
Financial Reform of Resona Aimed at Maximization of Corporate Value



RESONA

October 2003



Resona Holdings, Inc.

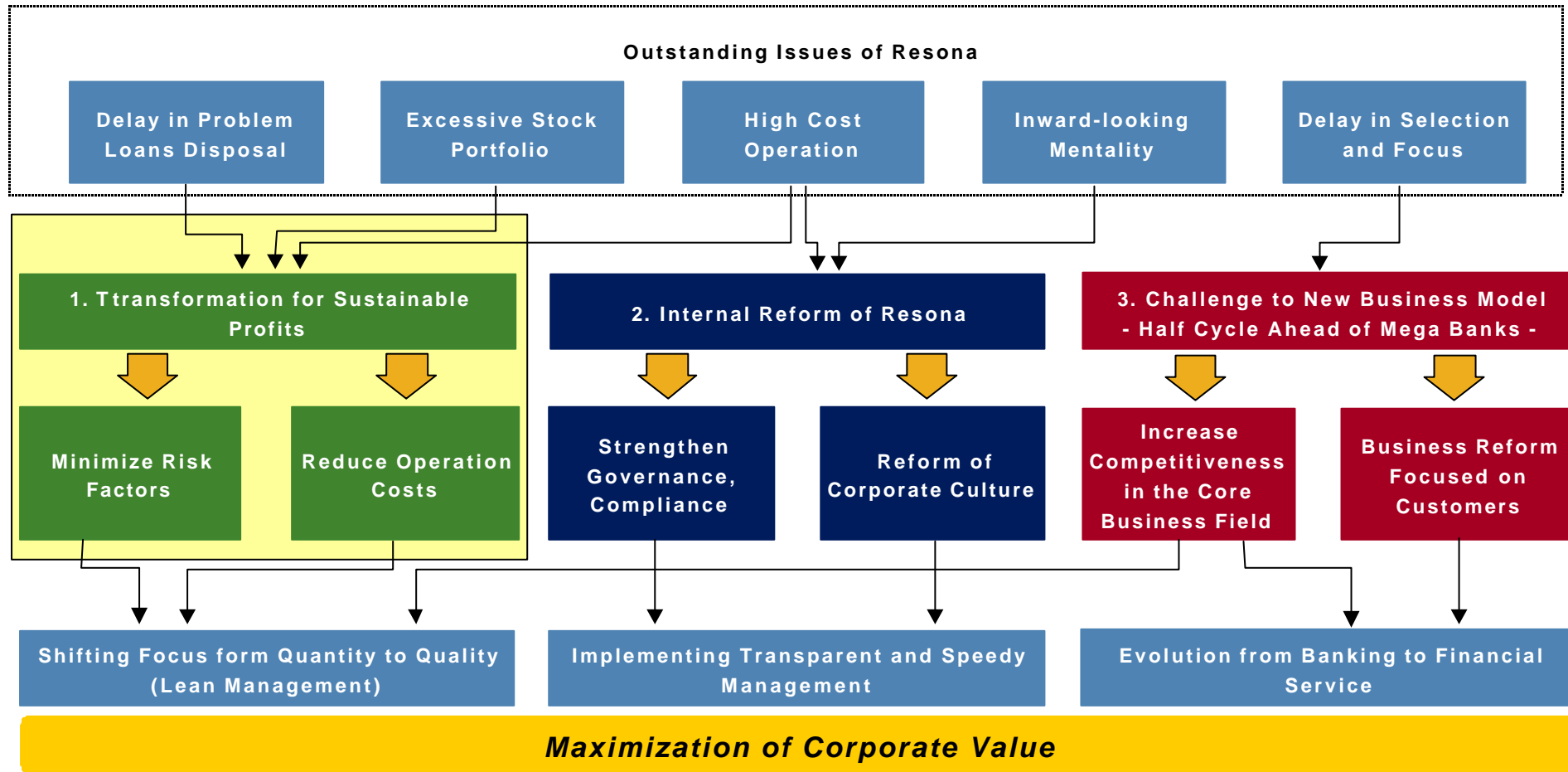
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Seeking Maximization of Corporate Value



Outline of the Revisions of Earnings Estimates

Resona Group Consolidated (1st Half of FY 2003)

(Billions of Yen)	Ordinary Income	Ordinary Profits	Net Interim Income
Previous Forecasts	550.0	26.0	22.0
Revised Forecasts	630.0	(1,220.0)	(1,760.0)
Increase/(Decrease)	80.0	(1,246.0)	(1,782.0)

- Total credit-related costs estimated to be ¥1,263.6 bn primarily owing to the increase of bad loan disposal by Resona Bank and Kinki Osaka Bank.
- ¥204.1 bn of extraordinary loss expected including such items as disposal of unfunded liabilities for retirement benefits and establishment of "Reserve for Business Restructuring."
- Income taxes-deferred in the amount of ¥357.4 bn primarily due to significant reductions of deferred tax assets by Resona Bank and Kinki Osaka Bank.
- Term-end dividends for fiscal 2003 on common and preferred stocks will not be paid.

[Non-consolidated Estimates for Subsidiary Banks (1st Half of FY 2003)

(Billions of Yen)	Total of Five Group Banks		Resona Bank		Saitama Resona Bank		Kinki Osaka Bank		Nara Bank		Resona Trust & Banking	
		Change		Change		Change		Change		Change		Change
Gross operating profit	332.3	(21.2)	213.0	(28.5)	55.0	(1.0)	51.0	8.5	1.8	(0.2)	11.5	---
Net gains on bonds	(7.7)	/	(19.5)	/	(0.1)	/	11.9	/	0.0	/	0.0	/
Administrative expenses	(212.5)	8.8	(140.0)	7.5	(37.0)	0.5	(28.0)	1.0	(2.5)	(0.5)	(5.0)	0.3
Actual net business profits	119.8	(12.4)	73.0	(21.0)	18.0	(0.5)	23.0	9.5	(0.7)	(0.7)	6.5	0.3
Net gains on stocks	(28.8)	(23.8)	(17.0)	(12.0)	0.2	0.2	(12.0)	(12.0)	---	0.0	---	---
Credit-related costs	(1,263.6)	(1,186.1)	(1,010.0)	(952.0)	(23.0)	(14.5)	(230.0)	(219.0)	(0.6)	(0.6)	---	---
Ordinary profits	(1,229.9)	(1,254.4)	(1,005.0)	(1,014.5)	(6.0)	(14.5)	(224.0)	(224.5)	(1.2)	(1.2)	6.3	0.3
Extraordinary gains	28.1	/	23.0	/	1.0	/	4.0	/	---	/	0.1	/
Extraordinary losses	(204.1)	/	(178.0)	/	(3.5)	/	(22.0)	/	(0.6)	/	---	/
Income before income taxes	(1,405.9)	/	(1,160.0)	/	(8.5)	/	(242.0)	/	(1.8)	/	6.4	/
Income taxes-deferred	(357.4)	/	(290.0)	/	3.5	/	(68.0)	/	(0.5)	/	(2.4)	/
Net interim income	(1,763.3)	(1,783.3)	(1,450.0)	(1,460.0)	(5.0)	(10.0)	(310.0)	(311.0)	(2.3)	(2.3)	4.0	0.0

End of September, 2003	Resona Holdings	Resona Bank	Saitama Resona Bank	Kinki Osaka Bank	Nara Bank	Resona Trust & Banking
Capital adequacy ratio	Former half of 6% range	Former half of 7% range	Latter half of 7% range	Approximately -11%	Former half of 3% range	Approximately 170%
(Estimate after capital increase)				Former half of 7% range	Approximately 7%	
	(Consolidated)	(Consolidated)	(Non-consolidated)	(Consolidated)	(Non-consolidated)	(Non-consolidated)

1. Actual net business profits = net business profits before transfer to general reserve for possible loan losses and disposal of problem loans in the trust account (applicable only to Resona Bank)
2. Credit-related costs include transfer to general reserve for possible loan losses and disposal of problem loans in the trust account (applicable only to Resona Bank)
3. Capital adequacy ratio of Resona Bank at the end of March 2004 is expected to decline approximately by 1% compared with the estimate for the end of September 2003 since it provides loans to Resona Holdings to subscribe for the shares to be issued by the Kinki Osaka Bank (double-gearing deduction).

Outline of “Financial Reform”

Attain “Transformation to Sustainable Profits” by recognizing as much future cost as possible

“Restructuring of Resona” (Reduction of Future Costs)	Elimination of transactions with “closely-related” borrowers and withdrawal from nonbank business	Abandoned “going-concern” assumption and formulated new policy based on “liquidation” and “withdrawal”	[Expected loss] Approx. ¥420 bn.	<Page 4>
	Disposal of unfunded liabilities for retirement benefit	Disposed of the unfunded liabilities in relation to the returned proxy portion	[Expected loss] Approx. ¥87 bn.	<Page 5>
		Also disposed of a part of remaining unfunded liabilities		
Establishment of “Reserve for Business Restructuring”	Provided reserves for anticipated losses arising from removal of systems, etc.	[Expected loss] Approx. ¥98 bn.	<Page 6>	
Strengthening of reserves for future risks	Early revitalization of corporate borrowers	Actively utilizing Industrial Revitalization Corporation of Japan and other parties	[Expected loss] Approx. ¥146 bn	<Page 7>
	Strengthening of reserves based on cash flow analysis	Expanded application of discounted cash flow (DCF) method		
Deferred Tax Assets	Improvement in quality of capital through reduction of DTA	More rigorously assessed DTA, taking into account the uncertainties regarding prospects of income during the Resona’s intensive revitalization period	[Expected loss] Approx. ¥360 bn.	<Page 9>

Affiliates and Closely-related Borrowers

Disposal in the First Half of FY 2003

- Adopted new policies for disposal of nonbank affiliates and “closely-related borrowers” based on such schemes as “liquidation,” “withdrawal” and “transfer to third parties.”
- Reporting significant amount of loss by abandoning a “going-concern” assumption and **applied a “liquidation-based” method** for assessment of exposures to these borrowers.

(Billions of Yen)	Resona Bank	Kinki Osaka Bank	Total of Two Banks
Related loss expected	Approx. 330	Approx. 90	Approx. 420

Reorganization of Affiliates and Closely-related Borrowers (Operations going forward)

<Affiliates>

- Withdrawal from nonbank business
- The number of affiliates other than nonbanks will be **reduced to a quarter** through liquidation, transfer to third parties, and mergers, etc.
- **Affiliates with retail functions** will continue operations while strengthening their capabilities and enhancing efficiency through merger and abolition of non-core businesses

<Closely-related Borrowers>

- Except those companies which can remain viable as “sound” companies, these borrowers will either be liquidated or sold to third parties.



Restructuring of operations to be completed by the end of March 2005

Disposal of Unfunded Liabilities for Retirement Benefit

Disposal in the 1st Half and Estimated Cost Reduction in Next Fiscal Year and After

- Disposed of the unfunded liabilities in relation to the returned proxy portion of Employee Pension Fund (Approximately ¥150 bn)
- Also disposed of a part of remaining unfunded liabilities for retirement benefit (Approximately ¥64 bn)
- Expected loss in relation to the aforementioned disposals is estimated to be approximately ¥87 bn.
 - Total unfunded liabilities will be reduced to less than half of the pre-disposal level
 Combined unfunded liabilities of the three banks
 (End of March 2003: ¥ 456 bn)
 (End of September 2003: ¥ 217 bn)
 - Annual amortization costs in fiscal 2004 and after are estimated to decline approximately by ¥36.5 bn (of which, personnel expenses: ¥9.5 bn, and non-recurring expense: ¥27.0 bn)

(Billions of Yen)	Resona Bank	Saitama Resona Bank	Kinki Osaka Bank	Total of Three Banks
Related loss expected	Approx. 80.0	Approx. 2.0	Approx. 5.0	Approx. 87.0
Disposal of unfunded liabilities	Approx. 182.0	Approx. 7.0	Approx. 26.0	Approx. 215.0

Expected cost reduction	Approx. 31.0	Approx. 1.5	Approx. 4.0	Approx. 36.5
Personnel expense	Approx. 7.0	Approx. 0.7	Approx. 1.8	Approx. 9.5

* Expected cost reduction is for fiscal 2004 and after and on an annualized basis.

Establishment of “Reserve for Business Restructuring”

Provisions in the 1st Half

- Established **“Reserve for Business Restructuring”** based on a new policy (a reserve defined in Article 43 of the Enforcement Regulations for the Commercial Code)
- Reserve is provided against the anticipated losses arising from the following:

(1) Against the anticipated loss arising from outsourcing of certain systems

(Billions of Yen)	Resona Bank
Amount added to reserve	Approx. 50.0

(2) Against the anticipated loss arising from sales of certain real estates accompanying consolidation and abolition of overlapping branches, etc.

(Billions of Yen)	Resona Bank	Kinki Osaka Bank	Total of Two Banks
Amount added to reserve	Approx. 20.0	Approx. 7.0	Approx. 27.0

(3) Against the anticipated loss arising from reducing personnel ahead of the schedule (for expenses related to an introduction of “voluntary early retirement system”)

(Billions of Yen)	Resona Bank	Kinki Osaka Bank	Saitama Resona Ban	Total of Three Banks
Amount added to reserve	Approx. 14.5	Approx 6	Approx. 0.5	Approx. 21.0

Preparation for Future Risks: Promoting Revitalization of Corporate Borrowers

Early revitalization of large corporate borrowers

- Actively utilizing IRCJ, RCC and other institutions to ensure transparency and early revitalization

(Billions of Yen)	Resona Bank	Kinki Osaka Bank	Total of Two Banks
Related loss expected	Approx. 135.0	Approx. 11.0	Approx. 146.0

* Presented figures are on a non-consolidated basis and equivalent to additional loss amount expected for the interim period.

Adoption of cash flow-based approach to strengthen loan loss reserves

- Expanded the application of the discounted cash flow method and computed appropriate levels of loan loss reserves on a borrower-by-borrower basis

<“Special Attention” borrowers>

Expanded the application of DCF method from “¥10 bn and up” to **“¥3 bn and up”** borrowers

<“Doubtful” borrowers>

To **“¥3bn and up” borrowers**, DCF method was newly applied.

Also for “less than ¥3bn” borrowers, reserve is provided 100% against the amount remaining after deduction of the future cash flows which are estimated under very rigorous criteria.

(Billions of Yen)	Resona Bank	Kinki Osaka Bank	Total of Two Banks
Related loss expected	Approx. 300.0	Approx. 44.0	Approx. 344.0

* Presented figures are on a non-consolidated basis and equivalent to additional loss amount expected for the interim period.

Ratio of loan loss reserves by borrower categories

<Doubtful Borrowers>

	Resona Bank	Saitama Resona Bank	Kinki Osaka Bank
Estimate for the end of September 2003	Slightly lower than 90%	Approximately 80%	Approximately 100%
Change from the end of March 2003	Approx. + 25%	+ Over 20%	Approx. + 35%

* Ratio of loan loss reserve against the portion not covered by collateral and guarantees

<Special Attention Borrowers>

	Resona Bank	Saitama Resona Bank	Kinki Osaka Bank
Estimate for the end of September 2003	Slightly lower than 50%	Slightly lower than 40%	Slightly lower than 90%
Change from the end of March 2003	Approx. + 20%	+ Over 5%	Approx. + 55%

* Ratio of loan loss reserve against the portion not covered by collateral and guarantees

Problem Claims under Financial Reconstruction Law Criteria

Estimates for the balance of problem claims under the FRL criteria

- **The balance as of the end of September 2003 increases temporarily owing to revision of the manual for the self-assessment of asset quality in view of the criteria under which the due diligence is implemented.**
 - Revised the standard for judging borrower classifications, etc.
- **Measures taken in the 1st half such as strict review of collateral value and strengthening of loan loss reserves will facilitate off-balancing of delinquent claims in the second half and after.**
 - The balance at the end of March 2004 is estimated to be around ¥1.55 trillion, with the ratio of problem claims “in the former half of 7% range.”

(Billions of Yen)	Resona Bank	Saitama Resona Bank	Kinki Osaka Bank	Nara Bank
End of March 2003	2,313.4	171.6	407.4	13.7
Ratio to Total Claims	10.0%	3.6%	13.2%	10.1%

End of September 2003	Approx. 2,850.0	Approx. 175.0	Approx. 360.0	Approx. 13.5
Increase/(Decrease)	Approx. + 530.0	Approx. + 3.0	Approx. (45.0)	Approx. (0.2)
Ratio to Total Claims	Former half of 13%	Latter half of 3%	Middle of 13%	Latter half of 9%

End of March 2004	Approx. 1,550.0	Approx. 170.0	Approx. 225.0	Approx. 12.0
Increase/(Decrease)	Approx. (1,300.0)	Approx. (5.0)	Approx. (135.0)	Approx. (1.5)
Ratio to Total Claims	Former half of 7%	Middle of 3%	Middle of 8%	Former half of 8%

The Ways for Reducing the Balance

- <“Special Attention”>
- Help formulation of revitalization plan
 - DES and debt forgiveness
 - Revival funds
 - RCC’s trust scheme and IRCJ
- <“Doubtful” or lower>
- Revival funds
 - RCC’s trust scheme
 - Collateral disposal (voluntary or auction)
 - Early write-offs
 - Bulk sale of loan claims

Resona Bank aims at lowering the ratio of problem claims to the range of 3% by the end of March 2004.

Kinki Osaka Bank and Nara Bank will lower the same ratio to “around 4%” and “the range of 4%,” respectively by the end of March 2005

Improving Quality of Stockholders' Equity through Further Reduction of Deferred Tax Assets (DTA)

Reversal of DTA in the 1st half

- Though significant amount was reversed at the end of the previous fiscal year (Resona Bank), the remaining DTA was still considered a risk factor
- Taking into account the uncertainty of income during the intensive revitalization period, Resona Bank and Kinki Osaka Bank decided to further reduce their DTA
 - Both Resona Bank and Kinki Osaka Bank will limit their DTA to the amount equivalent to their estimated taxable income for next one year

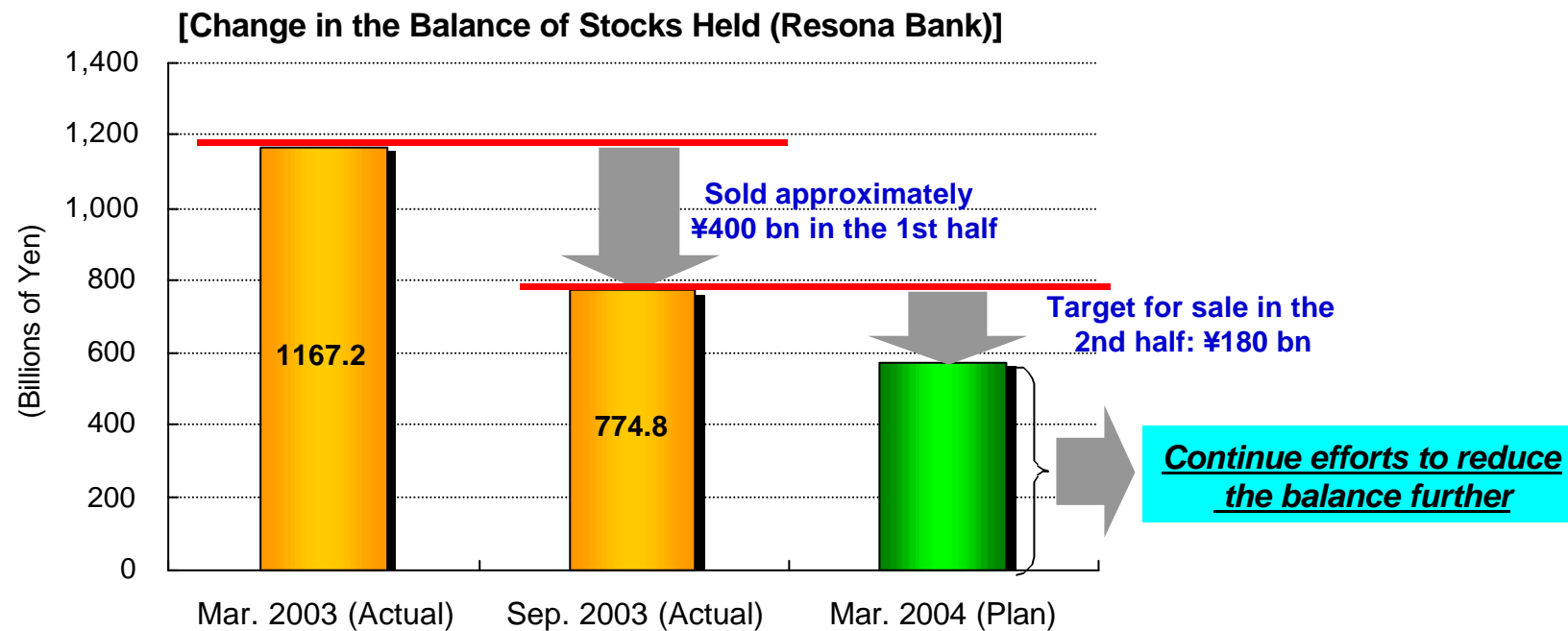
(Billions of Yen)	Resona Bank	Kinki Osaka Bank	Total of Two Banks
End of September 2003	Approx. 40.0	Approx. 7.0	Approx. 47.0
End of March 2003	391.6	74.8	466.5

1. Figures are estimates on a non-consolidated basis.
2. Balance of deferred tax assets is reported on a net basis, after subtracting deferred tax liabilities (=approximately Y60 bn) related to unrealized gains on stocks.

Reduction of Cross-Held Stocks

Reducing the Balance of Stocks Held

- Continue efforts toward further reduction in line with the basic goal of reducing the balance to zero
- The balance at the end of March 2003 will have been almost halved by the end of March 2004. (Original target to be achieved a year earlier)



* Book value of stocks to which Tier I balance regulation is applied

Capital Increase by Kinki Osaka Bank and Nara Bank

Reasons for the Capital Increase

- Kinki Osaka Bank and Nara Bank report net interim loss of approximately ¥310bn and ¥2.3 bn, respectively, for the interim period ended September 2003
 - Both banks, as members of Resona Group, implemented financial reforms for maximization of corporate value and thus eliminated risk factors that may arise in the future
 - Kinki Osaka Bank adopted a new policy as Resona Bank did and eliminated the transactions with closely-related borrowers in real estate sector and also expanded the application of DCF method
- As a result, the capital adequacy ratios of Kinki Osaka Bank and Nara Bank as of the end of September 2003 declined to less than the minimum requirement of 4% applicable to domestic banks

Outline of the Capital Increase

<Kinki Osaka Bank>

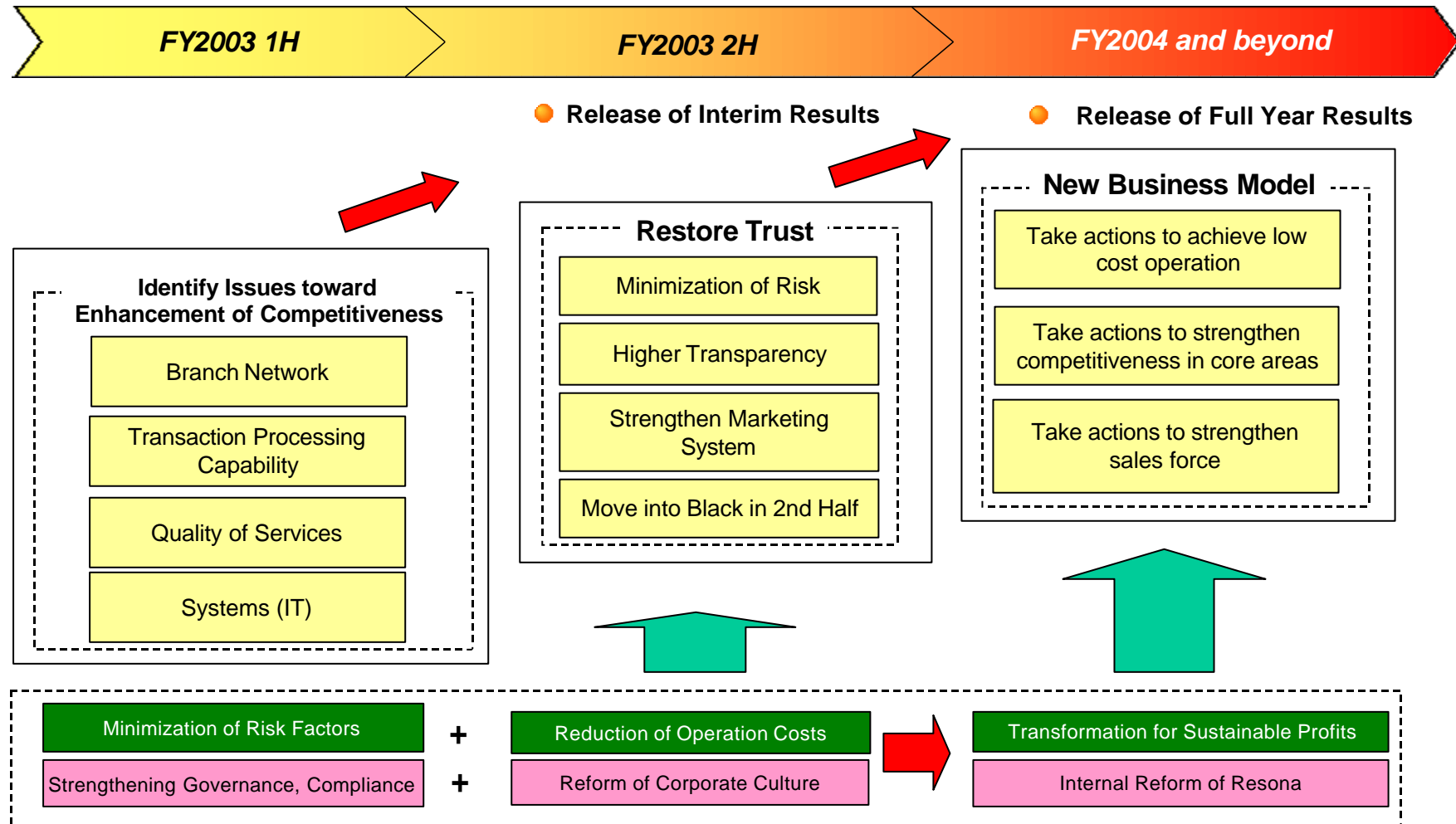
- Total issue amount ¥300 bn, all of which will be subscribed by Resona Holdings, Inc.
- Capital adequacy ratio of Kinki Osaka Bank will recover to “the former half of 7% range” (Issue date: November 20, 2003)

<Nara Bank>

- Total issue amount ¥4 bn, all of which will be subscribed by Resona Holdings, Inc.
- Capital adequacy ratio of Nara Bank will recover to “approximately 7%” (Issue date: November 20, 2003)

Evolving into a Financial Services Company

Challenge to New Business Model

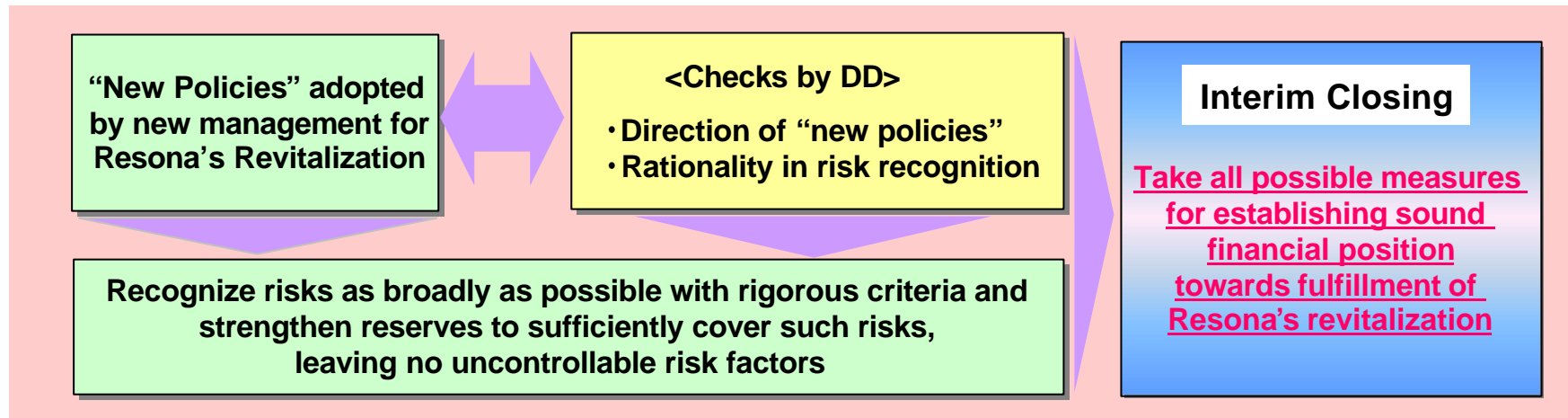


Reference Materials

Outline of Due Diligence and Its Impact on Interim Closing

Due diligence and its impact on interim closing

- DD is to check whether “a direction of the new policies adopted by new management” is appropriate and rational



• Outline of DD

(Types of Claims) loans, trust account, premises and equipment, securities, retirement benefit liabilities, and other principal accounts

(Coverage) Loan claims covered in DD (monetary value basis)
 <Comparison with the loan claims covered in self assessment of asset quality>

- Resona Bank: Over 70%, Saitama Resona Bank: Slightly lower than 70%
- Kinki Osaka Bank and Nara Bank: Approximately 40%

(Lower coverage attributable to the loan portfolio comprised of many small loans.)

(Criteria) Standardized criteria applied to group banks
 In accord with Japanese GAAP and FSA’s inspection manual, etc.
 (Implemented DD in such a way to reflect more stringent criteria based on USGAAP)

Management Reform Plan Formulated by Kinki Osaka Bank

Achieving the following targets by the end of March 2006

(Amount in Billions of Yen)		Fiscal 2002 (Mar 31, 2003)	Fiscal 2005 (Mar 31, 2006)	Increase/ (Decrease)
Profitability	Gross operating profits	92.9	79.0	(13.8)
	General & administrative expenses	63.6	39.3	(24.3)
	Actual net business profits	29.2	39.7	10.5
Soundness	Credit-related costs	95.5	13.0	(82.7)
	Ratio of credit-related costs to total outstanding claims	3.2%	0.5%	(2.7%)
	NPL ratio	13.2%	Approx. 4%	(Approx. 9%)
Efficiency	Ratio of G&A expenses to gross operating profits (OHR)	68.5%	49.7%	(18.8%)
	Number of employees	3,466	2,450	(1,016)
	Number of branch offices	153	110	(43)

<Soundness>

Reducing annual credit-related costs to around ¥13.0 bn by implementing sweeping disposals in fiscal 2003.

Lowering NPL ratio from 13.2% as of the end of March 2003 to around 4% by the end of March 2006

<Profitability>

Reducing G&A expenses by ¥24.3 bn to cover the anticipated decrease (¥13.8 bn) in gross operating profits which is attributed to financial reforms implemented in fiscal 2003, raising net business profits by ¥10.5 bn.

<Reduction of G&A expenses>

(Personnel)...to be reduced by ¥12.2 bn
 Number of employees reduced by around 30%
 Annual salary for employees reduced by 30%
 Review of retirement pay and pension system, etc.

(Non-personnel)...to be reduced by ¥11.6 bn
 Merger and abolition of overlapping branch offices
 Reduction of expenses in such fields as rent, system costs, and other operational expenses, etc.

<Efficiency>

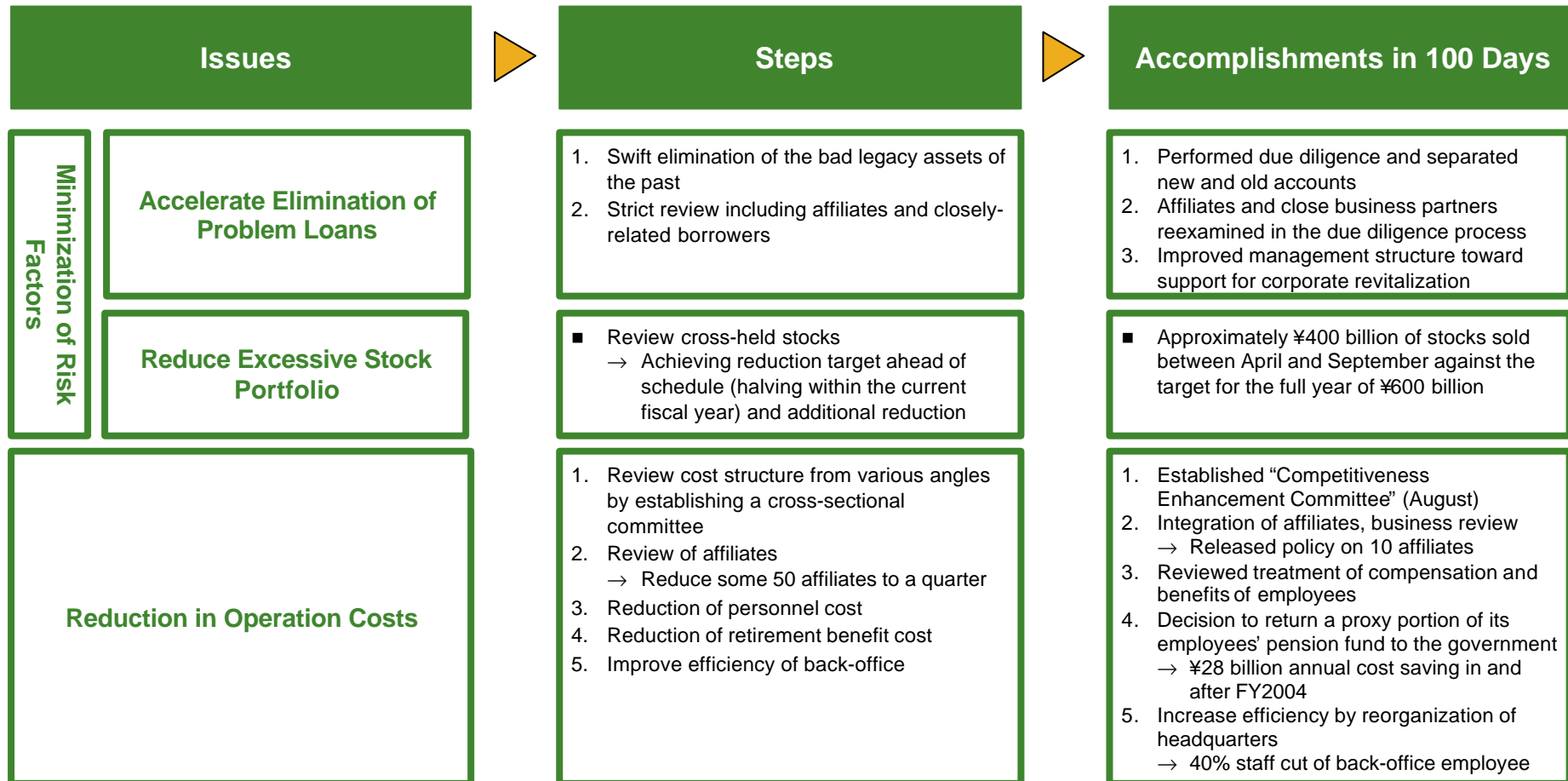
Lowering OHR to less than 50%

Reducing the number of employees approximately by 1,000 (around 29% reduction compared with March 2003 figure), through such measures as employment transfer, introduction of outplacement services, etc.

Merging overlapping branches ahead of schedule to reduce the number of branches by 43 to 110 by the end of March 2005.

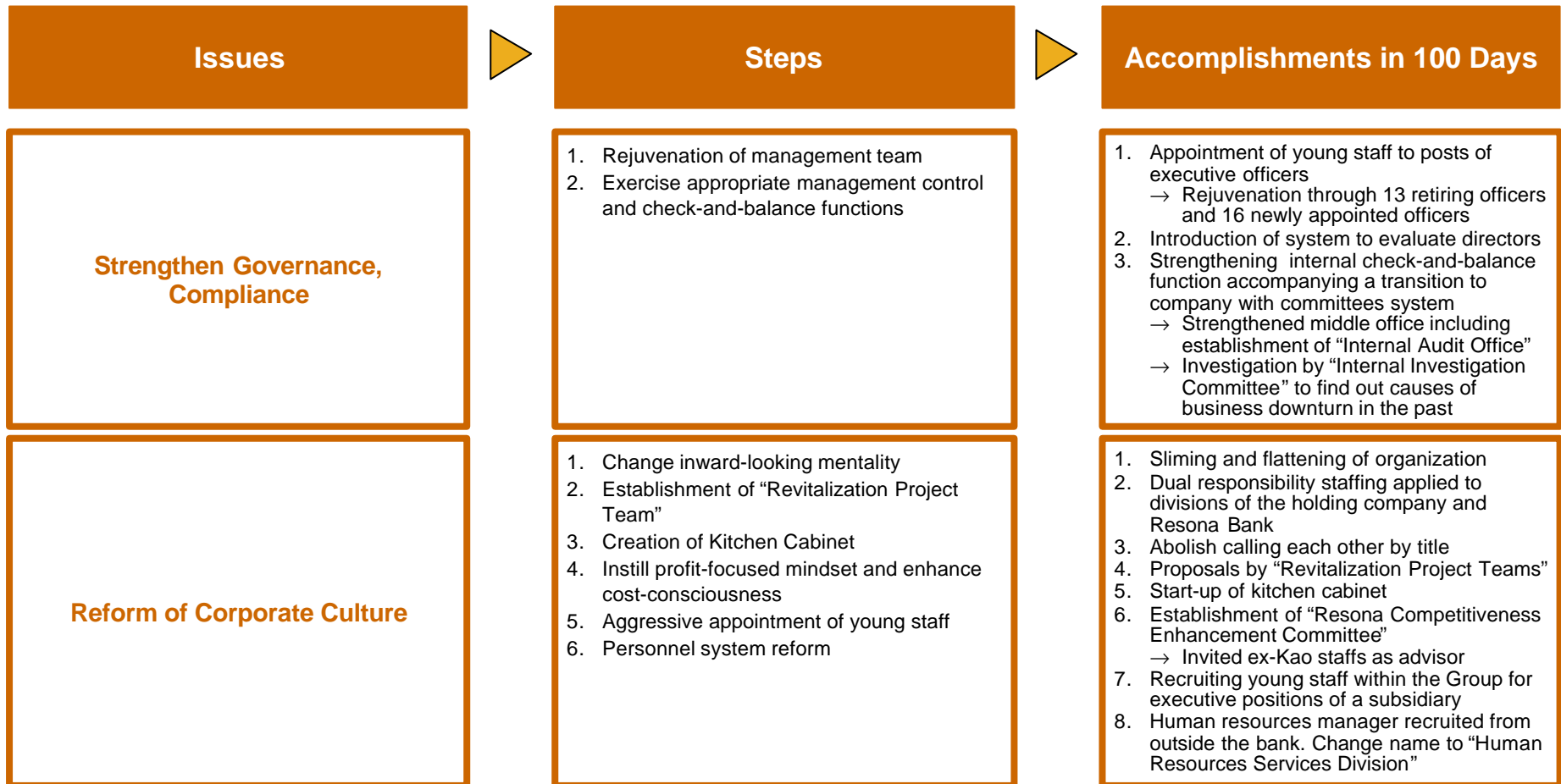
100-Day Efforts (1)

1. Transformation for Sustainable Profits



100-Day Efforts (2)

2. Internal Reform of Resona



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.
