



Designed by Yuka Arakaki

Bank of the Ryukyus Management Briefing For the 1H FY2011



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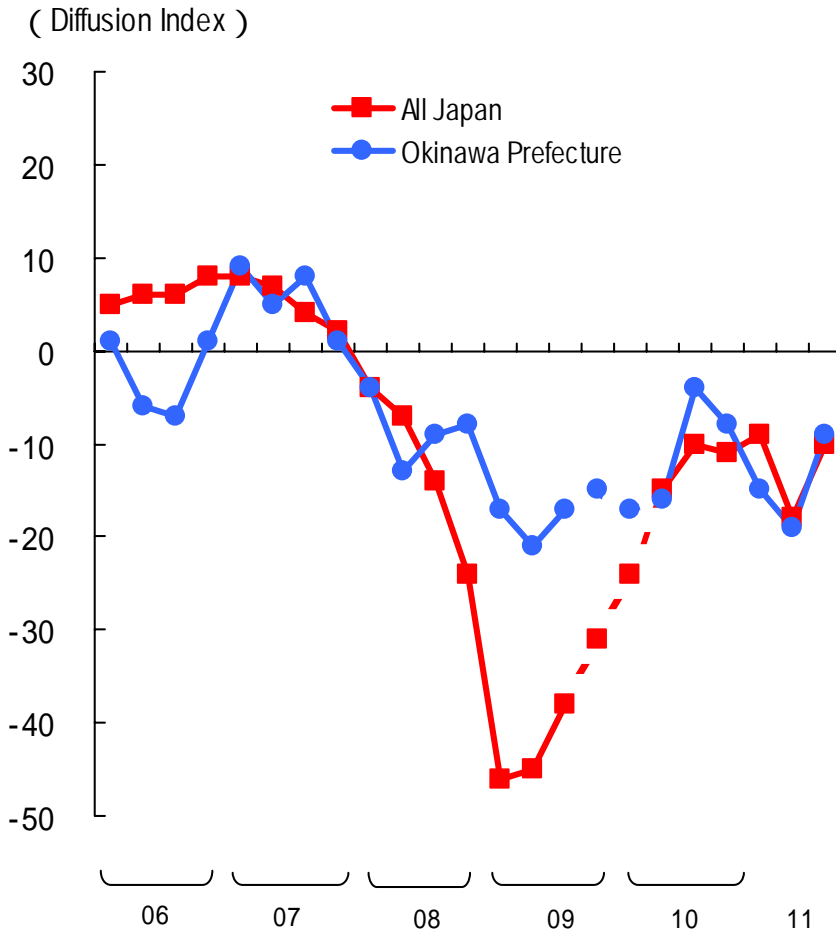
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Economic Trends

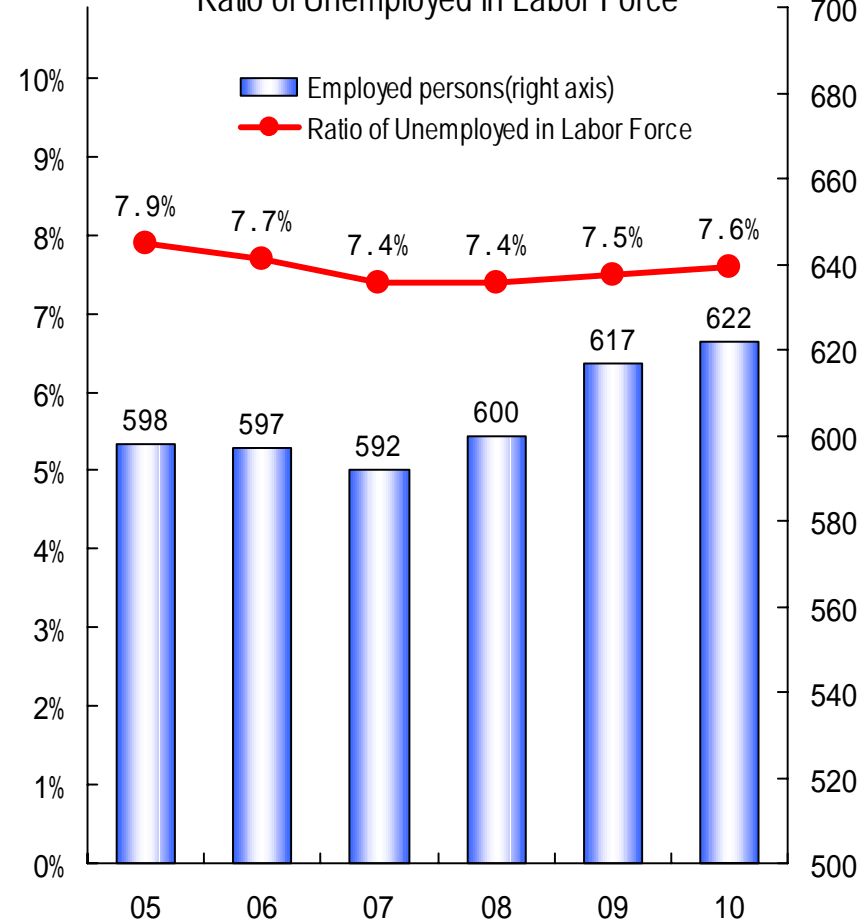
Pickup on recovery in tourism-related industries

Bank of Japan "Tankan"



(Note)Bank of Japan NAHA branch. In March 2009, the list of companies to the survey was changed

Employed persons(right axis)
 Ratio of Unemployed in Labor Force (Thousand persons)

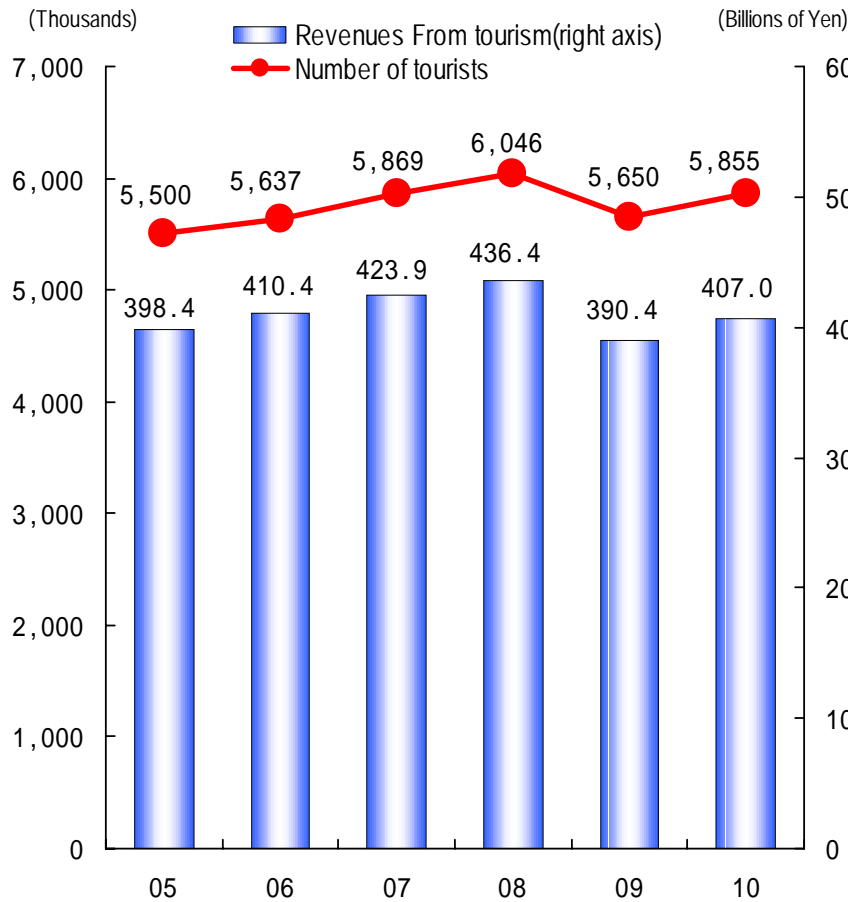


(Note) Labor Force Survey in Okinawa. The absolute numbers and percentage figures indicate the yearly averages

Tourism

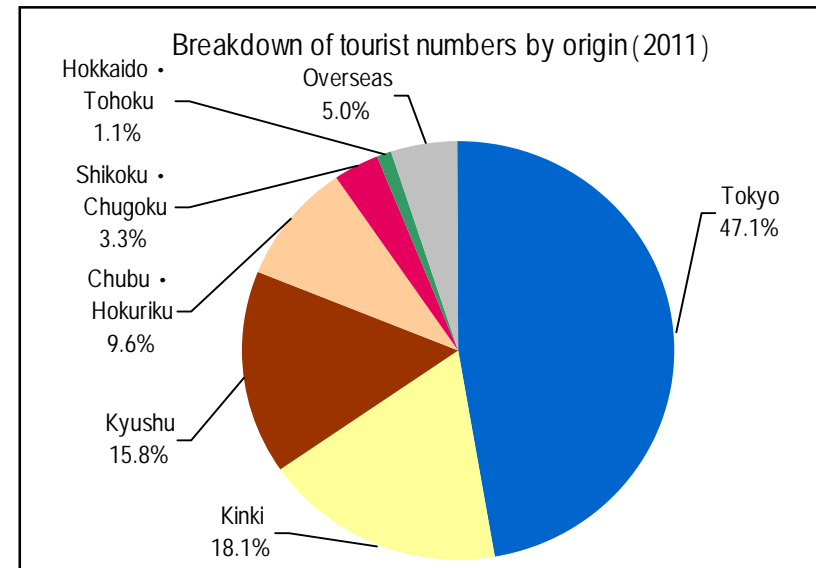
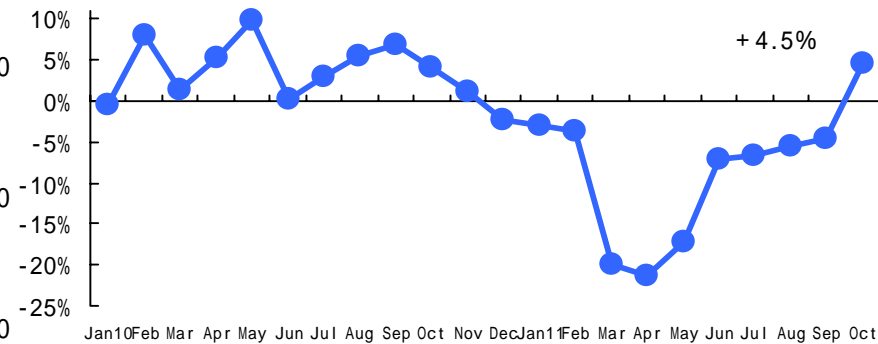
Clear recovery momentum has emerged, following the slump in inbound Okinawa tourists immediately after the Great East Japan Earthquake

Number of tourists and revenues from tourism



(Note) Statistical overview of number of tourists visiting Okinawa

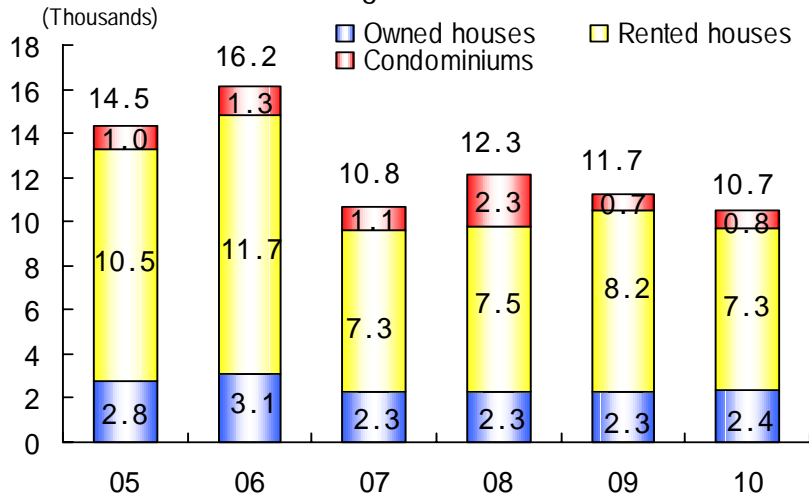
Monthly trends in tourist arrivals (YoY)



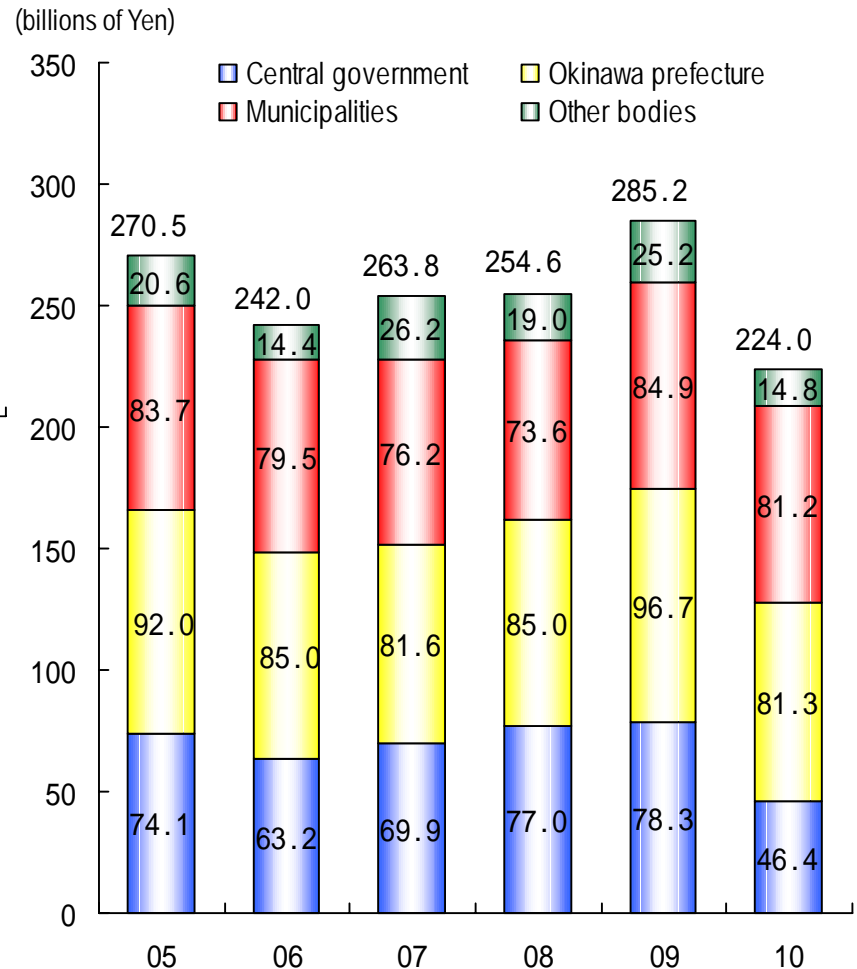
Construction

Value of public works contracts decreased in reaction to early ordering resulting from last year's economic policies

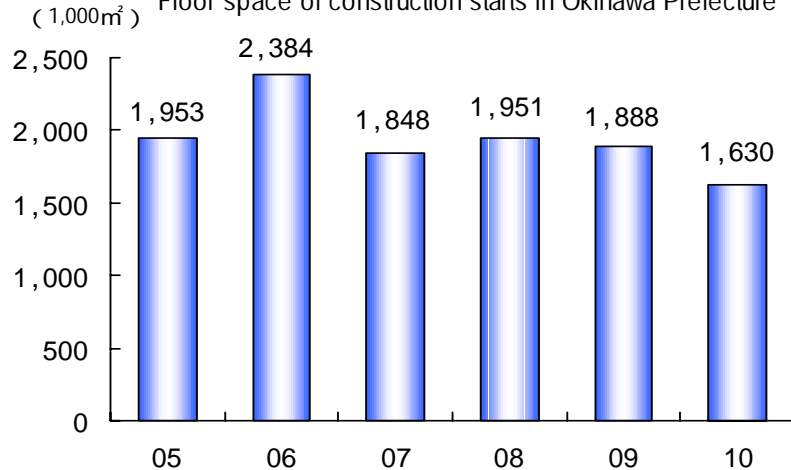
Number of Housing Starts in Okinawa Prefecture



Orders Received for Public Works Projects



Floor space of construction starts in Okinawa Prefecture



1HFY2011 Results Summary

Net business profit on core banking operations decreased due mainly to lower net interest income

	1HFY2010	1HFY2011	Change	(Billions of Yen)
Core business gross profit	14.6	13.9	-0.7	
Net interest income	12.4	11.6	-0.8	
Interest and dividend income on securities	1.2	1.4	+0.2	
Fees and commissions	0.8	0.7	-0.0	
E x p e n s e s	-10.9	-10.7	+0.1	
Net business profit on core banking operations	3.7	3.1	-0.6	

- (Note
- 1.Core business gross profit = business gross profit - Gains/losses JGBs and other bonds.
 - 2.Net business profit on core banking operations = Net business profit before provisions to the general reserve for possible loan losses - Gains/losses JGBs and other bonds.
 - 3.Year-on-year changes are calculated based on the original value, and values of less than 100 million yen have been rounded down

1HFY2011 Results Summary

Interim net income was broadly on target

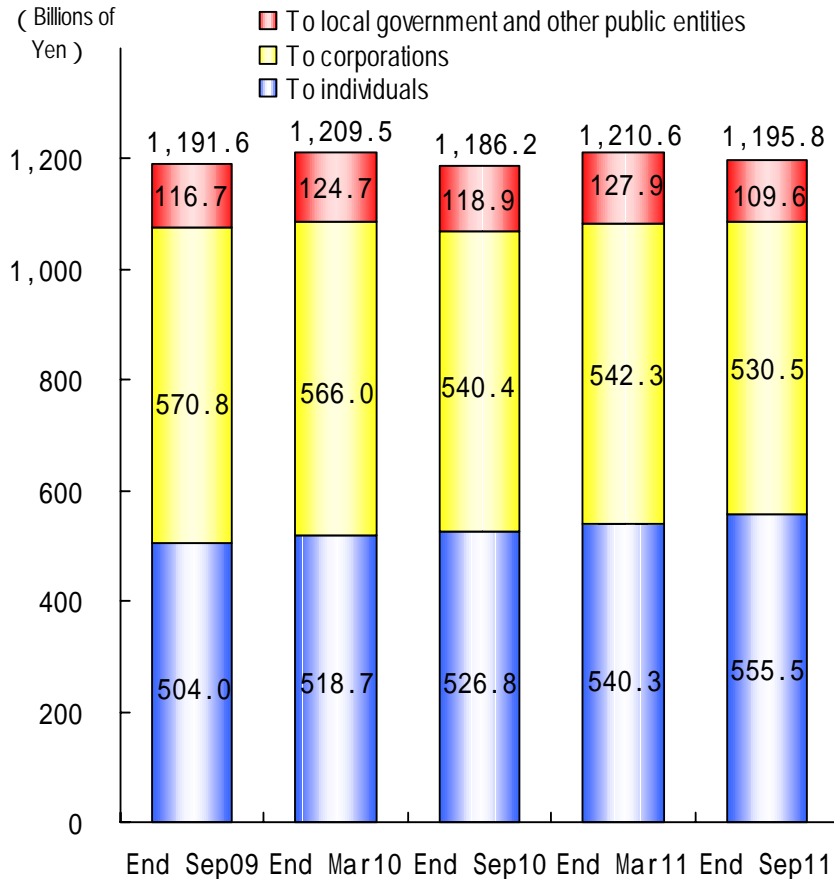
	1HFY2010	1HFY2011	Change	(Billions of Yen)
Net business profit on Core banking operations	3.7	3.1	-0.6	
Loan write-offs, etc. *	-0.5	-0.5	+0.0	
Reversal of reserve for possible loan losses	0.0	0.6	+0.6	
Gains from bad debts recovered	0.0	0.2	+0.2	
Losses on securities	-0.3	-0.0	+0.2	
Ordinary profit	2.8	3.5	+0.6	
Reversal of reserve for possible loan losses	1.3	0.0	-1.3	
Gains from bad debts recovered	0.2	0.0	-0.2	
Total income taxes *	-1.8	-1.5	+0.3	
Net income	2.4	1.9	-0.4	
Credit costs	-0.7	-0.1	+0.6	
Net credit costs	-1.0	-0.3	+0.6	

(Note) 1. Provisions to the reserve for possible loan losses and the reversal of allowance for loan losses are the totals for the general reserve for possible loan losses and the individual allowance for doubtful accounts, respectively 2. Expense items with asterisk (*) that contributed to increased profit are shown with a plus (+) sign, while those that contributed to decreased profit are shown with a minus (-) sign. 3. Year-on-year changes are calculated based on the original value, and values of less than 100 million yen have been rounded down

Loans

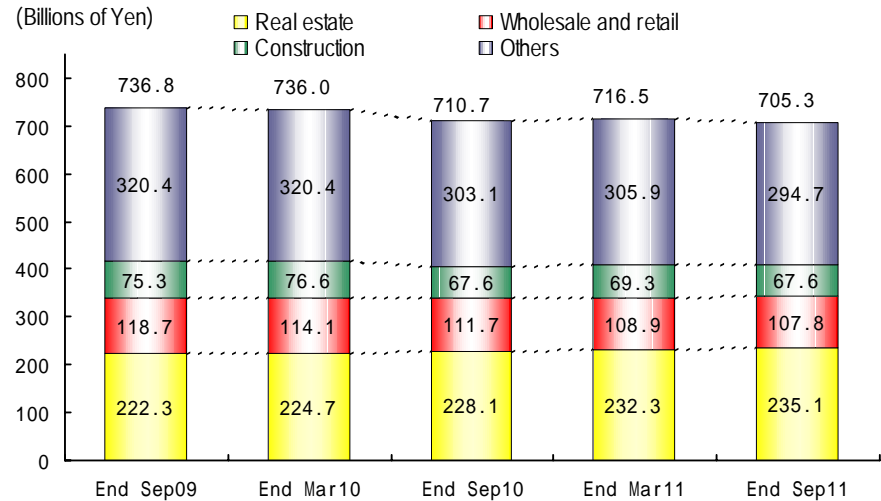
Loans to individuals including mortgage and apartment development loans performed well

Balance of Loans

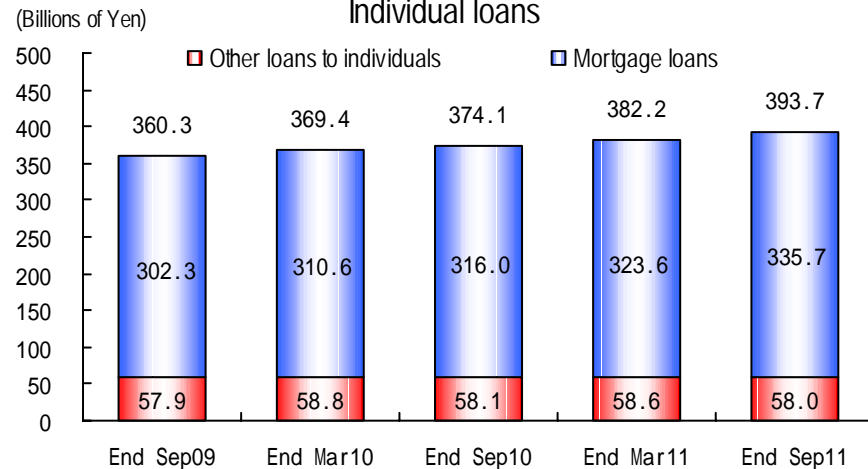


(Note) Due to differences in treatment of loans to business owners, totals for business and individual loans on the right of the slide do not match the grand totals on the left.

Business Loans

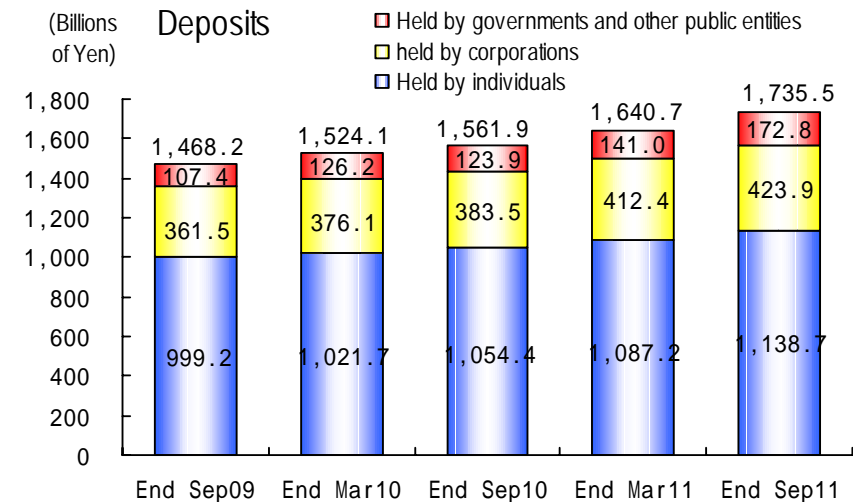
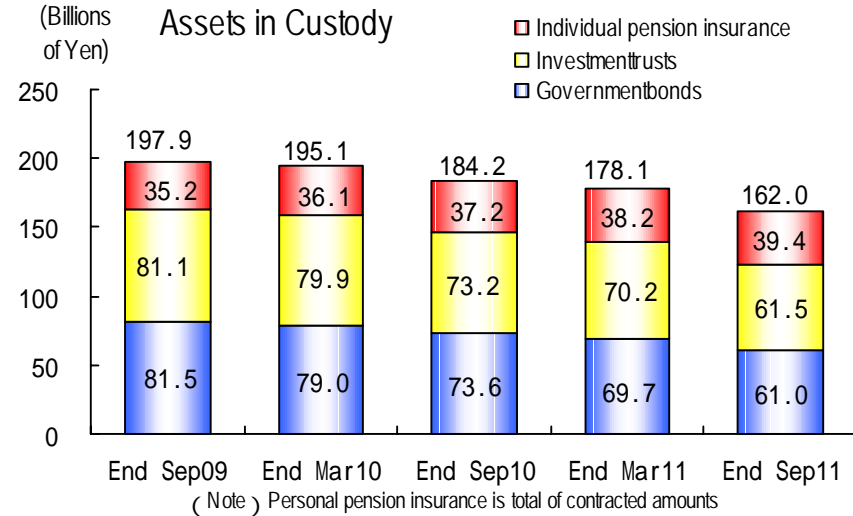
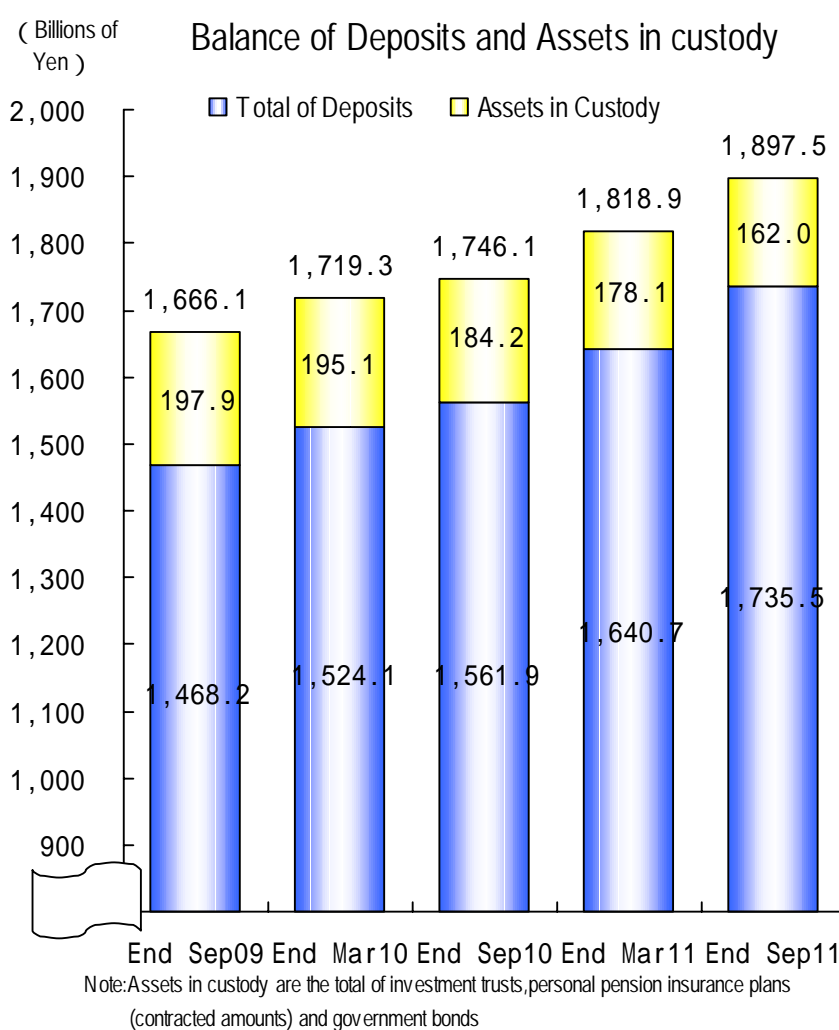


Individual loans



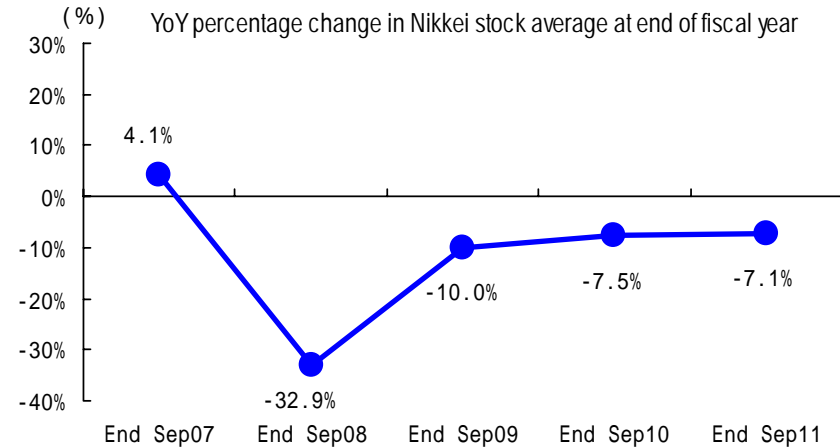
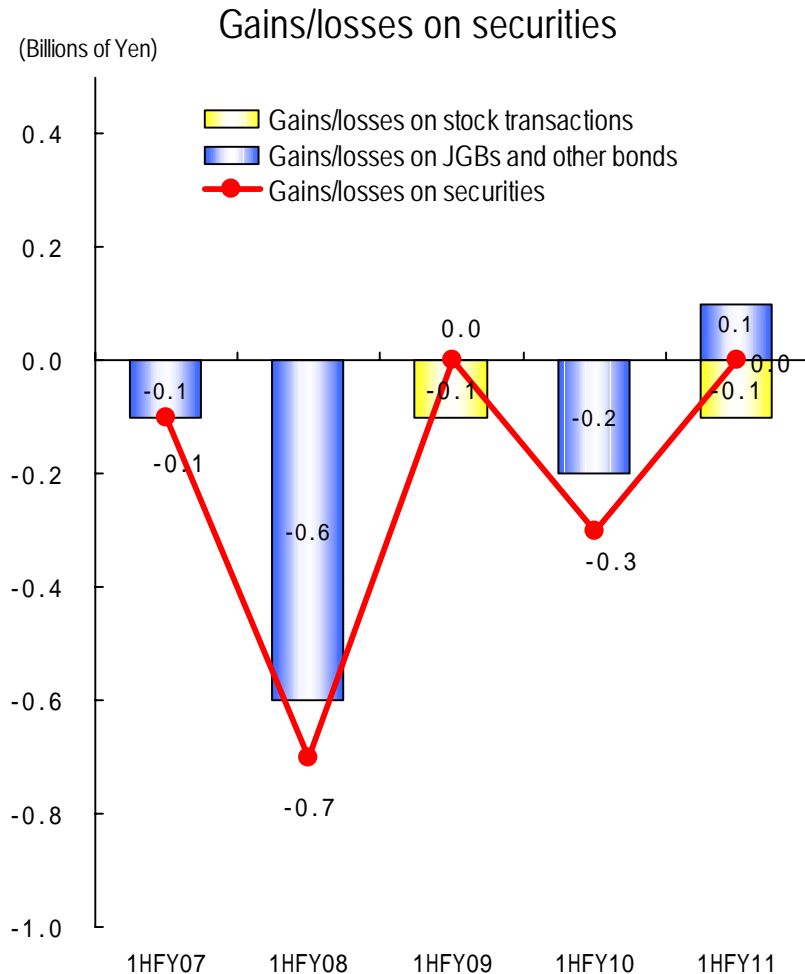
Deposits and Assets in Custody

Individual, corporate and public-sector deposits continued to perform well



Gains/losses on securities

Limited impact from falling stock prices



(1HFY11)

Gains/losses on stock transactions : 175(Millions of Yen)

Proceeds from sales of stock : 62(Millions of Yen)

Impairment loss on stock : 237(Millions of Yen)

(1HFY11)

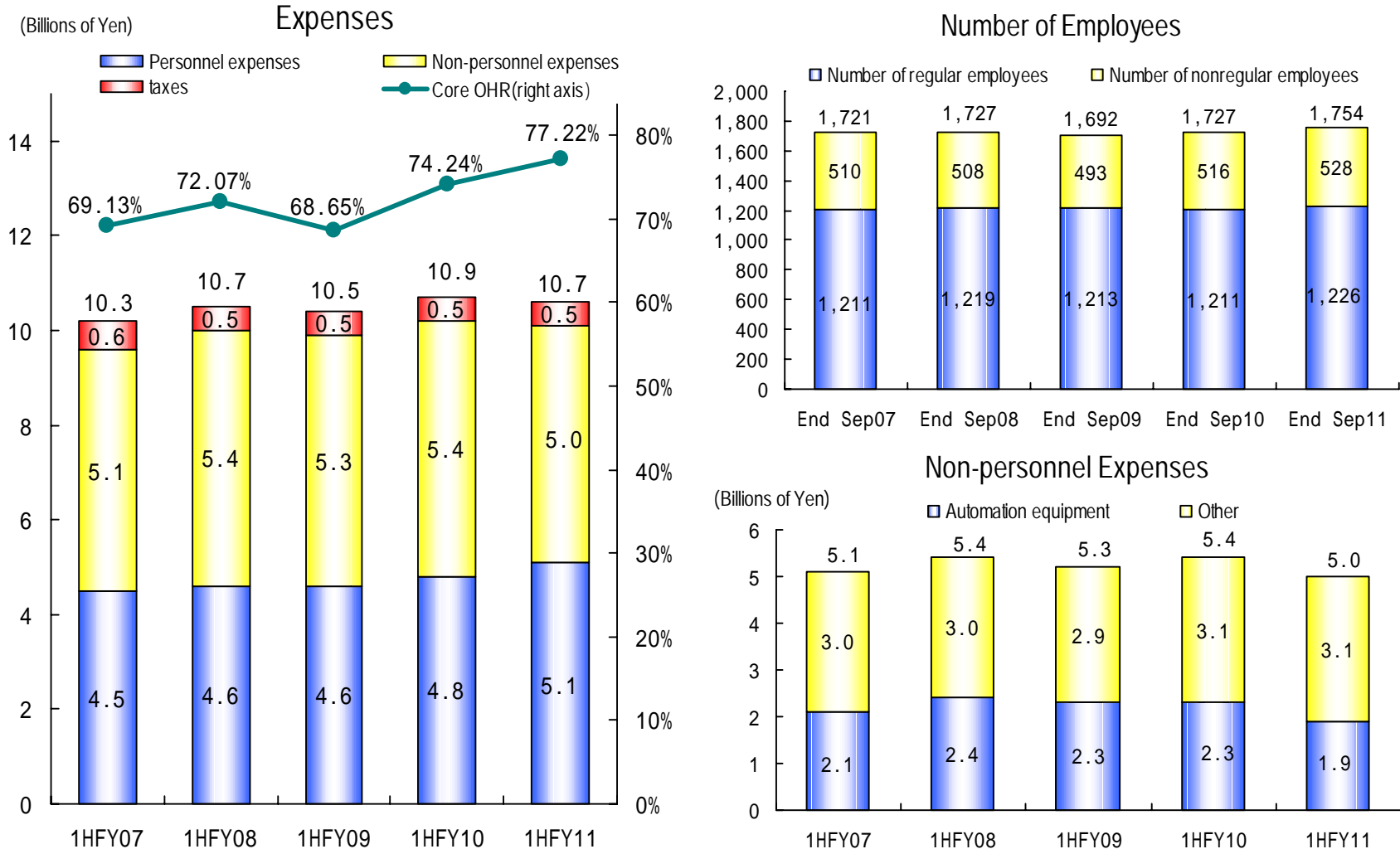
Gains/losses on JGBs and other bonds : +149(Millions of Yen)

Proceeds from sales of securities : 158(Millions of Yen)

loss from sales of securities : 8(Millions of Yen)

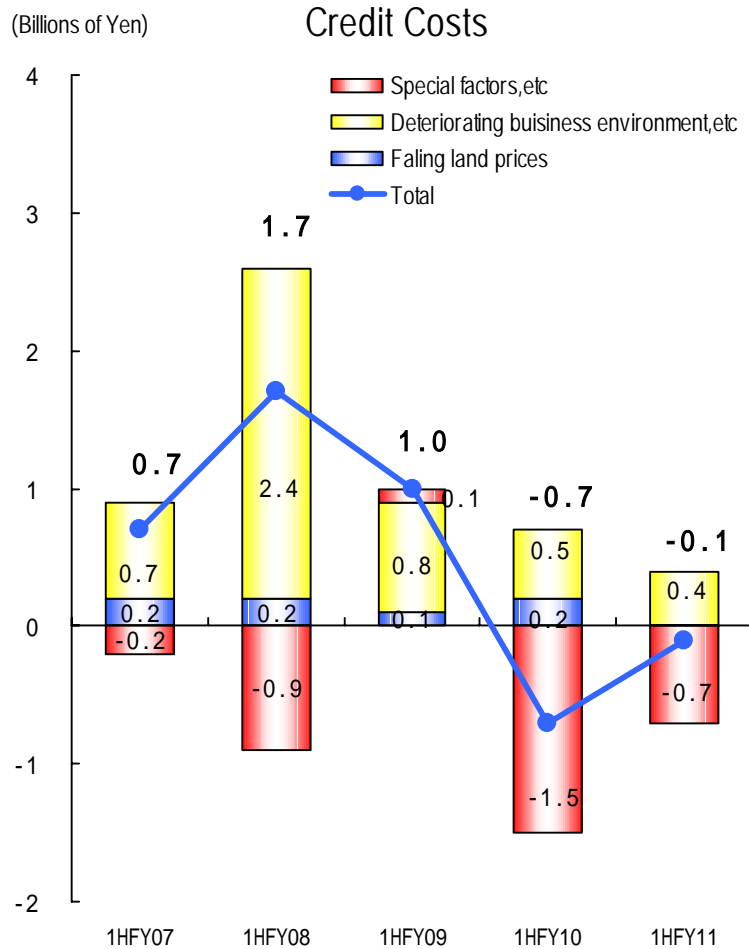
Expenses

Reduction in non-personnel expenses due chiefly to computer system costs

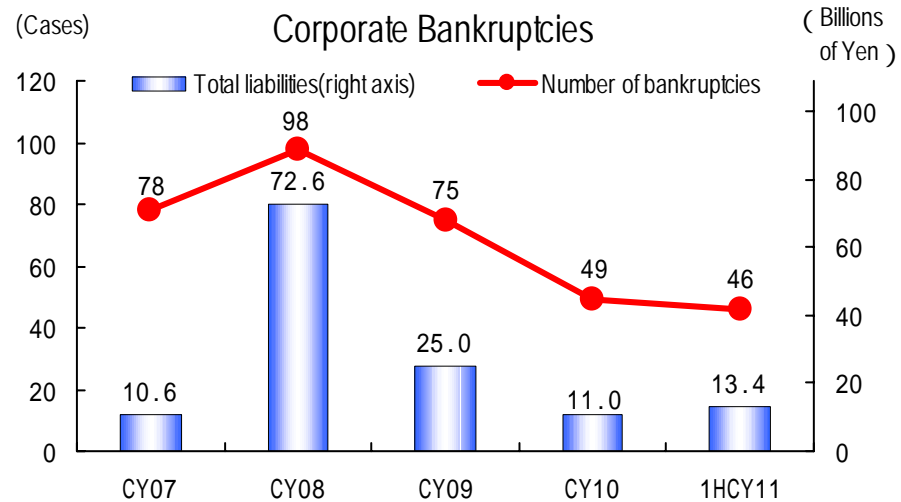
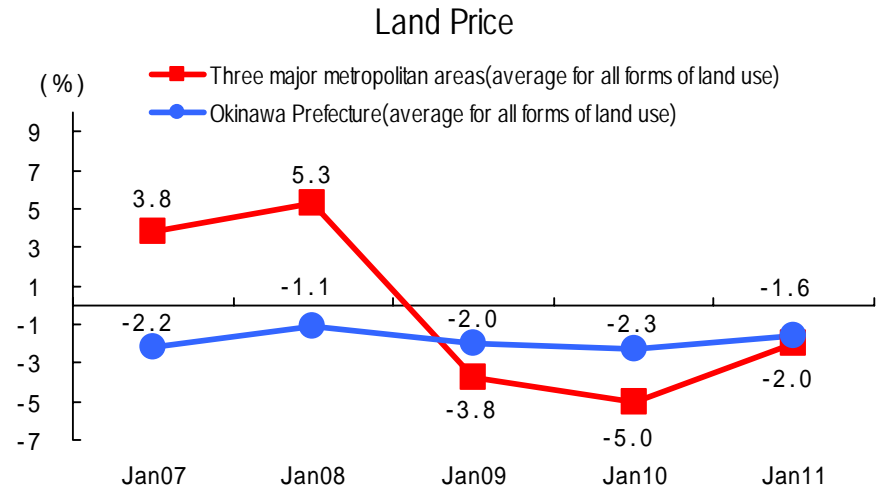


Credit Costs

Even with rising corporate bankruptcies, NPL disposal remained at low levels



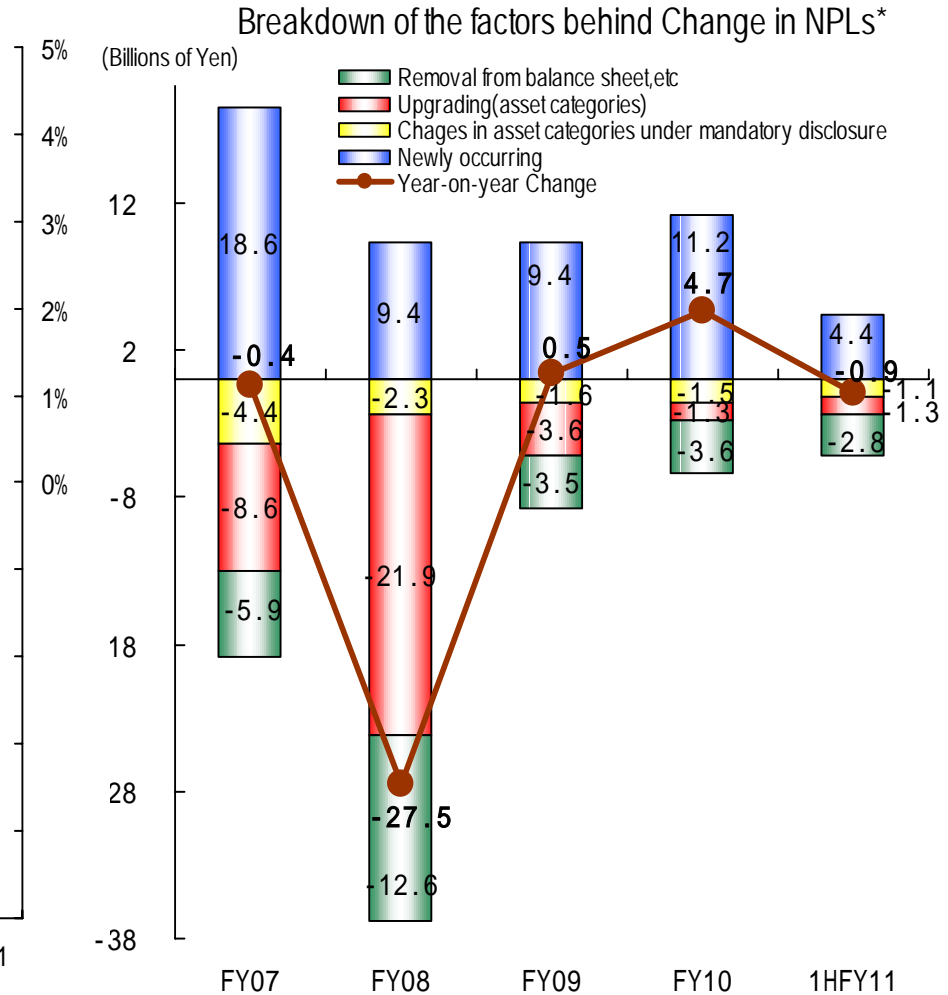
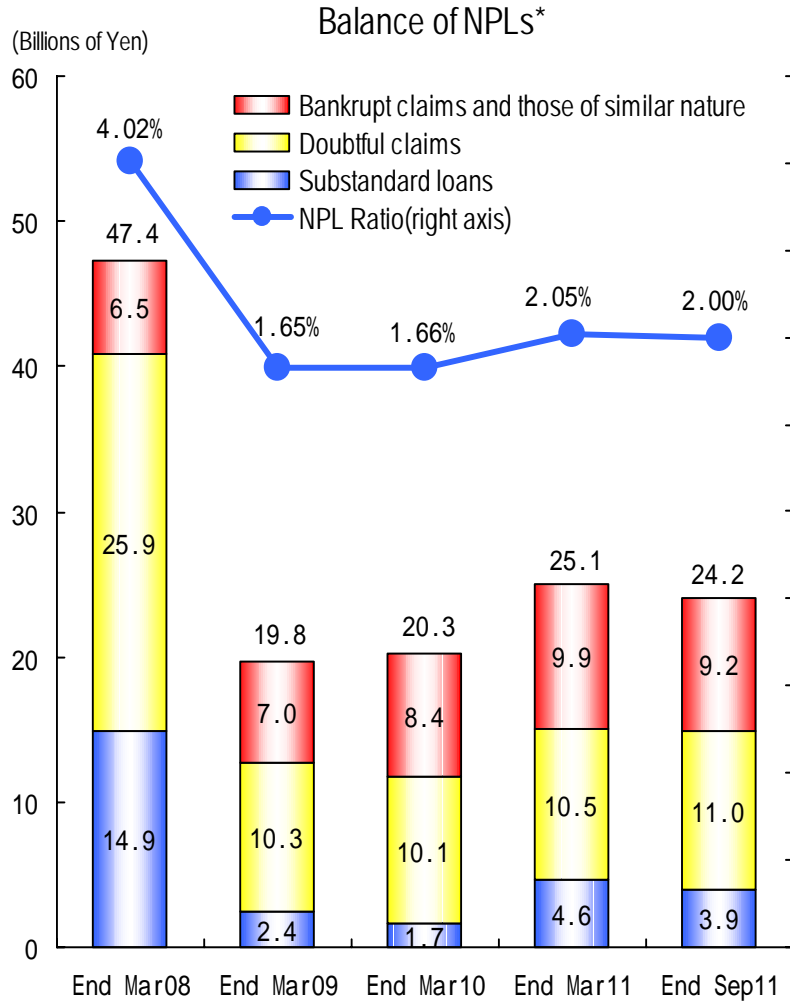
(Note) NPL disposal costs are Credit costs before Gains from bad debts recovered



(Note) source: TOKYO SHOKO RESERCH,LTD.

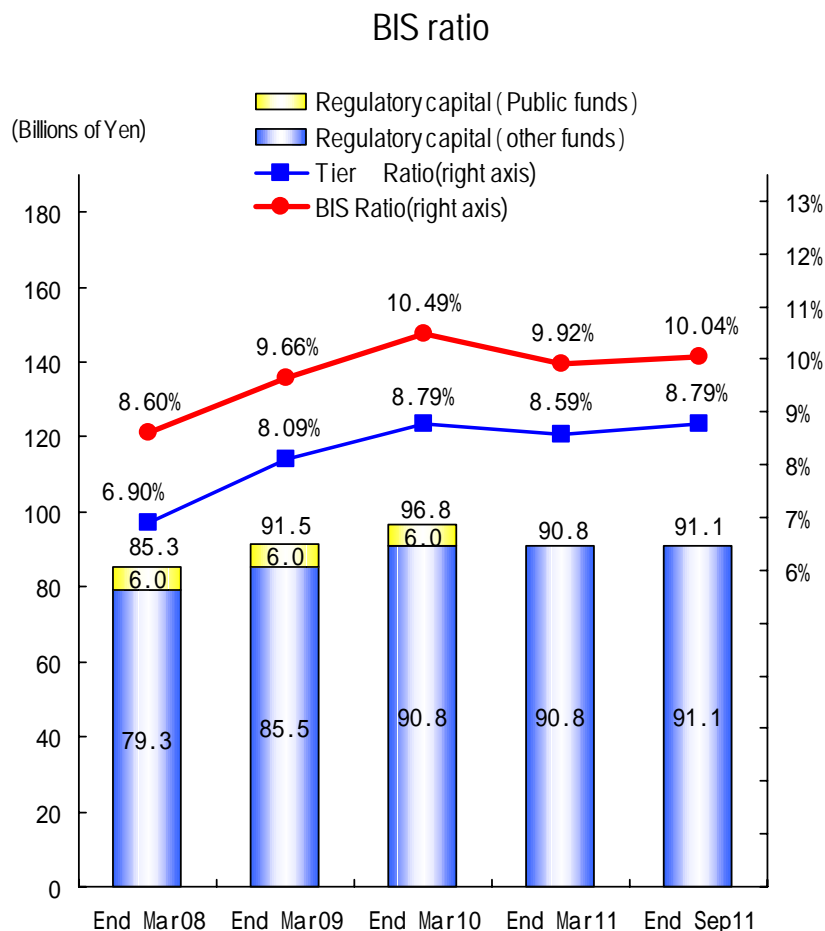
NPLs*

Total and ratio of NPLs kept low



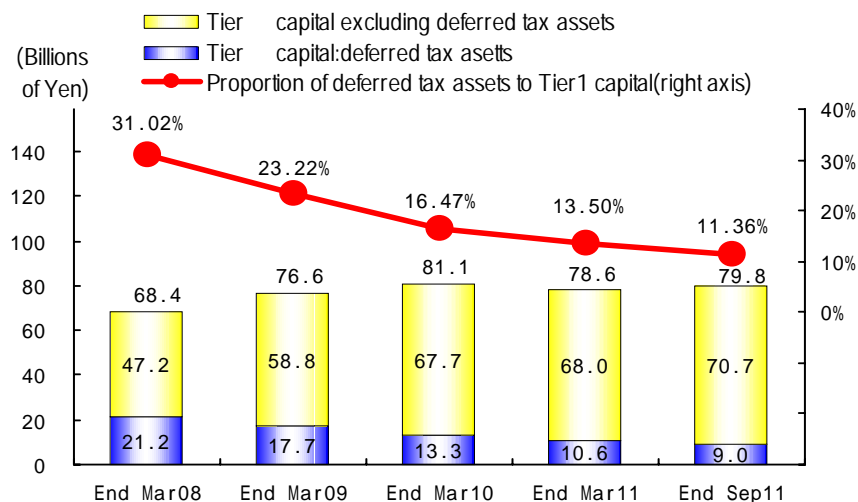
BIS Capital Ratio

Up on earnings accumulation despite a dip due to repayment of public funding and redemption of subordinated bonds



Note: The dotted lines indicate the BIS capital ratio and the Tier1 ratio under the previous BIS standards

Deferred tax assets as a percentage of Tier 1 capital



- Main causes of regulatory capital decrease -

Repayment of public funds	
Maturity date	July 14, 2010
Amount repaid (initial amount)	6 Billions of Yen (40 Billions of Yen)
Refinancing of subordinated bonds	
Date of issue	March 23, 2011
Amount of issue (expected redemption amount)	8 Billions of Yen (10 Billions of Yen)
Estimated date of redemption	June 22, 2011

Earnings Forecast for FY 2011

Higher revenues and earnings expected from strengthened marketing of loans to businesses and individuals, greater use of ATMs in convenience stores for salary remittances, and promotion of cross-selling of different types of financial products

(Billions of Yen)

	FY2010	FY2011	Year-on-year Change
Ordinary income	37.8	38.5	+ 0.7
Core business gross profit	28.9	29.0	+ 0.1
Net business profit on core banking operations	7.2	7.3	+ 0.1
Ordinary profit	5.7	7.0	+ 1.3
Net income	4.2	4.3	+ 0.1
Net Credit Costs	-0.6	0.0	+ 0.6
N P L R a t i o	2.05%	Upper 1 percentile	

Positioning of fiscal 2011 management plan

In fiscal 2011, the second year of the medium-term management plan, new measures will be introduced to assure plan achievement

**RISING
PLAN
2010**

Management Targets
Improve and expand business foundation for next leap forward
 ~ In a new growth stage, contributing to local economies ~
 Plan period **April 2010 ~ March 2014**

**Business
innovation**

Achieve next leap forward by developing measures unconstrained by conventional ideas about infrastructure of branches, business methods, products, etc.

- Upgrade and expand channel infrastructure
- Develop Life Plan marketing for individual transactions
- Strengthen marketing capabilities for corporate transactions

Support business innovation by implementing functional and human resource innovation

**Human resource
innovation**

Increase value of human resources, the Bank's core asset and support business innovation

- Revise personnel system
- Leverage diverse career backgrounds of staff
- Strengthen human resources

**Functional
innovation**

Change Bank's systems to quickly spread marketing innovation

- Review organization to enhance earning capacity
- Support marketing through greater business efficiency
- Ensure stable financial foundation

Establish legal compliance structure and solid business structure

**Fiscal year
Management plan**

fiscal 2010

fiscal 2010
management plan

fiscal 2011

fiscal 2011
management plan

fiscal 2012

fiscal 2012
management plan

fiscal 2013

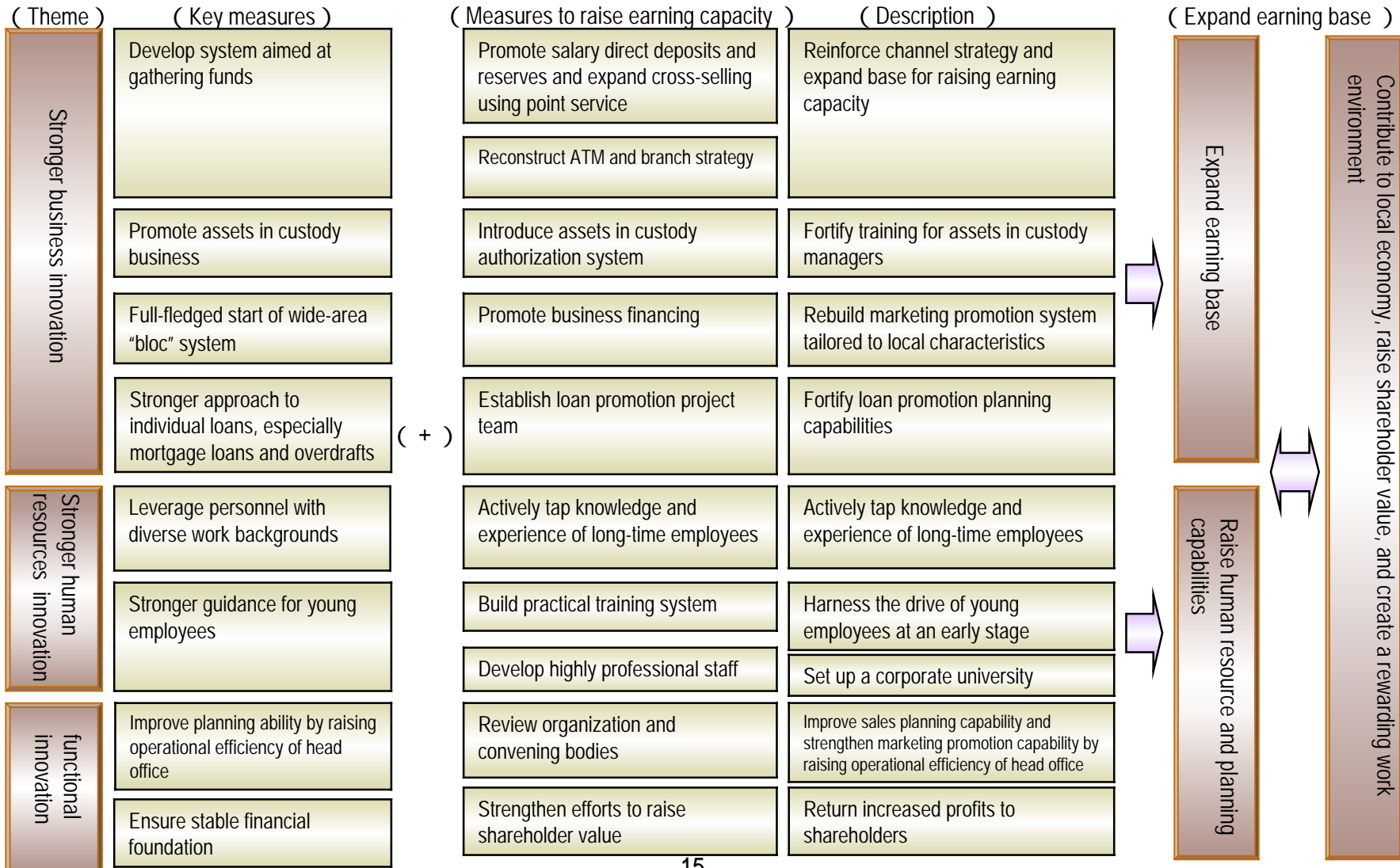
fiscal 2013
management plan

(Pay off public funds) (Introduce new measures for medium-term management plan)

Contribute to development of local economy

Theme of fiscal 2011 management plan

The theme selected for our fiscal 2011 management goals is "Stronger marketing, human resources and functional innovation" and the following measures have been set



Strengthened business innovation – Channel strategy

Finished installing ATMs at key convenience stores in Okinawa. Increase contact with customers by establishing more mini branches and opening new Loan Centers

First half – Fiscal 2010

Installed convenience store ATMs in 194 of the 202 FamilyMart stores and in 137 of the 138 Lawson stores, thereby increasing customer convenience

Connected convenience store ATMs to Japan Post Bank system thereby demonstrating Ryugyuan's convenience to Japan Post Bank cardholders.

Second half – Fiscal 2010

Opened the Ryugyuan Hello Plaza Ishida Branch, a mini branch for personal banking. A new branch style is being tested with the branch manager operating as a "Concierge."

(Opening ceremony at Hello Plaza Ishida Branch)



(Branch manager gives greeting in branch)



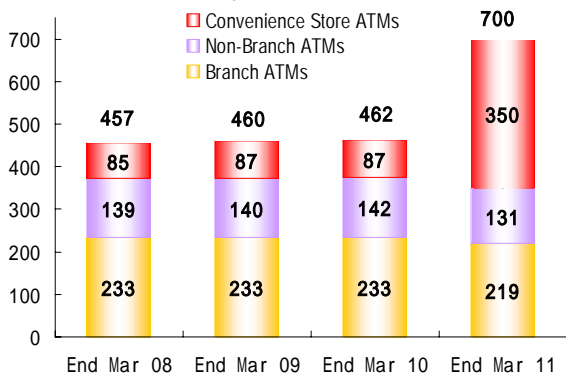
To be implemented in fiscal 2011

Second mini branch is opened in a space within a Ryugyuan branch in the southern part of the main island of Okinawa, enabling the marketing of assets in custody and deposits

Set up Loan Centers in regions where development is expected due to land readjustment and road maintenance and improvement and thus increase marketing of mortgage and consumer loans

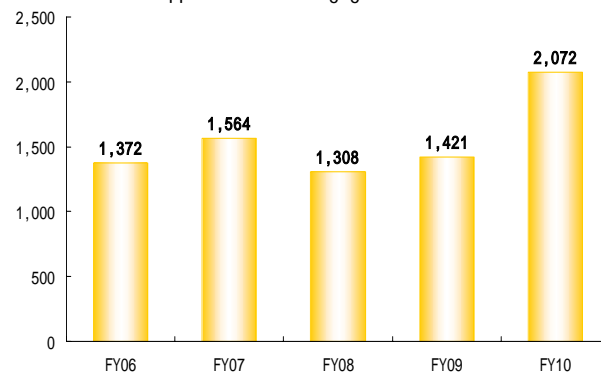
(number)

【 Changes in ATM Network 】



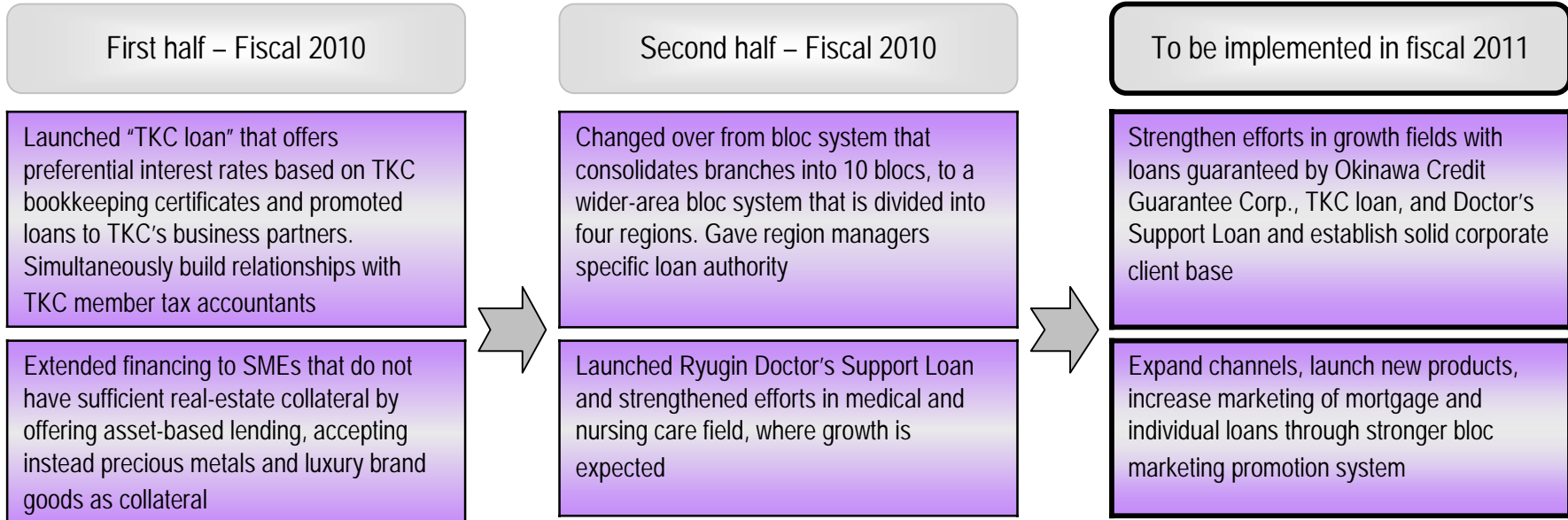
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【 Applications for mortgage loans at Loan Centers 】



Strengthened business innovation – Build up loan business

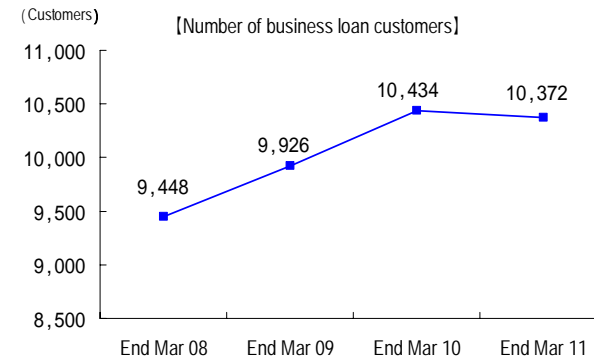
Under wide-area bloc system, increased loan volume through stronger marketing to business clients and promoted mortgage and consumer loans



【Research main banks within prefecture based on amount of corporate client revenue】

Revenue	Under ¥ 50 million		¥ 50 million - ¥ 99.9 million		¥ 0.1 billion - ¥ 0.49 billion	
Rank	Name of financial institution	Percent of total (%)	Name of financial institution	Percent of total (%)	Name of financial institution	Percent of total (%)
1	Ryugin	40.8%	Ryugin	42.4%	Ryugin	42.4%
2	Bank A	36.6%	Bank A	35.8%	Bank A	38.6%
3	Bank B	14.4%	Bank B	16.0%	Bank B	13.5%

Revenue	¥ 0.5 billion - ¥ 0.99billion		¥ 1.0 billion - ¥ 4.99 billion		¥ 5.0 billion or above	
Rank	Name of financial institution	Percent of total (%)	Name of financial institution	Percent of total (%)	Name of financial institution	Percent of total (%)
1	Bank A	42.6%	Ryugin	44.0%	Ryugin	44.3%
2	Ryugin	39.6%	Bank A	43.2%	Bank A	37.1%
3	Bank B	11.7%	Bank B	5.4%	Bank B	3.6%



Strengthened business innovation

– Gather additional deposits by developing innovative deposit products

Leverage expanded channels and fortify earning capacity by gathering more deposits

First half – Fiscal 2010

Finished installing ATMs at all key convenience stores in Okinawa

Began convenience store payment service, raised corporate client bill collection efficiency, and improved bill paying convenience for customers

Second half – Fiscal 2010

Expanded individual customer base by running TV commercial advertising convenience store ATMs and conducting "Convenience Store ATM Expansion Commemorative Salary Direct Deposit Campaign"

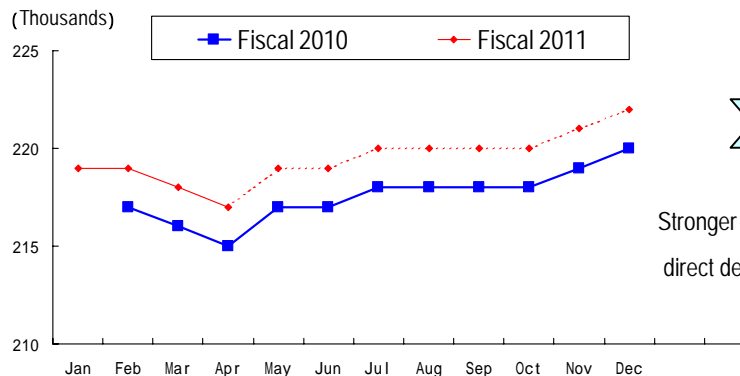
Conducted "Spring Excitement Campaign" to highlight the convenience of convenience store ATMs and increase salary direct deposits

To be implemented in fiscal 2011

Leverage expanded channels and increase salary direct deposits, savings and asset formation, and convenience store payment contracts

Gather more deposits through stronger cross-sales using point service

【Number of salary direct deposit accounts】



(Convenience store ATM TV commercial)



Stronger marketing of salary direct deposits since April 2011



Strengthened business innovation – Enhance service revenue

Increase sales of investment trusts and life insurance by offering products that meet demands resulting from the redemption of JGBs by individual customers, and reorganizing the sales force

First half – Fiscal 2010

Introduced Life Plan marketing and built system to provide timely and suitable financial products tailored to the life stage of each customer

Implemented “For Your Life Campaign” money planning consulting, and proposed investing money in custody such as retirement bonuses

Second half – Fiscal 2010

Appointed a Life Plan marketing manager for each marketing block and shared Life Plan skills and promotion methods within block

Improved dissemination of information by holding customer seminars

To be implemented in fiscal 2011

Restructure marketing system for investment trusts and life insurance by introducing a grade system based on skills commensurate with the qualification of marketing assets in custody

Enhance product lineup by offering products that meet demands resulting from the redemption of JGBs by individual customers. Increase sales of investment trusts and life insurance through more aggressive money planning proposals

(Press conference on Life Plan marketing)



Strengthened business innovation – Consulting business

Strengthen relations through stronger ability to solve customers' problems. Increase consulting revenue through M&A, business succession, and other consulting services

First half – Fiscal 2010

The Marketing Management Department's Financial Services Office was turned into the Consulting Business Department and made independent. Enhance and strengthen consulting capabilities to solve clients' problems

Consulted on organizational restructuring to meet Okinawa corporate clients' needs for expansion and greater operational efficiency



Second half – Fiscal 2010

Participated with client companies in Food Selection 2010, a food business forum, and helped clients expand marketing channels

Initiated a temp service for experts. Helped solve business problems by sending experts, such as CPAs, suited to client needs



To be implemented in fiscal 2011

Increase consulting-related revenue from M&A, business succession consulting by strengthening branches' information gathering capabilities

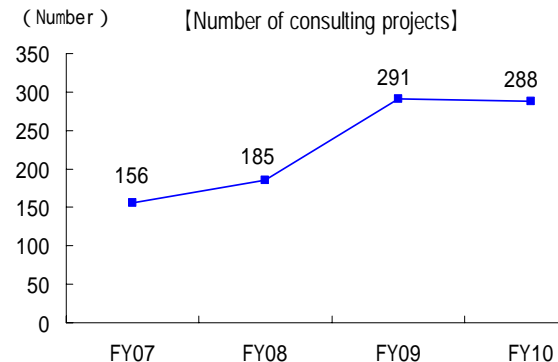
Help raise management capabilities by offering management school for corporate managers and executive management

1. Set up office to prepare for establishing base in Asia and investigate regions and market entry methods (attract leading companies focused on Asia)

(Seminar on business and organizational restructuring)

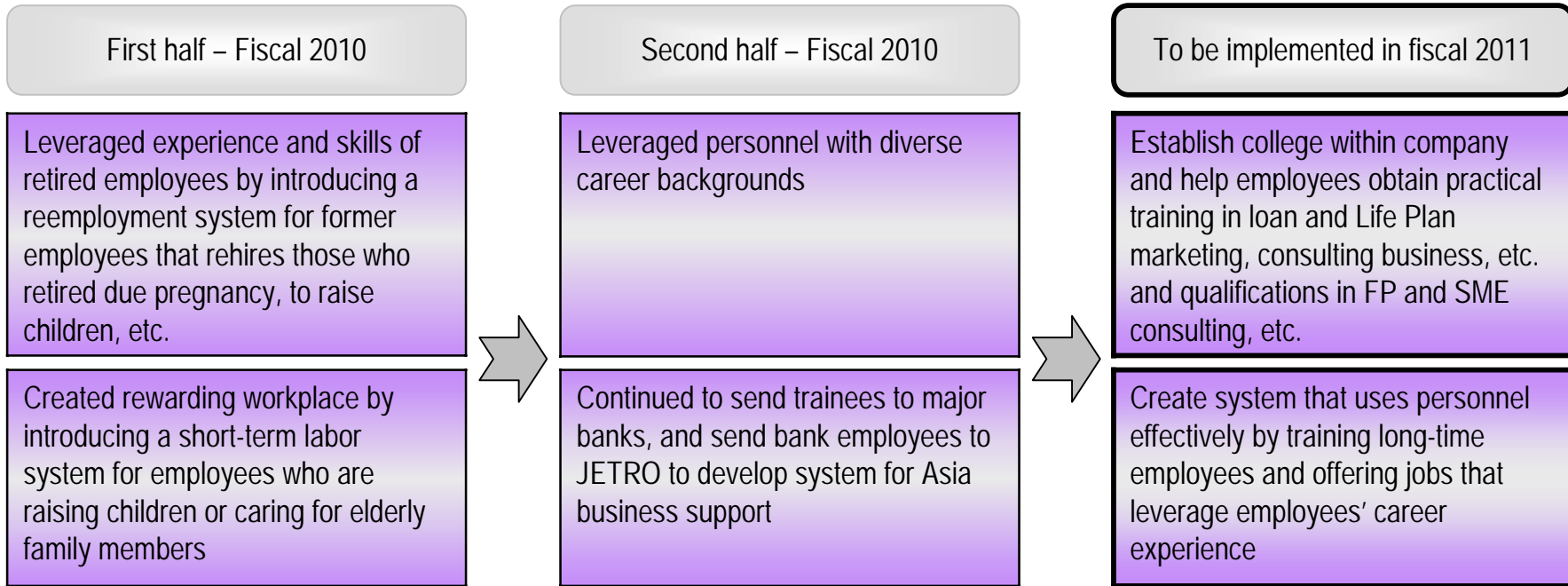


(Food Selection 2010)



Strengthened human resources innovation

Establish college within company and train highly professional staff. Revitalize organization by creating positions that take advantage of employees with long working experience



(Trainee dispatch)

	FY06	FY07	FY08	FY09	FY10	FY11	Total since 2006
Major banks	2	2	2	2	1	1	10
Overseas subsidiary of major bank	0	2	2	1	2	2	9
JETRO	0	0	0	0	0	1	1
(Total)	2	4	4	3	3	4	20

Strengthened Functional innovation

Increase earning capacity and secure a stable financial base by strengthening marketing capabilities based on organization review

First half – Fiscal 2010

Acquired and retired public preferred stock and paid off public funds. Secured a sufficient capital adequacy ratio of 9.92% after repayment.

Paid interim dividend of ¥8 and returned increased profits to shareholders

Second half – Fiscal 2010

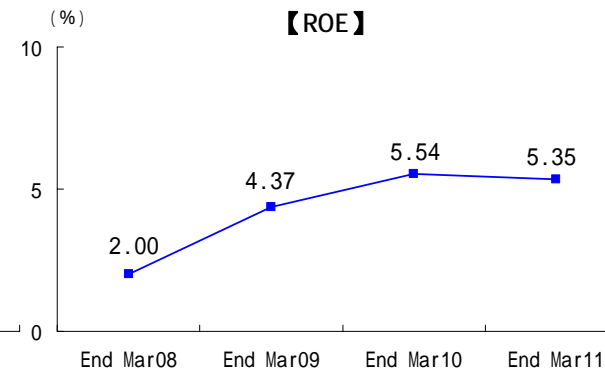
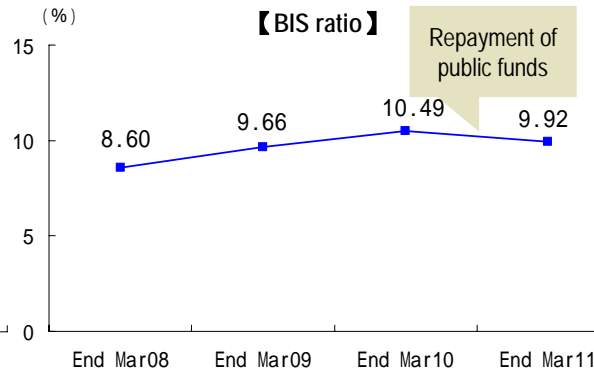
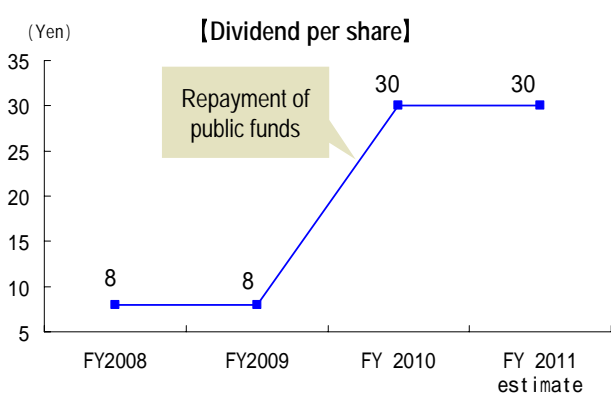
Since we secured a sufficient level of capital adequacy, we refinanced ¥10.0 billion in subordinated bonds for ¥8.0 billion, a discount of ¥2.0 billion

Resolved to buy back treasury stock with a total repurchase value of ¥500 million. Repurchase was carried out between April and May 2011 and profits were distributed to shareholders.

To be implemented in fiscal 2011

Increase earning capacity and secure a stable financial base by strengthening marketing capabilities based on organization review

We will raise our fiscal 2010 year-end dividend from our previous estimate of ¥10 to ¥22 (and the annual dividend from ¥18 to ¥30) and return additional profits to shareholders



* ROE= Net income /Tier 1 capital

Key Numerical Forecasts

Key Numerical	FY2010	FY2011	Increase
Average balance of deposits	¥1,541.4 billion	¥1,640.0 billion	+ ¥98.6 billion
Average balance of loans and bills discounted	¥1,163.6 billion	¥1,170.0 billion	+ ¥6.4 billion
Loans guaranteed by Okinawa Credit Guarantee Corp	¥25.1 billion	¥30.0 billion	+ ¥4.9 billion
Mortgage loans	¥36.1 billion	¥38.0 billion	+ ¥1.9 billion
Consumer loans (Note)	¥7.1 billion	¥10.0 billion	+ ¥2.9 billion
Value of assets in custody (Note)	¥9.4 billion	¥20.0 billion	+ ¥10.6 billion
Net Business Profit Core Banking Operations	¥7.2 billion	¥7.3 billion	+ ¥0.1 billion
Ordinary profit	¥5.7 billion	¥7.0 billion	+ ¥1.3 billion
Net income	¥4.2 billion	¥4.3 billion	+ ¥0.1 billion
BIS Capital Ratio	9.92%	Lower 10 percentile	-

(Note) 1. Consumer loans = secured and unsecured loans excluding credit card loans

2. Value of assets in custody = total of investment trusts and life insurance

About This Presentation

All enquiries regarding this presentation should be addressed to:

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Information is based on summaries of published data, and some totals presented in this presentation may not add up due to rounding. Values for year-on-year change are computed on the basis of rounded figures. However, year-on-year percentage changes are calculated based on original values prior to rounding.

This material contains information about the future (forward-looking information) such as forecasts, outlooks, objectives and plans concerning the Bank. The forward-looking information was created based on information available as of Nov 11, 2011 and does not represent a guarantee of future performance. Certain assumptions and hypotheses are used for the description of forward-looking information, but these assumptions and hypotheses could be inaccurate from an objective perspective and may not materialize in the future. Forward-looking information involves risks and uncertainties, and we ask readers to refer to the brief notes on the settlement of accounts and securities report of the Bank for more details. The Bank will not update the forward-looking information contained in this material.