

Financial Highlights for the First Quarter of Fiscal Year 2017



Resona Holdings

August 10, 2017

Outline of Financial Results for the 1Q of FY2017

■ Net income attributable to owners of the parent :

JPY37.2 bn

- **Decreased by 10.5 bn, or (22.0)%, YoY,
Progress rate against the full year target : 24.8%**
- **Actual net operating profit : JPY47.5 bn**
 - Gross operating profit : 132.8 bn, decreased by 14.1 bn, or (9.6)%, YoY
While the progress of net interest income and fee income was as planned, posted net losses on bonds
 - Net interest income from domestic loans and deposits decreased by 5.7 bn YoY
 - ✓ Loan-to-deposit spread decreased by 10bps, while loan volume increased 1.91% YoY
 - Fee income increased by 0.2 bn YoY
Fee income ratio : 30.8%
 - ✓ While income from investment trust and insurance sale decreased, fee from corporate solution and other were robust
 - Net gains / losses on bonds (including futures) decreased by 10.8 bn YoY
 - Operating expenses : (85.4) bn, +0.9 bn YoY
- **Credit related expenses : new bankruptcy and downward migration continued to be at a low level**
- **Income taxes and other : +4.2 bn YoY**

	Resona HD consolidated (JPY bn)	FY2017 1Q			FY2017 Target	
			YoY change			Progress rate v.s. Target
				%		
Net income attributable to owners of the parent	(1)	37.2	(10.5)	(22.0)%	24.8%	150.0
Gross operating profit	(2)	132.8	(14.1)	(9.6)%		568.5
Net interest income	(3)	88.7	(3.8)			
Nil from loans and deposits (total of group banks)*1	(4)	72.2	(5.7)			
Fee income *2	(5)	40.9	+0.2			
Fee income ratio	(6)	30.8%	+3.1%			30.0%
Trust fees	(7)	4.3	(0.2)			
Fees and commission income	(8)	36.6	+0.5			
Other operating income	(9)	3.1	(10.6)			
Net losses on bonds (including futures)	(10)	(1.2)	(10.8)			
Operating expenses (excluding group banks' non-recurring items)	(11)	(85.4)	+0.9	+1.0%		(346.0)
Cost income ratio (OHR)	(12)	64.2%	+5.5%			60.8%
Actual net operating profit*3	(13)	47.5	(13.1)	(21.7)%	21.3%	222.5
Net gains on stocks (including equity derivatives)	(14)	2.2	+0.7			
Credit related expenses, net	(15)	6.8	(0.8)			
Other (losses), net	(16)	(5.4)	(1.4)			
Income before income taxes	(17)	51.1	(14.7)	(22.3)%		
Income taxes and other	(18)	(13.9)	+4.2			
EPS (yen)	(19)	16.05	(4.55)			
BPS (yen)	(20)	803.49	+93.08			

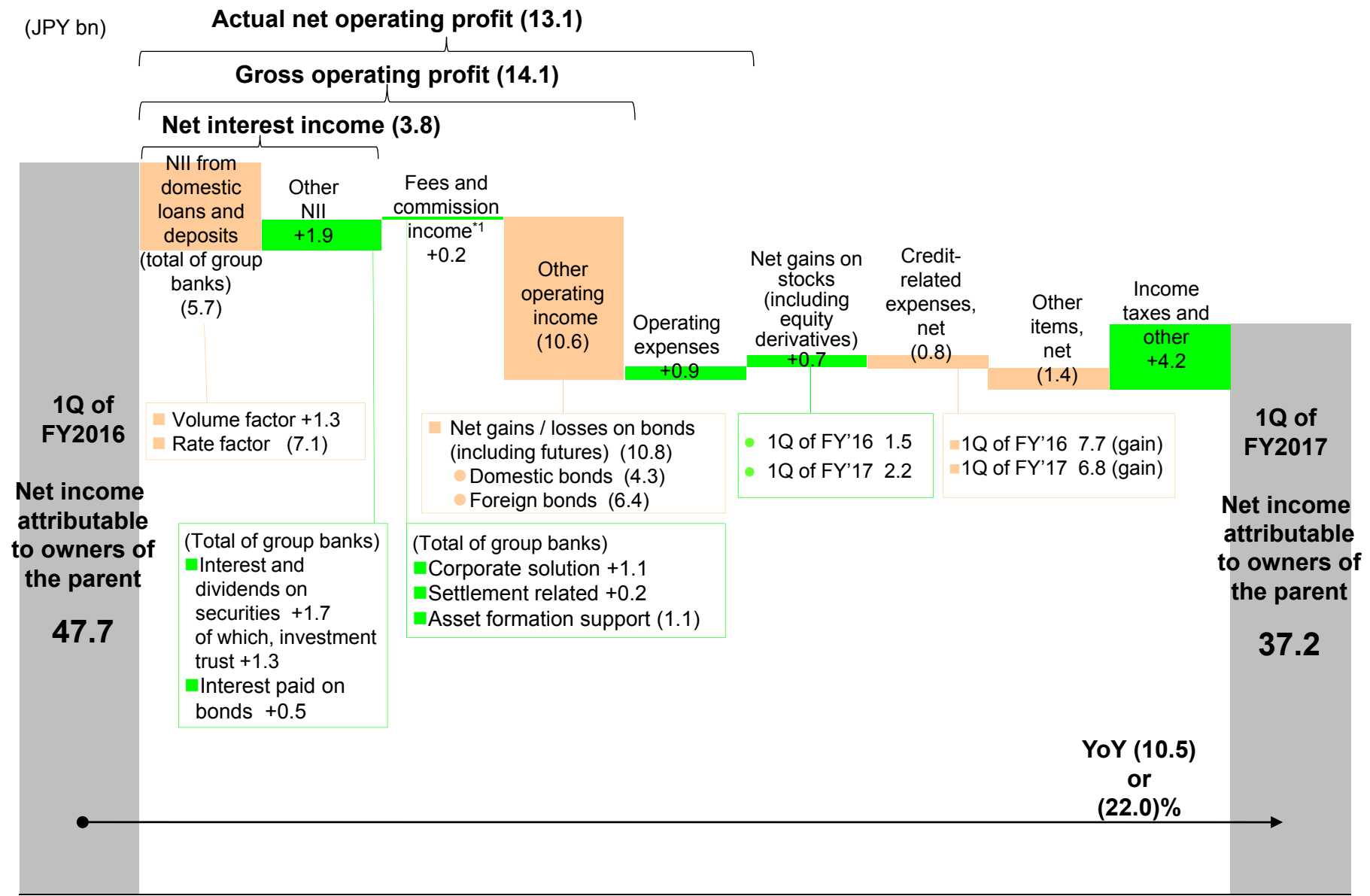
*1. Domestic banking account, deposits include NCDs. *2. Fees and commission income + Trust fees *3. Gross operating profit (excluding disposal of problem loans in the trust account) + Expenses (excluding non-recurring items) + Equity earnings of investments in affiliates *4. Negative figures represent items that would reduce net income

Breakdown of Financial Results for the 1Q of FY2017

(JPY bn)	Resona Holdings (Consolidated)		Total of group banks (Non-consolidated)					Difference	
	(A)	YoY change	(B)	YoY change	Resona Bank	Saitama Resona Bank	Kinki Osaka Bank	(A)-(B)	YoY change
Gross operating profit (1)	132.8	(14.1)	121.4	(14.0)	80.6	30.8	9.9	11.4	(0.1)
Net interest income (2)	88.7	(3.8)	87.5	(3.7)	56.3	23.7	7.4	1.2	(0.0)
Nil from domestic loans and deposits (3)			72.2	(5.7)	45.7	19.8	6.7		
Trust fees (4)	4.3	(0.2)	4.4	(0.2)	4.4			(0.0)	(0.0)
Fees and commission income (5)	36.6	+0.5	26.5	+0.5	17.6	6.6	2.2	10.0	(0.0)
Other operating income (6)	3.1	(10.6)	2.9	(10.6)	2.2	0.3	0.2	0.2	(0.0)
Net gains / (losses) on bonds (including futures) (7)	(1.2)	(10.8)	(1.2)	(10.8)	(1.4)	(0.0)	0.2	-	-
Operating expenses (excluding group banks' non-recurring items) (8)	(85.4)	+0.9	(81.0)	+0.8	(53.2)	(18.5)	(9.2)	(4.4)	+0.0
Actual net operating profit^{*1} (9)	47.5	(13.1)	40.4	(13.1)	27.4	12.2	0.7	7.0	+0.0
Net gains on stocks (including equity derivatives) (10)	2.2	+0.7	2.2	+0.7	0.5	0.6	1.0	0.0	+0.0
Credit related expenses, net (11)	6.8	(0.8)	6.9	+0.0	4.6	1.2	1.1	(0.1)	(0.9)
Other (losses), net (12)	(5.4)	(1.4)	(5.0)	(0.3)	(3.7)	(0.6)	(0.6)	(0.3)	(1.0)
Income before income taxes (13)	51.1	(14.7)	44.5	(12.8)	28.8	13.4	2.2	6.5	(1.9)
Income taxes and other (14)	(13.9)	(4.2)	(11.9)	3.4	(7.3)	(4.0)	(0.5)	(1.9)	+0.7
Net income (attributable to owners of the parent) (15)	37.2	(10.5)	32.6	(9.3)	21.5	9.4	1.6	4.5	(1.1)

*1. Gross operating profit (excluding disposal of problem loans in the trust account) + Expenses (excluding non-recurring items) + Equity earnings of investments in affiliates

Factors for the Changes in Periodic Profits (YoY Comparison)



*1. Fees and commission income plus trust fees

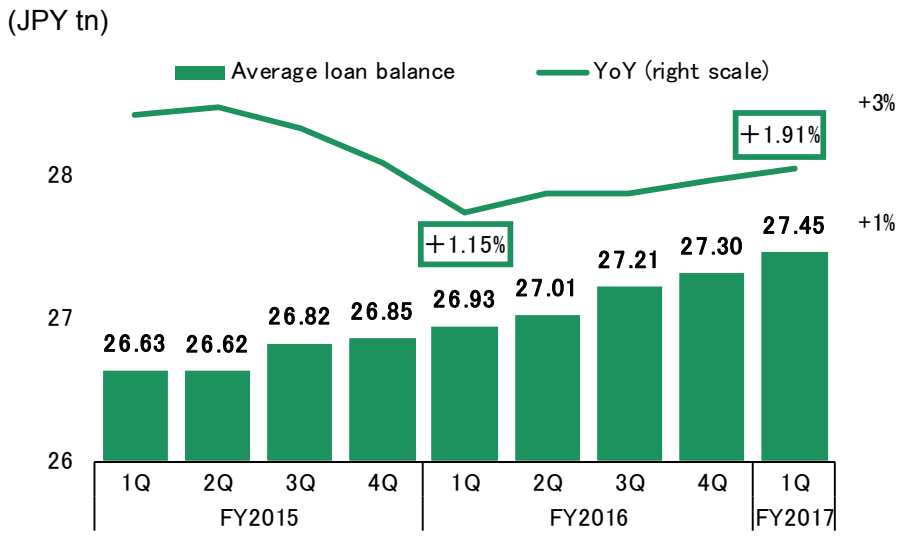
Trend of Loans and Deposits

Total of Group Banks

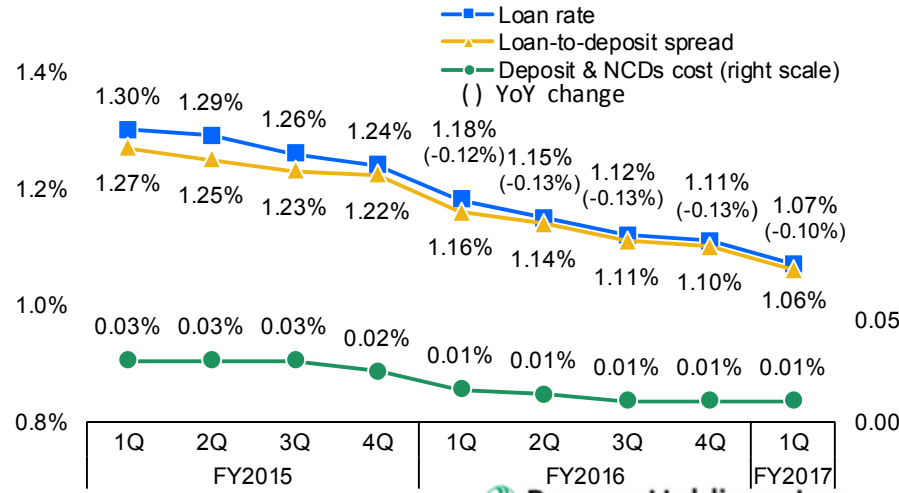
Average loan / deposit balances, rates and spread

[Avg. bal : Trillion Yen Income/Cost : Billion Yen]		1Q		FY2017		
		Act.	YoY	Plan	YoY	
Average loan balance (Banking account) (1)		27.96	+1.89%			
Domestic acct.	Loans	Avg. Bal. (2)	27.45	+1.91%	27.43	+1.17%
		Rate (3)	1.07%	(0.10)%	1.06%	(0.08)%
		Income (4)	73.6	(5.9)	291.2	(19.6)
	Corporate Banking Business Unit *1	Avg. Bal. (5)	15.97	+2.13%	15.86	+0.82%
		Rate (6)	0.90%	(0.12)%	0.89%	(0.08)%
	Personal Banking Business Unit *2	Avg. Bal. (7)	10.50	+1.60%	10.60	+1.77%
		Rate (8)	1.38%	(0.08)%	1.35%	(0.08)%
	Deposits (Including NCDs)	Avg. Bal. (9)	41.09	+5.22%	39.37	(0.74)%
		Rate (10)	0.01%	(0.00)%	0.01%	(0.00)%
		Cost (11)	(1.3)	+0.2	(4.1)	+0.8
	Loan-to-deposit	Spread (12)	1.06%	(0.10)%	1.05%	(0.08)%
		Net interest income (13)	72.2	(5.7)	287.0	(18.7)

Trend of average loan balance (Domestic account)



Loan and deposit rates and spread (Domestic account)



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

Term-end Balance of Loans and Deposits

Total of Group Banks

Term-end loan balance

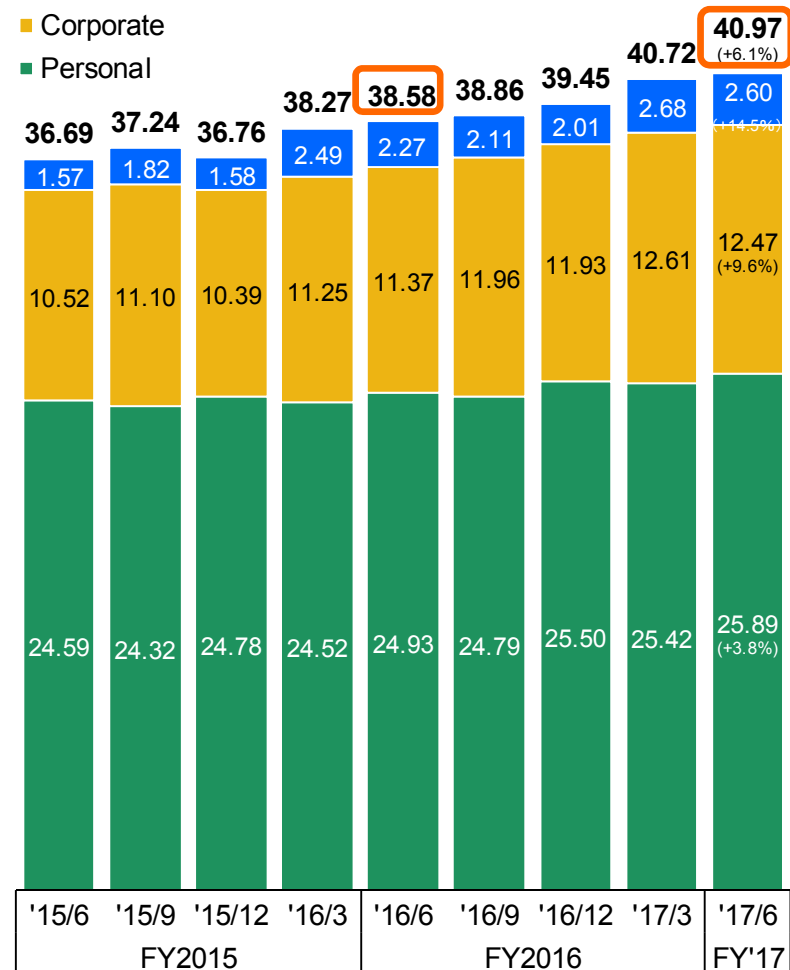
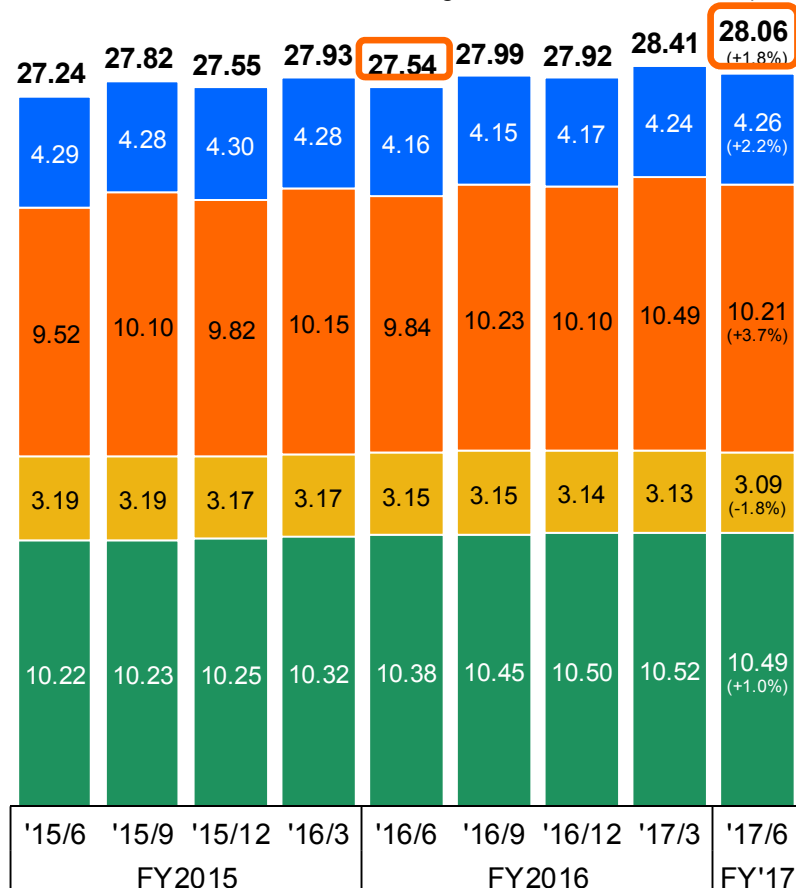
Term-end deposit balance

JPY tn,
% represents
YoY change

JPY tn,
% represents
YoY change

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

- Other
- Corporate
- Personal



*1. Include the loan extended to RHD from RB (JPY0.30 tn as of 2015/6 ~ 2016/9, JPY0.26 tn as of 2016/12 ~ 2017/3, JPY0.25 tn as of 2017/6)

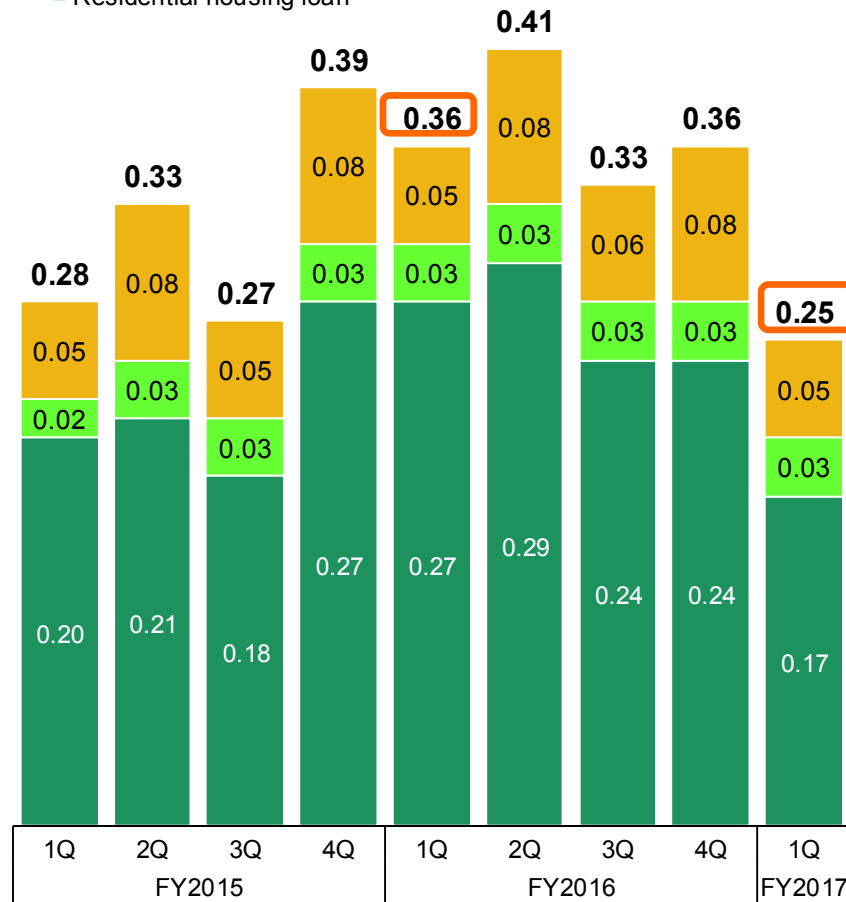
Trend of Residential Housing Loan and Apartment Loan

Total of Group Banks

New loan origination

(JPY tn)

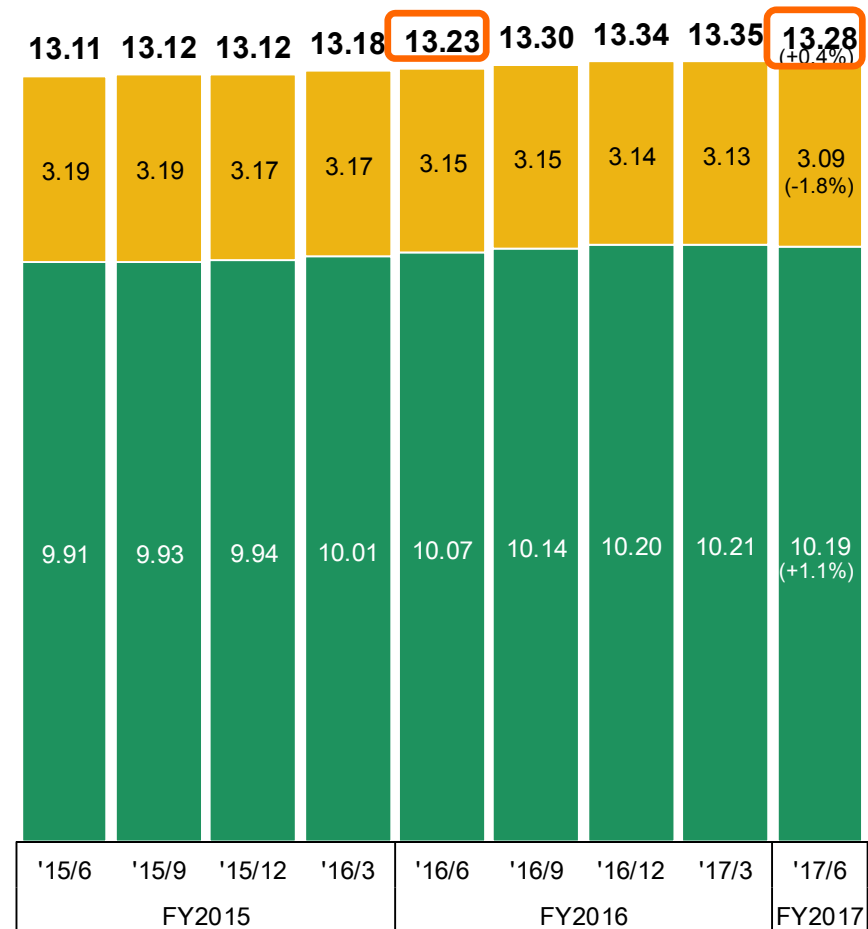
- Apartment loan
- Flat 35
- Residential housing loan



Term-end loan balance

JPY tn,
% represents YoY change

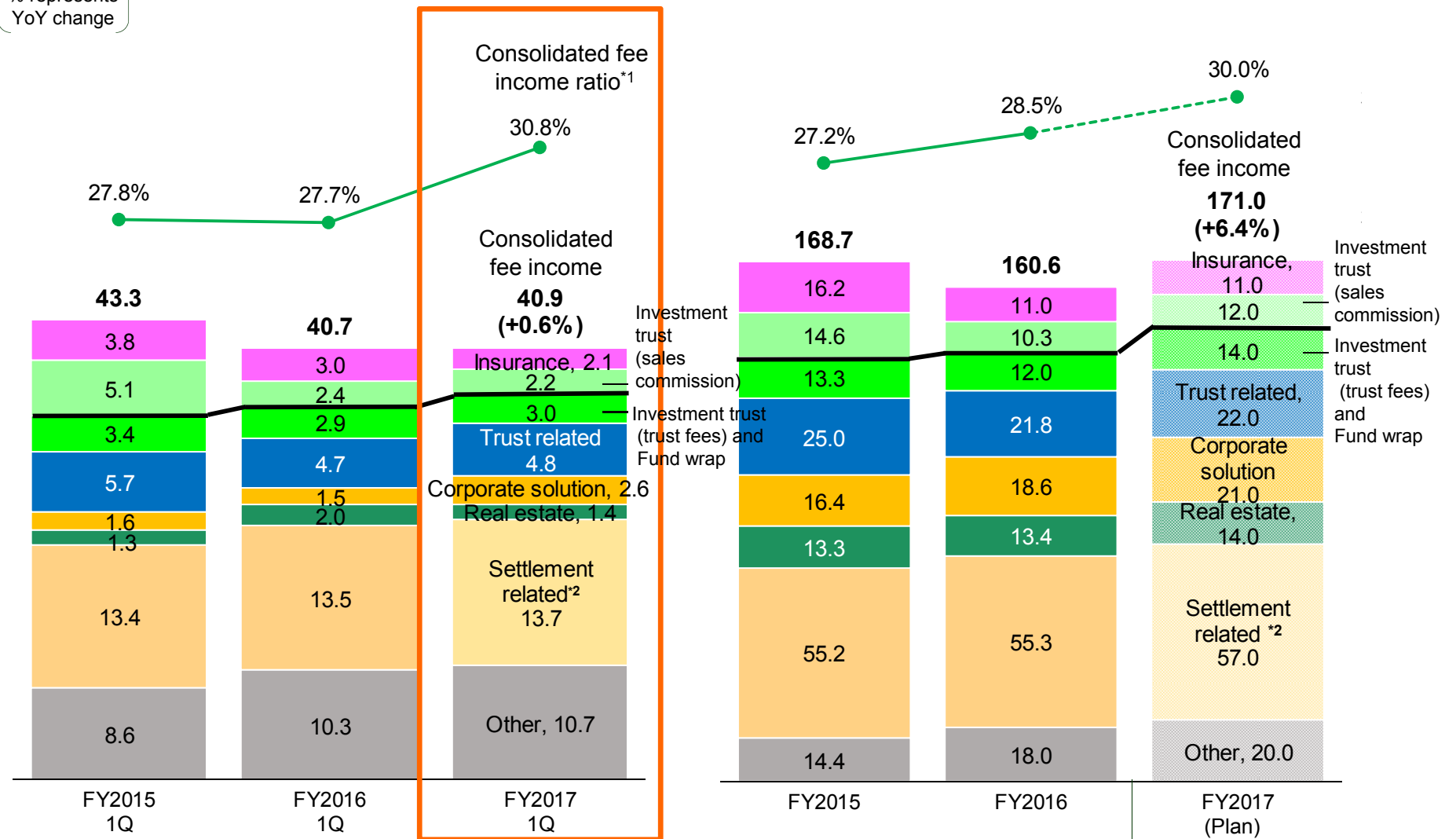
- Apartment loan
- Residential housing loan



Trend of Fee Income

Consolidated fee income ratio at 30.8% for the 1Q of FY2017

JPY bn,
% represents
YoY change



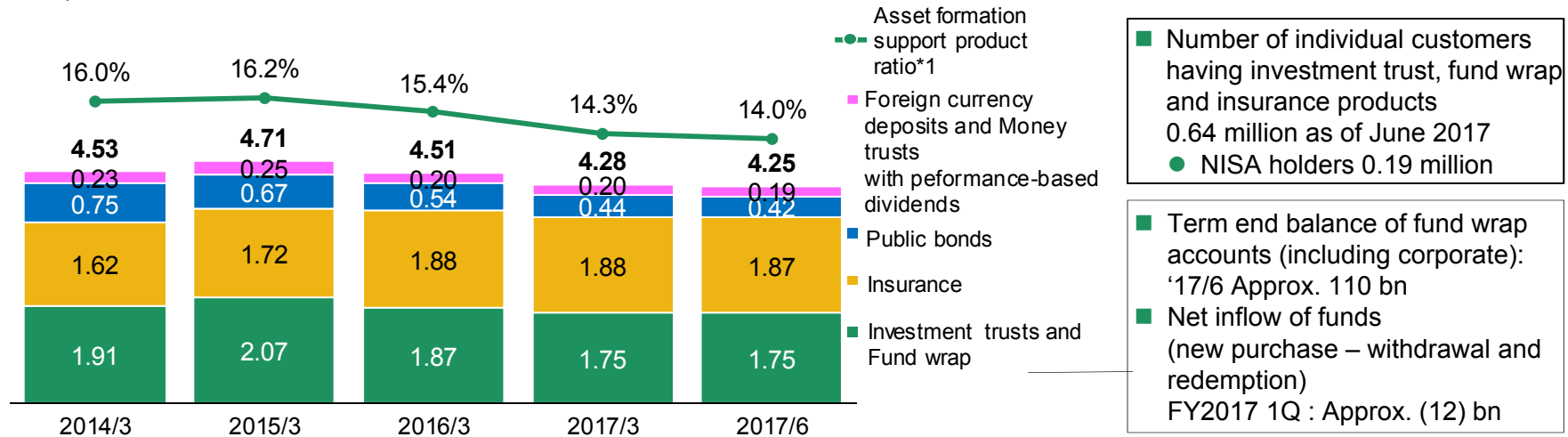
*1. (Fees and commission income + trust fees)/Consolidated gross operating profit
 *2. Fees and commission from domestic exchange, credit transfer, EB, Visa debit and fee income from Resona Kessal Service and Resona Card

Asset Formation Support Business

Total of Group Banks

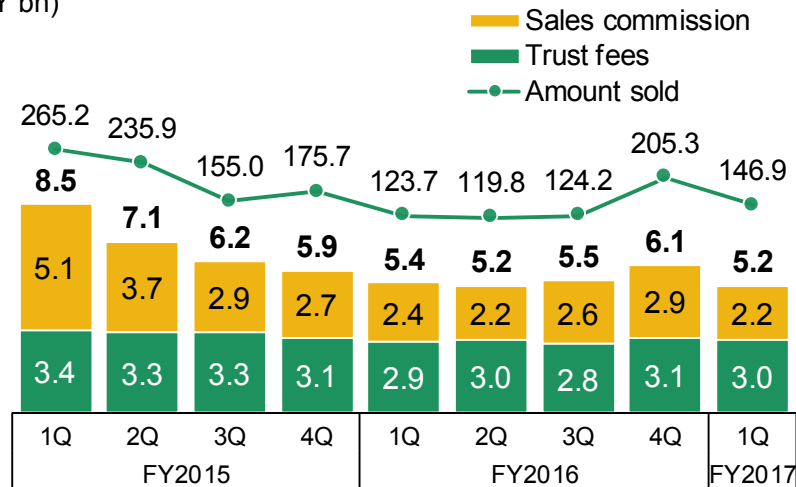
Balance of asset formation support products sold to individuals

(JPY tn)



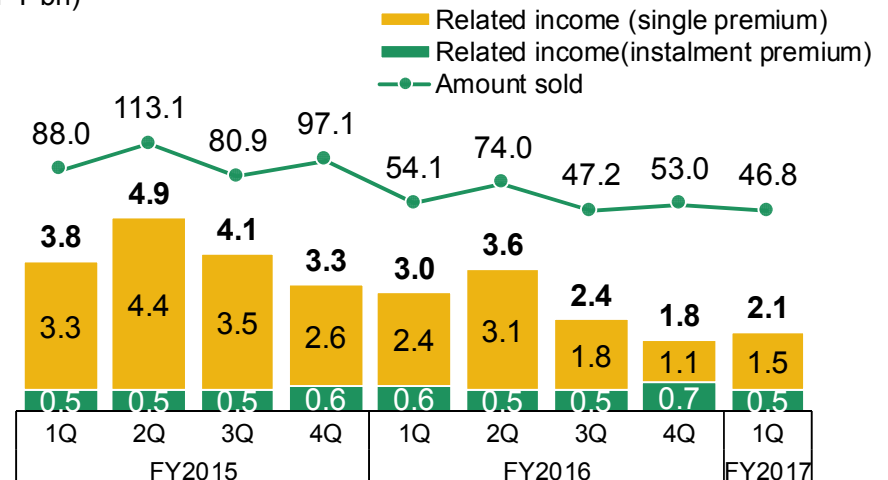
Investment trust and fund wrap

(JPY bn)



Insurance

(JPY bn)



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

Credit Costs and NPL

Trend of credit costs

(JPY bn)	FY 2015 Act	FY 2016		FY 2017	
		1Q Act	Act	1Q Act	Plan
Net credit cost (RHD consolidated) (1)	(25.8)	7.7	17.4	6.8	(13.5)

Net credit cost (Total of group banks) (2)					
General reserve	(3)	(0.0)	4.0	9.8	2.0
Specific reserve and other items	(4)	(23.4)	2.8	8.4	4.9
New bankruptcy, downward migration	(5)	(43.9)	(4.0)	(19.9)	(4.6)
Collection/ upward migration	(6)	20.4	6.9	28.3	9.5

Difference (1) - (2) (7)					
HL guarantee subsidiaries	(8)	2.6	1.1	2.0	0.6
Resona Card	(9)	(1.8)	(0.5)	(2.1)	(0.7)

<Credit cost ratio>		(bps)			
RHD consolidated ^{*1}	(10)	(9.2)	9.7	6.1	9.7
Total of group banks ^{*2}	(11)	(8.2)	11.1	6.3	9.6

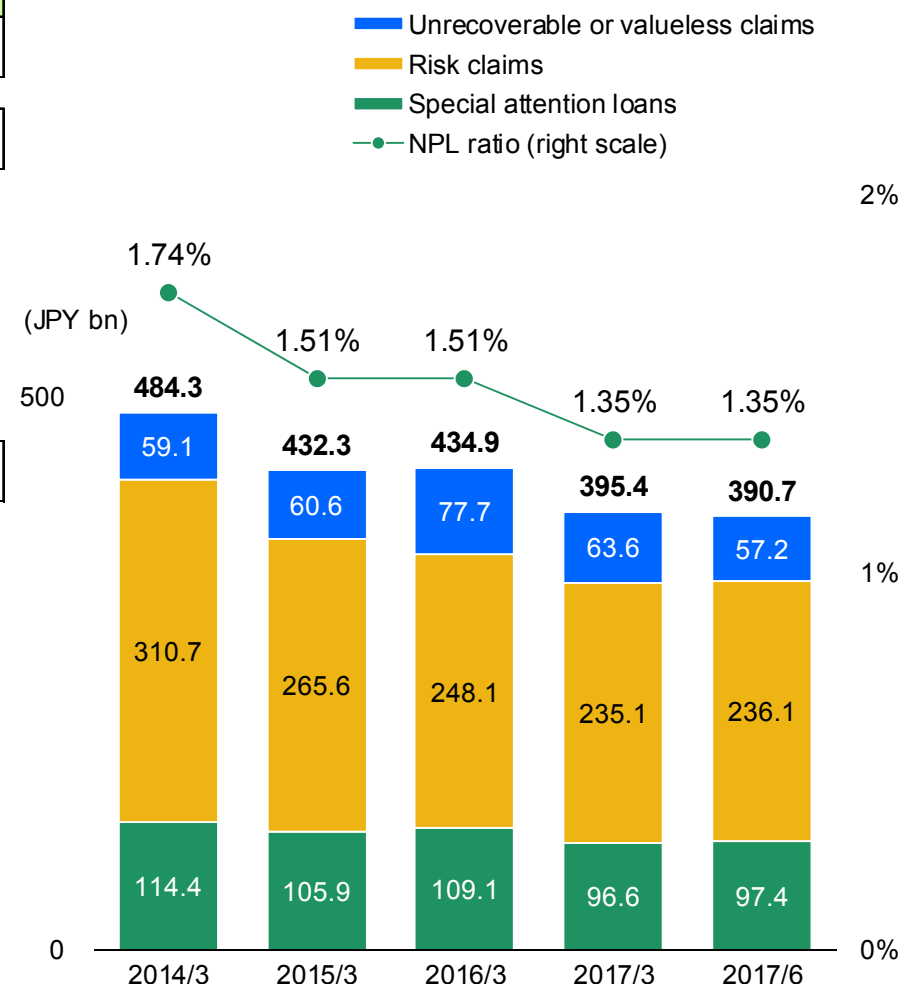
(Note) Positive figures represent reversal gains

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

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

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

(Financial Reconstruction Act criteria)



Securities Portfolio

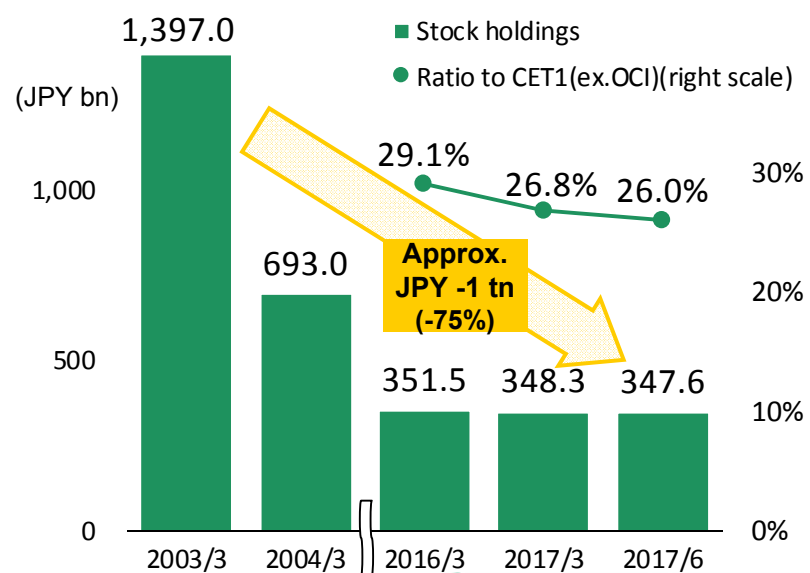
Total of Group Banks

Securities Portfolio

(JPY bn)	2016/3	2017/3	2017/6	Unrealized gain/(loss)
Available-for-sale securities *1 (1)	2,459.7	2,403.3	2,687.8	584.3
Stocks (2)	351.5	348.3	347.6	591.0
Bonds (3)	1,681.9	1,431.8	1,642.6	(4.5)
JGBs (4)	760.2	544.1	641.4	(6.2)
Average duration (years) (5)	3.1	7.0	9.2	-
Basis point value (BPV) (6)	(0.24)	(0.38)	(0.59)	-
Local government bonds and corporate bonds (7)	921.6	887.6	1,001.1	1.7
Other (8)	426.3	623.1	697.5	(2.1)
Foreign securities (9)	239.8	258.6	423.5	(5.6)
Net unrealized gain (10)	460.1	555.4	584.3	
Bonds held to maturity *2 (11)	2,383.5	2,277.7	2,178.3	60.1
JGBs (12)	1,879.8	1,771.1	1,688.8	48.2
Net unrealized gain (13)	93.6	67.4	60.1	

Status of policy-oriented stocks held

- Breakeven Nikkei average: Approx. 6,000 yen
- Decrease in listed stocks in 1Q of FY2017 (acquisition cost): JPY -0.7 bn, Net gain on sale: JPY 1.5 bn
- Policy for holding policy-oriented stocks *1
 - 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*3 in the medium term.
 - Plan to reduce JPY35.0 bn in 5years from FY2016



*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

RHD
Consolidated

- CAR (Domestic std.) and CET1 ratio* (International std.) as of June. 30, 2017 were 11.51% and 8.98%, respectively, maintaining sound capital adequacy level

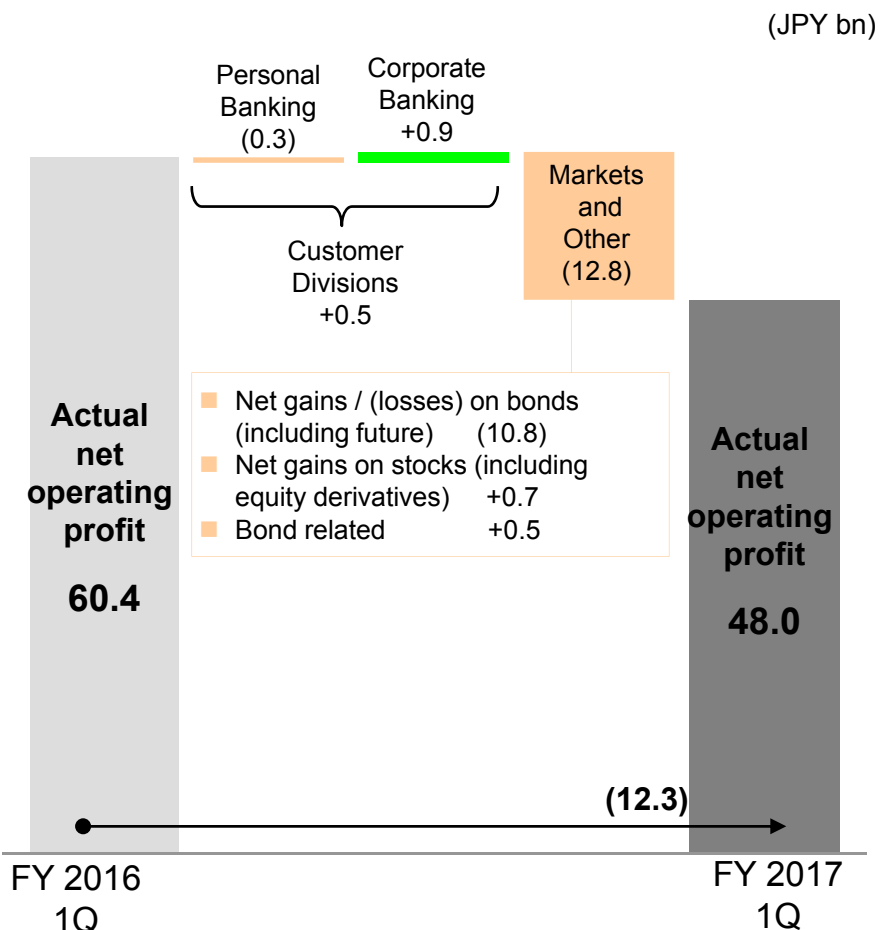
* Excluding unrealized gain on available-for-sale securities

Domestic standard				(Reference) International standard			
	2017/3	2017/6	Change		2017/3	2017/6	Change
Capital adequacy ratio (1)	11.69%	11.51%	(0.18)%	Common Equity Tier 1 capital ratio (13)	10.74%	11.29%	+0.55%
				Excluding net unrealized gains on available-for-sale securities (14)	8.59%	8.98%	+0.39%
				Tier 1 capital ratio (15)	11.40%	11.96%	+0.56%
				Total capital ratio (16)	13.81%	13.78%	(0.03)%
Total capital (JPY bn) (2)	1,746.8	1,682.2	(64.6)	Common Equity Tier 1 capital (JPY bn) (17)	1,653.8	1,704.6	+50.7
Core Capital: instruments and reserves (3)	1,775.9	1,711.6	(64.2)	Instruments and reserves (18)	1,721.4	1,770.9	+49.5
Stockholders' equity (4)	1,361.5	1,394.0	+32.5	Stockholders' equity (19)	1,361.5	1,394.0	+32.5
Non-cumulative perpetual preferred stock subject to transitional arrangement (5)	100.0	100.0	-	Net unrealized gains on available-for-sale securities (20)	331.8	348.4	+16.6
Subordinated loans and bonds subject to transitional arrangement (6)	281.9	186.0	(95.9)	Regulatory adjustments (21)	67.6	66.3	(1.2)
Core Capital: regulatory adjustments (7)	29.1	29.4	+0.3	Other Tier 1 capital (22)	101.2	100.9	(0.2)
				Tier1 capital (23)	1,755.0	1,805.5	+50.4
				Tier2 capital (24)	369.8	274.7	(95.0)
				Total capital (Tier1+Tier2) (25)	2,124.9	2,080.3	(44.5)
Risk weighted assets (JPY bn) (8)	14,930.8	14,607.6	(323.2)	Risk weighted assets (JPY bn) (26)	15,386.1	15,094.4	(291.6)
Credit risk weighted assets (9)	13,342.7	12,940.6	(402.1)	Credit risk weighted assets (27)	14,036.9	13,670.0	(366.9)
Amount equivalent to market risk / 8% (10)	83.1	90.9	+7.8	Amount equivalent to market risk / 8% (28)	83.1	90.9	+7.8
Amount equivalent to operational risk / 8% (11)	1,049.7	1,049.7	-	Amount equivalent to operational risk / 8% (29)	1,049.7	1,049.7	-
Credit risk weighted assets adjustments (12)	455.1	526.2	+71.0	Credit risk weighted assets adjustments (30)	216.1	283.7	+67.5

(Reference) Outline of Financial Results of each Segment (1)

Actual net operating profit decreased by JPY12.3 bn YoY due to profit decrease in market segment

(JPY bn)		FY2017 1Q	YoY Change
Customer Divisions	Gross operating profit (1)	121.4	(0.5)
	Operating expense (2)	(82.6)	+0.9
	Actual net operating profit (3)	38.8	+0.5
Personal Banking	Gross operating profit (4)	59.1	(1.5)
	Operating expense (5)	(44.0)	+1.1
	Actual net operating profit (6)	15.1	(0.3)
Corporate Banking	Gross operating profit (7)	62.2	+0.9
	Operating expense (8)	(38.5)	(0.1)
	Actual net operating profit (9)	23.7	+0.9
Markets and Other	Gross operating profit (10)	12.0	(12.8)
	Operating expense (11)	(2.7)	(0.0)
	Actual net operating profit (12)	9.2	(12.8)
Total	Gross operating profit (13)	133.4	(13.3)
	Operating expense (14)	(85.4)	+0.9
	Actual net operating profit (15)	48.0	(12.3)



Definition of management accounting

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

(Reference) Outline of Financial Results of each Segment (2)

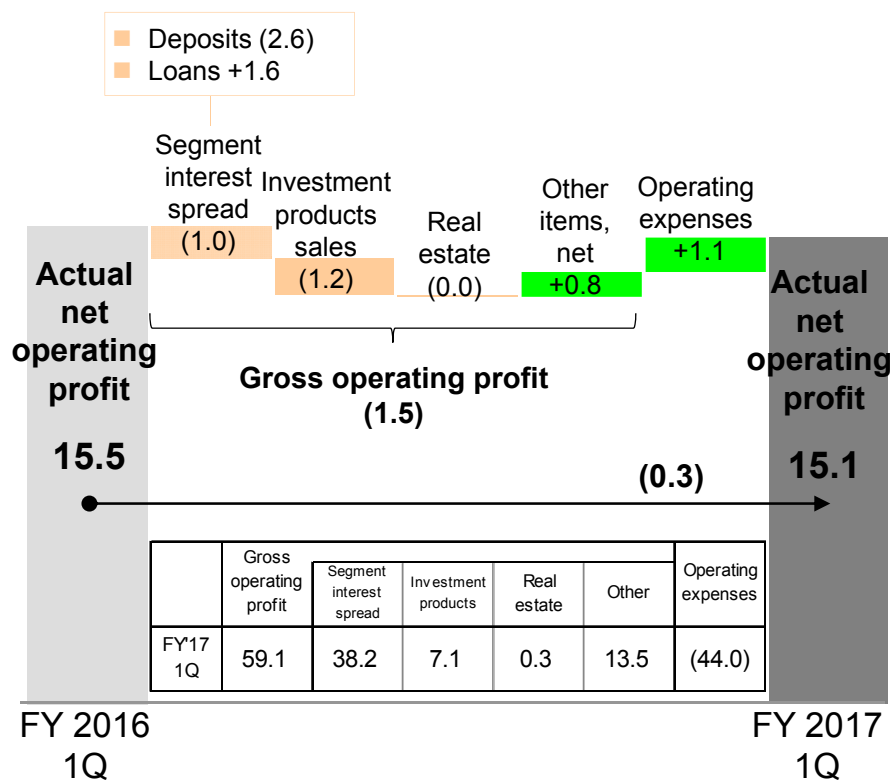
Personal Banking Segment

- Actual net operating profit : decreased by JPY0.3 bn YoY
 - Segment interest spreads decreased due to decline of interest rates.

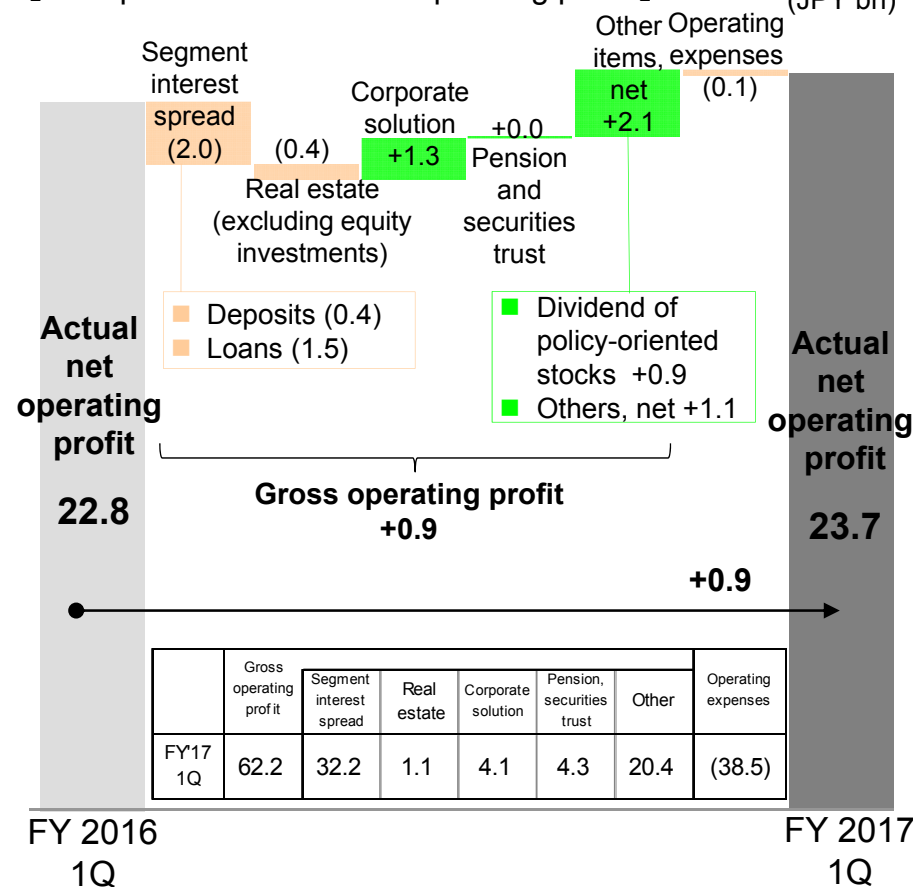
Corporate Banking Segment

- Actual net operating profit : increased by JPY0.9 bn YoY
 - Segment interest spreads decreased due to decline of interest rates.

【 Comparison of actual net operating profit 】 (JPY bn)



【 Comparison of actual net operating profit 】 (JPY bn)



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**

