

Financial Highlights for Fiscal Year 2015



 **Resona Holdings**

May 12, 2016

Outline of Financial Results for FY2015

- Posted ¥183.8 bn as net income attributable to owners of the parent (RHD consolidated), down ¥27.6 bn, or -13.0%, YoY, but exceeded the forecast by ¥8.8 bn, or +5.0%

ROE^{**3} : 14.41%

[Major factors accounting for the YoY change (total of group banks)]

- Decrease in net gains on stocks (including stock futures) due to a rebalancing of Japanese equity ETFs: ¥21.8 bn
- Increase in credit-related expense due to the following reasons: ¥47.8 bn
 - Decreased gain from reversal of loan loss reserves, and
 - Provisioning of loan loss reserve for specific borrowers on a conservative basis
- Posted ¥245.6 bn as actual net operating profit (total of group banks)

Almost the same level as the previous year and the forecast

 - Decrease in net interest income primarily driven by continued contraction of loan to deposit spread (-10 bps YoY) was made up for by 1) increase in loan volume, 2) increase in fee income and net gains on bonds, and 3) reduction in operating expenses.
 - Average loan balance : Up ¥730.0 bn, or +2.7%, YoY
 - Fees and commission income : Up ¥1.9 bn, or +1.8%, YoY
 - Net gains on bonds (including futures): Up ¥11.1 bn, or +57.1%, YoY
 - Operating expenses : Down ¥8.9 bn, or -2.6%, YoY
- Maintained soundness in financial position
 - NPL ratio (total of group banks): 1.51%
 - Net unrealized gain on available-for-sale securities (total of group banks) : ¥460.1 bn
 - Consolidated capital adequacy ratio (Japanese domestic std.) : 13.53% CET1 ratio^{*4} (International std.) : 8.13% (for reference only)
- Earnings target of consolidated net income attributable to owners of the parent for FY2016: ¥160.0 bn
- Common DPS planned for FY2016:

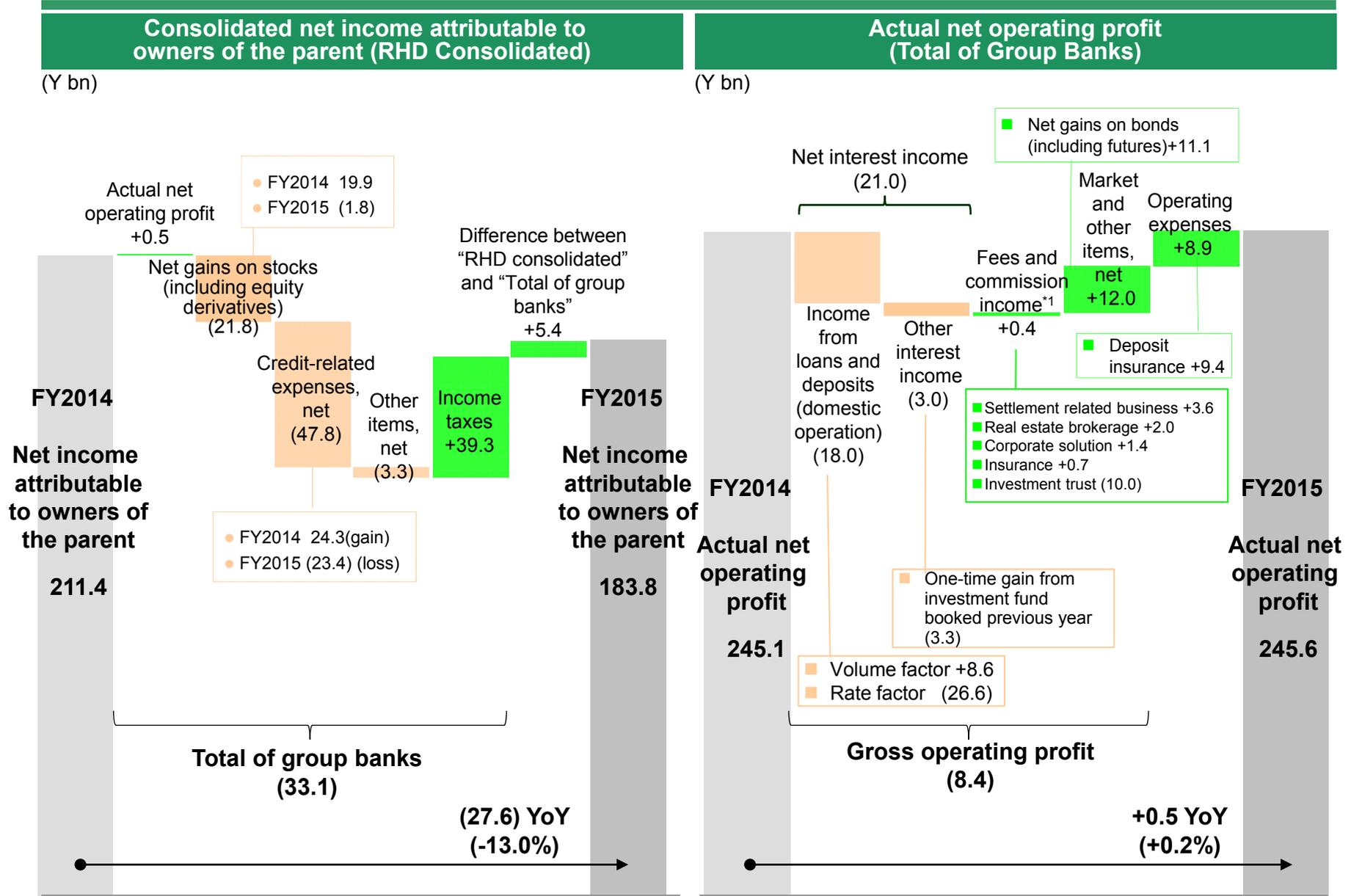
Planning +2 yen, or +11% DPS increase from 17 yen to 19 yen per year (9.5 yen, +1 yen YoY, to be paid as interim dividend)

 - Intend to repurchase and cancel Class 6 Preferred Shares and shift the preferred dividends to be saved to common shareholders, subject to an approval from regulators

	(Y bn)	FY2015				FY2016 Target
		YoY change		v.s. Forecast (Nov. 2015)		
			%		%	
Resona HD (Consolidated)						
Net income attributable to owners of the parent	(1)	183.8	(27.6)	(13.0)%	+5.0%	160.0
Difference (1)-(21)	(2)	20.4	+5.4			
DPS (Yen per year)	(3)	17.0	±0.0	±0.0%	±0.0%	19.0
EPS (yen)	(4)	75.73	(15.34)			
BPS (yen)	(5)	705.81	+15.14			
Total of group banks (Non-consolidated)						
Gross operating profit	(6)	572.0	(8.4)	(1.4)%	(1.5)%	557.0
Net interest income	(7)	395.5	(21.0)			
Income from loans and deposits ^{*1}	(8)	330.8	(18.0)			
Trust fees	(9)	21.2	(1.4)			
Fees and commission income	(10)	106.9	+1.9			
Other operating income	(11)	48.2	+12.0			
Net gains on bonds (including futures)	(12)	30.6	+11.1			
Operating expenses	(13)	(326.3)	+8.9	+2.6%	+2.5%	(331.5)
Cost income ratio (OHR)	(14)	57.0%	(0.7)%			
Actual net operating profit^{*2}	(15)	245.6	+0.5	+0.2%	(0.1)%	225.5
Net gains on stocks (including equity derivatives)	(16)	(1.8)	(21.8)			9.5
Credit related expenses, net	(17)	(23.4)	(47.8)			(21.0)
Other gain, net	(18)	0.4	(3.3)			
Income before income taxes	(19)	220.7	(72.4)	(24.7)%	(0.9)%	204.5
Income taxes and other	(20)	(57.4)	+39.3			
Net income	(21)	163.3	(33.1)	(16.8)%	+4.0%	145.0

*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. (Net income – Preferred dividends) / (Total shareholders equity – balance of outstanding preferred shares) (Simple average of the balances at the beginning and end of the term) *4. Excluding net unrealized gain on available-for-sale securities *5. Negative figures represent items that would reduce net income

Factors for the Changes in Periodic Profits (YoY Comparison)



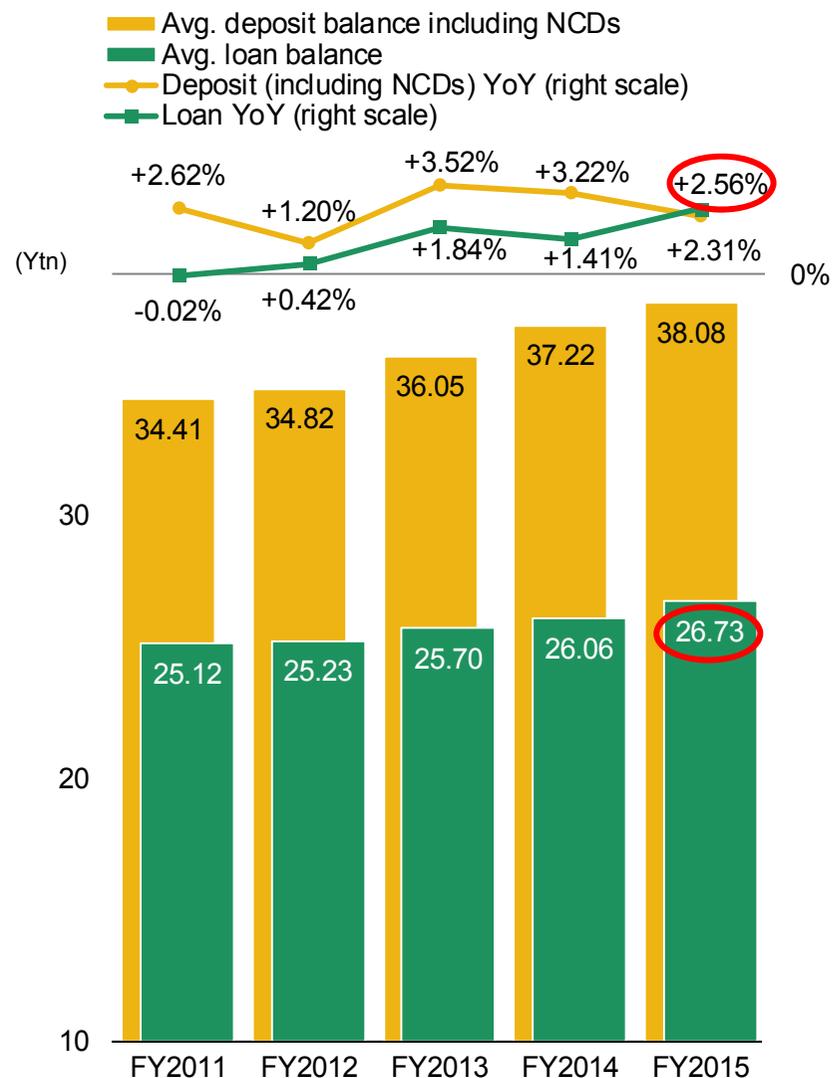
*1. Fees and commission income plus trust fees

Trend of Loans and Deposits (Total of Group Banks)

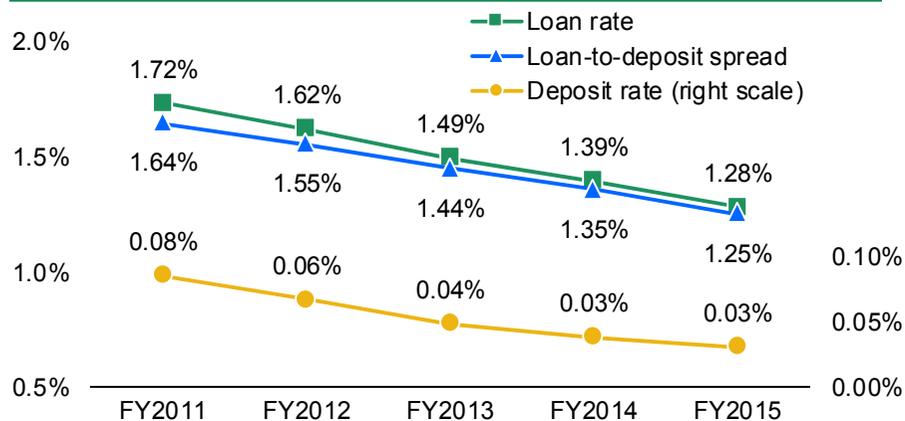
Average loan and deposit balances and spread

〔 Avg. bal : Trillion Yen Income/Cost : Billion Yen 〕		FY2015		FY2016		
		(Act)	YoY change	(Plan)	YoY change	
Average loan balance (Banking account) (1)		27.25	+2.75%			
Domestic acct.	Loans	Average balance (2)	26.73	+2.56%	27.21	+1.81%
		Rate (3)	1.28%	(0.11)%	1.18%	(0.09)%
		Income (4)	342.7	(20.4)	322.1	(20.5)
	Corporate Banking Business Unit *1	Average balance (5)	15.56	+3.08%	15.87	+1.98%
		Rate (6)	1.14%	(0.12)%	1.02%	(0.11)%
	Personal Banking Business Unit *2	Average balance (7)	10.22	+1.62%	10.38	+1.62%
		Rate (8)	1.53%	(0.07)%	1.46%	(0.06)%
	Deposits (Including NCDs)	Average balance (9)	38.08	+2.31%	37.84	(0.63)%
		Rate (10)	0.03%	(0.00)%	0.01%	(0.01)%
		Cost (11)	(11.8)	+2.3	(6.6)	+5.2
	Loan-to-deposit	Spread (12)	1.25%	(0.10)%	1.16%	(0.08)%
		Net interest income (13)	330.8	(18.0)	315.5	(15.3)

Average loan and deposit balances and YoY change (Domestic account)

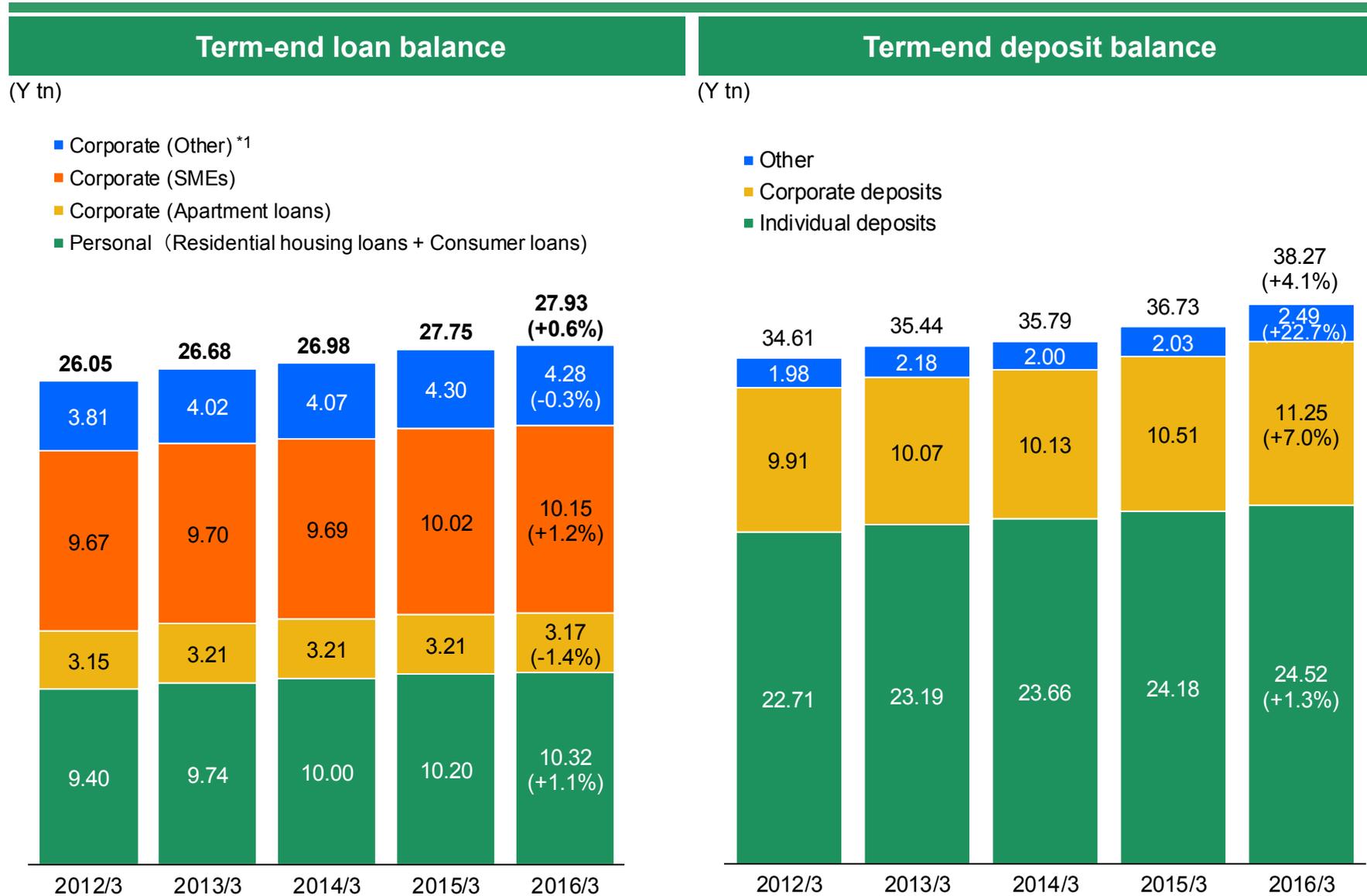


Loan and deposit rates and spread (Domestic Account)



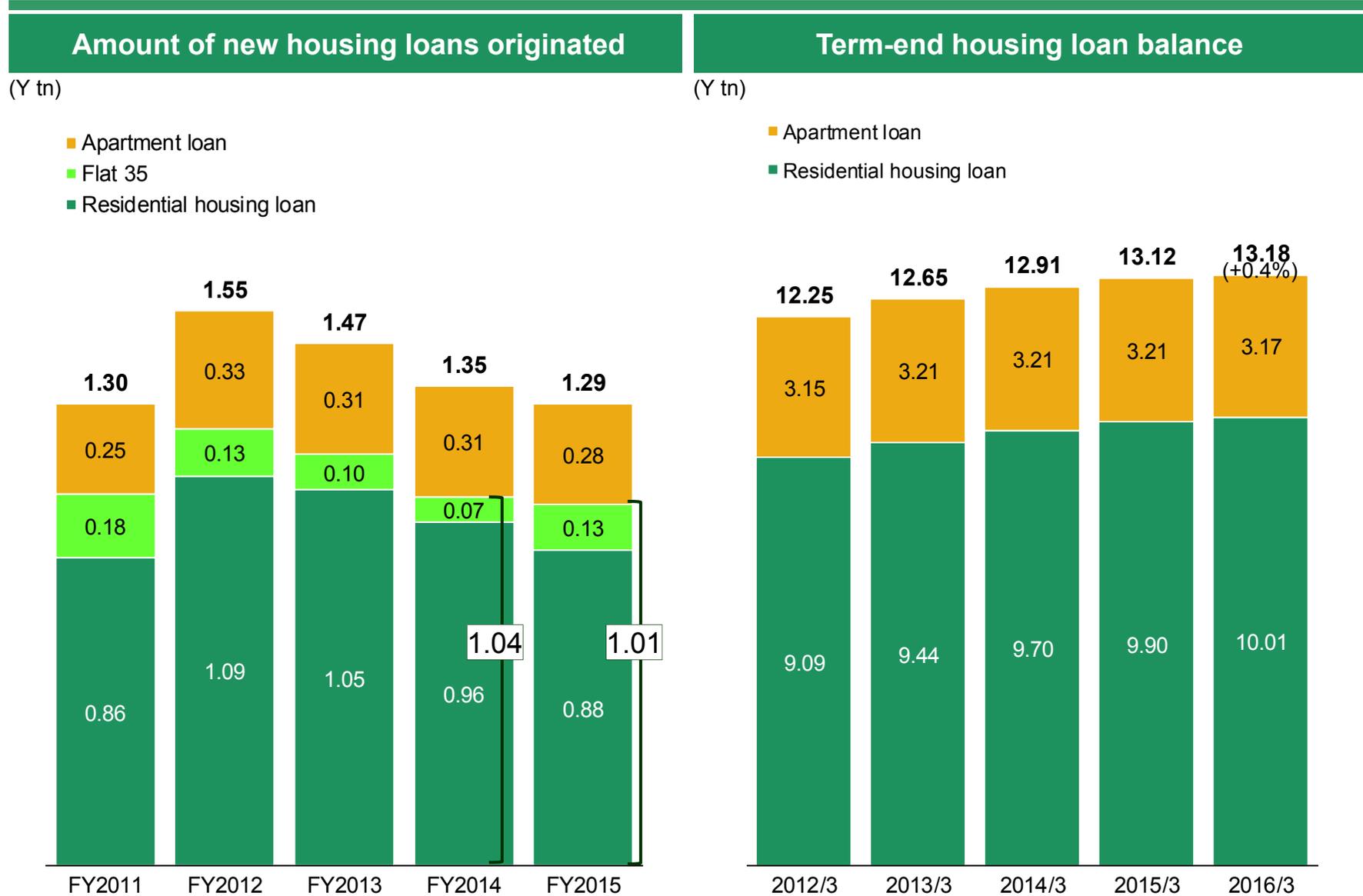
*1. Corporate Banking Business Unit : corporate loans(excluding loans to governments) + apartment loans
*2. Personal Banking Business Unit: residential housing loans + other consumer loans

Term-end Balance of Loans and Deposits (Total of Group Banks)



*1. Include the loan extended to RHD from RB (Y0.24tn as of 2012/3, Y0.19tn as of 2013/3, Y0.30tn as of 2014/3 and thereafter)

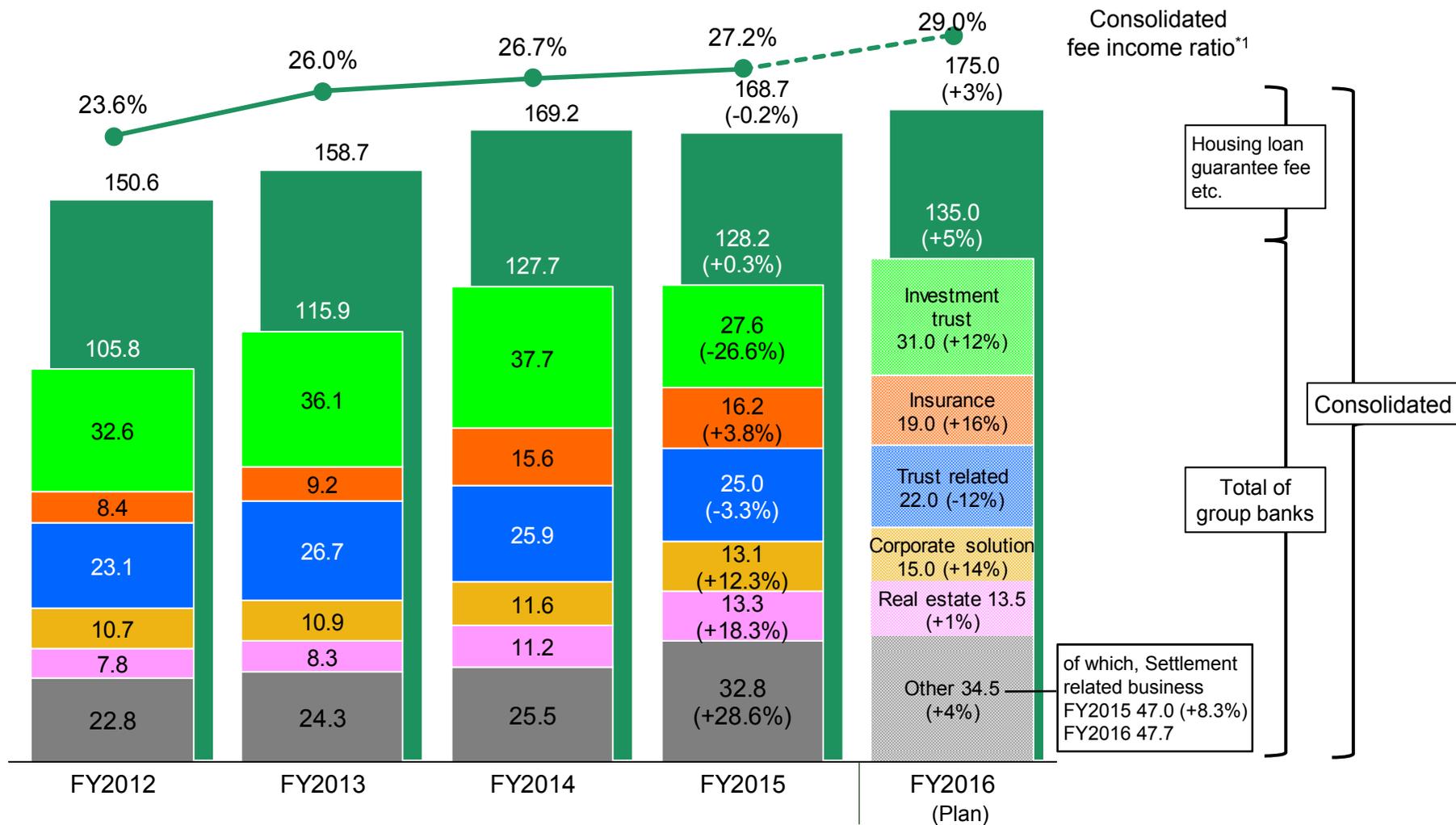
Residential Housing Loans and Apartment Loans (Total of Group Banks)



Trend of Fee Income

Consolidated fee income ratio at 27.2%

Y bn, % represents YoY change



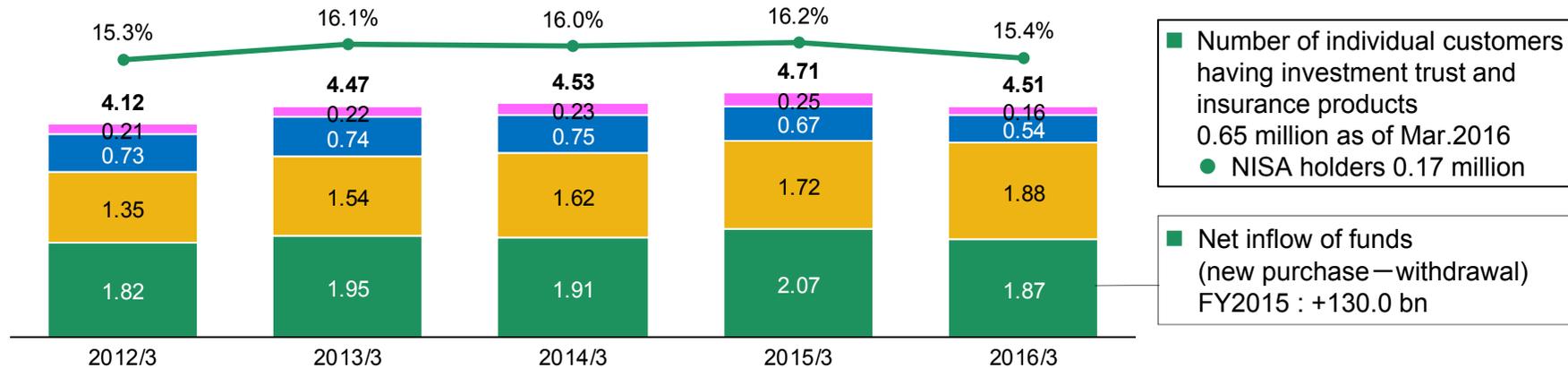
*1. (Fees and commission income + trust fees)/Consolidated gross operating profit

Asset Formation Support Business (Total of Group Banks)

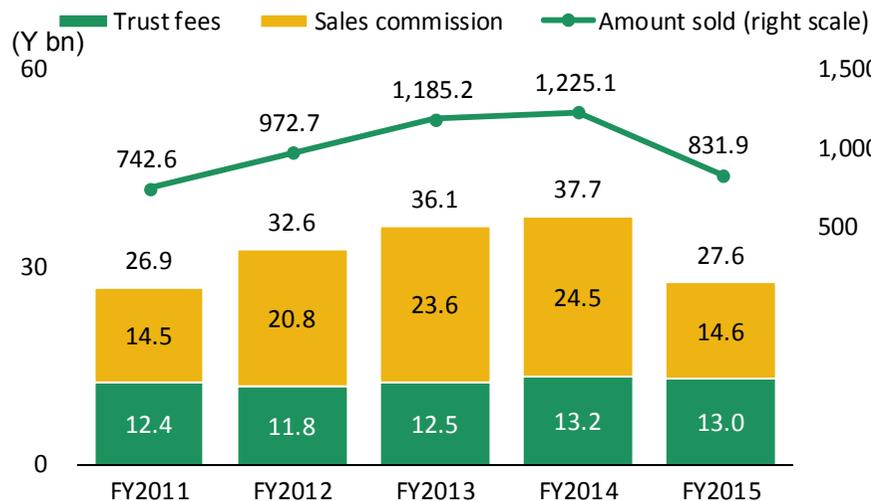
Balance of investment products sold to individuals

(Y tn)

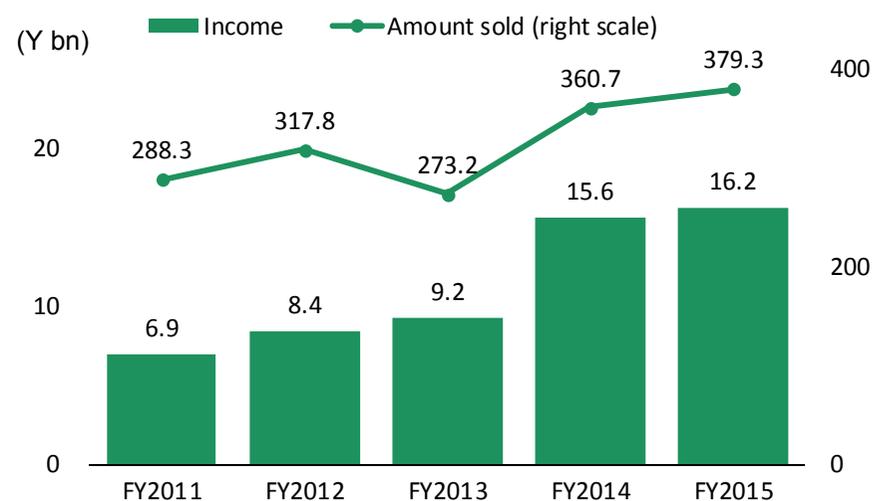
Investment trusts Insurance Public bonds Foreign currency deposits and Money trusts with performance-based dividends Investment product ratio* 1



Investment trust



Insurance



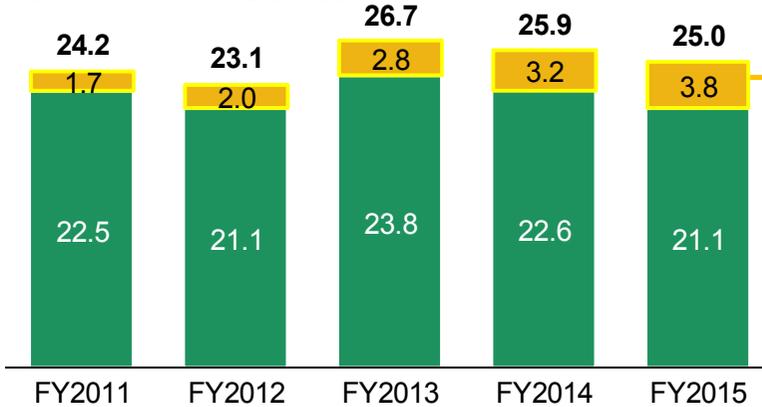
*1. Investment product ratio = balance of investment products sold to individuals / balance of investment products sold to individuals and yen deposits held by individuals

Major Fee Businesses (Total of Group Banks)

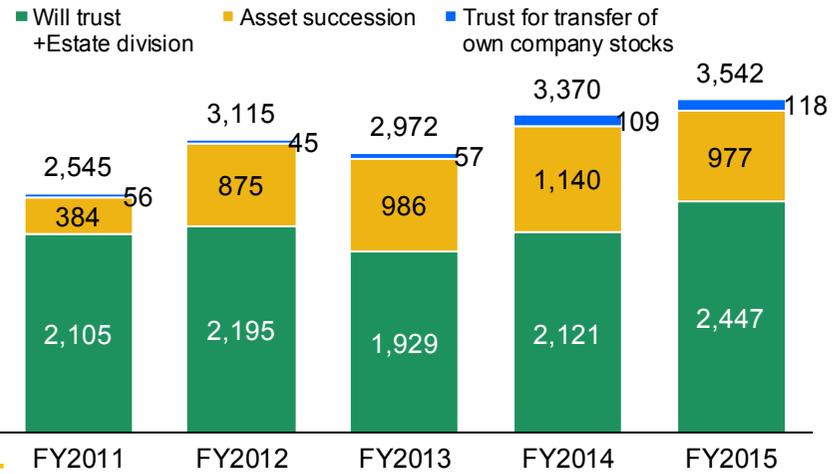
Trust-related business

(Y bn)

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



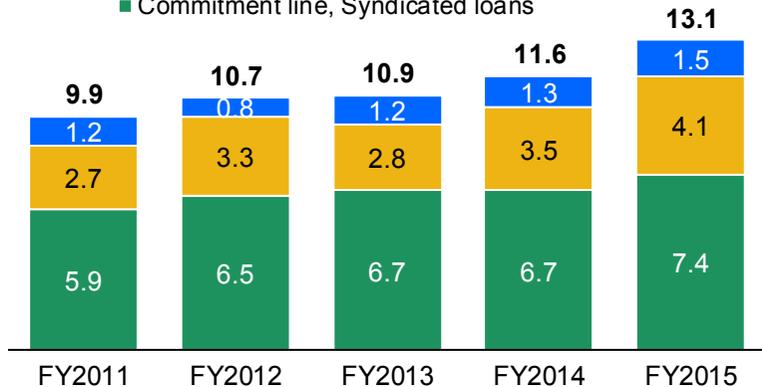
(Reference) Number of new asset succession-related contracts



Corporate solutions

(Y bn)

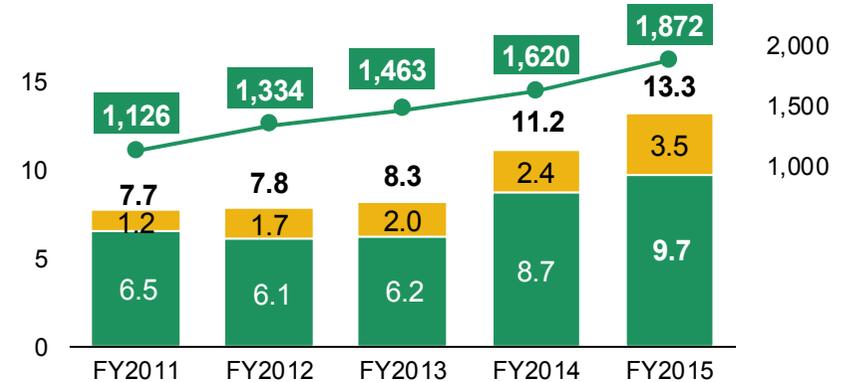
- M&A
- Private notes
- Commitment line, Syndicated loans



Real estate business*1

(Y bn)

- Brokerage fee (Retail)
- 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

(Y bn)		FY2013	FY2014	FY 2015	FY 2016
		Act			Plan
Net credit cost	(1)	27.1	24.3	(23.4)	(21.0)
(Total of group banks (A))					
General reserve	(2)	28.4	23.5	(0.0)	
Specific reserve and other items	(3)	(1.3)	0.7	(23.4)	
New bankruptcy, downward migration	(4)	(36.8)	(29.5)	(43.9)	
Collection/upward migration	(5)	35.4	30.3	20.4	

Difference (B) - (A)	(6)	(0.6)	(1.9)	(2.3)	(4.0)
of which, HL guarantee subsidiaries	(7)	1.4	1.1	2.6	
of which, Resona Card	(8)	(1.4)	(1.6)	(1.8)	

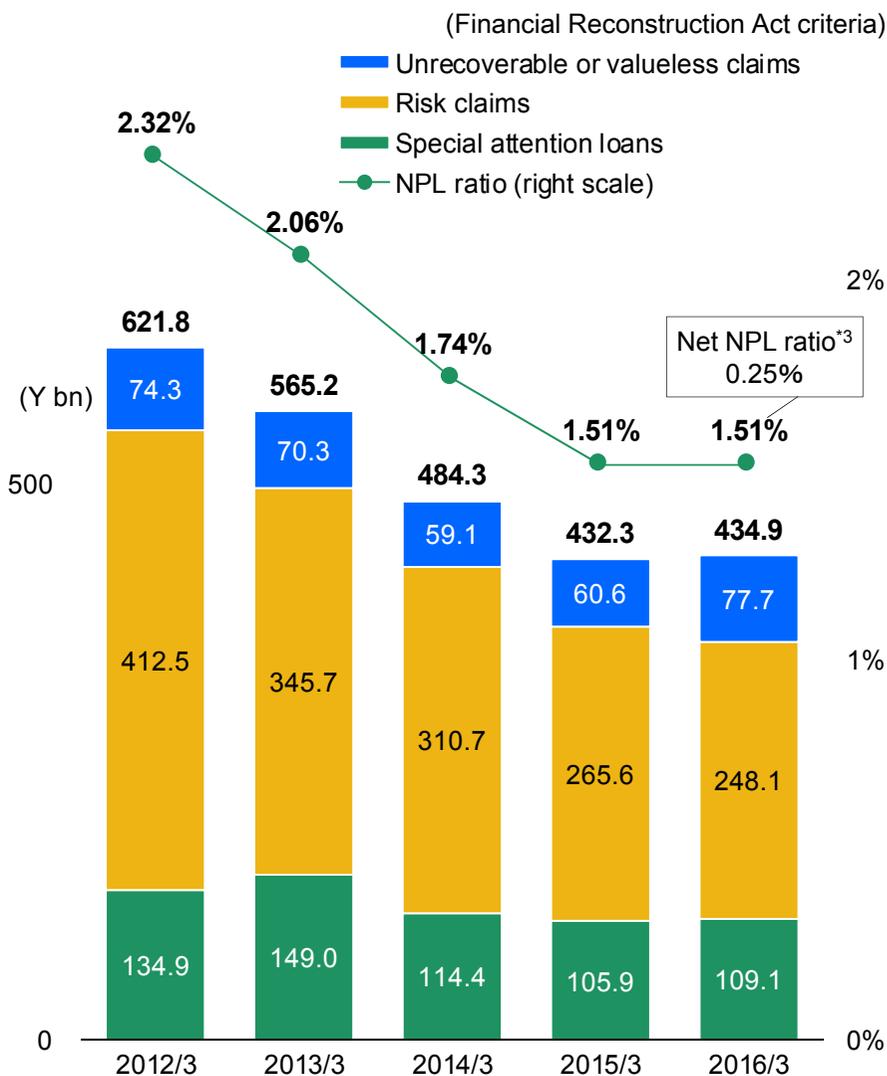
Net credit cost (RHD consolidated (B))	(9)	26.4	22.3	(25.8)	(25.0)
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<Credit cost ratio>		(bps)			
Total of group banks ^{*1}	(10)	(9.8)	(8.6)	8.2	
RHD consolidated ^{*2}	(11)	(9.7)	(8.1)	9.2	

(Note) Positive figures represent reversal gains

- *1. Credit cost / total credits defined under the Financial Reconstruction Act (Simple average of the balances at the beginning and end of the term)
- *2. Credit cost / (Loans and bills discounted + acceptances and guarantees) (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)



Securities Portfolio (Total of Group Banks)

Securities Portfolio

(Y bn)		2014/3	2015/3	2016/3	Unrealized gain/(loss)
Available-for-sale securities ^{*1}	(1)	6,198.7	3,827.6	2,459.7	460.1
Stocks	(2)	331.6	330.6	351.5	446.4
Bonds	(3)	5,553.5	3,186.9	1,681.9	14.6
JGBs	(4)	4,453.5	2,151.1	760.2	6.1
Average duration (years) ^{*2}	(5)	3.1	3.3	3.1	-
Basis point value (BPV)	(6)	(1.41)	(0.72)	(0.24)	-
Local government and corporate bonds	(7)	1,099.9	1,035.8	921.6	8.4
Other	(8)	313.5	310.0	426.3	(0.8)
Foreign securities	(9)	151.3	143.0	239.8	2.1
Net unrealized gain	(10)	332.8	573.1	460.1	
Bonds held to maturity ^{*3}	(11)	2,150.7	2,435.7	2,383.5	93.6
JGBs	(12)	1,708.3	1,962.0	1,879.8	75.1
Net unrealized gain	(13)	67.8	72.6	93.6	

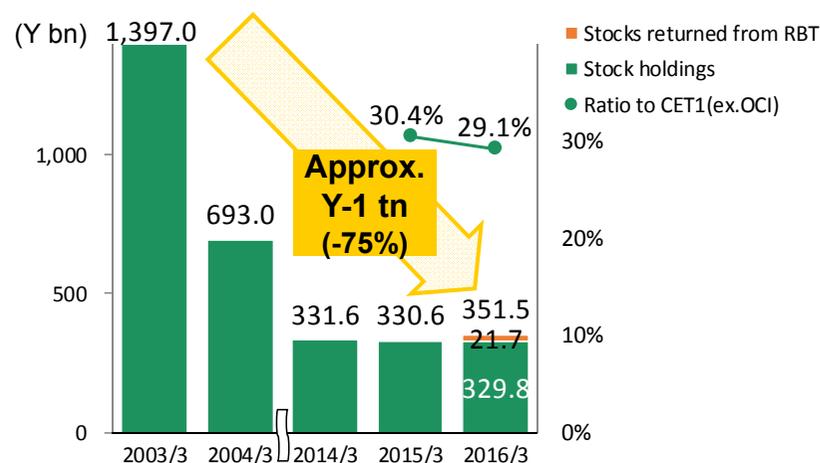
Efforts of Market division

- Established Treasury Planning Division within RHD in April 2015
- Optimal balance between risk and return within group's treasury divisions
 - Rebalancing investment portfolio
- Give considerations to diversifying investment portfolio given the negative interest rate policy

*1. Acquisition cost basis. The presented figures include marketable securities only
 *2. Assuming the duration of floating-rate JGBs as zero
 *3. Balance sheet amount basis. The presented figures include marketable securities only
 *4. Excluding OCI

Status of policy-oriented stocks held

- Breakeven Nikkei average: Approx. 6,500 yen
- Listed stocks sold in FY2015 (acquisition cost): Y8.7 bn, Net gain on sale: Y11.8 bn
- Returned all stocks in the Retirement benefit trust (RBT) to the banking book (3Q of FY2015, totaling Y21.7 bn)
 - Balance of stocks held in the RBT:
Mar. 2008: Y308.3 bn (peak in fair value) => Mar. 2016: Zero
- 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% ^{*1} of the CET1 capital ^{*4} in the medium term.



Capital Adequacy Ratio

Capital adequacy ratio (RHD consolidated)

Japanese domestic std.

(Y bn)	Mar. 31 2015	Mar. 31 2016	Change
Capital adequacy ratio (1)	13.46%	13.53%	+0.07%
Total capital (2)	1,998.4	1,969.2	(29.1)
Core Capital: instruments and reserves (3)	2,025.9	1,997.6	(28.3)
Capital and surplus (4)	1,114.9	1,251.6	+136.6
Treasury stock (5)	(2.4)	(1.9)	+0.5
Non-cumulative perpetual preferred stock subject to transitional arrangement (6)	175.0	175.0	-
Subordinated loans and bonds subject to transitional arrangement (7)	628.3	510.8	(117.4)
Eligible provisions (8)	76.5	54.1	(22.3)
Other (9)	33.5	7.9	(25.6)
Core Capital: regulatory adjustments (10)	27.5	28.4	+0.8
Risk weighted assets (11)	14,842.1	14,552.5	(289.5)
Credit risk weighted assets (12)	13,636.7	12,954.9	(681.8)
Amount equivalent to market risk / 8% (13)	129.9	155.3	+25.4
Amount equivalent to operational risk / 8% (14)	1,075.3	1,061.6	(13.7)
Credit risk weighted assets adjustments (15)	-	380.6	+380.6

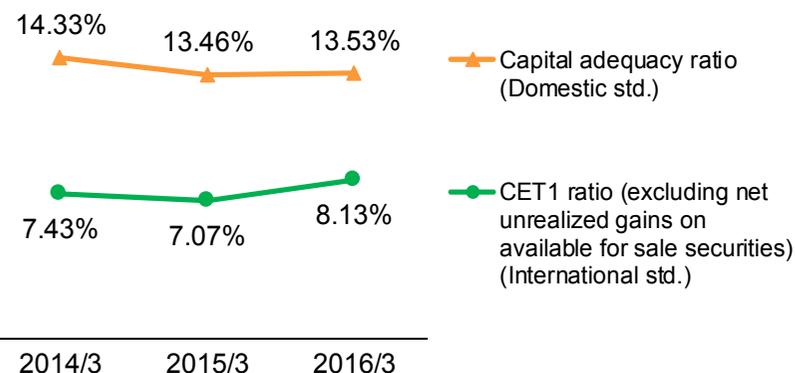
(Reference) International std.

	Mar. 31 2015	Mar. 31 2016	Change
Common Equity Tier 1 capital ratio (16)	8.16%	9.52%	+1.36%
Excluding net unrealized gains on available-for-sale securities (17)	7.07%	8.13%	+1.06%
Tier 1 capital ratio (18)	9.71%	10.69%	+0.98%
Total capital ratio (19)	14.03%	14.10%	+0.07%

Factors for the change in FY2015

- **Total capital decreased by Y29.1 bn (-0.19%) YoY**
Net income attributable to owners of the parent (+183.8 bn), dividends to be distributed (-46.8 bn), planned redemption of sub loans and bonds subject to transitional arrangement (-117.4 bn), and other
- **RWAs decreased by Y289.5 bn (+0.26%) YoY**
Loan increase (+151.8 bn), review of parameter (-822.0 bn), Credit RWA adjustment relating to applicable floor (+380.6 bn), and other

[Trend of capital adequacy ratios]



Capital adequacy ratio (Group Banks)

Deomestic Std. (Ybn)	Resona (Consolidated)	Saitama Resona (Non-consolidated)	Kinki Osaka (Consolidated)
Capital adequacy ratio (20)	12.77%	13.78%	11.16%
Total capital (21)	1,361.7	380.2	154.0
Core Capital: instruments and reserves (22)	1,383.3	394.6	156.0
Core Capital: regulatory adjustments (23)	21.6	14.3	2.0
Risk weighted assets (24)	10,656.6	2,759.3	1,379.6

Earnings Target and Dividend Forecast for FY2016

- Resona Group engages in financial service business such as commercial banking, trust banking, credit card and other financial businesses. There are a number of uncertainties relating to the economic environment including the potential impact of the negative interest rate policy which the Bank of Japan introduced recently. For this reason, Resona Holdings has set an earnings target instead of an earnings forecast which it previously announced.

RHD consolidated

(Ybn)	1st Half target	Full year target	YoY change	
				%
Net (interim) income attributable to owners of the parent (1)	82.0	160.0	(23.8)	(12.9)%
Difference (1)-(9) (2)	8.0	15.0	(5.4)	(26.7)%

Common DPS

	DPS	YoY change
Common stock (annual) (11)	19.0 yen	+2.0 yen
of which, interim dividend (12)	9.5 yen	+1.0 yen

Total of group banks / each subsidiary bank (non-consolidated)

(Y bn)	Total of group banks			Resona Bank			Saitama Resona Bank			Kinki Osaka Bank		
	1st Half target	Full year target	YoY change	1st Half target	Full year target	YoY change	1st Half target	Full year target	YoY change	1st Half target	Full year target	YoY change
Gross operating profit (3)	277.5	557.0	(15.0)	189.0	380.0	(3.5)	65.0	129.0	(8.4)	23.5	48.0	(3.0)
Operating expenses (4)	(166.5)	(331.5)	(5.2)	(108.5)	(216.0)	(2.0)	(38.5)	(76.0)	(1.3)	(19.5)	(39.5)	(2.0)
Actual net operating profit (5)	111.0	225.5	(20.1)	80.5	164.0	(5.4)	26.5	53.0	(9.6)	4.0	8.5	(5.0)
Net gains on stocks (6)	3.5	9.5	+11.3	2.5	7.5	+12.1	1.0	1.5	(0.6)	-	0.5	(0.2)
Credit related expenses (7)	(8.5)	(21.0)	+2.4	(6.5)	(15.0)	+9.8	(1.0)	(4.0)	(2.4)	(1.0)	(2.0)	(4.9)
Income before income taxes (8)	104.5	204.5	(16.2)	75.0	151.0	+7.0	25.0	47.0	(13.7)	4.5	6.5	(9.5)
Net (interim) income (9)	74.0	145.0	(18.3)	53.5	108.5	+7.7	17.5	32.5	(7.7)	3.0	4.5	(17.8)

Direction of Capital Management

Capital actions taken in FY2015

- Fully repaid the public funds in June 2015
 - Total amount injected: JPY 3,128 bn
- Bought back Class 4 PS (JPY63 bn) in July 2015
- Called T1 hybrid securities (USD 1.15 bn) in July 2015

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.

Mar. 31, 2016
CET1 ratio^{*1}
8.13%

ROE

- Maintain ROE^{*2} above 10%, enhancing efficiency in capital utilization

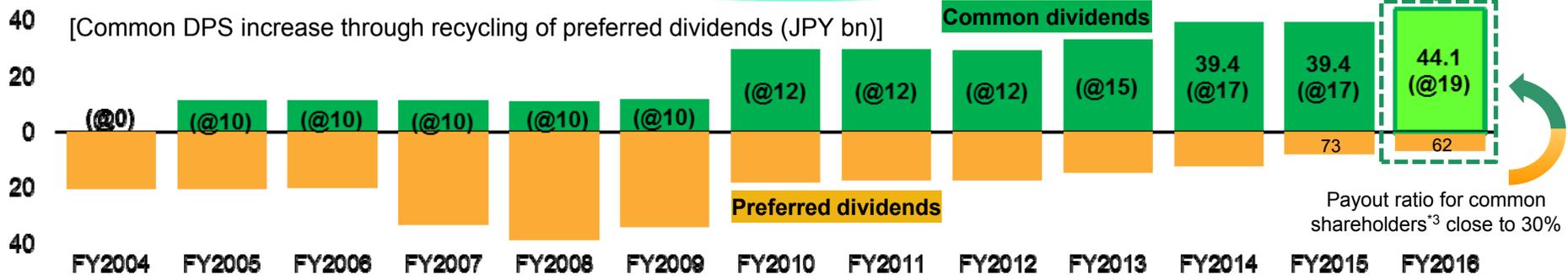
FY2015
Actual
14.41%

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)

- Intend to repurchase Class 6 PS (Total issue amount JPY75 bn, annual preferred dividend JPY3.7 bn) in FY2016, subject to an approval from regulators



*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 / (Forecasted net income for FY2016 – Total preferred dividends to be paid)

Omni-channel Strategy: Measures Implemented Thus Far

Provide customers with overwhelming convenience

Overcome constraints of “time” for banking transactions (Anytime)

- Business hours extended to 17:00 (Oct. 2003~)
- 24H manned telephone banking services (May 2005~)



■ 24H RTGS account transfers within Resona Group banks

- Individual customers (Apr. 2015~)
- Corporate customers (Oct. 2015~)

“Nikkei Excellent Product and Service Award 2015”
Best Product Award



■ Open 365 days / till 19:00 on weekdays

- 7 Days Plaza Toyosu (Nov. 2015~)
Opened as a model for new consulting-focused “anytime” outlet
- Eleven “7 Days Plazas” as of the end of FY2015

■ Promoting HLs on holidays

- LPs open on holidays (Oct. 2003~)
68 LPs open on holidays (As of Apr. 30, 2016)
- HL screening on holidays (June 2015~)
- Execution of housing loans on holidays (Mar. 2016~)

Overcome constraints of “space” for banking transactions (Anywhere)

■ Expand the net channel

- Strengthened Internet banking functions (“My Gate”) (Apr. 2014~)
- Chat function added to Resona web site (July 2015~)
- Web Settlement Portal Site (Nov. 2015~)
- Point Mall (Nov. 2015~)
- Resona Smart Store (Mar. 2016~)



➢ #1 shot: JAL Smart Account (Internet branch)

■ Mutual open-up of OTC services within Resona Group banks

- Various notifications relating to ordinary deposits (Sep. 2015~)
- Ordinary deposits transactions (Nov. 2015~) (Common passbook for Resona group banks)

■ Consulting-based sales activities utilizing tablets

- Consultation by professional FPs via remote channel (June 2015~)
- One tablet for each sales rep (Mar. 2016~)

Products and Services

Abandon existing framework and common sense

Anytime

Anywhere

Upgraded backbone mainframe system (Jan. 2015)

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

These factors may include changes in the level of stock price in Japan, any development and change related to the government's 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**

