



Bank of Yokohama

# ***Information Meeting***

*~ Financial Results for FY09 ~*

May 24, 2010

The Bank of Yokohama, Ltd.

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# 1 . Operating Performance

# 1 . Operating Performance

## (1) Financial Summary for FY2009

- FY09: Net Income increased by **JPY22.4Bn** (+258.2%) from FY08 to **JPY31.0Bn**.
- We realized a significant increase in net income, as cost reductions and declines in credit costs and write-downs on stocks and other securities made up for a decrease in interest income resulting from the impact of BOJ rate cuts.

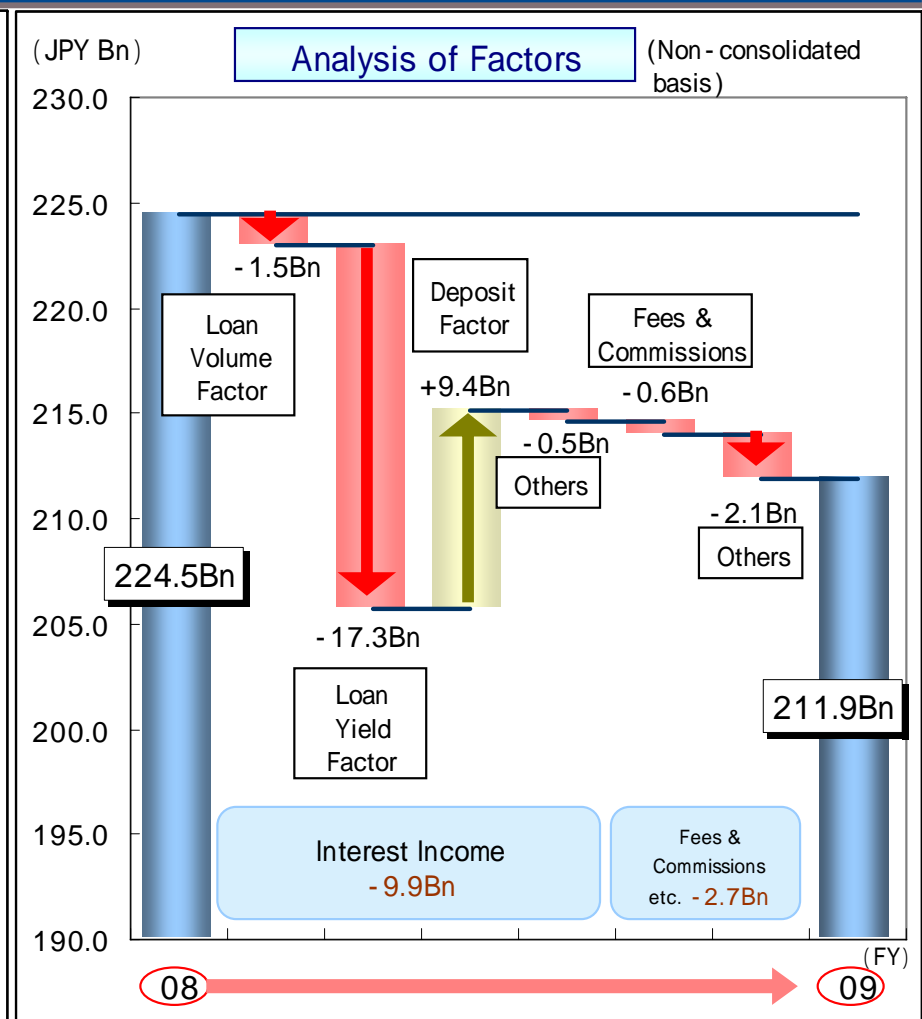
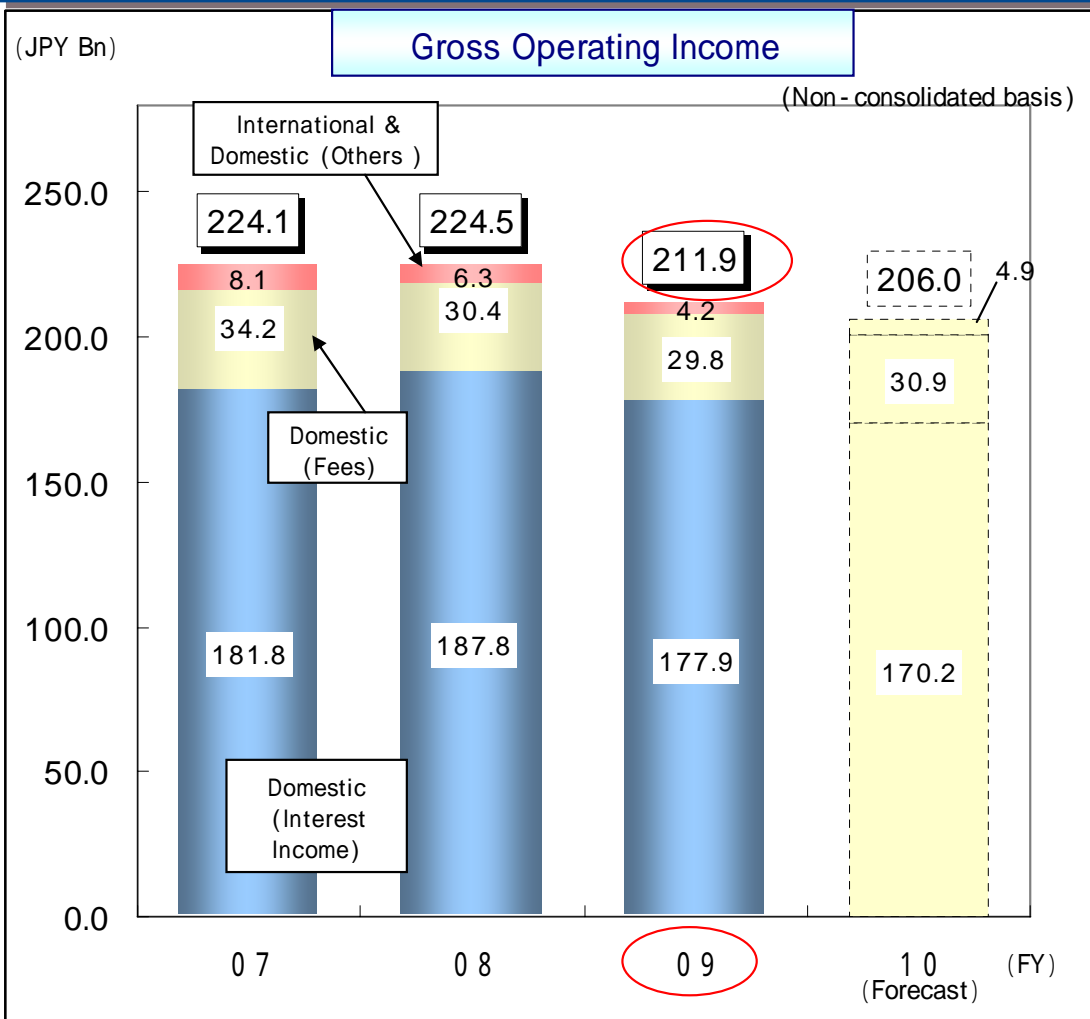
(JPY Bn)

< Non - consolidated basis >	FY08 Actual	FY09 Actual	Increase / Decrease	Difference from FY09 forecast
Gross Operating Income	224.5	211.9	12.6	0.1
Of which, interest income	187.8	177.9	9.9	+ 0.4
Of which, fees and commissions	30.4	29.8	0.6	1.0
Expenses	103.1	99.9	3.2	+ 0.4
Of which, personnel	38.9	38.9	+ 0.0	-
Of which, facilities	57.7	54.5	3.2	-
Net business profit	123.1	111.9	9.4	0.6
<i>Credit costs</i>	87.1	55.8	31.3	11.2
<i>Gains or losses on stocks and other securities</i>	19.7	2.8	+ 22.5	0.2
Of which, losses on devaluation of stocks and other securities	28.9	0.7	28.2	-
Ordinary profit	9.6	52.8	+ 43.2	+ 10.3
Net income	8.6	31.0	+ 22.4	+ 6.5

# 1 . Operating Performance

## (2) Gross Operating Income

- FY09: Gross Operating Income decreased by **JPY12.6Bn (-5.6%)** from FY08 to **JPY211.9Bn**.
- The main factor was a **JPY9.9Bn** decline in interest income attributed to two BOJ rate cuts implemented in the previous fiscal year.
- FY10 Forecast: **JPY206.0Bn** ( down **JPY5.9Bn, -2.7%** from FY09).

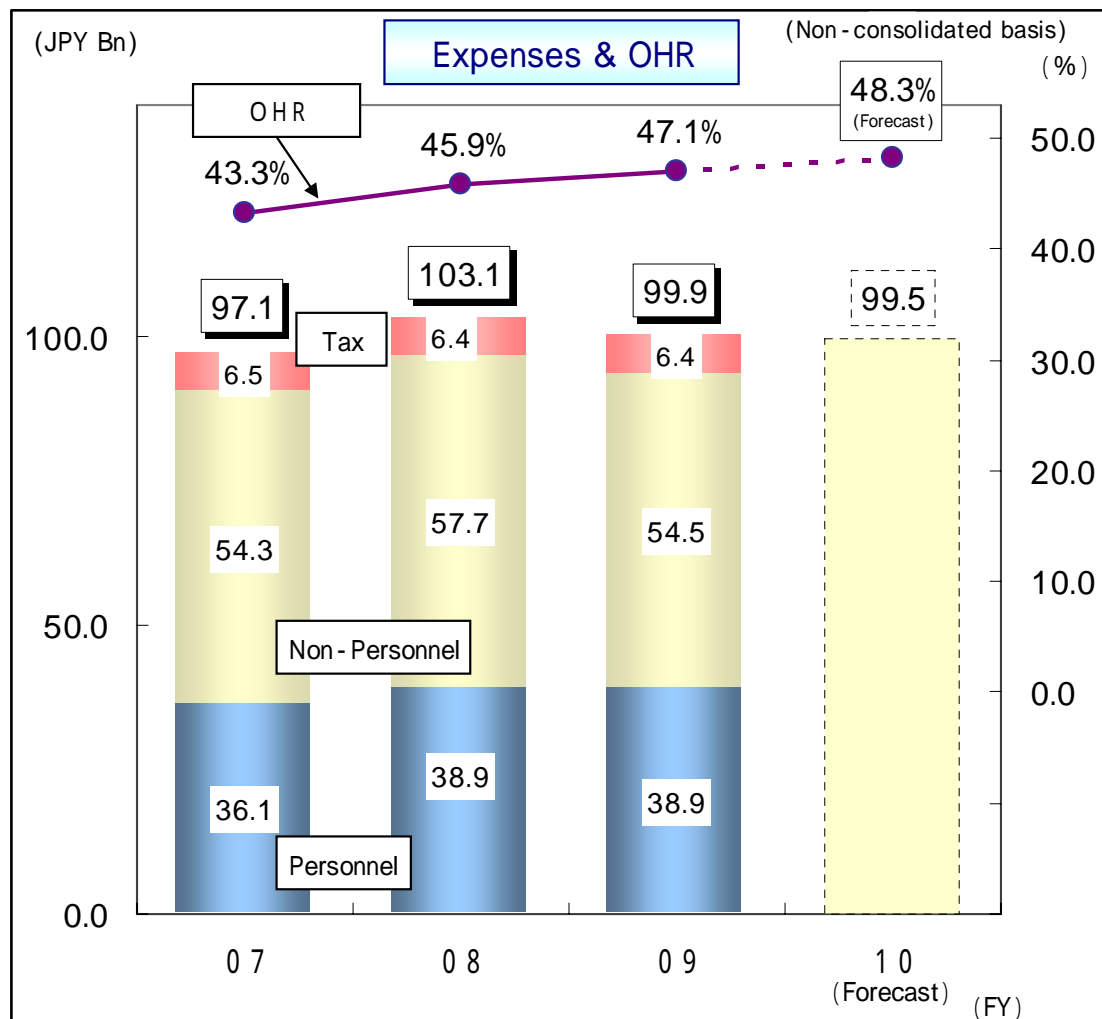


(note) Deposit factor includes increase / decrease attributed to NCD.

# 1 . Operating Performance

## (3) Expenses & OHR

- FY09: Expenses were JPY99.9Bn (-JPY3.2Bn, -3.1% from FY08). OHR was 47.1%.
- Expenses declined, led by non-personnel items (-JPY3.2Bn, -5.5%), due to selective investments and thorough cost-cutting efforts.
- FY10 Forecast: JPY99.5Bn (-JPY0.4Bn, -0.4% from FY09). OHR will remain within mid-40% range.



### Comparison from FY08

	(JPY Bn)		
	FY08 (actual)	FY09 (actual)	change
Expenses	103.1	99.9	-3.2
Personnel	38.9	38.9	± 0.0
Non-Personnel	57.7	54.5	-3.2
Tax	6.4	6.4	± 0.0
OHR (%)	45.9	47.1	+ 1.2

#### Factors behind the change:

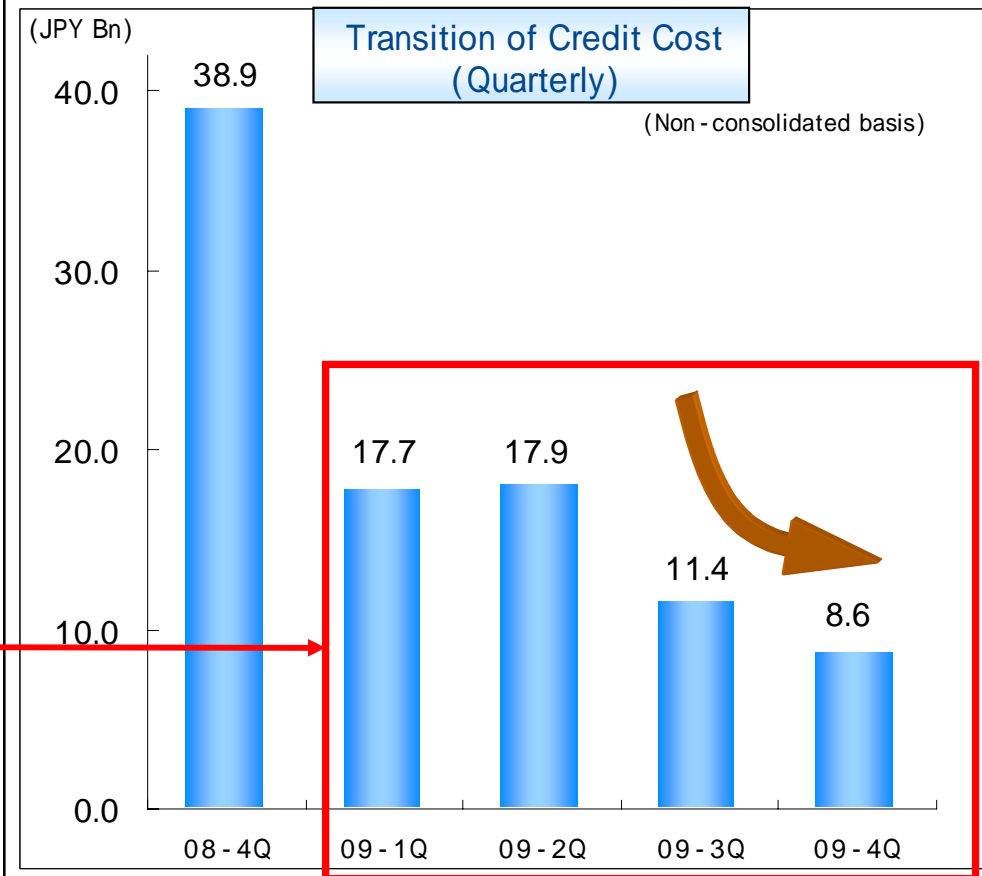
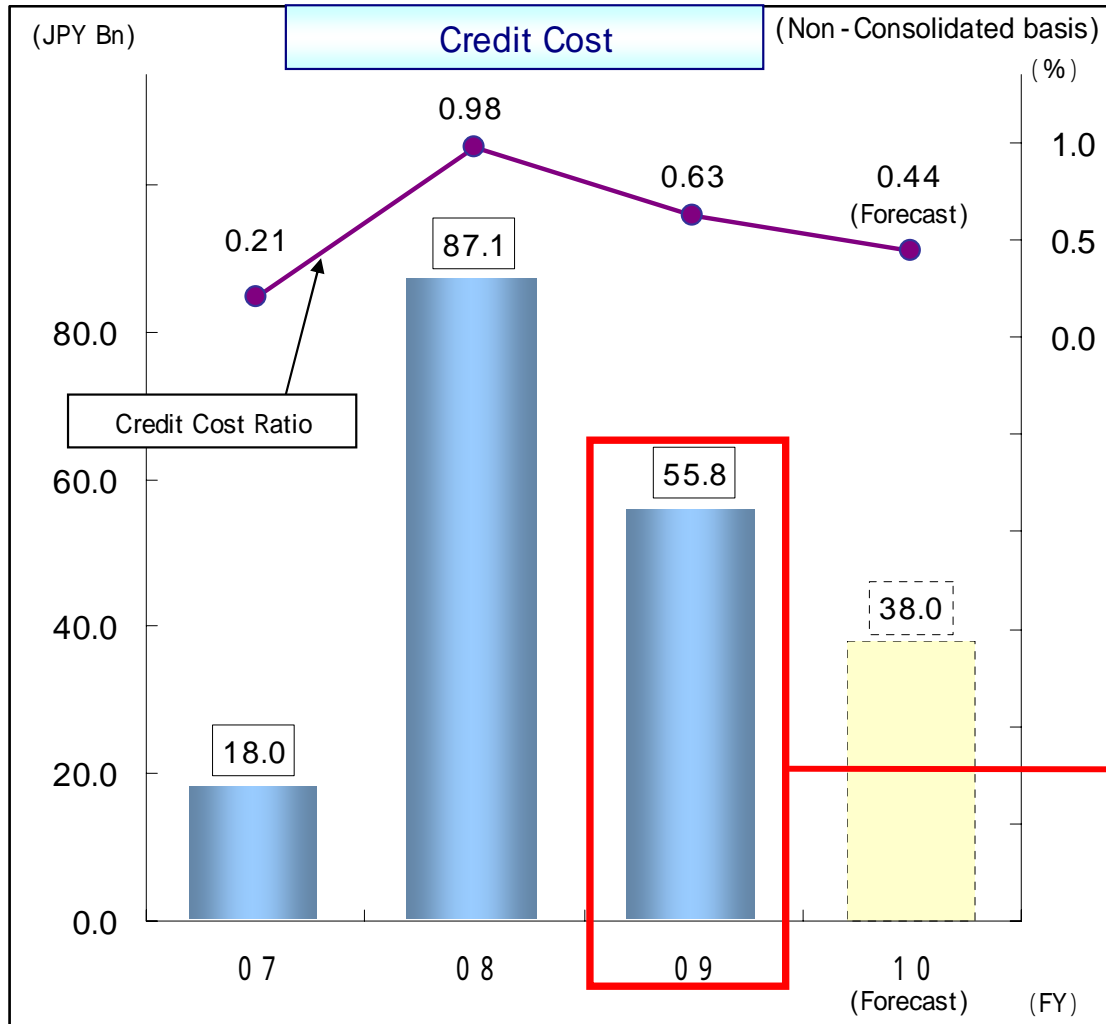
Non-Personnel items: -JPY3.2Bn

As a result of the intensification of low-cost operations and other measures, depreciation expenses, administrative expenses, etc., declined

# 1 . Operating Performance

## (4) Problem Claims ~ Transition of Credit Cost

- FY09: Credit Costs (non-consolidated basis) decreased by **JPY31.3Bn (-35.9%)** from FY08 to **JPY55.8Bn**.
- Credit costs generated each quarter have also declined substantially.
- FY10 Forecast (non-consolidated): **JPY38.0Bn** (down **17.8Bn, -31.8%** from FY09).



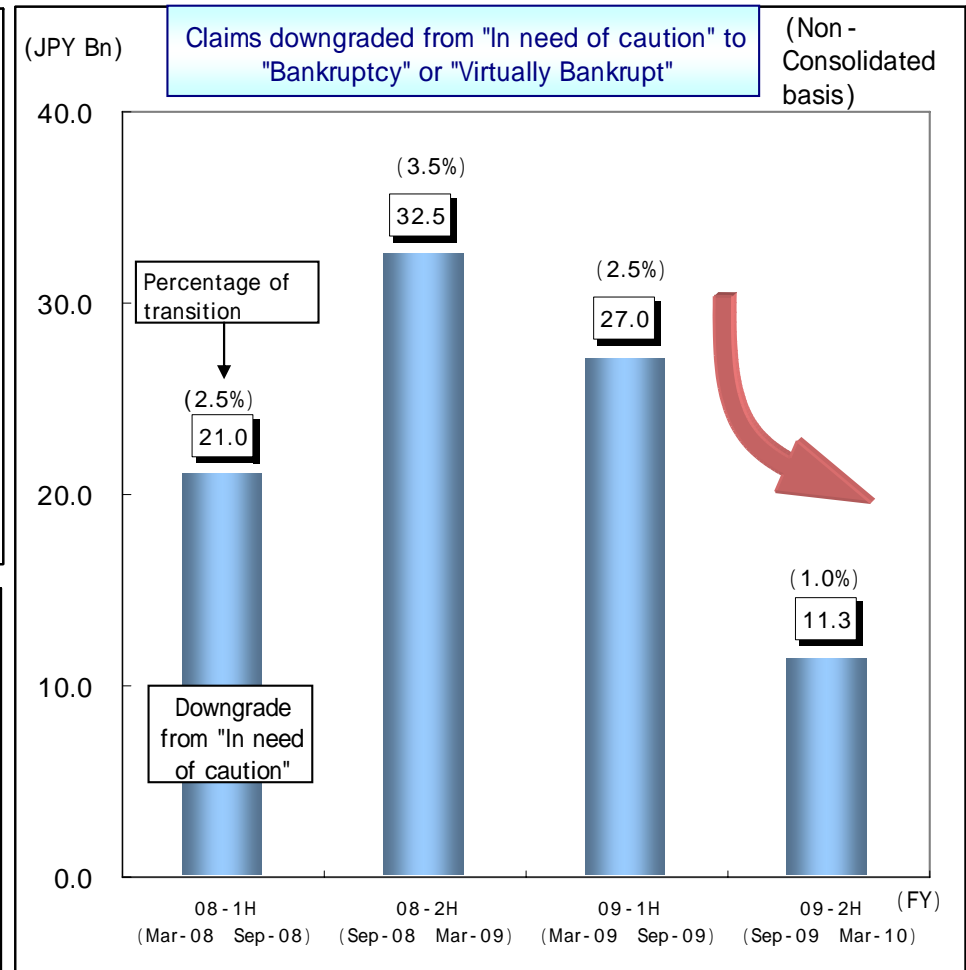
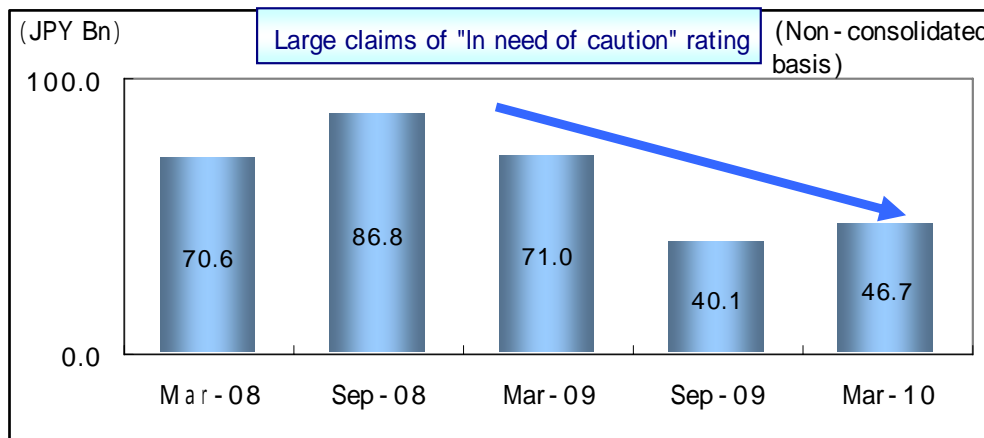
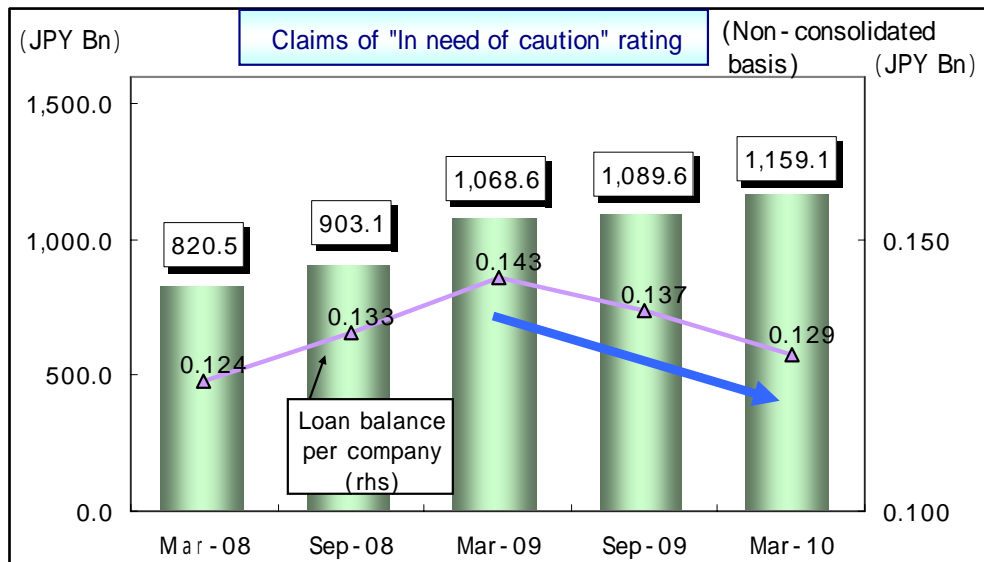
(note1) Credit Costs = Disposal of Problem Claims + Transfer to Allowance for general loan losses

(note2) Credit cost ratio = Credit cost ÷ Average balances of loans

# 1 . Operating Performance

## (4) Problem Claims ~ Claims of "In need of caution" rating

- The balance of loans rated "in need of caution" increased, in part because of the sluggish economy, but loans to large borrowers declined steadily, and the diversification of loans to small borrowers progressed.
- Claims downgraded from "in need of caution" to "legal bankruptcy" or "virtual bankruptcy" declined sharply in both amount and ratio.



(note2) "Amount of Transition" : Loan amount of borrowers (at the start of each FY) whose credit rating changed to "Legal Bankruptcy" or "Virtually Bankrupt" at the end of each FY.

"Percentage of transition" = Amount of transition ÷ Total loan amount of each credit rating

(note1) Large claims of "In need of caution" : Claims having a "In need of caution" rating with more than JPY5.0Bn.

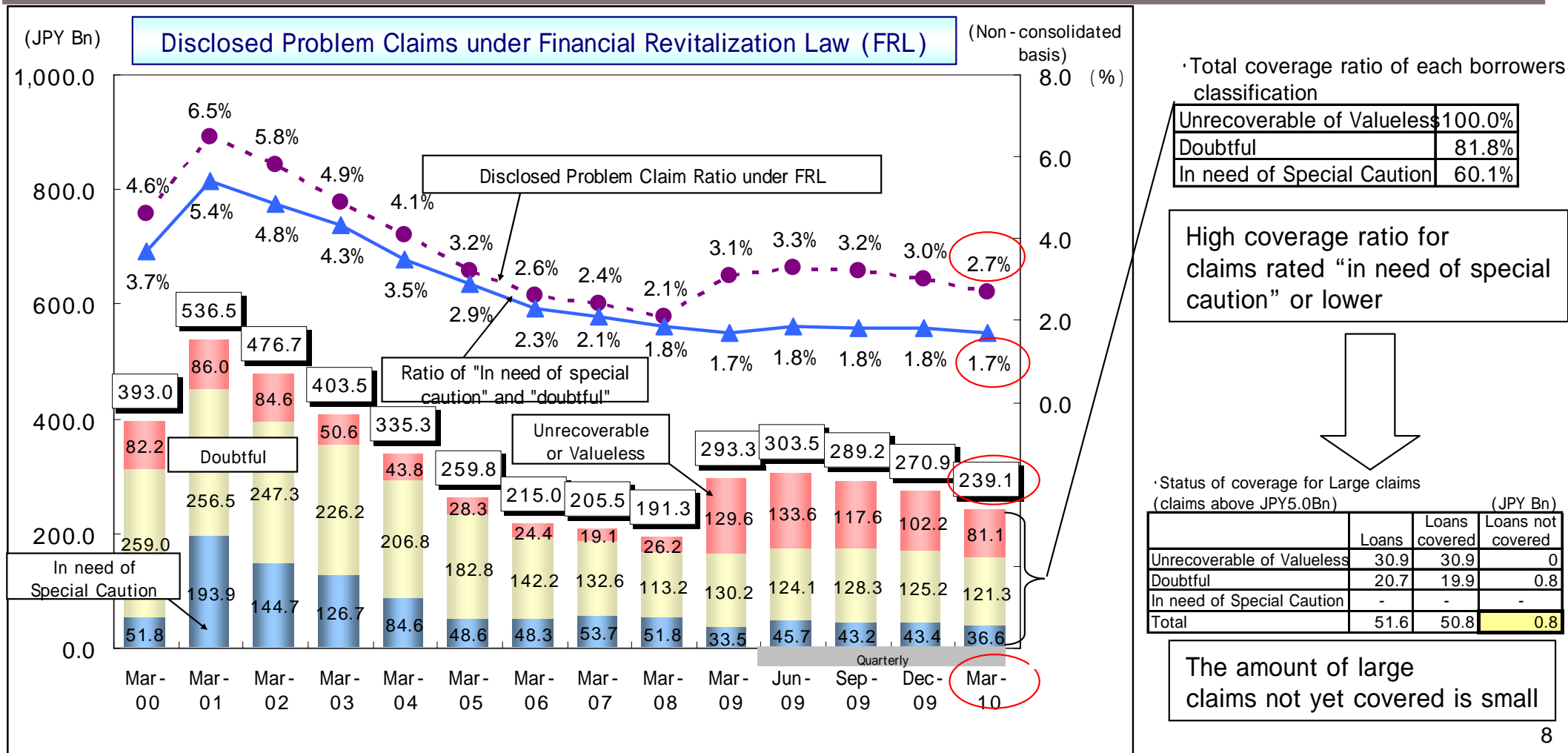


# 1 . Operating Performance

## (4) Problem Claims ~ Disclosed Problem Claims under FRL

- Problem claims at the end of March 2010 (non-consolidated basis) came to **JPY239.1Bn**, a decline of **JPY54.2Bn** from the end of March 2009, as the credit classification of certain troubled borrowers improved due to measures including 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 **1.7%**, maintaining the lowest level in the past 10 years.

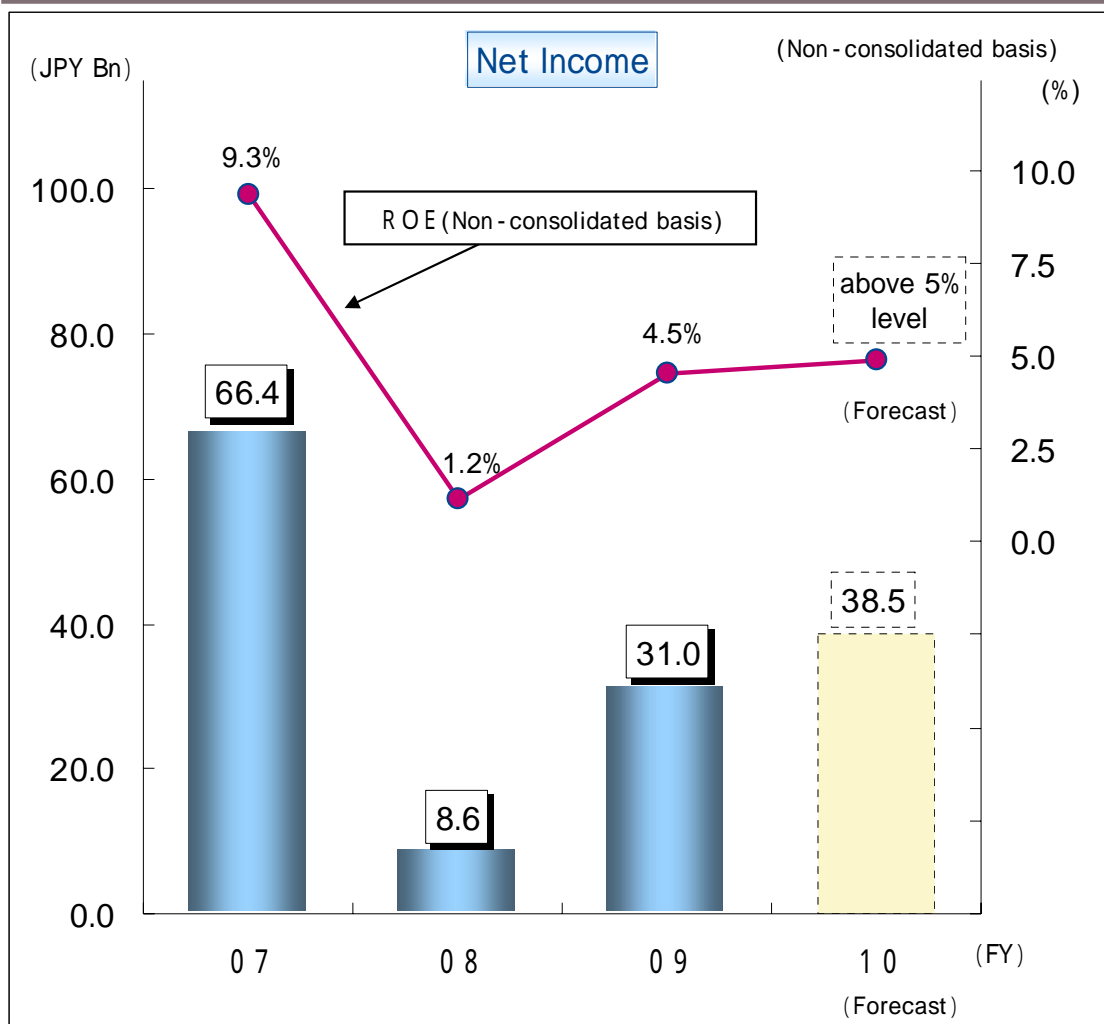
<Note> Unrecoverable or valueless claims are 100% covered by collateral, guarantees or provided allowances.



# 1 . Operating Performance

## (5) Net Income

- FY09: Net Income (non-consolidated basis) increased to **JPY31.0Bn** (+JPY22.4Bn, +258.2% from FY08).
- As a result of a decline in credit costs (-JPY31.3Bn) and other factors, net income exceeded our fiscal year forecast by **JPY6.5Bn**.
- FY10 Forecast(non-consolidated basis): **JPY38.5Bn** (+JPY7.5Bn, +24.1% from FY09).



### Comparison from FY08

	(JPY Bn)		
	08	09	change
Net Income (Non-Consolidated)	8.6	31.0	+22.4
ROE (Net Income base, non-consolidated)	1.2%	4.5%	+3.3%

FY09 Forecast  
Non-consolidated  
net income:  
JPY24.5Bn

Difference from  
FY09 forecast:  
+JPY6.5Bn

#### Factors behind the change:

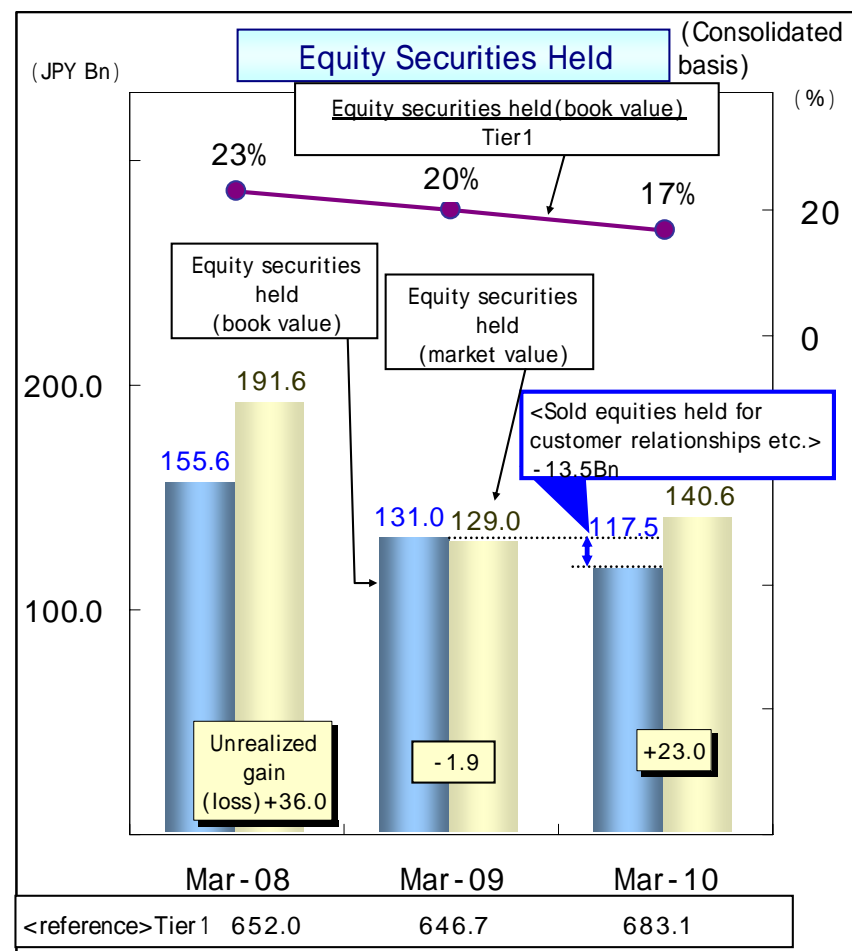
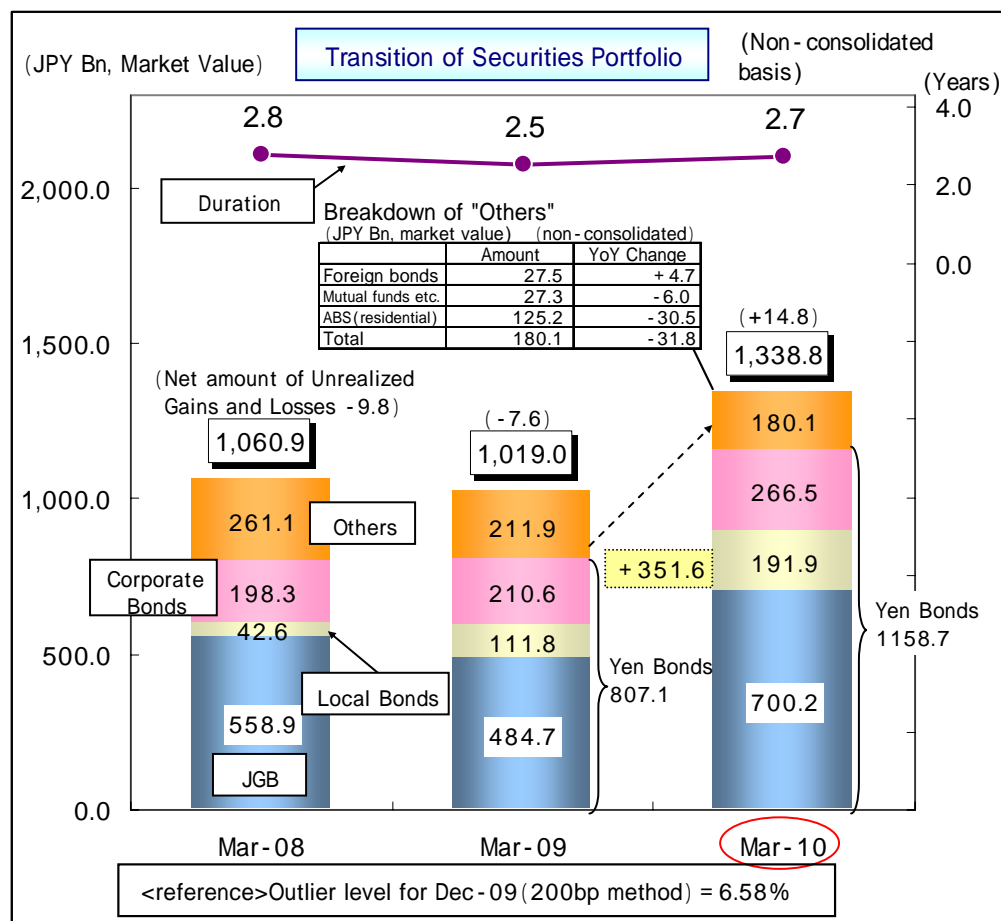
*Decrease in Core Net Business Profit: -JPY9.4Bn*  
*Decrease in Credit Cost: -JPY31.3Bn*  
*Decrease in Stock related loss etc.: +JPY22.5Bn*  
*Decrease in Extraordinary income: -JPY2.4Bn*  
*Increase in Income tax etc.: -JPY18.4Bn*

(Note) ROE = Core Net Business Profit ÷ 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 **JPY13.3Bn** of equities held for customer relationships in FY09, reducing the ratio of equities held to Tier 1 capital to 17%.



(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.

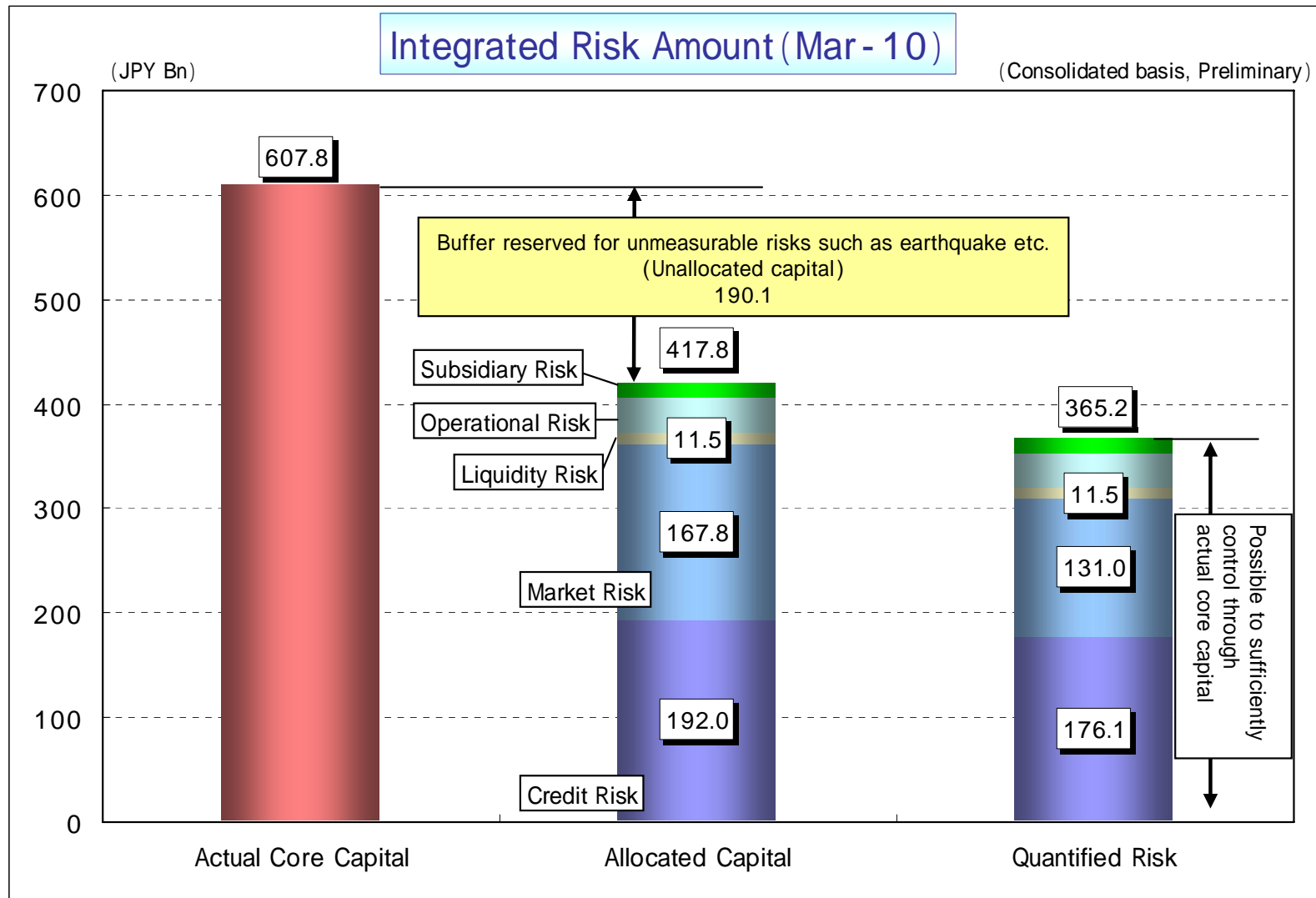
(Note 3) Figures for Mar-10 are based on figures before implementation of "Accounting standard for financial instruments" (ASBJ statement No.10, 2008/3/10)

(Note4) Equity securities: Securities with market value

# 1 . Operating Performance

## (7) Integrated Risk Amount

- Integrated risk amount is fully covered by actual core capital.
- We will continue to refine our risk measurement methods and further utilize stress test results.



(note1) Actual Core Capital: Tier1 – Deferred Tax Assets

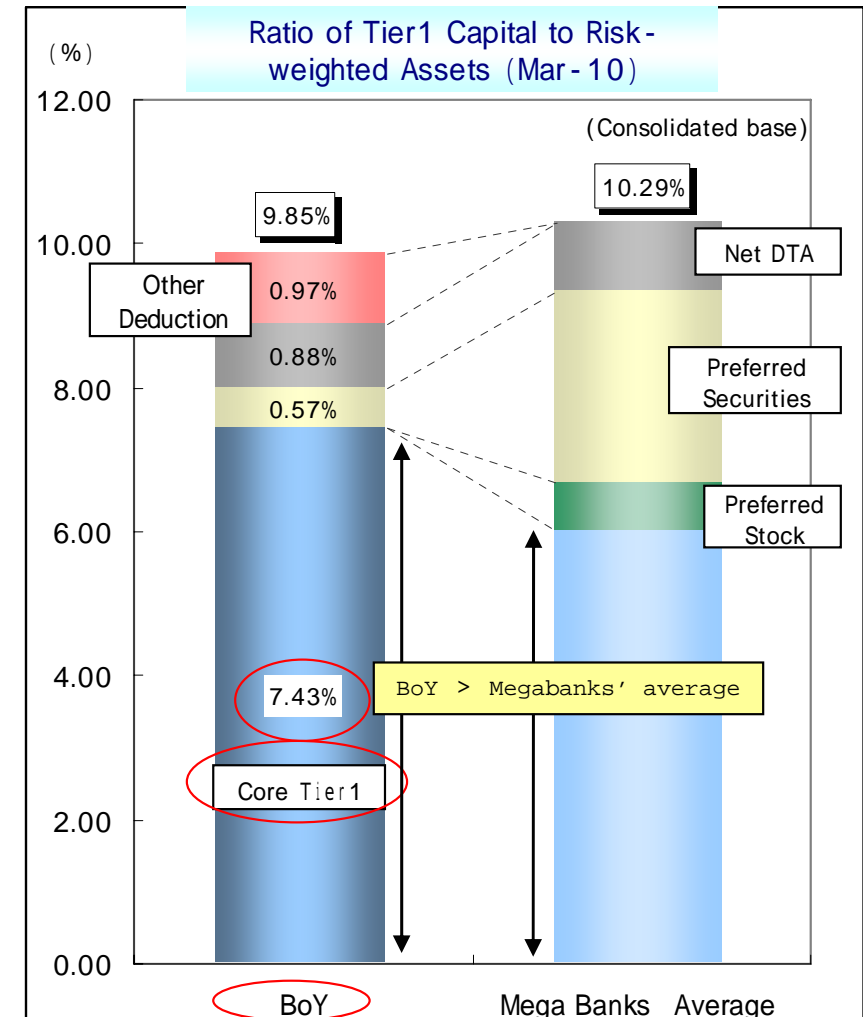
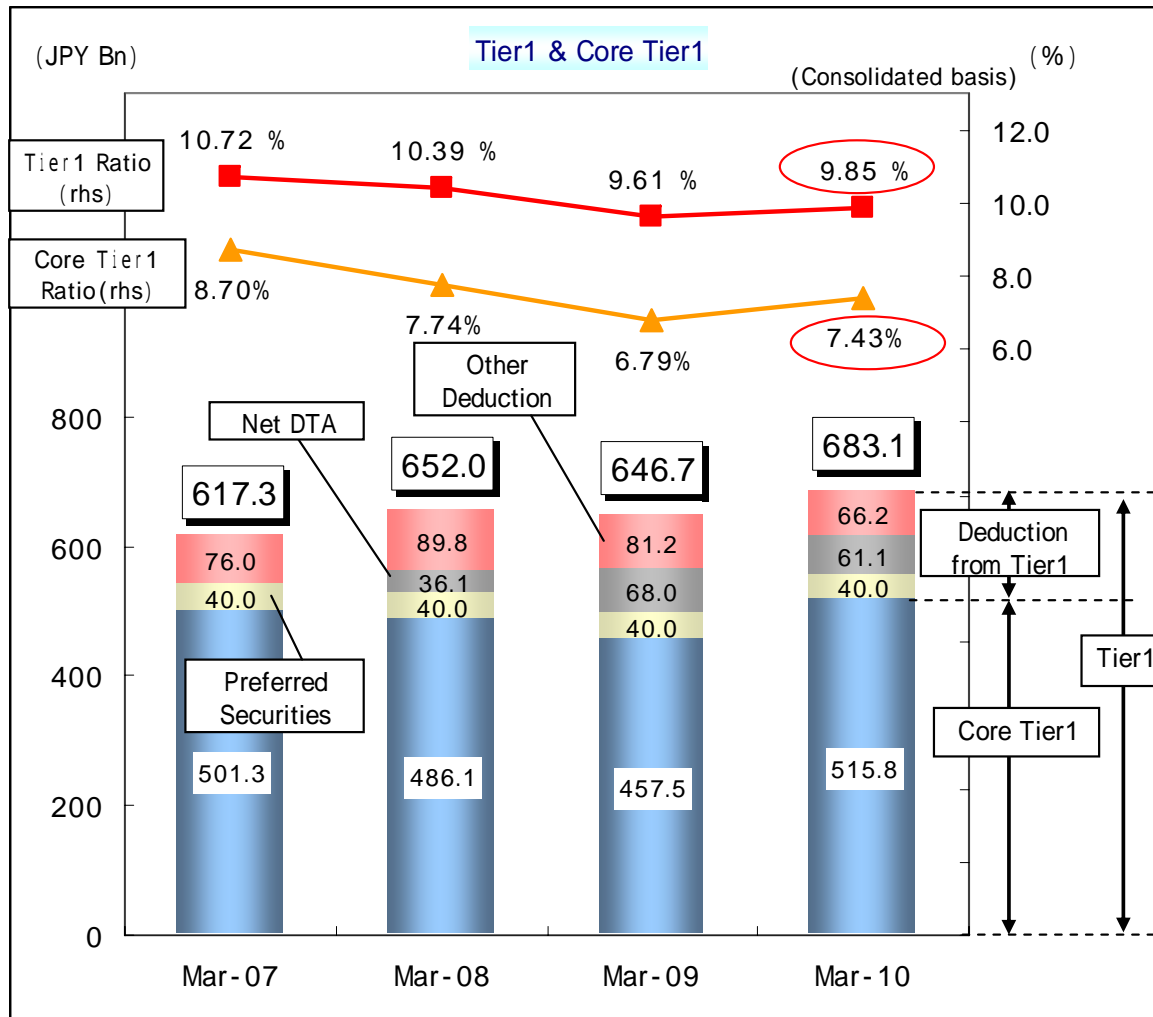
(note2) Allocated Capital: Capital required to cover risk amount of probable maximum loss quantified based on current business plan.

(note3) Quantified Risk: Capital required to cover risk amount at the time of risk quantification.

# 1 . Operating Performance

## (8) Tier 1 Capital

- FY09: Tier1 Ratio(consolidated) was 9.85% remaining at high level.
- Core Tier1 Ratio which indicates the vital portion of Tier1 was also high at 7.43%. Surpassing the average of mega banks, we secured an advantageous position with regard to “capital quality”.



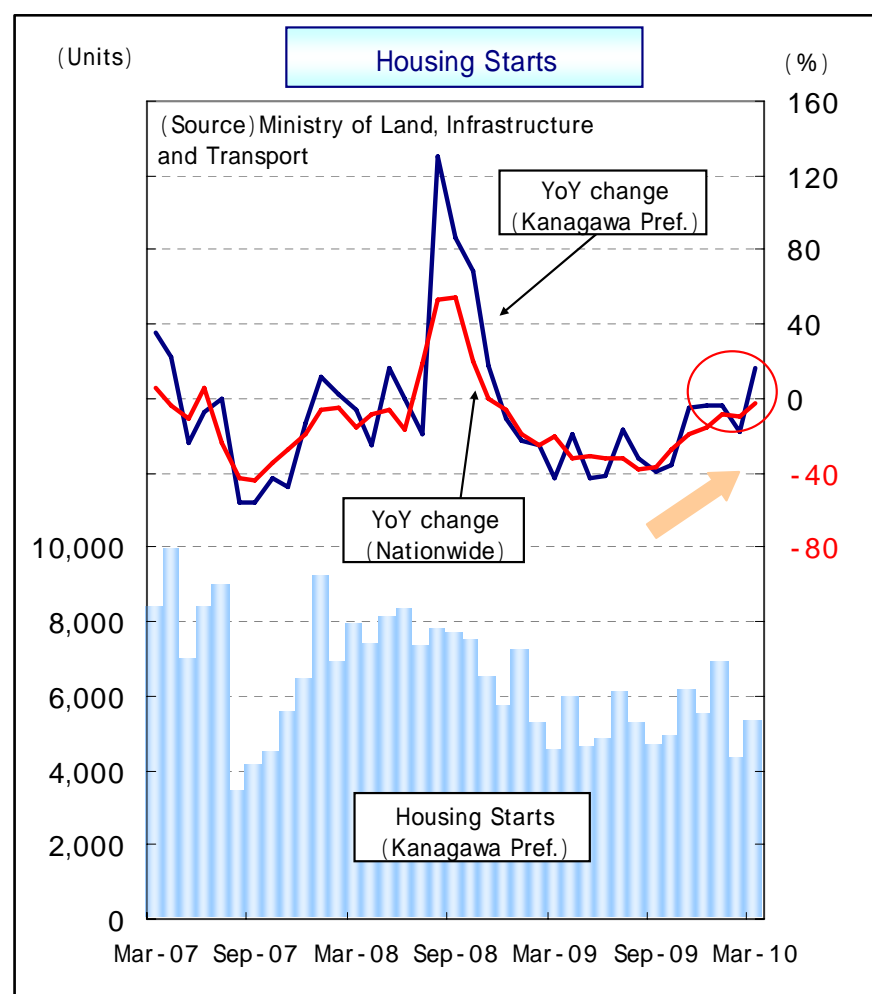
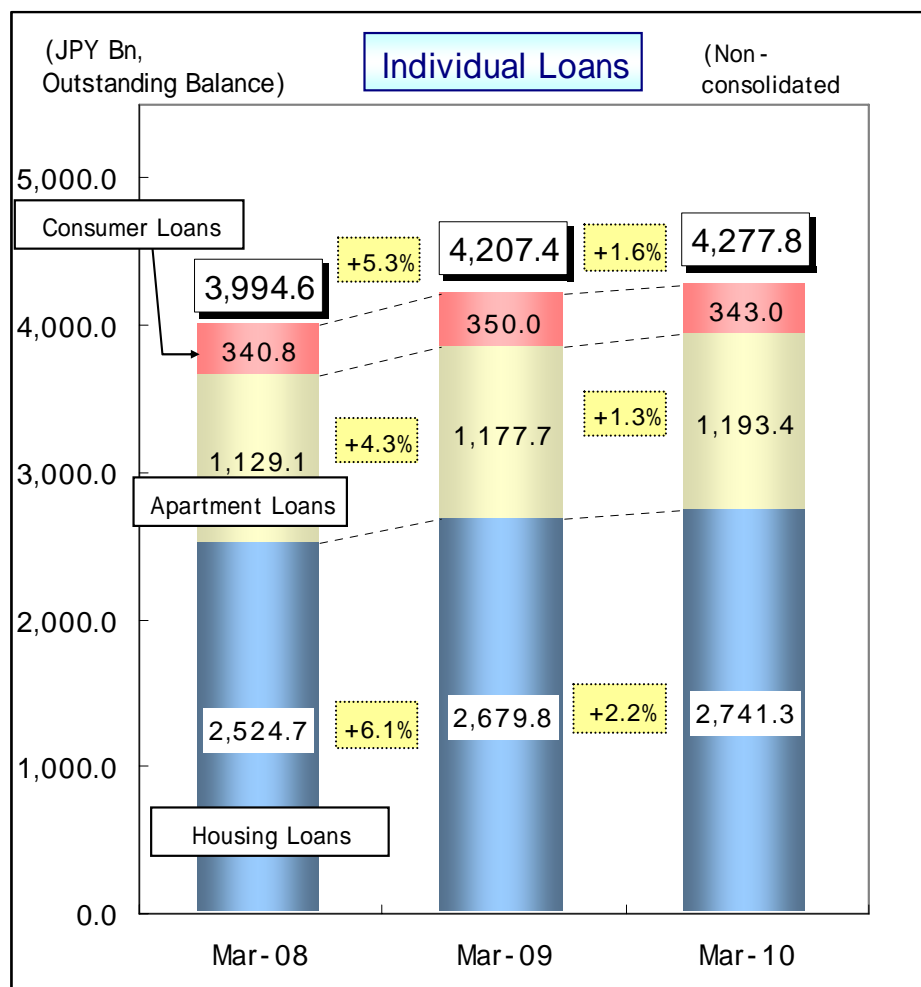
(Note) Mega Banks: Mitsubishi UFJ FG, Sumitomo Mitsui FG, Mizuho FG  
Major Regional Banks: 10 largest regional banks in terms of Deposits, excluding BoY

## 2 . Business Performance

# 2 . Business Performance

## (1) Individual Loans

- FY09: Housing Loans grew by 2.2%, Apartment Loans grew by 1.3%. Total growth is 1.6% from Mar-09.
- New housing starts, which had been registering significant year-on-year declines, recovered to a year-on-year increase in March 2010.

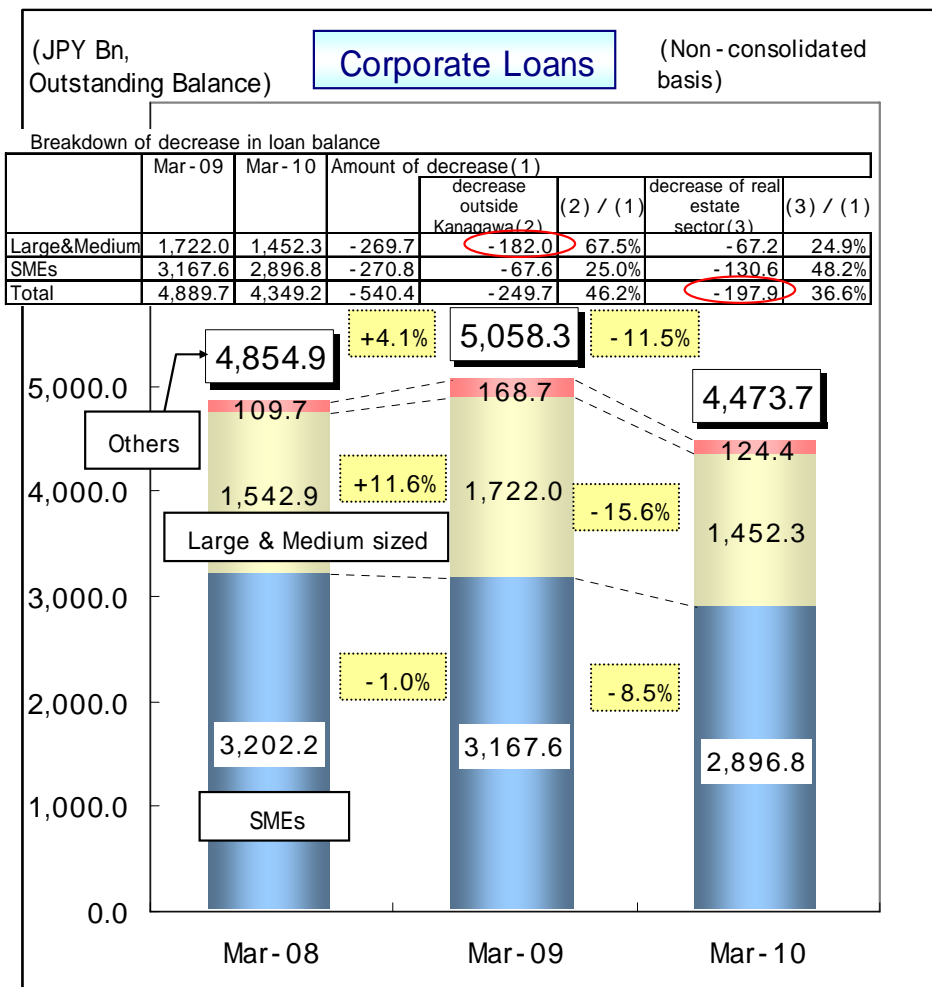


(Note) Housing loan includes a portion that has been securitized.  
 (Mar-08: JPY270.6Bn, Mar-09: JPY257.4Bn, Mar-10: JPY232.6Bn)

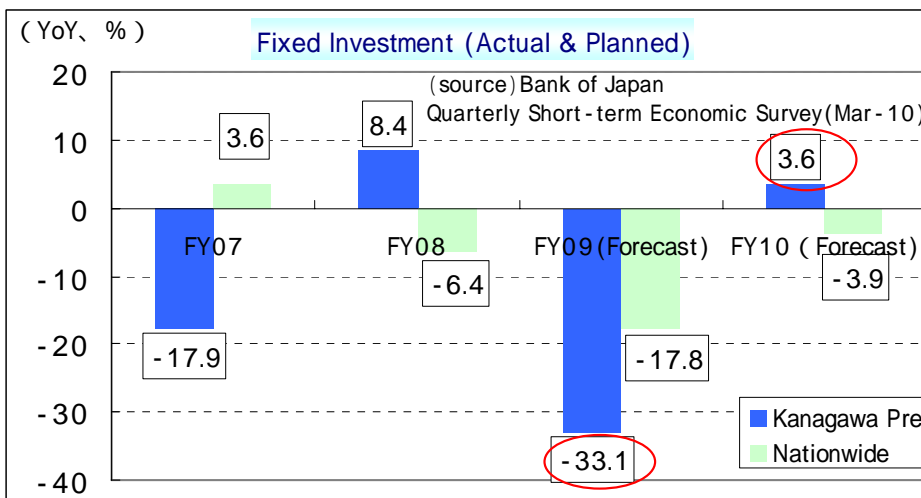
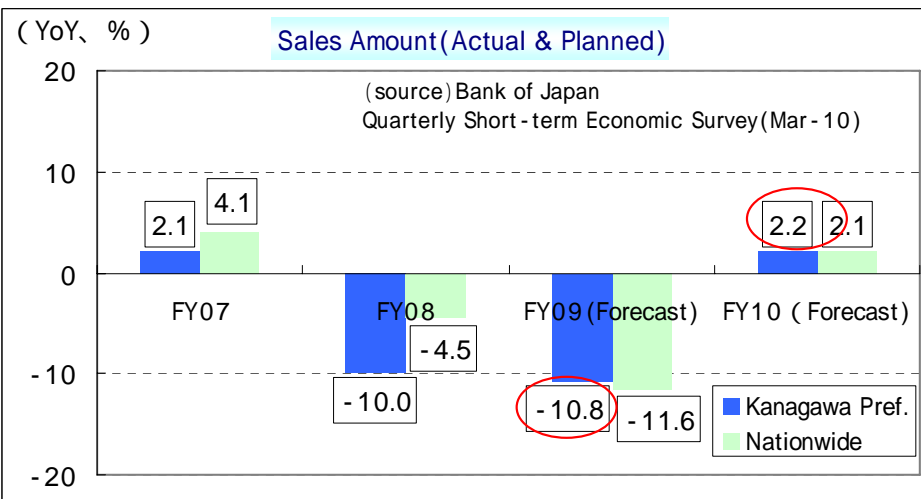
# 2 . Business Performance

## (2) Corporate Loans

- Corporate loans declined by **11.5%** overall, mainly because large and mid-sized businesses responded to the recovery in market environment by reinforcing their restrained borrowing stance, while loans to small and mid-sized businesses in the real estate and construction sectors declined.
- Sales and fixed investment among businesses in Kanagawa Prefecture, which had been showing steep year-on-year declines, are expected to turn positive in FY10.



(Note) "Others" include loans to public and public related sectors. Domestic branches

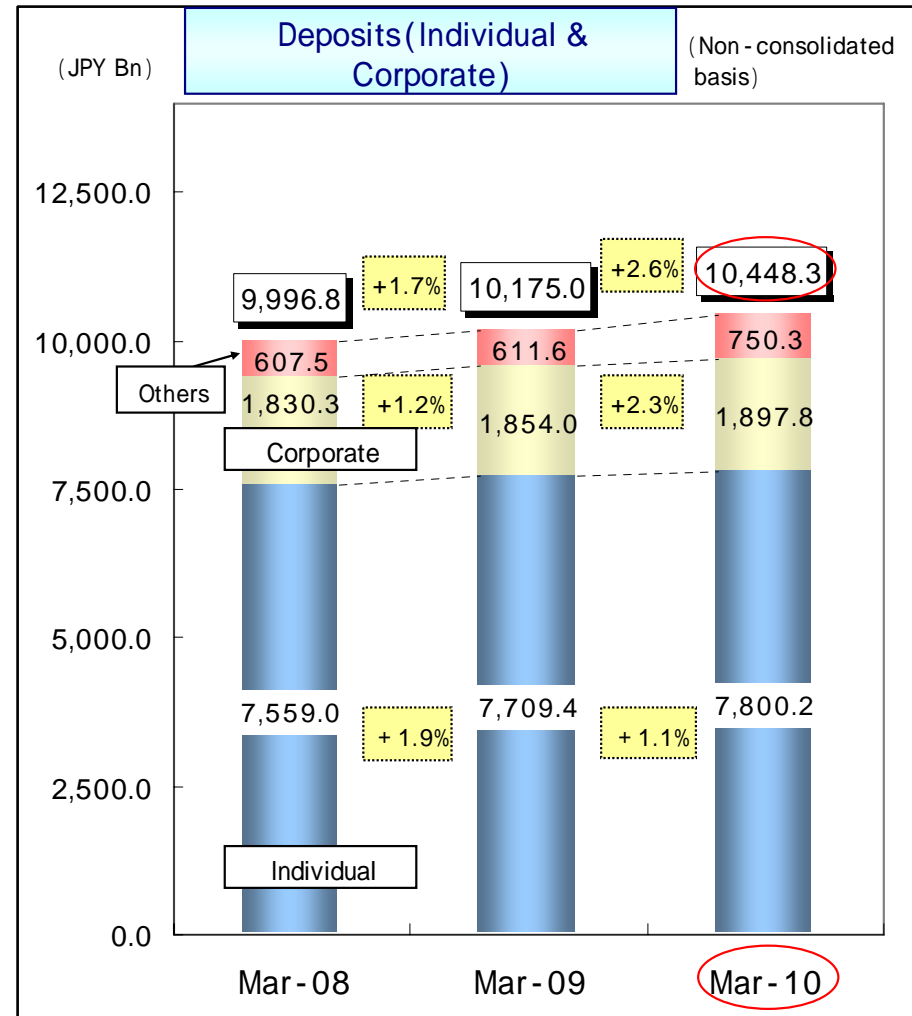
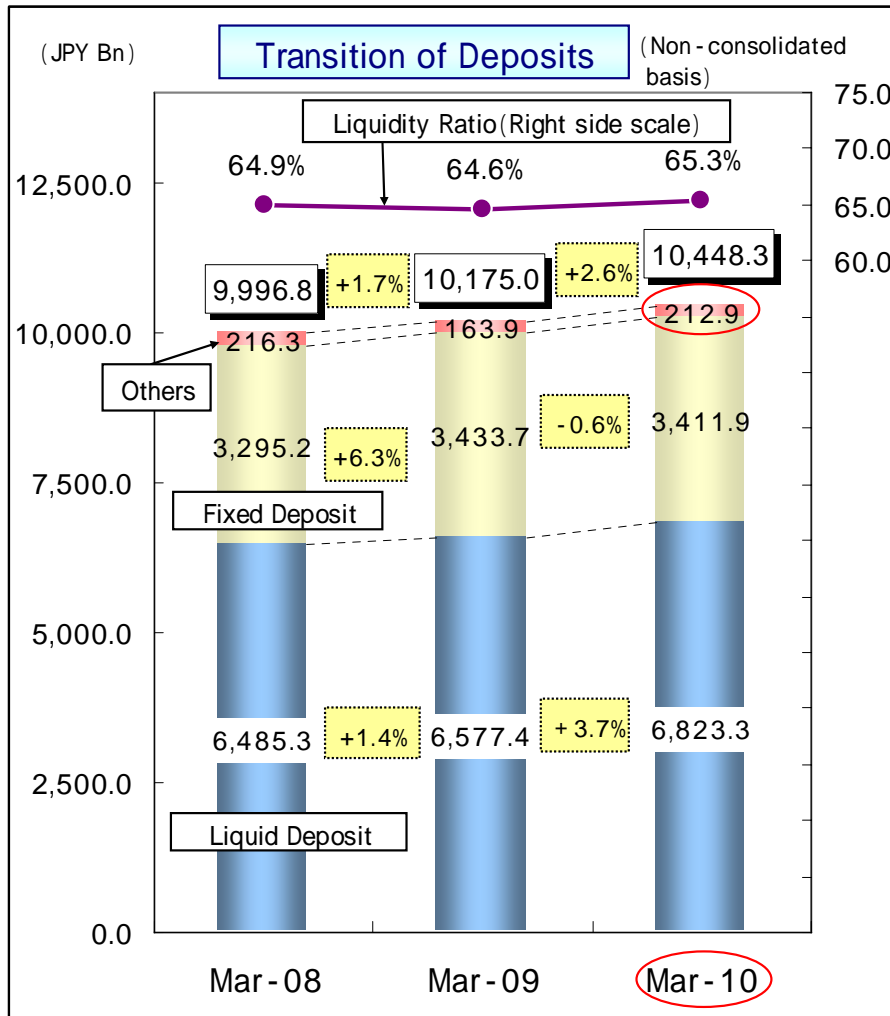




## 2 . Business Performance

### (3) Deposits

- Mar - 10: Deposits grew by +2.6% from Mar - 09, maintaining a sustained increase and kept the level above JPY10Tn.
- Liquidity ratio is **65.3%**, maintaining the highest level among regional banks (Regional bank average **about 52%**).
- Deposits for Corporate customers grew by **+2.3%** from Mar - 09 due to increase of customer 's cash reserve.



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

(Note2) Fixed Deposit = time deposit etc.

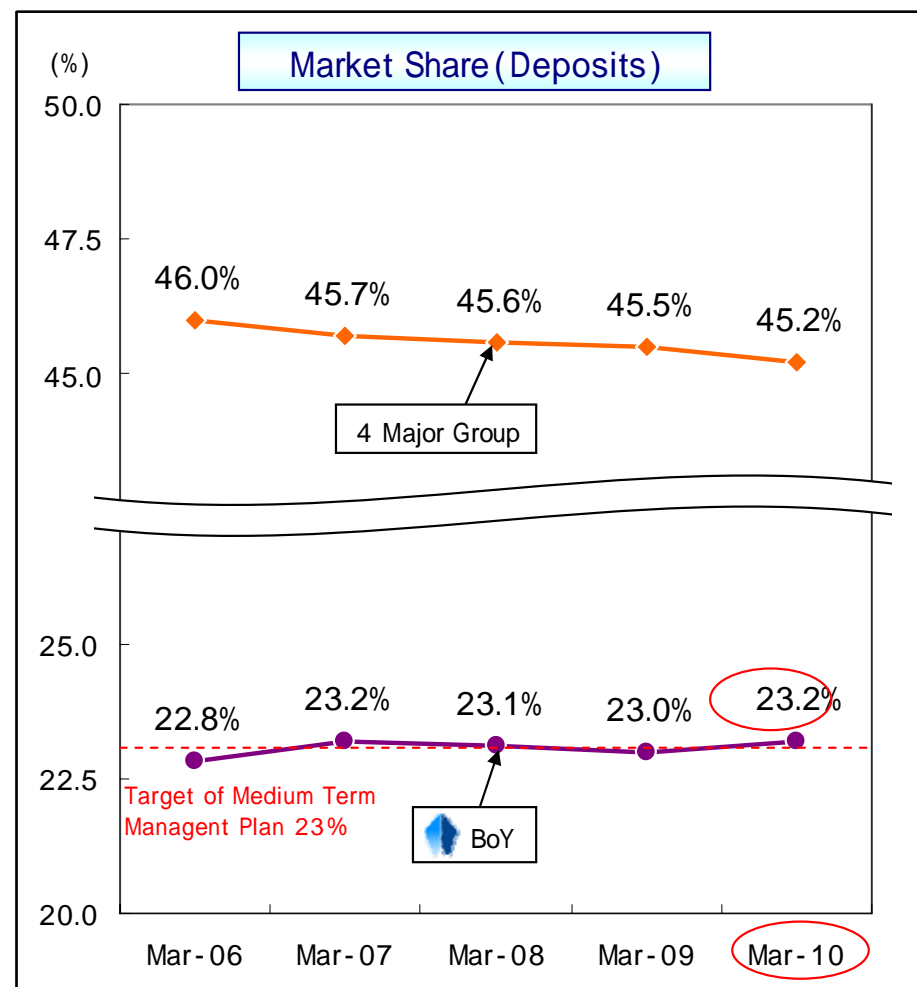
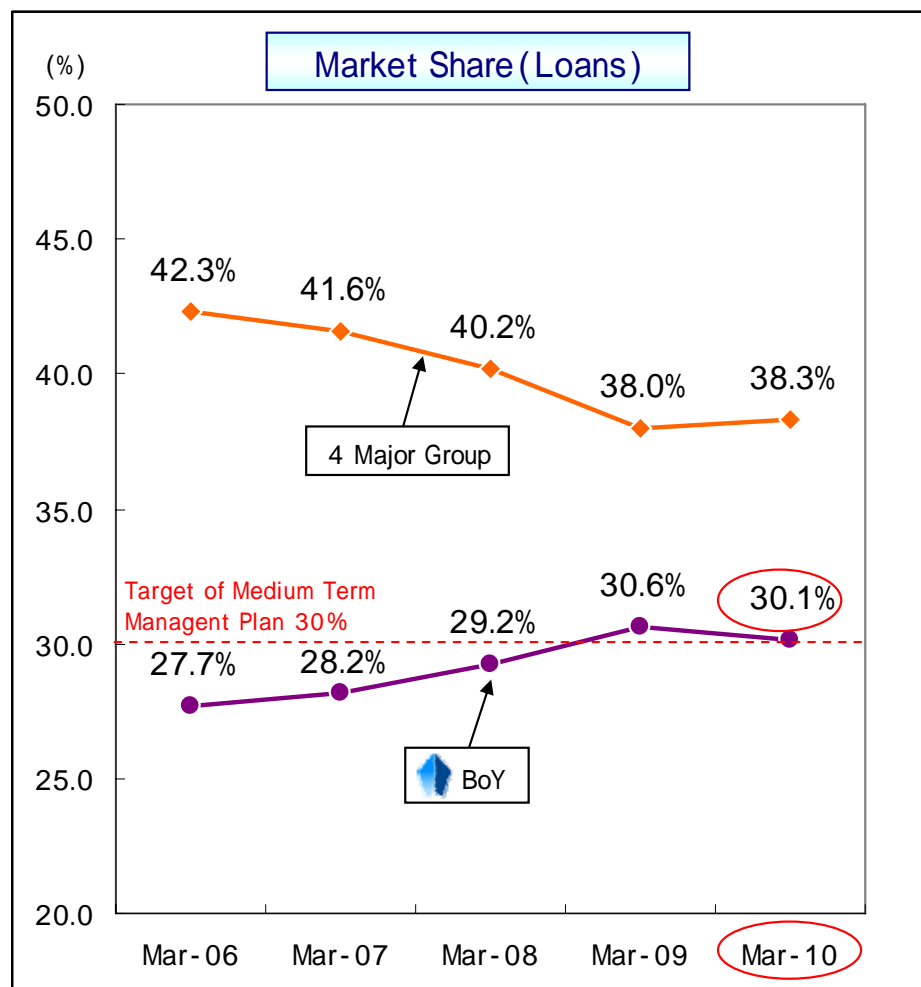
(Note3) Others = miscellaneous and other deposits.

(note) Others = Local Public + Financial Institutions

## 2 . Business Performance

### (4) Market Share in Kanagawa Prefecture

- Mar - 10: Market share of loans was 30.1%, and the share of deposits was 23.2%.
- We attained the goals for both loans and deposits stated in our Medium Term Management Plan (Loans: 30% or higher; Deposits: 23% or higher).



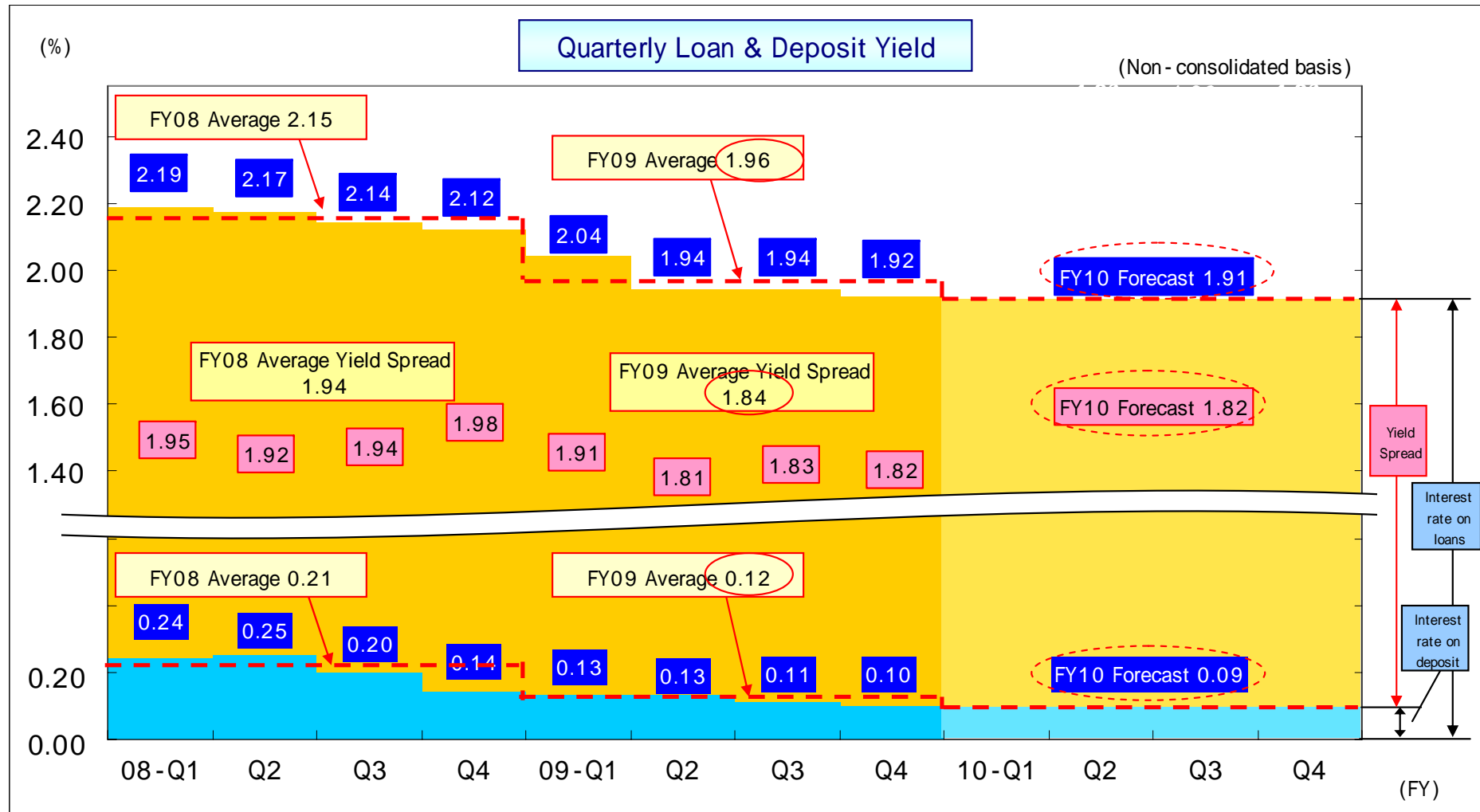
(Note1) Market share above does not include Japan Post, Credit Unions & JA. (Bank estimates)

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

## 2 . Business Performance

### (5) Loan & Deposit Yield (Domestic Operations)

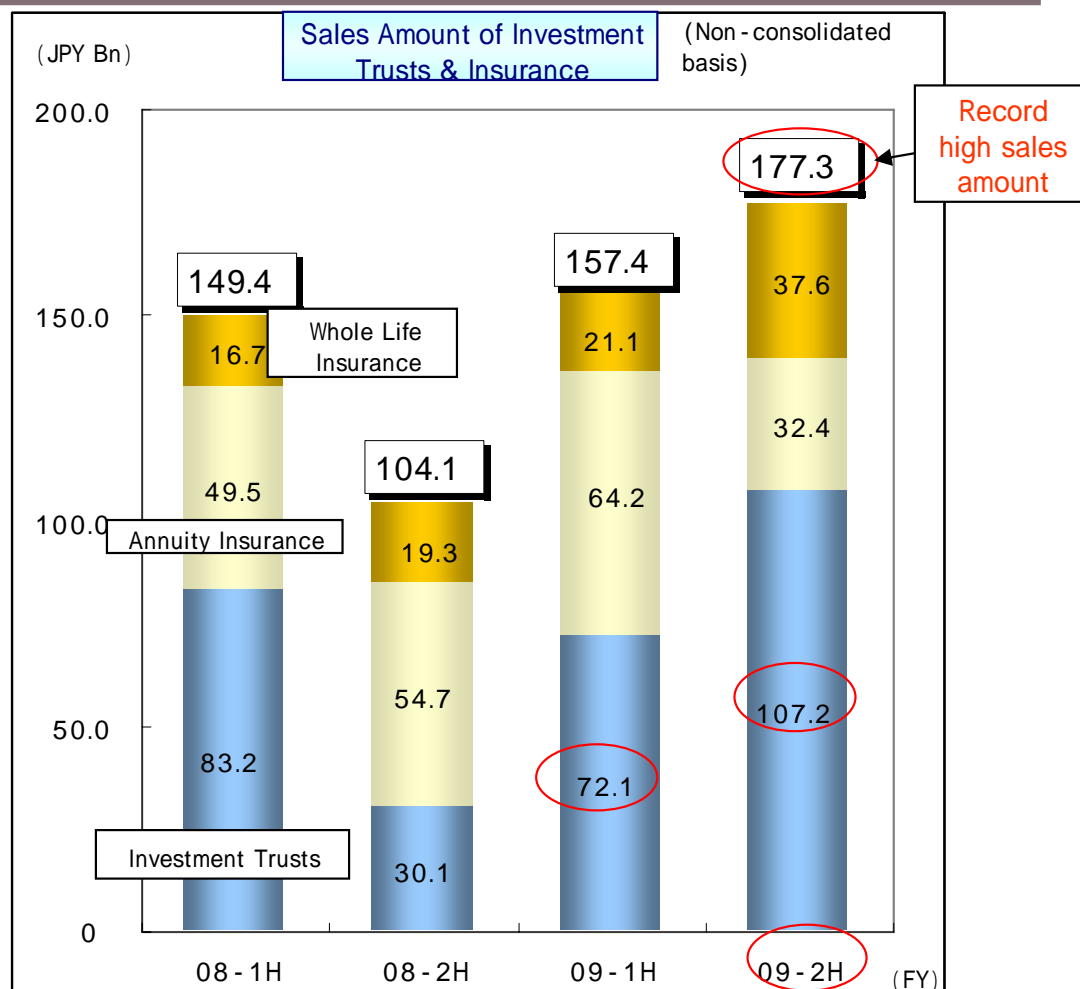
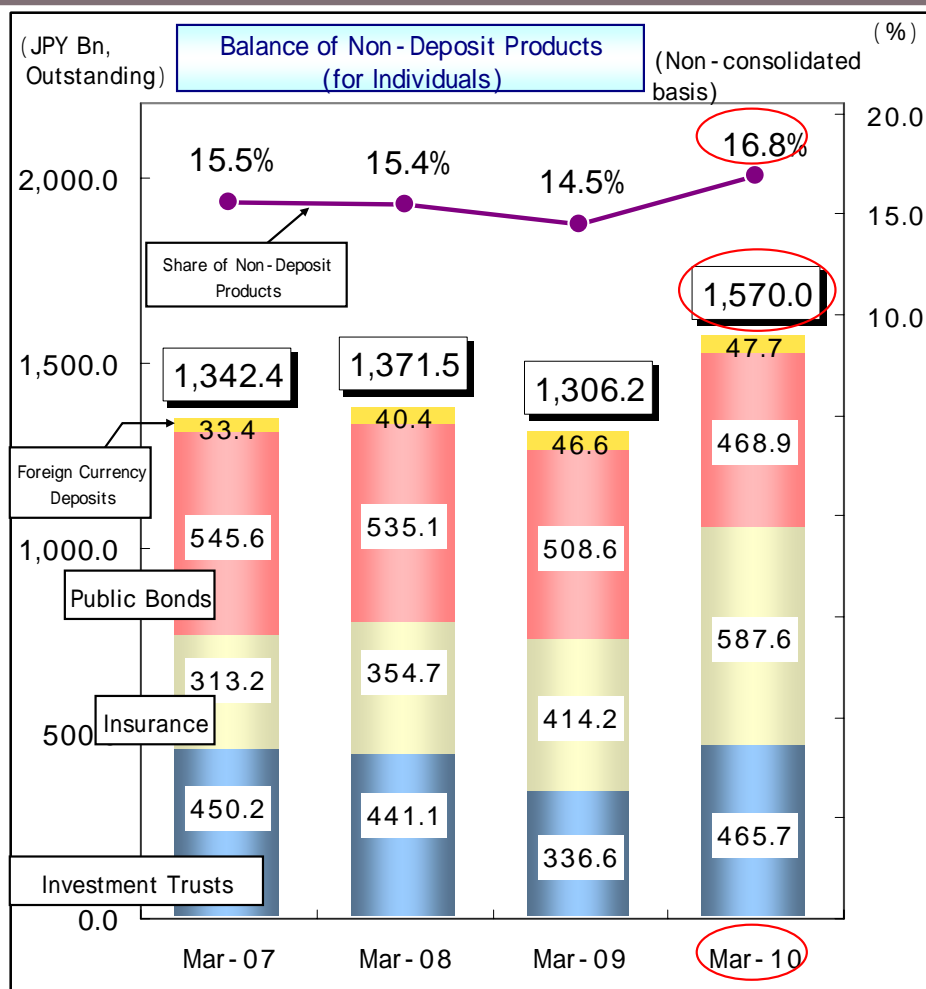
- FY09: As a result of two BOJ rate cuts (Oct-08 and Dec-08, each cutting 20bp), Loan Yield declined to 1.96%, Deposit Yield declined to 0.12%, and Yield spread shrunk to 1.84%.
- FY10 Forecast: Yield spread expected is 1.82%.



## 2 . Business Performance

### (6) Non-Deposit Products

- The balance of non-deposit products at the end of March 2010 increased by JPY263.8Bn from the end of March 2009 due mainly to recovery in investment trust sales (FY09: JPY179.3Bn). We realized a rapid increase in sales value through proactive utilization of EBM and appropriate product policies. (note) EBM=Event Based Marketing: refer to P.20
- The balance of insurance increased by JPY173.4Bn to JPY587.6Bn from Mar-09 (increase for FY08 was JPY59.5Bn).



(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

## 2 . Business Performance

### (7) Marketing Strategy for Individuals ~ Utilization of EBM(Event Based Marketing)

- Using extensive customer data to grasp changes in financial behavior, lifestyle changes, and changes in customer preferences, we are pushing ahead with EBM, a marketing initiative that answers customers needs.
- By grasping the timing of changes, EBM achieves greater customer orientation than in the past, complements differences in staffs' sales skills owing to experience and intuition, and ensures more efficient and effective sales promotion.

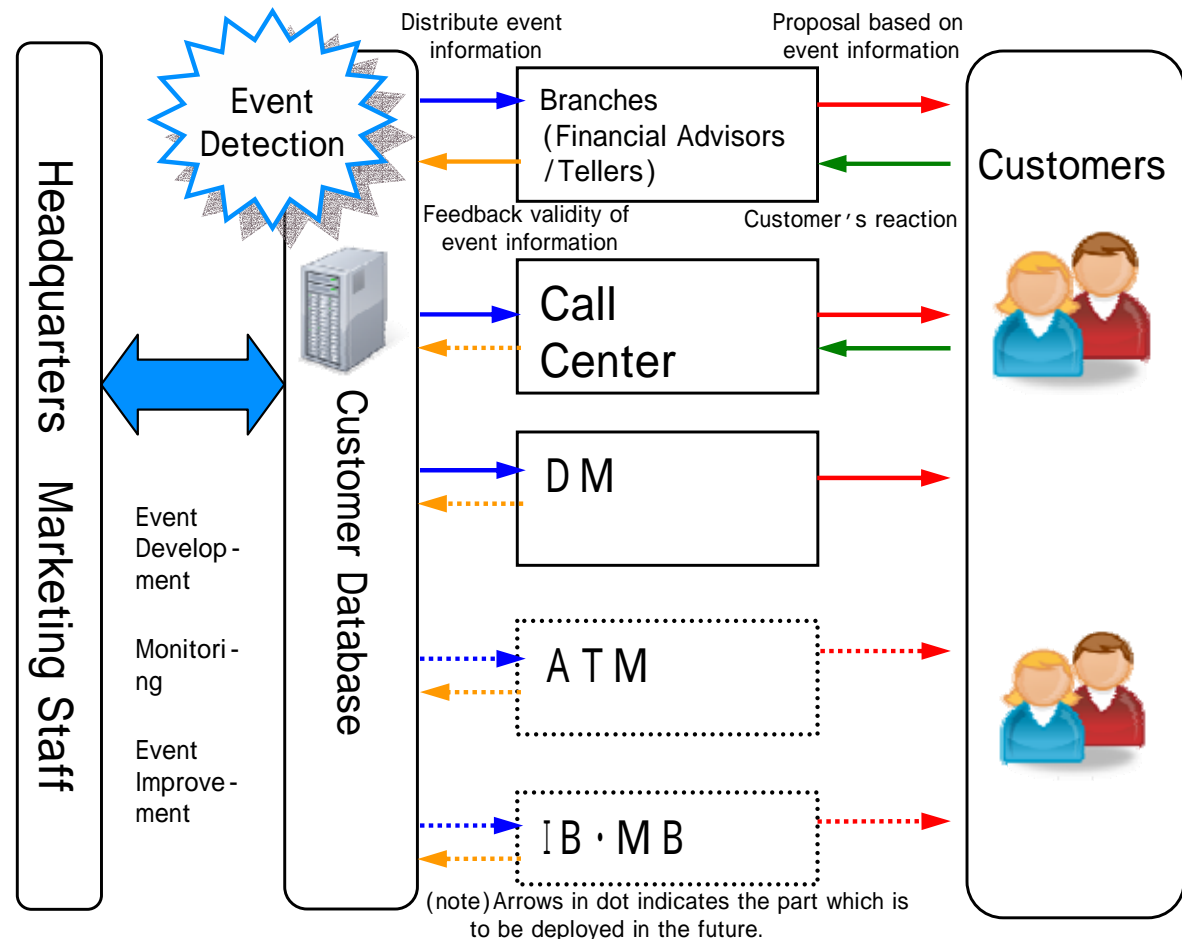
#### Conventional Marketing

Through data mining methods, etc.  
 Using products & services that the bank wants to sell  
 At the time the bank wants to sell  
 Search for customers with high potential  
 Implement sales

#### EBM

Using the know-how of highly skilled advisor  
 Grasp change opportunities among customers  
 Use interactive communication  
 While enhancing customer understanding  
 Realize optimal marketing

#### Realization of EBM (Coordinated System)

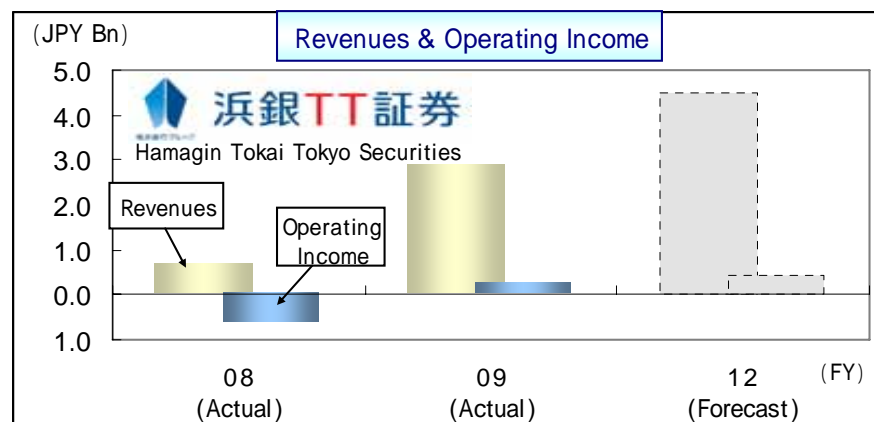


# 2 . Business Performance

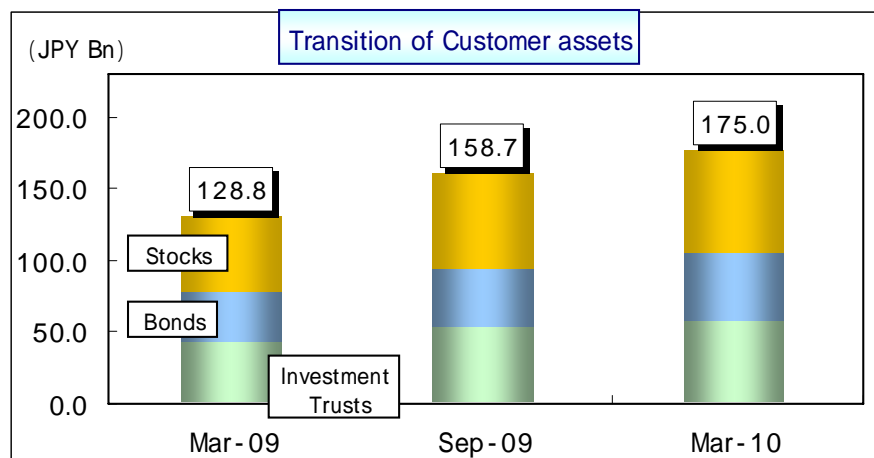
## (8) Securities Business Strategy

- Providing high quality securities services to our customers (high net worth individuals, etc.), Hamagin TT securities (inaugurated Nov-08) recorded a profit for both Operating and Net income in FY09 (the initial forecast was for negative earnings).
- The balance of customer assets in March 2010 was JPY175.0Bn, an increase of JPY46.2Bn (35.8%) from March 2009, as we accurately grasped customers' needs with regard to high-risk investments (products that BoY can't offer).
- HTTS opened Nakayama branch in Jul-09 and Odawara branch in Oct-09 further expanding its business areas. Going forward, we will continue an orderly expansion of business areas.

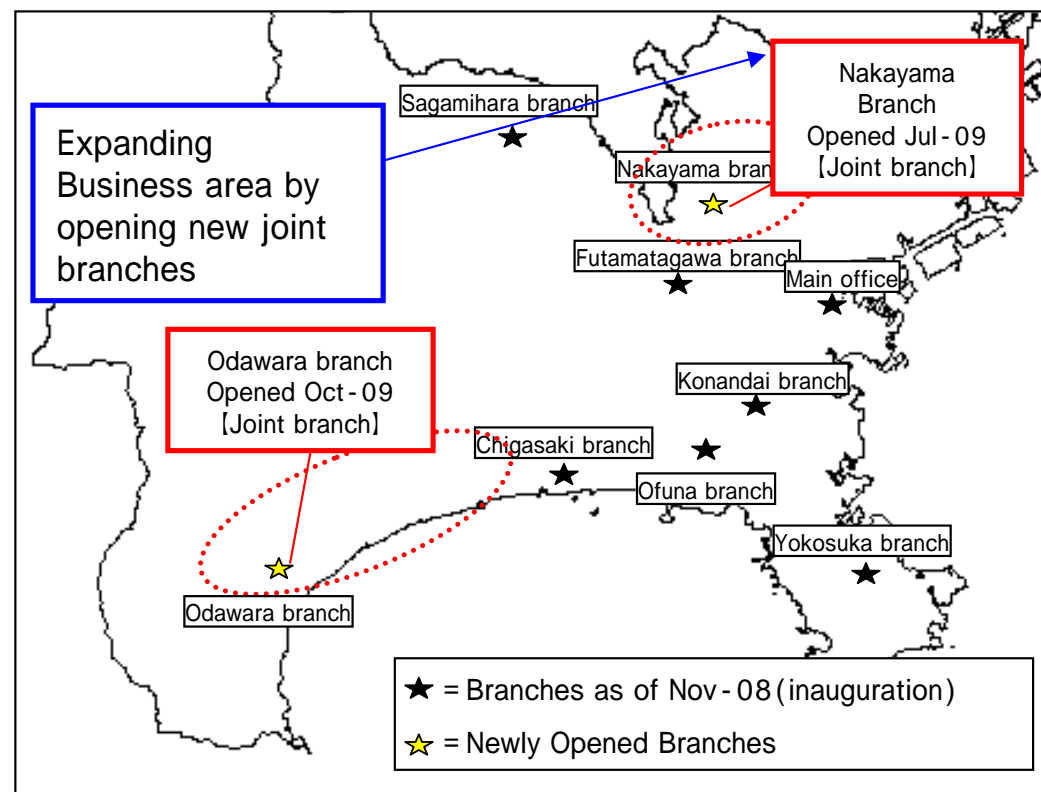
### Business Performance of HTTS



(note) FY08(Actual) was 5 months term from 08/11 (inauguration) to 09/03.



### Branch Network of HTTS



## 3 . Management Strategies

## 3 . Management Strategies

### *(1) Results of “New Horizon” (FY07-FY09)*

- In April 2007 we established the Long Term Vision of being “an attractive financial institution for customers, shareholders, employees, and communities,” and started an initial three-year plan to realize our goals.
- We have largely achieved the target figures set as management benchmarks, which were partially revised in May 2009 in light of changes to the external environment such as the global financial crisis.
- We achieved the targets set out in our Manifesto with regard to “Proactively Investing in Human Assets,” “Proactively Return to Shareholders,” and “Proactively Engage in CSR Activities.” However, as a result of focusing on low-cost operations in the plan’s final year, our goal to “Proactively Invest in Improving CS” was unmet.

### Results of Main Theme

Theme	Major Achievements
Developing functions by utilizing alliances	<ul style="list-style-type: none"> <li>• Jointly established Hamagin Tokai Tokyo Securities with Tokai Tokyo Securities Co., and realized profitability in the year ended March 31, 2010, the second term since its founding</li> <li>• Implemented mutual usage of ATMs with JR East, Aeon Bank, and Lawson, improving customer convenience</li> </ul>
Proactively investing in Human Assets	<ul style="list-style-type: none"> <li>• Increased number of employees with the aim of realizing initiatives including a strengthening of sales performance, the establishment of HTTS, and the shift to a three bank shared use system</li> <li>• Restructured education and training programs, and strengthened education system for the increasing number of young employees</li> </ul>
Establishing "Yokohama Brand"	<ul style="list-style-type: none"> <li>• Established a brand concept and brand symbol that standardize the design, etc., of the Bank's name</li> <li>• Implemented a renewal of branches, signs, etc.</li> </ul>

### Results of Target Figures

Target Figures		Numerical Targets	FY09 Actual
Profitability	Gross Operating Income (non-consolidated)	JPY 212.0Bn	JPY 211.9Bn
	Earnings Per Share (consolidated)	15.8yen	22.7yen
Market Share in Kanagawa	Loans (non-consolidated)	higher than 30%	30.1%
	Deposits (non-consolidated)	higher than 23%	23.2%
	Non-Deposit Products Outstanding (non-consolidated)	+12% from FY08	+20% from FY08

### Results of Manifest

Manifest	Numerical Targets	FY09 Actual
(1) Invest in Customer Satisfaction	more than JPY 15.0Bn in 3 years	JPY 9.9Bn in 3 years
(2) Invest in Human Assets	more than JPY 15.0Bn in 3 years	JPY 16.7Bn in 3 years
(3) Return to Shareholders	higher than 40% in 3 year average shareholder return ratio	106% (3 year average shareholder return ratio)
(4) CSR Activities	more than JPY 0.5Bn in 3 years	JPY 0.5Bn in 3 years

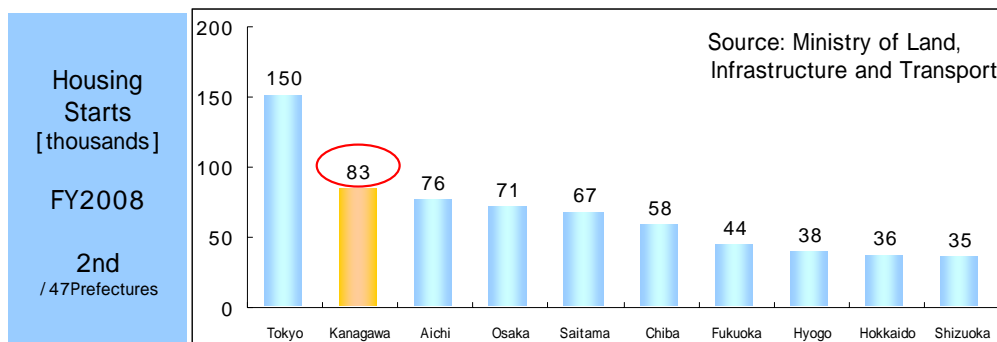
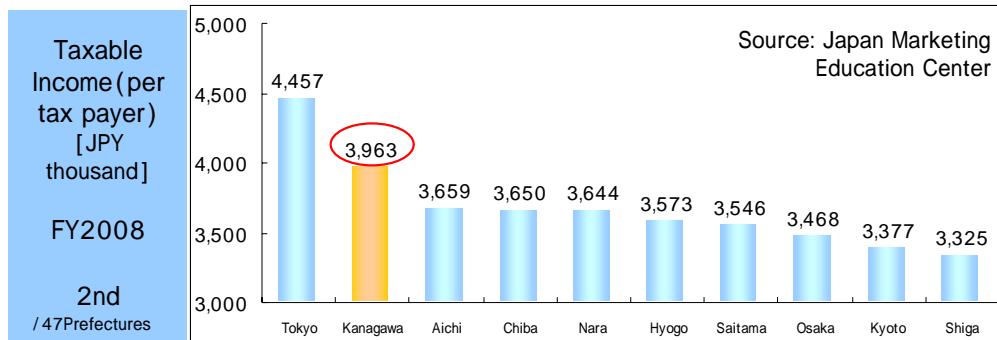
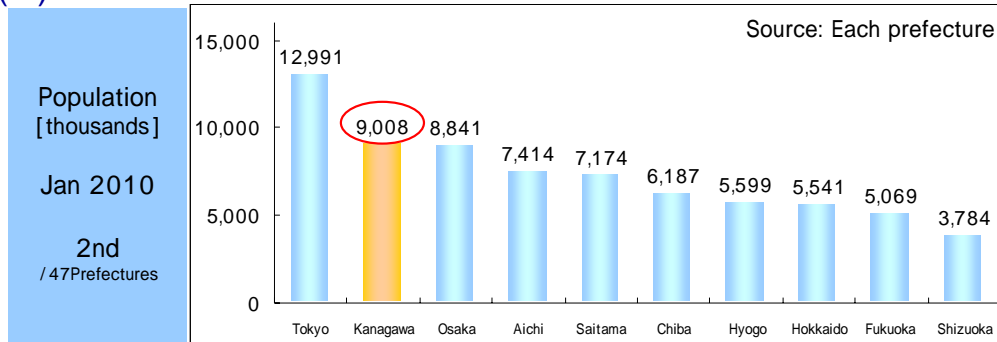


# 3 . Management Strategies

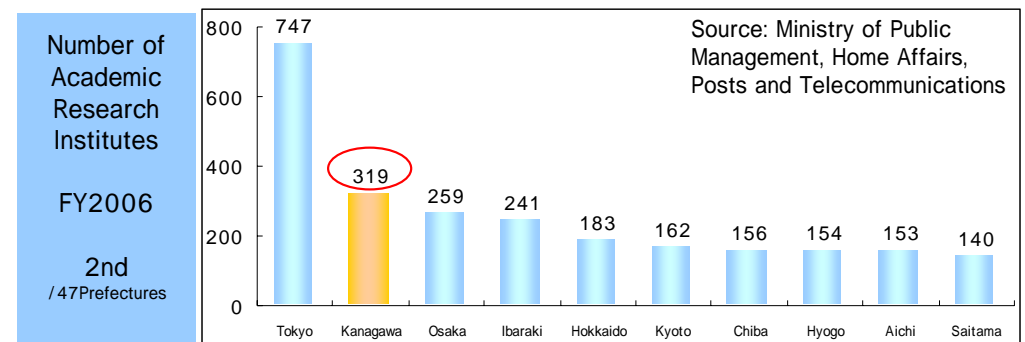
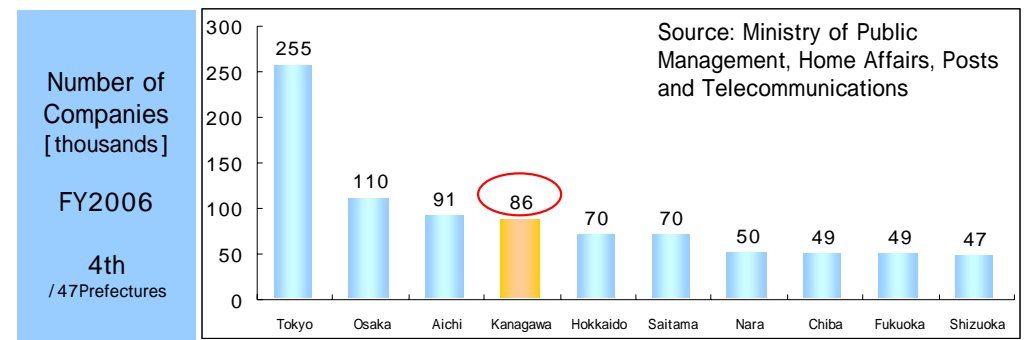
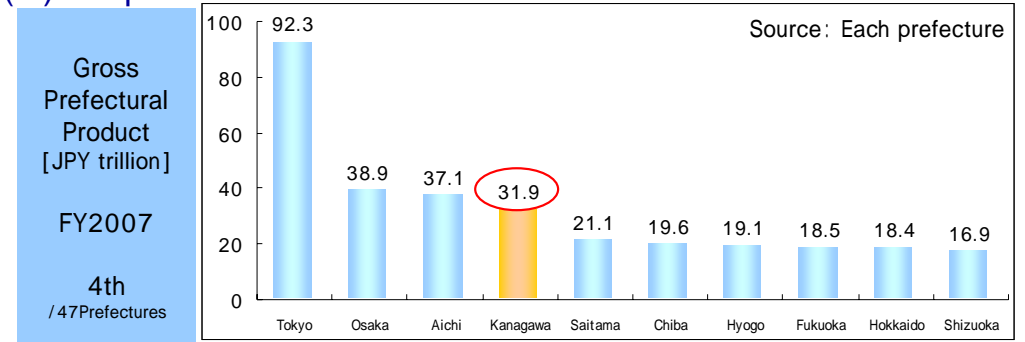
## (2) Potential of Kanagawa Prefecture

- The total population of Kanagawa Prefecture exceeds 9 million, ranking 2nd among 47 prefs. Taxable income and housing starts per capita are both high, and Asset management needs and borrowing needs for housing loans are both extremely high.
- Kanagawa's gross prefectural product is 4th among prefs, exceeding JPY30Tn. It is 4th in Japan in terms of number of companies, it is strong in high - tech industries, and there is exceptional potential in corporate transactions.

### (1) Individual Sector



### (2) Corporate Sector



## 3 . Management Strategies

### *(3) Outline and Target Figures of the New Medium Term Management Plan*

- In April 2010 we launched “New Horizon 2nd Stage,” our New Medium Term Management Plan.
- The new plan deepens initiatives included in “New Horizon,” our previous Medium Term Management Plan, and we have positioned it as a plan for the next 3 years in order to realize our Long Term Vision.

#### ■ Outline of the New Medium Term Management Plan

- 1.Name : *New Horizon 2nd Stage*
- 2.Term : 3 Years (From April 2010 to March 2013)
- 3.Significance: 3 years to build a “Solid business foundation” that prepares us for the future and to establish a “Strong management foundation” that can endure any environmental change, in order to realize the Long Term Vision (\*).  
*(\* ) Long Term Vision: To become an attractive financial institution for customers, shareholders, employees and communities*
- 4.Main theme: (1) Improvement of corporate value by developing "Yokohama Brand"  
(2) Intensification of low - cost operation  
(3) Improvement of performance by reinforcing investment in human assets

#### ■ Target figures

< Profitability >  
ROE (net income basis, Consolidated) :  
Around 7%

< Efficiency >  
OHR (non - consolidated) : Around 45%

< Stability · Safety >  
Core Tier1 Ratio (Consolidated) :  
Higher than 8%  
Credit Costs Ratio (non - consolidated) :  
Around 0.30%

Through achieving these targets, we aim to improve our presence.

# 3 . Management Strategies

## *(4) Direction of practical steps of the New Medium Term Management Plan*

- In order to realize our main themes, the New Medium Term Management Plan establishes the “provision of high -value financial services for customers,” the “establishment of easy -to -use service channels for customers,” and the “enhancement of the stability and safety of management to ensure that customers feel secure” as the direction for initiatives.
- In keeping with this direction, we will carry out five important measures focusing on an “intensification in regional retail banking” to further reinforce our strengths.

### Main Theme of “New Horizon 2nd Stage”

Improvement of corporate value by developing “Yokohama Brand”

Intensification of low - cost operation

Improvement of performance by reinforcing investment in human assets

### Direction of practical steps

Provision of high -value financial services for customers

We will develop our ability to propose products and services that suit customers’ needs, and improve customer satisfaction as well as density of business.

Establishment of easy - to -use service channels for customers

Based on changes in the service channels customers use, we will optimize channels according to their functions and objectives, in order to enrich the channels customers could easily use.

Enhancement of stability and safety of the management to ensure customers feel secure

In a bid to build a strong management foundation by sustaining stable growth and to supply funds to customers smoothly and steadily, we will work toward higher stability and safety of the management.

### Five Important Measures

Intensification in regional retail banking (Individual, Corporate, Service channels)

Strengthening of risk management

Improvement of performance by reinforcing investment in human assets

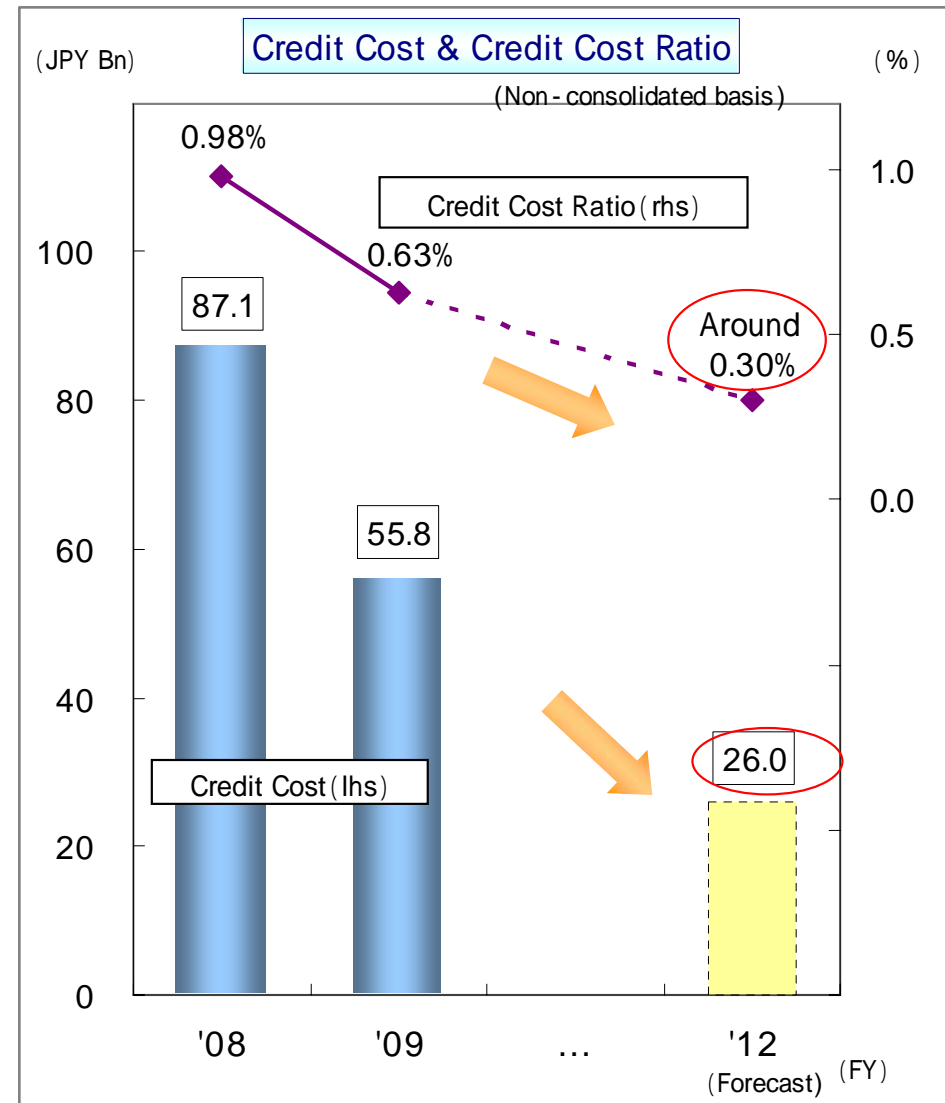
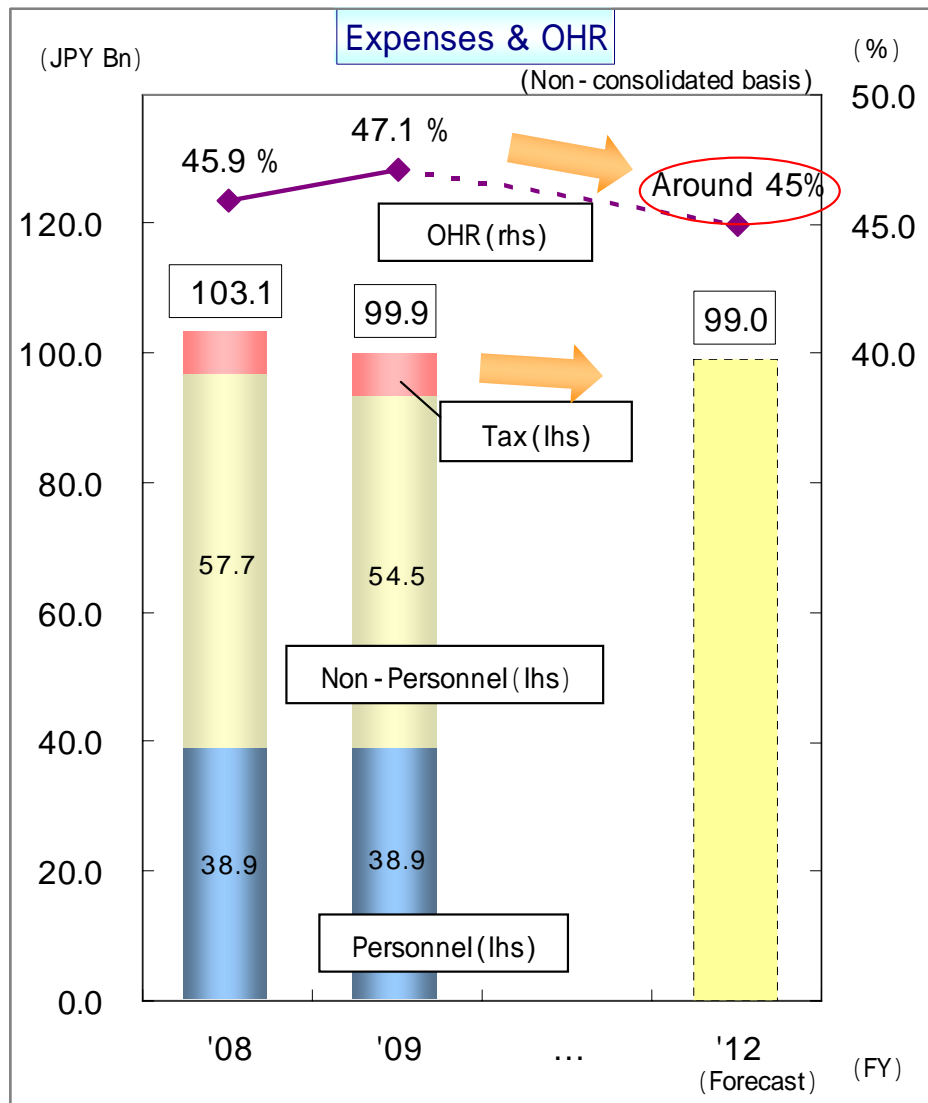
Improvement of fund management

Intensification of low - cost operation

### 3 . Management Strategies

#### (5) Target Figures of the New Medium Term Management Plan

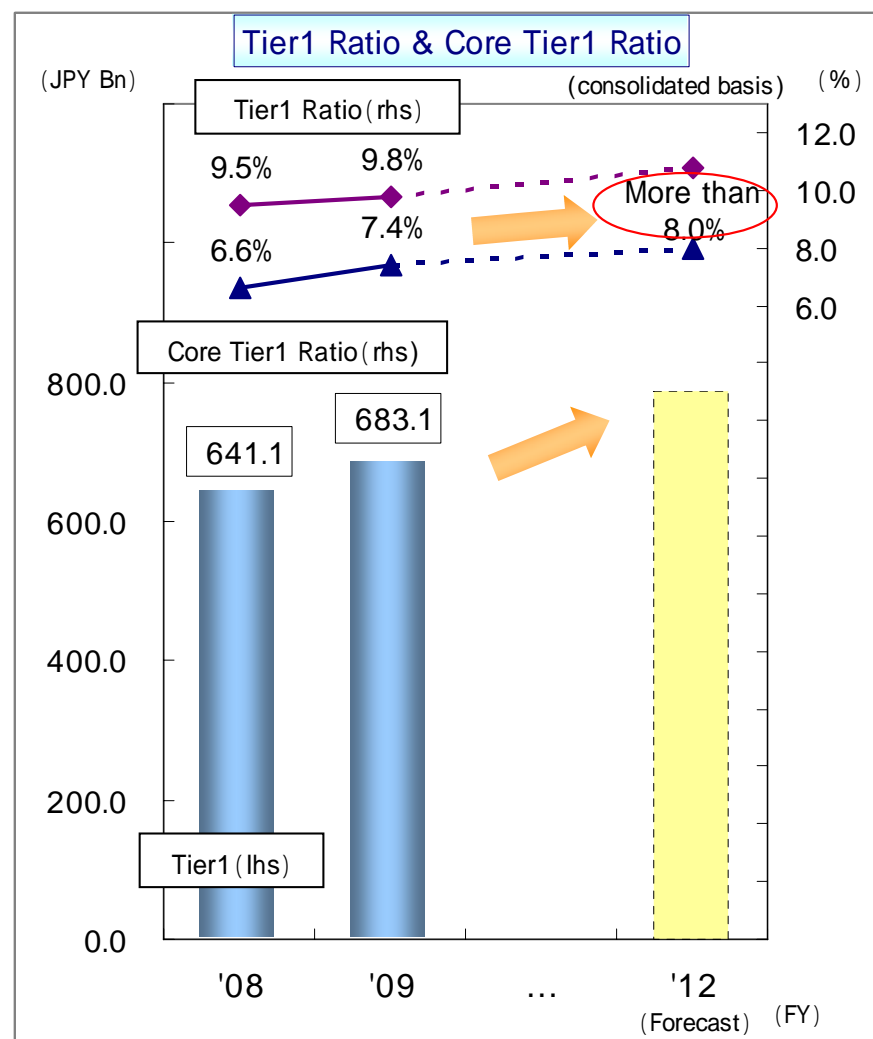
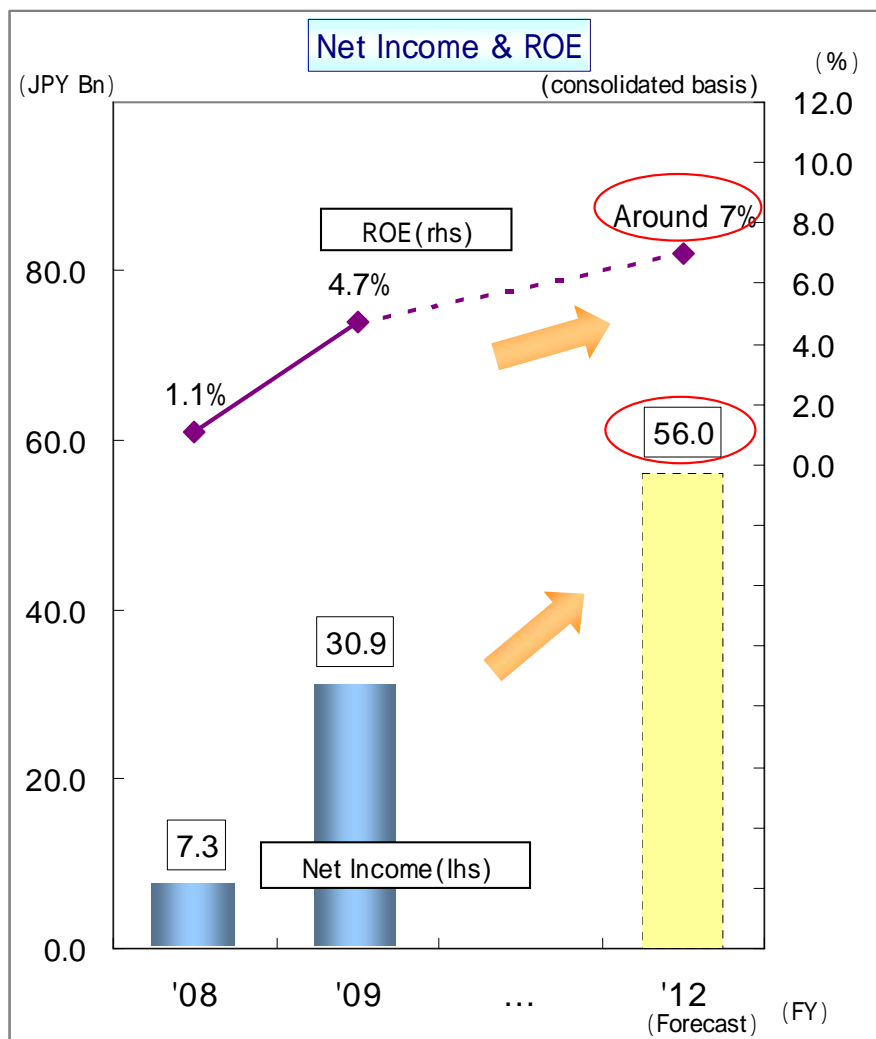
- Intensifying low-cost operations, we aim for FY12 OHR of around 45%.
- Focusing on strengthening risk management, we aim for FY12 credit costs of JPY26.0Bn, and a credit-cost ratio of around 0.30%.



### 3 . Management Strategies

#### (5) Target Figures of the New Medium Term Management Plan

- Along with improvements in OHR and the credit-cost ratio, we will address the “strengthening of regional retail banking”, the “improvement of fund management”, and the “improvement of performance by reinforcing investment in human assets”, and aim for FY12 net income of JPY56.0Bn and ROE of around 7%.
- By steadily building up retained earnings we will aim for a core Tier1 ratio of 8.0% or higher, and build a “strong management foundation” that can endure any environmental change.

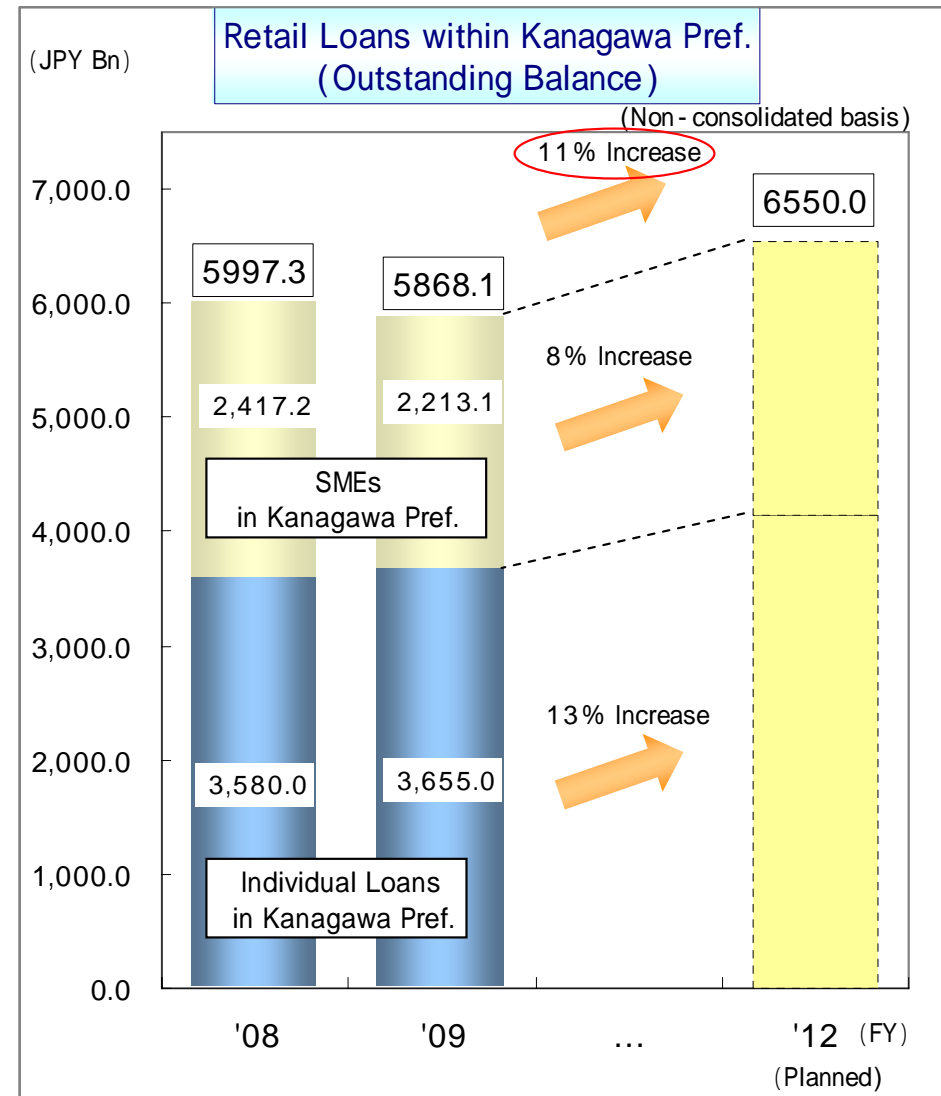
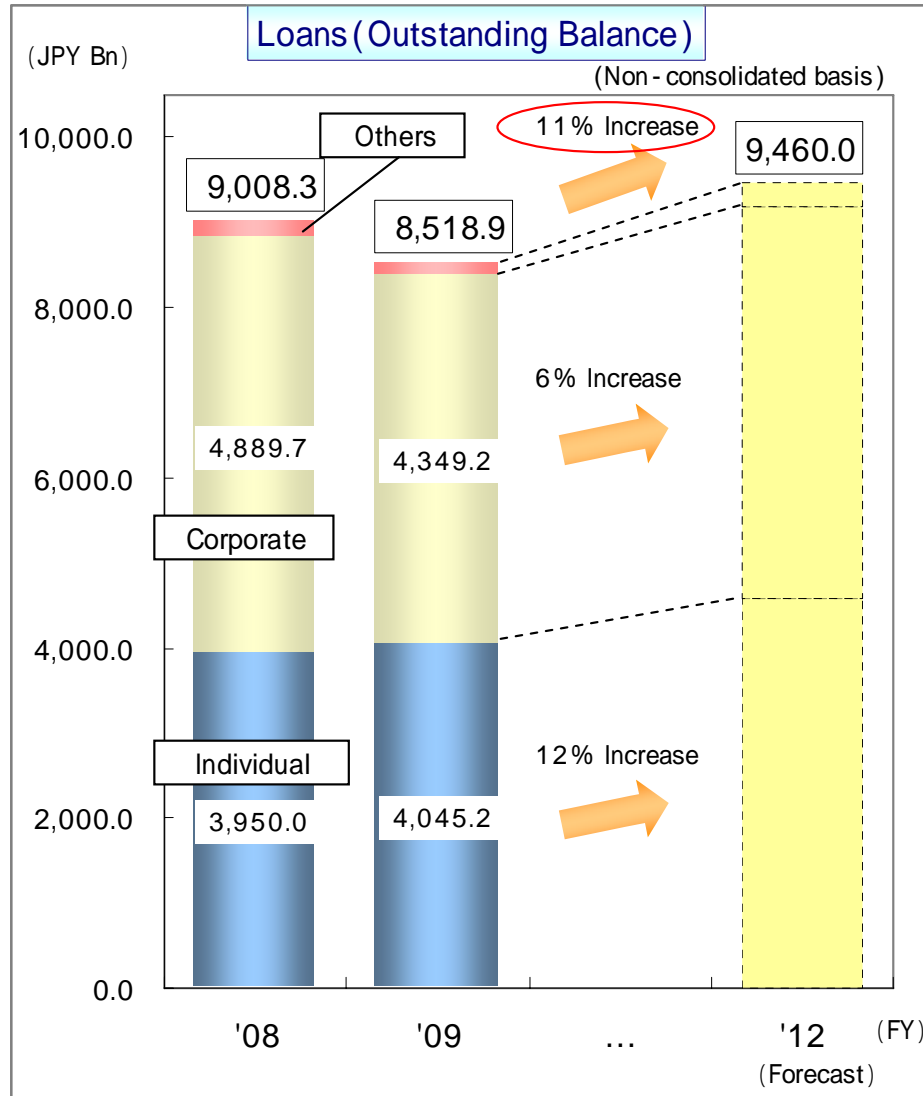


(Note) Domestic Standards (~ '08), International Standards ('09 ~ )

### 3 . Management Strategies

#### (6) Financial Forecast of the New Medium Term Management Plan

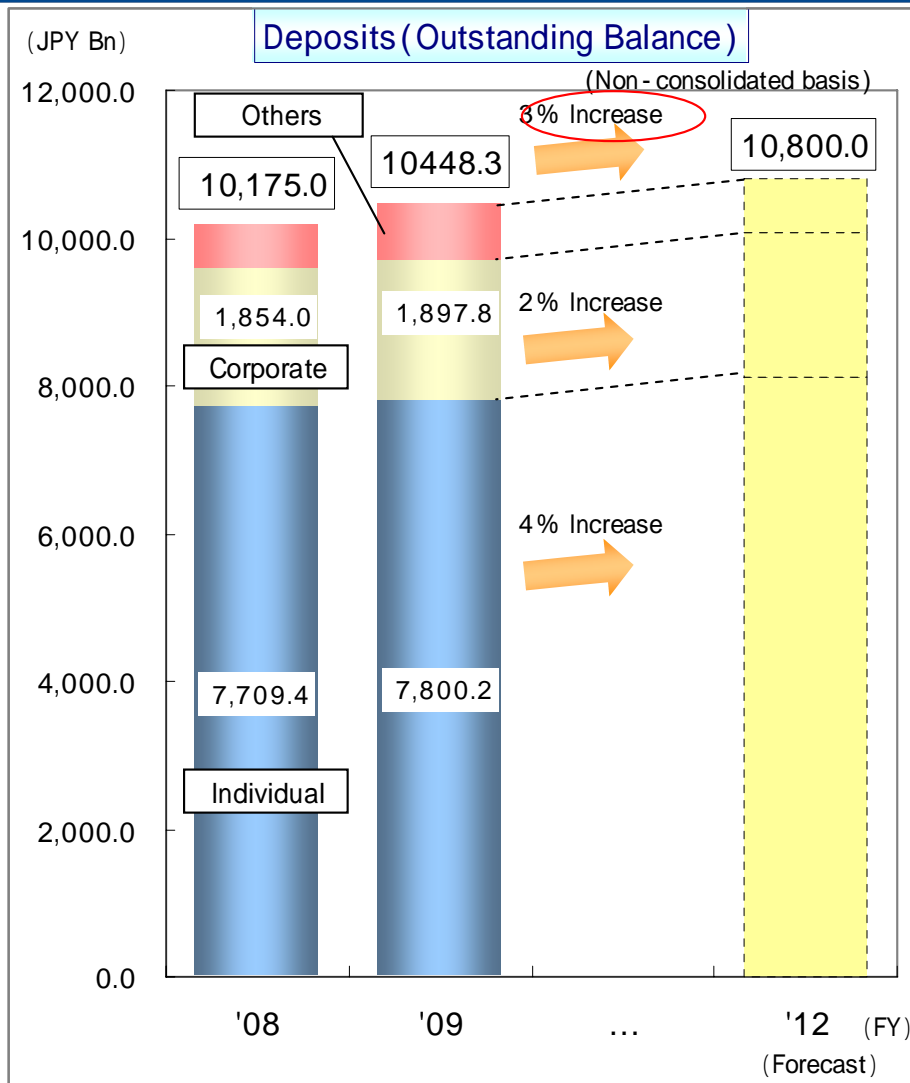
- We forecast an 11% increase in our total loan balance over 3 years,
- As a result of an “intensification in regional retail banking” we will aim to increase our retail loan balance by 11% over 3 years.
- The loan yield in our plan does not assume any BOJ rate increases.



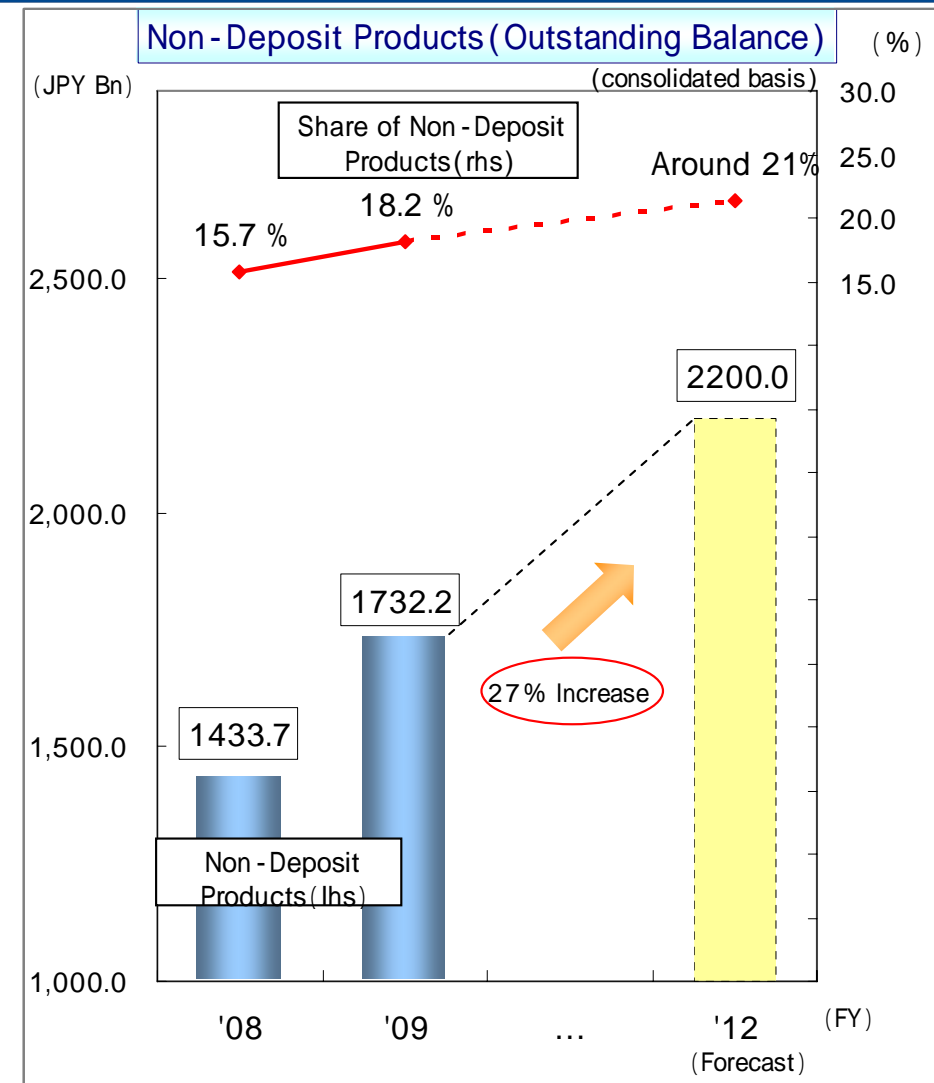
### 3 . Management Strategies

#### (6) Financial Forecast of the New Medium Term Management Plan

- The plan calls for growth of approximately 3% in the deposit balance over 3 years, with a focus on deposits from individuals.
- Taken on a consolidated basis and including Hamagin Tokai Tokyo Securities, the plan assumes a 27% increase in the non-deposit product balance over 3 years.



(Note) Others = Local Public + Financial Institutions



(Note) Non-Deposit Products (consolidated) = Non-Deposit Products (non-consolidated) + Customer Assets of Hamagin Tokai Tokyo Securities

### 3 . Management Strategies

#### (6) Financial Forecast of the New Medium Term Management Plan

(JPY Bn)		FY08 Actual	FY09 Actual (A)	FY12 Forecast (B)	Change (B) - (A)
Non-Consolidated basis	Gross Operating Income	224.5	211.9	221.0	About +9.0
	- Expenses	103.1	99.9	99.0	About - 1.0
	Net Business Profit	121.3	111.9	122.0	About +10.0
	- Credit Costs	87.1	55.8	26.0	About - 30.0
	Ordinary Profit	9.6	52.8	92.0	About +39.0
	Net Income	8.6	31.0	55.5	About +24.5
	OHR	45.9%	47.1%	Around 45%	About - 2%
	Credit Costs Ratio	0.98%	0.63%	Around 0.30%	About - 0.3%
Consolidated basis	Ordinary Profit	8.4	53.7	95.0	About +41.5
	Net Income	7.3	30.9	56.0	About +25.0
	ROE	1.1%	4.7%	Around 7%	About +2%
	Core Tier1 Ratio	6.7%	7.4%	Higher than 8.0%	About +0.6%
Loans (Non - consolidated)	9008.3	8518.9	9460.0	About +940.0	
Retail Loans within Kanagawa Prefecture (Non - Consolidated) (Note1)	5997.3	5868.1	6550.0	About +680.0	
Deposits (Non - consolidated)	10,175.0	10,448.3	10800.0	About +350.0	
Non - Deposit Products for Individuals (consolidated)	1433.7	1732.2	2200.0	About +470.0	

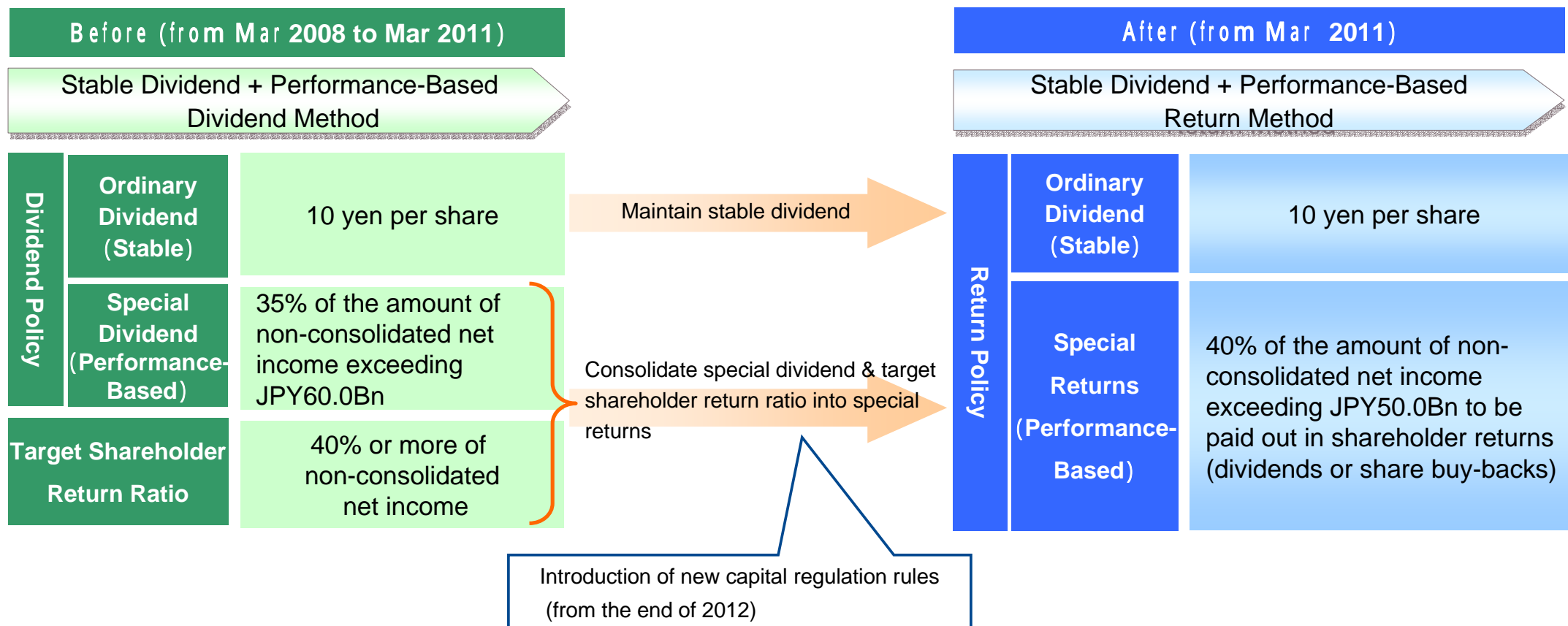
(Note1) Retail Loans within Kanagawa Prefecture = Loans to small and medium-sized businesses in Kanagawa pref. + Loans to individuals in Kanagawa pref.



### 3 . Management Strategies

#### (7) Revision of the Shareholder Return Policy

- In order to reinforce the effectiveness of shareholder returns and implement more flexible returns, we have partially revised our Shareholder Return Policy.
- Specifically, while we will maintain an “ordinary dividend (stable dividend)” of 10 yen per annum, we will consolidate the “special dividend (performance-based)” and the “target shareholder return ratio” into “special returns” made through dividends or share buybacks.
- We have also lowered the base amount for making special returns to JPY50.0Bn, the target level for net income stated in our New Medium Term Management Plan.





Bank of Yokohama

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