Financial Highlights for the Third Quarter of Fiscal Year 2019



Resona Holdings

January 31, 2020

Outline of Financial Results for the 1-3Q of FY2019

- **Posted JPY106.2 bn of net income attributable to owners of parent**
  - Down JPY34.8 bn, or 24.7%, YoY
    Up JPY5.0 bn, or 4.9%, YoY, excluding one-off gain*1 posted in 1-3Q of FY'18
  - Progress rate against the full year target *2 : 66.4%
- **Actual net operating profit: JPY167.0 bn**
  - Up JPY10.0 bn, or 6.3%, YoY
  - **Gross operating profit: JPY478.2 bn**
    - Up JPY8.8 bn, or 1.8%, YoY
    - Net interest income from domestic loans and deposits:
      Down JPY8.3 bn, YoY
      Average loan balance : +1.48%, YoY
      Loan-to-deposit spread : contracted by 4bps, YoY

      Both average loan balance and loan-to-deposit spread were in line with the plan while contraction of loan-to-deposit spread has slowed down
    - Fee income : Down JPY5.1 bn, YoY, Fee income ratio : 28.6%

      While income from insurance and investment trusts decreased, focused businesses such as fund wrap and settlement related have grown steadily
    - Net gains on bonds (including futures) : Up JPY21.5 bn, YoY

      Through measures for soundness of securities portfolio in FY' 18, net gains on bonds and unrealized gains have greatly improved
  - **Operating expenses: JPY311.5 bn**
    - Improved by JPY2.8 bn, YoY

      Both personnel and non-personnel expenses decreased due to progress of digital-driven labor saving initiatives
- **Credit related expenses: JPY12.6 bn (cost)**
  - Increased by JPY25.3 bn, YoY

    Increase in credit cost owing to absence of reversal gain booked in FY'18 and preemptive provisioning of loan loss reserves
    NPL ratio has declined further
- **Consolidated group's AM functions into RAM*3 (Jan. '20)**
  - Provide retail customers with know-how of international diversified investments long nurtured through corporate pension management
    - Total AUM: Approx. JPY18 tn (8th*4 in Japan)
    - About 100 AM professionals

HD consolidated (JPY bn)		FY2019 1-3Q (a)	YoY change (b)	YoY change % (c)	Progress rate vs. Target (d)
Net income attributable to owners of parent	(1)	**106.2**	**(34.8)**	**(24.7)%**	**66.4%**
EPS (yen)	(2)	46.18	(14.76)	(24.2)%	
BPS (yen)	(3)	951.86	+56.29	+6.2%	
Gross operating profit	(4)	478.2	+8.8	+1.8%	
Net interest income	(5)	318.2	(6.9)		
NII from loans and deposits*5	(6)	258.2	(8.3)		
Fee income	(7)	136.8	(5.1)		
Fee income ratio	(8)	28.6%	(1.6)%		
Trust fees	(9)	14.0	(0.3)		
Fees and commission income	(10)	122.7	(4.7)		
Other operating income	(11)	23.1	+20.8		
Net gains on bonds (including futures)	(12)	8.1	+21.5		
Operating expenses (excluding group banks' non-recurring items)	(13)	(311.5)	+2.8	+0.8%	
Cost income ratio (OHR)	(14)	65.1%	(1.8)%	(Improved)	
Actual net operating profit	(15)	**167.0**	**+10.0**	**+6.3%**	
Net gains on stocks (including equity derivatives)	(16)	8.8	+5.9		
Credit related expenses, net	(17)	(12.6)	(25.3)		
Other gains, net	(18)	(10.1)	(28.7)		
Net income before income taxes and non-controlling interests	(19)	**153.0**	**(38.0)**	**(19.9)%**	
Income taxes and other	(20)	(42.6)	(0.0)		
Net income attributable to non-controlling interests	(21)	(4.1)	+3.3		

*1. One-off gain regarding KMFG integration : JPY39.8 bn *2. Full year target of FY2019: JPY160.0 bn *3. Resona Asset Management
*4. RB's estimate based on the data, as of Mar. '19, of each company's website and other
*5. Total of non-consolidated domestic banking accounts of group banks, deposits include NCDs
*6. Negative figures represent items that would reduce net income

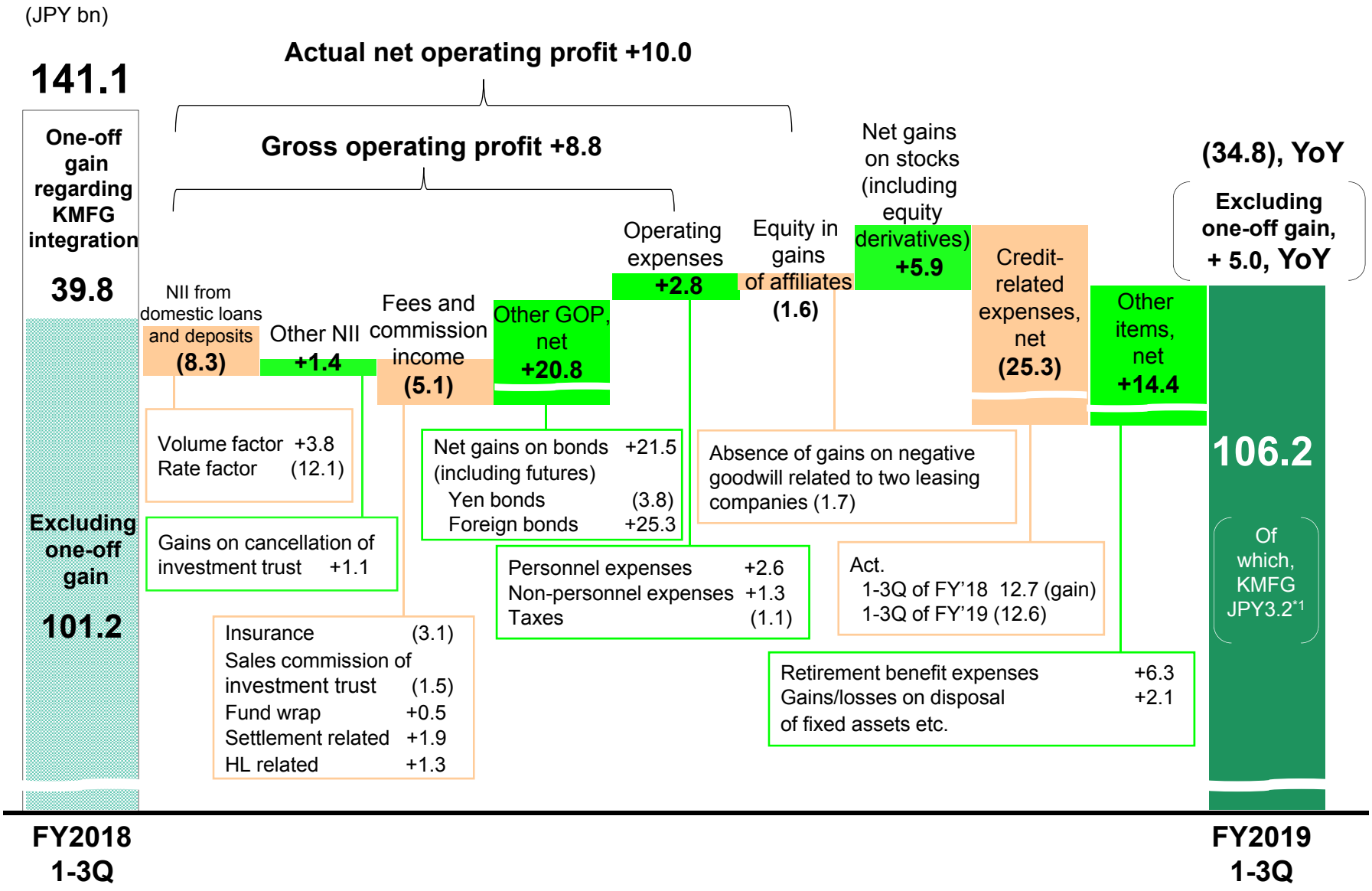
Breakdown of Financial Results

(JPY bn)		Resona Holdings (Consolidated)		Total of group banks		Resona Bank	Saitama Resona Bank	Total of group banks under KMFG	Difference
		(a)	YoY (b)	(c)	YoY (d)	(e)	(f)	(g)	(a)-(c)
Gross operating profit	(1)	**478.2**	**+8.8**	**437.3**	**+8.9**	**250.7**	**85.8**	**100.6**	**40.9**
Net interest income	(2)	318.2	(6.9)	313.5	(8.0)	168.6	63.5	81.3	4.6
NII from domestic loans and deposits	(3)			258.2	(8.3)	130.6	54.0	73.4	
Gains/(losses) on cancellation of investment trusts	(4)	2.3	+1.1	2.2	+1.1	(0.3)	0.2	2.4	0.1
Fee income	(5)	136.8	(5.1)	101.5	(5.4)	69.2	17.7	14.5	35.2
Fee income ratio	(6)	28.6%	(1.6)%	23.2%	(1.7)%	27.6%	20.6%	14.4%	
Trust fees	(7)	14.0	(0.3)	14.0	(0.3)	14.0			(0.0)
Fees and commission income	(8)	122.7	(4.7)	87.5	(5.0)	55.2	17.7	14.5	35.2
Other operating income	(9)	23.1	+20.8	22.1	+22.4	12.8	4.5	4.7	1.0
Net gains on bonds (including futures)	(10)	8.1	+21.5	8.3	+23.3	2.2	2.9	3.1	(0.2)
Operating expenses (excluding group banks' non-recurring items)	(11)	(311.5)	+2.8	*1 (294.4)	+3.0	(156.3)	(54.9)	*1 (83.1)	(17.1)
Cost income ratio (OHR)	(12)	65.1%	(Improved) (1.8)%	67.3%	(Improved) (2.1)%	62.3%	64.0%	82.5%	
Equity in gains of affiliates	(13)	0.4	*2 (1.6)						0.4
Actual net operating profit	(14)	**167.0**	**+10.0**	**142.8**	**+12.0**	**94.4**	**30.8**	**17.5**	**24.2**
Core net operating profit (excluding gains/(losses) on cancellation of investment trust) *3	(15)			**129.7**	**(9.7)**	**91.2**	**26.4**	**12.0**	
Net gains on stocks (including equity derivatives)	(16)	8.8	+5.9	13.6	+8.0	4.1	4.6	4.8	(4.8)
Credit related expenses, net	(17)	(12.6)	(25.3)	(10.0)	(22.7)	(5.5)	(1.7)	(2.7)	(2.5)
Other gains/(losses), net	(18)	(10.1)	*4 (28.7)	(10.0)	+10.4	1.8	(2.1)	(9.7)	(0.1)
Net income before income taxes	(19)	**153.0**	**(38.0)**	**136.4**	**+7.8**	**94.8**	**31.6**	**9.9**	**16.6**
Income taxes and other	(20)	(42.6)	(0.0)	(38.9)	(2.8)	(26.5)	(9.3)	(3.0)	
Net income attributable to non-controlling interests	(21)	(4.1)	+3.3						
Net income (attributable to owners of parent)	(22)	**106.2**	**(34.8)**	**97.4**	**+5.0**	**68.2**	**22.3**	**6.8**	

*1. Exclude goodwill amortization by KMB, JPY(0.5) bn, related to acquisition of former Biwako Bank *2. Include absence of gains on negative goodwill of JPY1.7 bn, posted in FY'18, related to two leasing companies which newly became equity method-applied subsidiaries
*3. Actual net operating profit - Gains on cancellation of investment trusts - Net gains on bonds
*4. Include absence of one-off gain, JPY(39.8) bn, regarding KMFG integration in FY'18 and increase of JPY6.8 bn in KMFG integration cost

Factors for the Changes in Net Income Attributable to Owners of Parent (YoY Comparison)

HD Consolidated



*1. { KMFG consolidated net income (JPY6.3 bn) } x 51.2%

Trend of Loans and Deposits (Domestic account)

Total of Group Banks

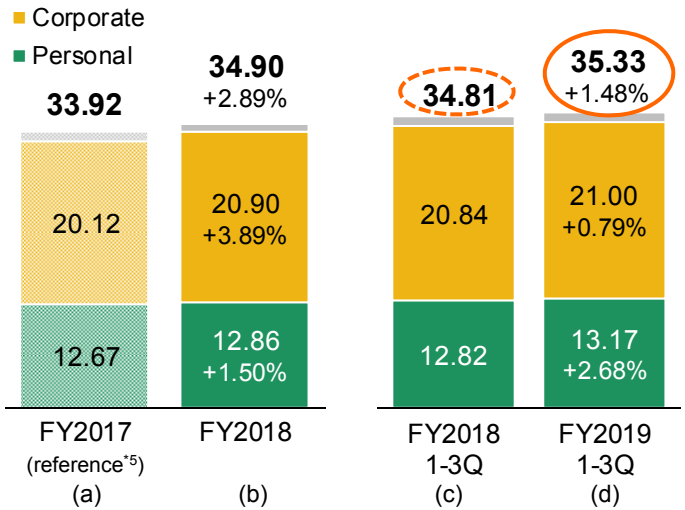
Average loan / deposit balance, rates and spread

Avg. bal : Trillion Yen Income/Cost : Billion Yen			1-3Q Act. (a)	1-3Q YoY *3 (b)	FY2019 Plan *4 (c)	FY2019 YoY *3 (d)
Loans	Avg. Bal.	(1)	35.33	+1.48%	35.40	+1.41%
	Rate	(2)	0.99%	(0.04)%	0.98%	(0.04)%
	Income	(3)	263.8	(8.8)	349.0	(12.2)
Corporate Banking Business Unit *1	Avg. Bal.	(4)	21.00	+0.79%	21.05	+0.70%
	Rate	(5)	0.84%	(0.03)%	0.84%	(0.03)%
Personal Banking Business Unit *2	Avg. Bal.	(6)	13.17	+2.68%	13.19	+2.55%
	Rate	(7)	1.25%	(0.07)%	1.25%	(0.07)%
Deposits (Including NCDs)	Avg. Bal.	(8)	51.97	+2.47%	51.84	+2.02%
	Rate	(9)	0.01%	(0.00)%	0.01%	(0.00)%
	Cost	(10)	(5.5)	+0.4	(7.1)	+0.5
Loan-to-deposit	Spread	(11)	0.97%	(0.04)%	0.97%	(0.04)%
	Net interest income	(12)	258.2	(8.3)	341.9	(11.7)

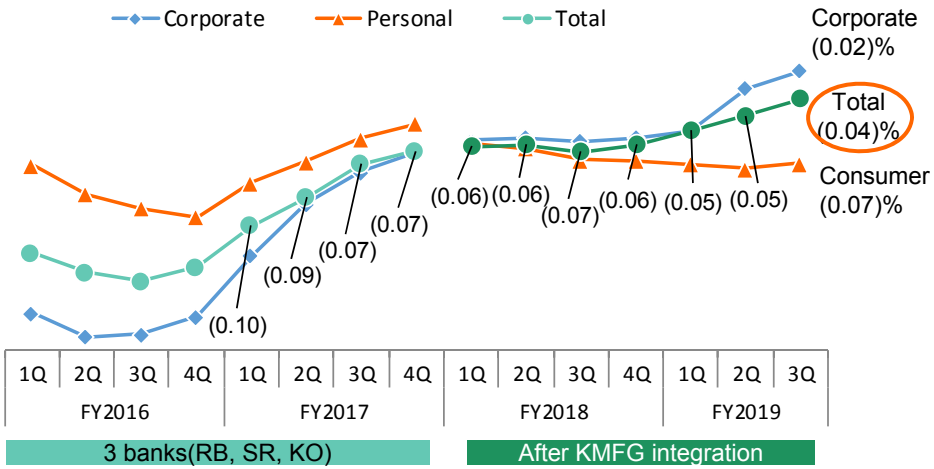
*1. Figures are internal administration purpose, Corporate Banking Business Unit : Corporate loans (excluding loans to governments) + apartment loans
*2. Figures are internal administration purpose, Personal Banking Business Unit : Residential housing loans + other consumer loans
*3. Average balance : rate of change *4. Revised plan (released in Nov. 2019)
*5. Figures are adjusted to reflect the KMFG integration

Trend of average loan balance, loan rate change

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



[Loan rate YoY change (%)]

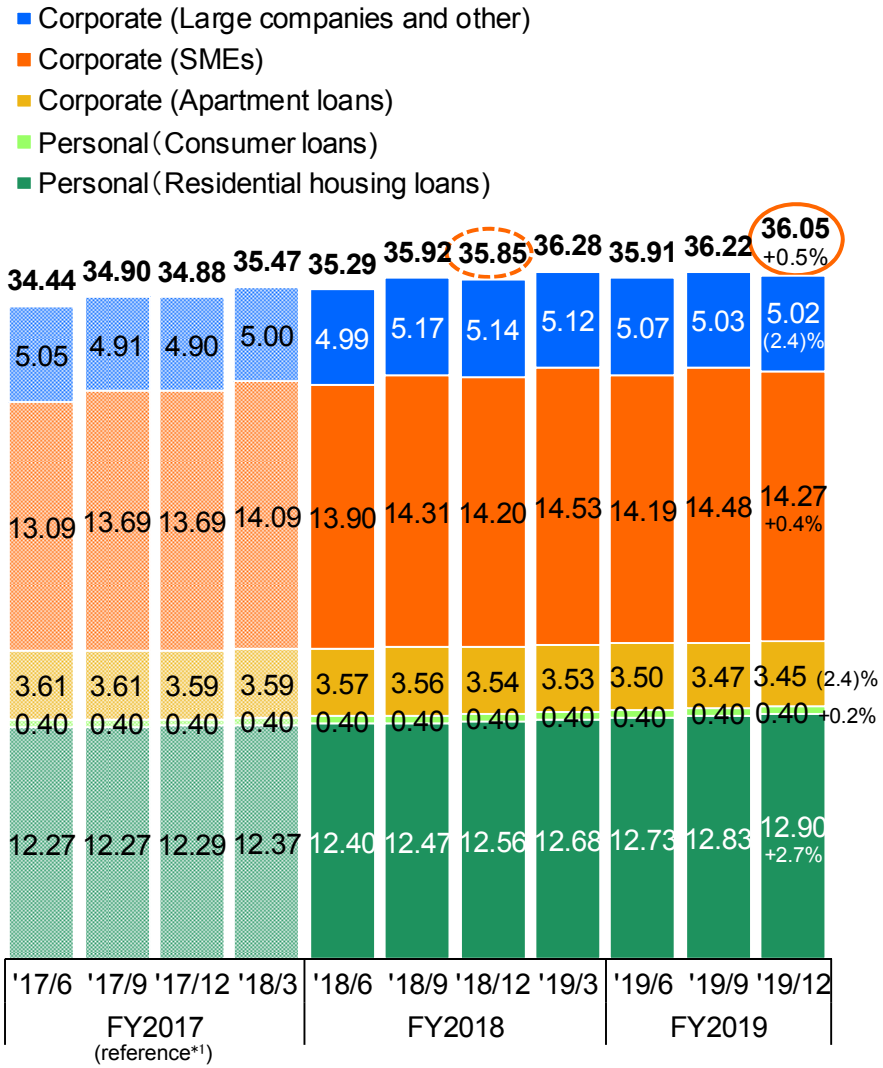


Term-end Balance of Loans and Deposits

Total of Group Banks

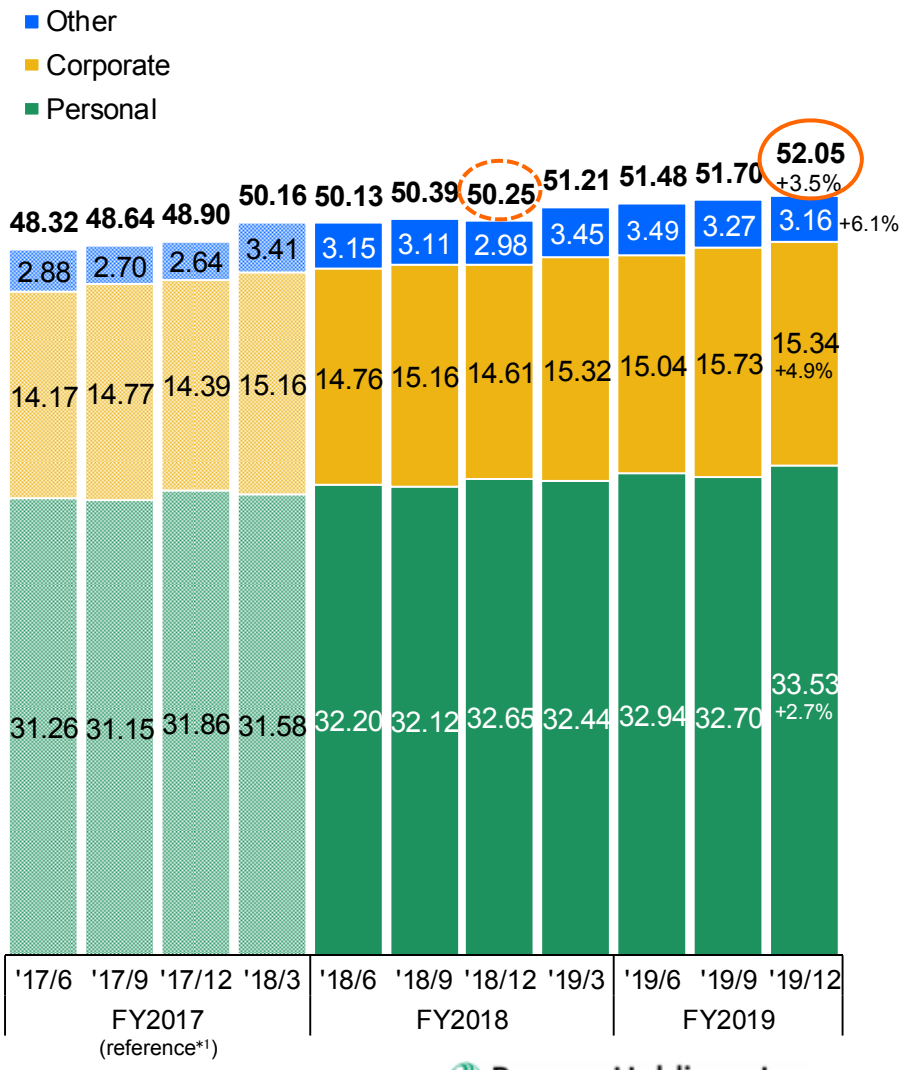
Term-end loan balance

JPY tn, % represents YoY change



Term-end deposit balance

JPY tn, % represents YoY change



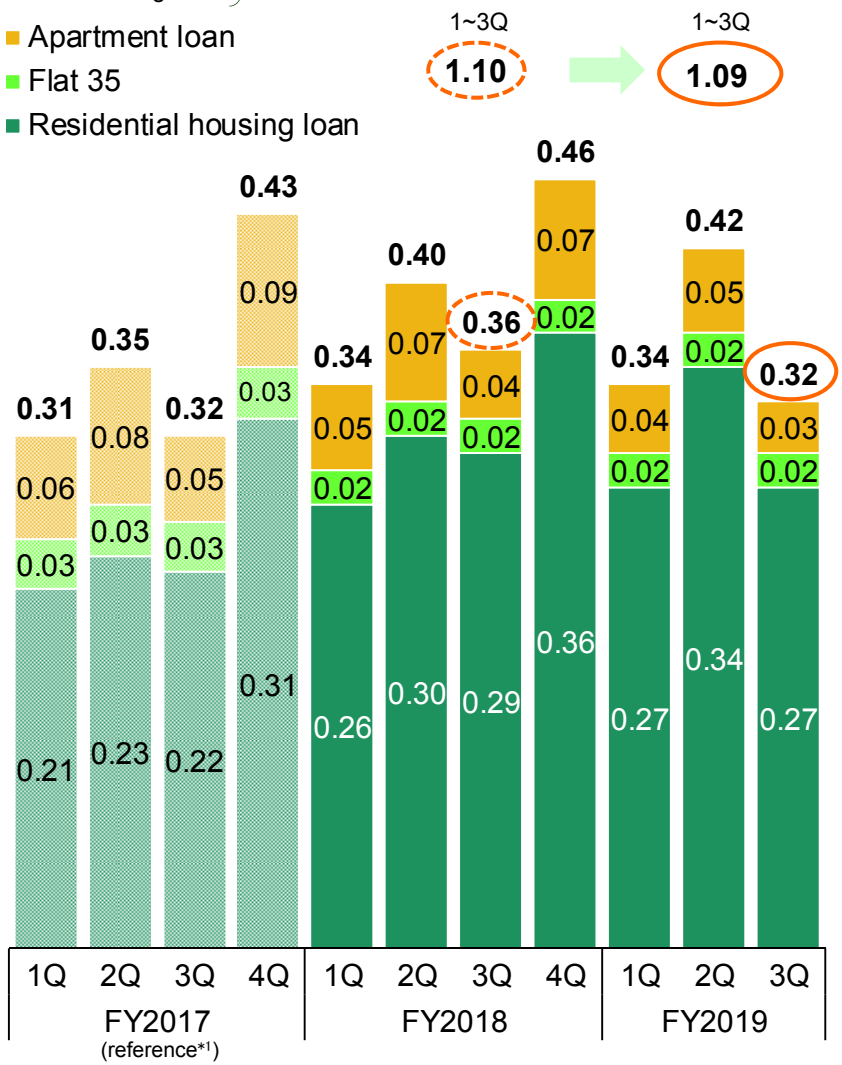
*1. Figures are adjusted to reflect the KMFG integration

Housing Loan Business

Total of Group Banks

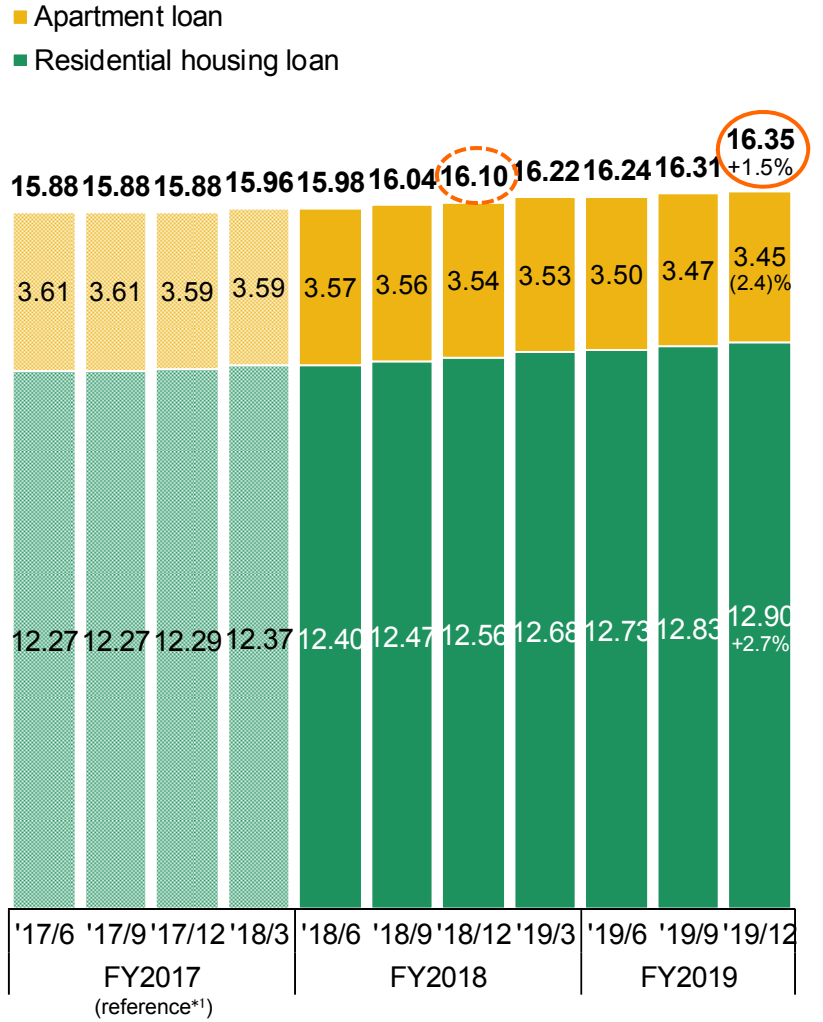
New loan origination

JPY tn, % represents YoY change



Term-end loan balance

JPY tn, % represents YoY change

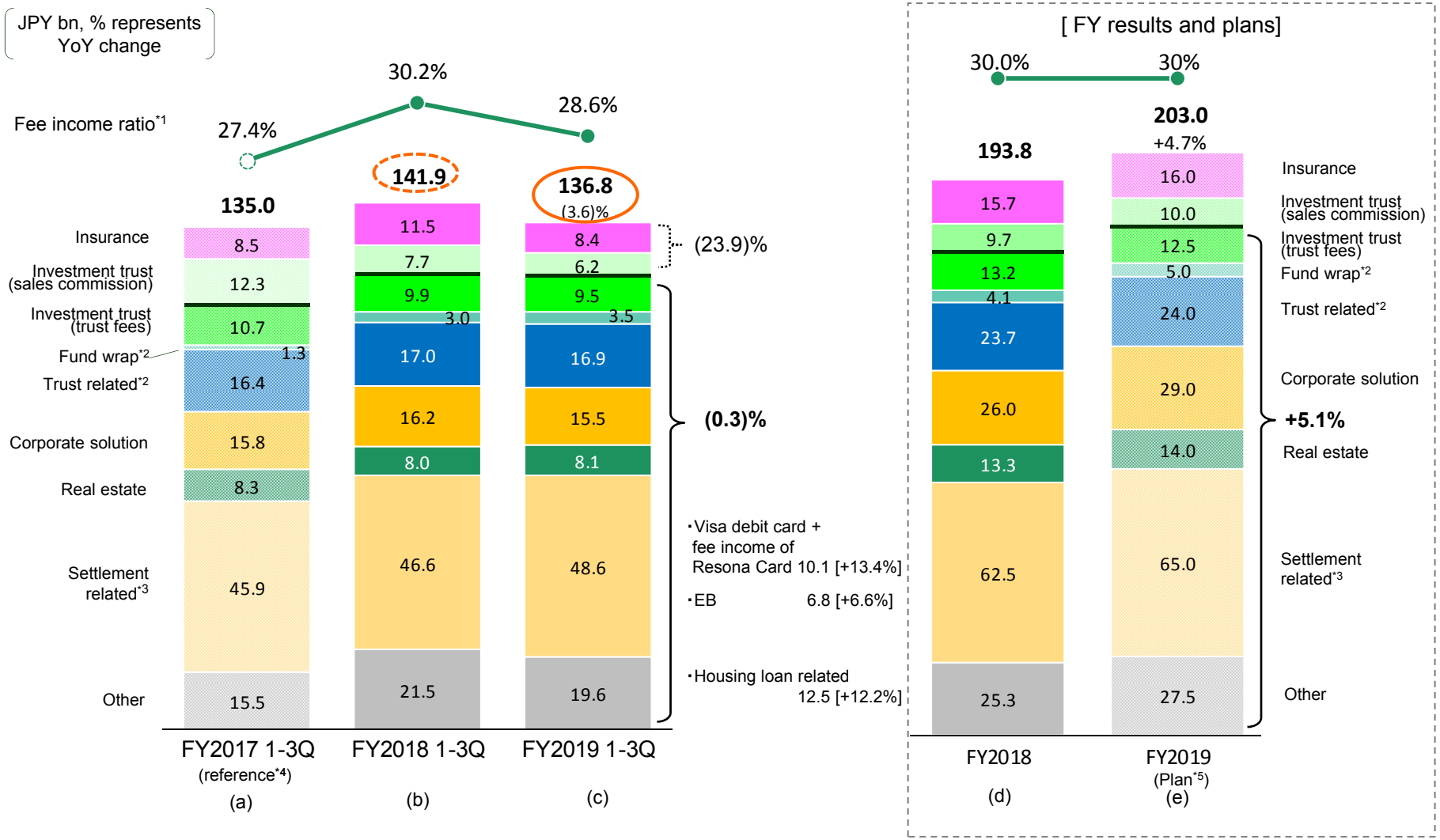


*1. Figures are adjusted to reflect the KMFG integration

Fee Income

HD Consolidated

- **Consolidated fee income ratio[*1] for the 1-3Q of FY2019 : 28.6%**
- **While sales of insurance and investment trust have slowed down, fund wrap (+17.7%, YoY), settlement related (+4.2%, YoY) have grown steadily.**

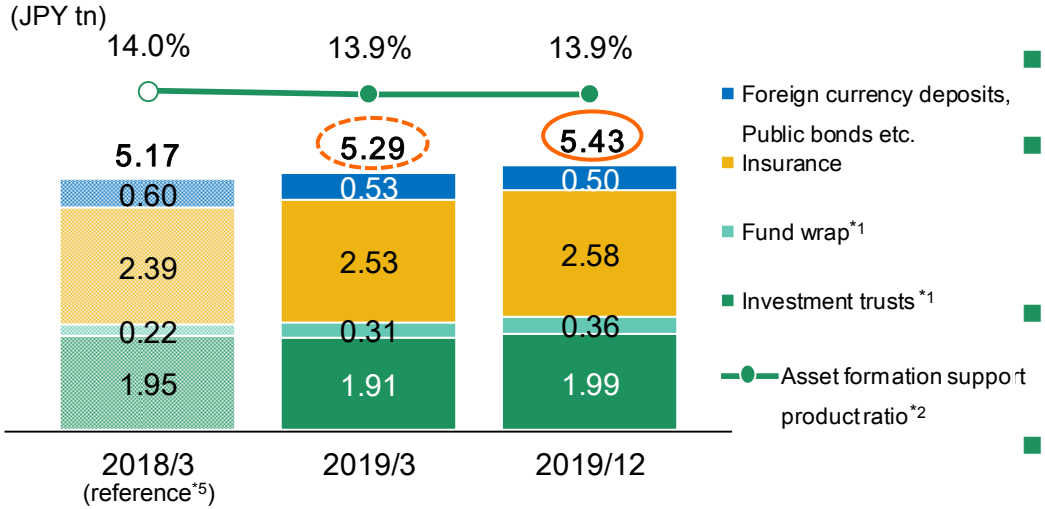


*1. (Fees and commission income + trust fees) / Consolidated gross operating profit *2. Including fee income earned by Resona Asset Management
*3. Fees and commission from domestic exchange, account transfer, EB, Visa debit card and fee income earned by Resona Kessai Service and Resona Card *4. Figures are adjusted to reflect the KMFG integration *5. Revised plan (released in Nov. 2019)

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

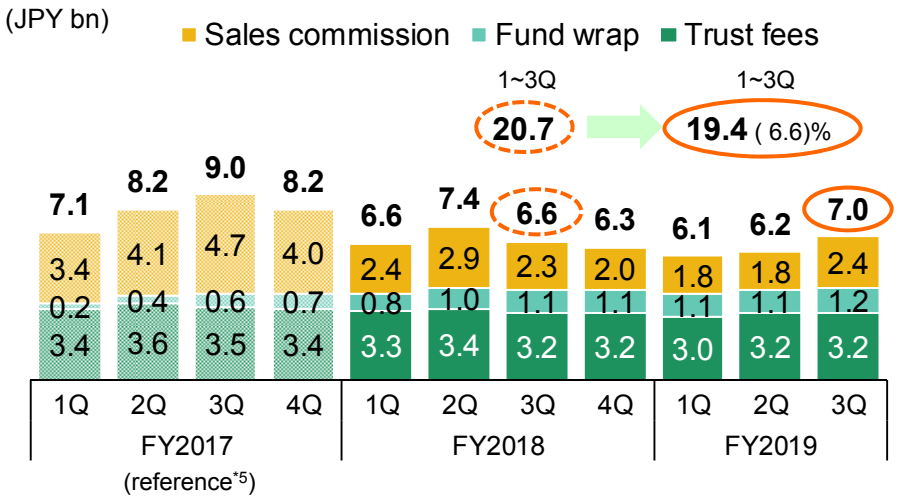
HD Consolidated

Balance of asset formation support products sold to individuals

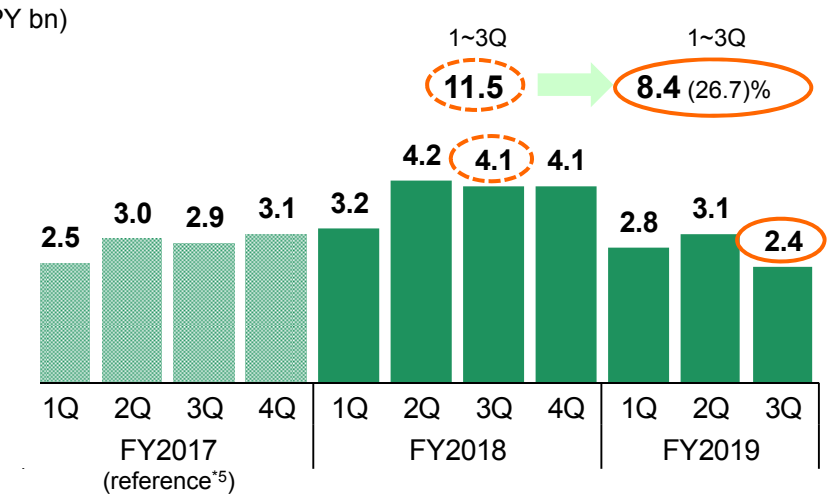


- Balance of fund wrap*1 : '19/12 JPY362.2 bn (JPY396.3 bn including corporation)
  JPY400 bn as of Jan. '20
- Change in balance of investment trust and fund wrap: 1-3Q of FY'19 approx. +JPY129.8 bn
  - Net inflow (new purchase – withdrawal and redemption) : Approx. +JPY61.0 bn
- Number of individual customers having investment trust, fund wrap and insurance products :'19/12 921 thousand
  - NISA account holders*3 : 358 thousand (+6.1% vs '19/3)
- iDeCo participants*4 : '19/12 113 thousand (+14.8%)

Investment trust and fund wrap income



Insurance income

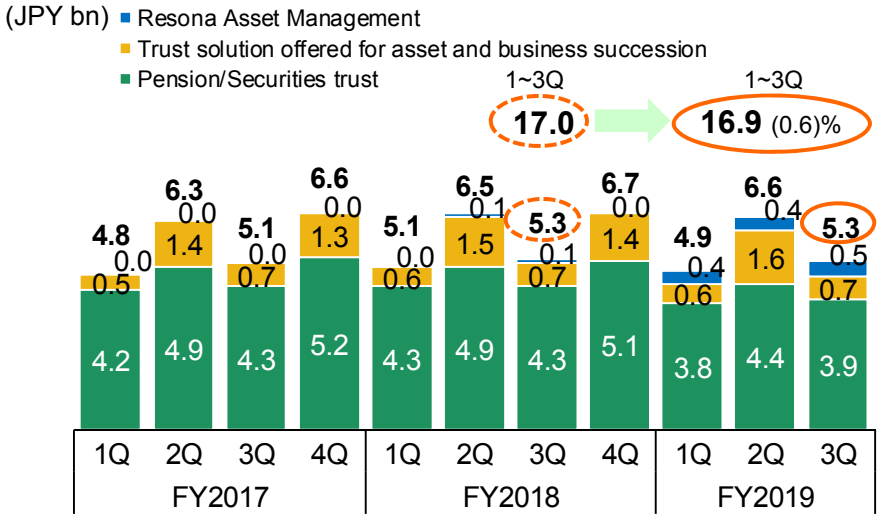


*1. Based on market value *2. Balance of asset formation support products sold to individuals / (balance of asset formation support products sold to individuals and yen deposits held by individuals) *3. NISA, Junior NISA, Cumulative NISA
*4. iDeCo participants + members giving investment instructions *5. Figures are adjusted to reflect the KMFG integration

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

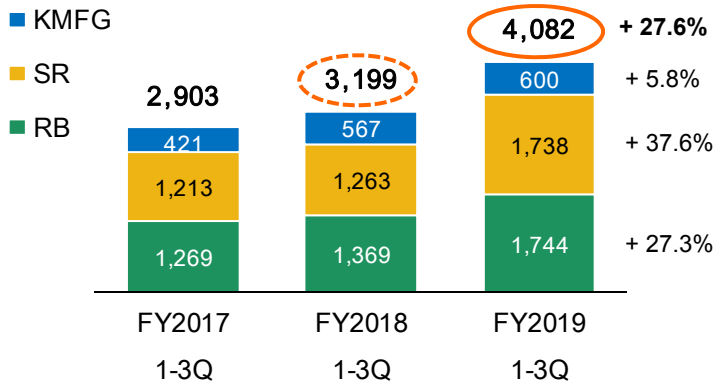
HD Consolidated

Trust-related business income

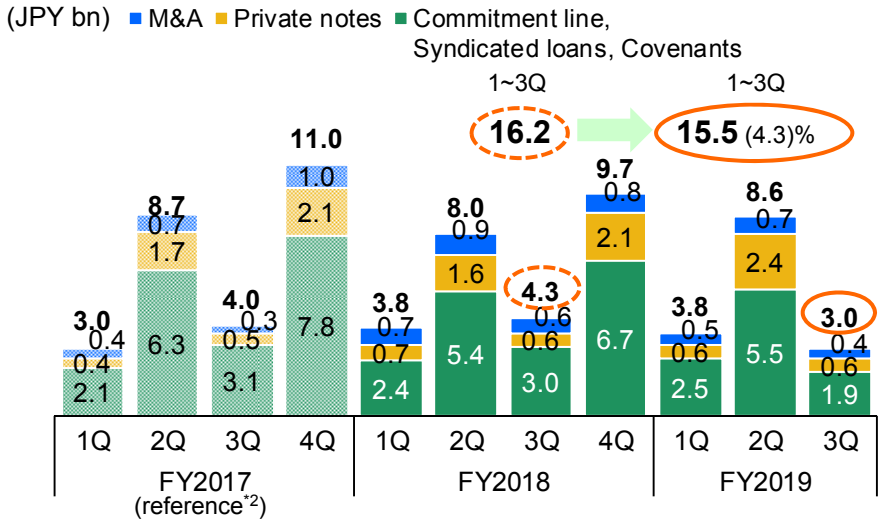


- Expand business opportunities through providing group banks' customers with trust functions

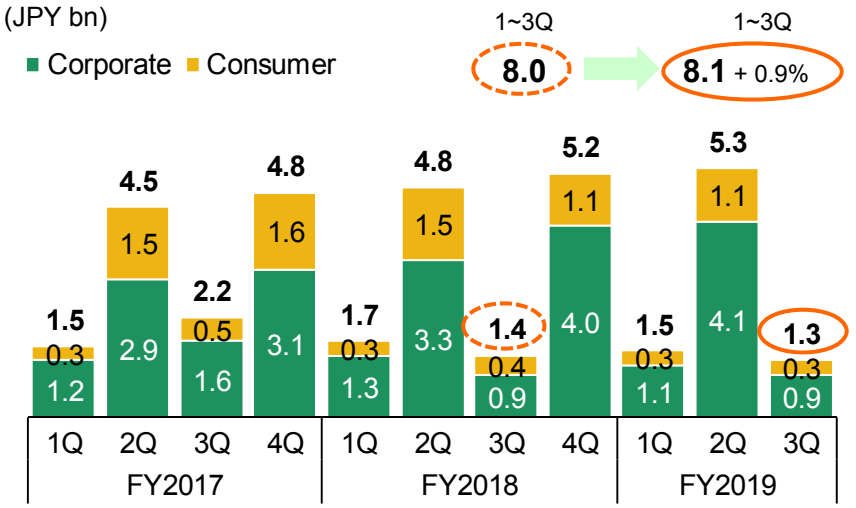
[Number of new asset succession-related contracts]



Corporate solutions business income



Real estate business income*1



*1. Excluding gains from investments in real estate funds *2. Figures are adjusted to reflect the KMFG integration

Credit Costs and NPL

HD Consolidated
Total of Group Banks

Trend of credit costs

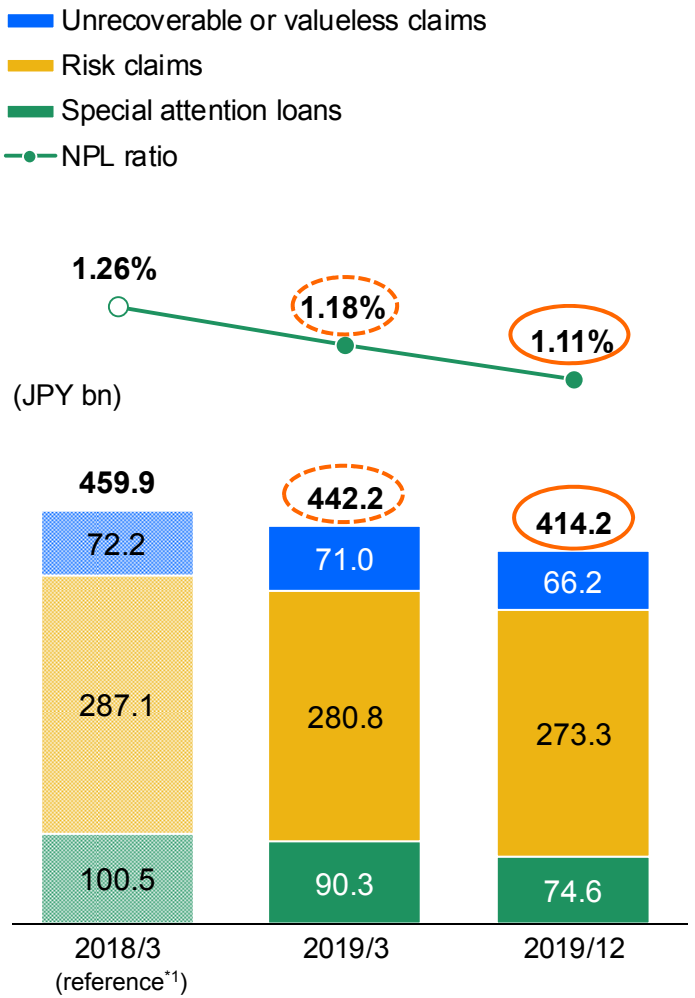
(JPY bn)		FY 2017 (Reference*1) (a)	FY2018 1-3Q (b)	FY2018 (c)	FY2019 1-3Q (d)	FY2019 Plan*2 (e)
Net credit cost (HD consolidated)	(1)	10.1	12.7	(1.3)	(12.6)	(24.5)
Net credit cost (Total of group banks)	(2)	14.7	12.6	0.1	(10.0)	(19.0)
General reserve	(3)	9.0	13.6	11.2	1.1	
Specific reserve and other items	(4)	5.7	(1.0)	(11.0)	(11.2)	
New bankruptcy, downward migration	(5)	(22.2)	(18.0)	(31.3)	(19.8)	
Collection/ upward migration	(6)	27.9	16.9	20.2	8.5	
Difference (1) - (2)	(7)	(4.6)	0.0	(1.4)	(2.5)	(5.5)
HL guarantee subsidiaries	(8)	0.0	3.7	3.0	(1.4)	
Resona Card	(9)	(2.3)	(1.7)	(2.2)	(1.8)	
<Credit cost ratio>						(bps)
HD consolidated*3	(10)	2.8	4.7	(0.3)	(4.6)	(6.6)
Total of group banks*4	(11)	4.0	4.5	0.0	(3.6)	(5.0)

(Note) Positive figures represent reversal gains

*1. Figures are adjusted to reflect the KMFG integration
*2. Revised plan (released in Nov. 2019)
*3. Credit cost / (Loans and bills discounted + acceptances and guarantees) (Simple average of the balances at the beginning and end of the term)
*4. 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)		2018/3 (reference*2) (a)	2019/3 (b)	2019/12 (c)	Unrealized gains/(losses) (d)
Available-for-sale securities	(1)	2,918.1	2,566.5	3,213.2	643.3
Stocks	(2)	365.4	353.8	345.1	630.7
Bonds	(3)	1,532.7	1,188.2	1,686.7	(0.3)
JGBs	(4)	325.1	46.1	487.8	(3.9)
Average duration (years)	(5)	6.5	6.7	14.1	–
Basis point value (BPV)	(6)	(0.21)	(0.03)	(0.69)	–
Local government and corporate bonds	(7)	1,207.5	1,142.0	1,198.8	3.6
Other	(8)	1,019.9	1,024.5	1,181.3	12.8
Foreign bonds	(9)	389.2	472.3	683.4	7.0
Average duration (years)	(10)	8.4	5.3	5.1	–
Basis point value (BPV)	(11)	(0.31)	(0.18)	(0.26)	–
Investment trusts (Domestic)	(12)	608.0	540.6	493.3	3.7
Net unrealized gain	(13)	672.8	598.3	643.3	

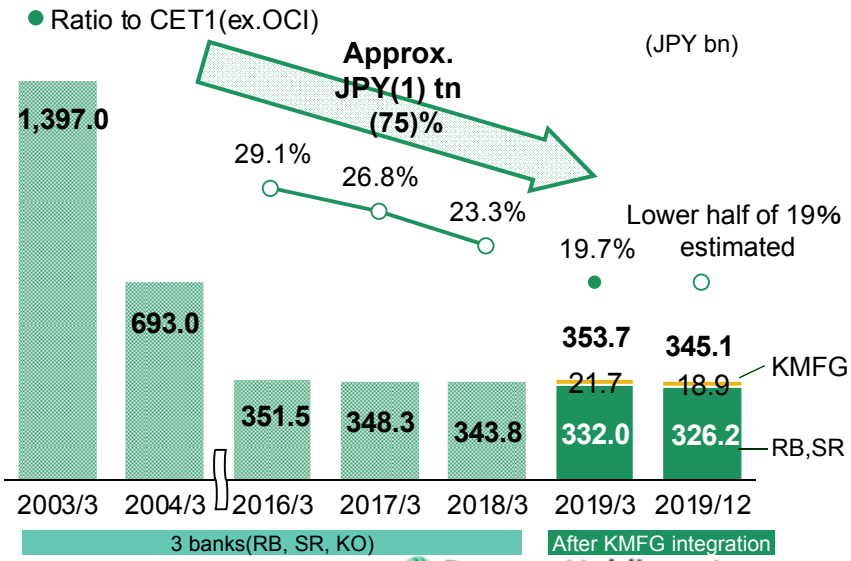
Bonds held to maturity	(14)	2,057.1	2,127.4	1,963.0	33.9
JGBs	(15)	1,565.5	1,539.5	1,195.8	24.1
Net unrealized gain	(16)	52.0	47.1	33.9	

- Unrealized gains/(losses) in 3 assets improved (4)+(9)+(12)
  '18/3*2 JPY(21.2) bn ⇒ '19/3 +JPY2.4 bn ⇒ '19/12 +JPY6.9 bn

Status of policy-oriented stocks held

- Breakeven Nikkei average: Approx. 8,000 yen
- Balance of listed stocks disposed in 1-3Q of FY2019 (acquisition cost basis): JPY8.6 bn, Net gain on sale: JPY9.1 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*3 in the medium term.
    - Plan to reduce JPY35.0 bn in 5 years from FY2016

【Stock holdings】

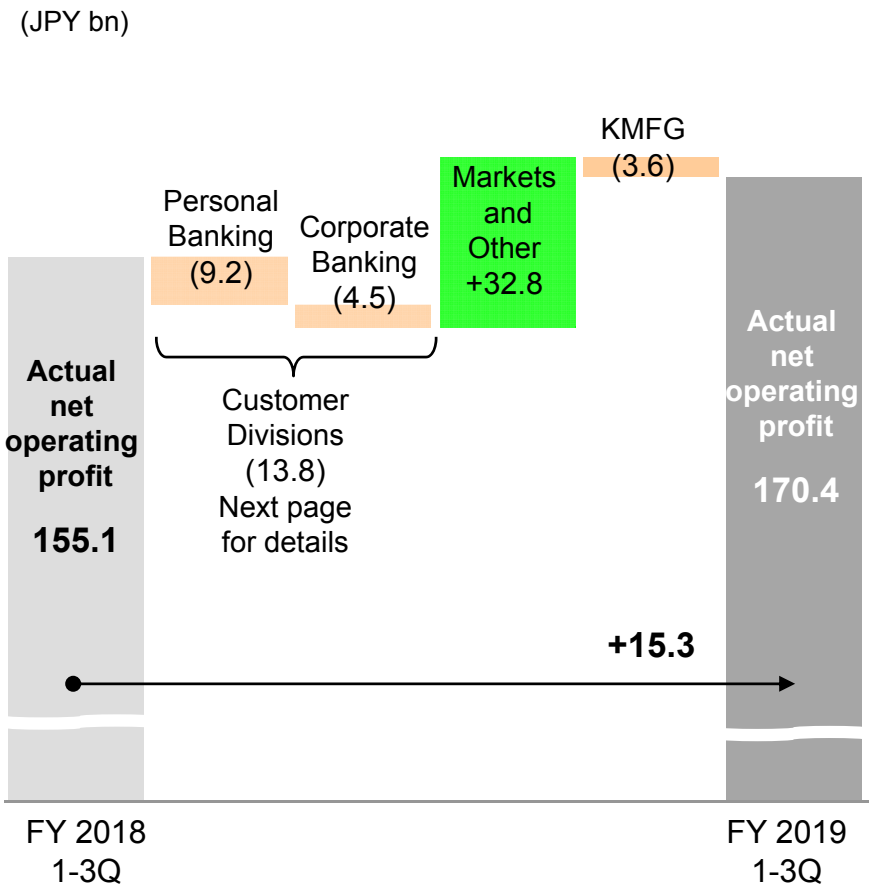


*1. Acquisition cost basis, The presented figures include marketable securities only
*2. Figures are adjusted to reflect the KMFG integration *3. Excluding OCI (other comprehensive income)

(Reference) Outline of Financial Results of Each Segment

HD Consolidated

(JPY bn)			FY2019 1-3Q	YoY Change
Customer Divisions	Gross operating profit	(1)	333.4	(14.0)
	Operating expense	(2)	(222.7)	+0.2
	Actual net operating profit	(3)	110.7	(13.8)
Personal Banking	Gross operating profit	(4)	147.4	(9.4)
	Operating expense	(5)	(115.6)	+0.1
	Actual net operating profit	(6)	31.8	(9.2)
Corporate Banking	Gross operating profit	(7)	186.0	(4.6)
	Operating expense	(8)	(107.1)	+0.0
	Actual net operating profit	(9)	78.9	(4.5)
Markets and Other	Gross operating profit	(10)	40.4	+33.3
	Operating expense	(11)	(2.9)	+1.1
	Actual net operating profit	(12)	37.9	+32.8
KMFG	Gross operating profit	(13)	107.6	(5.1)
	Operating expense	(14)	(85.8)	+1.4
	Actual net operating profit	(15)	21.8	(3.6)
Total	Gross operating profit	(16)	481.6	+14.1
	Operating expense	(17)	(311.5)	+2.8
	Actual net operating profit	(18)	170.4	+15.3



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.

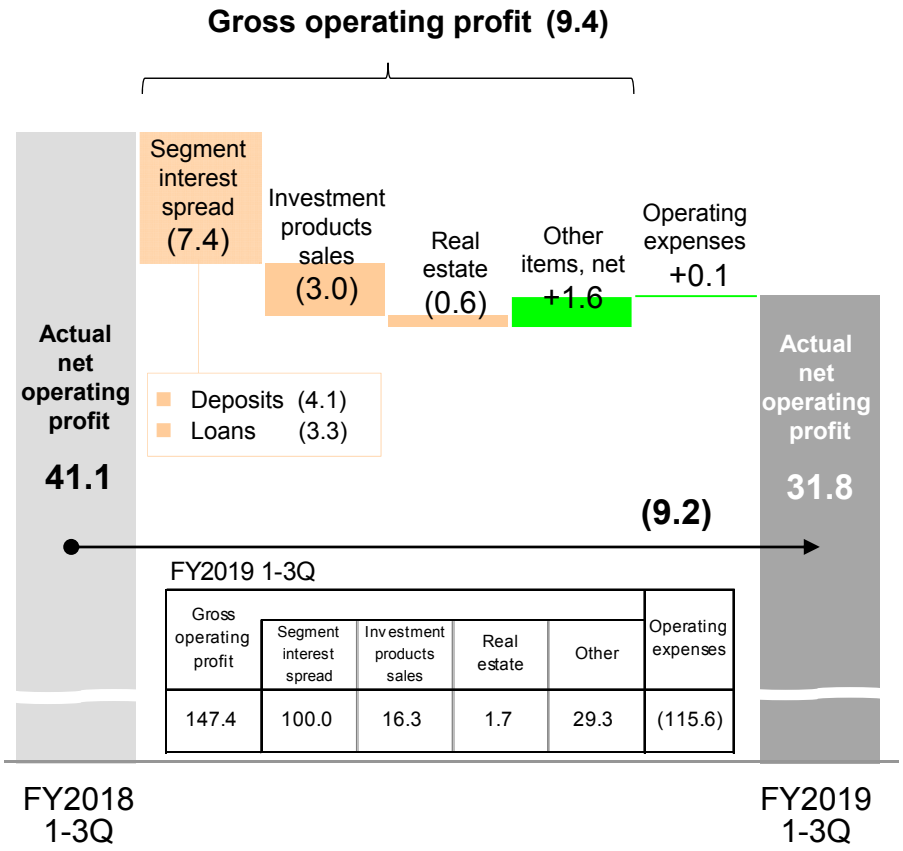
(Reference) Outline of Financial Results of Customer Divisions

HD Consolidated (exclude KMFG)

Personal banking segment

- **Actual net operating profit : Down JPY9.2 bn, YoY**

(JPY bn)



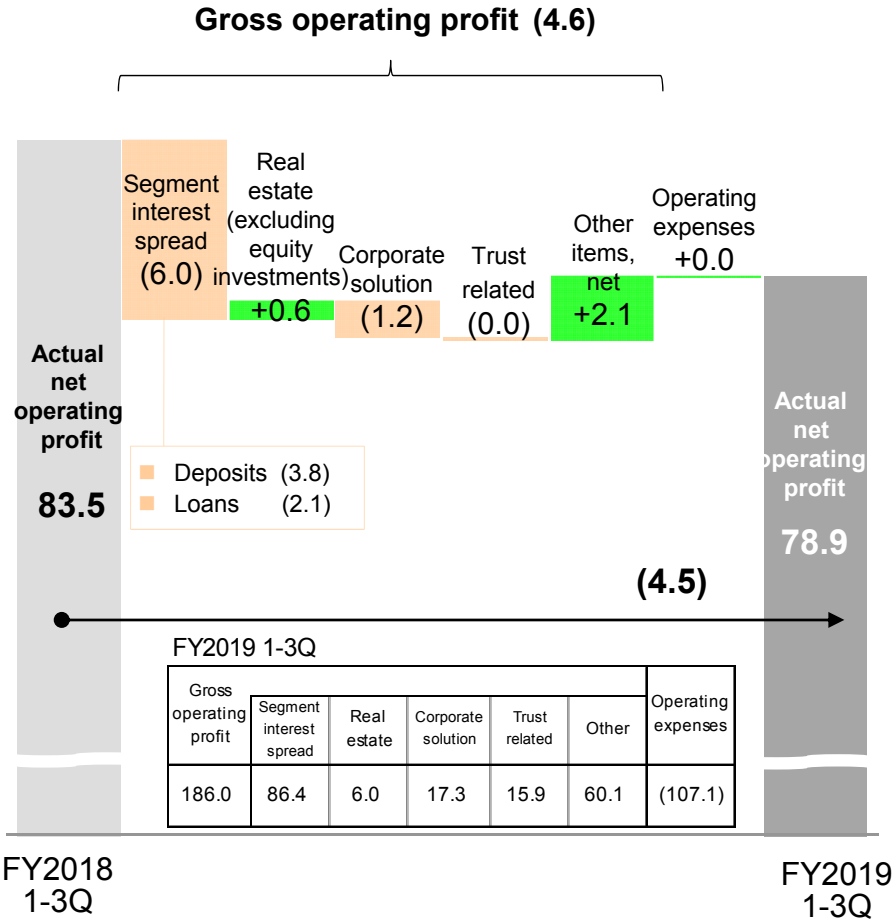
FY2019 1-3Q

Gross operating profit	Segment interest spread	Investment products sales	Real estate	Other	Operating expenses
147.4	100.0	16.3	1.7	29.3	(115.6)

Corporate banking segment

- **Actual net operating profit : Down JPY4.5 bn, YoY**

(JPY bn)



FY2019 1-3Q

Gross operating profit	Segment interest spread	Real estate	Corporate solution	Trust related	Other	Operating expenses
186.0	86.4	6.0	17.3	15.9	60.1	(107.1)

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

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

[KMFG] Kansai Mirai Financial Group, [KMB] Kansai Mirai Bank*, [MB] Minato Bank

* [KU] Kansai Urban Banking Corporation and [KO] Kinki Osaka Bank merged on April 1, 2019

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.