

A banner at the top of the page featuring a blurred background of a bar chart with various colored bars (red, green, blue, orange) and the words "Annual Report" in a large, light blue font. A hand holding a red pen is visible on the right side of the banner.

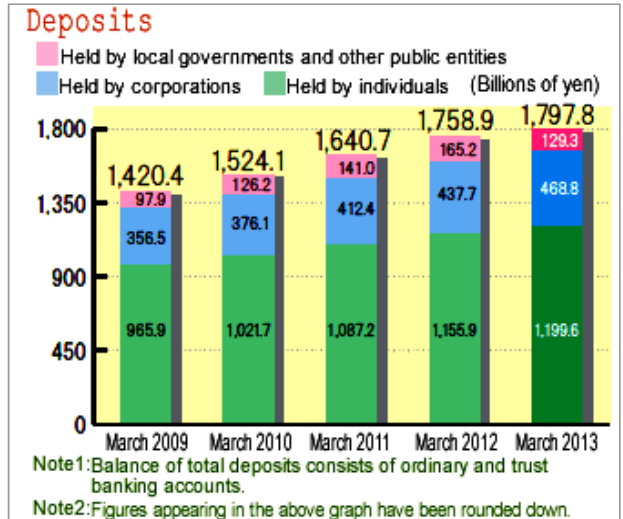
Annual Report

Activities in Fiscal 2012

Review of Operations (non-consolidated)

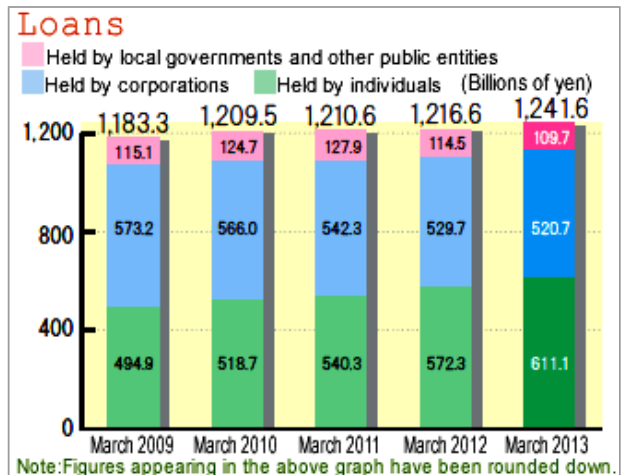
Deposits — Balance of deposits increases 2.2%

The year-end balance of deposits rose ¥38.8 billion year on year, to ¥1,797.8 billion due to continued strong performance of deposits for individuals and corporations, despite a decrease in local public entity deposits and financial deposits.



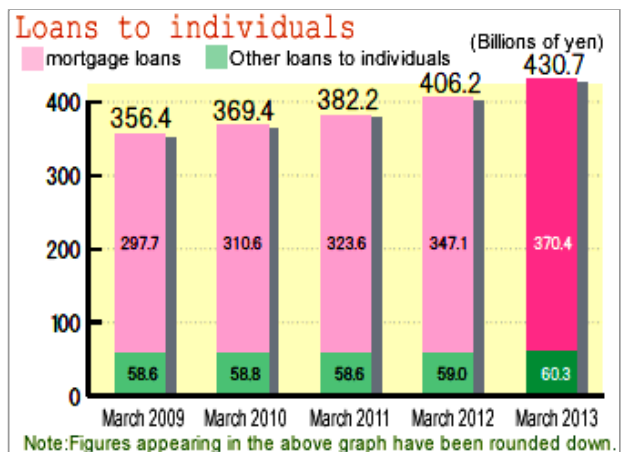
Loans — Total loans up 2.1%

The year-end balance of loans increased by ¥24.9 billion year on year, to ¥1,241.6 billion thanks to increased loans to individuals, centered on mortgage loans, despite a decrease in loans to corporate customers and local public entities.



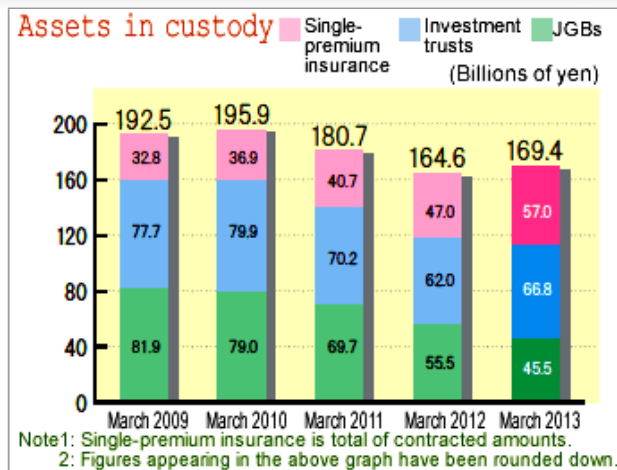
Loans to Individuals — Mortgage lending drives growth of total loans

The balance of loans to individuals increased by ¥24.5 billion year on year, to ¥430.7 billion, as a result of increased mortgage loans and credit card loans.



Assets in Custody – Increase in investment trusts and single-premium insurance products

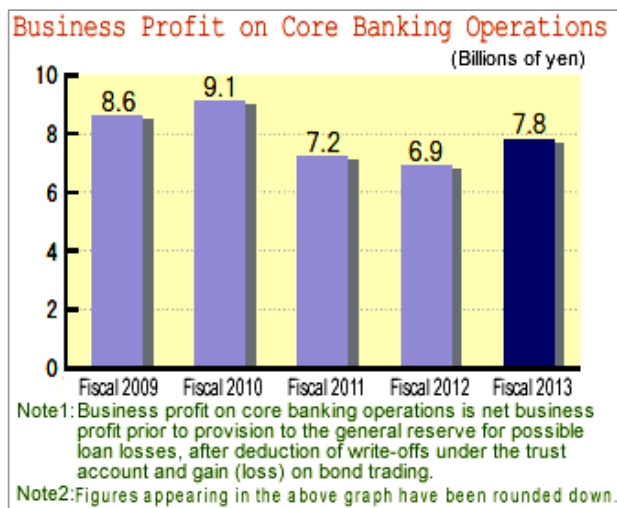
The year-end balance of assets in custody (single-premium insurance, investment trusts, and Japanese government bonds [JGBs]) increased by ¥4.7 billion year on year, to ¥169.4 billion. This was due to strong sales of investment trusts and single-premium insurance, despite a decrease in JGBs resulting from an increase in their redemption.



Business Profit on Core Banking Operations — Increased due to improved net interest income

Business profit on core banking operations* is an indicator that shows the earning capacity of a bank's main business and is a concept equivalent to operating income in business companies that excludes one-time variable factors from profits (net business profit) raised through deposits, loans, and assets in custody. Business profit on core banking operations for the reporting year increased by ¥0.9 billion year on year, to ¥7.8 billion. This was mainly attributable to an improvement in net interest income due to lower yields on deposits.

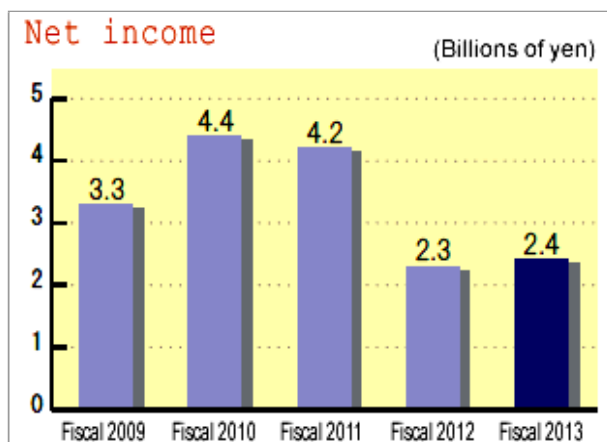
Note: Net business profit on core banking operations = Net business profit before provisions to the general reserve for possible loan losses – Gains/losses on JGBs and other bonds.



Ordinary Profit and Net Income — Net credit costs increased on rebound from previous year, but net profit secured

Ordinary profit decreased by ¥0.7 billion year on year, to 4.5 billion as a result of an increase in net credit costs, despite an increase in business profit on core banking operations.

Net income increased year on year by ¥0.1 billion to ¥2.4 billion, owing to a decrease in income taxes-deferred in response to temporary effects caused by a lowering of the corporate income tax rate in the previous fiscal year.

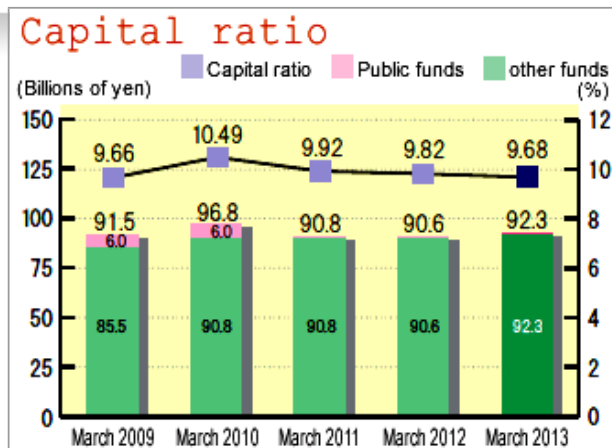


Capital Ratio — Adequate level maintained

The Bank's capital ratio is one benchmark that shows the security and soundness of management and represents the adequacy of shareholders' equity such as capital compared with total asset value, especially money loaned.

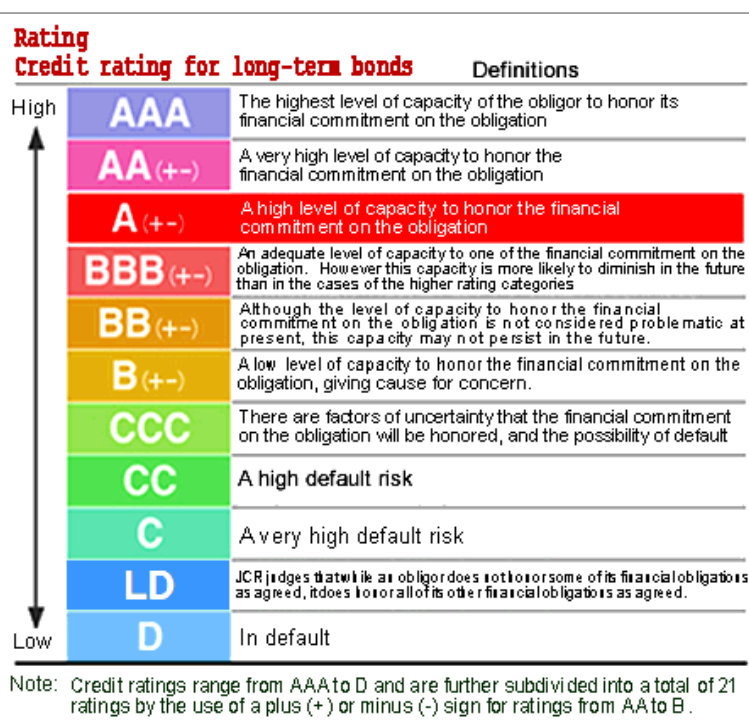
The Bank's capital ratio as of March 31, 2013 decreased 0.14 percentage point from the previous year-end, to 9.68%, as the amount of the increase in risk assets (the denominator of the ratio) was large due to an increase in loans and other factors compared with the increase in shareholders' equity caused by the accumulation of profit.

This level of capital ratio is regarded as adequate.



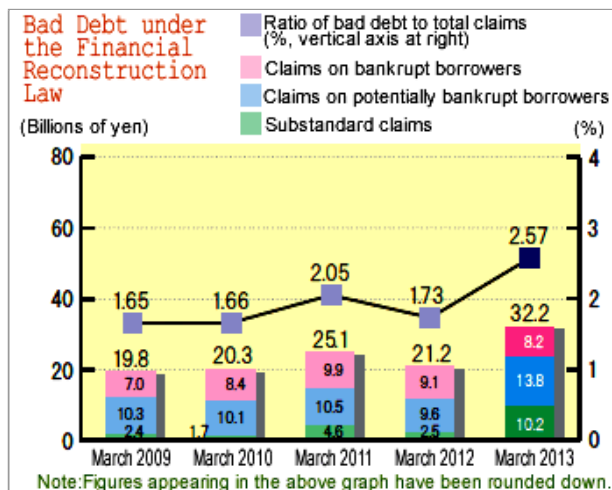
Credit rating — 'A'

So that their ability to fulfill financial obligations can be compared, long-term issuer credit ratings are assessed by credit rating agencies – equitable third parties – taking into account all issuer obligations comprehensively. The ratings are symbolically expressed. The Bank of the Ryukyus has obtained a credit rating from Japan Credit Rating Agency, Ltd. of 'A' (Single A / Stable. Obligor has a strong capacity to meet its financial commitments.), an excellent rating and the sixth highest rating after Prime among the 21 ratings.



Bad Debt Disclosure — Bad debt level and ratio remain low

Bad debt (claims subject to disclosure under the Financial Reconstruction Law) increased ¥11.0 billion from the previous year-end to ¥32.2 billion. The bad debt ratio (ratio of bad debt to total claims) increased by 0.84 percentage points to 2.57%.



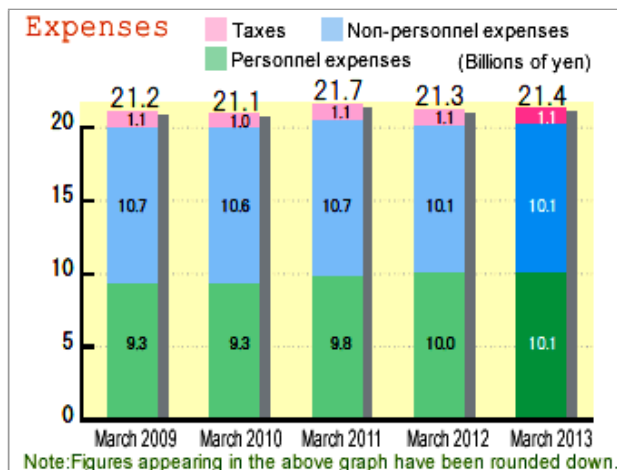
Business Performance Forecasts for Fiscal 2013 — Profit and income forecasted to increase

The steady implementation of the measures put forward in the Bank's medium-term management plan is expected to lead to increases in ordinary profit and net income.

Forecasts for fiscal 2013 (Billions of yen)			
	Forecast for fiscal 2013	Results in fiscal 2012	Difference
Business Profit on Core Banking Operations	7.7	7.8	-0.1
Ordinary income	5.0	4.5	+0.5
Net income	3.0	2.4	+0.6

Expenses – Largely the same as in fiscal 2011

Expenses came in at ¥21.4 billion, largely the same as in fiscal 2011.



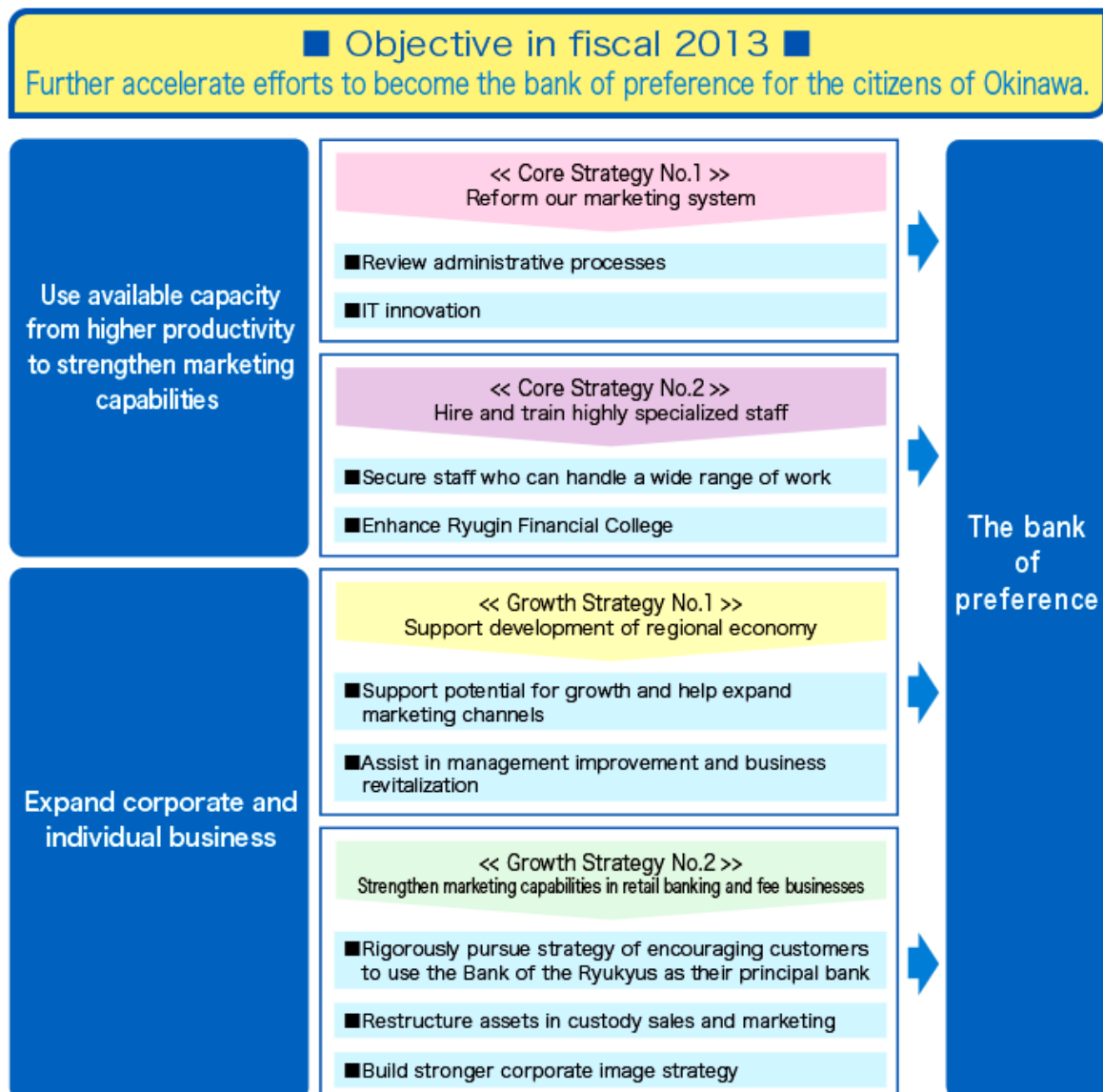
Break Through 2012

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.

In fiscal 2013, the Bank will raise productivity through rigorous administrative reforms and the application of information technology, and channel the remaining capacity into strengthening the deposit, loan, and fee businesses, thereby raising our earning capacity.

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

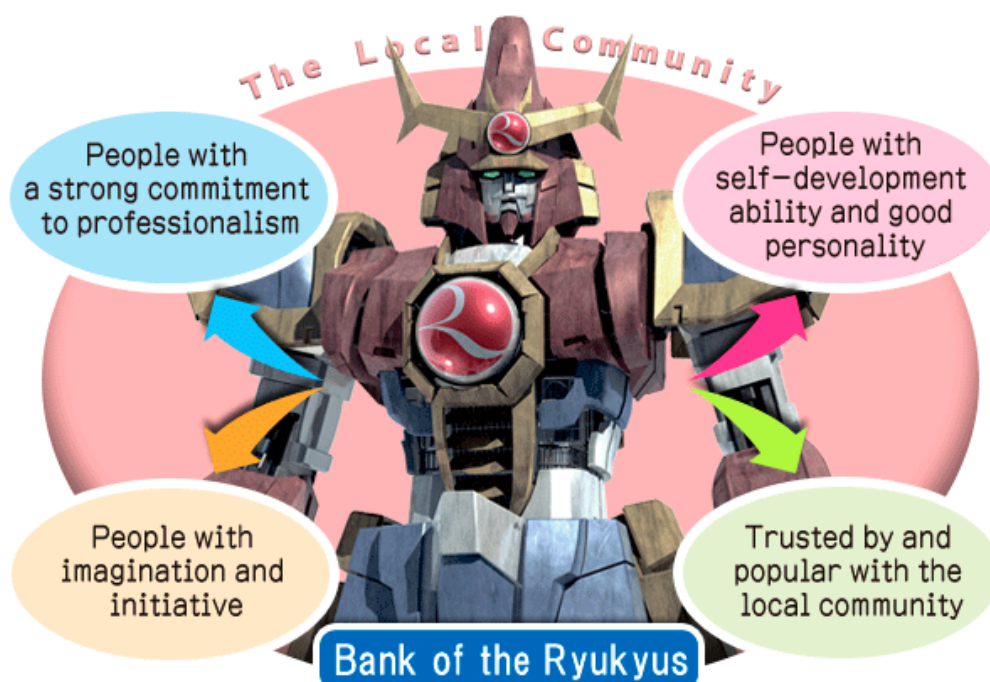
Bank of the Ryukyus (“the Bank”) has long followed a management philosophy of fostering a relationship of trust with the local community so as to contribute to the development of regional society. To continue putting this philosophy into practice in the future, the Bank and its group will enhance the 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.

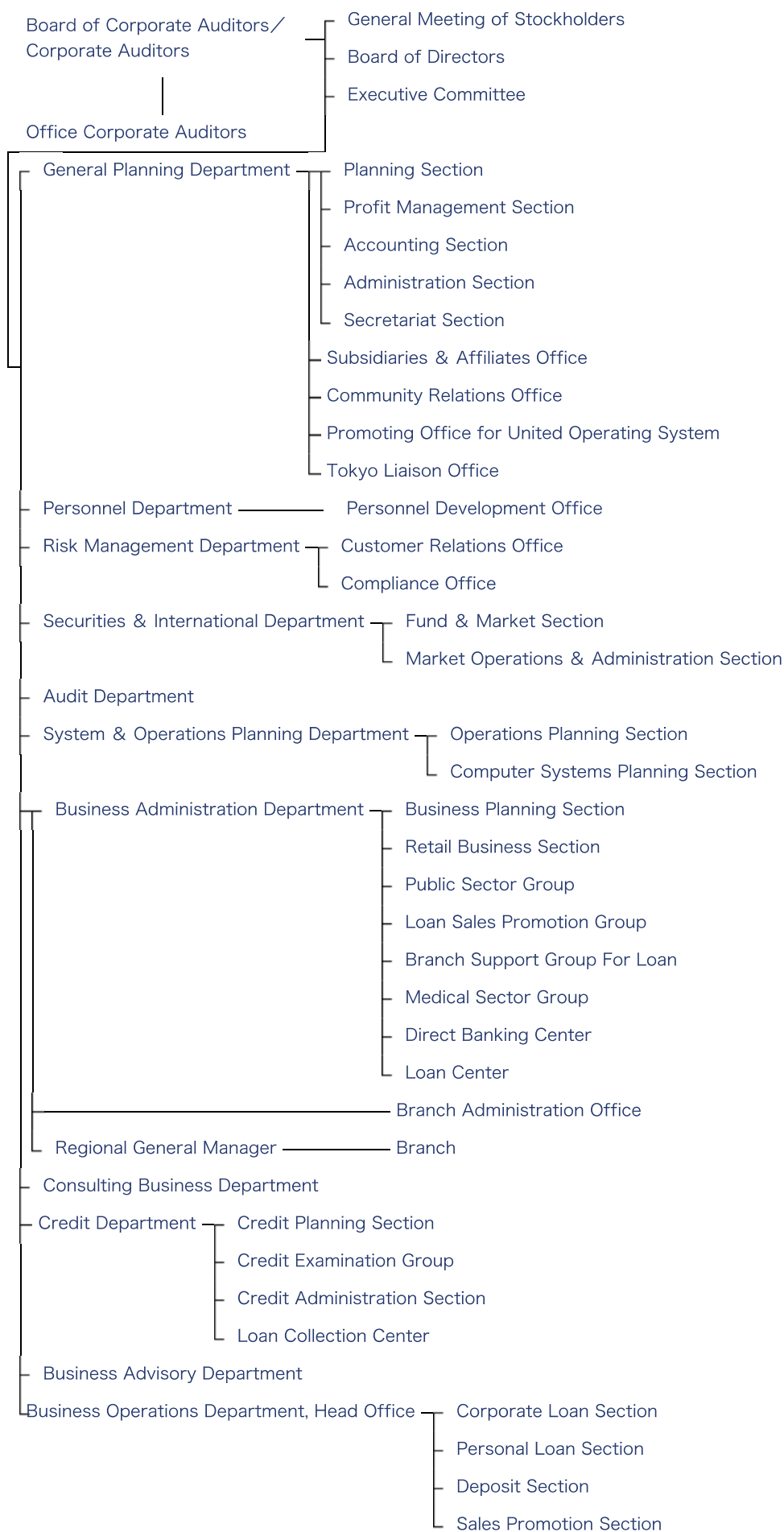
We see our employees as:

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 27, 2013)



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, 2013)

Date of Establishment	May 1, 1948
Paid-in Capital	¥54,127 million
Total Assets	¥1,915,060million
Number of Employees	1,219
Number of Offices (including Head Office and Sub-branches)	74
Number of Shareholders	13,160
Stock Listings	Tokyo Stock Exchange & Fukuoka Stock Exchange

▶ Service Network (As of March 31, 2013)

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 27, 2013)

President	Directors	Executive Officers
Tokei kinjo	Hajime Miyazato Hidehiro Hayashi Tomoyuki Matsubara Masamitsu Arakaki	Ryota Nakamura Morihiro Inoha Yasushi Kawakami
Senior Managing Director	Standing Corporate Auditor	
Ikuo Yasuda	Masahiko Higa	
Managing Directors	Corporate Auditors	
Shinichi Ishikawa Taketora Miyagi Komei Takara	Katsunari Oomine Tsuyoshi Nakamura	

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: June2006
 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 fiscal 2012 (April 1, 2012 to March 31, 2013).



Tokei Kinjo
President

Financial & Economic Environment

Looking back on the Japanese economy in fiscal 2012, in the first half the economy was in a recessionary phase primarily due to lower exports resulting from the strong yen and the overseas economic slowdown. However, in the second half, there was a bottoming out thanks to underlying support from the public sector due to the recovery of the household sector and reconstruction demand. Toward the end of the year, in addition to an economic rebound overseas, there were signs of recovery after the downward adjustment in the yen's value caused by the "Abenomics" of the new Abe administration.

Turning to the economy of Okinawa Prefecture, following a mild rebound in the first half and strong construction including homeowner construction, there were signs of recovery due to the increase in public works after a Okinawa promotion budget was put into effect. Signs of recovery grew stronger at the end of the fiscal year due to an increasing pickup in tourism caused by an upturn in visitors to Okinawa Prefecture.

Business Activities and Performance Results

Against this backdrop, in fiscal 2012, the year that we started our medium-term management plan "BreakThrough 2012," which seeks to establish a new business model that will effect a breakthrough, we took a number of actions. These included the achievement of greater operational efficiency by leveraging advances in IT technology and putting together high-quality business proposals, the expansion of corporate transactions through a stronger system for promoting loans, and strong action taken to strengthen business to individuals through effective new store development and support system enhancements for branches.

The following describes our key efforts in this area.

To streamline our business, the Bank began operating a new financial support system in April 2012 and built a system capable of responding more quickly to request for financial counseling by computerizing the process of internal decision requests. In addition, we conducted a sweeping review of branch administrative processes including the computerization of statements of transactions, which until now had been paper-based, and centralization of deposit foreclosure and investigation processes at the head office. We also moved aggressively to improve our proposal-making capabilities by leveraging information technology such as proposal tools that leverage tablet computers.

To expand business with corporate customers, we changed the organization of our head office in December 2012 by establishing the Loan Promotion Group, which oversees the promotion of loans to corporate customers, the Healthcare Promotion Group, and the Loan Support Group. In addition to establishing a loan promotion system that integrates the head office and branches, we developed new products that swiftly supply funds to fields with high growth potential, and began offering loans including Teeda Power, a loan solely designed to meet the needs of solar power generation facilities. To support the growth and development of local medical and nursing care fields, we began offering Colle-ju, a loan offered exclusively to homes for the care of the elderly. Moreover, to tap Okinawa Prefecture's high potential so that it leads to the sustained growth of the region, the Bank of the Ryukyus held the Sweets Meshi Tomo Business Conference and Regional Banks – Food Selection 2012. Not only did these conferences help to expand customers' marketing channels, through collaboration and alliances with Nomura Agri Planning & Advisory and MOKUMOKU we helped with development for the sixth industrialization of agricultural industries with future growth potential and for agricultural-related industries.

With respect to the facilitation of financing, after the end of the SME Financing Facilitation Act on March 31, 2013, we created a system to provide even stronger support for customers' management improvement and business revitalization

using the Ryukyu SME Revitalization Fund and other resources.

To build stronger business with individual customers, the Bank executed an effective branch strategy which involved opening the Makabi Branch and Makabi Loan Center Plus in the fast-growing Makabi Furushima area as a Naha base second only to the Naha new urban area, as well as the Nanbu Loan Center Plus in Haeburu-cho, a bedroom community of Naha where there is growth potential. In addition to offering mortgage loans and consumer loans, Loan Center Plus will also specialize in handling insurance consultations. In this way, we have put in place a system that provides on a timely basis optimal financial products that are suited to the customer's life stage.

Issues Facing the Bank

The financial environment amid which the Bank of the Ryukyus operates is expected to undergo intensified competition, such as decreasing yields on interest income, with other regional financial institutions, megabanks, and online banking services from here onward.

In these circumstances, we will work to further expand our customer base and raise our earning capacity by ensuring strict compliance and providing speedy high-quality financial products and services.

In fiscal 2013, the second year of our medium-term management plan BreakThrough 2012, we worked toward the management goal of further accelerating our efforts to become the bank of preference for the citizens of Okinawa. We will work harder to become the bank of preference for the citizens of Okinawa that has high customer satisfaction and a strong financial base. To achieve this, we will review administrative processes, raise productivity through rigorous administrative reforms including greater centralization of administrative work in the head office, and by leveraging IT through the installation of auto-screening system and sales support systems. We will channel the remaining capacity generated from rationalization into strengthening our marketing capabilities and thereby expand the deposit, loan, and fee businesses.

From here onward, the Bank of the Ryukyus will respond appropriately to diverse customer needs based on Speed & Quality and through its sophisticated consulting services it will contribute to the revitalization and development of Okinawa Prefecture's economy and in its capacity as Okinawa's true leading local bank, it will work to earn the trust and support of its customers.

July 2013
Tokei Kinjo,
President



Financial Section

Financial Data [PDF files]

Entire File	(154KB)	
Consolidated Balance Sheets	(44KB)	
Consolidated Statements of Income	(43KB)	
Consolidated Statements of Comprehensive Income	(39KB)	
Consolidated Statements of Changes in Net Assets	(52KB)	
Consolidated Statements of Cash Flows	(74KB)	
Notes to Consolidated Financial Statements	(73KB)	
Non-Consolidated Balance Sheets	(44KB)	
Non-Consolidated Statements of Income	(43KB)	
Non-Consolidated Statements of Changes in Net Assets	(50KB)	
Supplementary Financial Information (Unaudited) Statements of Trust Assets and Liabilities	(43KB)	