

Information Meeting

~Interim Financial Results for FY2005~



The Bank of Yokohama, Ltd.

December 2, 2005



**** 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
- ◇ Asset Business ~ Market Share, Corporate Loans, Loans to Individual, Interest Margin
- ◇ Fee Business ~ Private Placement Bonds•Syndicated Loans, Non-Deposit Products

3. Future Action for Profit Maximization

- ◇ Total Portrait of Action
- ◇ Outline of How to Take Risk
- ◇ Taking Credit Risk(Expanding loans in Southwestern Tokyo)

4. Strengthening Sales Channels

- ◇ New Openings and reviewing the functions of branches
- ◇ Action for expanding services

5. Alliance Strategy

- ◇ Outline
- ◇ Shared Utilization of Next-Generation Banking System



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

1. Operating Performance

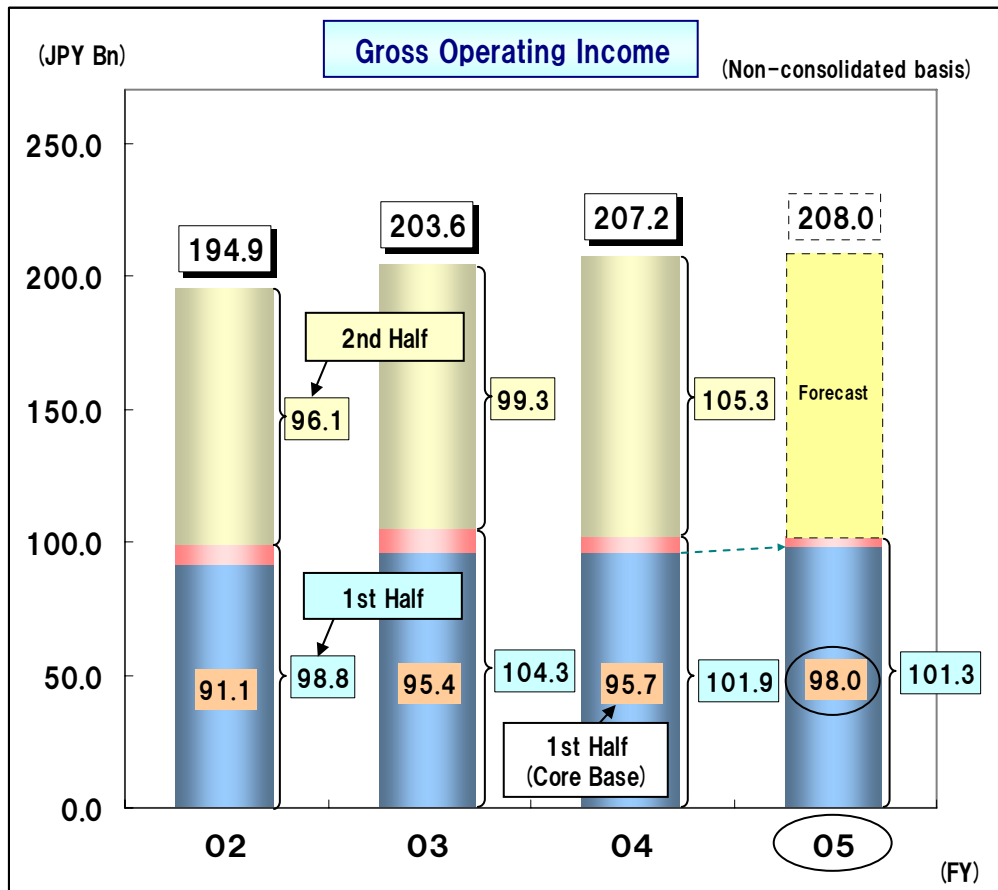
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Bank of Yokohama



1. Operating Performance

(1) Gross Operating Income

- Gross Operating Income was slightly down to **JPY101.3Bn** in FY05 1st Half (down **JPY0.6Bn** or **-0.5%** from FY04 1st Half).
- “Core Base” Income (Domestic Interest Income + Fees & Commissions) steadily increased to **JPY98.0Bn** (UP **2.3Bn** or **+2.4%**).
- Forecast for FY05: **JPY208.0Bn** (up **JPY0.8Bn** or **+0.3%** from FY04).



Comparison from FY04-1st Half

| | FY04 1st | FY05 1st | change |
|---------------------------|-------------|-------------|------------|
| | (Actual) | (Actual) | |
| Gross Operating Income | 101.9 | 101.3 | -0.6 |
| Domestic GOI | 99.7 | 99.3 | -0.4 |
| Interest Income① | 80.8 | 80.2 | -0.6 |
| Fees & Commissions② | 14.9 | 17.8 | 2.9 A |
| Trading Profits | 0.4 | 0.1 | -0.3 |
| Other Operating Income | 3.6 | 1.2 | -2.4 B |
| GOI from Int'l Operations | 2.2 | 2.0 | -0.2 |
| Core Base GOI①+② | 95.7 | 98.0 | 2.3 |

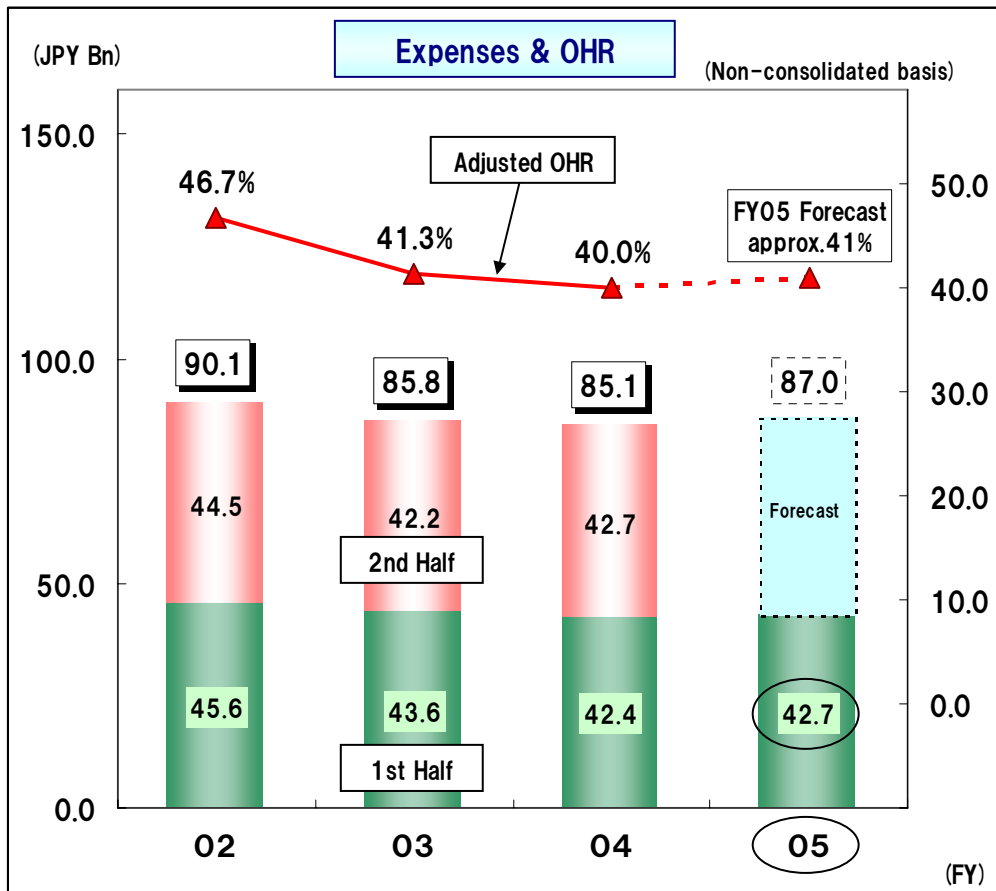
Factors behind the change:

- A. Increase in Fees & Commissions from the sale of Non-Deposit Products: JPY+1.3Bn
- Syndicated Loans: JPY+1.0Bn
- B. Profit from Securitization: JPY -4.0Bn

1. Operating Performance

(2) Expenses & OHR

- Expenses for FY05 1st Half slightly increased to **JPY42.7Bn** (up **JPY0.3Bn** or **+0.7%** from FY04 1st Half), and OHR to **42.0%**.
- Forecast for FY05: modestly up to **JPY87.0Bn** (up **JPY1.9Bn** or **+2.2%** from FY04).
- Expenses will continue to be on pace for slight increase with a view to improving “top line” income.



Comparison from FY04-1st Half

| | (JPY Bn) | | |
|-----------------|-------------------|-------------------|--------|
| | FY04 1st (Actual) | FY05 1st (Actual) | change |
| Expenses | 42.4 | 42.7 | 0.3 |
| Personnel | 14.7 | 14.9 | 0.2 A |
| Non-Personnel | 24.5 | 24.7 | 0.2 B |
| Tax | 3.2 | 3.1 | -0.1 |
| Adjusted OHR(%) | 41.1 | 42.0 | +0.9 |

Factors behind the change:

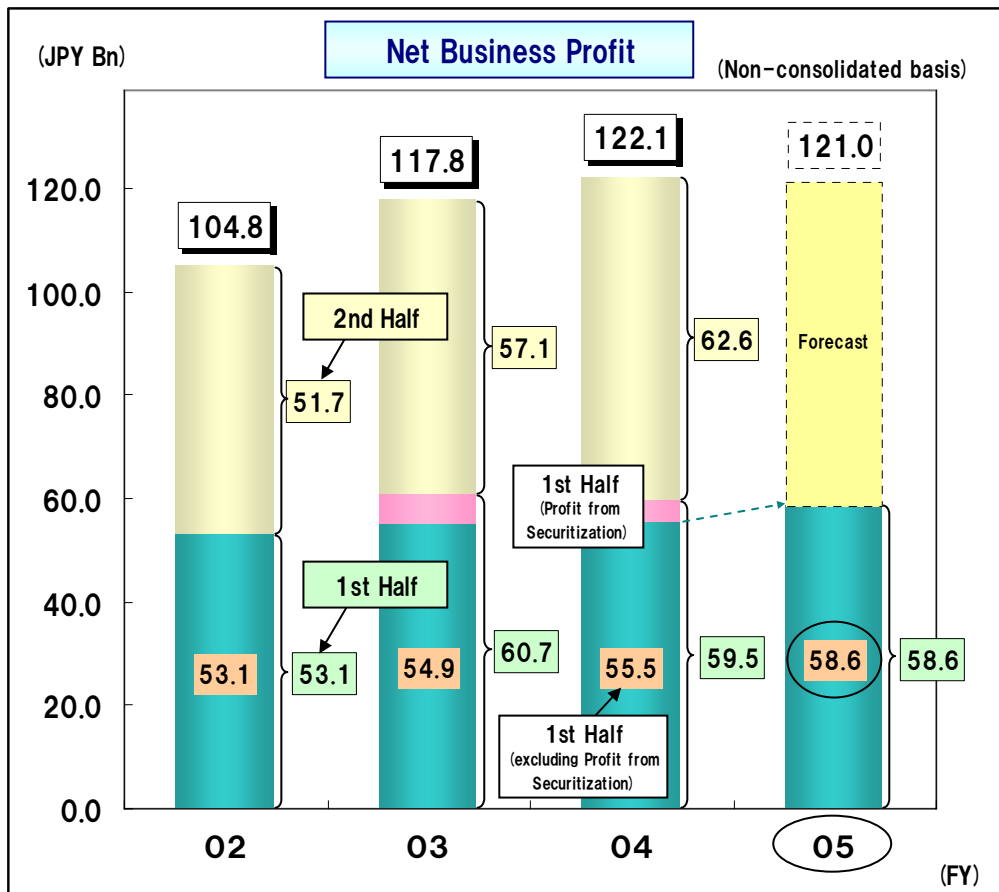
- A. Increase in the number of personnel etc
- B. Increase in IT-related investments etc

(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 was slightly down to **JPY58.6Bn** in FY05 1st Half (down **JPY0.9Bn** or **-1.5%** from FY04 1st Half).
- Net Business Profit excluding Profit from Securitization increased by **JPY3.1Bn (+5.5%)**.
- Forecast for FY05: Net Business Profit excluding Profit from Securitization is expected to be **JPY121.0Bn** (up **JPY4.9Bn** or **+4.2%** from FY04 (**JPY116.1Bn**)).



Comparison from FY04-1st Half

(JPY Bn)

| | FY04 1st (Actual) | FY05 1st (Actual) | change |
|---|----------------------|----------------------|--------|
| Net Business Profit (before transfer to allowance) | 59.5 | 58.6 | -0.9 |
| Profit from securitization① | 4.0 | 0.0 | -4.0 |
| Net Business Profit excluding ① | 55.5 | 58.6 | +3.1 |

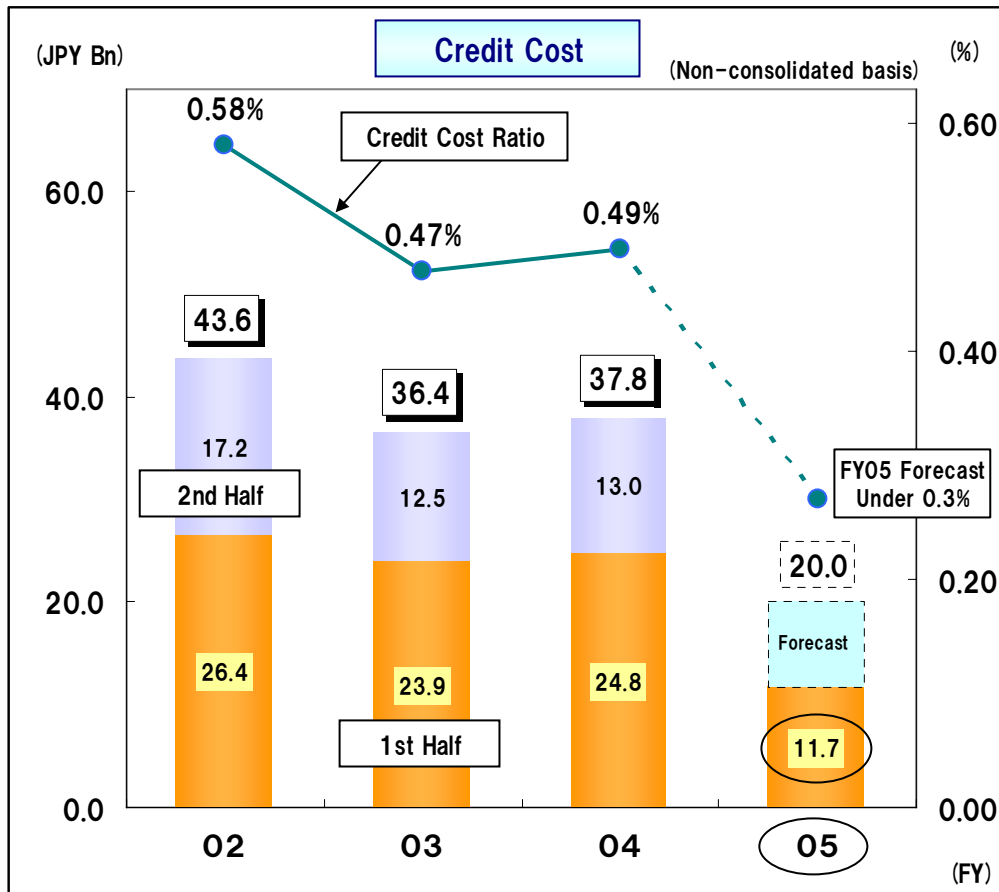
Factors behind the change:

- Increase in "core base" income: JPY +2.3Bn
- Increase in other than "core base" income: JPY +1.1Bn
- Increase in Expenses: JPY -0.3Bn

1. Operating Performance

(4) Credit Costs

- Credit Costs for FY05 1st Half substantially decreased to JPY11.7Bn (down JPY13.1Bn or -52.8% from FY04 1st Half).
- Forecast for FY05: Credit Costs is expected to decrease to JPY20.0Bn (-47.0% from FY04).
- Credit Cost Ratio for FY05 is also expected to improve to be under 0.3%.



Comparison from FY04-1st Half

| | FY04 1st (Actual) | FY05 1st (Actual) | change |
|--|----------------------|----------------------|--------------|
| Credit Costs | 24.8 | 11.7 | -13.1 |
| Fall in Land Price | 7.9 | 3.9 | -4.0 |
| Change in Borrowers' Category | 20.7 | 14.4 | -6.3 |
| Deterioration | 21.0 | 17.6 | -3.4 |
| Improvement (-) | 0.3 | 3.2 | 2.9 |
| Collection & Reversal from Allowance (-) | 7.7 | 8.5 | 0.8 |
| Others | 3.9 | 1.9 | -2.0 |

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

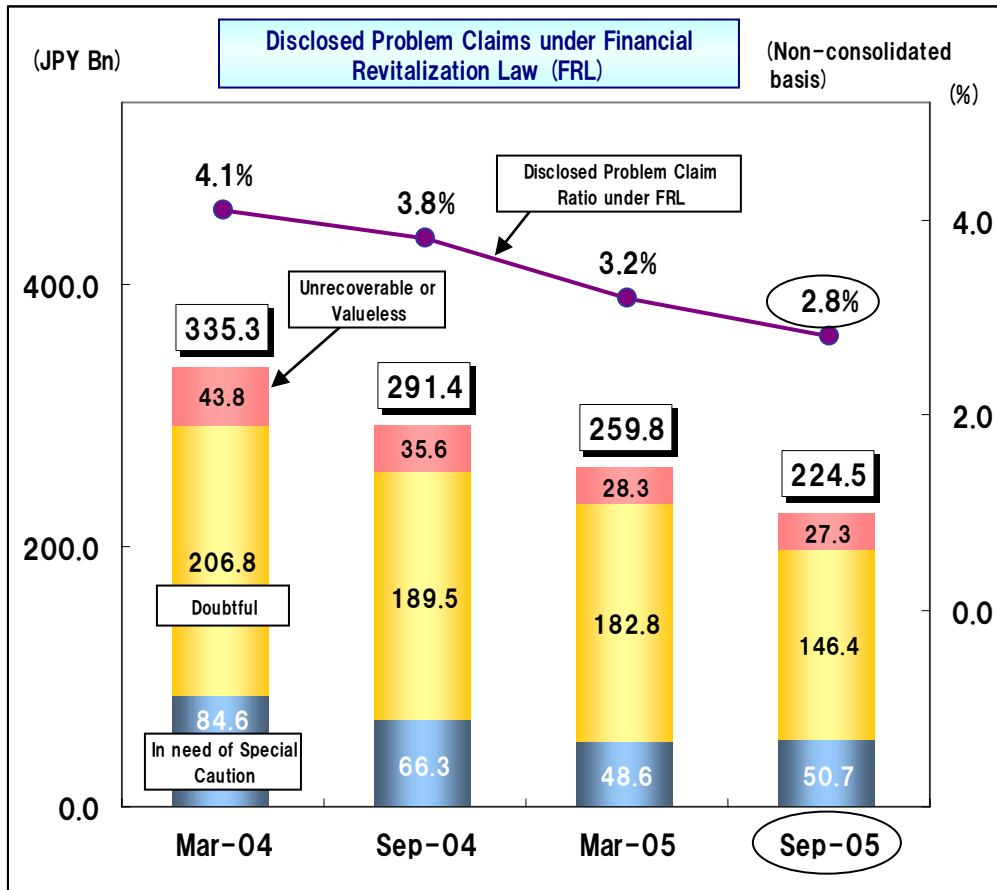
(Note1) Credit Costs = Disposal of bad debts + Transfer to Allowance for possible loan losses - Reversal of Allowance for possible loan losses

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

1. Operating Performance

(5) Problem Claims Ratio

- Problem Claims Ratio decreased continuously to **2.8%** by Sep-05.
- New occurrence of bad debts has also diminished steadily.



Comparison from FY04-1st Half

(JPY Bn)

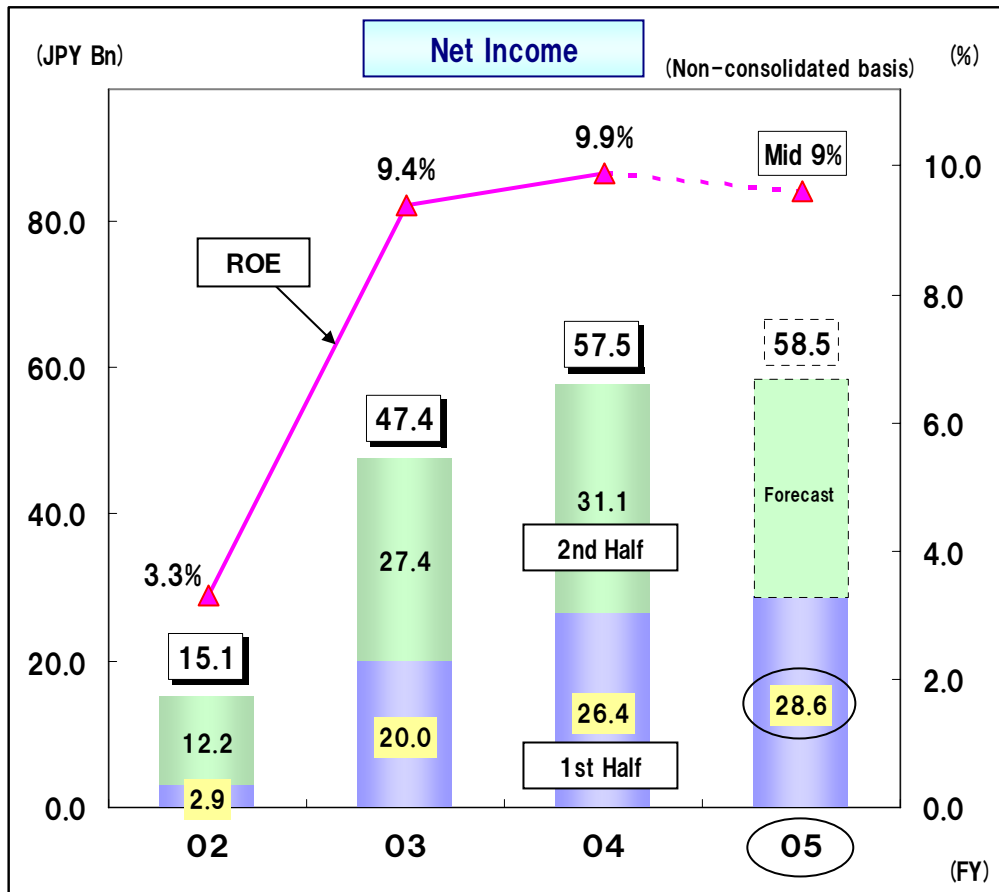
| | FY04 1st (Actual) | FY05 1st (Actual) |
|---|-------------------|-------------------|
| Change in the balance of "Doubtful" & "Unrecoverable" | -25.5 | -37.4 |
| Newly occurred | 48.2 | 20.4 |
| Off-Balancing | -73.7 | -57.8 |
| Collection & Repayment | -22.6 | -18.5 |
| Improvement in debtors' performance | -10.7 | -19.0 |
| Direct Write-offs & Loan Securitization | -40.4 | -20.3 |

(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 increased to **JPY28.6Bn** in FY05 1st Half (up **JPY2.2Bn** or **+8.3%** from FY04 1st Half).
- Forecast for FY05: **JPY58.5Bn** (up **JPY1.0Bn** or **+1.7%** from FY04).
- ROE for FY05 is expected to be **Mid 9%**. We will aim for ROE of higher than **10%** during the next 3 years.



Comparison from FY04-1st Half

| | (JPY Bn) | | |
|--------------------|----------------------|----------------------|--------|
| | FY04 1st (Actual) | FY05 1st (Actual) | change |
| Interim Net Income | 26.4 | 28.6 | +2.2 |

Factors behind the change:

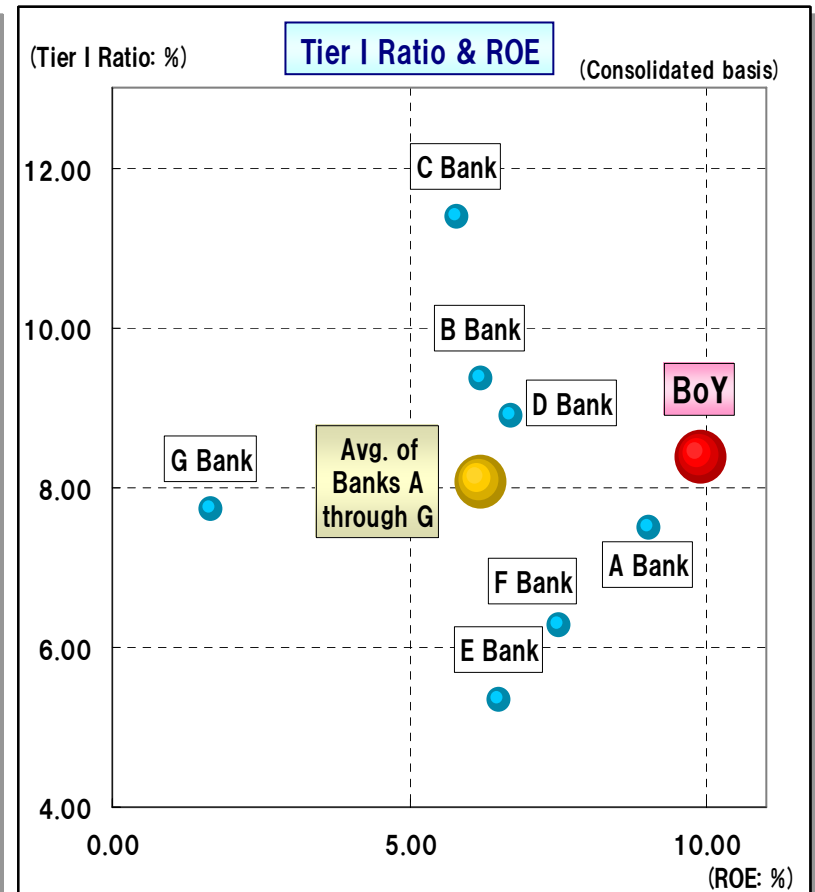
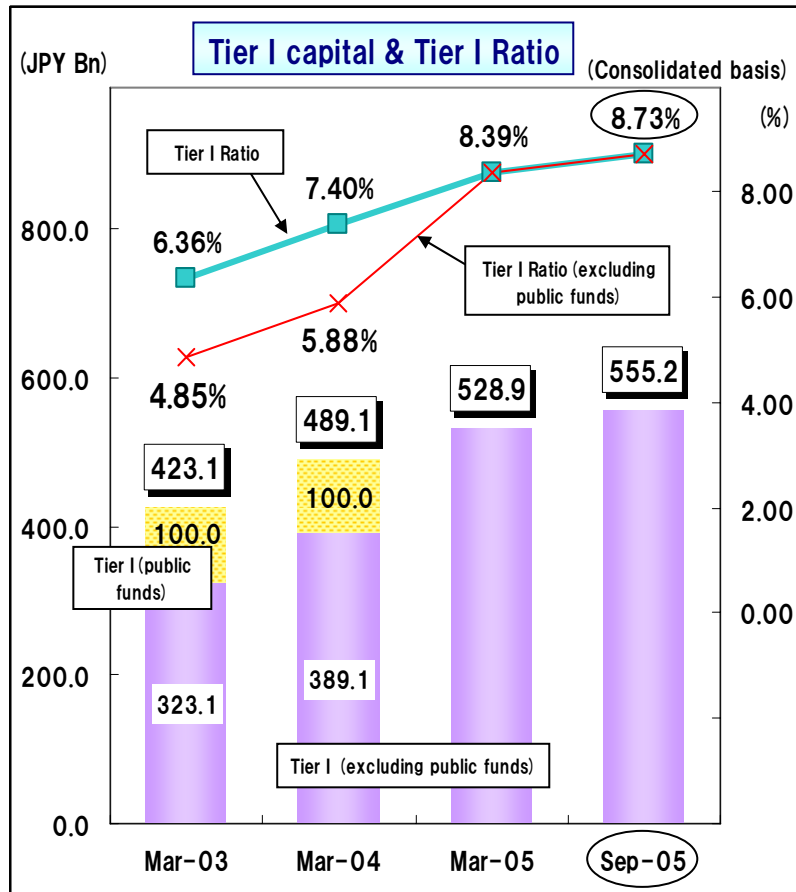
- Decrease in Net Business Profit: JPY -0.9Bn
- Decrease in Credit Costs: JPY +13.1Bn
- Decrease in gains from the sale of securities: JPY -10.0Bn

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

1. Operating Performance

(7) Tier I Ratio

- Sep-05 (consolidated basis) : Tier I Ratio **8.73%**, Capital Adequacy Ratio **10.93%**.
- Continue to aim for 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) Source: Summary of Financial Results from each bank

(Note3) ROE: FY04 basis, Tier I Ratio: End of Mar-05 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, **5 yen** → **7 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 FY04: **1.5yen** → FY05: expected to be **2.0 yen**)
- We will continue to repurchase own shares, and thereby aim Shareholder Return Ratio to be higher than **30%**.
 - ~Aug-05: Announced to repurchase maximum **JPY 6.0Bn** worth of own share until Mar-06
 - ~Sep-05: Repurchased **JPY 3.6Bn** worth of own shares (retired all), progress of **60.1%**

How shareholders are rewarded

| | FY 03 | FY 04 | FY 05 (Forecast) |
|--|------------------------|--------------------------|--|
| ① Payout Ratio | 12.2% (5 yen/share) | 20.8% (8.5 yen/share) | 21.6% (9 yen/share) |
| ② Return Ratio by repurchase of own shares | 0% | 8.6% | 8.4% or higher (6.1% as of Sep. 05) |
| Shareholder Return Ratio (①+②) | 12.2% | 29.4% | Aiming at 30% or higher |



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2. Business Performance

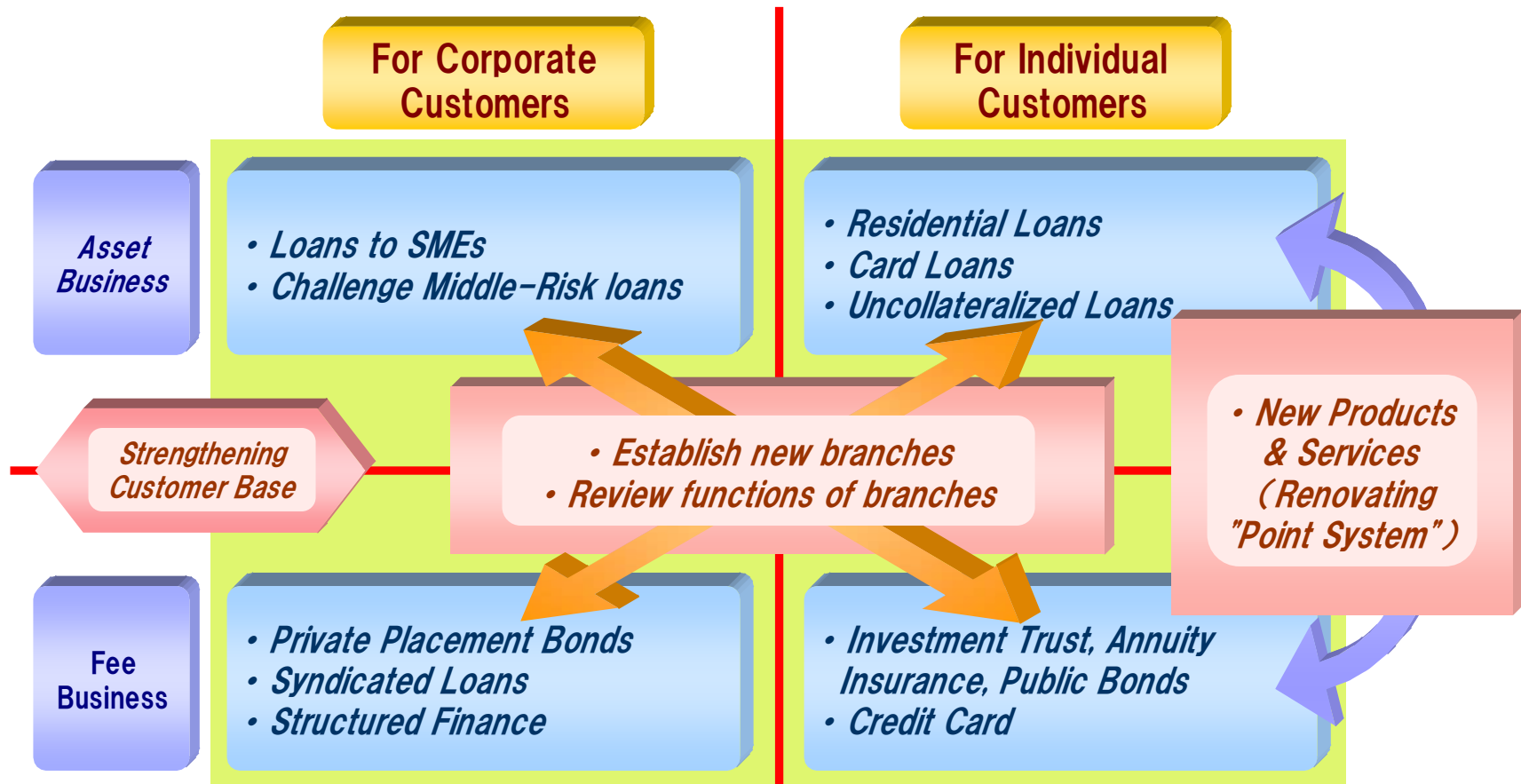
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2. Business Performance

Total Portrait of our Sales Strategy

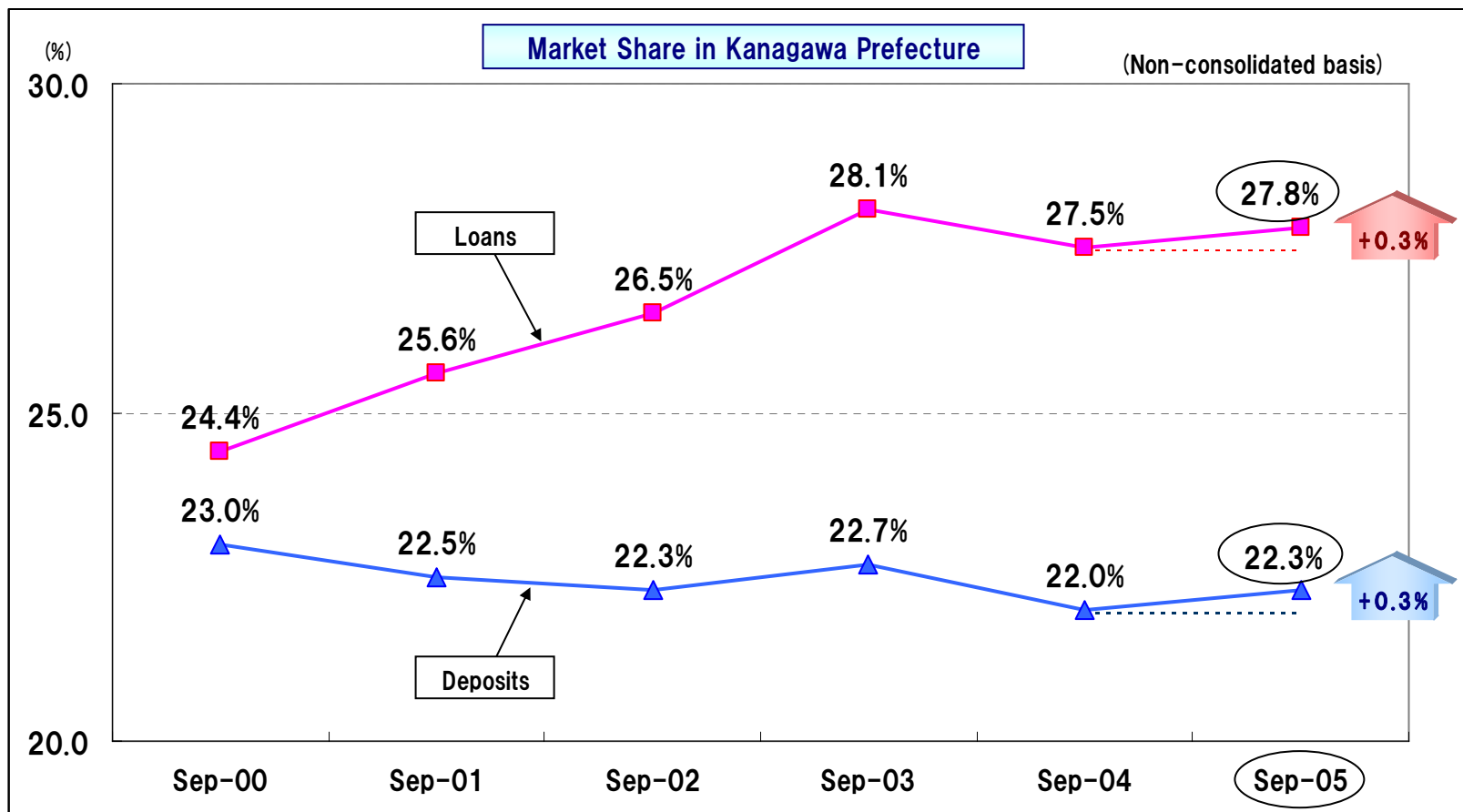
- Primary strategy: Continue to focus on Regional Retail Banking.
- By strengthening Customer Base, we will reinforce both Asset Business and Fee Business.



2. Business Performance ~Asset Business

(1) Market Share in Kanagawa Prefecture

- Sep-05: Market share of loans increased to 27.8%, deposits to 22.3%.
- Both market shares increased by 0.3% from Sep-04 respectively, despite competition getting tougher.



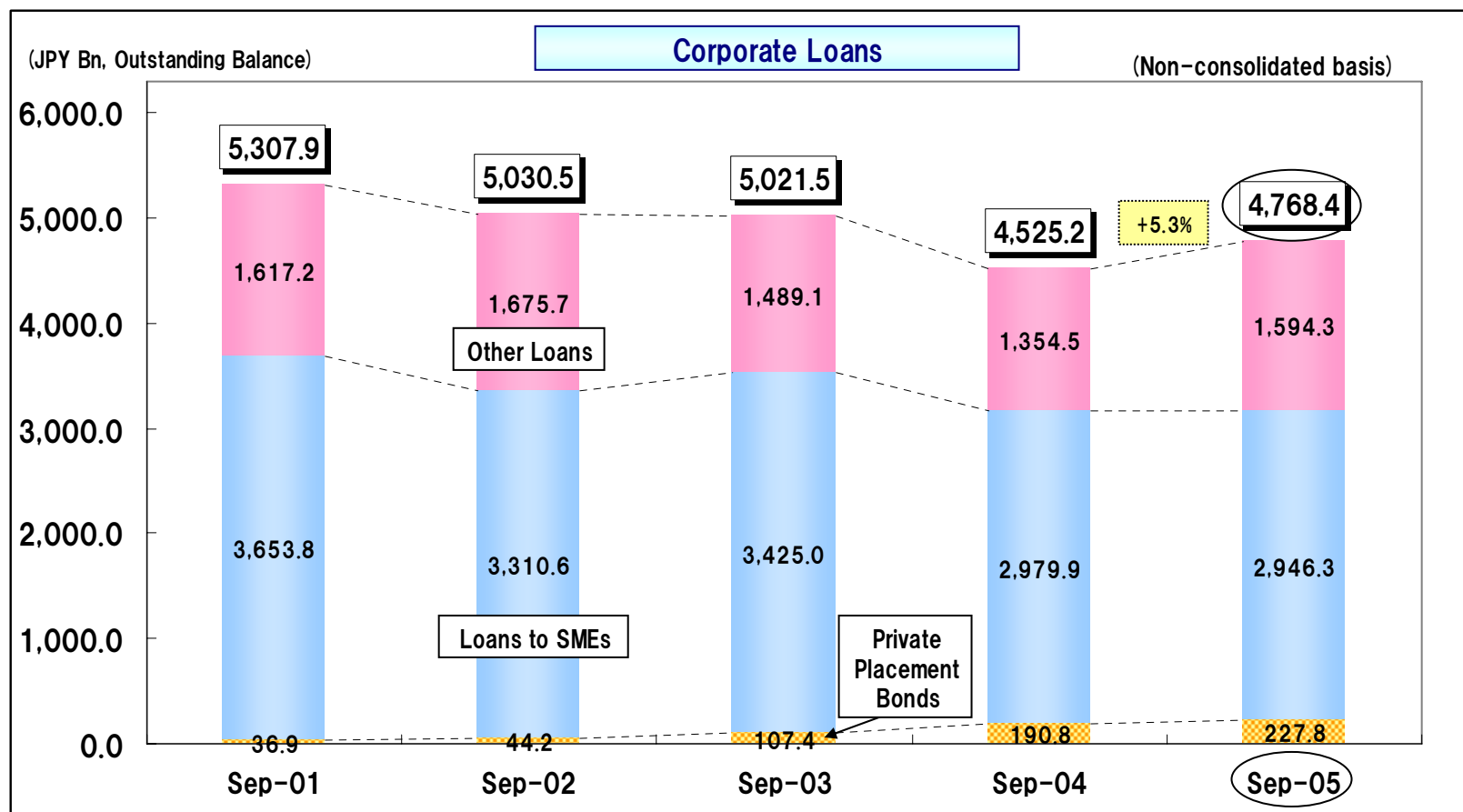
(Note) Source: Bank estimates



2. Business Performance ~Asset Business (Corporate Customers)

(2) Loans to Corporate Customers

- Sep-05: Loans to Corporate Customers (including private placement bonds) increased to JPY 4,768.4Bn (up JPY 243.2Bn or +5.3% from Sep-04).
- We will continue to bolster loans to SMEs.



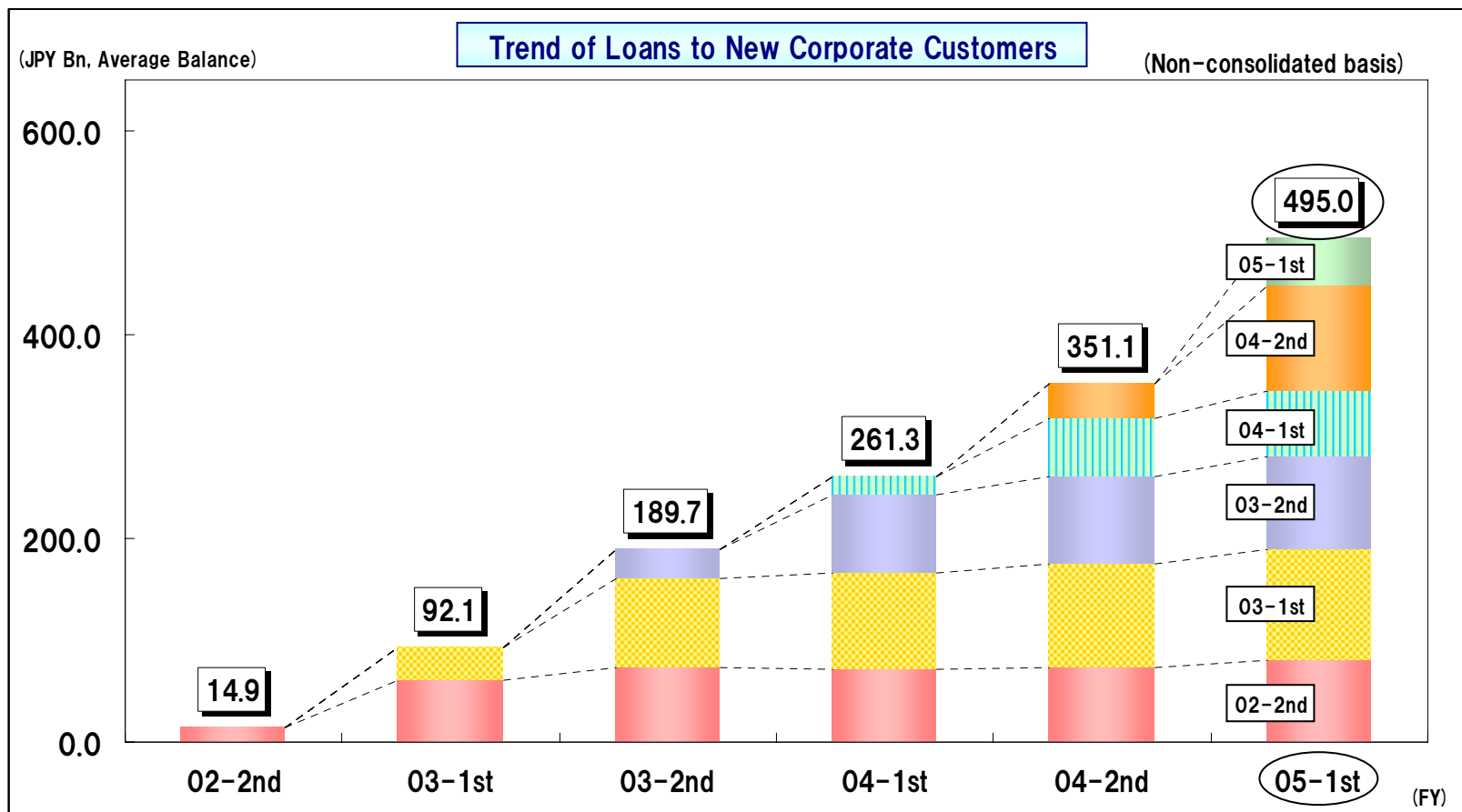
(Note) Other Loans include Large-, medium-sized enterprises, public, financials and etc.



2. Business Performance ~Asset Business (Corporate Customers)

(3) Strengthening Sales Promotion to New Corporate Customers

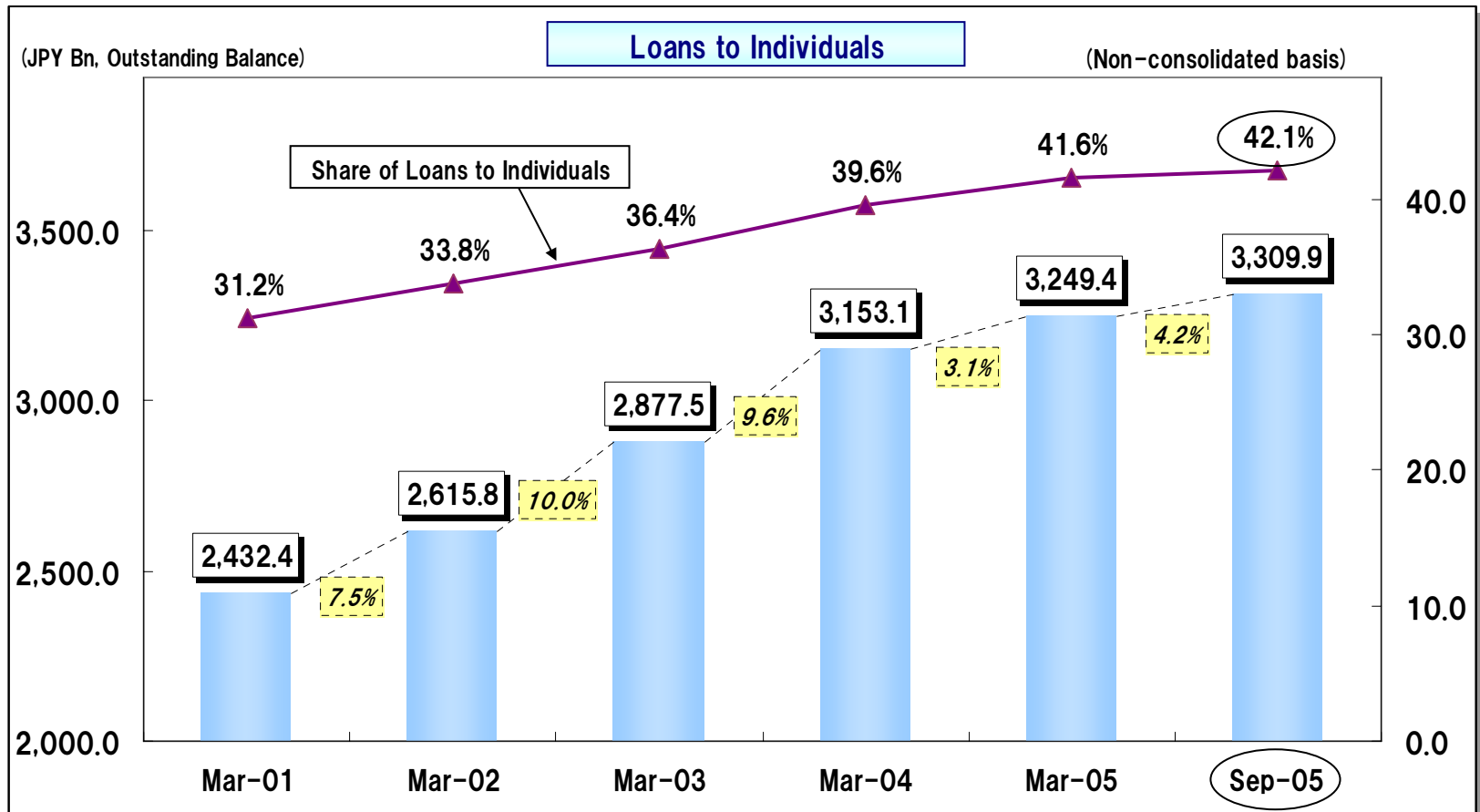
- FY05 1st Half: Average balance for loans to new corporate customers since FY02 2nd Half increased to **JPY 495.0Bn** (up **JPY143.9Bn** or **+40.9%** from FY04 2nd Half).
- We have been able to successfully, but steadily accumulate loan balance as we have assigned loan officers in charge step by step.



2. Business Performance ~Asset Business (Individual Customers)

(4) Loans to Individuals

- Sep-05: Outstanding balance for Loans to individuals surpassed JPY3,300Bn.
- The share of Loans to individuals increased to 42.1%.



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

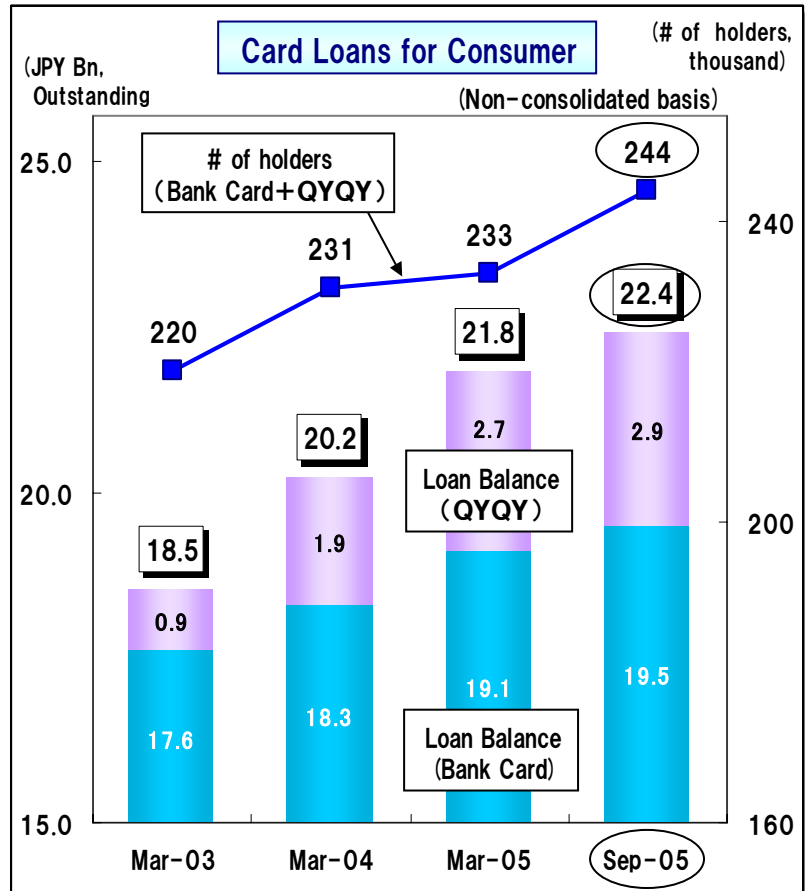
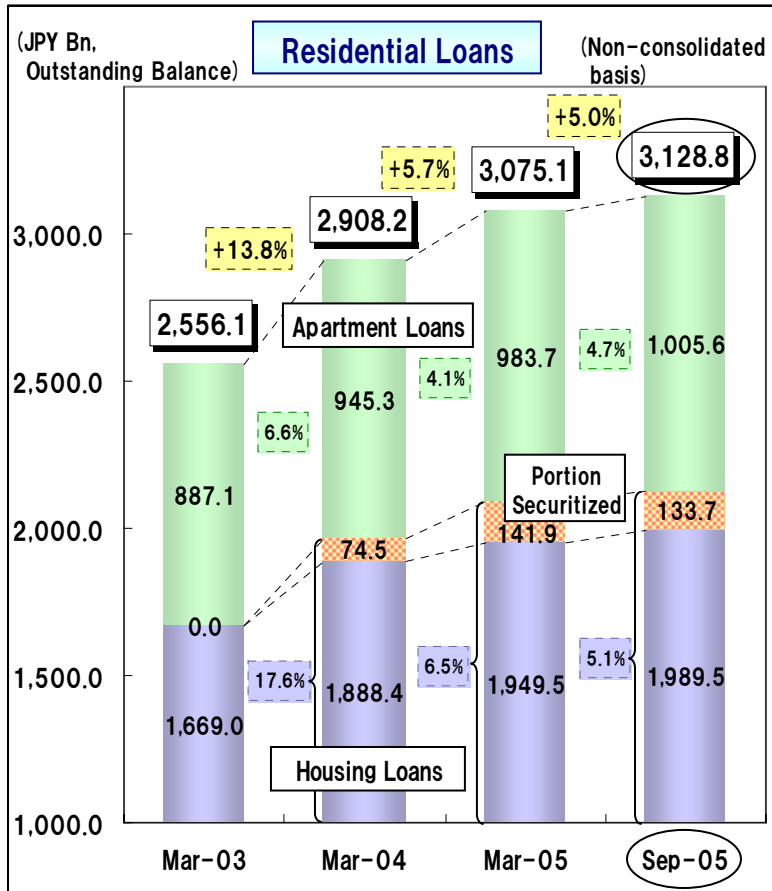
(Note2) Share = Balance of Loans to Individuals ÷ Total Loans

(Note3) Percentage increase as of Sep-05 represents increase from Sep-04.

2. Business Performance ~Asset Business (Individual Customers)

(5) Residential Loans & Card Loans for Consumer

- Sep-05: Balance for Residential Loans increased by 5.0% from previous term, maintaining at least 5% increase.
- Balance for Card Loans is on steady increase as well.



(Note1) Percentage increase as of Sep-05 represents increase from Sep-04.

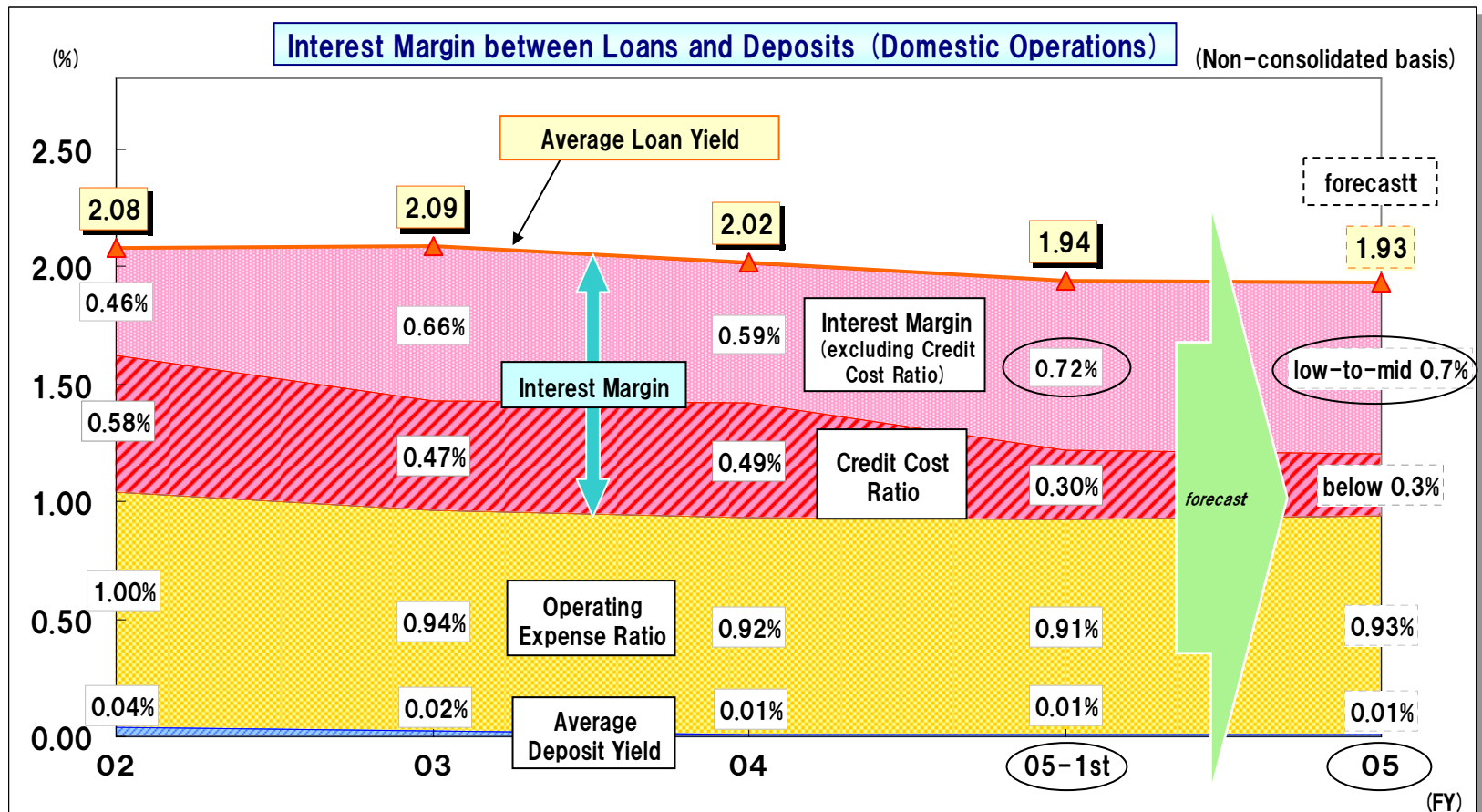
(Note2) Percentage increase for Housing Loans includes (adds back) portion securitized.



2. Business Performance ~Asset Business

(6) Interest Margins

- FY05 1st Half: Interest margin excluding credit cost ratio expanded to **0.72%**.
- Forecast for FY05: Continue to aim for low-to-mid **0.7%**.



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

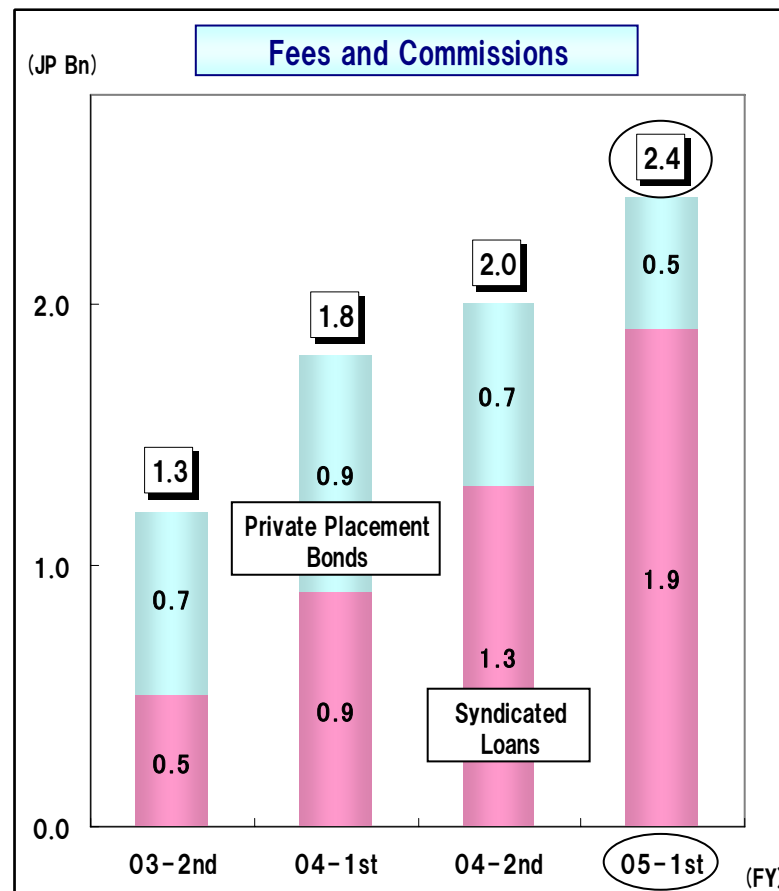
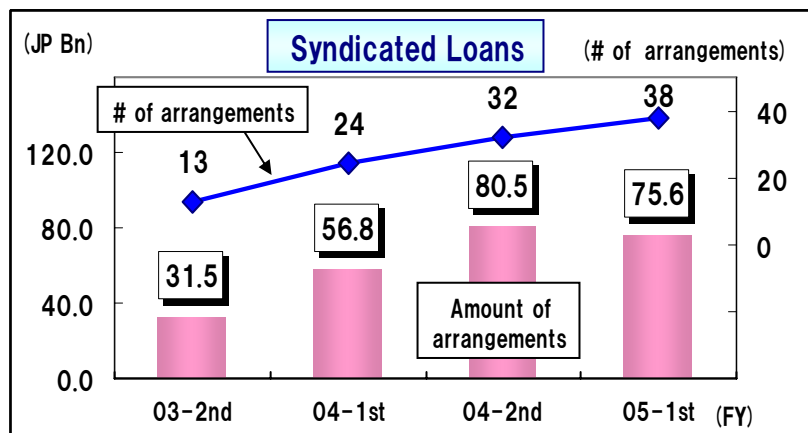
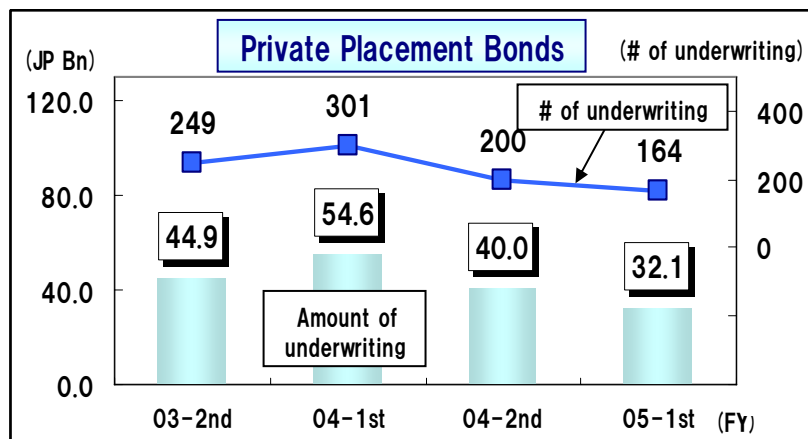
(Note2) Operating Expense Ratio = Expenses excluding extraordinary items ÷ Average balance of Deposits.

(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 1st Half: Fees & Commissions from Syndicated Loans grew steadily due to an increase in the number of syndicated loans arranged.



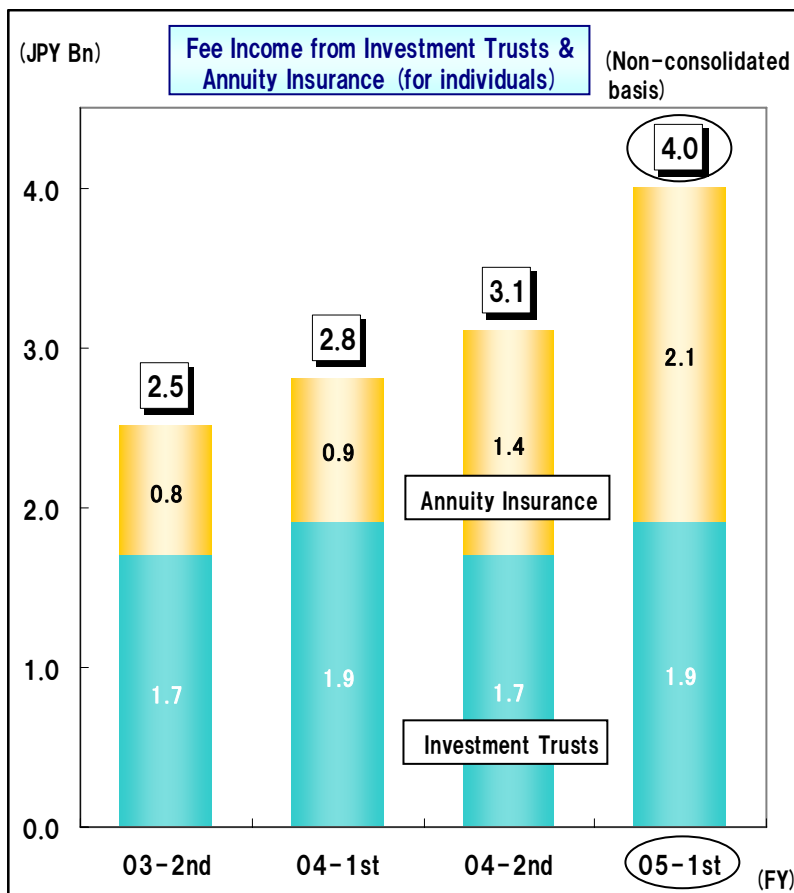
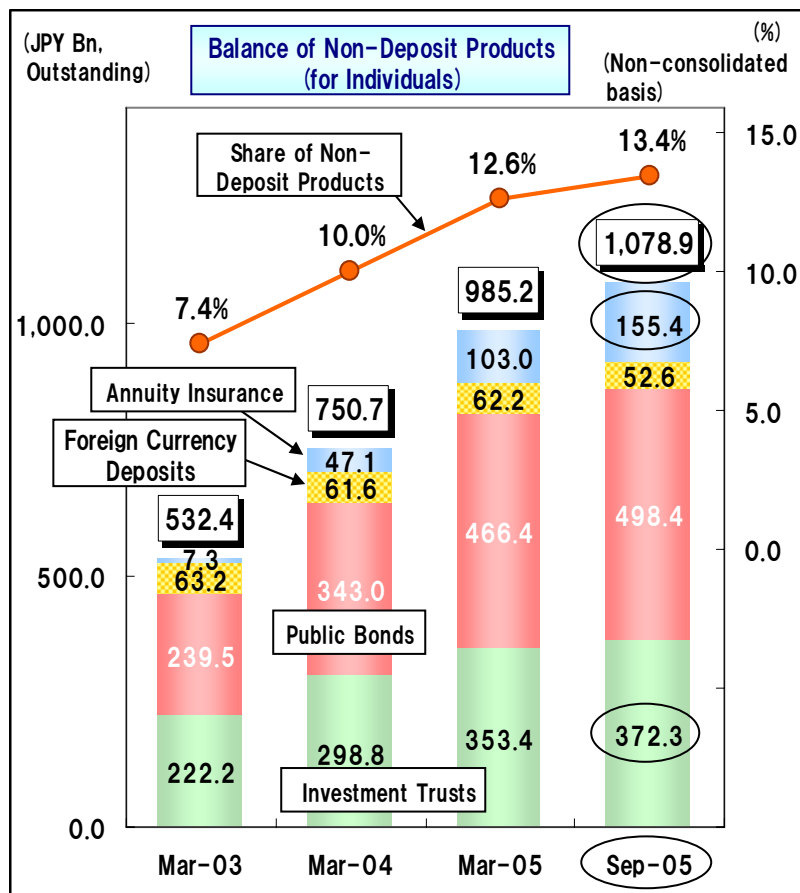
(Note) Fees & Commissions from Syndicated Loans include Commitment Line fees.



2. Business Performance ~Fee Business (Individual Customers)

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

- FY05 1st Half: Balance for Non-Deposit Products continued to increase steadily, reaching **JPY 1 trillion** plateau.
- Share of Non-Deposit Products increased to **13.4%** at the end of Sep-05.
- FY05 1st Half: Fee Income from Investment Trusts & Annuity Insurance increased to **JPY 4.0Bn**.



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



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3. Future Action for Profit Maximization

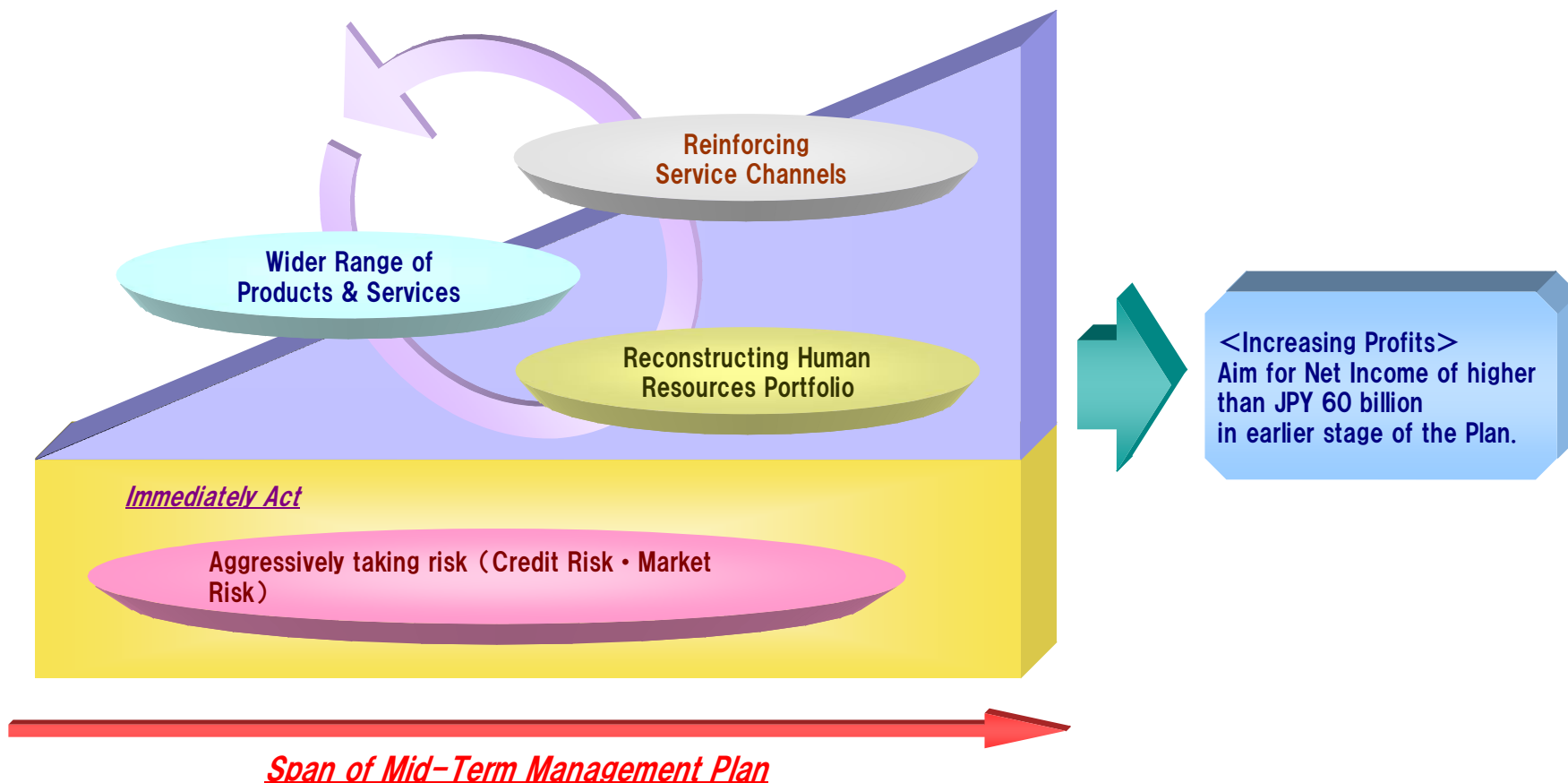
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3. Future Action for Profit Maximization

(1) Total Portrait of Action

- We have begun to act to achieve goals set in our mid-term plan (until FY07) in earlier stage of the Plan.
- Short-Term Task: Aggressively taking risk centering on Credit Risk(=Loans), Market Risk(= Investing in Securities).
- Mid-to-Long Term Tasks: We will do the following from whichever becomes feasible: ①Reinforcing Service Channels, ②Wider range of Products & Services, ③Reconstructing Human Resources Portfolio.

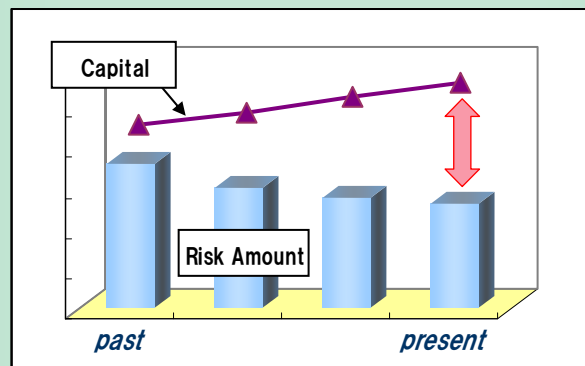


3. Future Action for Profit Maximization

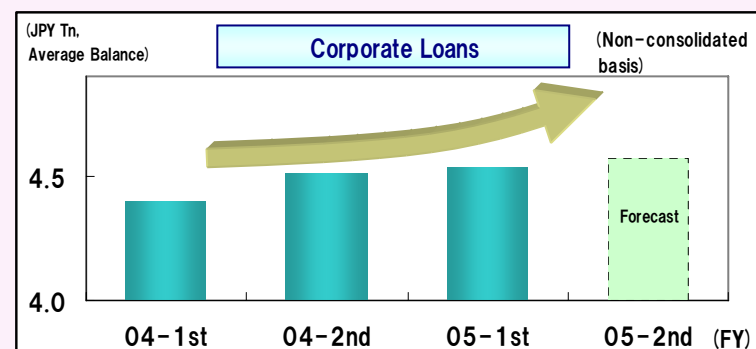
(2) Outline of How to Take Risk

- Improving profitability by taking more risk with risk tolerance against capital being increased.
- Credit Risk: Increasing loans to SMEs in Southwestern Tokyo, and aggressively taking middle-risk cases, etc.
- Market Risk: Aggressively investing in securities~wider range of investment target such as securitized products & equity investment trust, and gradual reallocation of bond portfolio, etc.

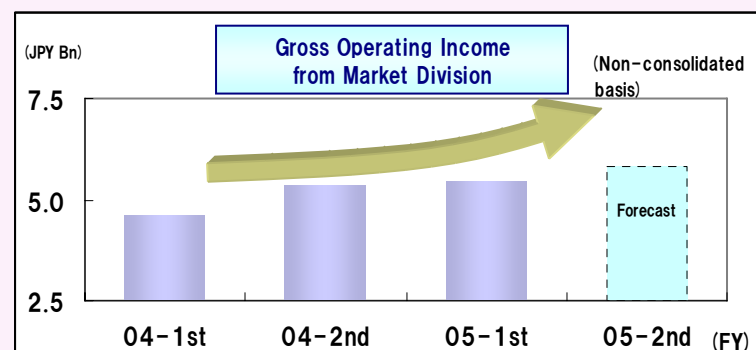
Before



Credit Risk



Market Risk



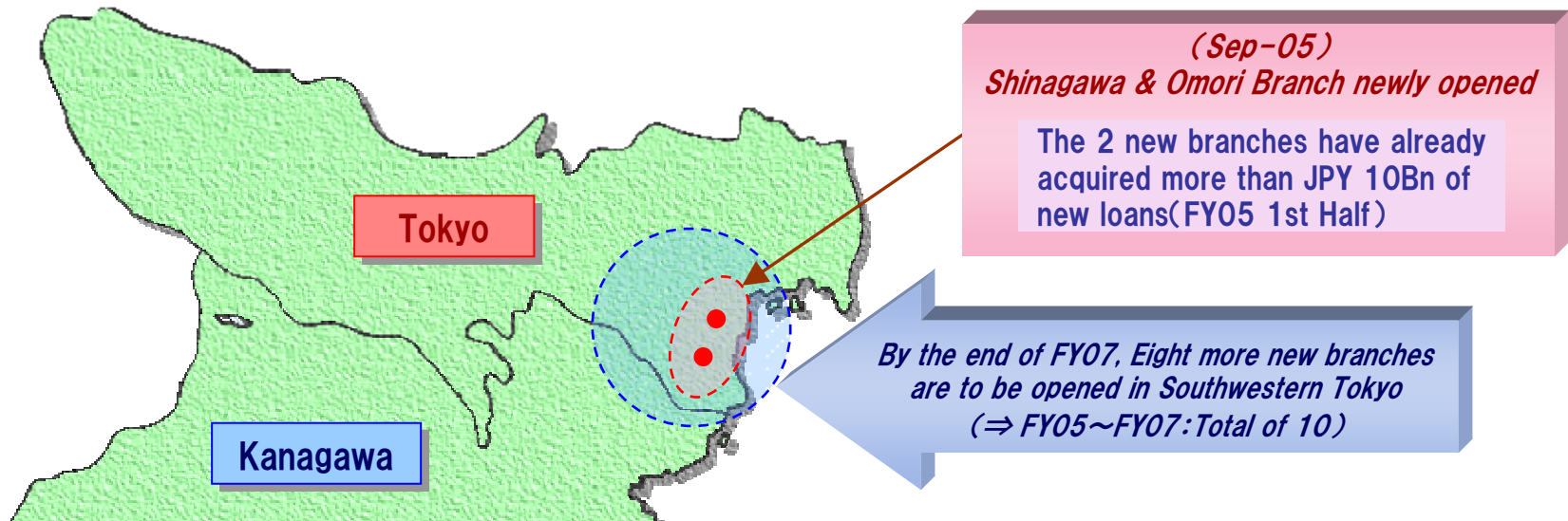
After

Shift from "Risk Minimization" to "Profit Maximization by taking risk"

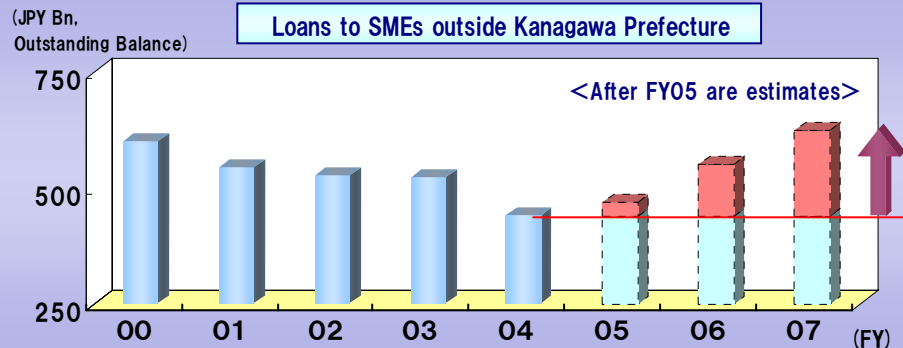
3. Future Action for Profit Maximization

(3) Taking Credit Risk (Expanding loans in Southwestern Tokyo)

- As an action for taking Credit Risk, the total of 10 new branches are to be opened in Southwestern Tokyo to bolster lending to SMEs.
- The already-opened two branches (Shinagawa & Omori) have acquired more SME Loans than originally anticipated.
- By taking this action, an accumulation of **JPY 200Bn** of new loans are expected by the end of FY07.



As for new branches, each new branch is expected to acquire JPY 20Bn of loans within 3 years of its opening.



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4. Strengthening Sales Channels

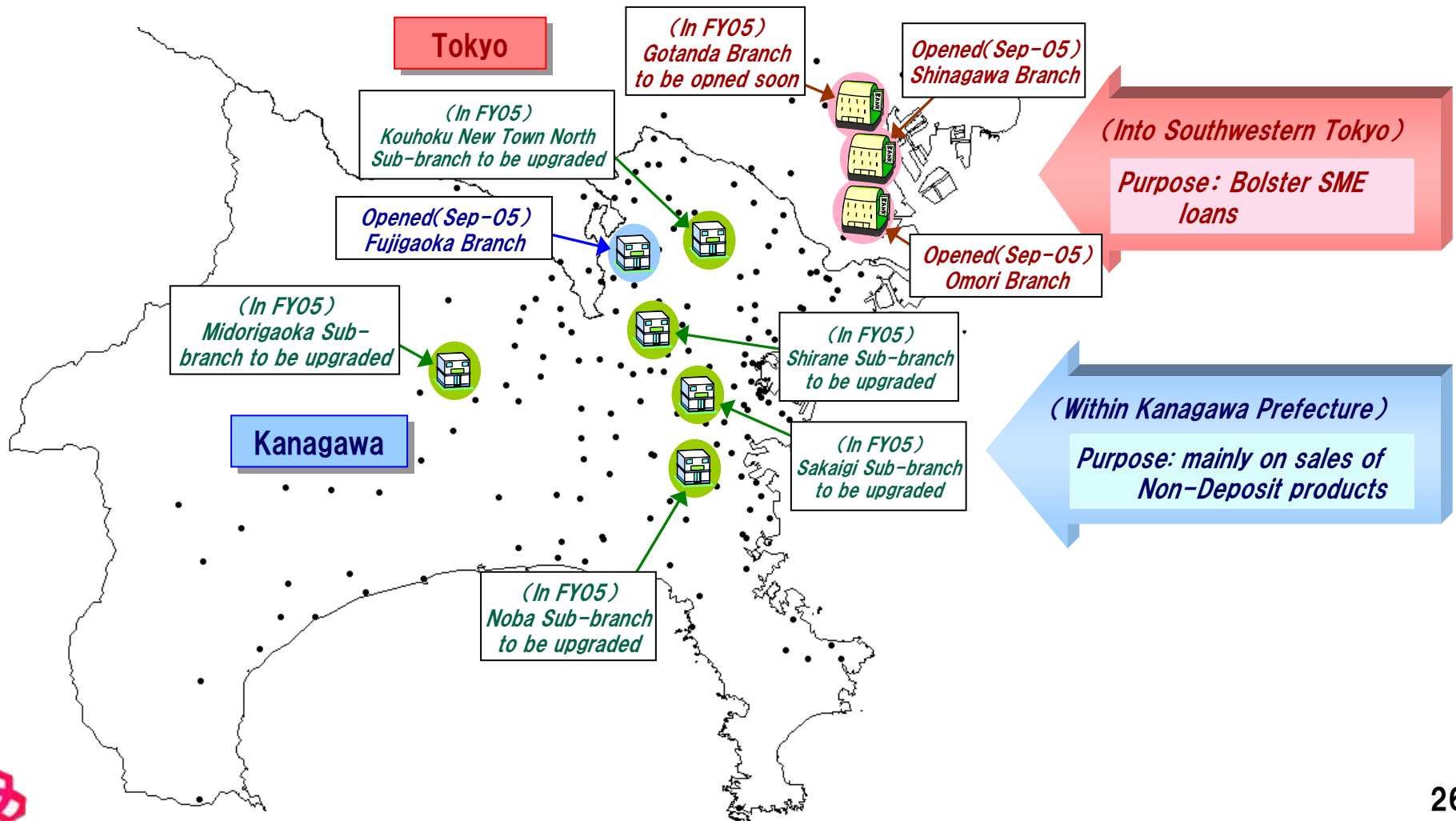
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4. Strengthening Sales Channels

(1) New openings and reviewing the function of Branches

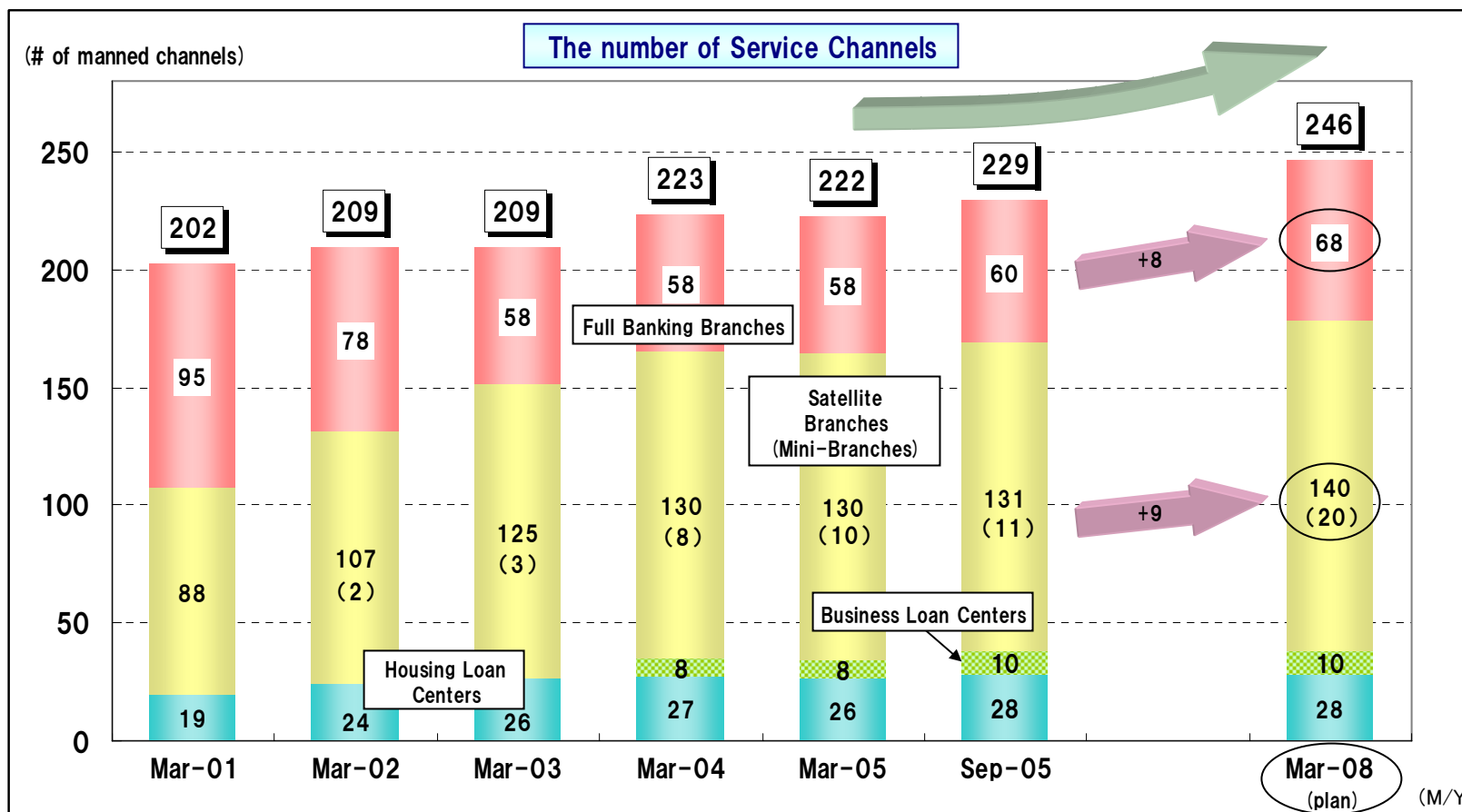
- Into Southwestern Tokyo: Newly opened 2 branches in FY05 1st Half, to bolster SME loans
- Within Kanagawa Prefecture: Newly opened 1 branch in FY05 1st Half, to promote Non-Deposit Products.
- Review of functions: 5 sub-branches are to be upgraded to branches in FY05 2nd Half. More to be considered upon situations.



4. Strengthening Sales Channels

(2) Transition of Service Channels

- FY05 1st Half: Besides 3 newly opened branches (Shinagawa, Omori and Fujigaoka), 2 Housing Loan Centers (Zushi and Ebina) and 2 Business Loan Centers (Yokohama Ekimae and Tsunashima) were newly opened.
- As for existing branches, we will review the functions of branches according to types of customers, and renew these branches within the span of our current mid-term management plan.



(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.

(Note3) Business Loan Centers: loan center that handle loans to smaller corporations by using credit scoring model.



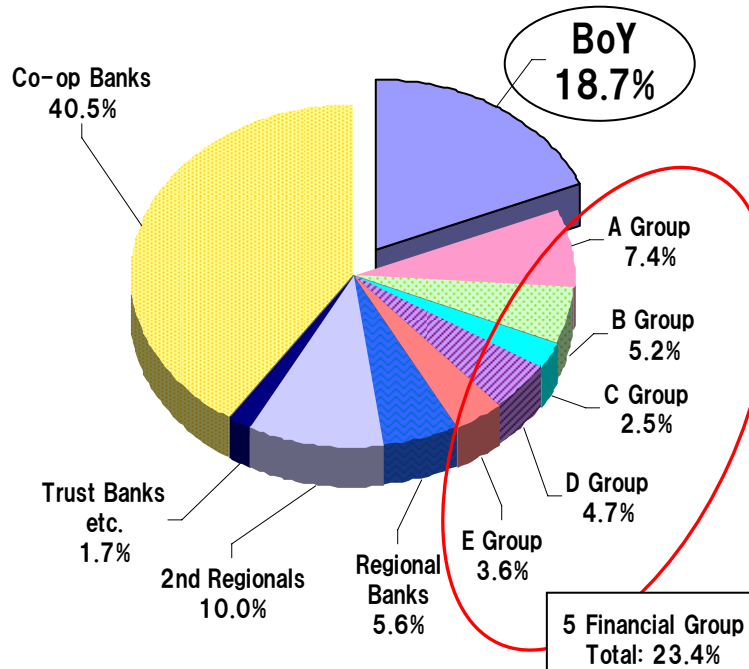
4. Strengthening Sales Channels

(3) Competitive Advantage

- We now have **170** branches within Kanagawa, and the market share for branches is **18.7%**
 ⇔ 5 Major Financial Groups (as of Sep-05) totals **213** branches, and their market share is **23.4%**.
- Competitive Advantage: we have **163** branch zones, whereas 5 Major Financial Groups only have **86** zones.
- We will continue to improve our branch network to bolster relationship with local customers.

Market Share: Branches in Kanagawa (Sep-05)

(BoY Branches: 170)



(Note) MTFG and UFJ, merged as MUFG as of Oct. 1, 2005, are counted separately on both of the graph above.

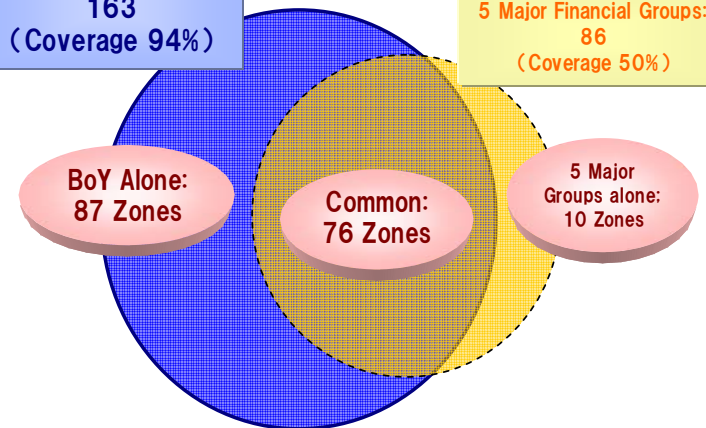
Comparison of Branch Zone: between BoY & 5 Major Financial Groups in Kanagawa Prefecture

(As of Sep-05)

In total, 173 zones

Our Branch Zones: 163 (Coverage 94%)

5 Major Financial Groups: 86 (Coverage 50%)



(Note) Branch Zone is a definition of our own standards where any banks locate their branches in one particular area is counted as one "zone". For example, if Bank X has branches, one in the front & the other in the back of one station, it is counted as one "Zone".

4. Strengthening Sales Channels

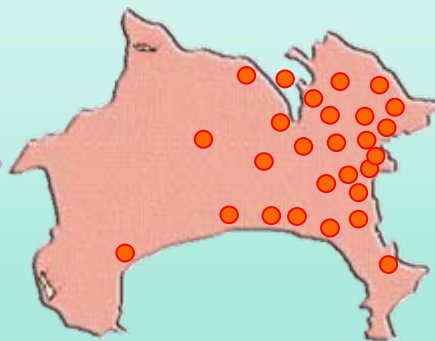
(4) Action for Expanding Services

- In order to respond to the diversified needs of customers, we have started Securities Broking from June-05. We will expand this service to 27 branches by Feb-05.
- As a part of renewing branches, we have equipped branches with “Consulting Booth”, dedicated for investment consultation, from May-05.
- We will strengthen customer base from both “software” and “hardware” aspect.

Securities Broking

- Alliance with:
Nikko Cordial Securities Inc.
- Services:
Broking: Sales of foreign bonds
Handling: Opening new accounts
- Schedule
As of Nov-05: 18 branches
By Feb-06: 9 more branches

Expanding to
27 branches
in FY05



“Consulting Booth”

- Gradually expanding “Consulting Booth” to better serve consulting needs of customers
- Schedule
As of Nov-05: 8 branches
By Mar-06: 15 or so more branches



Picture: Kamiooka Branch



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

5. Alliance Strategy

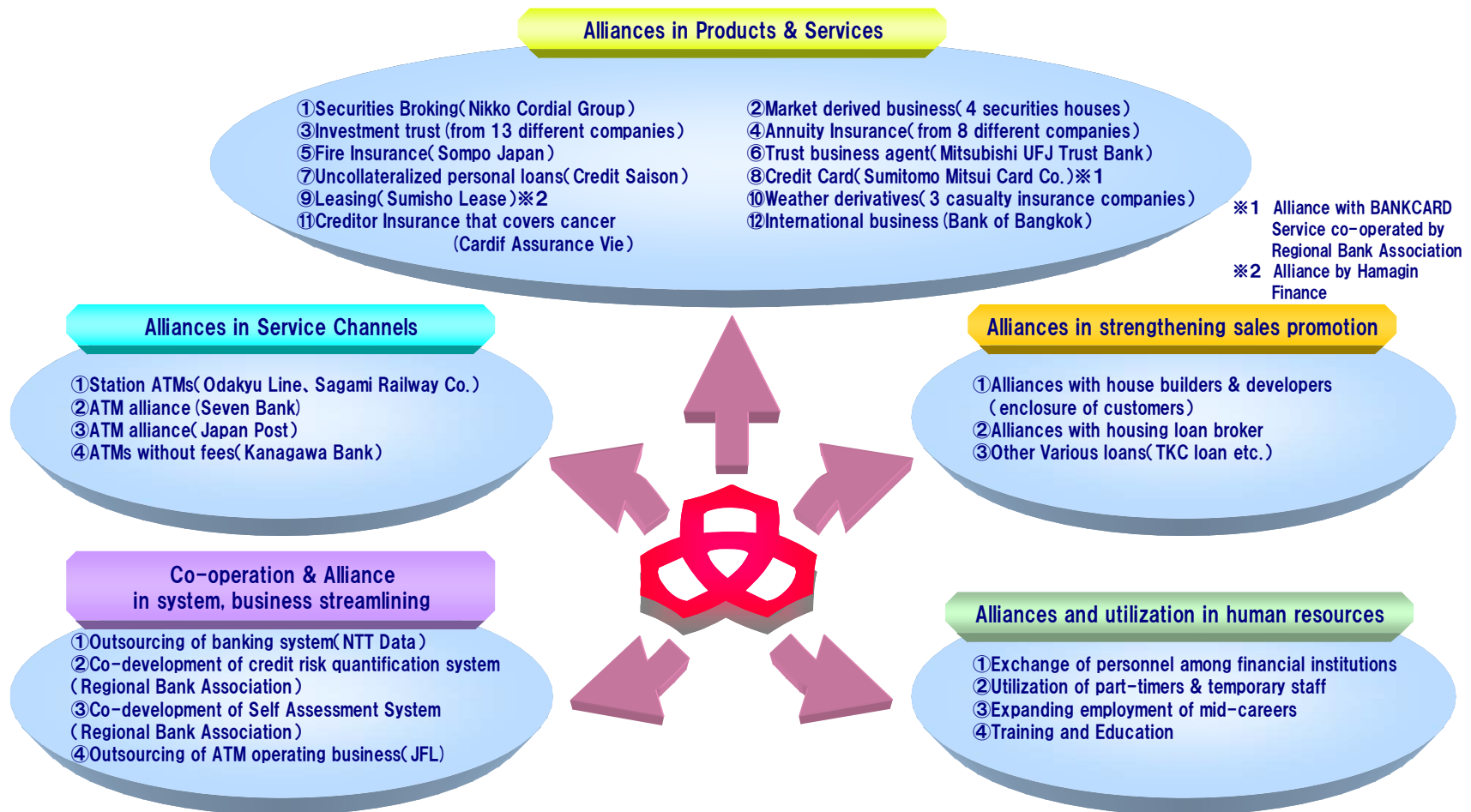
横浜銀行
Bank of Yokohama



5. Alliance Strategy

(1) Outline of Alliance

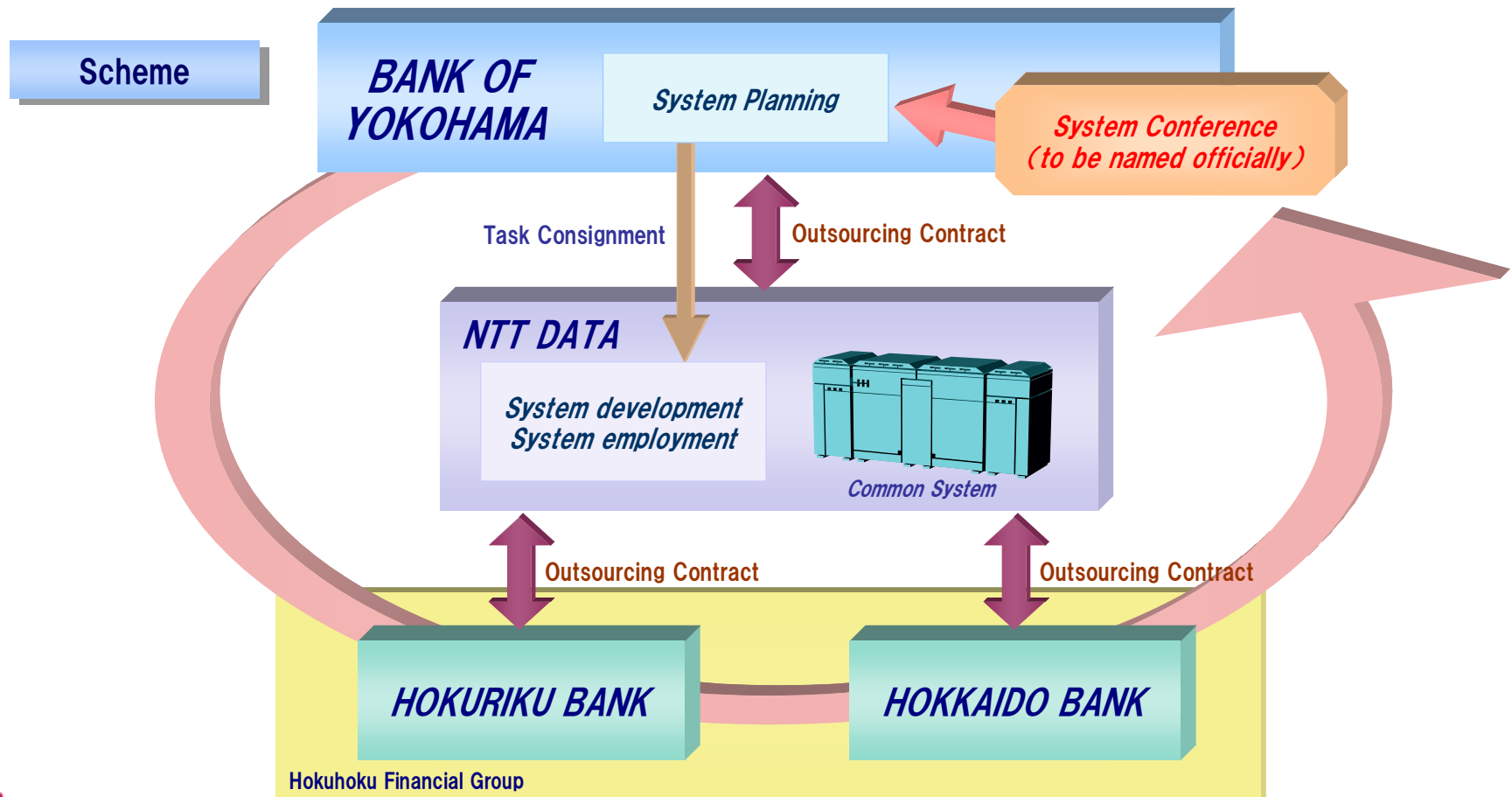
- We have already established alliances, co-operation, outsourcing with other companies, mainly on products & services.
- Expanding alliance strategy to further leading to higher profitability by stronger sales promotion and cost reduction.



5. Alliance Strategy

(2) Shared Utilization of Next-Generation Banking System ~ Total Image

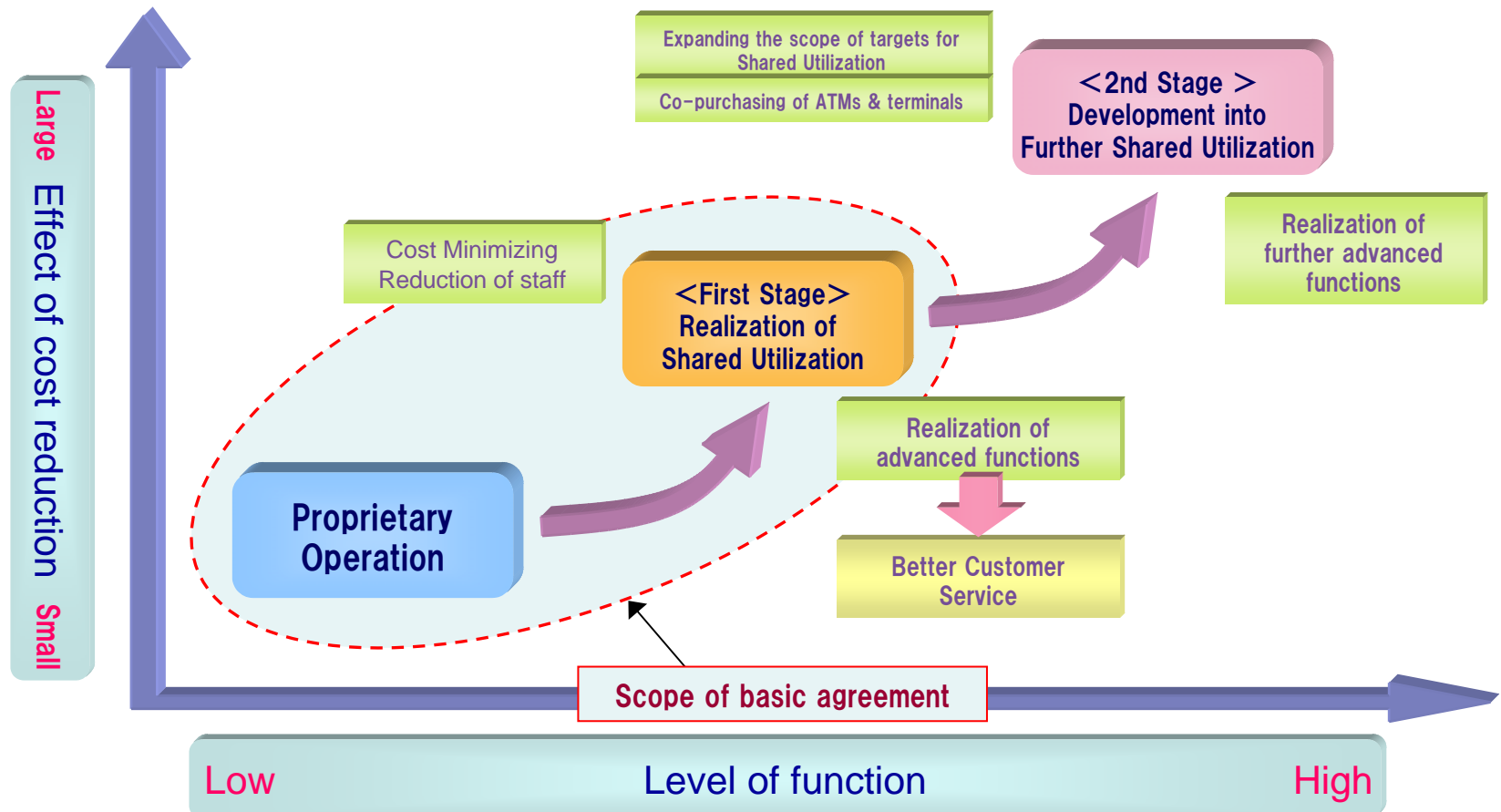
- In Nov-05, we have reached a basic agreement on “Shared Utilization of Next-Generation Banking System” with Hokuriku Bank, Hokkaido Bank and NTT Data.
- Scope of Shared Utilization: Expanding from backbone system, such as deposit, loan and exchange, to a system for data processing & analysis.
- Schedule: Planning to make transition to the new system in FY09.



5. Alliance Strategy

(3) Shared Utilization of Next-Generation Banking System ~Objectives

- <Objective 1> Sophistication of Customer Service
 - For example: ①enabling 24hours 365 days of on-line transactions, ②allowing flexible product planning & shorter lead-time, ③helping flexible customer information management
- <Objective 2> Cost Reduction
 - Enabling drastic cost reduction, compared to developing next system proprietarily



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