

Resona Group's Medium-term Management Direction

- Maximizing Corporate Value through Sustained Growth -



RESONA

March 2007



Resona Holdings, Inc.

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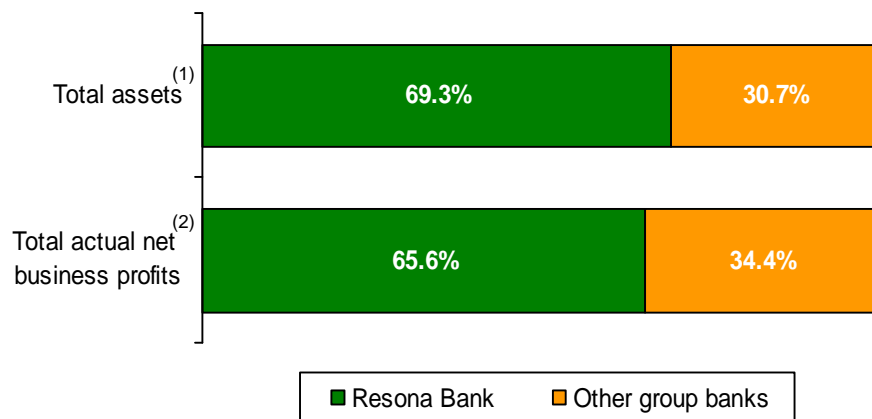
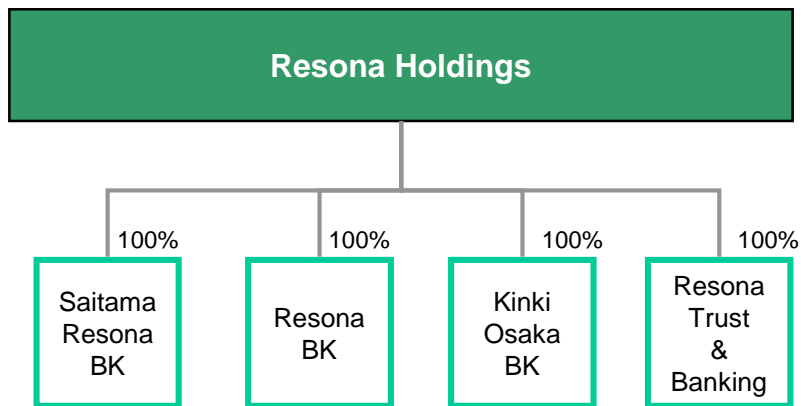
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Resona Group at Glance: Overview of Resona Group

Corporate structure



(1) Aggregate of 4 bank subsidiaries as of Sep. 06. Consolidated basis
 (2) Aggregate of 4 bank subsidiaries as of Sep. 06. Non-consolidated basis

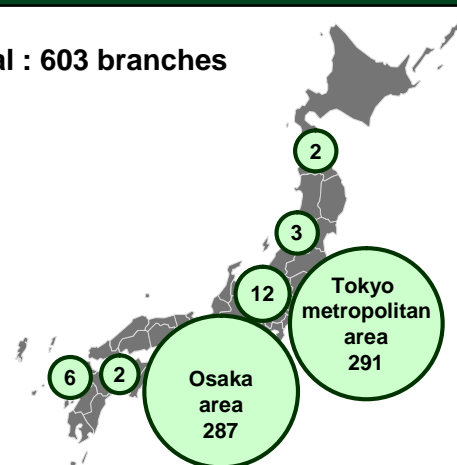
Group overview

- 4th largest banking group in Japan
 - sizable enough to achieve economy of scale with total assets of JPY 39.4 trillion⁽¹⁾
- Community banking group focusing on Osaka, Saitama and Tokyo area
 - strong presence in SME and retail business
 - implementation of Area Management System to meet the local customer needs (Resona: 12 areas, Saitama Resona: 4 areas)

(1) As of Sep 06

Group network

Total : 603 branches



Note: Figures represent the number of the branches as of Sep 06

Resona Group at Glance: Principal Markets

Strong presence especially in Osaka, Saitama and Tokyo Metropolitan area

Deposits

<Deposits> (Billions of Yen)

| (End of September 2006) | Tokyo Metropolis | Saitama Pref. | Kanagawa Pref. | Osaka Pref. | Nara Pref. |
|----------------------------|---------------------|------------------|-------------------|----------------|---------------|
| Resona Group | 7,778 | 8,531 | 1,288 | 9,741 | 558 |
| Resona | 7,631 | 40 | 1,288 | 6,726 | 483 |
| Saitama Resona | 138 | 8,490 | | | |
| Kinki Osaka | 7 | | | 3,015 | 74 |
| Share in each Pref. | 5.3% | 39.3% | 4.2% | 18.6% | 10.2% |
| All Banks | 146,923 | 21,702 | 30,687 | 52,440 | 5,493 |

Loans

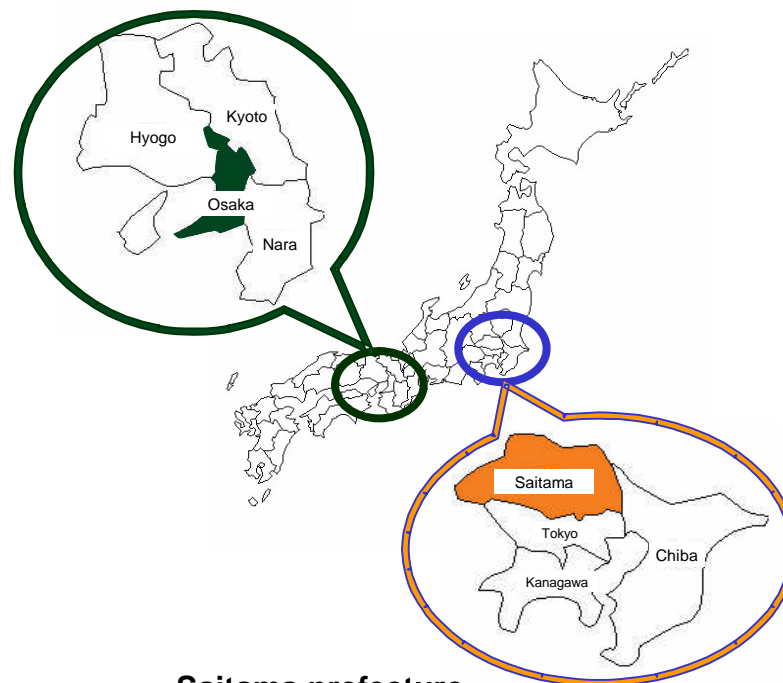
<Loans> (Billions of Yen)

| (End of September 2006) | Tokyo Metropolis | Saitama Pref. | Kanagawa Pref. | Osaka Pref. | Nara Pref. |
|----------------------------|---------------------|------------------|-------------------|----------------|---------------|
| Resona Group | 8,067 | 5,719 | 1,598 | 7,565 | 397 |
| Resona | 7,839 | 57 | 1,598 | 5,262 | 363 |
| Saitama Resona | 132 | 5,661 | | | |
| Kinki Osaka | 95 | | | 2,303 | 33 |
| Share in each Pref. | 5.3% | 42.9% | 8.8% | 18.8% | 15.1% |
| All Banks | 153,527 | 13,345 | 18,206 | 40,291 | 2,636 |

Osaka prefecture

Population: 8.8 million (#2 among 47 prefectures)

GDP: JPY 38.3 trillion (#2 among 47 prefectures)



Saitama prefecture

Population: 7.0 million (#5 among 47 prefectures)

GDP: JPY 20.1 trillion (#5 among 47 prefectures)

Data source: Bank of Japan, Cabinet Office

Resona Group at Glance

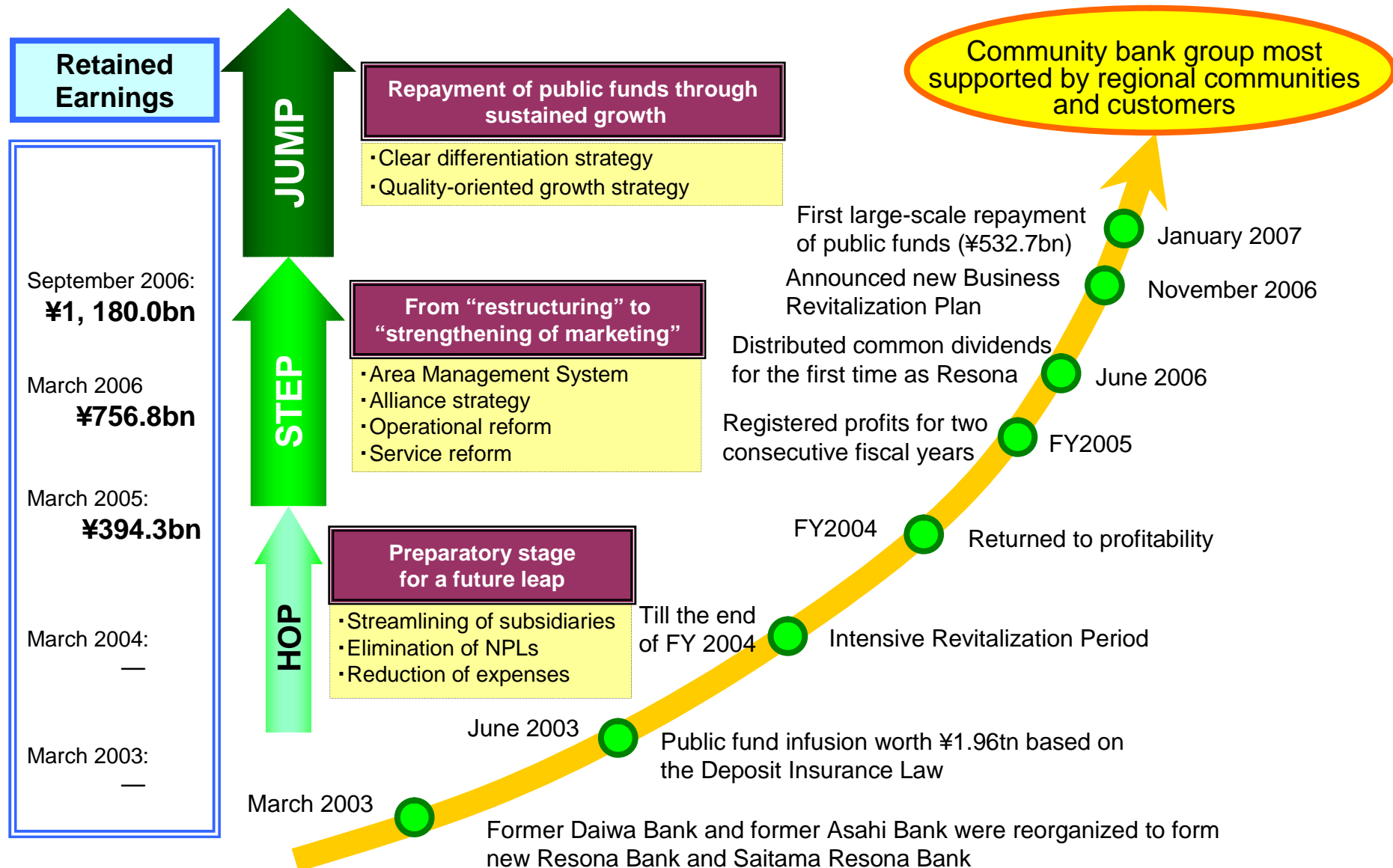
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Resona Group's Management Direction



Achievements in the Past Reforms and Our Future Goals

(Total of group banks)

| | | Mar. '03 | Mar. '06 | Mar. '10 | |
|-------------------------|---------------------------------|-------------------|----------|------------------------|--|
| Profitability | Actual net operating profit | ¥307.3bn | ¥345.2bn | ¥400.0bn ^{*1} | Targeting ¥400bn |
| | Actual net operating profit ROA | 0.72% | 0.85% | 1.01% ^{*1} | Improving profitability while enhancing efficiency of assets |
| Efficiency Productivity | OHR | 59.7% | 50.2% | 49.7% | Sustain OHR below the 50% level |
| | Per head top-line income | ¥39mn | ¥48mn | ¥53mn | HR reform aimed at raising capability of the front personnel |
| | Number of Employees | 19,307 | 14,521 | 14,750 | Relocating staff from clerical work division to marketing division |
| Soundness | NPL ratio | 11.19% (Sep. '03) | 2.56% | Approx. 1.9% | Achieving top-level NPL ratio among Japanese banks |
| Retained Earnings | Combined retained earnings | — | 756.8bn | 1,810.0bn | Roughly half of the DIC prefs and entire ESL prefs are to be covered |

*1. Actual net operating profit for fiscal 2009 (Mar. 2010 period) include net gains on sale of stocks (pure investment position).

Outline of the Earnings Plan

Strengthen earnings while placing more importance on efficiency of asset

| (Billions of Yen) | FY2005 | FY2006 | FY2007 | FY2008 | FY2009 |
|--|----------|--------|--------|--------|--------|
| | (Actual) | (Plan) | (Plan) | (Plan) | (Plan) |
| Gross operating profits | 693.6 | 698.0 | 727.0 | 754.0 | 780.0 |
| Interest income | 527.8 | 537.0 | 548.0 | 569.0 | 585.0 |
| Fee income *1 | 127.7 | 129.0 | 132.0 | 136.0 | 144.0 |
| Before HL-related expense | 171.0 | 173.0 | 180.0 | 188.0 | 199.0 |
| Other gross operating profits | 38.0 | 32.0 | 47.0 | 49.0 | 51.0 |
| Operating expenses | 348.5 | 365.0 | 380.0 | 388.0 | 388.0 |
| Personnel expenses | 117.2 | 122.0 | 126.0 | 130.0 | 132.0 |
| Non-personnel expenses | 210.2 | 224.0 | 232.0 | 237.0 | 235.0 |
| Actual net operating profits (1) *2 | 345.1 | 333.0 | 347.0 | 366.0 | 392.0 |
| Actual net operating profits (2) *3 | | 342.0 | 355.0 | 374.0 | 400.0 |
| Net gains on stocks | 53.9 | 40.0 | 8.0 | 8.0 | 8.0 |
| Net gains on stocks (pure investment position) | 22.6 | 9.0 | 8.0 | 8.0 | 8.0 |
| Credit-related expenses | (14.5) | 36.0 | 61.0 | 60.0 | 56.0 |
| Income before income taxes | 401.4 | 348.0 | 280.0 | 300.0 | 330.0 |
| <Management Indices> | | | | | |
| Cost-to-income ratio (OHR) % | 50.24 | 52.29 | 52.27 | 51.46 | 49.74 |
| Actual net operating profits ROA %*3 | | 0.86 | 0.90 | 0.96 | 1.01 |

*1. Include trust fees.

*2. Net operating profit before NPL disposal in the trust account and provision to general reserve

*3. Actual net operating profit (1) plus net gains on sales of stocks (pure investment position).

Operating expenses: Increase strategic investments while reducing cost-to-income ratio

- **Personnel expense**
Operation reform enables strengthening of sales force without increasing total headcount
- **Non-personnel expense**
Reduction of routine expenses allows for an increase in strategic investments

Underlying assumptions (Standard scenario)

- Economy continues to grow at its potential growth rate of 1.5% to 2.0%
- Interest rate will go up gradually

| | FY2006 | FY2009 |
|---------------|---------|---------|
| O/N call rate | 0.183% | 1.000% |
| 10 year JGB | 1.960% | 2.500% |
| FX (¥/1US\$) | ¥117 | ¥117 |
| Nikkei 225 | ¥17,059 | ¥17,059 |

Gross operating profits:

+ 82.0bn (compared with FY2006)

- **Net interest income** +48.0bn.
Increase in SME loans (term-end bal.) + 1.12tn.
Increase in individual loans (term-end bal.) + 1.24tn.
- **Fee income (exclude HL-related expense)** +26.0bn
Sale of investment trusts
and personal annuity products 41.0bn ⇒ 52.0bn
Real estate business 13.8bn ⇒ 19.0bn
Pension business 19.9bn ⇒ 22.0bn
Corporate trusts 6.1bn ⇒ 9.2bn

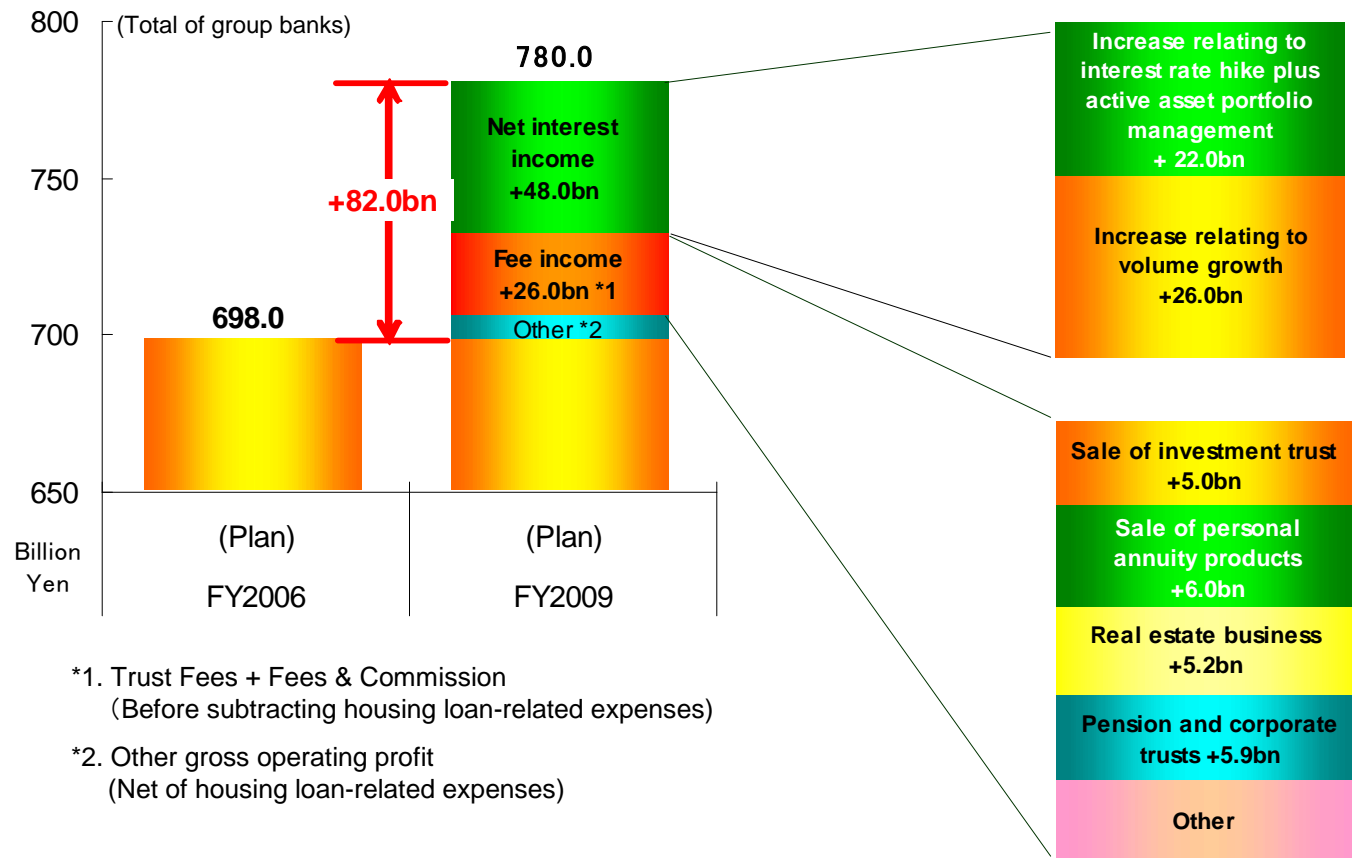
Credit-related expense: NPL ratio in the 1% range

- Appropriate management of loan portfolio
- Strict adherence to the credit ceiling system

Secure an Optimum Combination of Stock and Flow Income (1)

Expand top-line income with strengthened ROA management

- ✓ Growth of top-line income during the new plan period: +82.0bn (FY2009 compared with FY2006)
- ✓ Growth drivers are (1) Net interest income +48.0bn and (2) Fee income +26.0bn



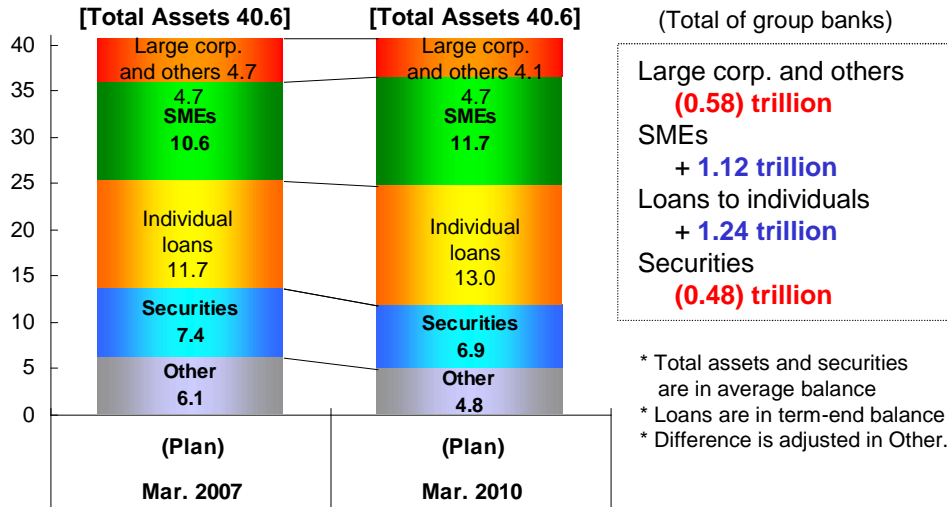
Actual net operating profits ROA*3 **0.86% (FY2006)** **1.01% (FY2009)**

*3. Net operating profit before provision to general reserve and NPL disposal in the trust account plus net gains on stocks (pure investment position).

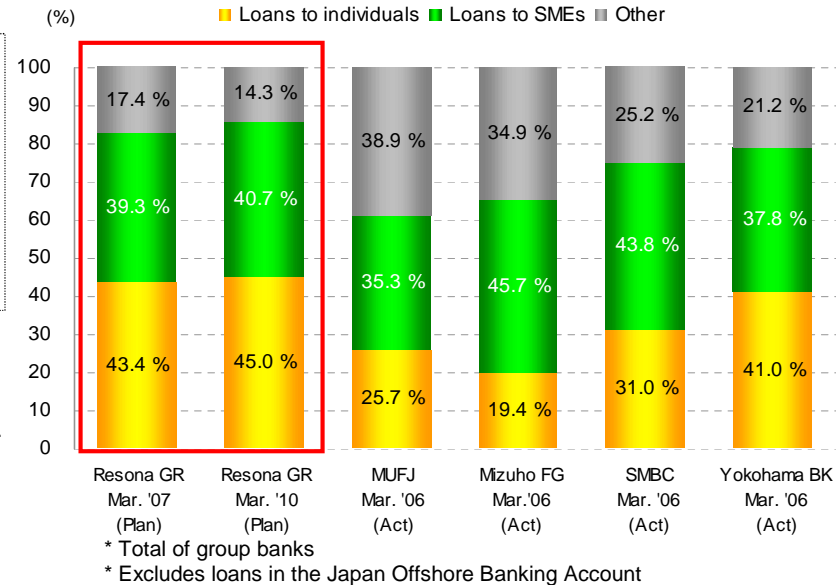
Secure an Optimum Combination of Stock and Flow Income (2)

Putting ROA management into real practice

✓ Loan portfolio management that allows for higher ROA



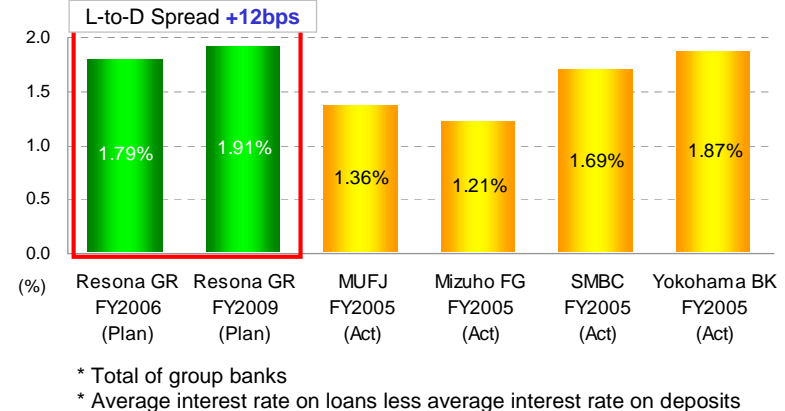
✓ Further strengthen housing and SME loans



✓ Assumptions for policy rate, deposit and loan rates

| | FY2006 | FY2009 | Change |
|------------------------|--------|--------|--------|
| O/N call rate | 0.183% | 1.000% | 0.817% |
| Loan rate | 1.95% | 2.47% | 0.52% |
| Deposit rate | 0.16% | 0.56% | 0.40% |
| Loan-to-deposit margin | 1.79% | 1.91% | 0.12% |

✓ Expand loan-to-deposit spread further



Focus on the 5 Core Businesses

Improve earnings in an effective manner by focusing on the 5 core businesses

| | | Mar. 2003 | Mar. 2006 | Mar. 2010 | |
|------------------------|--|-------------------|-----------|-----------|---|
| SME transaction | Loans to SMEs | ¥10.9tn (Mar '04) | ¥10.2tn | ¥11.7tn | <ul style="list-style-type: none"> >Develop solution programs >Restore and expand corporate customer base utilizing the CRM system |
| | Housing loans | ¥8.4tn | ¥10.8tn | ¥12.5tn | |
| Loans to individuals | Consumer loans (Specially promoted products) | - | ¥16.0bn | ¥145.0bn | <ul style="list-style-type: none"> >Build up a nationwide coverage for HL business >Consumer loans as additional profit driver >Extend ¥2tn of new housing and other consumer loans a year |
| | Balance of financial products sold | ¥0.79tn | ¥2.79tn | ¥5.68tn | |
| Financial product sale | Ratio of financial products | 3.7% | 12.2% | 21.4% | <ul style="list-style-type: none"> >Balance of investment trusts to exceed ¥3tn >Double sales of annuity products >Income from sales of investment trusts and annuity products to reach ¥50bn |
| | Income from real estate business | ¥6.0bn | ¥12.1bn | ¥20.0bn | |
| Real estate | Entrusted pension assets | ¥5.4tn | ¥6.2tn | ¥7.2tn | <ul style="list-style-type: none"> >Pursue group synergies >Target income from real estate business: ¥20bn >Entrusted pension assets to exceed ¥7tn |

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Business Results for the 1-3Q of FY2006

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Operating Results for the 3Q (9 Months from April to December) (1)

Business performance continues to be strong in the 1-3Q FY2006 period

| | | FY2005 1Q-3Q | FY2006 1Q-3Q | FY2006 Full-year Forecast *1 | 3Q Progress | Progress up to 3Q and full-year outlook |
|-------------------|--|-----------------|-----------------|------------------------------|-------------|--|
| Operating Results | Gross Operating Profits | 507.8bn | 522.8bn | 700.0bn | 74.7% | Almost in line with full-year forecast Seasonality in trust fees (4Q>3Q) |
| | Operating Expenses | 245.7bn | 251.2bn | 365.0bn | 68.8% | Additional expenses relating to incentive salaries payable in July are expected in 4Q |
| | Actual Net Business Profits | 262.1bn | 271.7bn | 335.0bn | 81.1% | Good progress from positive trends both in top-line income and expenses |
| | Credit Expenses | 1.1bn | 29.8bn | 40.0bn | 74.5% | Almost in line with full-year forecast |
| | Income Before Income Taxes | 302.0bn | 301.5bn | 350.0bn | 86.1% | Upside factor between "Income Before Income Taxes" and "Net Income" is gains relating to restoration of DTAs on the balance sheet |
| | Net Income | 278.8bn | 511.0bn | 545.0bn | 93.8% | |
| Other Indicators | NPL Ratio | 2.79% | 2.41% | Lower 2% range | --- | Already achieved "lower 2% range" |
| | Cost to Income Ratio | 48.4% | 48.0% | 52.1% | --- | Partly due to seasonality, OHR up to the 3Q is below 50% |
| | Financial Products Sold to Individuals*2 | 2.41tn | 3.38tn | 3.7tn | --- | Increase in 9 months up to 3Q is +0.7tn. |

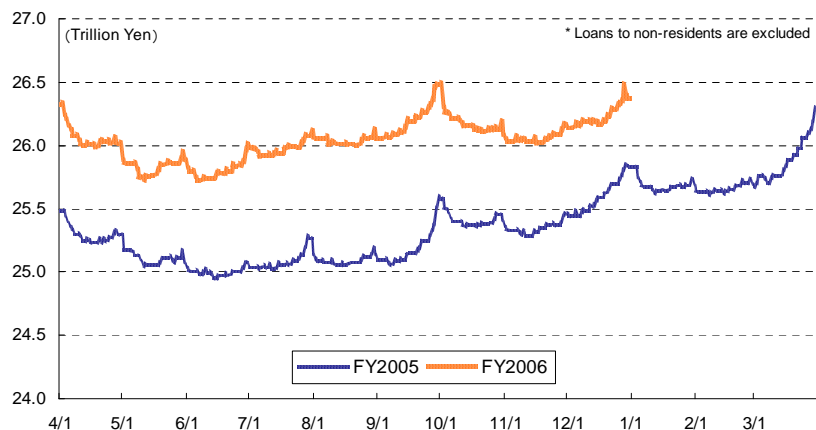
*1. Announced in November 2006 (May 2006 forecast was revised upward)

*2. Investment trust, individual annuity, and public bonds sold to individual customers

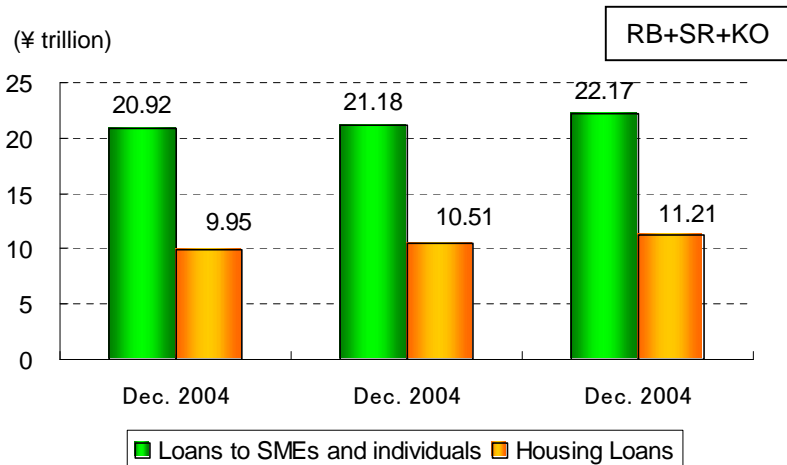
Trend of loan business

Loan growth is continuing (Total of group banks)

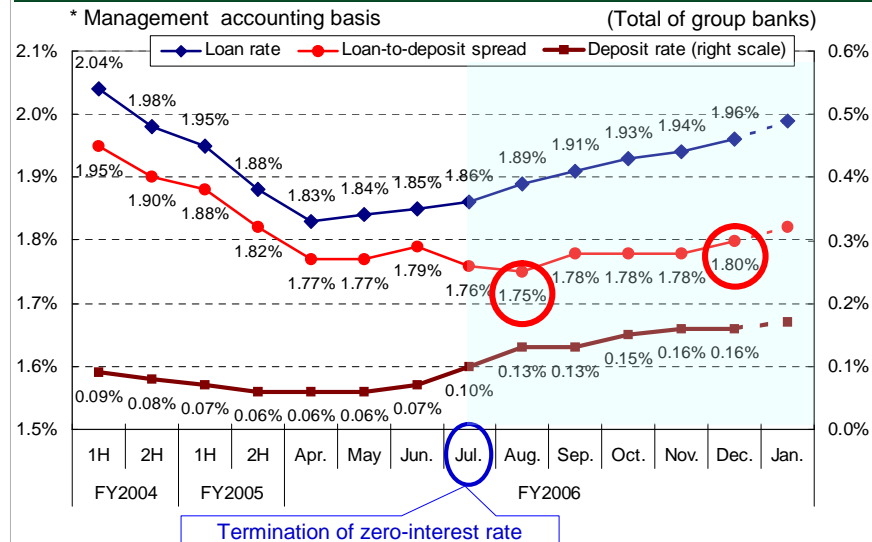
- FY2005 Full-year Avg. Bal. ¥25.3tn
 - FY2006 1-3Q Avg. Bal. ¥26.0tn
- + Approx. ¥700bn



Loans to SMEs and individuals / Housing loans



Loan rate began to pick up / LD spread hit the bottom

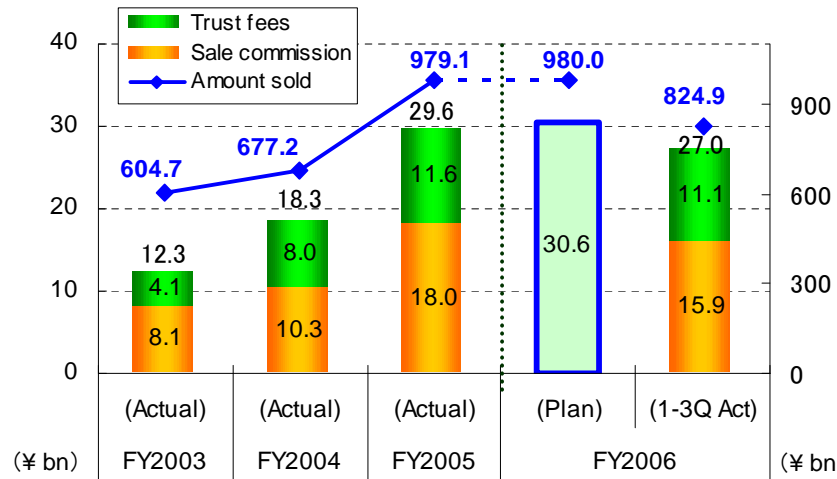


Repricing after termination of zero-interest rate policy

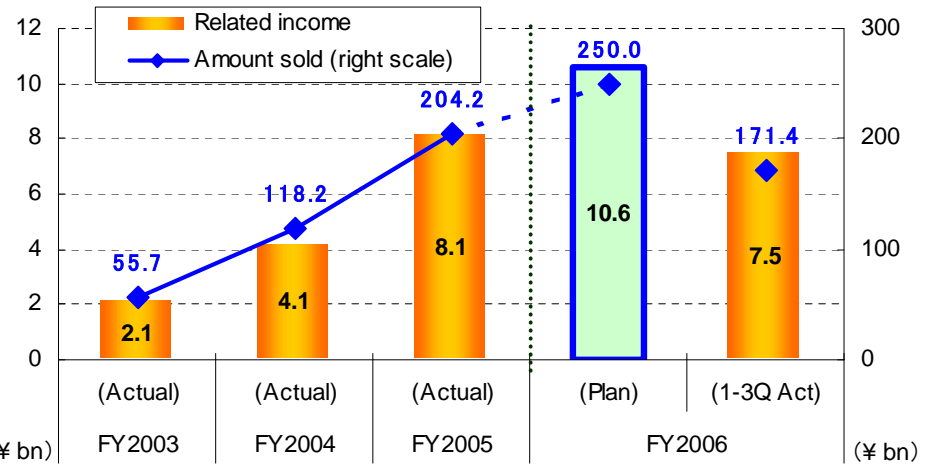
- **Approx. 70% of loans to SMEs linked with short-term prime rate (Approx. ¥3.6tn in the case of Resona Bank) were successfully repriced to a new rate**
- **Repricing of floating-rate housing loans**
A new 25bps higher rate has been applied to floating-rate housing loans since the following day of their respective repayment dates in **December 2006**
(Further spread improvement expected in 4Q)

Trend of fee businesses

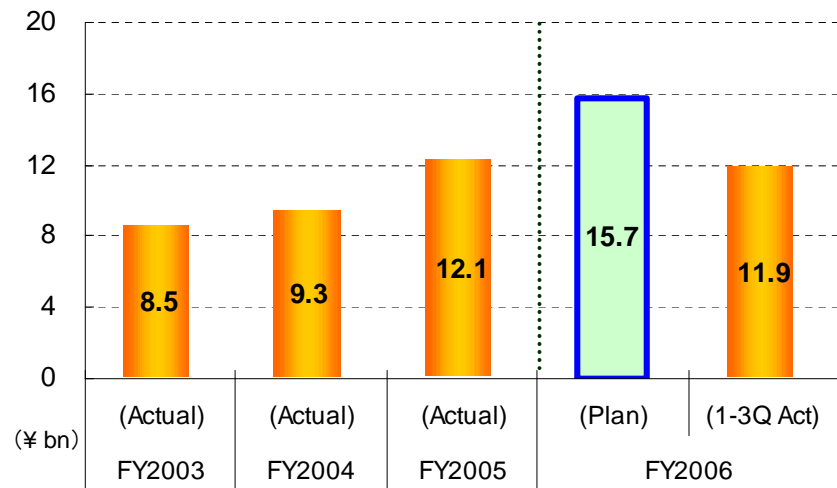
Sales of investment trusts (Group banks total)



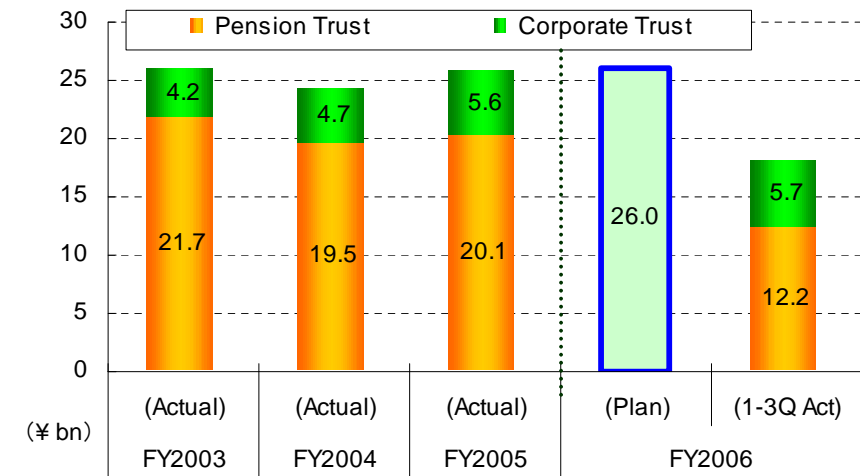
Sales of personal annuity products (Group banks total)



Real estate business (RB)



Pension and corporate trust business (RTB)



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Repurchase and Cancellation of Public Fund Preferred Stocks

Repurchased and cancelled ¥532.7bn (book value basis) of public funds preferred stocks

[Outline of repurchase and cancellation]

| | Class B No.1 | Class E No.1 | Total |
|--|--------------|---------------|---------------|
| (1) Total number of shares repurchased | 407,798 | 230,424 | |
| (2) Issue price per share | JPY 600,000 | JPY 1,250,000 | |
| (3) Repurchase price per share | JPY 719,400 | JPY 1,200,520 | |
| (4) Total issue amount | JPY 244.6bn | JPY 288.0bn | JPY 532.7bn |
| (5) Total repurchase amount | JPY 293.3bn | JPY 276.6bn | JPY 569.9bn |
| (6) Premium | JPY 48.6bn | JPY (11.4)bn | JPY 37.2bn |
| (7) Reduction of potential shares | 0.661million | 0.799 million | 1.460 million |
| (Applicable conversion ratio) | 1.622 | 3.468 | |
| (Ratio to the total number of common shares outstanding) | 5.80% | 7.01% | 12.81% |

- Implemented the repayment far exceeding the initial repurchase limit of ¥250bn authorized by the AGM
- Even after the repayments, the capital adequacy ratio at the end of March 2007 can be maintained above 9%
- Approx. 1.46 million potential shares were eliminated through the repurchase (Equivalent to 12.81% to total number of common shares outstanding)*1
- Annual preferred dividends for the public fund preferred stocks will be reduced by ¥5.9bn

*1. Based on the current conversion ratio applicable to Class B and Class E preferred stocks

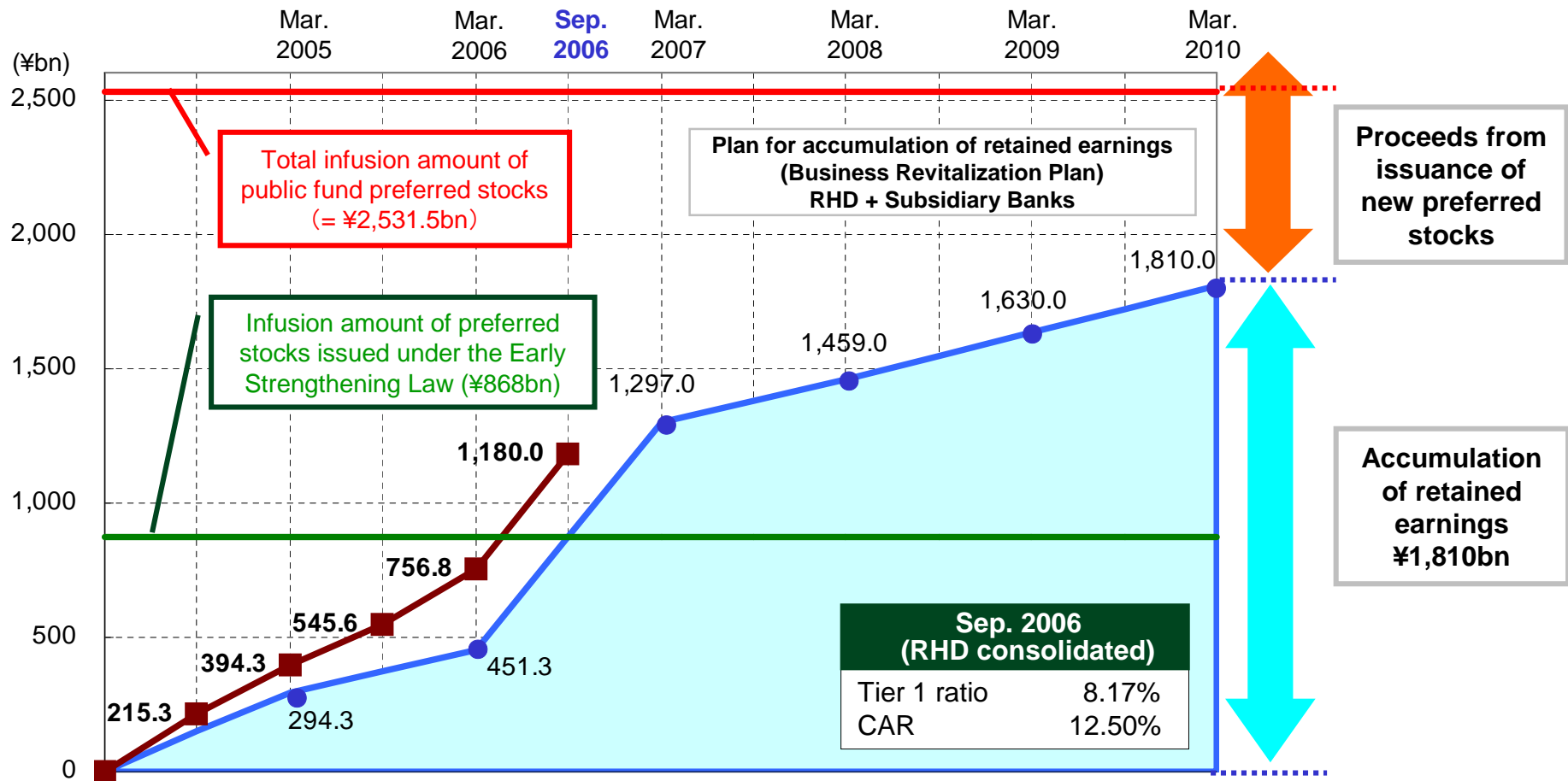
[Public funds remaining after the repurchase]

| (Billions of Yen) | Mandatory conversion (First Call) | Amount Sep. 30, 2003 (1) | Amount after repurchase (2) | Amount repaid (2) - (1) |
|--------------------------------------|-----------------------------------|--------------------------|-----------------------------|-------------------------|
| Public funds received | | 3,128.0 | 2,372.5 | (755.4) |
| Early Strengthening Law | | 868.0 | 335.2 | (532.7) |
| Class B | Apr. 2009 | 408.0 | 163.3 | (244.6) |
| Class C | Apr. 2015 | 60.0 | 60.0 | -- |
| Class E | Dec. 2009 | 300.0 | 11.9 | (288.0) |
| Class F | Dec. 2014 | 100.0 | 100.0 | -- |
| Deposit Insurance Law | | 1,663.5 | 1,663.5 | -- |
| Class One | Not Attached | 550.0 | 550.0 | -- |
| Class Two | Not Attached | 563.5 | 563.5 | -- |
| Class Three | Not Attached | 550.0 | 550.0 | -- |
| Subordinated Loan | | 300.0 | 80.0 | (220.0) |
| Financial Function Stabilization Law | | 200.0 | -- | (200.0) |
| Early Strengthening Law | Mar. 2009 | 100.0 | 80.0 | (20.0) |
| Common Stock | Not Attached | 296.4 | 293.7 | (2.7) |

Plan for Accumulation of Retained Earnings

Basic policy for repayments of public funds (Announced on May 23, 2006)

- ✓ Secure the retained earnings necessary for repayments as early as possible
- ✓ Manage capital adequacy ratio in an appropriate manner, and
- ✓ Prevent, to the extent possible, the dilution for common shareholders



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Earnings Plan (Business Revitalization Plan)

(Total of Four Banks)

| | FY 2005 | FY 2006 | FY 2007 | FY 2008 | FY 2009 |
|---|----------|---------|---------|---------|---------|
| (Billions of Yen) | (Actual) | (Plan) | (Plan) | (Plan) | (Plan) |
| Gross operating profit | 693.6 | 698.0 | 727.0 | 754.0 | 780.0 |
| Trust fees | 36.6 | 35.0 | 34.0 | 33.0 | 34.0 |
| Jointly Operated Designated Money Trust | 6.2 | 5.0 | 3.0 | 2.0 | 1.0 |
| NPL disposal in trust account | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Interest income | 604.4 | 641.0 | 709.0 | 777.0 | 852.0 |
| Interest expense | 76.6 | 104.0 | 161.0 | 208.0 | 267.0 |
| Net fees & commissions | 91.0 | 94.0 | 98.0 | 103.0 | 110.0 |
| Net trading income | 3.0 | 24.0 | 22.0 | 22.0 | 23.0 |
| Other operating income | 35.0 | 8.0 | 25.0 | 27.0 | 28.0 |
| Gains/(losses) on bonds | (12.2) | (6.0) | 1.0 | 1.0 | 1.0 |
| Adjusted net operating profit (Note.1) | 345.2 | 333.0 | 347.0 | 366.0 | 392.0 |
| Net operating profit | 348.7 | 333.0 | 347.0 | 366.0 | 392.0 |
| Provision to general reserve | (3.6) | 0.0 | 0.0 | 0.0 | 0.0 |
| Expenses | 348.5 | 365.0 | 380.0 | 388.0 | 388.0 |
| Personnel expense | 117.2 | 122.0 | 126.0 | 130.0 | 132.0 |
| Non-personnel expenses | 210.2 | 224.0 | 232.0 | 237.0 | 235.0 |
| Disposal of NPL | 57.6 | 39.0 | 61.0 | 60.0 | 56.0 |
| Net gain/(loss) on stocks | 53.9 | 40.0 | 8.0 | 8.0 | 8.0 |
| Loss on devaluation | 1.5 | 5.0 | 0.0 | 0.0 | 0.0 |
| Ordinary profit/(loss) | 336.6 | 349.0 | 288.0 | 308.0 | 338.0 |
| Extraordinary gains | 69.2 | 4.0 | 0.0 | 0.0 | 0.0 |
| Extraordinary losses | 4.5 | 5.0 | 8.0 | 8.0 | 8.0 |
| Income taxes - current | 9.5 | 15.0 | 10.0 | 11.0 | 65.0 |
| Income taxes - deferred | 1.1 | (210.0) | 65.0 | 63.0 | 33.0 |
| Net income/(loss) | 390.7 | 543.0 | 205.0 | 226.0 | 232.0 |

| | FY 2005 | FY 2006 | FY 2007 | FY 2008 | FY 2009 |
|---|----------|----------|----------|----------|----------|
| (Billions of Yen) | (Actual) | (Plan) | (Plan) | (Plan) | (Plan) |
| Total assets (Note.2) | 41,653.9 | 40,600.0 | 40,300.0 | 39,870.0 | 40,620.0 |
| Loans and bills discounted | 25,247.2 | 26,090.0 | 26,800.0 | 27,480.0 | 28,030.0 |
| Securities | 7,598.5 | 7,440.0 | 7,200.0 | 6,550.0 | 6,950.0 |
| Trading assets | 828.4 | 560.0 | 670.0 | 670.0 | 670.0 |
| DTA (term-end bal.) | 4.4 | 234.8 | 175.7 | 112.2 | 74.9 |
| Total liabilities (Note.2) | 40,657.9 | 39,120.0 | 38,920.0 | 38,640.0 | 39,370.0 |
| Deposits and NCDs | 33,153.4 | 32,820.0 | 32,900.0 | 33,300.0 | 33,790.0 |
| Trading liabilities | 15.0 | --- | --- | --- | --- |
| DTL (term-end bal.) | 32.0 | 17.8 | 22.4 | 21.8 | 17.9 |
| DTL for land revaluation (term-end bal.) | 46.2 | 45.5 | 44.3 | 44.3 | 44.3 |
| Total shareholders' equity (Note.2) | 1,692.0 | 1,788.3 | 1,450.2 | 1,481.2 | 1,487.2 |
| Capital stock | 398.8 | 398.8 | 398.8 | 403.8 | 403.8 |
| Capital reserve | 433.8 | 433.8 | 433.8 | 438.8 | 438.8 |
| Other capital surplus | 88.7 | 88.7 | 88.7 | 88.7 | 88.7 |
| Earned surplus reserve | 20.0 | 20.0 | 20.0 | 20.0 | 20.0 |
| Retained earnings (Note.3) | 433.3 | 588.7 | 250.7 | 271.7 | 277.7 |
| Land revaluation excess | 63.3 | 61.5 | 61.5 | 61.5 | 61.5 |
| Net unrealized gains/(losses) on other securities | 253.8 | 196.4 | 196.4 | 196.4 | 196.4 |

(Management Indicators) (Note.4)

| | | | | | |
|---|-------|-------|-------|-------|-------|
| Yield on interest earning assets (A) | 1.66 | 1.75 | 1.95 | 2.15 | 2.30 |
| Interest earned on loans and bills discounted | 1.93 | 1.95 | 2.16 | 2.30 | 2.47 |
| Interest on securities | 1.05 | 1.27 | 1.36 | 1.67 | 1.74 |
| Total cost of funding (B) | 1.07 | 1.23 | 1.43 | 1.59 | 1.71 |
| Interest paid on deposits and NCDs (D) | 0.08 | 0.16 | 0.30 | 0.43 | 0.56 |
| Overall interest spread (A) - (B) | 0.58 | 0.52 | 0.52 | 0.56 | 0.59 |
| Cost-to-income ratio (OHR) | 50.24 | 52.29 | 52.26 | 51.45 | 49.74 |

*1. Net operating profit before NPL disposal in trust account and provision to general reserve

*2. Assets and liabilities are stated in average balance. Stockholders' equity is reported in term-end balance.

*3. Earned surplus excluding earned surplus reserve

*4. Management indicators other than OHR are based on the total figures of three subsidiary banks excluding Resona Trust & Banking.

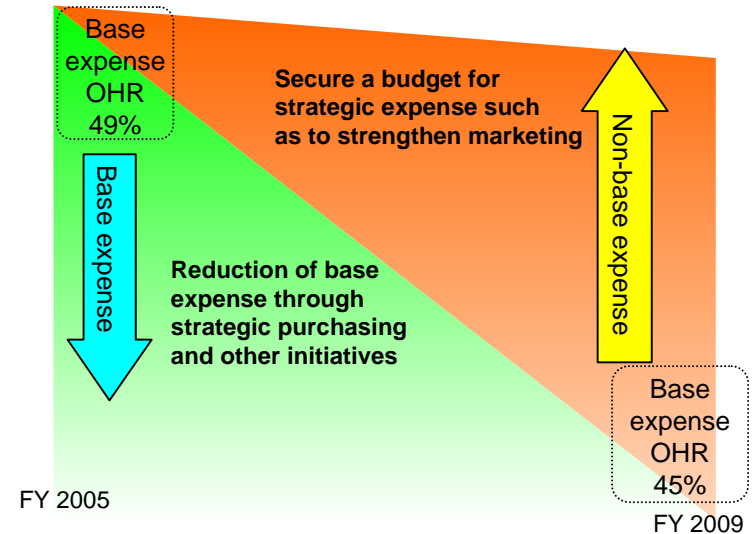
Reduce Operating Costs to Create Room for Strategic Investments

Actively control operating expenses: More strategic investments while keeping OHR low

✓ Operating expenses plan

| Total of group banks (Billions of yen) | FY2003 (Actual) | New Plan | | | | |
|---|--------------------|--------------------|------------------|------------------|------------------|------------------|
| | | FY2005 (Actual) | FY2006 (Plan) | FY2007 (Plan) | FY2008 (Plan) | FY2009 (Plan) |
| Personnel expenses (base expense) | 123.7 | 117.2 | 122.0 | 126.0 | 130.0 | 132.0 |
| Non-personnel expense | 267.3 | 210.2 | 224.0 | 232.0 | 237.0 | 235.0 |
| Base expense | 267.3 | 202.0 | 200.9 | 200.3 | 200.5 | 195.4 |
| Strategic expense | | 1.7 | 12.0 | 19.3 | 22.8 | 24.5 |
| For service quality improvements | | 0.5 | 6.6 | 13.4 | 16.2 | 17.8 |
| For rationalization of operation | | 1.2 | 5.4 | 5.9 | 6.6 | 6.7 |
| Internal control and risk management | | 0.7 | 3.5 | 4.8 | 6.0 | 7.4 |
| System integration | | 5.8 | 7.6 | 7.6 | 7.7 | 7.7 |
| Cost-to-income ratio (OHR) | 61.6% | 50.2% | 52.3% | 52.3% | 51.5% | 49.7% |
| Ratio of base expense to income | | 49.1% | 49.0% | 47.9% | 46.6% | 44.7% |

✓ Active control of operating expenses (Image)



✓ Factorial analysis

[Personnel expense]

Incentive salary competitive enough to attract talented people

[Non-personnel expense]

(Base expense)

Continue strategic purchasing putting into place a principle of competition

(Non-base expense)

Budget freed up with a reduction in base expense is utilized for strategic purposes such as rationalizing operations, strengthening risk management, and integrating IT systems

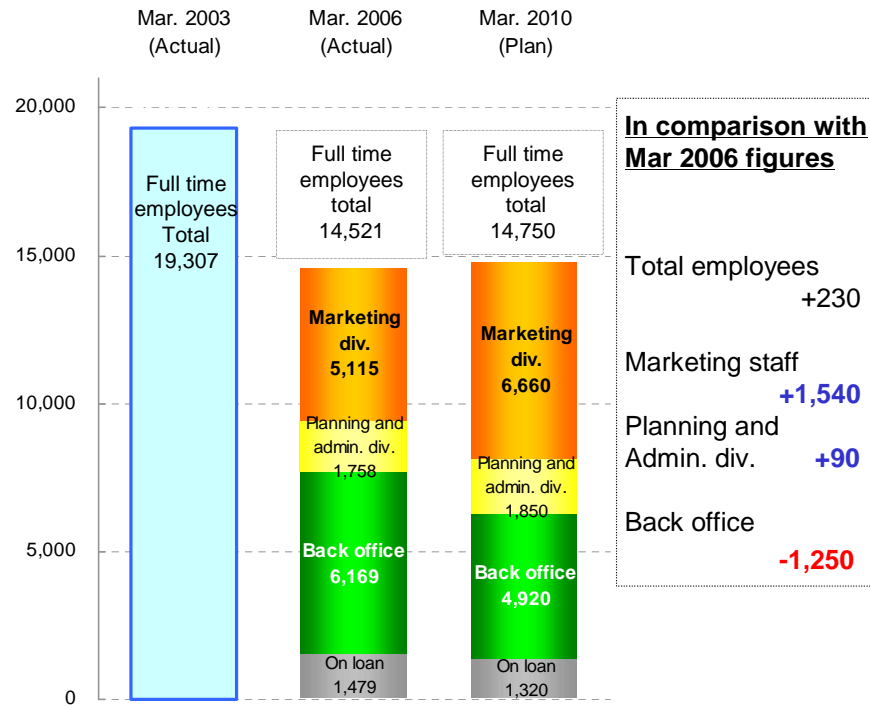
Examples of non-base expense

| | |
|--|-----------------|
| Measures to strengthen products and services | 17.8bn (FY2009) |
| Restructure internet banking | |
| New products (scoring-based loan product, etc) | |
| Strengthen call center functions | |
| Improve CRM system | |
| Strengthen marketing activities in each area | |
| HR developments | |
| Measures to rationalize operations | 6.7bn (FY2009) |
| Operational reforms at branch offices | |
| Internal control and risk management | 7.4bn (FY2009) |
| Implementation effective internal control | |
| Information security | |

Strengthen Sales Force without Increasing Total Headcount

Redeploy headcount freed-up through operational reform to marketing divisions

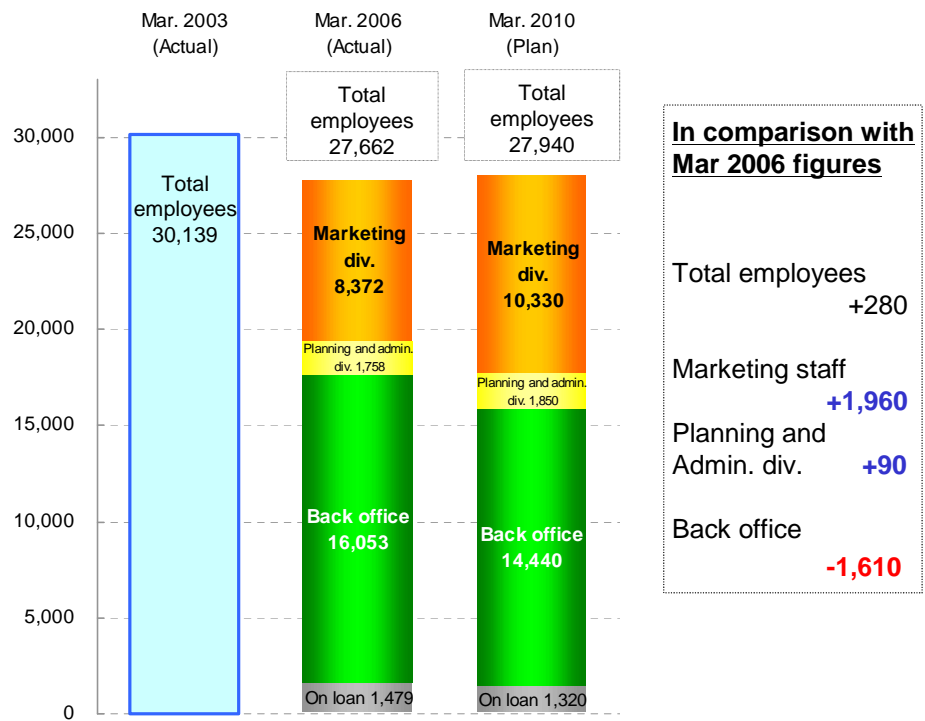
HR Plan: Full time employees



Approx. 40% → Approx. 50%

Ratio of marketing staff

HR Plan: Total employees



Approx. 62% → Approx. 66%

Ratio of temporary staff and part-time staffs in back office division

*1. Ratio of marketing staff = marketing div. / (marketing div. + planning and admin. div. + back office)

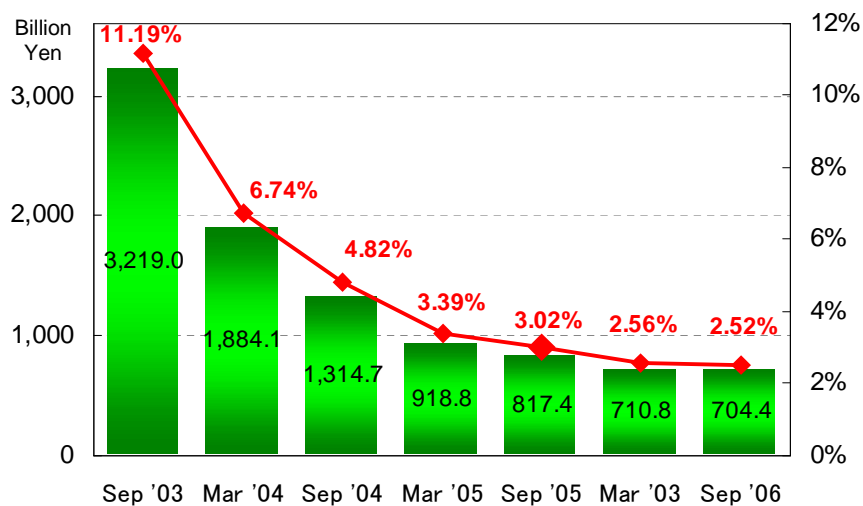
Ratio of temp and part-timers in back office div. = (total employees in back office div. – regular employees in back office) / total employees in back office div.

Quality-conscious Loan Portfolio Management

Drastic clean-up of loan portfolio significantly reduced risk factors for future earnings

[Trend of NPL ratio (Financial Reconstruction Law Criteria)] (Total of group banks)

- ✓ NPL ratio declined to 2.52%
- Bring down the ratio further to below 2% under the New Plan

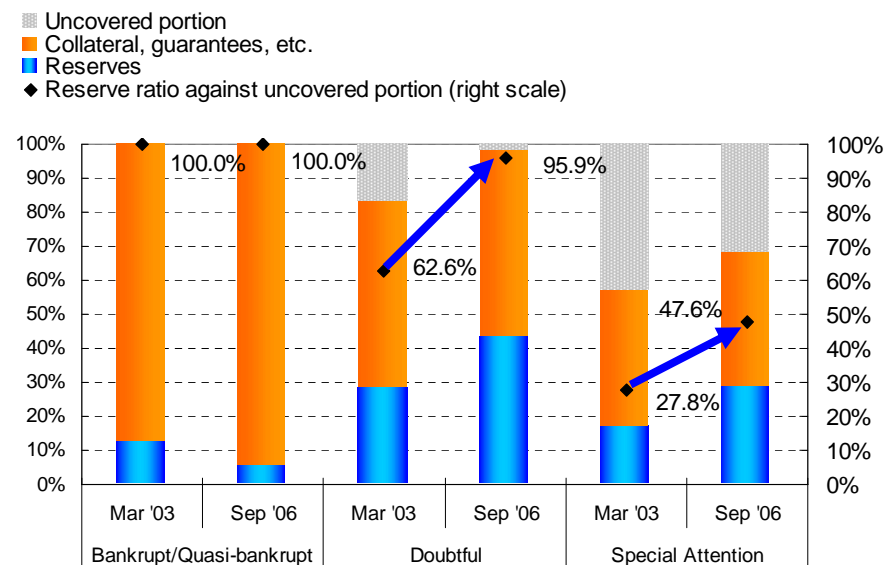


[Diversification of loan portfolio into small lots]

- ✓ Housing loan ratio exceeded 40%
(Mar 2003) 28.9% → (Sep 2006) 41.6%
- ✓ Number of large borrowers, who were responsible for much of the past credit expenses, declined sharply
Number of Resona Bank's borrowers with ¥10bn or higher loan obligation
[Sep. 2003] 180 borrowers → [Sep 2006] 102 borrowers

[Loan loss reserves] (Total of group banks)

- ✓ Sufficient buffer provided against possible deterioration of the remaining NPLs.



Normalized credit cost of approx. ¥60bn (20bps) is expected during the New Plan period

Pursue Group Synergies

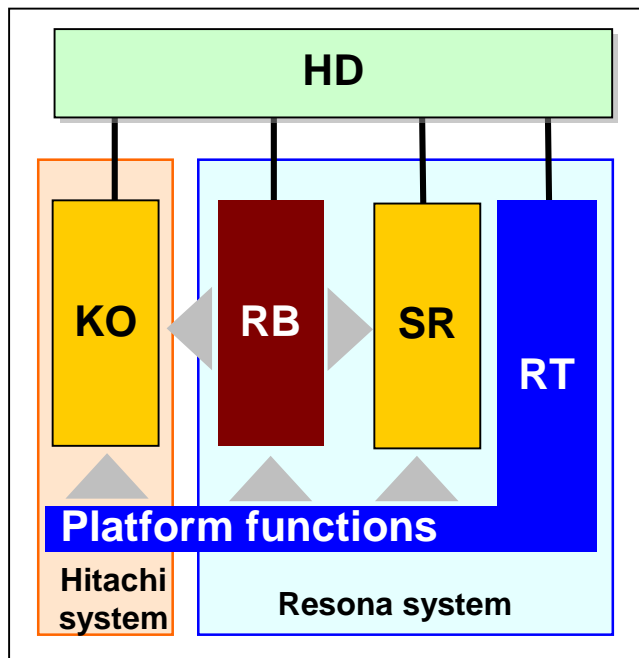
Management policy of subsidiary banks during the New Plan period

- Maintain the current group structure throughout the New Plan period
- Continue adopting a dual brand strategy in the Osaka market with RB and KO as a separate entity
(HD and KO will establish a joint-committee to give considerations to Kinki Osaka Bank's growth strategy in the Osaka market.)

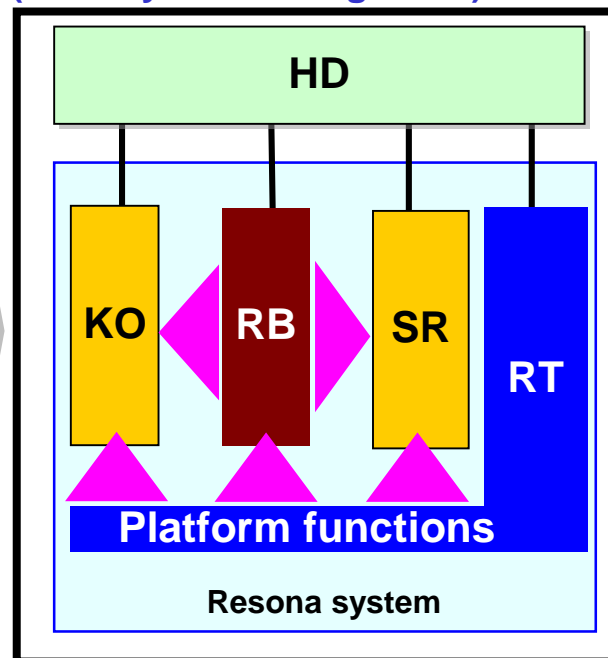
Pursue synergies via effective use of common platform functions and integrated group system

- Make the best use of the trust functions of RT (pension and corporate trusts) and RB (real estate)
- Higher efficiency and customer convenience realized through integration of systems and business processes

(Current structure)



(After systems integration)



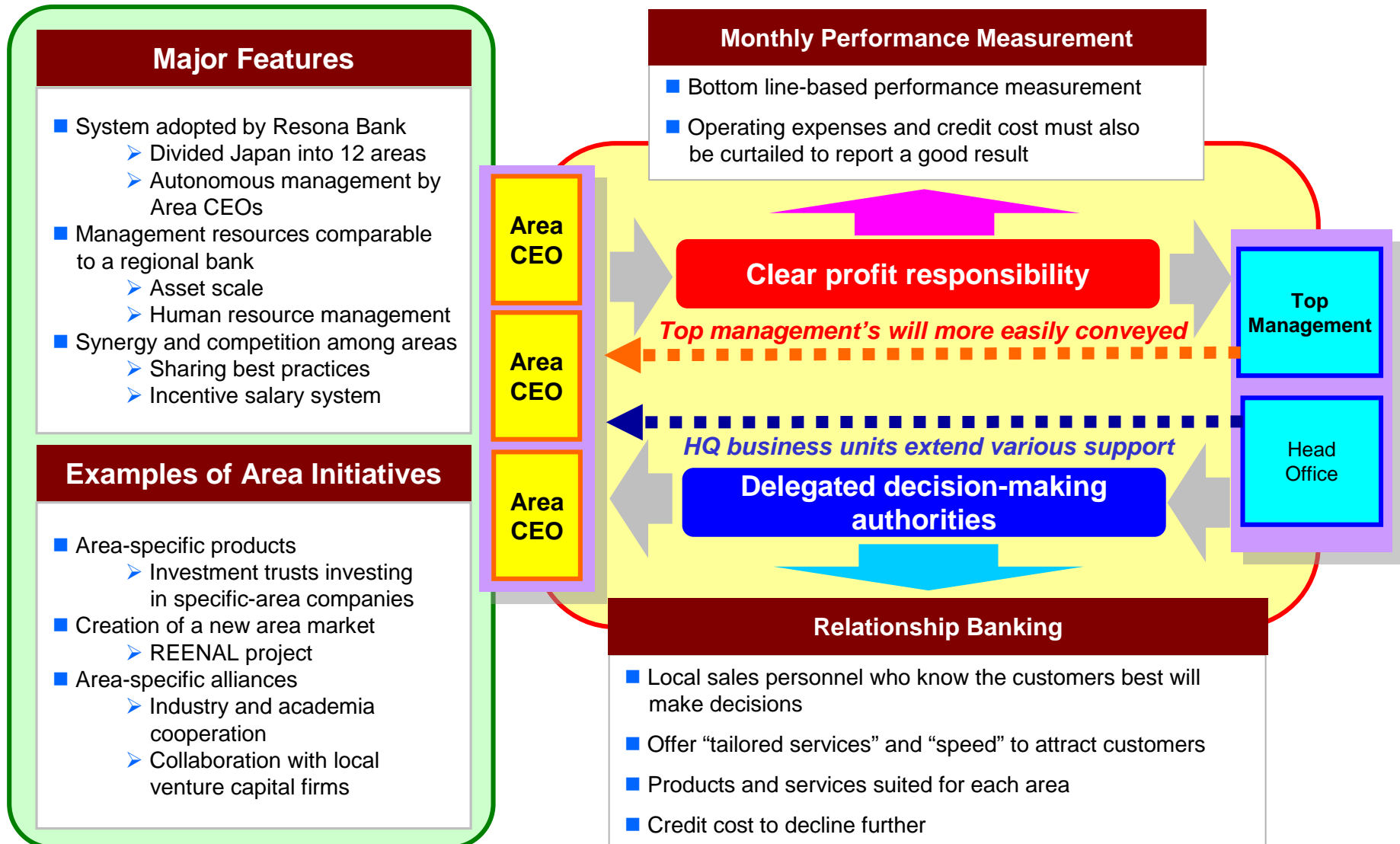
[Integration schedule]
 July 2008 (planned)
 [Necessary cost] ¥18bn
 Initial investment: ¥13bn
 One-time expense: ¥5bn

Adopting the Resona System, KO can save up to ¥3bn per annum in comparison with alternative options for its system renewal.

HD: Resona Holdings, RB: Resona Bank, SR: Saitama Resona Bank, KO: Kinki Osaka Bank, RT: Resona Trust & Banking

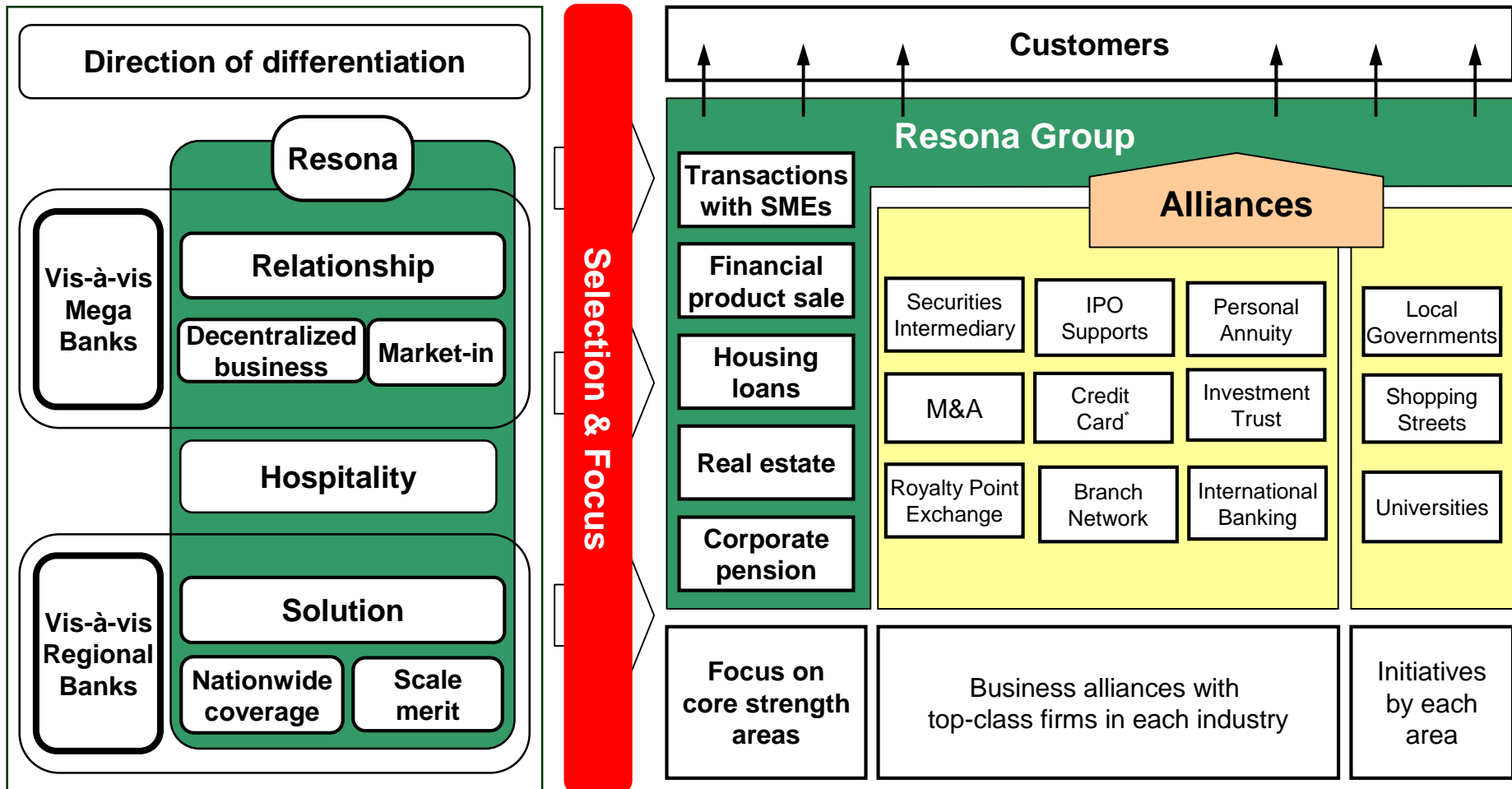
Resona's Differentiation Strategy: Area Management System

Unique approach to create customer value and maximize profits simultaneously



Resona's Differentiation Strategy: Resona Group-led alliances

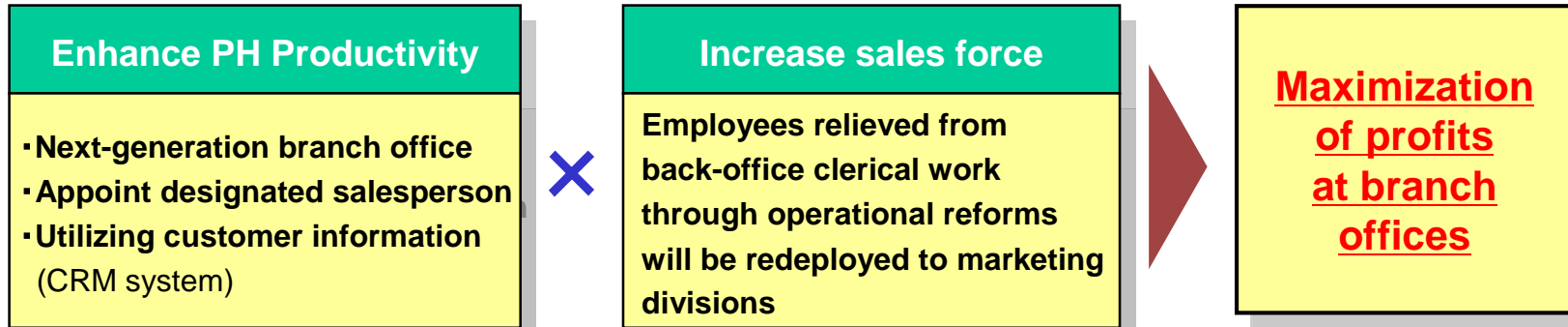
Pursue Resona Group-led alliances making the most of non-affiliation with any *Zaibatsu* groups



Resona's Differentiation Strategy: Operational Reform (Resona Bank)

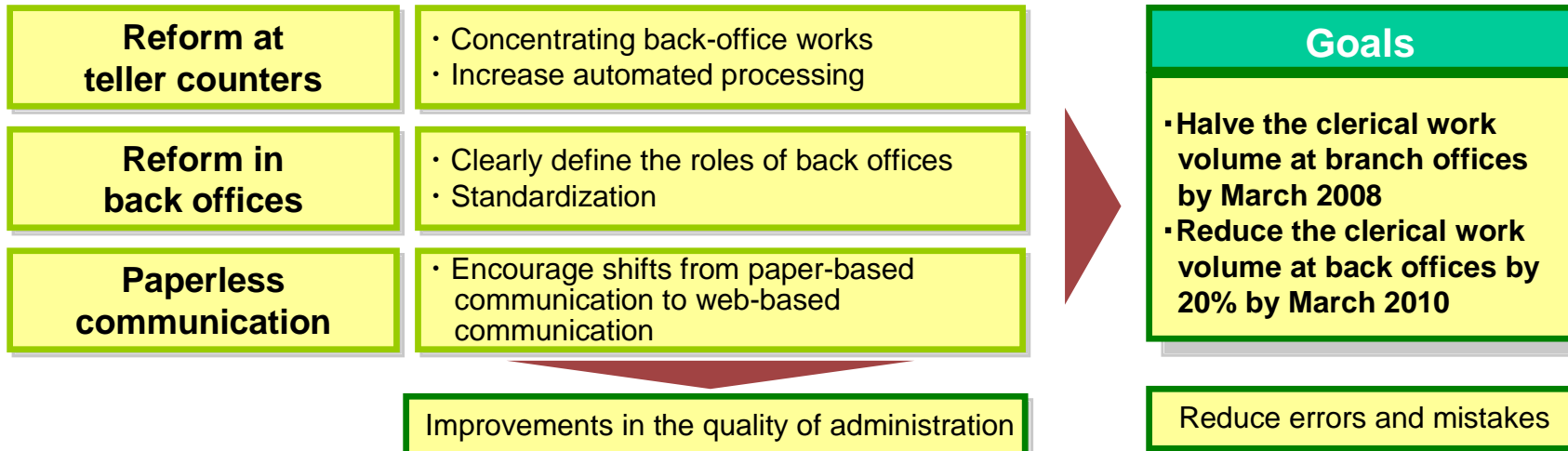
Maximize profits at branch offices through drastic operational reform

✓ Detach back-office work from the branch offices and redefine it as a place for marketing activities



Rationalize business processes for low-cost operations

✓ Break away from the high cost structure inherent in retail banking business



Resona's Differentiation Strategy: Branch Reform (Resona Bank)

Business Processing Reformation (BPR)⁽¹⁾ in branch offices

- Zero waiting time
- No transaction slips and seal impression
- No back-office staff

| | |
|---------------|---|
| Storefront | Introduction of "module box" |
| Cash Handling | Cash transactions handled by ATMs |
| Back Office | Reorganize branch back office operations into area clusters |



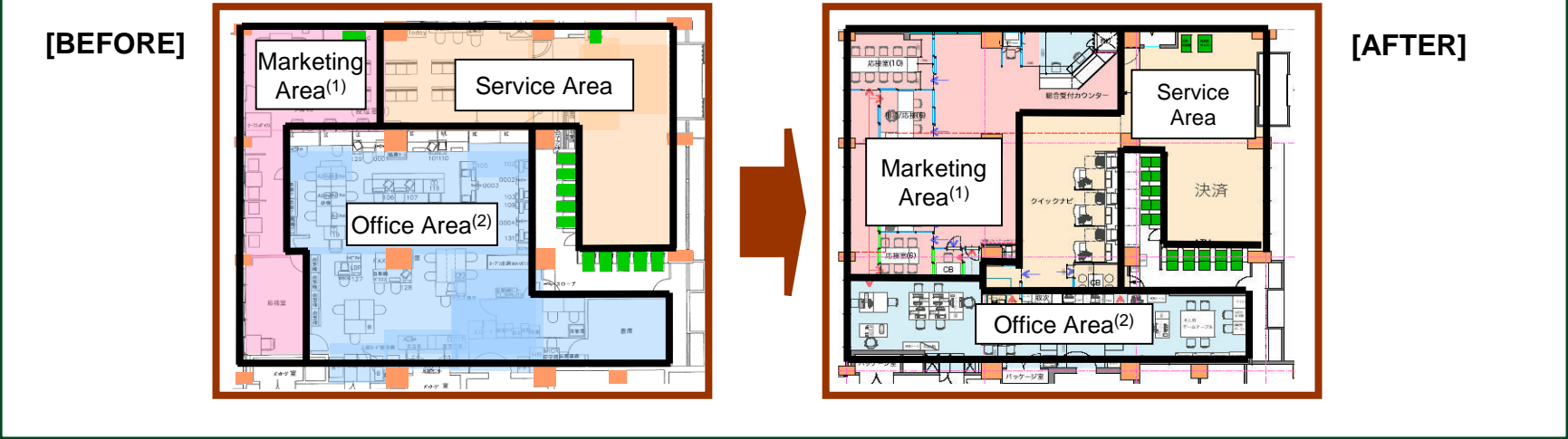
<Objectives>

50%
reduction of
clerical
work costs

50%
reduction
of Office
Area⁽²⁾

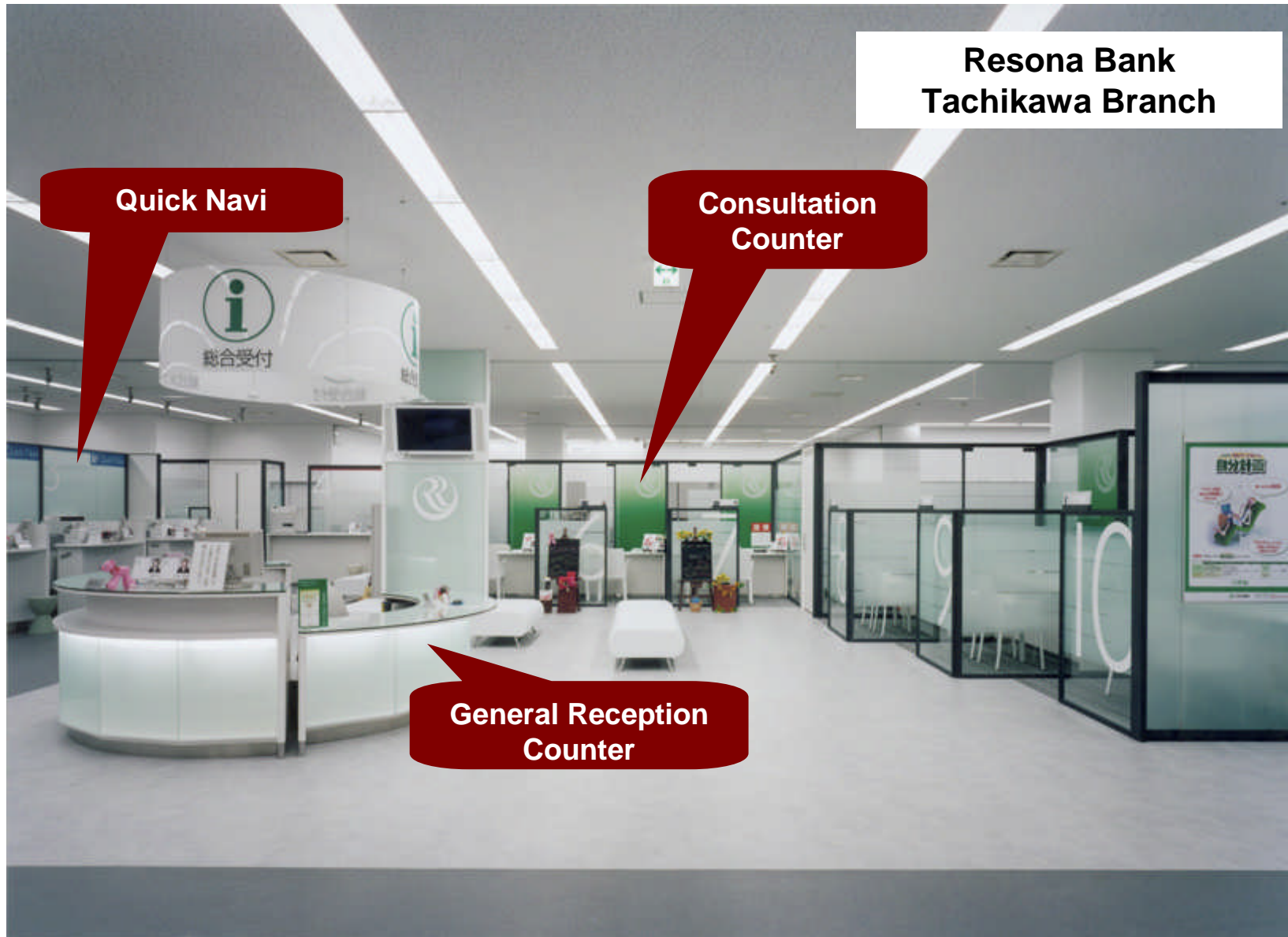
50%
reduction
of clerical
staff

Comparison of office layouts before and after the modification



(1) Enlargement of marketing area: Approx. 66 square meters □ Approx. 132 square meters (Doubled)
 (2) Cutback in office space: Approx. 132 square meters □ Approx. 66 meters (Halved)

Layout of Next Generation Branch Offices



**Resona Bank
Tachikawa Branch**

Quick Navi

**Consultation
Counter**

**General Reception
Counter**

Resona's Differentiation Strategy: Service Reform

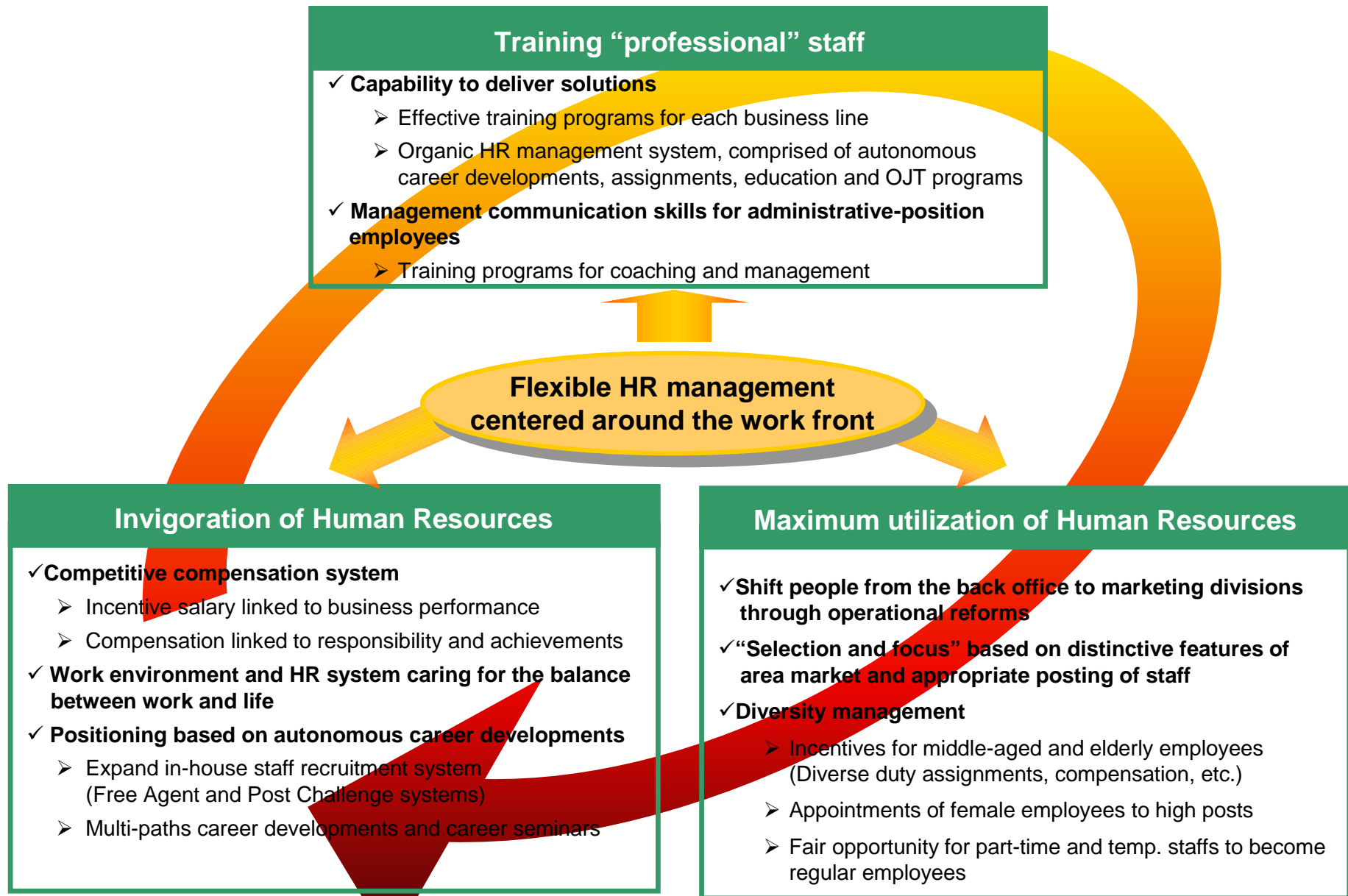
To become the bank that customers choose in the age of mega competition for service quality

Establish corporate culture prioritizing customers

- (1) Understand customers better
- (2) Think from a customer's viewpoint
- (3) Provide customers with tailored services



Continue Efforts to Improve HR Management System

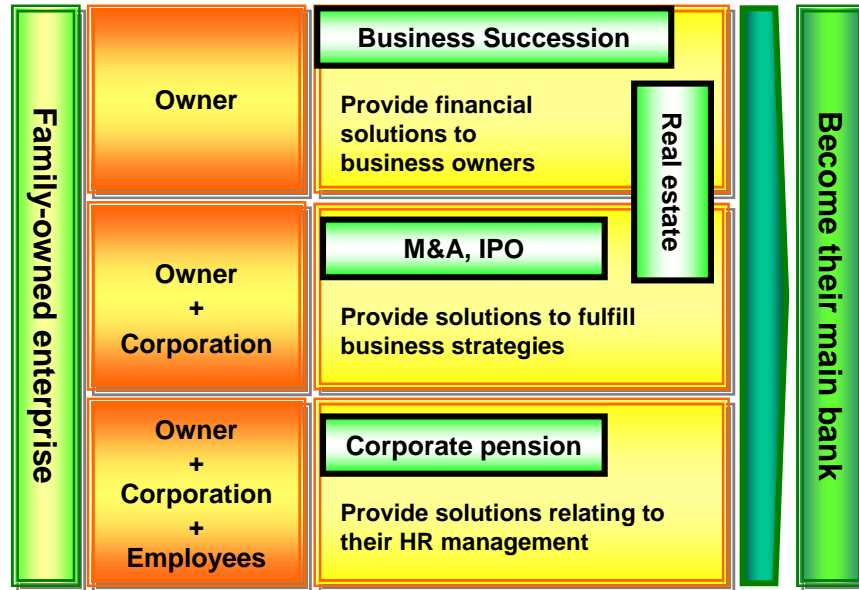


Focus on 5 Core Businesses: Transactions with SMEs (Resona Bank)

Differentiation driven by unique functions and regional focus

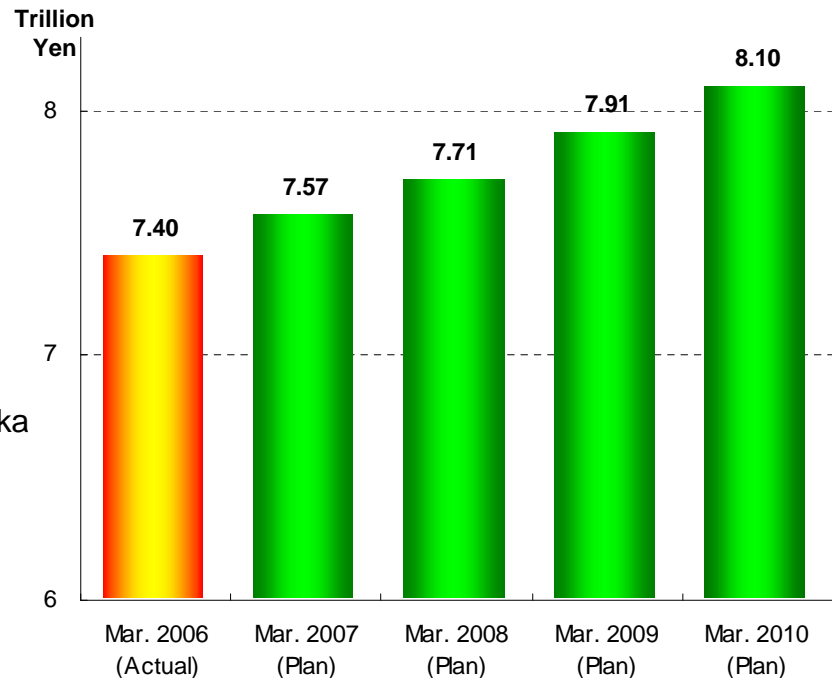
Expand corporate client base

- ✓ Promoting transactions with family-owned enterprises



- ✓ Main target: SMEs with annual sale amount of ¥0.5bn or above (Approx. 20,000 clients at present)
Target: Increase 5,000 clients
- ✓ Increase term-end balance of loans to SMEs by ¥0.7tn (From Mar 2006 to Mar 2010)

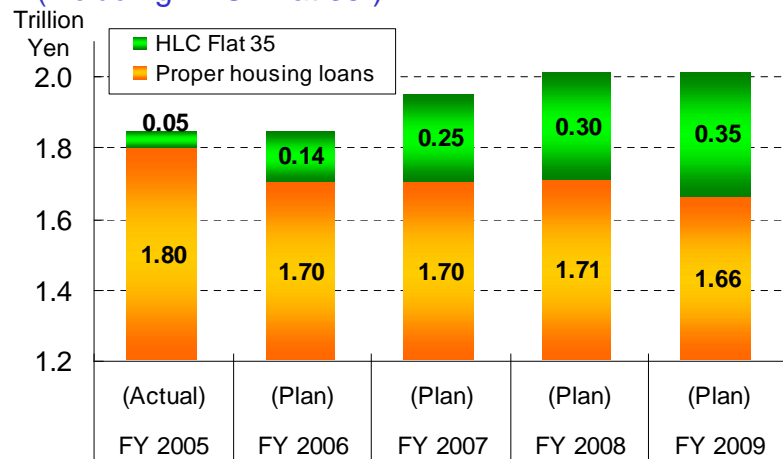
- ✓ With strengthened supports from the head office, offer customers state-of-the-art financial solutions
Establish designated solution divisions both in Tokyo and Osaka
- ✓ Enhance efficiency in transactions with small enterprises
Core channel: SME support centers
Core products: New business loan, loans backed by local guarantee associations



Focus on 5 core businesses: Loans to individuals

Extend ¥2tn of new housing and consumer loans a year

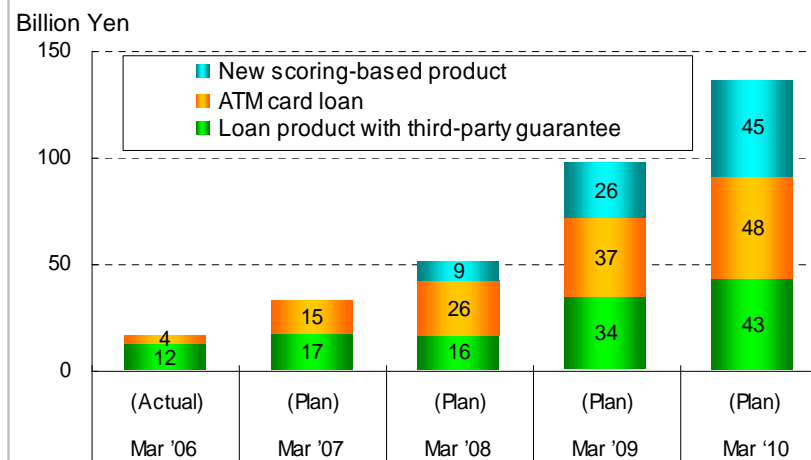
Amount of housing loans to be extended (including HLC “Flat 35”)



- ✓ **Build up a new housing loan business infrastructure**
 - > **Establish a nationwide coverage of the business**
Bank agency system, alliances with housing industry association, etc
 - > **Expand HL business channels and strengthen their functions**
Internet, special channel for housing loans
 - > **Offer products and services catering to various customer needs**
HLC “Flat 35” for long-term fixed rate housing loan needs
HL with three major diseases security insurance
HL designed for women
Large-scale reform loan
 - > **Develop non-interest income business**
Active promotion of HLC Flat35, non-recourse loan, etc

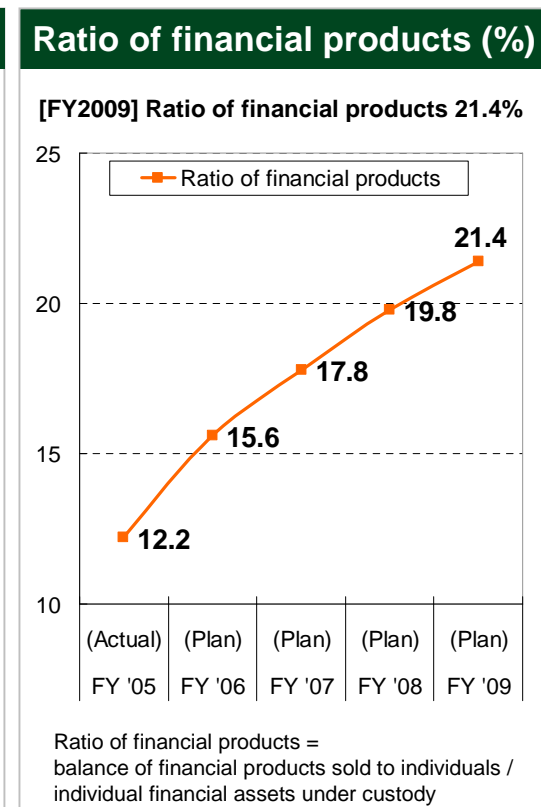
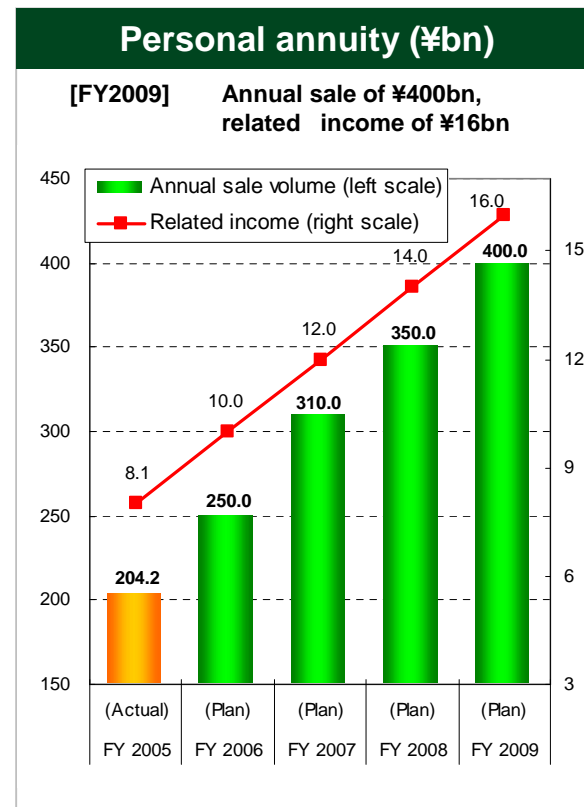
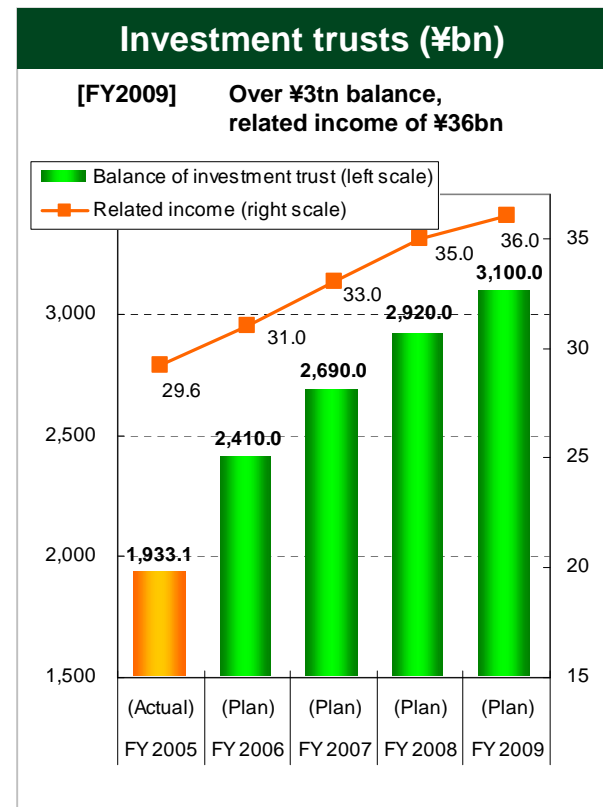
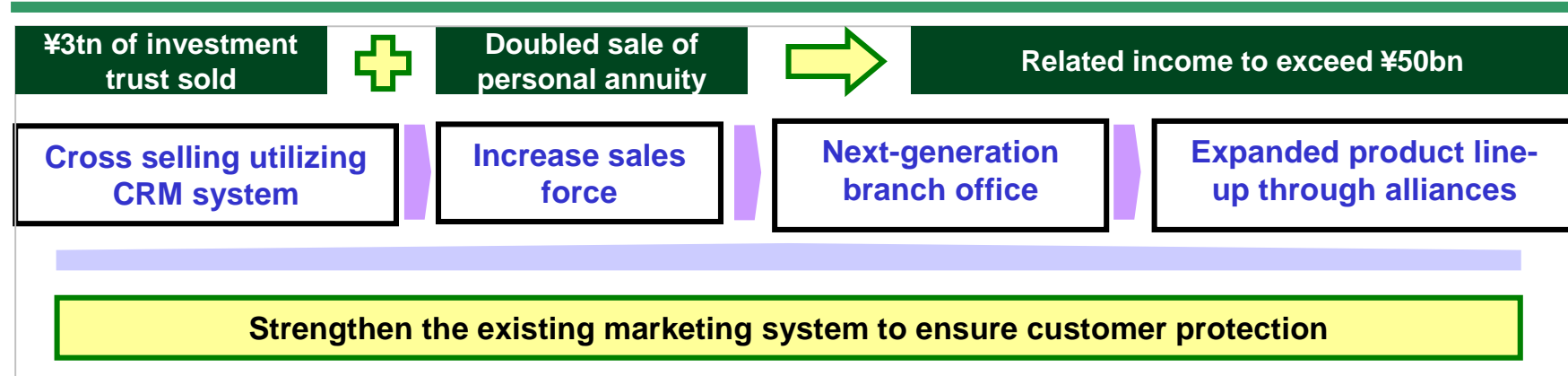
Balance of heavy promotion consumer loan products to exceed ¥100bn

Plan to increase heavy promotion consumer loan products (ATM card loan, new scoring-based product, loan product with third-party guarantee)



- ✓ **Measures to build up a new pillar for profits**
 - > **Develop Resona’s own scoring-based screening model**
Pile up screening know-how and apply to new products
Strengthen risk management capability
Appropriate responses to amendments of relevant laws
 - > **Remote channels (ATM, internet and telephone, etc)**
Low-cost operations
Quick application process, enhanced customer convenience

Focus on 5 core businesses: Sale of financial products



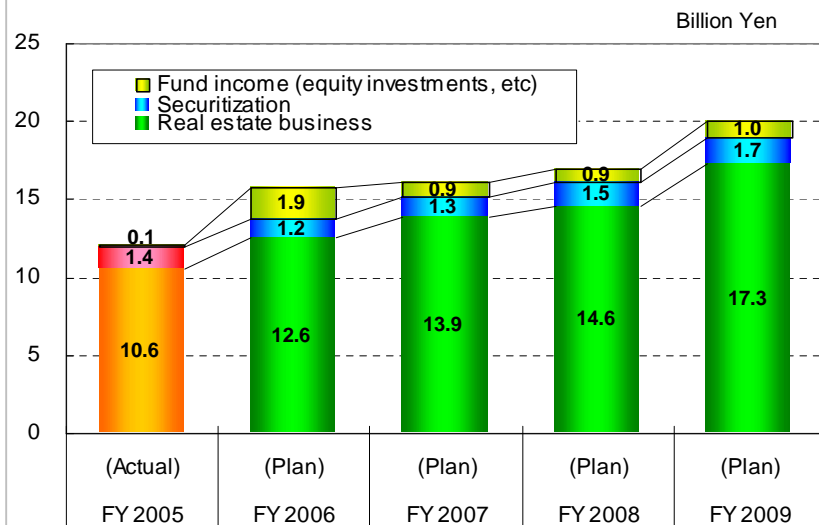
Focus on 5 Core Businesses: Real Estate, Pension and Corporate Trust Businesses

Leverage trust functions as a common group platform (group synergies)

Real estate business (Resona Bank)

■ Income from real estate business to exceed ¥20bn

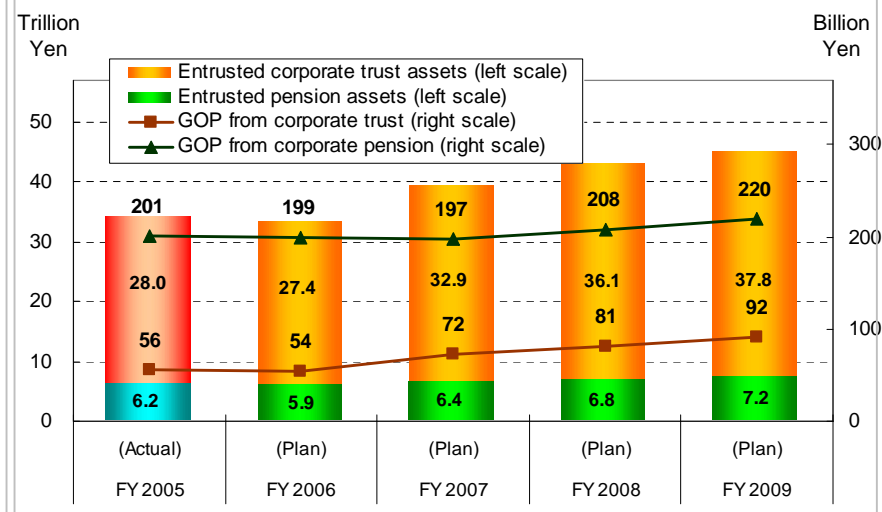
- ✓ Provide group banks' customers with Resona Bank's real estate functions upon their requests
- ✓ Provide family-business owners with Resona's real estate services
- ✓ Strengthen securitization business
 - > Establish a Resona real estate fund



Pension and corporate trust businesses (Resona Trust & Banking)

- Entrusted pension assets to exceed ¥7tn
- Increase corporate trust assets by ¥10tn

- ✓ Promotion to capture new entrustments
 - > Acquisition of DB funds: FY2006 to FY2009
540 transactions / ¥268bn
 - > Acquisition of DC funds: FY2006 to FY2009
475 transactions
- ✓ Transition from a tax-qualified fund to a new form
 - > Transition to a new form fund: FY2006 to FY2009
1,380 transactions
- ✓ Specialties in asset management, plan design, and administration areas
- ✓ Build up corporate trust assets from investment trusts, etc.



Amendments to the Articles of Incorporation Relating to Capital Policy

Board of directors to be given decision making authorities for dividends payments and repurchase of own stocks

- ✓ Dividends payments to be determined by the board of directors (same as before)
- ✓ Board of directors authorized to make decisions on share repurchases

Authorization to be given to the Board of Directors for the issuance of new preferred stocks

| | Type | Number of shares (Upper limit) | Issue price per share (Upper limit) | Voting rights | Right to request conversion | Mandatory conversion | Issuer's right to acquire the shares | Features |
|---|---------------------------------|-------------------------------------|--|----------------------------------|-----------------------------|----------------------|--------------------------------------|--|
| Class 4 Class 5 Class 6 Class 7 Class 8 | Non-convertible preferred stock | Up to 100,000 shares per each class | 3,500,000 yen | Only when dividends are not paid | No | No | Yes (with cash) | <ul style="list-style-type: none"> ◆ Holders not having any rights to request conversion into common shares ◆ Class 4 was issued in August 2006 |
| Class 9 | Convertible Preferred Stock | Up to 100,000 shares | 3,500,000 yen | No | Yes | No | Yes (with cash and common shares) | <ul style="list-style-type: none"> ◆ Holders having a right to request conversion into common shares. However, issuer is allowed to exercise a right to redeem the shares with cash (up to par value, or issue price) and common shares (premium, or over par portion). |
| Total | | 600,000 shares | – | – | – | – | – | – |

Efforts toward Early Repayments: Achievements in 1H FY2006

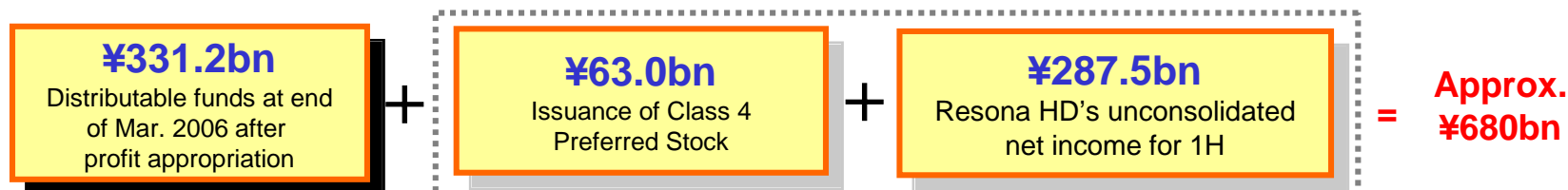
Accelerated accumulation of financial resources for repayments

- ✓ Resources for repayments (retained earnings plus other capital surplus) increased **more than ¥450bn** since the beginning of fiscal 2006

| | |
|--|------------|
| ➢ Total net income of subsidiary banks for the 1H (including DTA-related gain) | + ¥425.0bn |
| ➢ Issuance of Class 4 preferred stock | + ¥ 63.0bn |
| ➢ Term-end dividends for fiscal 2005 paid by RHD (common and preferred) | - ¥ 31.4bn |

Early repayments of the Early Strengthening Law preferred stocks appear to be attainable

- ✓ Combined retained earnings at ¥1.18tn as of the end of September 2006
- ✓ RHD, on a standalone basis, secured approx. ¥680bn of funds available for share repurchases



- ✓ Early repayments of the ESL preferred stocks look achievable (infusion amount: ¥868bn)
 - Board of Directors was authorized by the AGM to increase the repurchase limit of ¥250bn for this fiscal year.

Public Fund Preferred Stocks (Issued under the Early Strengthening Law)

(As of January 26, 2007)

| | Class B Preferred Stock | Class C Preferred Stock | Class E Preferred Stock | Class F Preferred Stock |
|--|-----------------------------|---------------------------|-----------------------------|-----------------------------|
| Original issuer and name of securities | Daiwa Bank Class B Series 1 | Kinki Osaka Bank Series 1 | Asahi Bank Series 1 Class 2 | Asahi Bank Series 2 Class 2 |
| Original issue date | 3/31/1999 | 4/26/2001 | 3/31/1999 | 3/31/1999 |
| Current number of shares | 272,202 shares | 120,000 shares | 9,576 shares | 80,000 shares |
| Issue price per share | JPY 600,000 | JPY 500,000 | JPY 1,250,000 | JPY 1,250,000 |
| Total amount of financing at present | JPY 163.3 Billion | JPY 60 Billion | JPY 11.9 Billion | JPY 100 Billion |
| Shareholders | RCC | RCC | RCC | RCC |
| Preferred dividend | | | | |
| Dividend per share | JPY 6,360 | JPY 6,800 | JPY 14,380 | JPY 18,500 |
| Yield | 1.06% | 1.36% | 1.1504% | 1.48% |
| Conversion rate | | | | |
| Convertible period | 6/30/1999 3/31/2009 | 1/1/2002 3/31/2015 | 7/1/2002 11/30/2009 | 7/1/2003 11/30/2014 |
| Determination of conversion | Rate | Price | Price | Price |
| Current conversion price | (JPY 369,914) | JPY 338,400 | JPY 360,400 | JPY 360,400 |
| Current conversion rate | 1.622 | (1.478) | (3.468) | (3.468) |
| Adjustment of conversion rate | | | | |
| Adjustment date | 6/30 | 1/1 | 7/1 | 7/1 |
| Adjustment direction | Upward/Downward | Upward/Downward | Upward/Downward | Upward/Downward |
| Cap rate | 3.429 | (2.999) | (3.475) | (3.475) |
| Floor rate | - | - | - | - |
| Cap price | - | - | - | - |
| Floor price | (JPY 174,978) | JPY 166,700 | JPY 359,700 | JPY 359,700 |
| Start of market price calculation | 45 trading days before | 45 trading days before | 45 trading days before | 45 trading days before |
| Calculation period | 30 trading days | 30 trading days | 30 trading days | 30 trading days |
| Mandatory conversion | | | | |
| Mandatory conversion date | 4/1/2009 | 4/1/2015 | 12/1/2009 | 12/1/2014 |
| Conversion rate | JPY 600,000/Market Price | JPY 500,000/Market Price | JPY 1,250,000/Market Price | JPY 1,250,000/Market Price |
| Start of market price calculation | 45 trading days before | 45 trading days before | 45 trading days before | 45 trading days before |
| Calculation period | 30 trading days | 30 trading days | 30 trading days | 30 trading days |
| Floor price | JPY 100,000 | JPY 166,700 | JPY 359,800 | JPY 359,800 |

Preferred Stocks Issued under the Deposit Insurance Law in 2003

(As of August 1, 2006)

| | Class 1 Series 1 Preferred Stock | Class 2 Series 1 Preferred Stock | Class 3 Series 1 Preferred Stock |
|--|--|--|--|
| Voting right | Granted | Granted | Granted |
| Original total amount of financing | JPY 550,000,000,000 | JPY 563,561,572,200 | JPY 550,000,000,000 |
| Actual issue price per share based on exchange ratio | JPY 200,000 | JPY 200,000 | JPY 200,000 |
| Current number of shares | 2,750,000 shares | 2,817,808 shares | 2,750,000 shares |
| Preferred dividend yield | Libor (1y) + 50bp | Libor (1y) + 50bp | Libor (1y) + 50bp |
| Convertible period | After July 1, 2006 | After July 1, 2008 | After July 1, 2010 |
| Initial conversion price | JPY348,100 | Market price of Common Stock at beginning of conversion period | Market price of Common Stock at beginning of conversion period |
| Reset of conversion price | Aug. 1 every year after beginning of conversion period | Nov. 1 every year after beginning of conversion period | May. 1 every year after beginning of conversion period |
| Terms of reset | Upward/Downward | Upward/Downward | Upward/Downward |
| Floor conversion price | JPY 28,000 | JPY 20,000 | JPY 17,000 |

Maturity Ladder of Deposit and Loans (Resona Bank, Domestic Operations)

Loans and Bills Discounted

[End of March 2006] Loans 17.93tn

| | Within 6M | 6 to 12M | 1 to 3Y | Over 3Y | Total |
|-------------------|--------------|-------------|---------|---------|--------|
| Fixed rate | 3.3% | 4.0% | 11.4% | 5.2% | 23.9% |
| Prime rate-based | 42.4% | 1.0% | 0.0% | 0.0% | 43.4% |
| Market rate-based | 24.9% | 2.6% | 2.5% | 2.6% | 32.7% |
| Total | 70.6% | 7.6% | 13.9% | 7.9% | 100.0% |

Loans maturing within 1 year **78.2%**

[End of September 2006] Loans 17.92tn

| | Within 6M | 6 to 12M | 1 to 3Y | Over 3Y | Total |
|-------------------|--------------|-------------|---------|---------|--------|
| Fixed rate | 4.1% | 4.2% | 10.9% | 5.3% | 24.5% |
| Prime rate-based | 41.2% | 0.1% | 0.0% | 0.0% | 41.3% |
| Market rate-based | 26.2% | 2.8% | 2.8% | 2.4% | 34.2% |
| Total | 71.4% | 7.1% | 13.7% | 7.8% | 100.0% |

Loans maturing within 1 year **78.6%**

[Change in 1H of FY2006] Loans (0.01)tn

| | Within 6M | 6 to 12M | 1 to 3Y | Over 3Y | Total |
|-------------------|-------------|--------------|---------|---------|-------|
| Fixed rate | 0.7% | 0.2% | -0.5% | 0.1% | 0.6% |
| Prime rate-based | -1.2% | -0.9% | 0.0% | 0.0% | -2.1% |
| Market rate-based | 1.3% | 0.2% | 0.3% | -0.2% | 1.5% |
| Total | 0.8% | -0.5% | -0.2% | -0.1% | 0.0% |

Loans maturing within 1 year **0.4%**

Deposits

[End of March 2006] Deposits 19.20tn

| | Within 6M | 6 to 12M | 1 to 3Y | Over 3Y | Total |
|------------------------|--------------|----------|---------|---------|--------------|
| Liquid deposits | 64.6% | | | | 64.6% |
| Time deposits | 14.7% | 7.9% | 8.4% | 4.4% | 35.4% |
| Total | 79.4% | 7.9% | 8.4% | 4.4% | 100.0% |

[End of September 2006] Deposits 18.50tn

| | Within 6M | 6 to 12M | 1 to 3Y | Over 3Y | Total |
|------------------------|--------------|----------|---------|---------|--------------|
| Liquid deposits | 62.4% | | | | 62.4% |
| Time deposits | 17.2% | 8.7% | 8.6% | 3.2% | 37.6% |
| Total | 79.6% | 8.7% | 8.6% | 3.2% | 100.0% |

[Change in 1H of FY2006] Deposits (0.70)tn

| | Within 6M | 6 to 12M | 1 to 3Y | Over 3Y | Total |
|------------------------|-------------|----------|---------|---------|--------------|
| Liquid deposits | -2.3% | | | | -2.3% |
| Time deposits | 2.5% | 0.8% | 0.1% | -1.1% | 2.3% |
| Total | 0.2% | 0.8% | 0.1% | -1.1% | 0.0% |

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.