

Resona Group's Medium-term Management Direction

- Maximizing Corporate Value through Sustained Growth -



RESONA

March 2007



Resona Holdings, Inc.

CONTENTS

Resona Group at Glance

Medium-term Management Direction

Business Results for the 1-3Q of FY2006

Efforts towards Early Repayments of Public Funds

<Reference Material>

Resona Group at Glance

Medium-term Management Direction

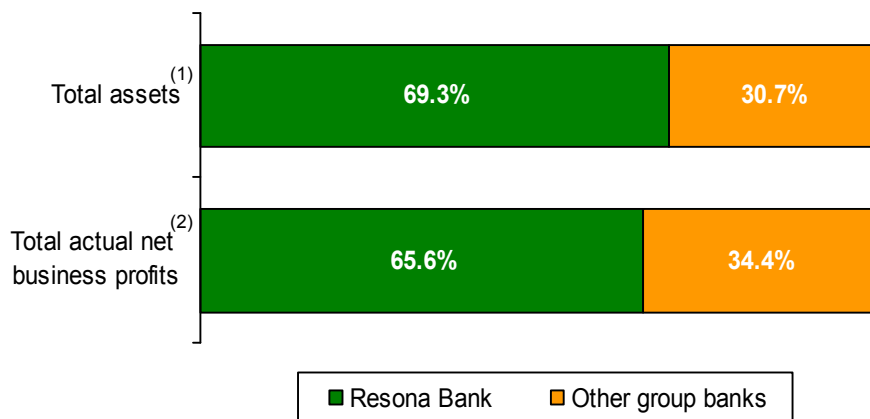
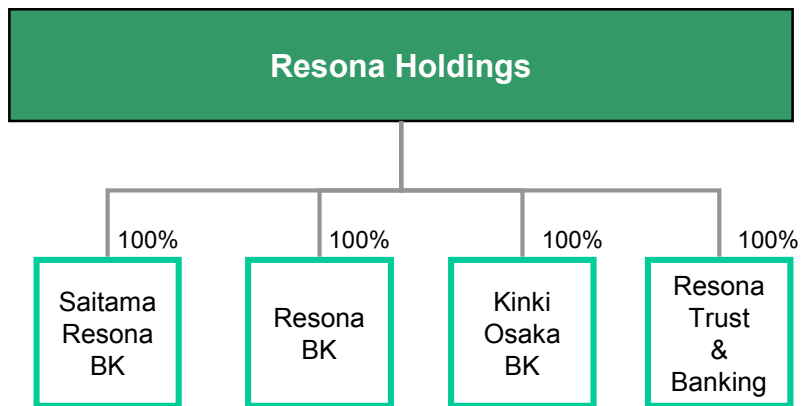
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<Reference Material>

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

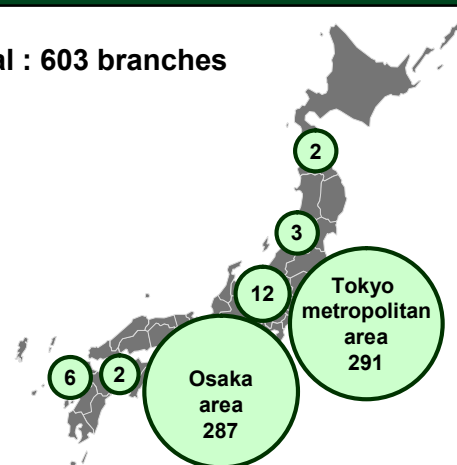
Group overview

- 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

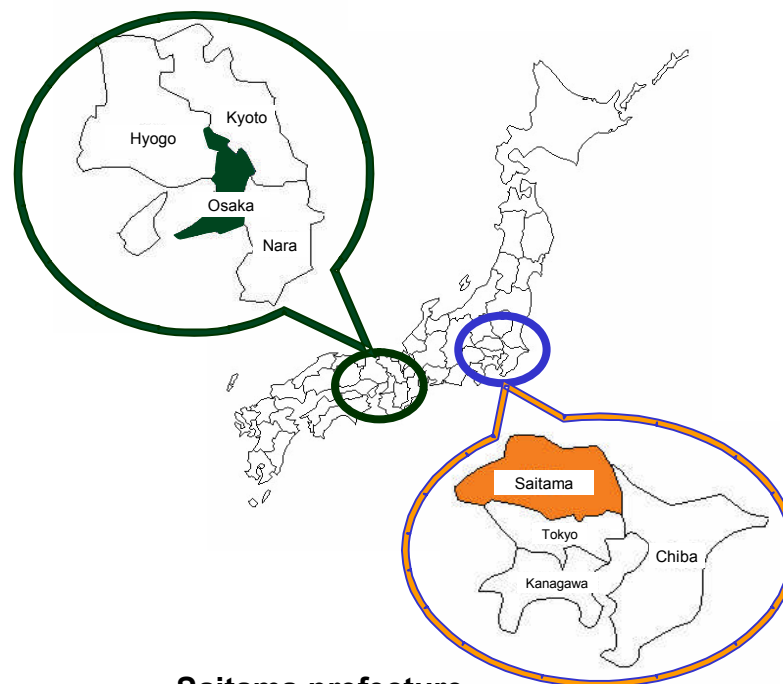
<Loans> (Billions of Yen)

(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

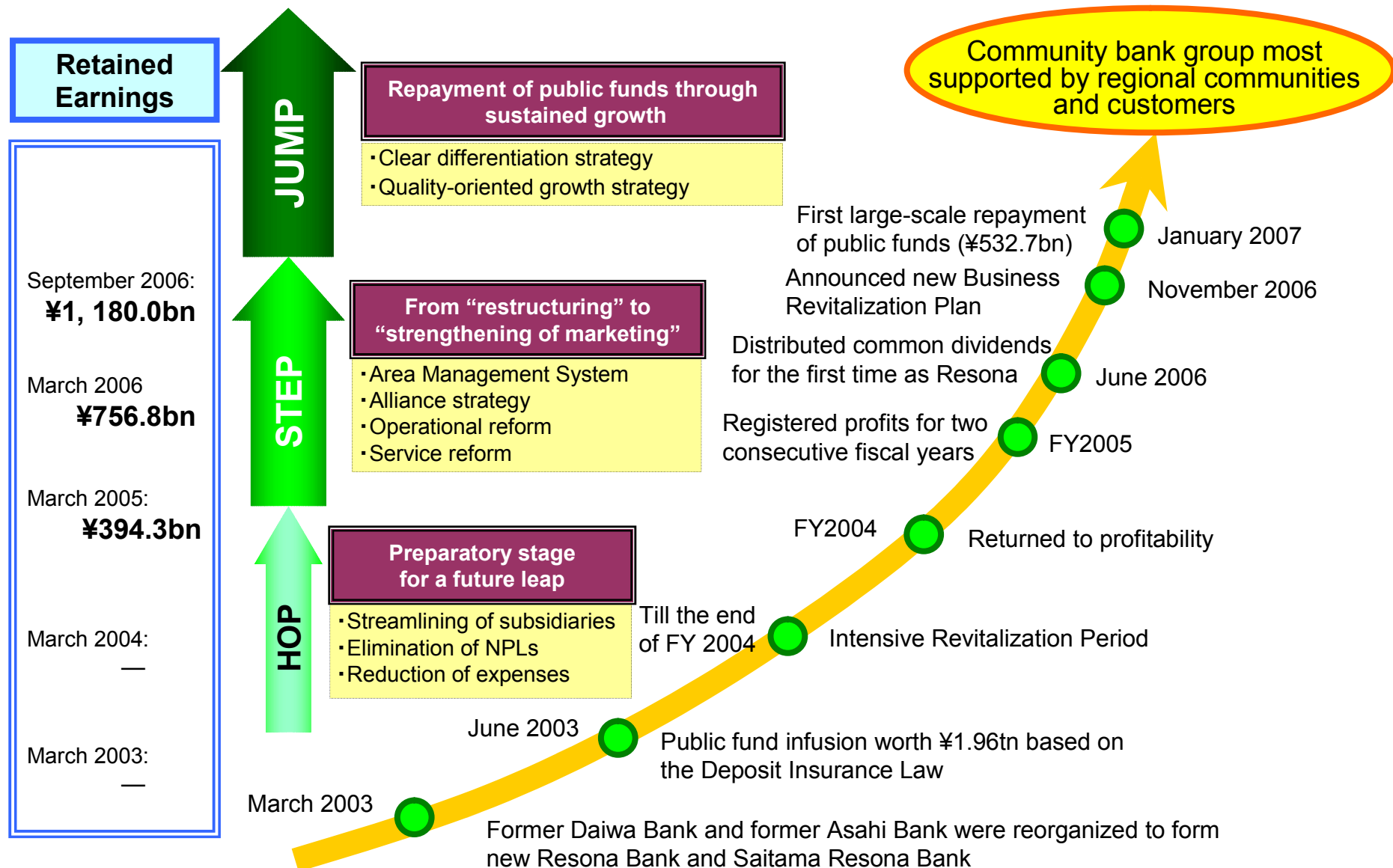
Medium-term Management Direction

Business Results for the 1-3Q of FY2006

Efforts towards Early Repayments of Public Funds

<Reference Material>

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

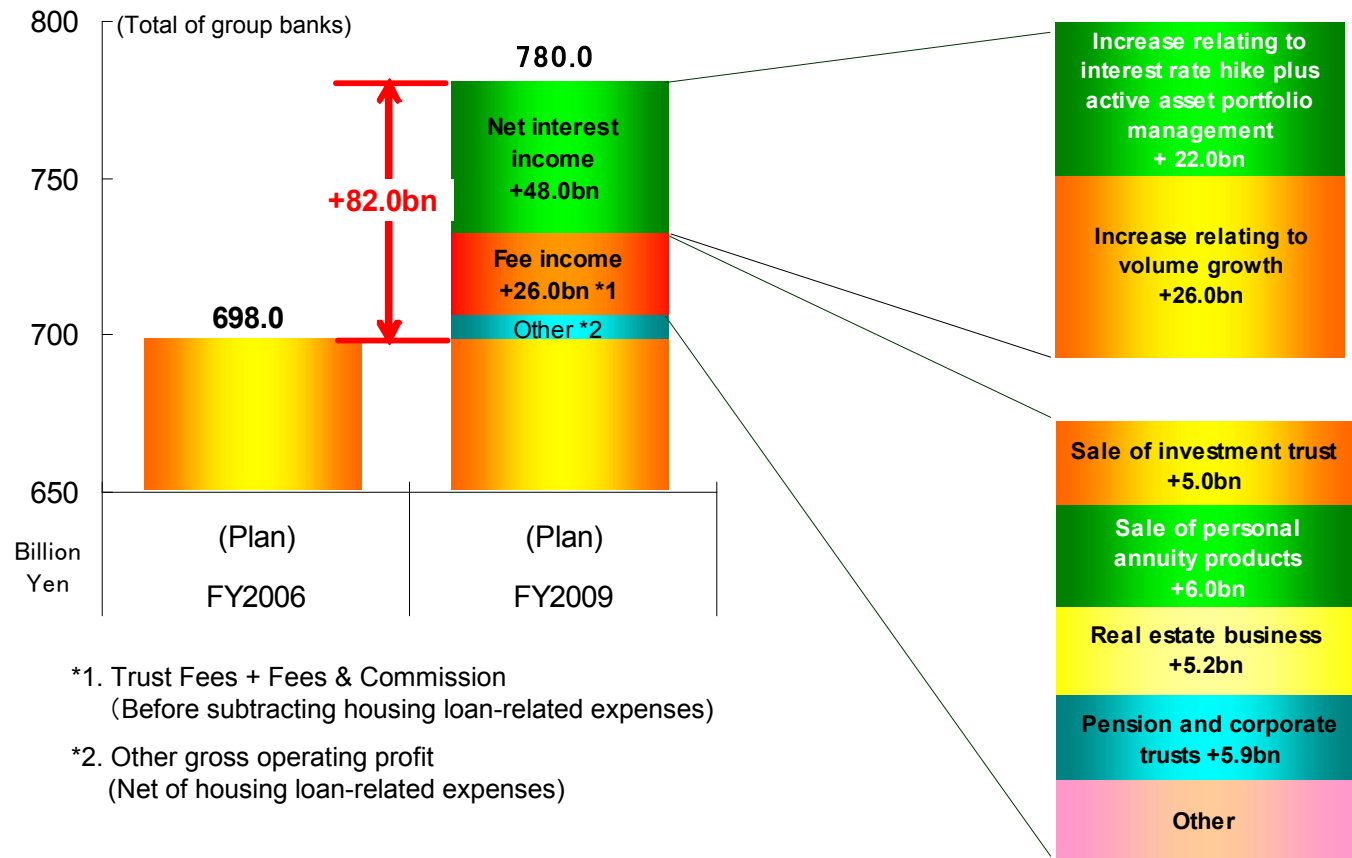
Credit-related expense: NPL ratio in the 1% range

- 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



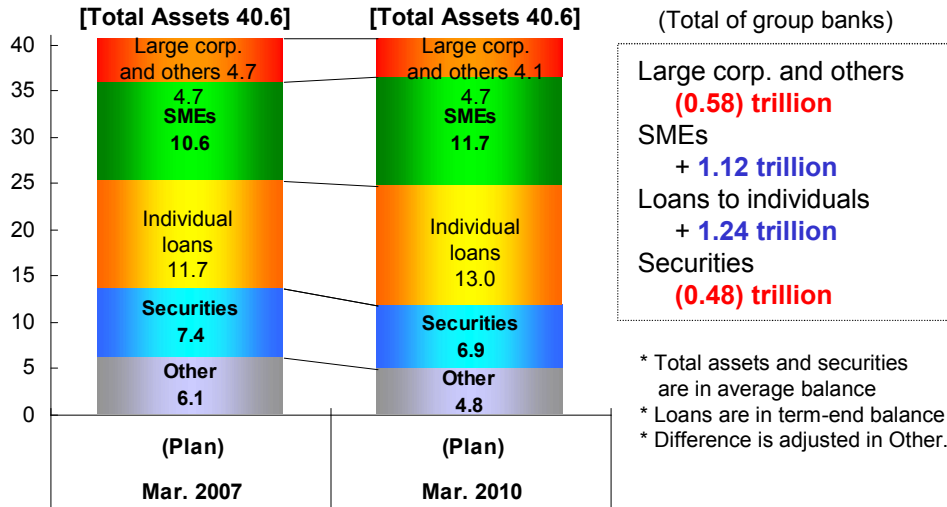
Actual net operating profits ROA*3 **0.86% (FY2006)** **1.01% (FY2009)**

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

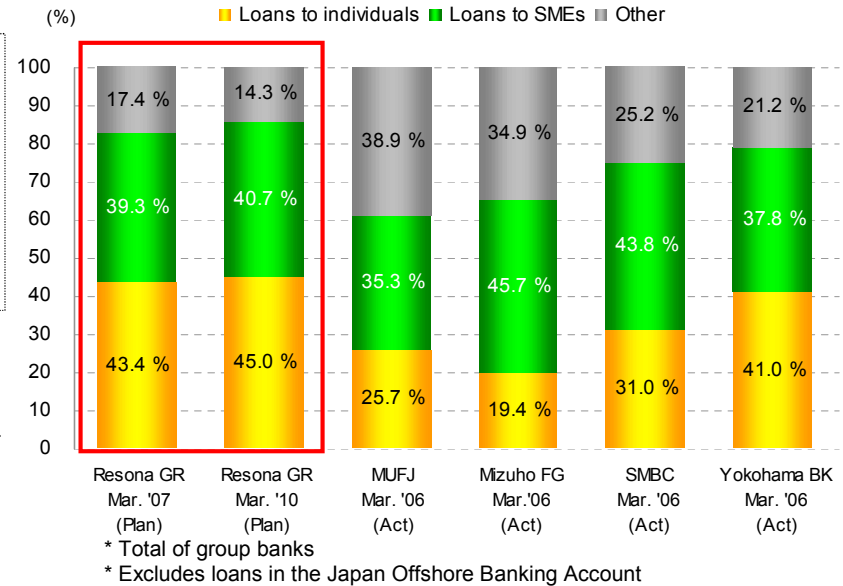
Secure an Optimum Combination of Stock and Flow Income (2)

Putting ROA management into real practice

✓ Loan portfolio management that allows for higher ROA



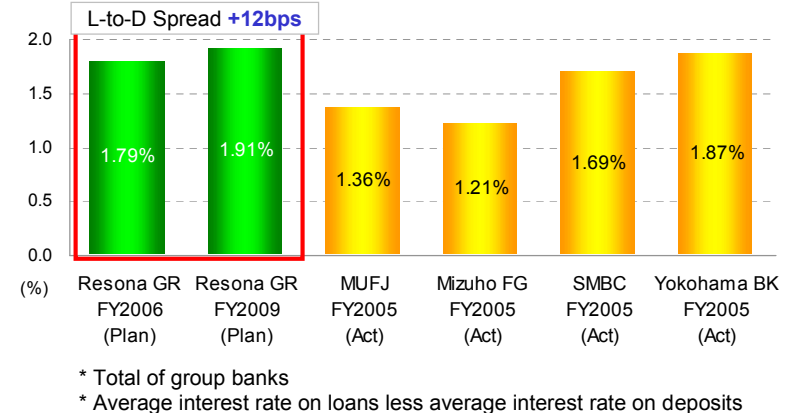
✓ Further strengthen housing and SME loans



✓ 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
Corporate pension					

Resona Group at Glance

Medium-term Management Direction

Business Results for the 1-3Q of FY2006

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<Reference Material>

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.

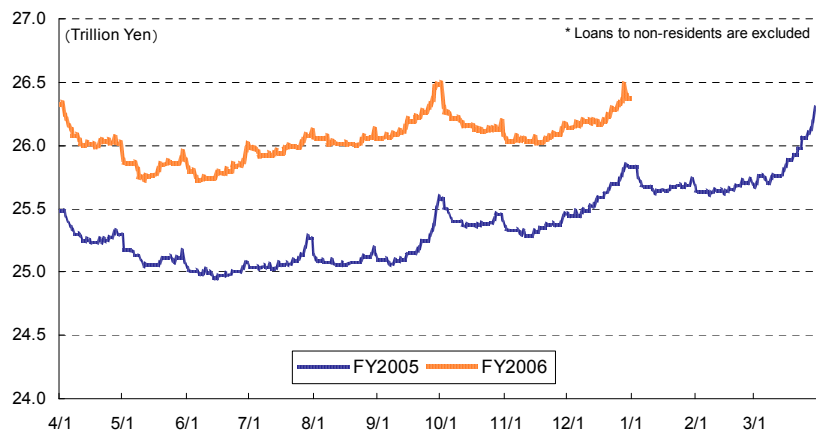
*1. Announced in November 2006 (May 2006 forecast was revised upward)

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

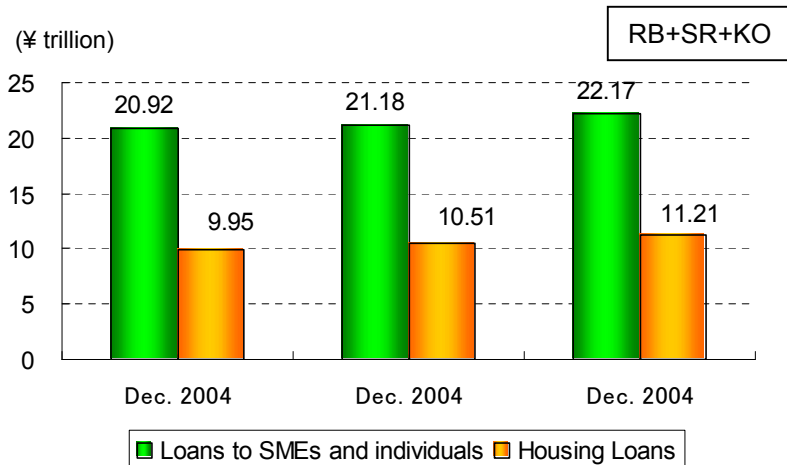
Trend of loan business

Loan growth is continuing (Total of group banks)

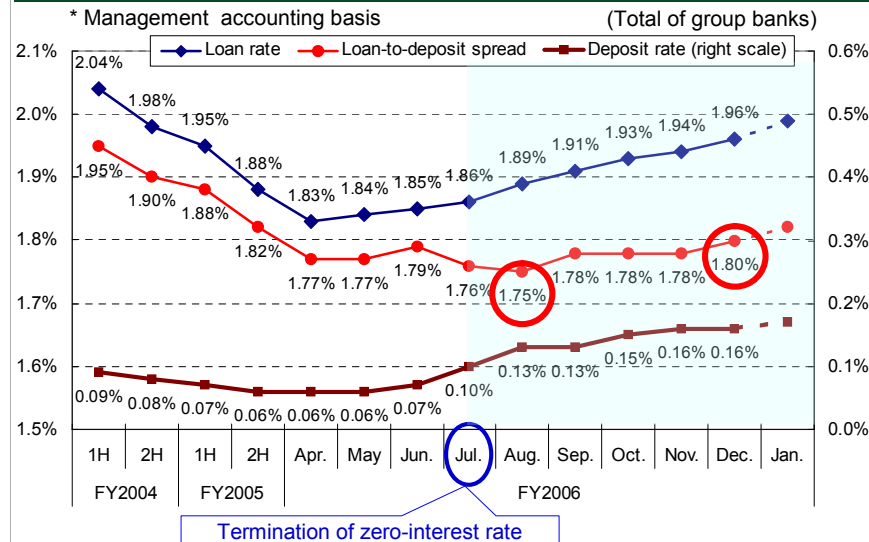
- FY2005 Full-year Avg. Bal. ¥25.3tn
 - FY2006 1-3Q Avg. Bal. ¥26.0tn
- + Approx. ¥700bn**



Loans to SMEs and individuals / Housing loans



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

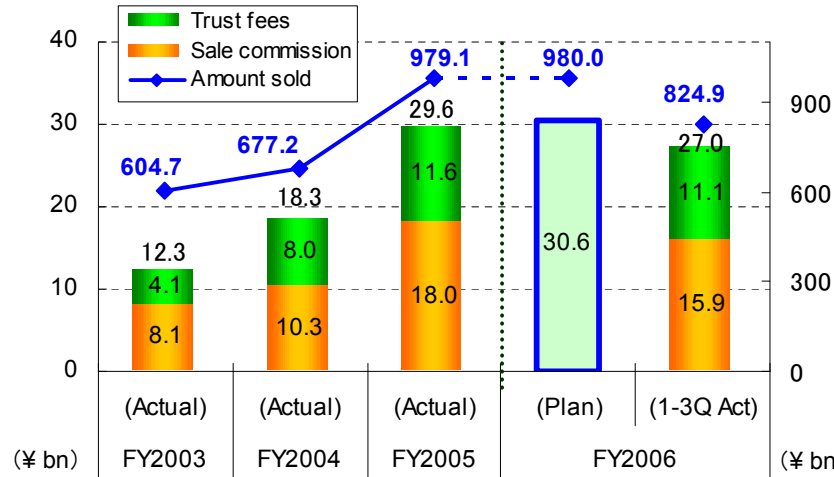


Repricing after termination of zero-interest rate policy

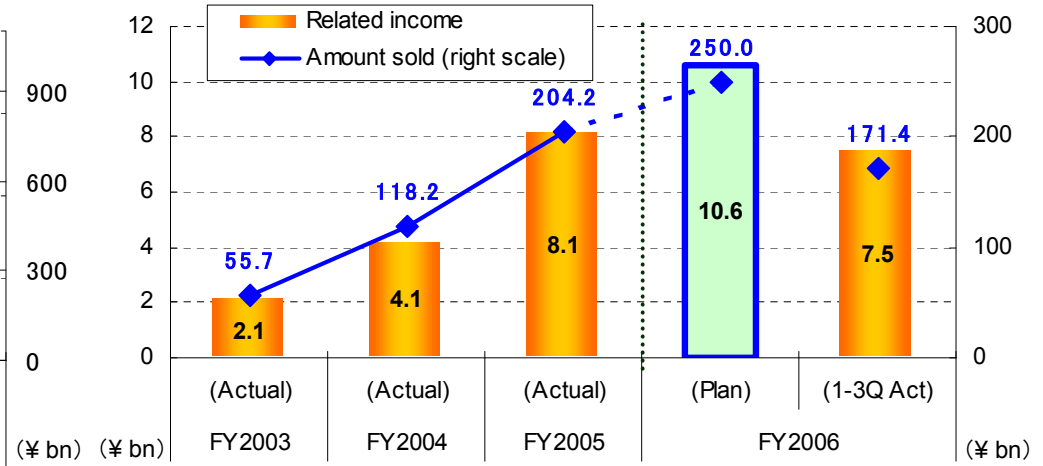
- **Approx. 70% of loans to SMEs linked with short-term prime rate (Approx. ¥3.6tn in the case of Resona Bank) were successfully repriced to a new rate**
- **Repricing of floating-rate housing loans**
A new 25bps higher rate has been applied to floating-rate housing loans since the following day of their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

Trend of fee businesses

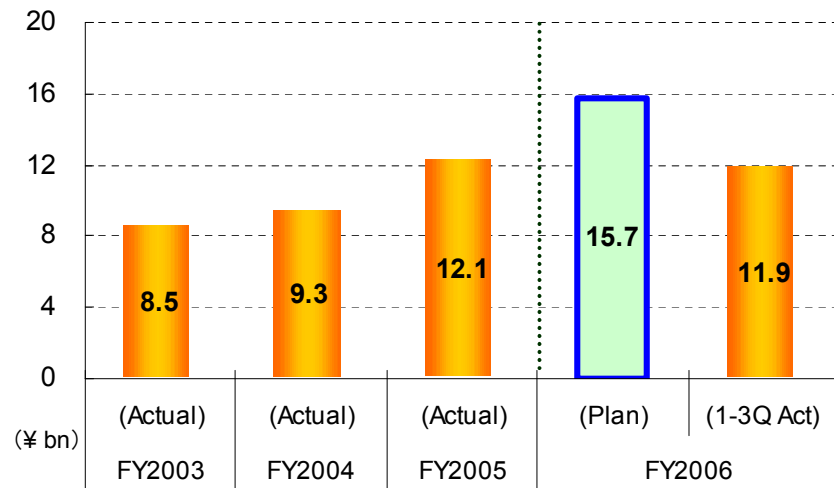
Sales of investment trusts (Group banks total)



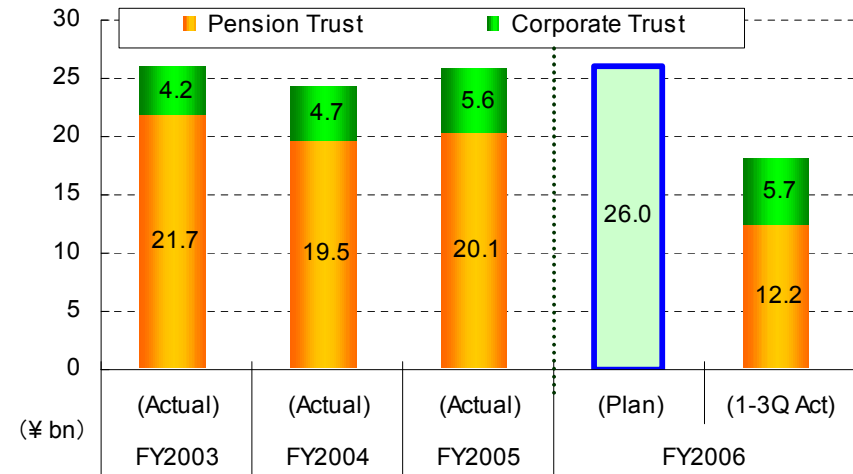
Sales of personal annuity products (Group banks total)



Real estate business (RB)



Pension and corporate trust business (RTB)



Resona Group at Glance

Medium-term Management Direction

Business Results for the 1-3Q of FY2006

Efforts towards Early Repayments of Public Funds

<Reference Material>

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

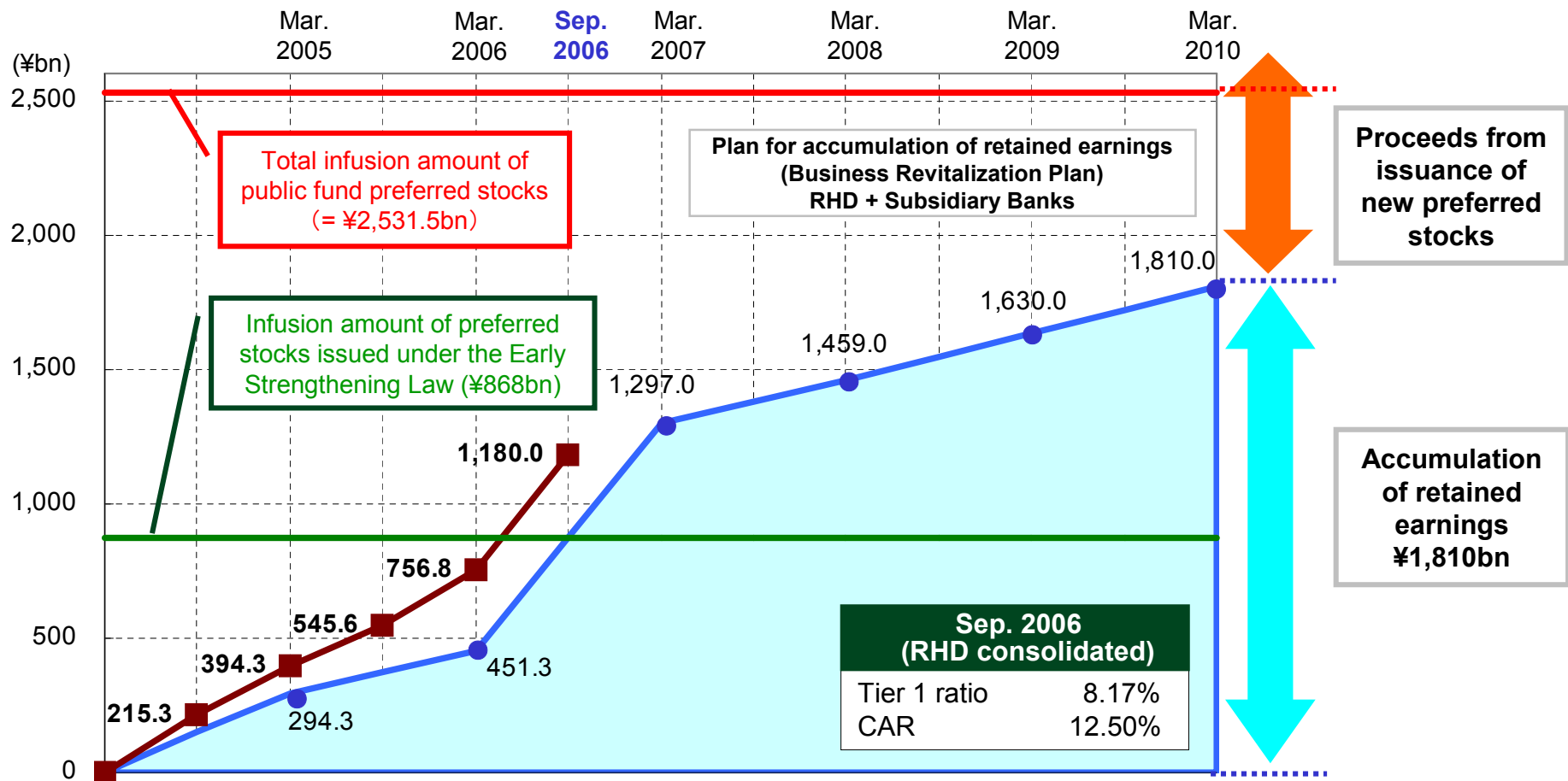
[Public funds remaining after the repurchase]

(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



Resona Group at Glance

Medium-term Management Direction

Business Results for the 1-3Q of FY2006

Efforts towards Early Repayments of Public Funds

<Reference Material>

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.

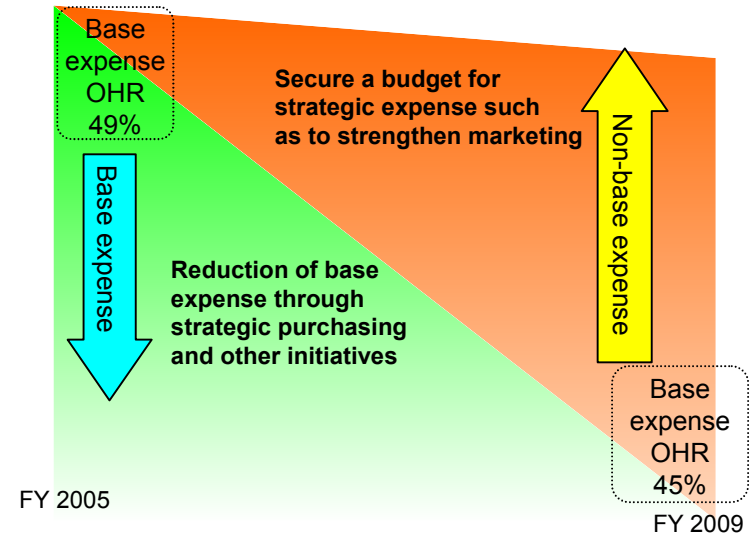
Reduce Operating Costs to Create Room for Strategic Investments

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

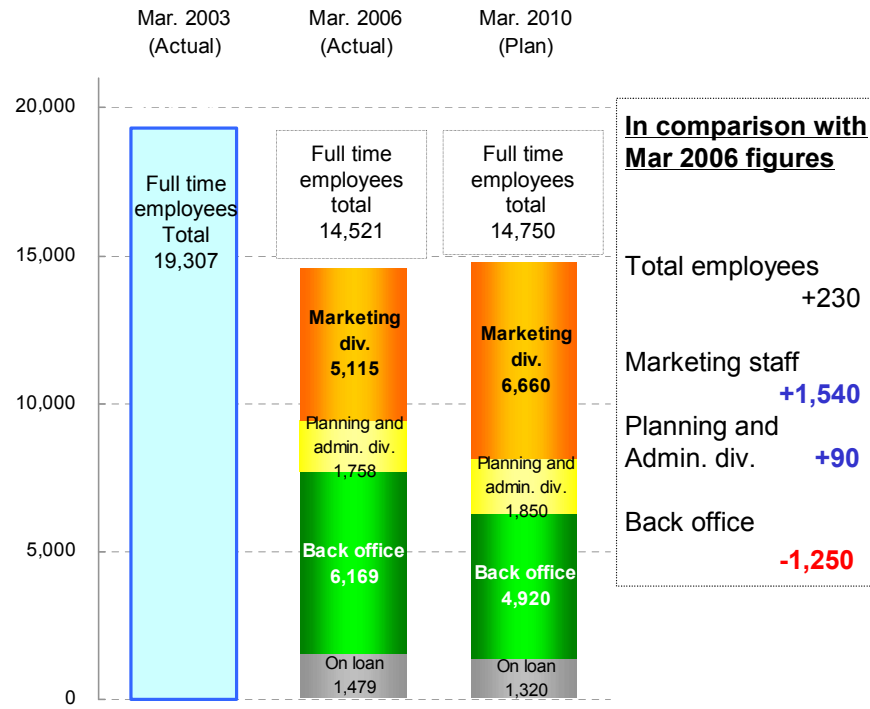
Examples of non-base expense

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

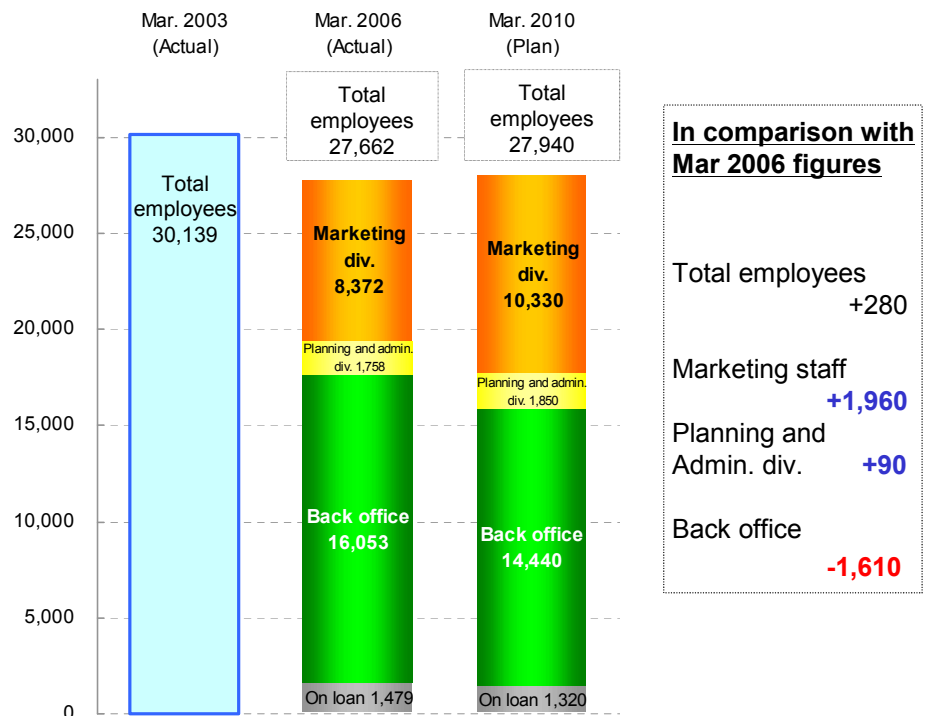
HR Plan: Full time employees



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)

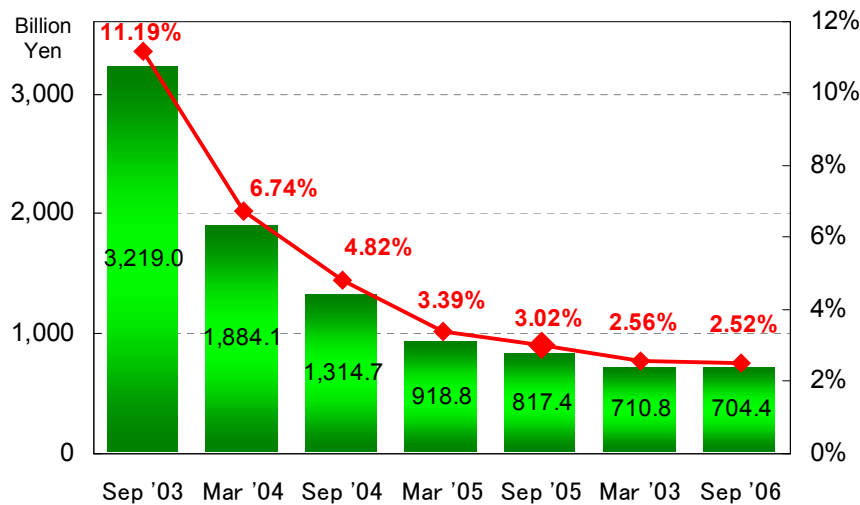
Ratio of temp and part-timers in back office div. = (total employees in back office div. - regular employees in back office) / total employees in back office div.

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



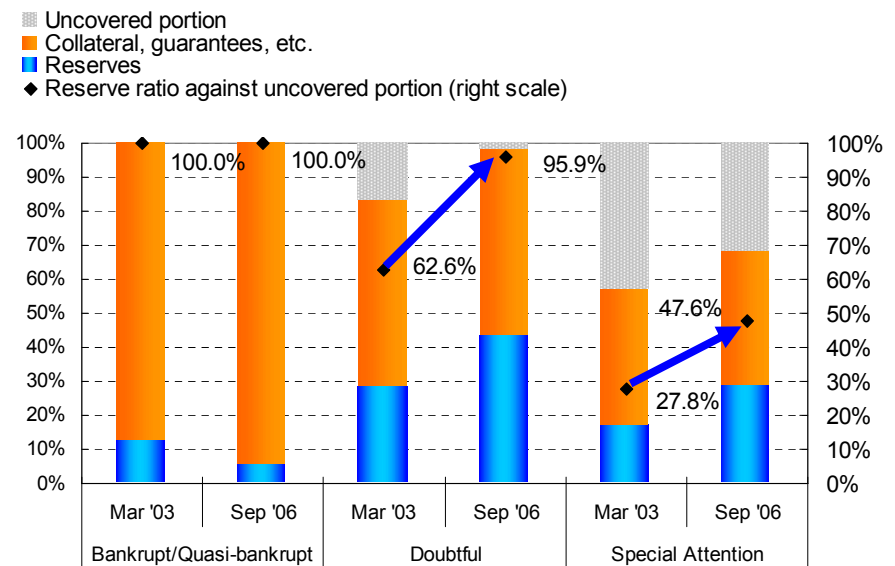
[Diversification of loan portfolio into small lots]

- ✓ 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

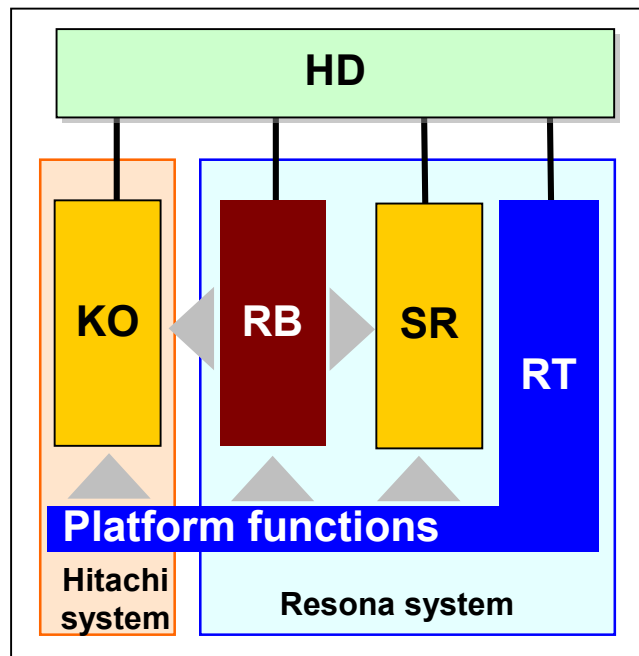
Management policy of subsidiary banks during the New Plan period

- 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.)

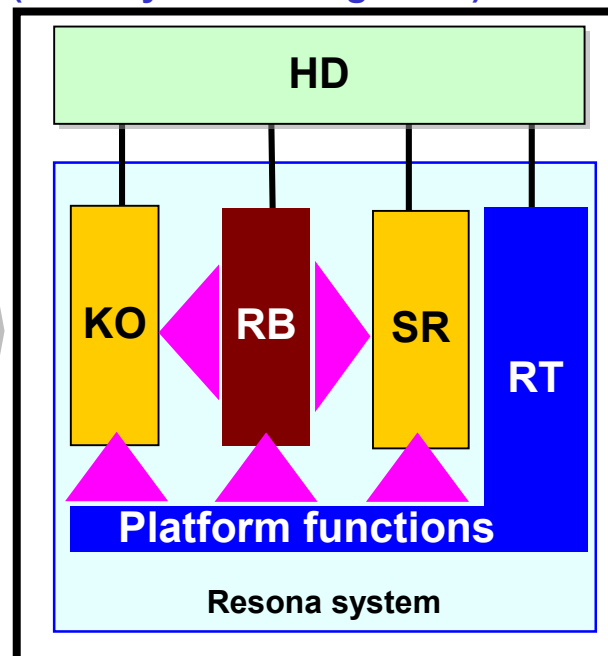
Pursue synergies via effective use of common platform functions and integrated group system

- 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)



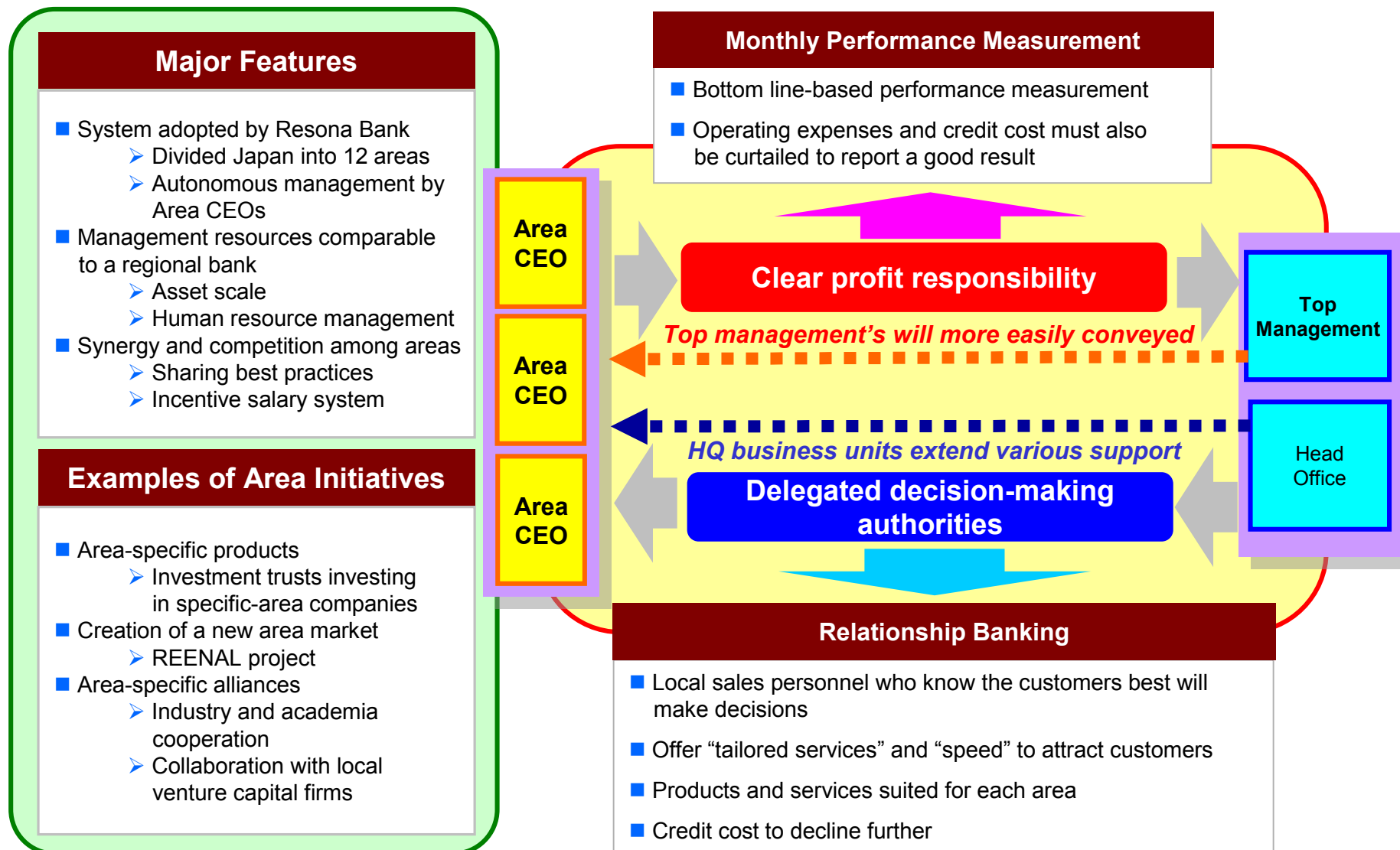
[Integration schedule]
 July 2008 (planned)
 [Necessary cost] ¥18bn
 Initial investment: ¥13bn
 One-time expense: ¥5bn

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

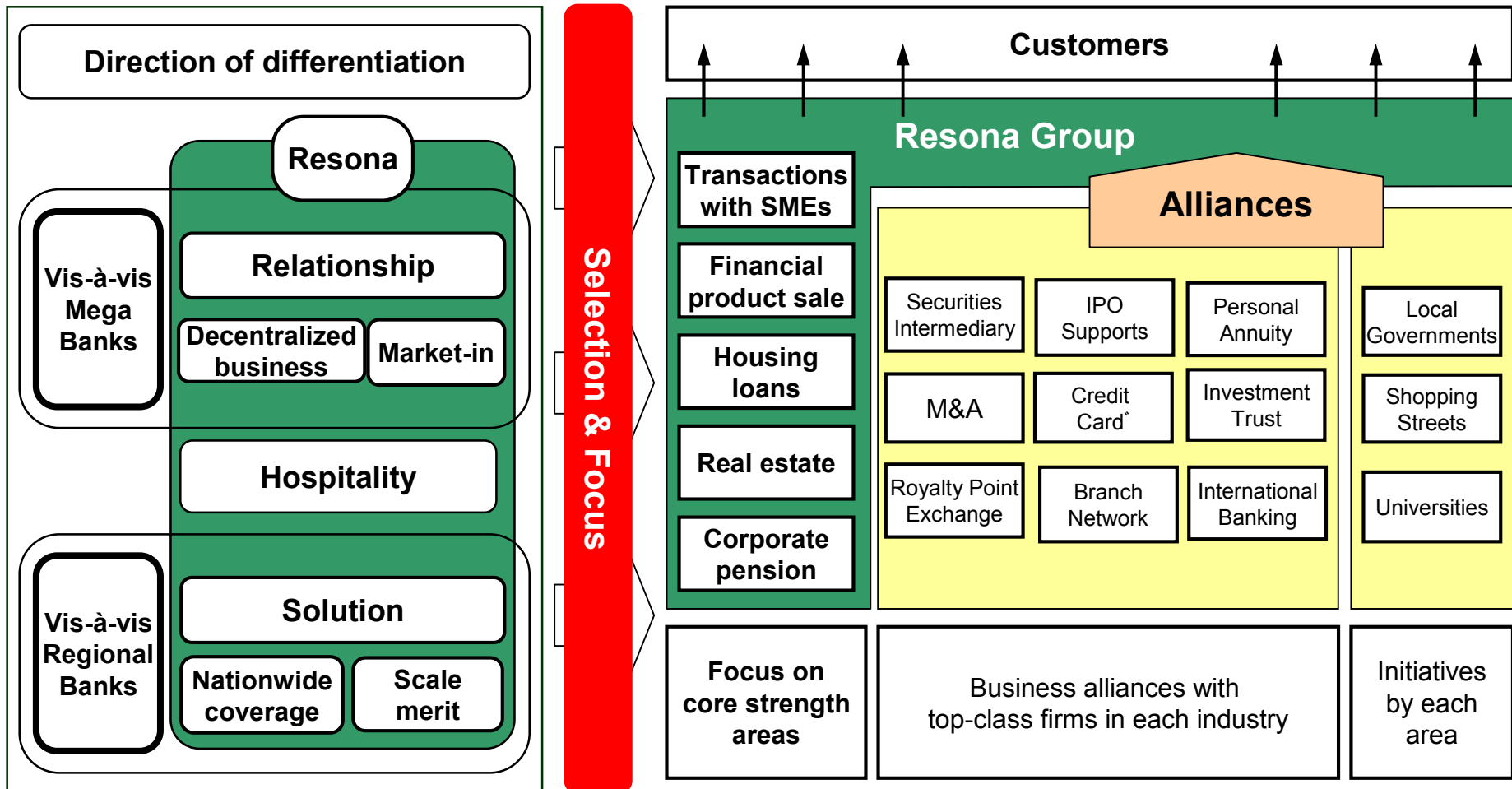
Resona's Differentiation Strategy: Area Management System

Unique approach to create customer value and maximize profits simultaneously



Resona's Differentiation Strategy: Resona Group-led alliances

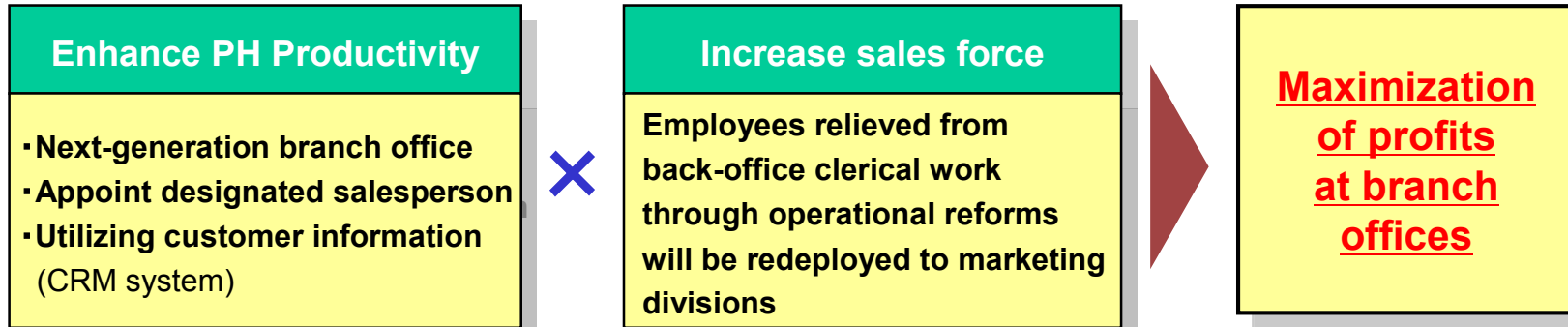
Pursue Resona Group-led alliances making the most of non-affiliation with any *Zaibatsu* groups



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

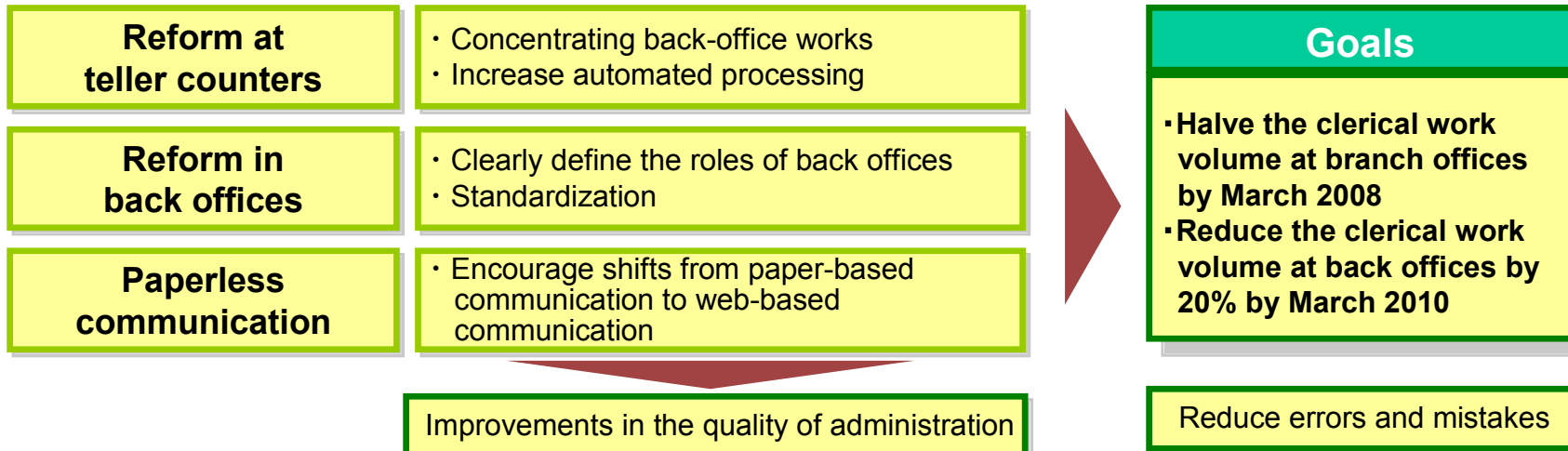
Maximize profits at branch offices through drastic operational reform

✓ 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

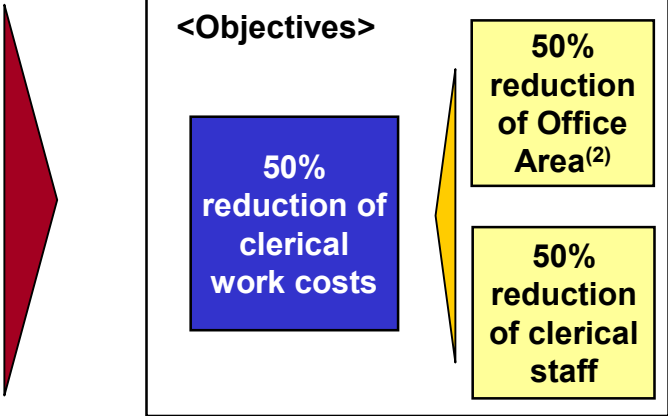


Resona's Differentiation Strategy: Branch Reform (Resona Bank)

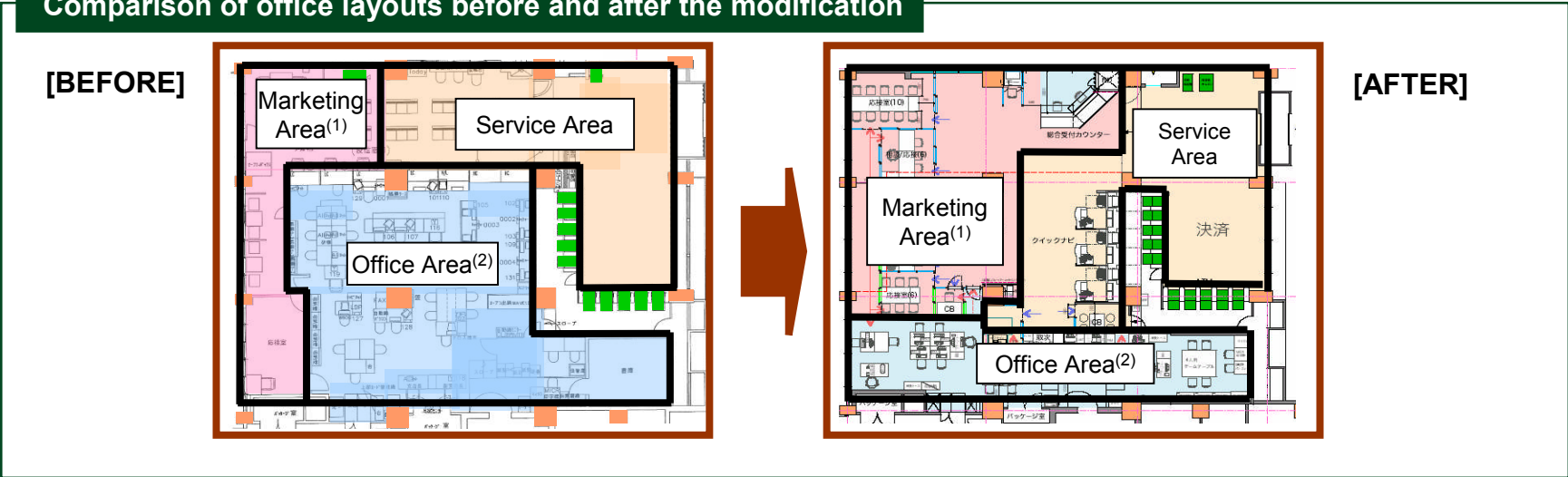
Business Processing Reformation (BPR)⁽¹⁾ in branch offices

- 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

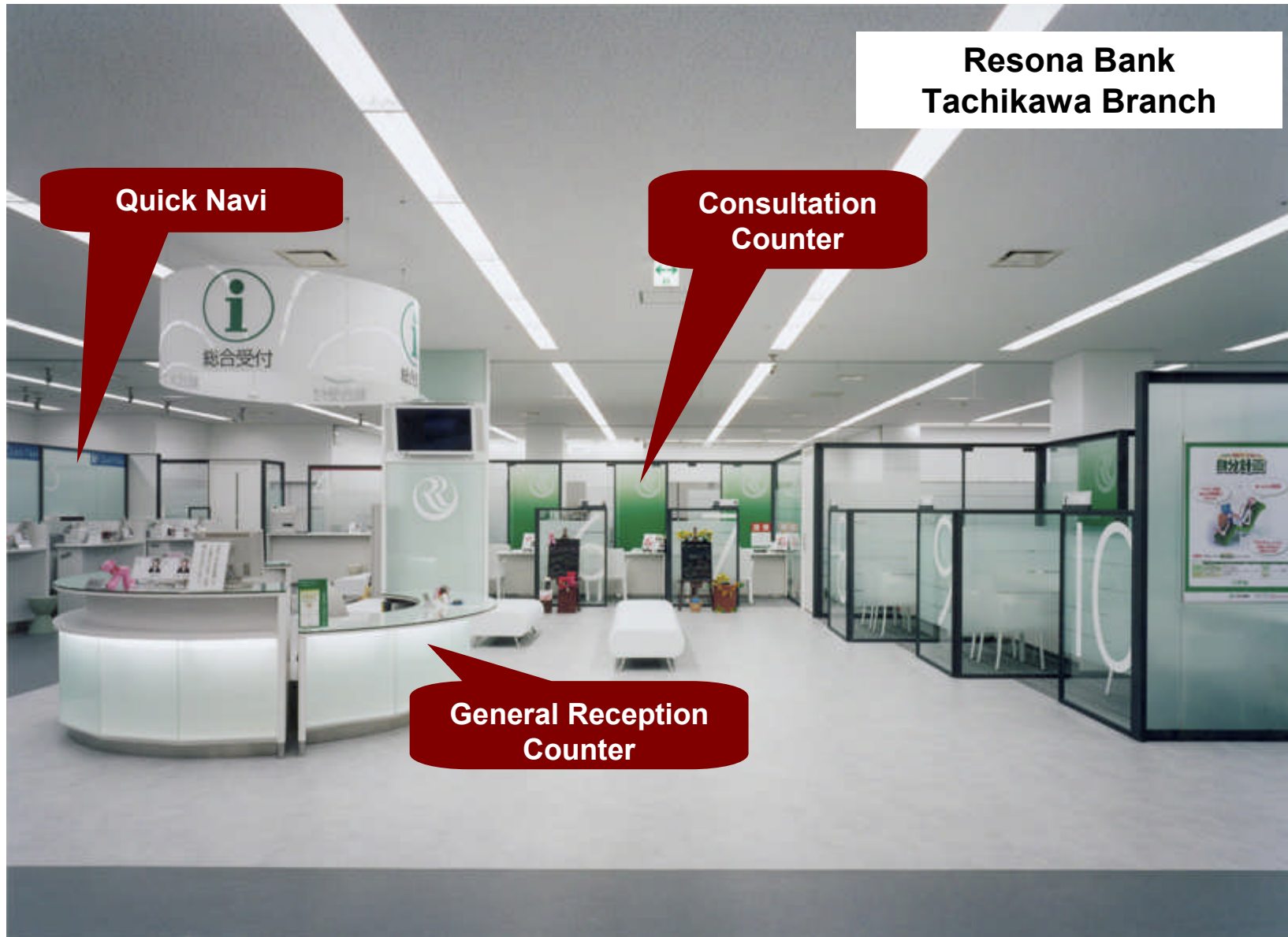


Comparison of office layouts before and after the modification



(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's Differentiation Strategy: Service Reform

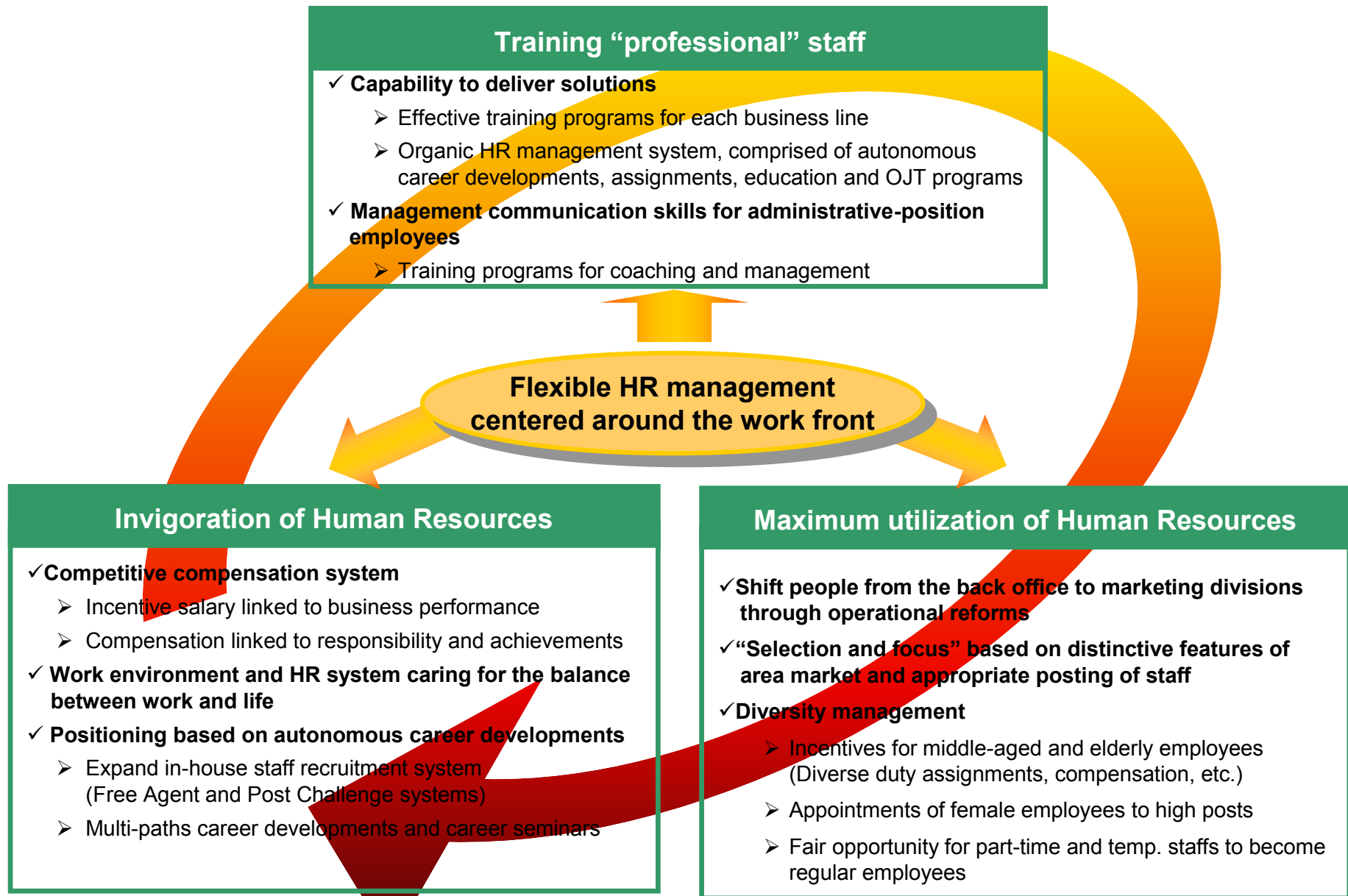
To become the bank that customers choose in the age of mega competition for service quality

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

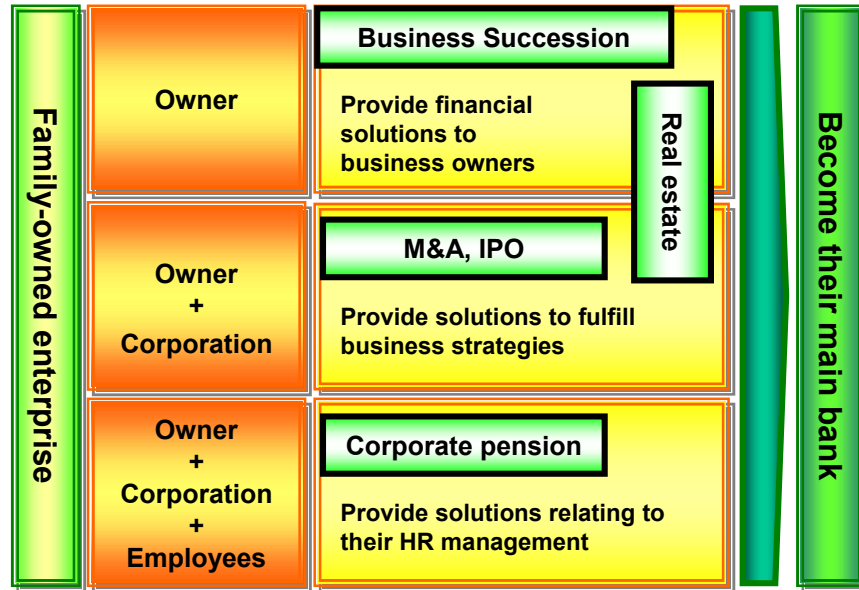


Focus on 5 Core Businesses: Transactions with SMEs (Resona Bank)

Differentiation driven by unique functions and regional focus

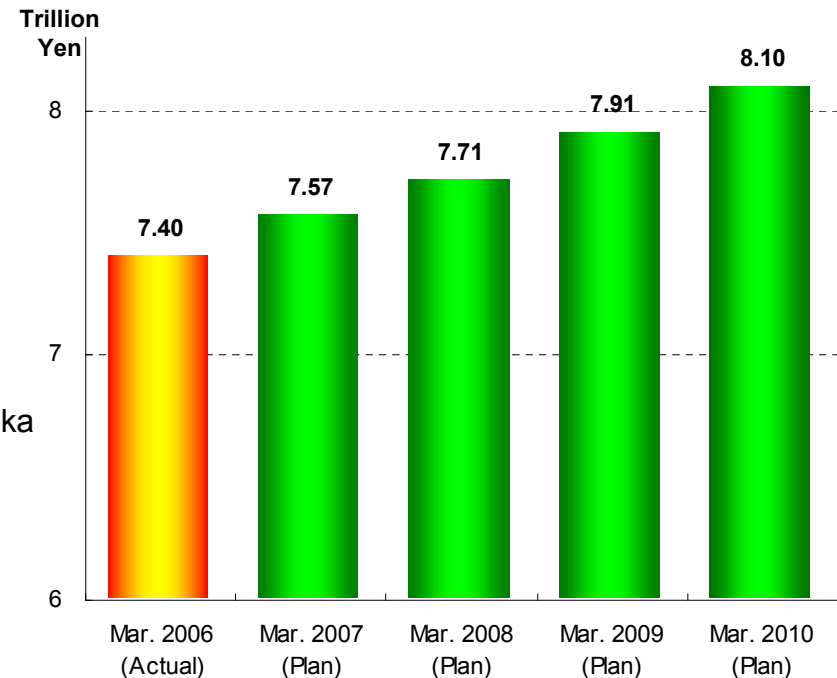
Expand corporate client base

- ✓ 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)

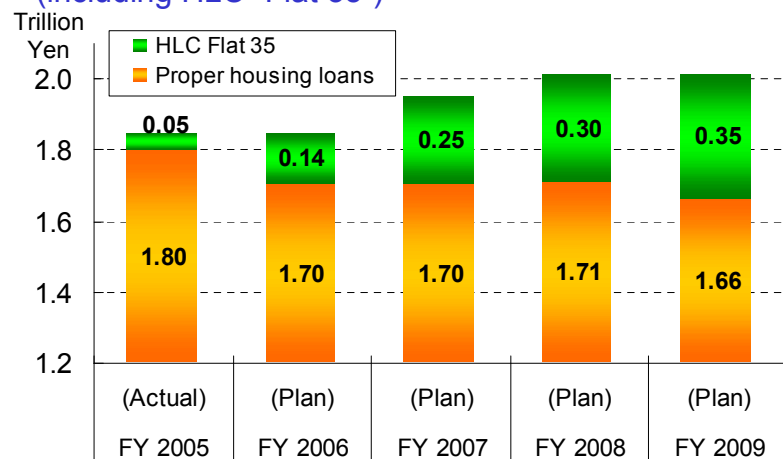
- ✓ With strengthened supports from the head office, offer customers state-of-the-art financial solutions
Establish designated solution divisions both in Tokyo and Osaka
- ✓ Enhance efficiency in transactions with small enterprises
Core channel: SME support centers
Core products: New business loan, loans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



Focus on 5 core businesses: Loans to individuals

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

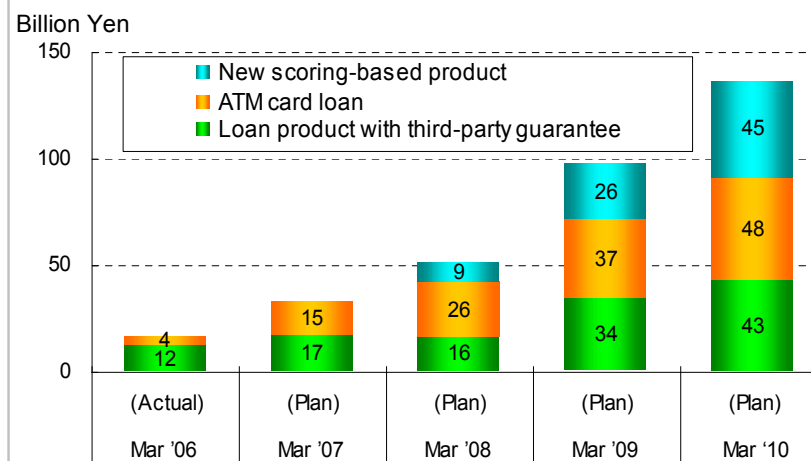
Amount of housing loans to be extended (including HLC “Flat 35”)



- ✓ **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

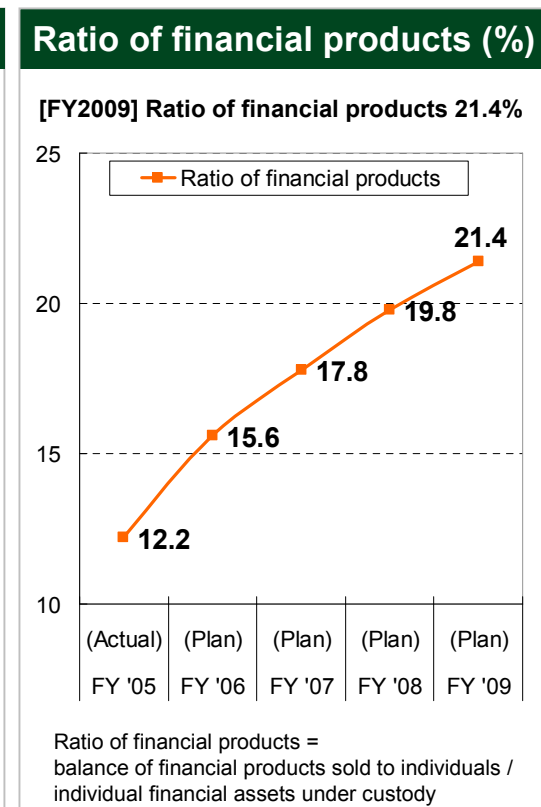
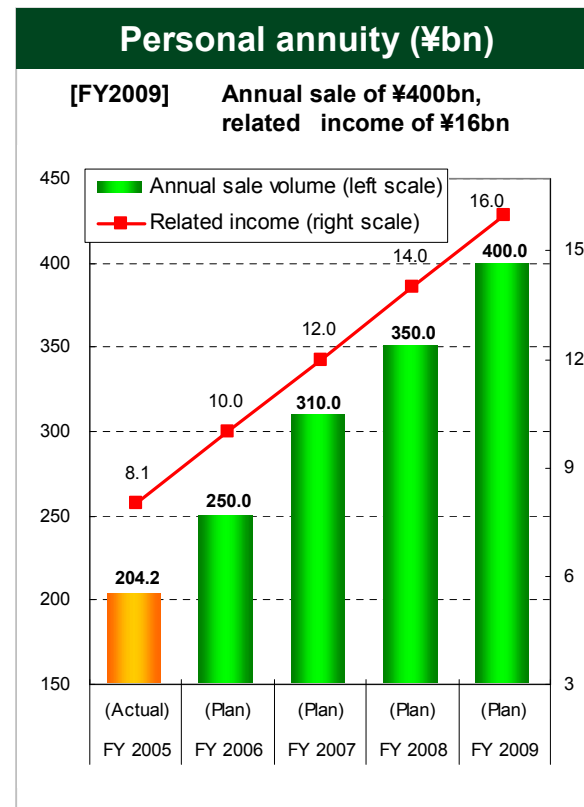
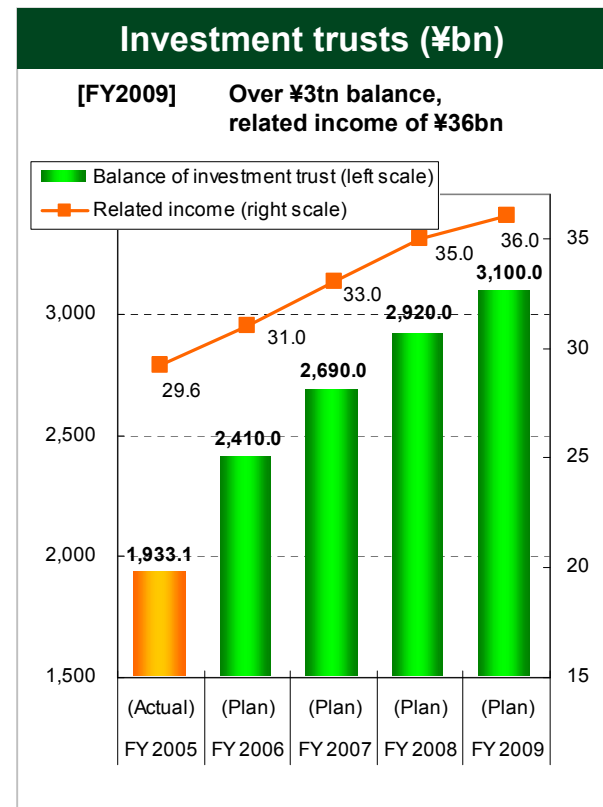
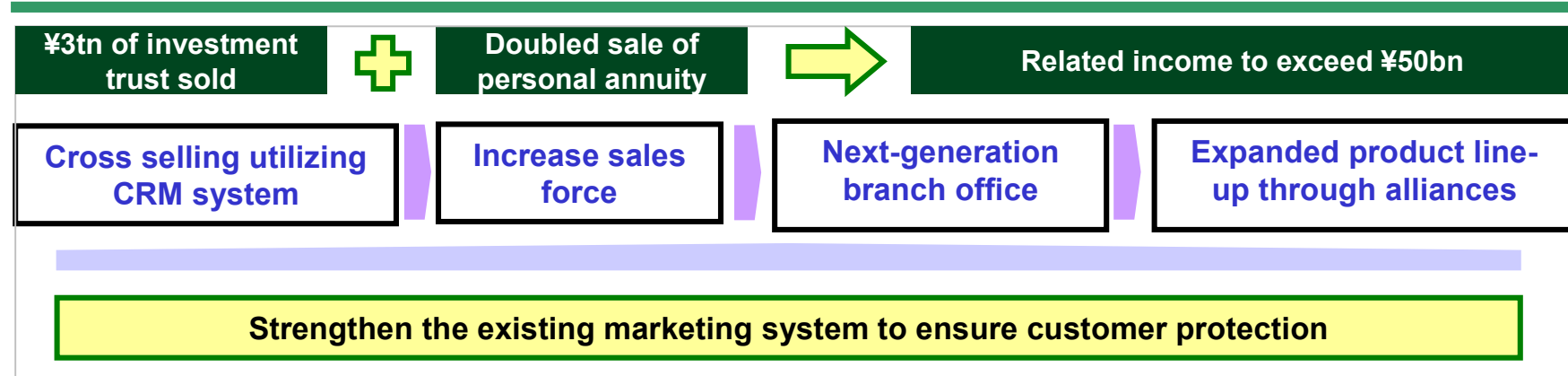
Balance of heavy promotion consumer loan products to exceed ¥100bn

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



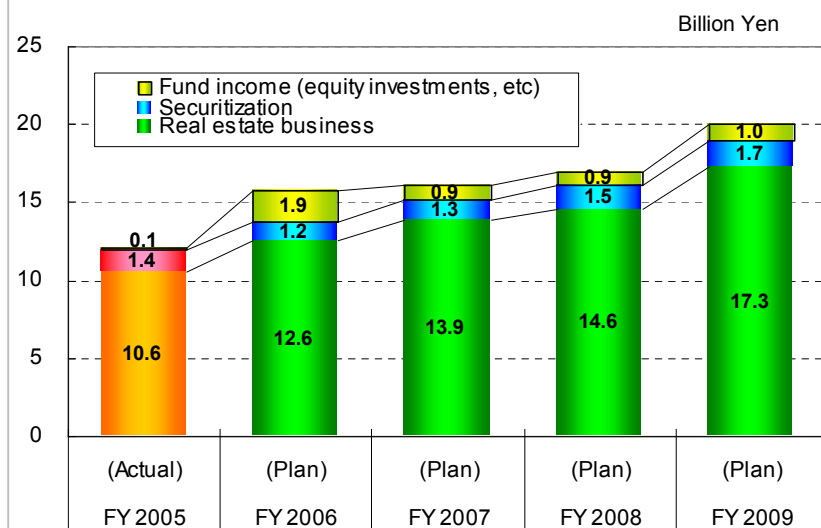
Focus on 5 Core Businesses: Real Estate, Pension and Corporate Trust Businesses

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

Real estate business (Resona Bank)

■ Income from real estate business to exceed ¥20bn

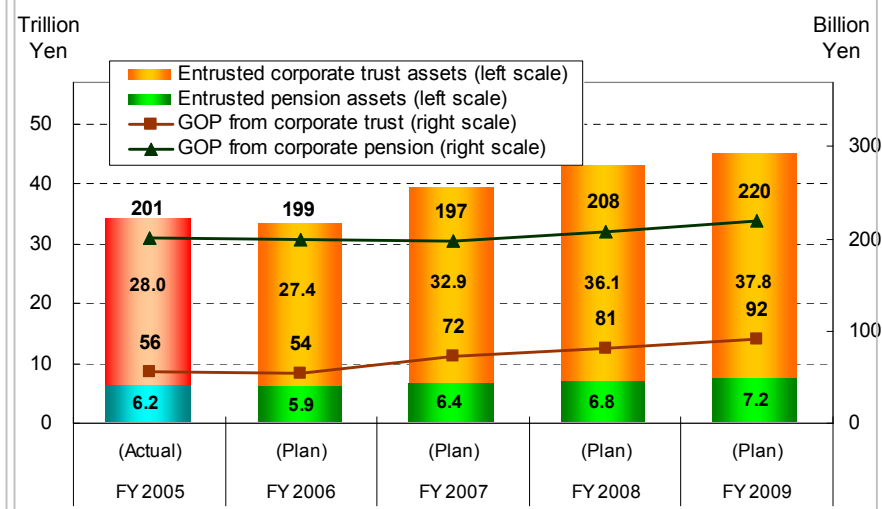
- ✓ Provide group banks' customers with Resona Bank's real estate functions upon their requests
- ✓ Provide family-business owners with Resona's real estate services
- ✓ Strengthen securitization business
 - > Establish a Resona real estate fund



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

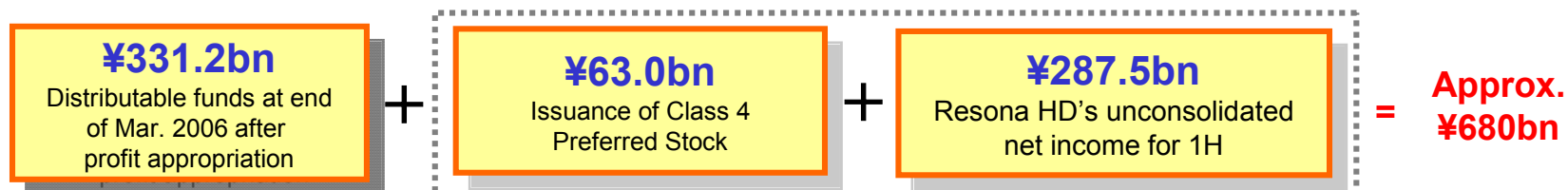
Accelerated accumulation of financial resources for repayments

- ✓ 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%

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] 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%

[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.