

Formulation of a New Plan for Strengthening Earnings by Kinki Osaka Bank

The Kinki Osaka Bank, Ltd. (Kinki Osaka Bank," President: Yasuhiro Takatani), a fully owned subsidiary of Resona Holdings, Inc., formulated a new plan to further strengthen its earnings as it posted a net loss of 28.5 billion yen for the first half of fiscal 2002 as a result of write-offs and additions to reserves based on the self-assessment of asset quality implemented under very stringent criteria.

Outline of the plan is summarized as follows:

Rationalization Measures

Kinki Osaka Bank plans to reduce its general and administrative expenses for fiscal 2003 to 61.0 billion yen, a reduction of 7.6 billion yen compared with the actual result of fiscal 2001.

1. Abolition or integration of branch offices

[Number of head and branch offices]

	Number of head and branch offices	Comparison with the peak figure (229 offices at the end of March 2001)
End of September, 2002 [Actual]	168	Reduction of 61 offices (Rate of reduction: 26%)
End of March, 2004 [Plan]	135	Reduction of 94 offices (Rate of reduction: 41%)

2. Reduction of employees

[Number of head and branch offices]

	Number of employees	Comparison with the peak figure (4,464 in February 2001)
End of September, 2002 [Actual]	3,906	Reduction of 558 employees (Rate of reduction: 13%)
End of March, 2004 [Plan]	3,100	Reduction of 1,364 employees (Rate of reduction: 31%)

Strengthening of Sales Activities

Kinki Osaka Bank will raise its gross operating profit to 91.0 billion yen in fiscal 2003, an increase of 4.0 billion yen compared with the actual result of fiscal 2001. Principal measures are as follows:

1. Increase loans to small & medium-sized enterprises
Reinforcement of promotion channel such as SME Support Center, etc.
Introduction of new products that closely reflect customers' needs
Consideration given to introduction of the scoring system adopted by Asahi Bank

2. Strengthening sales of housing loans
 - Building strong relationship with contractors
 - Cooperation with credit guarantee companies for swift application screening
 - Increase housing loan balance to 1.06 trillion yen by the end of March 2004
(an increase of 140 billion yen compared with the balance at the end of March 2002)
3. Strengthening sales of investment trusts and trust agency business
 - Assignment of fund management advisers in all branch offices
 - Increase the balance of investment trust to 180 billion yen by the end of March 2004.
(an increase of 150 billion yen)
 - Strengthening trust agency business to increase agency fee income
4. Shifting resources to sales front
 - Streamlining head office and dispatching approximately 100 staffs to branch offices

Net Operating Profit

Core net operating profit, which is considered an appropriate indicator to measure the basic profitability, has been steadily improving thus far. However, Kinki Osaka Bank will step up its efforts to strengthen its earnings further by implementing the measures outlined above. As is shown in the table below, Kinki Osaka Bank aims at achieving 30.0 billion yen of net operating profit for fiscal 2002.

*Core net operating profit = net operating profit + transfer to general reserve - net gains from bond-related transactions

(Billion Yen)	FY 2001	FY 2002	FY 2003		FY 2004	FY 2005
			1 st Half			
Actual Results or Plan	11.7 [Actual]	18.1 [Actual]	11.9 [Actual]	23.4 [Plan]	30.0 [Plan]	
(Reference) Previous Plan *1		17.5 [Plan]		22.6 [Plan]	26.3 [Plan]	29.5 [Plan]

*1. Management Revitalization Plan formulated and announced by Kinki Osaka Bank in March 2001.

*2. The plans for fiscal 2005 and after will be formulated hereafter in line with the planned reorganization of banking subsidiaries in Osaka region.