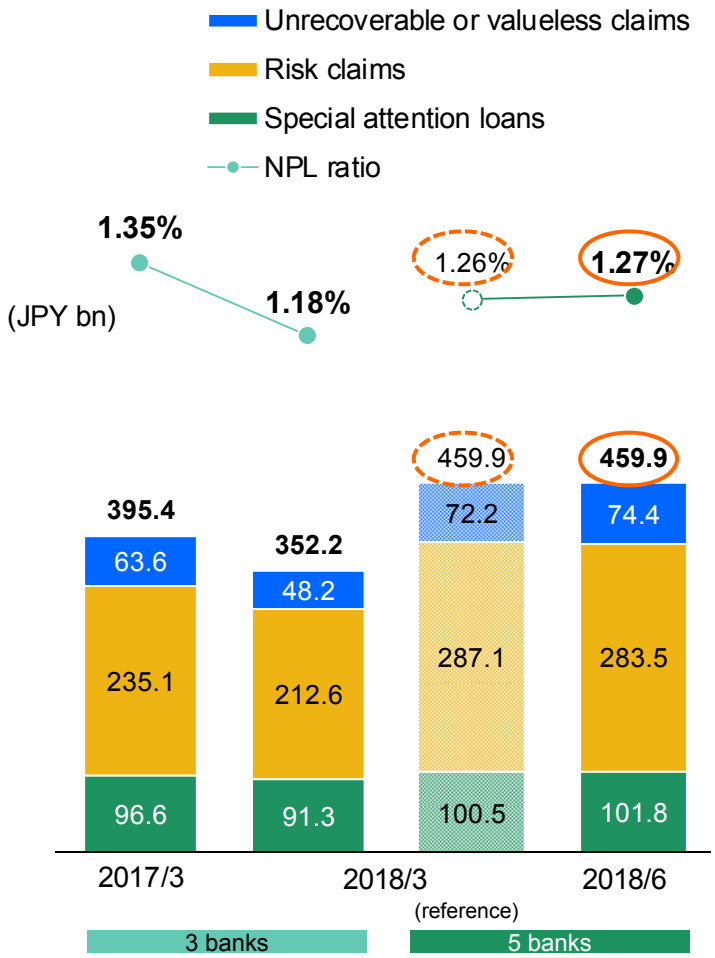
(Note) Positive figures represent reversal gains

*1. Credit cost / (Loans and bills discounted + acceptances and guarantees)
(Simple average of the balances at the beginning and end of the term)
(Balance at the beginning of FY2018 1Q, represent total sum of HD consolidated, KU consolidated and MB consolidated)

*2. 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 (Total of Group Banks)

(Financial Reconstruction Act criteria)



Securities Portfolio

Total of Group Banks

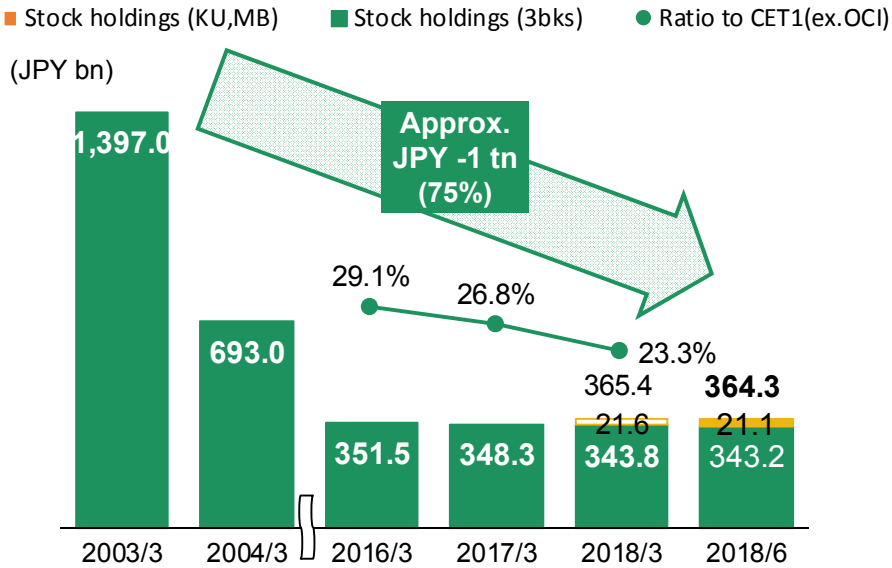
Securities Portfolio *1.

(JPY bn)		3 banks 2018/3	5 banks 2018/3	5 banks 2018/6	5 banks Unrealized gain/(loss)
Available-for-sale securities	(1)	2,401.2	2,918.1	2,948.0	700.8
Stocks	(2)	343.8	365.4	364.3	715.2
Bonds	(3)	1,214.4	1,532.7	1,479.3	2.9
JGBs	(4)	214.3	325.1	287.7	(0.5)
Average duration (years)	(5)	8.0	6.5	6.9	–
Basis point value (BPV)	(6)	(0.17)	(0.21)	(0.20)	–
Local government and corporate bonds	(7)	1,000.1	1,207.5	1,191.6	3.4
Other	(8)	842.9	1,019.9	1,104.3	(17.3)
Foreign securities	(9)	312.2	389.2	431.9	(12.1)
Average duration (years)	(10)	8.6	8.4	7.7	–
Basis point value (BPV)	(11)	(0.25)	(0.31)	(0.29)	–
Net unrealized gain	(12)	649.4	672.8	700.8	
Bonds held to maturity	(13)	2,046.7	2,057.1	2,069.2	48.5
JGBs	(14)	1,565.5	1,565.5	1,560.5	37.5
Net unrealized gain	(15)	51.9	52.0	48.5	

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

Status of policy-oriented stocks held

- Breakeven Nikkei average: Approx. 6,200 yen
- Balance of listed stocks disposed in 1Q of FY2018 (acquisition cost basis): JPY1.1 bn, Net gain on sale: JPY0.7 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*2 in the medium term.
    - Plan to reduce JPY35.0 bn in 5 years from FY2016

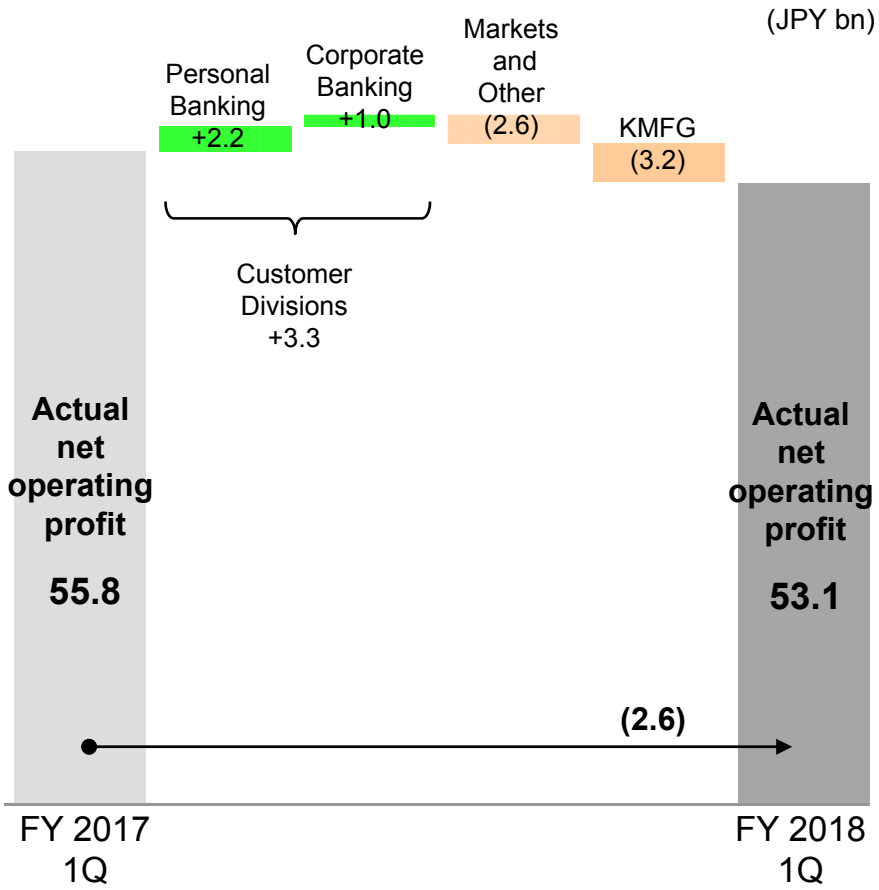


(Reference) Outline of Financial Results of Each Segment (1)

HD Consolidated

Actual net operating profit decreased by JPY2.6 bn, adjusted YoY

(JPY bn)			FY2018 1Q	Adjusted YoY Change
Customer Divisions	Gross operating profit	(1)	116.3	+4.6
	Operating expense	(2)	(74.8)	(1.3)
	Actual net operating profit	(3)	41.5	+3.3
Personal Banking	Gross operating profit	(4)	56.9	+3.2
	Operating expense	(5)	(39.7)	(0.9)
	Actual net operating profit	(6)	17.1	+2.2
Corporate Banking	Gross operating profit	(7)	59.4	+1.4
	Operating expense	(8)	(35.1)	(0.3)
	Actual net operating profit	(9)	24.3	+1.0
Markets and Other	Gross operating profit	(10)	7.4	(2.6)
	Operating expense	(11)	(2.6)	(0.1)
	Actual net operating profit	(12)	4.7	(2.6)
KMFG	Gross operating profit	(13)	36.6	(2.7)
	Operating expense	(14)	(29.7)	(0.5)
	Actual net operating profit	(15)	6.8	(3.2)
Total	Gross operating profit	(16)	160.4	(0.6)
	Operating expense	(17)	(107.2)	(1.9)
	Actual net operating profit	(18)	53.1	(2.6)



Definition of management accounting

1. "Customer Divisions" and "Markets and Other" segment refers to the HD Consolidated subsidiaries, except KMFG consolidated subsidiaries.
2. Gross operating profit of "Markets" segment includes a part of net gains/losses on stocks. "Other" segment refers to the divisions in charge of management and business administration.
3. Adjusted YoY change of "KMFG" refers to the comparison with the total sum of KU consolidated, KO consolidated and MB consolidated results of 1Q of FY2017

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

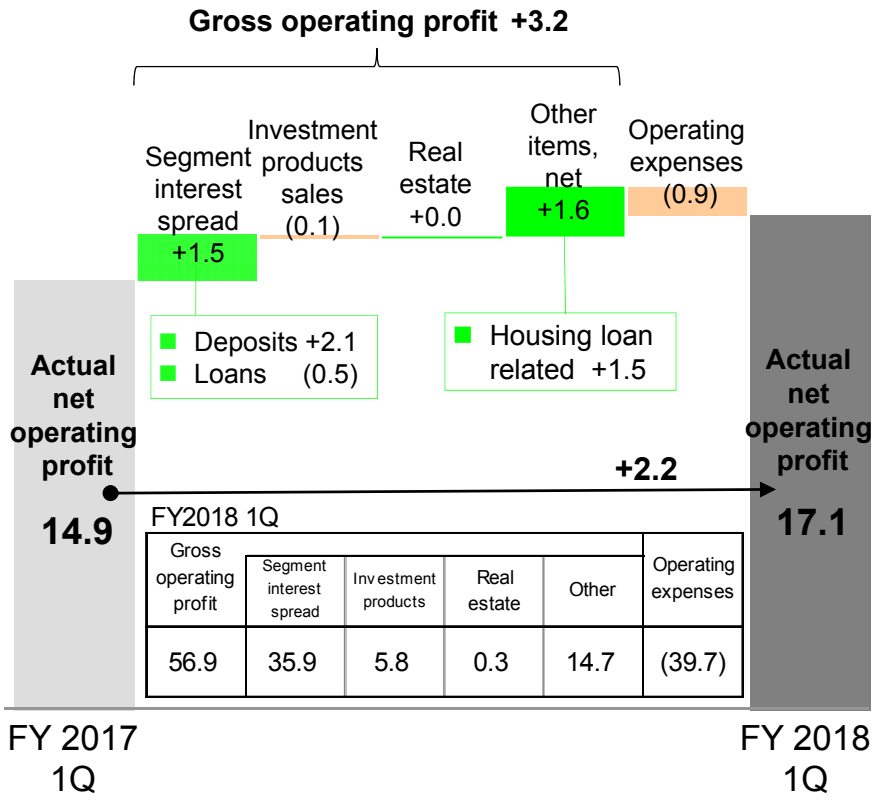
HD Consolidated (exclude KMFG)

Personal Banking Segment

- **Actual net operating profit : Up JPY2.2 bn, YoY**
  - Housing loan related fees are growing

【 Comparison of actual net operating profit 】

(JPY bn)



Corporate Banking Segment

- **Actual net operating profit : Up JPY1.0 bn, YoY**
  - Fees from focused business are growing

【 Comparison of actual net operating profit 】

(JPY bn)

