

# *Information Meeting*

~ Financial Results for FY2004 ~



The Bank of Yokohama, Ltd.

May 30, 2005

## 1. Operating Performance

- ◆ Gross Operating Income, Expenses & OHR, Net Business Profit, Disposal of Problem Claims, Net Income, Tier I Ratio

## 2. Capital Policy

- ◆ Our New Policy on Return to Shareholders
- ◆ Future Direction on Utilization of Capital

## 3. Management Plan

- ◆ Mid-Term Management Plan "Go Forward!"
  - ~ Comparison between the new & the old, Figures to achieve

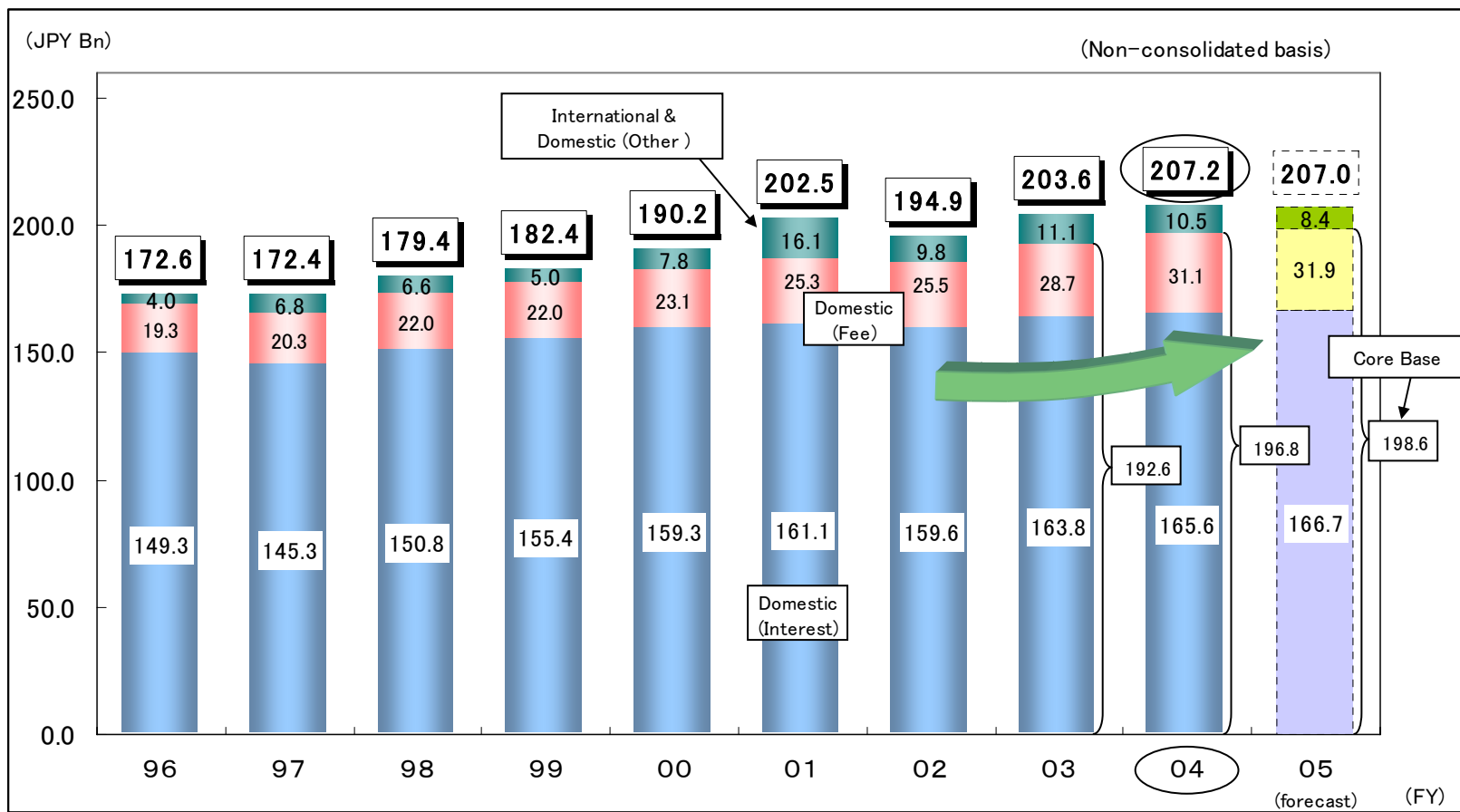
## 4. Strengthening Retail Promotion

- ◆ Responding to "Financing" Needs
  - ~ Retail Loans, Private Placement Bonds・Syndicated Loans, Corporate Loans, Housing Loans
- ◆ Responding to "Investing" Needs
  - ~ Non-Deposit Products (Investment Trust & Annuity Insurance), Fees & Commission, Mini-Branches

# 1. Operating Performance

## (1) Gross Operating Income

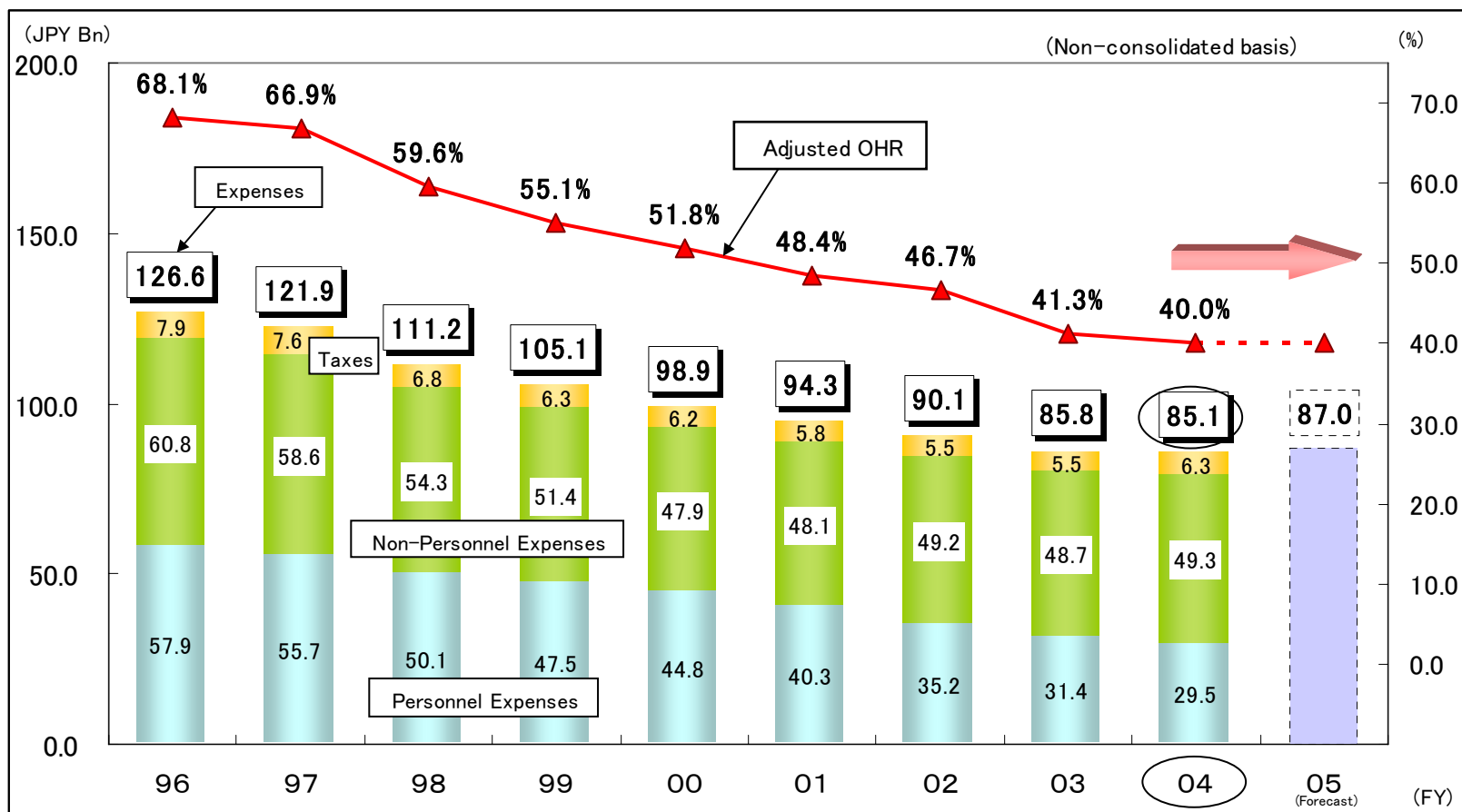
- Gross Operating Income hit a record high to **JPY207.2Bn** in FY04 (up **JPY3.6Bn, +1.7%** from FY03).
- “Core Base” (Domestic Interest Income + Domestic Fees & Commissions) also hit a record high to **JPY196.8Bn** (up **JPY4.2Bn, +2.1%**).
- Forecast for FY05: Gross Operating Income **JPY207.0Bn**. “Core Base” **JPY1.8Bn** increase from FY04.



# 1. Operating Performance

## (2) Expenses & OHR

- Expenses & OHR for FY04 decreased to **JPY85.1Bn** (down **JPY0.7Bn**, **- 0.8%** from FY03) and **40.0%**.
- Forecast for FY05: Slightly up from FY04 to **JPY87.0Bn** (up **JPY1.9Bn**, **+2.2%**). Excluding expenses for strengthening retail promotion, **JPY84.8Bn** (down **JPY0.3Bn**, **- 0.3%** from FY03). Continue to maintain the current level of OHR.

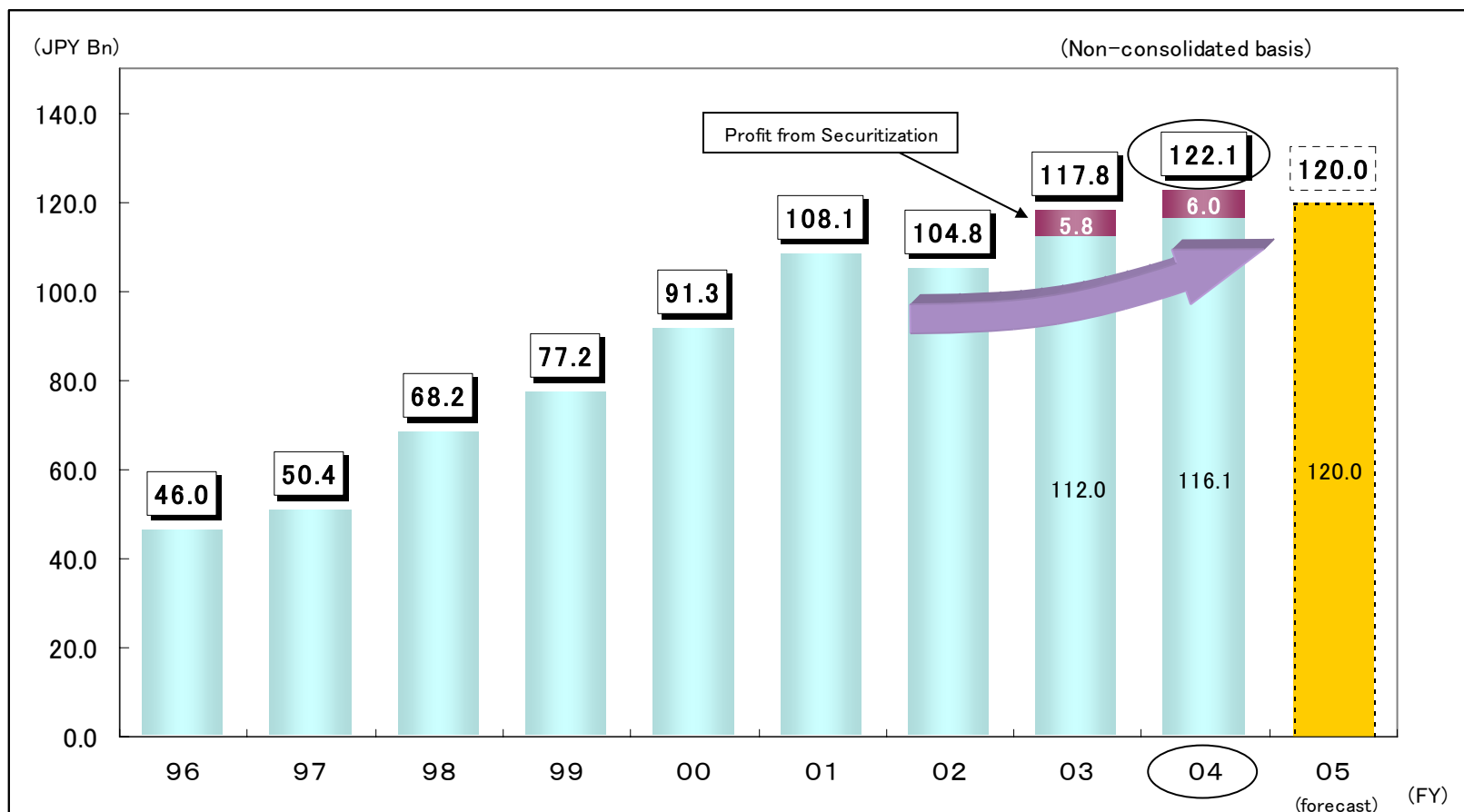


(Note) Adjusted OHR(non-consolidated) = General and Administrative Expenses (excluding extraordinary items) ÷ Gross Operating Income (excluding gains and losses on sales and redemptions of both bonds and bond derivative profits (losses)).

# 1. Operating Performance

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

- Net Business Profit hit a record high to JPY122.1Bn in FY04 (up JPY4.3Bn, +3.6%).
- “Core Base” also hit a record high to JPY116.1Bn (up JPY4.1Bn, +3.6%).
- Forecast for FY05: “Core Base” JPY120.0Bn (up JPY3.9Bn, +3.3%). Maintaining the current level.

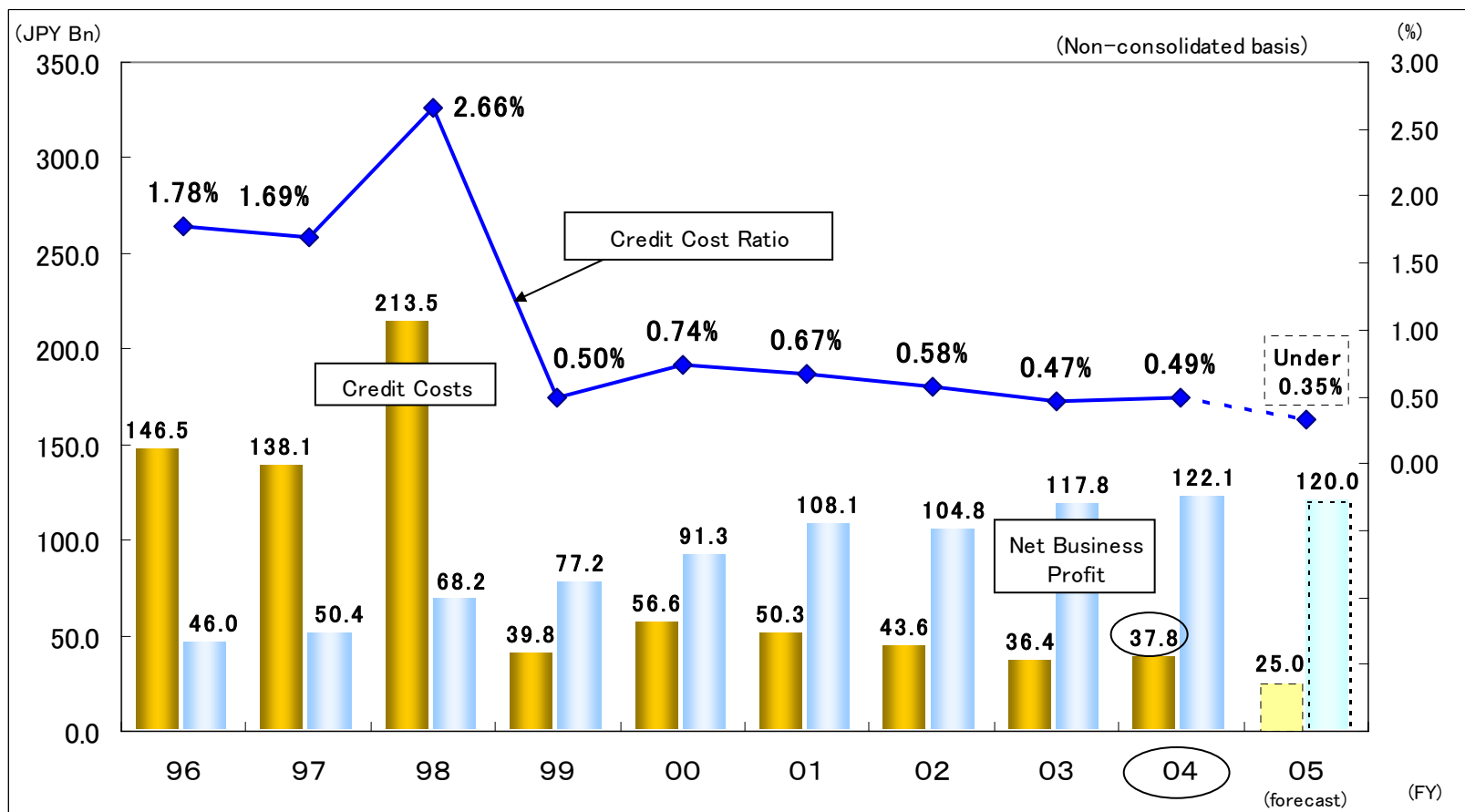


(Note) Net Business Profit (before Provision (Reversal) of General Allowances for possible loan losses) – Profit from Securitization

# 1. Operating Performance

## (4) Disposal of Problem Claims ①

- Credit Costs for FY04 were slightly up to JPY37.8Bn ( up JPY1.4Bn, +3.8%).
- Forecast for FY05: Decrease to JPY25.0Bn(- 33.8% from FY04). Credit Cost Ratio for FY05 is also expected to improve to be under 0.35%.

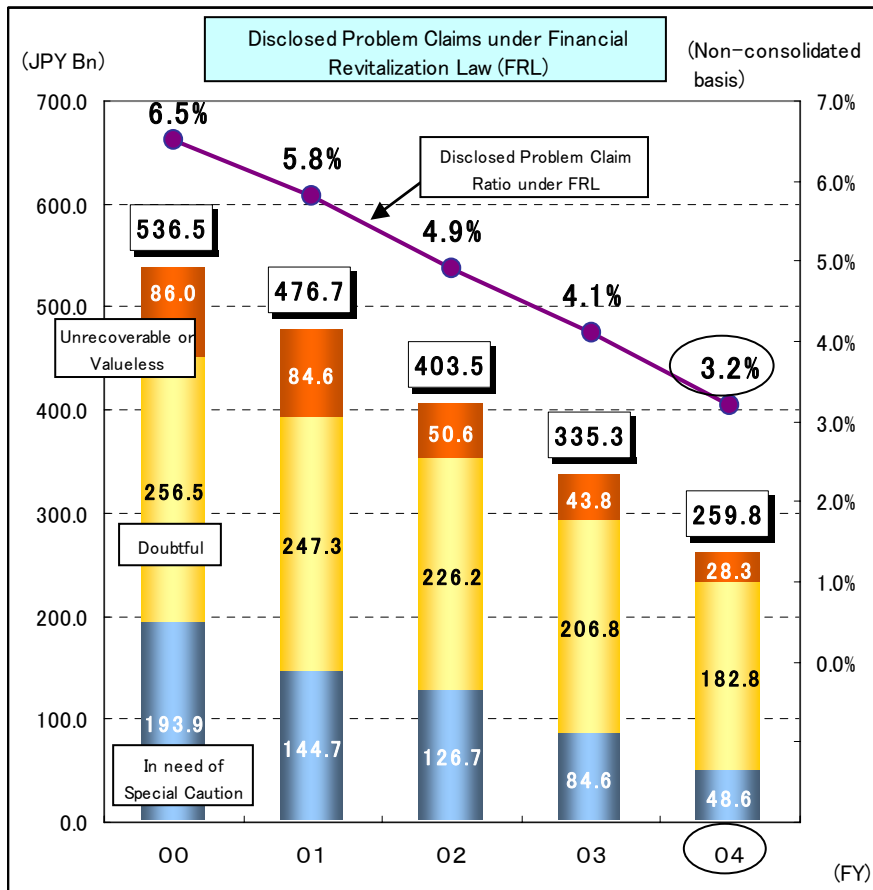


(Note) Credit Cost Ratio = Credit Costs ÷ Average domestic loans and bills discounted. (non-consolidated basis)

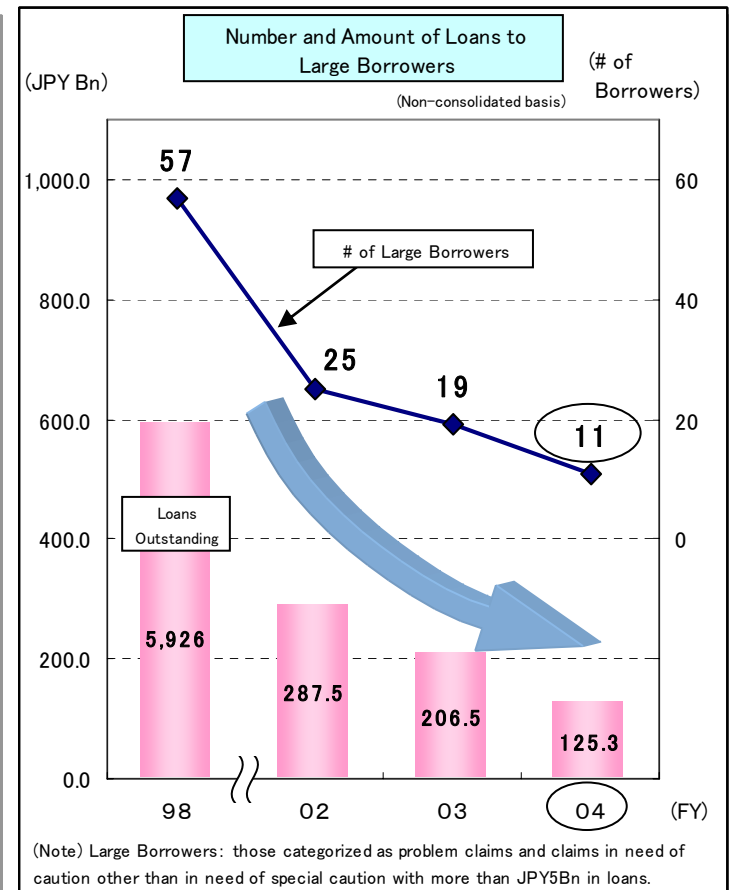
# 1. Operating Performance

## (4) Disposal of Problem Claims②

- Problem Claims Ratio decreased constantly to **3.2%** by March 2005.
- Continue to diversify risks by reducing Problem Claims to Large Borrowers.



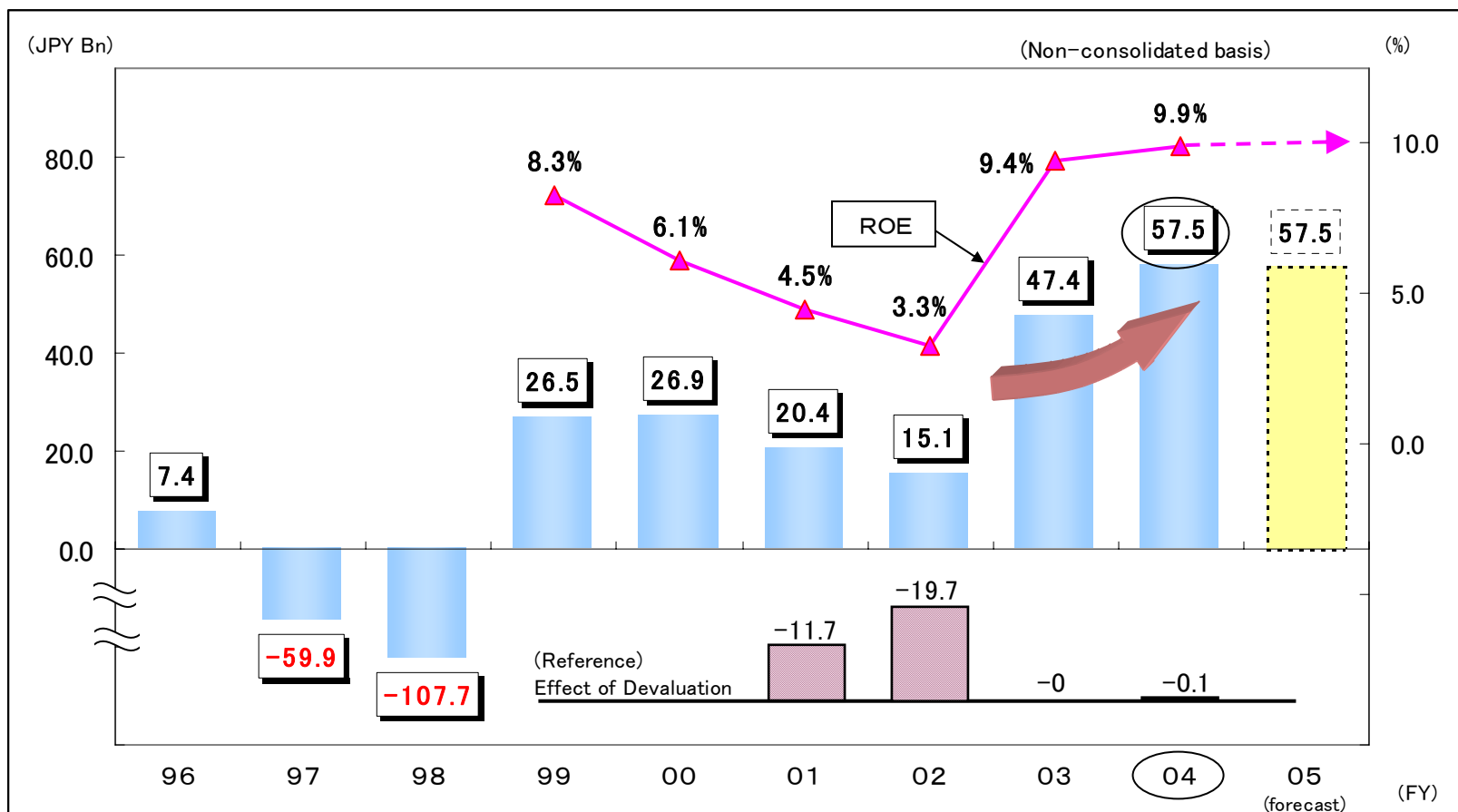
(Note) FRL is an abbreviation for Financial Revitalization Law.



# 1. Operating Performance

## (5) Net Income

- Net Income also hit a record high to **JPY57.5Bn** in FY04 (up **JPY10.1Bn**, +21.3% from FY03).
- Forecast for FY05: **JPY57.5Bn**, aiming to maintain the current level.
- We will aim for ROE of higher than **10%** in the next 3 years. (ROE for FY04 was **9.9%**)



(Note1) ROE = Net Income ÷ Average balance of capital for the two ending periods.

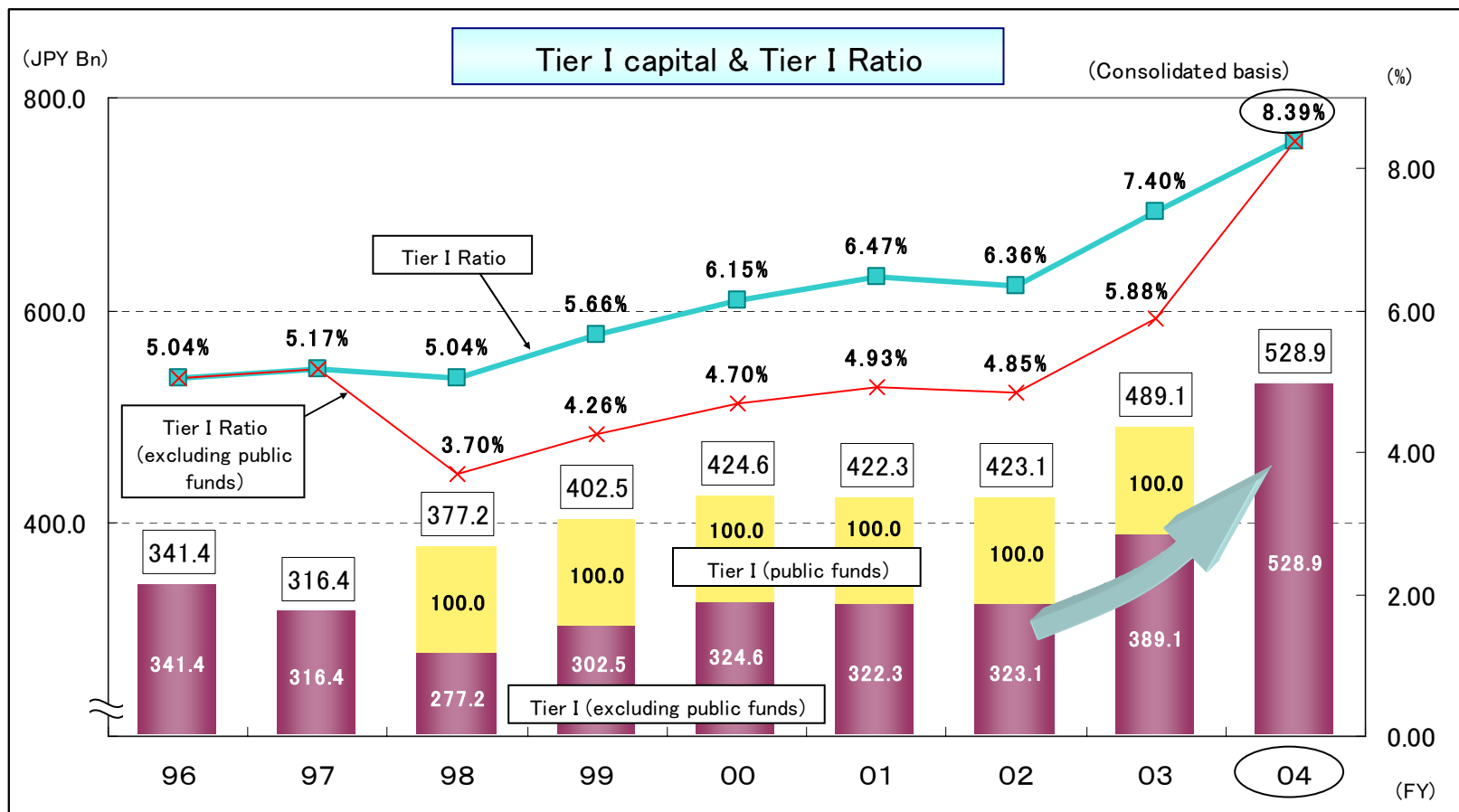
(Note2) Effects of devaluation: Losses on Devaluation of stocks × 0.6(1-income tax rates) on non-consolidated basis.



# 1. Operating Performance

## (6) Tier I Ratio

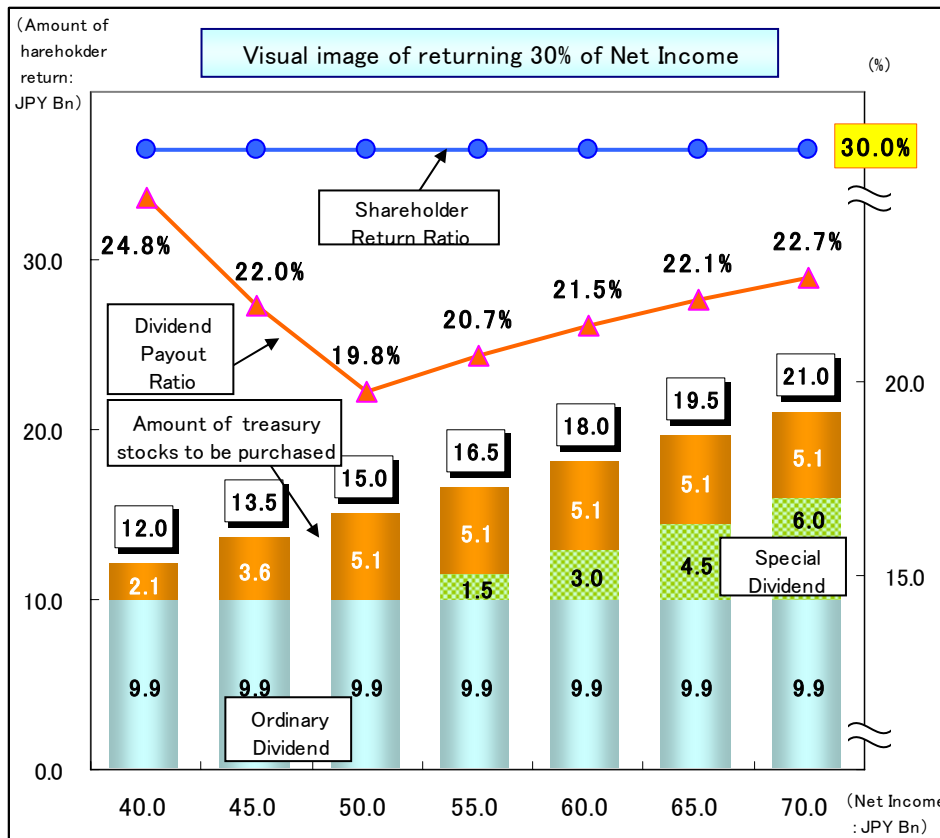
- March 2005 (Consolidated basis) : Tier I Ratio **8.39%**, Capital Adequacy Ratio **10.95%**.
- Continue to aim for Tier I Ratio of higher than **9%**, and maximize profits by utilizing capital.



# 2. Capital Policy

## (1) Our New Policy on Return to Shareholders

- We have decided to purchase treasury stocks, and to increase dividends for the sake of shareholders.
- We have introduced a new “Performance-based Dividend Policy”, which comprises 2 parts,
  - ① Ordinary Dividend: Stably paid regardless of business results; 5 yen → 7 yen per annum a share.
  - ② Special Dividend: Coupled with business results; to be paid out at around 30% of the amount exceeding JPY50Bn in net income for the year (FY04: 1.5yen per annum a share)
- Shareholder Return Ratio ((Dividend payout + Purchase of treasury stock)/ Net Income): higher than 30%



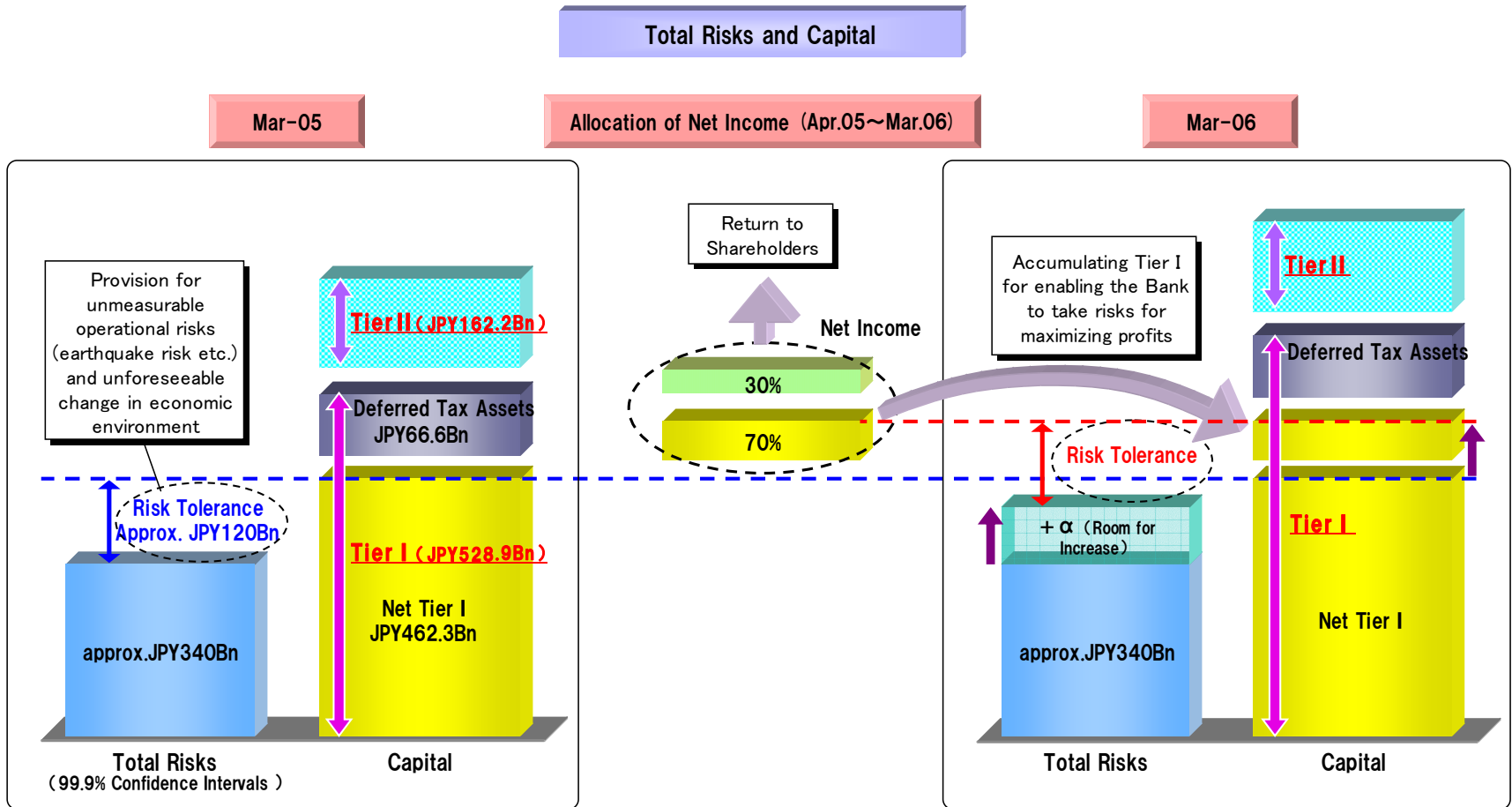
| Comparison                                  |                                       |   |
|---|---------------------------------------|---|
|   | FY03                                  | FY04                                    |
| Dividend Payout Ratio                       | 12.53%<br>(5 yen per share per annum) | 20.84%<br>(8.5 yen per share per annum) |
| Return Ratio by purchase of Treasury Stocks | 0.00%                                 | 8.59%<br>(8 million shares retired)     |
| Shareholder Return Ratio                    | 12.53%                                | 29.43%                                  |

(Note1) The amount of payout shown in the chart on the left is not guaranteed.  
 (Note2) Calculated on the following basis; Ordinary Dividend to be 7 yen, # of shares issued to be constant. Special Dividend to be amount exceeding 50 billion yen in net income × 30%. Amount of treasury stocks purchased is calculated simply by subtracting ordinary and special dividend from 30% of net income.

# 2. Capital Policy

## (2) Future Direction on Utilization of Capital

- Currently at an appropriate level of capital: About JPY460.0Bn of substantial Capital for FY04(Net Tier I) embraces approximately JPY340.0Bn of Total Risks (measured at 99.9% confidence interval) and other risks such as operational risks.
- We now aim to allocate roughly one third(30%) of Net Income to shareholders, and roughly two thirds(70%) to retained earnings and investment for maximizing profits.



# 3. Management Plan – New Mid-Term Management Plan

## (1) Comparison between the old & the new plan

### Previous

### New



**Name**

Towards Repayment of Public Funds

Further Promoting “Value-Up”

**Key Word**

FY03~04

FY05~07

**Term**

**Retail Promotion Strategy**

- Reallocated management resources to Kanagawa Prefecture
- Eliminated or downsized inefficient branches
- Restrained capital expenditure on branches and facilities



- <From defense to offense>**
- Develop business market via expanding our market to Southwestern Tokyo
  - Expand branch network for enhancing accessibility to customers
  - Renew facilities for establishing brand image and improving customer convenience
  - Improve Customer Satisfaction
  - Reinforce sales promotion (organizational change, increasing the # of sales personnel)
  - New Business (securities broking, market derived business etc.)
  - Improve product line (BankCard tying up with VISA)

**Human Resource Strategy**

- Restructured employees
- Restrained Salary & Bonus

- Maintain 3,500 employees by aggressively hiring
- Improve the quality & quantity of sales forces
- Energize employees by giving adequate incentives

**Investment Strategy**

- Restrained investing on future

- Invest incrementally for expanding customer base

**Financial Strategy**

- Reduced costs & restrained OHR
- Restrained various payouts for the repayment of public funds (accumulation of retained earnings)

- Maintain the current level of OHR through increasing both profits and costs.
- Maximize total shareholders return with a view to raising the value of shareholders

# 3. Management Plan – New Mid-Term Management Plan

## (2) Figures to be achieved

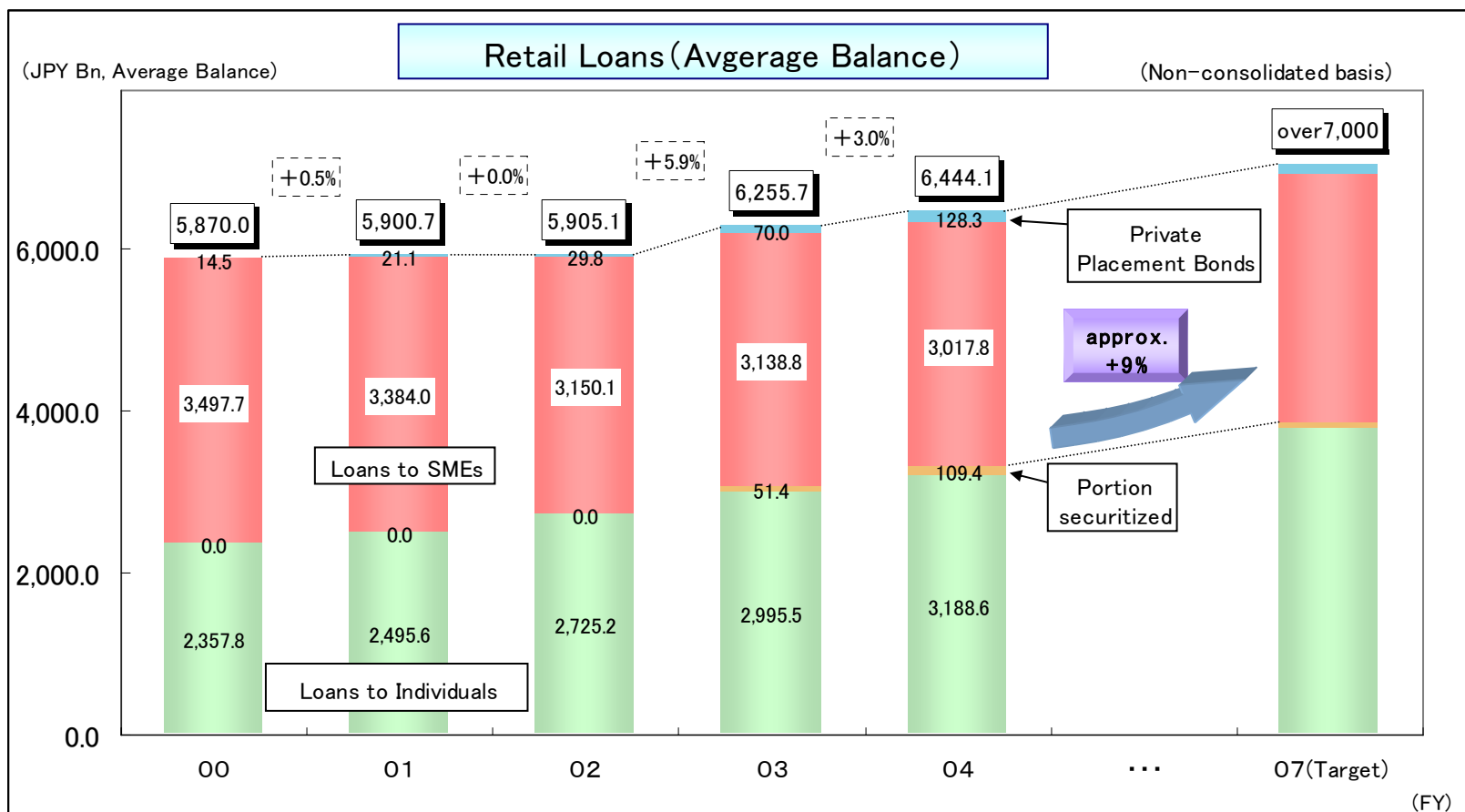


\* 1 Loans to SMEs + Loans to Individuals  
 \* 2 Including public bonds  
 \* 3 Net Income/Shareholders equity(Avg.)  
 \* 4 Excluding profit from securitization

## 4. Strengthening Retail Promotion—Responding to “Financing” Needs

### (1) Retail Loans (Individual Loans + SME Loans)

- Average balance for Retail Loans increased by **3.0%** in FY04 (after adjusting securitization & private placement bonds).
- Aim for more than **9%** increase in Retail Loans over the next 3 years. (on average balance)

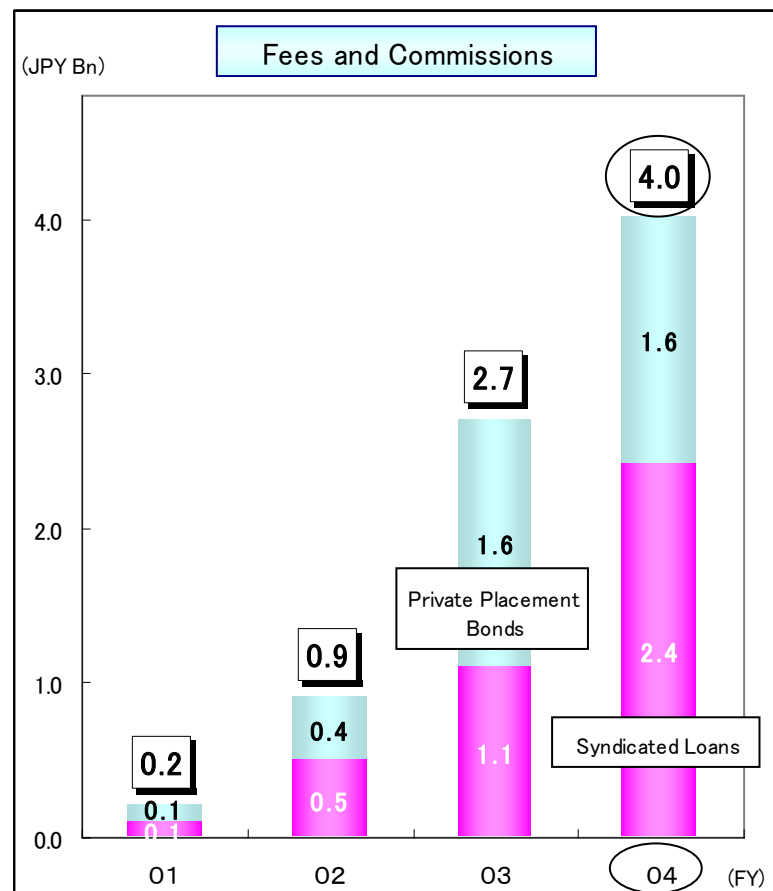
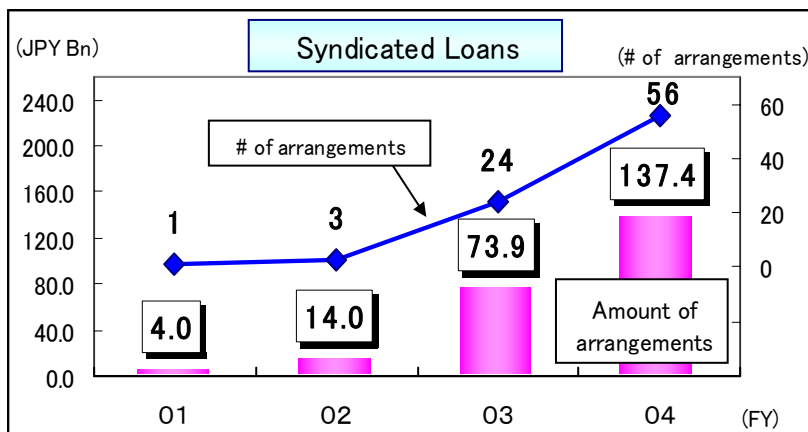
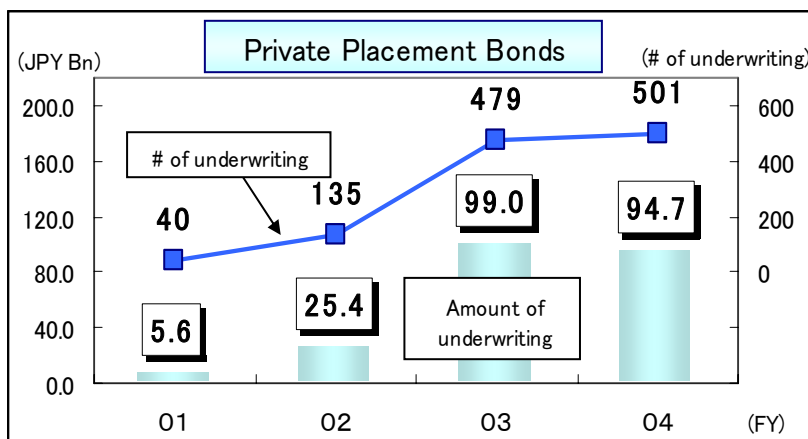


(Note1) Average Balance for Private Placement Bonds is calculated by simply taking the average balance for the two ending terms.

## 4. Strengthening Retail Promotion—Responding to “Financing” Needs

### (2) Promotion of Private Placement Bonds & Syndicated Loans

- Private Placement Bonds & Syndicated Loans grew steadily in FY04.
- Fees & Commissions from the two products amount to **JPY4.0Bn** in FY04 (up **JPY1.3Bn, +48.1%**).

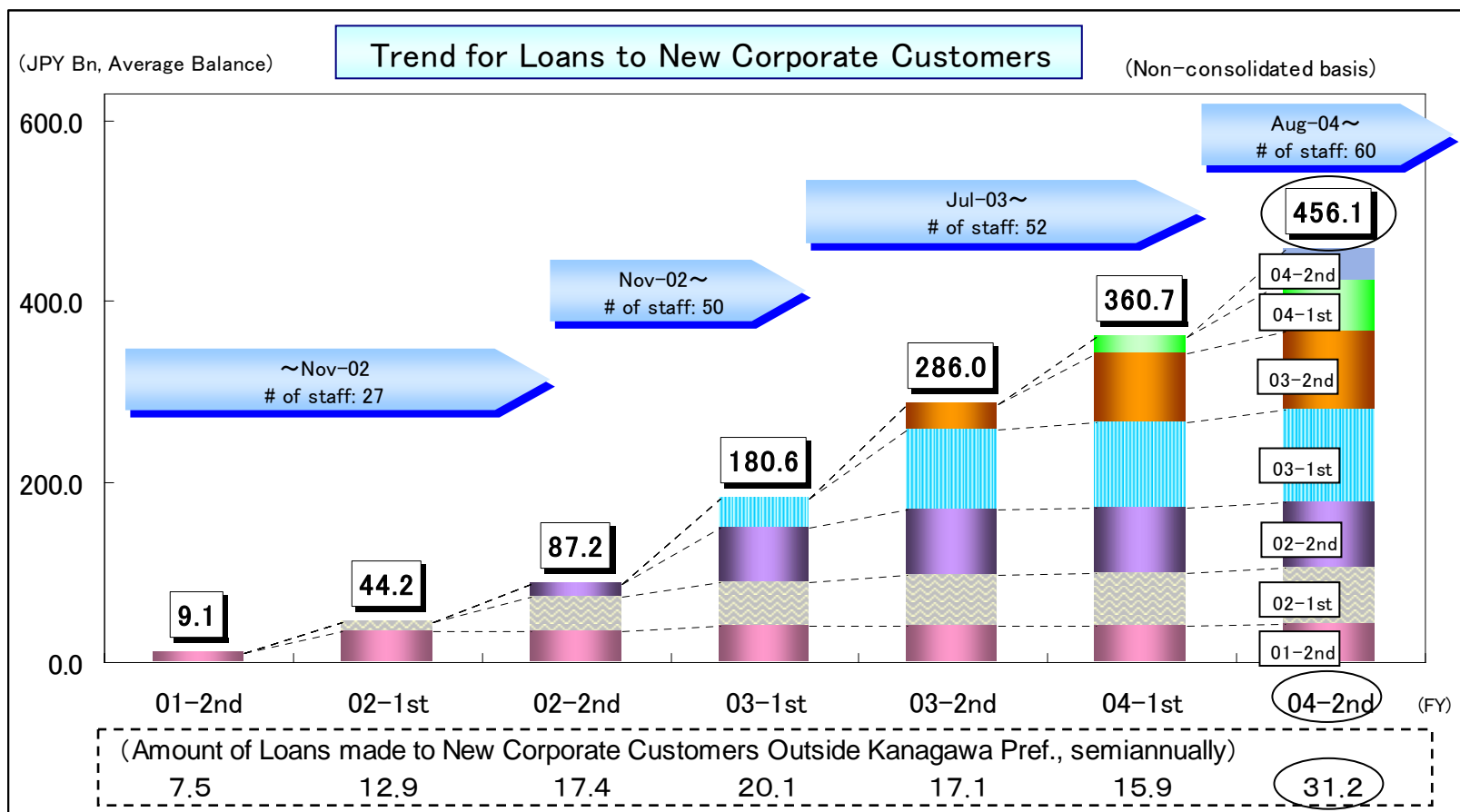


(Note) Syndicated Loans include Commitment Line fees.

## 4. Strengthening Retail Promotion—Responding to “Financing” Needs

### (3) Strengthening Sales Promotion to New Corporate Customers

- FY04: Average balance for loans to new corporate customers since FY01 2nd Half surpassed **JPY450Bn.**
- Gradually increased the number of staff dedicated for promoting the business (up to **60 staff**).
- Loans to New Corporate Customers outside Kanagawa Pref. steadily increased with the allocation of sales force to branches in Tokyo area.

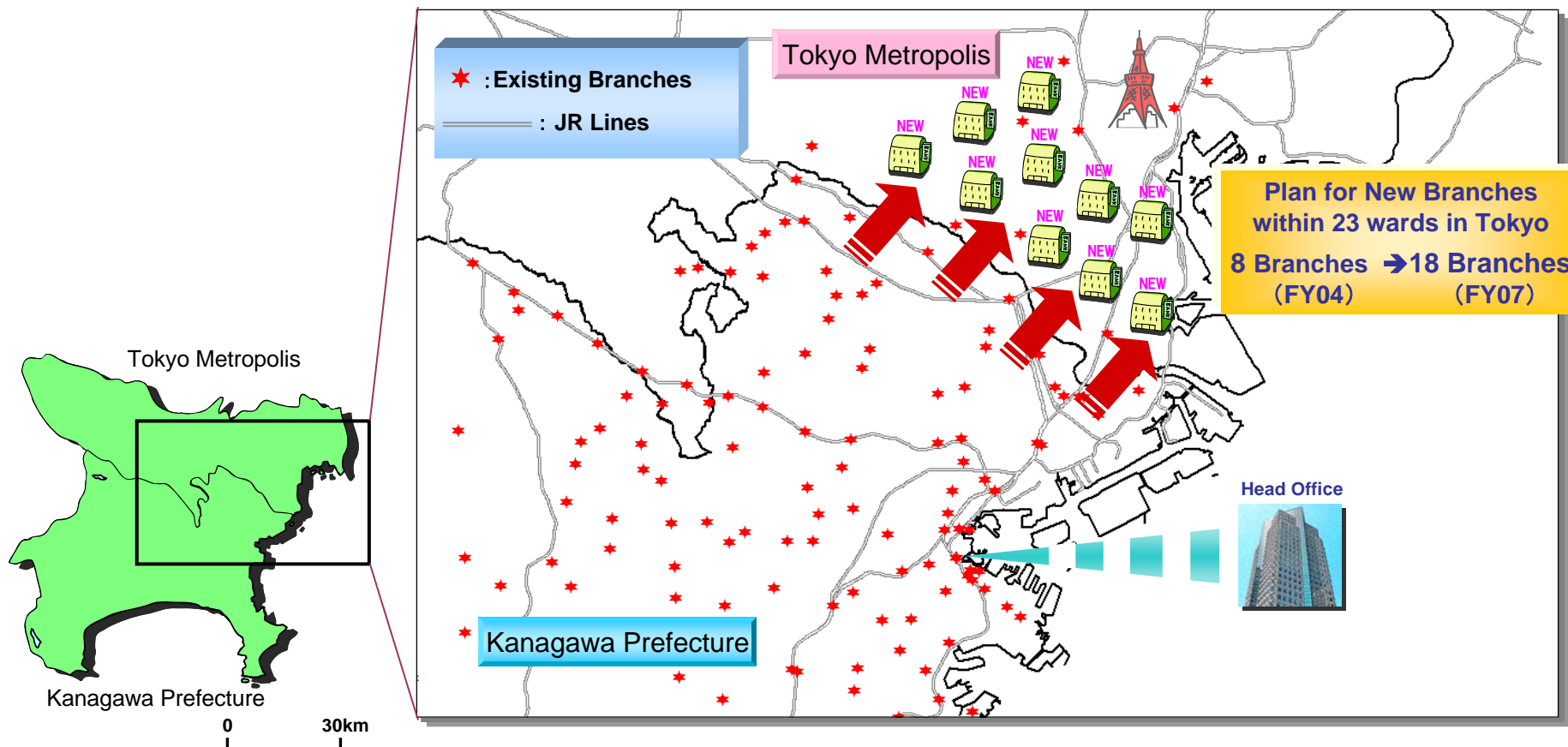




## 4. Strengthening Retail Promotion—Responding to “Financing” Needs

### (4) Strengthening Corporate Loans

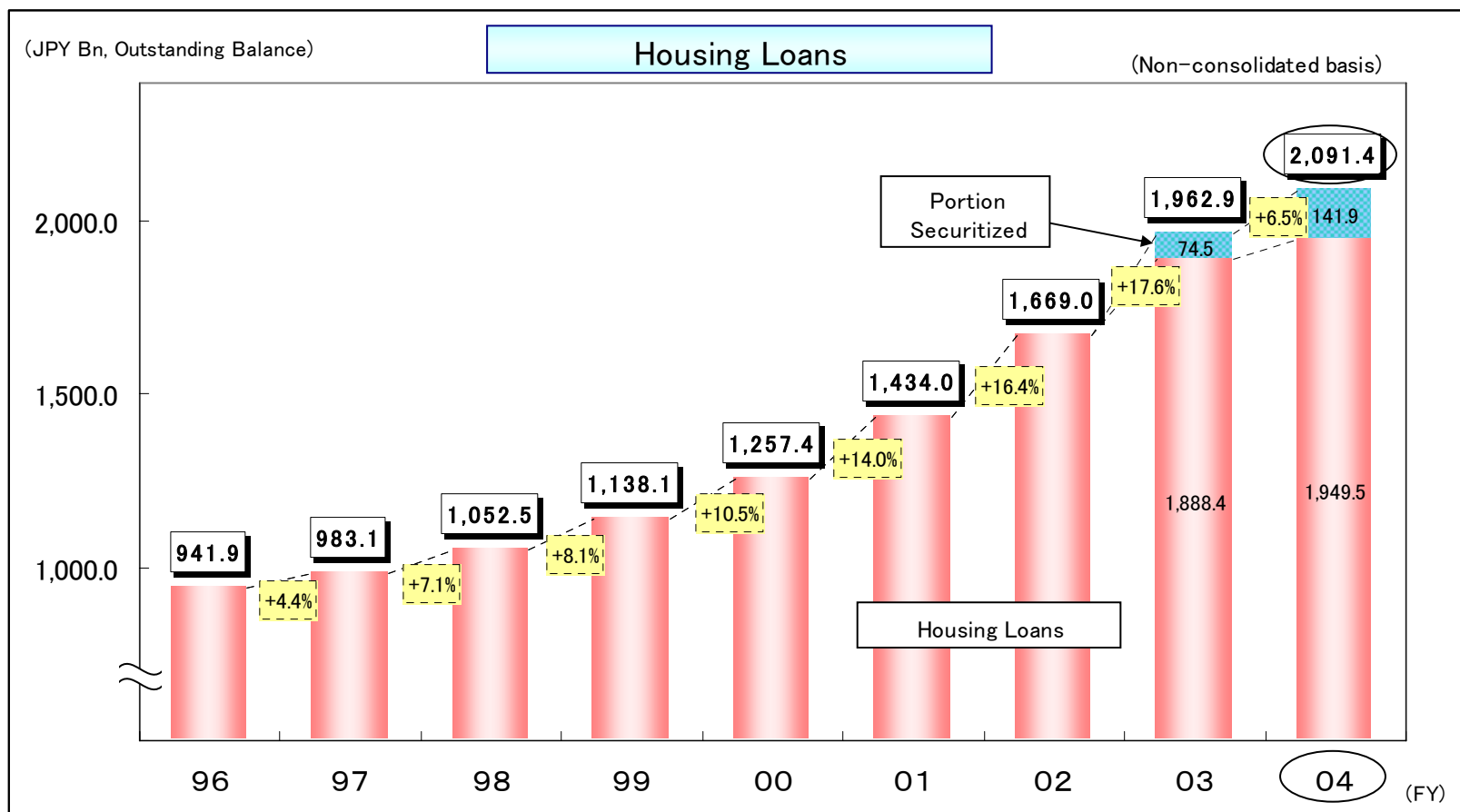
- FY05: Plan to open 4 Branches in Southwestern Tokyo, 10 within the next 3 years.
- Strengthen new loans to SMEs by expanding our business territory to southwestern Tokyo where SMEs are densely located and we have not yet challenged aggressively.



## 4. Strengthening Retail Promotion—Responding to “Financing” Needs

### (5) Housing Loans

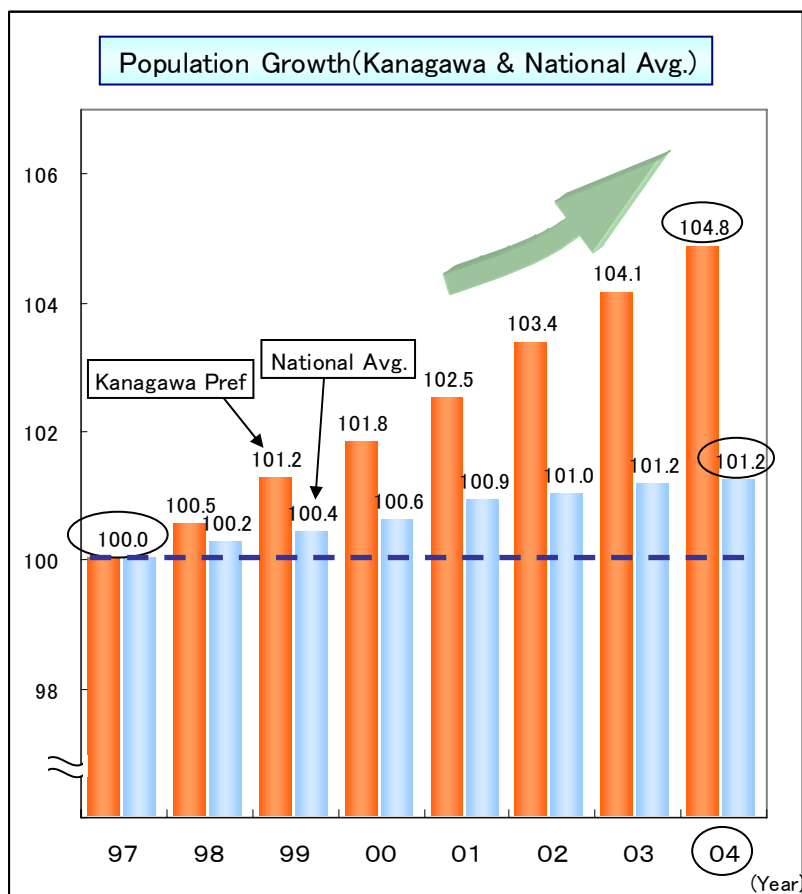
- The balance of Housing Loans increased by **6.5%** in FY04 to reach **JPY2,000Bn** plateau for the first time. (after adjusting the portion securitized)
- Continue to aggressively pursue accumulation of Housing Loans while considering risk & return.



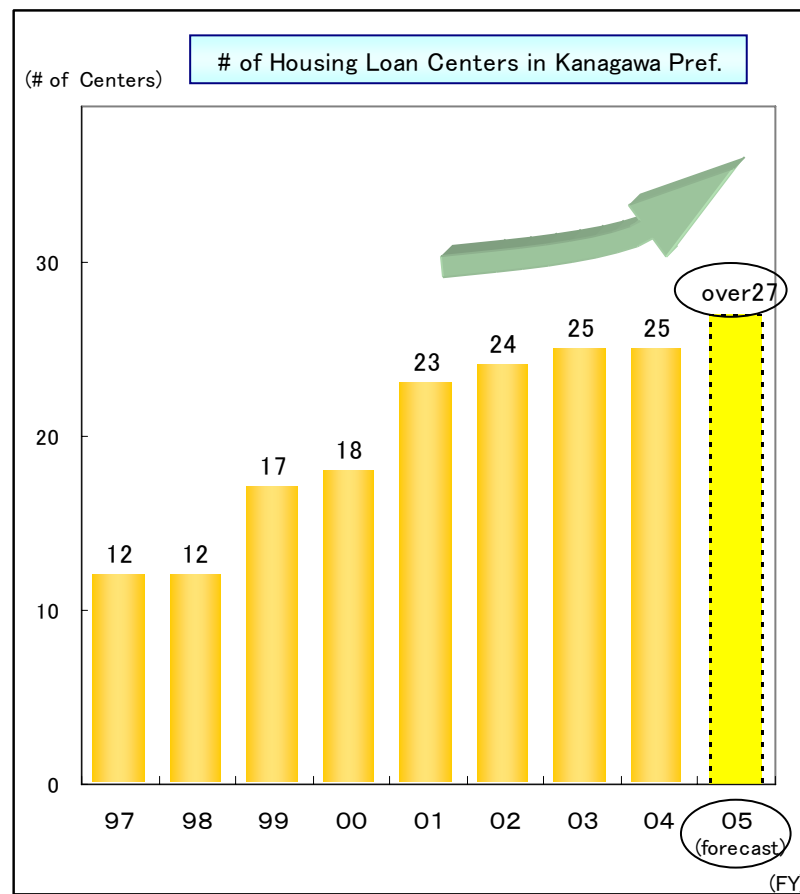
## 4. Strengthening Retail Promotion—Responding to “Financing” Needs

### (6) Strengthening Housing Loans

- Population growth in Kanagawa outpaces the national average.
- Planning to open **2 more** Housing Loan Centers within Kanagawa Pref. in FY05.
- Continue to promote Housing Loans with timely renewal of our loan products.



(Note1) Base date: As of Jan 1 each year.  
 (Note2) Figure on the bar chart is an index by setting the year 1997 as 100.  
 (Source) Kanagawaken (Population Statistics Survey), Ministry of Internal Affairs and Communications (Population Estimates)

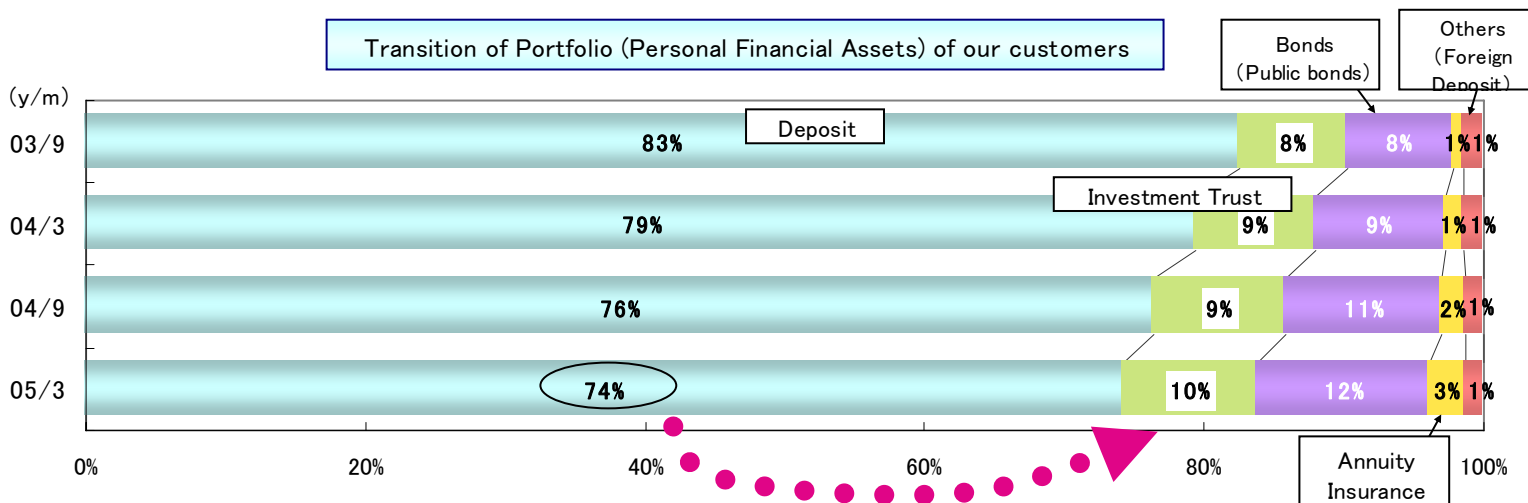
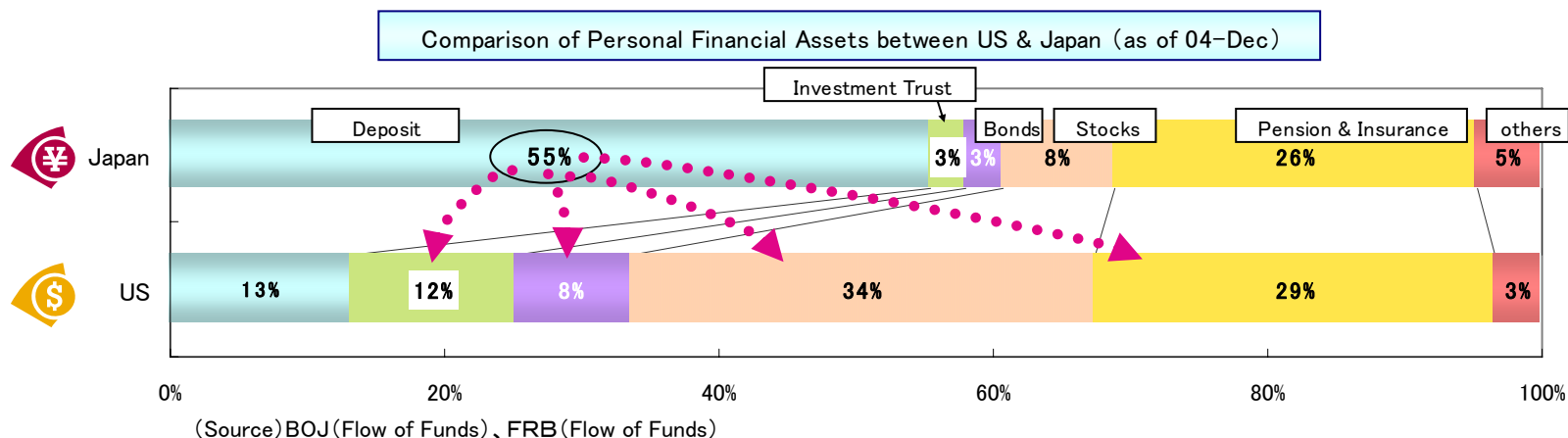


(Note) Housing loan centers include wholesale housing loan center.

# 4. Strengthening Retail Promotion – Responding to “Investing” Needs

## (1) Personal Financial Assets

- Remarkable shift from Deposit to Non-Deposit Products.
- Plenty of room for us to further promote Non-Deposit Products.

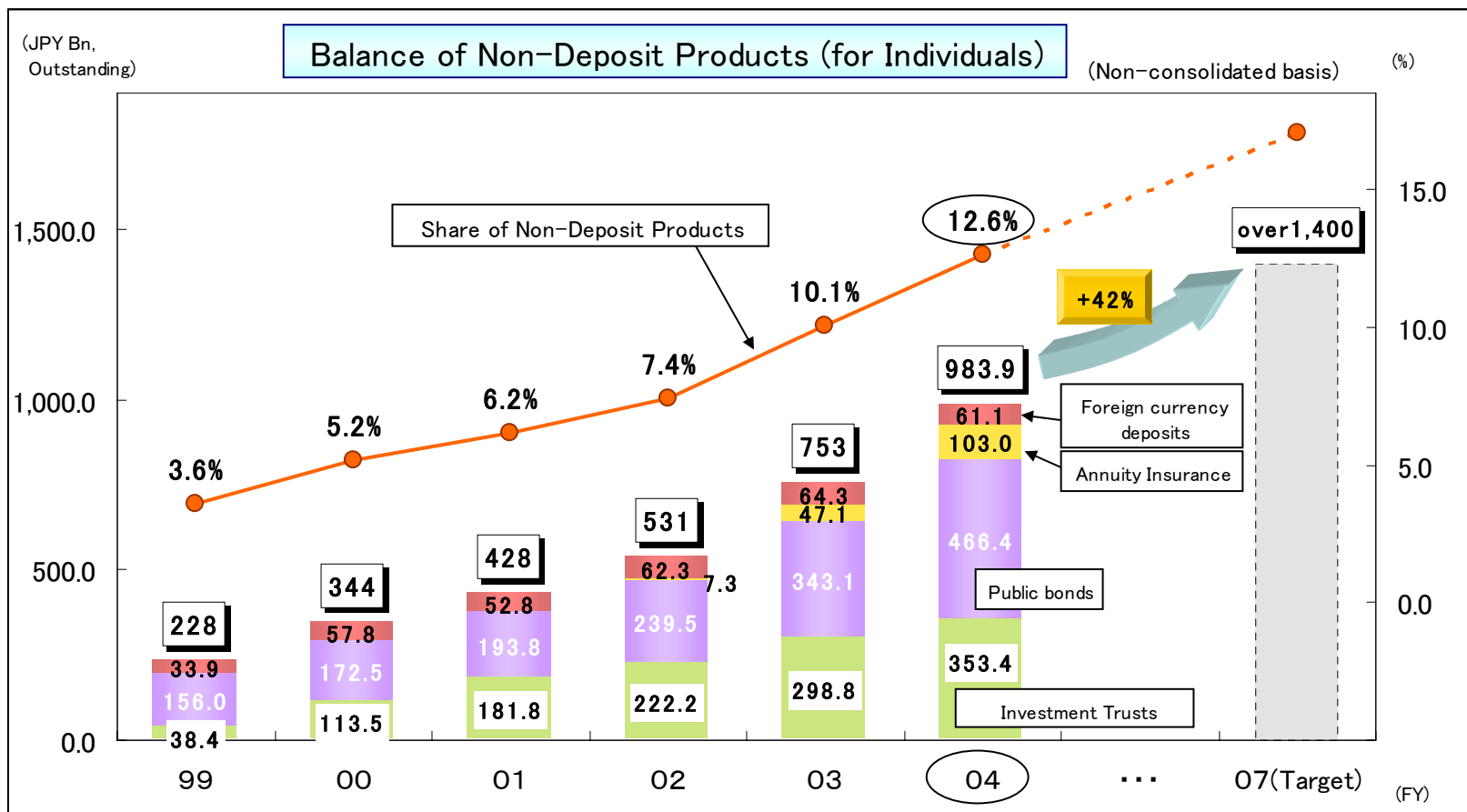


(Note) Only for those whose financial assets (sum of time deposits, public bonds, investment trusts, foreign deposits etc.) are more than 10 million yen.

# 4. Strengthening Retail Promotion—Responding to “Investing” Needs

## (2) Promotion of Non-Deposit Products

- Non-Deposit Products keeps increasing steadily, getting closer to **JPY 1 trillion**. (up JPY230.7Bn, +30.6% from FY03)
- Share of Non-Deposit Products accounts for **12.6%** at the end of March 2005.
- Aim for **JPY1.4 trillion** (up 42%) within the next 3 years.

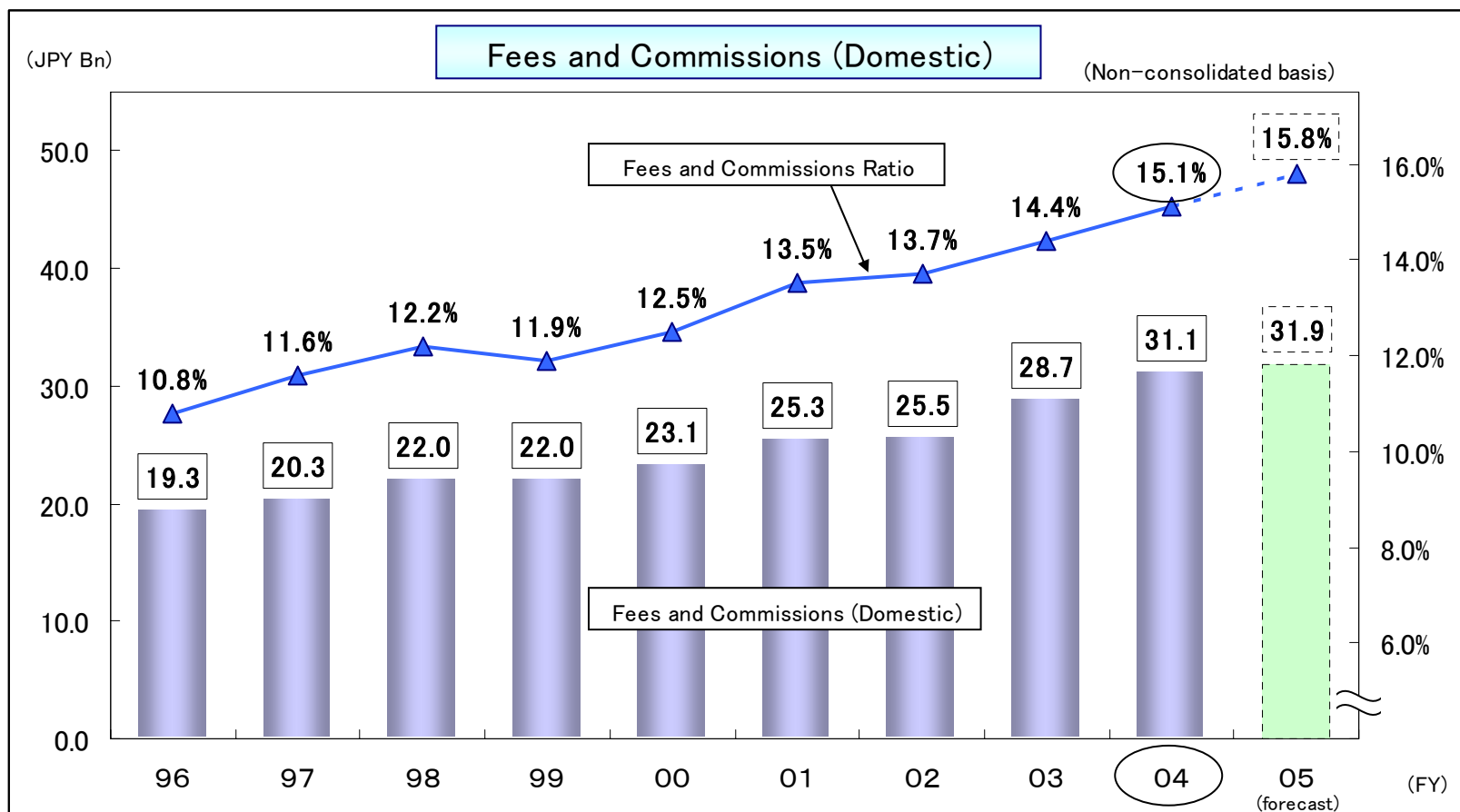


(Note) Share of Non-Deposit Products = Outstanding balance of Non-Deposit Products ÷ (outstanding balance of individual deposits + outstanding balance of Non-Deposit Products)

## 4. Strengthening Retail Promotion—Responding to “Investing” Needs

### (3) Fees & Commissions

- Strengthened Fees & Commission business through Non-Deposit Products (Investment Trust, Annuity Insurance).
- Fees & Commissions increased to **JPY31.1Bn** in FY04 (up **JPY2.4Bn, +8.3%**), Fees & Commissions Ratio increased to **15.1%**.
- Forecast for FY05: Expected to go up to **JPY31.9Bn** (Fees & Commission Ratio **15.8%**).

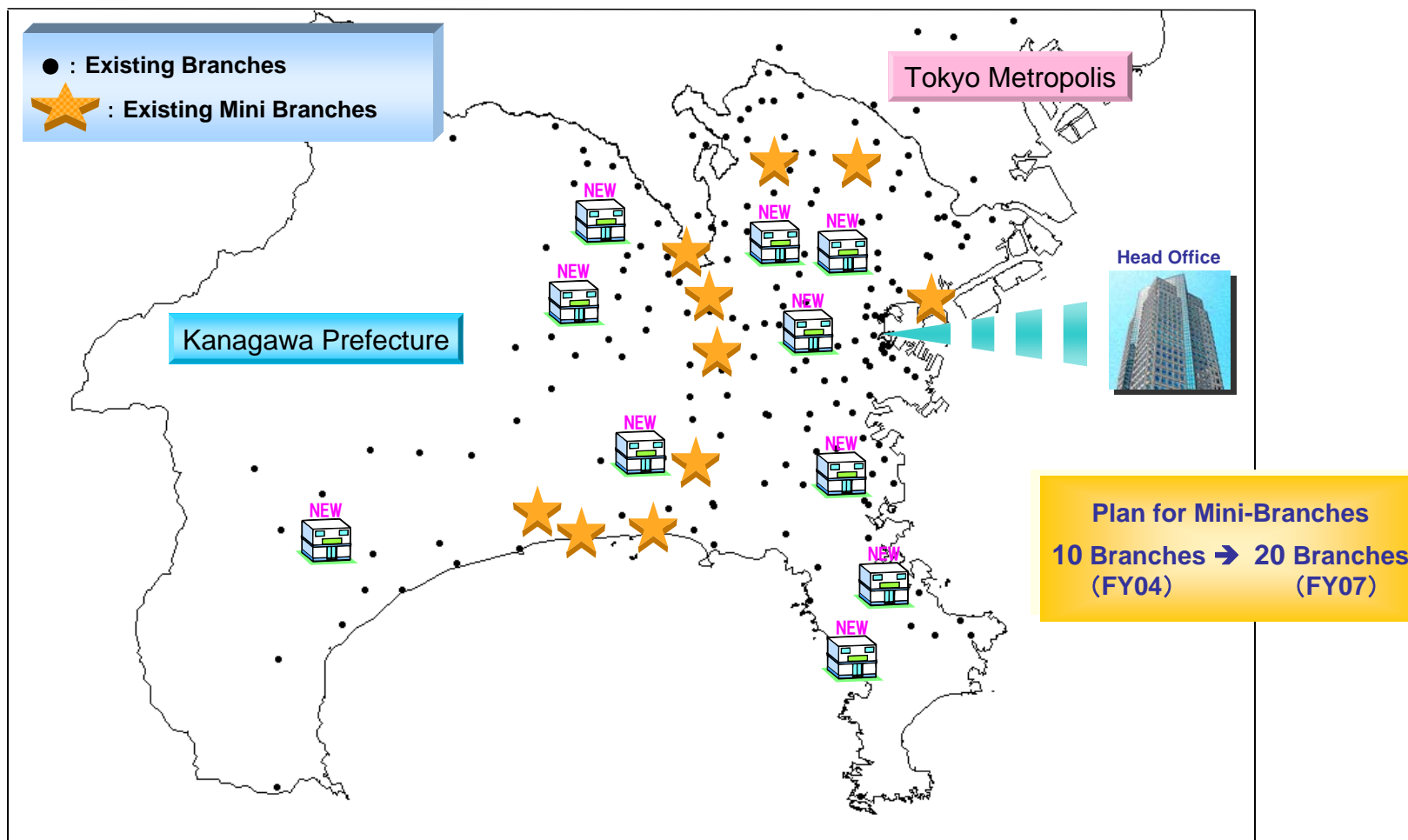


(Note) Fees and Commissions Ratio = Fee Income (Domestic) ÷ Gross Operating Income (excluding gains and losses on sales and redemptions of both bonds and bond derivative profits (losses)). In FY05, Gross Operating Income does not exclude them.

## 4. Strengthening Retail Promotion—Responding to “Investing” Needs

### (4) Strengthening the Sales of Non-Deposit Products – Expanding Mini-Branches

- Expanding the network of Mini-Branches (small branches dedicated for individual customers) in promising areas in Kanagawa Prefecture.
- Plan to expand Mini-Branches to **20** within the next 3 years. (Opened **10** as of March 05)



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