

Basic Policy for Repayments of Public Funds

Resona Holdings, Inc. (Resona HD, President: Kenji Kawada) formulated the basic policy for repayments of public funds and decided to submit the following related agenda to the Fifth Annual General Meeting of Shareholders.

1. Basic Policy for Repayments of Public Funds

Resona Group has defined the fiscal year 2006 as a year to move into high gear for repayments of public funds and intends to act in accordance with the following basic principles;

- (1) To secure the retained earnings necessary for repayments as early as possible
- (2) To manage the capital adequacy ratio in an appropriate manner, and
- (3) To prevent, to the extent possible, the dilution for common shareholders

2. Specific Approach towards Repayments

As for the remaining balance of public funds (¥2,925.2bn on an infusion amount basis), basic approaches for their repayments are as follows;

(1) Preferred Stocks (¥868bn under the Early Strengthening Law, ¥1,663.5bn under the Deposit Insurance Law, in total ¥2,531.5bn)

- ◇ It is estimated that Resona Holdings and its operating banks combined can accumulate sufficient retained earnings exceeding the entire amount of preferred stocks issued under the Early Strengthening Law, or roughly equivalent to approx. 40% of the total public funds preferred stocks, by the end of March 2007.
- ◇ The basic approach towards repayments of these preferred stocks is repurchase and cancellation of these securities utilizing the above mentioned retained earnings plus the proceeds (or “other capital surplus” on an accounting basis) from the issuance of new preferred stocks.
- ◇ Based upon this basic policy, Resona Holdings plans to submit the following related agenda to the Fifth Annual General Meeting of Shareholders;
  - Agenda to set up an upper limit for repurchase of public funds preferred stocks in fiscal year 2006 (for further details, please refer to a separate announcement, titled “ Announcement Concerning Repurchase of Own Stocks”)
  - Agenda to amend the Articles of Incorporation to enable the issuance of new preferred stocks (for further details, please refer to a separate announcement, titled “Notice on Partial Amendment to the Articles of Incorporation.”)

(2) Subordinated Loan (¥100bn under the Early Strengthening Law)

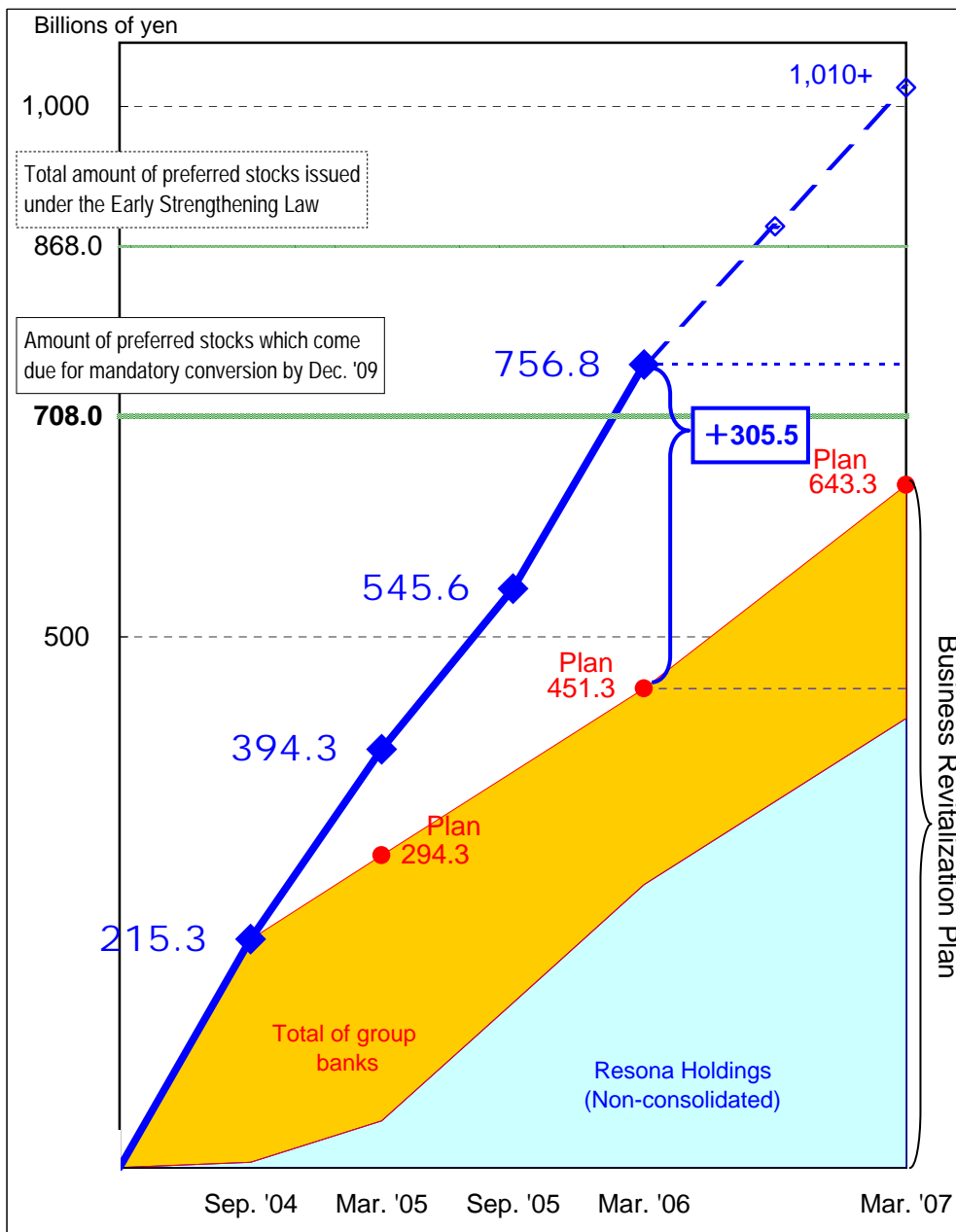
Basic approach is to repay the full amount by its call date (end of March 2009).

(3) Common Stock (¥293.7bn under the Deposit Insurance Law)

Consultation with competent authorities with respect to the timing and specific scheme will take place after necessary conditions are met.

The basic approaches mentioned above are based on various outlooks at present. Resona Group will take an appropriate course of capital policies flexibly in response to the possible changes in accumulation of retained earnings, prevailing market conditions, and general management environment surrounding Resona Group banks in order to pay back the public funds at an earliest date.

**[Reference] Projected accumulation of retained earnings**



\*Possible outflows due to repurchase of own stocks and others are not taken into account

[Reference] Outline of the public funds

|                         | Time of Issuance | Mandatory Conversion<br>(1st call date) | Balance             | Balance            | Repaid<br>(2) - (1) |   |
|-------------------------|------------------|---|---------------------|--------------------|---------------------|---|
|                         |                  |   | Sep. 30, '05<br>(1) | Mar.31, '06<br>(2) |                     |   |
| Public Funds Received   |                  |   | <b>3,128.0</b>      | <b>2,925.2</b>     | <b>(202.8)</b>      |   |
| Preferred Stocks        |                  |   | <b>2,531.5</b>      | <b>2,531.5</b>     | -                   |   |
| Early Strengthening Law |                  |   | 868.0               | 868.0              | -                   |   |
| Class B, No.1           | 1999/03          | 2009/04                                 | 408.0               | 408.0              | -                   | Partial repayments<br>are planned in fiscal<br>2006 after a<br>resolution by the<br>AGM |
| Class C, No.1           | 2001/04          | 2015/04                                 | 60.0                | 60.0               | -                   |   |
| Class E, No.1           | 1999/03          | 2009/12                                 | 300.0               | 300.0              | -                   |   |
| Class F, No.1           | 1999/03          | 2014/12                                 | 100.0               | 100.0              | -                   |   |
| Deposit Insurance Law   |                  |   | 1,663.5             | 1,663.5            | -                   |   |
| Class One, No.1         | 2003/07          | Not attached                            | 550.0               | 550.0              | -                   |   |
| Class Two, No.1         | 2003/07          | Not attached                            | 563.5               | 563.5              | -                   |   |
| Class Three, No.1       | 2003/07          | Not attached                            | 550.0               | 550.0              | -                   |   |
| Subordinated Loans      |                  |   | <b>300.0</b>        | <b>100.0</b>       | <b>(200.0)</b>      |   |
| Stabilization Law       |                  |   | 200.0               | -                  | (200.0)             |   |
| Former Daiwa BK         | 1998/03          | Repaid                                  | 100.0               | -                  | (100.0)             | Already fully repaid  |
| Former Asahi BK         | 1998/03          | Repaid                                  | 100.0               | -                  | (100.0)             |   |
| Early Strengthening Law | 1999/03          | 2009/03                                 | 100.0               | 100.0              | -                   |   |
| Common Stock            | 2003/07          | Not attached                            | <b>296.4</b>        | <b>293.7</b>       | <b>(2.7)</b>        |   |