



Bank of Yokohama

Information Meeting

~ Interim Financial Results for FY10 ~

November 22, 2010

The Bank of Yokohama, Ltd.

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1 . Operating Performance

1 . Operating Performance

(1) Financial Summary for FY2010 - 1H

- FY10 - 1H: Net Income increased by **JPY7.2Bn** (+54.5%) from FY09 - 1H to **JPY20.3Bn**.
- 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**.

< Non - consolidated basis >

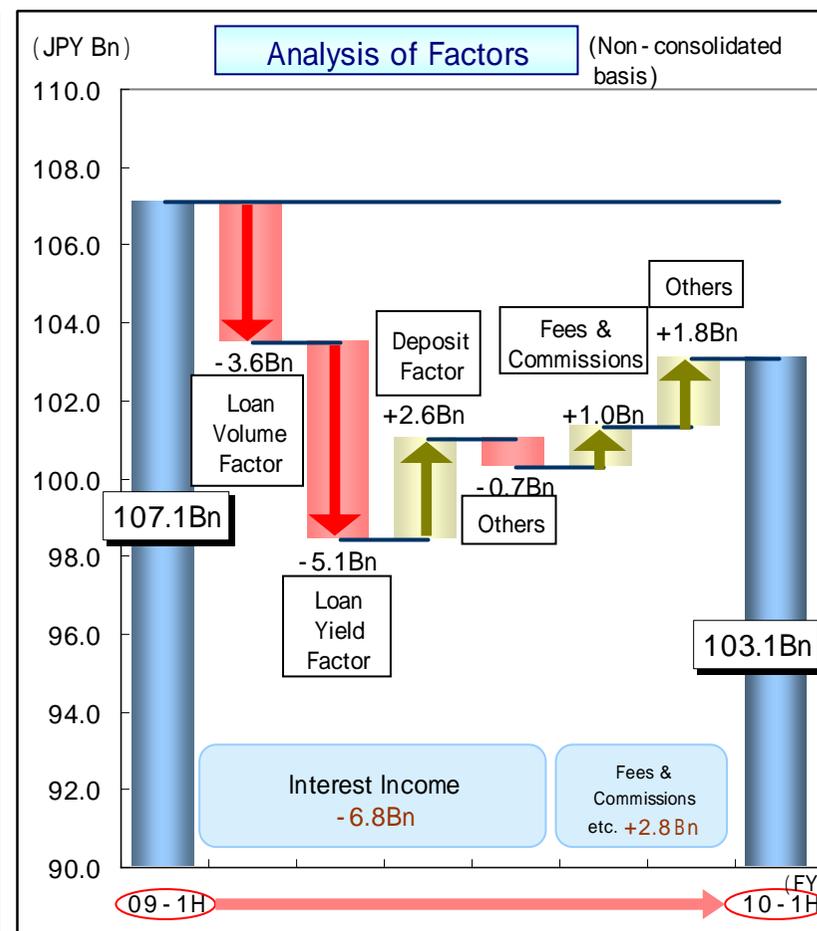
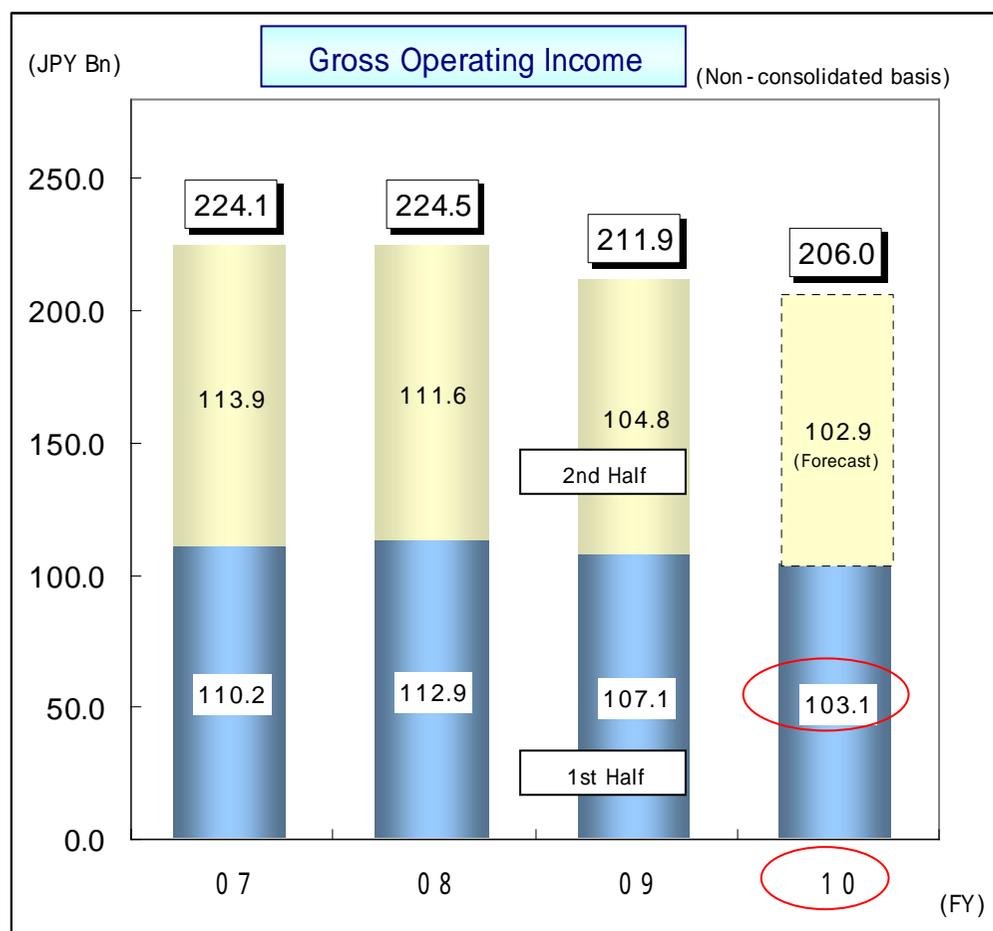
(JPY Bn)

	FY09 - 1H Actual	FY10 - 1H Actual	Increase / Decrease	Difference from FY10 - 1H forecast
Gross Operating Income	107.1	103.1	- 4.0	+ 1.1
Of which, interest income (from domestic operations)	90.6	83.8	- 6.8	- 0.7
Of which, fees and commissions (from domestic operations)	14.8	15.8	+ 1.0	+ 0.7
Expenses	49.7	49.5	- 0.2	- 0.5
Of which, personnel	19.2	19.0	- 0.2	-
Of which, facilities	27.2	27.6	+ 0.4	-
Net business profit	57.3	53.5	- 3.8	+ 1.5
<i>Credit costs</i>	35.7	17.2	- 18.5	- 4.8
<i>Gains or losses on stocks and other securities</i>	3.2	- 1.8	- 5.0	-
Of which, losses on devaluation of stocks and other securities	0.2	2.8	+ 2.6	-
Ordinary profit	22.1	33.3	+ 11.2	+ 5.3
Net income	13.1	20.3	+ 7.2	+ 3.3

1 . Operating Performance

(2) Gross Operating Income

- FY10- 1H: Gross Operating Income decreased by **JPY4.0Bn (- 3.7%)** from FY09 - 1H to **JPY103.1Bn**.
- The main factor was a **JPY6.8Bn** decline in interest income attributed to a decline in market interest rate.
- FY10 Forecast: **JPY206.0Bn** (down **JPY5.9Bn, - 2.8%** from FY09).

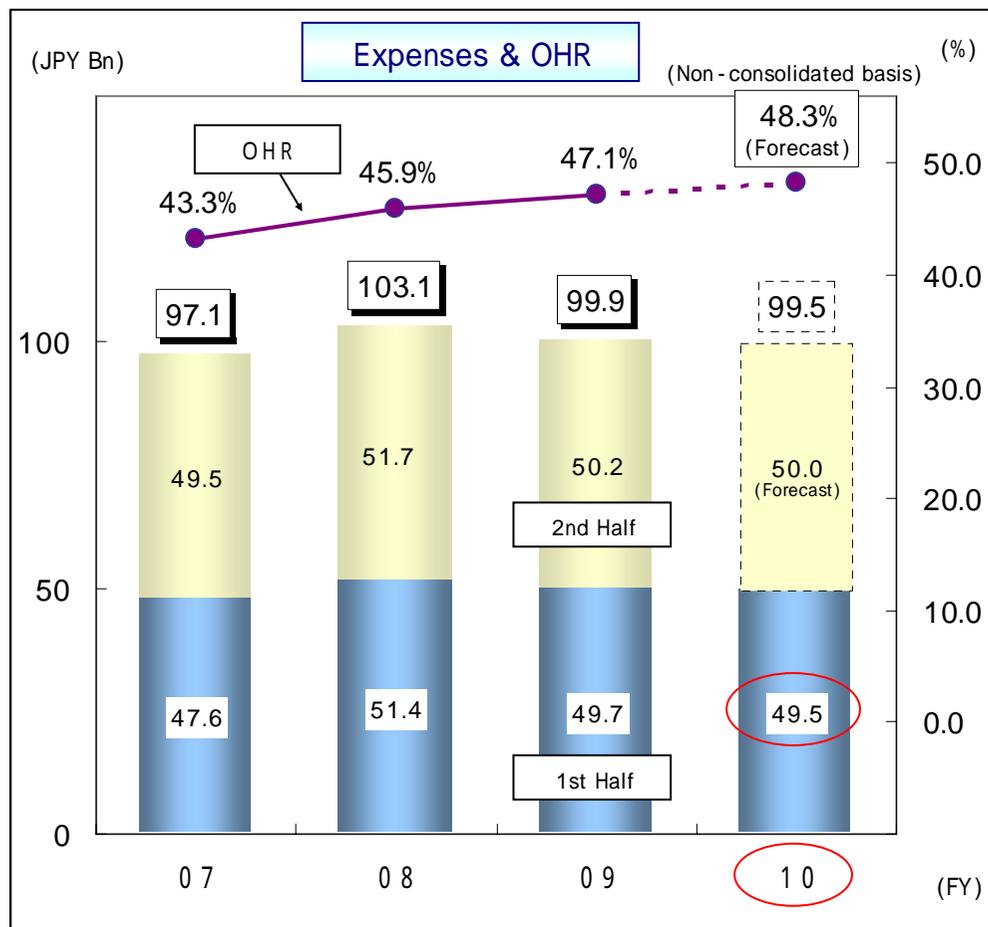


(note) Deposit factor includes increase / decrease attributed to NCD.

1 . Operating Performance

(3) Expenses & OHR

- FY10 - 1H: Expenses were JPY49.5Bn (-JPY0.2Bn, -0.3% from FY09 - 1H). OHR was 48.0%.
- FY10 Forecast: JPY99.5Bn (-JPY0.4Bn, -0.4% from FY09). OHR will remain within mid-40% range.



Comparison from FY09 - 1H

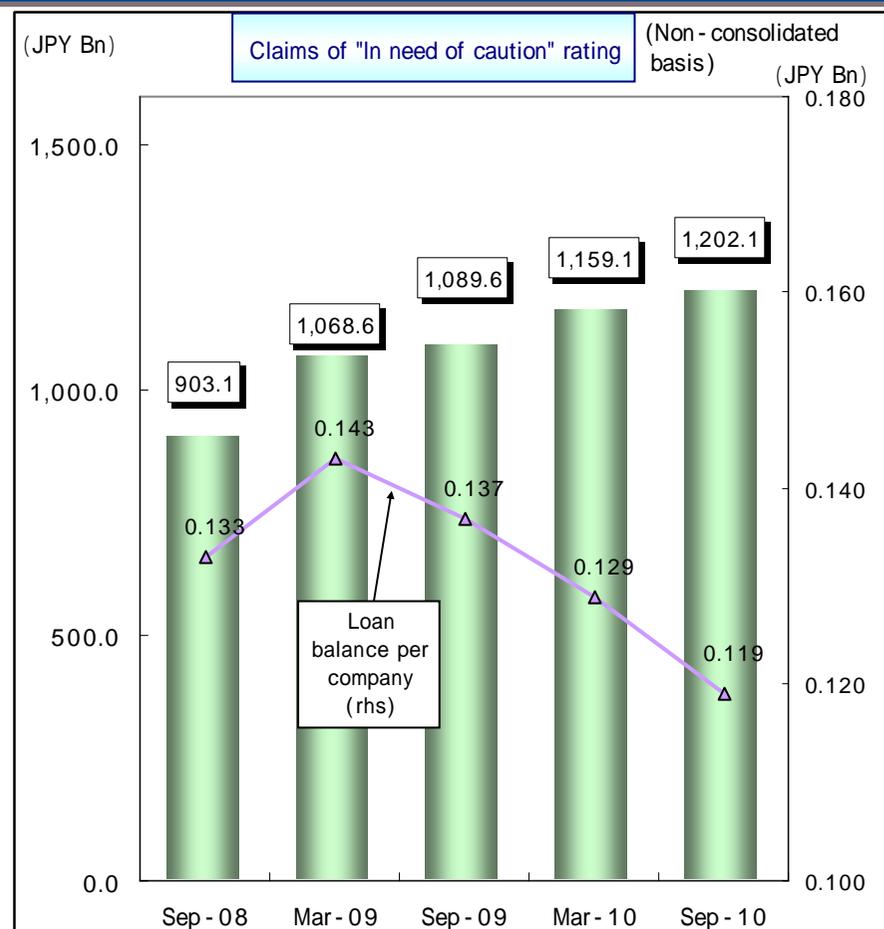
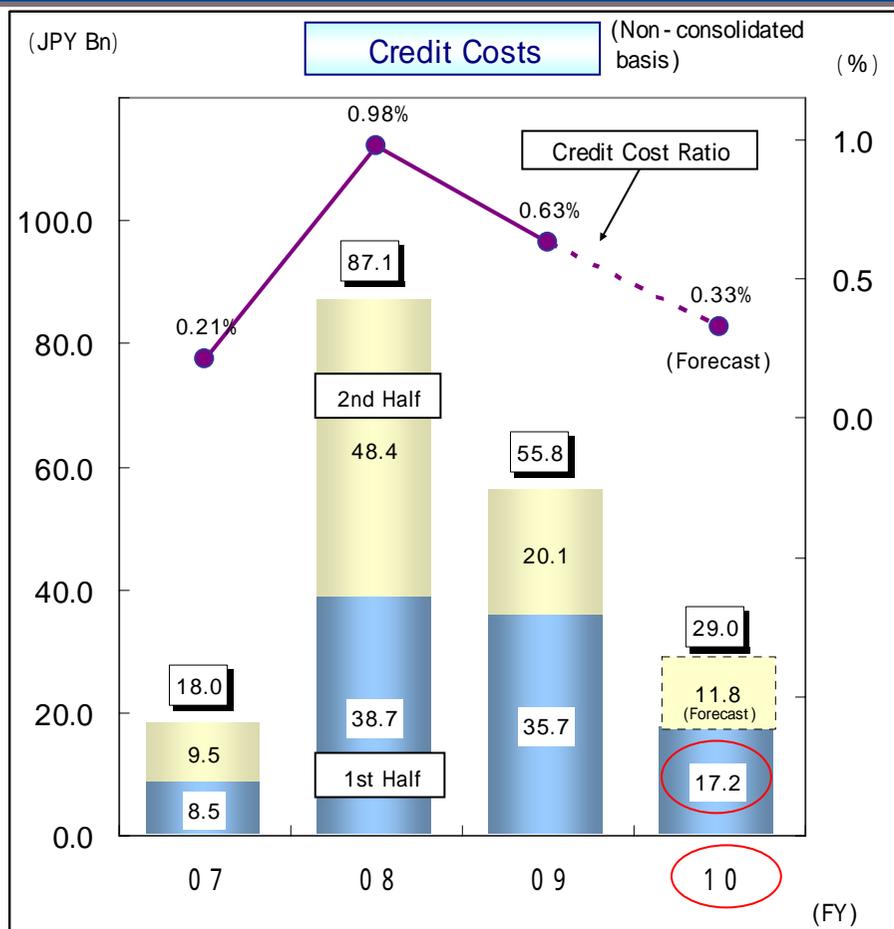
	(JPY Bn)		
	FY09 1st (actual)	FY10 1st (actual)	change
Expenses	49.7	49.5	-0.2
Personnel	19.2	19.0	-0.2
Facilities	27.2	27.6	+0.4
Tax	3.2	2.9	-0.3
OHR (%)	46.4	48.0	+1.6

*Factors behind the change:
Facilities: +JPY0.4Bn
Increase in Outsourcing Costs, etc*

1 . Operating Performance

(4) Problem Claims ~ Transition of Credit Costs

- FY10- 1H: Credit Costs (non-consolidated basis) decreased by **JPY18.5Bn (-51.7%)** from FY09- 1H to **JPY17.2Bn**.
- The balance of loans rated "in need of caution" increased slightly partly due to the sluggish economy, but the diversification of loans to small borrowers progressed.
- FY10 Forecast (non-consolidated): **JPY29.0Bn** (down **26.8Bn, -48.1%** from FY09).

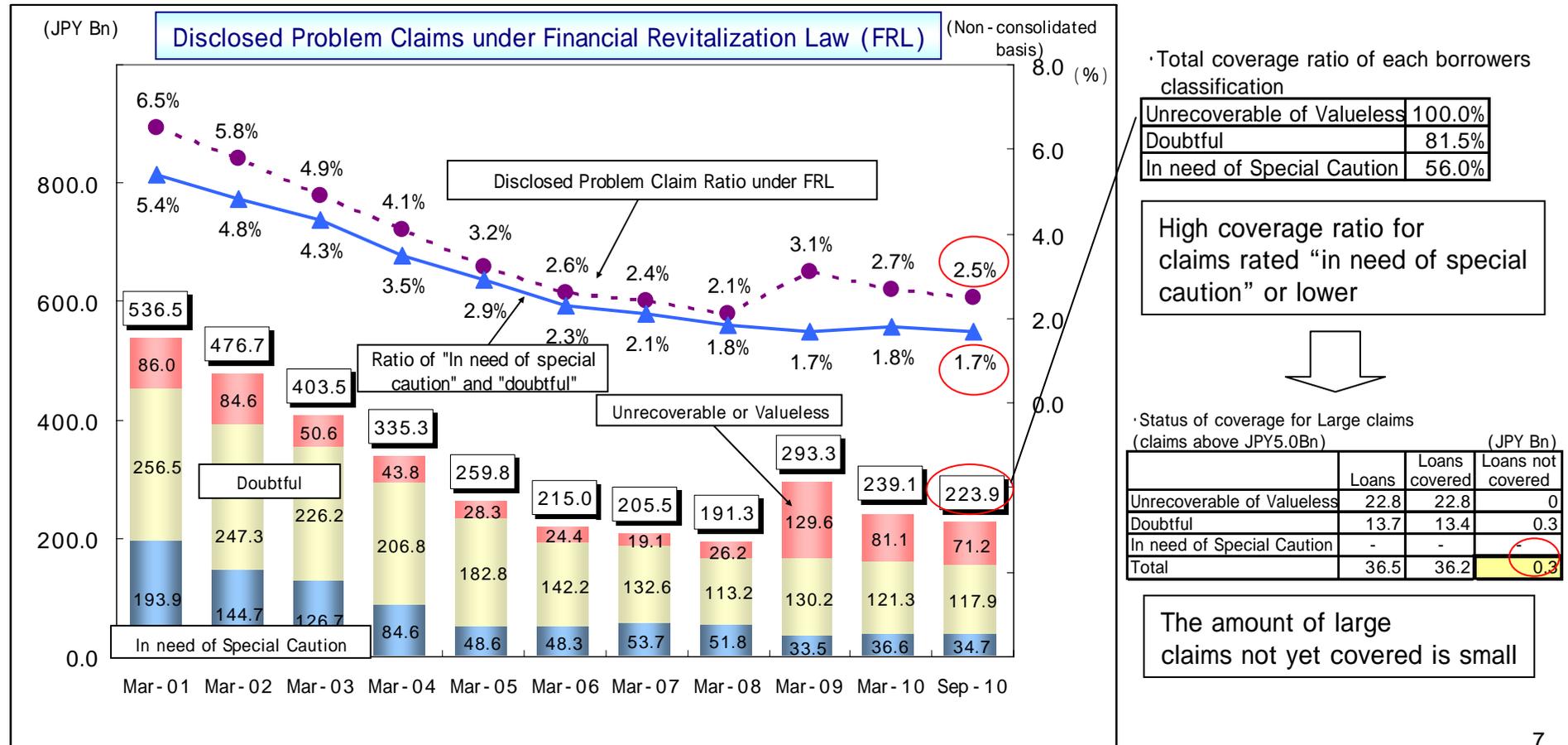


(note1) Credit Costs = Disposal of Problem Claims + Transfer to Allowance for general loan losses
 (note2) Credit cost ratio = Credit costs ÷ Average balance of loans

1 . Operating Performance

(4) Problem Claims ~ Disclosed Problem Claims under FRL

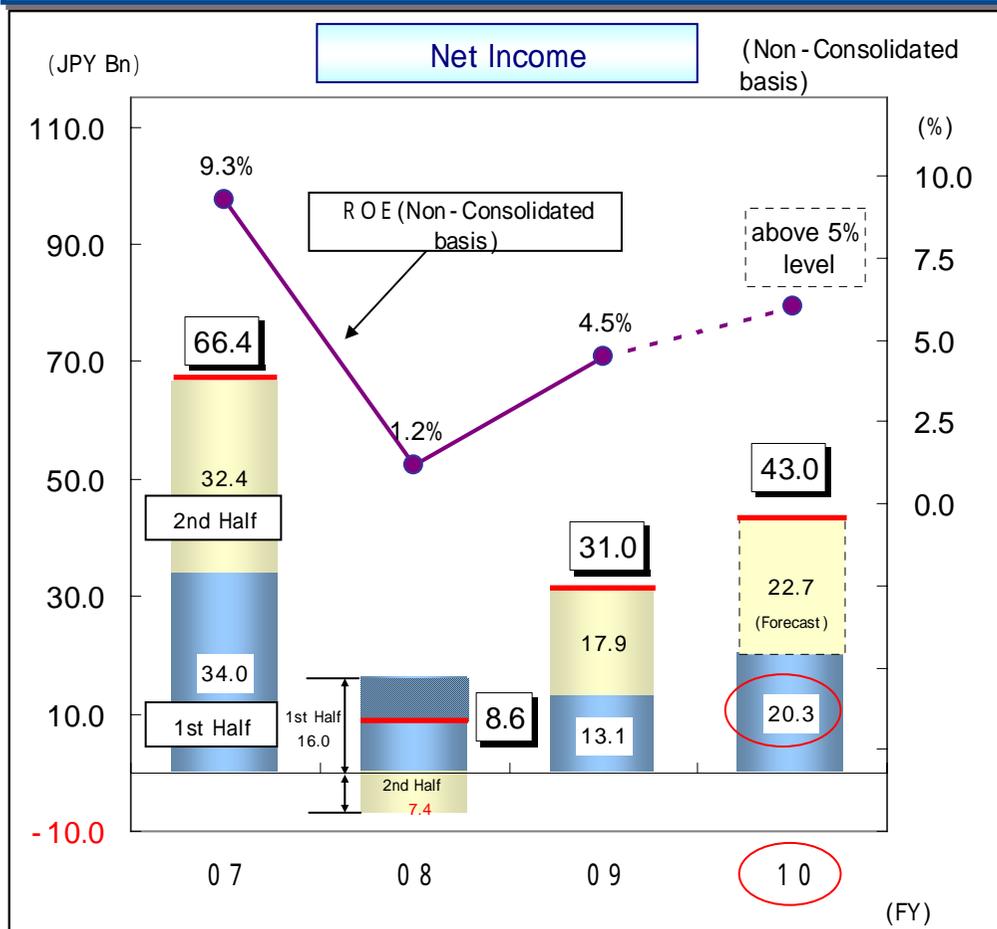
- Problem claims at the end of September 2010 (non-consolidated basis) came to **JPY223.9Bn**, a decline of **JPY15.2Bn** from the end of March 2010, as the credit classification of certain troubled borrowers improved due to the Bank's management improvement support, and off-balancing transactions.
- The ratio of claims categorized "in need of special caution" or "doubtful", which are likely to cause future credit cost increases, was **1.7%**, 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

- FY10 - 1H: Net Income (non-consolidated basis) increased to **JPY20.3Bn** (+JPY7.2Bn, +54.5% from FY09 - 1H).
- As a result of a decline in credit costs (-JPY18.5Bn) and other factors, net income exceeded FY10 - 1H forecast by **JPY3.3Bn**.
- FY10 Forecast (non-consolidated): **JPY43.0Bn**, exceeding the initial forecast in the beginning of the fiscal year by **JPY4.5Bn** (+JPY12.0Bn, +38.7% from FY09).



Comparison from FY09 - 1H

	(JPY Bn)		
	FY09 1st (actual)	FY10 1st (actual)	change
Net Income (Non-Consolidated)	13.1	20.3	+7.2
ROE (Net Income base, non-consolidated)	3.87%	5.68%	+1.81%

FY10 - 1H Forecast Non-consolidated net income: JPY17.0Bn
Difference from FY10 - 1H forecast: **+JPY3.3Bn**

Factors behind the change:

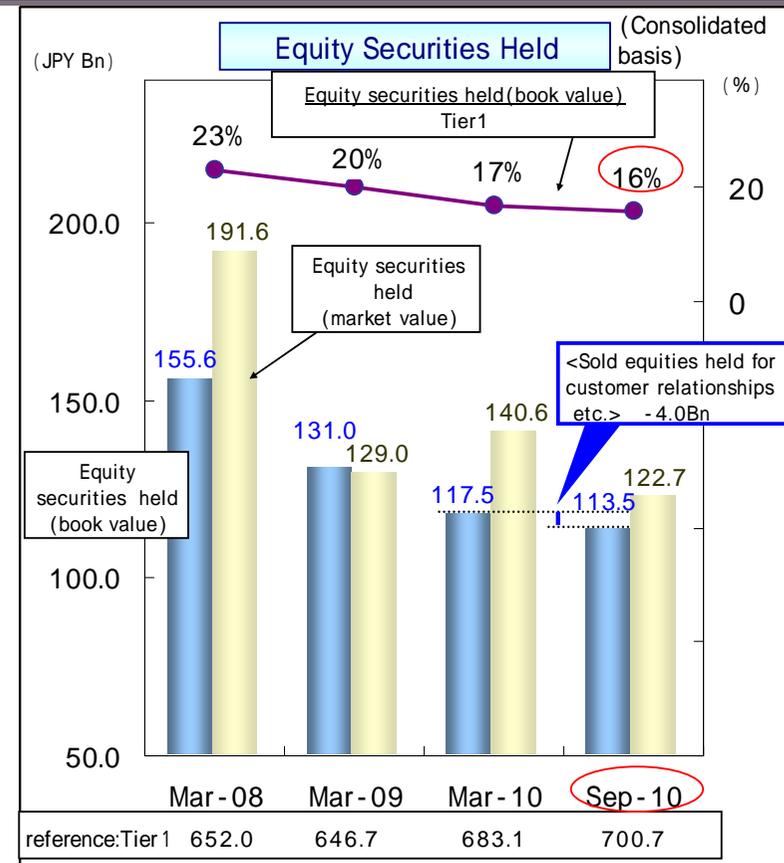
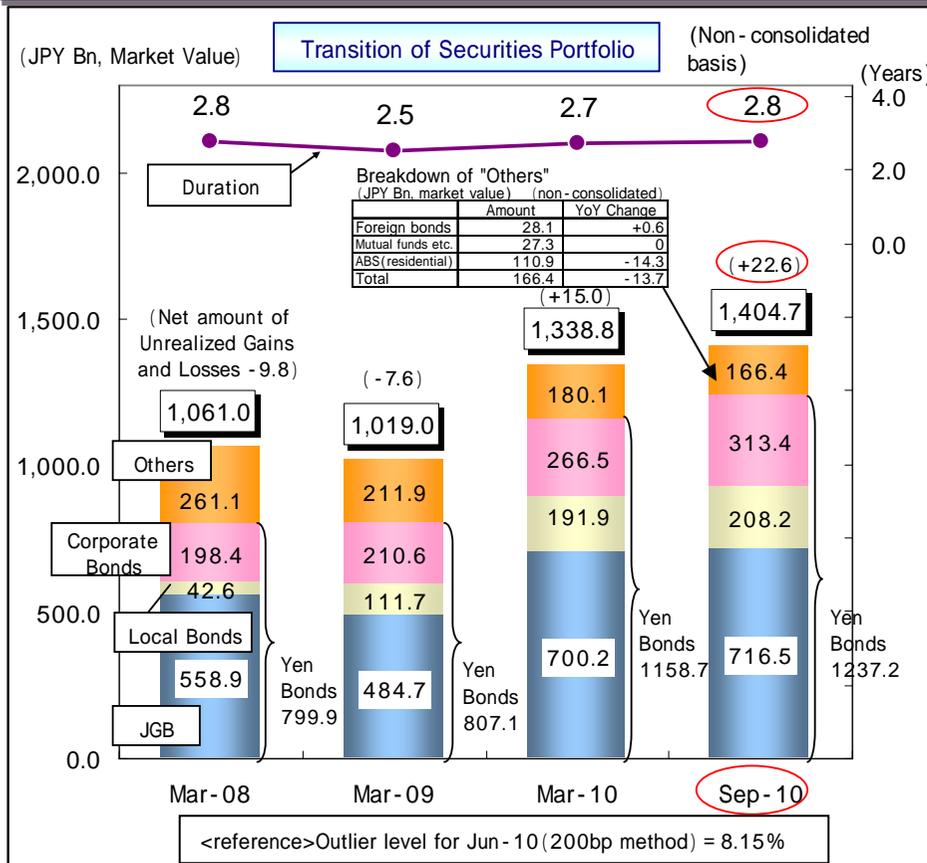
- Decrease in Core Net Business Profit: -JPY3.8Bn
- Decrease in Credit Cost: -JPY18.5Bn
- Decrease in Stock related loss etc.: -JPY5.0Bn
- Decrease in Extraordinary income: +JPY0.6Bn
- Increase in Income tax etc.: +JPY4.7Bn

(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 - 1H, reducing the ratio of equities held to Tier 1 capital to **16%**.



(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.

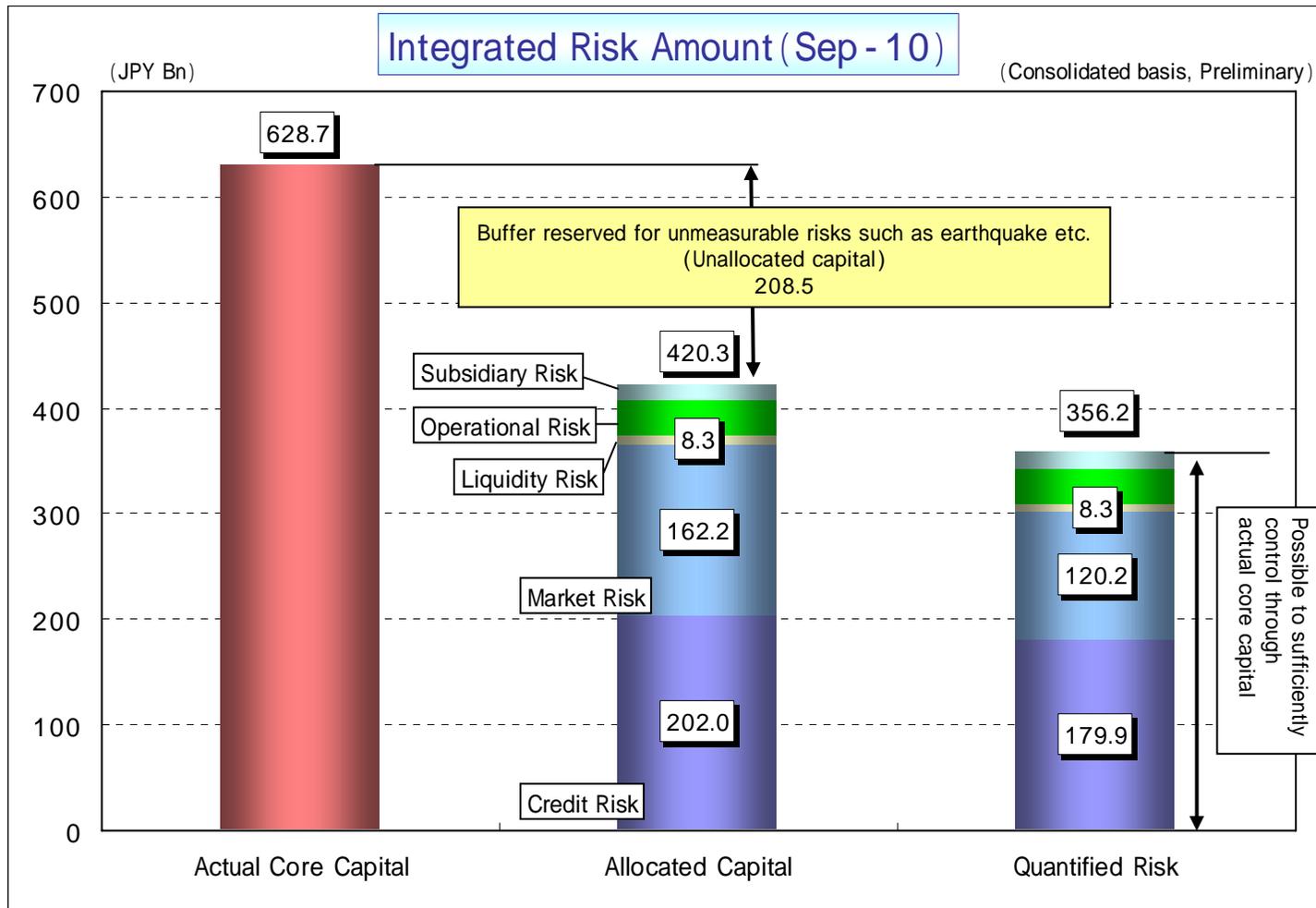
(Note 3) Figures from Mar - 10 are based on figures before implementation of "Accounting standard for financial instruments" (ASBJ statement No.10, 2008/3/10)

(Note4) Equity securities: Securities with market value

1 . Operating Performance

(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

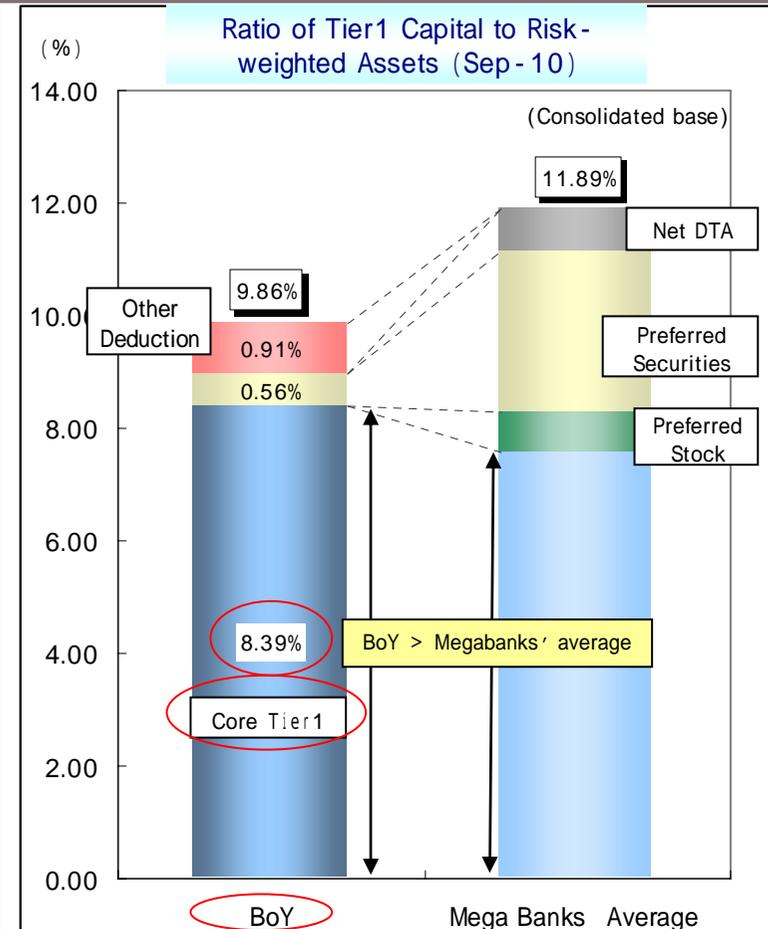
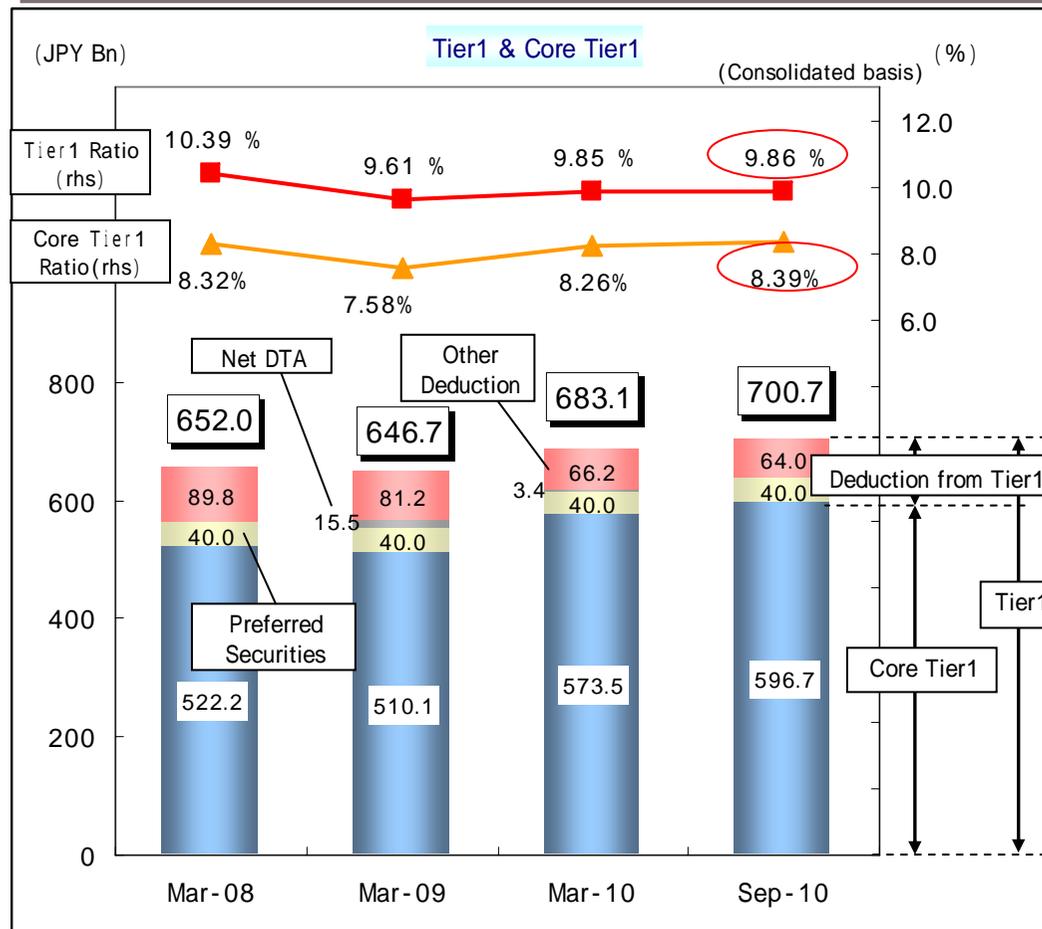
(Note2) Allocated Capital: Capital required to cover risk amount of probable maximum loss quantified based on current business plan.

(Note3) Quantified Risk: Capital required to cover risk amount at the time of risk quantification.

1 . Operating Performance

(8) Tier 1 Capital

- FY10- 1H: Tier1 Ratio(consolidated) was **9.86%** remaining at high level.
- Core Tier1 Ratio which indicates the vital portion of Tier1 was also high at **8.39%**. 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

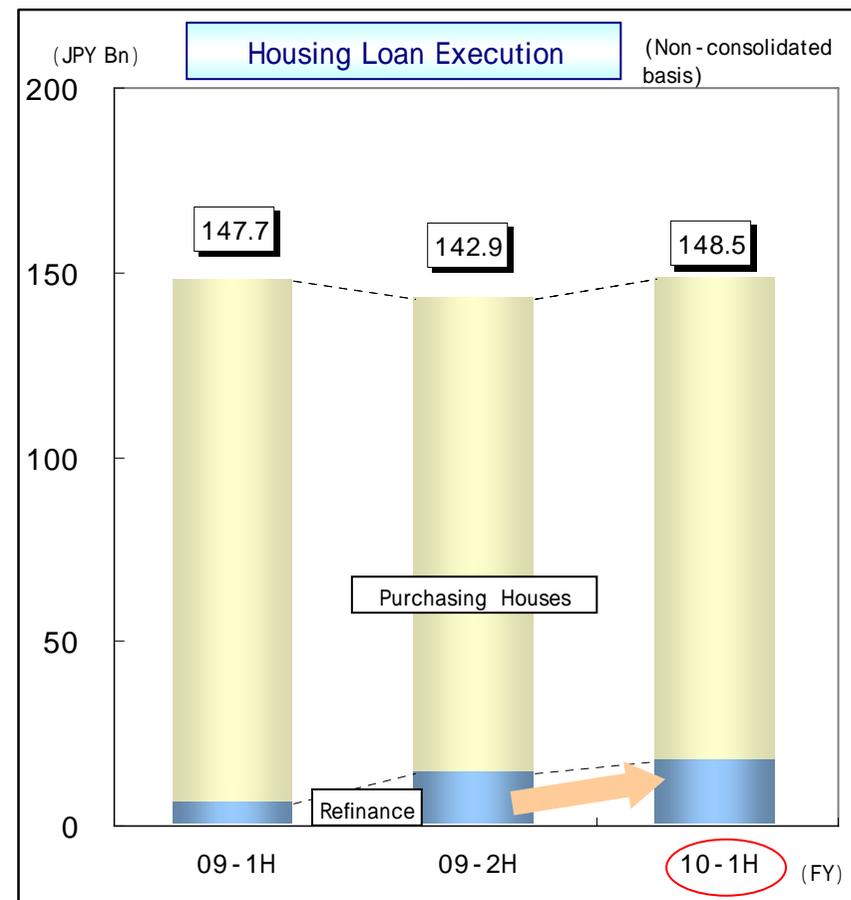
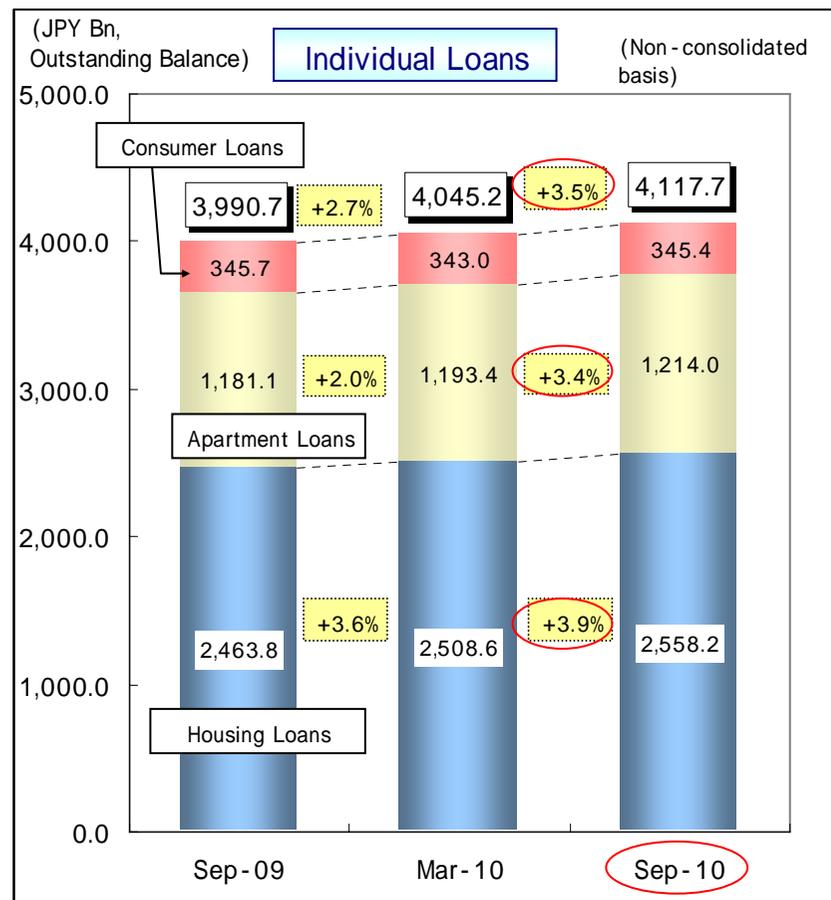
(Note2) Figures of Mega Banks is out of consideration of "Other Deduction"

2 . Business Performance

2 . Business Performance

(1) Individual Loans

- Sep - 10: Housing Loans grew by 3.9%, Apartment Loans grew by 3.4%. Total growth is 3.5% from Mar - 10.
- By actively engaging in assumption from other banks, refinance has increased within the amount of housing loan execution.

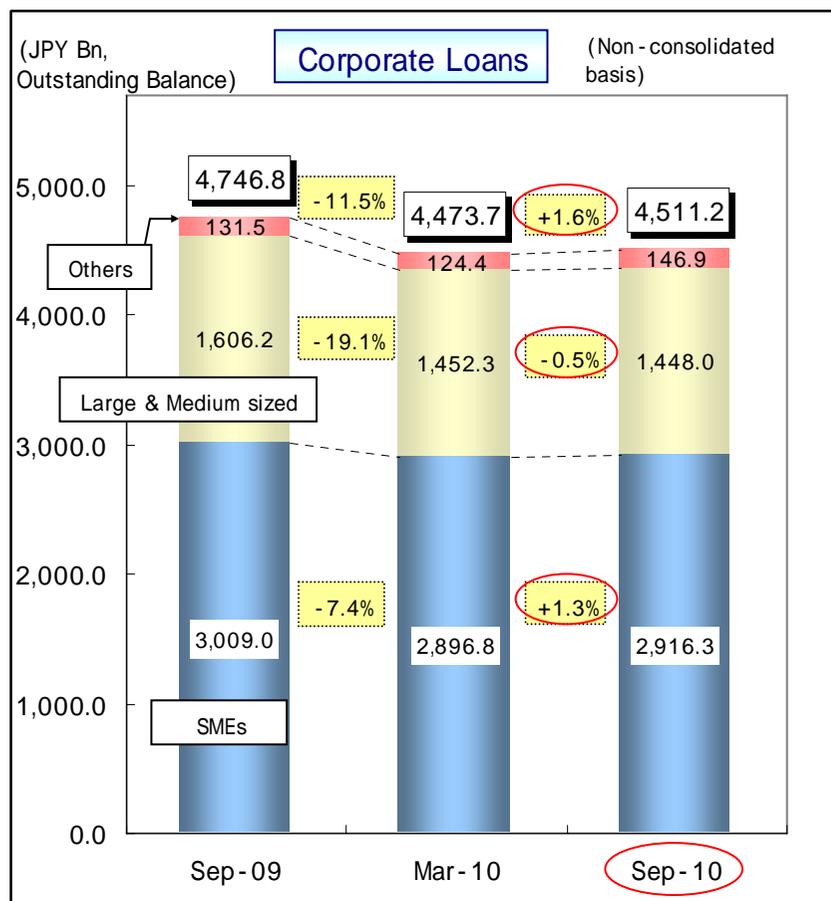


(Note1) The increasing rate is calculated by the annualized basis.

2 . Business Performance

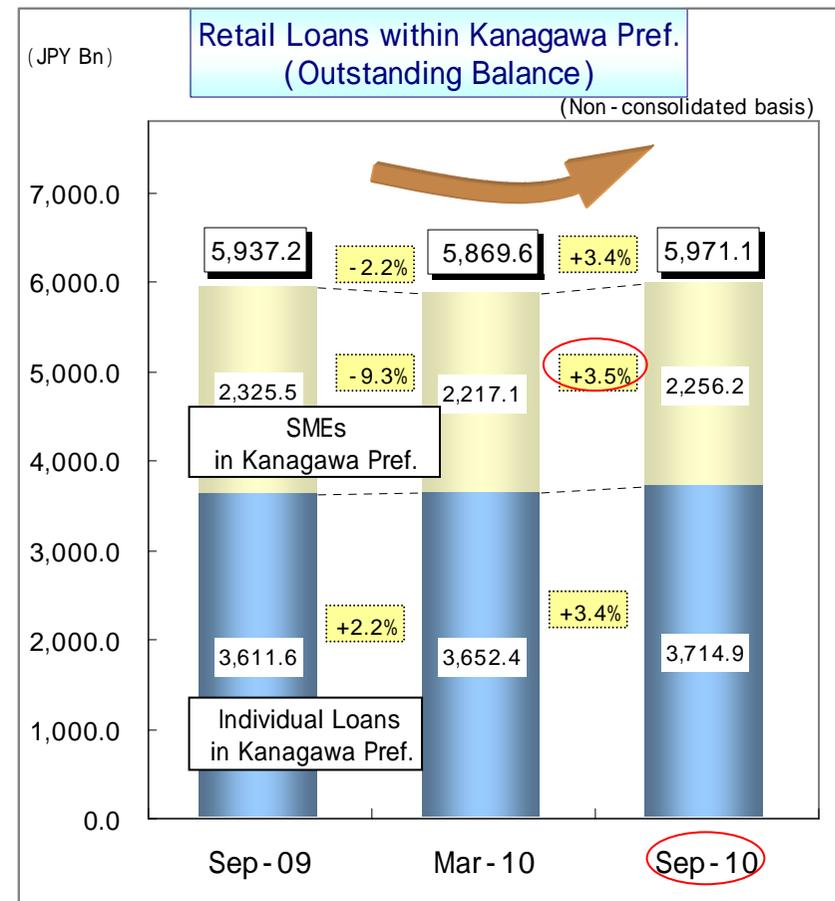
(2) Corporate Loans

- Sep -10: Although there has been a declining tendency, corporate loans grew by **+1.6%** from Mar - 10.
- The main reason is the fact that the loan balance to SMEs in Kanagawa prefecture turned to an increase by **+3.5%**, as a result of focusing on regional retail banking.



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

(Note2) The increase rate is calculated by annualized basis.

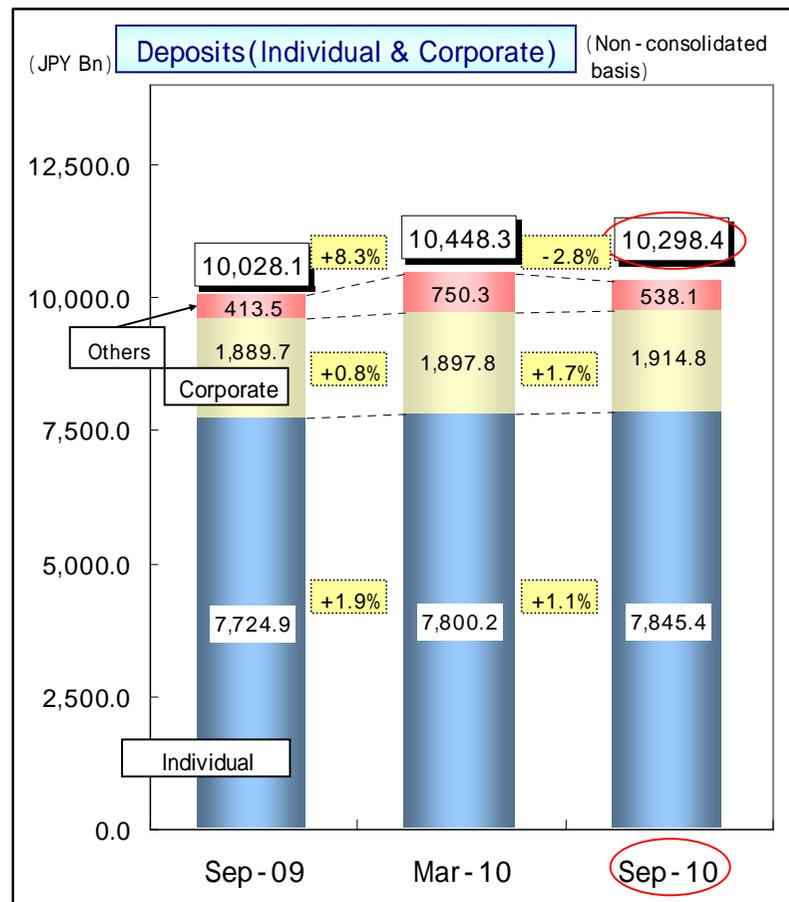


(Note1) The increase rate is calculated by annualized basis.

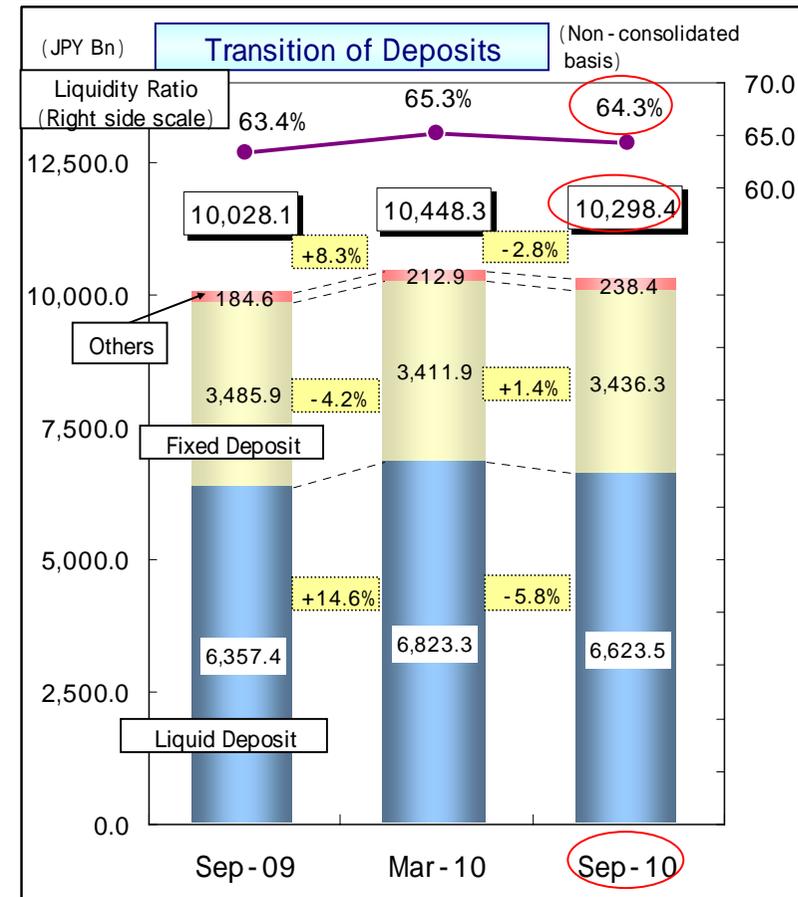
2 . Business Performance

(3) Deposits

- Sep - 10: Deposits declined by **-2.8%** from Mar - 10, but kept the level above JPY10Tn (increased by **+2.6%** from Sep - 09).
- Deposits grew by **+1.1%** for individual customers and **+1.7%** for corporate customers from Mar - 10.
- Liquidity ratio is **64.3%**, maintaining the highest level among regional banks (Regional bank average: **about 51.5%**).



(Note1) Others = Local Public + Financial Institutions
 (Note2) The increase rate is calculated by annualized basis

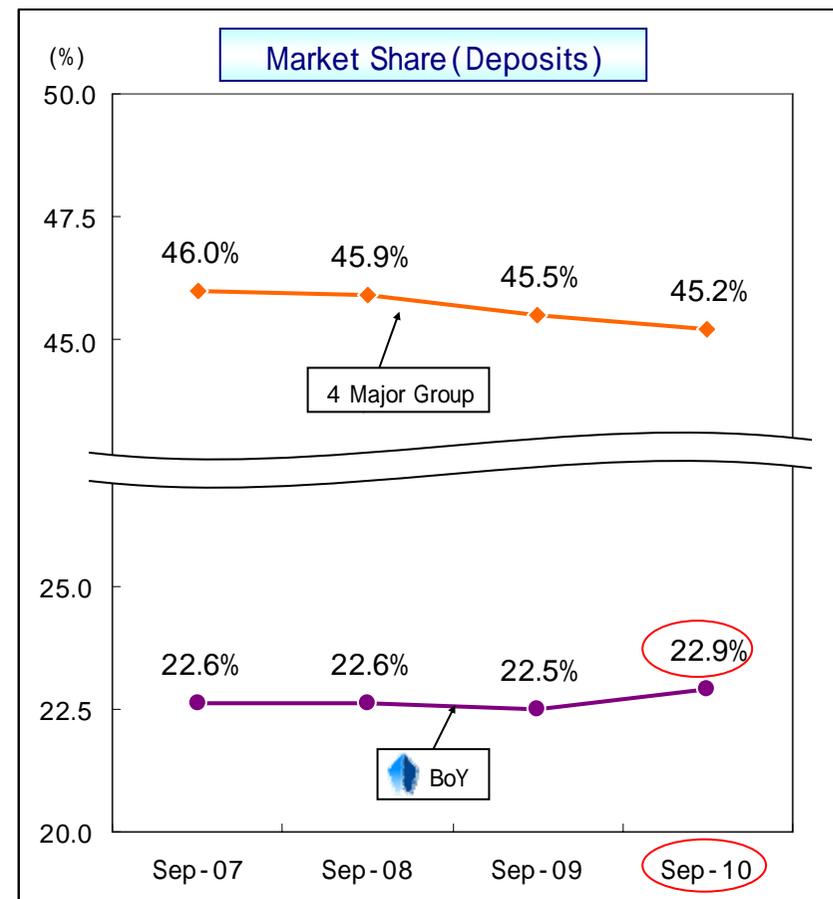
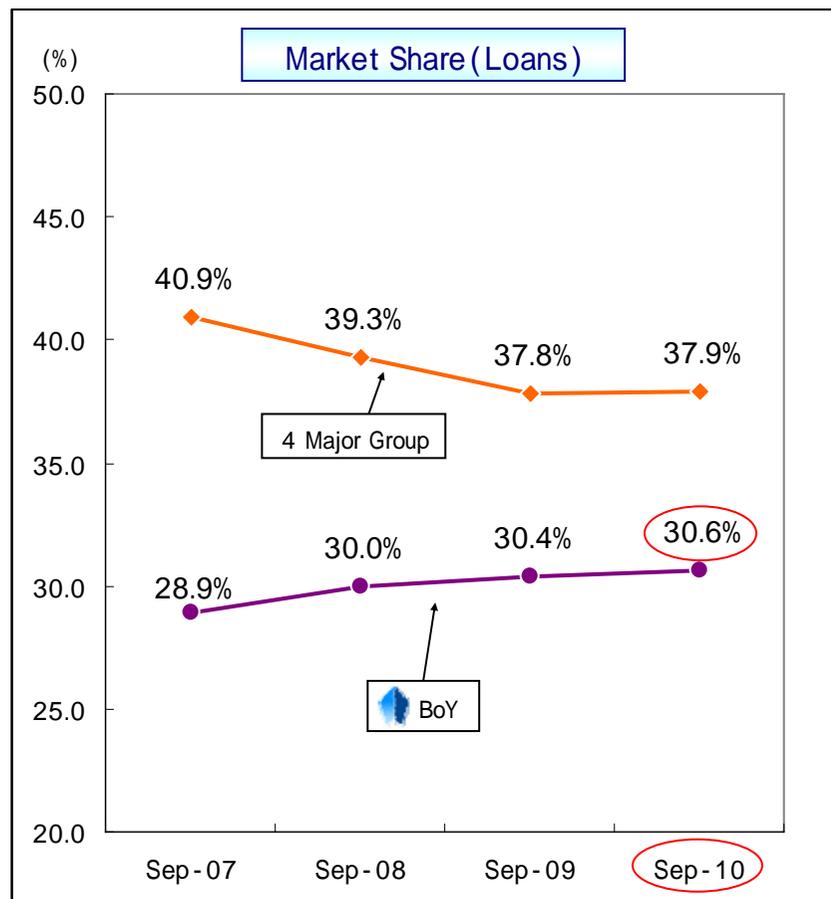


(Note1) Liquid Deposit = current, ordinary, saving, and other deposits.
 (Note2) Fixed Deposit = time deposit etc.
 (Note3) Others = miscellaneous and other deposits.
 (Note4) The increase rate is calculated by annualized basis

2 . Business Performance

(4) Market Share in Kanagawa Prefecture

- Sep - 10 : Market share of loans was 30.6%, and the share of deposits was 22.9%.
- As a result of steady engagement in strengthening regional retail, market share within the prefecture rose.



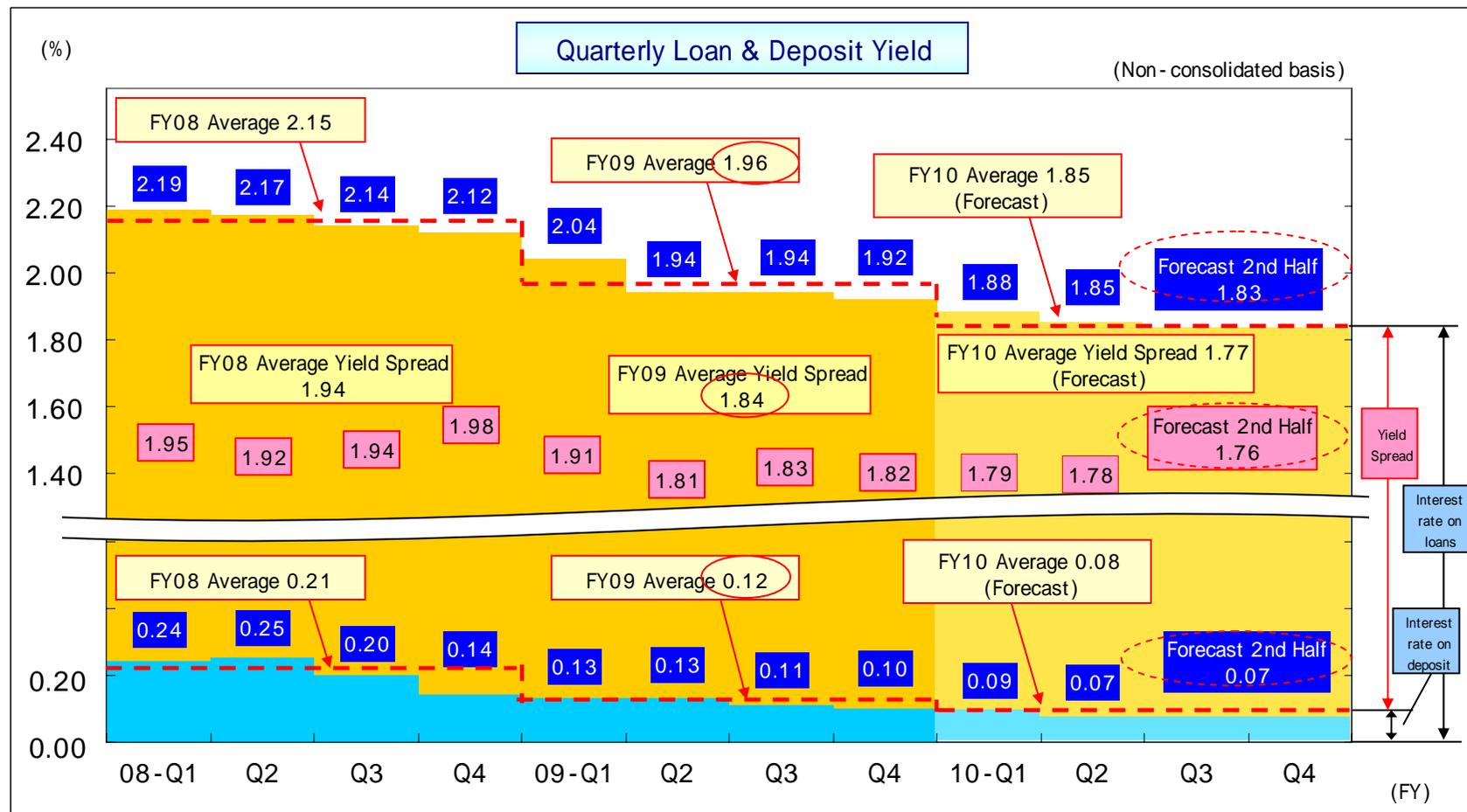
(Note1) Market share above does not include Japan Post, Credit Unions & JA. (Bank estimates)

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

2 . Business Performance

(5) Loan & Deposit Yield (Domestic Operations)

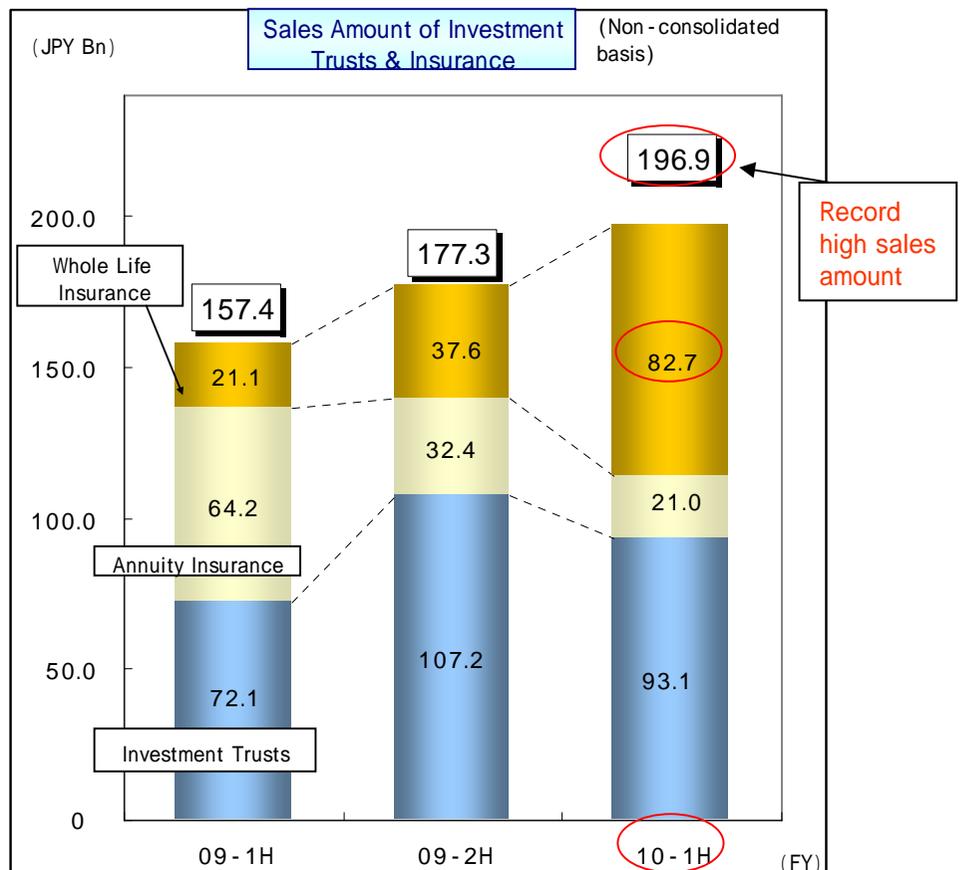
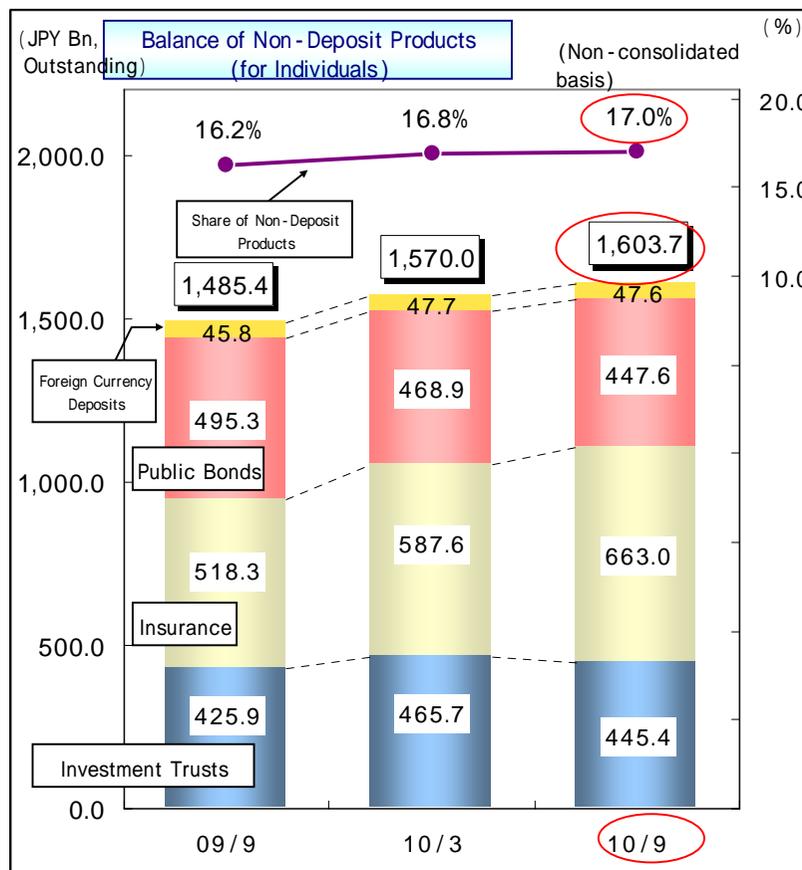
- FY10 - 2Q: As a result of a decline in the market interest rate, Loan Yield declined to 1.85%, Deposit Yield declined to 0.07%, and Yield spread shrunk to 1.78%.
- FY10 Forecast: Yield spread expected is 1.77%.



2 . Business Performance

(6) Non-Deposit Products

- The balance of non-deposit products at the end of September 2010 was **JPY1,603.7Bn**, an increase by **JPY33.7Bn** from the end of March 2010. Sales value of non-deposit products established a **record high**.
- Although investment trust sales continued to be favorable, its balance decreased by **JPY20.3Bn** due to a decline in net asset value from Mar - 10.
- Insurance balance grew by **JPY75.4Bn** from Mar - 10, on the back of favorable sales in whole life insurance.



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

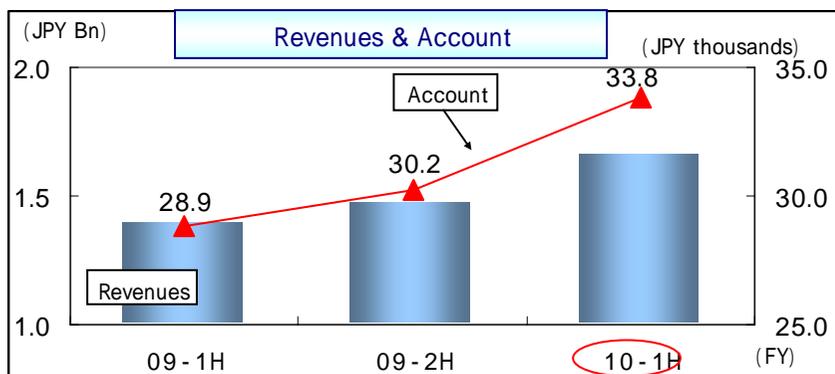
(Note2) Insurance = annuity insurance + whole life insurance

2 . Business Performance

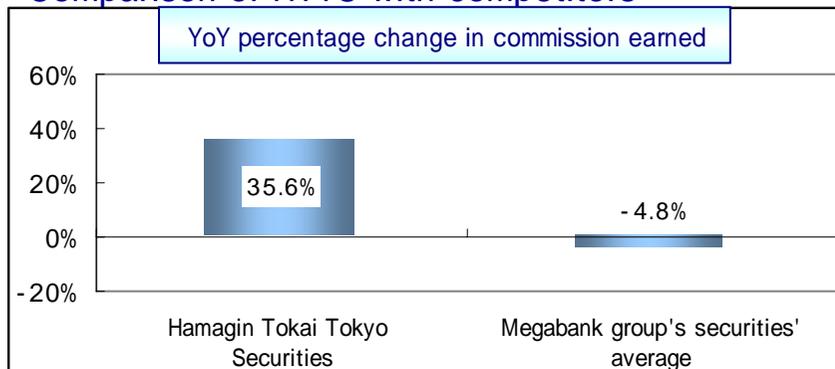
(7) Securities Business Strategy

- Hamagin TT Securities **progressively grew** both its operating revenue and accounts.
- The level of YoY percentage change in commission earned surpasses that of the average among megabank group's securities.
- HTTS opened **Atsugi Branch, Azamino Branch and Hiyoshi Branch** in 10-1H. Its business area has expanded to the whole Kanagawa prefecture.

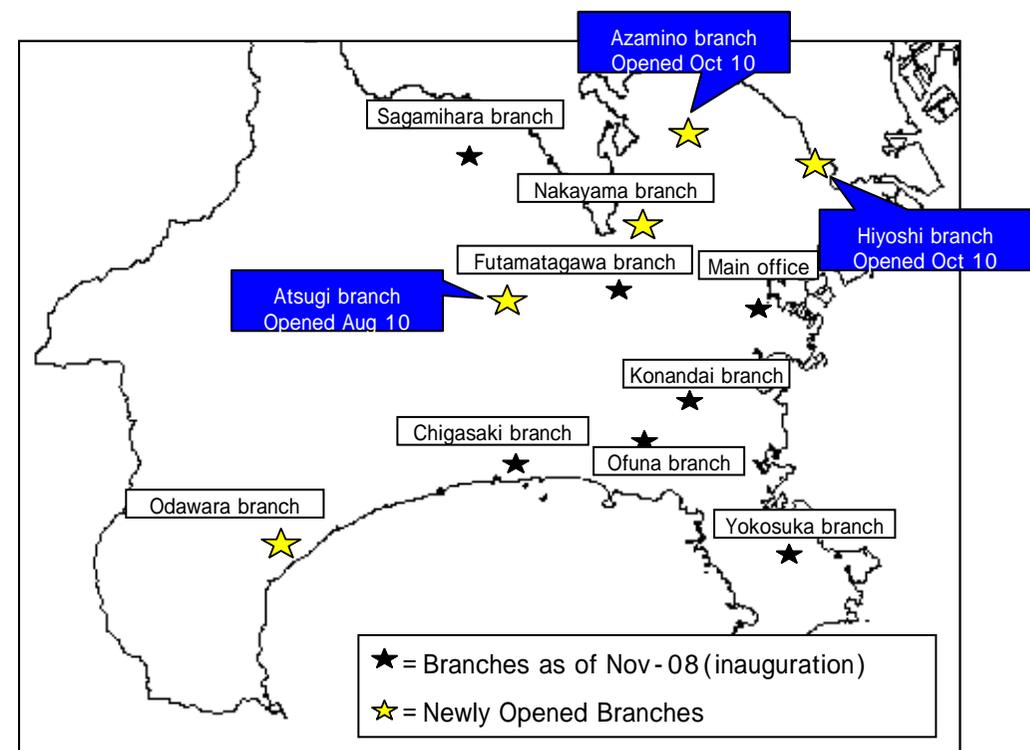
Business Performance of HTTS



Comparison of HTTS with competitors



Branch Network of HTTS



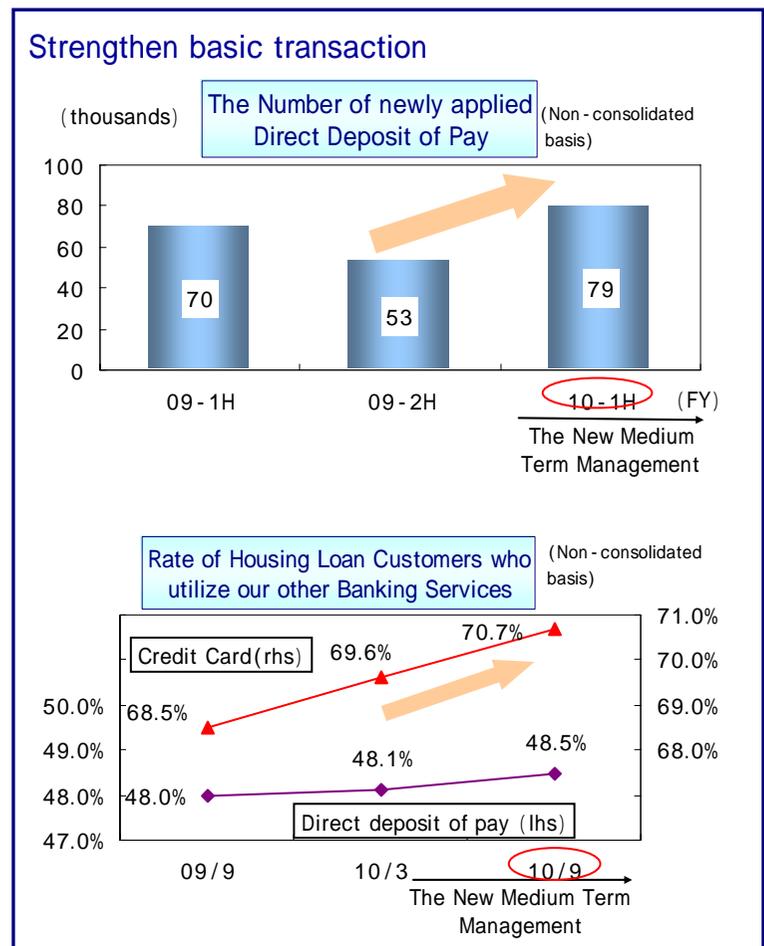
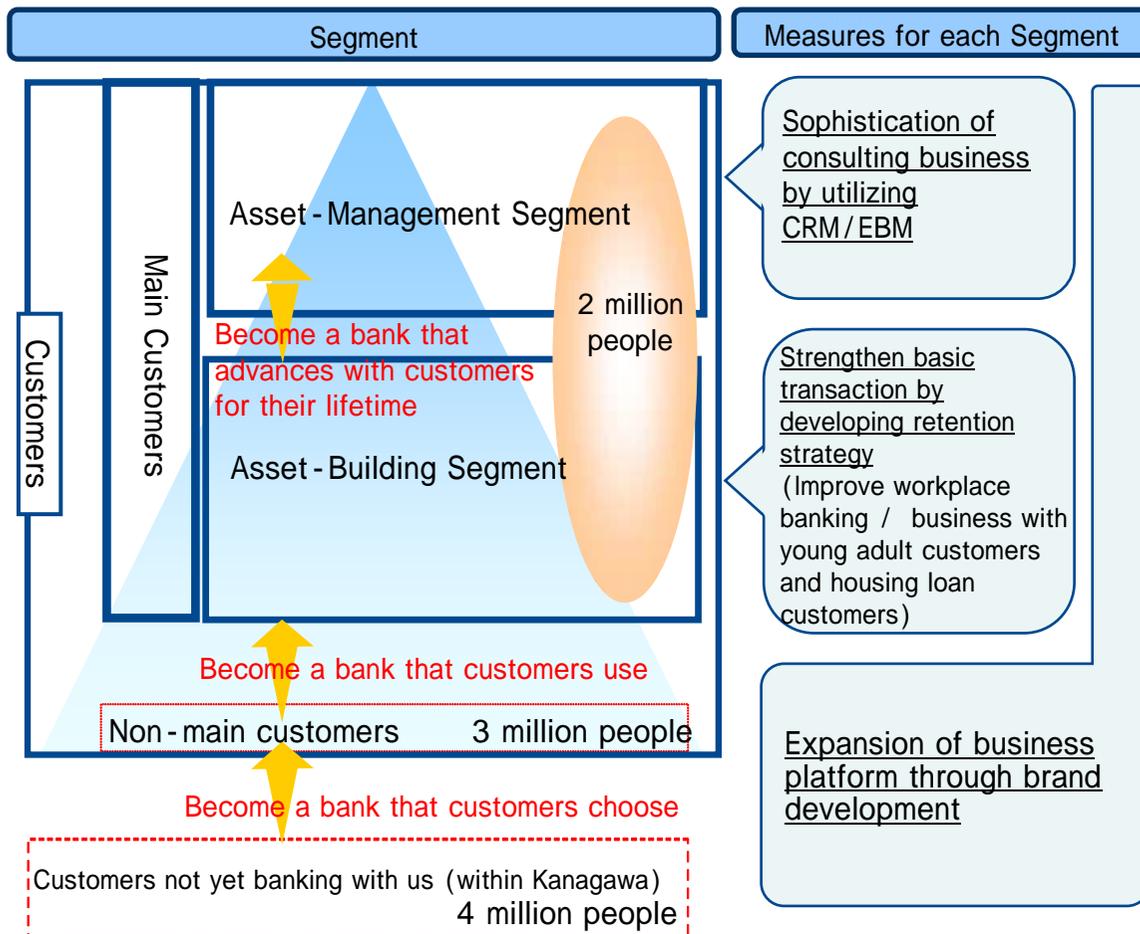
(Note 1) Megabank group's securities: Mitsubishi UFJ Morgan Stanley Securities, Mizuho Securities, Mizuho Investors Securities, Nikko Cordial Securities, SMBC Friend Securities

3 . Management Strategies

3 . Management Strategies

(1) Main Theme of the New Medium Term Management Plan: Improvement of Corporate Value by Developing “Yokohama Brand” / Strengthen basic transaction

- Implement suitable marketing measures, according to the segment which customers are in,
- Through the solid intensification of basic transaction, the number of newly applied direct deposit of pay and rate of housing loan customers who utilize our other banking services has increased.

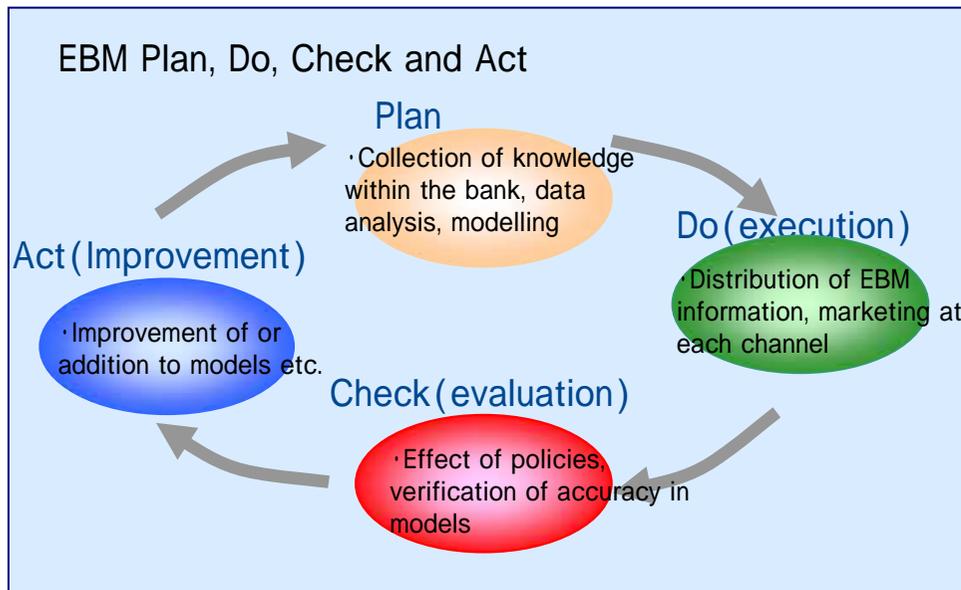


3 . Management Strategies

(1) Main Theme of the New Medium Term Management Plan: Improvement of Corporate Value by Developing “Yokohama Brand” / Advancement of EBM

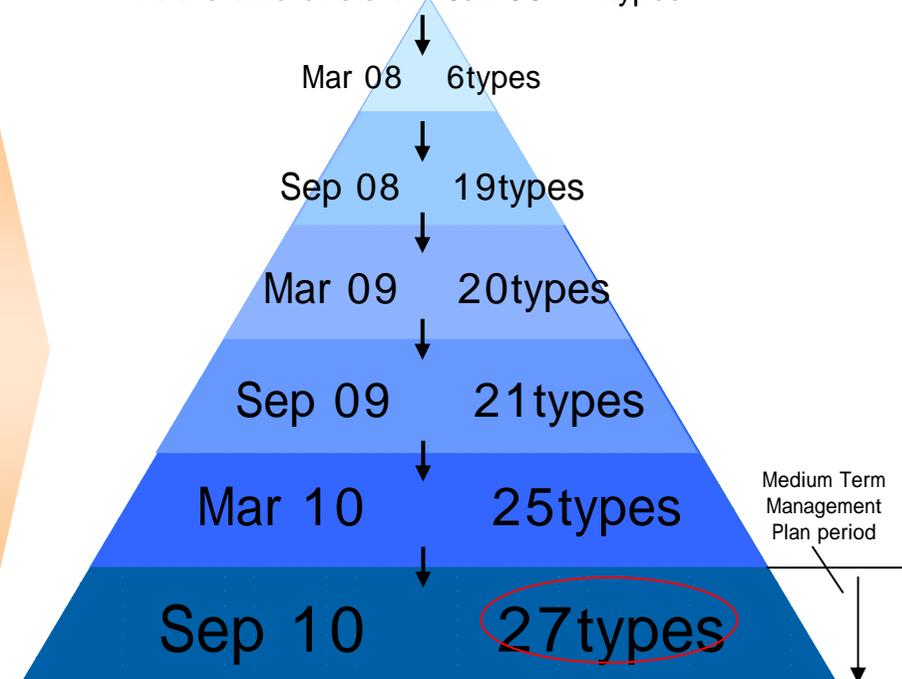
- Event models are improved, through repeated verification of hypothesis by actual data and practicality evaluations. We will implement the **PDCA cycle** to continually enable our marketing to be more effective, more efficient and customer oriented.
- As of September 2010, the types of event information distributed to branches have increased to 27.

Marketing deployment towards clear targets



Types of EBM event information distributed to branches

At the time of start in Jan 08 4types



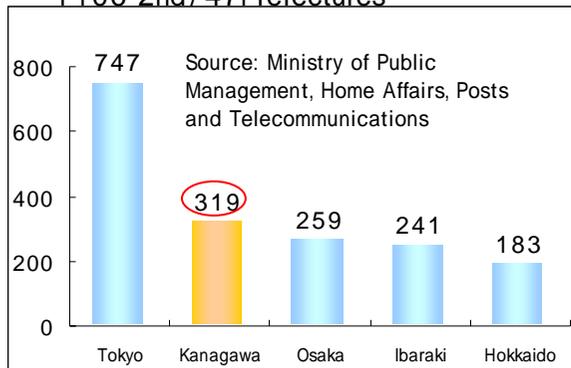
* Excluding DMs delivered by the headquarters.

3 . Management Strategies

(1) Main Theme of the New Medium Term Management Plan: Improvement of Corporate Value by Developing "Yokohama Brand" / Engaging in Growth Areas

- Kanagawa prefecture is expected to grow further, as it is the second largest in the number of academic organizations in Japan and Haneda Airport is being internationalized.
- Strategy fund for supporting growth areas was established in July 2010, in a bid to proactively support companies engaging in business whose areas are expected to grow in the region.
- Loans for areas with expected growth were JPY31.5Bn at the end of September 2010, mainly in medical/welfare and manufacturing. JPY7.2Bn yen out of those were loans intended for new customers.

- Kanagawa Pref. where further growth is expected
Number of Academic Research Institutes
FY06 2nd / 47 Prefectures

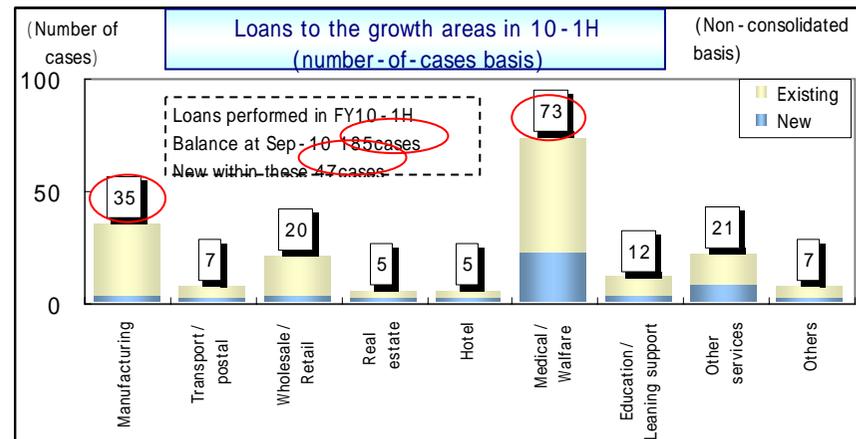
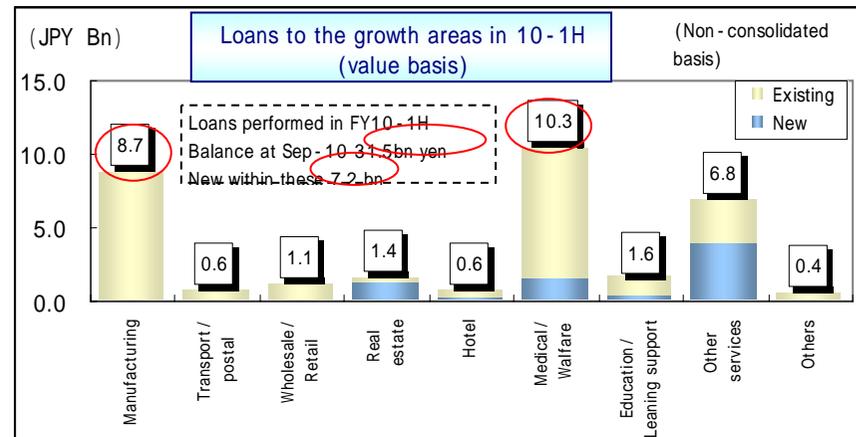


Internationalization of Haneda Airport



Proactive support of companies engaging in business, in whose areas growth is expected in the region

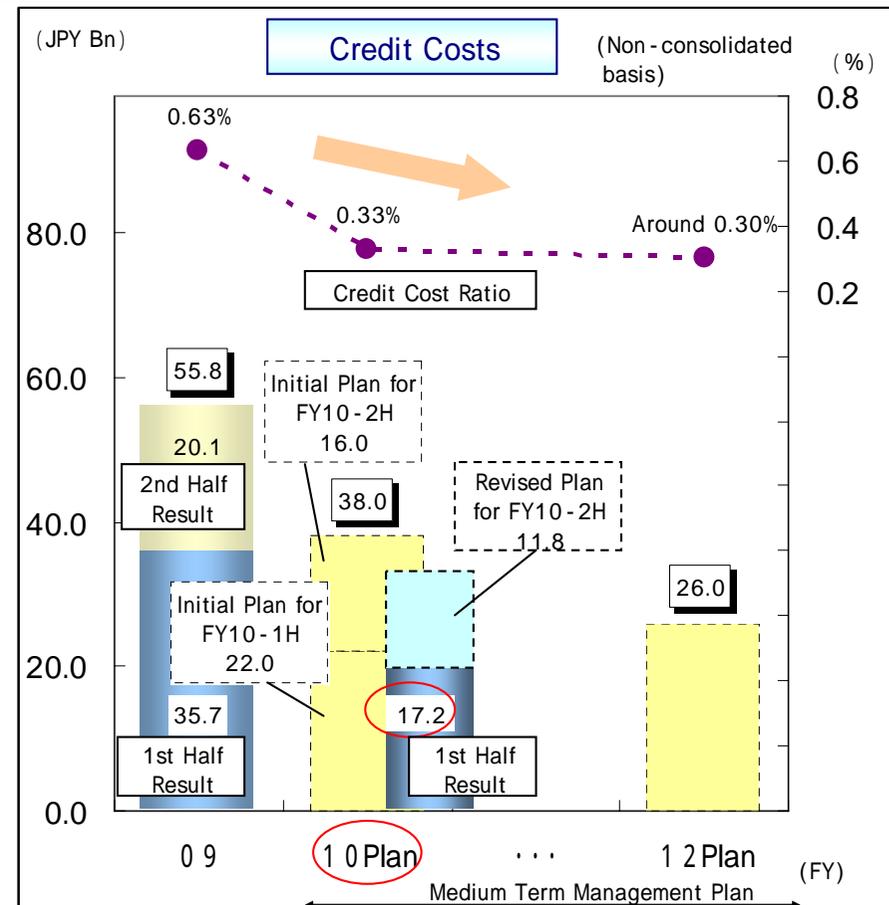
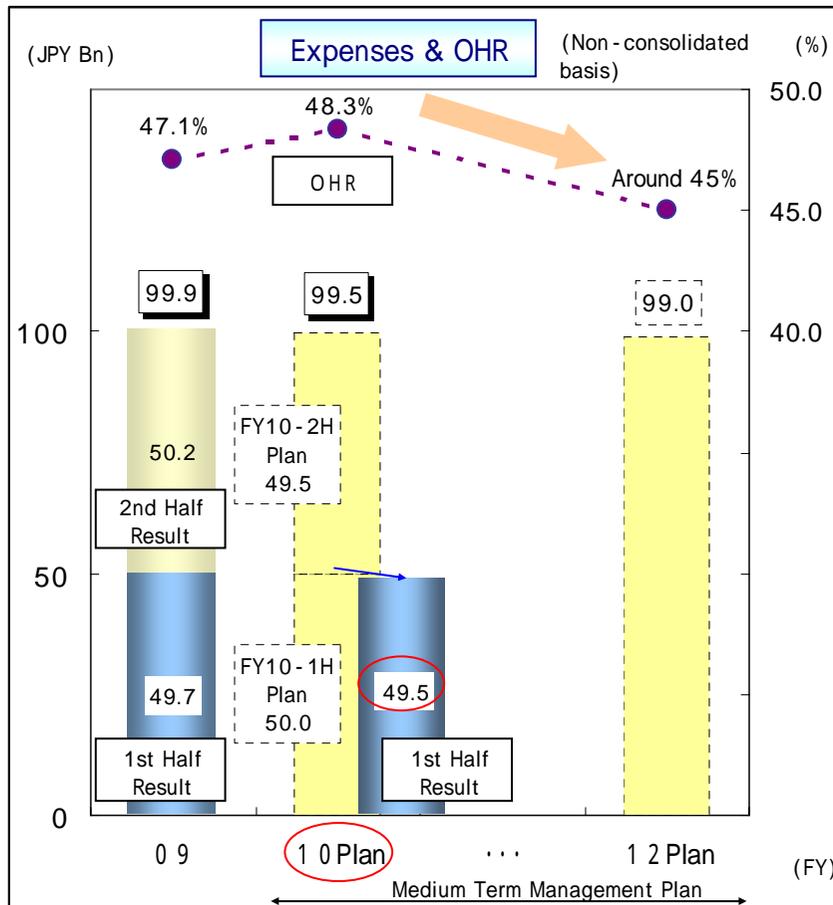
<Our Bank>
Strategy fund for supporting growth areas
<Hamagin Finance>
Lease program for supporting growth areas



3 . Management Strategies

(2) Main Theme of the New Medium Term Management Plan: Intensification of Low-cost Operation

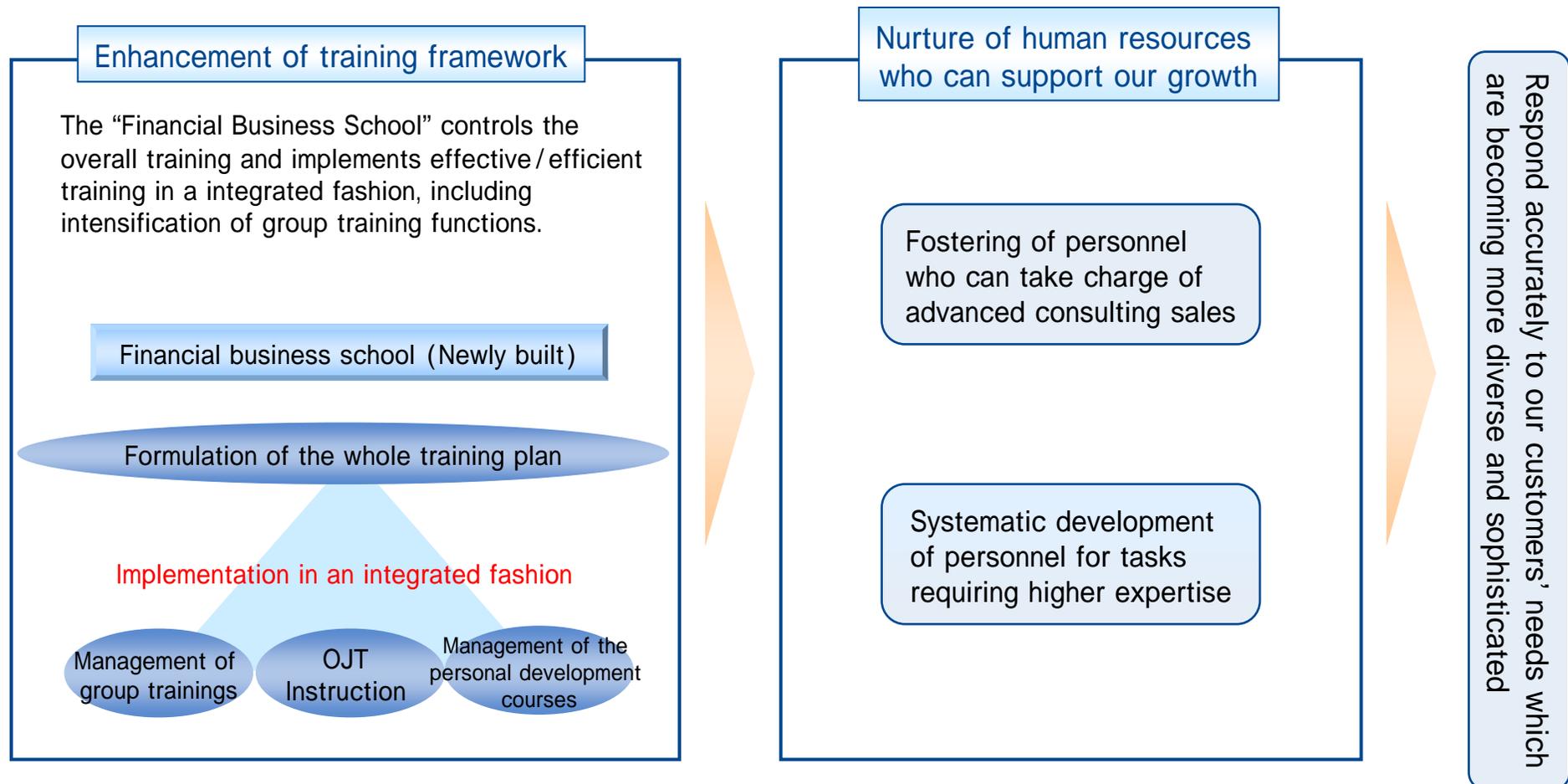
- Expenses in FY10 - 1H was **JPY49.5Bn**, falling below the planned value of **JPY50Bn**, as a result of focusing on further cost reduction throughout the bank.
- Due to strengthening of risk management, credit costs were **JPY17.2Bn**, in contrast to the plan for FY10 - 1H of **JPY22.0Bn**. We also expect to achieve **JPY29.0Bn** (-9Bn) for the FY10, in contrast to **JPY38.0Bn** in the initial plan at the beginning of the FY.



3 . Management Strategies

(3) Main Theme of the New Medium Term Management Plan: Improvement of Performance by Reinforcing Investment in Human Assets

- In order to further strengthen our staff's expertise, the “Financial Business School” was newly established.
- Through intensifying the continuous and systematic training framework for all staff, we strive to nurture human resources who can support our growth and more accurately respond to our customers' needs which are becoming more diverse and sophisticated.



Afresh あなたに、あたらしく。



Bank of Yokohama

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