

# Business Results for 1-3Q of FY2017 and Future Management Direction



 **Resona Holdings**

March 2018

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1. In some pages of this material, names of Resona Group companies are shown in the following abbreviated forms: RHD: Resona Holdings, RB: Resona Bank, SR: Saitama Resona Bank, KMFG: Kansai Mirai Financial Group, KU: Kansai Urban Banking Corporation, MB: Minato Bank, KO: Kinki Osaka Bank
2. Negative figures represent items that would reduce net income

## **Resona Group at a Glance**

**Outline of Business Results for 1-3Q of FY2017  
and Updates on Major Businesses**

**Efforts to Business Challenges  
for Sustainable Growth**

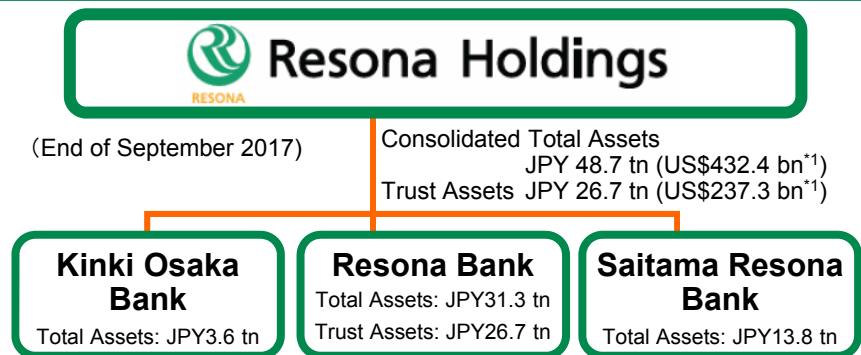
**Direction of Capital Management**

**Reference Material**

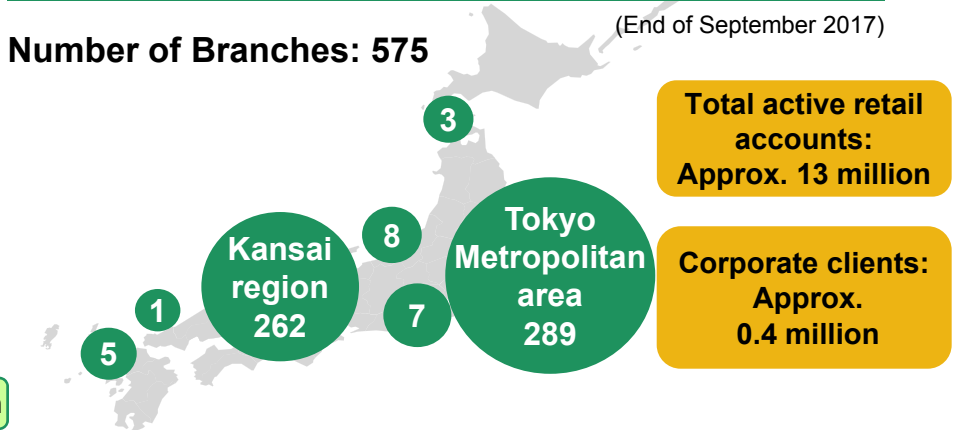
# Resona Group at a Glance

- Resona focuses management resources on Tokyo and Kansai metropolitan areas and retail banking business
- Resona Group is the largest retail-focused bank with full-line trust capabilities in Japan with a well-established customer base comprising approx. 13 million retail accounts and approx. 0.4 million corporate clients

## Corporate Structure

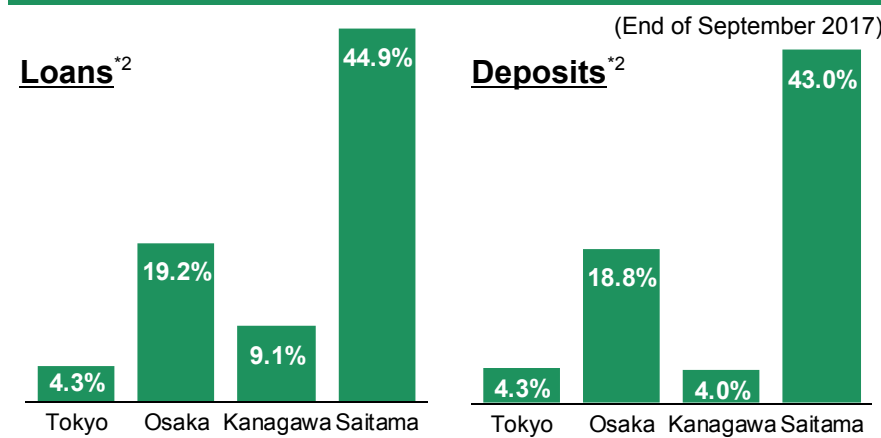


## Franchise Value

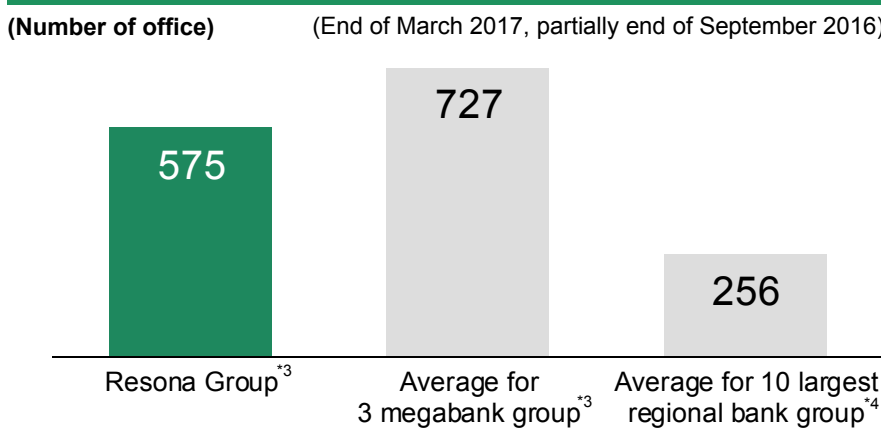


The largest retail-focused bank with full-line trust capabilities in Japan

## Market Share



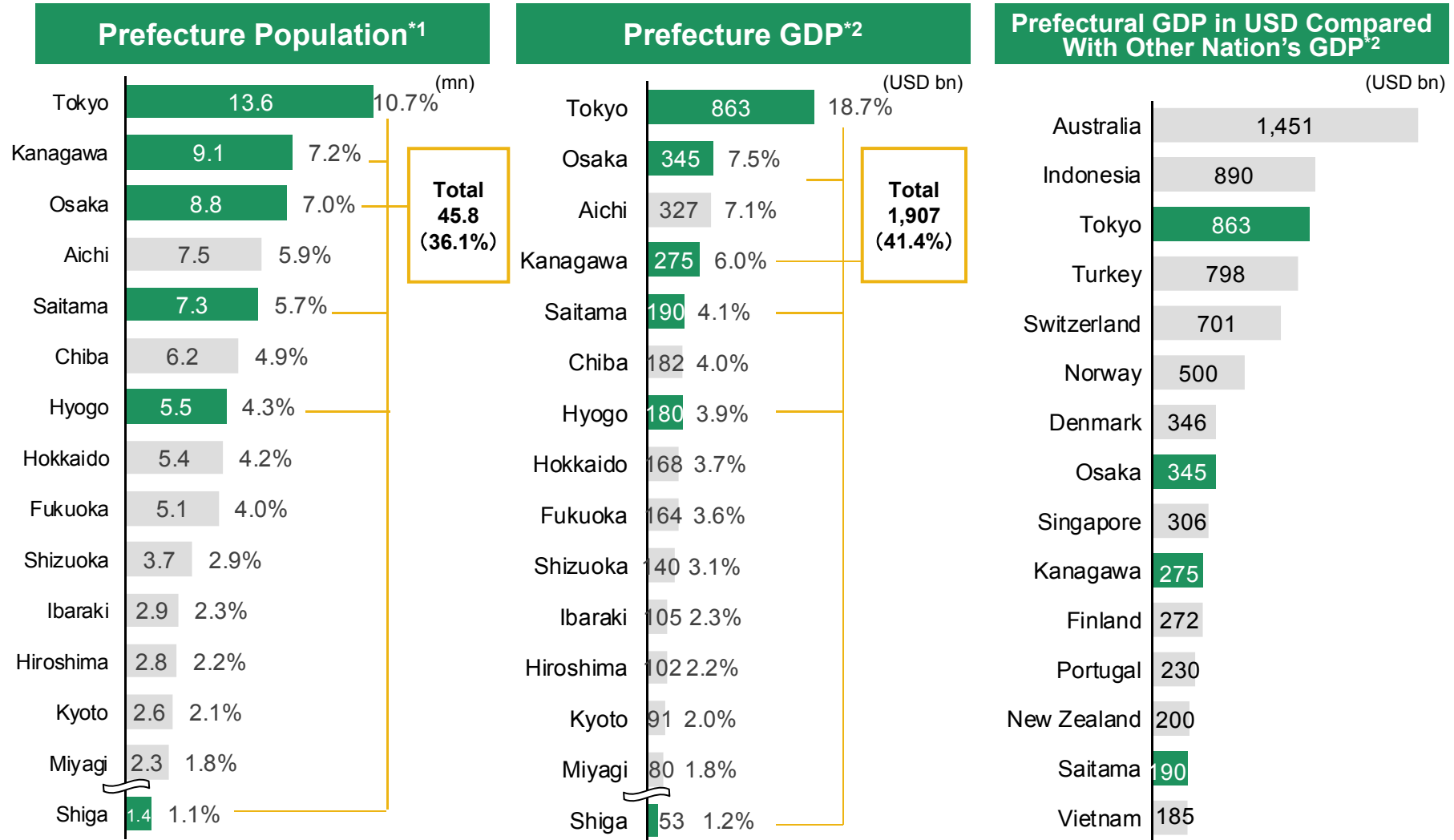
## Number of Manned Branch Office



<sup>\*1</sup> 1USD=JPY112.74 <sup>\*2</sup> Total of group banks, market share based on deposits, and loans and bills discounted by prefecture (domestically licensed banks from BOJ)  
<sup>\*3</sup> 1H FY2017 Financial Statements, Resona Group: total of group banks, Megabank groups: BTMU+ MUTB, Mizuho BK+ Mizuho Trust, SMBC + SMBCTB  
<sup>\*4</sup> 10 largest regional bank groups by consolidated assets (Concordia FG, Fukuoka FG, Mebuki FG, Chiba, Hokuohoku FG, Shizuoka, Yamaguchi FG, Kyusyu FG, Nishinippon FH, Hiroshima : 1H FY2017 Financial Statements)

# Population and Economic Scale of Resona's Primary Operating Base

- Prefectures where Resona's franchise is concentrated account for more than 30% of Japan's population and GDP
- Such prefectures are comparable to some countries in terms of GDP

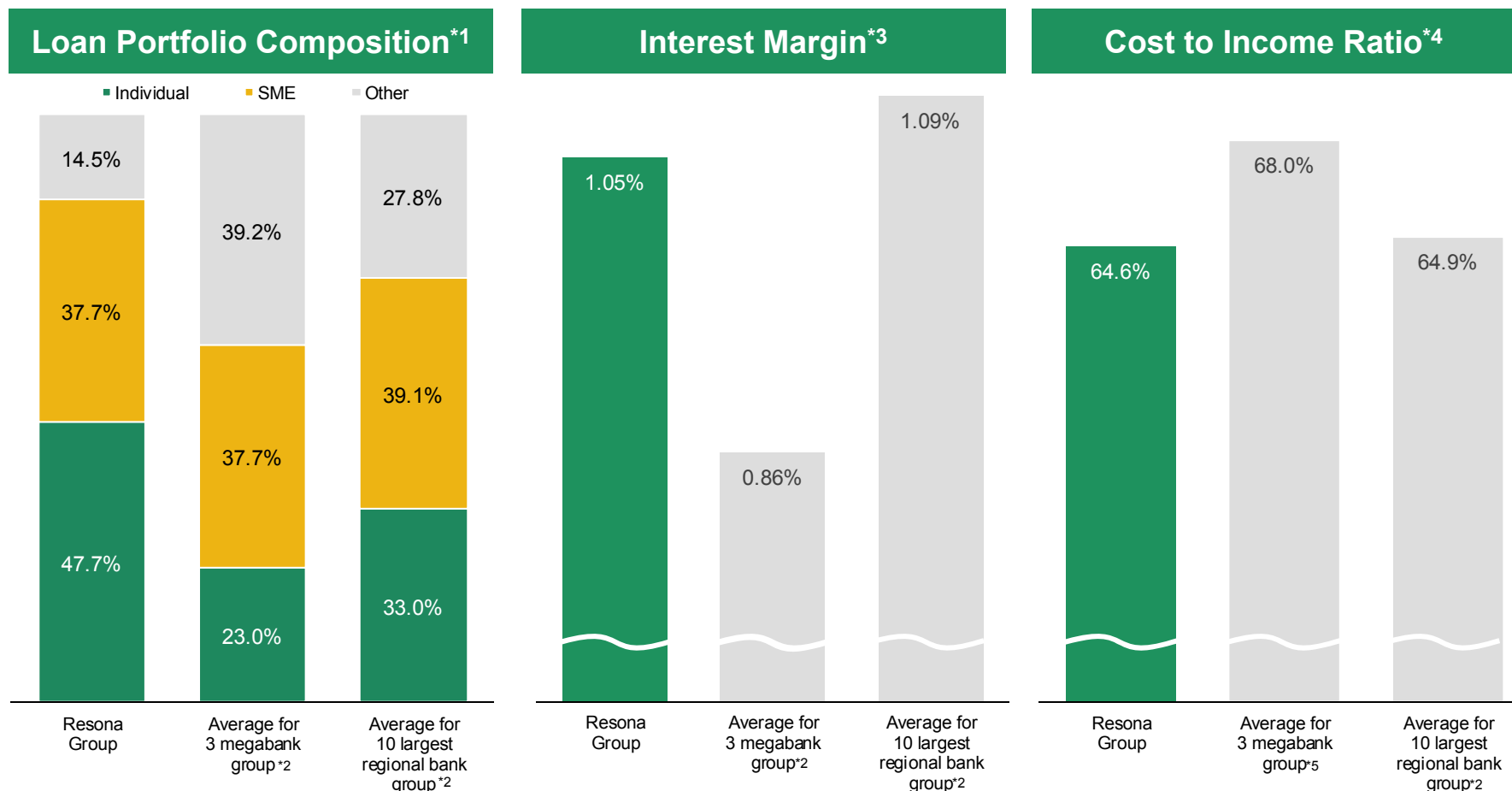


\*1. Source: Ministry of Internal Affairs and Communications, Population estimates (As of October 1st, 2016)

\*2. Source: Cabinet Office, Government of Japan, Gross Prefecture Product FY2014 "Global comparison of gross prefecture product in dollar"

# Loan Portfolio, Interest Margin and Cost to Income Ratio

- Loans provided to SMEs and individuals account for over 80% of total loans. Interest margins are higher relative to mega bank group
- Through operational reforms and efficient management, Resona mitigated the high-cost structure inherent in retail banking



\*1. As of September 2017, total of group banks

\*2. Megabank groups: BTMU + MUTB, Mizuho BK + Mizuho Trust, SMBC

10 largest regional bank groups: 10 largest regional bank groups by consolidated assets (Concordia FG, Fukuoka FG, Mebuki FG, Chiba, Hokuoku FG, Shizuoka, Yamaguchi FG, Kyusyu FG, Nishinippon FH, Hiroshima: 1H FY2017 Financial Statements)

\*3. Difference between (a) average loan yield and (b) average cost of deposits for 1H FY2017, total of group banks

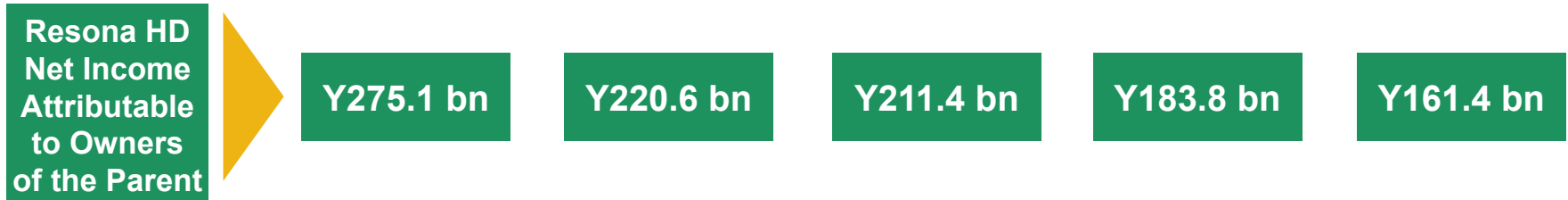
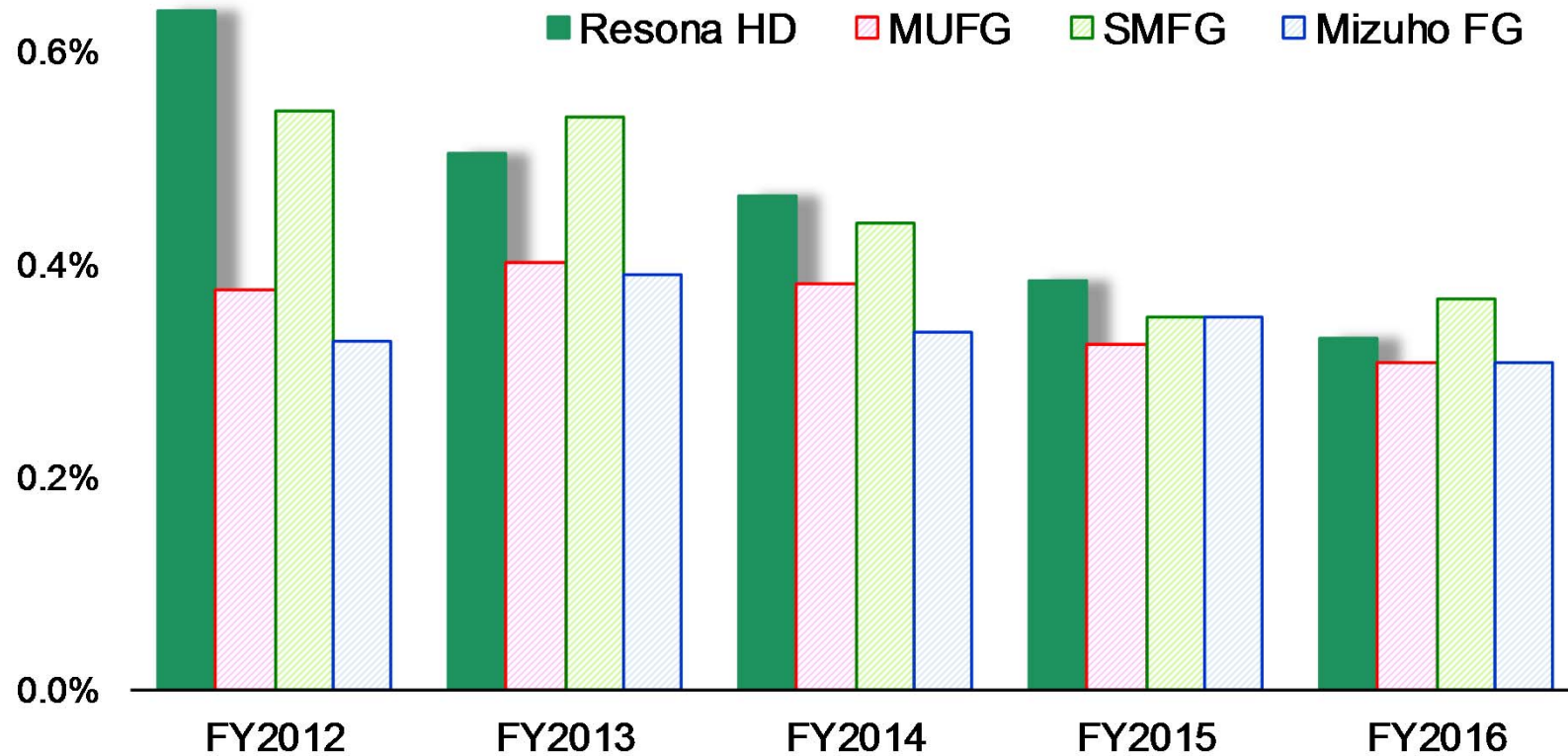
\*4. Consolidated cost to income ratio = operating expenses / gross operating profit (for 1H FY2017)

\*5. MUFG, SMFG, Mizuho FG

# Stable Earnings Trend and High Profitability

- Resona has consistently generated stable profits supported by our sound balance sheet

## Historical Consolidated ROA\*1



\*1. Source: Company disclosure

**Resona Group at a Glance**

**Outline of Business Results for 1-3Q of FY2017  
and Updates on Major Businesses**

**Efforts to Business Challenges  
for Sustainable Growth**

**Direction of Capital Management**

**Reference Material**



## Opening Remark: Major Progress in FY2017 to This Date

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### 1. 1-3Q of FY2017: Steadily implemented the income and cost structure reforms

- Average loan balance continued to increase steadily while the speed of loan-to-deposit spread contraction began to slow down
- Fee income has turned into an increasing trend again. Fee income ratio has risen further.
- Total operating expenses continued to decrease

### 2. Implemented the “Three Omni-Strategies” one after another

- Introduced a new contactless debit card and started on-the-spot issuance in Oct. 2017  
Launched a smart phone app designed for the new “Smart Account” in Feb. 2018
- Steadily expanded profit opportunities by raising “Omni-Advisors”
- Management integration of 3 regional banks in the Kansai region progressed as planned
  - Booked DTA in the 3Q of FY2017 after obtaining approvals from regulatory authorities and shareholders of Kansai Urban Bank and Minato Bank

### 3. Direction of capital management

- Maintain a policy of equally allocating net income to 1) investment for future growth, 2) capital buffer build-up, and 3) enlargement of shareholder return
- Common DPS increase, interim +0.5 yen, term-end +0.5 yen (planned), through repurchase of Class 5 preferred shares planned in FY2017. Consider further shareholder return increase while keeping the level of common DPS after the above increase as “stable” dividends

# Outline of Financial Results for the 1-3Q (9 Months) Period of FY2017

## ■ Posted JPY202.7 bn of net income attributable to owners of the parent

- UP JPY72.9 bn, or 56.1%, YoY
- JPY131.2 bn, if the reduction of corporate income tax charge (JPY71.5 bn) related to the management integration among 3 regional banks in the Kansai region is excluded
  - Progress rate at 79% against the full-year net income target of JPY165.0 bn (revised up in Nov. 2017)
- Revised up the full-year net income target to JPY235.0 bn, or +JPY70.0 bn from the target announced in Nov. 2017

## ■ Posted JPY153.4 bn of actual net operating profit

- Gross operating profit: JPY408.1 bn, Down JPY14.2 bn, or 3.3%, YoY
  - Net interest income from domestic loans and deposits: Down JPY15.0 bn, YoY, in line with the company plan  
Loan-to-deposit spread contracted by 9bps, while average loan balance increased by 1.84% YoY
  - Fee income increased by JPY2.7 bn, fee income ratio at 29.4%  
Primarily driven by an increase in corporate solution fees
  - Net gains on bonds (including futures): Down JPY13.2 bn YoY
- Operating expenses: JPY254.9 bn, reduced by JPY1.8 bn YoY, with the cost income ratio (OHR) at 62.4%

Resona HD consolidated (JPY bn)	1-3Q of FY2017			FY2017 Target Released in Jan. '18
		YoY change	%	
<b>Net income attributable to owners of the parent</b> (1)	<b>202.7</b>	<b>+72.9</b>	<b>+56.1%</b>	<b>235.0</b>
Gross operating profit (2)	408.1	(14.2)	(3.3)%	
Net interest income (3)	275.0	(4.1)		
Nil from loans and deposits (total of group banks)*1 (4)	216.6	(15.0)		
Fee income (5)	120.0	+2.7		
Fee income ratio (6)	29.4%	+1.6%		
Trust fees (7)	13.7	+0.3		
Fees and commission income (8)	106.3	+2.4		
Other operating income (9)	13.0	(12.9)		
Net gains / (losses) on bonds (including futures) (10)	(0.5)	(13.2)		
Operating expenses (excluding group banks' non-recurring items) (11)	(254.9)	+1.8	+0.7%	
Cost income ratio (OHR) (12)	62.4%	+1.6%		
<b>Actual net operating profit<sup>2</sup></b> (13)	<b>153.4</b>	<b>(12.1)</b>	<b>(7.3)%</b>	
Net gains on stocks (including equity derivatives) (14)	13.3	+11.8		
Credit related expenses, net (15)	13.2	(8.3)		
Other gains / (losses), net (16)	(13.0)	(6.6)		
<b>Income before income taxes</b> (17)	<b>167.0</b>	<b>(15.3)</b>	<b>(8.4)%</b>	
Income taxes and other (18)	35.7	+88.3		
EPS (yen) (19)	86.76	+32.72		
BPS (yen) (20)	904.49	+144.99		

\*1. Domestic banking account, deposits include NCDs

\*2. Net operating profit before provision to general reserve for possible loan losses and disposal of problem loans in the trust account

\*3. Negative figures represent items that would reduce net income

# Breakdown of Financial Results

(JPY bn)	Resona Holdings (Consolidated)		Total of group banks (Non-consolidated)		Resona Bank			Saitama Resona Bank	Kinki Osaka Bank	Effect of realignment of loan guarantee subsidiaries	Difference (Exclude the effect of realignment of loan guarantee subsidiaries)	
		YoY change		YoY change								YoY change
<b>Gross operating profit</b> (1)	<b>408.1</b>	<b>(14.2)</b>	<b>379.2</b>	<b>(9.3)</b>	<b>252.9</b>	<b>90.9</b>	<b>35.4</b>			<b>4.9</b>	<b>33.8</b>	<b>+0.0</b>
Net interest income (2)	275.0	(4.1)	276.6	+0.9	174.1	74.7	27.7			4.9	3.3	(0.0)
Nil from domestic loans and deposits (3)			216.6	(15.0)	137.4	59.3	19.8					
Trust fees (4)	13.7	+0.3	13.7	+0.3	13.7						(0.0)	(0.0)
Fees and commission income (5)	106.3	+2.4	76.4	+2.3	53.6	16.0	6.8				29.8	+0.1
Other operating income (6)	13.0	(12.9)	12.4	(12.8)	11.4	0.1	0.8				0.6	(0.0)
Net gains / losses on bonds (including futures) (7)	(0.5)	(13.2)	(0.5)	(13.2)	0.5	(1.7)	0.6				–	–
Operating expenses (excluding group banks' non-recurring items) (8)	(254.9)	+1.8	(240.8)	+2.4	(158.2)	(54.9)	(27.6)				(14.0)	(0.5)
<b>Actual net operating profit</b> <sup>*1</sup> (9)	<b>153.4</b>	<b>(12.1)</b>	<b>138.4</b>	<b>(6.8)</b>	<b>94.7</b>	<b>35.9</b>	<b>7.7</b>			<b>4.9</b>	<b>20.0</b>	<b>(0.3)</b>
Net gains on stocks (including equity derivatives) (10)	13.3	+11.8	66.2	+64.8	50.3	13.5	2.3			52.9	0.0	(0.0)
Credit related expenses, net (11)	13.2	(8.3)	15.0	(3.3)	10.4	3.0	1.5				(1.8)	(5.0)
Other losses, net (12)	(13.0)	(6.6)	(11.2)	(5.1)	(8.3)	(1.9)	(0.8)				(1.8)	(1.5)
<b>Income before income taxes</b> (13)	<b>167.0</b>	<b>(15.3)</b>	<b>208.6</b>	<b>+49.4</b>	<b>147.1</b>	<b>50.5</b>	<b>10.9</b>			<b>57.9</b>	<b>16.3</b>	<b>(6.8)</b>
Income taxes and other (14)	35.7	+88.3	(30.9)	+13.6	(17.0)	(11.2)	<sup>*2</sup> (2.7)			<sup>*3</sup> 14.1	<sup>*2</sup> 66.7	+74.6
<b>Net income (attributable to owners of the parent)</b> (15)	<b>202.7</b>	<b>+72.9</b>	<b>177.6</b>	<b>+63.0</b>	<b>130.0</b>	<b>39.3</b>	<b>8.1</b>			<b>72.0</b>	<b>83.0</b>	<b>+67.8</b>

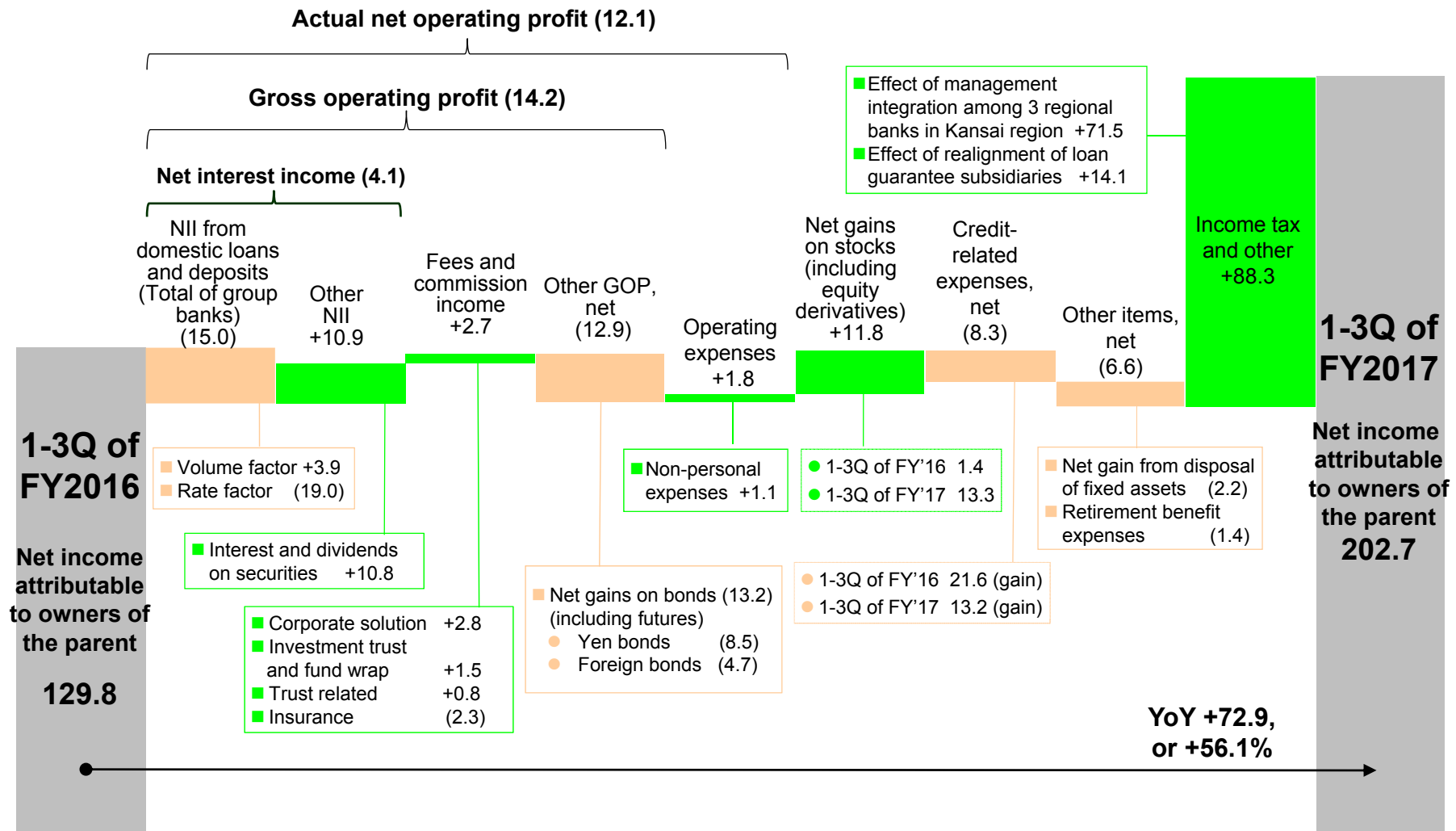
\*1. Net operating profit before provision to general reserve for possible loan losses and disposal of problem loans in the trust account

\*2. Include the effect of management integration among 3 regional banks in the Kansai region

\*3. The effect of income taxes, regarding the realignment of loan guarantee subsidiaries, is excluded from cancellation in a consolidation process

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

(JPY bn)



# Trend of Loans and Deposits

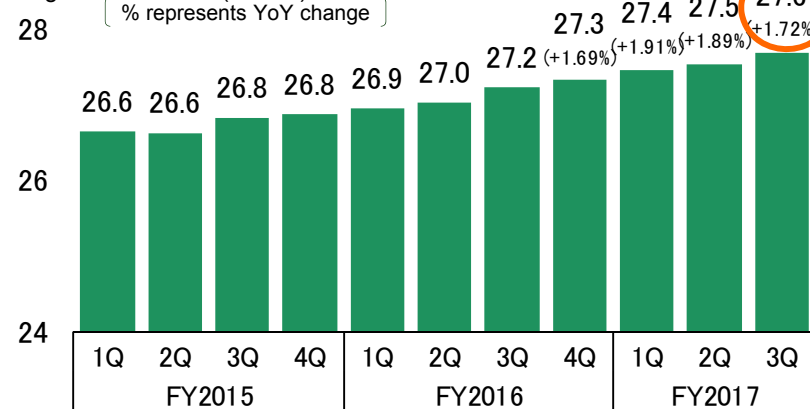
Total of Group Banks

## Average loan / deposit balance, rates and spread

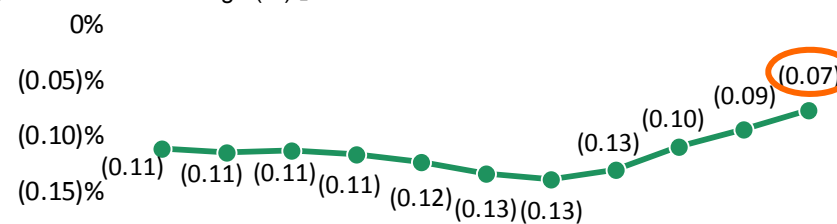
## Trend of average loan balance, loan to deposit spread (Domestic account, QoQ)

Avg. bal : Trillion Yen Income/Cost : Billion Yen			1-3Q		FY2017	
			Act.	YoY	Plan *3	YoY vs.'17/3
Average loan balance (Banking account) (1)			28.05	+1.80%		
Domestic acct.	Loans	Avg. Bal. (2)	27.55	+1.84%	27.51	+1.47%
		Rate (3)	1.06%	(0.09)%	1.05%	(0.08)%
		Income (4)	220.5	(15.0)	291.0	(19.8)
	Corporate Banking Business Unit *1	Avg. Bal. (5)	16.08	+2.51%	16.02	+1.83%
		Rate (6)	0.89%	(0.10)%	0.87%	(0.09)%
	Personal Banking Business Unit *2	Avg. Bal. (7)	10.48	+0.83%	10.53	+1.08%
		Rate (8)	1.36%	(0.07)%	1.36%	(0.07)%
	Deposits (Including NCDs)	Avg. Bal. (9)	41.55	+5.30%	41.04	+3.48%
		Rate (10)	0.01%	(0.00)%	0.01%	(0.00)%
		Cost (11)	(3.9)	+0.0	(5.2)	(0.1)
	Loan-to-deposit	Spread (12)	1.04%	(0.09)%	1.04%	(0.08)%
		Net interest income (13)	216.6	(15.0)	285.8	(19.9)

【 Average loan balance (JPY tn) 】



【 Loan rate YoY change (%) 】



【 Loan and deposit rates 】

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

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

\*3. Earnings targets of FY2017 (released in Nov. 2017)

# Term-end Balance of Loans and Deposits

Total of Group Banks

## Term-end loan balance

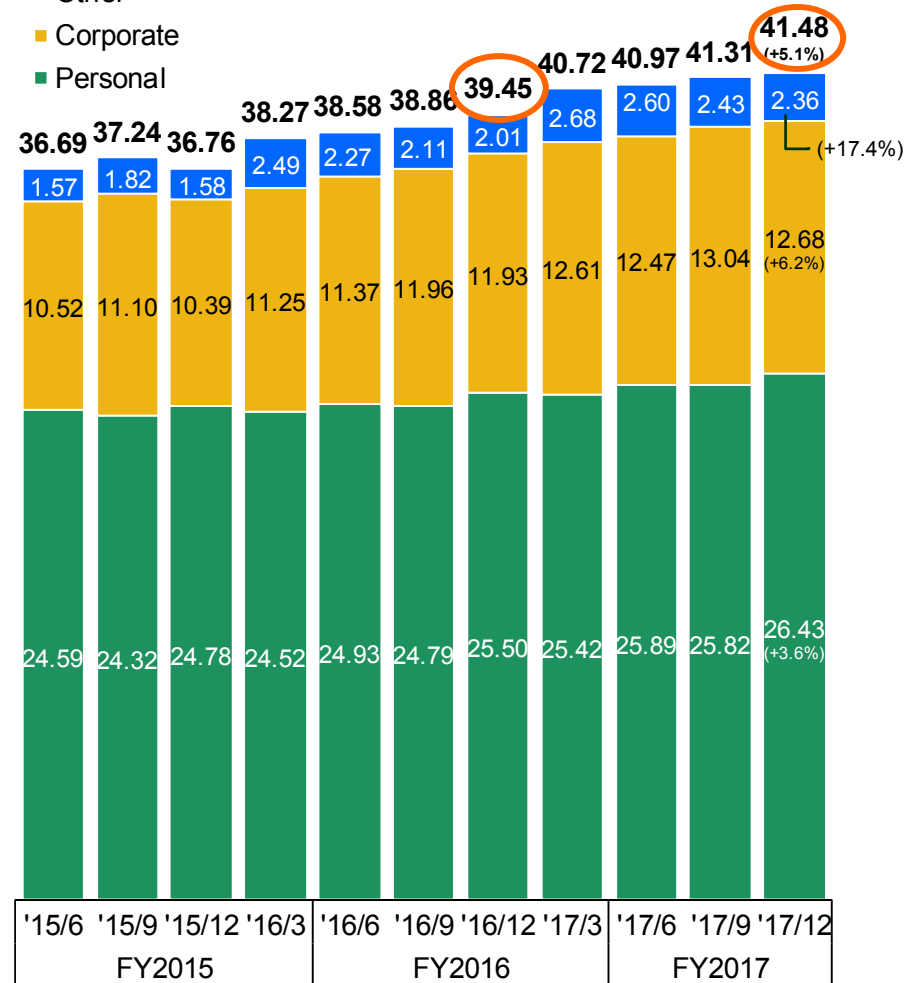
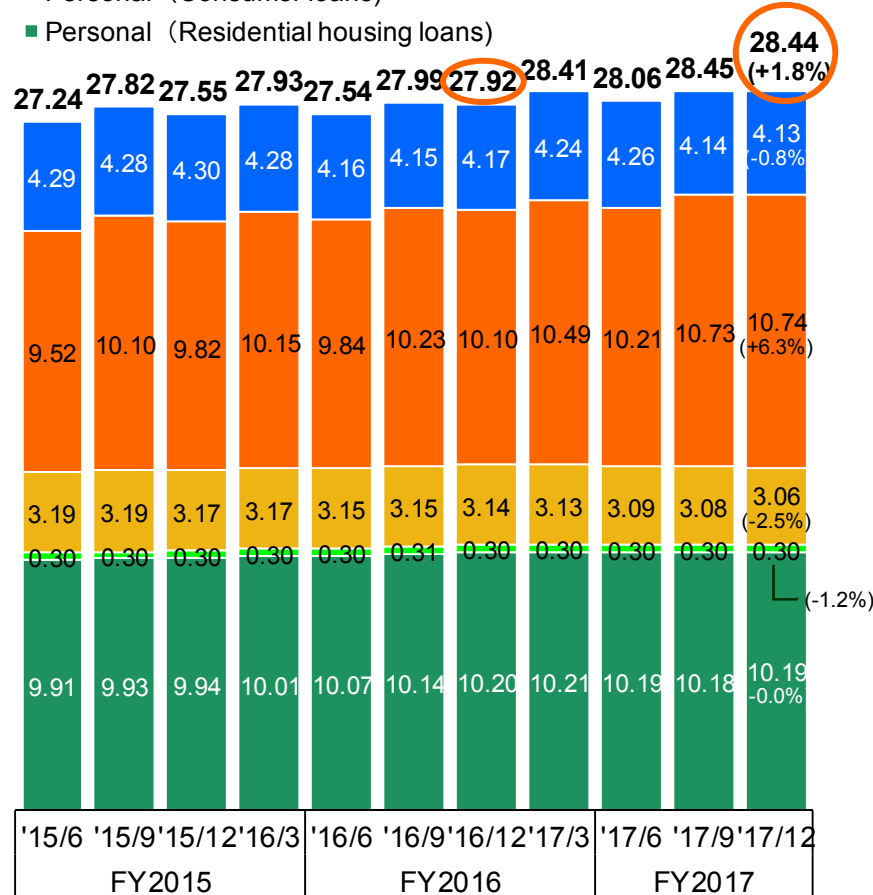
## Term-end deposit balance

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
- Personal



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

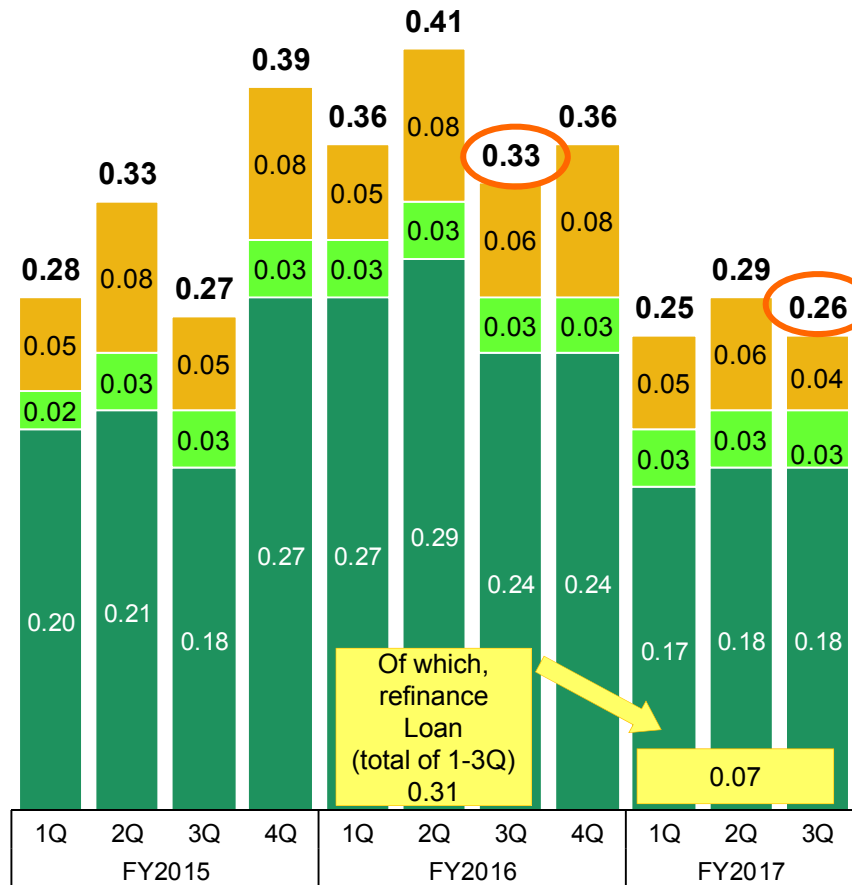
# Residential Housing Loan and Apartment Loan Business

Total of Group Banks

## New loan origination

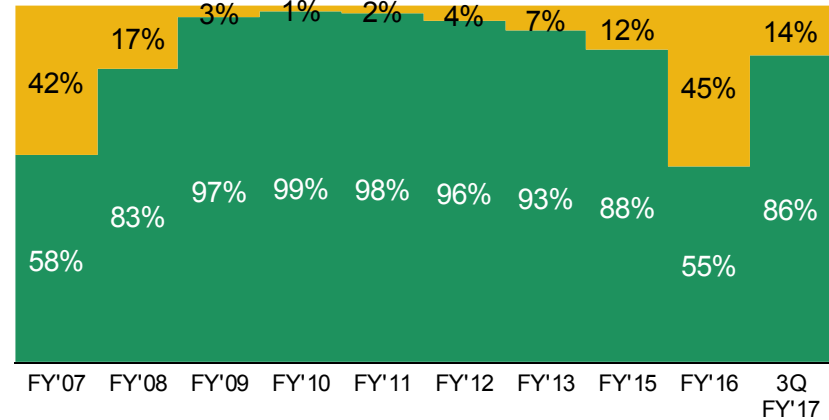
(JPY tn)

- Apartment loan
- Flat 35
- Residential housing loan



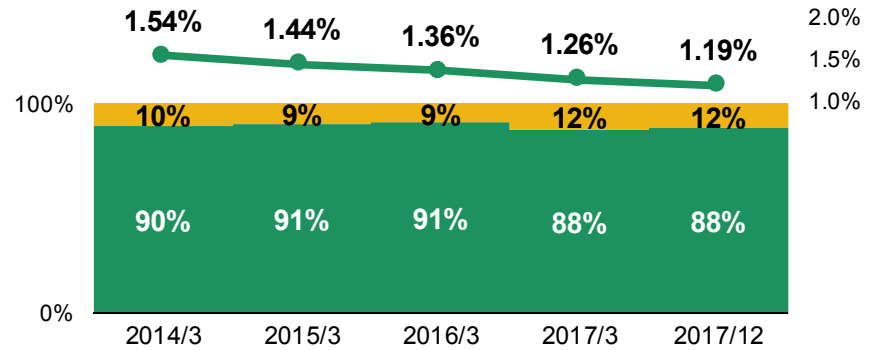
## Composition of newly originated residential housing loans by interest rate type

- Share of fixed rate residential housing loans
- Share of variable rate residential housing loans



## Residential housing loan yield on a stock basis and composition by interest rate type

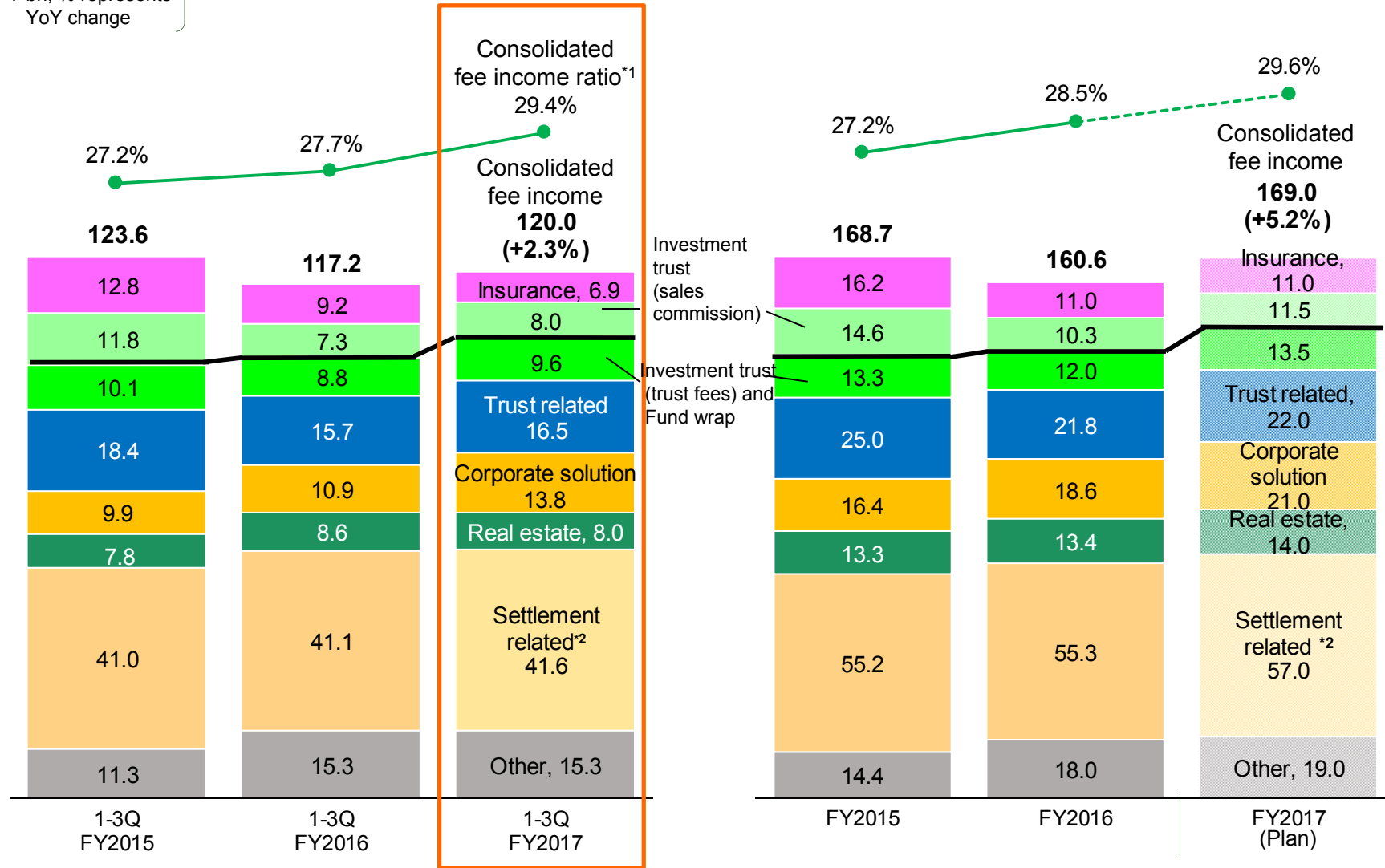
- Share of fixed rate residential housing loans
- Share of variable rate residential housing loans
- Residential housing loans yield (right scale)



# Trend of Fee Income

Consolidated fee income ratio at 29.4% for 1-3Q of FY2017

JPY bn, % represents YoY change



\*1. (Fees and commission income + trust fees)/Consolidated gross operating profit  
 \*2. Fees and commission from domestic exchange, credit transfer, EB, Visa debit and fee income from Resona Kessai Service and Resona Card

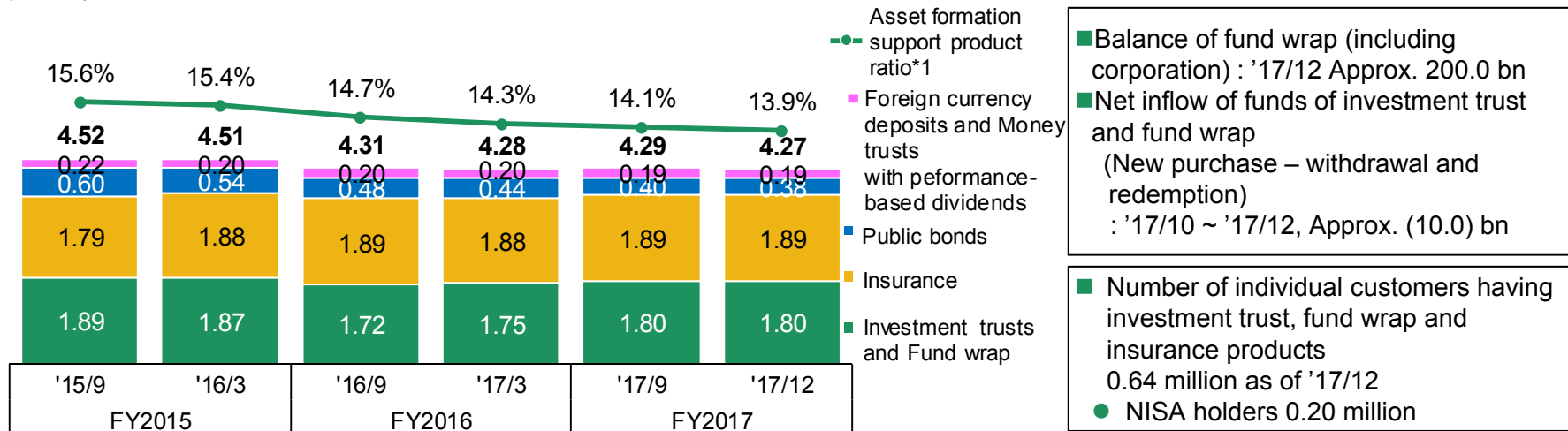


# Asset Formation Support Business

Total of Group Banks

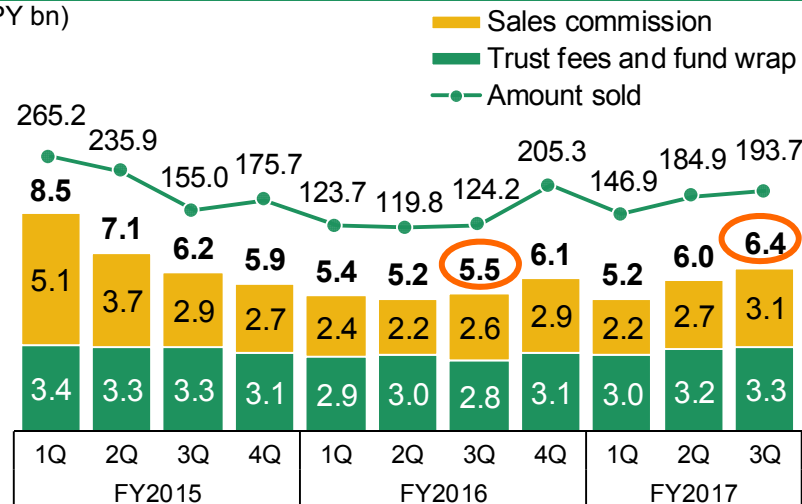
## Balance of asset formation support products sold to individuals

(JPY tn)



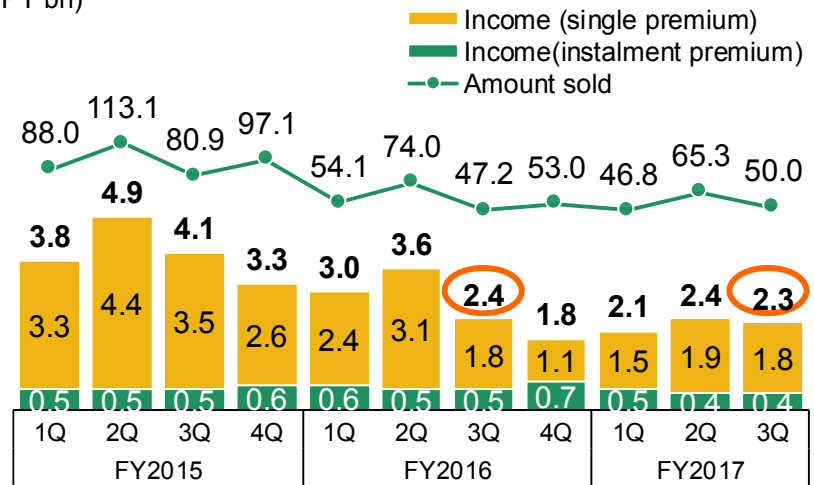
## Investment trust and fund wrap

(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

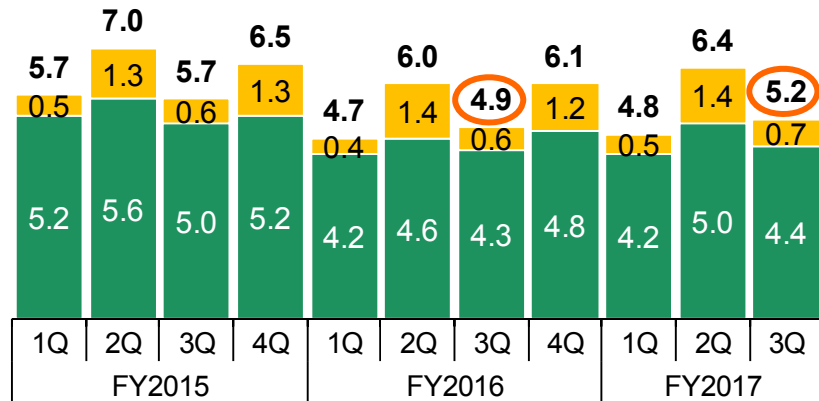
# Major Fee Businesses

Total of Group Banks

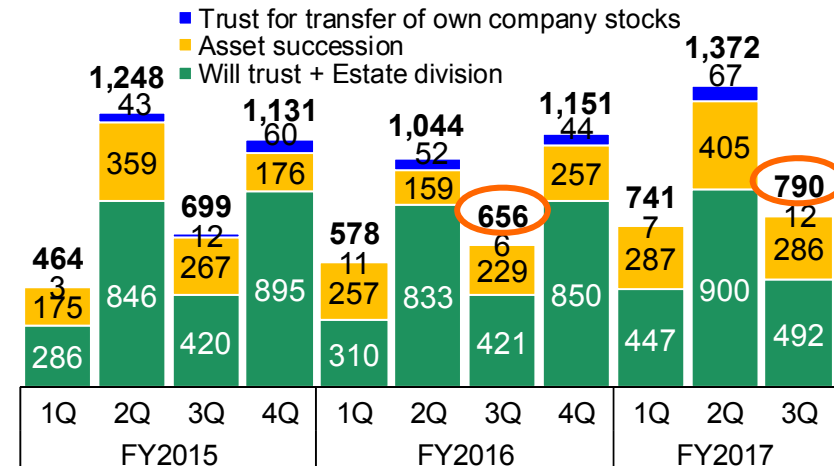
## Trust-related business

(JPY bn)

- Income from trust solution offered for asset and business succession
- Income from Pension/Securities trust



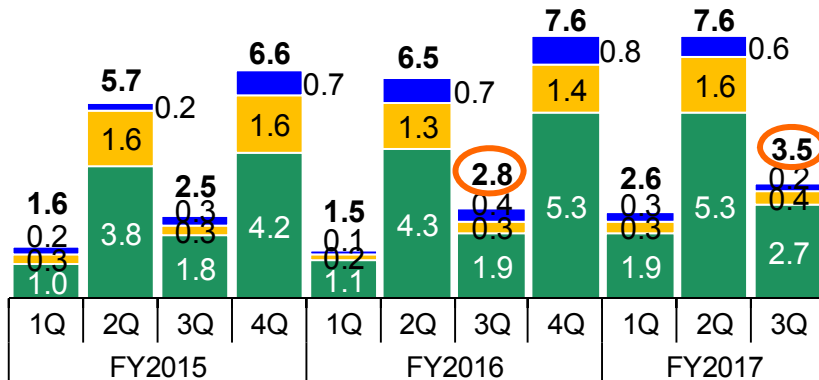
(Reference) Number of new asset succession-related contracts



## Corporate solutions business

(JPY bn)

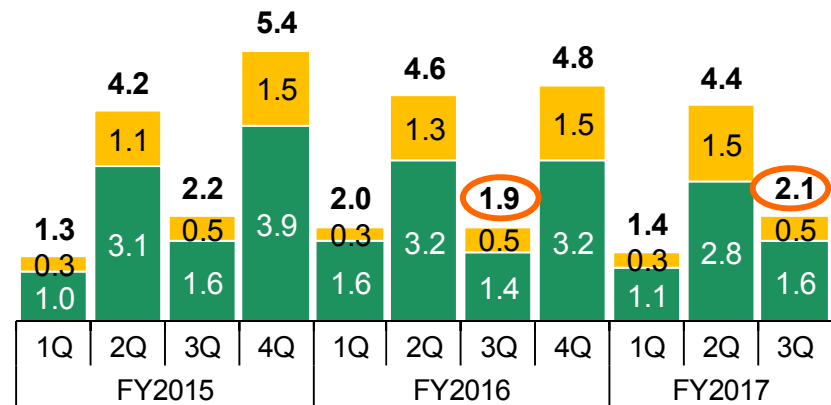
- M&A
- Private notes
- Commitment line, Syndicated lians, Covenants



## Real estate business\*1

(JPY bn)

- Brokerage fee (Consumer)
- Brokerage fee (Corporate)



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

# Credit Costs and NPL

RHD Consolidated  
Total of Group Banks

## Trend of credit costs

(JPY bn)	FY2015	FY2016		FY2017	
		1-3Q (9Ms)	Act.	1-3Q (9Ms)	Plan
<b>Net credit cost (RHD consolidated)</b> (1)	(25.8)	21.6	17.4	13.2	(3.0)
<b>Net credit cost (Total of group banks)</b> (2)	(23.4)	18.4	18.2	15.0	0.5
General reserve (3)	(0.0)	8.9	9.8	5.1	
Specific reserve and other items (4)	(23.4)	9.5	8.4	9.9	
New bankruptcy, downward migration (5)	(43.9)	(13.3)	(19.9)	(12.3)	
Collection/ upward migration (6)	20.4	22.8	28.3	22.3	
<b>Difference (1) - (2)</b> (7)	(2.3)	3.2	(0.7)	(1.8)	(3.5)
of which, HL guarantee subsidiaries (8)	2.6	2.7	2.0	1.2	
of which, Resona Card (9)	(1.8)	(1.6)	(2.1)	(1.9)	
<b>&lt;Credit cost ratio&gt; (bps)</b>					
RHD consolidated* <sup>1</sup> (10)	(9.2)	10.2	6.1	6.1	
Total of group banks* <sup>2</sup> (11)	(8.2)	8.5	6.3	6.8	

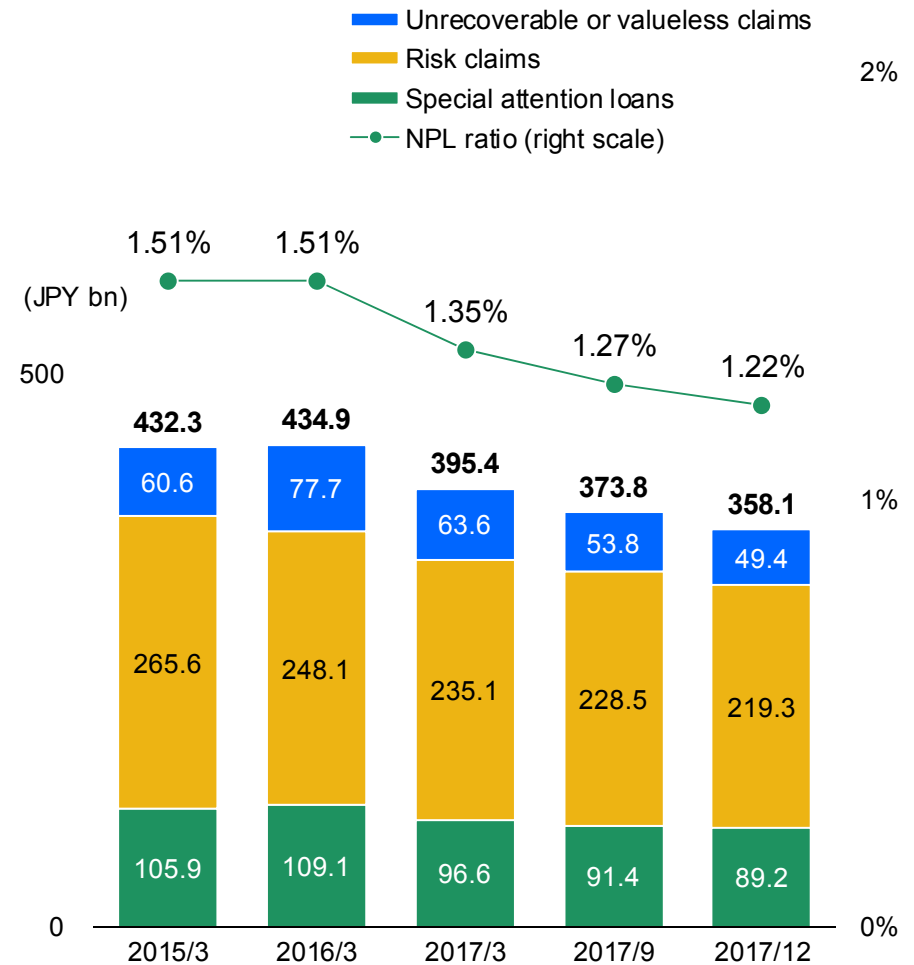
(Note) Positive figures represent reversal gains

\*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)

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

(Financial Reconstruction Act criteria)



# Securities Portfolio

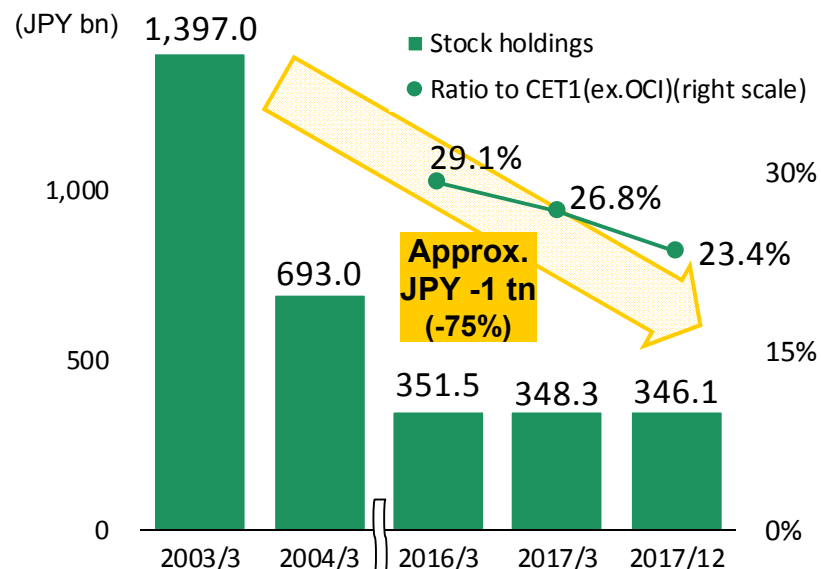
Total of Group Banks

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

(JPY bn)	2017/3	2017/9	2017/12	Unrealized gain/(loss)
Available-for-sale securities (1)	2,403.3	2,289.6	2,347.0	713.6
Stocks (2)	348.3	346.5	346.1	719.9
Bonds (3)	1,431.8	1,248.1	1,253.8	(0.9)
JGBs (4)	544.1	293.2	219.5	(2.7)
Average duration (years) (5)	7.0	10.8	8.9	-
Basis point value (BPV) (6)	(0.38)	(0.31)	(0.19)	-
Local government bonds and corporate bonds (7)	887.6	954.8	1,034.3	1.8
Other (8)	623.1	694.9	746.9	(5.3)
Foreign securities (9)	258.0	374.4	390.7	(8.8)
Average duration (years) (10)	9.2	9.2	8.5	-
Basis point value (BPV) (11)	(0.22)	(0.33)	(0.32)	-
Net unrealized gain (12)	555.4	603.3	713.6	
Bonds held to maturity (13)	2,277.7	2,176.1	2,093.1	55.0
JGBs (14)	1,771.1	1,683.6	1,606.5	43.6
Net unrealized gain (15)	67.4	57.6	55.0	

## Status of policy-oriented stocks held

- Breakeven Nikkei average: Approx. 5,600 yen
- Decrease in listed stocks in 1-3Q of FY2017 (acquisition cost) : JPY 2.2 bn, Net gain on sale: JPY 4.6 bn
- Policy for holding policy-oriented stocks<sup>\*1</sup>
  - 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

■ CAR (Domestic std.) and CET1 ratio\* (International std.) as of Dec. 31, 2017 were 12.10% and 9.90%, respectively, maintaining sound capital adequacy level

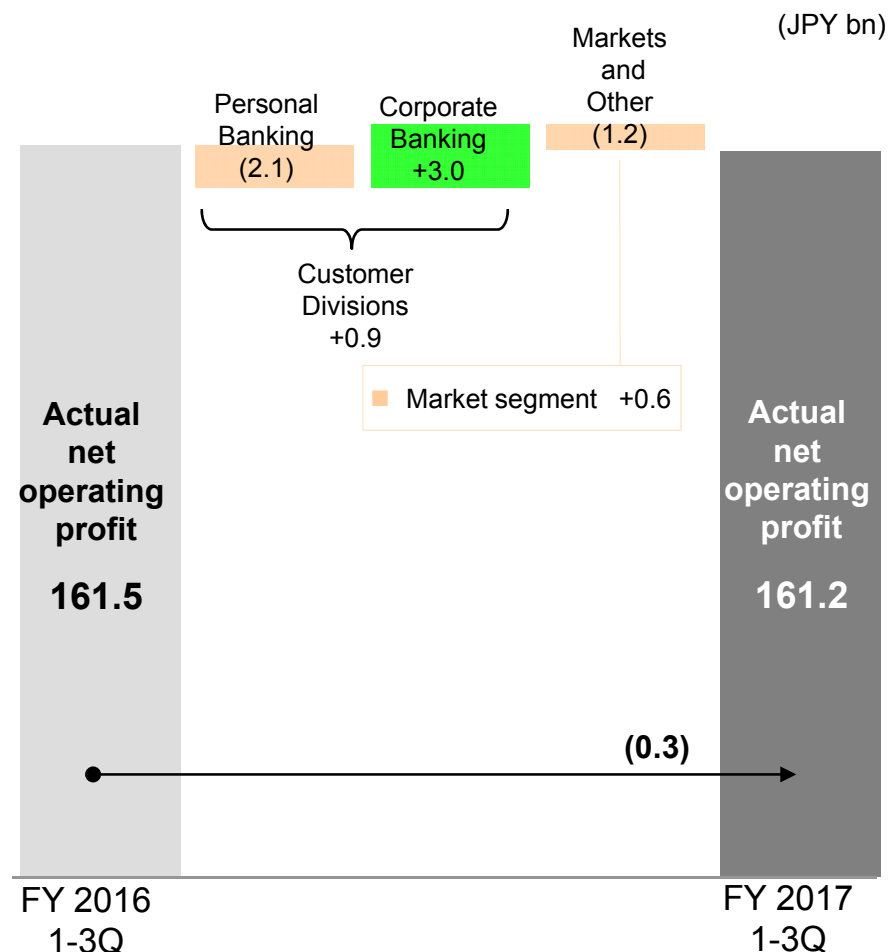
\* Excluding unrealized gain on available-for-sale securities

Domestic standard					(Reference) International standard						
	2017/3	2017/12	Change		2017/3	2017/12	Change		2017/3	2017/12	Change
<b>Capital adequacy ratio</b> (1)	<b>11.69%</b>	<b>12.10%</b>	<b>+0.41%</b>	<b>Common Equity Tier1 capital ratio</b> (13)	<b>10.74%</b>	<b>12.68%</b>	<b>+1.94%</b>	Excluding net unrealized gains on available-for-sale securities (14)	8.59%	9.90%	+1.31%
				Tier1 capital ratio (15)	11.40%	13.34%	+1.94%				
				Total capital ratio (16)	13.81%	14.92%	+1.11%				
<b>Total capital (JPY bn)</b> (2)	<b>1,746.8</b>	<b>1,758.1</b>	<b>+11.2</b>	<b>Common Equity Tier1 capital (JPY bn)</b> (17)	<b>1,653.8</b>	<b>1,924.0</b>	<b>+270.2</b>	Instruments and reserves (18)	1,721.4	1,986.9	+265.5
Core Capital: instruments and reserves (3)	1,775.9	1,808.8	+32.8	Stockholders' equity (19)	1,361.5	1,535.2	+173.7	Net unrealized gains on available-for-sale securities (20)	331.8	420.9	+89.1
Stockholders' equity (4)	1,361.5	1,535.2	+173.7	Regulatory adjustments (21)	67.6	62.8	(4.7)	Other Tier1 capital (22)	101.2	101.1	(0.0)
Non-cumulative perpetual preferred stock subject to transitional arrangement (5)	100.0	100.0	-	Tier1 capital (23)	1,755.0	2,025.2	+270.1	Tier2 capital (24)	369.8	239.0	(130.8)
Subordinated loans and bonds subject to transitional arrangement (6)	281.9	140.8	(141.1)	Total capital (Tier1+Tier2) (25)	2,124.9	2,264.2	+139.3				
Core Capital: regulatory adjustments (7)	29.1	50.7	+21.6								
<b>Risk weighted assets (JPY bn)</b> (8)	<b>14,930.8</b>	<b>14,522.0</b>	<b>(408.7)</b>	<b>Risk weighted assets (JPY bn)</b> (26)	<b>15,386.1</b>	<b>15,171.8</b>	<b>(214.3)</b>	Credit risk weighted assets (27)	14,036.9	13,752.3	(284.6)
Credit risk weighted assets (9)	13,342.7	12,954.8	(387.8)	Amount equivalent to market risk / 8% (28)	83.1	109.6	+26.4	Amount equivalent to operational risk / 8% (29)	1,049.7	984.6	(65.1)
Amount equivalent to market risk / 8% (10)	83.1	109.6	+26.4	Credit risk weighted assets adjustments (30)	216.1	325.1	+108.9				
Amount equivalent to operational risk / 8% (11)	1,049.7	984.6	(65.1)								
Credit risk weighted assets adjustments (12)	455.1	472.9	+17.7								

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

**Actual net operating profit of customer division increased, due to improvement of corporate banking segment**

(JPY bn)		FY2017 1-3Q	YoY Change
<b>Customer Divisions</b>	Gross operating profit (1)	360.1	(1.9)
	Operating expense (2)	(247.7)	+2.7
	Actual net operating profit (3)	112.6	+0.9
<b>Personal Banking</b>	Gross operating profit (4)	164.5	(5.6)
	Operating expense (5)	(129.9)	+3.5
	Actual net operating profit (6)	34.6	(2.1)
<b>Corporate Banking</b>	Gross operating profit (7)	195.5	+3.7
	Operating expense (8)	(117.8)	(0.8)
	Actual net operating profit (9)	78.0	+3.0
<b>Markets and Other</b>	Gross operating profit (10)	55.7	(0.4)
	Operating expense (11)	(7.1)	(0.8)
	Actual net operating profit (12)	48.6	(1.2)
<b>Total</b>	Gross operating profit (13)	415.9	(2.3)
	Operating expense (14)	(254.9)	+1.8
	Actual net operating profit (15)	161.2	(0.3)



## Definition of management accounting

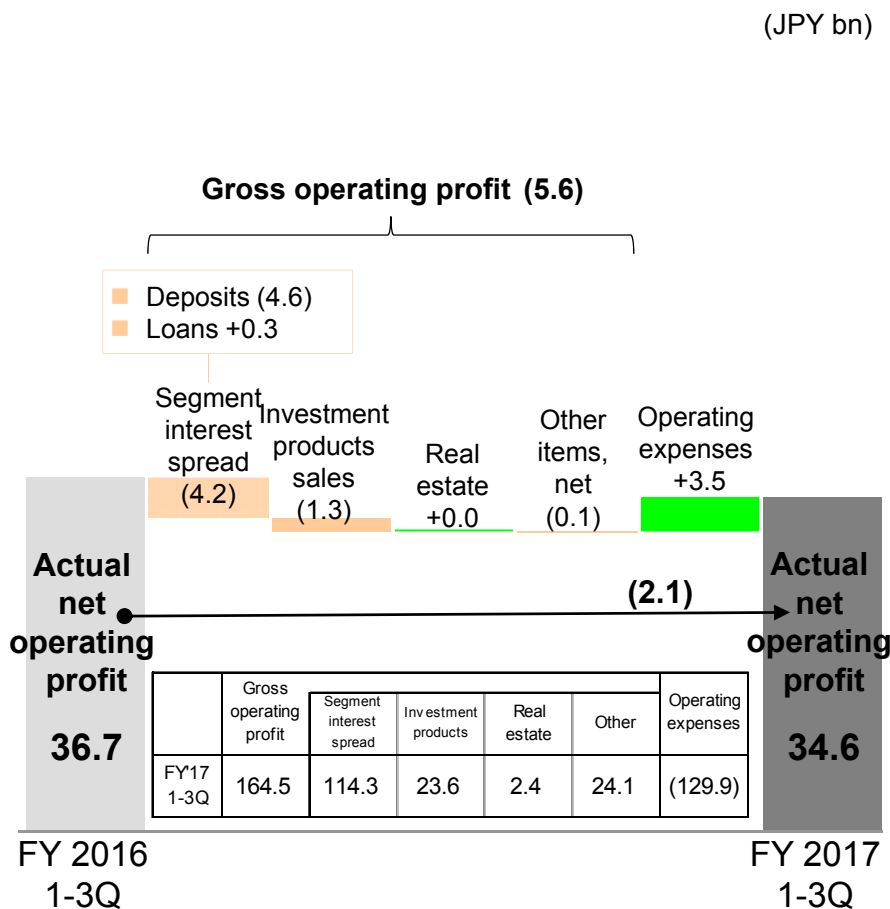
1. Numbers reported above refer to 3 Resona Group banks and consolidated subsidiaries.
2. Gross operating profit of "Markets" segment includes a part of net gains/losses on stocks.
3. "Other" segment refers to the divisions in charge of management and business administration.

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

## Personal Banking Segment

- Actual net operating profit : decreased by JPY2.1 bn YoY
  - Decreased mainly due to decline in profit from deposits, while operating expenses improved

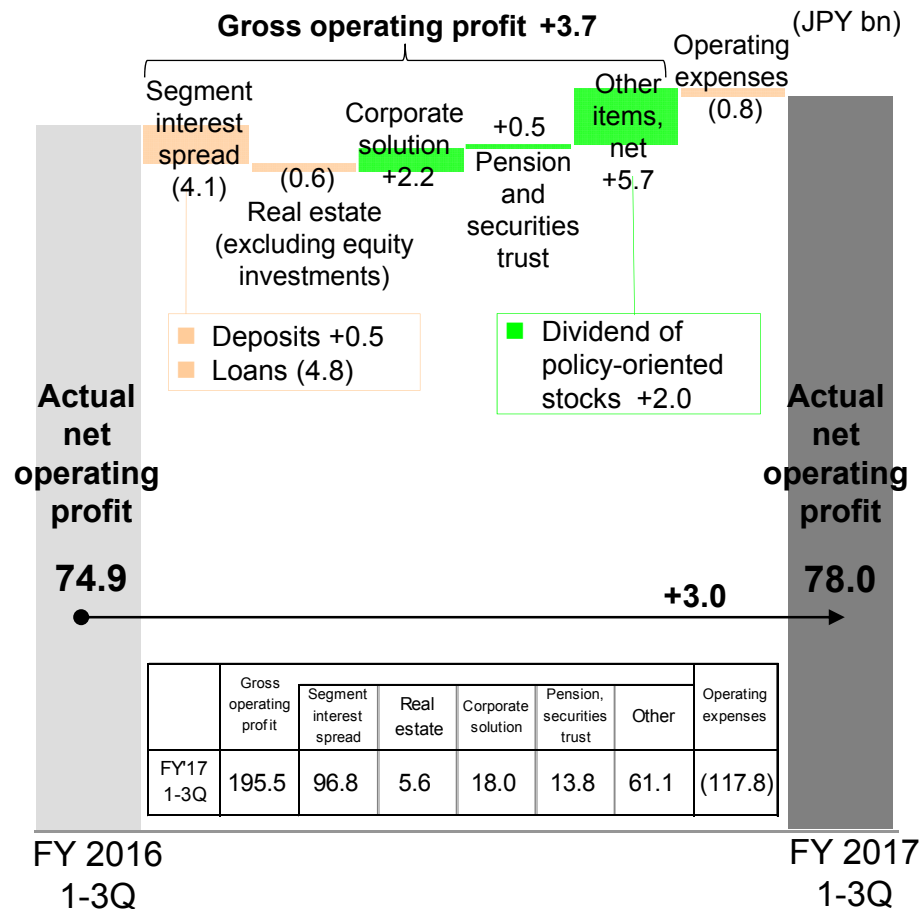
【 Comparison of actual net operating profit 】



## Corporate Banking Segment

- Actual net operating profit : increased by JPY3.0 bn YoY
  - Corporate solution and trust related fees are robust

【 Comparison of actual net operating profit 】



## **Resona Group at a Glance**

## **Outline of Business Results for 1-3Q of FY2017 and Updates on Major Businesses**

## **Efforts to Business Challenges for Sustainable Growth**

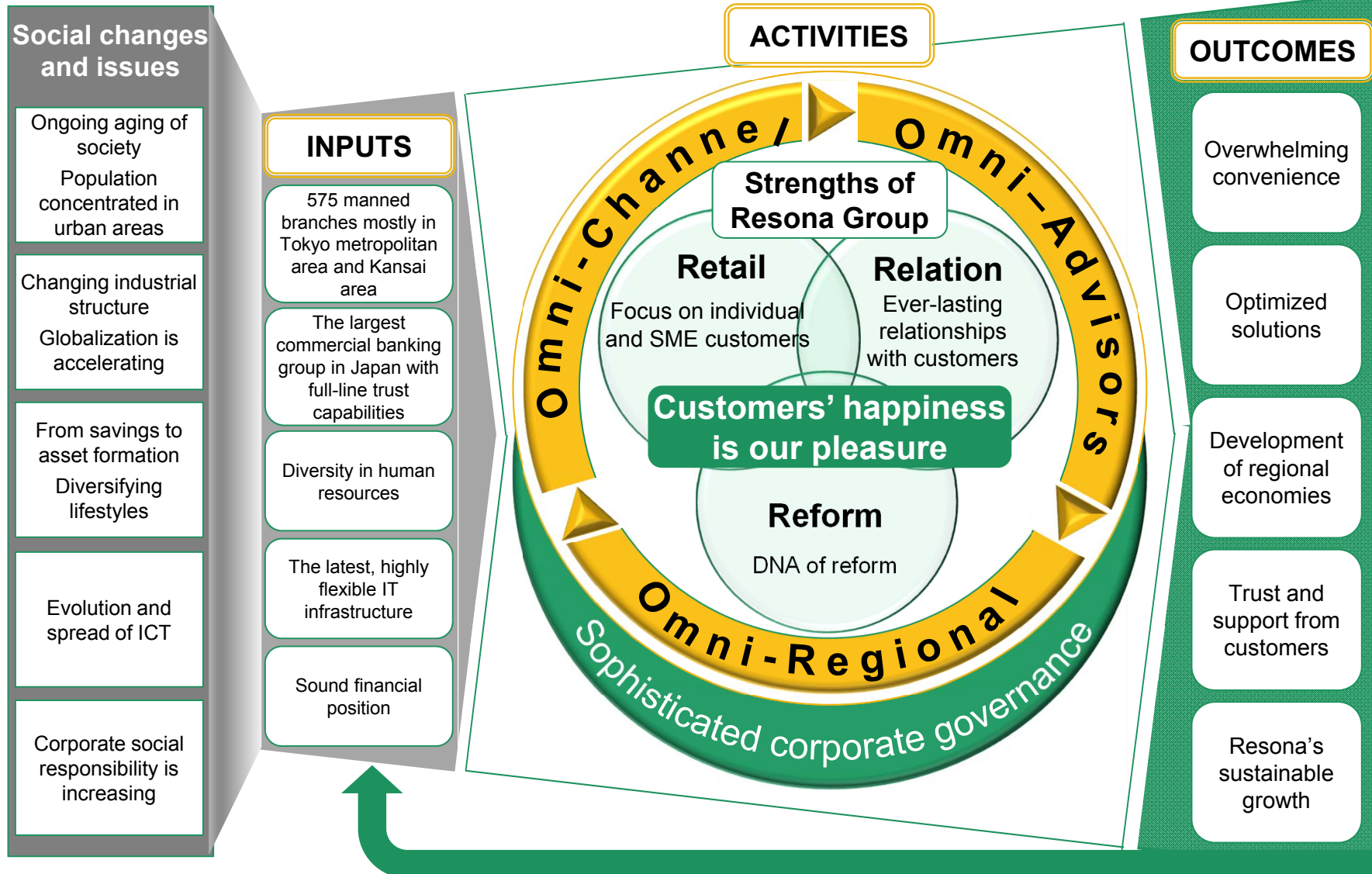
## **Direction of Capital Management**

## **Reference Material**

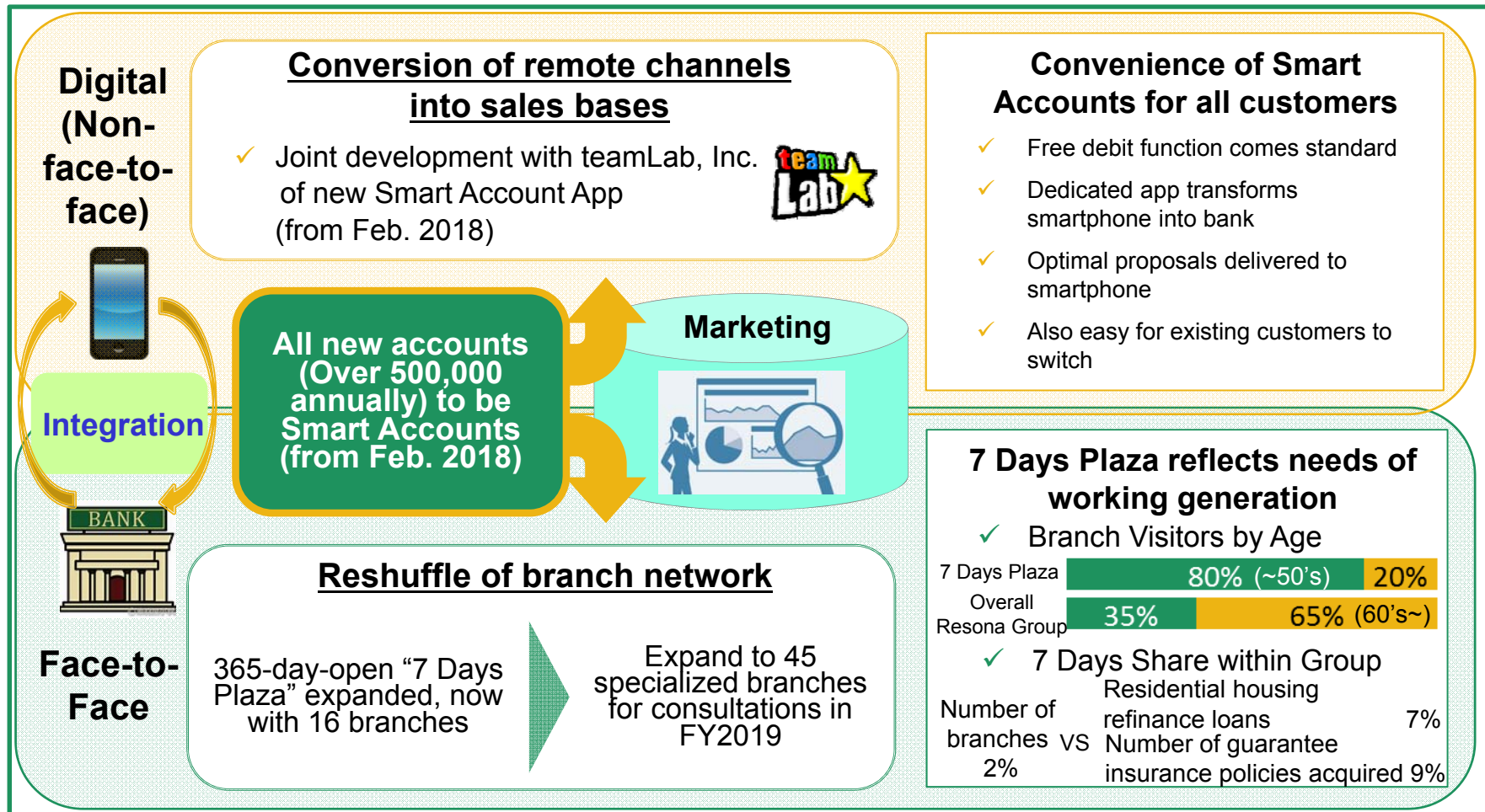


# Value Creation Model for Becoming the “Retail No.1” Financial Services Group

Resona Group contributes to regional economies  
and achieves sustainable growth together with its customers



# Omni-Channel Strategy



# Omni-Advisors Strategy

**Expand Base of Long-Term Stable Customers through Consultants who can understand true latent needs of customers**

- **Develop a corporate culture of highly customer-oriented awareness for all corporate and individual customers to provide “Independent Financial Advisor”-type service**

**5 Attitudes of Omni-advisors**

- “Customers' happiness is our pleasure”
- Draw out customer concerns
- Provide solution options and information that lead to solutions
- Propose what is thought good for the customer’s future
- Turn down what is thought not good for the customer’s future



**3 Elements of Omni-advisors**

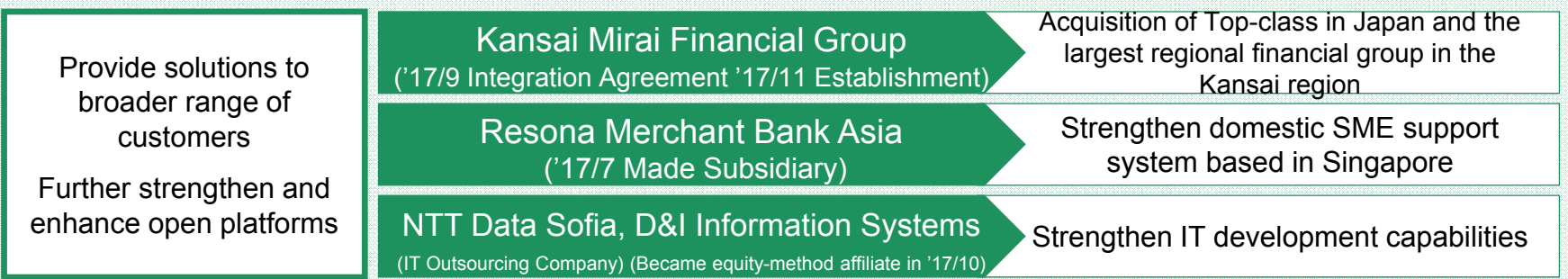
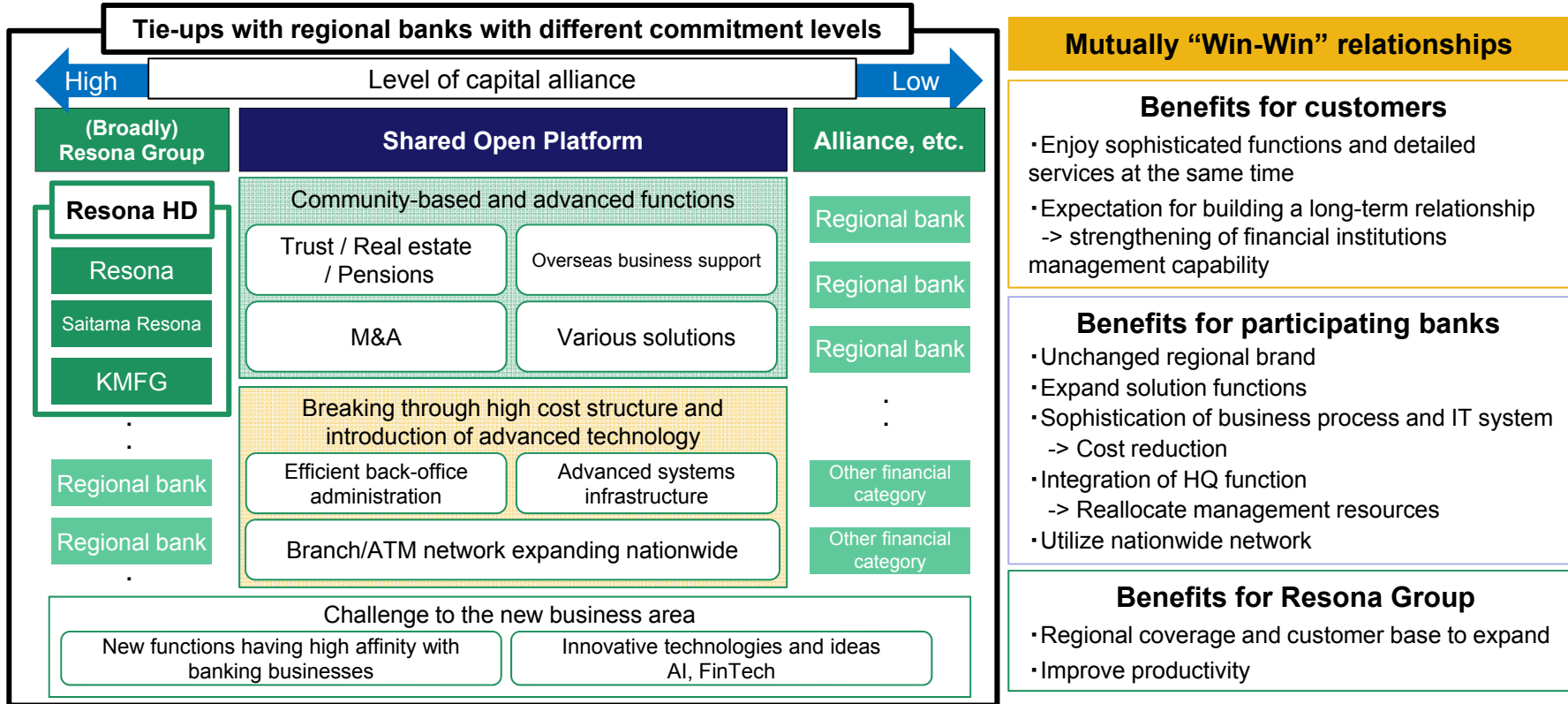
- Commitment to solutions
- Communication skills
- Extensive experience

- **Expand profit opportunities with all 26,000 Resona staff providing solutions**

Differentiate with Omni-advisors		(Initiative Examples)	Expansion of Revenue Per Employee (Simulation)	
			(Millions of yen)	
<b>Front</b> Client relations, tellers, call centers	Friendliness and understanding of concerns to bring out latent needs	New use of succession-related trust function 1-3Q FY'17 2,903 (+27% YoY)	FY'16 19.4	FY'19 22.3
<b>Back</b> Administration, headquarters	Support front from customer standpoint; promote digitalization	First insurance application system for Japanese bank 1/3 customer application time	FY'16 5.5	FY'19 7.6

# Establishment of Omni-Regional Platform

**Create new profit opportunities through providing new value to more customers**



# Creation of Kansai Mirai Financial Group (1)

## Management principles

As a financial group which will advance together with the future of the Kansai region,  
**Grow with its customers,**  
**Create a prosperous future for communities it serves,**  
**Make innovative changes for continuous evolution**

Overview (April 2018, at the time of integration)			FY 2016 (Total of 3 banks)	Management goal (In 5 years)
Head office address	2-1 Bingomachi 2-chome, Chuo-ku, Osaka			
Representative	Tetsuya Kan	Gross operating profit	Y148.2 bn	Y170.0 bn
Governance structure	Company with audit and supervisory committee	Operating expense	Y113.2 bn	Y100.0 bn
Major shareholder and ownership ratio	Resona Holdings 51% (100% at time of establishment)	Actual net operating profit	Y34.9 bn	Y70.0 bn
Share listing	First Section of Tokyo Stock Exchange	OHR	76.4%	Less than 60%

## Policy Development from April 2018

Eliminating risks as much as possible, implement the systems integration with a sense of overwhelming speed

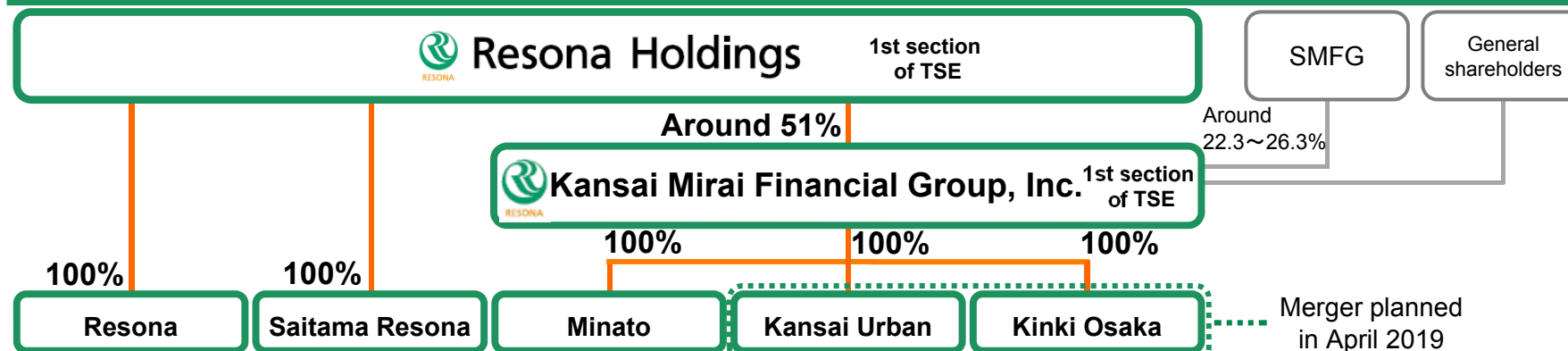
- Kansai Urban and Kinki Osaka to merge one year after integration, and to be integrated into the Resona Group's administrative functions and systems six months thereafter. In another year, Minato's system integration is planned.

	FY2017		FY2018				FY2019				FY2020			
	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	
Kansai Urban	Integration		Preparations for merger				Merger	System integration				System integration		
Kinki Osaka														
Minato							Preparations for systems integration							

- Targeting early realization of multifaceted integration synergies through maximum utilization of Group functions, expertise and other resources
  - Utilization of trust and real estate functions, etc.; streamlining of headquarters organizations and channel realignment; more advanced capital management systems; etc.

## Creation of Kansai Mirai Financial Group (2)

Establish largest operating base in Kansai and strengthen foundation of Japan's largest retail financial group



The largest retail-focused banking group with full-line trust capabilities in Japan

FY2016 Balance: Y trillion Profit: Y billion	Resona Group (Total of 5 banks)	Resona	Saitama Resona	KMFG (Total of 3 banks)	Minato	Kansai Urban	Kinki Osaka
Total assets	56.5	30.9	13.9	11.6	3.4	4.5	3.5
Trust assets	26.6	26.6	-	-	-	-	-
Loans	34.7	18.8	7.0	8.8	2.5	3.8	2.4
Deposits	47.8	24.9	12.5	10.4	3.1	4.0	3.2
Net profits	150.4 <sup>*1</sup>	101.3	34.7	28.1	6.6	14.0	7.5
Number of branches	840	334	127	379	106	155	118

Equity finance not conducted, so increase in EPS, BPS

EPS

Increase through KMFG contribution profit (current term projection basis; JPY 8.8 bn<sup>\*2</sup>)

Further expand by demonstrating integration synergies

BPS

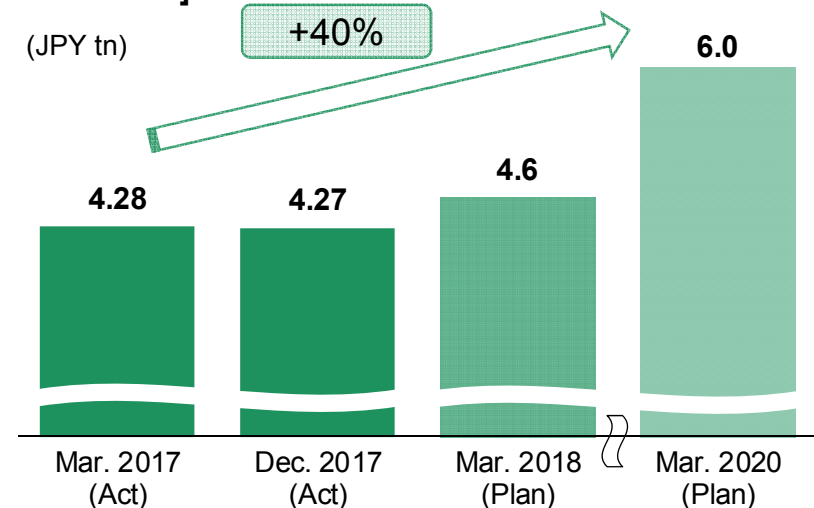
· Acquired net assets, Recognition of DTA of JPY 71.5 bn from KO transfer

<sup>\*1</sup> Kansai Mirai FG profit calculated as 51% of the sum of the three banks. <sup>\*2</sup> After incorporating change from equity ratio (the effect of realignment of loan guarantee subsidiaries is excluded from KO's revised earning target for FY'17 released in Nov. 2017)

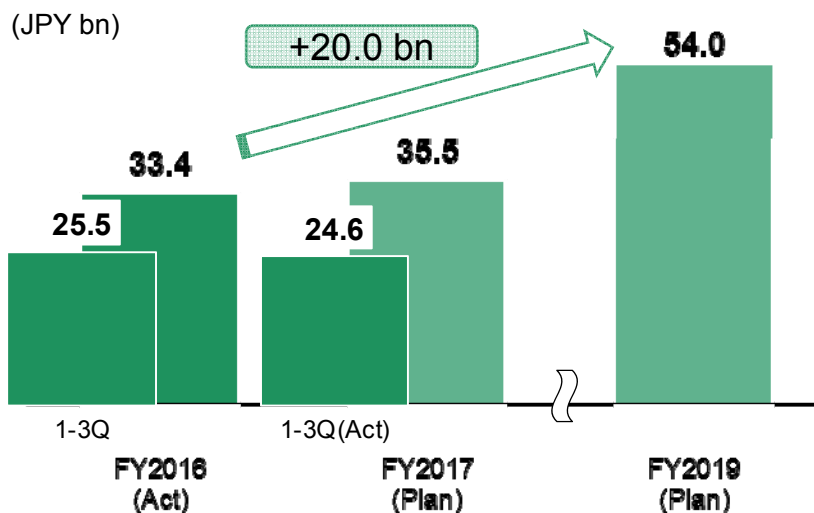
# Asset Formation Support Business

## Increase asset formation support products balance based on fiduciary duty

### [Balance of Asset Formation Support Products for Individuals]



### [Income from asset formation support]

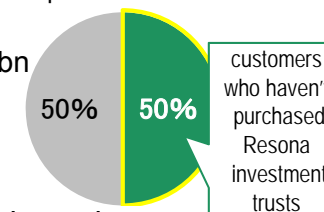


### Detailed consulting tailored customers

#### [Fund Wrap]

- Began handling Feb. 2017  
-> Balance in '17/12 exceeded JPY200.0 bn
- Propose optimal asset allocation from 60 types of portfolios
- Stable management via long-term diversified investment utilizing annuity know-how
- 87% of 60 types of portfolios have achieved targeted return (as of Oct., 17)

#### Fund Wrap Customer Attributes



### Long-term support for asset formation segment

#### ■ Legal and Tax Backup (iDeCo, NISA)

##### [ iDeCo (Individual-type Defined Contribution Pension Plan) ]

- DC Act revisions: Eligible members increase to 67 million
- Resona iDeCo members as of '16/9: 27,000, increase as of '17/9 to 58,000
- Tsumitate Plaza openings: Hirakata ('17/10), Yaesu ('17/11)
- Simple online entry on dedicated iDeCo site
- Consultations at approx. 600 Group branches; Among lowest fees in the industry

##### [Tsumitate (Savings) NISA]

- Began handling Oct. 2017 (program launches in Jan. 2018)
- Simple, low-cost product lineup optimal for long-term investment
- Easily complete account opening, product selection/purchase, and closing online or using smartphone (from 2018)

# Settlement Business

Acquire broad-based and stable revenues by providing progressive, highly convenient settlement services

## Strengthen Debit Card Strategy

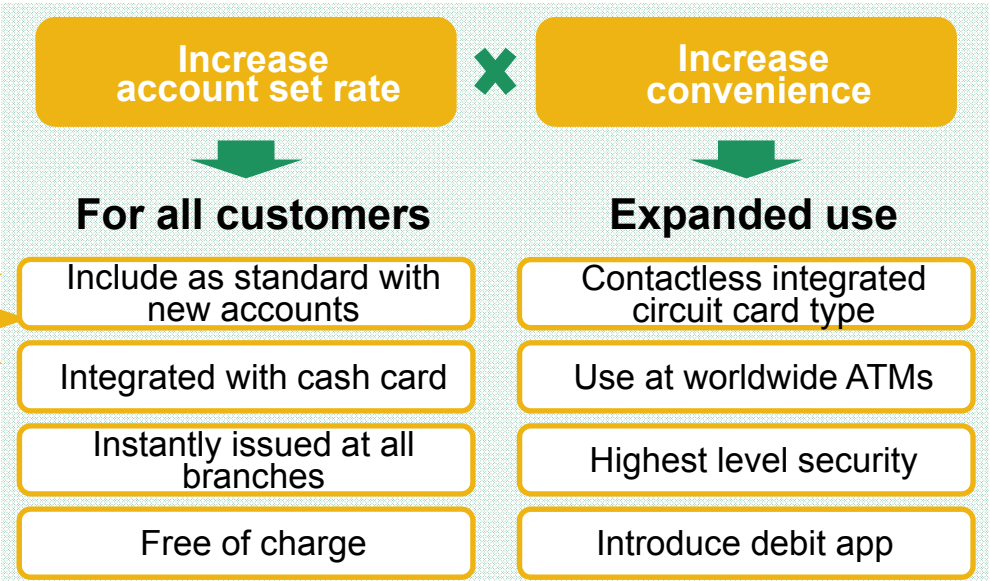
[Introduce new product] (Oct. 2017~)

- Giving all customers convenience and a great deal

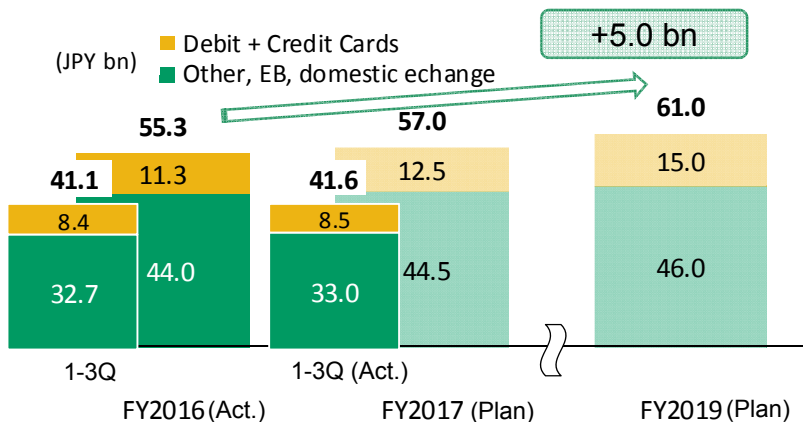


[With eMoney, no need for charge]

Penetration of Resona Debit (1-3Q FY'17)  
**Usage amount** : +30% YoY  
**Number handled** : +53% YoY



### [Settlement-Related Income]

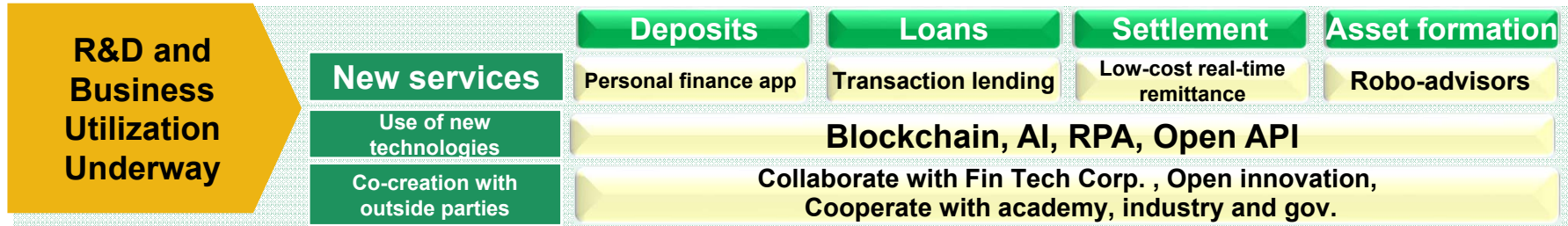


Utilize Group Company Functions	
<b>Resona Kessai Service</b>	<ul style="list-style-type: none"> <li>➤ Provide diverse, channel-based settlement service on total Group basis                             <ul style="list-style-type: none"> <li>• Resona Flex Guarantee (Factoring with guarantee)</li> <li>• Resona Pay Resort (EC multi-settlement service)</li> </ul> </li> </ul>
<b>Resona Card</b>	<ul style="list-style-type: none"> <li>➤ Solve issues related to corporate/individual settlement                             <ul style="list-style-type: none"> <li>• Major corporate card (link with expense settlement system)</li> </ul> </li> </ul>



# Utilization of FinTech

Utilize advanced technologies to pursue greater customer convenience and higher productivity



## New Smart Account App (Feb. 19, 2018~)

- Personalized proposals (marketing engine)
  - > Provide insights
  - > Promote use of diverse services

(Sample message)

You're in your 20's. Did you know that average savings for someone in your generation is ¥X00,000? How about starting a savings account? It's easy.

## Smartphone Settlement Service "PayB" (Feb. 5, 2018~)

- Pay anytime, anywhere with barcode
  - > provide diverse payment methods -> More efficient

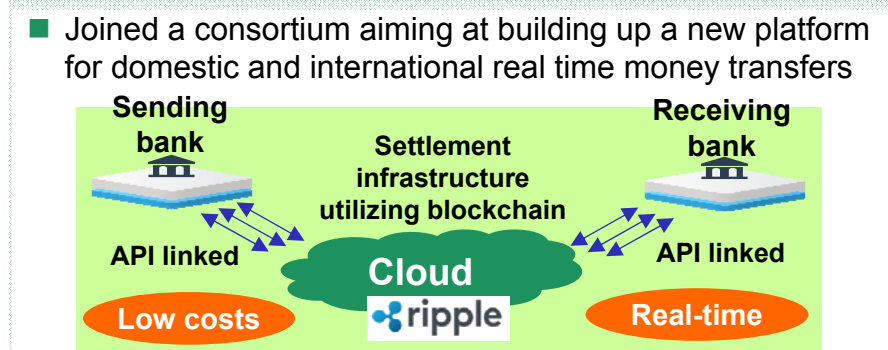
Scan barcode

Enter PIN

Payment complete !

(Business alliance with Billing System Corp.)

## Blockchain Utilization



## Asset Formation Robo-Advisor

- Investment trust selection support function (Nov. 2017~)
- Defined contribution pension plan management support function (FY'18~)

## Open Innovation

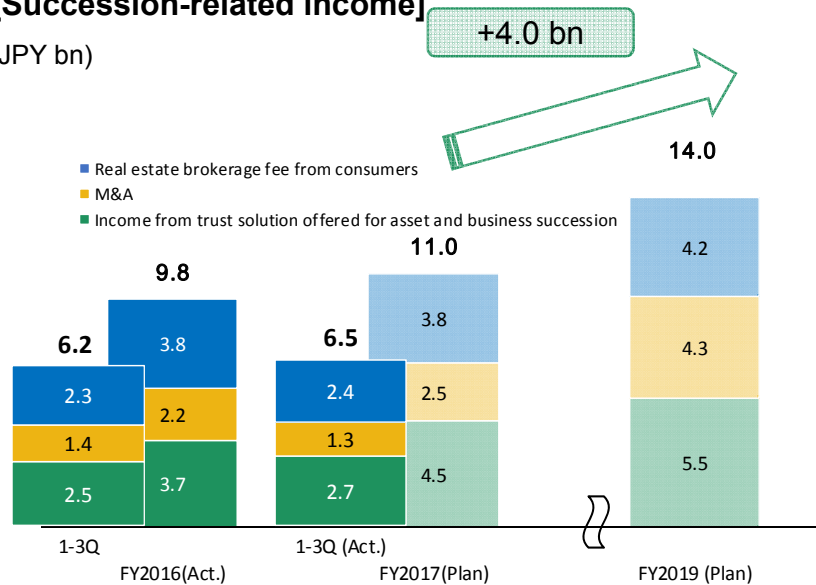
- Participate in outside R&D groups to consider on utilizing new technologies in business
- Collaboration with start-ups through Accelerator Program
  - e.g. : DG Lab (Digital Garage Inc.), Kobe Open Accelerator (Kobe City)

# Succession Business

## Expanding transactions with succession solutions that utilize strength in trusts

### [Succession-related income]

(JPY bn)

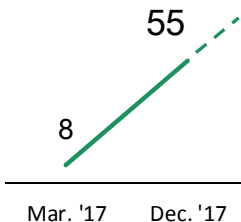


### Approach latent premium segment (800,000)

Identify customers with latent needs based on asset background

Expand solution provision system qualitatively & quantitatively

Increase premium offices with dedicated consultants



- ✓ Promote/penetrate trust/real estate functions  
-> Project stock 1 year after establishment (pre-introduced) **3x**
- ✓ Branch staff training ('17/3)

FP (1<sup>st</sup> grade)  
approx. 1,000

FP (2<sup>nd</sup> grade)  
approx. 10,000

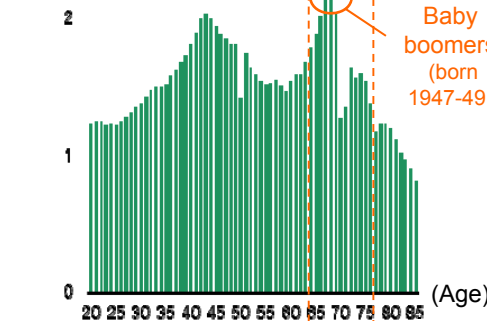
Real-estate Notary  
approx. 5,000

⇒ Further **Expansion**

### Expanding succession market

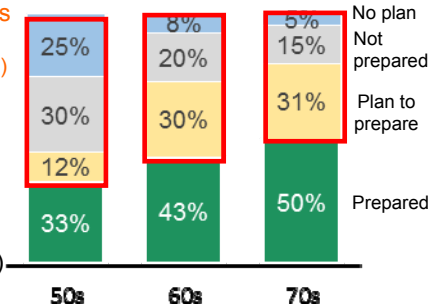
#### Population estimates by age\*1

- ✓ With mounting business succession needs, 65-75 age group to peak in 10 years



#### Business succession preparations\*2 (by president's age)

- ✓ Over approx. half of SMEs have not prepared for business succession



### Succession solutions opportunity for multifaceted transactions

Retail customer base of commercial bank



Trust and real estate  
Solutions and services of commercial bank



### Develop into multifaceted transactions including next generation

Will trust

Investment trust / Insurance

Apartment loan

Business succession

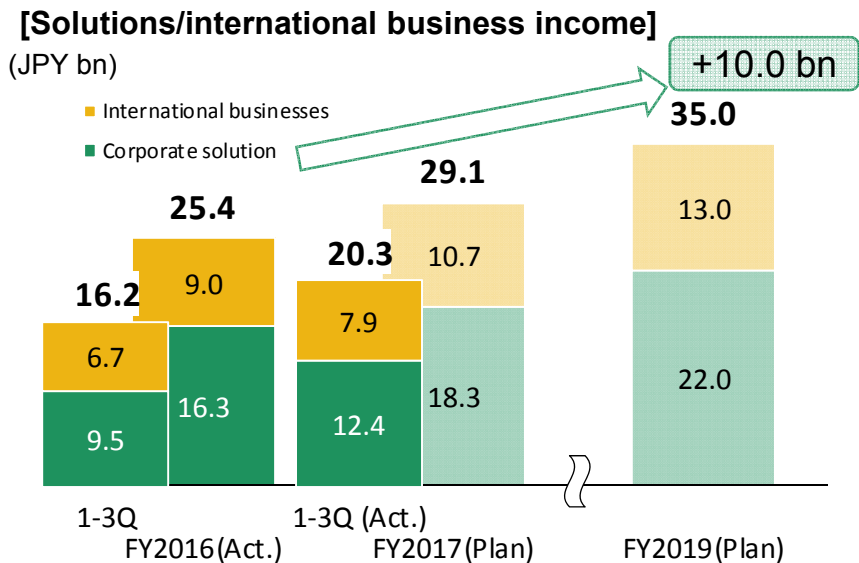
Real estate

\*1 Statistics Bureau, Ministry of Internal Affairs and Communications Population Estimates (as of Oct. 1, 2016)

\*2 Small and Medium Enterprise Agency's "Business Succession Manual for Business Owners"

# SME Business

## Deepening transactions with 400,000 total corporate customers through growth stage-based solutions



Conversion

Growth Maturation

Founding

- Strengthen information linkage with regional financial institutions nationwide through M&A platform (from Nov. 2016)
- Utilize know-how of Resona Research Institute to strengthen consulting on transfer/discontinuation

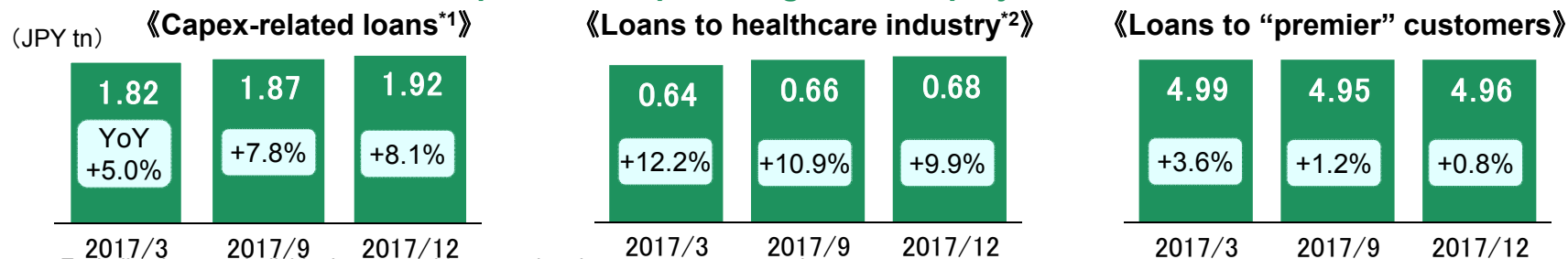
- Utilize asset management know-how, etc. of Resona AM to strengthen services for corporations with surplus funds
- Utilize RMBA (from July 2017) to strengthen overseas support initiatives

- Strengthen support for management through “Start-up Support Pack”(EB, card, consulting), Start-up Support School (from April 2017) and membership-based website and other
- Start business loans (from January 2018)

### [Loans to SMEs]

Dec. 2017 : JPY10.74 tn (+6.3% YoY)

- In providing loans through Tokyo metropolitan and Kansai region networks, put to work trust and real-estate functions, and experience of providing financial projections, etc.



\*1. Excluding loans to individuals, non-residents, and real estate sector companies

\*2. Loans to medical and nursing care institutions and welfare facilities

# International Business

**Comprehensive support for customers' overseas business development, centering on Asia and U.S.**

- Services offered by corporation among domestic branches, JV bank, representative offices and partner banks



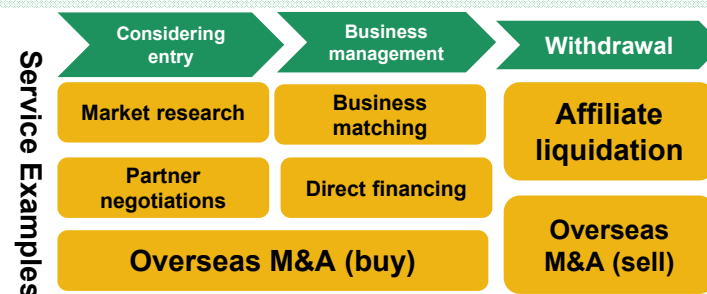
### Supports by Domestic Headquarters/Branch

Approx. 600 Domestic Branches

- Branches: Strengthen consultative capacities
- Headquarters: Full support system via dedicated team
- Digital: On-line FX functions, e-rate service
- Information provision: Actively hold meetings, seminars, etc.

### [Resona Merchant Bank Asia] (Singapore)

- Provide various solutions based on overseas business stage in Singapore and surrounding countries



### [P.T. Bank Resona Perdania] (Indonesia)

- JV bank with 60 years of local experience (started business in 1958)

### [Representative Offices]

4 Overseas Offices

- Provide custom-targeted local information

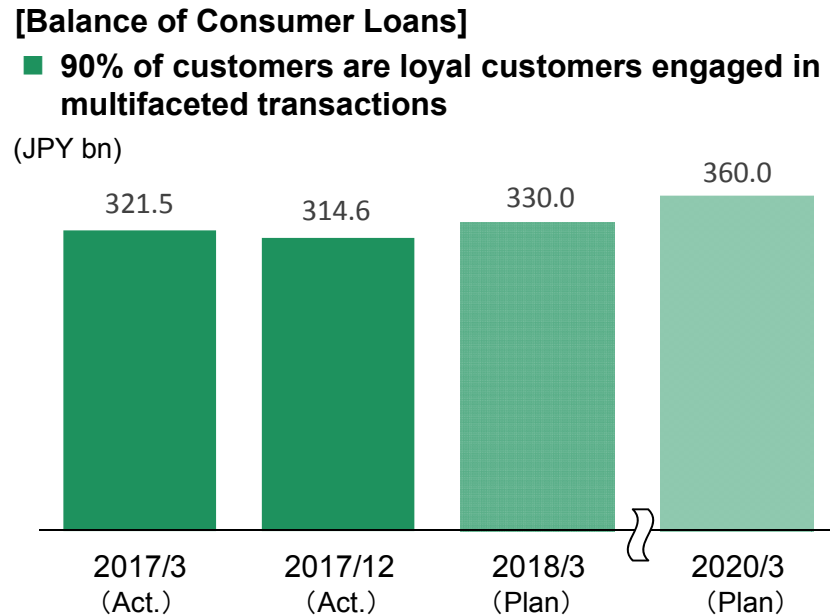
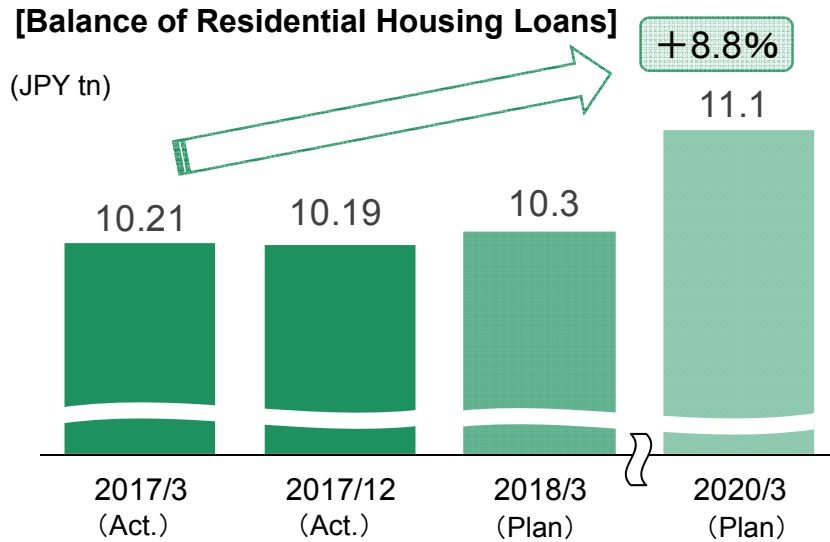
### [Partner banks]

18 Banks in 14 Countries Overseas

- Provide dominant branch network of a local financial institution and full slate of banking functions locally
- Assign Company employees to five partner banks and provide services in Japanese at Japan desk

# Individual Loan Business

Achieve multifaceted transactions with more customers starting with financing for living



## Expand share of loans to individuals and increase profitability

Open, screening and execution on holidays	Nation-wide service through Smart Store
High value-added products ✓ Danshin Kakumei    ✓ Women's support loans	Digitalization Reduce administrative load Improve Marketing capabilities
Strict Screening	

## Multifaceted Transactions Increase with Use of Residential Housing Loan

[Residential Housing Loan vs. No Residential Housing Loan]

Salary, Pension <b>1.6 times</b>	Resona Card <b>1.8 times</b>	Web transaction <b>1.6 times</b>
Insurance <b>2.6 times</b>	Investment trust <b>1.5 times</b>	Consumer loan <b>3.3 times</b>

## Consumer Loan Initiatives

Meet sound financing needs	Detailed product design
Appropriate information provision	
	Change standard for acquiring proof of income
	Review expressions used in advertising, etc.

# Process Reform: Full-Scale Digitalization

Strengthen marketing capabilities and raise cost competitiveness through digitalization

Situate optimally sized branches in optimal locations

### Improve customer convenience

- ✓ No-rush consultations at branches in convenient locations
- ✓ For simple procedures, speedy online
- ✓ Seal-less for convenience and security

### Improve Resona's productivity

- ✓ Challenge of "zero clerical work" -> Branches as consultation centers
- ✓ Large decrease in staff members per branch
- ✓ Flexibility increase branches operating with small staffs

Policy development with emphasis on speed

### Branch digitalization

- ✓ All branches to have instant card issuers (by Feb.'18) Completed
- ✓ All branches to offer seal-less accounts (by Feb. '18) Completed
- ✓ All branches to utilize tablet devices (by Feb. '18) Completed

### Client relations digitalization

- ✓ Tablet devices provided to client relations staff Completed
- ✓ Corporate sales support system launch (by May. '18)

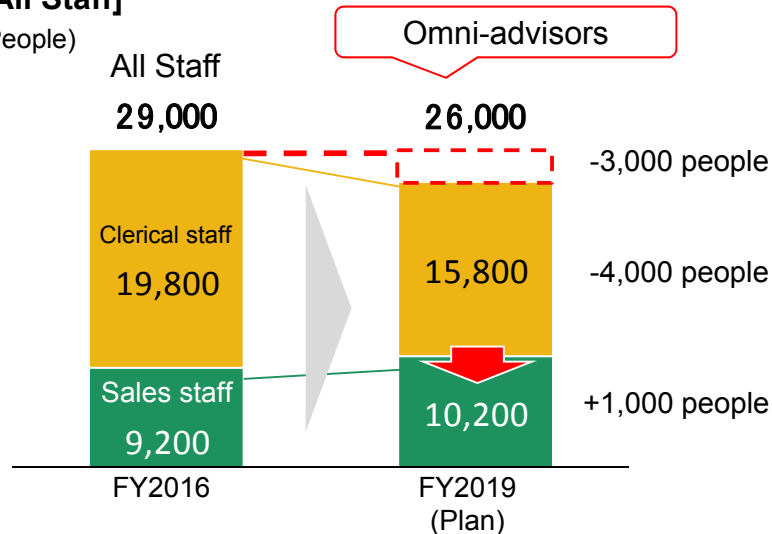
### AI/RPA

- ✓ Introduce AI for administrative navigation and call centers In progress
- ✓ Operational efficiency of HQ and back office by RPA In progress

Reduce total staff by 3,000 and shift 1,000 to sales by March 2020

### [All Staff]

(People)



Consolidated cost income ratio below 60% in FY2019

### [Personnel/Non-personnel Expenses (Total of group banks)]

(JPY bn)



# Corporate Governance System

The first Japanese banking group which adopted a committee-based corporate governance structure in 2003 for management transparency and objectivity

## Outside directors



**Tadamitsu Matsui**  
**Chairperson, Nominating Committee**  
**Member, Compensation Committee**  
 Representative Director and President of MATSUI Office Corporation  
 (Former Representative Director and Chairperson of Ryohin Keikaku Co.,Ltd.)



**Mitsudo Urano**  
**Chairperson, Compensation Committee**  
 Senior Advisor of Nichirei Corporation  
 (Former Representative Director and Chairperson of Nichirei Corporation)



**Yoko Sanuki**  
**Chairperson, Audit Committee**  
 Attorney-at-law  
 (Representative of NS Law Office)



**Toshio Arima**  
**Member, Nominating Committee**  
**Member, Compensation Committee**  
 Chairperson of the Board, Global Compact Japan Network  
 (Former President and Representative Director of Fuji Xerox Co., Ltd)



**Hidehiko Sato**  
**Member, Nominating Committee**  
**Member, Audit Committee**  
 Attorney-at-law (Hibiki Law Office)  
 (Former National Police Agency Commissioner)



**Chiharu Baba**  
**Member, Audit Committee**  
 (Former Deputy President of Mizuho Trust & Banking Co., Ltd.)

## Internal directors



**Kazuhiro Higashi**  
**President and Representative Executive Officer**



**Tetsuya Kan**  
**Representative Executive Officer**  
 President and representative director of KMFG in Nov. '17



**Toshiki Hara**  
**Representative Executive Officer**



**Kaoru Isono**  
**Member, Audit Committee**

### Board of Directors

- Majority of the Board members are independent outside directors with wide range of knowledge
  - Elects chairperson of the Board after conducting an annual analysis and self-evaluation of the Board
  - Free discussion sessions are held adding to the board to discuss on strategic matters

### Nominating Committee

- Introduced succession plan in July 2007
- Ensure objectivity by drawing on the advice of outside consultants

### Compensation Committee

- Abolished corporate performance based compensation, introduced Performance Share Unit Plan in 2017

### Audit Committee

- Introduced double report line system in 2016

## **Resona Group at a Glance**

## **Outline of Business Results for 1-3Q of FY2017 and Updates on Major Businesses**

## **Efforts to Business Challenges for Sustainable Growth**

## **Direction of Capital Management**

## **Reference Material**



# 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

- Impact of KMFG establishment on capital adequacy ratio is recoverable soon and no change to the equal weight allocation policy

## CAR target

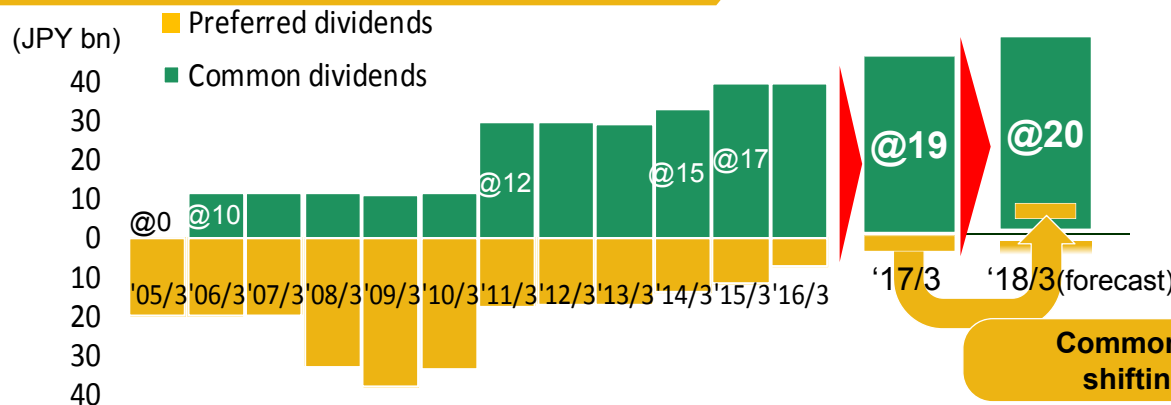
- Secure sufficient capital adequacy under the Japanese Domestic Std.
- Aim to achieve around 9% CET1 ratio\*1,2 under the International Std. (Mar. 2020)
  - Cope with the revisions of Basel rules (SA and capital floor) utilizing the time horizon till such rules are to be fully implemented

## ROE target

- Maintain ROE\*1,3 above 10%
  - : FY2016 11.67%

## Shareholder return policy

- Common DPS planned for FY2017: 20 yen per year, +1 yen YoY (of which, interim 10 yen, +0.5 yen YoY)
  - Intend to repurchase and cancel Class 5 PS (total issue amount JPY100 bn) in FY2017, subject to a regulatory approval
- Consider further enlargement of shareholder return while keeping the level of common DPS after the above increase as “stable” dividends



Further shareholder return to be considered

Common DPS increase through shifting preferred dividends

\*1. Reflect the impacts of integrating regional banks in the Kansai region

\*2. Exclude unrealized gain on available-for-sale securities, net of tax effect

\*3. (Net income – preferred dividends) / (Total shareholders equity – balance of outstanding preferred shares)

## **Resona Group at a Glance**

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# Overview of the Mid-term Management Plan

**Vision** **“Retail No.1”** “Financial Services Group” that is most supported by regional customers as it walks with them into the future

Deliver solutions customers really need and reform mid-to-long term income structure by establishing “Next-generation Retail Financial Services Model” based on the following three basic strategies (FY2017-FY2019)

### Basic strategies

- (1) Evolution of “Omni-Channel”
- (2) 26,000 “Omni-Advisors”
- (3) “Omni-Regional” Platform



- (1) Approach customers Resona has not had effective contacts with
- (2) Address customers’ needs Resona has not been able to grasp
- (3) Find profit opportunities Resona has not been able to reach

### Business Strategies

Solutions for business growth, turnaround and succession

Total life solutions

- Retail × Trust × AM × Real Estate
- Asset Formation Support Business
- Settlement Business
- Succession Business
- SME Business
- Individual Loan Business

### 4 foundation reforms

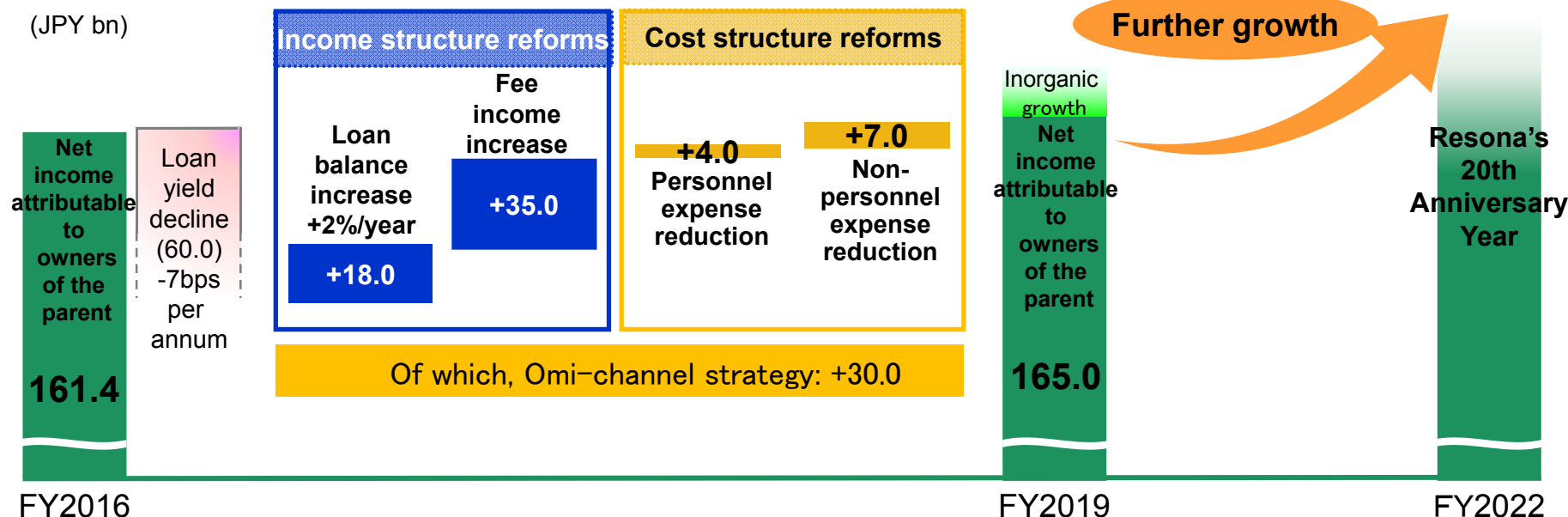
- more sales staffs and higher productivity -

- HR management reform
- Reshuffle of branch network
- Organizational reform prioritizing customer experience
- Business process reform (Exhaustive digitalization)

# Mid-term Management Plan : Income and Cost Structure Reforms

Develop tolerance to prolonged ultra-low interest rate environment via income and cost structure reforms

Higher profitability via perfection of new business model and better operating environment



## Key Performance Indicators (KPIs) FY2019

Net income attributable to owners of the parent	JPY 165 bn	ROE*1,2	Over 10%
Consolidated fee income ratio	Over 35%	CET1 ratio*1,3	9% level
Consolidate cost income ratio	Below 60%	[FY2019 assumed conditions] Overnight call rate (0.05) %, Yield on 10Y JGB + 0.05%, Nikkei 225 18,000 yen to 21,000 yen level	

\*1. Reflect the impacts of integrating regional banks in the Kansai region  
 \*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

# Mid-term Management Plan : Business Strategies

<b>Solutions for business growth, turnaround and succession</b> Supports to SME customers to solve business challenges	<b>Total life solutions</b> Solutions for individual customers' anxieties and concerns, and for higher conveniences
<b>Cultivating "Retail x Trust x AM x Real Estate" further</b>	

Business fields	Initiatives	Targets (vs. FY2016)				
<b>Asset Formation Support Business</b>	<ul style="list-style-type: none"> <li>■ AM solutions to assist medium-to-long term asset formation based on customers' need (Fund wrap, NISA and iDeCo)</li> <li>■ Support customers' asset formation through the seamless fusion of F2F and non-F2F channels, and provision of simple products and procedures</li> </ul>	<table border="0"> <tr> <td><b>Products to support asset formation for individuals (term-end bal.)</b></td> <td style="text-align: right;"><b>Appx. JPY6 tn</b> (+ Appx. 40%)</td> </tr> <tr> <td><b>Income from asset formation support</b></td> <td style="text-align: right;"><b>Appx. JPY54 bn</b> (+ Appx. JPY20 bn)</td> </tr> </table>	<b>Products to support asset formation for individuals (term-end bal.)</b>	<b>Appx. JPY6 tn</b> (+ Appx. 40%)	<b>Income from asset formation support</b>	<b>Appx. JPY54 bn</b> (+ Appx. JPY20 bn)
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<b>Settlement Business</b>	<ul style="list-style-type: none"> <li>■ Collaborations among group companies and with FinTech companies</li> <li>■ Support start-up companies with a comprehensive solution package</li> <li>■ Expand customer base by promoting "Smart Store" (All procedures to be completed with smart phones)</li> </ul>	<table border="0"> <tr> <td><b>Consolidated settlement-related income</b></td> <td style="text-align: right;"><b>Appx. JPY61 bn</b> (+ Appx. JPY 5 bn)</td> </tr> </table>	<b>Consolidated settlement-related income</b>	<b>Appx. JPY61 bn</b> (+ Appx. JPY 5 bn)		
<b>Consolidated settlement-related income</b>	<b>Appx. JPY61 bn</b> (+ Appx. JPY 5 bn)					
<b>Succession Business (Business and asset)</b>	<ul style="list-style-type: none"> <li>■ Increase solution consultants and station them at branch offices</li> <li>■ Diverse solutions (succession-related trusts, M&amp;A, business abolition and transformation, MBO and LBO, etc.)</li> <li>■ Trust and real estate functions as a standard equipment</li> </ul>	<table border="0"> <tr> <td><b>Income from succession-related business</b></td> <td style="text-align: right;"><b>Appx. JPY14 bn</b> (+Appx. JPY4 bn)</td> </tr> </table>	<b>Income from succession-related business</b>	<b>Appx. JPY14 bn</b> (+Appx. JPY4 bn)		
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<b>SME Business / International Business</b>	<ul style="list-style-type: none"> <li>■ Raise capability to assess clients' business</li> <li>■ Growth sectors (health care, environment and energy, etc.)</li> <li>■ Diverse solutions (syndicated loan, commitment line, etc.)</li> <li>■ Enhance productivity via corporate business reform (maximizing time spent on external affairs)</li> <li>■ Active use of overseas network including alliances with local partners, strengthened functions of FX Web Service</li> </ul>	<table border="0"> <tr> <td><b>Loans to SMEs (term-end bal.)</b></td> <td style="text-align: right;"><b>Appx. JPY11 tn</b> (+ Appx. 10%)</td> </tr> <tr> <td><b>Income from corporate solution and international businesses</b></td> <td style="text-align: right;"><b>Appx. JPY35 bn</b> (+Appx. JPY10 bn)</td> </tr> </table>	<b>Loans to SMEs (term-end bal.)</b>	<b>Appx. JPY11 tn</b> (+ Appx. 10%)	<b>Income from corporate solution and international businesses</b>	<b>Appx. JPY35 bn</b> (+Appx. JPY10 bn)
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<b>Income from corporate solution and international businesses</b>	<b>Appx. JPY35 bn</b> (+Appx. JPY10 bn)					
<b>Individual Loan Business</b>	<ul style="list-style-type: none"> <li>■ Differentiation with holiday operations including application screening and execution, high value-added products</li> <li>■ Value-added proposals to existing HL customers</li> <li>■ Marketing-based promotion, all procedures on the Web and smart phones</li> </ul>	<table border="0"> <tr> <td><b>Residential housing loan (term-end bal.)</b></td> <td style="text-align: right;"><b>Appx. JPY11 tn</b> (+ Appx. 10%)</td> </tr> <tr> <td><b>Consumer loan (term-end bal.)</b></td> <td style="text-align: right;"><b>Appx. JPY360 bn</b> (+ Appx. 12%)</td> </tr> </table>	<b>Residential housing loan (term-end bal.)</b>	<b>Appx. JPY11 tn</b> (+ Appx. 10%)	<b>Consumer loan (term-end bal.)</b>	<b>Appx. JPY360 bn</b> (+ Appx. 12%)
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## KMFG's Schedule for Integration

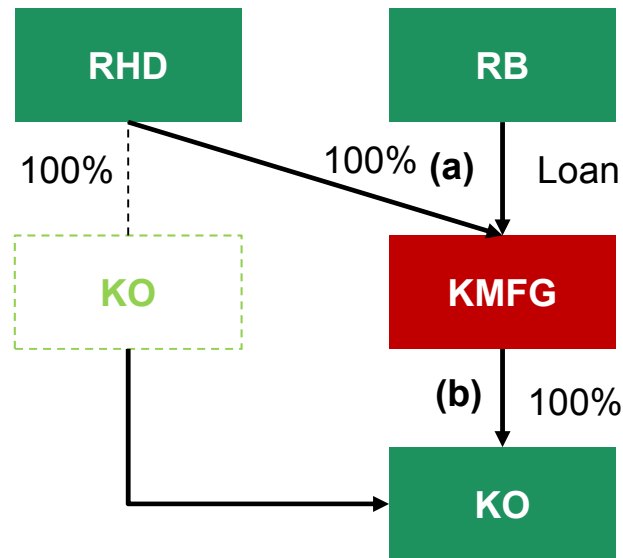
Schedule	Contents
September 26, 2017	Board resolution by Resona Holdings, SMBC, Minato, Kansai Urban and Kinki Osaka and determination of the executive officer of SMFG, regarding the execution of the Business Integration Agreement Execution of the Business Integration Agreement
October 16, 2017	Public notice of the record date for the respective extraordinary meetings of shareholders of Minato and Kansai Urban, and for the respective general meetings of class shareholders of Kansai Urban, which classes consist of the Shareholders of Common Stock and the Shareholders of Preferred Stock, respectively
October 31, 2017	The record date for the respective extraordinary meetings of shareholders of Minato and Kansai Urban, and for the respective general meetings of class shareholders of Kansai Urban, which classes consist of the Shareholders of Common Stock and the Shareholders of Preferred Stock, respectively
November 14, 2017	Incorporation of Kansai Mirai Financial Group(hereafter,KMFG) and execution of the Share Exchange Agreement
December 7, 2017	Consummation of the Kinki Osaka Share Transfer
December 26, 2017	The respective extraordinary meetings of shareholders of KMFG, Minato and Kansai Urban, and the respective general meetings of class shareholders of Kansai Urban, which classes consist of the Shareholders of Common Stock and the Shareholders of Preferred Stock, respectively
December 27, 2017	Commencement date of the Tender Offer for Minato Stock and the Tender Offer for Kansai Urban Stock
February 14, 2018	Termination date of the Tender Offer for Minato Stock and the Tender Offer for Kansai Urban Stock
February 20, 2018	Consummation of the Share Transfer of the Preferred Stock issued by Kansai Urban
March 28, 2018 (Scheduled)	Delisting of Minato's shares of common stock and Kansai Urban's shares of common stock
March 30, 2018 (Scheduled)	Effectuation of an amendment to the Articles of Incorporation of each of Minato and Kansai Urban regarding the deletion of the record date for voting rights
April 1, 2018 (Scheduled)	Effectuation of the Share Exchanges, The Technical Listing of shares of common stock of KMFG
Around April 2019 (Scheduled)	The Merger between Kansai Urban and Kinki Osaka

In going forward with the procedures and discussions regarding the Business Integration hereafter, changes may occur to the schedules above due to the reporting to the relevant authorities, such as the Financial Services Agency, and the obtaining of the approval and permission, the progress of other various preparations for the Business Integration, or any other reason.

# KMFG's Management Integration Process (1)

- Via phase 1 through 3, Kansai Mirai Financial Group (KMFG) will start fully-fledged operation in April 2018.

## Phase 1 (November - December 2017)



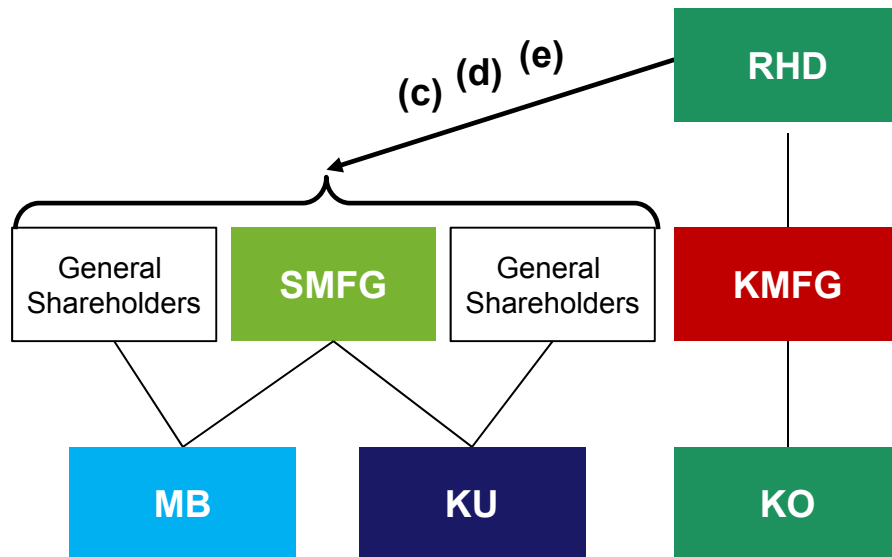
- (a) RHD established an intermediate holding company, KMFG, as its wholly-owned subsidiary. Subsequently, RHD will make the capital contribution of JPY 58.6 bn to KMFG, and RB will make the loan of JPY 27.4 bn to KMFG
- (b) Utilizing the capital and loan provided, KMFG will acquire all common shares of KO held by RHD, making KO its wholly-owned subsidiary.

The main terms of the KO share transfer from RHD to KMFG

RHD will sell all shares of KO it owns to KMFG at JPY 86.0 bn. (KMFG will purchase the shares of KO utilizing the JPY 58.6 bn capital invested by RHD and the JPY 27.4 bn loan provided by RB.)

# KMFG's Management Integration Process (2)

## Phase 2 (December 2017 - February 2018)



- (c) RHD will implement the tender offer up to 6,182,500 shares of common stock of MB (corresponding to 15% of the number of the voting rights of all of the shareholders of MB)
- (d) RHD will implement the tender offer up to 11,029,200 shares of common stock of KU (corresponding to 15% of the number of the voting rights of all of the shareholders of KU)
- (e) After completion of the tender offer, RHD will purchase all shares of preferred stock issued by KU and held by Sumitomo Mitsui Banking Corp (SMBC), a wholly-owned subsidiary of Sumitomo Mitsui Financial Group (SMFG).

The main terms for tender offers by RHD	Minato Bank	<ul style="list-style-type: none"> <li>• Tender offer price per one common share : 2,233 yen</li> <li>• Minimum number of shares to be purchased : N.A.</li> <li>• Maximum number of shares to be purchased : 6,182,500 shares (corresponding to 15% of all voting rights)</li> <li>• SMBC agreed to apply all common shares of MB (18,483,435 shares) it owns to the tender offer</li> </ul>
	Kansai Urban Bank	<ul style="list-style-type: none"> <li>• Tender offer price per one common share : 1,503 yen</li> <li>• Minimum number of shares to be purchased : N.A.</li> <li>• Maximum number of shares to be purchased : 11,029,200 shares (corresponding to 15% of all voting rights)</li> <li>• SMBC agreed to apply all common shares of KU (36,109,772 shares) it owns to the tender offer</li> </ul>

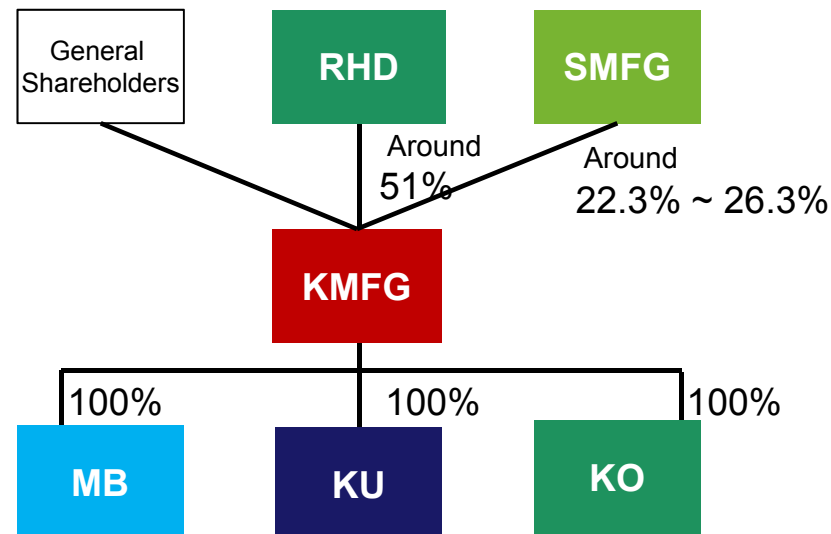
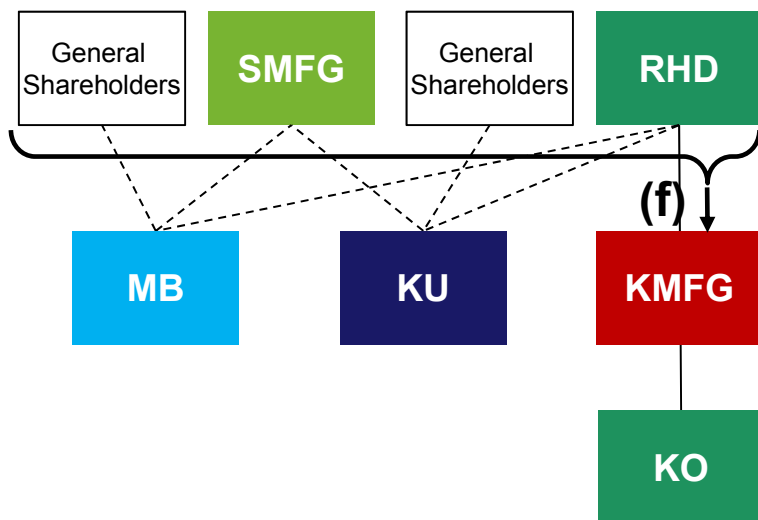
Terms of share transfer of KU's preferred shares held by SMBC to RHD

RHD will purchase all shares of KU's preferred stock at JPY 74.0 bn



# KMFG's Management Integration Process (3)

## Phase 3 (Planned in April 2018)



(f) Implement the share exchange with KMFG as a wholly-owning parent company and MB and KU as a wholly-owned subsidiaries.

MB, KU and KO to become wholly-owned subsidiaries of KMFG.

RHD will have 51% voting rights of the KMFG while SMFG holding between 22.3 and 26.3%.<sup>\*1</sup>

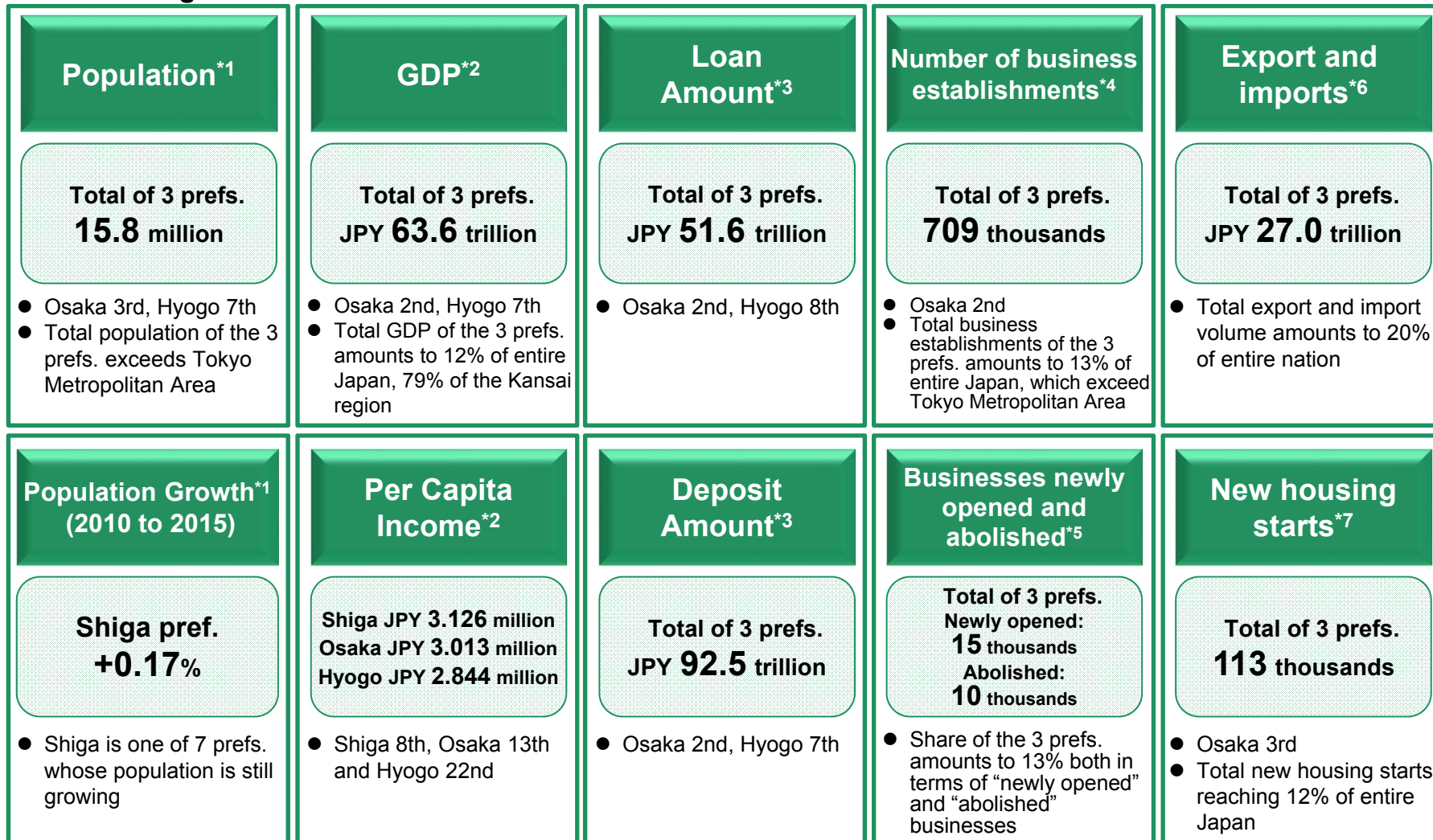
KMFG's common shares will be listed on the Tokyo Stock Exchange (technical listing)

Terms of share exchanges	Minato Bank	2.37 shares of common stock of the KMFG will be allotted for each share of common stock of MB	
	Kansai Urban Bank	Common stock	1.60 shares of common stock of KMFG will be allotted for each share of common stock of KU
		Preferred stock	Approx. 1.309 shares of common stock of KMFG will be allotted for each share of preferred stock of KU

Note 1.  
In case all shareholders of MB and KU other than SMBC apply to the tender offer to sell all shares they own, SMFG will own 26.3% of KMFG after the tender offer. In case only SMBC applies to the TOB, SMFG will own 22.3% of KMFG.

# KMFG's Strengths (1) : Market Potential

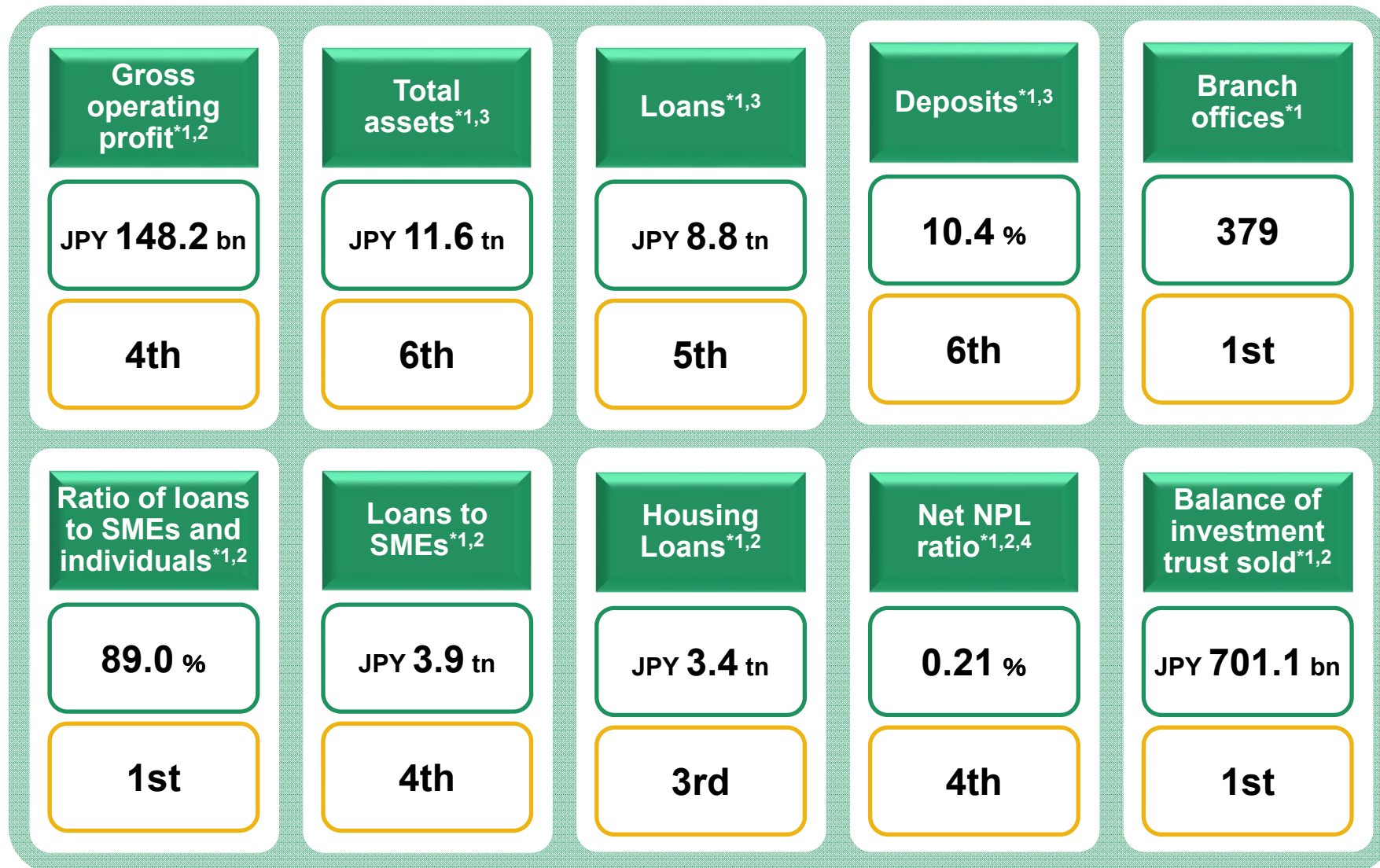
- Total population of Osaka, Hyogo and Shiga prefectures exceeds that of Tokyo Metropolitan Area
- Total GDP of Osaka, Hyogo and Shiga Prefectures amounts to 12% of entire Japan and 79% of the entire Kansai region



\*1. National Census 2015, Ministry of Internal Affairs and Communications    \*2. Report on Prefectural Accounts 2014, Cabinet Office    \*3. Cash, Deposits and Loans by Prefecture (End-March 2017), BOJ  
 \*4. Economic Census 2016, Ministry of Internal Affairs and Communications, Ministry of Economy, Trade and Industry    \*5. Employment Insurance Annual Report 2015, Ministry of Health, Labor and Welfare    \*6. Osaka Customs 2016    \*7. Ministry of Land, Infrastructure, Transport and Tourism 2016

# KMFG's Strengths (2) :Top-class in Japan and the largest regional financial group in the Kansai region

## ■ Retail Focused Banking Model



\*1. Comparison with the 10 largest regional financial groups in terms of consolidated total assets as of the end of March 2017 \*2. Simple sum of non-consolidated figures of group banks \*3. Consolidated basis. KMFG's figures are simple sum of figures of the 3 integrating banks \*4. Coverage with collaterals, guarantees and reserves are taken into account

# Resona's Challenges Attracting Attentions from Outside

Resona's challenges towards "Retail No.1" are highly evaluated by various institutions

## 2017 30th Nikkei New Office Awards

7 Days Plaza Hirakata received the New Office Promotion Award for being a bank especially open to the community.



## Nadeshiko Brand FY2014, FY2015 and FY2016

Listed companies promoting the appointments of women (for 3 consecutive years)



## Resona adopted by two ESG stock indices selected by GPIF

✓ FTSE Blossom Japan Index

✓ MSCI Japan ESG Select Leaders Index

## Won both R&I Fund Award 2017 and 15th MERCER MPA Award (Japan) 2017

Superior performance of the Japanese concentrated stock fund was highly evaluated



## 14th Corporate Philanthropy Award 2016

"Resona Kids' Money Academy," a financial and economic education activity for children, won grand prix



## 2015 Nikkei Superior Products and Services Awards

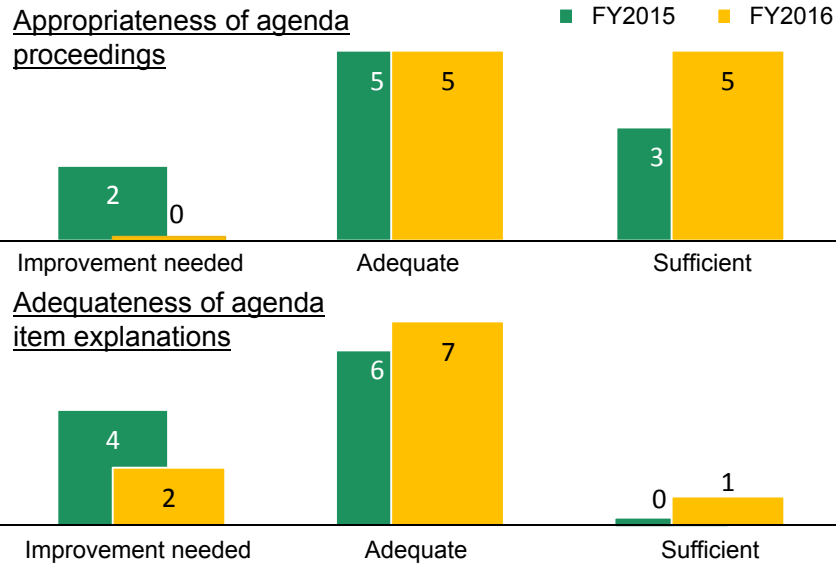
"24 hours / 365 days intra-group banks account transfers" won Nikkei Veritas Award



# Initiatives for Corporate Governance Evolution

## Self-evaluation of the board

- Improve effectiveness of Board of Directors meetings by revising operations, etc. through annual board evaluations

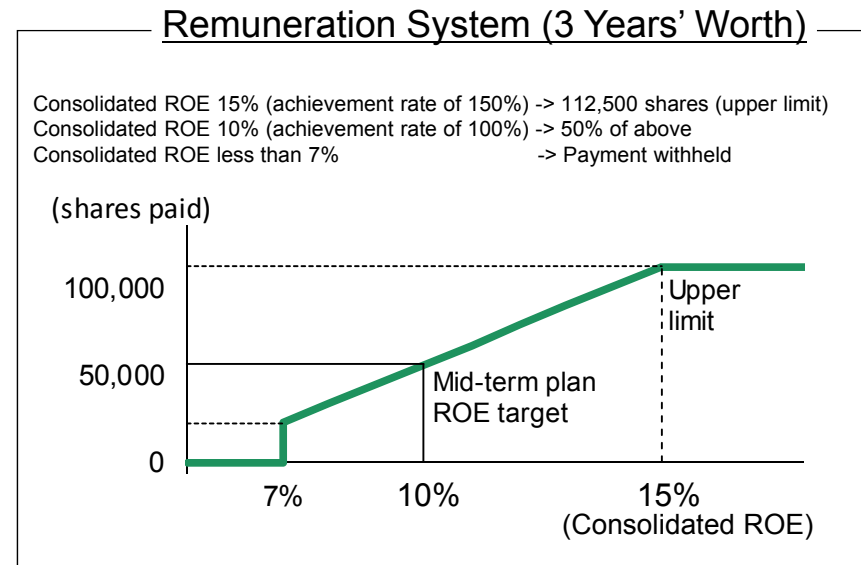
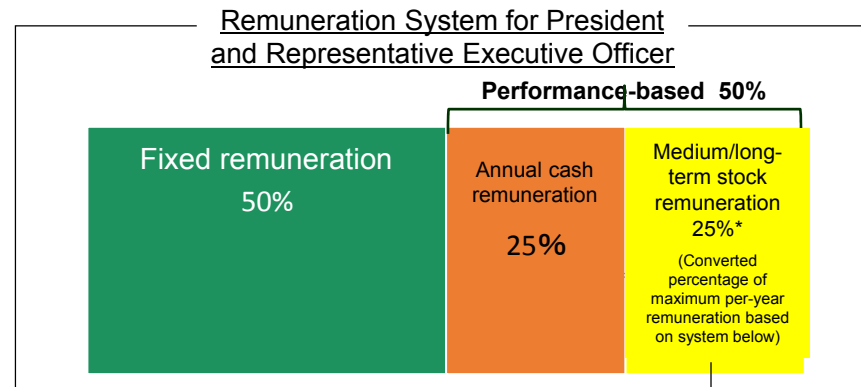


## Glass-walled executive room



## Performance share unit plan

- Introduced in July 2017
- HD stock will be granted based on consolidated ROE for the final year of medium-term management plan

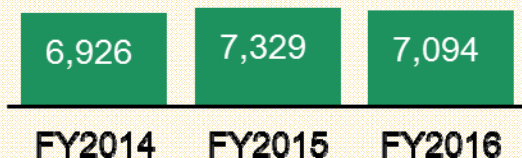


# CSR

To raise corporate value through contributing to the creation of a sustainable society, we have identified and are engaged in four priority areas – Community, Next Generation, Diversity and Environment

## Community

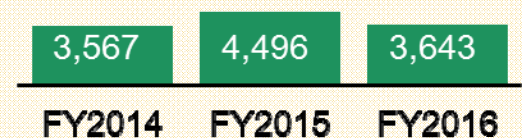
[“Re: Heart Club” members ]



- “Re: Heart Club” (Employee volunteer group) joined various community activities
- Offering solutions suited for respective life stages of corporate customers
  - Strengthen management support via Start-up Support School (from April 2017)
  - 311 proposals made to assist business turnaround, change in business activities and closure of business (FY2016)

## Next Generation

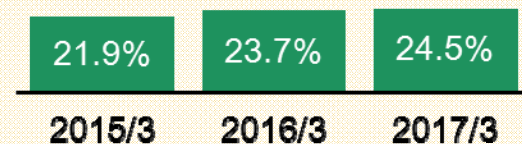
[Resona Kids’ Money Academy participants]



- Regularly hosting “Resona Kids’ Money Academy”(a financial and economic education activity for children) since 2005
- Hold events to bring together SMEs and job-seekers
- Supporting intergenerational transfer of assets, utilizing trust capabilities
  - Number of new asset succession-related contracts : 2,903 (1-3Q FY2017)

## Diversity

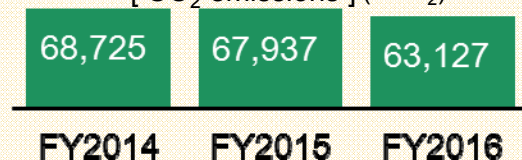
[ Proportion of female line managers ]



- Vibrant and diversified employees
  - Proportion of women in managerial posts 24.5%, Employment rate of persons with physical/intellectual disabilities 2.0% (FY2016)
- Promoting “work-life balance”: Introduced “Smart Employee” position
- Developed products for women: “*Rin next*” (housing loan) and “*Karada Kakumei*” (life insurance).

## Environment

[ CO<sub>2</sub> emissions ] (t-CO<sub>2</sub>)



- Reduced paper usage through digitalization
- Group banks’ head office acquired ISO14001 certificates
- Revised the Credit Policy to include “Environmental Consideration” aspect
  - Environment-friendly loans: JPY151.5 bn (Mar. ‘17, +24% YoY)

# Example Activities of Omni-Advisors

Internal projects and awards programs to strengthen Resona's overall ability to understand true latent needs of customers

## Examples of 20th Resona Brand Awards Presented in Sep. 2017

(Selected by vote of all employees from among monthly awards in second half of FY2016)

First in Japan

Recovery from card magnetism error at ATMs via Customer Center insight and IT division expertise

Resona Group Customer Direct Banking Center,  
Quick Lobby Operations Center,  
Resona Holdings IT Planning Division

Utilized flextime program for early morning meetings and proposals to wholesaler market customers

Kiniki Osaka Bank, Noda Branch

Met unit/factory reorganization needs of owner of multiple businesses through business feasibility assessment, real estate brokerage and personnel consulting

Saitama Resona Bank, Kamifukuoka Branch  
Corporate Banking Division,  
Public Institutions Division

## Examples of Monthly Awards from First Half of FY2017

First in Japan

Reorganization of multiple company pensions on locally rooted, cross-industry model

Resona Bank  
Pension Business Division  
Asset Management Business Planning Division

Branch staff identify latent succession trust needs of many seniors

Saitama Resona Bank,  
Sayama Branch

FX website redesigned for instant remittance

Resona Business Service  
Resona Bank, Global Business Division

## Main internal systems, etc.

Promise to customers

Brand awards

My credo

Omni-advisor awards

My strength project

Omni-advisor committee

Customer feedback bulletin

My proposal

Communication project

# Business Results by Major Group Business Segments (1H FY2017)

## ■ “RVA”<sup>\*1</sup> and “RAROC” as management indicators to measure profitability to allocated capital

(JPY bn, %)

Resona Group Business Segments	Profitability			Soundness	Net operating profit after a deduction of credit cost										
	Net profit after a deduction of cost on capital	Risk-adjusted return on capital	Cost to income ratio	Internal CAR	Actual net operating profit								Credit cost		
	RVA <sup>*1</sup>	RAROC	OHR		YoY Change	YoY Change	Gross operating profit		Operating expense		YoY Change	YoY Change			
				profit			YoY Change	expense	YoY Change						
Customer Divisions (1)	27.2	15.6%	67.3%	9.2%	87.9	(3.2)	80.3	(1.3)	245.3	(3.9)	(165.2)	+2.6	7.5	(1.8)	
Personal Banking (2)	10.0	18.8%	76.4%	9.3%	23.5	(4.4)	26.5	(2.5)	113.0	(5.2)	(86.4)	+2.7	(2.9)	(1.9)	
Corporate Banking (3)	17.1	14.7%	59.4%	9.2%	64.3	+1.2	53.7	+1.1	132.3	+1.3	(78.7)	(0.1)	10.5	+0.0	
Markets (4)	24.8	45.5%	14.9%	10.4%	32.5	(9.3)	32.5	(9.3)	38.2	(9.3)	(5.7)	(0.0)	-	-	
Total <sup>*2</sup> (5)	23.5	13.4%	60.8%	11.0%	117.9	(15.1)	110.3	(12.1)	279.8	(14.8)	(170.3)	+1.9	7.5	(2.9)	

\*1. RVA: Resona Value Added (Net profit after a deduction of cost on internally allocated capital)

\*2. Numbers reported above refer to 3 Resona Group banks and consolidated subsidiaries



# PL Summary and Factors for “Consolidated” and “Total of Group Banks” Difference (1H FY2017)

PL Summary (RHD consolidated / Total of group banks)					RHD consolidated / Total of group banks difference										
(JPY bn)	RHD Consolidated		Total of group banks (Non-consolidated)		effect of realignment of HL guarantee subsidiaries	(Major consolidated subsidiaries)									
		YoY change		YoY change		Difference (Exclude the effect of realignment)		HL guarantee subsidiaries		Resona Card		Resona Kessai Service		P. T. Bank Resona Perdania	
							YoY change		YoY change		YoY change		YoY change		YoY change
<b>Gross operating profit</b> (1)	<b>278.8</b>	<b>(19.1)</b>	<b>261.2</b>	<b>(14.1)</b>	<b>4.9</b>	22.5	(0.0)	11.6	(1.2)	7.7	+0.1	1.3	+0.0	2.0	(0.1)
Operating expenses (excluding group banks' non-recurring items) (2)	(170.3)	+1.9	(160.9)	+2.4		(9.4)	(0.4)	(1.6)	+0.0	(5.2)	+0.0	(0.8)	(0.0)	(0.9)	(0.1)
Credit related expenses (3)	7.5	(2.9)	9.0	+0.3		(1.4)	(3.3)	(0.2)	(1.0)	(1.4)	(0.2)	(0.0)	+0.0	(0.2)	(0.1)
<b>Income before income taxes</b> (4)	<b>113.6</b>	<b>(21.4)</b>	<b>160.5</b>	<b>+40.2</b>	<b>57.9</b>	10.9	(3.7)	*1 9.7	(1.4)	1.0	(0.1)	0.4	+0.0	0.8	(0.4)
<b>Net interim income (attributable to owners of the parent)</b> (5)	<b>94.0</b>	<b>(2.8)</b>	<b>144.9</b>	<b>+57.6</b>	<b>72.0</b>	7.0	(2.5)	7.1	(1.0)	0.7	(0.1)	0.2	+0.0	0.6	(0.3)
						Capital contribution ratio		Resona Group 100%		RHD 77.5%		RHD 100%		Resona Group 43.4%	

\*1. Excludes the gains from the merger of Resona Guarantee and Daiwa Guarantee in April 2017. (YoY change reflects the profit of Daiwa Guarantee)

# Consolidated Subsidiaries and Affiliated Companies (1H FY2017)

## Consolidated domestic subsidiaries (excluding group banks)

(JPY bn)

Name	Line of business	Capital contribution ratio	Net income	
			1H FY2017	YoY change
Resona Guarantee Co., Ltd. (1)	Credit guarantee (Mainly mortgage loan) Japan's highest class of residential housing loan guarantee balances	Resona Holdings 100%	6.1	(1.1)
Kinki Osaka Shinyo Hosho Co., Ltd. (2)	Credit guarantee (Mainly mortgage loan) Housing loan guarantees based on experienced judgment	Resona Group 100%	0.9	+0.0
Resona Card Co., Ltd. (3)	Credit card Credit guarantee 1.6 million card members	Resona Holdings 77.5% Credit Saison 22.4%	0.7	(0.1)
Resona Kessai Service Co., Ltd. (4)	Collection service Factoring Collection services with 50 million cases annually	Resona Holdings 100%	0.2	+0.0
Resona Research Institute Co., Ltd. (5)	Business consulting service Management consulting with 800 project annually	Resona Holdings 100%	0.1	+0.0
Resona Capital Co., Ltd. (6)	Venture capital IPO support, SME business succession, re-growth support	Resona Holdings 100%	0.0	(0.0)
Resona Business Service Co., Ltd. (7)	Back office work Employment agency Practices quick and accurate operations	Resona Holdings 100%	0.0	(0.0)
Resona Asset Management Co., Ltd. (8)	Investment Trust Management Business started in Sep. 2015 utilizing 50 years of RB pension management expertise	Resona Holdings 100%	(0.1)	+0.0
Total (8 Companies)			8.2	(1.1)

## Major consolidated overseas subsidiaries

Name	Line of business	Capital contribution ratio	Net income	
			1H FY2017	YoY change
P.T. Bank Resona Perdania (9)	Banking business (Indonesia) Oldest Japan-affiliated bank in Indonesia	Resona Group 43.4% (Effective control approach)	0.6	(0.3)
P.T. Resona Indonesia Finance (10)	Leasing business (Indonesia)	Resona Group 100%	0.0	+0.0
Resona Merchant Bank Asia (RMBA) (11)	Finance, M&A (Singapore) Became consolidated subsidiary July 2017; direct financing and M&A brokerage, etc.	Resona Group 100%	-	-
Total (3 Companies)			0.7	(0.3)

## Affiliated company accounted for by the equity method

Name	Line of business	Capital contribution ratio	Net income	
			1H FY2017	YoY change
Japan Trustee Services Bank, Ltd. (12)	Banking and Trust With the most assets of any bank in Japan	Resona Group 33.3% Sumitomo Mitsui Trust HD 66.6%	0.4	+0.2

\*1. Net income of Resona Guarantee excludes the gains from merger with Daiwa Guarantee. (YoY change reflects the profit of Daiwa Guarantee)

\*2. Fiscal year end of the overseas subsidiaries is December 31. RHD's consolidated business results reflect the accounts of these subsidiaries settled on June 30.  
(The net income of RMBA is to be reflected from 3Q of FY2017)

# Measures to Build Multifaceted Business Relationships with Customers

Visible progress has been made through the increase in the number of “Resona Loyal Customers”

Customer segments based on the depth of transactions with Resona Group banks	Number of Customers (thousands)			Top-line Income Per Customer *	Avg. # of Products Cross-sold
	2012/9	2017/9	Change		
<b>Premier</b> AUM or Apartment loan exceeding JPY50 million (1)	48.5	57.6	+ 9.1	85.9	7.18
<b>Housing Loan</b> With housing loan for own home (2)	534.0	571.7	+ 37.7	25.3	4.70
<b>Asset Management</b> AUM exceeding JPY10 million (3)	677.8	737.8	+ 60.0	5.7	4.54
<b>Potential I</b> AUM exceeding JPY5 million (4)	786.6	801.2	+ 14.6	1.7	3.49
<b>Potential II</b> AUM below JPY 5 million/ 3 or more products sold (5)	4,519.5	4,897.5	+ 378.1	* 1	3.89
<b>Resona Loyal Customers (RLCs)</b> (6)	6,566.4	7,066.0	+ 499.5	4.2	4.00
<b>Potential III</b> AUM below JPY 5 million/ 2 or fewer products sold (7)	6,242.4	5,509.1	(733.3)	0.2	1.63

**Increase life-time profits by upgrading customer segments and by increasing the number of products**

**Profit Matrix by Customer Segment and Number of Products sold (Illustrative)**

The diagram shows a coordinate system where the vertical axis is labeled 'Upgrade Segments' (pointing up) and the horizontal axis is labeled 'Number of Products Sold' (pointing right). A diagonal arrow points from the bottom-left (labeled 'Lower Profit') towards the top-right (labeled 'Higher Profit'). A central star-shaped box contains the text 'Profit Matrix by Customer Segment and Number of Products sold (Illustrative)'.

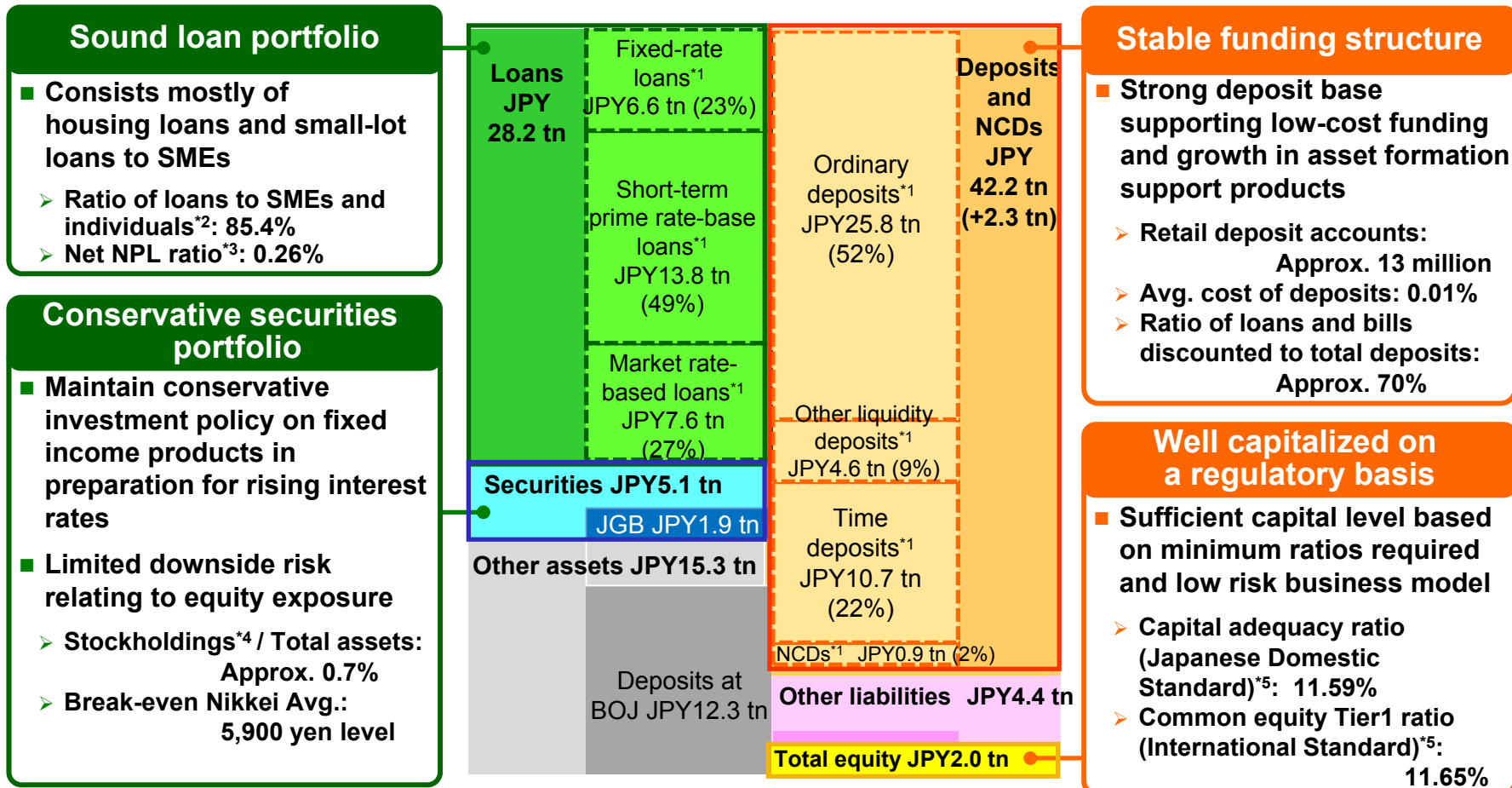
\* Indexed to average top-line income per client for Potential II segment = 1

# Sound Balance Sheet

## ■ Sound assets backed by very stable deposit funding

Resona's consolidated balance sheet (as of September 30, 2017)

Total assets JPY48.7 tn



\*1. Total of group banks basis (Loan balance classified by base-rate is compiled for a management and administration purpose)  
 \*2. Total of group banks (including trust account) \*3. NPL ratio net of collateral, guarantees and loan loss reserves (Total of group banks)  
 \*4. Acquisition cost basis  
 \*5. Basel 3, Common equity Tier1 ratio is for a reference purpose only

# Maturity Ladder of Loan and Deposit (Domestic Operation)

Total of Group Banks

## Loans and Bills Discounted

[End of March 2017]

	Within 6M	6 to 12M	1 to 3Y	Over 3Y	Total
Fixed rate (1)	1.6%	1.3%	6.4%	14.0%	23.4%
Prime rate-based (2)	50.1%	0.1%	0.0%	0.0%	50.2%
Market rate-based (3)	25.5%	1.0%			26.4%
<b>Total (4)</b>	<b>77.2%</b>	<b>2.3%</b>	6.4%	14.0%	100.0%

Loans maturing within 1 year

79.6%

[End of September 2017]

	Within 6M	6 to 12M	1 to 3Y	Over 3Y	Total
Fixed rate (5)	1.8%	1.2%	6.2%	14.4%	23.6%
Prime rate-based (6)	49.3%	0.0%	0.0%	0.0%	49.3%
Market rate-based (7)	26.1%	1.0%			27.1%
<b>Total (8)</b>	<b>77.2%</b>	<b>2.2%</b>	6.2%	14.4%	100.0%

Loans maturing within 1 year

79.4%

[Change in 1H FY2017]

	Within 6M	6 to 12M	1 to 3Y	Over 3Y	Total
Fixed rate (9)	+0.1%	(0.1)%	(0.2)%	+0.4%	+0.2%
Prime rate-based (10)	(0.8)%	(0.1)%	+0.0%	+0.0%	(0.9)%
Market rate-based (11)	+0.7%	+0.0%			+0.7%
<b>Total (12)</b>	<b>(0.0)%</b>	<b>(0.2)%</b>	(0.2)%	+0.4%	-

Loans maturing within 1 year

(0.2)%

## Deposits

[End of March 2017]

	Within 6M	6 to 12M	1 to 3Y	Over 3Y	Total
<b>Liquid deposits (1)</b>	<b>52.0%</b>	<b>1.1%</b>	<b>4.5%</b>	<b>15.6%</b>	<b>73.3%</b>
Time deposits (2)	12.9%	8.0%	5.0%	0.9%	26.7%
<b>Total (3)</b>	<b>64.9%</b>	<b>9.1%</b>	<b>9.5%</b>	<b>16.5%</b>	<b>100.0%</b>

[End of September 2017]

	Within 6M	6 to 12M	1 to 3Y	Over 3Y	Total
<b>Liquid deposits (4)</b>	<b>52.8%</b>	<b>1.1%</b>	<b>4.4%</b>	<b>15.3%</b>	<b>73.5%</b>
Time deposits (5)	13.1%	7.6%	4.7%	1.0%	26.5%
<b>Total (6)</b>	<b>65.9%</b>	<b>8.7%</b>	<b>9.1%</b>	<b>16.3%</b>	<b>100.0%</b>

[Change in 1H FY2017]

	Within 6M	6 to 12M	1 to 3Y	Over 3Y	Total
<b>Liquid deposits (7)</b>	<b>+0.8%</b>	<b>(0.0)%</b>	<b>(0.1)%</b>	<b>(0.3)%</b>	<b>+0.3%</b>
Time deposits (8)	+0.3%	(0.3)%	(0.3)%	+0.1%	(0.3)%
<b>Total (9)</b>	<b>+1.0%</b>	<b>(0.4)%</b>	<b>(0.4)%</b>	<b>(0.2)%</b>	-

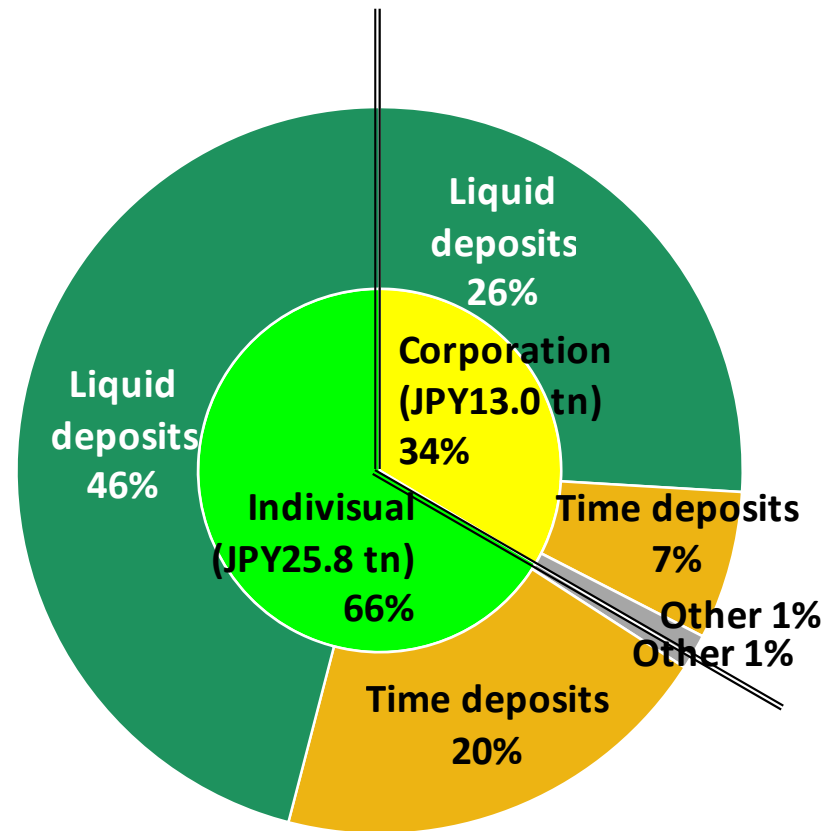
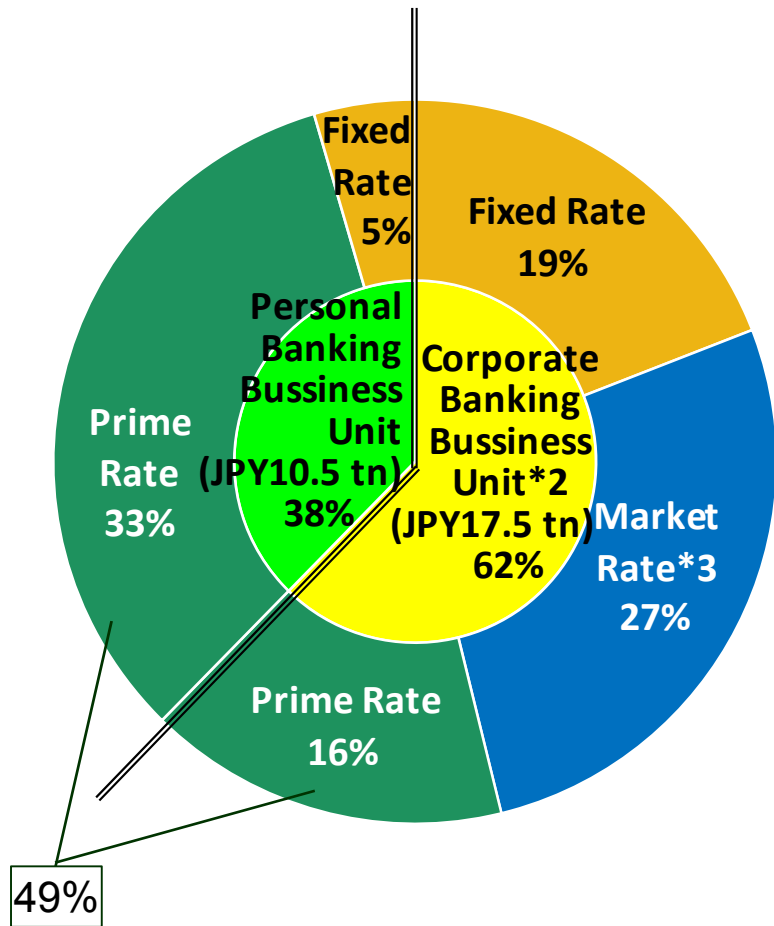
\*1. Data compiled for a management and administration purpose

# Composition of Loan Portfolio and Deposits (September 30, 2017)

Total of  
Group Banks

## Loans\*1

## Deposits\*4

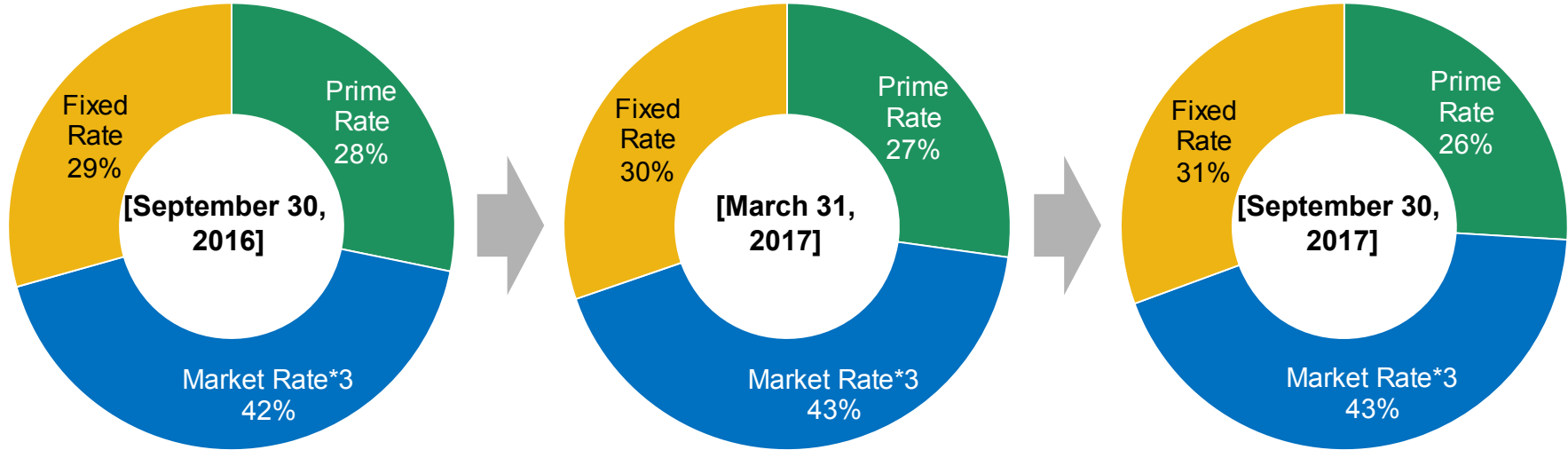


\*1. Data compiled for a management and administration purpose  
 \*2. Corporate Banking Business Unit includes apartment loans  
 \*3. Market rate-linked loans include the fixed-rate (spread) loans maturing in less than one year  
 \*4. Domestic individual deposits + Domestic corporate deposits

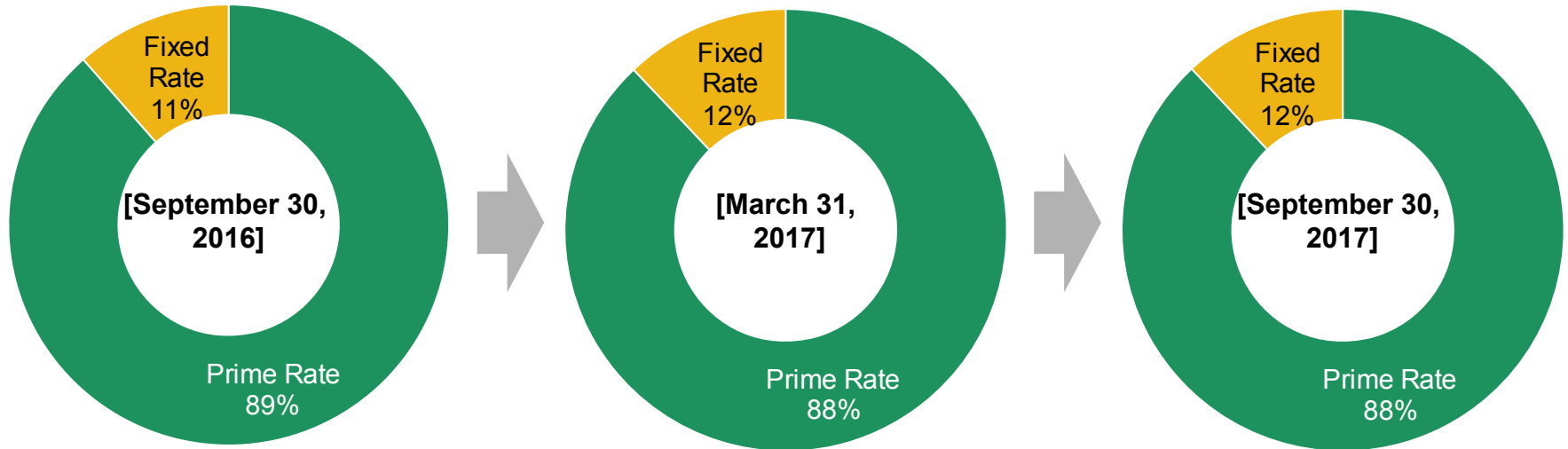
# Composition of Loan Portfolio by Base Rates

Total of Group Banks

## Corporate Banking Business Unit\*1,2



## Personal Banking Business Unit\*1

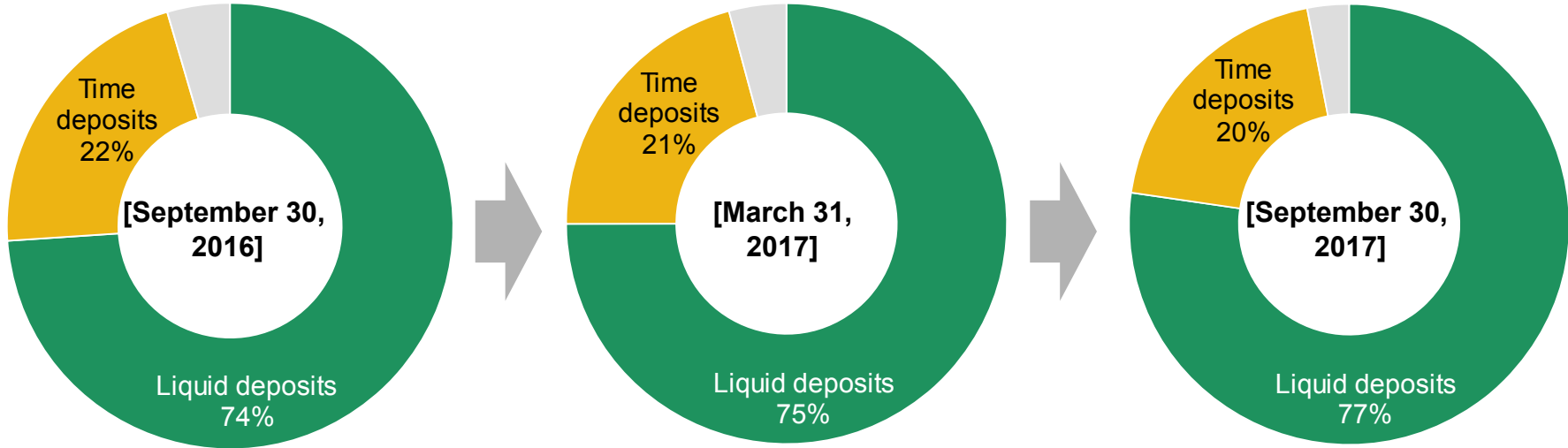


\*1. Data compiled for a management and administration purpose  
 \*2. Corporate Banking Business Unit includes apartment loans  
 \*3. Market rate-linked loans include the fixed-rate (spread) loans maturing in less than one year

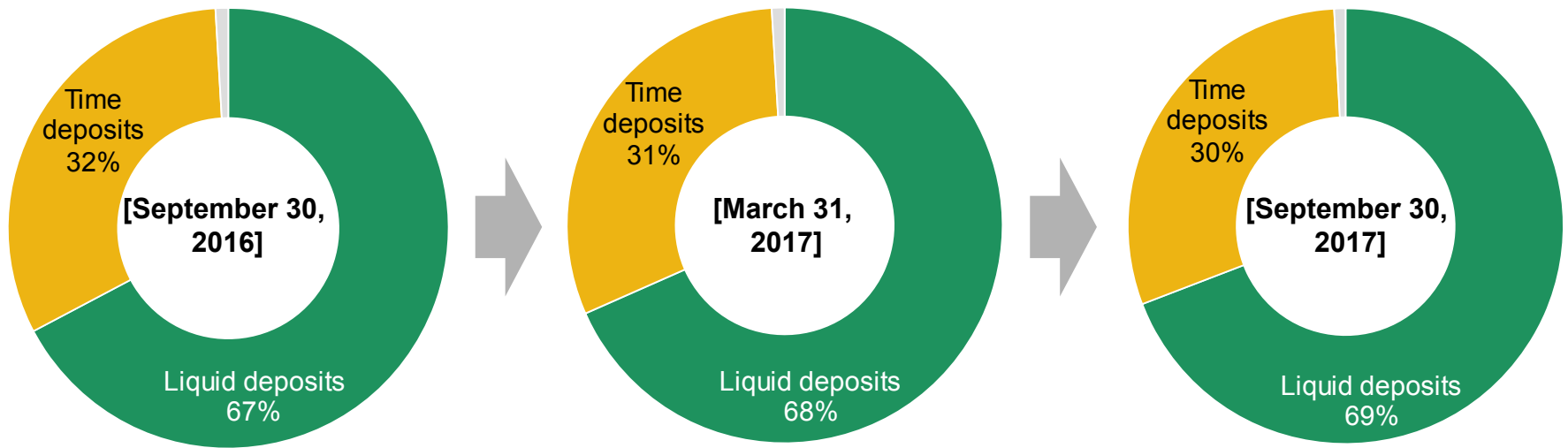
# Composition of Deposits by Types

Total of Group Banks

## Corporate Deposits



## Individual Deposits





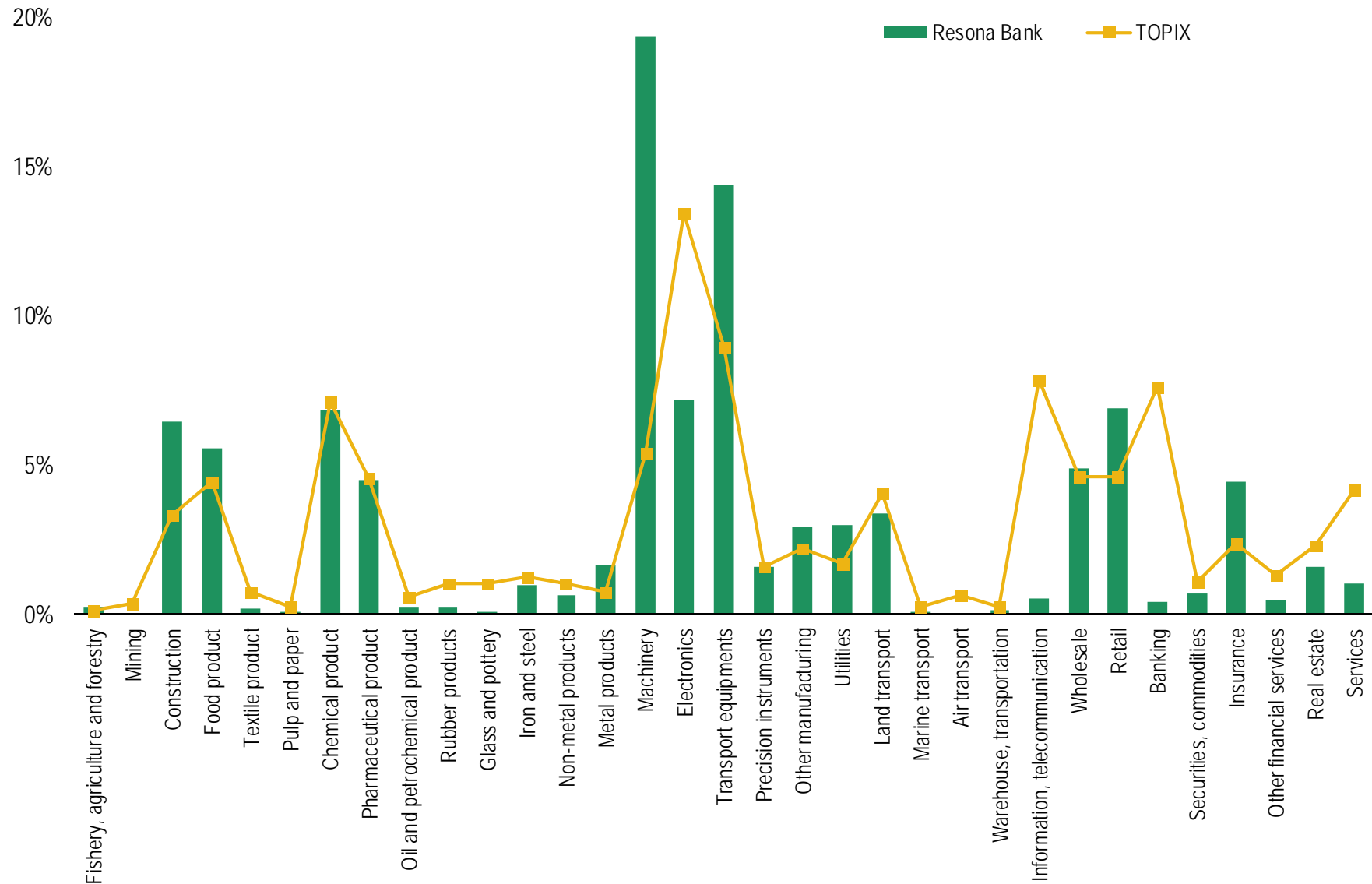
# Migrations of Borrowers (1H of FY2017)

■ Exposure amount basis \*1

		End of September 2017									Upward Migration	Downward Migration
		Normal	Other Watch	Special Attention	Doubtful	Effectively Bankrupt	Bankrupt	Other	Collection, Repayments	Assignments, Sale		
End of March 2017	Normal	98.7%	0.5%	0.0%	0.0%	0.0%	0.0%	0.7%	0.7%	0.0%	-	0.6%
	Other Watch	13.2%	80.7%	0.4%	2.1%	0.1%	0.0%	3.6%	3.6%	0.0%	13.2%	2.6%
	Special Attention	3.6%	3.2%	90.7%	1.9%	0.2%	0.0%	0.4%	0.4%	0.0%	6.8%	2.1%
	Doubtful	1.7%	8.9%	1.6%	78.7%	1.6%	1.2%	6.2%	6.2%	0.0%	12.2%	2.8%
	Effectively Bankrupt	0.3%	0.5%	0.0%	1.8%	88.3%	3.4%	5.8%	5.5%	0.2%	2.5%	3.4%
	Bankrupt	0.1%	0.0%	0.0%	1.8%	0.0%	89.2%	8.9%	0.7%	8.2%	1.9%	-

\*1. Above table shows how a borrower belonging to a particular borrower category as of the end of March 2017 migrated to a new category as of the end of September 2017. Percentage points are calculated based on exposure amounts as of the end of March 2017 (New loans extended, loans partially collected or written-off during the period are not taken into account)  
 "Other" as of the end of September 2017 refers to those exposures removed from the balance sheet due to collection, repayments, assignments or sale of claims.

# Stocks Held by Industry (September 2017)



(Balance sheet amount)

## Swap Positions by Remaining Periods

RHD  
Consolidated

- Notional amounts of interest rate swaps (deferred hedge accounting applicable) by remaining period

(JPY bn)

	Sep. 30, 2017				Mar. 31, 2017			
	Within 1 year	1 to 5 years	Over 5 years	Total	Within 1 year	1 to 5 years	Over 5 years	Total
Receive fixed rate/ Pay floating rate (1)	280.0	585.0	980.0	1,845.0	375.0	500.0	1,100.0	1,975.0
Receive floating rate/ Pay fixed rate (2)	230.2	458.8	552.0	1,241.0	340.9	639.0	472.0	1,451.9
Net position to receive fixed rate (3)	49.7	126.1	428.0	603.9	34.0	(139.0)	628.0	523.0

## Capital Adequacy Ratio (Group Banks)

Japanese Domestic Standard (JPY bn)	Resona Bank (Consolidated) [A-IRB]			Saitama Resona Bank (Non-consolidated) [A-IRB]			Kinki Osaka Bank (Consolidated) [F-IRB]		
	Mar. 31, 2017	Sep. 30, 2017	Change	Mar. 31, 2017	Sep. 30, 2017	Change	Mar. 31, 2017	Sep. 30, 2017	Change
Capital adequacy ratio	11.03%	<b>10.97%</b>	(0.06)%	11.58%	<b>12.16%</b>	+0.58%	11.51%	<b>11.88%</b>	+0.37%
Total qualifying capital	1,201.3	<b>1,150.5</b>	(50.8)	333.0	<b>339.0</b>	+6.0	154.6	<b>156.7</b>	+2.1
Core Capital: instruments and reserves	1,225.5	<b>1,173.2</b>	(52.2)	351.2	<b>357.5</b>	+6.3	159.1	<b>161.7</b>	+2.6
Core Capital: regulatory adjustments	24.1	<b>22.7</b>	(1.3)	18.1	<b>18.4</b>	+0.2	4.5	<b>4.9</b>	+0.4
Risk weighted assets	10,890.7	<b>10,482.0</b>	(408.6)	2,875.7	<b>2,786.5</b>	(89.1)	1,342.3	<b>1,318.5</b>	(23.8)
Credit risk weighted assets	9,599.0	<b>9,073.9</b>	(525.0)	2,481.0	<b>2,401.3</b>	(79.7)	1,257.0	<b>1,237.6</b>	(19.3)
Amount equivalent to market risk /8%	51.9	<b>42.6</b>	(9.2)	31.1	<b>33.7</b>	+2.5	0.1	<b>0.1</b>	(0.0)
Amount equivalent to operational risk /8%	706.7	<b>664.0</b>	(42.7)	227.4	<b>211.6</b>	(15.8)	85.2	<b>80.8</b>	(4.4)
Credit risk weighted assets floor adjustments	533.0	<b>701.3</b>	+168.3	136.0	<b>139.7</b>	+3.7	-	<b>-</b>	-

## List of Preferred Shares and Subordinated Bonds (Feb. 28, 2018)

### Preferred Shares

		Class 5 Preferred Shares	
Original issue date	(1)	8/28/2007	
Current number of shares	(2)	4,000,000 shares	
Issue price per share	(3)	JPY 25,000	
Total issue amount remaining at present	(4)	JPY 100.0 Billion	
Original total issue amount	(5)	JPY 100.0 Billion	
Shareholder	(6)	Dai-ichi Life	
Preferred dividend	Dividend per share (Annual)	(7)	JPY 918.75
	Total amount of dividend (Annual)	(8)	JPY 3,675 Million
	Yield (Annual)	(9)	3.675%
Acquisition clause	(10)	Mandatory exchange not applicable Acquisition clause exercisable under certain conditions at the issuer's option after seven years after issue date	

### Subordinated Bonds

#### Subordinated Bonds

Issuer	Amount outstanding	Issue date	Maturity	Dividend rate
Resona Bank	JPY50.0 bn	July 17, 2009	June 20, 2019	2.766%
	JPY50.0 bn	March 4, 2010	March 4, 2020	2.084%
	JPY40.0 bn	September 28, 2010	September 28, 2020	1.606%
	JPY25.0 bn	June 1, 2011	June 1, 2021	1.878%
	JPY20.0 bn	December 22, 2011	December 22, 2026	2.442%
	JPY35.0 bn	March 14, 2012	March 15, 2022	1.78%
	JPY16.0 bn	March 14, 2012	March 15, 2027	2.464%

# Responses to the Ongoing International Discussion over Further Tightening of Financial Regulation

## Major items of financial regulation being discussed internationally

### ■ Many domestic regulations will be formulated hereafter based on finalized Basel 3 rules.

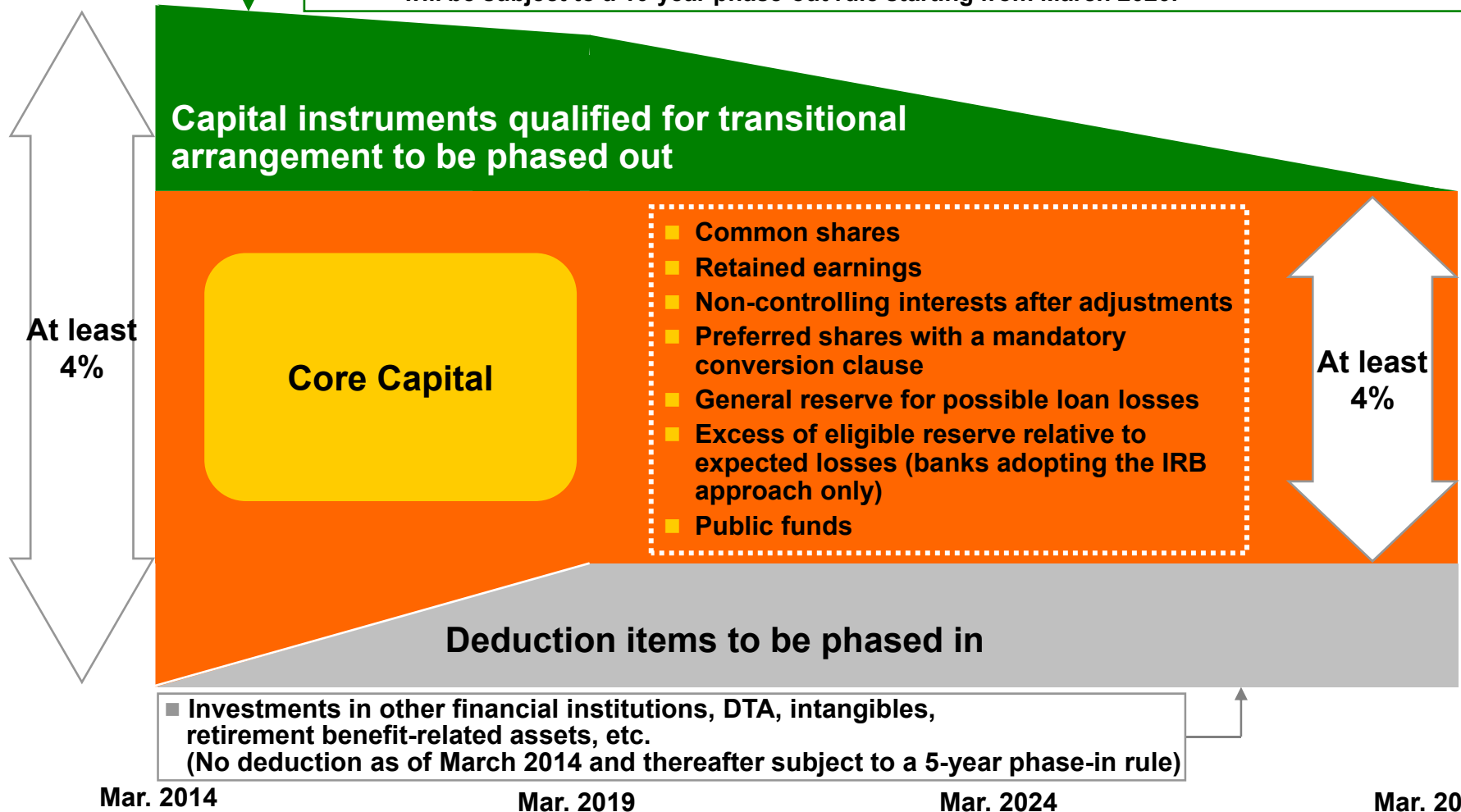
Major regulatory items	Outline	Important updates
Review of Standardized Approach (SA) (Credit and operational risks) Review of IRB approach, Capital floor based on SA	Reviewing credit risk measurement method to better reflect risks and ensure higher comparability Reviewing operational risk measurement method to reflect actual loss data New capital floor rule requiring a reference to the SA.	<ul style="list-style-type: none"> <li>International rules have been finalized in December 2017.</li> <li>The impacts would be smaller than expected from the consultation draft.</li> <li>Domestic rules will be formulated hereafter.</li> </ul>
Liquidity regulations (LCR/NSFR)	[LCR] Requiring banks to hold high-quality liquid assets to prepare for significant outflow of funds under a severe stress. [NSFR] Requiring banks to hold certain capital and liabilities for the risk of having illiquid assets	<ul style="list-style-type: none"> <li>LCR requirement already started in 2015. (Applicable to banks subject to the International Std.)</li> <li>Japanese authority is planning to introduce a local NSFR rule.</li> </ul>
Leverage ratio	Introduced to complement capital adequacy ratio requirements. Tier 1 capital as a numerator. Exposure amount, not RWA, to be a denominator.	<ul style="list-style-type: none"> <li>Disclosure requirement already started in 2015. (Applicable to banks subject to the International Std.)</li> <li>Japanese authority is planning to introduce a local rule for leverage ratio.</li> </ul>
IRRBB (interest rate risk in the banking book)	Requiring banks to control interest rate risk within 15% of their Tier 1 capital	<ul style="list-style-type: none"> <li>Pillar 2 regulation. International rule already agreed on changes in how to measure, manage and disclose the interest rate risk. The Japanese authority is now working on setting up a local rule.</li> </ul>
Derivatives-related (Margin deposit, SA-CCR, CVA, etc.)	Requiring banks to pay/receive margin deposits for OTC derivatives not to be cleared by CCP. Including review of method to calculate derivatives exposure and CVA	<ul style="list-style-type: none"> <li>Resona is subject to the variable margin requirements from March 2017. Initial margin requirements are supposed to be introduced in September 2020.</li> <li>International CVA rules have been finalized. Domestic CVA rules will be formulated hereafter. Currently domestic SA-CCR rules (Standardized Approach) are being developed.</li> </ul>
Various capital buffers (G-SIBs/D-SIBs, TLAC)	Capital buffer requirements include capital conservation buffer, counter-cyclical buffer and SIBs' buffer. TLAC requires banks to hold additional capacity to absorb loss.	<ul style="list-style-type: none"> <li>Capital buffers were already introduced in March 2016 with a phase-in period given (Applicable to G-SIBs/D-SIBs, banks subject to the International Std.)</li> <li>TLAC to be officially introduced in 2019 (applicable to G-SIBs)</li> </ul>

### ■ Our responses and preparedness

- Secured sufficient capital needed to sustain our business model at this point in time
- Even when regulations are tightened further, we establish a system with which we can control both numerator and denominator in a timely manner taking into account the comprehensive impacts of numerous regulations so that we can fulfill our mission of continuing to extend credits to our customers.

# Outline of Eligible Capital under the Japanese Domestic Std.

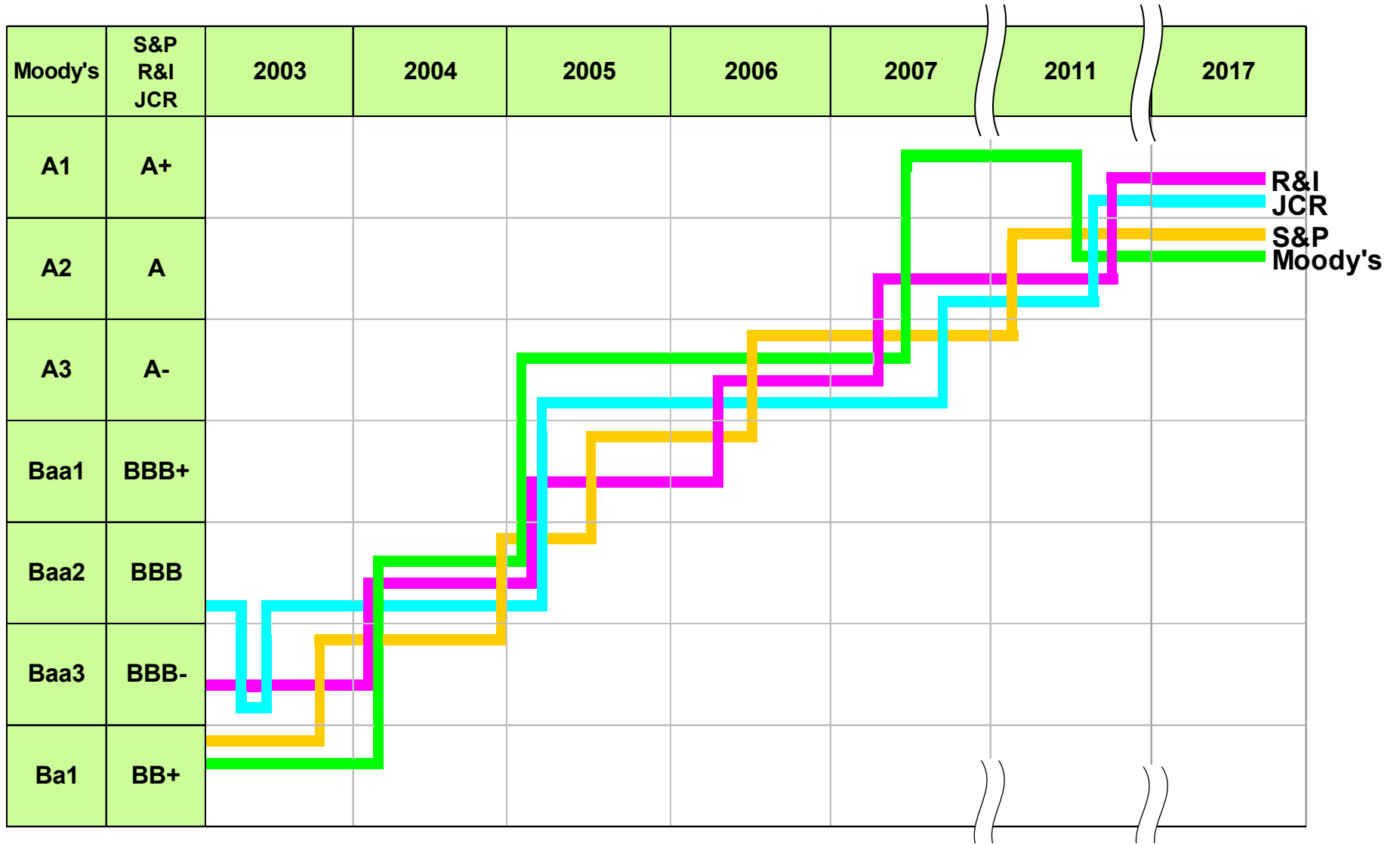
- Subordinated debts, preferred securities and non-convertible preferred shares\*1
  - Subordinated debts and preferred securities issued under the Basel 2 can be fully included in Core Capital as of the end of March 2014. These grandfathering items are subject to a 10-year phase-out rule starting from March 2015.
  - Non-convertible preferred shares\*1 can be fully included in Core Capital until March 2019 and will be subject to a 10-year phase-out rule starting from March 2020.



\*1. Non-cumulative preferred shares other than those with a mandatory conversion feature

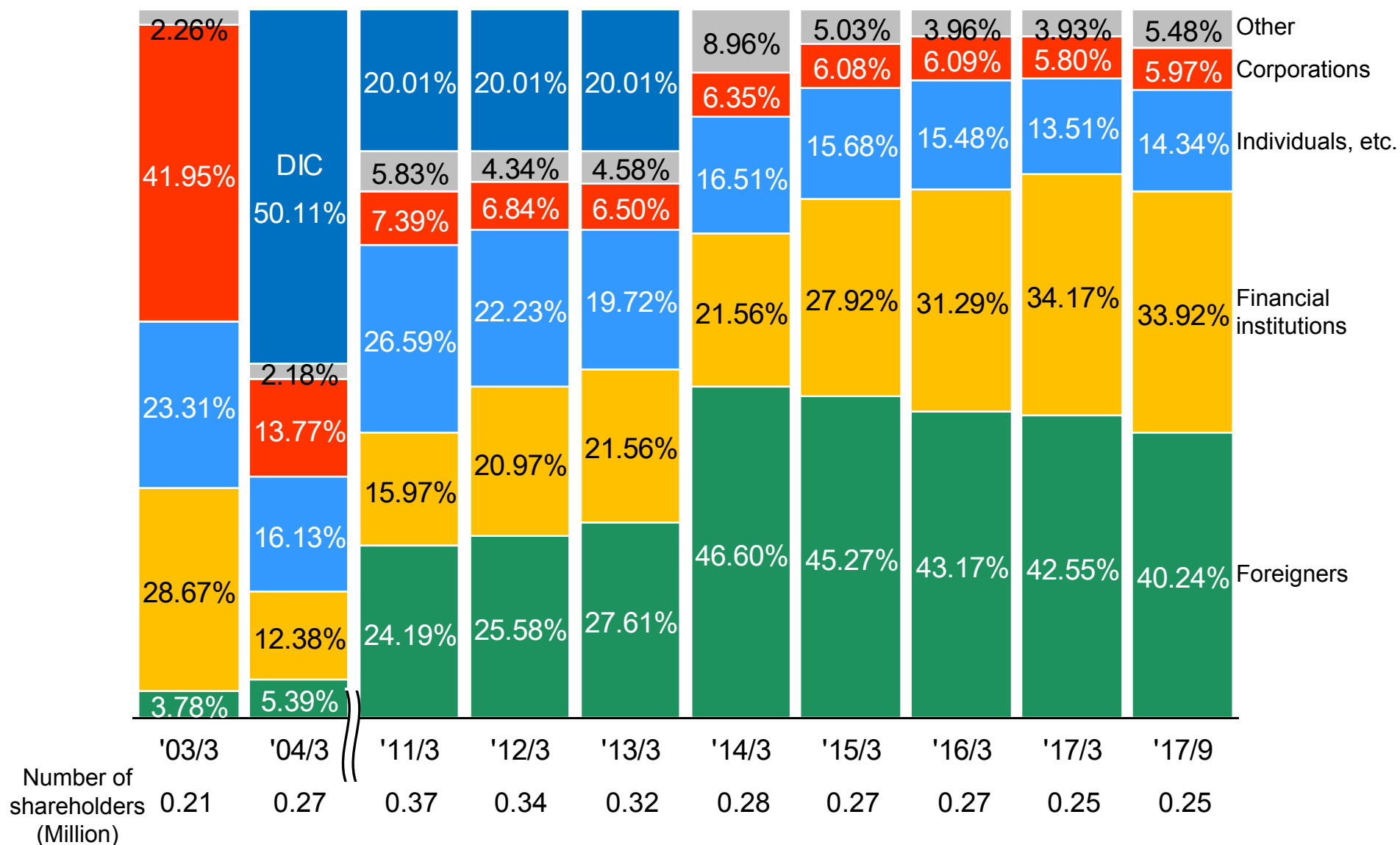
# Trend of Long-term Senior Debt Rating

RB





# Composition of Resona HD's Common Shareholders



# Long Term Business Results

		(JPY bn)	FY2002	FY2003	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016
PL	Consolidated	Gross operating profit	901.8	775.0	763.1	768.6	805.2	769.3	739.5	678.3	667.0	655.2	637.1	608.5	632.4	619.5	<b>563.1</b>
		Net interest income	599.1	561.2	542.3	549.8	563.7	555.3	547.0	499.4	484.0	463.9	443.0	430.0	425.9	401.3	<b>377.9</b>
		Fee incomes <sup>*1</sup>	149.9	152.6	156.2	181.1	197.4	188.4	153.2	145.1	146.8	143.1	150.6	158.7	169.2	168.7	<b>160.6</b>
		Operating expenses	(597.6)	(510.0)	(382.0)	(384.0)	(384.6)	(385.9)	(384.4)	(387.5)	(369.4)	(360.9)	(361.6)	(348.4)	(357.7)	(347.5)	<b>(362.4)</b>
		Net gains/(losses) on stocks	(300.6)	57.6	91.0	58.5	72.7	(43.8)	(42.2)	0.6	(0.8)	2.3	(7.5)	22.6	44.5	(6.5)	<b>25.1</b>
		Credit related expenses	(552.1)	(1,418.3)	(41.5)	(6.9)	(69.7)	(58.4)	(181.4)	(114.6)	(61.5)	(13.8)	13.0	26.4	22.3	(25.8)	<b>17.4</b>
		Net income attributable to owners of the parent	(837.6)	(1,663.9)	365.5	383.2	664.8	302.8	123.9	132.2	160.0	253.6	275.1	220.6	211.4	183.8	<b>161.4</b>
BS	Total of group banks	Term end loan balance	29,545.1	26,475.3	25,702.1	26,406.1	26,566.7	26,163.8	26,608.9	26,306.1	26,177.9	26,050.4	26,682.1	26,986.0	27,755.5	27,932.1	<b>28,412.0</b>
		Loans to SMEs and individuals	23,540.1	21,237.1	21,079.7	21,966.2	22,441.5	22,287.9	22,218.6	22,320.8	22,166.3	22,235.8	22,659.5	22,912.6	23,454.9	23,645.8	<b>24,163.8</b>
		Housing loans <sup>*2</sup>	8,527.6	9,373.8	10,170.9	10,864.2	11,419.7	11,563.8	11,701.0	12,042.9	12,145.4	12,250.3	12,651.9	12,918.3	13,125.0	13,188.0	<b>13,356.3</b>
		Residential housing loans	5,959.7	6,733.6	7,475.0	8,078.6	8,462.5	8,569.5	8,593.5	8,857.4	8,973.6	9,095.3	9,441.3	9,705.2	9,905.1	10,015.1	<b>10,218.6</b>
	NPL ratio	9.32%	6.74%	3.38%	2.55%	2.46%	2.19%	2.42%	2.42%	2.43%	2.32%	2.06%	1.74%	1.51%	1.51%	<b>1.35%</b>	
	Consolidated	Stocks (Acquisition amount basis)	1,319.0	630.1	399.6	400.9	390.4	385.5	356.7	344.5	351.8	342.5	337.2	331.9	330.9	351.8	<b>348.6</b>
	Unrealized gains/(losses) on available-for-sale securities	(25.8)	241.3	260.2	445.4	432.9	171.6	(32.5)	120.6	92.8	131.9	258.0	333.2	573.6	460.6	<b>555.8</b>	
Business <sup>*4</sup>	Total of group banks	Investment products sold	365.3	663.6	795.0	1,183.3	1,525.6	1,054.9	509.0	720.7	937.7	1,030.8	1,290.5	1,477.0	1,585.9	1,211.3	<b>801.6</b>
		Investment trust/ Fund wrap	365.3	607.9	676.8	979.1	1,297.2	858.0	314.9	494.6	725.8	742.6	972.7	1,185.2	1,225.1	831.9	<b>573.1</b>
		Insurance	-	55.7	118.2	204.2	228.4	197.0	194.1	226.1	211.9	288.3	317.8	273.2	360.7	379.3	<b>228.5</b>
		Housing loan <sup>*2</sup>	-	1,758.8	1,852.9	1,853.4	1,662.0	1,394.3	1,222.4	1,435.4	1,341.1	1,301.8	1,559.5	1,478.6	1,352.9	1,292.7	<b>1,481.4</b>
		Residential housing loans	-	-	-	-	1,274.3	1,063.7	894.0	1,147.7	1,098.6	1,048.6	1,225.5	1,162.3	1,042.2	1,011.7	<b>1,198.7</b>
		Real estate business <sup>*3</sup>	6.0	8.5	9.3	12.0	15.0	14.5	7.2	6.3	6.6	7.7	7.8	8.3	11.2	13.3	<b>13.4</b>
Remaining public fund balance		1,168.0	3,128.0	3,125.2	2,925.2	2,372.5	2,337.5	2,085.2	2,085.2	871.6	871.6	871.6	356.0	128.0	-	-	

\*1. Fees and commissions income plus trust fees

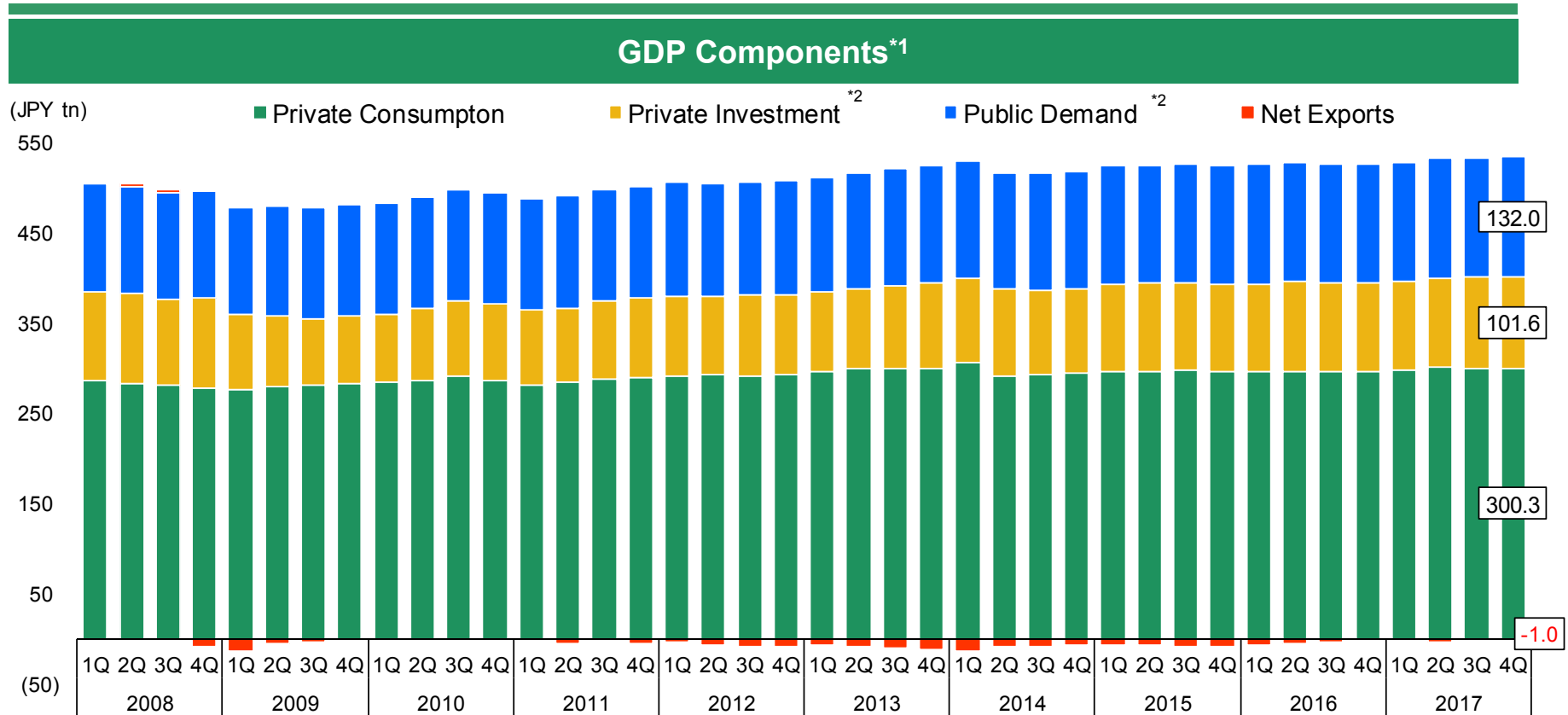
\*3. Excluding gains/(losses) from investments in real estate

\*2. Includes apartment loans (Origination Includes Flat35)

\*4. Data compiled for management and administration purposes

**Macro Economic Trend**

# Actual and Forecast of Real GDP Growth Rate



[Real GDP Growth Rate] (figures of FY2017 are the forecasts of Resona bank)

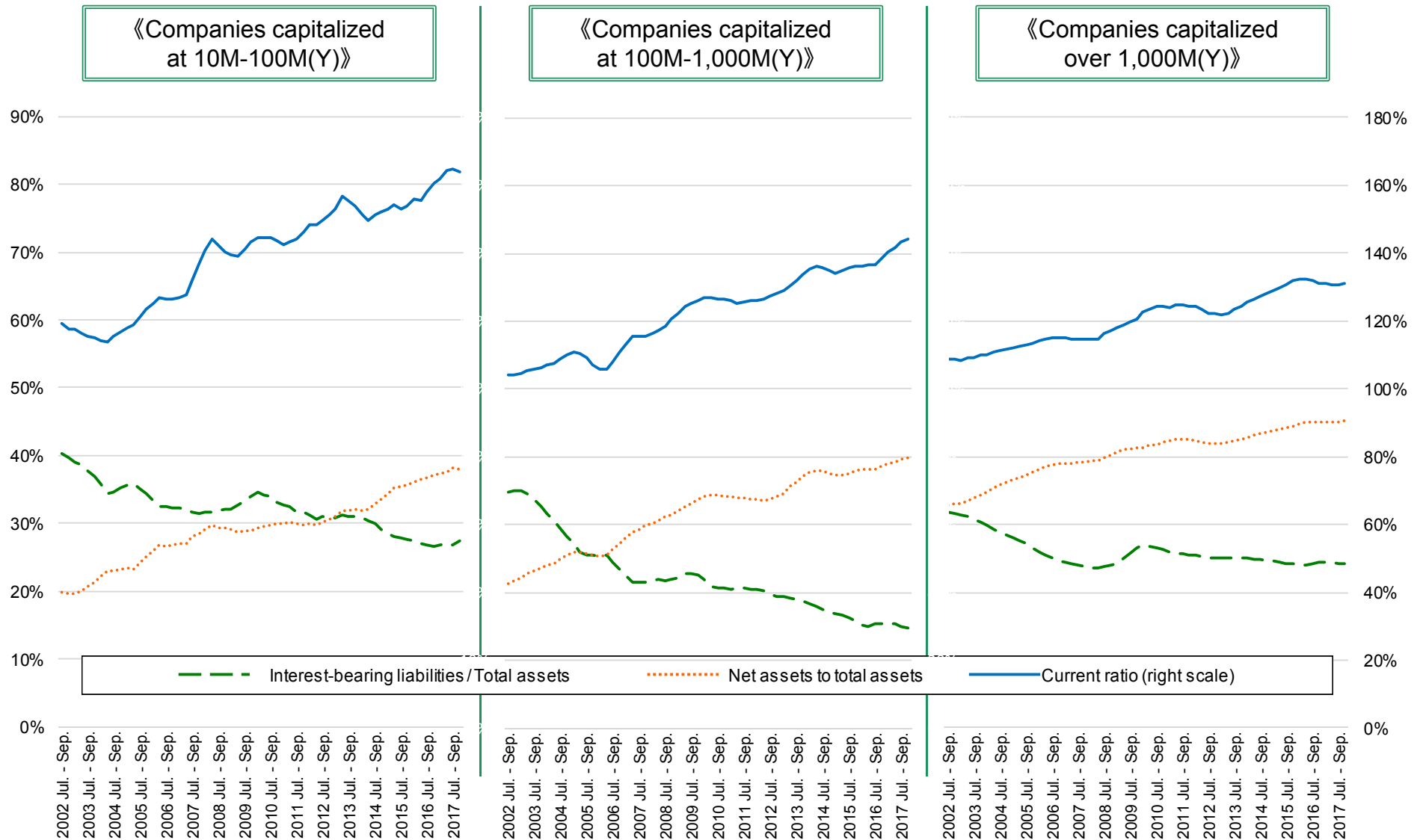
%	FY2014	FY2015 Actual	FY2016	FY2017 Forecast
GDP	(0.5)	1.4	1.1	1.6
Consumption of Households	(1.6)	0.5	0.1	0.6
Private Residential Investment	(0.3)	0.1	0.2	0.0
Private Non-Resi. Investment	0.4	0.4	0.2	0.5
Private Inventory Investment	0.5	0.2	(0.3)	(0.0)
Public Demand	0.0	0.3	0.1	0.1
Net Export	0.6	0.1	0.7	0.4

\*1. Source : Cabinet Office, Resona Bank. In real term : seasonally adjusted series

\*2. Private Investment: Private Residential Investment, Private Non-resi. Investment, Private Inventory  
Public Demand: Government Consumption, Public Investment, Public Inventory

# Overall Economy in Japan (1)

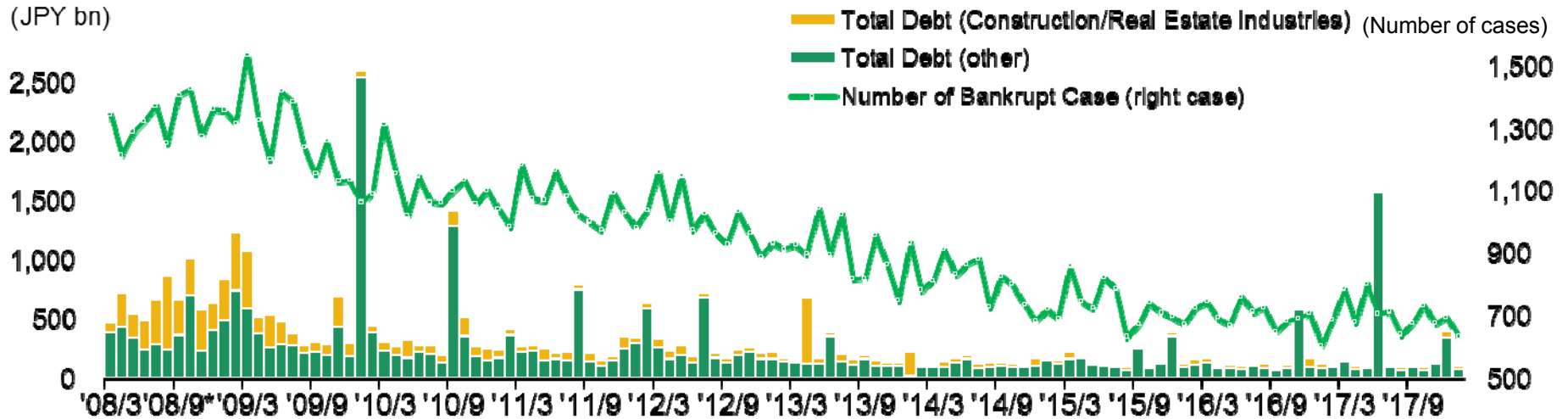
## Trends in Stability Ratios of Japanese Companies\*1



\*1. Source: Financial Statements Statistics of Corporation (4 quarters moving average)

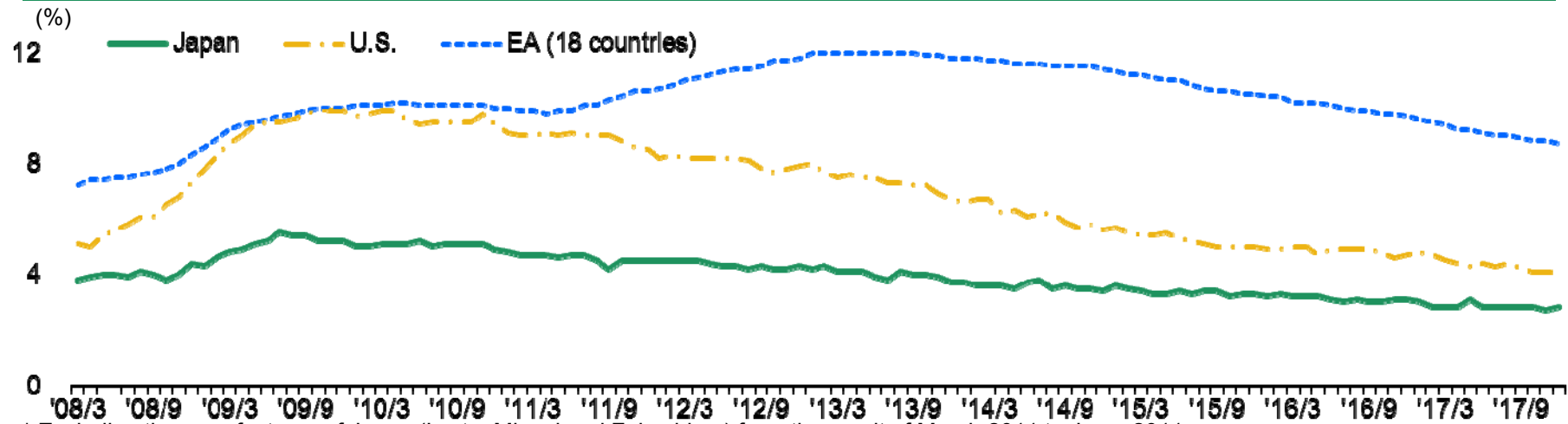
# Overall Economy in Japan (2)

## Enterprise Bankruptcy\*1



\* Excluding debts related to Lehman Brothers which failed in Sep. 2008 (Approx. Y4,700 bn)

## Unemployment Rate\*2



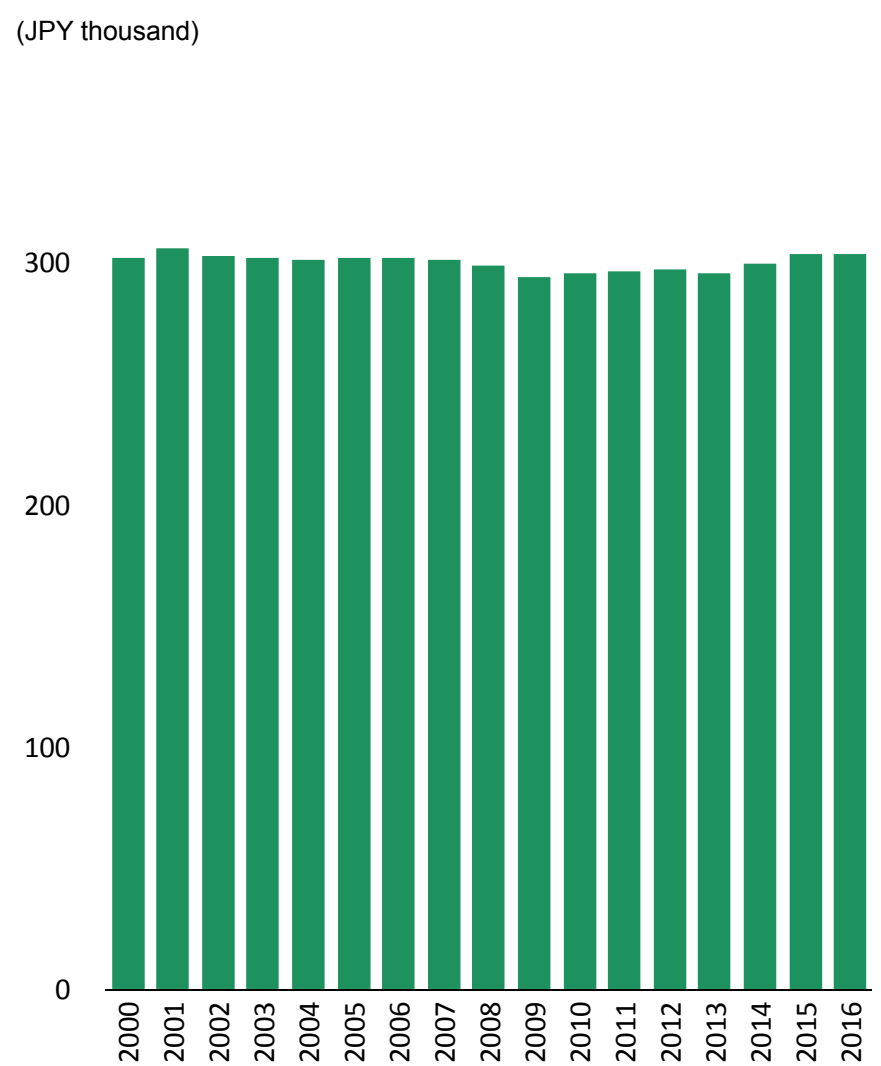
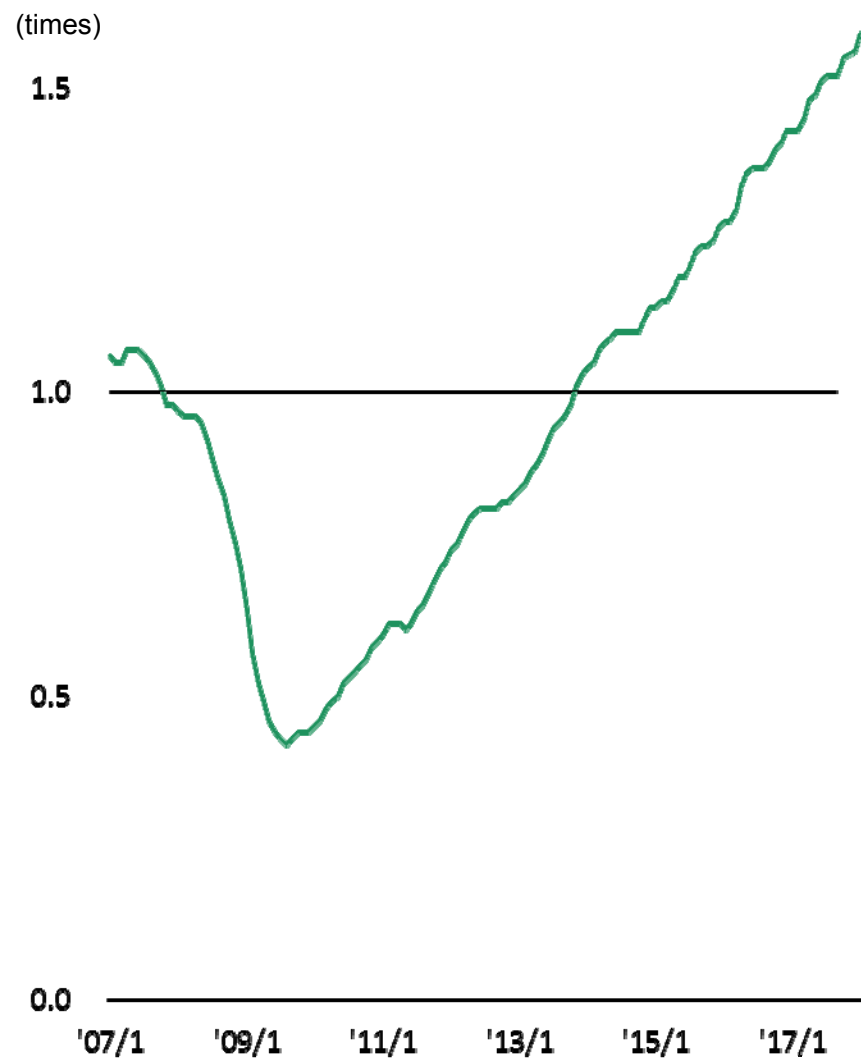
\* Excluding three prefectures of Japan (Iwate, Miyagi and Fukushima) from the result of March, 2011 to June, 2011

\*1. Source: Tokyo Shoko Research

\*2. Source: Statistics Japan, Bureau of Labor Statistics, Eurostat

# Employment

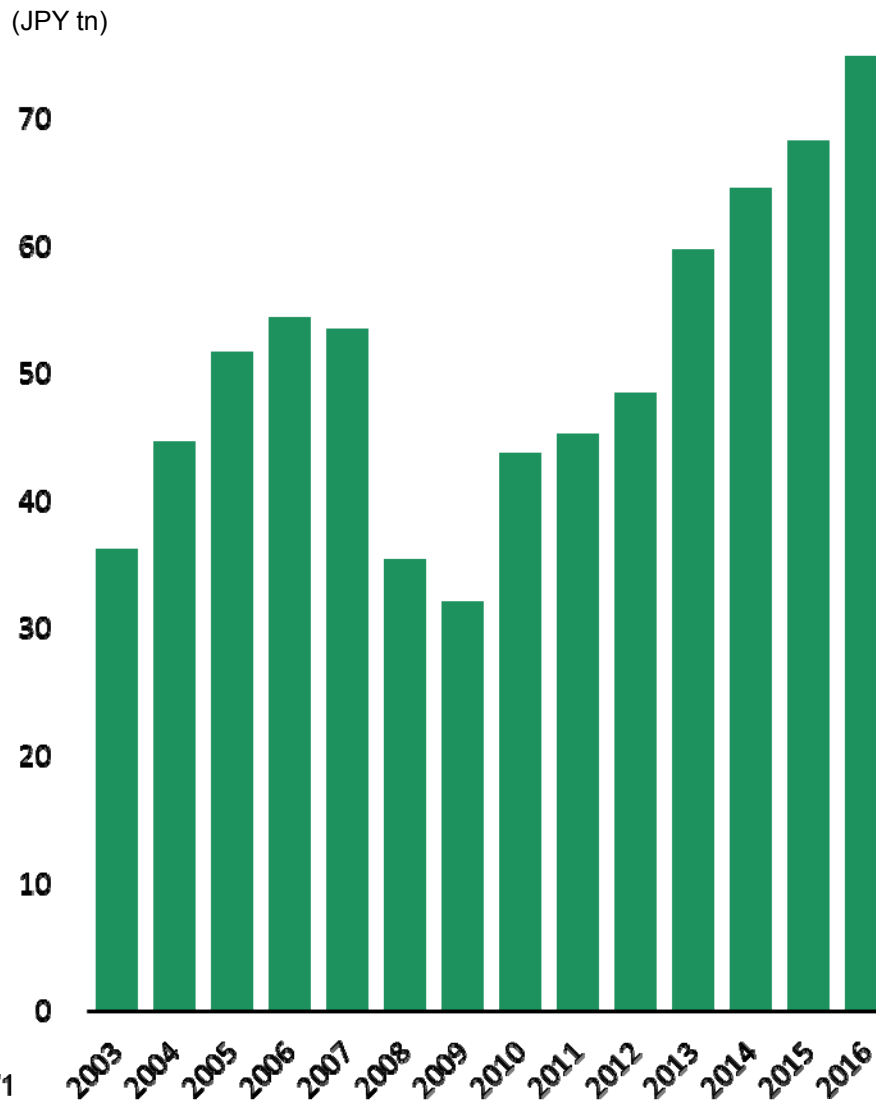
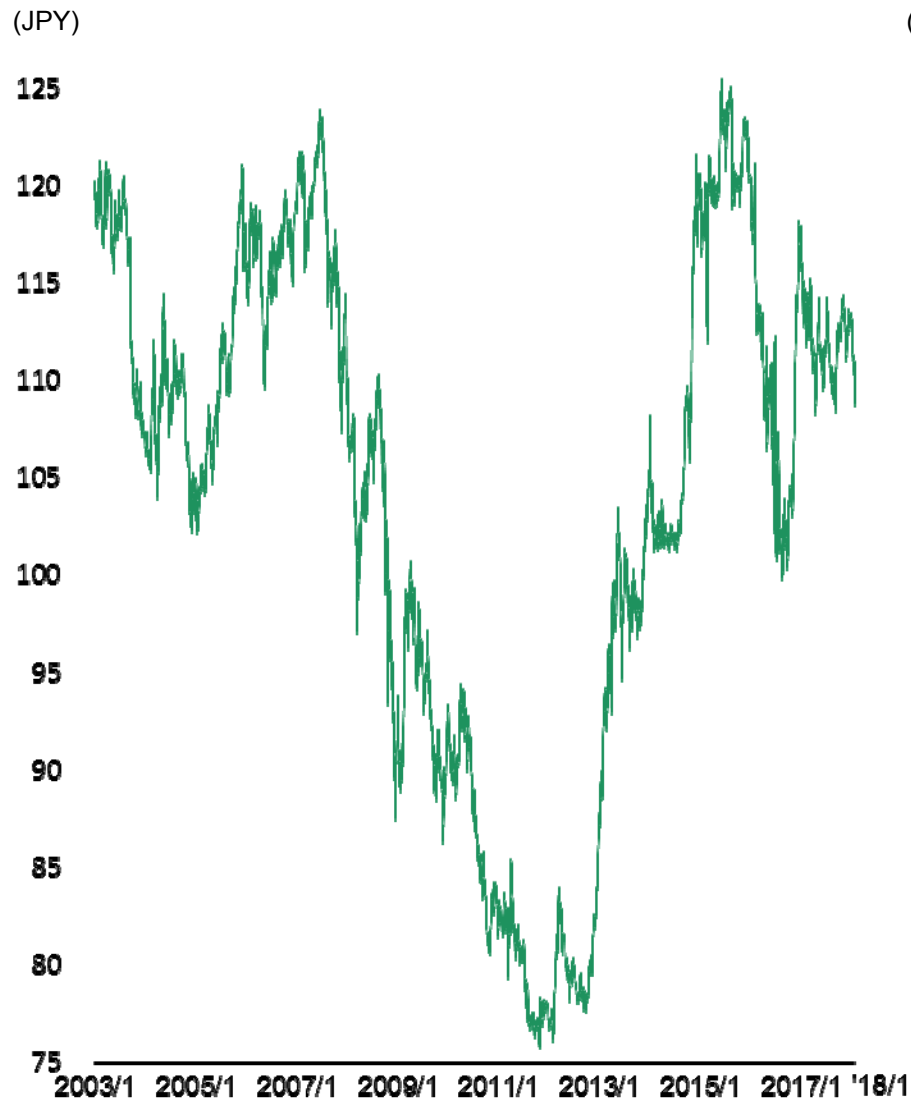
Active job openings-to-applicants ratio\*1
Wage / Salary\*2



\*1. Source: Ministry of Health, Labour and Welfare / Employment Referrals for General Workers (Seasonally adjusted)  
 \*2. Source: Ministry of Health, Labour and Welfare / Basic Survey on Wage Structure

# Exchange Rate / Corporate Earnings

Exchange Rate(USD / JPY)*1	Ordinary Profit for Japanese Corporations*2
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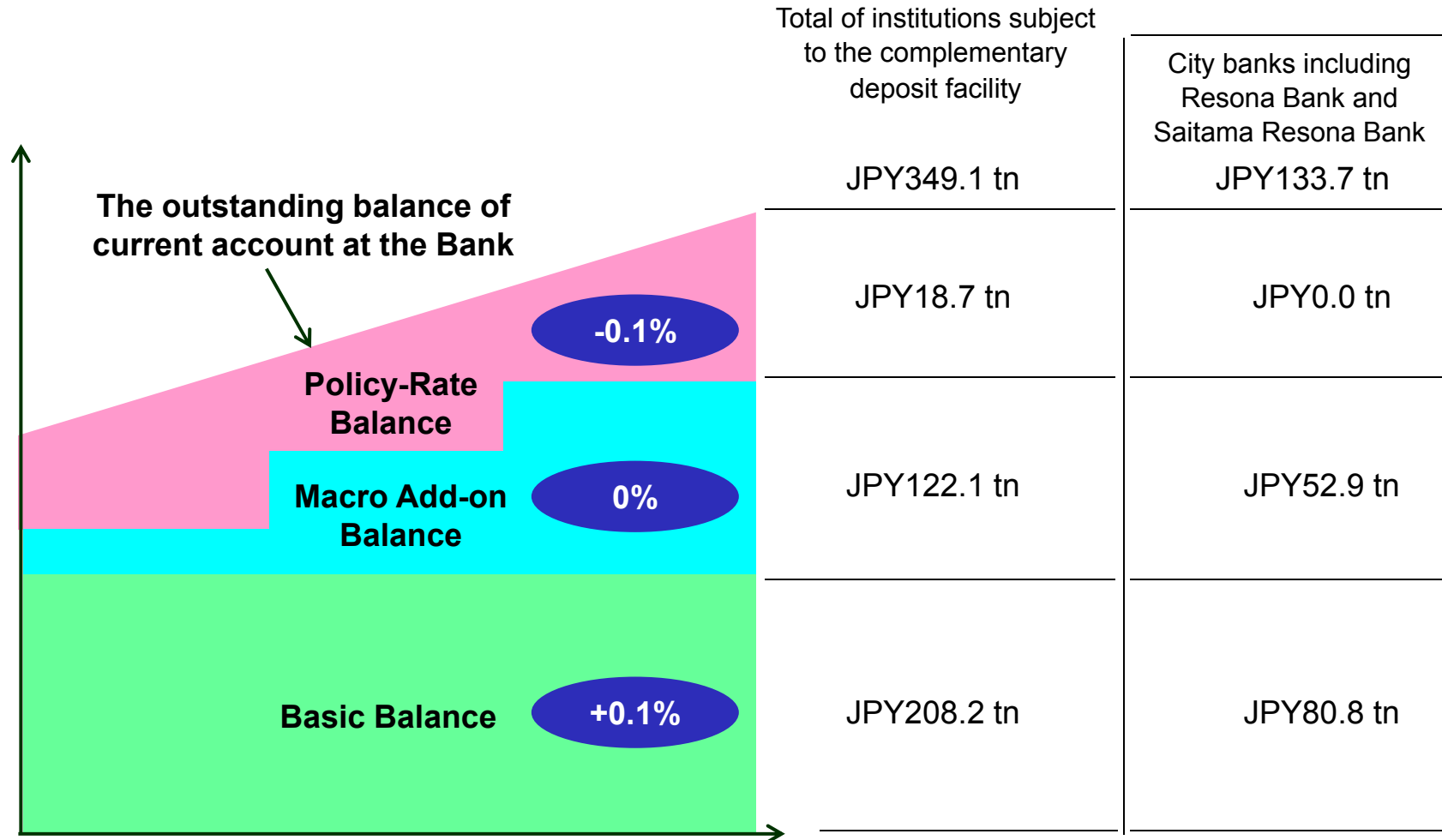
\*1. Source: Resona Bank

\*2. Source: Ministry of Finance / Financial Statements Statistics of Corporations by Industry



# BOJ Current Account Balances

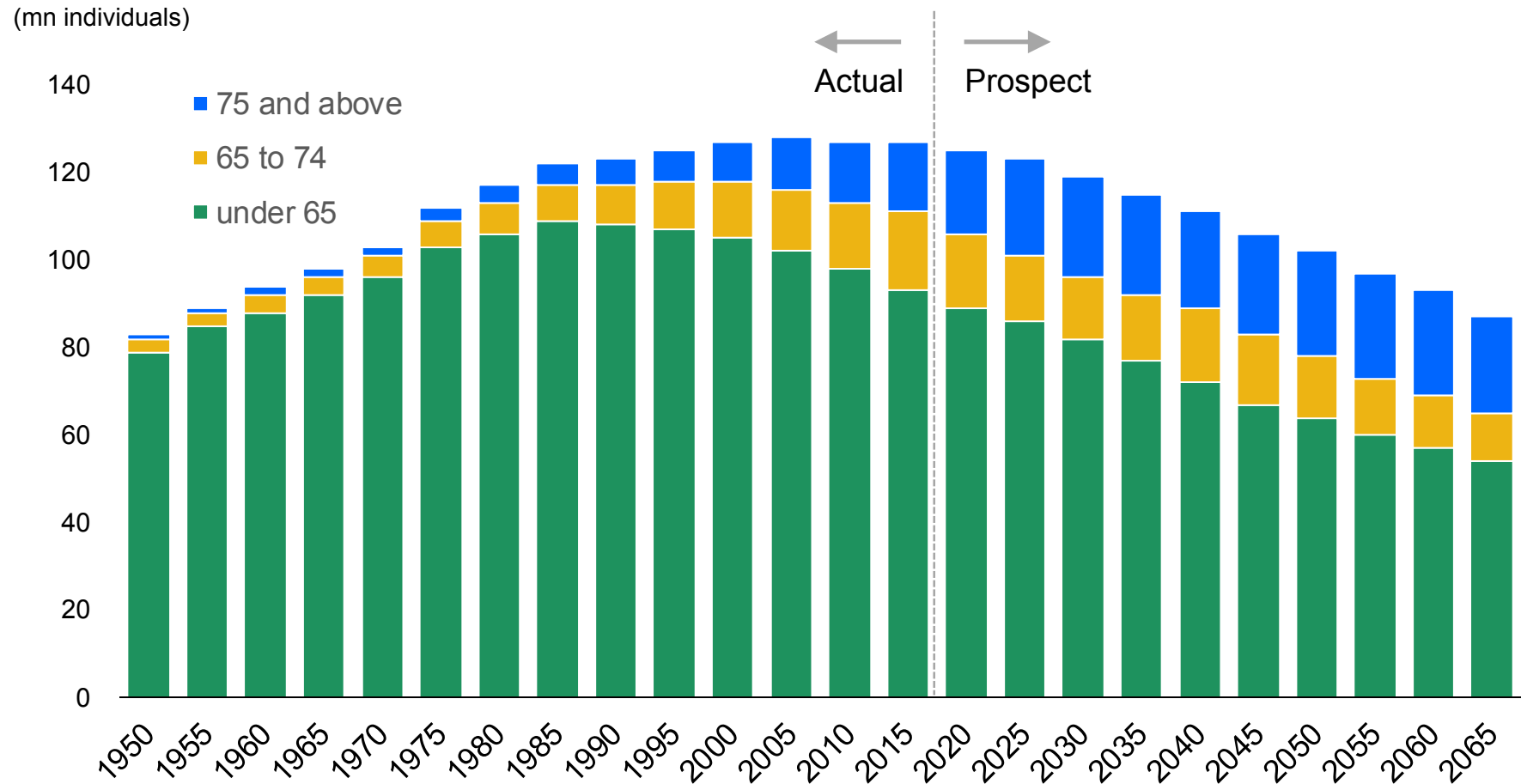
Monthly average balance of BOJ current account  
(16 Dec. -15 Jan.)



\*1. Source: Bank of Japan

# Aging of Japan's Population (Population Trends by Age / Actuals and Estimates)\*1

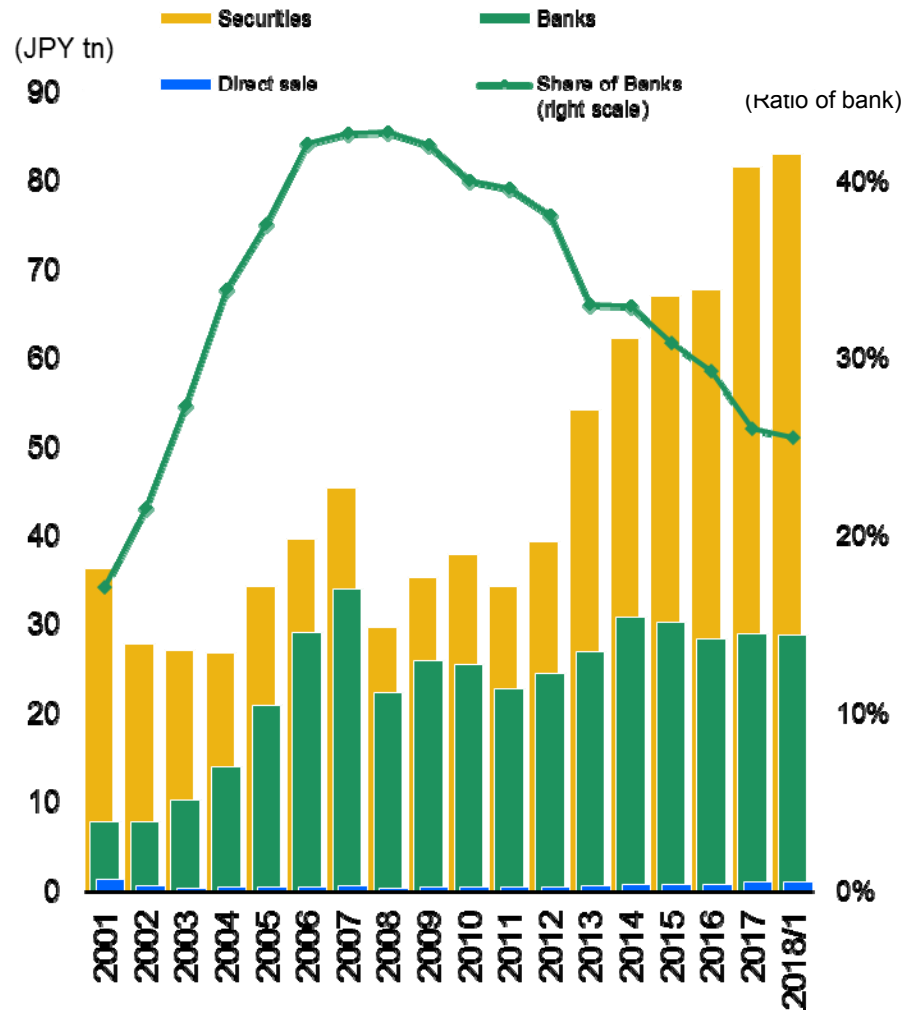
## Population Trends by Age Groups



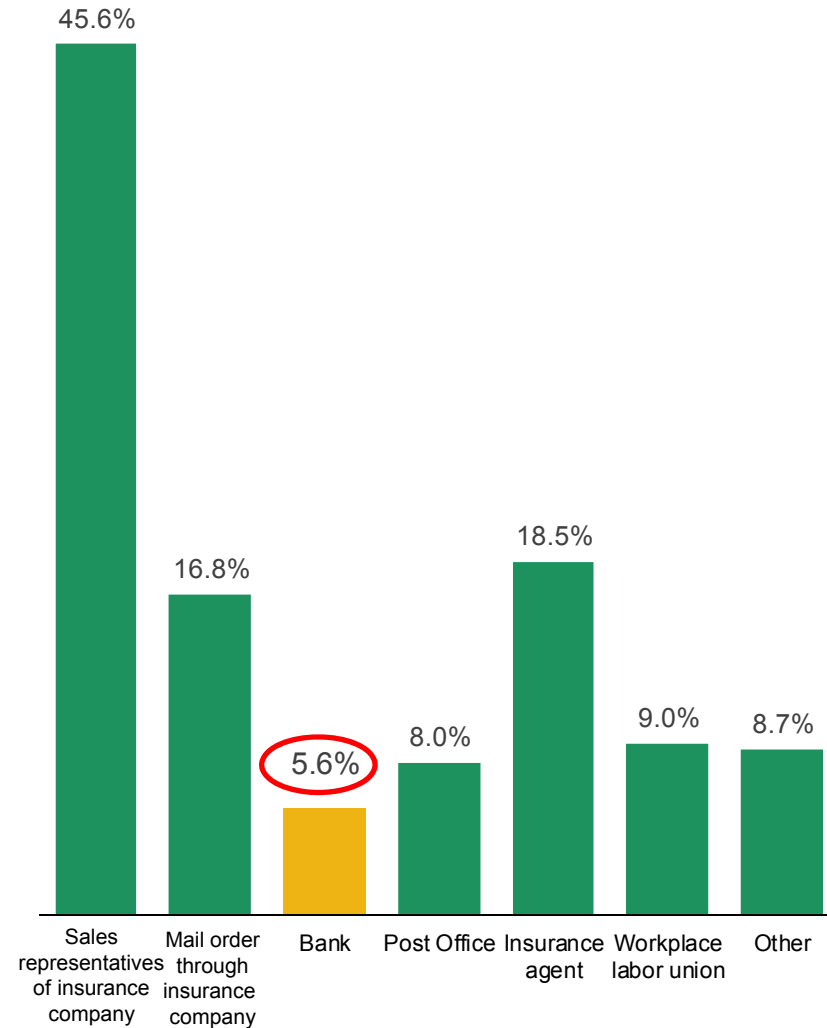
\*1. Source: National Institute of Population and Social Security Research

# Sales of Investment Trusts and Insurance

**Total Net Assets of Investment Trusts by Distribution Channel\*1**



**Ratio of Life Insurance Policy Holders by Distribution Channel in Last 5 years\*2**



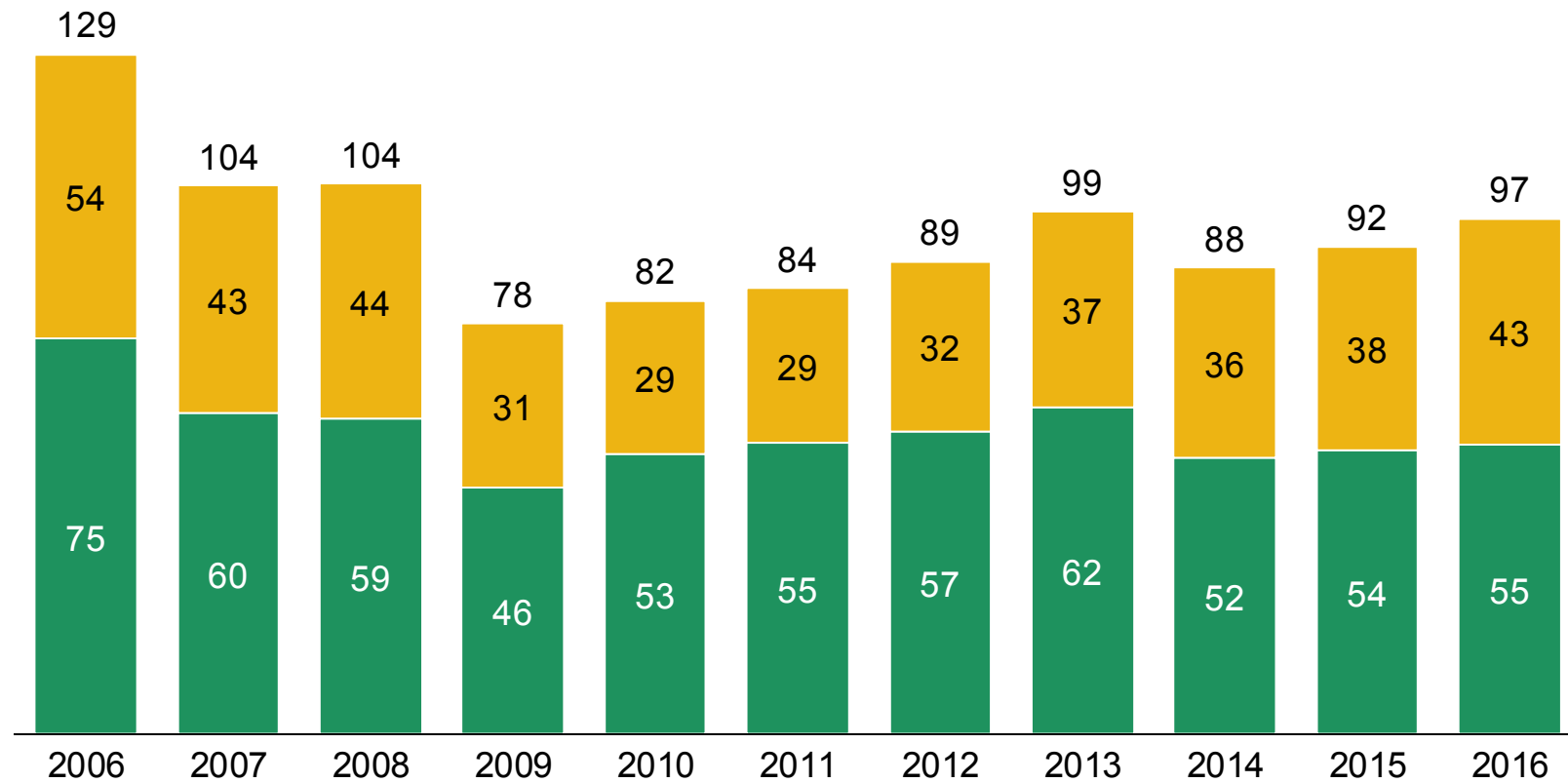
\*1. Source: The Investment Trusts Association, Japan  
 \*2. Source: Japanese Bankers Association

# Housing Data

## New Housing Construction Starts\*1

(10 thousands units)

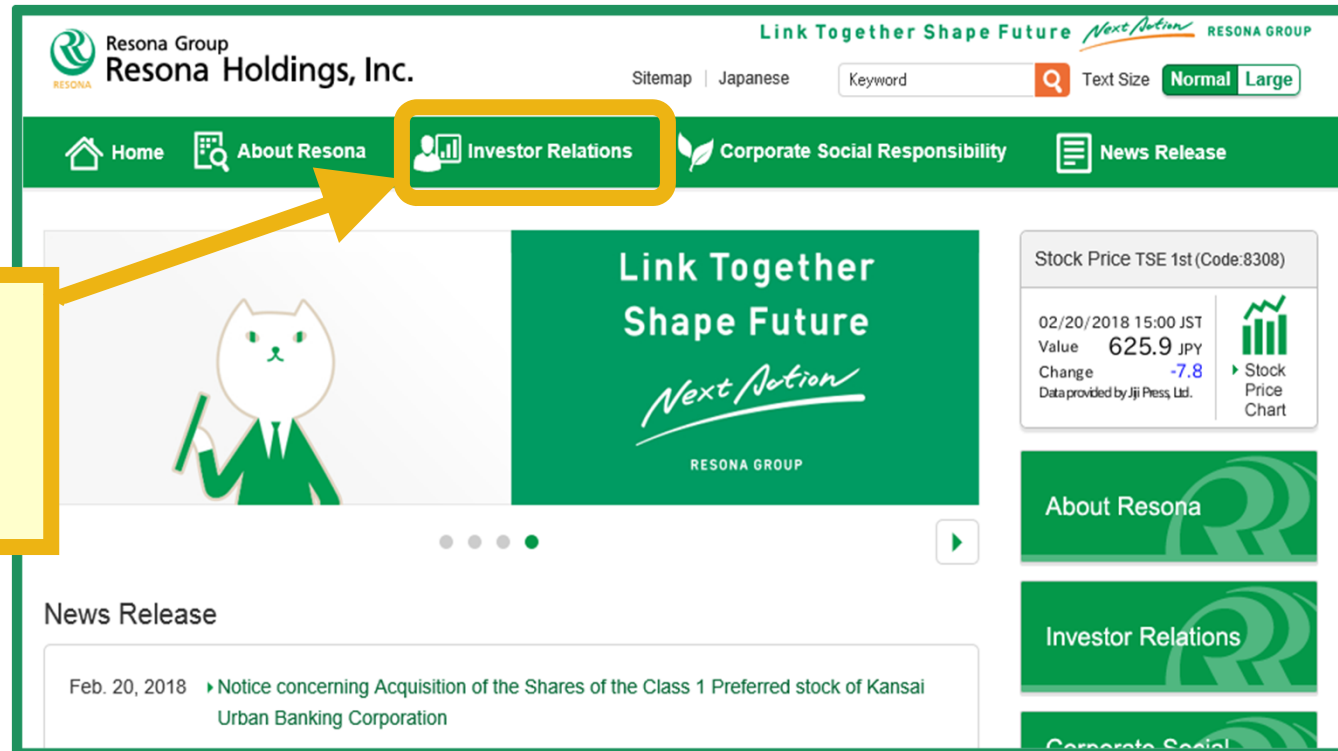
- Houses for rent
- Own houses, condominiums, etc



\*1. Source: Ministry of Land, Infrastructure, Transport and Tourism

# Our Website Information

<http://www.resona-gr.co.jp/holdings/english/>



**Official You Tube**  
(in Japanese language)  
<http://www.youtube.com/user/ResonaGroup>



**Official Facebook account**  
(in Japanese language)  
<http://www.facebook.com/resonagr/>



**Official Twitter account**  
(in Japanese language )  
[http://twitter.com/resona\\_pr](http://twitter.com/resona_pr)

# Proactively Communicating with Our Shareholders and Investors

## Publication of Integrated Report of Resona Group

<http://www.resona-gr.co.jp/holdings/english/investors/financial/integrated/index.html>

**Integrated Report explains in a simple manner to all stakeholders the Resona Group's strengths and measures undertaken to create sustainable corporate value.**

**Value Creation Model**

We will further evolve our value creation model to be "Retail No.1."

Value creation model for becoming the "Retail No.1" financial services group  
With a fundamental stance that "Customers' happiness is our pleasure," the Resona Group contributes to regional economies by providing meaningful customer convenience and optimized solutions through business activities based on the Group's strengths (Machiusu). The Resona Group will achieve sustainable growth together with its customers.

**Social changes and issues**

- ▶ Deepening aging of society. Financial services concentrated in urban areas
- ▶ Changing industrial structure. Collaboration in accelerating
- ▶ Changes to asset formation. Dying financials
- ▶ Spread of ICT
- ▶ Increasing

**Inputs**

- ▶ 570 manned branches mostly in the Tokyo metropolitan area and the Kansai area
- ▶ The largest commercial banking group in Japan with full-line trust capabilities
- ▶ Diversity in human resources
- ▶ The latest, highly flexible IT infrastructure
- ▶ Sound financial position

**Activities**

Strengths of the Resona Group

- [Retail] Focus on individual and SME customers
- [Relation] The Group's banks build ever-lasting relationships with their customers
- [Reform] Customers' happiness is our pleasure
- [Return] DNA of return

Omni-channel, Omni-advisors, Omni-regional, Sophisticated corporate governance

**Outcomes**

- ▶ Overhauling convenience
- ▶ Optimized solutions
- ▶ Development of regional economies
- ▶ Trust and support from customers
- ▶ Resona's sustainable growth

Resona Group Integrated Report 2017

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*The forward-looking statements contained in this presentation 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**

