


Activities in Fiscal 2020

Annual Report

-  [Tankan Survey_\(252KB\)](#)
-  [Tourism_\(263KB\)](#)
-  [Unemployment Rates, Job-openings-to-applicants Ratios, and Corporate Bankruptcies_\(375KB\)](#)
-  [Public Construction Contract Amounts and Numbers of New Housing Construction Projects Started_\(208KB\)](#)
-  [Financial Summary_\(Consolidated\)_\(265KB\)](#)
-  [Financial Summary_\(Non-Consolidated\)_\(117KB\)](#)
-  [Summary of Profit/Loss Trends \(Non-Consolidated: March 2017 to March 2021\)_\(247KB\)](#)
-  [Profit/Loss During the Fiscal Year Ended March 31,2021_\(96KB\)](#)
-  [Profit from Customer Services_\(209KB\)](#)
-  [Loans_\(619KB\)](#)
-  [COVID-19 Crisis Financial Support_\(645KB\)](#)
-  [Deposits_\(234KB\)](#)
-  [Profit from Service Charges_\(211KB\)](#)
-  [Assets in Custody_\(294KB\)](#)
-  [Corporate Customer Services_\(301KB\)](#)
-  [Card-related Business_\(411KB\)](#)
-  [Securities_\(318KB\)](#)
-  [Net Credit Costs and Disclosed Bad Debt_\(152KB\)](#)
-  [Overview of Forward-looking Provisioning_\(484KB\)](#)
-  [Expenses_\(263KB\)](#)
-  [Workforce Planning_\(221KB\)](#)

 [Dividends \(212KB\)](#)

 [Capital Adequacy Ratio \(287KB\)](#)

 [Forecast for FY 2021 \(Ending March 31, 2022\) \(140KB\)](#)

 [Midterm Management Plan Target Revisions \(304KB\)](#)

 [Post-revision Deposit and Loan Balance, and Profit from Service Charges \(281KB\)](#)

➤ Annual Report



➤ よくあるご質問

➤ お問い合わせ

りゅうぎんの商品

- かりる
- ためる
- そなえる
- 運用する
- 便利につかう

法人・個人事業主のお客さま

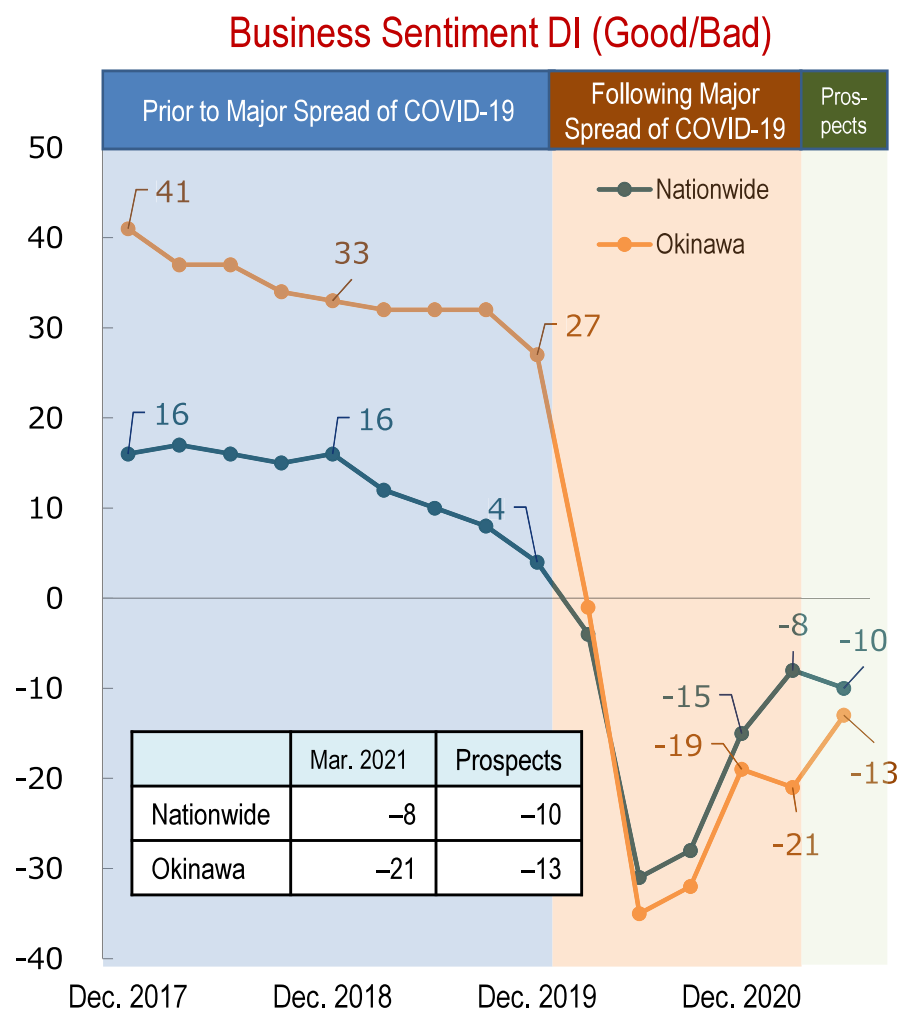
- 法人ローン
- 法人向けサービス
- 法人向けコンサルティング業務
- りゅうぎんビジネスクラブ

企業情報

- ニュースリリース
- 琉球銀行について
- 投資家情報
- CSR への取り組み
- 採用情報
- 電子公告

Tankan Survey

Tourism, which is a key industry in Okinawa Prefecture, declined significantly.



Economic Overview of Okinawa Prefecture

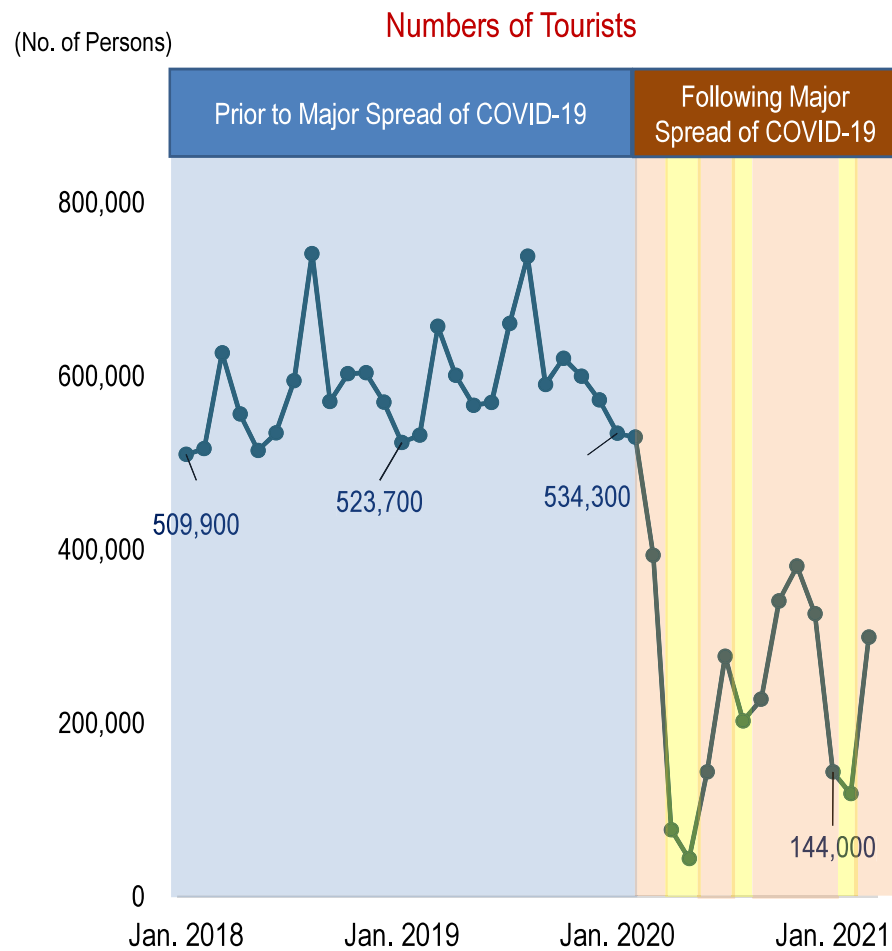
- The Tankan (Short-Term Economic Survey of Enterprises in Japan) showed business sentiment diffusion index (DI) bottoming out in June 2020, followed by a partial recovery that hasn't been able to rectify the continuing low-level trend.
- Future outlook dropped by 8 points to -13 on the "bad" side.

Major Indicators

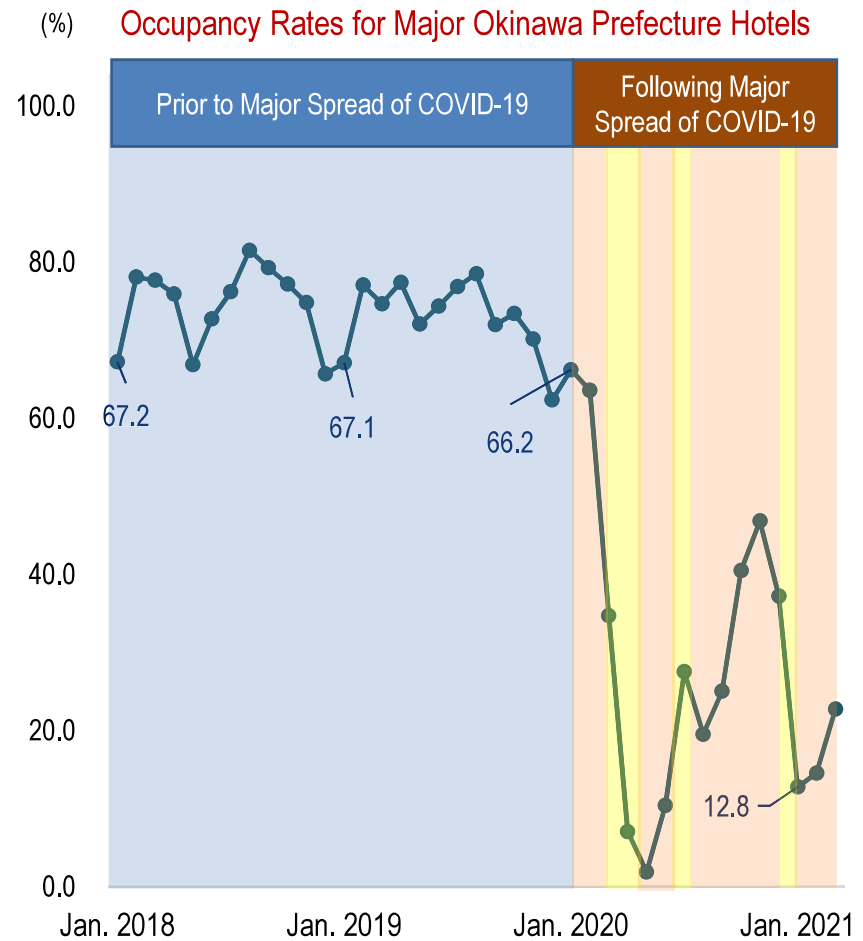
- Tourism trended low with repeated rises and falls in response to national and prefectural state-of-emergency declarations.
- Employment exhibited a worsening trend in response to slowed tourism-industry demand.
- Public investment remained strong overall, but shows a weakening trend due to significant drops in rental housing investment.

Tourism

During FY 2020, two national state-of-emergency declarations and three Okinawa Prefecture declarations were made. The resulting movement restrictions significantly affected tourism, greatly bringing down numbers of tourists. (Yellow-shaded portions of the graph indicate state-of-emergency periods.)



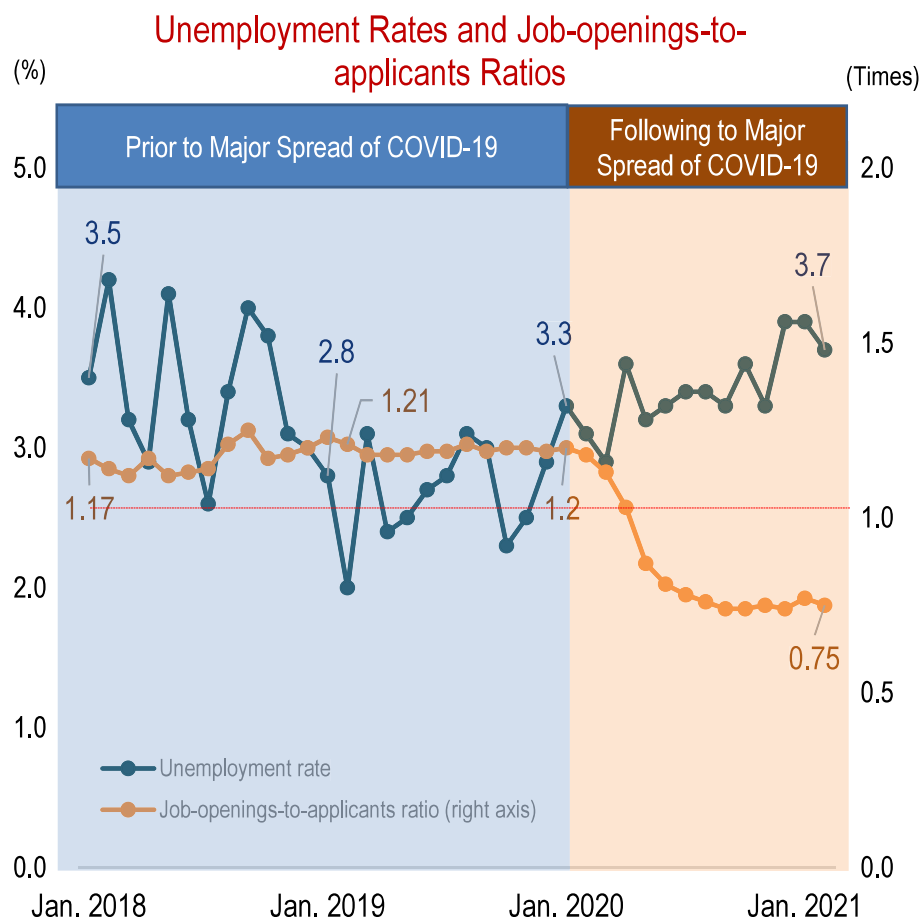
Source: Okinawa Prefecture government data (for graph creation)



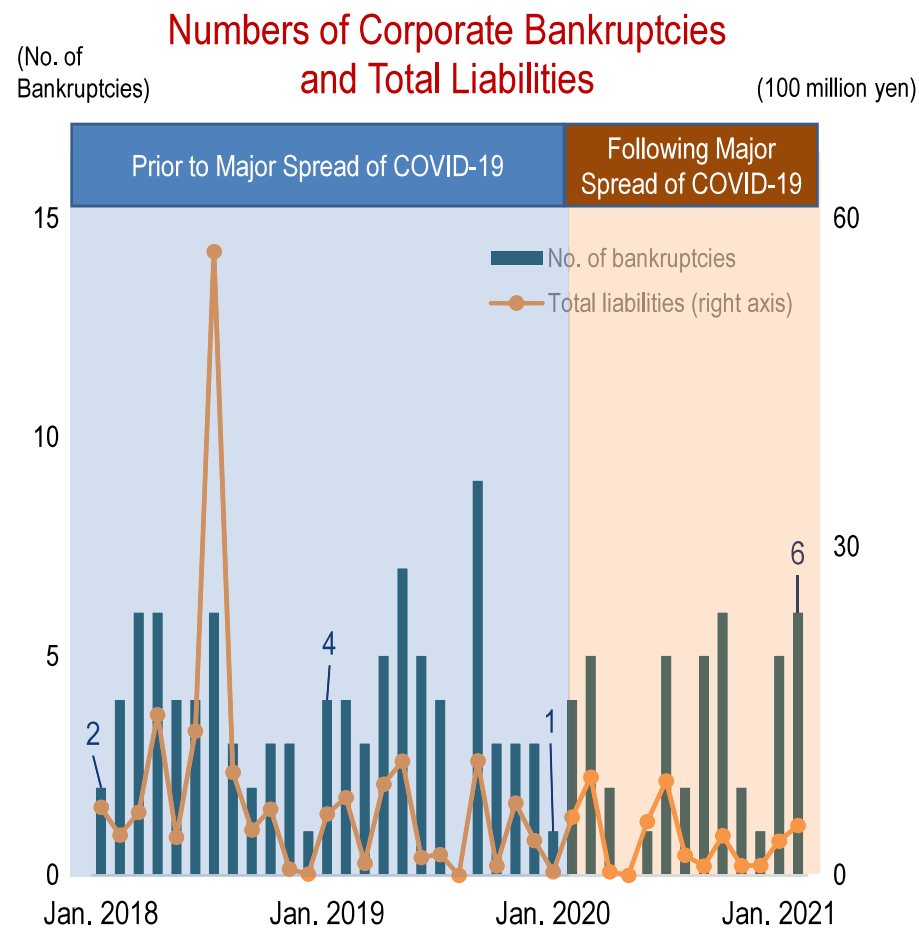
Source: Ryugin Research Institute

Unemployment Rates, Job-openings-to-applicants Ratios, and Corporate Bankruptcies

Declining demand in tourism, a key Okinawa Prefecture industry, and other such negative developments have led to increased unemployment rates and decreased job-openings-to-applicants ratios. Corporate bankruptcies have leveled out despite the COVID-19 crisis thanks to government emergency fiscal measures, assistance measures by financial institutions, and other such countermeasures.



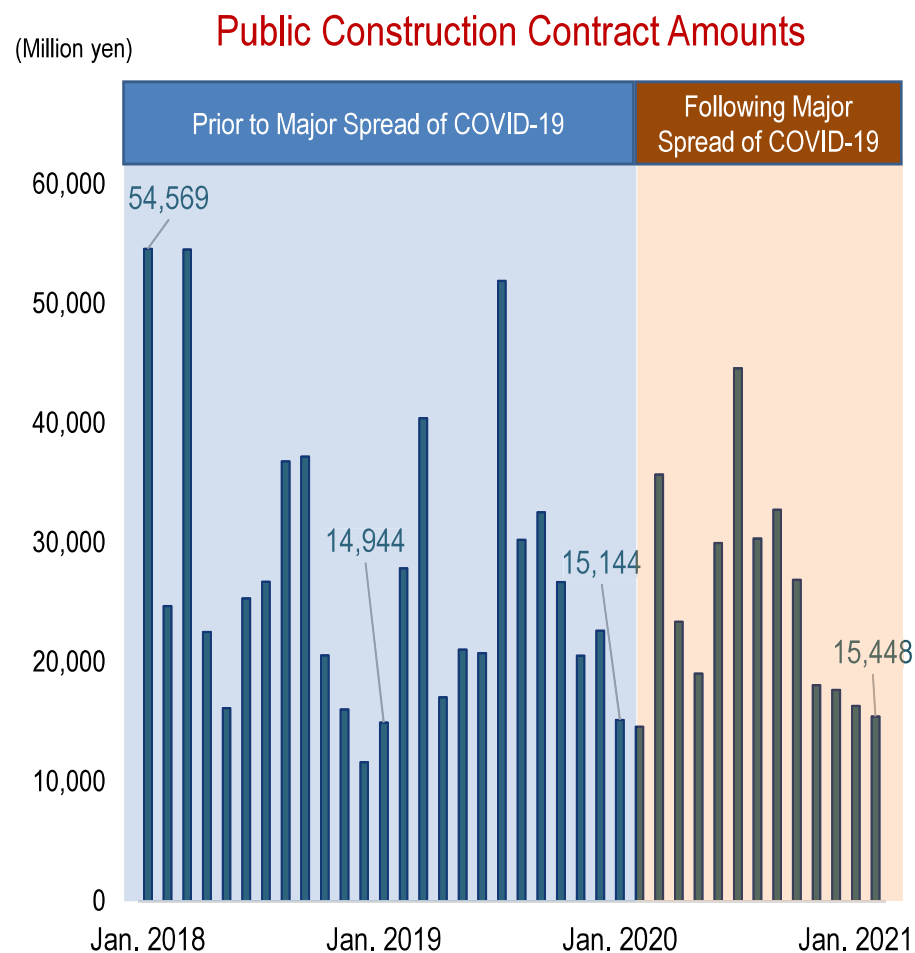
Sources: Okinawa Prefecture government, Cabinet Office, Ministry of Internal Affairs and Communications



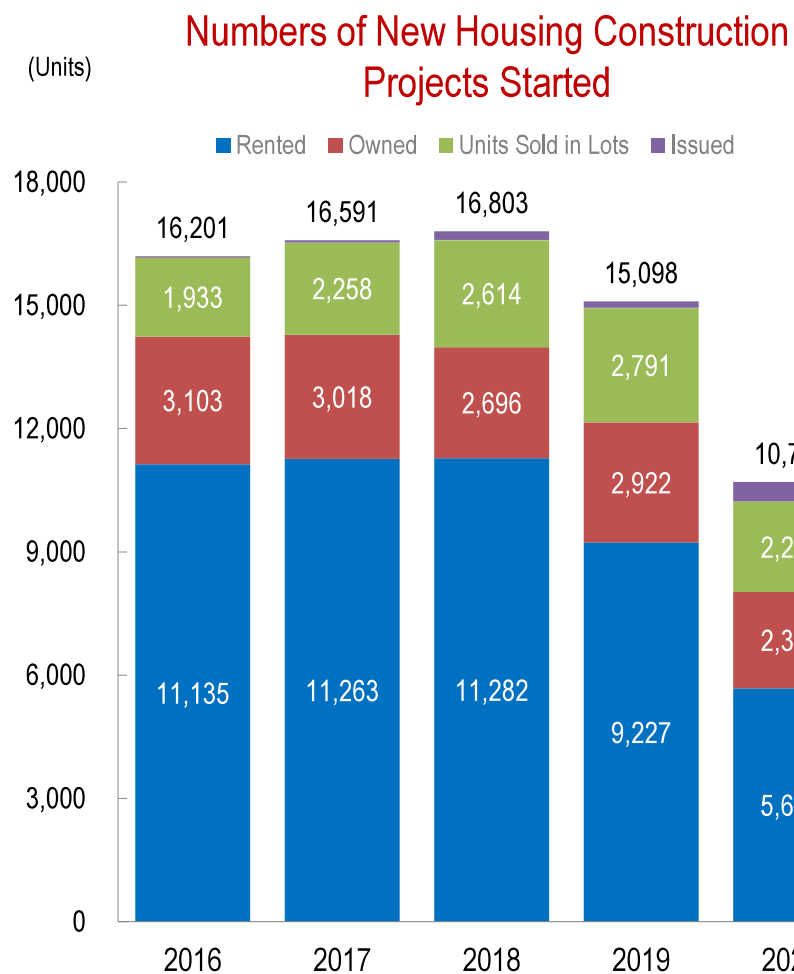
Source: Tokyo Shoko Research

Public Construction Contract Amounts and Numbers of New Housing Construction Projects Started

New public construction contract amounts remained strong despite the spread of COVID-19. Numbers of new housing construction projects were weak overall, primarily due to a significant decline in new rental housing construction.



Source: West Japan Construction Company Okinawa Branch



Source: "Housing Starts Statistics," Ministry of Land, Infrastructure, Transport and Tourism

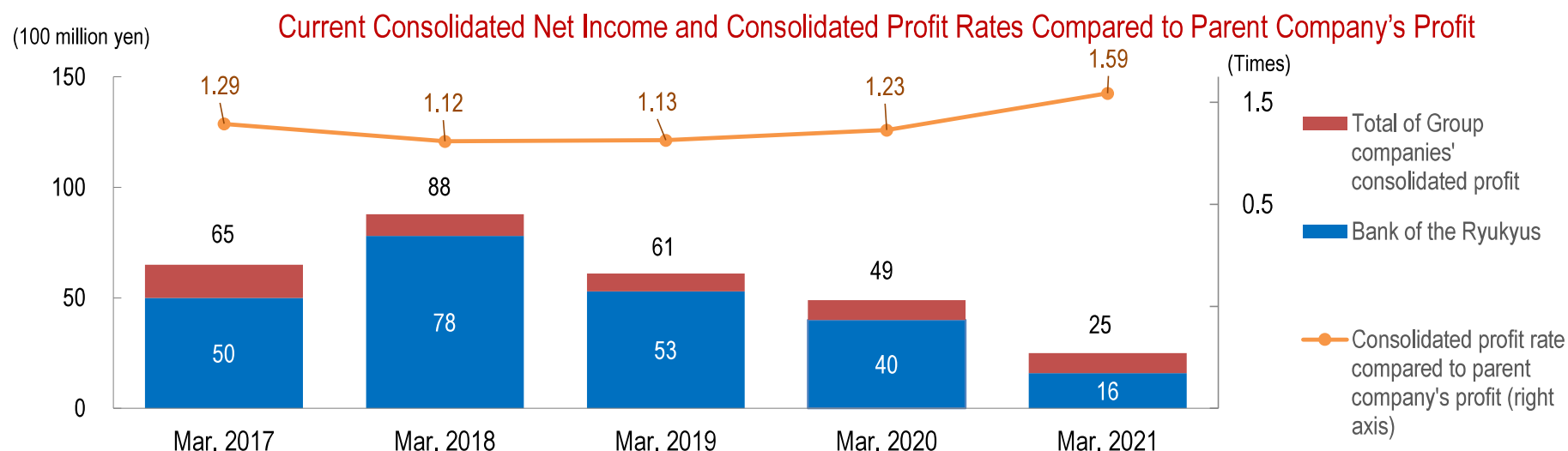
Financial Summary (Consolidated) (1/2)

Revenue and profit decreased. Consolidated profit also decreased due to our bank's situation.

(100 million yen)

	Financial Results for FY 2020		FY 2019
		Year-on-year change	
Ordinary revenue	572	−55	627
Ordinary expenses	534	−24	558
Ordinary profit	38	−31	69
Profit attributable to owners of the parent	25	−24	49

Note: Year-on-year calculation is spreadsheet based.

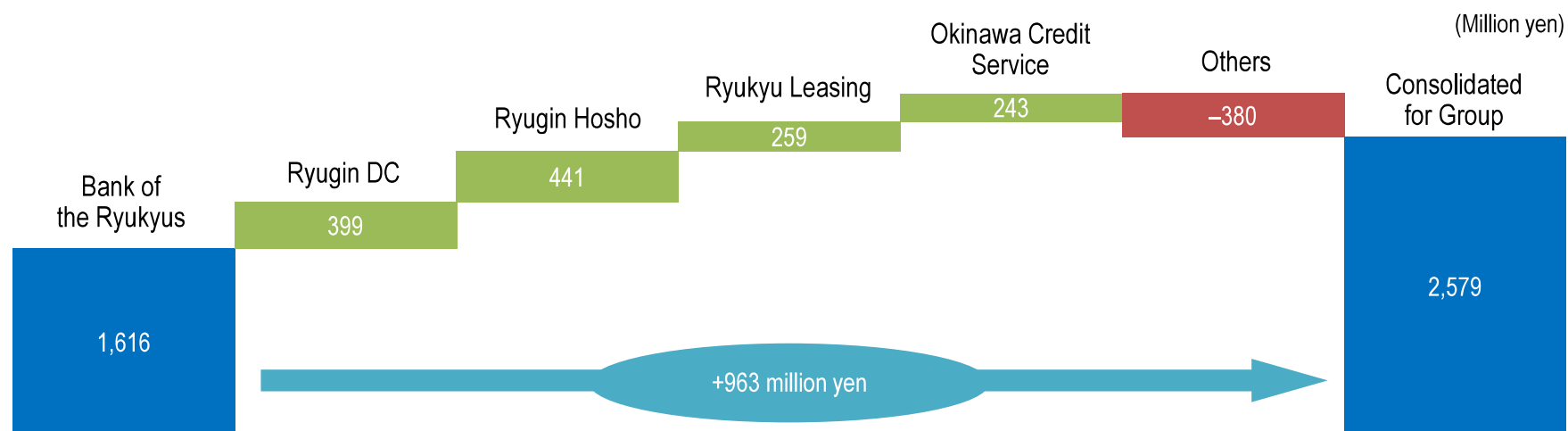


Financial Summary (Consolidated) (2/2)

Financial conditions for Bank of the Ryukyus Group companies were as follows. (100 million yen)

	Bank of the Ryukyus	Ryukyu Leasing	Ryugin DC	Okinawa Credit Service	Ryugin Hosho	Others
Ordinary revenue	373	171	20	21	9	-23
Ordinary profit	22	3	5	3	6	-3
Net income	16	2	3	2	4	-3

Note: "Others" encompasses inter-company eliminations and also includes Ryugin Business Service Co., Ltd. and Ryugin Research Institute Ltd.



Financial Summary (Non-Consolidated)

Revenue and profit decreased. Credit costs increased due to revision of standards for provisions to doubtful accounts.

(100 million yen)

	Financial Results for FY 2020		FY 2019
		Year-on-year change	
Ordinary revenue	373	-51	424
Business gross profit (a)	310	-5	315
Expenses (b)	249	+6	243
Real net business profit (c = a - b)	61	-10	71
Net credit costs (d)	33	+25	8
Other extraordinary gains/losses (e)	-6	+4	-10
Ordinary profit (f = c - d + e)	22	-31	53
Net income	16	-24	40

Note: Year-on-year calculation is spreadsheet based.

Summary of Profit/Loss Trends (Non-Consolidated: March 2017 to March 2021)

(Million yen)

	Mar. 2017	Mar. 2018	Mar. 2019	Mar. 2020	Mar. 2021	Year on Year
Profit from customer services* ¹	3,325	3,395	3,472	3,619	3,835	+216
Deposit and loan balance* ²	22,127	21,890	22,278	22,837	23,249	+412
Profit from service charges* ³	4,893	5,277	5,347	5,400	5,775	+375
Expenses	-23,694	-23,772	-24,153	-24,618	-25,189	-571
Profit/loss in Trading Division	4,386	4,937	3,238	2,054	1,864	-190
Profit/loss in Securities & International Department	2,828	4,425	1,845	1,778	1,357	-421
Interest and dividends	3,163	2,911	2,298	1,597	1,201	-396
Gains/losses from forex and commodities trading	369	-36	821	149	115	-34
Balance of 5 bond accounts	-691	387	-169	421	89	-332
Balance of 3 share accounts	-100	1,123	-730	-1,089	41	+1,130
Policy-related investment	1,537	511	1,393	276	506	+230
Net credit costs	-806	1,808	217	-869	-3,313	-2,444
General provision for doubtful accounts* ⁴	-241	850	-644	-1,591	-2,751	-1,160
Miscellaneous, corporate tax, etc.	-1,893	-2,314	-1,553	-795	-770	+25
Net income	5,012	7,826	5,374	4,009	1,616	-2,393

*1 Profit from Customer Services = Deposit and Loan Balance + Profit from Service Charges – Expenses

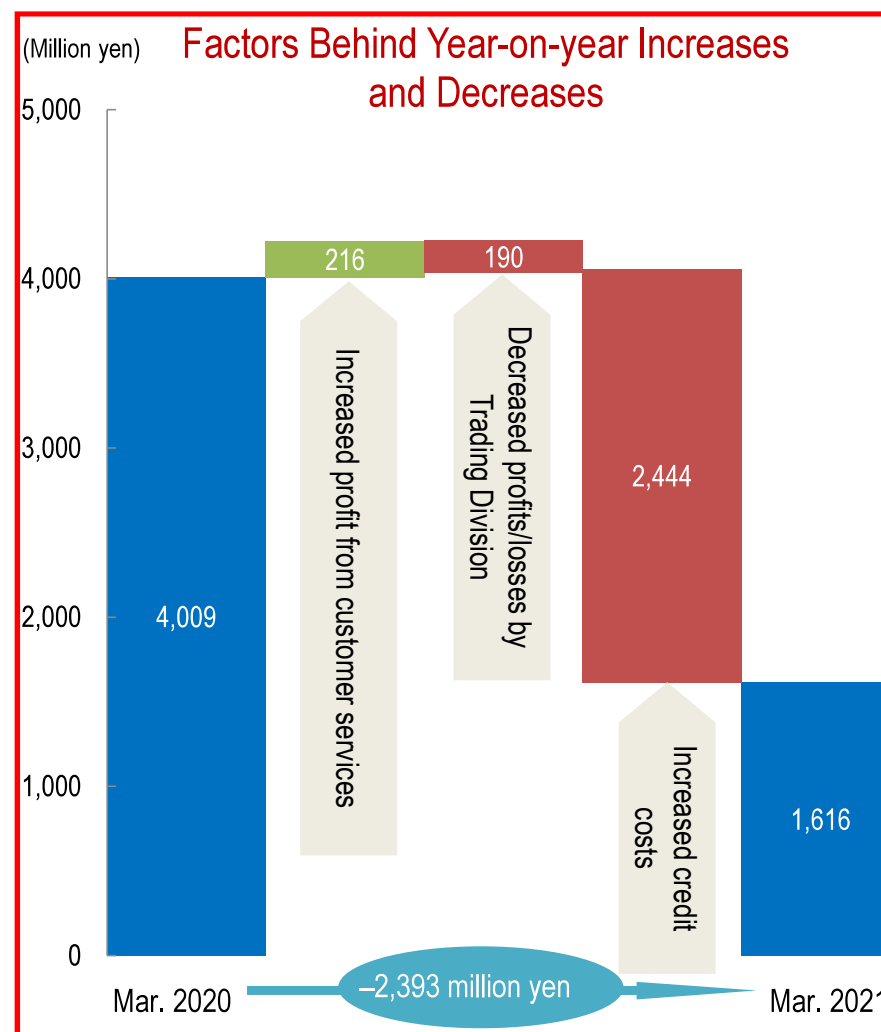
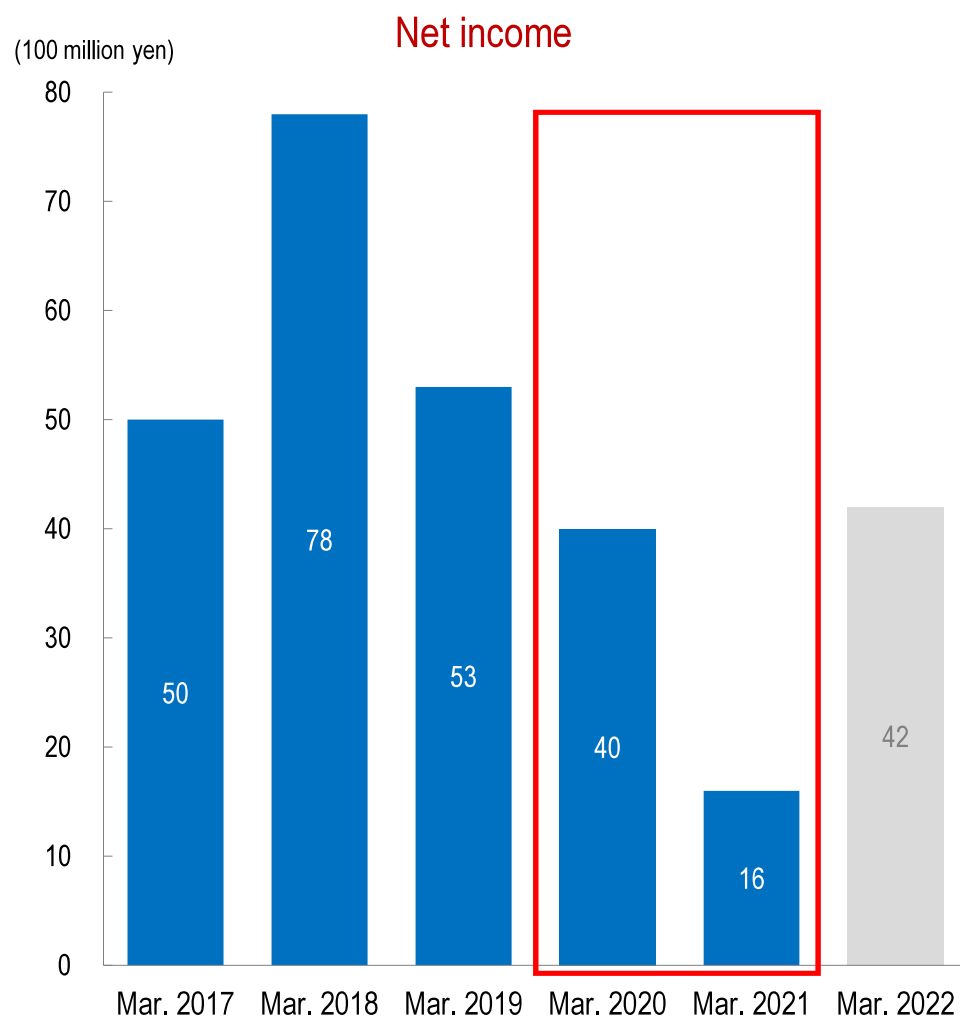
*2 Balance of deposits and loans (incl. loan-related fees). Interest on deposits is calculated based on currency swap income in real terms.

*3 Profit from service charges (excl. loan fees).

*4 General provision for doubtful accounts: negative amounts indicate a provision and positive amounts indicate a reversal.

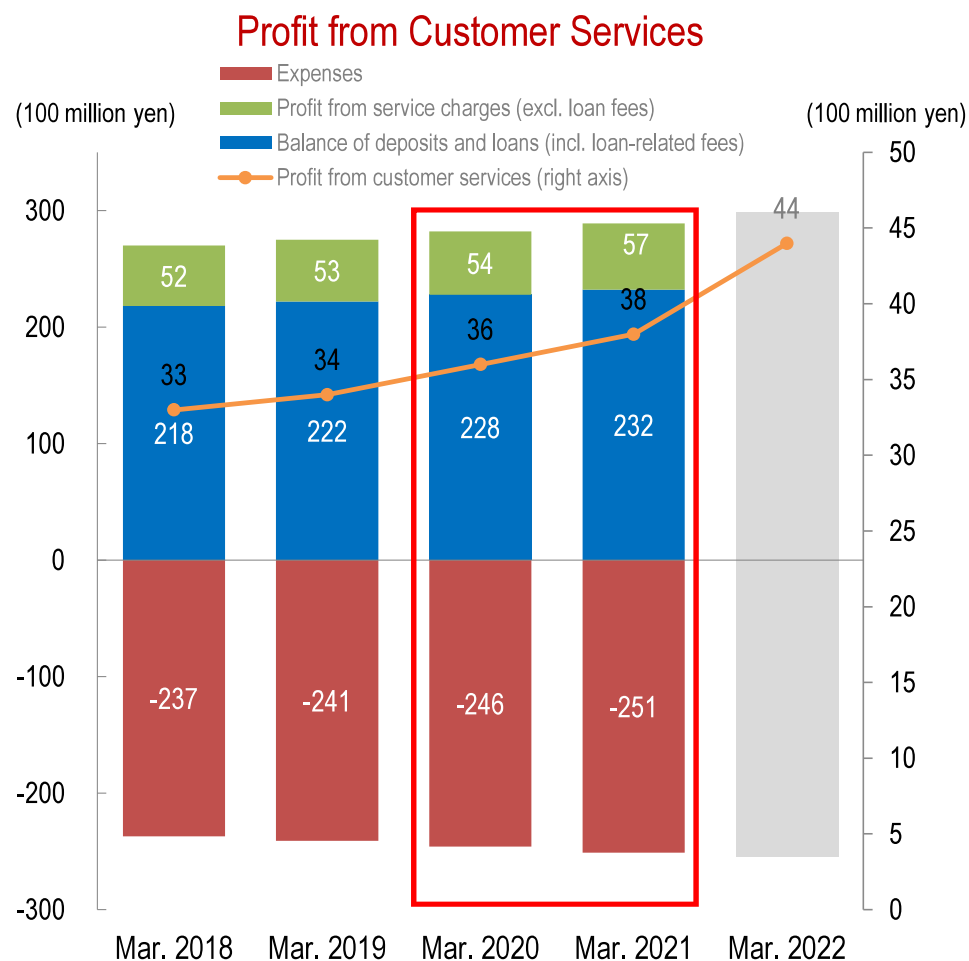
Profit/Loss During the Fiscal Year Ended March 31, 2021

Forward-looking provisioning of reserves was the main factor behind year-on-year profit declines.



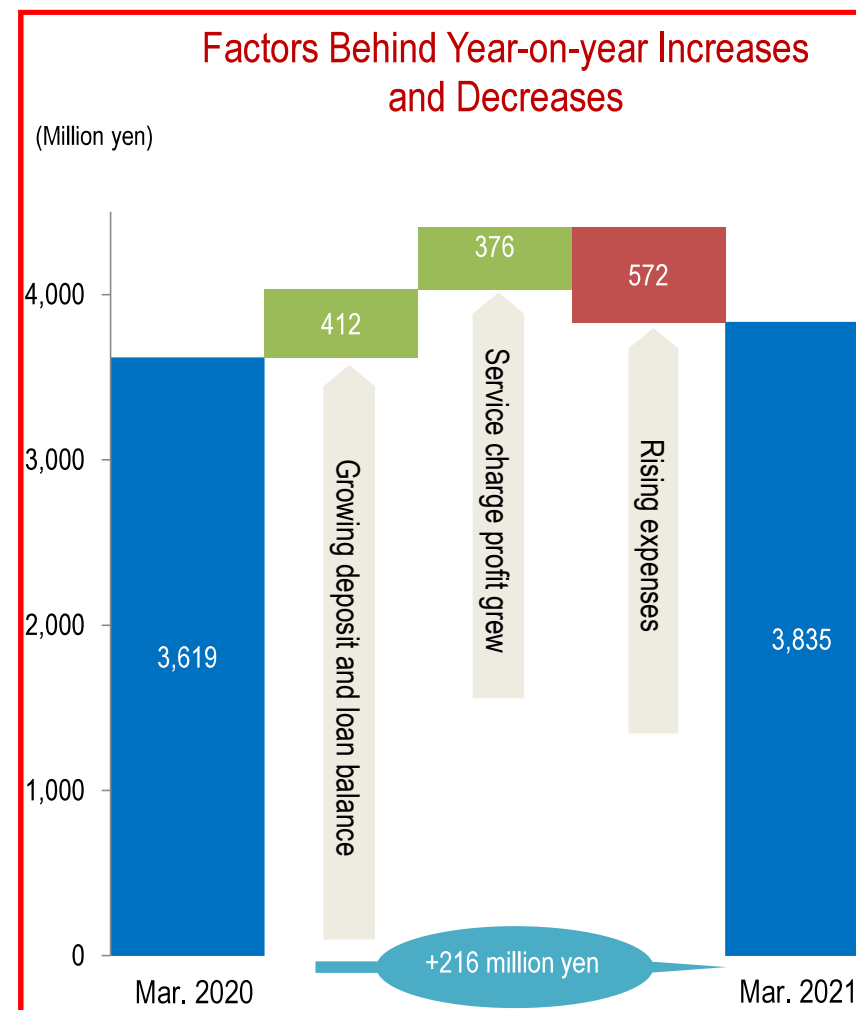
Profit from Customer Services

Despite the trend toward growing expenses, profit from service charges increased and profit from customer services show upward growth. Profits from service charges for mortgage loans, corporate customer services and card business services helped bring service charge profit up overall.



Note: Profit from Customer Services = Deposit and Loan Balance + Profit from Service Charges – Expenses

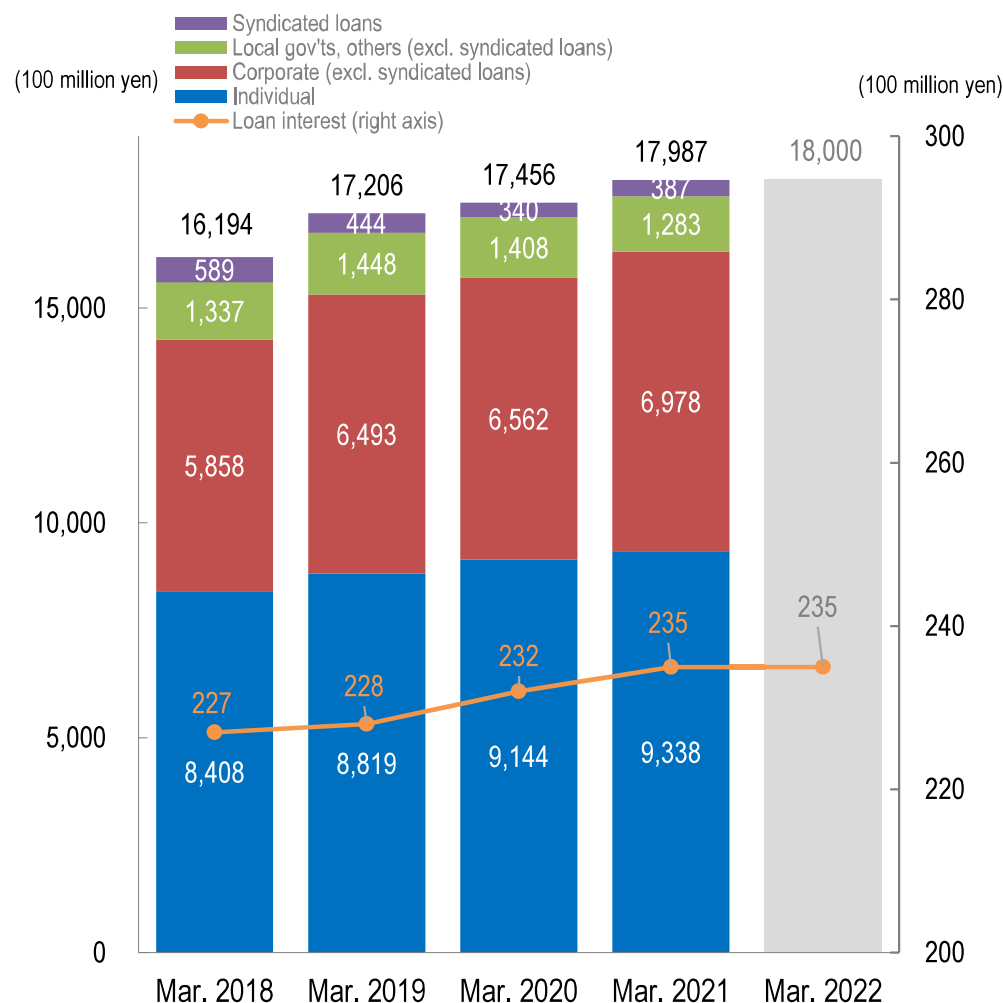
Note: For balances of deposits and loans, interest on deposits is calculated based on currency swap income in real terms.



Loans (1/2)

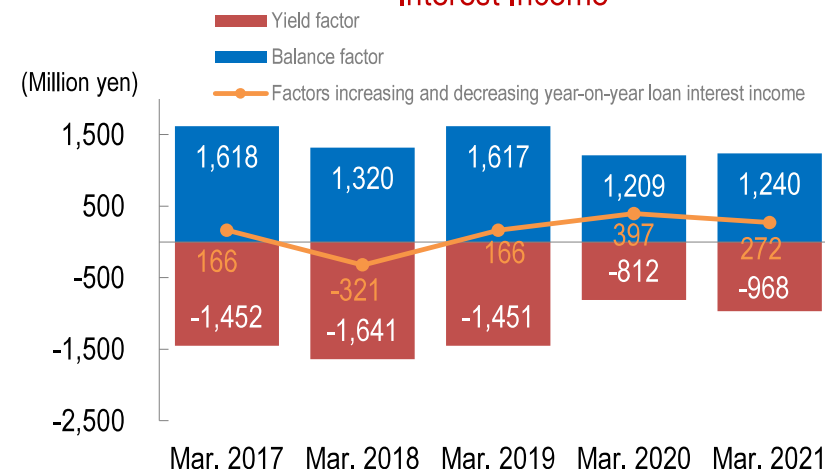
COVID-19-related funding support and other measures led to balance growth, but yields declined.

Loan Balance

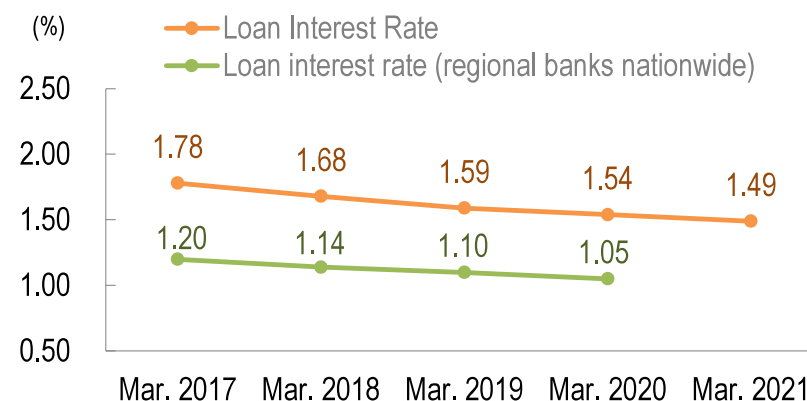


Note: Loan-related fees (consumer loan guarantee fees and group credit life insurance premiums) are deducted from the amount of loan interest income.

Factors Increasing and Decreasing Loan Interest Income



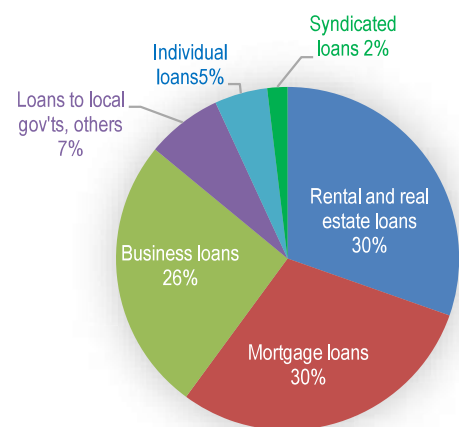
Loan Interest Rate



Loans (2/2)

COVID-19–related funding support and other measures brought about pronounced declines in yields from business loans.

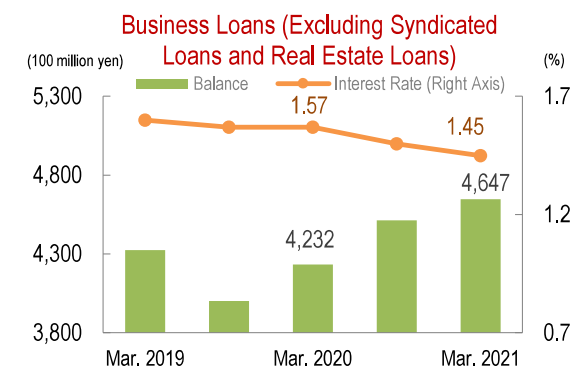
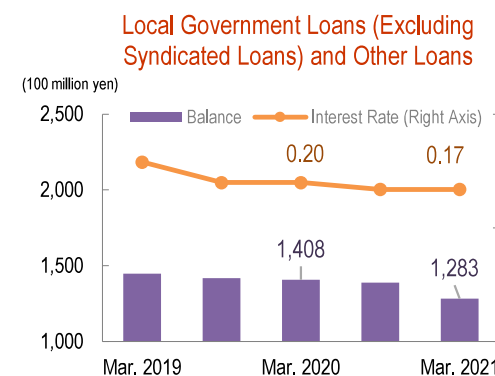
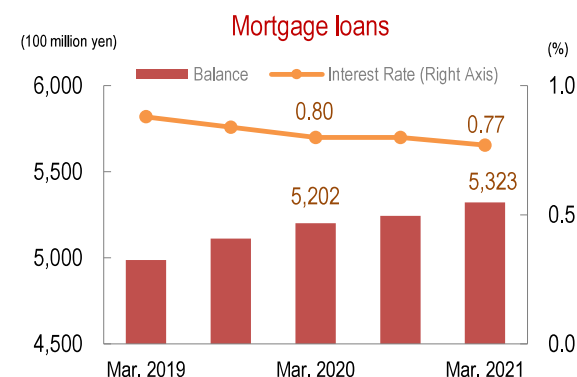
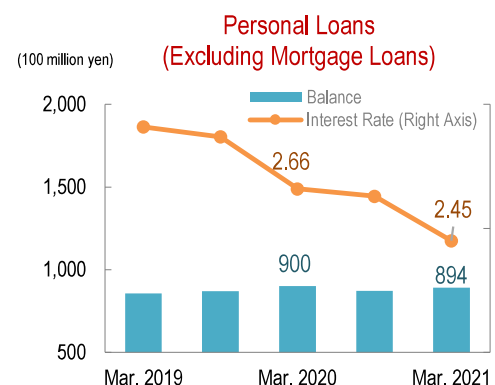
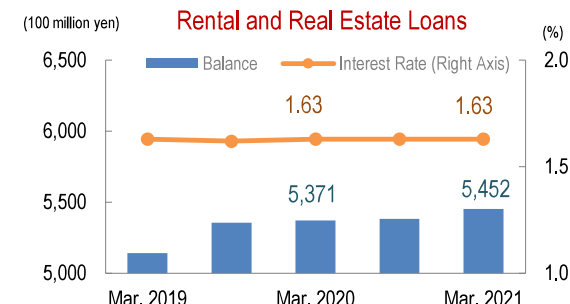
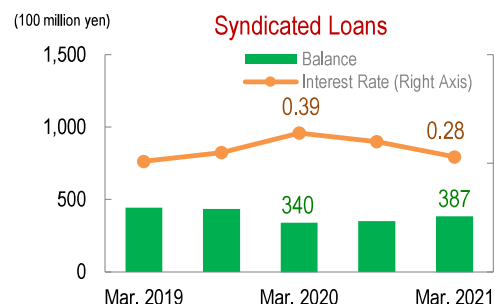
Breakdown of Loan Balances by Use



Note: Loan-related fees (consumer loan guarantee fees and group credit life insurance premiums) are deducted from yield calculation.

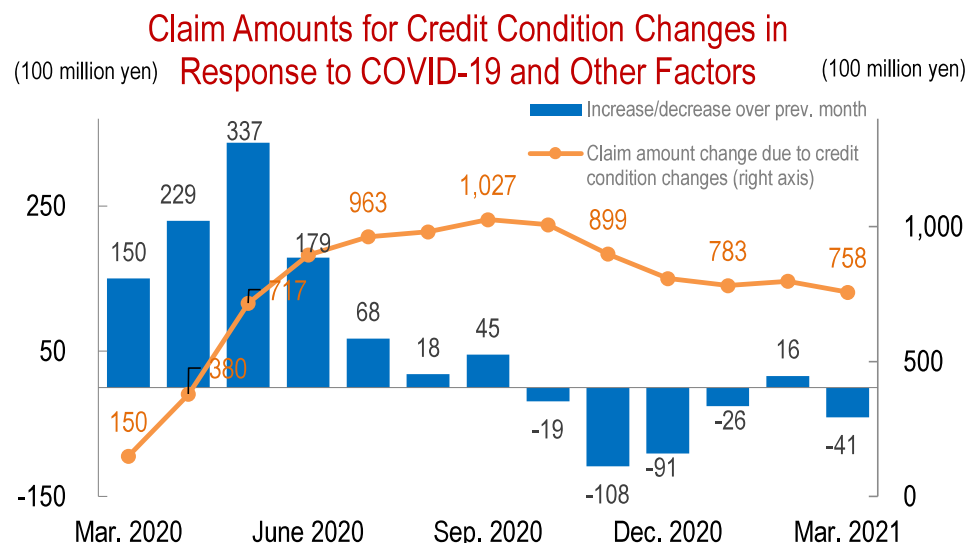
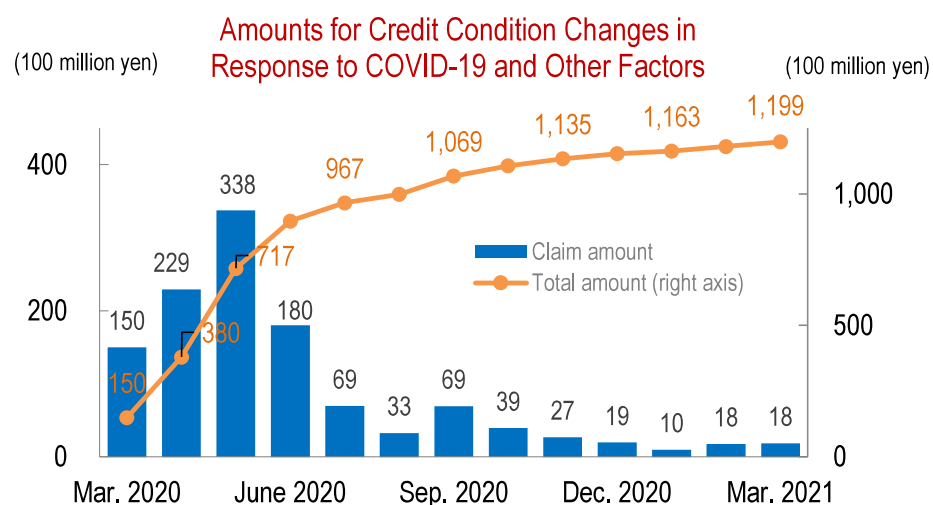
Interest Rate Conditions for Loans (Effectively Interest-free and Unsecured) to Local Governments

Local Gov't	Base Rate (Fixed)
Tokyo Metropolis	1.7%
Nara Pref.	2.175% (with 1.9% subsidized by nat'l gov't)
Fukuoka Pref.	1.3%
Kagoshima Pref.	1 year or less: 1.4% More than 1 year, max. 3 years: 1.6% More than 3 years, max. 5 years: 1.7%
Okinawa Pref.	0.8%

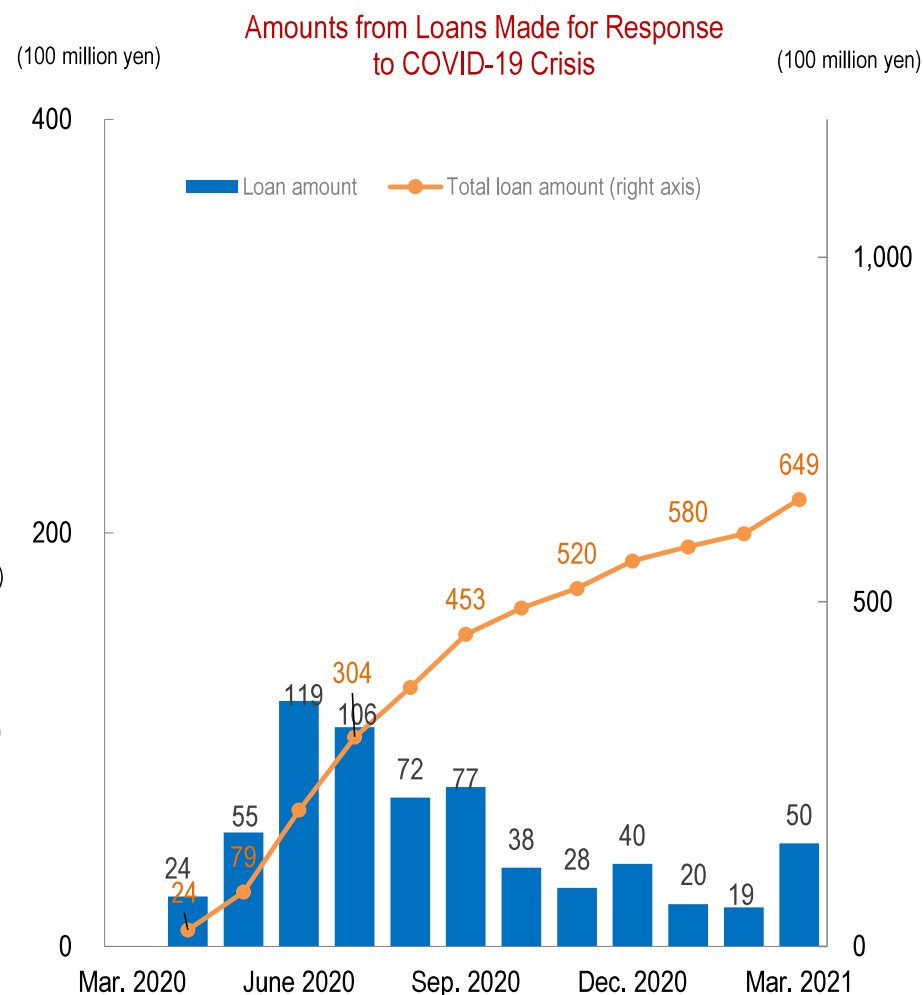


COVID-19 Crisis Financial Support (1/2)

We have pursued proactive credit condition changes, new financing measures and other financial measures support to help our customers during the COVID-19 crisis.



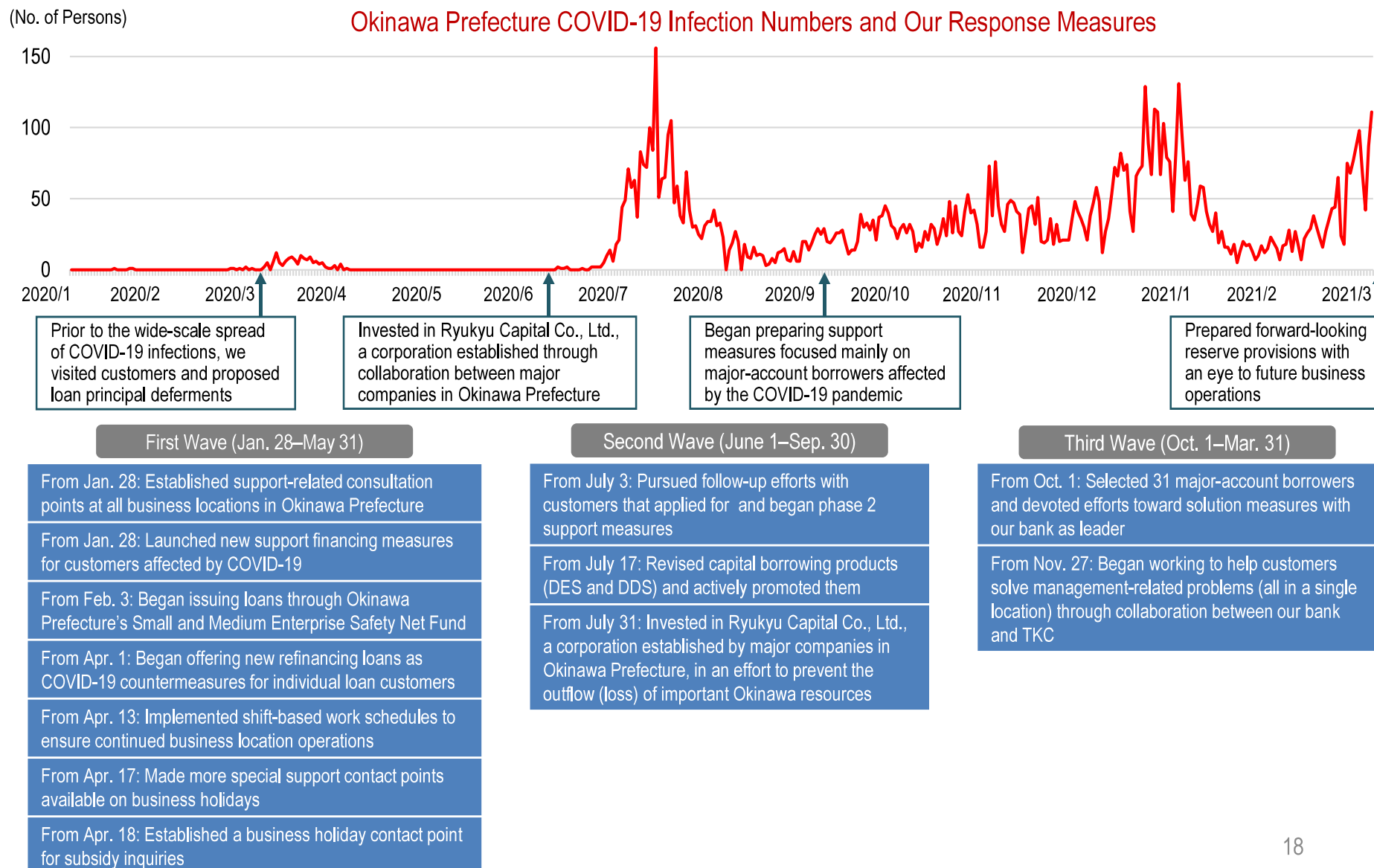
Note: Claim amounts for which principal payment has resumed following start of the changed-condition period by the creditor are subtracted from the claim amounts for credit condition changes shown in the graph.



Note: Regarding loans made for response to the COVID-19 crisis, amounts in the graph are reached by adding together loans from the prefectural Small and Medium Enterprise Safety Net Fund and COVID-19 Infection Countermeasures Fund.

COVID-19 Crisis Financial Support (2/2)

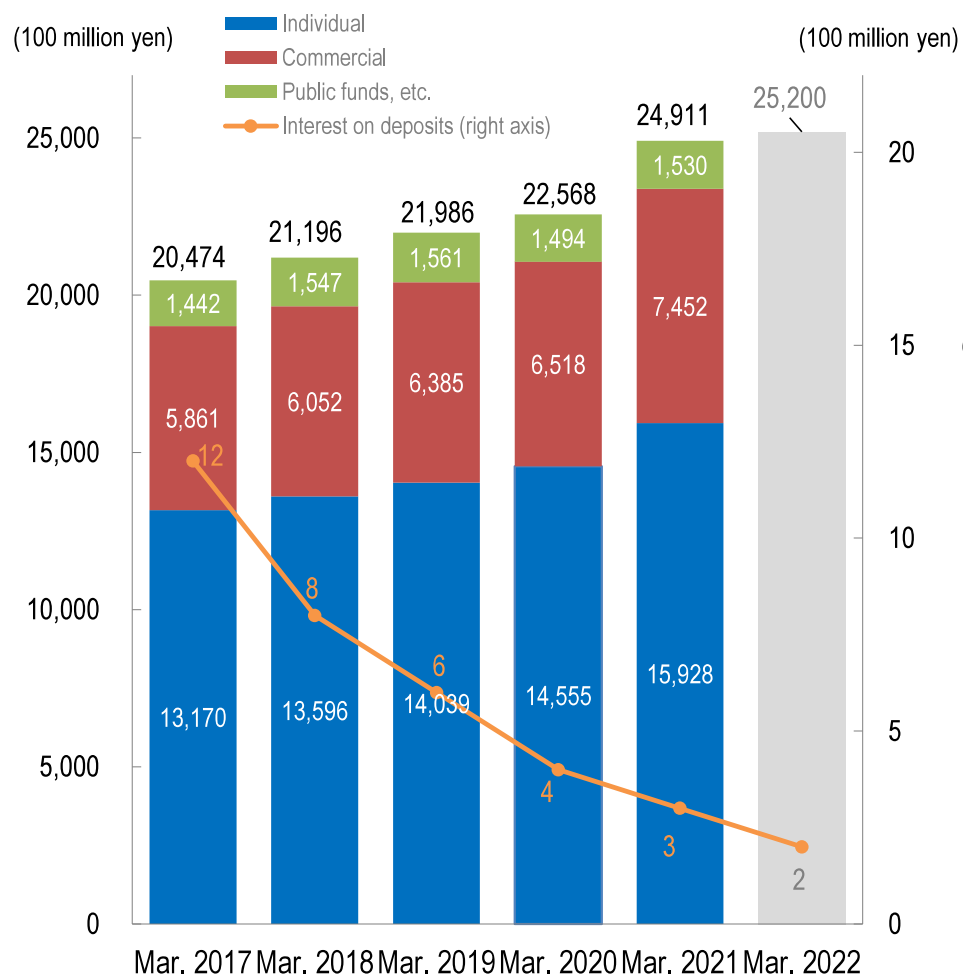
We have provided proactive support for our customers in response to continuing spread of COVID-19.



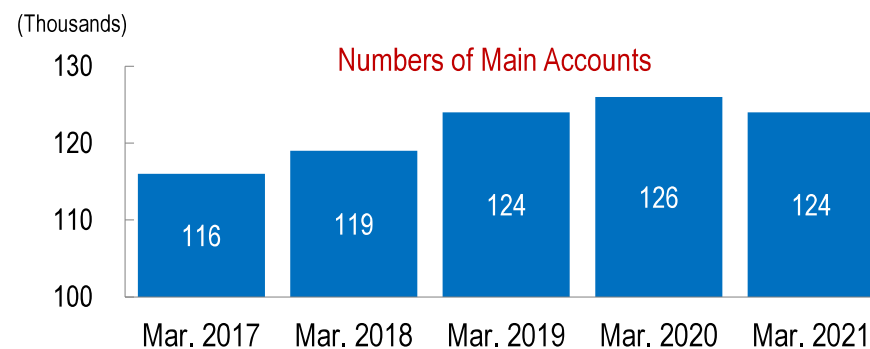
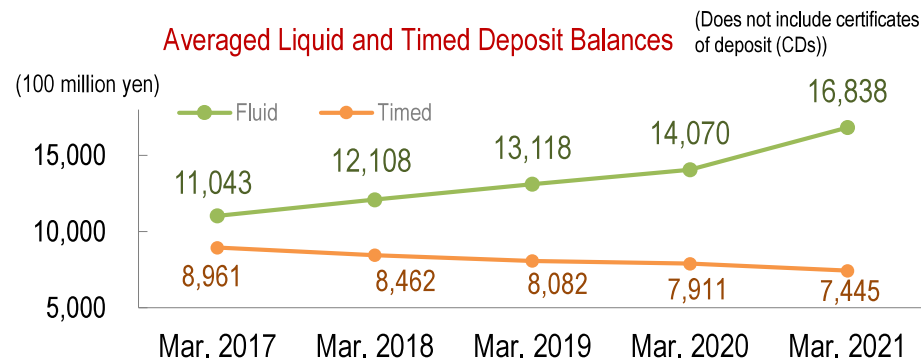
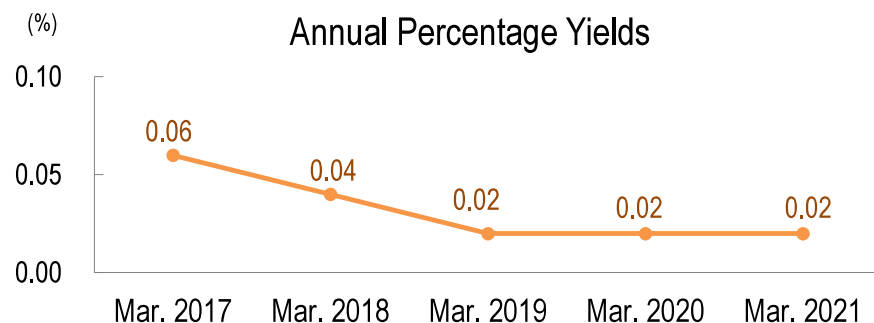
Deposits

COVID-19-related funding support, cash handouts and other such measures led to major balance increases.

Balance of Deposits



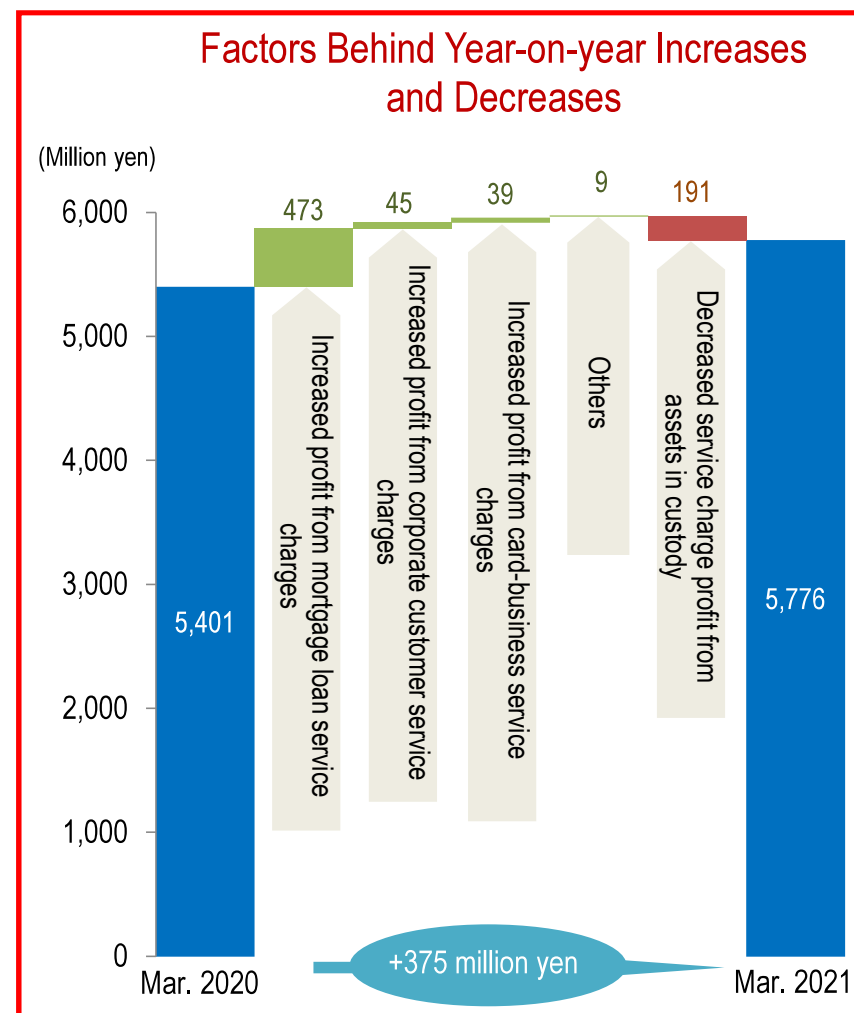
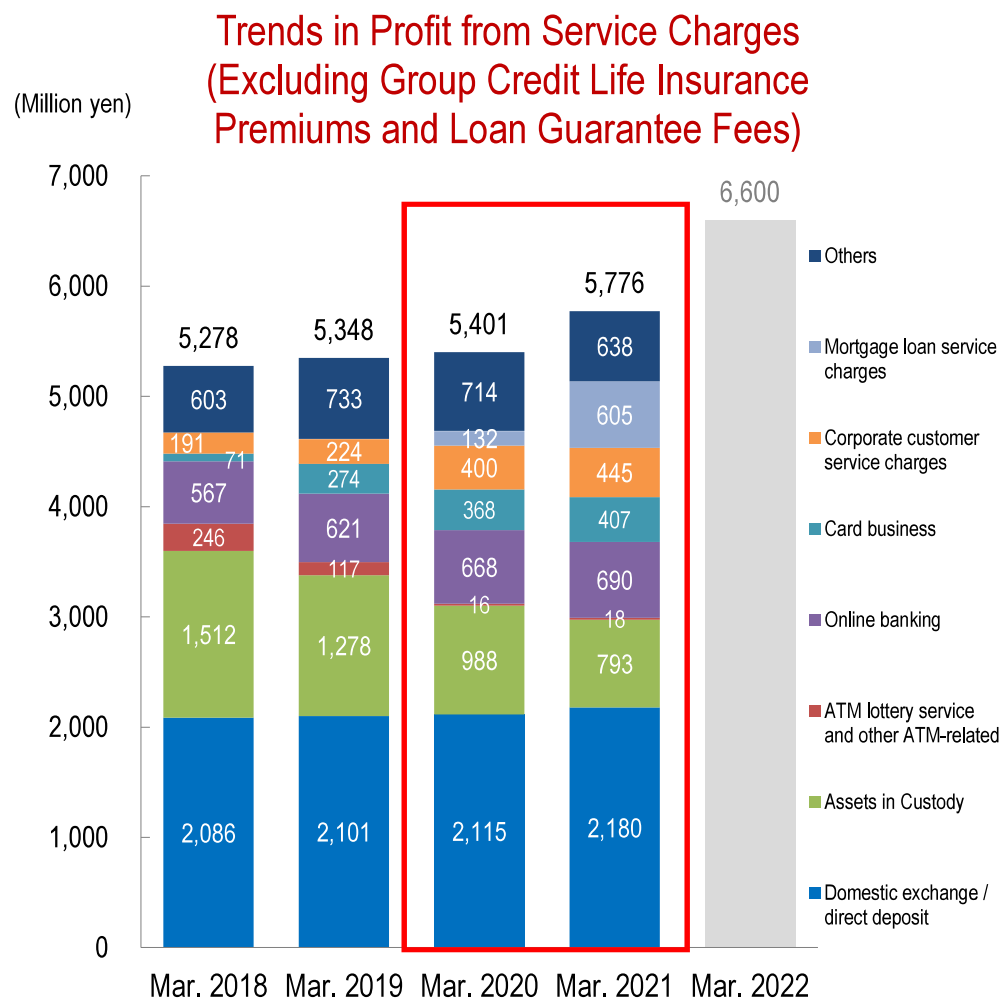
Note: Includes certificates of deposit (CDs).



Note: A main account is a personal account that is used for certain services or products, in addition to usage for direct deposits of payroll, pension or mortgage loan.

Profit from Service Charges

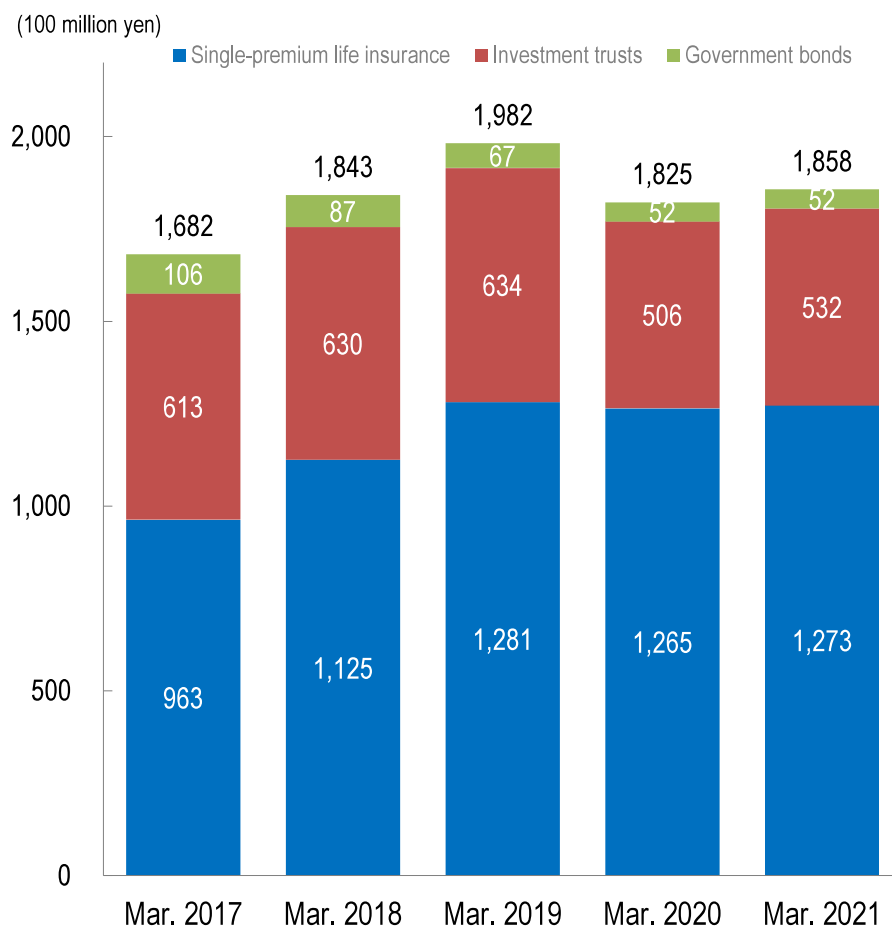
Profits from service charges for mortgage loans, corporate customer services, card business services and similar rose, but asset in custody service charges fell due to the effects of COVID-19.



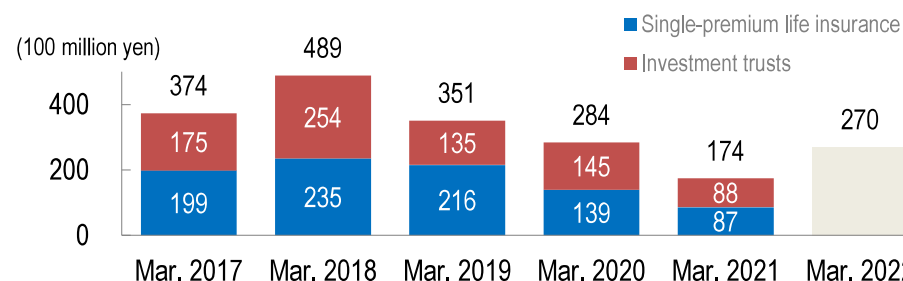
Assets in Custody

Sales for investment trusts and single-premium life insurance declined due to government calls for people to refrain from face-to-face meetings and activities (as a COVID-19 countermeasure).

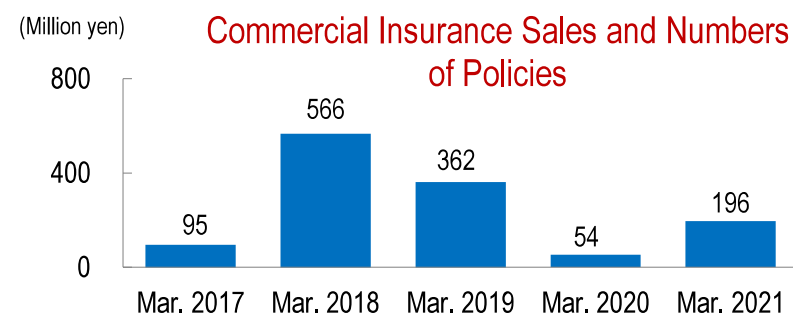
Assets in Custody Balance



Assets on Custody Sales Revenues



Commercial Insurance Sales and Numbers of Policies



Sales Strengthening Measures (From April 2021) for Assets in Custody

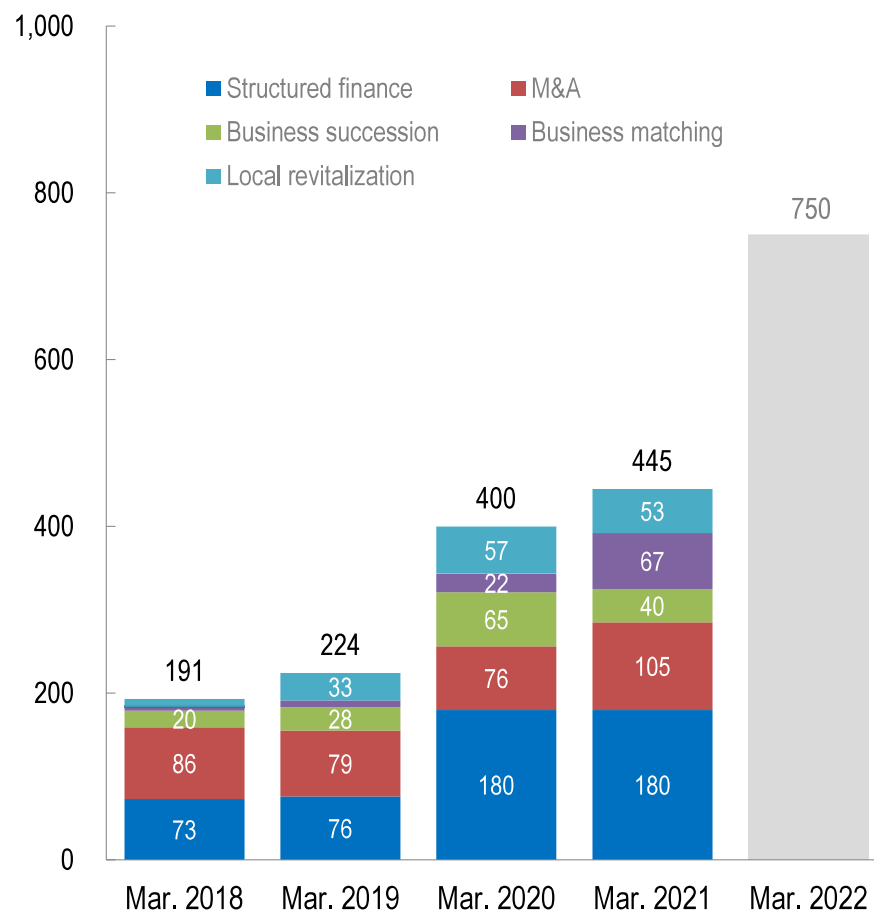
- We added more members to our Assets in Custody Promotion Team to strengthen assets in custody sales, and assigned these personnel to all blocks throughout the prefecture.
- By offering strengthened sales support, led by the Assets in Custody Promotion Team, for retail-field personnel training, we worked to foster human resources capable of proposing products and services better suited to each customer's current situation and stage in life, thus strengthening asset inheritance consulting services, asset management consulting services and so forth.

Corporate Customer Services

We made effective use of customer data provided by sales offices and increased revenue from fees by accepting greater numbers of consultation requests.

(Million yen)

Service Fees for Corporate Customers



Primary Consulting Business Services

Structured Finance

- Targeting corporate customers who want to ensure long-term, stable funds, we offer advice on placing private bonds and assist with arranging syndicated loans.

Mergers and Acquisitions

- Targeting customers who have no successors within their family or business, we offer advice on the M&A process and address concerns and questions. Using our networks inside and outside Okinawa Prefecture, we introduce customers to potential companies that can take over their business and assist in the process through to completion.

Business Succession

- Targeting customers considering handing over treasury shares and/or business assets, our seasoned staff and certified tax accountants offer advice such as potential future direction for the company and ways to avoid disputes.

Business Matching

- Using our networks, we introduce business partners and clients to customers and provide support to help solve management issues.

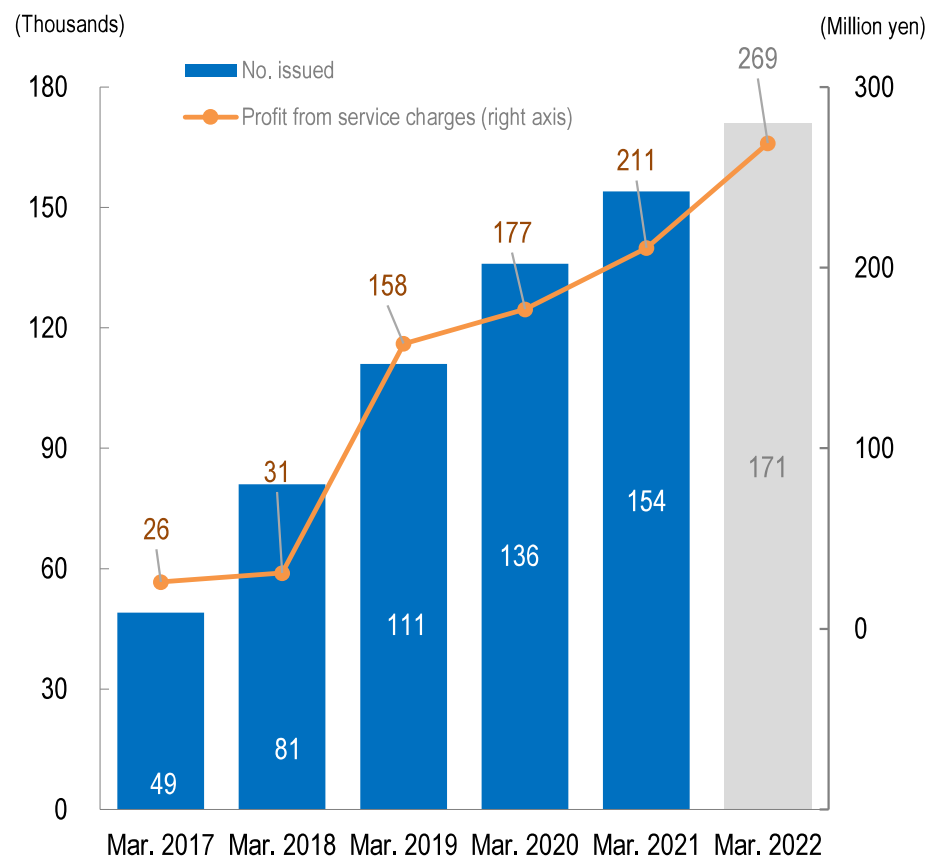
Local Revitalization

- We provide support for developing business overseas, and contribute to community growth in collaboration with BOR venture funds, the OKINAWA Startup Program, the local government and other organizations.
- We work to solve issues facing the community in various ways, such as introducing foreign workers to resolve human resource shortages.

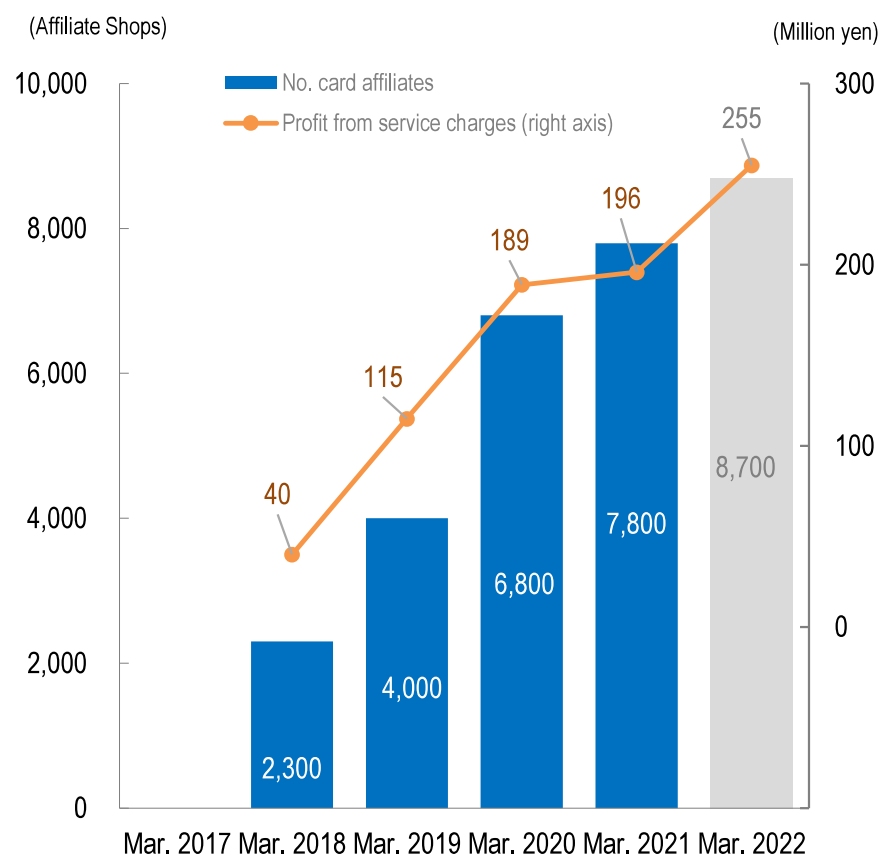
Card-related Business (1/2)

Numbers of card members and affiliates are growing steadily. Visa debit card affiliate numbers also exhibit growth. We expect more than 500 million yen of profit from card-related service charges in FY 2021.

Numbers of Visa Debit Cards Issued and Service Charge Profits



Numbers of Card Affiliates and Service Charge Profits



Card-related Business (2/2)

Numbers of new members grew for Visa debit cards with contactless payment functionality. Payment terminal functions are becoming increasingly sophisticated at card-affiliate locations as we accelerate efforts to sign up new affiliates.

Ryugin Visa Debit Card

- Oct. 2015 Began offering the Ryugin Visa Debit Card
- July 2018 Began immediate, over-the-counter issuance of cards at Ryugin locations
- Sep. 2018 Began issuing the corporate-customer Ryugin Visa Debit Card

Main Efforts in FY 2020

Issuance of Debit Cards with Visa Touch Payment Feature (July 2020)

- Contactless-card payment support is growing, becoming increasingly common in convenience stores, public transportation facilities and other locations where people spend money on a day-to-day basis. The Ryugin Visa Debit Card supports contactless payment by simply touching the card to a reader, with no signature or PIN code entry required and no direct contact with payment terminals or staff.

Visa Touch payment is available in stores with a  sticker.

Make quick, contactless payments by simply touching the card to a reader at the cash register, with no signature or PIN code entry required!



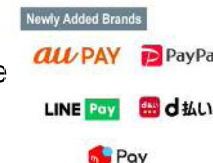
Card Affiliate Services

- Jan. 2017 Began offering customer services for card affiliates
- May 2018 Began offering electronic money services (five main brands)
- July 2018 Began offering UnionPay services
- Sep. 2019 Began support for METI cashless and customer return initiative

Main Efforts in FY 2020

Began Support for Domestic QR Code Payment (October 2020)

- In response to growing support nationwide for QR code payments, we began supporting this payment option through an additional five major service brands.
- We now offer support for 28 brands at affiliate locations, achieving the widest-reaching brand support in a single payment terminal among all such terminal types in Japan.



Began Offering Ticket Vending Machines with Cashless Payment Functionality (March 2021)

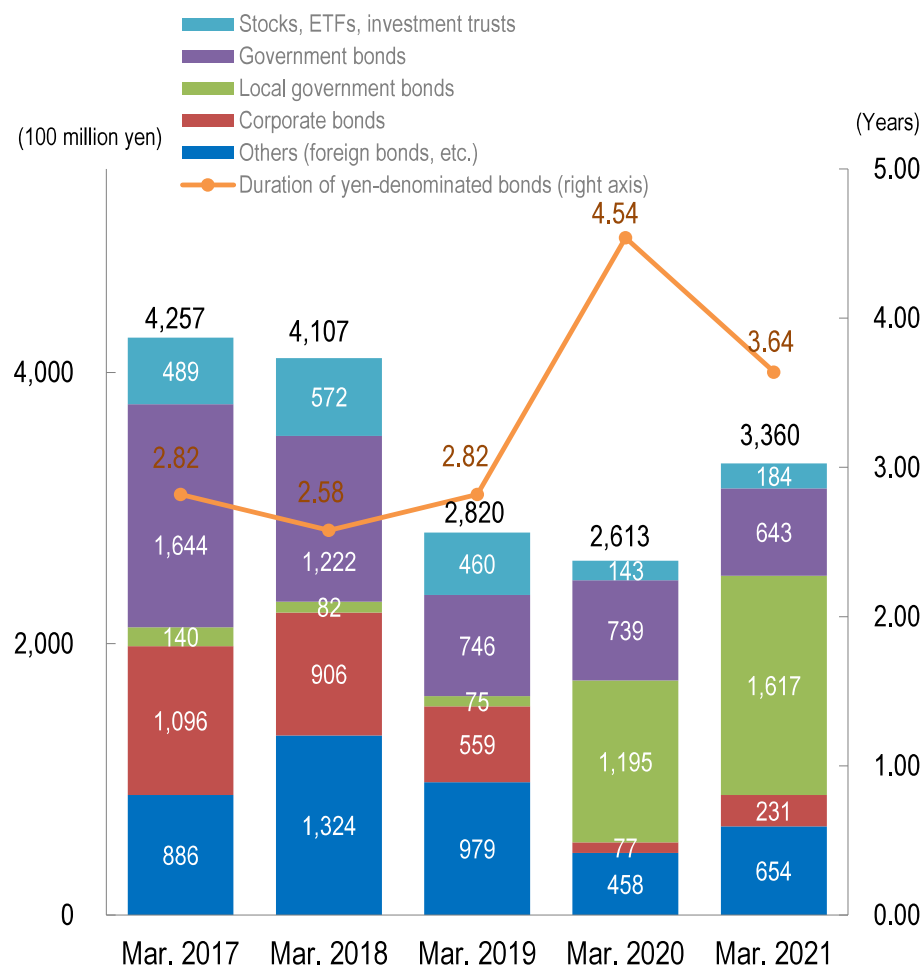
- Our bank lends ticket vending machines with built-in touch-panel settlement terminals to affiliates. These machines support credit card, electronic money, QR code and cash payments.
- The technology was developed jointly by our bank and The Chiba Bank, Limited, in collaboration with Toshiba Tech Corporation and the TSUBASA Alliance.



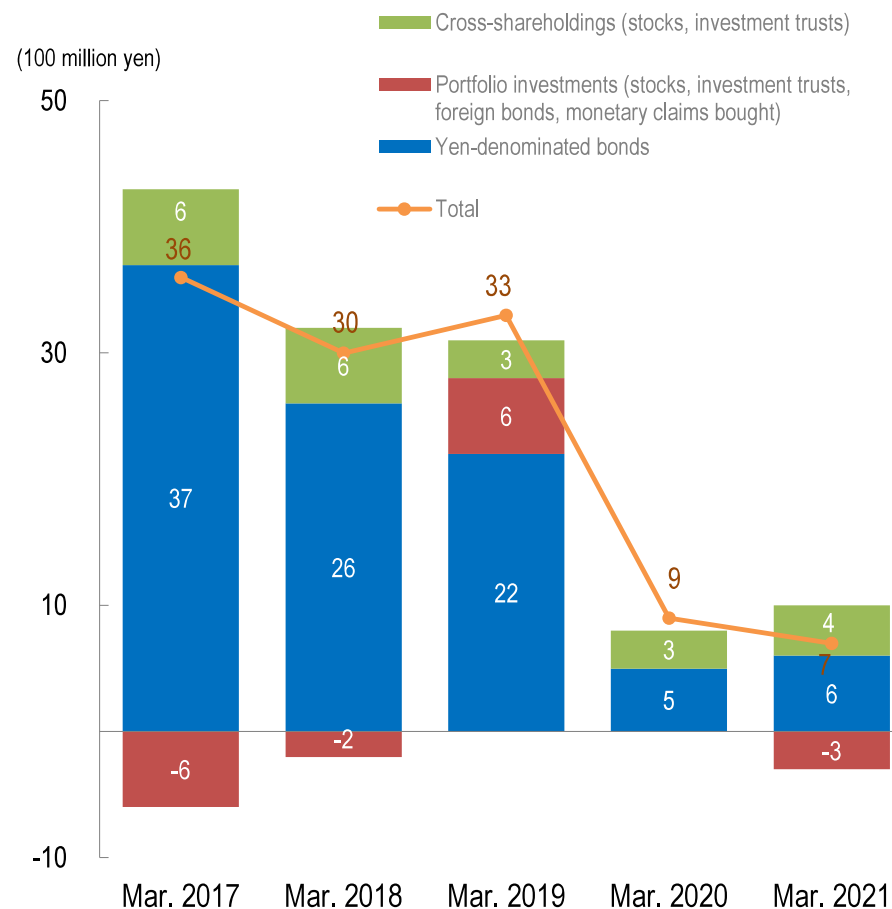
Securities (1/2)

Increases in local government bonds grew the balance while shortening of bond duration periods kept interest rate risk down.

Securities Balances and Deflation



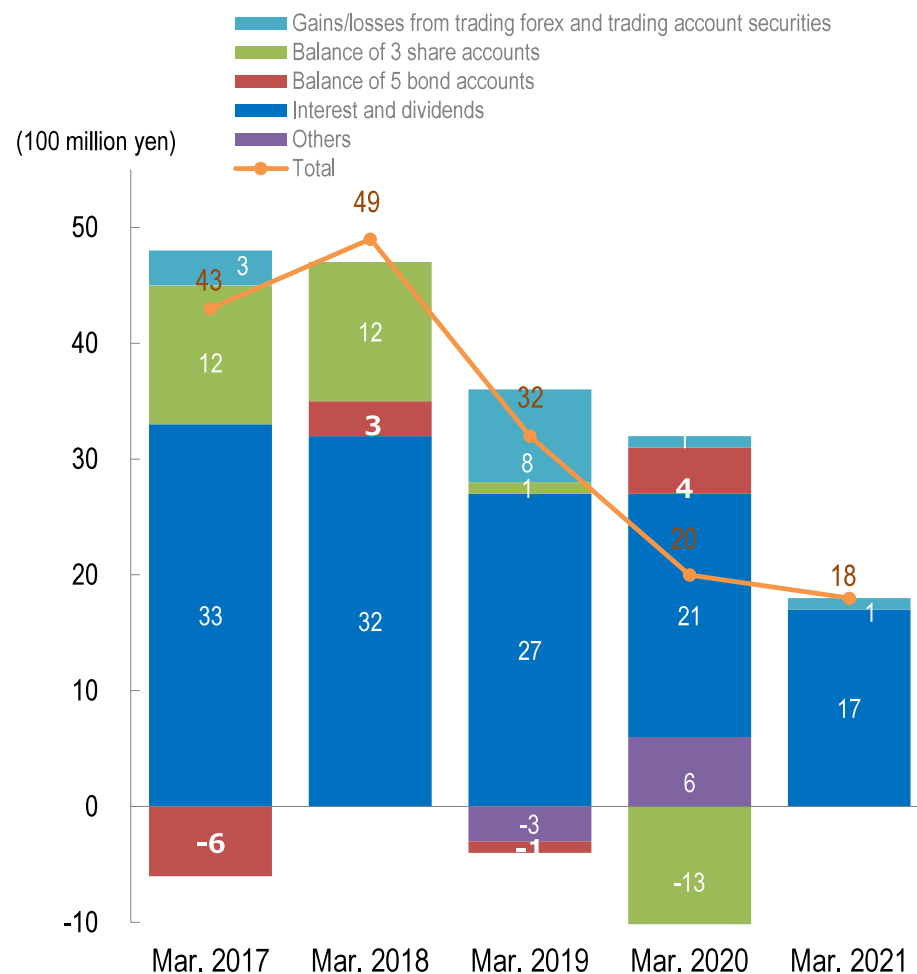
Differences Between Market Values and Book Values of Securities



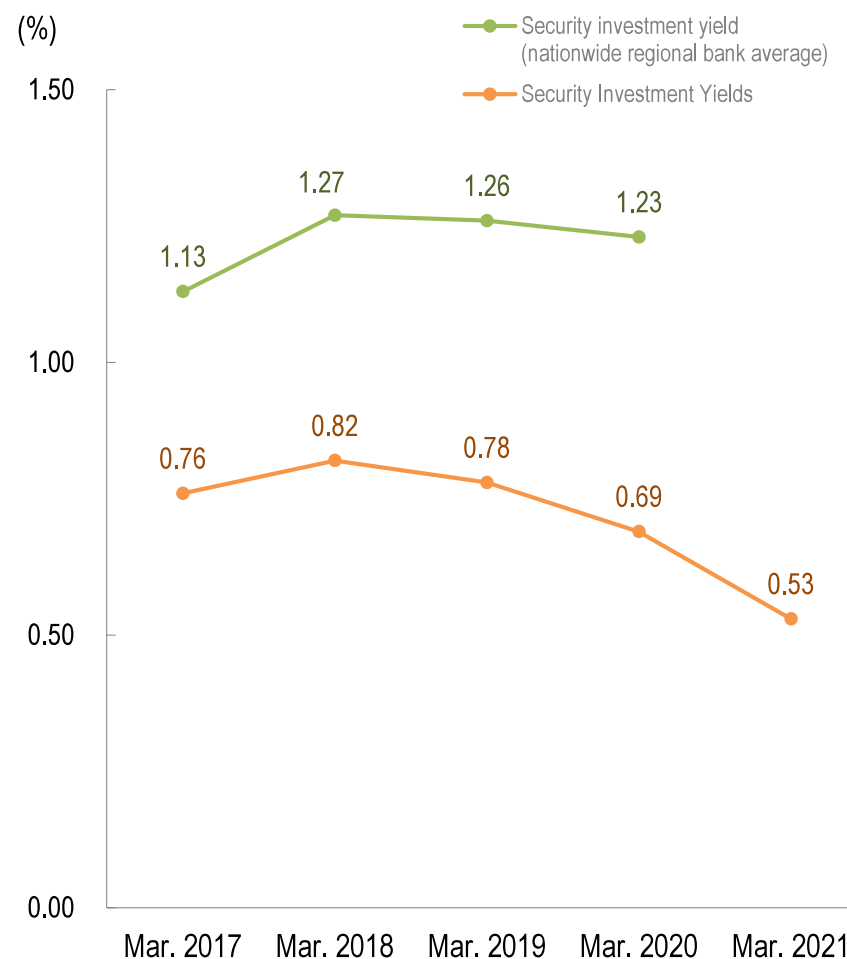
Securities (2/2)

Amid forecasts of decreases in net income, the Trading Division focused on a thoroughly risk-off approach.

Profit/loss in Trading Division



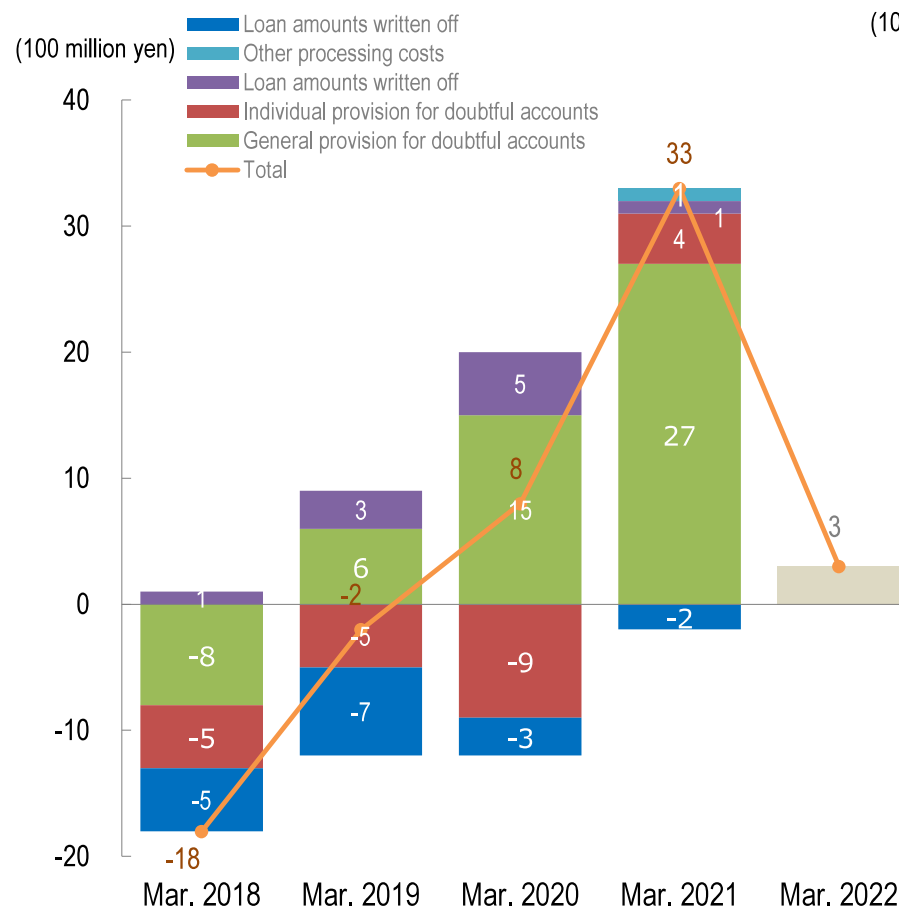
Security Investment Yields



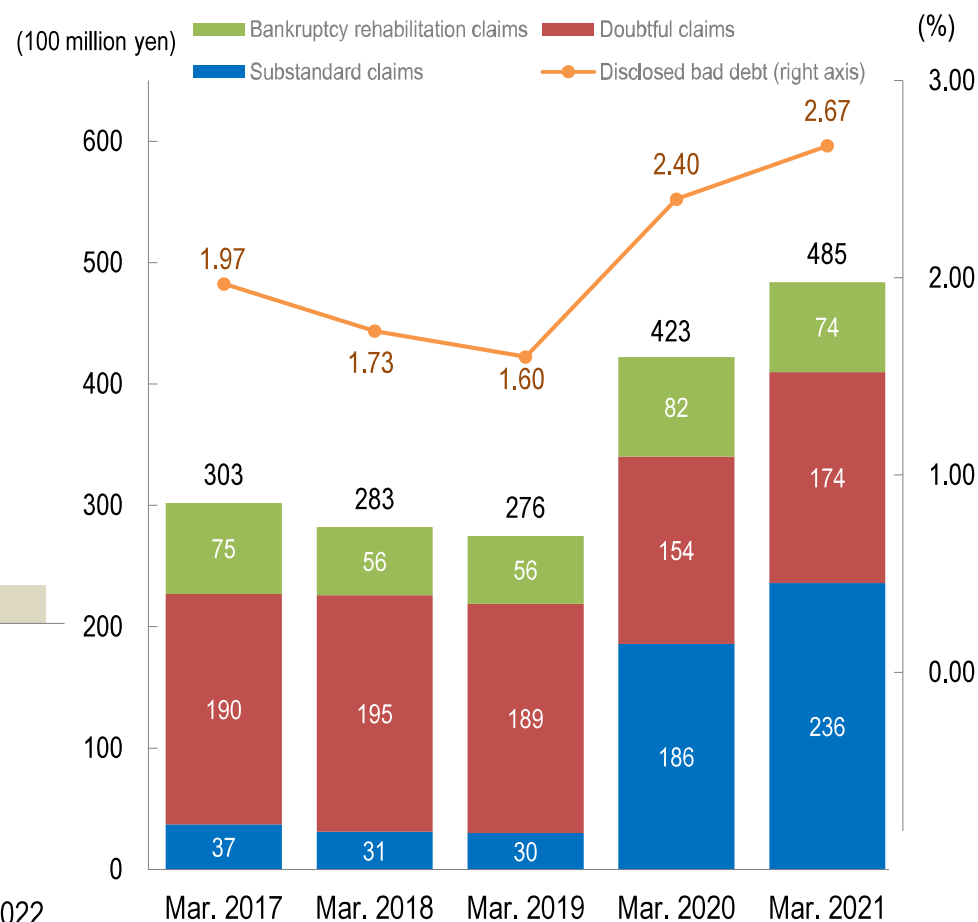
Net Credit Costs and Disclosed Bad Debt

We switched to a forward-looking estimation method for the general provision for doubtful accounts in FY 2020, ensuring sufficient provisions to handle potential expanded future risk.

Net Credit Costs



Disclosed Bad Debt



Overview of Forward-looking Provisioning (1/2)

By switching to a more rational estimation method for future risk calculation that takes current and future information into consideration, we have strengthened our standing against future potential loss and risk.

This bolsters our financial resilience to economic environment downturns in the future and makes it possible to focus firmly on forward-looking sales efforts, thus cultivating a framework that supports customers without fear of additional credit costs.

Provision for Doubtful Accounts Calculation Process

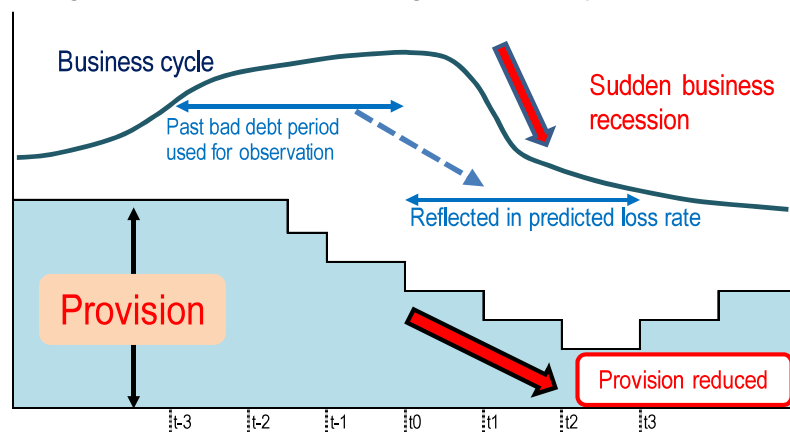
Provision for Doubtful Accounts = Receivables Balance × Predicted Loss Rate

Standard approach: calculation based on past bad debts

New approach (improved): calculation based on **future** economic forecasts and similar factors

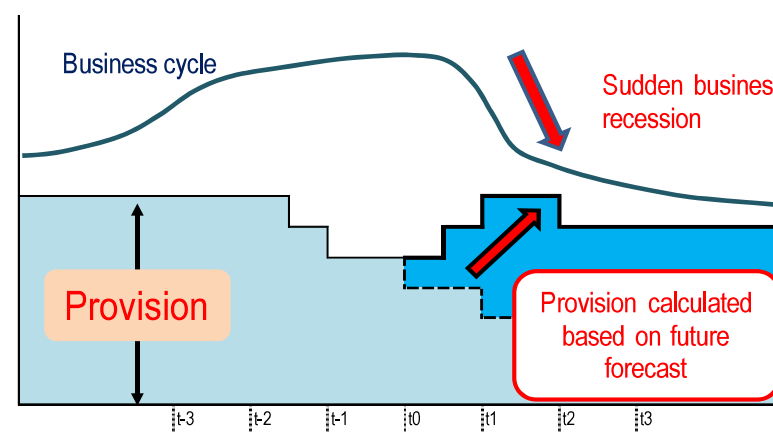
Standard Approach

Making provision estimates based on past results and rates results in padding of profits due to provision decreases following sudden business recessions as well as the need for undesirable provision increases due to the emergence of new risk, thus hurting financial composition at the Bank.



New Approach (Improved)

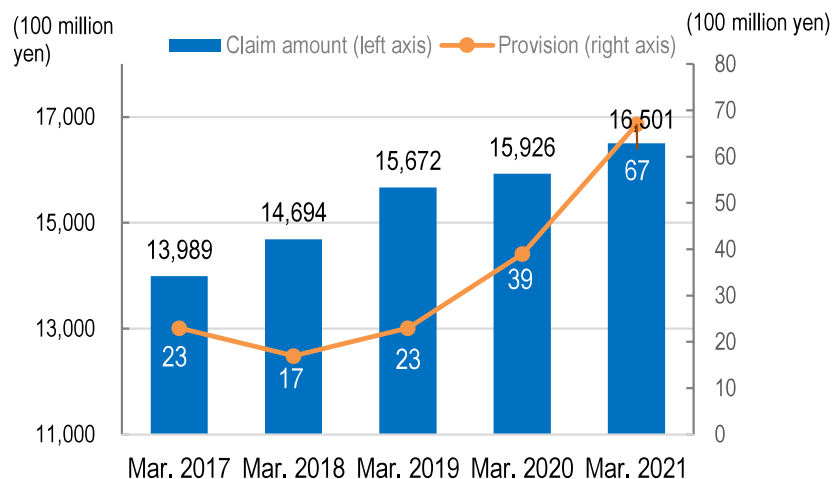
By reflecting forecasted credit risk at the appropriate times and in appropriate ways, we can increase provisions with relatively quick timing, thus enabling more forward-looking sales activities in support of customers without fear of additional credit costs.



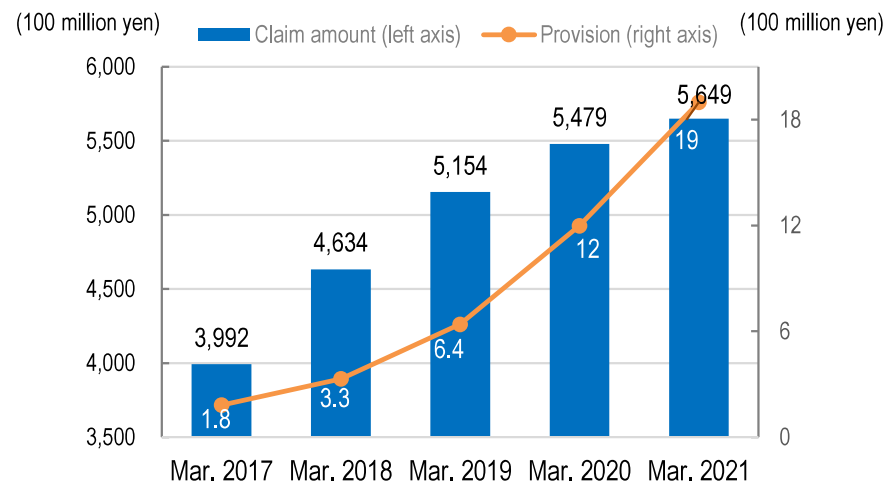
Overview of Forward-looking Provisioning (2/2)

We determine provisions in a manner suited to each individual industry affected by the COVID-19 pandemic.

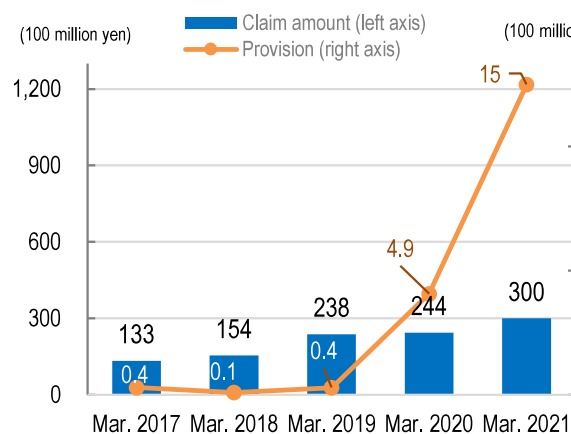
Overall



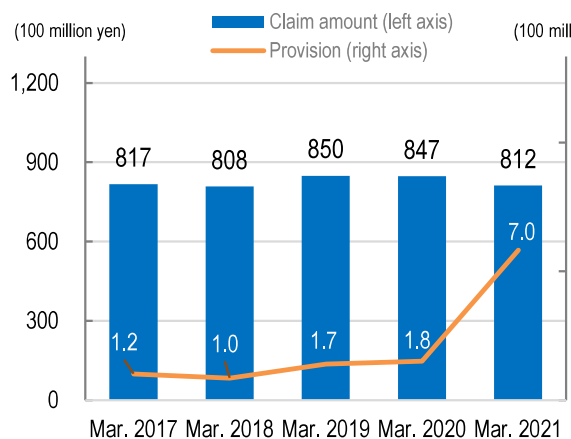
Real Estate Industry



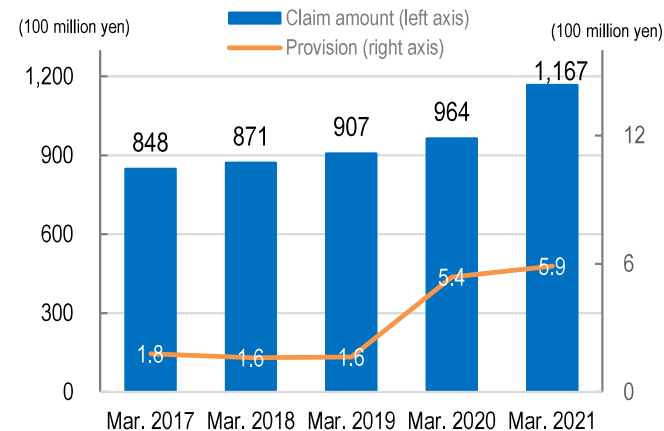
Accommodation Industry



Healthcare and Insurance Industries



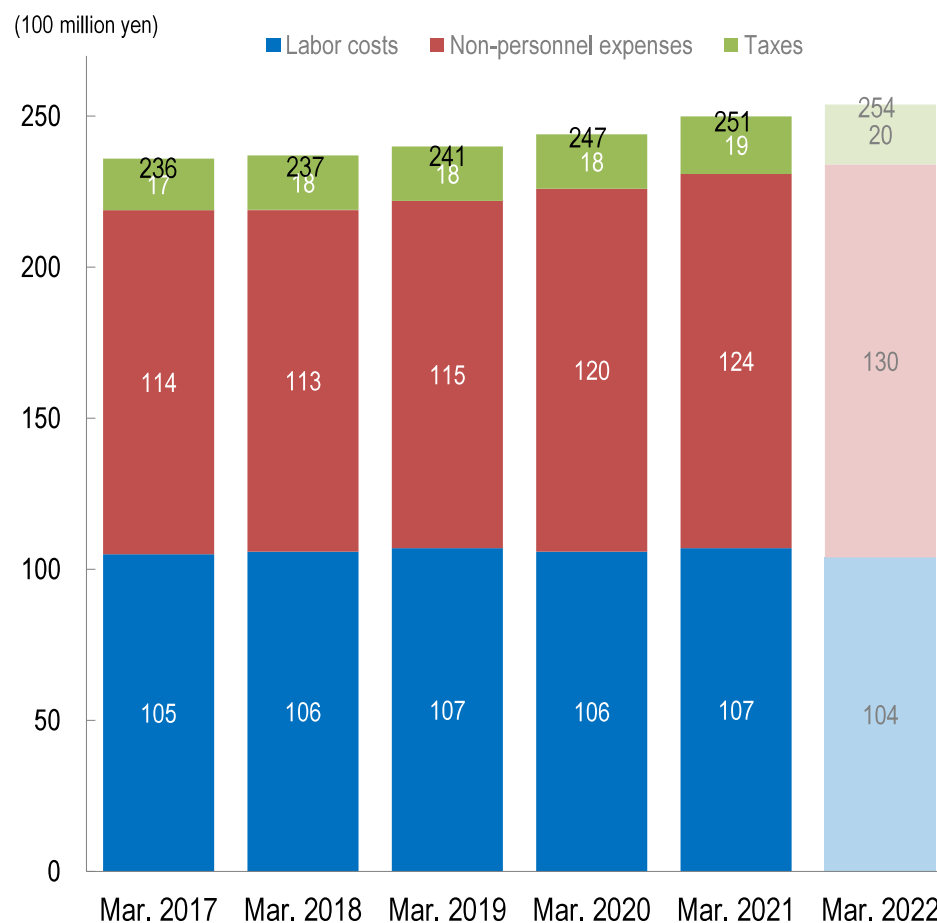
Restaurants and Service Industries



Expenses

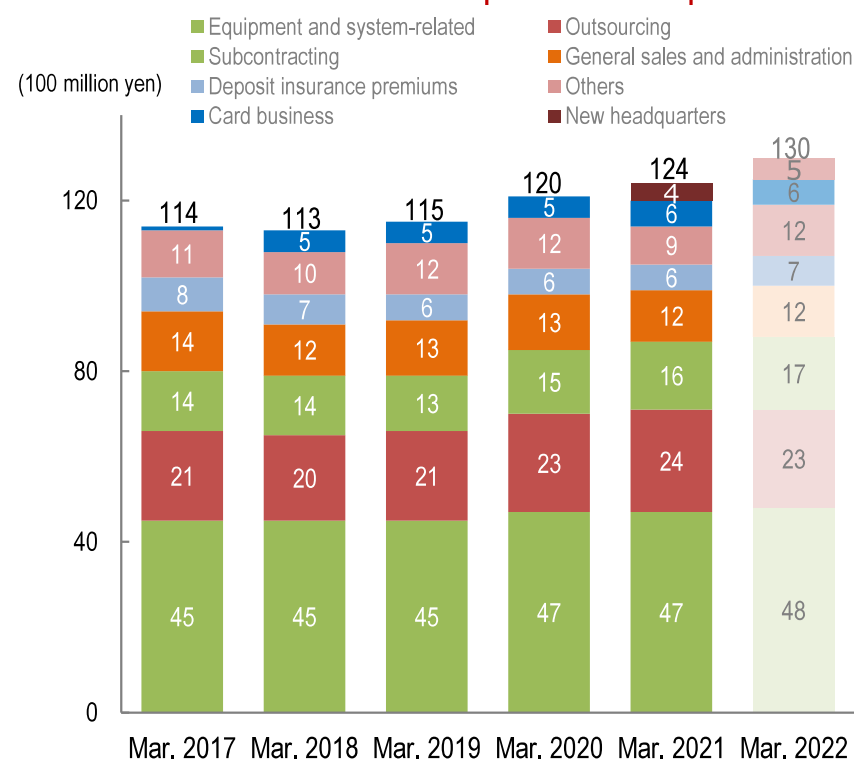
Expenses increased due to forward-looking investments in our card-related business and construction costs for the new headquarters. We expect reduced labor costs from the next fiscal year onward.

Expenses



Note: Personnel expenses include employees' past salaries with respect to retirement benefits, and impacts (loss/profit) of actuarial differences.

Breakdown of Non-personnel Expenses



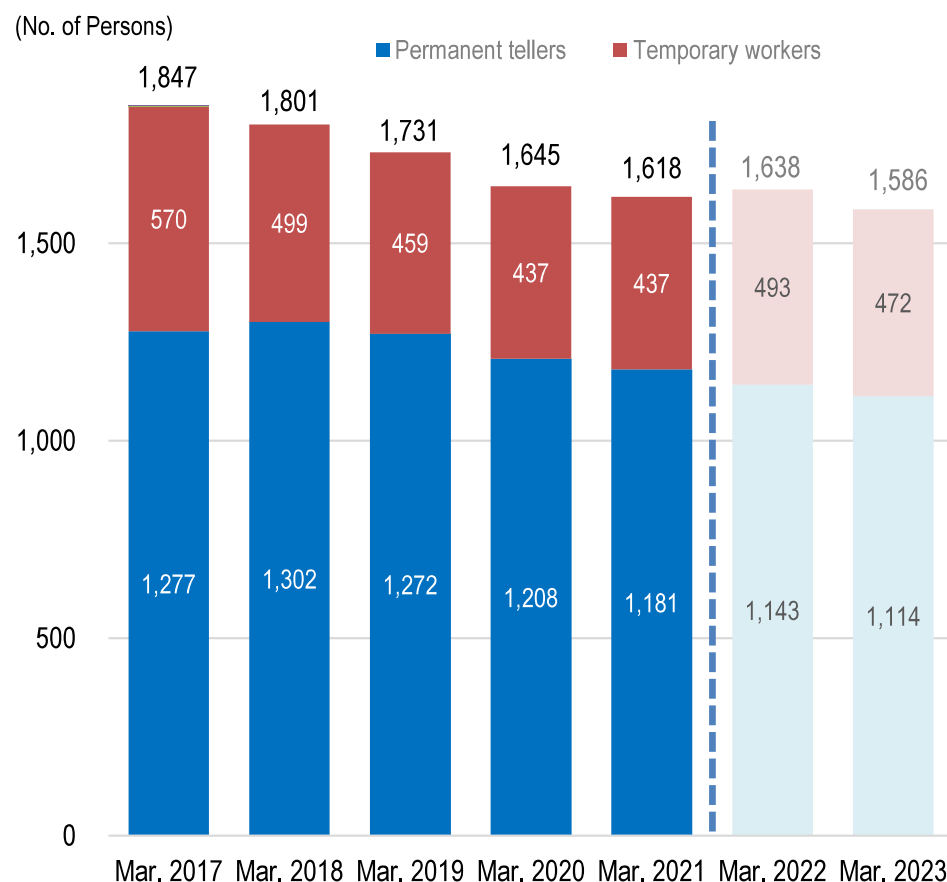
Main Factors Behind FY 2020 Expenses

- In the category of equipment and system-related expenses, we invested in next-generation terminals for business locations, new information systems, and tablet terminal devices.
- We spent approximately 600 million yen on our card business, which is a major driver of profit growth.
- The new headquarters project was a major factor behind increased non-personnel expenses in FY 2020 (approximately 400 million yen for the project). 30

Workforce Planning

We expect workforce reductions from the next fiscal year onward to lead to reduced labor costs. At the same time, reductions in administrative workloads will increase productivity per employee while bringing down labor costs and strengthening customer communication.

Current Workforce and Planned Workforce



Main Efforts Thus Far

Flexible & Traditional Bank (FTB) Project (From October 2019)

- Use of semi-self-operated tablet devices, and significantly reducing bank counter staff workloads and numbers of tellers
- Eliminating the use of paper printouts, personal seal usage and unnecessary operations through introduction of semi-self-operated tablet devices at 56 of our 59 locations

Introduction of Fully-flat Organizational System for Bank Tellers (April 2020)

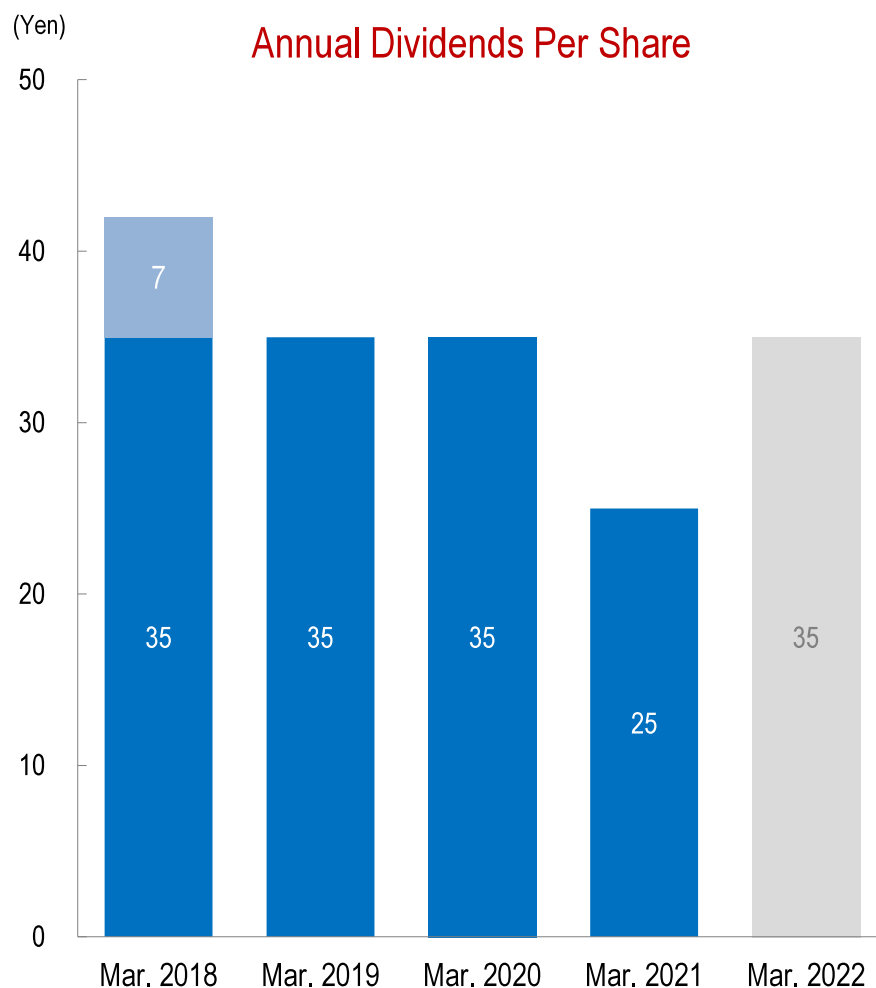
- We introduced a fully-flat organizational system for bank tellers, enabling customers to fulfill all of their asset-formation needs quickly and in ways tailored to their current life situation and stage—all at a single teller desk.

New Business Support Team Established at the Headquarters (April 2021)

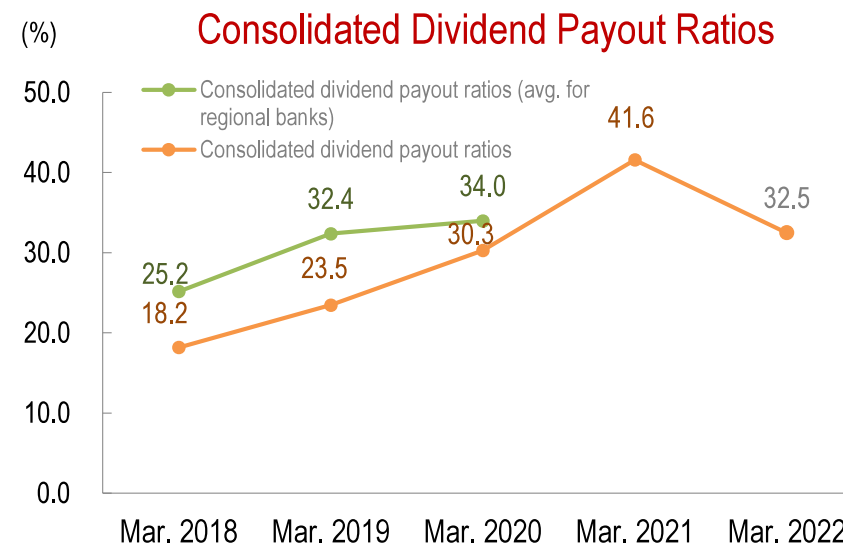
- A new business support team was established at the Bank headquarters to provide support for barcode- and QR-code-based payment system introduction, promote e-tax and el-TAX usage, assist with electronic banking introduction, and reduce the labor burden of special and unique tasks at bank business locations.

Dividends

With consideration for Bank profit level recovery, we plan to pay FY 2021 interim dividends equivalent in amount to FY 2019 payments.



Note: Mar. 2018 dividends included a commemorative payout of 7 yen in celebration of the 70th anniversary of the Bank's founding.



Basic Dividend Policy and Payout Forecast

Basic Dividend Policy

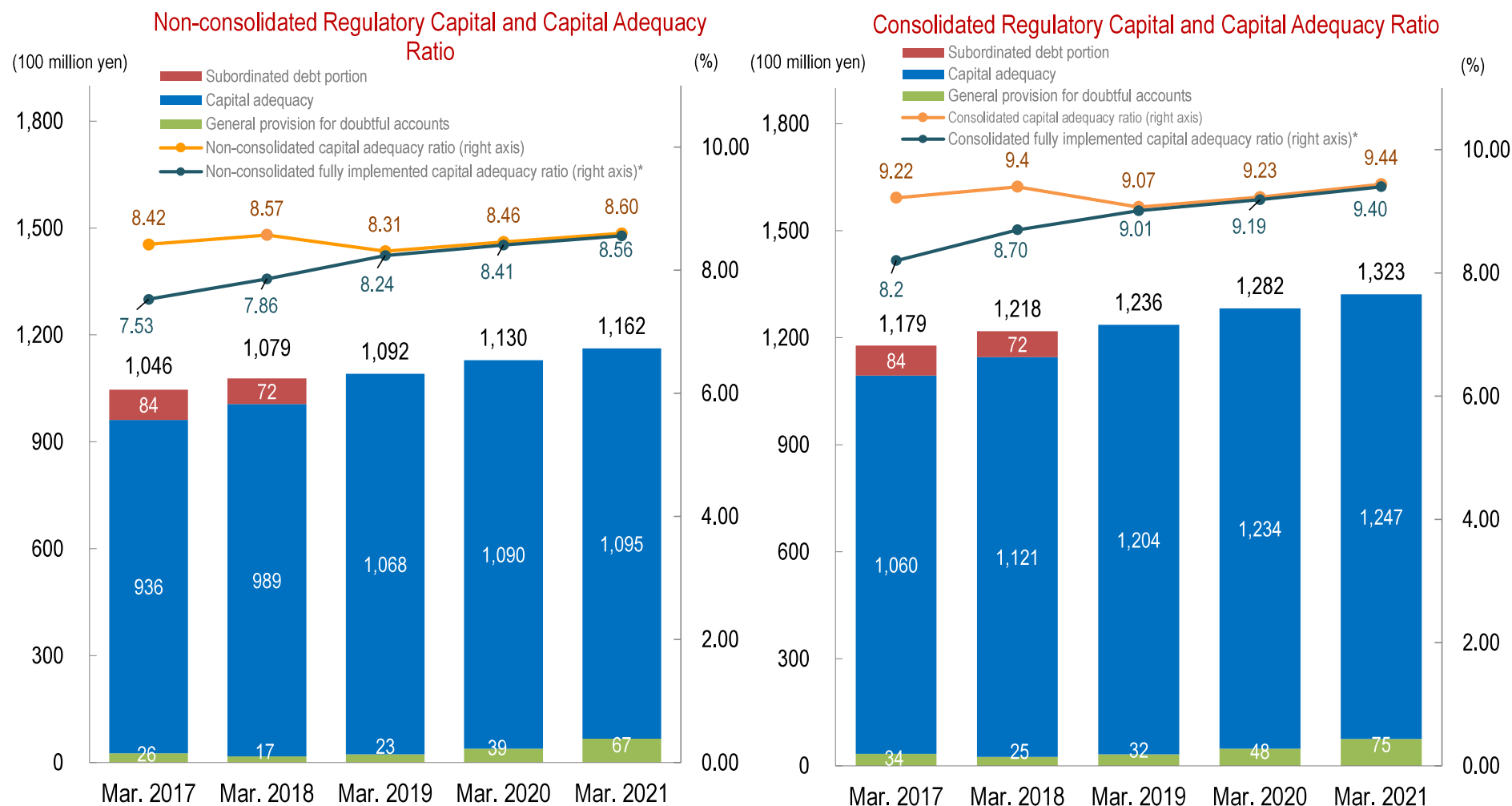
- Our basic policy on dividend payouts is to continue strengthening internal reserves while paying dividends based on comprehensive and thorough consideration of business results, the financial environment, future shareholder value improvements and other such factors.

March 2022 Dividend Payout Forecast

- Dividend payouts for the fiscal year ended March 31, 2021 fell in response to the impacts of the COVID-19 pandemic. However, regarding end-of-year payments for the fiscal year ending on March 31, 2022, we plan to pay dividends equivalent to March 31, 2020 payments.

Capital Adequacy Ratio

Because improvements to capital adequacy ratio are key for enabling financial support during the COVID-19 crisis, we will strive to build up greater capital in internal reserves.



* Based on the planned application of new capital adequacy ratio calculation requirements (final version of Basel III), the fully implemented capital adequacy ratio was calculated by setting capital computation of subordinated debt and the difference in land revaluation as zero, and summing up the entire amount of intangible fixed assets and prepaid pension cost as adjusted capital.

Forecast for FY 2021 (Ending March 31, 2022)



Profit growth is forecasted for both non-consolidated and consolidated financial results due to improvements in credit costs and other areas.

Non-Consolidated

(100 million yen)

	FY 2021 (Ending Mar. 2022)		FY 2021 (Ending Mar. 2021) Completed
	Forecast	Year-on-year change	
Ordinary revenue	370	-3	373
Ordinary profit	58	+35	23
Net income	42	+26	16

Consolidated

(100 million yen)

	FY 2022 (Ending Mar. 2021)		FY 2021 (Ending Mar. 2021) Completed
	Forecast	Year-on-year change	
Ordinary revenue	563	-9	572
Ordinary profit	66	+28	38
Profit for the period attributable to owners of the parent	46	+21	25

Note: Year-on-year calculation is spreadsheet based.

Midterm Management Plan Target Revisions

In response to loan yields falling below expectations due to our proactive support for customers affected by the COVID-19 crisis, we have lowered our deposit and loan balance targets. In contrast, we have revised service transaction profit targets upward due primarily to performance in card-related business operations. As a result, we expect results to fall below the initial target for customer service profit in the final year of the midterm management plan.

(100 million yen / %)

	FY2020	FY2021	FY2022		FY2022
	Completed	Revised Plan Target	Revised Plan Target	Initial Target Comparison	Initial Target
Consolidated net income	25	46	55	−15	70
Non-consolidated deposit and loan balance	260	260	261	−25	286
Non-consolidated service transaction profit	29	38	43	+5	38
Consolidated ROE	2.0	3.5 or higher	4 or higher	−1	5 or higher
Profit from customer services ^{*1}	38	44	55	−15	70
Non-consolidated capital adequacy ratio ^{*2}	8.56	8.5 or higher	8.5 or higher	+0.3	8.2 or higher
Non-consolidated core OHR	81.4	81 or lower	79 or lower	+4	75 or lower
Total Group transaction balance from card affiliates	572	690	880	±0	880
No. of solutions proposed based on feasibility assessment sheets	4,150	3,150	3,500	±0	3,500

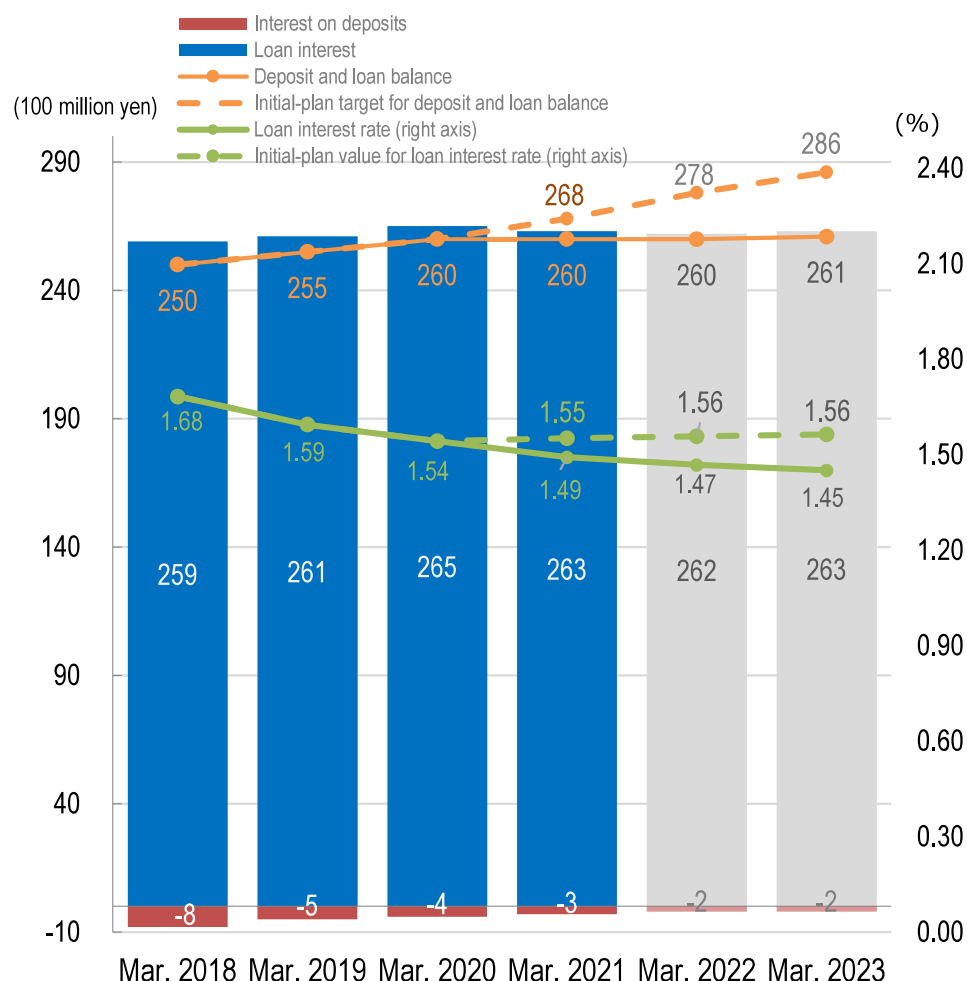
^{*1} Profit from Customer Services = Deposit and Loan Balance + Profit from Service Charges − Expenses

^{*2} Based on the planned application of new capital adequacy ratio calculation requirements (final version of Basel III), the fully implemented capital adequacy ratio was calculated by setting capital computation of subordinated debt and the difference in land revaluation as zero, and summing up the entire amount of intangible fixed assets and prepaid pension cost as adjusted capital.

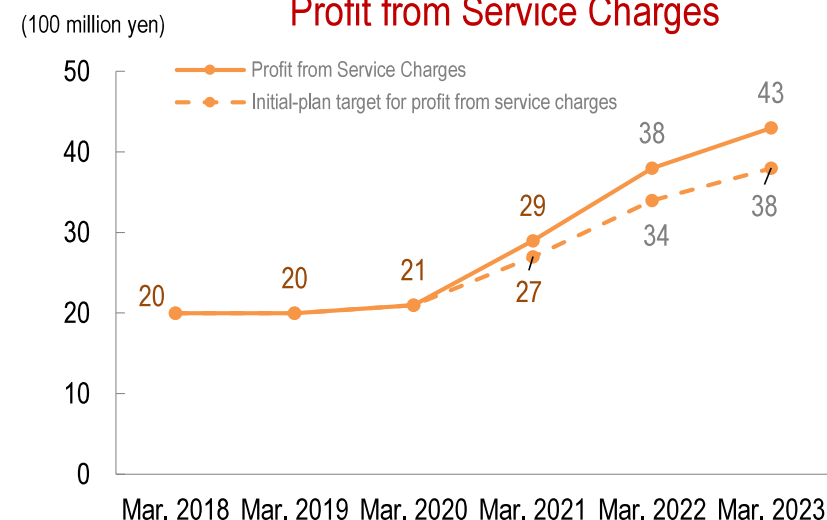
Post-revision Deposit and Loan Balance, and Profit from Service Charges

Loan rate declines fell below expectations, leading to a deposit and loan balance on par with FY 2020.
Card business profit remained strong despite the COVID-19 pandemic, and service charge profit growth (including primary new business areas aside from card-related business) brought up performance overall.

Deposit and Loan Balances



Profit from Service Charges



Profit from Service Charges in Primary New Business Areas

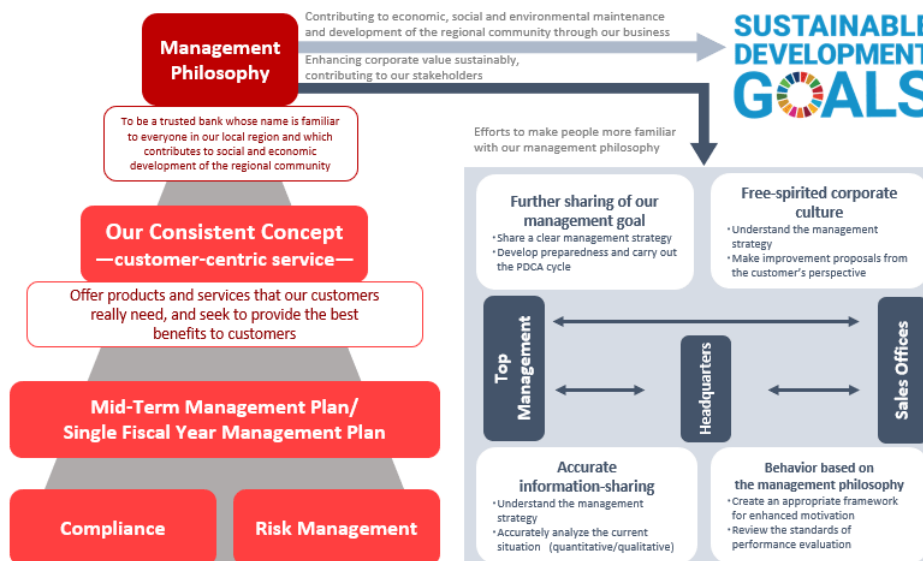
	Mar. 2019	Mar. 2020	Mar. 2021	Mar. 2022	Mar. 2023
Card-business service charges	2	3	4	5	7
Corporate customer service charges	2	4	4	7	10
Mortgage loan service charges		1	6	7	7
Total for new business areas	4	8	14	19	24

SINKA2020

New Medium-Term Management Plan: SINKA2020

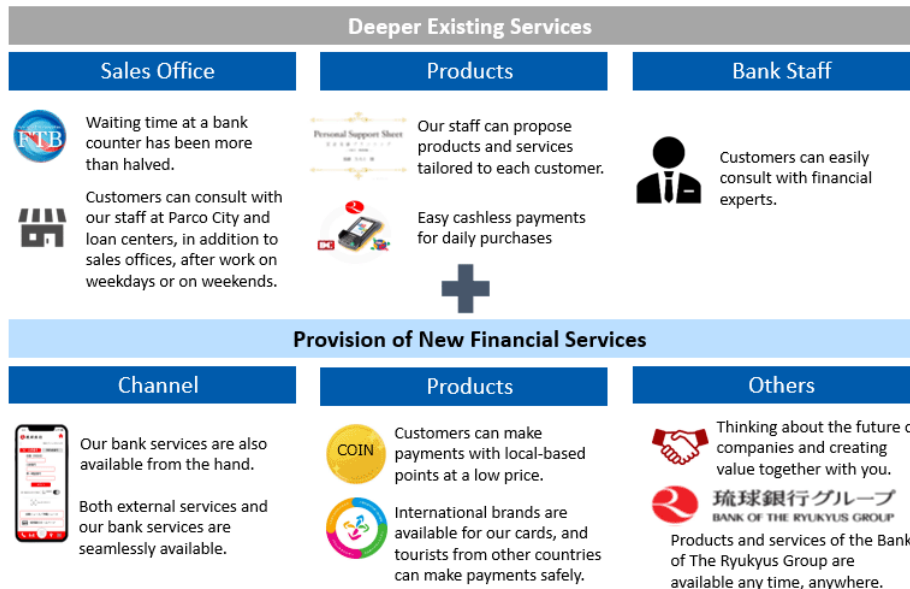
Achievement of Sustainable Growth with the Regional Community

Become involved in financial intermediation under our management philosophy of achieving sustainable growth of the regional community and enhancing corporate value.



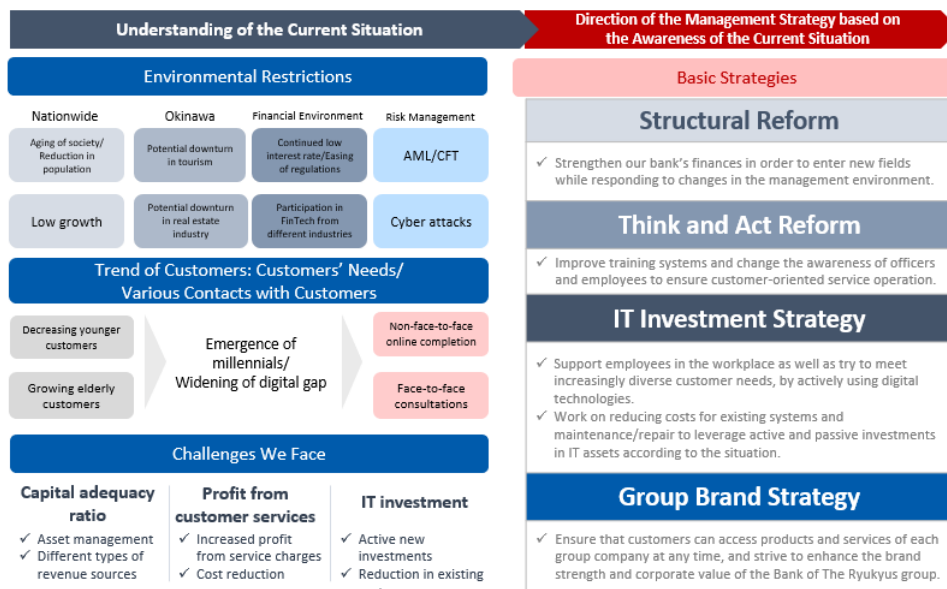
Our Ideal Vision from a Customer Perspective

Providing products and services tailored to each customer (getting products out to the market)



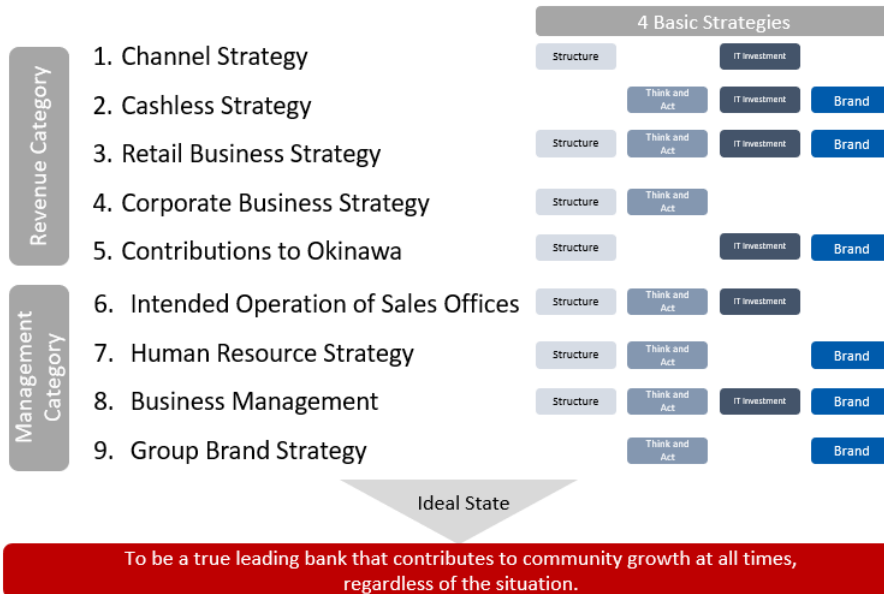
Management Strategic Directions based on the Current Situation

Work on achieving the next mid-term management plan as a whole group under the four basic strategies, based on the current situation.



Basic Strategies

Nine individual strategies based on the four basic strategies



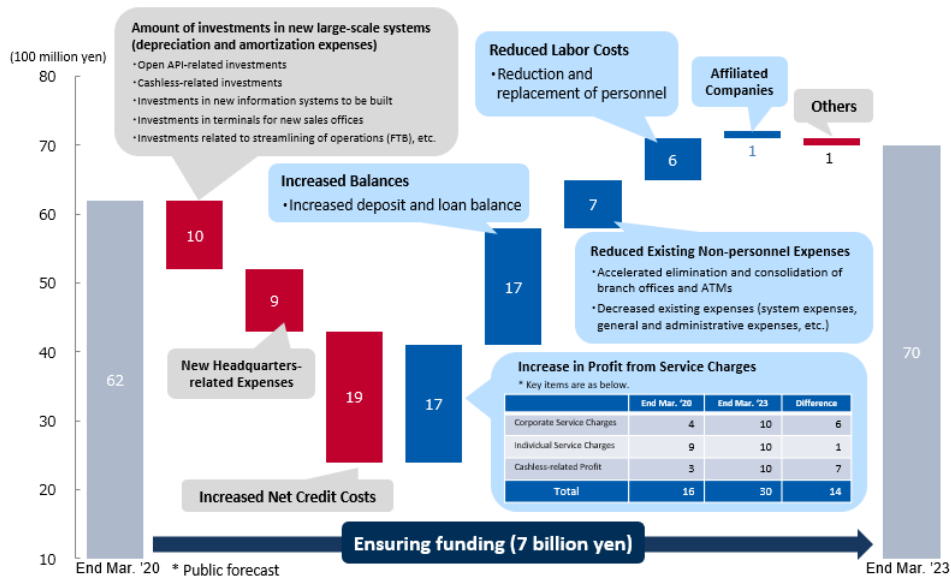
Overview of the New Mid-Term Management Plan

Name	SINKA 2020 —even further SINKA for the community—	
Period	April 2020 to March 2023 (three years)	
Ideal Vision	To be a true leading bank that contributes to the development of the regional community at all times, regardless of the situation.	
Basic Concept	<ul style="list-style-type: none"> ✓ Structural Reform ✓ IT Investment Strategy 	<ul style="list-style-type: none"> ✓ Think and Act Reform ✓ Group Brand Strategy
Item		Targets for FY2022
1. Consolidated net income during the period		7 billion yen
2. Consolidated ROE		5% or more
3. Profit from customer services		7 billion yen
4. Non-consolidated capital adequacy ratio (fully implemented)		8.2% or more
5. Non-consolidated core OHR		75% or below
6. Total revenue of card affiliate groups (total of our bank, OCS, and Ryugin DC)		88 billion yen
7. Number of proposals for solutions using the Business Potential Evaluation Sheet		3,500

* Profit from Customer Services = Deposit and Loan Balance + Profit from Service Charges - Expenses

Consolidated Net Income during the Period in the Mid-Term Management Plan

Invest funds for the future of our bank as well as work on reducing existing expenses to enhance corporate value.



Annual Report



[よくあるご質問](#) | [お問い合わせ](#)

ゆうぎんの商品

かりる
ためる
そなえる
運用する
便利につかう

法人・個人事業主のお客さま

- 法人ローン
- 法人向けサービス
- 法人向けコンサルティング業務
- りゅうぎんビジネスクラブ

企業情報

- ニュースリリース
- 琉球銀行について
- 投資家情報
- CSR への取り組み
- 採用情報
- 電子公告

当行からのお知らせ

[反社会的勢力に対する基本方針](#)

[金融取引に関する方針等](#)

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

The Local Community

People with
a strong commitment
to professionalism

People with
self-development
ability and good
personality

People with
imagination and
initiative

Trusted by and
popular with the
local community

Bank of the Ryukyus

➤ Annual Report



➤ よくあるご質問

➤ お問い合わせ

りゅうぎんの商品

- かりる
- ためる
- そなえる
- 運用する
- 便利につかう

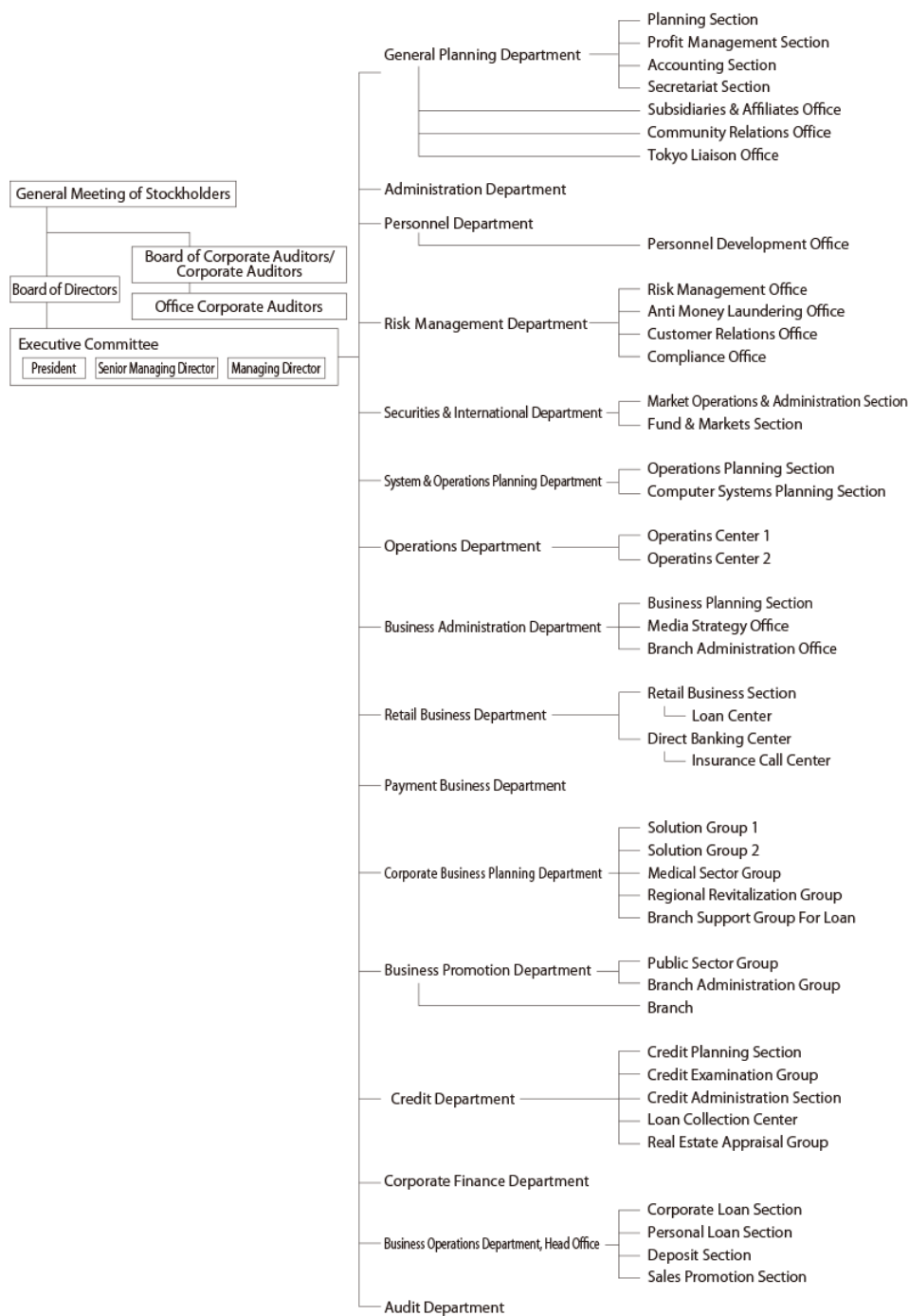
法人・個人事業主のお客さま

- 法人ローン
- 法人向けサービス
- 法人向けコンサルティング業務
- りゅうぎんビジネスクラブ

Organization

Annual Report

(As of April 1, 2020)



Profile

Annual Report

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 September 1999, for the twin purposes of ensuring the soundness of its assets and strengthening its financial position, the Bank implemented a capital increase through a third-party allocation of new shares in the amount of ¥22.7 billion, while simultaneously receiving an injection of ¥40 billion in public funds.

While strengthening its financial foundations through the issuance of preferred stock, the Bank also repaid ¥34 billion out of the abovementioned ¥40 billion in public funding in October 2006, and the remaining ¥6 billion in public funding was repaid in July 2010.

In April 2020, we launched our new medium-term management plan under the name SINKA2020.

Corporate Data

Annual Report

Non-Consolidated Data

(As of March 31, 2021)

Date of Establishment	May 1, 1948
Paid-in Capital	¥ 56,967million
Total Assets	¥ 2,739,475million
Number of Employees	1,368
Number of Offices (including Head Office and Sub-branches)	76
Number of Shareholders	14,250
Stock Listings	Tokyo Stock Exchange & Fukuoka Stock Exchange

Service Network

(As of March 31, 2021)

Head Office and Securities & International Department

2-1, Higashimachi (P.O. Box 310), Naha, Okinawa 900-0034, 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 22, 2021)

Chairman

Outside Directors

<div> <div> Tokei Kinjo </div> <div> President </div> </div>	<div> <div> Masanori Fukuyama Kanao Tomihara Masaharu Hanazaki </div> <div> Standing Corporate Auditor </div> </div>
<div> <div> Yasushi Kawakami </div> <div> Senior Managing Director </div> </div>	<div> <div> Hitoshi Kinjo </div> <div> Outside Corporate Auditors </div> </div>
<div> <div> Keishi Fukuhara </div> <div> Managing Directors </div> </div>	
<div> <div> Yasushi Tokashiki Yasushi Shiroma Ryoji Toyoda </div> </div>	<div> <div> Shunsuke Takahashi Kyoko Nakayama Hiroshi Kitagawa </div> </div>

Bank of The Ryukyus Group Companies

(As of July 5, 2021)

<div> <div> Ryukyu Leasing Co., Ltd.* </div> <div> 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 </div> </div>
<div> <div> Ryugin Hosho Co., Ltd.* </div> <div> 2-1, Higashimachi, Naha, Okinawa 900-0034, Japan Phone: 098-869-1250 Established: July 1979 Paid-in Capital: ¥ 20 million Line of Business: Housing loans, debt guaranty and insurance agency </div> </div>
<div> <div> Ryugin Business Service Co., Ltd.* </div> <div> 33-1, Yafuso3-chome, Urasoe, Okinawa 901-2127, Japan Phone: 098-879-1514 Established: September 1983 Paid-in Capital: ¥ 10 million Line of Business: Cash inspection and arrangement, Cash Dispenser/ATM management and maintenance </div> </div>
<div> <div> Ryugin DC Co., Ltd.* </div> <div> 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 </div> </div>
<div> <div> Ryugin Research Institute., Ltd.* </div> <div> 1-9, Tsubokawa 1-chome, Naha, Okinawa 900-0025, Japan Phone: 098-835-4650 Established: June2006 </div> </div>

Paid-in Capital: ¥23 million

Line of Business:

Industrial, economic and financial surveys and research; planning and organization of conferences and training

Okinawa Credit Service Co., Ltd.*

3-10, Matsuyama 2-chome, Naha, Okinawa 900-8609, Japan

Phone: 098-861-1123

Established: August 2008

Paid-in Capital : ¥279million

Line of Business: Credit cards, financing

*Consolidated subsidiaries

> Annual Report



> よくあるご質問

> お問い合わせ

りゅうぎんの商品

- かりる
- ためる
- そなえる
- 運用する
- 便利につかう

法人・個人事業主のお客さま

- 法人ローン
- 法人向けサービス
- 法人向けコンサルティング業務
- りゅうぎんビジネスクラブ

企業情報

- ニュースリリース
- 琉球銀行について
- 投資家情報
- CSR への取り組み
- 採用情報
- 電子公告

> 当行からのお知らせ

> 反社会的勢力に対する基本方針

> 金融取引に関する方針等

個人情報保護宣言

ソーシャルメディアポリシー

本サイトのご利用にあたって

サイトマップ

Message from the President

Annual Report



Yasushi Kawakami
President

Greetings to all and my sincerest thanks for your continued support.

The following is a report on our operations and accounts for the 105nd Term (April 1, 2020 to March 31, 2021).

Financial & Economic Environment

The Japanese economy deteriorated rapidly in fiscal 2020, due to significant declines in personal consumption, corporate earnings, and production following the declaration of the state of emergency in April given the spread of COVID-19. Towards the end of 2020, the economy showed signs of a pickup as the infections were temporarily brought under control, combined with the support of the government's emergency economic measures, and an increase in exports along with the global economic recovery. After the second issuance of the state of emergency in January 2021, however, personal consumption weakened again, and the economy remained in a severe condition throughout the year due to the impact of COVID-19.

Okinawa Prefecture was covered by the state of emergency twice on a national level and three times on a prefectural level during the fiscal year under review. In such an environment, personal consumption and the construction sector were sluggish, and the tourism industry deteriorated with a sharp decline in the number of inbound tourists due to restrictions on people's movement. The employment situation, which had been improving, turned negative, and the prefectural economy as a whole stagnated due to the coronavirus epidemic.

Business Activities and Performance Results

Amid this operating environment, in fiscal 2020, which was the first year of our medium-term management plan "Shinka 2020," we were committed ourselves to becoming the region's "leading bank" in the true sense of the term: a bank whose performance does not depend on macro-economic ups and downs, and is able to support the region and assists its further development no matter what the external operating environment may be. Under the plan, we promoted customer-centric operations through devising various attempts in the midst of an



unprecedented major economic recession phase caused by the pandemic.

Regarding our corporate business strategy, we preferentially proposed the deferment of repayment of the principal on debts in order to provide faster cash flow support even before the spread of COVID-19. We also actively engaged in consulting on new borrowings to support customers as an immediate priority. With a business environment becoming increasingly severe to small and medium-sized enterprises, demand for business successions and M&A have been on the rise. Given the situation, we worked to propose optimal solutions to customers by discovering their needs through in-depth conversation starting with the Business Potential Evaluation Sheet. We also invested in Ryukyu Capital Co., Ltd., a fund managing company jointly set up by major corporations in Okinawa Prefecture, thereby launched an initiative to support the resources of customers with difficulties in business continuation. The initiative is intended to prevent the resources from flowing outside the prefecture or the nation with the use of capital within the prefecture.

In our retail customer business strategy, we introduced a full-flat system in which all staff members working at bank counters are responsible for one-stop consulting services for retail customers. This is aimed at developing a system to quickly respond to customers' various asset-building needs at each stage of their lives, through offering them advice on everything from asset management to all types of loans, including mortgages. In addition, we introduced tablet-type semi-self-service devices at sales office counters to transform them from a paperwork space to a place to promote communication with customers, which also resulted in higher operational efficiency. In order to provide enhanced services through a smartphone application as set out in our medium-term management plan as a priority measure, we are working on the development of a highly convenient application in cooperation with the "TSUBASA Alliance," led by The Chiba Bank, Ltd.

As for our cashless services strategy, a "touch payment function" that enables payment simply by touching the card reader was equipped on the Ryugin Visa Debit Card as a way to promote electronic payment (cashless payment), which has been recommended as a new behavioral norm in the COVID-19 pandemic. The number of Ryugin Visa Debit Cards (for individuals) issued since October 2015 has topped 140,000, and in our card services for affiliated stores, which we commenced in January 2017, the number of affiliated stores has passed the 7,000 mark. Additionally, as part of our efforts to provide a convenient payment environment to the inhabitants and tourists, we have concluded regional cashless service promotion agreements with commerce and industry associations and local governments in the prefecture. By deepening these efforts, the Bank will continue contributing to the development of local communities—not only on Okinawa Island but also on remote islands, where it has been difficult to offer financial services hitherto—through its financial intermediary functions. In terms of business operations, the balance of loans and bills discounted at the end of the fiscal year under review increased by 53,155 million yen from the balance at the end of the previous fiscal year to 1,798,768 million yen, mainly due to increases in funds for addressing COVID-19 and mortgage loans to support cash flow for business operators. The balance of deposits (including negotiable certificate of deposits) at the end of the fiscal year under review increased by 234,312 million yen from the balance at the end of the previous fiscal year to 2,491,194 million yen, due to the special cash payment provided by the government and increased propensity to saving during the COVID-19 epidemic.

In terms of earnings, ordinary income decreased by 5,113 million yen from the previous fiscal year to 37,377 million yen, due to decreases in gain on sale of bonds and gain on financial derivatives, despite an increase in fees and commissions income related to mortgage loans.

Meanwhile, ordinary expenses decreased by 2,033 million yen from the previous fiscal year to 35,082 million yen, due to decreases in loss on redemption of bonds and loss on sale of equity securities, despite an increase in provision for general allowance for doubtful accounts as a result of the introduction of forward-looking provisions.

As a result, ordinary profit decreased by 3,079 million yen from the previous fiscal year to 2,295 million yen, and profit decreased by 2,393 million yen from the previous fiscal year to 1,616 million yen.



Issues Facing the Bank

Hitherto, the economy of Okinawa Prefecture has performed well, but it suddenly entered a recessionary phase due to the spread of COVID-19. Even in such a situation, the mission of us as a regional financial institution is to support the sustainable development of the local economy, and to commit to supporting customers in difficulties.

Under our medium-term management plan—Shinka 2020—we have committed ourselves to becoming the region’s “leading bank” in the true sense of the term: a bank whose performance does not depend on macro-economic ups and downs, and is able to support the region and assist its further development no matter what the external operating environment may be. Maintaining the strategy we followed under our previous medium-term management plan, we will in Shinka 2020 work to realize “evolution” (shinka in Japanese) in the core businesses of a bank—deposits, loans, and foreign exchange—and will simultaneously seek to “deepen” (also pronounced shinka in Japanese) our involvement in the additional banking services that we have recently entered, such as cashless settlement. The management and employees of the Ryukyu Bank Group will work together to meet these challenges. In this fiscal year, which is the second year of the plan, we will focus on the following strategies in order to contribute to the regional revitalization through proactive support initiatives for customers who are facing financial difficulty due to changes in the environment caused by the COVID-19 pandemic.

As for the channel strategy, we will accelerate the development of our proprietary application that allows customers to receive banking services anytime and anywhere in order to meet the non-face-to-face transaction needs of customers reluctant to go out to avoid close-contact settings. Meanwhile, we will flexibly respond to the needs of customers who wish to receive consultations in person about total planning related to asset management and inheritance by thoroughly streamlining our existing operations and creating a space that is comfortable for them to have consultations.

In the retail customer business strategy, we will promote nurturing of human resources who can provide optimal products and services to customers according to their life stages, and strengthen asset succession consulting, including inheritance business, and asset management consulting.

Regarding our corporate business strategy, to meet our customers’ wide range of financing needs, we will promote lease brokerage in cooperation with Ryukyu Leasing Co., Ltd., a consolidated subsidiary of the Bank. In addition, we provide a comprehensive package of products that consistently supports the process from the formulation of the customers’ management plans to their implementation, and actively support the strengthening of the customers’ management capabilities.

In the business management, we reviewed our previous method of calculating the allowance for doubtful accounts, which was dependent on past loan loss records, and changed to a calculation method that relies on future economic forecasts, etc. This enhances the preparedness for future losses and crises and allows us to focus on positive sales activities without fear of incurring additional credit costs.

In January 2021, we concluded the “Okinawa Economic Revitalization Partnership” with The Bank of Okinawa, Ltd. By sharing back-office operations with the bank, we will strive to improve productivity and reduce costs, and return to our customers the resulting resources to be generated.




Going forward, to achieve our management goal of being a trusted bank whose name is familiar to everyone in our local region and which contributes to the social and economic development of the regional community, we will continue working to solve regional issues and to provide the products and services that our customers truly need.



Financial Section

Annual Report

Financial Data [PDF files]

-  [Entire File \(287KB\)](#)
-  [Consolidated Balance Sheets \(47KB\)](#)
-  [Consolidated Statements of Income \(45KB\)](#)
-  [Consolidated Statements of Comprehensive Income \(43KB\)](#)
-  [Consolidated Statements of Changes in Net Assets \(51KB\)](#)
-  [Consolidated Statements of Cash Flows \(48KB\)](#)
-  [Notes to Consolidated Financial Statements \(218KB\)](#)
-  [Non-Consolidated Balance Sheets \(48KB\)](#)
-  [Non-Consolidated Statements of Income \(45KB\)](#)
-  [Non-Consolidated Statements of Changes in Net Assets \(53KB\)](#)

[> Annual Report](#)[> よくあるご質問](#)[> お問い合わせ](#)

Bank of The Ryukyus, Limited and consolidated subsidiaries

Consolidated Balance Sheets

As of March 31, 2021 and 2020

	Millions of Yen (Note 1)		Thousands of U.S. Dollars (Note 1)
	2021	2020	2021
Assets			
Cash and due from banks (Notes 8 and 11)	¥ 525,140	¥ 305,962	\$ 4,743,386
Call loans and bills bought (Note 8)	506	—	4,572
Monetary claims bought	9	34	86
Money held in trust (Note 8)	533	4,103	4,823
Securities (Notes 8, 9 and 11)	333,047	258,436	3,008,290
Loans and bills discounted (Notes 8, 10 and 11)	1,778,890	1,723,532	16,068,023
Foreign exchanges	7,636	7,955	68,975
Lease receivables and lease investment assets (Note 11)	23,090	24,914	208,568
Other assets (Note 11)	75,114	76,425	678,476
Property, plant and equipment (Note 12)	23,238	22,766	209,900
Intangible fixed assets	5,155	4,930	46,563
Net defined benefit asset	815	412	7,367
Deferred tax assets	5,932	5,307	53,583
Customers' liabilities for acceptances and guarantees (Note 13)	11,224	10,156	101,383
Allowance for loan losses (Notes 3 and 6).....	(12,192)	(9,248)	(110,127)
Total assets	¥2,778,142	¥2,435,689	\$25,093,868
Liabilities			
Deposits (Notes 8 and 11)	¥2,453,399	¥2,213,744	\$22,160,597
Negotiable certificate of deposits (Note 8)	25,807	30,631	233,108
Payables under repurchase agreements (Note 11)	1,093	4,001	9,873
Borrowed money (Notes 8 and 11)	128,573	20,123	1,161,354
Foreign exchanges	154	225	1,392
Other liabilities	21,927	22,308	198,061
Reserve for bonuses	683	674	6,177
Net defined benefit liability	890	1,123	8,040
Reserve for retirement benefits for directors and corporate auditors	10	35	91
Reserve for reimbursement of dormant deposits	35	70	317
Reserve for contingent losses	112	99	1,012
Reserve for point service program	193	183	1,746
Reserve for losses on interest payment	274	366	2,480
Deferred tax liabilities for land revaluation (Note 14)	1,947	1,985	17,595
Acceptances and guarantees (Note 13)	11,224	10,156	101,383
Total liabilities	2,646,326	2,305,729	23,903,226
Net assets (Note 15)			
Capital stock	56,967	56,967	514,564
Capital surplus	14,250	14,264	128,715
Retained earnings	60,004	58,625	541,996
Treasury stock	(170)	(250)	(1,539)
Total shareholders' equity	131,051	129,606	1,183,736
Valuation difference on available-for-sale securities	174	163	1,576
Deferred gains on hedges	—	1	—
Revaluation reserve for land (Note 14)	751	838	6,784
Remeasurements of defined benefit plans	(380)	(899)	(3,437)
Total accumulated other comprehensive income	544	103	4,923
Stock acquisition rights	219	250	1,983
Total net assets	131,815	129,960	1,190,642
Total liabilities and net assets	¥2,778,142	¥2,435,689	\$25,093,868

See accompanying notes to consolidated financial statements.

Bank of The Ryukyus, Limited and consolidated subsidiaries

Consolidated Statements of Income

For the years ended March 31, 2021 and 2020

	Millions of yen (Note 1)		Thousands of U.S. Dollars (Note 1)
	2021	2020	2021
Income			
Interest income:			
Interest on loans and discounts	¥26,558	¥26,785	\$239,890
Interest and dividends on securities	1,302	1,718	11,761
Other interest income	138	889	1,255
Fees and commissions	9,938	9,929	89,773
Other operating income	18,149	21,455	163,934
Other income	1,234	1,965	11,152
Total income	57,321	62,744	517,765
Expenses			
Interest expenses:			
Interest on deposits	345	1,274	3,119
Other interest expenses	69	51	625
Fees and commissions	4,327	4,885	39,092
Other operating expenses	15,936	18,414	143,950
General and administrative expenses	27,792	27,439	251,041
Other expenses (Note 16)	5,121	3,851	46,257
Total expenses	53,592	55,918	484,084
Income before income taxes	3,728	6,826	33,681
Income taxes:			
Current	1,976	2,527	17,853
Deferred	(827)	(652)	(7,474)
Total income taxes	1,149	1,874	10,379
Profit	2,579	4,951	23,303
Profit attributable to owners of parent	¥ 2,579	¥ 4,951	\$ 23,303
	Yen		U.S. Dollars (Note 1)
Per share of common stock (Note 17):			
Net income — basic	¥60.03	¥115.40	\$0.54
Net income — diluted	59.79	114.87	0.54
Cash dividends applicable to the year	25.00	35.00	0.23

See accompanying notes to consolidated financial statements.

Bank of The Ryukyus, Limited and consolidated subsidiaries

Consolidated Statements of Comprehensive Income

For the years ended March 31, 2021 and 2020

	Millions of yen (Note 1)		Thousands of U.S. Dollars (Note 1)
	2021	2020	2021
Profit	¥2,579	¥4,951	\$23,303
Other comprehensive income:			
Net unrealized gains on available-for-sale securities	11	(1,476)	102
Deferred loss on derivatives under hedge accounting	(1)	2	(12)
Remeasurements of defined benefit plans	519	(180)	4,689
Total other comprehensive income	529	(1,654)	4,779
Comprehensive income	¥3,108	¥3,297	\$28,082
Attributable to			
Owners of the parent	¥3,108	¥3,297	\$28,082

See accompanying notes to consolidated financial statements.

Bank of The Ryukyus, Limited and consolidated subsidiaries

Consolidated Statements of Changes in Net Assets

For the years ended March 31, 2021 and 2020

	Millions of Yen (Note 1)		Thousands of U.S. Dollars (Note 1)
	2021	2020	2021
Shareholders' equity			
Capital stock:			
Balance at end of the previous year	¥ 56,967	¥ 56,967	\$ 514,564
Changes during the year	—	—	—
Balance at end of the year	¥ 56,967	¥ 56,967	\$ 514,564
Capital surplus:			
Balance at end of the previous year	¥ 14,264	¥ 14,275	\$ 128,844
Changes during the year:			
Sale of treasury stock	(14)	(11)	(129)
Total changes during the year	(14)	(11)	(129)
Balance at end of the year	¥ 14,250	¥ 14,264	\$ 128,715
Retained earnings:			
Balance at end of the previous year	¥ 58,625	¥ 54,701	\$ 529,540
Changes during the year:			
Cash dividends	(1,288)	(1,501)	(11,639)
Profit attributable to owners of the parent	2,579	4,951	23,303
Reversal of revaluation reserve for land	87	473	792
Total changes during the year	1,379	3,924	12,456
Balance at end of the year	¥ 60,004	¥ 58,625	\$ 541,996
Treasury stock:			
Balance at end of the previous year	¥ (250)	¥ (347)	\$ (2,263)
Changes during the year:			
Purchase of treasury stock	0	(1)	(7)
Sales of treasury stock	80	98	731
Total changes during the year	80	96	724
Balance at end of the year	¥ (170)	¥ (250)	\$ (1,539)
Total shareholders' equity:			
Balance at end of the previous year	¥129,606	¥125,596	\$1,170,685
Changes during the year:			
Cash dividends	(1,288)	(1,501)	(11,639)
Profit attributable to owners of the parent	2,579	4,951	23,303
Reversal of revaluation reserve for land	87	473	792
Purchase of treasury stock	0	(1)	(7)
Sales of treasury stock	66	87	602
Total changes during the year	1,444	4,010	13,051
Balance at end of the year	¥131,051	¥129,606	\$1,183,736
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities:			
Balance at end of the previous year	¥ 163	¥ 1,639	\$ 1,474
Changes during the year:			
Net changes in items other than shareholders' equity	11	(1,476)	102
Total changes during the year	11	(1,476)	102
Balance at end of the year	¥ 174	¥ 163	\$ 1,576

Bank of The Ryukyus, Limited and consolidated subsidiaries

Consolidated Statements of Changes in Net Assets

For the years ended March 31, 2021 and 2020

	Millions of Yen (Note 1)		Thousands of U.S. Dollars (Note 1)
	2021	2020	2021
Deferred gains on hedges:			
Balance at end of the previous year	¥ 1	¥ (0)	\$ 12
Changes during the year:			
Net changes in items other than shareholders' equity	(1)	2	(12)
Total changes during the year	(1)	2	(12)
Balance at end of the year	¥ —	¥ 1	\$ —
Revaluation reserve for land:			
Balance at end of the previous year	¥ 838	¥ 1,312	\$ 7,576
Changes during the year:			
Net changes in items other than shareholders' equity	(87)	(473)	(792)
Total changes during the year	(87)	(473)	(792)
Balance at end of the year	¥ 751	¥ 838	\$ 6,784
Remeasurements of defined benefit plans:			
Balance at end of the previous year	¥ (899)	¥ (719)	\$ (8,126)
Changes during the year:			
Net changes in items other than shareholders' equity	519	(180)	4,689
Total changes during the year	519	(180)	4,689
Balance at end of the year	¥ (380)	¥ (899)	\$ (3,437)
Total accumulated other comprehensive income:			
Balance at end of the previous year	¥ 103	¥ 2,232	\$ 936
Changes during the year:			
Net changes in items other than shareholders' equity	441	(2,128)	3,986
Total changes during the year	441	(2,128)	3,986
Balance at end of the year	¥ 544	¥ 103	\$ 4,922
Stock acquisition rights			
Balance at end of the previous year	¥ 250	¥ 286	\$ 2,264
Changes during the year:			
Net changes in items other than shareholders' equity	(31)	(35)	(281)
Total changes during the year	(31)	(35)	(281)
Balance at end of the year	¥ 219	¥ 250	\$ 1,983
Total net assets			
Balance at end of the previous year	¥129,960	¥128,115	\$1,173,886
Changes during the year:			
Cash dividends	(1,288)	(1,501)	(11,639)
Profit attributable to owners of the parent	2,579	4,951	23,303
Reversal of revaluation reserve for land	87	473	792
Purchase of treasury stock	0	(1)	(7)
Sales of treasury stock	66	87	602
Net changes in items other than shareholders' equity	410	(2,164)	3,705
Total changes during the year	1,855	1,845	16,756
Balance at end of the year	¥131,815	¥129,960	\$1,190,642

See accompanying notes to consolidated financial statements.

Bank of The Ryukyus, Limited and consolidated subsidiaries

Consolidated Statements of Cash Flows

For the years ended March 31, 2021 and 2020

	Millions of Yen (Note 1)		Thousands of U.S. Dollars (Note 1)
	2021	2020	2021
Cash flows from operating activities			
Income before income taxes	¥ 3,728	¥ 6,826	\$ 33,681
Depreciation	2,936	2,967	26,524
Impairment loss on fixed assets	21	6	195
Increase (decrease) in allowance for loan losses	2,943	540	26,586
Increase (decrease) in reserve for bonuses	9	(21)	82
(Increase) decrease in net defined benefit asset	235	230	2,124
Decrease (increase) in net defined benefit liability	(130)	(108)	(1,182)
Increase (decrease) in reserve for retirement benefits for directors and corporate auditors	(25)	9	(227)
Increase (decrease) in reserve for reimbursement of dormant deposits	(35)	(39)	(320)
Decrease (increase) in reserve for contingent losses	12	4	112
Increase (decrease) in reserve for point service program	10	25	92
Increase (decrease) in reserve for losses on interest payment	(91)	(71)	(827)
Interest income	(27,999)	(29,393)	(252,906)
Interest expenses	414	1,326	3,744
Other gains (losses), net	263	(39)	2,384
Increase in loans and bills discounted	(55,357)	(24,672)	(500,027)
Increase in deposits	239,655	59,504	2,164,715
Increase in negotiable certificate of deposits	(4,823)	(797)	(43,572)
Increase (decrease) in borrowed money (excepting subordinated borrowings)	108,450	1,003	979,589
Decrease (increase) in due from banks (excluding due from central bank)	(243)	376	(2,199)
Decrease (increase) in call loans	(481)	747	(4,351)
Increase (decrease) in payables under repurchase agreements	(2,908)	(17,733)	(26,268)
Net change in foreign exchange accounts (assets)	318	1,037	2,880
Net change in foreign exchange accounts (liabilities)	(71)	117	(646)
Decrease (increase) in lease receivables and lease investment assets	1,814	(2,731)	16,389
Interest and dividends received	28,259	31,827	255,261
Interest paid	(505)	(1,398)	(4,567)
Other, net	1,500	3,734	13,552
Subtotal	297,900	33,278	2,690,818
Income taxes paid	(2,525)	(2,157)	(22,813)
Net cash provided by operating activities	295,374	31,120	2,668,005
Cash flows from investment activities			
Purchases of securities	(179,020)	(377,557)	(1,617,019)
Proceeds from sales of securities	67,473	315,074	609,466
Proceeds from redemptions of securities	36,934	76,921	333,611
Increase in money held in trust	(23,200)	(16,800)	(209,556)
Decrease in money held in trust	26,492	27,750	239,292
Purchases of property, plant and equipment	(2,100)	(1,902)	(18,976)
Purchases of intangible fixed assets	(1,571)	(1,990)	(14,197)
Proceeds from sales of property, plant and equipment	382	1,535	3,455
Payments for disposal of property, plant and equipment	(92)	(76)	(833)
Net cash provided by (used in) investment activities	(74,702)	22,952	(674,757)
Cash flows from financing activities			
Cash dividends paid	(1,291)	(1,498)	(11,662)
Payments of lease obligations	(453)	(438)	(4,092)
Purchases of treasury stock	0	(1)	(7)
Proceeds from sales of treasury stock	0	0	1
Net cash used in financing activities	(1,744)	(1,937)	(15,760)
Effect of exchange rate changes on cash and cash equivalents	6	(7)	59
Increase (decrease) in cash and cash equivalents	218,934	52,128	1,977,547
Cash and cash equivalents at beginning of the year	305,754	253,626	2,761,759
Cash and cash equivalents at end of the year (Note 2)	¥524,688	¥305,754	\$4,739,306

See accompanying notes to consolidated financial statements.

Bank of The Ryukyus, Limited and consolidated subsidiaries

Notes to Consolidated Financial Statements

For the years ended March 31, 2021 and 2020

1. Basis of Presenting Financial Statements

The accompanying consolidated financial statements of Bank of The Ryukyus, Limited (the “Bank”) and consolidated subsidiaries have been prepared in accordance with the Japanese Financial Instruments and Exchange Act, the Company Act of Japan, the Japanese Banking Law, and in conformity with accounting principles generally accepted in Japan and, where applicable, with the accounting and reporting guidelines prescribed by banking regulatory authorities, which may differ in some material respects from accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

In the preparation of these financial statements, certain items on the domestically issued financial statements have been reclassified and rearranged considering the convenience of readers outside Japan. Also, some of the notes to the domestically issued financial statements have been omitted in case such omissions do not affect the financial statements materially.

The Japanese yen figures in the financial statements are in millions with fractions omitted.

The U.S. dollar figures are computed solely for convenience, at the exchange rate of ¥110.71 per US\$1.00, the rate prevailing on March 31, 2021.

2. Significant Accounting Policies

(a) Consolidation

The consolidated financial statements include the accounts of the Bank and its six subsidiaries.

Assets and liabilities of consolidated subsidiaries at the time of initial investment are valued at market. Amortization of consolidation adjustment is charged to income as incurred.

(b) Statement of Cash Flows

Cash and cash equivalents in the statement of cash flows represents cash, due from the Bank of Japan, deposits with other banks repayable on demand and time deposits with term of three months or less among “cash and due from banks” in the balance sheets.

(c) Foreign Currency Translation

Assets and liabilities in foreign currencies are translated into Japanese yen at the rates prevailing at the balance sheet dates.

(d) Trading Account Securities

Under the Accounting Standards for Financial Instruments, trading account securities are stated at fair value.

(e) Securities

Under the Accounting Standards for Financial Instruments, held-to-maturity debt securities are stated at amortized cost and the securities which are defined as available-for-sale securities by the standards, are stated at fair value, whenever such value is available, otherwise are stated at moving average cost or amortized cost.

Valuation difference on available-for-sale securities are reported, net of applicable income taxes as a separate component of net assets.

The assessment of securities operated as trust property in money held in trust for isolated operation, mainly for the purpose of securities operation, are stated at fair value.

(f) Derivatives

Derivatives are stated at the fair value.

(g) Hedge Accounting

i. Hedging against Interest Rate Changes

The hedge accounting method applied to hedging transactions for interest rate risk related to financial assets and liabilities is deferred hedge accounting, as stipulated in the “Treatment for Accounting and Auditing of Application of Accounting Standards for Financial Instruments in the Banking Industry” (JICPA Industry Audit Committee Guideline No. 24).

The Bank assesses the effectiveness of such hedging transactions in offsetting movements of the fair value accompanying changes in interest rates by classifying the hedged items (deposits, loans) and the hedging instruments (interest swaps) by their maturity. For cash flow hedges, the Bank assesses the effectiveness of such hedging transactions in fixing cash flows by verifying the correlation between the hedged items and the hedging instruments.

The Bank applies a special treatment which is stated by the “Financial Instruments Standards” of interest rate swaps to a portion of assets and liabilities, which is placed outside the scope of the assessment of hedging effectiveness.

Consolidated subsidiaries apply an exceptional treatment of interest rate swaps to a portion of liabilities.

ii. Hedging against Currency Fluctuations

The Bank applies the deferred hedge accounting stipulated in “Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in Banking Industry” (JICPA Industry Audit Committee Guideline No. 25) to hedging transactions against foreign exchange risk arising from assets and liabilities in foreign currencies. Pursuant to the above mentioned report, the Bank assesses the effectiveness of foreign exchange swap transactions executed for the purpose of offsetting the risk of changes in currency exchange rates by confirming the existence of foreign currency positions, which correspond to the foreign currency monetary claims and debts.

Consolidated subsidiaries do not apply deferred hedge accounting to hedging transactions.

(h) Depreciation and Amortization

i. Depreciation of Property, Plant and Equipment (excluding lease assets)

Depreciation of property, plant and equipment is computed on the straight-line method by the applying service life of each and every asset ranging as follows:

Buildings 5 to 50 years

Equipment 3 to 20 years

Depreciation of property, plant and equipment of consolidated subsidiaries is computed mainly on the fixed percentage on declining balance method applying the estimated service life of each and every asset.

ii. Amortization of Intangible Fixed Assets (excluding lease assets)

Intangible fixed assets are amortized on a straight-line basis. The costs of development of computer software for internal use are amortized over a useful life of five years.

iii. Amortization of Lease Assets

Lease assets in “Property, plant and equipment” of the finance leases other than those that transfer the ownership of leased property to the lessees is computed under the straight-line method over the lease term with zero residual value unless residual value is guaranteed by the corresponding lease contracts.

(i) Allowance for Loan Losses

The allowance for loan losses for the Bank is provided as follows:

For loans to borrowers in bankruptcy or to borrowers substantially in bankruptcy the reserve was provided for the remaining portion of the amount after direct partial write-offs, which are explained below, after deducting the amount collectable by disposal of collateral or from guarantors.

For loans to borrowers prone to bankruptcy, the reserve was provided at the necessary amount, after deducting the amount collectable by disposal of collateral or from guarantors, considering the overall ability of the borrowers to repay.

For loans other than stated above, the reserve was provided at experiential rates of the past according to the category of loans as classified from the standpoint of collectability.

For claims to legally or virtually bankrupt borrowers backed by collateral or guarantees, the Bank carried out direct partial write-offs, deducting from such claims amounts deemed uncollectable through the disposal of collateral or implementation of guarantees. Partial write-offs amounted to ¥2,492 million (US\$22,509 thousand) as of March 31, 2021.

Allowance for loan losses incurred by consolidated subsidiaries are provided as required based on actual default rates.

(j) Reserve for Bonuses

Reserve for bonuses are provided for the payment of employees’ bonuses in the amount deemed necessary for the estimated bonus payment in the future attributable to the reporting period.

(k) Reserve for Retirement Benefits for Directors and Corporate Auditors

Reserve for retirement benefits for directors and corporate auditors are provided at the amount that would be paid in accordance with the internally established rule at the fiscal year end if they were retired on that date.

(l) Reserve for Retirement Benefits

In calculating the projected benefit obligation, the benefit formula basis is used to attribute the expected benefit to each service period.

Actuarial differences of the plans are amortized from the following fiscal year over the set period (12 years) within the average remaining service period of the employees at the time of occurrence.

Prior service costs are amortized over the set period (12 years) within the average remaining service period of the employees at the time of occurrence.

Consolidated subsidiaries adopt simplified method for the calculation of liability for retirement benefits and pension expenses using necessary payment of voluntary retirement as the projected benefit obligation.

(m) Reserve for Reimbursement of Dormant Deposits

Provision is made for possible losses on future claims on withdrawal of deposits which were derecognized as liabilities and recognized as gains under certain conditions in an amount deemed necessary based on the historical reimbursement experience. Provision is made for the payment on burden-sharing of loan losses between financial institution and credit guarantee associations in an amount estimated to be paid in the future.

(n) Reserve for Contingent Losses

Reserve for contingent losses is provided at the amount deemed necessary to cover possible future losses from default of loans under the responsibility-sharing system on guarantees of loans with the Credit Guarantee.

(o) Reserve for Point Service Program

Reserve for point service program is provided to cover the costs of credit card point at the amount deemed necessary based on an estimate of the future use of points.

(p) Reserve for Losses on Interest Payment

Reserve for losses on interest payment is provided to cover possible losses on the repayment of interest to be received from customers that exceeds the upper limit of interest rates prescribed under the Interest Rate Restriction Act.

(q) Lease Transactions

Finance lease transactions in which there is no transfer of ownership were formerly accounted for by a method corresponding to that used for ordinary operating lease contracts. However, for financial statements relating to periods commencing on or after April 1, 2008, it is permitted to apply the “Accounting Standard for Lease Transactions” (Accounting Standards Board of Japan Statement No. 13, issued on March 30, 2007) and the “Implementation Guidance on the Accounting Standard for Lease Transactions” (ASBJ Guidance No. 16, issued on March 30, 2007). Accordingly, they are being duly applied as of the year ended March 31, 2009 in accordance with accounting relating to ordinary buying and selling transactions.

(r) Profit and Losses on the Cancellation and Redemption of Investment Trusts

Regarding the profit and loss on the cancellation and redemption of investment trusts (except for ETF), it is indicated as “Interest and dividends on securities” if the aggregation of all issues made profit, while it is shown as “Other operating expenses” if such aggregation turned out as loss.

3. Additional Information

Based on the amended Corporate Accounting Standards No. 24: “Accounting Standards concerning Disclosure of Accounting Policy, Accounting Changes, and Correction of Errors,” we added a note on the description method of “Profit and loss on the cancellation and redemption of investment trusts” in the “Significant Accounting Policy.”

4. Significant Accounting Estimates

(Estimate of allowance for loan losses)

(a) Amount Recorded in Consolidated Financial Statements for the Fiscal Year Ended March 31, 2021.

	Millions of Yen
Allowance for loan losses.....	¥12,192
General allowance for loan losses	7,565

(b) Other Information Facilitating the Users’ Understanding of the Consolidated Financial Statements

i. Calculation Method

The calculation method of the allowance for loan losses is shown in the notes to consolidated financial statements, 2. Significant Accounting Policies, (i) Allowance for loan losses.

ii. Core Assumptions

- The core assumption in determining Debtor Category is the financial outlook. The Bank individually evaluates each business' earning capability based on materials, such as the management improvement plans the debtor prepares.
- The core assumption used for the calculation of general allowance for loan losses includes future macroeconomic indicators, occurrence rate of the scenario based on the present status and outlook in the economic cycle, and the presence of significant changes in the external environment, etc.

The future macroeconomic indicator is set up based on the business forecast and share price transition. The occurrence rate of the scenario based on the present status and outlook in the economic cycle is determined by the presence of the signs of economic downturn, which is used as risk factors. For the outlook, a mild recovery scenario in economic activities throughout 2021 is anticipated in view of factors like the impact of novel coronavirus infection (pandemic). The presence of significant changes in the external environment, etc. is determined based on the presence of occurrence of events with a possibility to gravely affect our bank group's performance, including the impact of COVID-19 pandemic expansion.

iii. Impact on the Consolidated Financial Statements for the Fiscal Year Ending March 31, 2022

If the assumption used for the initial estimate changes due to changes in borrowers' business performance or situations surrounding the pandemic, etc., the allowance for loan losses in the consolidated financial statements for the next fiscal year, may be gravely affected.

5. Issued but not yet Adopted Accounting Standards

(a) Accounting Standards for the Recognition of Revenues

- "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29 issued on March 30, 2018)
- "Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30 issued on March 30, 2018)

i. Overview

This is a comprehensive accounting standard for revenue recognition. Revenue is recognized by applying the following five steps.

Step 1: Identify the contract with the customer.

Step 2: Identify the performance obligations in the contract.

Step 3: Calculate the value of the transaction.

Step 4: Allocate the transaction value to the performance obligations in the contract.

Step 5: Recognize the revenue when the corresponding performance obligation has been satisfied or is going to be satisfied.

ii. Scheduled Date of Application

The Bank and its consolidated subsidiaries are scheduled to apply the accounting standards from the beginning of the consolidated fiscal year starting April 1, 2021.

iii. Impacts of the Application of the Relevant Accounting Standards

The impacts of adopting the relevant accounting standards are being evaluated.

(b) Accounting Standards for the Calculation of the Fair Value

- Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30 issued on July 4, 2019)
- Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31 issued on July 4, 2019)
- Accounting Standard for Financial Instruments (ASBJ Statement No. 10 issued on July 4, 2019)
- Implementation Guidance on Disclosures about Fair Value of Financial Instruments (ASBJ Guidance No. 19 issued on March 31, 2020)

i. Overview

The "Accounting Standard for Fair Value Measurement" and "Implementation Guidance on Accounting Standard for Fair Value Measurement" (hereinafter, the "Accounting Standards for Fair Value Measurement, etc.") were established in order to improve comparability with International Financial Reporting Standards (IFRS). The "Accounting Standards for Fair Value Measurement, etc." shall apply to the following items:

The fair value of financial instruments under the “Accounting Standard for Financial Instruments.”

In addition, the “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” was revised. As part of this revision, notes on the components, etc. of each level of the fair value of financial instruments were established.

ii. Scheduled Date of Application

The Bank and its consolidated subsidiaries are scheduled to apply the accounting standards from the beginning of the consolidated fiscal year starting April 1, 2021.

iii. Impacts of the Application of the Relevant Accounting Standards

The impacts of adopting the relevant accounting standards are being evaluated.

6. Changes in Presentation Methods

(Application of “Accounting Standards concerning the Disclosure of Accounting Estimate”)

Accounting Standards concerning the Disclosure of Accounting Estimate (Corporate Accounting Standards No. 31, issued March 31, 2020) has been applied consolidated financial statements for the fiscal year ended March 31, 2021, for which important notes on accounting estimate are included in the notes to consolidated financial statements.

7. Changes in the Accounting Estimate

(Changes in the estimate of allowance for loan losses)

The Bank has traditionally calculated the general allowance for loan losses mainly based on the amount of anticipated loss, which is computed from the average of loan loss ratio in a certain past period, as the best estimate basis.

At the same time, we have also examined the methods and structure that enable us to reflect the future forecasts in the allowance for loan losses in our bid to function as a stable financial mediator not affected by economic fluctuations.

As a result, the Bank is now capable of establishing reasonable estimates that reflect anticipated loss identified through the future forecast of microeconomic indicators in the allowance for loan losses more adequately. For this reason, we are now amending the allowance for loan losses estimate at the end of this consolidated fiscal year.

To be more precise, we use multiple macroeconomic indicators closely correlated with the bad debt occurrence rate and the economic fluctuation outlook we anticipate, based on which we calculate the amount of anticipated loss in accordance with the feasibility of scenarios established on the present and future outlook of the economic cycle for each of the business and credit rating groups attributed with respective bad debt occurrence rates and adjusted with future outlook. Furthermore, if the credit risk of the receivables we hold as of the end of this consolidated fiscal year is expected to increase due to the significant change in the external environment, etc., we will make necessary adjustments to the anticipated loss rate before booking the allowance for loan losses.

Due to the change in the estimate, the allowance for loan losses at the fiscal year ended March 31, 2021, increased by ¥2,052 million, while the income before income taxes for the fiscal year ended March 31, 2021, decreased by ¥2,052 million.

As for the future prospect, we anticipate a very mild recovery scenario in the economic activities throughout 2021 in view of situations such as the impact of the pandemic. The assumption used for the estimated allowance for loan losses is the best estimate for the present but carries a certain level of uncertainty, leaving room for fluctuation in the allowance for loan losses in the next and subsequent consolidated financial statements, depending on circumstances related to the pandemic and other factors.

8. Financial Instruments

Fair Values of Financial Instruments

A table below shows book values, fair values and difference of financial instruments as of March 31, 2021. A part of financial instruments, for which no fair values are obtainable such as unlisted stocks, are excluded from the table. (Please see (Note 1).)

The financial instruments immaterial in terms of consolidated balance sheet amounts are omitted.

	Millions of Yen			Thousands of U.S. Dollars		
	Consolidated balance sheet amount	Fair value	Difference	Consolidated balance sheet amount	Fair value	Difference
(1) Cash and due from banks	¥ 525,140	¥ 525,140	¥ —	\$ 4,743,384	\$ 4,743,384	\$ —
(2) Call loans and bills bought	506	506	—	4,570	4,570	—
(3) Money held in trust	33	33	—	298	298	—
(4) Securities						
Held-to-maturities debt securities	30,484	31,015	531	275,350	280,146	4,796
Available-for-sale securities	299,352	299,352	—	2,703,929	2,703,929	—
(5) Loans and bills discounted	1,778,890			16,068,016		
Allowance for loan losses (*1)	(9,385)			(84,771)		
Total loans and bills discounted	1,769,505	1,784,883	15,377	15,983,245	16,122,148	138,894
Total assets	2,625,022	2,640,932	15,909	23,710,794	23,854,503	143,700
(1) Deposits	2,453,399	2,453,466	(67)	22,160,591	22,161,196	(605)
(2) Negotiable certificate of deposit	25,807	25,807	—	233,105	233,105	—
(3) Payables under securities lending transactions	1,093	1,093	—	9,873	9,873	—
(3) Borrowed money	128,573	128,548	25	1,161,349	1,161,124	226
Total liabilities	2,268,499	2,268,680	(180)	20,490,462	20,492,096	(1,626)
Derivative transactions (*2)						
Transactions not accounted for as hedge transactions ...	(833)	(833)	—	(7,524)	(7,524)	—
Transactions accounted for as hedge transactions	—	—	—	—	—	—
Total derivative transactions	(833)	(833)	—	(7,524)	(7,524)	—

(*1) General allowance for loan losses and specific allowance for loan losses provided to “Loans and bills discounted” are separately presented in the above table.

(*2) Derivative transactions recorded in other assets and other liabilities are presented as a lump sum. Net receivables and payables arising from derivative transactions are presented on a net basis. A net payable is presented in parentheses.

(Note 1) The following table lists financial instruments, the fair value of which is extremely difficult to determine:
Fair Values of Financial Instruments exclude these instruments.

	Consolidated balance sheet amount	
	Millions of Yen	Thousands of U.S. Dollars
Securities		
(1) Real estate investment trust (*1)	¥ 230	\$ 2,077
(2) Unlisted stocks (*1)	2,126	611
(3) Investments in associations (*2)	854	7,714
Money held in trust	500	4,516
Total	¥3,711	\$33,520

(*1) Unlisted stocks and real estate investment fund through private placement are excluded from the fair value disclosure since it has no quoted market price and no fair value is obtainable. For the fiscal year ended March 31, 2021, unlisted stocks amounted of ¥0 million (US\$9 thousand) are written off.

(*2) A part of the investment in associations of which partnership assets constitutes instruments for which no fair values are obtainable in the same manner as stocks are excluded from the fair value disclosure.

(Note 2) Maturity analysis for money claims and securities with contractual maturities

	Millions of yen					
	Within 1 year	Over 1 year less 3 years	Over 3 years less 5 years	Over 5 years less 7 years	Over 7 years less 10 years	Over 10 years
Due from banks (*1)	¥489,149	¥ —	¥ —	¥ —	¥ —	¥ —
Call loans and bills bought	506	—	—	—	—	—
Monetary claims bought	9	—	—	—	—	—
Money held in trust	33	—	—	—	—	—
Securities:						
Held-to-maturities:	10,167	10,635	2,520	205	—	6,956
Japanese government bond	10,021	10,015	—	—	—	6,956
Corporate bonds	146	620	2,520	205	—	—
Available-for-sale securities that have maturities	35,988	108,418	35,037	74,082	35,614	8,136
Japanese government bond	20,087	—	2,015	2,514	12,549	—
Local government bonds	—	57,092	24,377	69,021	10,378	1,001
Corporate bonds	2,076	5,430	4,499	—	499	7,134
Other	13,824	45,894	4,144	2,546	12,187	—
Loans and bills discounted (*2)	231,361	221,692	196,607	154,205	177,231	652,406
Total	¥767,216	¥340,746	¥234,164	¥228,494	¥212,846	¥667,499

	Thousands of U.S. Dollars					
	Within 1 year	Over 1 year less 3 years	Over 3 years less 5 years	Over 5 years less 7 years	Over 7 years less 10 years	Over 10 years
Due from banks (*1)	\$4,418,291	\$ —	\$ —	\$ —	\$ —	\$ —
Call loans and bills bought	4,570	—	—	—	—	—
Monetary claims bought	81	—	—	—	—	—
Money held in trust	298	—	—	—	—	—
Securities:						
Held-to-maturities:	91,835	96,062	22,762	1,852	—	62,831
Japanese government bond	90,516	90,462	—	—	—	62,831
Corporate bonds	1,319	5,600	22,762	1,852	—	—
Available-for-sale securities that have maturities	325,065	979,297	316,475	669,154	321,687	73,489
Japanese government bond	181,438	—	18,201	22,708	113,350	—
Local government bonds	—	515,690	220,188	623,440	93,740	9,042
Corporate bonds	18,752	49,047	40,638	—	4,507	64,439
Other	124,867	414,542	37,431	22,997	110,080	—
Loans and bills discounted (*2)	2,089,793	2,002,457	1,775,874	1,392,873	1,600,858	5,892,927
Total	\$6,929,961	\$3,077,825	\$2,115,112	\$2,063,897	\$1,922,554	\$6,029,257

(*1) The amounts of due from banks that have no maturity, were ¥489,124 million (US\$4,418,065 thousand) were included in “Within 1 year.”

(*2) The amount of loans and bills discounted for “possible bankruptcy” and “legal bankruptcy,” excluding those without due dates, were ¥25,131 million (US\$226,998 thousand) and ¥120,253 million (US\$1,086,198 thousand), respectively.

(Note 3) Maturity analysis for corporate bonds, borrowed money and other interest-bearing debt

	Millions of yen					
	Within 1 year	Over 1 year less 3 years	Over 3 years less 5 years	Over 5 years less 7 years	Over 7 years less 10 years	Over 10 years
Deposits (*)	¥2,338,225	¥107,915	¥7,258	¥—	¥—	¥—
Negotiable certificate of deposits	25,807	—	—	—	—	—
Payables under securities lending transactions ...	1,093	—	—	—	—	—
Borrowed money	117,326	9,315	1,924	3	3	—
Total	¥2,482,452	¥117,231	¥9,182	¥ 3	¥ 3	—

	Thousands of U.S. Dollars					
	Within 1 year	Over 1 year less 3 years	Over 3 years less 5 years	Over 5 years less 7 years	Over 7 years less 10 years	Over 10 years
Deposits (*)	\$21,120,269	\$ 974,754	\$65,559	\$—	\$—	\$—
Negotiable certificate of deposits	233,105	—	—	—	—	—
Payables under securities lending transactions ...	9,873	—	—	—	—	—
Borrowed money	1,059,760	84,139	17,379	27	27	—
Total	\$22,423,015	\$1,058,902	\$82,937	\$27	\$27	\$—

(*) The amount of demand deposits, were ¥1,722,001 million (US\$15,822,852 thousand) were included in “Within 1 year.”

9. Market Value Information for Available-for-Sale Securities

Market values and valuation difference on available-for-sale securities with fair value as of March 31, 2021 were as follows:

	Millions of Yen			Thousands of U.S. Dollars		
	Consolidated balance sheet amount	Acquisition costs	Difference	Consolidated balance sheet amount	Acquisition costs	Difference
Fair value exceeded consolidated balance sheet amount:						
Equity stocks	¥ 1,118	¥ 611	¥ 506	\$ 10,098	\$ 5,519	\$4,570
Bonds:	95,173	94,966	206	859,660	857,791	1,861
Japanese government bond	34,925	34,803	122	315,464	314,362	1,102
Municipal bonds	51,228	51,165	62	462,722	462,153	560
Corporate bonds	9,018	8,997	21	81,456	81,266	190
Other	43,717	43,364	352	394,879	391,690	3,179
Sub-total	¥140,008	¥138,942	¥1,066	\$1,264,637	\$1,255,009	\$9,629
Fair value not exceeded consolidated balance sheet amount:						
Equity stocks	¥ 275	¥ 297	¥ (22)	\$ 2,484	\$ 2,683	\$ (199)
Bonds:	123,449	123,713	(263)	1,115,066	1,117,451	(2,376)
Japanese government bond	2,362	2,364	(2)	21,335	21,353	(18)
Municipal bonds	110,519	110,705	(186)	998,275	999,955	(1,680)
Corporate bonds	10,568	10,643	(74)	95,457	96,134	(668)
Other	35,627	36,207	(579)	321,805	327,044	(5,230)
Sub-total	159,353	160,218	(865)	1,439,373	1,447,186	(7,813)
Total	¥299,362	¥299,161	¥ 200	\$2,704,020	\$2,702,204	\$1,807

10. Loans and Bills Discounted

Of loans on which accrual of interest is suspended due to delayed or unpaid state of repayment of principal and interest or to other reasons, loans to borrowers regarded as being bankrupt by the Bank amount to ¥774 million (US\$6,991 thousand) and to ¥398 million as of March 31, 2021 and 2020, respectively. Loans on which accrual of interest is suspended but the borrowers of which are not regarded as being bankrupt or the bank intends to assist for restructuring or to support amount to ¥24,217 million (US\$218,743 thousand) and ¥23,399 million as of March 31, 2021 and 2020, respectively. Loans, repayment of which is delinquent for three months or more but which do not come under the aforementioned categories, amount to ¥527 million (US\$4,760 thousand) and ¥840 million as of March 31, 2021 and 2020, respectively. Besides these loans, there are loans, conditions of which have been moderated like exemption of interest, lowering of interest rate, deferment of repayment of principal etc., in order to assist the borrowers in restructuring or for other purposes, totaling ¥23,430 million (US\$211,634 thousand) and ¥18,140 million as of March 31, 2021 and 2020, respectively.

11. Pledged Assets

Assets pledged as collateral as of March 31, 2021 and 2020 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Securities	¥123,135	¥19,466	\$1,112,230
Lease receivables and lease investment assets	14,009	15,233	126,538
Other assets	8,549	8,503	77,220
Loans and bills discounted	59	79	533
Due from banks	10	15	90

Liabilities secured by assets pledged as collateral were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Borrowed money	¥128,545	¥20,087	\$1,161,097
Deposits	15,468	16,530	139,716
Payables under repurchase agreements	1,093	4,001	9,873

In addition, marketable securities, other assets and due from banks amounting to ¥1,016 million (US\$9,177 thousand), ¥26 million (US\$235 thousand) and ¥15 million (US\$135 thousand), respectively, were pledged as collateral relating to exchange settlements, guarantee deposits for future transactions, etc. as of March 31, 2021. No securities are pledged as collateral for loans payable by affiliates. Other assets included initial clearing margin for CCP of ¥32,000 million (US\$289,043 thousand), initial margins of futures markets of ¥1,248 million (US\$11,273 thousand) and guarantee money of ¥927 million (US\$8,373 thousand) as of March 31, 2021.

12. Property, Plant and Equipment

The accumulated depreciation amounted to ¥19,402 million (US\$175,251 thousand) and ¥21,187 million as of March 31, 2021 and 2020, respectively.

Write-off permitted by the Japanese Tax Law on the property, plant and equipment amounted to ¥253 million (US\$2,285 thousand) and ¥253 million as of March 31, 2021 and 2020, respectively.

13. Customers' Liabilities for Acceptances and Guarantees

The Bank provides guarantees for liabilities of its customers for payment of loans from other financial institutions and for letters of credit. As a contra account, "customers' liabilities for acceptances and guarantees" is shown on the assets side, indicating the Bank's right of indemnity from the applicants.

14. Revaluation Reserve for Land

In accordance with the Law concerning the Revaluation of Land, which took effect March 31, 1998, the Bank revalued land held for its operations on that date.

Unrealized gain is shown in shareholders' equity net of applicable income taxes as "revaluation reserve for land."

Unrealized loss incurred after revaluation amounted to ¥1,945 million (US\$17,568 thousand) as of March 31, 2021.

15. Net Assets

(a) Common Stock

The Bank has 65,000 thousand authorized shares of common stock, of which 43,108 thousand shares were issued and outstanding as of March 31, 2021.

(b) Legal Reserve

The Japanese Banking Law provides that an amount equivalent to at least 20 percent of cash payments, which are made as an appropriation of retained earnings, be appropriated as a legal reserve until a total of such reserve and capital surplus equals 100 percent of stated capital. The reserve is, in principle, not available for dividends but may be used to reduce a deficit or may be transferred to stated capital. The reserve is included in retained earnings on the balance sheets.

(c) Cash Dividends

Year-end dividends are authorized after the close of each period to which they relate and are reflected in the statements of income when declared and paid.

16. Other Expenses

"Other expenses" for the fiscal year ended March 31, 2021, includes the following:

	Millions of Yen	Thousands of U.S. Dollars
Direct charge-off of loans.....	¥675	\$6,097
Loss on money held in trust.....	269	2,430
Loss on sales of securities	29	262
Direct charge-off of securities	260	2,348

17. Subsequent Events

Appropriation of Retained Earnings

The general shareholders' meeting of the Bank, held on June 22, 2021, duly approved the following appropriation of the retained earnings existing as of March 31, 2021.

	Millions of Yen	Thousands of U.S. Dollars
Cash dividends:		
Common stock (¥12.5 per share).....	¥537	\$4,851

Bank of The Ryukyus, Limited

Non-Consolidated Balance Sheets

As of March 31, 2021 and 2020

	Millions of Yen (Note 1)		Thousands of U.S. Dollars (Note 2)
	2021	2020	2021
Assets			
Cash and due from banks	¥ 524,904	¥ 305,664	\$ 4,741,258
Call loans and bills bought	506	—	4,572
Monetary claims bought	9	34	86
Money held in trust	533	4,103	4,823
Securities	336,001	261,394	3,034,967
Loans and bills discounted	1,798,768	1,745,613	16,247,573
Foreign exchanges	7,636	7,955	68,974
Other assets	38,929	38,507	351,638
Property, plant and equipment	20,321	20,140	183,560
Intangible fixed assets	4,902	4,549	44,279
Prepaid pension cost	790	1,025	7,140
Deferred tax assets	4,811	3,898	43,465
Customers' liabilities for acceptances and guarantees	10,617	9,568	95,905
Allowance for loan losses	(9,258)	(6,230)	(83,632)
Total assets	¥2,739,475	¥2,396,224	\$24,744,608
Liabilities			
Deposits	¥2,457,386	¥2,218,250	\$22,196,613
Negotiable certificate of deposits	33,807	38,631	305,369
Payables under repurchase agreements	1,093	4,001	9,873
Borrowed money	110,027	36	993,835
Foreign exchanges	154	225	1,393
Other liabilities	7,261	6,609	65,588
Reserve for bonuses	628	613	5,674
Reserve for retirement benefits	126	224	1,144
Reserve for reimbursement of dormant deposits	35	70	317
Reserve for contingent losses	112	99	1,012
Deferred tax liabilities for land revaluation	1,947	1,985	17,595
Acceptances and guarantees	10,617	9,568	95,905
Total liabilities	2,623,197	2,280,316	23,694,318
Net assets			
Capital stock	56,967	56,967	514,564
Capital surplus	12,840	12,840	115,981
Other capital surplus	72	86	652
Retained earnings:			
Legal retained earnings	3,206	2,949	28,967
Other retained earnings	42,219	42,061	381,350
Treasury stock	(170)	(250)	(1,539)
Total shareholders' equity	115,135	114,654	1,039,975
Valuation difference on available-for-sale securities	171	163	1,548
Deferred gains on hedges	—	1	—
Revaluation reserve for land	751	838	6,784
Total valuation and translation adjustments	922	1,003	8,332
Stock acquisition rights	219	250	1,983
Total net assets	116,277	115,908	1,050,290
Total liabilities and net assets	¥2,739,475	¥2,396,224	\$24,744,608

Notes: 1. The Japanese yen amounts stated in non-consolidated financial statements have been rounded down to the nearest million yen.

2. The conversion of Japanese yen amounts into U.S. dollars has been made at the exchange rate of ¥110.71 per US\$1.00, the rate prevailing on March 31, 2021.

Bank of The Ryukyus, Limited

Non-Consolidated Statements of Income

For the years ended March 31, 2021 and 2020

	Millions of yen (Note 1)		Thousands of U.S. Dollars (Note 2)
	2021	2020	2021
Income			
Interest income:			
Interest on loans and discounts	¥26,350	¥26,529	\$238,010
Interest and dividends on securities	1,709	2,126	15,444
Other interest income	137	887	1,243
Fees and commissions	7,661	7,233	69,199
Other operating income	1,561	5,723	14,107
Total income	37,420	42,500	338,003
Expenses			
Interest expenses:			
Interest on deposits	345	1,274	3,119
Other interest expenses	2	(17)	22
Fees and commissions	4,669	5,067	42,173
General and administrative expenses	25,189	24,618	227,531
Other expenses	5,030	6,276	45,442
Total expenses	35,237	37,219	318,287
Income before income taxes	2,182	5,281	19,716
Income taxes:			
Current	1,459	1,908	13,186
Deferred	(893)	(636)	(8,071)
Total income taxes	566	1,272	5,115
Net income	¥ 1,616	¥ 4,009	\$ 14,601
	Yen		U.S. Dollars (Note 2)
Per share of common stock:			
Net income — basic	¥37.62	¥93.43	\$0.34
Net income — diluted	37.47	93.00	0.34
Cash dividends applicable to the year	25.00	35.00	0.23

Notes: 1. The Japanese yen amounts stated in non-consolidated financial statements have been rounded down to the nearest million yen.

2. The conversion of Japanese yen amounts into U.S. dollars has been made at the exchange rate of ¥110.71 per US\$1.00, the rate prevailing on March 31, 2021.

Bank of The Ryukyus, Limited

Non-Consolidated Statements of Changes in Net Assets

For the years ended March 31, 2021 and 2020

	Millions of Yen (Note 1)		Thousands of U.S. Dollars (Note 2)
	2021	2020	2021
Shareholders' equity			
Capital stock:			
Balance at end of the previous year	¥ 56,967	¥ 56,967	\$ 514,564
Changes during the year	—	—	—
Balance at end of the year	¥ 56,967	¥ 56,967	\$ 514,564
Capital surplus:			
Balance at end of the previous year	¥ 12,840	¥ 12,840	\$ 115,981
Changes during the year	—	—	—
Balance at end of the year	¥ 12,840	¥ 12,840	\$ 115,981
Other capital surplus:			
Balance at end of the previous year	¥ 86	¥ 97	\$ 782
Changes during the year:			
Sales of treasury stock	(14)	(11)	(130)
Total changes during the year	(14)	(11)	(130)
Balance at end of the year	¥ 72	¥ 86	\$ 652
Total capital surplus:			
Balance at end of the previous year	¥ 12,926	¥ 12,937	\$ 116,763
Changes during the year:			
Sales of treasury stock	(14)	(11)	(130)
Total changes during the year	(14)	(11)	(130)
Balance at end of the year	¥ 12,912	¥ 12,926	\$ 116,633
Retained earnings:			
Legal retained earnings:			
Balance at end of the previous year	¥ 2,949	¥ 2,648	\$ 26,639
Changes during the year:			
Cash dividends	257	300	2,328
Total changes during the year	257	300	2,328
Balance at end of the year	¥ 3,206	¥ 2,949	\$ 28,967
Retained earnings brought forward:			
Balance at end of the previous year	¥ 42,061	¥ 39,379	\$ 379,924
Changes during the year:			
Cash dividends	(1,546)	(1,801)	(13,967)
Net income	1,616	4,009	14,601
Reversal of revaluation reserve for land	87	473	792
Total changes during the year	157	2,681	1,427
Balance at end of the year	¥ 42,219	¥ 42,061	\$ 381,350
Total retained earnings:			
Balance at end of the previous year	¥ 45,010	¥ 42,028	\$ 406,563
Changes during the year:			
Cash dividends	(1,288)	(1,501)	(11,639)
Net income	1,616	4,009	14,601
Reversal of revaluation reserve for land	87	473	792
Total changes during the year	415	2,981	3,754
Balance at end of the year	¥ 45,426	¥ 45,010	\$ 410,317

Bank of The Ryukyus, Limited

Non-Consolidated Statements of Changes in Net Assets

For the years ended March 31, 2021 and 2020

	Millions of Yen (Note 1)		Thousands of U.S. Dollars (Note 2)
	2021	2020	2021
Treasury stock:			
Balance at end of the previous year	¥ (250)	¥ (347)	\$ (2,264)
Changes during the year:			
Purchase of treasury stock	0	(1)	(6)
Sales of treasury stock	80	98	731
Total changes during the year	80	96	725
Balance at end of the year	¥ (170)	¥ (250)	\$ (1,539)
Total shareholders' equity:			
Balance at end of the previous year	¥114,654	¥111,586	\$1,035,625
Changes during the year:			
Cash dividends	(1,288)	(1,501)	(11,639)
Net income	1,616	4,009	14,601
Purchase of treasury stock	0	(1)	(6)
Sales of treasury stock	66	87	602
Reversal of revaluation reserve for land	87	473	792
Total changes during the year	481	3,067	4,350
Balance at end of the year	¥115,135	¥114,654	\$1,039,975
Valuation and translation adjustments:			
Valuation difference on available-for-sale securities:			
Balance at end of the previous year	¥ 163	¥ 1,638	\$ 1,475
Changes during the year:			
Net changes in items other than shareholders' equity	8	(1,474)	73
Total changes during the year	8	(1,474)	73
Balance at end of the year	¥ 171	¥ 163	\$ 1,548
Deferred gains on hedges:			
Balance at end of the previous year	¥ 1	¥ (0)	\$ 12
Changes during the year:			
Net changes in items other than shareholders' equity	(1)	2	(12)
Total changes during the year	(1)	2	(12)
Balance at end of the year	¥ —	¥ 1	\$ —
Revaluation reserve for land:			
Balance at end of the previous year	¥ 838	¥ 1,312	\$ 7,576
Changes during the year:			
Net changes in items other than shareholders' equity	(87)	(473)	(792)
Total changes during the year	(87)	(473)	(792)
Balance at end of the year	¥ 751	¥ 838	\$ 6,784
Total valuation and translation adjustments:			
Balance at end of the previous year	¥ 1,003	¥ 2,949	\$ 9,063
Changes during the year:			
Net changes in items other than shareholders' equity	(80)	(1,946)	(731)
Total changes during the year	(80)	(1,946)	(731)
Balance at end of the year	¥ 922	¥ 1,003	\$ 8,332

Bank of The Ryukyus, Limited

Non-Consolidated Statements of Changes in Net Assets

For the years ended March 31, 2021 and 2020

	Millions of Yen (Note 1)		Thousands of U.S. Dollars (Note 2)
	2021	2020	2021
Stock acquisition rights:			
Balance at end of the previous year	¥ 250	¥ 286	\$ 2,264
Changes during the year:			
Net changes in items other than shareholders' equity	(31)	(35)	(281)
Total changes during the year	(31)	(35)	(281)
Balance at end of the year	¥ 219	¥ 250	\$ 1,983
Total net assets:			
Balance at end of the previous year	¥115,908	¥114,823	\$1,046,953
Changes during the year:			
Cash dividends	(1,288)	(1,501)	(11,639)
Net income	1,616	4,009	14,601
Purchase of treasury stock	0	(1)	(6)
Sales of treasury stock	66	87	602
Reversal of revaluation reserve for land	87	473	792
Net changes in items other than shareholders' equity	(112)	(1,982)	(1,013)
Total changes during the year	369	1,085	3,337
Balance at end of the year	¥116,277	¥115,908	\$1,050,290

Notes: 1. The Japanese yen amounts stated in non-consolidated financial statements have been rounded down to the nearest million yen.

2. The conversion of Japanese yen amounts into U.S. dollars has been made at the exchange rate of ¥110.71 per US\$1.00, the rate prevailing on March 31, 2021.

Corporate Governance

Basic Concept and Basic Policies

Toward the realization of its corporate philosophy, the Bank of the Ryukyus fully recognizes its responsibilities to a range of stakeholders—its customers, including shareholders, employees and local communities—while building the mechanisms to carry out transparent, fair, quick and confident decision making. The Bank also regards the basic concept of corporate governance as working toward its sustainable growth and improvements in its corporate value. In fulfilling its responsibilities with regard to corporate governance, the Bank regards the following as its basic policies.

1. Respecting the rights of its shareholders, the Bank develops an environment in which its shareholders can exercise their rights appropriately and effectively and works to ensure the substantive equality of its shareholders.
2. By cooperating with its wide-ranging stakeholders, who include its shareholders, customers, employees and local communities, the Bank works to foster a corporate culture and climate that respects sound business ethics.
3. In addition to the appropriate disclosure of company information, including that of a non-financial nature, and working to ensure the transparency and fairness of management, the Bank works on constructive dialogue with shareholders so that its sustainable growth and corporate value increase over the medium to long term.
4. Given the fiduciary responsibilities and accountability that its Board of Directors and Board of Corporate Auditors have toward shareholders, the Bank devises plans for its sustainable growth and increase in its corporate value, while endeavoring to supervise business execution and ensure audit effectiveness.

[> Annual Report](#)