Financial Highlights for the First Quarter of Fiscal Year 2016



Resona Holdings

July 29, 2016

Outline of Financial Results for the 1Q of FY2016

■ **Posted Y47.7 bn of net income attributable to owners of the parent (RHD consolidated)**
Down Y5.9 bn, or 11.0%, YoY,
Progress rate against the full year target: 29.8%
[Major factors for the YoY change (total of group banks)]
- Decrease in actual net operating profit : Y7.8 bn
- Decrease in net gains on stocks (including equity derivatives): Y3.0 bn
  => Net gains on equity ETFs Y(0.2) bn, down Y3.8 bn, YoY
- Improvement in credit-related expense : Y5.2 bn
  => Credit-related expense arising from new bankruptcies and downward migration of borrowers stayed at a low level, maintaining soundness of loan portfolio

■ **Posted Y53.6 bn of actual net operating profit (total of group banks)**
Down Y7.8 bn, or 12.6%, YoY,
Progress rate against the full year target: 23.7%
- Gross operating profit : Y135.4 bn, down Y7.4 bn, or 5.2%, YoY
  => Decrease in net interest income from loans and deposits and fees and commission income was partly made up for by increase in net gains on bonds
  - Net interest income from loans and deposits (domestic operation) : Down Y5.5 bn, or 6.5%, YoY
    - Average loan balance increased by approx. Y300 bn, or +1.1%, YoY
    - Loan-to-deposit spread : 1.16%, down 0.10%, YoY
  - Fees and commission income : Down Y1.5 bn, or 5.4%, YoY
  - Net gains on bonds (including futures): Up Y1.8 bn, or 24.0%, YoY
- Operating expenses : Y81.8 bn, up Y0.3 bn, YoY
  =>Stayed flat YoY through strenuous efforts for low-cost operation

*RHD will announce its capital adequacy ratios on Aug. 10, 2016

(Y bn)

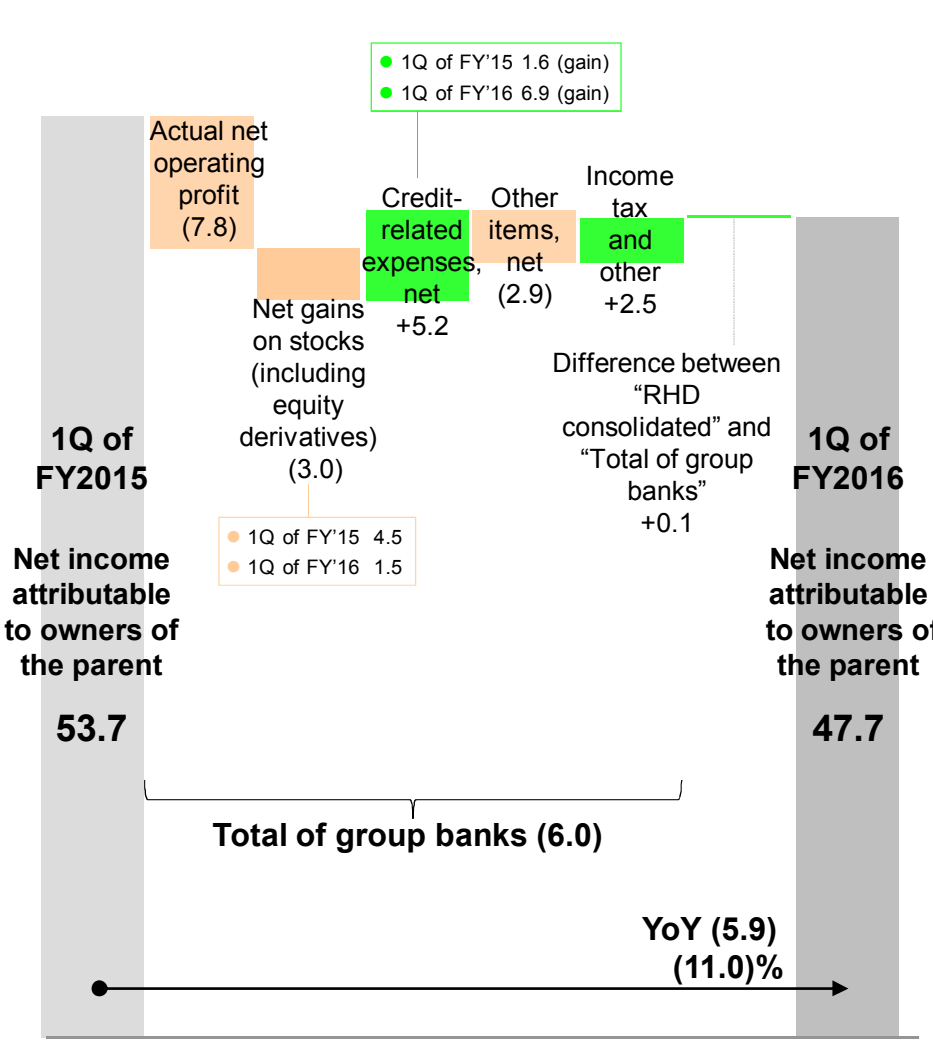
		FY2016 1Q	YoY change	YoY change %	Progress rate	FY2016 Company target
Resona HD (Consolidated)						
Net income attributable to owners of the parent	(1)	**47.7**	**(5.9)**	**(11.0)%**	**29.8%**	**160.0**
Difference (1)-(20)	(2)	5.7	+0.1			
EPS (yen)	(3)	20.60	(2.56)			
BPS (yen)	(4)	710.41	+4.28			
Total of group banks (Non-consolidated)						
Gross operating profit	(5)	**135.4**	**(7.4)**	**(5.2)%**	**24.3%**	**557.0**
Net interest income	(6)	91.2	(7.9)			
From loans and deposits*1	(7)	78.0	(5.5)			
Trust fees	(8)	4.6	(1.0)			
Fees and commission income	(9)	26.0	(1.5)			
Other operating income	(10)	13.5	+3.0			
Net gains on bonds (including futures)	(11)	9.5	+1.8			
Operating expenses	(12)	(81.8)	(0.3)	(0.3)%	24.6%	(331.5)
Cost income ratio (OHR)	(13)	60.4%	+3.3%			
Actual net operating profit*2	(14)	**53.6**	**(7.8)**	**(12.6)%**	**23.7%**	**225.5**
Net gains on stocks (including equity derivatives)	(15)	1.5	(3.0)			9.5
Credit related expenses, net	(16)	6.9	+5.2			(21.0)
Other, net	(17)	(4.6)	(2.9)			
Income before income taxes	(18)	**57.4**	**(8.5)**	**(12.9)%**	**28.0%**	**204.5**
Income taxes and other	(19)	(15.3)	+2.5			
Net income	(20)	**42.0**	**(6.0)**	**(12.5)%**	**28.9%**	**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. Negative figures represent items that would reduce net income

Factors for the Changes in Periodic Profits (YoY Comparison)

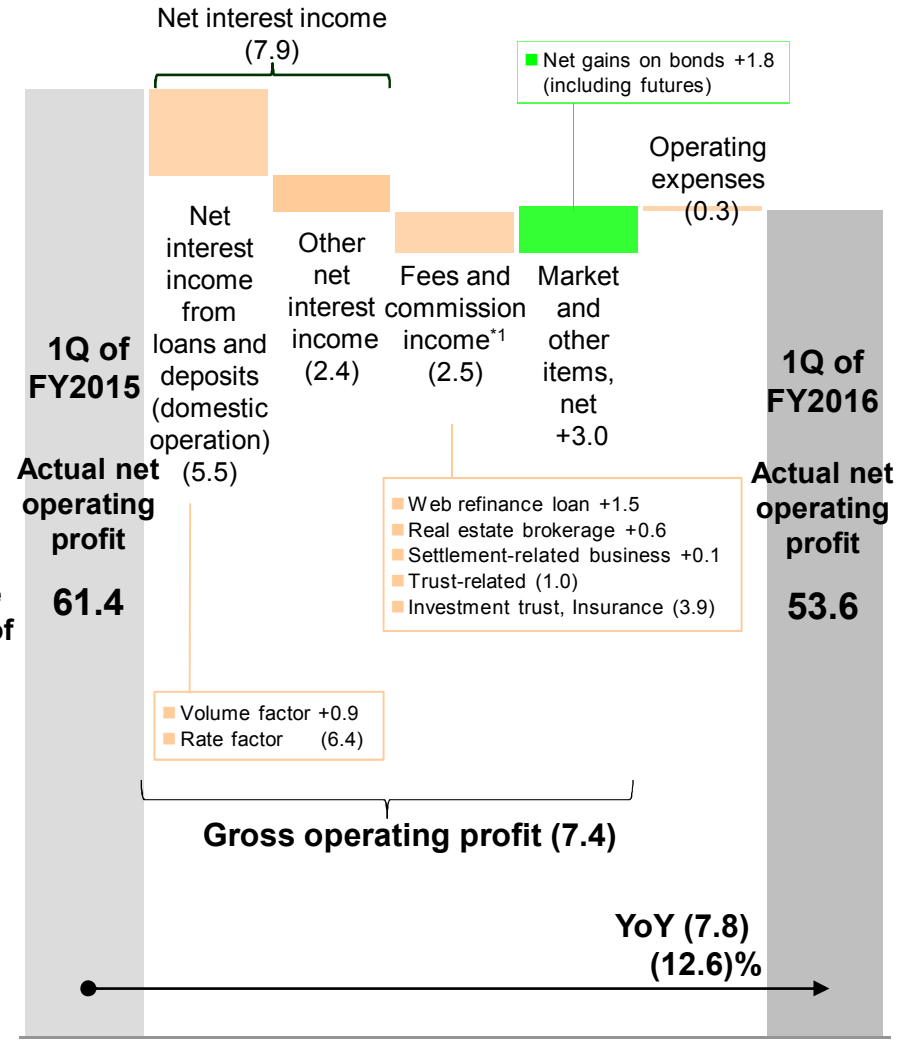
Net income attributable to owners of the parent (RHD Consolidated)

(Y bn)



Actual net operating profit (Total of Group Banks)

(Y bn)



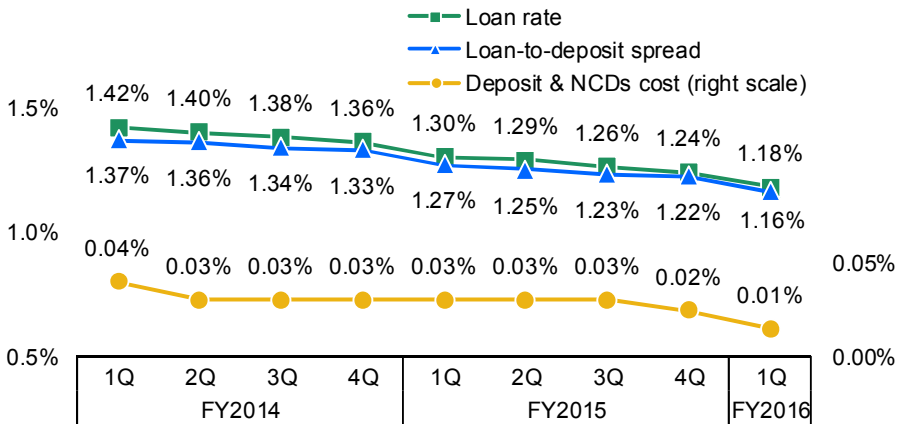
*1. Fees and commission income plus trust fees

Trend of Loan and Deposit (Total of Group Banks)

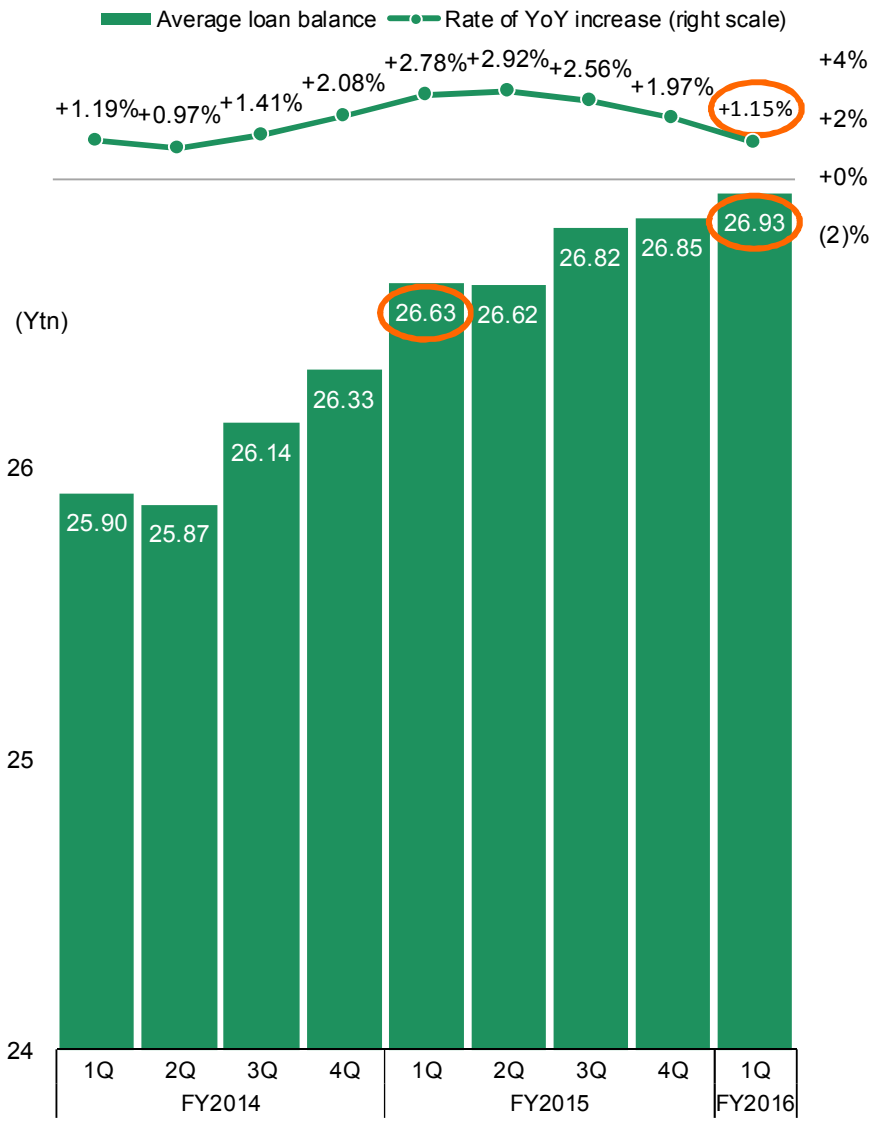
Average loan and deposit balance and spread

Avg. bal : Trillion Yen / Income/Cost : Billion Yen			1Q (Act)	1Q YoY change	FY2016 (Plan)	FY2016 YoY change
Average loan balance (Banking account)		(1)	27.44	+1.10%		
Domestic acct.	Loans	Average balance (2)	26.93	+1.15%	27.21	+1.81%
		Rate (3)	1.18%	(0.12)%	1.18%	(0.09)%
		Income (4)	79.6	(7.3)	322.1	(20.5)
	Corporate Banking Business Unit*1	Average balance (5)	15.63	+1.04%	15.87	+1.98%
		Rate (6)	1.03%	(0.15)%	1.02%	(0.11)%
	Personal Banking Business Unit*2	Average balance (7)	10.34	+1.35%	10.38	+1.62%
		Rate (8)	1.46%	(0.07)%	1.46%	(0.06)%
	Deposits (Including NCDs)	Average balance (9)	39.05	+2.19%	37.84	(0.63)%
		Rate (10)	0.01%	(0.01)%	0.01%	(0.01)%
		Cost (11)	(1.5)	+1.8	(6.6)	+5.2
	Loan-to-deposit	Spread (12)	1.16%	(0.10)%	1.16%	(0.08)%
		Net interest income (13)	78.0	(5.5)	315.5	(15.3)

Loan and deposit rates and spread (Domestic Account)



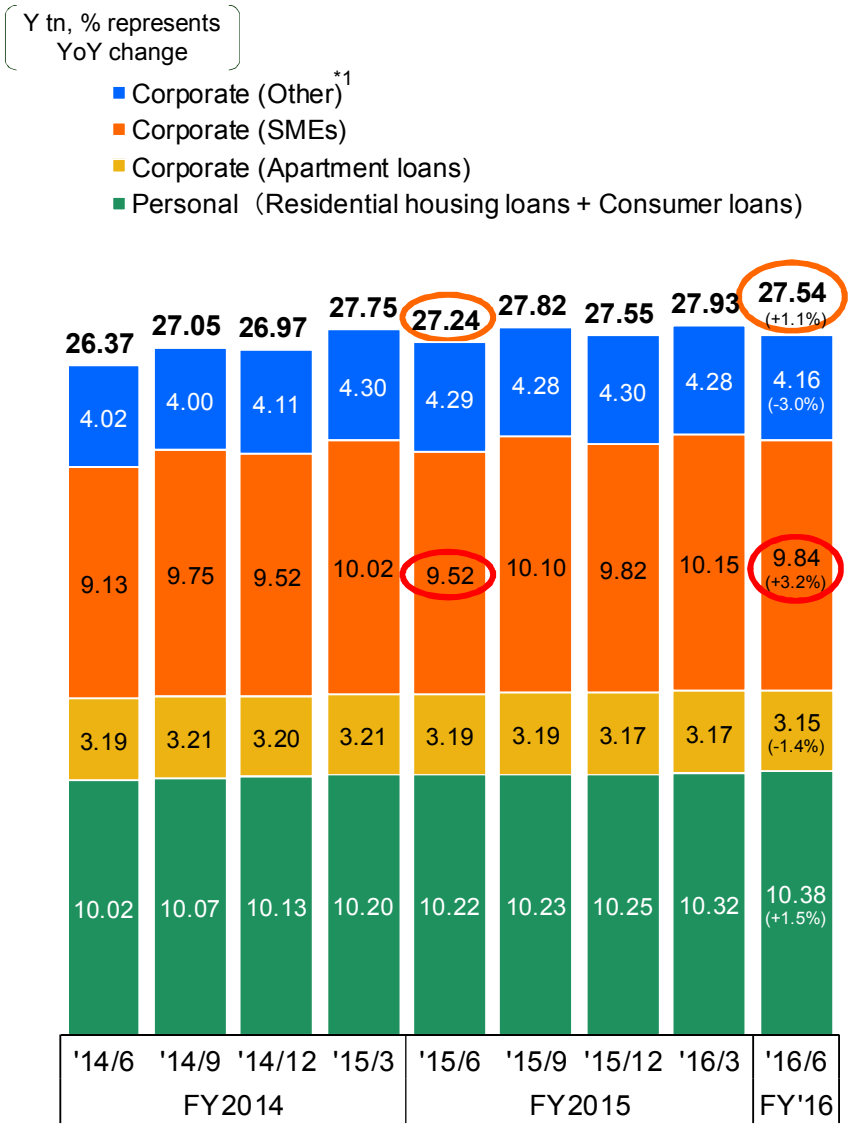
Average loan balance and YoY change (Domestic account)



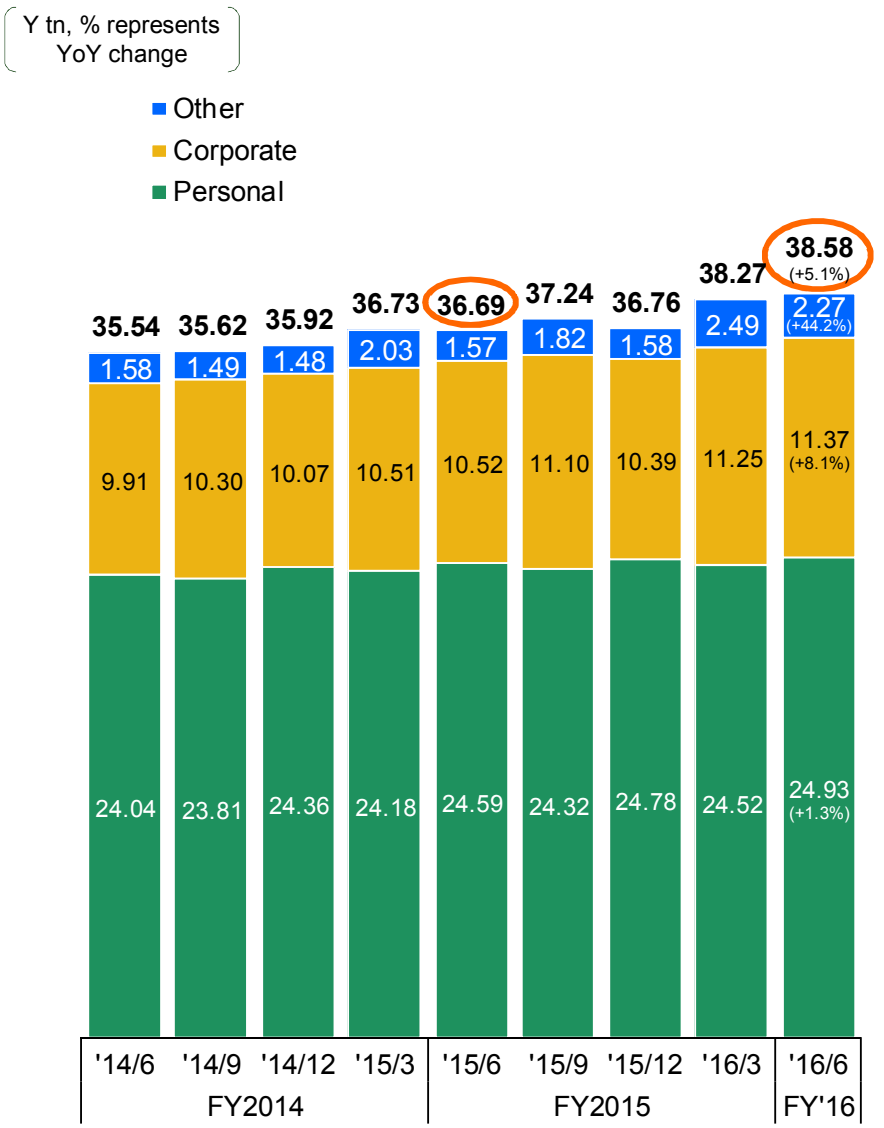
Data compiled for a management and administration purpose
*1. Corporate Banking Business Unit : corporate loans(excluding loans to governments) + apartment loans
*2. Personal Banking Business Unit: residential housing loans + consumer loans

Term-end Balance of Loan and Deposit (Total of Group Banks)

Term-end loan balance



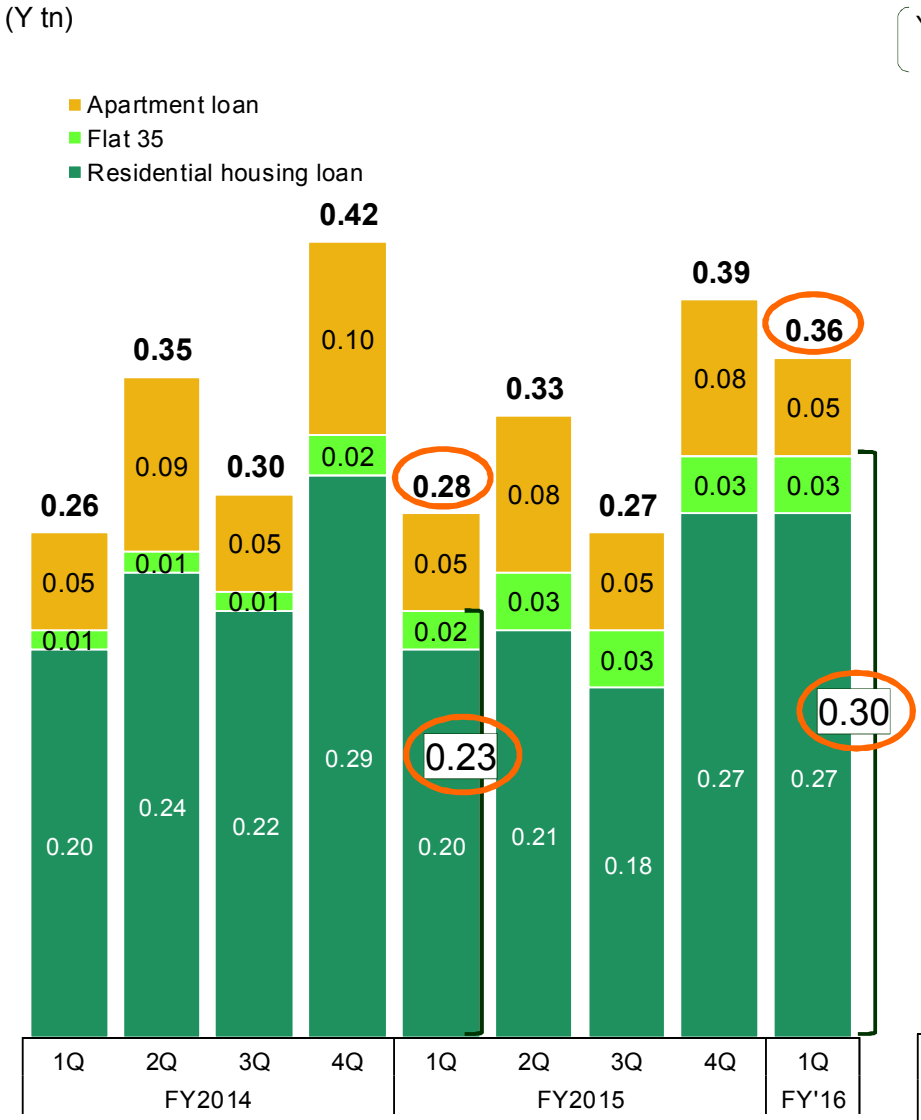
Term-end deposit balance



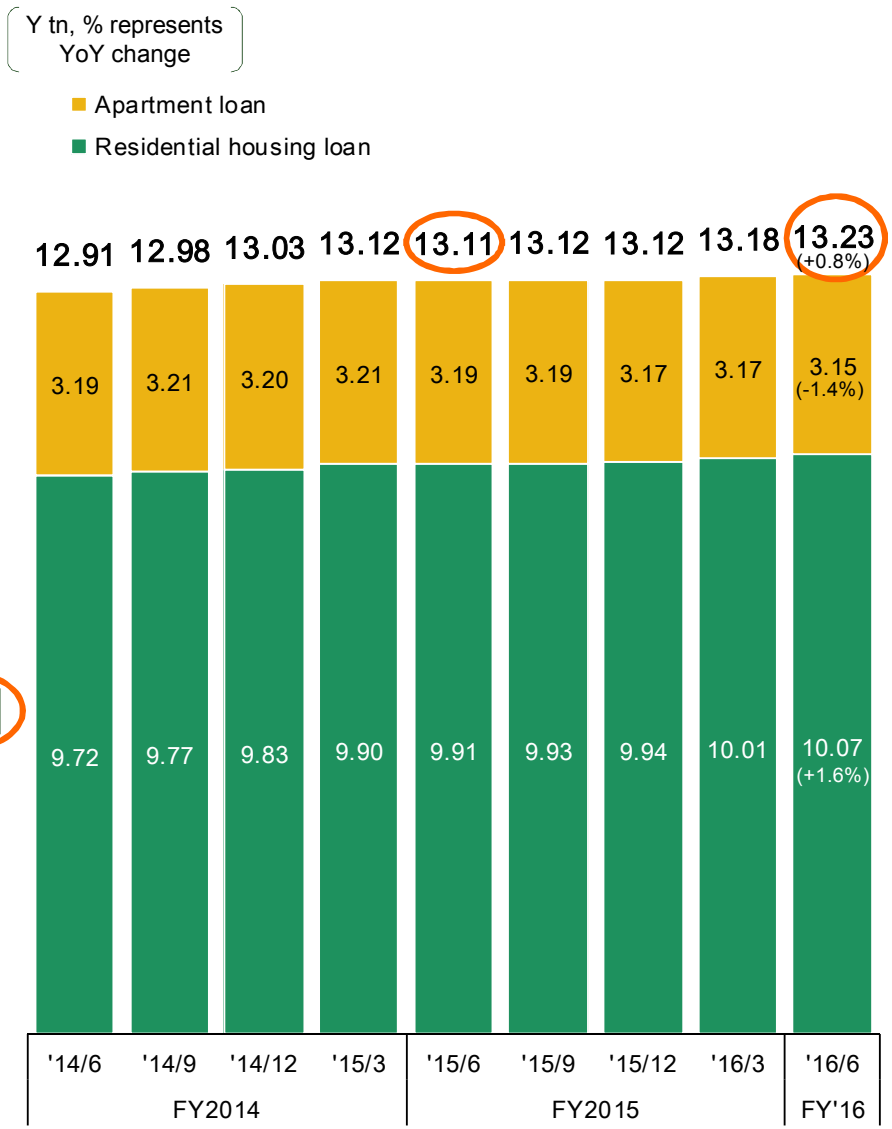
*1. Include the loan extended to RHD from RB (Y0.30tn)

Trend of Residential Housing Loan and Apartment Loan (Total of Group Banks)

New loan origination



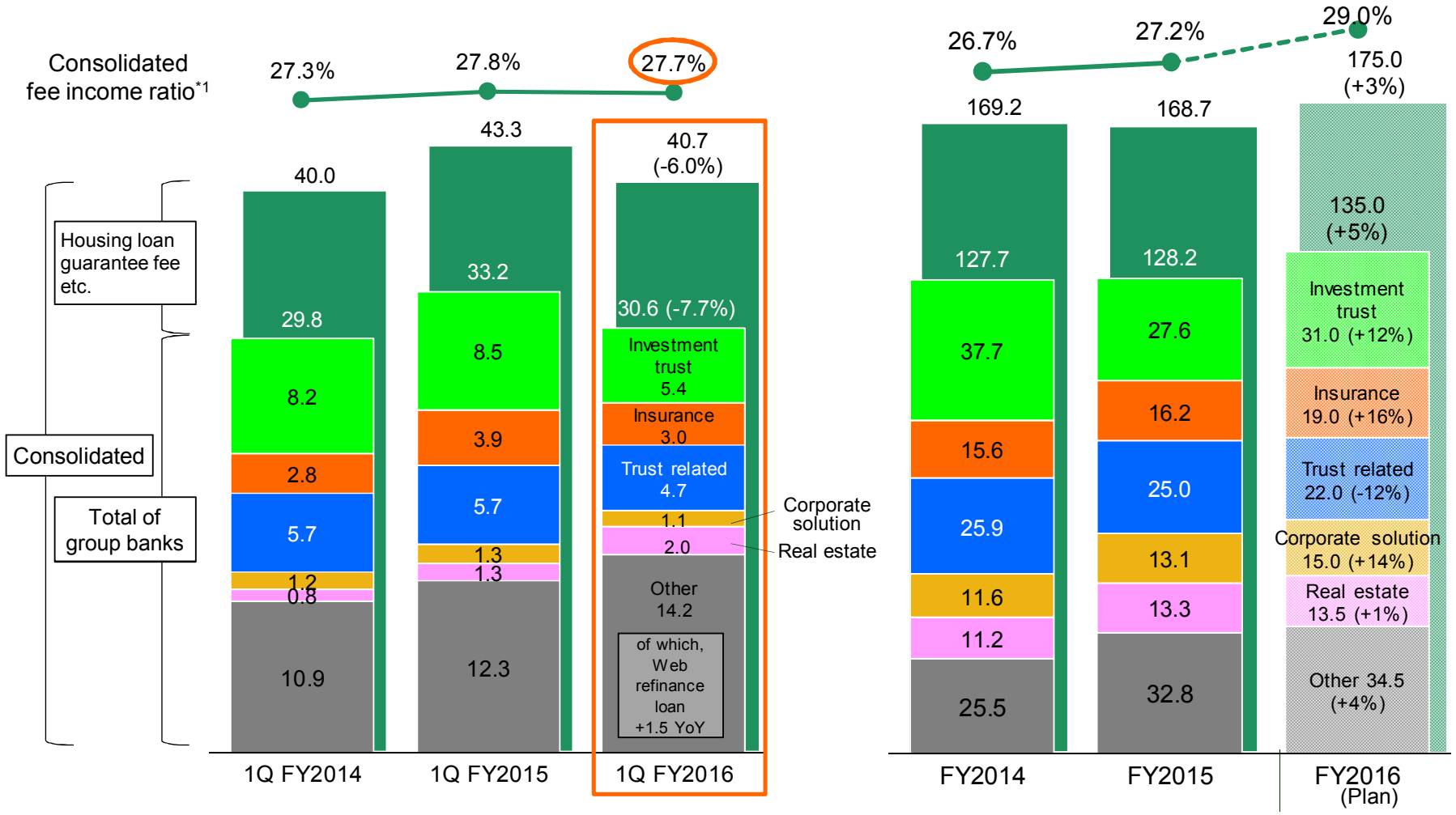
Term-end loan balance



Trend of Fee Income

Consolidated fee income ratio at 27.7% for 1Q of FY2016

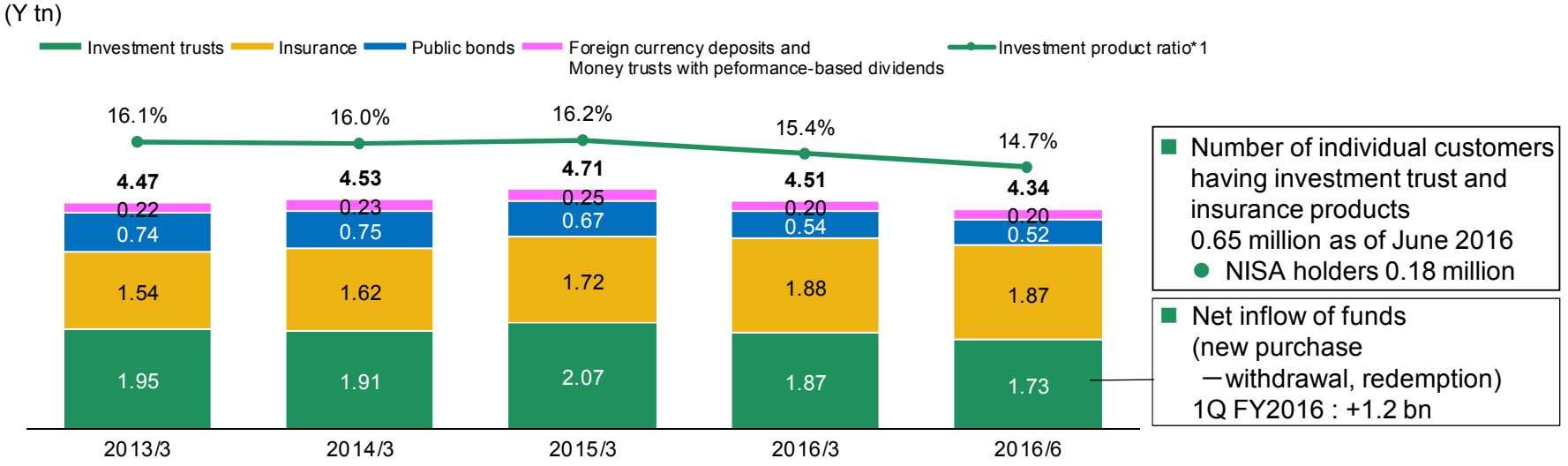
Y bn, % represents YoY change



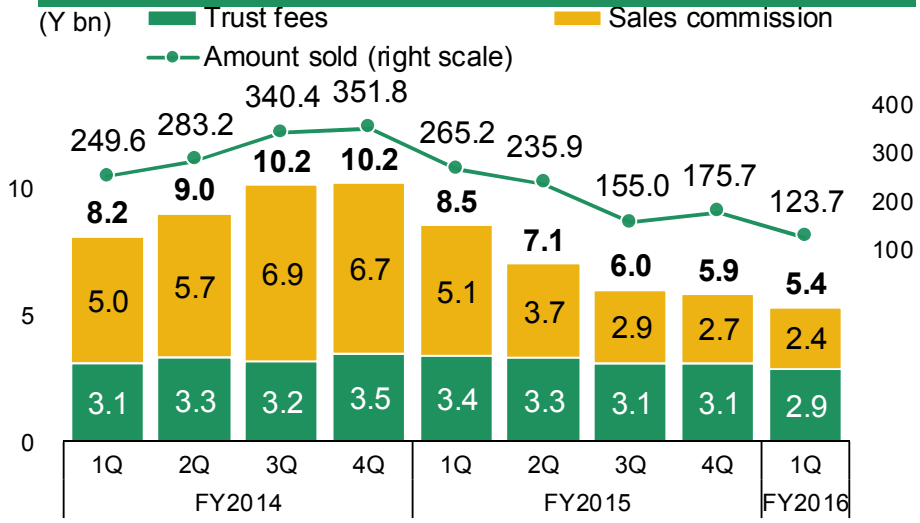
*1. (Fees and commission income + trust fees)/Consolidated gross operating profit

Asset Formation Support Business (Total of Group Banks)

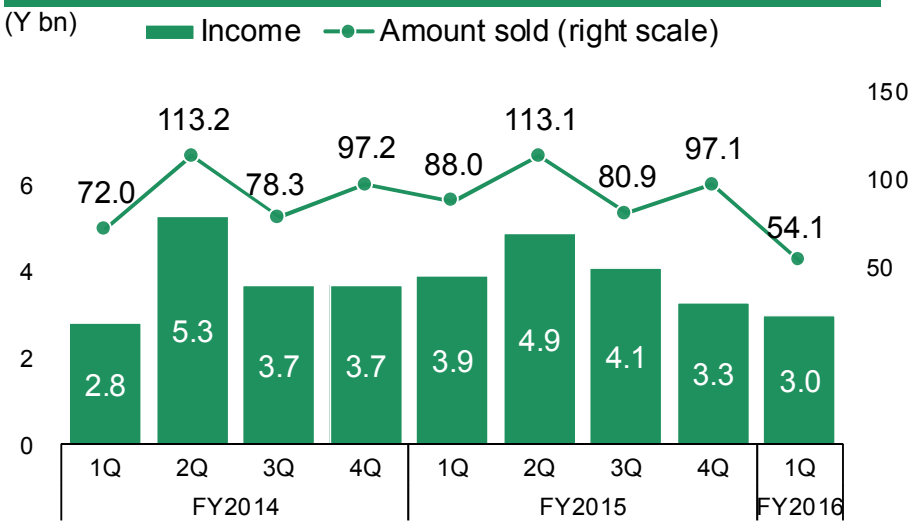
Balance of investment products sold to individuals



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

Credit Costs and NPL

Trend of credit costs

(Y bn)		FY2014 Act	FY2015 1Q Act	FY2015 Act	FY2016 1Q Act	FY2016 Plan
Net credit cost (Total of group banks (A))	(1)	24.3	1.6	(23.4)	6.9	(21.0)
General reserve	(2)	23.5	1.9	(0.0)	4.0	
Specific reserve and other items	(3)	0.7	(0.3)	(23.4)	2.8	
New bankruptcy, downward migration	(4)	(29.5)	(6.9)	(43.9)	(4.0)	
Collection/ upward migration	(5)	30.3	6.6	20.4	6.9	
Difference (B) - (A)	(6)	(1.9)	0.4	(2.3)	0.8	(4.0)
of which, HL guarantee subsidiaries	(7)	1.1	1.6	2.6	1.1	
of which, Resona Card	(8)	(1.6)	(0.5)	(1.8)	(0.5)	
Net credit cost (RHD consolidated (B))	(9)	22.3	2.1	(25.8)	7.7	(25.0)

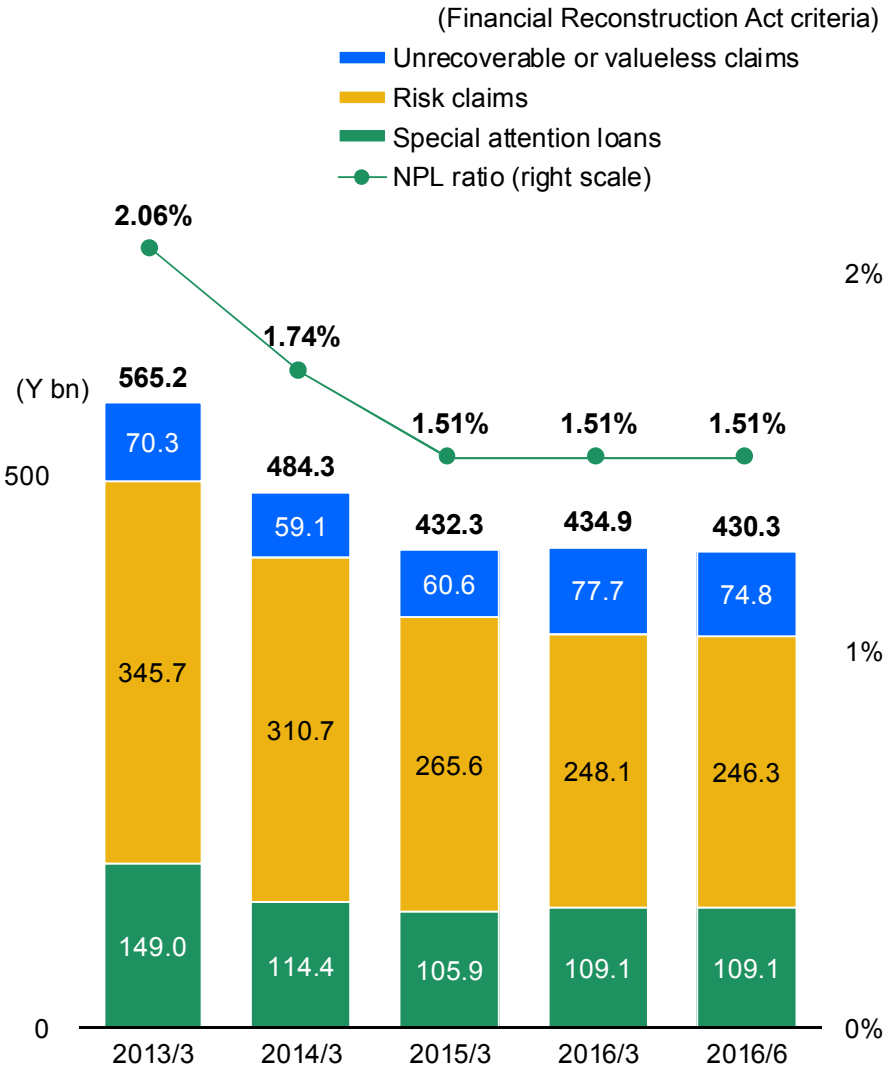
<Credit cost ratio> (bps)

Total of group banks*1	(10)	(8.6)	(2.3)	8.2	(9.7)	
RHD consolidated*2	(11)	(8.1)	(3.1)	9.2	(11.1)	

(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)

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



Securities Portfolio (Total of Group Banks)

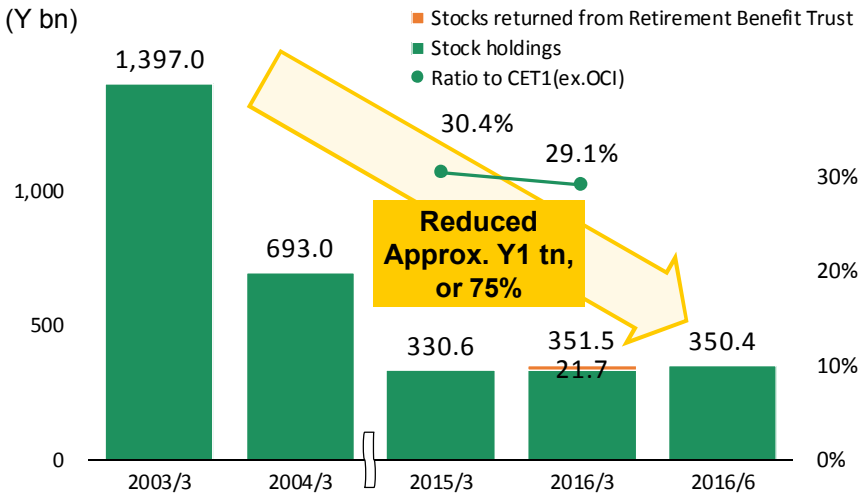
Securities Portfolio

(Y bn)		2015/3	2016/3	2016/6	Unrealized gain/(loss)
Available-for-sale securities *1	(1)	3,827.6	2,459.7	2,349.5	424.9
Stocks	(2)	330.6	351.5	350.4	410.8
Bonds	(3)	3,186.9	1,681.9	1,520.3	14.4
JGBs	(4)	2,151.1	760.2	498.2	4.3
Average duration (years) *2	(5)	3.3	3.1	2.1	-
Basis point value (BPV)	(6)	(0.72)	(0.24)	(0.10)	-
Local government and corporate bonds	(7)	1,035.8	921.6	1,022.0	10.1
Other	(8)	310.0	426.3	478.7	(0.4)
Foreign securities	(9)	143.0	239.8	298.4	6.4
Net unrealized gain	(10)	573.1	460.1	424.9	
Bonds held to maturity *3	(11)	2,435.7	2,383.5	2,322.3	101.0
JGBs	(12)	1,962.0	1,879.8	1,837.9	81.2
Net unrealized gain	(13)	72.6	93.6	101.0	

Status of policy-oriented stocks held

- **Breakeven Nikkei average: Approx. 6,200 yen**
- **Listed stocks sold in 1Q of FY2016 (acquisition cost): Y1.1 bn, Net gain on sale: Y1.6 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%*1 of the CET1 capital*4 in the medium term.

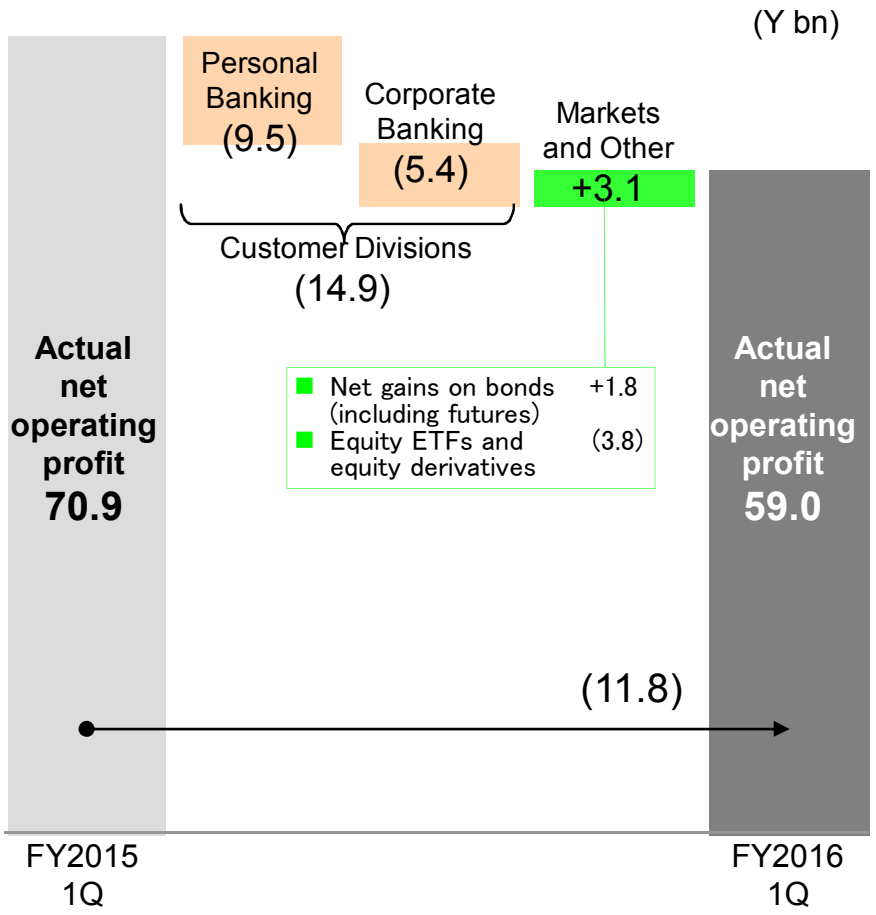


*1. Acquisition cost basis. The presented figures include marketable securities only
*2. Assuming the duration of floating-rate JGBs as zero
*3. Balance sheet amount basis. The presented figures include marketable securities only
*4. Excluding OCI (other comprehensive income)

(Reference)
Results by Business Segments for the 1Q of FY2016 (1)

Actual net operating profit decreased by Y11.8 bn, primarily due to slowdown of customer divisions

(Y bn)			FY2016 1Q	YoY Change
Customer Divisions	Gross operating profit	(1)	116.1	(14.9)
	Operating expense	(2)	(79.3)	(0.0)
	Actual net operating profit	(3)	36.8	(14.9)
Personal Banking	Gross operating profit	(4)	57.4	(9.1)
	Operating expense	(5)	(42.7)	(0.3)
	Actual net operating profit	(6)	14.6	(9.5)
Corporate Banking	Gross operating profit	(7)	58.7	(5.7)
	Operating expense	(8)	(36.5)	+0.2
	Actual net operating profit	(9)	22.1	(5.4)
Markets and Other	Gross operating profit	(10)	25.5	+3.4
	Operating expense	(11)	(3.3)	(0.3)
	Actual net operating profit	(12)	22.1	+3.1
Total	Gross operating profit	(13)	141.7	(11.5)
	Operating expense	(14)	(82.6)	(0.3)
	Actual net operating profit	(15)	59.0	(11.8)



Definition of management accounting

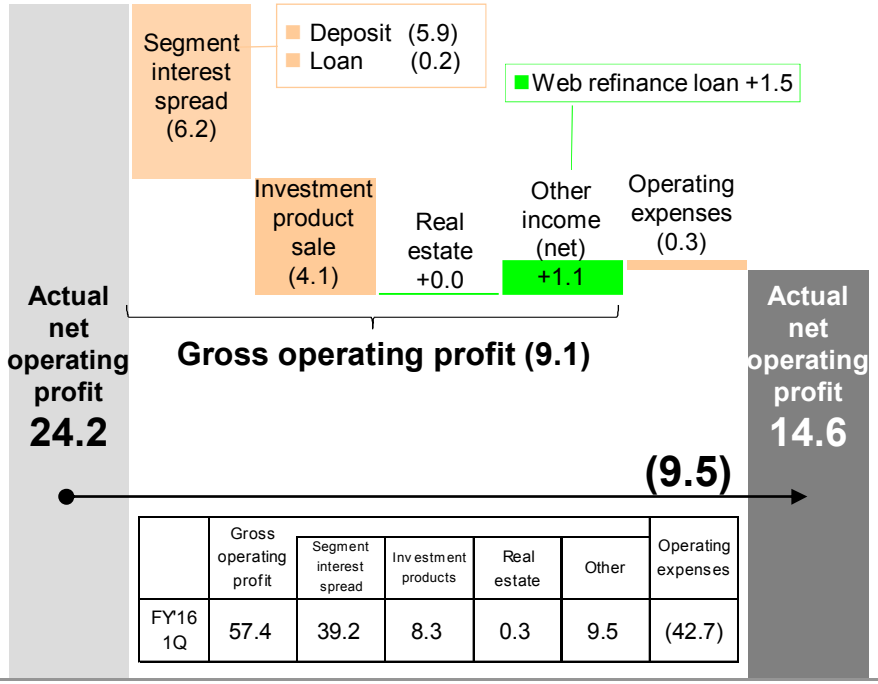
1. Numbers reported above refer to 3 Resona Group banks and 3 loan guarantee subsidiaries.
2. Gross operating profit of “Markets” segment includes a part of net gains on stocks.
3. “Other” segment refers to the divisions in charge of management and business administration.

(Reference)
Results by Business Segments for the 1Q of FY2016 (2)

Personal Banking Segment

- **Actual net operating profit decreased by Y9.5 bn**
  - Segment interest spread decreased due to decline of interest rates
  - Income from investment product sale decreased due to fluctuating market environment

[Comparison of actual net operating profit] (Y bn)

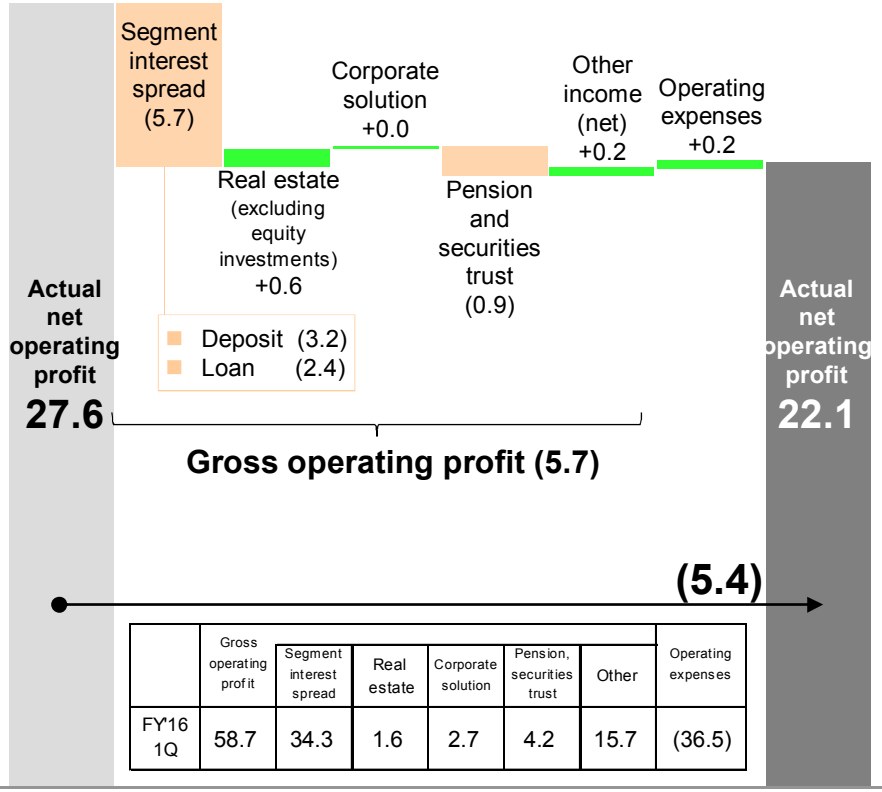


	Gross operating profit	Segment interest spread	Investment products	Real estate	Other	Operating expenses
FY'16 1Q	57.4	39.2	8.3	0.3	9.5	(42.7)

Corporate Banking Segment

- **Actual net operating profit decreased by Y5.4 bn**
  - Segment interest spread decreased due to decline of interest rates

[Comparison of actual net operating profit] (Y bn)



	Gross operating profit	Segment interest spread	Real estate	Corporate solution	Pension, securities trust	Other	Operating expenses
FY'16 1Q	58.7	34.3	1.6	2.7	4.2	15.7	(36.5)

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 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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