

A banner image at the top of the page. It features a blue and white background with the words "Annual Report" in a large, light blue, serif font. Overlaid on this text are several colorful, diagonal lines in shades of red, green, and yellow. A hand holding a red pen is visible on the right side, appearing to write on the document.

# Annual Report

# Activities in Fiscal 2013

## Review of Operations (non-consolidated)

### Financial Summary (Non-Consolidated)

Increase in revenue and earnings for the first time in nine years

Financial Summary (Non-Consolidated)			(Billions of yen)
	FY2013	FY2012	Change
Ordinary revenue	37.9	37.5	+0.4
Business gross profit	30.2	29.3	+0.9
Expenses	21.7	21.4	+0.3
Real net business profit	8.5	7.8	+0.7
Net credit costs	2.5	2.8	-0.3
Other extraordinary gain/loss	0.3	-0.4	+0.7
Ordinary profit	6.3	4.5	+1.8
Total Income taxes	2.8	2.0	+0.8
Net Income	3.4	2.4	+1.0

\* Real net business profit = Business gross profit – Expenses  
 \* Increase and decrease is presented on a financial statement basis.

### Financial Summary (Consolidated)

Increase in revenue; substantial increase in earnings due mainly to an increase in the ratio of voting rights in subsidiary company Ryugin Hosho Co., Ltd.

Financial Summary (Consolidated)			(Billions of yen)
	FY2013	FY2012	Change
Consolidated ordinary revenue	39.9	39.3	+0.6
Consolidated ordinary profit	7.4	5.6	+1.8
Consolidated net income	4.9	2.7	+2.2

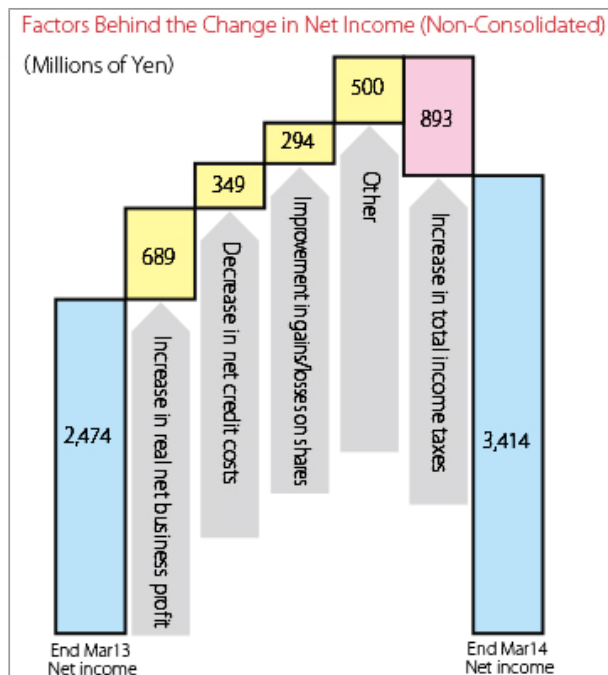
【Details of subsidiaries in which the Bank has increased its ratio of voting rights and other matters】 (Billions of yen)

Company Name	Net income (FY2013)	Net assets (as of March 31, 2014)	Ratio of voting rights	Impact on consolidated profit as a result of an increase in the ratio of voting rights
Ryugin Hosho Co., Ltd.	0.3	2.2	5.00%⇒96.15% ※From March 19, 2014	1.1 (Gain on negative goodwill)
Ryukyu Leasing Co., Ltd.	5.0	3.7	4.98% (Share held by the Bank) 15.21% (Share held by Ryugin Hosho Co., Ltd.)	0.4 (Equity in net income of affiliates)

\* Bank of the Ryukyus, Ltd. acquired additional shares in Ryugin Hosho Co., Ltd., which holds a portion of the shares of Ryukyu Leasing Co., Ltd., effectively increasing its ratio of voting rights in March 2014.  
 \* Bank of the Ryukyus, Ltd. acquired additional shares in Ryukyu Leasing Co., Ltd., an affiliated company accounted for by the equity method, in April 2014. Having increased its ratio of voting rights to 49.96%, the Bank included Ryukyu Leasing Co., Ltd. in its scope of consolidation as a consolidated subsidiary.  
 \* Increase and decrease is presented on a financial statement basis.

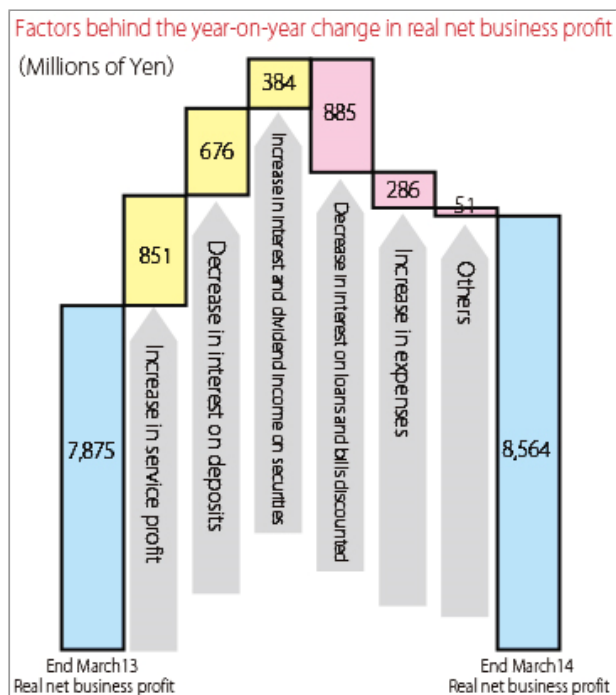
## ► Factors Behind the Change in Net Income (Non-Consolidated)

Increase in net income largely attributable to the increase in real net business profit



## ► Factors Behind the Change in Real Net Business Profit (Non-Consolidated)

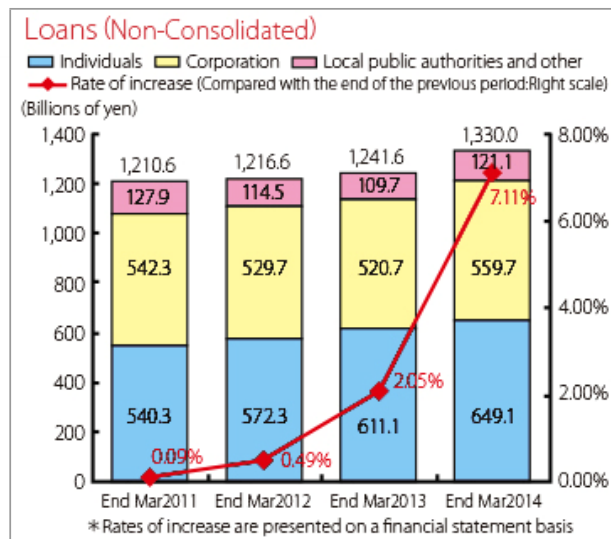
Increase in real net business profit largely attributable to the increase in service profit and decrease in interest on deposits



## Loans (Non-Consolidated)

Increase in loans to individuals, corporations, and local public authorities; the balance of loans tops ¥1,300 billion

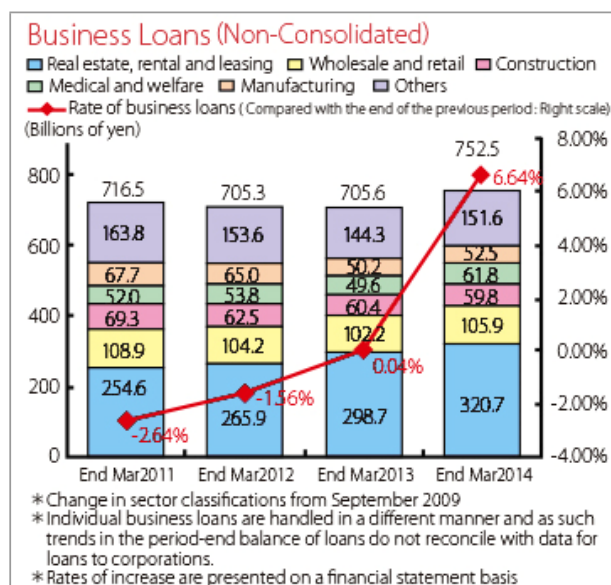
Consumer loan trends remained firm primarily in the areas of mortgage and credit card loans. Business loans also increased mainly to the real estate sector including apartment loans as well as the medical and welfare sector. Meanwhile, loans to local public entities were strong. Taking each of these factors into consideration, the balance of loans as of the end of the fiscal year under review stood at ¥1,330 billion, up ¥88.4 billion compared with the end of the previous fiscal year.



## Business Loans (Non-Consolidated)

Increase mainly in loans to the real estate sector including apartment loans as well as the medical and welfare sector

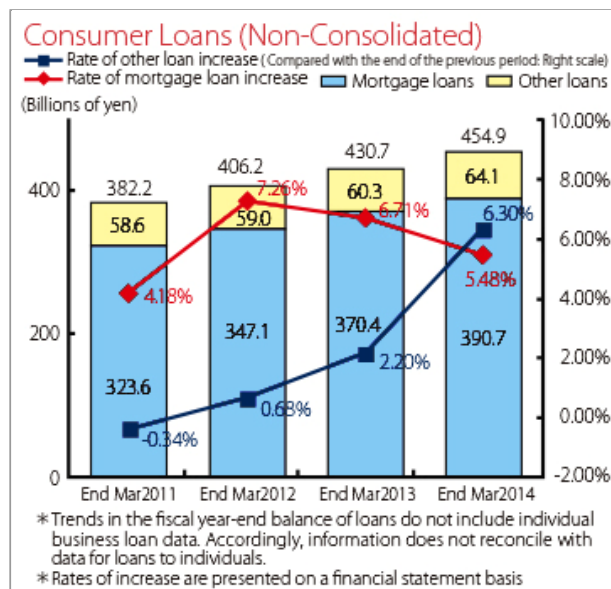
Loans to the real estate sector including apartment loans remained robust due mainly to the increase in apartment and other real estate as well as medical and welfare sector activity. Coupled with the upswing in medical and welfare lending, the balance of business loans as of the end of the fiscal year under review climbed ¥46.9 billion year on year to ¥752.5 billion.



## Consumer Loans (Non-Consolidated)

Robust trends in mortgage, card, automobile, and educational loans

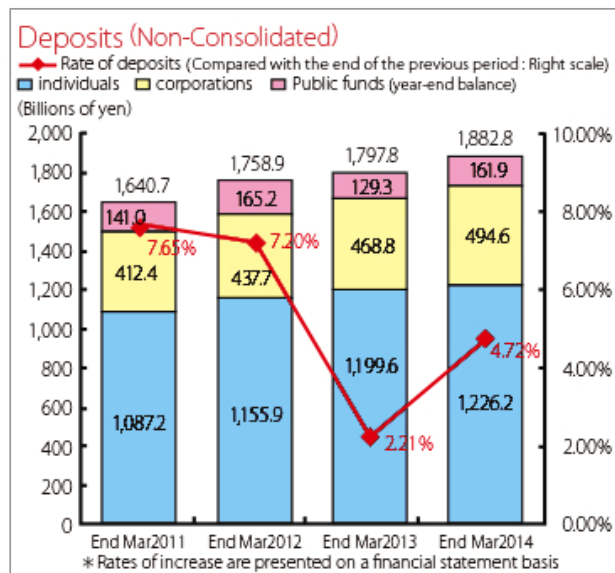
Trends in mortgage loans remained strong with increases in both mortgage and other loans. At the same time, trends in other loans including credit card, automobile, and educational loans were also firm. As a result, the balance of consumer loans as of March 31, 2014 stood at ¥454.9 billion, up ¥24.2 billion compared with the end of the previous fiscal year.



## Deposits (Non-Consolidated)

Continued robust trends in deposits from individuals and corporations; increase attributable to the shift in designated financial institution regarding public funds

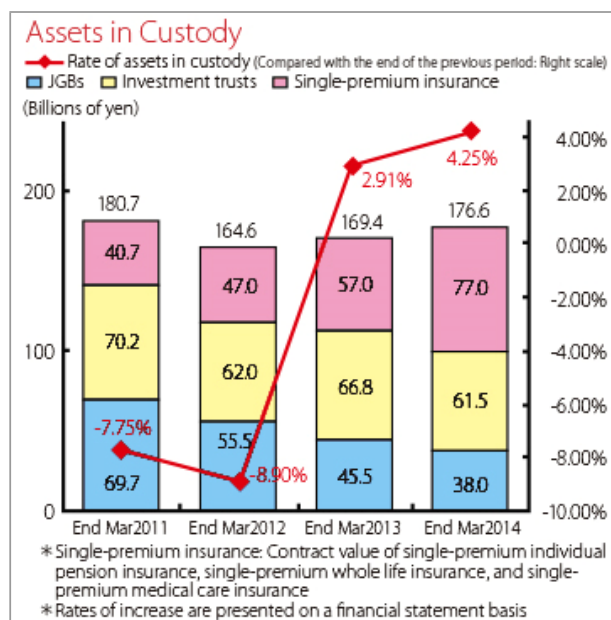
Deposits by individuals and corporations remained robust. Deposits by local government and other public entities also increased due mainly to the shift in designated financial institutions. In specific terms, the balance of deposits by individuals continued their firm trend on the back of deposits received including retirement benefit proceeds as well as pension and bonus funds. Accounting for these factors and the upswing in deposits of public money attributable to the shift in designated financial institutions, the balance of deposits grew ¥85.0 billion compared with the end of the previous fiscal year to ¥1,882.8 billion.



## Assets in Custody (Non-Consolidated)

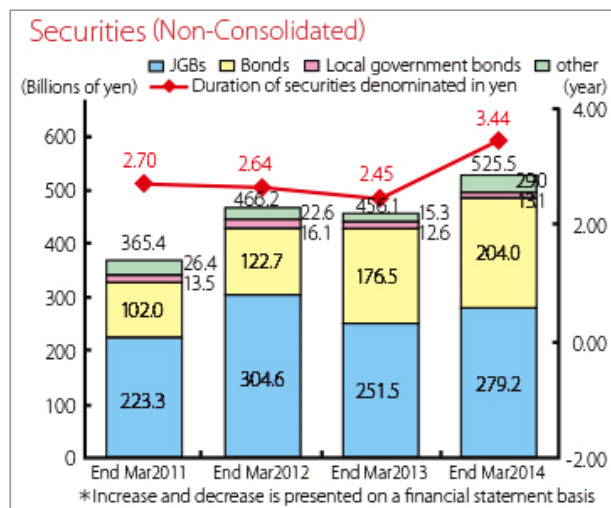
Robust trends in insurance sales; increase in the balance of assets in custody

Trends in insurance sales were sound and the balance of assets in custody increased. Buoyed by successful efforts to strengthen the Bank's assets in custody promotion structure and systems sales of single-premium insurance were strong. As a result of each of these factors, the fiscal year-end balance of assets in custody was ¥176.6 billion, up ¥7.2 billion compared with the end of the previous fiscal year.



## Securities (Non-Consolidated)

Increase in the balance of mainly Japanese government bonds (JGBs) and bonds The fiscal year-end balance of securities increased by ¥69.4 billion year on year to ¥525.5 billion largely due to the buildup of JGBs and bonds (public authority bonds, industrial bonds, finance bonds).

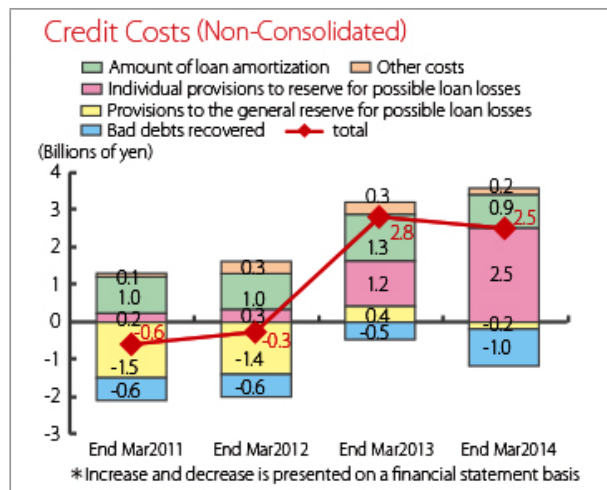




## ► Credit Costs (Non-Consolidated)

Credit costs exhibited a steady trend

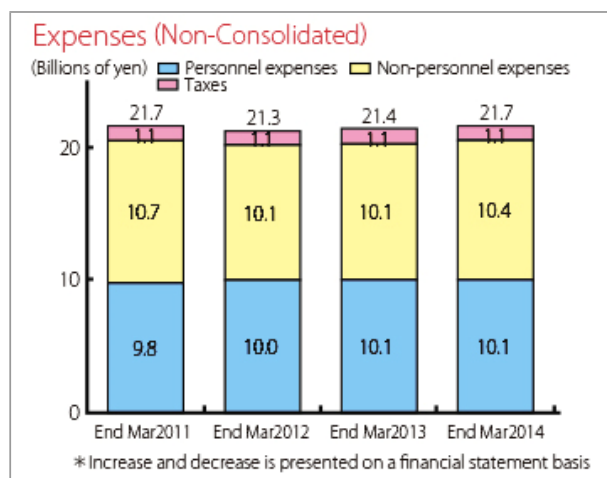
While the amount of individual provisions to the reserve for possible loan losses increased, reversals of the reserve for possible loan losses, a decrease in loan amortization, an increase in bad debts recovered, and other factors resulted in a year-on-year drop of ¥0.3 billion in net credit costs to ¥2.5 billion.



## ► Expenses (Non-Consolidated)

Increase in non-personnel expenses

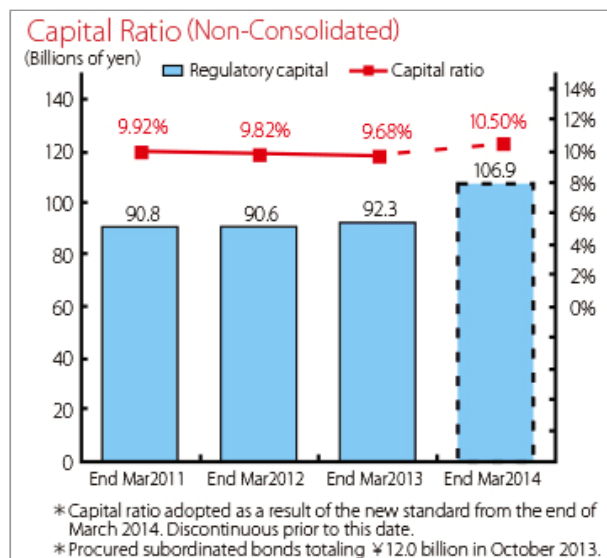
Due to an upswing in the total amount of funds, premiums for deposit insurance increased. Coupled with other factors including growth in non-personnel expenses attributable mainly to the renewal of 900 PCs and new branch-related expenditure, expenses climbed ¥0.3 billion compared with the previous fiscal year to ¥21.7 billion.



## ► Capital Ratio (Non-Consolidated)

Trends in the Bank's capital ratio were stable

The Bank has secured a capital ratio of 10.50% under the new Basel III standard.



## ► Earnings Forecasts for FY2014 (Non-Consolidated)

Net income in line with the level reported in fiscal 2013

While yields on loans are projected to decline, net income is expected to remain in line with the level reported in fiscal 2013 due mainly to an increase in service profit

Earnings Forecasts for FY2014 (Non-Consolidated)			
(Billions of Yen)			
	FY2014	FY2013	Year-on-year change
Business gross profit	29.5	30.2	-0.7
Expenses	22.2	21.7	+0.5
Real net business profit	7.3	8.5	-1.2
Net credit costs	2.5	2.5	0
Ordinary profit	5.3	6.3	-1.0
Total income taxes	1.9	2.8	-0.9
Net income	3.3	3.4	-0.1

\* Increase and decrease is presented on a financial statement basis

## ► Earnings Forecasts for FY2014 (Consolidated)

Narrow decline in net income

Despite a substantial increase in revenue due mainly to the inclusion of Ryukyu Leasing Co., Ltd. in the scope of the Bank's consolidation as a consolidated subsidiary, slight decline in net income due mainly to a decrease in extraordinary gain/loss.

Earnings Forecasts for FY2014 (Consolidated)			
(Billions of Yen)			
	FY2014	FY2013	Year-on-year change
Ordinary revenue	52.2	39.9	+12.3
Ordinary profit	6.7	7.4	-0.7
Net income	4.6	4.9	-0.3

\* Increase and decrease is presented on a financial statement basis

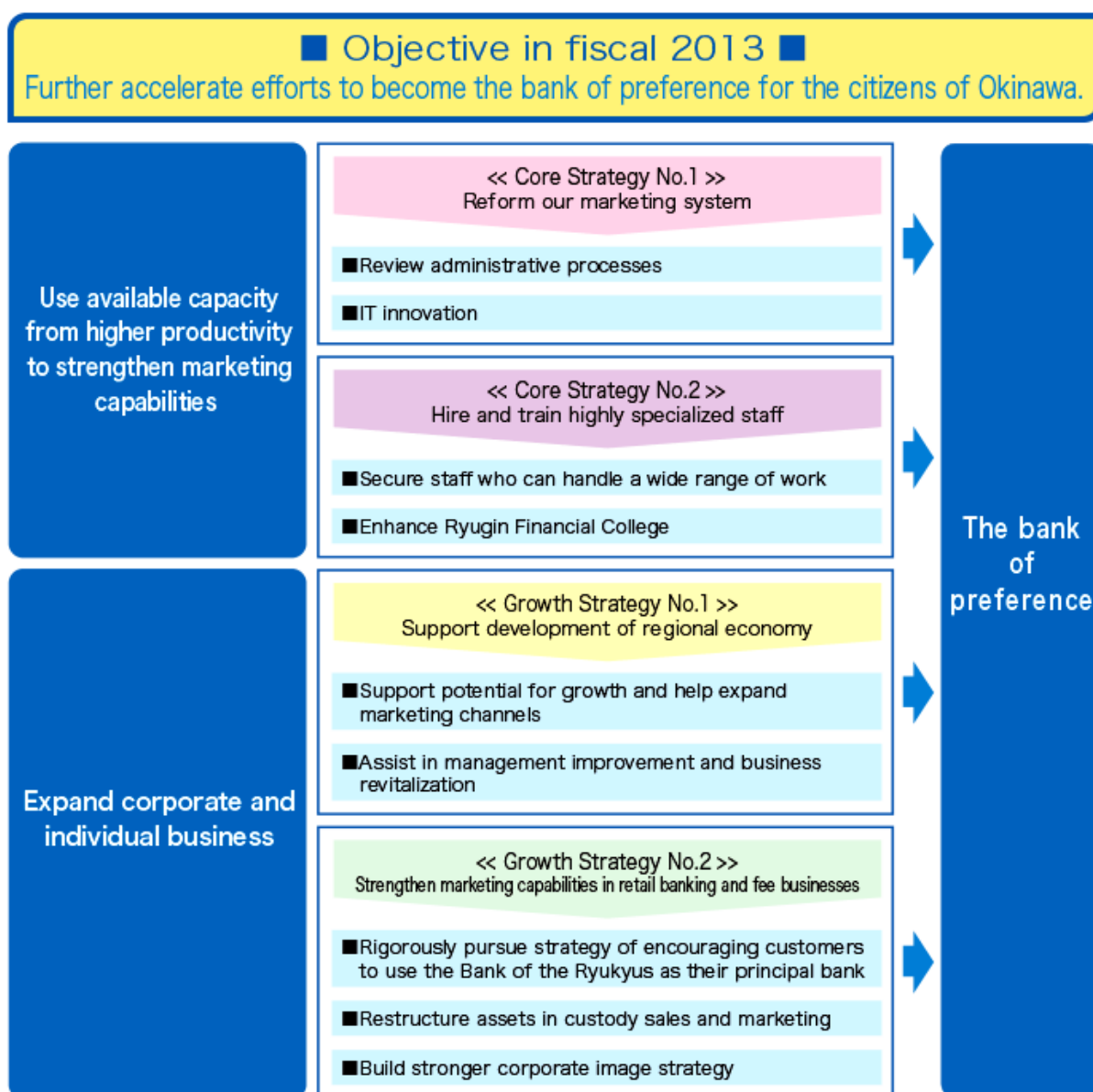
# Break Through 2012

## 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

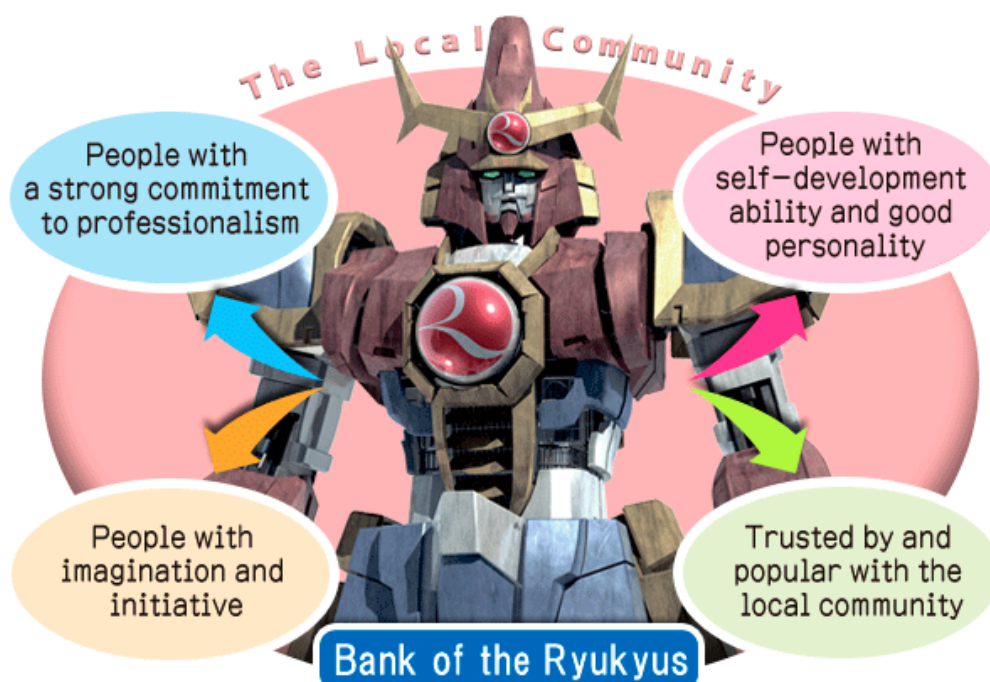
Bank of the Ryukyus (“the Bank”) has long followed a management philosophy of fostering a relationship of trust with the local community so as to contribute to the development of regional society. To continue putting this philosophy into practice in the future, the Bank and its group will enhance the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

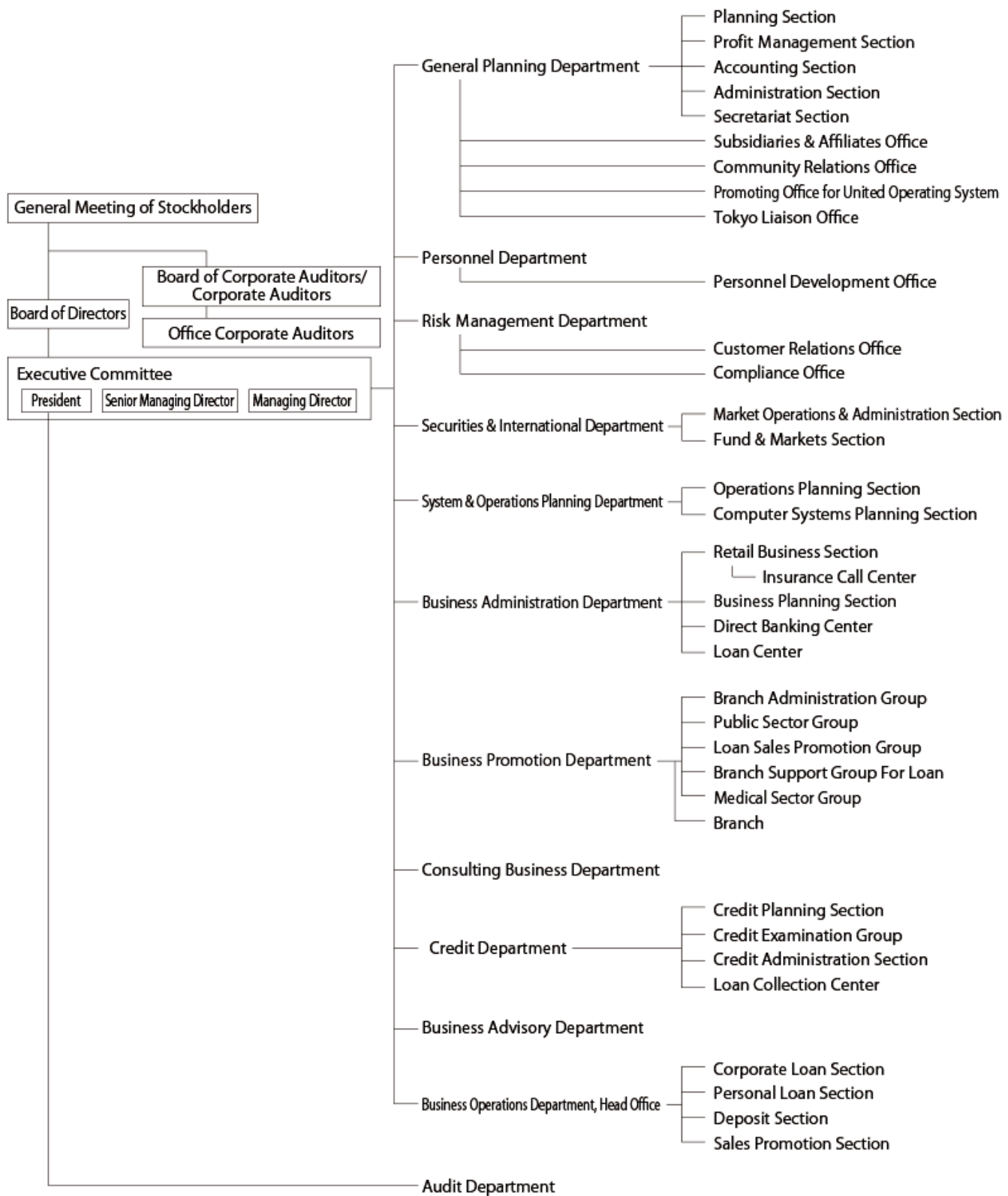
### We see our employees as:

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 July 22, 2014)



## 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, 2014)

Date of Establishment	May 1, 1948
Paid-in Capital	¥54,127 million
Total Assets	¥1,915,060million
Number of Employees	1,251
Number of Offices (including Head Office and Sub-branches)	75
Number of Shareholders	13,293
Stock Listings	Tokyo Stock Exchange & Fukuoka Stock Exchange

### ▶ Service Network (As of March 31, 2014)

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 25, 2014)

President	Directors	Executive Officers
Tokei kinjo	Hajime Miyazato Tomoyuki Matsubara Yasushi Kawakami Satoshi Gibo Masamitsu Arakaki	Morihisa Inoha Keishi Fukuhara Toshiki Takehara
Senior Managing Director	Standing Corporate Auditor	
Ikuo Yasuda Taketora Miyagi	Tamotsu Teruya	
Managing Directors	Corporate Auditors	
Komei Takara Hidehiro Hayashi	Tsuyoshi Nakamura Katsumi Yamashiro	

**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.

This year we have again prepared a report on the Bank's business performance and financial position for the fiscal 2013 business term (April 1, 2013 to March 31, 2014) in an effort to help as many people as possible to gain a better understanding of the Bank and its operations.



Tokei Kinjo  
President

## Financial & Economic Environment

Looking back on the Japanese economy in fiscal 2013, the nation experienced a prolonged modest upswing throughout the entire year. Buoyed by additional monetary easing measures put forward by the government and the Bank of Japan coupled with the positive flow-on effects of public spending-related budgets, capital expenditure continued to recover while corporate-sector earnings improved. At the same time, housing construction and personal consumption were strengthened by the rush in demand associated with the hike in Japan's consumption tax rate.

Turning to Okinawa Prefecture, the economy exhibited growing signs of expansion. The tourism sector was robust from the second half of the fiscal year under review buoyed by an upswing in the number of both domestic and foreign tourists. This largely reflected Japan's burgeoning economy and the yen's weakness on foreign currency exchange markets. The construction industry continued to experience strong conditions. The volume of public works grew on the back of an increase in the Prefecture's development and promotion budget. At the same time, housing construction improved owing mainly to the rush in demand in the lead-up to Japan's consumption tax rate hike. From a personal consumption perspective, an upsurge in the purchase of such durable goods as automobiles and electric home appliances provided the impetus for a healthy market environment at the end of the fiscal year.

## Business Activities and Performance Results

Against this backdrop, and in fiscal 2013, the second year of the Bank's "BreakThrough 2012" medium-term management plan, which seeks to establish a new business model that will effect a breakthrough as a key management objective, we worked diligently to further accelerate efforts to become the bank of preference for the citizens of Okinawa. Guided by this theme, we took proactive steps to increase productivity by utilizing information technology, strengthen transactions with corporate customers by expanding support in growth fields, and bolstering transactions with individual customers by upgrading marketing channels as well as products and services.

The following describes our key activities.

In order to increase productivity, the Bank introduced "Loan Navi," a mortgage and consumer loan auto-screening system. By computerizing workflows for retail credit operations, we have increased processing efficiency from the time an individual consults the Bank for a loan through approval to drawdown.

In order to strengthen transactions with corporate customers, we continued to reinforce measures geared toward the needs of renewable energy, an area of ongoing growth, focusing mainly on Teeda Power, a business loan solely designed to fulfill the requirements of solar power generation facilities. Moreover, we held a business forum to promote the appeal of Okinawa in conjunction with the Okinawa Kaiho Bank, Ltd. and Koza Shinkin Bank as a part of efforts to showcase the abundant food resources of the prefecture to a wider audience in Japan and overseas. In this manner, we worked diligently to help expand the marketing channels of the food-related, agriculture, and marine industries, which offer considerable potential. As the first bank in Okinawa Prefecture to partner with the Okinawa Agriculture Credit Guarantee Fund Association, we undertook a variety of measures including the launch of Ryugin agriculture loans in a bid to augment the structures supporting farmers throughout the region. Turning to activities in the medical and nursing care fields, which are projected to experience high rates of growth in line with the aging of society, we actively strove to provide information by undertaking a host of initiatives including medical and nursing care management seminars. At the same time, qualified personnel including several 2nd class medical care and facility management consultants working out of the Bank's Business Administration Department, and specifically the Medical and Welfare Promotion Group, took



steps to address the finance needs of customers hand-in-hand with branches. In its asset-based lending (ABL) activities, one of numerous measures aimed at providing business support to small- and medium-sized companies, the Bank assigned 25 property assessment advisors to its head office and branches. In this manner, we built up our finance promotion structure and systems that tap into increased expertise.

In order to bolster transactions with individual customers, we opened the Chatan Loan Center, the seventh such facility in the Prefecture. In addition to expanding our network of loan consulting facilities that allow individuals to discuss their mortgage loan needs in a more relaxed atmosphere on Saturdays, Sundays, or when returning home from work, we endeavored to provide a variety of channels that enhance the convenience and quality of our services. Among a host of initiatives, we set up an online user-friendly loan simulation program enabling customers to undertake provisional loan calculations. In order to upgrade our products and services, we launched the Shiawase Free Loan targeting a broad customer base from part-time and casual workers to full-time homemakers and recipients of a pension. We were also the first financial institution in Okinawa Prefecture to form a business alliance with Tpoint Japan Co., Ltd. thereby incorporating T-points in the financial instruments handled by the Bank. Looking at our assets in custody initiatives, we strengthened efforts aimed at opening and using Nippon Individual Savings Accounts (NISA). We also moved to upgrade and expand our lineup by introducing new investment trusts and insurance products. Through these means, we worked aggressively to meet the needs of a wide range of customers.

## Issues Facing the Bank

The financial environment in which the Bank of the Ryukyus operates is in a state of flux. In addition to persistently low interest rate levels as the Bank of Japan enters a new phase of monetary easing, financial markets are experiencing intense competition due to such factors as the impact of regional financial institutions as well as megabanks and online banking. Owing to a variety of trends including the growing diversity of customers' needs, business conditions confronting the Bank are also substantially changing. Under these circumstances, we are working to accurately grasp these shifts in market trends and to provide products and services that address the requirements of each individual customer while adhering strictly to a policy of compliance (observing statutory and regulatory requirements). Through these means, it is vital that we overcome fierce competitive forces.

In fiscal 2014, the final year of our medium-term management plan BreakThrough 2012, the IT investment that we have continued to undertake will all fall into place. At the same time, through parallel efforts to reform both the operations of our head office and branches as well as the way in which work is conducted, we will increase the efficiency of our business. Drawing on this efficient platform, we will practice ONE to ONE marketing and deliver products and services that inspire customers. In addition, the Bank increased its ratio of voting rights in subsidiary company Ryugin Hosho Co., Ltd. in March 2014 and decided to include equity-method affiliate Ryukyu Leasing Co., Ltd. in the scope of its consolidation as a consolidated subsidiary. Building on these endeavors, we will strive to deliver financial services that take full advantage of the Group's collective strengths.

By consistently engaging in activities from our customers' perspective, we will develop deep ties of mutual trust while forging a position as the bank of preference. Moving forward, we will work diligently to contribute to the continued growth and development of the regional economy.

July 2014  
Tokei Kinjo,  
*President*



## Financial Section

Financial Data [PDF files]

<a href="#">Entire File</a>	<a href="#">(853KB)</a>	
<a href="#">Consolidated Balance Sheets</a>	<a href="#">(165KB)</a>	
<a href="#">Consolidated Statements of Income</a>	<a href="#">(152KB)</a>	
<a href="#">Consolidated Statements of Comprehensive Income</a>	<a href="#">(39KB)</a>	
<a href="#">Consolidated Statements of Changes in Net Assets</a>	<a href="#">(287KB)</a>	
<a href="#">Consolidated Statements of Cash Flows</a>	<a href="#">(141KB)</a>	
<a href="#">Notes to Consolidated Financial Statements</a>	<a href="#">(392KB)</a>	
<a href="#">Non-Consolidated Balance Sheets</a>	<a href="#">(166KB)</a>	
<a href="#">Non-Consolidated Statements of Income</a>	<a href="#">(159KB)</a>	
<a href="#">Non-Consolidated Statements of Changes in Net Assets</a>	<a href="#">(281KB)</a>	