

# Financial Highlights for the First Half of Fiscal Year 2016



 **Resona Holdings**

**November 11, 2016**

# Outline of Financial Results for 1H of FY2016

## ■ **Posted JPY96.9 bn of net interim income attributable to owners of the parent**

- Up JPY11.2 bn, or +13.0%, YoY, Up JPY14.9 bn, or +18.1%, against the 1H target
  - Decline in actual net operating profit (10): (11.0) bn
  - Improvement in credit cost (12): +31.7 bn

## ■ **Posted JPY125.7 bn of actual net operating profit**

- Gross operating profit: JPY298.0 bn, Down JPY9.6 bn, or (3.1)%, YoY
  - Decline in net interest income from loans and deposits, trust fees, and fees and commission income was partially made up for by steadily accumulating net gains on bonds.
    - Net interest income from domestic loans and deposits (total of group banks): (11.5) bn, YoY
    - Fees and commission income + Trust fees: (3.6) bn YoY
    - Net gains on bonds (including futures): +8.0 bn YoY
- Operating expenses: JPY(172.3) bn, (1.3)bn, or (0.7)% YoY

## ■ **Maintained soundness in asset quality**

- NPL ratio (total of group banks): 1.42%
- Net unrealized gain on available-for-sale securities (total of group banks): JPY437.9 bn
- Consolidated capital adequacy ratio (Domestic Std.): 12.58%

## ■ **Revised up full-year net income target to JPY 170.0 bn (Up +6.2% from the previous target)**

## ■ **Capital Management :**

### **Steps taken as planned at the beginning of the year**

- Class 6 Preferred Shares to be repurchased and cancelled on Dec. 8, 2016
  - To be implemented as planned supported by steady accumulation of retained earnings
- No change to DPS forecast (+2 yen YoY, 19 yen per annum)

	Resona HD consolidated (JPY bn)	1H of FY2016		
			YoY change %	
<b>Gross operating profit</b>	(1)	<b>298.0</b>	<b>(9.6)</b>	<b>(3.1)%</b>
Net interest income	(2)	188.2	(15.0)	
Nil from loans and deposits (total of group banks)*1	(3)	155.4	(11.5)	
Trust fees	(4)	9.0	(2.0)	
Fees and commission income	(5)	75.5	(1.6)	
Other operating income	(6)	25.2	+8.9	
Net gains on bonds (including futures)	(7)	15.1	+8.0	
Operating expenses (excluding group banks' non-recurring items)	(8)	(172.3)	(1.3)	(0.7)%
Cost income ratio (OHR)	(9)	57.8%		
<b>Actual net operating profit*2</b>	(10)	<b>125.7</b>	<b>(11.0)</b>	<b>(8.0)%</b>
Net gains on stocks (including equity derivatives)	(11)	1.6	(0.7)	
Credit related expenses, net	(12)	10.5	+31.7	
Other gain, net	(13)	(2.8)	(6.2)	
<b>Income before income taxes</b>	(14)	<b>135.0</b>	<b>+13.7</b>	<b>+11.3%</b>
Income taxes and other	(15)	(38.1)	(2.5)	
<b>Net interim income (attributable to owners of the parent)</b>	(16)	<b>96.9</b>	<b>+11.2</b>	<b>+13.0%</b>
EPS (yen)	(17)	40.17	+5.16	
BPS (yen)	(18)	732.24	+45.64	

\*1. Domestic banking account, deposits include NCDs.

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

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

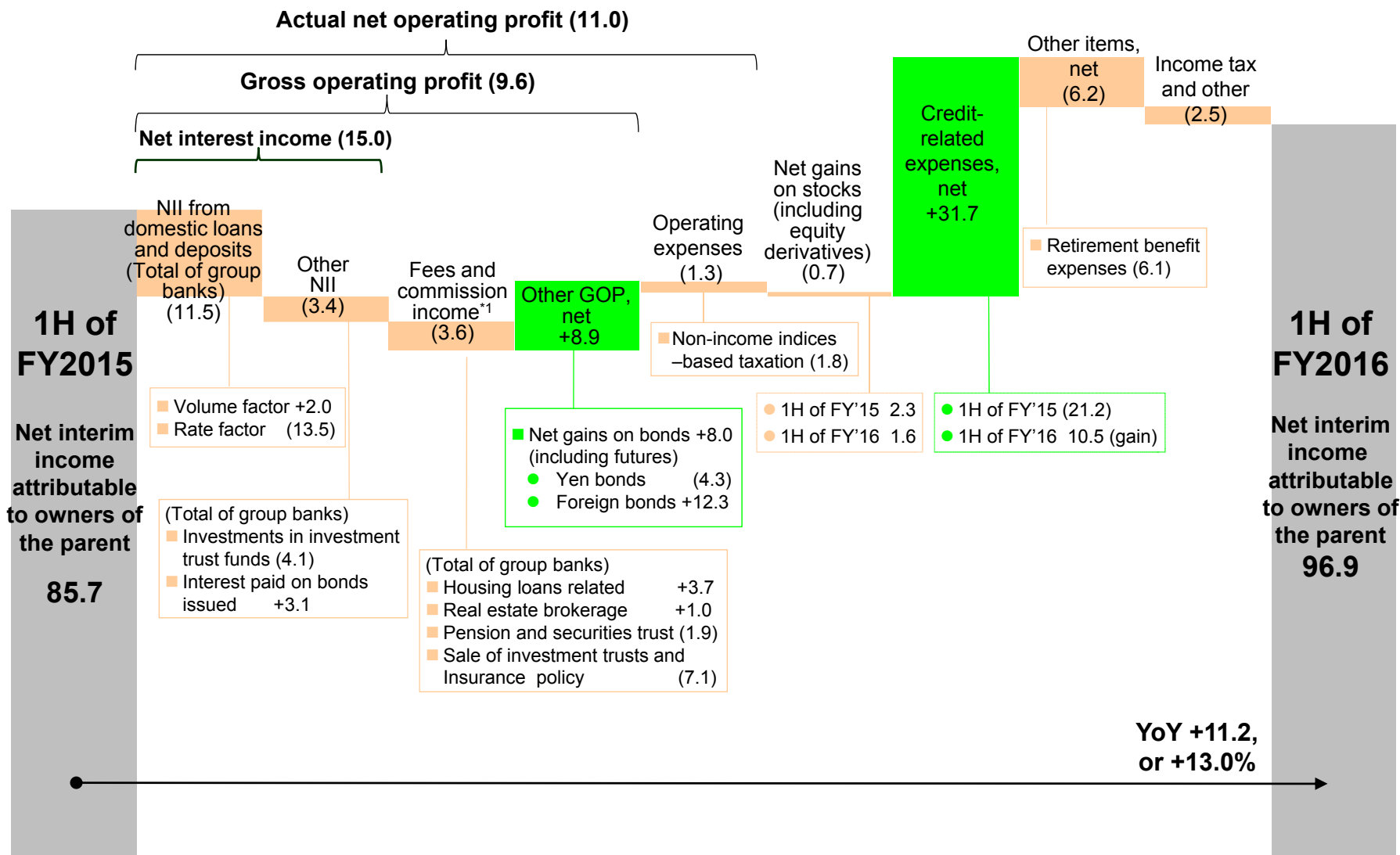
# Breakdown of Financial Results for 1H of FY2016

(JPY bn)	Resona Holdings (Consolidated)		Total of group banks (Non-consolidated)			Difference				
	(A)	YoY change	(B)	YoY change	Difference from the company's 1H target issued at beginning of the year	Resona Bank	Saitama Resona Bank	Kinki Osaka Bank	(A)-(B)	YoY change
<b>Gross operating profit</b> (1)	<b>298.0</b>	<b>(9.6)</b>	<b>275.4</b>	<b>(8.0)</b>	<b>(2.1)</b>	<b>187.1</b>	<b>66.2</b>	<b>21.9</b>	<b>22.6</b>	<b>(1.6)</b>
Net interest income (2)	188.2	(15.0)	185.9	(13.7)		119.8	49.6	16.4	2.2	(1.2)
Nil from domestic loans and deposits (3)			155.4	(11.5)		98.1	42.5	14.7		
Trust fees (4)	9.0	(2.0)	9.0	(2.0)		9.0			(0.0)	+0.0
Fees and commission income (5)	75.5	(1.6)	55.5	(1.3)		39.7	11.8	4.0	19.9	(0.2)
Other operating income (6)	25.2	+8.9	24.8	+9.1		18.5	4.7	1.5	0.4	(0.1)
Net gains on bonds (including futures) (7)	15.1	+8.0	15.1	+8.0		9.8	3.8	1.3	-	-
Operating expenses (excluding group banks' non-recurring items) (8)	(172.3)	(1.3)	(163.3)	(1.4)	+3.2	(107.1)	(37.4)	(18.7)	(8.9)	+0.1
<b>Actual net operating profit<sup>*1</sup></b> (9)	<b>125.7</b>	<b>(11.0)</b>	<b>112.0</b>	<b>(9.4)</b>	<b>+1.0</b>	<b>80.0</b>	<b>28.8</b>	<b>3.2</b>	<b>13.7</b>	<b>(1.5)</b>
Net gains on stocks (including equity derivatives) (10)	1.6	(0.7)	1.6	(0.5)	(1.9)	1.1	0.4	0.0	0.0	(0.1)
Credit related expenses, net (11)	10.5	+31.7	8.6	+29.2	+17.1	5.9	0.3	2.2	1.9	+2.5
Other gain/(loss), net (12)	(2.8)	(6.2)	(1.9)	(4.4)		(3.6)	0.4	1.2	(0.9)	(1.8)
<b>Income before income taxes</b> (13)	<b>135.0</b>	<b>+13.7</b>	<b>120.3</b>	<b>+14.7</b>	<b>+15.8</b>	<b>83.4</b>	<b>30.1</b>	<b>6.7</b>	<b>14.7</b>	<b>(1.0)</b>
Income taxes and other (14)	(38.1)	(2.5)	(33.0)	(3.2)		(22.6)	(8.8)	(1.5)	(5.1)	+0.6
<b>Net interim income (attributable to owners of the parent)</b> (15)	<b>96.9</b>	<b>+11.2</b>	<b>87.3</b>	<b>+11.5</b>	<b>+13.3</b>	<b>60.8</b>	<b>21.3</b>	<b>5.2</b>	<b>9.5</b>	<b>(0.3)</b>

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

# Analysis on YoY Change in Net Interim Income

(JPY bn)



\*1. Fees and commission income plus trust fees

# Trend of Loan and Deposit

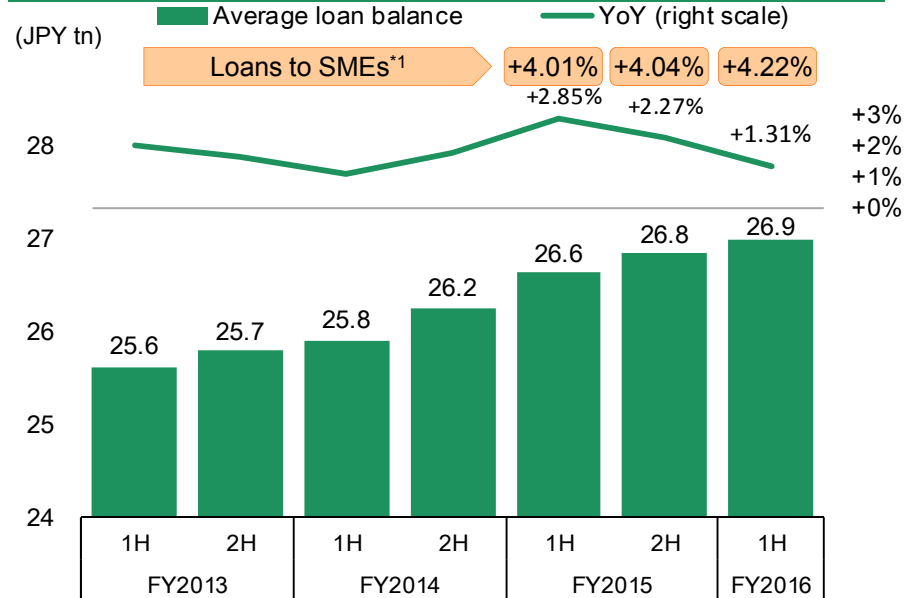
Total of Group Banks

## Average loan / deposit balance, rates and spread

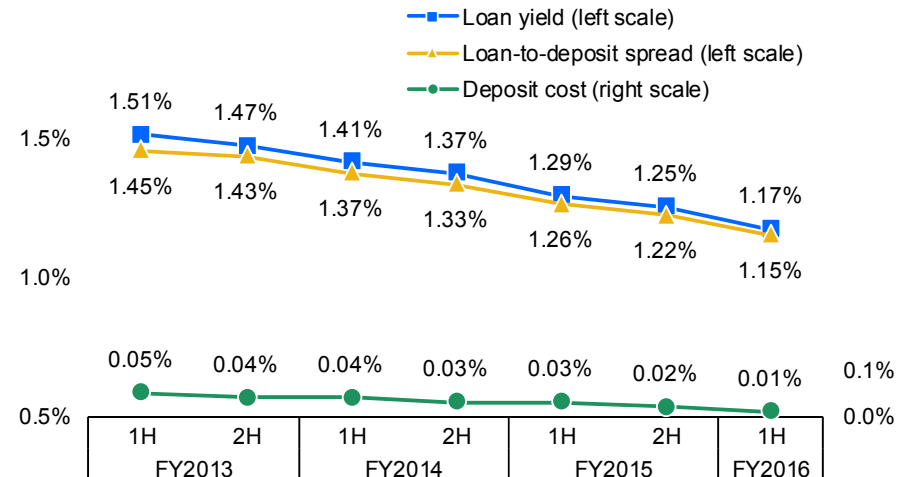
Avg. bal : Trillion Yen Income/Cost : Billion Yen			FY2016			
			1H		FY2016	
			(Act)	YoY	(Revised plan)	YoY
Average loan balance (Banking account) (1)			27.47	+1.24%		
Domestic acct.	Loans	Avg. Bal. (2)	26.97	+1.31%	27.14	+1.52%
		Rate (3)	1.17%	(0.12)%	1.14%	(0.13)%
		Income (4)	158.3	(15.1)	311.4	(31.2)
	Corporate Banking Business Unit *1,2	Avg. Bal. (5)	15.64	+1.19%	15.76	+1.29%
		Rate (6)	1.01%	(0.16)%	0.98%	(0.16)%
	Personal Banking Business Unit *1,3	Avg. Bal. (7)	10.36	+1.55%	10.41	+1.93%
		Rate (8)	1.45%	(0.08)%	1.44%	(0.08)%
	Deposits (Including NCDs)	Avg. Bal. (9)	39.28	+3.20%	38.62	+1.43%
		Rate (10)	0.01%	(0.01)%	0.01%	(0.01)%
		Cost (11)	(2.8)	+3.6	(5.0)	+6.7
	Loan-to-deposit	Spread (12)	1.15%	(0.10)%	1.13%	(0.11)%
		Net interest income (13)	155.4	(11.5)	306.4	(24.4)

\*1. Data compiled for a management and administration purpose  
 \*2. Corporate Banking Business Unit : Corporate loans (excluding loans to governments) + apartment loans  
 \*3. Personal Banking Business Unit: Residential housing loans + consumer loans

## Trend of average loan balance (Domestic account)



## Loan and deposit rates and spread (Domestic account)



# Term-end Balance of Loan and Deposit

Total of Group Banks

## Term-end loan balance

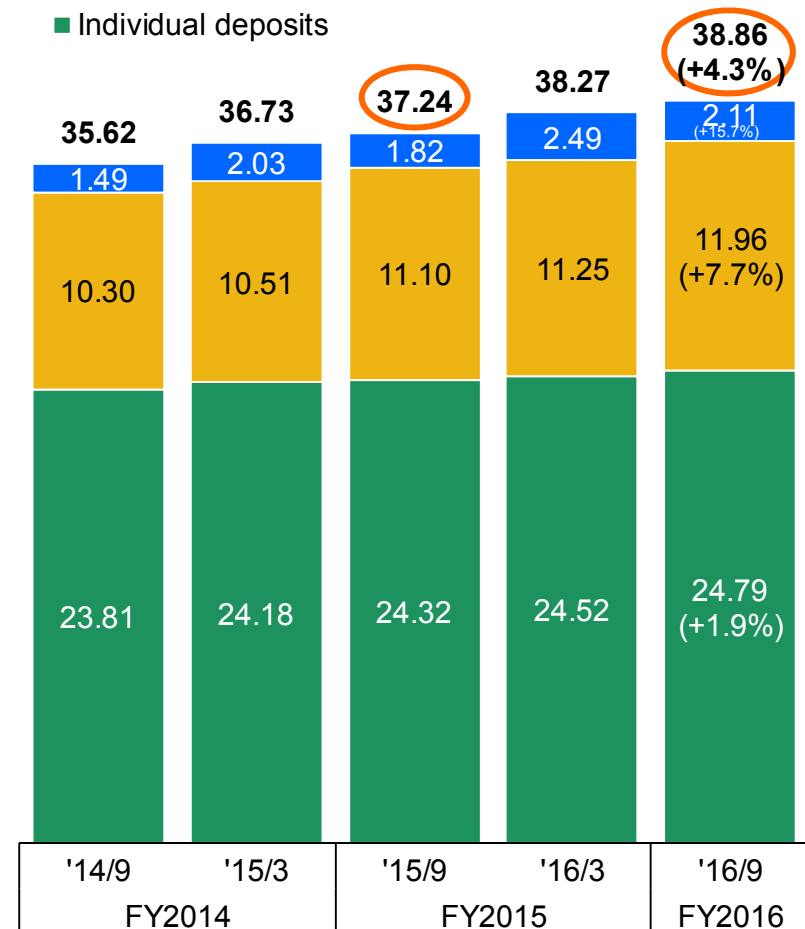
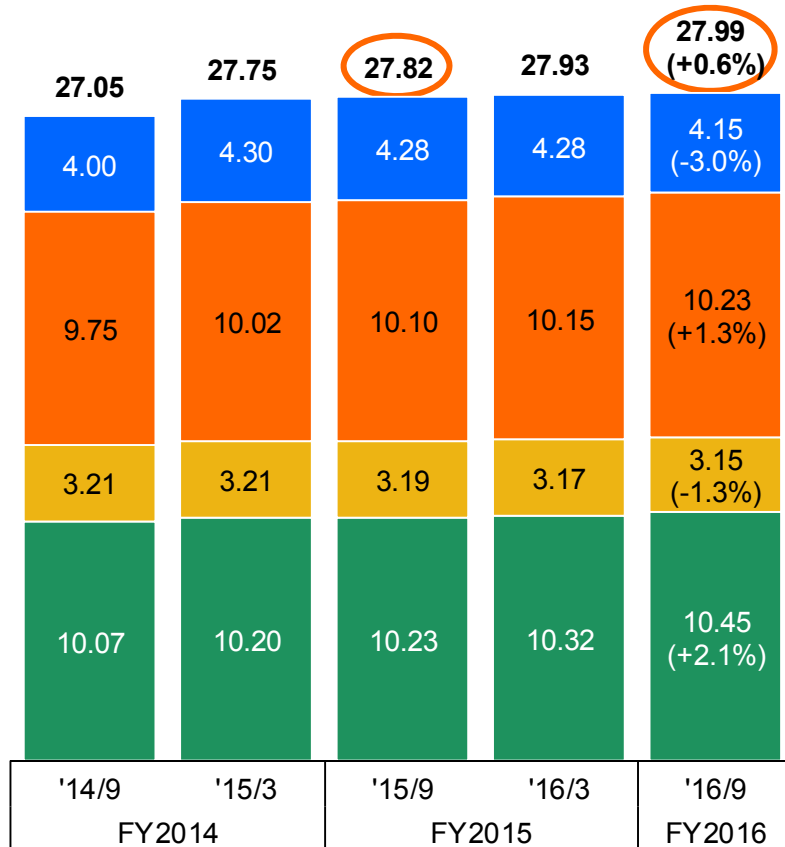
## Term-end deposit balance

JPY tn, % represents YoY change

JPY tn, % represents YoY change

- Corporate (Large companies and other)\*1
- Corporate (SMEs)
- Corporate (Apartment loans)
- Personal (Residential housing loans + Consumer loans)

- Other
- Corporate deposits
- Individual deposits



\*1. Include the loan which RB extended to RHD (Y0.30tn)

# Trend of Residential Housing Loan and Apartment Loan

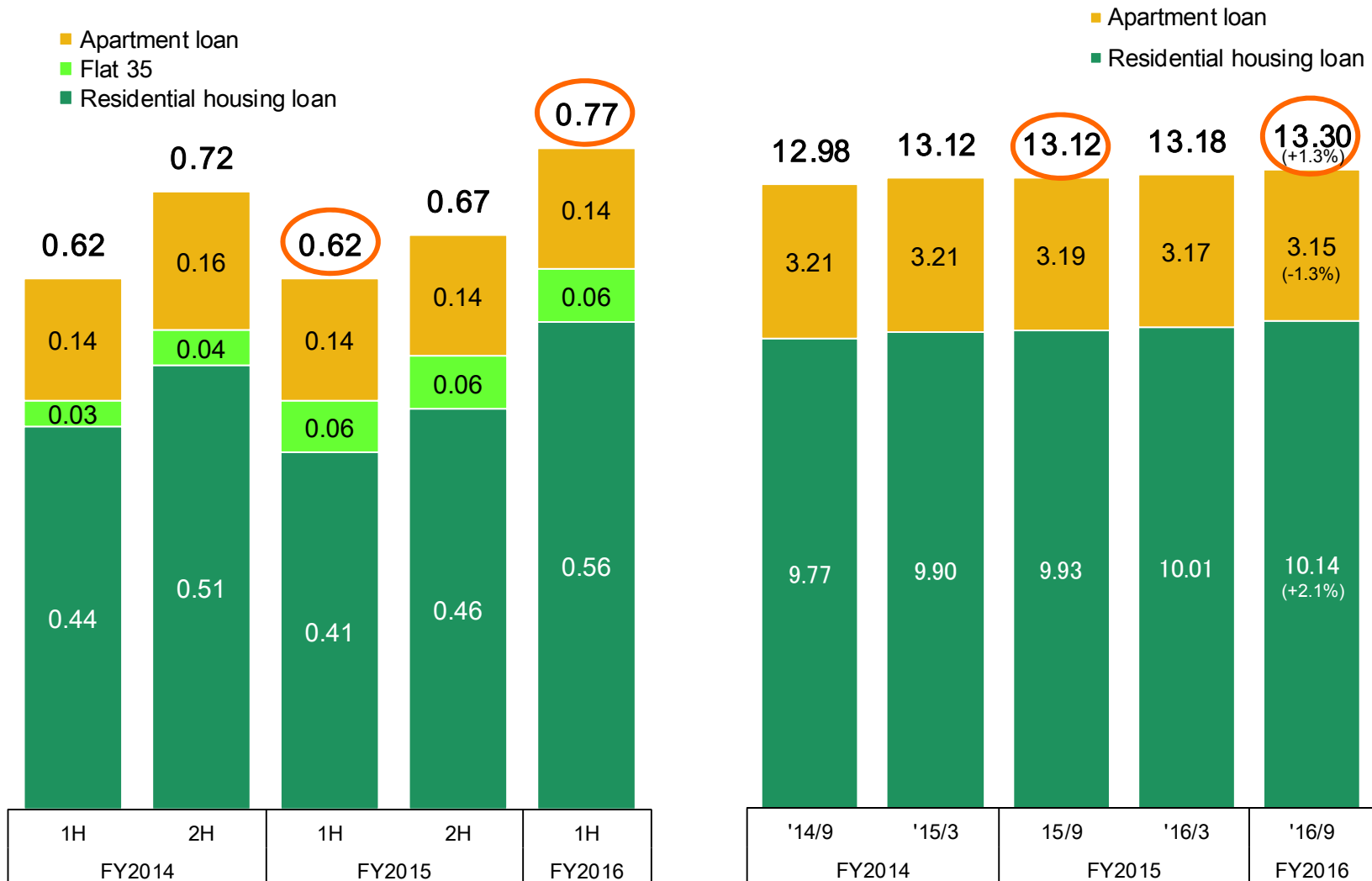
Total of Group Banks

## New loan origination

(JPY tn)

## Term-end loan balance

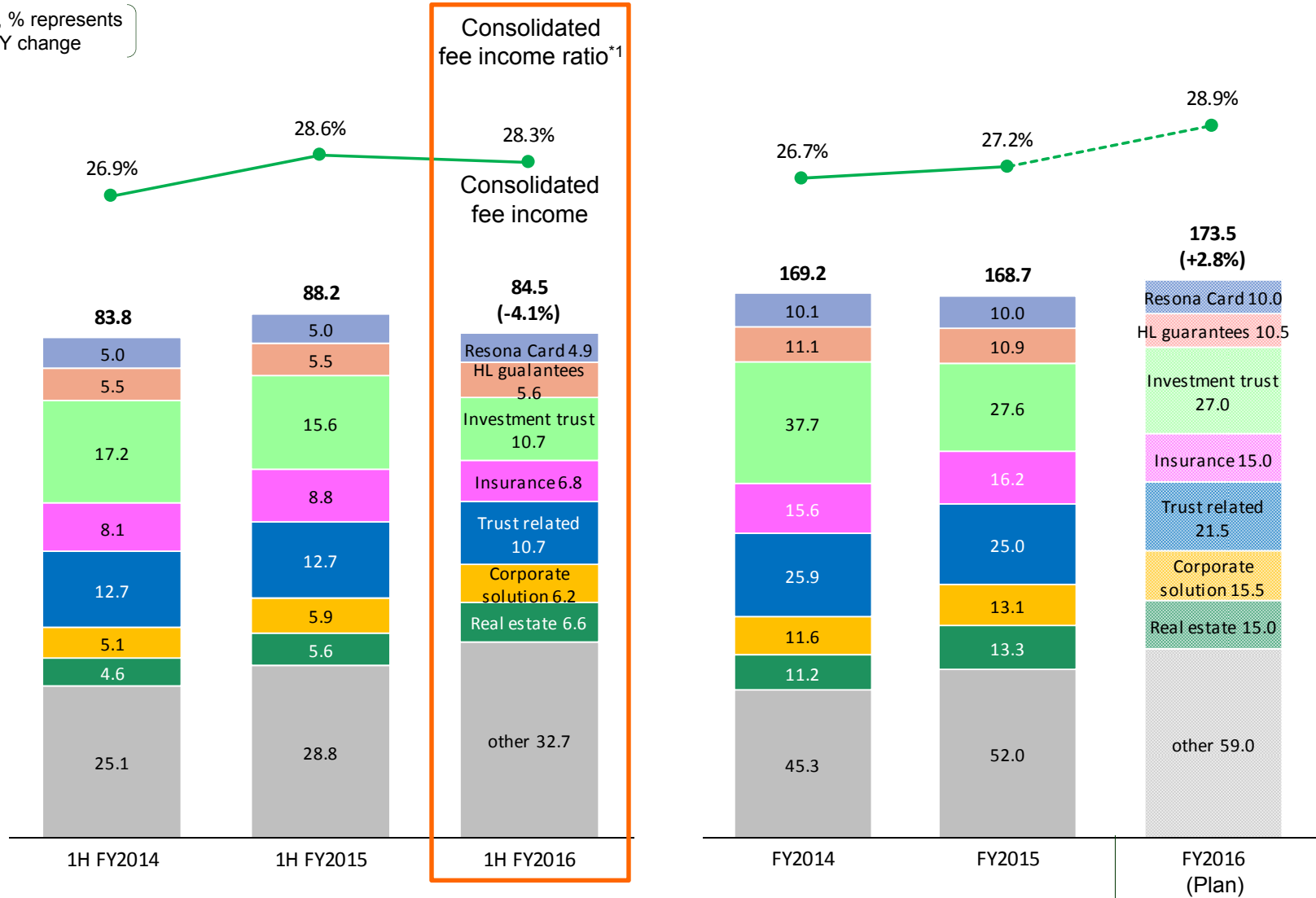
(JPY tn, % represents YoY change)



# Trend of Fee Income

**Consolidated fee income ratio at 28.3% for 1H of FY2016**

JPY bn, % represents YoY change



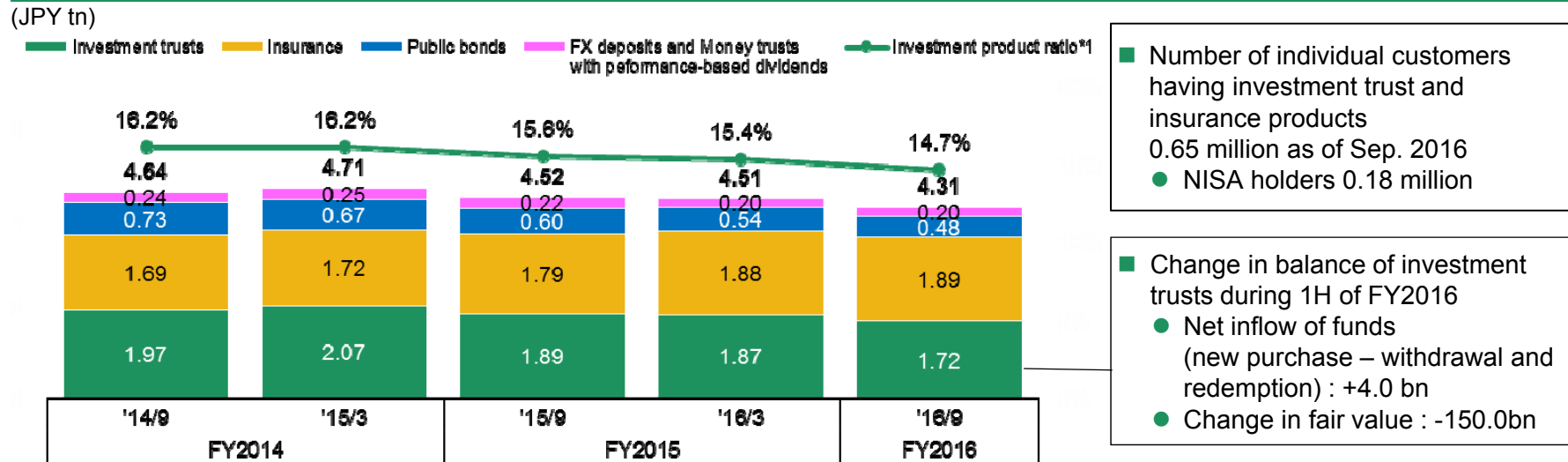
\*1. (Fees and commission income + trust fees) / Consolidated gross operating profit



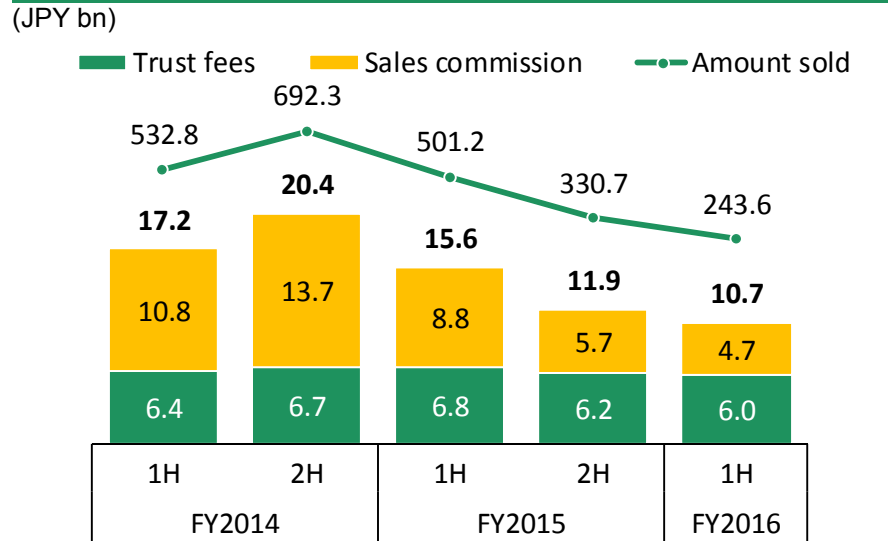
# Asset Formation Support Business

Total of Group Banks

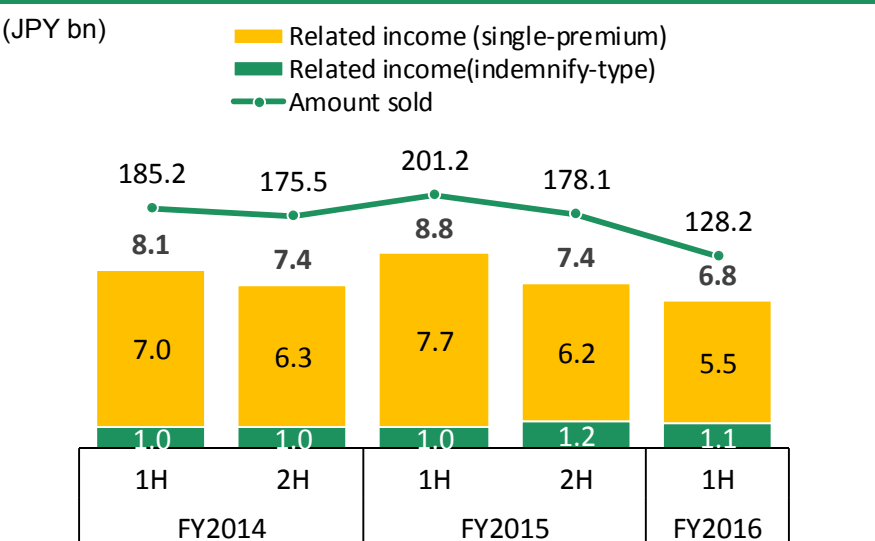
## Balance of investment products sold to individuals



### Investment trust



### Insurance



\*1. Investment product ratio = balance of investment products sold to individuals / balance of investment products sold to individuals and yen deposits held by individuals \*2. Reported figures are compiled for a business administration purpose.

# Major Fee Businesses

Total of Group Banks

## Trust-related business

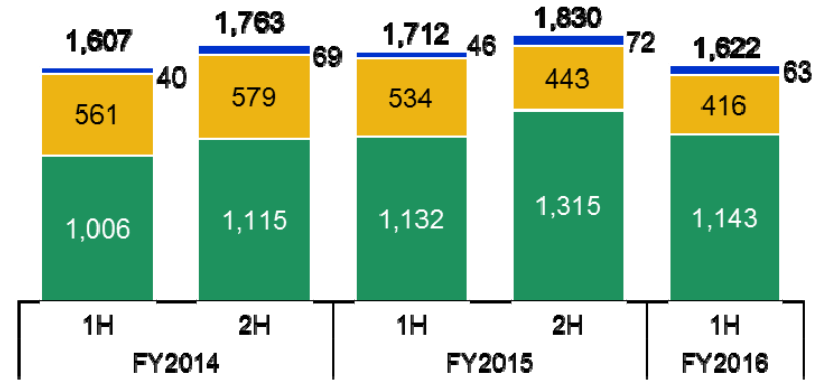
(JPY bn)

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



(Reference) Number of new asset succession-related contracts

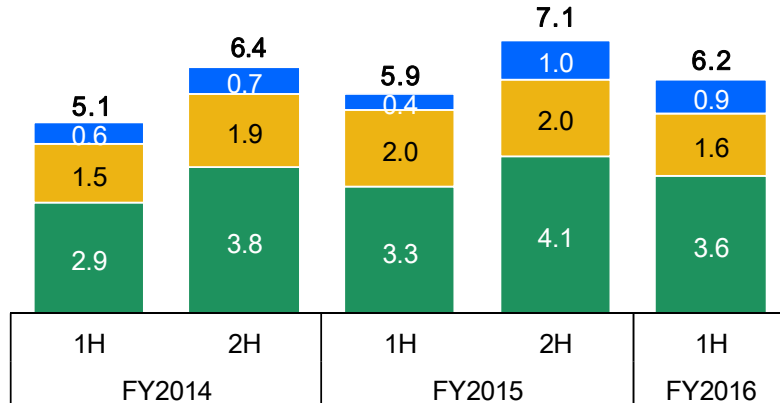
- Will trust + Estate division
- Asset succession
- Trust for transfer of own company stocks



## Corporate solutions business

(JPY bn)

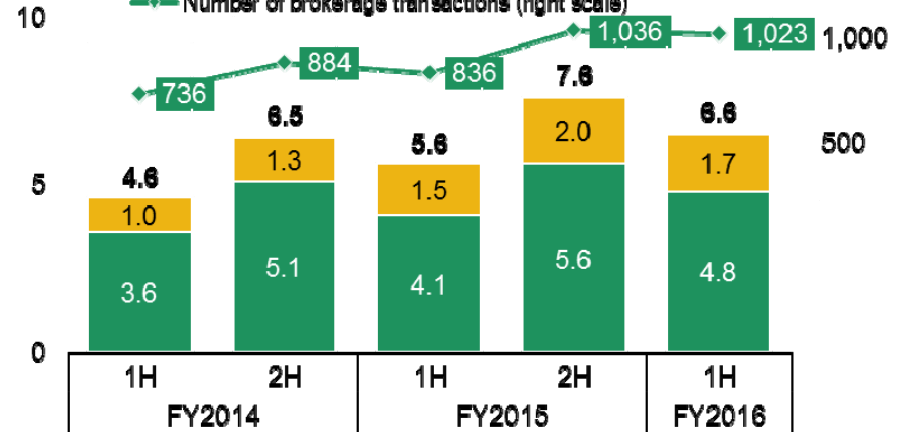
- M&A
- Private notes
- Commitment line, Syndicated loans



## 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

RHD Consolidated  
Total of Group Banks

## Trend of credit costs

(JPY bn)	FY2014	FY2015		FY2016	
	Act	1H Act	Act	1H Act	Revised Plan
<b>Net credit cost (RHD consolidated (A))</b> (1)	22.3	(21.2)	(25.8)	10.5	(5.5)

Net credit cost (Total of group banks (B))	(2)	24.3	(20.5)	(23.4)	8.6	(5.5)
General reserve (3)		23.5	(2.2)	(0.0)	6.0	
Specific reserve and other items (4)		0.7	(18.2)	(23.4)	2.6	
New bankruptcy, downward migration (5)		(29.5)	(32.2)	(43.9)	(9.4)	
Collection/upward migration (6)		30.3	13.9	20.4	12.0	

Difference (A) - (B)	(7)	(1.9)	(0.6)	(2.3)	1.9	-
of which, HL guarantee subsidiaries (8)		1.1	0.3	2.6	0.7	
of which, Resona Card (9)		(1.6)	(1.1)	(1.8)	(1.1)	

<Credit cost ratio>		(bps)				
RHD consolidated <sup>*1</sup>	(10)	8.1	(15.1)	(9.2)	7.5	(1.9)
Total of group banks <sup>*2</sup>	(11)	8.6	(14.3)	(8.2)	6.0	(1.8)

(Note) Positive figures represent reversal gains

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

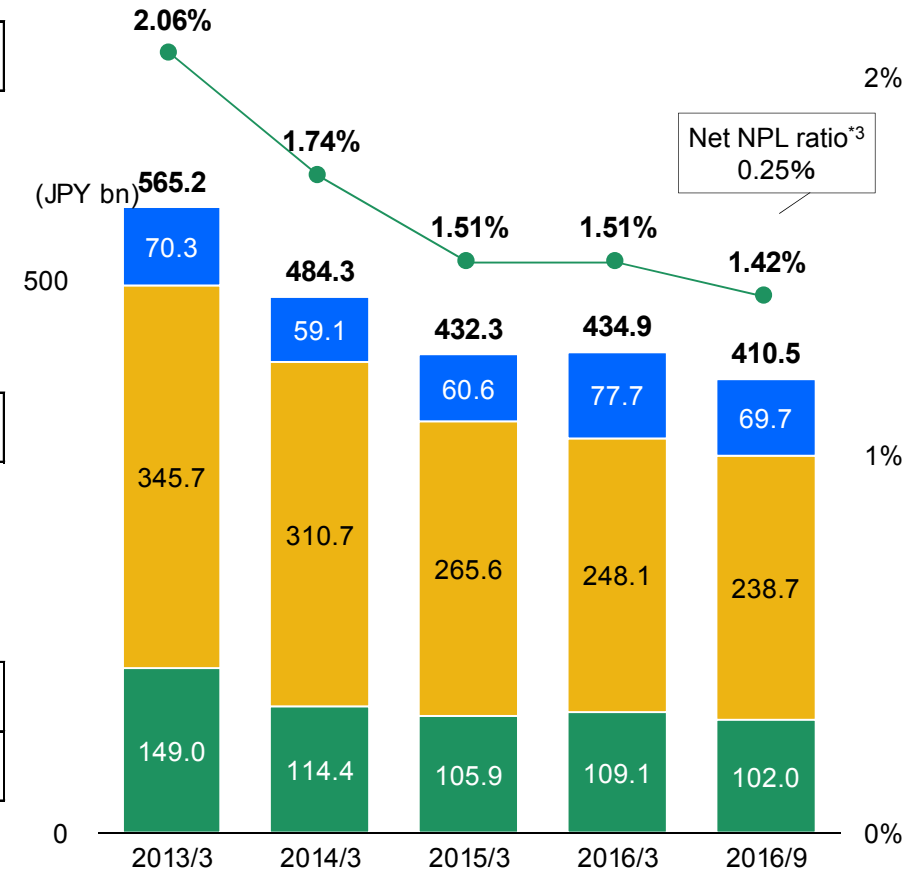
\*2. Credit cost / total credits defined under the Financial Reconstruction Act  
(Simple average of the balances at the beginning and end of the term)

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

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

(Financial Reconstruction Act criteria)

- Unrecoverable or valueless claims
- Risk claims
- Special attention loans
- NPL ratio (right scale)



# Securities Portfolio

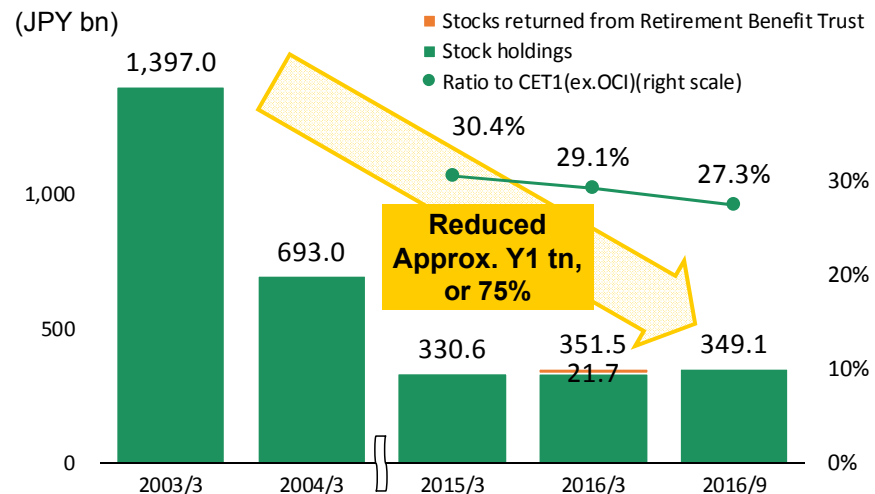
Total of Group Banks

## Securities Portfolio (RHD consolidated)

(JPY bn)		2015/3	2016/3	2016/9	Unrealized gain/(loss)
Available-for-sale securities <sup>*1</sup>	(1)	3,827.6	2,459.7	2,408.0	437.9
Stocks	(2)	330.6	351.5	349.1	432.9
Bonds	(3)	3,186.9	1,681.9	1,530.1	6.5
JGBs	(4)	2,151.1	760.2	558.9	(0.9)
Average duration (years)	(5)	3.3	3.1	5.2	-
Basis point value (BPV)	(6)	(0.72)	(0.24)	(0.29)	-
Local government bonds and corporate bonds	(7)	1,035.8	921.6	971.1	7.4
Other	(8)	310.0	426.3	528.8	(1.5)
Foreign securities	(9)	143.0	239.8	303.6	2.2
Net unrealized gain	(10)	573.1	460.1	437.9	
Bonds held to maturity <sup>*2</sup>	(11)	2,435.7	2,383.5	2,322.1	89.9
JGBs	(12)	1,962.0	1,879.8	1,839.0	71.6
Net unrealized gain	(13)	72.6	93.6	89.9	

## Status of policy-oriented stocks held

- Breakeven Nikkei average: Approx. 6,200 yen
- Listed stocks sold in 1H of FY2016 (acquisition cost): JPY2.4 bn, Net gain on sale: JPY4.2 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%<sup>\*1</sup> of the CET1 capital<sup>\*3</sup> in the medium term.
    - Aims at reducing Y35bn in 5 years



\*1. Acquisition cost basis. The presented figures include marketable securities only  
 \*2. Balance sheet amount basis. The presented figures include marketable securities only  
 \*3. Excluding OCI (other comprehensive income)

# Capital Adequacy Ratio

## Capital adequacy ratio (Japanese Domestic Std.)

### RHD Consolidated

( JPY bn )	2016/3	2016/9	Change
<b>Capital adequacy ratio (1)</b>	<b>13.53%</b>	<b>12.58%</b>	<b>(0.95%)</b>
<b>Total capital (2)</b>	<b>1,969.2</b>	<b>1,801.4</b>	<b>(167.8)</b>
Core Capital: instruments and reserves (3)	1,997.6	1,825.0	(172.5)
Core Capital: regulatory adjustments (4)	28.4	23.6	(4.7)
<b>Risk weighted assets (5)</b>	<b>14,552.5</b>	<b>14,314.6</b>	<b>(237.9)</b>
Credit risk weighted assets (6)	12,954.9	12,640.1	(314.8)
Amount equivalent to market risk / 8% (7)	155.3	111.0	(44.2)
Amount equivalent to operational risk / 8% (8)	1,061.6	1,053.2	(8.4)
Credit risk weighted assets adjustments (9)	380.6	510.2	+ 129.6

- Major factors for the change in total capital
  - Net income attributable to owners of the parent +96.9 bn
  - Dividends to be distributed (25.7) bn
  - Planned redemption of Class 6 preferred shares (75.7) bn
  - Decrease in subordinated bonds (162.1) bn
- Primary factor for the change in RWAs
  - Decline in parameter (262.5) bn

### Group Banks (Reference)

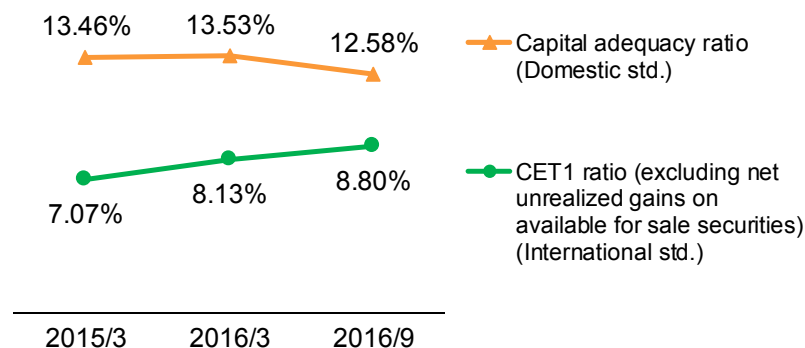
( JPY bn )	Resona (Consolidated)	Saitama Resona (Non-consolidated)	Kinki Osaka (Consolidated)
<b>Capital adequacy ratio (10)</b>	<b>12.14%</b>	<b>14.73%</b>	<b>11.36%</b>
Total capital (11)	1,273.4	400.8	154.2
Risk weighted assets (12)	10,485.3	2,719.5	1,357.5

## (Reference) International Std.

### RHD Consolidated

( JPY bn )	2016/3	2016/9	Change
<b>Common Equity Tier 1 capital ratio (13)</b>	<b>9.52%</b>	<b>10.15%</b>	<b>+ 0.63%</b>
Excluding net unrealized gains on available-for-sale securities (14)	8.13%	8.80%	+ 0.67%
Tier 1 capital ratio (15)	10.69%	10.82%	+ 0.13%
Total capital ratio (16)	14.10%	14.14%	+ 0.04%
<b>Common Equity Tier 1 capital (17)</b>	<b>1,426.2</b>	<b>1,488.8</b>	<b>+ 62.6</b>
Excluding net unrealized gains on available-for-sale securities (18)	1,217.7	1,290.5	+ 72.8
Tier1 capital (19)	1,600.7	1,587.7	(12.9)
Tier2 capital (20)	511.1	486.4	(24.6)
Total capital (Tier1+Tier2) (21)	2,111.8	2,074.2	(37.5)
<b>Risk weighted assets (22)</b>	<b>14,968.3</b>	<b>14,662.7</b>	<b>(305.5)</b>
Credit risk weighted assets (23)	13,523.9	13,172.5	(351.4)
Amount equivalent to market risk / 8% (24)	155.3	111.0	(44.2)
Amount equivalent to operational risk / 8% (25)	1,061.6	1,053.2	(8.4)
Credit risk weighted assets adjustments (26)	227.3	325.9	+ 98.5

### [Trend of Capital Adequacy Ratio]



# Earnings Targets for FY2016 (Revised and Released in November 2016)

RHD Consolidated  
Total of Group Banks

RHD Consolidated					Common DPS			
( JPY bn )	1H FY'16 (Actual)	Revised full-year target	Change from original target	YoY change		DPS	Change from original forecast	Change from previous year
Net (interim) income attributable to owners of the parent (1)	96.9	170.0	+10.0	(13.8)	Common stock (annual) (3)	19.0 yen	No Change	+2.0 yen
Difference (1)-(11) (2)	9.5	16.5	+1.5	(3.9)	of which, interim dividend (4)	9.5 yen	No Change	+1.0 yen

## Total of Group Banks / each subsidiary bank (non-consolidated)

(JPY bn)	Total of group banks				Resona Bank				Saitama Resona Bank				Kinki Osaka Bank			
	1H FY'16 Acrual	Full year target	Change from original target	YoY change	1H FY'16 Acrual	Full year target	Change from original target	YoY change	1H FY'16 Acrual	Full year target	Change from original target	YoY change	1H FY'16 Acrual	Full year target	Change from original target	YoY change
Gross operating profit (5)	275.4	552.5	(4.5)	(19.5)	187.1	379.5	(0.5)	(4.0)	66.2	128.0	(1.0)	(9.4)	21.9	45.0	(3.0)	(6.0)
Operating expenses (6)	(163.3)	(328.5)	+3.0	(2.2)	(107.1)	(215.0)	+1.0	(1.0)	(37.4)	(75.5)	+0.5	(0.8)	(18.7)	(38.0)	+1.5	(0.5)
Actual net operating profit (7)	112.0	224.0	(1.5)	(21.6)	80.0	164.5	+0.5	(4.9)	28.8	52.5	(0.5)	(10.1)	3.2	7.0	(1.5)	(6.4)
Net gains on stocks (including equity derivatives) (8)	1.6	8.5	(1.0)	+10.3	1.1	6.0	(1.5)	+10.6	0.4	1.5	-	(0.6)	0.0	1.0	+0.5	+0.3
Credit related expenses (9)	8.6	(5.5)	+15.5	+17.9	5.9	(2.0)	+13.0	+22.8	0.3	(3.5)	+0.5	(1.9)	2.2	-	+2.0	(2.9)
Income before income taxes (10)	120.3	216.0	+11.5	(4.7)	83.4	160.5	+9.5	+16.5	30.1	47.5	+0.5	(13.2)	6.7	8.0	+1.5	(8.0)
Net (interim) income (11)	87.3	153.5	+8.5	(9.8)	60.8	114.0	+5.5	+13.2	21.3	33.0	+0.5	(7.2)	5.2	6.5	+2.0	(15.8)

# Direction of Capital Management

## Capital adequacy ratio

- Secure sufficient capital adequacy under the Japanese Domestic Std.
- Aim to achieve 8.0% and higher CET1 ratio\*1 stably under the Int'l Std.

Sep. 30, 2016  
CET1 ratio\*1  
8.80%

## ROE

- Maintain ROE\*2 above 10%, enhancing efficiency in capital utilization

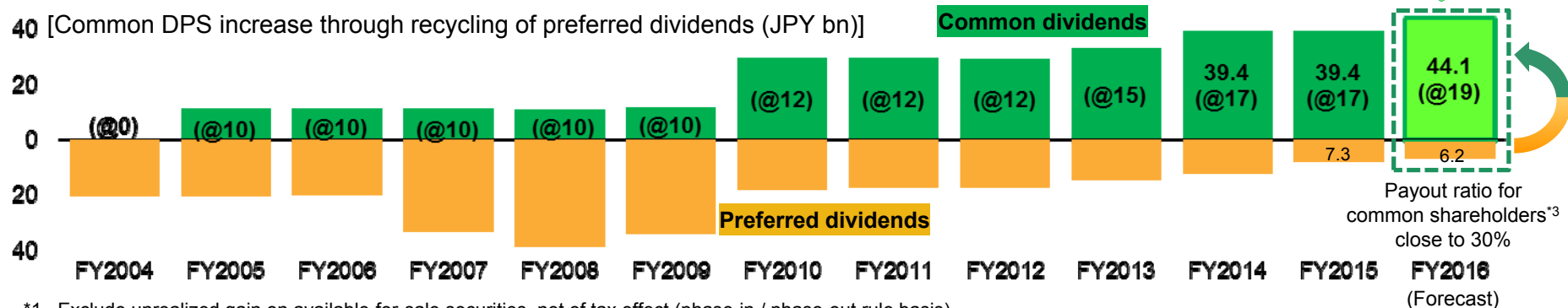
FY2015  
Actual  
14.41%

## Shareholder return policy

- Maintain stable dividends for the time being while making efforts to strengthen capital base
- Give consideration to raising common DPS when repurchasing the non-convertible preferred shares (totaling JPY175.0 bn), shifting the preferred dividends (JPY7.3 bn) to be saved to common shareholders

### Common DPS forecast for FY2016 19 yen annually (+2 yen, interim 9.5 yen)

- Repurchase and cancel Class 6 PS (Total issue amount JPY75 bn, annual preferred dividend JPY3.7 bn) on Dec. 8, 2016.



\*1. Exclude unrealized gain on available-for-sale securities, net of tax effect (phase-in / phase-out rule basis)

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

\*3. Total amount of common dividends planned for FY2016 / (Targeted net income for FY2016 – Total preferred dividends to be paid)

*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**

