

Information Meeting

Interim Financial Results for FY2006



The Bank of Yokohama, Ltd.

November 27, 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
- ◆ Problem Claims Ratio
- ◆ Net Income
- ◆ Tier I Ratio
- ◆ Our Policy on Return to Shareholders

2. Business Performance

- ◆ Total Portrait of our Sales Strategy
- ◆ Growth potential of Kanagawa Prefecture
- ◆ Market share in Kanagawa Prefecture
- ◆ Asset Business
(Corporate, Individuals, Loan & Deposit, Interest Margins, Interest Rate Sensitivity)
- ◆ Fee Business
(Non-Deposit Products, Private Placement Bonds & Syndicated Loans)

3. Business Strategy

- ◆ Expansion into Southwestern Tokyo
- ◆ Strengthening Service Channels within Kanagawa
- ◆ Developing new business & new services
- ◆ Outline of Alliance Strategy
- ◆ Time to review “Go Forward!”

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

1. Operating Performance

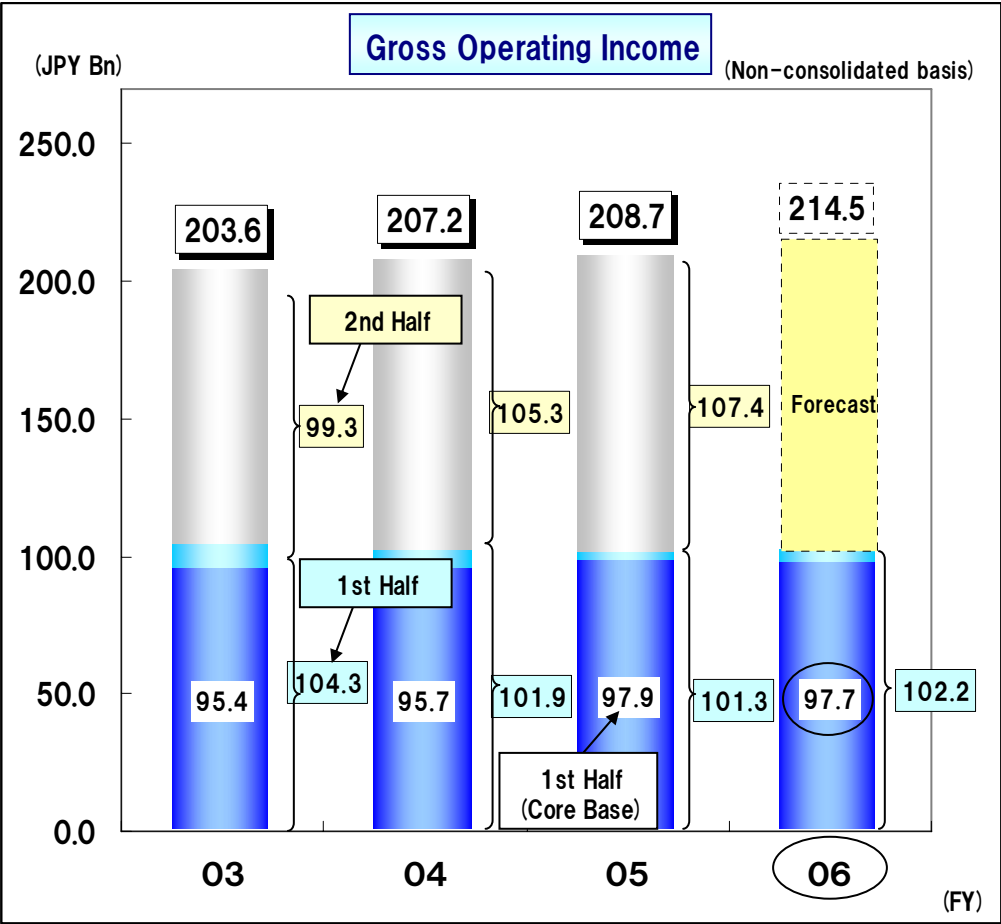
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1. Operating Performance

(1) - ① Gross Operating Income

- FY06 1st Half: Gross Operating Income increased by **JPY0.9Bn (+0.8%)** to **JPY102.2Bn** from FY05 1st Half.
- “Core Base” Income (Domestic Interest Income + Fees & Commissions) decreased by **JPY0.2Bn (-0.2%)** to **JPY97.7Bn**.
- Forecast for FY06: **JPY214.5Bn** (up **JPY5.8Bn** or **+2.7%** from FY05).



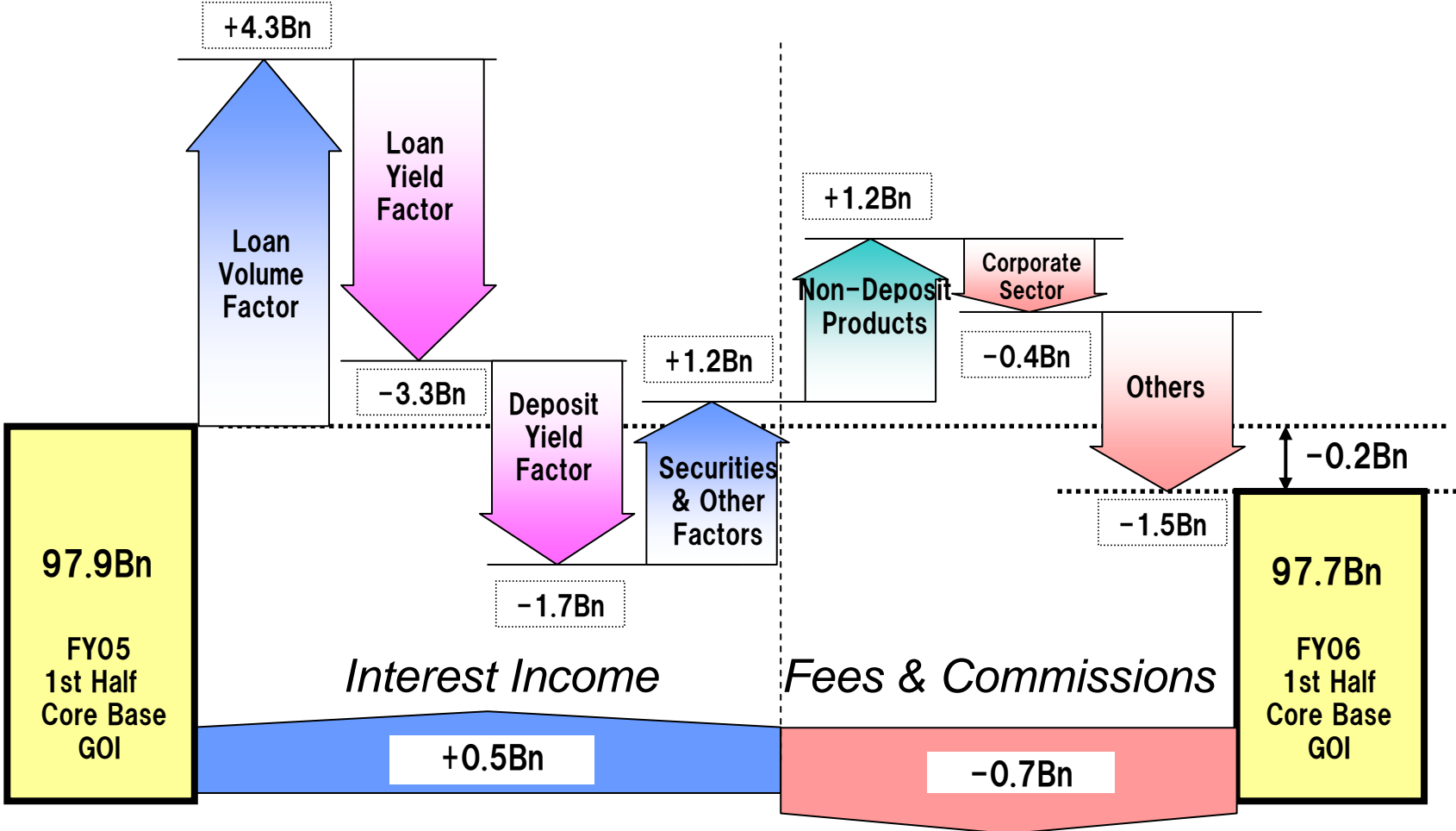
Comparison from FY05 1st Half

	FY05 1st (actual)	FY06 1st (actual)	change
Gross Operating Income	101.3	102.2	+0.9
Domestic GOI	99.3	100.5	+1.2
Interest Income①	80.2	80.7	+0.5
Fees & Commissions②	17.7	17.0	-0.7
Trading Profits	0.1	0.4	+0.3
Other Operating Incom	1.1	2.2	+1.1
GOI from Int'l Operations	1.9	1.7	-0.2
Core Base GOI①+②	97.9	97.7	-0.2

1. Operating Performance

(1) - ② Analysis of Factors changing Gross Operating Income (Core Base)

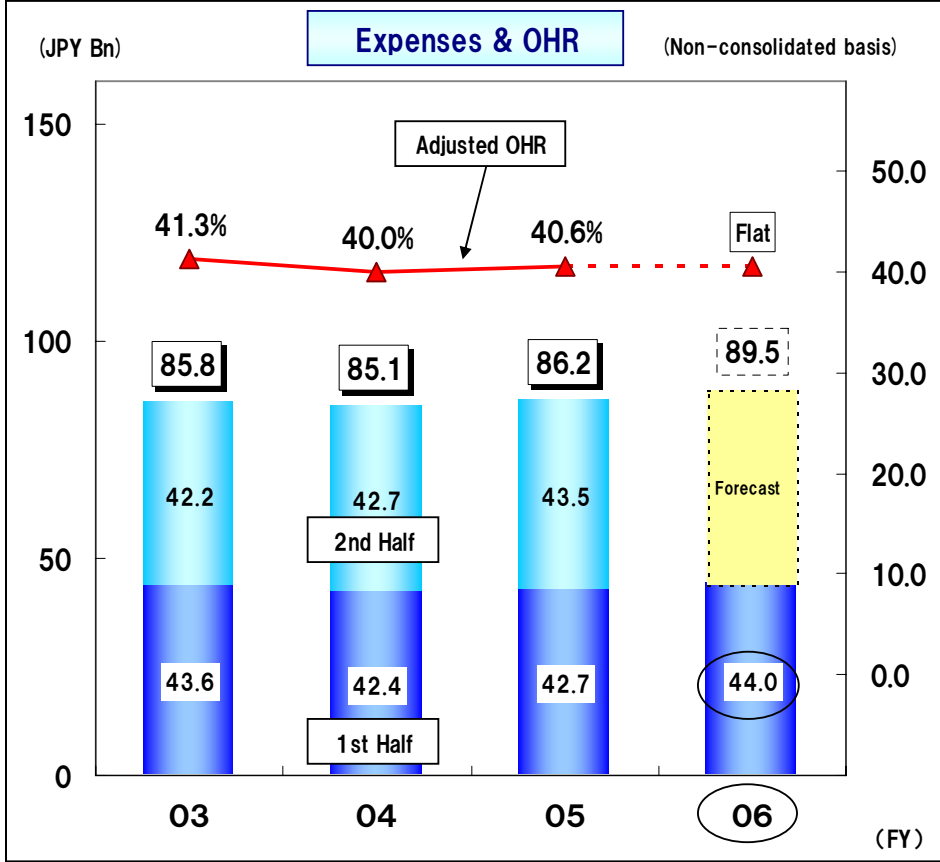
- Interest income rose merely JPY0.5Bn due to the preceding rise in the deposit rates, nearly offsetting the increase in loan volume. ⇒ Forecast for 2nd Half: Interest Income is expected to be **+JPY6.0Bn** compared to 1st Half, due to the rising loan yields. (For FY06, **+JPY3.1Bn** from FY05)
- Fees & Commissions decreased by **JPY0.7Bn** due to the decrease in corporate sector & others despite sales commissions from Non-Deposit Products being steady. ⇒ Forecast for 2nd Half: Expected to be **+JPY3.1Bn** compared to 1st Half (For FY05, **+0.2Bn** from FY05)



1. Operating Performance

(2) Expenses & OHR

- FY06 1st Half: **JPY44.0Bn** (JPY+1.3Bn or +3.1% from FY05 1st Half).
- Forecast for FY06: **JPY89.5Bn** (JPY+3.3Bn or +3.8% from FY05).
- Sales-Related Investments & Expenses will continue to increase with a view to improving “Top Line” income. OHR continues to be around **41%**.



Comparison from FY05 1st Half

	FY05 1st (Actual)	FY06 1st (Actual)	change
Expenses	42.7	44.0	+1.3
Personnel	14.9	15.5	+0.6 A
Non-Personnel	24.7	25.3	+0.6 B
Tax	3.1	3.2	+0.1
Adjusted OHR(%)	42.0	43.3	+1.3

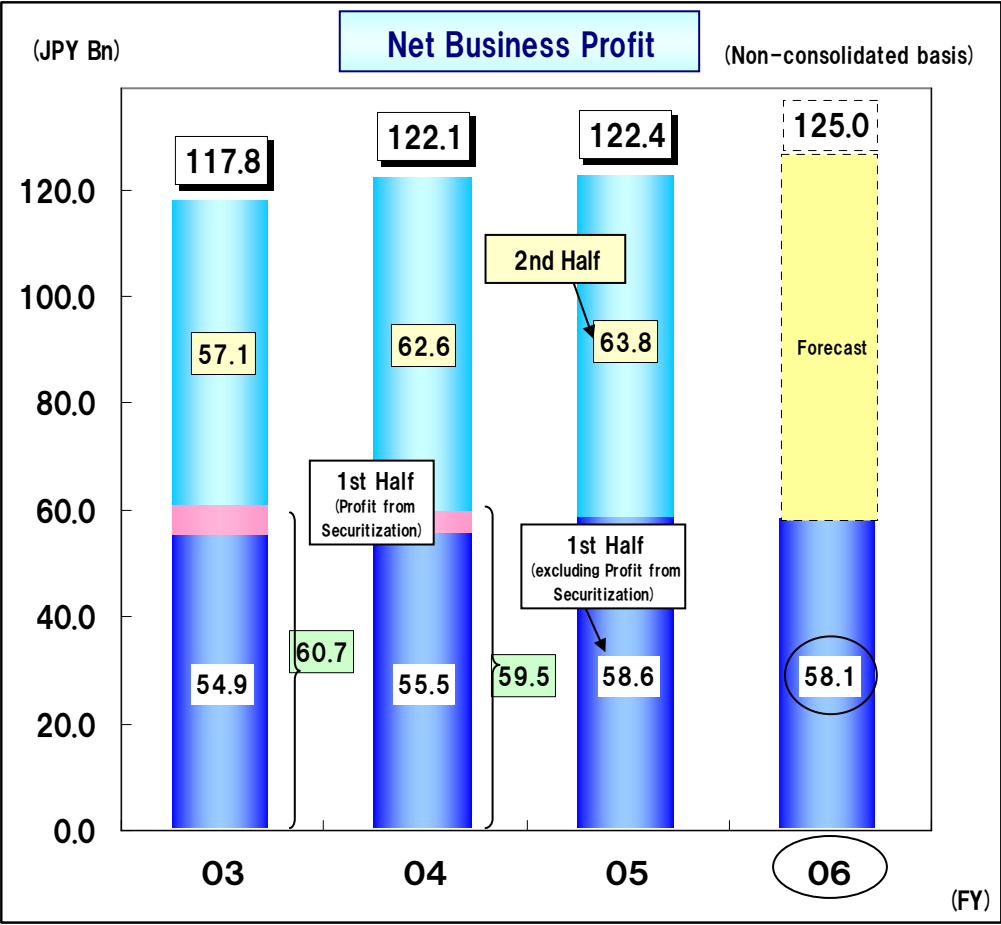
Factors behind the change:
A Increase in the number of personnel etc.
B Increase in investments in newly opening branches & IT-related Investments etc.

(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)

- FY06 1st Half: Net Business Profit decreased by **JPY0.5Bn** (-8.0% from FY05 1st Half) to **JPY58.1Bn**.
- Forecast for FY06: **JPY125.0Bn** (+2.1% from FY05).



Comparison from FY05 1st Half

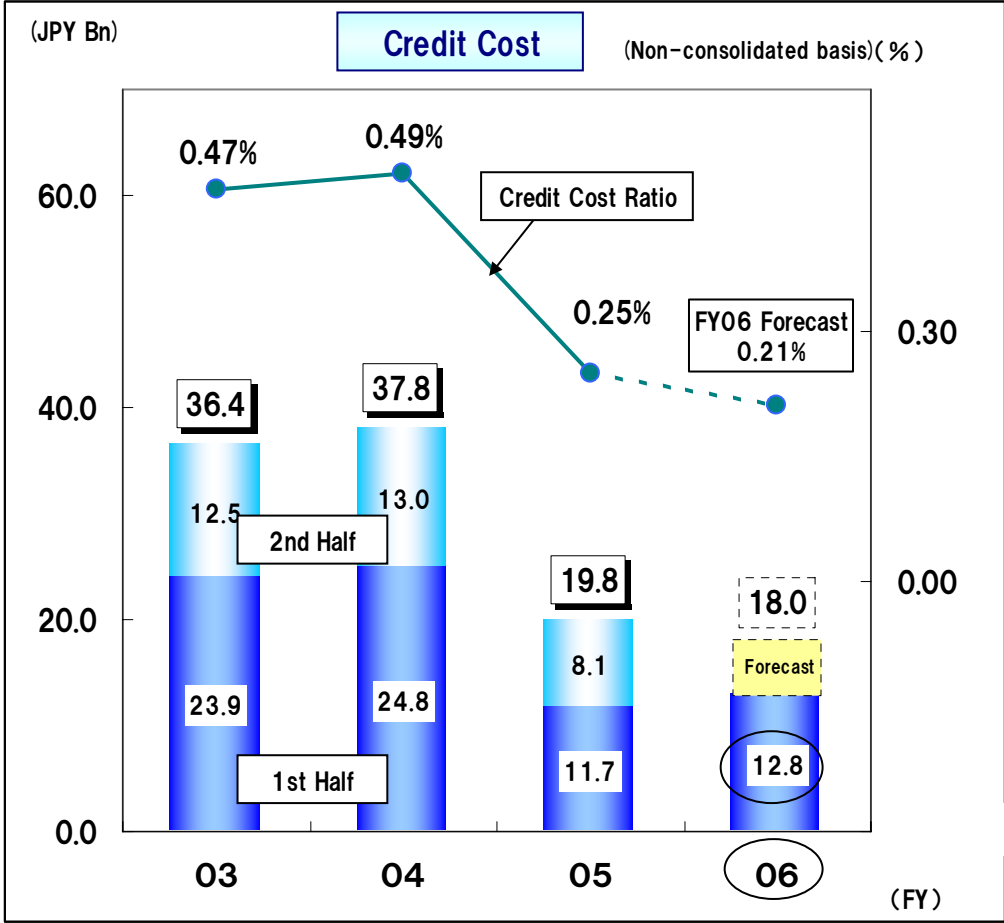
	(JPY Bn)		
	FY05 1st (actual)	FY06 1st (actual)	change
Net Business Profit (before transfer to allowance)	58.6	58.1	-0.5

Factors behind the change:
A Increase in Gross Operating Income: JPY+0.9Bn
B Increase in Expenses: JPY-1.3Bn

1. Operating Performance

(4) Credit Costs

- FY06 1st Half: Credit Costs increased by **JPY1.1Bn (+9.4%)** to **JPY12.8Bn**.
- Forecast for FY06: **JPY18.0Bn (-9.0% from FY05)**. Credit Cost Ratio is expected to be around **0.21%**.



Comparison from FY05 1st Half

	(JPY Bn)		
	FY05 1st (Actual)	FY06 1st (Actual)	change
Credit Costs	11.7	12.8	+1.1
Fall in Land Price	3.9	1.9	-2.0
Change in Borrowers' Category	14.4	14.5	+0.1
Deterioration	17.6	16.1	-1.5
Improvement (-)	3.2	1.6	+1.6
Collection & Reversal from Allowance (-)	8.5	5.9	+2.6
Others	2.0	2.3	+0.3

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

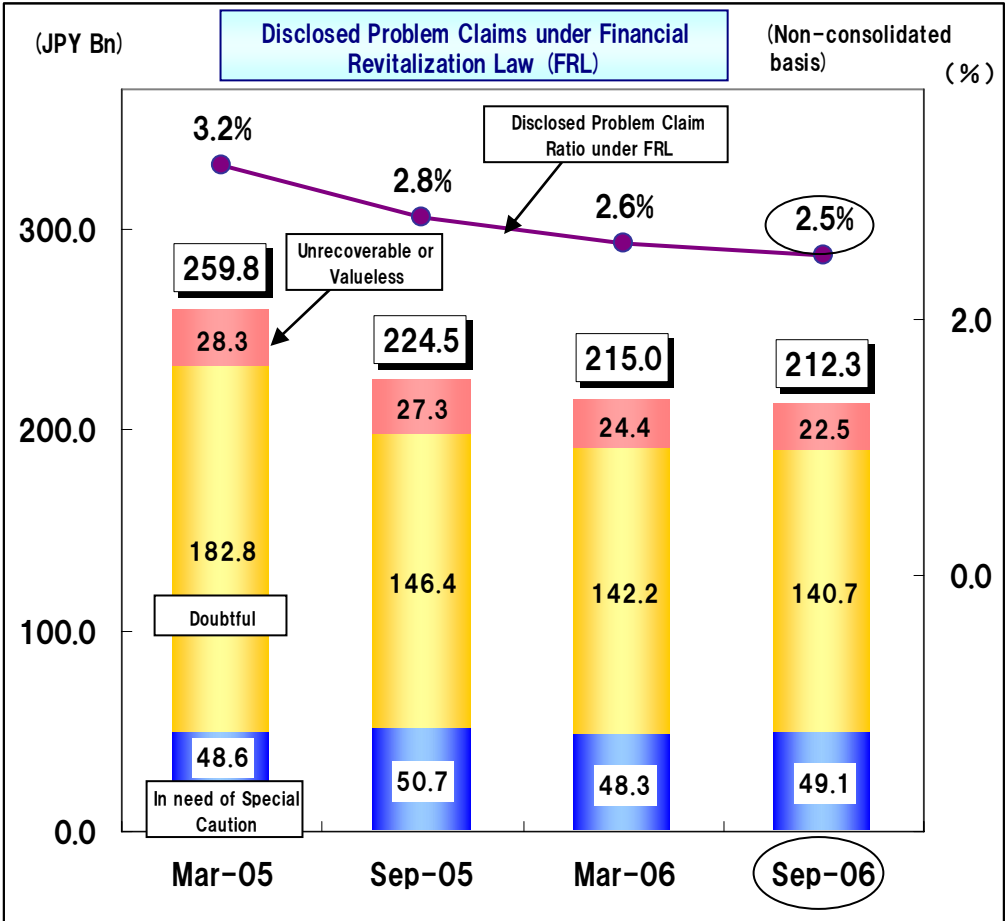
(Note1) Credit Costs = Disposal of bad debts + Transfer to Allowance for possible loan losses - Reversal of Allowance for possible loan losses

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

1. Operating Performance

(5) Problem Claims Ratio

- Problem Claims Ratio decreased to **2.5%** by the end of Sep FY06.
- The balance of problem claims has also diminished steadily.



Comparison from FY05 1st Half

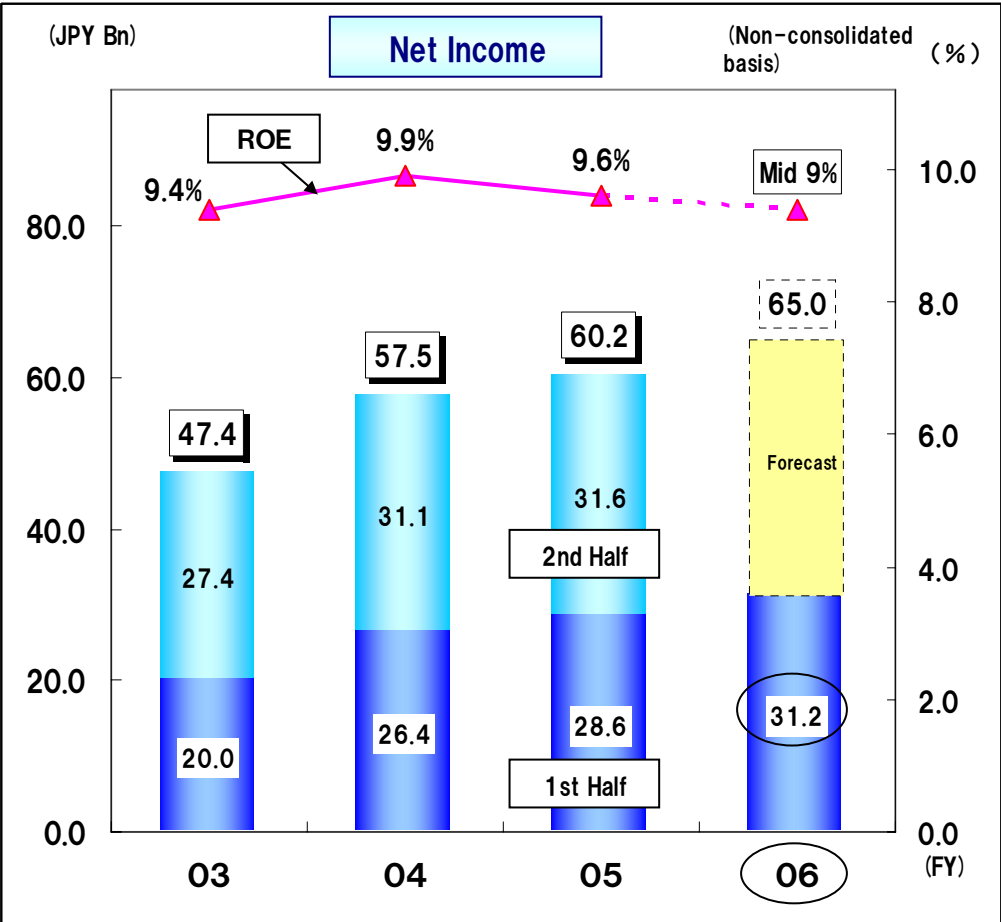
	(JPY Bn)	
	FY05 1st (Actual)	FY06 1st (Actual)
Change in the balance of "Doubtful" & "Unrecoverable"	-37.4	-3.4
Newly occurred	20.4	32.9
Off-Balancing	-57.8	-36.3
Collection & Repayment	-18.5	-13.5
Improvement in debtors' performance	-19.0	-2.4
Direct Write-offs & Loan Securitization	-20.3	-20.4

(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

- FY06 1st Half: Net Income increased to **JPY31.2Bn** (JPY+2.6Bn or +9.3%).
- Forecast for FY06: **JPY65.0Bn** (JPY+4.8Bn or +7.9% from FY05).
- ROE for FY06 is expected to be **mid-9%**.



Comparison from FY05 1st Half

	(JPY Bn)		
	FY05 1st (Actual)	FY06 1st (Actual)	change
Net Income	28.6	31.2	+2.6

Factors behind the change:

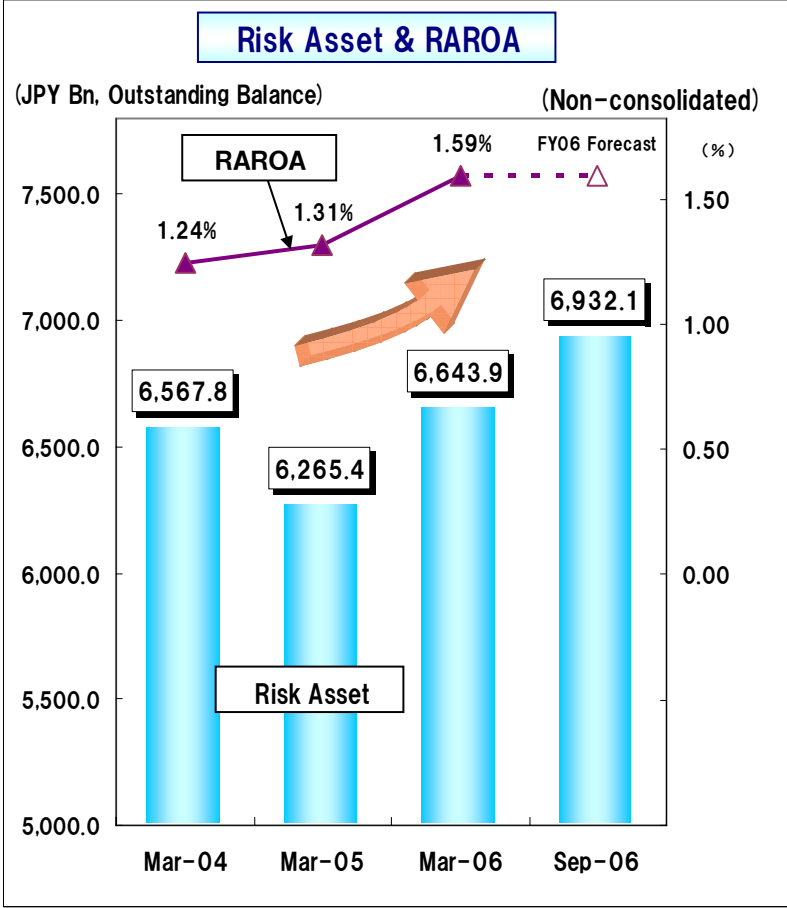
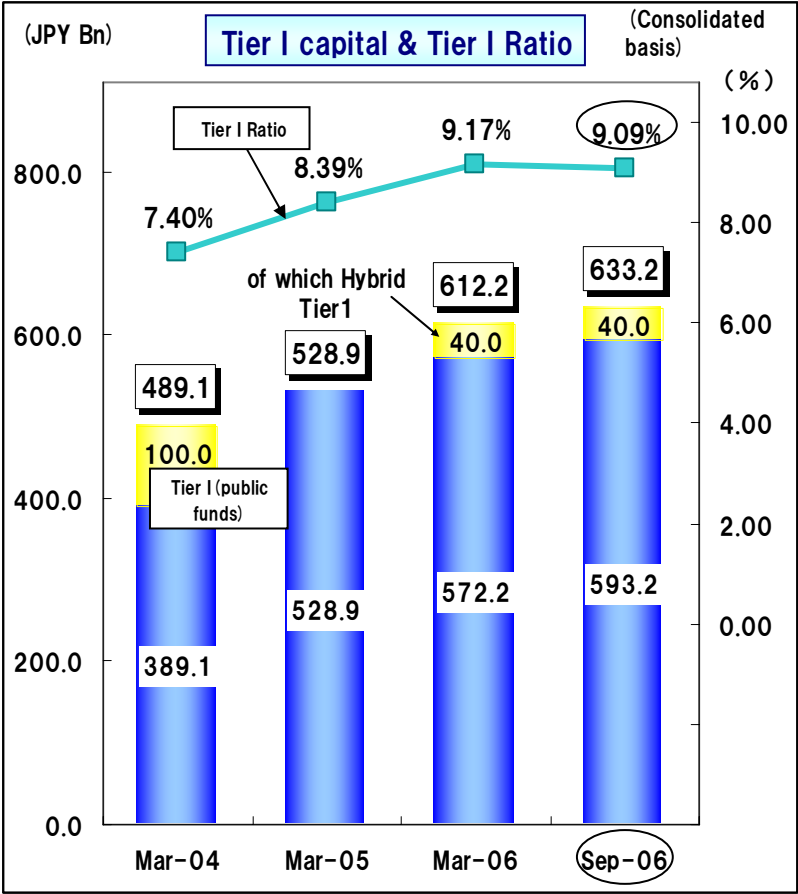
- Decrease in Net Business Profit: JPY-0.5Bn
- Increase in Credit Costs: JPY-1.1Bn
- Increase in gains from the sale of securities etc. : JPY +4.2Bn

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

1. Operating Performance

(7) Tier I Ratio

- Sep-06 (consolidated basis) : Tier I Ratio **9.09%**, Capital Adequacy Ratio **10.45%**. Targeting at higher than 9% in Tier I Ratio.
- FY06 1st Half: Risk Asset increased by **+8.6%** (annualized) . Continue to maximize profits by utilizing capital.



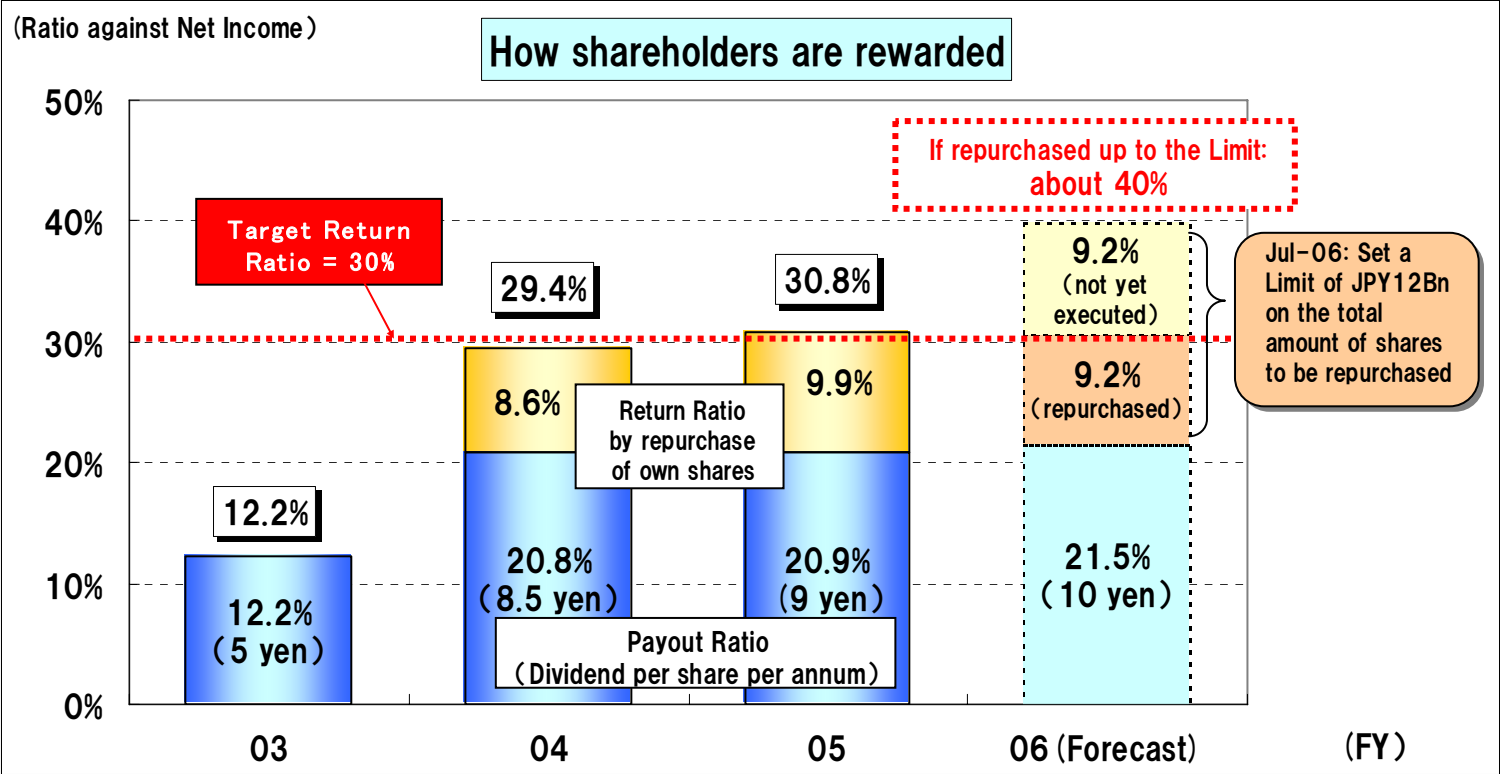
(Note1) RAROA = $\frac{\text{Net Business Profit (after provision of general allowance for possible loan losses)} - \text{Credit Costs}}{(\text{Risk Asset at the beginning of FY} + \text{the balance at the ending of FY}) \div 2}$

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

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 have resumed paying Interim Dividend. (**JPY3.5 yen**, 50% of expected annual Ordinary Dividend, per share is to be paid out.)



2. Business Performance

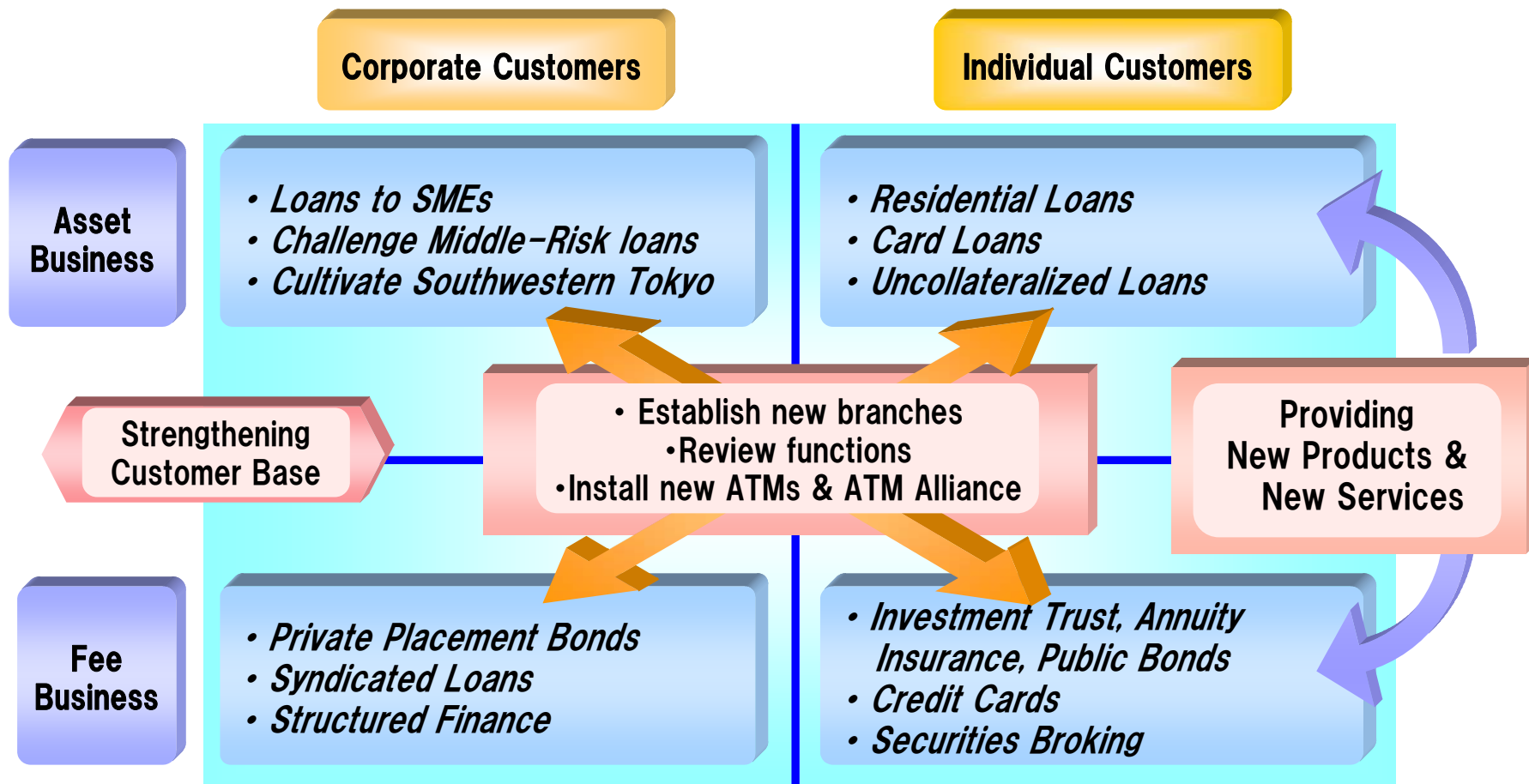
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2. Business Performance

(1) Total Portrait of Our Sales Strategy

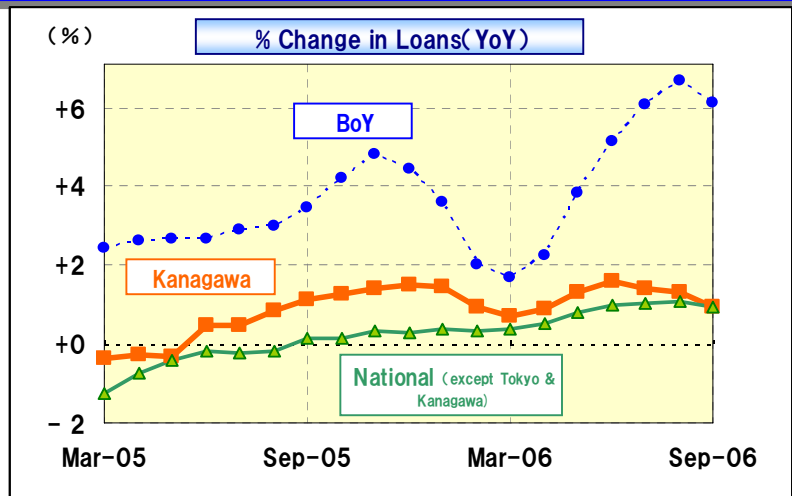
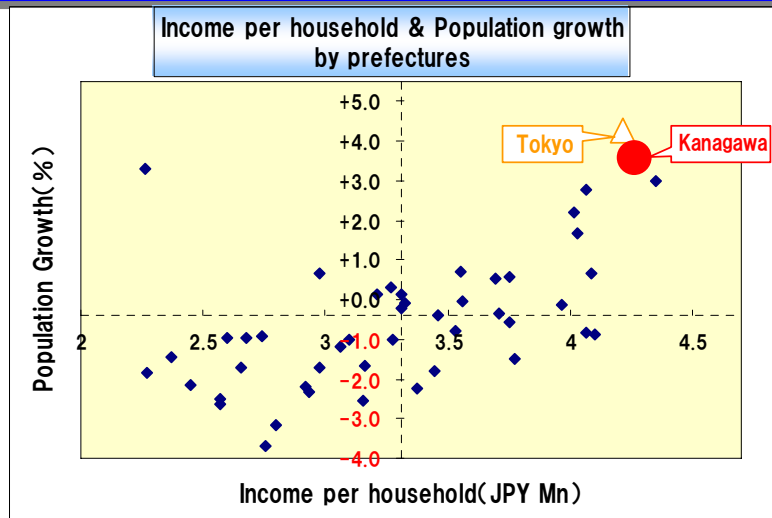
- Primary Strategy: Continue to focus on Regional Retail Banking.
- By strengthening Customer Base, we will further expand both Asset Business & Fee Business.



2. Business Performance

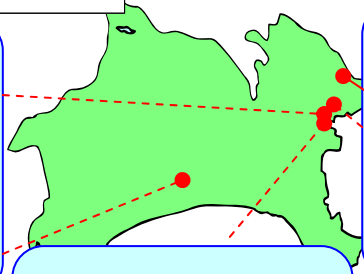
(2) Growth Potential of Kanagawa Prefecture

- Under the favorable economic environment where both average income per household and population growth rank No.2, many developing projects are underway.
- By expanding market share in Kanagawa and by establishing branches in Southwestern Tokyo, we continue to boast a high loan growth.



※Average Income: from Personal Income Index (2007 edition)
 ※Population: from National Census 2000-2005

※Source: BOJ Statistics "Loan Volume by prefectures" and Bank's estimates
 ※% Change: 3 months moving average



●Yokohama Station East Exit

●Expansion of Haneda Airport

●Sagami Road

※Kamiechi Supervisory HP

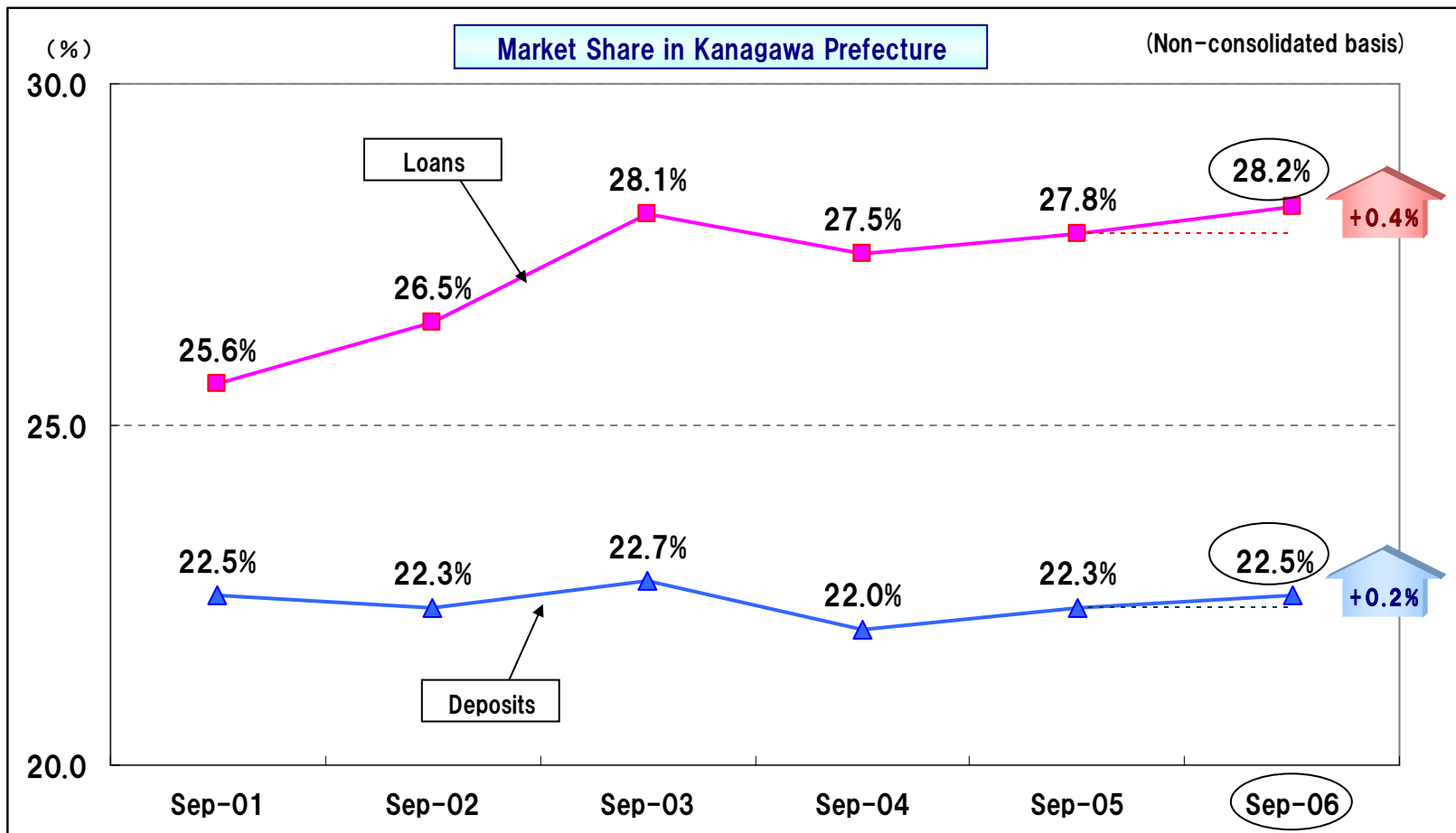
●MM21 Area

●Kawasaki Station West Exit

2. Business Performance

(3) Market Share in Kanagawa Prefecture

- Sep-06: Market share of loans increased to **28.2%**, deposits to **22.5%**.
- Despite tougher competition, market share of loans increased by **+0.4%**, while deposits by **+0.2%**, from Sep-05.

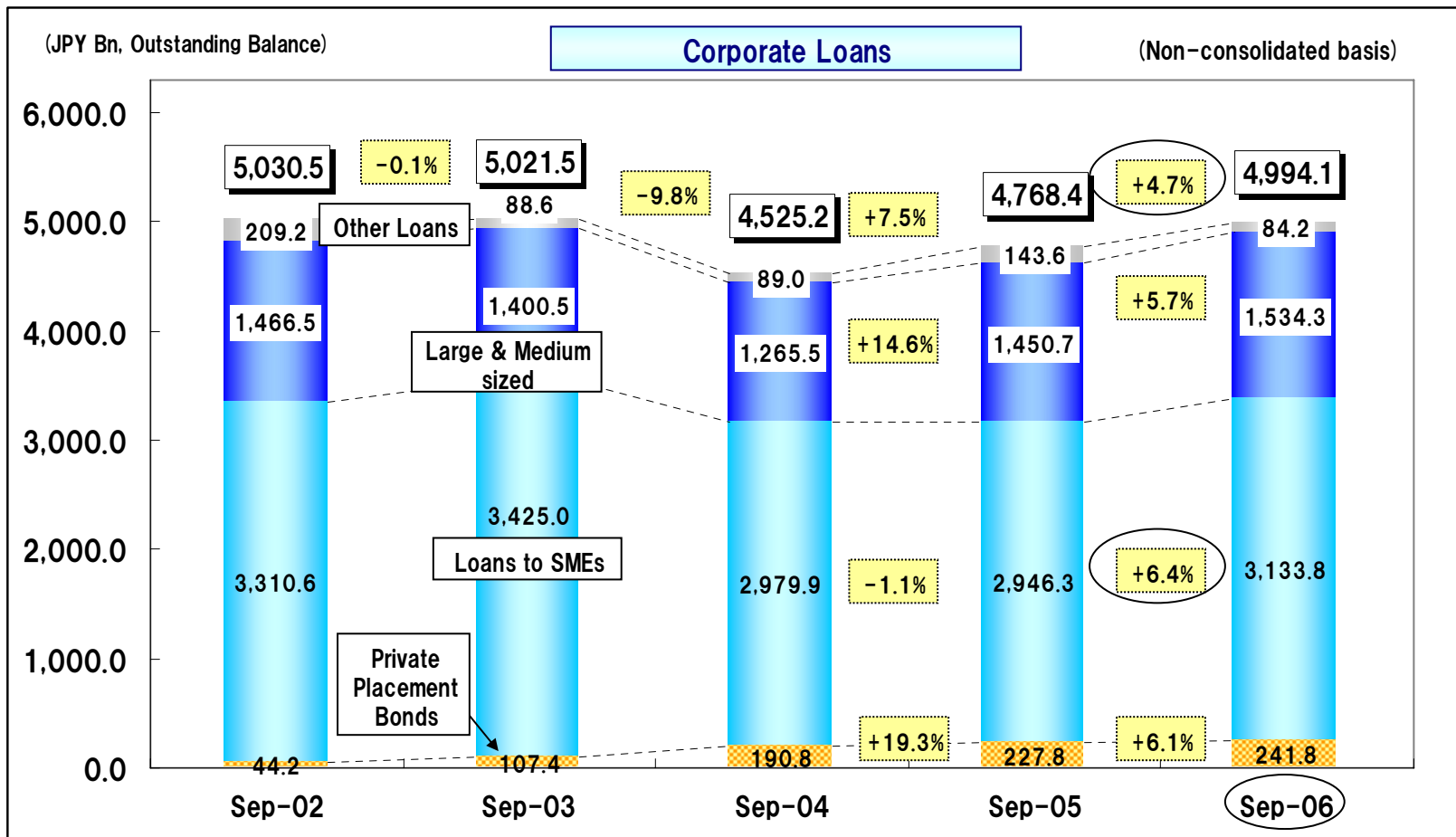


(Note) Source: Bank estimates

2. Business Performance

(4) Loans to Corporate Customers

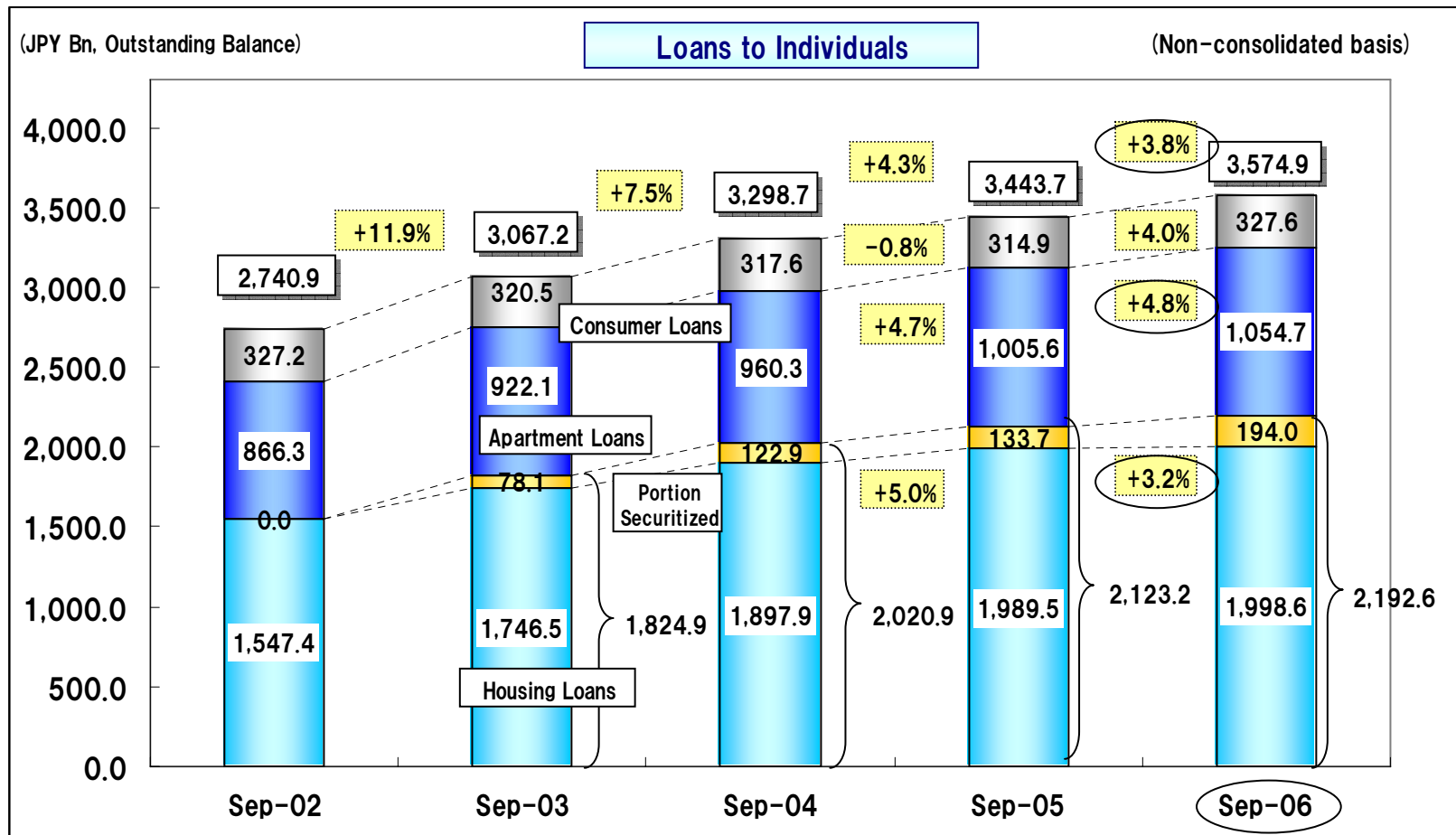
- Sep-06: Corporate Loans (including private placement bonds) increased by **+4.7%** (**JPY +225.7Bn**) from Sep-05.
- SME loans have gained upward momentum as well (up **+6.4%** from Sep-05).



2. Business Performance

(5) Loans to Individuals

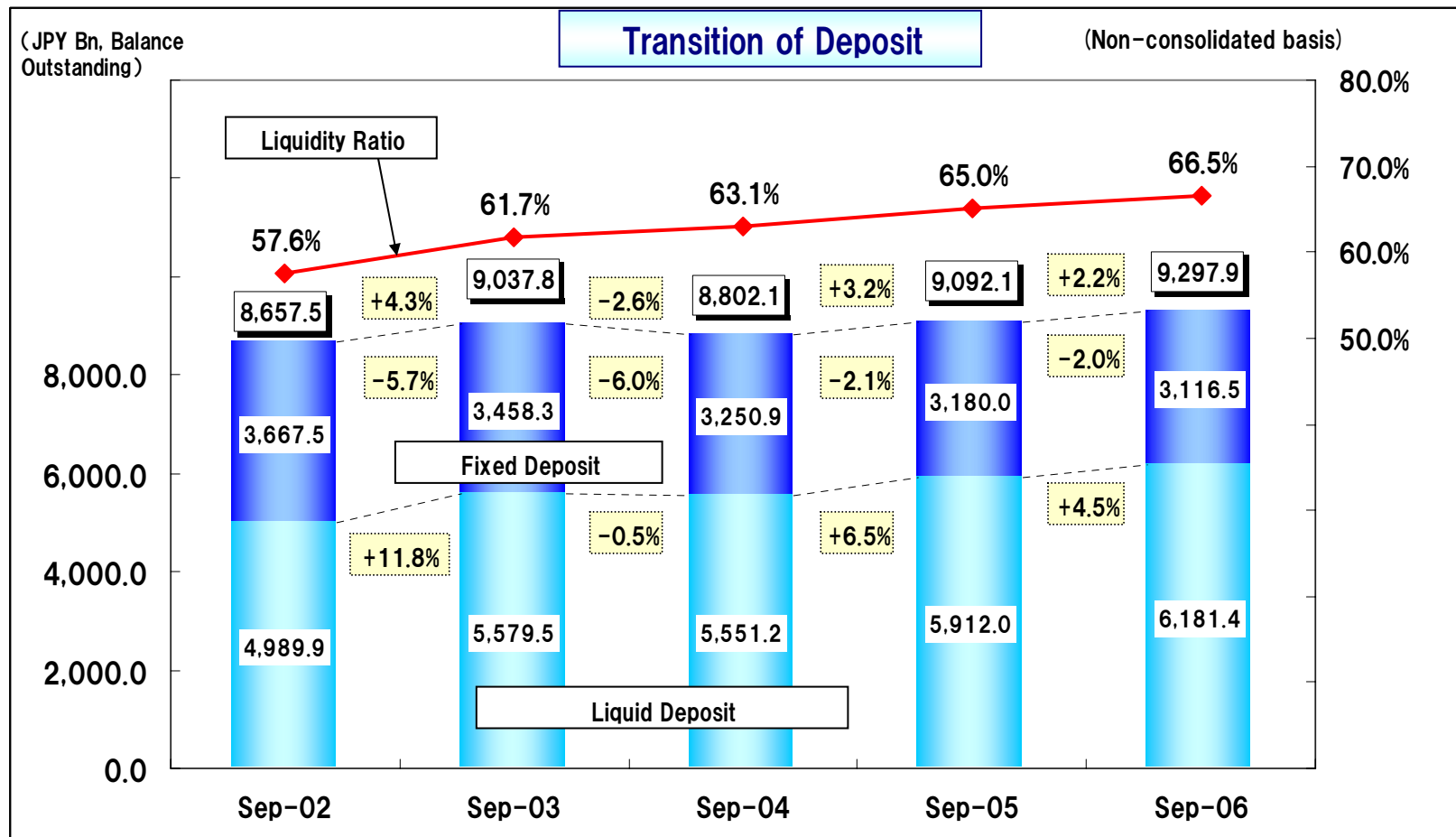
- Sep 06: Despite tougher competition, we have managed to maintain upward momentum (up **+3.8%** from Sep 05).
- Housing Loans increased by **+3.2%**, and Apartment Loans by **+4.8%** annually.



2. Business Performance

(6) Deposit

- Sep 06: Total Deposit increased by **+2.2%** from Sep-05, maintaining upward momentum.
- Liquidity Ratio is currently at **66.5%**, and the Liquidity Deposit is on the steady increase. (Regional Banks' Average being around 54%)

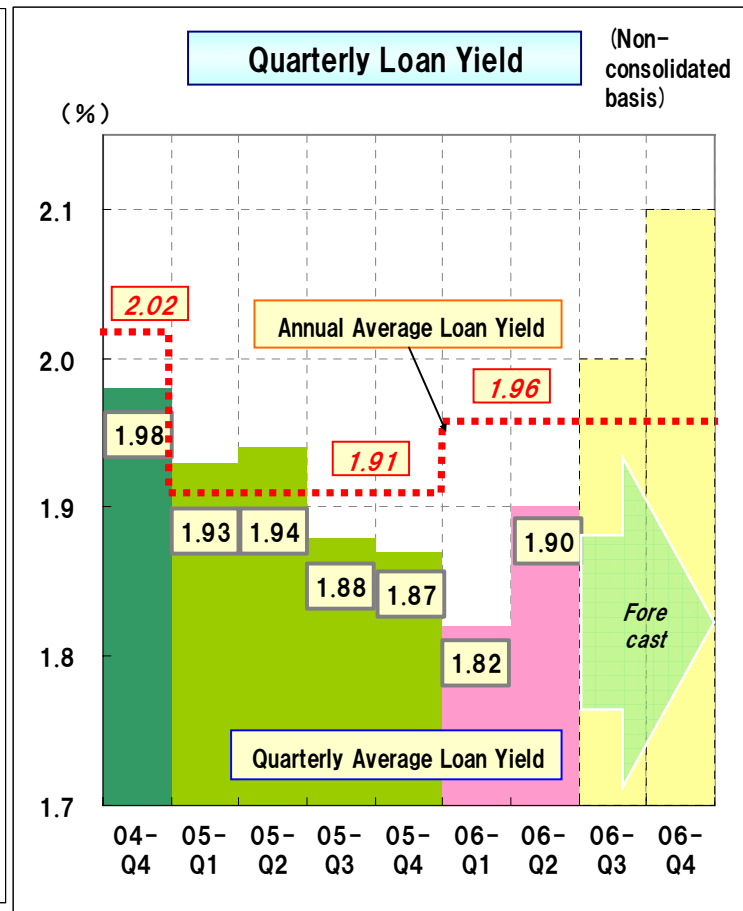
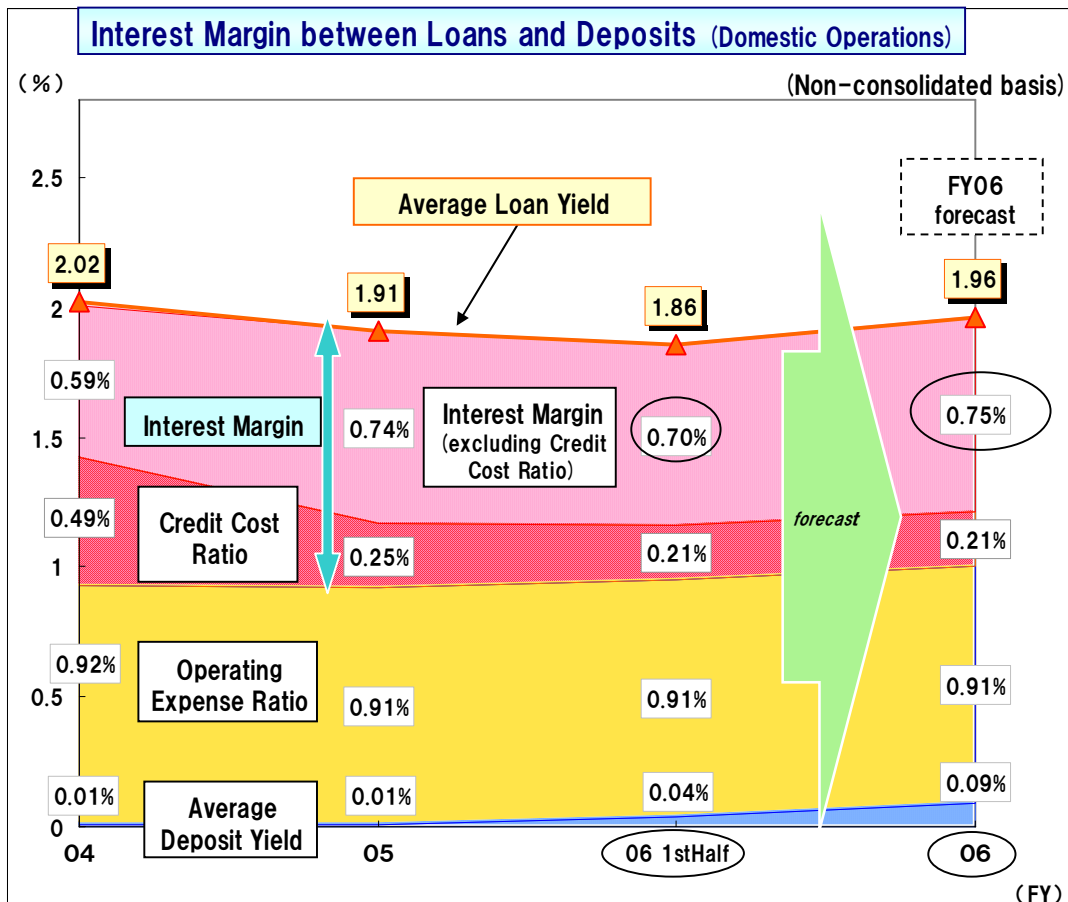


(Note1) Liquid Deposit includes current, ordinary, saving, miscellaneous and other deposits. (W/O NCD, includes foreign and nonresident)
 (Note2) Fixed Deposit is time deposit. (includes foreign and nonresident) <all domestic account>

2. Business Performance

(7) Interest Margin

- FY06 1st Half: Interest margin excluding credit cost ratio shrunk to **0.70%**, but is expected to improve to be around **0.75%** for FY06.
- The Loan Yield turned around in Q2, and is expected to rise to be **1.96%** for FY06.



(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.
 (Note4) Annual forecast of Credit Cost Ratio is being used for that of FY06 1st Half.

2. Business Performance

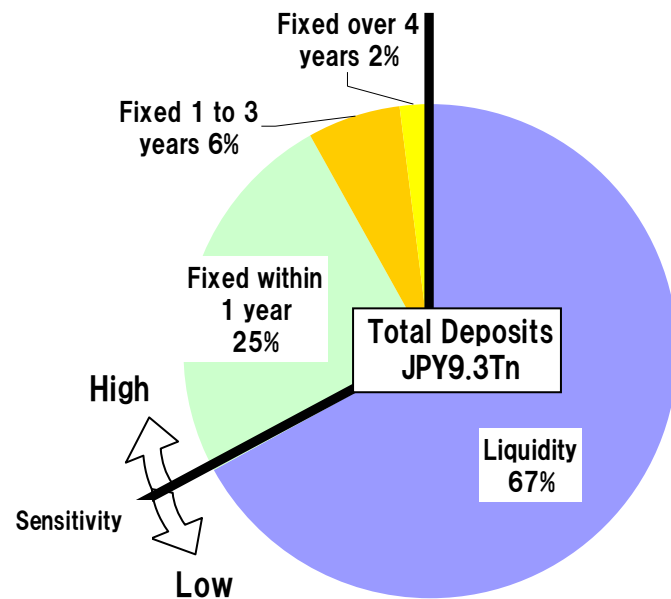
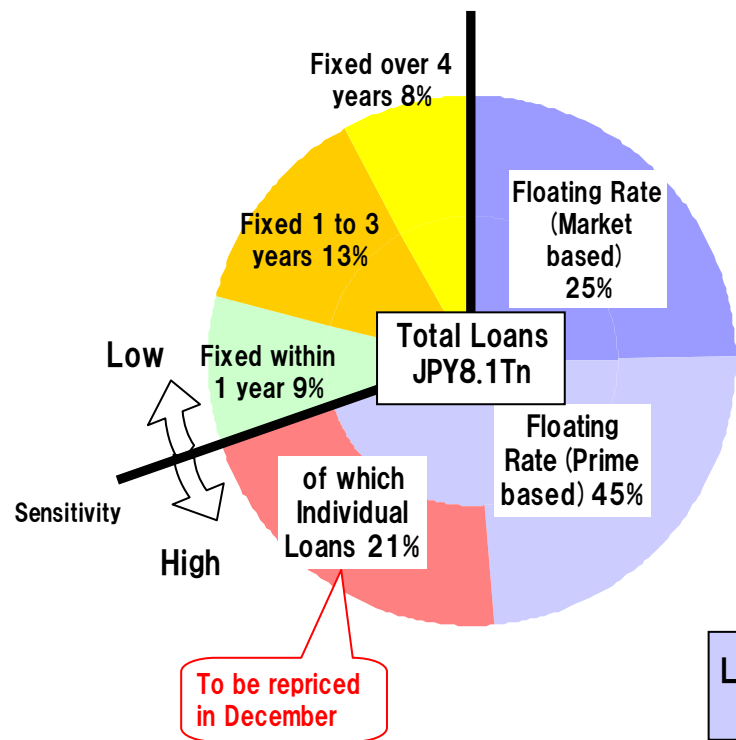
(8) Sensitivity Analysis by Loans & Deposits

- The rise in the interest rates will contribute to widening of Interest margin, due to the fact that Loan side is more sensitive to interest rate rise.
- Interest rate for residential loans is to be re-priced in Dec-06, which contributes to widening of Interest Margin in 2nd Half.

Sep-06

Loans

Deposits

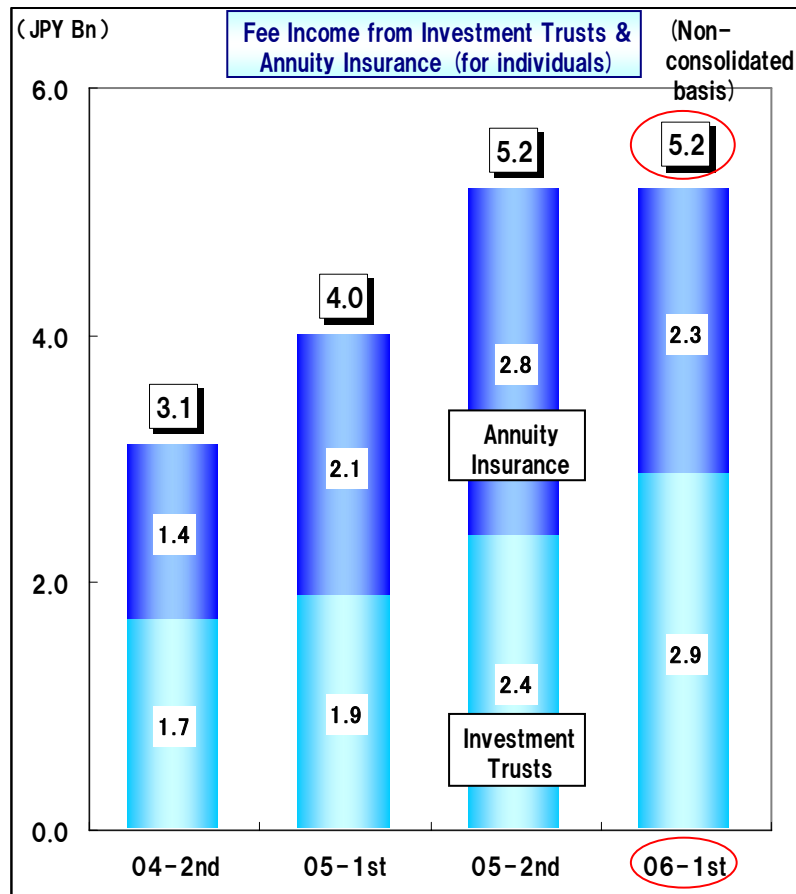
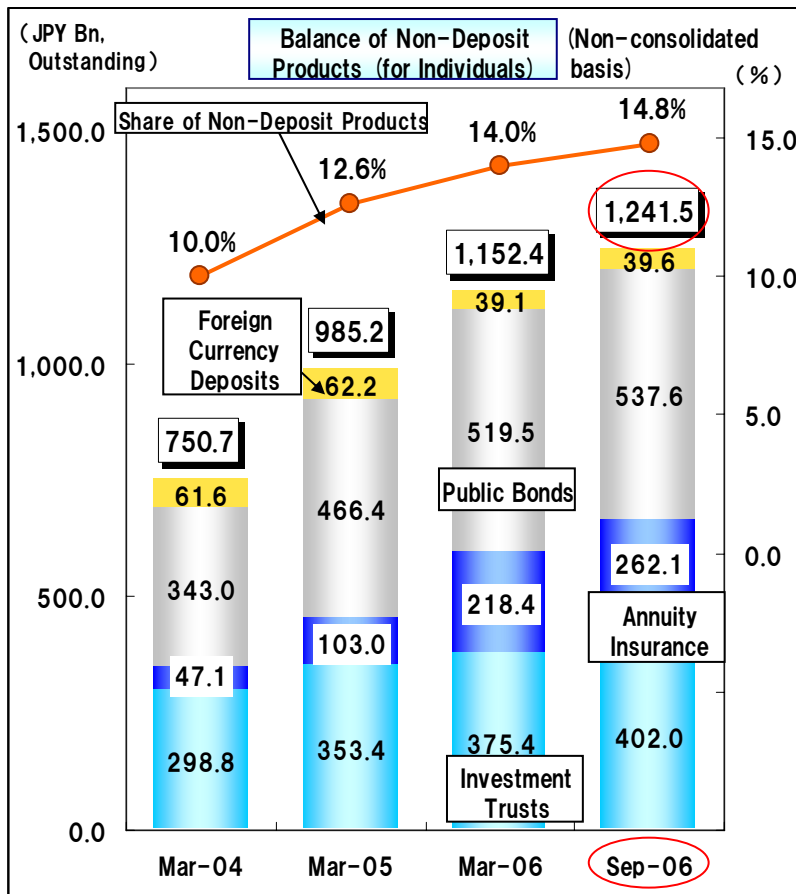


Loan to Deposit Ratio 87.4%

2. Business Performance

(9) Non-Deposit Products

- FY06 1st Half: Balance of Non-Deposit Products steadily increased, surpassing **JPY1.2Tn** plateau. Share of Non-Deposit Products rose to **14.8%**.
- Profits from Investment Trusts & Annuity Insurance for individuals increased by **JPY1.2Bn** from FY05 1st Half.

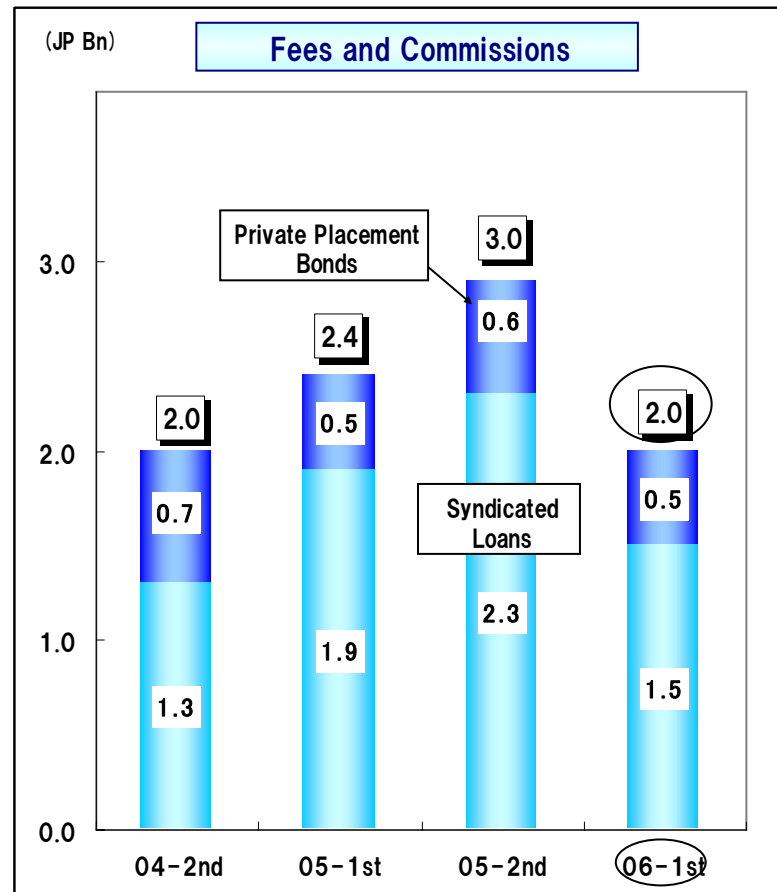
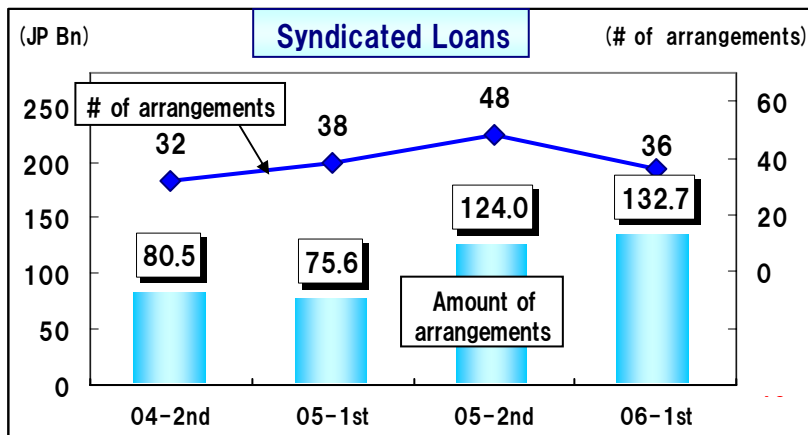
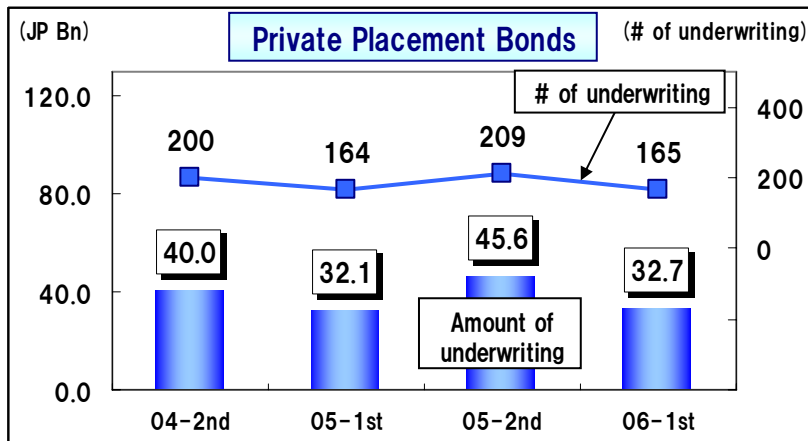


(Note) Share of Non-Deposit Products = Outstanding balance of Non-Deposit Products ÷ (outstanding balance of individual deposits + outstanding balance of Non-Deposit Products)

2. Business Performance

(10) Private Placement Bonds & Syndicated Loans

- FY06 1st Half: The number of syndicated loans arranged slowed down due to concentrating on ordinary loans, still managed to earn **JPY1.5Bn**.
- Private Placement Bonds remained at similar level compared from FY05 1st Half.



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

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3. Business Strategy

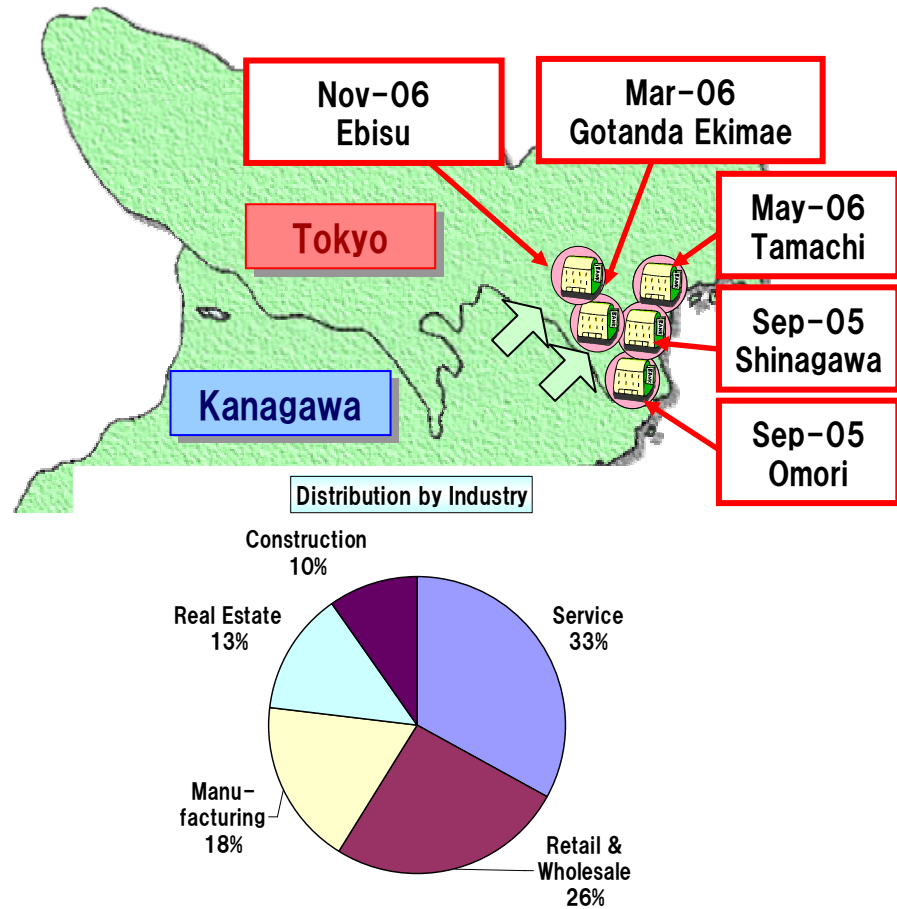
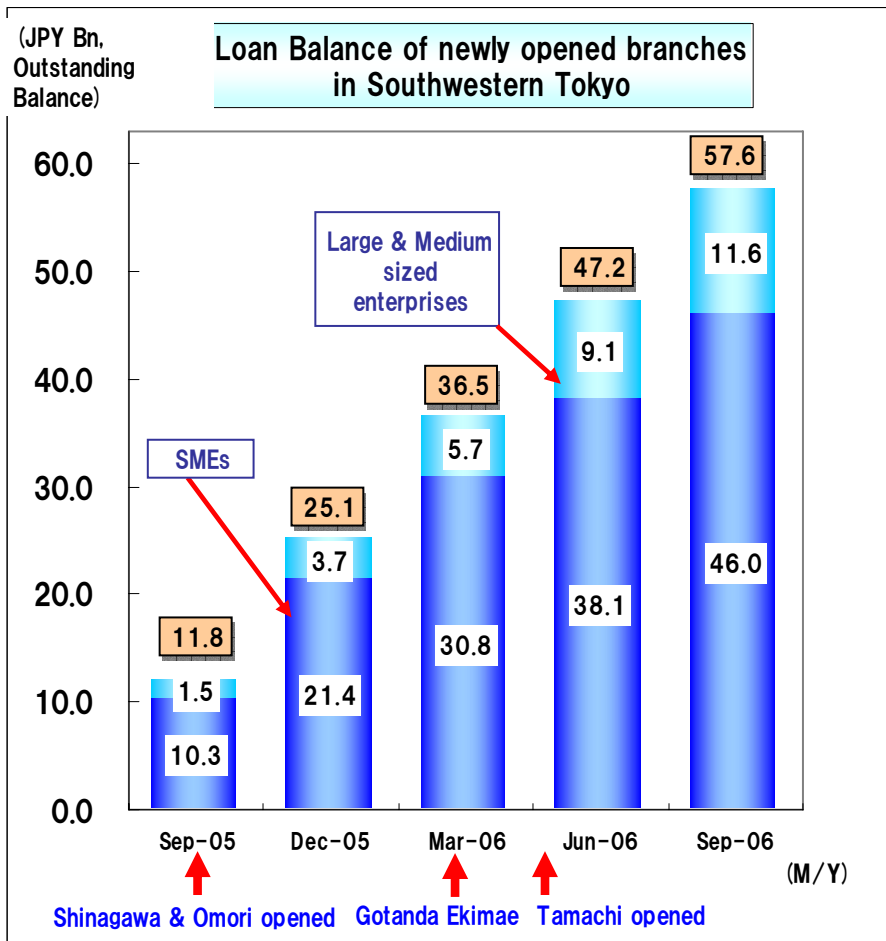
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3. Business Strategy

(1) Expansion into Southwestern Tokyo

- By aggressively opening new branches in Southwestern Tokyo, where corporations are densely located, we are in the process of covering up the area to strengthen SME Loans.
(By the end of FY07, total of 10 new branches, targeting **JPY200Bn** of loans in 3 years.)
- By Sep-06, we have opened **4** new branches. Opened another one (Ebisu Branch) in this November.
- Total loan balance of the new branches combined reached **JPY57.6Bn** by Sep-06, far beyond our expectation.



3. Business Strategy

(2) Strengthening Service Channels within Kanagawa

- Developing branch network for individual customers through newly opening Mini Branches & upgrading sub-branches.
- We will bolster the sales of Non-Deposit Products by gradually renovating existing branches & installing “Consulting Booth”.
- In Jan-07, we are planning to open “Premium Lounge” targeting high net worth individuals.

(Upgrading Sub-branches)

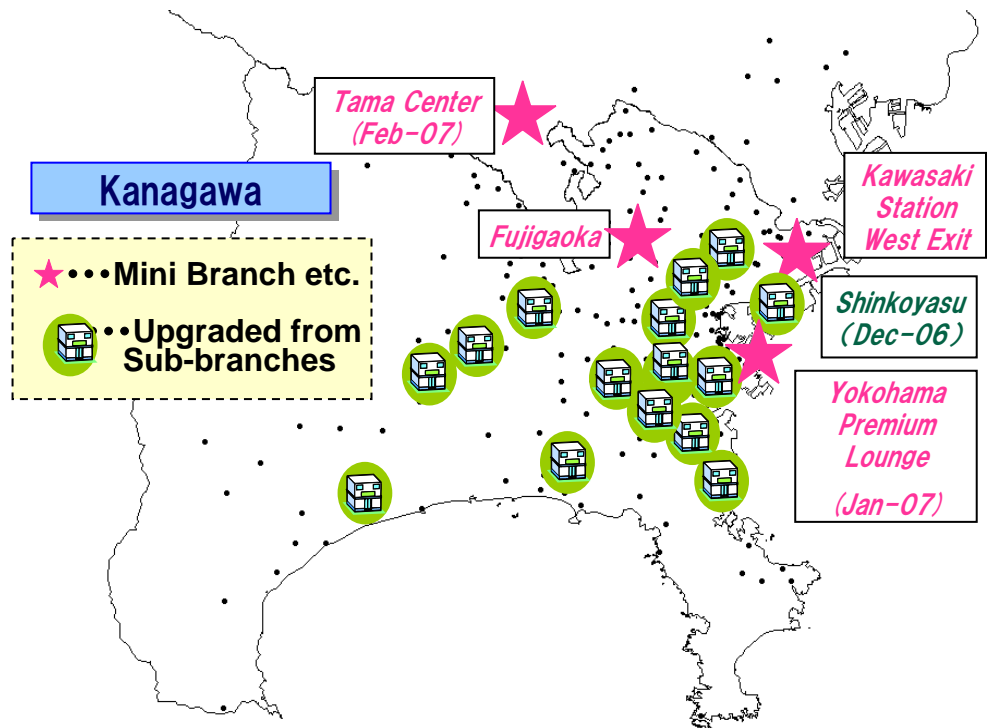
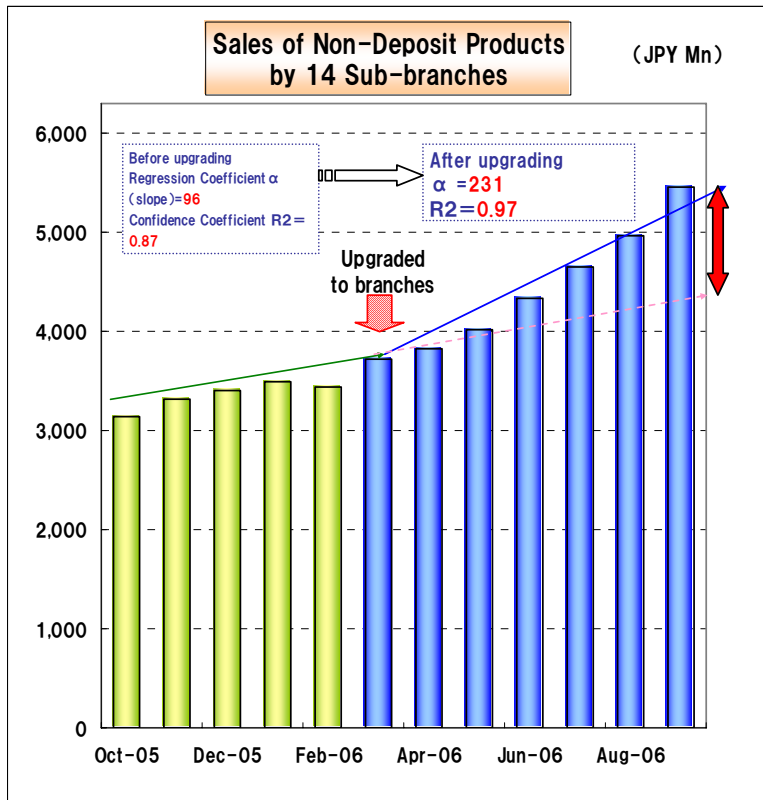
- Mar-06 Upgraded 14 branches
- Shinkoyasu to be upgraded from December

(Mini Branches)

10 Branches by FY07
(2 opened so far)

(Renovating existing branches)

All the branches are to be renewed based on characteristics of branches, and are to be equipped with Consulting Booth. (Renewed 26 branches in FY05)



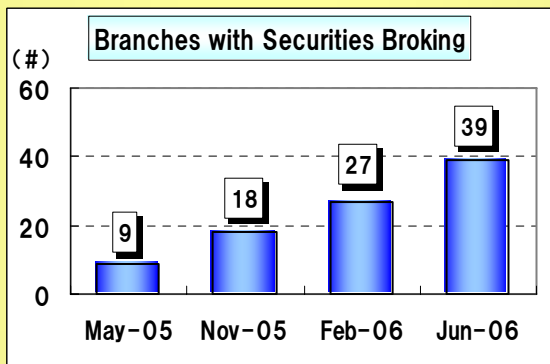
3. Business Strategy

(4) Developing new business & new services

- With Non-Deposit Products gaining popularity, we have expanded the number of branches with securities broking function. By Sep-06, **39** branches have become able to serve the function.
- We have upgraded the quality of the Bank Card. The number of the cardholders is steadily increasing.

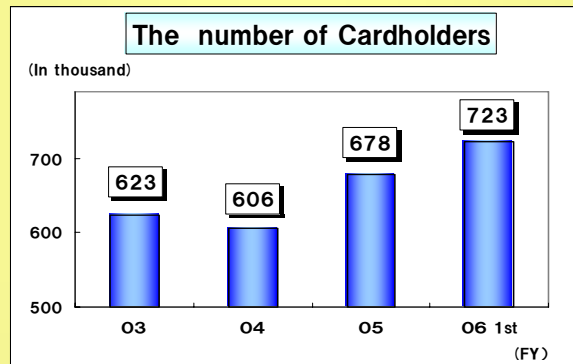
Securities Broking

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



Upgrading Bank Card

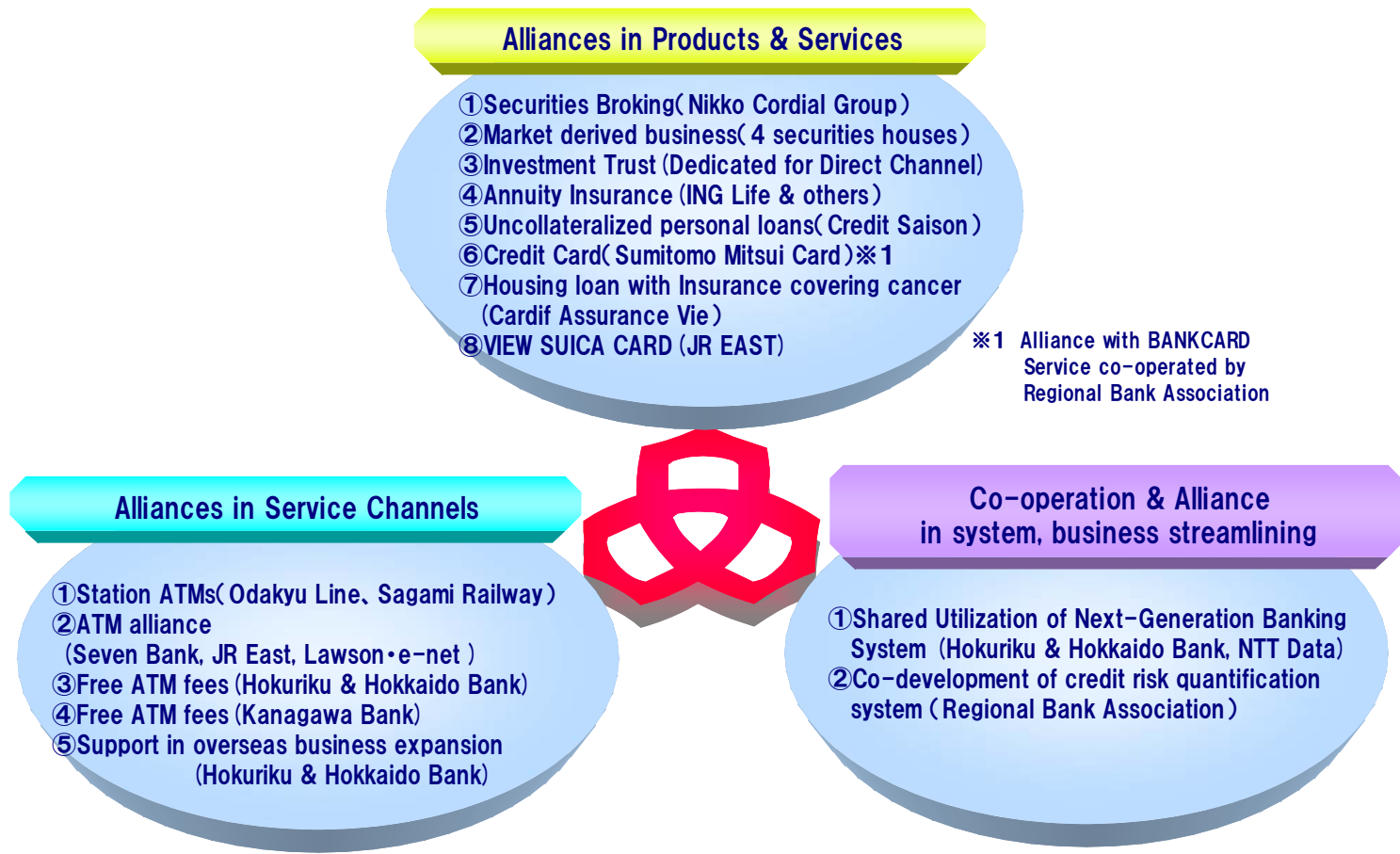
- From **07** Equipped with **E Money**
- « Now ⇒ 4 functions in 1 card
- Cash card
 - Int'l Credit card
 - Loan Card
 - Debit card
-
-
- ※View Suica Card with JR East



3. Business Strategy

(4) 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.



3. Business Strategy

(5) Time to review "Go Forward!"

- One and a half years have passed since we last launched our mid-term management plan "Go Forward!" in April 2005, and we are getting closer to achieving most of the targets.
- Considering the changes in economic environment, we will start a new management plan from FY07 a year ahead.

Figures to achieve	FY07 Target	FY06	New Management Plan (From FY07)	
Retail Loans※1	JPY6,900Bn or higher	JPY6,514.7Bn (Sep-06)		<p>【Essence】</p> <ul style="list-style-type: none"> ● Strengthening functions by alliance ● Training human assets ● Re-establishing Yokohama Brand <p>↓</p> <p>Further strengthening profitability</p>
Non-Deposit Products※2	JPY1,400Bn or higher	JPY1,241.5Bn (Sep-06)		
Net Income (Consolidated)	JPY60.0Bn or higher	JPY65.5Bn (FY06 forecast)		
ROE (Consolidated)	Approximately 10%	Mid-9% (FY06 forecast)		
OHR	Approximately 40%	About 41% (FY06 forecast)		
Tier I Ratio (Consolidated)	Approximately 9%	9.09% (Sep-06)		
What we aim				
Market Capitalization	JPY1Tn or higher	About JPY1.3Tn (Sep-06)		
Credit Rating	AA or higher	A+ (R&I)		

※1 SME Loans + Individual Loans ※2 Balance including public bonds

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