

*Supplementary Explanatory Material for the Results of 1-3Q Period of FY 2013*



**RESONA**

**February 12, 2014**

**Resona Holdings**

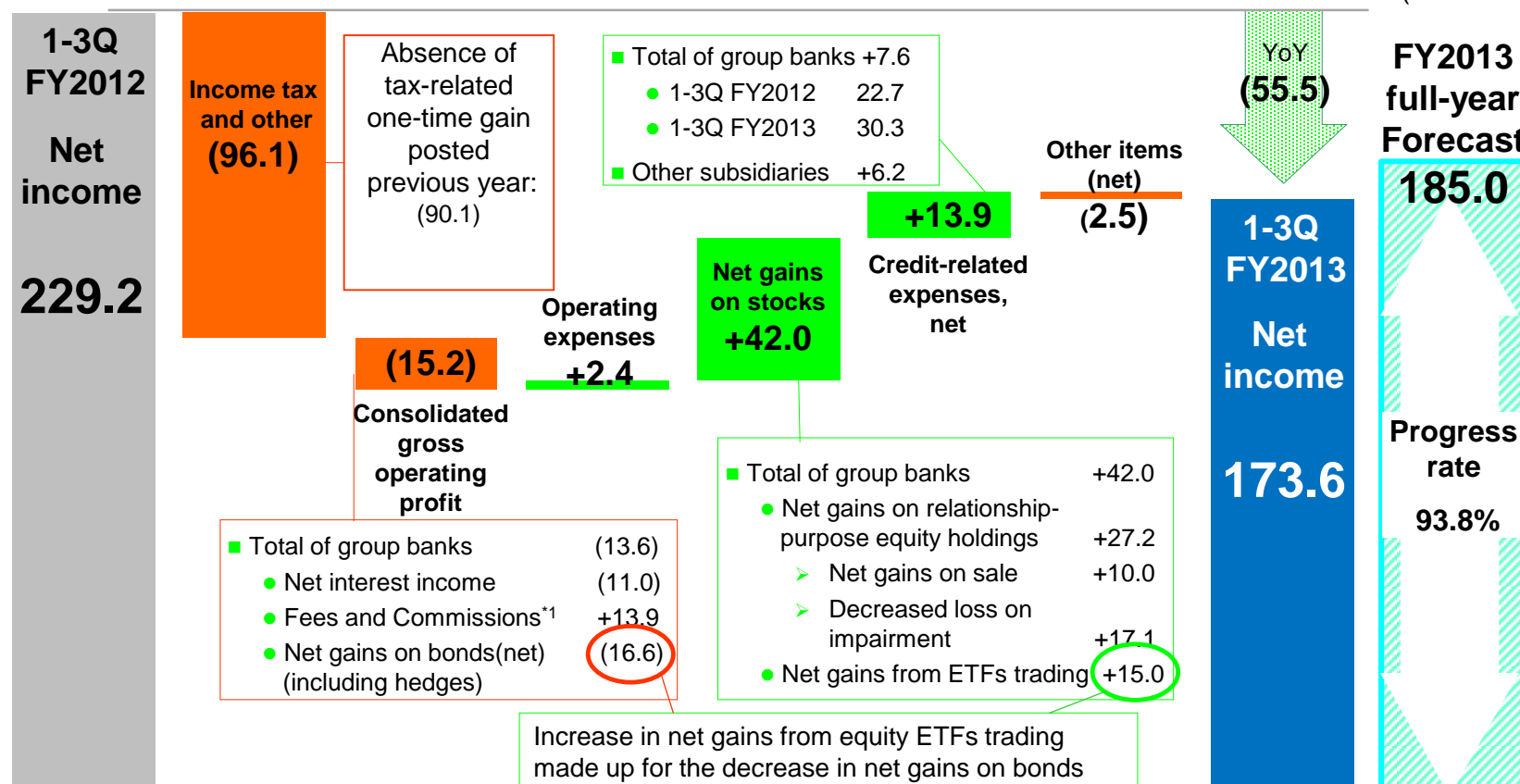
- 1. In some pages of this material, names of Resona Group companies are shown in the following abbreviated forms:  
RHD: Resona Holdings, RB: Resona Bank, SR: Saitama Resona Bank, KO: Kinki Osaka Bank,  
Total of Group Banks: Sum of non-consolidated figures for the three banks*
- 2. Negative figures represent items that would reduce net income*

# Consolidated Net Income for 1-3Q FY2013 Compared with 1-3Q FY2012

- Posted ¥173.6 bn of consolidated net income, ¥(55.5) bn YoY, with a progress rate against the full-year forecast being 93.8% => ¥34.6 bn increase YoY excluding the one-time tax-related gain of ¥90.1 bn posted last year
- Consolidated gross operating profit decreased by ¥15.2 bn YoY. However, it would be the same level as the same period of previous year if the increase in net gains from trading of equity ETFs is taken into account.
- Net gains on stocks improved while negative credit-related expenses continued

## ¥55.5 bn decrease YoY, or ¥34.6 bn increase YoY excluding the one-time tax-related gain posted last year

(Billions of Yen)



\*1. Fees and commission income plus trust fees

## Summary of Operating Results for 1-3Q Period of FY2013

Total of Group Banks (A) (Amounts in billions of yen)		FY2012 1-3Q	FY2013 1-3Q	Change	Rate of Progress <sup>*3</sup>	Comments
(1)	<b>Gross operating profit</b>	429.2	415.5	(3.1)%	73.8%	(1) Gross operating profit decreased by Y13.6 bn YoY Progress rate against the full-year guidance is 73.8%
(2)	Net interest income	325.3	314.3	(3.3)%	—	(2) Net interest income decreased by Y11.0 bn YoY, mainly due to a decrease in income from domestic loans and deposits attributable to a contraction of loan-to-deposit spread
(3)	Fees and commission income <sup>*1</sup>	71.5	85.5	+19.5%	—	(3) Fees and commission income increased by Y13.9 bn YoY, making up for the decrease in net interest income
(4)	Net gains on bonds	27.1	4.2	(84.1)%	—	(4) Net gains on bonds (including hedges) were Y6.9 bn, down Y16.6 bn YoY. Implemented a portfolio rebalance in 3Q in response to prevailing interest rate environment.
(5)	Other income (net)	5.0	11.3	+122.7%	—	(5) Other income (net) increased by Y6.3 bn YoY.
(6)	<b>Operating expenses</b>	(248.2)	(248.3)	(0.0)%	75.2%	(6) Operating expenses remained almost flat, in line with the full-year guidance
(7)	<b>Actual net operating profit <sup>*2</sup></b>	180.9	167.1	(7.6)%	71.7%	(7) Actual net operating profit decreased by Y13.8 bn YoY
(8)	<b>Net gain/(loss) on stocks</b>	(15.0)	26.9	—	—	(8) Net gain on stocks increased by Y42.0 bn, driven by 1) absence of impairment loss posted previous year 2) Y15.0 increase in net gains from equity ETFs trading
(9)	<b>Credit expense, net</b>	22.7	30.3	—	—	(9) Booked a reversal gain of Y30.3 bn. Negative credit expense continued
(10)	<b>Pre-tax income</b>	191.7	225.7	+17.7%	92.8%	(10) Pre-tax income increased by Y34.0 bn YoY.
(11)	<b>Net income</b>	207.6	152.4	(26.5)%	92.9%	(11) Posted Y152.4 as net income with a progress rate against the full-year guidance reaching 92.9%
Resona HD Consolidated (B) (Amounts in billions of yen)		FY2012 1-3Q	FY2013 1-3Q	Change	Rate of Progress <sup>*3</sup>	Comments
(12)	<b>Net Income</b>	229.2	173.6	(24.2)%	93.8%	(12) Posted Y173.6 bn as consolidated net income. Progress rate against the full-year guidance at 93.8%
(13)	Difference (B) – (A)	21.5	21.2	(1.7)%	—	

\*1. Fees and commission income plus trust fees

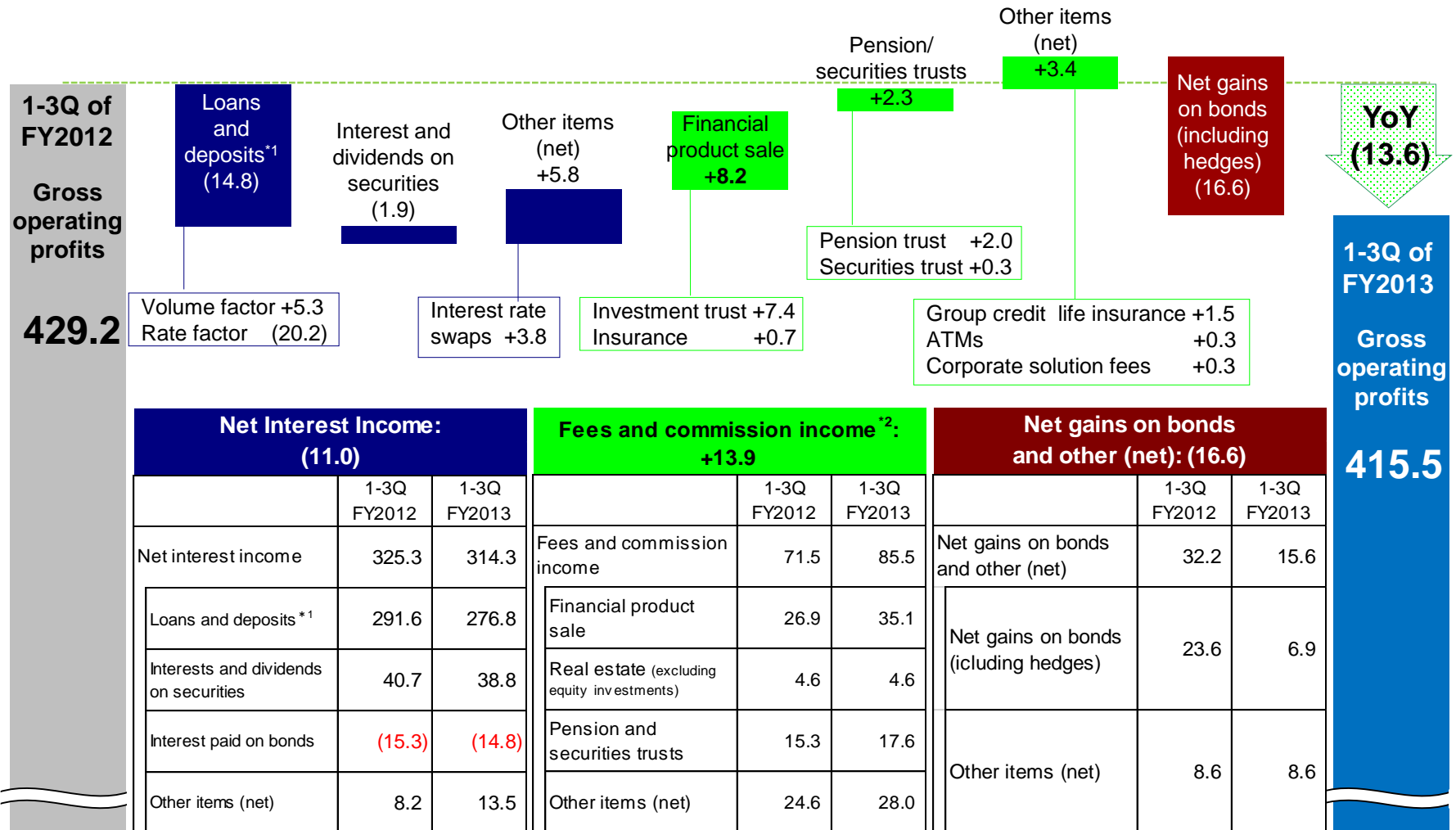
\*2. Net operating profit before transfer to general reserve for possible loan losses and expenses related to NPL disposal in the trust account

\*3. Rate of progress against the full-year guidance for FY2013 announced in November 2013

# Gross Operating Profits for 1-3Q FY2013 Compared with 1-3Q FY2012 (Total of Group Banks)

Decreased by Y13.6bn YoY, primarily due to decrease in interest income and net gains on bonds

(Billions of Yen)



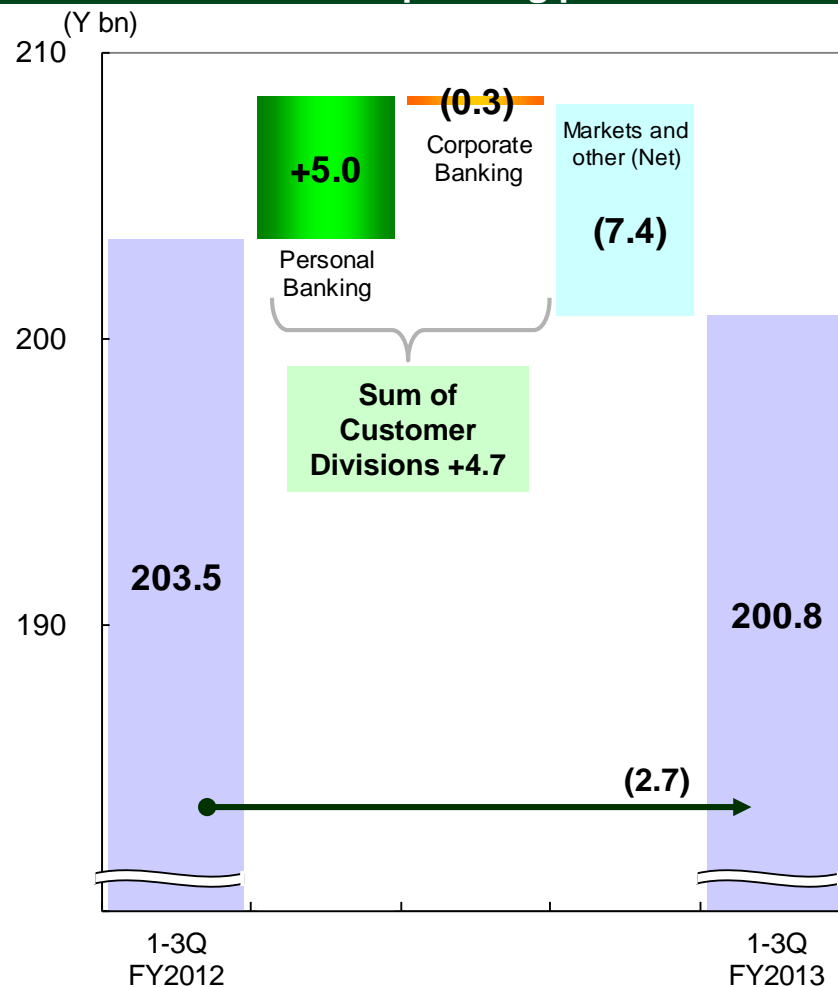
\*1. Domestic operations (Deposits include NCDs) \*2. Fees and commission income plus trust fees

# Outline of Results by Business Segments (1)

## Summary of results by business segments

(Billions of Yen)		1-3Q FY2012	1-3Q FY2013	Change
<b>Sum of Customer Divisions</b>	Gross operating profit	400.8	406.0	5.2
	Operating expense	(244.7)	(245.2)	(0.5)
	Actual net operating profit	156.1	160.8	4.7
<b>Personal Banking</b>	Gross operating profit	190.9	196.6	5.7
	Operating expense	(131.5)	(132.2)	(0.7)
	Actual net operating profit	59.4	64.5	5.0
<b>Corporate Banking</b>	Gross operating profit	209.9	209.4	(0.5)
	Operating expense	(113.3)	(113.0)	0.2
	Actual net operating profit	96.7	96.4	(0.3)
<b>Markets and Other (Net)</b>	Gross operating profit	53.3	45.5	(7.7)
	Operating expense	(5.9)	(5.5)	0.3
	Actual net operating profit	47.4	40.0	(7.4)
<b>Total</b>	Gross operating profit	454.1	451.6	(2.5)
	Operating expense	(250.6)	(250.7)	(0.1)
	Actual net operating profit	203.5	200.8	(2.7)

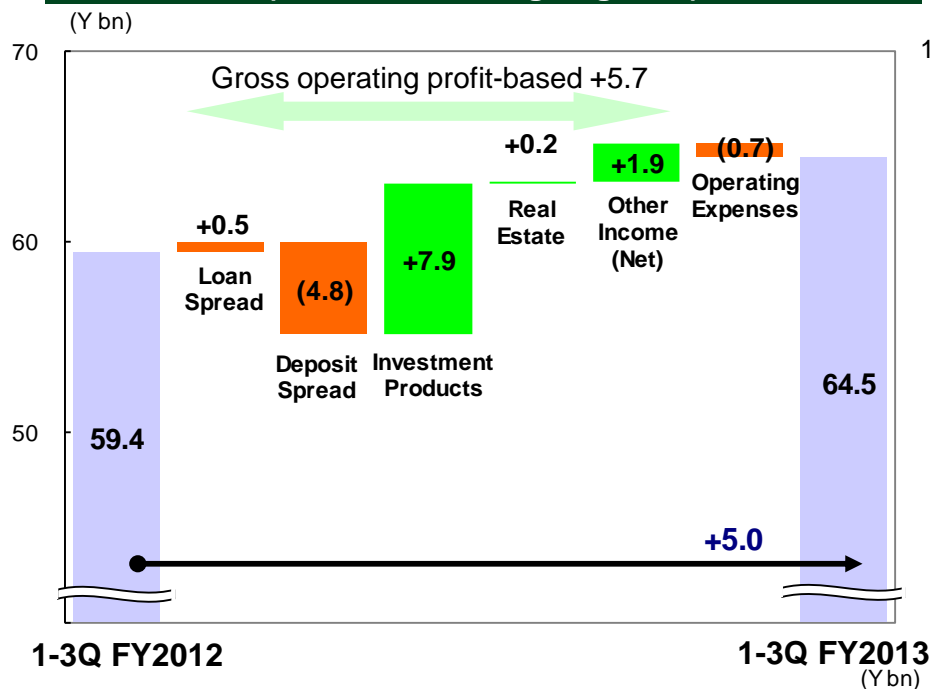
## Breakdown of changes in actual net operating profits



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

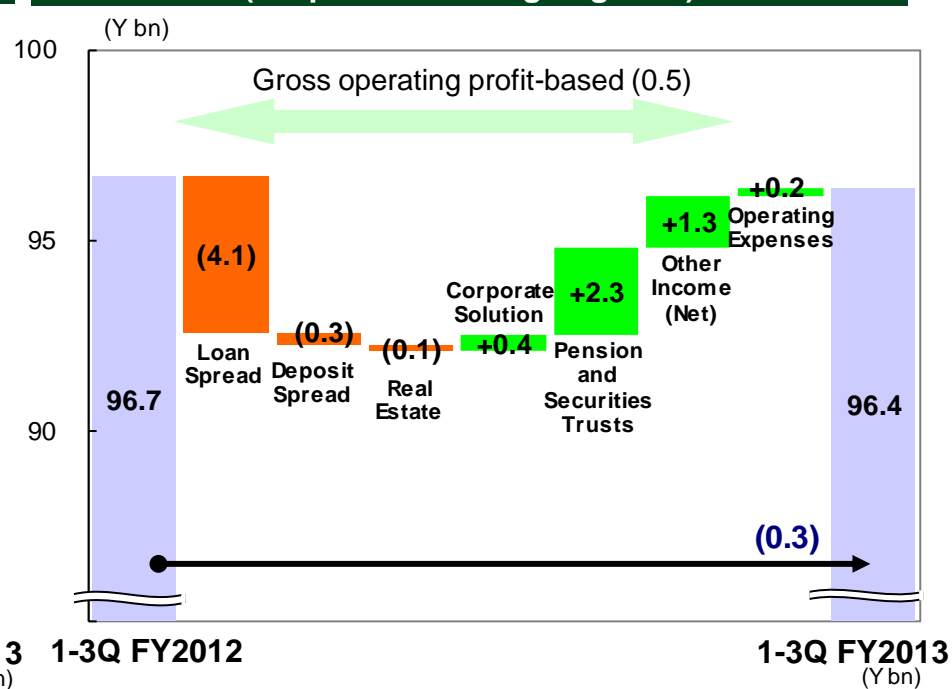
## Outline of Results by Business Segments (2)

### Change in Actual Net Operating Profit (Personal Banking Segment)



Personal Banking Segment	1-3Q FY2012	1-3Q FY2013	Change
Gross Operating Profit	190.9	196.6	5.7
Loan Spread	94.2	94.7	0.5
Deposit Spread	59.1	54.3	(4.8)
Investment Products	27.4	35.2	7.9
Real Estate	1.0	1.2	0.2
Other Income (Net)	9.3	11.2	1.9
Operating Expenses	(131.5)	(132.2)	(0.7)
Actual Net Operating Profit	59.4	64.5	5.0

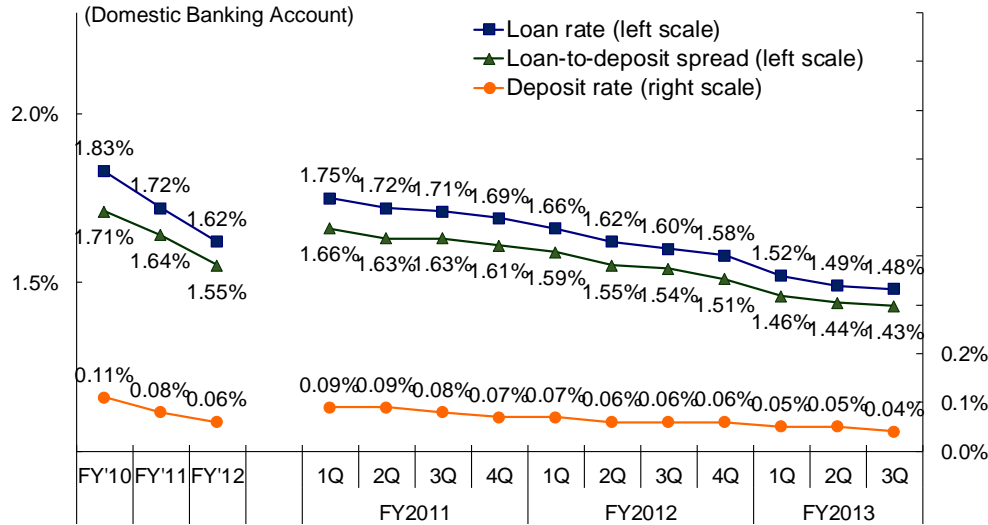
### Change in Actual Net Operating Profit (Corporate Banking Segment)



Corporate Banking Segment	1-3Q FY2012	1-3Q FY2013	Change
Gross operating profit	209.9	209.4	(0.5)
Loan spread	115.3	111.2	(4.1)
Deposit spread	25.7	25.4	(0.3)
Real Estate (Excluding Equity-related Income)	3.7	3.5	(0.1)
Corporate Solutions	10.1	10.5	+ 0.4
Pension and Securities Trusts	15.4	17.7	+ 2.3
Other Income (Net)	39.8	41.1	+ 1.3
Operating Expenses	(113.3)	(113.0)	+ 0.2
Actual Net Operating Profit	96.7	96.4	(0.3)

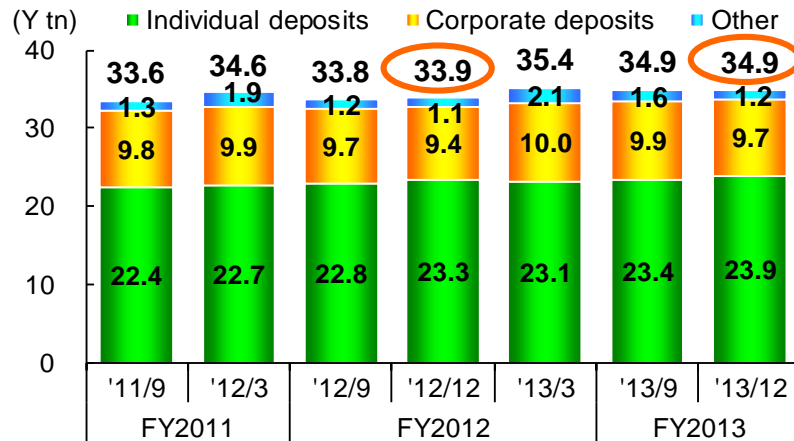
# Trend of Loan and Deposit (Total of Group Banks)

## Trend of loan and deposit rates and spread

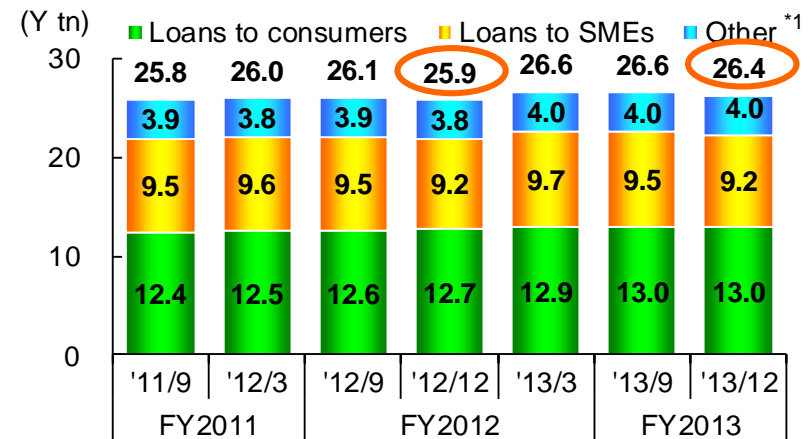


(Trillion Yen)		1-3Q of FY2012	1-3Q of FY2013	Change
Loans	Average balance	25.17	25.66	+0.49
	Yield	1.63%	1.50%	(0.13)%
Deposits (Including NCDs)	Average balance	34.73	35.89	+1.15
	Cost	0.06%	0.05%	(0.01)%
Loan-to-deposit spread		1.56%	1.45%	(0.11)%

## Trend of term-end deposit balance



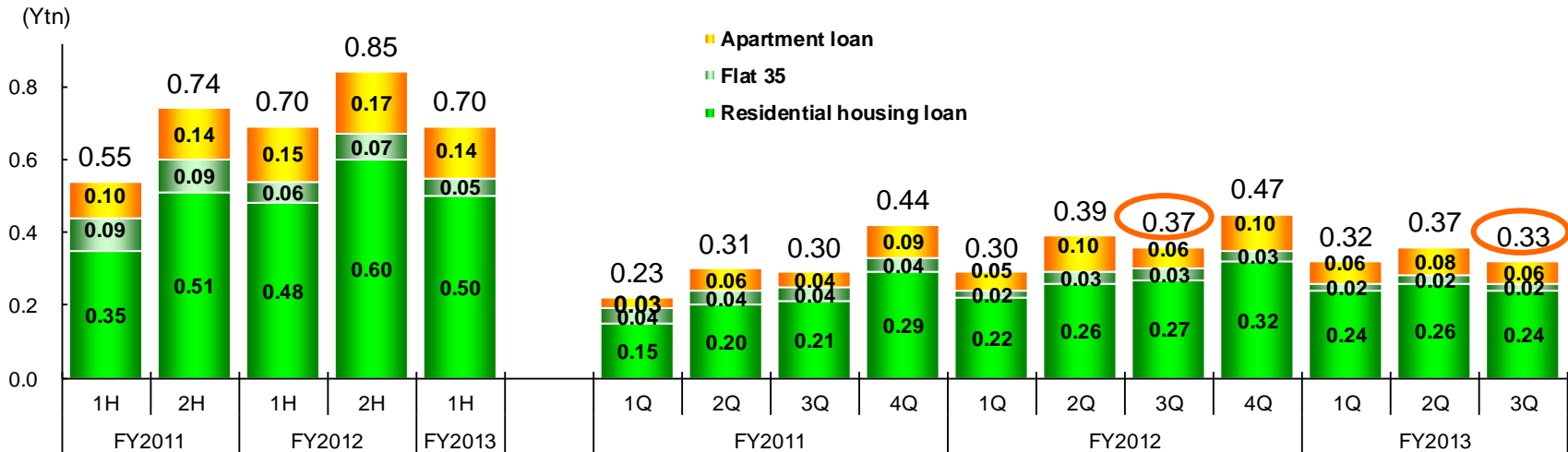
## Trend of term-end loan balance



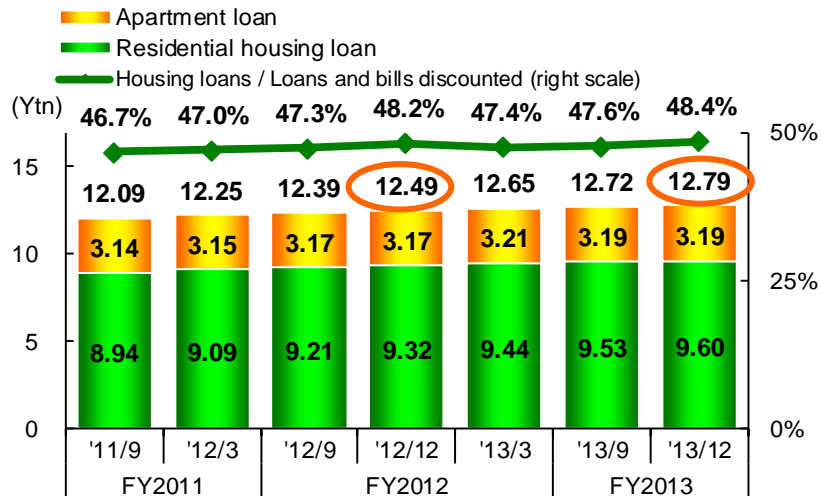
\*1. Include the loan Resona Bank extended to Resona Holdings (Y0.27 trillion as of 2011/9, Y0.24 trillion as of 2012/3 and 2012/9, Y0.19 trillion as of 2012/12 and 2013/3, Y0.30 trillion as of 2013/9 and 2013/12)

# Trend of Housing Loan Business (Total of Group Banks)

## Trend of Housing Loan Origination



## Trend of Housing Loan Balance



## Indices to measure soundness

### Ratio of subrogation payment\*1

Approx. 0.3%

### Net loss ratio\*2

Approx. 0.1%

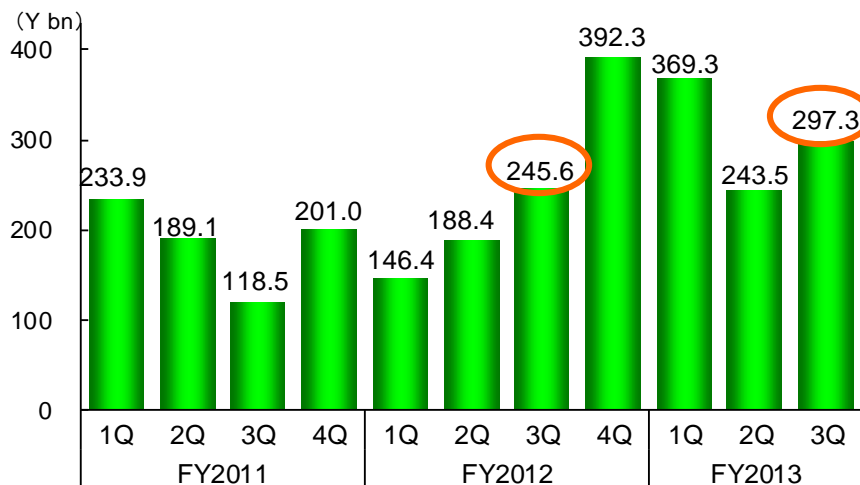
\*1. Rate of subrogation repayment by loan guarantee subsidiaries

\*2. Subrogation ratio x (1 - rate of recovery after subrogation)

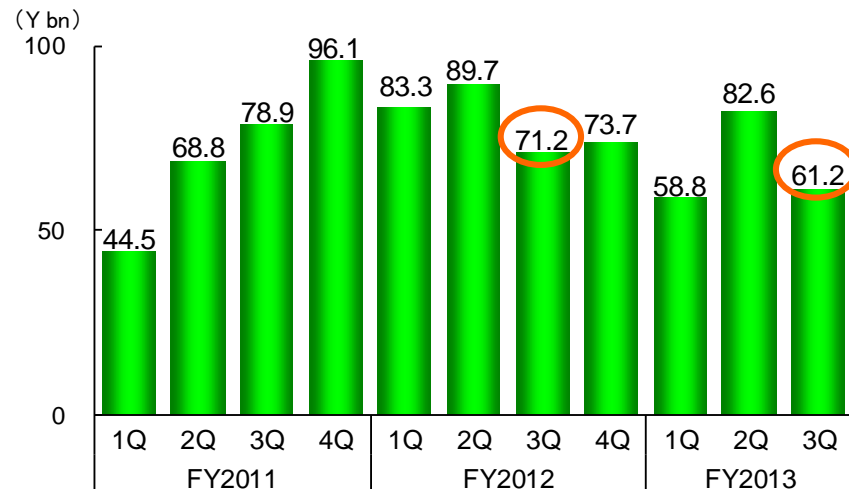


# Trend of Investment Product Sale Business (Total of Group Banks)

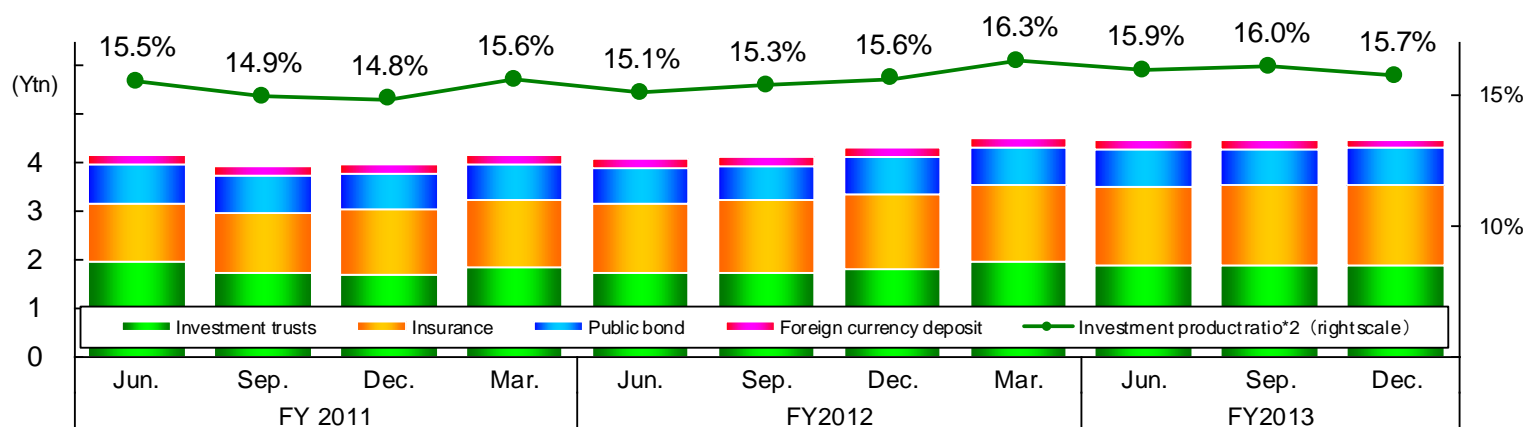
## Investment Trusts\*1



## Insurance\*1



## Balance of Investment Products sold to Individual\*1



\*1 Data compiled for a business administration purpose

\*2 Investment product ratio = balance of investment products sold / balance of investment products sold and deposits held by individuals

# Trend of Credit Cost, NPL and Securities Portfolio

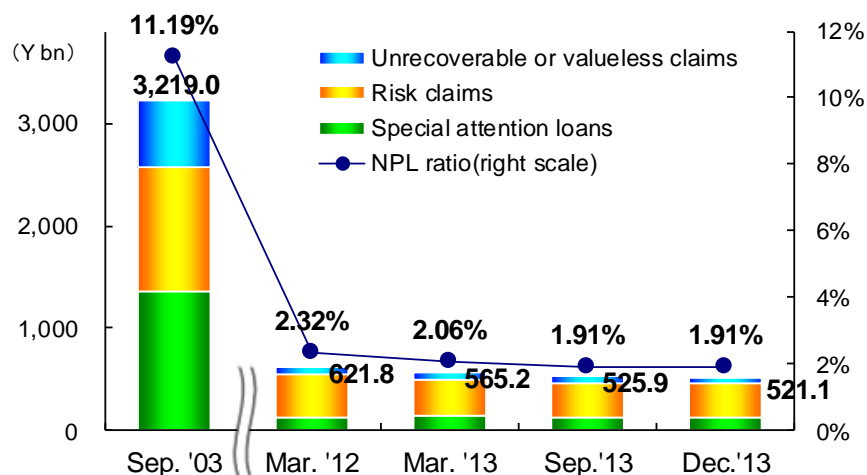
## Trend of credit costs

(Y bn)

	FY2011		FY2012			FY 2013	
	1H	2H	1H	3Q	2H	1H	3Q
Total of group banks (A)	0.4	(4.8)	11.2	11.4	10.1	14.8	15.5
General reserve	22.0	27.3	20.4	13.2	8.9	12.2	14.8
Specific reserve and other items	(21.5)	(32.2)	(9.1)	(1.7)	1.1	2.5	0.6
New bankruptcy, downward migration	(27.4)	(28.3)	(28.2)	(8.0)	(16.9)	(15.4)	(11.6)
Other	5.8	(3.9)	19.1	6.3	18.1	18.0	12.2
Difference (B) - (A)	(7.1)	(2.1)	(5.9)	2.1	(2.4)	(0.8)	3.4
RHD consolidated (B)	(6.7)	(7.0)	5.3	13.6	7.7	13.9	18.9

(Note) Positive figures represent reversal gains

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



## Securities portfolio (RHD Consolidated)

### Available-for-sale securities

- Net unrealized gain as of Dec. 31, 2013 : Y350.1 bn
- Stocks : Break-even Nikkei average Y6,400
- JGB : Average duration 3.0 years, BPV Y1.52 bn

(Y bn)

	Mar.'12	Mar.'13	Sep.'13	Dec.'13
Available-for-sale securities *1	9,158.7	7,697.0	7,616.8	6,787.8
Stocks	342.5	337.2	333.6	333.5
Bonds	8,451.0	6,962.2	6,882.7	6,104.5
JGBs	7,393.3	5,662.8	5,719.0	4,990.2
Average duration (years)	2.4	2.7	2.8	3.0
Basis Point Value (BPV)	(1.81)	(1.59)	(1.68)	(1.52)
Local Government Bonds	183.5	214.7	204.2	215.9
Corporate Bonds	874.1	1,084.7	959.5	898.3
Other	365.1	397.4	400.4	349.6
Foreign securities	237.6	268.3	238.5	146.1
Unrealized gains/(losses)	131.9	258.0	294.8	350.1
Bonds held to maturity *2	2,060.6	2,224.7	2,095.3	2,132.5
Unrealized gains/(losses)	49.6	76.4	65.7	61.7

\*1. Acquisition cost basis

\*2. Balance sheet amount basis

# Updates on “Public Funds Full Repayment Plan” (Actions Taken in February 2014)

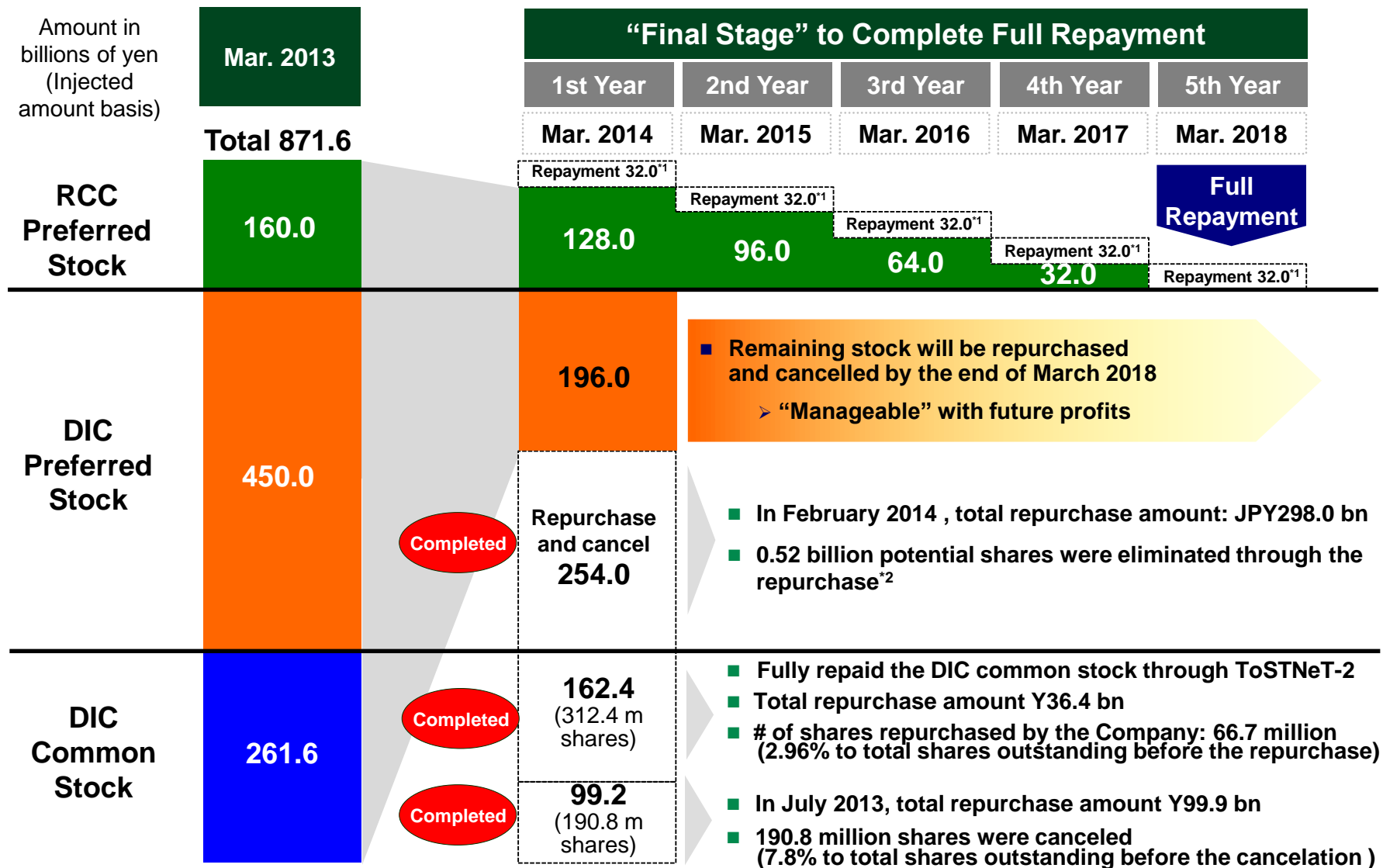
- Repurchased all of the remaining DIC common shares with the following objectives
  - (1) To realize a repayment without incurring any public financial burden
  - (2) To gain confidence of the markets by presenting a steady progress of the “Public Funds Full Repayment Plan”
  - (3) To increase flexibility in Resona’s future capital policies by acquiring own common shares
- Repurchased and canceled a part of the outstanding DIC preferred shares

	Amount repaid in February 2014 (Infusion amount basis)	Details of the actions taken and future policies
<b>DIC Common Stock</b>	<b>JPY 162.4 bn (Fully Repaid)</b>	<ul style="list-style-type: none"> <li>■ <b>Fully repaid DIC common shares through ToSTNeT-2</b> <ul style="list-style-type: none"> <li>● Total repurchase amount Y36.4 bn</li> <li>● Number of shares acquired by RHD out of the 312.4 million shares sold by the DIC: 66.7 million shares (Repurchased at JPY 546, TSE closing price on January 31, 2014) (2.96% to total shares outstanding*1 before the repurchase)</li> </ul> </li> <li>■ <b>Policies regarding the acquired common shares</b> <ul style="list-style-type: none"> <li>● Plans to give consideration to various options including the possibility of utilizing them to implement its capital policy in an expeditious and flexible manner, taking into consideration such factors as its financial conditions, including the status of its equity capital, its business environment, and the market conditions.</li> </ul> </li> </ul>
<b>DIC Preferred Stock</b>	<b>JPY 254.0 bn</b>	<ul style="list-style-type: none"> <li>■ <b>JPY298.0bn based on a repurchase amount (17.3% premium included)</b> <ul style="list-style-type: none"> <li>● The number of potential shares reduced: 0.52 billion shares (Fully-diluted share counts reduced from 3.26 billion to 2.67 billion shares)*2</li> </ul> </li> <li>■ <b>Resona plans to repurchase and cancel the remaining JPY196.0 bn*3 by the end of March 2018</b></li> </ul>

**Resona Holdings can maintain CET1 ratio of around 7% and Tier1 ratio between 8.5% and 9.0% even after the above repayments\*4 (Impact of the repayments on CET1 ratio and Tier1 ratio is about 1.9%\*4, respectively)**

\*1. Excluding the number of treasury shares \*2. Based on current exchange price (JPY 484) \*3. Based on injected amount \*4. Impact of the repayments (total repurchase amount JPY334.5 bn) is reflected on the CET1 and Tier1 ratios (International Std., F-IRB, and first adoption year criteria) calculated as of Dec. 31, 2013 based on our understanding of the Notification on Capital Adequacy and related guidelines.

# Outline of “Public Funds Full Repayment Plan” and Progress to Date



**Maintain CET1 and Tier1 ratios above 5.5% and 7.0%, respectively, during the repayment period**

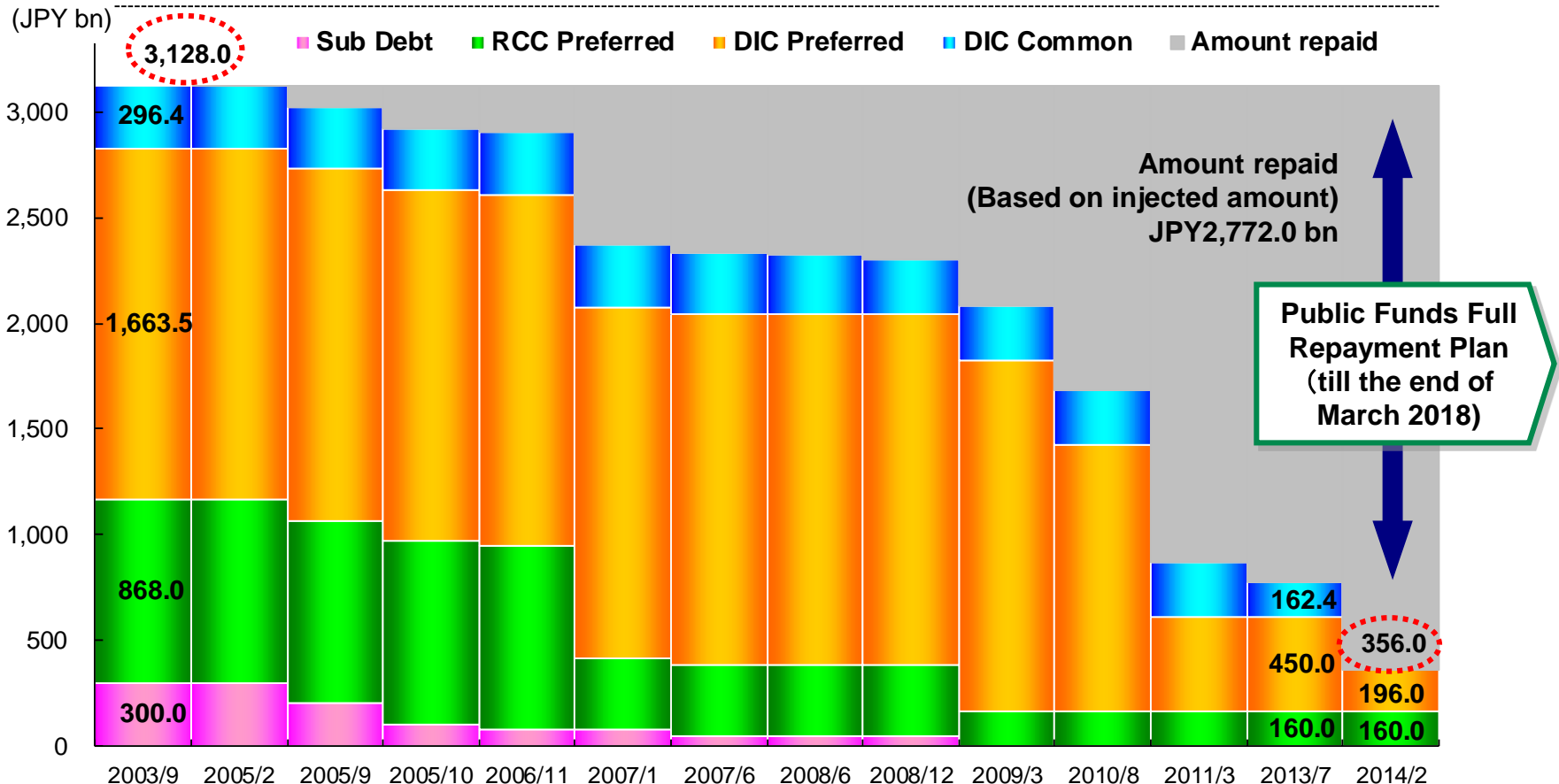
\*1. To be repaid with dividends distributed after each fiscal year-end

\*2. Based on current exchange price (JPY 484)

# Repayment Efforts Entering the “Final Stage” to Complete Full Repayment

The balance of public funds has reduced to almost one tenth of the peak amount

## Chronological repayment of public funds (based on injected amount)



## Resona HD's dividend per share on common stock (annual)



\*1. Adjusted to stock split in FY2007

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***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.***