

# Business Results for FY2017 and Future Management Direction



**Resona Holdings**

**July 2018**

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<p>In some pages of this material, names of Resona Group companies are shown in the following abbreviated forms:</p> <p>RHD: Resona Holdings, RB: Resona Bank, SR: Saitama Resona Bank, KO: Kinki Osaka Bank, KMFG: Kansai Mirai Financial Group, KU: Kansai Urban Banking Corporation, MB: Minato Bank, 3 Banks: RB+SR+KO, 5 Banks: RB+SR+KO+KU+MB</p>		<b>(Reference) Macro Economic Trend (P70 ~ )</b>	

## **Resona Group at a Glance**

**Outline of Business Results for FY2017  
and Updates on Major Businesses**

**Efforts to Business Challenges  
for Sustainable Growth**

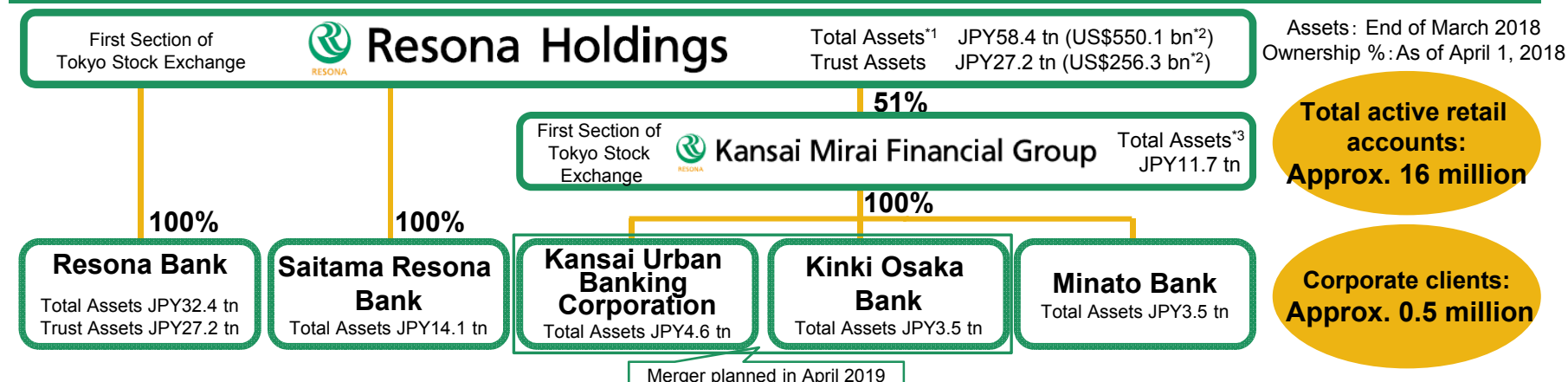
**Direction of Capital Management**

**Reference Material**

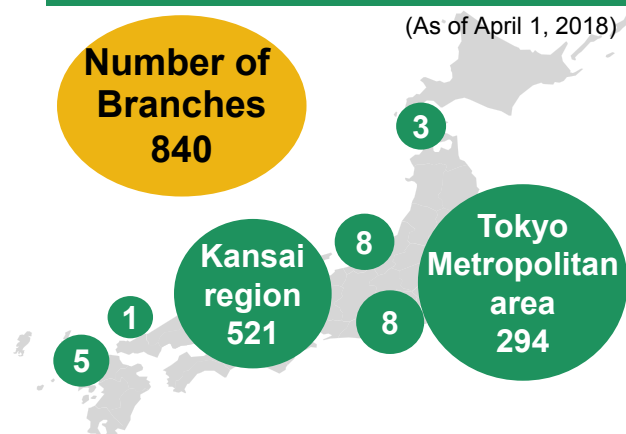
# Resona Group at a Glance

- 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. 16 million retail accounts and approx. 0.5 million corporate clients

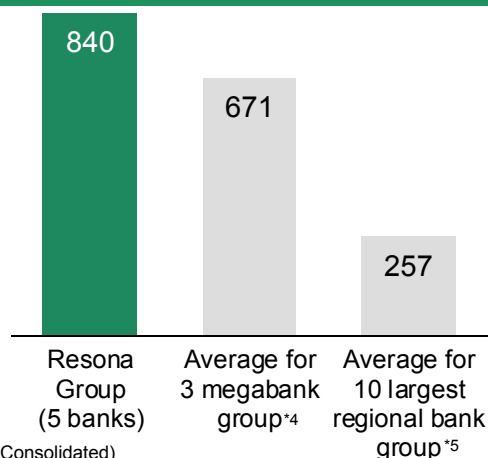
## The largest retail-focused bank with full-line trust capabilities in Japan



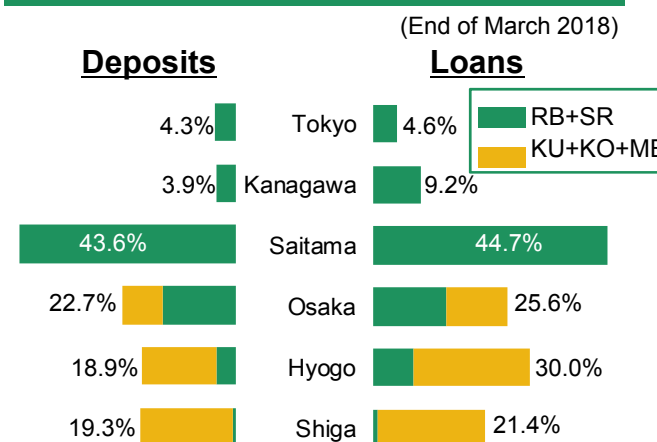
### Domestic Network



### Number of Manned Branch Office



### Market Share\*<sup>6</sup>



\*1. HD+KU+MB(Consolidated) \*2. 1USD=JPY106.31 \*3. KMFG+KU+MB(Consolidated)

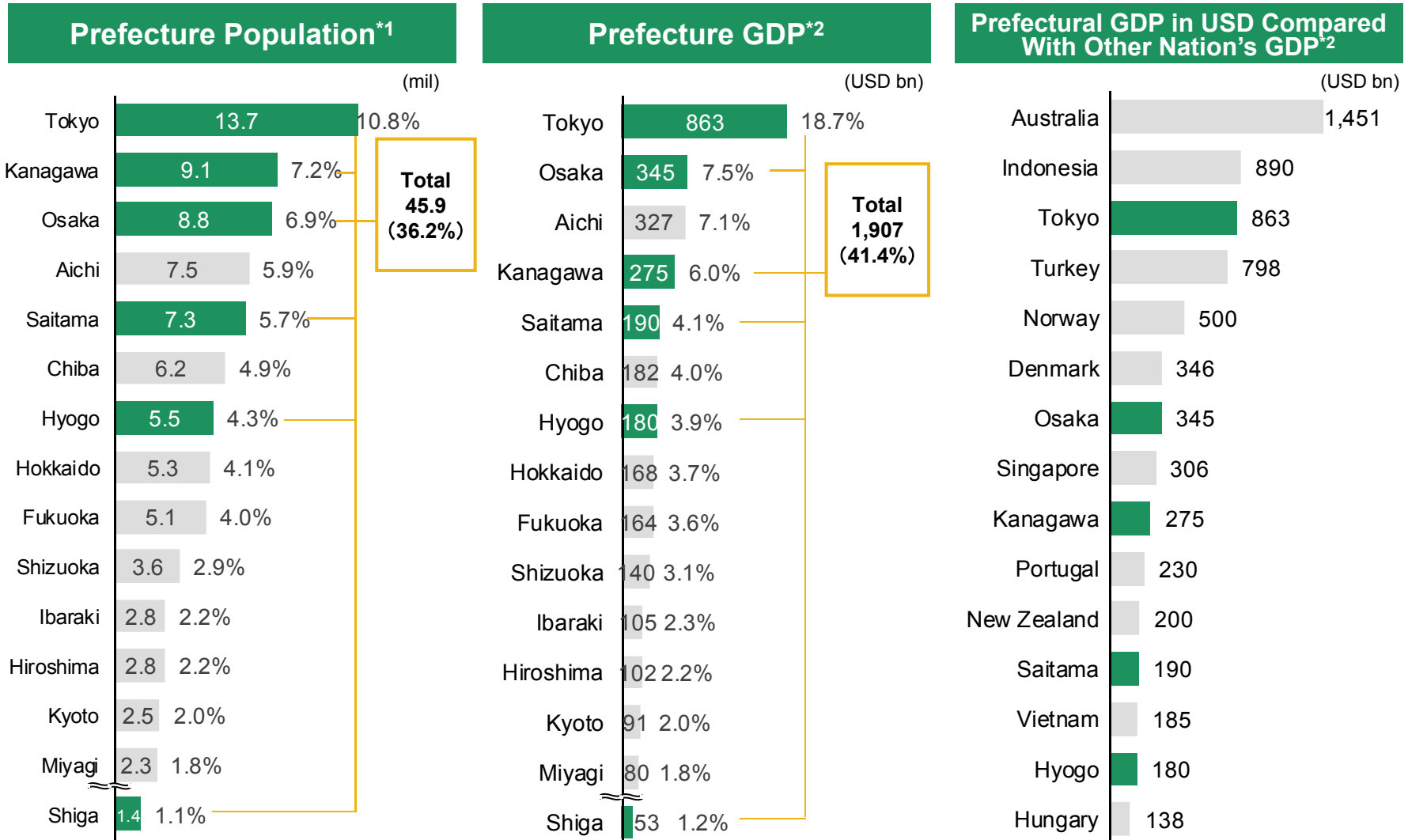
\*4. FY2017 Financial Statements, Megabank groups: MUFG BK+ MUTB, Mizuho BK+ Mizuho Trust, SMBC + SMBCTB

\*5. 10 largest regional bank groups by consolidated assets (Fukuoka FG, Concordia FG, Meibuki FG, Chiba, Hokuhoku FG, Shizuoka, Yamaguchi FG, Kyushu FG, Nishinippon FH, North Pacific : FY2017 Financial Statements)

\*6. Total of group banks, market share based on deposits, and loans and bills discounted by prefecture (domestically licensed banks from BOJ)

# 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

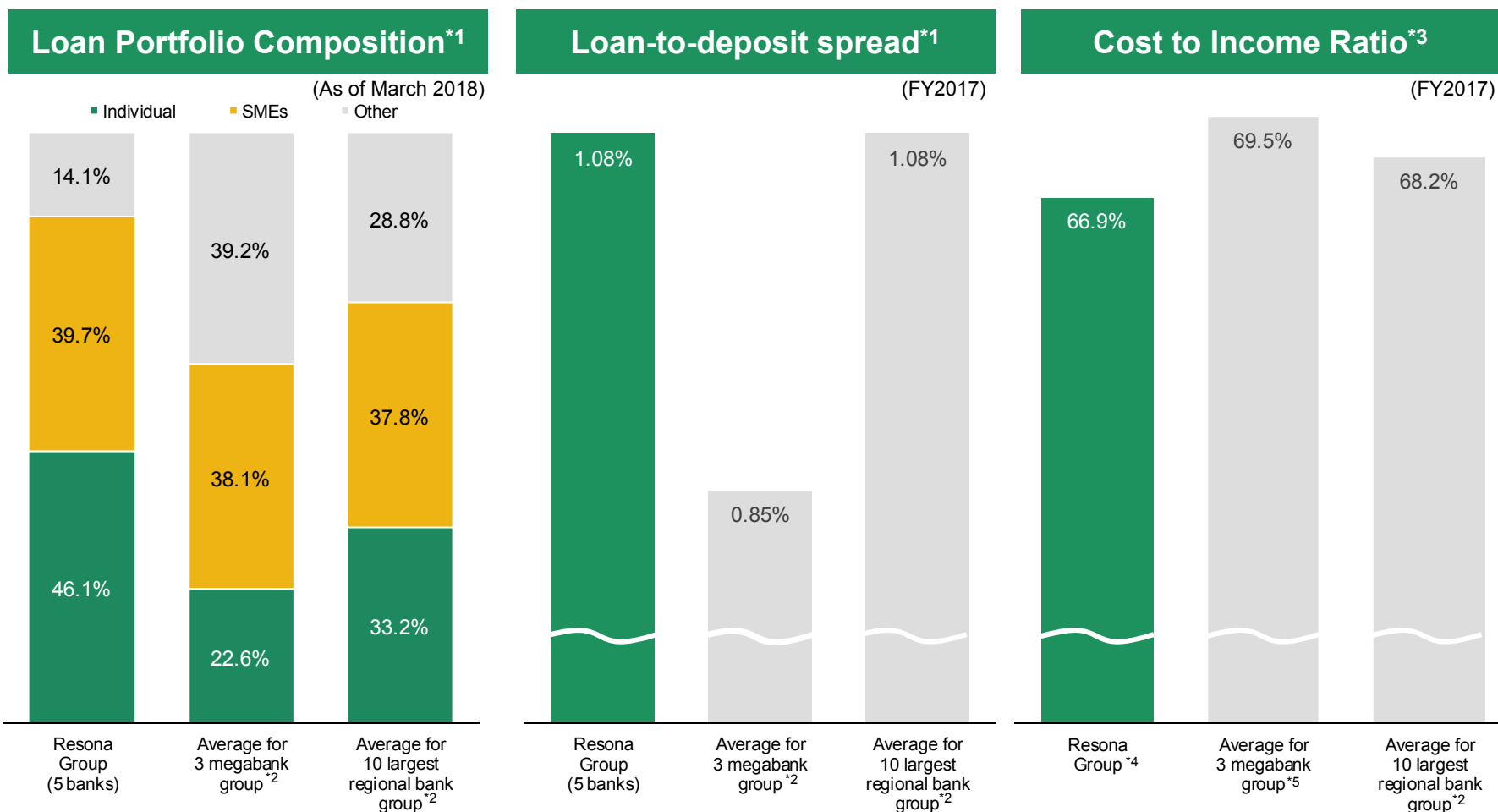


\*1. Source: Ministry of Internal Affairs and Communications, Population estimates (As of October 1st, 2017)

\*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. Total of group banks

\*2. Megabank groups: MUFG BK + MUTB, Mizuho BK + Mizuho Trust, SMBC, 10 largest regional bank groups: 10 largest regional bank groups by consolidated assets (Fukuoka FG, Concordia FG, Mebuki FG, Chiba, Hokuoku FG, Shizuoka, Yamaguchi FG, Kyushu FG, Nishinippon FH, North Pacific)

\*3. Consolidated cost to income ratio = operating expenses / gross operating profit

\*4. Resona Group: RHD+KU+MB(Consolidated), \*5. MUFG, SMFG, Mizuho FG



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**Resona Group at a Glance**

**Outline of Business Results for FY2017  
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**Efforts to Business Challenges  
for Sustainable Growth**

**Direction of Capital Management**

**Reference Material**

# Opening Remarks

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## 1. Steadily implemented the income and cost structure reforms

- Net income attributable to owners of the parent excluding one-off gain: JPY150.5 bn  
Achieved the initial full year target
- Average loan balance continued to increase steadily while the speed of loan-to-deposit spread contraction has slowed down
- Stock-type fee income increased steadily, fee income ratio rose to 30% level
- Total operating expenses hit the record low

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

- Kansai Mirai Financial Group started full scale operation in April 2018 as planned
- Launched the new “Smart Accounts” in Feb. 2018  
Expanded to 22 specialized branches for consultations
- Steadily expanded profit opportunities by raising “Omni-Advisors”

## 3. 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
- Common DPS increase in three consecutive years  
FY2016 +2 yen FY2017 +1 yen FY2018 +1 yen (forecast)



# Outline of Financial Results for FY2017

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

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

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

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

Down JPY6.6 bn, or 3.0%, YoY

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

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

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

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

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

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

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

\*1. Domestic banking account, deposits include NCDs

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

# Breakdown of Financial Results

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

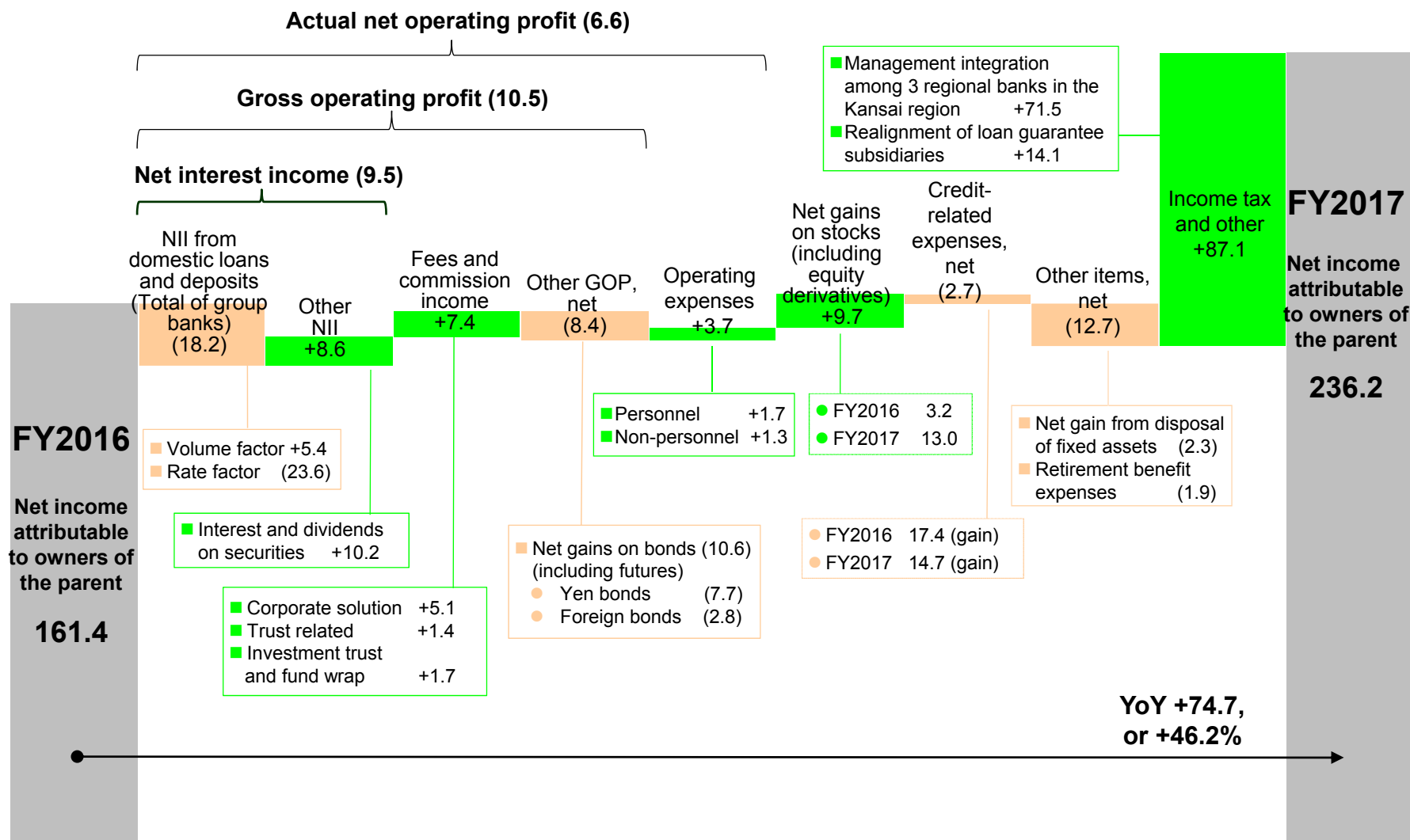
\*1. Include the effect of management integration among 3 regional banks in the Kansai region (JPY71.5 bn)

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

# Factors for the YoY Change in Periodic Profits

RHD  
Consolidated

(JPY bn)



# Trend of Loans and Deposits

Total of  
Group Banks

## Average loan / deposit balance, rates and spread

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

Data compiled for a management and administration purpose

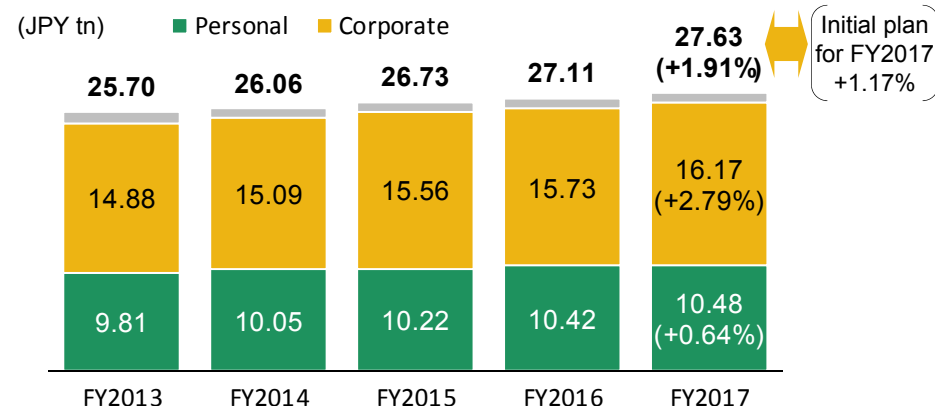
\*1. Corporate Banking Business Unit :

Corporate loans (excluding loans to governments) + apartment loans

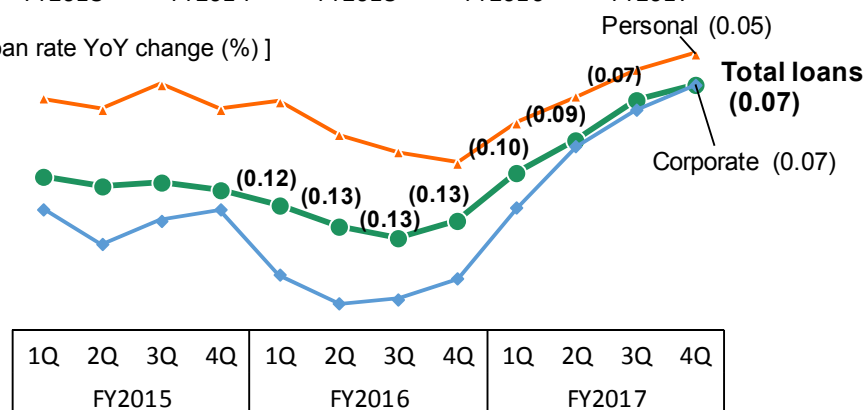
\*2. Personal Banking Business Unit:

Residential housing loans + other consumer loans

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



[ Loan rate YoY change (%) ]



[ Loan and deposit rates ]

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

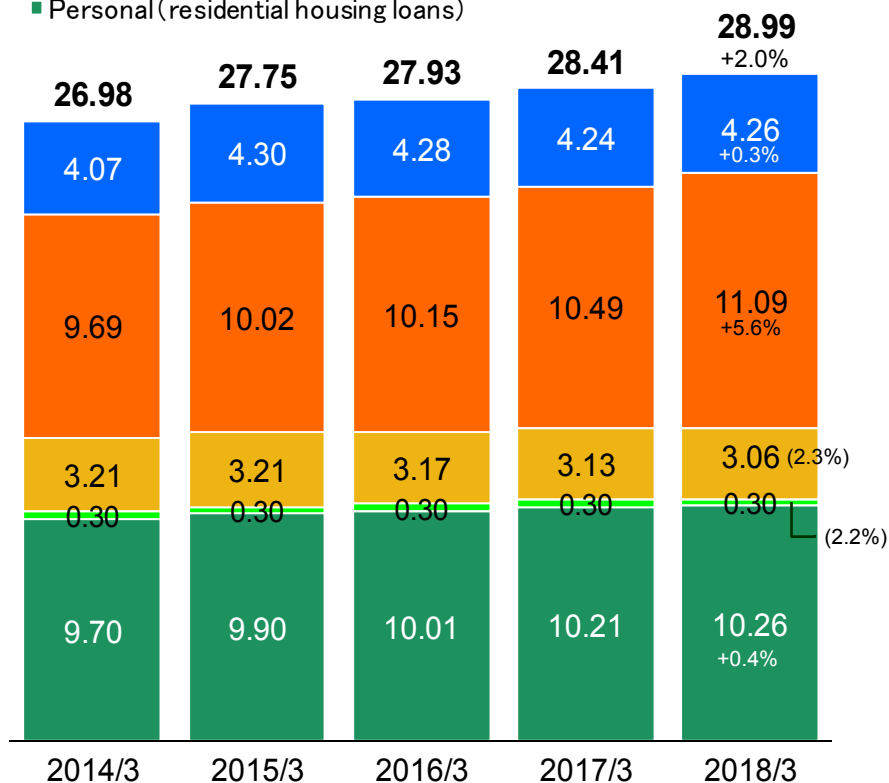
# Term-end Balance of Loans and Deposits

Total of  
Three Banks

## Term-end loan balance

(JPY tn, % represents  
YoY change)

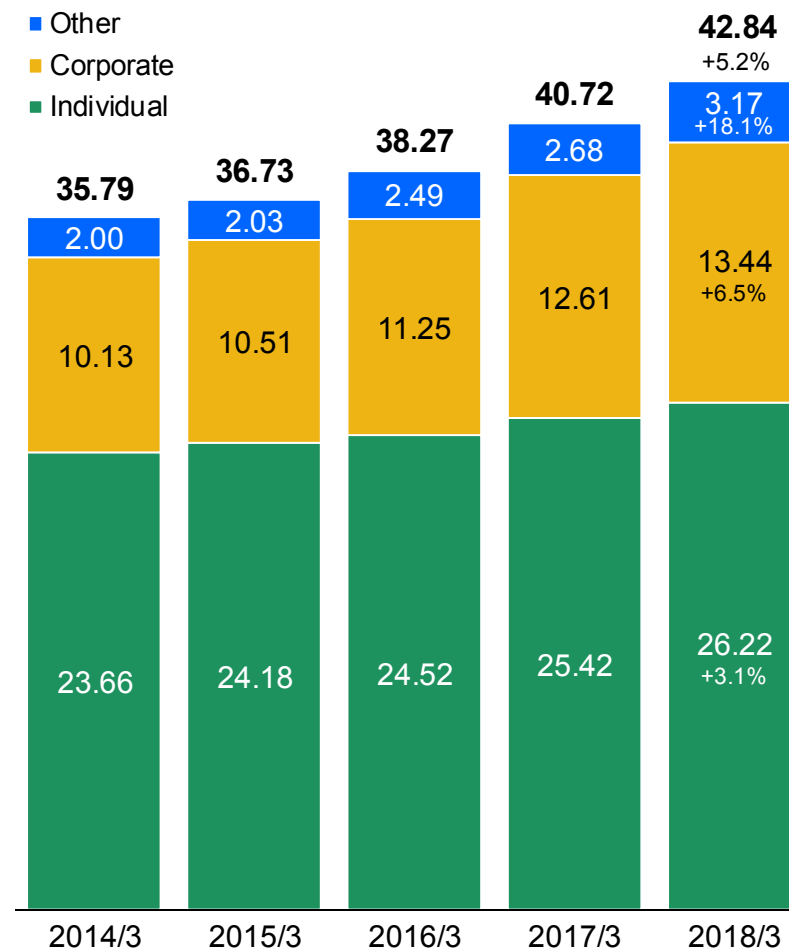
- Corporate (large companies and other)\*1
- Corporate (SMEs)
- Corporate (apartment loans)
- Personal (consumer loans)
- Personal (residential housing loans)



## Term-end deposit balance

(JPY tn, % represents  
YoY change)

- Other
- Corporate
- Individual



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

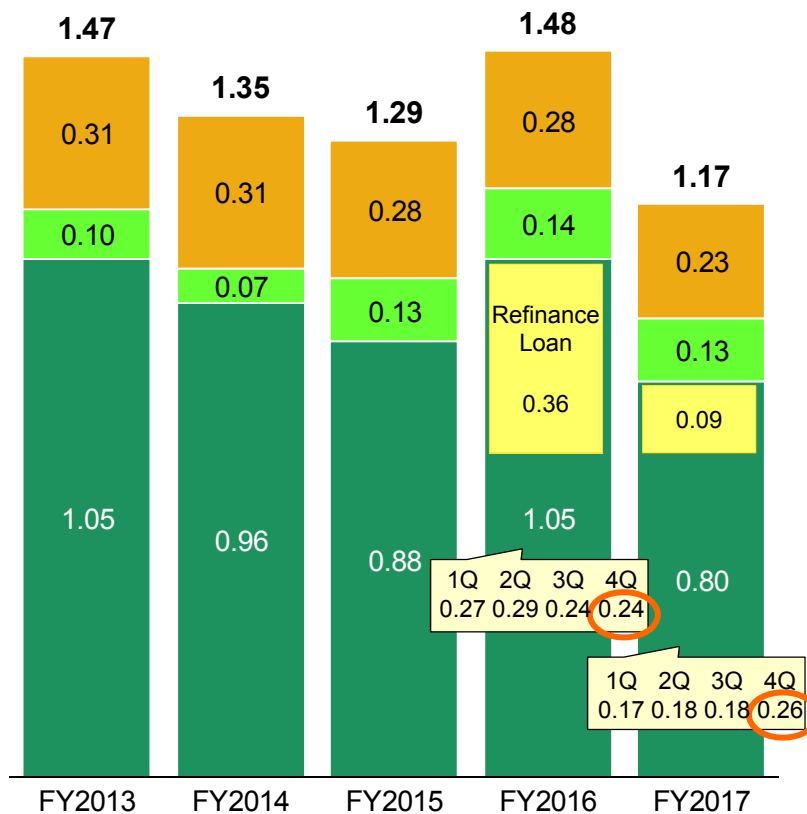
# Housing Loan Business

Total of  
Three Banks

## New loan origination

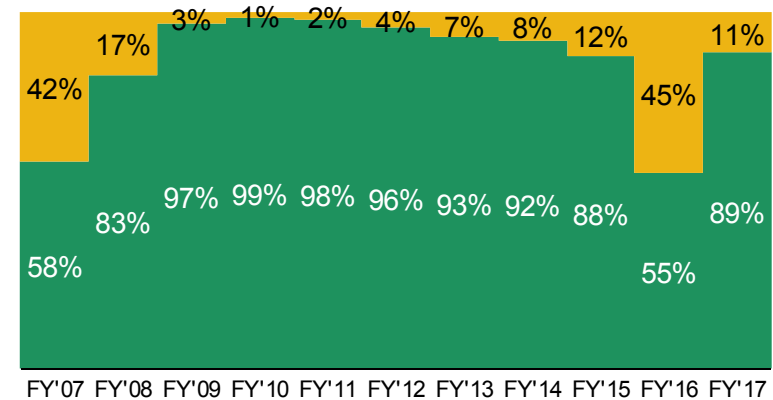
(JPY tn)

- Apartment loan
- Flat 35
- Residential housing loan



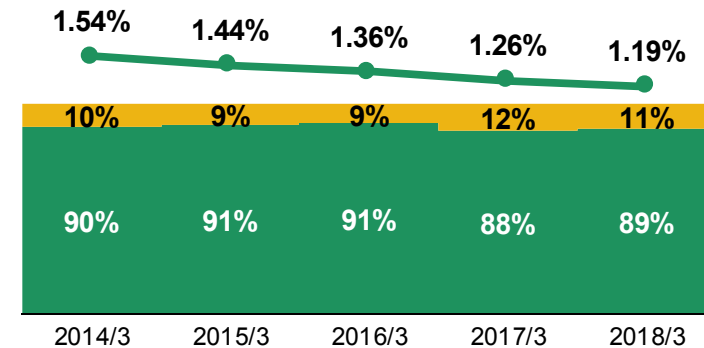
## Composition of newly originated residential housing loans by interest rate type

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



## 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

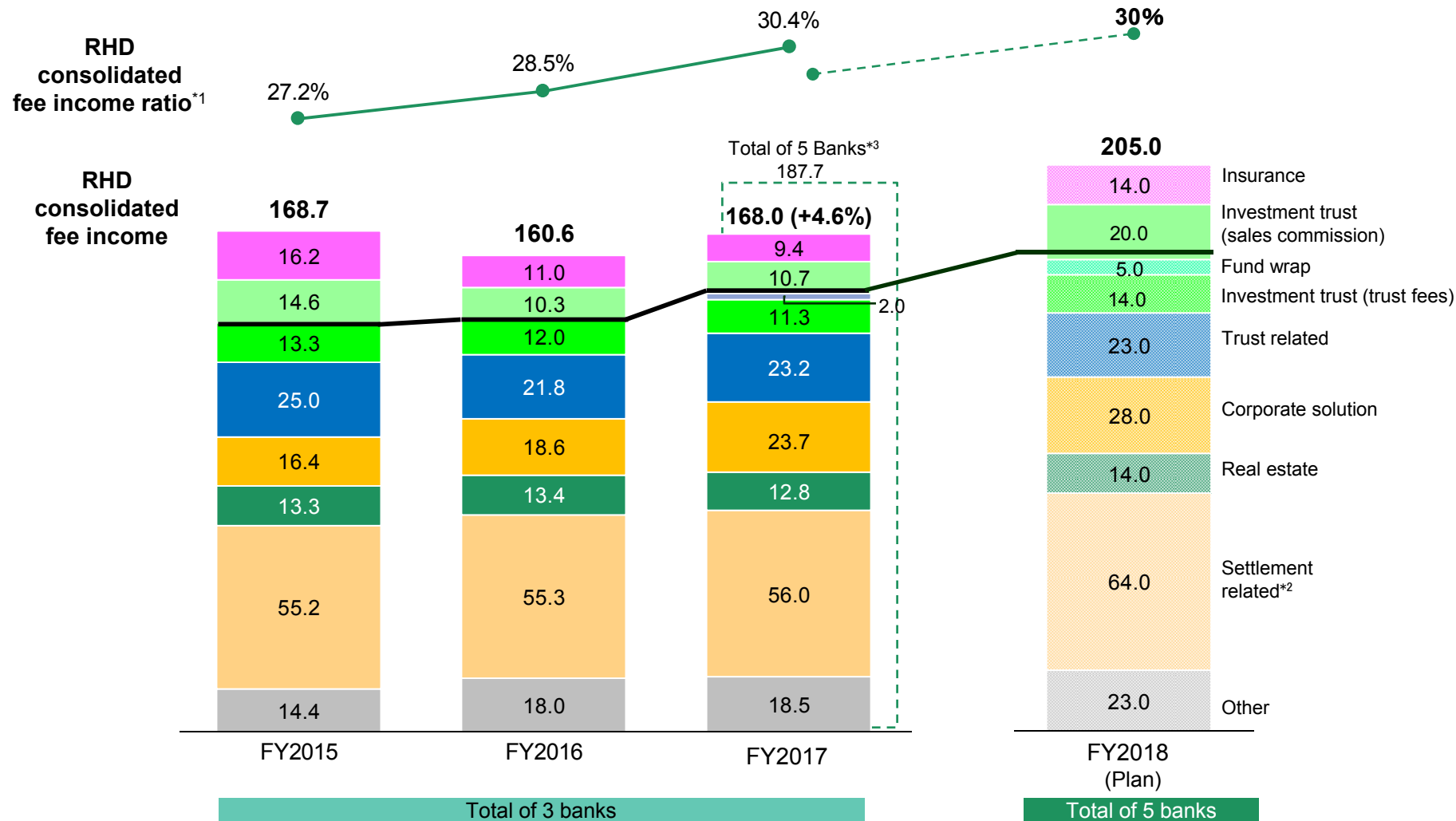


# Fee Income

RHD  
Consolidated

Consolidated fee income ratio at 30.4% for FY2017

JPY bn, % represents  
YoY change



\*1. (Fees and commission income + trust fees) / Consolidated gross operating profit

\*2. Fees and commission from domestic exchange, account transfer, EB, Visa debit card and fee income earned by Resona Kessai Service and Resona Card

\*3. Total of RHD consolidated, KU consolidated and MB consolidated figures

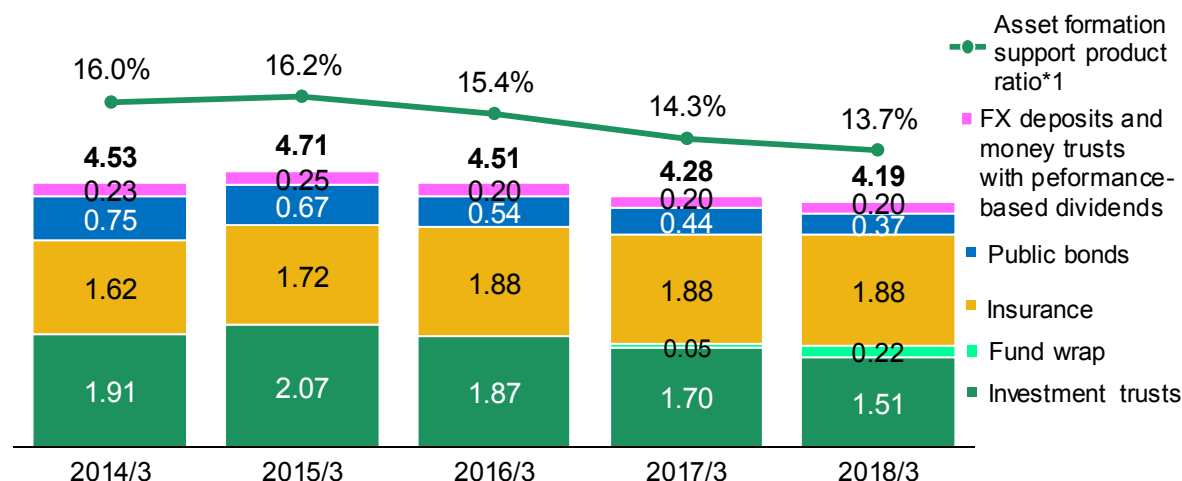


# Asset Formation Support Business

RHD  
Consolidated

## Balance of asset formation support products sold to individuals

(JPY tn)



■ Balance of fund wrap:  
Mar. 2018 Approx. JPY220.0 bn

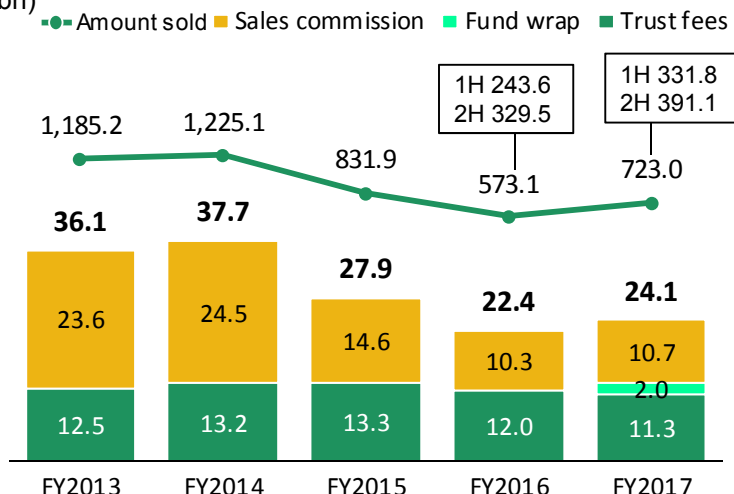
■ Net inflow of funds (investment trust and fund wrap) in FY2017  
(New purchase – withdrawal and redemption): Approx. +80.0 bn

■ Number of individual customers having investment trust, fund wrap and insurance products  
0.65 million as of Mar. 2018

● NISA account holders 0.2 million

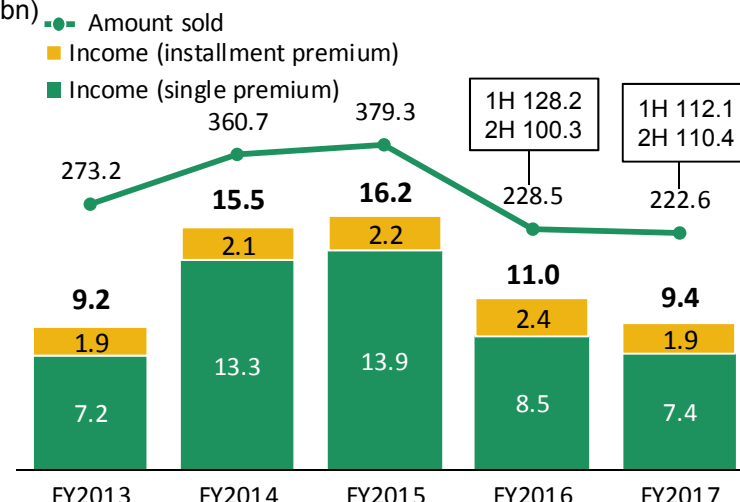
## Investment trust and fund wrap

(JPY bn)



## Insurance

(JPY bn)



\*1. Asset formation support product ratio = balance of asset formation support products sold to individuals / (balance of asset formation support products sold to individuals and yen deposits held by individuals)

\*2. Reported figures are compiled for a business administration purpose

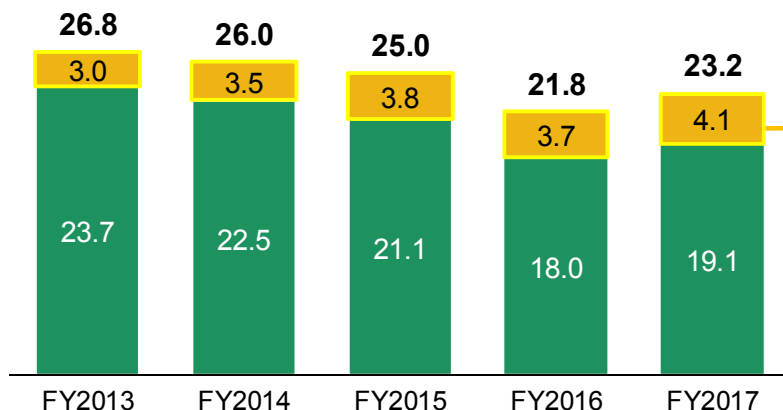
# Major Fee Businesses

Total of  
Three Banks

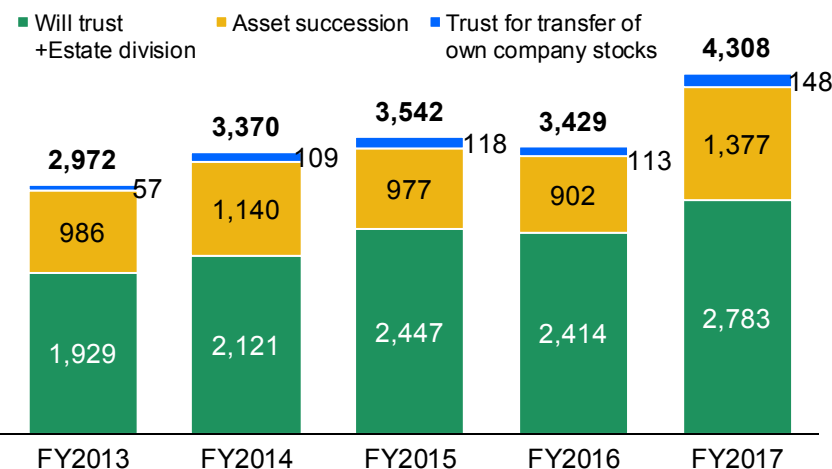
## Trust-related business

(JPY bn)

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



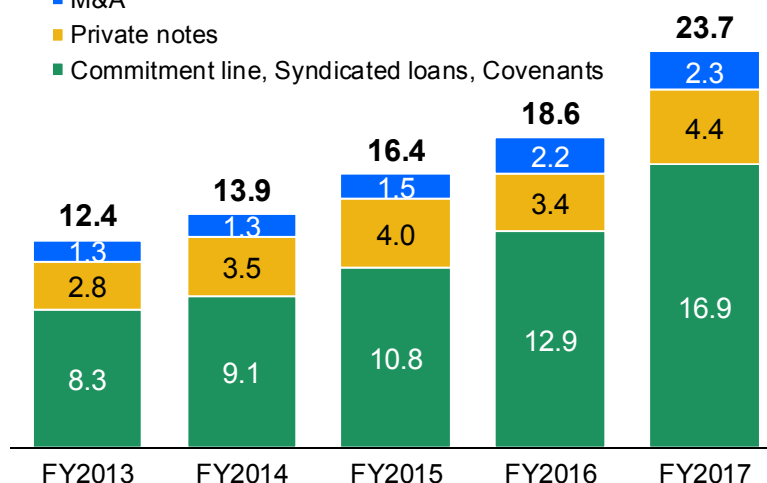
(Reference) Number of new asset succession-related contracts



## Corporate solutions business

(JPY bn)

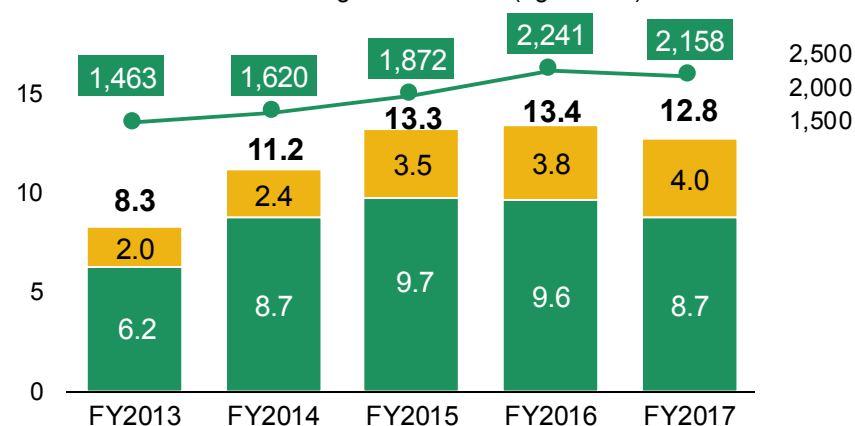
- M&A
- Private notes
- Commitment line, Syndicated loans, Covenants



## Real estate business\*1

(JPY bn)

- Brokerage fee (Consumer)
- Brokerage fee (Corporate)
- Number of brokerage transactions (right scale)



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

# Credit Costs and NPL

## Trend of credit costs

(JPY bn)	Total of 3 banks			5 banks
	FY2015	FY 2016	FY 2017	FY 2018 Plan
<b>Net credit cost (RHD consolidated)</b> (1)	(25.8)	17.4	14.7	(18.5)

<b>Net credit cost (Total of group banks)</b> (2)	(23.4)	18.2	17.5	(13.0)
General reserve (3)	(0.0)	9.8	6.6	
Specific reserve and other items (4)	(23.4)	8.4	10.8	
New bankruptcy, downward migration (5)	(43.9)	(19.9)	(15.4)	
Collection/upward migration (6)	20.4	28.3	26.2	

<b>Difference (1) - (2)</b> (7)	(2.3)	(0.7)	(2.7)	(5.5)
HL guarantee subsidiaries (8)	2.6	2.0	1.1	
Resona Card (9)	(1.8)	(2.1)	(2.3)	

<Credit cost ratio>				(bps)
RHD consolidated* <sup>1</sup> (10)	(9.2)	6.1	5.1	(5.1)
Total of group banks* <sup>2</sup> (11)	(8.2)	6.3	5.9	(3.5)

(Note) Positive figures represent reversal gains

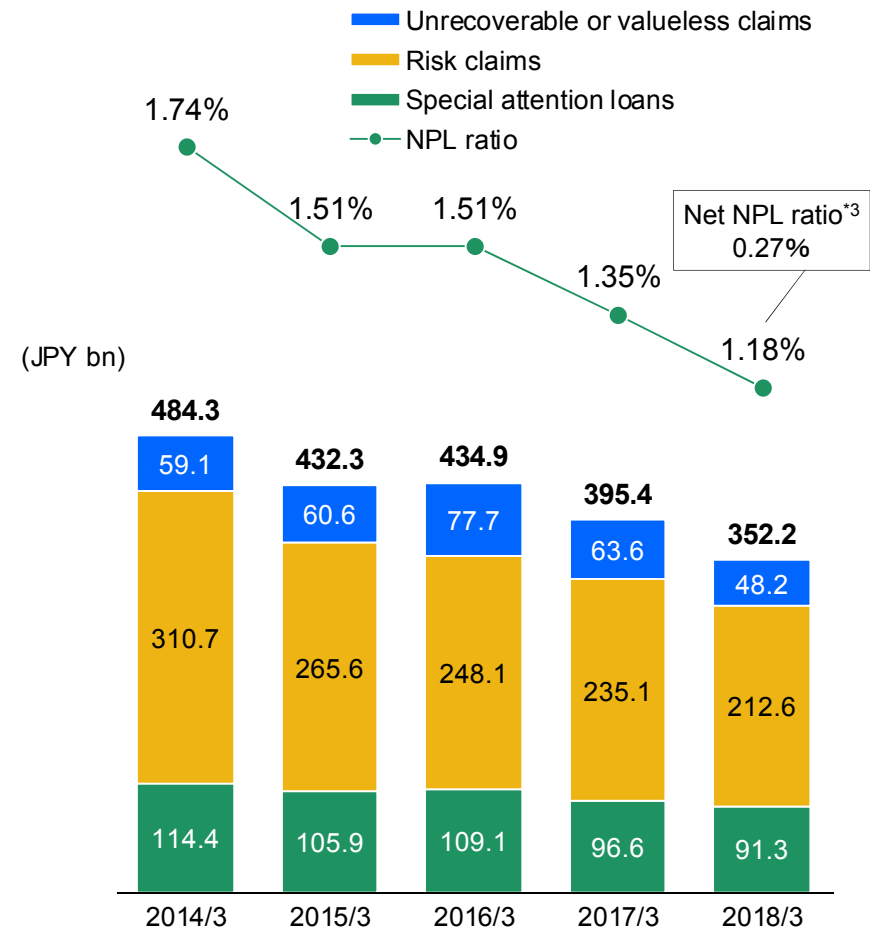
\*1. Credit cost / (Loans and bills discounted + acceptances and guarantees)  
(Simple average of the balances at the beginning and end of the term)

\*2. Credit cost / total credits defined under the Financial Reconstruction Act  
(Simple average of the balances at the beginning and end of the term)

\*3. Net of collateral, guarantees and loan loss reserves

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

(Financial Reconstruction Act criteria)



# Securities Portfolio

Total of  
Three Banks

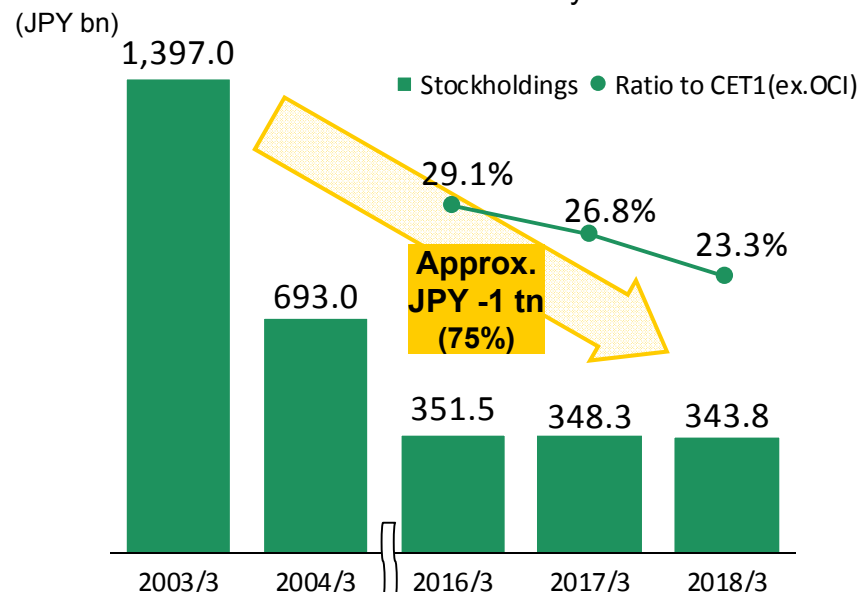
## Securities Portfolio<sup>\*1</sup>

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

## Status of policy-oriented stocks held

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

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



\*1. Acquisition cost basis. The presented figures include marketable securities only

\*2. Excluding OCI (other comprehensive income)

# Capital Adequacy Ratio

RHD  
Consolidated

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

\* Excluding unrealized gain on available for sale securities

## Domestic standard

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

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

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

### ■ Factors for the change in FY2017

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

## (Reference) International standard

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

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

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

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

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

# Earnings Target for FY2018

RHD Consolidated  
Total of Group Banks

## RHD consolidated

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

## Common DPS

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

## Total of group banks

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

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

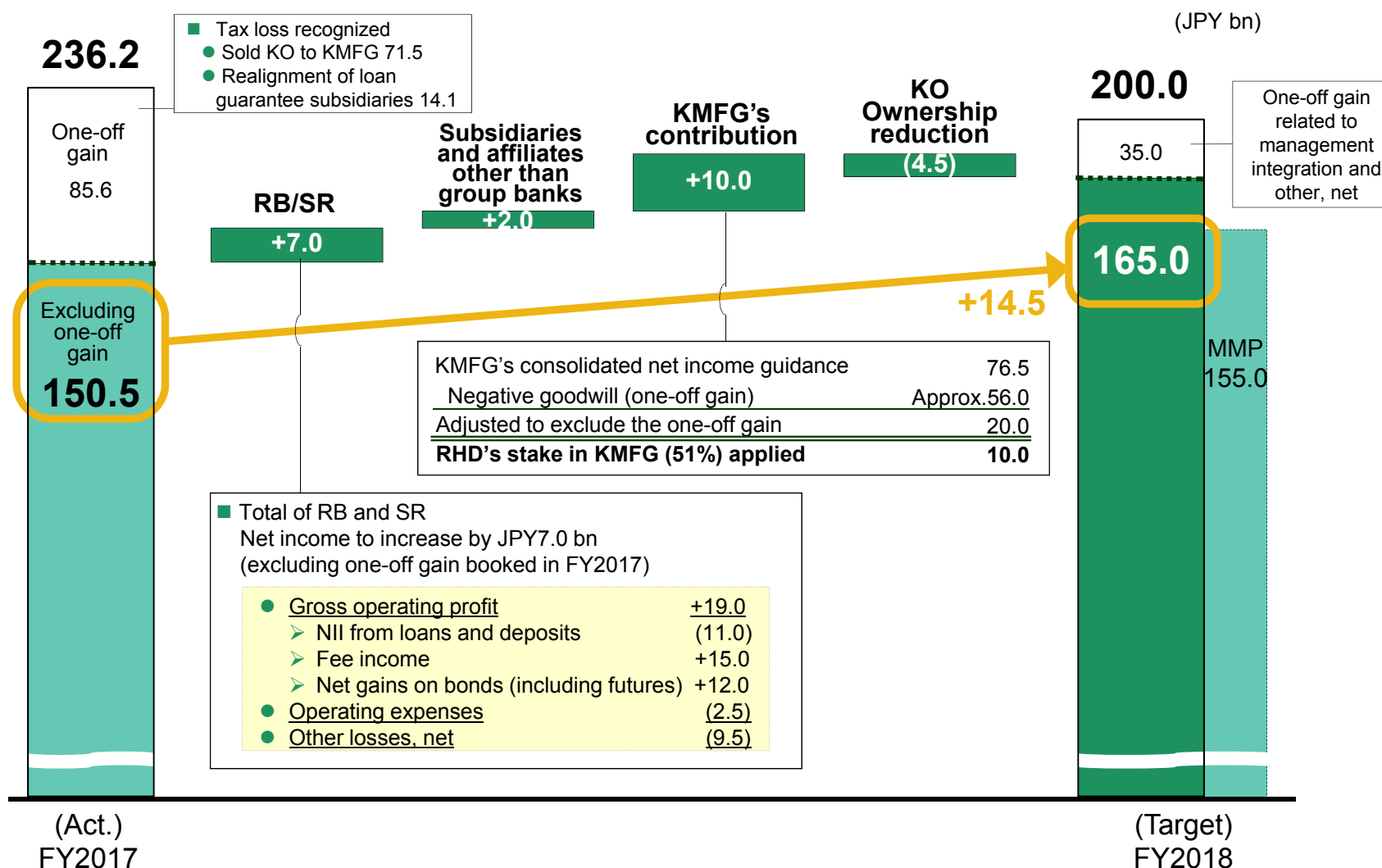
\*2. Include the one-off gain related to the management integration and other, net (JPY35.0 bn)

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

# Gap Analysis: FY2018 Target vs FY2017 Result

RHD  
Consolidated

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



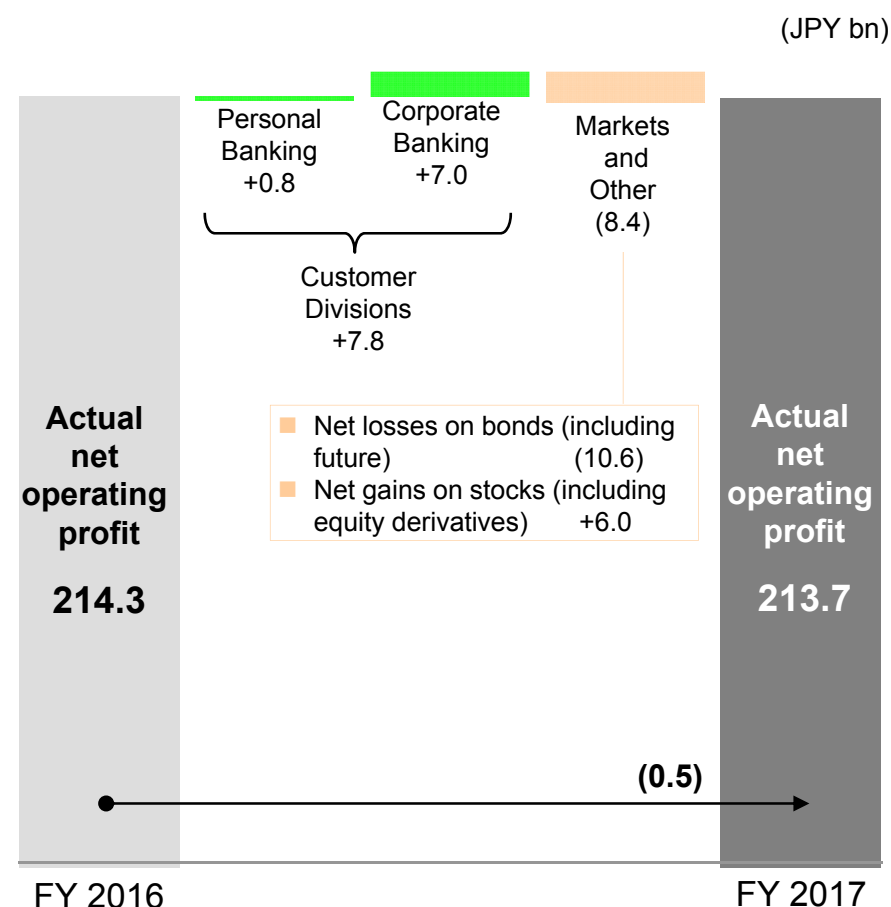


# Outline of Financial Results of Each Segment (1)

RHD  
Consolidated

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

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



## Definition of management accounting

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

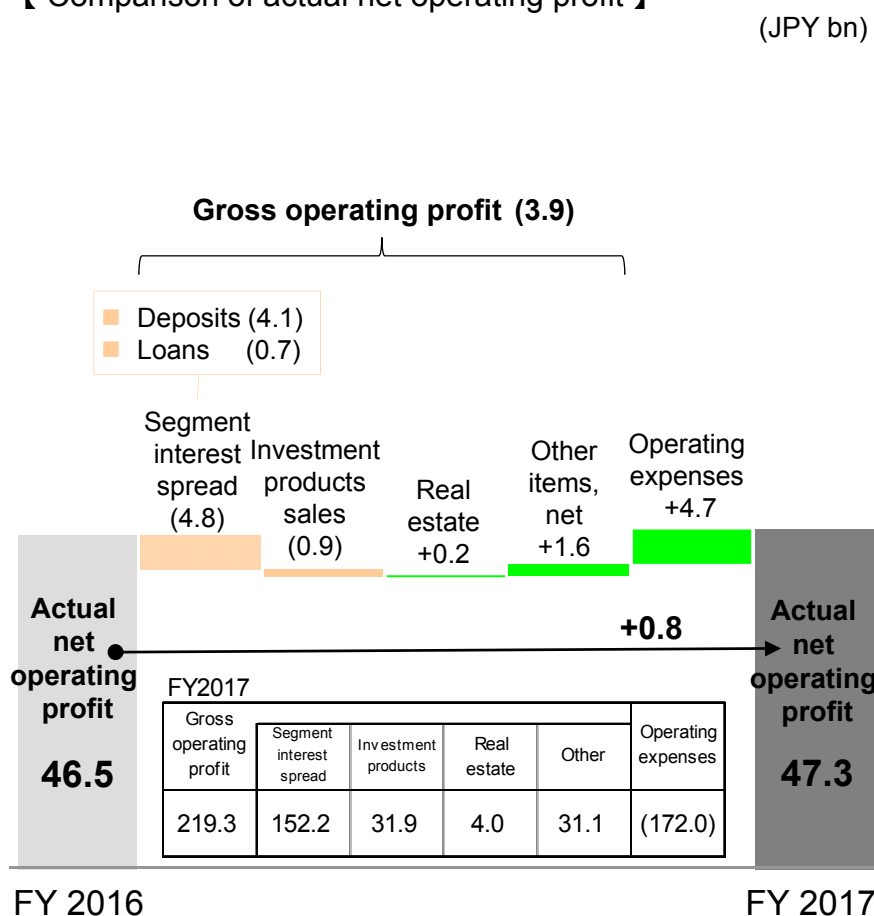
# Outline of Financial Results of Each Segment (2)

RHD  
Consolidated

## Personal Banking Segment

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

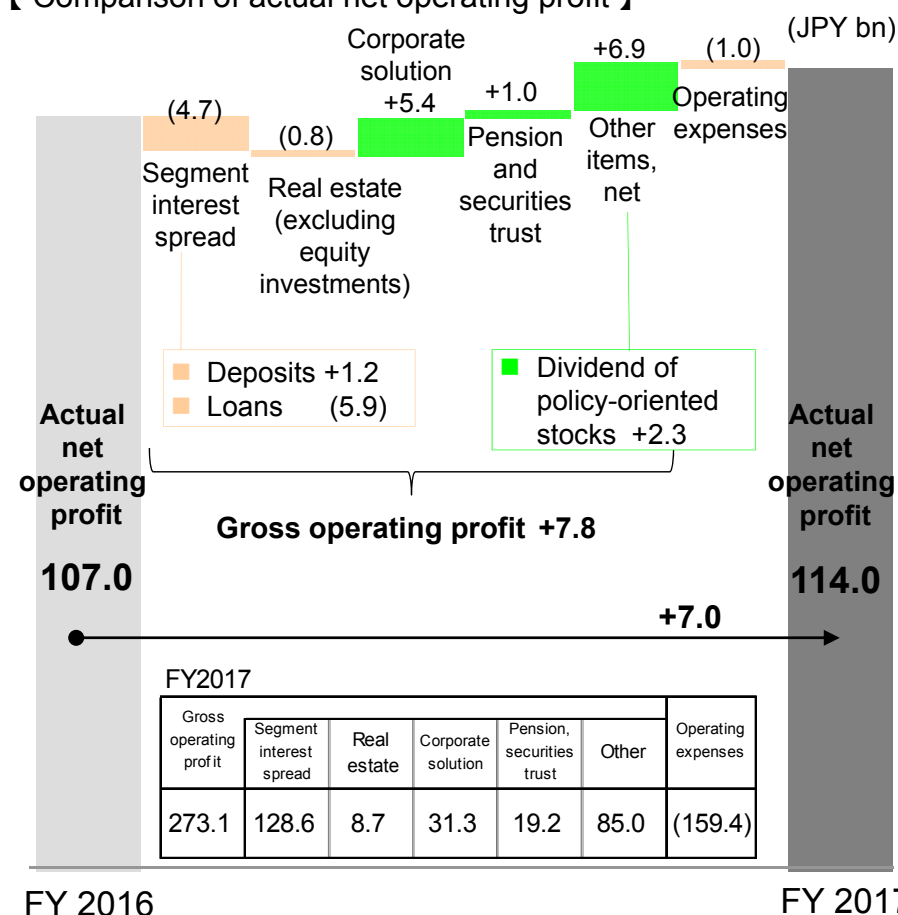
【 Comparison of actual net operating profit 】



## Corporate Banking Segment

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

【 Comparison of actual net operating profit 】



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## **Resona Group at a Glance**

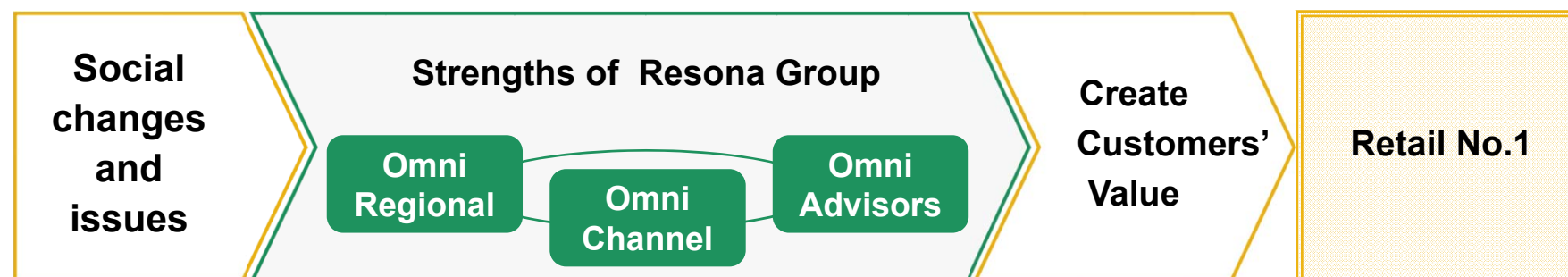
## **Outline of Business Results for FY2017 and Updates on Major Businesses**

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

## **Direction of Capital Management**

## **Reference Material**

# For Becoming the “Retail No.1” Financial Services Group



## ■ Progress of the mid-term management plan and final year's KPIs based on the new 5 banks group structure

KPIs	RHD Plan (FY2019)	FY2017 (Act.)	KMFG Integration reflected*1 (FY2019)
Net income attributable to owners of the parent	<b>JPY165 bn</b>	JPY236.2 bn (Excluding one time gains JPY 150.5 bn)	<b>JPY170.0 bn</b> (RB+SR JPY160.0 bn)
Consolidated fee income ratio	<b>Over 35%</b>	30.4%	<b>Lower half of the 30% range</b> (RB+SR Over 35%)
Consolidated cost income ratio	<b>Below 60%</b>	61.7%	<b>60% level</b> (RB+SR Below 60%)
ROE*2	<b>Over 10%</b>	15.76%	<b>Over 10%</b>
CET1 ratio*3	<b>9% level</b>	9.50%	<b>9% level</b>

\*1. Adjustments to the current RHD's medium-term management plan (MMP) are made by combining the following (1) and (2)

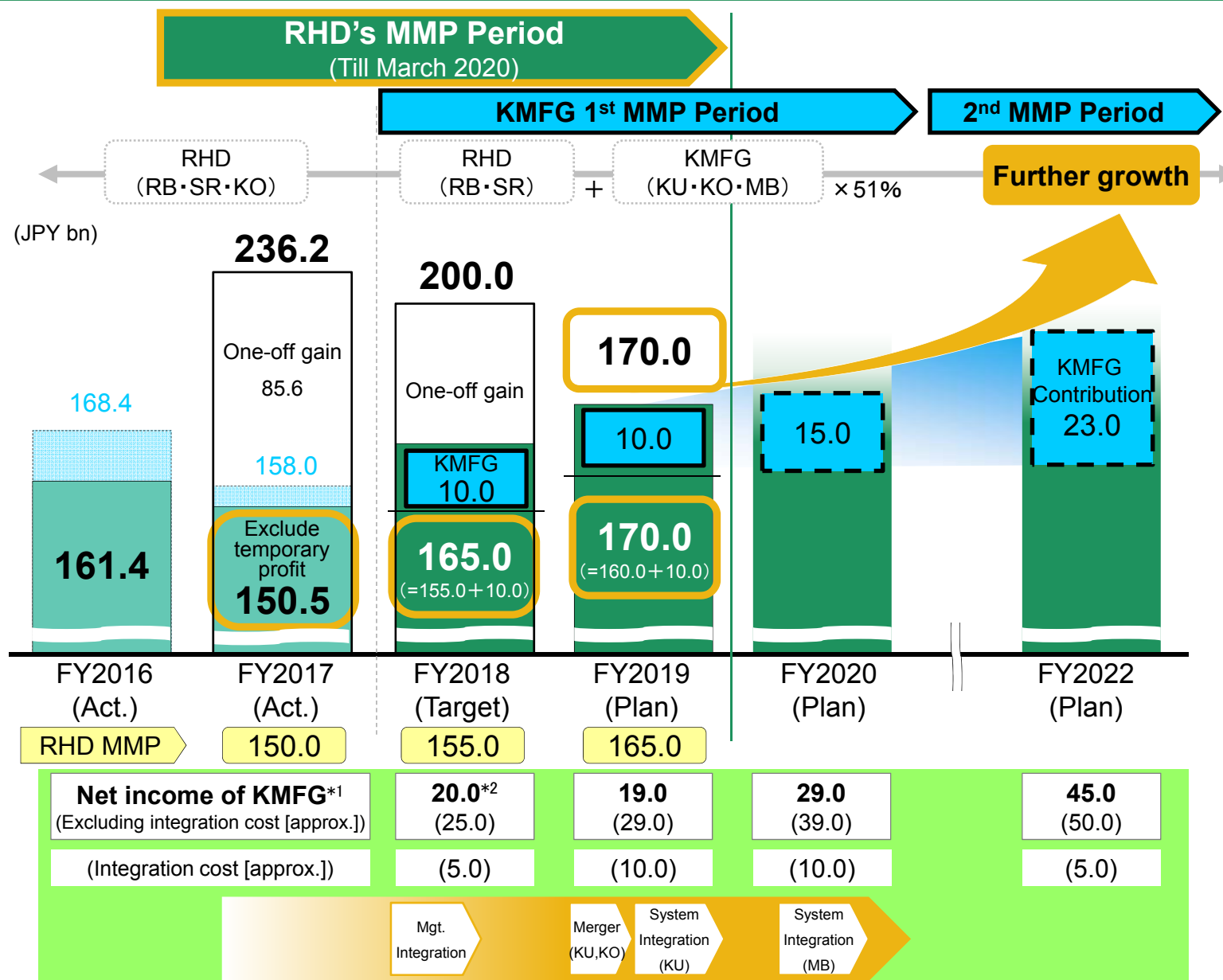
(1) KPIs for the final year (FY2019) in the RHD's MMP is adjusted to exclude KO's targets

(2) KMFG's target for the second year (FY2019) in the KMFG's MMP

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

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

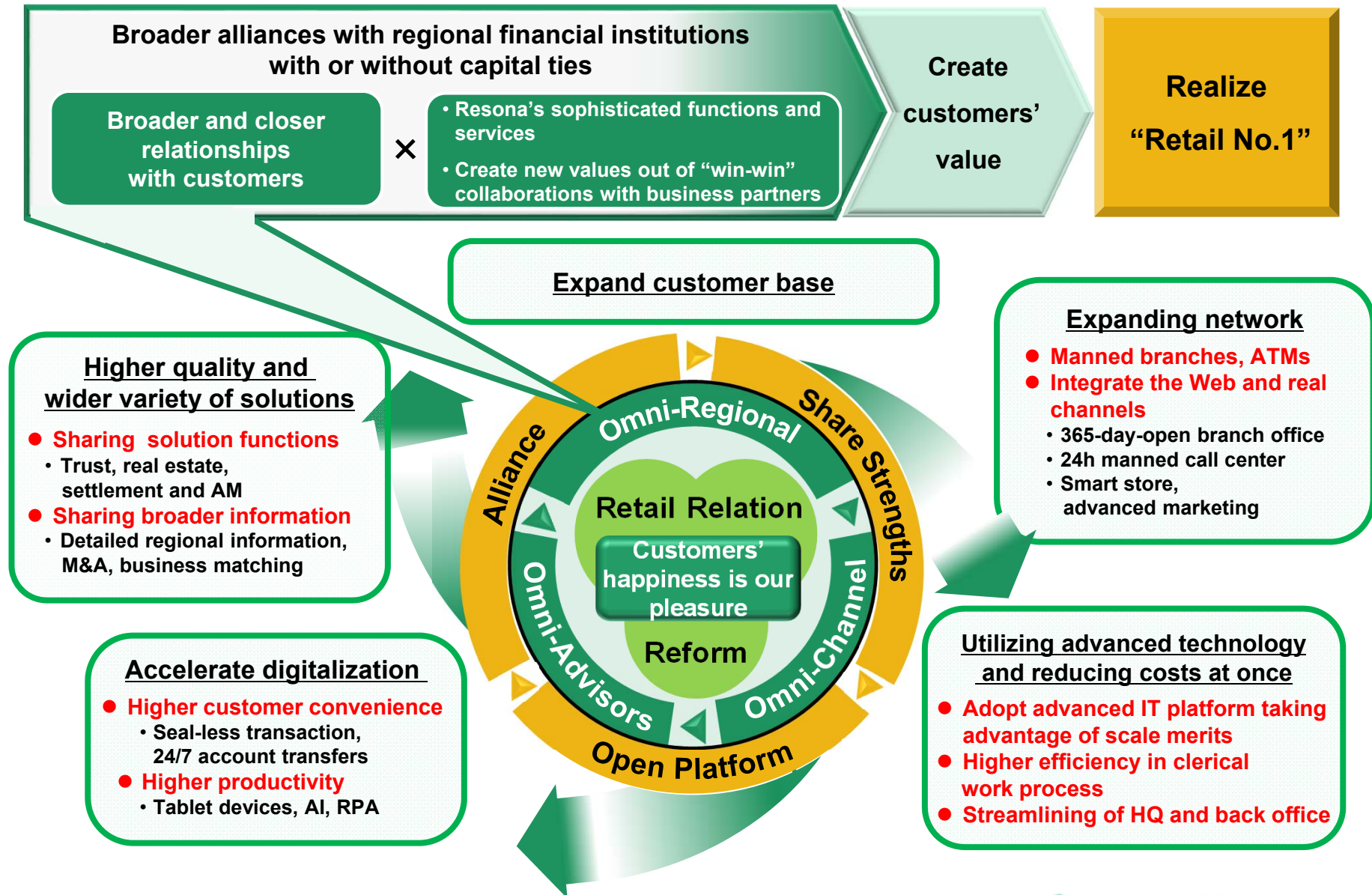
# Progress of RHD's MMP and Prospect of KMFG's Profit Contribution



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



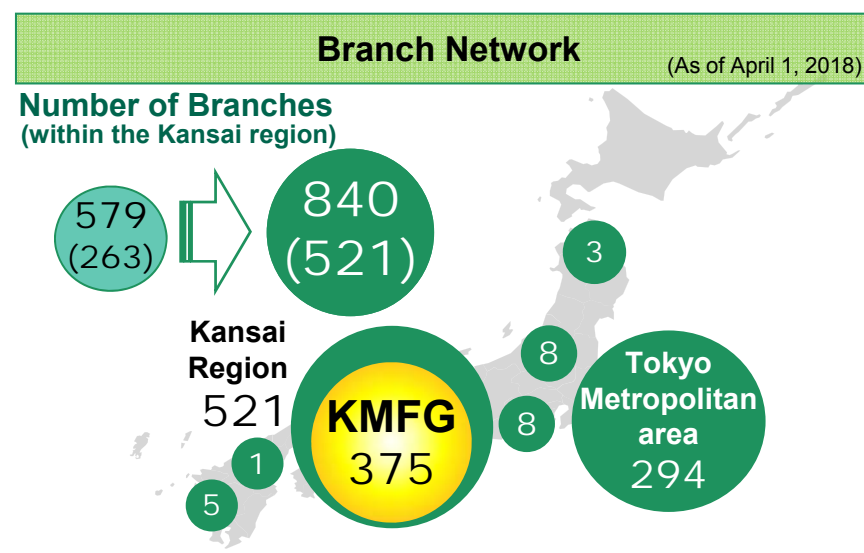
# Omni-Regional Strategy (1)



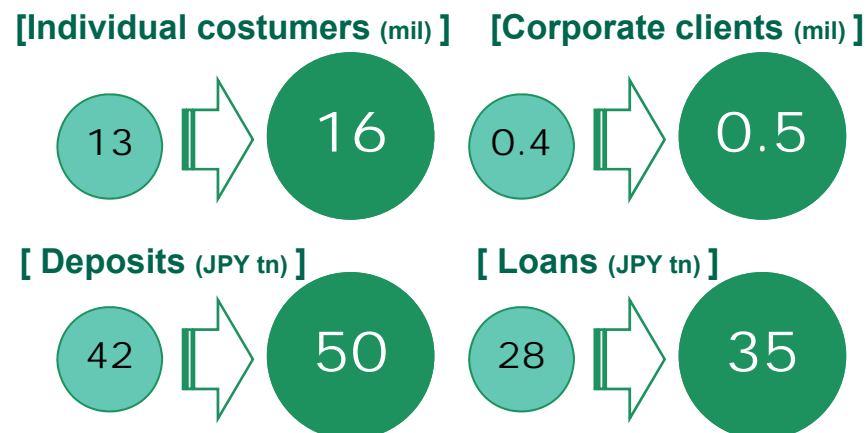
# Omni-Regional Strategy (2)

## ~Obtaining the Largest Operating Base in the Kansai Region~

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

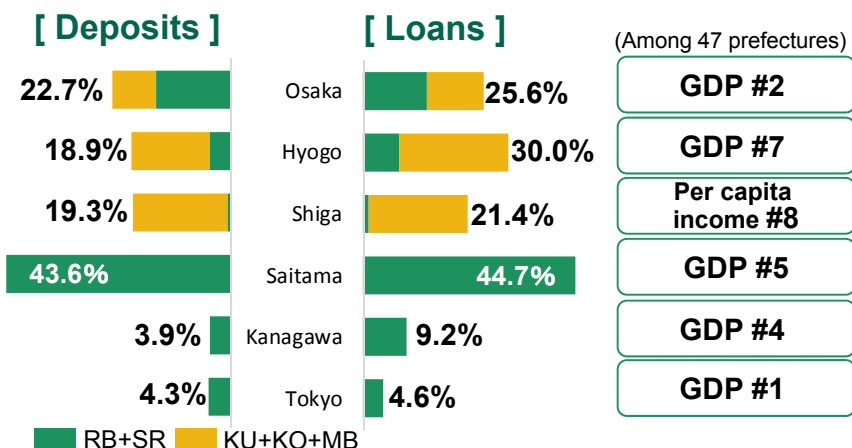


### Customer Base and Business Scale



### Market Share

(End of March 2018)





# Omni-Regional Strategy (3)

## ~Overview of the KMFG's Mid-term Management Plan~



**Kansai Mirai Financial Group**

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



Kansai Urban Banking Corporation



Kinki Osaka Bank



MINATO BANK

**Goal**

Banking group considered “absolutely essential” by customers

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

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

Overview of the strategy

Basic  
strategies

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

Business  
strategies

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

Primary KPIs

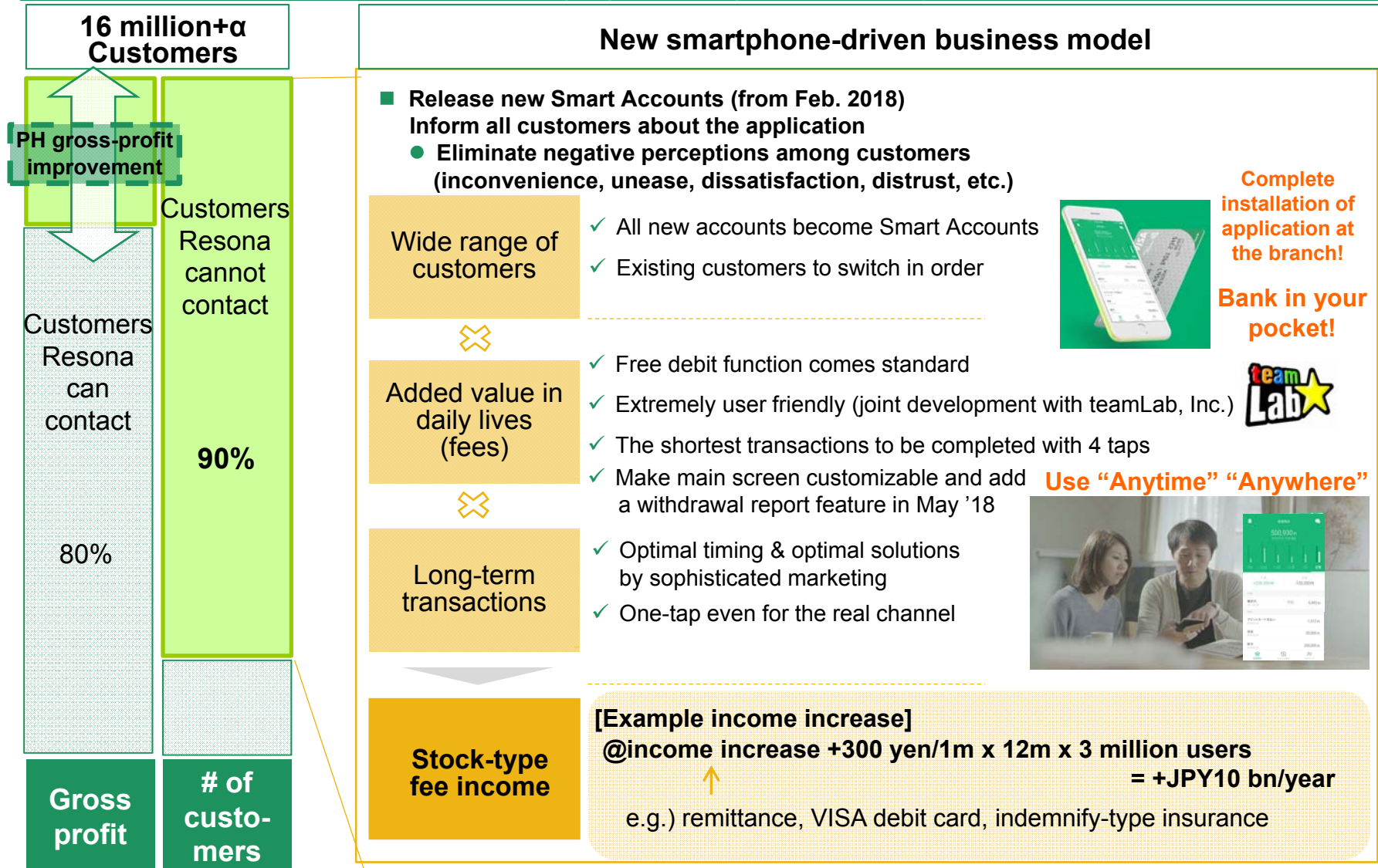
KPIs	FY2020	FY2022
(Consolidated) <b>Net income</b>	JPY29.0 bn	JPY45.0 bn
(Non-consolidated) <b>Actual net operating profit</b>	JPY52.0 bn	JPY70.0 bn
<b>Loans and bills discounted</b>	JPY9.8 tn	JPY10.5 tn
<b>Deposits</b>	JPY11.9 tn	JPY12.6 tn
<b>Consolidated fee income ratio</b>	Middle of the 20% range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



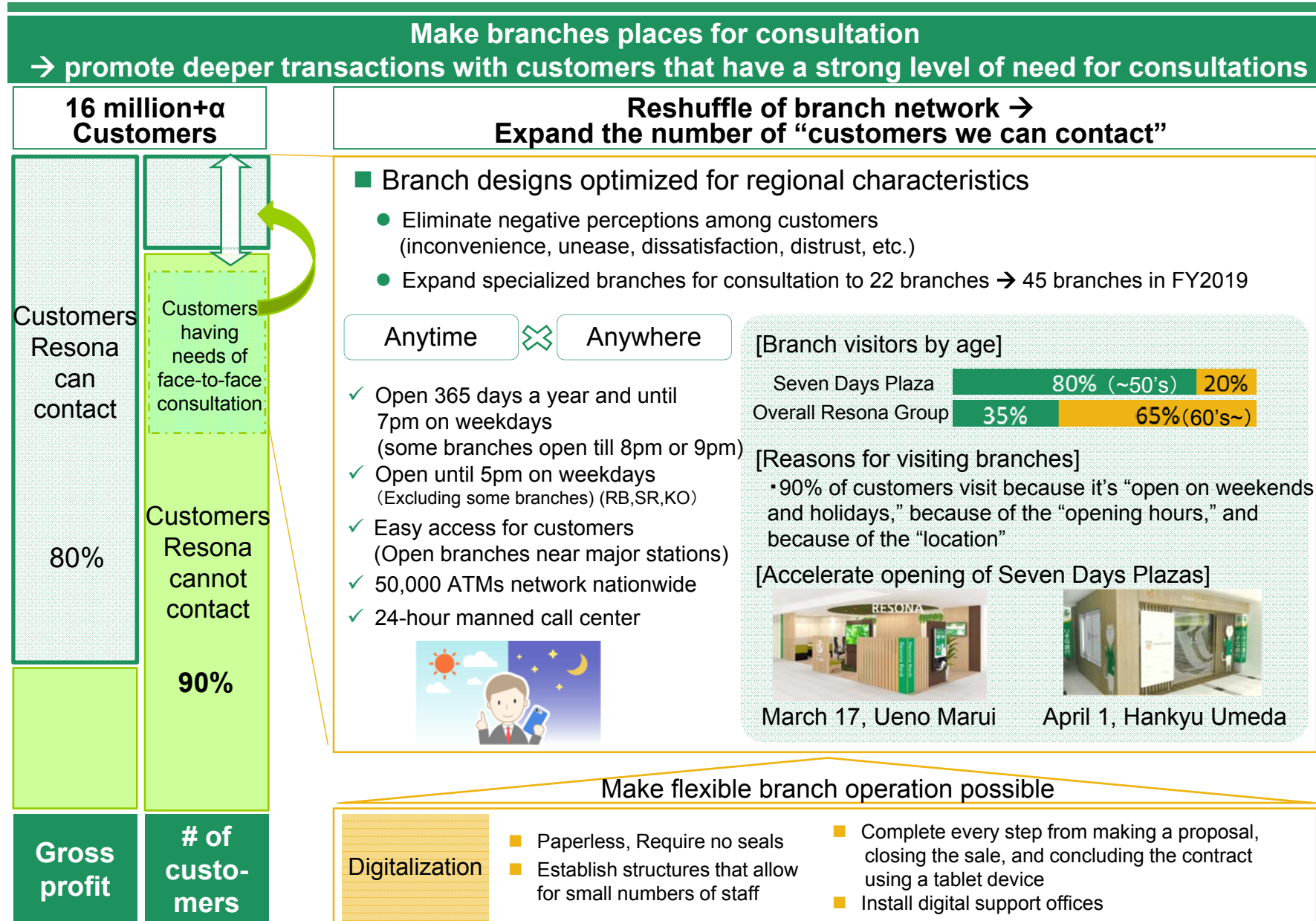
Resona Holdings, Inc.

# Omni-Channel Strategy (1) ~Digital~

Provide added value to the daily lives of a wide range of customers  
→ develop a wide-ranging and long-term stock-type fee business



## Omni-Channel Strategy (2) ~Face-to-face~





# Omni-Advisors Strategy

Develop personnel who can stand in the customer's shoes and see things from their perspective



- Example from the trust business
  - Envisage the customer's life plan and propose products for them
- Example from the turnaround support business
  - Share thoughts with customers and offer advice on how they can turn their businesses around

<Initiatives for developing "Omni-advisors">

## Work-Style Reform

Experiences that facilitate empathy with customers  
Provide time for the acquisition of various types of knowledge

- Improve business efficiency and make clocking out at 7pm a rule for the entire company
  - Reduce overtime (by around 200min per person per month)  
→ Redistribute the fruits of productivity gains to employees
- Diverse ways of working
  - Smart employees: regular employees whose working hours and scope of duties are limited
  - Variable working hours system

Offer value-added solutions  
to deliver "Customers'  
happiness is our pleasure"

## Customers

Diversifying  
concerns/expectations

## 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

## Introduction of Front-leaders (RB)

Enhance the consultation abilities of service-  
department (branch) personnel

- Improve back-office efficiency and assign consultants on asset formation support business
  - Back-office focus → back-office 30% : sales 70%
- Develop skills both in the group training and OJT
  - Assign to 64 branches in 1H of FY'18 and to all other branches next fiscal year

Digitalization

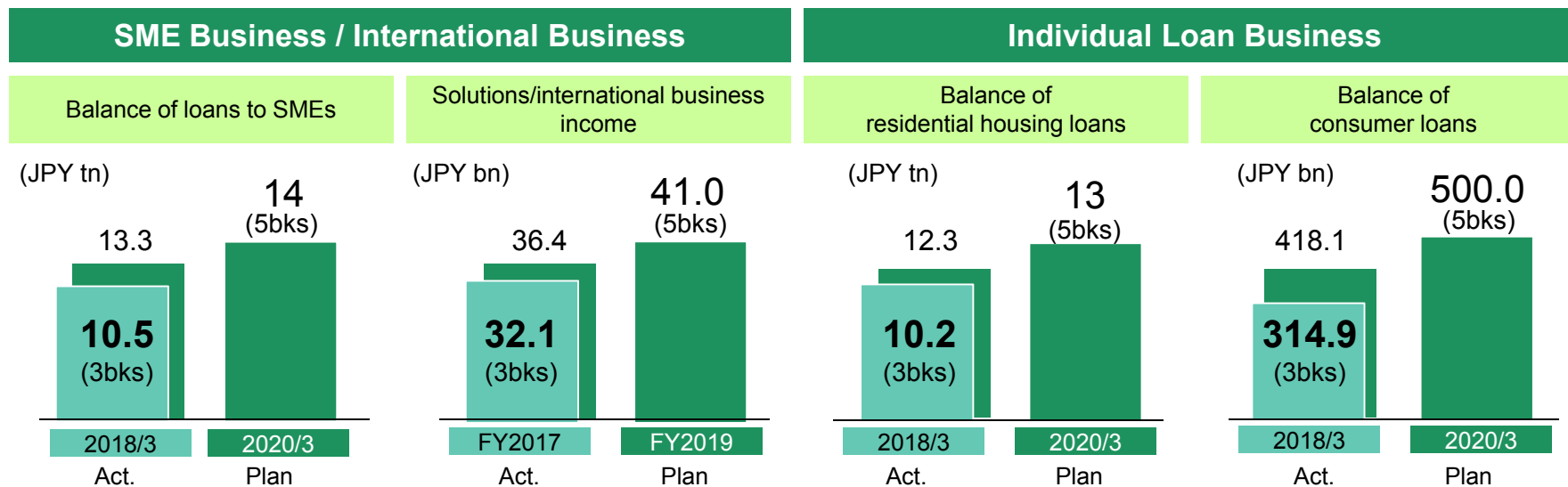
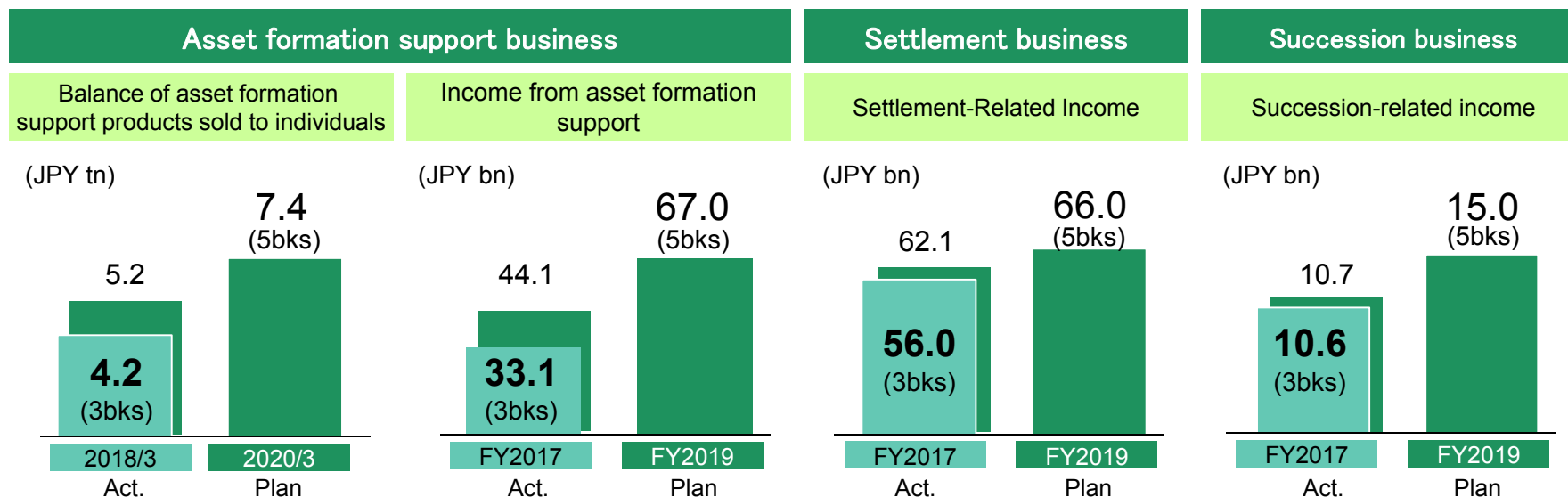


Expand sales contacts x time



Improve ability to offer solution

# Outlook for Key Business Strategies: Progress of FY2017 and FY2019 Target under the 5 Banks Group Structure



# Asset Formation Support Business

## Customers' Needs

Asset management and formation in the aging society and low interest environment

## Offer products that meet the customers' needs

### Fund Wrap: Increasing steadily (began offering in Feb.'17)

- Balance in '18/3: JPY220.0 bn (+JPY170.0 YoY)
- High degree of affinity with bank customers
  - Long-term diversified investment utilizing know-how as a trust bank
  - Cost competitive

[FW Customer Attributes]

[Anticipated source of new FW contracts]



### ■ Expand coverage of customers

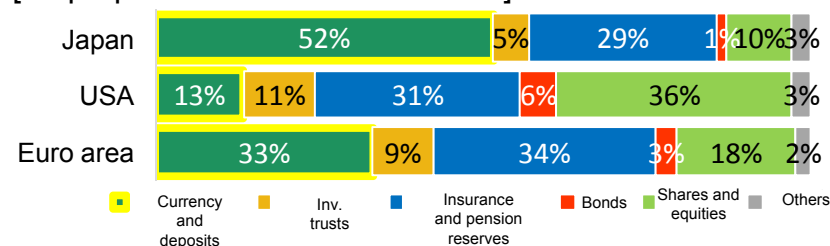
- Welcome plan (minimum 300,000 yen, fees only incurred for success) ('18/6~)
- Offer products to KMFG customers

1st in the field (face-to-face)

### iDeCo: Offer actively as an entry product

- Resona iDeCo members : '17/3: 41,000 → '18/3: 74,000
  - Offer face-to-face consultations at counters of 840 Group branches
  - Introduce new plans in response to legislative changes, adopt default funds
  - Expand number of financial institutions offering the products: April 30, 2018: 10 banks (increase by 8 banks compared with the end of Mar. 2017)
  - Seminars at customer's office/branch seminars (123 times in FY2017, HQ assistance)

[As proportion of financial assets\*1]



## Expand online and real product offerings framework

### ■ Expand product offerings online (non-face-to-face)

- Deploy Robo-advisors (Investment trust: '17/11~, DC: '18/5~)
- Easily complete procedures online or using smartphone

Fund Wrap

Amount-increase procedures ('18/12~)

Inv. Trust/NISA

Account-opening procedures ('19/3~)

### ■ Expand product offerings face-to-face

- Open *Tsumitate Plazas* (consulting office) (Hirakata, Yaesu)
- Strengthen in-branch consultants framework: Assign "front leaders"
- KMFG has strength in the asset building support business

\*1. Statistical Bureau, Bank of Japan, "Comparison of funds flow in Japan, U.S., and Europe"

# Settlement Business

## Customers' Needs

Offer a variety of payment methods via digitalization

## Initiatives to cashless payments

### Debit Card (Renewal in Oct. 2017)

#### Increase set rate

Include as standard with new accounts for free

Integrated with cash card

Instantly issued at all branches

Get existing customers to switch

- Send them new cards
- Encourage them to switch via the web and at branches



#### Expanded use

Encourage use by awarding points

Link with smart accounts  
→ provide money-saving info.

Manage household budget using an app.

Easy, non-contact Visa payment  
→ Expand stores where payments can be made ahead of the Tokyo Olympics

<Steady expansion in use due to raised profile>

Total no. of cards issued : **More than 1 million**

Usage amount : Approx. **x1.3 YoY**

Number handled : Approx. **x1.5 YoY**



### Business debit card (Apr. 2018~)

- Assist companies and sole traders with going cashless
  - Facilitates separate management of expenses and enhances productivity



Bargain



Portion of money spent refunded, no annual fee for the first year

Convenient



Limit set on amount that can be spent on each card, card usage can be managed via the web

## Utilization of FinTech and advanced technologies

### Resona Wallet (tentative name)(launch in autumn of 2018)

#### ■ Multi-digital wallet

- Introduce Resona Pay (tentative name, payment using QR codes)
- Mutual use at partner financial institutions (Hama Pay etc.)



### P2P payment service for individuals(launch in autumn of 2018)

#### ■ For real time money transfer at low cost

- RB chaired a consortium aiming at building up a new platform for domestic and international money transfers
- Use of Block-chain technology and API





# Succession Business

## Customers' Needs

Smooth asset succession from elderly people to the next generation

■ 27% of Japanese are over 65<sup>\*1</sup>

■ 37% of SME owners are over 65<sup>\*2</sup>

## One-stop support through familiar channels

- Assign consultants to branches permanently

- Respond to needs
- Boost skills of branch staff

〔RB: Trust Offices  
SR: Premium Offices〕

**No. 1 in Japan  
840 commercial  
banking channel**

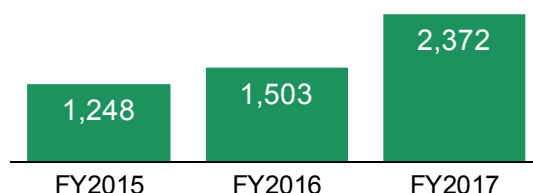
**Solutions provided  
by 32,800  
Omni-advisors**

- Boost skills of employees<sup>\*3</sup>

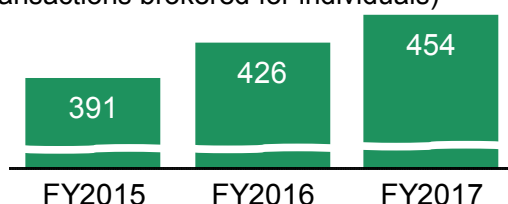
- FP 1<sup>st</sup> grade 1,100
- FP 2<sup>nd</sup> grade 12,000
- Real Estate Notary 5,500
- Further expand

## Trust/Real Estate, Solutions function

- Provide trust function to a wide range of customers  
(No. of new usage of succession trusts set up by SR and KO<sup>\*4</sup>)



- Utilize real-estate business to provide succession support  
(no. of transactions brokered for individuals)



- Action to help companies initiating succession

Develop successors

- Management school (from 1988, 2,300 participants)
- Overseas management schools (2014~)

M&A

- M&A platform (31 financial institutions participants)
- Increase no. of full-time M&A staff
- Loan balance for M&A: +21% <sup>\*5</sup> YoY

- Provide trust/real estate function to KMFG customers

FY2017  
2H

- Accept staff from other banks, launch study groups, etc.
- Performance: Will trust and estate division: 31 transactions
- Real-estate brokerage for asset management companies

FY2018

- Swiftly establish a structure to allow, deployment in all KU and MB branches

<sup>\*1</sup>. Ministry of Internal Affairs and Communications <sup>\*2</sup>. Small and medium sized enterprises White Paper <sup>\*3</sup>. Total of 5 group banks

<sup>\*4</sup>. Will trust, Estate Division, Asset Succession, Trust for Transfer of own company stocks <sup>\*5</sup>. RB, loans for share acquisition

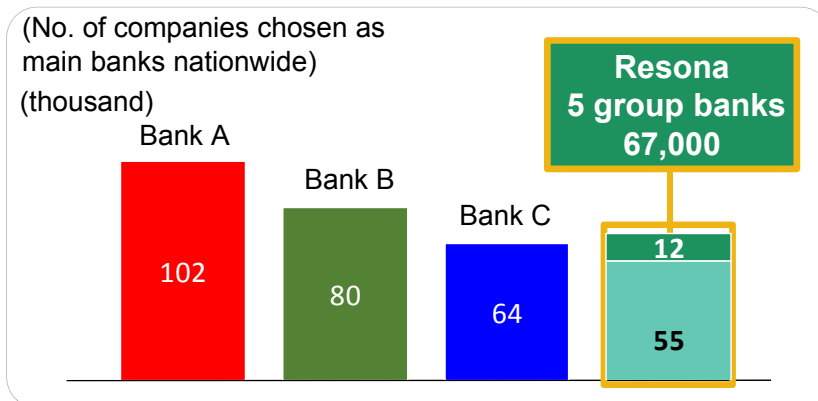
# SME Business

## Customers' Needs

Provide financial/non-financial support that reflects environmental changes and the companies' stage

### Utilize expanding foundation

- 67,000 companies\*<sup>1</sup> have chosen us as the "main bank" No.1 in Osaka and Saitama



- Step up the sharing of information and know-how throughout the entire Group

- No. of Business Matching in FY'17: 12,858 (RB,SR,KO)
  - Business Plaza Osaka (RB/KO joint operation)
  - Business Plaza Saitama (established in Apr. 2018)

MB 1,262

KU 1,646

- Introduce KU and MB customers to RB-hosted business meeting ('18/3)
- Participate in MB-hosted job-hunting events with the Resona Group ('18/5)

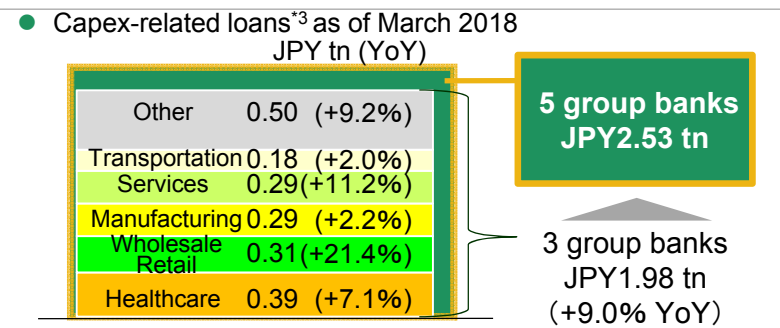
### Help companies that are just starting out

- The number of new corporations being established is on the rise\*<sup>2</sup> (110,000 companies nationwide)
- Companies that have been our customers ever since they were founded are 1.5 times more profitable for us than others'

- '16/7- Start-up Support Pack (EB, consulting etc.)
- '17/4- Start-up Support School ✓ '18/2- Business Loan

### Help companies as they grow, achieve stability, and then restructure

- Employ discernment and trust/real estate function when lending money for capex



- Tackle SDGs jointly with customers
  - Total cumulative privately-placed bonds with donations issued: JPY75.7 bn ('16/8-)
  - Hold introductory seminars on SDGs ('18/4)
- Provide support for business turnarounds and restructurings

\*1. Teikoku Databank \*2. Company-registration statistics from the Legal Affairs Bureau

\*3. Excluding loans to individuals, non-residents, and real estate sector companies \*4. Total of 3 banks

# International Business

## Customers' Needs

Provide support/advice for overseas expansion

### Overseas Network

- Covering the Asia and US through overseas offices and partner banks
- Provide a wide range of support to both large corp. and SMEs
  - Customers with overseas operations: approx. 20,000
  - Consultations concerning overseas needs: approx. 2,000 per year



★ 3 Overseas subsidiaries banks ■ 5 Representative offices (include MB's Shanghai Rep.)

▲ 24 Overseas partner banks (15 countries)\*1 ▲ Of which we have dispatched employees to: 5 banks

\*1. 27 Overseas partner banks – 3 overlaps (include MB's 6 partner banks and KU's 3 partner banks)

### Assist customers with their overseas operations

- Utilize overseas subsidiaries to provide sophisticated solutions

#### Resona Merchant Bank Asia (Singapore)

- Provide various solutions of overseas businesses (Loans, M&A, Consulting etc.)

#### Resona Perdania Bank (Indonesia)

- With 60 years of local experiences, provide the same full banking services (deposits, loans, exchange etc.) locally as in Japan

- Dominant partner banks' network and full banking function
  - Assign Resona staff to 5 banks to support at Japan desk

### Supports by domestic headquarters and branches

- Full support system via dedicated team
- Strengthen web functions
  - On-line FX function and e-rate service make forex. trading more convenient
- Information provision through holding meetings and seminars

# Individual Loan Business

## Customers' Needs

Utilize diverse products/services to design lifestyles

### Further increase balances

#### Outside sales areas

- Use the Internet to approach new customers
    - Launch an e-contract service for refinancing ('18/4-)
      - No need to come into the branch: everything done online
      - Plans to expand the range of e-contract transactions in the future
- [Share of new housing starts\*1 in Resona's franchise]

Outside 60%

Inside 40%

#### Within sales areas

- Expand business hours and screening on holidays
  - 73 Loan Plazas open on holidays
- High value-added products

Balance as of March 2018 vs 2017

*Danshin Kakumei*

**+38% YoY**

*Rin, Rin Next\*2*

**+20% YoY**

\*1. Based on data from the Ministry of Land, Infrastructure, Transport and Tourism

\*2. Loans for women \*3. Subrogation ratio x (1 – collection rate after subrogation)

### Maintain/improve profitability

- Multifaceted Transactions with Use of residential housing loans

Residential housing loan

VS

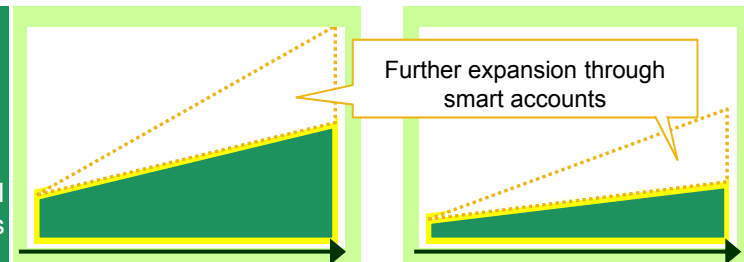
No residential housing loan

Average no. of products in transaction

**4.7**

**2.7**

Expanding multi-dimensional transactions



Offer products that are optimized for each life stage

- Strengthen cost competitiveness
  - Increase efficiency by taking advantage of advances in digital technology
  - Reorganize guaranteed subsidiaries (1H 2017)
    - Increase efficiency through the adoption of common platforms
- Strict Screening
  - Subrogation payment ratio\*3: 0.04%

# Improve Customers' Convenience and Resona's Productivity Through Digitalization

Clerical work volume → **FY2004** → **FY2015** **Halve** → **FY2021** **Halve again** (RB+SR+KO)

**Operational reform** ■ Halve the clerical work by promoting “Paperless”, “Cashless”, “Backless”

## Digitalization

■ Halve administration again to step up the provision of added value to customers

### Recent initiatives

- ✓ All branches with instant card issuers ('18/2)
- ✓ All branches offering seal-less accounts ('18/2)
- ✓ Tablet devices to all branches ('18/2)
- ✓ Corporate sales support system ('18/3)
- ✓ AI, RPA ('17/6)

### Future tasks

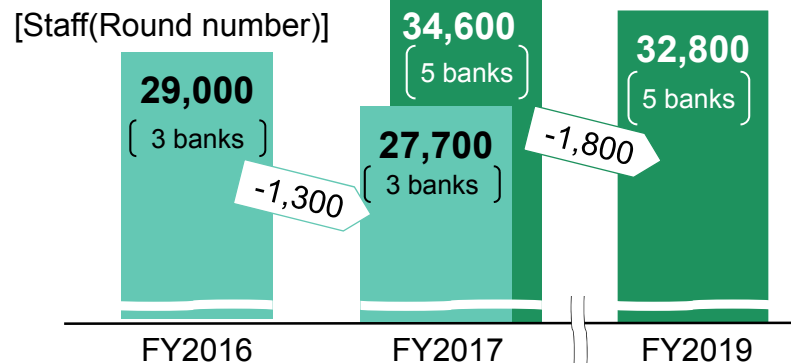
- ✓ Allow every step to be completed from making a proposal, closing the sale, and concluding the contract using a tablet device
- ✓ Make sales branches location free
- ✓ Have full-time staff provide consultations from digital service offices

## Roll out to KMFG

- Take full advantage of Resona's IT system knowhow
- FY2019  
KU system integration  
FY2020  
MB system integration
- Swiftly reap the benefits of integration

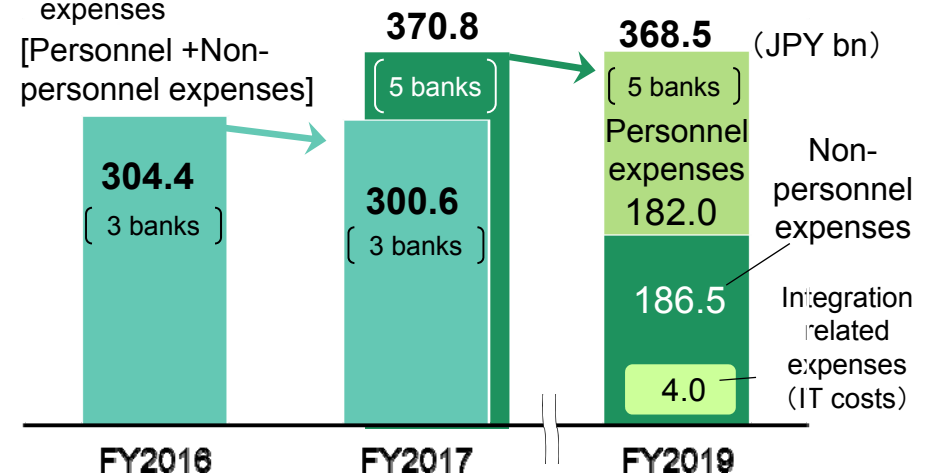
## Reduce total staff and shift to sales

- Reduced by 1,300 persons by Mar. 2018 compared with target reduction of 3,000 (based on previous three banks)
  - Under the five-bank structure, reduce staff by 1,800 over the next two years
- Mainly reduce administrative personnel, shifting 1,000 of them into sales



## Strictly control costs

- Expenses hit the lowest level ever in the FY2017
- Absorb one-off system integration costs by trimming total expenses





# Efforts to Digitalize Operations

## Digitalizing Branches

General reception



- ✓ Shortened waiting time
- ✓ Reduced burden of filling in forms



- ✓ Utilize at branches
- ✓ Provide to all client relations staff



- ✓ Require no seals



Biometrics

- ✓ Paperless
- ✓ No back office

## Digitalizing Head Office and Clerical Centers

### RPA

- ✓ Replaced about 80 business processes (Saved 50,000 hours a year)
- ✓ Automate the clerical work of 1 million hours (handled by 500 people) by the end of FY2021



### AI

- ✓ Displays best-fit answers in call centers



- ✓ Utilized for info gathering and risk management



- ✓ Robo adviser suggests optimal portfolio



# 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**  
 (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**



**Shoichi Iwanaga**

**Representative Executive Officer**



**Satoshi Fukuoka**

**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 without internal directors are held adding to the board

### 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



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## **Resona Group at a Glance**

## **Outline of Business Results for 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

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

## CAR Target

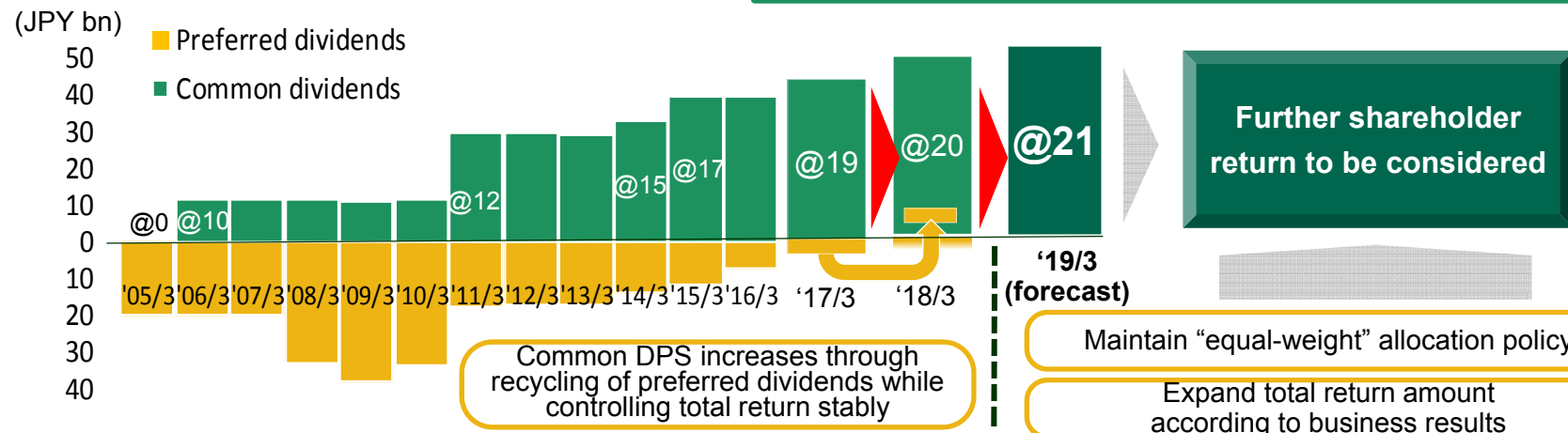
- Secure sufficient capital adequacy under the Japanese Domestic Std.
- Aim to achieve around 9% CET1 ratio\*1 under the International Std. (Mar. 2020)
  - Downside from KMFG integration recoverable in the mean time
  - Cope with the finalized Basel 3 (SA and capital floor revisions) utilizing the time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

## ROE target

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

## Shareholder return policy

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



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

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

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# 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.



## FY2017 Osaka City Female Achievement Leading Company Mayor Award

Kansai Urban Banking Corporation: Highest award  
Resona Bank: Excellent Award  
Kinki Osaka Bank: Excellent Award



## Came top in every category in the 2017 Pension Customer Satisfaction Questionnaire

Came top in every category of a CS survey conducted by *Pension Information* magazine that covered all master trustees

## Resona adopted by 2 ESG stock indices selected by GPIF

- FTSE Blossom Japan Index
- MSCI Japan ESG Select Leaders Index

## 2018 Certified Health & Productivity Management Outstanding Organizations Recognition Program -White 500-

Certified as a company that views the health of its employees as a corporate objective and acts in a strategic fashion to ensure it



## Won both R&I Fund Award 2018 and 16th MERCER MPA Award (Japan) 2018 (two consecutive years)

Superior performance of the Japanese concentrated stock fund was highly evaluated





## 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 21th Resona Brand Awards Presented in Jan. 2018

(Selected by vote of all employees from among monthly awards in first half of FY2017)

**Identified various bequeath-related needs thanks to the skills of branch personnel and the adoption of a speedy approach**

Saitama Resona, Shiraoka Branch

**Branch personnel identified numerous latent needs among senior citizens when providing succession trust services**

Saitama Resona, Sayama Branch

**Branch monitoring:  
Came top out of 2,151 participating branches at nine banks**

Resona, Kurume Branch

### Examples of Monthly Awards from Second Half of FY2017

**Resolved issues relating to share succession between old and new company presidents through relationships with the parties, cooperation between branches, and the utilization of HQ functions**

Resona Bank, Nakano Branch,  
Ogikubo Branch,  
Private Banking Division  
Resona Capital, Investment Division I

**Swiftly introduced a customer that was expanding into Thailand to a local consulting firm**

Saitama Resona, Omiya Nishi Branch  
Resona, Bangkok Representative Office

**Shortened the time taken for calls to branch telephones to be transferred from 30 seconds to 5 seconds**

Kinki Osaka, Tenjinbashisuji Branch

### ■ 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

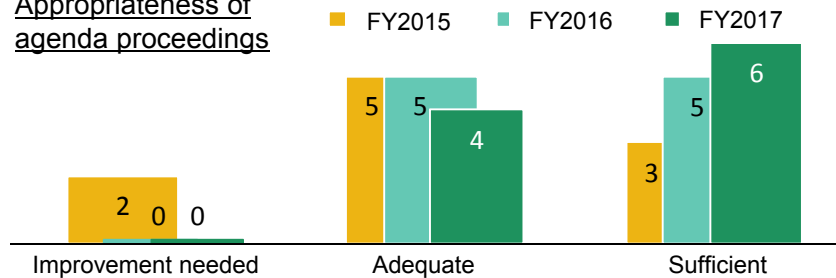
Communication project

# Initiatives for Corporate Governance Evolution

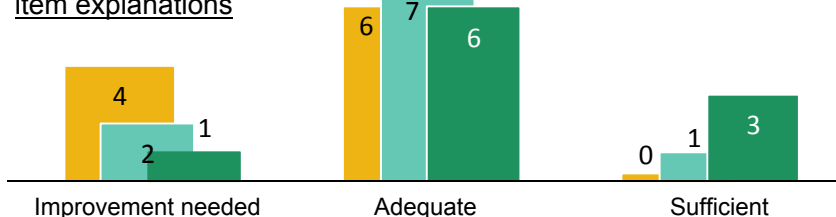
## Self-evaluation of the board

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

Appropriateness of agenda proceedings



Adequateness of agenda item explanations



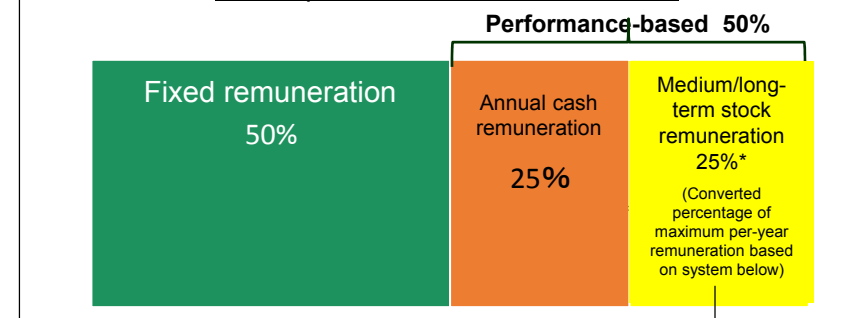
## Glass-walled executive room



## Performance share unit plan (PSU)

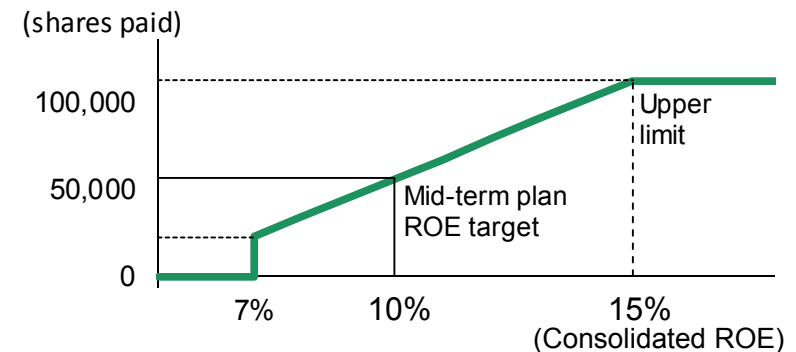
- Introduced in July 2017
- HD stock will be granted based on consolidated ROE for the final year of medium-term management plan

Remuneration System for President and Representative Executive Officer



## Remuneration System (3 Years' Worth)

Consolidated ROE 15% (achievement rate of 150%) -> 112,500 shares (upper limit)  
 Consolidated ROE 10% (achievement rate of 100%) -> 50% of above  
 Consolidated ROE less than 7% -> Payment withheld

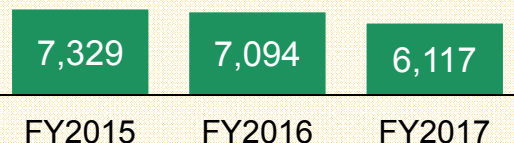


# CSR

To raise corporate value through contributing to the creation of a sustainable society, Resona Group aims to resolve social issues as expressed in sustainable development goals (SDGs)

## Community

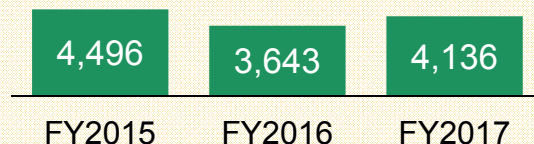
[“Re: Heart Club” members]



- “Re: Heart Club” (Employee volunteer group) joined various community activities
- Supported regional revitalization through the Resona Group Regional Revitalization Council
- Privately-placed bonds with donations
  - CSR privately-placed bond: Japan Expo/SDGs Support Fund: 47 billion yen (FY 2017)

## Next Generation

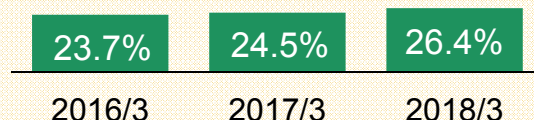
[Resona Kids’ Money Academy participants]



- Regularly hosting “Resona Kids’ Money Academy”(a financial and economic education activity for children) since 2005
- Organized career seminars for high-school students: 91 participants
- Resona Foundation for Future: Provided scholarships to a total of 134 students

## Diversity

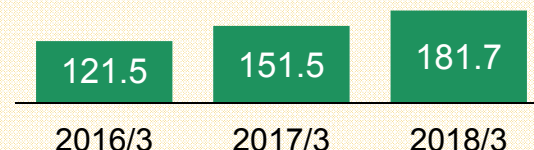
[Proportion of female line managers]



- Vibrant and diversified employees
  - Proportion of women in managerial posts 26.4%
- Project called “Watashi no Chikara (My Power)” that involves female employees developing products for women
  - Developed products for women: “cannael” and “Karada Kakumei” (life insurance).

## Environment

[Environment-friendly corporate loans(JPY bn)]



- Action to reduce environmental impact through eco-friendly products/services
- Reduced paper usage through digitalization
- Specify action on climate change and other societal issues as a component of our credit policy
  - Environment-friendly loans: JPY181.7 bn (Mar. ‘18, +19% YoY)



# Sound Balance Sheet

## Resona's consolidated balance sheet (as of March 31, 2018)

Loans JPY 28.7 tn	Fixed-rate loans*1,2 JPY6.6 tn	Ordinary deposits*1 JPY26.9 tn	Deposits and NCDs JPY 43.8 tn
	Short-term prime rate-base loans*1,2 JPY13.9 tn		
	Market rate- based loans*1,2 JPY8.0 tn		
Securities JPY5.2 tn		Other liquidity deposits*1 JPY4.0 tn	
JGB JPY1.7 tn*1			
Other assets JPY16.2 tn		Time deposits*1 JPY10.6 tn	
		NCDs*1 JPY1.3 tn	
		Other liabilities JPY4.3 tn	
		Total equity JPY2.1 tn	

**Total assets JPY50.2 tn**

## (Reference) Balance sheet (simple sum of RHD, KU, MB consolidated BS)

Loans JPY 35.2 tn	Fixed-rate loans*1,2 JPY7.6 tn	Ordinary deposits*1 JPY30.1 tn	Deposits and NCDs JPY 51.2 tn
	Short-term prime rate-base loans*1,2 JPY18.3 tn		
	Market rate- based loans*1,2 JPY9.0 tn		
Securities JPY5.8 tn		Other liquidity deposits*1 JPY4.3 tn	
JGB JPY1.8 tn*1		Time deposits*1 JPY14.3 tn	
Other assets JPY17.2 tn		NCDs*1 JPY1.5 tn	
Deposits at BOJ JPY13.6 tn*1,2		Other liabilities JPY4.7 tn	
		Total equity JPY2.4 tn	

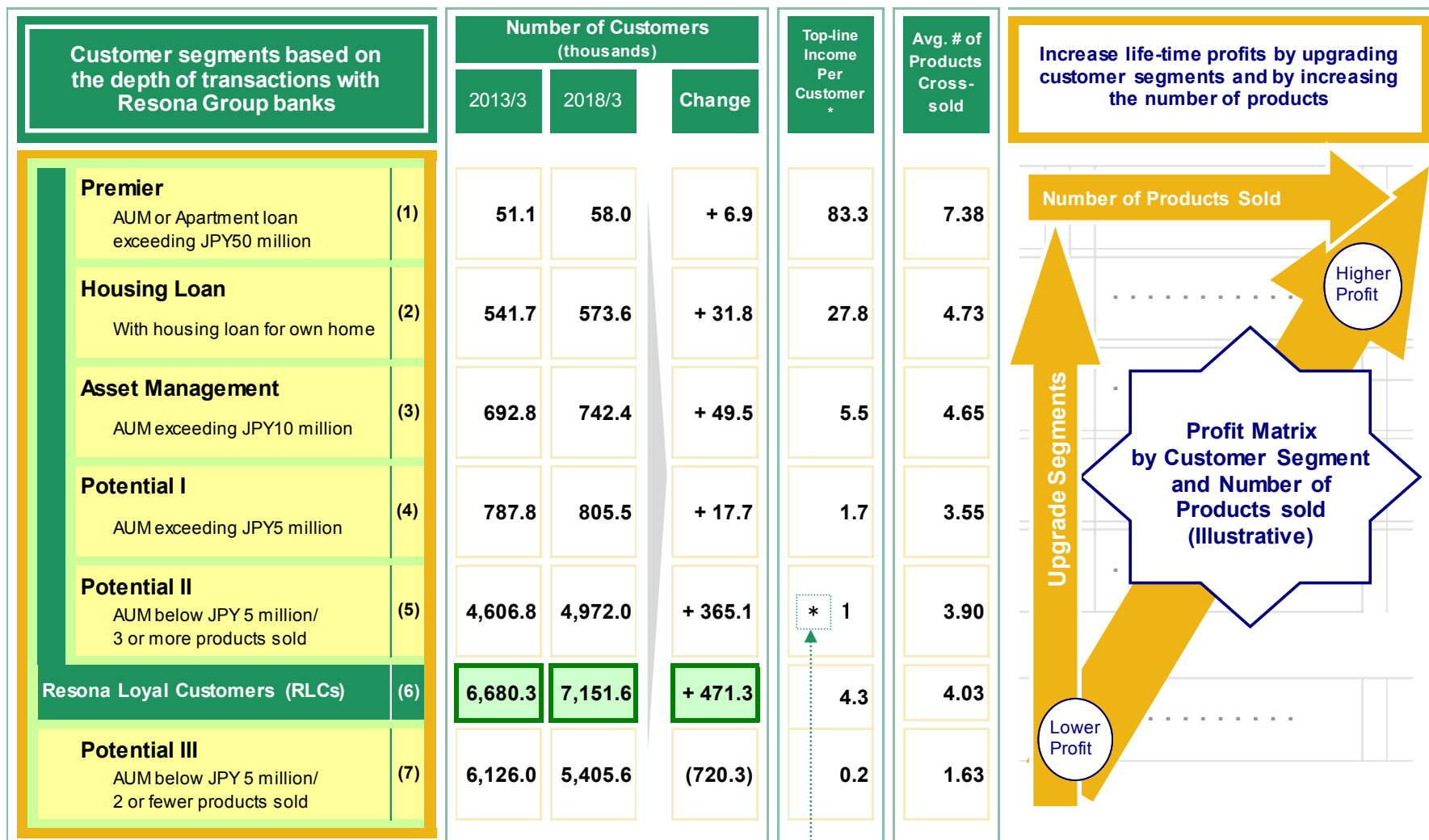
**Total assets JPY58.4 tn**

\*1. Total of group banks

\*2. Data compiled for a management and administration purpose

# Measures to Build Multifaceted Business Relationships with Customers

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



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

# Business Results by Major Group Business Segments

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

## Management Accounting by Major Group Business Lines (FY2017)

(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	
						YoY Change	YoY Change	Gross operating profit		Operating expense		YoY Change	YoY Change		
	Customer Divisions (1)	56.4	15.8%	67.2%	9.0%	176.0	+6.2	161.3	+7.8	492.5	+3.8	(331.4)	+3.7	14.7	(1.5)
	Personal Banking (2)	19.2	18.7%	78.4%	9.0%	45.2	(1.7)	47.3	+0.8	219.3	(3.9)	(172.0)	+4.7	(2.0)	(2.6)
	Corporate Banking (3)	37.2	15.0%	58.3%	9.1%	130.8	+8.0	114.0	+7.0	273.1	+7.8	(159.4)	(1.0)	16.7	+1.0
	Markets (4)	35.3	33.5%	18.4%	9.0%	52.2	(9.3)	52.2	(9.3)	64.0	(10.0)	(11.7)	(0.0)	-	-
	Total <sup>*2</sup> (5)	39.3	13.0%	61.5%	10.7%	228.5	(3.2)	213.7	(0.5)	554.7	(4.4)	(341.2)	+3.7	14.7	(2.7)

\*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

## PL Summary (RHD consolidated / Total of three banks)

## RHD consolidated / Total of three banks difference

(JPY bn)	RHD Consolidated		Total of group banks (Non-consolidated)		effect of realignment of HL guarantee subsidiaries	(Major consolidated subsidiaries)									
						Difference (Exclude the effect of realignment)		HL guarantee subsidiaries		Resona Card		Resona Kessai Service		P. T. Bank Resona Perdanía	
		YoY change		YoY change			YoY change		YoY change		YoY change		YoY change		YoY change
<b>Gross operating profit</b> (1)	<b>552.5</b>	<b>(10.5)</b>	<b>509.6</b>	<b>(8.1)</b>	<b>4.9</b>	47.9	+2.5	23.0	(2.1)	15.4	+0.1	2.6	+0.0	3.8	(0.8)
Operating expenses (excluding group banks' non-recurring items) (2)	(341.2)	+3.7	(322.1)	+4.5		(19.0)	(0.8)	(3.2)	+0.0	(11.1)	(0.5)	(1.8)	(0.0)	(1.9)	(0.0)
Credit related expenses (3)	14.7	(2.7)	17.5	(0.7)		(2.7)	(1.9)	1.1	(0.9)	(2.3)	(0.1)	(0.0)	+0.0	(4.2)	(3.0)
<b>Income before income taxes</b> (4)	<b>215.8</b>	<b>(12.3)</b>	<b>250.9</b>	<b>+49.2</b>	<b>57.9</b>	22.7	(3.6)	*1 20.9	(2.0)	1.9	(0.5)	0.8	+0.0	(2.3)	(3.9)
<b>Net income (attributable to owners of the parent)</b> (5)	<b>236.2</b>	<b>+74.7</b>	<b>206.5</b>	<b>+63.0</b>	<b>72.0</b>	87.5	+69.6	14.8	(1.6)	1.3	(0.3)	0.5	(0.0)	(2.8)	(3.9)
						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

## Major consolidated domestic subsidiaries (excluding group banks)

(JPY bn)

Name		Line of business	Capital contribution ratio	Fiscal year	Net income	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%	FY ended Mar.31 2018	13.2	(1.5)
Kinki Osaka Shinyo Hosho Co., Ltd.	(2)	Credit guarantee (Mainly mortgage loan) Creating the future of the local community by housing loan guarantees	Resona Group 100%	FY ended Mar.31 2018	1.5	+0.3
Resona Card Co., Ltd.	(3)	Credit card Credit guarantee 1.6 million card members	Resona Holdings 77.5% Credit Saison 22.4%	FY ended Mar.31 2018	1.3	(0.3)
Resona Kessai Service Co., Ltd.	(4)	Collection service Factoring Collection services with 50 million cases annually	Resona Holdings 100%	FY ended Mar.31 2018	0.5	(0.0)
Resona Research Institute Co., Ltd.	(5)	Business consulting service Management consulting with 800 project annually	Resona Holdings 100%	FY ended Mar.31 2018	0.1	+0.0
Resona Capital Co., Ltd.	(6)	Venture capital IPO support, SME business succession, re-growth support	Resona Holdings 100%	FY ended Mar.31 2018	0.2	+0.0
Resona Business Service Co., Ltd.	(7)	Back office work Employment agency Practices quick and accurate operations	Resona Holdings 100%	FY ended Mar.31 2018	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%	FY ended Mar.31 2018	(0.1)	+0.1
Total (8 Companies)					17.0	(1.3)

## Major consolidated overseas subsidiaries

Name		Line of business	Capital contribution ratio	Fiscal year	Net income	YoY change
P.T. Bank Resona Perdania	(9)	Banking business (Indonesia) Oldest Japan-affiliated bank in Indonesia	Resona Group 43.4% (Effective control approach)	FY ended Dec.31 2017	(2.8)	(3.9)
P.T. Resona Indonesia Finance	(10)	Leasing business (Indonesia)	Resona Group 100%	FY ended Dec.31 2017	0.1	(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%	FY ended Dec.31 2017	(0.7)	(0.3)
Total (3 Companies)					(2.6)	(4.0)

## Affiliated company accounted for by the equity method

Name		Line of business	Capital contribution ratio	Fiscal year	Net income	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%	FY ended Mar.31 2018	0.4	+0.0
NTT Data Sofia	(13)	IT system development Became affiliated company accounted for by the equity method in Oct. 2017; responsible for the system development of the group	Resona Holdings 15% NTT Data 85%	FY ended Mar.31 2018	0.2	+0.1
D&I Information Systems	(14)	IT system development	Resona Holdings 15% IBM Japan 85%	FY ended Dec.31 2017	0.2	+0.0
Total (3 Companies)					1.0	+0.2

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

\*2. Fiscal year end of the overseas subsidiaries (9)-(11) and D&I Information Systems (14) are December 31. RHD's consolidated business results reflect the accounts of these subsidiaries settled on December 31.

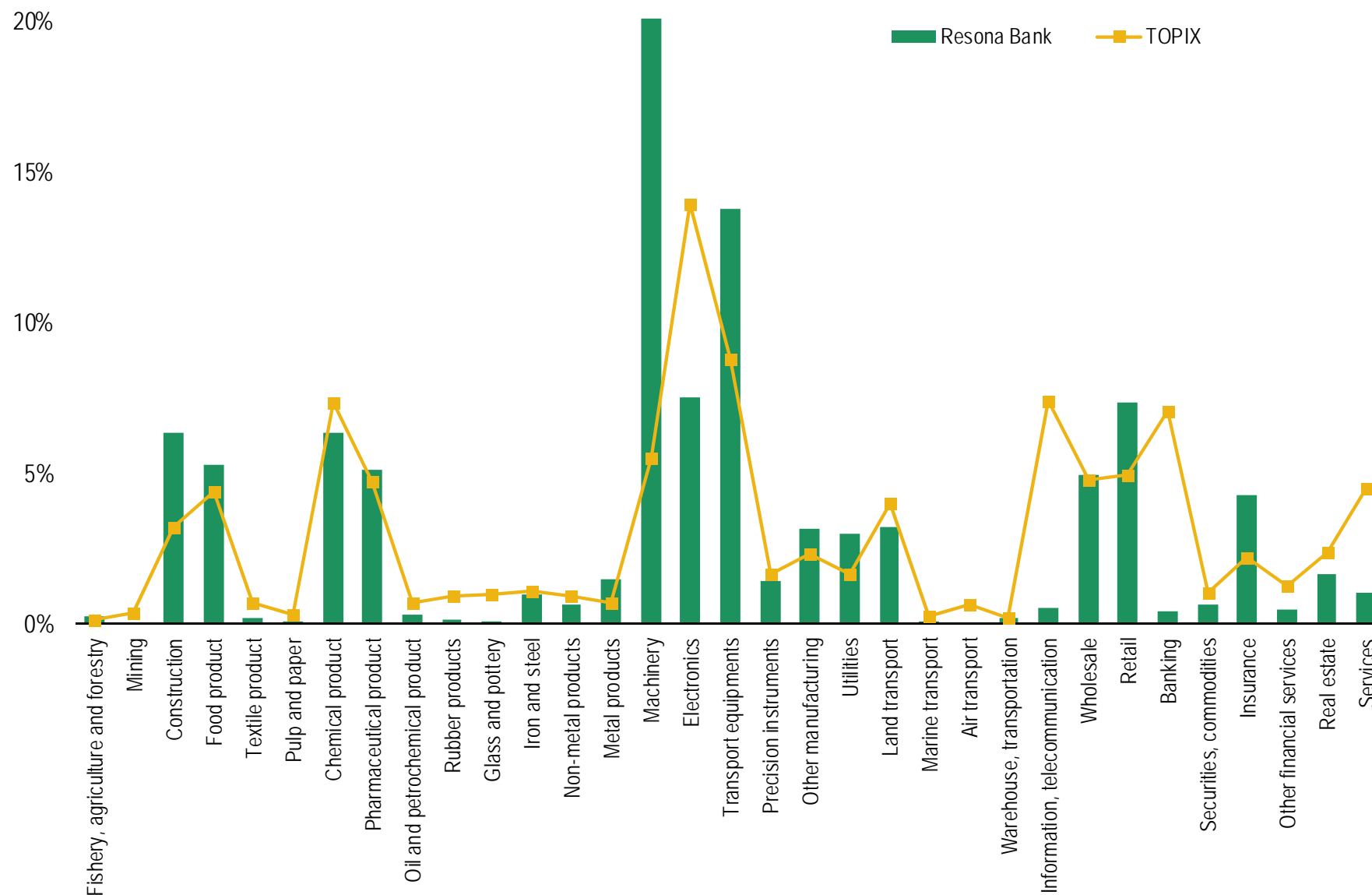
\*3. Net income of RMBA (11), NTT Data Sofia (13) and D&I Information Systems (14) are reflected to RHD consolidated net income of FY2017 after became consolidated subsidiaries and affiliated companies

## Capital Adequacy Ratio (RB, SR, KMFG)

Japanese Domestic Standard (JPY bn)	Resona Bank (Consolidated) [A-IRB]			Saitama Resona Bank (Non-consolidated) [A-IRB]			KMFG (Consolidated) [F-IRB]		
	Mar. 31, 2017	Mar. 31, 2018	Change	Mar. 31, 2017	Mar. 31, 2018	Change	Mar. 31, 2017	Mar. 31, 2018	Change
Capital adequacy ratio	11.03%	<b>10.03%</b>	(1.00)%	11.58%	<b>11.37%</b>	(0.21)%		<b>8.71%</b>	
Total qualifying capital	1,201.3	<b>1,093.3</b>	(108.0)	333.0	<b>331.4</b>	(1.5)		<b>118.9</b>	
Core Capital: instruments and reserves	1,225.5	<b>1,122.8</b>	(102.6)	351.2	<b>348.0</b>	(3.1)		<b>126.0</b>	
Core Capital: regulatory adjustments	24.1	<b>29.5</b>	+5.4	18.1	<b>16.6</b>	(1.5)		<b>7.0</b>	
Risk weighted assets	10,890.7	<b>10,899.3</b>	+8.5	2,875.7	<b>2,912.8</b>	+37.1		<b>1,365.1</b>	
Credit risk weighted assets	9,599.0	<b>9,488.7</b>	(110.2)	2,481.0	<b>2,534.0</b>	+52.9		<b>1,289.6</b>	
Amount equivalent to market risk /8%	51.9	<b>45.7</b>	(6.1)	31.1	<b>33.9</b>	+2.8		<b>0.2</b>	
Amount equivalent to operational risk /8%	706.7	<b>657.4</b>	(49.3)	227.4	<b>208.7</b>	(18.7)		<b>75.2</b>	
Credit risk weighted assets adjustments	533.0	<b>707.4</b>	+174.3	136.0	<b>136.1</b>	+0.1		-	

# Stocks Held by Industry (March 2018)

RB



(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)

		Mar. 31, 2018				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)	40.0	725.0	930.0	1,695.0	375.0	500.0	1,100.0	1,975.0
Receive floating rate/ Pay fixed rate	(2)	200.0	458.7	552.0	1,210.7	340.9	639.0	472.0	1,451.9
Net position to receive fixed rate	(3)	(160.0)	266.2	378.0	484.2	34.0	(139.0)	628.0	523.0

# Maturity Ladder of Loan and Deposit (Domestic Operation)

Total of  
Three 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%
Total	(4)	77.2%	2.3%	6.4%	14.0%	100.0%

Loans maturing  
within 1 year

79.6%

[End of March 2018]

		Within 6M	6 to 12M	1 to 3Y	Over 3Y	Total
Fixed rate	(5)	1.5%	1.1%	6.0%	14.7%	23.3%
Prime rate-based	(6)	48.6%	0.1%	0.0%	0.0%	48.6%
Market rate-based	(7)	27.2%	0.9%			28.0%
Total	(8)	77.3%	2.0%	6.0%	14.7%	100.0%

Loans maturing  
within 1 year

79.3%

[Change in FY2017]

		Within 6M	6 to 12M	1 to 3Y	Over 3Y	Total
Fixed rate	(9)	(0.1)%	(0.2)%	(0.4)%	+0.7%	(0.0)%
Prime rate-based	(10)	(1.6)%	(0.0)%	+0.0%	+0.0%	(1.6)%
Market rate-based	(11)	+1.7%	(0.1)%			+1.6%
Total	(12)	+0.0%	(0.3)%	(0.4)%	+0.7%	-

Loans maturing  
within 1 year

(0.3)%

## Deposits

[End of March 2017]

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

[End of March 2018]

		Within 6M	6 to 12M	1 to 3Y	Over 3Y	Total
Liquid deposits	(4)	53.7%	1.1%	4.5%	15.5%	74.7%
Time deposits	(5)	12.5%	7.4%	4.3%	1.1%	25.3%
Total	(6)	66.1%	8.5%	8.8%	16.6%	100.0%

[Change in FY2017]

		Within 6M	6 to 12M	1 to 3Y	Over 3Y	Total
Liquid deposits	(7)	+1.7%	(0.0)%	(0.0)%	(0.1)%	+1.5%
Time deposits	(8)	(0.4)%	(0.6)%	(0.7)%	+0.2%	(1.5)%
Total	(9)	+1.3%	(0.6)%	(0.8)%	+0.1%	-

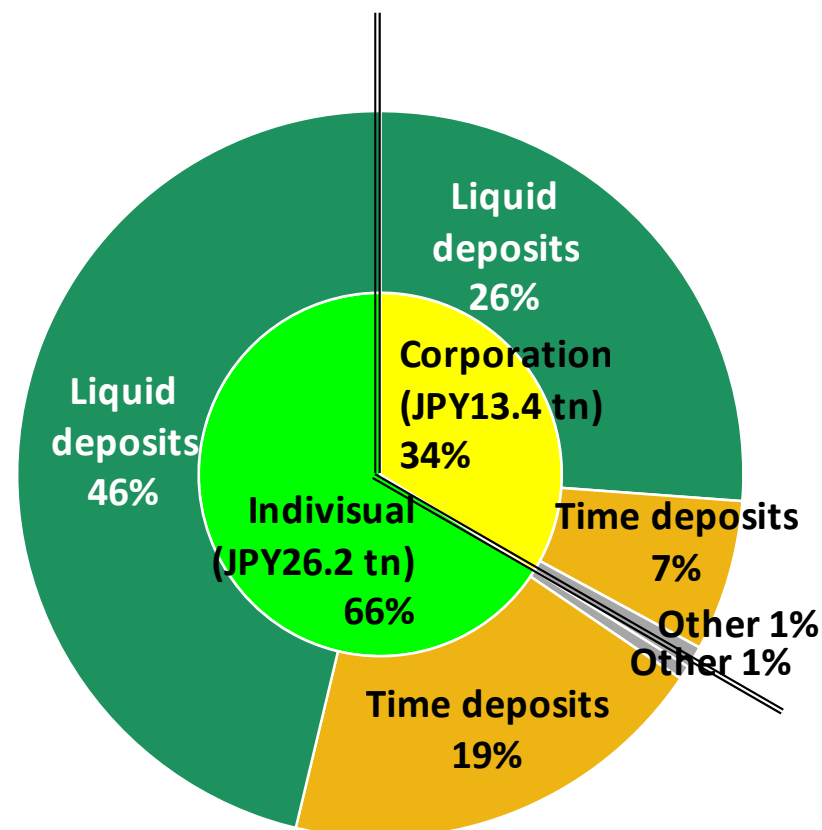
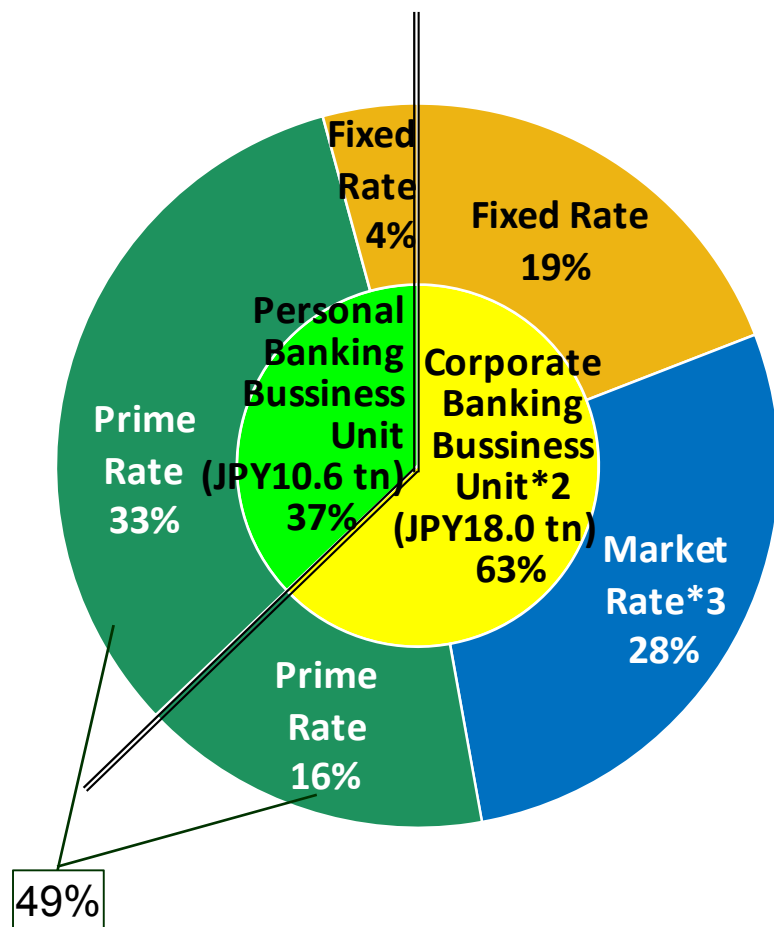
\*1. Data compiled for a management and administration purpose

# Composition of Loan Portfolio and Deposits (March 31, 2018)

Total of  
Three Banks

Loans<sup>\*1</sup>

Deposits<sup>\*4</sup>

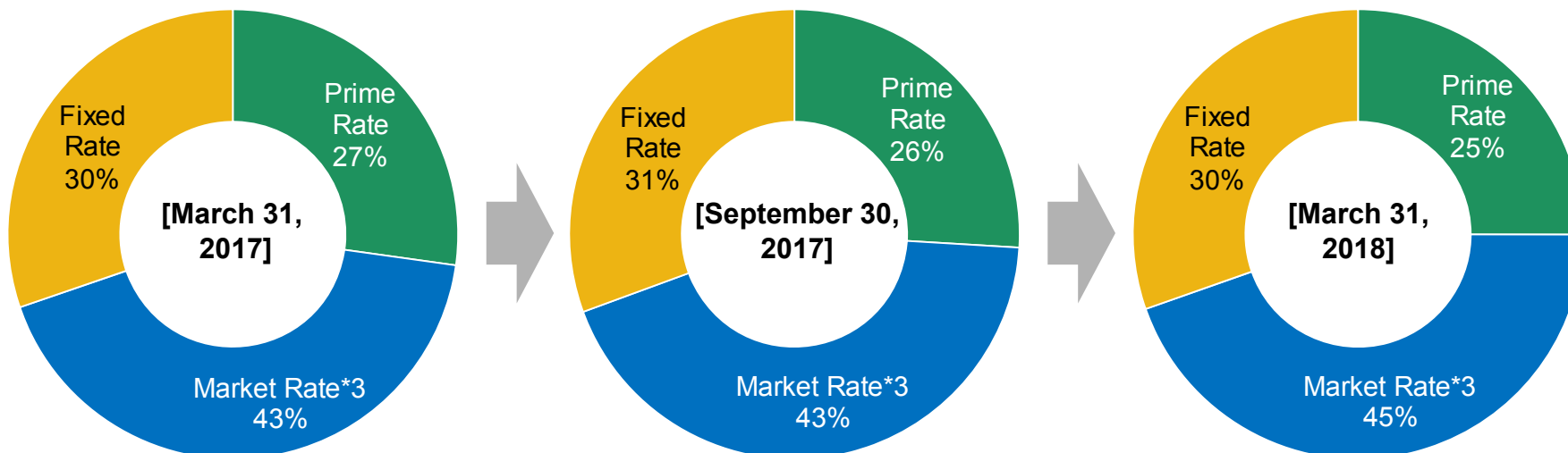


\*1. Data compiled for a management and administration purpose  
 \*2. Corporate Banking Business Unit includes apartment loans  
 \*3. Market rate-linked loans include the fixed-rate (spread) loans maturing in less than one year  
 \*4. Domestic individual deposits + Domestic corporate deposits

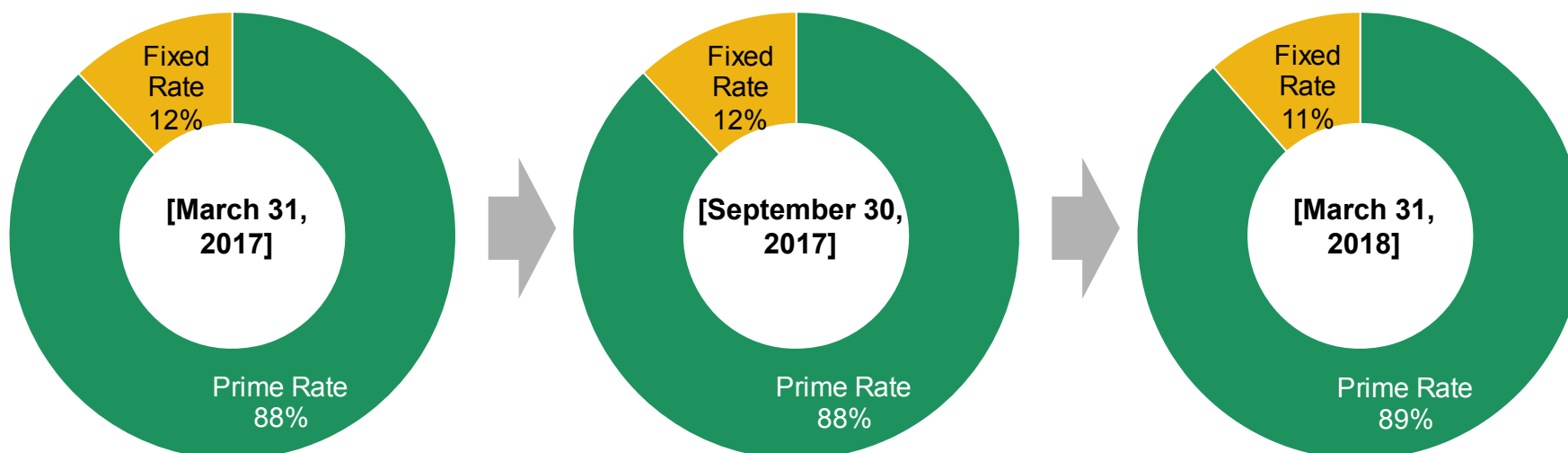
# Composition of Loan Portfolio by Base Rates

Total of  
Three Banks

## Corporate Banking Business Unit\*1,2



## Personal Banking Business Unit\*1



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

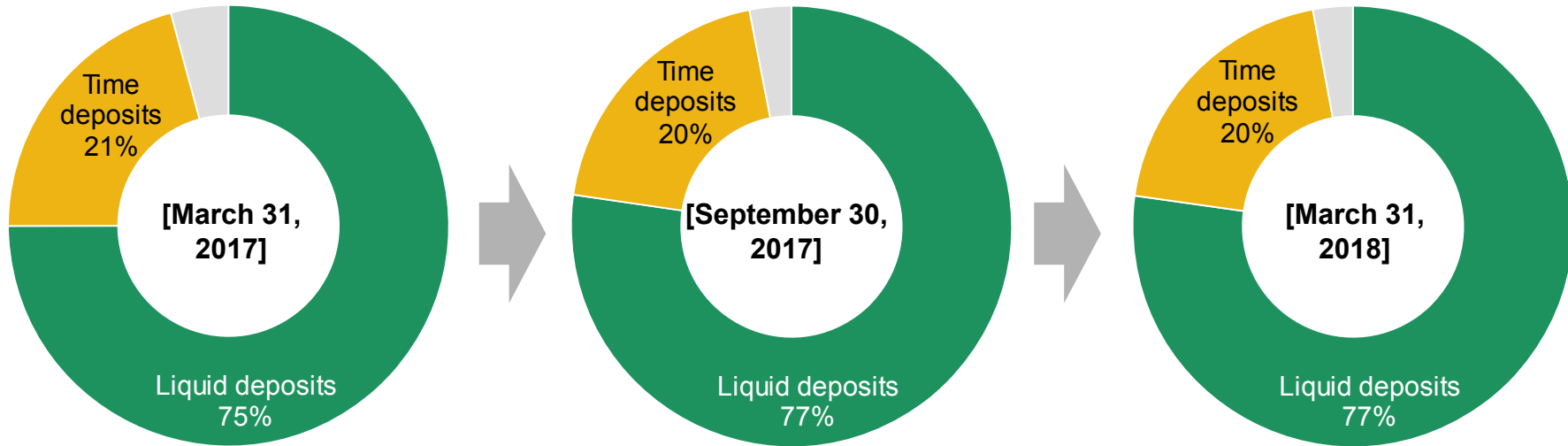
\*2. Corporate Banking Business Unit includes apartment loans

\*3. Market rate-linked loans include the fixed-rate (spread) loans maturing in less than one year

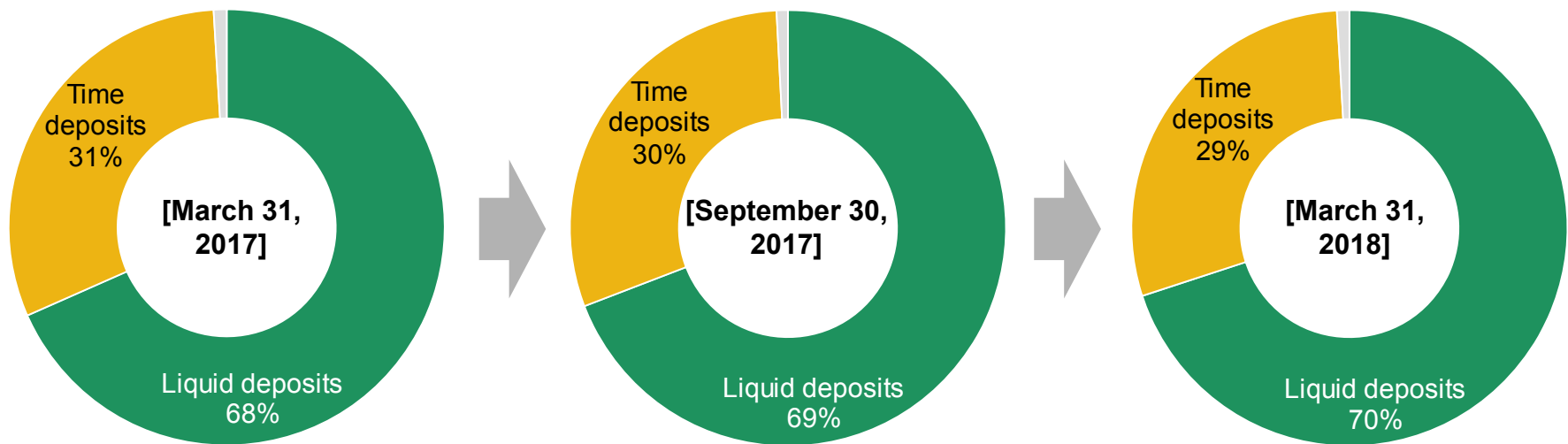
# Composition of Deposits by Types

Total of  
Three Banks

## Corporate Deposits



## Individual Deposits



# Migrations of Borrowers (1H of FY2017)

RB

## ■ 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.



# Migrations of Borrowers (2H of FY2017)

RB

## ■ Exposure amount basis \*1

		End of March 2018									Upward Migration	Downward Migration
		Normal	Other Watch	Special Attention	Doubtful	Effectively Bankrupt	Bankrupt	Other	Collection, Repayments	Assignments, Sale		
End of September 2017	Normal	98.7%	0.5%	0.0%	0.0%	0.0%	0.0%	0.7%	0.7%	0.0%	-	0.5%
	Other Watch	5.9%	88.4%	0.5%	1.2%	0.2%	0.1%	3.8%	3.8%	0.0%	5.9%	1.9%
	Special Attention	5.9%	9.7%	81.3%	1.5%	0.1%	0.0%	1.4%	1.4%	0.0%	15.7%	1.6%
	Doubtful	1.6%	9.0%	0.3%	77.6%	4.6%	0.7%	6.3%	6.1%	0.2%	10.9%	5.3%
	Effectively Bankrupt	0.3%	0.4%	0.0%	0.7%	79.0%	2.0%	17.6%	4.8%	12.8%	1.4%	2.0%
	Bankrupt	0.0%	0.1%	0.0%	1.9%	0.0%	87.4%	10.6%	0.9%	9.7%	2.0%	-

\*1. Above table shows how a borrower belonging to a particular borrower category as of the end of September 2017 migrated to a new category as of the end of March 2018. Percentage points are calculated based on exposure amounts as of the end of September 2017 (New loans extended, loans partially collected or written-off during the period are not taken into account)  
 "Other" as of the end of March 2018 refers to those exposures removed from the balance sheet due to collection, repayments, assignments or sale of claims.

## List of Subordinated Bonds (March 31, 2018)

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 (No serious impact on Resona)

## Major items of financial regulation being discussed internationally

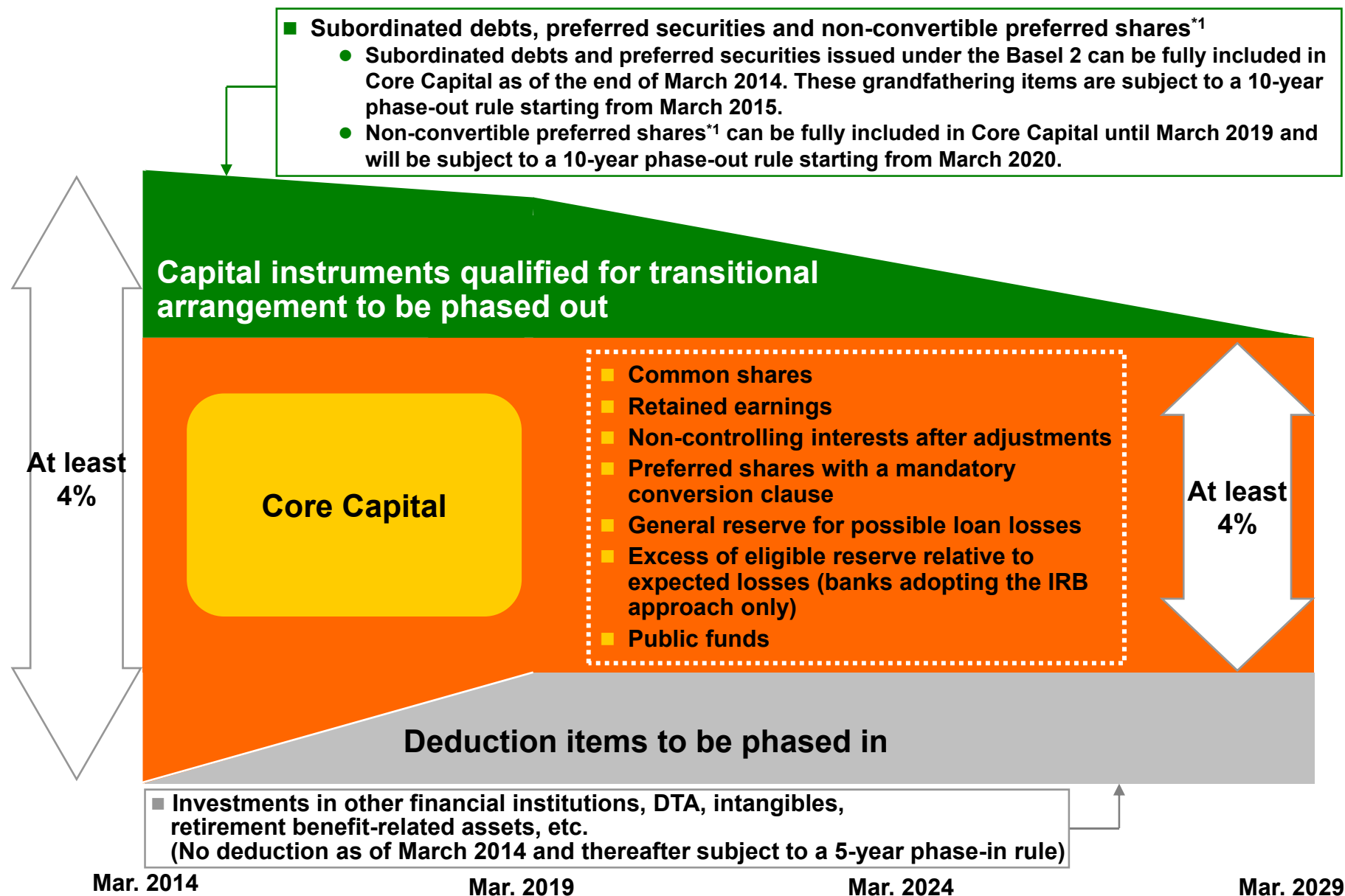
- For many items, international rules will be finalized hereafter and local authorities will start working on domestic rules.

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.</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 rule has been finalized. Domestic CVA rules will be formulated hereafter. Adoption of SA-CCR (Standardized Approach) is optional for the time being.</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.



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

# Long Term Business Results

		(JPY bn)	FY2002	FY2003	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017
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	563.1	552.5
		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	377.9	368.3
		Fee incomes *1	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	160.6	168.0
		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)	(362.4)	(360.6)
		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)	25.1	16.7
		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)	17.4	14.7
		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	161.4	236.2
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	28,412.0	28,992.1
		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	24,163.8	24,728.4
		Housing loans*2	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	13,356.3	13,331.6
		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	10,218.6	10,267.5
		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%	1.35%	1.18%
	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	348.6	448.4
		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	555.8	658.2
Business*4	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	801.6	945.6
		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	573.1	723.0
		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	228.5	222.6
		Housing loan*2	-	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	1,481.4	1,174.9
		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	1,198.7	939.0
		Real estate business*3	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	13.4	12.8
		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

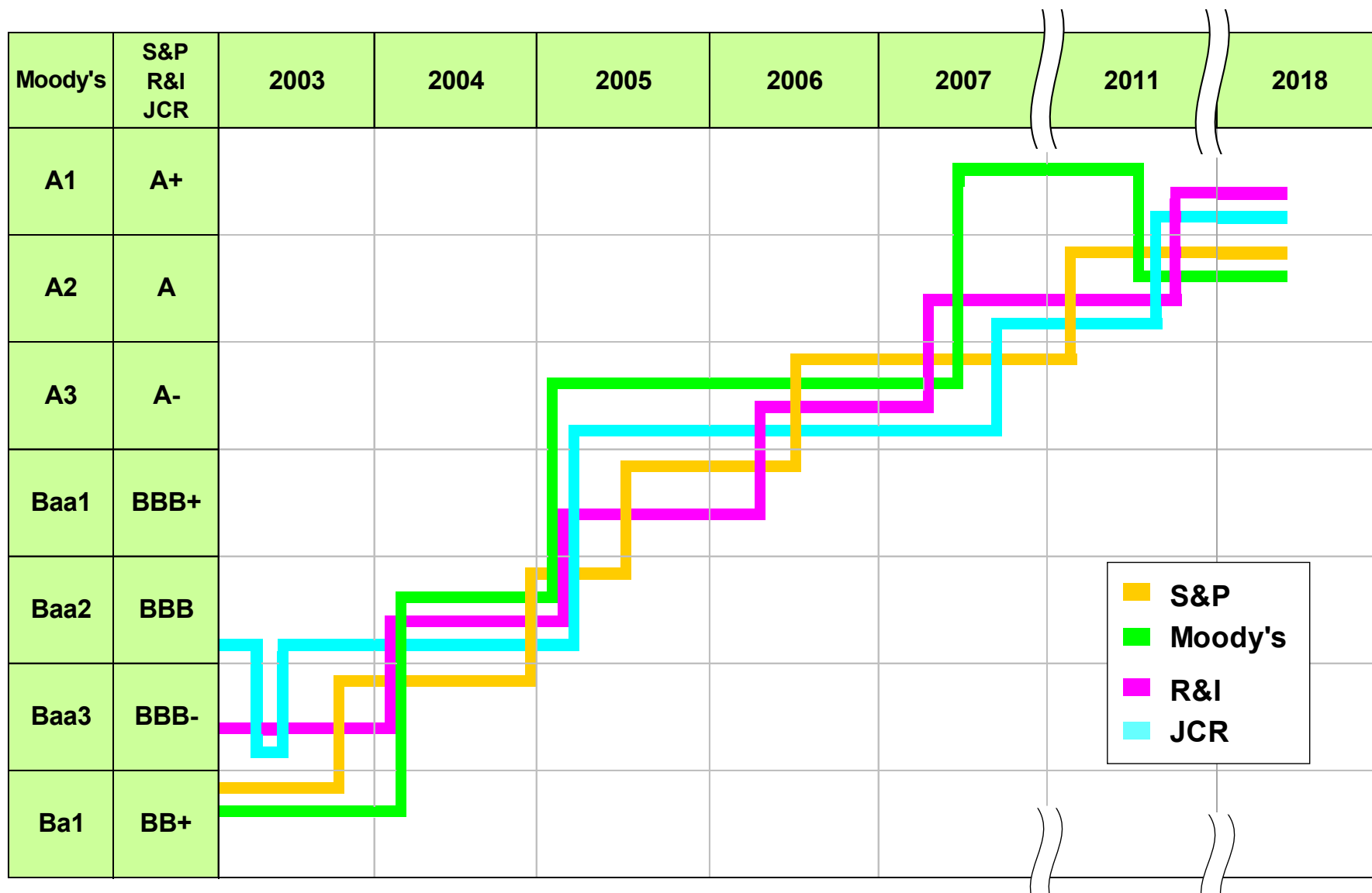
\*3. Excluding gains/(losses) from investments in real estate

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

\*4. Data compiled for management and administration purposes

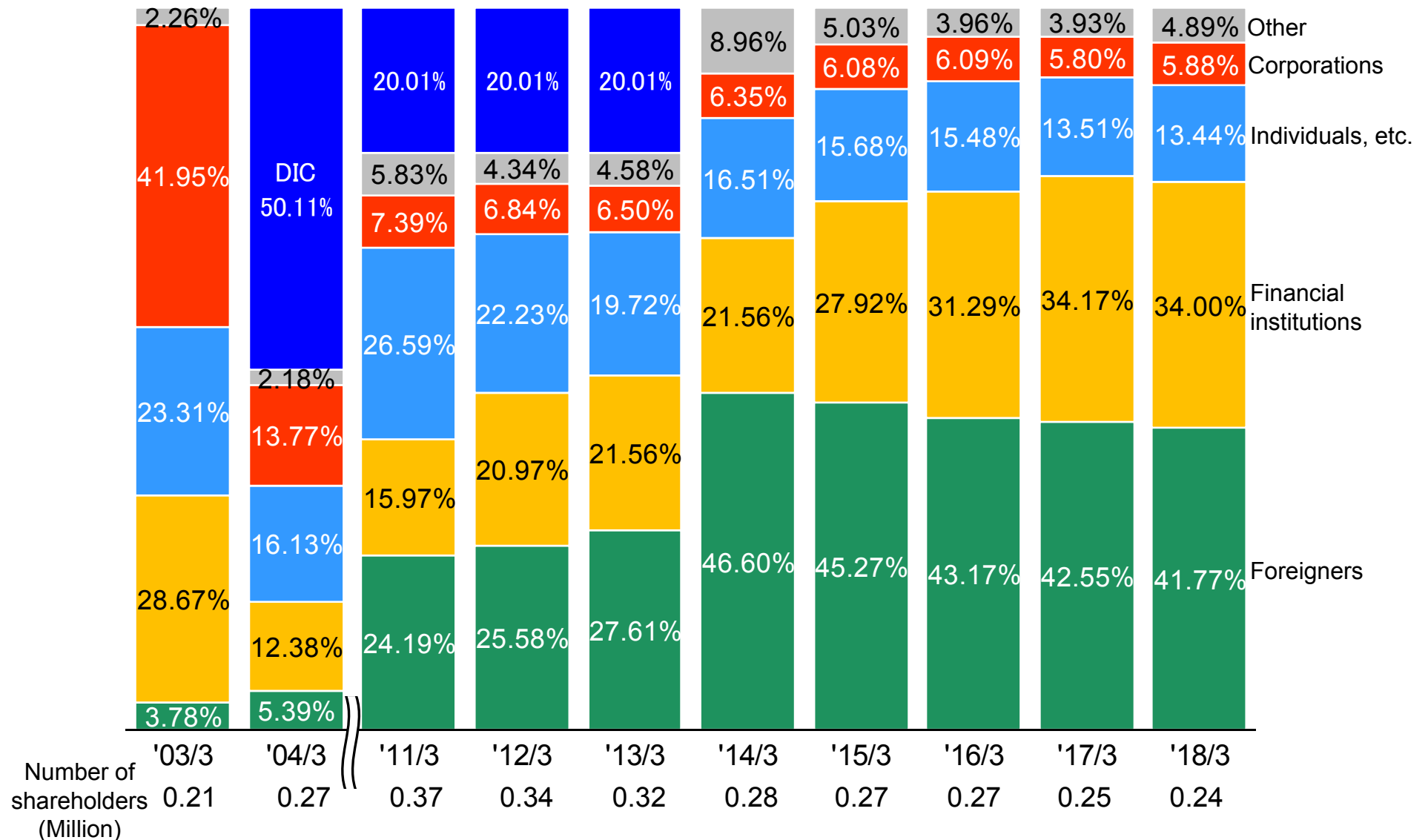
# Trend of Long-term Senior Debt Rating

RB





## Composition of Resona HD's Common Shareholders



## Macro Economic Trend

**GDP Components\*<sup>1</sup>**

(JPY tn)

Legend: Private Consumption (Green), Private Investment\*<sup>2</sup> (Yellow), Public Demand\*<sup>2</sup> (Blue), Net Exports (Red)

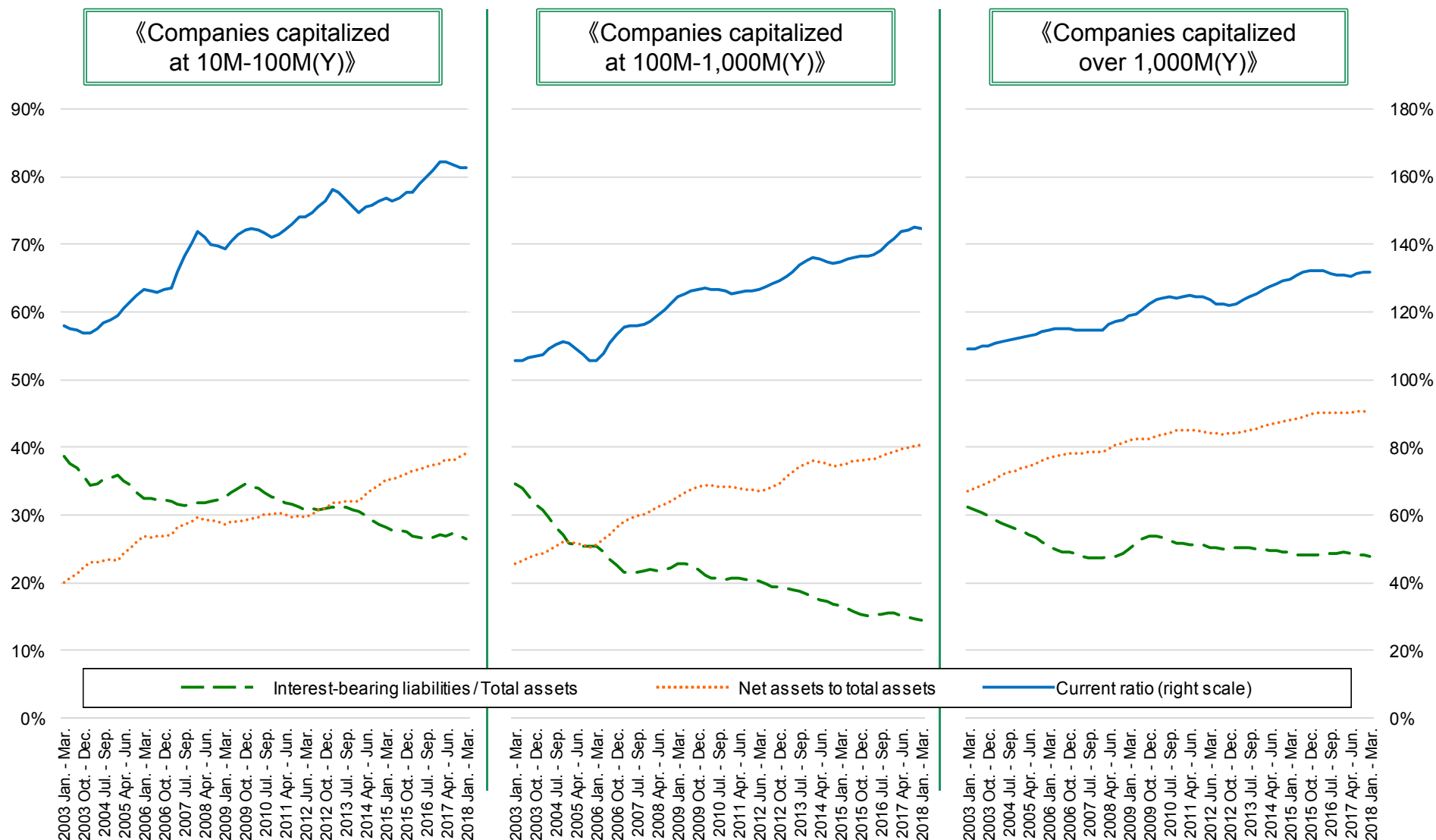
Year	Quarter	Private Consumption	Private Investment* <sup>2</sup>	Public Demand* <sup>2</sup>	Net Exports	Total GDP
2008	1Q	280.0	100.0	100.0	0.0	480.0
	2Q	280.0	100.0	100.0	0.0	480.0
	3Q	280.0	100.0	100.0	0.0	480.0
	4Q	280.0	100.0	100.0	0.0	480.0
2009	1Q	270.0	90.0	90.0	0.0	450.0
	2Q	270.0	90.0	90.0	0.0	450.0
	3Q	270.0	90.0	90.0	0.0	450.0
	4Q	270.0	90.0	90.0	0.0	450.0
2010	1Q	280.0	100.0	100.0	0.0	480.0
	2Q	280.0	100.0	100.0	0.0	480.0
	3Q	280.0	100.0	100.0	0.0	480.0
	4Q	280.0	100.0	100.0	0.0	480.0
2011	1Q	280.0	100.0	100.0	0.0	480.0
	2Q	280.0	100.0	100.0	0.0	480.0
	3Q	280.0	100.0	100.0	0.0	480.0
	4Q	280.0	100.0	100.0	0.0	480.0
2012	1Q	280.0	100.0	100.0	0.0	480.0
	2Q	280.0	100.0	100.0	0.0	480.0
	3Q	280.0	100.0	100.0	0.0	480.0
	4Q	280.0	100.0	100.0	0.0	480.0
2013	1Q	280.0	100.0	100.0	0.0	480.0
	2Q	280.0	100.0	100.0	0.0	480.0
	3Q	280.0	100.0	100.0	0.0	480.0
	4Q	280.0	100.0	100.0	0.0	480.0
2014	1Q	280.0	100.0	100.0	0.0	480.0
	2Q	280.0	100.0	100.0	0.0	480.0
	3Q	280.0	100.0	100.0	0.0	480.0
	4Q	280.0	100.0	100.0	0.0	480.0
2015	1Q	280.0	100.0	100.0	0.0	480.0
	2Q	280.0	100.0	100.0	0.0	480.0
	3Q	280.0	100.0	100.0	0.0	480.0
	4Q	280.0	100.0	100.0	0.0	480.0
2016	1Q	280.0	100.0	100.0	0.0	480.0
	2Q	280.0	100.0	100.0	0.0	480.0
	3Q	280.0	100.0	100.0	0.0	480.0
	4Q	280.0	100.0	100.0	0.0	480.0
2017	1Q	280.0	100.0	100.0	0.0	480.0
	2Q	280.0	100.0	100.0	0.0	480.0
	3Q	280.0	100.0	100.0	0.0	480.0
	4Q	280.0	100.0	100.0	0.0	480.0
2018	1Q	280.0	100.0	100.0	0.0	480.0
	2Q	280.0	100.0	100.0	0.0	480.0

%	FY2015	FY2016 Actual	FY2017	FY2018 Forecast
GDP	1.4	1.2	1.6	1.0
Consumption of Households	0.5	0.1	0.5	0.5
Private Residential Investment	0.1	0.2	(0.0)	(0.1)
Private Non-Resi. Investment	0.4	0.2	0.5	0.4
Private Inventory Investment	0.2	(0.3)	0.1	(0.0)
Public Demand	0.3	0.1	0.2	(0.0)
Net Export	0.1	0.7	0.3	0.3

\*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)

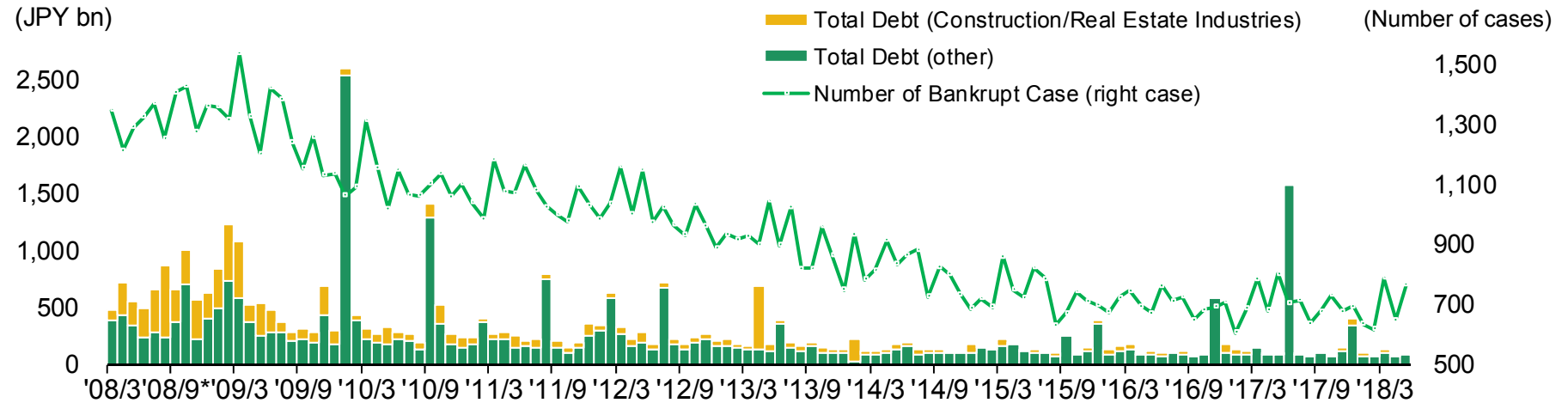
## Trends in Stability Ratios of Japanese Companies\*1



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

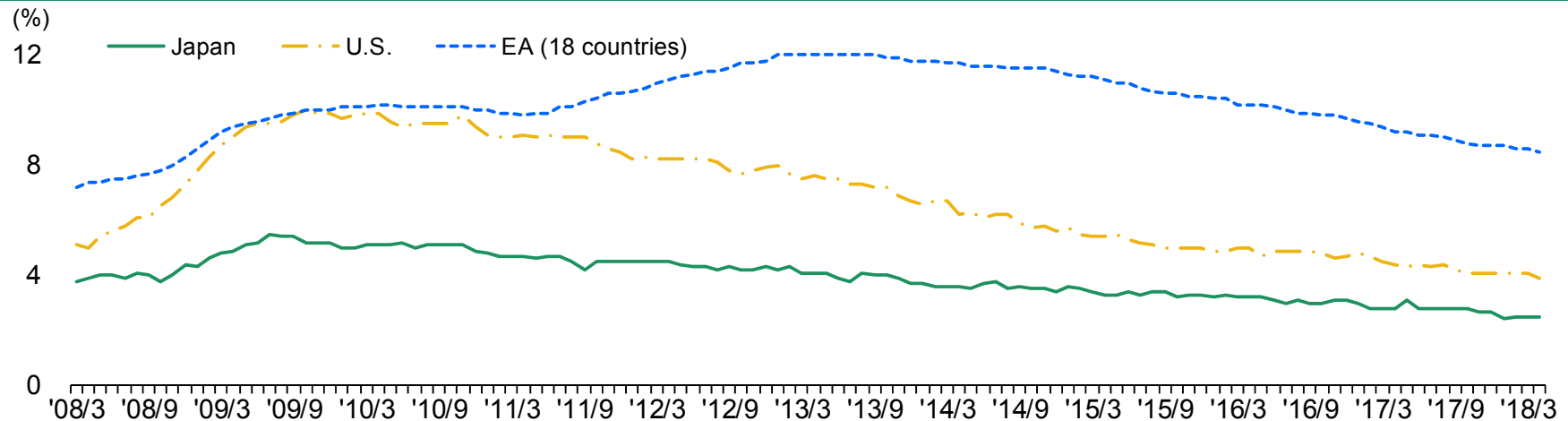
## Overall Economy in Japan (2)

### Enterprise Bankruptcy\*1



\* Excluding debts related to Lehman Brothers which failed in Sep. 2008 (Approx. ¥4,700 bn)

### Unemployment Rate\*2



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

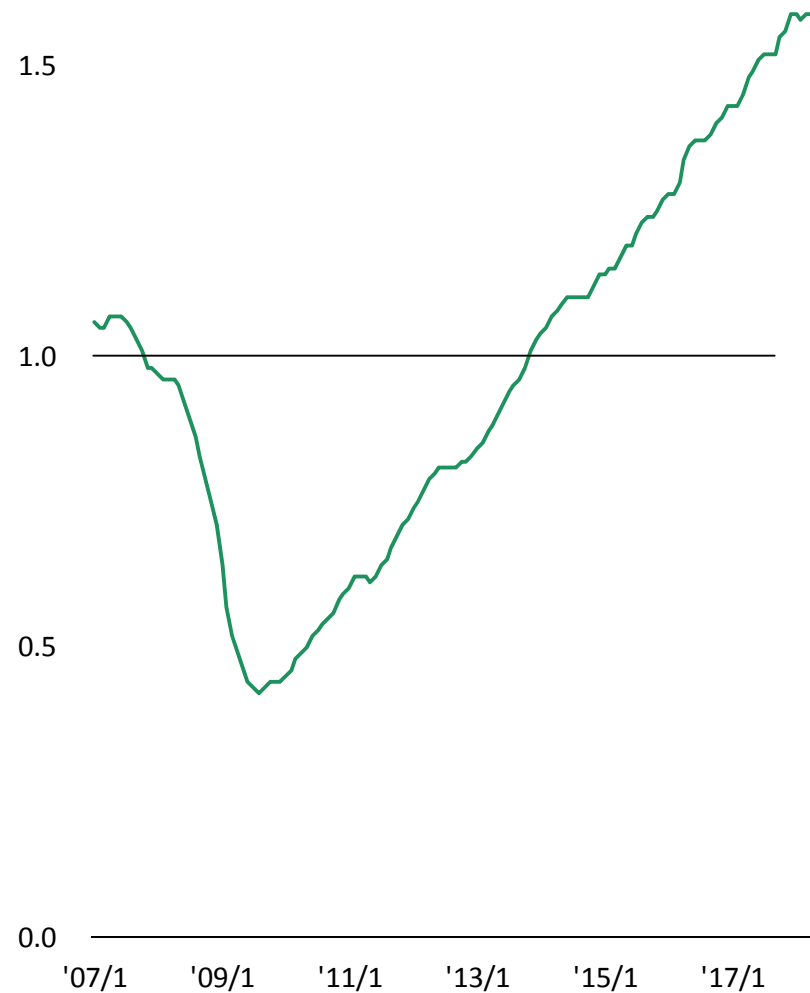
\*1. Source: Tokyo Shoko Research

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

# Employment

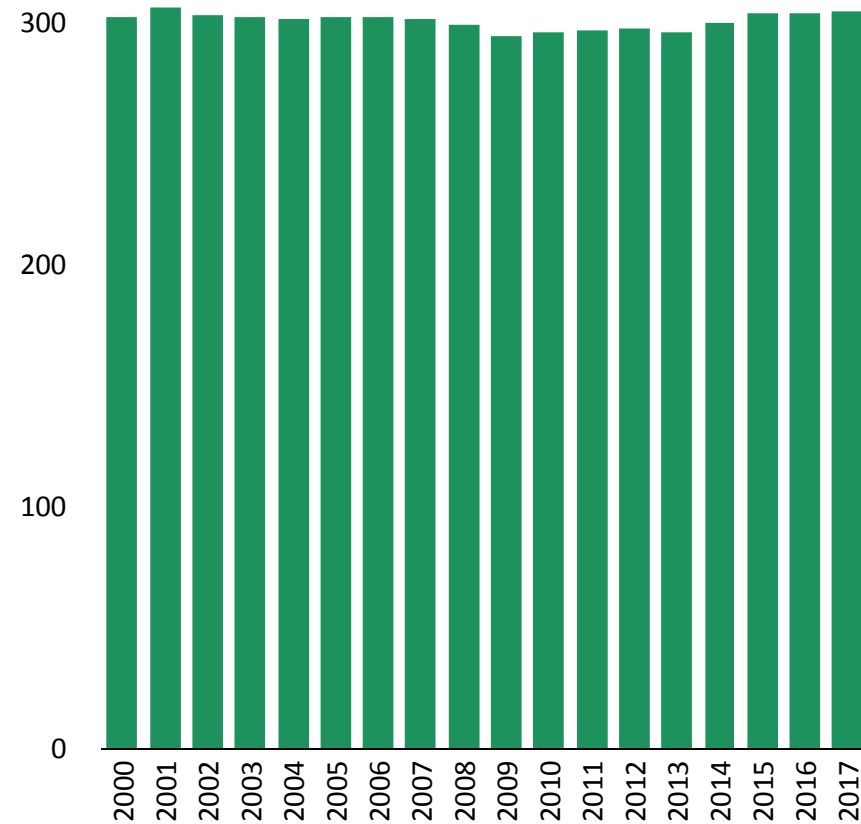
## Active job openings-to-applicants ratio\*1

(times)



## Wage / Salary\*2

(JPY thousand)

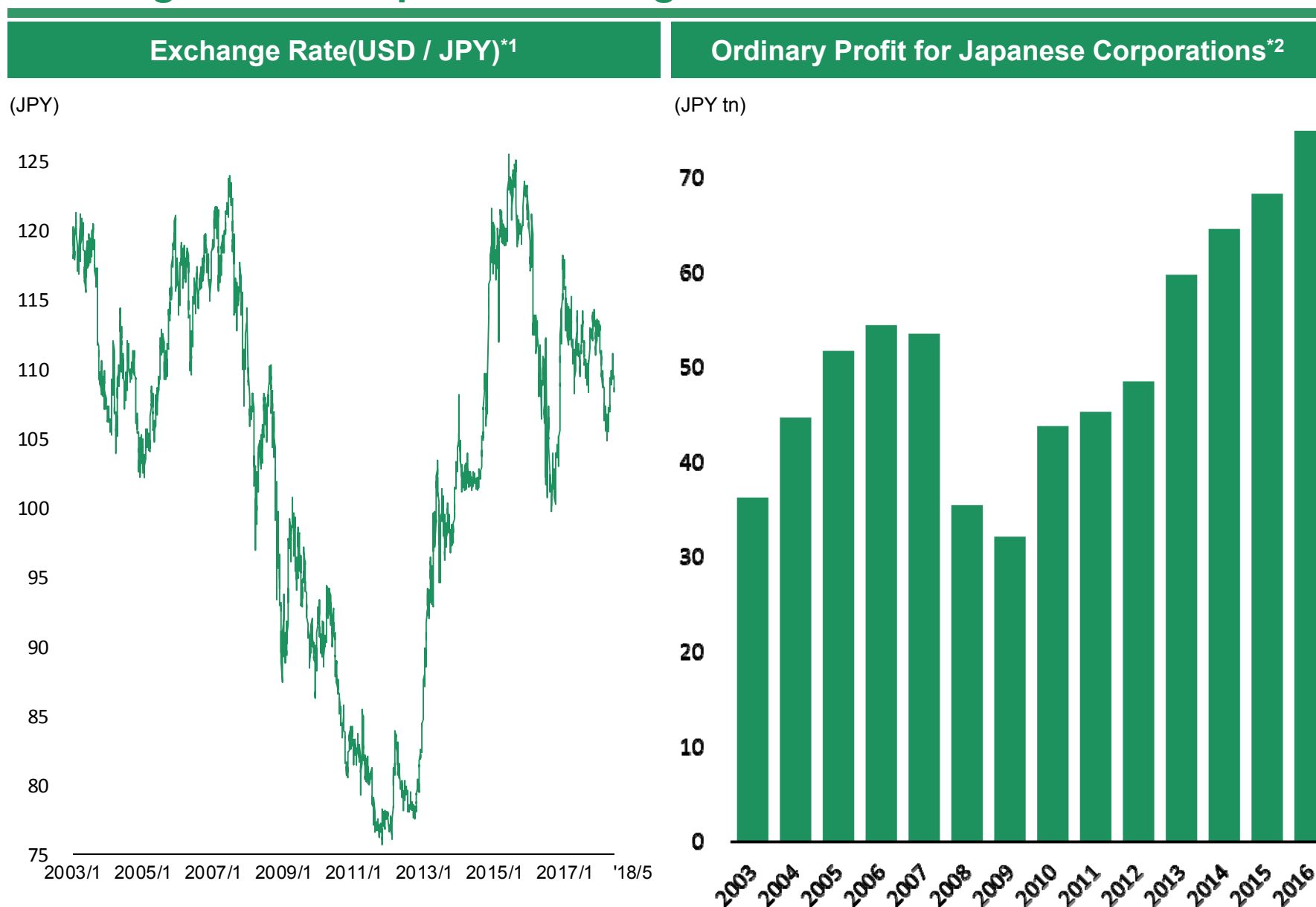


\*1. Source: Ministry of Health, Labour and Welfare / Employment Referrals for General Workers (Seasonally adjusted)

\*2. Source: Ministry of Health, Labour and Welfare / Basic Survey on Wage Structure



# Exchange Rate / Corporate Earnings

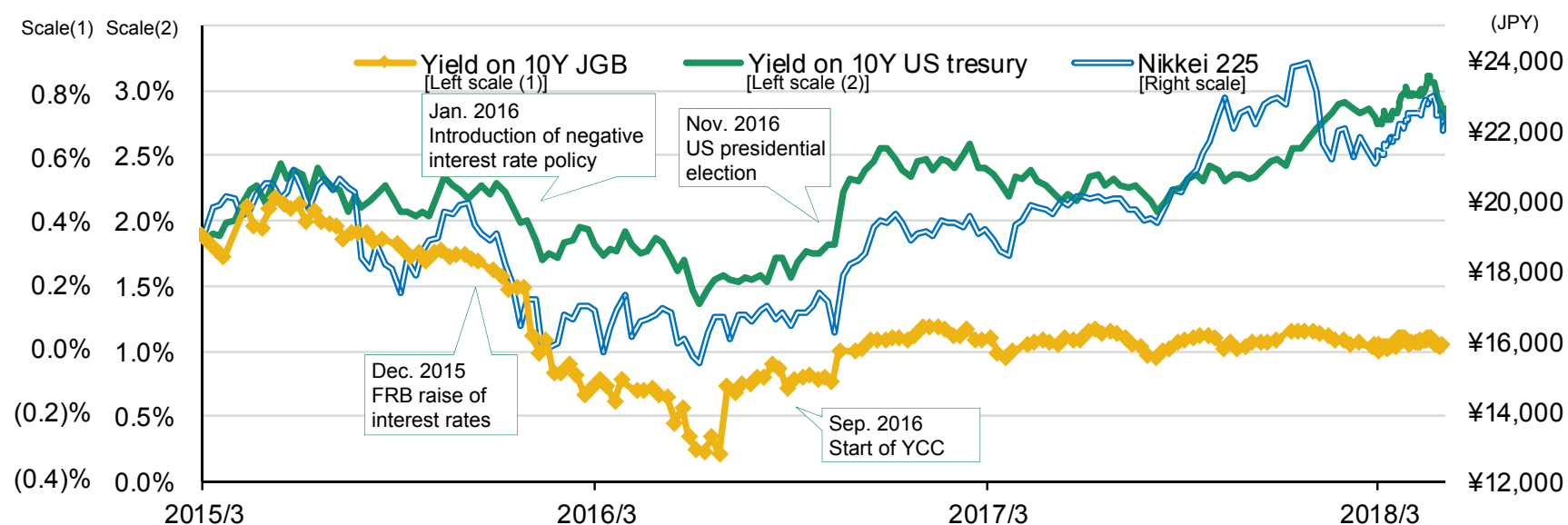


\*1. Source: Resona Bank

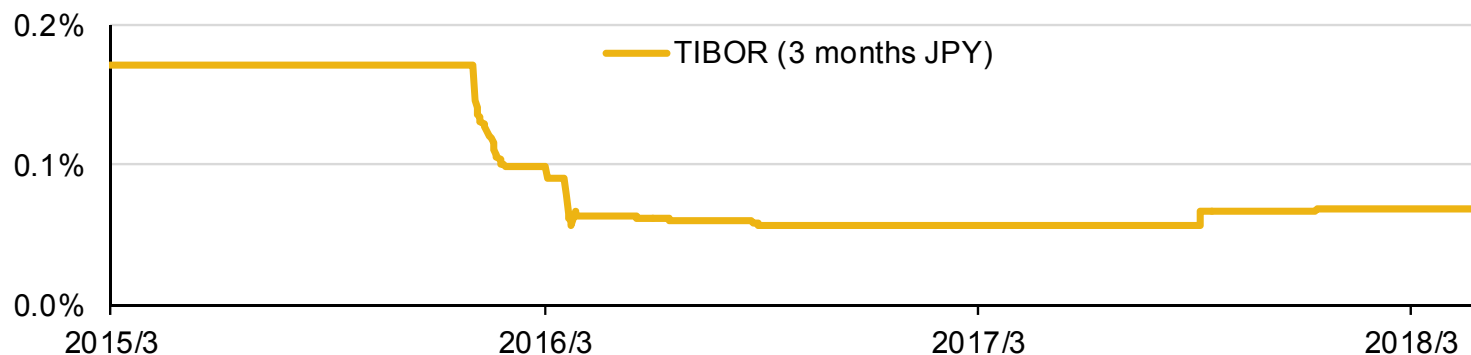
\*2. Source: Ministry of Finance / Financial Statements Statistics of Corporations by Industry

# Trend of Interest rate and financial market

## Trend of long-term interest rate and Nikkei 225

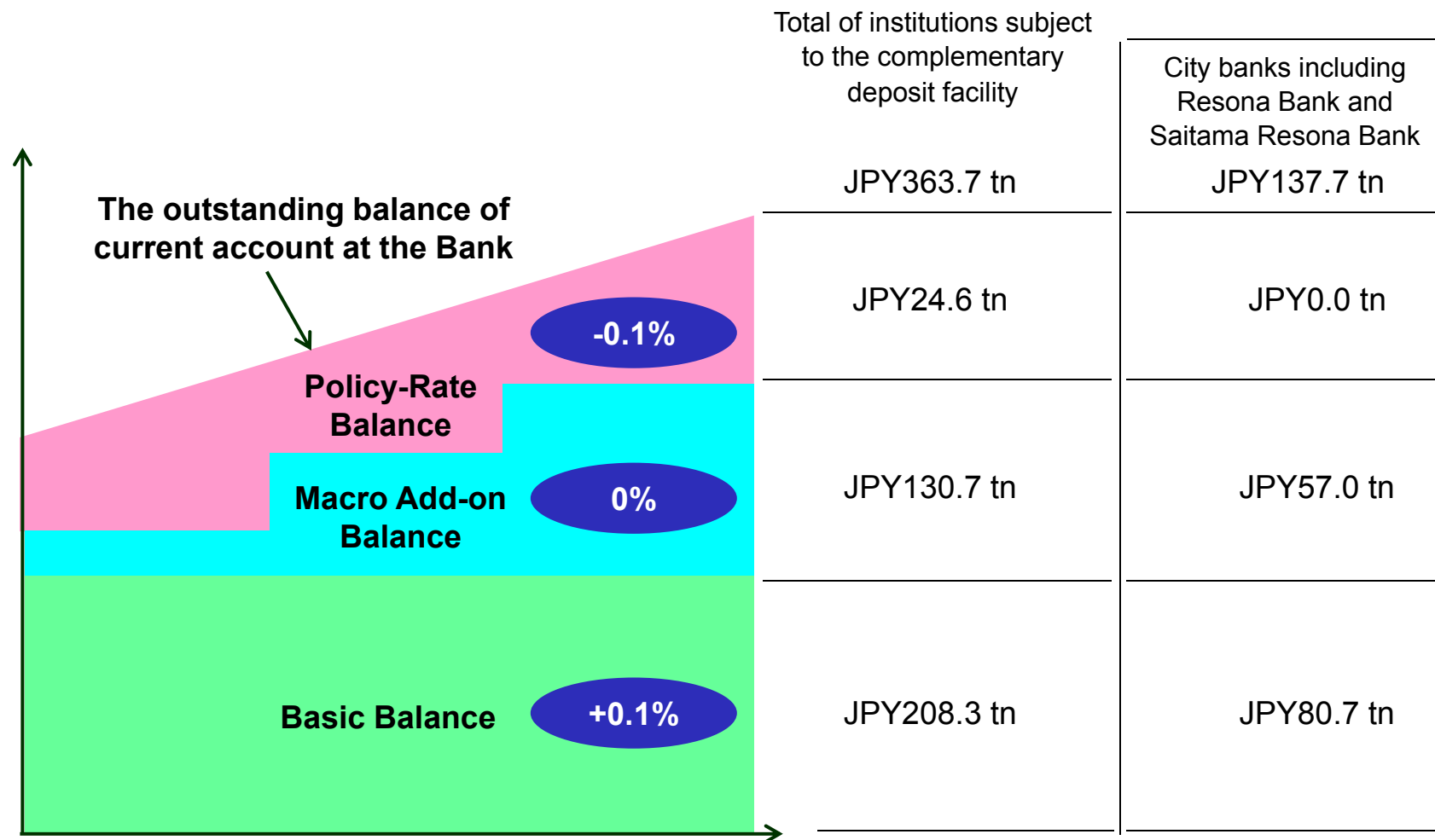


## Trend of JPY-TIBOR



# BOJ Current Account Balances

Monthly average balance of BOJ current account  
(16 May. -15 Jun.)

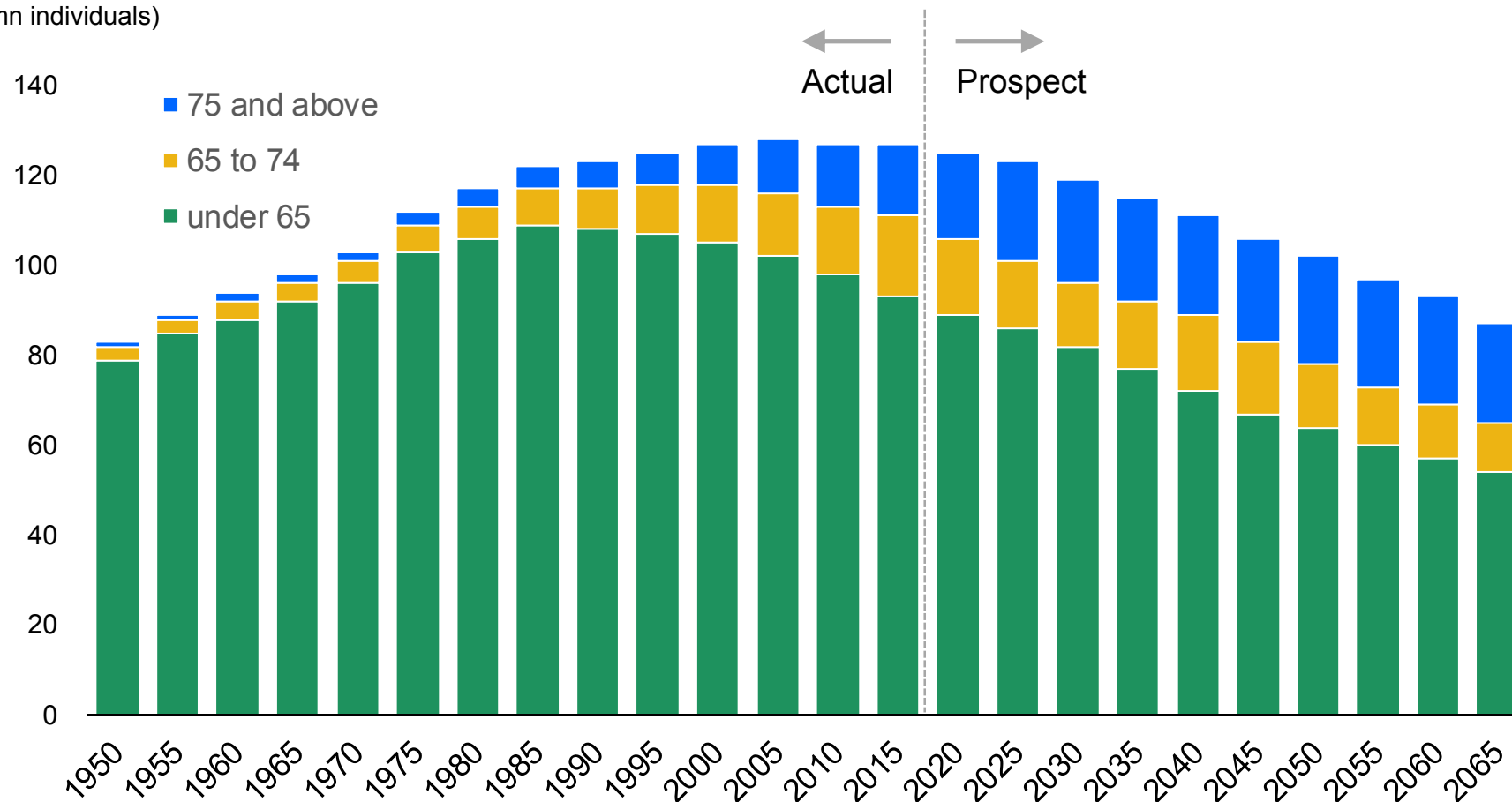


\*1. Source: Bank of Japan

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

## Population Trends by Age Groups

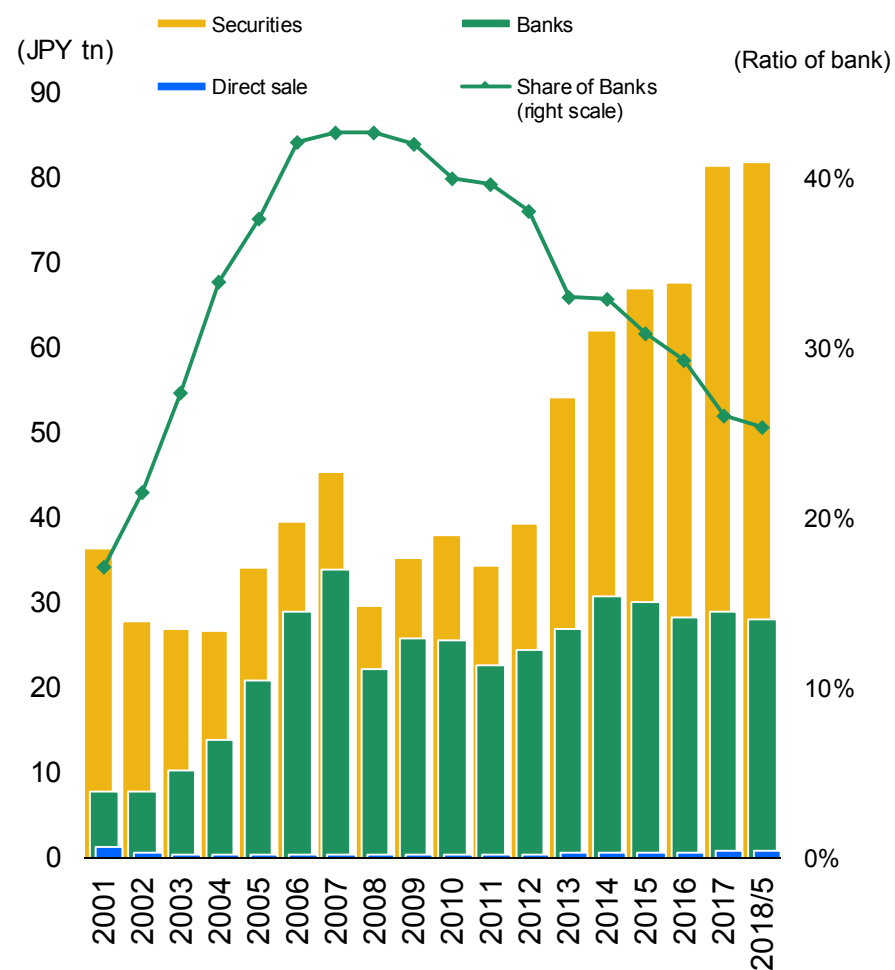
(mn individuals)



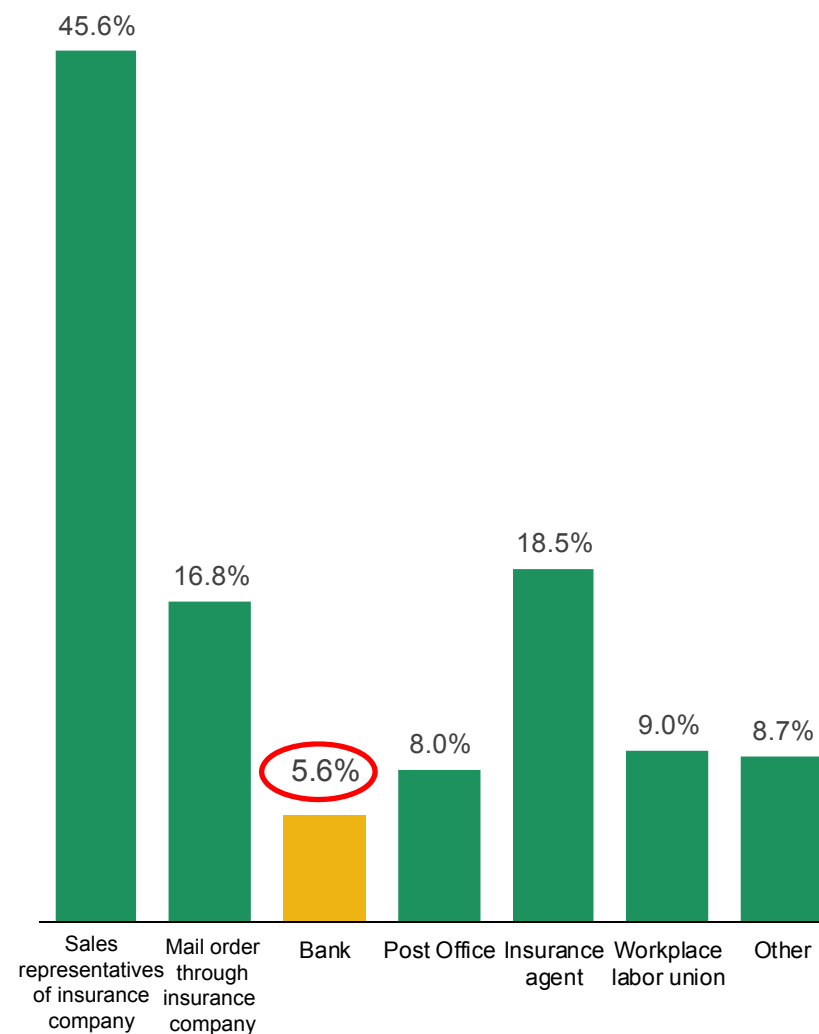
\*1. Source: National Institute of Population and Social Security Research

# 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**

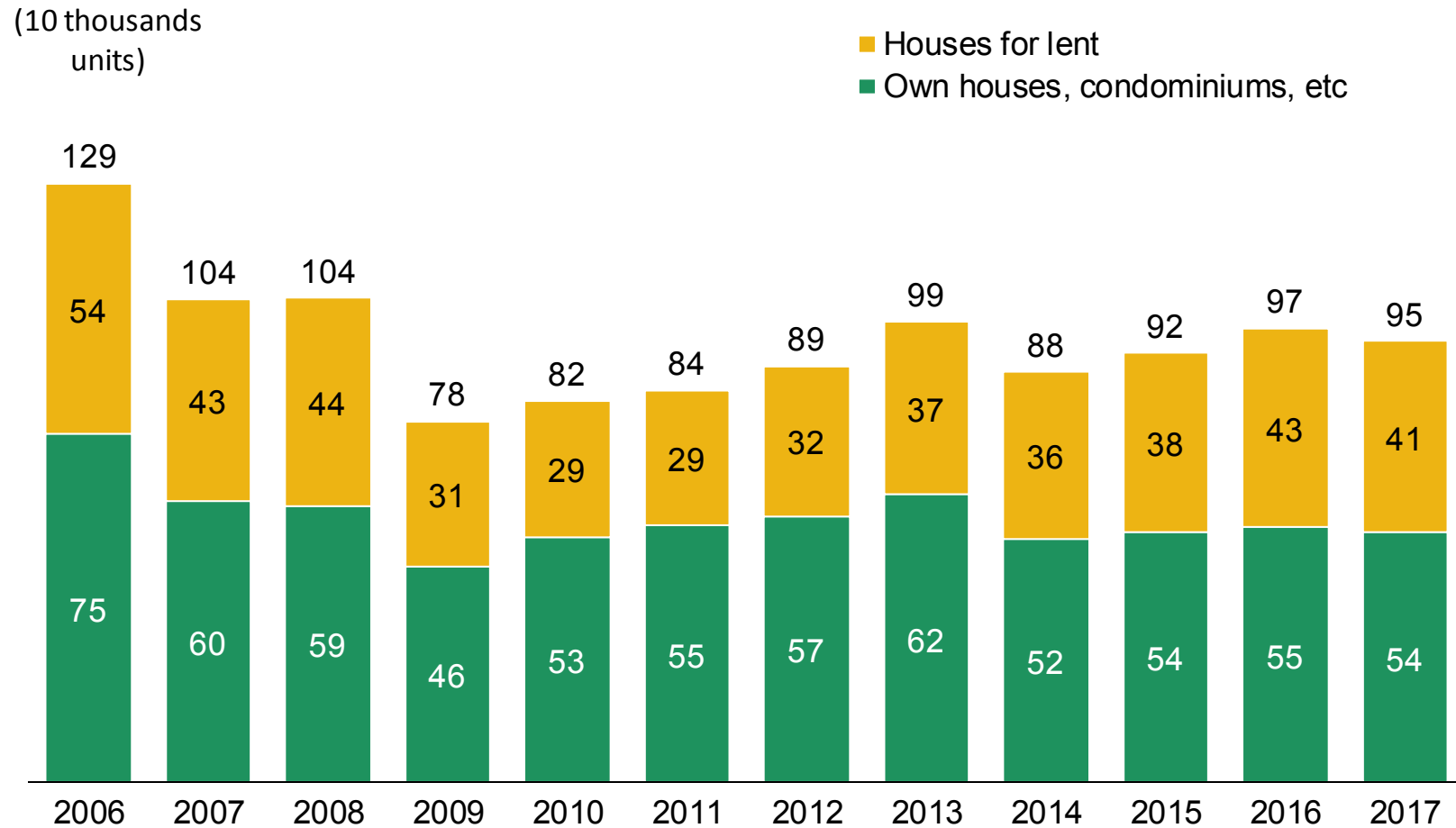


\*1. Source: The Investment Trusts Association, Japan

\*2. Source: Japanese Bankers Association

# Housing Data

## New Housing Construction Starts\*<sup>1</sup>



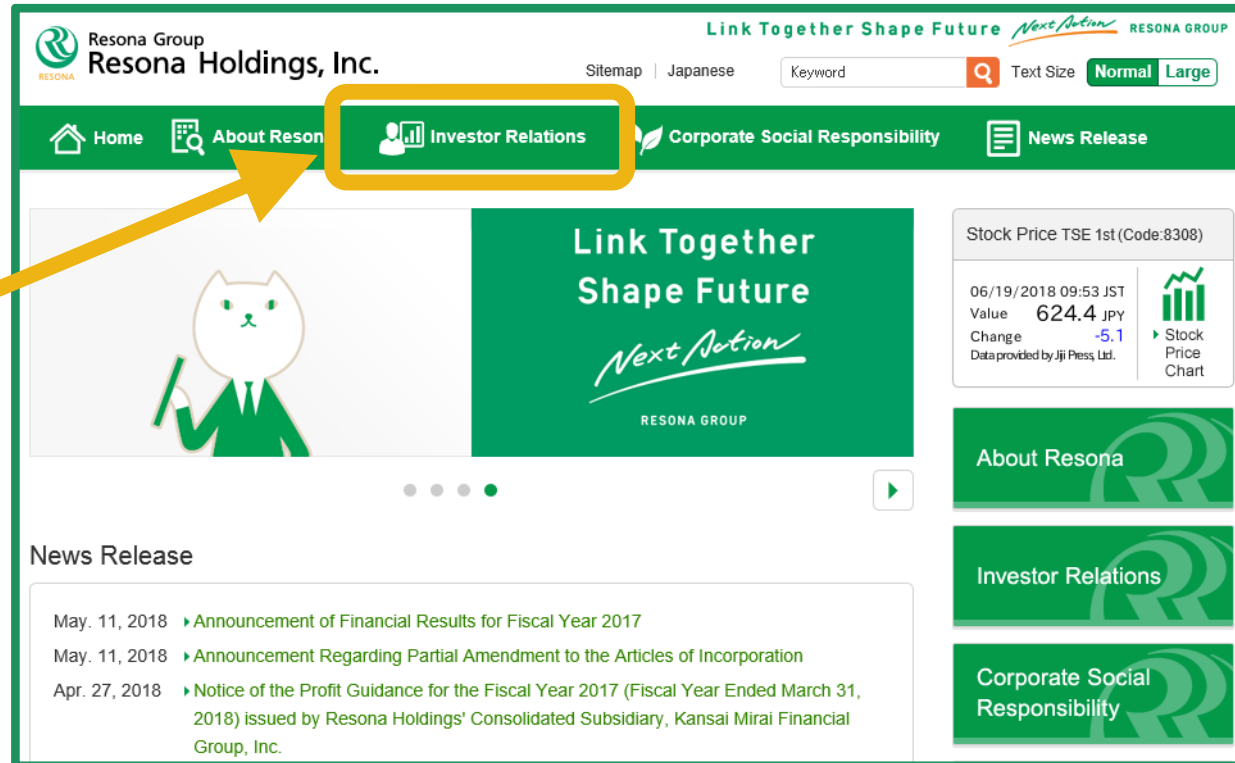
\*1. Source: Ministry of Land, Infrastructure, Transport and Tourism



## Our Website Information

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

Materials for  
investors  
are available  
from here



**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 2017 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.**



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

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

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

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

