

# *Information Meeting*

~ Interim Financial Results for FY2004 ~



**The Bank of Yokohama, Ltd.**

**November 29, 2004**

## 1 . Operating Performance

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

## 2 . Business Performance

- ◆ Profit by Business Sectors Net Business Profit, Added Value
- ◆ Expansion of Service Channels
- ◆ Focusing on Lending
- ◆ Interest Margin
- ◆ Fees and Commissions Private Placement Bonds & Syndicated Loans, Non-Deposit Products (Investment Trust ·Annuity Insurance )

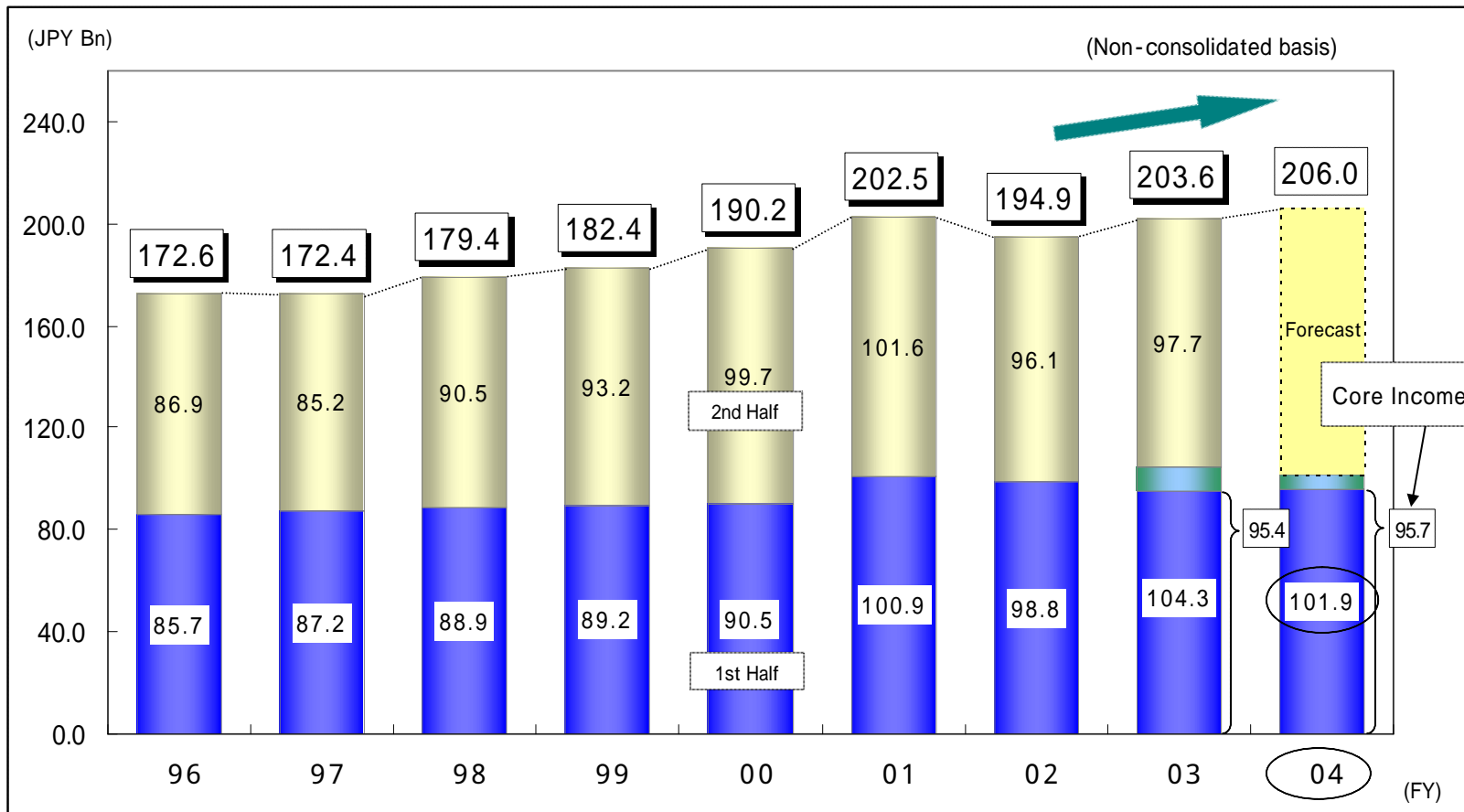
## 3 . Business Strategy

- ◆ Results of “Regional Retail Banking” Strategy
- ◆ Primary Strategy
- ◆ Future Direction

# 1. Operating Performance

## (1) Gross Operating Income

- Gross Operating Income was slightly down to **JPY101.9Bn** in FY04 1st Half (down **JPY2.4Bn** from FY03 1st Half) due mainly to a decrease in profits from securitization.
- “Core” Income (Domestic Interest Income + Fees) grew modestly (**+0.3Bn** or **+0.3%**).
- Forecast in FY04 **JPY206.0Bn** (up **JPY2.4Bn** from FY03, **+1.1%**)

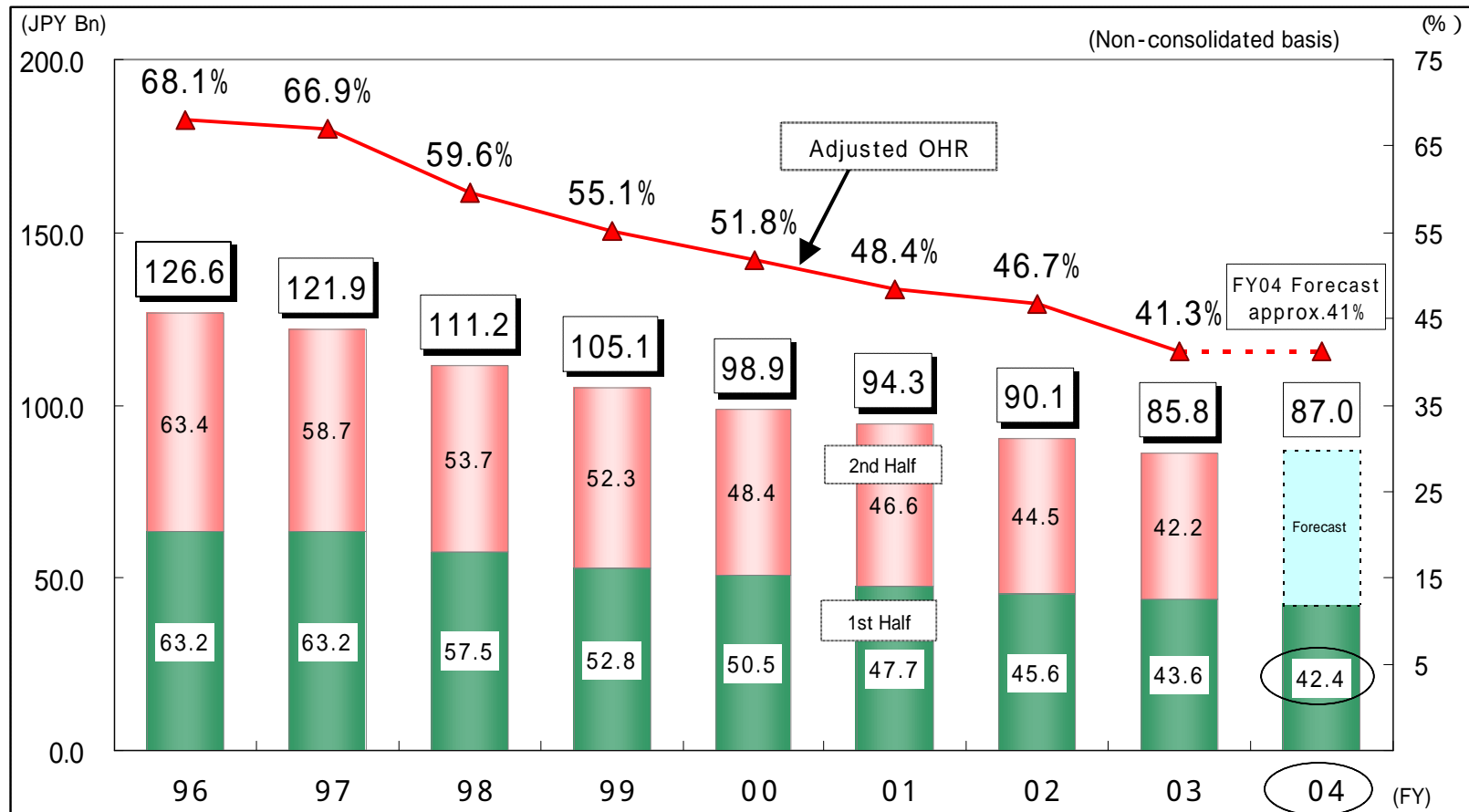


(Note) “Core” Income : Domestic Interest Income + Domestic Fees & Commissions.

# 1. Operating Performance

## (2) Expenses & Overhead Ratio (OHR)

- Expenses were **JPY42.4Bn** in FY04 1st Half (down **JPY1.2Bn** or **-2.6%** from FY03 1st Half ) Adjusted OHR was **41.1%**.
- Forecast in FY04 :**JPY87.0Bn** (same as FY03 excluding the tax factor )



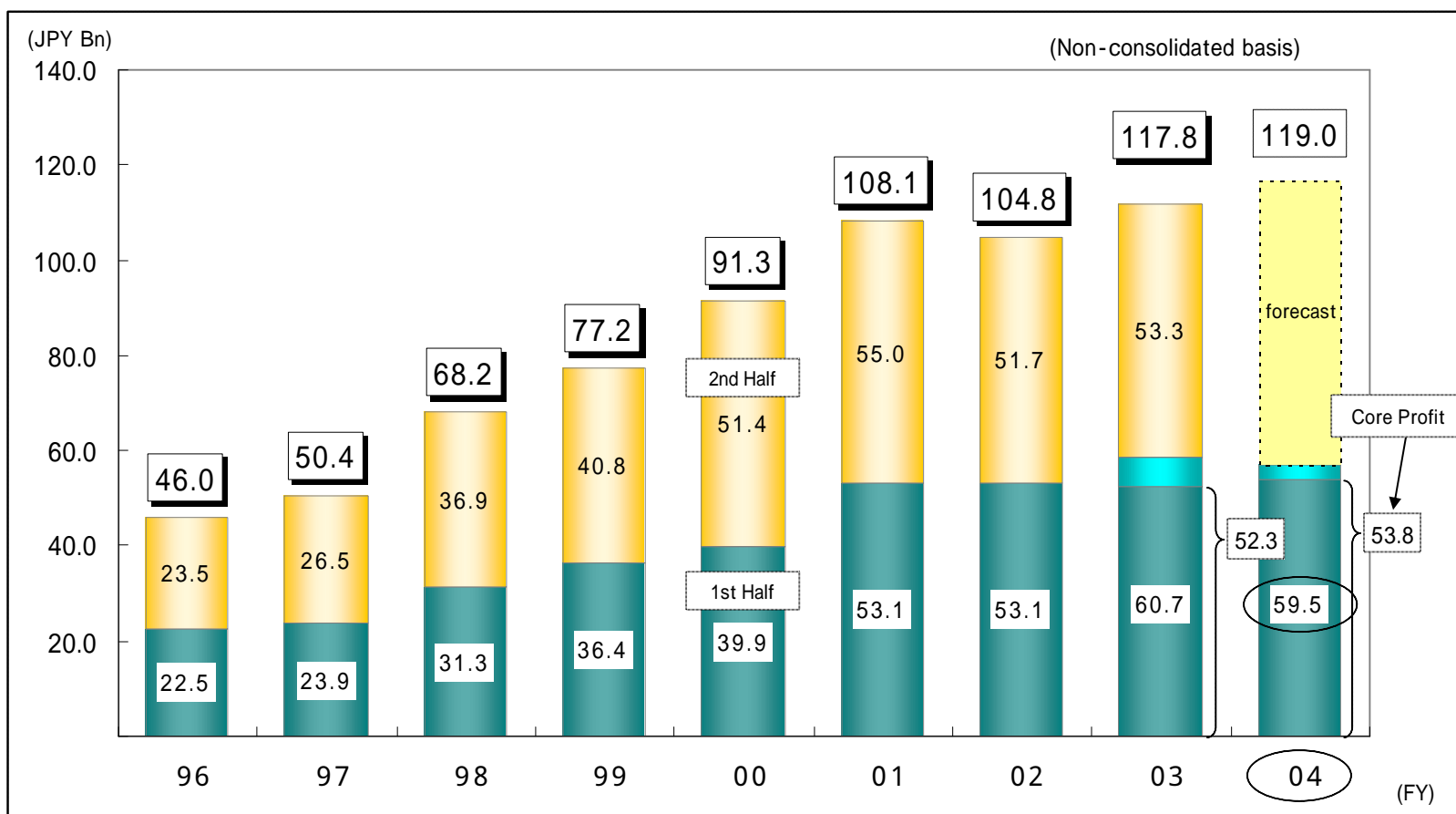
(Note 1) Adjusted OHR(non-consolidated) = General and Administrative Expenses (excluding extraordinary items) ÷ Gross Operating Income (excluding gains and losses on sales and redemptions of both bonds and bond derivative profits (losses) )

(Note 2) The tax factor refers to a new enterprise tax on gross profit (estimated as JPY1.2Bn).

# 1. Operating Performance

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

- Net Business Profit was **JPY59.5Bn** in FY04 1st Half (down **JPY1.2Bn** or **-2.0%** from FY03 1st Half )
- “Core” Profit slightly increased (up **JPY1.5Bn** or **+2.8%** from FY03 1st Half )
- Forecast in FY04 **JPY119.0Bn** (up **JPY1.2Bn** or **+1.0%** from FY04 )



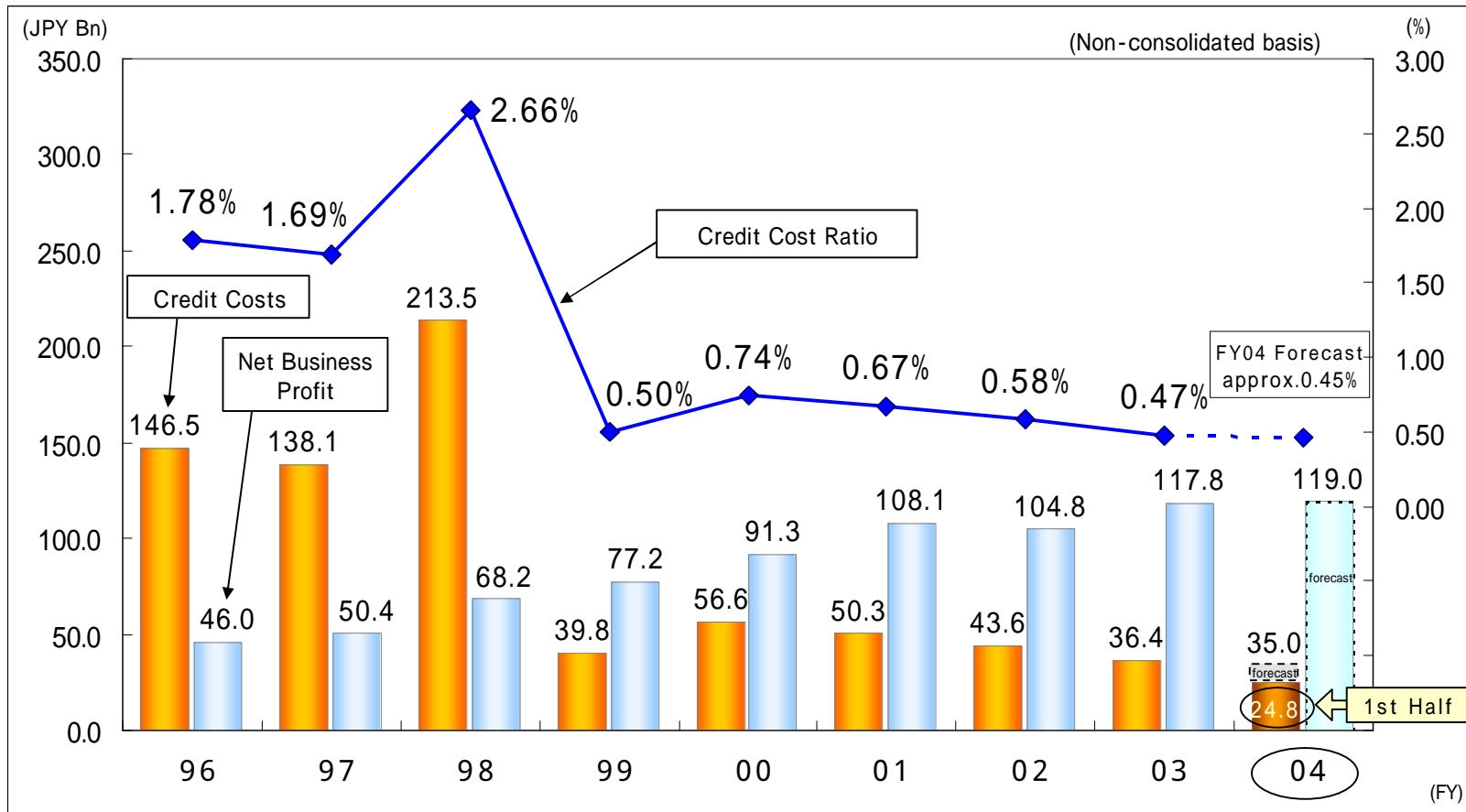
(Note )“Core” Profit : (Domestic Interest Income + Domestic Fees & Commissions ) - Domestic Operating expenses excluding international & market activities (Internal Basis )



# 1. Operating Performance

## (4) Disposal of Problem Claims

- Credit Costs were JPY24.8Bn in FY04 1st Half.
- Forecast in FY04 Decrease to JPY35.0Bn (down JPY1.4Bn or -3.8% from FY03 )
- Credit Cost Ratio is expected to improve to 0.45% by the end of FY04.

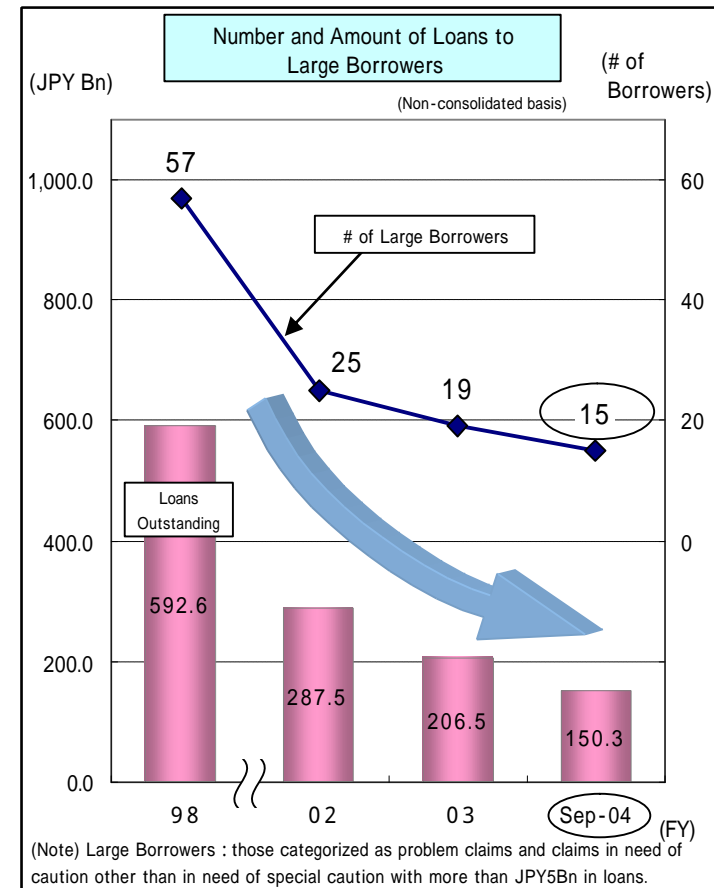
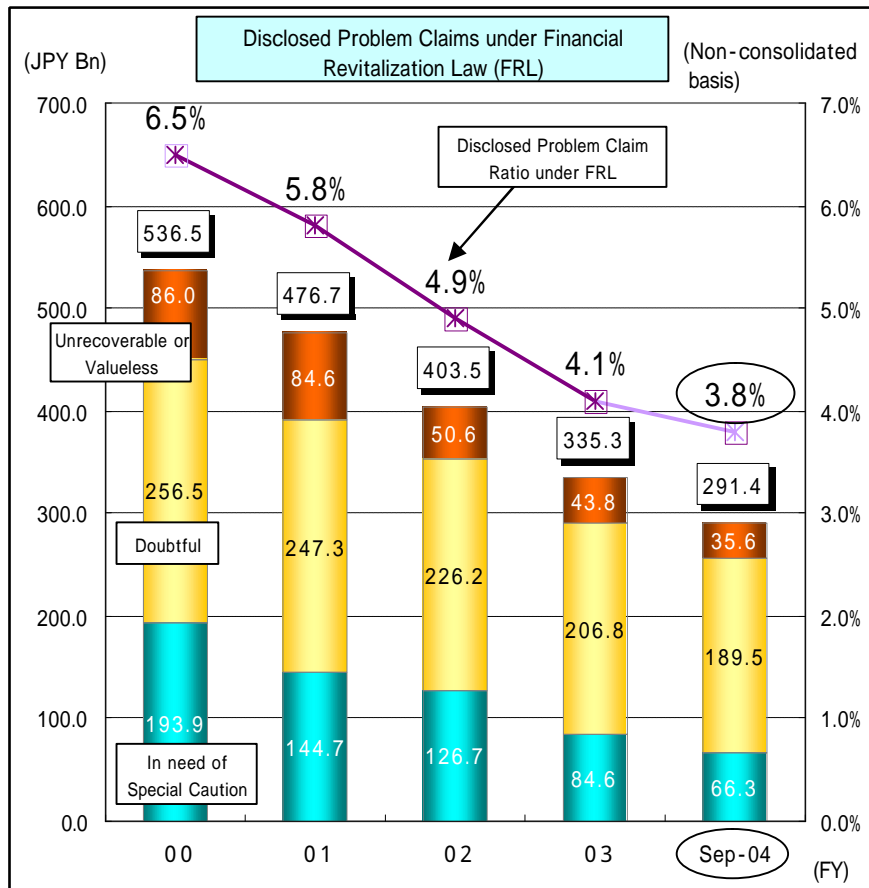


(Note) Credit Cost Ratio = Credit Costs ÷ Average domestic loans and bills discounted. (non-consolidated basis)

# 1. Operating Performance

## (4) Disposal of Problem Claims

- Problem Claims Ratio under FRL decreased to **3.8%** in FY04 1st Half.
- Continue to diversify risks by reducing Problem Claims to Large Borrowers.

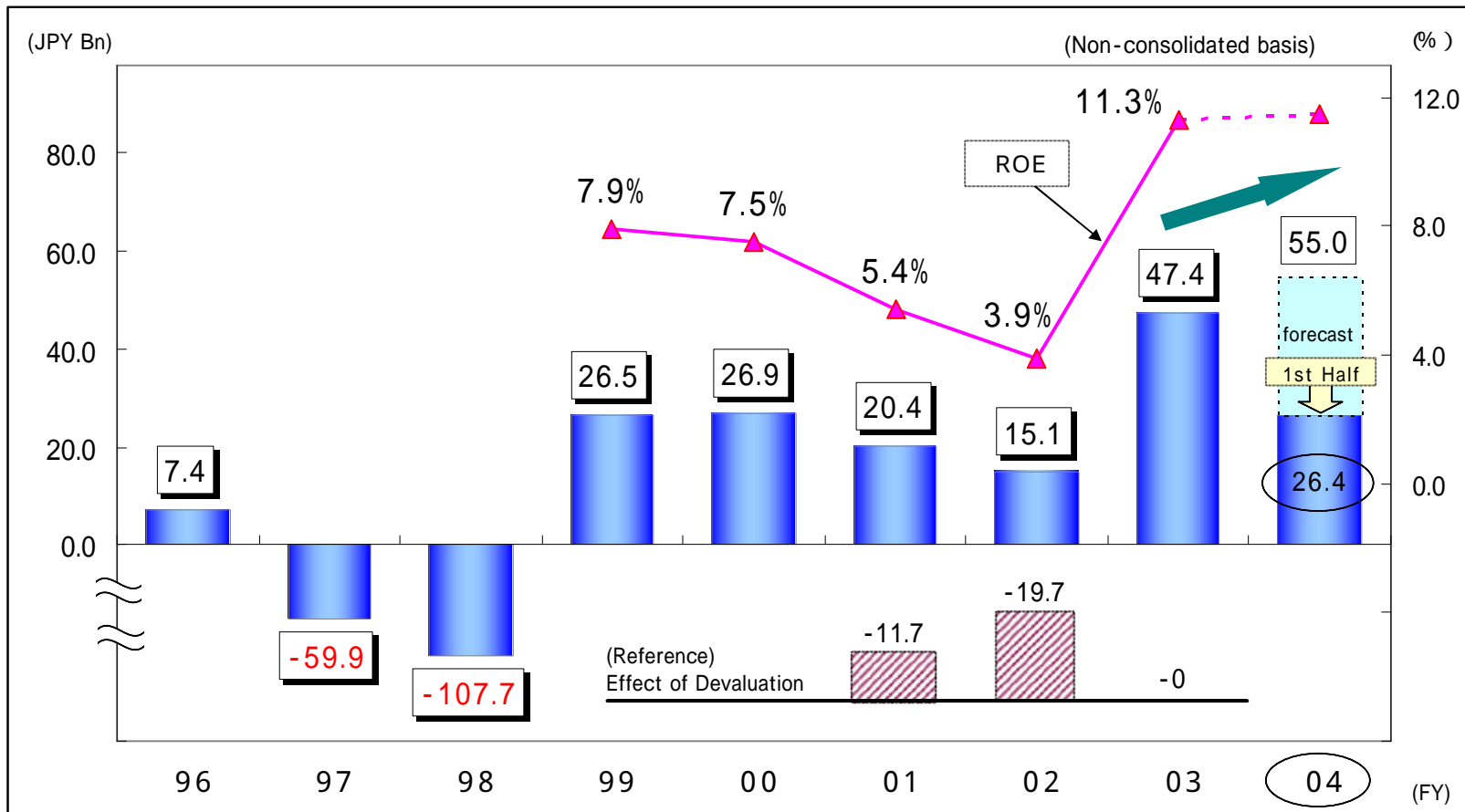


(Note) FRL is an abbreviation for Financial Revitalization Law.

# 1. Operating Performance

## (5) Net Income

- Net Income was **JPY26.4Bn** in FY04 1st Half (up **JPY6.4Bn** or **+31.6%** from FY03 1st Half)
- Forecast in FY04 :**JPY55.0Bn** (up **JPY7.6Bn** or **+16.0%** from FY03)
- ROE in FY04 1st Half was **10.4%**. Continue to aim for higher ROE.



① ROE = (Net Income - Total dividends for preferred Stocks) ÷ Average balance of capital less preferred stocks for the two ending periods.

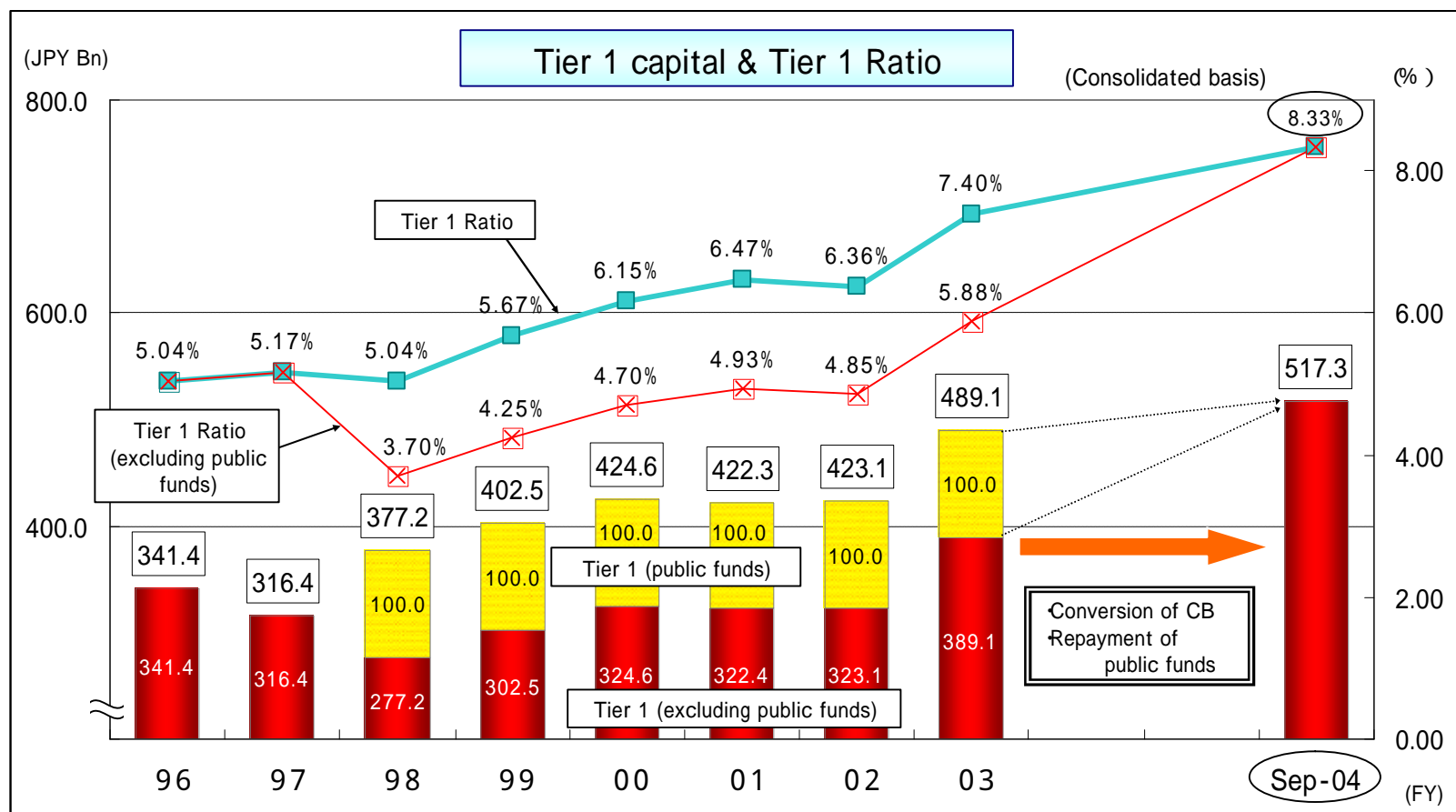
② Effects of devaluation Losses on Devaluation of stocks × 0.6 (1-income tax rates) on non-consolidated basis.



# 1. Operating Performance

## (6) Tier 1 Ratio

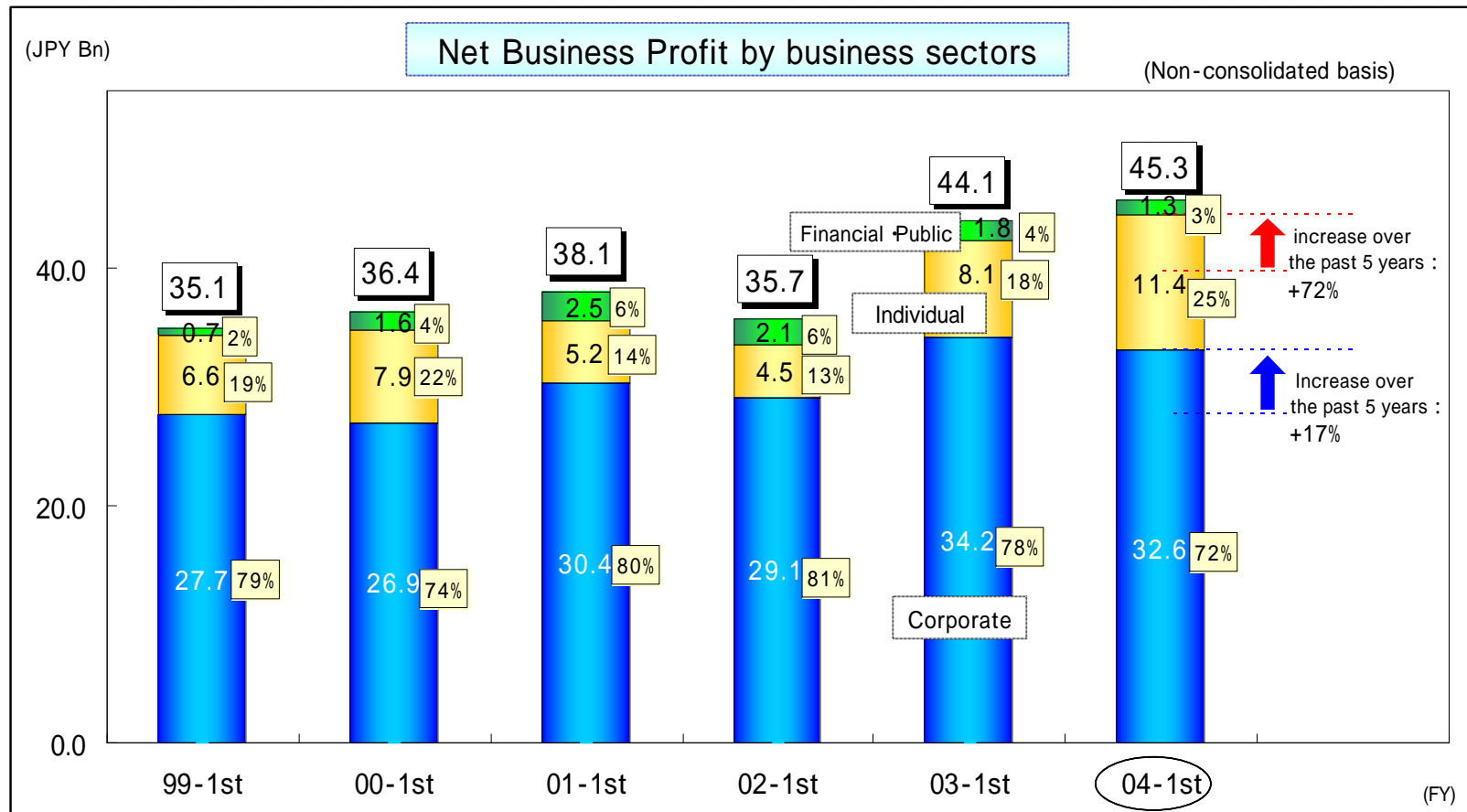
- FY04 1st Half (consolidated basis) :Tier 1Ratio **8.33%**、Capital Ratio **10.97%**。
- Complete repayment of public funds (sold **JPY55.0Bn** in market & bought back **JPY45.0Bn**) and conversion of CB (converted **JPY59.9Bn** or **99.9%**) improved the quality and the volume of Tier 1 capital.



# 2. Business Performance - Sector-wise Profit

## (1) Profit by Business Sectors

- Individual Sector :The volume and share in Net Business Profit increased due to increases in Housing Loans and Fees & Commissions from Non-Deposit products.
- Corporate Sector Net Business Profit continues to grow by improving Interest margin.

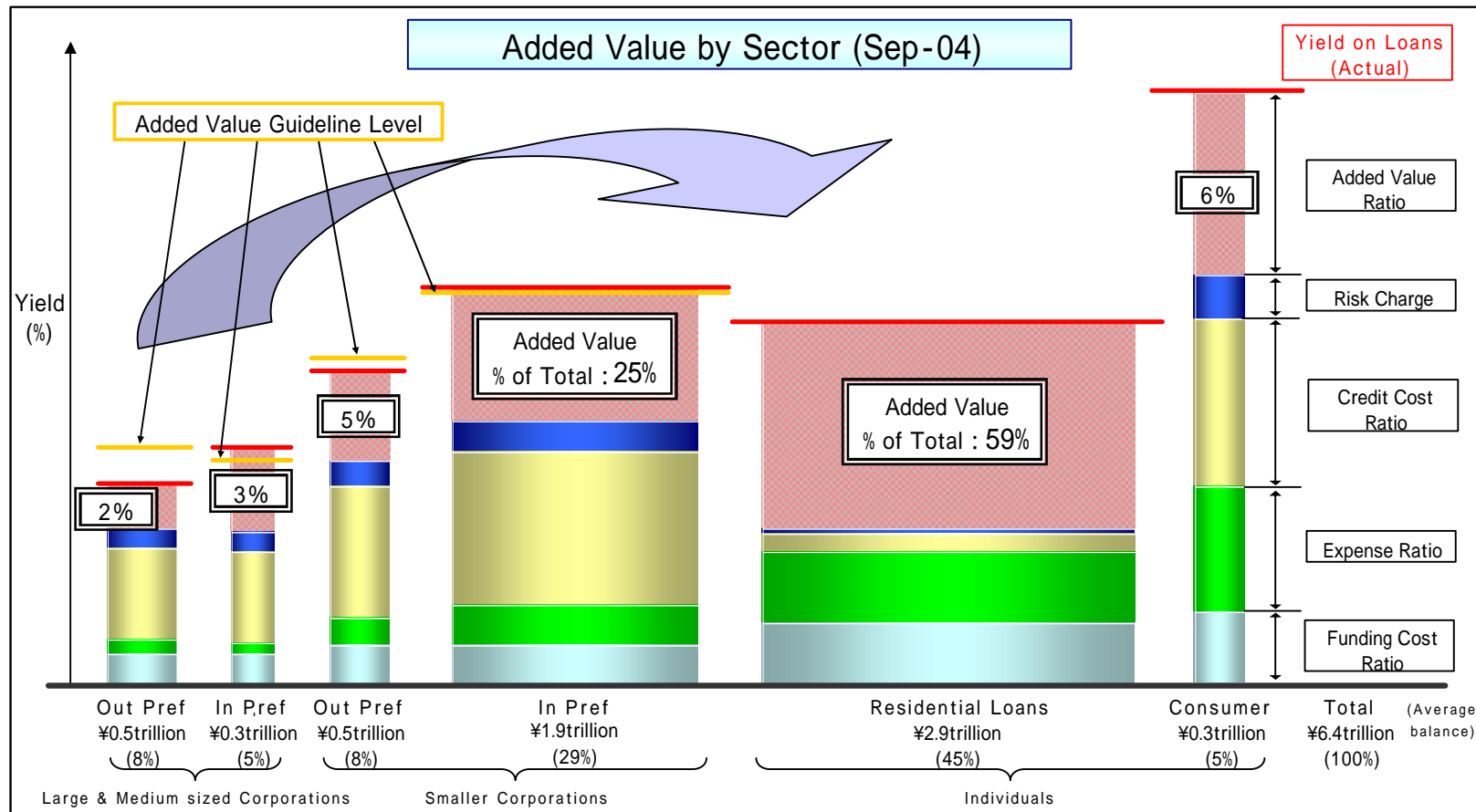


(Note 1) There are four business sectors for internal use; Individual, Corporate, Public and Financial.  
 (Note 2) Net Business Profit by business sectors is compiled for internal purpose only.  
 (Note 3) Percentages in dotted lines above represents the share of profit in each business sector.

# 2. Business Performance - Sector-wise Profit

## (2) Added Value

- Sep-04 Share of Smaller Corporations in Pref. 25%、Residential loans 59%、of total added value.
- Continue to focus on these sectors.



(Note 1) 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)

(Note 2) Funding cost ratios is calculated from market rates corresponding to interest maturities of each loan.

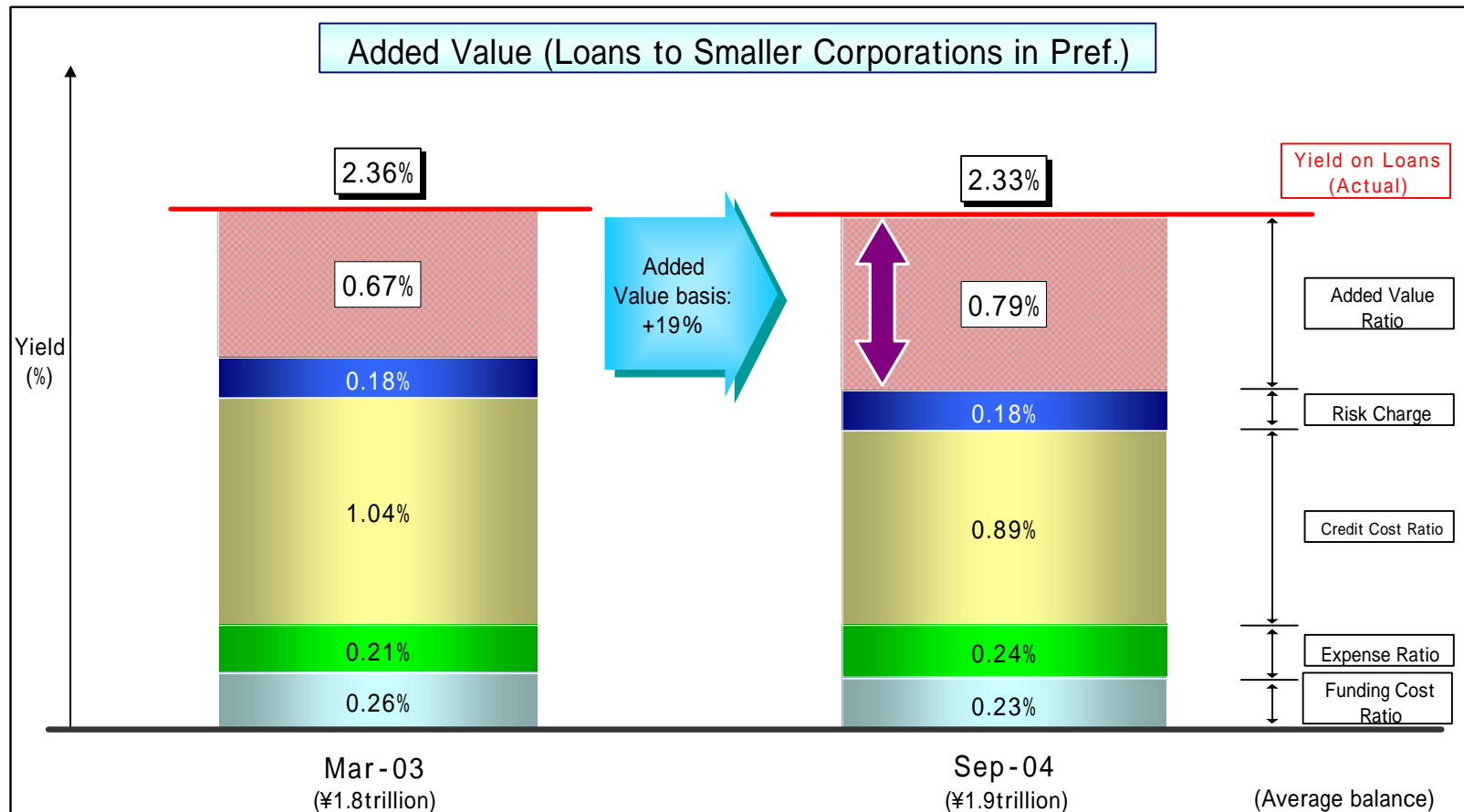
(Note 3) Credit cost ratio is calculated from Estimated Loss Ratio (Estimated default ratio - Estimated collection ratio).

(Note 4) Risk Charge is calculated from "Amount of risks x Target ROE 10% (before taxes:17%)."

## 2. Business Performance - Sector-wise Profit

### (3) Added Value Smaller Corporations in Pref.

- Sep-04 : Added value increased by 19% compared to Mar-03 (Due mainly to decrease in Credit Cost Ratio )

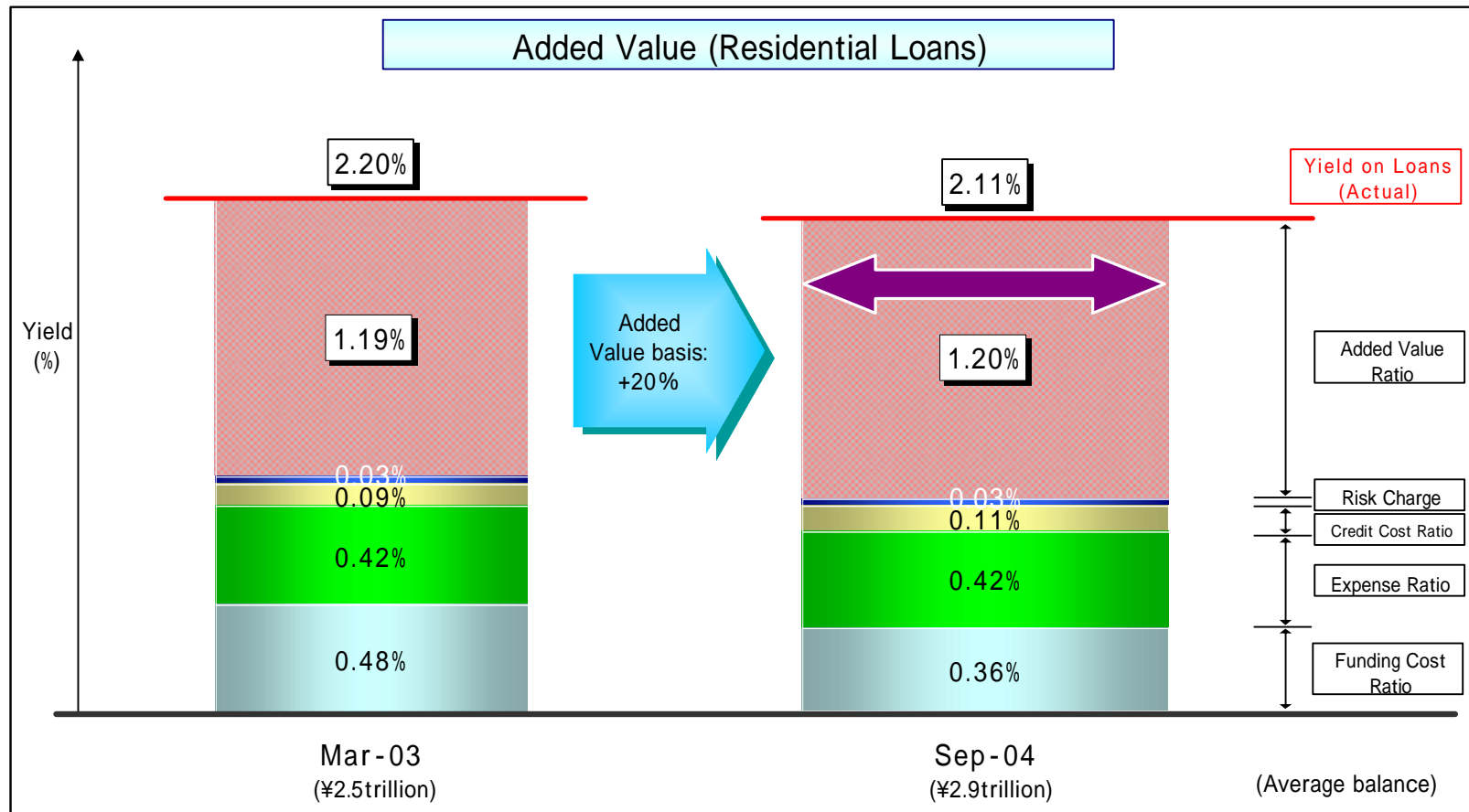


(Note) Risk Charges used in Mar-03 and in Sep-04 are the same.

# 2. Business Performance - Sector-wise Profit

## (3) Added Value Residential Loans

■ Sep-04 : Added value increased by 20% compared to Mar-03 (Due mainly to increase in volume of loans )



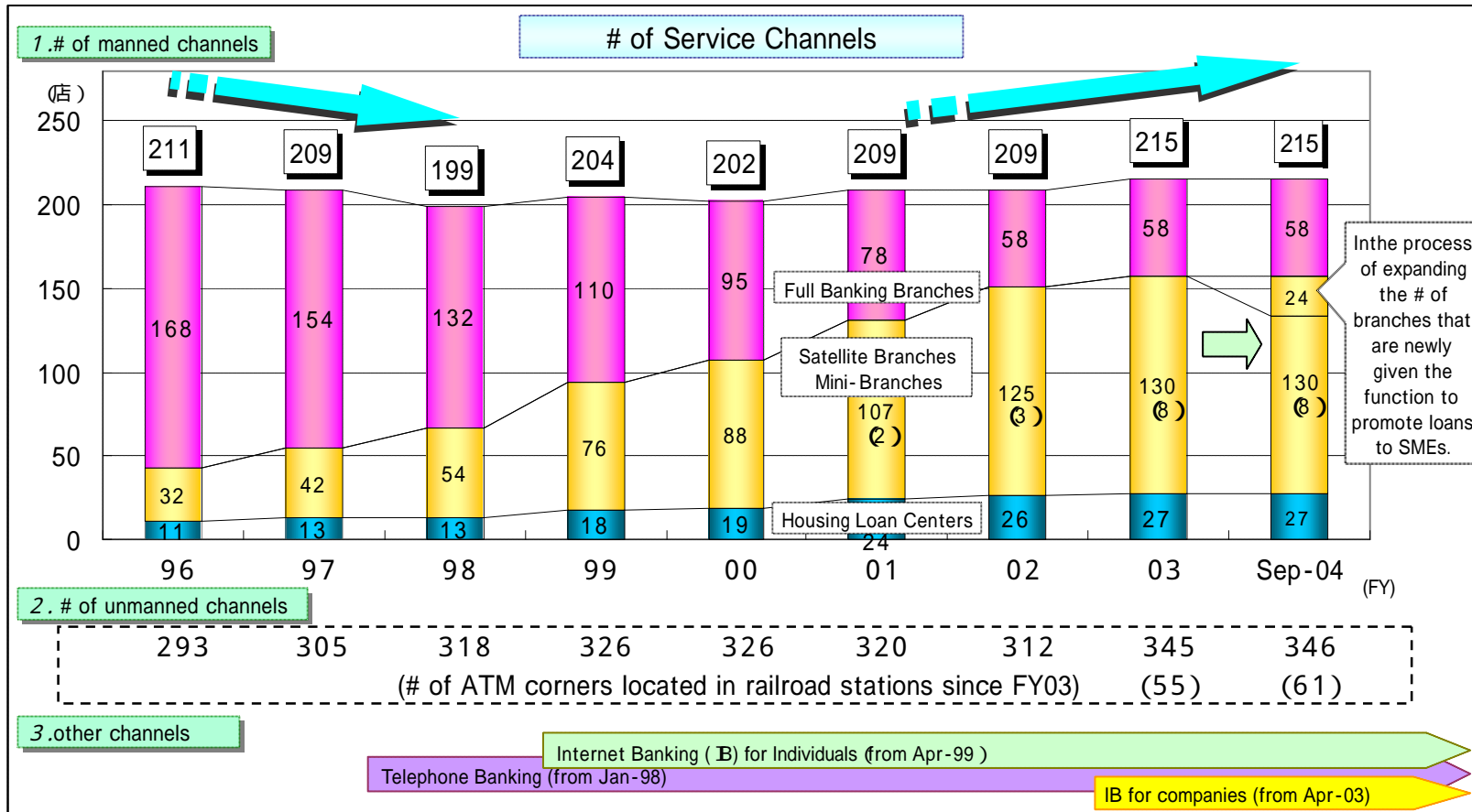
(Note 1 )Residential Loans = Housing Loans + Apartment Loans.

(Note 2 )Risk Charges used in Mar-03 and in Sep-04 are the same.

# 2. Business Performance - Service Channels

## Expansion of Service Channels

- Established efficient service channels through differentiated business functions, tailored to specific customer needs.
- Enhance sales capability in retail banking by reviewing the functions of branches with specialized functions, and by further expanding unmanned channels.



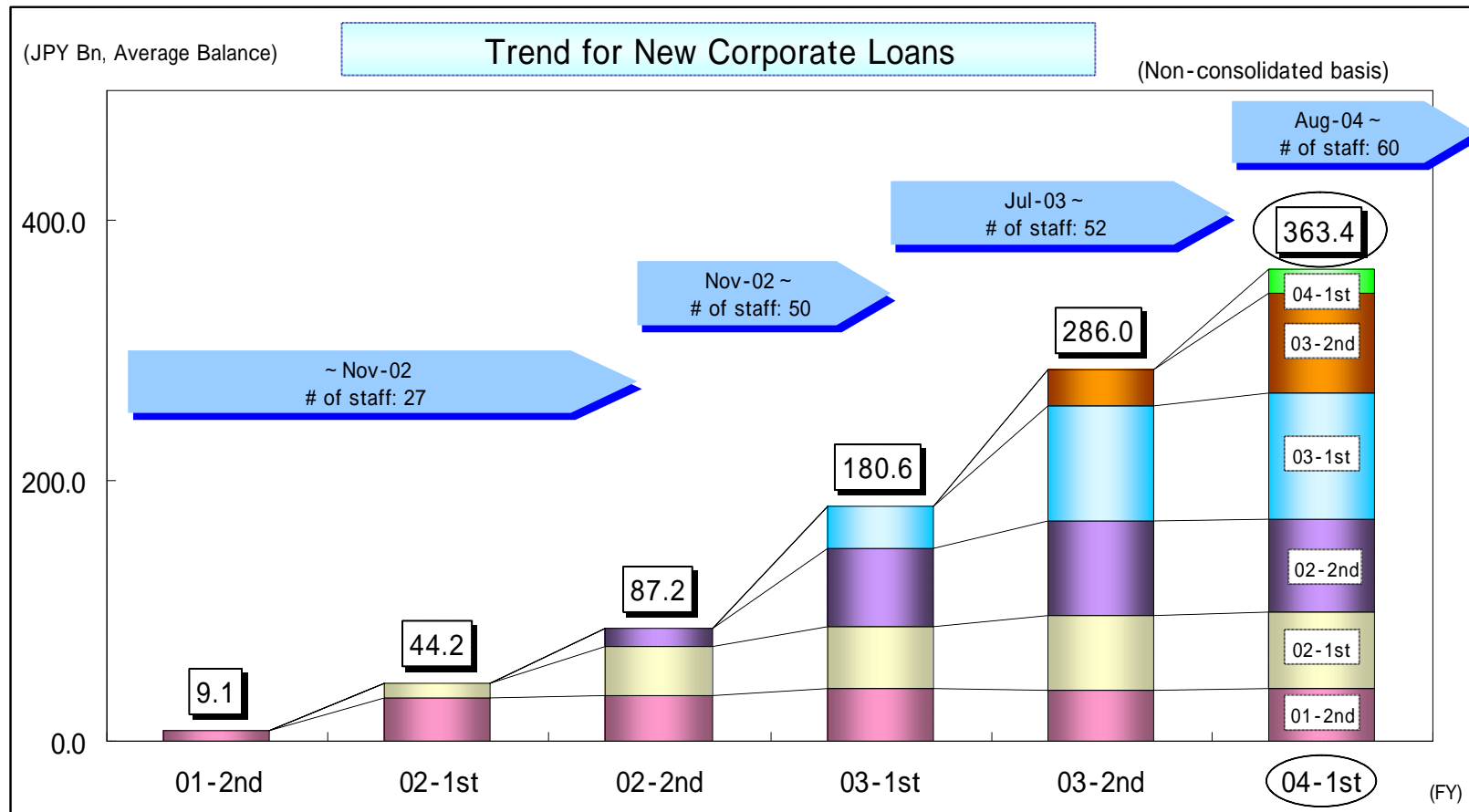
(Note 1) Satellite Branches :small branches and sub-branches specialized in face-to-face operations for mainly individual customers.  
 (Note 2) Mini Branches :smaller size channels staffed by four to six bank employees.



# 2. Business Performance - Focusing on Lending

## (1) Strengthening sales activity to New Corporate Customers

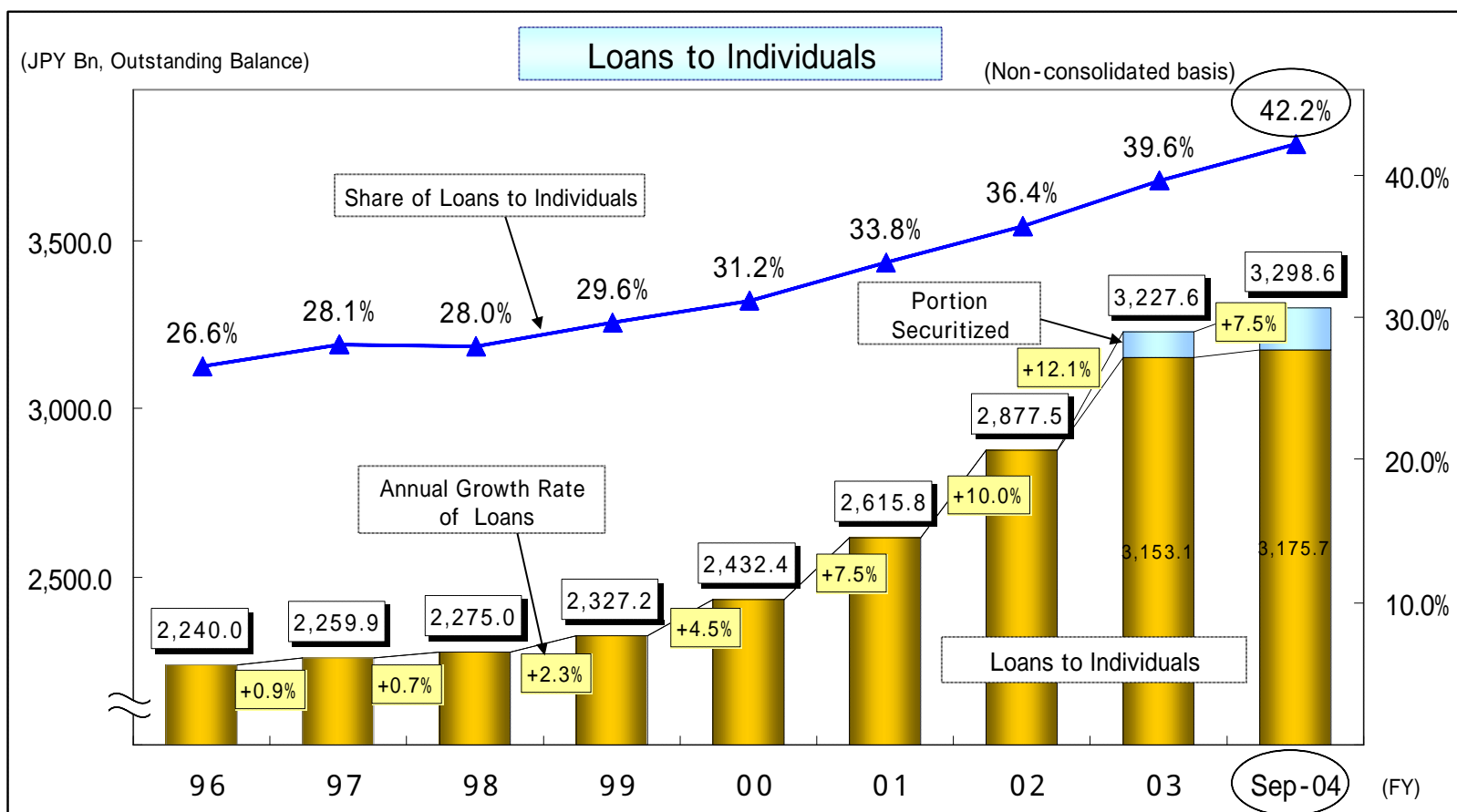
- Gradually increased the number of staff dedicated for promoting the business (up to 60 staff)
- FY04 1st Half : Average loan balance for new corporate loans since FY01 2nd Half surpassed JPY360Bn.



## 2. Business Performance - Focusing on Lending

### (2) Promoting Residential Loans (Part 1)

- The balance of Loans to Individuals approaches to **JPY3,300Bn** (excluding the effects of securitization) at the end of Sep-04.
- The share of loans to individuals increased to **42.2%**.



(Note 1) Loans to Individuals = Housing Loans + Apartment Loans + Non-Residential Loans (including consumer loans)

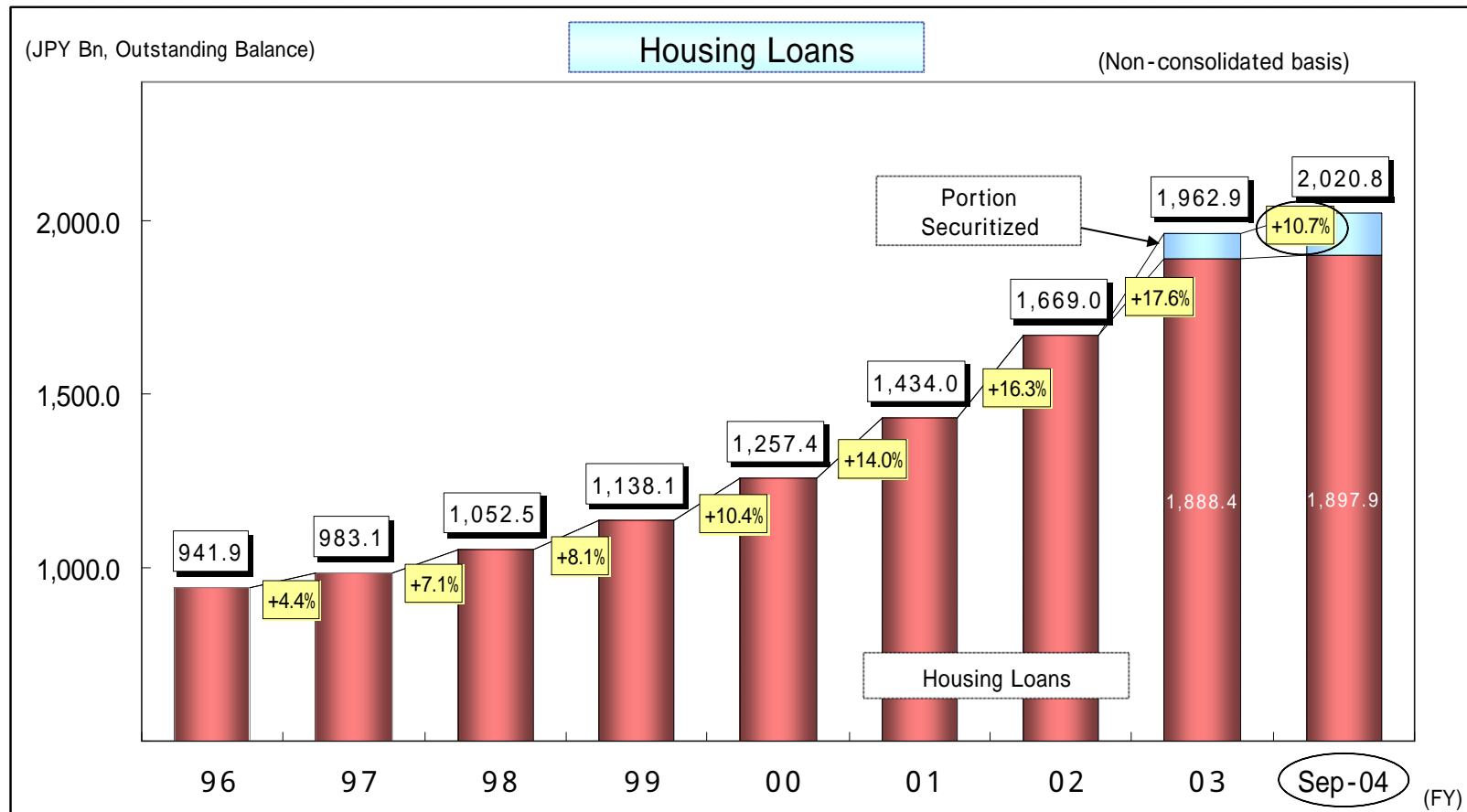
(Note 2) Share = Balance of Loans to Individuals (excluding the effects of securitization factors) ÷ Total Loans

(Note 3) Percentage increase as of Sep-04 represents increase from Sep-03.

## 2. Business Performance - Focusing on Lending

### (2) Promoting Housing Loans (Part 2)

- The balance of Housing Loans increased by **+10.7%** at the end of Sep-04, compared to Sep-03 (excluding the effects of securitization)
- Continue to focus on Housing Loans.

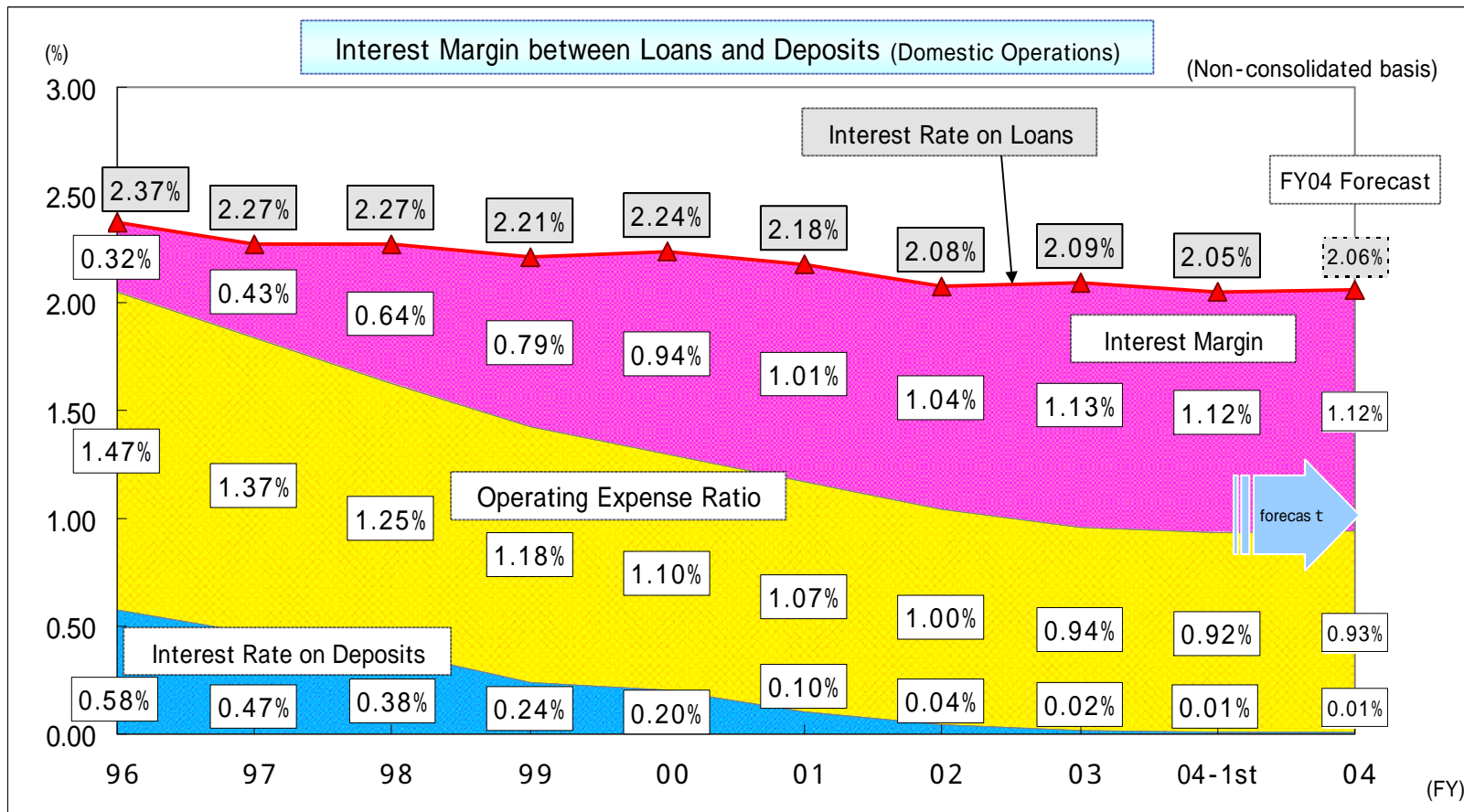


(Note 1) Percentage increase as of Sep-04 represents increase from Sep-03.

# 2. Business Performance - Improving Interest Margin

## (1) Interest Margins

- FY04 1st Half Secured almost the same level of interest margin by lowering the Operating Expense Ratio, despite lower interest rate on loans.
- FY04 Interest Margin is expected to remain high standards by the effort to increase interest rates on loans.



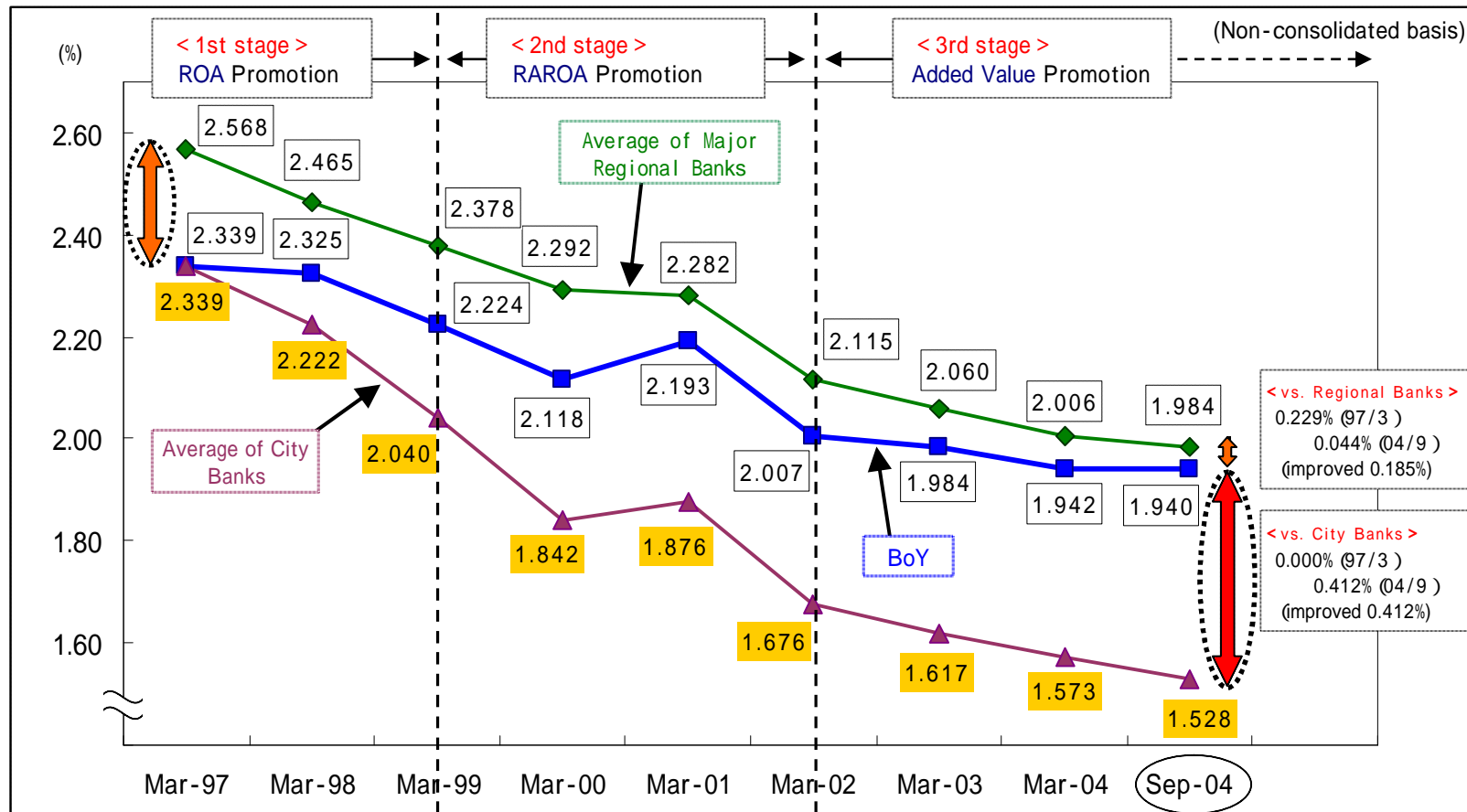
(Note 1) Amount Outstanding = Average balance of Deposits and Loans in domestic operations.

(Note 2) Operating Expense Ratio = Expenses excluding extraordinary items ÷ Average balance of Deposits.

# 2. Business Performance - Improving Interest Margins

## (2) Loan Yield

- Continuous efforts to “Improve Interest Margin” since FY97 ~ **ROA Promotion** **RAROA Promotion** **Added Value Promotion**
- The Sep-04 contracted interest rates on loans improved **0.412%** and **0.185%** compared to Mar-97 for City Banks and Major Regional Banks, respectively.



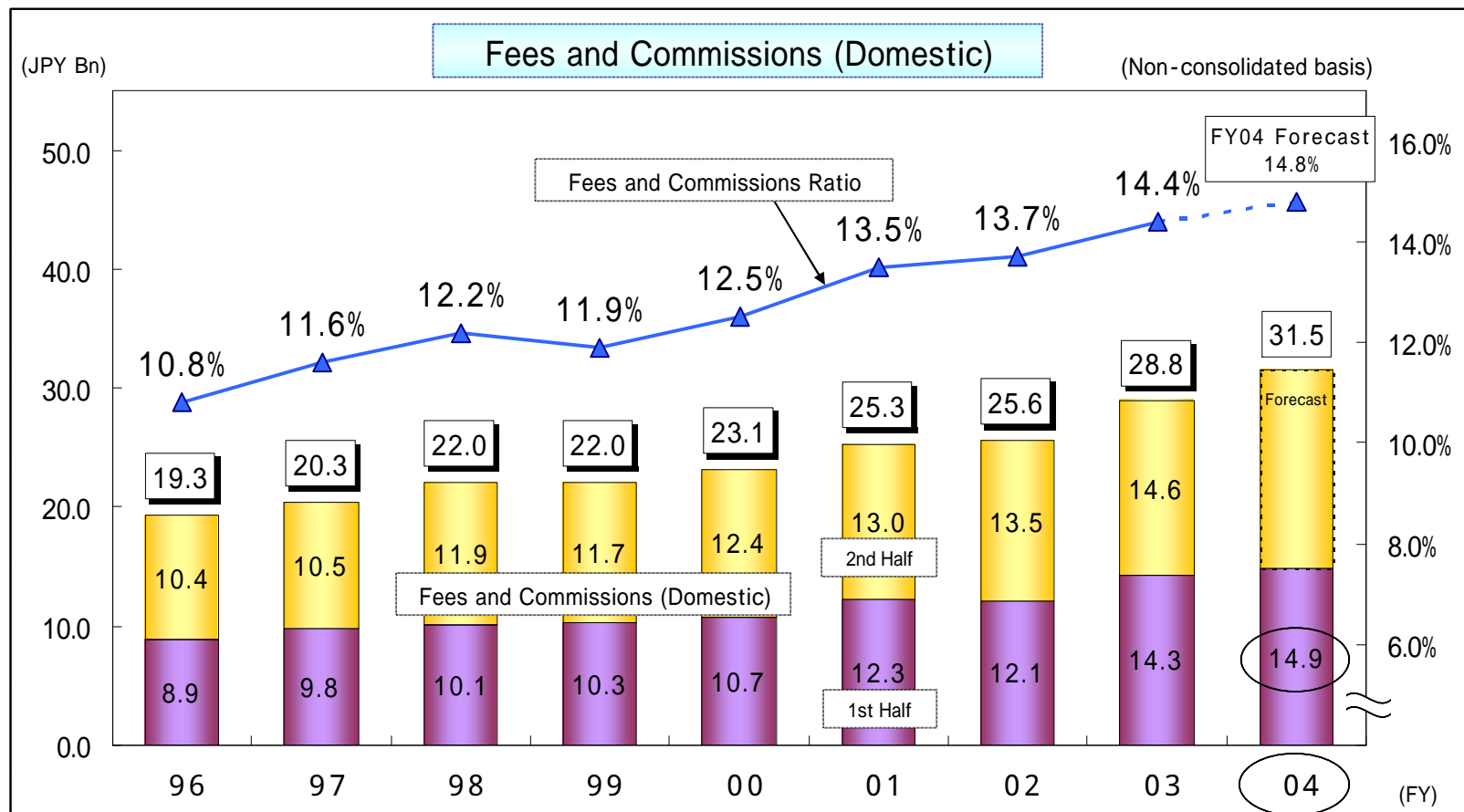
(Note 1) Source : Bank of Japan

(Note 2) Contracted interest rates for all loans are the average interest rates of each month.

# 2. Business Performance - Promoting Fee Business Bank of Yokohama

## (1) Fees and Commissions

- Fees and Commissions increased primarily through sales of Non-Deposit products; e.g. Investment Trusts and Annuity Insurance.
- FY04 1st Half JPY14.9Bn (up JPY0.6Bn or +4.1% from FY03 1st Half )
- Fees and Commissions Ratio is expected to be 14.8% in FY04.



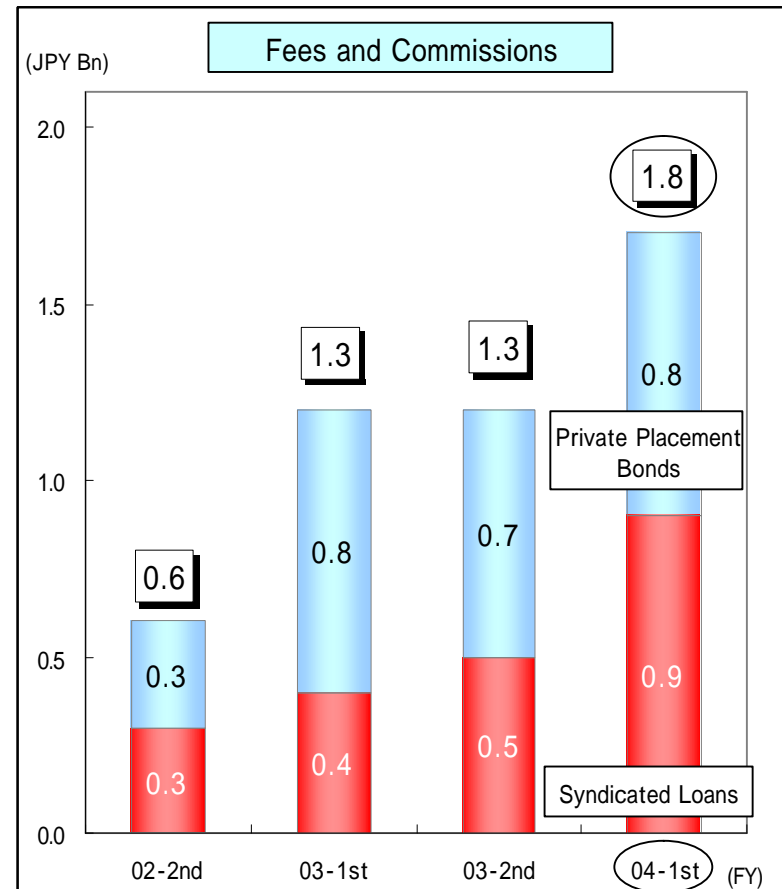
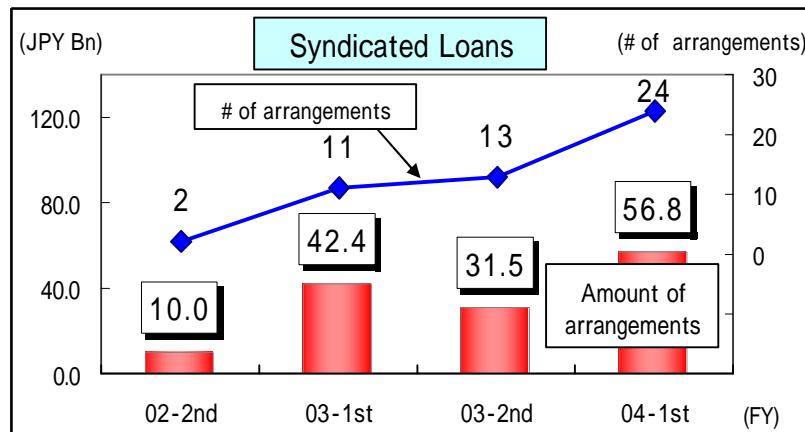
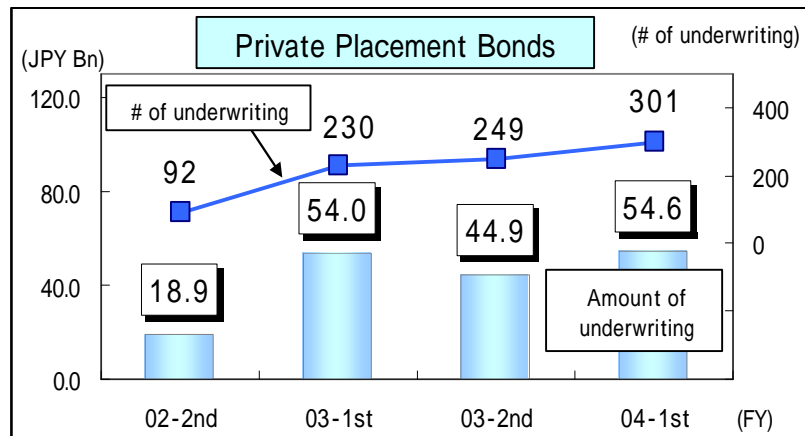
(Note) Fees and Commissions Ratio = Fee Income (Domestic) ÷ Gross Operating Income (excluding gains and losses on sales and redemptions of both bonds and bond derivative profits (losses) ) In FY04, Gross Operating Income does not exclude them.



# 2. Business Performance - Promoting Fee Business Bank of Yokohama

## (2) Private Placement Bonds & Syndicated Loans

- Private Placement Bonds (PPB) & Syndicated Loans (SL) increased steadily in FY04 1st Half.
- Fees from underwriting PPB and arrangement of SL amounts to JPY1.8Bn (up JPY0.5Bn from FY03 2nd Half).

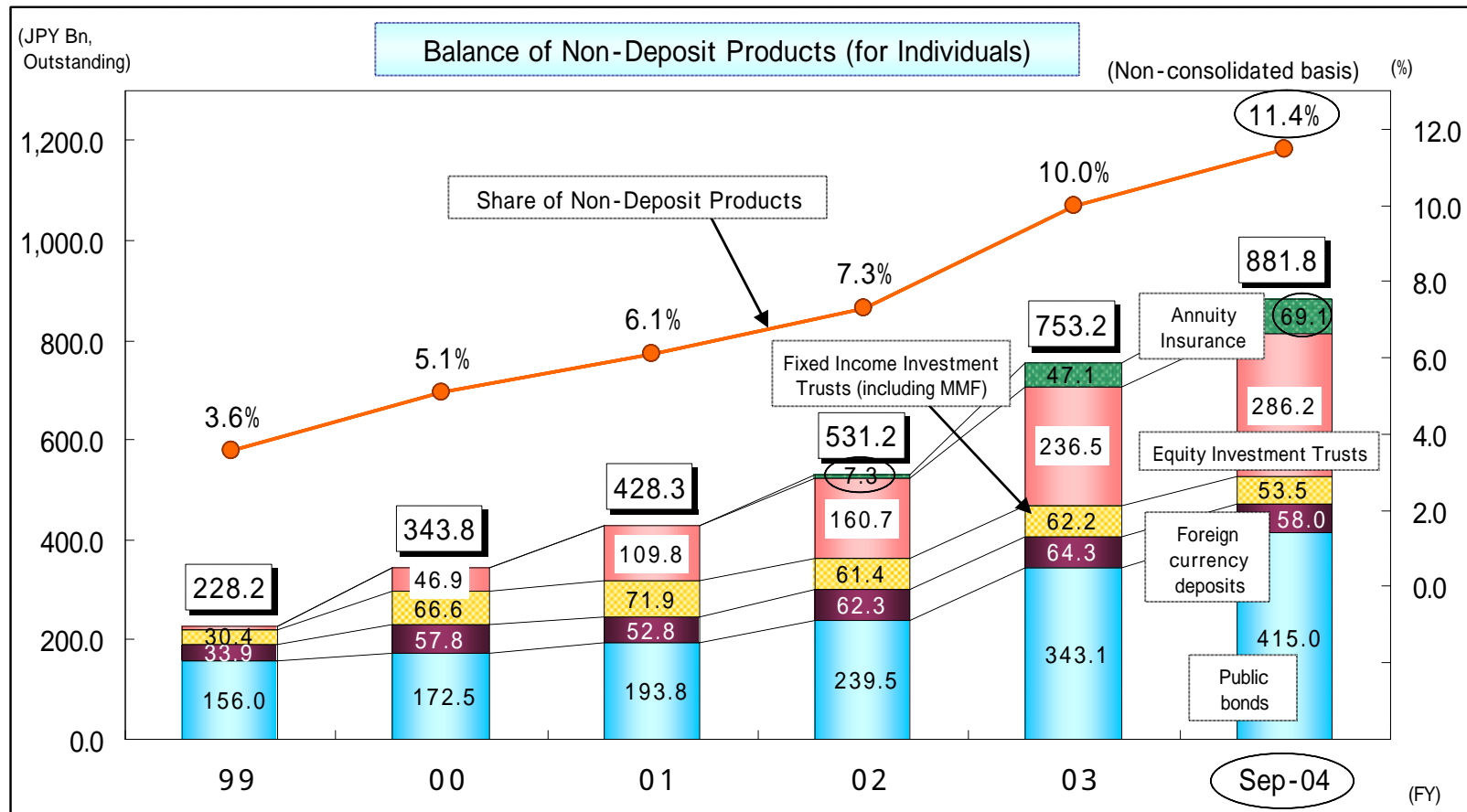


(Note) Syndicated Loans include Commitment Line fees.

# 2. Business Performance - Promoting Fee Business Bank of Yokohama

## (3) Non-Deposit Products

- Sales of Annuity Insurance grew sharply. (FY02 :JPY7.3Bn FY04 1st Half :JPY69.1Bn )
- Share of Non-Deposit Products accounts for 11.4% at the end of Sep-04.

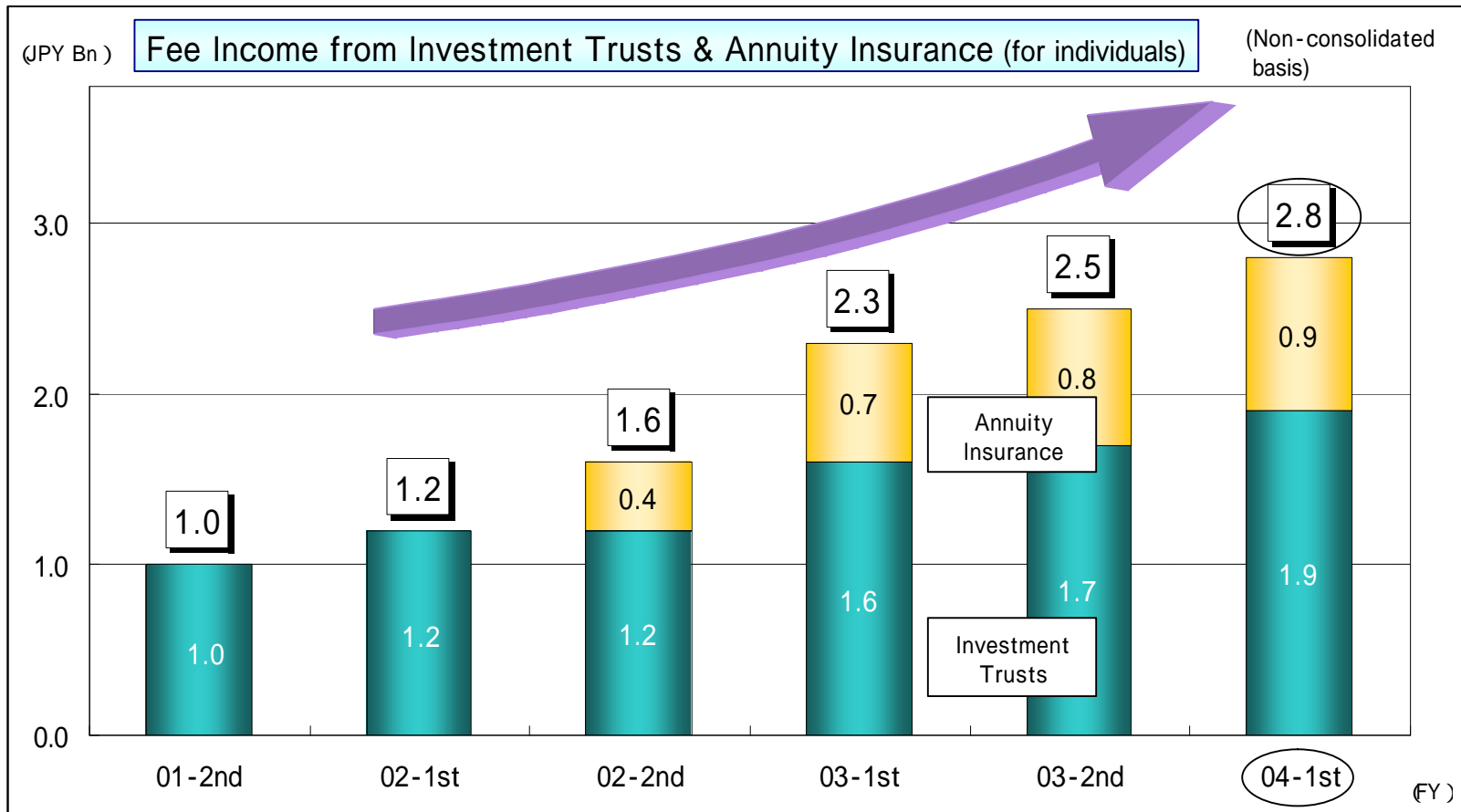


(Note) Share of Non-Deposit Products = Outstanding balance of Non-Deposit Products ÷ (outstanding balance of individual deposits + outstanding balance of Non-Deposit Products )

## 2. Business Performance - Promoting Fee Business Bank of Yokohama

### (4) Profitability of Investment Trusts & Annuity Insurance

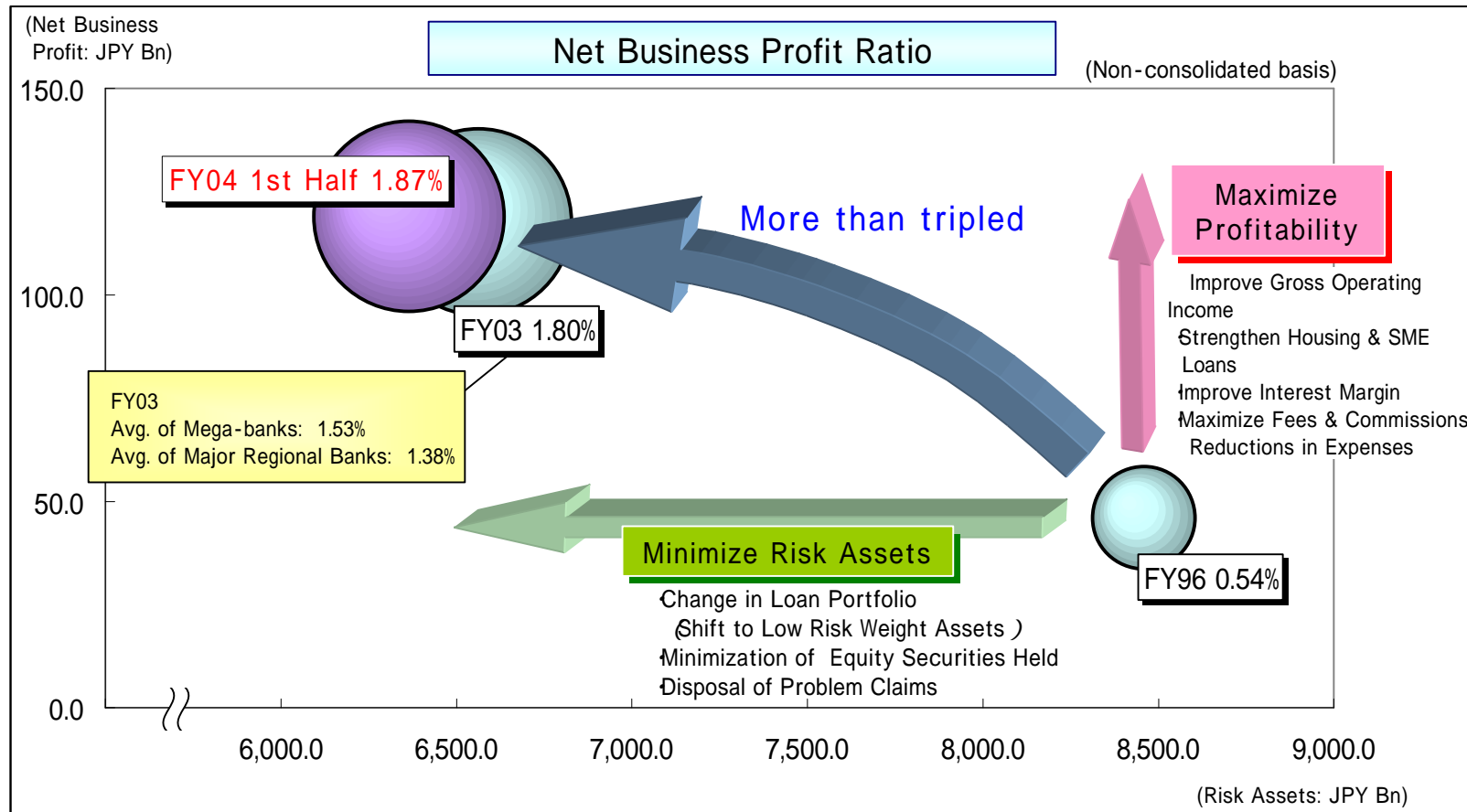
- Fee Income from Investment Trusts & Annuity Insurance grew steadily to **JPY2.8Bn** in FY04 1st Half (up **JPY0.5Bn** from FY03 1st Half)



# 3. Business Strategy - Future Direction

## (1) Results of "Regional Retail Banking" Strategy

- As a result of Regional Retail Banking, Net Business Profit Ratio (against Risk Assets) more than tripled in FY04 1st Half from FY96.
- Reached higher standard than Mega Banks' average and Major Regional Banks' average.
- Continue to focus on Regional Retail Banking.



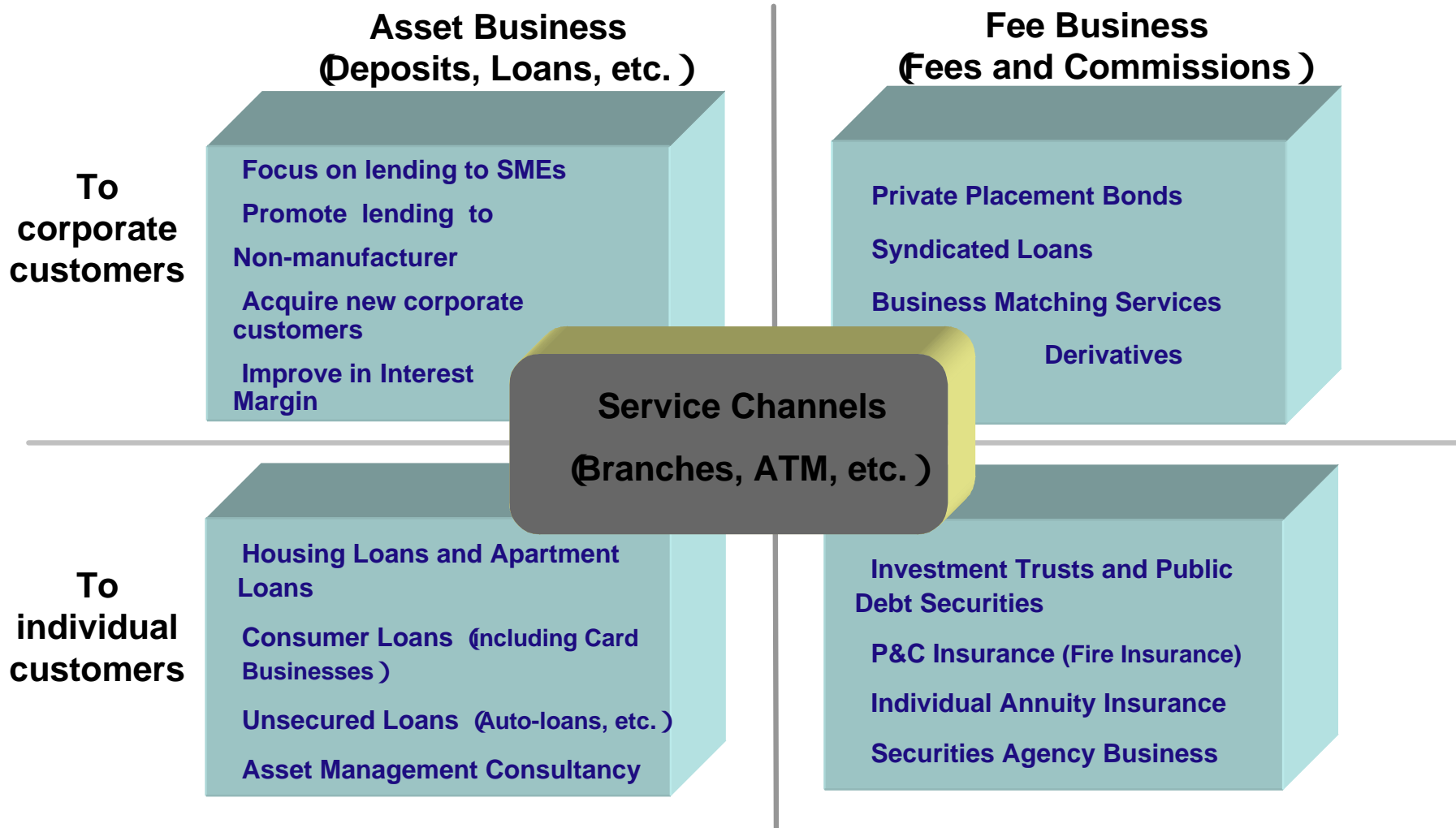
(Note 1) Net Business Profit Ratio = Net Business Profit (before provision (reversal) of general allowance for possible loan losses) ÷ (Average Balance of Risk Assets of two periods)

(注 2) Mega Banks :Tokyo Mitsubishi, Mitsui Sumitomo, UFJ, Mizuho, Mizuho Corporate (Non-consolidated basis). Major Regional Banks : Chiba, Shizuoka, Joyo, Fukuoka, Hiroshima, Ashikaga, Hokuriku, Gunma, Hachijuni (Non-consolidated basis).

# 3. Business Strategy - Future Direction

## (2) Primary Strategy

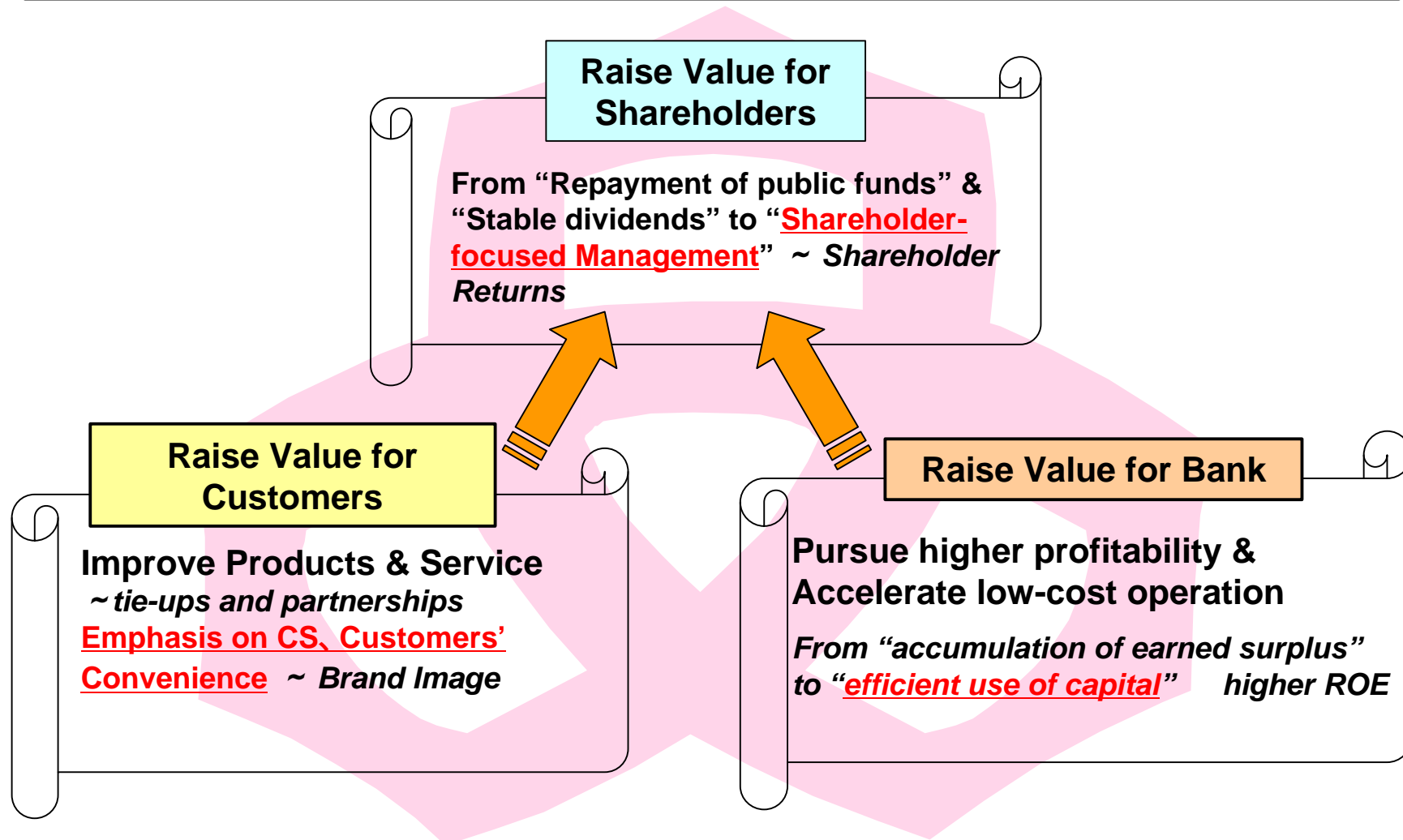
- Primary Strategy :Continue to focus on Regional Retail Banking
- Develop Regional Retail Banking strategy by thoroughly cultivating each business area



# 3. Business Strategy - Future Direction

## (3) Future Direction

- Renovation of “Value Up” in April-05 : Currently working on the renovation of our current medium-term management plan after repayment of all public funds.
- Continue to raise the value for the benefit of shareholders, customers and the Bank for our sustainable growth.





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