
Direction of Our Superregional Bank Strategy



RESONA

December 5, 2002



Resona Holdings

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Principal management themes

1. Establishing a new business model as a federation of regional financial institutions

- Completing the reorganization of group banks' operations without any delay and trouble
- Carrying out restructuring of asset portfolio, particularly loan portfolio
- Expanding the potential market for trust business (Strengthening relationships with regional banks)

2. Strengthening earnings

- Expanding loan-to-deposit spread further
- Thoroughly implementing rationalization measures
- Strengthening fee income such as trust fees

3. Solving a problem loan issue

- Accelerating the removal of problem loans from the balance sheet

4. Reducing the risk arising from stockholdings

- Disposing of latent losses on stockholdings
- Reducing the balance of stockholdings

5. Strengthening capital

Disposal of problem loans in the first half of fiscal 2002

Credit cost for the 1st half fell within the limit of actual net operating profit owing to the drastic disposal in the previous year

- Credit cost including additions to general reserve was Y148.0 bil. (a decline of Y12.2 bil compared with the same period previous year)
- Credit costs for Daiwa Bank and Asahi Bank were almost as originally projected at the beginning of the year

(Billions of yen)

	Total	Daiwa	Asahi	Kinki Osaka	Nara
Initial projection for fiscal 2002	189.8	70.0	100.0	19.6	0.2
Initial projection for the 1st Half (A)	94.9	35.0	50.0	9.8	0.1
Result of the 1st Half (B)	148.0	41.7	44.3	61.8	-
Transfer to General Reserve	49.3	11.3	12.2	25.8	-
Difference (A)-(B)	53.1	6.7	(5.7)	52.0	(0.1)

- Kinki Osaka Bank incurred Y61.8 bil of credit cost, which significantly exceeds the initial projection, as a result of the measures taken to eliminate the latent credit risk by providing additional reserves based on the same stringent assessment criteria adopted by major banks.

<Reserve Ratio: End of September, 2002>

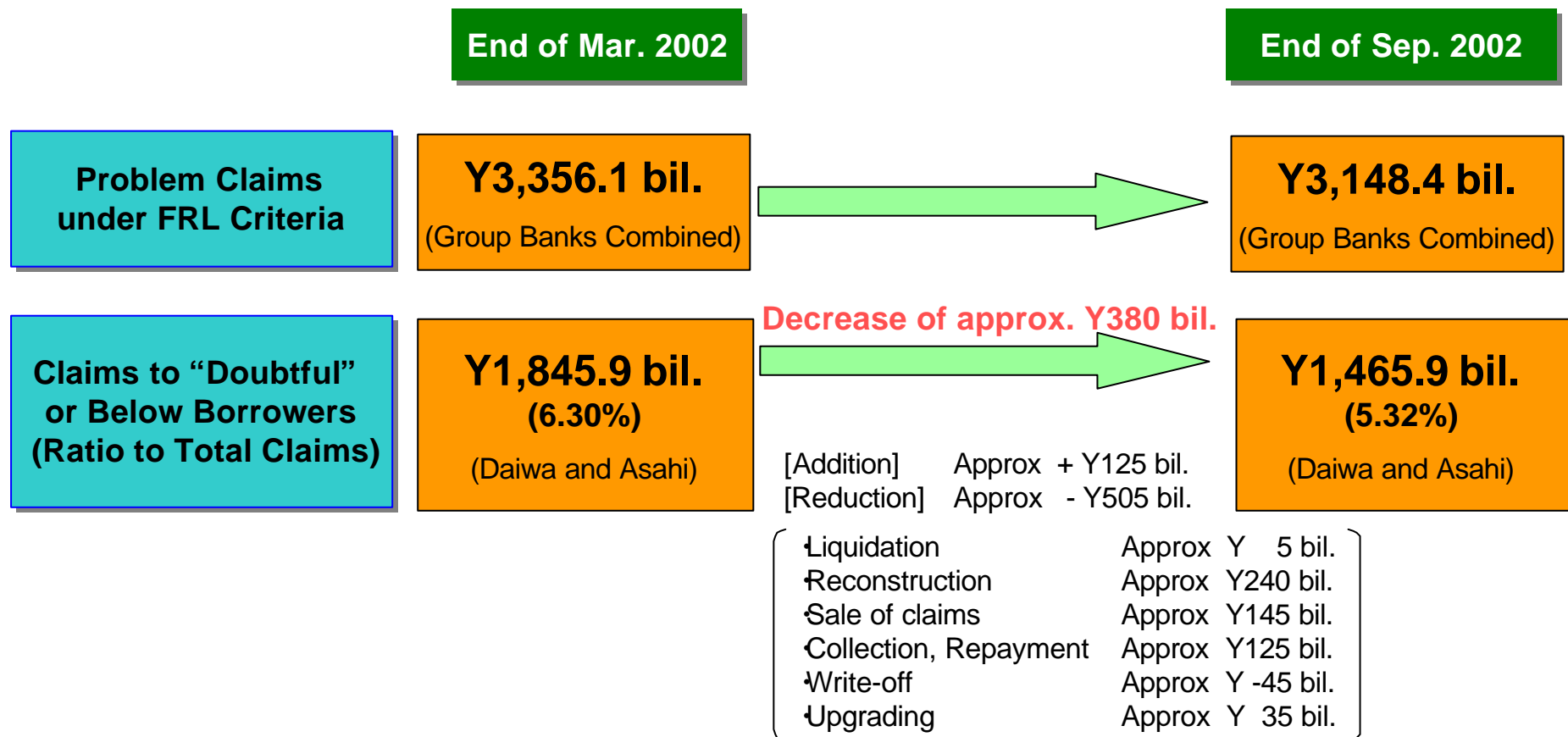
	Daiwa	Asahi	Kinki Osaka	Change from Mar. '02
Special Attention Borrowers *1	18.33%	17.92%	36.74%	+22.71%
Doubtful Borrowers *2	64.10%	64.70%	65.98%	+4.21%

*1. Reserve ratio against the portion not covered by collateral and guarantees

*2. Reserve ratio against the category III exposures not covered by collateral and guarantees

Problem claims disclosed under FRL criteria (End of September, 2002)

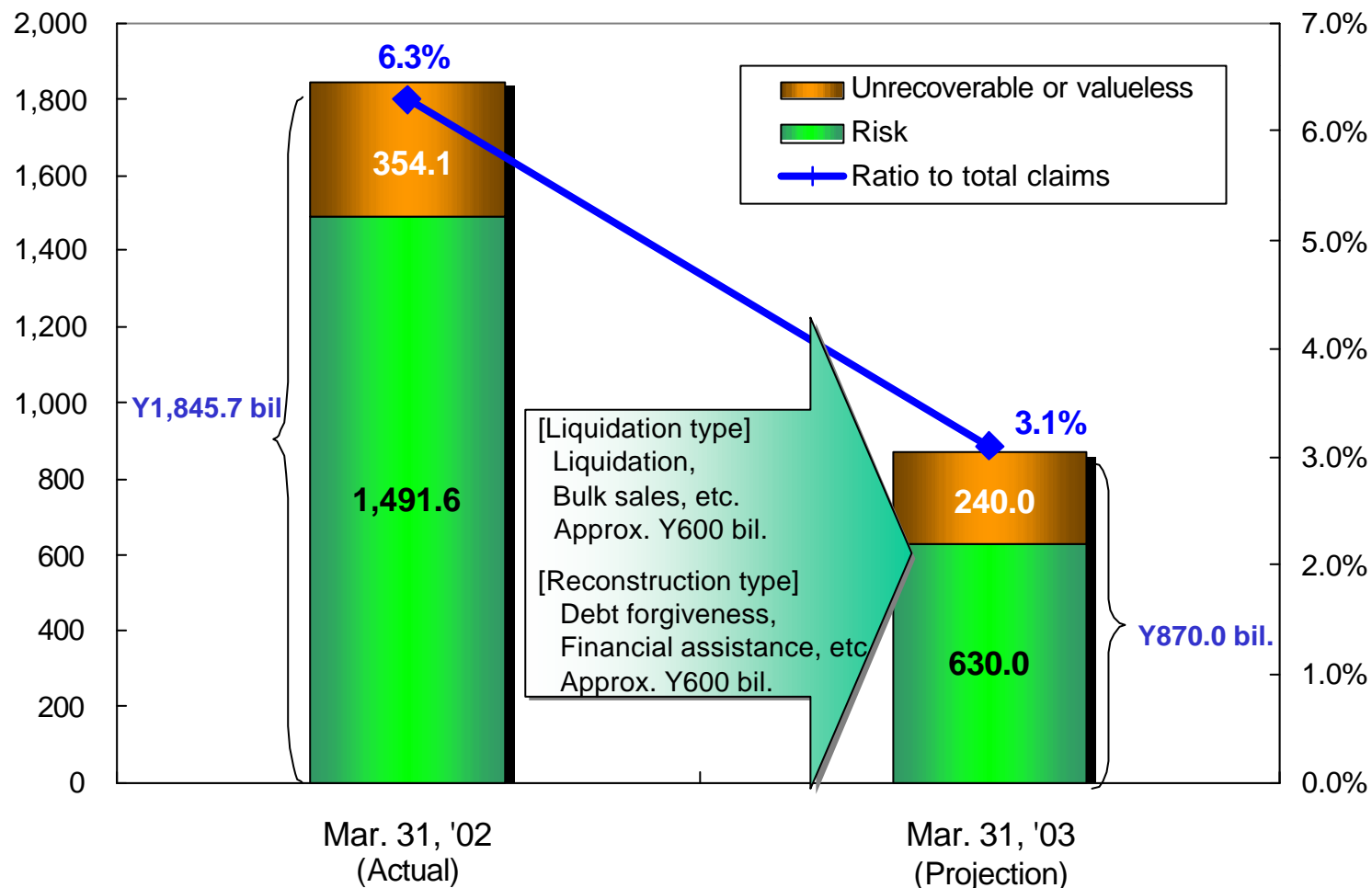
- Claims to “doubtful” or below borrowers declined by Y380 bil., or 20%, in comparison with the balance as of the end of March 2002 (Daiwa and Asahi combined)
- Total balance of problem claims under FRL criteria was reduced by approximately Y200 bil., or 6%, during the first half period (Group banks combined)



Removing problem loans from the balance sheet

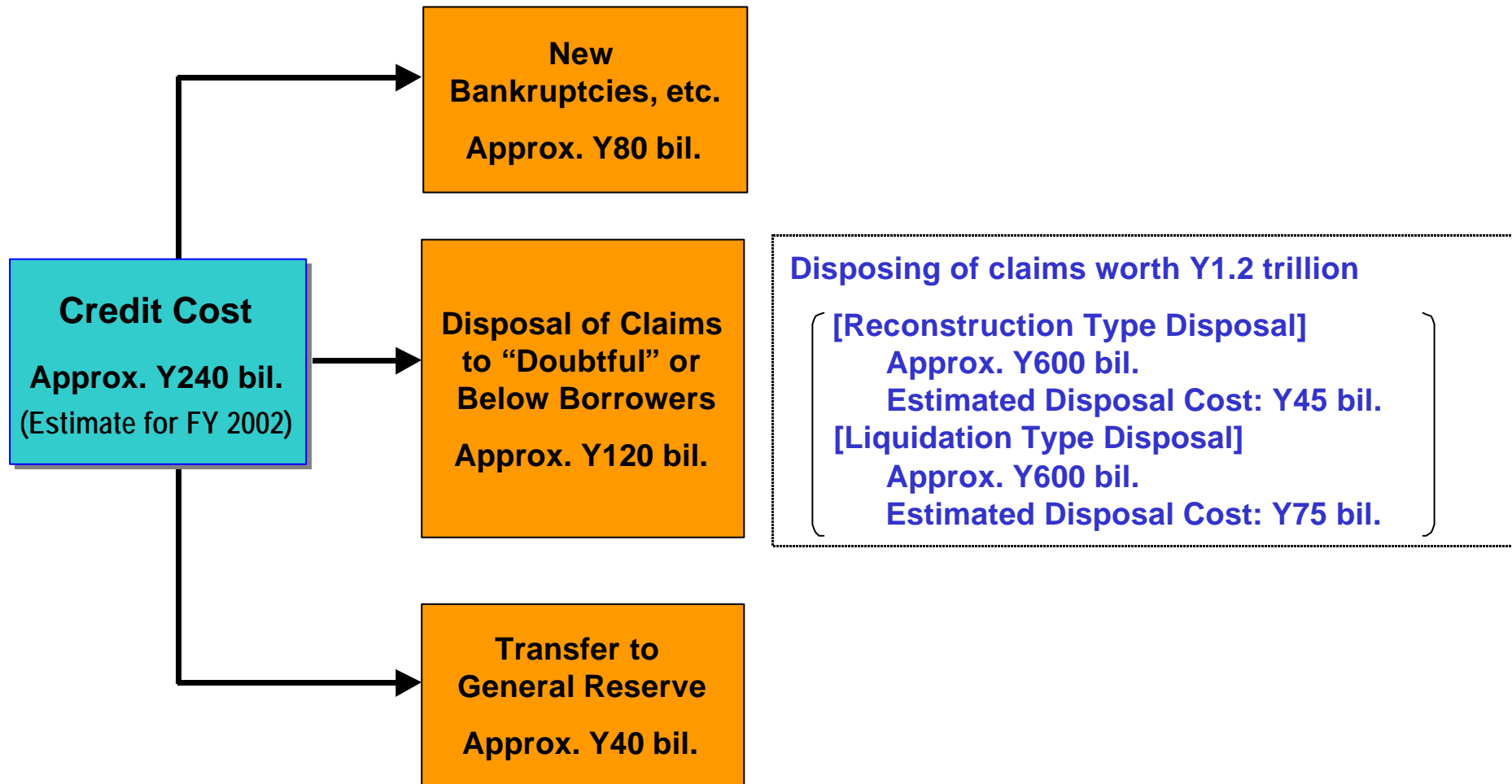
Daiwa and Asahi combined plan to reduce their claims to “doubtful” or below categories of borrowers by Y1.2 trillion in fiscal 2002

- Even after taking into account the new addition of Y250 bil., the balance of claims to “doubtful” or below borrowers is to be reduced by Y1.0 trillion



Estimated credit cost for fiscal 2002 (Daiwa Bank and Asahi Bank combined)

Expect Y240 bil. of credit-related expenses for fiscal 2002, an increase of Y70 bil. compared with the projection at the beginning of the year (Daiwa Bank and Asahi Bank)

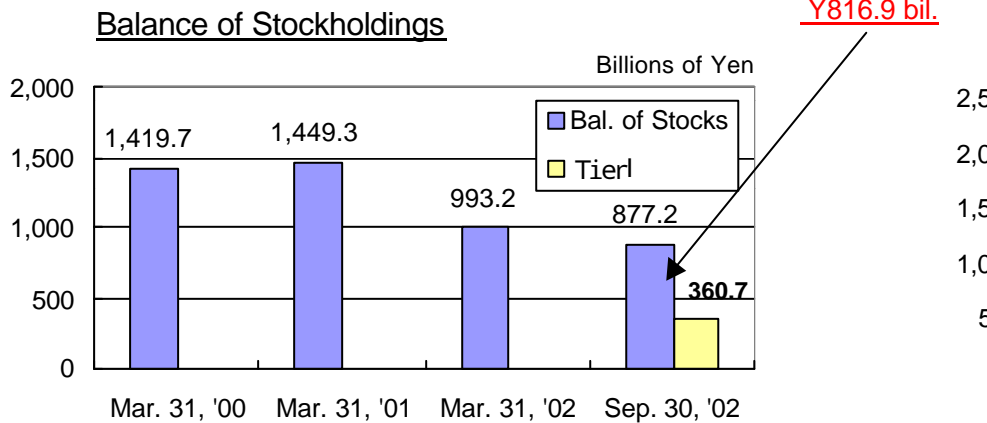


Reducing stockholdings

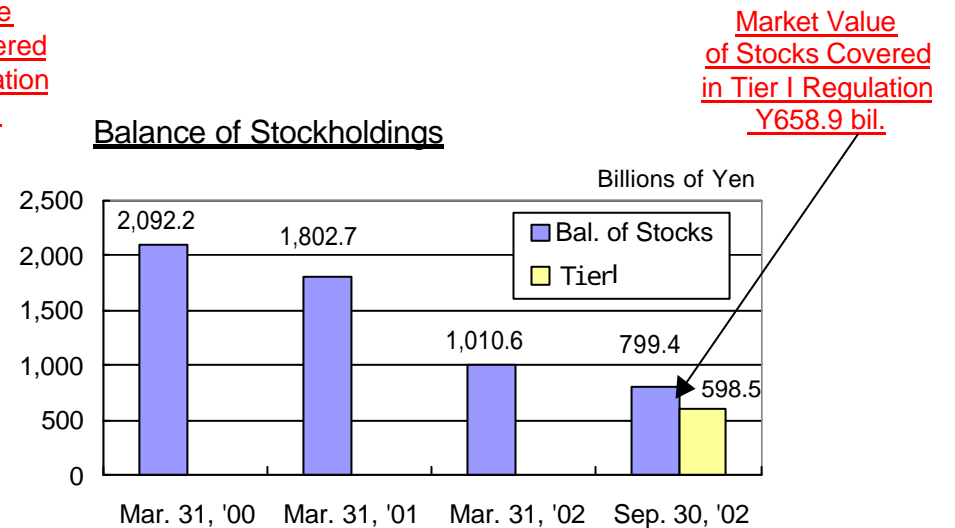
Amount to be reduced in fiscal 2002: Y350 bil. (Amount sold in the first half: Y145.0 bil.)

- **Stockholdings to be reduced within the limit of Tier I capital**
Amount of stockholdings exceeding Tier I: Y516.6 bil as of September 2002.
- **Consideration given to utilization of stock purchasing by BOJ**

Daiwa Bank



Asahi Bank



* Balance of stocks is the amount stated on the balance sheet (on a non-consolidated basis).

Regulatory capital allowance

Maintained the capital adequacy ratio (CAR) well above the minimum of 4% that is applicable to domestic standard banks

- Issued approximately Y68.0 bil of non-dilutive preferred securities in the 1st half
- Making the best use of the regulatory capital allowance in order to solve the problem loan issue as early as possible and to support the needs of SMEs and individuals for funds
- Risk-adjusted assets to be increased by approximately Y220 bil in the second half

(Billions of yen)

	Sep. 30, 2002 (Actual)	Mar. 31, 2003 (Plan)	Change	Minimum Requirement	Portion exceeding the Minimum *1
Capital Ratio	7.92%	7.71%	(0.21)%	4.00%	3.71%
Tier I Ratio	3.98%	3.95%	(0.03)%	2.02%	1.93%
Qualifying Capital	2,161.3	2,119.3	(42.0)	1,100.0	1,019.3
Tier I	1,087.1	1,086.4	(0.7)	556.5	529.9
Tier II	1,087.1	1,045.9	(41.2)	556.5	
Deduction	(13.0)	(13.0)	---	(13.0)	
Risk-adjusted Assets	27,282.0	27,500.0	218.0	27,500.0	

*1. The level of stock price at the end of March 2003 is assumed to be the same as the level at the end of September 2002.

Can absorb the impact of loss on stockholdings to the extent of Nikkei Avg. 6,000 yen level.

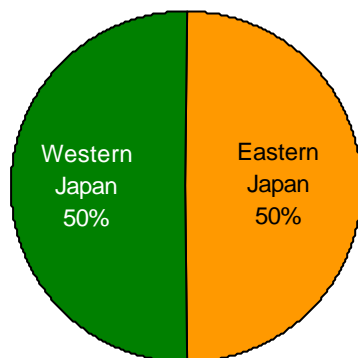
*[For Reference]
Estimated cost for strengthening reserves against loans to special attention borrowers required by assessment based on DCF, etc.*

Additional 15% reserves against the uncovered portion would require additional cost of approx. Y200 bil.

Geographical distribution of corporate loans

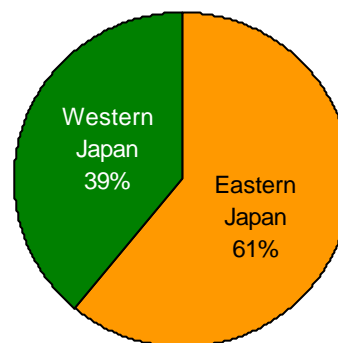
Resona Group (excluding Nara Bank)

Number of Loan Customers



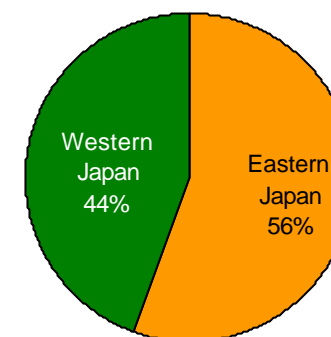
Tokyo Metropolitan Area: 33.2%
Saitama Pref. 14.7% Osaka Pref. 38.9%

Amount of Loans Extended



Tokyo Metropolitan Area: 50.4%
Saitama Pref. 9.3% Osaka Pref. 30.7%

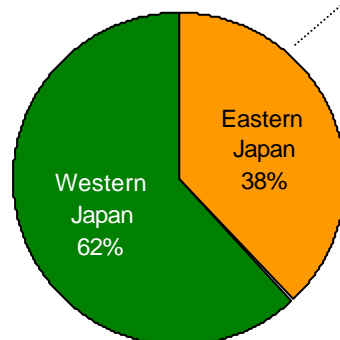
Gross Operating Profit



Tokyo Metropolitan Area: 44.3%
Saitama Pref. 9.9% Osaka Pref. 34.6%

Note: Tokyo Metropolitan Area includes Tokyo Metropolis, Kanagawa Prefecture and Chiba Prefecture

Credit Cost-adjusted
Gross Operating Profit



Tokyo Metropolitan Area: 16.7%
Saitama Pref. 18.7 Osaka Pref. 44.8%

If large borrowers (with more than ¥10 billion loans) were excluded, the distribution would be 51% for eastern Japan and 49% for western Japan.

(Billions of Yen)

	Eastern Japan (East to Shizuoka)	Western Japan (West to Hamamatsu)
Number of Loan Customers	48,818	48,760
Amount of Loans Extended	11,415.7	7,289.2
Loan Amount per Customer	0.234	0.149

- Presented figures do not take into account the loans to “doubtful” or below categories of borrowers
- Gross operating profit does not include pension income, real estate income and trust fee income. Gross operating profit for June 2002 is annualized in the calculation.
- Credit cost-adjusted gross operating profit is computed based on the actual default rates in the past years, taking into consideration such factors as coverage by collateral, etc.

Resona Group's efforts towards rehabilitation of corporate borrowers

Prevention of asset quality deterioration and assistance for rehabilitation of corporate borrowers

[Measures implemented by Daiwa Bank]

- Established "Corporate Support Team" within Credit Division
- Concentrating various know-how for supporting rehabilitation of corporate borrowers such as real estate, trust, business succession, business assignment, etc. in the "Corporate Support Team"
- Supporting corporations to formulate a rehabilitation plan, giving advice on sales of real estate or business portfolio restructuring through sales of business divisions and/or M&A.
- Started providing supports to 50 corporations in addition to the existing 200 customers receiving such supports

[Measures implemented by Asahi Bank]

- Established a department within Credit Division to extend rehabilitation supports to corporate customers
- Helping corporations formulate rehabilitation plans and implement such plans
- Providing various consulting services ranging from production and marketing to compliance issues
- Providing such assistance to approximately 300 corporate groups at the moment. Successfully completed 60 such corporate rehabilitation cases in the past three years.

[Measures implemented by Kinki Osaka Bank]

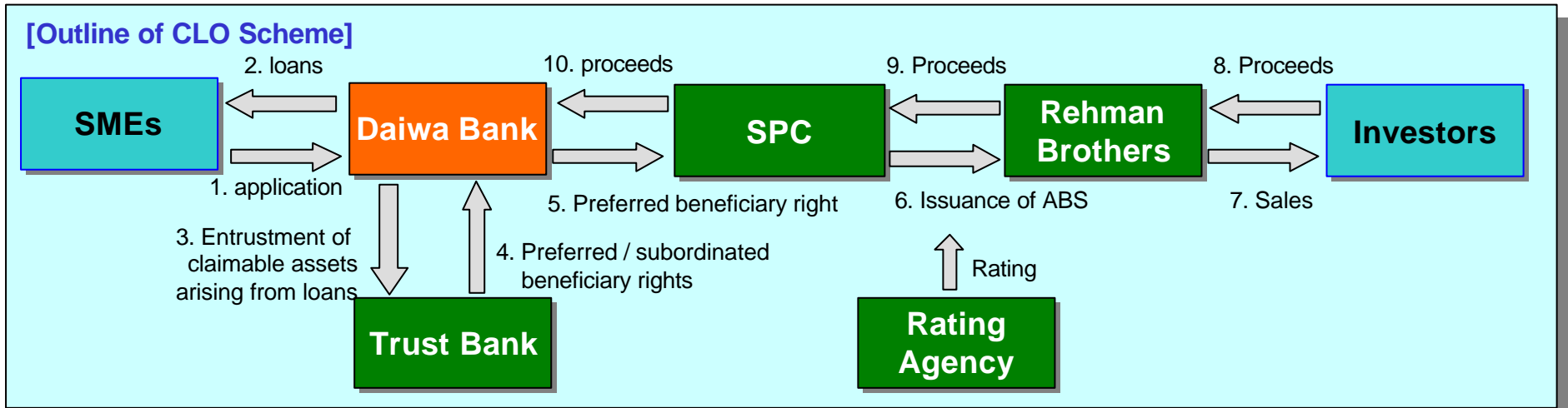
- Established in October 2001 "Corporate Rehabilitation Support Team" within Credit Division to facilitate rehabilitation of watch borrowers
- 12 staffs in the team providing supports to approximately 200 corporate customers
- Formulating rehabilitation schemes, helping corporations draw up rehabilitation plans and implement them, including provision of follow-up guidance

Diversified financing methods for SMEs (I)

New financing method for local SME customers

Osaka Prefecture

- Osaka Prefecture, Daiwa Bank and Rehman Brothers jointly launched a loan scheme for SMEs based on securitization of collateralized loan obligation (CLO)
 - Series #1 (December 2002): Application period: October 7 to November 29 **Approx. 450 applications / Y30 bil.**
- Organize a pool comprised of a number of small loan obligations in order to reduce the risk
- By utilizing a scheme based on securitization, SMEs can raise funds indirectly from investors irrespective of whether they have appropriate collateral or not.



Tokyo Metropolis

- Similarly, Asahi Bank extended in total of **Y19.4 bil of loans (565 applications)** based on the CLO scheme initiated by Tokyo Metropolis. (Share among the banks participated: 10.5%)

Diversified financing methods for SMEs (II)

Private placement bond with guarantee by public credit guarantee corporation

Nationwide (Total of Resona Group)

- Result for the 1st half of fiscal 2002
108 issues amounting in total to **Y 9.1 bil.** (Daiwa: Y1.4 bil, Asahi Y6.5 bil, Kinki Osaka Y1.2 bil)
(Issue amount share: **approx. 11%**)

Saitama Prefecture (Asahi Bank)

- Result since the 1st half of fiscal 2000 (cumulative)
77 issues amounting in total to **Y 8.7 bil.** (issue amount share in Saitama Pref. **approx. 46%**)
- Result for the 1st half of fiscal 2002
24 issues amounting in total to Y2.2 bil. (issue amount share in Saitama Pref. **approx. 50%**)
- Handling of private placement bond without guarantee
13 issues amounting in total to Y2.0 bil.
Total handling of private placement bond in Saitama Pref: **37 issues** totaling **Y4.2 bil.**

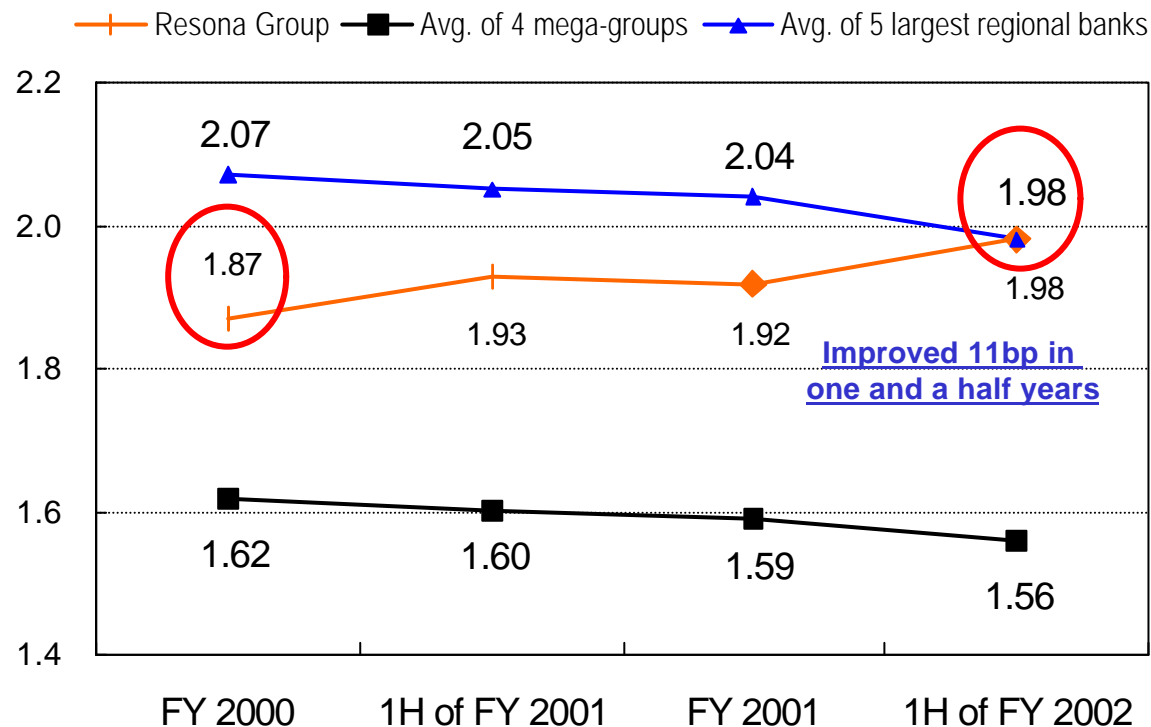
Supports for Venture Business

- Resona Group (Daiwa Bank and Asahi Bank) has invested in **52 companies** that were newly listed on exchanges. (**Share: approx. 31%**)
 - Asahi Bank and its affiliates: 41 companies, Daiwa Bank and its affiliates: 18 companies
Overlaps: 7 companies
- Daiwa Business Investment (DBI) and Asahi Business Investment (ABI) have invested in **42 companies** that were newly listed on JASDAQ, Mothers, and NASDAQ Japan (**Share: approx. 29%**)
 - DBI 15 companies, ABI 33 companies, overlaps
 - DBI and ABI are scheduled to merge on April 1, 2003 to commence operations as Resona Capital.

Trend in Loan-to-deposit spread: Steady business model transformation

Surpassed mega-bank groups and caught up with major regional banks

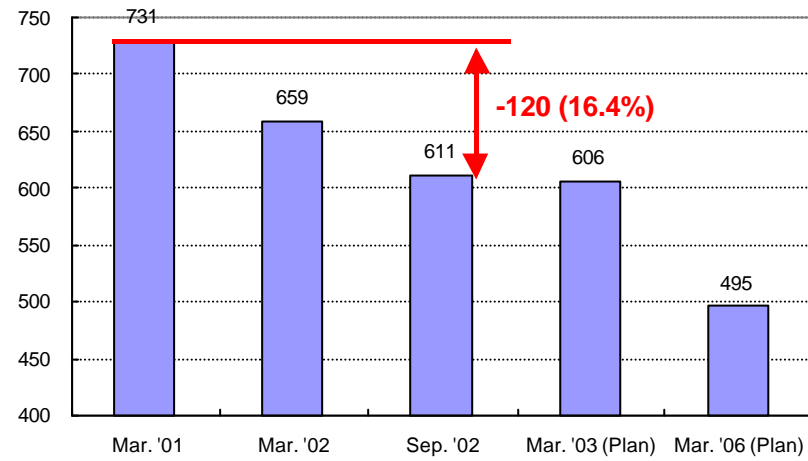
- Pursuing the synergies from the combination of strong relationships with local customers and the capability of providing comprehensive high-value products and services



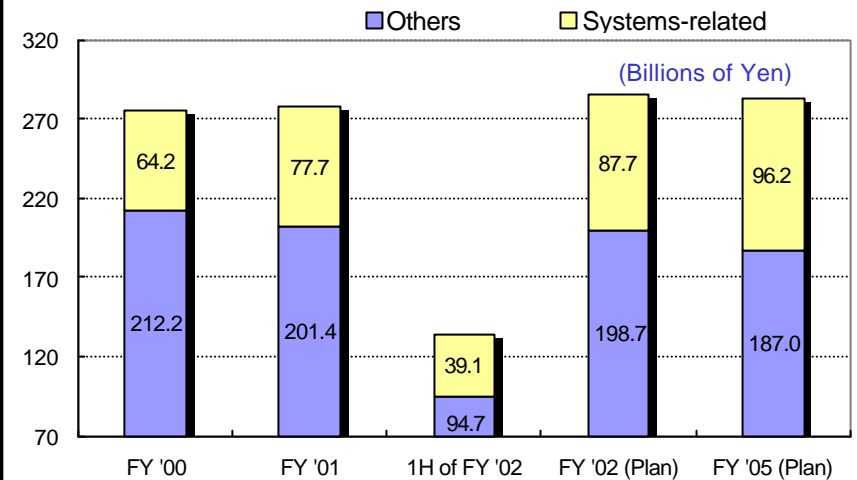
1. Domestic loan-to-deposit spreads are shown in the above chart.
2. The average of four mega-bank groups are the simple average of the figures disclosed by each of the groups.
(Trust banks are not included in the calculations.)
3. The average of five largest regional banks is the simple average of the figures disclosed by Bank of Yokohama, Chiba Bank, Shizuoka Bank, Joyo Bank, and Fukuoka Bank.

Toward higher efficiency in operation

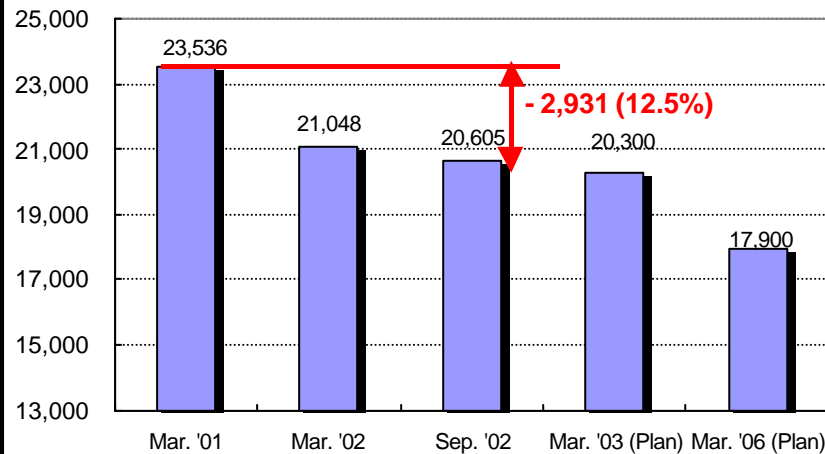
Head and Branch Offices



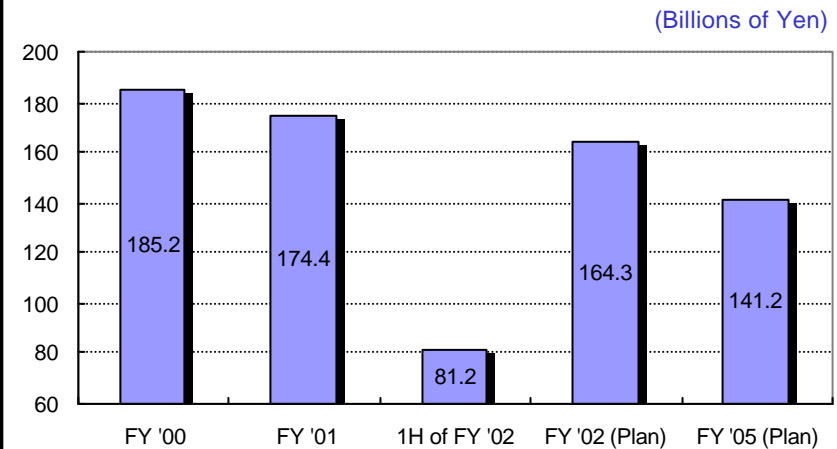
Non-personnel Expense



Employees



Personnel Expense



* Plan figures do not include the additional restructuring by Kinki Osaka Bank (For details, refer to page 14.)

Measures for strengthening profit by Kinki Osaka Bank

Achieve the target of Y30.0 billion core net operating profit one year earlier in fiscal 2003

Rationalization

[Plan for reducing the number of head and branch offices]

	Sep. 30, 2002	Mar. 31, 2005	Mar. 31, 2004		
	(Actual)	(Former Plan)	(New Plan)	Difference	Difference
	(A)	(B)	(C)	(C) - (A)	(C) - (B)
Offices	168	203	135	(33)	(68)

A reduction of 94 offices, or 41%, compared with the peak figure of 229 (March 2001)

[Plan for reducing the number of employees]

	Sep. 30, 2002	Mar. 31, 2005	Mar. 31, 2004		
	(Actual)	(Former Plan)	(New Plan)	Difference	Difference
	(A)	(B)	(C)	(C) - (A)	(C) - (B)
Employees	3,906	3,694	3,100	(806)	(594)

A reduction of 1,364 employees, or 31%, compared with the peak figure of 4,464 (February 2001)

Strengthening of sales and marketing

• Increase loans to SMEs

- Strengthen SME Support Center
- Capture transaction opportunities with new customers
- Introduction of special funds, automated scoring system

• Increase housing loans

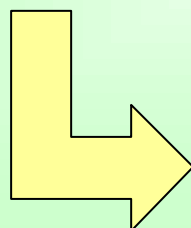
- Strengthen relationships with local contractors and sales agents
- Enable swift screenings by cooperating with credit guarantee corporations
- Increase the balance to Y1.6 trillion by end of Mar. 2004 (An increase of Y140 billion compared with Mar. 2002)

• Sales of investment trust

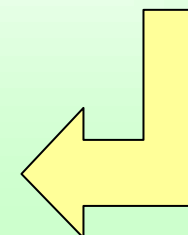
- No.1 in sales of investment trust among regional banks in Kinki region
- Assign fund management advisers to all branches
- Increase outstanding balance to Y180 billion by end of Mar. 2004

• Strengthen sales front

- Relocate around 100 head-office staffs to branch offices



		(Billions of Yen)	
	FY 2001	FY 2003	
	(Actual)	(Plan)	
Gross operating profit	87.0	91.0	
General & administrative expense	68.6	61.0	
Core net operating profit	18.1	30.0	



Strengthen financial position utilizing merger profit

Eliminating Asahi Bank's latent losses on securities utilizing the profit from merger

- Expect **a profit of approximately Y500 billion** from the merger between **Daiwa Bank and Asahi Bank** (Asahi Bank being a predecessor company. Corporate name after the merger is Resona Bank, Ltd.)
- Giving first priority on disposal of Asahi Bank's latent losses on securities acceleration of outright sales, stabilization of periodic income of Resona Bank

(Calculation based on the figures as of Sep. 30, 2002) (Billions of Yen)

	Daiwa	Asahi	Disposal	Total
Net Unrealized Gains (Losses)	(177.8)	(159.0)	(200.2)	(136.6)
Unrealized Gains	35.0	41.2	---	76.2
Unrealized Losses	212.8	200.2	(200.2)	212.8

Every 1,000 yen fluctuation of Nikkei Average leads to approximately Y130 billion of changes in net unrealized gains (losses) on stocks.

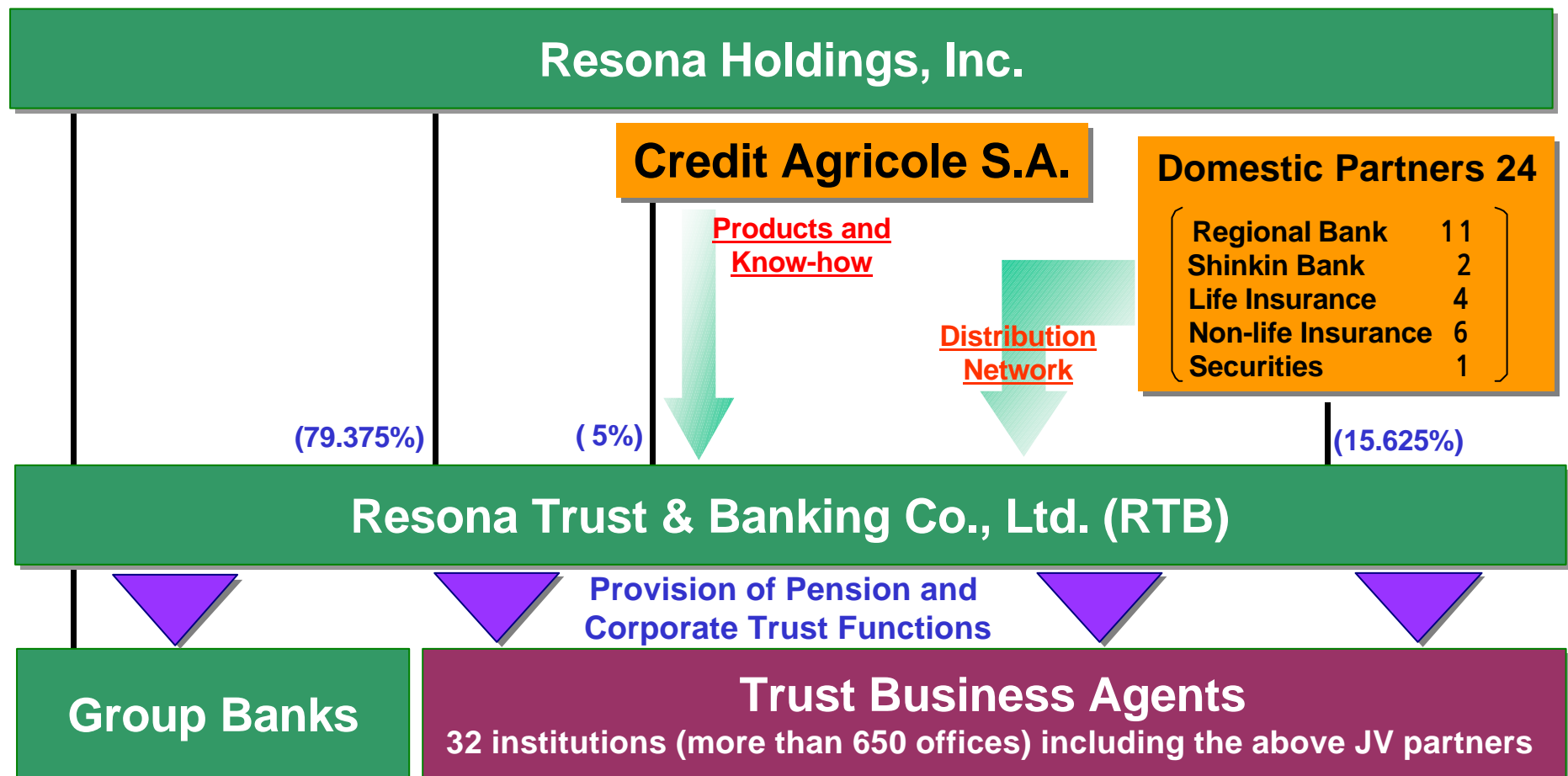
Therefore, the breakeven Nikkei Average after the disposal would be around 10,000 yen.

* Unrealized losses on stocks to be transferred to Saitama Resona Bank will be disposed of by Asahi Bank before the transfer.

- Consolidating employees' welfare pension funds of Daiwa Bank, Asahi Bank and Kinki Osaka Bank to form a common single fund
Reducing retirement benefit liabilities by integrating pension plans of the three banks

Equity tie-ups with major regional banks, etc. aimed at promoting pension business

- Assigned 19,375 shares (3.875%) of RTB to 12 domestic institutions additionally
 - New assignments to 9 regional banks, 1 shinkin bank, 2 life insurance companies)
 - Net gains on sale: Y6.7 bil., Shareholding ratio of Resona HD after the transaction: 79.375%
- Reinforcement of distribution network through the strengthened relationships with the existing trust business agents



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.

[Please contact the following for questions related to this material]

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