

# *Information Meeting*

~ Financial Results for FY2004 ~

*(Appendix)*



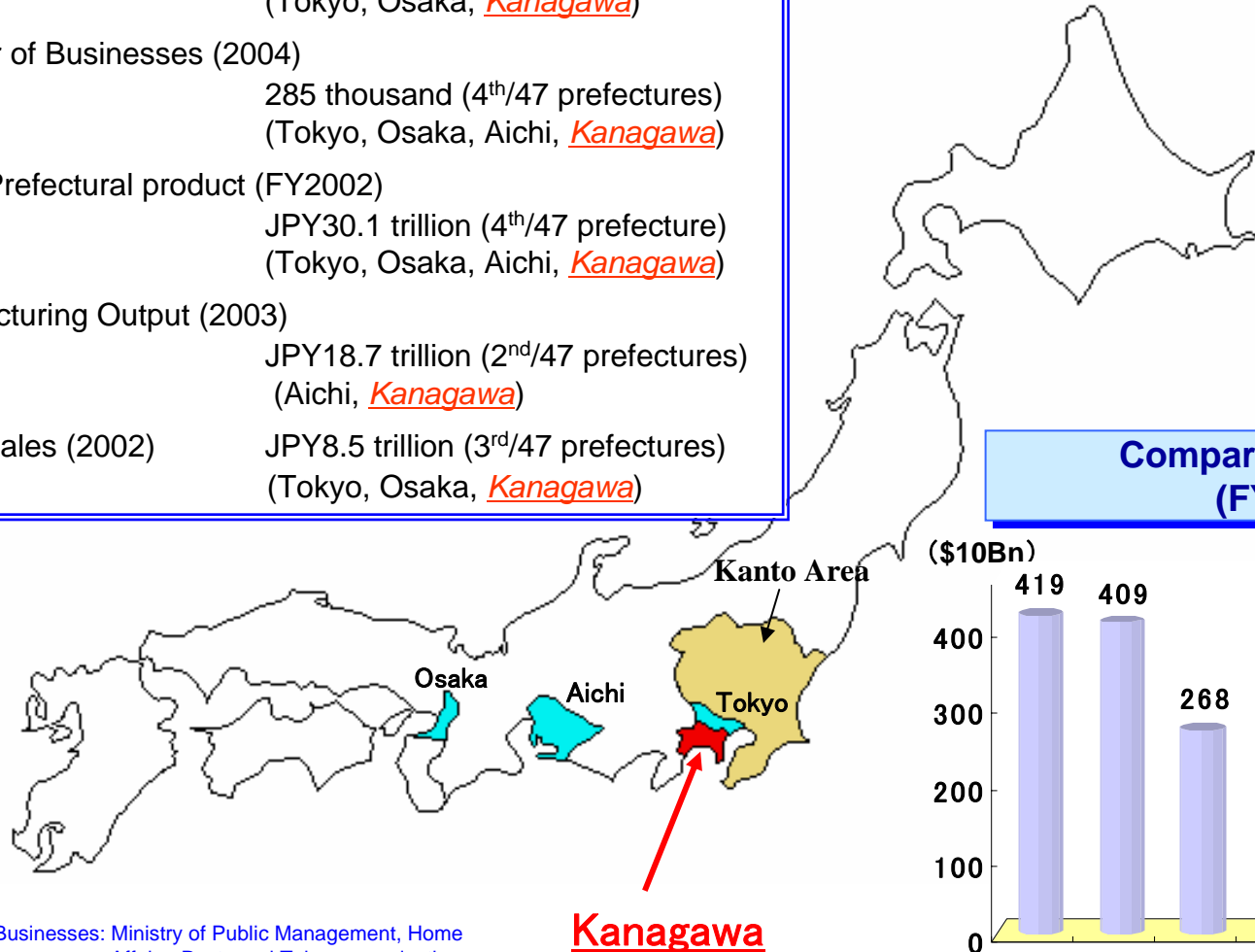
The Bank of Yokohama, Ltd.

May 30, 2005

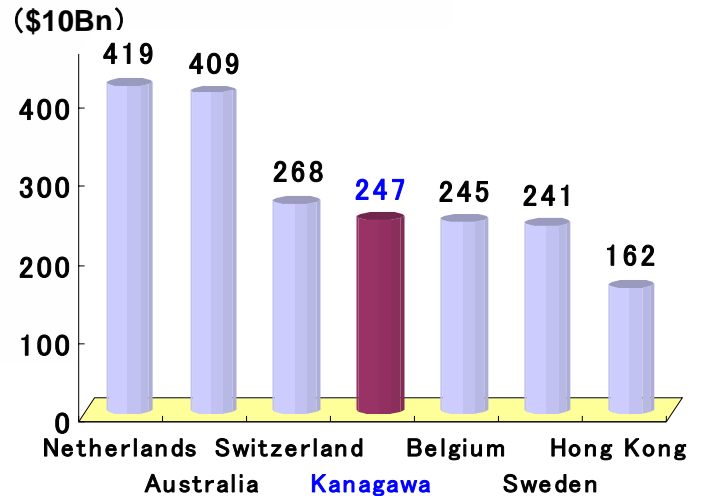
- ◆ Our Home Market
- ◆ Market share in Kanagawa Prefecture
- ◆ Maintenance and Expansion of Service Channels
- ◆ From ROA, RAROA to Added Value
- ◆ Added Value
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- ◆ Profitability of Investment Trusts & Annuity Insurance
- ◆ Fees and Commissions

## (1) Potential of Kanagawa Prefecture

Population (2004)	8.73 million (3 <sup>rd</sup> /47 prefectures) (Tokyo, Osaka, <u>Kanagawa</u> )
Number of Businesses (2004)	285 thousand (4 <sup>th</sup> /47 prefectures) (Tokyo, Osaka, Aichi, <u>Kanagawa</u> )
Gross Prefectural product (FY2002)	JPY30.1 trillion (4 <sup>th</sup> /47 prefecture) (Tokyo, Osaka, Aichi, <u>Kanagawa</u> )
Manufacturing Output (2003)	JPY18.7 trillion (2 <sup>nd</sup> /47 prefectures) (Aichi, <u>Kanagawa</u> )
Retail Sales (2002)	JPY8.5 trillion (3 <sup>rd</sup> /47 prefectures) (Tokyo, Osaka, <u>Kanagawa</u> )



**Comparison of GDP (FY2002)**



**Kanagawa**

(Note) Source  
 ·Population, # of Businesses: Ministry of Public Management, Home Affairs, Posts and Telecommunications  
 ·Gross prefectural product: Each Prefecture  
 ·Manufacturing Output, Retail Sales: Ministry of Economy, Trade and Industry

## (2) Kanagawa's superiority to the rest of the Kanto area

~ Relative Position (Indexed Average of Tokyo, Tochigi, Gunma, Ibaragi, Chiba, Saitama and **Kanagawa**) = 100

### Population Growth (2000~04)

Source: Ministry of Public Management, Home Affairs, Posts and Telecommunications

**144.6**  
(2.85%)

### New Business Formation (2004)

Source: Ministry of Public Management, Home Affairs, Posts and Telecommunications

**117.0**  
(4.88%)

### Taxable Income (2003) (per tax payer)

Source: Japan Marketing Education Center

**119.7** (JPY4.07Mn)

**108.0** (JPY17.44Mn)

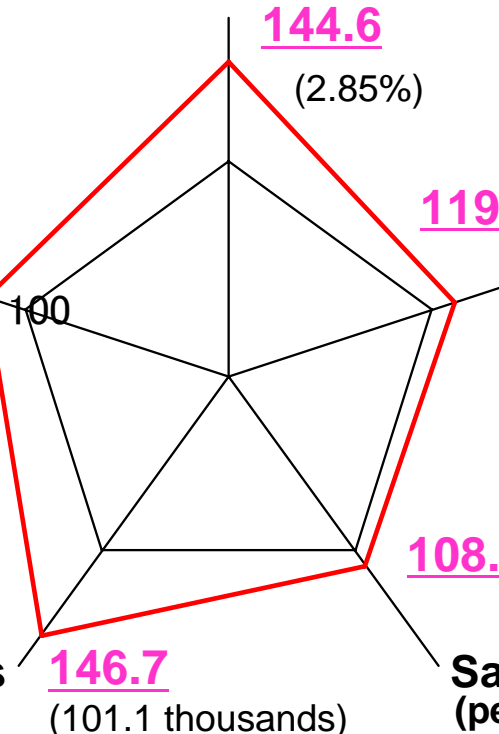
### Housing Starts (2004)

Source: Ministry of Land, Infrastructure and Transport

**146.7**  
(101.1 thousands)

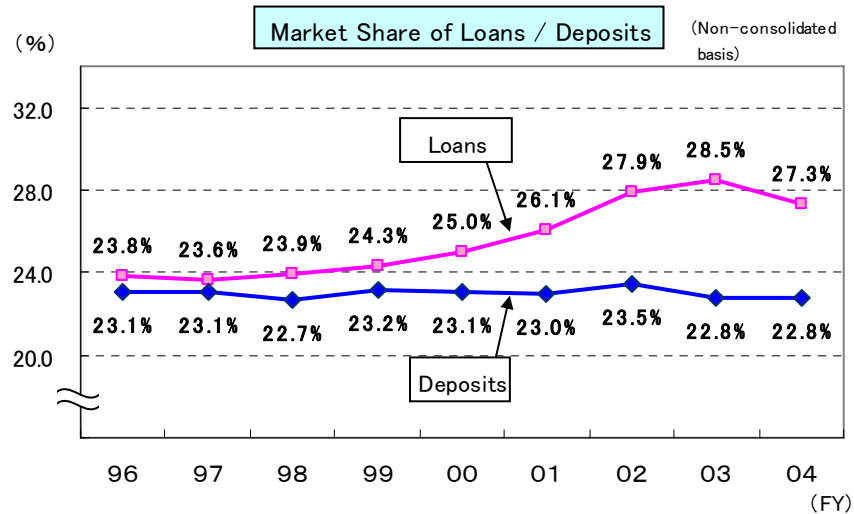
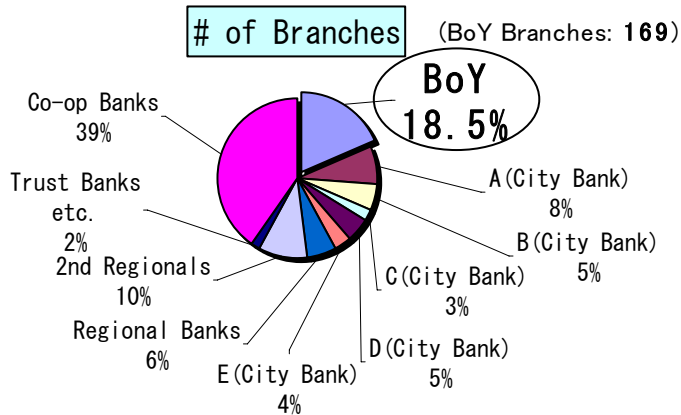
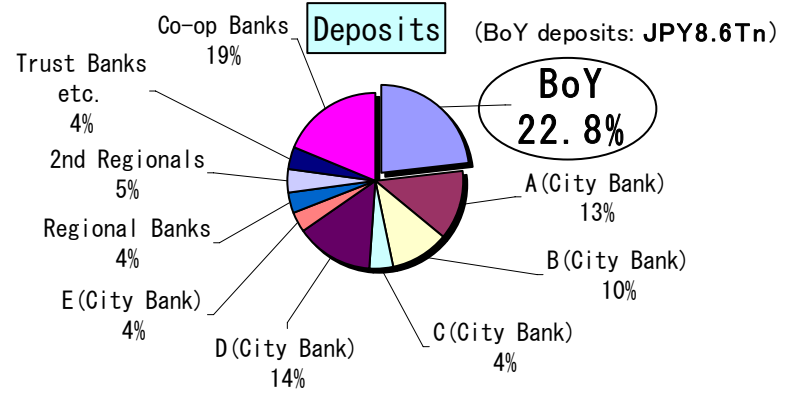
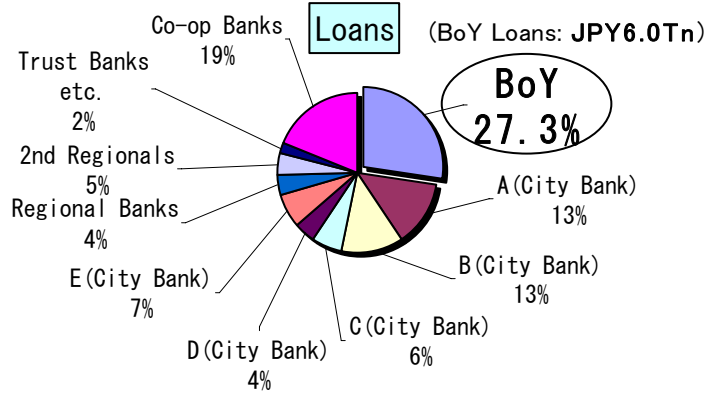
### Savings (1999) (per household)

Source: Ministry of Public Management, Home Affairs, Posts and Telecommunications



# Market share in Kanagawa Prefecture

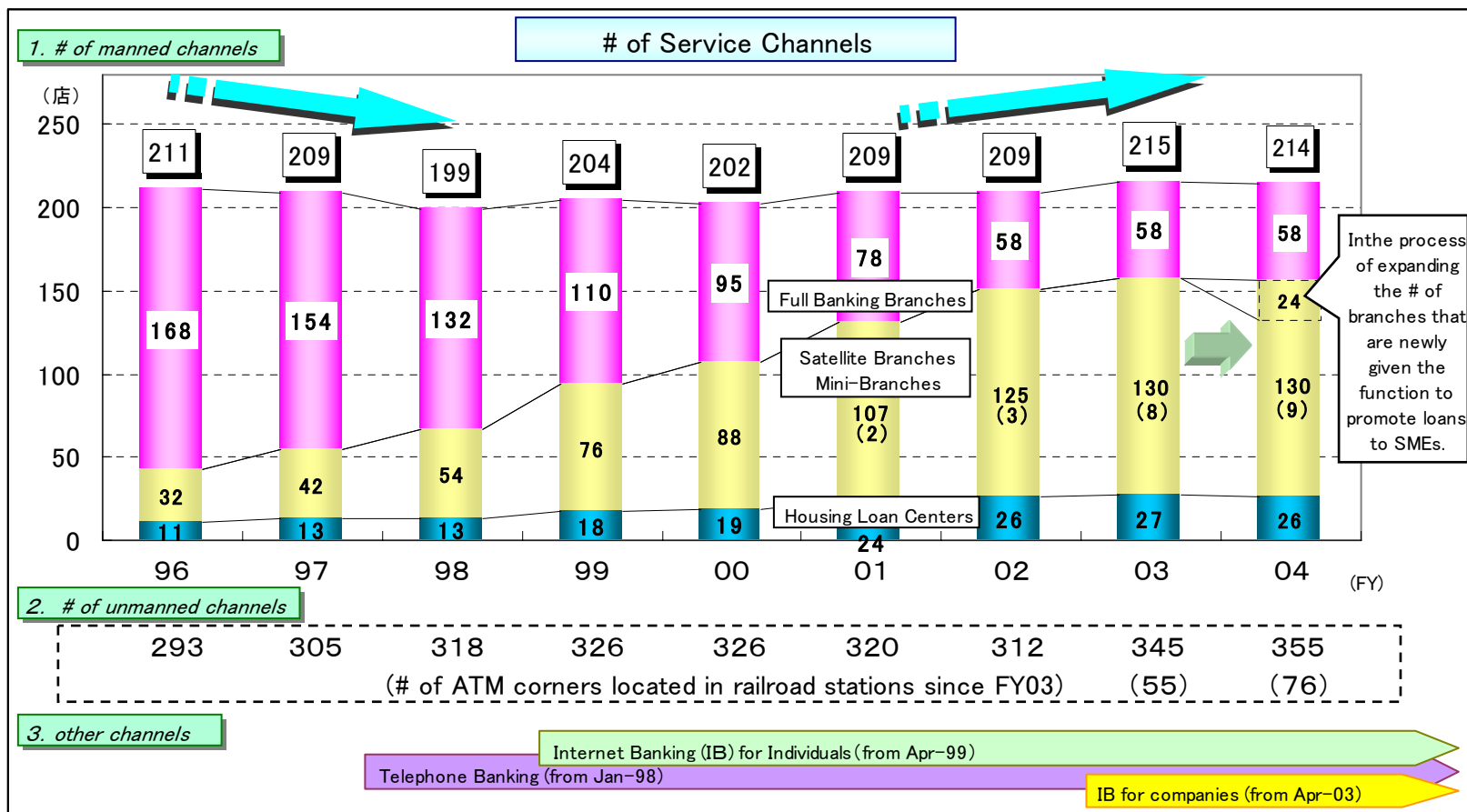
Market Share in Kanagawa Prefecture <Mar-05>



(Note) Source: Bank estimates

# Maintenance and Expansion of Service Channels

- Established efficient service channels through differentiated business functions, tailored to specific customer needs.
- Expand our channels within Southwestern Tokyo for further strengthening loans. ( 4 branches in FY05, total of 10 by the end of FY07)



(Note1) Satellite Branches: small branches and sub-branches specialized in face-to-face operations for mainly individual customers.

(Note2) Mini Branches: smaller size channels staffed by four to six bank employees.

# From ROA, RAROA to Added Value

## Case of Loans

Apr-97  
~ Mar-98

Apr-98  
~ Sep-01

Oct-01  
~ Mar-04

Apr-04  
~

<1st Stage>

<2nd Stage>

<3rd Stage>

<4th Stage>

**ROA Promotion**

**RAROA Promotion**

**Added Value Promotion**

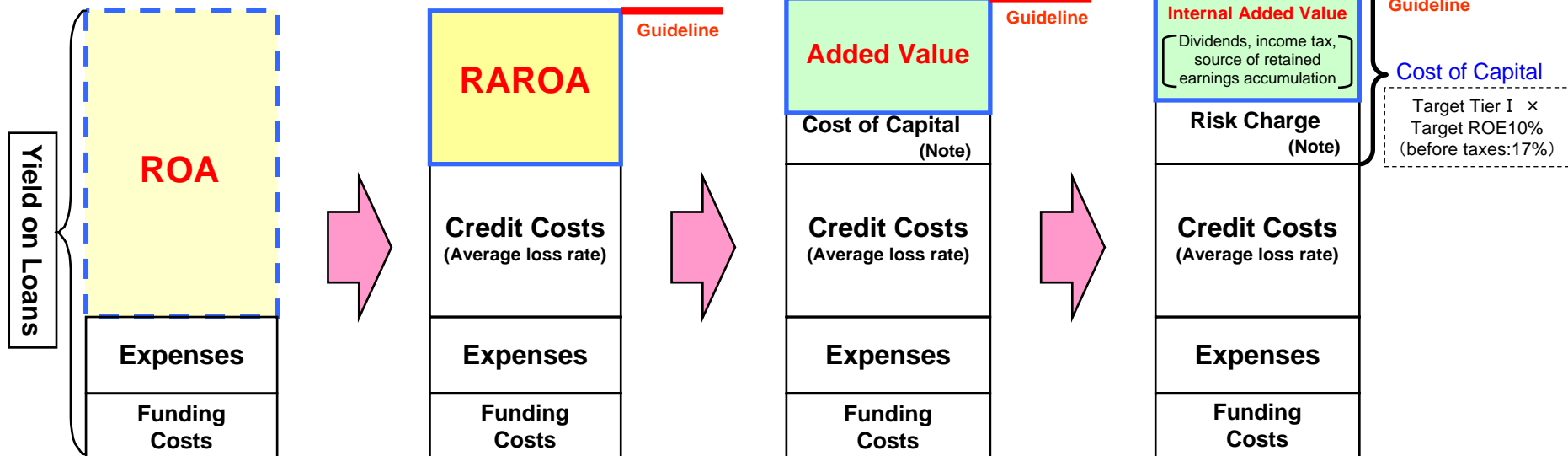
**Added Value Promotion**

(Profitability after Expenses)

( Profitability after Credit Costs)

( Profitability after Cost of Capital)

(Reexamination of Cost of Capital)



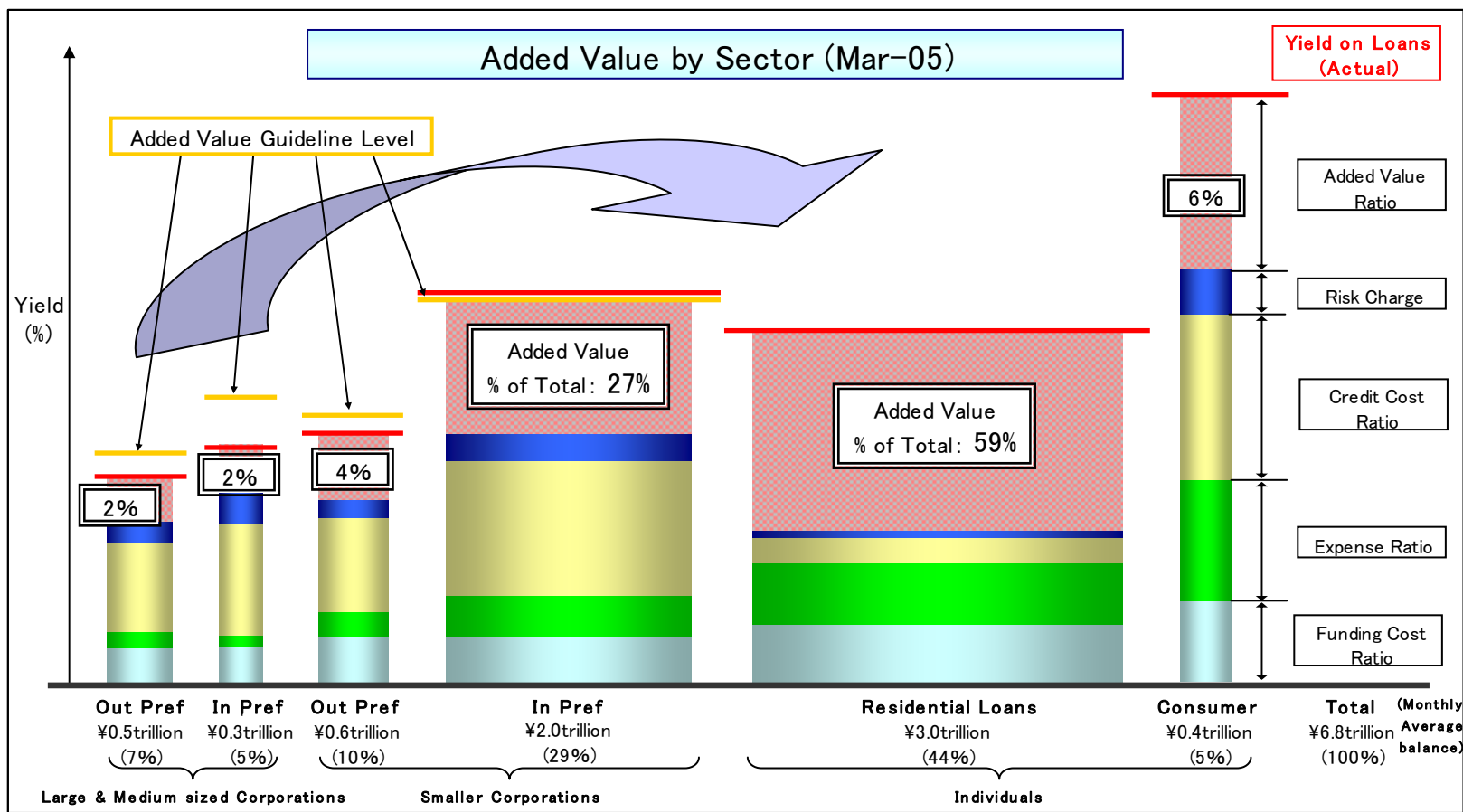
(Note) Cost of Capital  
→ Total risk of Credit, Market, Operational, etc.

(Note) Risk Charge  
→ Total risk of Credit, Market, Operational, etc.

## Case of Fees and Commissions

**From 3rd stage, fees and commissions are included in Added Value for profitability measurement of each customer.**

- March 2005: Share of Smaller Corporations in Pref. 27%、Residential loans 59%, of total added value.
- Continue to focus on these sectors.



(Note1) Corporations = normal borrowers (excluding no ratings) + claims in need of caution other than in need of special caution. Smaller corporations = capital under ¥1Bn (Large & Medium sized corporations = capital more than ¥1Bn)

(Note2) Funding cost ratios is calculated from market rates corresponding to interest maturities of each loan.

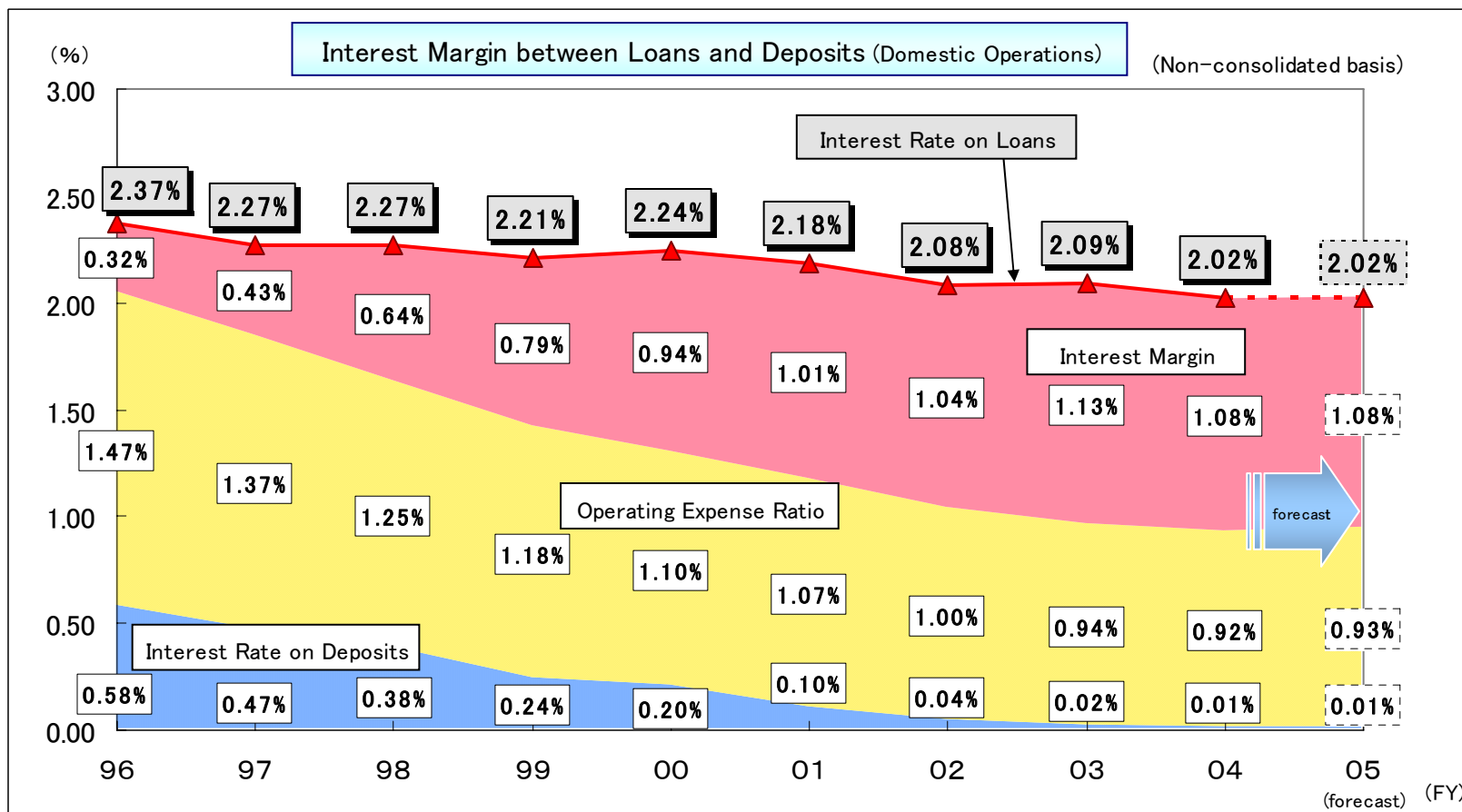
(Note3) Credit cost ratio is calculated from Estimated Loss Ratio (Estimated default ratio - Estimated collection ratio).

(Note4) Risk Charge is calculated from "Amount of risks × Target ROE 10% (before taxes:17%)."



# Interest Margins

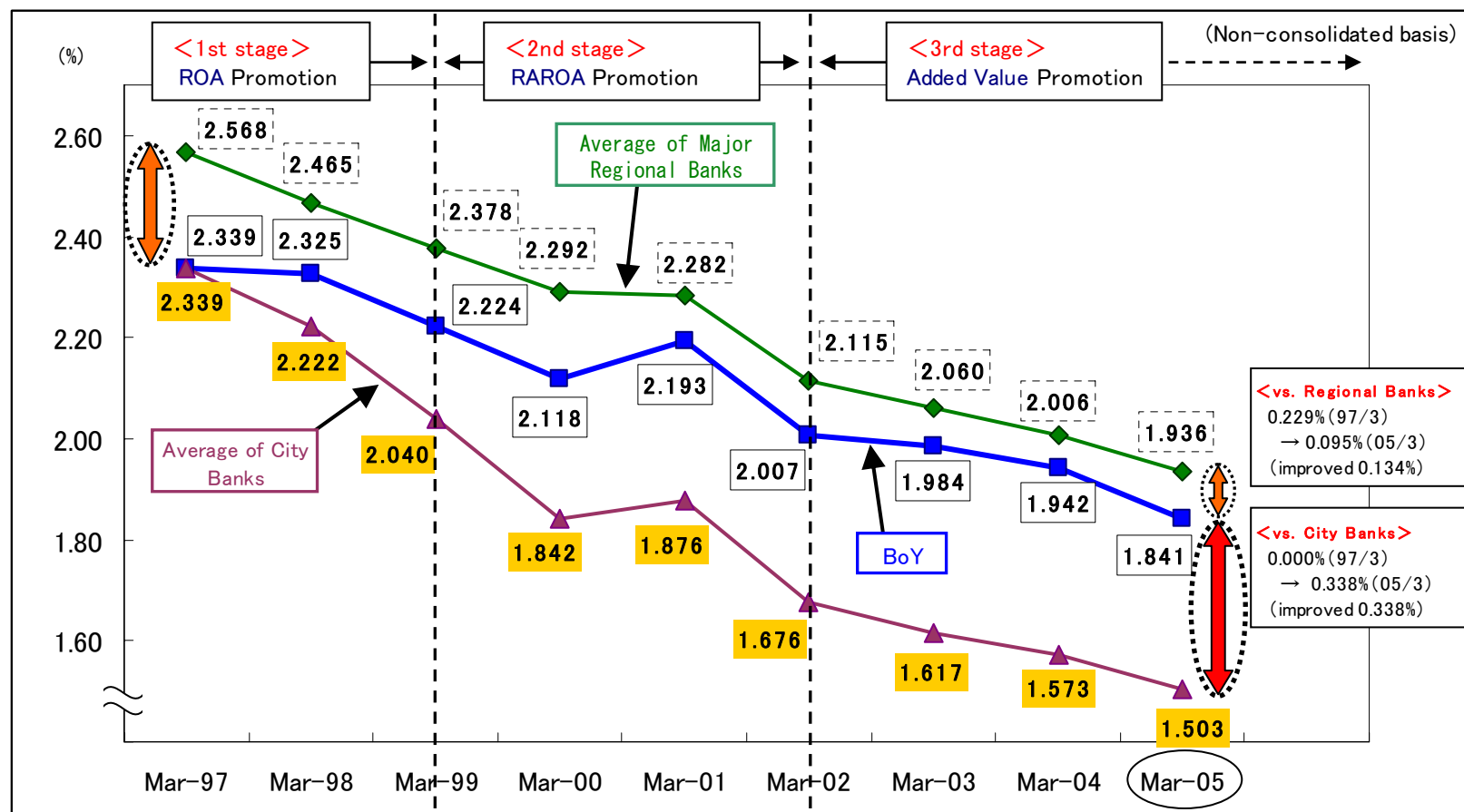
- FY04: Interest margin somewhat shrank due to the fact that loan interest declined far more than the expense ratio did.
- Net interest margin improved by 0.03% (0.89%⇒0.92%) due to lower funding costs.
- FY05 Forecast: At least to maintain interest margin at current level by making continuous efforts to increase interest rates on loans.



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

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

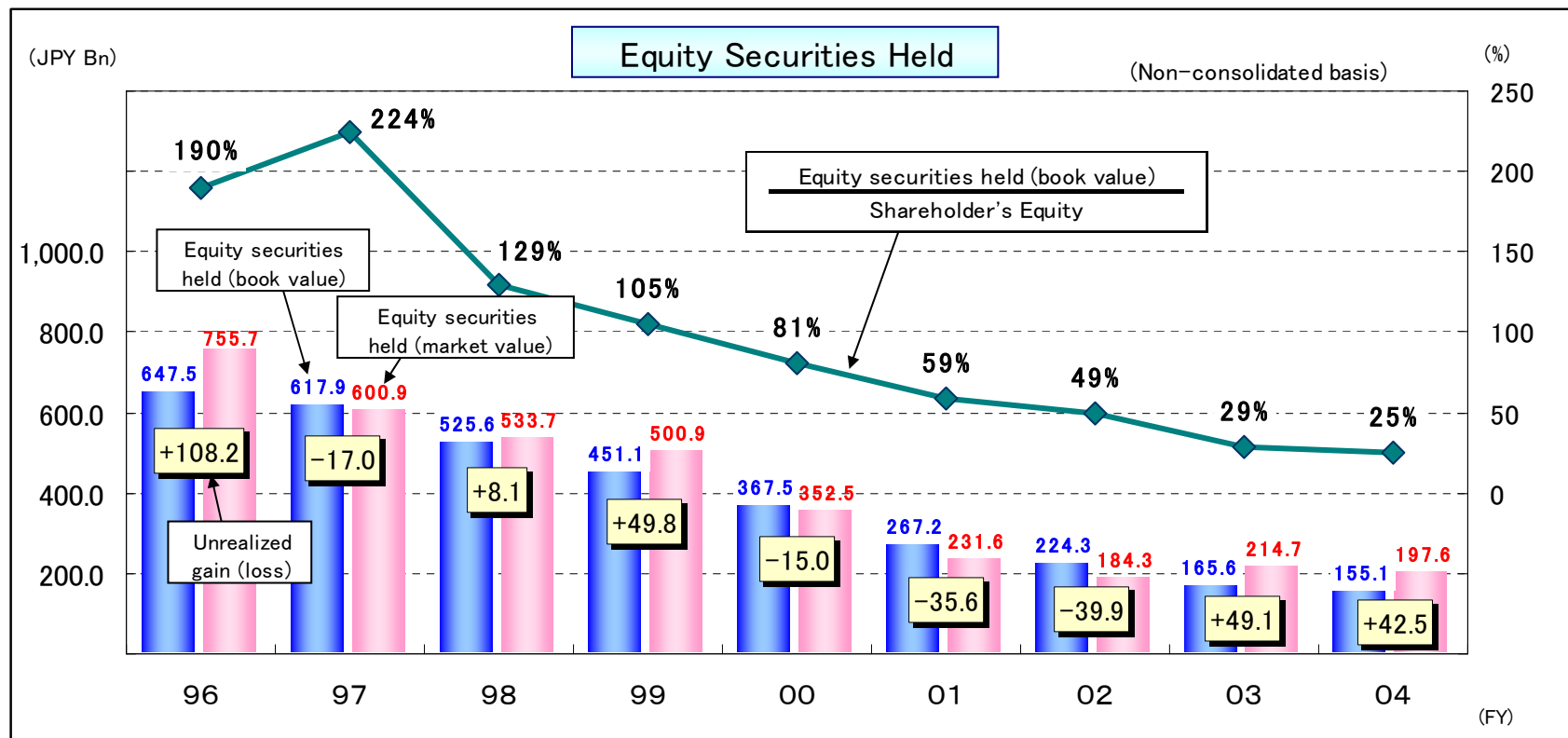
- Continuous efforts to “Improve Interest Margin” since FY97 ~ [ROA Promotion → RAROA Promotion → Added Value Promotion]
- The Mar-05 contracted interest rates on loans improved **0.338%** and **0.134%** compared to Mar-97 for City Banks and Major Regional Banks, respectively.



(Note1) Source: Bank of Japan

(Note2) Contracted interest rates for all loans are the average interest rates of each month.

# Unwinding of cross-shareholding & devaluation of equities held

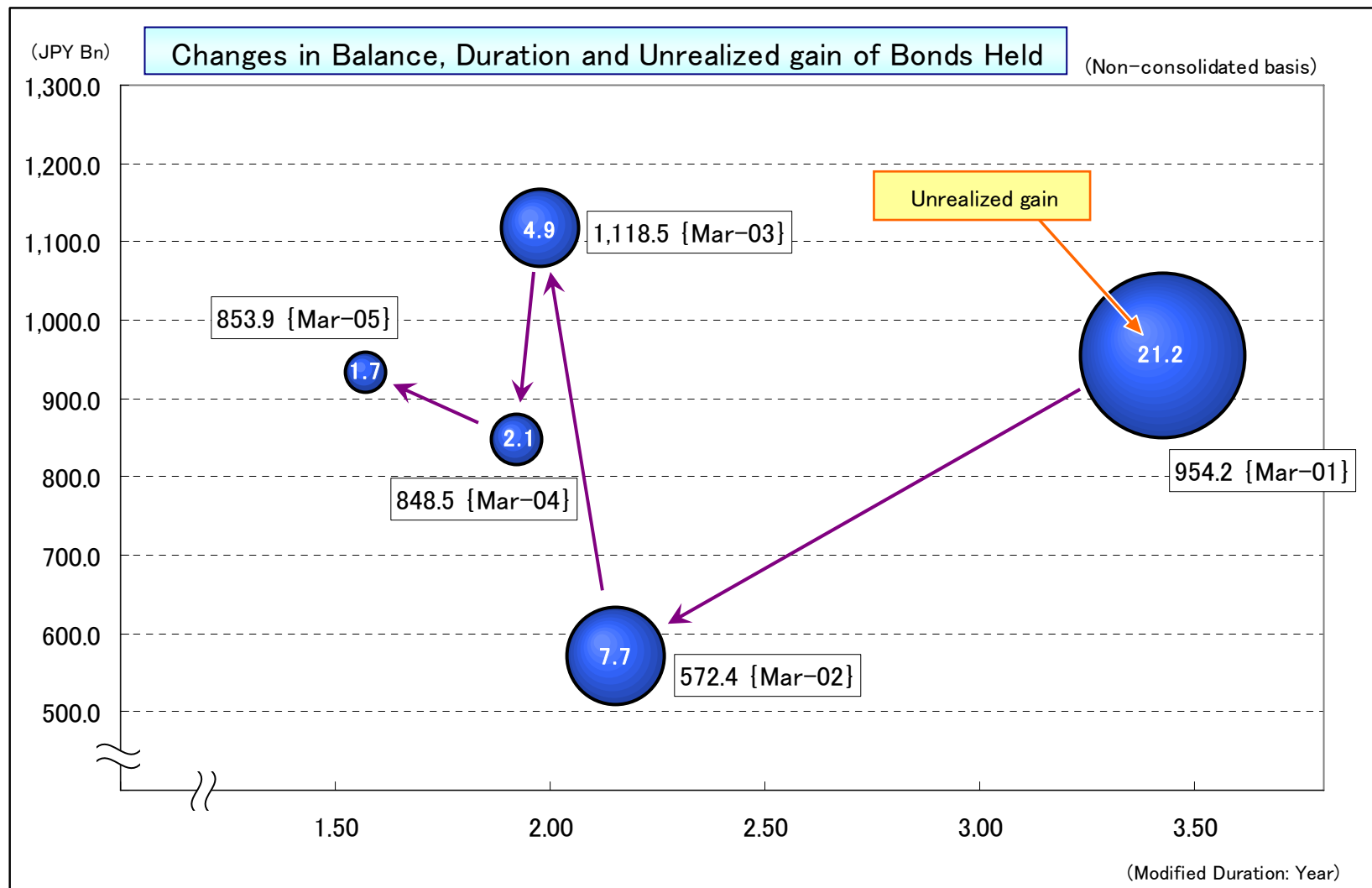


## BoY Criteria for the Devaluation of Equity Securities

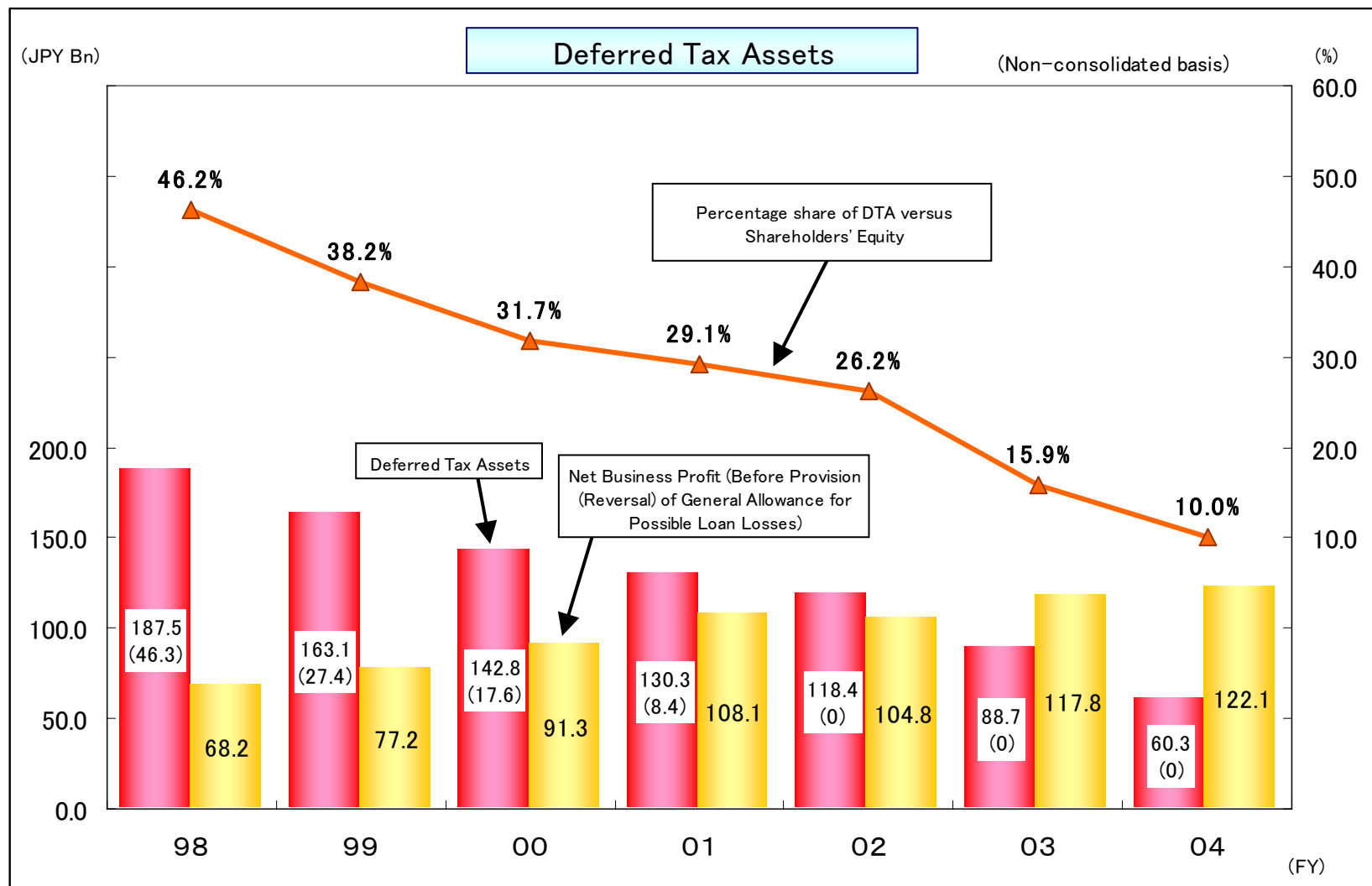
% Decline	Normal	In Need of Caution	Possible Bankruptcy	Virtual or Legal Bankruptcy
More than 50%				
30 to 50%				
Less than 30%				

	FY03	FY04
Loss on Devaluation of Securities	JPY0.1Bn	JPY0.1Bn
Evaluation Gain (Loss) on Other Securities	+JPY51.8Bn	+JPY43.8Bn
Equity Securities	+JPY49.1Bn	+JPY42.5Bn
Bonds	+JPY2.7Bn	+JPY1.3Bn

# Investment in Bond Securities



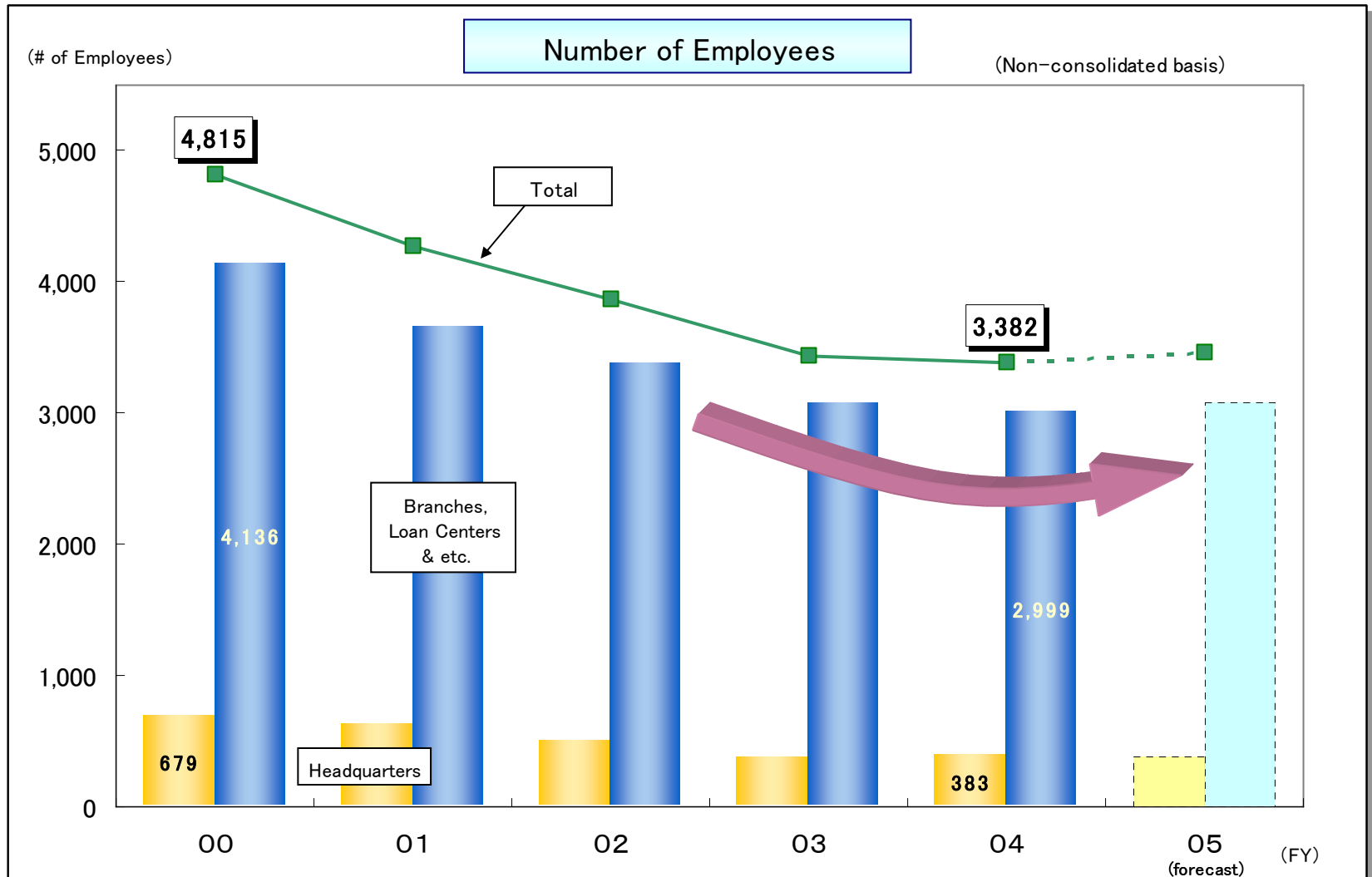
# Deferred Tax Assets

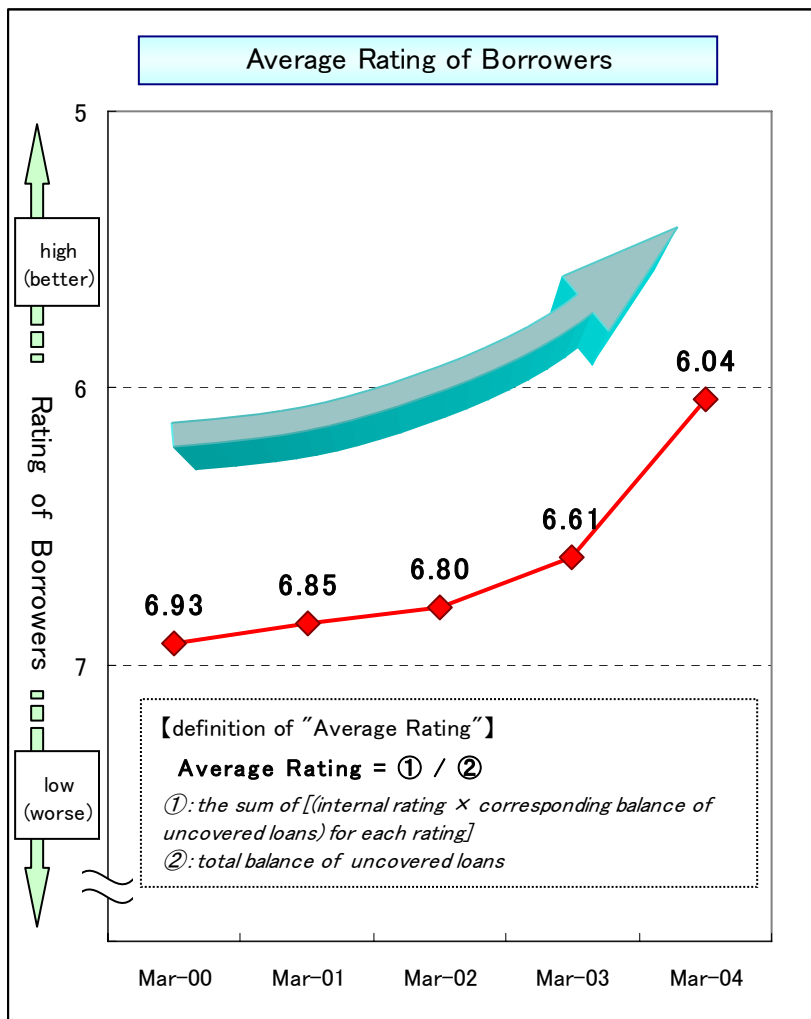


(Note1) Deferred Tax Assets, excluding deferred tax liabilities for net unrealized gains on available-for-sale securities

(Note2) Balance of loss carried forward in brackets

# Transition of the number of employees





(Note1) The above borrowers do not include those in public sector.  
 (Note2) Ratings: Borrowers are categorized according to their creditworthiness; Rating I (1) represents the best creditworthiness and Rating XII (12) the worst.

### Transition of Borrowers by category (Mar-04 → Mar-05)

(Loanamount)

		Mar-05			
		A	B	C	Total
M a r 0 4	A	98.5%	1.5%	0.1%	100.0%
	B	16.0%	76.5%	7.5%	100.0%
	C	0.04%	4.7%	95.3%	100.0%

(the # of Borrowers)

		Mar-05			
		A	B	C	Total
M a r 0 4	A	99.8%	0.2%	0.0%	100.0%
	B	9.4%	83.0%	7.6%	100.0%
	C	0.82%	5.3%	93.9%	100.0%

A: Normal  
 B: In need of special caution  
 C: Possible/Virtual/Legal bankruptcy

(Note) Transition is based on change from Mar-04 to Mar-05.

## Card Loan for Consumer

### 《Bank Card》

(4 functions in 1 card)

- Cash Card
- International Credit Card
- **Loan Card**  
(JPY0.1~3.0Mn, Interest rate of 13.1%)
- Debit Card

From FY05, we have started providing services from newly-tied-up Sumitomo Mitsui Card Co., Ltd.

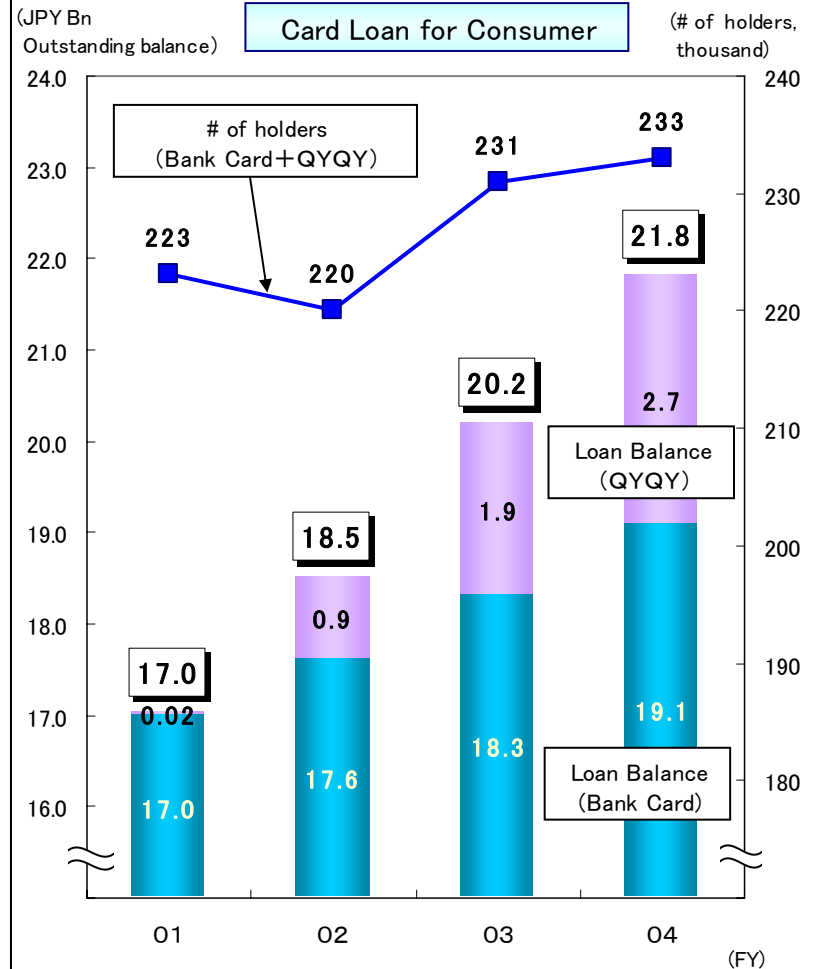
### 《Quicky (QYQY)》

(Started Apr-02)

- Unmanned channel
- Same-day response
- Loans of JPY0.1~  
0.5Mn
- Interest rate of 17.6%



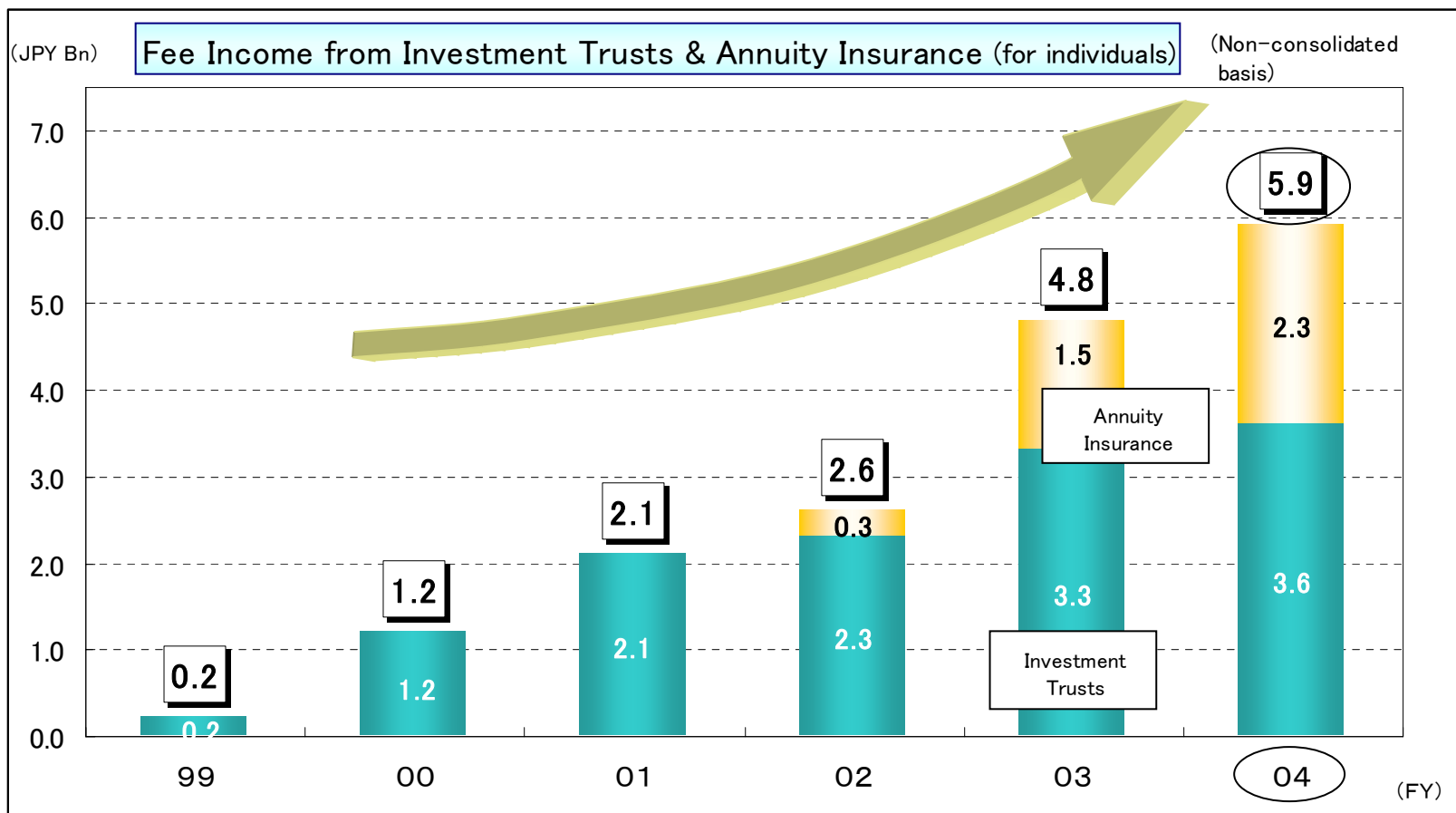
BoY's Proprietary Model  
No Business Alliance



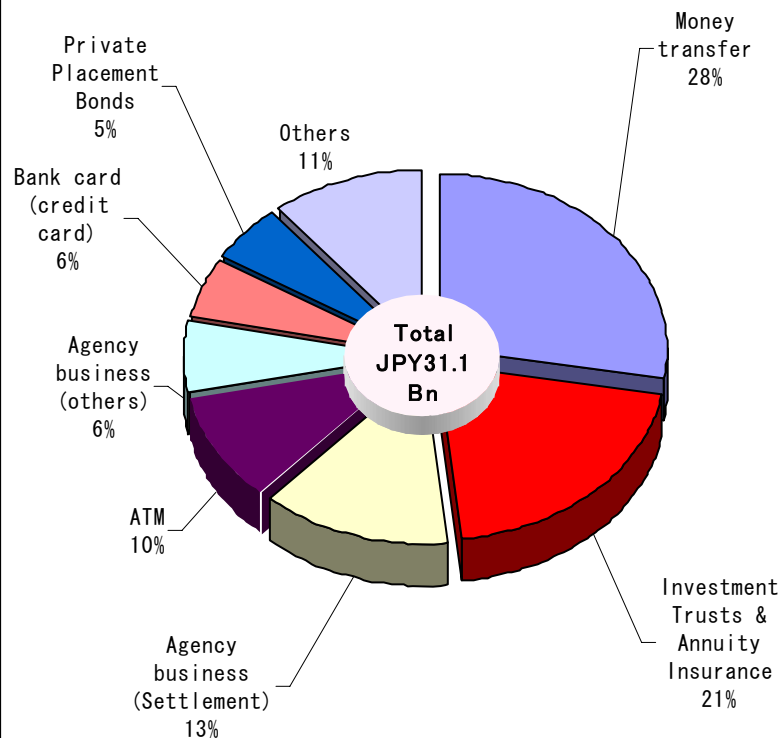


# Profitability of Investment Trusts & Annuity Insurance

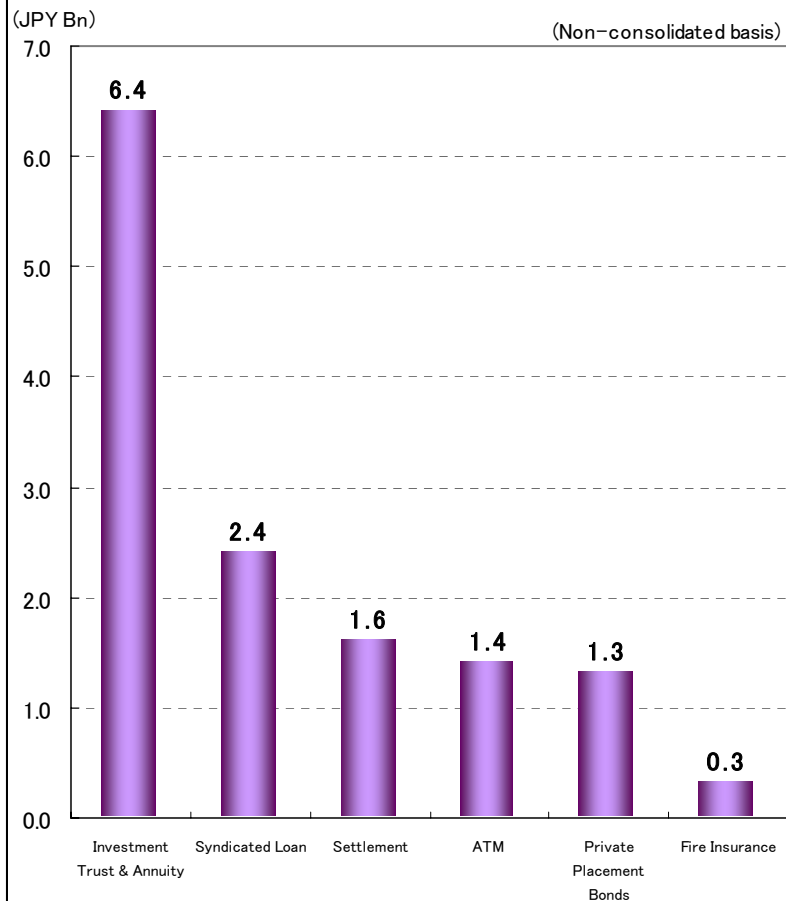
- Fee Income from Investment Trusts & Annuity Insurance grew steadily to **JPY5.9Bn** in FY04 (up **JPY1.1Bn**, +22.9% from FY03).



Breakdown of Fees and Commissions (FY04)



Change in breakdown of Fee Income as of FY04 (from FY96)



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