Financial Highlights for the 1-3Q (9 Months) Period of Fiscal Year 2016



Resona Holdings

January 31, 2017

Outline of Financial Results for the 1-3Q (9 Months) Period of FY2016

■ **Posted JPY129.8 bn of net income attributable to owners of the parent**

- Down JPY0.3 bn, or (0.2)%, YoY,
  Progress rate against the full year guidance: 76.3%
  - ➢ Decline in actual net operating profit (10): (32.1) bn
  - ➢ Improvement in credit cost (12): +38.6 bn

■ **Posted JPY165.6 bn of actual net operating profit**

- Gross operating profit: JPY422.3 bn, Down JPY31.8 bn, or (7.0)%, YoY
  - ➢ Net interest income from domestic loans and deposits (total of group banks): (17.9) bn, YoY
    - Increased loans to SMEs and housing loans steadily as planned.
  - ➢ Fees and commission income + Trust fees: (6.3) bn YoY
    - Income from financial products sales declined, but fees from real estate brokerage and corporate solutions increased.
  - ➢ Net gains on bonds (including futures): (5.9) bn YoY
- Operating expenses: JPY(256.8) bn, (0.3)bn, or (0.1)% YoY

■ **Maintained soundness in asset quality**

- NPL ratio (total of group banks): 1.42%
- Net unrealized gain on available-for-sale securities (total of group banks): JPY518.8 bn

■ **Capital Management :**
Steps taken as planned at the beginning of the year

- Repurchased and cancelled Class 6 Preferred Shares (JPY75.0 bn) on Dec. 8, 2016

Resona HD consolodated (JPY bn)		1-3Q of FY2016	YoY change	YoY change %
Gross operating profit	(1)	**422.3**	**(31.8)**	**(7.0)%**
Net interest income	(2)	279.1	(20.5)	
NII from loans and deposits (total of group banks)*1	(3)	231.6	(17.9)	
Trust fees	(4)	13.3	(2.8)	
Fees and commission income	(5)	103.9	(3.4)	
Other operating income	(6)	25.9	(4.9)	
Net gains on bonds (including futures)	(7)	12.6	(5.9)	
Operating expenses (excluding group banks' non-recurring items)	(8)	(256.8)	(0.3)	(0.1)%
Cost income ratio (OHR)	(9)	60.7%		
Actual net operating profit*2	(10)	**165.6**	**(32.1)**	**(16.2)%**
Net gains on stocks (including equity derivatives)	(11)	1.4	＋2.1	
Credit related expenses, net	(12)	21.6	＋38.6	
Other gain, net	(13)	(6.4)	(10.5)	
Income before income taxes	(14)	**182.4**	**(1.8)**	**(1.0)%**
Income taxes and other	(15)	(52.5)	+1.5	
Net income (attributable to owners of the parent)	(16)	**129.8**	**(0.3)**	**(0.2)%**
EPS (yen)	(17)	54.04	(0.13)	
BPS (yen)	(18)	759.50	+42.42	

*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

Breakdown of Financial Results

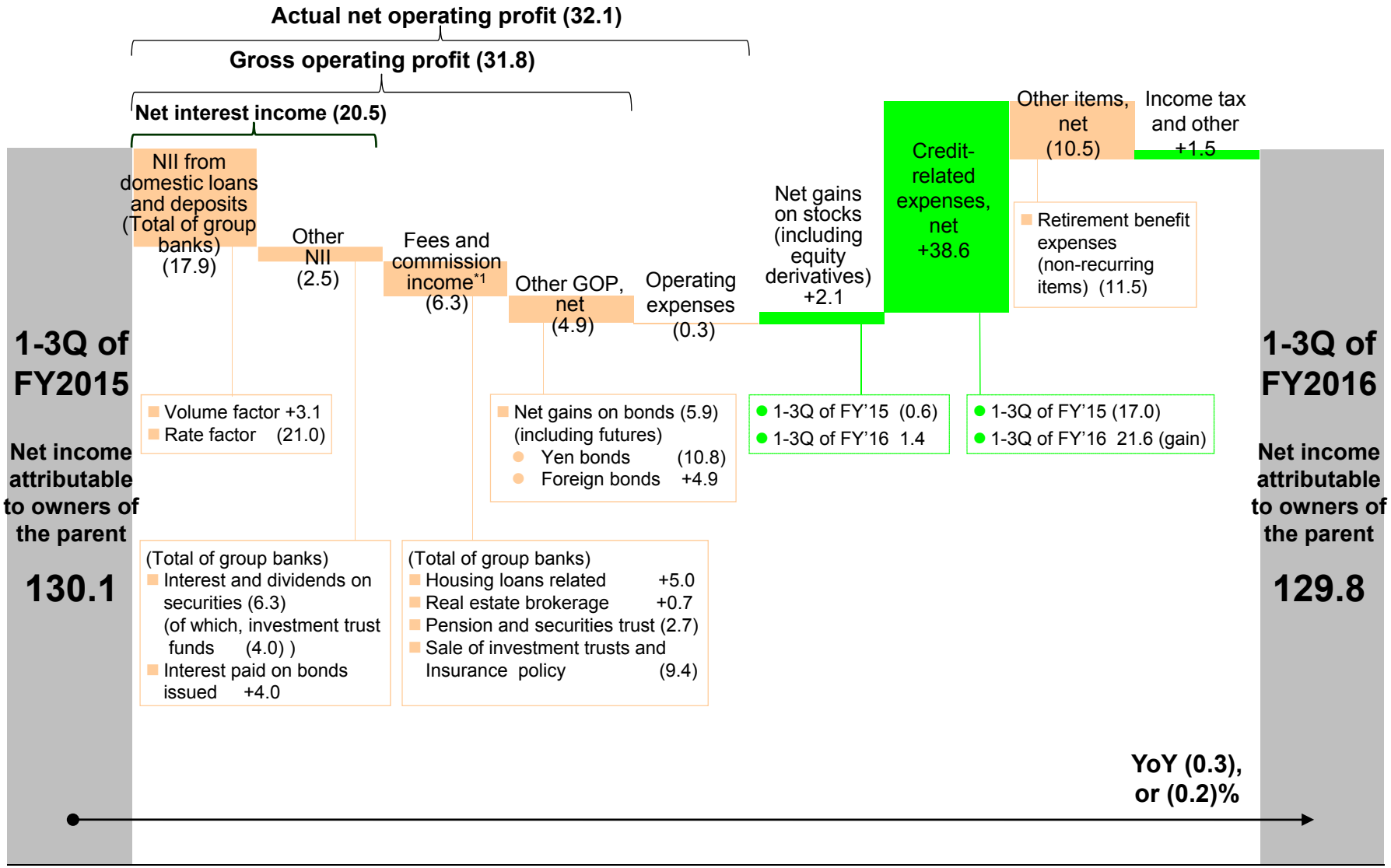
(JPY bn)		Resona Holdings (Consolidated)		Total of group banks (Non-consolidated)					Difference	
		(A)	YoY change	(B)	YoY change	Resona Bank	Saitama Resona Bank	Kinki Osaka Bank	(A)-(B)	YoY change
Gross operating profit	(1)	**422.3**	**(31.8)**	**388.5**	**(30.1)**	264.6	92.2	31.6	**33.8**	(1.6)
Net interest income	(2)	279.1	(20.5)	275.7	(19.7)	177.5	73.8	24.4	3.3	(0.8)
NII from domestic loans and deposits	(3)			231.6	(17.9)	146.1	63.4	22.0		
Trust fees	(4)	13.3	(2.8)	13.3	(2.8)	13.3			(0.0)	+0.0
Fees and commission income	(5)	103.9	(3.4)	74.1	(2.9)	52.8	15.8	5.5	29.7	(0.4)
Other operating income	(6)	25.9	(4.9)	25.2	(4.6)	20.9	2.6	1.7	0.6	(0.3)
Net gains on bonds (including futures)	(7)	12.6	(5.9)	12.6	(5.9)	9.8	1.3	1.4	-	-
Operating expenses (excluding group banks' non-recurring items)	(8)	(256.8)	(0.3)	(243.2)	(0.0)	(159.4)	(55.8)	(28.0)	(13.5)	(0.3)
Actual net operating profit[*1]	(9)	**165.6**	**(32.1)**	**145.3**	**(30.2)**	105.2	36.4	3.6	**20.3**	(1.9)
Net gains on stocks (including equity derivatives)	(10)	1.4	+2.1	1.4	+2.3	(0.2)	0.8	0.9	0.0	(0.2)
Credit related expenses, net	(11)	21.6	+38.6	18.4	+33.3	13.4	1.8	3.1	3.2	+5.3
Other gain/(loss), net	(12)	(6.4)	(10.5)	(6.0)	(8.5)	(6.9)	(0.5)	1.3	(0.3)	(1.9)
Income before income taxes	(13)	**182.4**	**(1.8)**	159.1	**(3.0)**	111.4	38.6	9.0	**23.2**	+1.1
Income taxes and other	(14)	(52.5)	+1.5	(44.6)	+2.2	(31.0)	(11.3)	(2.1)	(7.9)	(0.7)
Net income (attributable to owners of the parent)	(15)	**129.8**	**(0.3)**	**114.5**	**(0.7)**	80.3	27.2	6.9	**15.2**	+0.4

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

Factors for the Changes in Periodic Profits (YoY Comparison)

RHD Consolidated

(JPY bn)



*1. Fees and commission income plus trust fees

Trend of Loan and Deposit

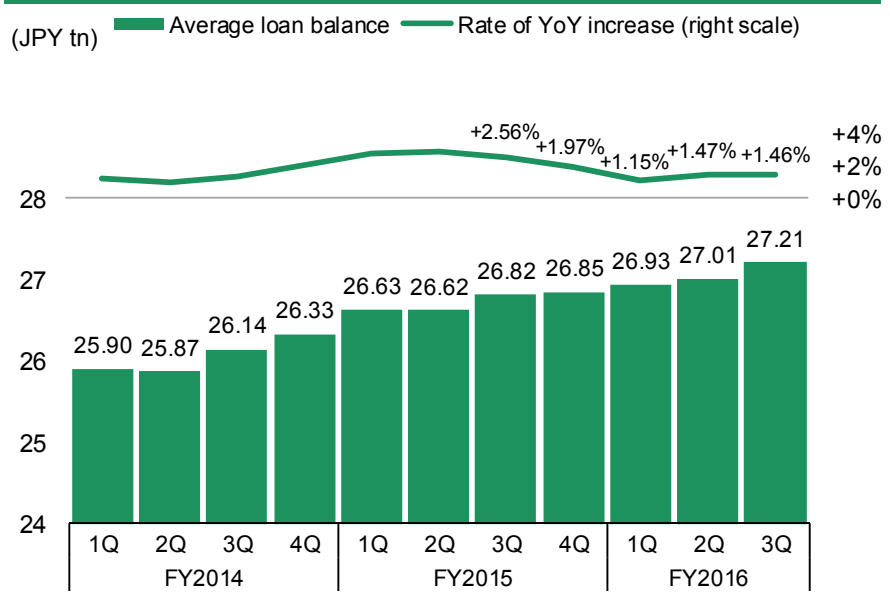
Total of Group Banks

Average loan / deposit balance, rates and spread

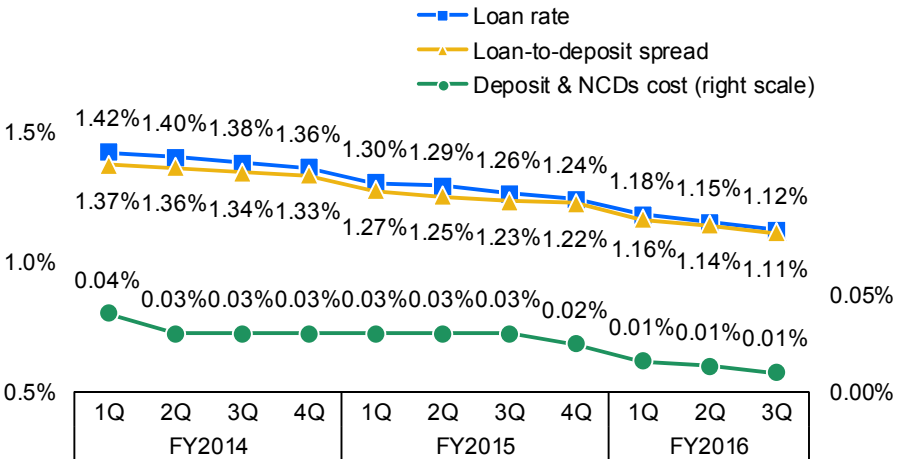
Avg. bal : Trillion Yen Income/Cost : Billion Yen				1-3Q (Act)	1-3Q YoY	FY2016 (Plan)*4	FY2016 YoY
Average loan balance (Banking account)			(1)	27.56	+1.29%		
Domestic acct.	Loans	Avg. Bal.	(2)	27.05	+1.36%	27.14	+1.52%
		Rate	(3)	1.15%	(0.13)%	1.14%	(0.13)%
		Income	(4)	235.6	(23.4)	311.4	(31.2)
	Corporate Banking Business Unit *1,2	Avg. Bal.	(5)	15.69	+1.08%	15.76	+1.29%
		Rate	(6)	0.99%	(0.16)%	0.98%	(0.16)%
	Personal Banking Business Unit *1,3	Avg. Bal.	(7)	10.40	+1.80%	10.41	+1.93%
		Rate	(8)	1.44%	(0.09)%	1.44%	(0.08)%
	Deposits (Including NCDs)	Avg. Bal.	(9)	39.45	+3.63%	38.62	+1.43%
		Rate	(10)	0.01%	(0.01)%	0.01%	(0.01)%
		Cost	(11)	(3.9)	+5.5	(5.0)	+6.7
	Loan-to-deposit	Spread	(12)	1.14%	(0.11)%	1.13%	(0.11)%
		Net interest income	(13)	231.6	(17.9)	306.4	(24.4)

*1. Data compiled for a management and administration purpose
*2. Corporate Banking Business Unit :
Corporate loans (excluding loans to governments) + apartment loans
*3. Personal Banking Business Unit:
Residential housing loans + consumer loans
*4. Plan for the full year formulated by the company in November 2016

Trend of average loan balance (Domestic account)



Loan and deposit rates and spread (Domestic account)

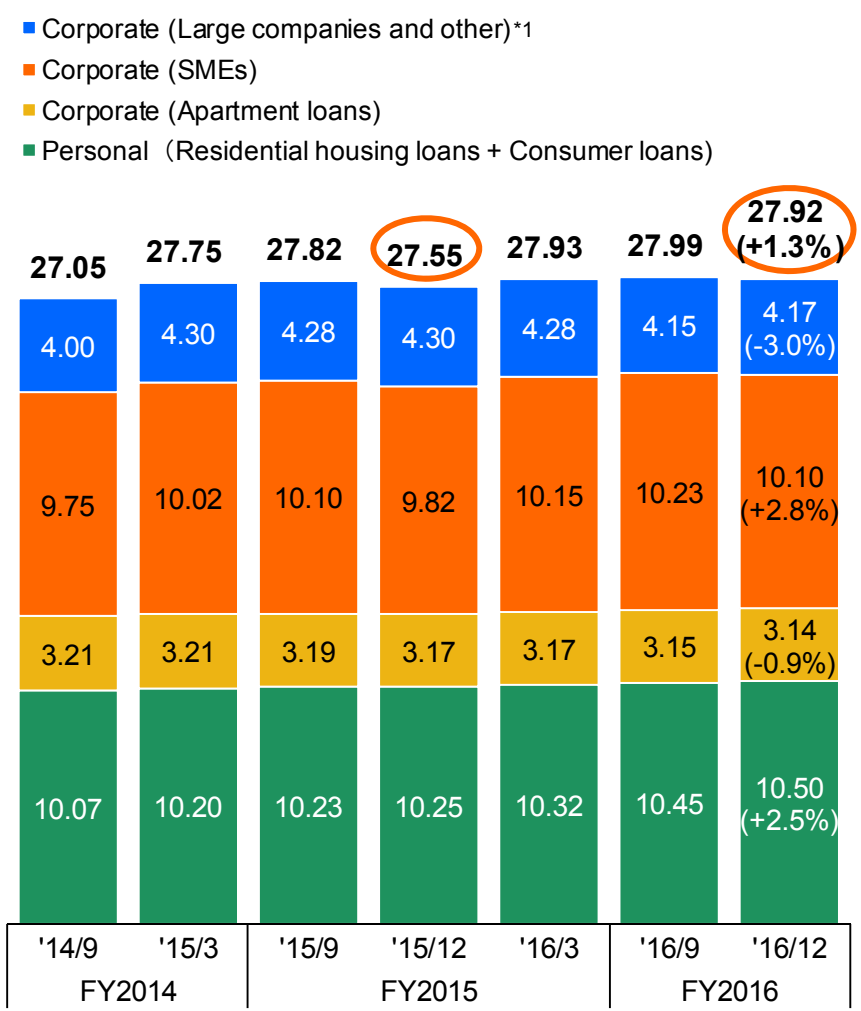


Term-end Balance of Loan and Deposit

Total of Group Banks

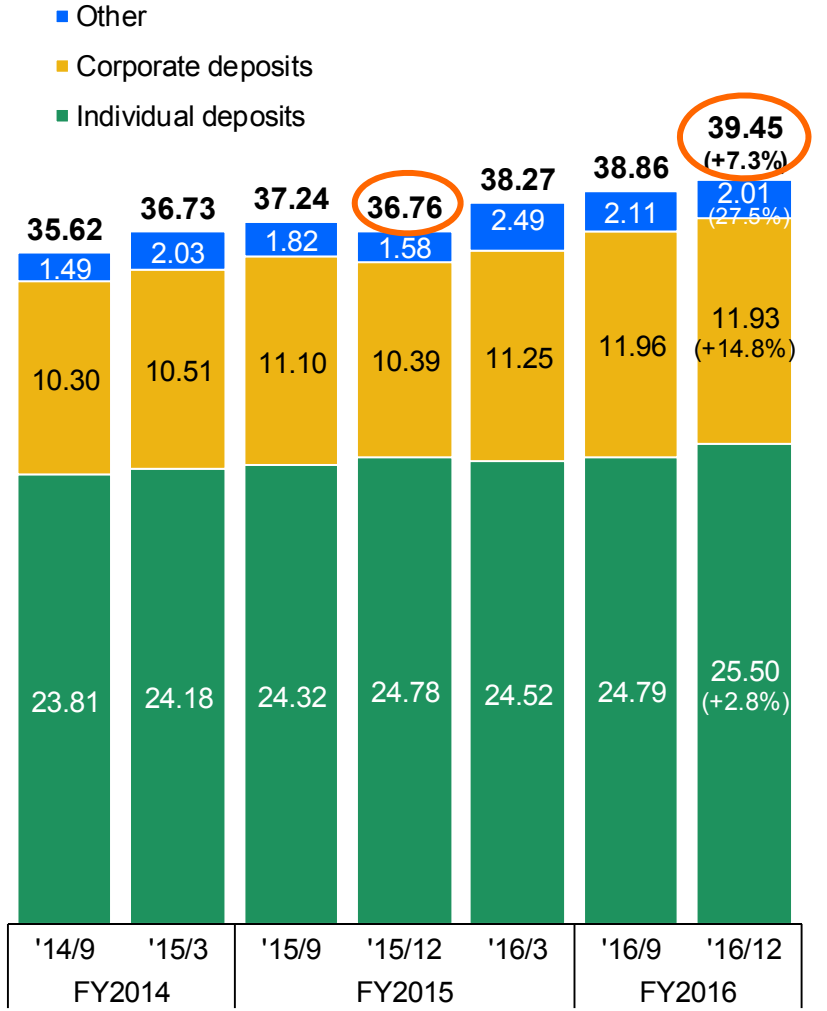
Term-end loan balance

JPY tn, % represents YoY change



Term-end deposit balance

JPY tn, % represents YoY change



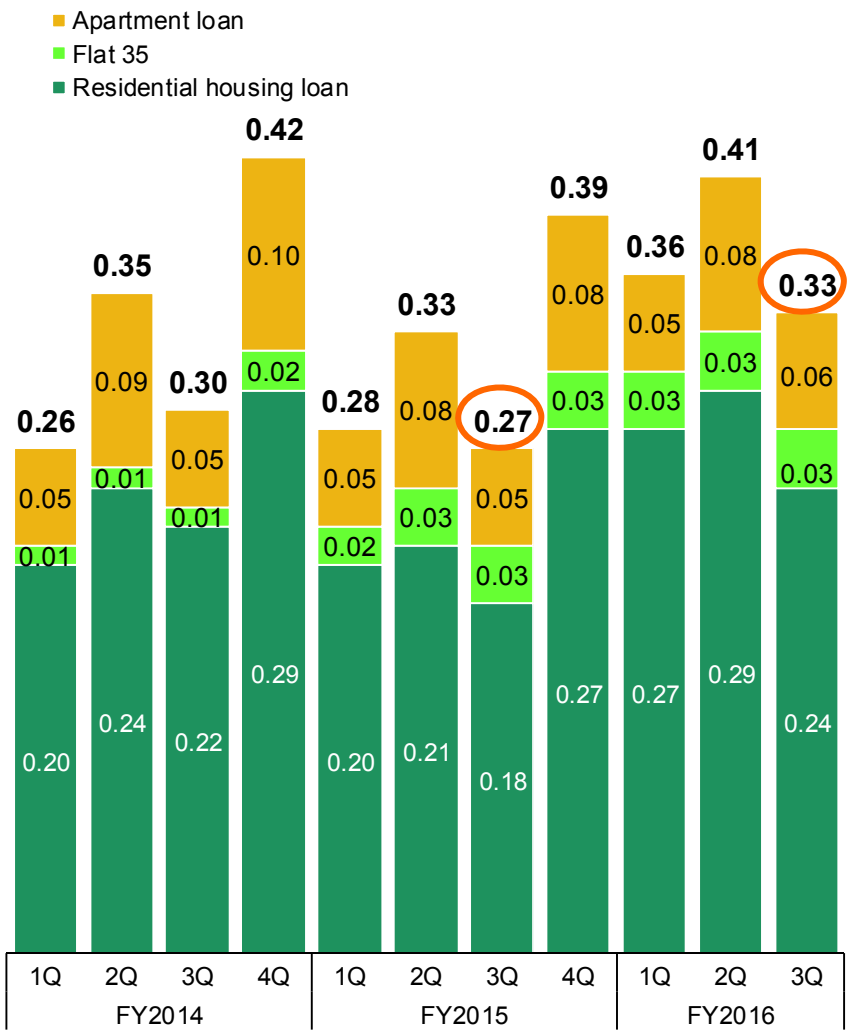
*1. Include the loan extended to RHD from RB (JPY0.30tn from '14/9 to '16/9, and JPY0.26tn as of '16/12)

Residential Housing Loan and Apartment Loan Business

Total of Group Banks

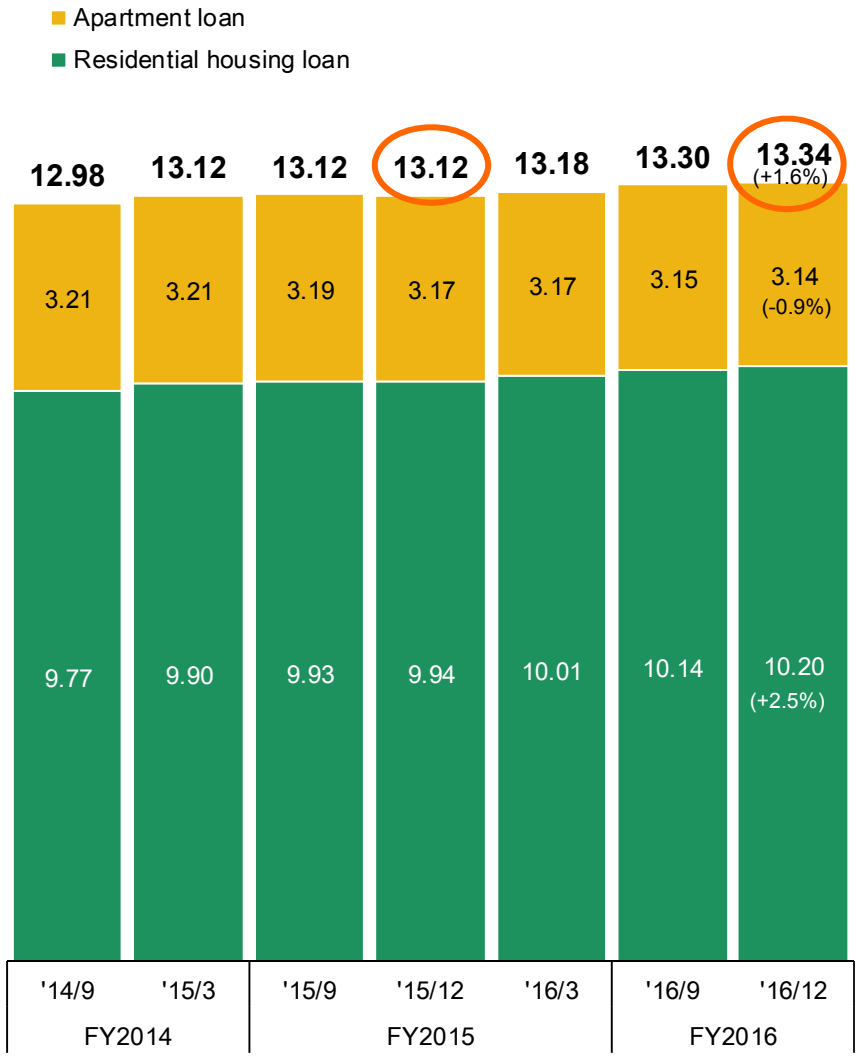
New loan origination

(JPY tn)



Term-end loan balance

JPY tn, % represents YoY change

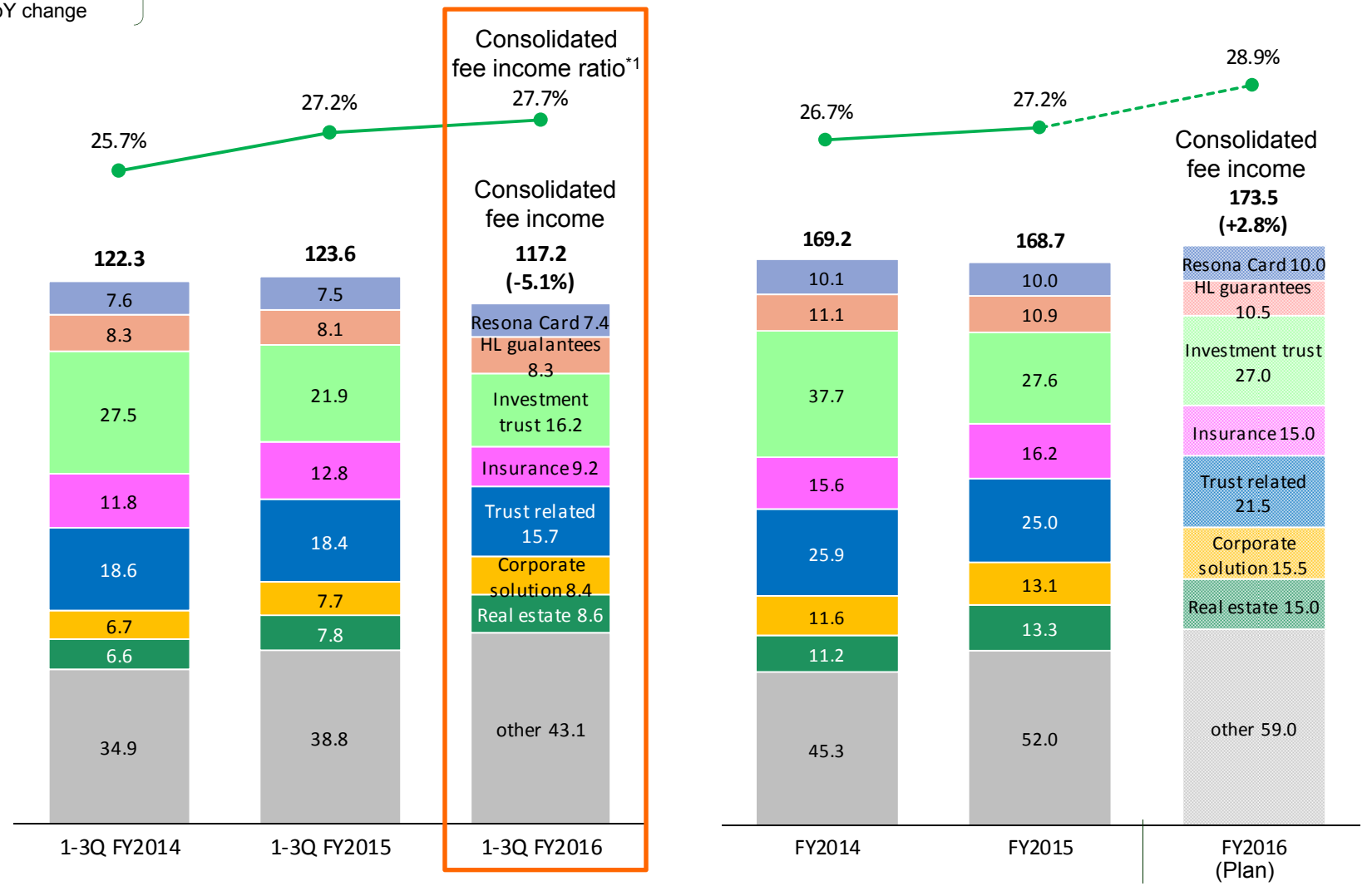


Trend of Fee Income

RHD Consolidated

Consolidated fee income ratio at 27.7% for 1-3Q of FY2016

JPY bn, % represents YoY change



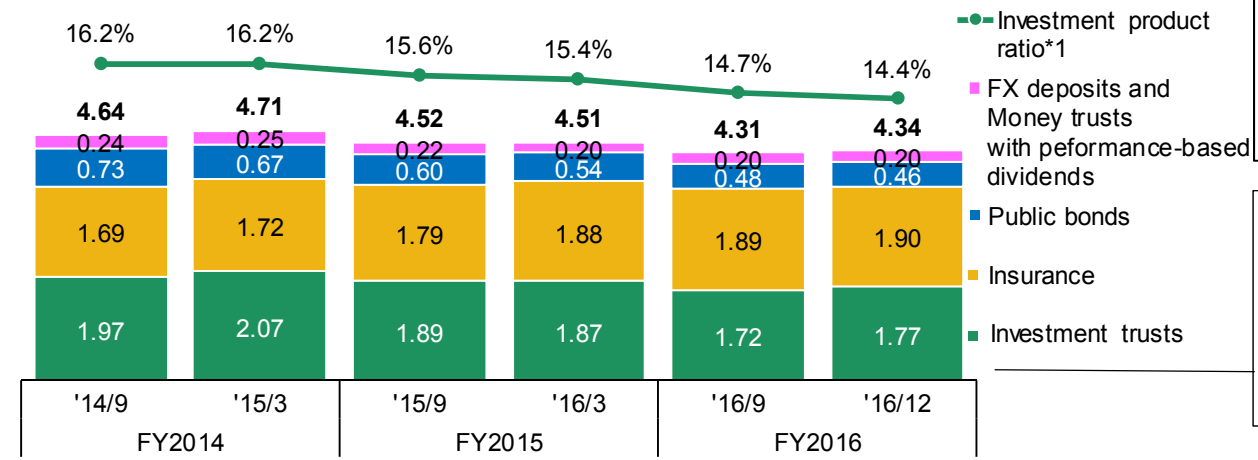
*1. (Fees and commission income + trust fees) / Consolidated gross operating profit

Asset Formation Support Business

Total of Group Banks

Balance of investment products sold to individuals

(JPY tn)

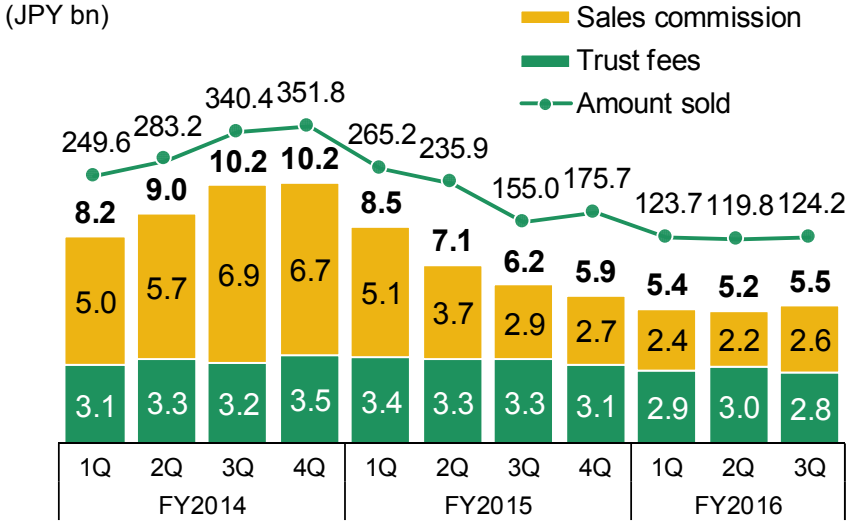


- Number of individual customers having investment trust and insurance products
  0.64 million as of Dec. 2016
  - NISA holders 0.19 million

- Change in balance of investment trusts during 3Q of FY2016
  - Net inflow of funds (new purchase – withdrawal and redemption) : -70.0 bn
  - Change in fair value : +120.0 bn

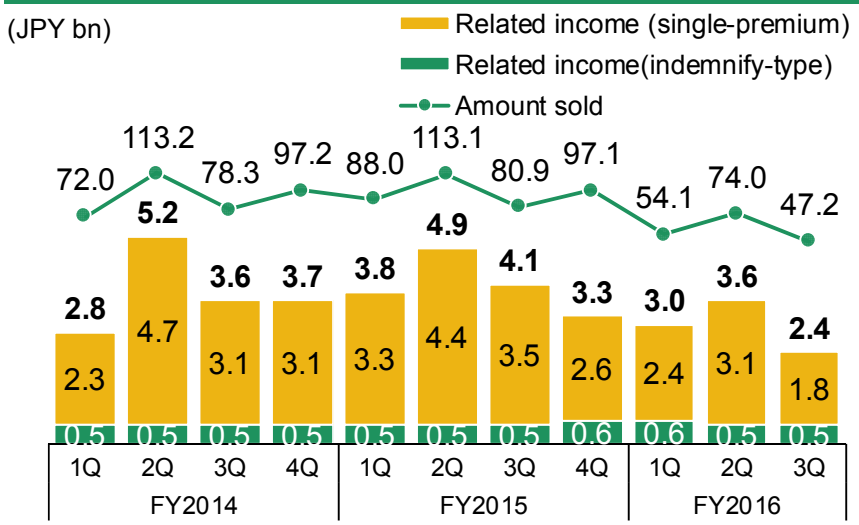
Investment trust

(JPY bn)



Insurance

(JPY bn)



*1. Investment product ratio = balance of investment products sold to individuals / balance of investment 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

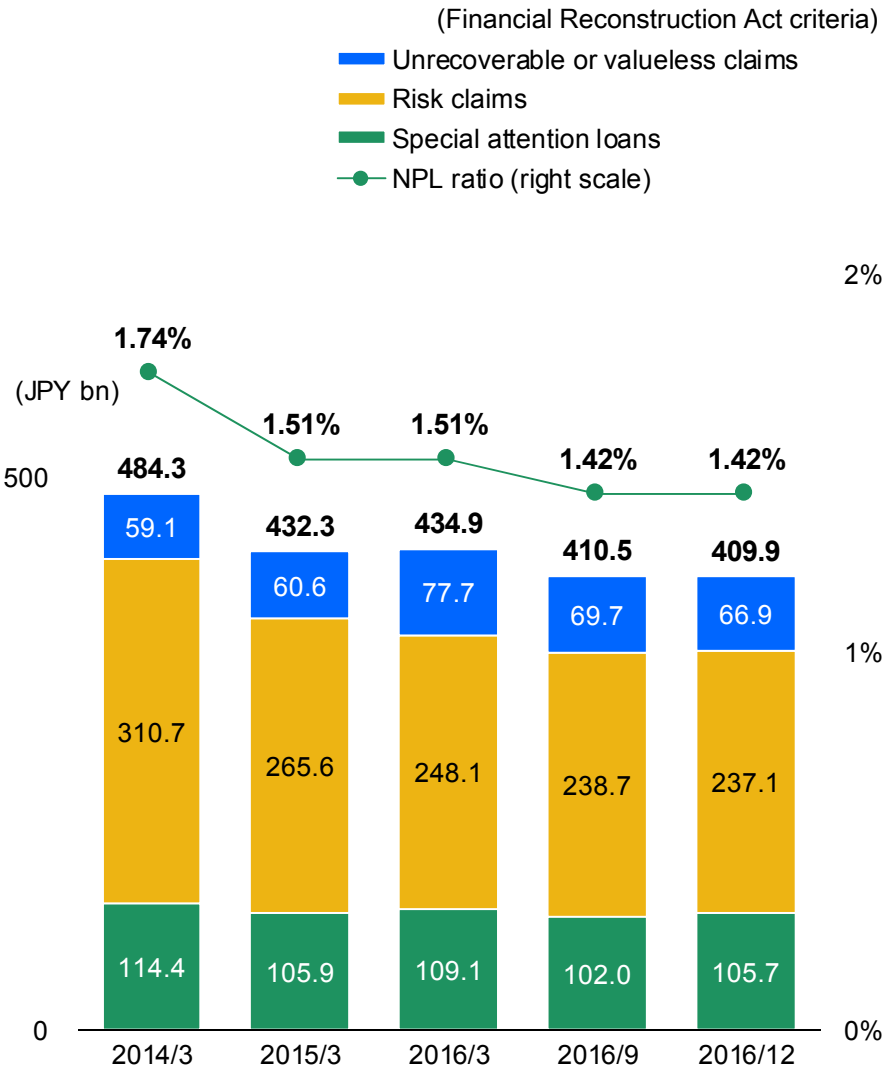
Trend of credit costs

(JPY bn)		FY2014	FY 2015 1-3Q (9Ms)	FY 2015	FY 2016 1-3Q (9Ms)	FY 2016 Plan
Net credit cost (RHD consolidated (A))	(1)	22.3	(17.0)	(25.8)	21.6	(5.5)
Net credit cost (Total of group banks (B))	(2)	24.3	(14.8)	(23.4)	18.4	(5.5)
General reserve	(3)	23.5	(0.1)	(0.0)	8.9	
Specific reserve and other items	(4)	0.7	(14.6)	(23.4)	9.5	
New bankruptcy, downward migration	(5)	(29.5)	(34.8)	(43.9)	(13.3)	
Collection/ upward migration	(6)	30.3	20.1	20.4	22.8	
Difference (A) - (B)	(7)	(1.9)	(2.1)	(2.3)	3.2	-
of which, HL guarantee subsidiaries	(8)	1.1	2.6	2.6	2.7	
of which, Resona Card	(9)	(1.6)	(1.4)	(1.8)	(1.6)	
<Credit cost ratio>						(bps)
RHD consolidated*1	(10)	8.1	(8.1)	(9.2)	10.2	(1.9)
Total of group banks*2	(11)	8.6	(6.9)	(8.2)	8.5	(1.8)

(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)



Securities Portfolio

Total of Group Banks

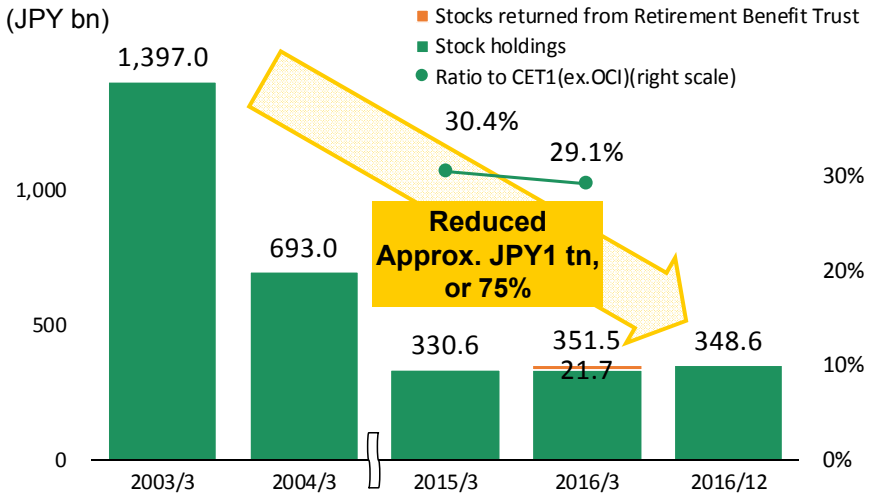
Securities Portfolio

(JPY bn)		2016/3	2016/9	2016/12	Unrealized gain/(loss)
Available-for-sale securities *1	(1)	2,459.7	2,408.0	2,596.2	518.8
Stocks	(2)	351.5	349.1	348.6	526.6
Bonds	(3)	1,681.9	1,530.1	1,622.9	(1.1)
JGBs	(4)	760.2	558.9	625.6	(5.6)
Average duration (years)	(5)	3.1	5.2	7.8	-
Basis point value (BPV)	(6)	(0.24)	(0.29)	(0.48)	-
Local government bonds and corporate bonds	(7)	921.6	971.1	997.3	4.4
Other	(8)	426.3	528.8	624.7	(6.5)
Foreign securities	(9)	239.8	303.6	319.5	(12.7)
Net unrealized gain	(10)	460.1	437.9	518.8	
Bonds held to maturity *2	(11)	2,383.5	2,322.1	2,289.5	72.1
JGBs	(12)	1,879.8	1,839.0	1,779.1	57.6
Net unrealized gain	(13)	93.6	89.9	72.1	

Status of policy-oriented stocks held

- **Breakeven Nikkei average: Approx. 6,200 yen**
- **Listed stocks sold in 1-3Q of FY2016 (acquisition cost): JPY2.9 bn, Net gain on sale: JPY4.7 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*3 in the medium term.
    - ➢ Aims at reducing JPY35.0 bn in 5 years



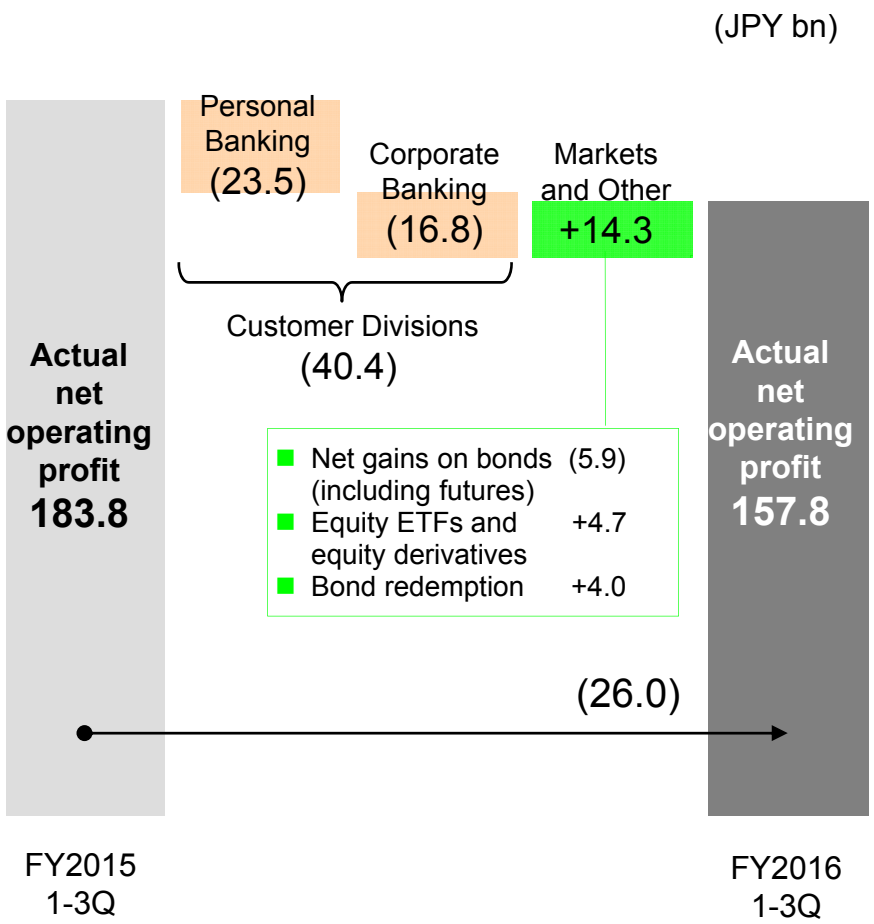
*1. Acquisition cost basis. The presented figures include marketable securities only
*2. Balance sheet amount basis. The presented figures include marketable securities only
*3. Excluding OCI (other comprehensive income)

(Reference) Results by Business Segments for the 1-3Q Period of FY2016 (1)

Total of Group Banks and HL Guarantee Subsidiaries

Actual net operating profit decreased by JPY26.0 bn, due to slowdown of customer divisions

(JPY bn)			FY2016 1-3Q	YoY Change
Customer Divisions	Gross operating profit	(1)	345.3	(41.2)
	Operating expense	(2)	(237.5)	0.8
	Actual net operating profit	(3)	107.8	(40.4)
Personal Banking	Gross operating profit	(4)	160.6	(23.8)
	Operating expense	(5)	(126.2)	0.2
	Actual net operating profit	(6)	34.4	(23.5)
Corporate Banking	Gross operating profit	(7)	184.6	(17.3)
	Operating expense	(8)	(111.2)	+0.5
	Actual net operating profit	(9)	73.3	(16.8)
Markets and Other	Gross operating profit	(10)	58.1	+15.3
	Operating expense	(11)	(8.1)	(0.9)
	Actual net operating profit	(12)	49.9	+14.3
Total	Gross operating profit	(13)	403.5	(25.9)
	Operating expense	(14)	(245.6)	(0.1)
	Actual net operating profit	(15)	157.8	(26.0)



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/losses on stocks.
3. “Other” segment refers to the divisions in charge of management and business administration.

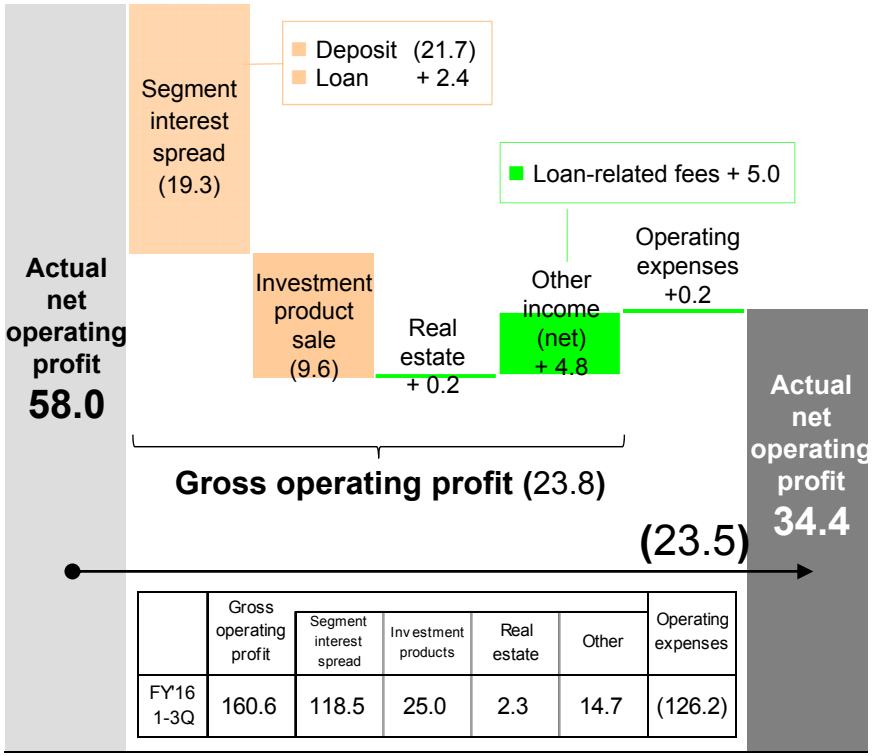
(Reference) Results by Business Segments for the 1-3Q Period of FY2016 (2)

Total of Group Banks and HL Guarantee Subsidiaries

Personal Banking Segment

- **Actual net operating profit decreased by JPY23.5 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] (JPY bn)

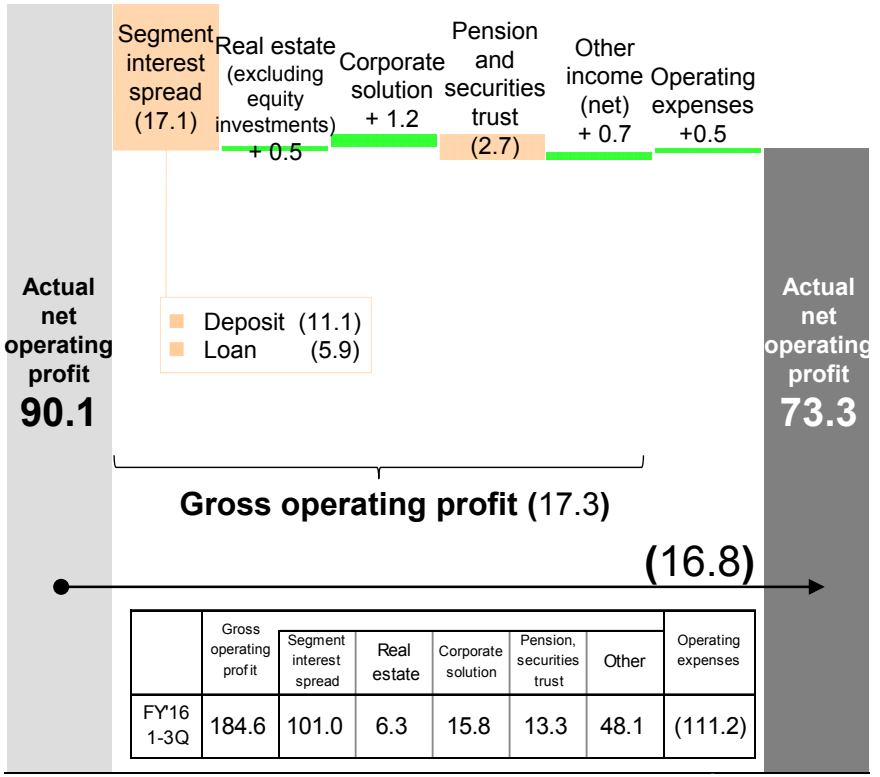


	Gross operating profit	Segment interest spread	Investment products	Real estate	Other	Operating expenses
FY'16 1-3Q	160.6	118.5	25.0	2.3	14.7	(126.2)

Corporate Banking Segment

- **Actual net operating profit decreased by JPY16.8 bn**
  - Segment interest spread decreased due to decline of interest rates

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



	Gross operating profit	Segment interest spread	Real estate	Corporate solution	Pension, securities trust	Other	Operating expenses
FY'16 1-3Q	184.6	101.0	6.3	15.8	13.3	48.1	(111.2)

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.

Link Together Shape Future Next Action RESONA GROUP

