



Bank of Yokohama

Information Meeting

~ Financial Results for FY10 ~

May 23, 2011

The Bank of Yokohama, Ltd.

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1. Operating Performance

1. Operating Performance

(1) Financial Summary for FY2010

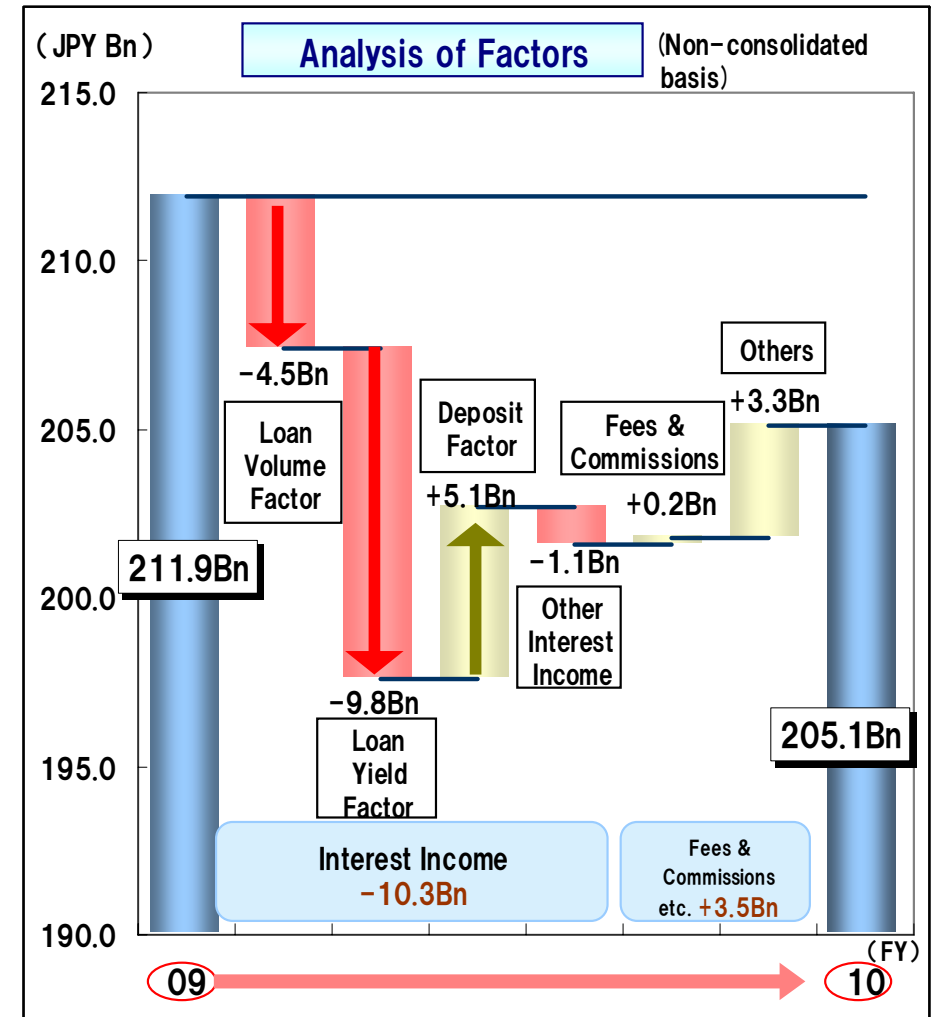
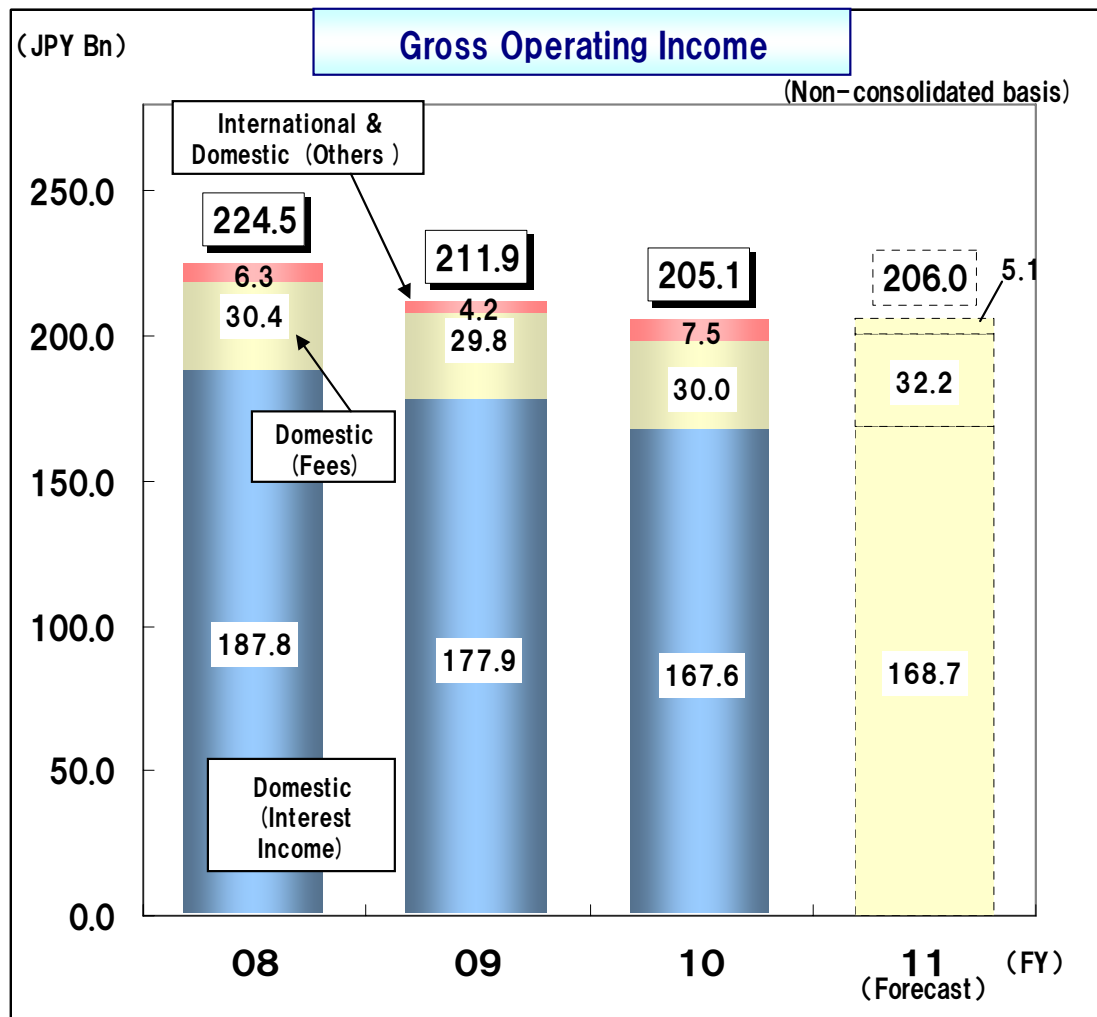
- FY10: Net Income increased by **JPY14.4Bn** (+46.4%) from FY09 to **JPY45.4Bn**.
- Covered a decrease in interest income due mainly to a decline in market interest rate, through **compression of expenses** and **a reduction of credit costs**.
- There is little damage of the branches due to the Tohoku-Pacific Ocean Earthquake and the influence on the business is also extremely limited.

<Non-consolidated basis>	FY09 Actual	FY10 Actual	Increase /Decrease	Difference from FY10 forecast (announced in Nov-10)	(JPY Bn)
Gross Operating Income	211.9	205.1	-6.8	-0.9	
Gross Operating Income from Domestic Operations	209.0	202.7	-6.3	-0.8	
Interest Income	177.9	167.6	-10.3	0.0	
Of which, loans	172.0	157.6	-14.4	-	
Of which, securities	17.5	17.2	-0.3	-	
Of which, deposits (-)	12.3	7.4	-4.9	-	
Fees and Commissions	29.8	30.0	+0.2	-1.9	
Trading Profits	0.5	0.4	-0.1	-	
Other Operating Income	0.7	4.5	+3.8	+1.1	
Gross Operating Income from International Operations	2.8	2.4	-0.4	-0.1	
Expenses	99.9	98.7	-1.2	-0.8	
Of which, personnel	38.9	38.1	-0.8	-	
Of which, facilities	54.5	54.8	+0.3	-	
Net business profit	111.9	106.4	-5.5	-0.1	
<i>Credit costs(-)</i>	55.8	28.9	-26.9	-14.1	
<i>Gains or losses on stocks and other securities</i>	2.8	0.0	-2.8	-	
<i>Of which, losses on devaluation of stocks and other securities(-)</i>	0.7	1.0	+0.3	-	
Ordinary profit	52.8	74.9	+22.1	+3.4	
Net income	31.0	45.4	+14.4	+2.4	
<Consolidated basis>					
Ordinary profit	53.7	81.6	+27.9	+5.1	
Net income	30.9	47.0	+16.1	+3.0	

1. Operating Performance

(2) Gross Operating Income

- FY10: Gross Operating Income decreased by **JPY6.8Bn (-3.2%)** from FY09 to **JPY205.1Bn**.
- The main factor was a **JPY10.3Bn** decline in interest income attributed to a decline in market interest rate.
- FY11 Forecast: **JPY206.0Bn (+JPY9.0Bn, +0.4%** from FY10).

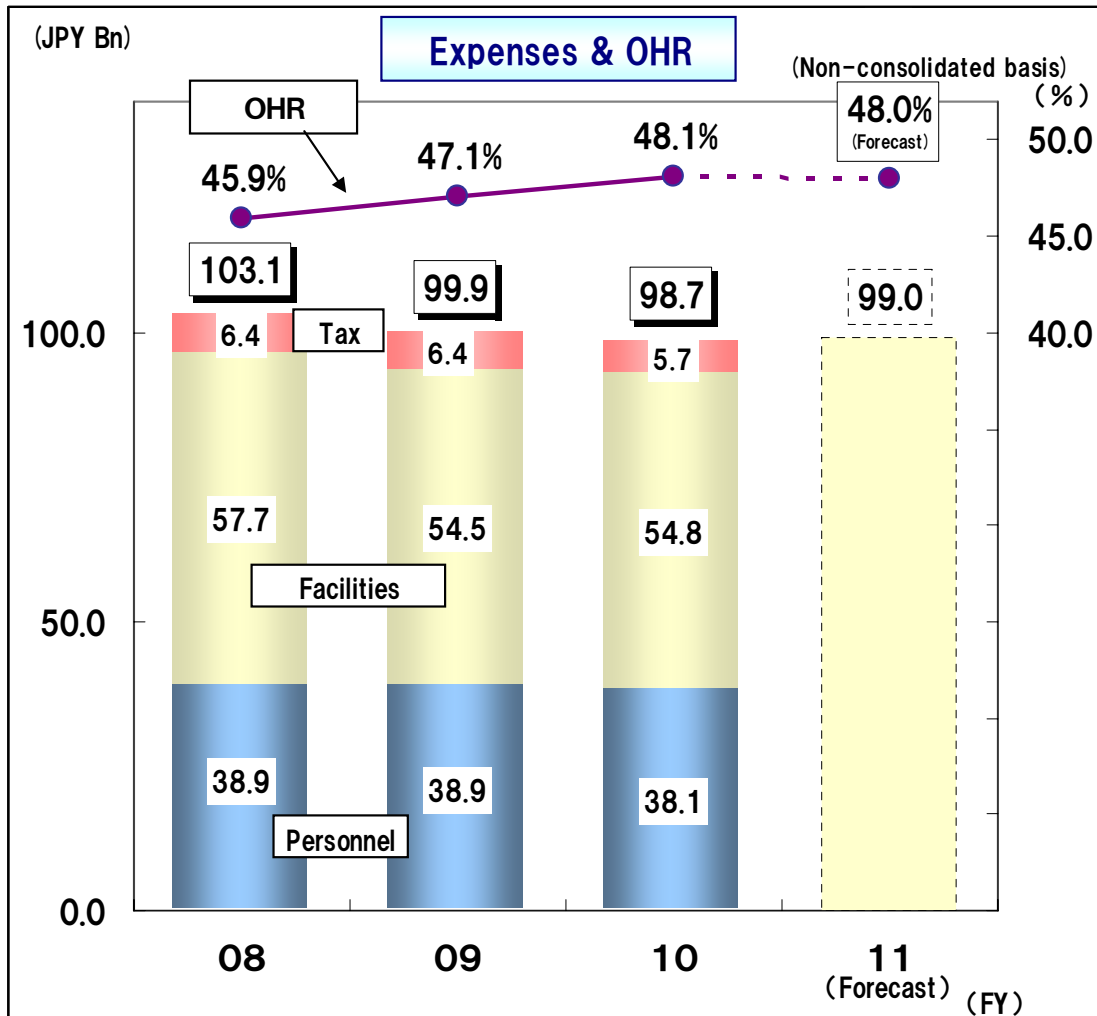


(note) Deposit factor includes increase/decrease attributed to NCD.

1. Operating Performance

(3) Expenses & OHR

- FY10: Expenses were **JPY98.7Bn** (-JPY1.2Bn, -1.2% from FY09). OHR was **48.1%**.
- FY11 Forecast: **JPY99.0Bn** (+JPY0.3Bn, +0.3% from FY10). OHR will remain within the same level of FY10.



Comparison from FY09

	(JPY Bn)		
	FY09 (actual)	FY10 (actual)	change
Expenses	99.9	98.7	-1.2
Personnel	38.9	38.1	-0.8
Facilities	54.5	54.8	+0.3
Tax	6.4	5.7	-0.7
OHR(%)	47.1	48.1	+1.0

Factors behind the change:

Personnel: -JPY0.8Bn

Decrease in Overtime Payment, etc

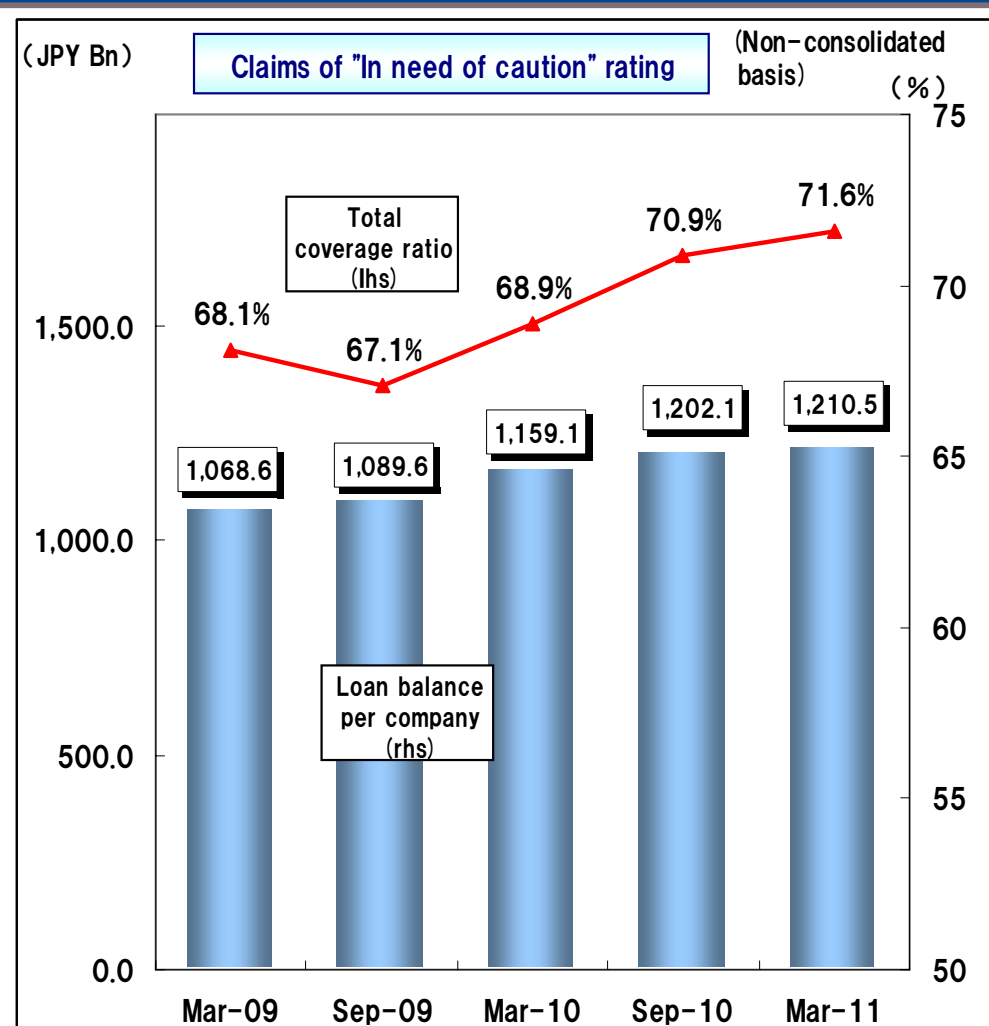
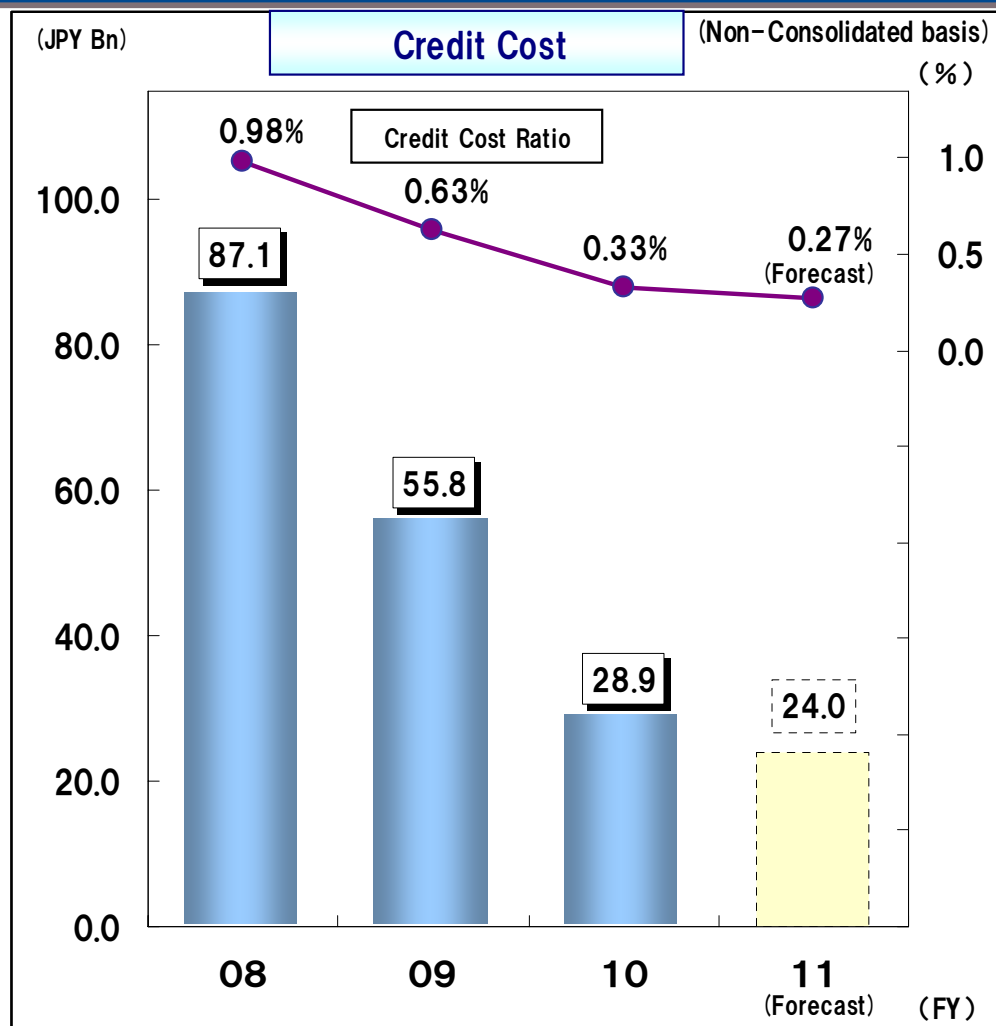
Facilities: +JPY0.3Bn

Increase in Outsourcing Costs, etc

1. Operating Performance

(4) Problem Claims ~ Transition of Credit Costs

- FY10: Credit Costs (non-consolidated basis) decreased by **JPY26.9Bn (-48.2%)** from FY09 to **JPY28.9Bn**.
- Although the balance of loans rated “in need of caution” remained almost unchanged from FY09, the total coverage ratio improved steadily.
- FY11 Forecast (non-consolidated): **JPY24.0Bn** (down **4.9Bn, -16.9%** from FY10).



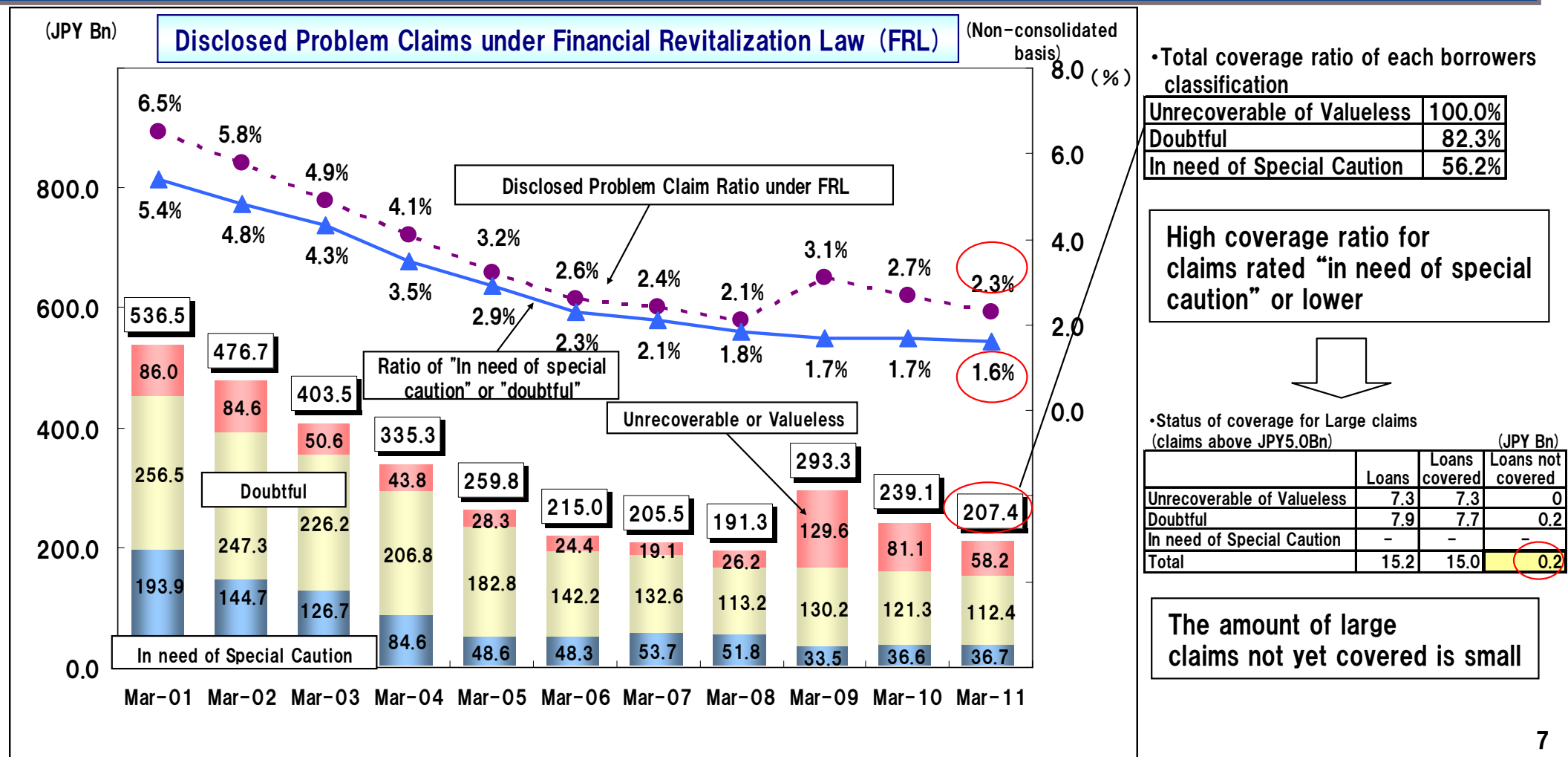
(note1) Credit Costs = Disposal of Problem Claims + Transfer to Allowance for general loan losses

(note2) Credit cost ratio = Credit costs ÷ Average balance of loans

1. Operating Performance

(4) Problem Claims ~ Disclosed Problem Claims under FRL

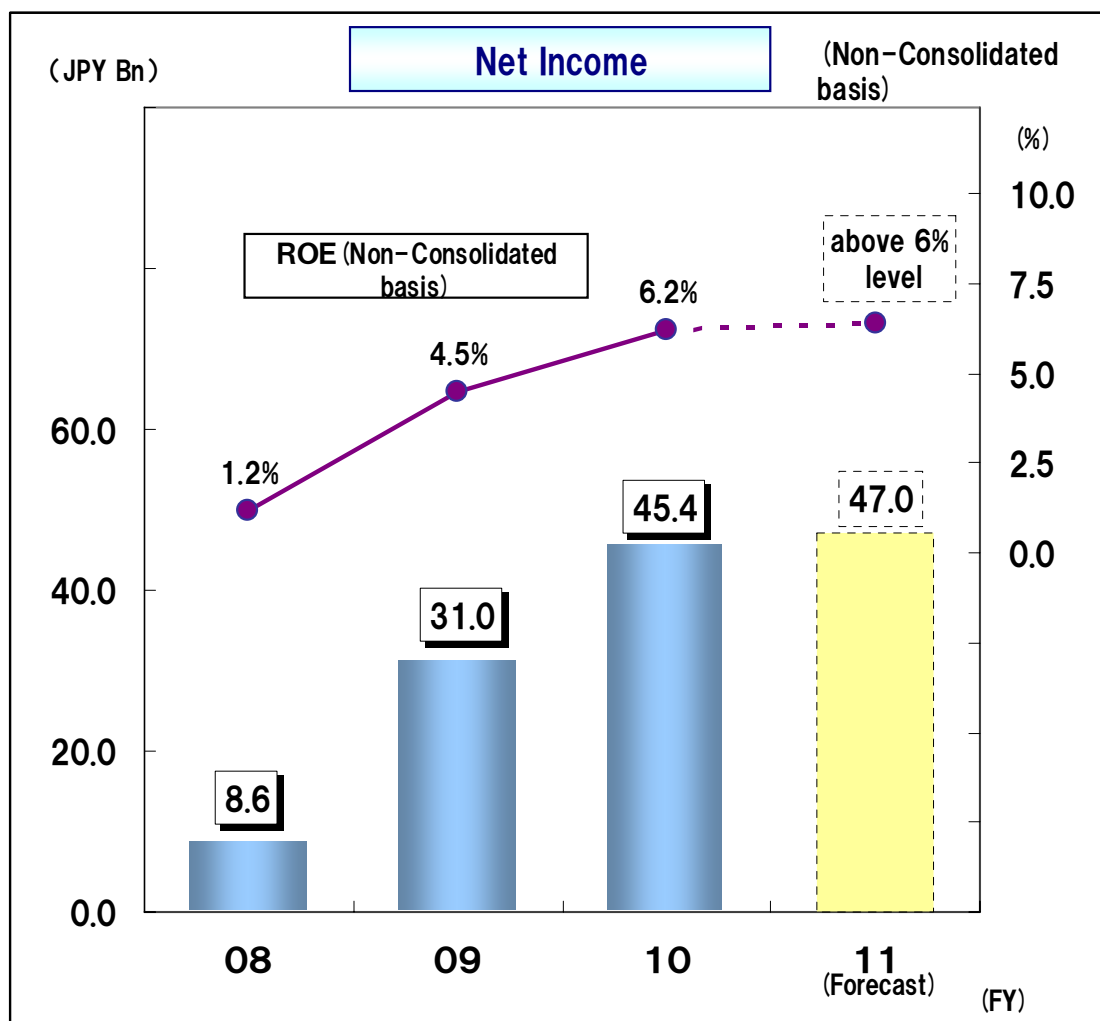
- Problem claims at the end of March 2011 (non-consolidated basis) came to **JPY207.4Bn**, a decline of **JPY31.7Bn** from the end of March 2010, as the credit classification of certain troubled borrowers improved due to the Bank's management improvement support, and off-balancing transactions.
- The ratio of **claims categorized "in need of special caution" or "doubtful"**, which are likely to cause future credit cost increases, was **1.6%**, maintaining the lowest level in the past 10 years.
 <Note> Unrecoverable or valueless claims are 100% covered by collateral, guarantees or provided allowances.



1. Operating Performance

(5) Net Income

- FY10: Net Income (non-consolidated basis) increased to **JPY45.4Bn** (+JPY14.4Bn, +46.6% from FY09).
- As a result of a decline in credit costs (-JPY26.9Bn) and other factors, net income exceeded FY10 forecast by **JPY2.4Bn**.
- FY11 Forecast (non-consolidated): **JPY47.0Bn** (+JPY1.6Bn, +3.4% from FY10).



Comparison from FY09

	FY09 (actual)	FY10 (actual)	change	(JPY Bn) FY10 Forecast Non-consolidated net income: JPY43.0Bn
Net Income(Non-Consolidated)	31.0	45.4	+14.4	Difference from FY10 forecast: +JPY2.4Bn
ROE (Net Income base, non-consolidated)	4.5%	6.6%	+2.1%	

Factors behind the change:

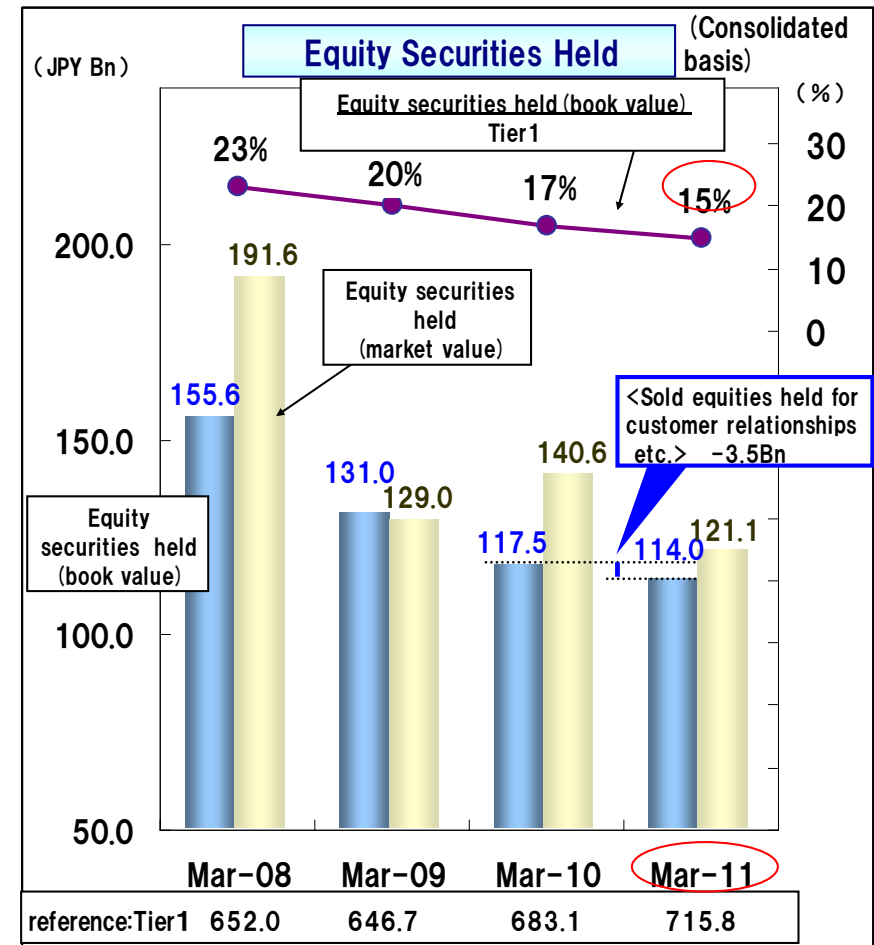
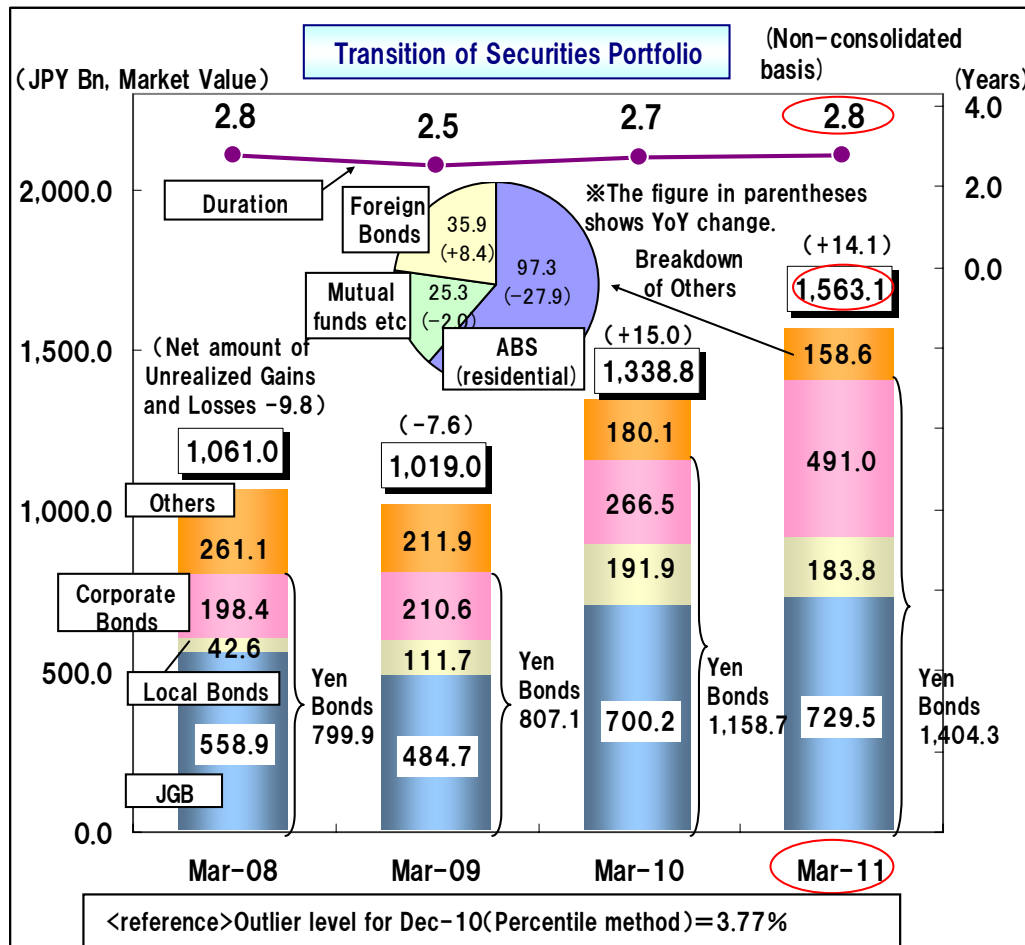
- Decrease in Core Net Business Profit: -JPY5.5Bn
- Decrease in Credit Cost: -JPY26.9Bn
- Decrease in Stock related loss etc.: -JPY2.8Bn
- Increase in Extraordinary income: +JPY2.6Bn
- Increase in Income tax etc.: +JPY10.4Bn

(Note) ROE = Net Income ÷ Net Asset(Average, excluding subscription rights to share)

1. Operating Performance

(6) Securities & Equities Portfolio

- While maintaining a sound portfolio focusing on JGBs, we made diversified investments that factor in the risk/return balance and allow for stable returns.
- We sold equities held for customer relationships continuously in FY10, reducing the ratio of equities held to Tier 1 capital to **15%**.



(Note 1) The balance and the unrealized losses covers only available for sale securities with market value, but does not cover stocks.

(Note 2) The duration does not contain ones of foreign bonds and investment trusts.

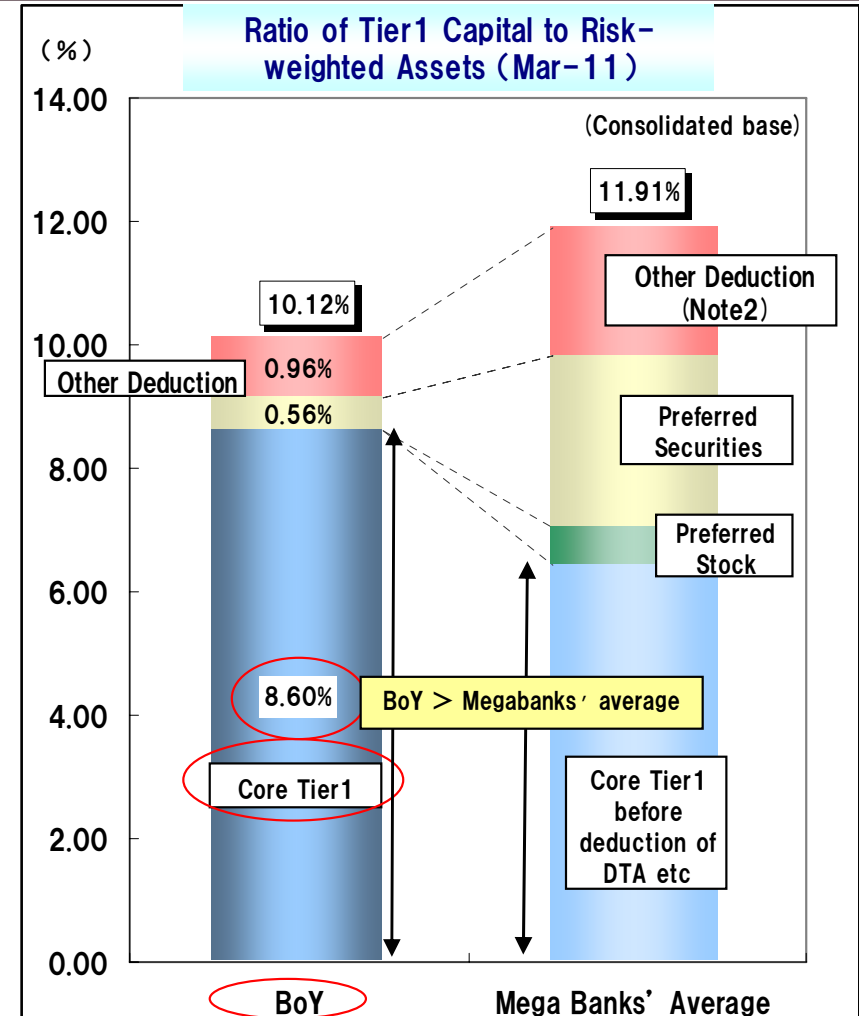
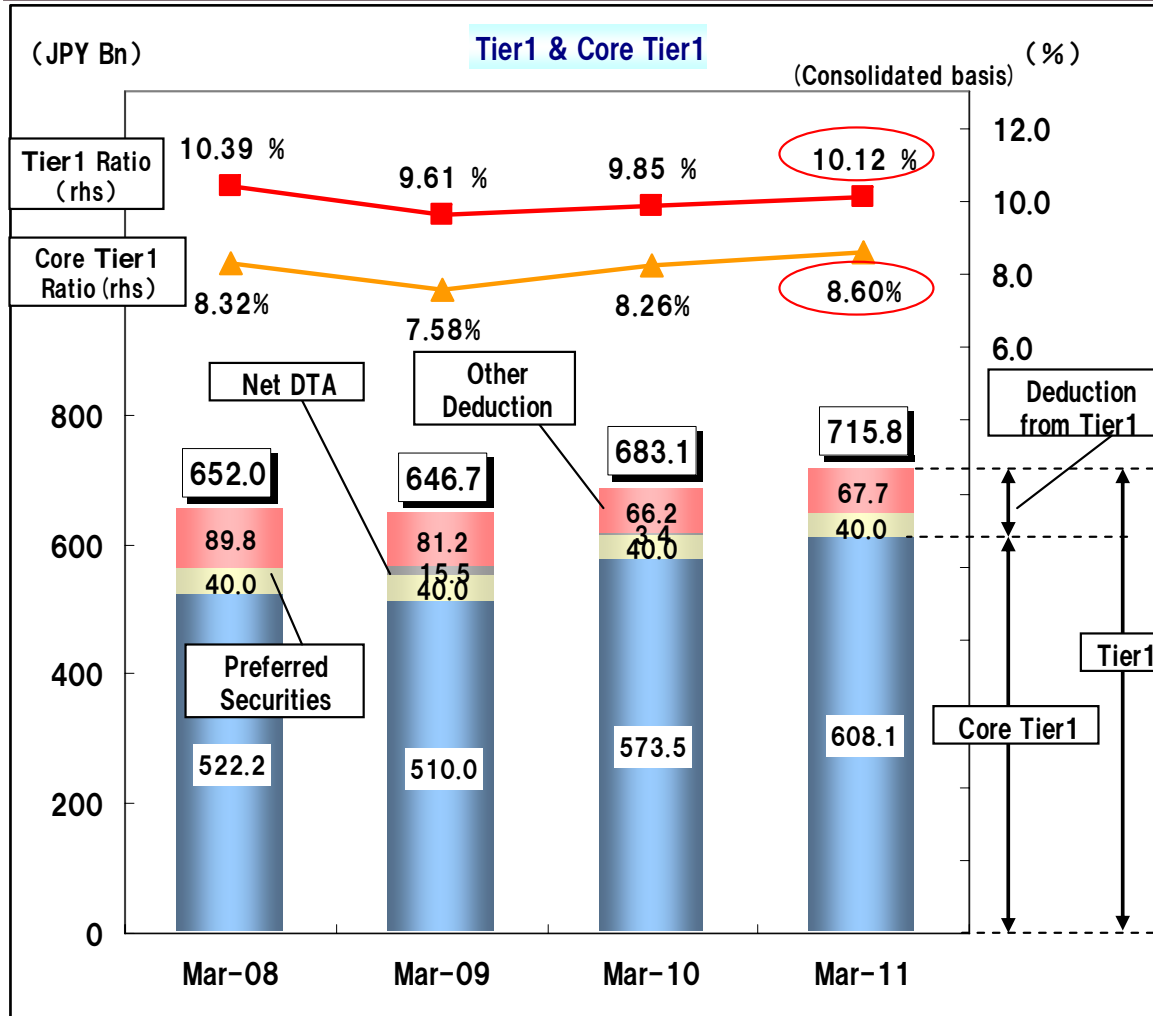
(Note 3) Figures from Mar-10 are based on figures before implementation of "Accounting standard for financial instruments" (ASBJ statement No.10, 2008/3/10)

(Note4) Equity securities: Securities with market value

1. Operating Performance

(8) Tier 1 Capital

- FY10: Tier1 Ratio (consolidated) was **10.12%** remaining at high level.
- Core Tier1 Ratio which indicates the vital portion of Tier1 was also high at **8.60%**. Surpassing the average of mega banks, we secured an advantageous position with regard to "capital quality".



(Note1) Before Mar-09:domestic standard. After Mar-10:international standard

(Note2) Core Tier1 Ratio= {Tier 1 - (preferred stock + preferred securities + net deferred tax assets etc.) } / Risk assets

(Note3) Net Deferred Tax Assets reflects the suggestion made by the Basel Committee in 10/7.

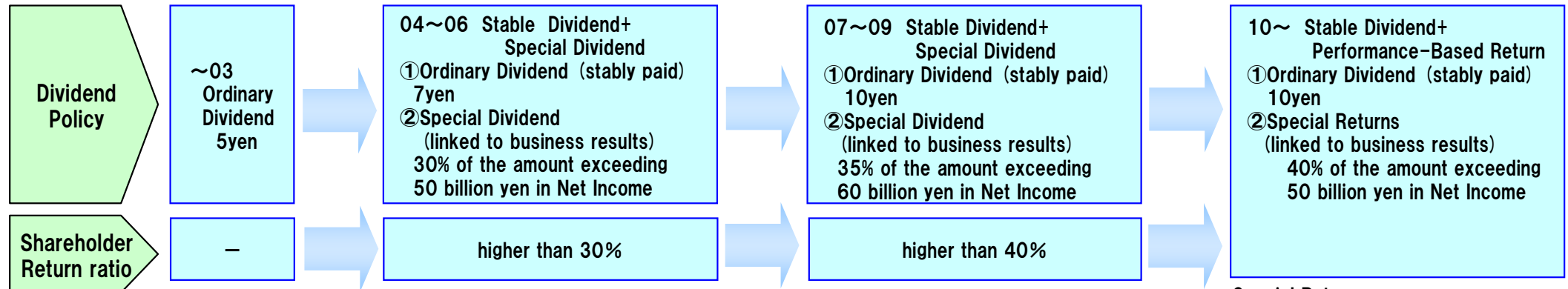
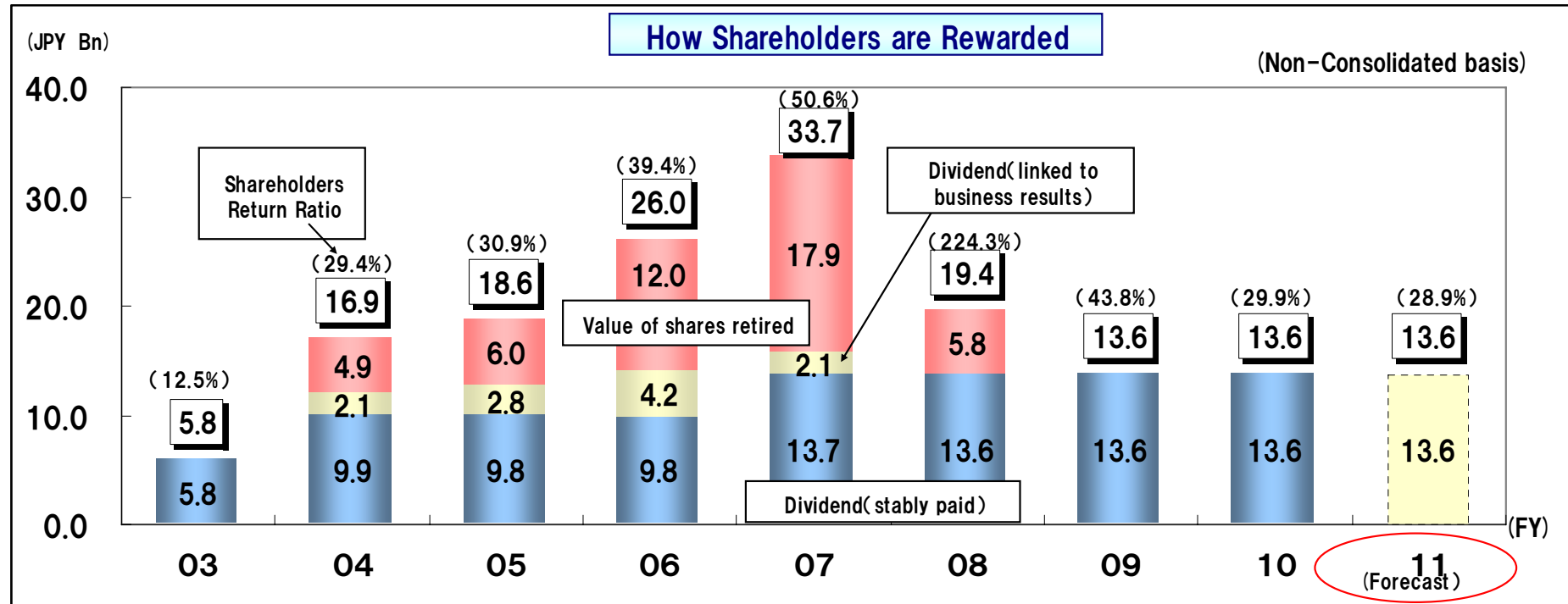
(Note1) Mega Banks: Mitsubishi UFJ FG, Sumitomo Mitsui FG, Mizuho FG

(Note2) Total of Intangible fixed assets without Goodwill and Prepaid pension cost and Minority interest

1. Operating Performance

(9) Shareholder Return

- FY10: Paid dividend of 10 yen per annum, maintaining the stable dividend.
- FY11: The dividend of 10 yen per annum is planned to continue.



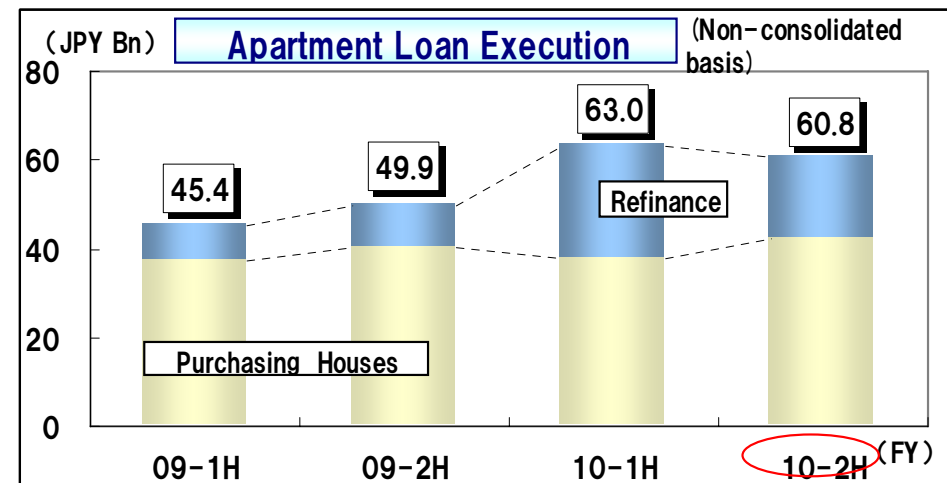
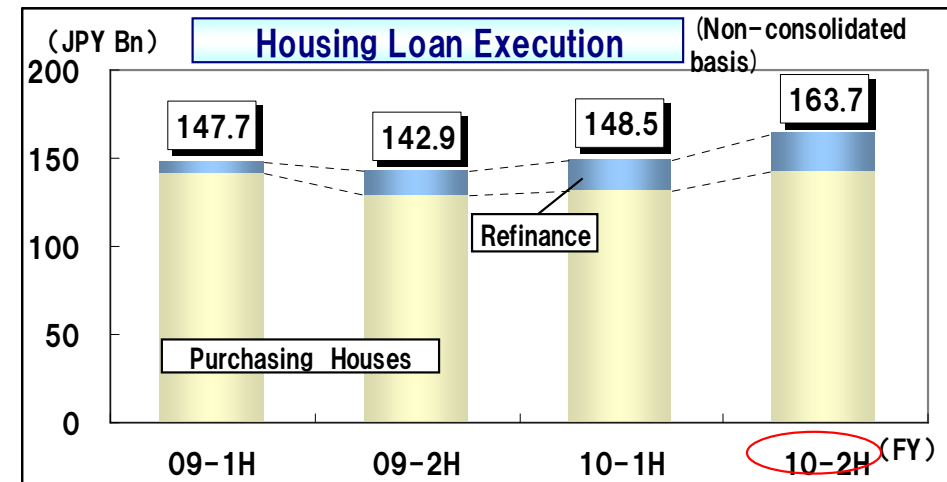
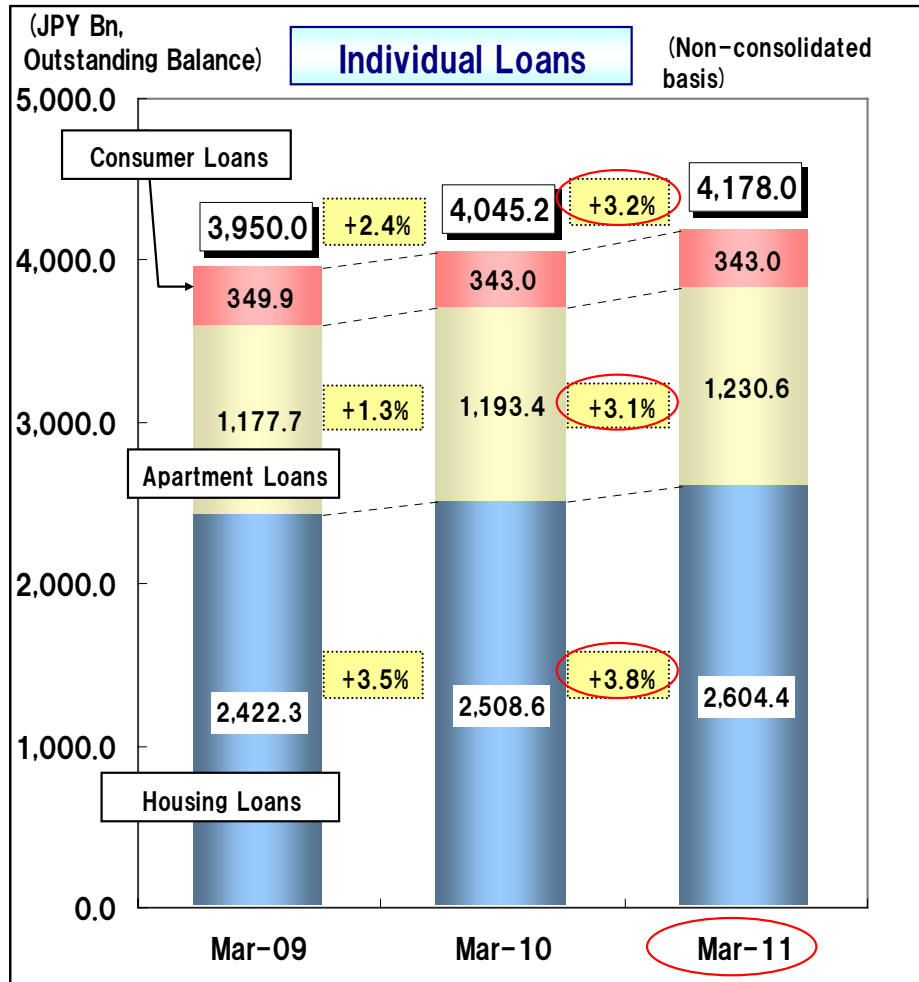
Special Returns=
Special Dividends + Share Buy-backs

2. Business Performance

2. Business Performance

(1) Individual Loans

- Mar-11: Housing Loans grew by **3.8%**, Apartment Loans grew by **3.1%**. Total growth is **3.2%** from Mar-10.
- By actively engaging in assumption from other banks, refinance execution has steadily increased both in housing loans and apartment loans.

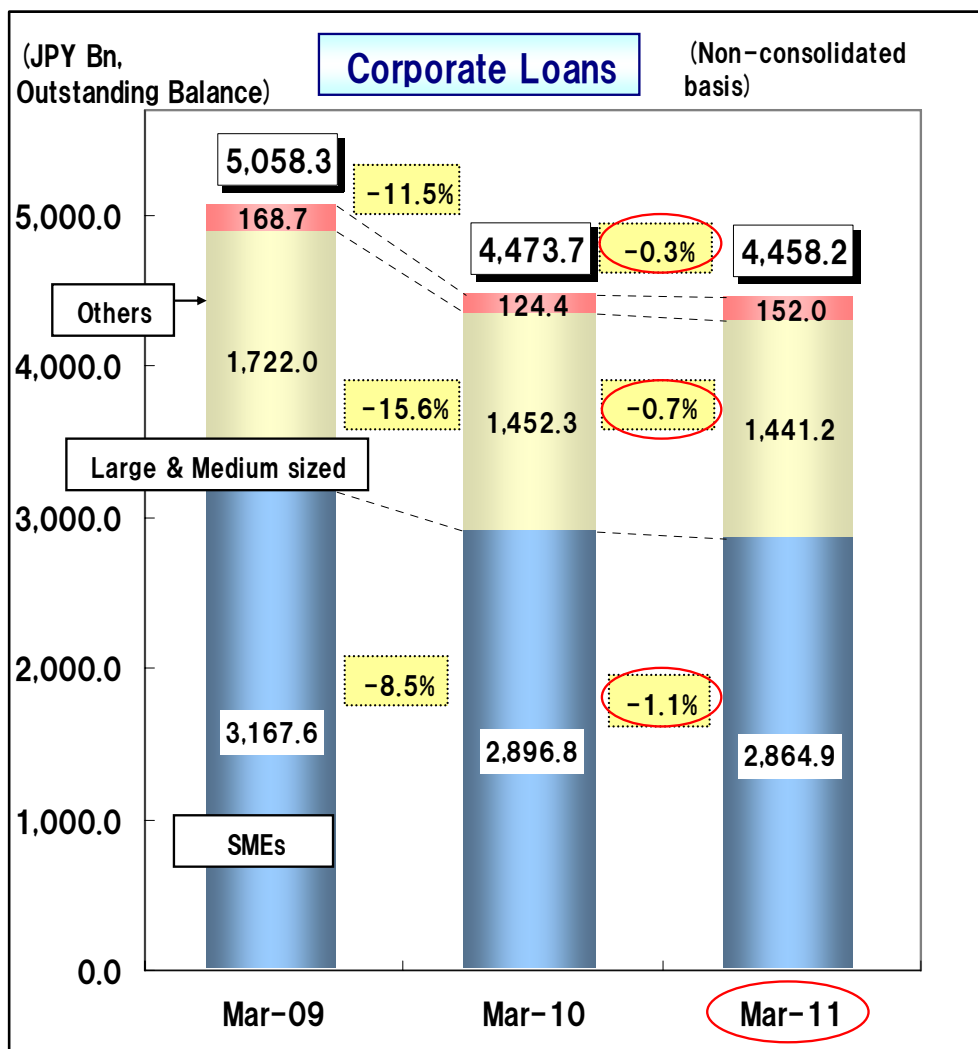


(Note1) The securitization of the housing loan is executed for JPY14.1Bn in FY10. Substantial increasing rates except this influence are 4.3%.

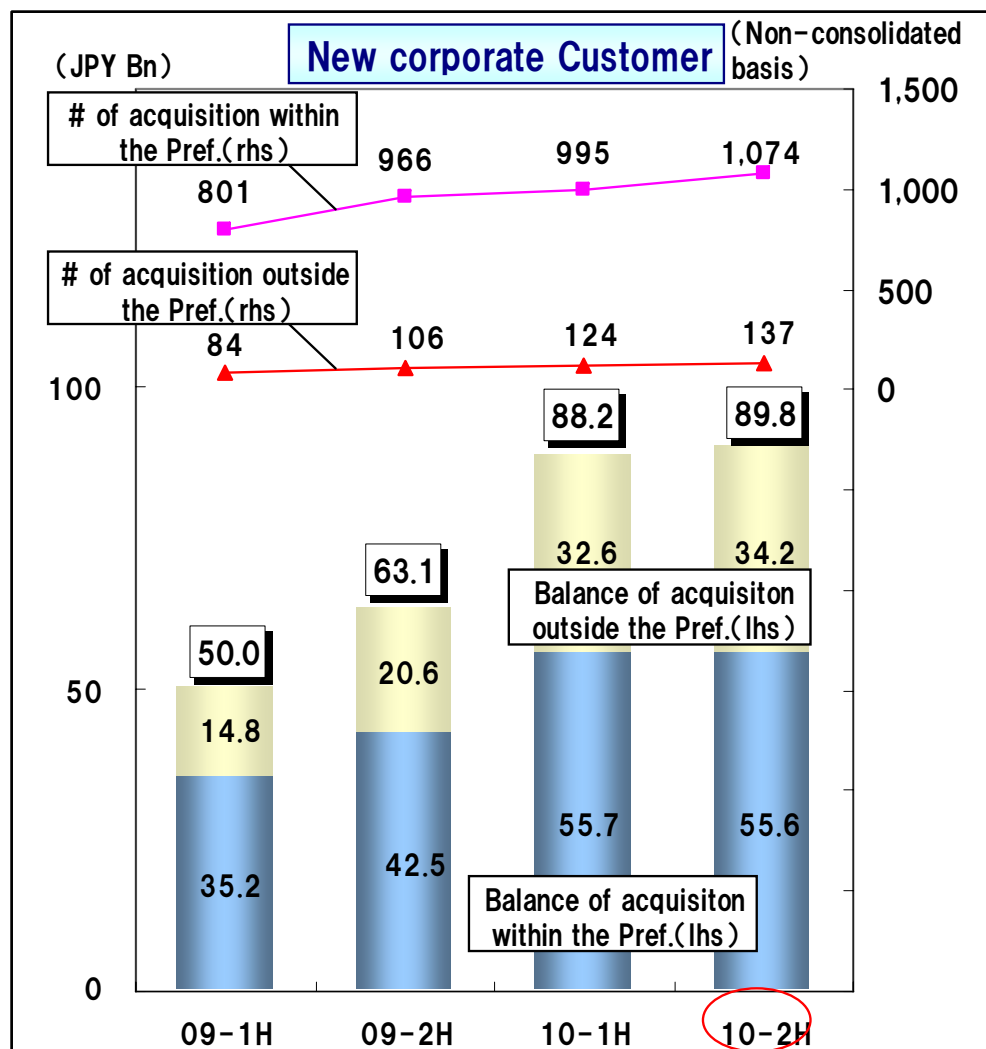
2. Business Performance

(2) Corporate Loans

- Mar-11: Corporate loans declined by **-0.3%** from Mar-10.
- New corporate customers have mainly been acquired within the prefecture. Corporate sales has been enhanced by adding new staff in FY11.



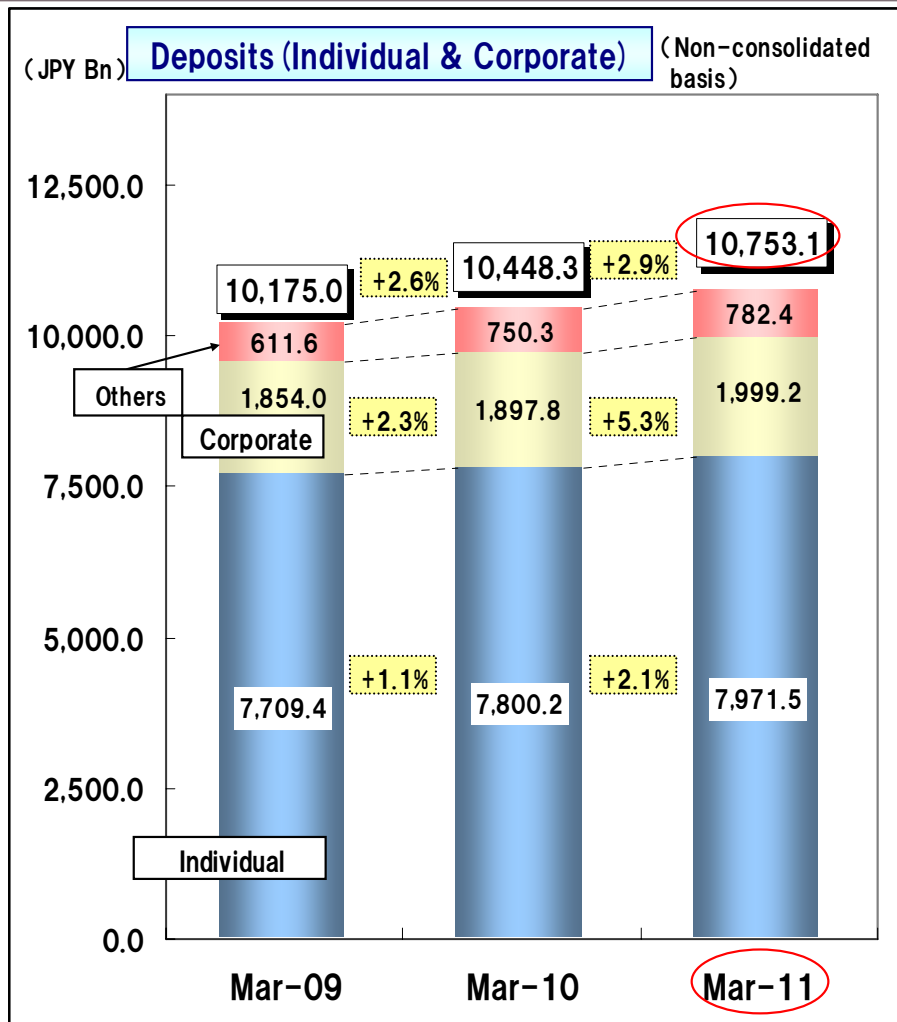
(Note1) "Others" include loans to public and public related sectors.



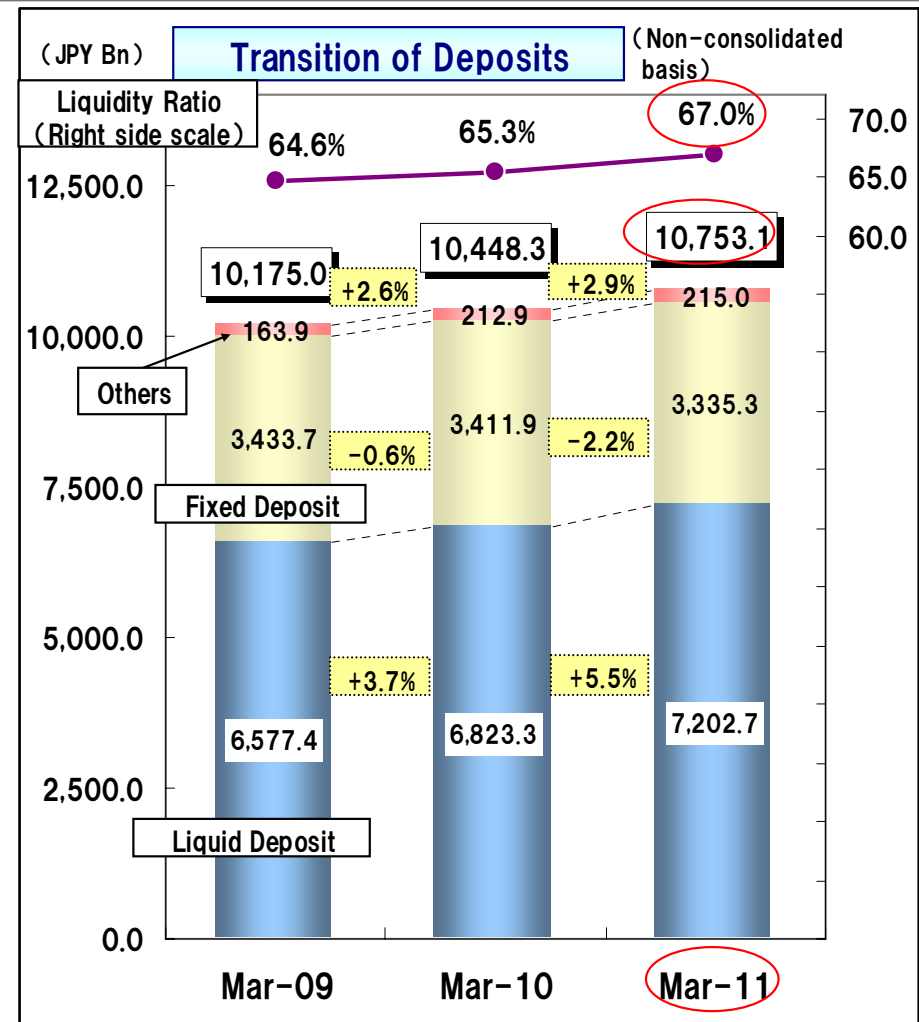
2. Business Performance

(3) Deposits

- Mar-11: Deposits grew by **+2.9%** from Mar-10, maintaining the increase.
- Liquidity ratio is **67.0%**, maintaining the highest level among regional banks (Regional bank average: **about 53.3%**).
- While transition of individual deposits are steadily, corporate deposits increased by **+5.3%** from Mar-10 because of accumulation of corporate cash reserves.



(Note1) Others = Local Public + Financial Institutions



(Note1) Liquid Deposit = current, ordinary, saving, and other deposits.

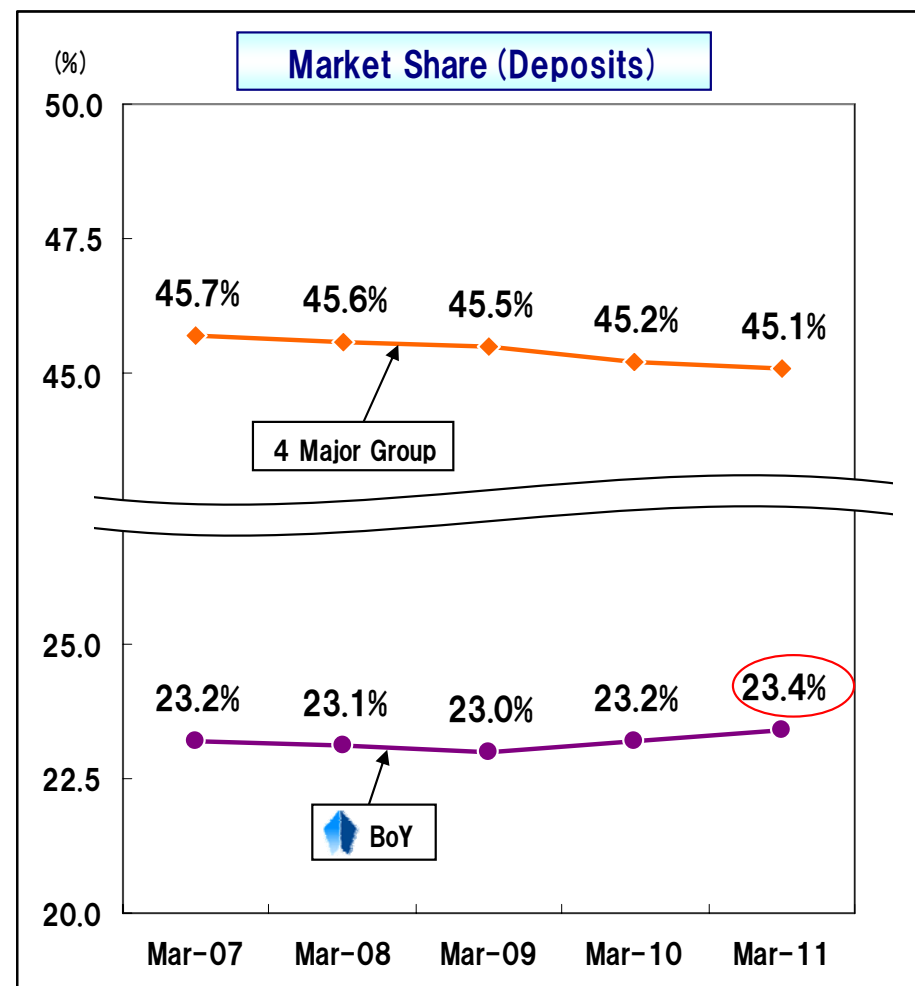
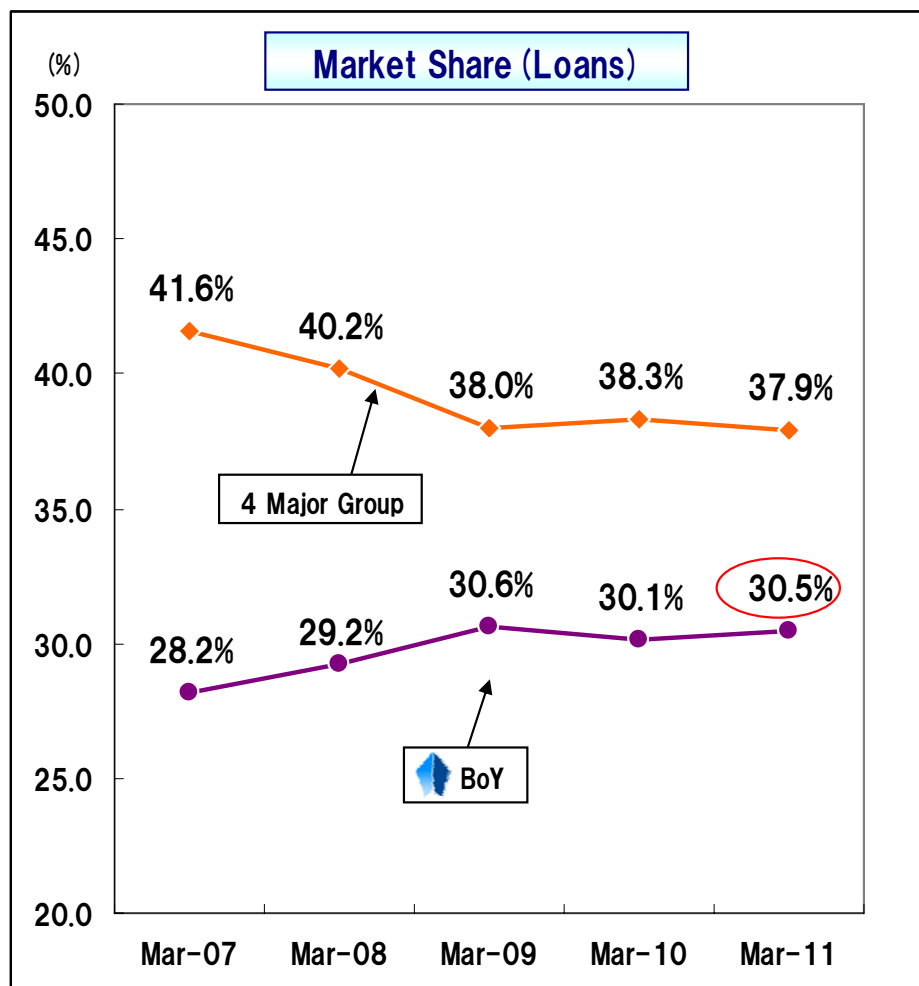
(Note2) Fixed Deposit = time deposit etc.

(Note3) Others = miscellaneous and other deposits.

2. Business Performance

(4) Market Share in Kanagawa Prefecture

- Mar-11: Market share of loans was **30.5%**, and the share of deposits was **23.4%**.
- As a result of steady engagement in strengthening regional retail, market share within the prefecture rose.



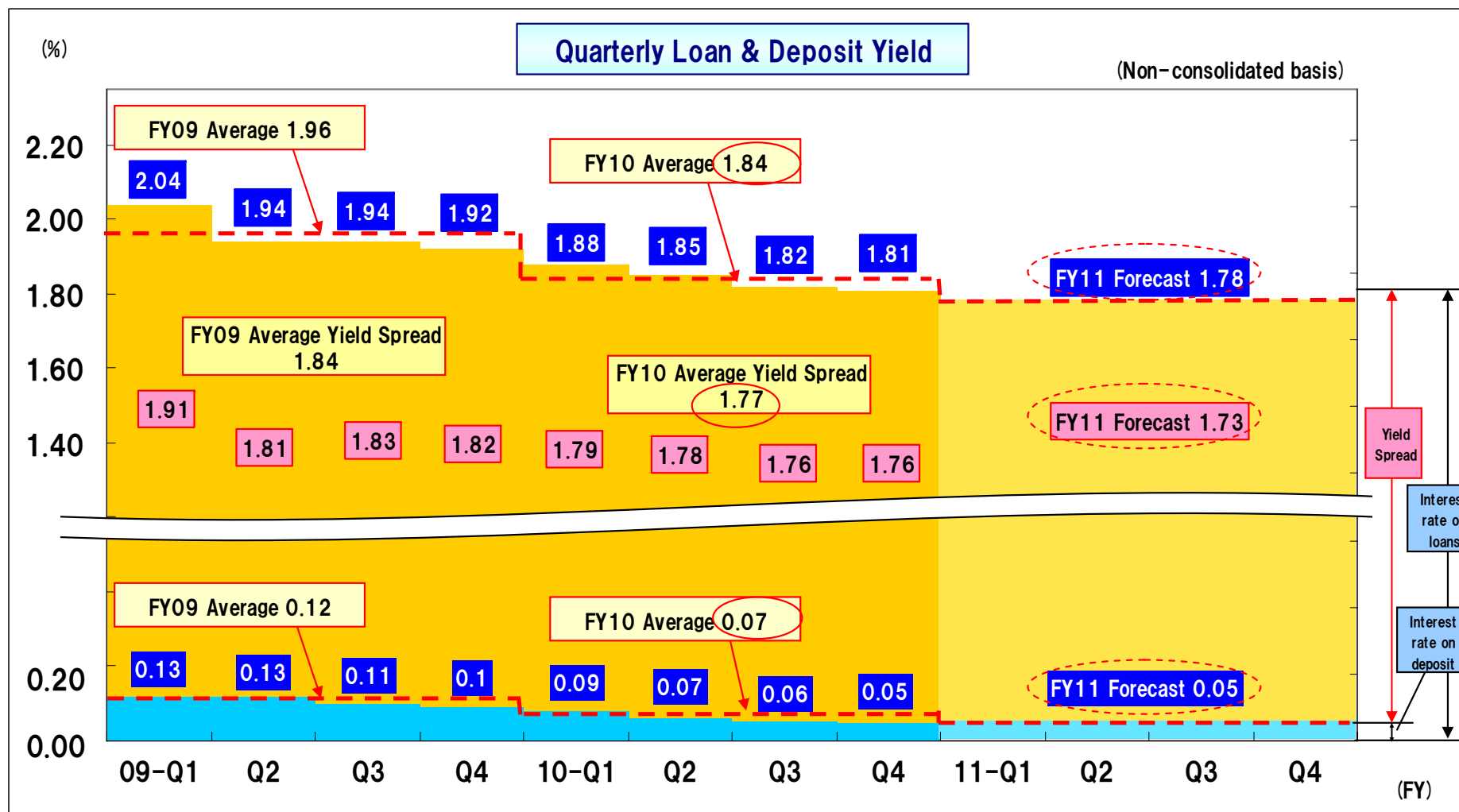
(Note1) Market share above does not include Japan Post, Credit Unions & JA. (Bank estimates)

(Note2) 4 Major Group: Mitsubishi UFJ FG, Sumitomo Mitsui FG, Mizuho FG, Resona HD

2. Business Performance

(5) Loan & Deposit Yield (Domestic Operations)

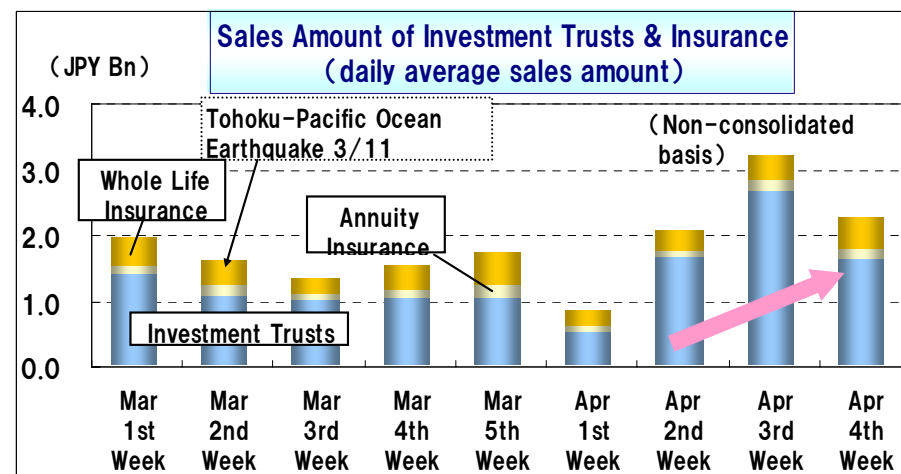
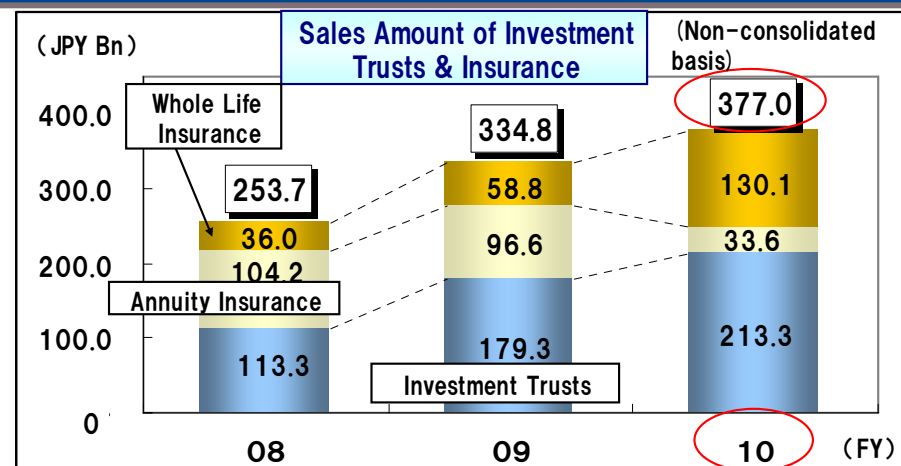
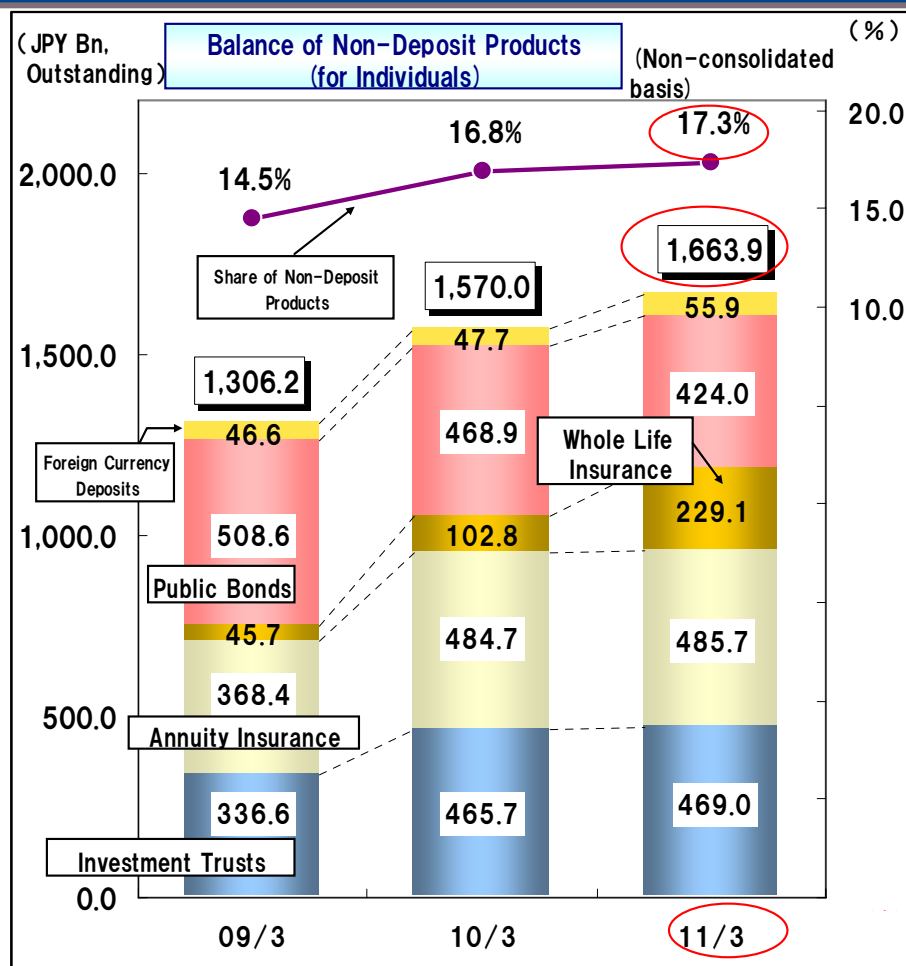
- FY10-4Q: As a result of a decline in the market interest rate, Loan Yield declined to **1.81%**, Deposit Yield declined to **0.05%**, and Yield spread shrunk to **1.76%**.
- FY11 Forecast: Yield spread expected is **1.73%**.



2. Business Performance

(6) Non-Deposit Products

- The balance of non-deposit products at the end of March 2011 was **JPY1,663.9Bn**, an increase by **JPY93.9Bn** from the end of March 2010.
- Sales amount of investment trust and insurance products was **JPY377.0Bn**, +**12.6%** increase from FY09.
- Although sales amount of non-deposit products temporarily lagged owing to the impact of the Tohoku-Pacific Ocean Earthquake, the daily average sales amount since the second week of April exceeded JPY2.0Bn.



(Note1) Share of Non-Deposit Products = Outstanding balance of Non-Deposit Products ÷ (outstanding balance of individual deposits + outstanding balance of Non-Deposit Products)

(Note2) Insurance = annuity insurance + whole life insurance

3. Management Strategies

3. Management Strategies

(1) Branch Network Strategy ~Development of new channel strategy

- **Tamagawa consulting plaza** was newly opened in Tokyo, in order to meet customers' needs on one-stop basis.
- "Quick counter" was started as a trial in order to provide the storefront service which avoids customers waiting.

"Tamagawa consulting plaza"



- ✓ All kinds of consultation services for individual customers
- ✓ Open on 7 days
- ✓ Consulting counter of Hamagin TT Securities

High-value financial services for customers

"Quick counter"



- ✓ The counter is equipped with ATM and account terminal. Customers operate ATM by themselves.
- ✓ Waiting time is reduced, filling in forms is not necessary.

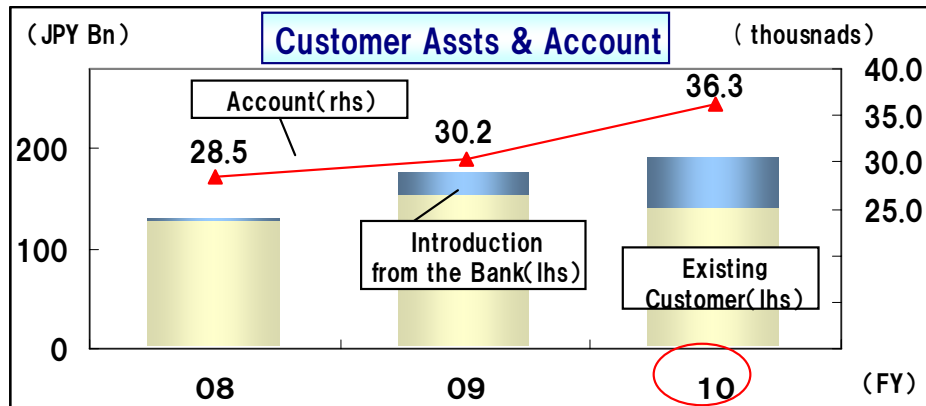
Easy-to-use service channels for customers

3. Management Strategies

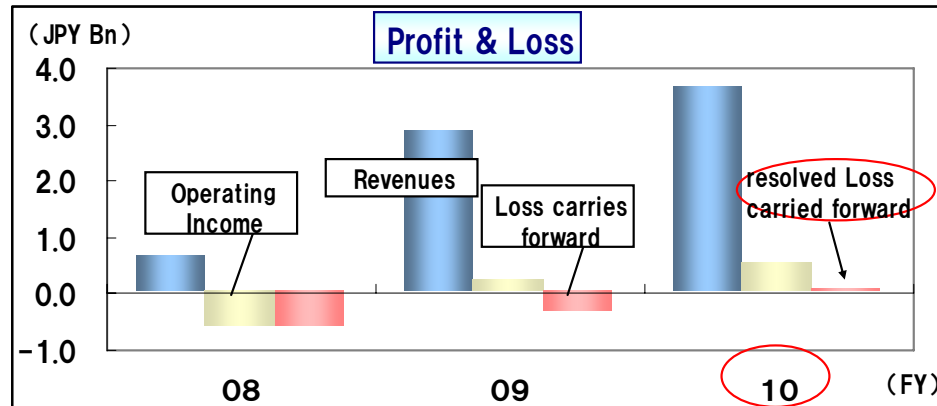
(2) Securities business Strategy

- Hamagin TT Securities **progressively grew** both its number of accounts and its balance of deposit assets, by contribution of the bank's introduction.
- In terms of profit and loss, it has been in the black since the second year of opening, and **dissolved loss carried forward** in its third year.
- In FY10-H2, HTTS opened **Consulting booth Tamagawa** to be an important sales base in the southern Setagaya ku.

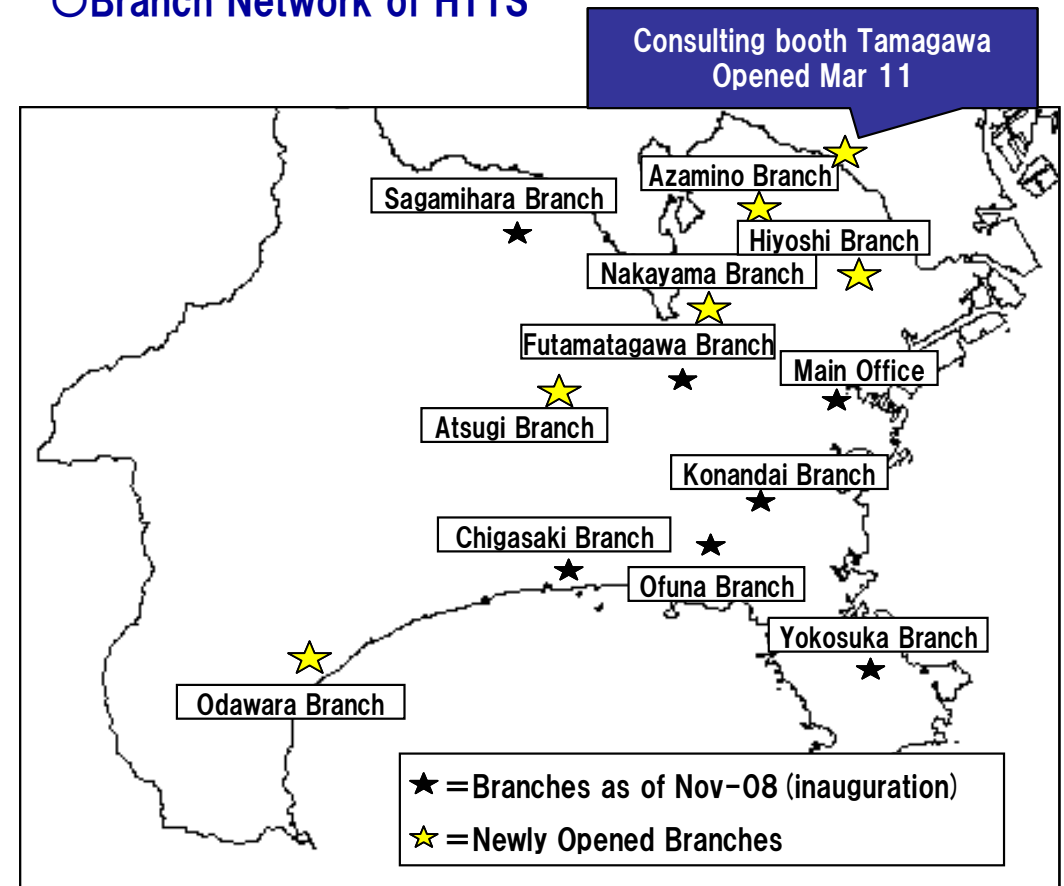
○Business Performance of HTTS



○Achievement of HTTS



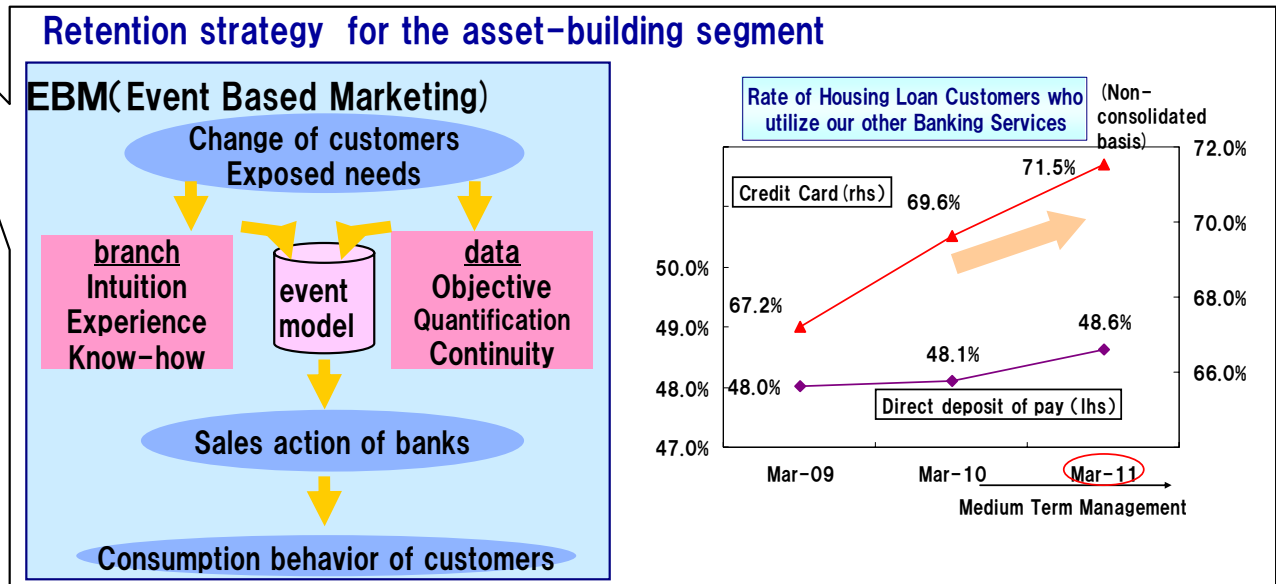
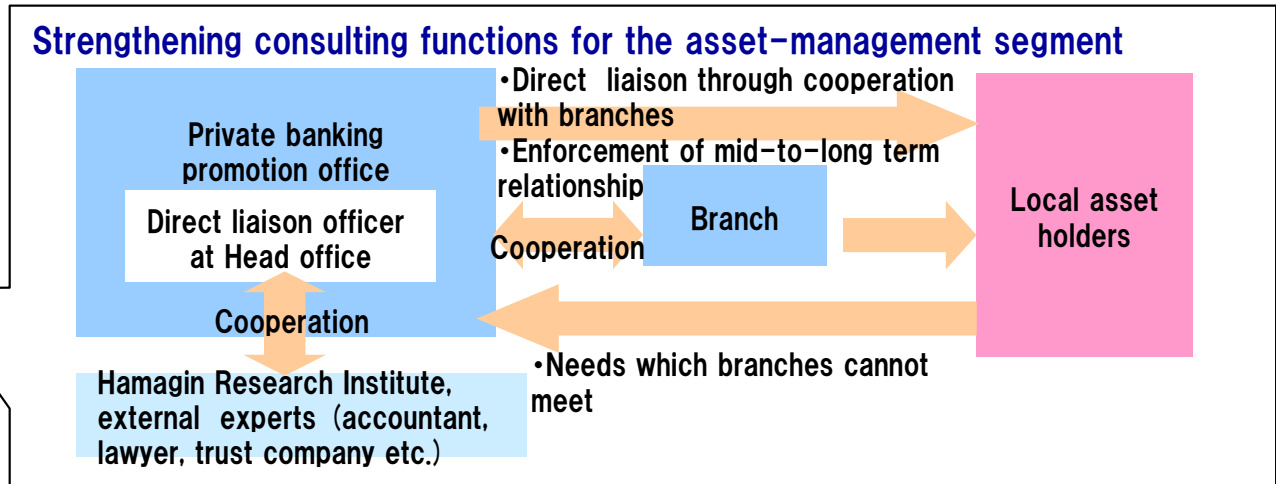
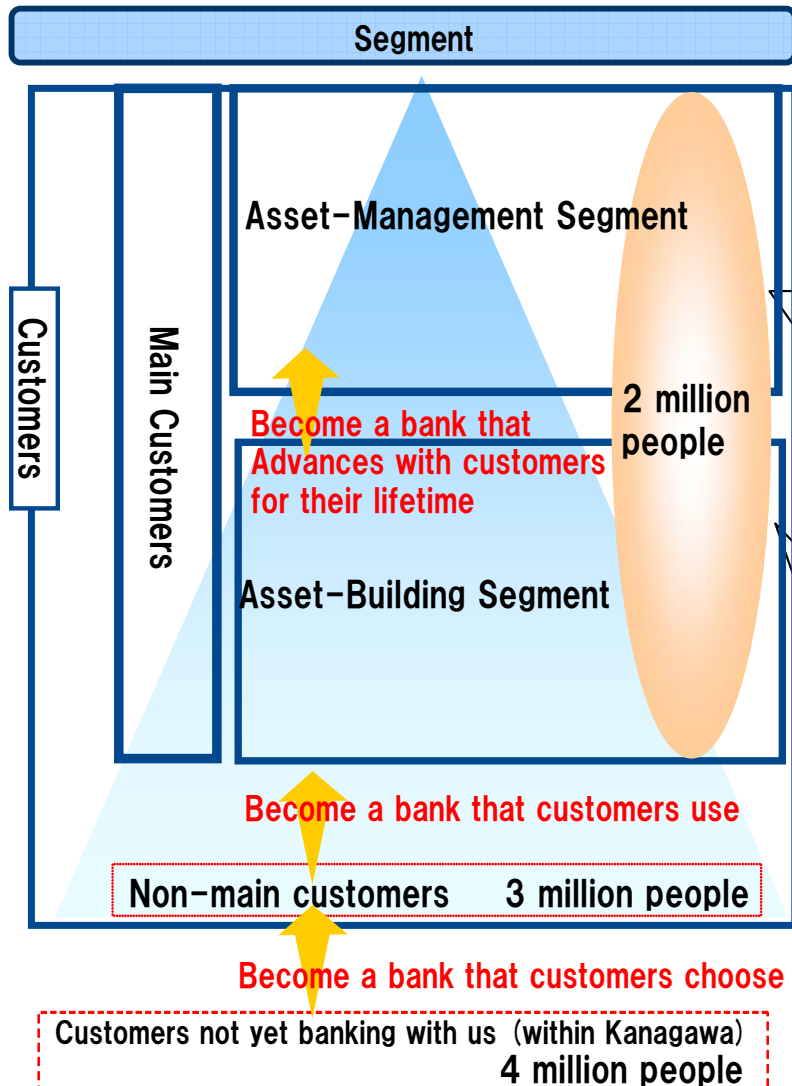
○Branch Network of HTTS



3. Management Strategies

(3) Business for Individual Strategy ~Strengthen basic transaction

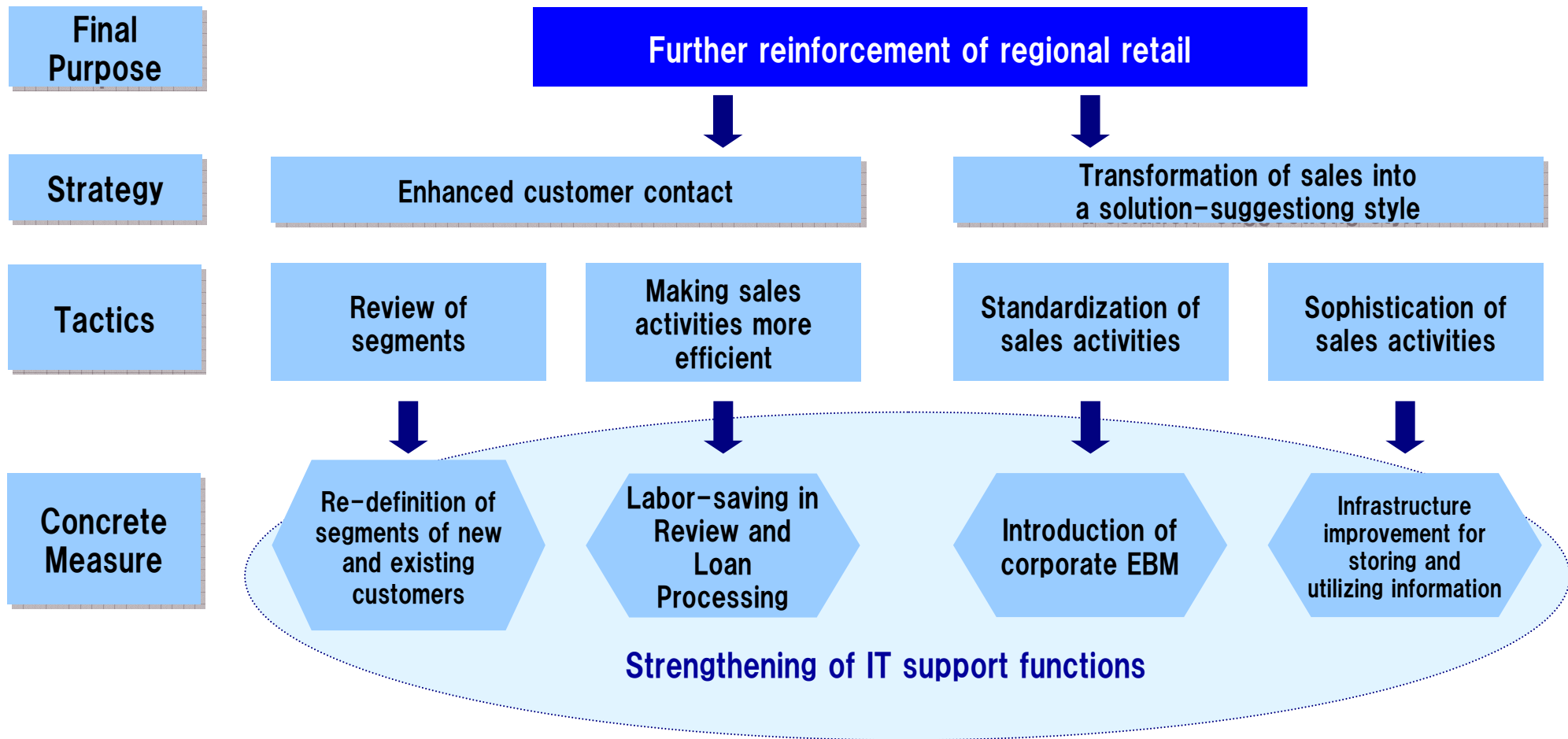
- Promote standardization and sophistication of consulting levels, by newly establishing **the private banking promotion office** targeting the asset-management segment.
- Steadily intensify basic transactions, by conducting sales to the asset-building segment efficiently and effectively, **utilizing EBM**.



3. Management Strategies

(4) Business for Corporate Strategy

- Carry out the following points with certainty, in order to further reinforce regional retail banking.
- Further enhance customer contact, by reviewing segments and making sales activities more efficient.
- Transform sales into a solution-suggesting style, through standardization and sophistication of sales activities.

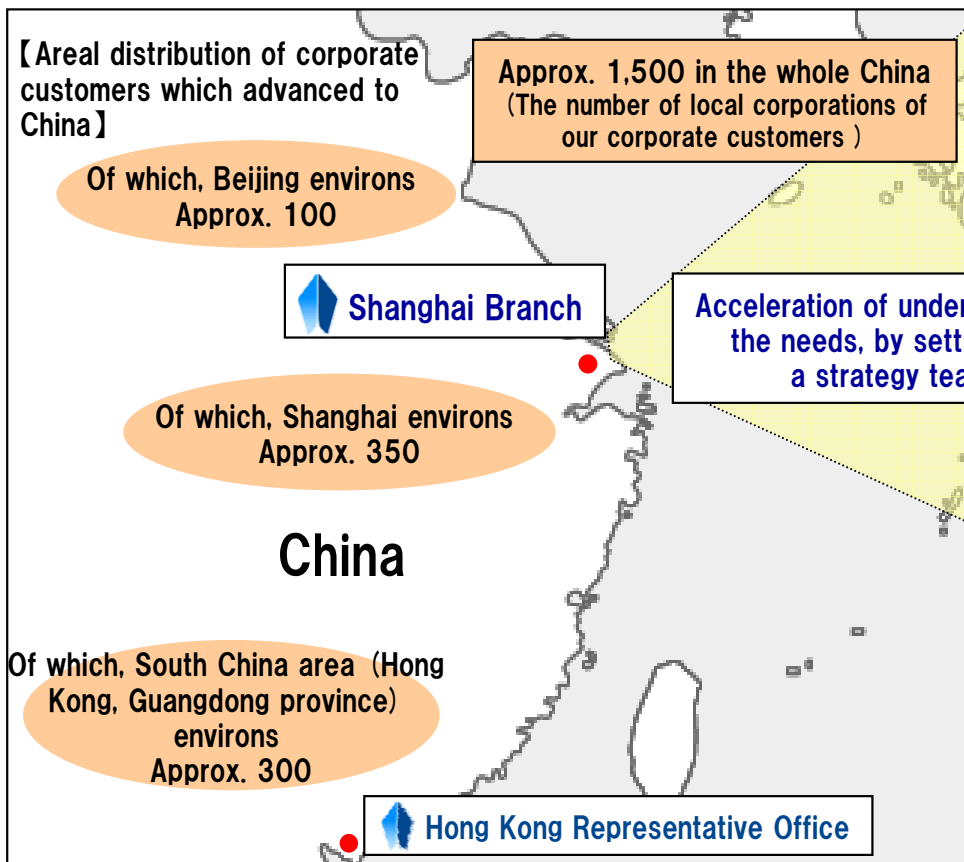


3. Management Strategies

(5) Asia Strategy

- The number of local corporations of our corporate customers which entered China nearly doubled from 2006 (Increase about 800) to **approximately 1,500**.
- Bringing **the start of dealing with Chinese Yuan in 2013** into view, "**the Shanghai branch strategy team**" was set up to recognize customers' needs in the area (funding needs, consulting needs and sales information needs) in April 2011, and started its operation.

State of advance by our corporate customers



(Ref.) Other than those above, we have New York Representative Office and London Representative Office, as our overseas bases.

Correspondence to needs in China

Funding Needs

•In addition to the conventional loans (JPY/USD/EUR) in Shanghai branch and domestic branches, **CNY-denominated loans** from Shanghai Branch will be dealt with in the future.

Consulting Needs

•Problem-solving needs in overseas management, including local regulations, labor and tax services, are met also by using professionals.

Sales Information Needs

•Act with a view of developing business matching between customers, by utilizing sales information needs.

(Ref.) Schedule toward the launch of dealing with Chinese Yuan

	2009	2010	2011	2012	2013	
Schedule	Nov.2009. Established	3 Years			Nov.2012 Apply for dealing	Within 2013 Start dealing with CNY
Result of Shanghai Branch		Profit	Profit (Planned)			

<Eligibility to apply for dealing with CNY>

- passed three years after branch establishment
- posted profit for the latest two terms consecutively

3. Management Strategies

(6) Investing in Human Resources Strategy

- The “Financial Business School” was newly established in October 2010. Review and intensification of the training framework was made, such as **reviewing job rotation for young staff, setting up new training to raise the expertise of mid-level staff, enhancing training to strengthen management capability for managers.**
- By placing experts in each area as fulltime instructors dedicated to training, we will provide high-quality training based on the annual schedule.

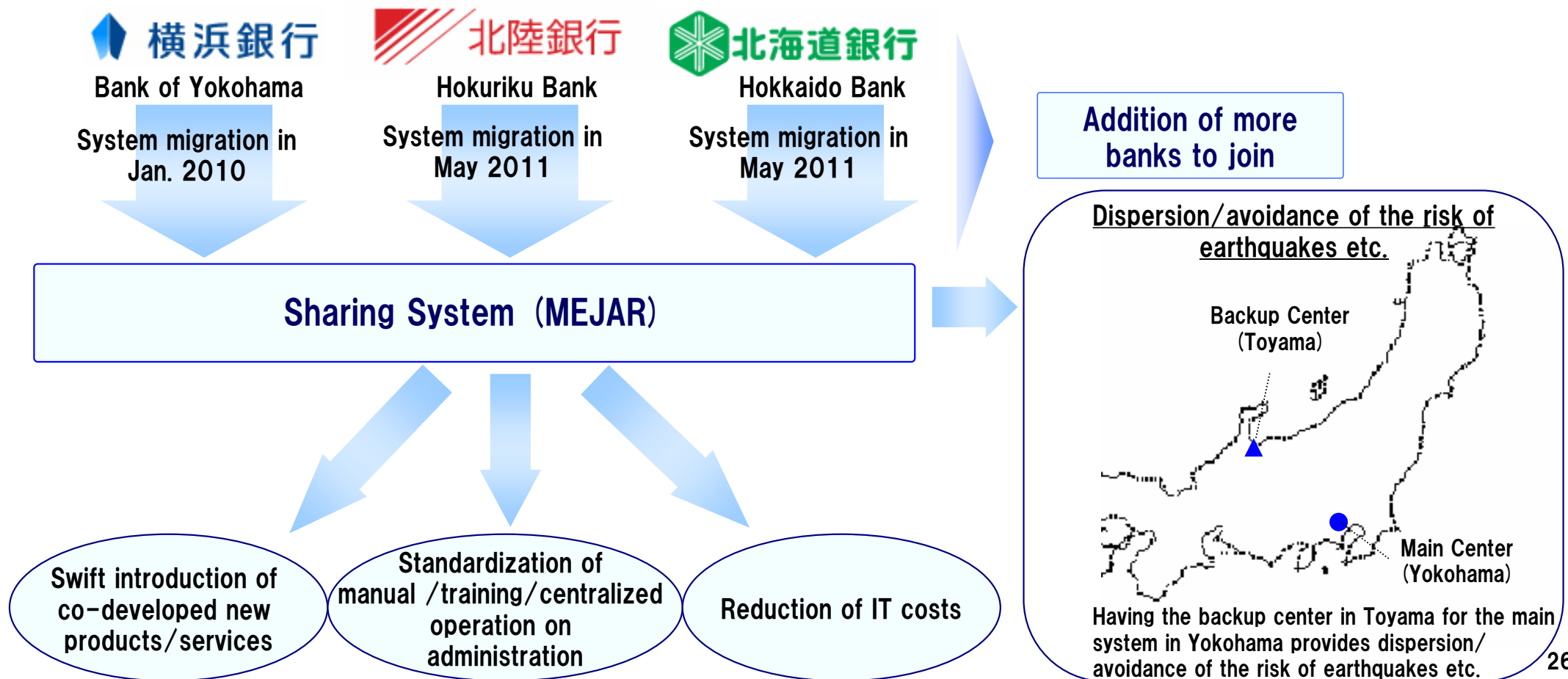


Nurture of human resources who can support our growth
Fostering personnel who can accurately respond to our customers' needs, which are becoming more diverse and sophisticated, and environmental changes.

3. Management Strategies

(7) Information Technology Strategy

- Shared use of a system by the three banks, Hokuriku Bank, Hokkaido Bank and ourselves, **started in May 2011**. (We have migrated to the new system ahead of the other two in January 2010.)
- In order to respond to diversified customers' needs accurately, as well as making efforts aiming to **reduce IT costs further** through adding banks involved, we will proceed with **the swift introduction of co-developed new products/new services** and **standardization of administration**.
- Disperse and avoid the risk such as earthquakes by setting up a main center in Yokohama and a backup center in Toyama (Hokuriku).



3. Management Strategies

(8) Alliance Strategy

- Further strengthening cooperative relations with non-competing regional banks in our market.
- Enhancing customer convenience and operational efficiency by mutually complementing management resources.

Shared Utilization of Banking System (MEJAR)

- Agreed in Mar-06
- Started in Jan-10
- Hokuriku bank and Hokkaido bank started to utilize in May-11

ATM Alliance

- Since Jul-06
- Reduction of cross-use ATM fees to zero
- Allied banks: 6

Regional Financial Marketing Workshop

- Since Oct-07
- Co-research on marketing strategy specialized in regional financing.
- Participating banks: 21



Strategic Council on Regional Bank Cards

- Since Jan-09
- Co-operative actions for strategic planning toward enhancement of credit card business
- Participating banks: 13

Regional Leasing Business Workshop

- Since Feb-08
- Development and sharing of leasing expertise
- Participating banks: 30

Housing Loan Workshop

- Since May-08
- Co-develop housing loan products and co-promotion.
- Participating banks: 55

Association of Regional Financing Research and Consultation

- Since Nov-08
- Development and sharing of think tank expertise
- Participating banks: 22

3. Management Strategies

(9) Progress of The Medium Term Management Plan

- One year out of the three years has passed since “New Horizon 2nd Stage”, the medium term management plan, started in April 2010.
- Within the four main goals (Note1) which were set in the beginning of the plan, **Core Tier1 Ratio**, **ROE** and **Credit Cost Ratio** generally progressed favorably.

(Note1) four main goals: Core Tier1 Ratio(Consolidated basis), ROE (Consolidated basis), Credit Cost(Non-consolidated basis), OHR (Non-consolidated basis)

(JPY Bn)		1st year of Medium Term management			2nd year of Medium Term management		3rd year of Medium Term management	
		FY10 Plan (A) (revised in Nov-10)	FY10 Actual (B)	(B) - (A)	FY11 Plan (declared this time)	FY12 Plan (originally planned)		
Non-consolidated basis	Gross Operating Income	206.0	205.1	-0.9	206.0	221.0		
	- Expenses	99.5	98.7	-0.8	99.0	99.0		
	Net Business Profit	106.5	106.4	-0.1	107.0	122.0		
	- Credit Costs	29.0	28.9	-0.1	24.0	26.0		
	Ordinary Profit	71.5	74.9	3.4	79.0	92.0		
	Net Income	43.0	45.4	2.4	47.0	55.5		
	OHR (Note 1)	48.3%	48.1%	-0.2%	48.0%	Around 45%		
	Credit Costs Ratio (Note1)	0.33%	0.33%	-0.0%	0.27%	Around 0.30%		
Consolidated basis	Ordinary Profit	76.5	81.6	5.1	83.5	95.0		
	Net Income	44.0	47.0	3.0	48.0	56.0		
	ROE (Note1)	-	6.5%	-	-	Around 7%		
	Core Tier1 Ratio (Note1)	-	8.6%	-	-	Higher than 8.0%		
Loans (Non-consolidated)		-	8,636.3	-	-	9,460.0		
Retail Loans within Kanagawa Prefecture (Non-consolidated) (Note2)		-	5,973.5	-	-	6,550.0		
Deposits (Non-consolidated)		-	10,753.1	-	-	10,800.0		
Non-Deposit Products for Individuals (consolidated)		-	1,840.4	-	-	2,200.0		

(Note2) Retail Loans within Kanagawa Prefecture=Loans to small and medium-sized businesses in Kanagawa Pref.+Loans to individuals in Kanagawa Pref.

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Bank of Yokohama

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