Financial Highlights for the Third Quarter of Fiscal Year 2017



Resona Holdings

January 31, 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 planed

Resona HD consolodated (JPY bn)		1-3Q of FY2017			FY2017 Target Released in Jan. '18
			YoY change	%	
Net income attributable to owners of the parent	(1)	**202.7**	**+72.9**	**+56.1%**	**235.0**
Gross operating profit	(2)	408.1	(14.2)	(3.3)%	
Net interest income	(3)	275.0	(4.1)		
NII 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%		
Actual net operating profit*2	(13)	**153.4**	**(12.1)**	**(7.3)%**	
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)		
Income before income taxes	(17)	**167.0**	**(15.3)**	**(8.4)%**	
Income taxes and other	(18)	35.7	+88.3		
EPS (yen)	(19)	86.76	+32.72		
BPS (yen)	(20)	904.49	+144.99		

*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

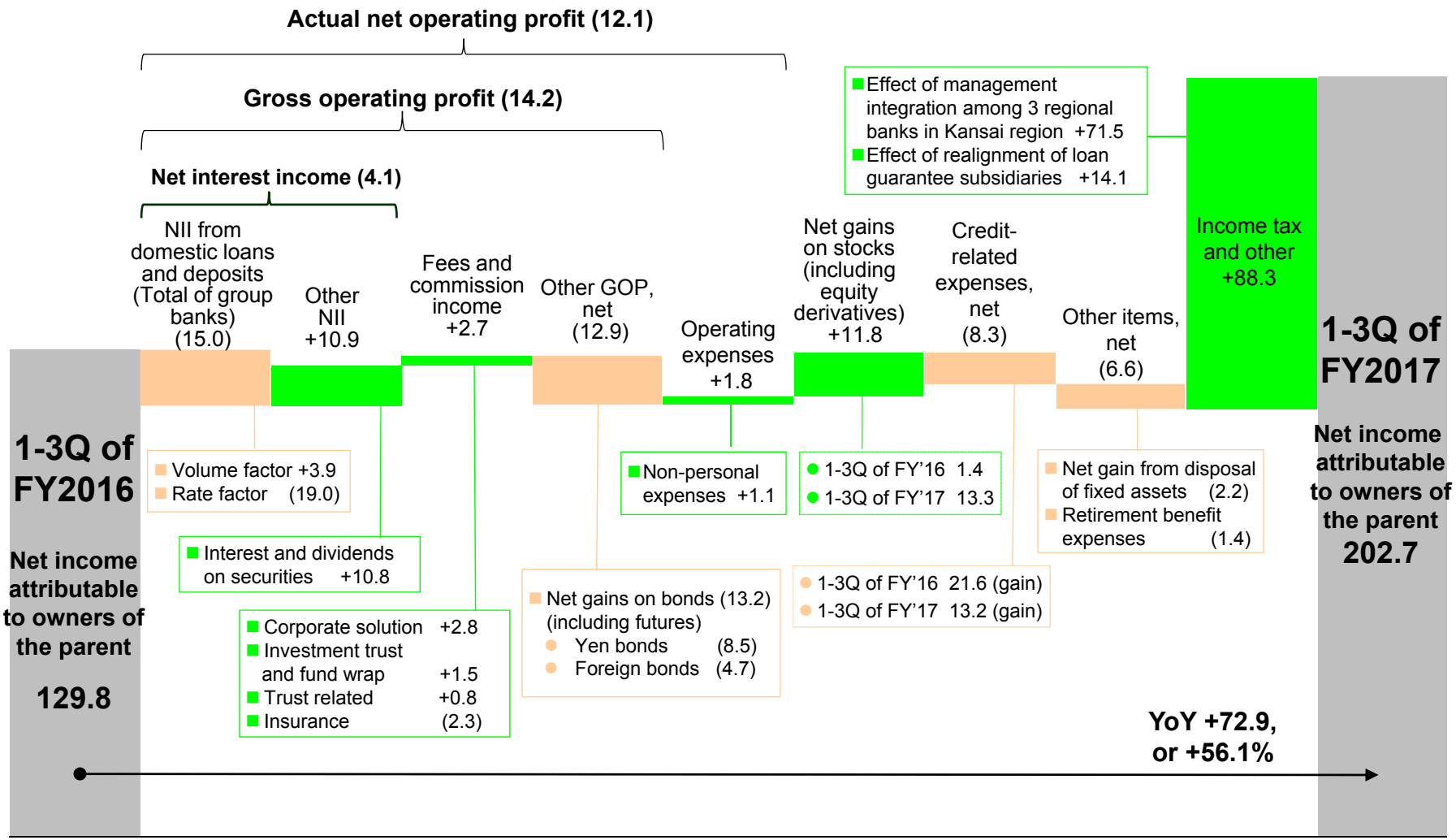
(JPY bn)		Resona Holdings (Consolidated)	YoY change	Total of group banks (Non-consolidated)	YoY change	Resona Bank	Saitama Resona Bank	Kinki Osaka Bank	Effect of realignment of loan guarantee subsidiaries	Difference (Exclude the effect of realignment of loan guarantee subsidiaries)	YoY change
Gross operating profit	(1)	**408.1**	**(14.2)**	**379.2**	**(9.3)**	252.9	90.9	35.4	4.9	**33.8**	+0.0
Net interest income	(2)	275.0	(4.1)	276.6	+0.9	174.1	74.7	27.7	4.9	3.3	(0.0)
NII 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)
Actual net operating profit[*1]	(9)	**153.4**	**(12.1)**	**138.4**	**(6.8)**	94.7	35.9	7.7	4.9	**20.0**	(0.3)
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)
Income before income taxes	(13)	**167.0**	**(15.3)**	208.6	**+49.4**	147.1	50.5	10.9	57.9	**16.3**	(6.8)
Income taxes and other	(14)	35.7	+88.3	(30.9)	+13.6	(17.0)	(11.2)	[*2] (2.7)	[*3] 14.1	[*2] 66.7	+74.6
Net income (attributable to owners of the parent)	(15)	**202.7**	**+72.9**	**177.6**	**+63.0**	130.0	39.3	8.1	72.0	**83.0**	+67.8

*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)

RHD Consolidated

(JPY bn)



Trend of Loans and Deposits

Total of Group Banks

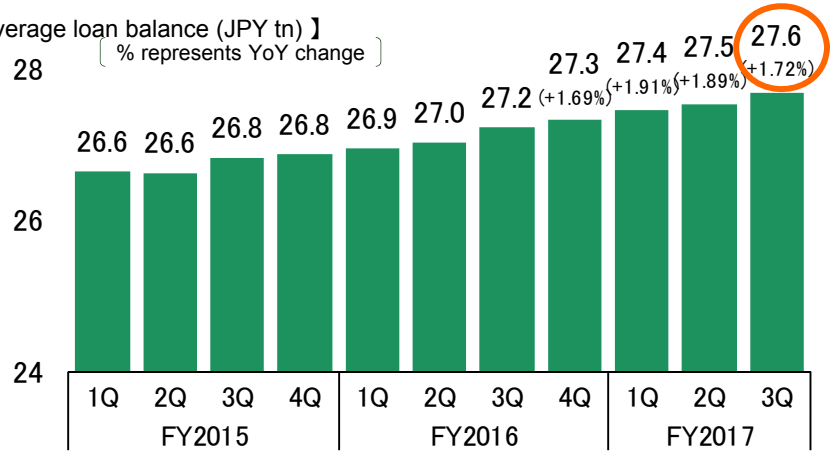
Average loan / deposit balance, rates and spread

Avg. bal : Trillion Yen / Income/Cost : Billion Yen				1-3Q Act.	1-3Q YoY	FY2017 Plan *3	FY2017 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)

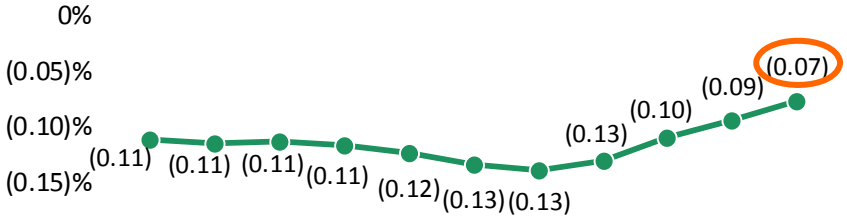
Data compiled for a management and administration purpose
*1. Corporate Banking Business Unit :
Corporate loans (excluding loans to governments) + apartment loans
*2. Personal Banking Business Unit:
Residential housing loans + other consumer loans
*3. Earnings targets of FY2017 (released in Nov. 2017)

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

【 Average loan balance (JPY tn) 】
(% represents YoY change)



【 Loan rate QoQ change (%) 】



【 Loan and deposit rates 】

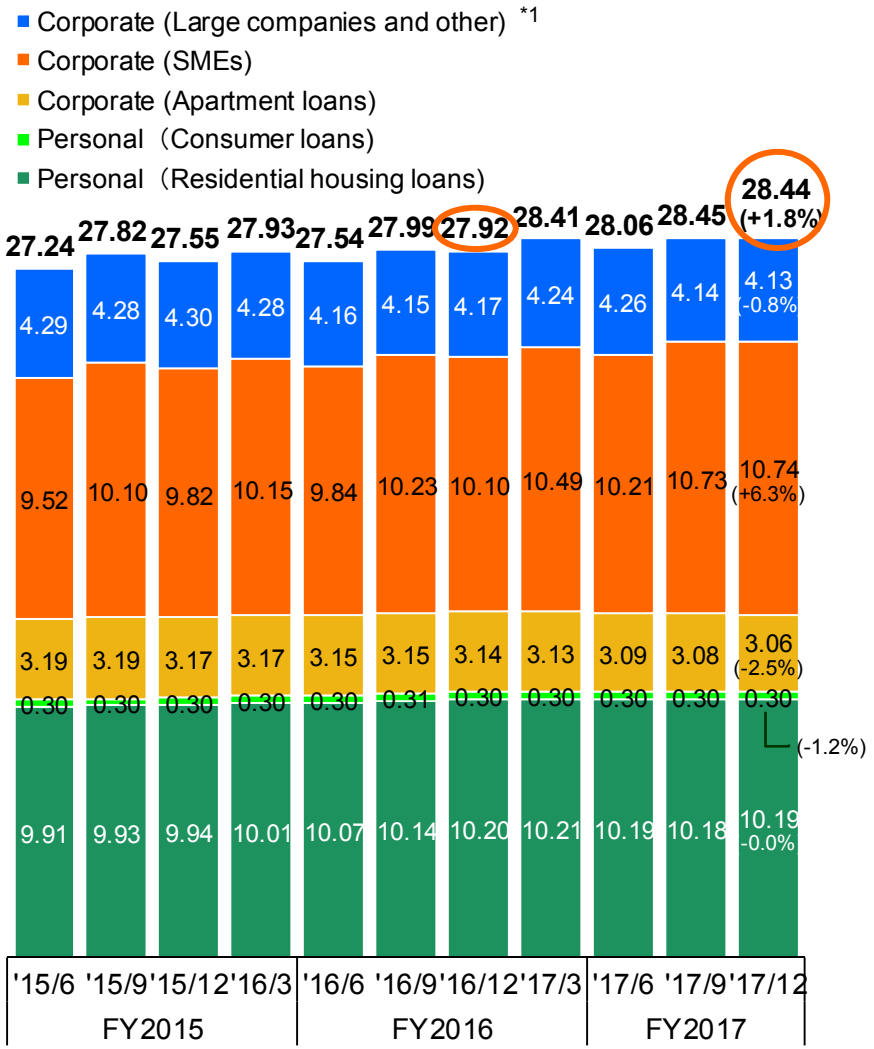
(%)	FY2015 1Q	2Q	3Q	4Q	FY2016 1Q	2Q	3Q	4Q	FY2017 1Q	2Q	3Q
Loans	1.30	1.29	1.26	1.24	1.18	1.15	1.12	1.11	1.07	1.06	1.05
Deposits (including NCDs)	0.03	0.03	0.03	0.02	0.01	0.01	0.01	0.01	0.01	0.01	0.01
Spread	1.27	1.25	1.23	1.22	1.16	1.14	1.11	1.10	1.06	1.04	1.03

Term-end Balance of Loans and Deposits

Total of Group Banks

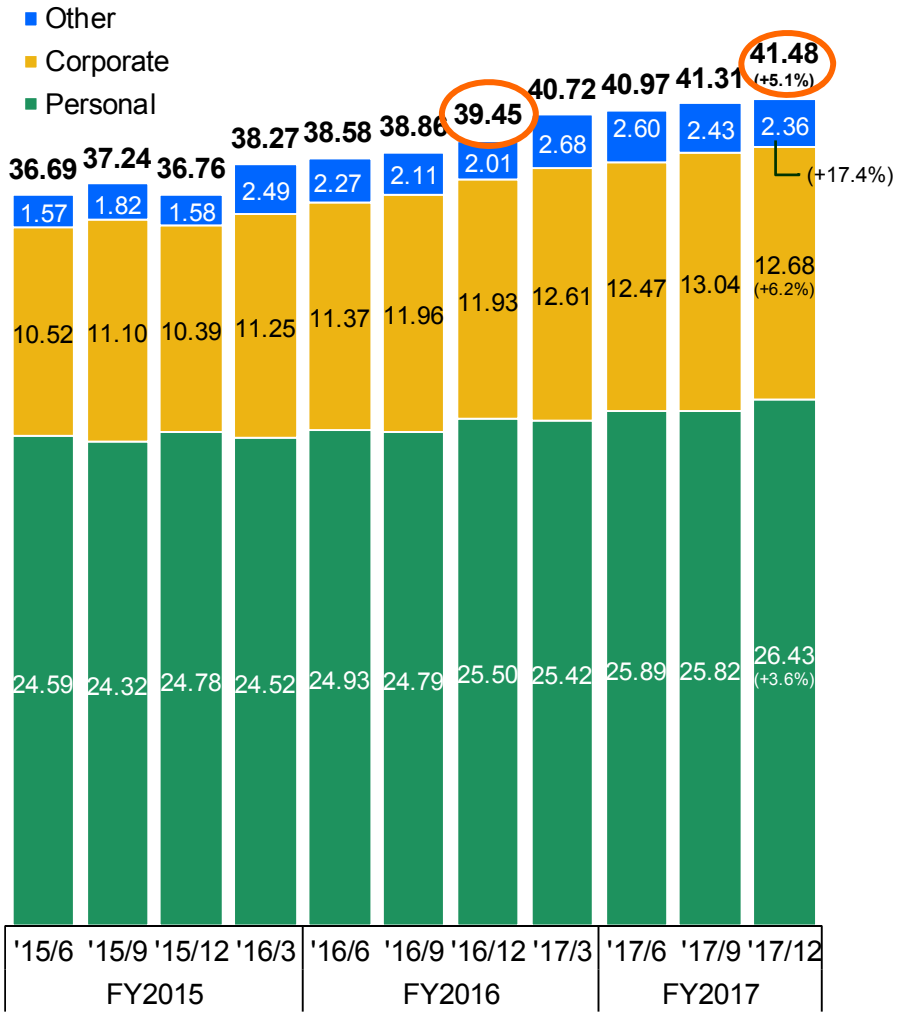
Term-end loan balance

JPY tn, % represents YoY change



Term-end deposit balance

JPY tn, % represents YoY change



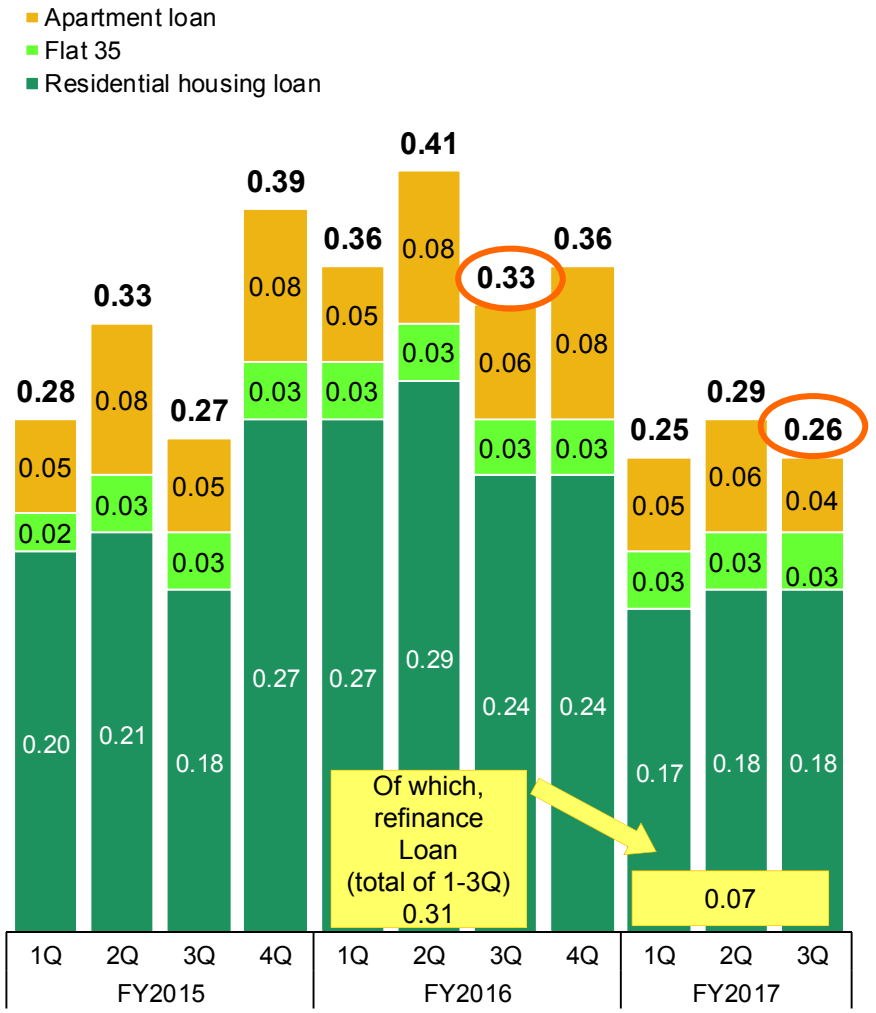
*1. Include the loan extended to RHD from RB

Residential Housing Loan and Apartment Loan Business

Total of Group Banks

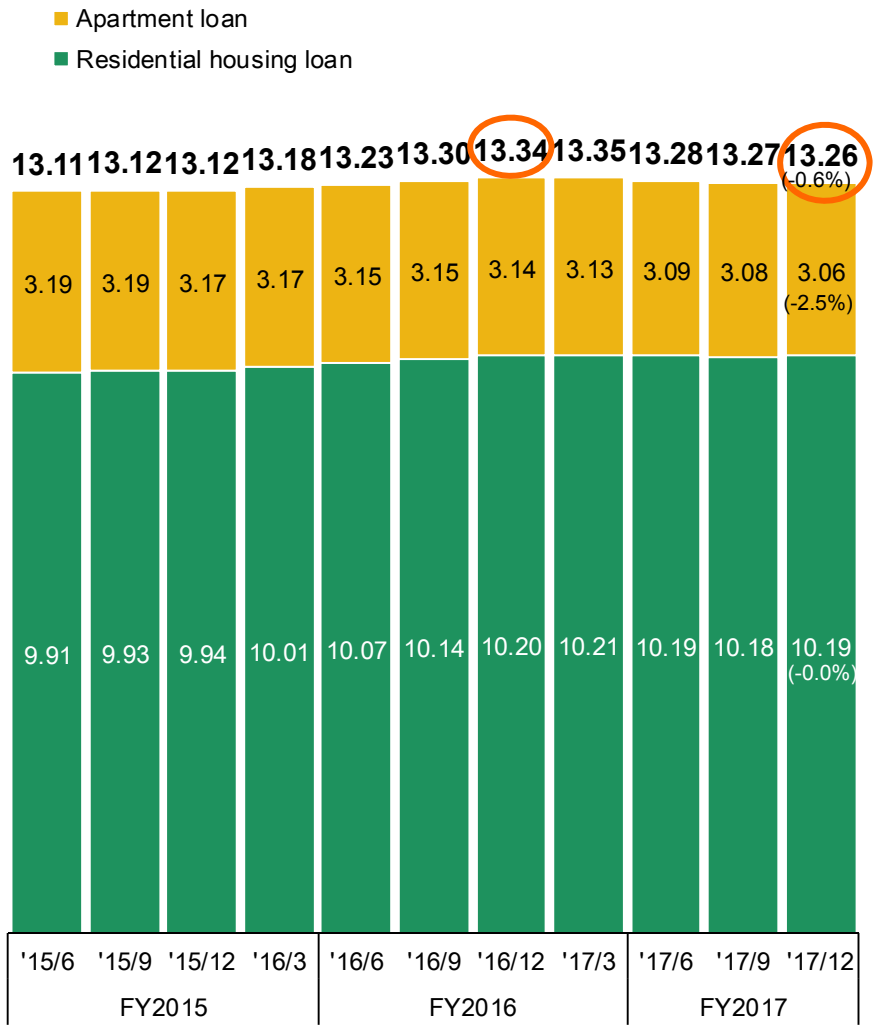
New loan origination

(JPY tn)



Term-end loan balance

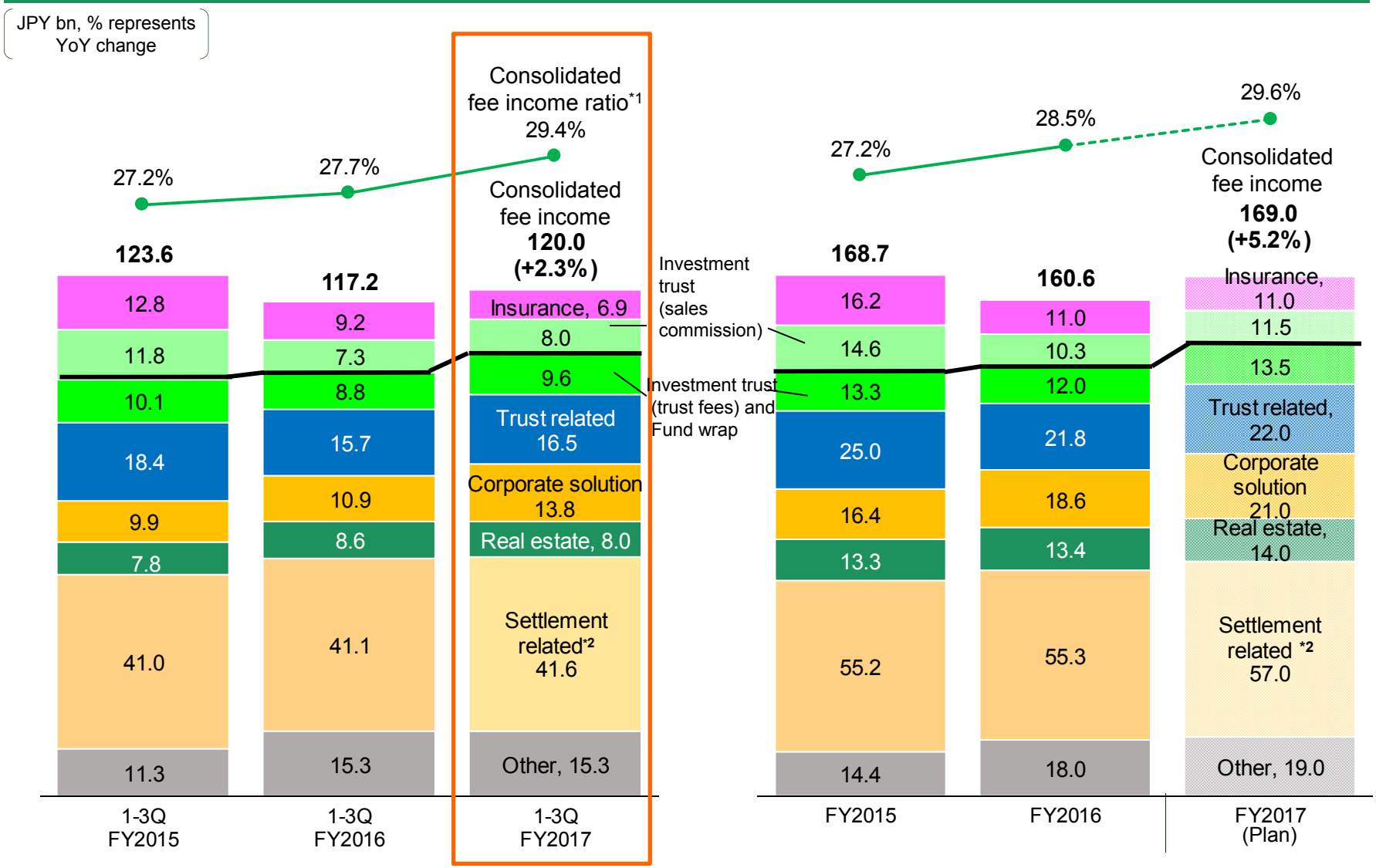
JPY tn, % represents YoY change



Trend of Fee Income

RHD Consolidated

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



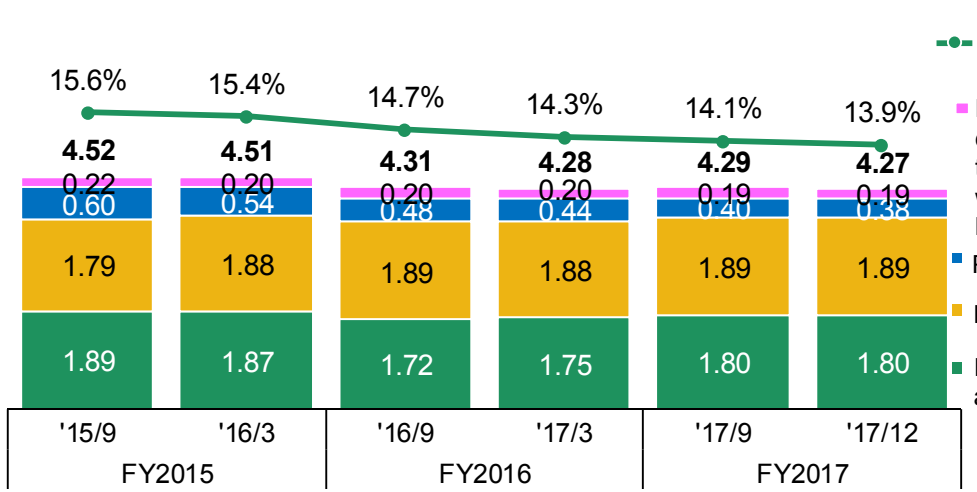
*1. (Fees and commission income + trust fees)/Consolidated gross operating profit
*2. Fees and commission from domestic exchange, credit transfer, EB, Visa debit and fee income from Resona Kessai Service and Resona Card

Asset Formation Support Business

Total of Group Banks

Balance of asset formation support products sold to individuals

(JPY tn)

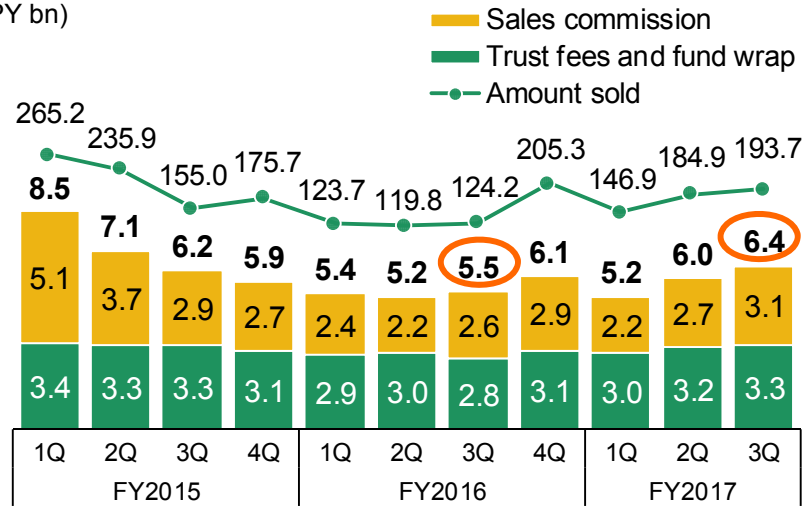


- Balance of fund wrap (including corporation) : ’17/12 Approx. 200.0 bn
- Net inflow of funds of investment trust and fund wrap
  (New purchase – withdrawal and redemption)
  : ’17/10 ~ ’17/12, Approx. (10.0) bn

- Number of individual customers having investment trust, fund wrap and insurance products
  0.64 million as of ’17/12
  - NISA holders 0.20 million

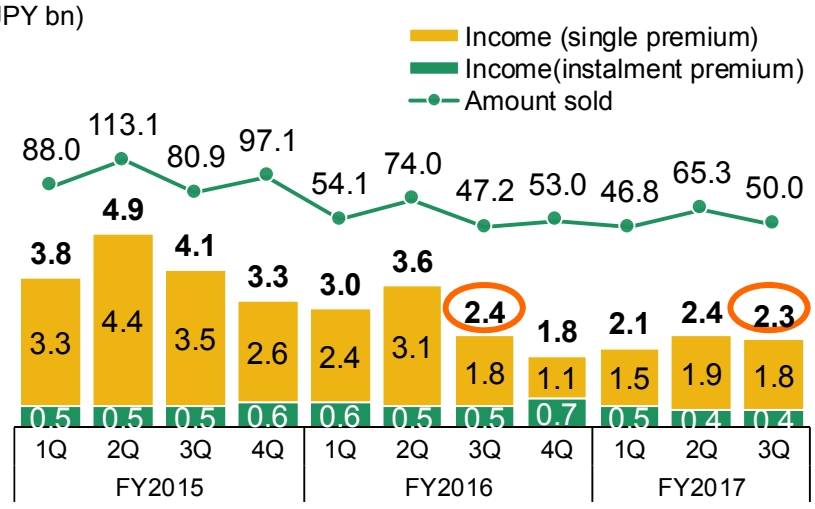
Investment trust and fund wrap

(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	FY 2016		FY 2017	
			1-3Q (9Ms)	Act.	1-3Q (9Ms)	Plan
Net credit cost (RHD consolidated)	(1)	(25.8)	21.6	17.4	13.2	(3.0)
Net credit cost (Total of group banks)	(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	
Difference (1) - (2)	(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)	

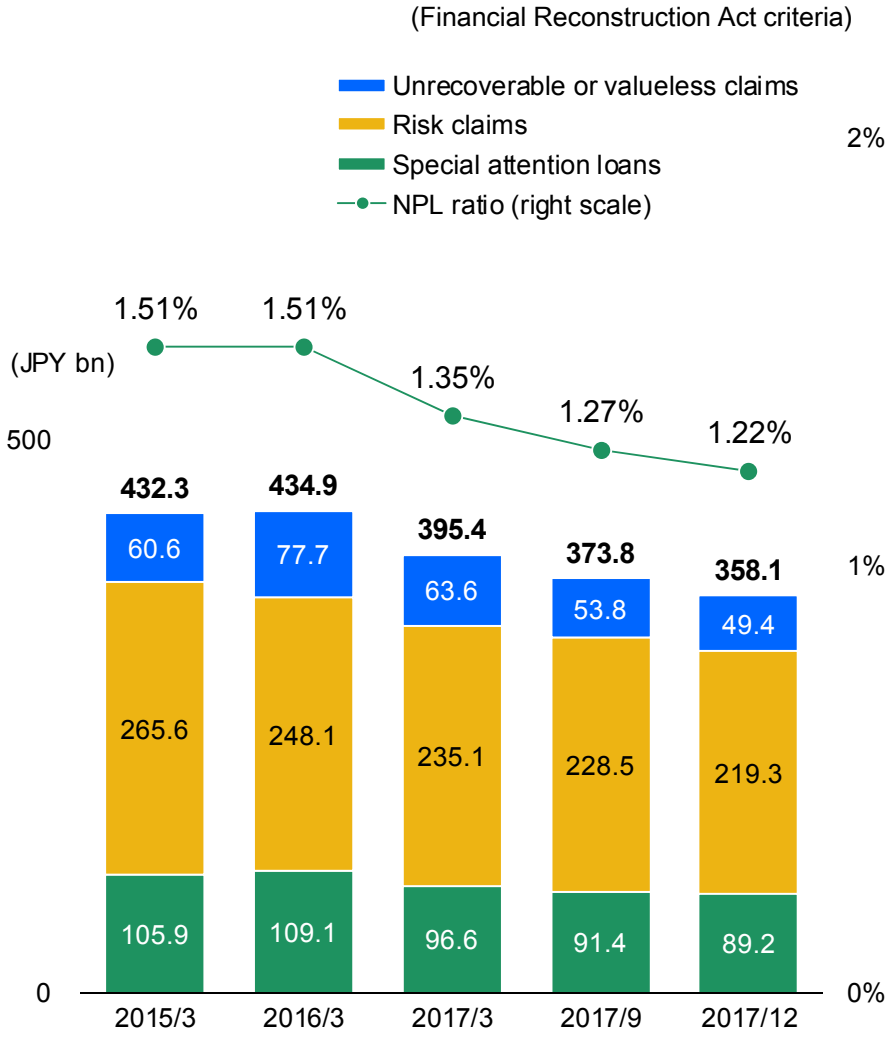
<Credit cost ratio> (bps)

RHD consolidated*1	(10)	(9.2)	10.2	6.1	6.1
Total of group banks*2	(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)



Securities Portfolio

Total of Group Banks

Securities Portfolio*1.

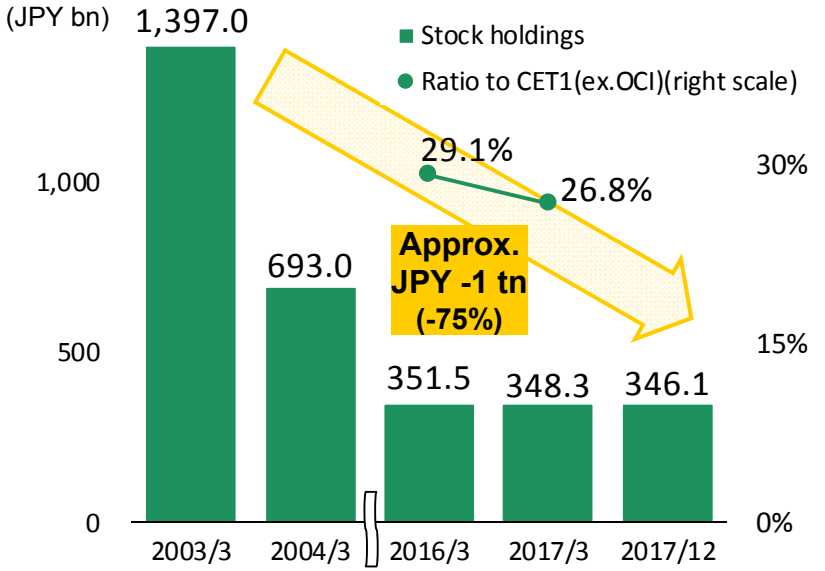
(JPY bn)		2017/3	2017/9	2017/12	Unrealized gain/(loss)
Available-for-sale securities	(1)	2,403.3	2,289.6	2,347.0	713.6
Stocks	(2)	348.3	346.5	346.1	719.9
Bonds	(3)	1,431.8	1,248.1	1,253.8	(0.9)
JGBs	(4)	544.1	293.2	219.5	(2.7)
Average duration (years)	(5)	7.0	10.8	8.9	-
Basis point value (BPV)	(6)	(0.38)	(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	

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

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

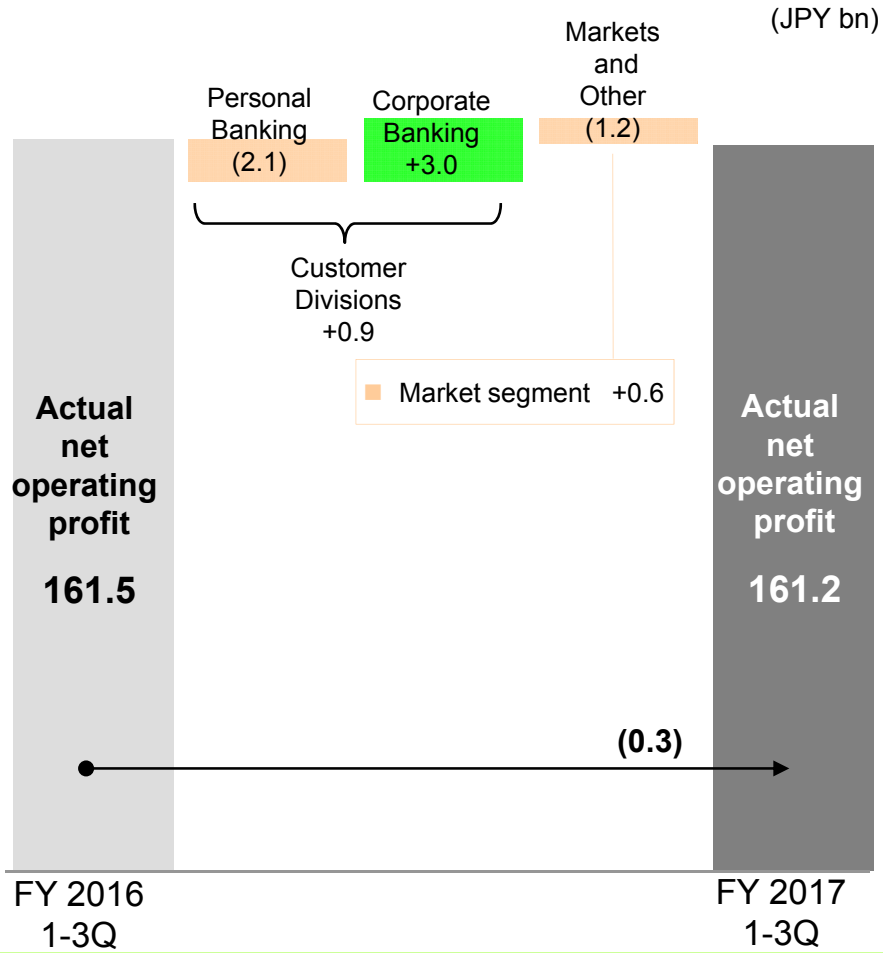


(Reference) Outline of Financial Results of Each Segment (1)

RHD Consolidated

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

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

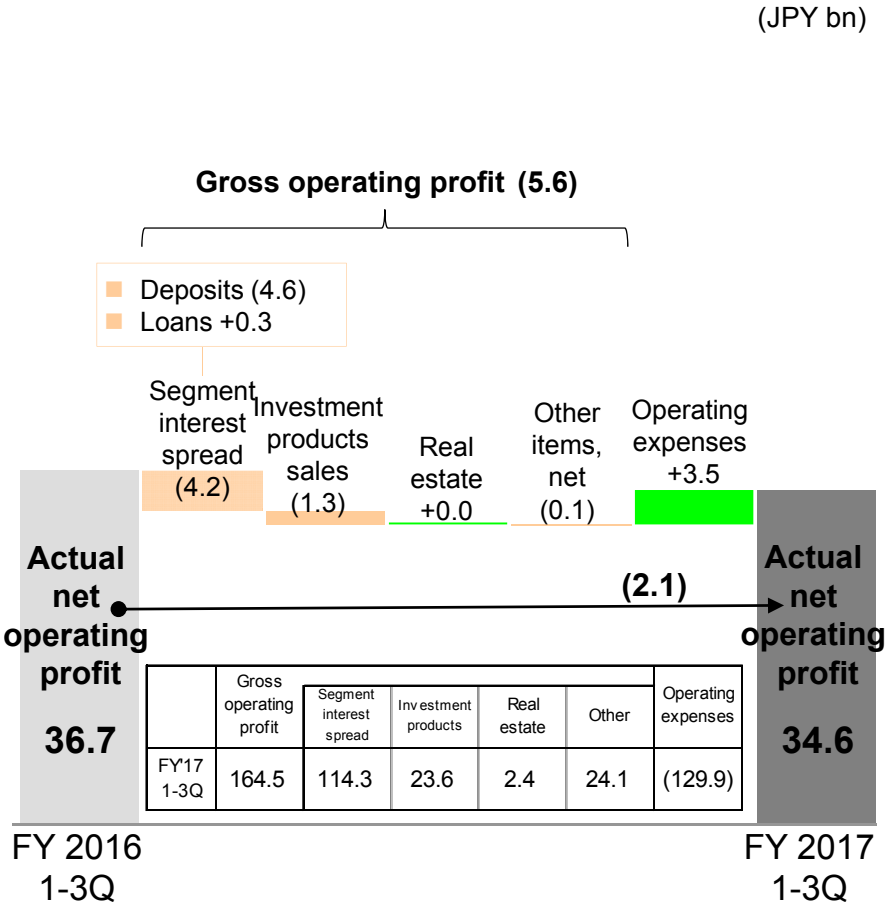
(Reference) Outline of Financial Results of Each Segment (2)

RHD Consolidated

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 】

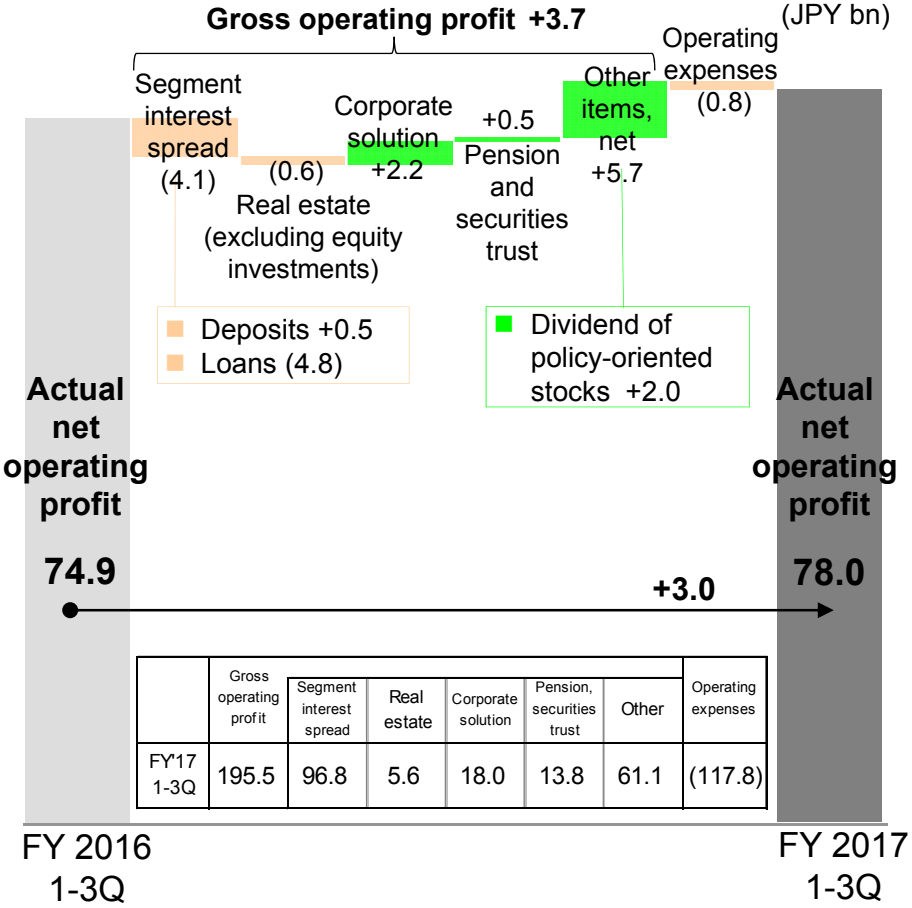


	Gross operating profit	Segment interest spread	Investment products	Real estate	Other	Operating expenses
FY'17 1-3Q	164.5	114.3	23.6	2.4	24.1	(129.9)

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 】



	Gross operating profit	Segment interest spread	Real estate	Corporate solution	Pension, securities trust	Other	Operating expenses
FY'17 1-3Q	195.5	96.8	5.6	18.0	13.8	61.1	(117.8)

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

