

**Full Repayment of Public Funds and Outline  
of the New Mid-term Management Plan**  
- Aiming at Becoming “No.1 Retail Bank”-



**RESONA**  
**Resona Holdings**

**February 27, 2015**

# Summary of the Company Announcements on Feb. 27, 2015

## Point #1 Full Repayment of Public Funds

### Fully repay Y128.0 bn of remaining public funds\*

\* Execute the final repayment promptly after obtaining the approval at the AGM to be held in June 2015

## Point #2 New Capital Management Policy

### 1. Capital adequacy ratio target

- Secure sufficient capital adequacy under the Japanese Domestic Std.
- Aim to achieve 8.0% and higher CET1 ratio\*1 stably under the International Std.

### 2. Dividend policy

- Increase term-end DPS for FY2014 by 2 yen (From 15 yen to 17 yen per annum)
- Begin to pay interim dividend from FY2015
- Introduce shareholder special benefit plan (Point Club)
- Maintain ROE\*2 above 10%

### 3. Sale of treasury shares

- Reissue treasury shares in March 2015 by way of third party allotment, as a part of qualitative and quantitative capital buildup
- Repurchase and cancel class 4 preferred shares soon after fully repaying public funds

\*1. Exclude unrealized gain on available-for-sale securities, net of tax effect (phase-in / phase-out rule basis)

Assume approx. Y17 trillion RWA throughout the new plan period

\*2. (Net income – Preferred dividends) / (Total shareholders equity – balance of outstanding preferred shares)  
(Simple average of the balances at the beginning and end of the term)

## Point #3 New Mid-term Management Plan

Goal	No.1 Retail Bank		
Ideal	Customers' joy and happiness are Resona's		
Management policy	<ul style="list-style-type: none"> <li>Succession and further deepening of "Resonaism"</li> <li>Business model as New Financial Services Business</li> <li>Further deepening of group consolidated management</li> </ul>		
Positioning of plan	Mind change to conduct business more aggressively		
	Shift to "Sustainable Growth"		
Major Challenges	Sustainable growth driven by income from main business	Cost structure reform	Sophistication in capital management
Management strategy	Business strategy	Cultivating strategic business areas even further	
		<ul style="list-style-type: none"> <li>Solution driven differentiation strategy</li> <li>"Solutions supporting growth, turnaround and succession" and "total life solutions" based on the Group's trust and real estate functions</li> </ul>	
	Challenge to create new profit opportunities		
Foundation	<ul style="list-style-type: none"> <li>Pursue outstanding retail financial services</li> <li>Provide customers with new value through "Omuni-Channel" and "Open Platform" strategies</li> </ul>		
	Solidifying foundations to support business strategy		
Earnings plan	<ul style="list-style-type: none"> <li>Envisage the following in FY2017: Top-line income (3 banks): Y600 bn Net income (Consolidated): Y175 bn</li> </ul>		

## Point #4 Consolidation of head office functions in the Kansai region

- Shifting and consolidating the group's head office functions in the Kansai region
- Relocating Kinki Osaka Bank's head office

---

## Full Repayment of Public Funds

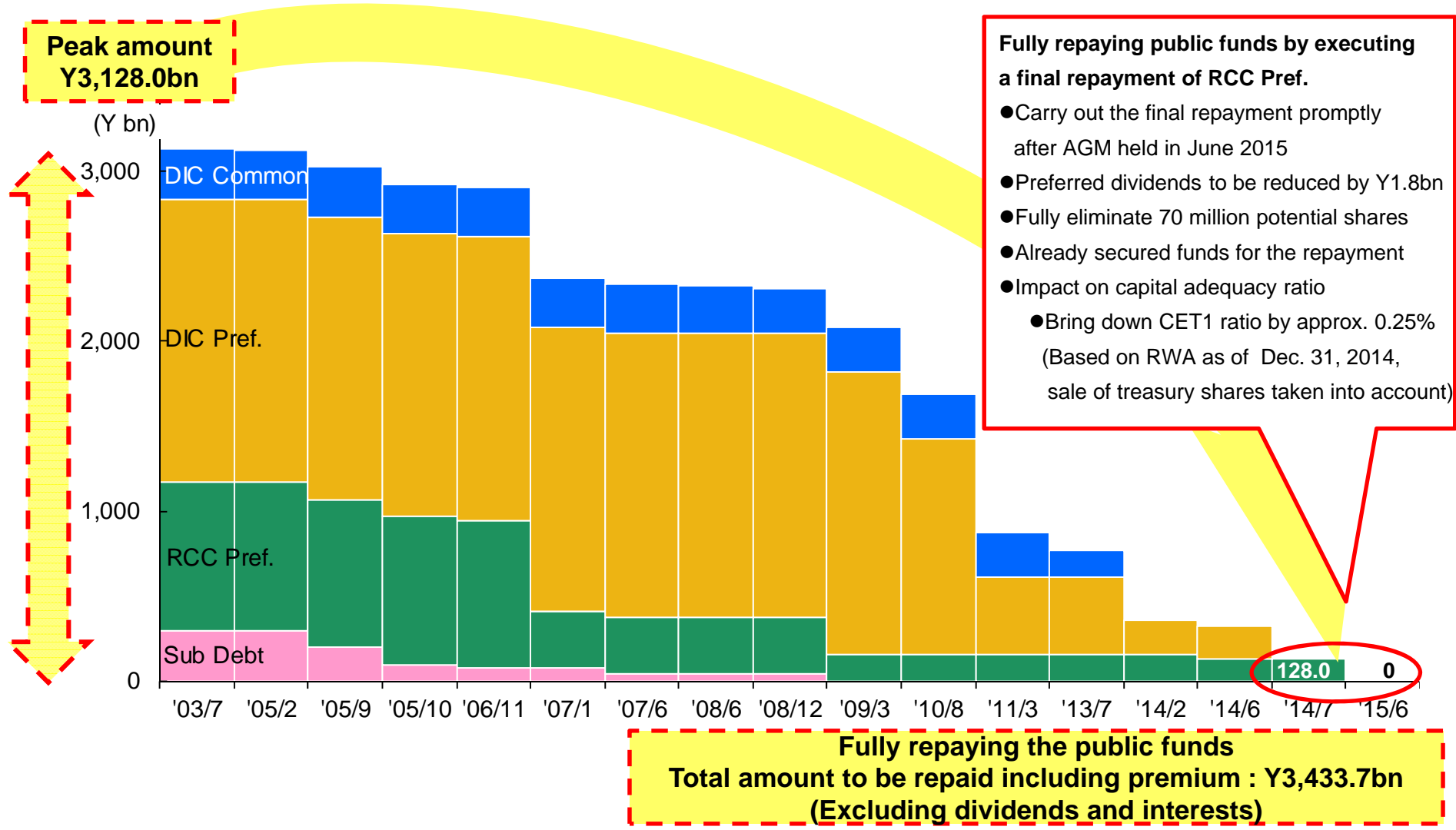
## New Capital Management Policy

## Outline of the New Mid-term Management Plan

## Reference Material

# Full Repayment of the Public Funds

Public funds which supported Resona's turnaround and growth are now to be fully repaid



---

**Full Repayment of Public Funds**

**New Capital Management Policy**

**Outline of the New Mid-term Management Plan**

**Reference Material**

# New Capital Management Policy (1): Capital Adequacy Ratio Target

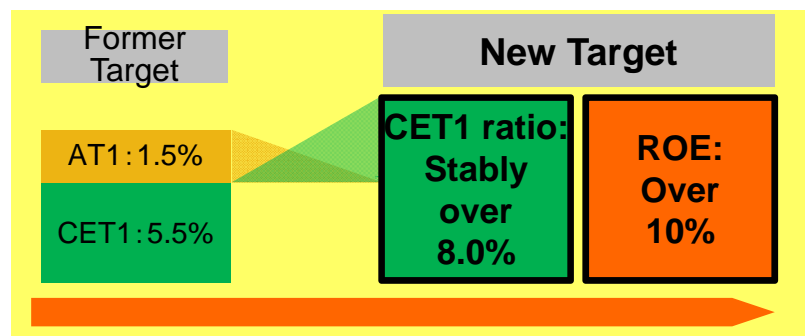
## Post public funds CAR target

- Secure sufficient capital adequacy under the Japanese Domestic Std.
- Aim to achieve 8.0% and higher CET1 ratio\*1 stably under the International Std.

[Rationale for the new CAR target]

- Up 2.5% from the former CET1 target of 5.5%
  - ✓ Qualitative buildup : +1.5%
    - Substitute Additional Tier 1 (AT1) with CET1
  - ✓ Quantitative buildup : +1.0%
    - Prepare for strategic investment opportunity
    - Prepare for possibility of further tightening of capital regulation

- Maintain ROE\*2 above 10%, enhancing efficiency in capital utilization



\*1. Exclude unrealized gain on available-for-sale securities, net of tax effect (phase-in / phase-out rule basis)

Assume approx. Y17 trillion RWA throughout the new plan period

\*2.  $(\text{Net income} - \text{Preferred dividends}) / (\text{Total shareholders equity} - \text{balance of outstanding preferred shares})$   
 (Simple average of the balances at the beginning and end of the term)

## Effort for qualitative and quantitative Capital buildup

- **De Facto “Capital Exchange”**  
 (Sale of treasury shares and repurchase of Class 4 preferred shares)

	Sale of treasury shares	Repurchase of Class 4 Preferred Shares
Time of execution	March 16	Late in June
Sale and repurchase amount	Y86.5 bn (@665.45yen*3)	Y63.0 bn
Allottee/ Shareholder	Dai-ichi Life (70M Shares) Nippon Life (60M Shares)	Shinkin Trust Bank
Other		Yield : 3.970%

\*3. Average of the TSE closing prices on 10 business days between February 13<sup>th</sup> and 26<sup>th</sup>

[Objectives]

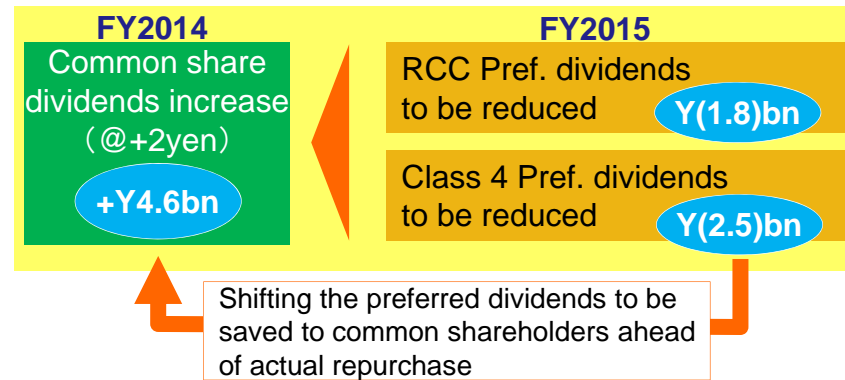
- Achieving the new CAR target at an early date
  - ✓ Sale of treasury shares will raise CET1 ratio by approximately 0.5%
- Repurchasing and canceling high cost AT1 capital
  - ✓ Shifting Y2.5bn preferred dividends to be saved to common shareholders ahead of the actual transaction

# New Capital Management Policy(2) : Shareholder Return Policy

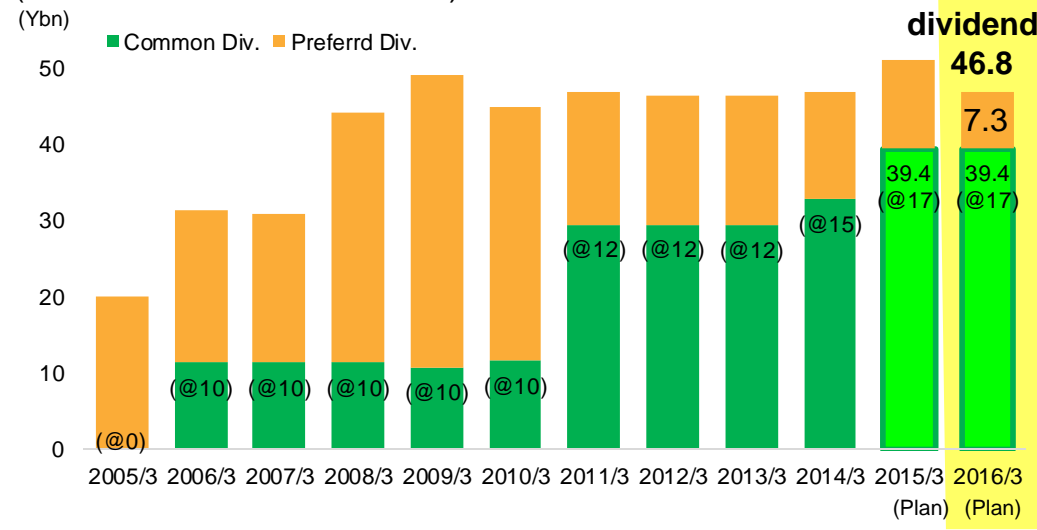
## Shareholder return policy

- Increase common DPS by 2 yen (or 13%) from term-end dividend for FY2014  
(Annual common DPS to be increased to 17 yen)
- Maintain a stable dividend policy while making efforts to strengthen capital base in order to attain a new CAR target at an early date
- Give consideration to raising common DPS when repurchasing the outstanding non-convertible preferred shares (totaling Y175 bn), shifting the preferred dividends to be saved to common shareholders
- Begin to pay interim dividends from FY2015
- Introduce a shareholder special benefit plan

[Rational for the 2 yen DPS increase]



(Trend of dividends distribution)



[Level of shareholder return]

- ✓ Total payout ratio against planned net income for FY2015 (Y160 bn) : Approx. 30%
- ✓ Common share payout ratio on the same basis : Approx. 25%

Room for further common DPS increase even without increasing the amount of total payout

---

**Full Repayment of Public Funds**

**New Capital Management Policy**

**Outline of the New Mid-term Management Plan**

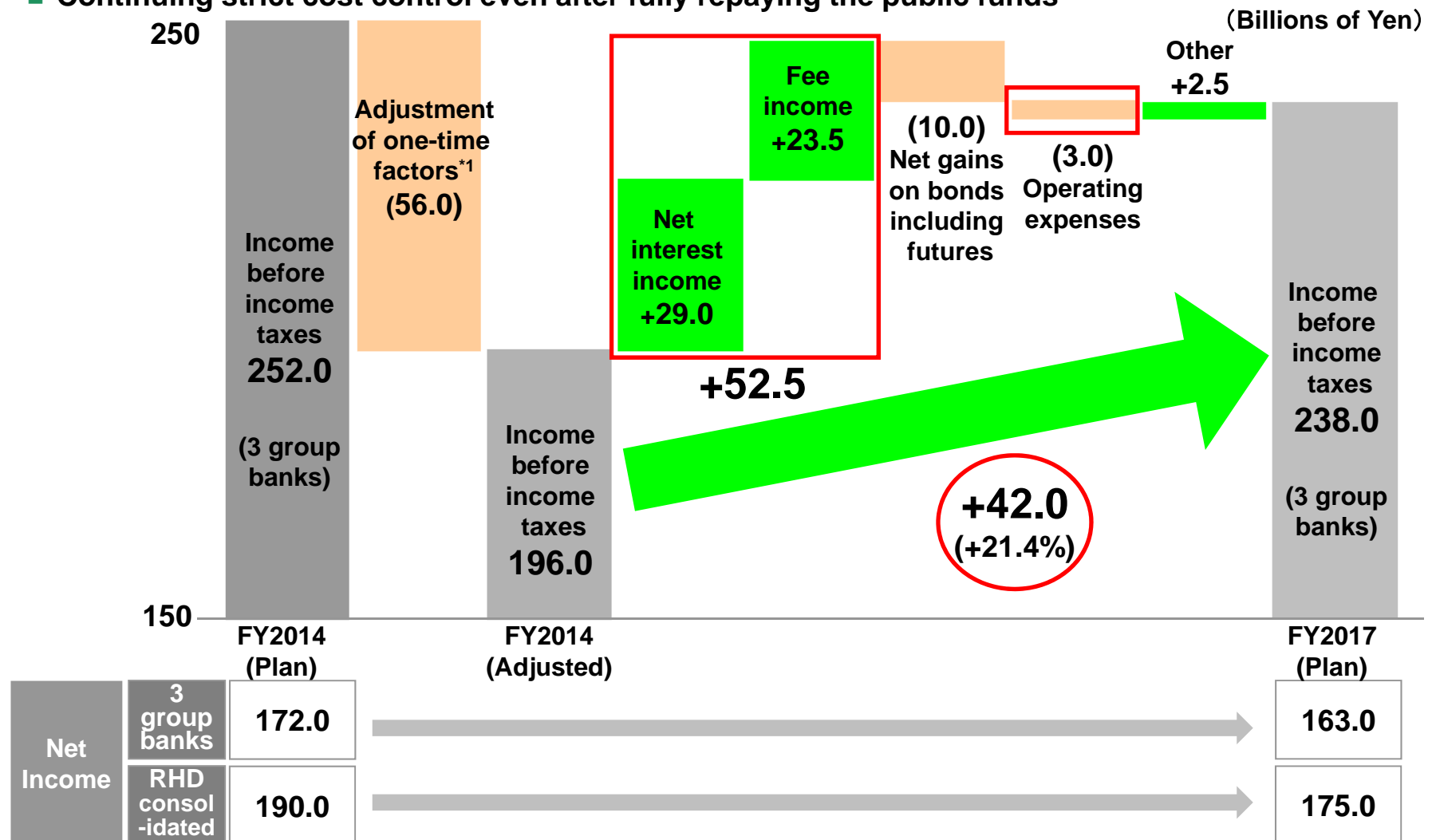
**Reference Material**



# Overview of the New Plan: Image of Envisaged Real Profitability Improvement

Income before income taxes (total of group banks) to increase by +Y42.0bn (+21.4%) during the Plan period

- Turning top-line income around
- Continuing strict cost control even after fully repaying the public funds



\*1. Credit cost (30.5) bn, Reversal of reserve for contingent loss on trust business (10.9) bn and Net gains on stocks (14.5) bn Resona Holdings, Inc.

# Focused Agendas during the New Plan Period

## Absorb negative impact of declining loan yield by accelerating loan growth

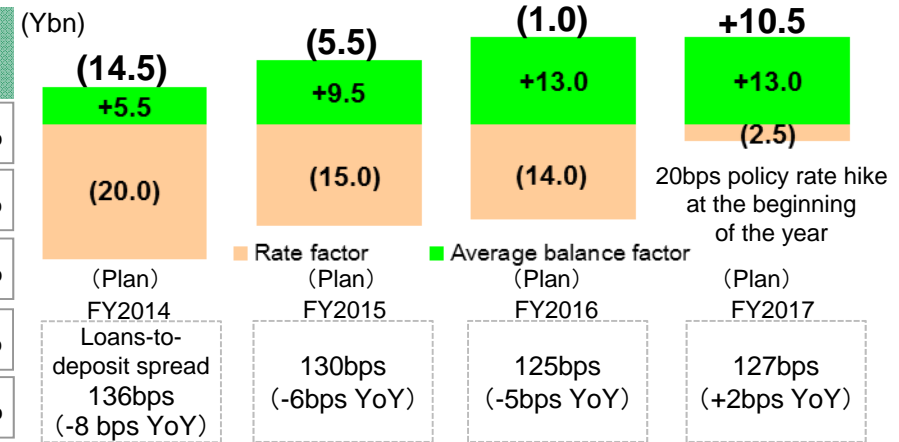
- Loan bal. hit the bottom and 3% + annual growth expected

(Domestic loans in yen)  
(Y tn)

	FY2013 (Act)	FY2014 (Pln)	FY2017 (Pln)	Change
<b>Average balance</b>	<b>25.70</b>	<b>26.10</b>	<b>28.78</b>	<b>+10.2%</b>
Corporate *1	14.88	15.10	16.56	+9.6%
Personal *1	9.81	10.08	11.32	+12.2%
<b>Term-end balance</b>	<b>26.77</b>	<b>27.33</b>	<b>30.16</b>	<b>+10.3%</b>
SMEs	8.96	9.21	10.33	+12.1%

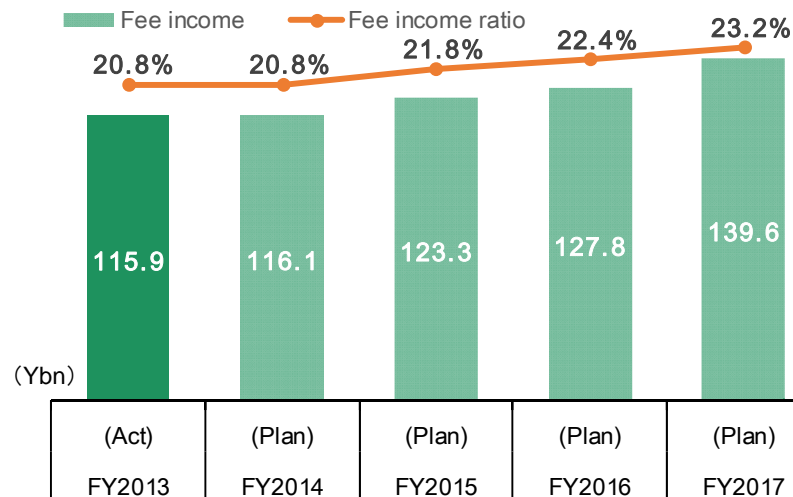
(Administrative accounting basis)

## [YoY change in net interest income from loans and deposits]



## Strengthen fee income\*2 through cross-selling

- Strengthen fee income by 20% during the period



## Enhance cost-competitiveness even further

- Strictly control costs even after fully repaying public funds

(Y bn)

	FY2013 (Act)	FY2014 (Plan)	FY2017 (Plan)	Change
<b>Total G&amp;A expenses</b>	<b>332.6</b>	<b>335.0</b>	<b>338.0</b>	<b>+3.0</b>
Social insurance, tax and other unavoidable expense increase				+4.5
Incentive salary (To be paid out of planned top-line income increase)				+3.0
<b>Expense reduction via efforts for low-cost operation</b>				<b>(4.5)</b>

\*1. Corporate Unit : Corporate loans (excluding loans to governments) + Apartment loans  
Personal Unit: Residential housing loans + Other consumer loans \*2. Fee income = Fees and commission income plus trust fees

# Cultivating Strategic Business Areas Further (1) Corporate Banking

**Expanding profit opportunities**

- Abenomics*
- Pick up in capex
- Aging of SME owners
- PPP/PFI to expand
- Tokyo Olympics

**Solutions Resona can offer to assist “growth” “business turnaround” and “business succession”**

Presence in the 2 largest urban areas in Japan	Group consolidated management
Broad customer base as a commercial bank	Expertise in management reforms and business turnaround
Full-line trust capabilities	Strong business relationships with municipalities
Relation and speed	Overseas network including partnering local banks

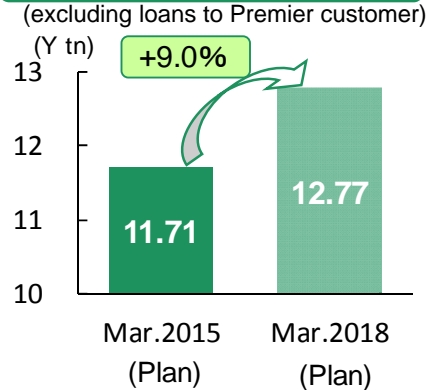
## Build good-quality loan assets

- Grasping clients’ capex needs and proposing financing in a timely manner
- Promote loans to “Premier” customers of which profitability and collateral coverage are higher than other corporate loan
- Capture PPP-related loan demand through the best use of real estate and trust functions

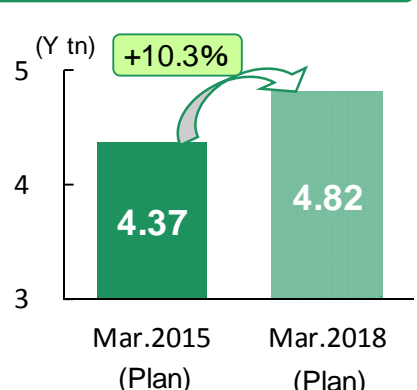
## Strengthen fee income

- Offering effective “business solutions”, fully exploiting the Group’s comprehensive functions
- Strengthen international and FX-related businesses
- Only one commercial bank that can offer real estate function on a one-stop basis

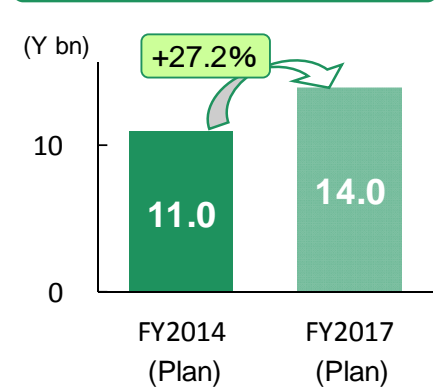
**Bal. of corporate loan**  
(excluding loans to Premier customer)



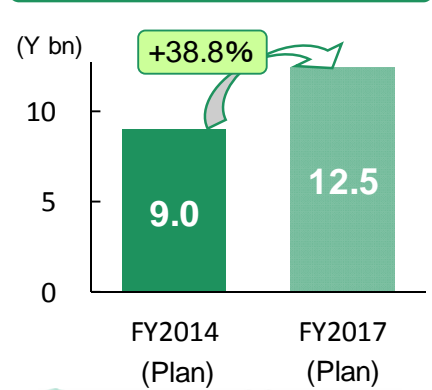
**Bal. of loans to Premier customers**



**Corporate solution income**

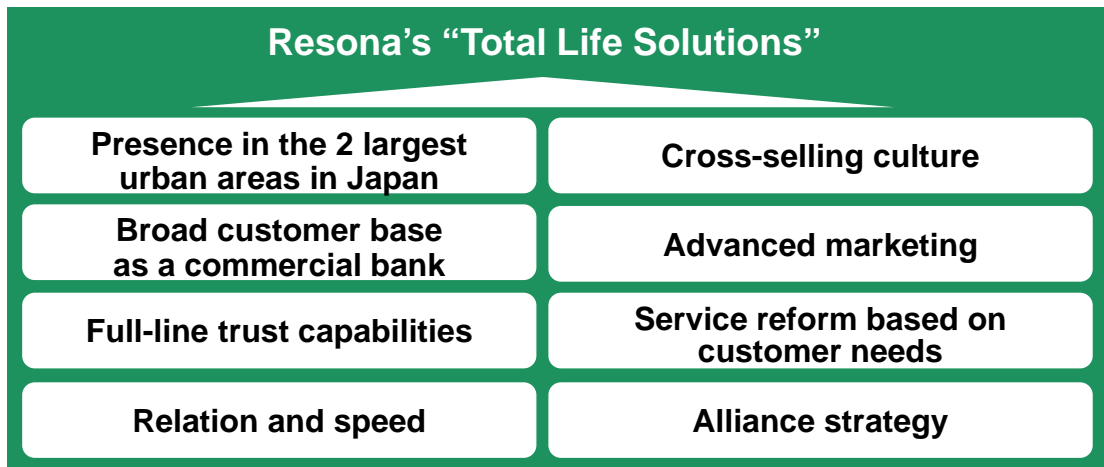


**Income from real estate business**



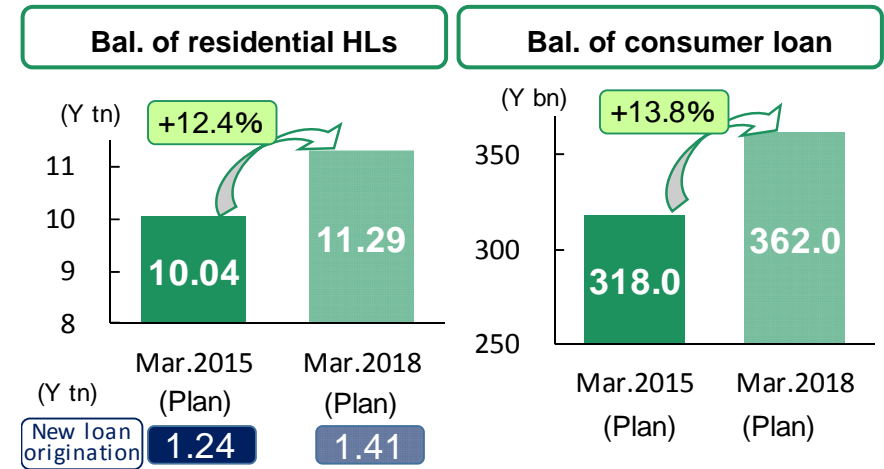
# Cultivating Strategic Business Areas Further (2) Personal Banking

- Expanding profit opportunities**
- Concentration of population and assets in urban areas
  - Advent of super-aged society
  - Change in inheritance tax system
  - From savings to investments
  - Diversifying customer needs



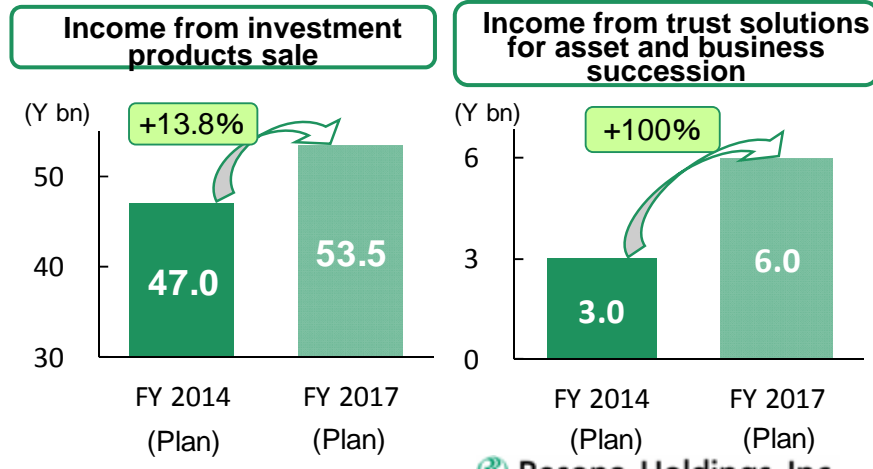
## Build good-quality loan assets

- Deliver extra value for customers, through only one product, opening on holidays, etc.
- Explore new markets (existing home, reconstruction, renovation)
- Life events-based marketing



## Strengthen fee income

- Unique positioning not belonging to any *Keiretsu* groupings and outstanding investment product offering capabilities
- Strengthen AM business
- Trust functions as "standard equipment" for Group banks

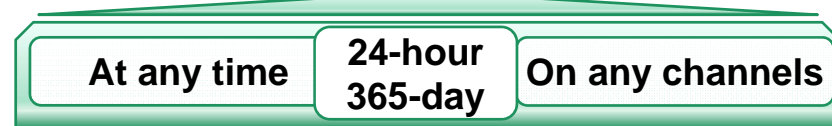
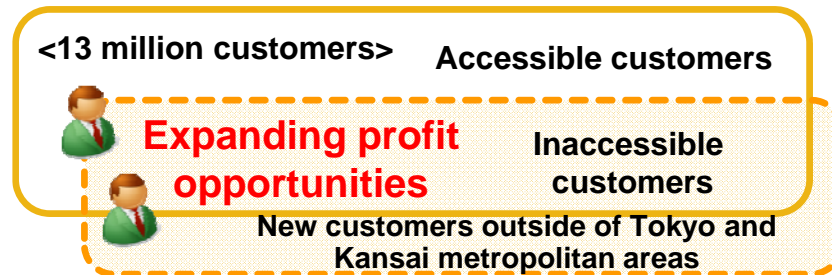


# Challenge to Create New Profit Opportunities

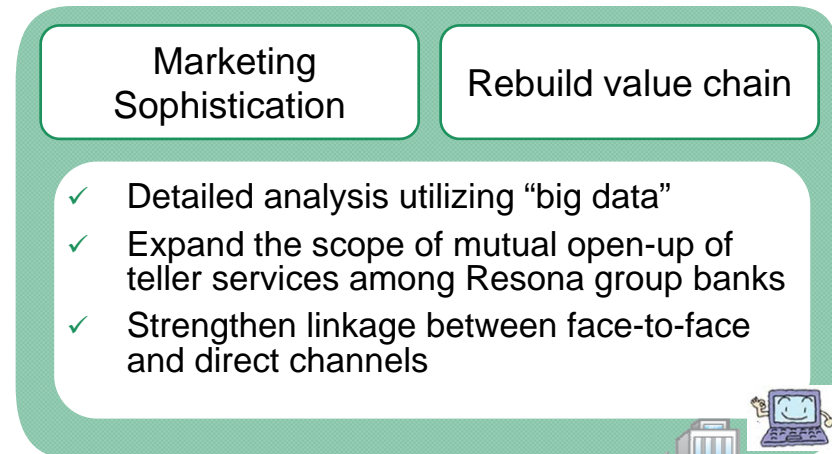
- Expand Resona's customer/operating base and strategically focused regional areas

## Omni channel strategy

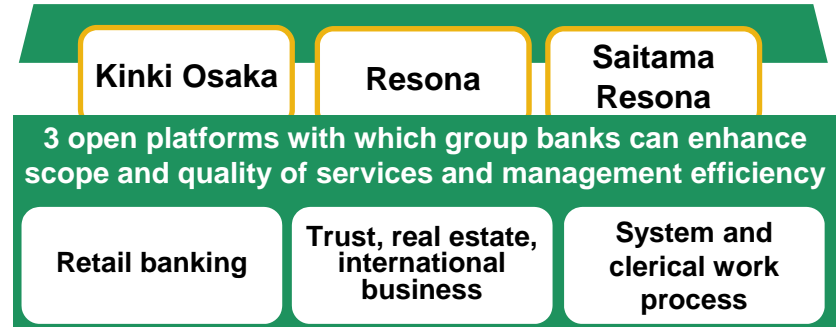
- Set up Omni Channel Strategy Office in Jan. 2015



### Personalized high-quality financial services



## Open platform strategy



### New profit opportunities from sharing of well-established platforms



---

**Full Repayment of Public Funds**

**New Capital Management Policy**

**Outline of the New Mid-term Management Plan**

**Reference Material**

# Outline of the Earnings Plan

(Billions of Yen)

Total of 3 Group Banks (Non-consolidated)	FY2013 (Act)	FY2014 (Plan) (A)	FY2015 (Plan)	FY2016 (Plan)	FY2017 Plan (B)	(B)-(A)
Gross operating profit	555.2	557.0	564.0	570.0	600.0	43.0
Net interest income	420.9	408.0	414.0	415.5	437.0	29.0
Loan to deposit margin <sup>*1</sup>	1.44%	1.36%	1.30%	1.25%	1.27%	-0.09%
Fees and commission plus trust fees	115.9	116.1	123.3	127.8	139.6	23.5
Other income (net)	18.4	32.9	26.7	26.7	23.4	(9.5)
Operating expense	(332.6)	(335.0)	(336.0)	(337.0)	(338.0)	(3.0)
Actual net operating profit <sup>*2</sup>	222.6	222.0	228.0	233.0	262.0	40.0
Net gain on stocks	22.3	23.5	9.0	10.5	9.0	(14.5)
Credit costs, net	27.1	10.0	(18.5)	(19.0)	(20.5)	(30.5)
(Credit cost ratio) <sup>*3</sup>	-0.10%	-0.04%	0.06%	0.06%	0.07%	0.10%
Income before income taxes	274.0	252.0	217.0	212.0	238.0	(14.0)
Net income	196.8	172.0	145.0	145.0	163.0	(9.0)
<b>Resona HD Consolidated Net Income</b>	<b>220.6</b>	<b>190.0</b>	<b>160.0</b>	<b>160.0</b>	<b>175.0</b>	<b>(15.0)</b>
<b>[Management indicators]</b>						
ROE (HD Consolidated)	21.6%	Above 10 %				-
Cost income ratio (Total of group banks) <sup>*4</sup>	59.9%	60.1%	59.6%	59.1%	56.3%	-3.8%
<b>[Underlying assumptions]</b>						
Overnight call rate (policy rate) %	0.044%	0.100%			0.300%	0.200%
10 year JGB %	0.640%	0.500%	0.700%	0.850%	1.500%	1.000%
Nikkei 225 (yen)	14,827	17,500		19,500	20,500	3,000

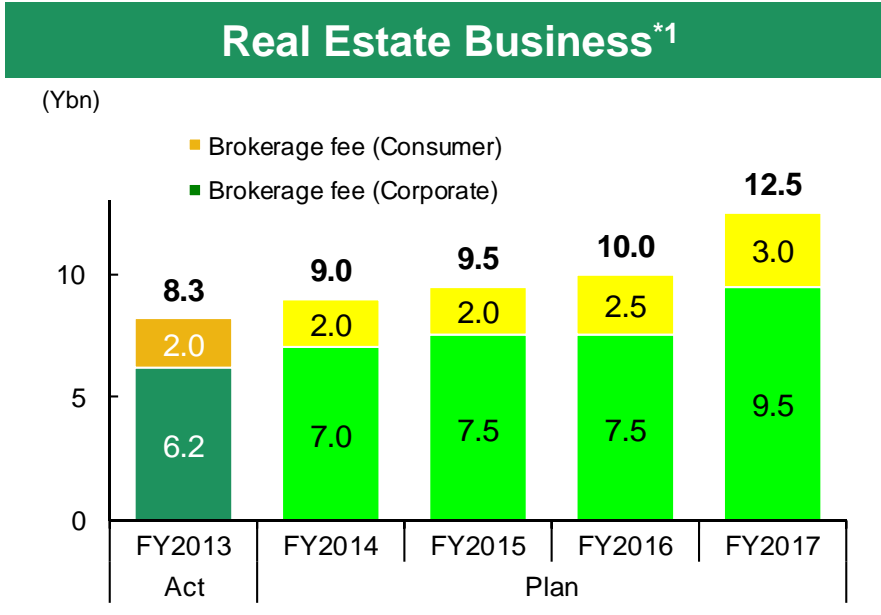
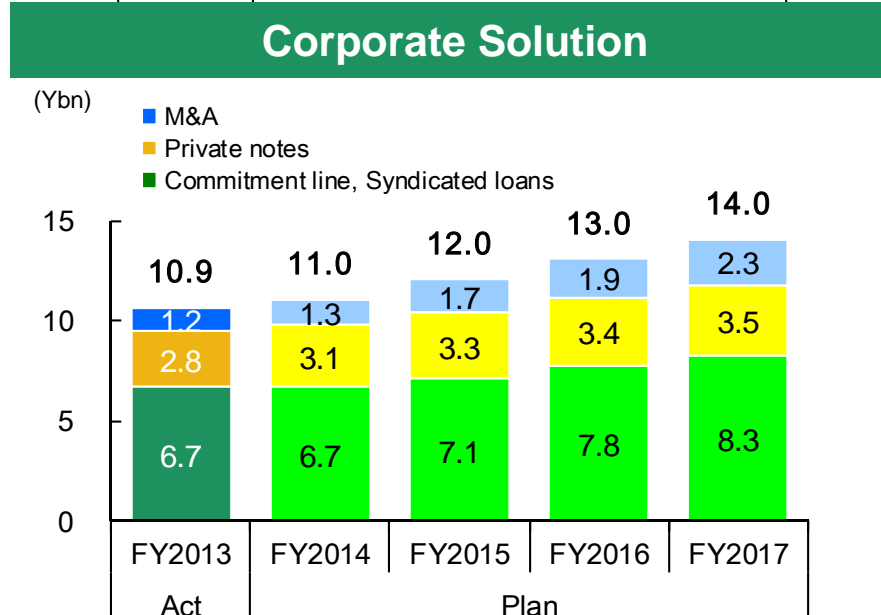
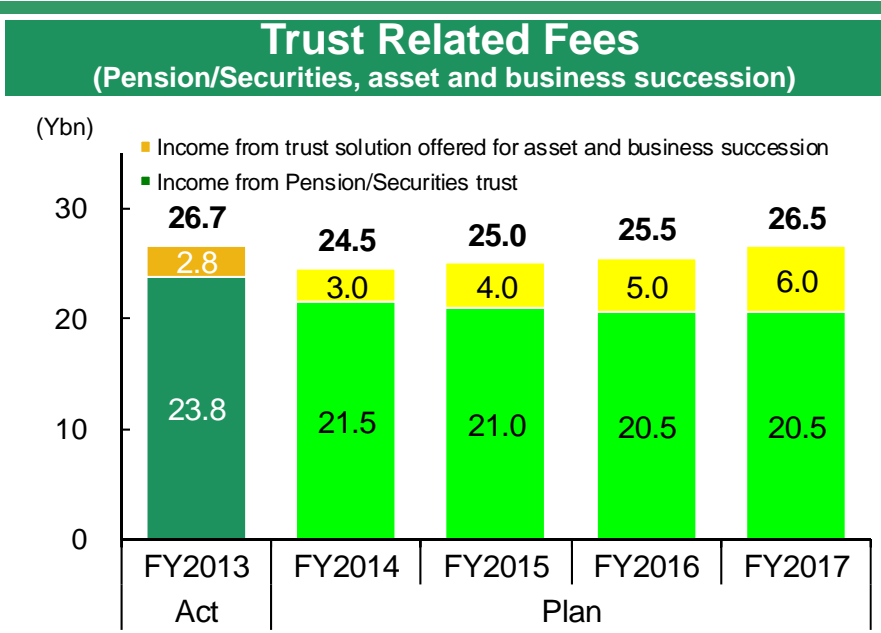
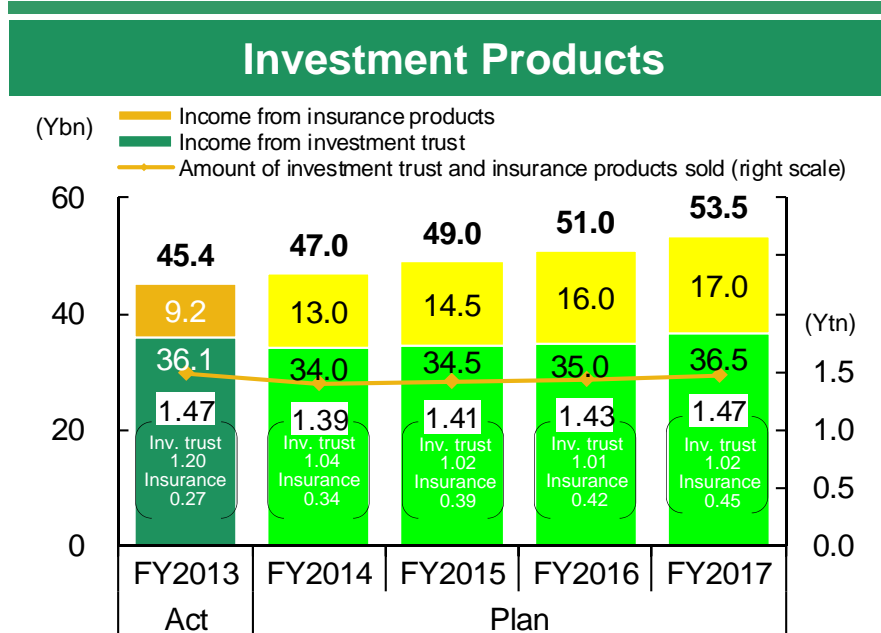
\*1. Administrative accounting basis

\*2. Net operating profit before provision to general reserve for possible loan losses and disposal of problem loans in the trust account

\*3. Credit costs, net / Total credits (simple average of the balance at the beginning and end of the term)

\*4. Operating expenses / Gross operating profit (before NPL charge-off in the trust account)

# Trend of Major Fee Businesses (Total of Group Banks)



\*1. Excluding gains from investments in real estate fund

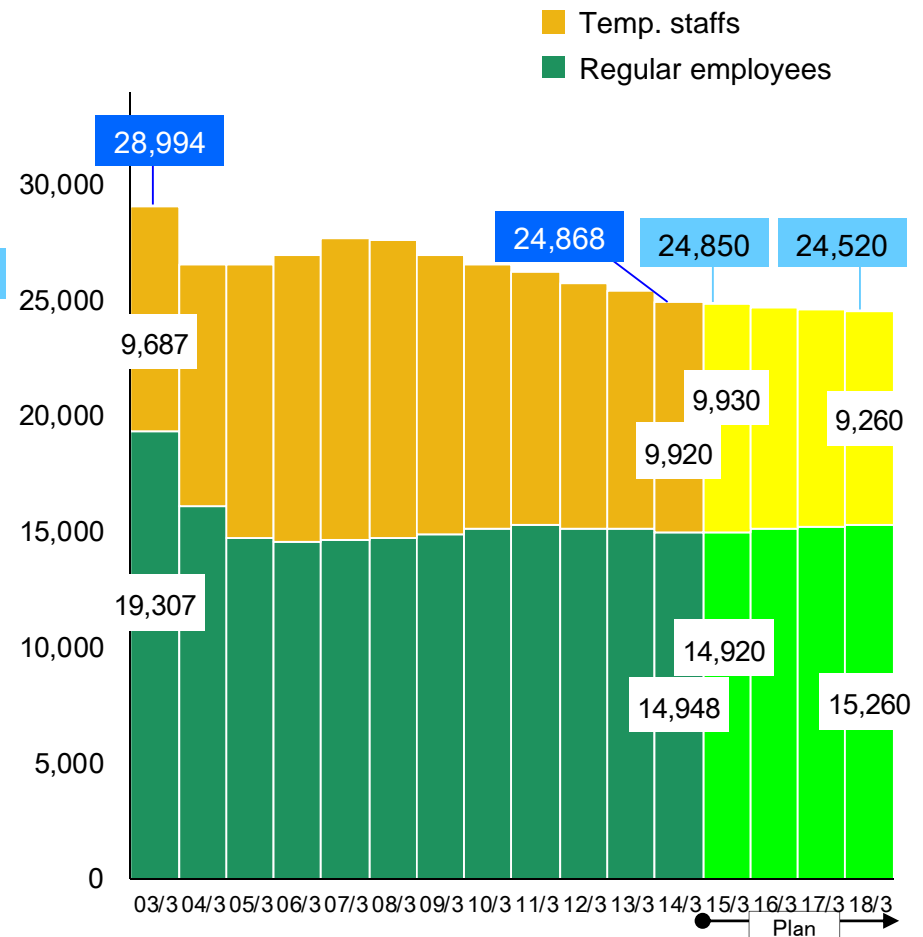
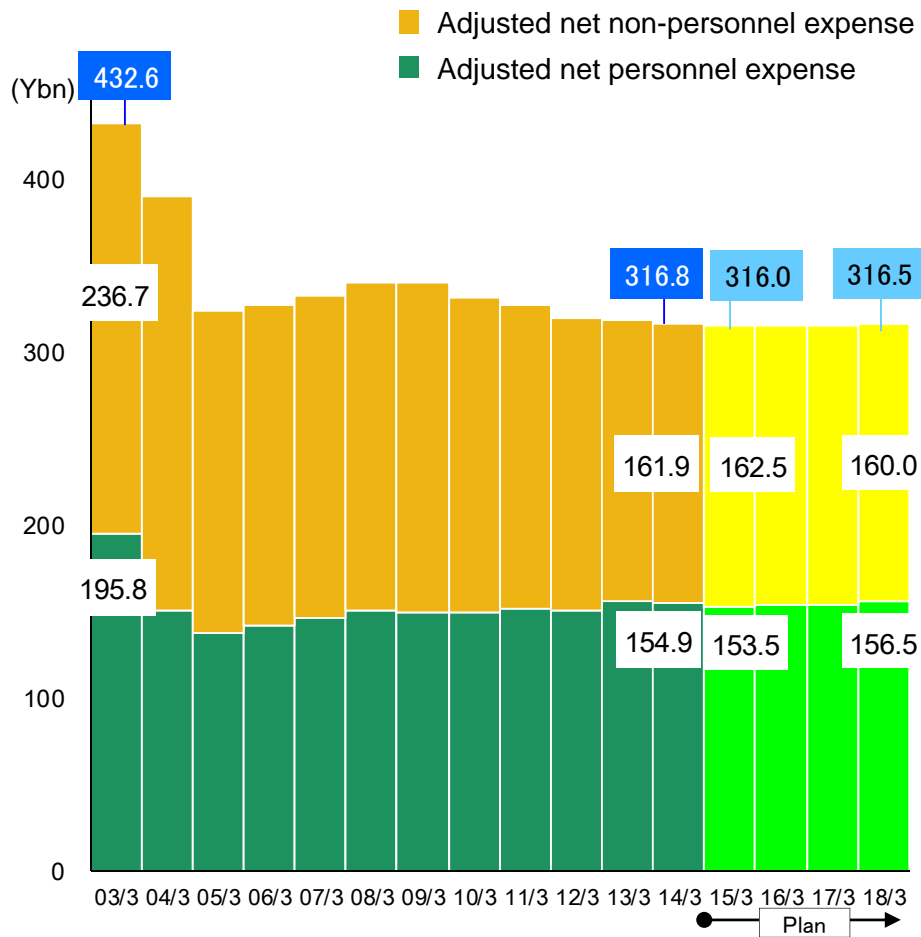


# Efficient Cost Structure: Personnel and Non-Personnel Expense (Total of Group Banks)

- Unavoidable increase in operating expenses including social insurance premium to be offset by continued efforts to reduce non-personnel expenses
- Strictly controlled personnel expenses including the cost associated with hiring temporary staffs

Adjusted net personnel and adjusted net non-personnel expenses\*1

Number and composition of employees by hiring status



\*1. Adjusted net personnel expenses: Personnel expenses including the cost associated with hiring temporary staffs and other related costs  
Adjusted net non-personnel expenses: Non-personnel expenses – Cost associated with hiring temporary staffs and other related costs

---

***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.***



**RESONA**