
Superregional Bank Strategy of Resona Group



RESONA

October 9, 2002



Resona Holdings

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I. Strengths and Features of the Resona Group



Creation of Japan's First Superregional Bank

Formation of a federation of regional financial institutions complete with sophisticated trust business capabilities

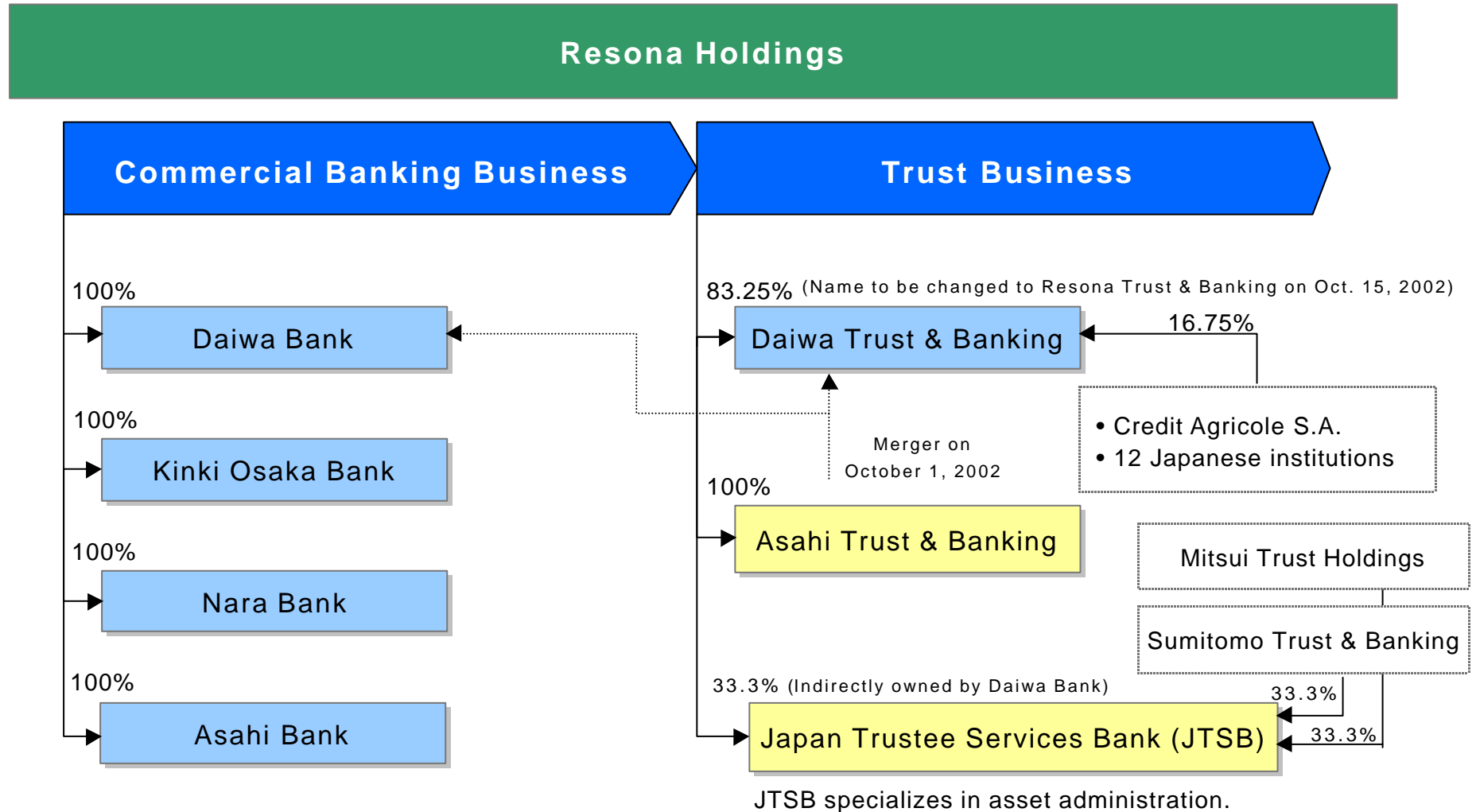
Strengths and Features of the Resona Group



RESONA

- Firm presence as one of the leading financial groups in Japan (Combined assets totaling ¥45 trillion)
- Strong customer base in the Tokyo metropolitan and Kansai regions
- Loan portfolio centered around small and medium-sized enterprises (SMEs) and individuals
- Concentration of management resources in domestic commercial banking and trust business operations
- Elimination of former "universal" and "global" banking strategies
 - Overseas banking operations completely phased out
“Japanese domestic criteria” applicable to the Group
 - Required minimum capital ratio: 4%
 - CAR at the end of March 2002: 8.73%

Structure of the Resona Group



* Daiwa Bank outsources its systems development and operations to D&I Information Systems, a joint venture 65% owned by the Daiwa Bank Group and 35% owned by IBM Japan.

Brand Slogan

Have Good Communications, Offer Best Solutions



「話せる銀行」をつくっていきます。

じっくり話す。しっかり響く。

リソナグループ
RESONA

リソナホールディングス 大和銀行 近畿大阪銀行 奈良銀行 あさひ銀行 リソナ信託銀行

10月、「リソナホールディングス」「リソナ信託銀行」誕生。
平成15年3月1日、大和銀行とあさひ銀行は合併し、「リソナ銀行」「埼玉りそな銀行」に変わります。

➤ ***Have Good Communications***

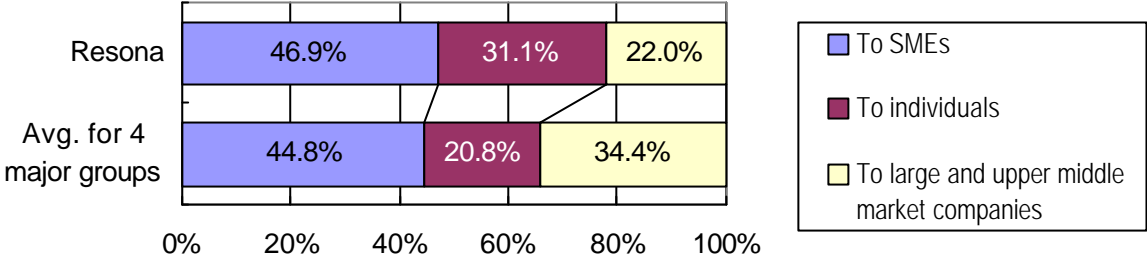
Grasp the needs of customers
through good communications...

➤ ***Offer Best Solutions***

Then, provide the best solutions
to their needs.

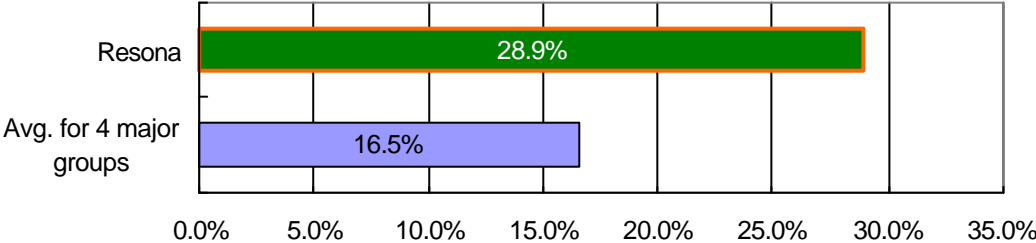
Concentration of Management Resources in Retail Banking Business

[Composition of Loans]



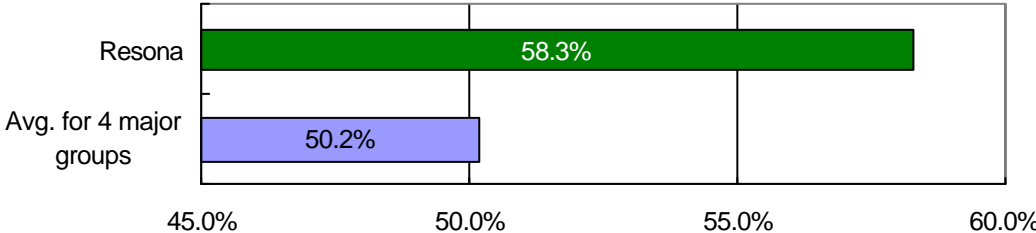
Four major groups]
Sumitomo Mitsui
Mizuho
UFJ
MTFG

[Ratio of Housing Loans to Total Lending]



Note: Ratio of housing loans = Housing loans outstanding (after securitization)/Total loans outstanding

[Ratio of Individual Deposits]

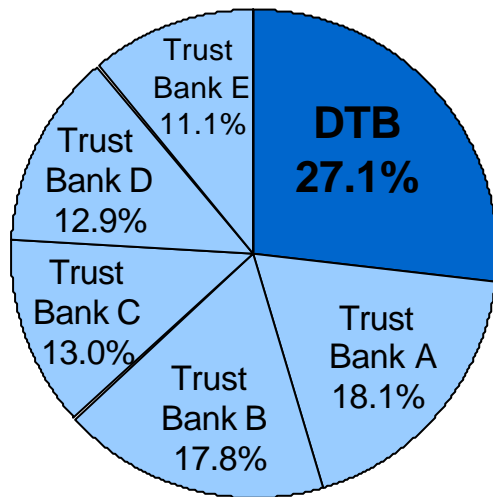


Note: Ratio of individual deposits = Individual deposits/Total domestic deposits

Established SME Customer Base for Corporate Pension Business

■ No. 1 position in the number of entrustments as lead or sole manager among SMEs

Number of Lead-Manager Positions
(Welfare Pension Funds +
Tax-Qualified Pension Funds)



Total: 10,420 funds
(As of March, 2002)

<High Operational Efficiency>

- One of the largest pension fund managers in Japan
 - ◆ Corporate pension funds under management: ¥6.4 tril.
 - ◆ 2.2 million participants, 460,000 benefit recipients under DTB's administration
 - ◆ High operational efficiency enabling transactions with small funds
 - ex) Division in charge of pension plan design and administration
2,800 plans are being taken care of by around 180 staffs.
 - Per head plans under administration twice as many as other trust banks.**
 - ◆ Pioneer in developing sophisticated systems for pension plan design and administration

<Growth Potential of Corporate Pension Market>

- Increased role to complement public pensions
 - ◆ The age eligible for pension benefits will be raised from 60 or above to 65
 - ◆ People not covered by corporate pensions: 12 million people (About 1/3 of salaried workers)
- Introduction of mark to market accounting for pensions
 - ◆ Need for fully funded pension assets



Potential for Growth to a ¥300 tril. Market

II. Measures for Securing Stable and Higher Profits



Measures to Substantially Enhance Financial Soundness

(Year ended March 31, 2002)

Elimination of Management Risks that Are Difficult to Control

Restrain latent credit risk

Credit costs in year ended Mar. 2002:

Approximately
¥ 950 billion

- Decisive measures to dispose of large credit exposures
- Strict assessments of ability to repay liabilities
- Expand selection criteria for Special Attention category
- Increase reserves through stricter assessment of future loan losses

Devaluation of Stocks

Devaluation of stocks in year ended Mar. 2002:

Approximately
¥ 420 billion

- Devalued all issues that have dropped 50% or more to their market values
- Devalued almost all issues that have dropped 30% to 50% to their market values

Reduce balance of stocks held

Book value of stock sold in year ended Mar. 2002:

Approximately
¥ 910 billion

- Can fully respond to restrictions on stockholdings
- The value of stockholdings above Tier I (as of Mar. 31, 2002) was approximately ¥700 billion

Future Management Direction

Focus on Retail Banking



Control risks within strength of its own



Strengthen earnings power

■ **Dispersal of loans into small lots, more stringent application of “credit ceiling”**

- Borrowers to whom Group banks have exposures less than ¥100 million: 84% (End of Mar. 2002)

■ **Pricing of loans appropriate to the inherent risks**

■ **Restraining market rate-based spread loans and shifting to prime rate-based loans**

- Gross loan-to-deposit margin of Asahi Bank for fiscal 2001: 1.92% (No.1 among major banks)
- Improvement in gross loan-to-deposit margin of Daiwa Bank during the past three years (fiscal 1999 to 2001) 0.34% (No.1 among major banks)

Further expansion of gross LD margin expected for the 1st half of fiscal 2002

■ **Moving forward with putting NPL off the balance sheet**

■ **Reducing stocks further**

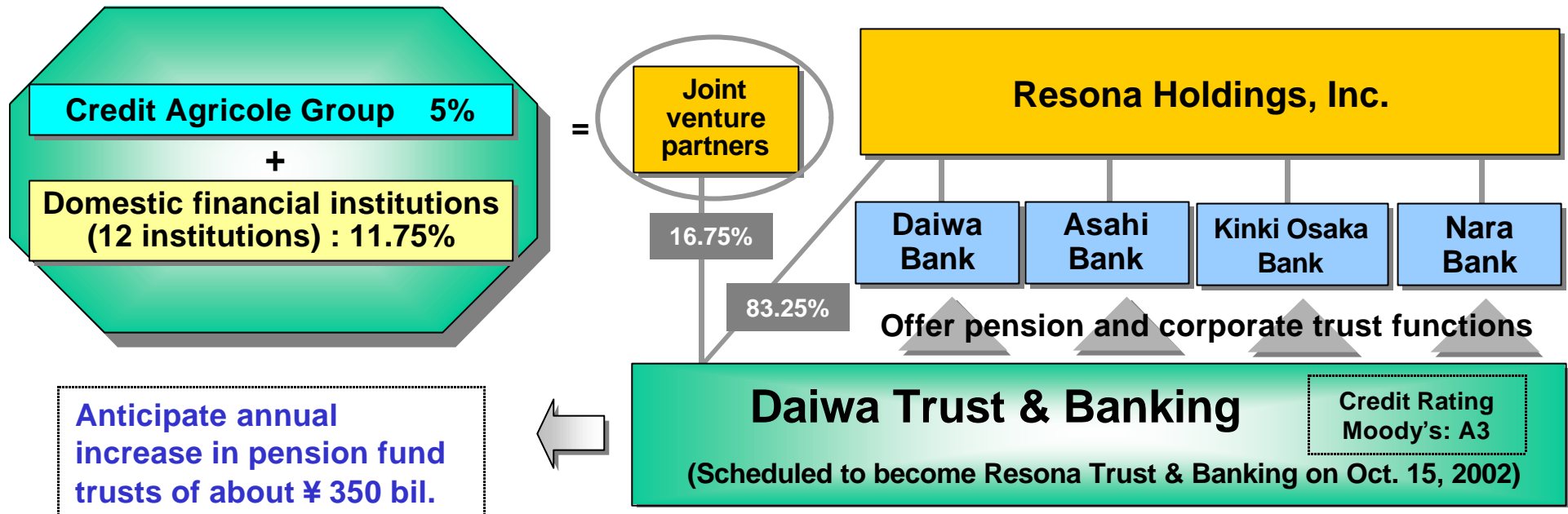
- Observance of Tier I/stock portfolio regulation
 - ◆ (Daiwa Bank) Stocks in excess of Tier I Approx. ¥550 bil.
 Amount to be sold in fiscal 2002 Approx. ¥200 bil.
 - ◆ (Asahi Bank) Stocks in excess of Tier I Approx. ¥150 bil.
 Amount to be sold in fiscal 2002 Approx. ¥150 bil.

Amount exceeding Tier I (¥700 bil. In total) to be sold hereafter

■ **Strengthening of capital**

- Issued preferred securities worth approximately ¥60 billion in the first half of fiscal 2002.

Increasing Fee Income through Strengthening of Trust Functions



Operating Alliance with CA Group

<Asset management>

- Exchange of information on analysis of markets and corporations
- Training of fund managers
- Consideration of assigning a portion of pension funds for investment management

<Investment trusts>

- Joint development of investment trust products
- Provision of products to banks within the Group

Asahi Bank's SME Customers

- 32 branches of Asahi Bank became agents for DTB
- Established trust business promotion dept. within Asahi Bank's headquarter division
 - Experienced staff dispatched from Daiwa Bank
- Installed a special division within DTB for supporting marketing activities of Asahi Bank
- New entrustment from Asahi Bank's customers
 - During four-months period (April to August 2002)
New entrustments: approx. 60 contracts totaling ¥130 bil.

Strengthening Transactions with Individuals

Essential Points

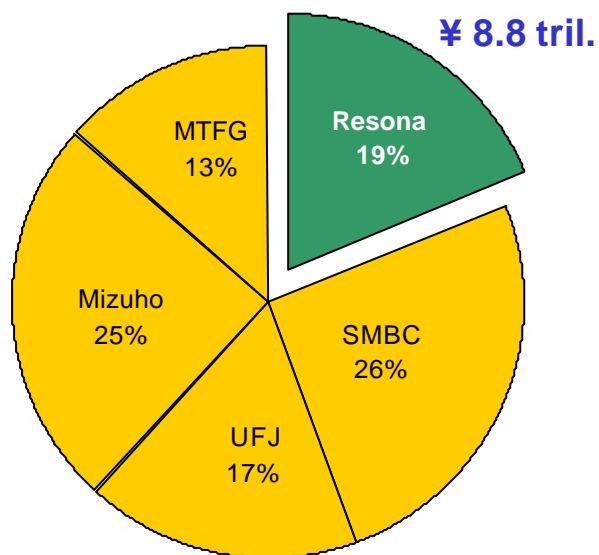
- Strengthen **private banking** and **housing loan businesses** further
 - Maximize profits by establishing “**personal asset management business**” centered around sales of investment trust products
 - Improve Resona Group’s brand image
 - Practice “**Have Good Communications, Offer Best Solutions**”
 - Face to face interactions with customers
 - Making the best use of our trust capabilities
 - Achieve industry No. 1 positions in the following areas of key strengths
 - Amount of new housing loans extended #1
 - Outstanding number of will trust contracts #1
 - Annual increase in the number of will trust contracts #1
 - Number of pension accounts #1
- {
▶ Already established No.1 position having 1.03 million accounts as of the end of March 2002
▶ Capture more transactions with senior citizens (potential customers for PB services)
}

Housing Loan Strategy: Industry Top Performance in Housing Loan

- Ranks number three, even including four major banking groups in the comparison
- Number one in growth over the past five years and well above other groups
- Further expansion possible, drawing on Resona's strong customer base in the Tokyo metropolitan area and Kansai region

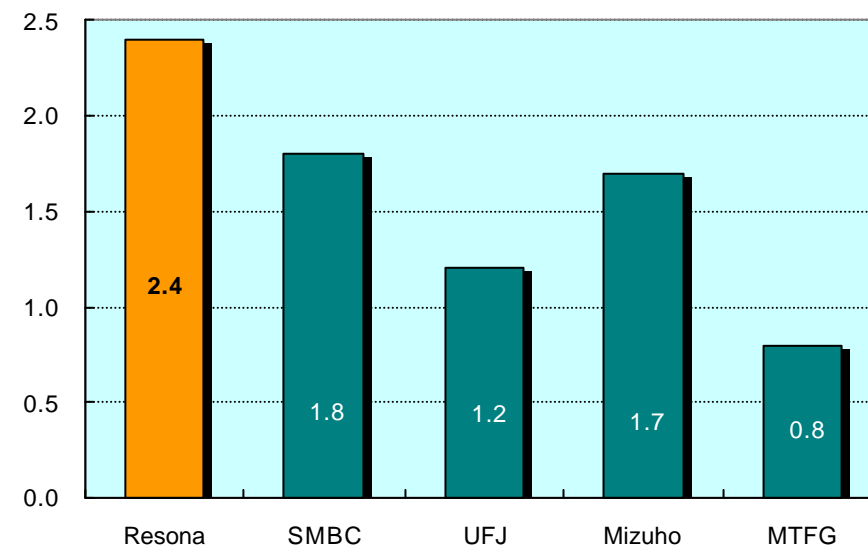
Comparison of Shares in Housing Loan Market among Major Banking Groups

Total of Resona and 4 major groups: ¥46.7 Tril.
(End of Mar. 2002)



Comparison of Net Increase in Past Five Years

Total Increase (Resona and 4 major groups) : ¥7.9 Tril.
(Mar. 1997 ~ Mar. 2002)



(Mar. 1997 balances) SMBC: Sumitomo + Sakura, UFJ: Sanwa + Tokai, Mizuho: DKB + Fuji, MTFJ: BOTM
(Mar. 2002 balances) Balances for group banks combined (including balances for trust banks)


Housing Loan Strategy: Potential for Growth in Japan's Housing Loan Market

■ Market trends over the past four years

- Expanded more than 10%, to become a ¥180 trillion megamarket
- Domestic banks strengthened their presence most successfully.

[Trends in the Housing Loan Market] (Trillions of yen, %)

	March 31, 1997		March 31, 2001		Increase/(Decrease)	
	Amount	Share	Amount	Share	Amount	Share
Public-sector institutions	75.7	45.9%	80.5	43.9%	4.8	-1.9%
Housing Loan Corp.	62.4	37.8%	68.3	37.3%	5.9	-0.5%
Other public institutions	13.3	8.1%	12.1	6.6%	1.2	-1.5%
Private-sector institutions	89.4	54.1%	102.7	56.1%	13.3	1.9%
Domestic banks	56.5	34.2%	71.5	39.0%	15.0	4.8%
Other private institutions	32.8	19.9%	31.2	17.0%	1.6	-2.8%
Total	165.1	100.0%	183.2	100.0%	18.1	0.0%



■ Potential for future growth

- Private-sector institutions are expected to further strengthen their position in the market, owing to the scheduled reduction in business of the Housing Loan Corporation.

Housing Loan Strategy: Measures to Become No.1 in Housing Loan Business

- Extends new loans worth ¥2 trillion a year to become **No.1 in housing loan market**

- **<Channel>**

Increase housing loan centers up to 80 locations

- Staff to be strengthened up to 500

Strengthen per head sales of housing loan centers

[Goals] *Per head annual handling of ¥3.0 billion

*75% of new origination to be dealt with by housing loan centers

- **<Products>**

New loan products that take account of the planned abolition of the Housing Loan Corporation

- Improve products for co-financing with HLC
- Develop loan products that can easily be securitized
(Including development of schemes for MBS origination)

- **<Infrastructure>**

Centralized business operations

[Sales front] : housing loan centers

[Middle and back offices]: processing centers

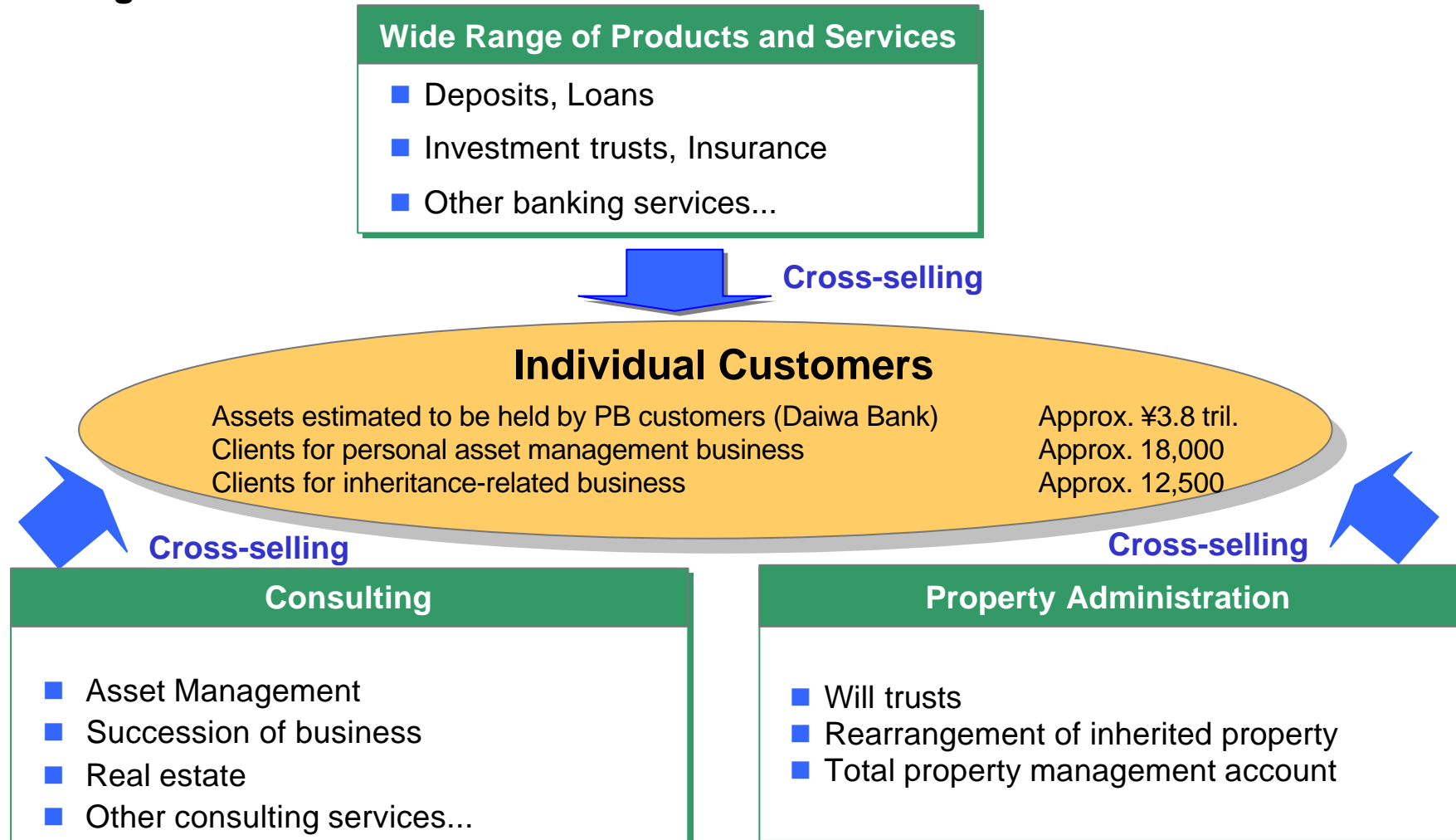
Centralization realizes upgrading of know-how, low-cost operations and reduction of excessive burdens on branch offices

Business infrastructure common to Group members

Economies of scale, reduction of cost on development, etc

Private Banking Business Strategy

- Making the Best Use of the Comprehensive Financial Functions
- Consideration being given to the alliance with Credit Agricole in the field of Private Banking Business



Establishing Personal Asset Administration Business

<Sales of Investment Trust>

- * Establish an investment trust sales business as one of the core businesses
- * Seek to achieve a combined gross operating profit of ¥15 billion for fiscal 2005
(Gross operating profit for fiscal 2001: approximately ¥5.0 billion)

[Products]

Selected 14 equity investment trusts as Resona Group's common funds

"Unitopia" provided exclusively to Resona Group by Credit Agricole Asset Management
Group banks sold in total of ¥75 billion since the first fund was offered in December, 2001.

Introduction of lower-risk equity investment trust products

Respond to the needs of customers with low risk tolerance
Help stabilize the income irrespective of market environment

[Channel]

Clear distinction of promotion channels based on customer segments

(Upper and upper-middle segments)

FP centers, branch offices (financial planners, liaison officers)

(Middle segment)

Branch office counters, customer centers (telephone marketing)

<Sales of Life Insurance>

- * Commenced sales of individual annuity insurance in all branch offices from October 2002
[Insurers]

	Daiwa Bank, Asahi Bank	Daichi Life, T&D Financial
	Kinki Osaka Bank	Nippon Life, Nara Bank T&D Financial
- * Sales activities focused on "variable annuity insurance"

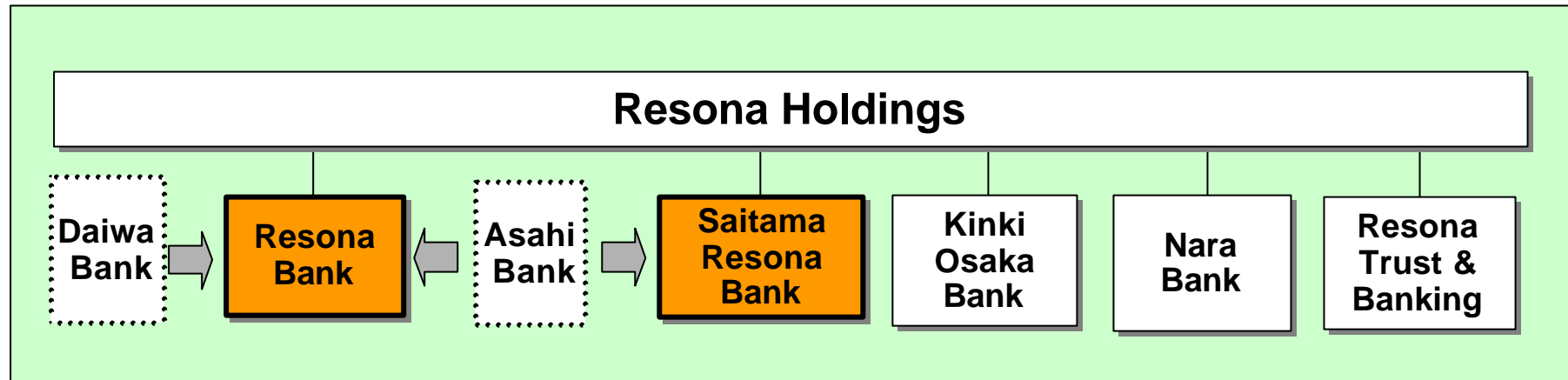
III. Implementation of a Superregional Bank Strategy



Realignment of Banking Operations

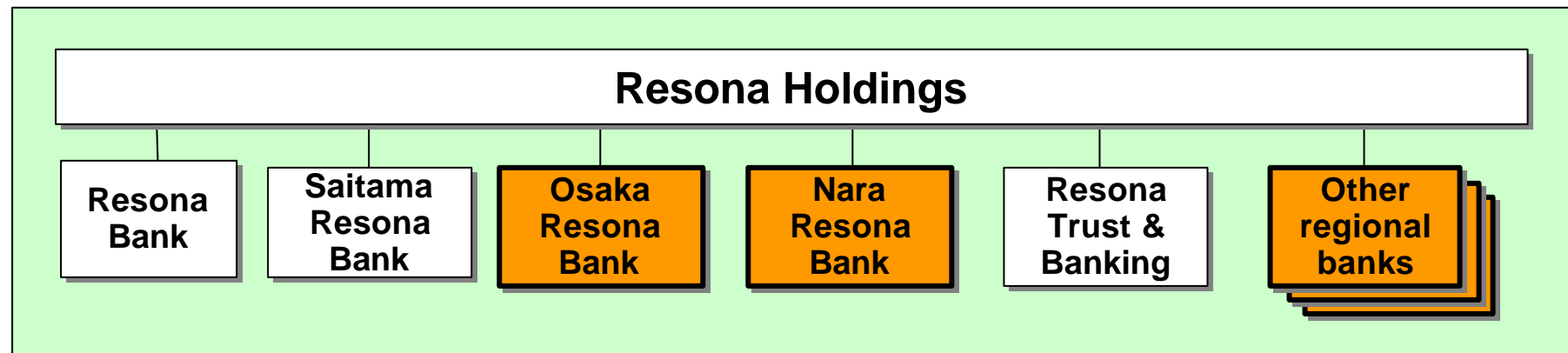
1. Establishment of Saitama Resona Bank and Resona Bank

(March 2003)



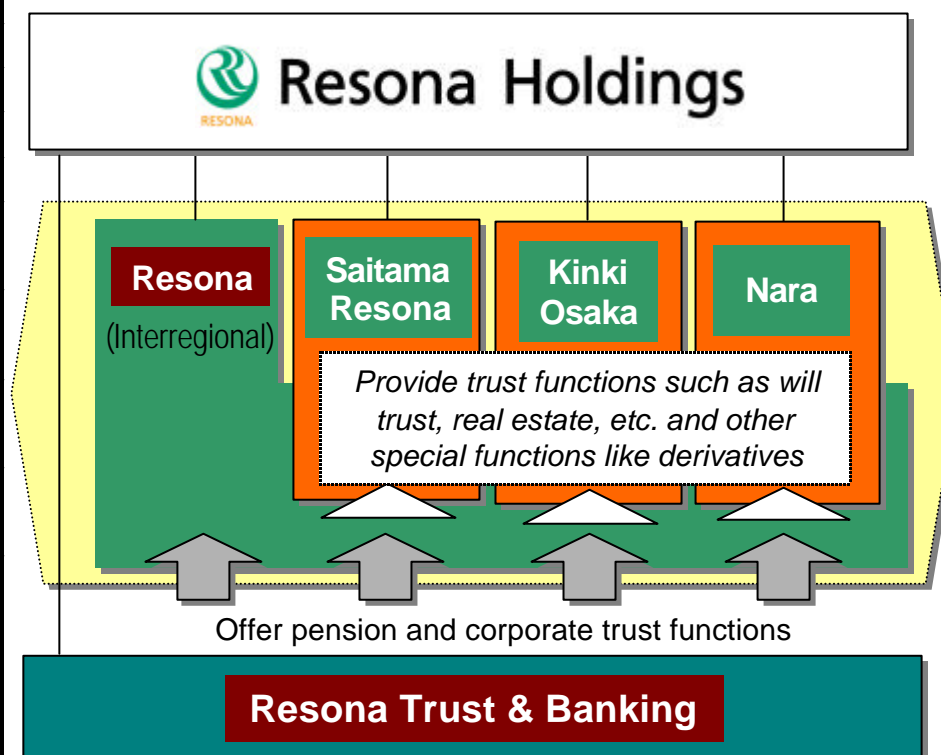
2. Establishment of Osaka Resona Bank and Nara Resona Bank

(In or after FY 2004)



Outline of Resona Bank

Resona Bank, Ltd.	
Head Office	Osaka
Amount of Capital	443.1 billion yen
Shareholder	Resona Holdings, Inc. (100%)
Representative	President: Yasuhisa Katsuta
Number of Employees	Approx. 13,300
Number of Manned Offices	367 (of which, 3 are in Saitama Prefecture)
Number of Off-premises ATM corners	573 (of which, 3 are in Saitama Prefecture)
Deposit and Loan Balance	Deposit Approx. 21.6 tril. Yen
	Loan Approx. 21.7 tril. Yen
Earnings Power	Projected net operating profit for the first fiscal year: Approx. 270 billion yen
Other	<ul style="list-style-type: none"> • Take over branch offices of Daiwa Bank and Asahi Bank. (excluding those offices to be acquired by Saitama Resona Bank.) "Interregional Bank" • Specialized service capabilities such as will trusts, real estate, derivatives, etc. are concentrated in Resona Bank. Offer these services as a common platform within the Group



Outline of Saitama Resona Bank

◆ Outline

	Saitama Resona Bank, Ltd.	
Head Office	Saitama	
Amount of Capital	50.0 billion yen	
Shareholder	Resona Holdings, Inc. (100%)	
Representative	President: Tadahiro Tone	
Number of Employees	Approx. 3,000	
Number of Manned Offices	113 (of which, 110 are in Saitama Prefecture)	
Number of Off-premises ATM corners	337 (of which, 335 are in Saitama Prefecture)	
Deposit and Loan Balance	Deposit	Approx. 8.2 tril. Yen
	Loan	Approx. 5.0 tril. Yen

◆ Fully committed to its home market

⇒ Aims at raising the ratio of loans in Saitama Prefecture to 100%

◆ Features

⇒ **Asset Scale** **Business scale comparable to the largest regional banks**
 Combined balance of loans and deposits ¥13 tril. (Second only to Bank of Yokohama)

⇒ **Focus** **Clear focus on retail banking operations**
 Ratio of loans to SMEs and individuals 88.5%

⇒ **Focus** **Good-quality asset portfolio**
 top-level soundness among regional banks

IV. Strengthening Financial Position through Steady Accumulation of Earnings



Outline of the Earnings Plan

Strengthen earnings through early realization of consolidation synergy

(For further details, please refer to pages 24 to 30.)

Plan for year ending March 2006
(Comparison with year ended March 2002)

Gross operating profit (GOP)
¥ 892.7 billion

(Approximately + ¥93.0 billion, a 12% increase)

General and administrative (G&A) expenses ¥ 448.7 billion

(Approximately - ¥ 29.0 billion, a 6% reduction)

Net operating profit
(Before transfer to general reserve)
¥444.0 billion
(+ ¥122.0 billion, a 38% increase)

[Target Indices]
Overhead ratio: 50%
(approximately a 10% reduction)

ROA: 1.1%
(an increase of 0.4 percentage point)

Factors accounting for the increase in GOP
(Figures are approximate)

Net interest income	+ ¥ 95.0 bil. (+15%)
Trust fees	+ ¥ 17.0 bil. (+38%)
Fees & commissions	+ ¥ 3.0 bil. (+ 5%)
Net gains on bonds, etc.	- ¥ 22.0 bil. (-40%)

Factors accounting for the decline
in G&A expenses

Personnel expenses	- ¥ 33.0 bil. (- 19%)
Non-personnel expenses	+ ¥ 4.0 bil. (+ 1%)

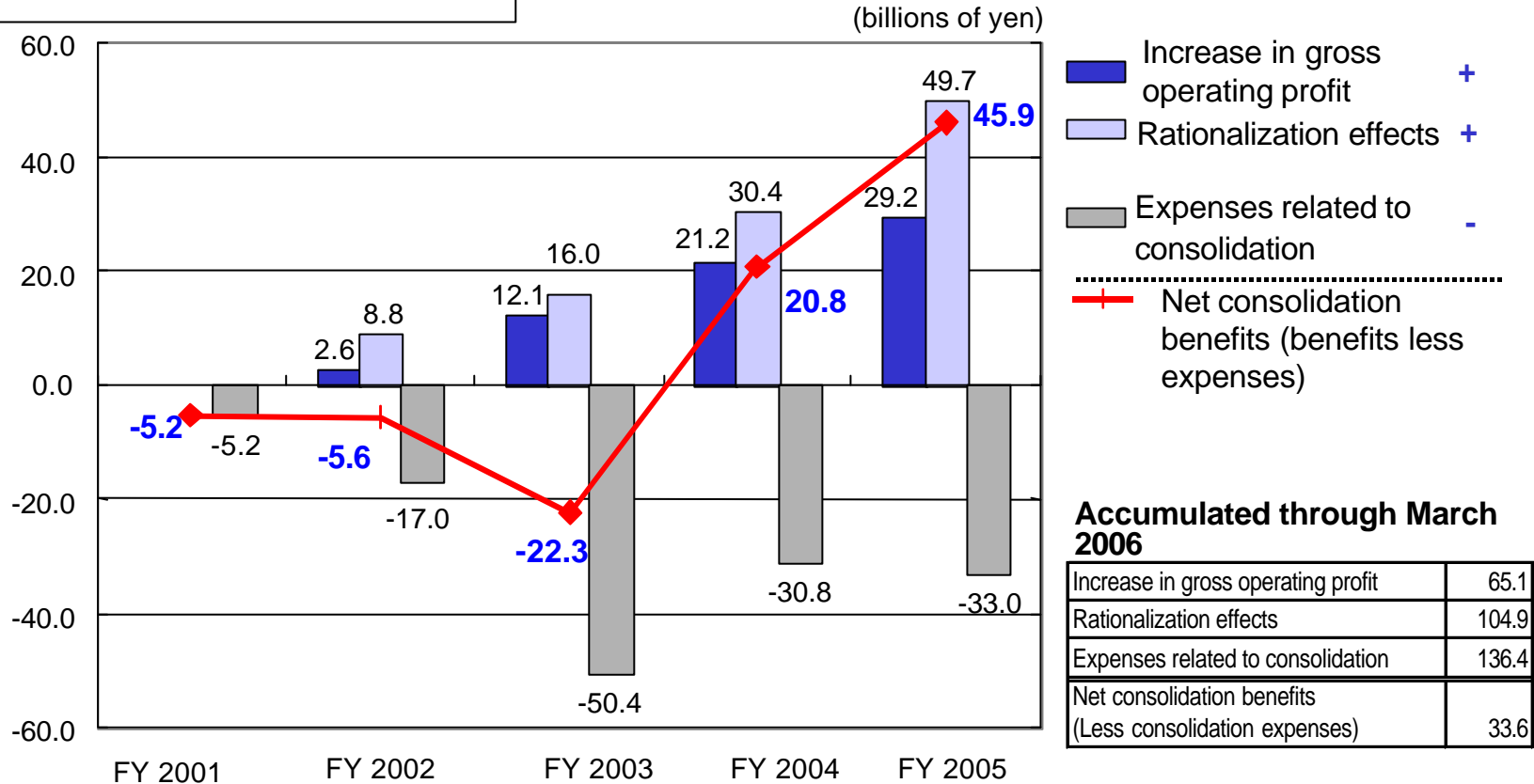
(If systems-related expenses are excluded: -¥12.0 billion, or a 6% reduction)

Reduction of :

Approximately 3,000 employees	(- 15%)
Approximately 160 branch offices	(- 25%)

Positive Effects of the Consolidation: Overview

Trends in consolidation benefits



Principal Quantitative Targets

(billions of yen, %)

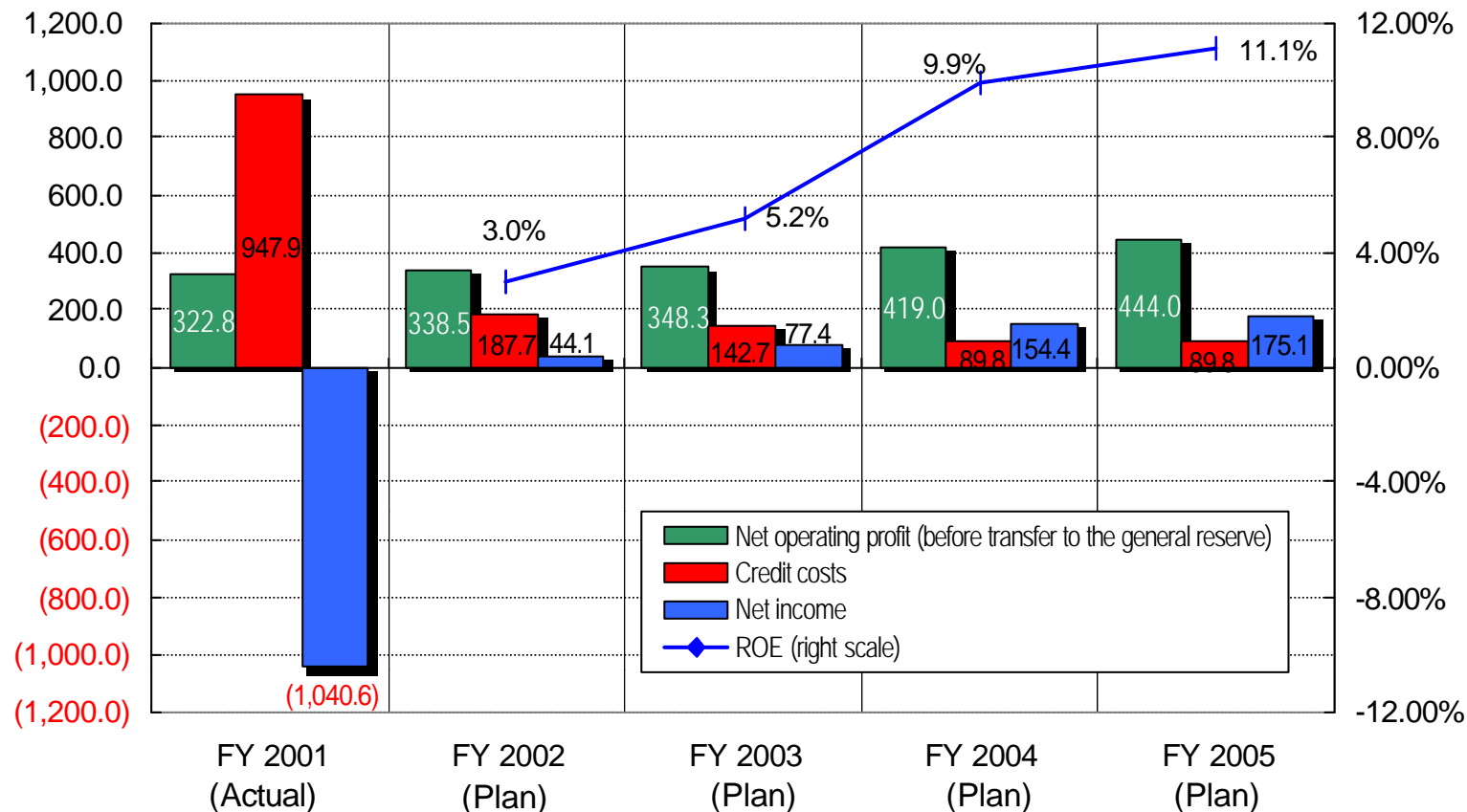
	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	
Net operating profit	326.8	339.0	348.3	419.0	444.0	Prior to additions to the general reserve for possible loan losses and amortization in the trust account
Expense ratio	59.65%	58.39%	59.13%	52.63%	50.26%	G&A expenses/gross operating profit

Note: Based on total figures for the four Group banks

Recovery in Net Income

Credit costs are expected to decline from the current fiscal year onward owing to the sweeping measures taken to dispose of nonperforming loans (NPLs) in the previous fiscal year

(Billions of yen)

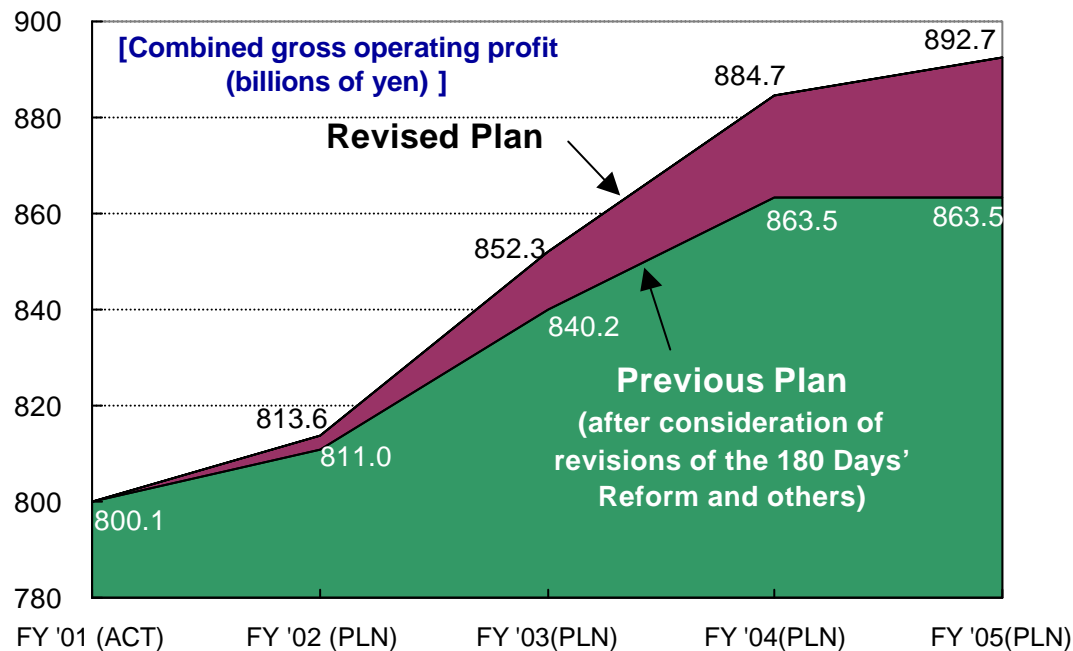


Reference Material



Positive Effects of the Consolidation

- Increase in Gross Operating Profit -



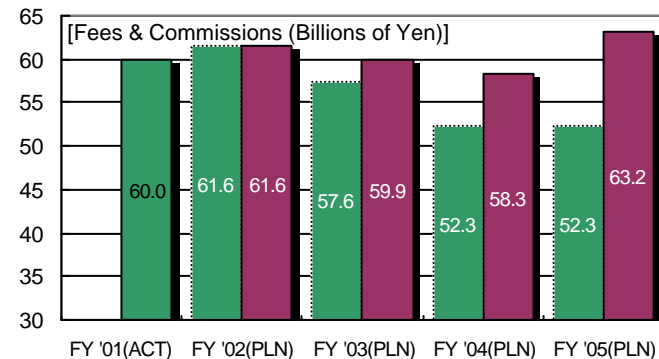
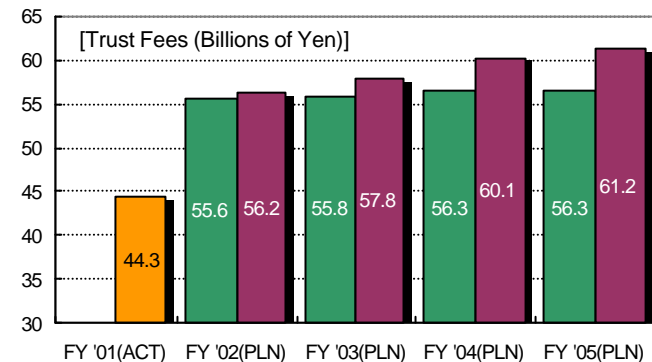
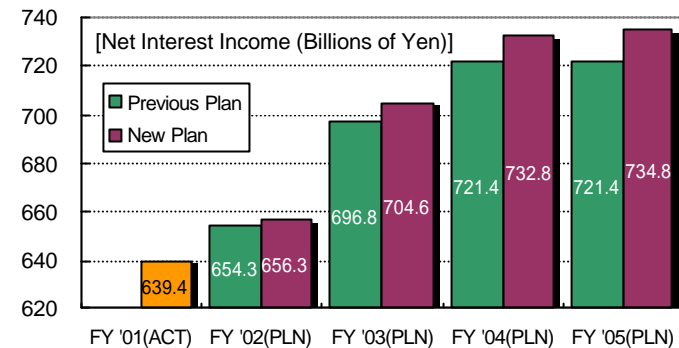
Assumptions of the Plan

Interest rates: Level with the year ended March 31, 2002
(unsecured, overnight call rate:0.001%, 10-year government bond: 1.45%)
Stock prices: Level with the year ended March 31, 2002
(Nikkei stock price average: 11,024 yen)
Foreign exchange rate: Level with the year ended March 31, 2002
(133.25 yen to US\$1)

Increase of gross profit: + approximately 93 billion yen

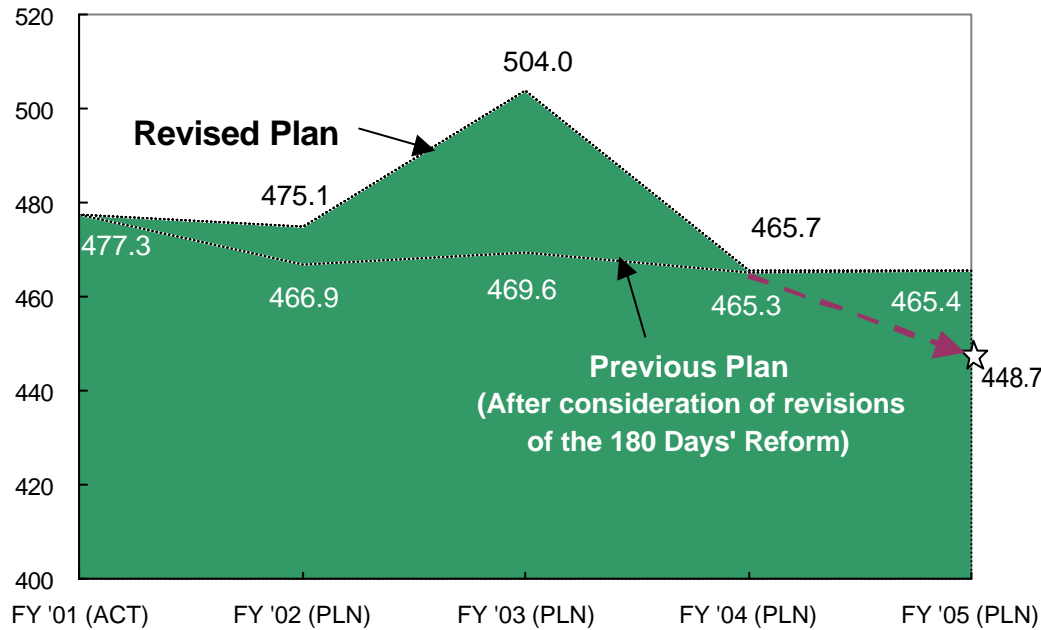
Interest income + ¥95 bil., trust fees +¥17 bil.,
fees and commissions income: +¥3 bil.,
and a reduction in income from government bond, etc: ¥20 bil.

The difference between the new plan for the March 2006 period and the previous plan is + ¥29.2 bil. = Synergistic effect from the consolidation.



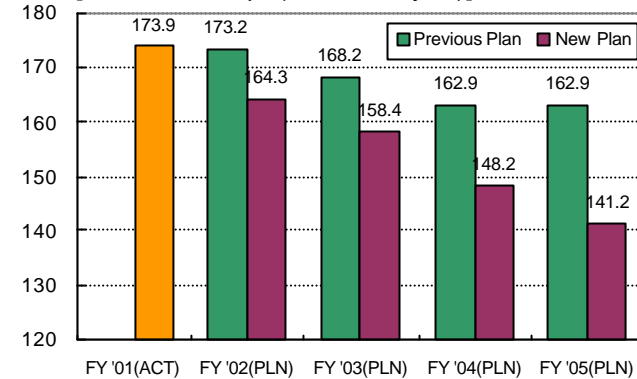
Positive Effects of the Consolidation -Reduction in Expenses

[Comparison of the revised plan with the previous plan]
(Billions of Yen)

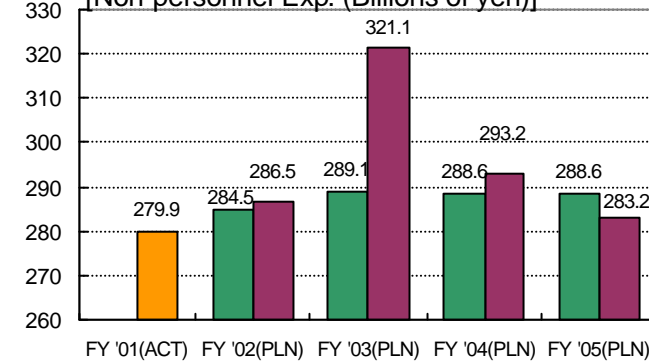


	Rationalization Effects	Content of Measures
Personnel Expense	19.1 bil. Yen	Reduce employees by approximately another 3,000 by the end of FY 2005
Merger/abolition of branches	9.6 bil. Yen	Reduce offices by approximately another 150 by the end of FY 2005
Consolidation of Systems	16.8 bil. Yen	Step-by-step consolidation of Group bank systems
Others	4.2 bil. Yen	Reduction in social welfare cost due to reduction in personnel

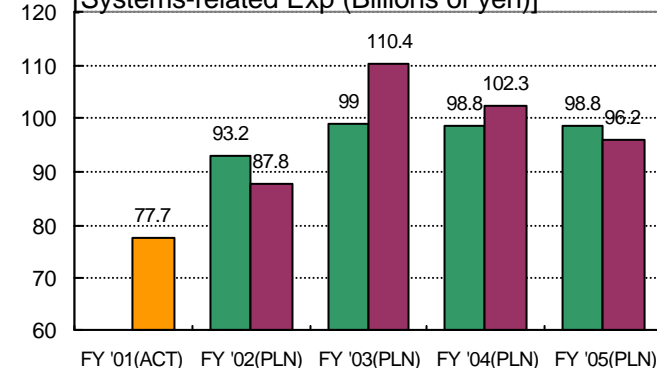
[Personnel Exp. (Billions of yen)]



[Non-personnel Exp. (Billions of yen)]



[Systems-related Exp (Billions of yen)]



Restructuring Plans

[Management plan (Sum of figures for the holding company and Group banks)] (Billions of Yen)

	FY '00 (Actual)	FY '01 (Actual)	FY '03 (Plan)	FY '05	
				Compared with FY '00	Compared with FY '01
Expenses	485.8	477.3	504.0	18.2	(28.6)
Personnel expense	185.2	174.2	158.4	(26.8)	(33.0)
Non-personnel expense	276.5	279.6	321.2	44.7	3.7
Systems and equipment expenses	64.2	77.7	110.4	46.2	18.5
Excluding systems and equipment expenses	212.3	198.5	210.7	(1.6)	(11.5)

[Number of offices (Sum for Group banks)]

	FY '00 (Actual)	FY '01 (Actual)	FY '02 (Plan)	FY '03 (Plan)	FY '04 (Plan)	FY '05 (Plan)
New plan	731	659	606	594	538	495
Comparison with March 2001	-	(72)	(125)	(137)	(193)	(236)
Previous plan	731	669	643	643	643	643
Comparison with previous plan	-	(10)	(37)	(49)	(105)	(148)

[Number of employees (Sum of figures for the holding company and Group banks)]

	FY '00 (Actual)	FY '01 (Actual)	FY '02 (Plan)	FY '03 (Plan)	FY '04 (Plan)	FY '05 (Plan)
New plan	23,536	21,048	20,300	19,400	18,600	17,900
Comparison with March 2001	-	(2,488)	(3,236)	(4,136)	(4,936)	(5,636)
Previous plan	23,536	22,842	21,517	20,900	20,629	20,629
Comparison with previous plan	-	(1,794)	(1,217)	(1,500)	(2,029)	(2,729)

This presentation contains forward-looking statements regarding the Group's operations. These statements are not intended to provide any guarantees of the Group's future performance, which will be subject to risks and uncertainties.

Please note that future performance may differ from targets and plans because of changes in the operating environment and other factors.