

# Financial Highlights for the Third Quarter of Fiscal Year 2017



**February 9, 2018**

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

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

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

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

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

## ■ Steadily implementing the income and cost structure reforms

## ■ Implementing the “Three Omni-Strategies” one after another

- Launched multi-function cash and contactless debit card and started on-the-spot issuance in Oct. 2017. Start offering a smart phone application for the new “Smart Account” from Feb. 2018
- Steadily expanded profit opportunities by raising “Omni-Advisors”
- Management integration among 3 regional banks in the Kansai region has progressed as planned

\*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

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

# Breakdown of Financial Results

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

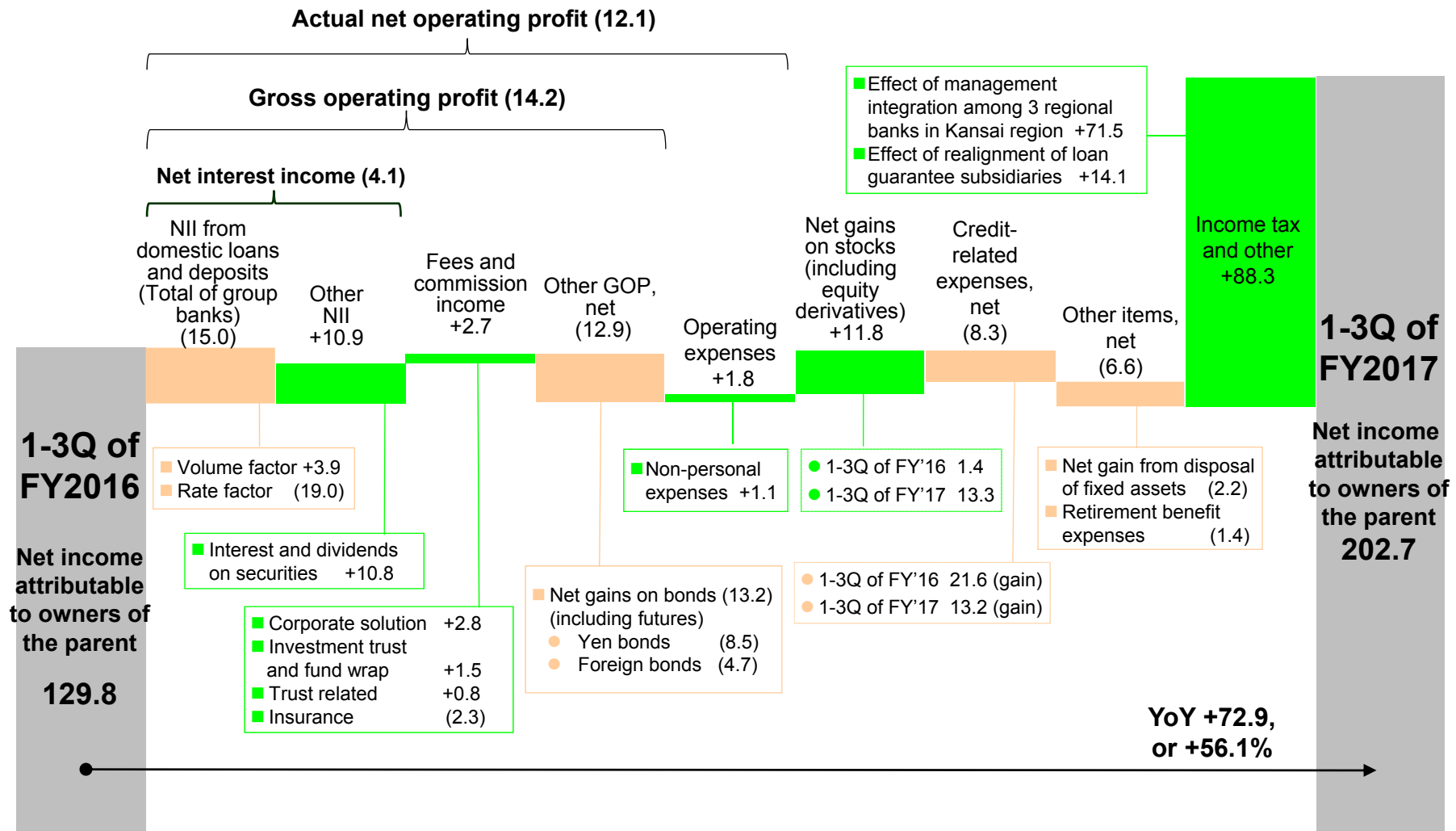
\*1. Net operating profit before provision to general reserve for possible loan losses and disposal of problem loans in the trust account

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

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

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

(JPY bn)



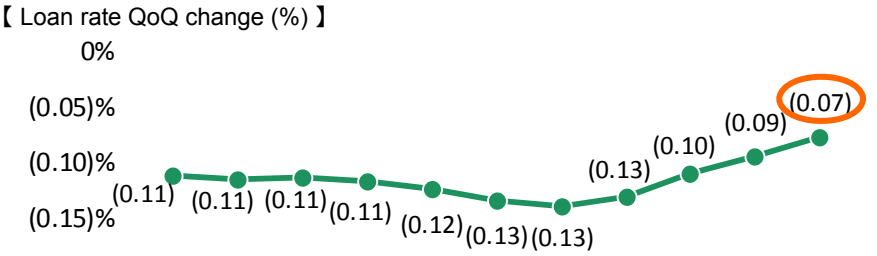
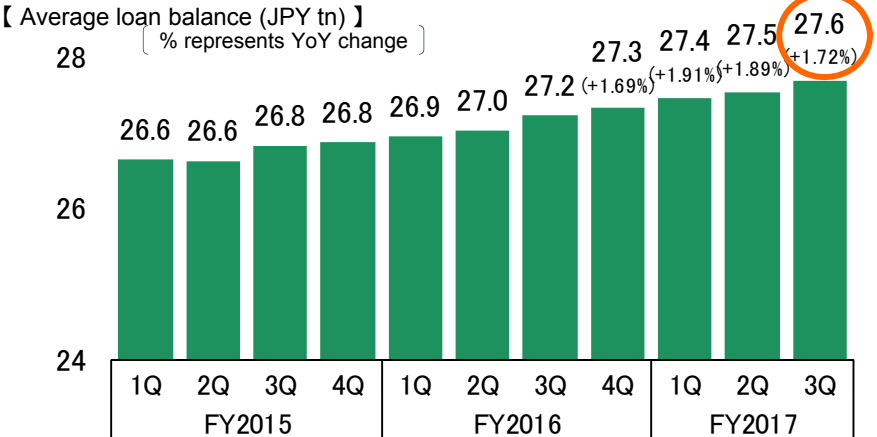
# Trend of Loans and Deposits

Total of Group Banks

## Average loan / deposit balance, rates and spread

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

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



【 Loan and deposit rates 】

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

Data compiled for a management and administration purpose  
 \*1. Corporate Banking Business Unit :  
 Corporate loans (excluding loans to governments) + apartment loans  
 \*2. Personal Banking Business Unit:  
 Residential housing loans + other consumer loans  
 \*3. Earnings targets of FY2017 (released in Nov. 2017)

# Term-end Balance of Loans and Deposits

Total of Group Banks

## Term-end loan balance

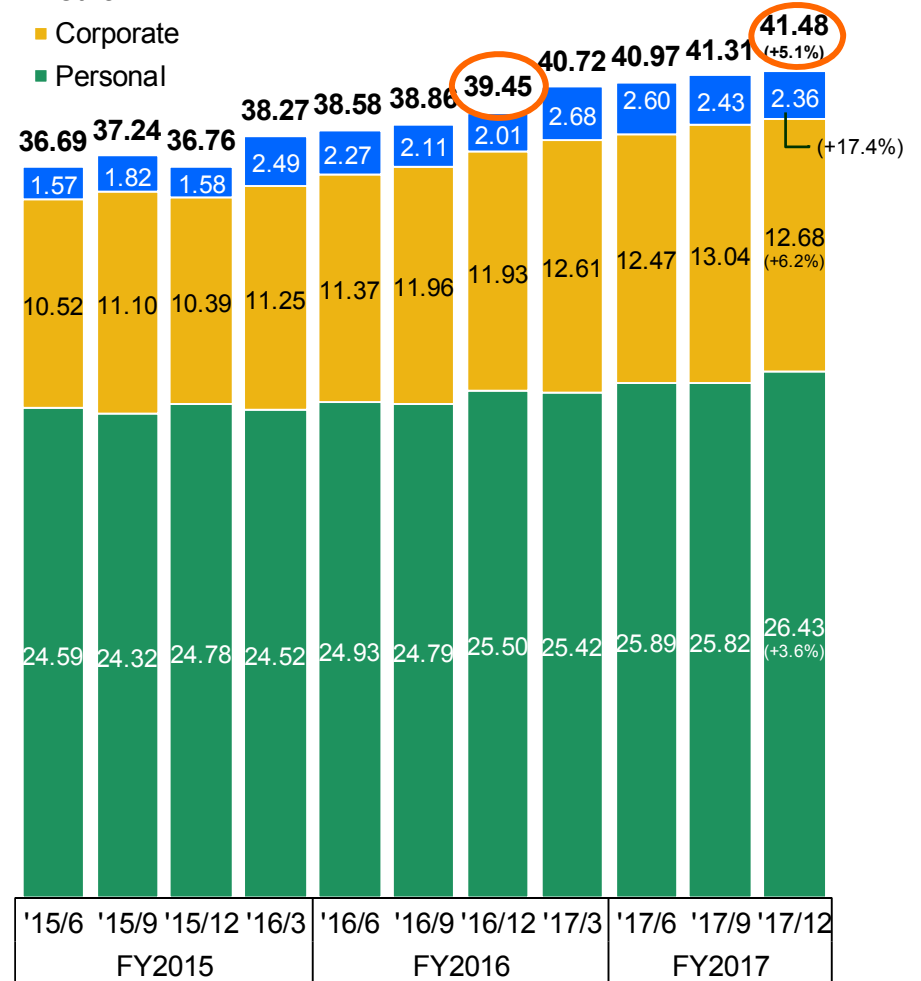
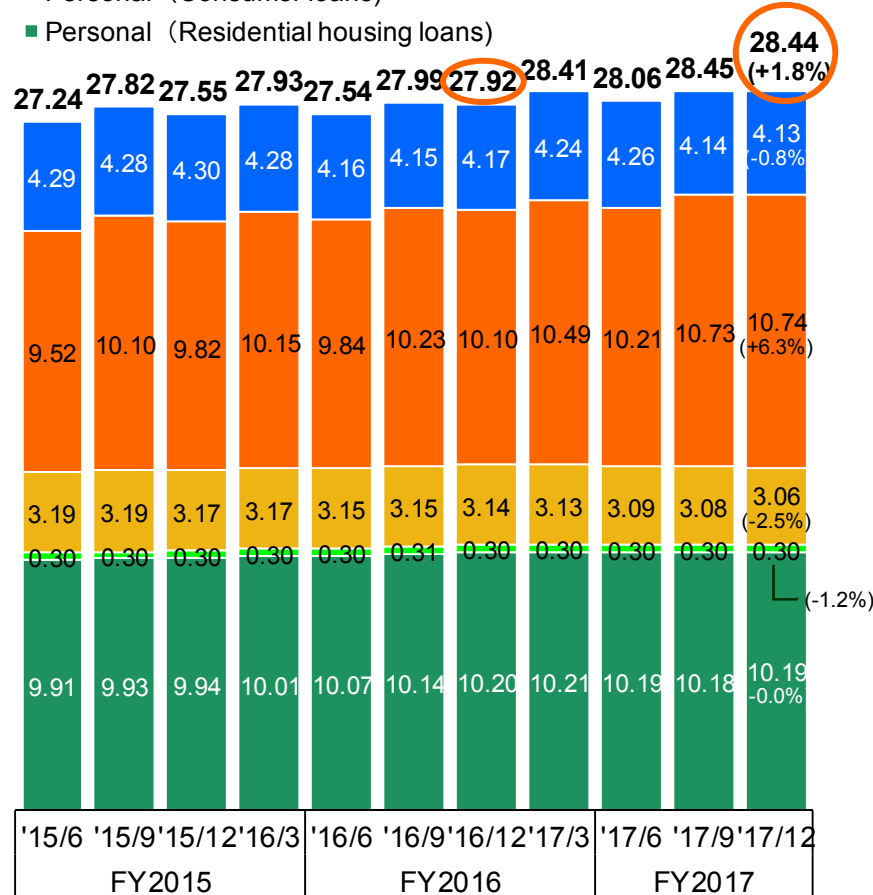
## Term-end deposit balance

JPY tn, % represents YoY change

JPY tn, % represents YoY change

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

- Other
- Corporate
- Personal



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

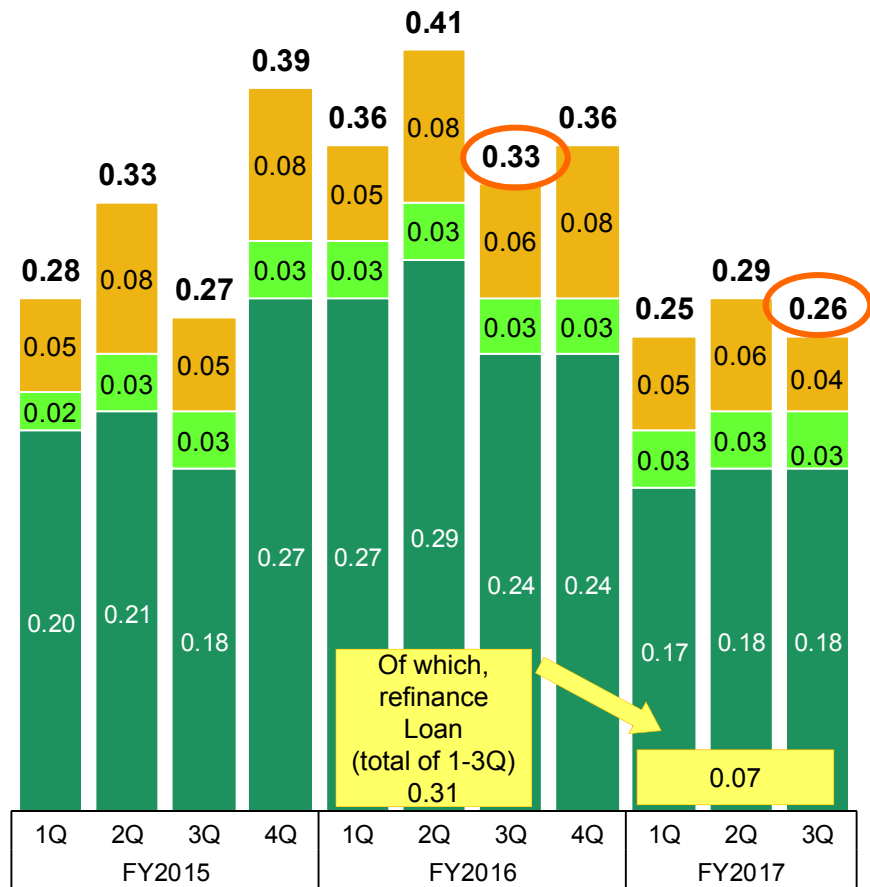
# Residential Housing Loan and Apartment Loan Business

Total of Group Banks

## New loan origination

(JPY tn)

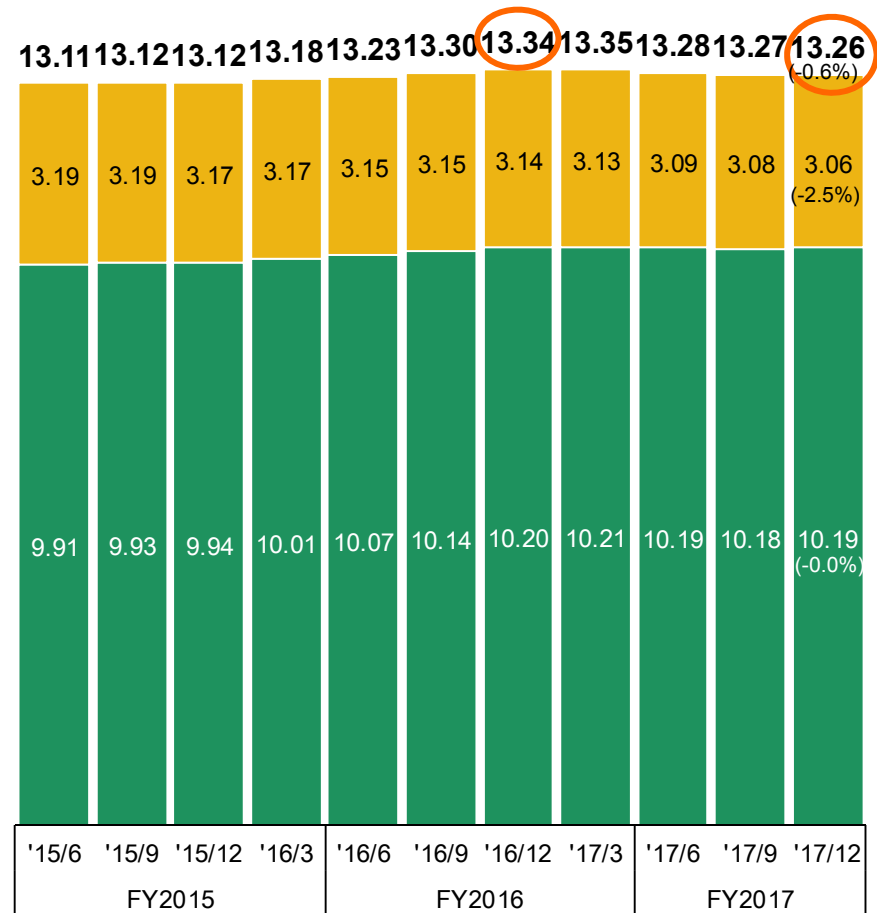
- Apartment loan
- Flat 35
- Residential housing loan



## Term-end loan balance

(JPY tn, % represents YoY change)

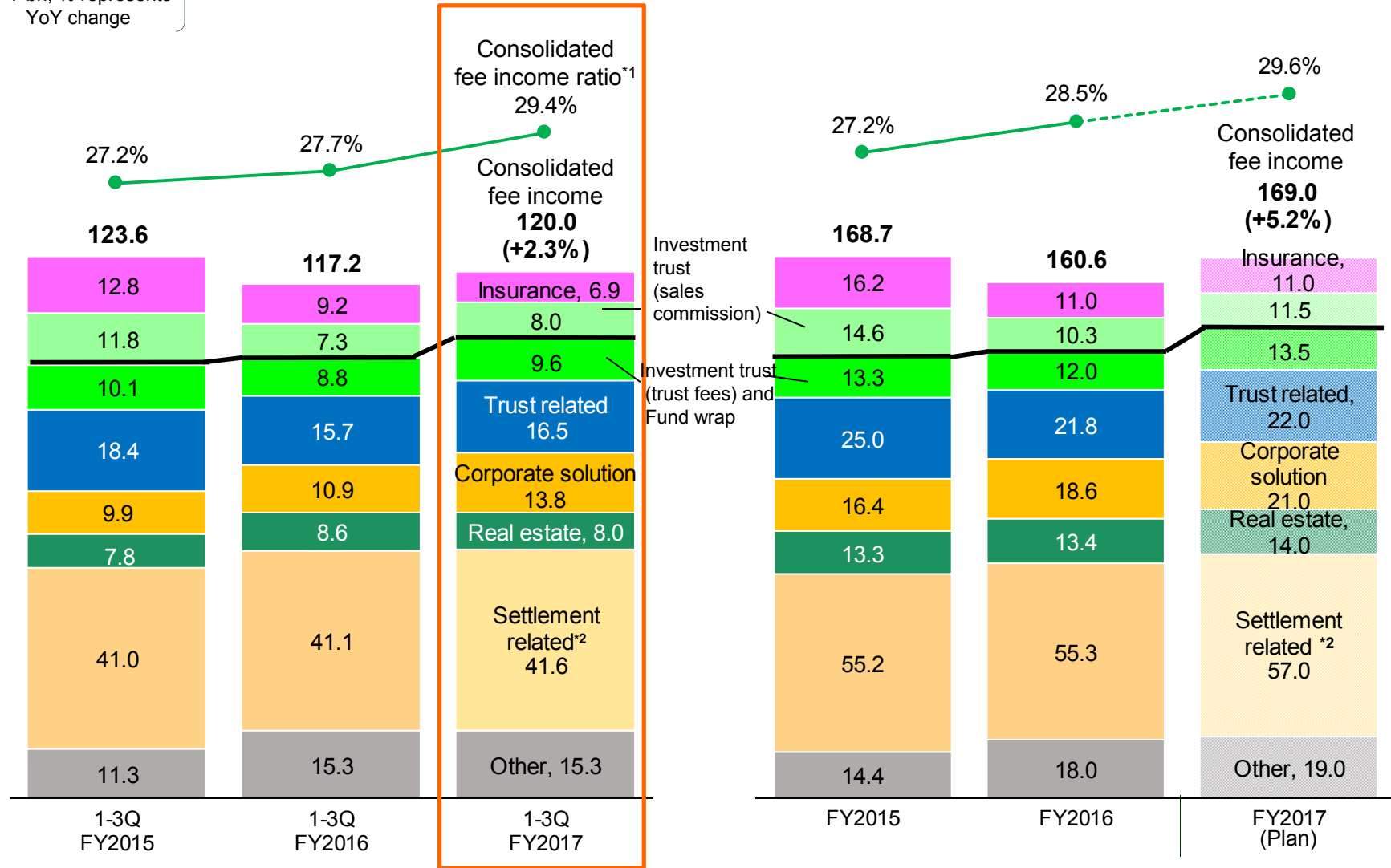
- Apartment loan
- Residential housing loan



# Trend of Fee Income

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

JPY bn, % represents YoY change



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

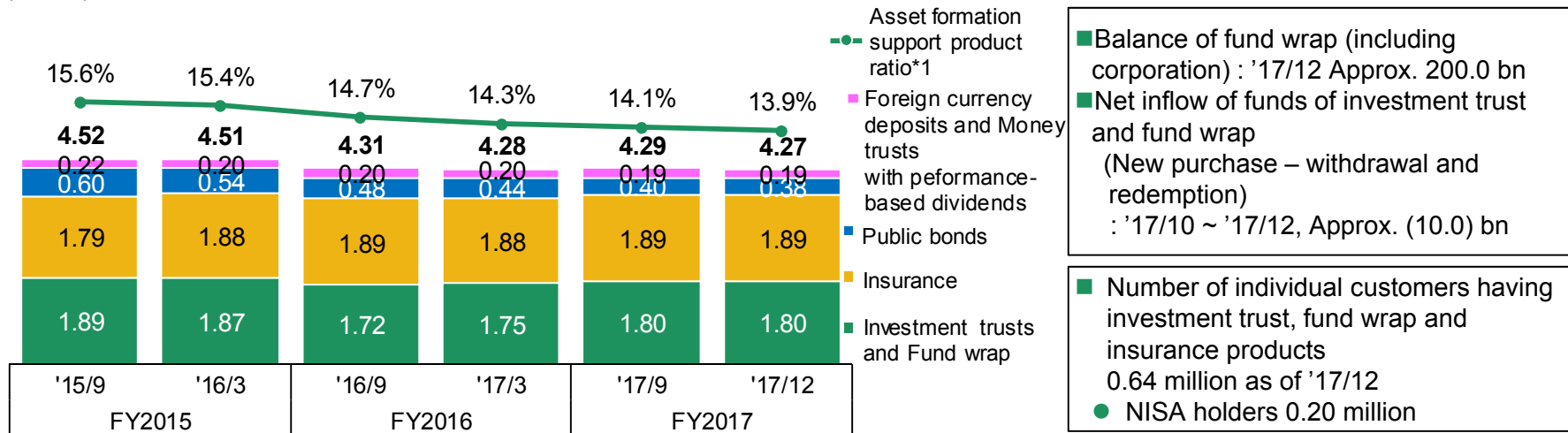


# Asset Formation Support Business

Total of Group Banks

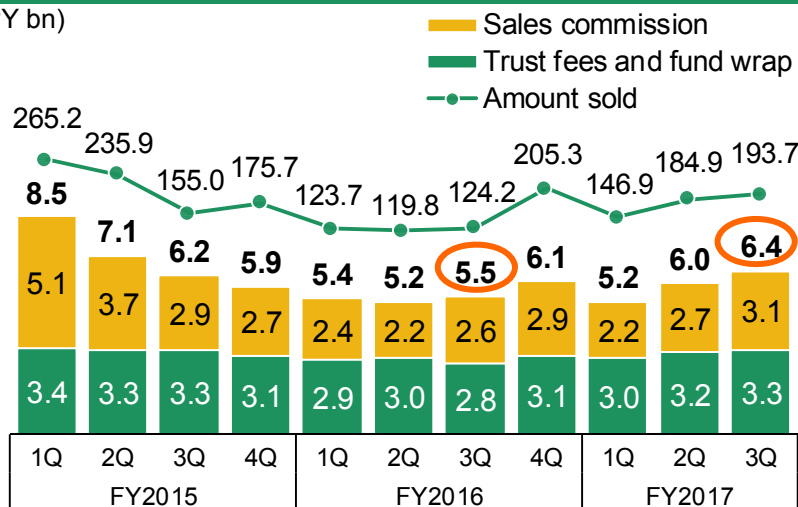
## Balance of asset formation support products sold to individuals

(JPY tn)



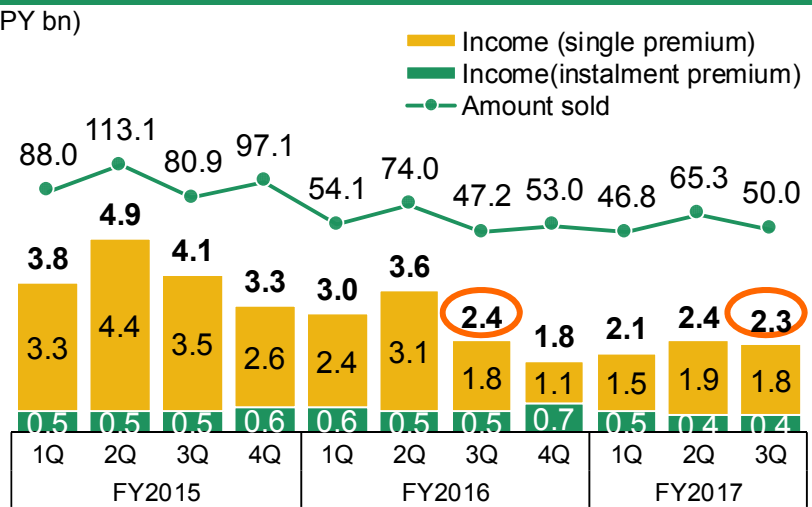
## Investment trust and fund wrap

(JPY bn)



## Insurance

(JPY bn)



\*1. Asset formation support product ratio = balance of asset formation support products sold to individuals / (balance of asset formation support products sold to individuals and yen deposits held by individuals)  
 \*2. Reported figures are compiled for a business administration purpose

# Credit Costs and NPL

RHD Consolidated  
Total of Group Banks

## Trend of credit costs

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

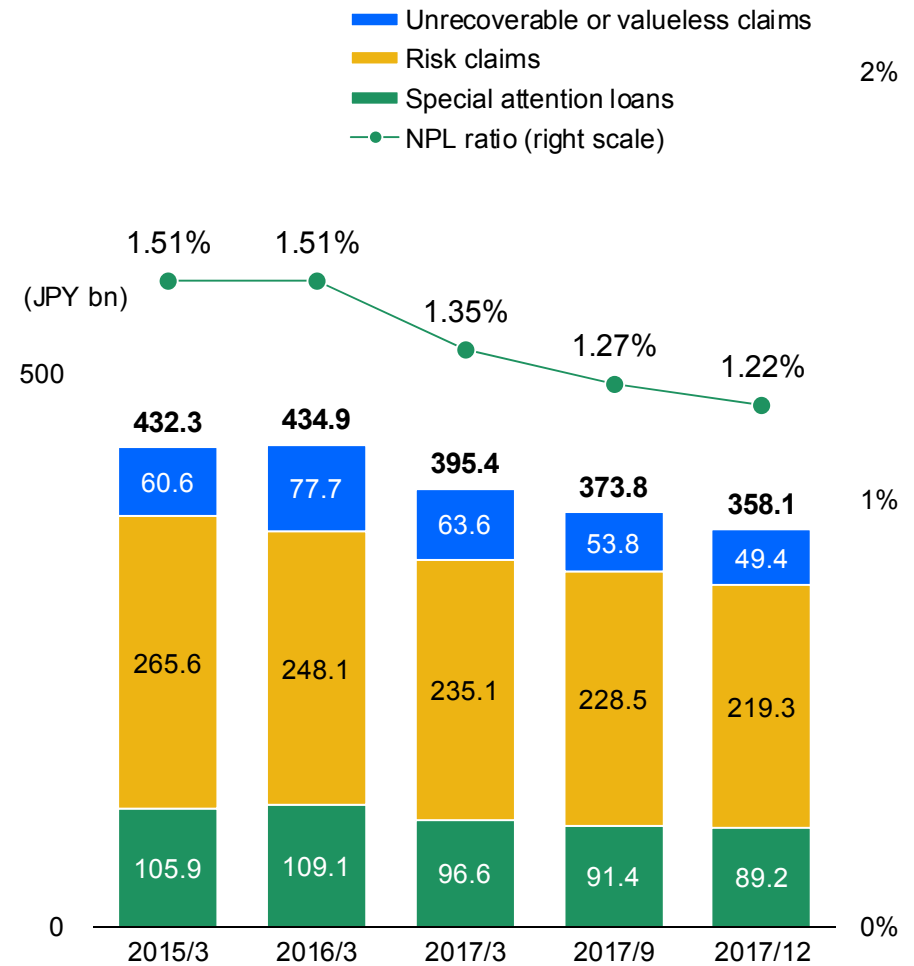
(Note) Positive figures represent reversal gains

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

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

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

(Financial Reconstruction Act criteria)



# Securities Portfolio

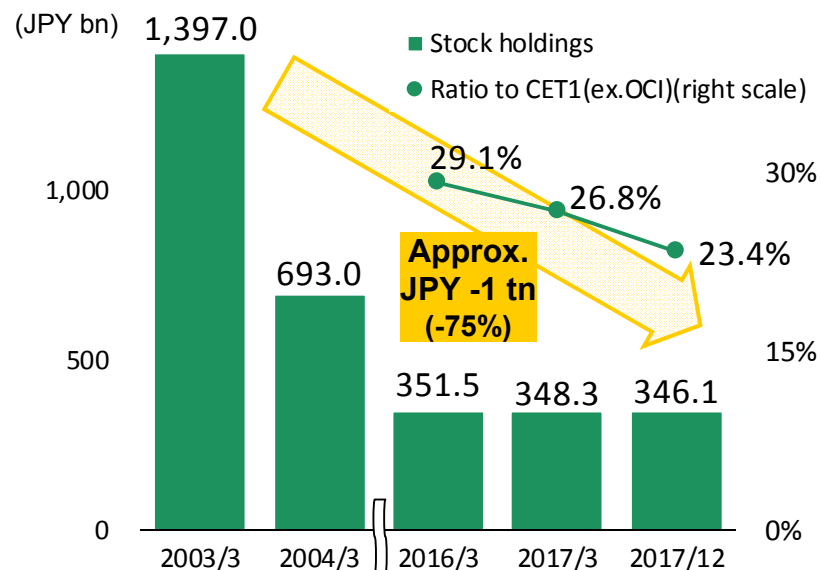
Total of Group Banks

## Securities Portfolio\*1

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

## Status of policy-oriented stocks held

- Breakeven Nikkei average: Approx. 5,600 yen
- Decrease in listed stocks in 1-3Q of FY2017 (acquisition cost) : JPY 2.2 bn, Net gain on sale: JPY 4.6 bn
- Policy for holding policy-oriented stocks\*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\*2 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 Dec. 31, 2017 were 12.10% and 9.90%, respectively, maintaining sound capital adequacy level

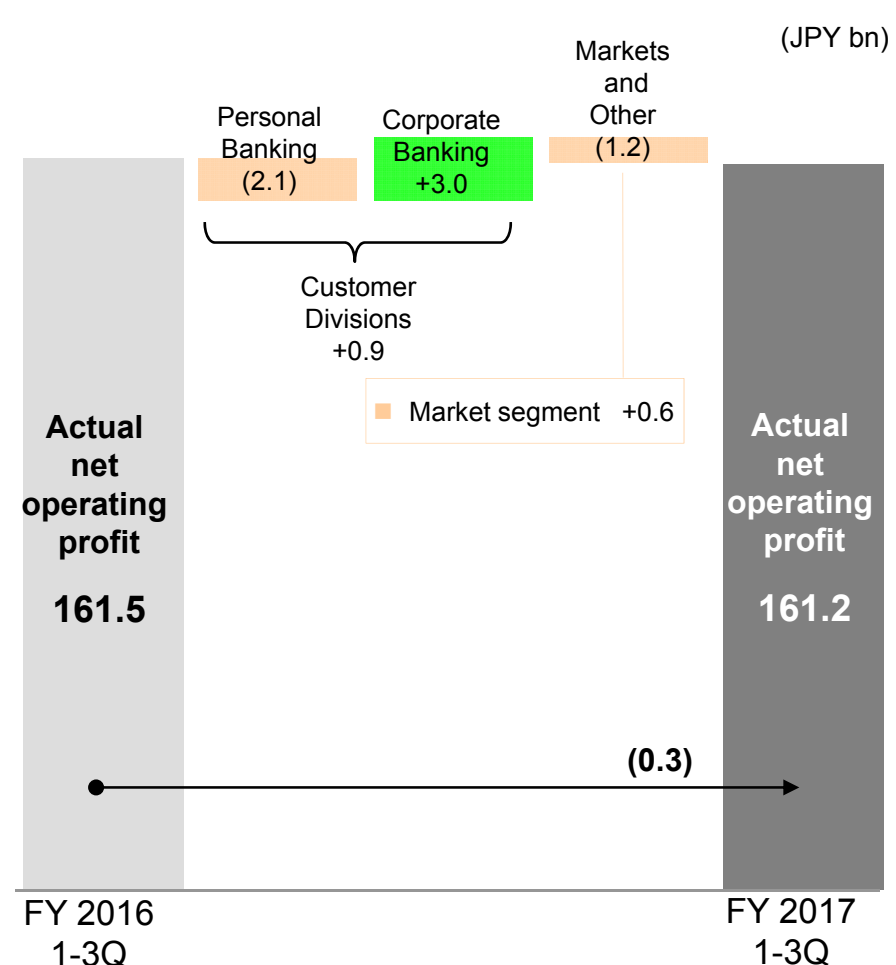
\* Excluding unrealized gain on available-for-sale securities

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

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

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

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



## Definition of management accounting

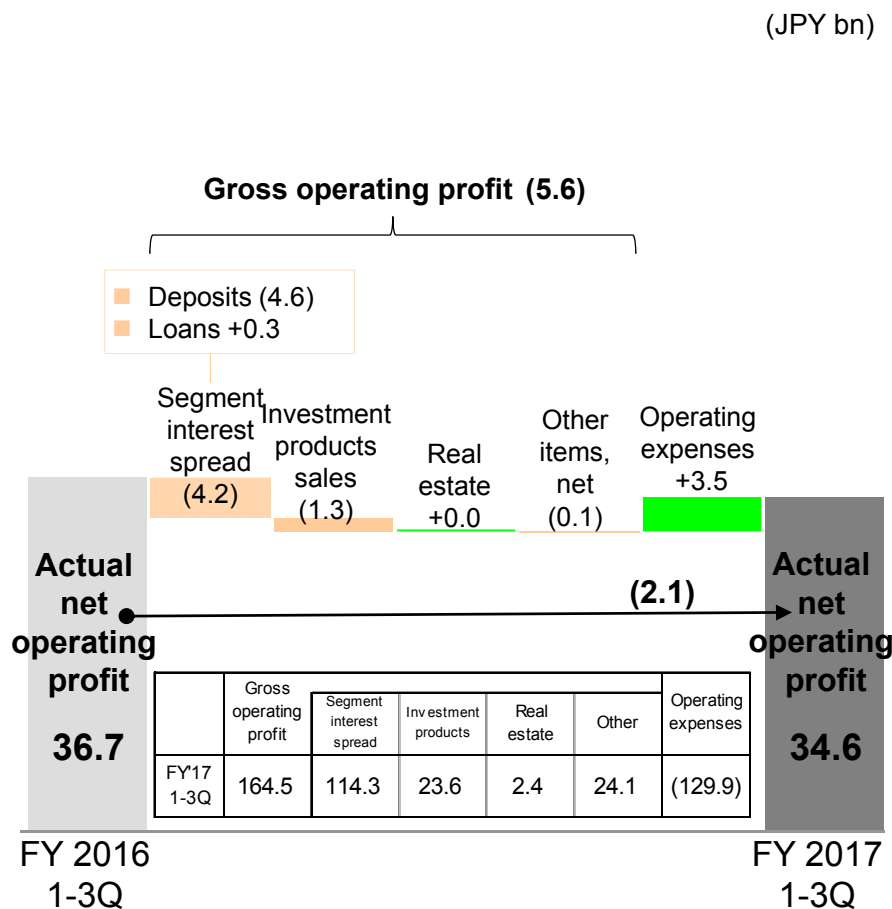
1. Numbers reported above refer to 3 Resona Group banks and consolidated subsidiaries.
2. Gross operating profit of "Markets" segment includes a part of net gains/losses on stocks.
3. "Other" segment refers to the divisions in charge of management and business administration.

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

## Personal Banking Segment

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

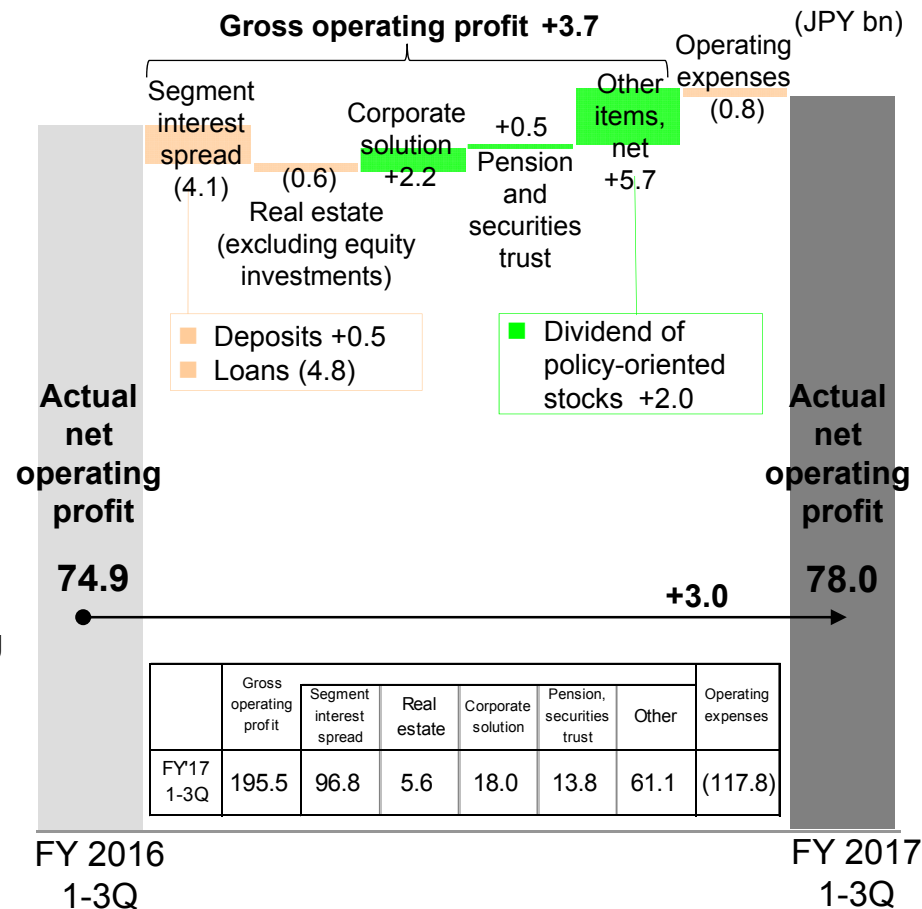
【 Comparison of actual net operating profit 】



## Corporate Banking Segment

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

【 Comparison of actual net operating profit 】



*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.*

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