

The banner features a light blue background on the left and a white background on the right. A bar chart with several vertical bars in shades of red, green, and blue is visible. The words 'Annual Report' are written in a large, light blue, sans-serif font across the top. A hand holding a red pen is visible on the right side, appearing to write on the chart.

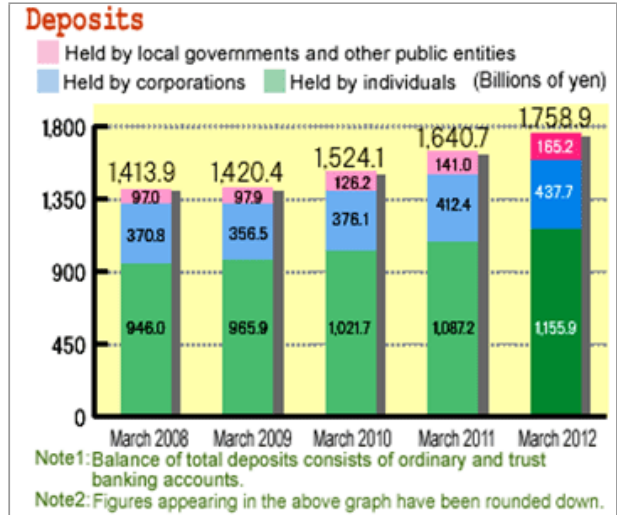
Annual Report

Activities in Fiscal 2011

Review of Operations (non-consolidated)

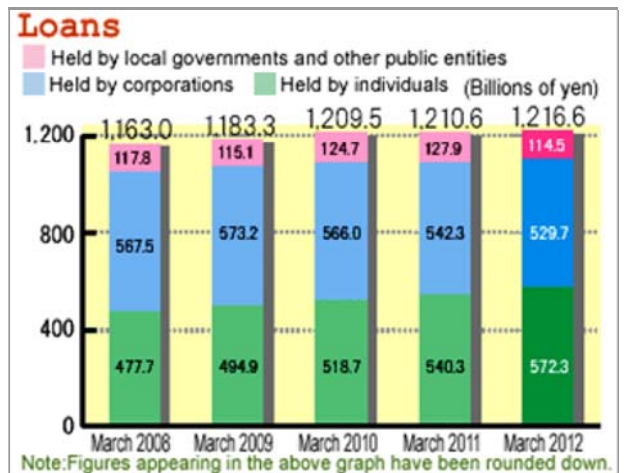
▶ Deposits — Balance of deposits tops ¥1,700 billion

The term-end balance of deposits rose ¥118.2 billion year on year, to ¥1,758.9 billion, topping the ¥1,700 billion mark for the first time ever. This was due to the strong performance of deposits for individuals, in addition to brisk deposits by private-sector corporations as well as local governments and other public entities.



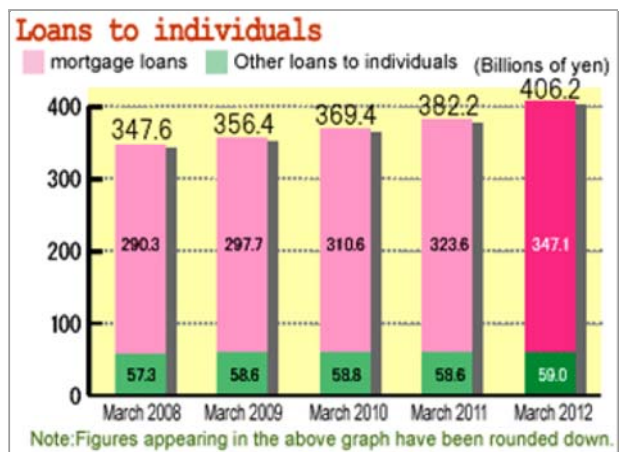
▶ Loans — Increased lending to individuals

The term-end balance of loans increased by ¥6.0 billion year on year, to ¥1,216.6 billion, thanks to increased loans to individuals, centered on mortgage loans.



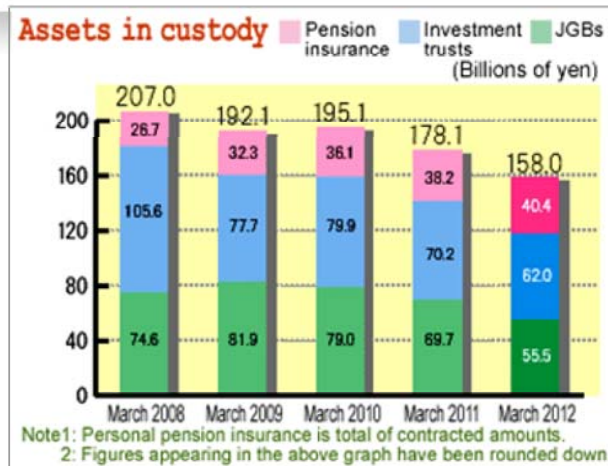
▶ Loans to Individuals — Increased mortgage lending

The balance of loans to individuals increased by ¥24.0 billion year on year, to ¥406.2 billion, as a result of increased mortgage loans and credit card loans.



▶ Assets in Custody — Growth in personal pension insurance

The term-end balance of assets in custody (personal pension insurance, investment trusts, and Japanese government bonds [JGBs]) decreased by ¥20.1 billion year on year, to ¥158.0 billion. This was due to declines in the term-end balances of investment trusts (due to a fall in the base value) and JGBs (due to falling interest rates), which more than offset an increase in the balance of personal pension insurance.



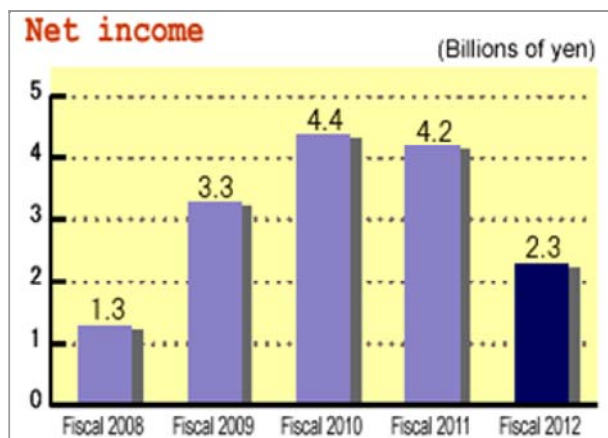
▶ Business Profit on Core Banking Operations — Decreased year on year

Business profit on core banking operations for the reporting term decreased by ¥0.3 billion year on year, to ¥6.9 billion, as a result of lower income from interest on loans, which more than offset an increase in interest and dividend income on securities.



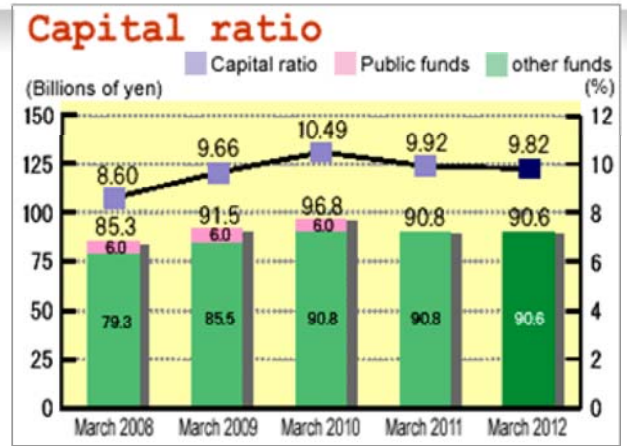
▶ Ordinary Profit and Net Income — Ordinary profit decrease due to loss on valuation of securities

Ordinary profit decreased by ¥0.5 billion year on year, to 5.2 billion as a result of a decline in business profit on core banking operations and the posting of a loss on valuation of securities. Net income posted a year on year decline of ¥1.9 billion to ¥2.3 billion, primarily owing to the drawdown of deferred tax assets resulting from a lowering of the corporate income tax rate.



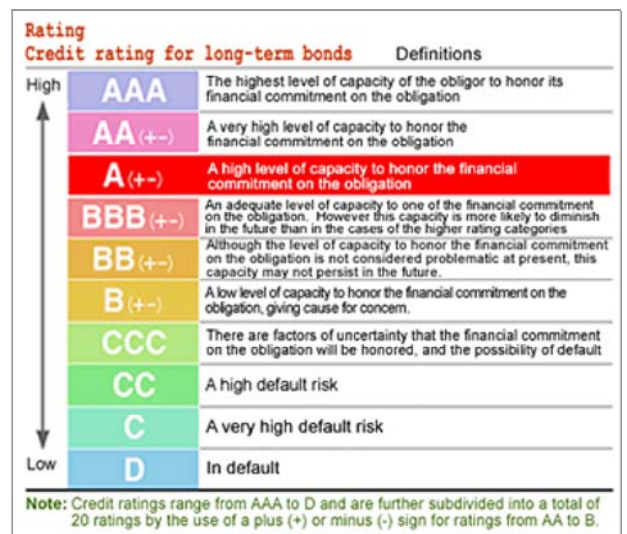
Capital Ratio — Adequate level maintained

The Bank's capital ratio as of March 31, 2012 decreased 0.1 percentage point from the previous term-end, to 9.82%, as a result of an increase in risk assets (the denominator of the ratio) due to an increase in loans. This level of capital ratio is regarded as adequate.



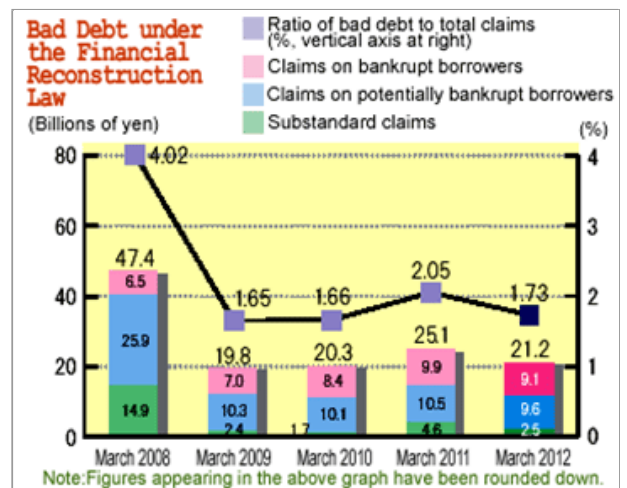
Credit rating — 'A'

Credit ratings (issued by impartial credit rating agencies) with respect to companies that have issued bonds and other investment instruments represent judgments as to the probable ability of the company to repay the principal of, and pay the interest accruing to, such investment instruments. Japan Credit Rating Agency (JCRA), Japan's leading credit rating agency, awarded the Bank a healthy "A" rating for its long-term debentures, the sixth-highest rating out of a total of 20.



Bad Debt Disclosure — Bad debt level and ratio remain low

Bad debt (claims subject to disclosure under the Financial Reconstruction Law) decreased ¥3.9 billion from the previous term-end to ¥21.2 billion. The bad debt ratio (ratio of bad debt to total claims) decreased by 0.32 percentage points to 1.73%, remaining at a low level.



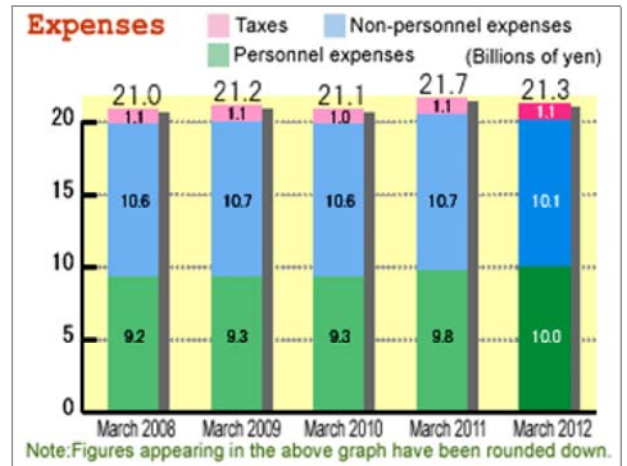
Business Performance Forecasts for Fiscal 2012 — Net income forecast to increase

The steady implementation of the measures put forward in the Bank's medium-term management plan should lead to an increase in net income.

	Forecast for fiscal 2012	Results in fiscal 2011	Difference
Operating revenue	28.5	28.5	0
Ordinary income	5.0	5.2	△0.2
Net income	3.0	2.3	+0.7

Expenses — Decrease in non-personnel expenses

Overall expenses fell by ¥0.4 billion below the previous term's level, to ¥21.3 billion, owing to a decline in non-personnel expenses due to decreased computer system expenses.

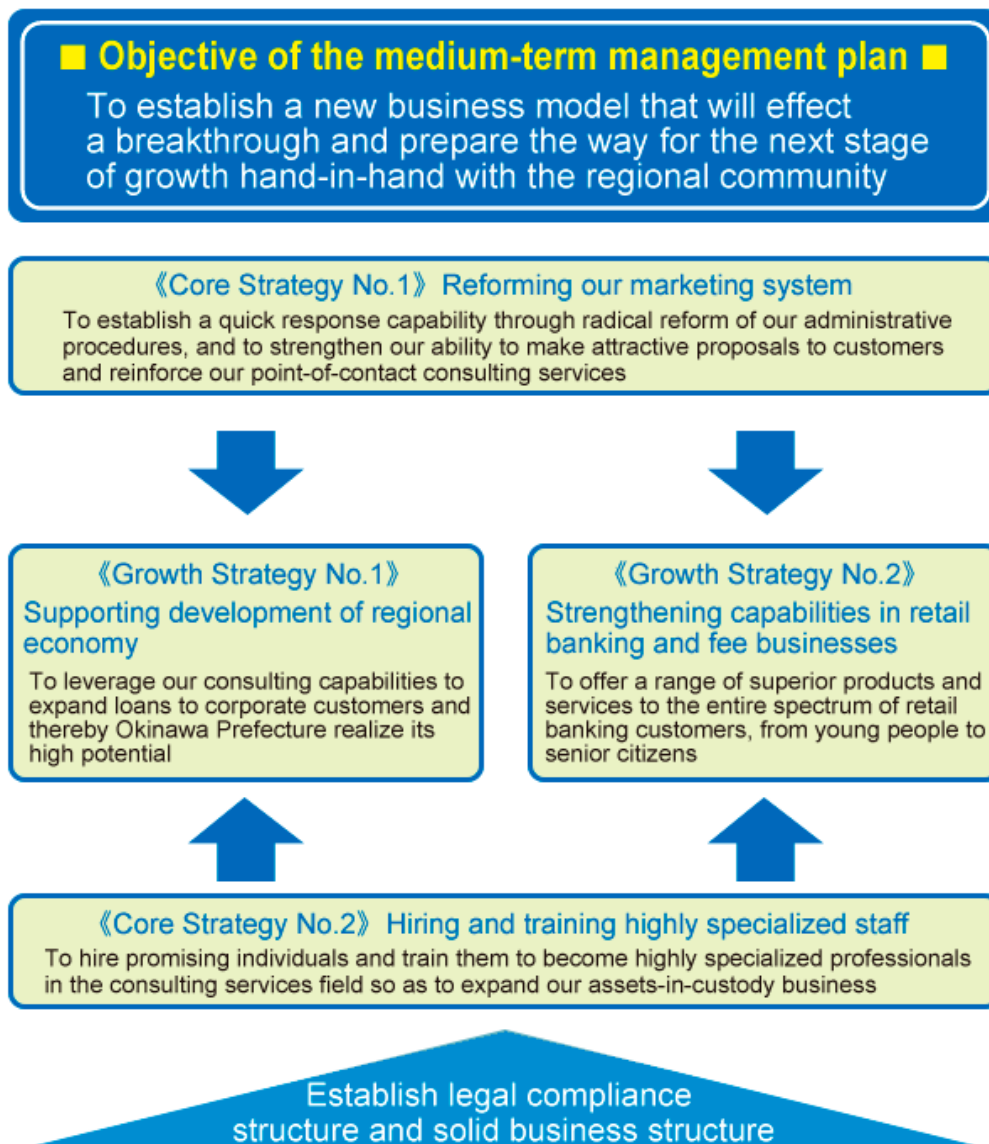


Break Through 2012

New Medium-Term Management Plan: BreakThrough 2012

The Bank of the Ryukyus has commenced a new three-year (April 2012-March 2015) medium-term management plan, under the name BreakThrough 2012. The new plan is based on two fundamental ideas expressed by the slogans "Speed & Quality" and "Contribution to the Region," and the core strategy that will be followed is to construct an organizational system to support growth.

Under this plan, we aim to establish a business model in which the Bank both contributes to the development of the regional economy by performing its functions as a regional financial institution, and achieves growth itself. We aim to make the Bank of the Ryukyus into a financial institution that enjoys the trust of the public – the bank of preference for the citizens of Okinawa.



Management Policy

Forging Stronger Bonds of Trust with the Local Community

Management Philosophy

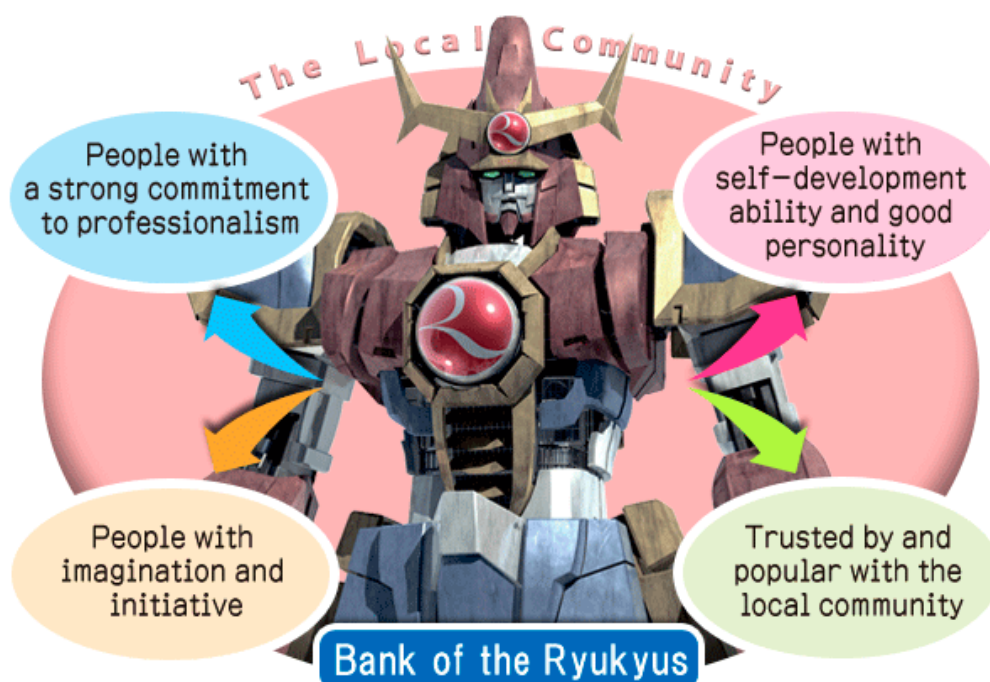
Bank of the Ryukyus (“the Bank”) has long followed a management philosophy of fostering a relationship of trust with the local community so as to contribute to the development of regional society. To continue putting this philosophy into practice in the future, the Bank and its group will enhance the range and quality of services offered, while establishing sound management practices that will enable us to cope with any change in the business environment. By so doing, we aim to meet the needs of the local community.

We see our Bank as: A provider of “solution-type” financial services

As a provider of “solution-type” financial services, the Bank will identify and resolve problems and issues facing the region, its corporations and its individual customers. That is the vision. Therefore, the Bank aims to promoting sustainable growth in partnership with our community, corporate and individual customers, by strengthening its capabilities in “solution-type” banking and providing a wider range of services.

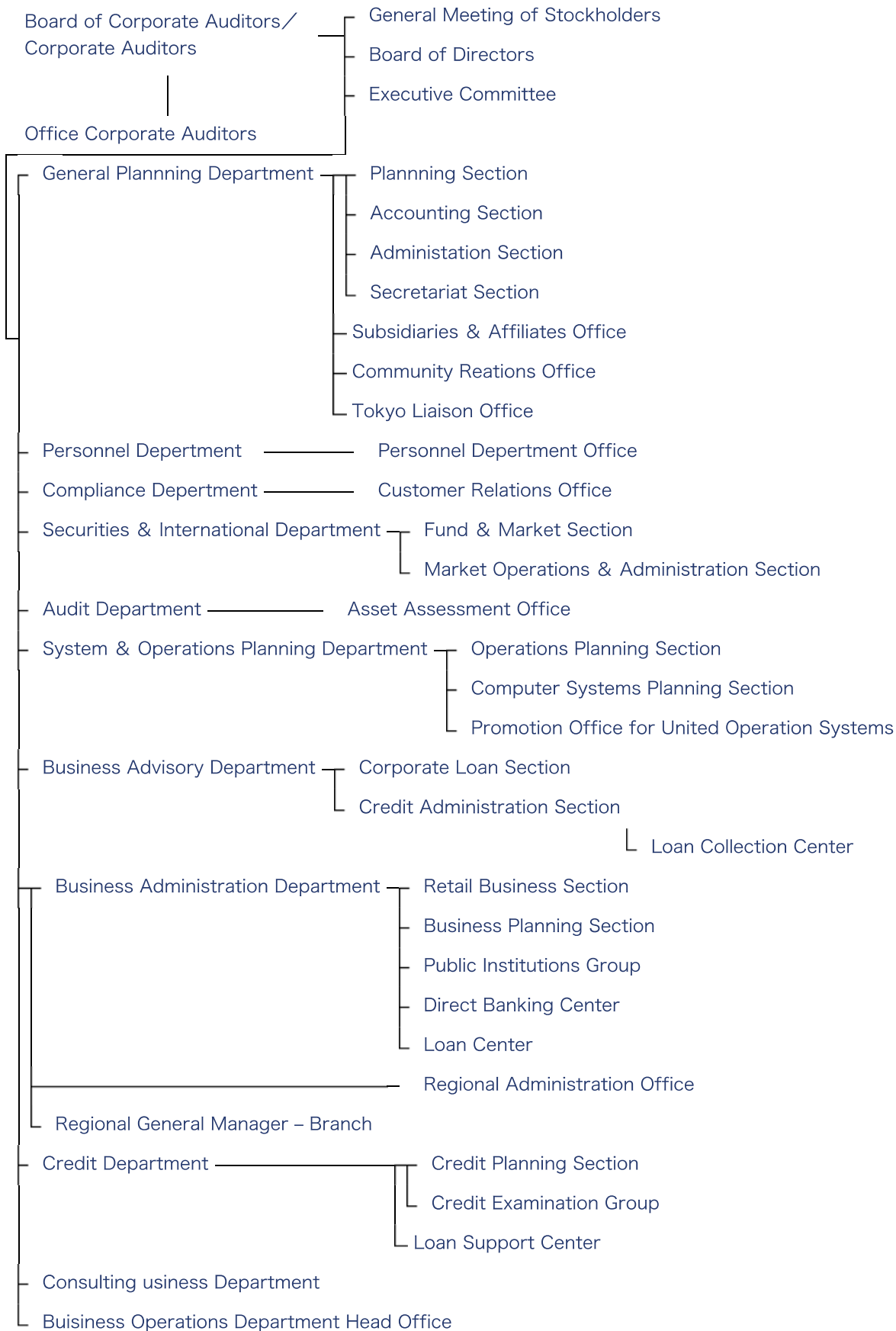
We see our employees as:

1. People with a strong commitment to professionalism
Ability to demonstrate strong business knowledge and competence. Determination to achieve goals.
2. People with imagination and initiative
Constant awareness of potential problems and a will to make changes when necessary. Ability to set an example through own initiative.
3. People with self-development ability and good personality
Persistence in self-development, to improve competence and ability to adapt to change, and willingness to embrace challenges.
4. Trusted by and popular with the local community
Ability to gain trust and support of local communities, and contribute to their growth



Organization

(As of June 28, 2012)





Profile

Bank of the Ryukyus, Ltd. was established in 1948 under an ordinance of the U.S. military for the purpose of restoring financial order and stabilizing the currency in order to facilitate the sound development of the Okinawan economy. From its founding up to the reversion of Okinawa to Japan, the Bank dedicated itself to promoting the development of the prefectural economy in its role as the region's de facto central bank.

When Okinawa was restored to Japanese sovereignty in 1972, the Bank reverted to the status of an ordinary bank subject to Japanese banking law, and as the prefecture's leading bank, it facilitated the transition to the Japanese economic and financial systems. In 1983, we became the first bank in Okinawa to be listed on the stock exchange, and in 1986 construction of our Computer Center was completed. In 1988, we established an international foundation. In this way, the Bank has been simultaneously working to strengthen its business structure and actively contribute to the prosperity of the regional community.

In June 2002, the decision was made to adopt an executive officer system, with the aim of facilitating more rapid response to changes in the banking environment, while enhancing the Bank's competitiveness as well as its level of overall efficiency.

In 2004, we introduced an Internet banking service, thereby becoming the first bank in the prefecture to offer online banking services for corporate clients.

In April 2012, we launched our new medium-term (four-year) management plan under the name Break Through 2012.



Corporate Data

Non-Consolidated Data

Non-Consolidated Data (As of March 31, 2012)

Date of Establishment	May 1, 1948
Paid-in Capital	¥54,127 million
Total Assets	¥1,878,682million
Number of Employees	1,216
Number of Offices (including Head Office and Sub-branches)	71
Number of Shareholders	13,502
Stock Listings	Tokyo Stock Exchange & Fukuoka Stock Exchange

Service Network (As of March 31, 2012)

Head Office and Securities & International Department
11-1, Kumoji 1-chome (P.O. Box 310), Naha, Okinawa 900-0015, Japan Telex: J79827 Phone: 098-866-1212 Fax: 098-863-8504 SWIFT: RYUB JPJZ
Tokyo Branch
Kanda 21 Building 4F, 2-2-16, Kandata-cho, Chiyoda-ku, Tokyo 101-0046, Japan Phone: 03-5296-8611 Fax: 03-5296-8616

Board of Directors (As of June 28, 2012)

President	Directors	Executive Officers
Takei kinjo	Komei Takara Hajime Miyazato Hidehiro Hayashi	Ryota Nakamura Tomoyuki Matsubara Morihiisa Inoha
Senior Managing Director	Standing Corporate Auditor	
Ikuo Yasuda	Masahiko Higa	
Managing Directors	Corporate Auditors	
Tooru Ikehata Shinichi Ishikawa Taketora Miyagi	Katsunari Oomine Tsuyoshi Nakamura	

Bank of the Ryukyus Group Companies (As of June 28, 2012)

Ryukyu Leasing Co., Ltd.

7-1, Kumoji 1-chome, Naha, Okinawa 900-0015, Japan
Phone: 098-866-5500
Established: May 1972
Paid-in Capital: ¥346 million
Line of Business: General leasing

Ryugin Hosho Co., Ltd.*

1-9, Tsubokawa 1-chome, Naha, Okinawa 900-0015, Japan
Phone: 098-832-1200
Established: July 1979
Paid-in Capital: ¥20 million
Line of Business: Housing loans, debt guaranty and insurance agency

Ryugin Business Service Co., Ltd.*

9-17, Kumoji 1-chome, Naha, Okinawa 900-0015, Japan
Phone: 098-863-4572
Established: September 1983
Paid-in Capital: ¥10 million
Line of Business: Cash inspection and arrangement, Cash Dispenser/ATM management and maintenance

Ryugin DC Co., Ltd.*

7-1, Kumoji 1-chome, Naha, Okinawa 900-0015, Japan
Phone: 098-862-1525
Established: April 1984
Paid-in Capital: ¥195 million
Line of Business: Credit cards, financing

Ryugin Office Service Co., Ltd.*

4-1-1, Uchima, Urasoe, Okinawa 901-2121, Japan
Phone: 098-876-7130
Established: June 1999
Paid-in Capital: ¥10 million
Line of Business: Clerical services

Ryugin Research Institute., Ltd.*

1-9, Tsubokawa 1-chome, Naha, Okinawa 900-0025, Japan
Phone: 098-835-4650
Established: June 2006
Paid-in Capital: ¥23 million
Line of Business:
Industrial, economic and financial surveys and research; planning and organization of conferences and training

*Consolidated subsidiaries

Message from the President

I would like to express my sincere gratitude to shareholders and other stakeholders of the Bank of the Ryukyus for their continued support.

The following is a report on the Bank's business performance and financial position for the fiscal 2011 business term (April 1, 2011 to March 31, 2012).



Tokei Kinjo
President

Financial & Economic Environment

Looking back on the Japanese economy in fiscal 2011, following a sharp recovery driven by reconstruction efforts in the wake of the Great East Japan Earthquake of March 11, the economy started to mark time from about the middle of the term, owing to a slowdown in exports caused by the yen's appreciation. Signs of a recovery were seen toward the end of the term, thanks to the enactment of several supplementary budgets and the consequent effects of government policies, including the reinstatement of the system of subsidies to stimulate purchases of eco-friendly vehicles. Meanwhile, a slight downward adjustment in the yen's strength on the foreign currency market was seen toward the end of the fiscal year, largely as a result of the Bank of Japan's adoption of a de facto inflation targeting policy.

Turning to the economy of Okinawa Prefecture, a weakening trend was seen in the early part of the fiscal year owing to the weakness of the tourism sector against the backdrop of the public mood of post-disaster voluntary restraint with respect to vacation travel. Thereafter, however, the aftereffects of the disaster gradually waned, and the tourism industry staged a comeback as visitors to Okinawa Prefecture turned upward. In addition, certain categories of consumer spending continued to post firm figures, housing construction starts rose, and the prefecture's economy as a whole recovered increasingly strongly from mid-term onward.

Business Activities and Performance Results

Against this backdrop, as our targets for fiscal 2011 – which was the second year of our “RISING PLAN 2010” medium-term management plan aimed at improving and expanding our business foundation for the next leap forward – we set the goal of “Stronger marketing, human resources and functional innovation.” We continued to actively strengthen our transactions with individual customers by effectively leveraging the expanded marketing channels we had implemented in the previous year, including mini branches and ATMs located within convenience stores. We also continued to strengthen our capabilities in marketing to corporate customers, where we have demonstrated our excellent abilities in the consulting field. In addition, to raise shareholder value we took measures to reinforce the Bank's capital base by acquiring shares in treasury (common stock), increasing dividend payments, and so on.

The following describes our key efforts in this area.

With respect to strengthening our transactions with individual customers, we conducted a campaign to attract new depositors, leveraging the extensive ATM network we constructed in fiscal 2010 – easily the largest in the prefecture – to encourage more individuals to open direct salary-transfer accounts with us, and we also pursued a strategy of encouraging customers to use the Bank of the Ryukyus as their principal bank. We also took advantage of the increase in our transactions for individual customers by launching new types of fixed-term deposit, such as the V Camp Professional Baseball Support Term Deposit, as well as new personal pension insurance and investment trust products, thereby actively meeting our customers' diversifying needs in the field of assets-in-custody services.

During the reporting term we also aggressively incorporated cutting-edge information technology into our business operations. We introduced iPad tablet computers at almost all our branches to help in explaining our products to customers or making service proposals, launched a smart-phone-compatible mobile banking service, and commenced the sale of insurance products over the Internet.

With regard to strengthening our capabilities in marketing to corporate customers, we offered customers with insufficient real estate collateral a variety of fund-raising methods through our active measures to incorporate asset-based lending (ABL), in which movable assets or claims can be employed as collateral for loans. We also participated

along with fifteen Okinawan companies in a food fair under the name Regional Banks – Food Selection 2011, to help corporate customers expand their marketing channels.

To support Okinawan companies aiming to enter Asian markets, we took a variety of measures to reinforce our ability to gather and provide information. These include dispatching Bank staff to JETRO (Japan External Trade Organization), to the Asian Financial Support Center of DBJ (Development Bank of Japan Inc.), and to Kasikorn Bank of Thailand, and forming collaborative arrangements with a number of export-import consultants specializing in Asia. We also dispatched employees to work at the Hong Kong Office of the Okinawan Prefectural Government. In these ways, we worked to support the growth of our corporate customers.

To help the Bank play its intended financial intermediary role as a regional financial institution and thereby facilitate the supply of funds to the prefecture's economy, and in line with our basic policy on the facilitating of financing, we ensured appropriate and prompt response at all our branches and Loan Centers to customers' requests for consultations on such matters as taking out new loans or changing loan conditions. Staff at our head office and branches also worked together to provide corporate customers with support for management improvement and business restructuring.

Issues Facing the Bank

Major changes are occurring in the financial environment amid which the Bank of the Ryukyus operates, including sluggish growth in demand for funds and a diversification in customer needs. We project an intensification of competition with other regional financial institutions, megabanks, and online banking services from here onward.

In these circumstances, we will work to further expand and strengthen our customer base while ensuring strict legal compliance, maintaining our reputation for administrative accuracy, demonstrating a quick-response capability, and providing consulting services.

Under our medium-term management plan RISING PLAN 2010 (April 2010-March 2014), we had been taking steps to expand our marketing channels, but in response to the changing financial environment we cut short the period of the plan, and in April this year we commenced a new plan, dubbed BreakThrough 2012, which will run until March 2015.

We are pursuing the new medium-term management plan under the twin slogans of "Speed & Quality" and "Contribution to the Region," and we will be putting our full efforts into four strategies – reforming our marketing system, hiring and training highly specialized staff, contributing to regional economic development, and strengthening our capabilities in retail banking and in the fee business field.

From here onward, through its consulting services, the Bank of the Ryukyus will continue to help Okinawa Prefecture realize its high potential. In its capacity as one of Okinawa's leading banks, the Bank will work to support the sustained development of the region and thereby earn the trust and support of its customers.

July 2012
Tokei Kinjo,
President



Financial Section

Financial Data [PDF files]

Entire File	(669KB)	
Consolidated Balance Sheets	(111KB)	
Consolidated Statements of Income	(114KB)	
Consolidated Statements of Comprehensive Income	(82KB)	
Consolidated Statements of Changes in Net Assets	(139KB)	
Consolidated Statements of Cash Flows	(169KB)	
Notes to Consolidated Financial Statements	(188KB)	
Non-Consolidated Balance Sheets	(100KB)	
Non-Consolidated Statements of Income	(94KB)	
Non-Consolidated Statements of Changes in Net Assets	(142KB)	
Supplementary Financial Information (Unaudited) Statements of Trust Assets and Liabilities	(71KB)	