# Financial Highlights for the Third Quarter of Fiscal Year 2018




Resona Holdings

**January 31, 2019**

- 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 1-3Q/FY2017 |
| [Adjusted YoY] | HD Consolidated | Comparison with the total sum of HD consolidated, KU consolidated and MB consolidated results for 1-3Q/FY2017 (held for internal administration purpose)<br>*(HD’s consolidated net income is adjusted to exclude non-controlling interests (48.8%) in KU consolidated, KO consolidated and MB consolidated 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

Figures include data for internal administration purpose.

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 1-3Q of FY2018

- **Posted JPY141.1 bn of net income attributable to owners of the parent**
  KMFG contributed JPY7.6 bn (excluding one-off gain from negative goodwill)
  Down JPY61.6 bn, or 30.3%, YoY
  Progress rate against the full year target : 70.5%
  Down JPY68.4 bn, or 32.6%, on an adjusted YoY basis
  - Decrease in one-off gain related to management integration of KMFG JPY(31.6) bn
    (1-3Q of FY2017 : JPY71.5 bn, 1-3Q of FY2018 : JPY39.8 bn)
  - One-off gain booked in FY2017 related to the realignment of loan guarantee subsidiaries JPY(14.1) bn
  - Decrease in net gains on bonds and stocks JPY(27.7) bn
- **Posted JPY469.4 bn of gross operating profit**
  Down JPY21.5 bn, or 4.3%, on an adjusted YoY basis
  Almost making up for the decline in income from loans and deposits with the increase in fee income.
  Income structure reform has made some progress.
  - Net interest income from domestic loans and deposits:
    Down JPY8.3 bn on an adjusted YoY
    Average loan balance : +2.90%, outpacing the full year plan (+2.54%)
  - Fee income : Up JPY6.9 bn on an adjusted YoY basis
    Fee income ratio : 30.2%
    Primarily driven by insurance and housing loan-related fees.
  - Implemented measures to improve soundness of bonds portfolio
- **Operating expenses: JPY314.4 bn**
  Decreased by JPY0.1 bn, on an adjusted YoY basis
- **Credit related expenses: JPY12.7 bn (reversal)**
  Decreased by JPY1.3 bn, on an adjusted YoY basis

| Resona HD consolidated (JPY bn) | | 1-3Q of FY2018 | YoY change | YoY change % | [ Reference ] Adjusted YoY change | Adjusted YoY change % |
|---|---|---|---|---|---|---|
| **Net income attributable to owners of the parent** | (1) | **141.1** | **(61.6)** | **(30.3)%** | **(68.4)** | **(32.6)%** |
| EPS (yen) | (2) | 60.94 | (25.82) | (29.7)% | | |
| BPS (yen) | (3) | 895.57 | (8.92) | (0.9)% | | |
| Gross operating profit | (4) | 469.4 | +61.3 | +15.0% | (21.5) | (4.3)% |
| Net interest income | (5) | 325.2 | +50.1 | | (14.7) | |
| NII from loans and deposits*1 | (6) | 266.6 | +49.9 | | (8.3) | |
| Fee income | (7) | 141.9 | +21.8 | | +6.9 | |
| Fee income ratio | (8) | 30.2% | +0.8% | | +2.7% | |
| Trust fees | (9) | 14.4 | +0.7 | | +0.7 | |
| Fees and commission income | (10) | 127.5 | +21.1 | | +6.1 | |
| Other operating income | (11) | 2.3 | (10.7) | | (13.6) | |
| Net gains on bonds (including futures) | (12) | (13.4) | (12.8) | | (13.7) | |
| Operating expenses (excluding group banks' non-recurring items) | (13) | (314.4) | (59.4) | (23.3)% | +0.1 | +0.0% |
| Cost income ratio (OHR) | (14) | 66.9% | +4.5% | | +2.8% | |
| **Actual net operating profit** | (15) | **157.0** | **+3.5** | **+2.3%** | **(19.5)** | **(11.0)%** |
| Net gains on stocks (including equity derivatives) | (16) | 2.8 | (10.5) | | (13.9) | |
| Credit related expenses, net | (17) | 12.7 | (0.5) | | +1.3 | |
| Other gains, net | (18) | 18.5 | +31.6 | | +34.5 | |
| **Net income before income taxes and non-controlling interests** | (19) | **191.1** | +24.1 | +14.4% | **+2.3** | **+1.2%** |
| Income taxes and other | (20) | (42.5) | (78.6) | | (74.4) | |
| Net income attributable to non-controlling interests | (21) | (7.4) | (7.1) | | +3.6 | |

*1. Total of non-consolidated banking accounts of 5 banks, deposits include NCDs
*2. Negative figures represent items that would reduce net income

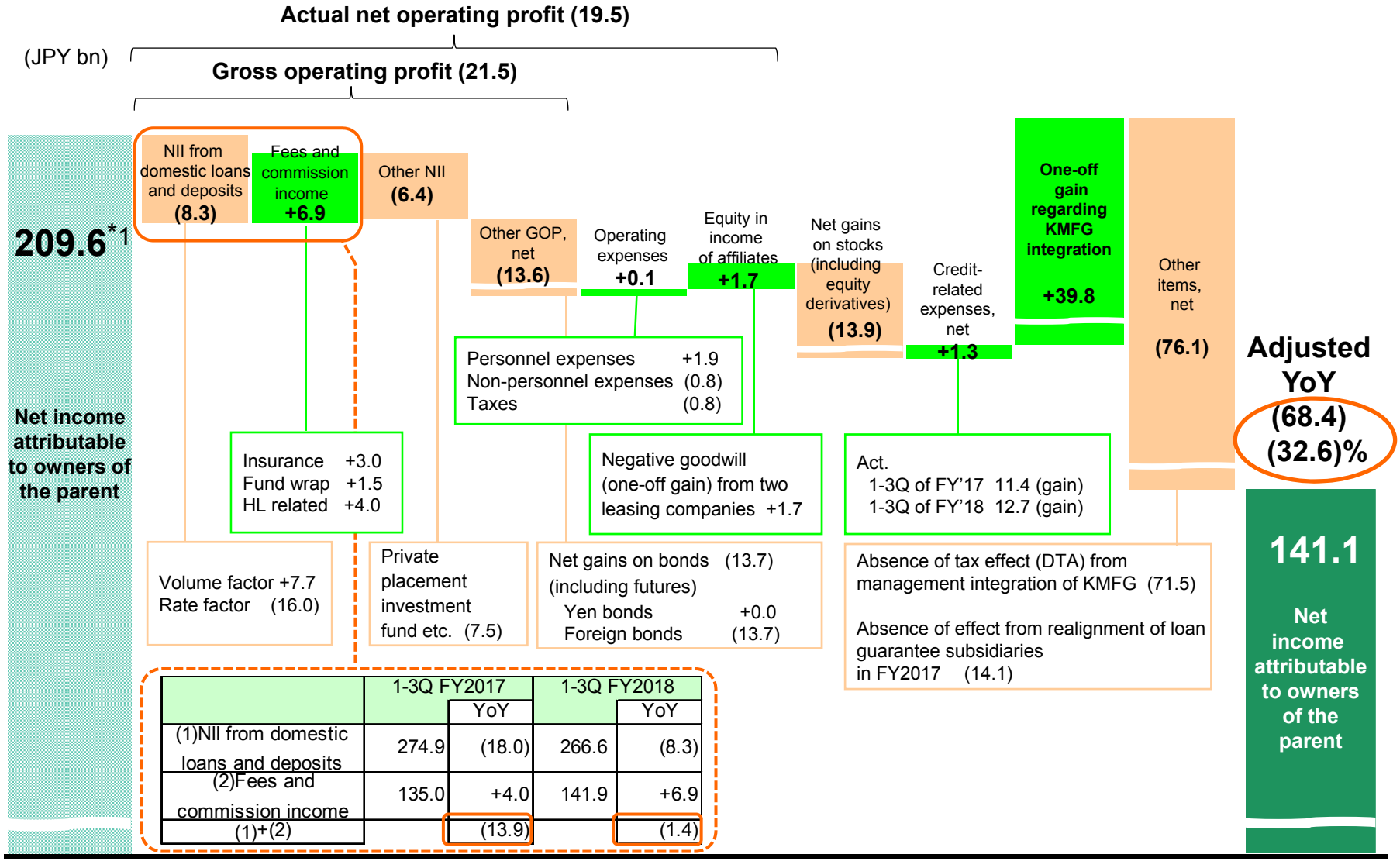
# Breakdown of Financial Results

| (JPY bn) | | Resona Holdings (Consolidated) | | | 5 banks total (Non-consolidated) | | Resona Bank | Saitama Resona Bank | Total of 3 group banks under KMFG | Difference |
|---|---|---|---|---|---|---|---|---|---|---|
| | | (A) | YoY | [reference] Adjusted YoY | (B) | [reference] Adjusted YoY | | | | (A)-(B) |
| **Gross operating profit** | (1) | **469.4** | **+61.3** | **(21.5)** | **428.3** | **(27.0)** | **241.8** | **83.4** | **102.9** | **41.1** |
| Net interest income | (2) | 325.2 | +50.1 | (14.7) | 321.5 | *a (19.0) | 169.3 | 66.8 | 85.3 | 3.6 |
| NII from domestic loans and deposits | (3) | | | | 266.6 | (8.3) | 134.5 | 56.5 | 75.4 | |
| Trust fees | (4) | 14.4 | +0.7 | +0.7 | 14.4 | +0.6 | 14.4 | | | (0.0) |
| Fees and commission income | (5) | 127.5 | +21.1 | +6.1 | 92.6 | +6.5 | 57.5 | 18.2 | 16.7 | 34.8 |
| Other operating income | (6) | 2.3 | (10.7) | (13.6) | (0.3) | (15.2) | 0.4 | (1.6) | 0.9 | 2.6 |
| Net gains on bonds (including futures) | (7) | (13.4) | (12.8) | (13.7) | (14.9) | (15.3) | (10.8) | (3.4) | (0.7) | 1.5 |
| Operating expenses (excluding group banks' non-recurring items) | (8) | (314.4) | (59.4) | +0.1 | (297.4) | (0.1) | (157.6) | (55.6) | (84.0) | (16.9) |
| Equity in gains of affiliates | (9) | 2.0 | +1.7 | +1.7 | | | | | | 2.0 |
| **Actual net operating profit** | (10) | **157.0** | **+3.5** | **(19.5)** | **130.8** | **(27.1)** | **84.1** | **27.8** | **18.8** | **26.2** |
| Net gains on stocks (including equity derivatives) | (11) | 2.8 | (10.5) | (13.9) | 5.5 | *b (63.7) | 4.3 | (1.8) | 3.0 | (2.7) |
| Credit related expenses, net | (12) | 12.7 | (0.5) | +1.3 | 12.6 | (1.9) | 12.0 | 0.9 | (0.4) | 0.0 |
| Other gains/(losses), net | (13) | 18.5 | +31.6 | +34.5 | (20.5) | (6.5) | (12.3) | (2.6) | (5.5) | 39.0 |
| One-off gain related to management integration under KMFG | (14) | 39.8 | +39.8 | +39.8 | | | | | | 39.8 |
| **Net income before income taxes** | (15) | **191.1** | **+24.1** | **+2.3** | **128.5** | **(99.3)** | **88.2** | **24.3** | **15.9** | **62.6** |
| Income taxes and other | (16) | (42.5) | *3 *c (78.6) | *3 *c (74.4) | (36.1) | *c (1.8) | (24.7) | (7.6) | (3.6) | (6.4) |
| Net income attributable to noncontrolling interests | (17) | (7.4) | (7.1) | +3.6 | | | | | | (7.4) |
| **Net income (attributable to owners of the parent)** | (18) | **141.1** | **(61.6)** | **(68.4)** | **92.4** | **(101.2)** | **63.4** | **16.6** | **12.2** | **48.6** |

*1. Exclude goodwill amortization by KU, JPY(0.5) bn, related to acquisition of former Biwako Bank.
*2. Include gains on negative goodwill, JPY1.7 bn, related to Shutoken Leasing and DFL Lease which newly became equity method-applied affiliates.
*3. Include absence of tax effect, JPY(71.5) bn, from management integration of KMFG
*4. Include absence of effect from realignment of loan guarantee subsidiaries in FY2017
[*a. Special dividend (JPY4.9 bn, cancelled out in consolidation) paid by Kinki Osaka Shinyo Hosho to KO. *b. Gain on sale of shares of Resona Guarantee totaling JPY52.9 bn (JPY39.3 bn recognized by RB and JPY13.5 bn by SR, respectively) (Cancelled out in consolidation) *c. Reduction of income tax charge, JPY14.1 bn, due to a tax loss recognized]

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

HD Consolidated




| | 1-3Q FY2017 | YoY | 1-3Q FY2018 | YoY |
|---|---|---|---|---|
| (1)NII from domestic loans and deposits | 274.9 | (18.0) | 266.6 | (8.3) |
| (2)Fees and commission income | 135.0 | +4.0 | 141.9 | +6.9 |
| (1)+(2) | | (13.9) | | (1.4) |

*1. HD consolidated net income (JPY202.7 bn)+ { KU consolidated net income (JPY11.4 bn) + MB consolidated net income (JPY6.0 bn) } x 51.2% - KO consolidated net income (JPY4.3 bn) x (100% - 51.2%) as of 1-3Q of FY2017

# Trend of Loans and Deposits (Domestic Account)

**Total of Group Banks**

## Average loan / deposit balance, rates and spread

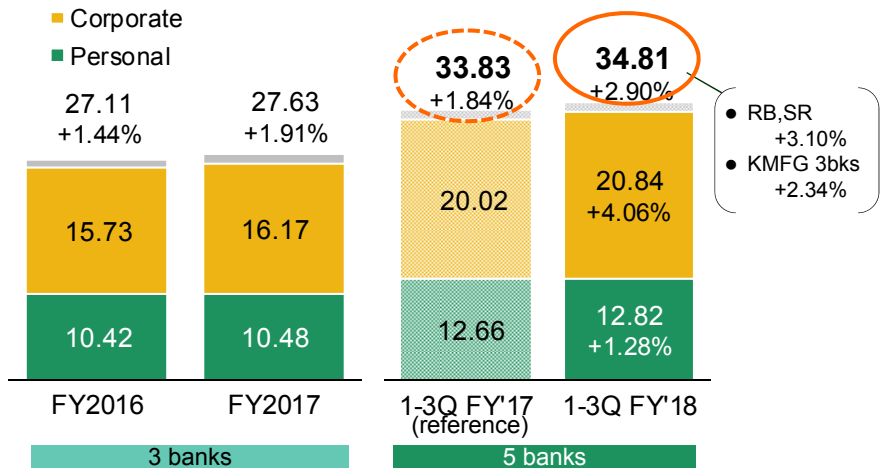
5 banks

| Avg. bal : Trillion Yen<br>Income/Cost : Billion Yen | | | 1-3Q Act. | 1-3Q Adjusted YoY | FY2018 Plan | FY2018 YoY [vs. '18/3] |
|---|---|---|---|---|---|---|
| Loans | Avg. Bal. | (1) | 34.81 | +2.90% | 34.79 | +2.54% |
| | Rate | (2) | 1.03% | (0.06)% | 1.03% | (0.06)% |
| | Income | (3) | 272.6 | (9.7) | 360.0 | (14.3) |
| Corporate Banking Business Unit *1 | Avg. Bal. | (4) | 20.84 | +4.06% | 20.80 | +3.38% |
| | Rate | (5) | 0.88% | (0.06)% | 0.87% | (0.06)% |
| Personal Banking Business Unit *2 | Avg. Bal. | (6) | 12.82 | +1.28% | 12.83 | +1.31% |
| | Rate | (7) | 1.33% | (0.06)% | 1.33% | (0.06)% |
| Deposits (Including NCDs) | Avg. Bal. | (8) | 50.71 | +3.65% | 50.86 | +3.55% |
| | Rate | (9) | 0.01% | (0.00)% | 0.01% | (0.00)% |
| | Cost | (10) | (6.0) | +1.3 | (8.5) | (0.9) |
| Loan-to-deposit | Spread | (11) | 1.02% | (0.06)% | 1.01% | (0.06)% |
| | Net interest income | (12) | 266.6 | (8.3) | 351.5 | (13.3) |

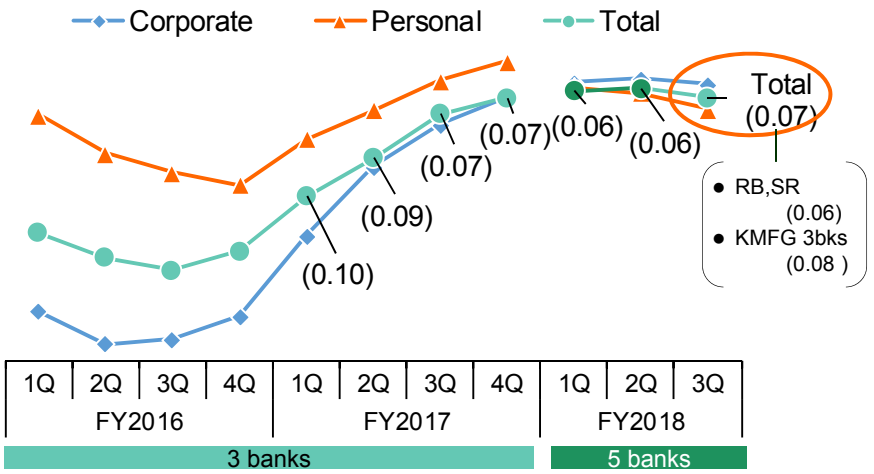
*1. Corporate Banking Business Unit : Corporate loans (excluding loans to governments) + apartment loans
*2. Personal Banking Business Unit: Residential housing loans + other consumer loans

## Trend of average loan balance, loan rate change

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




[ Loan rate YoY change (%) ]

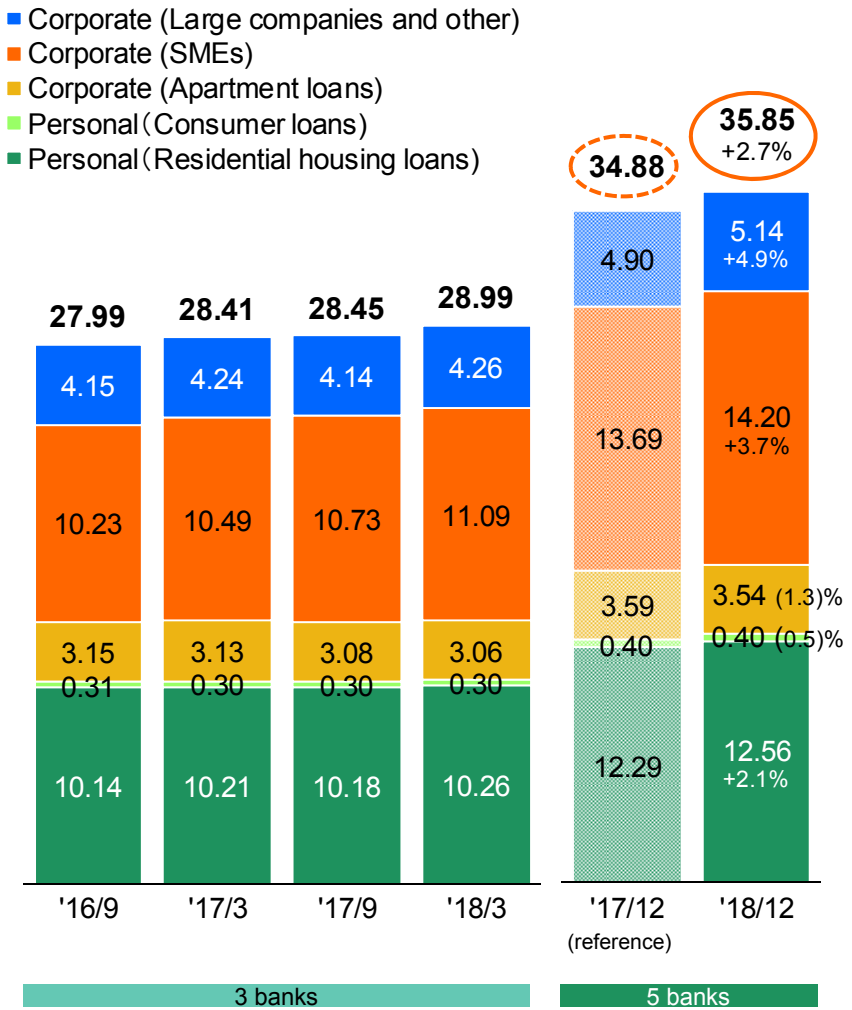


# Term-end Balance of Loans and Deposits

Total of Group Banks

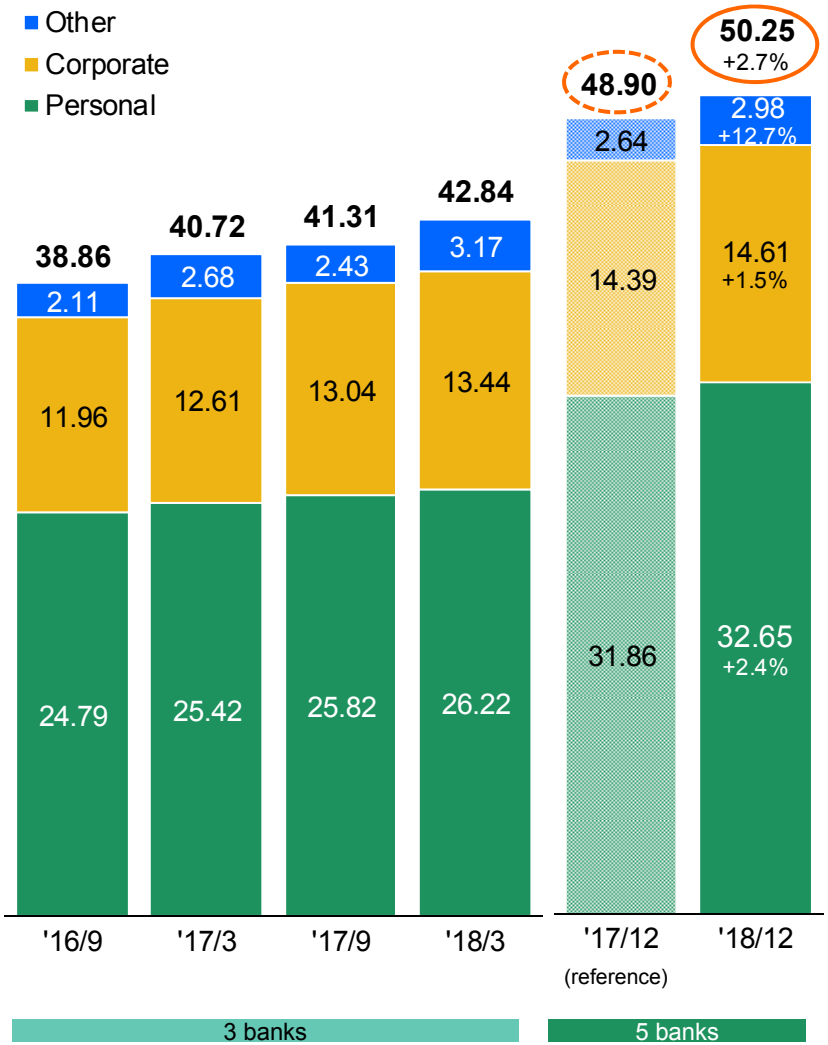
## Term-end loan balance

JPY tn, % represents YoY change




## Term-end deposit balance

JPY tn, % represents YoY change

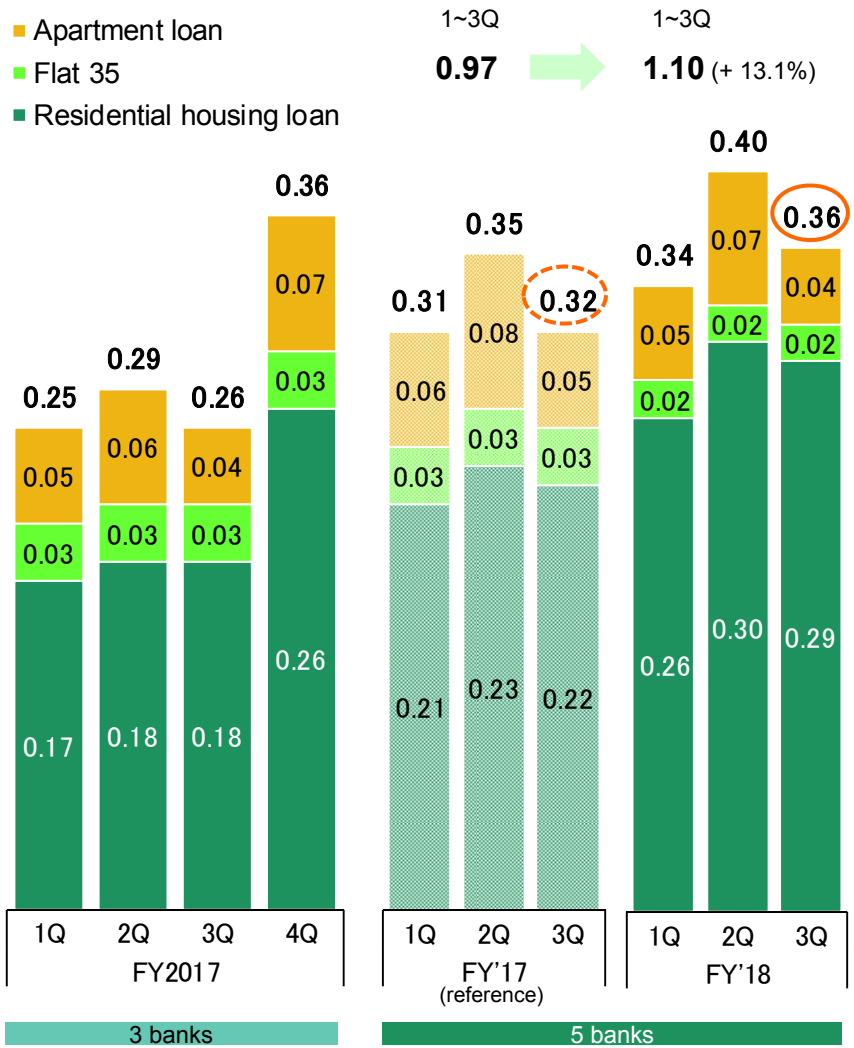


# Housing Loan Business

**Total of Group Banks**

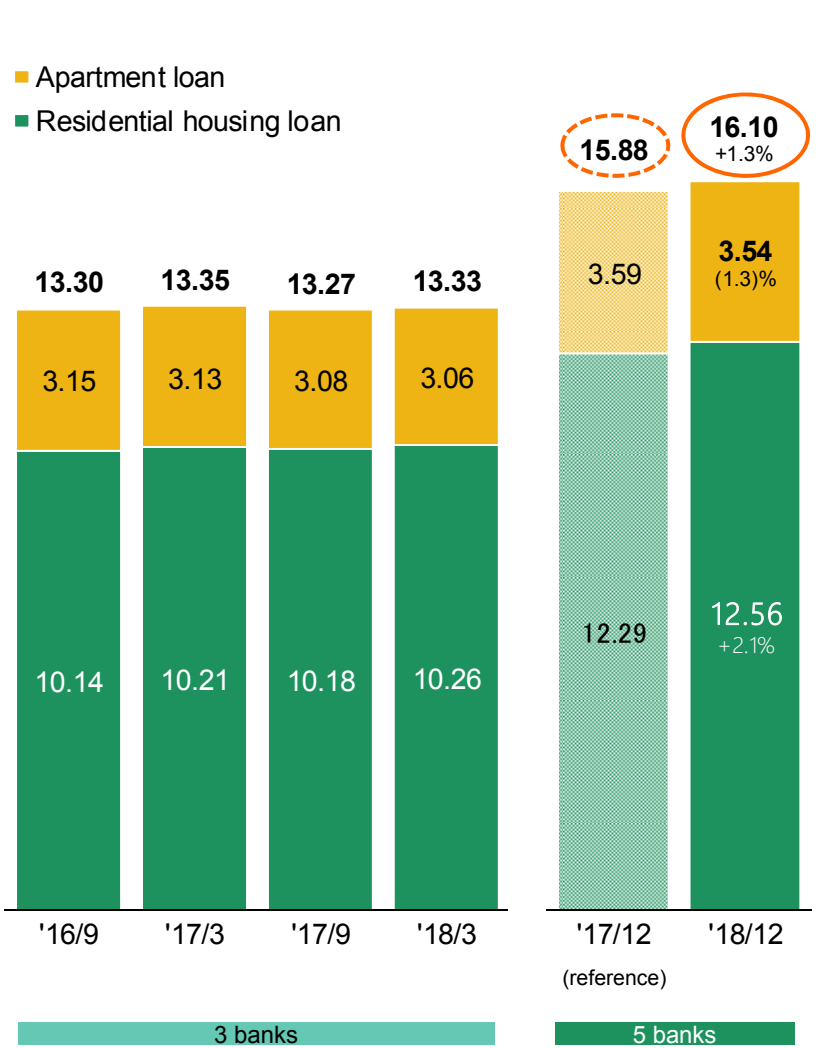
## New loan origination

JPY tn, % represents YoY change




## Term-end loan balance

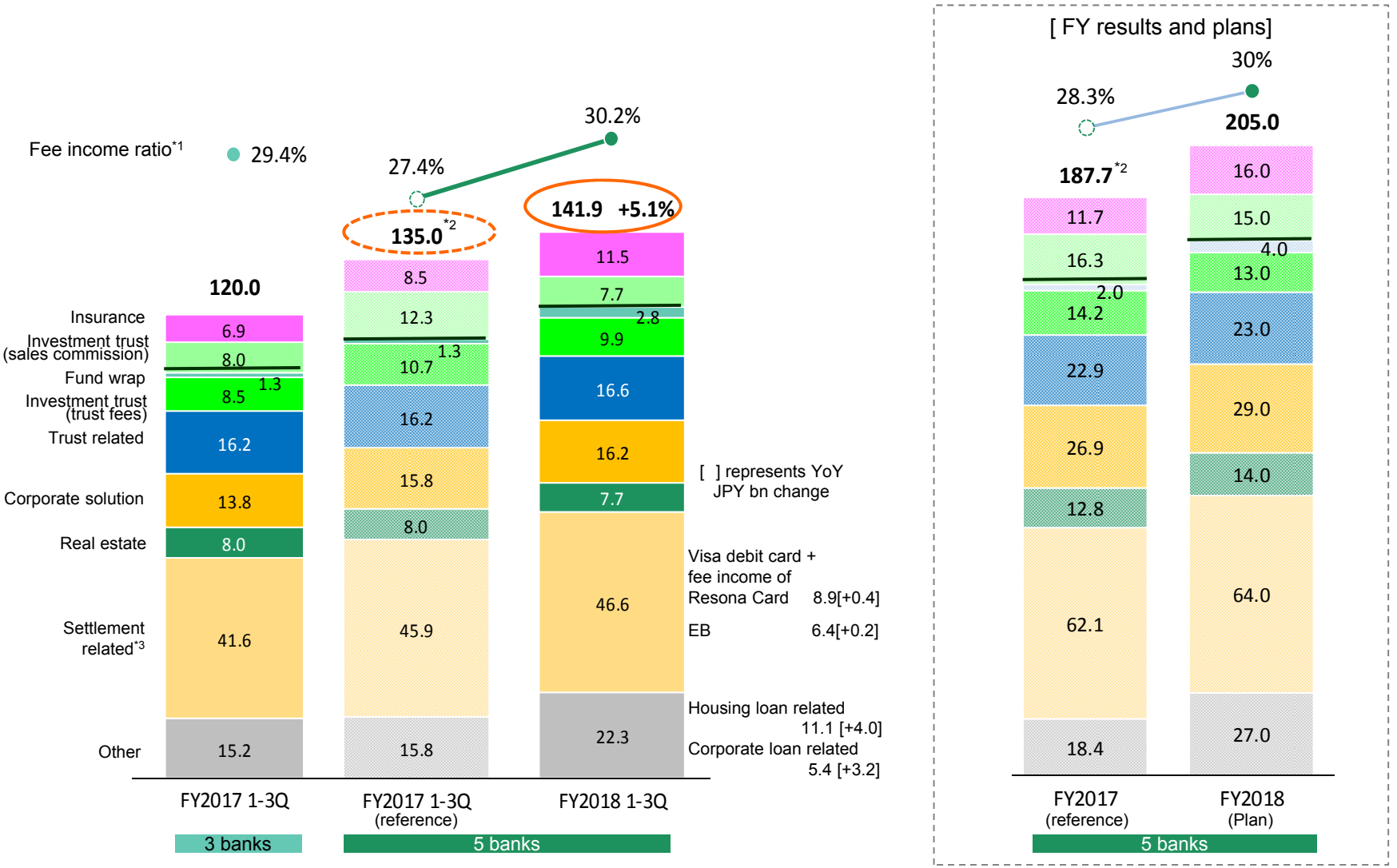
JPY tn, % represents YoY change



# Fee Income

HD Consolidated

(JPY bn)

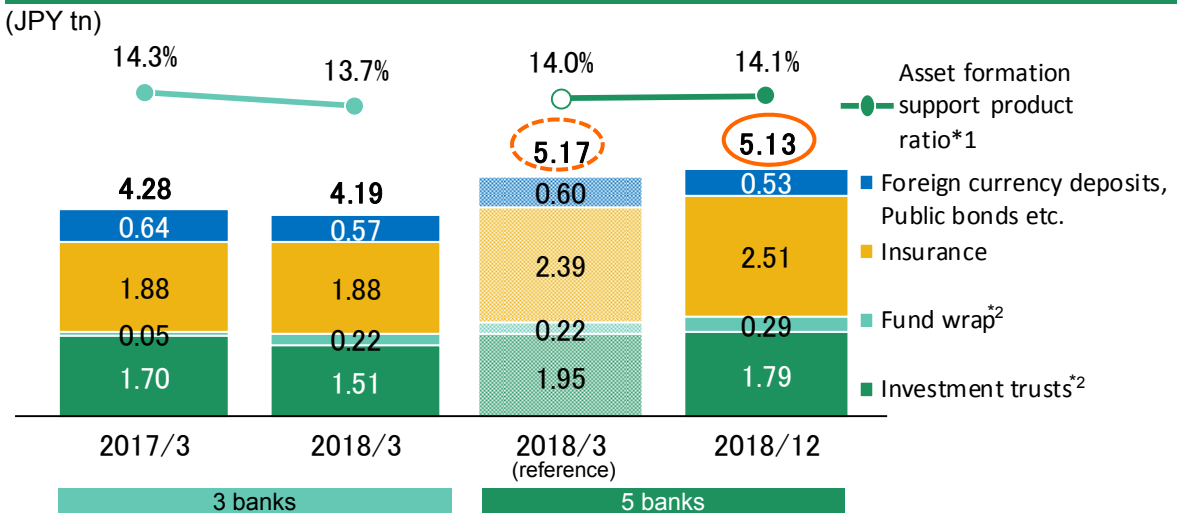



*1. (Fees and commission income + trust fees) / Consolidated gross operating profit
*2. Total of HD consolidated, KU consolidated and MB consolidated figures
*3. Fees and commission from domestic exchange, account transfer, EB, Visa debit card and fee income earned by Resona Kessai Service and Resona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

# Major Fee Businesses(1) (Asset Formation Support Business)

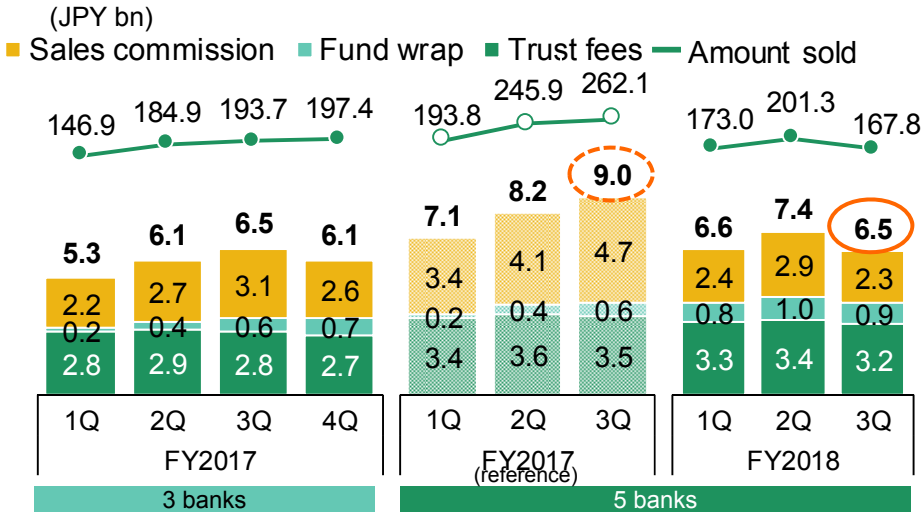
HD Consolidated

## Balance of asset formation support products sold to individuals

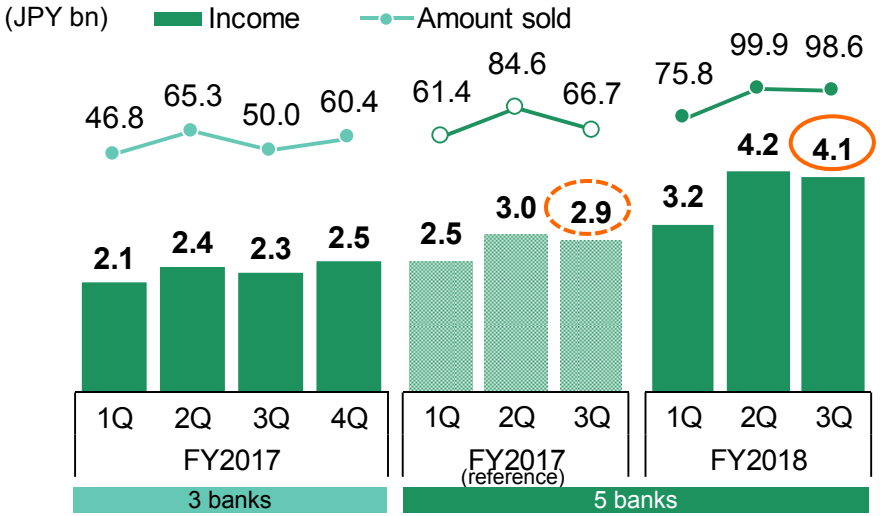



- Balance of fund wrap*2:
  '18/12 JPY294.9 bn
  (JPY329.9 bn including corporation)
- Net inflow of funds of investment trust and fund wrap (New purchase – withdrawal and redemption):
  Approx. +JPY59.0 bn in 1-3Q FY2018
- Number of individual customers having investment trust, fund wrap and insurance products :'18/12 0.89 million
- NISA account holders: 0.32 million

## Investment trust and fund wrap




## Insurance



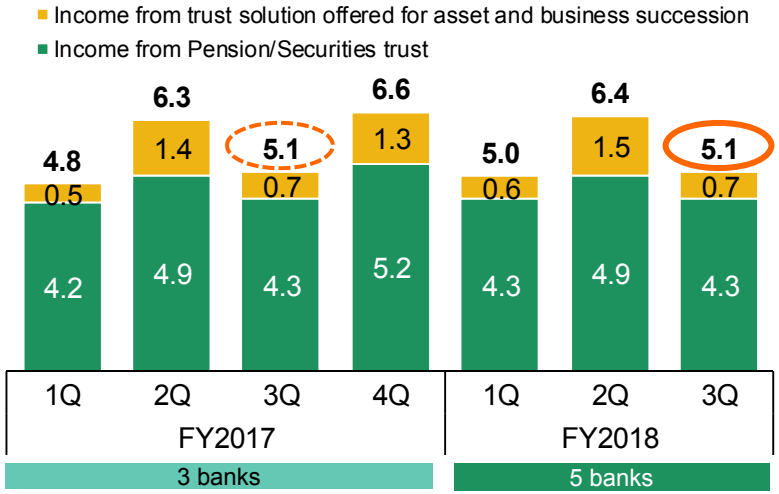

*1. Balance of asset formation support products sold to individuals / (balance of asset formation support products sold to individuals and yen deposits held by individuals)
*2. Based on market value

# Major Fee Businesses(2) (Trust, Corporate Solution, Real Estate Business)

Total of Group Banks

## Trust-related business

(JPY bn)




- Asset and business succession

  Number of new asset succession-related contracts
  2,903 in 1-3Q FY2017 ⇒ 3,199 in 1-3Q FY2018 +10.1%

- Securities trust

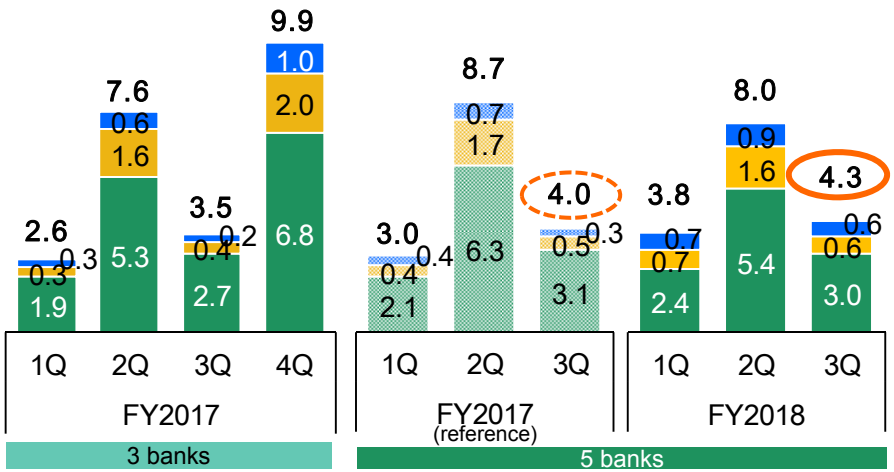
  Total assets in custody
  '17/12 JPY45.48 tn ⇒ '18/12 JPY47.14 tn +3.6%

- Pension trust

  Total assets entrusted
  '17/12 JPY4.84 tn ⇒ '18/12 JPY 4.65 tn (3.7)%

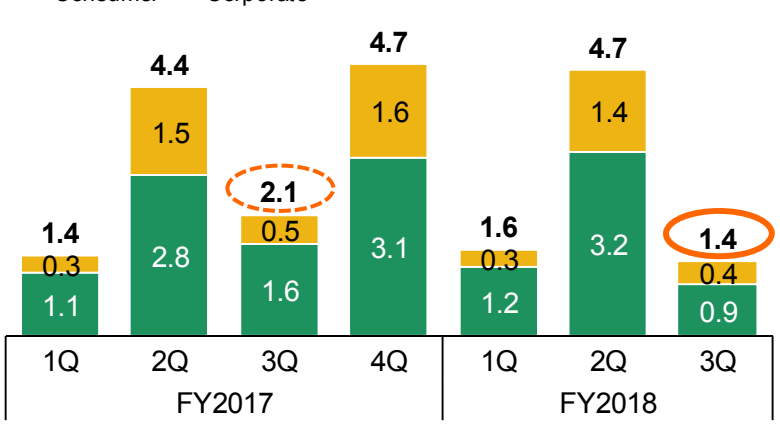
## Corporate solutions business

(JPY bn)




## Real estate business*1

(JPY bn)




*1. Excluding gains from investments in real estate funds

# Credit Costs and NPL

HD Consolidated
Total of Group Banks

## Credit costs

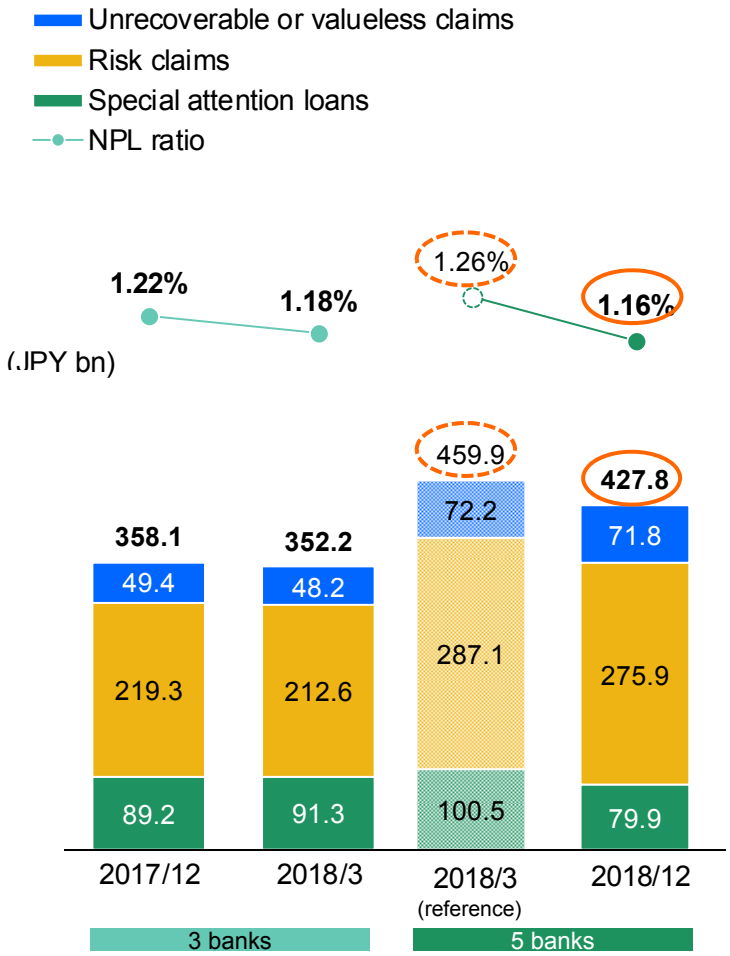
| (JPY bn) | | 3 banks | 5 banks | | | |
|---|---|---|---|---|---|---|
| | | FY 2017 | FY 2017 (reference) | | FY 2018 | |
| | | | 1-3Q (9Ms) | Act. | 1-3Q (9Ms) | Plan |
| **Net credit cost*1 (HD consolidated)** | (1) | 14.7 | 11.4 | 10.1 | 12.7 | (7.0) |
| **Net credit cost (Total of group banks)** | (2) | 17.5 | 14.5 | 14.7 | 12.6 | (2.5) |
| General reserve | (3) | 6.6 | 7.3 | 9.0 | 13.6 | |
| Specific reserve and other items | (4) | 10.8 | 7.1 | 5.7 | (1.0) | |
| New bankruptcy, downward migration | (5) | (15.4) | (17.2) | (22.2) | (18.0) | |
| Collection/ upward migration | (6) | 26.2 | 24.3 | 27.9 | 16.9 | |
| **Difference (1) - (2)** | (7) | (2.7) | (3.1) | (4.6) | 0.0 | (4.5) |
| HL guarantee subsidiaries | (8) | 1.1 | 0.4 | 0.0 | 3.7 | |
| Resona Card | (9) | (2.3) | (1.9) | (2.3) | (1.7) | |
| <Credit cost ratio> | | | | | | (bps) |
| HD consolidated*1,2 | (10) | 5.1 | 4.3 | 2.8 | 4.7 | (1.9) |
| Total of group banks*3 | (11) | 5.9 | 5.4 | 4.0 | 4.5 | (0.6) |

*(Note) Positive figures represent reversal gains

*1. Figures of FY2017 (5 banks): HD consolidated + KU consolidated + MB consolidated
*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)

## NPL balance and ratio (Total of Group Banks)

(Financial Reconstruction Act criteria)



# Securities Portfolio

Total of Group Banks

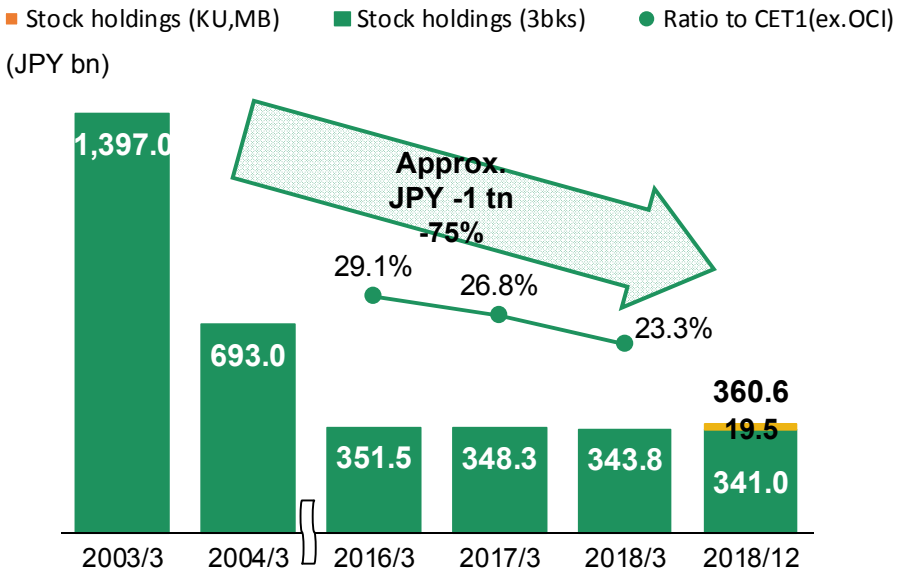
## Securities Portfolio *1.

| (JPY bn) | | 3 banks 2018/3 | 5 banks 2018/3 (reference) | 5 banks 2018/12 | 5 banks 2018/12 Unrealized gain/(loss) |
|---|---|---|---|---|---|
| Available-for-sale securities | (1) | 2,401.2 | 2,918.1 | 2,849.9 | 576.6 |
| Stocks | (2) | 343.8 | 365.4 | 360.6 | 601.8 |
| Bonds | (3) | 1,214.4 | 1,532.7 | 1,207.2 | 5.3 |
| JGBs | (4) | 214.3 | 325.1 | 91.0 | 0.5 |
| Average duration (years) | (5) | 8.0 | 6.5 | 8.6 | – |
| Basis point value (BPV) | (6) | (0.17) | (0.21) | (0.07) | – |
| Local government and corporate bonds | (7) | 1,000.1 | 1,207.5 | 1,116.1 | 4.7 |
| Other | (8) | 842.9 | 1,019.9 | 1,282.1 | (30.5) |
| Foreign bonds | (9) | 312.2 | 389.2 | 607.2 | (1.1) |
| Average duration (years) | (10) | 8.6 | 8.4 | 7.5 | – |
| Basis point value (BPV) | (11) | (0.25) | (0.31) | (0.29) | – |
| Investment trusts (Domestic) | (12) | 512.9 | 608.0 | 652.7 | (31.6) |
| Net unrealized gain | (13) | 649.4 | 672.8 | 576.6 | |
| Bonds held to maturity | (14) | 2,046.7 | 2,057.1 | 2,204.7 | 45.3 |
| JGBs | (15) | 1,565.5 | 1,565.5 | 1,605.9 | 33.9 |
| Net unrealized gain | (16) | 51.9 | 52.0 | 45.3 | |

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

## Status of policy-oriented stocks held

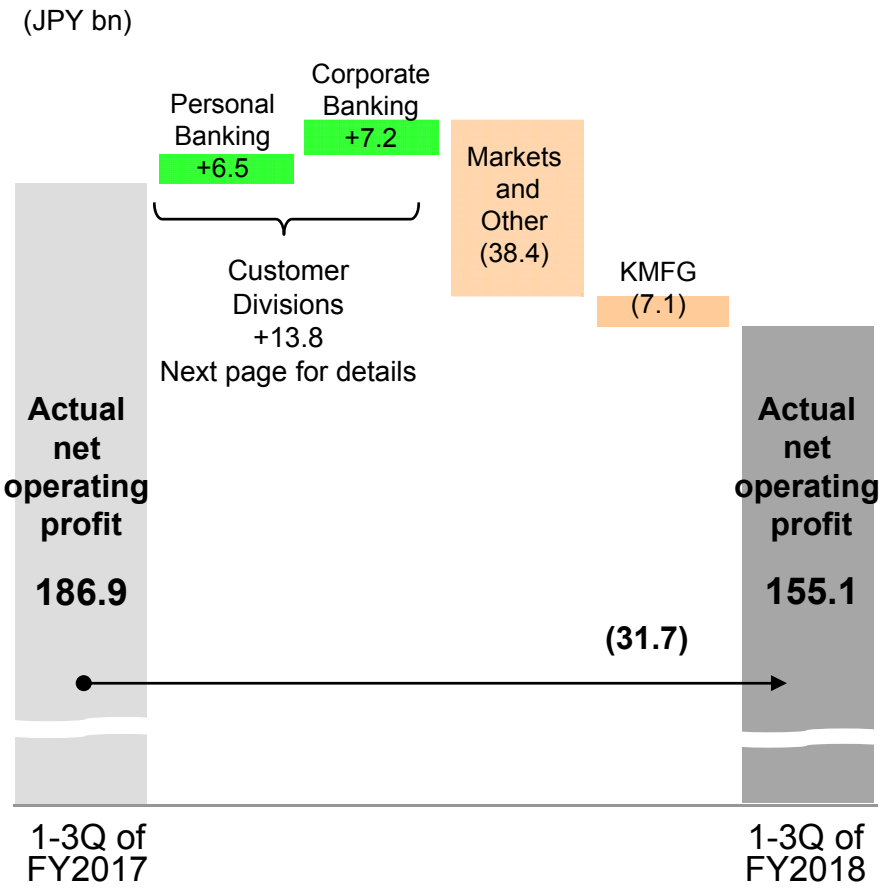
- Breakeven Nikkei average: Approx. 7,500 yen
- Balance of listed stocks disposed in 1-3Q of FY2018 (acquisition cost basis): JPY4.8 bn, Net gain on sale: JPY6.4 bn
- Policy for holding policy-oriented stocks
  - After the injection of public funds, Resona Group reduced the balance of stockholdings in order to minimize the price fluctuation risk.
  - Resona Group 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

HD Consolidated

| (JPY bn) | | | FY2018 1-3Q | Adjusted YoY Change |
|---|---|---|---|---|
| **Customer Divisions** | Gross operating profit | (1) | 347.5 | +16.5 |
| | Operating expense | (2) | (223.0) | (2.3) |
| | Actual net operating profit | (3) | 124.6 | +13.8 |
| **Personal Banking** | Gross operating profit | (4) | 156.9 | +8.1 |
| | Operating expense | (5) | (115.8) | (1.5) |
| | Actual net operating profit | (6) | 41.1 | +6.5 |
| **Corporate Banking** | Gross operating profit | (7) | 190.6 | +8.3 |
| | Operating expense | (8) | (107.1) | (0.7) |
| | Actual net operating profit | (9) | 83.5 | +7.2 |
| **Markets and Other** | Gross operating profit | (10) | 7.1 | (42.7) |
| | Operating expense | (11) | (4.0) | +2.1 |
| | Actual net operating profit | (12) | 5.0 | (38.4) |
| **KMFG** | Gross operating profit | (13) | 112.8 | (7.4) |
| | Operating expense | (14) | (87.3) | +0.3 |
| | Actual net operating profit | (15) | 25.4 | (7.1) |
| **Total** | Gross operating profit | (16) | 467.5 | (33.7) |
| | Operating expense | (17) | (314.4) | +0.1 |
| | Actual net operating profit | (18) | 155.1 | (31.7) |




**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 1-3Q of FY2017

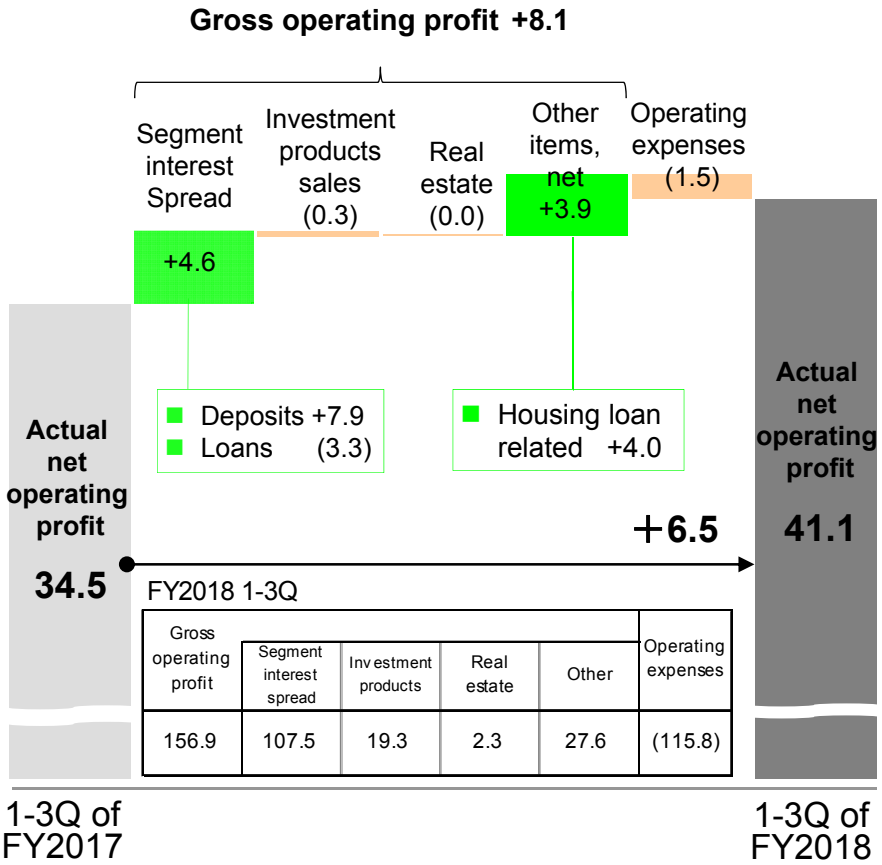
# (Reference) Outline of Financial Results of Customer Divisions

HD Consolidated (exclude KMFG)

## Personal Banking Segment

- **Actual net operating profit : Up JPY6.5 bn, YoY**

(JPY bn)



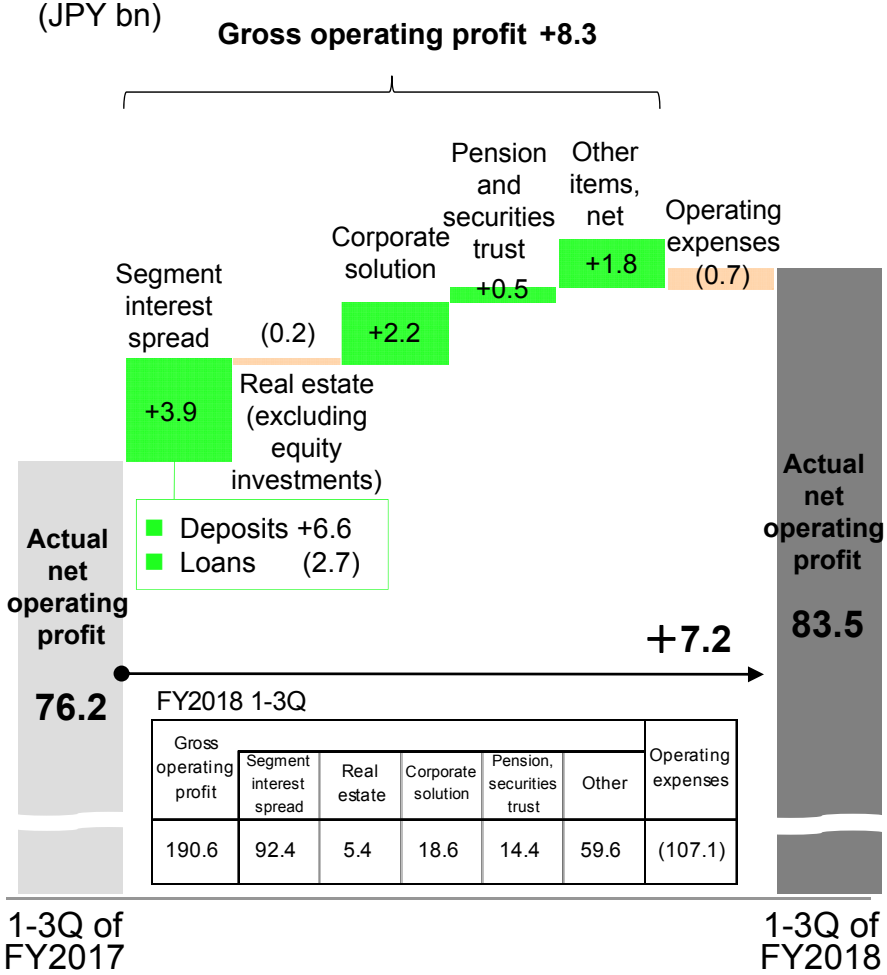

FY2018 1-3Q

| Gross operating profit | Segment interest spread | Investment products | Real estate | Other | Operating expenses |
|---|---|---|---|---|---|
| 156.9 | 107.5 | 19.3 | 2.3 | 27.6 | (115.8) |

## Corporate Banking Segment

- **Actual net operating profit : Up JPY7.2 bn, YoY**

(JPY bn)




FY2018 1-3Q

| Gross operating profit | Segment interest spread | Real estate | Corporate solution | Pension, securities trust | Other | Operating expenses |
|---|---|---|---|---|---|---|
| 190.6 | 92.4 | 5.4 | 18.6 | 14.4 | 59.6 | (107.1) |