



Bank of Yokohama

Information Meeting

~ Interim Financial Results for FY11 ~

November 24, 2011

The Bank of Yokohama, Ltd.



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1. Operating Performance

1. Operating Performance

(1) Financial Summary for FY2011-1H

- FY11-1H: Net business profit decreased by **JPY1.1 Bn (-2.0%)** from FY10-1H to **JPY52.4 Bn** since the decrease in gross operating income exceeded the decrease in expenses.
- Net Income increased by **JPY4.2 Bn (+20.6%)** from FY10-1H to **JPY24.5 Bn** since the decrease in credit costs exceeded the decrease in net business profit.

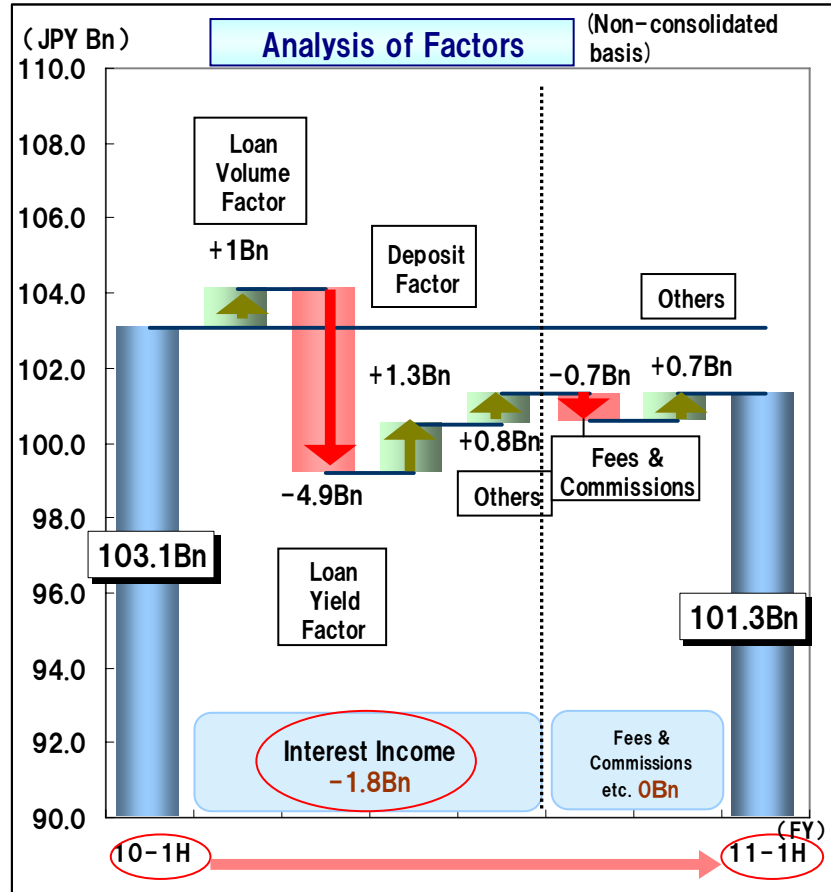
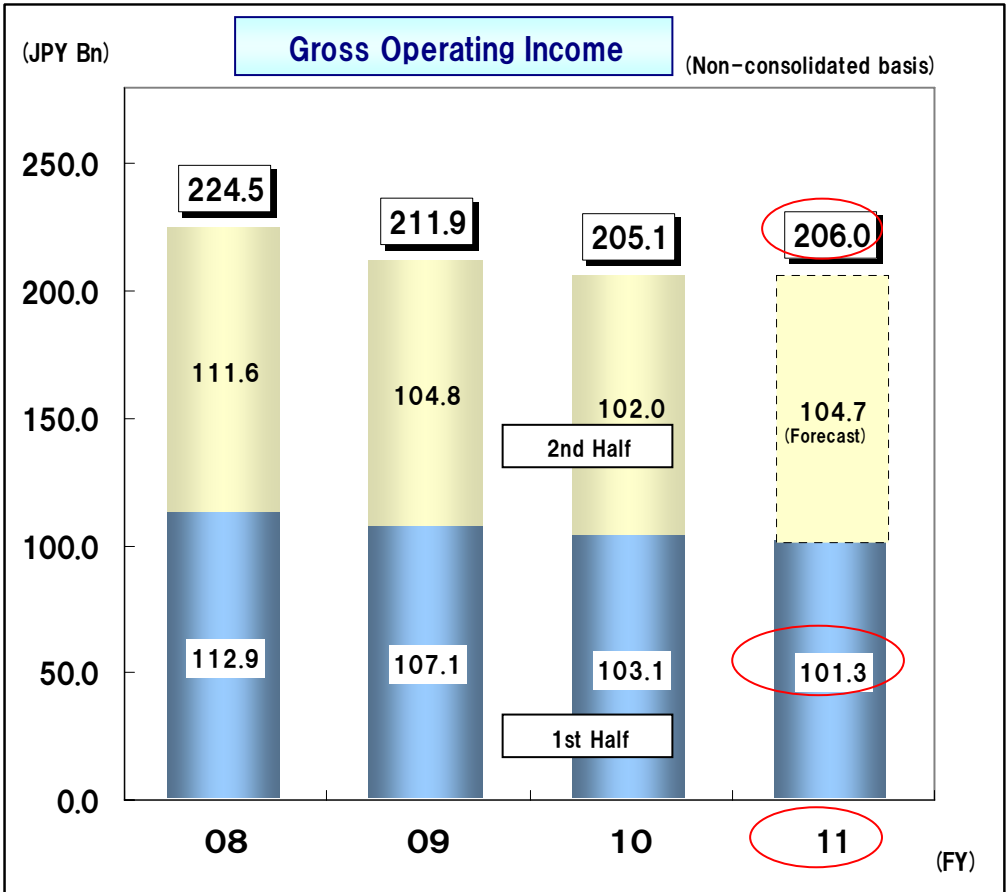
<Non-consolidated basis>	FY10-1H Actual	FY11-1H Actual	Increase /Decrease	*Difference from FY11 forecast (announced in May-11) (JPY Bn)
Gross Operating Income	103.1	101.3	-1.8	-0.7
Gross Operating Income from Domestic Operations	101.7	100.3	-1.4	-0.4
Interest Income	83.8	82.0	-1.8	-1.2
Of which, loans	79.8	76.0	-3.8	-
Of which, securities	8.1	9.0	0.9	-
Of which, deposits (-)	4.3	3.0	-1.3	-
Fees and Commissions	15.8	15.1	-0.7	-0.9
Trading Profits	0.2	0.2	0	-
Other Operating Income	1.7	2.8	+1.1	+1.7
Gross Operating Income from International Operations	1.4	1.0	-0.4	-0.3
Expenses	49.5	48.9	-0.6	-0.6
Of which, personnel	19.0	19.4	0.4	-
Of which, facilities	27.6	26.5	-1.1	-
Net business profit	53.5	52.4	-1.1	-0.1
Credit costs(-)	16.7	8.7	-8	-
*Former Credit costs(-)	17.2	10.6	-6.6	-1.4
Gains or losses on stocks and other securities	-1.8	-0.9	0.9	-
Of which, losses on devaluation of stocks and other securities(-)	2.8	1.7	-1.1	-
Ordinary profit	33.3	41.1	+7.8	+2.6
Net income	20.3	24.5	+4.2	+1.5
<Consolidated basis>				
Ordinary profit	36.5	45.8	+9.3	+4.8
Net income	21.1	25.8	+4.7	+2.3

(note) "Recoveries of written-off claims" is not included in Former Credit costs

1. Operating Performance

(2) Gross Operating Income

- FY11-1H: Gross operating income decreased by **JPY1.8 Bn (-1.7%)** from FY10-1H to **JPY101.3 Bn**. The main factor was a JPY1.8 Bn decrease in interest income due to declining market interest rates.
- FY11 forecast: **JPY206.0 Bn (+JPY0.9 Bn, +0.4% from FY-10)** due to increases in loans and fees for non-deposit products, as well as enhanced securities operations as the economy gradually recovers.

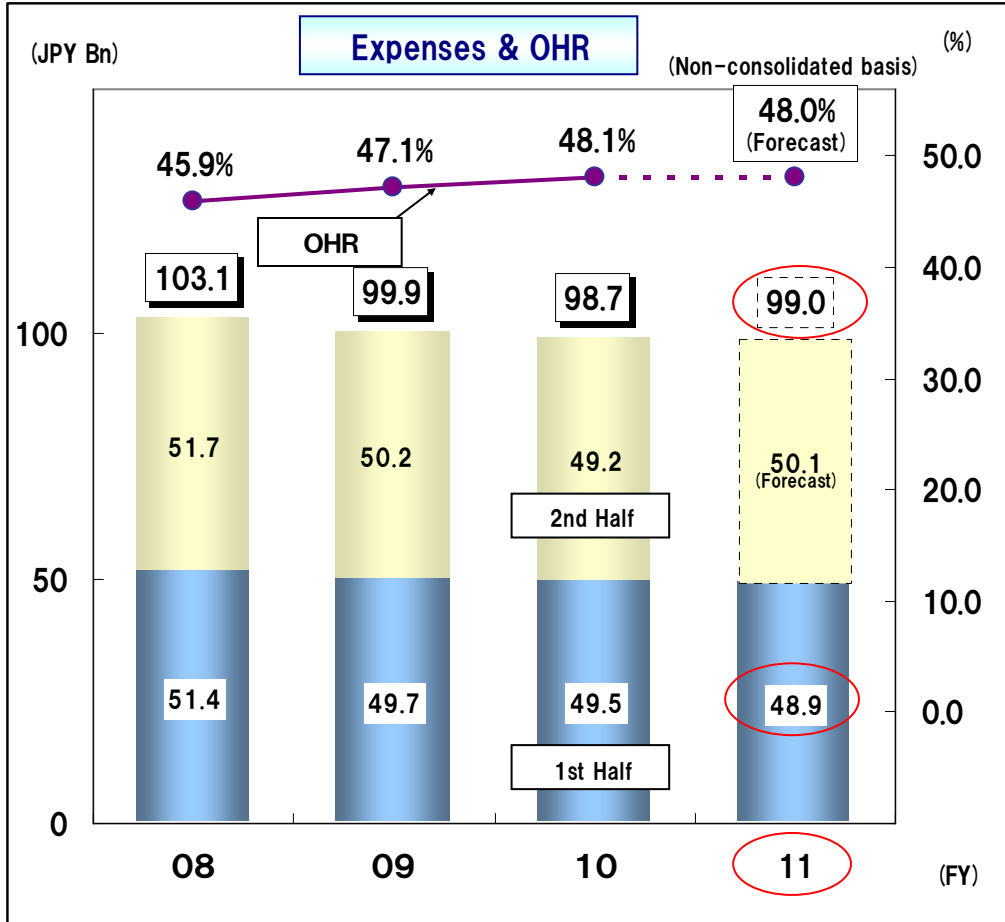


(note) Deposit factor includes increase/decrease attributed to NCD.

1. Operating Performance

(3) Expenses & OHR

- FY11-1H: Expenses were JPY48.9 Bn (-JPY0.6 Bn, -1.2% from FY10-1H). OHR was up 0.2% points to 48.2% due to the decrease in Gross Operating Income.
- FY11 Forecast: JPY99.0 Bn (+JPY0.3 Bn, +0.3% from FY10). OHR is expected to fall 0.1% point to 48.0%.



Comparison from FY10-1H

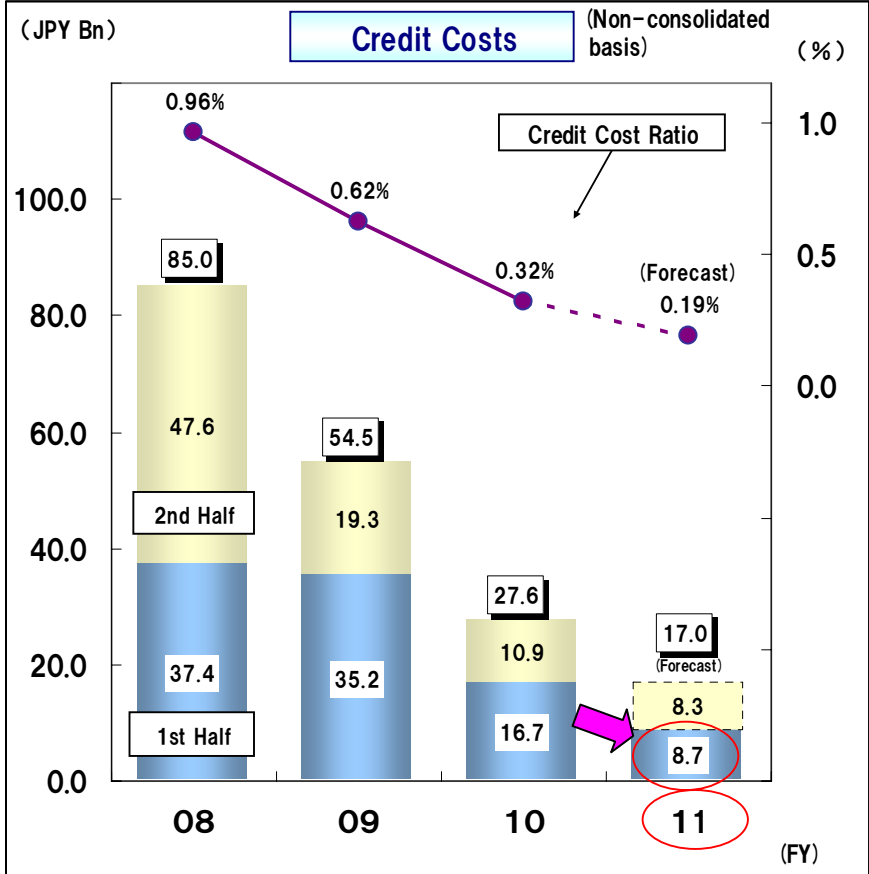
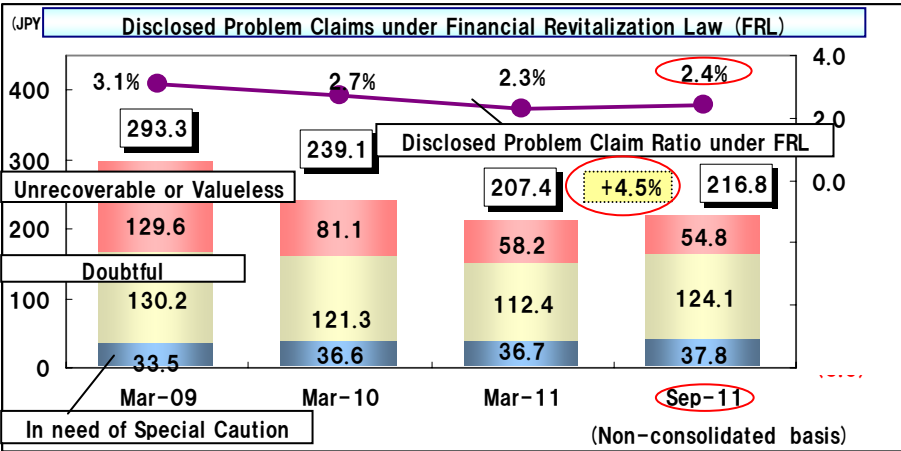
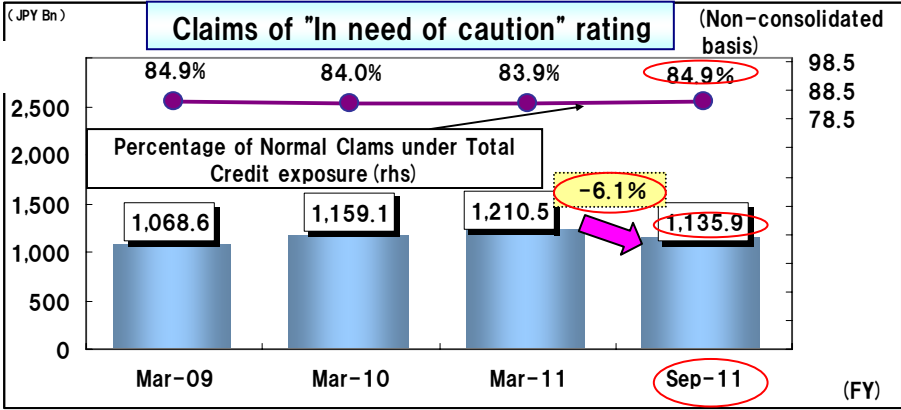
	(JPY Bn)		
	FY10 1st (actual)	FY11 1st (actual)	change
Expenses	49.5	48.9	-0.6
Personnel	19.0	19.4	+0.4
Facilities	27.6	26.5	-1.1
Tax	2.9	2.9	0
OHR(%)	48.0	48.2	+0.2

Factors behind the change:
Personnel: +JPY0.4Bn
Shift from temporary staffs to regular staffs, etc
Facilities: -JPY1.1Bn
Decrease in Utility Costs, etc

1. Operating Performance

(4) Loans Information

- The balance of loans rated “in need of caution” decreased by **JPY74.6 Bn (-6.1%)** from Mar-11 to **JPY1,135.9 Bn**. The percentage of Normal Claims increased by **1% point to 84.9%**.
- The problem claims which increased at Lehman shock have almost been written off. The amount of problem claims increased to **JPY216.8 Bn** with the Problem Claim ratio of **2.4%** due to increased doubtful claims.
- FY11-1H: Credit costs decreased by **JPY8.0 Bn (-47.9%)** from FY10-1H to **JPY8.7 Bn** with the Credit Cost ratio of **0.20%**.

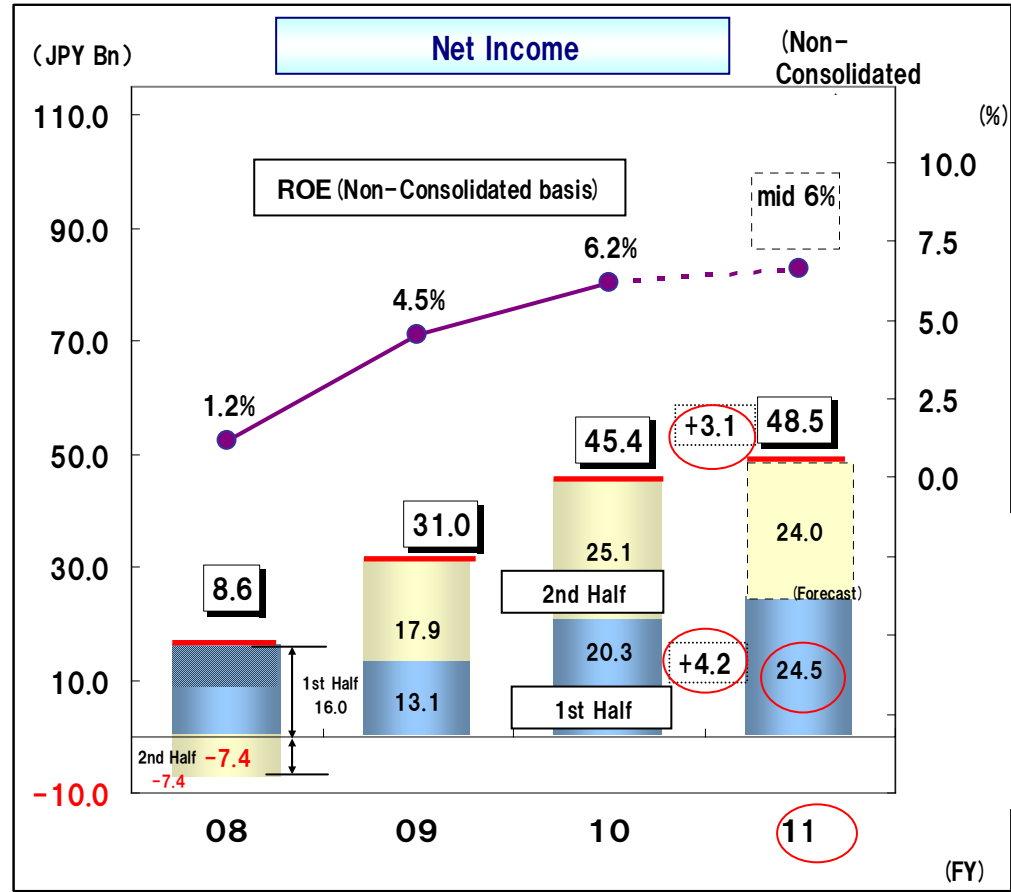


(note1) Credit Costs = Disposal of Problem Claims + Transfer to Allowance for general loan losses
 (note2) Credit cost ratio = Credit costs ÷ Average balance of loans

1. Operating Performance

(5) Net Income

- FY11-1H: Net income (non-consolidated basis) increased by **JPY4.2 Bn (+20.6%)** from FY10-1H to **JPY24.5 Bn** due to the decline in credit costs and other factors.
- FY11 forecast: Net income (non-consolidated basis) will increase by **JPY3.1 Bn (+6.8%)** from FY10 to **JPY48.5 Bn**.



Comparison from FY10-1H

	(JPY Bn)		
	FY10 1st (actual)	FY11 1st (actual)	change
Net Income (Non-Consolidated)	20.3	24.5	+4.2
ROE (Net Income base, non-consolidated)	5.6%	6.6%	+1.0
Net Income (consolidated)	21.1	25.8	+4.7
ROE (consolidated)	5.8%	6.9%	+1.1%

FY11-1H Forecast Non-consolidated net income: **JPY23.0Bn**
 Difference from FY11-1H forecast: **+JPY1.5Bn**

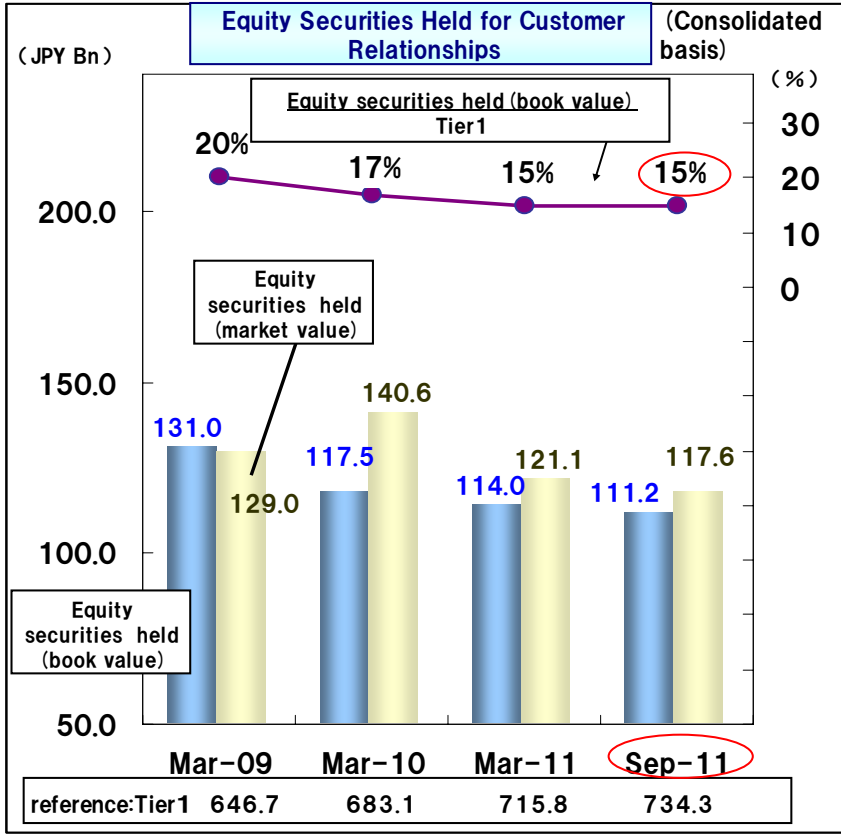
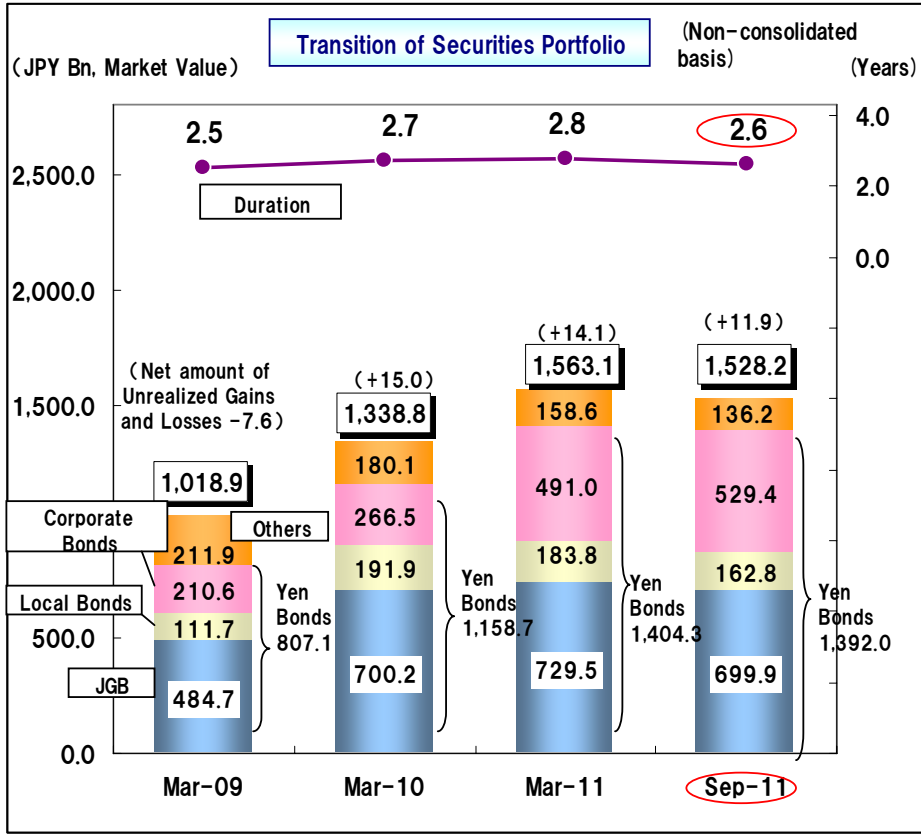
Factors behind the change:
 Decrease in Core Net Business Profit: -JPY1.1Bn
 Decrease in Credit Cost: -JPY8Bn
 Increase in Stock related loss etc.: +JPY0.9Bn
 Increase in Income tax etc.: +JPY3.1Bn

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

1. Operating Performance

(6) Securities & Equities Portfolio

- Yen bonds decreased by **JPY12.3 Bn (-0.8%)** from Mar-11 to **JPY1,392.0 Bn** with the net of **JPY38.3 Bn (+7.8%)** increase in corporate bonds and **JPY50.6 Bn (-5.5%)** decrease in local and Japanese government bonds.
- Duration was shortened by **0.2 years** to **2.6 years**.
- We continued to sell equities held for customer relationships, reducing the ratio of equity holdings 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 and privately-placed bonds.

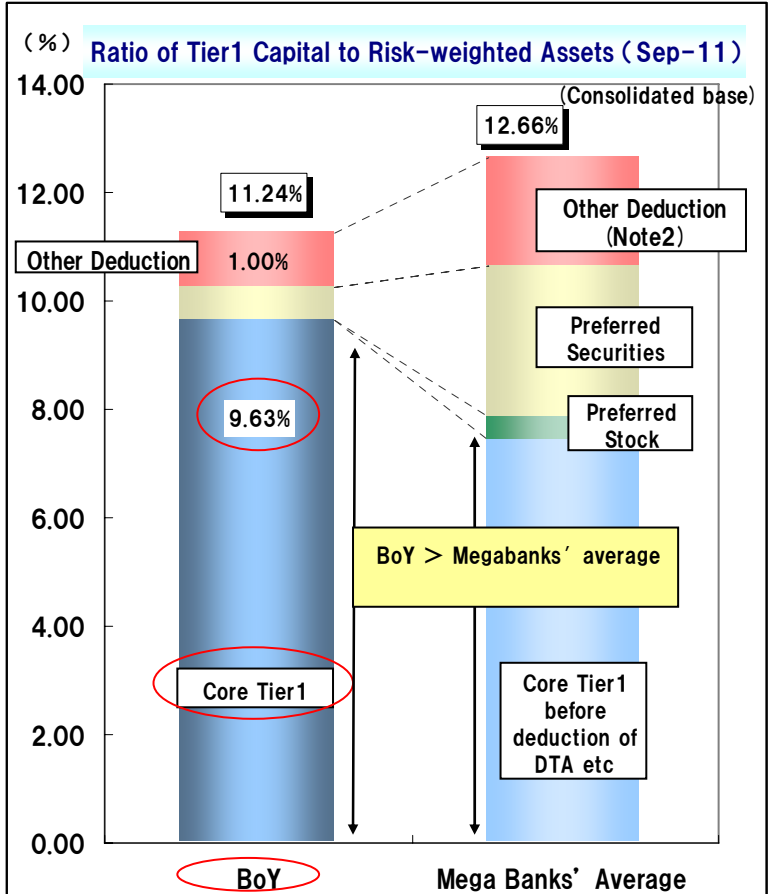
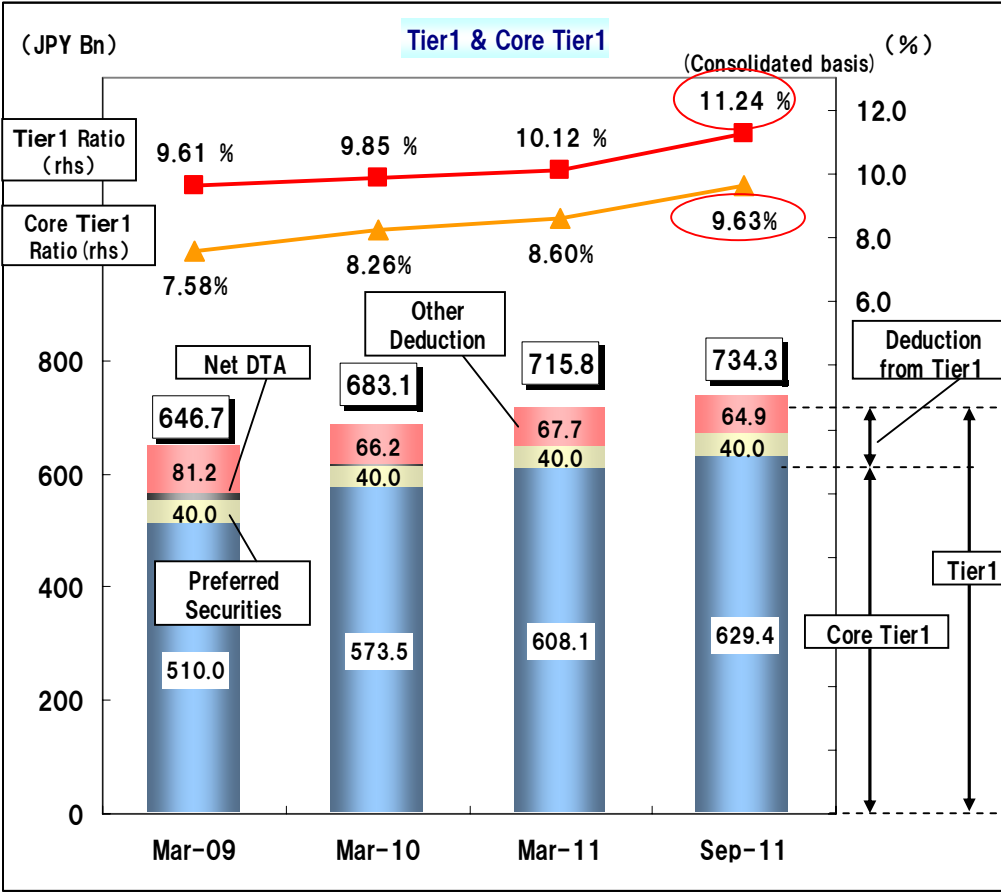
(Note 2) The duration does not contain ones of foreign bonds and investment trusts.

(Note3) Equity securities: Securities with market value

1. Operating Performance

(7) Tier 1 Capital

- Tier1 ratio (consolidated) as of Sep-11 was **11.24%**, up **1.12 % points** from Mar-11.
- Core Tier1 ratio was **9.63%**, up **1.03% points** from Mar-11.



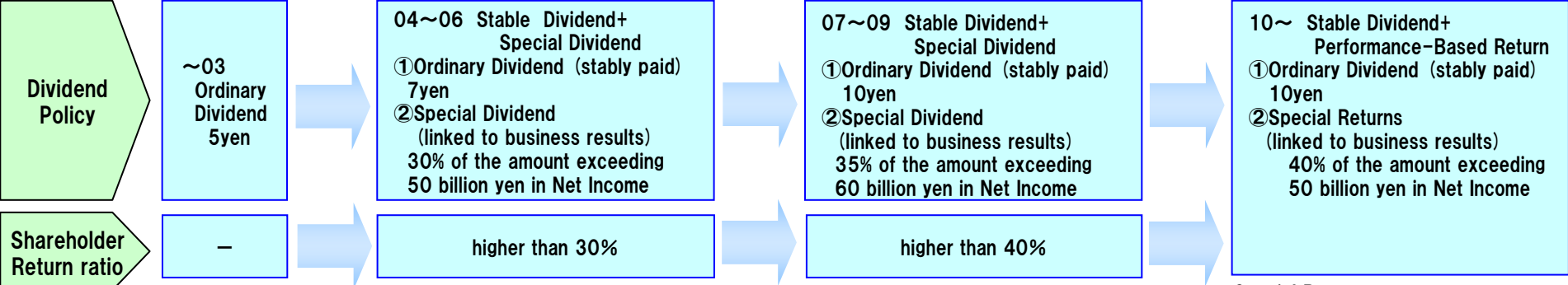
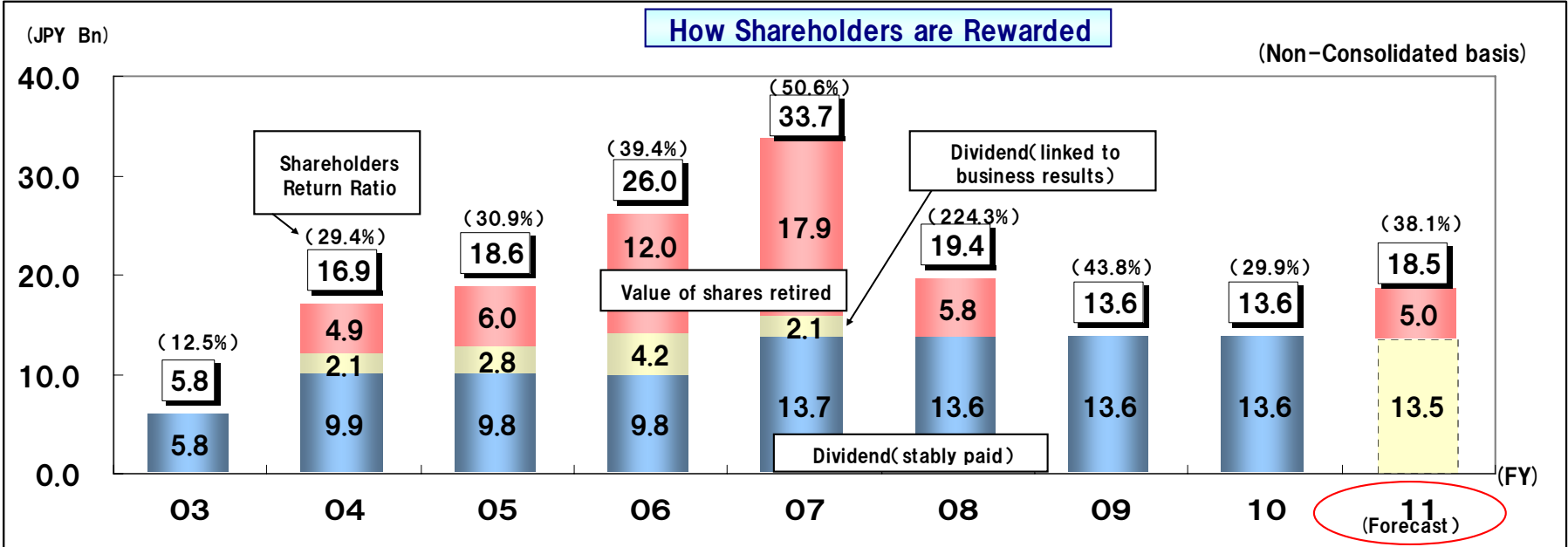
(Note 1) Before Mar-09: domestic standard, After Mar-10: international standard
 (Note 2) Core Tier1 ratio = {Tier 1 - (preferred stock + preferred securities + net deferred tax assets etc.)} / Risk assets
 (Note 3) Core Tier1 ratio is calculated based on Common Equity Tier1 of the Basel III framework.

(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
 (Note3) Bank estimates

1. Operating Performance

(8) Shareholder Return

- Paid a stable dividend of 10 yen per annum according to our performance-based dividend policy.
- To enhance shareholder value, bought back our own shares worth **JPY5.0 Bn** in August 2011 in light of stock market performance.



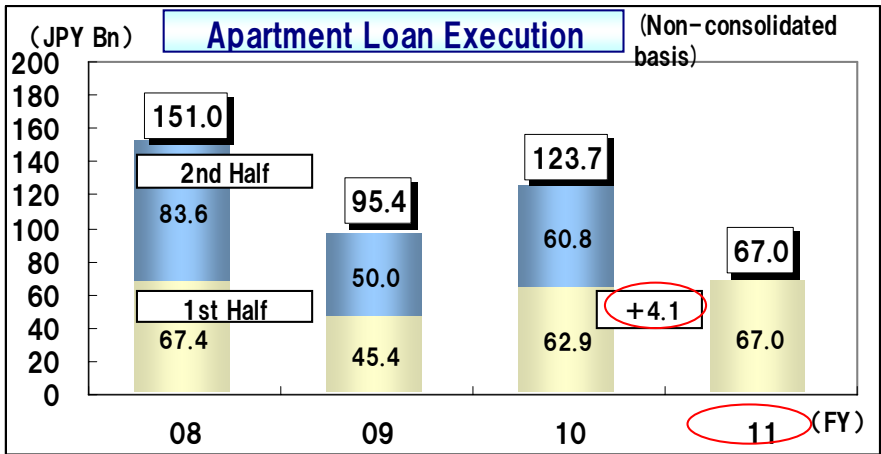
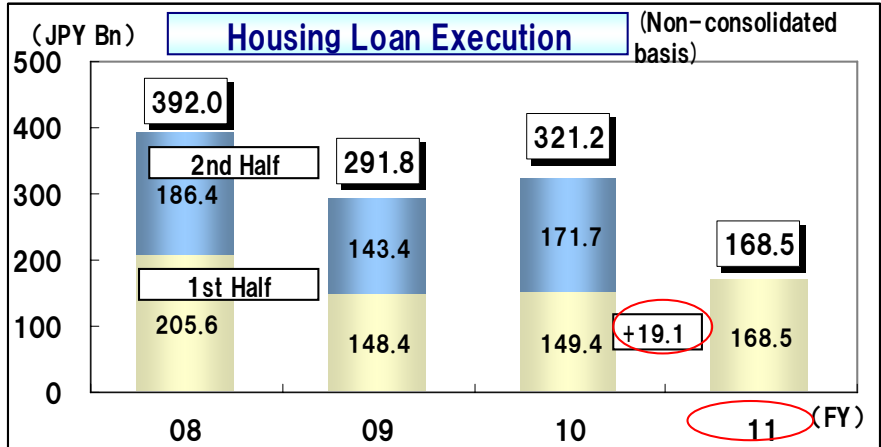
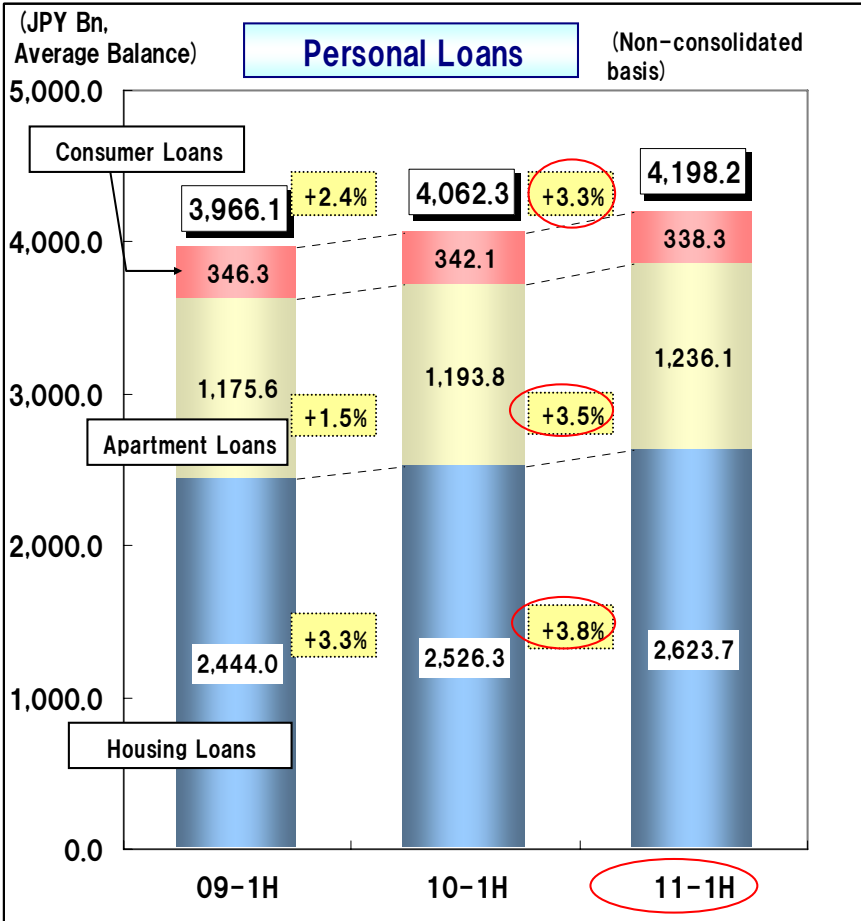
Special Returns = Special Dividends + Share Buy-backs 10

2. Business Performance

2. Business Performance

(1) Personal Loans

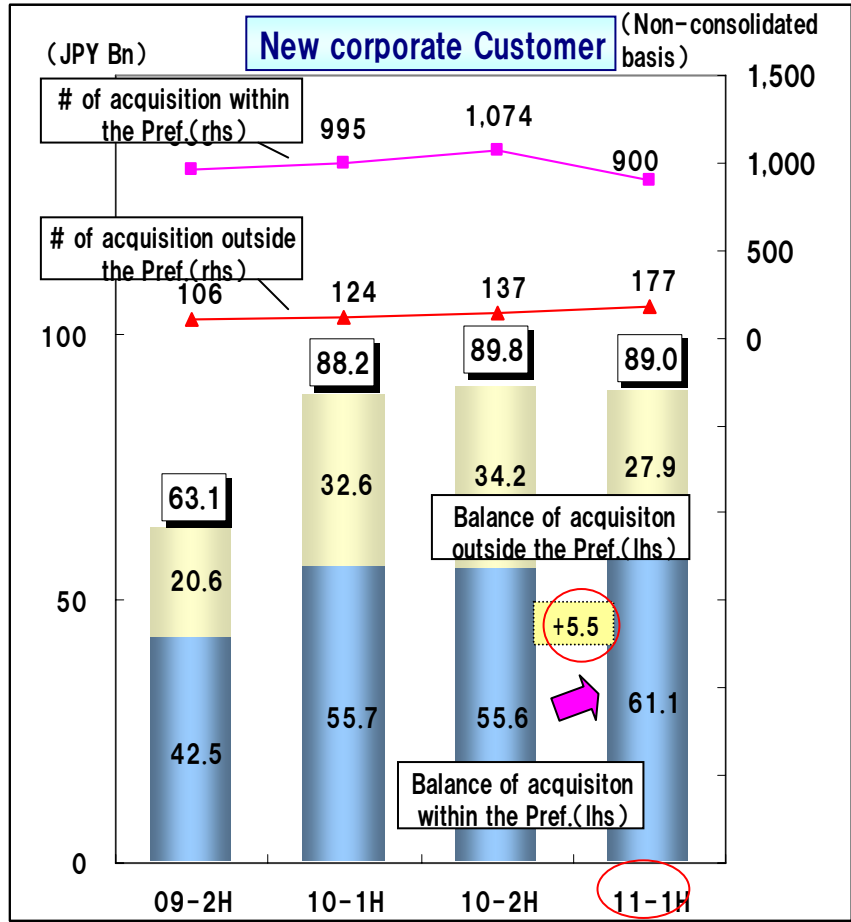
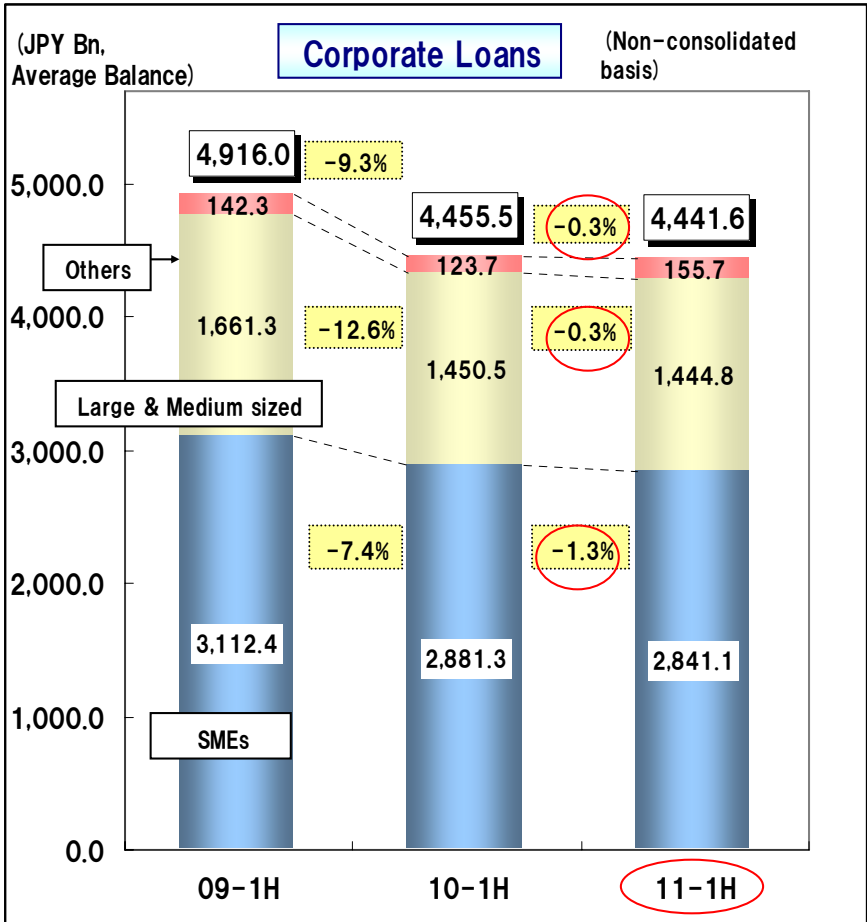
- FY11-1H: Housing loans grew by 3.8% while apartment loans grew by 3.5%. Total growth is 3.3% from FY10-1H.
- Despite the delay in housing completion influenced by the Great East Japan Earthquake, housing loan execution increased by JPY19.1 Bn from 10-1H to JPY168.5 Bn and apartment loan execution increased by JPY4.1 Bn to JPY67.0 Bn.



2. Business Performance

(2) Corporate Loans

- FY11-1H: Average balance of corporate loans **decreased by 0.3%**, with a **drop of 0.3%** for large and medium-sized companies and a **drop of 1.3%** for SMEs from FY10-1H.
- While the overall loan balance of acquisition of new corporate customer remained at the same level as FY10-2H, the balance of acquisition in Kanagawa Prefecture increased by **JPY5.5bn**.

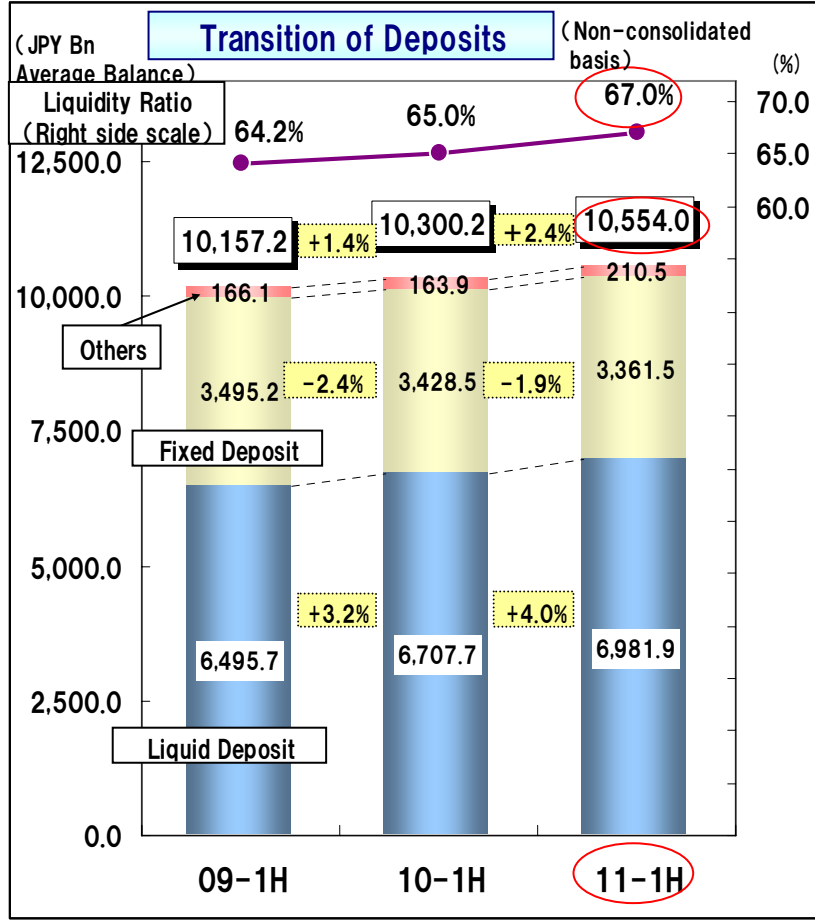
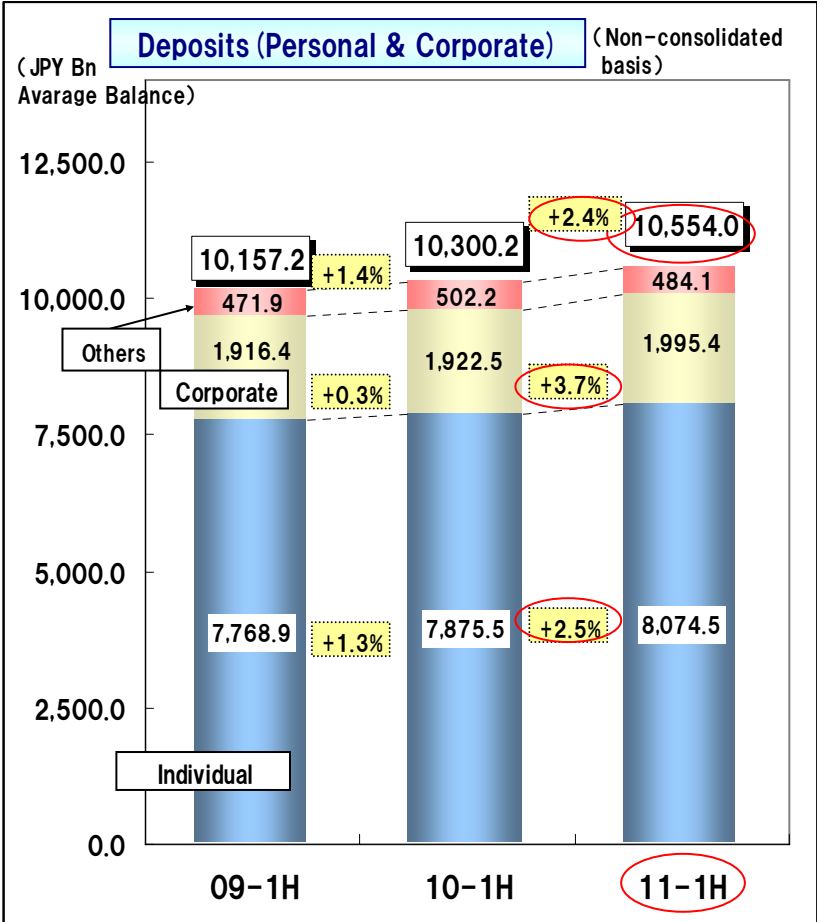


(Note1) "Others" include loans to public and public related sectors.

2. Business Performance

(3) Deposits

- FY11-1H: The overall average deposit balance increased by **2.4%** with the increase of **2.5%** for personal customers and **3.7%** for corporate customers.
- Our liquidity ratio of **67.0%**, remains the highest among regional banks (regional bank average: **about 52.8%**).



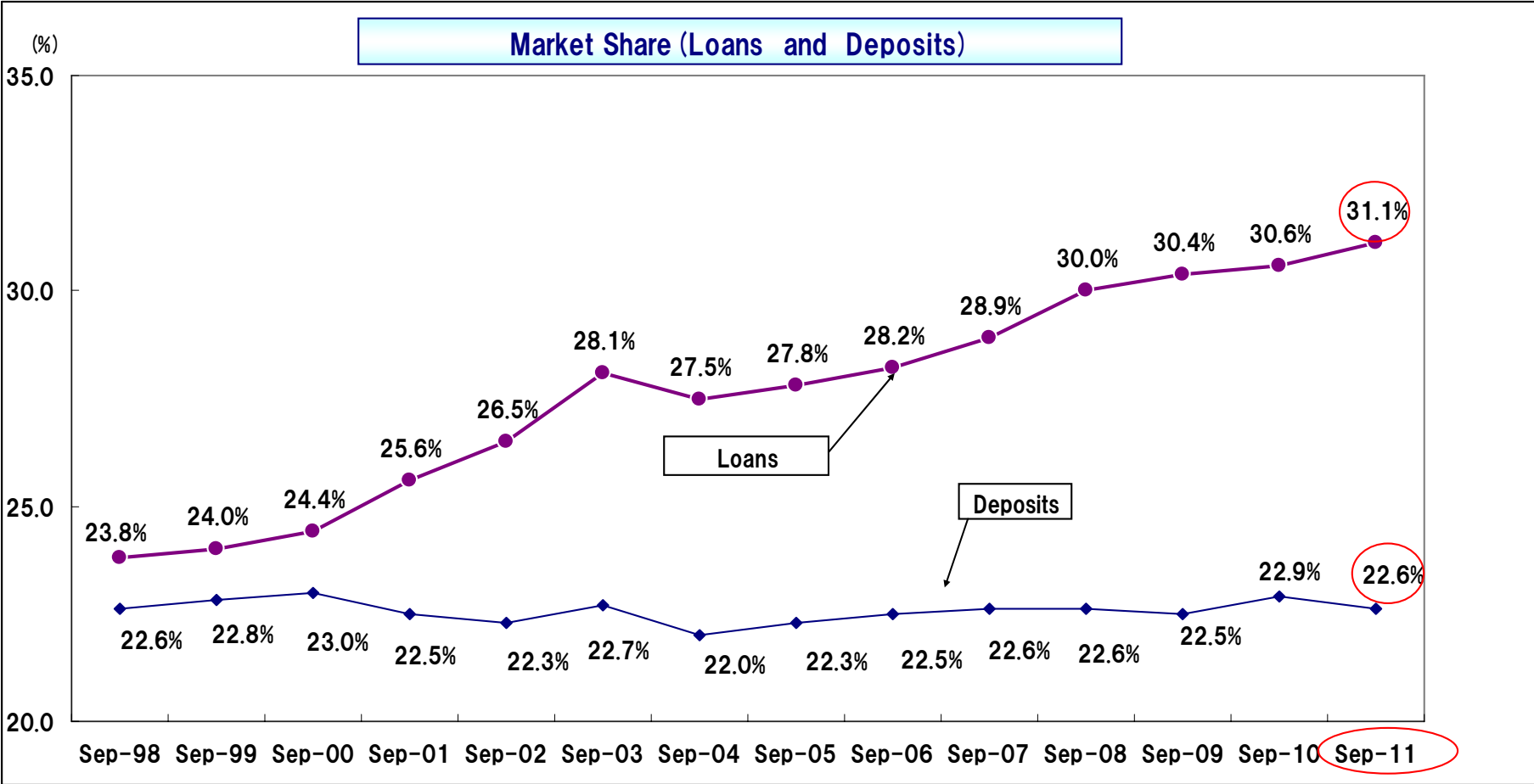
(Note1) Others = Local Public + Financial Institutions

(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

2. Business Performance

(4) Market Share in Kanagawa Prefecture

■ Sep-11: Market share for loans increased to **31.1%**. Market share for deposits was **22.6%**.

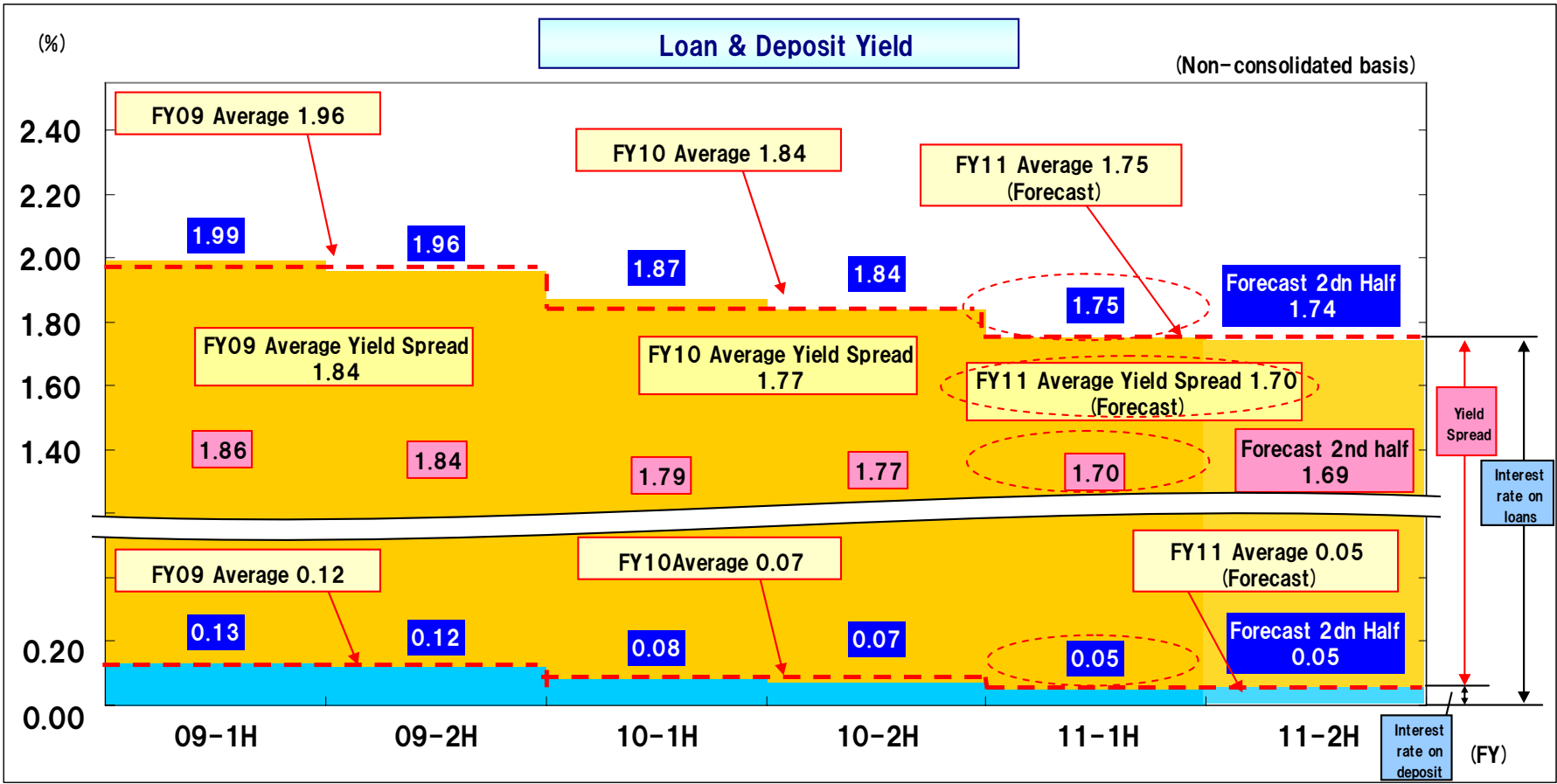


(Note1) Market share above does not include Japan Post, Credit Unions & JA. (Bank estimates)

2. Business Performance

(5) Loan & Deposit Yield (Domestic Operations)

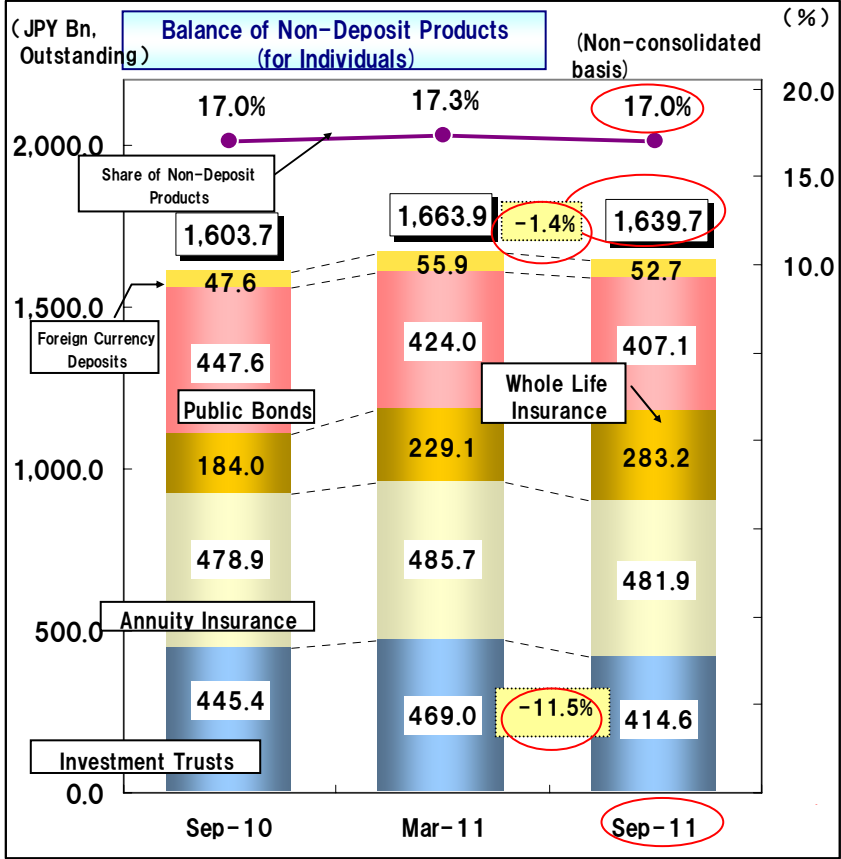
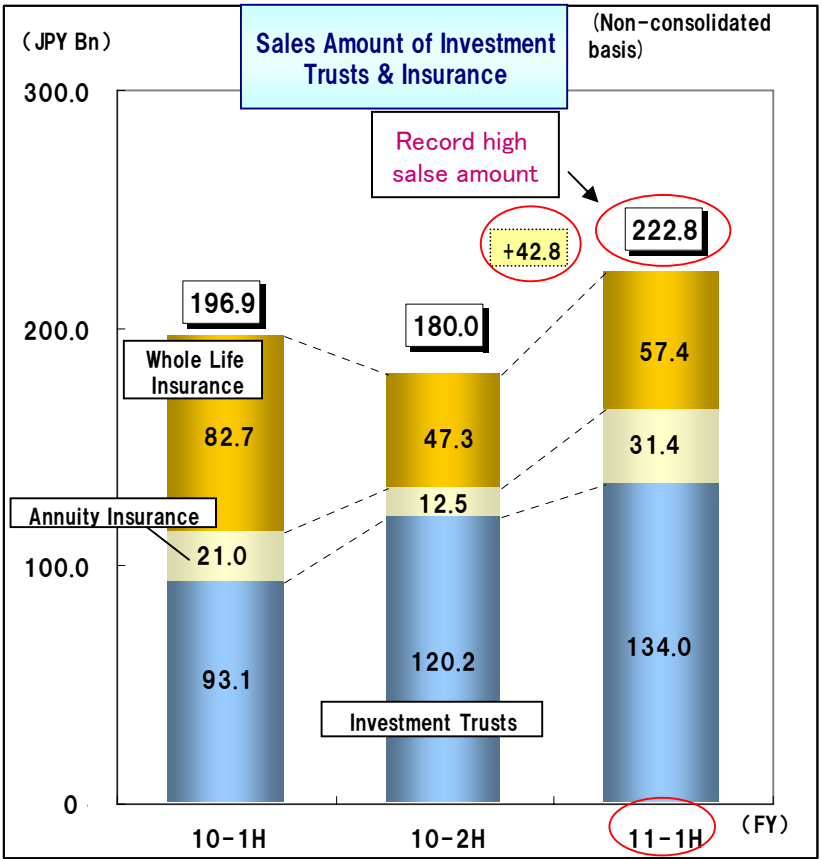
- FY11-1H: As a result of the decline in market interest rates, loan yield declined to **1.75%** and deposit yield to **0.05%**. Yield spread shrunk to **1.70%**.
- FY11 forecast: Projected yield spread is **1.70%**.



2. Business Performance

(6) Non-Deposit Products

- FY11-1H: Sales of investment trust and insurance products as of FY11-1H reached a **record high JPY 222.8 Bn** (+JPY42.8 Bn from FY10-2H).
- The balance of non-deposit products decreased by **1.4%** from Mar-11 to **JPY1,639.7 Bn** due to a decline in market prices.



(Note 1) Share of non-deposit products = Outstanding balance of non-deposit products ÷ (outstanding balance of individual deposits + outstanding balance of non-deposit products)
 (Note 2) Decrease of 54.4 in investment trust = 5.6 (sales - cancellation, purchase and redemption) + decrease of 60.0 in base price, etc.

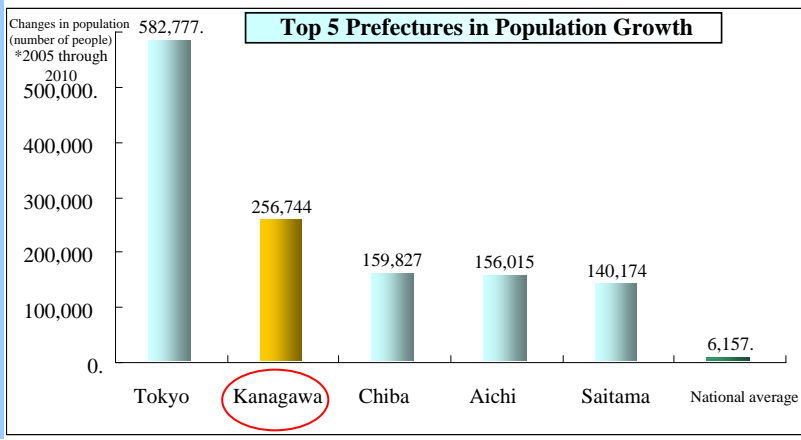
3. Management Strategies

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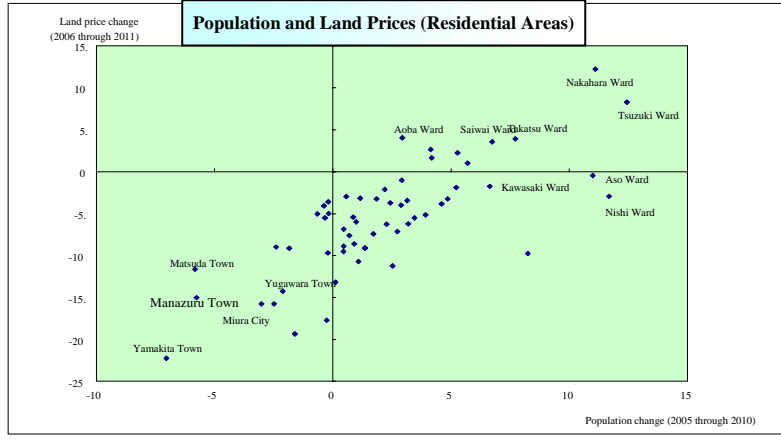
(1) Outlook for Kanagawa Prefecture: More Advantages than Other Prefectures

- Kanagawa has the **second highest population growth** in Japan. **Land prices are increasing** in many areas within the prefecture.
- The third highest savings balance and a high percentage of marketable securities in savings per household in Kanagawa indicates that many households in Kanagawa tend to have a **high degree of financial literacy**.
- These make Kanagawa a more advantageous market than any other prefecture.

Population growth by prefecture (Number of people)
2005 through 2010
Second highest in Japan



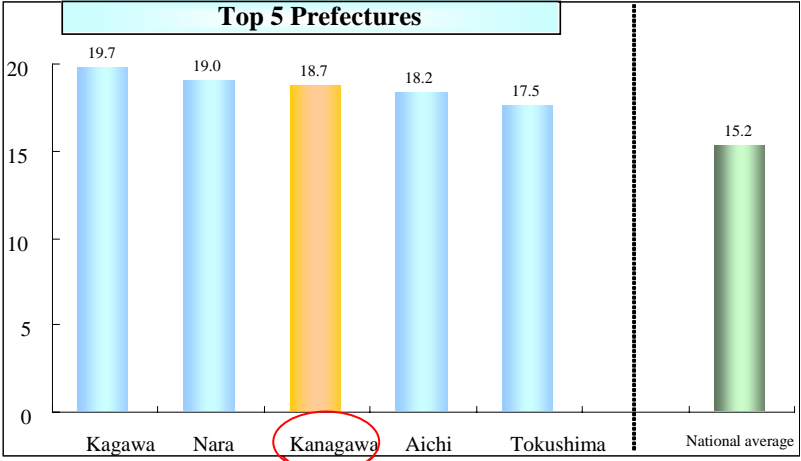
Changes in population and land prices in Kanagawa



Source: Population Census, Ministry of Internal Affairs and Communications

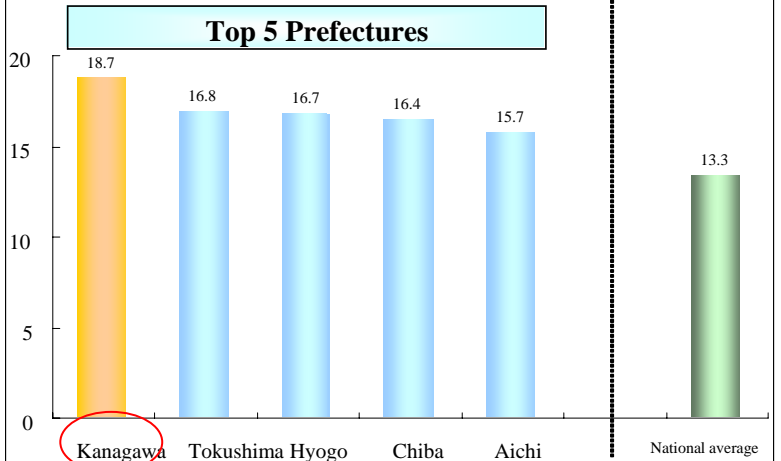
Source: Population Census, Ministry of Internal Affairs and Communications; Ministry of Land, Infrastructure, Transport and Tourism's public notice of land prices

Savings balance per household (In millions of yen)
2009
Third highest in Japan



Source: Hamagin Research Institute analysis based on the Ministry of Internal Affairs and Communications' 2009 National Survey of Family Income and Expenditure

Percentage of marketable securities in savings per household (%)
2009
Highest in Japan

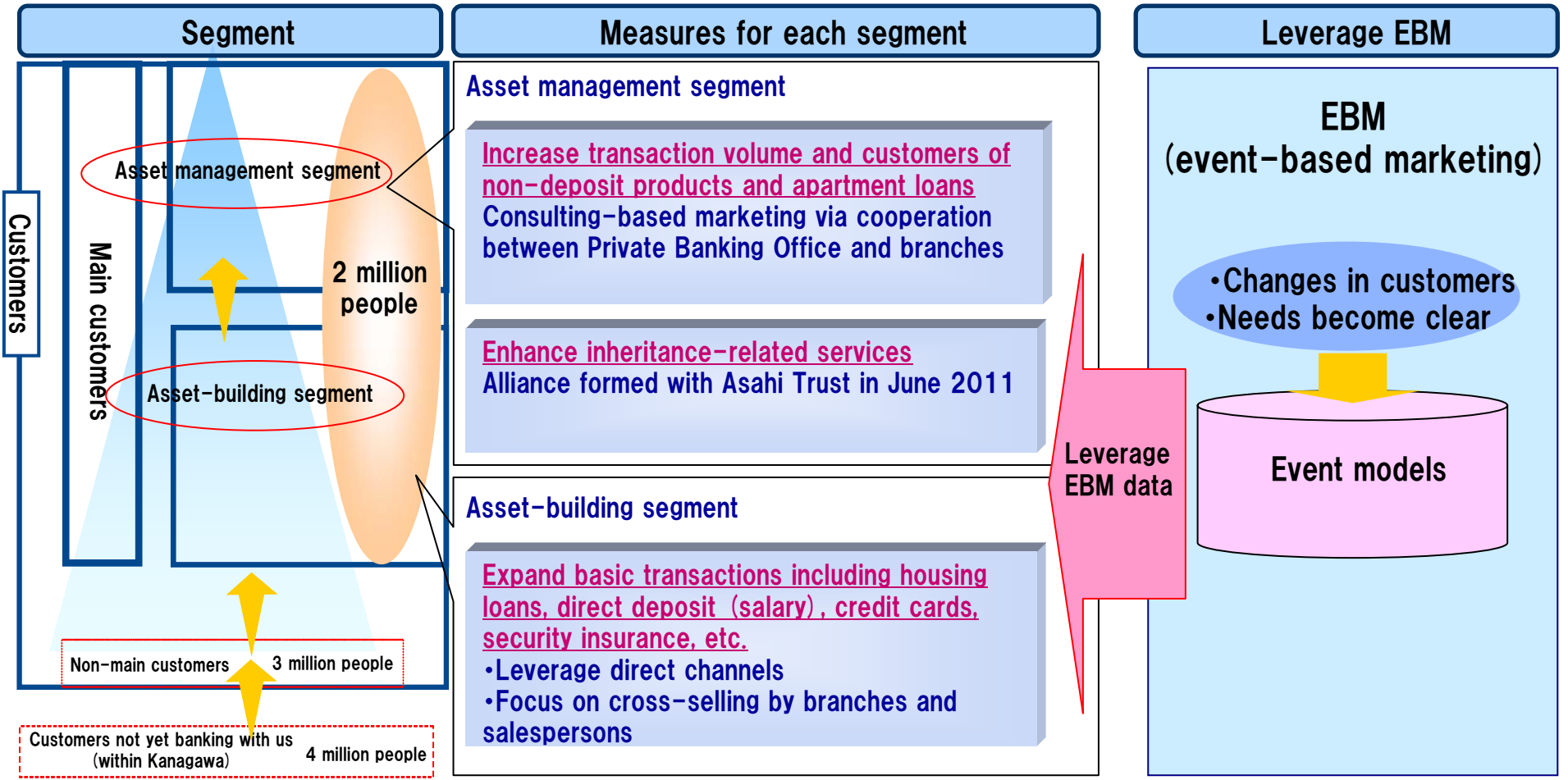


Source: Hamagin Research Institute analysis based on the Ministry of Internal Affairs and Communications' 2009 National Survey of Family Income and Expenditure

3. Management Strategies

(2) Personal Banking Strategy: Measures for Each Segment

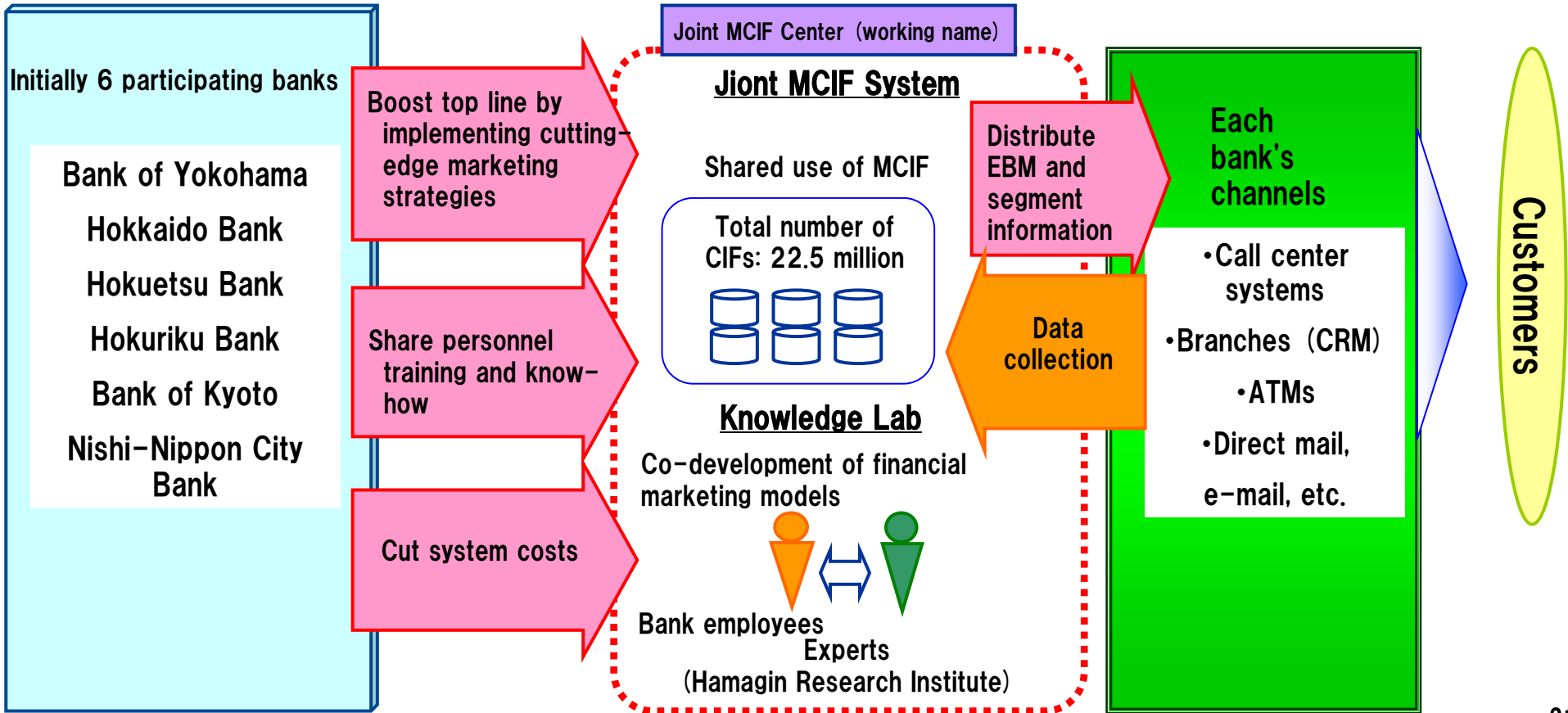
- **Leverage EBM data** to expand customer touch points and **offer solutions to quickly** meet diverse needs of customers in asset-management and asset-building segments.



3. Management Strategies

(2) Personal Banking Strategy: Joint MCIF Center

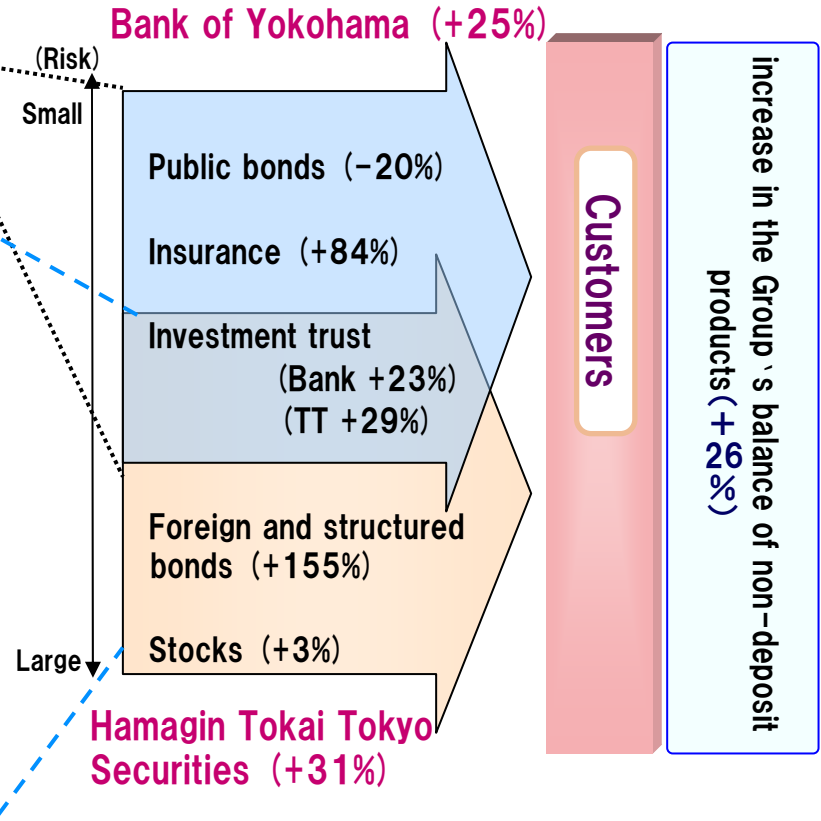
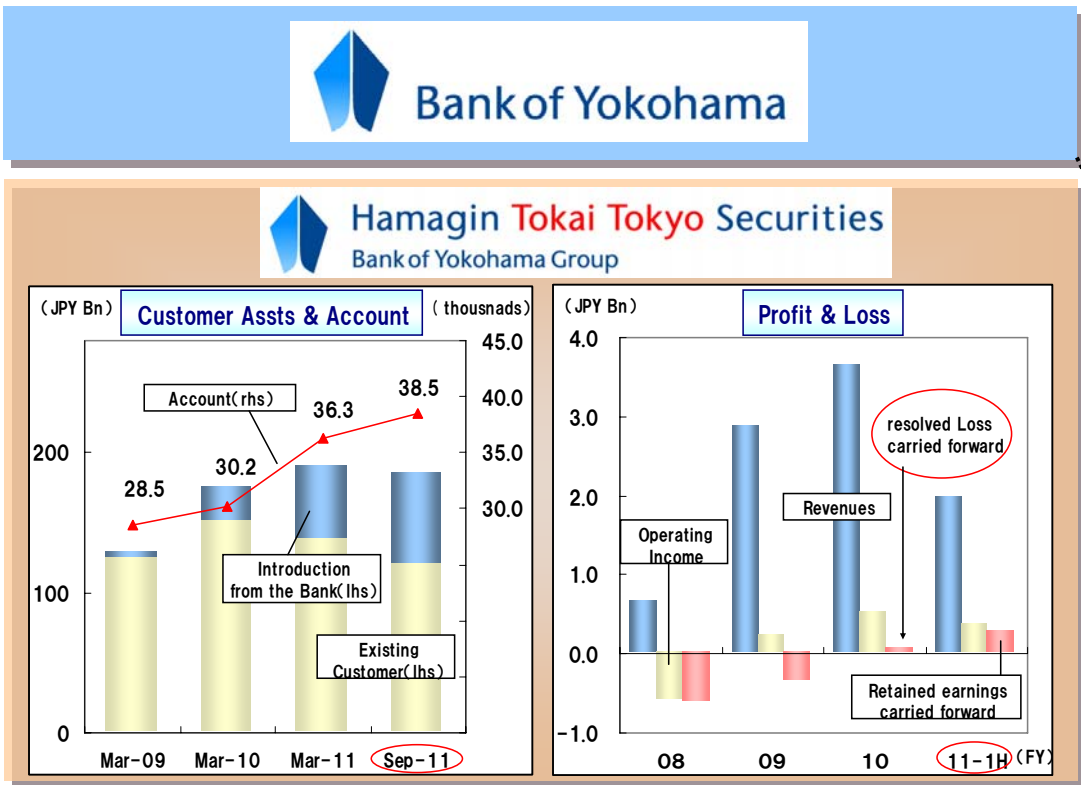
- Establish **Joint MCIF Center** (working name) composed of **Joint MCIF system** and **Knowledge Lab** in 2013 in order to meet customer needs more effectively.
- Promote shared use of Joint MCIF system that consolidates the 6 regional banks' data. Employees of the 6 participating banks and analysis/model-building experts will work together at the Knowledge Lab to jointly develop advanced financial marketing models.
- Will be Japan's first shared system designed for continuous development and assessment of marketing strategies aimed at raising the top line. The number of participating banks is expected to grow.



3. Management Strategies

(3) Securities Business Strategy: Increase Group-wide Customer Assets

- The bank and Hamagin Tokai Tokyo Securities share roles to meet customers' increasingly diverse financial needs.
- Despite the stormy market, Hamagin Tokai Tokyo Securities yielded a profit in FY09, dissolved losses carried forward in FY10, and remained in the black in FY11-1H by the contribution of the bank's customer introduction.
- While the primary purpose of establishing Hamagin Tokai Tokyo Securities (in Nov. 2008) was to increase customer assets for the entire Bank of Yokohama Group, the company has made steady progress with a 26% increase in the Group's balance of non-deposit products over the last 2.5 years (Mar-09 to Sep-11).



Figures in parentheses indicate percentage change in non-deposit products for individual customers from Mar-09 to Sep-11

3. Management Strategies

(4) Corporate Banking Strategy: Smooth Financing and Expanding Customer Base

- Leverage all group functions to **tap into industries with high growth potential** and **step up efforts at cultivating new corporate customers** to ensure a smooth financing and a growing customer base in Kanagawa.

Leverage all group functions to tap into industries with high growth potential

Increase loan transactions

Kagayaki – strategic fund for supporting high growth industries
JPY150 Bn in total

Support customer growth via equity

Industry growth fund
Totaling JPY2 Bn; launched in August 2011 (jointly with
Yokohama Capital)

Increase leases

Growth industry leasing program
JPY5 Bn in total (Hamagin Finance)

Support customers' growth through business matching, etc.

- Help with expanding sales channels, refer business partners
- Management consulting (Hamagin Research Institute), etc.

Step up efforts to cultivate new corporate customers

Increase customer touch points

Increase 20 sales employees acquiring new
corporate customers in FY11-2H

Enhance marketing activities in all blocks

Assign experienced corporate banking promotion
manager to all blocks within Kanagawa

Speedy credit assessment

Give corporate banking promotion managers the same
level of decision-making authority as branch
managers

Enhance marketing activities by leveraging channel network

Promote by branch managers of “locations
specializing personal banking services”

3. Management Strategies

(5) Asia Strategy: Shanghai Branch Strategy Team Activities

- To apply for a license to provide services in renminbi in Nov. 2012, we set up a strategy team at the Shanghai branch in June 2011 to figure out the needs of **approx. 130 local corporate customers** for financing, consulting and sales information.
- The strategy team's activities will be expanded to cover Guangdong province, Beijing, Dalian, Tianjin, and Qingdao.

Local corporate customers' needs

Visited approx. 130 corporate customers in and around Shanghai from June to October 2011

Financing needs Approx. 40 customers

Local financing demand is high due to difficulty of securing funds.

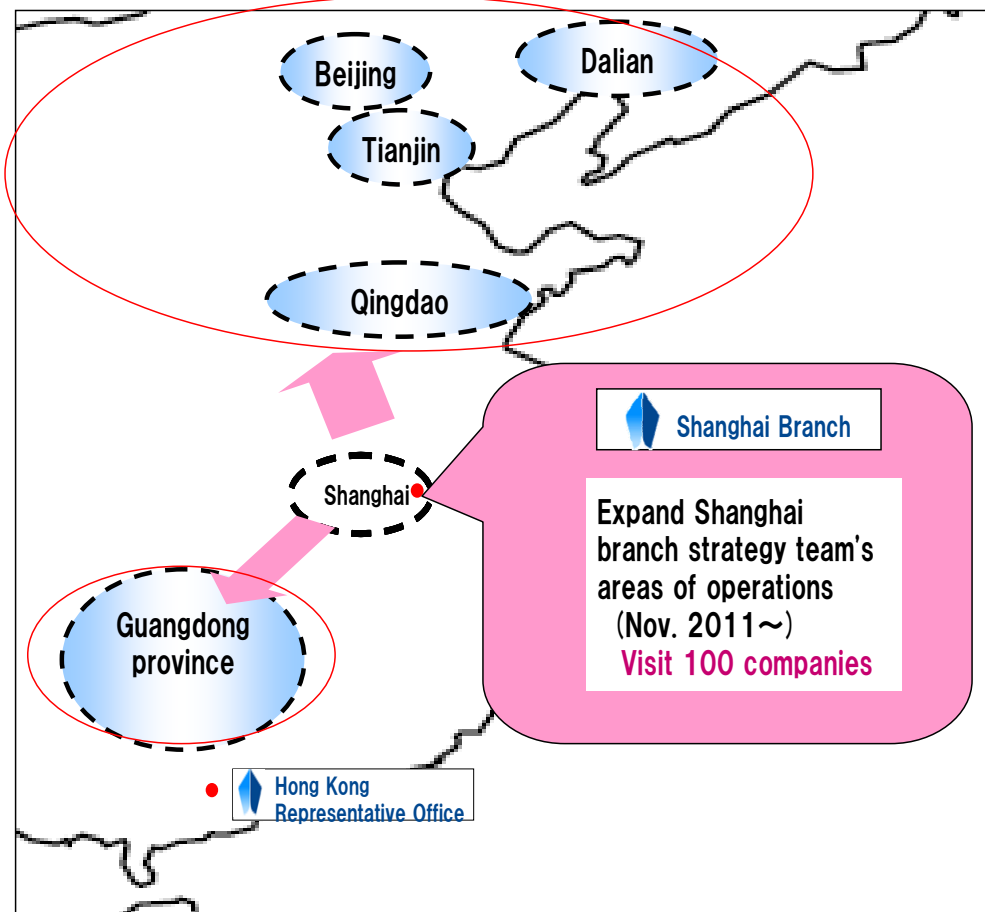
Business matching needs Approx. 70 customers

Higher-than-expected demand for business matching across the manufacturing and wholesale industries

Consulting needs Approx. 30 customers

Needs for tax, labor and legal consulting services are always high.

Expand areas covered

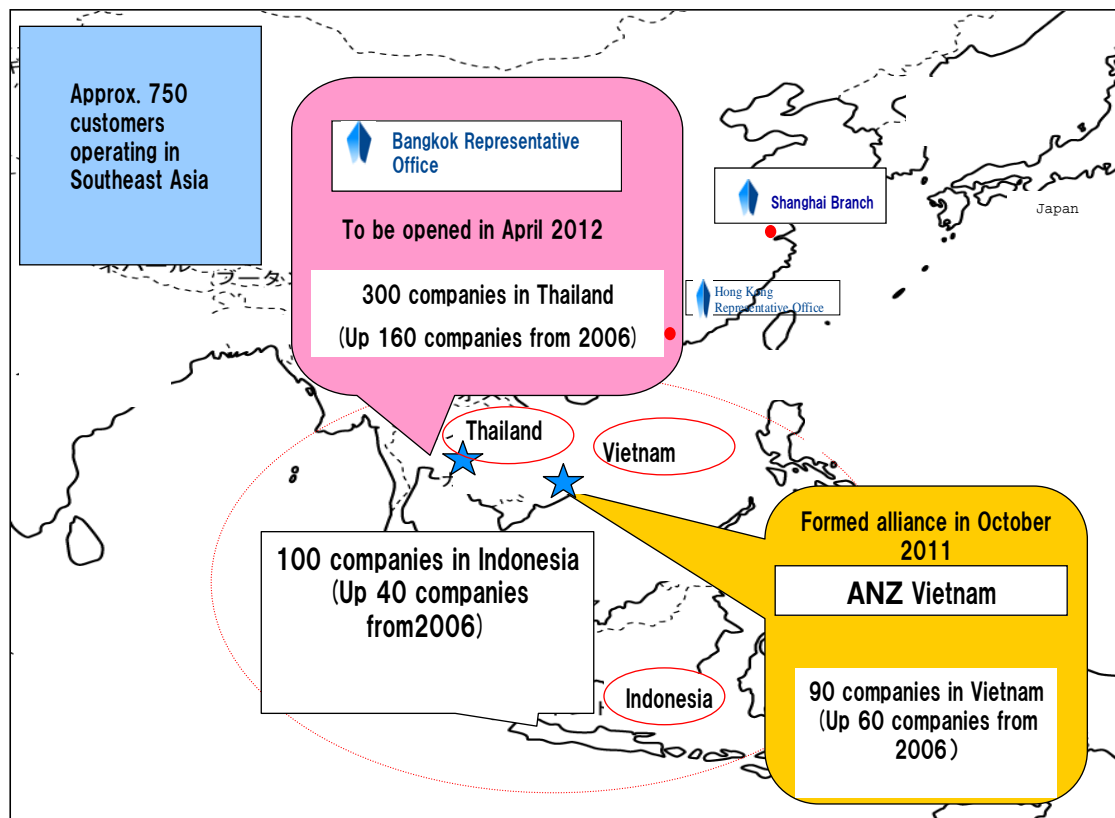


3. Management Strategies

(5) Asia Strategy: Open Bangkok Office and Form Alliance with ANZ Vietnam

- Survey of 70 local corporations of our corporate customers in Thailand (between May and July 2011) revealed **financing** and various other **needs** with high expectations for the Bank of Yokohama.
- **Bangkok Representative Office** is scheduled to open in April 2012. Strengthen partnership with Bangkok Bank to enhance services to corporate customers in Thailand.
- **Signed partnership agreement with Australia and New Zealand Banking Group (ANZ) Vietnam in October 2011** to enhance services to local corporations of our corporate customers in Vietnam.

Expanding Customer Base in Southeast Asia



Assess local corporate customer needs

May - July 2011

Visited 70 local corporations of our corporate customers in and around Bangkok

Financing needs

Approx. 50 customers

Business matching needs

Approx. 20 customers

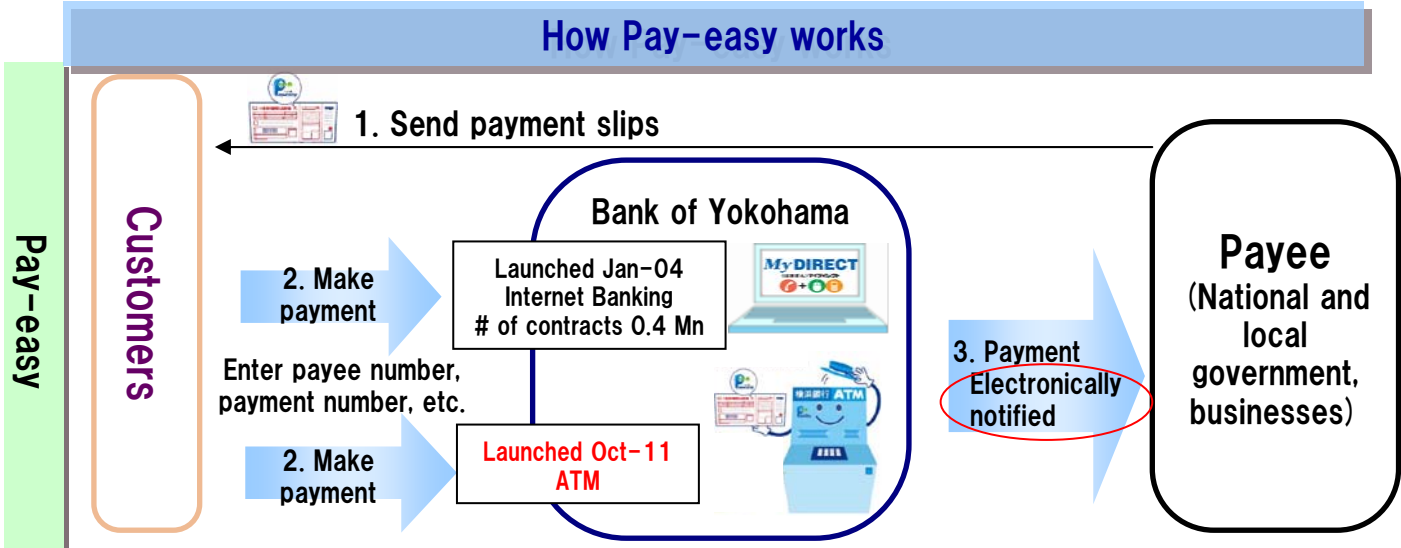
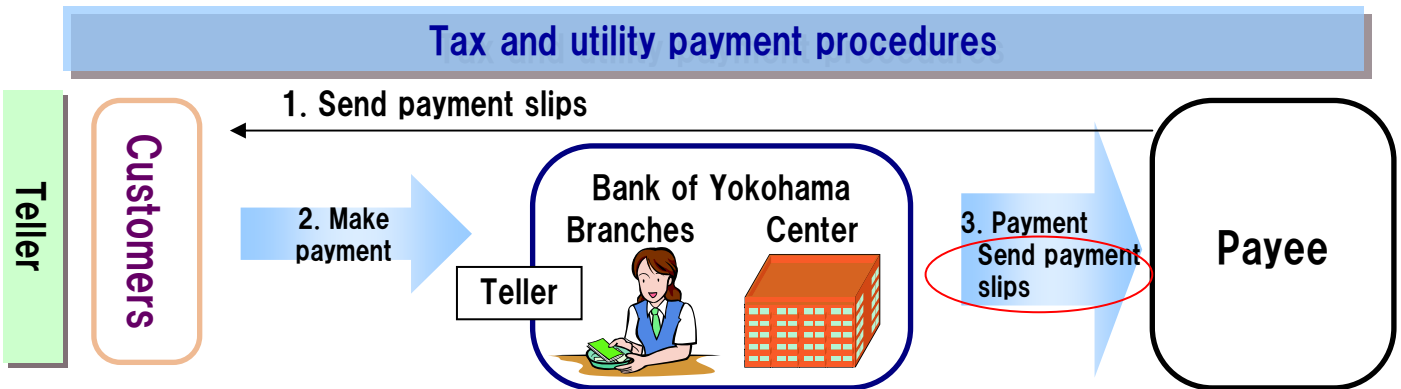
Consulting needs

Approx. 20 customers

3. Management Strategies

(6) Channel Strategy: Promote E-payment of Taxes and Utility Bills (Pay-easy)

- An electronic payment service (Pay-easy) was introduced into a few financial institutions in October 2001 on a trial basis to simplify payment of taxes and utility bills for both customers and the bank.
- Since more and more local public agencies are participating in Pay-easy, the Bank of Yokohama launched a Pay-easy service by internet banking from Jan-04 and ATM from Oct-11.



Advantages of Pay-easy

Enhanced customer convenience

- ✓ Payment can be made after hours
- ✓ Shorter waiting time

Enhanced convenience for payee

- ✓ Payment information is sent to the payee as soon as the customer makes a payment via Pay-easy.

Enhanced bank operations

- ✓ No paperwork or payment slips to send to payee

3. Management Strategies

(6) Channel Strategy: Strengthen Branch Functions

■ Enhance branch functions according to local needs to **build optimal service channels for customers** and **provide high-value added financial services**.

Easy-to-use branches for customers

Branches open on Saturday, Sunday and Holidays (4 locations)

- Yamato Oak City Sub-branch
- Sogo Yokohama Sub-branch
- Tamagawa Consulting Plaza

• Shonan C-X Sub-branch (Nov. 2011)

Open quick service counter (6 locations)

- Tamagawa Branch
- Aobadai Branch
- Hodogaya Branch
- Sagamino Branch
- Kaminagaya Branch

• Shonan C-X Sub-branch (Nov. 2011)

Enhanced corporate banking functions

Turn branches into full banking service locations by adding corporate banking functions

- Oguchi Branch (Aug. 2011)
- Oshima Branch (Nov. 2011)

Specializing in personal banking services

Add corporate loan and sales functions

Full banking service locations

Joint branches for banking and securities services

- Nakayama Branch
- Odawara Branch
- Atsugi Branch
- Hiyoshi Branch
- Azamino Branch
- Consulting Booth Tamagawa

- Mizonokuchi Branch (Oct. 2011)
- Consulting Booth Kamakura (Nov. 2011)

Covering entire Kanagawa

3. Management Strategies

(7) Investing in Human Assets Strategy: Review and Enhance Training System

- Established the **Financial Business School** in October 2010 and started new job rotation for new employees as well as mid-level employee training to develop human resources for sustainable growth.

Features of Financial Business School

- Hands-on training provided by experienced 5 full-time instructors with outstanding operational skills
- Systematic training curriculum for all employee levels from new employees to branch managers
- Realistic training using a mock bank located in the Financial Business School

For new employees: Longer job rotation period and enhanced curriculum

	Before change	After change
Duration	1 year	4 years
Duties	Internal administrative work, loan operations, etc.	<ul style="list-style-type: none"> 1.5 years in private banking sales 1.5 years in corporate banking sales } Additional

For mid-level employees: Professional development

- Relocate employees to headquarters for 3-months of intensive training
- Private and corporate banking sales training provided to a total of 80 employees per year (40 each)
- All employees in private banking marketing training aim for 1st grade Certified Skilled Worker of Financial Planning
- Corporate banking sales trainees visit customers in Shanghai

3. Management Strategies

(8) IT Strategy: Future Participants in Integrated Banking System (MEJAR)

- MEJAR is a highly secure network covering a wide range of systems and resources that is equipped with built-in measures to disperse and avoid disaster risks (with its center in Yokohama and a backup center in Toyama).
- 77 Bank recently announced its decision to consider participation in MEJAR. If the bank participates in the system, MEJAR will become an integrated banking system shared by 4 regional banks with a deposit balance of approx. 25 trillion yen. More banks are expected to join.

Integrated Banking System (MEJAR)

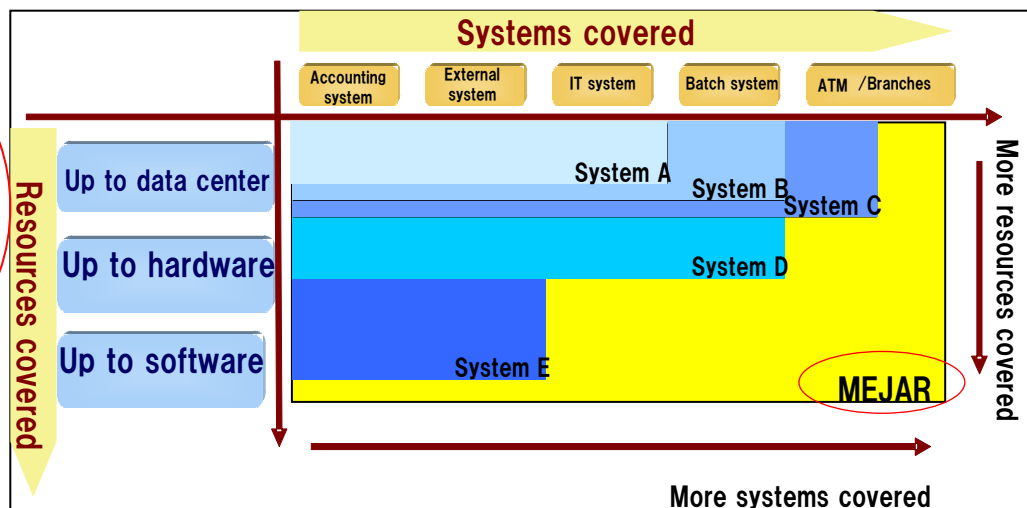


[Top regional banks with high deposit balance] (JPN Bn)

Ranking	Bank	Deposit balance
1	Bank of Yokohama	10,753.1
3	Hokuho Financial Group Hokuriku Bank 5,327.9 Hokkaido Bank 4,043.8	9,371.7
12	77 Bank	5,360.0
Total for 64 regional banks		210,268.8

Deposit balance as of March 31, 2011

[Comparison with other integrated banking systems]



3. Management Strategies

(9) Progress on Medium-term Management Plan

- A year and a half has passed since the New Horizon 2nd Stage three-year medium-term management plan started in April 2010.
- Of the four main targets initially set, **core Tier1 ratio, ROE, and credit cost ratio were basically achieved** in FY11-1H.

(JPY Bn)		1st year of Medium Term Management Plan		2nd year of Medium Term Management Plan		3rd year of Medium Term Management Plan	
		FY10 Actual	FY11forecast	FY11-1H Actual	FY12 Plan (originally planned)		
Non-Consolidated basis	Gross Operating Income	205.1	206.0	101.3	221.0		
	- Expenses	98.7	99.0	48.9	99.0		
	Net Business Profit	106.4	107.0	52.4	122.0		
	- Credit Costs (Note1)	28.9	17.0	8.7	26.0		
	Ordinary Profit	74.9	82.5	41.1	92.0		
	Net Income	45.4	48.5	24.5	55.5		
	OHR	48.1%	48.0%	48.2%	Around 45%		
	Credit Costs Ratio (Note1)	0.33%	0.19%	0.20%	Around 0.30%		
Consolidated basis	Ordinary Profit	81.6	90.0	45.8	95.0		
	Net Income	47.0	50.5	25.8	56.0		
	ROE	6.5%	-	6.9%	Around 7%		
	Core Tier1 Ratio	8.6%	-	9.6%	Higher than 8.0%		
Loans (Non-consolidated)		8,636.3	-	8,760.3	9,460.0		
Retail Loans within Kanagawa Prefecture (Non-Consolidated) (Note2)		5,973.5	-	6,083.0	6,550.0		
Deposits (Non-consolidated)		10,753.1	-	10,438.2	10,800.0		
Non-Deposit Products for Individuals (consolidated)		1,840.4	-	1,807.8	2,200.0		

(Note1) "Recoveries of written-off claims" is included in Credit Costs in FY11 forecast and FY11-1H Actual.

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



Bank of Yokohama

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