



Bank of Yokohama

Information Meeting

~Interim Financial Results for FY2007~

November 27, 2007

The Bank of Yokohama, Ltd.



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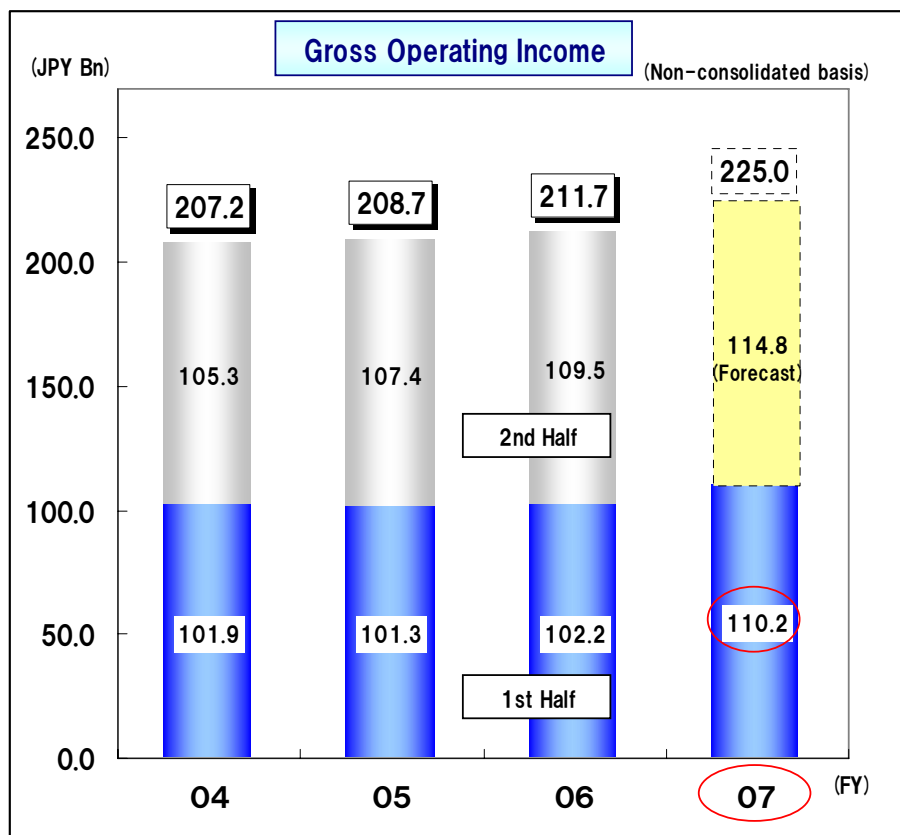
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1. Operating Performance

1. Operating Performance

(1) Gross Operating Income

- FY07 1st Half: Gross Operating Income increased by **JPY8.0Bn (+7.8%)** to **JPY110.2** from FY06 1st Half,
- “Core Base” Income (Domestic interest Income + Fees & Commissions) increased by **JPY8.3Bn (+8.4%)** to **JPY106.0Bn** from FY06 1st Half.
- FY07 Forecast: **JPY225.0Bn** (up **JPY13.3Bn, +6.2%** from FY06) .



Comparison from FY06 1st Half

(JPY Bn)

	FY06 1st (actual)	FY07 1st (actual)	change
Gross Operating Income	102.2	110.2	+8.0
Domestic GOI	100.5	108.2	+7.7
Interest Income ^①	80.7	87.9	+7.2
Fees & Commissions ^②	17.0	18.1	+1.1
Trading Profits	0.4	0.5	+0.1
Other Operating Incom	2.2	1.5	-0.7
GOI from Int'l Operations	1.7	2.0	+0.3
Core Base GOI^{①+②}	97.7	106.0	+8.3

Factors behind the change:

A Increase in interest income +JPY7.2Bn

⇒ By improvement in interest margin reflecting
BOJ Rate Hikes & Increase in loan volume

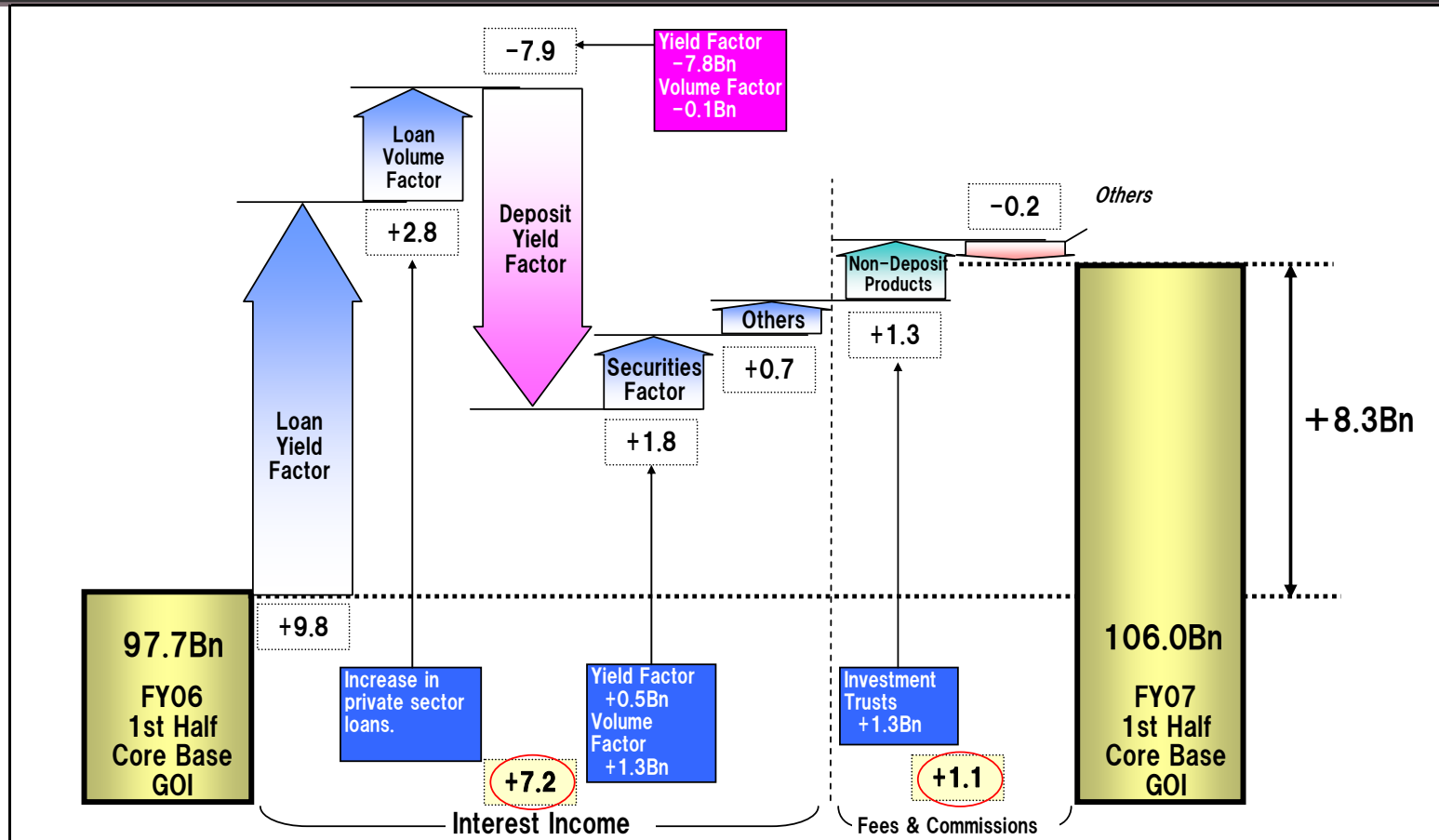
B Increase in Fee Income: +JPY1.1Bn

⇒ Increase in the sales of Non-Deposit Products

1. Operating Performance

(2) Analysis of Factors influencing Core Base GOI

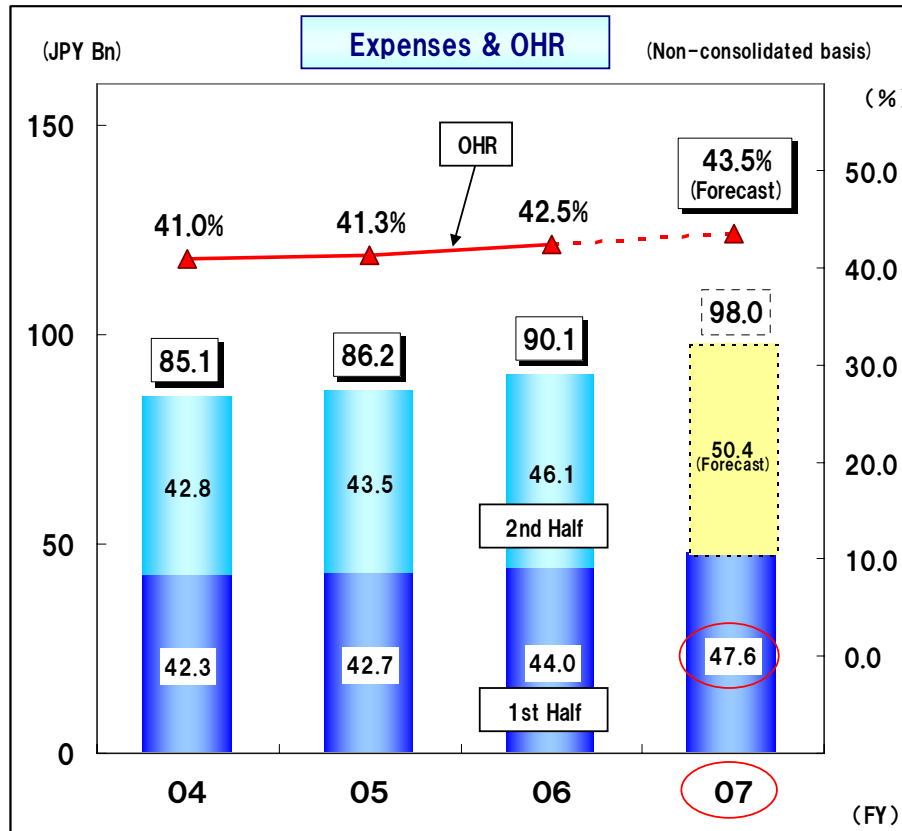
- Interest Income grew by **JPY7.2Bn** from FY06 1st Half, reflecting the effects of BOJ Rate Hikes in FY06.
- Fees & Commissions grew by **JPY1.1Bn** from FY06 1st Half, due to an increase in Non-Deposit Products related income.



1. Operating Performance

(3) Expenses & OHR

- FY07 1st Half: Expenses were **JPY47.6Bn** (+JPY3.6Bn or +8.1% from FY06 1st Half) . OHR was **43.2%**.
- FY07 Forecast: **JPY98.0Bn** (+JPY7.9Bn or +8.7% from FY06) .
- Both Personal & Non-Personal investments increase as originally planned in the Mid-Term Management Plan. OHR may jump temporarily, but will eventually settle around 41% in the final year of the Plan.



Comparison from FY06 1st Half

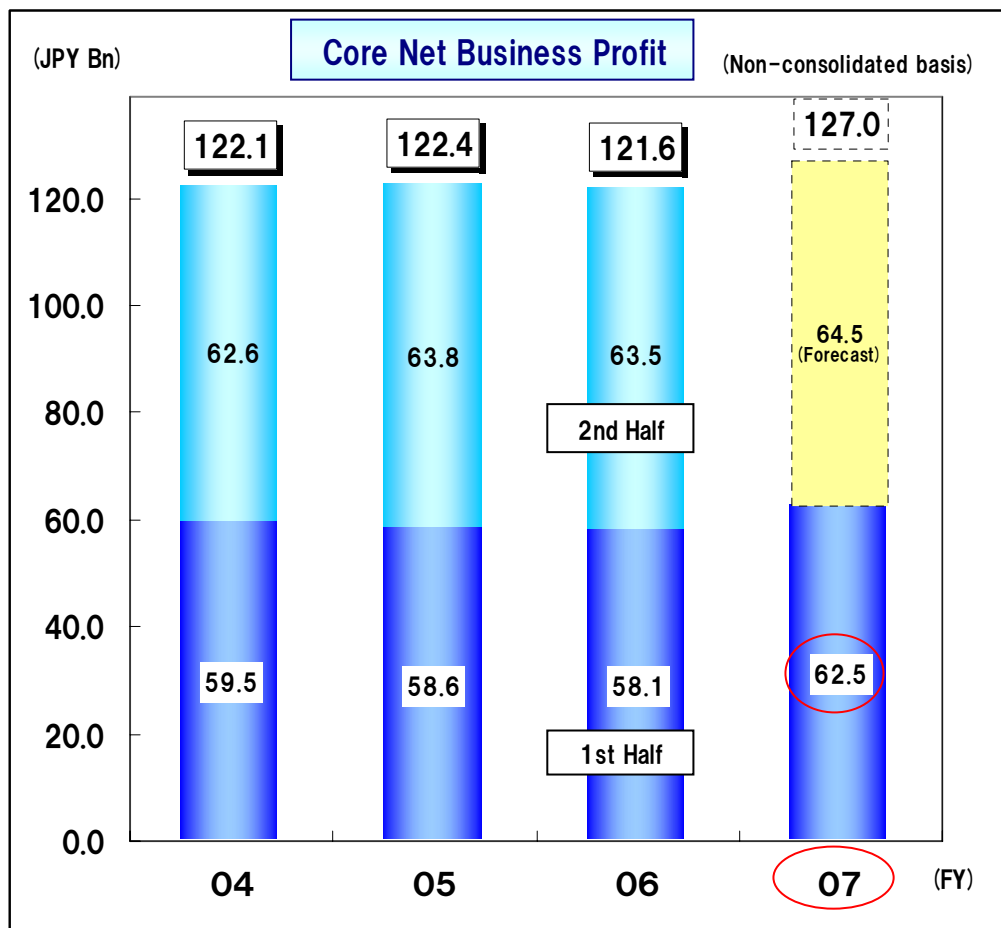
	(JPY Bn)		
	FY06 1st (Actual)	FY07 1st (Actual)	change
Expenses	44.0	47.6	+3.6
Personnel	15.5	17.9	+2.4 A
Non-Personnel	25.3	26.4	+1.1 B
Tax	3.2	3.2	0
Adjusted OHR(%)	43.1	43.2	+0.1

Factors behind the change:
A Increase in the # of personnel etc.
B Increase in investments in newly opening branches & IT related investments, and Brand Strategies etc.

1. Operating Performance

(4) Core Net Business Profit

- FY07 1st Half: Core Net Business Profit increased by **JPY4.4Bn (+7.6%)** to **JPY62.5Bn** from FY06 1st Half.
- FY07 Forecast: Up **JPY5.4Bn (+4.4%)** from FY06 to **JPY127.0Bn**.



Comparison from FY06 1st Half

(JPY Bn)

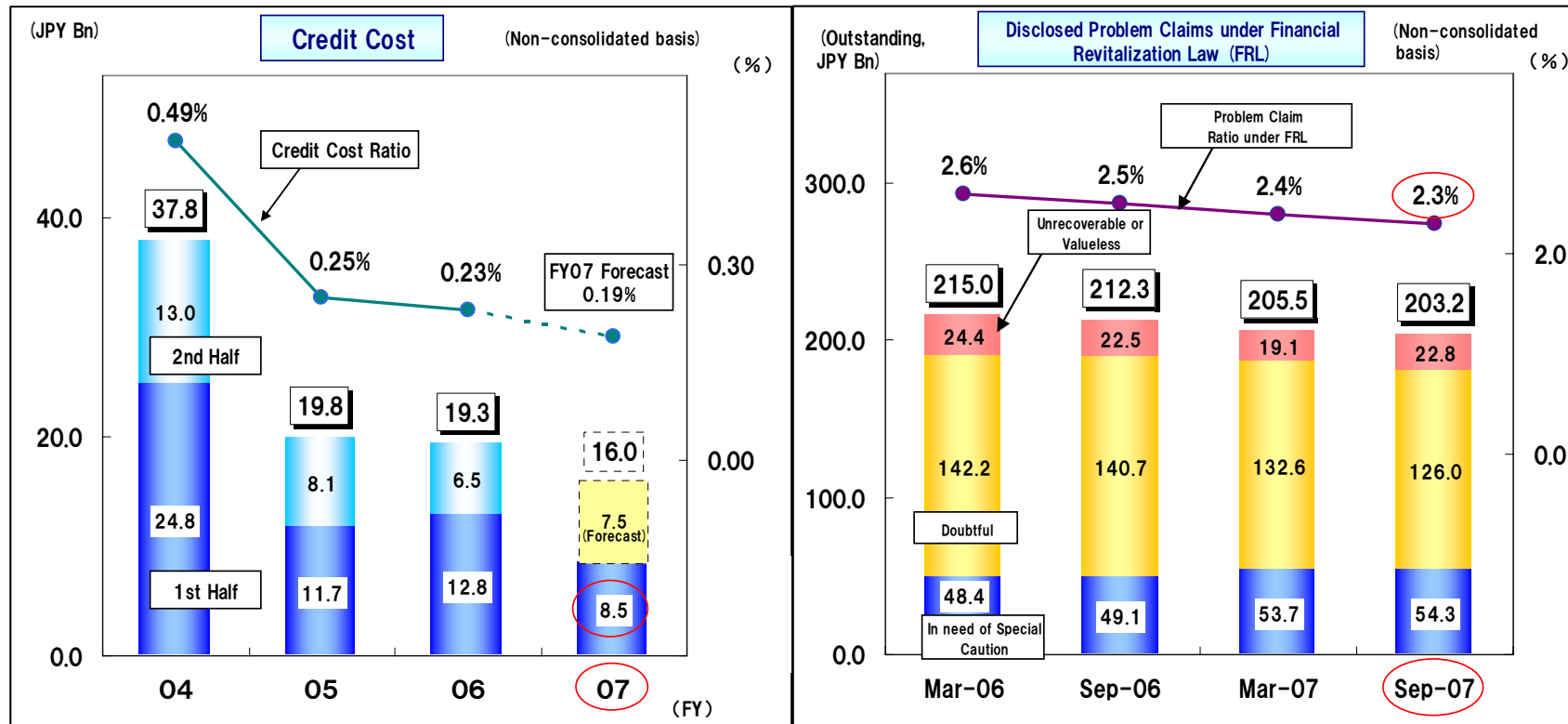
	FY06 1st (actual)	FY07 1st (actual)	change
Core Net Business Profit	58.1	62.5	+4.4
ROE(Core Net Business Profit)	17.12%	17.52%	+0.40%
ROA(Core Net Business Profit)	1.11%	1.14%	+0.03%

Factors behind the change:
Increase in Gross Operating Income +JPY8.0Bn
Increase in Expenses -JPY3.6Bn

1. Operating Performance

(5) Credit Costs & Problem Claims Ratio

- FY07 1st Half: Credit Costs decreased by **-JPY4.3Bn (-33.5%)** from FY06 1st Half to **JPY8.5Bn**.
- FY07 Forecast: **JPY16.0Bn (-17.4%** from FY06 1st Half). Credit Cost Ratio is expected to be **0.19%**.
- The end of FY07 1st Half: Problem Claims Ratio decreased to **2.3%**.



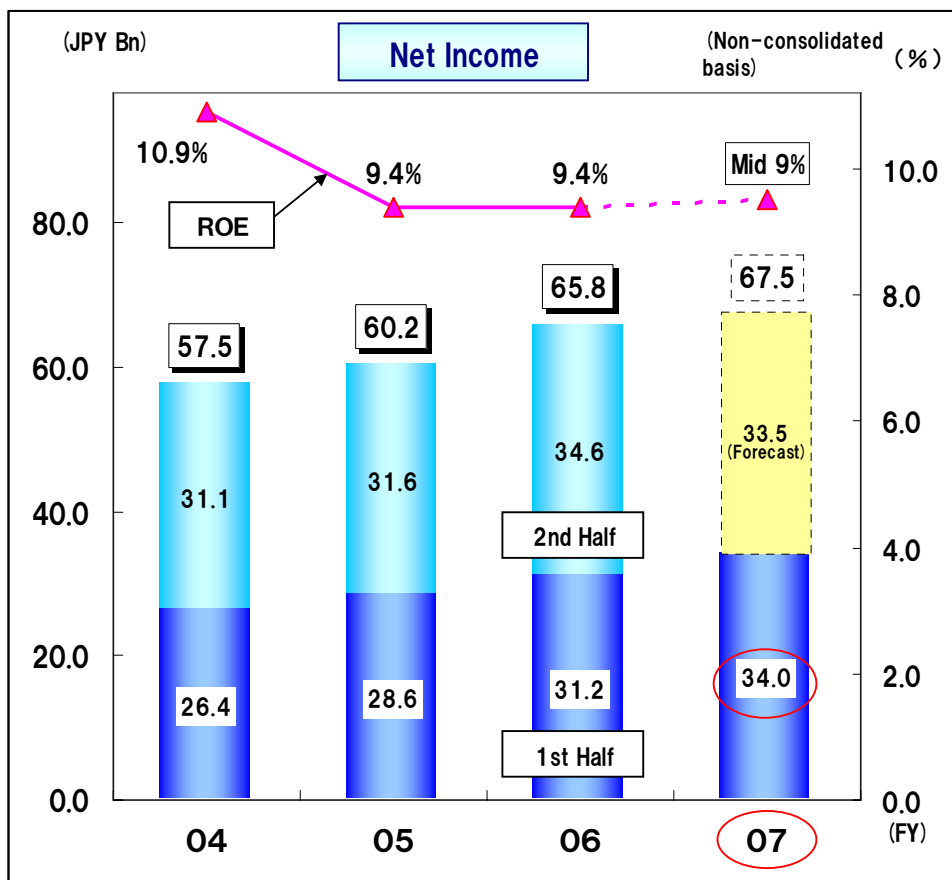
(Note1) Credit Costs = Disposal of bad debts + Transfer to Allowance for possible loan losses - Reversal of Allowance for possible loan losses (Special Gains)

(Note2) Credit Cost Ratio = Credit Costs ÷ Average loan balance

1. Operating Performance

(6) Net Income

- FY07 1st Half: Interim Net Income increased to **JPY34.0Bn** (+JPY2.8Bn or +8.9% from FY06 1st Half).
- FY07 Forecast: Up **JPY1.7Bn** to **JPY67.5Bn** (+2.5% from FY06).
- FY07 Forecast: ROE is expected to be around **mid-9%**.



(Note) ROE = Net Income ÷ Net Asset(Average)

Comparison from FY06 1st Half

	(JPY Bn)		
	FY06 1st (Actual)	FY07 1st (Actual)	change
Interim Net Income	31.2	34.0	+2.8
ROE (Interim Net Income)	9.2%	9.5%	+0.3%

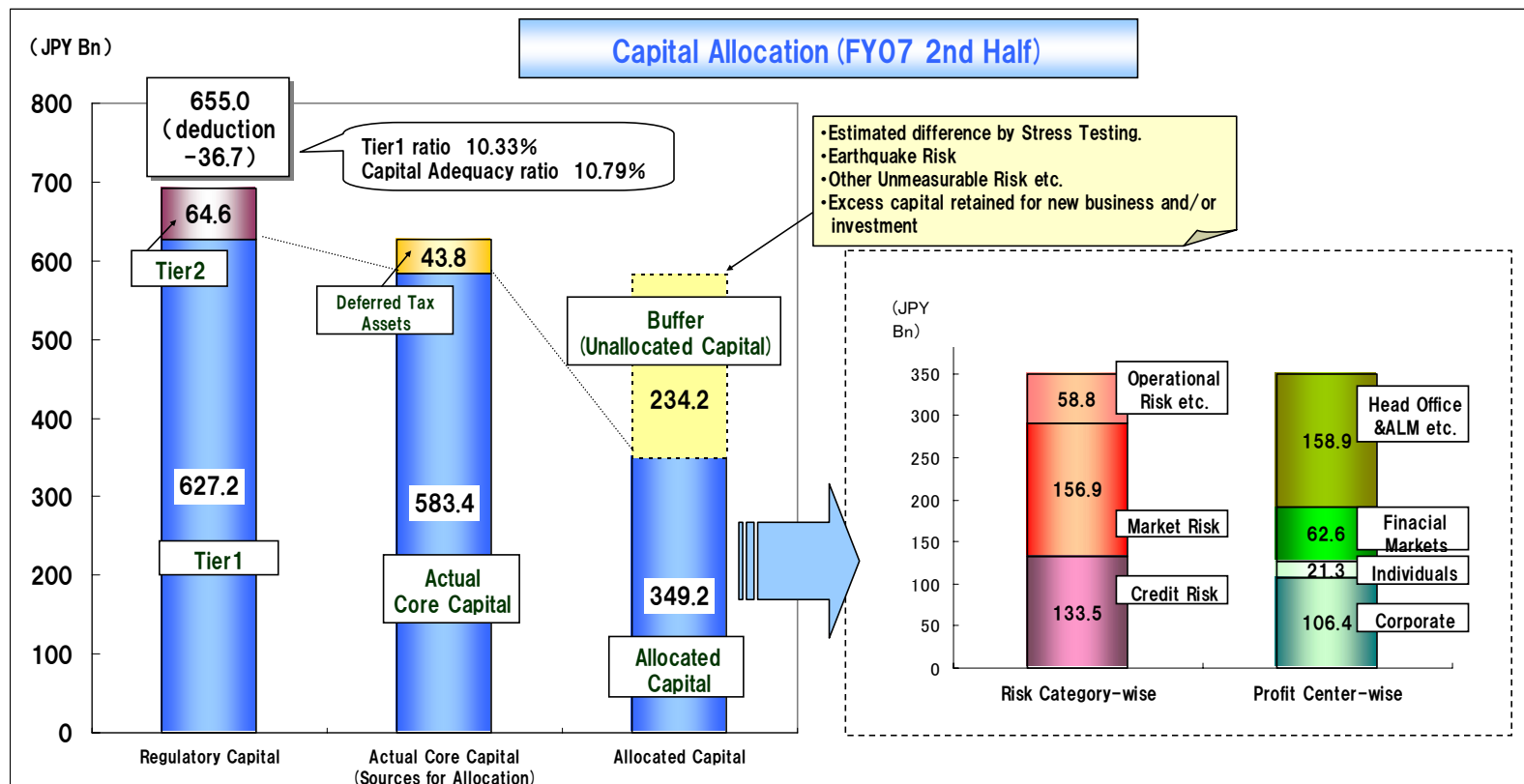
Factors behind the change:

Increase in Core Net Business Profit: +JPY4.4Bn
Decrease in Credit Cost: +JPY4.3Bn
Decrease in Stock related gain etc.: -JPY3.3Bn

1. Operating Performance

(7) Capital Allocation

- The end of FY07 1st Half (consolidated basis) : Tier1 Ratio was **10.33%**, Capital Adequacy Ratio was **10.79%**.
- Strictly managing Risk & Return by allocating capital according to both Risk Category-wise and Profit Center-wise, securing considerable amount of “buffer” reflecting stress tests.

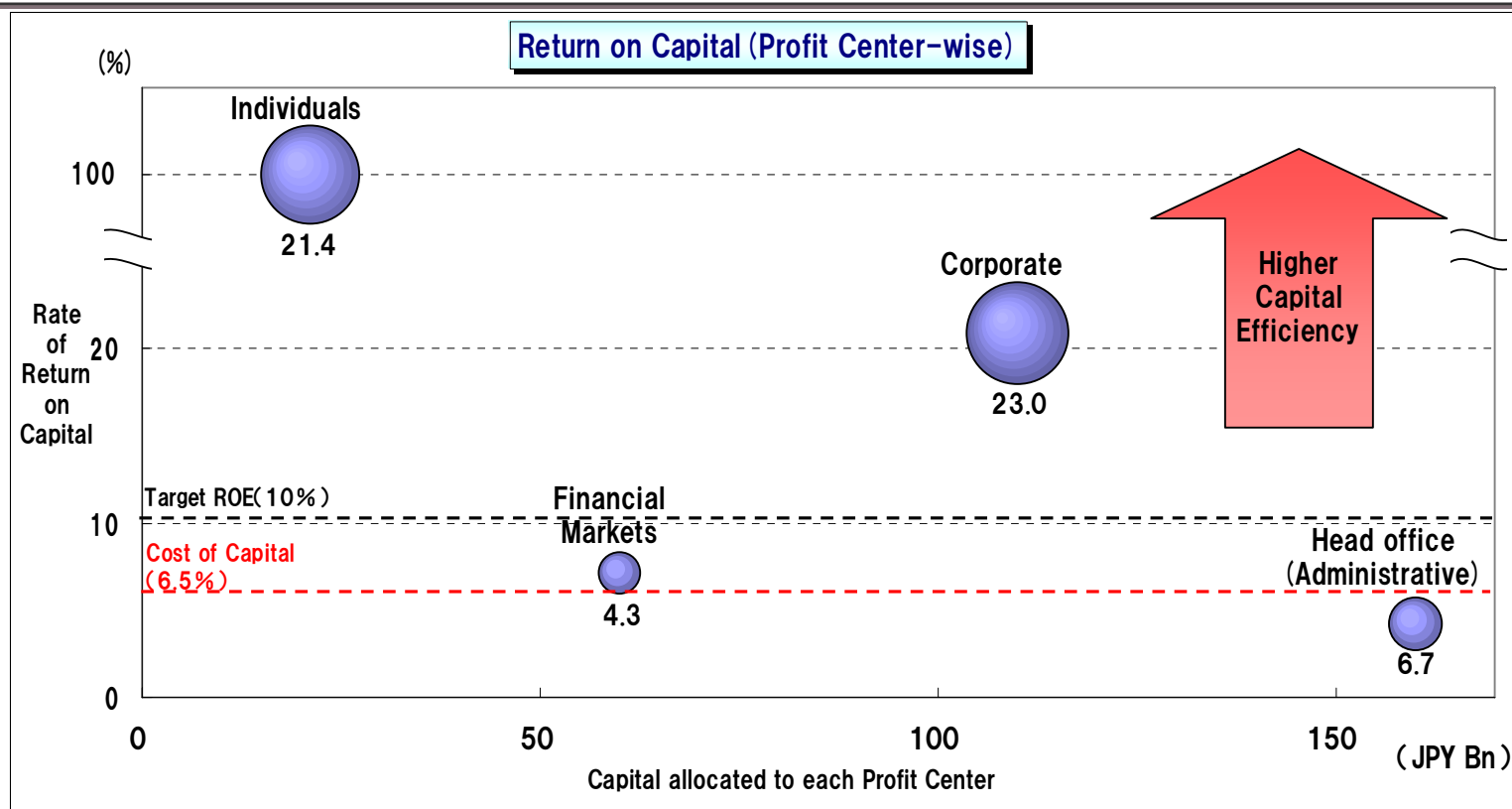


(Note 1) Market Risk: Interest rate fluctuating risk related to Loans, Deposits, securities held to maturity, and securities price fluctuating risk.
 (Note 2) Operational Risk etc.: Operational risk, Liquidity risk and other risks.

1. Operating Performance

(8) Return on Capital (Profit Center-wise)

- The average return on capital allocated to all the profit centers (asset business only) was **16%**, outperforming target ROE and Cost of capital.
- Return on capital in Individual and Corporate Sectors indicates higher profitability, and we will continue to maximize profits by investing our management resources in both sectors.



(Note 1) Figures under each bubble: Profit Center-wise after-tax profits in JPY Bn, twice the forecasted figures for FY07 2nd Half.

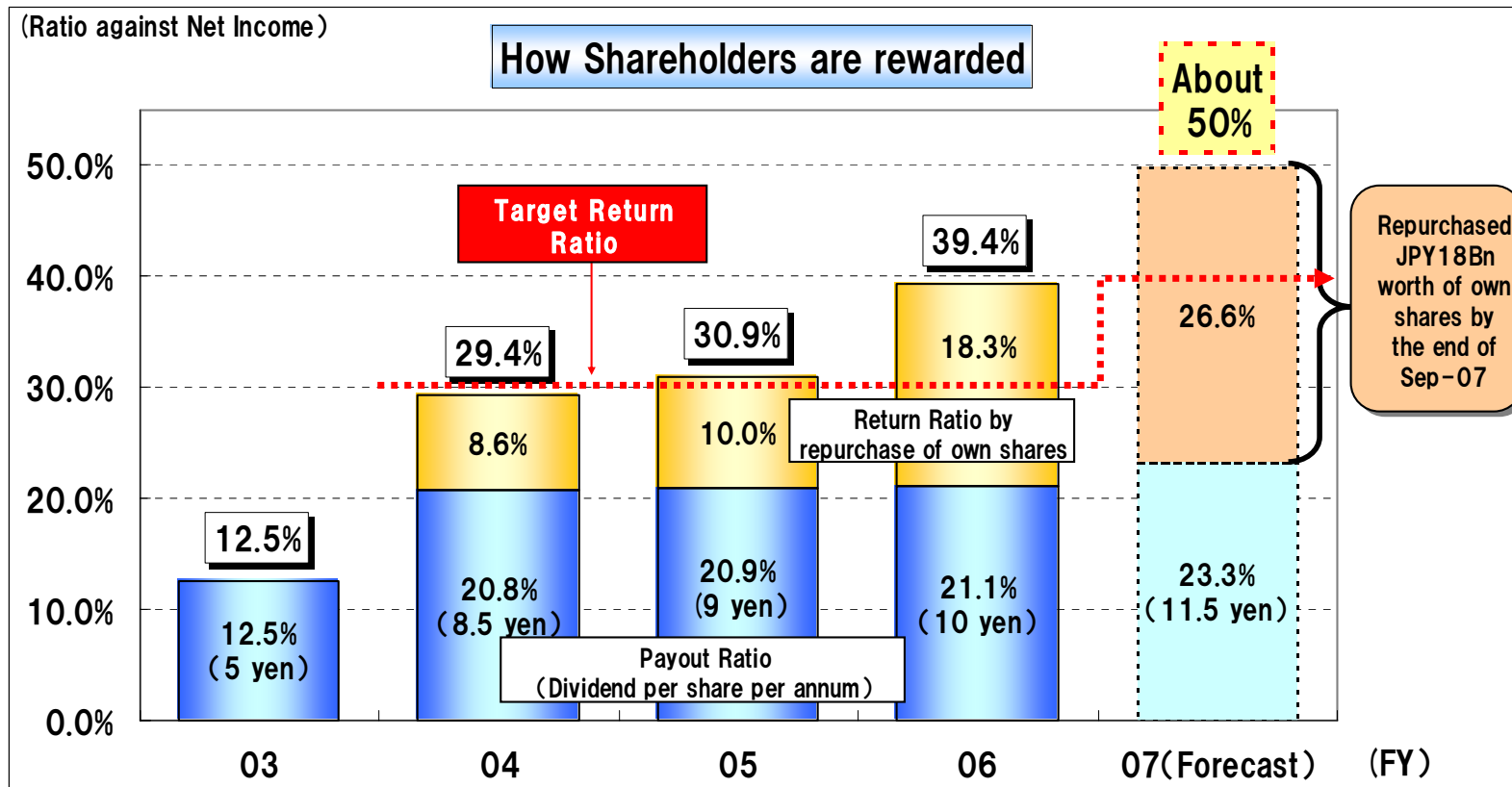
(Note 2) Profit Center-wise profits = Credit Cost Adjusted Income × (1 - 40% [tax])

(Note 3) Cost of Capital = JGB (10Y) Yield (1.5%) + Risk premium (5.0%)

1. Operating Performance

(9) Shareholder Return

- Payout Ratio: Expected to increase to **23.3%** in FY07 with dividend expected to rise by JPY1.5 per share.
- Shareholder Return Ratio: Expected to be around **50%** in FY07, after raising the target ratio from 30% to **40%**, thereby aggressively repurchasing own shares.



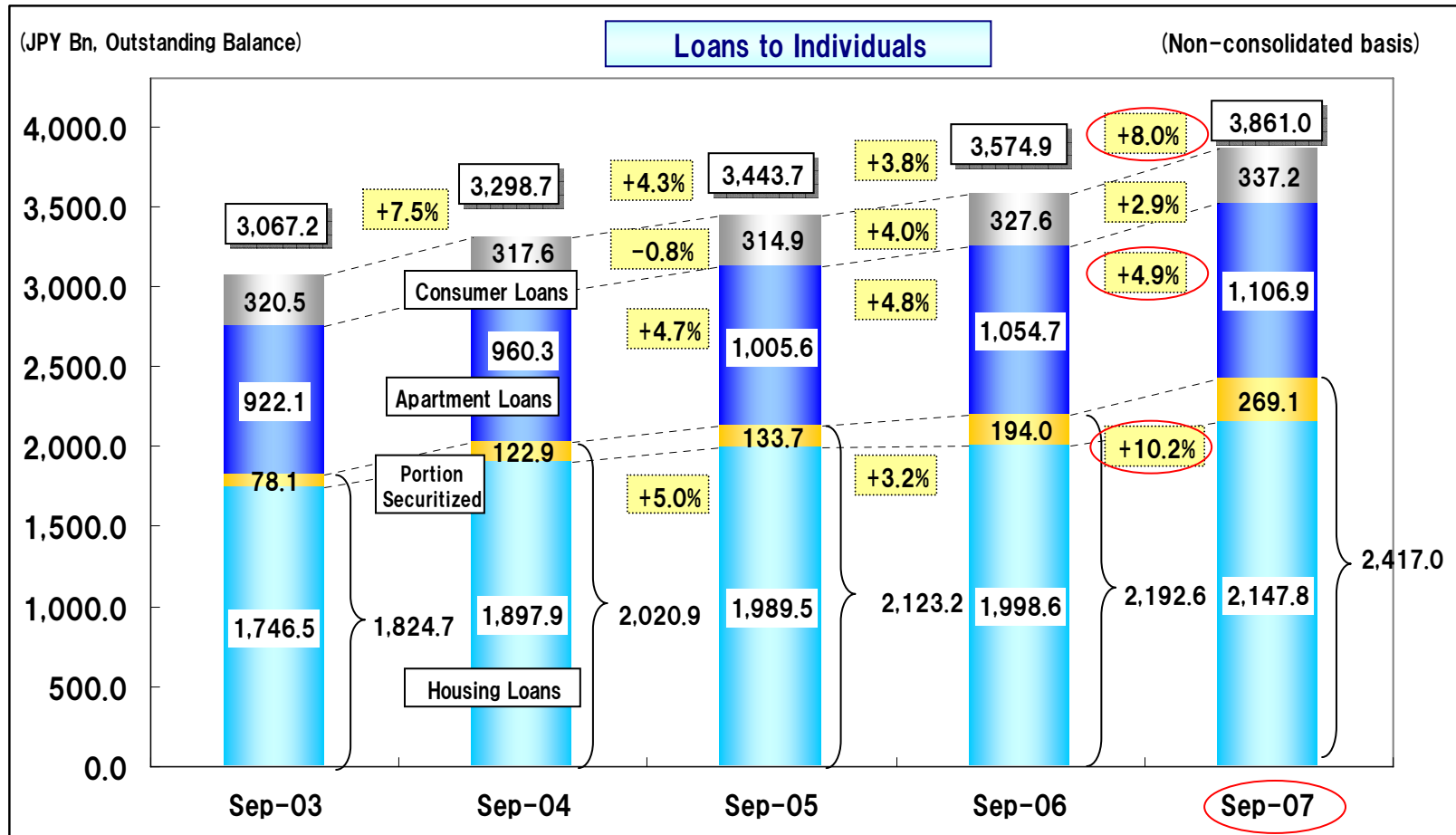
(Note) FY07 Forecast figures are calculated on condition Net Income meet the officially forecasted Net Income for FY07.

2. Business Performance

2. Business Performance

(1) Loans to Individuals

- Sep-07: Loans to Individuals grew steadily (+8.0% from Sep-06), despite competition getting even tougher.
- Housing Loans grew +10.2%, and Apartment Loans grew +4.9% from Sep-06.

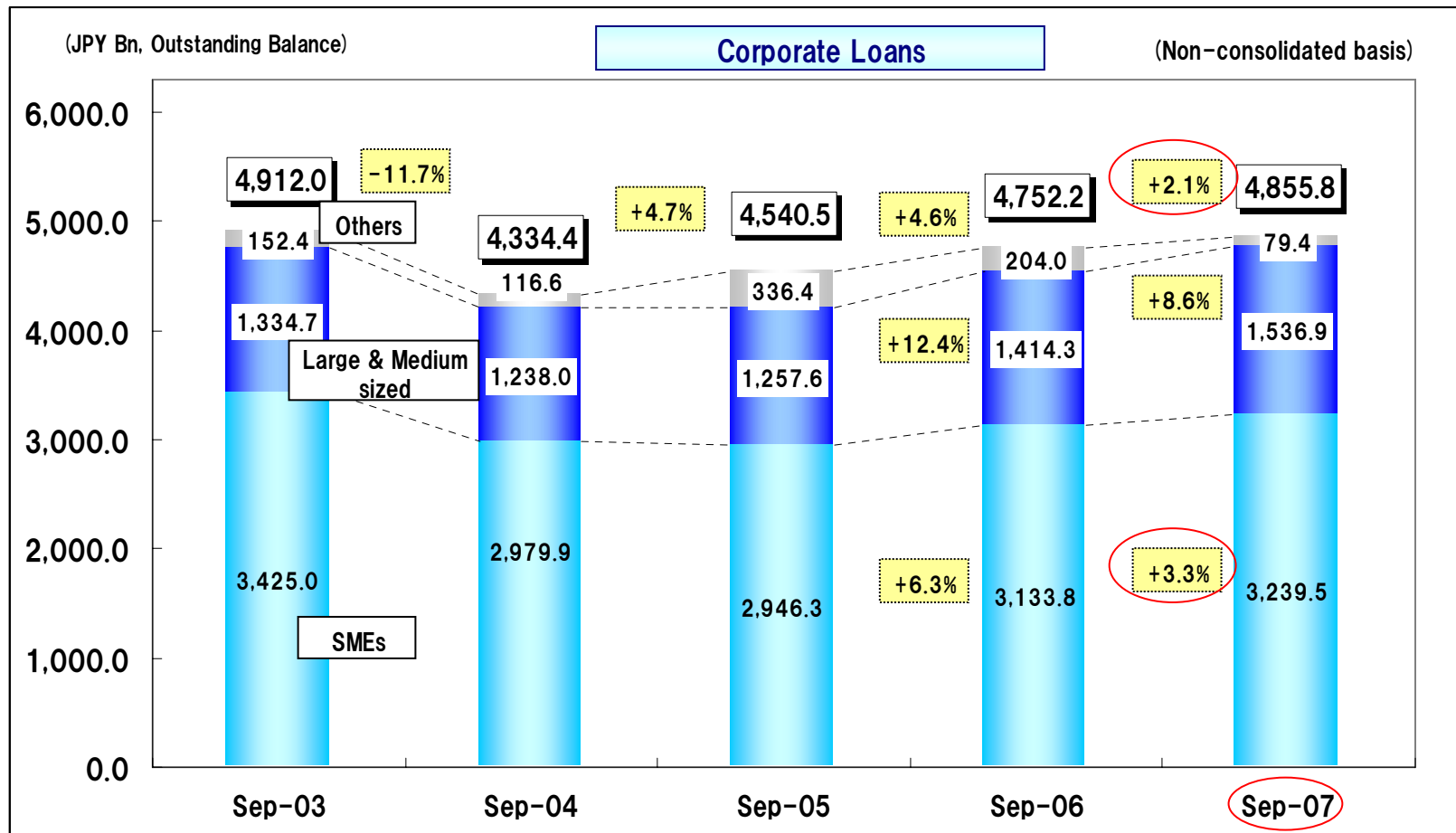


(Note) A portion of housing loans that has been securitized is included.

2. Business Performance

(2) Loans to Corporations

- Sep-07: Corporate Loans grew by **+2.1%** (Up **JPY103.6Bn** from Sep-06).
- Loans to SMEs also maintained an upward momentum (**+3.3%** from Sep-06).

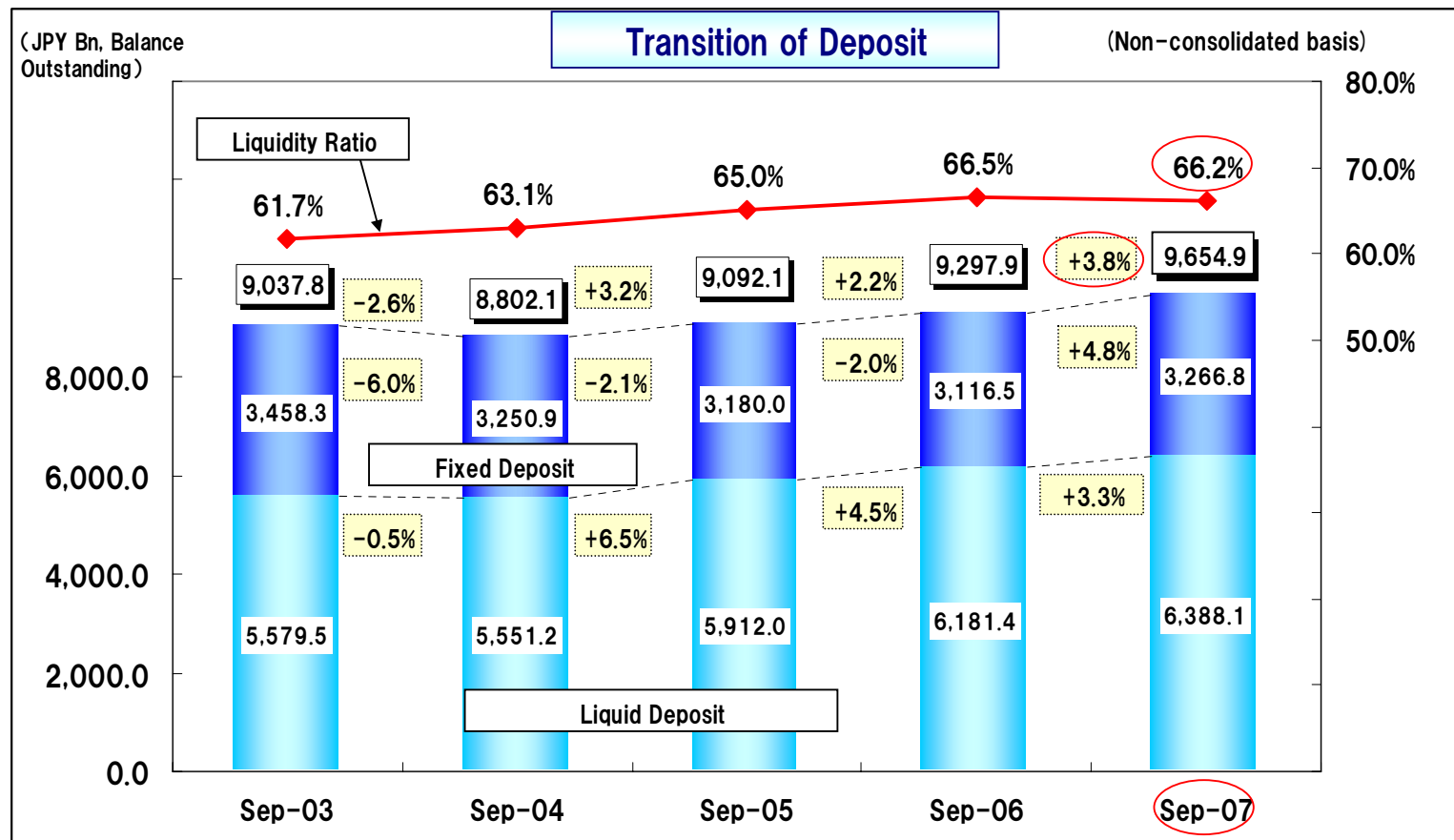


(Note) "Others" include loans to public and public related sectors.

2. Business Performance

(3) Deposits

- Sep-07: Deposits grew by **+3.8%** from Sep-06, maintaining an upward trend.
- Liquidity ratio is **66.2%**, maintaining the highest level among regional banks. (Average 52%)



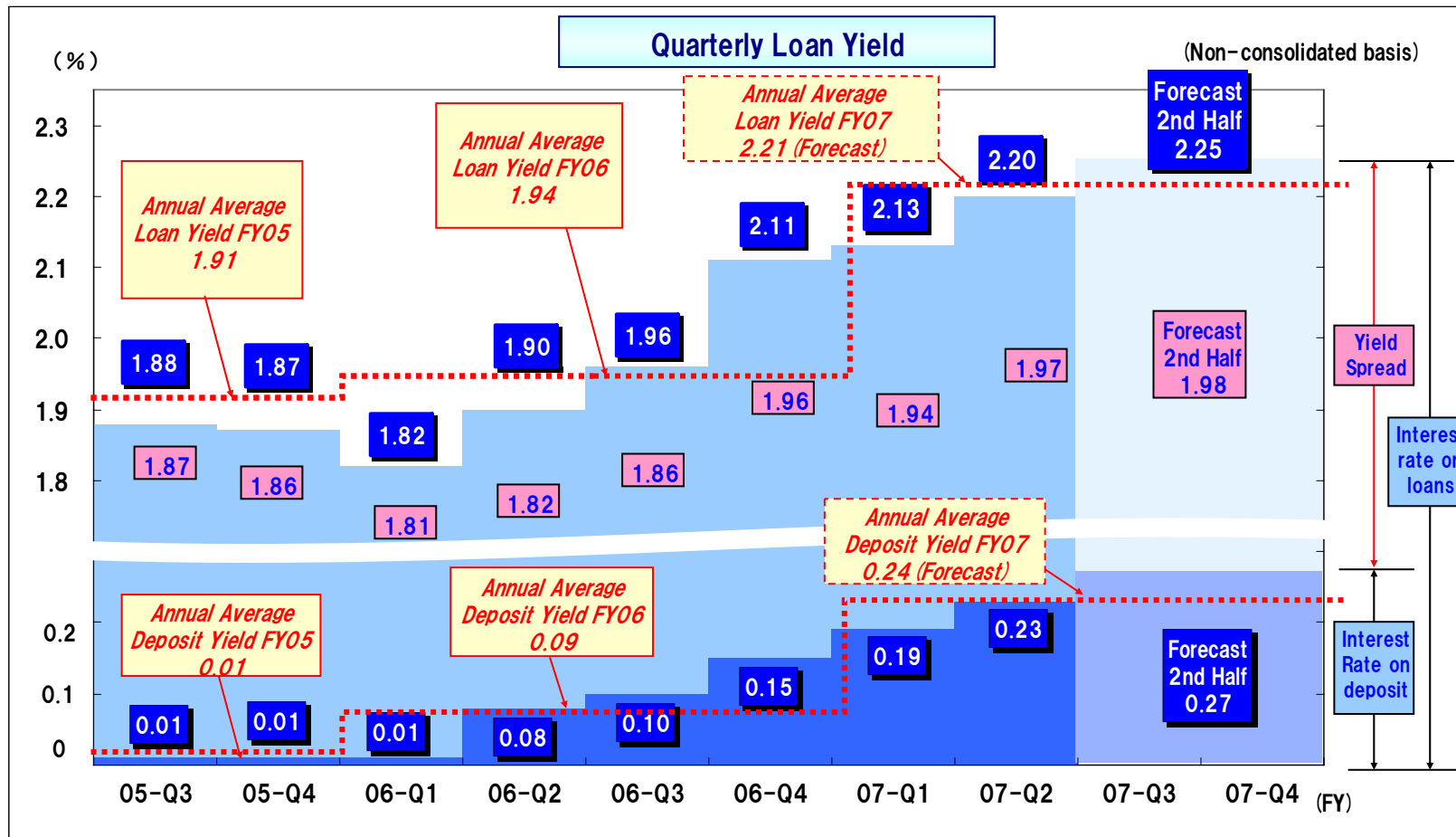
(Note1) Liquid Deposit includes current, ordinary, saving, miscellaneous and other deposits. (W/O NCD, includes foreign currency and nonresident)

(Note2) Fixed Deposit is time deposit. (includes foreign currency and nonresident) <all domestic account>

2. Business Performance

(4) Loan & Deposit Yield

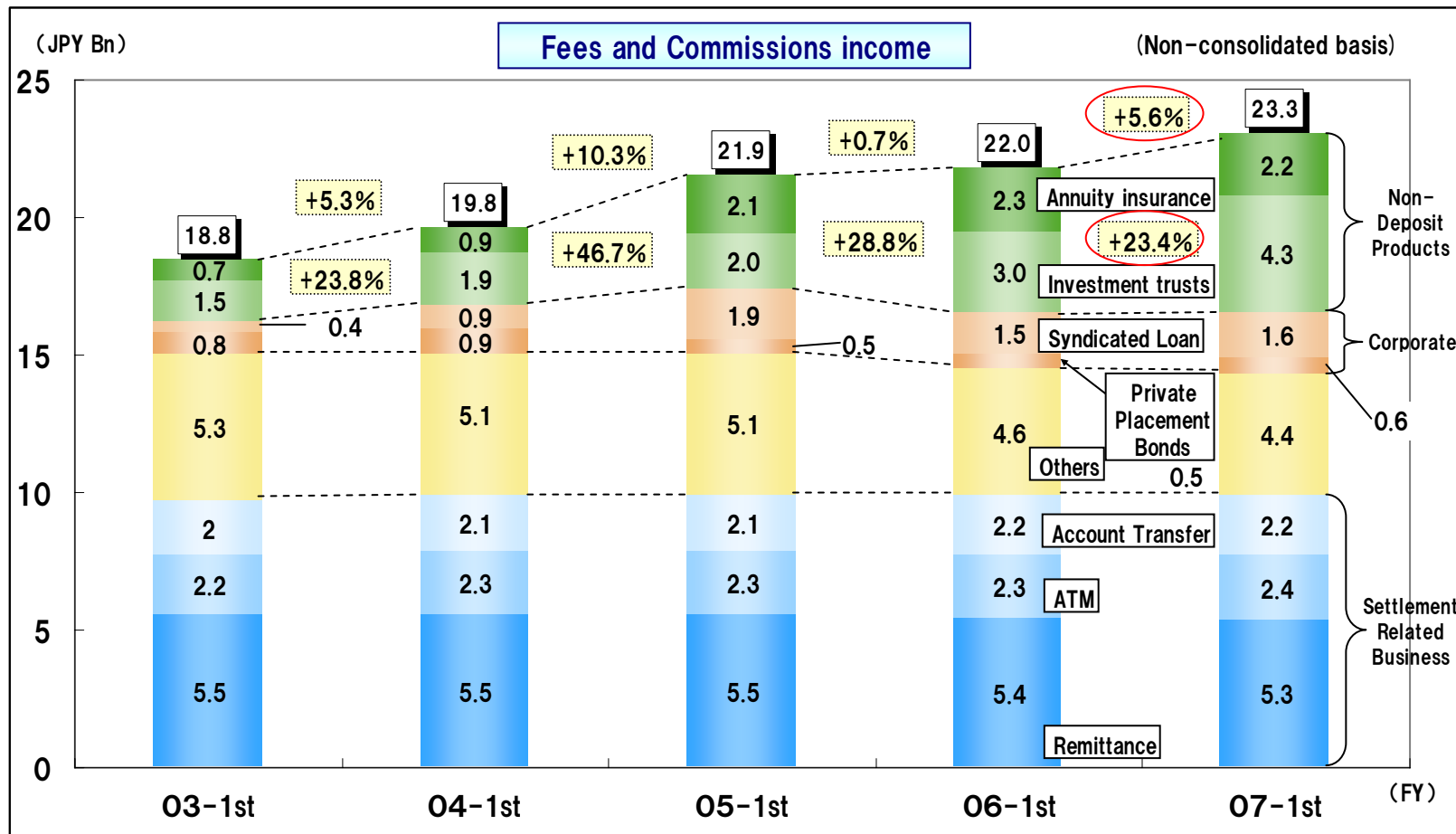
- FY07-Q2: Loan yield rose to **2.20%**, and Yield Spread widened to **1.97%**. (almost In line with our initial projection)
- FY07 2nd Half Forecast: Loan yield is expected to be **2.25%**, and the Yield Spread to be **1.98%**, expecting BOJ rate hike in Jan-08. (Even without rate hike, comparable level of the Yield Spread is likely to be secured.)



2. Business Performance

(5) Fees & Commissions Income (Domestic Operation)

- FY07 1st Half: Fees & Commissions income increased by **JPY1.3Bn (+5.6%)** from FY06 1st Half.
- Among which, Non-Deposit Product related income steadily grew. (**+23.4%** from FY06 1st Half)

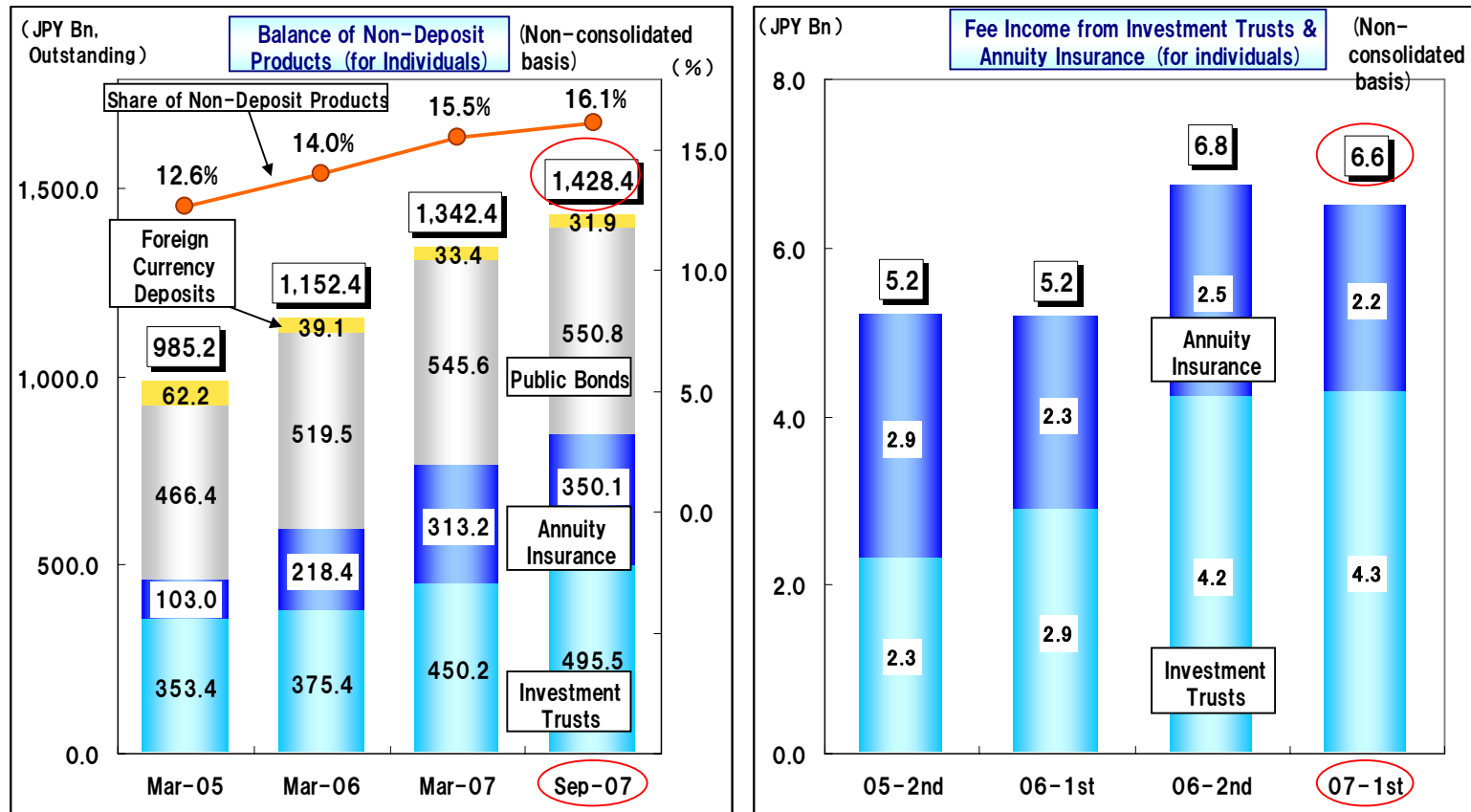


(Note) Fees & Commissions income represents gross income before subtracting Fees & Commissions expenses.

2. Business Performance

(5) Non-Deposit Products

- FY07 1st Half: Non-Deposit Products steadily grew, surpassing **JPY1.4Tn** plateau. Share of Non-Deposit Products rose to **16.1%**.
- Fee income from Investment Trusts & Annuity Insurance for individuals maintained a substantial level at **JPY6.6Bn**.

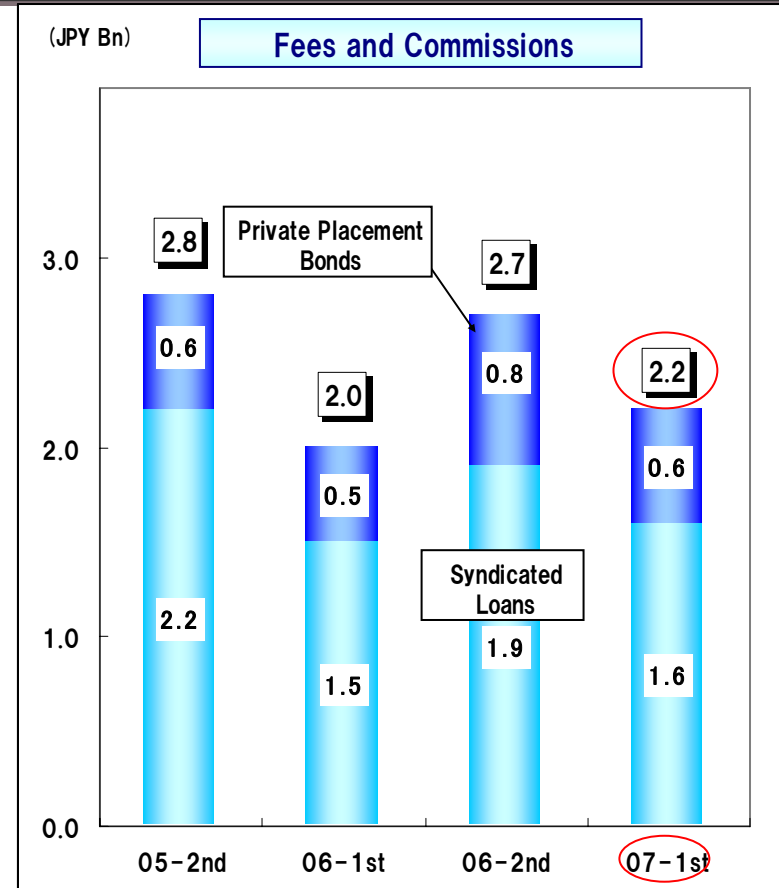
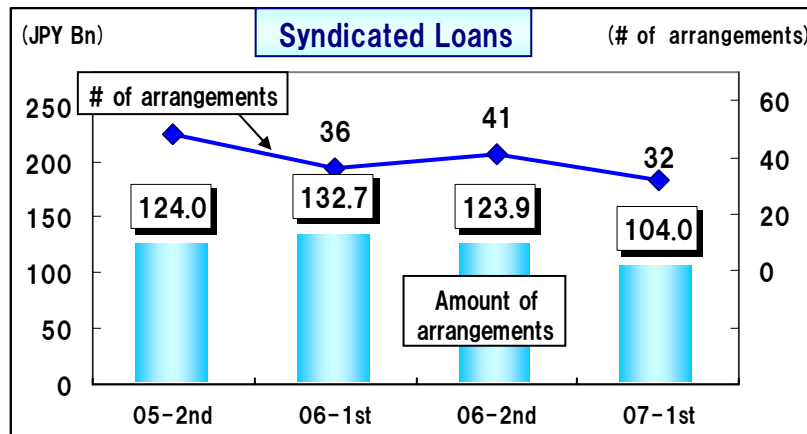
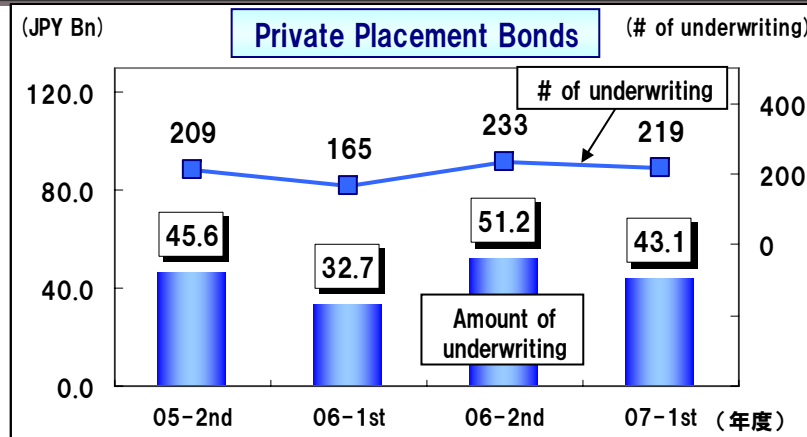


(Note) Share of Non-Deposit Products = Outstanding balance of Non-Deposit Products ÷ (outstanding balance of individual deposits + outstanding balance of Non-Deposit Products)

2. Business Performance

(6) Private Placement Bonds & Syndicated Loans

- FY07 1st Half: Both the amount & the number of underwritings of Private Placement Bonds increased compared from FY06 1st Half.
- Though both the amount and the number of arrangements in Syndicated Loans decreased, fees & commissions from them maintained an equivalent level from FY06 1st.

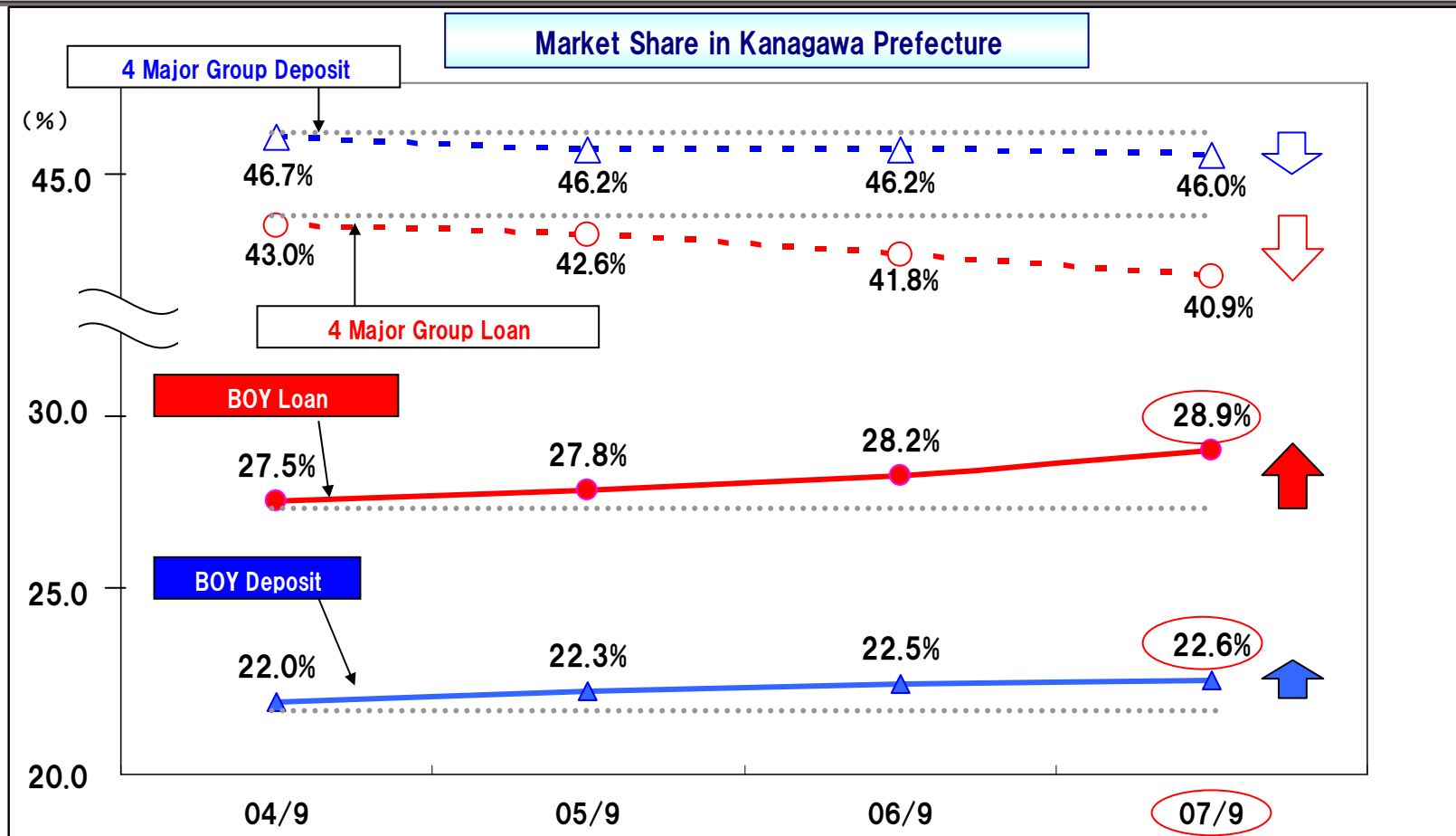


(Note) Fees & Commissions from Syndicated Loans include Commitment Line fees.

2. Business Performance

(7) Market Share in Kanagawa Prefecture

- Sep-07: Market share of loans was **28.9%** (+0.7% from Sep-06), and the share of deposits was **22.6%** (+0.1% from Sep-06).
- While 4 major groups lose their market share, we steadily increased our share.

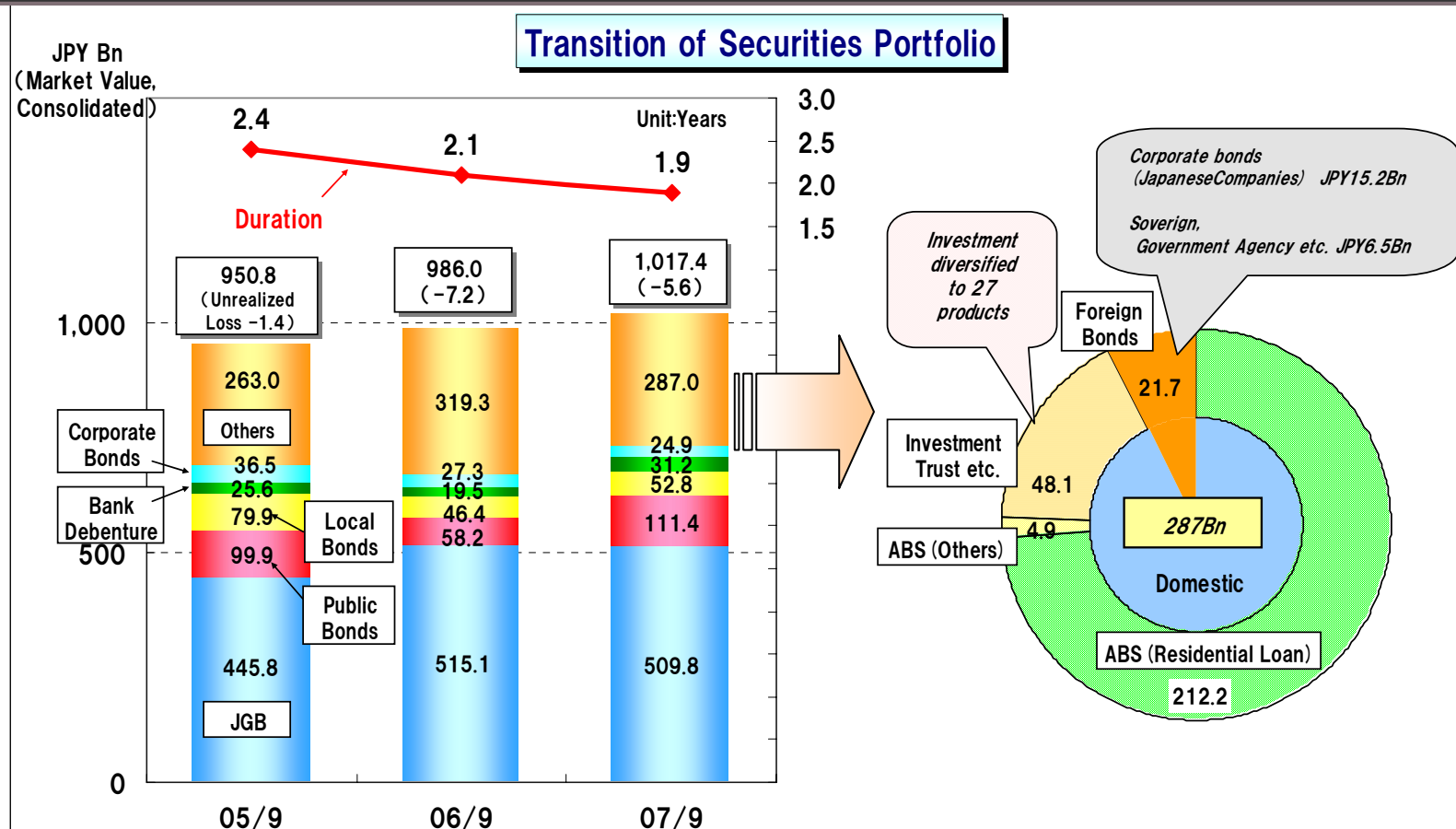


(Note) Market share above does not include Japan Post, Credit Unions & JA. (Bank estimates)

2. Business Performance

(8) Securities Portfolio

- We have established a sound securities portfolio by mainly investing in domestic safe assets while controlling the duration in the range of around 2 years in preparation for future interest rate hikes.
- No US Sub-Prime housing loan related assets contained within our portfolio.



(Note 1) The balance and the unrealized losses covers only available for sale securities with market value, but does not cover stocks.

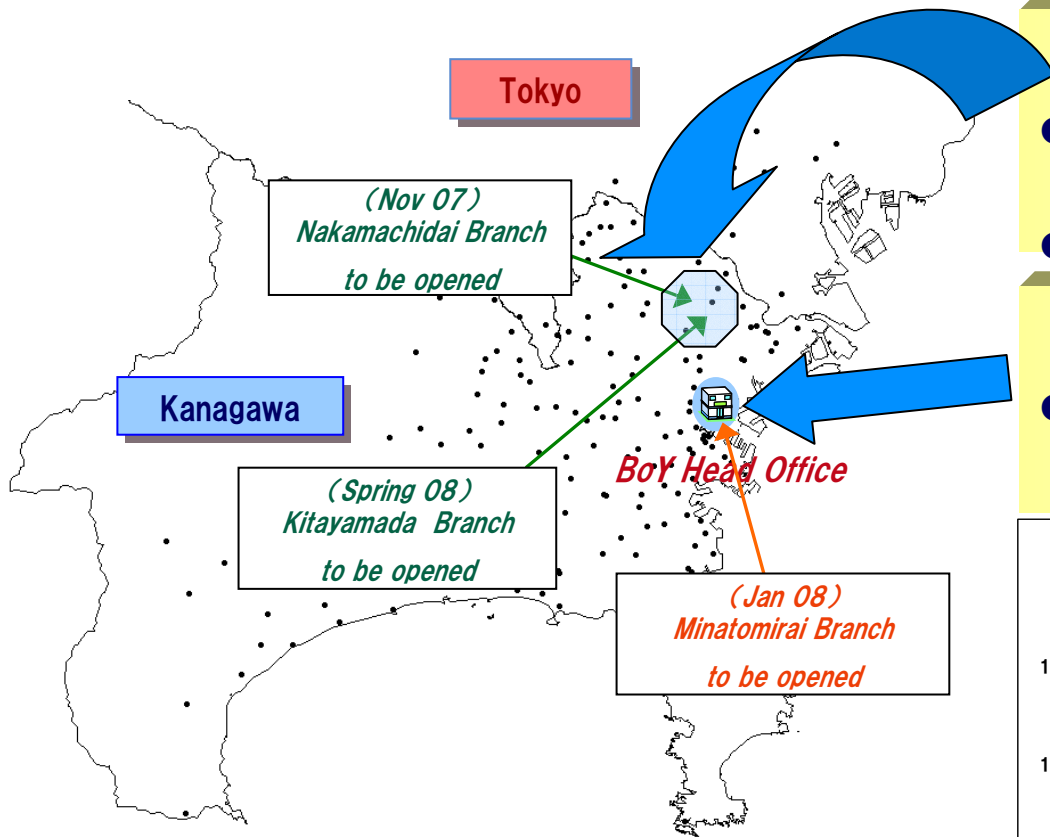
(Note 2) The duration does not contain ones of foreign bonds and investment trusts.

3. Management & Business Strategies

3. Management & Business Strategies

(1) Branch Network Strategy Part 1 Kanagawa Prefecture

- Opening new Mini-Branches in Kohoku New Town (Tsuzuki Ward) and Yokohama Minatomirai (Nishi Ward) where the population growth is remarkable within the Yokohama City.
- Further strengthening our customer base by acquiring new residents, along with our new Brand Strategy.

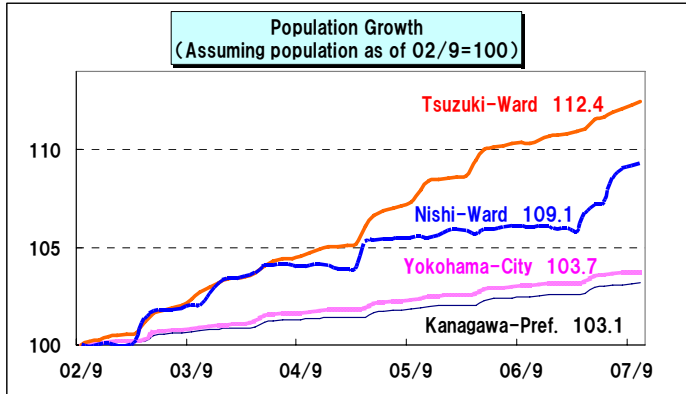


Kohoku New Town Area (Tsuzuki Ward)

- Population is growing dramatically due to a series of large condos and large shopping malls being constructed
- New Subway Line to open (Spring 08)

Minatomirai Area (Nishi Ward)

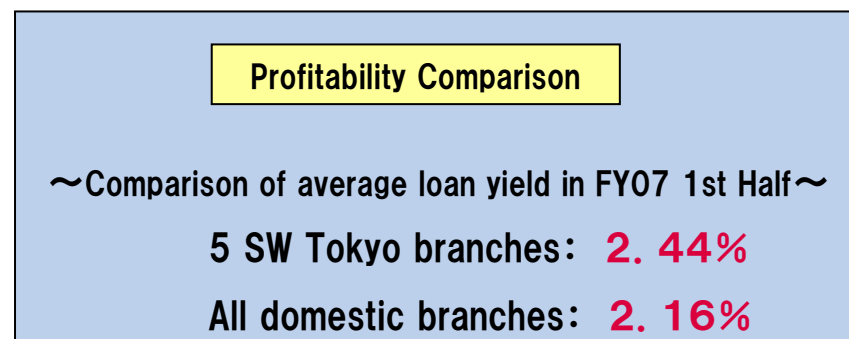
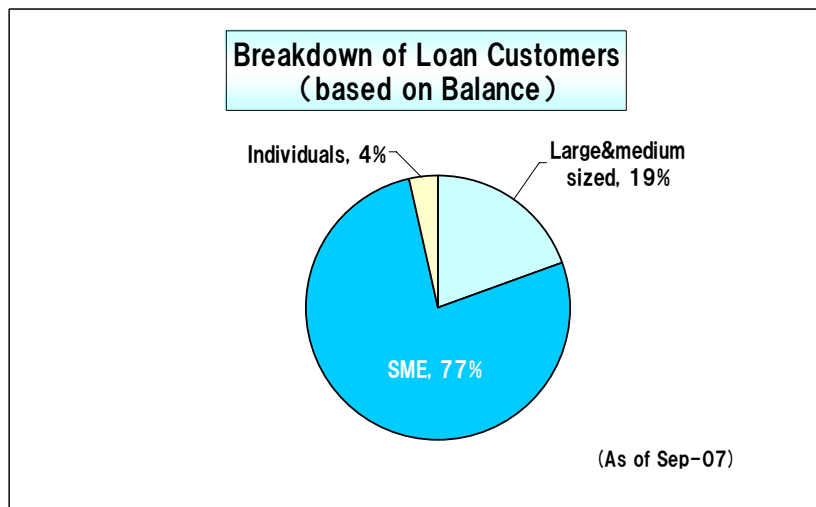
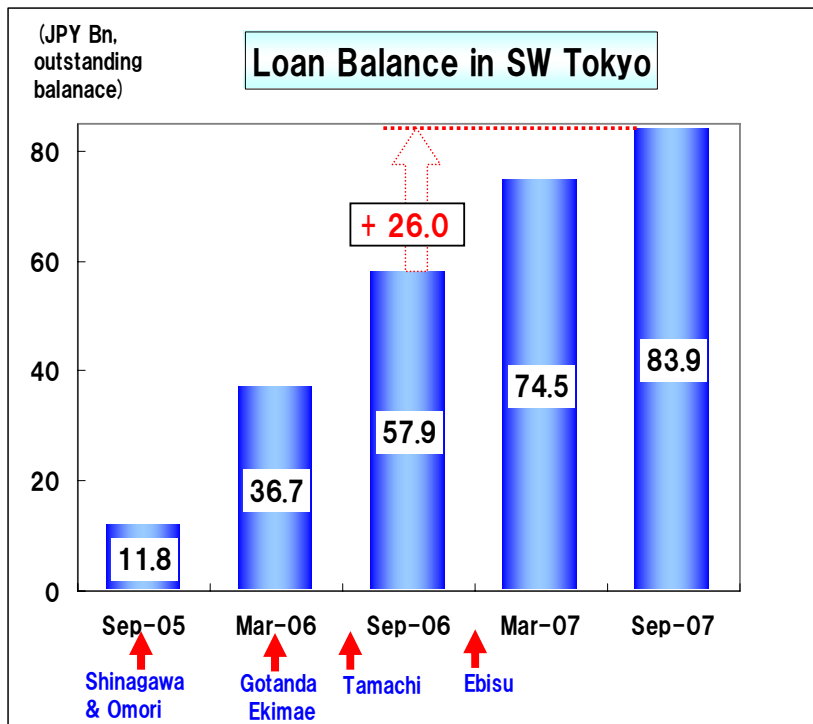
- High net worth residents flows into the Bay Area due to constructions of high rise apartments being underway.



3. Management & Business Strategies

(1) Branch Network Strategy Part2 Southwestern Tokyo

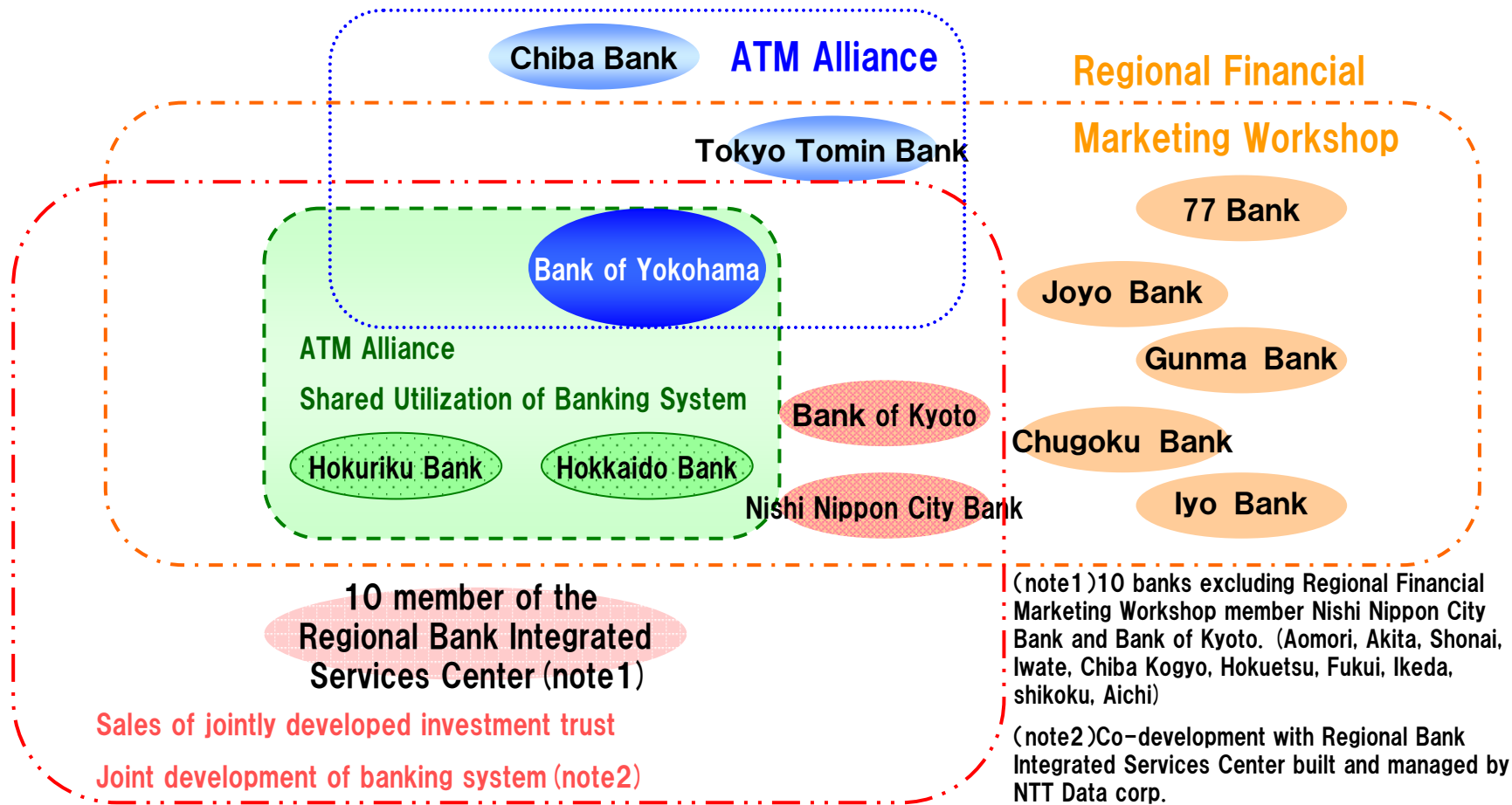
- Loan balance in SW Tokyo, where we started establishing new branches in FY05, increased JPY**26.0**Bn (from Sep-06). (A significant contribution to increase of JPY103.5Bn in Corporate Loan.)
- Since we have concentrated to SMEs, loan yield of the area has surpassed all branches average.



3. Management & Business Strategies

(2) Main themes of the Plan ① Alliance Part1-Regional Banks

- Further strengthening cooperative relations with non-competing regional banks in our market.
- Enhancing customer convenience and operational efficiency by mutually complementing management resources.



3. Management & Business Strategy

(2) Main themes of the Plan ① Alliance Strategy Part1 Regional Banks (Sector-wise)

- Participating in Marketing Workshop from long-term standpoint in the area of sales activities.
- Exploring the ways to standardize business methods by developing the shared utilization of IT systems in the area of back office systems.

Sales Activities Area

ATM alliance among 3 banks(From Oct-07)



Discount on ATM usage fees
with other banks

Discount on ATM
Remittance fees

*Become able to withdraw and remit
money using the ATMs of the 3
banks under the same condition*

“Regional Financial Marketing Workshop” (Oct.07)

The Workshop

Staff from 11 regional
banks is dispatched to
Hamagin Research Institute

Co-
study

*Marketing strategy
specialized in regional
financing*

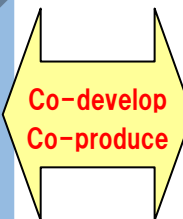
*Training those with
expertise and business
experience*

Back Office & IT Areas

Shared utilization
Of IT System
(Name:MEJAR)

Shared utilization
of backbone system

Agreed to include **IT
systems in branches,
ATMs and Internet
Banking** etc. as an
object of co-utilization
(Nov. 07)



Regional Bank
Integrated Center
(12 banks)

Possible
unification
of various
Businesses
in the
future...

Back office business

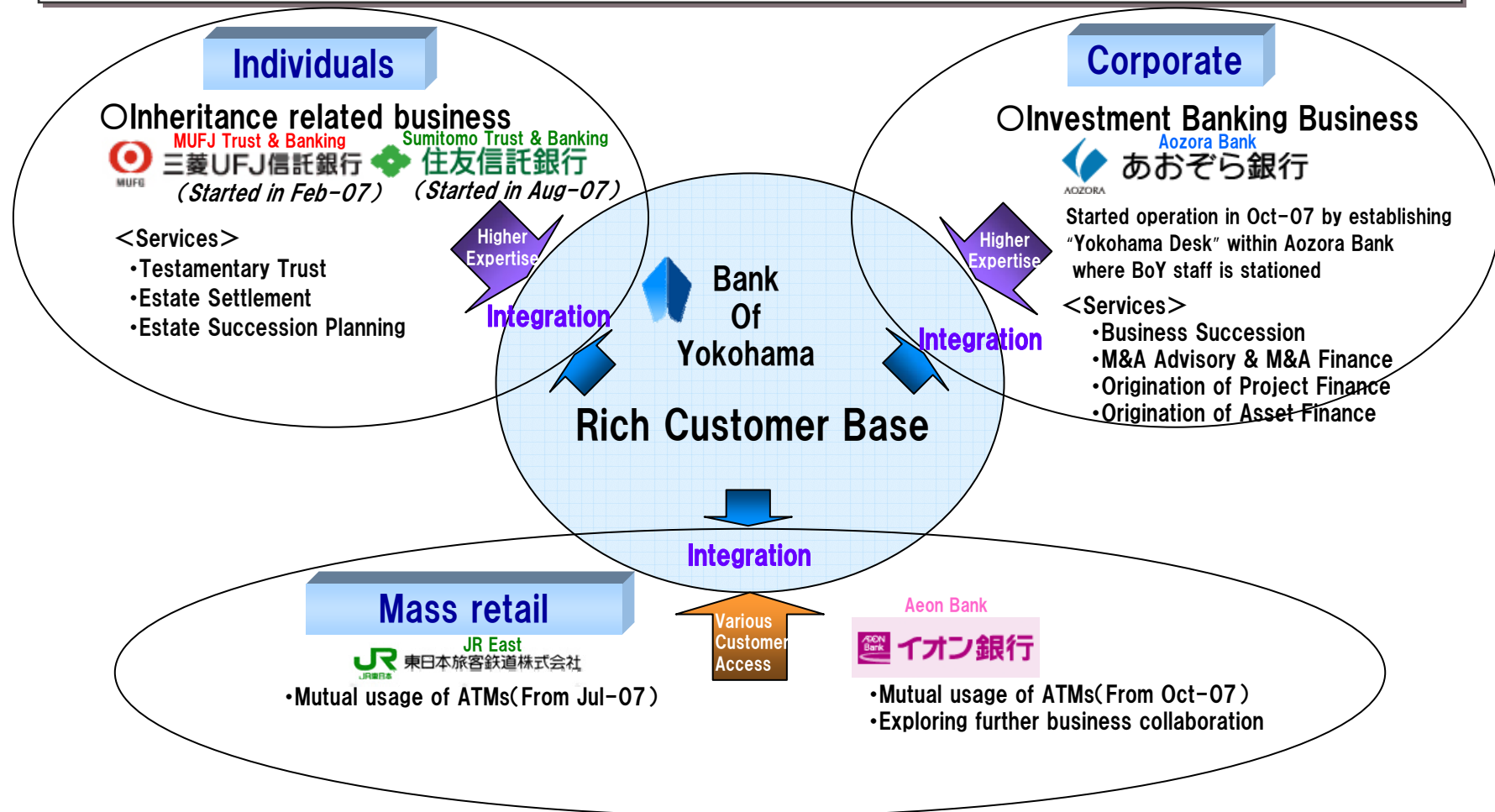
- Unified Instruction Manuals
- Unified Training Program
- Centralized Back Office

Other Businesses

3. Management & Business Strategies

(2) Main Theme of the Plan ①: Alliance Strategy Part 2 Other businesses

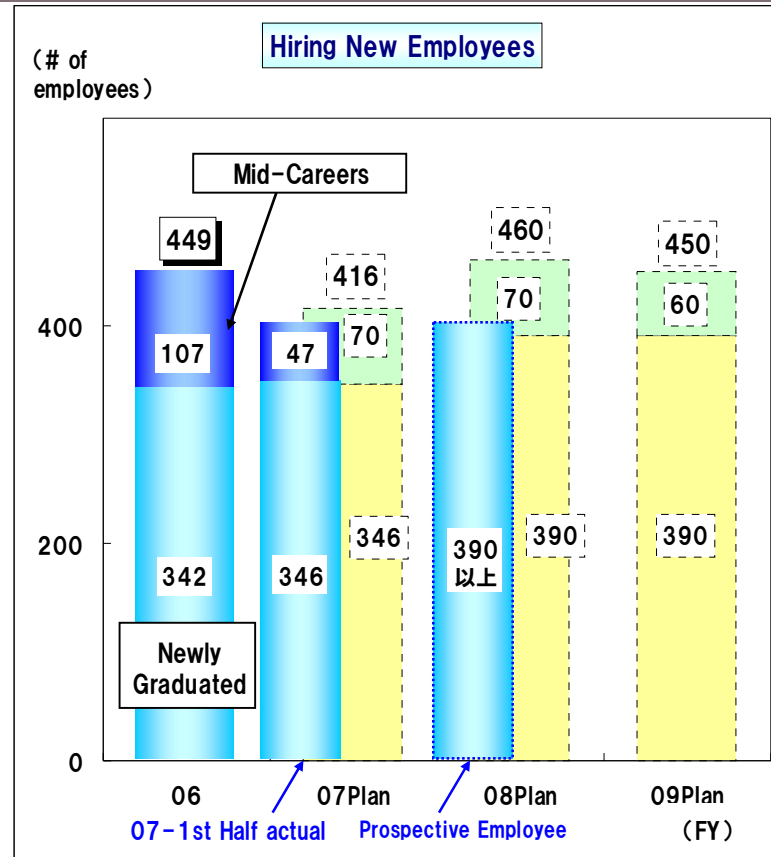
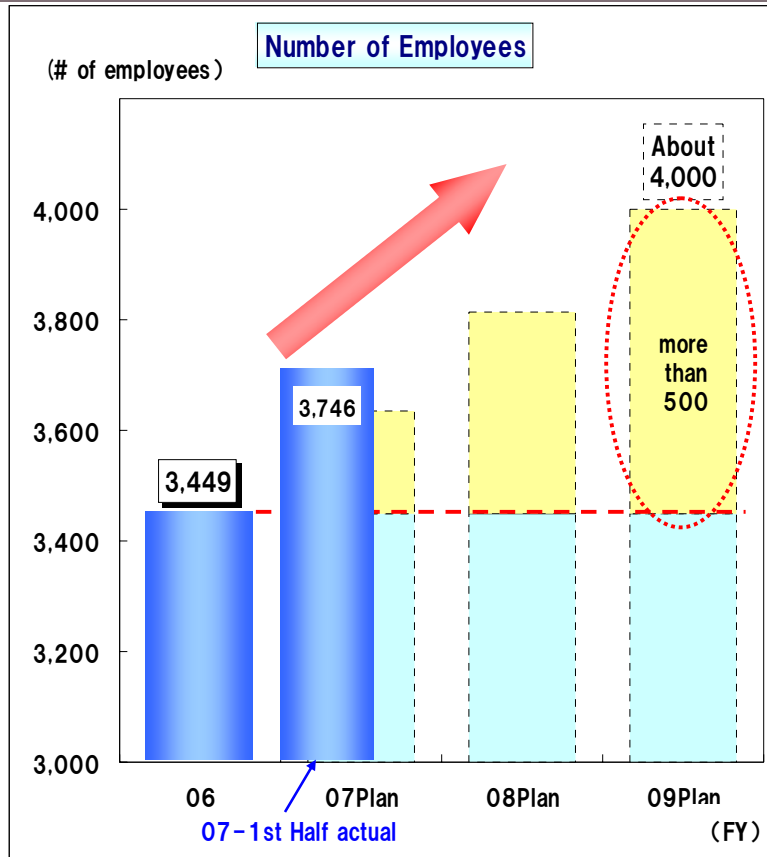
- Forming alliance with financial institutions that complement one another in the area of expertise and customer access in both Individual & Corporate Sectors.
- Launched business alliances in investment banking business from the 2nd Half of FY07, aiming at improving solution providing capability and maximizing profits.



3. Management & Business Strategies

(2) Main Theme of the Plan ② Investing in Human Assets

- Proactive recruitment to establish 4,000 Employees Regime by FY09. (New employees hired in FY07 1st Half: Newly Graduated 346, Mid-Careers 47).
- In addition to increasing the number of employees, we will enhance human resource development to improve the quality of employees.



(note) Prospective Employees (given job offer) of FY08 as of Nov.27,2007

3. Management & Business Strategies

(2) Main Themes of the Plan ③: Brand Strategy

- In Oct. 2007, we have launched a new Brand Strategy towards establishing the “Yokohama Brand”, being one of the main themes in our Medium Term Management Plan, “New Horizon”.
- We will develop designing branches based on the Brand Strategy, not only for new branches but also for existing branches.

Brand Symbol

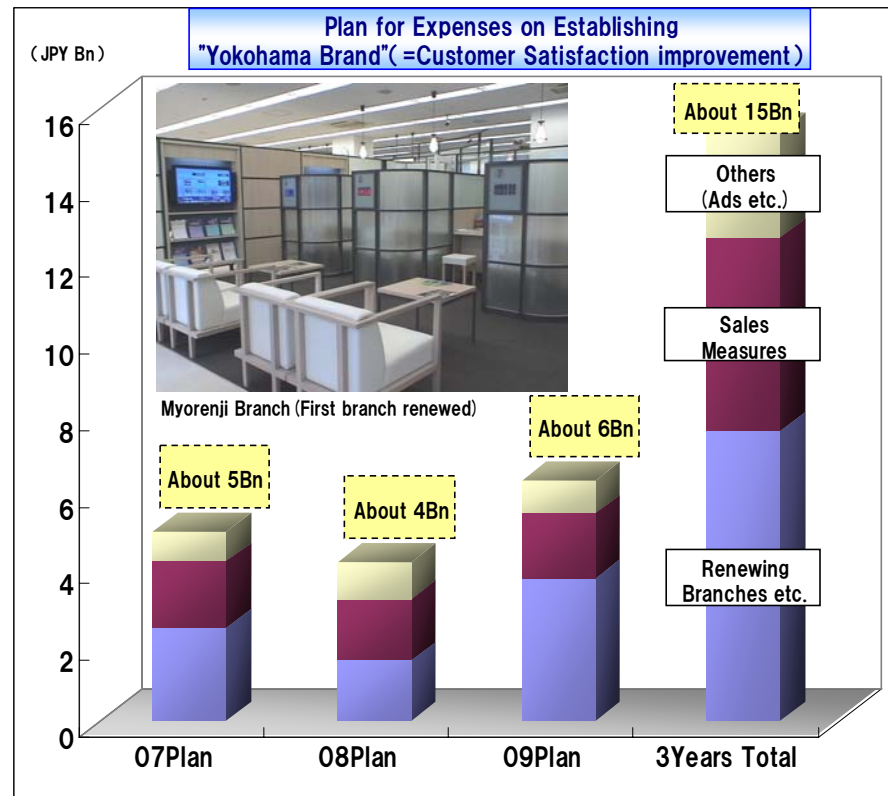


- A stylized image of a ship seen from the front.
- The 2 elements facing one another represents the attitude in which we will face every single customer, and listen with sincerity.

Brand Slogan

Afresh あなたに、あたらしく。
(Something new for you)

The word “Afresh” means “new”, “again” and “further”, expressing the attitudes and actions to make something better.



Afresh あなたに、あたらしく。



Bank of Yokohama

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