

Bank of Yokohama

Medium Term Management Plan 'Tackle for the Dream'

April 2013

The Bank of Yokohama, Ltd.

Table of Contents

1. Background and Positioning of the Medium Term Management Plan

P2

2. Outline of the Medium Term Management Plan

P3

3. Financial Forecast

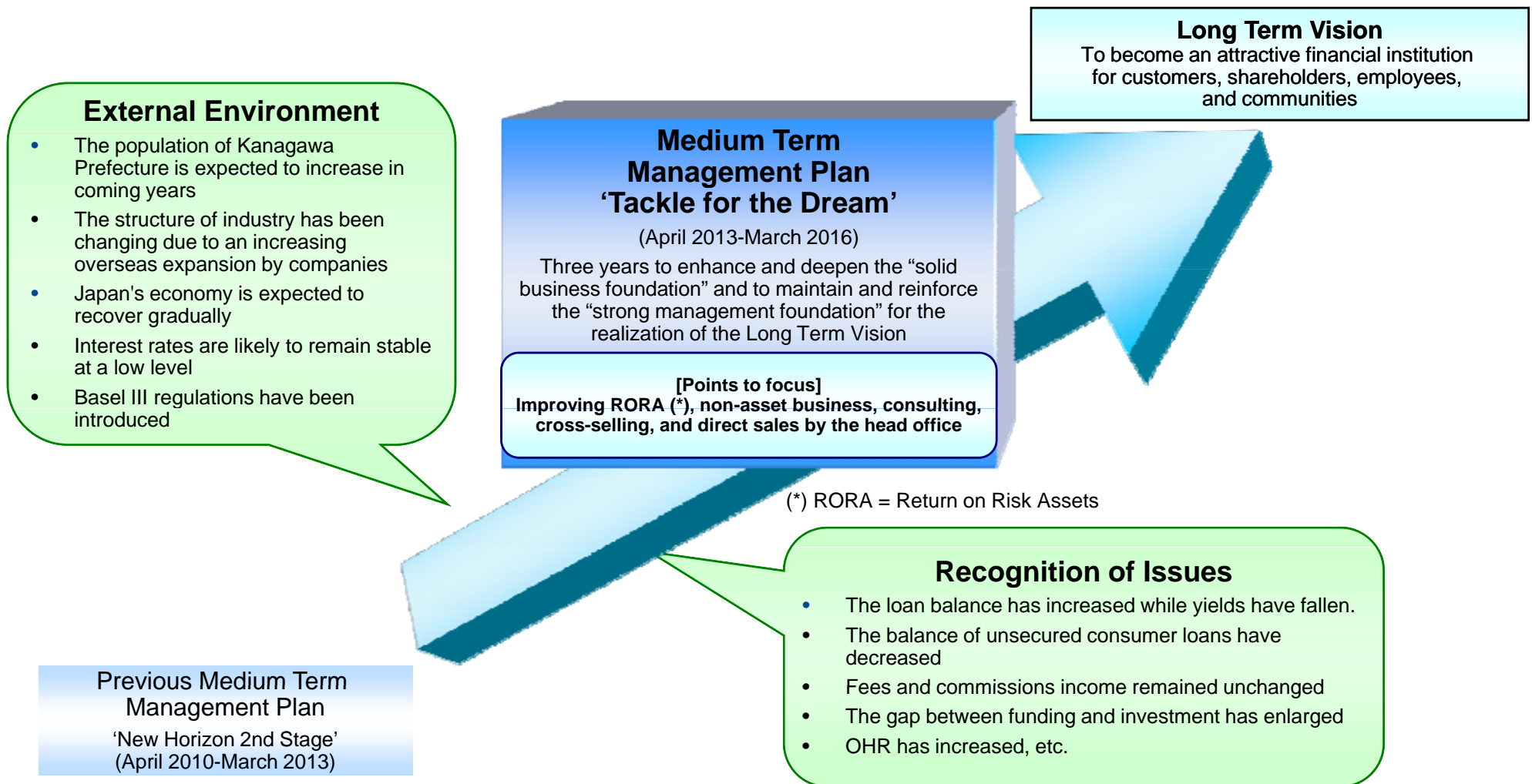
P4

4. Fundamental Strategies

P5~12

1. Background and Positioning of the Medium Term Management Plan

- The business environment surrounding the Bank is expected to continue to be tough for some time due to ongoing lower interest rates and the implementation of Basel III regulations. Meanwhile, the population in Kanagawa Prefecture is on an increasing trend, suggesting potential market growth.
- In order to accommodate these circumstances and achieve sustainable growth, we position the period covered by our medium term management plan as “the three years to enhance and deepen the “solid business foundation” and to maintain and reinforce the “strong management foundation” for the realization of the Long Term Vision”. To achieve this, we will focus on improving RORA, non-asset business, consulting, cross-selling, and direct sales activities by the head office.



2. Outline of the Medium Term Management Plan

1. Name

Medium Term Management Plan 'Tackle for the Dream'

2. Term

April 2013-March 2016 (3 Years)

3. Positioning

Three years to enhance and deepen the “solid business foundation” and to maintain and reinforce the “strong management foundation” for the realization of the Long Term Vision

(*) Long Term Vision: To become an attractive financial institution for customers, shareholders, employees, and communities

4. Fundamental Strategies

- I. Increasing business opportunities with individual customers and activating transactions with them
- II. Enhancing problem solving support for customers in the corporate and public sectors and expanding main transactions
- III. Enhancing the risk return ratio in market operations
- IV. Improving productivity by effective operations
- V. Maintaining and reinforcing the strong management foundation

5. Management Targets

- Aiming to become a bank that customers would be willing to select, by helping them with solutions that can assist customers' problem solving.
- Aiming for further growth by, in particular, increasing business opportunities with local customers and activating transactions with them.
- Aiming to become a well-balanced bank in terms of soundness, profitability and growth potential.

	Targets in FY2015	FY2012 Estimates
Number of Main Individual Customers (*)	Around 2.5 million	Around 2.3 million
Fees and Commissions Income Ratio (consolidated)	Around 22%	Around 20%
Net Income ROE (consolidated)	Around 7%	Around 7%
Net Income RORA (consolidated)	Around 0.8%	Around 0.8%
Common Equity Tier 1 Ratio (consolidated)	Around 11%	Around 11%
OHR (non-consolidated)	Late 40's%	48.6%
Credit Cost Ratio (non-consolidated)	Around 0.15%	0.12%

(*) “The number of main individual customers” means the number of customers who mainly use the Bank’s services (defined by the Bank).

3. Financial Forecast

■ Target figures in the final year of the medium term management plan are as follows:

		FY11 Actual	FY12 Forecast (announced in Nov-12)
Non-Consolidated basis	Gross Operating Income	203.6	201.5
	Of which, Fees and Commissions	31.1	31.2
	- Expenses	98.3	98.0
	Net Business Profit	105.3	103.5
	- Credit Costs	13.7	12.0
	Ordinary Profit	87.0	87.5
	Net Income	49.1	54.0
	OHR (*1)	48.2%	48.6%
	Credit Costs Ratio (*1)	0.15%	0.12%

Consolidated basis	Gross Operating Income	222.6	220.0
	Of which, Fees and Commissions	42.8	43.0
	Ordinary Profit	96.3	96.5
	Net Income	51.1	56.0
	Fees and Commissions Income Ratio (*1)	19.2%	Around 20%
	Net Income ROE (*1)	6.7%	Around 7%
	Net Income RORA (*1)	-	Around 0.8%
	Common Equity Tier 1 Ratio (*1)	-	Around 11%

Number of Main Individual Customers (medium term management plan target item) (*2)	2.33 million	Around 2.3 million
--	--------------	--------------------

FY15 Plan	Changes in 3 years	(JPY Bn)
213.0	+11.5	
37.0	+5.8	
104.0	+6.0	
109.0	+5.5	
14.0	+2.0	
92.0	+4.5	
59.0	+5.0	
Late 40's%	-	
Around 0.15%	+0.03%	

230.0	+10.0
51.0	+8.0
100.0	+3.5
61.0	+5.0
Around 22%	Around +2%
Around 7%	Maintained
Around 0.8%	Maintained
Around 11%	Maintained

Around 2.5 million	Around + 0.2 million
--------------------	----------------------

(*1) Medium term management plan target item

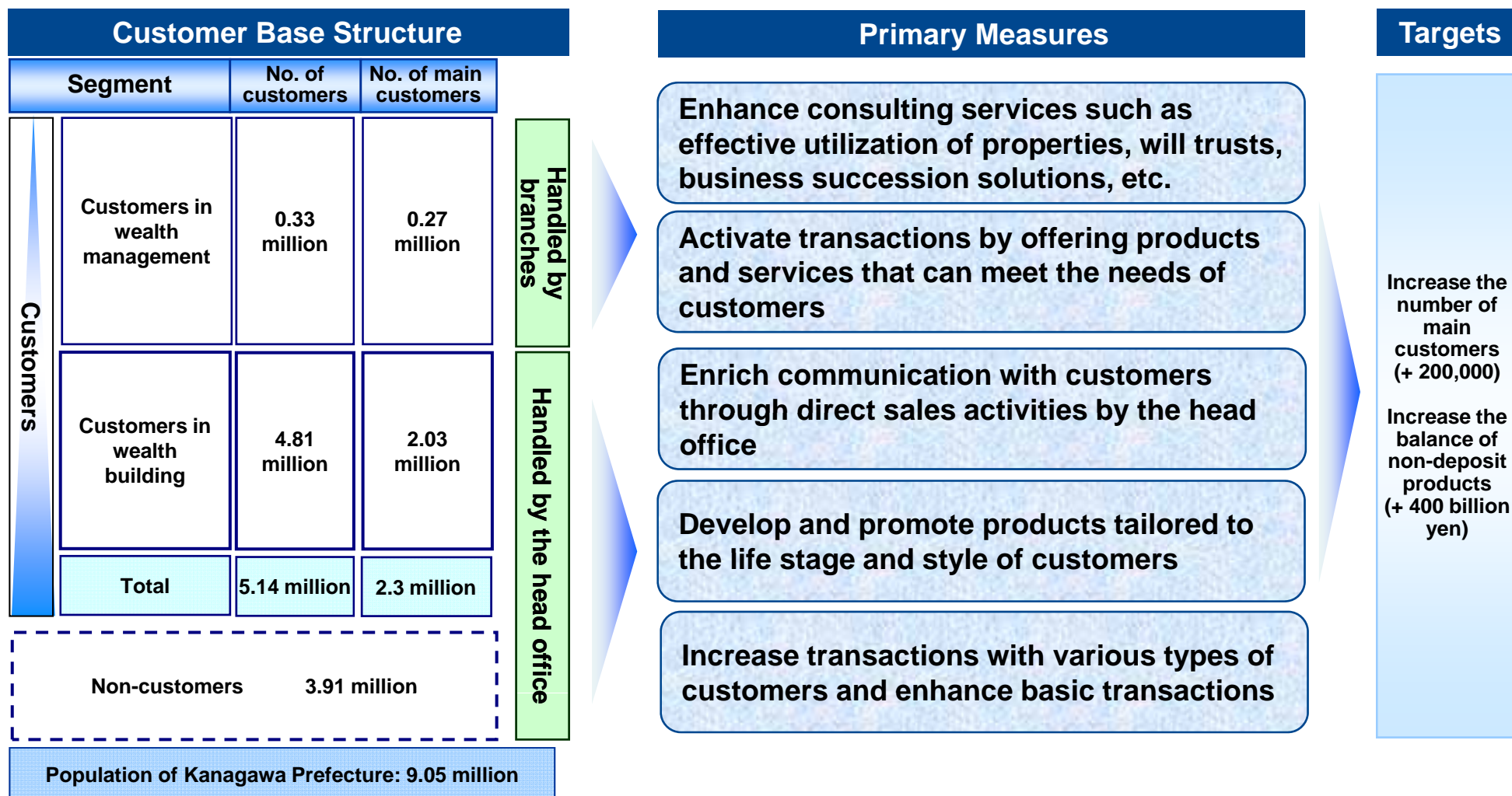
(*2) "The number of main individual customers" means the number of customers who mainly use the Bank's services (defined by the Bank).

Figures projected in this material does not guarantee future financial results, and are exposed to risks and uncertainties. Future results may differ from those projected according to changes in economic environments.

4. Fundamental Strategies

(1) Increasing business opportunities with individual customers and activating transactions with them

- The population of Kanagawa Prefecture is 9.05 million; of them, the number of our customers is around 5.14 million, and main customers 2.3 million. Thus there is still room for potential customers.
- Enhance the contact points with customers while reviewing the conditions of existing customers handled by the head office and branches. Aim to activate transactions by increasing the number of main customers and the balance of the Group's non-deposit products.

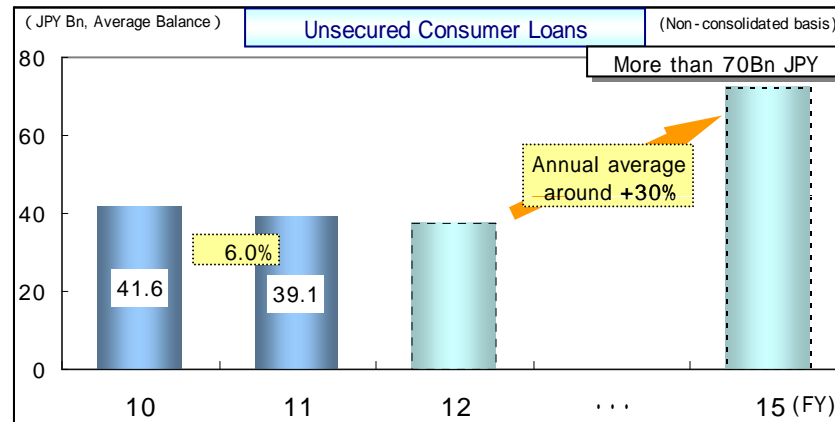
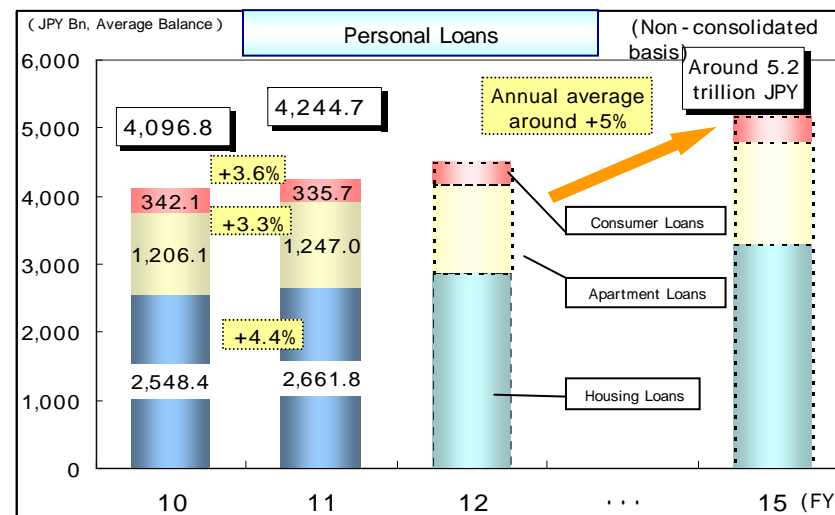
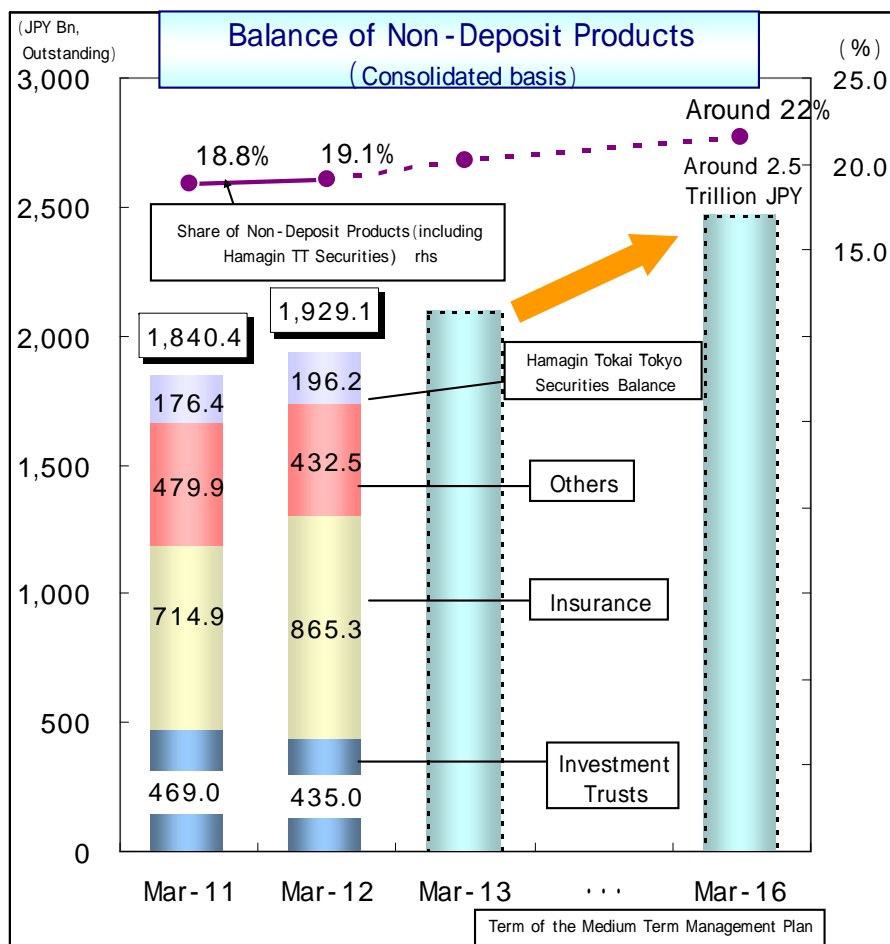


(*) "The main customers" means the customers who mainly use the Bank's services (defined by the Bank).

4. Fundamental Strategies

(1) Increasing business opportunities with individual customers and activating transactions with them

- Achieve around 2.5 trillion yen of the balance of non-deposit products by strengthening the group collaboration including Hamagin Tokai Tokyo Securities.
- The head office increases the transactions of unsecured consumer loans with high RORA and yield by enhancing promotion and direct sales.
- Focus on profitability improvements by increasing various transactions based on customer needs, in addition to continuously focusing on housing loans.

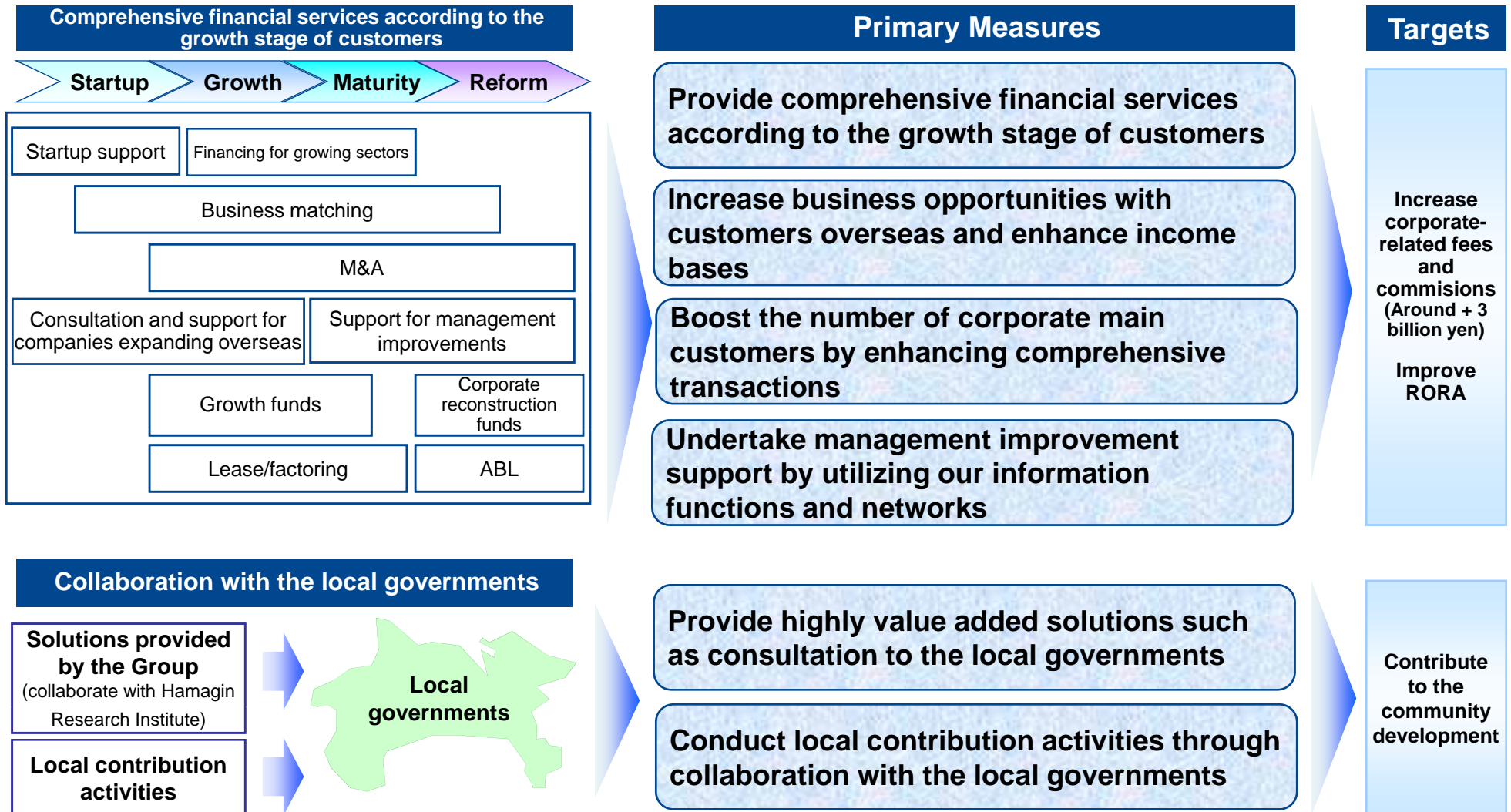


(Note1) "Insurance" includes "Whole Life Insurance" and "Annuity Insurance".
 (Note2) "Others" include "Public Bonds" and "Foreign Currency Deposits".

4. Fundamental Strategies

(2) Enhancing problem solving support for customers in the corporate and public sectors and expanding main transactions

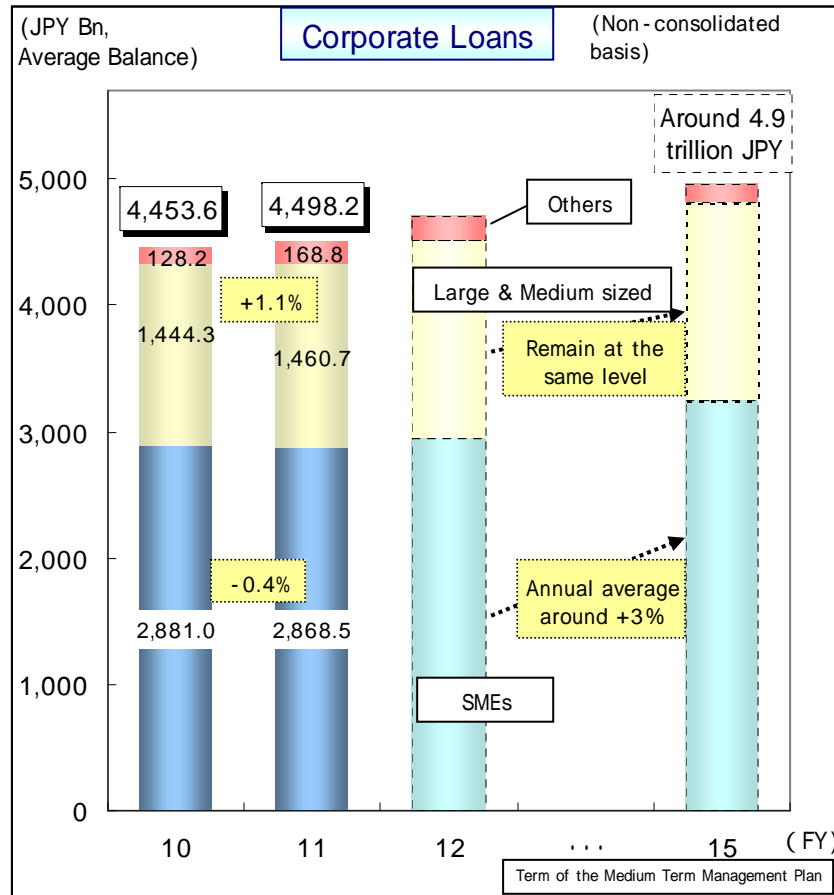
- Provide corporate customers with comprehensive financial services according to their growth stage in order to support them in solving their management issues, thereby expanding the main customer base.
- Provide solutions by the Group (collaborate with Hamagin Research Institute) to the local governments and conduct local contribution activities, thereby promoting the development of communities.



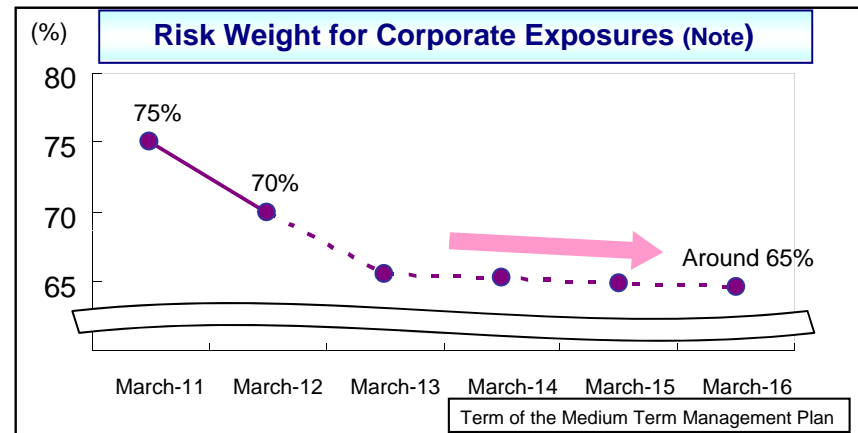
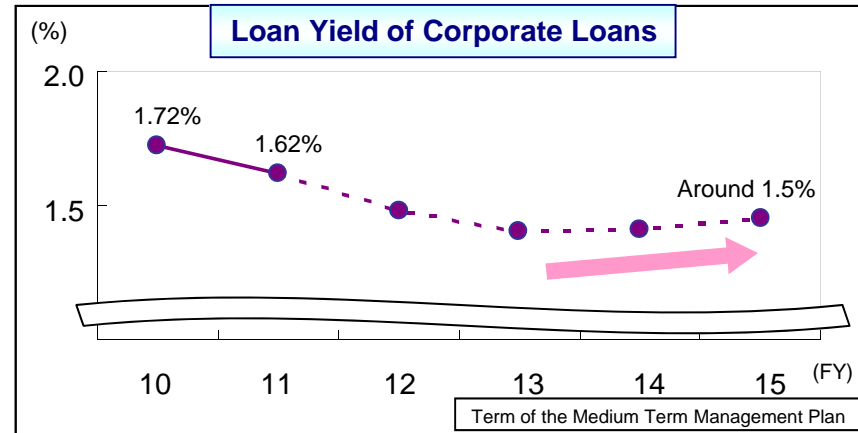
4. Fundamental Strategies

(2) Enhancing problem solving support for customers in the corporate and public sectors and expanding main transactions

- Achieve around 3% annual growth of loans for small- and medium-sized enterprises (SMEs), focusing on the SMEs within Kanagawa Prefecture.
- Achieve a modest growth of corporate loan yields bottoming out in FY2013 by enhancing transactions with SMEs and improving RORA.
- Achieve a modest decline in risk weight for corporate exposures by focusing on management improvement support and along with the expected recovery of companies' performance.



(Note 1) "Others" include loans to public and public related sectors.
 (Note 2) Domestic branches

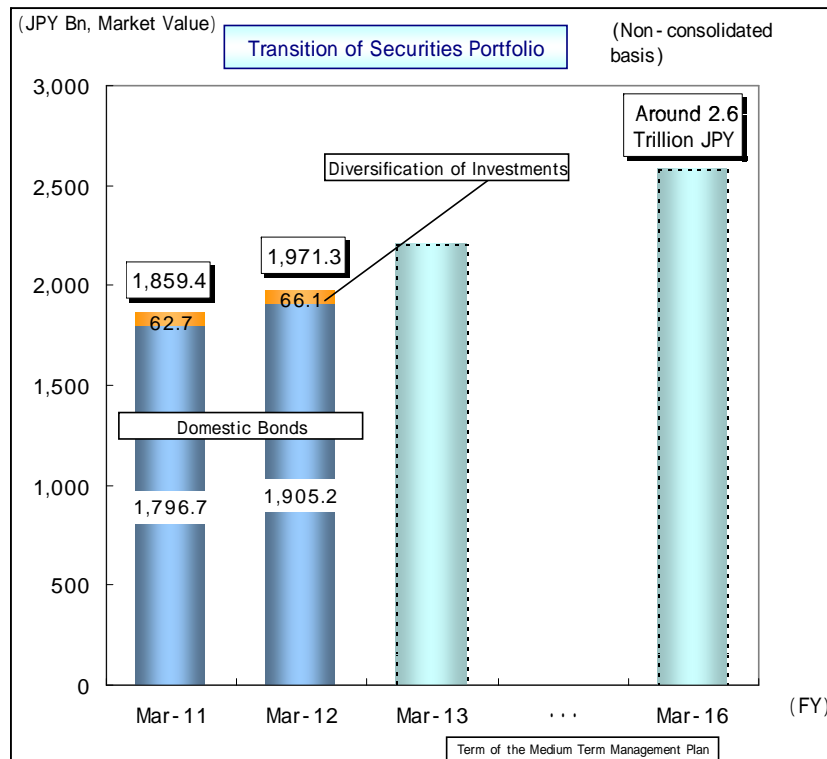
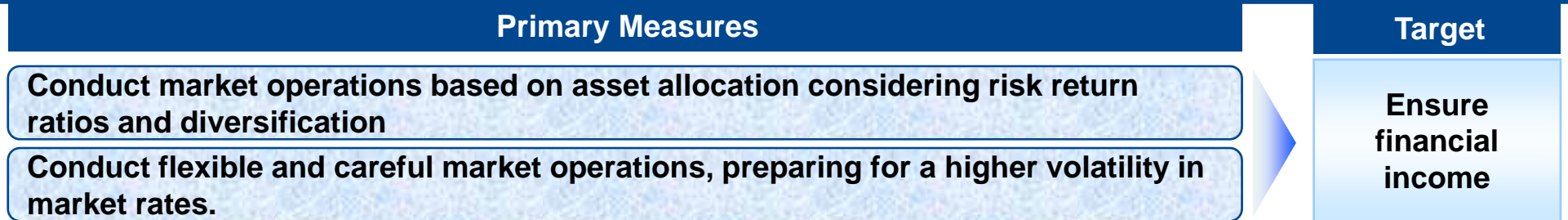


(Note) This includes the exposure of SMEs, but excludes Specialized Lending.

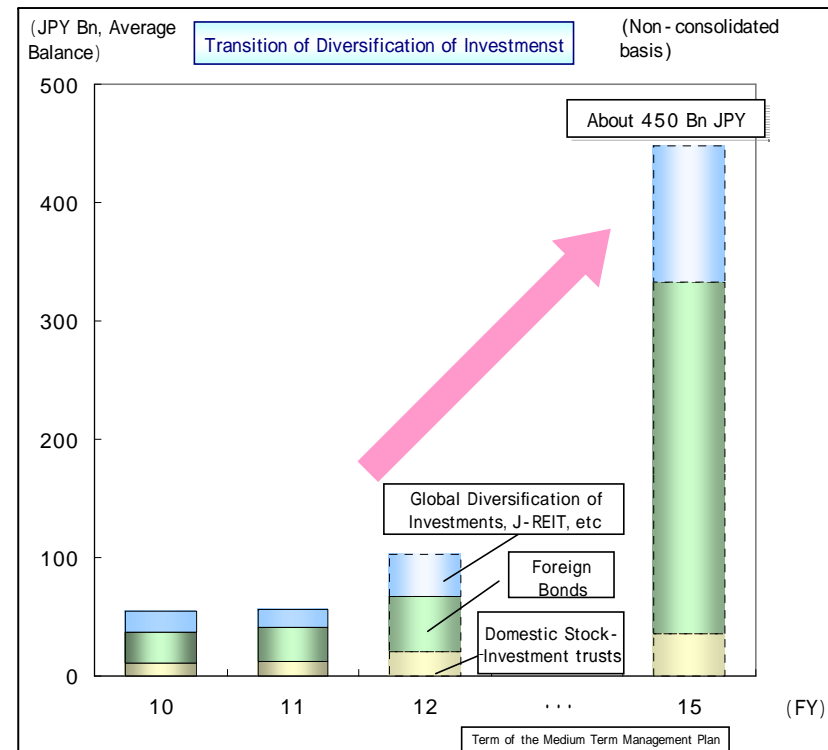
4. Fundamental Strategies

(3) Enhancing the risk return ratio in market operations

- Manage diversified portfolios with high risk return ratios by gradually increasing the percentage of domestic stock-investment trusts, foreign bonds, global diversification of investments.
- Conduct flexible and careful market operations, given the current high volatility in market rates.

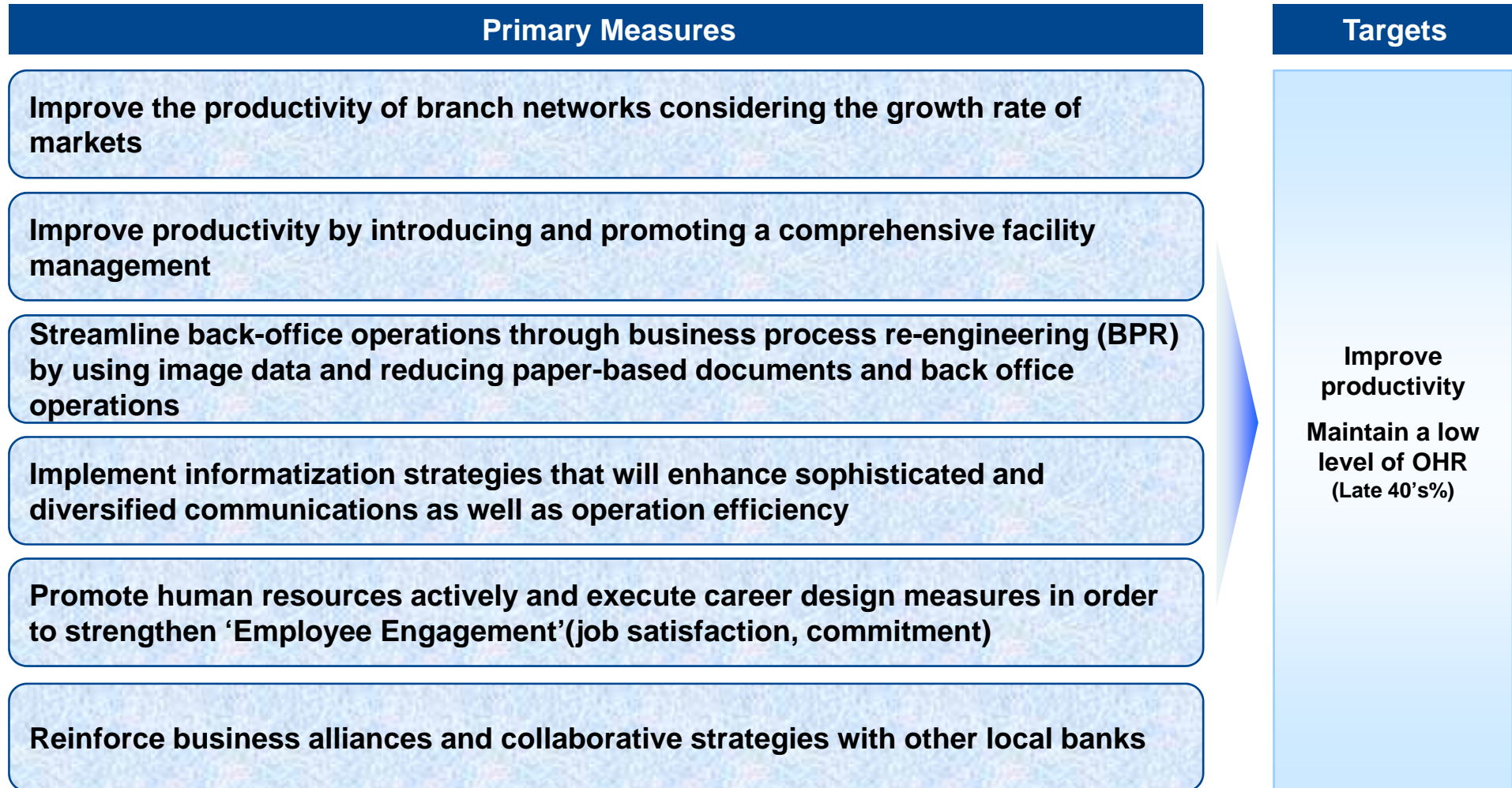


(Note) This excludes equity securities held for customer relationships



4. Fundamental Strategies

(4) Improving productivity by effective operations



4. Fundamental Strategies

(5) Maintaining and reinforcing the strong management foundation

- Implement a strict risk management across the Group focusing on the concentrated risk management by business, the concentrated credit risk management of large-lot borrowers, and adopting a cautious stance on risks such as a sharp rise in interest rates and fluctuation of stock prices.
- Implement the thorough operation management focusing on RORA (Return on Risk Assets), thus improving capital efficiency.

Primary Measures

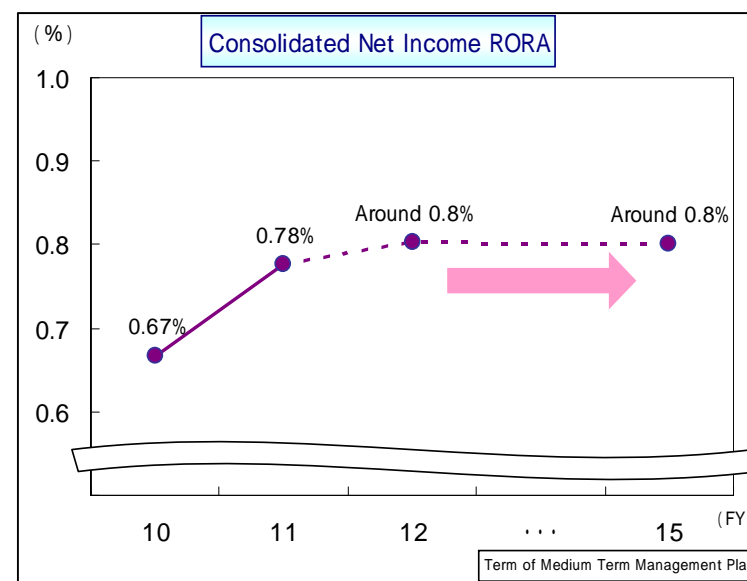
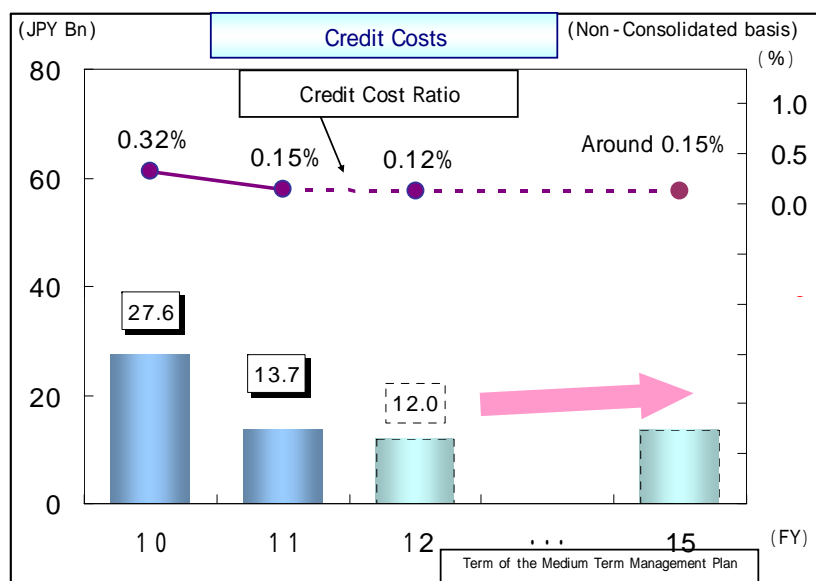
Implement a strict risk management across the Group

Integrated risk management	Credit risk management	Market risk management	Liquidity risk management	Operational risk management
Crisis management	Compliance	Customer protection	Stricter screening	Internal audit

Improve capital efficiency by implementing the thorough operation management focusing on RORA

Targets

Maintain a low level of credit cost ratio (Around 0.15%)
 Adopt a cautious stance on the risk of a sharp rise in interest rates
 Maintain RORA (Around 0.8%)



(Note) Consolidated net income RORA = Consolidated net income / consolidated risk assets (term-end)

4. Fundamental Strategies

(5) Maintaining and reinforcing the strong management foundation

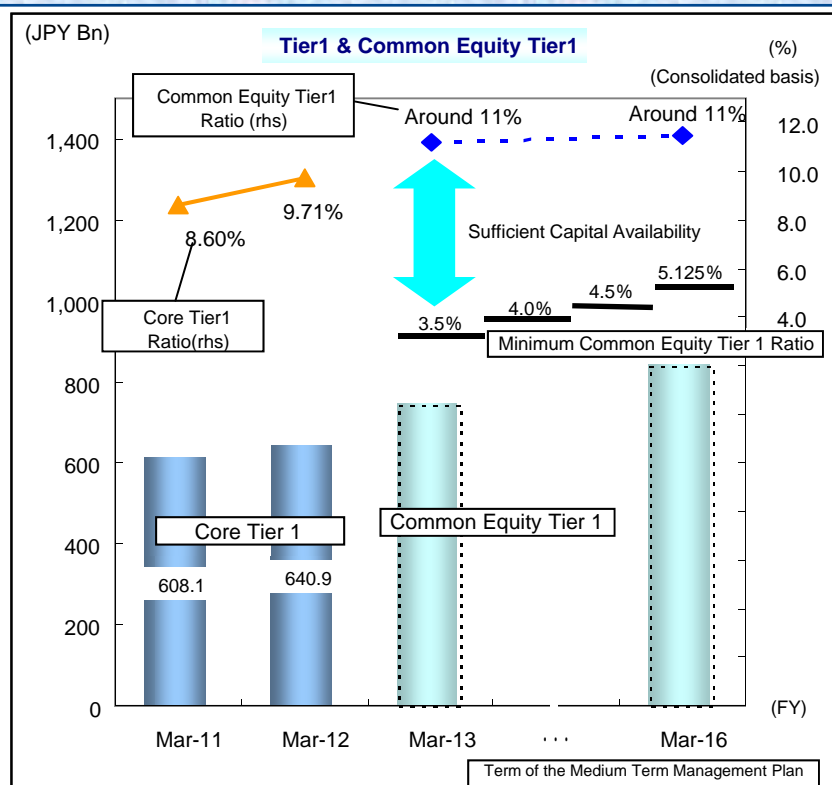
- Maintain sufficient capital in compliance with Basel III regulations
- Formulate shareholder return policy for the term of the medium term management plan as follows.

Primary Measures

Maintain sufficient capital in compliance with Basel III regulations

Targets

Maintain an adequate capital level
(Around 11% of common equity Tier 1 ratio)



Shareholder Return Policy for the term of the medium term management plan

Ordinary Dividends

11 yen per share per annum is to be paid out stably regardless of business results.

Flexible Share Buyback

We will flexibly repurchase own shares on market condition and our performance.

Special Dividends

Special dividends will be paid out, in cases where **Net Income (consolidated) exceeds 55 billion yen.**

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

Afresh あなたに、あたらしく。



Bank of Yokohama

Copyright© 2013 The Bank of Yokohama, Ltd. This document may not be reproduced or distributed to any third party without prior written consent of The Bank of Yokohama, Ltd. This document has been prepared for information purposes only and does not form part of a solicitation to sell or purchase any securities. Information contained herein may be changed or revised without prior notice. This document may contain forward-looking statements as to future results of operations. No forward-looking statement can be guaranteed and actual results of operations may differ from those projected.