

Reaffirming a Commitment to Our Home Market



INNOVATION

The Bank of Yokohama has expanded its operations to meet the changing needs of individuals, businesses, and public institutions in its home market of Kanagawa Prefecture and southwest Tokyo for almost 80 years. With the implementation of Big Bang reforms having commenced in earnest, the Bank is now reaffirming its commitment to meeting regional financial needs through a series of reforms set out in its current medium-term business plan, INNOVATION 21.

The primary goal of this plan is to reinforce the Bank's position as the strongest bank in its home market. The competition among providers of financial services in this market is expected to be particularly intense in a deregulated environment due to the financial strengths of its household and business communities. Having essentially completed measures to dispose of nonperforming loans, the Bank is devoting its attention to improving the quality of services provided to its most valuable asset—its customers.

Following the completion of a regional network restructuring program under its “block-area marketing strategy,” the Bank's management is now in closer proximity to its customers. The Bank has designated 27 areas in its home market and refined the services and expertise of individual branches to correspond to local market characteristics. Branches are categorized as either corporate, retail, or multifunctional. The Bank is augmenting this network with the introduction of information technologies that multiply the number of customer interface points and support the faster and more convenient processing of transactions.

CUSTOMER-ORIENTED SERVICE

The key themes of INNOVATION 21 are **convenience**, **trust**, **efficiency**, and **speed**. The implementation of the Big Bang has given tremendous momentum to the diversification and specialization of financial services and has raised customer awareness of the various financial products available. In response, the Bank is emphasizing innovative, value-added services that match specific needs.

In January 1998, the Bank greatly enhanced the convenience of the Yokohama Bank Card for overseas travelers with the introduction of the overseas cash service, which allows cardholders to make withdrawals in foreign currencies from domestic savings accounts. Also, in September 1997 the Bank combined the features of attractive interest rates and convenience in a new type of flexible-maturity term deposit, which has a maximum maturity of five years. The deposit holder may cancel or partially withdraw money from the account freely after a one-month period.

An important part of our retail banking service reforms is the creation of a delivery channel structure that provides optimal convenience and cost-effectiveness. We have established 13 Housing Loan Centers in

Kanagawa Prefecture, thereby increasing the number of contact points for customers as well as offering us the potential to expand our customer base. As an extension of this process, in November 1997 the Bank set up a Housing Loan Plaza in Yokohama that is open every day.

The continued growth in transactions via direct banking channels is a notable trend in retail banking. In December 1997, the Bank significantly boosted its capabilities in this area when it established its state-of-the-art Direct Banking Center. The center, which is staffed by approximately 100 employees, provides a wide range of telephone banking services, including various services for individual customers. These include a mail-order service for personal loans, Internet and PC-based transaction services, and interactive multimedia consultation services. The Bank's Pension Desk, through which customers can obtain information on various pension plans, the Loan Desk, which offers information on special-purpose loans, and other free-dial services have been transferred to the Direct Banking Center.

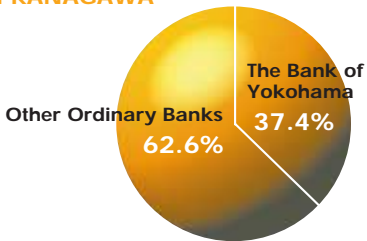
In January 1998, the Bank augmented its delivery network with a comprehensive telephone banking service. Customers may deposit and transfer money, open term deposits, cancel accounts, request account information, and receive loan consultations using this service.

The Bank also continued to upgrade the capabilities of its ATMs and automated banking centers. In May 1997, a new service that allows customers to renew or cancel term deposits was introduced. As of March 31, 1998, there were 305 centers in the Bank's automated network, up from 293 at the previous fiscal year-end.

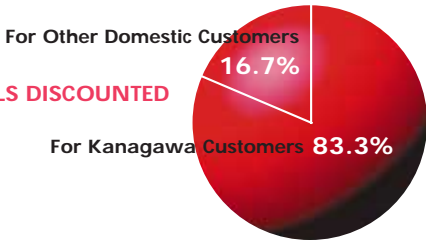
In line with its policy of providing better services for senior citizens, in December 1997 the Bank introduced its Rainbow Account, which offers a rate of interest above that of regular savings accounts. With a phased increase in the eligibility age for pension benefits from 60 to 65 expected from 2001, we are studying various ways to meet the particular financial needs of senior citizens.



PERCENTAGE OF DEPOSITS IN KANAGAWA



LOANS AND BILLS DISCOUNTED IN KANAGAWA





One of the Bank's priorities under INNOVATION 21 is to strengthen its customer base while supporting the growth of new businesses and regional companies.

In September 1997, the Bank launched its Super Card Transfer Service, which improves administrative efficiency for customers that process a large number of deposit transactions by simplifying payment confirmation. In April 1998, the Bank introduced a new electronic banking (EB) system software that enables customers to perform a broader range of EB services.

The Bank of Yokohama provides trust agency services to such leading institutions as the Toyo Trust & Banking Co., Ltd., Mitsubishi Trust & Banking Corp., and Credit Suisse Trust & Banking Co., Ltd., and is steadily reinforcing its position in this market. Also, the Bank retains a high standing among regional public institutions—the services it provides in this area include acting as lead manager for syndicates in the placement of prefectural and municipal bonds and providing intermediary services between regional public authorities and trust banks. As of March 31, 1998, the Bank's outstanding loans, including debt securities, to regional public institutions amounted to ¥505.7 billion.

Looking ahead, the Bank is pursuing various measures that will enable its customers to take full advantage of multimedia technologies. In April 1997, the Bank upgraded its Internet home page for customer convenience and in May 1998 joined with 14 other banks to provide trial Internet banking services for on-line shopping as well as banking transactions. The Bank is also participating in trials using electronic money.



As outlined earlier in this report, in fiscal 1998 the Bank plans to reorganize its overseas network, which will comprise one subsidiary and seven representative offices. Nevertheless, to meet diverse customer needs, the International Department set up the Overseas Loan Group, which provides offshore loans to non-resident customers, and is taking various other steps to improve the quality and expand the range of international financial services the Bank provides.

There are currently 37 domestic branches that offer foreign exchange services, including trade finance services, and the Bank intends to significantly increase the number of branches that accept foreign currency deposits during fiscal 1998.

The overseas cash service for the Yokohama Bank Card and superior foreign currency deposits are examples of the products and services the Bank has introduced in response to revisions to the Foreign Exchange and Foreign Trade Control Law of Japan. Future plans call for honing expertise in international financial technologies and setting up specialist banking teams to enhance the Bank's private banking activities as well as for the opening of in-branch investment trust sales counters in December 1998.

The Bank plans to compensate for its rationalization overseas by strengthening its alliances with The Hongkong and Shanghai Banking Corporation Limited, Bangkok Bank Public Company Limited, and other leading international financial institutions. Such action will reinforce the Bank's ability to provide loans and other foreign currency services as well as economic and financial information on local markets.

Moreover, to strengthen its underwriting capabilities in international capital markets, the Bank will promote further cooperation between its wholly owned securities company, BOY Securities Co., Ltd., and Bank of Yokohama (Europe) S.A., its investment banking subsidiary in Brussels.