



Bank of Yokohama

Information Meeting

~ Interim Financial Results for FY12 ~

November 16, 2012

The Bank of Yokohama, Ltd.

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Highlights in FY2012-1H

1 Strong growth of quality loan

- ✓ The average loan balance (domestic branches) exceeded JPY9.0Tn for the first time owing to a strong growth of 5.1% from FY11-1H.
- ✓ As a result of the accumulation of assets of high credit quality, the percentage of claims on normal debtors to total credits increased by 1.1% points from Mar-12 to 86.8%.

2 Customer base for non-deposit products expanded

- ✓ Group-wide sales of non-deposit products exceeded JPY250.0Bn for three consecutive terms. The share of non-deposit products increased by 0.9% points from FY11-1H to 19.3%.
- ✓ The number of investment trust and insurance customers of the Bank increased by 5.6% from FY11-1H to expand the customer base.

3 Credit costs stabilized at low levels

- ✓ Credit cost ratio is stabilized at a low level of 0.16% while the Bank promotes business revitalization to prepare for the expiration of the SME Financing Facilitation Act.

4 Low cost operation maintained

- ✓ OHR is maintained at the 48% level, one of the lowest levels among Japanese banks, thanks to cost reduction efforts in the face of a decrease in gross operating income.

5 Sufficient capital

- ✓ Core Tier 1 ratio increased by 0.61% points to 10.32% (consolidated basis) from Mar-12. This figure is significantly higher than the Basel III requirement.

6 Aggressive shareholders return

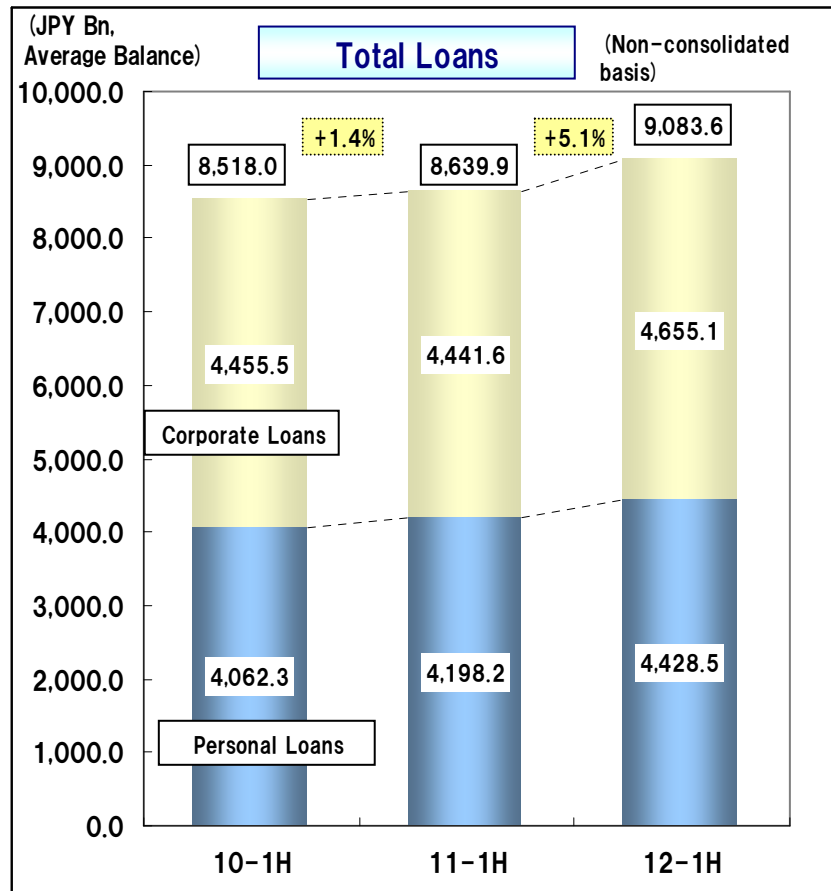
- ✓ We set a budget of JPY10.0Bn for the repurchase of own shares in November, following the repurchase of own shares for JPY5.0Bn in May this year.

1. Business Results

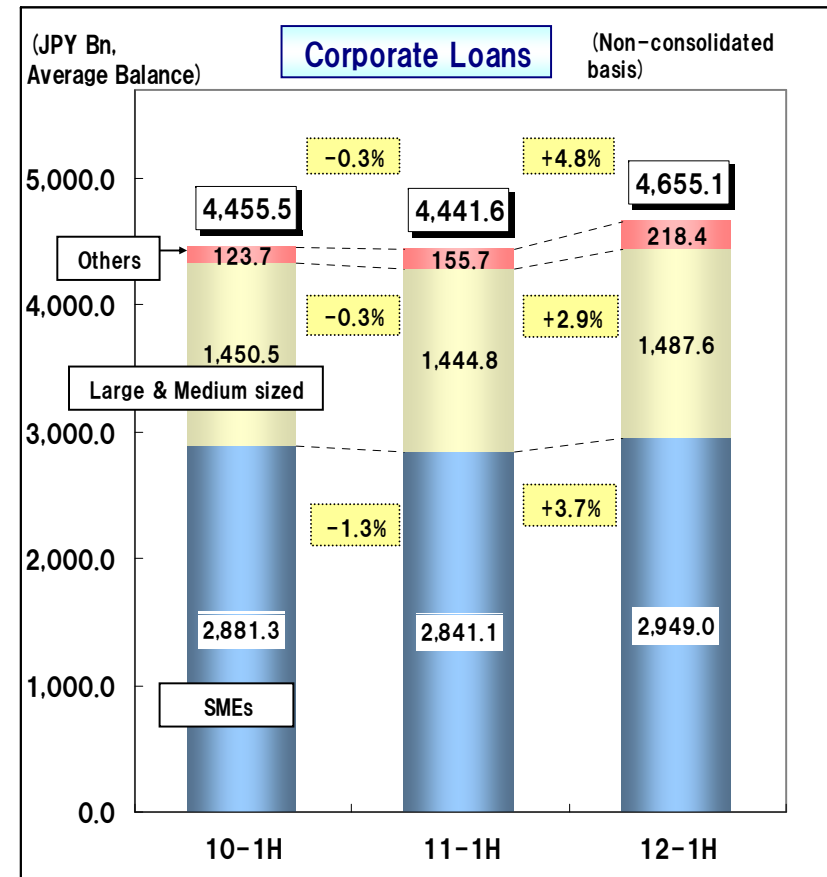
1. Business Results

(1) Total Loans & Corporate Loans

- FY12-1H : Average loan balance increased by 5.1% since both personal loans and corporate loans increased. As a result, average loan balance exceeded JPY9.0Tn for the first time.
- FY-12-1H: Corporate loans increased by 4.8% with the increase of both loans for large and medium-sized companies and those for SMEs.



(Note1) Domestic branches



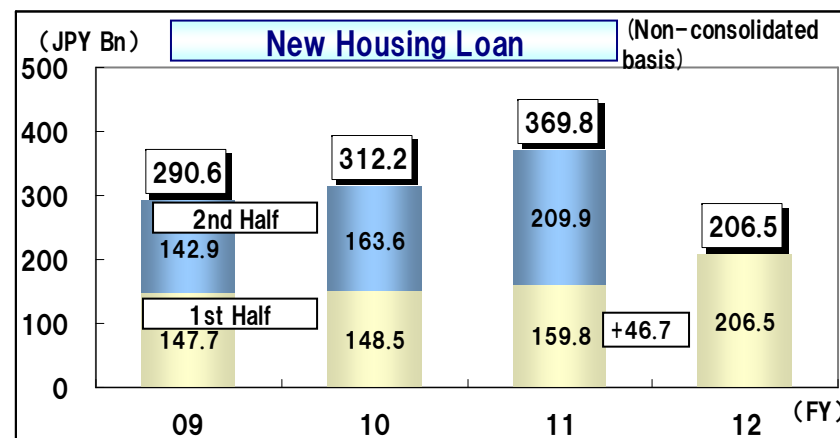
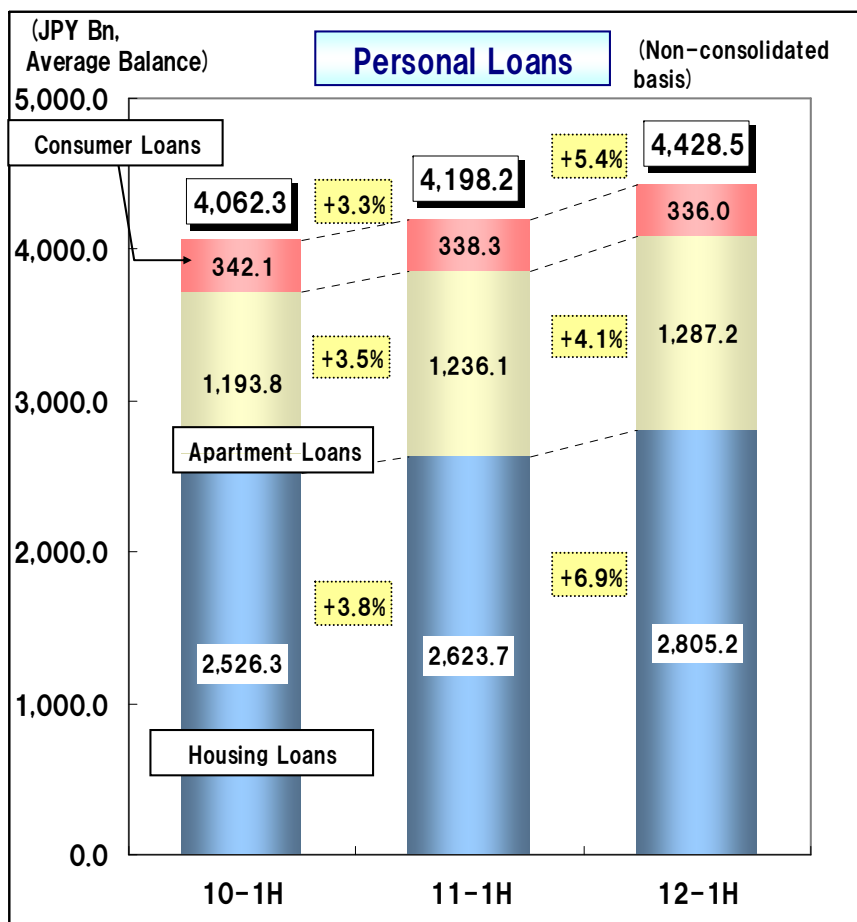
(Note1) "Others" include loans to public and public related sectors.

(Note2) Domestic branches

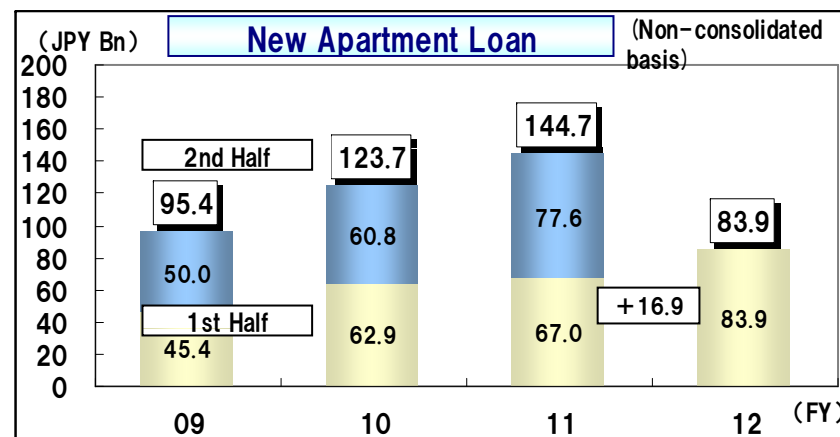
1. Business Results

(2) Personal Loans

- FY12-1H: As average balance of housing loans increased by 6.9% and that of apartment loans increased by 4.1%, the increase of that of personal loans was 5.4%.
- New housing loans increased by JPY46.7Bn to JPY206.5Bn. Also, new apartment loans increased by JPY16.9Bn to JPY83.9Bn.



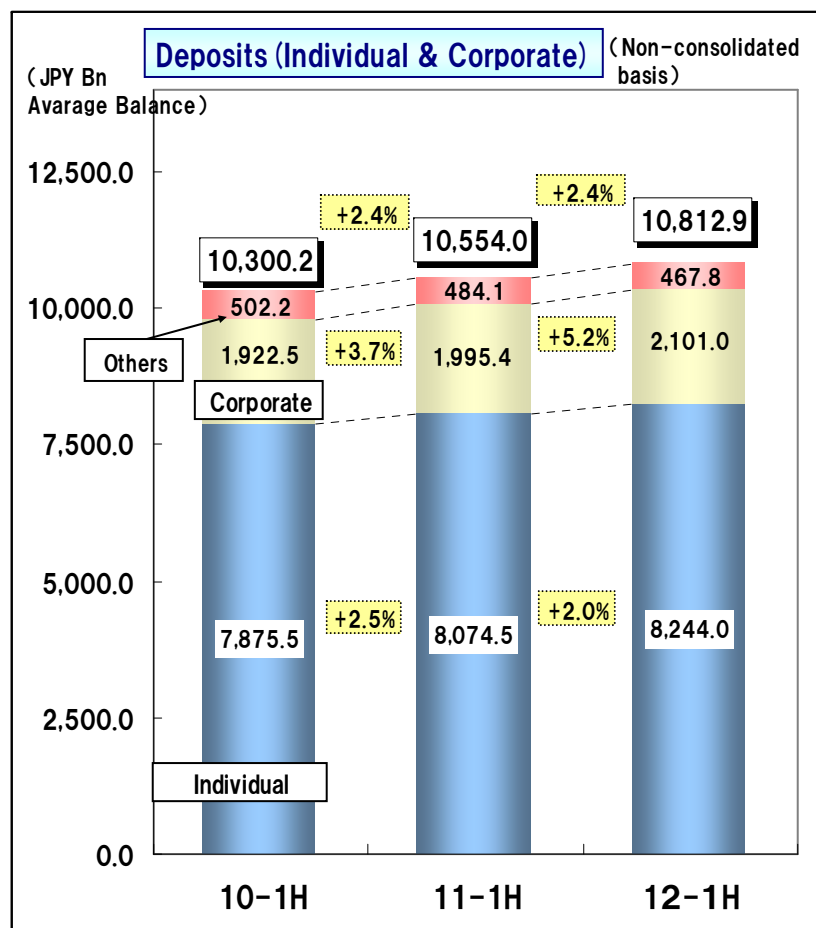
* (Note1) Loan amount executed by the Bank (Except for Flat 35)



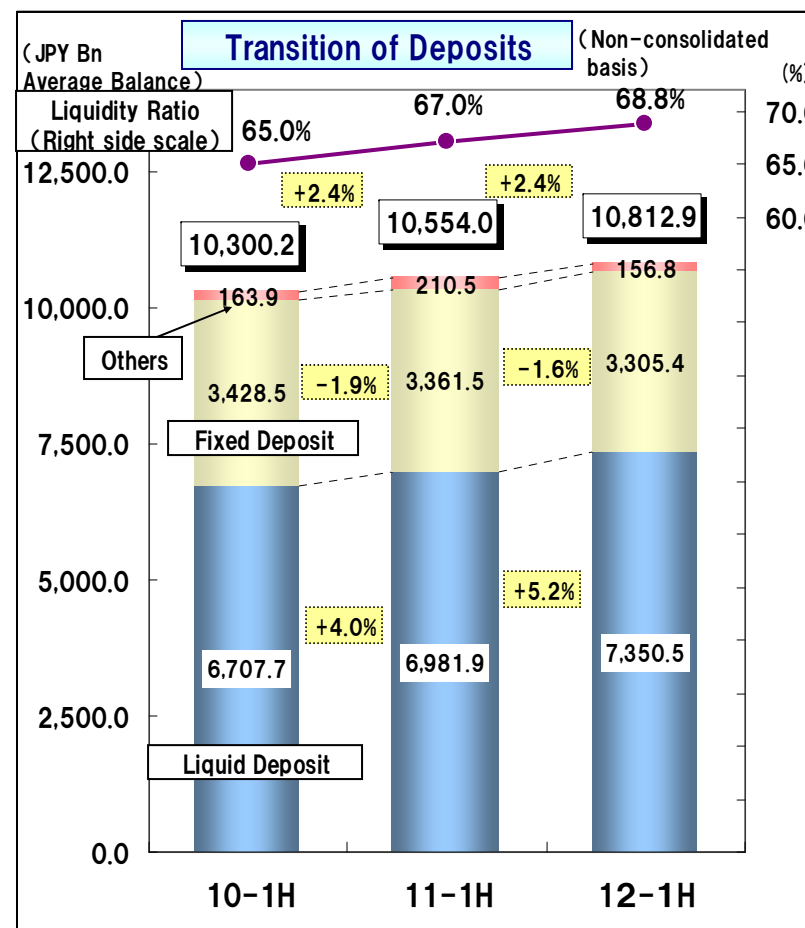
1. Business Results

(3) Deposits

- FY12-1H: Individual deposits increased by 2.0% and corporate deposits increased by 5.2%. As a result, the total deposits increased by 2.4%.
- Liquidity ratio is 68.8%, maintaining the highest level among the regional banks.



(Note1) Others = Local Public + Financial Institutions



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

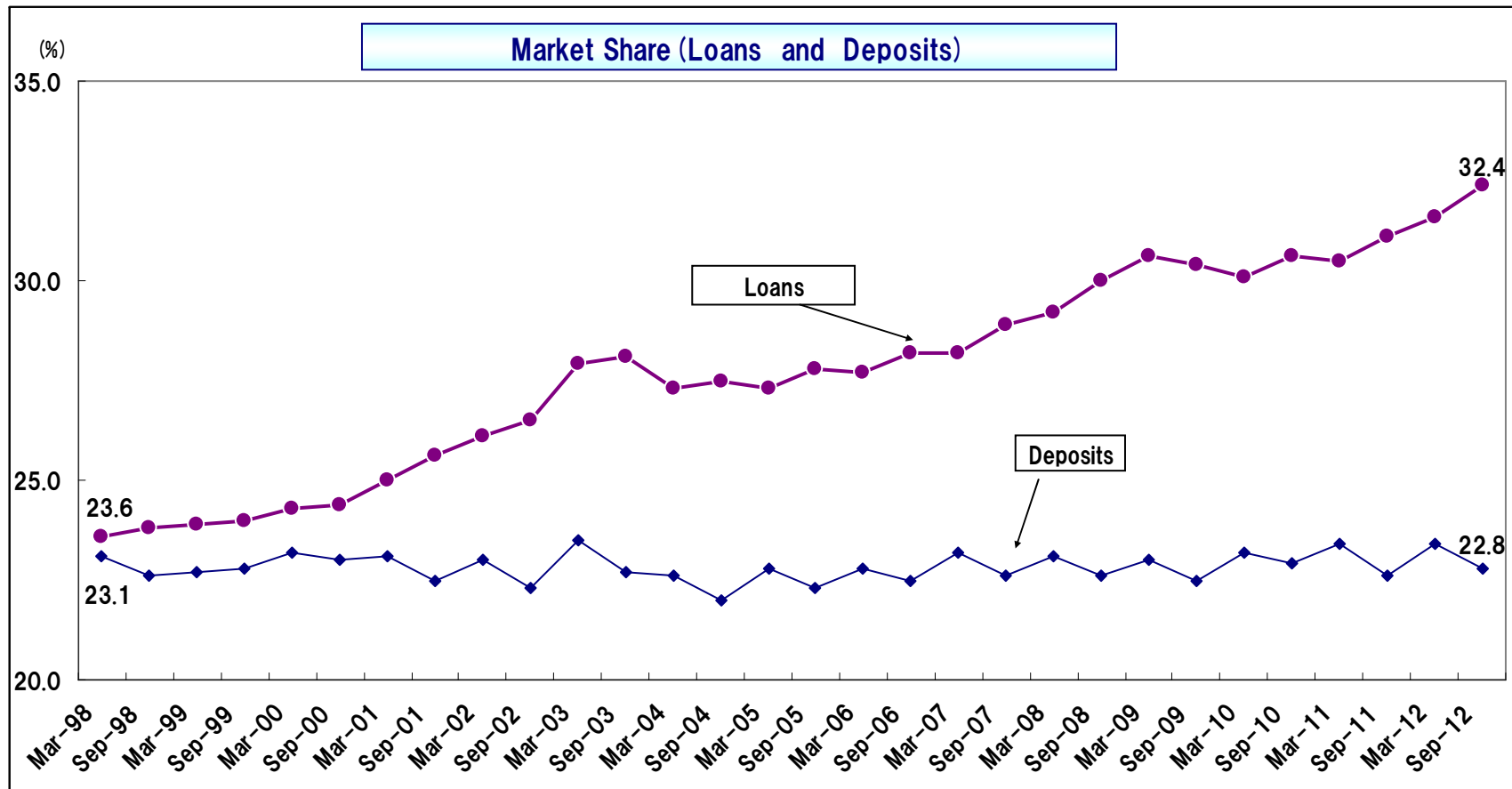
(Note2) Others = foreign currency

(Note3) Liquidity Ratio is based on the balance at the end of each term

1. Business Results

(4) Market Share in Kanagawa Prefecture

- Sep-12: Market share of loans increased to 32.4% due to our steady financing in Kanagawa prefecture. Market share of deposits was 22.8%.

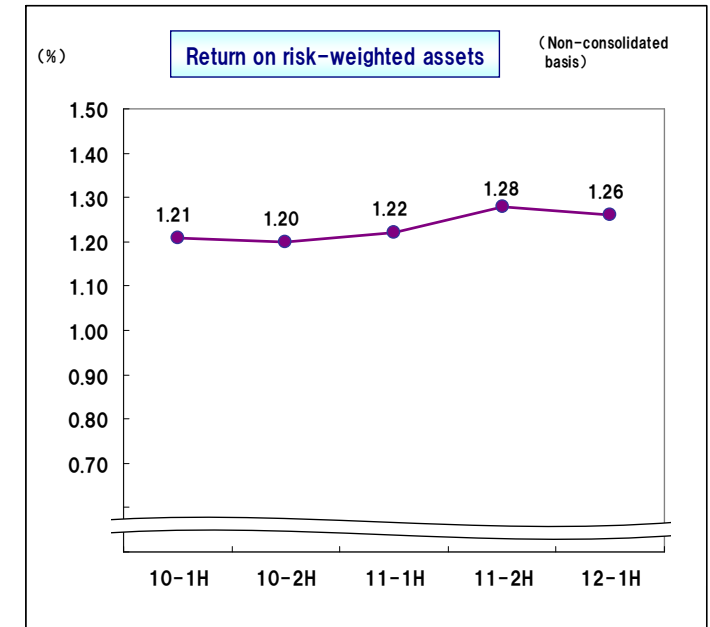
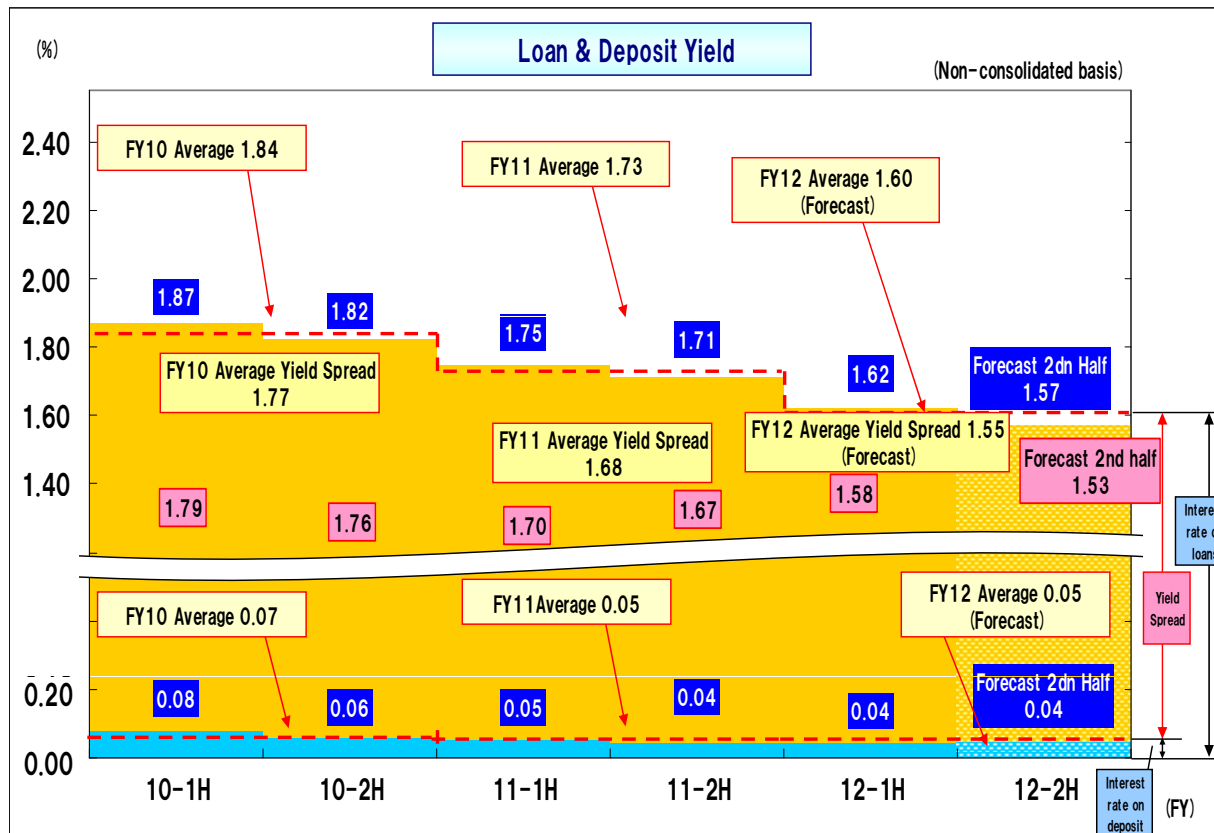


(Note1) Market share above does not include Japan Post, Credit Unions & JA. (Bank estimates)

1. Business Results

(5) Loan & Deposit Yield (Domestic Operations)

- FY12-1H: Loan yield was 1.62%, as a result, yield spread between loans and deposits became 1.58%.
- Although the yield spread between loans and deposits is narrowing, assets with high credit quality have been accumulated. As a result, return on risk-weighted assets has been maintained at the previous levels.

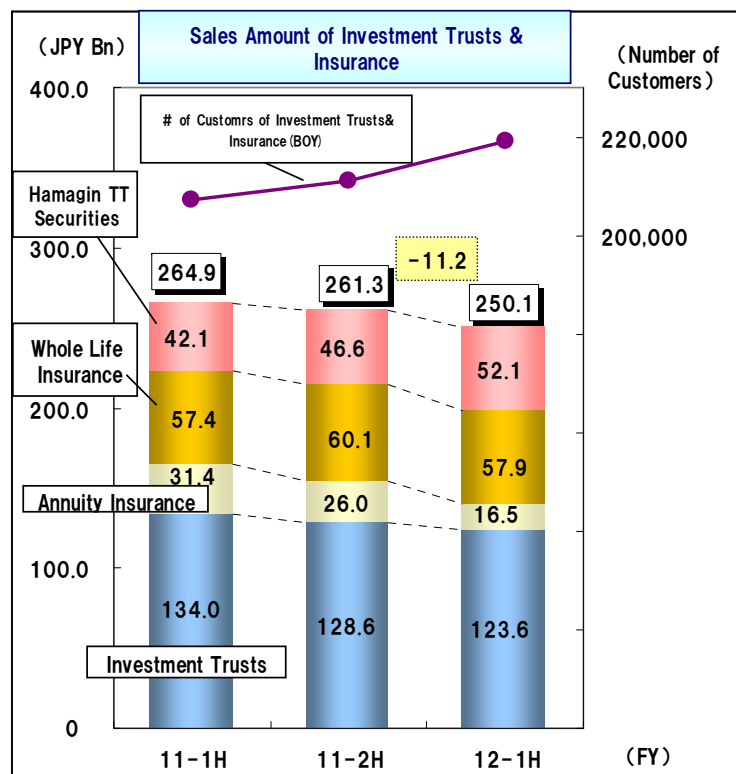


(Note 1) Return on risk-weighted assets = Interest income during the term / Risk-weighted assets (average of the beginning and ending balance)

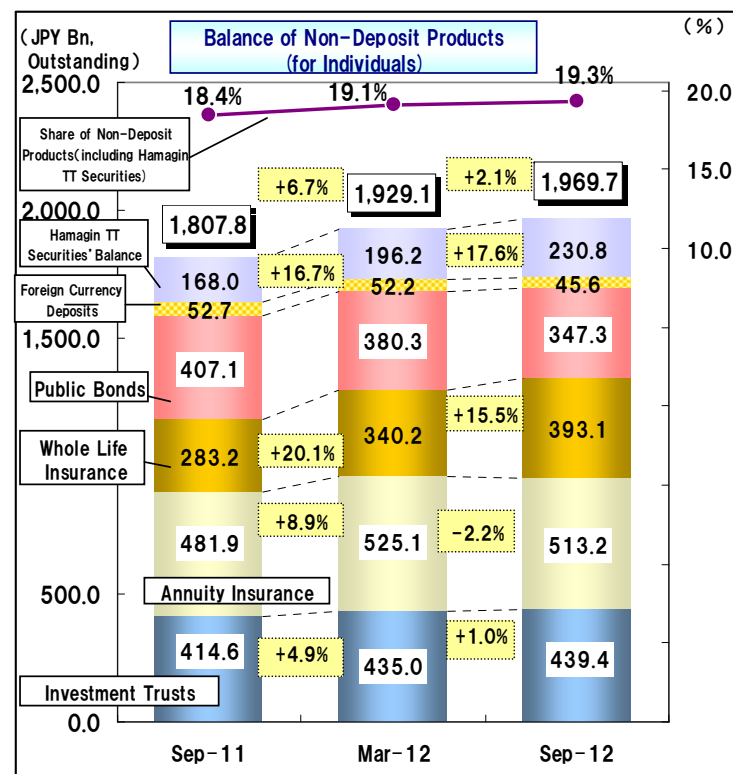
1. Business Results

(6) Non-Deposit Products

- FY12-1H: Sales of investment trust and insurance products including Hamagin TT Securities exceeded JPY250.0Bn for three consecutive terms. The number of investment trust and insurance customers of the Bank has increased to expand the customer base.
- Sep-12: The balance of non-deposit products including Hamagin TT Securities increased by 8.9% to JPY1,969.7Bn, and the share of non-deposit products including Hamagin TT Securities increased by 0.9% to 19.3% from Sep-11.



(Note1) The results of Hamagin TT Securities are sales results of investment trusts, foreign bonds, and structured bonds.



(Note1) The balance of Hamagin TT Securities represents the balance of stocks, bonds, investment trusts, annuity insurance, foreign bonds, and structured bonds.

(Note2) Share of non-deposit products = Outstanding balance of non-deposit products including Hamagin TT Securities ÷ (outstanding balance of individual deposits + outstanding balance of non-deposit products including Hamagin TT Securities)

2. Financial Summary

2. Financial Summary

(1) Operation Results

- FY12-1H Non-Consolidated : Gross operating income decreased by JPY0.4Bn (-0.3%) to JPY100.9Bn. Net business profit decreased by JPY0.3Bn (-0.5%) to JPY52.1Bn. Net income was JPY24.5Bn, nearly flat from the FY11-1H result.
- FY12-1H Consolidated : Ordinary profit decreased by JPY1.4Bn (-3.0%) to JPY44.4Bn. Net income decreased by JPY0.2Bn (-0.9%) to JPY25.6Bn.

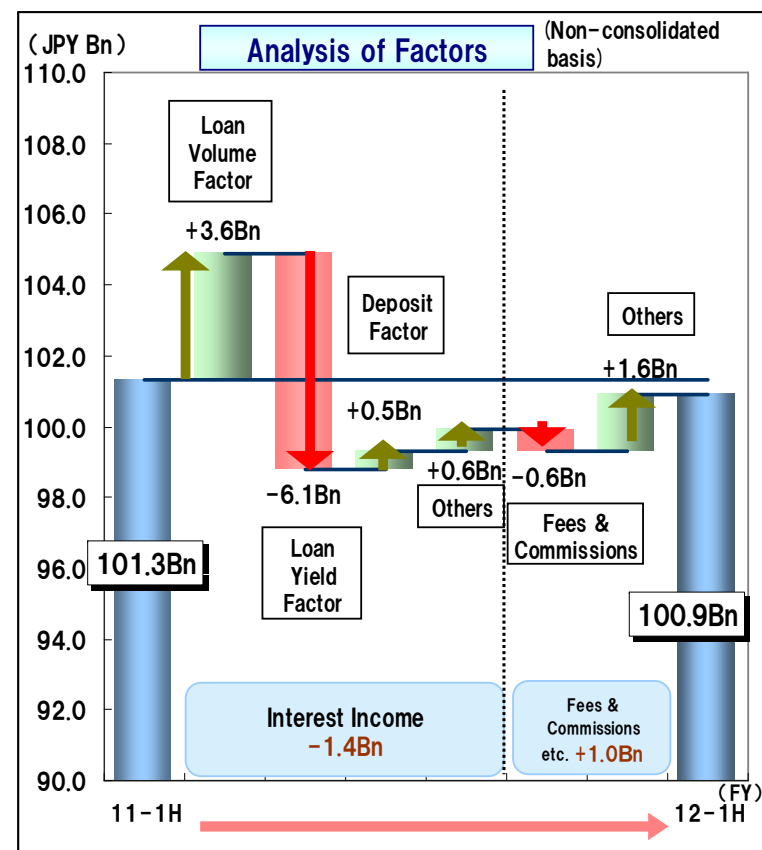
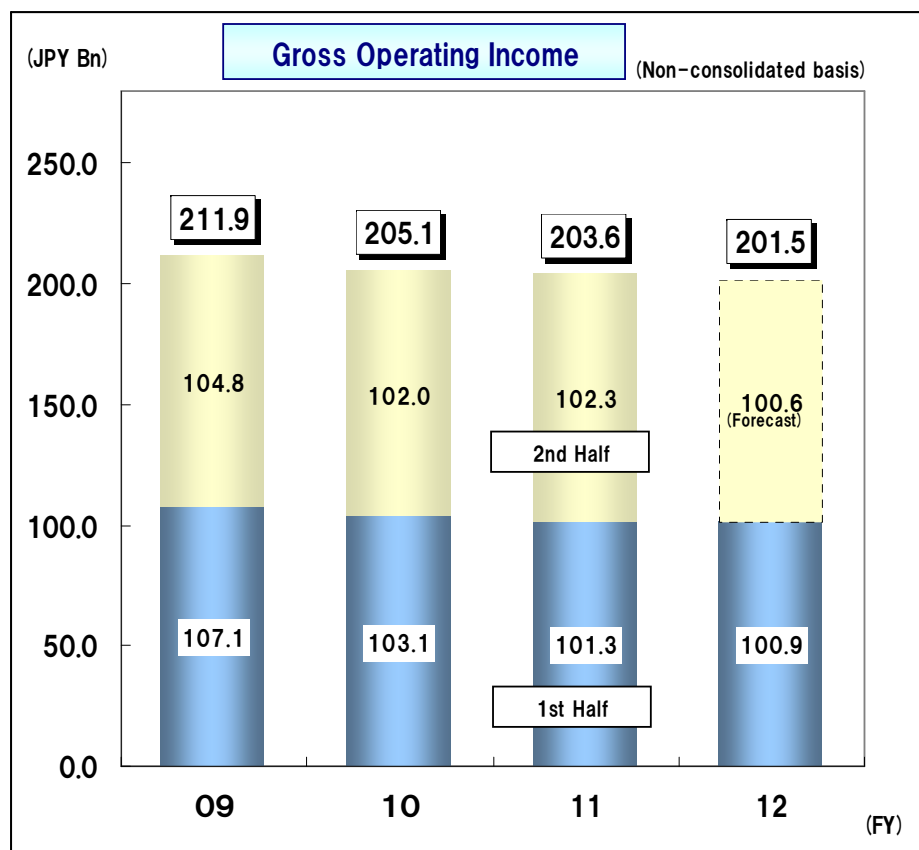
(JPY Bn)

<Non-consolidated basis>	FY11-1H Actual	FY12-1H Actual	Increase /Decrease	Differences from forecast (announced in May-12)
Gross Operating Income	101.3	100.9	-0.4	0.9
Expenses	48.9	48.8	-0.1	-0.2
Net business profit	52.4	52.1	-0.3	+1.1
<i>Credit costs(-)</i>	8.7	7.3	-1.4	+0.3
<i>Gains or losses on stocks and other securities</i>	-0.9	-4.4	-3.5	-
<i>Of which, losses on devaluation of stocks and other securities(-)</i>	1.7	4.4	2.7	-
Ordinary profit	41.1	39.3	-1.8	-2.7
Net income	24.5	24.5	0	-1.5
<Consolidated basis>				
Ordinary profit	45.8	44.4	-1.4	-1.1
Net income	25.8	25.6	-0.2	-0.9

2. Financial Summary

(2) Gross Operating Income

- FY12-1H : Gross operating income decreased by JPY0.4Bn (-0.3%) to JPY100.9Bn. Gross operating income decreased at a slower pace than before as trading income increased by JPY0.8Bn, despite the effect of declining loan yield.
- In FY12-2H, we expect to achieve the target gross operating income of JPY201.5Bn stated in the original FY12 plan by slowing down the loan yield declines and increasing settlement-related fees.

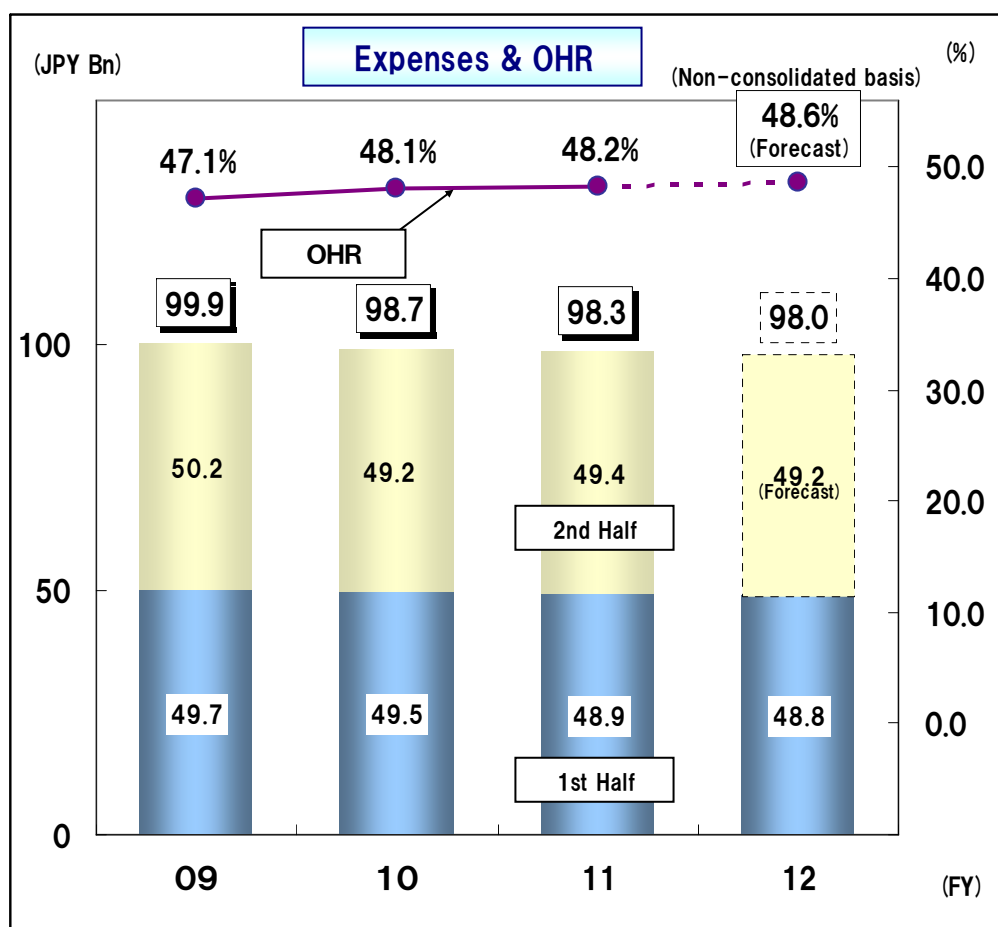


(note) Deposit factor includes increase/decrease attributed to NCD.

2. Financial Summary

(3) Expenses & OHR

- FY12-1H: Expenses decreased by JPY0.1Bn to JPY48.8Bn. OHR increased by 0.1% points to 48.3% because of the decline in gross operating income.
- FY12 Forecast : Expenses are expected to decrease by JPY0.3Bn (-0.3%) to JPY98.0Bn. OHR is expected to increase by 0.4% points to 48.6% because of the decline in gross operating income.



Comparison from FY11-1H

	FY11-1H (actual)	FY12-1H (actual)	change
Expenses	48.9	48.8	-0.1
Personnel	19.4	19.9	+0.5
Non-Personnel	26.5	25.9	-0.6
Tax	2.9	2.9	0
OHR (%)	48.2	48.3	0.1

Factors behind the changes

Personnel: +JPY0.5Bn

Transfer dispatched staff to regular employment

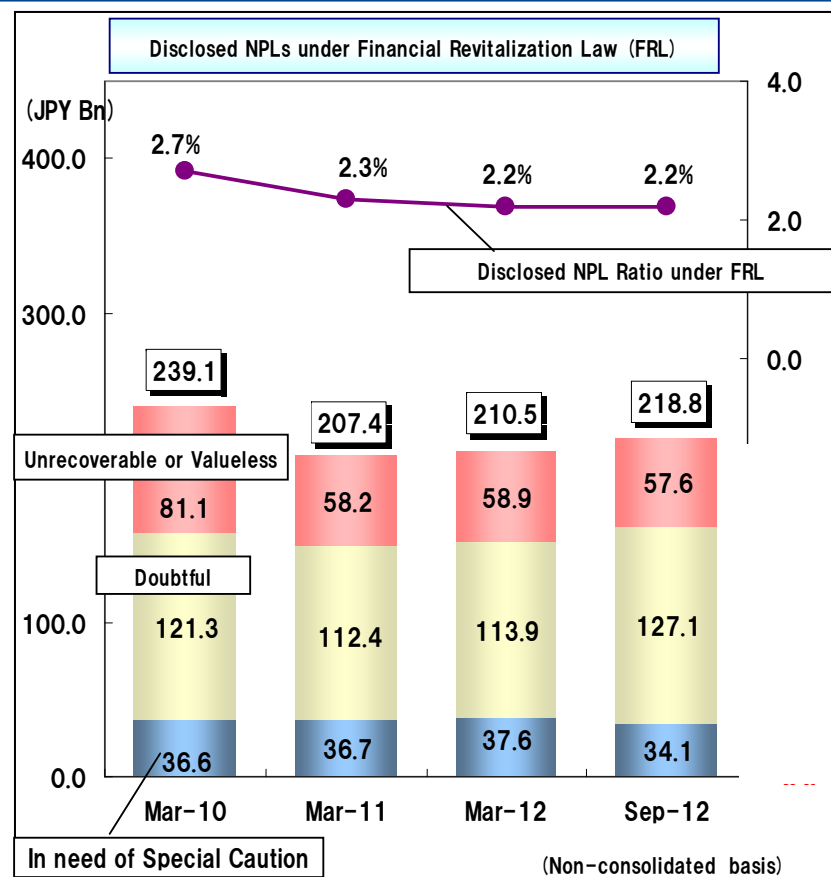
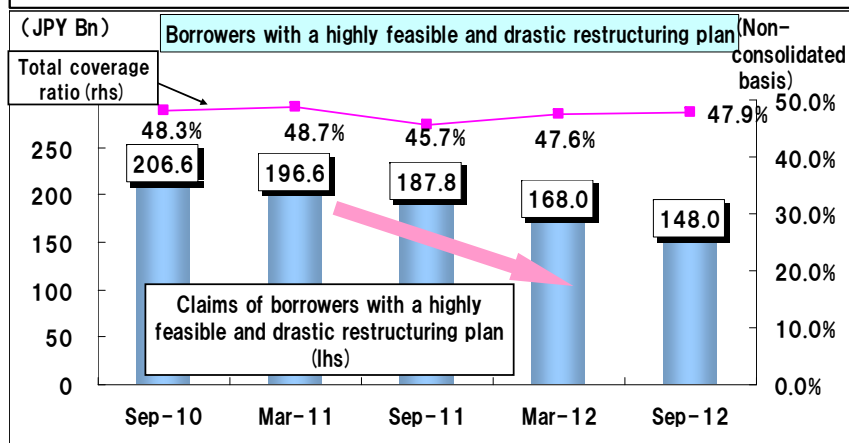
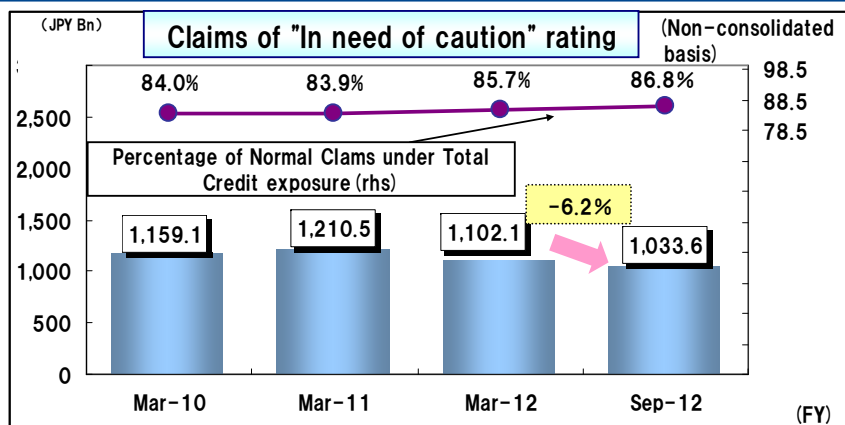
Non-Personnel: ΔJPY0.6Bn

Transferring Personnel expenses and decrease in Depreciation cost

2. Financial Summary

(4) Financial Claims

- The percentage of Normal Claims increased by 1.1% points to 86.8% due to the rank-up from customers “In need of caution.” On the other hand, the balance of loans rated “In need of caution” decreased by 6.2% to JPY1,033.6Bn.
- The balance of the claims of the borrowers with a highly feasible and drastic restructuring plan decreased because of appropriate rating based on the progress of the plans.
- Non-Performing Loan (NPL) Ratio maintained 2.2% due to the rank-down from the borrowers with a highly feasible and drastic restructuring plan as well as the write-off from the NPLs..

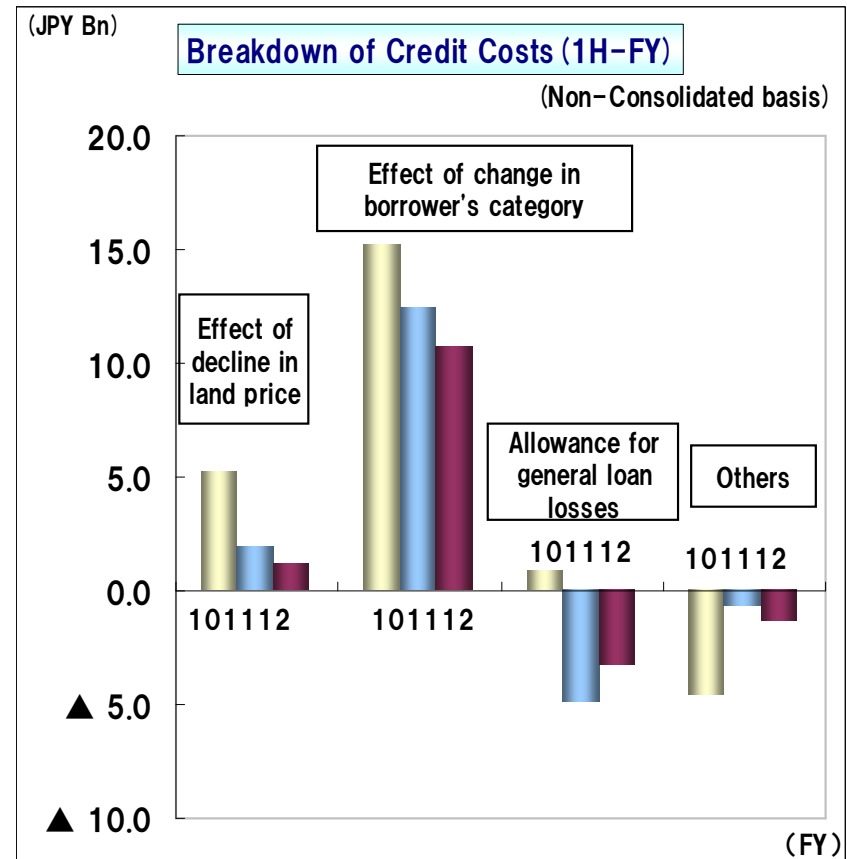
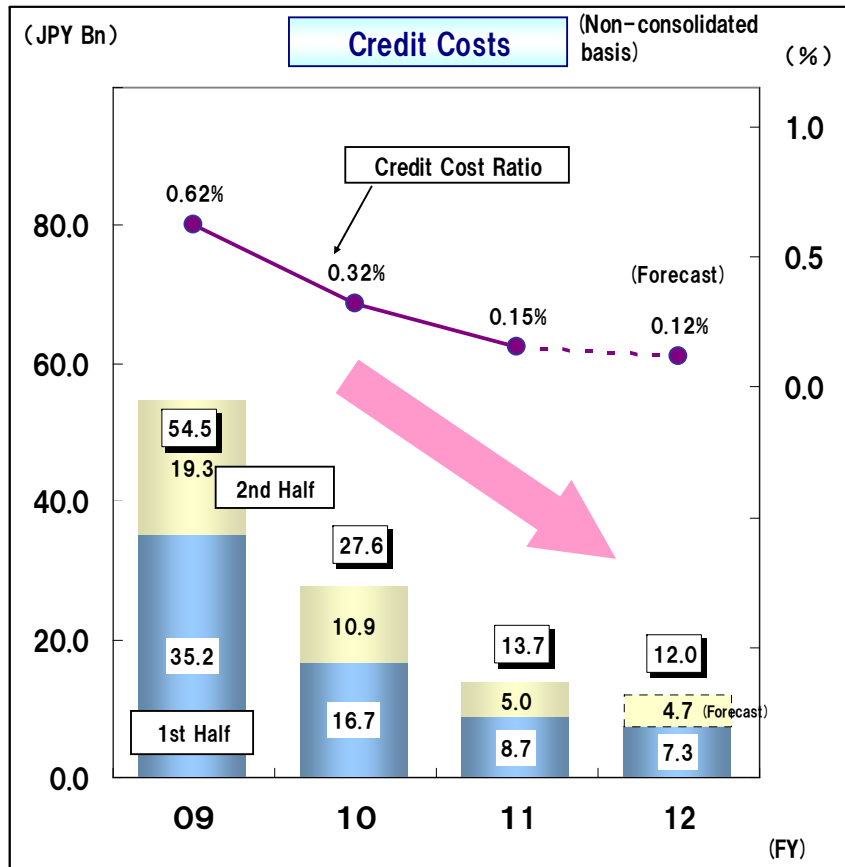


(note1) Including borrowers who have developed a highly feasible and drastic restructuring plan and borrowers who are in the process of preparing such a plan

2. Financial Summary

(5) Credit Costs

- FY12-1H : Credit Costs decreased by JPY1.4Bn (-16.0%) to JPY7.3Bn because of the decrease of effect of decline in land price and change in borrower's category.
- FY12 Forecast : JPY12.0Bn (-JPY1.7Bn, -12.4%)



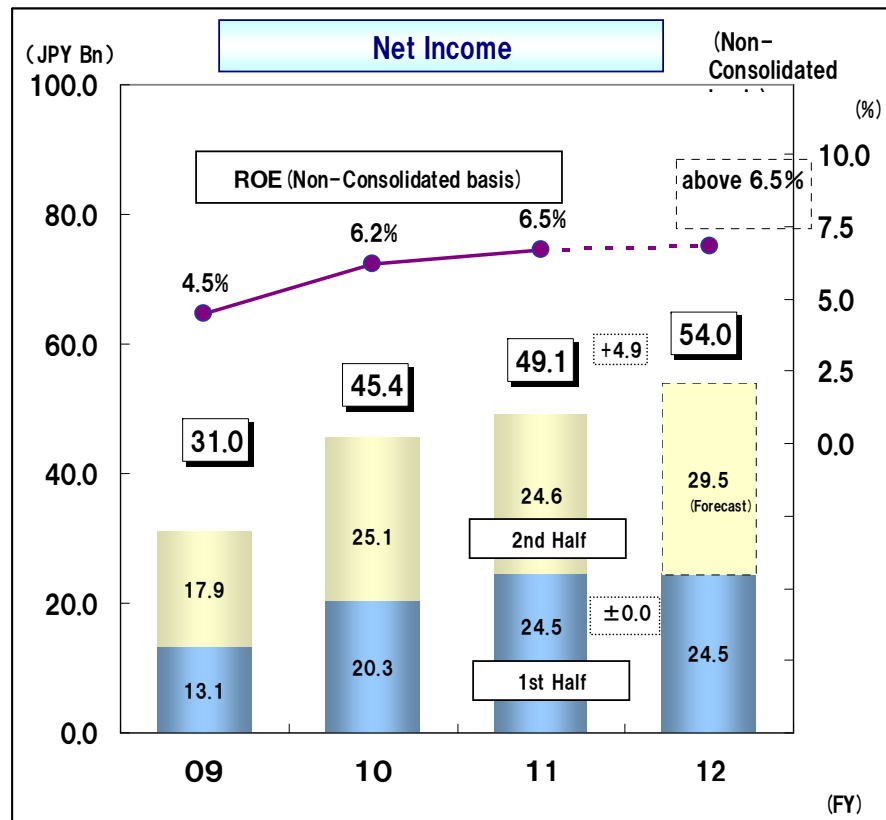
(note1) Credit Costs = Disposal of bad debts + Provision of allowance for general loan losses

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

2. Financial Summary

(6) Net Income

- FY12-1H : Net income (non-consolidated basis) was JPY24.5Bn, nearly flat from the FY11-1H result, as non-recurring loss increased mainly due to an impairment loss on financial stock. Non-consolidated ROE decreased by 0.4% points to 6.2% from FY11-1H, while consolidated ROE decreased by 0.4% points to 6.5%.
- FY12 Forecast : JPY54.0Bn (+JPY4.9Bn, +9.9%).



Comparison from FY11-1H

	(JPY Bn)		
	FY11-1H (actual)	FY12-1H (actual)	change
Net Income (Non-Consolidated)	24.5	24.5	0.0
ROE (non-consolidated)	6.6%	6.2%	-0.4
Net Income (consolidated)	25.8	25.6	-0.2
ROE (consolidated)	6.9%	6.5%	-0.4

Factors behind the change:

Decrease in Core Net Business Profit: JPY0.3Bn

Decrease in Credit Costs: JPY1.4Bn

Increase in Stock related loss etc.: JPY3.5Bn
(mainly financial stock)

Decrease in Income tax etc.: JPY2.0Bn

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

2. Financial Summary

(7) Securities Portfolio

- Securities portfolio as of Sep-12 increased by JPY36.2Bn from Mar-12 to JPY2,158.4Bn as a result of investments in domestic investment trusts and foreign bonds in addition to government bonds.
- The ratio of equity securities held for customer relationships to Tier 1 Capital decreased to 13%.

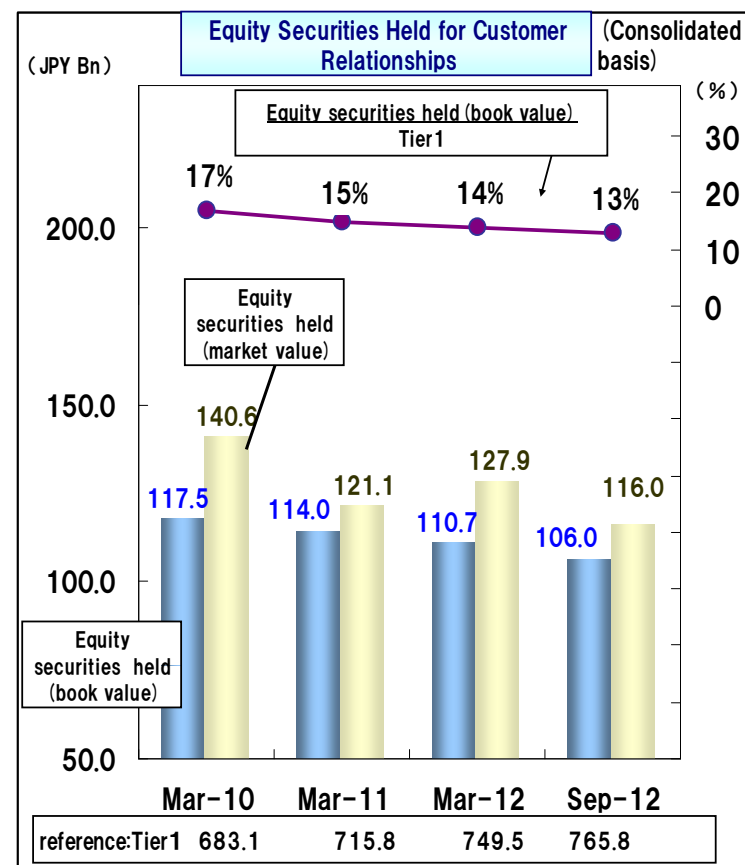
【Securities Portfolio】 Total of Held-to-Maturities & Available-for-Sales

	Mar-11	Mar-12	Sep-12	Difference from Mar-12	(JPY Bn)	
					Unrealized gains (losses)	Difference from Mar-12
Total	2,004.0	2,122.2	2,158.4	+36.2	33.7	-4.5
Bonds	1,796.7	1,905.2	1,922.3	+17.1	24.8	3.3
Government bonds	764.4	768.2	874.9	+106.7	9.7	-0.5
Local bonds	291.6	257.1	236.3	-20.8	4.4	0.1
Corporate bonds	740.6	879.8	811.0	-68.8	10.6	3.8
Government guaranteed bonds	309.1	444.0	446.8	+2.8		
Bank bonds	79.2	86.8	68.2	-18.6		
Industrial bonds	117.2	150.0	114.3	-35.7		
Equity securities	144.5	150.8	139.0	-11.8	9.8	-7.0
Others	62.7	66.1	97.0	+30.9	-0.9	-0.8
Domestic investment trusts	25.3	28.6	49.6	+21.0		
Foreign bonds	35.9	35.7	45.6	+9.9		
Foreign equity securities	1.0	1.0	1.0	0.0		
Others	0.4	0.8	0.8	0.0		

【Duration】

	Mar-11	Mar-12	Sep-12
Duration(years)	2.8	2.8	2.8

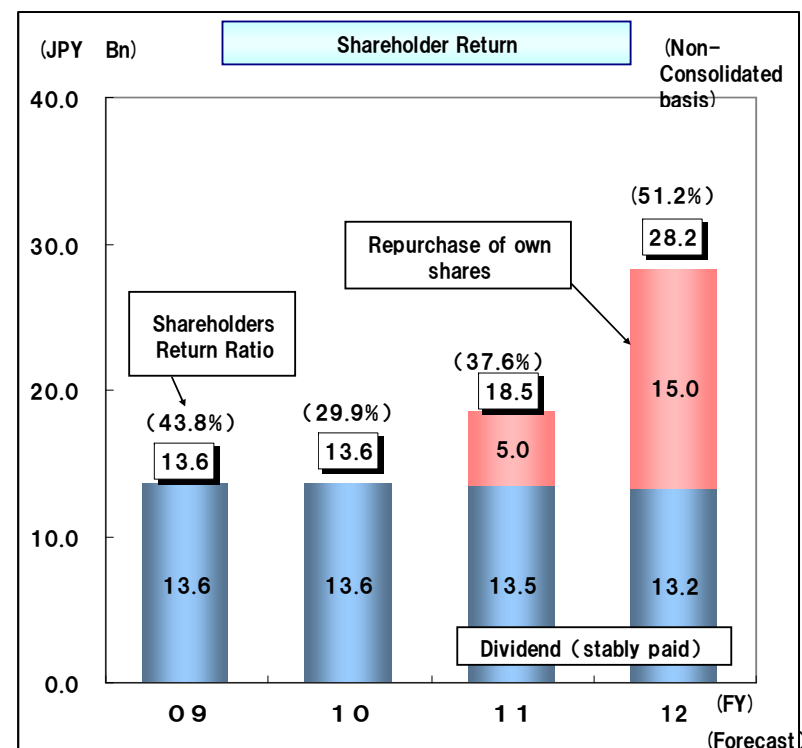
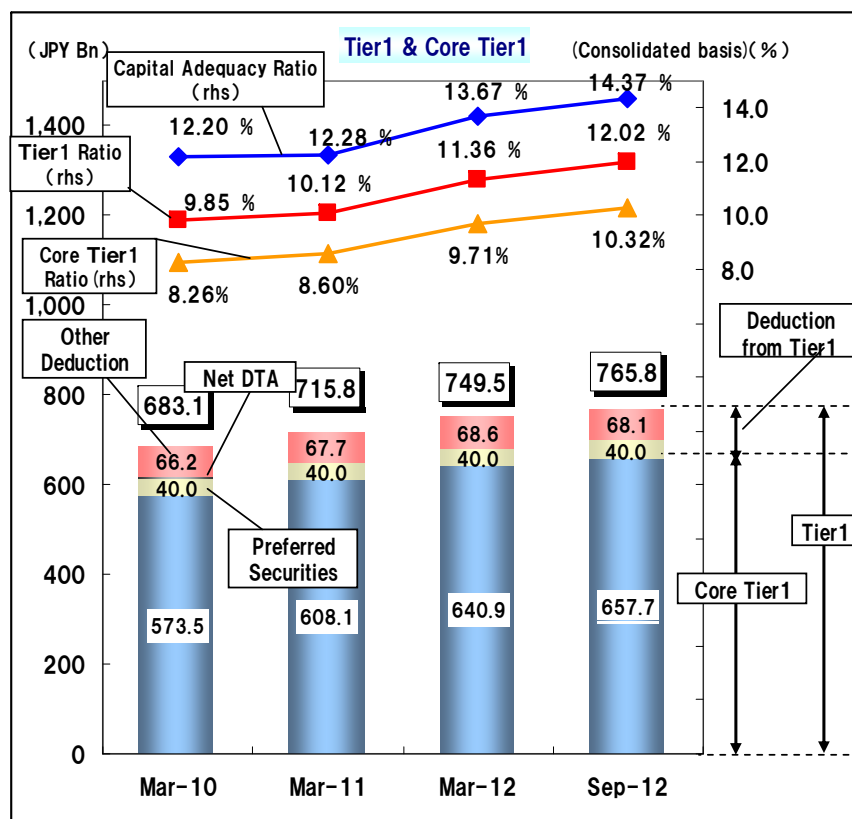
(Note 1) The duration above is that of “Available-for-Sales” and it does not contain ones of foreign bonds and investment trusts.



2. Financial Summary

(8) Capital Adequacy & Shareholder Return

- Sep-12 : Capital adequacy ratio (14.37%), Tire 1 ratio (12.02%) and Core Tier1 Ratio (10.32%) continuously maintained high level.
- We resumed repurchase of own shares from FY-11 with high level capital adequacy, and we plan to repurchase total JPY15.0Bn of own shares in FY-12 in order to improve the efficiency of capital through returning profits to shareholders.



About repurchase of own shares in FY12

- From May to Jun in 12: JPY 5.0Bn
- From Nov in 12 to Jan in 13 (plan): JPY 10.0Bn

(Note 1) Core Tier1 ratio is calculated based on all deductions of the Basel III framework.
 (Note 2) Core Tier1 ratio = {Tier1 - (preferred stock - preferred securities - net deferred tax assets etc.)} / Risk assets (Basel II base)

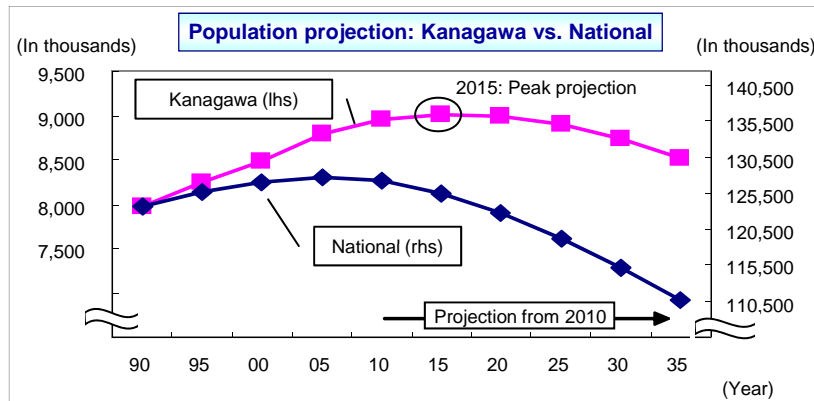
3. Management Strategies

3. Management Strategies

(1) Potential of Kanagawa Prefecture

- Since the population of Kanagawa is projected to increase until 2015 and to decline thereafter more slowly than the national average, the land price is increasing in many places in Kanagawa.
- Kanagawa is a center of vibrant service industries such as R&D and medical welfare with many start-up companies. Due to such high concentration of business, the ratio of day to night population is increasing.

Population projection



Source: National Institute of Population and Social Security Research

Status of service industries and start-up companies

Service industries: Number of employees (in thousands)			Academic/R&D institutes: Number of employees (in thousands)		
1st	Tokyo	3768	1st	Kanagawa	52
2nd	Osaka	1930	2nd	Tokyo	42
3rd	Kanagawa	1582	3rd	Ibaraki	31
4th	Aichi	1435	4th	Osaka	17
5th	Hokkaido	1082	5th	Saitama	17

Medical welfare: Number of employees (in thousands)			Number of venture companies originated from universities		
1st	Tokyo	657	1st	Tokyo	432
2nd	Osaka	480	2nd	Kanagawa	138
3rd	Kanagawa	379	3rd	Osaka	118
4th	Aichi	317	4th	Fukuoka	107
5th	Hokkaido	297	5th	Kyoto	102

Source: 2009 Economic Census, MIC; 2008 Industry Technology Survey, METI

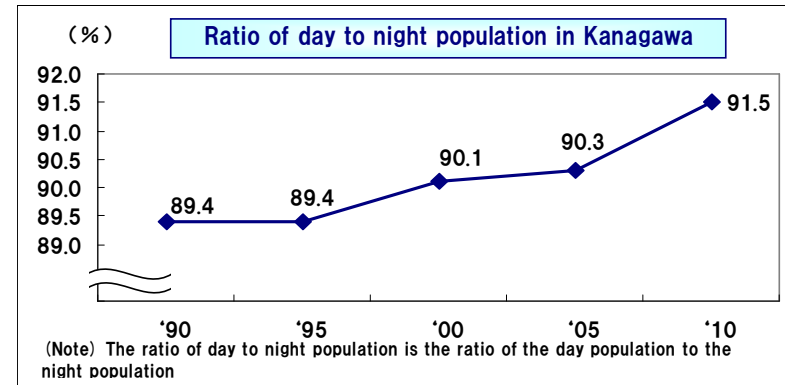
Land price (2012) in Kanagawa Prefecture

Residential districts		
	Price up in:	Share in the Tokyo area
Kanagawa	56 places	57%
Tokyo area	97 places	

Commercial districts		
	Price up in:	Share in the Tokyo area
Kanagawa	29 places	69%
Tokyo area	42 places	

Source: Ministry of Land, Infrastructure, Transport and Tourism

Ratio of day to night population (1990 - 2010)

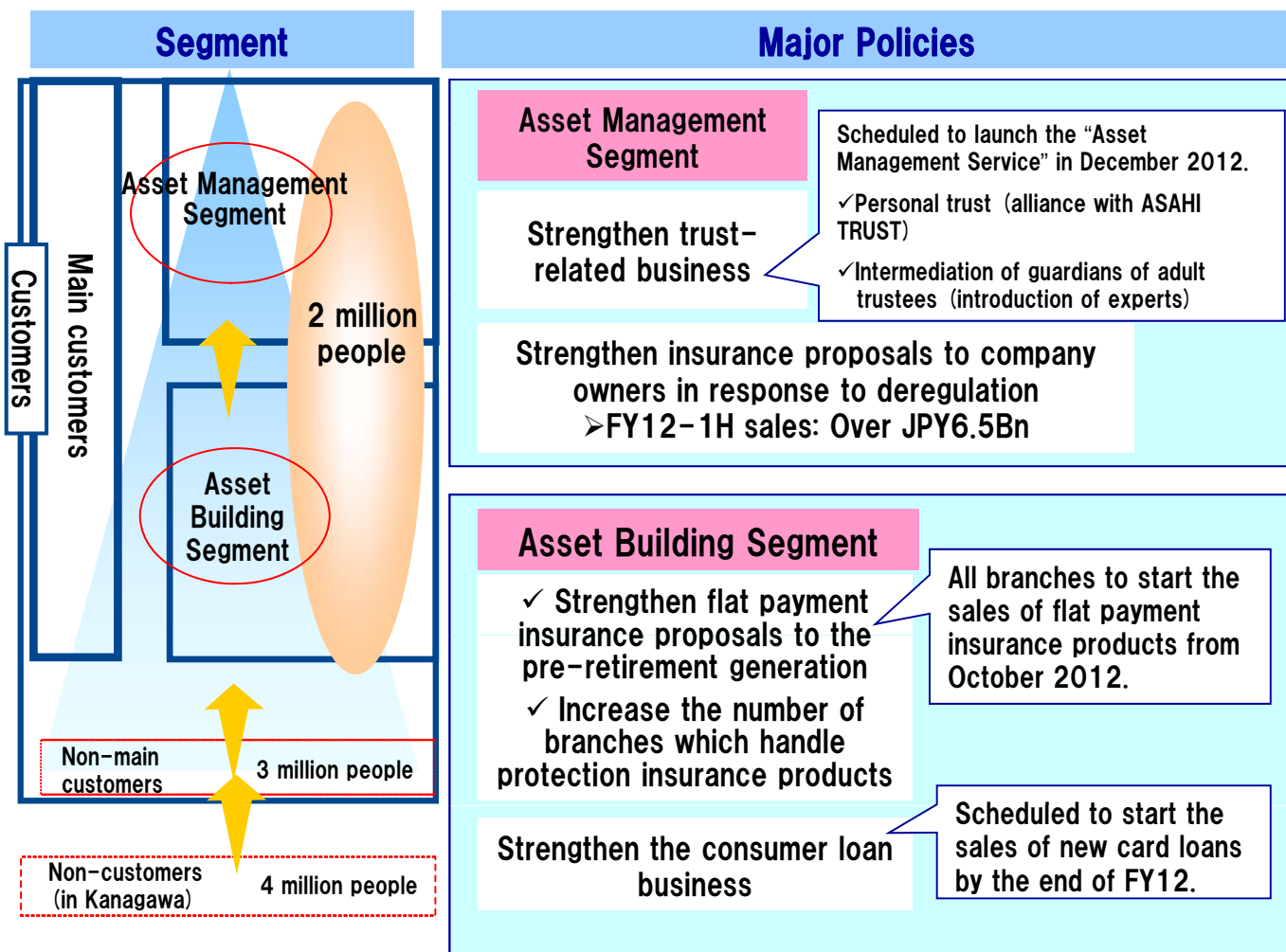


Source: Statistics Bureau, MIC

3. Management Strategies

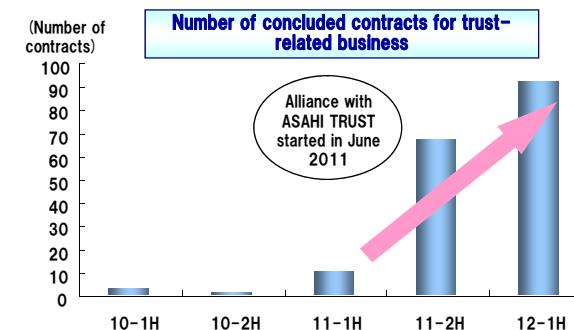
(2) Personal Banking Strategy

- We respond to the needs of asset management segment customers by proposing trust related business in addition to the sales of apartment loans and non-deposit products. The trust related business will be strengthened by the launch of the Asset Management Service in December 2012.
- We responded to the personal finance needs of asset building segment customers by strengthening flat payment insurance/protection insurance proposals. In addition, we will start the sales of new card loans by the end of FY12 to strengthen the consumer loan business.

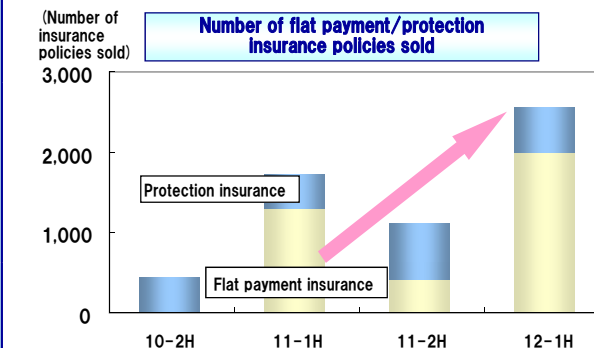


Major Achievements

◆ Trust-related business volume increased



◆ Strengthened the sales of flat payment insurance/protection insurance products



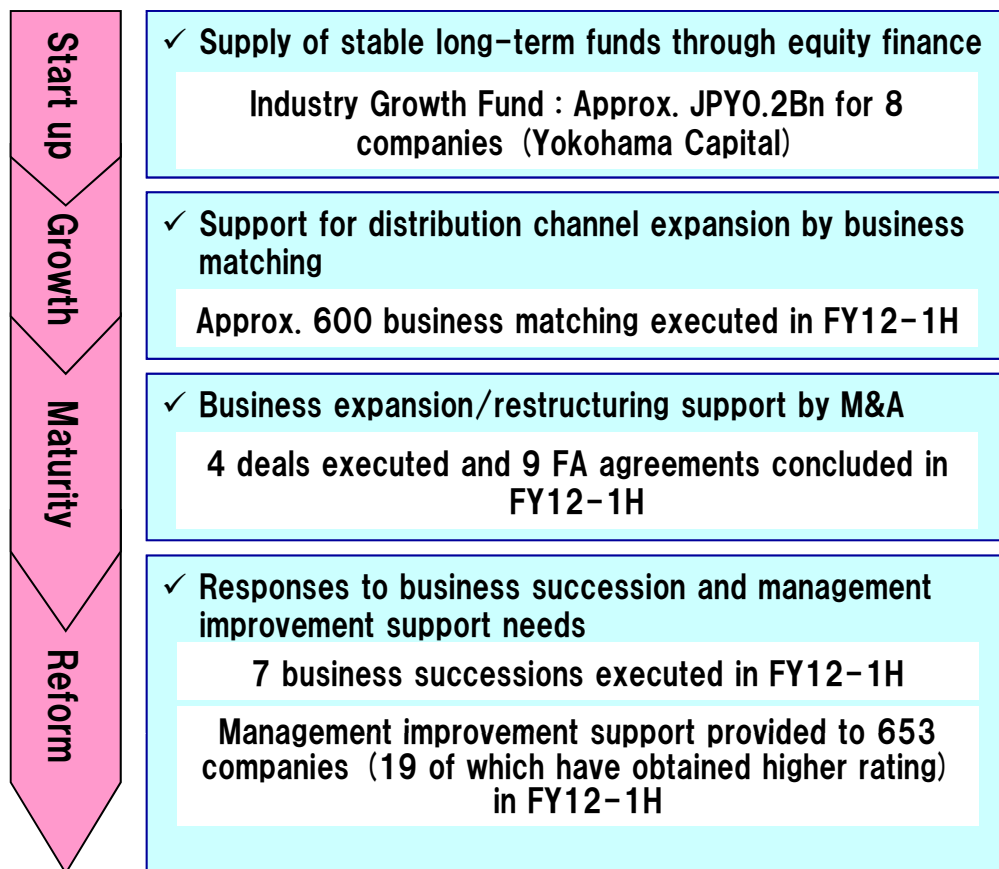
3. Management Strategies

(3) Corporate Banking Strategy

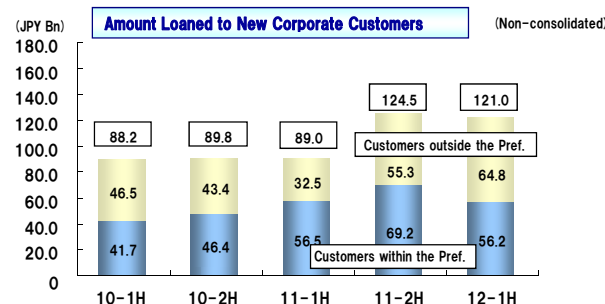
- Vigorous implementation of solution-suggesting style sales activities to respond to the management issues of customers including equity finance, business matching and M&A support.
- Execution of loans to new corporate customers exceeded JPY120.0Bn for two consecutive terms as a result of strengthened practice.
- Aggressive group-wide responses to the financing needs of customers in growth industries.

Solution-Suggesting Style Sales Activities

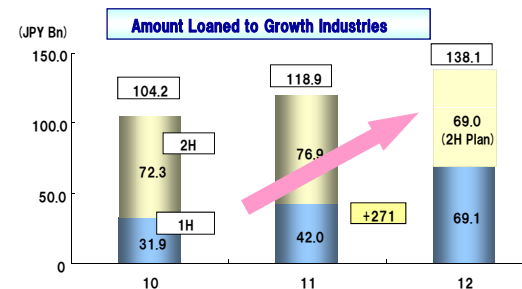
Respond to management issues at each stage of life cycle



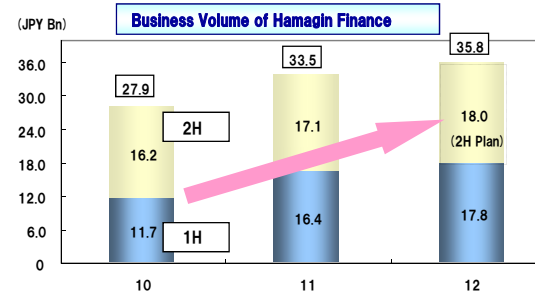
◆ Loans to new corporate customers exceeded JPY120.0Bn for two consecutive terms



◆ Loans to growth industries increased particularly in medical/nursing and environmental areas



◆ Business volume of the leasing subsidiary is increasing

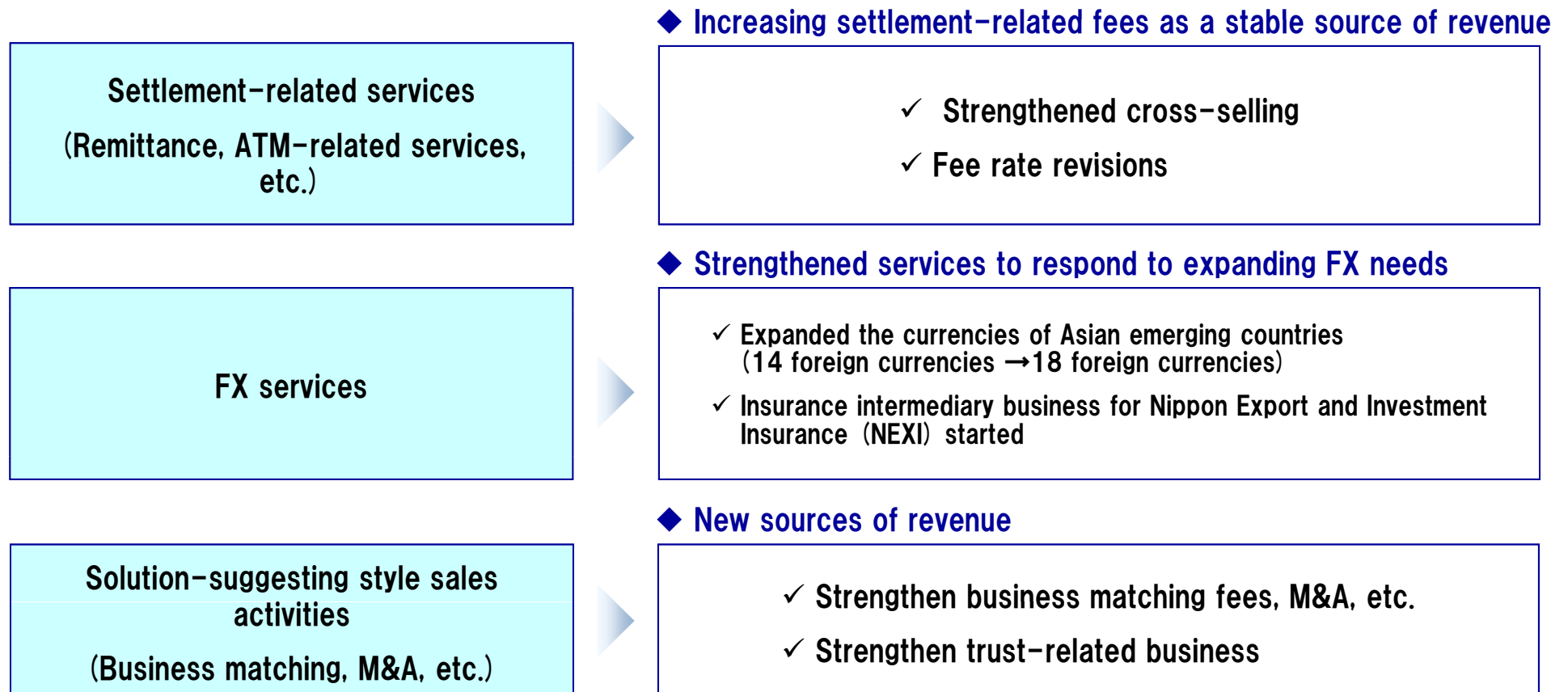


3. Management Strategies

(4) Enhancement of Fees and Commissions

- We work to increase settlement-related fees, a stable source of revenue relatively unaffected by economic conditions, through strengthened cross-selling and fee rate revisions.
- We strengthen FX transactions by enhancing FX services through the expansion of the currencies of Asian emerging countries.
- We reinforce business matching fees through vigorous promotion of solution-suggesting style sales activities.

Enhancement of Fees and Commissions

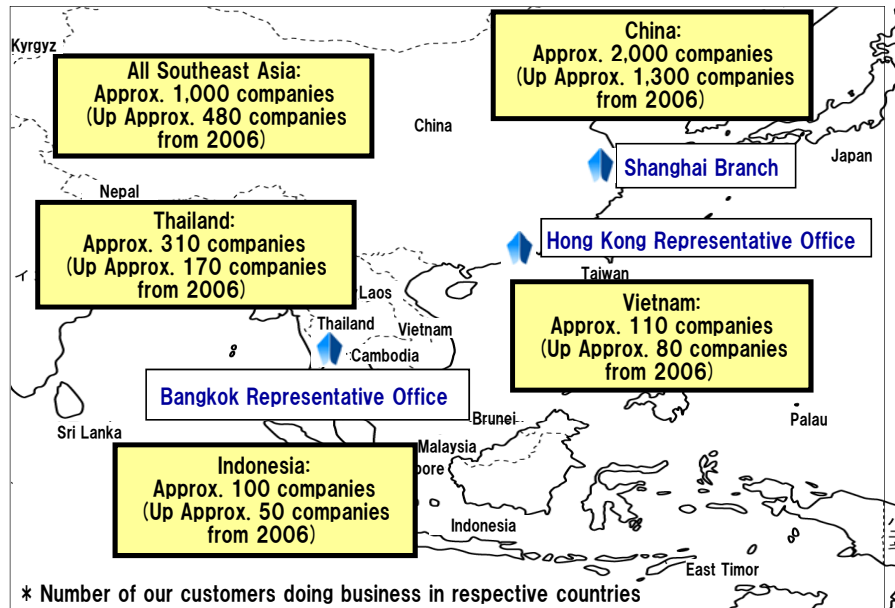


3. Management Strategies

(5) Asia Strategy

- We provide funds to corporate customers who advanced into China and Southeast Asia through our own locations, Hamagin Research Institute, and affiliated financial institutions and support overseas businesses of our customers.
- In November 2012, we apply for the RMB lending license, aiming to start the service in FY13-1H.

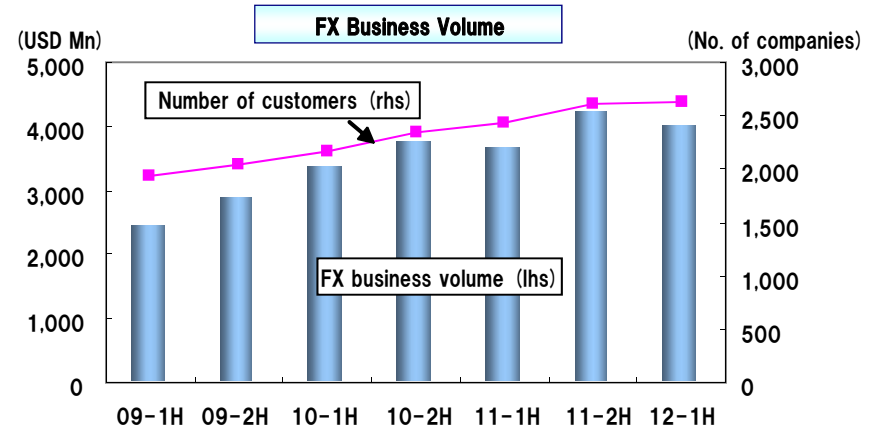
Support in Asia



[Affiliated financial institutions]

Region		Affiliated financial institutions
Southeast Asia	All Southeast Asia	Standard Chartered Bank
	Indonesia	Bank Internasional Indonesia
	Thailand	Bangkok Bank
	Vietnam	ANZ Bank (Vietnam)
China/Hong Kong	China	Bank of China, Bank of Communications
	Hong Kong	Bank of East Asia

◆ Steady increase in FX customers



* Individual and corporate customers only (not including public entity customers)

◆ In November 2012, we applied for the RMB lending license

	09/12	10/12	11/12	12/12	Plan
Schedule	Sept-11 Opening			Nov-12 Application (plan)	FY13-1H Start of RMB lending business
Shanghai Branch financial result		Recording profits	Recording profits		
Loan balance of Shanghai Branch (Year-end)	End of FY09: JPY6.8Bn	End of FY10: JPY7.5Bn	End of FY11: JPY8.5Bn		

(Note) Loan Balance is translated into JPY using the rate at the end of the year.

< Requirements for Application >

- ✓ Three years since the operation start
- ✓ Two consecutive terms of recording profits

3. Management Strategies

(6) Channel Strategy

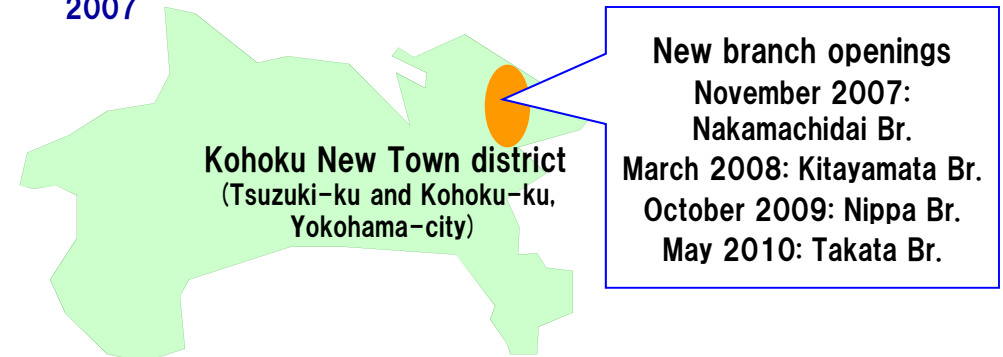
- Branch functions are improved by the introduction of full banking service locations, quick counters, and joint branches with Hamagin TT Securities.
- We have opened four new branches since November 2007 in Kohoku New Town district (Yokohama-city), where growth potential is high. Deposit balance and sales of non-deposit products of these branches are increasing at a higher pace than the average of domestic branches.

Improvement of Branch Functions

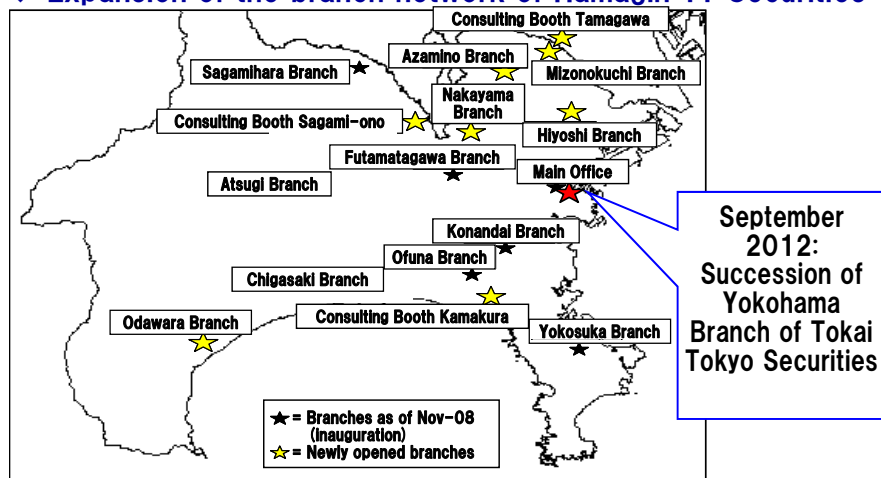
Improved branch functions	<p>Full banking service locations (67 branches) Addition of corporate service functions according to local characteristics</p>
	<p>Quick counters (21 branches) Provision of the storefront service which avoids customers waiting</p>
	<p>Joint branches with Hamagin TT Securities (9 branches) Response to wide-ranging investment needs</p>

Opening New Branches in the Growing Area

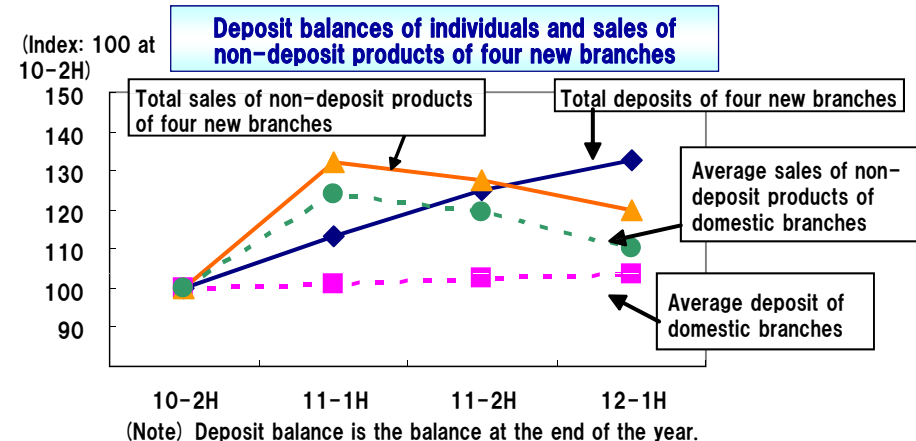
- Opened four branches in Kohoku New Town district since November 2007



- Expansion of the branch network of Hamagin TT Securities



- Individual deposits and sales of non-deposit products of four new branches are increasing at a higher pace than the average of domestic branches.



3. Management Strategies

(7) Human Resources Strategy

- Systematic human resource development through training programs provided by Financial Business School to employees across all ranks.
- Aiming at creating an organization with diversity, we increase the number of female managers, recruit international students studying in Japan, and provide training opportunities in foreign countries more aggressively than before.

Development of human resources

Education by
Financial
Business
School

Provision of practical and systematic training to employees across all ranks

FY12-1H:
➢ Approximately 10,000 employees from new hires to management went through the training programs

Efforts toward becoming an organization with diversity

More active roles played by female employees

Assignment to managers

Childcare leave and flexible work schedule for work-life balance

Globalization of human resources

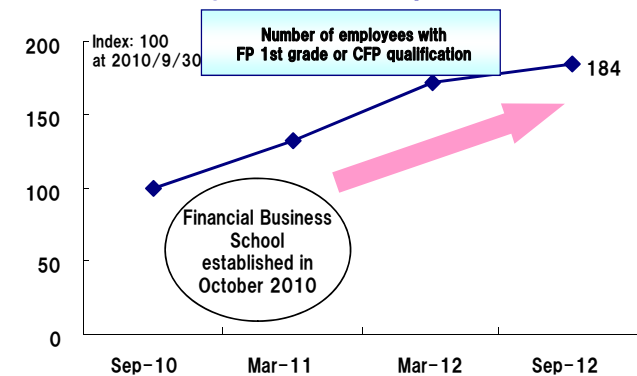
Recruiting of international students studying in Japan

Approx. 80 employees have gone through overseas training or trainee programs (since 2009)

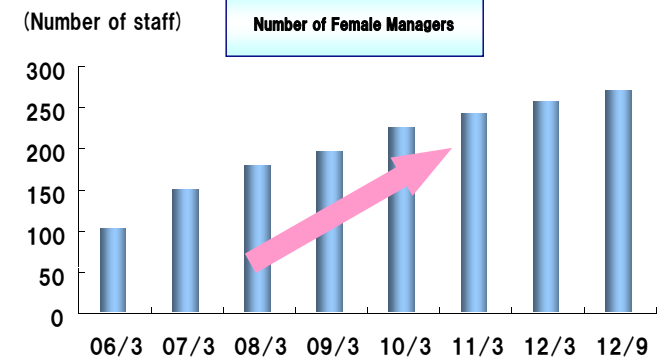
'Value Up' of human resources / invigoration of organization

Provide high-value financial services to customers

◆ Rapid increase in the number of employees with FP 1st grade or CFP qualification



◆ Increasing number of female managers



3. Management Strategies

(8) Progress on the Medium Term Management Plan ~final year

- Out of the four main goals of the medium term management plan, Core Tier 1 Ratio, ROE and Credit Cost Ratio were basically achieved in FY12-1H. The deposit balance has already exceeded the plan target. The balances of loans and retail loans within Kanagawa Prefecture have already reached the point close to the target.
- Consolidated net income for FY12, the final year of the medium term management plan, is expected to meet the target of the plan.

(JPY Bn)		1st year of Management Plan	2nd year of Management Plan	3rd year of Medium Term Management Plan		
		FY10 Actual	FY11 Actual	FY12 Plan (originally planned)	FY12 Forecast (announced in Nov-12)	FY12-1H (actual)
Non-Consolidated basis	Gross Operating Income	205.1	203.6	221.0	201.5	100.9
	- Expenses	98.7	98.3	99.0	98.0	48.8
	Net Business Profit	106.4	105.3	122.0	103.5	52.1
	- Credit Costs (Note1)	28.9	13.7	26.0	12.0	7.3
	Ordinary Profit	74.9	87.0	92.0	87.5	39.3
	Net Income	45.4	49.1	55.5	54.0	24.5
	OHR	48.1%	48.2%	Around 45%	48.6%	48.3%
Credit Costs Ratio (Note1)	0.33%	0.15%	Around 0.30%	0.12%	0.16%	
Consolidated basis	Ordinary Profit	81.6	96.3	95.0	96.5	44.4
	Net Income	47.0	51.1	56.0	56.0	25.6
	ROE	6.5%	6.7%	Around 7%	-	6.5%
	Core Tier1 Ratio	8.6%	9.7%	Higher than 8.0%	-	10.3%
Loans (Non-consolidated)	8,636.3	9,008.2	9,460.0	-	9,308.4	
Retail Loans within Kanagawa Prefecture (Non-consolidated) (Note2)	5,973.5	6,233.0	6,550.0	-	6,430.8	
Deposits (Non-consolidated)	10,753.1	11,091.5	10,800.0	-	10,837.8	
Non-Deposit Products for Individuals (consolidated)	1,840.4	1,929.1	2,200.0	-	1,969.7	

(Note1) "Recoveries of written-off claims" is not included in credit costs in FY10 Actual.

(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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