



Designed by Nanae chiba

Bank of the Ryukyus Management Briefing For the 1H FY2010



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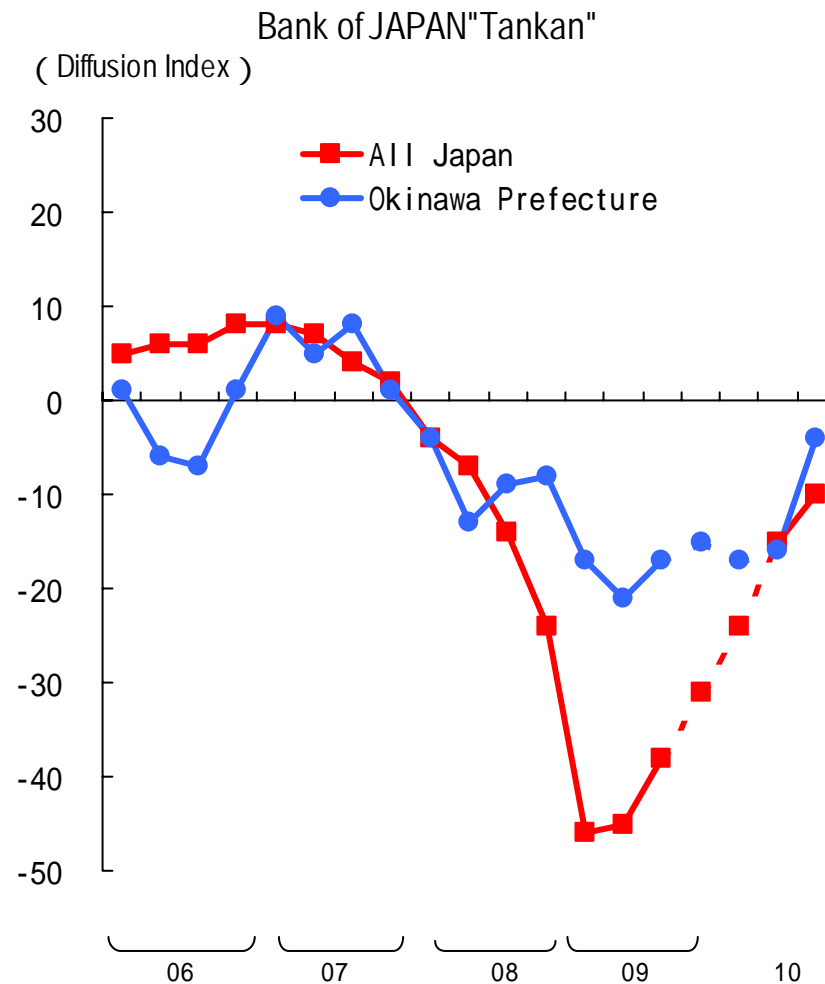
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. Medium-Term Management Plan

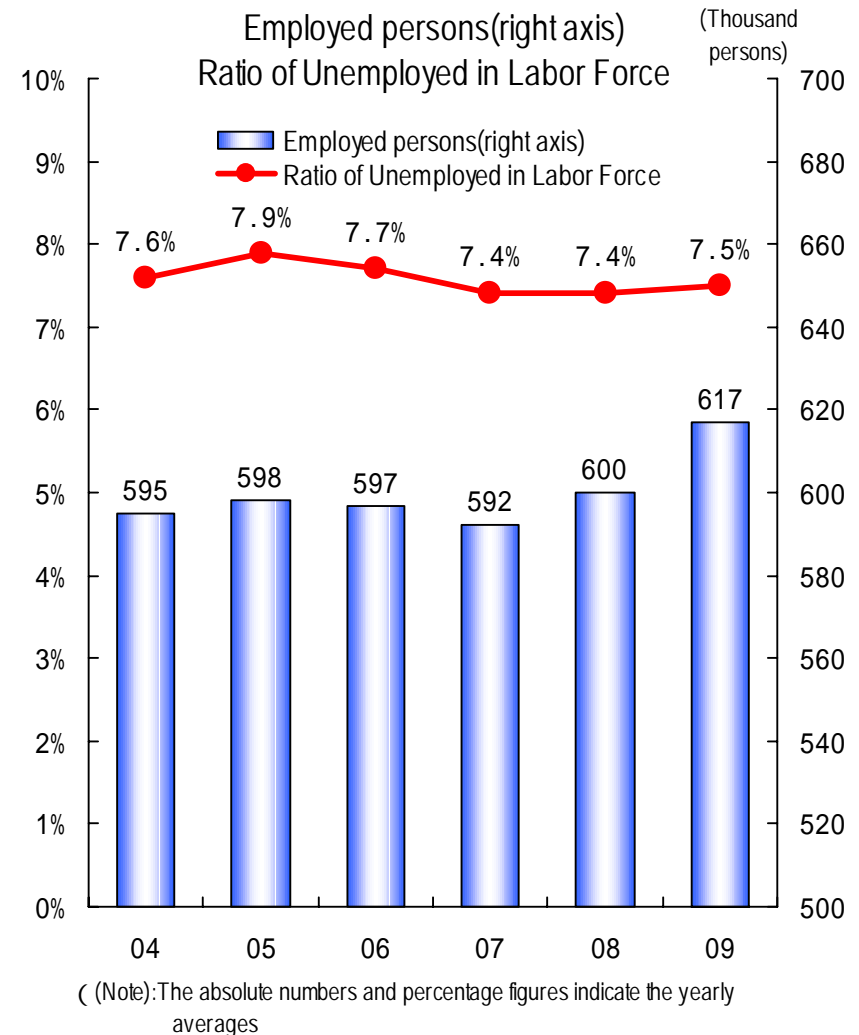
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Economic Trends

Improved mainly due to rebound in tourism demand

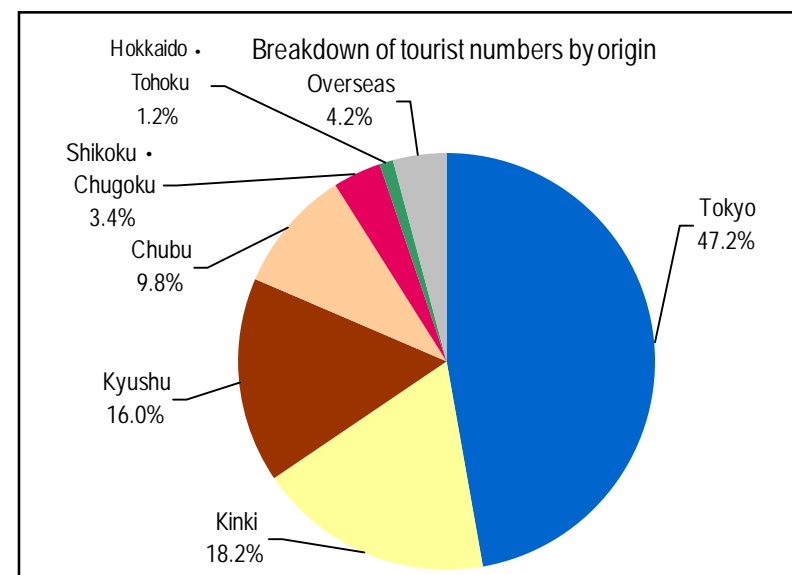
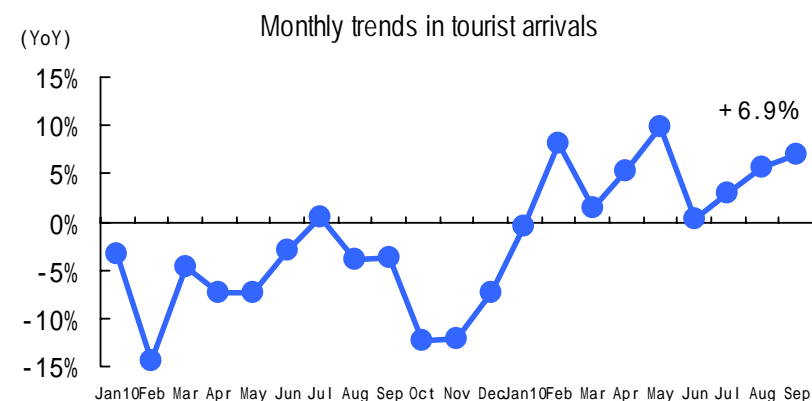
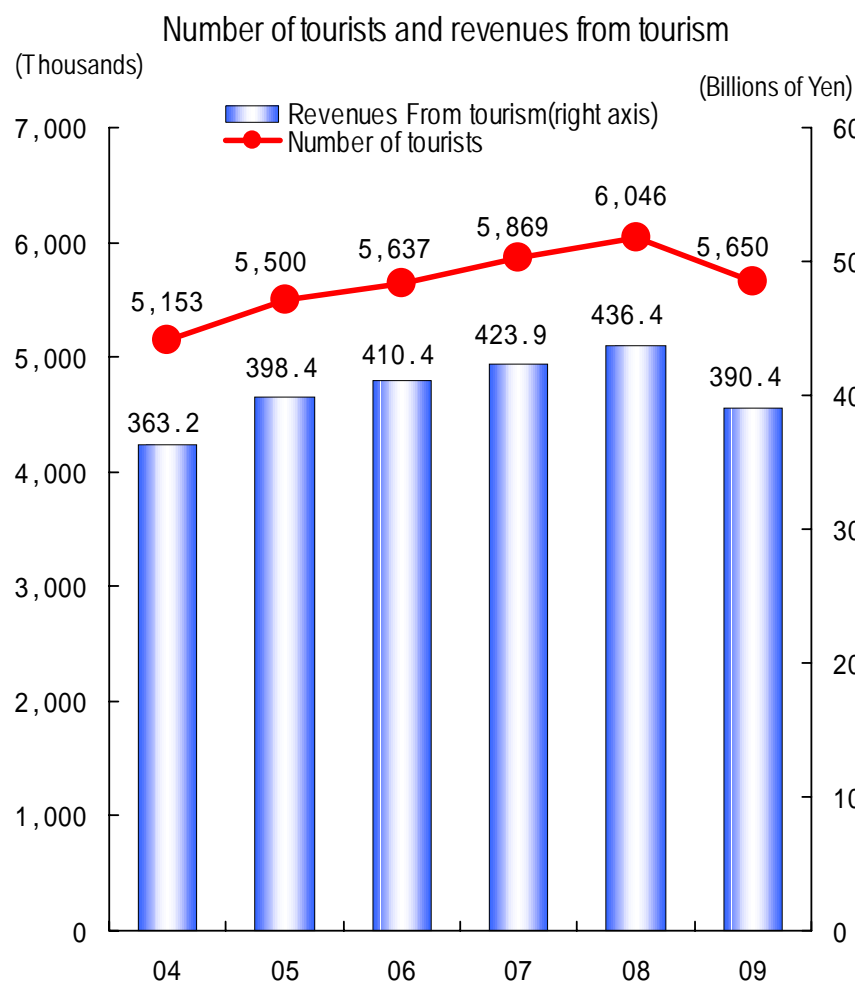


Note: In March 2009, the list of companies to the survey was changed



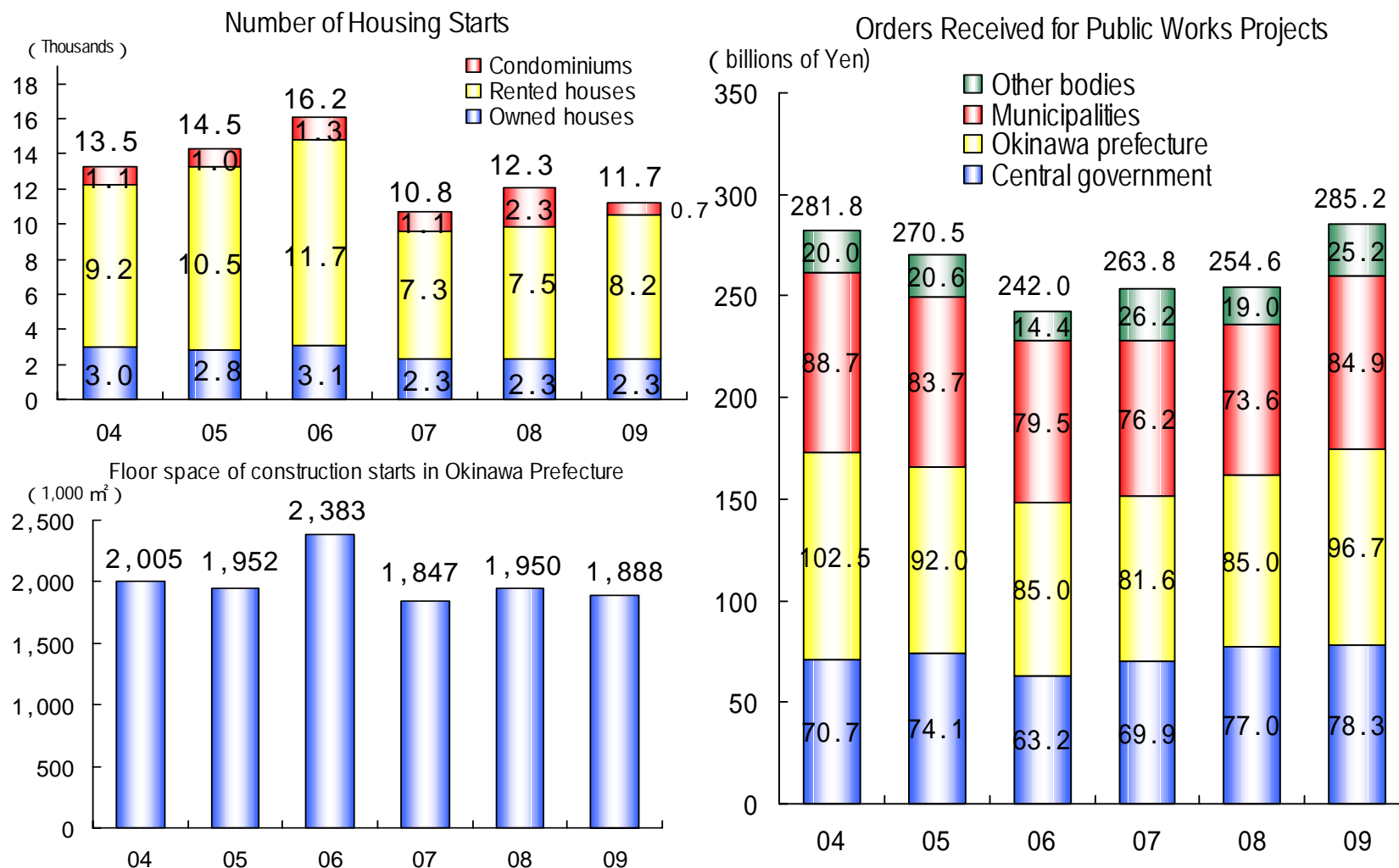
Tourism

Number of tourists visiting Okinawa : First year-on-year decrease in 8 years.
Has recently improved.



Construction

Number of new housing starts decreased in reaction to last year's large-scale subdivision sale in Naha City's Chatan Town



1H FY2010 Results Summary



Net business profit on core banking operations decreased mainly due to lower interest on securities caused by lower market interest rates, deposit interest payments, and declining return on loans

	1H FY2009	1H FY2010	Change	(Billions of Yen)
Core business gross profit	15.3	14.6	- 0.6	
Net interest income	12.8	12.4	- 0.3	
Interest and dividend income on securities	1.4	1.2	- 0.2	
Fees and commissions	0.9	0.8	- 0.1	
Expenses	- 10.5	- 10.9	- 0.3	
Net business profit on core banking operations	4.8	3.7	- 1.0	

(Note) 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

1H FY2010 Results Summary



Interim net income is on target

	1H FY2009	1H FY2010	Change	(Billions of Yen)
Net business profit on core banking operations	4.8	3.7	- 1.0	
Provisions to the reserve for possible loan losses	- 0.7	0	+ 0.7	
Loan write-offs, etc.	- 0.3	- 0.5	- 0.2	
Losses on securities	0	- 0.3	- 0.2	
Ordinary profit	3.9	2.8	- 1.1	
Reversal of reserve for possible loan losses	0	1.3	+ 1.3	
Gains from bad debts recovered	0.7	0.2	- 0.4	
Net income	2.7	2.4	- 0.3	
Credit costs (+ -)	-1.0	0.7	1.8	
Net credit costs (+ - -)	-0.3	1.0	1.3	

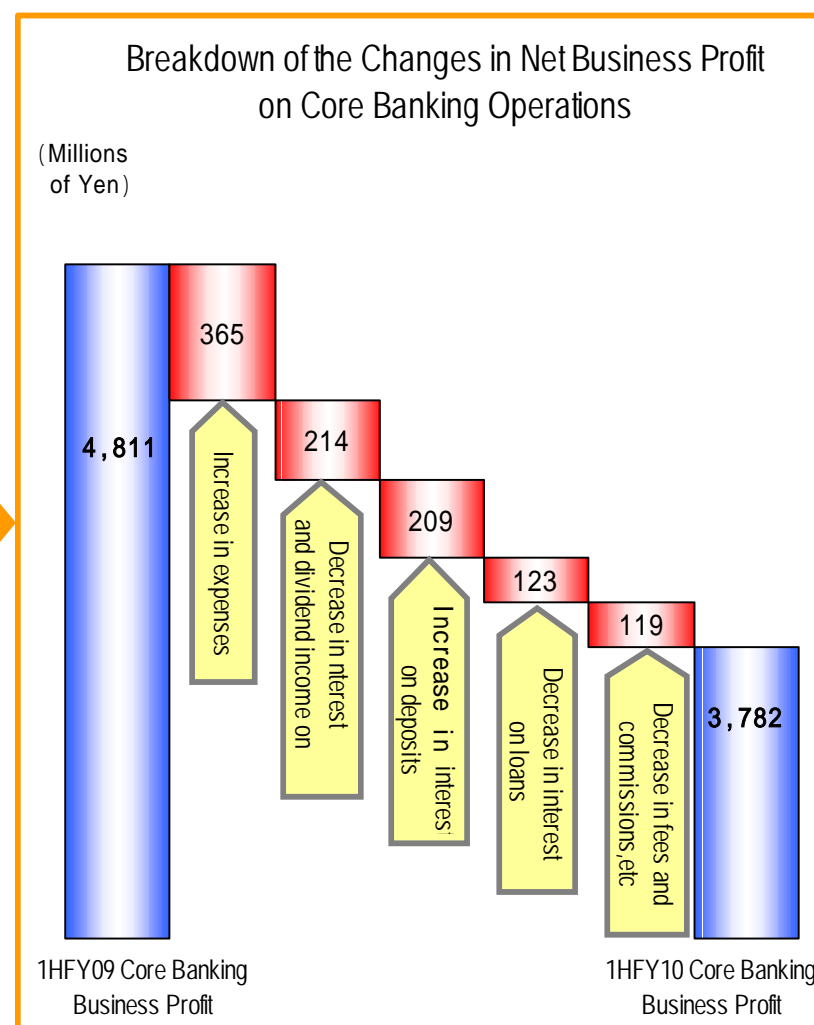
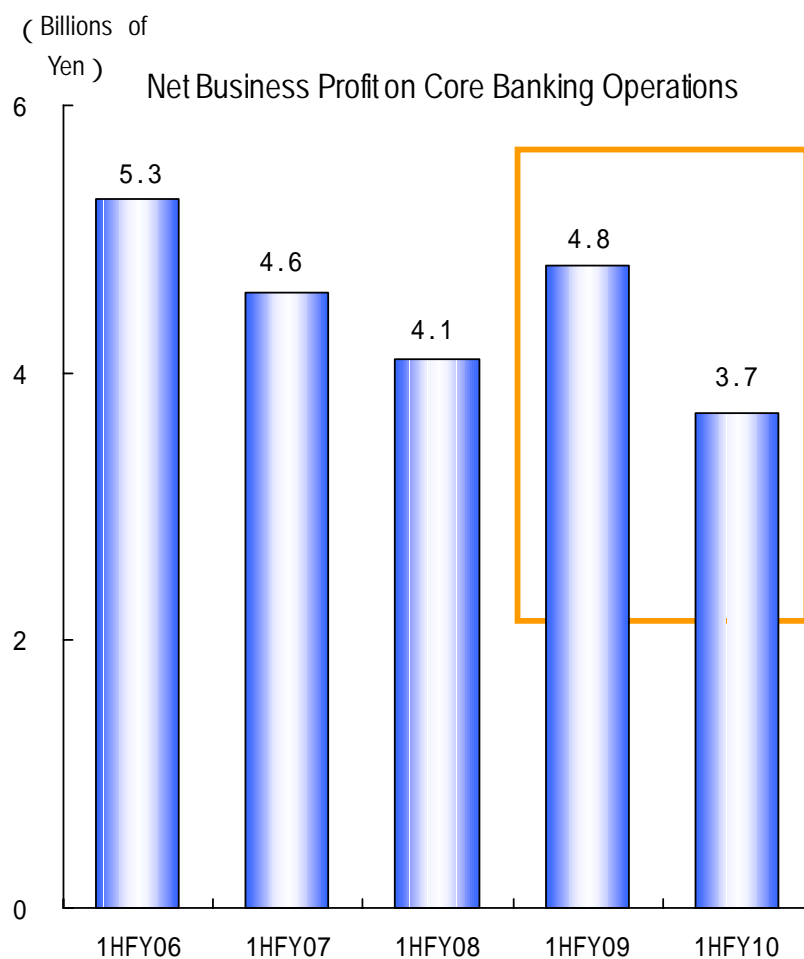
(Note)

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. Year-on-year changes are calculated based on the original value, and values of less than 100 million yen have been rounded down

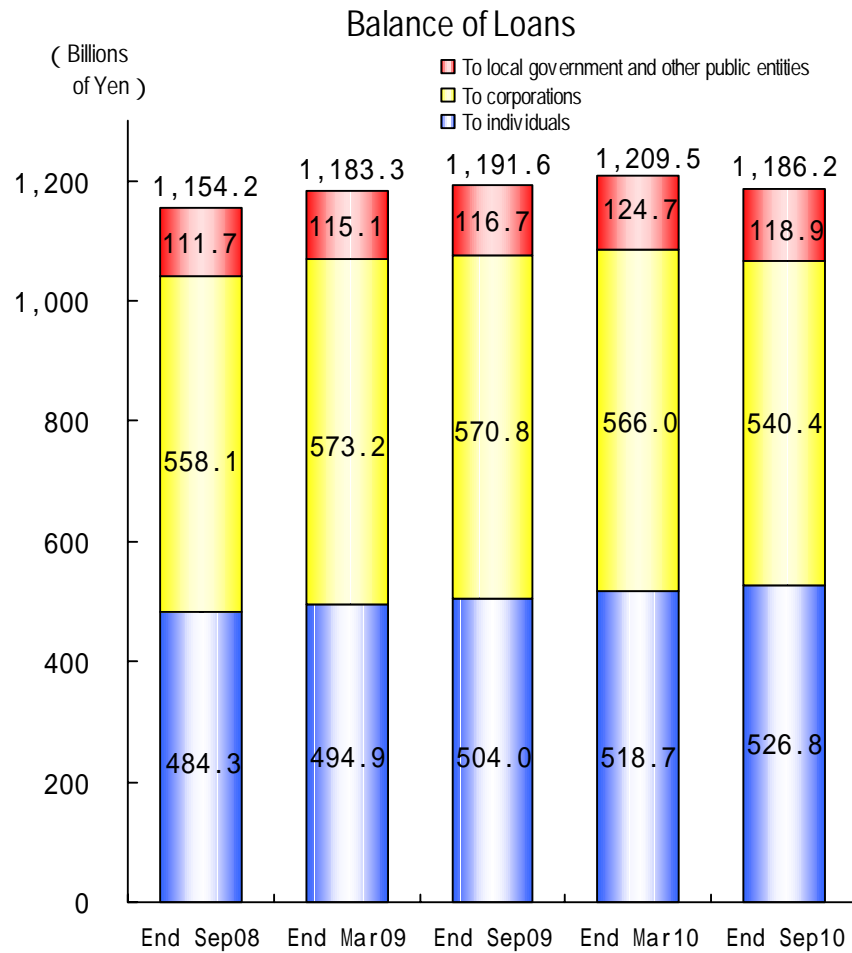
Net Business Profit on Core Banking Operations

Net business profit on core banking operations decreased year on year

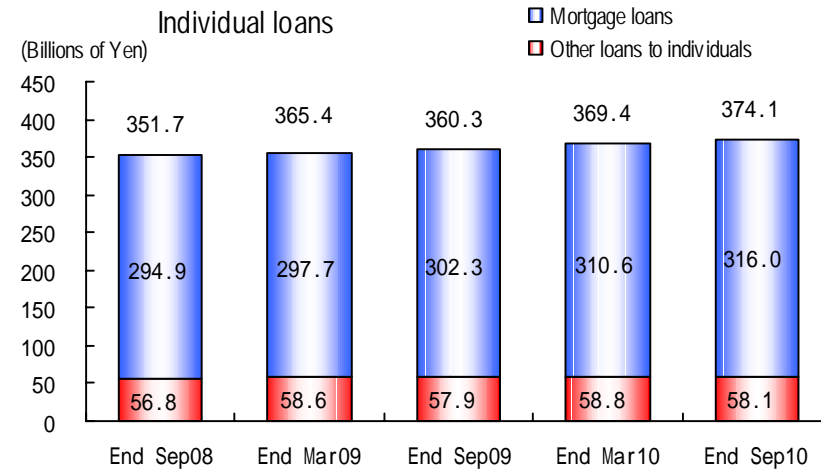
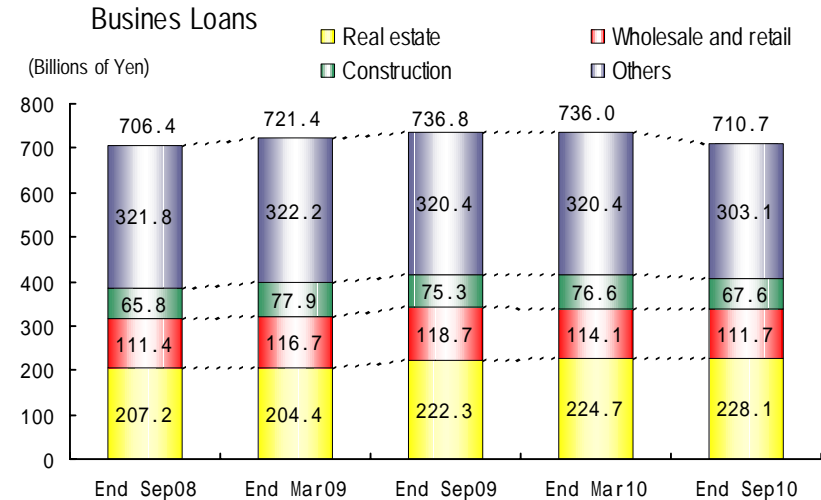


Loans

Corporate loans are sluggish, while individual loans, especially mortgage loans, increased

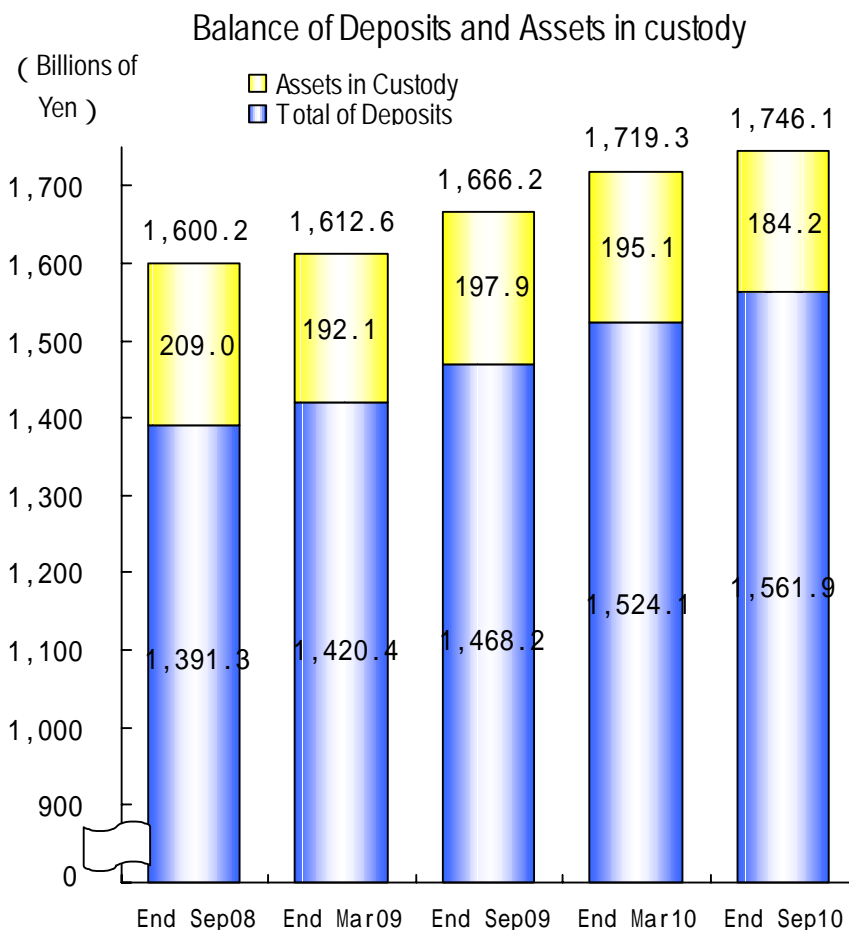


(Note) Due to differences in treatment of loans to business owners, totals for business and individual loans on the right of the slide do not match the grand totals on the left.

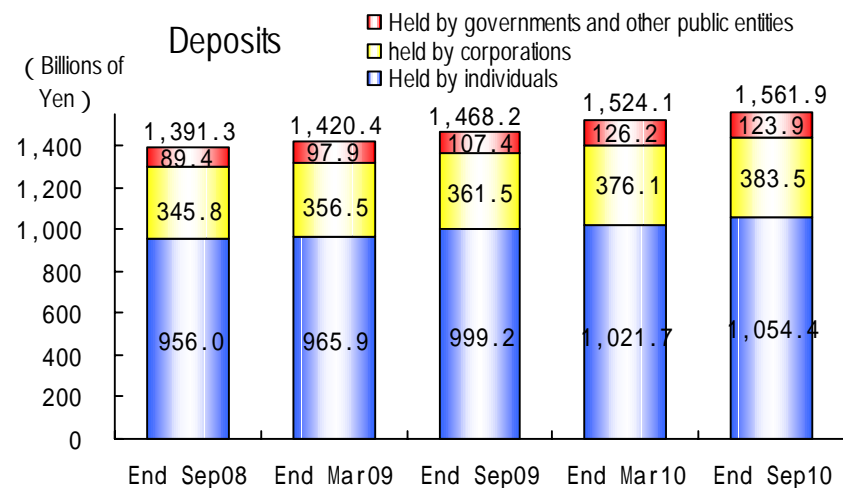
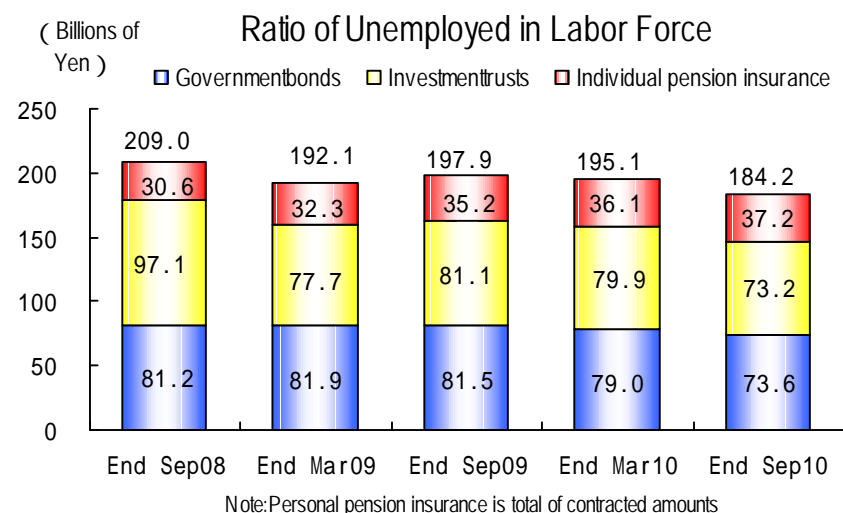


Deposits and Assets in Custody

Both individual and corporate deposits remained strong

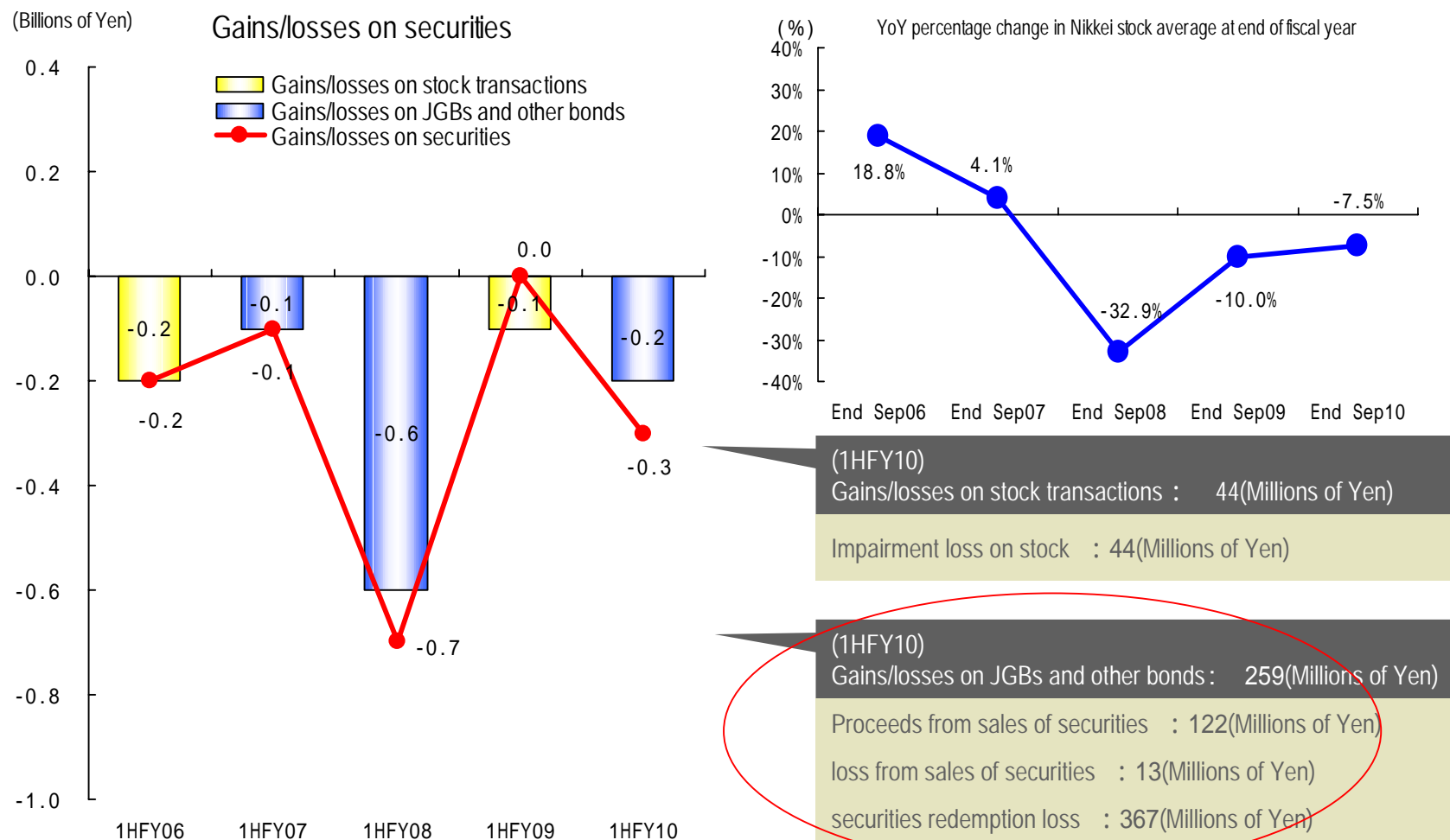


Note: Assets in custody are the total of investment trusts, personal pension insurance plans (contracted amounts) and government bonds



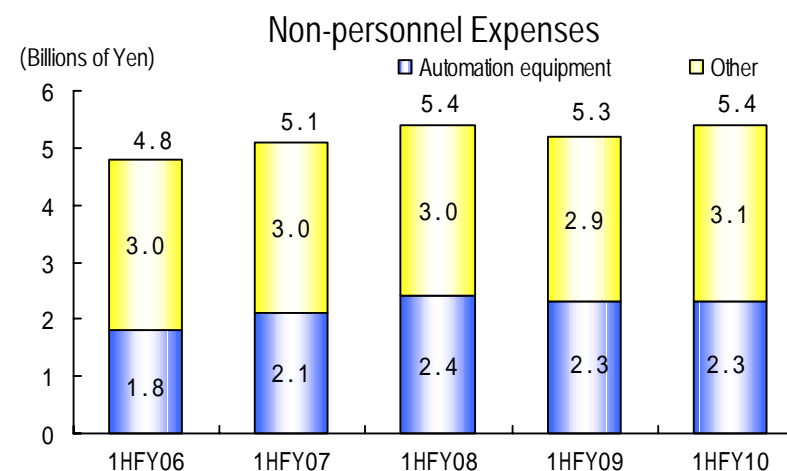
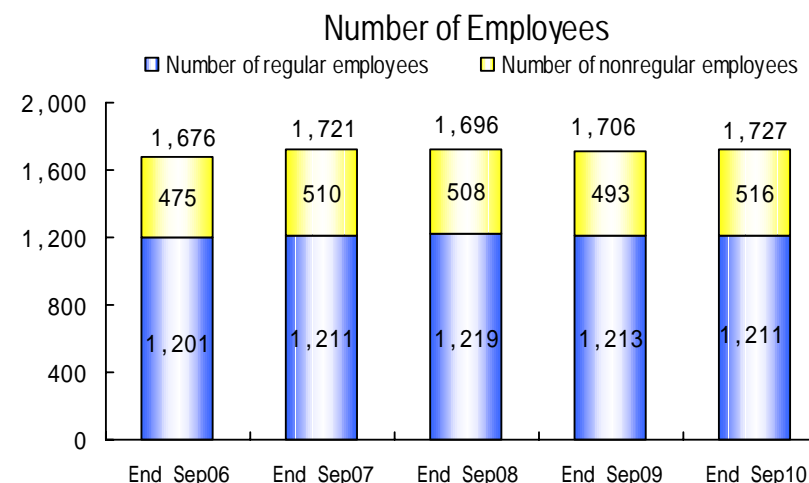
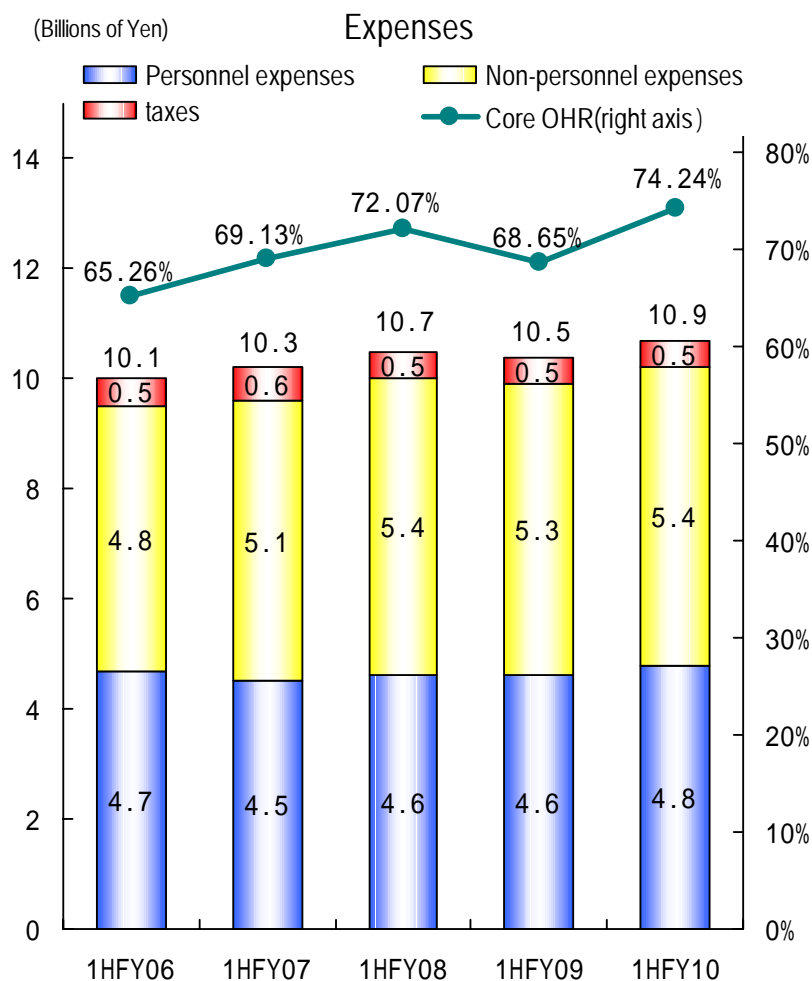
Gains/losses on securities

Incurred loss on cancellation of investment trusts (securities redemption loss)



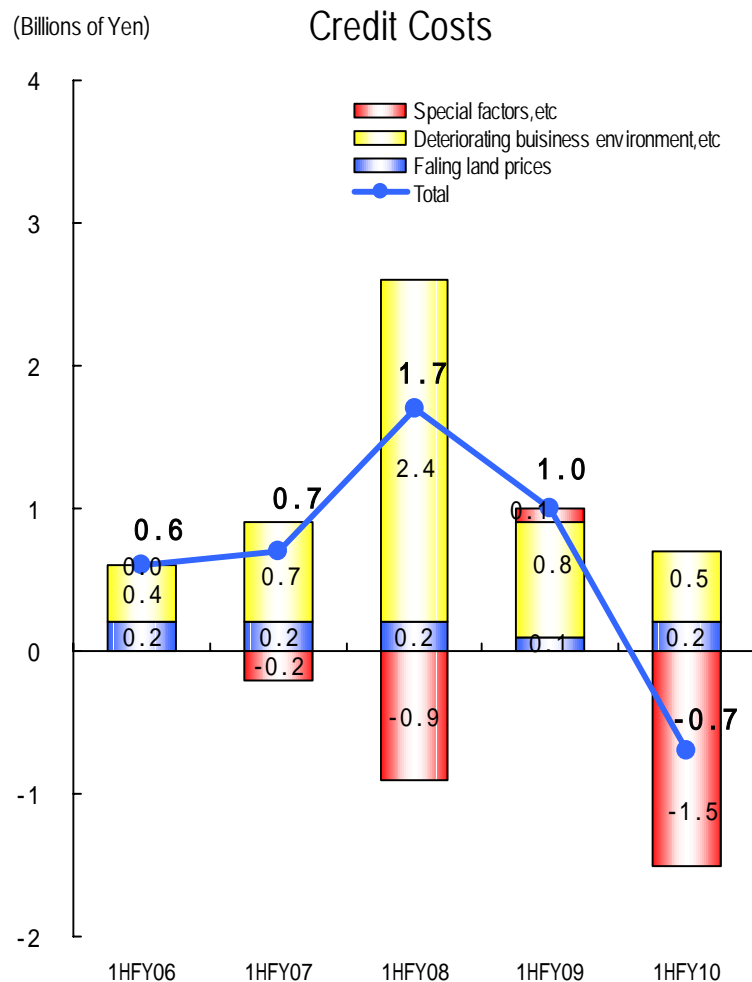
Expenses

Core OHR rose due to increased expenses and decreased core business gross profit

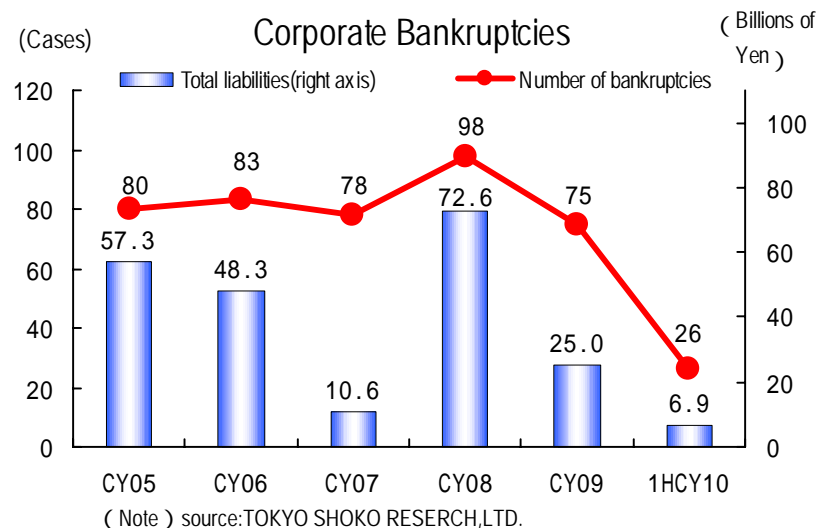
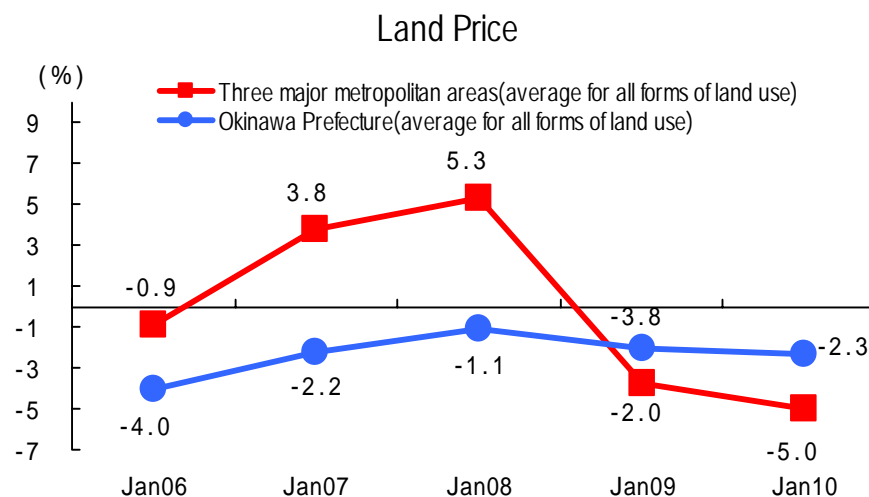


Credit Costs

General reserve for possible loan losses was reversed due to decline in loan loss ratio

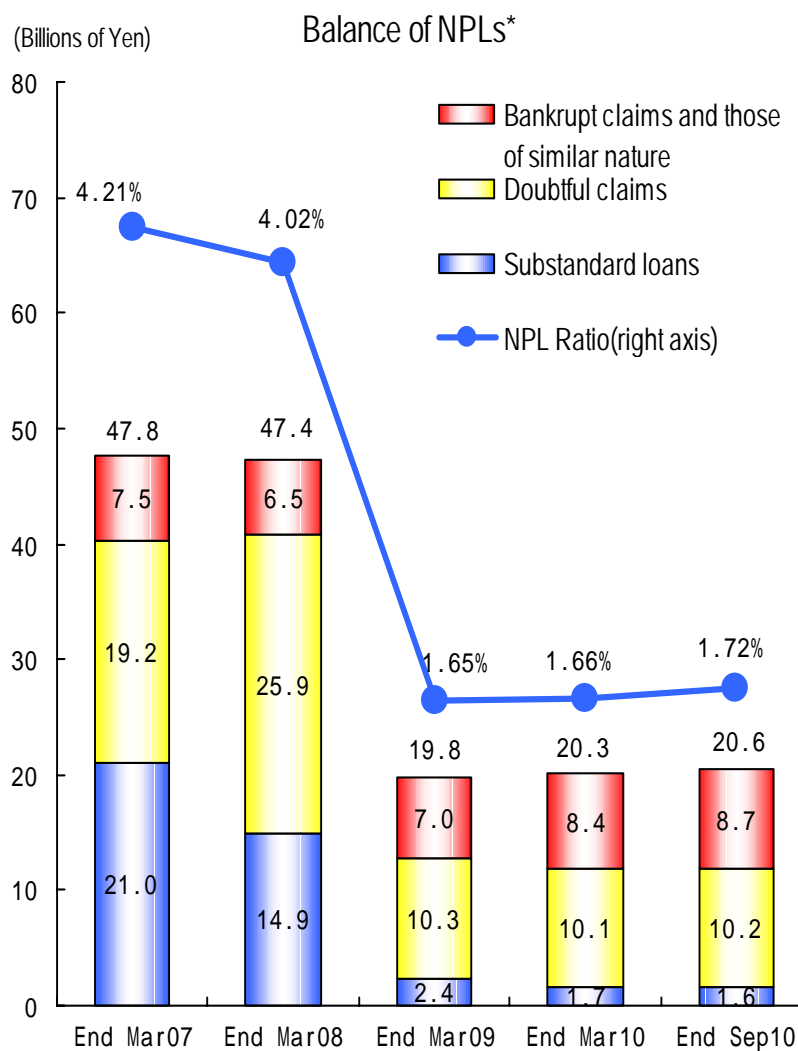


(Note) NPL disposal costs are Credit costs before Gains from bad debts recovered

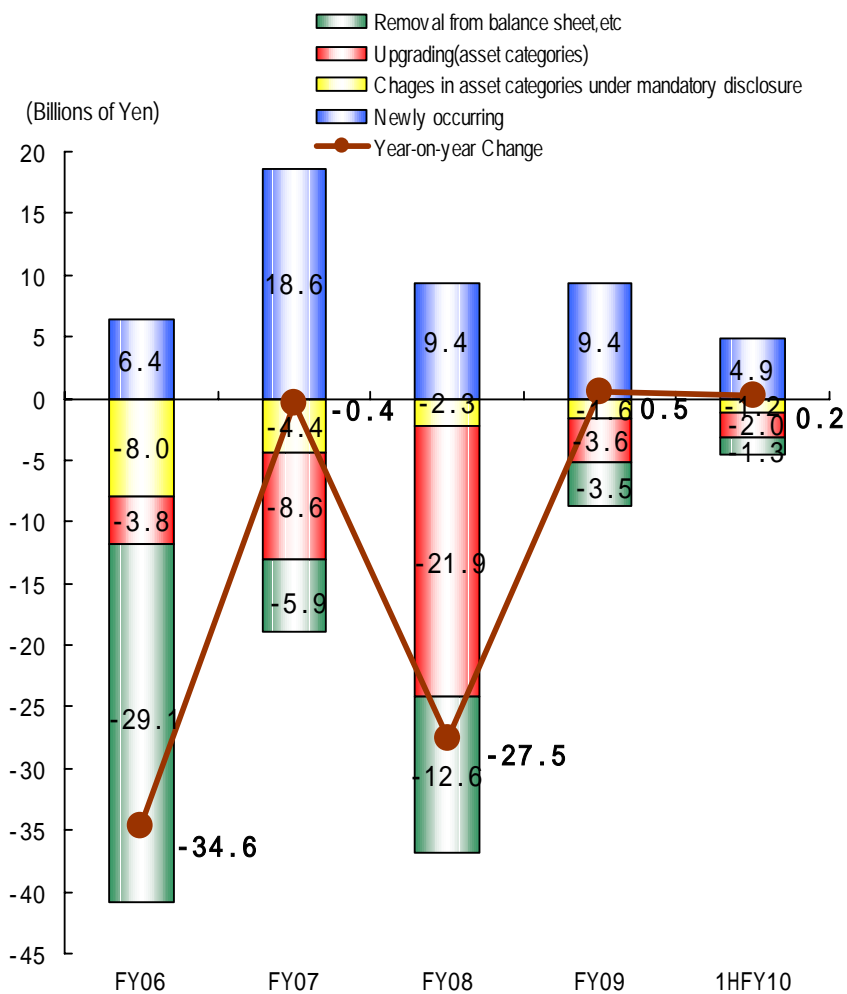


NPLs *

Total and ratio of NPLs kept low

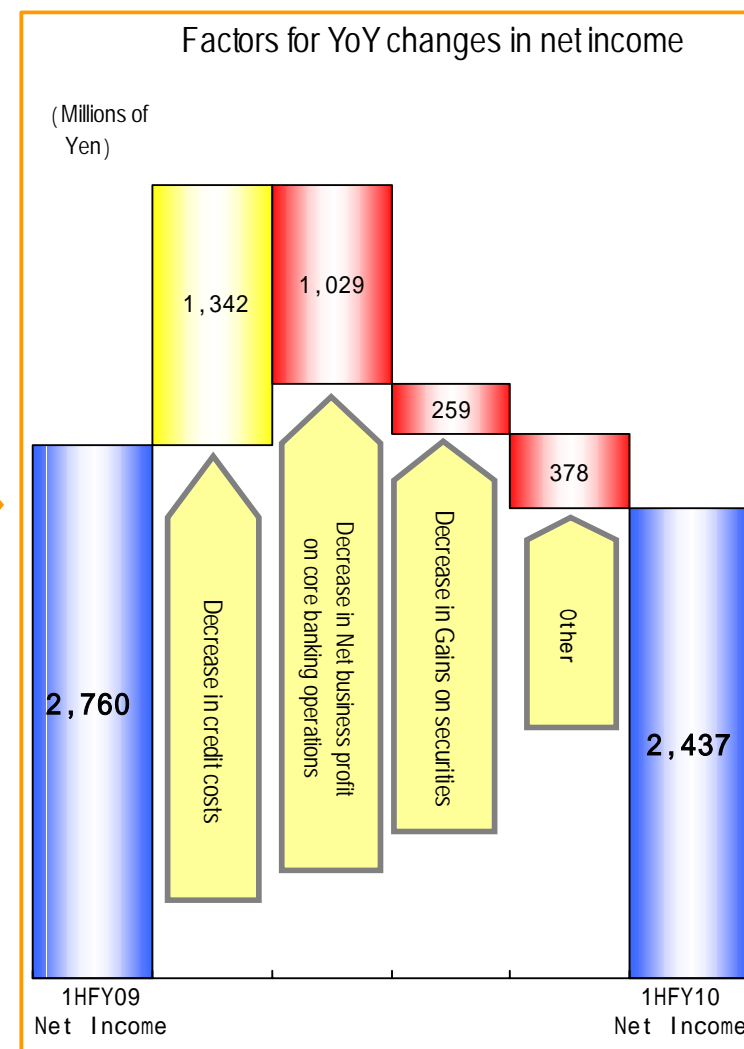
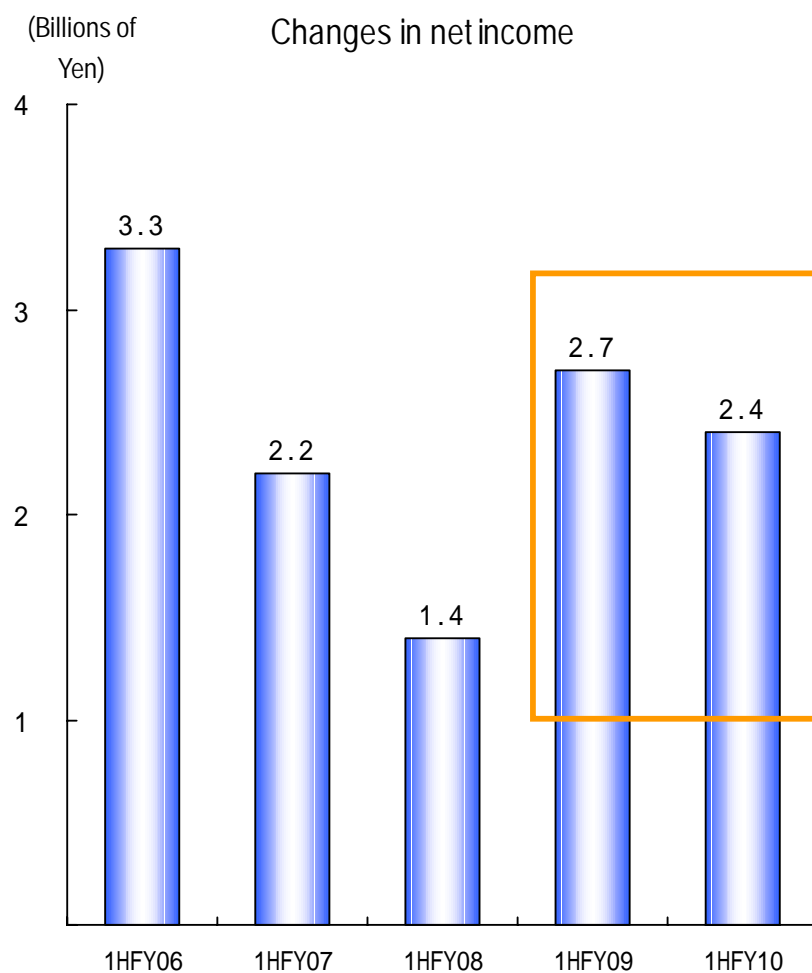


Breakdown of the factors behind Change in NPLs*



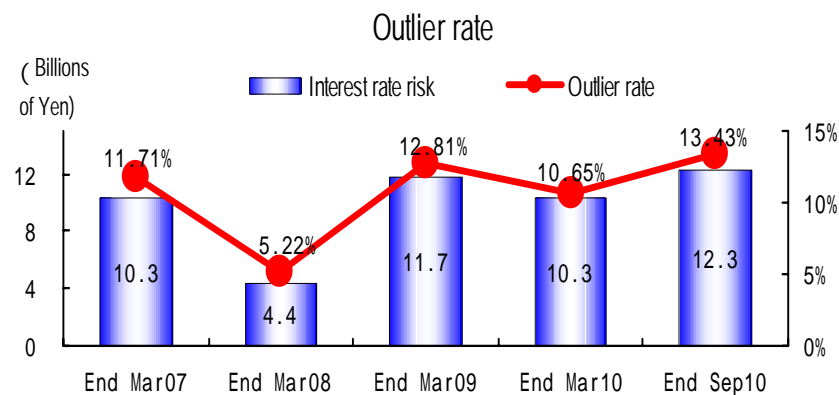
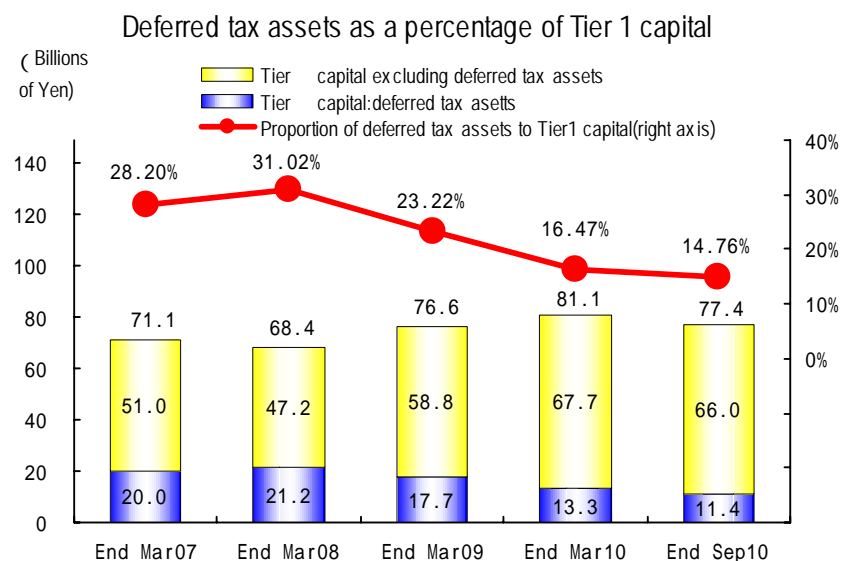
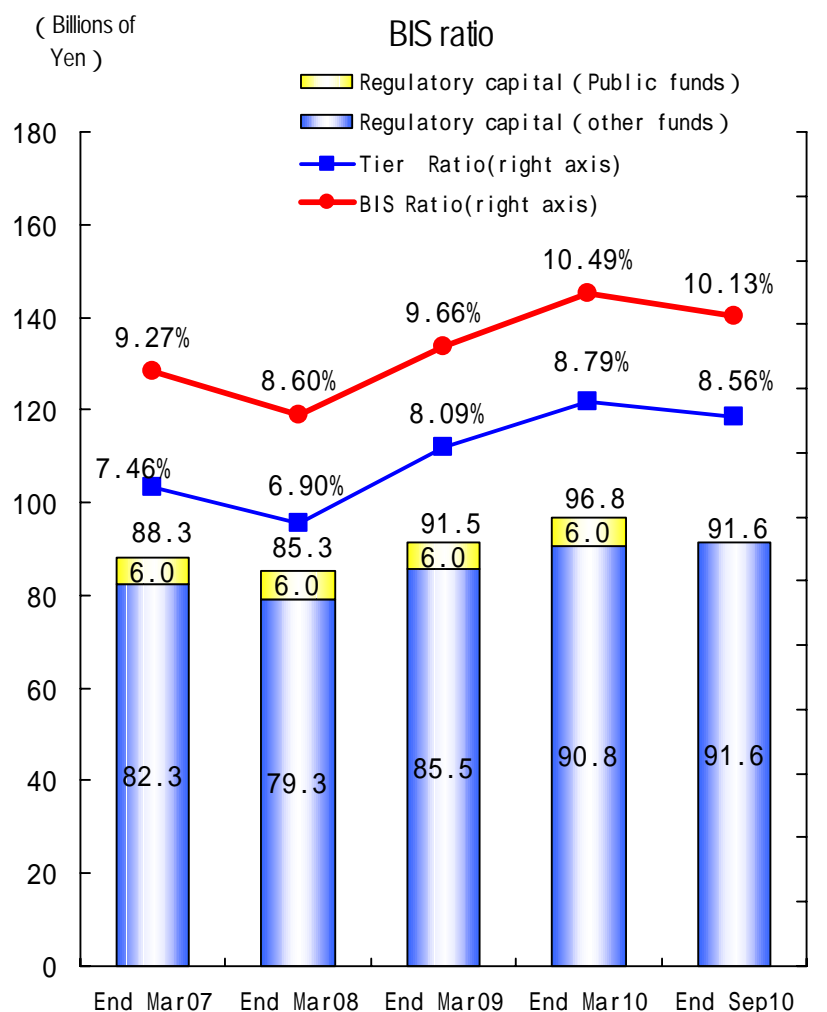
Net Income

Though credit costs decreased, profits declined due to lower net business profit on core banking operations



BIS Capital Ratio

Repaid public funds and maintained BIS capital ratio of more than 10%



(Note) Outlier criteria validate the interest rate risk of bank accounts, with the criteria being whether or not interest rate risk drops 20% below regulatory capital. Ryugin's interest rate risk is calculated by interest rate shock based on a positive or negative parallel shift of 200 basis points

Earnings Forecast for FY 2010



Secured net income in line with that of fiscal 2009 due to decreased credit costs, etc.

(Billions of Yen)

	FY2009	FY2010	Year-on-year Change
Ordinary income	38.7	39.0	+ 0.3
Core business gross profit	30.2	29.0	-1.2
Net business profit on core banking operations	9.1	7.5	-1.6
Ordinary profit	5.9	6.5	+ 0.6
Net income	4.4	4.5	+ 0.1
Net Credit Costs	-2.0	0.5	+ 2.5
N P L R a t i o	1.66%	1% ~ 2% Range	

* Net credit costs that contributed to increased profit are shown with a plus (+) sign, while those that contributed to decreased profit are shown with a minus (-) sign. FY2010 estimate "5" shows a reversal.

Plan Vision

Name/Management Targets

Name : 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**

【Plan Vision】

Achieve the Bank's next leap forward while contributing to "development of local economies," a business principle of the Bank, by developing problem-solving oriented finance.

Management strategy

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

Basic Strategy

Business innovation



Build unparalleled banking network in Okinawa Prefecture by expanding and upgrading channel infrastructure.

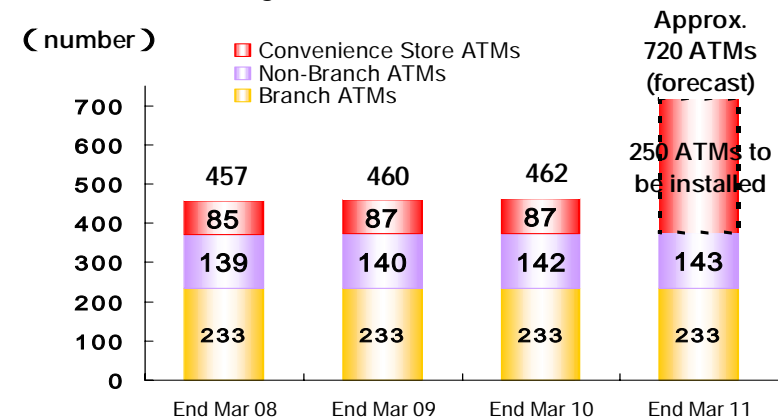


Install ATMs in all convenience stores
(Family Mart, Lawson) within prefecture

Build additional Loan Centers
and open new Mini Branches

Make enormous improvement in customer convenience and
expand foundation for individual transactions by building
unparalleled ATM network within prefecture and opening
Loan Centers and Mini Branches

【 Changes in ATM Network and Forecast 】

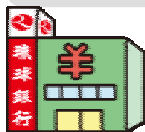


Change perspective for corporate and individual and strengthen marketing capabilities.

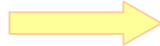
Retail business

Develop solutions-based marketing (Life Plan marketing) tailored to individuals and households

- Increase long-term stable funds (deposits, assets in custody and loans) by building stronger customer relationships
- Product development with women's project team (Team Sunflower)
- Market products using local TV character (Ryujin Mabuyer)



Develop Life Plan marketing
for households and
individuals



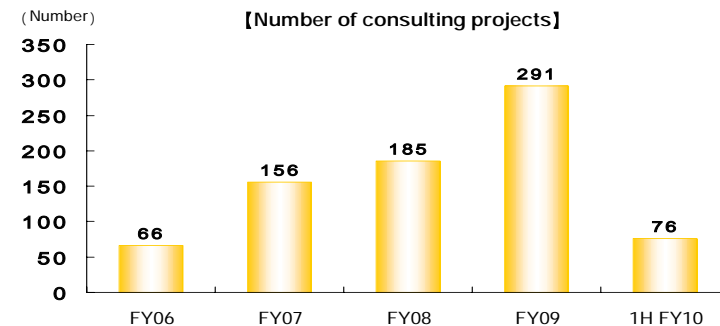
Corporate deposits and loans business

- Increase volume by improving marketing methods, products, etc.
- Develop system aimed at gathering funds

Consulting business

Further expand consulting track record by strengthening solutions capabilities for solving customer's business problems

- Strengthen customer relationship by improving solutions capabilities in business succession, M&A and other areas
- Increase deposits and loans and boost fee income



New businesses including services

- Boost fee income by enabling public funds to be paid at convenience stores
- Support services for the Asian business of companies within Okinawa Prefecture

Basic Strategy

functional and human resource innovation



Help raise organizational productivity and quickly achieve marketing innovation through human resource and functional innovation

Human resource innovation

Revise personnel system

- Further boost motivation through reexamination of personnel systems
- Establish pleasant working environment to raise productivity

Leverage diverse career backgrounds of staff

- Implement re-employment system of Bank employees
- Actively hire mid-career, temporary workers and other non-new college graduate personnel

Strengthen human resources

- Improve support for training and personal development
- Provide rich career path through active personnel rotation

Business innovation

Functional innovation

Review organization to enhance earning capacity

- Review branch organization
- Develop "bloc" system for marketing
- Centralize ALM management functions

Support marketing through greater business efficiency

- Improve revenue management and performance evaluation system
- Conduct more outside customer visits to obtain additional loans
- Actively utilize "Juudankai"

Ensure stable financial foundation

- Maintain and raise BIS capital ratio
- Normalize system expenses

Relationship Banking

. Provide greater assistance to corporate clients that is tailored to their stage of growth

Action items	Action plan
Startup and new business support	Offer financing to prospective targets
Management improvement and business rehabilitation support	Business plan development support, business rehabilitation support in cooperation with the Okinawa Prefecture SMEs Rehabilitation Support Council, etc.
Management consulting	Strengthen management consulting capabilities for branches
Facilitation of financing	Ensure proper disclosure and reporting. Constantly verify the conditions of such disclosure and reporting and plan/implement improvement measures.



. Use financing methods tailored to SMEs including financing methods that assess business value

Action items	Action plan
Asset-based lending/factoring	Discover new demand by visiting and briefing branches and visiting clients with head office staff

. Contribute to sustainable local economy utilizing local information gathering

Action items	Action plan
Build stronger relationships with local entities	Actively use outside management resources and provide diverse payment collection channels
Strengthen cooperation with promising businesses (biotechnology, IT, etc.) within prefecture	Uncover promising businesses and strengthen cooperation
Facilitate financing to individuals	Increase customer convenience by expanding ATMs and branch network
Disseminate information by holding seminars	Provide continuous asset management information
Financial education for youngsters	Provide economic and financial education to local elementary school students
Contributions to local community	Active participation by officers and employees in social contribution activities and use of Bank of the Ryukyus International Foundation



Key Numerical Forecasts

In keeping with the business strategy in the medium-term management plan RISING PLAN 2010, we are beefing up our marketing infrastructure including branches and aiming for additional growth

Key Numerical	FY2009	FY2014
Average balance of deposits	¥1,453 billion	¥1,700 billion
Average balance of loans and bills discounted	¥1,155 billion	¥1,250 billion
Net business profit	¥9.0 billion	¥10.5 billion
Net income	¥4.4 billion	¥5.5 billion
Expenses	¥21.1 billion	¥22.1 billion
OHR (note)	69%	67%

(Note) OHR : Expenses / business gross profit

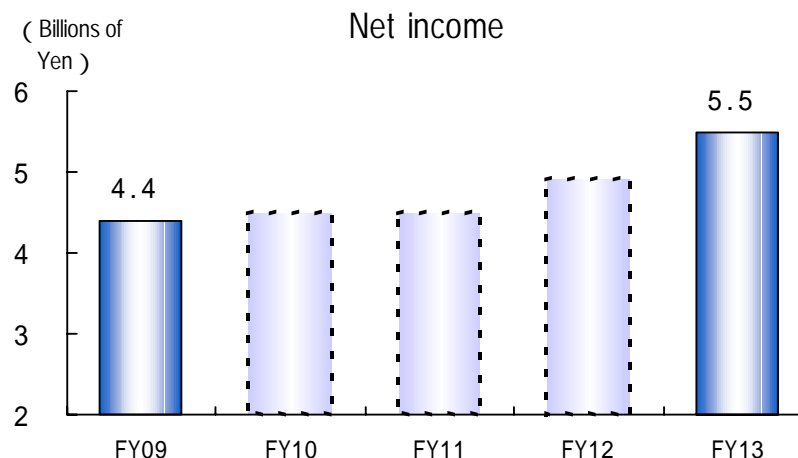
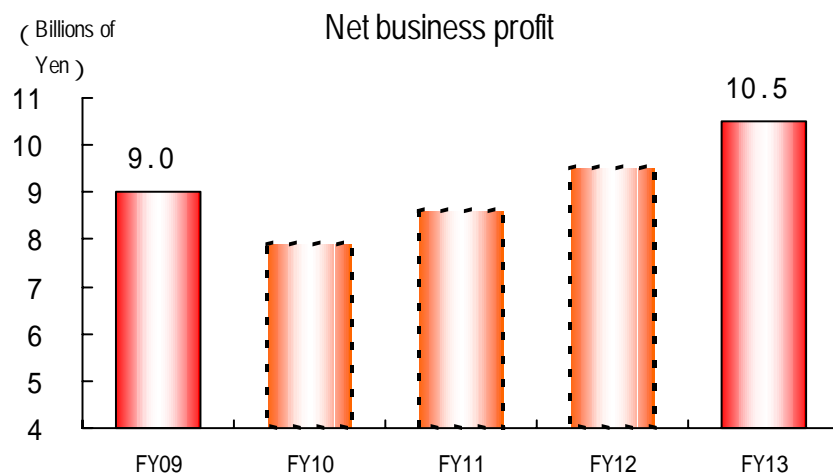
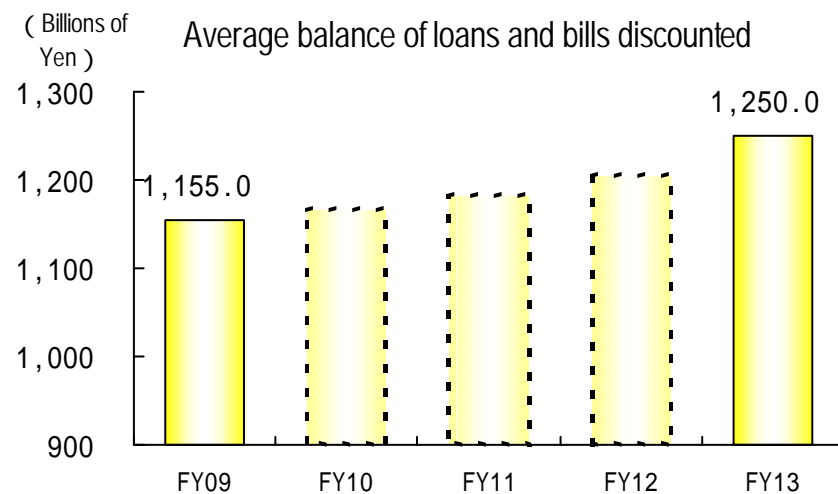
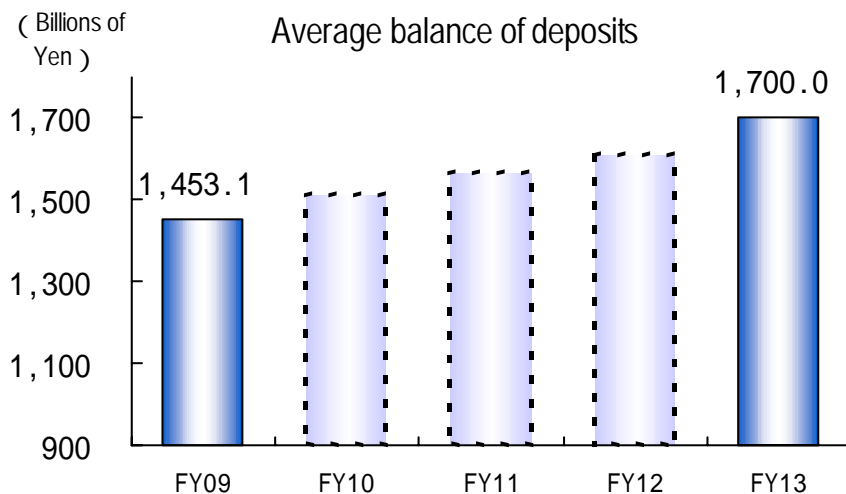
Key Numerical Forecasts

After repaying public funds financial, soundness was further improved

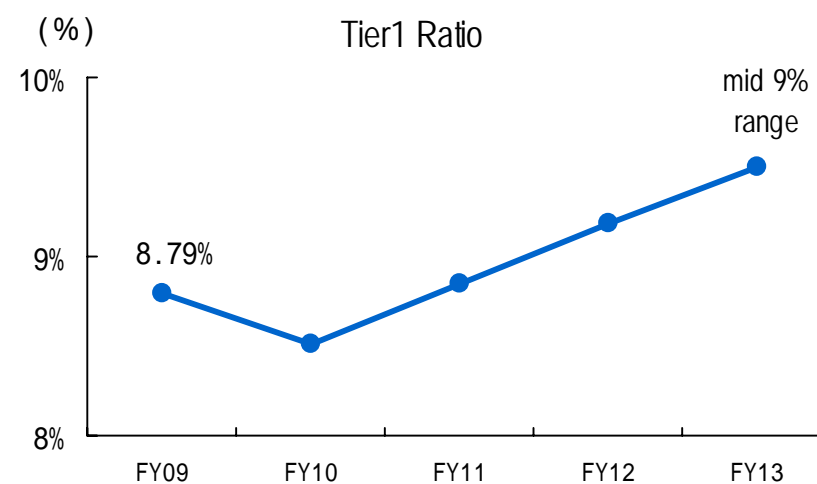
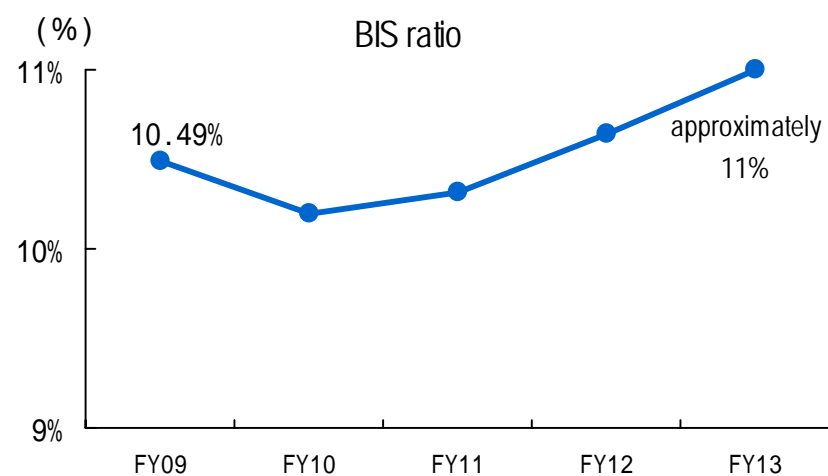
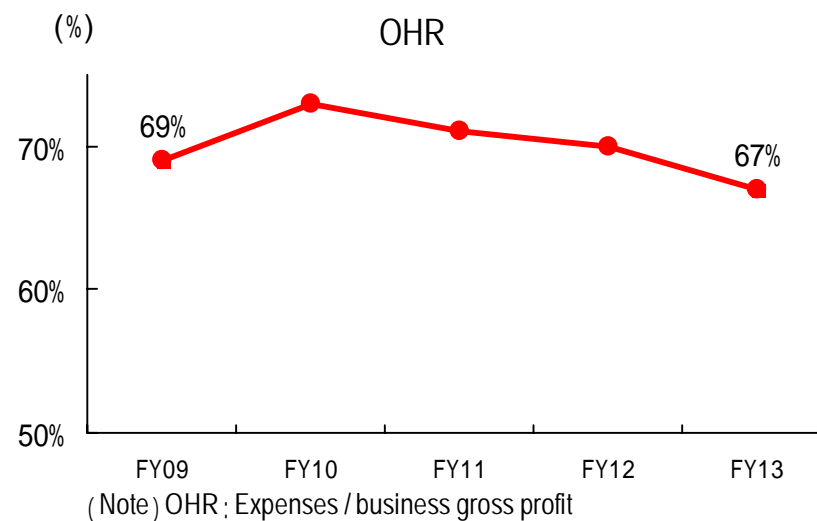
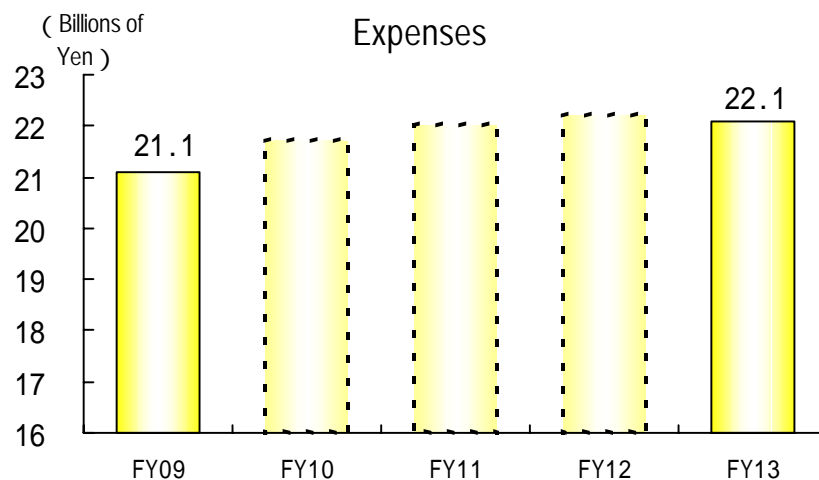
Key Numerical	FY2009	FY2013
BIS ratio	10.49%	approximately 11%
Tier1 Ratio	8.79%	mid 9% range
NPL Ratio(right axis)	1.66%	remain at the 1% level
ROE (Note)	5% ~ 6 %Range	5% ~ 6 %Range

(Note) ROE : Net income / Tier 1 capital (term-end)

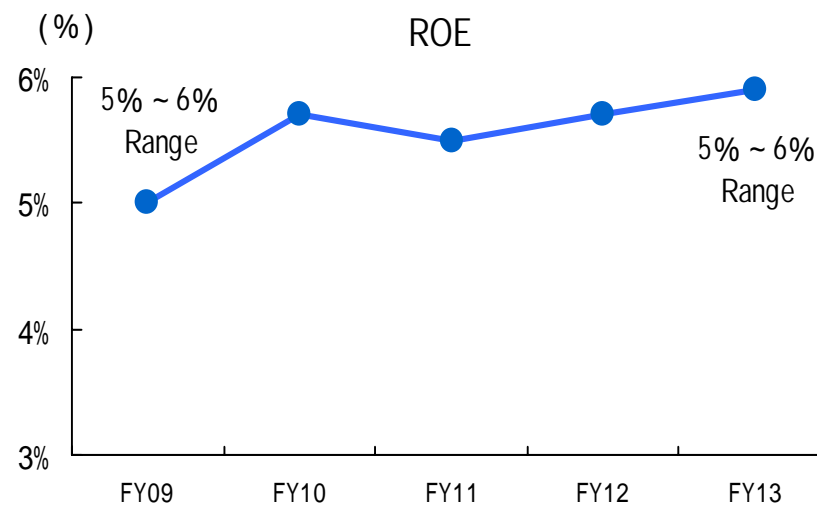
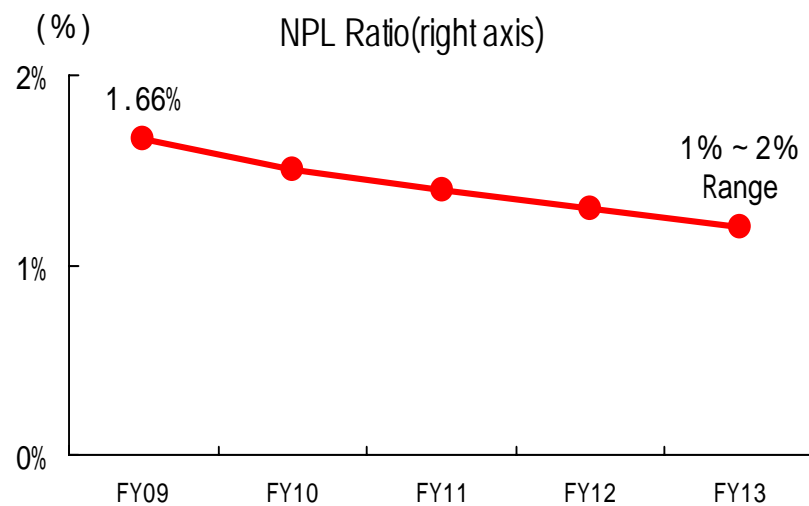
Key Numerical Forecasts



Key Numerical Forecasts



Key Numerical Forecasts



(Note) ROE: Net income / Tier 1 capital (term-end)

About This Presentation



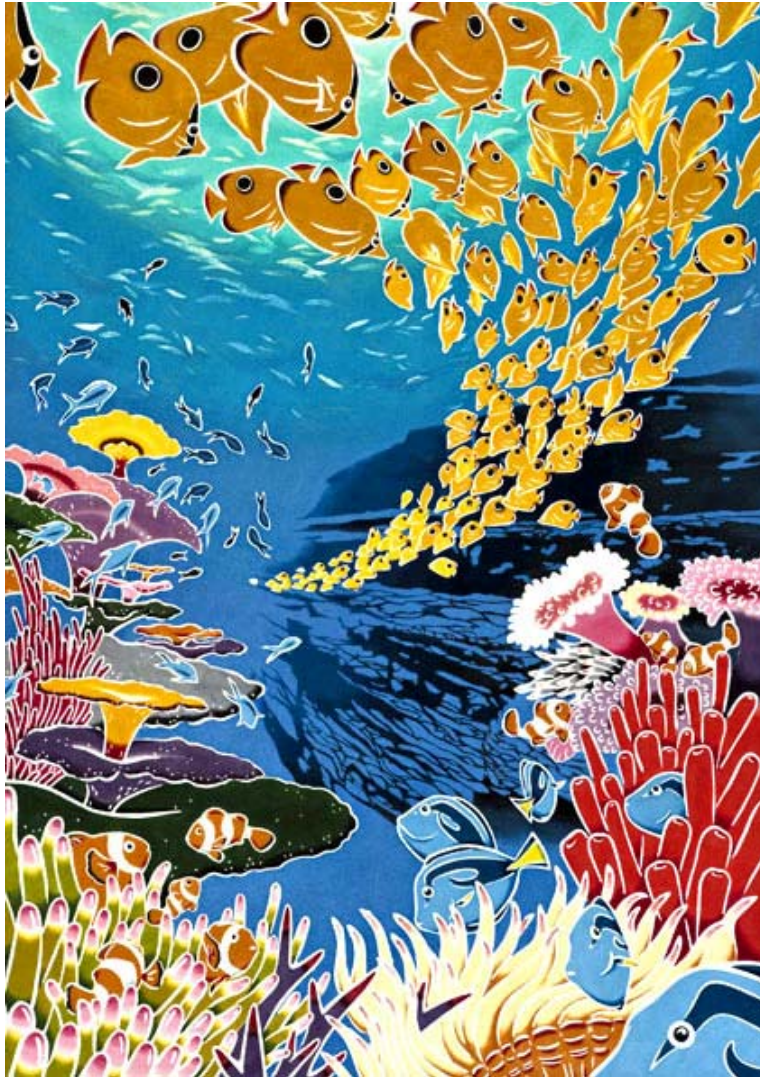
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The information in this presentation is on a non-consolidated basis unless otherwise specified.

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 10, 2010 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.



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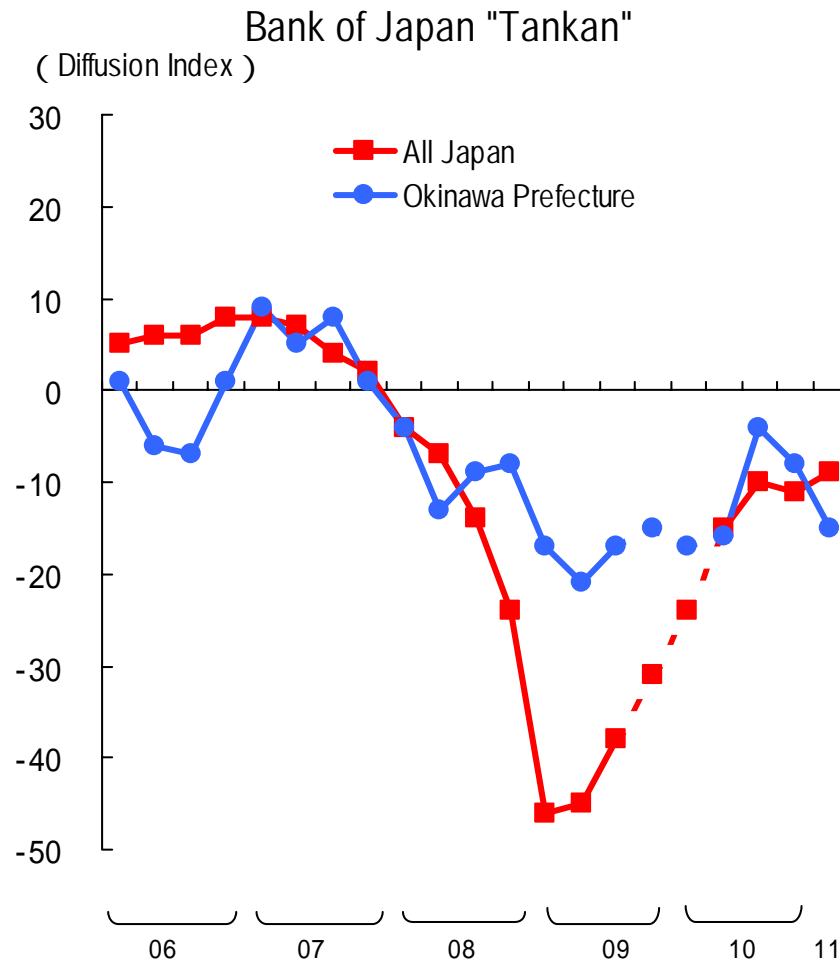
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. fiscal 2011 management plan

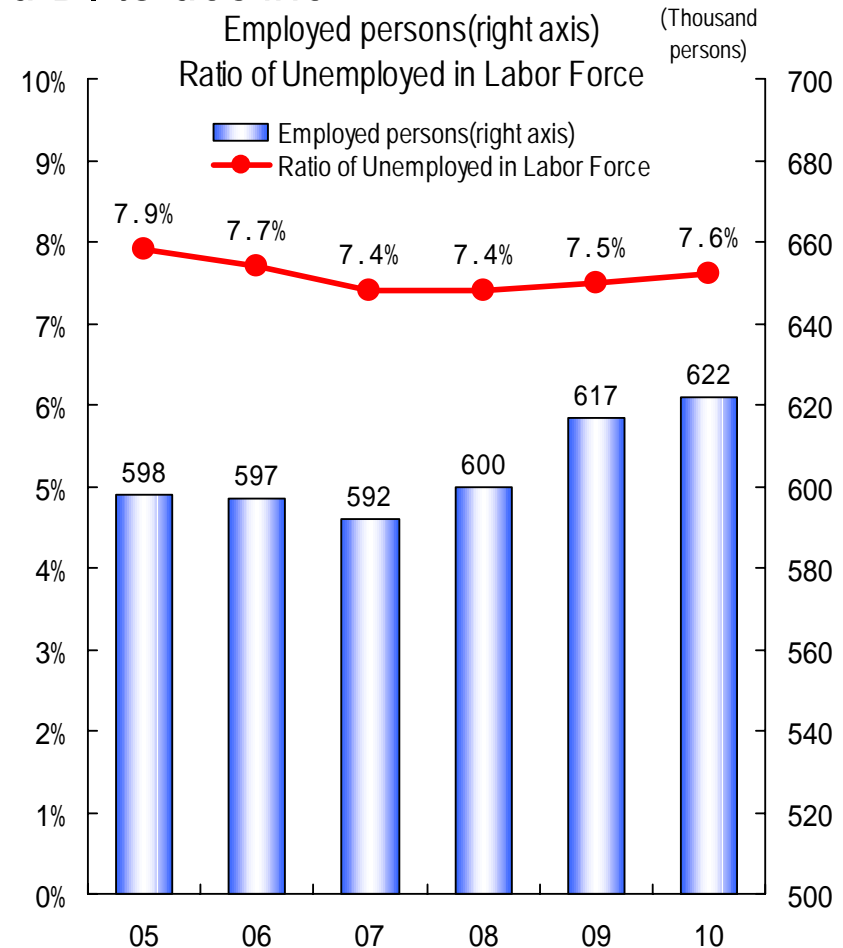
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Economic Trends

Future economic uncertainties and weak tourism demand due to construction at Haneda airport caused DI to decline



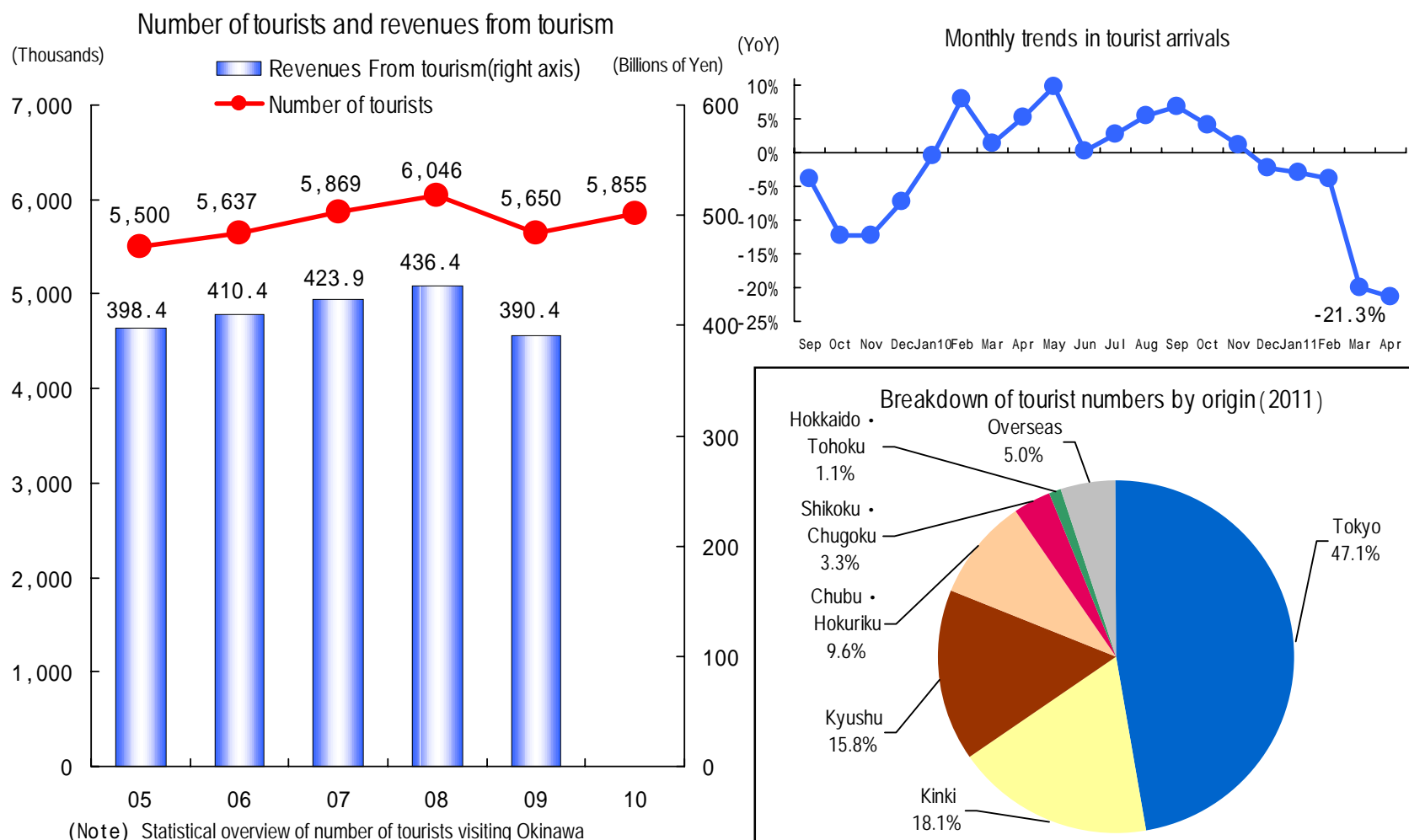
(Note) Bank of Japan NAHA branch. In March 2009, the list of companies to the survey was changed



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

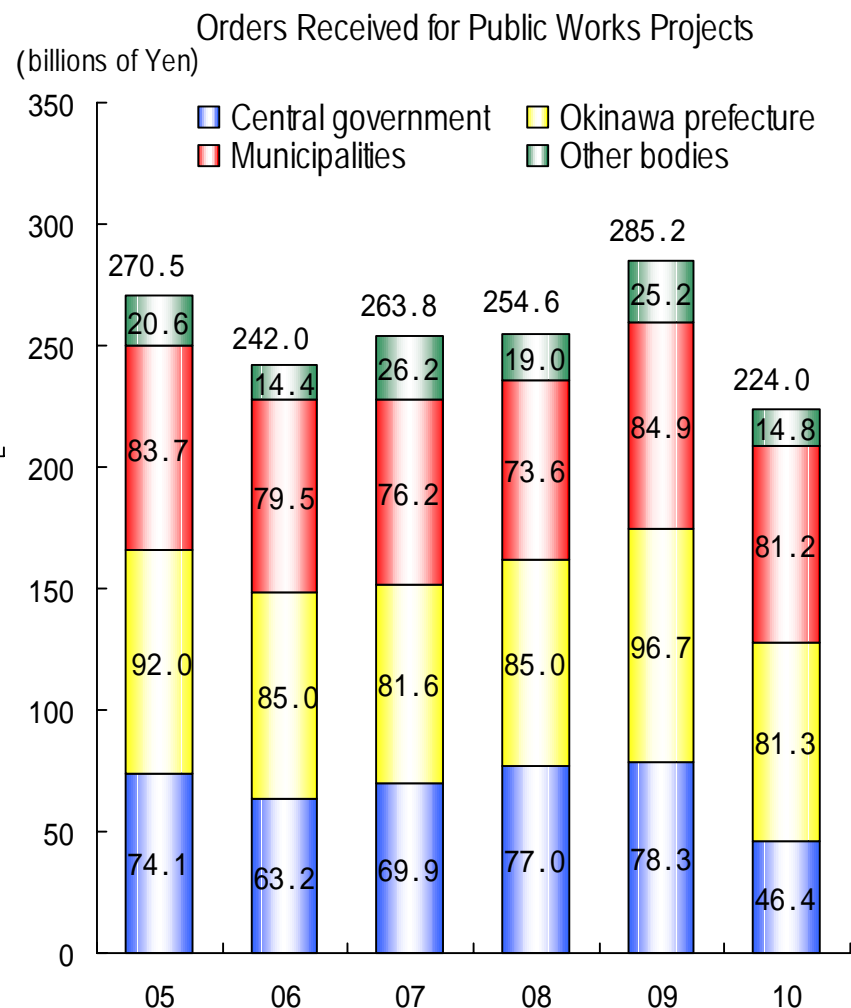
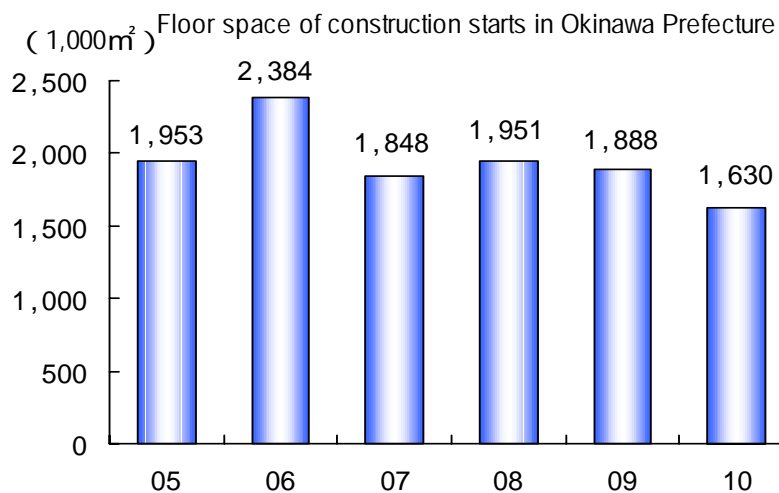
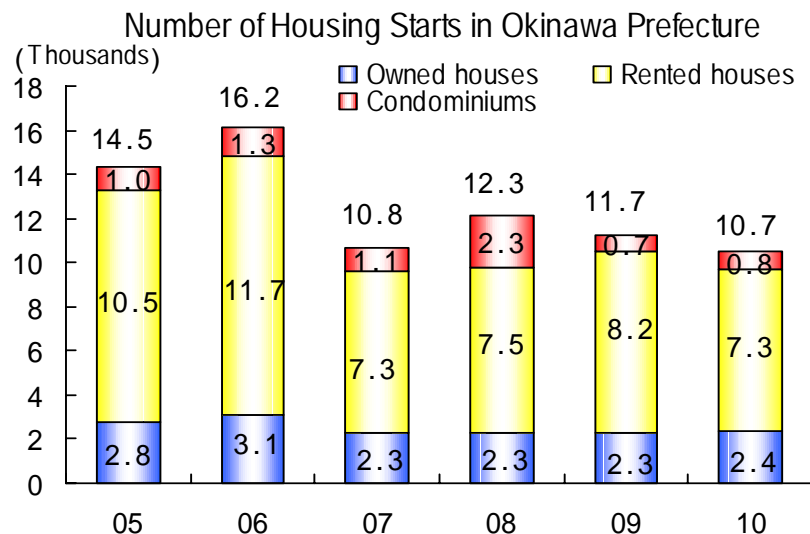
Tourism

Number of tourists visiting Okinawa increased 3.6% in 2010, but recent earthquake disaster has caused consumer confidence to plunge and tourism to decrease



Construction

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



FY2010 Results Summary



Net business profit on core banking operations decreased due to lower net interest income and fees and commissions

	FY2009	FY2010	Change	(Billions of Yen)
Core business gross profit	30.2	28.9	-1.3	
Net interest income	25.5	24.8	-0.6	
Interest and dividend income on securities	2.7	2.5	-0.2	
Fees and commissions	1.8	1.4	-0.4	
Expenses	-21.1	-21.7	-0.5	
Net business profit on core banking operations	9.1	7.2	-1.9	

(Note) 1.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.

2.Year-on-year changes are calculated based on the original value, and values of less than 100 million yen have been rounded down

FY2010 Results Summary



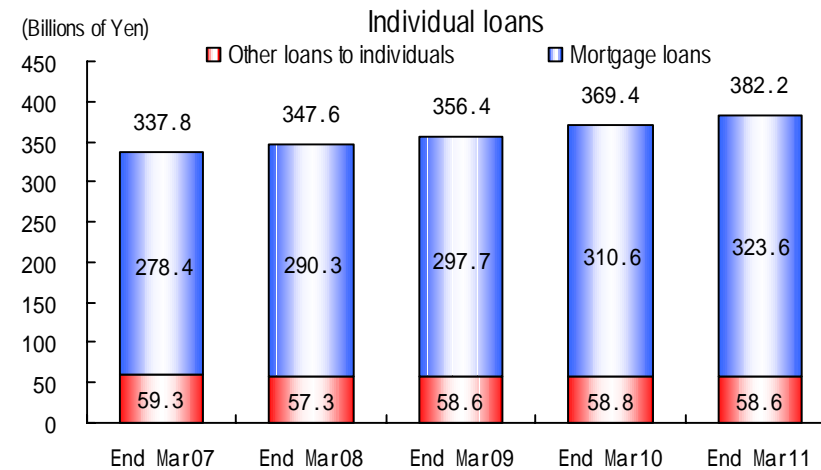
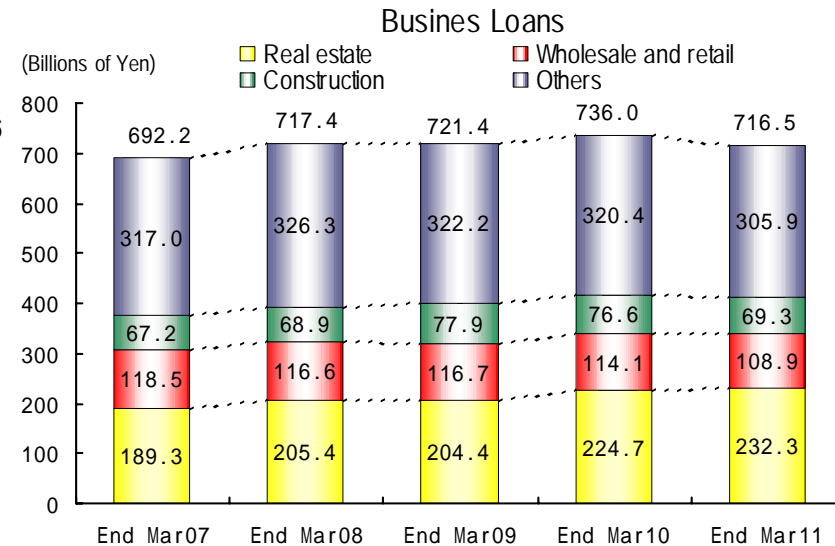
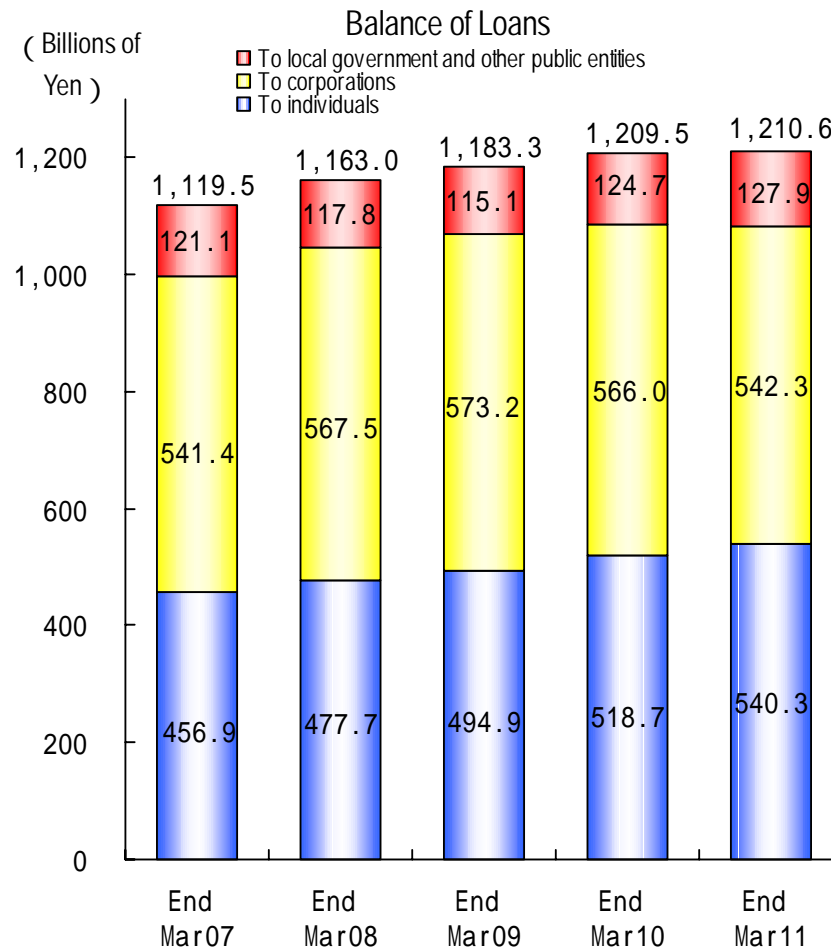
Net income was flat year on year due to shrinking net credit costs

	FY2009	FY2010	Change	(Billions of Yen)
Net business profit on core banking operations	9.1	7.2	-1.9	
Provisions to the reserve for possible loan losses *	- 1.1	0	+ 1.1	
Loan write-offs, etc. *	- 2.0	- 1.2	+ 0.8	
Losses on securities	- 0.4	- 0.2	+ 0.1	
Ordinary profit	5.9	5.7	- 0.1	
Reversal of reserve for possible loan losses	0	1.2	+ 1.2	
Gains from bad debts recovered	1.2	0.6	- 0.5	
Net income	4.4	4.2	- 0.2	
Credit costs	3.2	0	- 3.2	
Net credit costs	2.0	- 0.6	- 2.6	

(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

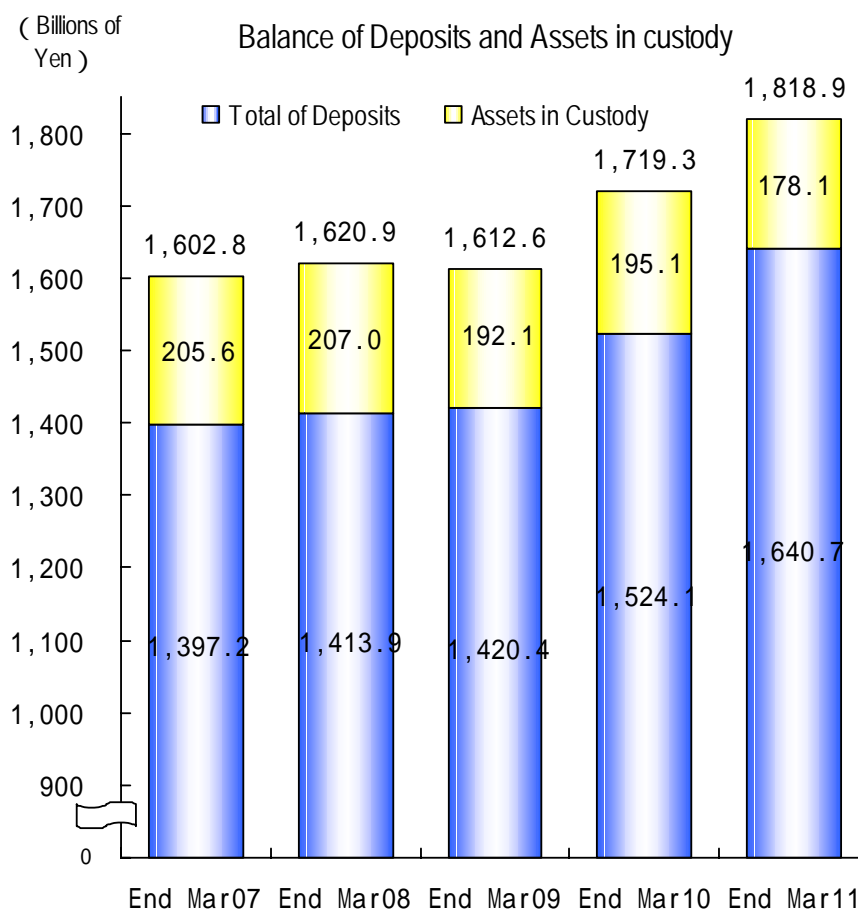
Loans to individuals, including mortgage loans and apartment loans, increased



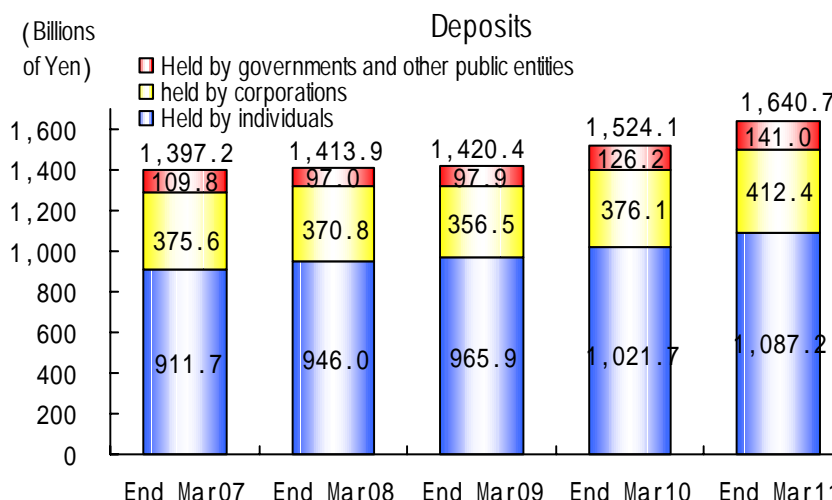
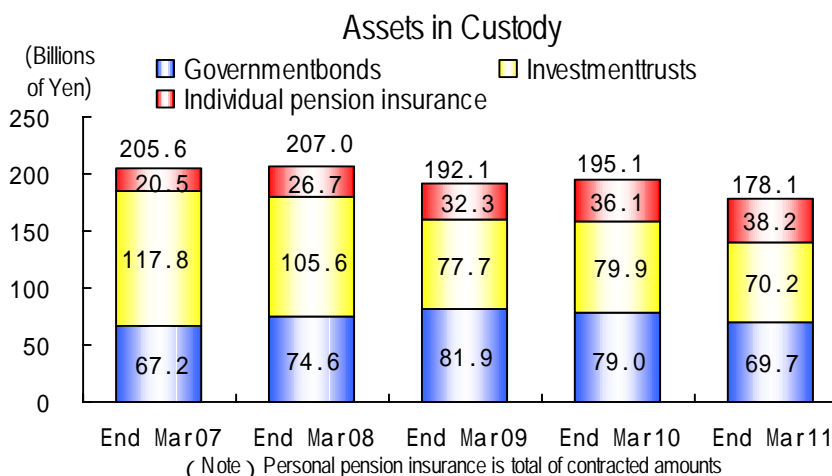
(Note) Due to differences in treatment of loans to business owners, totals for business and individual loans on the right of the slide do not match the grand totals on the left.

Deposits and Assets in Custody

Individual and corporate deposits remained strong with the balance of deposits surpassing ¥1,600 billion, our highest ever

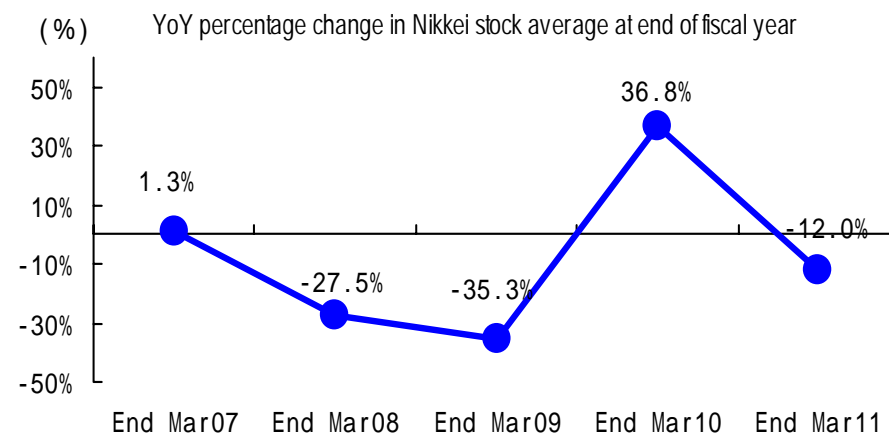
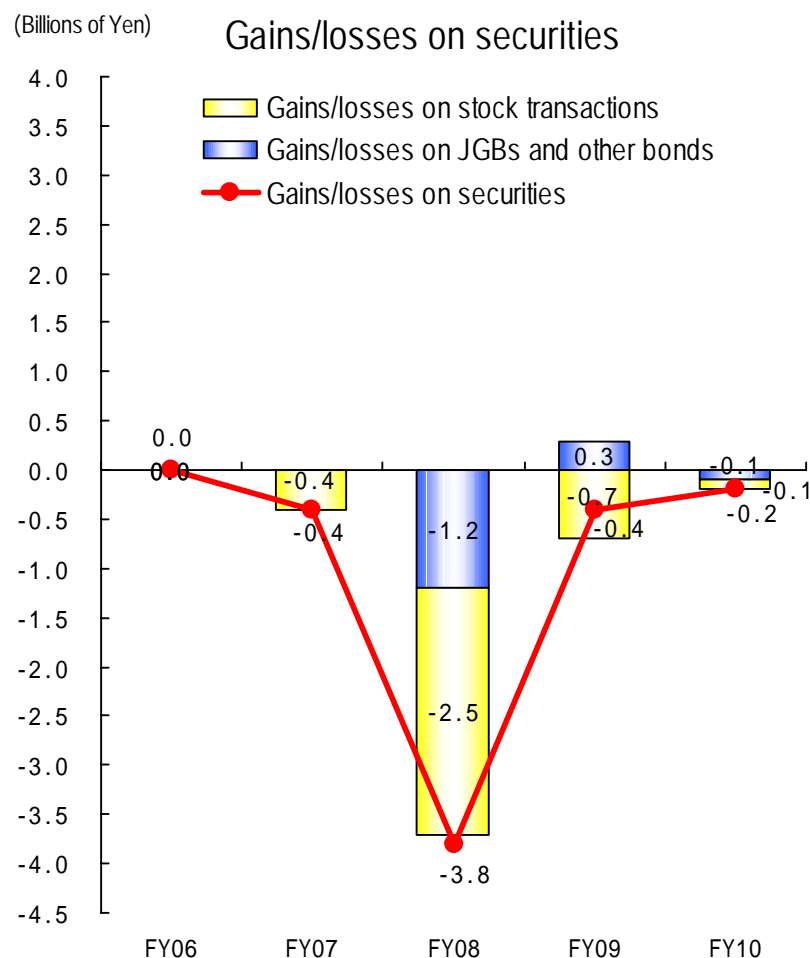


Note: Assets in custody are the total of investment trusts, personal pension insurance plans (contracted amounts) and government bonds



Gains/losses on securities

The stock price declined, but the increase (decrease) in trading account securities improved



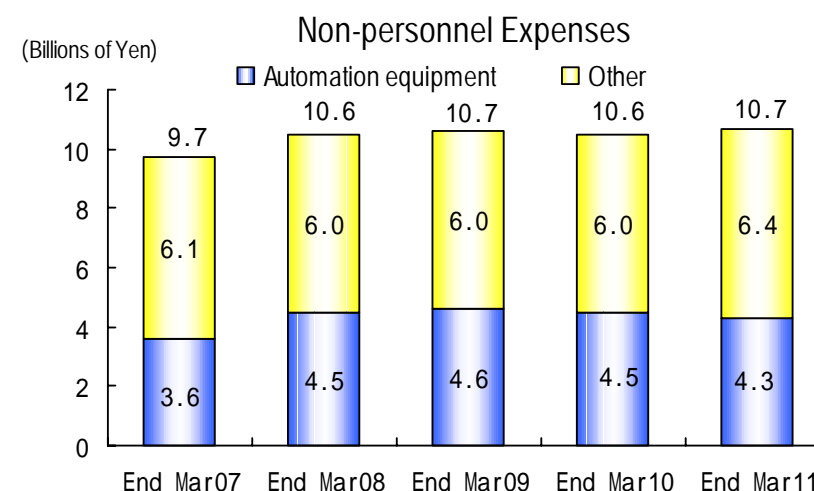
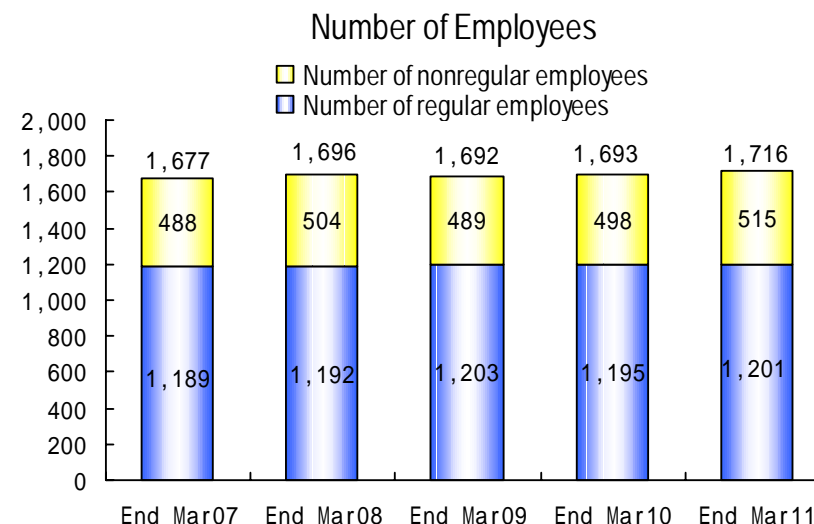
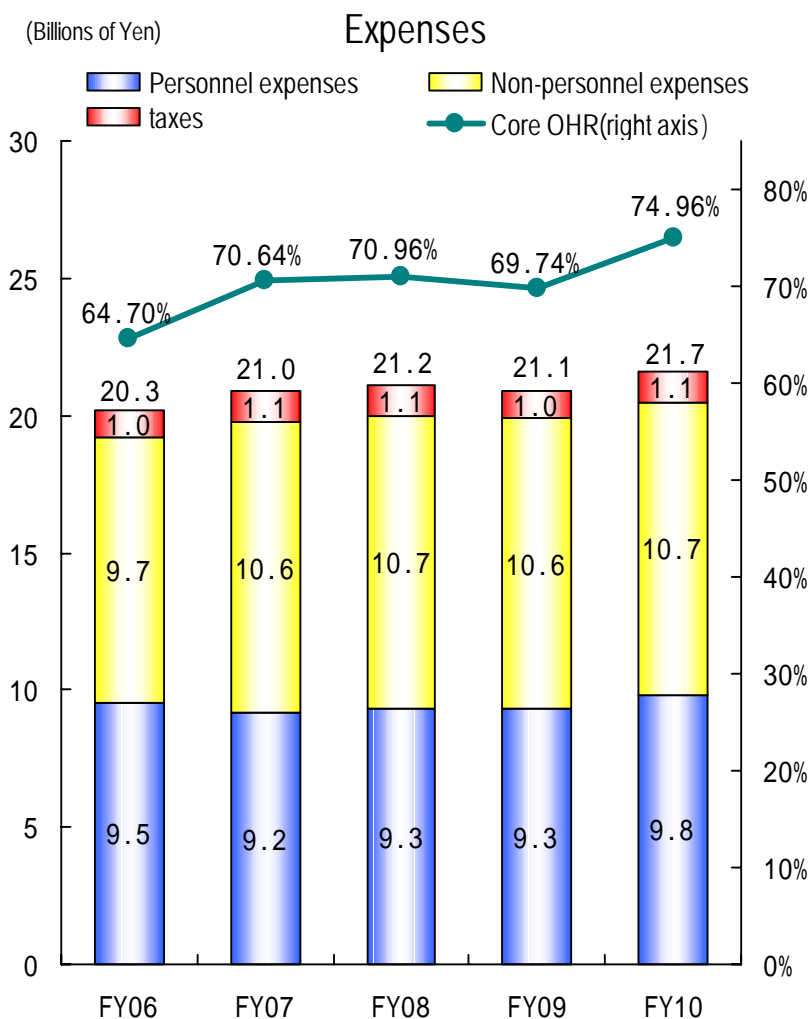
Gains/losses on stock transactions in fiscal 2010
: ¥120millions (year on year + ¥600millions)

Impairment loss on listed stock : ¥60millions

Impairment loss on unlisted stock : ¥50millions

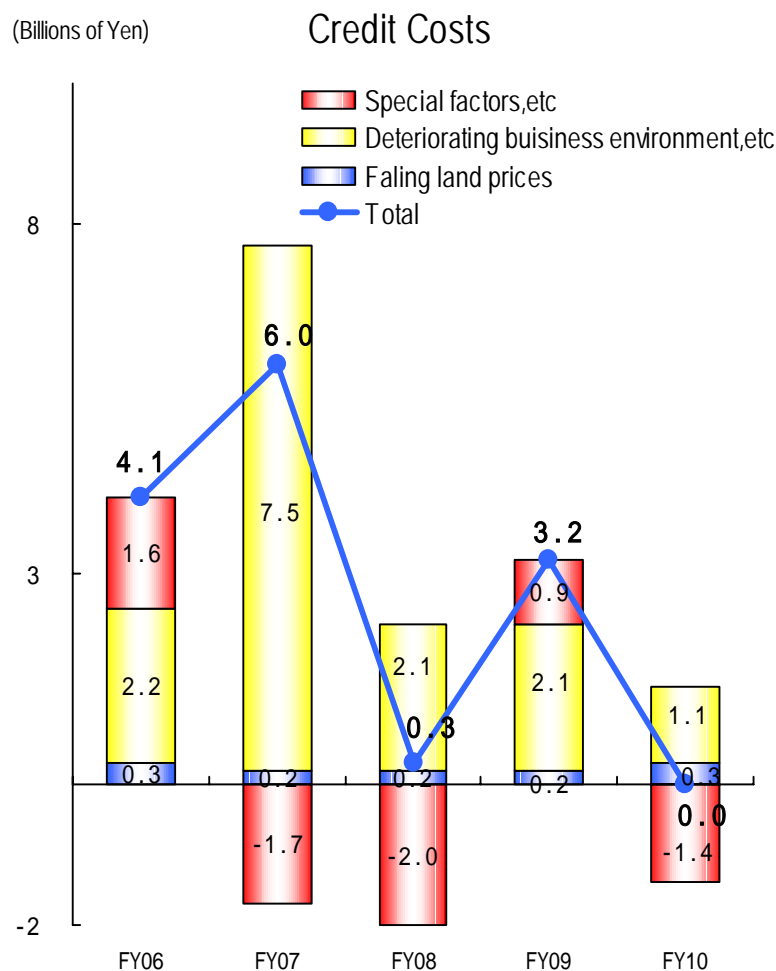
Expenses

Higher expenses due to up-front investment to strengthen marketing capabilities

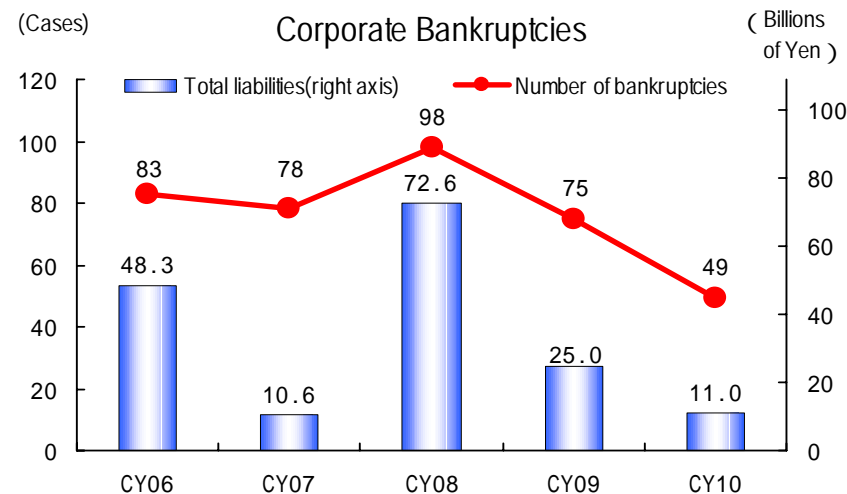
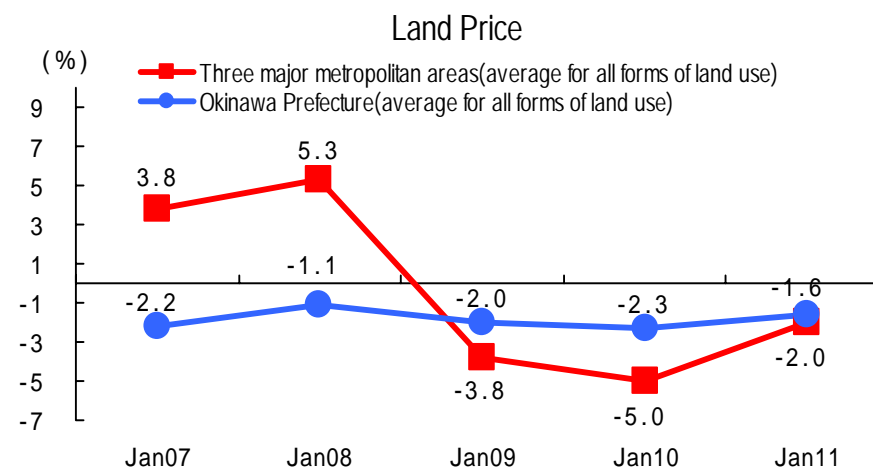


Credit Costs

Remained low due to leveling off of corporate bankruptcies



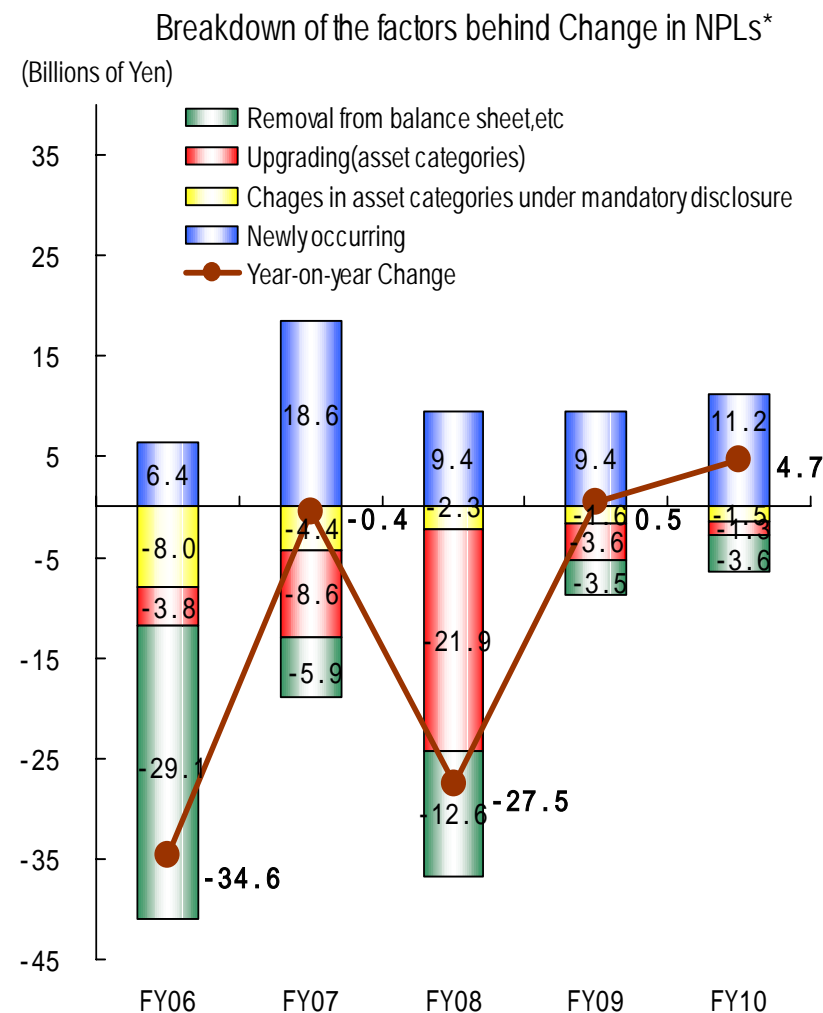
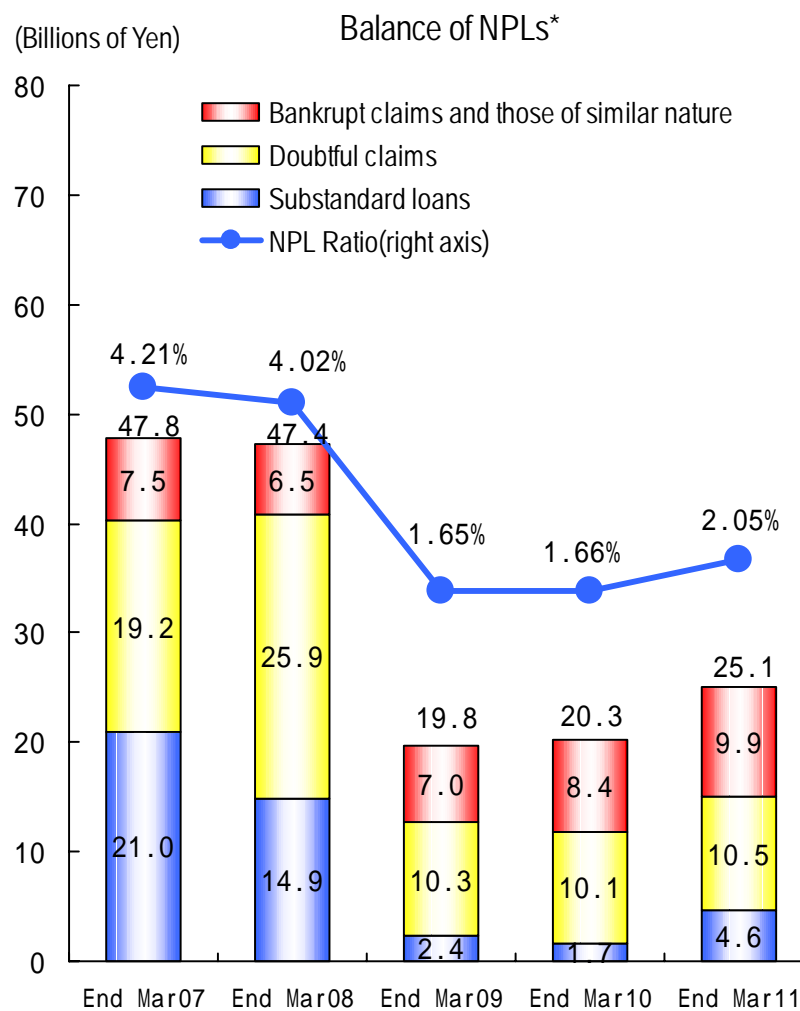
(Note) NPL disposal costs are Credit costs before Gains from bad debts recovered



(Note) source: TOKYO SHOKO RESERCH, LTD.

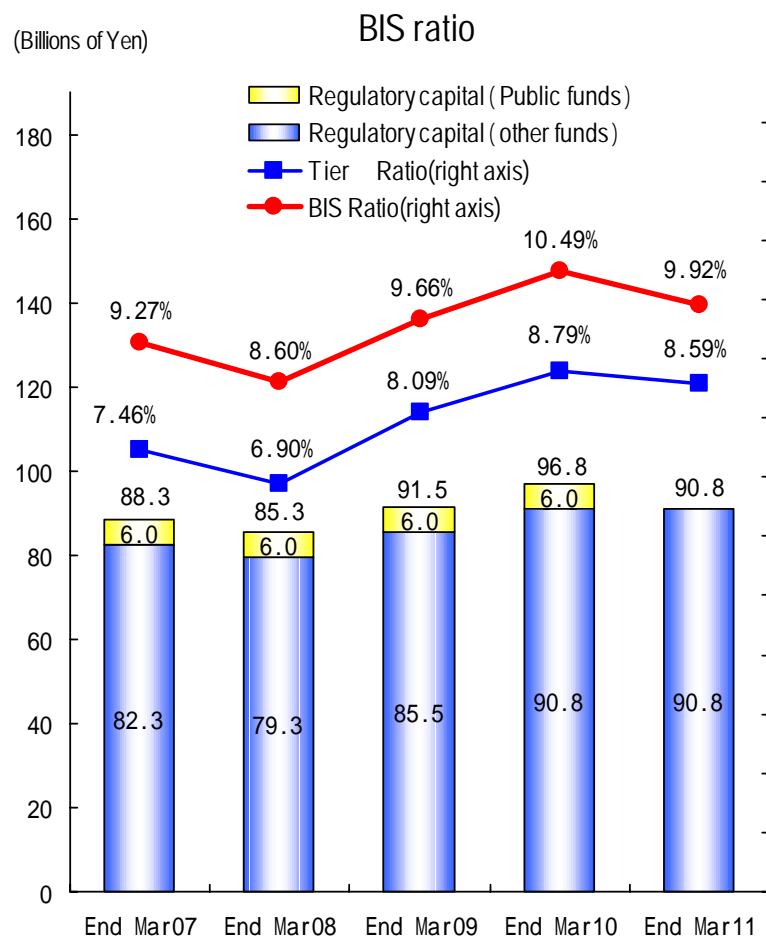
NPLs*

Total and ratio of NPLs kept low

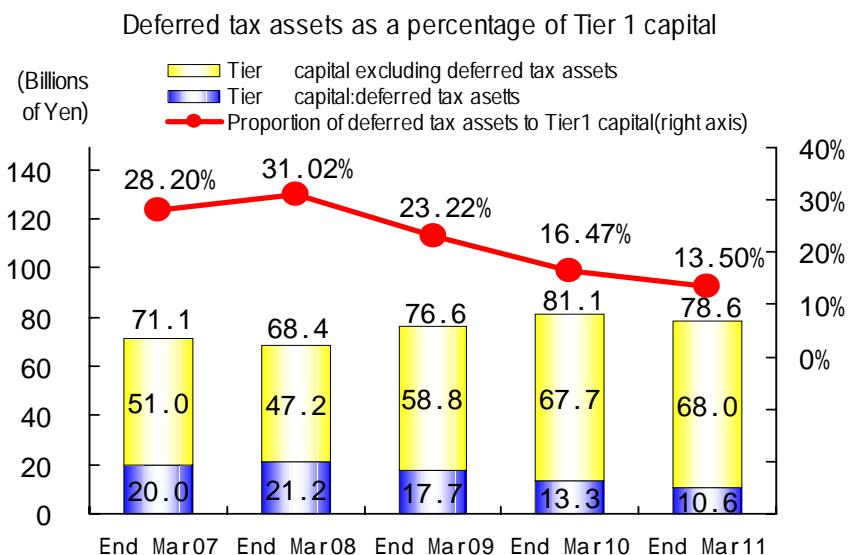


BIS Capital Ratio

Maintaining adequate level despite repayment of public funds and refinancing of the amount that subordinated bond decreased



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



- 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



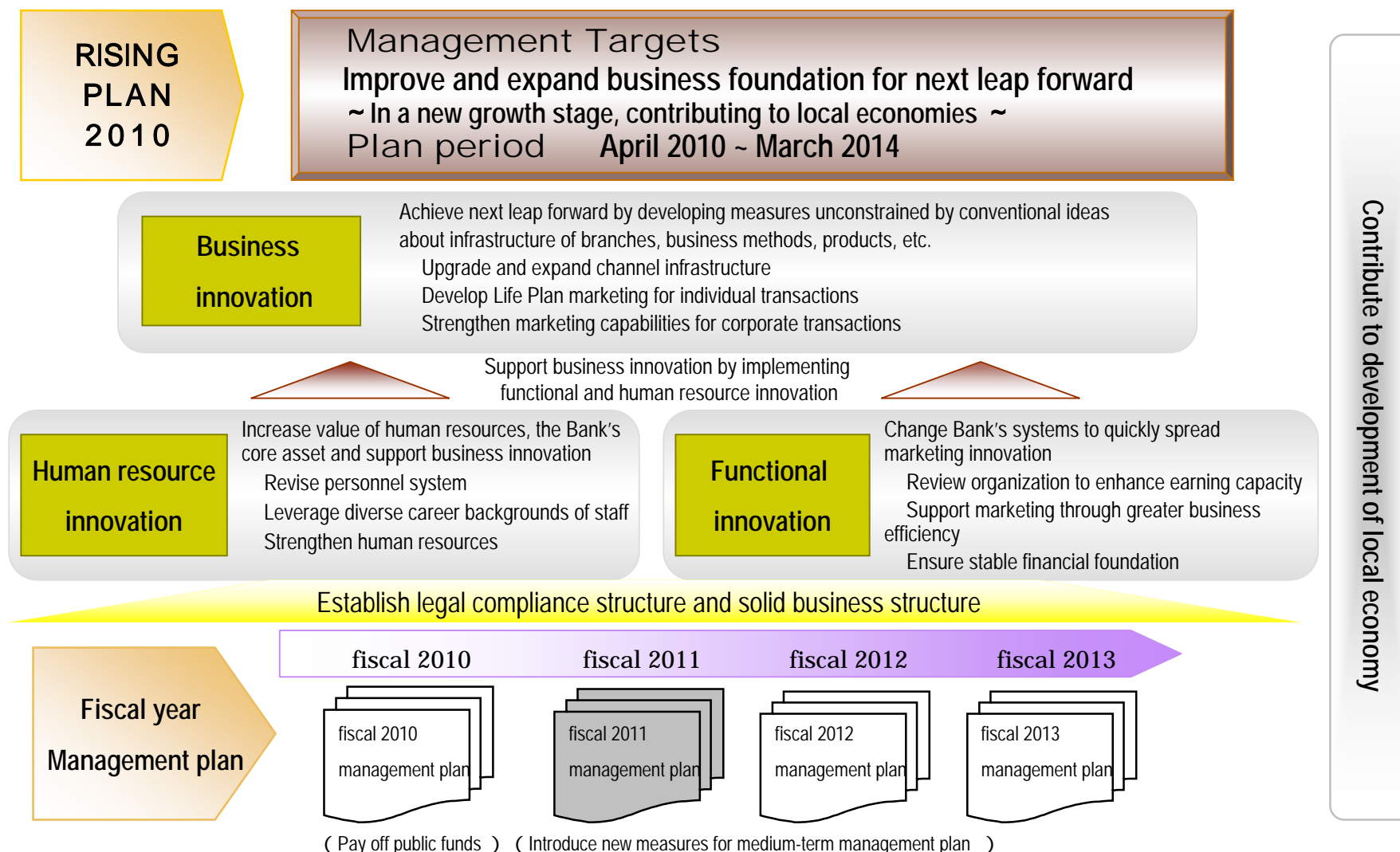
Higher revenue and profit expected from increased loans, especially individual loans, gathering additional deposits and aggressive sales of assets in custody

(Billions of Yen)

	FY2010	FY2011	Year-on-year Change
Ordinary income	37.8	38.0	+ 0.2
Core business gross profit	28.9	29.1	+ 0.2
Net business profit on core banking operations	7.2	8.0	+ 0.8
Ordinary profit	5.7	6.5	+ 0.8
Net income	4.2	4.3	+ 0.1
Net Credit Costs	-0.6	1.0	+ 1.6
N P L R a t i o	2.05%	Upper 1 percentile	

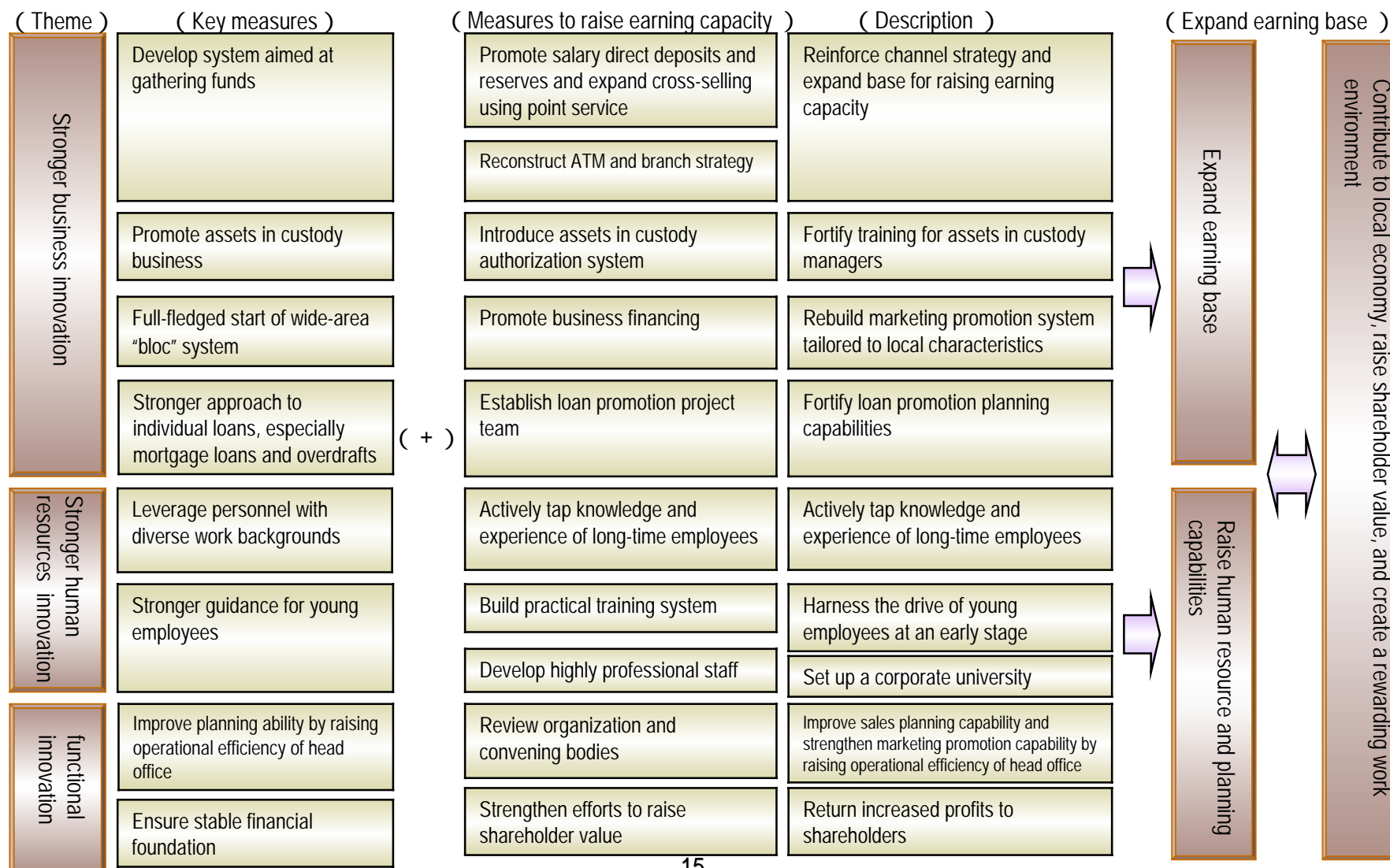
Positioning of fiscal 2011 management plan

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



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 Ryugin's convenience to Japan Post Bank cardholders.

Second half – Fiscal 2010

Opened the Ryugin 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)



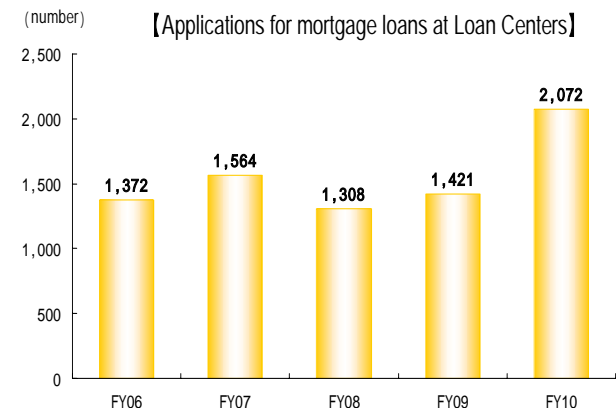
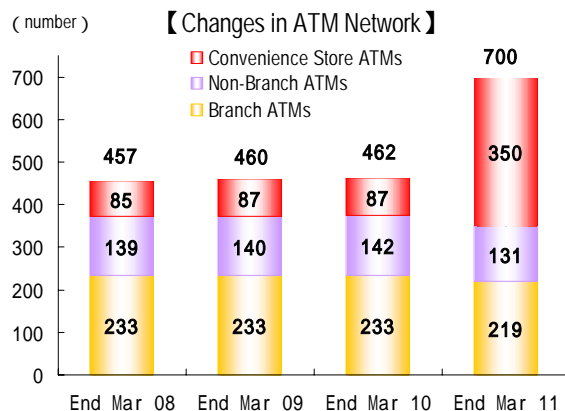
(Branch manager gives greeting in branch)



To be implemented in fiscal 2011

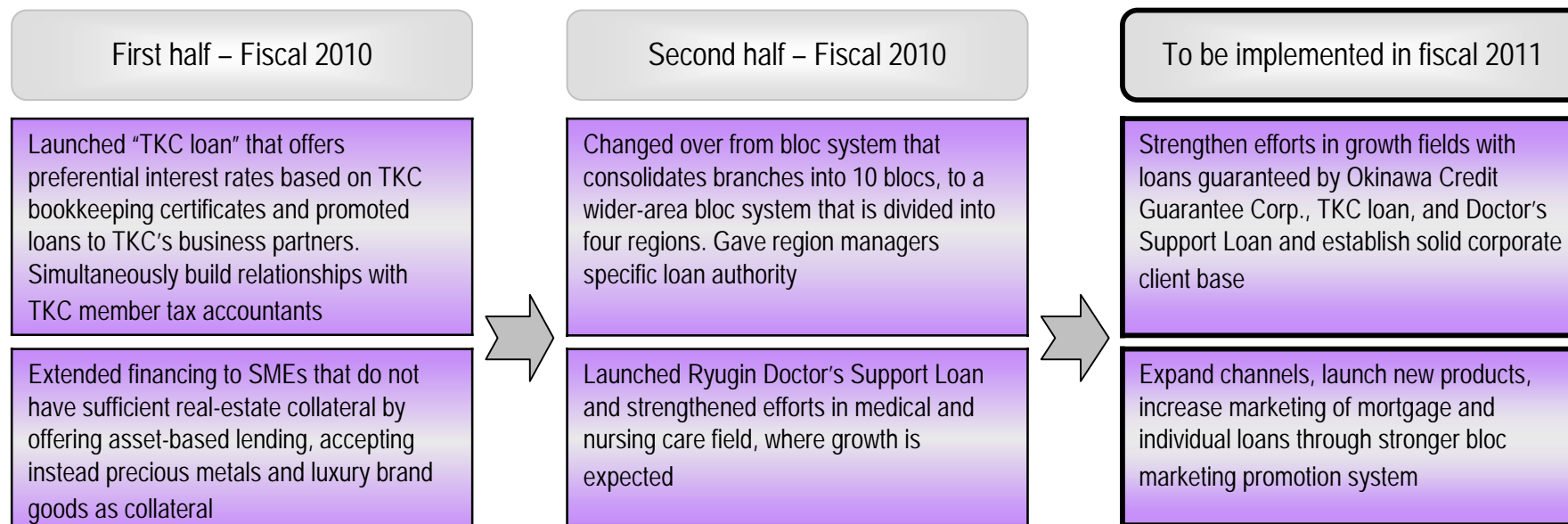
Second mini branch is opened in a space within a Ryugin branch in the southern part of the main island of Okinawa, enabling the marketing of assets in custody and deposits

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



Strengthened business innovation – Build up loan business

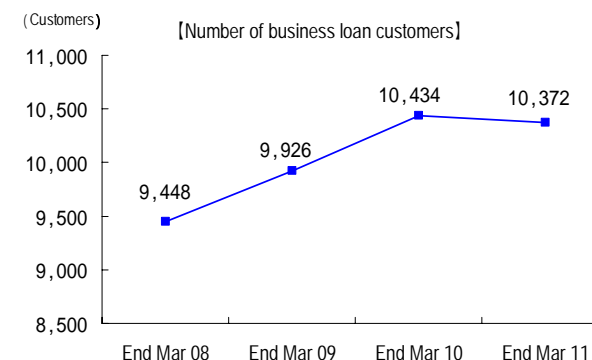
Under wide-area bloc system, increased loan volume through stronger marketing to business clients and promoted mortgage and consumer loans



【 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%

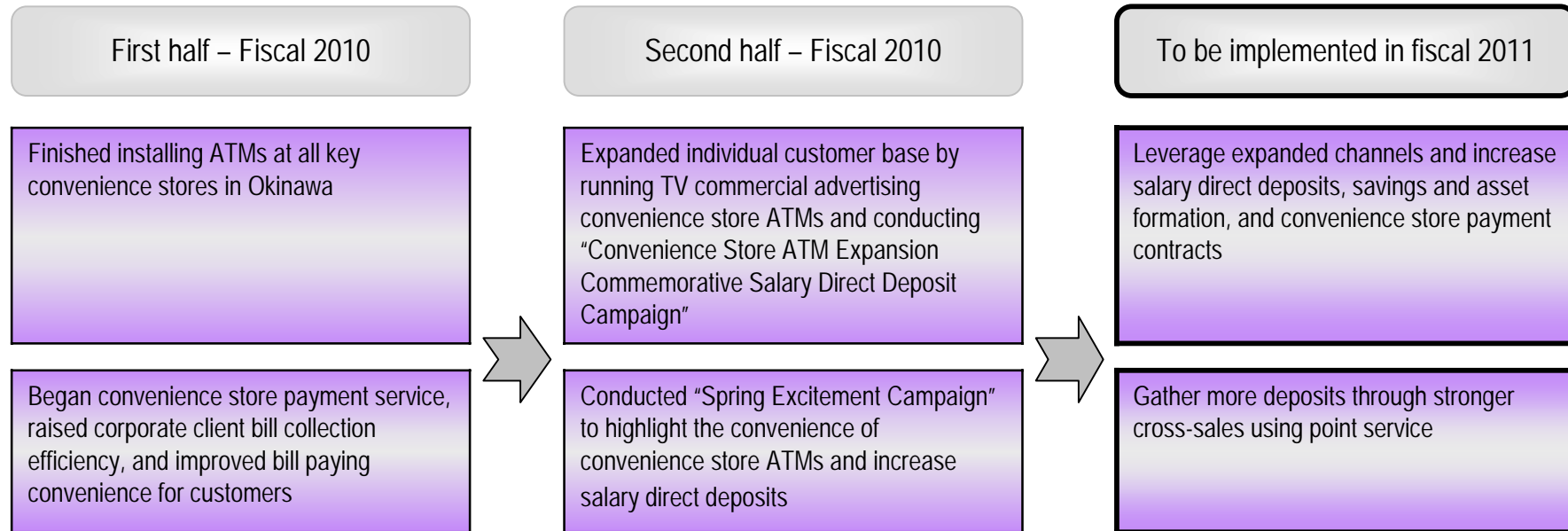


Strengthened business innovation

– Gather additional deposits by developing innovative deposit products

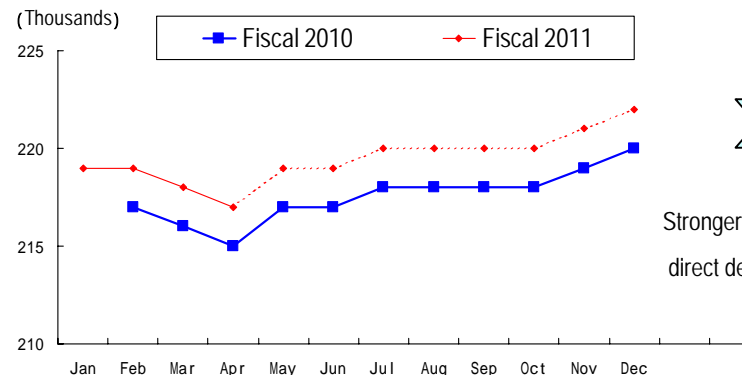


Leverage expanded channels and fortify earning capacity by gathering more deposits



【Number of salary direct deposit accounts】

(Convenience store ATM TV commercial)

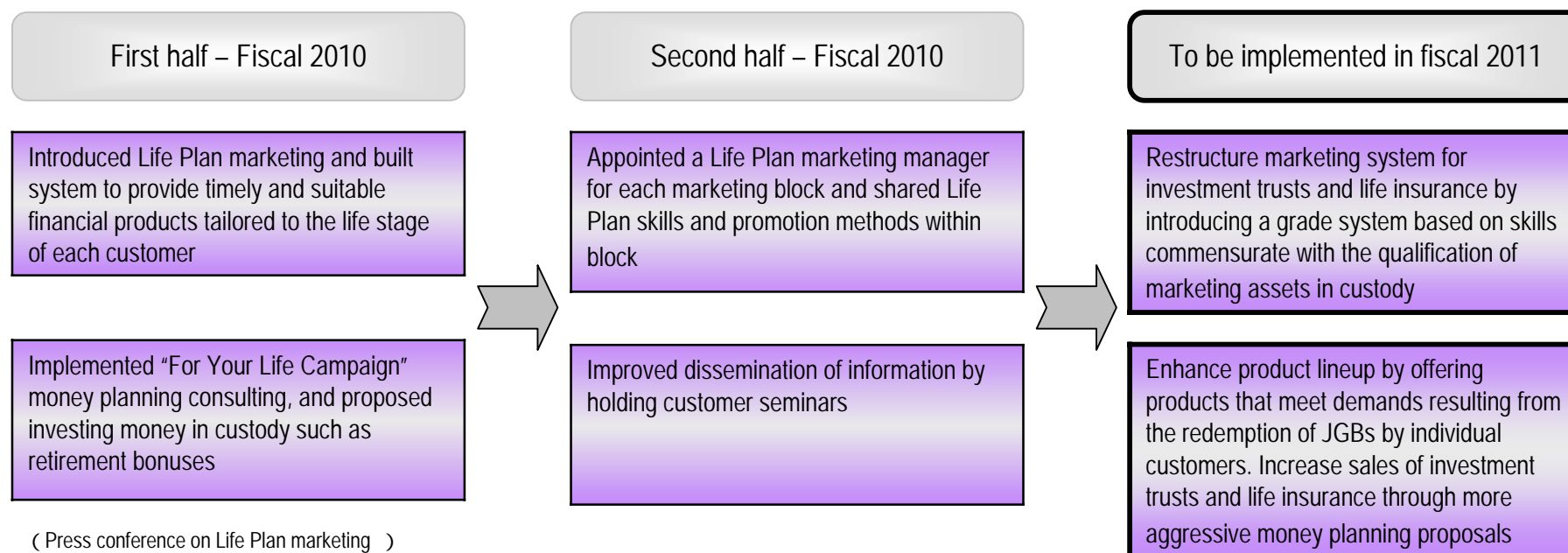


Stronger marketing of salary direct deposits since April 2011



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

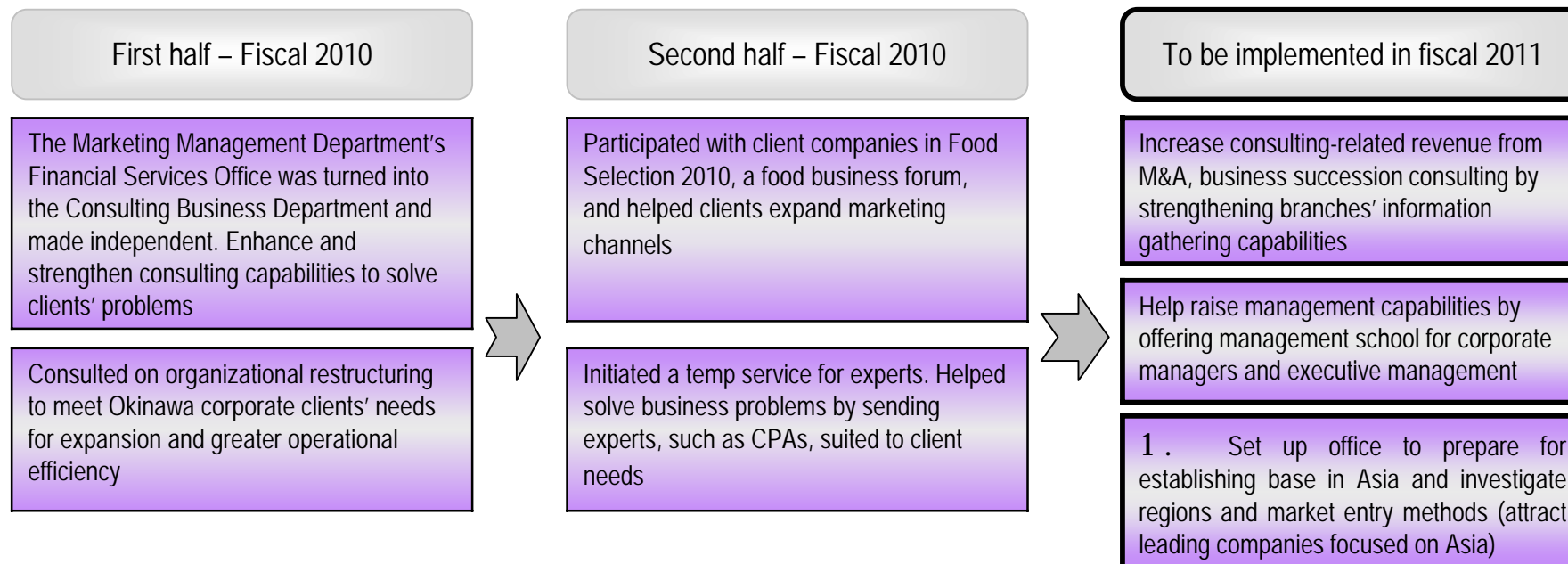


(Press conference on Life Plan marketing)



Strengthened business innovation – Consulting business

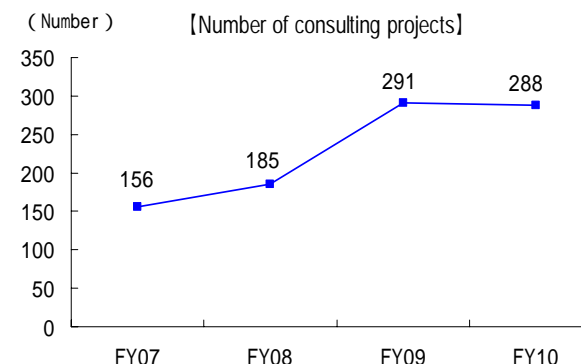
Strengthen relations through stronger ability to solve customers' problems. Increase consulting revenue through M&A, business succession, and other consulting services



(Seminar on business and organizational restructuring)

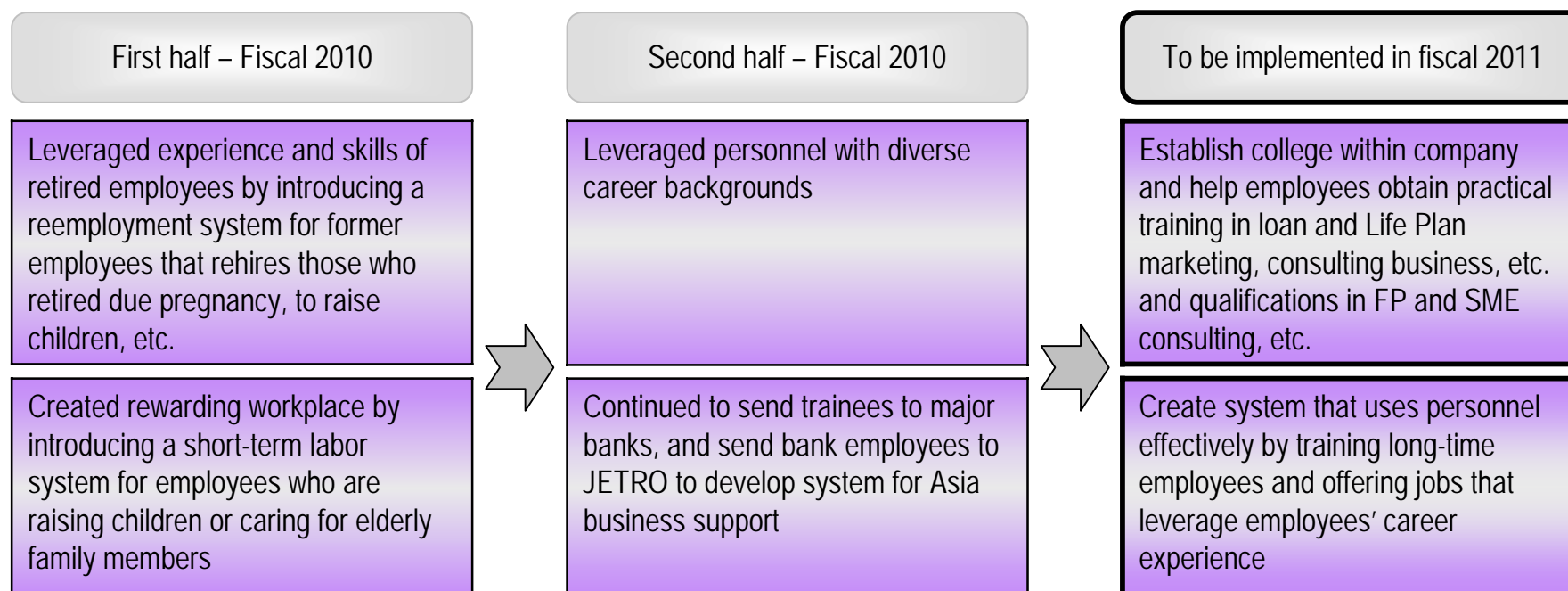


(Food Selection 2010)



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

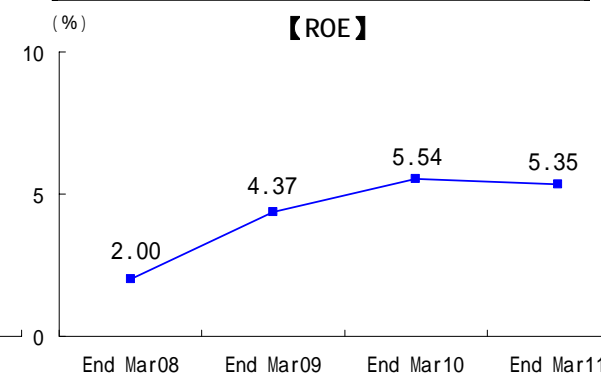
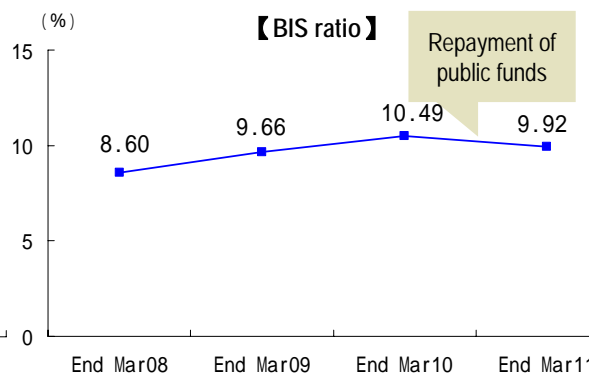
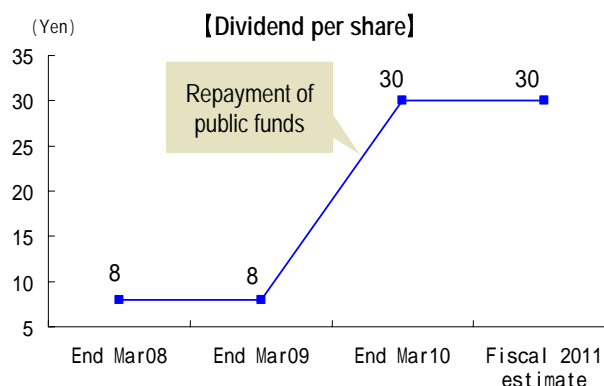
Since we secured a sufficient level of capital adequacy, we refinanced ¥10.0 billion in subordinated bonds for ¥8.0 billion, a discount of ¥2.0 billion

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	¥8.0 billion	+ ¥0.8 billion
Ordinary profit	¥5.7 billion	¥6.5 billion	+ ¥0.8 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



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