



BANK OF YOKOHAMA

*Interim Report*  
*Six months ended September 30, 2002*

THE BANK OF YOKOHAMA, LTD.

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## Consolidated Financial Highlights

The Bank of Yokohama, Ltd. and Consolidated Subsidiaries  
Six months ended September 30, 2002

At September 30, 2002	Millions of yen	Thousands of U.S. dollars
Total assets	¥10,145,536	\$82,753,148
Deposits	8,739,518	71,284,812
Loans and bills discounted	7,589,991	61,908,573
Securities	1,118,903	9,126,452
Total stockholders' equity	445,560	3,634,258
Common stock	184,803	1,507,365

Six months ended September 30, 2002

Total income	¥ 141,870	\$ 1,157,178
Total expenses	137,921	1,124,967
Income before income taxes and minority interests	3,949	32,210
Interim net income	2,046	16,688

Dividends declared per share

(yen and U.S.dollars)	¥	—	\$	—
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Note: U.S. dollar amounts are translated, for convenience only, at the rate of ¥122.60=\$1.00, as of Sept. 30, 2002.

## Message from the President

### Overview and Performance

"We have maintained net business profit at a high level in the severe economic environment."

The Japanese economy started to show a mild recovery at the beginning of the fiscal year in response to export increases following overseas economic recovery, and other factors. However, uncertainties on the future outlook have increased since this past summer due to fears of a slowdown of the US economy and a decline in the Japanese equity market.

In this economic environment, the Bank has made efforts to reinforce its structure and expand its business performance in order to meet the expectations of all customers and shareholders and uphold its role in development of the regional economy.

For the current interim period, we have carried out cost reduction steadily and surely in addition to strengthening earning power by concentrating on sales activities specializing in regional retail (local small- and medium-sized enterprises and individuals transactions) business. As a result, we have maintained both gross operating income and net business profit at a high level.

However, interim net income was restricted to be ¥2,988 million (non-consolidated bases) mainly due to an increase in the amount of impairment losses affected by falling share prices.

In the banking industry, the movement to aim to increase earning power has been activated through rationalization of business and more appropriate pricing in addition to participation in new businesses such as sales of individuals pension insurance, etc. Furthermore, in an environment where the economic slump has been prolonged, measures to deal with bad debts have remained an important issue, and substantiation of financial services by each financial institution and the strengthening of management structure are now further demanded.

In these circumstances, the Bank, together with the entire Group, has been dealing with strengthening the sales force specializing in regional retail business in Kanagawa Prefecture and the southwest Tokyo, improving transaction conditions more precisely suitable for risk and cost to carry out the smooth provision of funds, and establishing low cost operational conditions by carrying out a thorough review of business structure.

### Establishing Efficient Business Operations

"We will construct an efficient business model by strengthening the regional retail sales capability and establishing an operational system based on a small, well-trained staff."

In the future, we will continue to concentrate management resources on regional retail business, and spare no effort in rationalization and shifting to a greater efficiency.

Specifically, we will provide high quality products and services which will meet customer needs by increasing convenience for customers through enhanced use of information for which our dense branch network and IT (Information Technology), etc. are utilized, and at the same time developing new products and making an effective use of intellectual assets that each employee possesses.

On the other hand, we set up the Committee for strengthening sales capabilities this November to carry out sales activities based on a small, well-trained staff. We will examine and plan measures to strengthen the sales force and deal with concrete measures at an early stage. At the same time, we will review business conditions and the structure of expenses and investment.

With regard to our branch network, we aggregated the number of branches with full banking functions to 58, while at the same time increasing the number of branches with specialized functions to 98 and the number of housing loan centers to 25. We constructed a branch network closely linked to the local region. In addition, we attempt to enhance more effective placement of our staff, and appoint strongly-motivated younger personnel as a general manager of a branch, in order to activate human resources and organizations.

By taking these various measures, we will lower OHR\* to approximately 45%, which can be said to be the top level among domestic financial institutions by the end of fiscal 2003.

\* The overhead ratio is defined as the ratio of expenses to gross operating income (excluding gains or losses on government bonds and other bonds)

### Assuring Sound Management Structure

"We will increase soundness of management by enhancing risk management in addition to downright bad debt disposal."

We have largely reduced credit risk by improving asset quality in the past.

We will continue to carry out strict management where risk diversification of asset portfolios is considered important. At the same time, we will deal with strengthening preservation and bad debt disposal in a positive manner and carry out appropriate control of credit risk.

Furthermore, the Bank evolved 'ROA Promotion' mainly at the corporate business division, and has dealt with securing an interest level which meets with credit costs. Since this June we have deducted a certain sum of risk volume as capital cost and have been dealing with making transaction conditions even more precise to cover risk costs more appropriately by introducing an interest rate guideline based on a value added sum, which is profit after its deduction.

The Bank's capital adequacy ratio (on a consolidated basis) as of September 30, 2002 increased by 0.26 points to 10.98% (unaudited) from the figure at the end of last fiscal year, which is substantially higher than the 4% standard set for domestic banks.

Our basic policy to increase the capital adequacy ratio is to accumulate retained earnings steadily. If the anticipated conversion of convertible bonds amounting to ¥60.0 billion issued last year to equity shares is progressed smoothly, the capital adequacy ratio will further increase, and the capital base is expected to be largely substantiated and stabilized.

Through these efforts, the Bank, together with the entire Group, will establish a strong management structure and aim to create a 'bank that regional customers can always trust' which is targeted in our medium-term management plan, 'Innovation 21 Stage 3' which is expected to be completed in fiscal 2002.

December 2002



Sadaaki Hirasawa  
President

## Consolidated Interim Balance Sheets

The Bank of Yokohama, Ltd. and Consolidated Subsidiaries  
September 30, 2002 and 2001

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
<b>ASSETS:</b>			
Cash and due from banks	¥ 391,342	¥ 290,247	\$ 3,192,023
Call loans	172,290	100,649	1,405,302
Commercial paper and other debt purchased	19,308	21,526	157,488
Trading assets	50,910	37,280	415,253
Securities	1,118,903	1,196,514	9,126,452
Loans and bills discounted	7,589,991	7,644,690	61,908,573
Foreign exchanges	7,168	8,346	58,467
Other assets	102,862	213,488	839,005
Premises and equipment	226,244	237,692	1,845,383
Deferred tax assets	147,929	152,506	1,206,599
Goodwill	—	213	—
Customers liabilities for acceptances and guarantees	418,318	475,756	3,412,055
Allowance for possible loan losses	(99,733)	(106,240)	(813,483)
Total Assets	¥ 10,145,536	¥ 10,272,672	\$ 82,753,148
<b>LIABILITIES:</b>			
Deposits	¥ 8,739,518	¥ 8,816,693	\$ 71,284,812
Call Money and bills sold	242	5,553	1,974
Trading liabilities	4,543	5,488	37,055
Borrowed money	226,008	264,510	1,843,458
Foreign exchanges	43	86	351
Bonds and notes	46,000	55,581	375,204
Convertible bonds	60,000	—	489,396
Other liabilities	163,712	143,377	1,335,334
Liability for employees' retirement benefits	75	193	612
Reserve for possible losses on collateralized real estate loans sold	8,468	21,325	69,070
Reserve for contingent liabilities	—	3,864	—
Reserves under special laws	0	0	0
Deferred tax liabilities	482	474	3,931
Deferred tax liabilities for land revaluation excess	23,148	23,531	188,809
Goodwill	1,641	—	13,385
Acceptances and guarantees	418,318	475,756	3,412,055
Total liabilities	¥ 9,692,204	¥ 9,816,438	\$ 79,055,498
MINORITY INTERESTS	7,771	10,963	63,385
STOCKHOLDERS' EQUITY			
Total stockholders' equity	445,560	445,270	3,634,258
Total liabilities, minority interests and stockholders' equity	¥ 10,145,536	¥ 10,272,672	\$ 82,753,148

Note: U.S. dollar amounts are translated, for convenience only,  
at the rate of ¥122.60=\$1.00, as of Sept. 30, 2002.

## Consolidated Interim Statements of Income

The Bank of Yokohama, Ltd. and Consolidated Subsidiaries  
Six months ended September 30, 2002 and 2001

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
<b>INCOME:</b>			
Interest received:			
Loans and discounts	¥ 77,586	¥ 84,313	\$ 632,838
Securities	9,626	11,736	78,515
Other	1,834	6,773	14,959
Fees and commissions	18,068	17,884	147,374
Trading profits	454	258	3,703
Other operating income	28,789	28,342	234,821
Other income	5,511	10,820	44,951
Total income	141,870	160,128	1,157,178
<b>EXPENSES:</b>			
Interest paid:			
Deposits	2,450	9,334	19,984
Other	6,380	9,872	52,039
Fees and commissions	3,572	3,064	29,135
Trading losses	65	19	530
Other operating expenses	20,434	22,579	166,672
General and administrative expenses	49,393	49,003	402,879
Other expenses	55,624	57,091	453,703
Total expenses	137,921	150,964	1,124,967
<b>INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS</b>	<b>3,949</b>	<b>9,163</b>	<b>32,210</b>
<b>INCOME TAXES:</b>			
Current	1,077	848	8,785
Deferred	642	2,388	5,237
<b>MINORITY INTERESTS IN NET INCOME (LOSS)</b>	<b>182</b>	<b>(258)</b>	<b>1,485</b>
<b>INTERIM NET INCOME</b>	<b>2,046</b>	<b>6,185</b>	<b>16,688</b>

Note: U.S. dollar amounts are translated, for convenience only,  
at the rate of ¥122.60=\$1.00, as of Sept. 30, 2002.

# Consolidated Interim Statements of Cash Flows

The Bank of Yokohama, Ltd. and Consolidated Subsidiaries  
Six months ended September 30, 2002 and 2001

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
<b>Operating Activities :</b>			
Income before income taxes and minority interests	¥ 3,949	¥ 9,163	\$ 32,210
Depreciation and amortization	16,998	18,878	138,646
Amortization of goodwill	56	56	457
Increase (Decrease) in allowance for possible loan losses	(10,523)	(9,293)	(85,832)
Increase (Decrease) in allowance for possible losses on investments	—	(70)	—
Increase (Decrease) in reserve for possible losses on collateralized real estate loans sold	(5,826)	(1,367)	(47,520)
Increase (Decrease) in reserve for contingent liabilities	(10)	86	(82)
Increase (Decrease) in liability for employees' retirement benefits	4	11	33
Interest income	(89,046)	(102,822)	(726,313)
Interest expenses	8,830	19,206	72,023
Securities gains (losses)—net	16,678	23,354	136,036
Foreign exchange losses (gains)—net	3,091	961	25,212
Losses (Gains) on disposal of premises and equipment—net	412	358	3,361
Net decrease(increase) in trading assets	1,400	81,425	11,419
Net increase (decrease) in trading liabilities	(143)	282	(1,166)
Net decrease in loans	3,472	75,443	28,320
Net increase(decrease) in deposits	(457,718)	(228,657)	(3,733,426)
Net increase(decrease) in negotiable certificates of deposit	5,081	(27,157)	41,444
Net increase(decrease) in other borrowings (excluding subordinated borrowings)	(15,202)	(22,353)	(123,997)
Net increase(decrease) in due from banks (excluding deposits at BOJ)	(30,266)	425	(246,868)
Net increase(decrease) in call loans and others	(109,040)	107,661	(889,396)
Net increase(decrease) in margin money deposited under securities lending transactions	69,316	—	565,383
Net increase(decrease) in margin money received under securities borrowing transactions	—	—	—
Net increase (decrease) in call money and others	(1,531)	(127,032)	(12,488)
Net decrease(increase) in foreign exchange (assets)	3,125	(677)	25,489
Net increase(decrease) in foreign exchange (liabilities)	(39)	(75)	(318)
Interest and dividends received	101,610	109,678	828,793
Interest paid	(11,284)	(21,980)	(92,039)
Other—net	(25,219)	(130,590)	(205,701)
Subtotal	(521,824)	(225,083)	(4,256,313)
Income tax paid	(782)	(912)	(6,378)
Net cash provided by (used in) operating activities	(522,607)	(225,995)	(4,262,700)
<b>Investing Activities :</b>			
Purchases of securities	(968,467)	(435,669)	(7,899,405)
Proceeds from sales of securities	649,524	544,637	5,297,912
Proceeds from maturities of securities	120,437	103,246	982,357
Expenditures for premises and equipment	(11,936)	(13,145)	(97,357)
Proceeds from sales of premises and equipment	1,591	2,447	12,977
Net cash provided by (used in) investing activities	(208,850)	201,516	(1,703,507)
<b>Financing Activities :</b>			
Repayments of subordinated loans	—	—	—
Proceeds from subordinated bonds and convertible bonds	—	25,000	—
Repayments of subordinated bonds and convertible bonds	(9,997)	—	(81,542)
Exercise of warrants	7	—	57
Dividends paid	(7,049)	(3,524)	(57,496)
Dividends paid to minority interests stockholders	(20)	(20)	(163)
Purchase of treasury stock	(93)	(53)	(759)
Proceeds from sales of treasury stock	50	152	408
Net cash provided by (used in) financing activities	(17,101)	21,554	(139,486)
<b>Foreign currency translation adjustments on cash and cash equivalents</b>	(30)	(13)	(245)
<b>Net increase (decrease) in cash and cash equivalents</b>	(748,589)	(2,937)	(6,105,946)
<b>Cash and cash equivalents, beginning of term</b>	1,069,096	241,759	8,720,196
<b>Cash and cash equivalents, end of interim term</b>	320,506	238,821	2,614,241

Note.U.S.dollar amounts are translated, for convenience only,  
at the rate of ¥122.60=\$1.00, as of Sept.30, 2002.



## Board of Directors and Corporate Auditors

(As of November 30, 2002)

### President and CEO

Sadaaki Hirasawa

## Management Section

### Representative Director and CRO

Kazumi Shimizu

### Representative Director and CPO

Norito Ikeda

### Representative Director and CIO

Yasunaka Fujikawa

### Directors

Koichi Okubo

Masuo Yokota

Chiyuki Okubo

## Marketing Section

### Director and COO

Hiroshi Matsuzaki

### Managing Executive Officer

Isao Yamashita

### Managing Executive Officer

Kazutaka Tsumura

### Managing Executive Officer

Kiyohito Imai

### Executive Officers

Junzo Ogita

Tadashi Mike

Shinobu Suzuki

Toshiyuki Nakamura

Soichi Ushijima

## Corporate Auditors

Hiroshi Hayakawa

Yoshihiro Nozaki

Shinsuke Kobayashi

Yutaka Ueno

## International Network

(As of December 31, 2002)

## ASIA

### Hong Kong Representative Office

Suites 2113-15, Jardine House,  
Connaught Place 1, Central,  
Hong Kong, S.A.R.,  
People's Republic of China  
Tel : 852-2523-6041  
Fax : 852-2845-9022

Chief Representative  
Tetsuto Iwaki

### Shanghai Representative Office

Room No.1411, Ruijin Building,  
205 Mao Ming Nan Lu, Shanghai,  
People's Republic of China  
Tel : 86 (21)6472-5930  
Fax : 86 (21)6472-9255

Chief Representative  
Masahiro Nakazawa

## NORTH AMERICA

### New York Representative Office

405 Park Avenue, Suite 1101  
New York, NY 10022, U.S.A.  
Tel : 1 (212)750-0022  
Fax : 1 (212)750-8008

Chief Representative  
Shoichi Ohama

## EUROPE

### London Representative Office

40 Basinghall Street,  
London EC2V 5DE, U.K.  
Tel : 44 (20)7628-9973  
Fax : 44 (20)7638-1886

Chief Representative  
Masaki Kimura

## Corporate Data

(As of September 30, 2002)

### Establishment:

December 16, 1920

### Branches

and Offices : 188

Domestic : 184

Overseas : 4

**Employees** : 4,178

### Paid-in Capital:

¥184,803 million

**Capital Adequacy Ratio** (Consolidated) :  
10.98%

**Stockholders** : 28,491  
(Incomplete stock units  
are not included)

### Stock Listing:

First Section of  
Tokyo Stock Exchange

### Head Office:

1-1, Minatomirai  
3-chome, Nishi-ku,  
Yokohama, Kanagawa  
220-8611, Japan  
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CEO=Chief Executive Officer  
COO=Chief Operating Officer  
CRO=Chief Risk-Managing Officer  
CPO=Chief Personnel Officer  
CIO=Chief Information Officer