

Information Meeting

Financial Results for FY2005



The Bank of Yokohama, Ltd.

May 30, 2006

"The Best Regional Bank that is strongly supported by customers and that continues to evolve"

1. Operating Performance

- ◆ Gross Operating Income
- ◆ Expenses & OHR
- ◆ Net Business Profit
- ◆ Credit Costs
- ◆ Problems Claims Ratio
- ◆ Net Income
- ◆ Tier I Ratio
- ◆ Our Policy on Return to Shareholders

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- ◆ Market Share
- ◆ Asset Business
- ◆ Fee Business

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- ◆ Expansion to Southwestern Tokyo
- ◆ Strengthening Service Channels within Kanagawa
- ◆ Developing ATMs within Train Stations
- ◆ New Business • New Service
- ◆ Card Business

4. Alliance Strategy

- ◆ Outline
- ◆ Shared Utilization of Banking System
- ◆ Business Alliance with Hokuhoku FG

1. Operating Performance

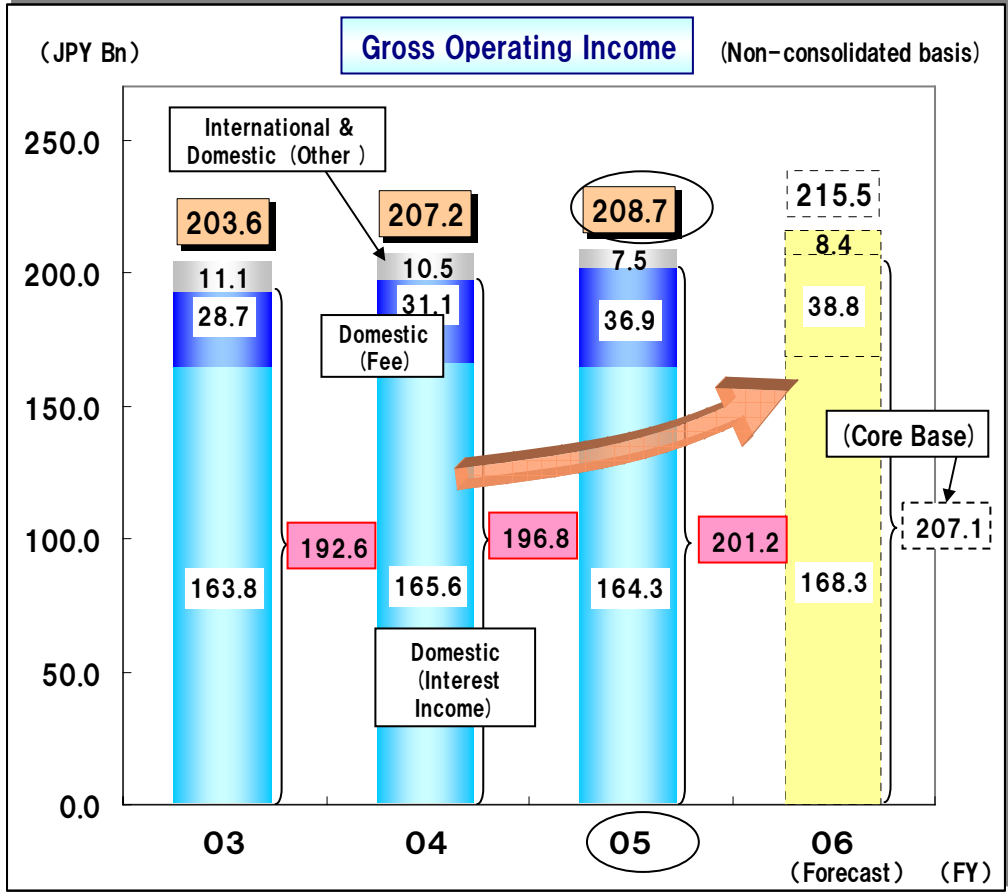
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Bank of Yokohama



1. Operating Performance

(1) Gross Operating Income

- Gross Operating Income increased **JPY1.5Bn (+0.7%)** to **JPY208.7Bn** from FY04
- “Core Base” Income (Domestic Interest Income + Fees & Commissions) steadily increased **JPY4.4Bn(+2.2%)** to **JPY201.2Bn** from FY04.
- Forecast for FY06: **JPY215.5Bn(+JPY6.8Bn, +3.2%** from FY04).



Comparison from FY04

	FY04 (Actual)	FY05 (Actual)	change
Gross Operating Income	207.2	208.7	1.5
Domestic GOI	202.4	204.9	2.5
Interest Income①	165.6	164.3	-1.3 A
Fees & Commissions②	31.1	36.9	5.8 B
Trading Profits	0.9	0.2	-0.7
Other Operating Income	4.6	3.4	-1.2
GOI from Int'l Operations	4.8	3.8	-1.0
Core Base GOI①+②	196.8	201.2	4.4

Factors behind the change:

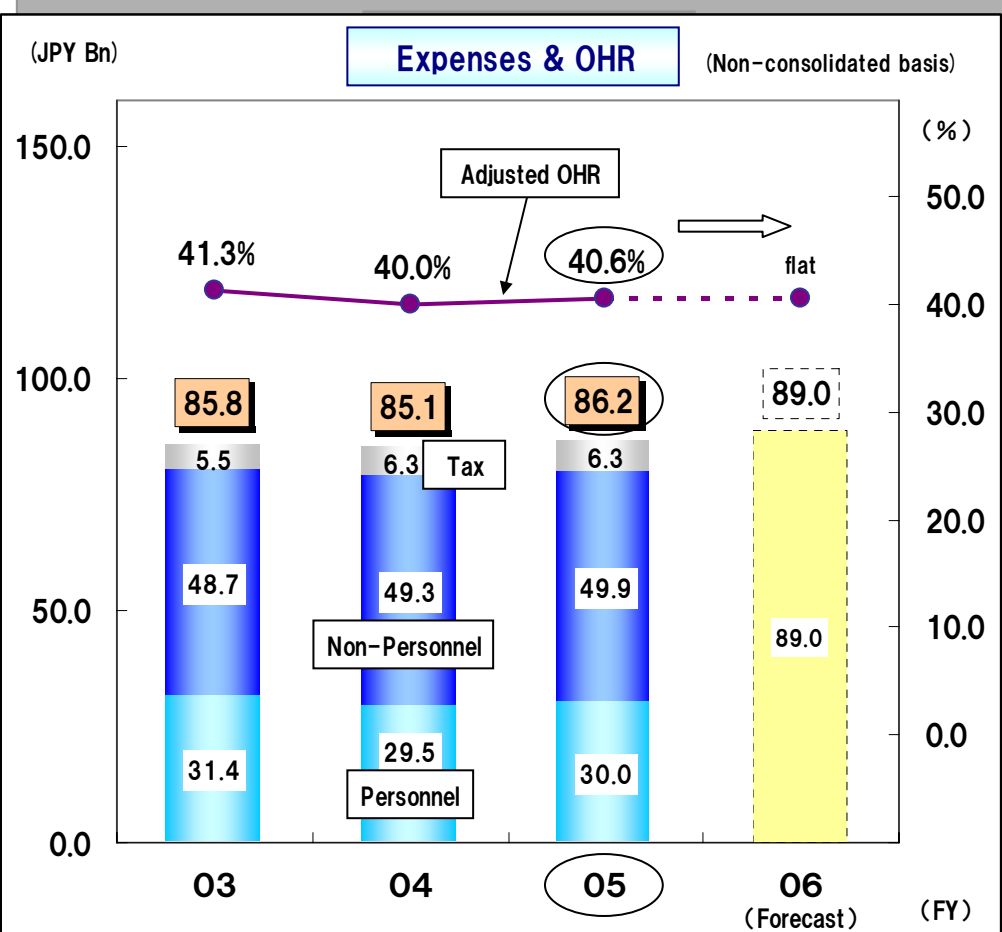
A. Decrease in Interest Income: JPY-1.3Bn
 ⇒ Increase in average loan balance: JPY+5.6Bn
 Shrink in interest margins: JPY-6.9Bn

B. Increase in Fees & Commissions from
 • Annuity Insurance: JPY+2.7Bn
 • Syndicated Loans: JPY+1.9Bn

1. Operating Performance

(2) Expenses & OHR

- Expenses for FY05: **JPY86.2Bn** (JPY+1.1Bn or +1.3% from FY04) . Adjusted OHR was **40.6%**.
- Forecast for FY06: **JPY89.0Bn** (JPY+2.8Bn or +3.2% from FY04) .
- Sales-Related Investments & Expenses will continue to increase with a view to improving “Top Line” income. OHR continues to be around **40%**.



Comparison from FY04

	FY04 (Actual)	FY05 (Actual)	change
Expenses	85.1	86.2	1.1
Personnel	29.5	30.0	0.5
Non-Personnel	49.3	49.9	0.6
Tax	6.3	6.3	0.0
Adjusted OHR(%)	40.0	40.6	+0.6

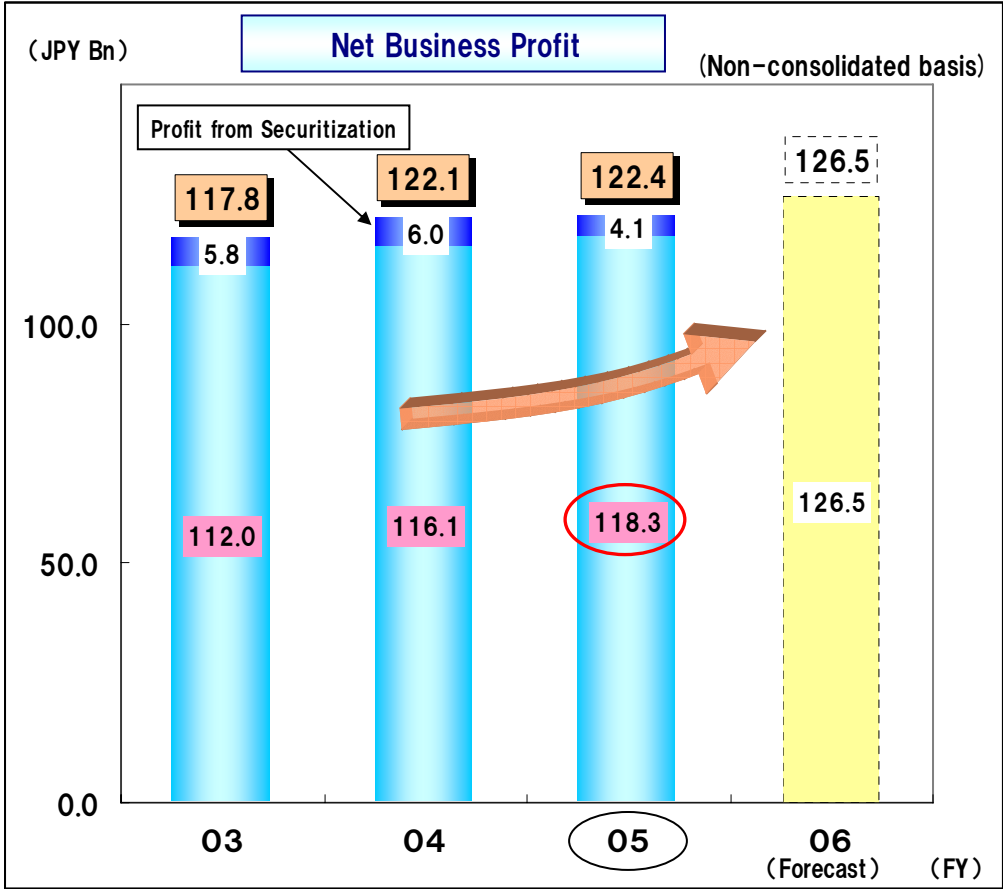
Factors behind the change:
A Increase in the number of personnel etc.
B Increase in IT-related Investments etc.

(Note) Adjusted OHR (non-consolidated) = General and Administrative Expenses (excluding extraordinary items) ÷ Gross Operating Income (excluding gains and losses on sales and redemptions of both bonds and bond derivative profits (losses)).

1. Operating Performance

(3) Net Business Profit (before Provision (Reversal) of General Allowances for possible loan losses)

- Net Business Profit for FY05 increased slightly by **JPY0.3JPY (+0.2%)** to **JPY122.4Bn**.
- Net Business Profit excluding Profit from Securitization increased by **JPY2.2Bn (+1.9%)**.
- Forecast for FY06: **JPY126.5Bn (+3.3%)**.



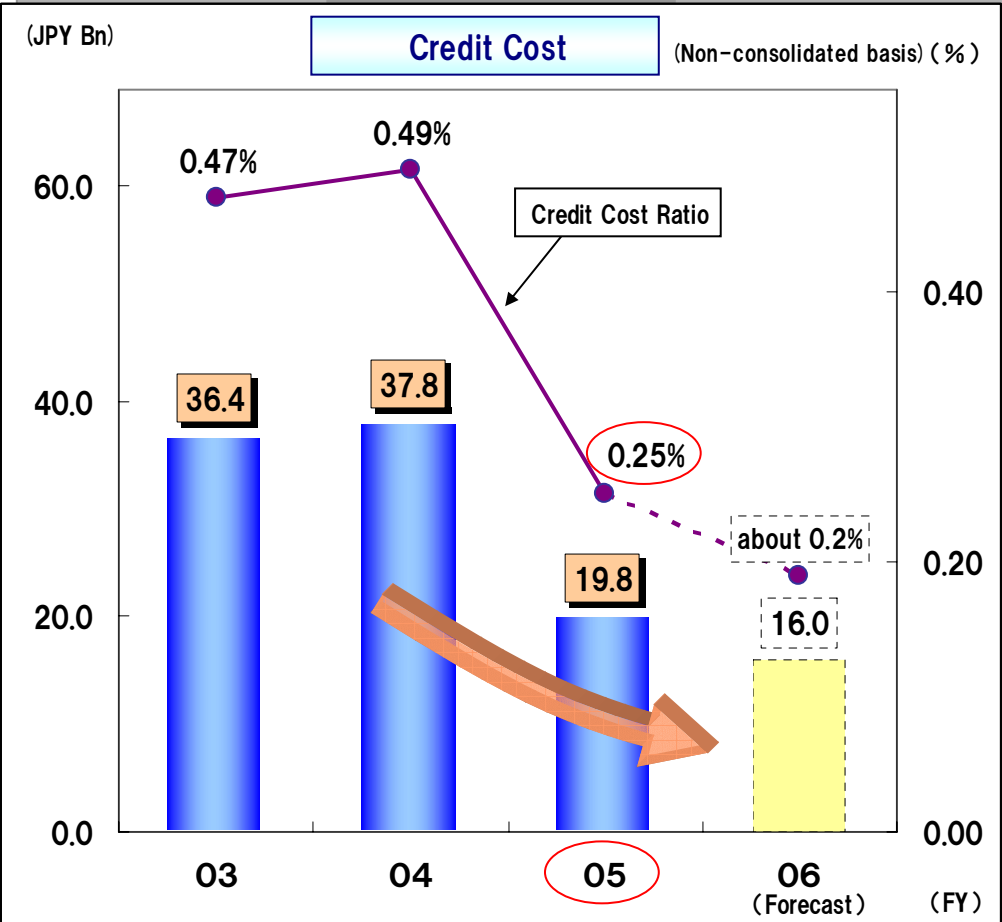
Comparison from FY04

	(JPY Bn)		
	FY04 (Actual)	FY05 (Actual)	change
Net Business Profit (before transfer to allowance)	122.1	122.4	0.3
Profit from securitization①	6.0	4.1	-1.9
Net Business Profit excluding ①	116.1	118.3	2.2

1. Operating Performance

(4) Credit Costs

- Credit Costs for FY05 dramatically decreased by **JPY-18.0Bn (-47.6%)** to **JPY19.8Bn**.
- Forecast for FY06: **JPY16.0Bn (-19.2%)**. Credit Cost Ratio is also expected to improve to be around **0.2%**.



Comparison from FY04

	(JPY Bn)		
	FY04 (Actual)	FY05 (Actual)	change
Credit Costs	37.8	19.8	-18.0
Fall in Land Price	10.9	6.6	-4.3
Change in Borrowers' Category	19.2	7.9	-11.3
Deterioration	24.2	14.5	-9.7
Improvement (-)	-5.0	-6.6	-1.6
Collection & Reversal from Allowance (-)	-8.4	-10.3	-1.9
Others	16.1	15.7	-0.4

(Note) Breakdowns above are "factors" constituting Credit Costs

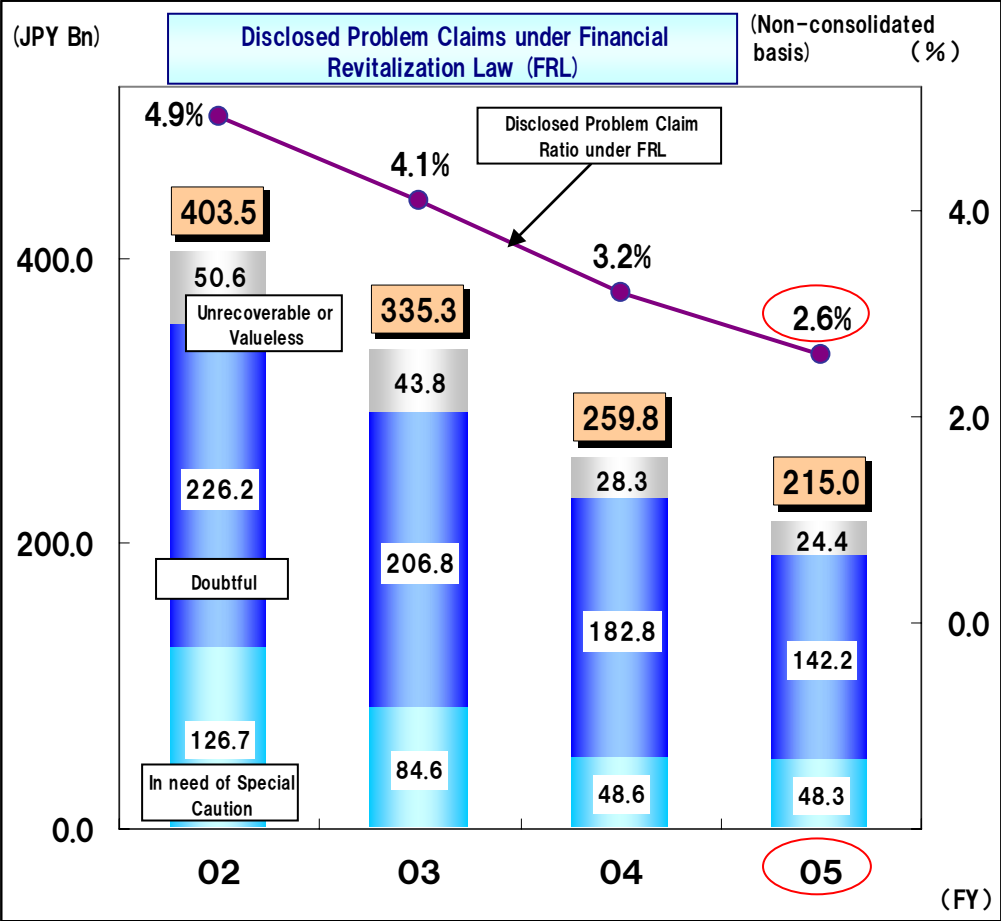
(Note1) Credit Costs = Disposal of bad debts + Transfer to Allowance for possible loan losses - Reversal of Allowance for possible loan losses

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

1. Operating Performance

(5) Problem Claims Ratio

- Problem Claims Ratio decreased continuously to **2.6%** by the end of FY05.
- New occurrence of bad debts has also diminished steadily.



Comparison from FY04

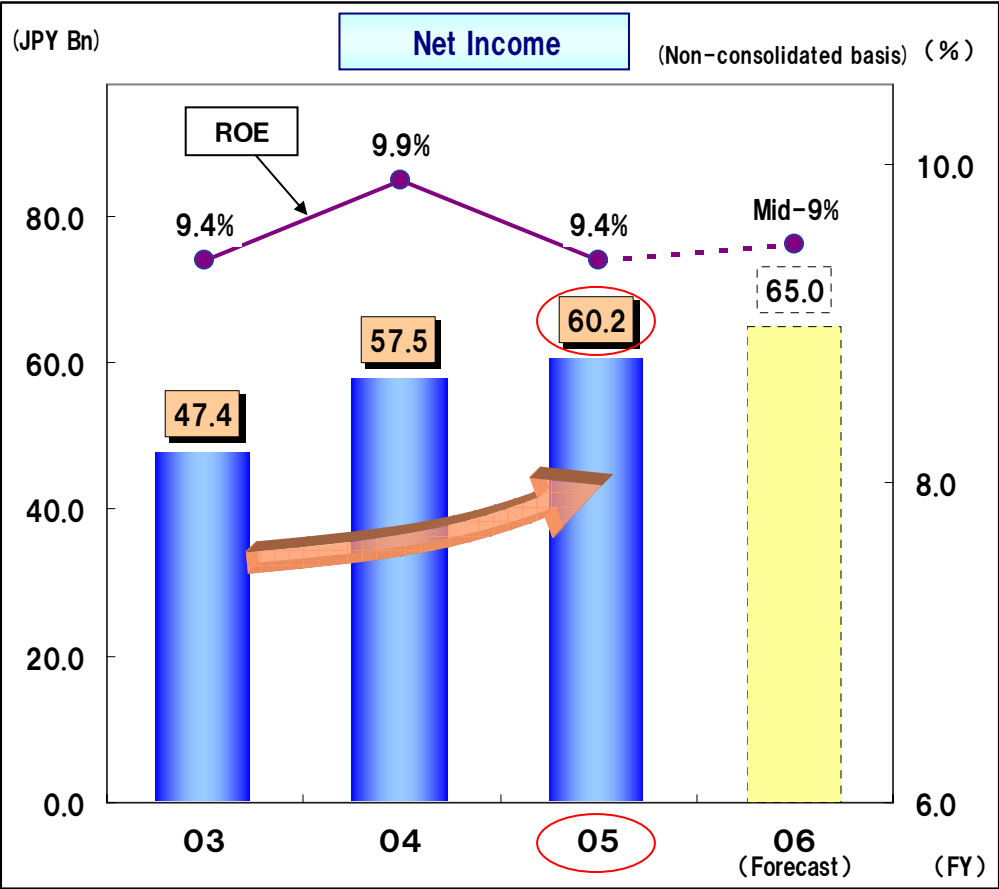
	(JPY Bn)	
	FY04 (Actual)	FY05 (Actual)
Change in the balance of "Doubtful" & "Unrecoverable"	-39.5	-44.5
Newly occurred	67.6	36.8
Off-Balancing	-107.1	-81.4
Collection & Repayment	-27.9	-28.1
Improvement in debtors' performance	-19.9	-13.6
Direct Write-offs & Loan Securitization	-59.3	-39.7

(Note) Off-Balancing refers to the fact that the balance of loans categorized as "Doubtful" and "Unrecoverable" decreases due to factors listed above.

1. Operating Performance

(6) Net Income

- Net Income for FY05 increased to **JPY60.2Bn** (JPY+2.7Bn or +4.7%).
- Forecast for FY06: **JPY65.0Bn** (JPY+4.8Bn or +7.9% from FY05).
- ROE for FY06 is expected to be **mid-9%**.



Comparison from FY04

	(JPY Bn)		
	FY04 (Actual)	FY05 (Actual)	change
Net Income	57.5	60.2	2.7

Factors behind the change:

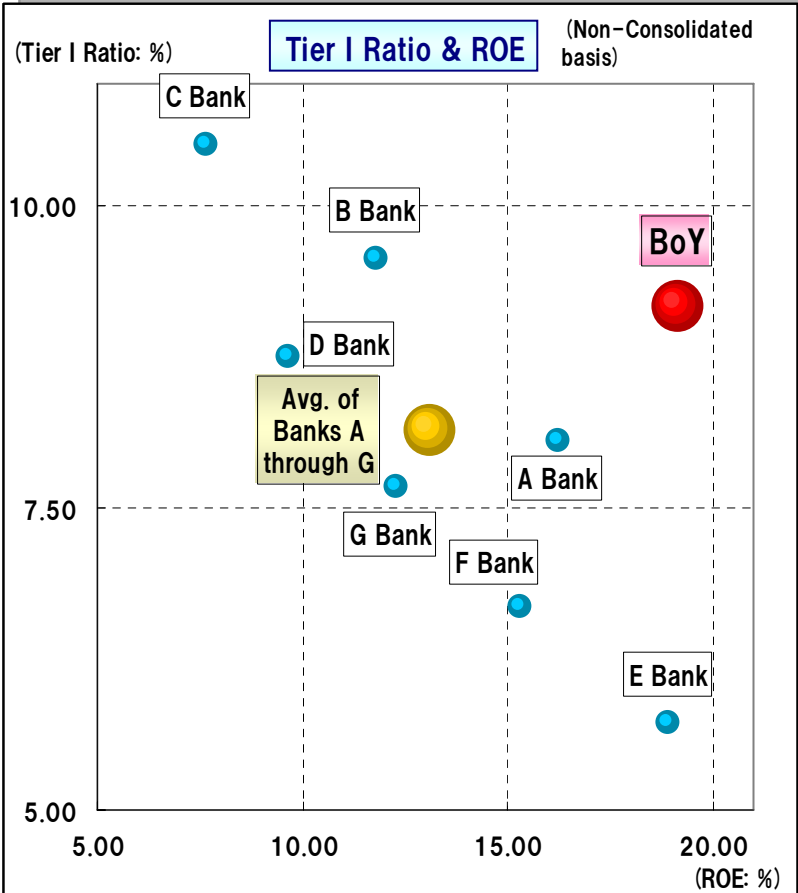
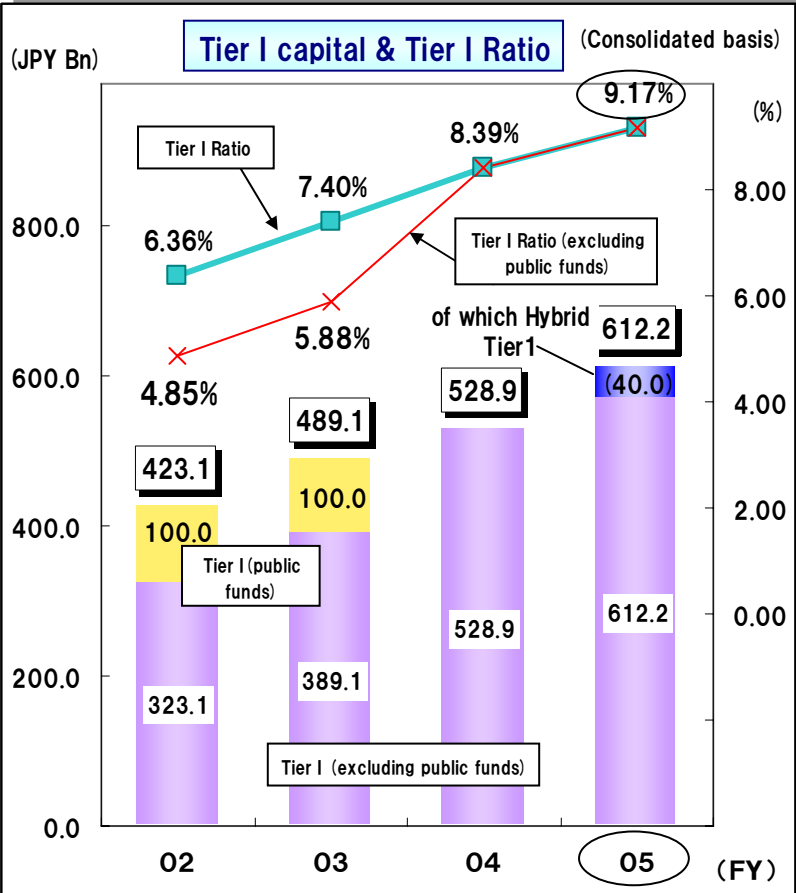
- Increase in Net Business Profit: JPY0.3Bn
- Decrease in Credit Costs: JPY18.0Bn
- Decrease in gains from the sale of securities: JPY -13.4Bn

(Note) ROE = Net Income ÷ Average balance of capital for the two ending periods.

1. Operating Performance

(7) Tier I Ratio

- Mar-06 (consolidated basis) : Tier I Ratio **9.17%**, Capital Adequacy Ratio **11.00%**.
- Continue to maintain Tier I Ratio of higher than **9%**, and to maximize profits by utilizing capital.



(Note1) Banks: Top 8 regional banks (based on amount of funds, excluding those that have been injected public funds).
 (Note2) ROE: FY05 basis & Net Business Profit (before provision) basis.
 (Note3) Tier I Ratio: End of Mar-06 basis.

1. Operating Performance

(8) Our Policy on Return to Shareholders

- We have introduced “Performance-based Dividend Policy”, which comprises the following 2 parts:
 - ① Ordinary Dividend: From the end of FY04, **JPY5 yen** → **JPY7 yen per annum per share** (stably paid regardless of business results)
 - ② Special Dividend: To be paid out at around **30%** of the amount exceeding **JPY 50.0Bn** in Net Income (coupled with business results, at the end of FY05: **JPY2.0yen** → FY06: expected to be **JPY3.0 yen**)
- We will continue to repurchase own shares, and thereby aim Shareholder Return Ratio to be higher than **30%**.
- From FY06, we will restart paying Semi-Annual Dividend. (**JPY3.5 yen**, 50% of expected annual Ordinary Dividend, per share is to be paid out.)

How Shareholders are rewarded

	FY03	FY04	FY05	FY06(Forecast)
① Payout Ratio	12.2%(5 yen)	20.8%(8.5 yen)	20.9%(9 yen)	21.6%(10 yen)
② Return Ratio by repurchase of own shares	0%	8.6%	9.9%	8.4% or higher
Shareholder Return Ratio(①+②)	12.2%	29.4%	30.8%	30% or higher

"The Best Regional Bank that is strongly supported by customers and that continues to evolve"

2. Business Performance

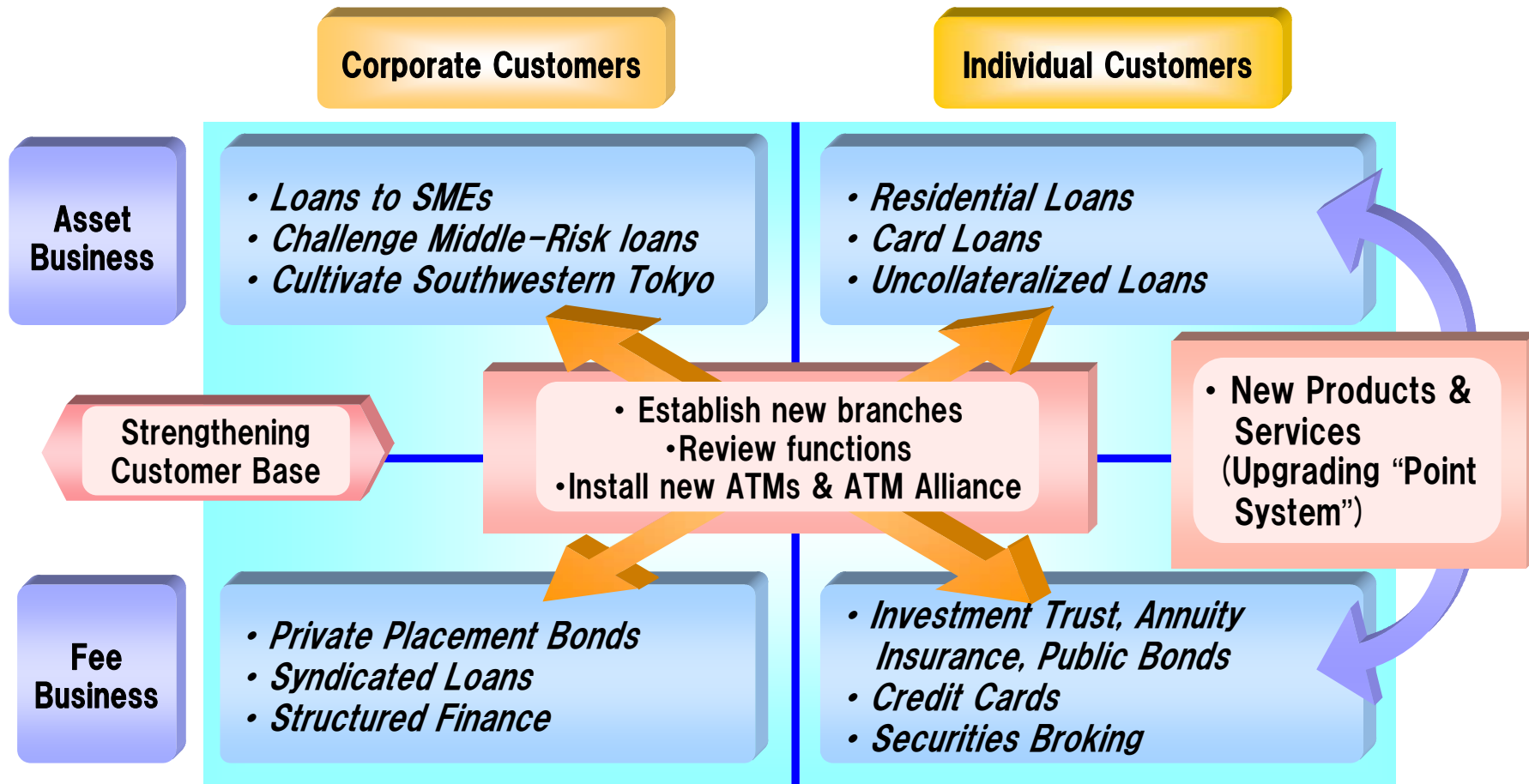
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2. Business Performance

(1) Total Portrait of Our Sales Strategy

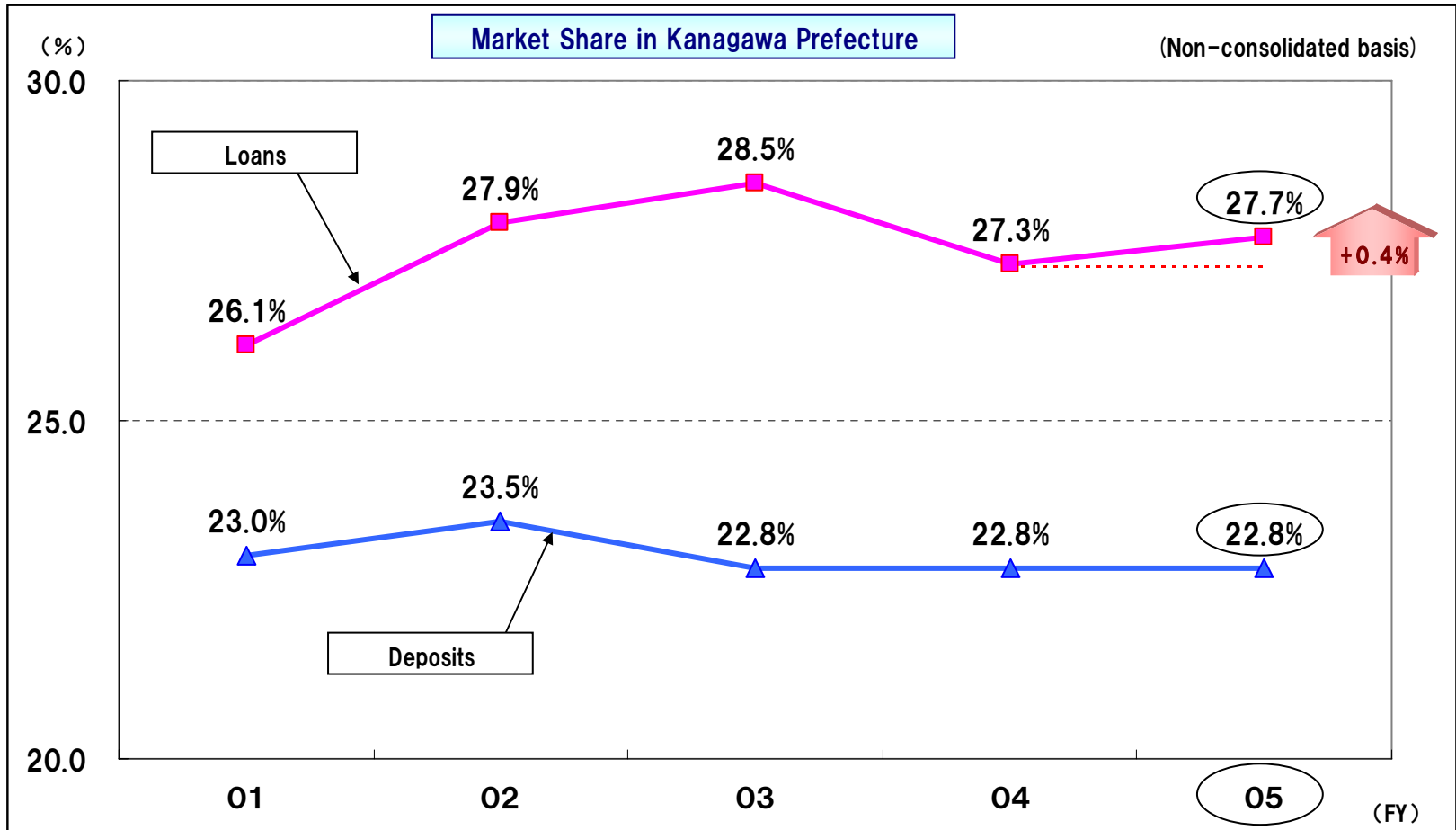
- Primary Strategy: Continue to focus on Regional Retail Banking
- By strengthening Customer Base, we will reinforce both Asset Business & Fee Business.



2. Business Performance ~ Asset Business

(2) Market Share in Kanagawa Prefecture

- Mar-06: Market share of loans increased to **27.7%**, deposits to **22.8%**.
- Despite tougher competition, market share of loans increased by **+0.4%**, while deposits unchanged.

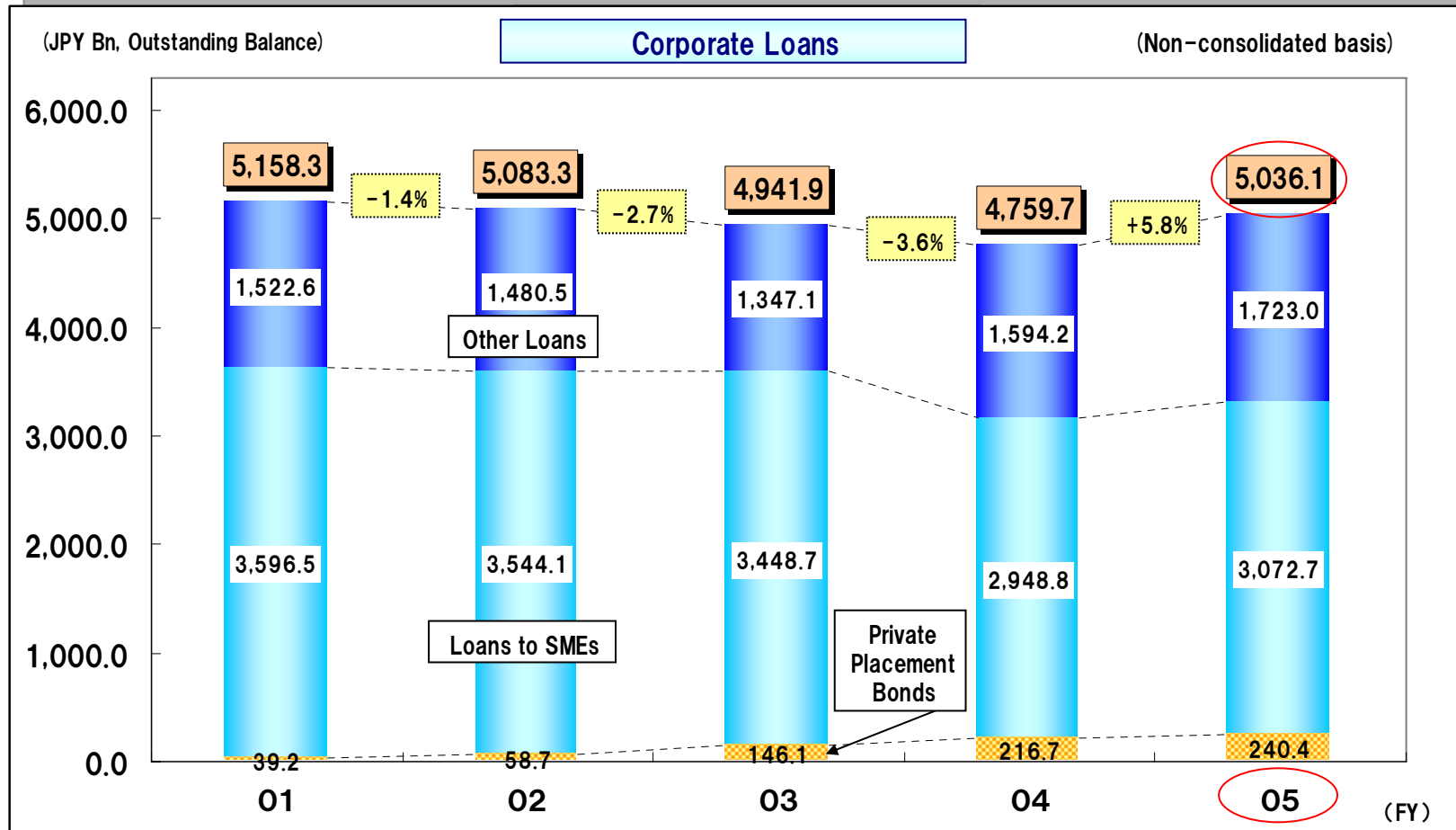


(Note) Source: Bank estimates

2. Business Performance ~ Asset Business (Corporate Customers)

(3) Loans to Corporate Customers

- FY05: Loans to Corporate Customers (including private placement bonds) increased by **+5.8%** (**JPY +276.4Bn**) from FY04.
- SME loans have shifted trend upward in FY05 (up **+4.2%** from FY04).

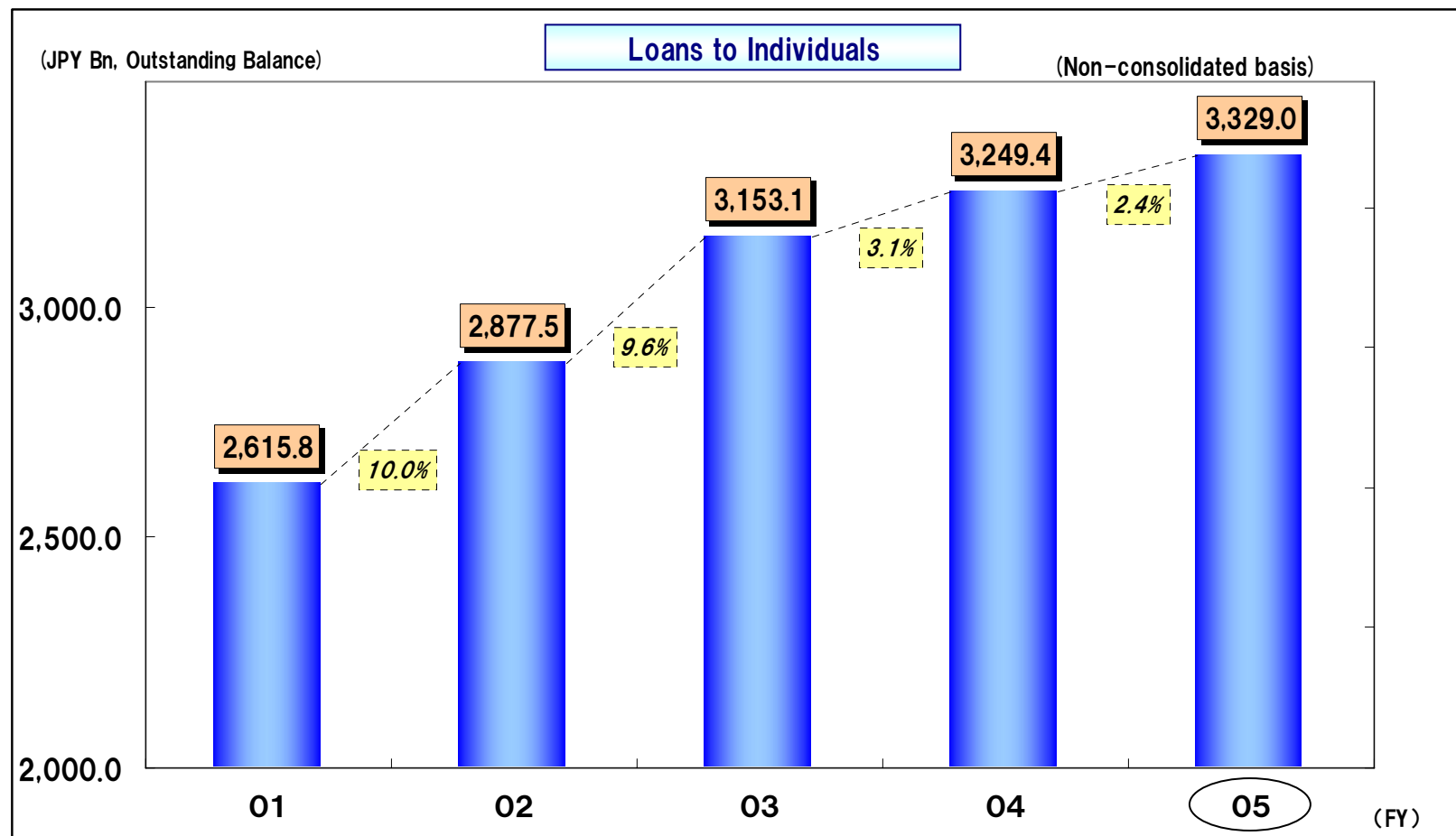


(Note) Other Loans include Large-, medium-sized enterprises, public, financials and etc.

2. Business Performance ~ Asset Business (Individuals)

(4) Loans to Individuals

- FY05: Despite tougher competition, we have managed to maintain upward momentum (up +2.4% from FY04).
- We will continue to focus on loans to individuals.

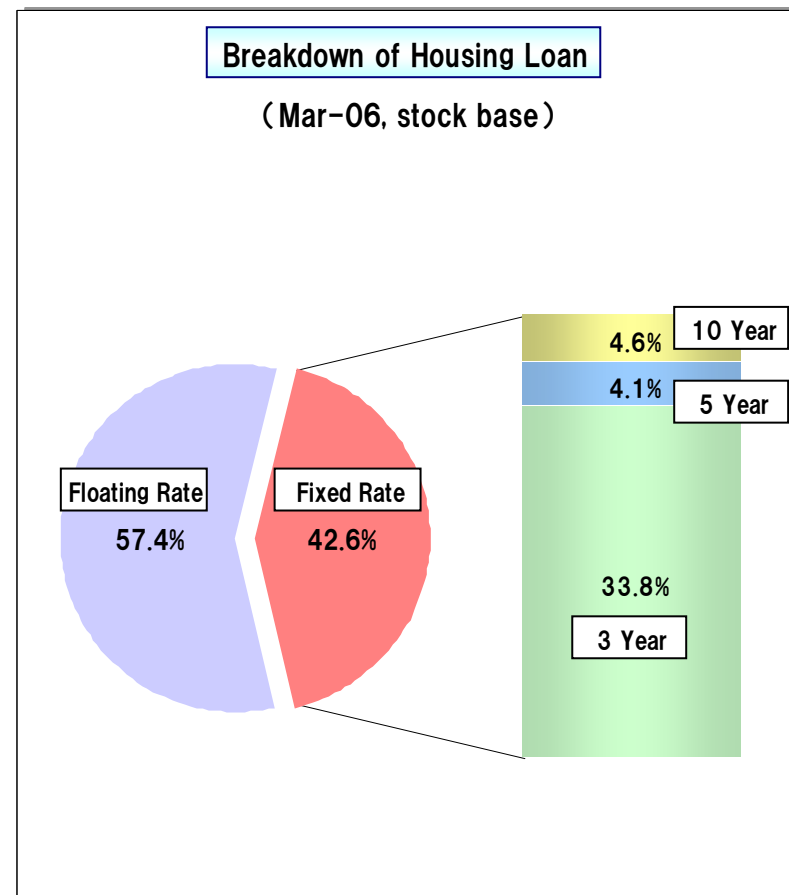
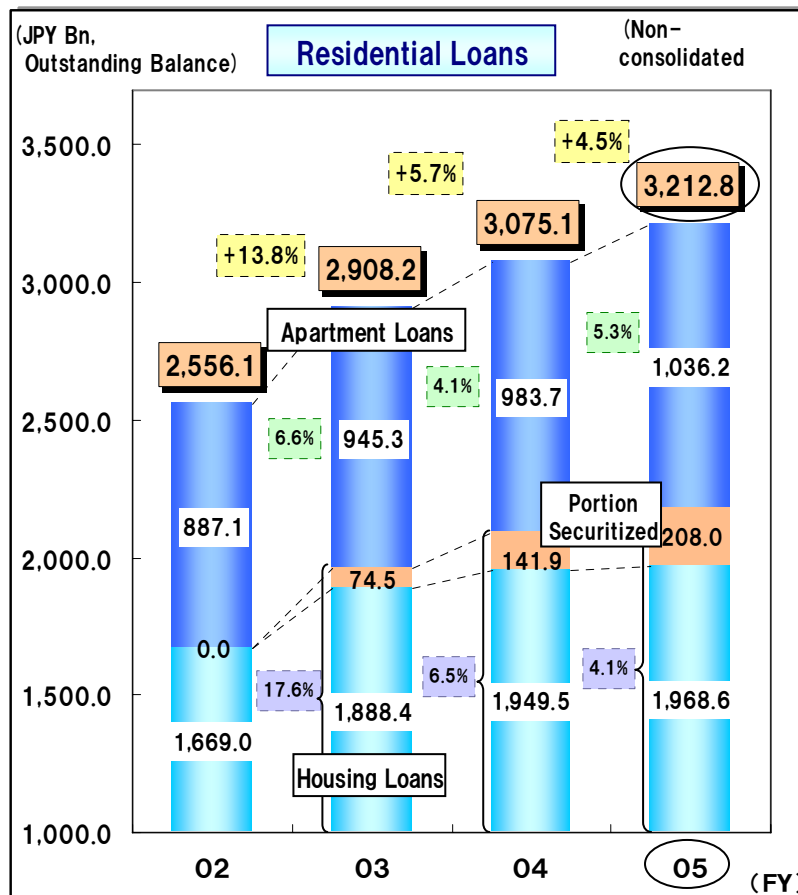


(Note1) Loans to Individuals = Housing Loans + Apartment Loans + Non-Residential Loans (including consumer loans)

2. Business Performance ~ Asset Business (Individuals)

(5) Residential Loans

- FY05: Residential Loans maintained upward momentum (up **+4.5%** from FY04).
- As a breakdown of housing loans, floating-rate loans account for a little over **50%**, containing risk of rising interest rate at low level.

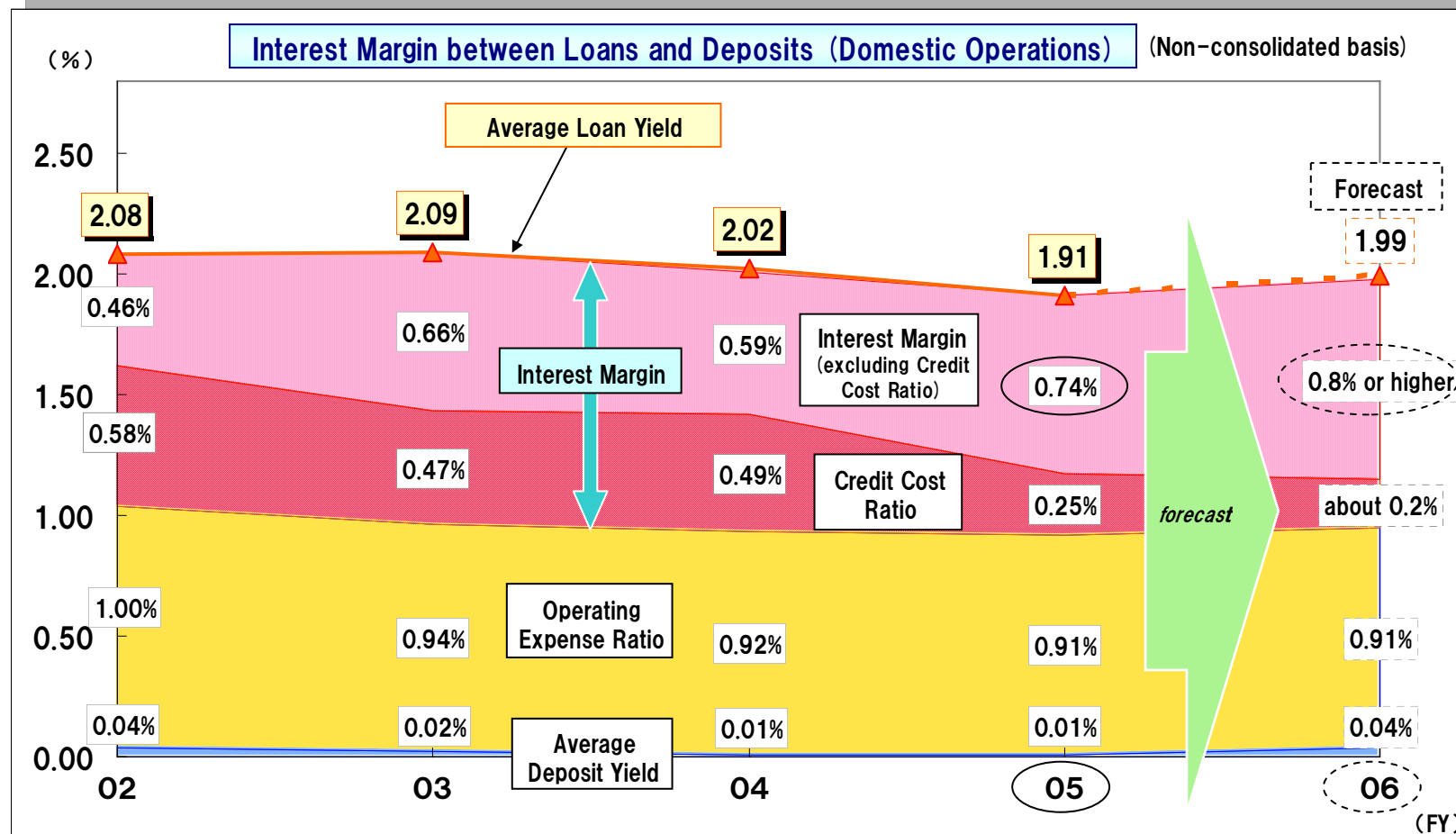


(Note1) Percentage increase for Housing Loans includes (adds back) portion securitized.

2. Business Performance ~ Asset Business

(6) Interest Margins

- FY05: Interest margin excluding credit cost ratio improved to **0.74%**.
- Forecast for FY06: The interest margin is expected to improve to be over **0.8%**, partly due to expectation for rise in the interest rates.



(Note1) Amount Outstanding = Average balance of Deposits and Loans in domestic operations.

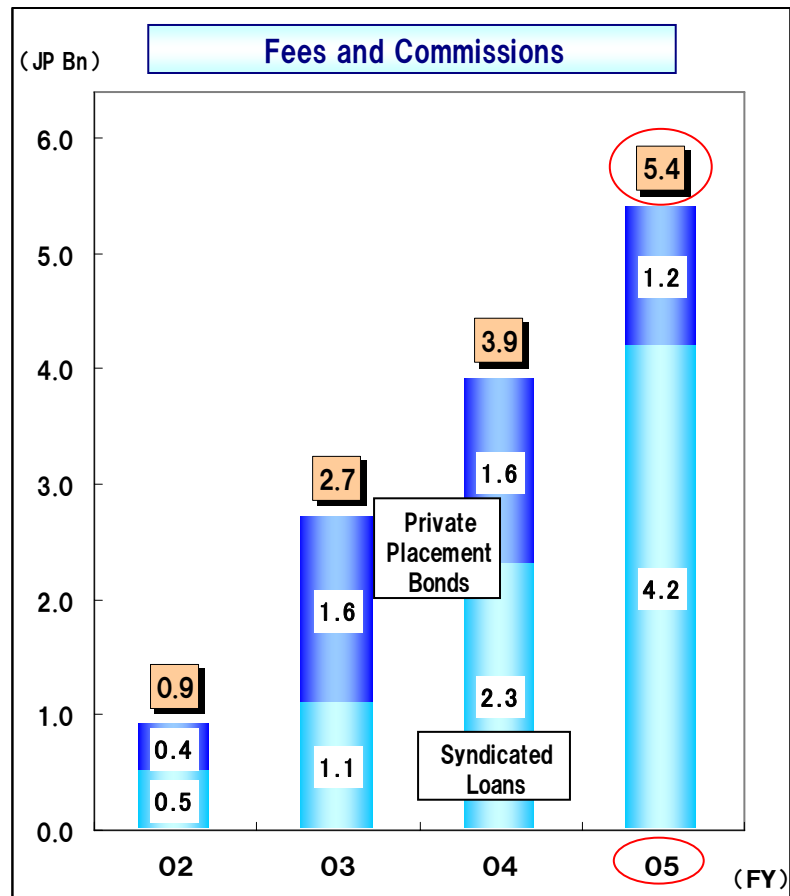
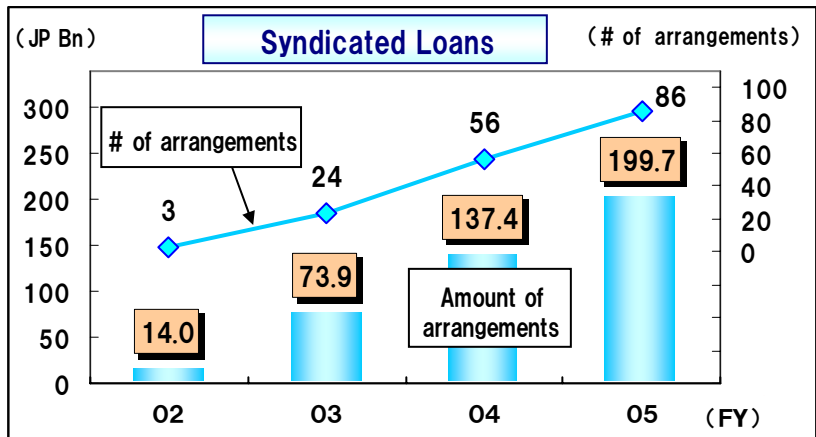
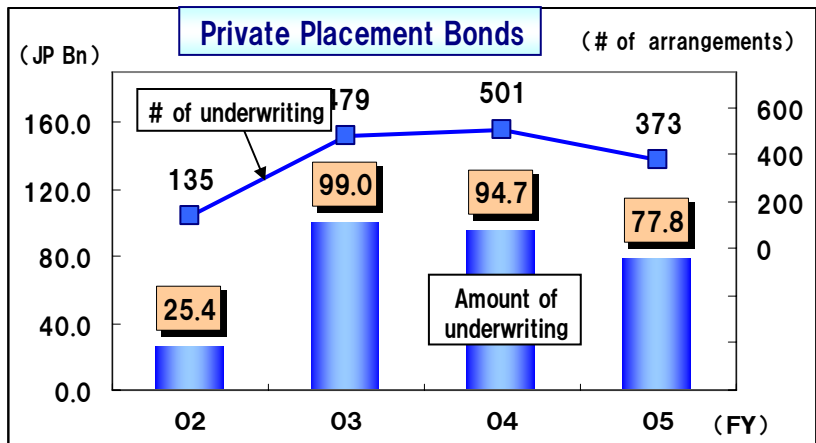
(Note2) Operating Expense Ratio = Expenses excluding extraordinary items ÷ Average balance of Deposits.

(Note3) Credit Cost Ratio = Credit Costs ÷ Average balance for loans

2. Business Performance ~ Fee Business (Corporate Customers)

(1) Promotion of Private Placement Bonds & Syndicated Loans

- FY05: Fees & Commissions from Syndicated Loans grew steadily due to an increase in the number of syndicated loans arranged.
- Fees & Commissions from Syndicated Loans & Private Placement Bonds grew dramatically to **JPY5.4Bn.**

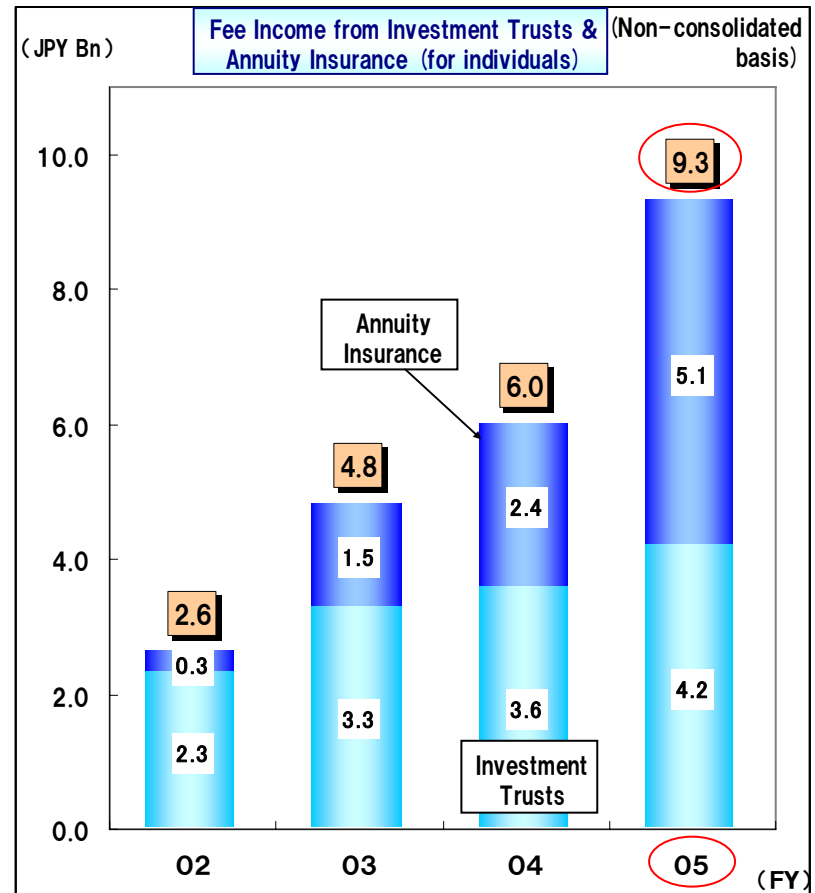
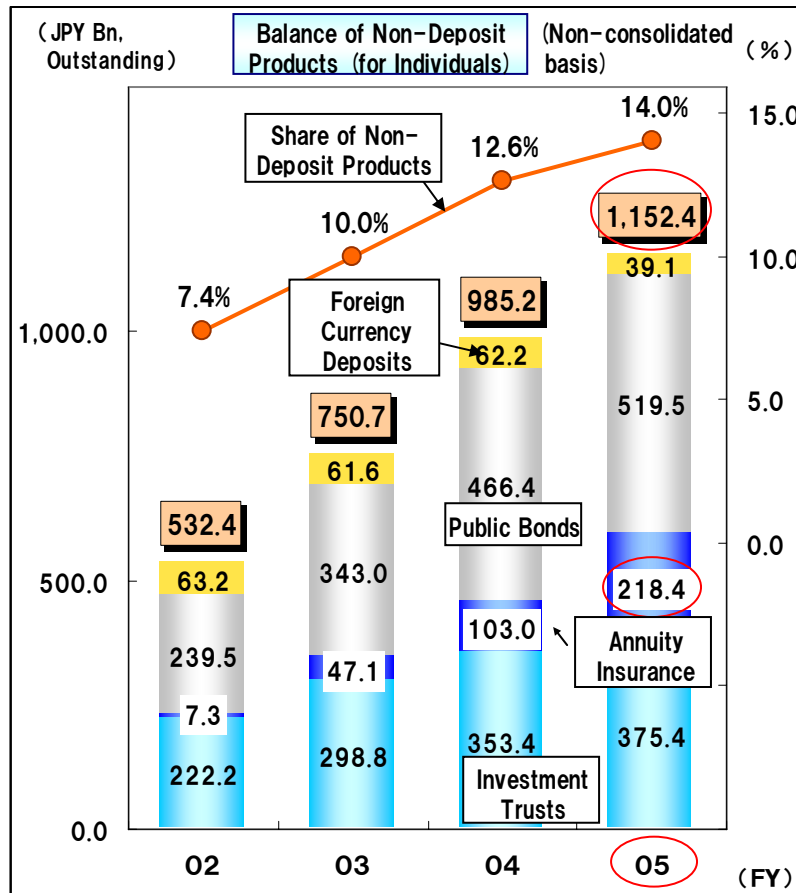


(Note) Fees & Commissions from Syndicated Loans include Commitment Line fees.

2. Business Performance ~ Fee Business (Individual Customers)

(2) Non-Deposit Products ~ Balance, Fees & Commissions

- FY05: Balance of Non-Deposit Product steadily increased, and surpassed **JPY1.1Tn**. Share of Non-Deposit Products rose to **14.0%**.
- FY05: Fee Income from Investment Trusts & Annuity Insurance increased sharply to **JPY9.3Bn**.



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

3. Actions for Profit Maximization

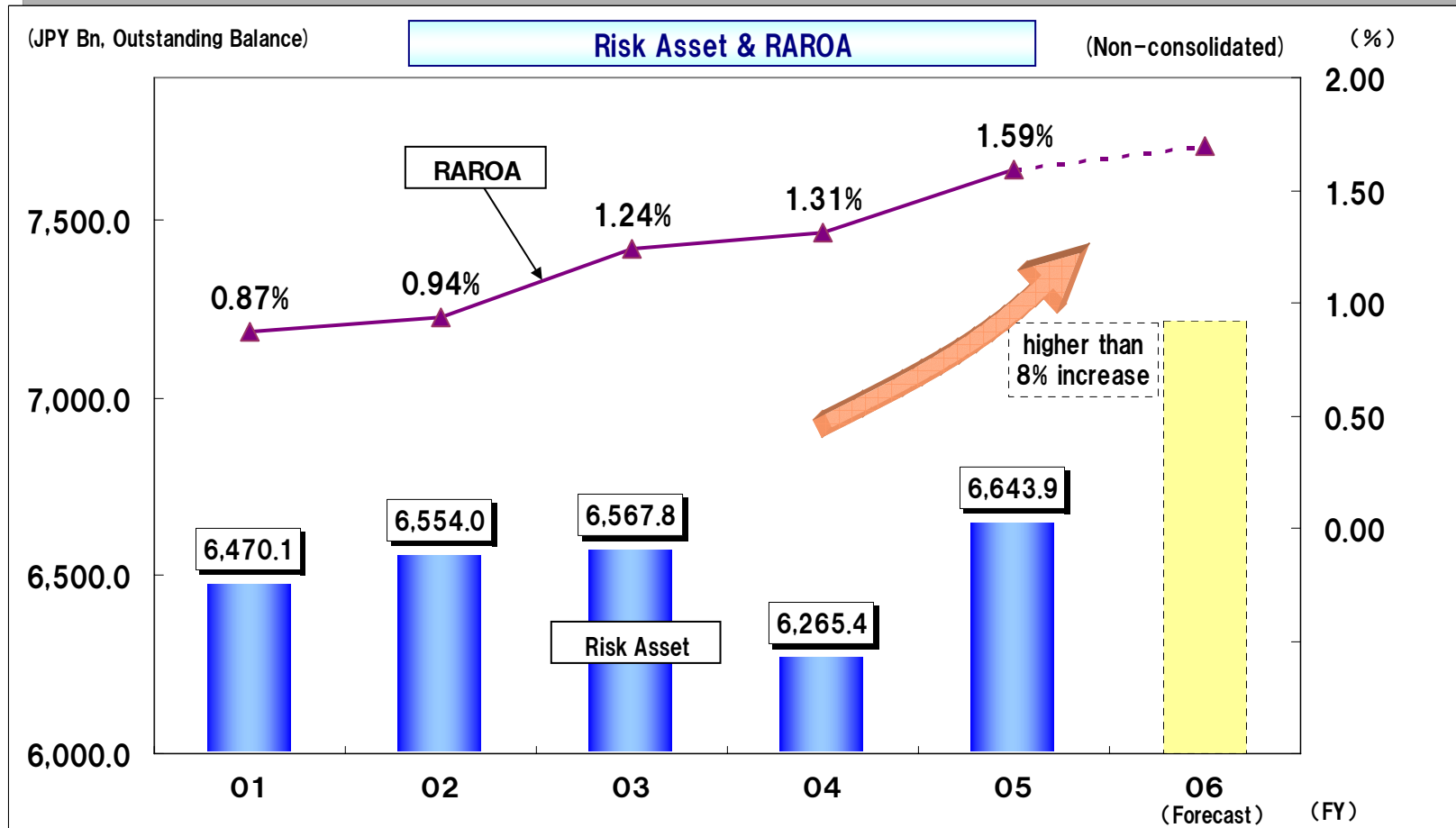
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3. Actions for Profit Maximization

(1) Increasing Risk Asset

- FY05: Risk Asset dramatically increased due to an increase in corporate loans (up +6.0% from FY04).
- FY06: We are planning +8% increase in Risk Asset by further strengthening marketing and by risk taking, with a backdrop of accumulated capital.



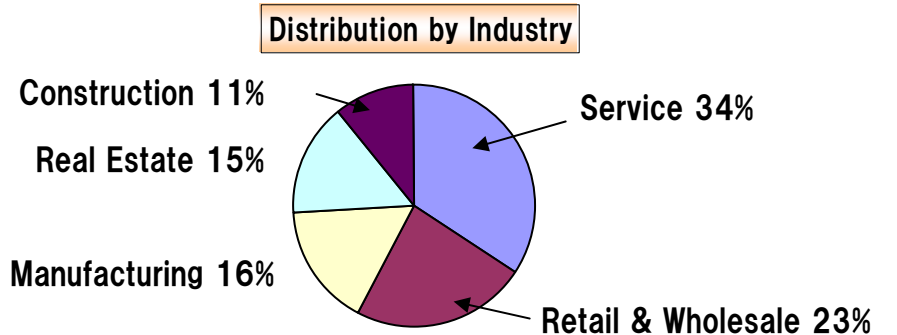
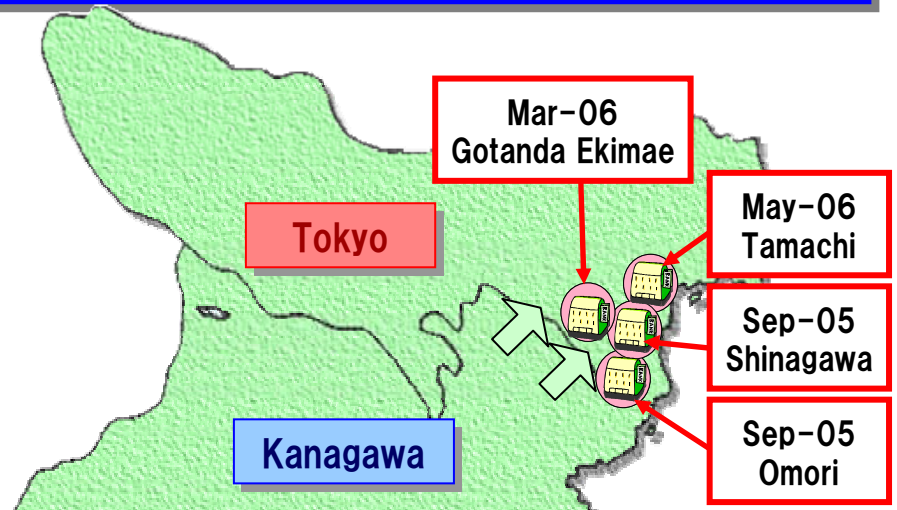
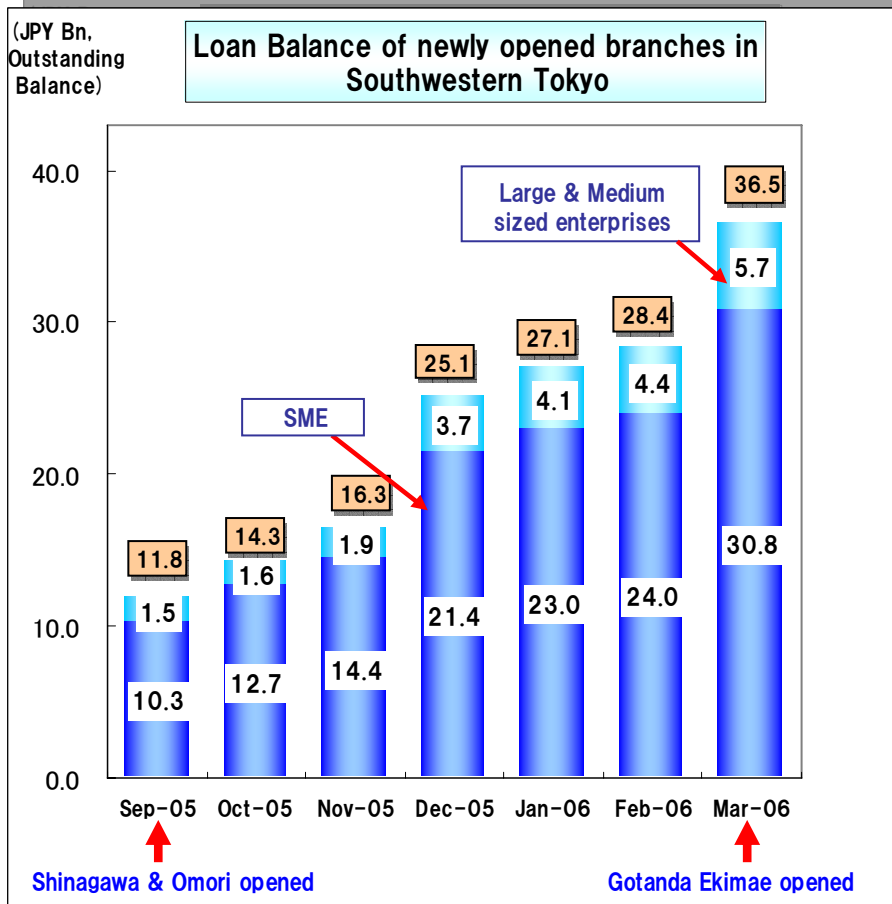
(Note1) RAROA = $\frac{\text{Net Business Profit (after provision of general allowance for possible loan losses)} - \text{Credit Costs}}{(\text{Risk Asset at the beginning of FY} + \text{the balance at the ending of FY}) \div 2}$

(Note2) Risk Asset = Outstanding balance of risk asset each year

3. Actions for Profit Maximization

(2) Expansion to Southwestern Tokyo

- We are gradually beginning to cover up Southwestern Tokyo, where corporations are densely located, by aggressively opening new branches. (By the end of FY07, total of 10 new branches, targeting **JPY200Bn** of loans in 3 years.)
- In FY05, we already opened 3 branches, and the loan balance of 3 branches combined reached **JPY36.5Bn** by the end of FY05, far beyond our expectation.
- In May-06, we have opened one more branch. We will continue focusing on SME loans.



3. Actions for Profit Maximization

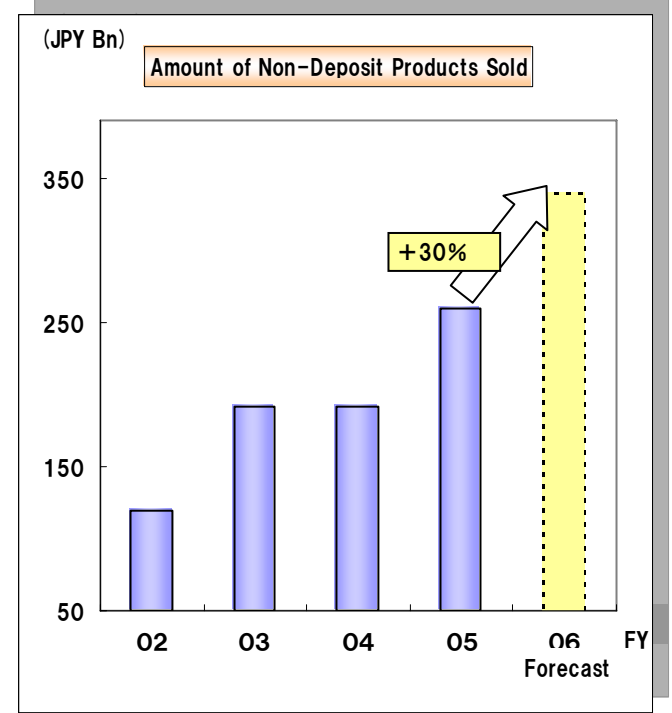
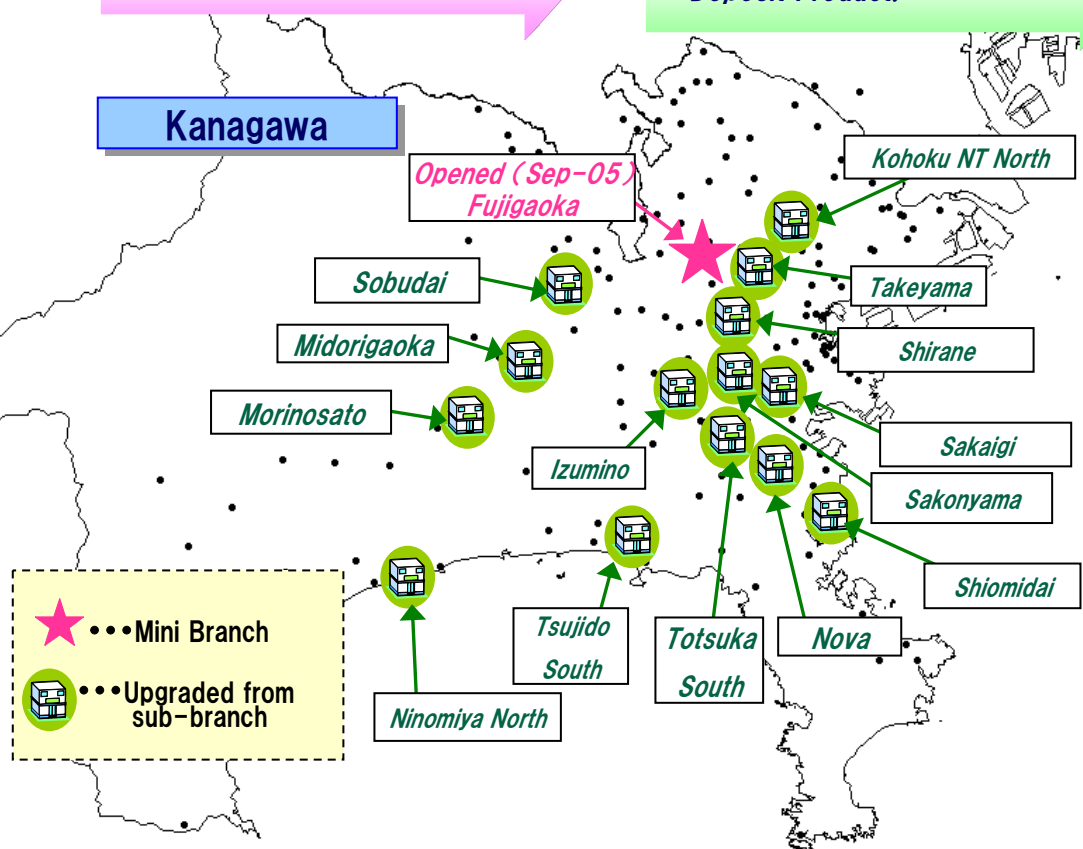
(3) Strengthening Service Channels within Kanagawa

- Developing branch network for individual customers through newly opening & upgrading sub-branches.
- Renovating existing branches & Installing “Consulting Booth”.
- Through these measures, we expect more than **30%** increase in the sale of Non-Deposit Product from FY05.

(Mini Branches)
 10 branches by FY07
 (1 opened so far)

(Upgrading sub-branches)
 •Mar-06 Upgraded 14 branches
 •Strengthening the sale of Non-Deposit Product.

(Renovating existing branches)
 All the branches are to be renewed based on characteristics of branches.
 (Renewed 26 branches in FY05)

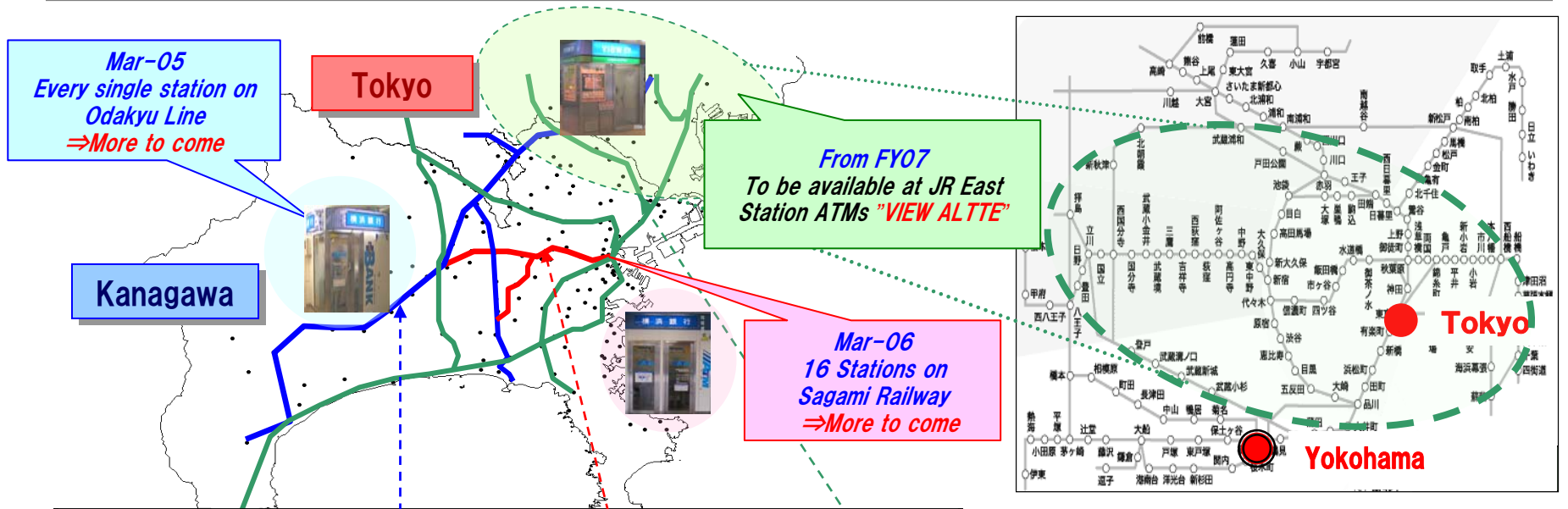





(Note) Sum of Investment Trust & Annuity Insurance

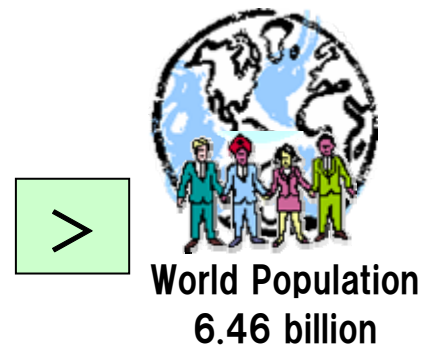
3. Actions for Profit Maximization

(4) Developing ATMs within Train Stations

- We are currently developing station ATMs in metropolitan area, fully aware of the fact that people in Kanagawa are commuting to metropolitan area.
- In addition to station ATMs on Odakyu Line & Sagami Railway, we will tie up with JR East and accelerate development of ATM network.



	Odakyu Line	Sagami Railway	JR East
			
Annual passengers	670 million	220 million	5.85 billion
# of stations	70(all)	16	175
# of ATMs	79	18	(VIEW ALTTE) 255



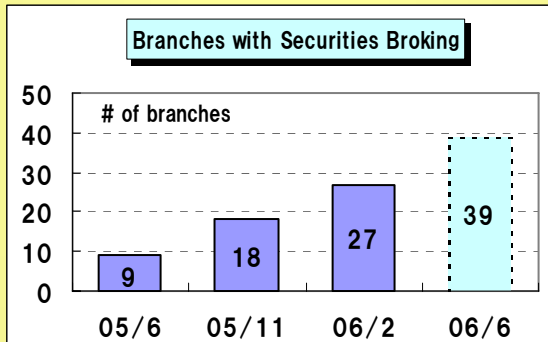
3. Actions for Profit Maximization

(5) Developing new business & new services

- With Non-Deposit Products gaining popularity, we have expanded the number of branches with securities broking function. By Jun-06, **39** branches will be able to serve the function.
- As a strategy to enclose individual customers, we will introduce a new point service, <Hamagin>"My Point".

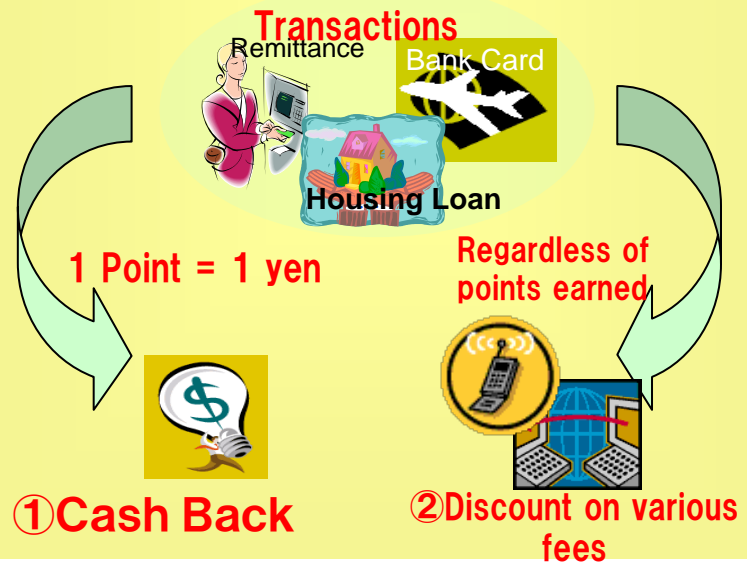
Securities Broking

- Alliance with:
Nikko Cordial Securities Inc.
- Services:
Broking: sale & purchase of foreign bonds & Japanese stocks
Handling: opening new accounts
- Schedule
By Jun-06, total of 39 branches.
More to come.



<Hamagin>"My Point"

- What is "My Point"?
In accordance with the depth of transactions with us:
 - ① Accumulated points are converted into cash, which is automatically transferred into accounts (Cash Back).
 - ② Discount on fees regardless of points earned



3. Actions for Profit Maximization

(6) Card Business

- After Apr-05, we are planning to upgrade the quality of Bank Card for improving customers' convenience.
- We have tied up with JR East, and will improve functions of Bank Card in FY07.

About Bank Card

《 Now ⇒ 4 functions in 1 card 》

- Cash Card
- International Credit Card
- Loan Card
- Debit Card

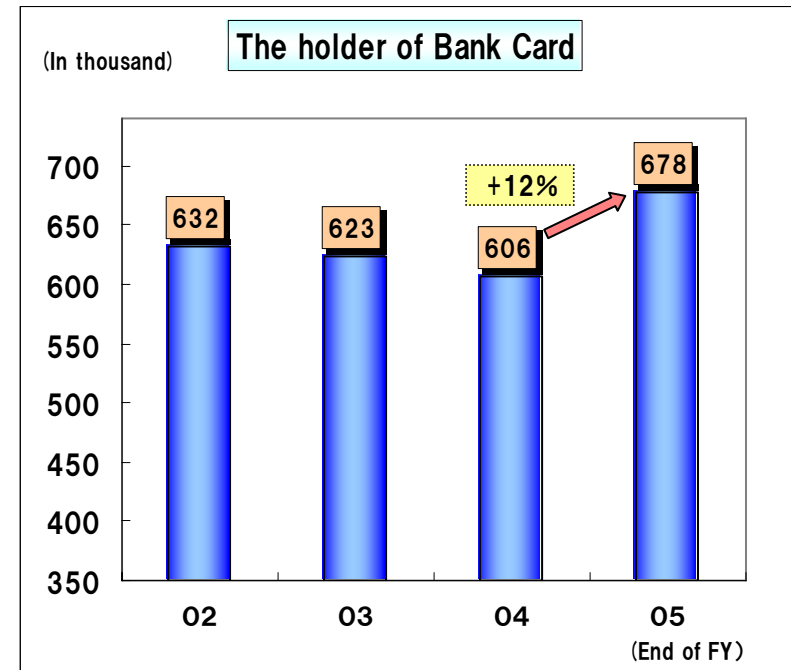
From FY07 

○ Electronic Money function

《History of Improvement》

- (Apr-05) Developed additional service point by forming alliance with Sumitomo Mitsui Card
- (Oct-05) Cash card equipped with IC card
- (Apr-06) Exempted annual fee
- (1st Half-06) New Issuance of Gold Card
- (FY07) New issuance of card equipped with "View Suica" Card

The number of Bank Card Holders



"The Best Regional Bank that is strongly supported by customers and that continues to evolve"

4. Alliance Strategy

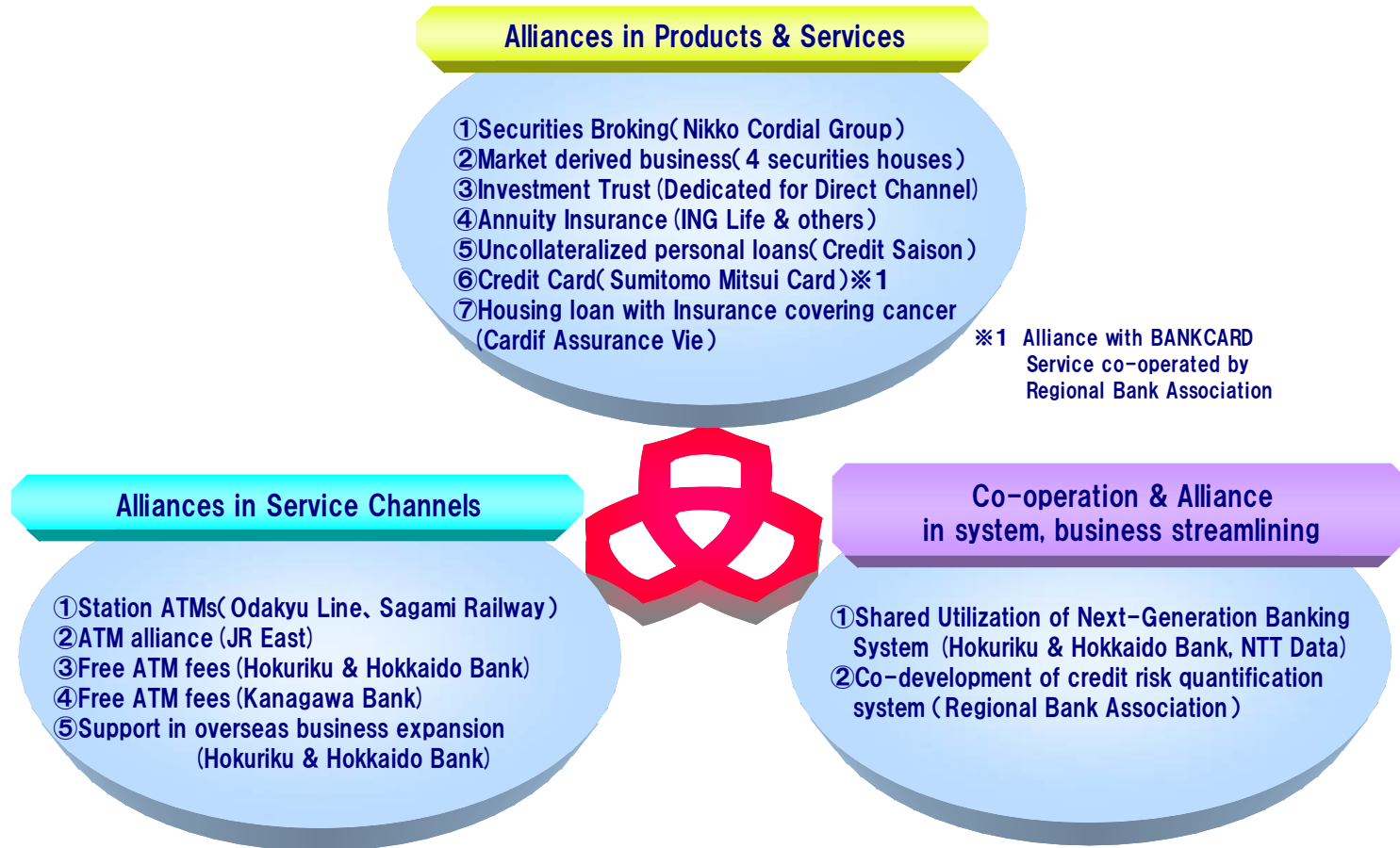
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4. Alliance Strategy

(1)Outline of alliance ~ Since FY05

- One by one, we are executing business alliance with various businesses, mainly on products & services area.
- We will further develop alliance strategy in various areas, and will improve profitability by both strengthening marketing activities & reducing costs.

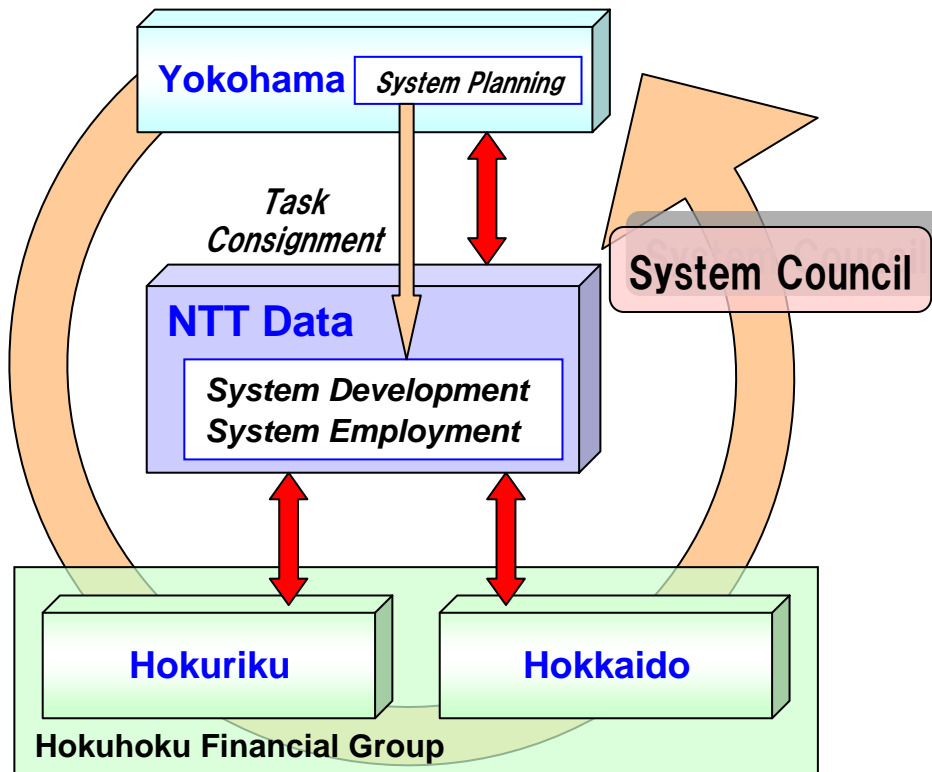


4. Alliance Strategy

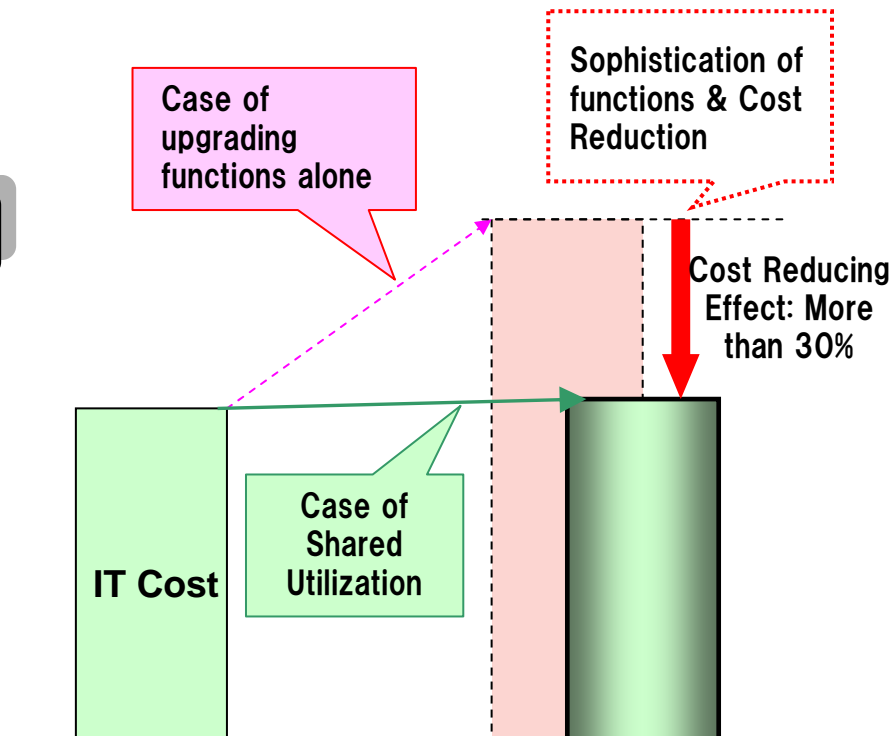
(2) Shared Utilization of Banking System ~ Total Portrait

- In Mar-06, we have concluded the basic agreement on “Shared Utilization of Next-Generation Banking System” with Hokuriku Bank, Hokkaido Bank and NTT Data. (To be available in Jan-10)
- Plan to realize “Sophistication of Customer Service in response to diversified needs of customers” and “IT Cost Reduction” simultaneously.
- We have embarked on system development, as well as discussing the expansion of the scope of targets for shared utilization.

Scheme on Shared Utilization



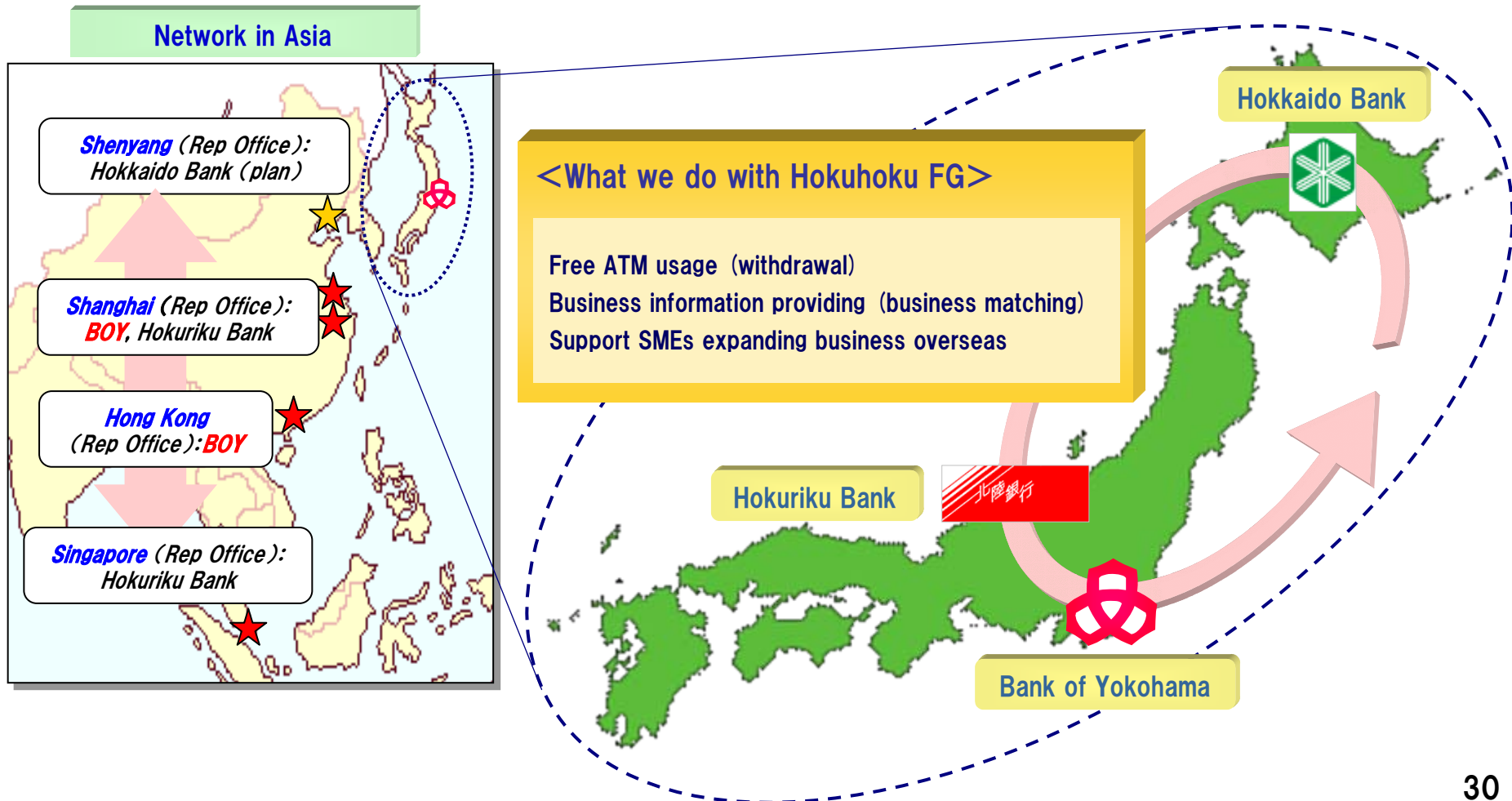
Cost Reducing Effects



4. Alliance Strategy

(3) Business Alliance with Hokuhoku Financial Group

- Mar-06: Started business alliance with Hokuhoku FG (Hokuriku Bank & Hokkaido Bank) in various areas.
- We will seek to improve customers' convenience through this 3-Banks-alliance, not only in shared utilization of banking systems but also in marketing areas.



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