



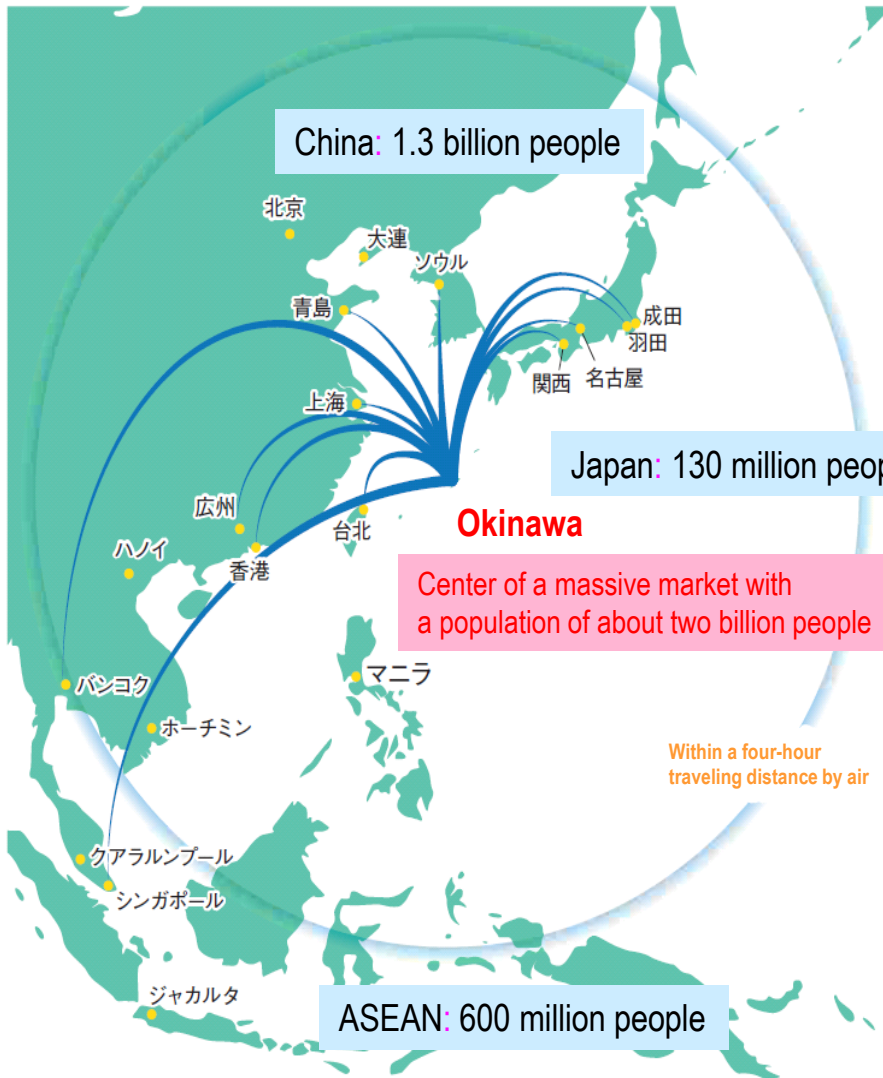
Bank of the Ryukyus Management Briefing for FY2016

“Kakurenbo” (Hide and Seek), by Makoto Ariyama

Winner of the 25th (fiscal 2016) Bingata Design Contest presented by the Bank of the Ryukyus

Overview of Okinawa Prefecture

Favorable economic conditions in the prefecture are expected to continue.



Source: Okinawa Prefecture

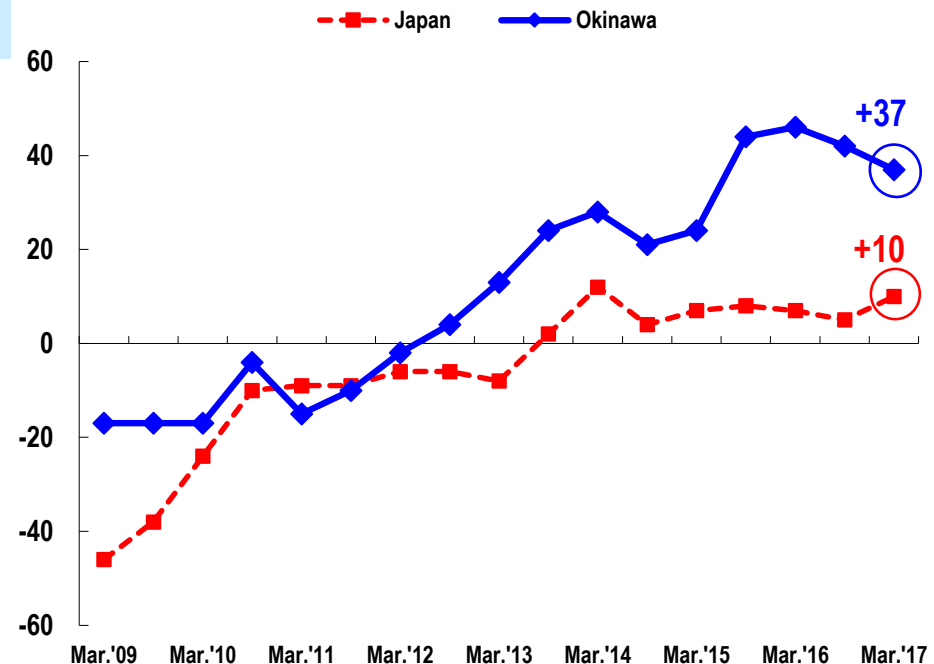
Anticipated rate of economic growth

1.07% (highest in Japan: 2007-2020 anticipated rate of real economic growth (Japan Center for Economic Research))

Population growth rate

3.0% (highest in Japan: 2015 National Census (compared with the 2010 National Census))

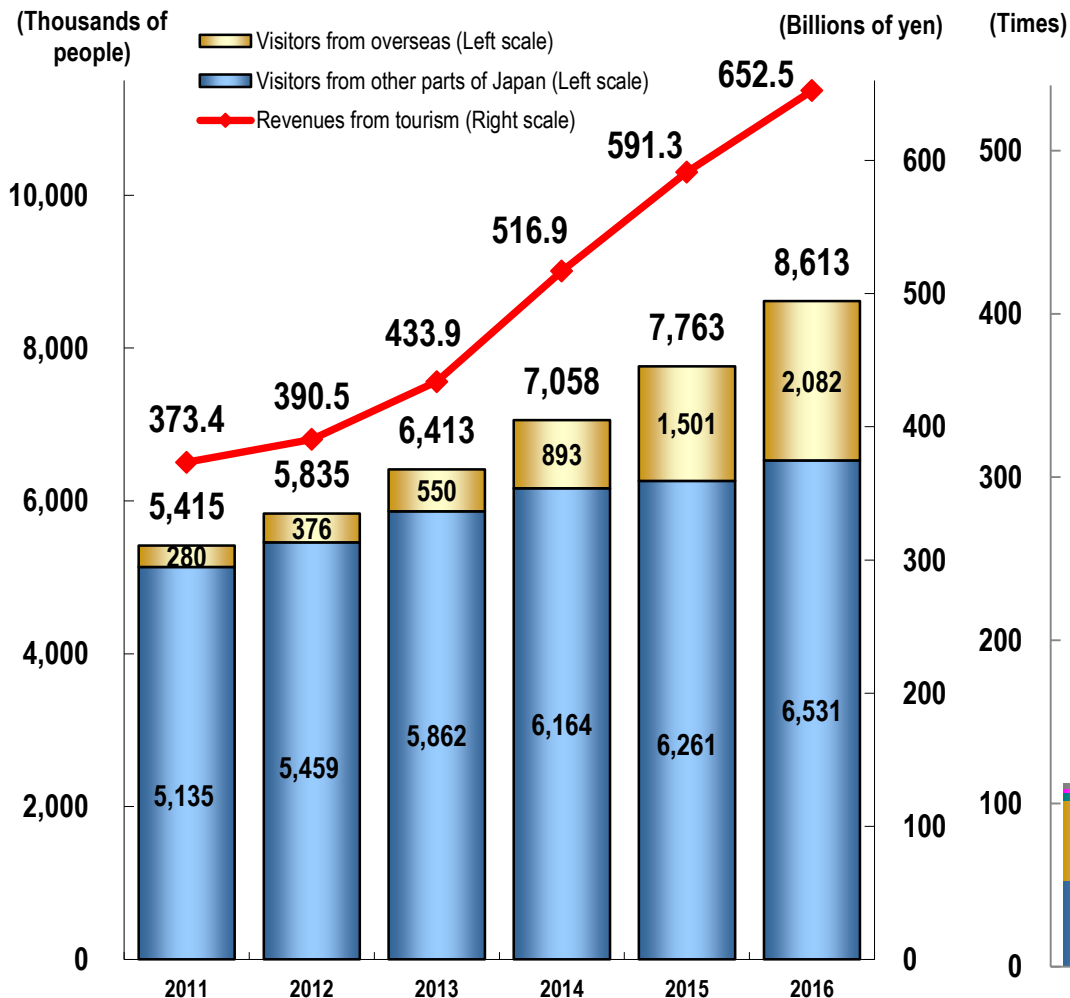
Bank of Japan Tankan



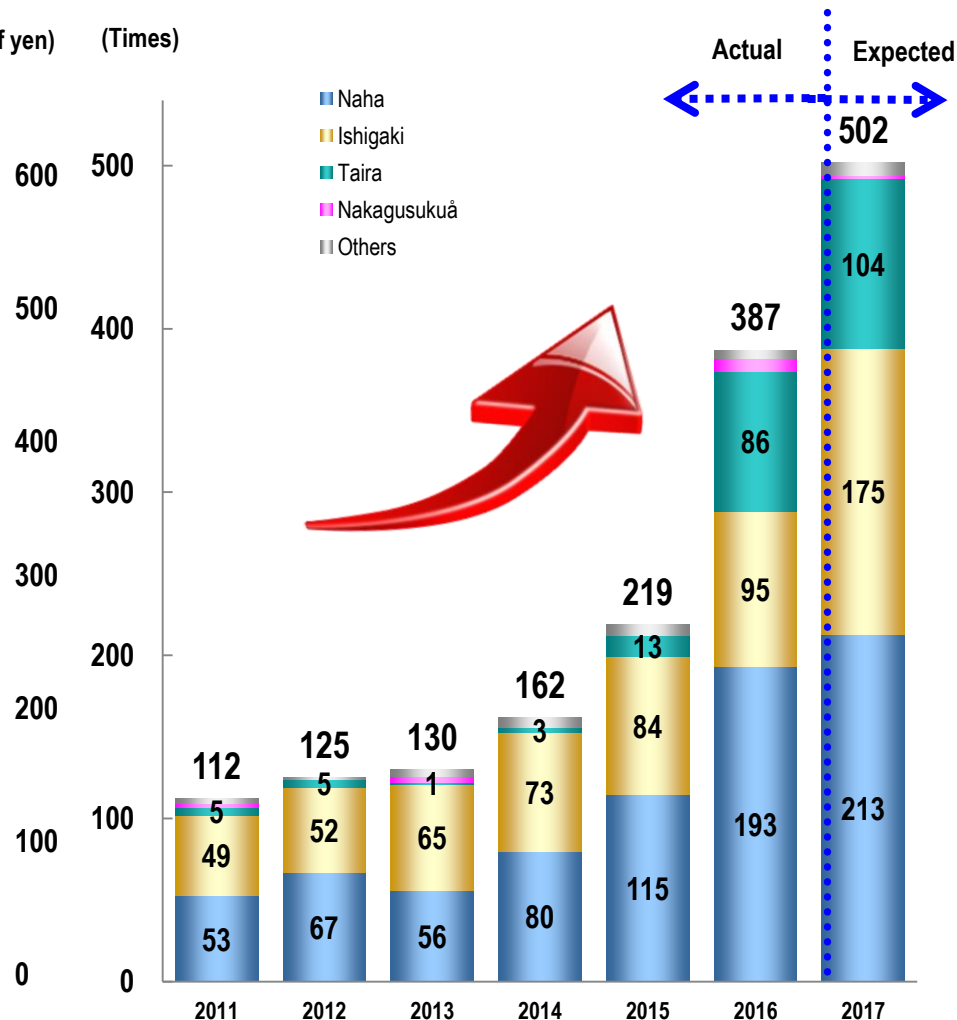
Sources: Okinawa Prefecture, Cabinet Office, Ministry of Internal Affairs and Communications

Record-high visitor arrivals! Number of foreign tourists exceeded two million in 2016!

Number of Visitors and Tourism Revenue

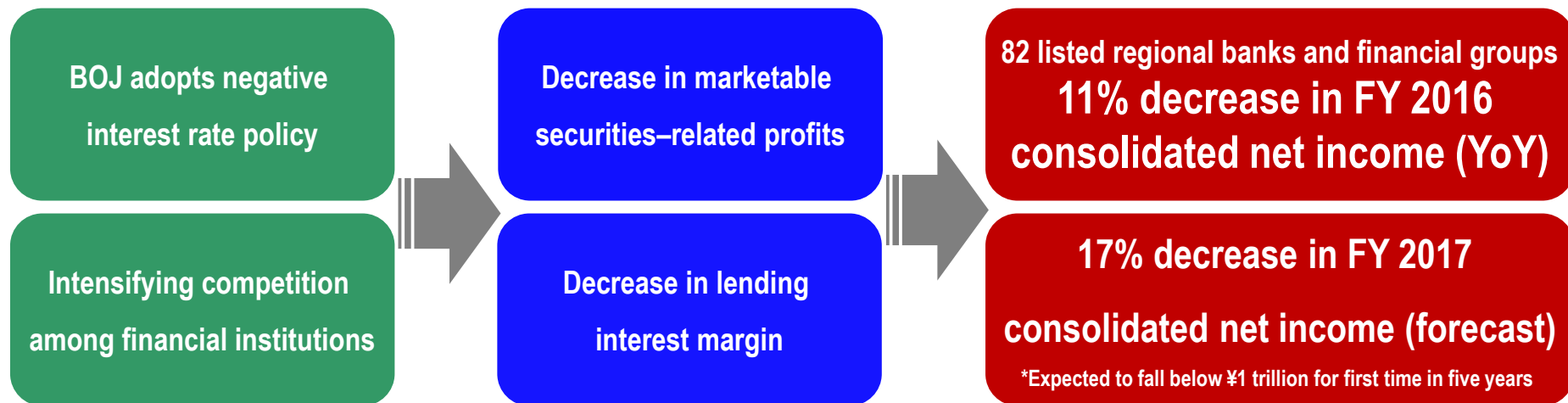


Changes in Number of Cruise Ships Visiting Ports in Okinawa Prefecture

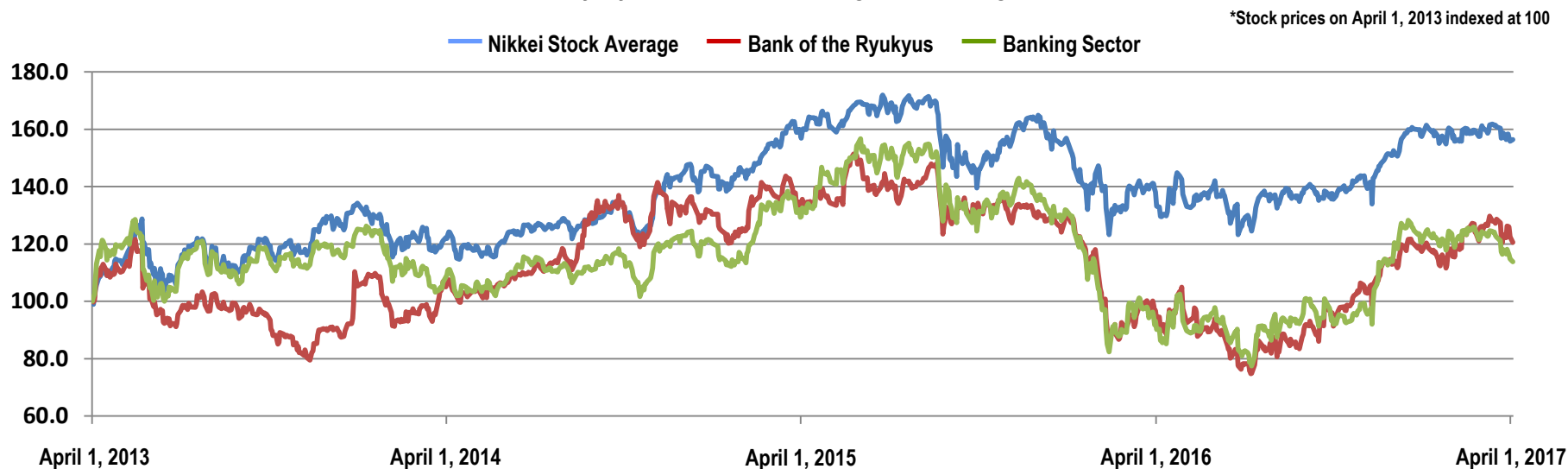


Financial Industry Trends

Financial industry conditions remain severe in stark contrast to the positive prefectural economy



Stock Price Comparison of Bank of Ryukyus, Nikkei Stock Average and Banking Sector



Financial Summary (Non-Consolidated)

Net income for the fiscal year remained at roughly the same level as last year

(Billions of yen)

	FY2016		FY2015
		Year-on-year change	
Ordinary revenue	41.1	+0.9	40.2
Business gross profit (a)	30.0	▲1.7	31.7
Expenses (b)	23.6	+1.2	22.4
Real net business profit (c=a-b)	6.3	▲3.0	9.3
Net credit costs (d)	0.8	▲0.5	1.3
Other extraordinary gain/loss (e)	1.8	+1.5	0.3
Ordinary profit (f=c-d+e)	7.4	▲0.9	8.3
Net income	5.0	▲0.0	5.0

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

■ Financial Summary (Consolidated)

Revenue and profit increased if special factors, namely, extraordinary gains from turning OCS into subsidiary in the previous fiscal year, are excluded

(Billions of yen)

	FY2016		FY2015
		Year-on-year change	
Ordinary revenue	60.7	+0.8	59.9
Ordinary expenses	51.0	+1.2	49.8
Ordinary profit	9.7	▲0.3	10.0
Extraordinary gains or losses	0.0	▲4.0	4.0
Gain on negative goodwill	0.0	▲4.3	4.3
Net income for the period attributable to the owners of parent company	6.4	▲3.9	10.3
(excluding gain from negative goodwill)	(6.4)	+0.5	(5.9)

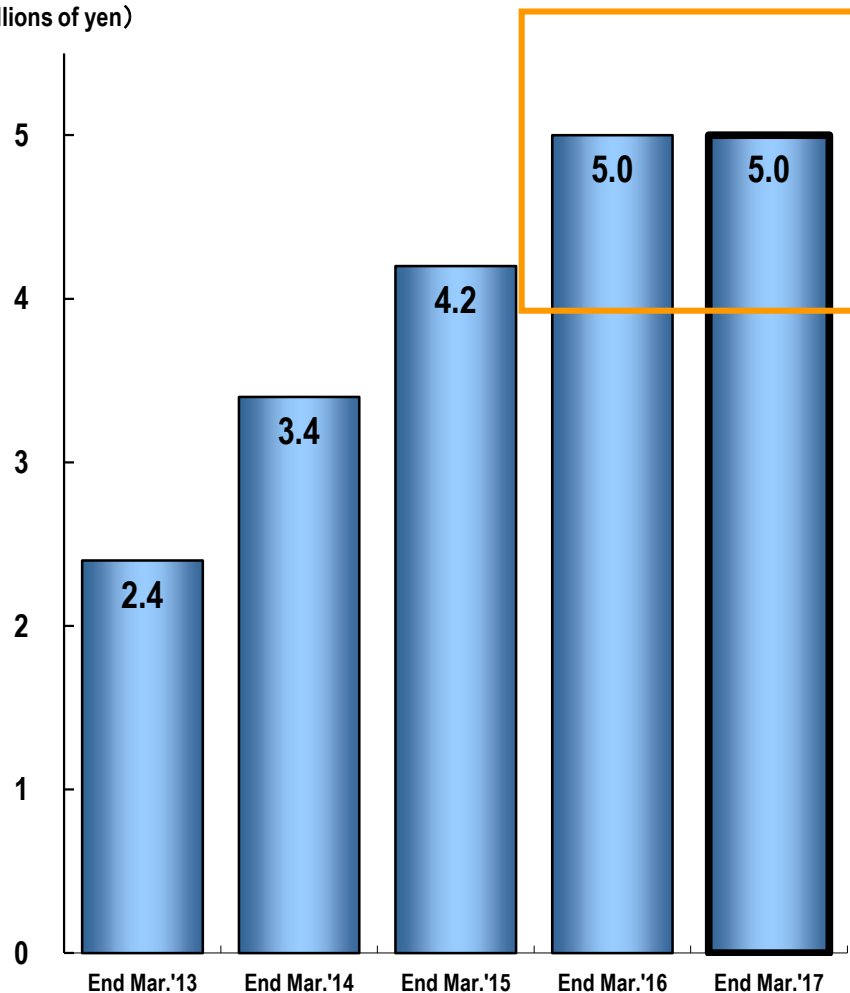
* Increase and decrease is presented on a financial statement basis.

■ Factors Behind the Change in Net Income

Net income for the fiscal year remained at roughly the same level as last year despite a decrease in net interest income on loans and deposits and an increase in business expenses

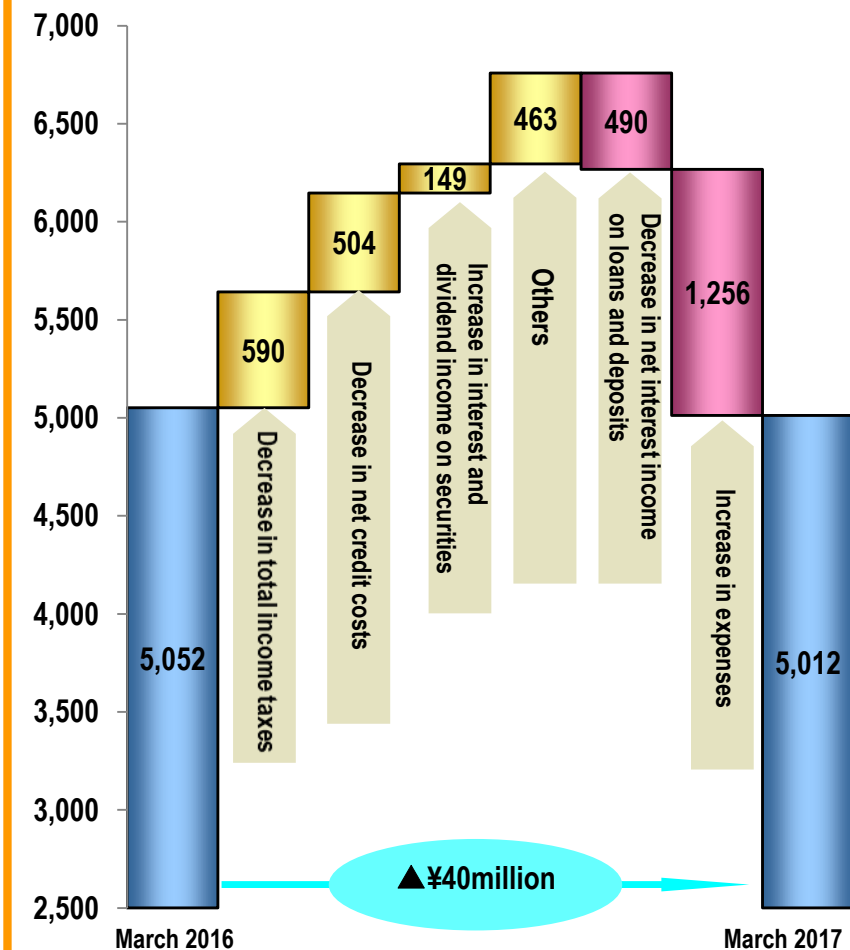
Changes in Net Income

(Billions of yen)



Factors Behind the Change in FY2016 Net Income

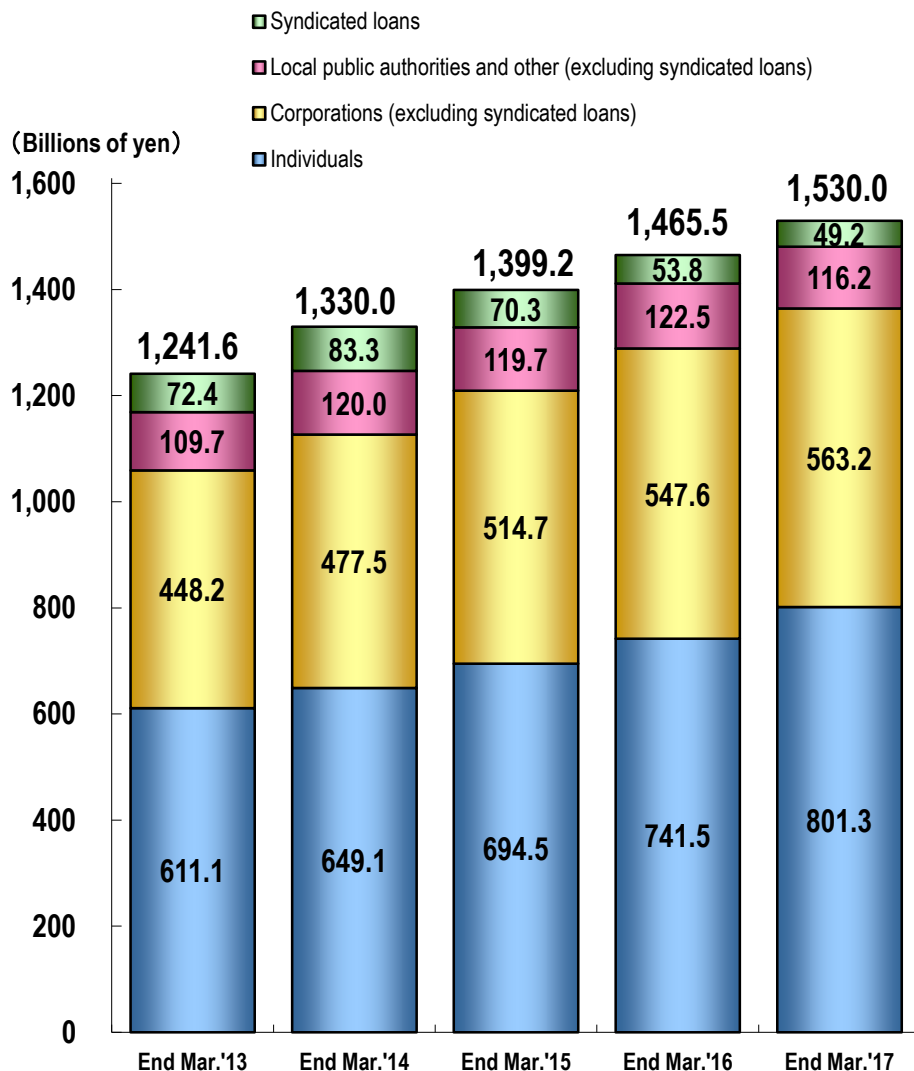
(Millions of yen)



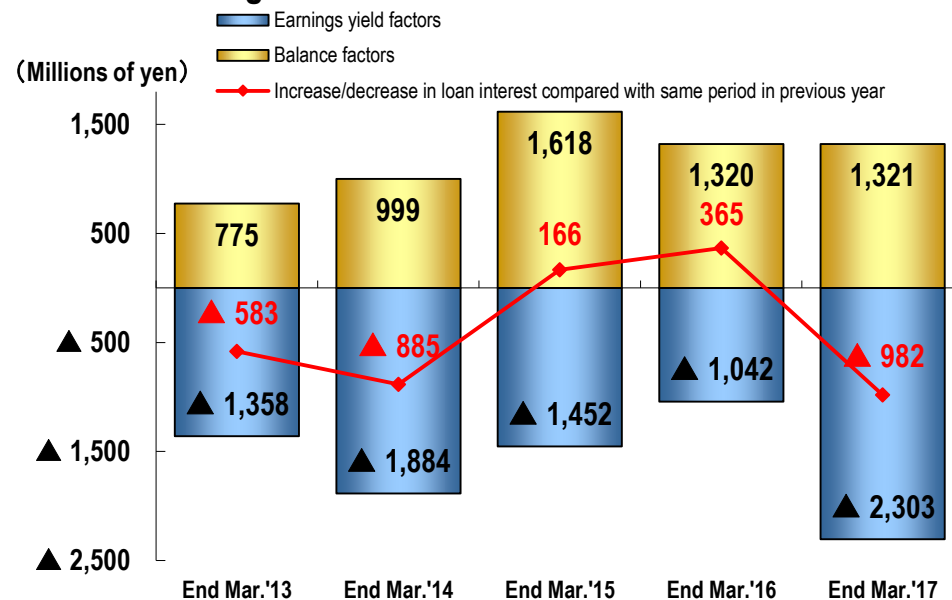
Changes in Loans

Loan interest decreased despite steady increases in lending to both individuals and businesses

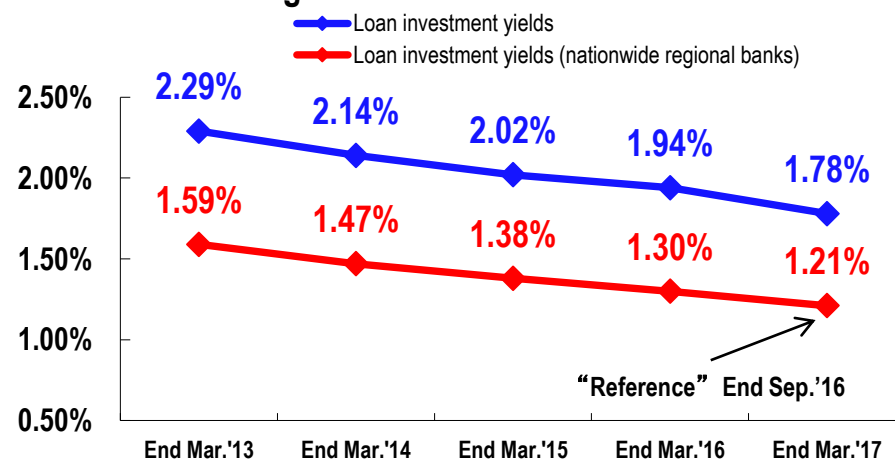
Changes in Loans



Changes in Loans Interest Increase / Decrease



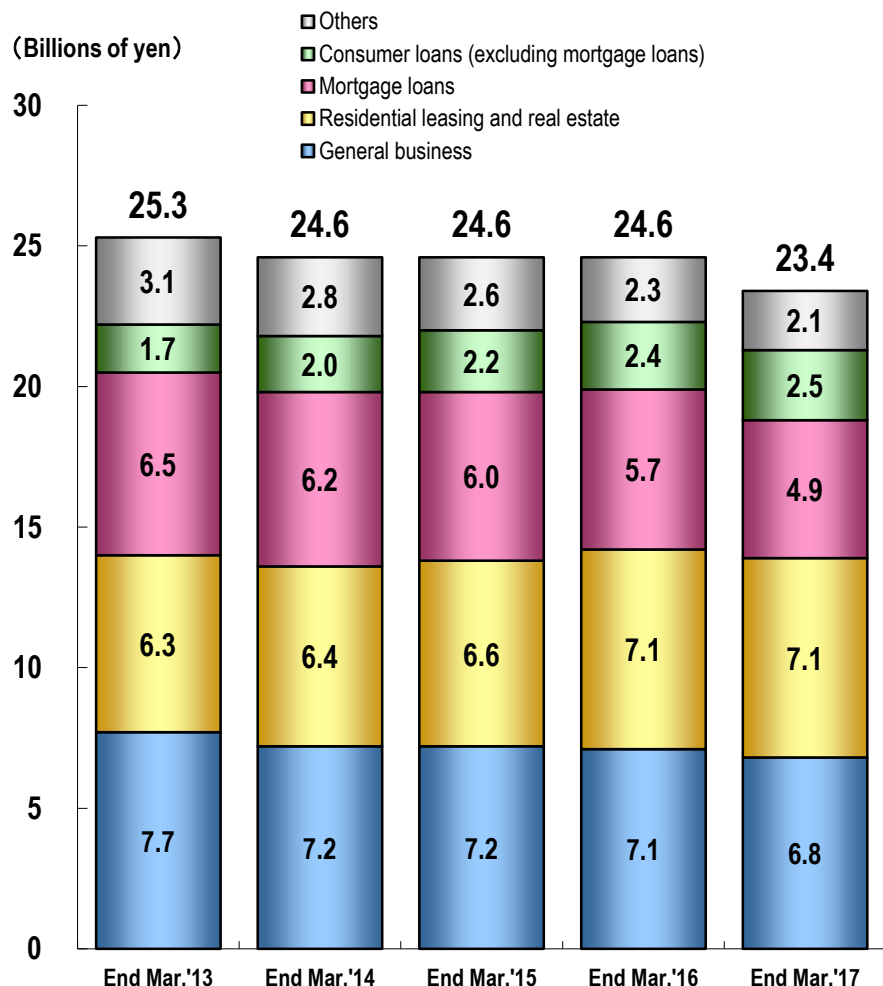
Changes in Loan Investment Yields



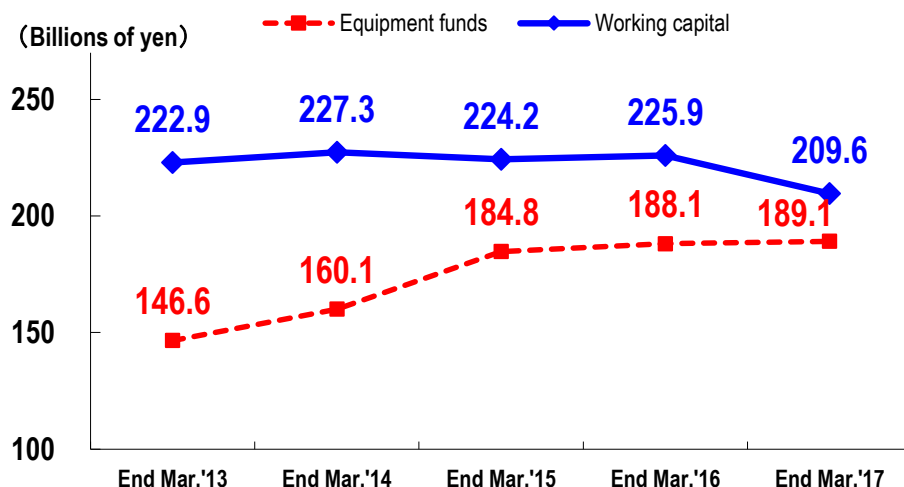
Changes in Interest on Loans

Interest on loans decreased overall, with the exception of consumer loans

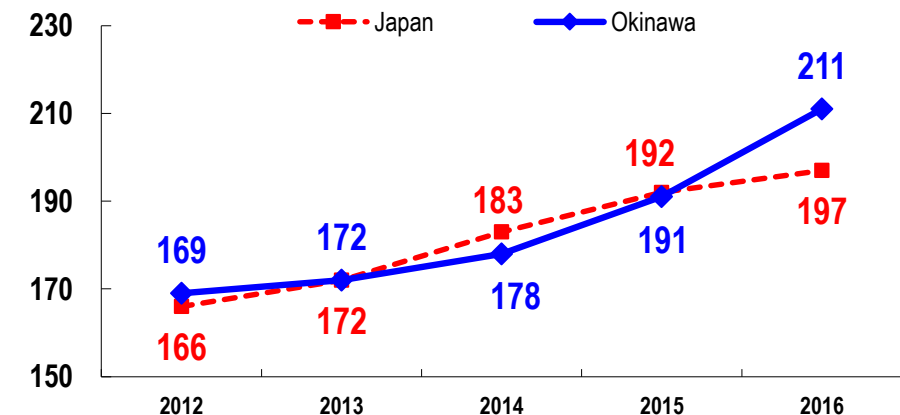
Changes in Interest on Loans by Major Category



Changes in General Business Loan Balance by Objectives of Fund
(excluding Syndicated Loans, Residential Leasing and Real Estate)



Changes in Unit Construction Cost / Price



* For mortgage and consumer loans, the interest amount excludes "creditor group insurance premiums" and "loan guarantee fees" in service costs.

(Source) Prepared by Ryugin Research Institute based on the Japan Construction Starts Report of the Ministry of Land, Infrastructure, Transport and Tourism.

■ Corporate Business Strategy

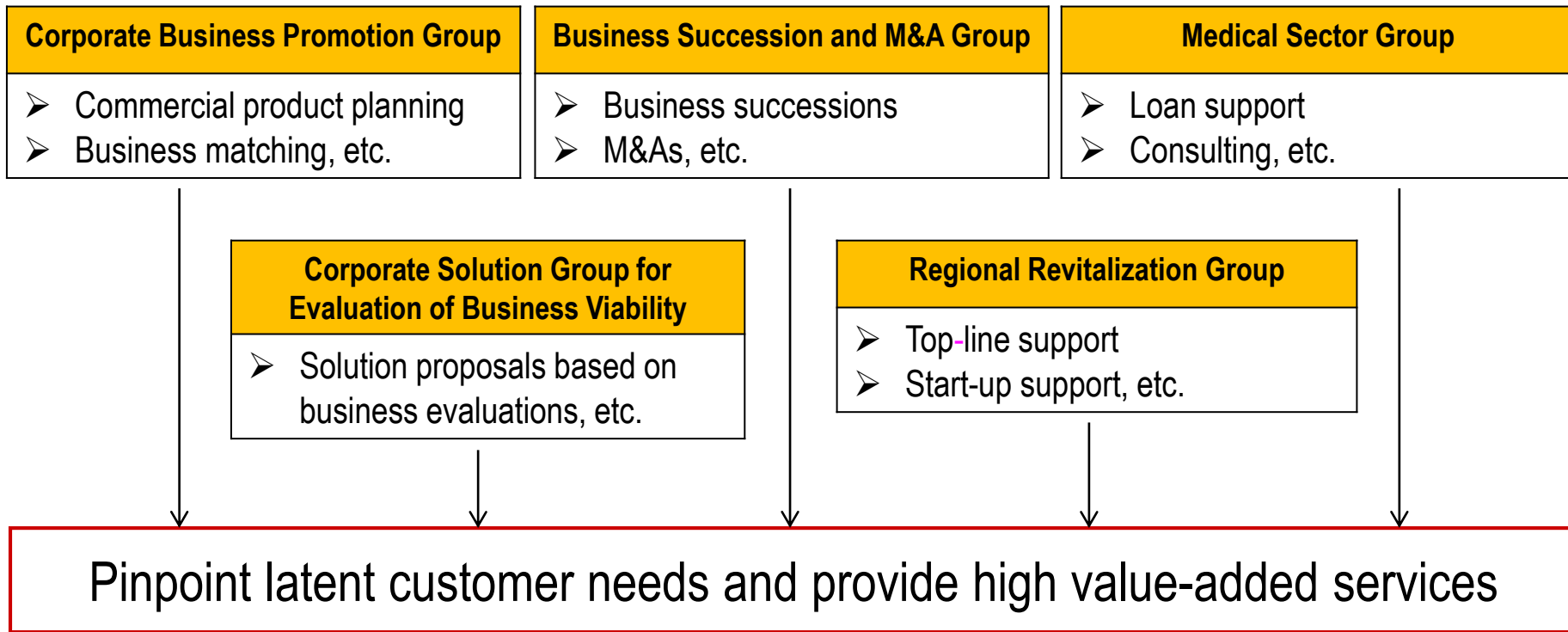
(Establishment of the Corporate Business Planning Department)



Amid poor prospects for expanding lending business, we seek to cultivate new business fields

April 2017

Established Corporate Business Planning Department



Corporate Business Strategy (Top-line and Skill Development Support)

Support growth of enterprises through programs that help expand sales channels and cultivate entrepreneurial skills

Fourth Business Forum on Okinawa's Culinary and Scenic Appeal



**2017
New Project**



Ryugin Startup Program



Ryugin Startup Program Demo Day (Business plan presentations)

1. Date : February 25, 2017 (Sat)
2. Venue : Okinawa Institute of Science and Technology (OIST)
B250 / Restaurant space
3. Participating startups (13 teams; 30 members)

What is the "Ryugin Startup Program"?

Program that utilizes Ryugin's resources and network to create and foster innovative and competitive Okinawan venture companies (startups)

Business Strategy: Individuals (Mortgage Loans)

We have products unlike anything offered by other regional banks and designed to meet diverse needs

“Sumairu-kun” residence purchase support loans

First among Japanese regional banks

- Effective utilization of reduced mortgage loan tax!
- 0.5% fixed interest rate for the entire loan term!
- *For customers with a deposit balance in the same amount as the loan.



"Cash Back Loan" savings-linked mortgage loans

First regional bank in Okinawa

- Get cash back on interest payments based on deposit balance!
- *Maximum 50% of the mortgage loan balance.



“Yuh Yuh Jinsei 60”

Ryugin reverse collateralized mortgage loans for customers over 60

First regional bank in Okinawa

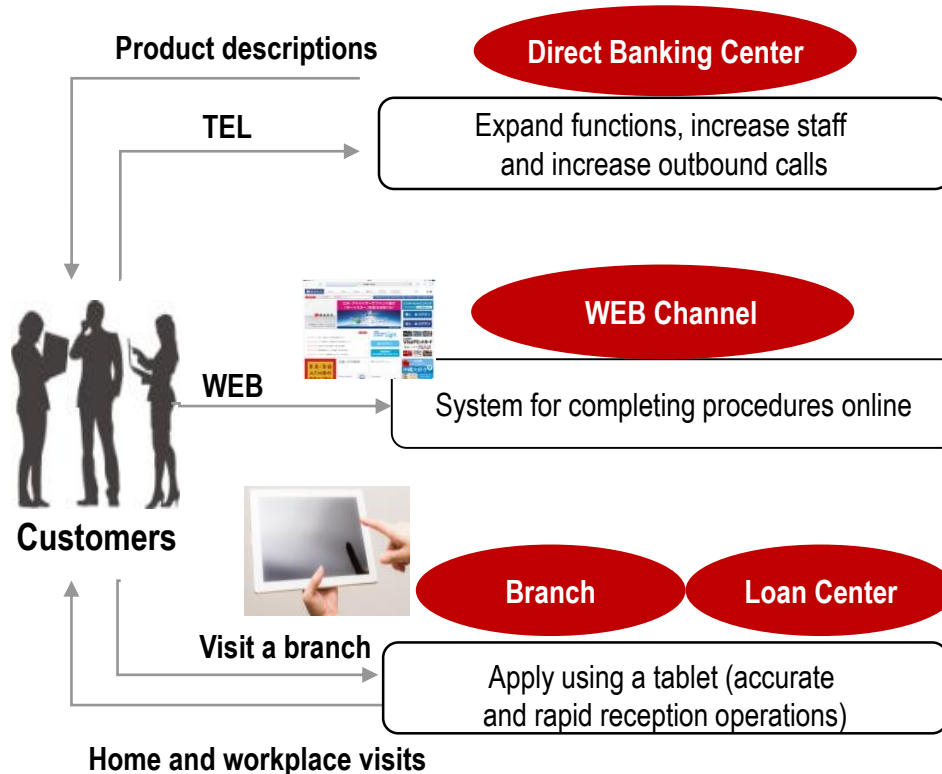
- Large-amount, open-use loans for senior citizens!
 - ⇒ Enables seniors to borrow money without having to sell the family home!
- Repayment method can be selected even after contract signed!



Business Strategy: Individuals (Consumer Loans)

Increase speed, convenience and product appeal to meet customer demands

Expand channel functions



Our aim: Providing customer-centric services

New products for customers outside Okinawa



Construction and purchase of real estate for investment purposes



Second-stage loans



Card loans that do not require a branch visit

<Features>

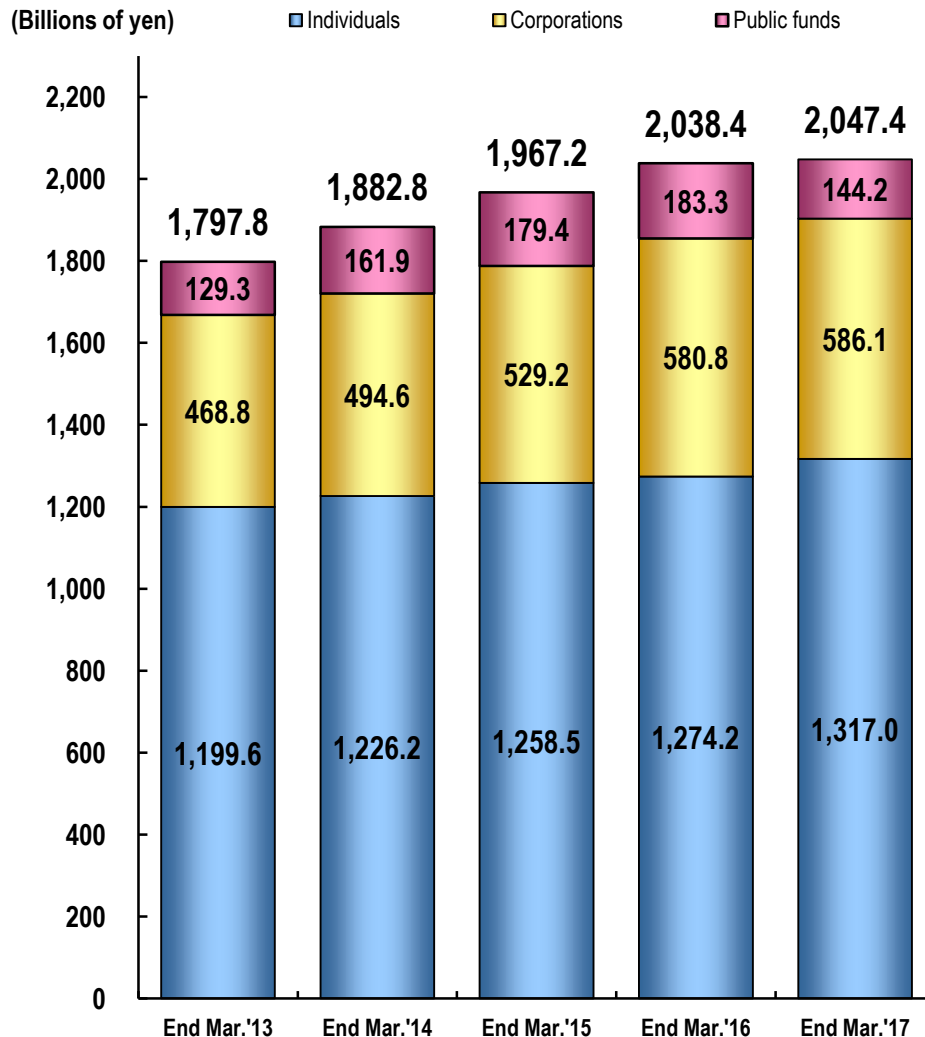
- For customers all over Japan who love Okinawa
- Two Okinawa-themed card designs are available



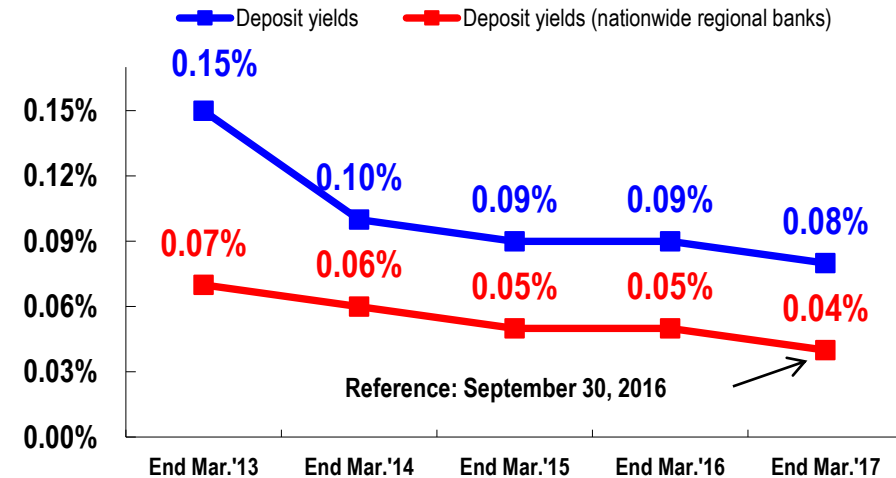
Trends in Deposits (including Negotiable Certificates of Deposit)

Steady increase, hinging on individual and corporate savings

Changes in Deposit Balance



Changes in Deposit Yields



Sales of campaign products whenever needed

Vchallenge
- Vチャレンジ -
2017年 2/23 - 3/31

みんなで沖縄を熱く盛り上げよう!

対象商品
ホーム電器デパート
各チーム50名ずつプレゼント!
抽選で合計150組

特典
対象3チームのグッズを抽選に
あたり金利用用の現金も最大
最大+0.3%相当

琉球銀行

りゅうぎん デュエットプランα
10/24 - 1/31

投資信託
年3.0%
年3.5%

外貨定期預金
(マイフォイス)
年1.0%
年1.5%

定期預金(3ヶ月)
申込利率が
50%以上70%未満
申込利率が
70%以上

琉球銀行

* Including negotiable certificates of deposit

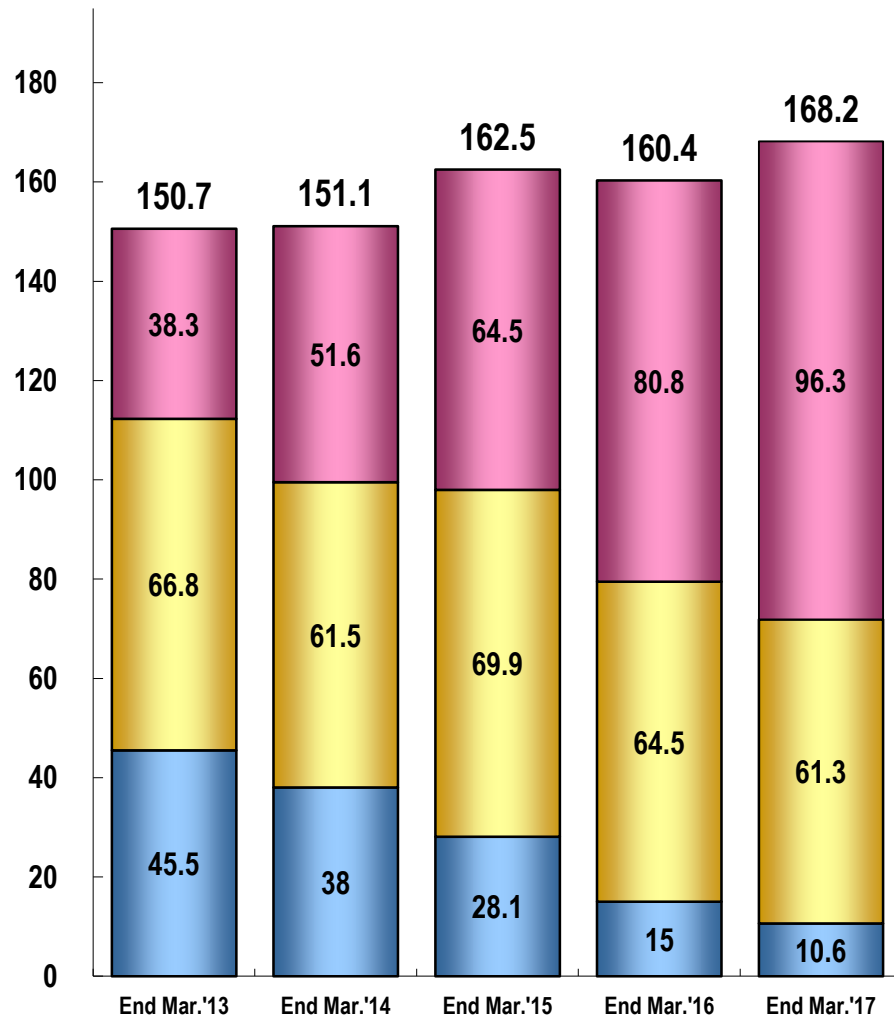
Trends in Sales of Assets in Custody

Higher balance thanks to increase in sales of single-premium insurance which offset a decline in sales of JGBs and investment trusts

Changes in Balance of Assets in Custody

(Billions of yen)

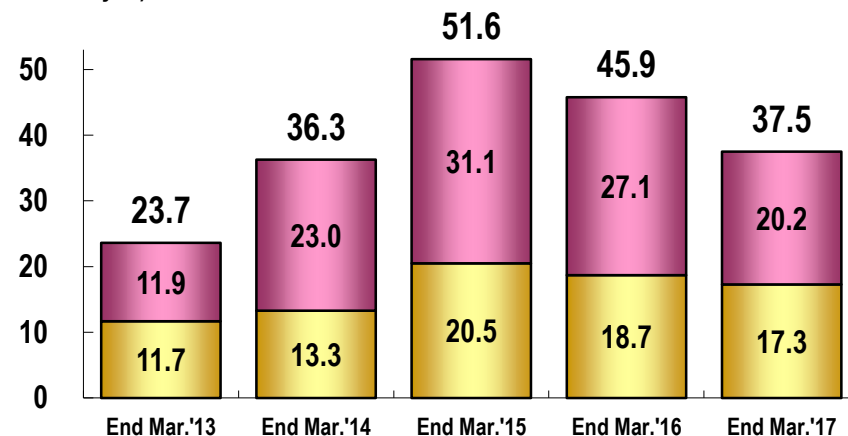
■ Single-premium insurance
 ■ Investment trusts
 ■ JGBs



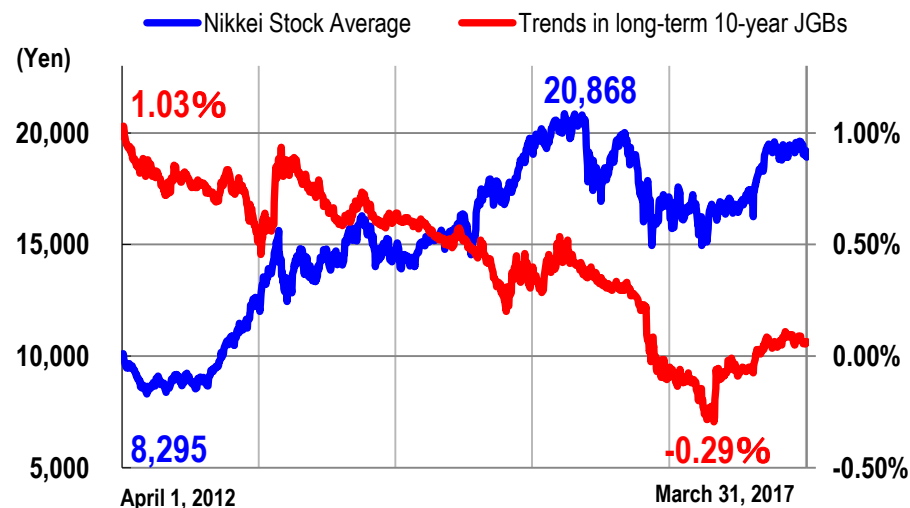
Changes in Sales of Assets in Custody

(Billions of yen)

■ Investment trusts
 ■ Single-premium insurance



Transition of Nikkei Stock Average and Long-term 10-year JGBs



Implement measures to support management of customer assets

First among Japanese
regional banks

August 2016

Add "Skype for Business" into tablet
terminals distributed to sales branches

Sales Branches and Outside Visits



Consultation
record



Captures the audio of negotiation records
Fills in gaps in explanations about
important matters

First among Japanese
regional banks

October 2016

Start of "Skype Support"

*Consultation record audio recording system

Direct Banking Center



<Results>

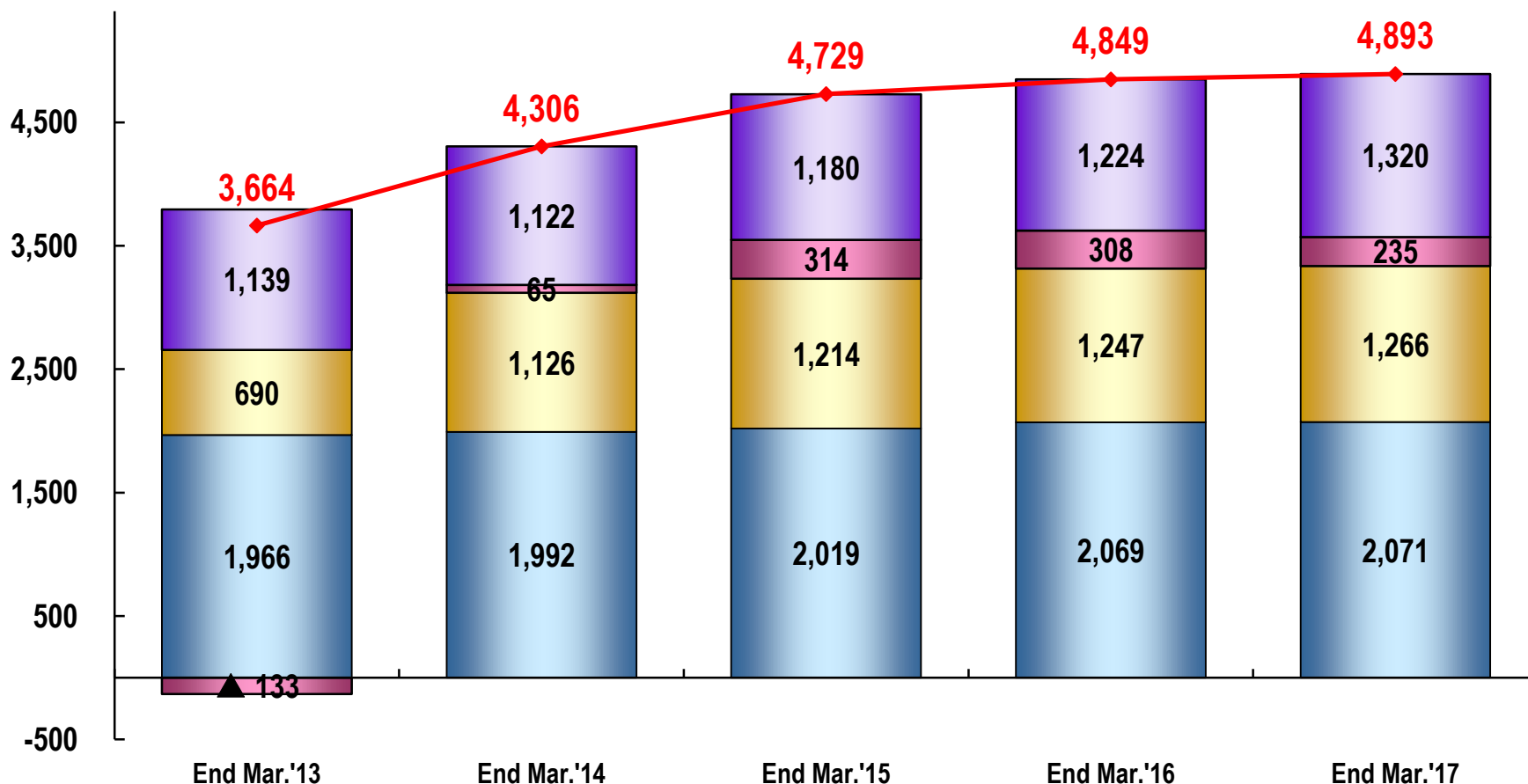
- Specialized staff at the head office may be at a distance from customers but can still provide direct support!
- Enhance ability to maintain proper sales techniques in line with fiduciary duty by objectively confirming that customers understand important matters regarding financial products with inherent risk before application!
- Other efforts to support sales branch operations and provide training!

Diversification of service revenue to expand earnings

Changes in Service Revenue (excluding Creditor Group Insurance Premiums and Loan Guarantee Fees)

(Millions of yen)

Others ATM-related Assets in custody Domestic exchange and account transfers Service revenue



* Others includes online banking, Biz Net, convenience store collection service, VISA debit cards, merchant management, and ATM lottery.

■ Expand Credit Card Merchant Services

Leading the way among regional banks in Japan

Start of "Ryugin Card Merchant Services" for both VISA and MasterCard international brands

Background and Issues

- Visitors to Okinawa increasing each year (Okinawa goal: 12 million people annually)
- Ministry of Economy, Trade and Industry: "Policy to Promote a Cashless Society"
- ↓
- Heightened credit card settlement needs
- ↓
- **Shortage of credit card merchants**

Ratio of credit card sales in the annual product sales of the retail industry (2014)

Okinawa	10.9%
National average	13.9%
Tokyo (highest in Japan)	19.8%

(Source) Ministry of Economy, Trade and Industry: 2014 Commercial Statistics Report

↓
Enhance convenience to tourists by helping to establish environment for use of our own credit card

➤ **Contribute to revitalization of regional economy and secure new sources of revenue (merchant fees)**

Features

※ "Ryugin Card Merchant Services"

- Shorter remittance cycle for credit sales
- Low merchant fee rates
- Provide multifunction terminals at a low price



■ Diversify Fee Business for Individuals

Pioneering efforts among regional banks in Japan

October 2015 Launched VISA Debit Card



More than
50,000
cards issued

February 2017 Began ATM-based lottery sales

Launched on February 13, 2017  琉球銀行

Started Lottery Ticket
Sales at ATM Machines



ATMでカンタン購入!

当せん金も自動振込!

大きくねらうなら

7個の数字を選んで
最高10億円
のチャンス
LOTO 7
ロトセブン

6個の数字を選んで
最高6億円
のチャンス
LOTO 6
ロトシックス

5個の数字を選んで
1等約1,000万円
のチャンス
MINI-LOTO
ミニロト

手堅くねらうなら

4ケタの数字を選んで
約100万円
のチャンス
NUMBERS4
ナンバーズ4

3ケタの数字を選んで
約10万円
のチャンス
NUMBERS3
ナンバーズ3

- **Immediate settlement** with no need for cash
⇒ Zero time spent waiting in line at ATMs and zero after-hours handling charges
- **Local currency** withdrawals at **overseas ATMs**
⇒ Convenient, effortless currency exchange
- **NO worries** about exceeding deposit account credit limit
⇒ Targeted at individual customers aged 15 and over
- **Cash back 0.2%** of amount spent!!

詳しくは **りゅうぎん** 窓口またはホームページをご確認ください。

平成29年2月13日現在

List of renovated branches (FY2016)

- July 2016 Tabaru Branch
- October 2016 Chatan Branch
Chatan Loan Center
- January 2017 Wakasa Branch
- January 2017 Itoman Branch
- February 2017 Gushikawa Branch
- March 2017 Tsuboya Branch

Concepts

- Building branches that customers will want to visit again
- Branch layout designed to accommodate the future **cashless society**
⇒ Eliminate counters, significantly reduce workspace and use lobby to full advantage.



Chatan Branch



Gushikawa Branch

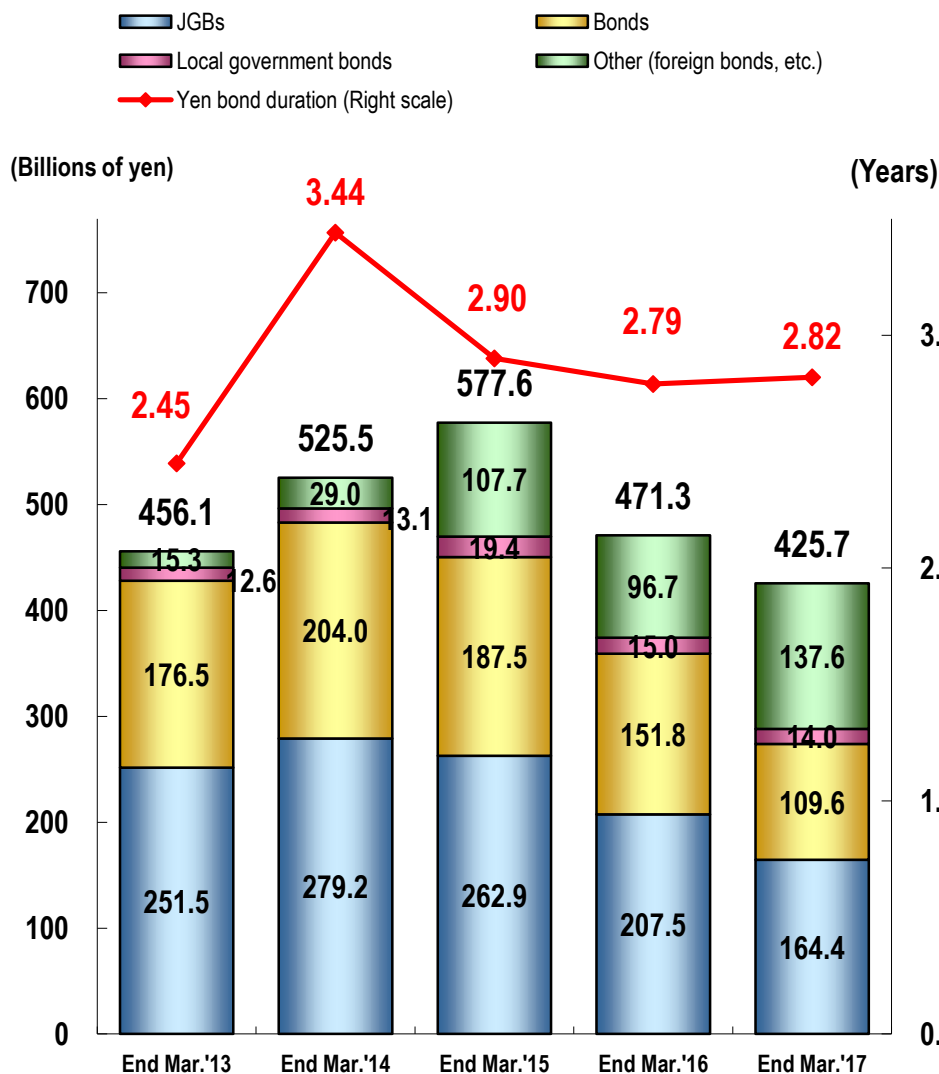


Wakasa Branch

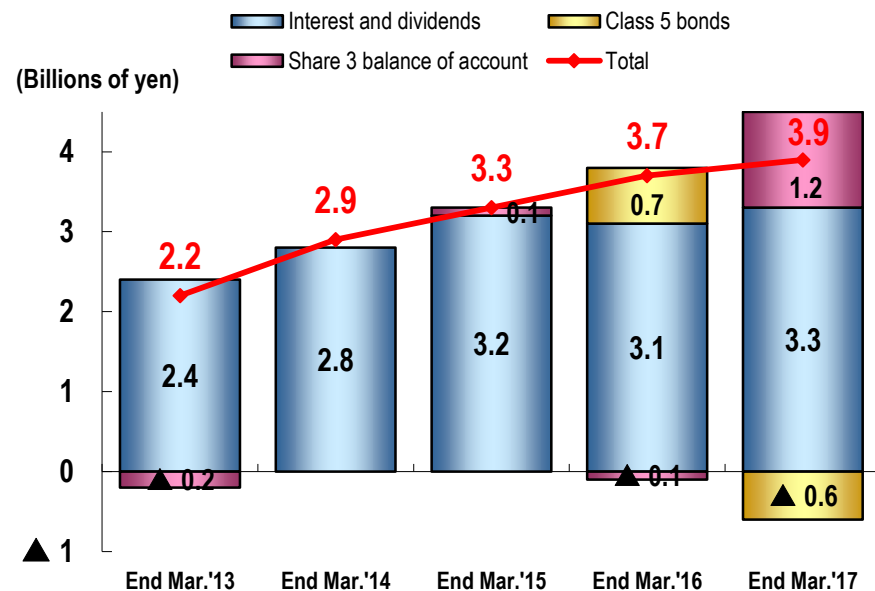
Trends in Securities Operations

Higher earnings through diversification of portfolios despite a lower balance due to JGB redemptions

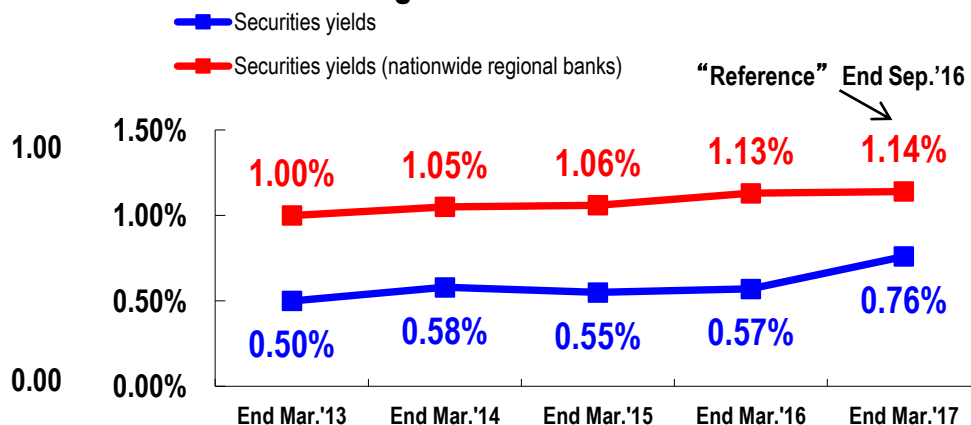
Changes in Balance of Securities



Changes in Securities-Related Payments

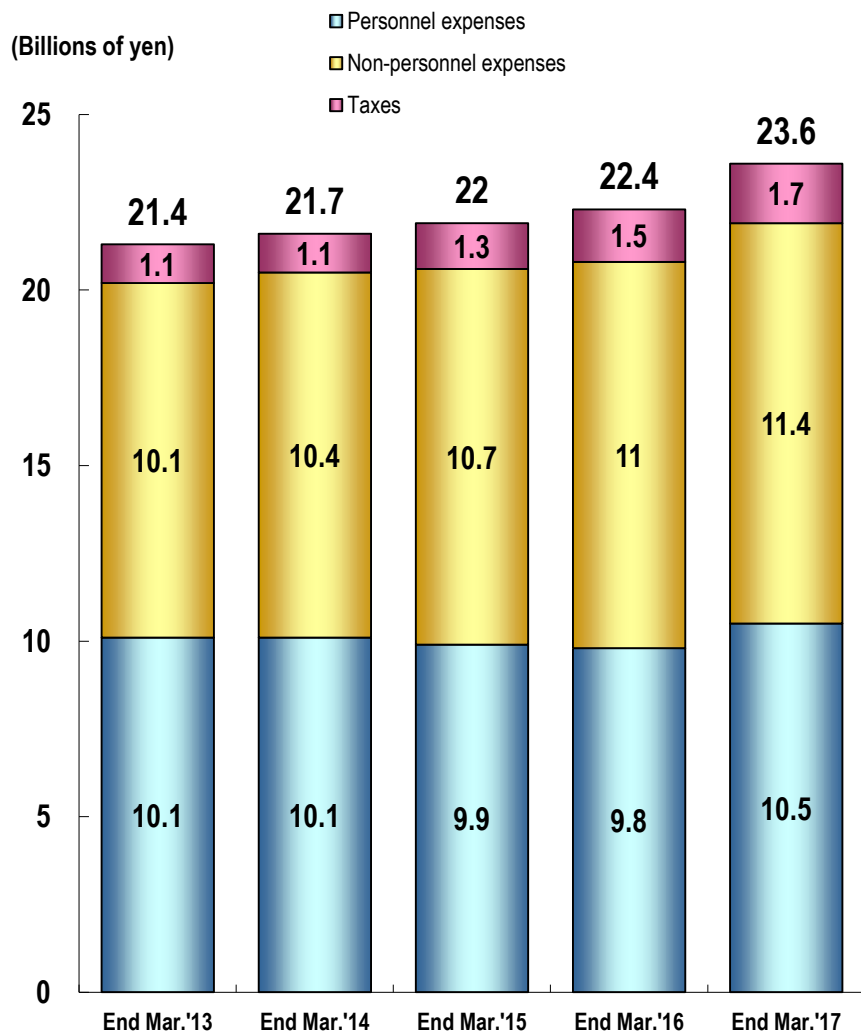


Changes in Securities Yields

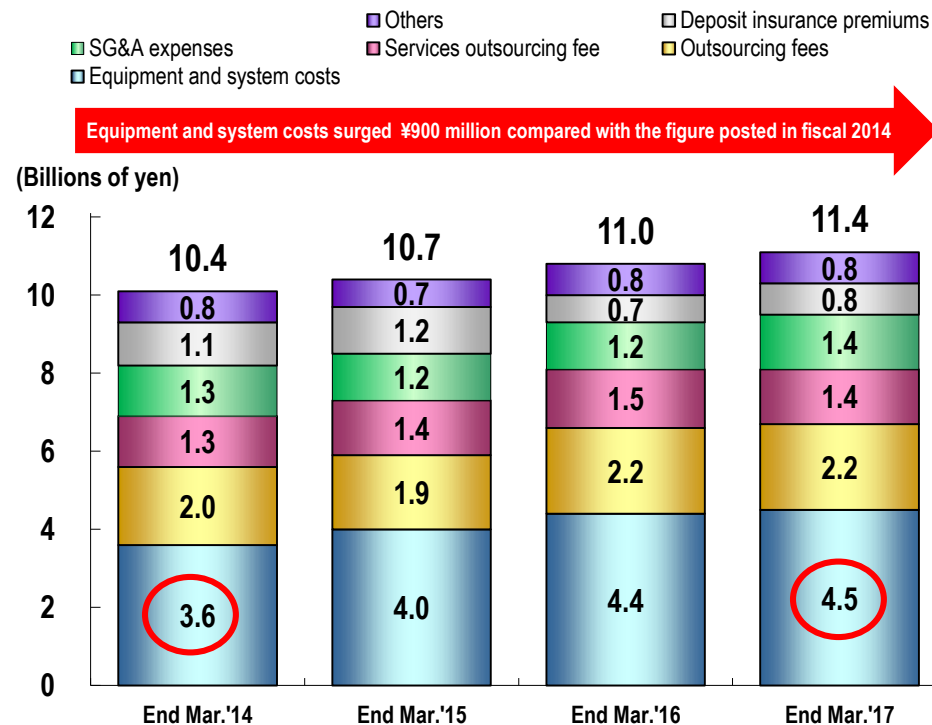


Expenses increased due to prior investment in equipment and systems

Changes in Expenses



Changes in Property Cost Breakdown



<Key investments (since fiscal 2015)>

- Applied to new branches (six branches, one loan center)
- Expanded Direct Banking Center functions
- Launched new products, including "I Love Okinawa!"
- Ryugin VISA debit card
- Credit card merchant management
- ATM lottery

Aiming to become a comprehensive financial services group providing new value to customers

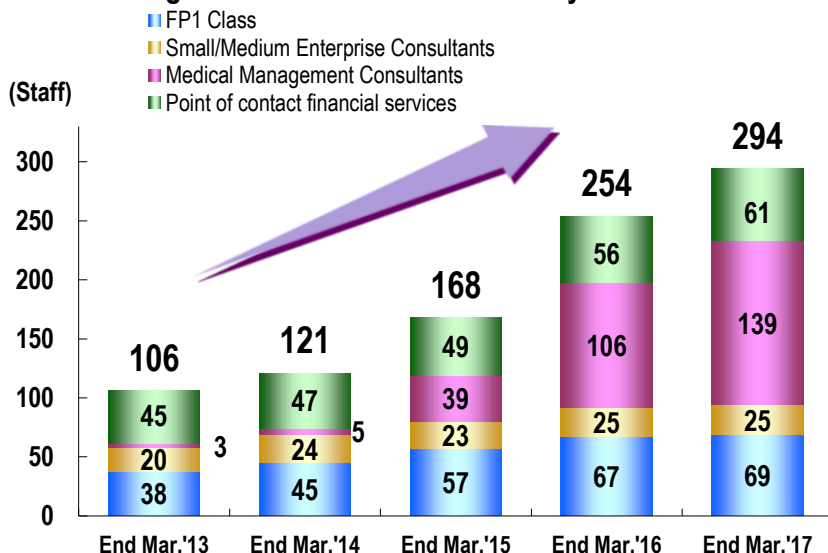


<Other initiatives>

- June 2016 Brought operations of Ryugin Office Service Co., Ltd. in-house
- December 2016 Launched efforts to share corporate information with Ryukyu Leasing Co., Ltd.
- January 2017 Initiated efforts to provide merchant services in collaboration with Okinawa Credit Service Co., Ltd.

Nurture human resources capable of providing diverse value that touches the "hearts of customers"

Changes in Numbers of Professionally Qualified Personnel



Medical Managers

Producing certified Medical Managers from top-class financial institutions nationwide



Holding "Medical Manager Seminars" and "Medical Manager Qualification Certificates" award ceremonies and parties

Cultivate professional skills

Human resource development and system reform

Corporate finance personnel and specified sector consultants who work to increase the corporate value of our partners by leveraging sophisticated, specialized skills

Managers who energize the organization

Relationship managers who stimulate customers with keen personal skills

Financial planners who work to bring abundance and fulfillment in the lives of customers

Divisional planners with the analytical and creative skills necessary to deal with changes in the managerial environment



Evolution into high-level performers with skills that underpin enhanced productivity

Work Style Reform

Enhance productivity and diversity

Local Contribution Activities

Proactive involvement in local society



Sports
promotion

Supporting RYUKYU GOLDEN KINGS, FC RYUKYU and RYUKYU CORAZON



Human
resource
development
support
activities

Run Ryugin Kids School program and provide funds to The Children's Cafeteria for food purchases



Local
event
support

Naha Marathon sponsorship/volunteers



Passing on
traditional
culture

Bingata (traditional dyed cloth) design contest

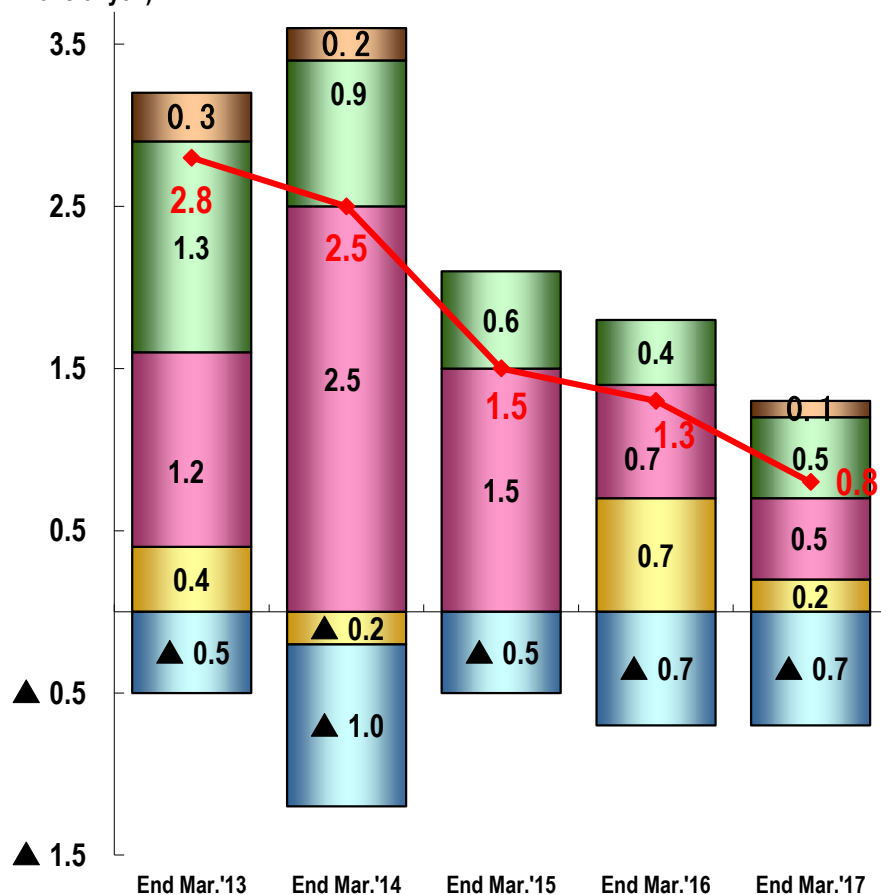
Cost of Credit/Disclosed Claims

Downward trend in cost of credit and disclosed claims under favorable economic conditions

Changes in Net Cost of Credit

- General provision for credit losses
- Loan amortization
- Gain on amortized loans
- Specific allowance for credit losses
- Other amounts
- Total

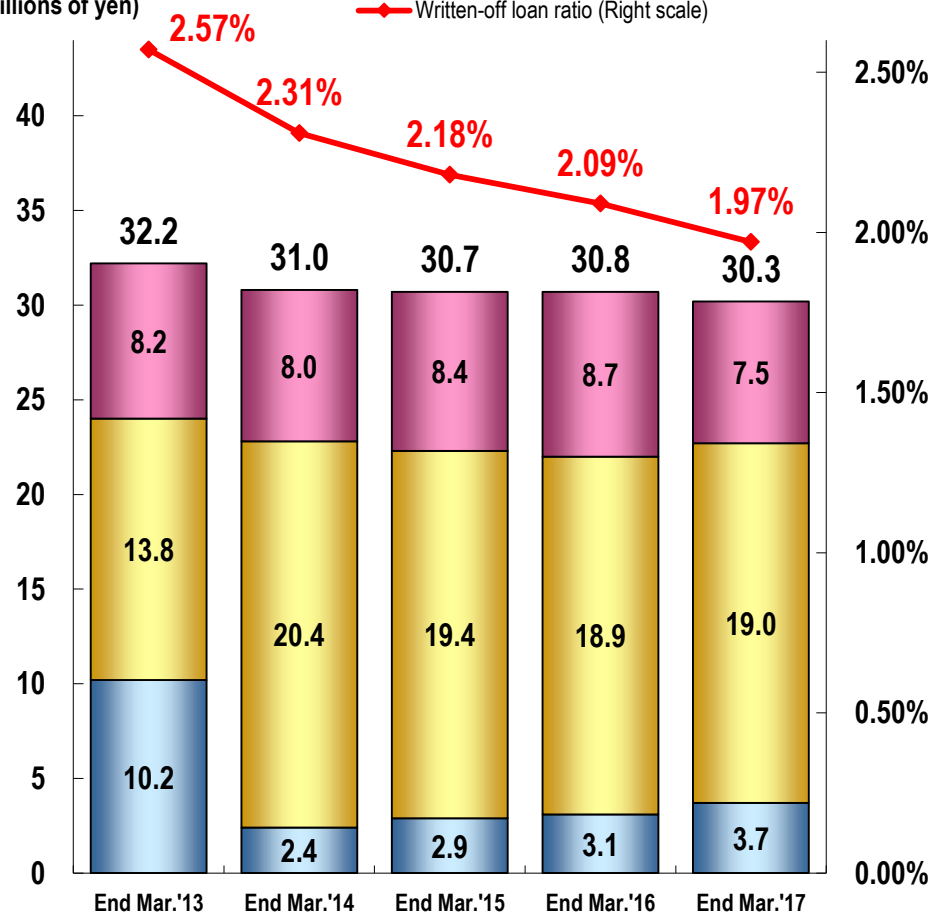
(Billions of yen)



Changes in Disclosed Claims

- Claims in bankruptcy
- Loans in danger of default
- Substandard loans
- Written-off loan ratio (Right scale)

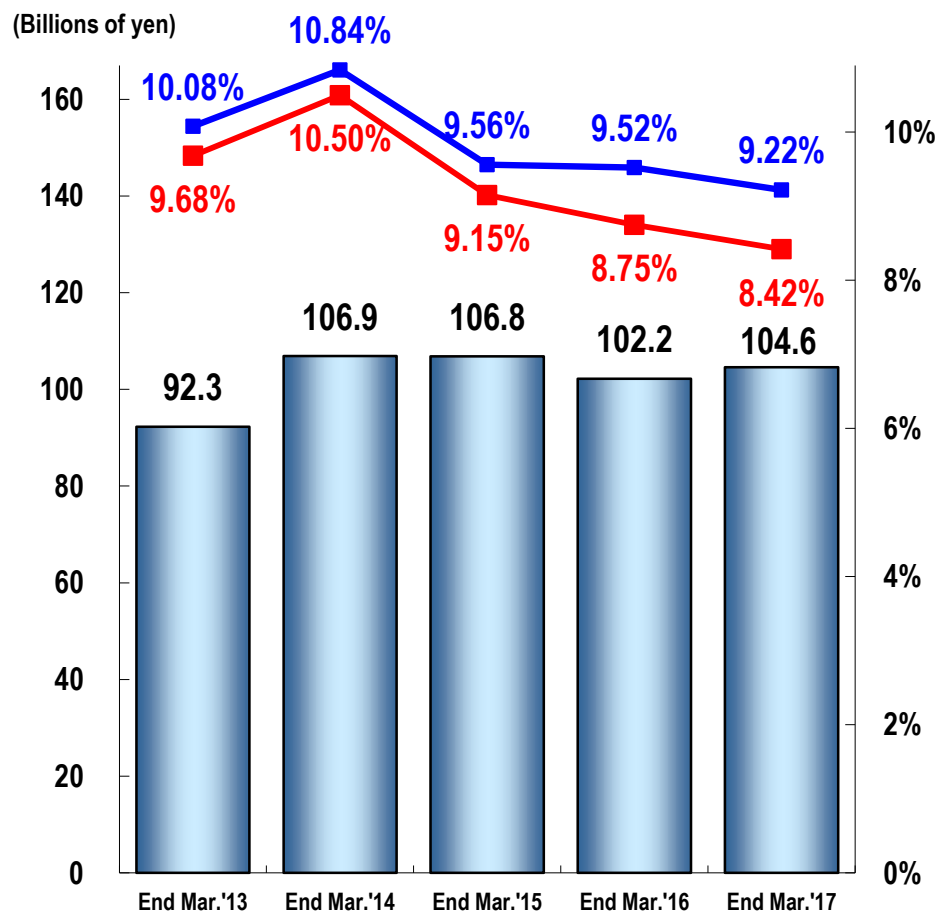
(Billions of yen)



Secured consolidated capital adequacy ratio in 9% range, even as risk assets increased

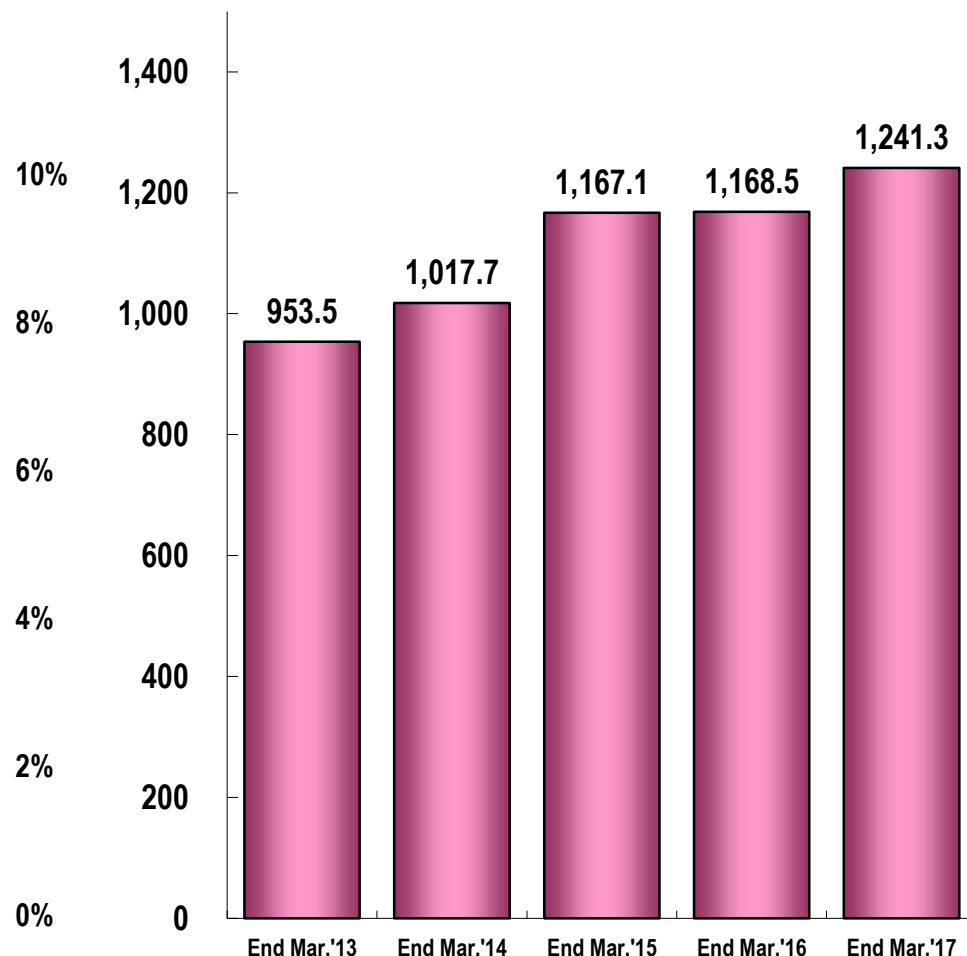
Changes in Capital Ratio

- Regulatory capital
- Consolidated Capital ratio (Right scale)
- Non-Consolidated Capital ratio (Right scale)



Changes in Risk Assets

(Billions of yen)



■ Performance Forecast for FY2017

Anticipate lower revenue and profit, on both non-consolidated and consolidated bases, principally due to a decrease in parent results.

<Non-Consolidated>

(Billions of yen)

	FY2017	Year-on-year change	FY2016 (Actual results)
	(Forecast)		
Ordinary revenue	38.0	▲3.1	41.1
Ordinary profit	6.0	▲1.4	7.4
Net income	4.0	▲1.0	5.0

<Consolidated>

(Billions of yen)

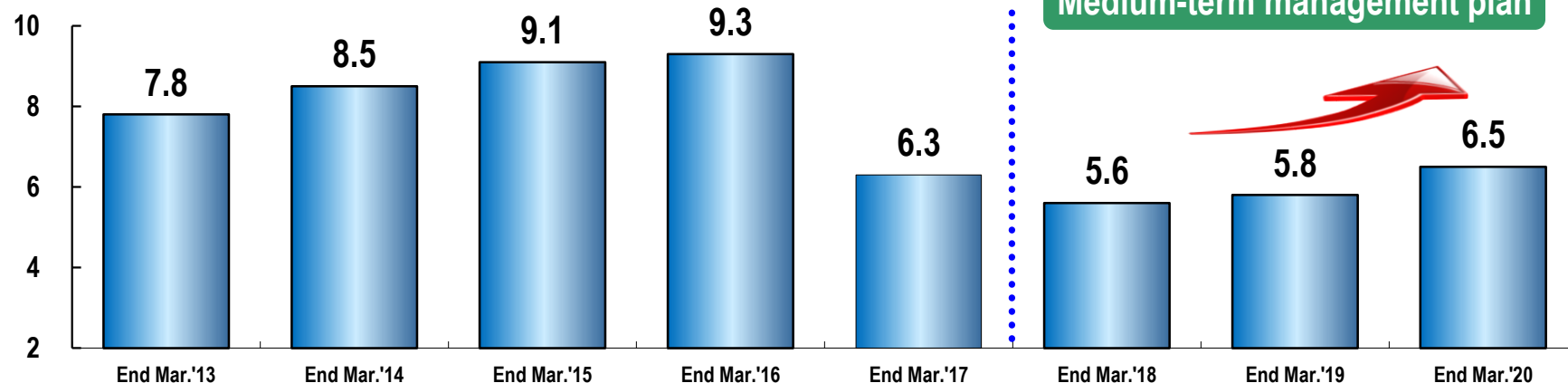
	FY2017	Year-on-year change	FY2016 (Actual results)
	(Forecast)		
Ordinary revenue	57.0	▲3.7	60.7
Ordinary profit	7.0	▲2.7	9.7
Net income for the period attributable to the owners of parent company	4.8	▲1.6	6.4

* Increase and decrease are presented on a financial statement basis

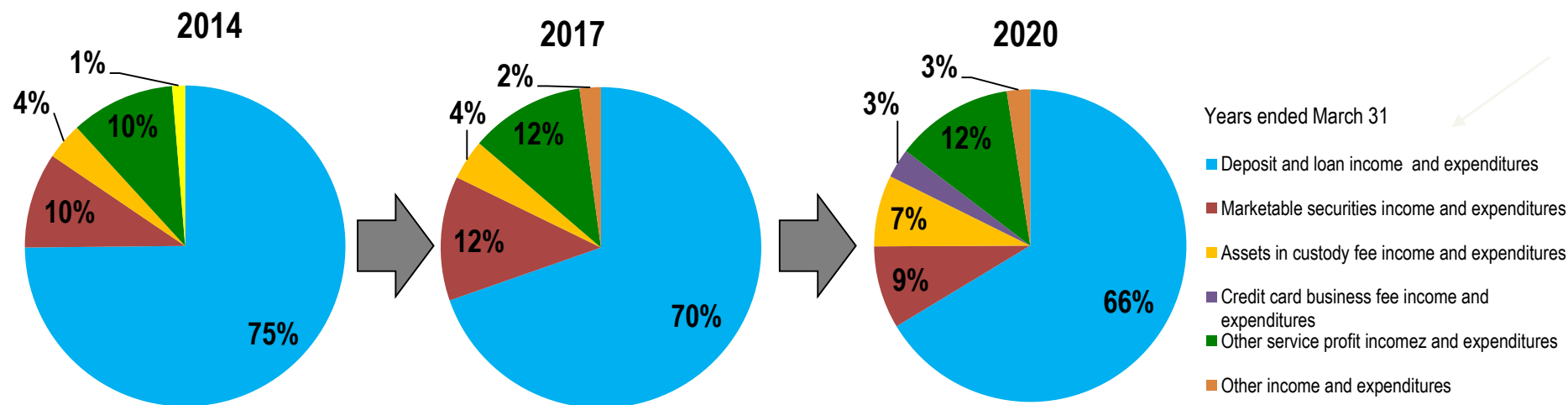
Strengthen service revenues and strive to achieve stable earnings

Changes in Real Net Business Profit

(Billions of yen)



Changes in Key Revenue Ratios



Diversification of earnings



All enquiries regarding this presentation should be addressed to:

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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.

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 May 26, 2017 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.