

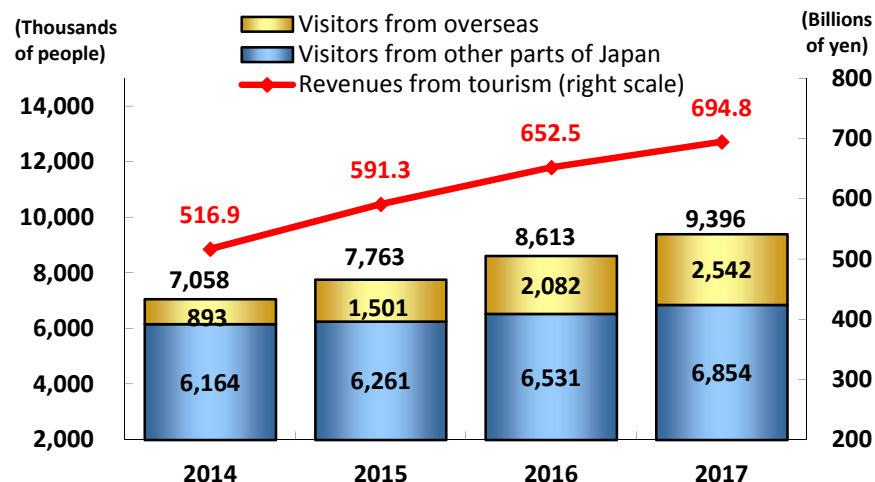
Bank of the Ryukyus
Management Briefing
for FY2017

“Oka” (Sparkling Cherry Blossoms), by Chiaki Zaha
Winner of the 26th (fiscal 2017) Bingata Design Contest
presented by the Bank of the Ryukyus

Economic Overview of Okinawa Prefecture 琉球銀行

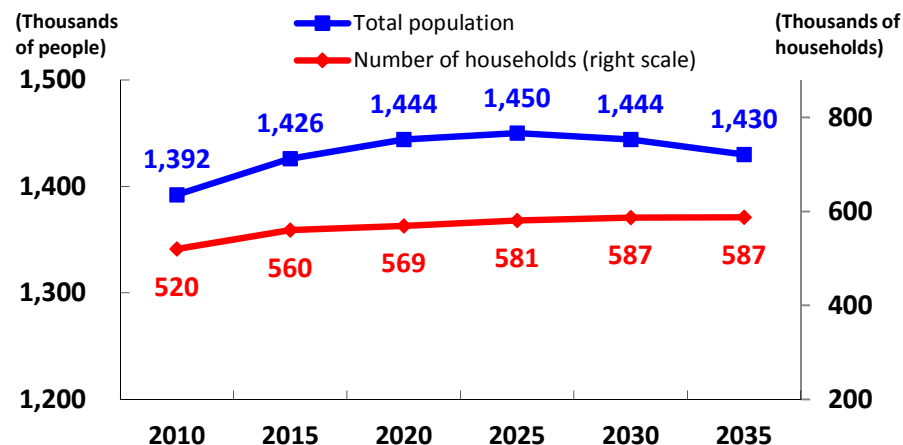
The prefectural economy is expected to continue expanding. Employment shows signs of improvement.

Changes in Tourist Numbers and Revenue



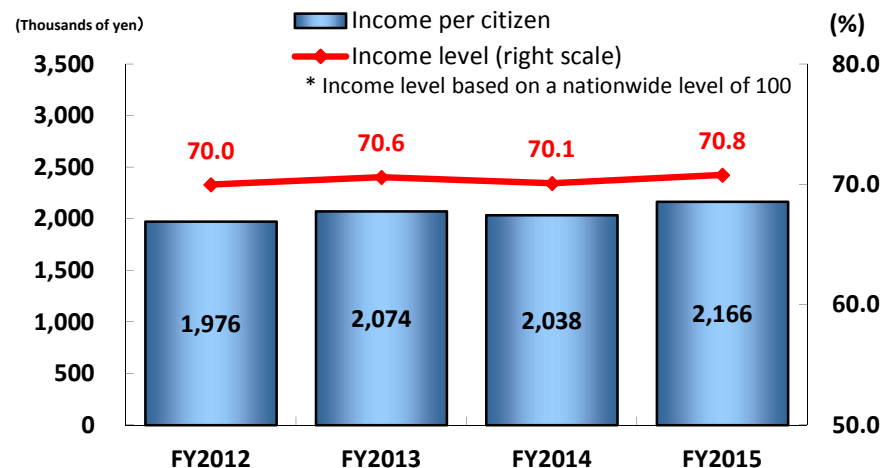
Source: Okinawa Prefecture (calendar year base)

Changes in Okinawa's Future Population and Households



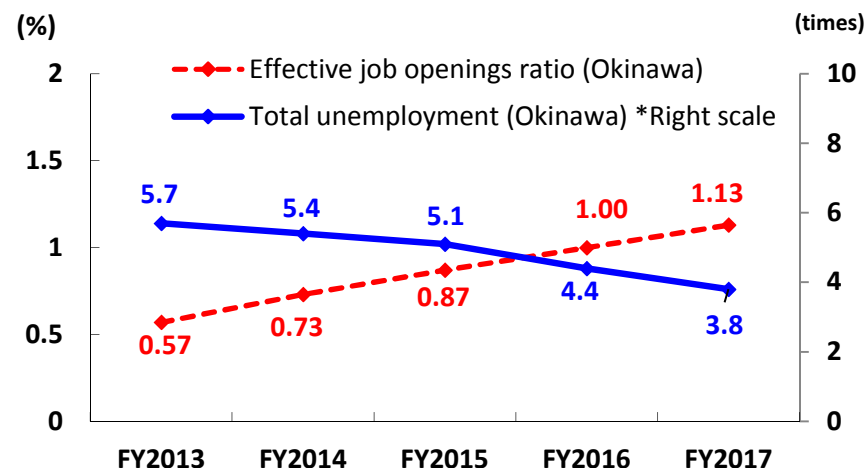
Sources: Population: Nansei Shoto Industrial Advancement Center. Households: created based materials from the National Census 2015 and the National Institute of Population and Social Research.

Changes in Income per Citizen / Income Levels



Source: Okinawa Prefecture

Changes in Effective Job Openings Ratio and Unemployment Rate

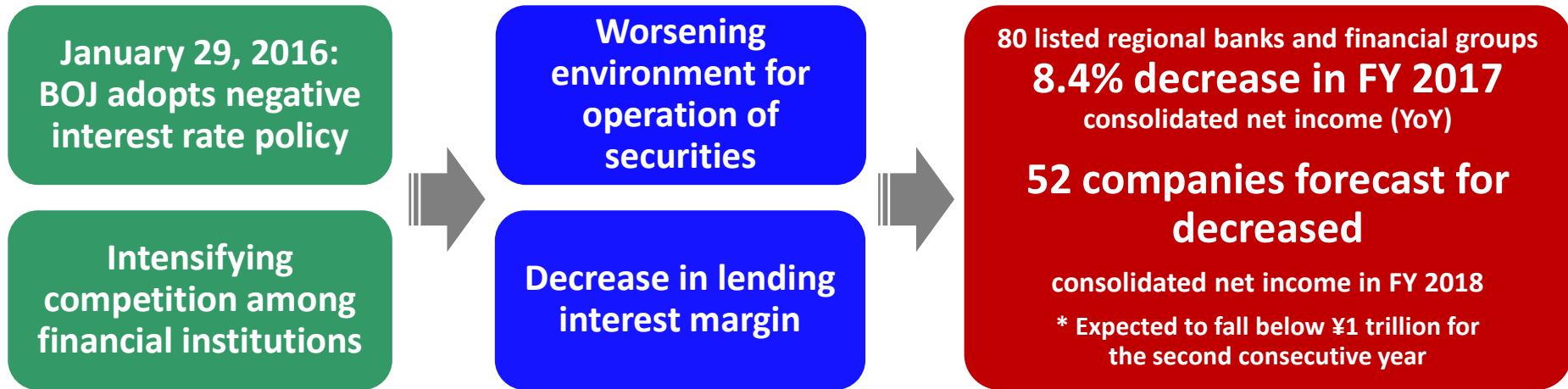


Sources: Okinawa Prefecture, Cabinet General Affairs, Ministry of Internal Affairs and Communications

Financial Industry Trends

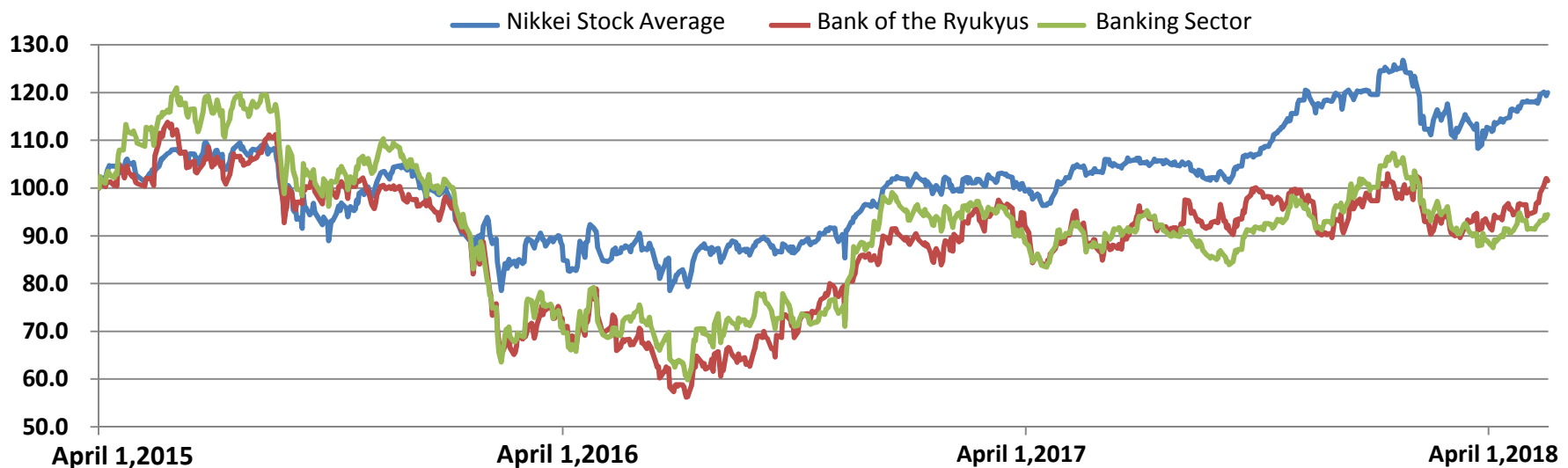


Financial industry conditions remain severe, but will be overcome with diversification of earnings



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

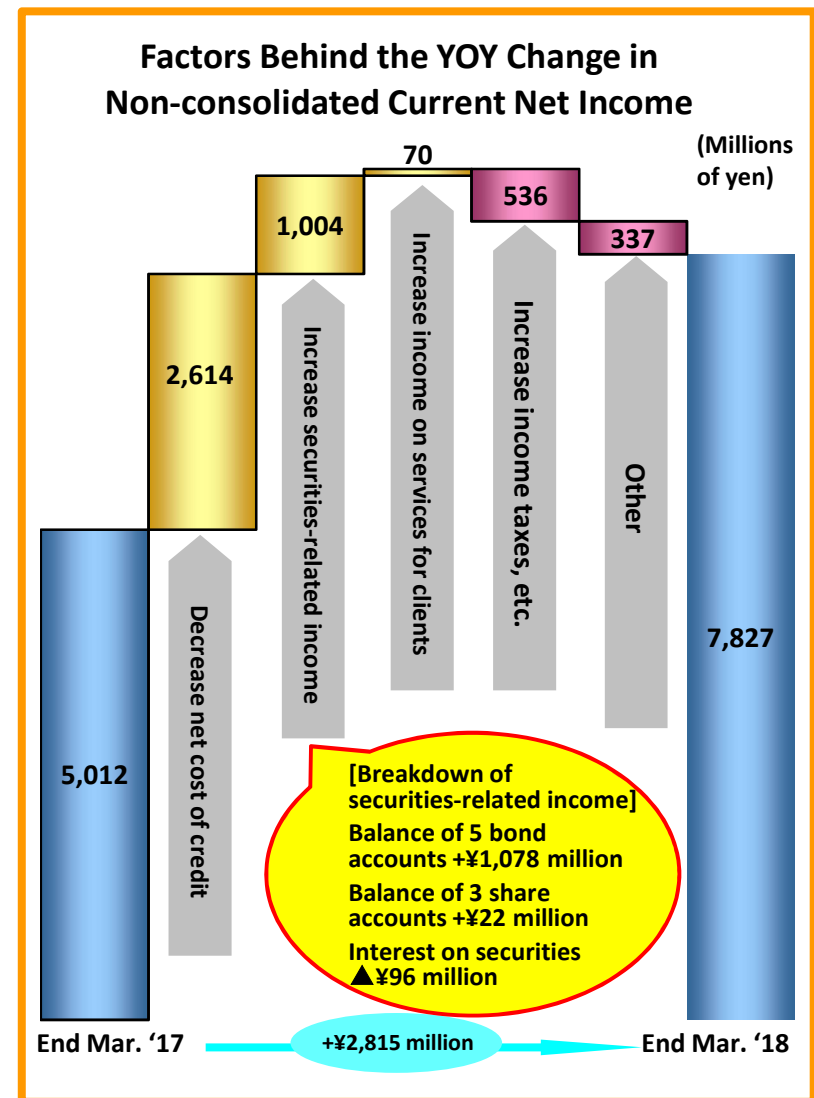
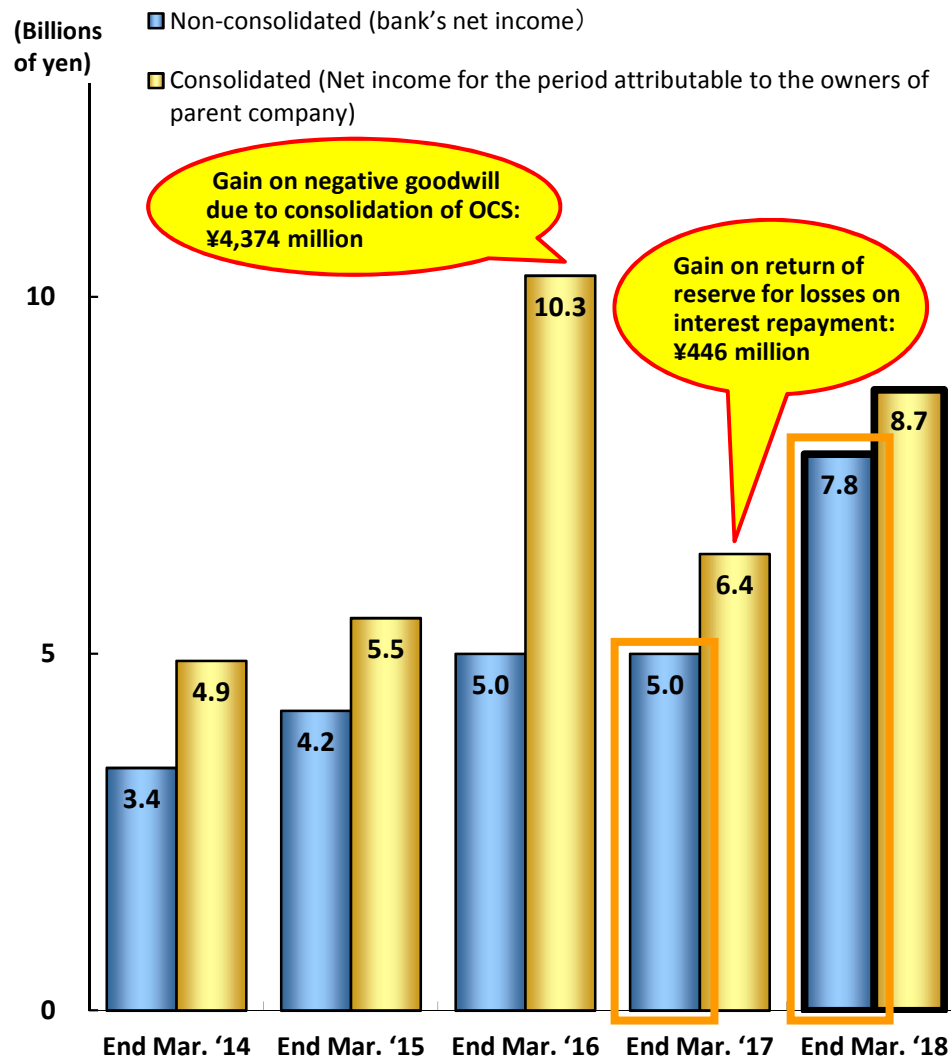
* Stock prices on April 1, 2015 indexed at 100



Financial Summary (Consolidated/Non-consolidated): Net Income



Highest ever non-consolidated profit. 2nd highest net income for consolidated

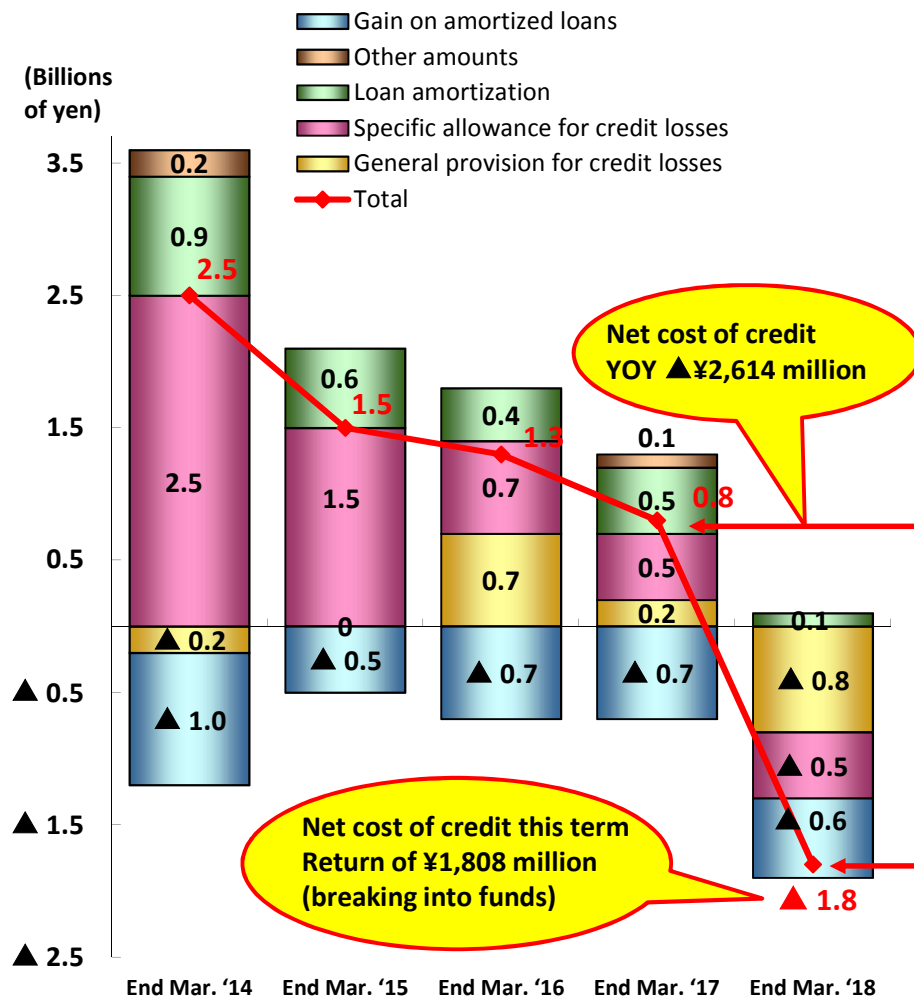


Net Cost of Credit / Disclosed Claims

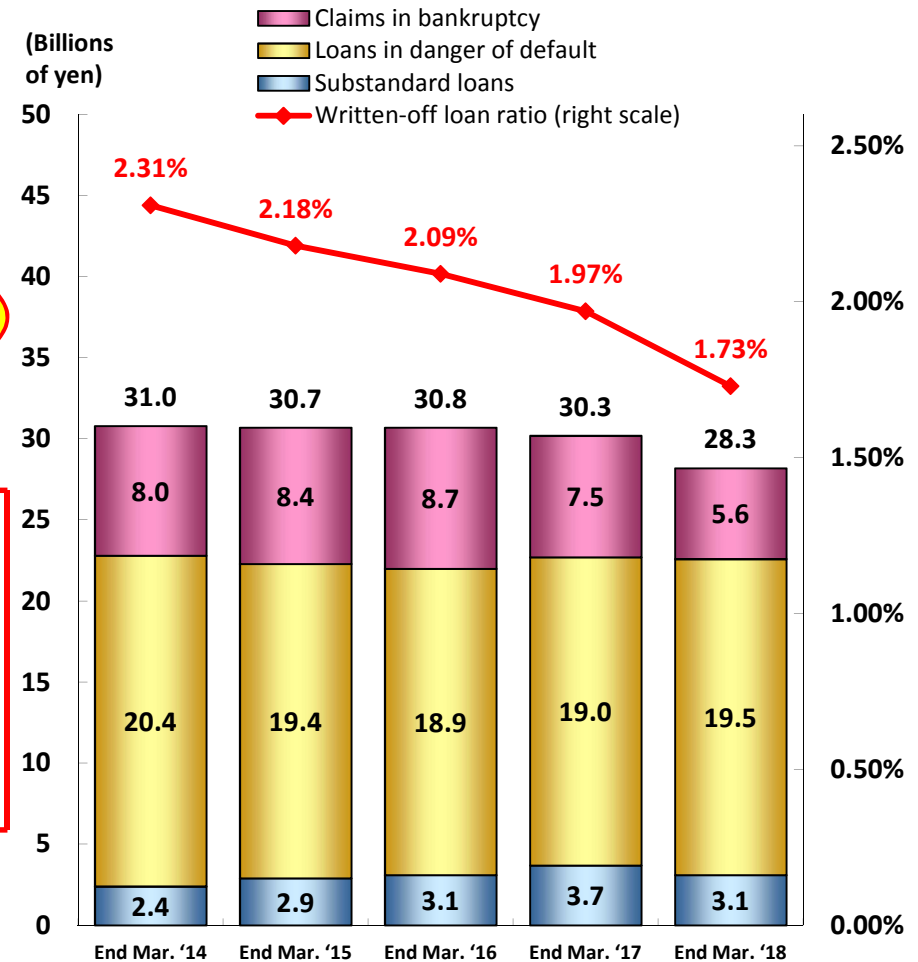


Downward trend for net cost of credit and disclosed claims

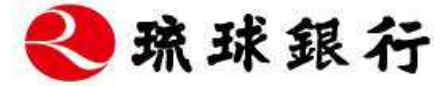
Changes in Net Cost of Credit



Changes in Disclosed Claims

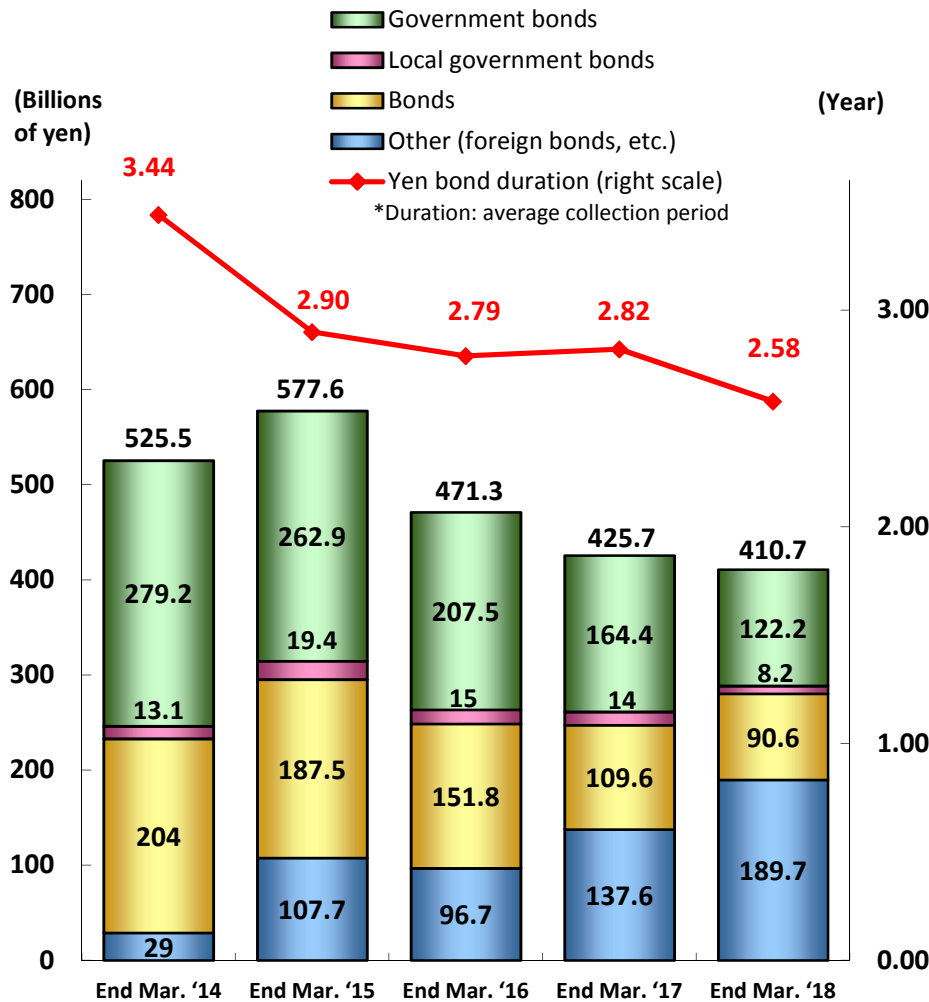


Securities

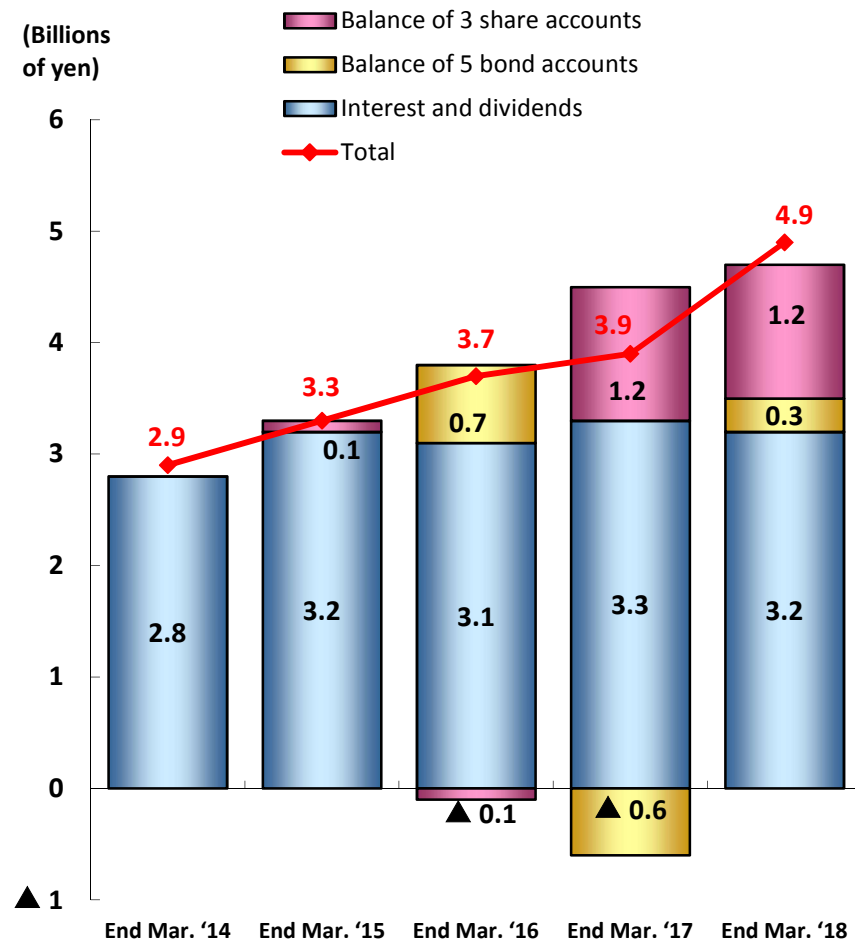


Decreasing balance due to redemption of government bonds, but earnings are increasing via diversification of operations

Changes in the Balance of Securities



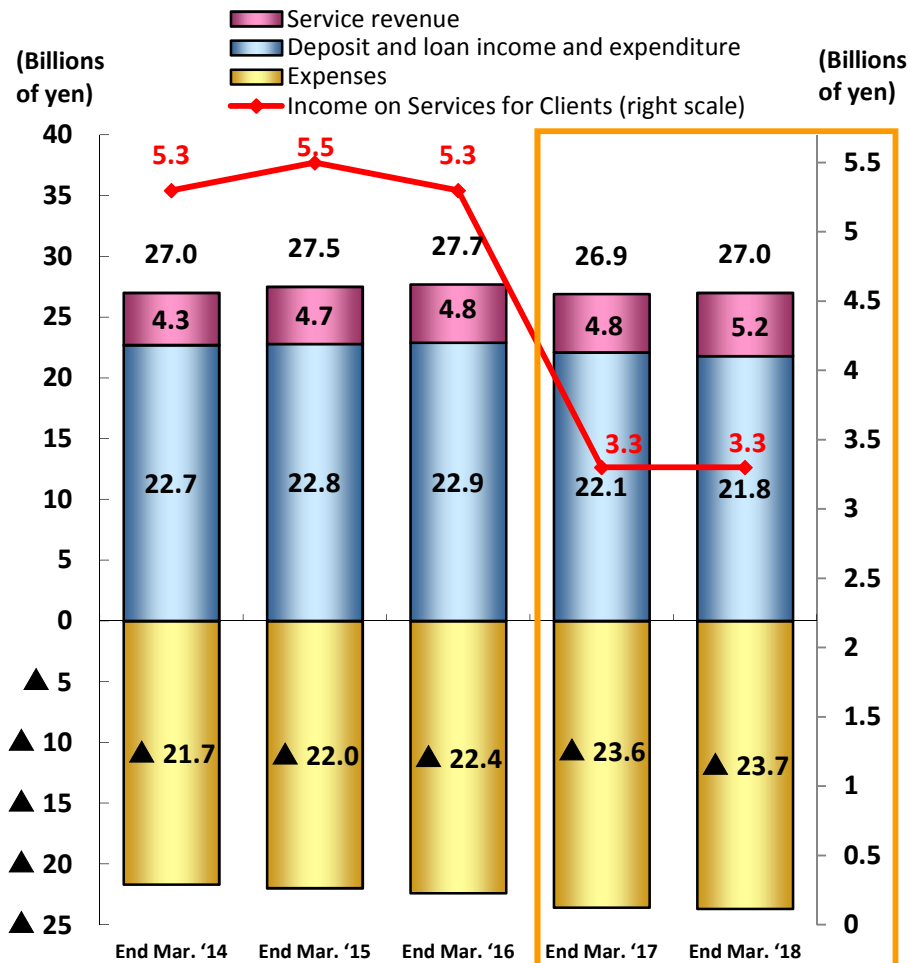
Changes in Marketable Securities Income and Expenditures



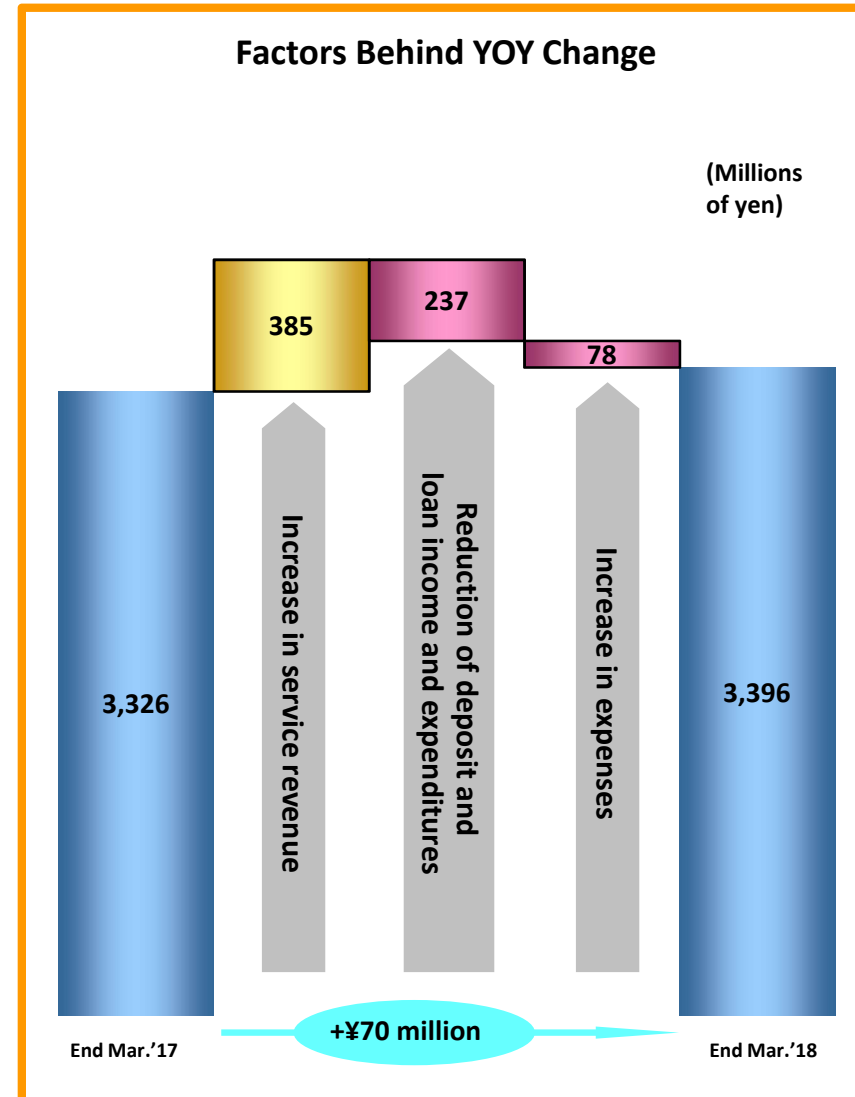
Factors for Gains/Losses for Income on Services for Clients 球球銀行

Bottoming out occurs after introduction of negative interest

Changes in Income on Services for Clients



Factors Behind YOY Change



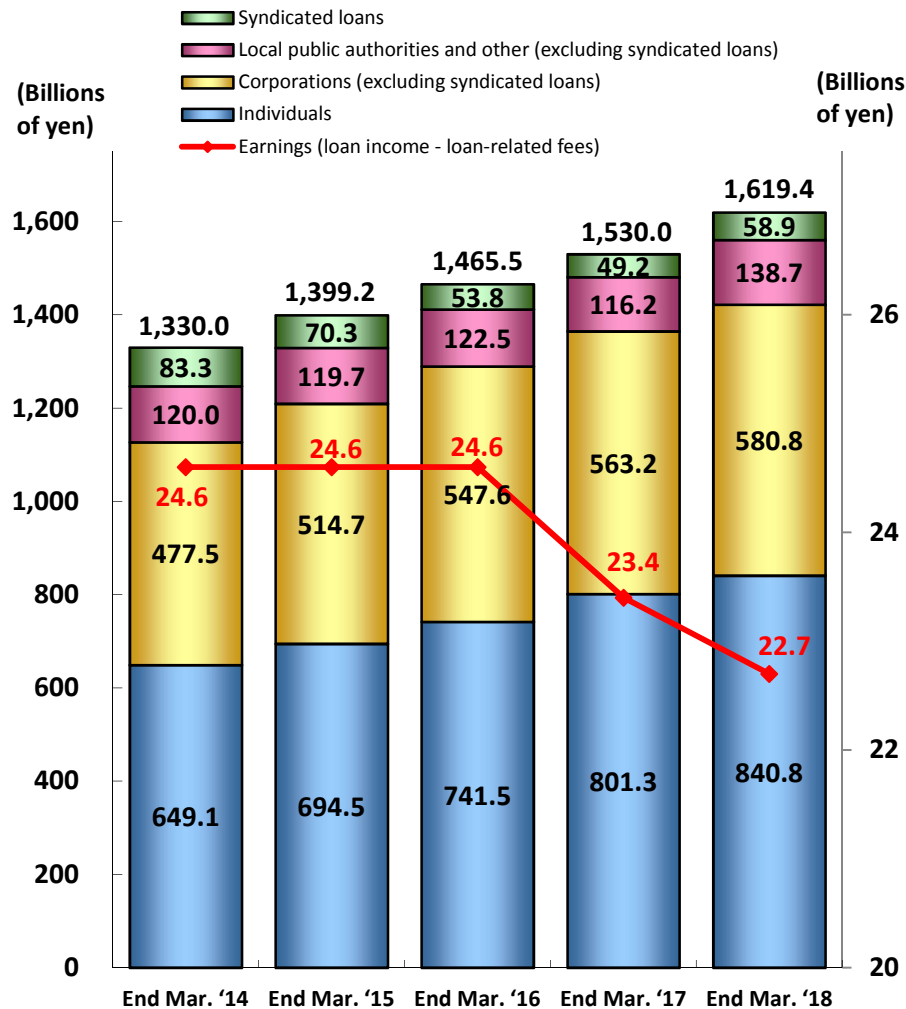
* Income on services for clients = deposit and loan income and expenditures + service revenue - expenses

Deposits and loans

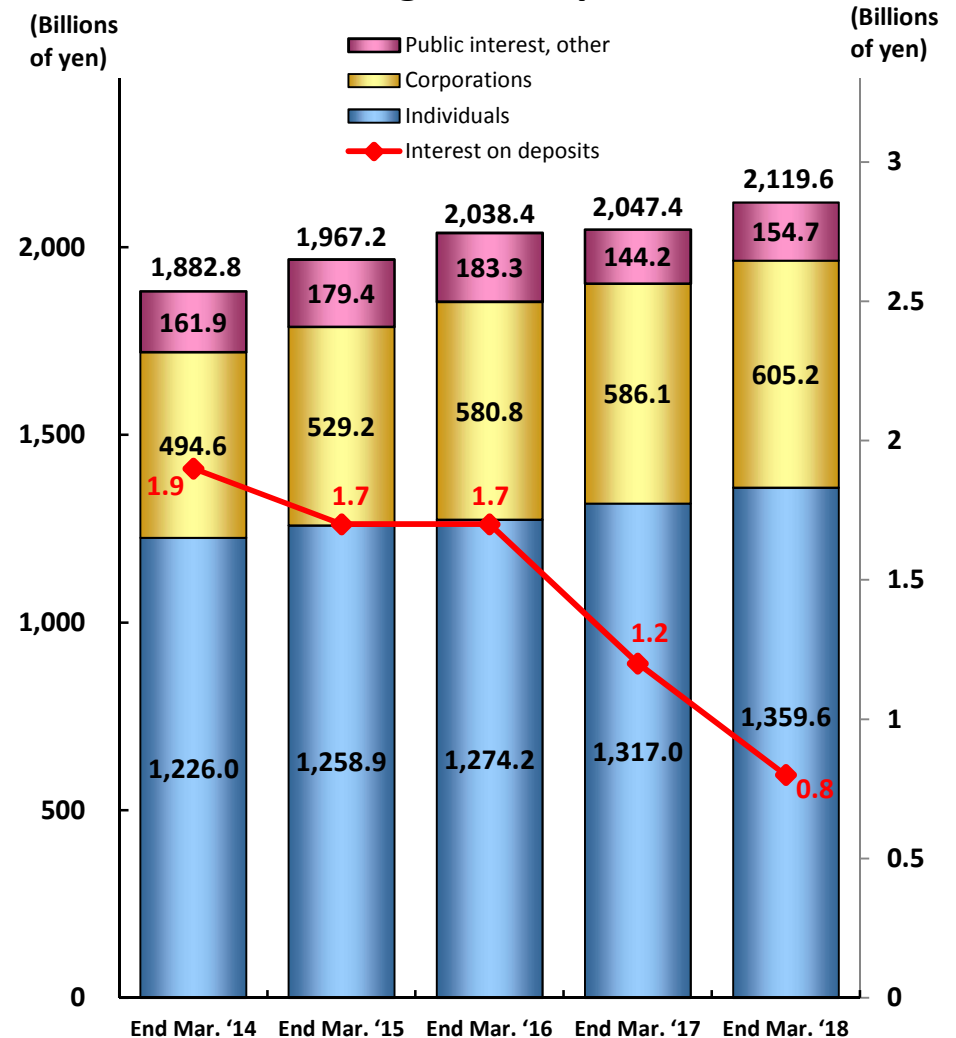


Steadily increasing deposits and loans balances but yield on investments is falling

Changes in Loans



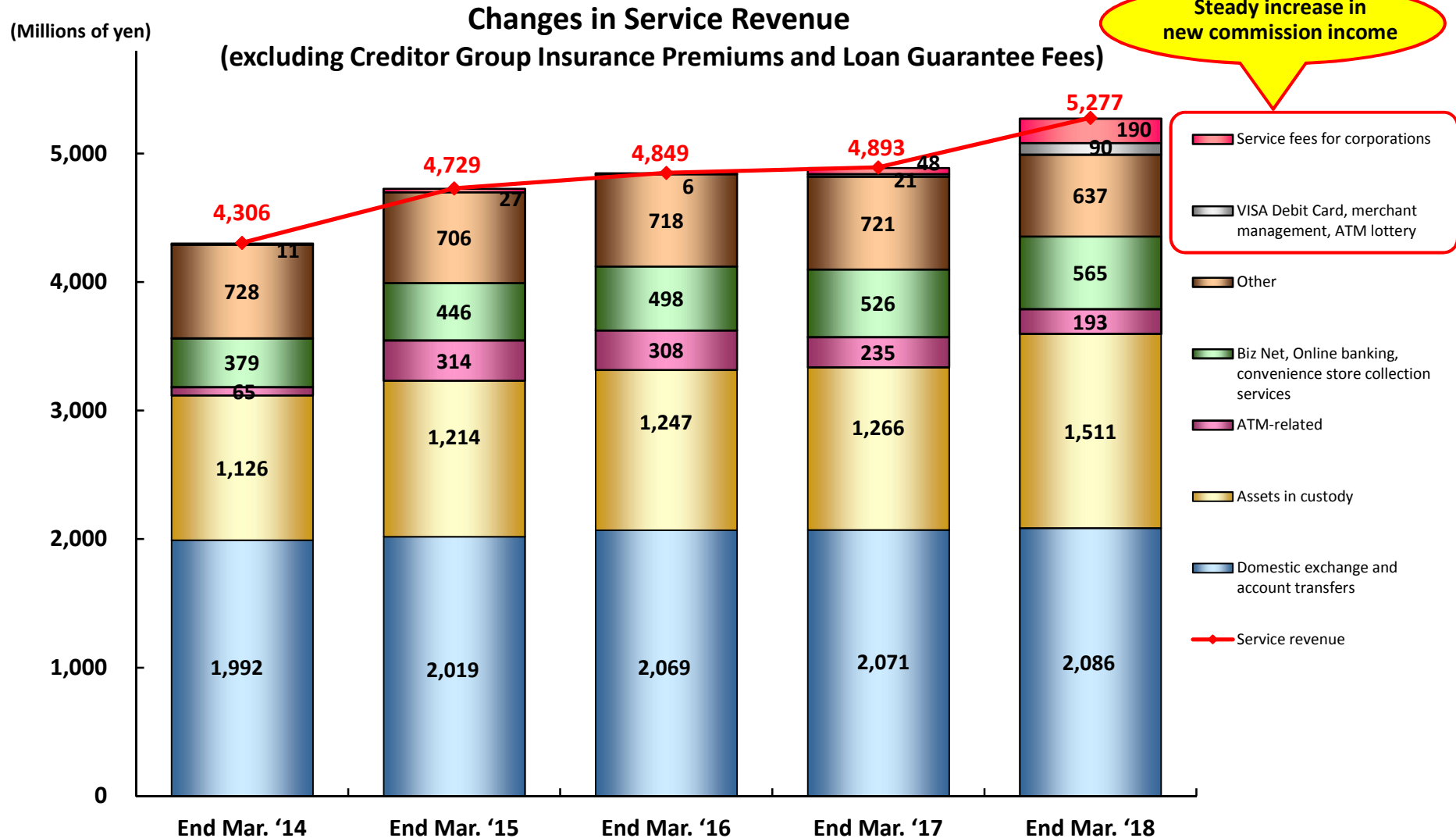
Changes in Deposits



Service revenue



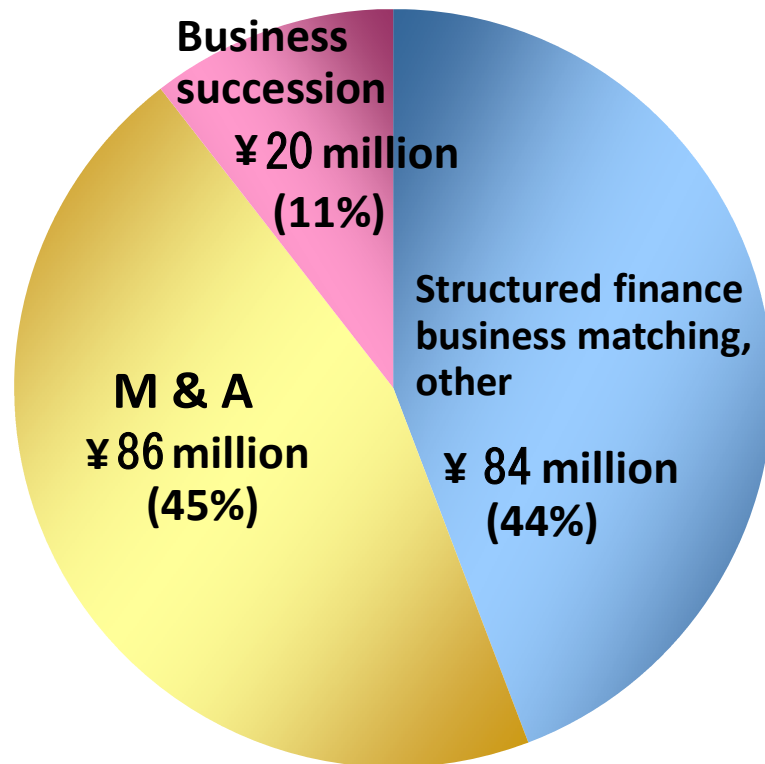
Diversification of earnings sources to increase commission income



* In addition, guarantee of debt fees, fees relating to FX, fees relating to financing, safety deposit boxes, night safes, agency loan administrative fees, etc. 8

Seeking to cultivate new business fields in addition to the lending business

Corporate Services Commission Income Ratio



Okinawa STARTUP PROGRAM

- This program will create and develop innovative and competitive venture companies (start-ups) from Okinawa using the networks and resources possessed by the Bank of the Ryukyus and the Okinawa Times



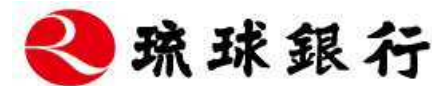
BOR Venture Fund

- In February 2018 we formed a fund managed by Ryugin Research Institute of the Bank of the Ryukyus Group. The fund, totaling ¥200 million, will contribute to the development of the local economy by share-based investment in promising Okinawan companies expected to grow and expand in the future.

Syndicate Loans (Arranger)

- **Trial Run by a Local Bank**
Formed 2 cases with Mizuho Bank as the arranger (co-manager)
 - September 2017
Participation: 6 financial institutions. Amount: ¥2 billion. Period: 20 years
 - March 2018
Participation: 4 financial institutions. Amount: ¥1.3 billion. Period: 10 years

Diversify Fee Business for Individuals

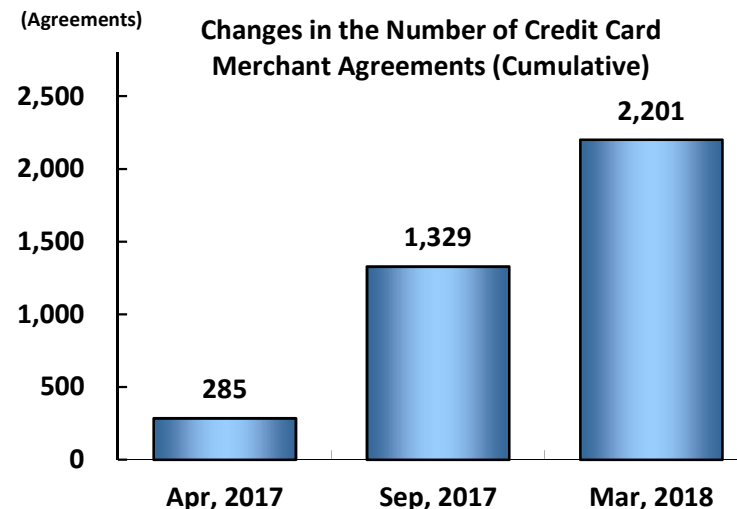


Pioneering efforts among regional banks in Japan

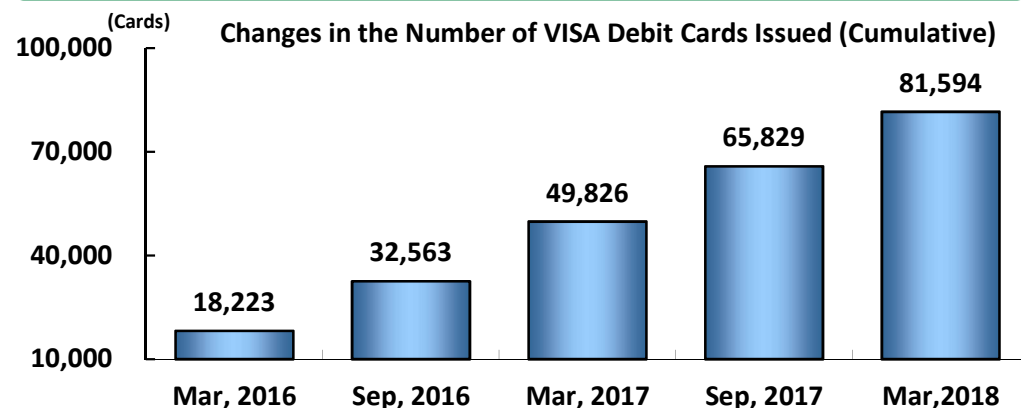
Started the “Ryugin Card Merchant Service” under both international brands of VISA and MasterCard

TOPICS

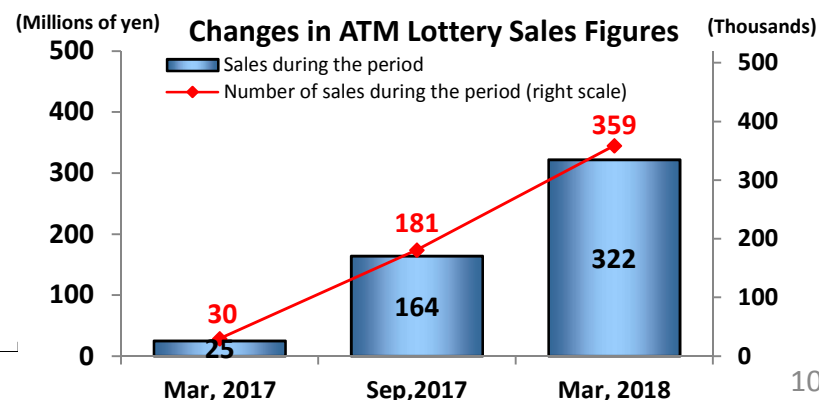
- Jan 2017 Start of credit card merchant management (acquiring)
- Aug 2017 Adoption of mobile devices
- Nov 2017 Start to provide services linked to POS cash registers
- Dec 2017 Start to provide mobile devices to taxi operators
- May 2018 Start handling various types of electronic money (13 main brands)
- Jun 2018 Start merchant management together with The Hida Credit Cooperative (Gifu Prefecture)
- Jun 2018 Start of alliance with Zamami Village Tourism Association to seek out possible merchants



Oct 2015 Launched VISA Debit Card



Feb 2017 Start sale of ATM lottery

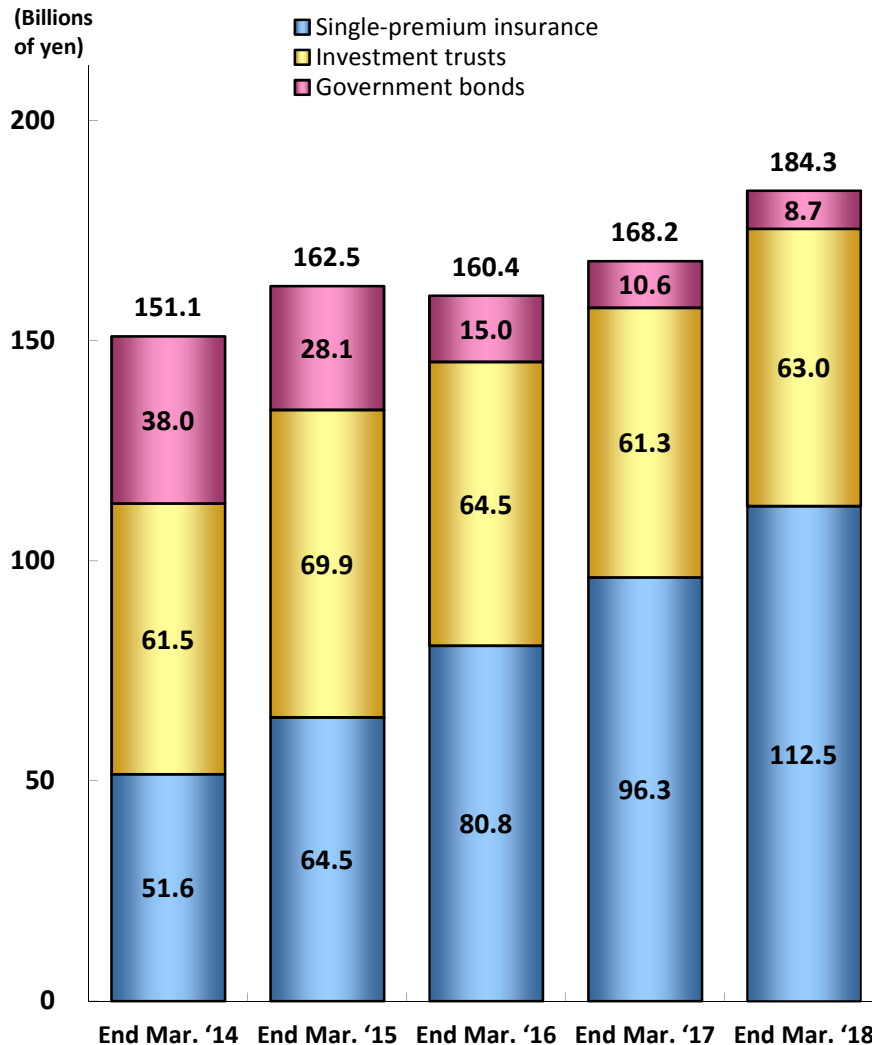


Assets in Custody

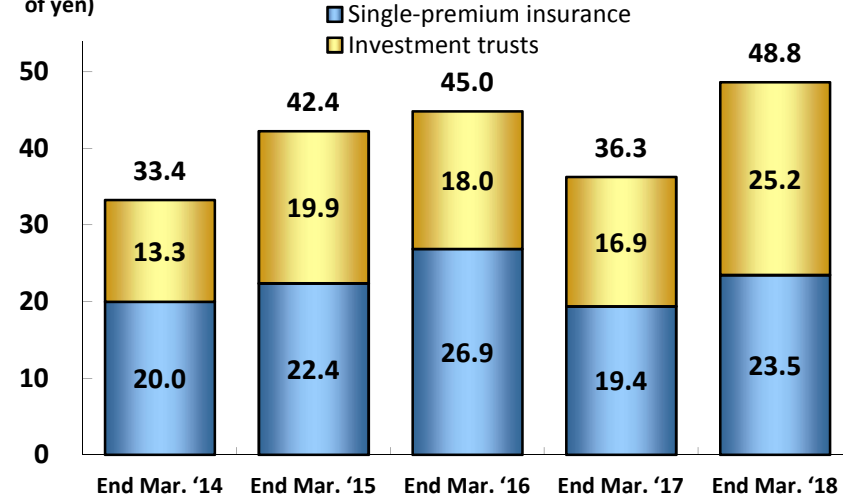


Higher balance overall thanks to increase in sales of single-premium insurance and investment trusts, offsetting a decline in government bonds

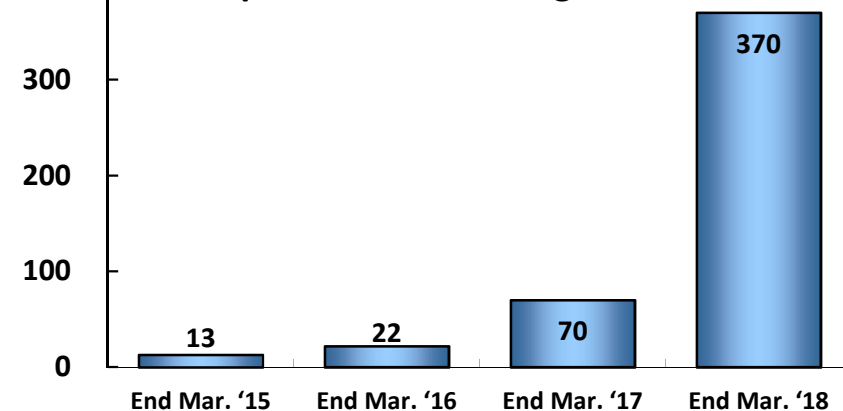
Changes in Assets in Custody Balance



Changes in Sales of Assets in Custody



Changes in the Number of Corporate Insurance Agreements



Branch Strategies

Develop branches where customers can feel relaxed and at home

Oct 2017 Gushikawa Branch received  GOOD DESIGN AWARD 2017



Mar 2018 Makiminato Branch shifted to the new Makiminato Loan Center + (Plus)

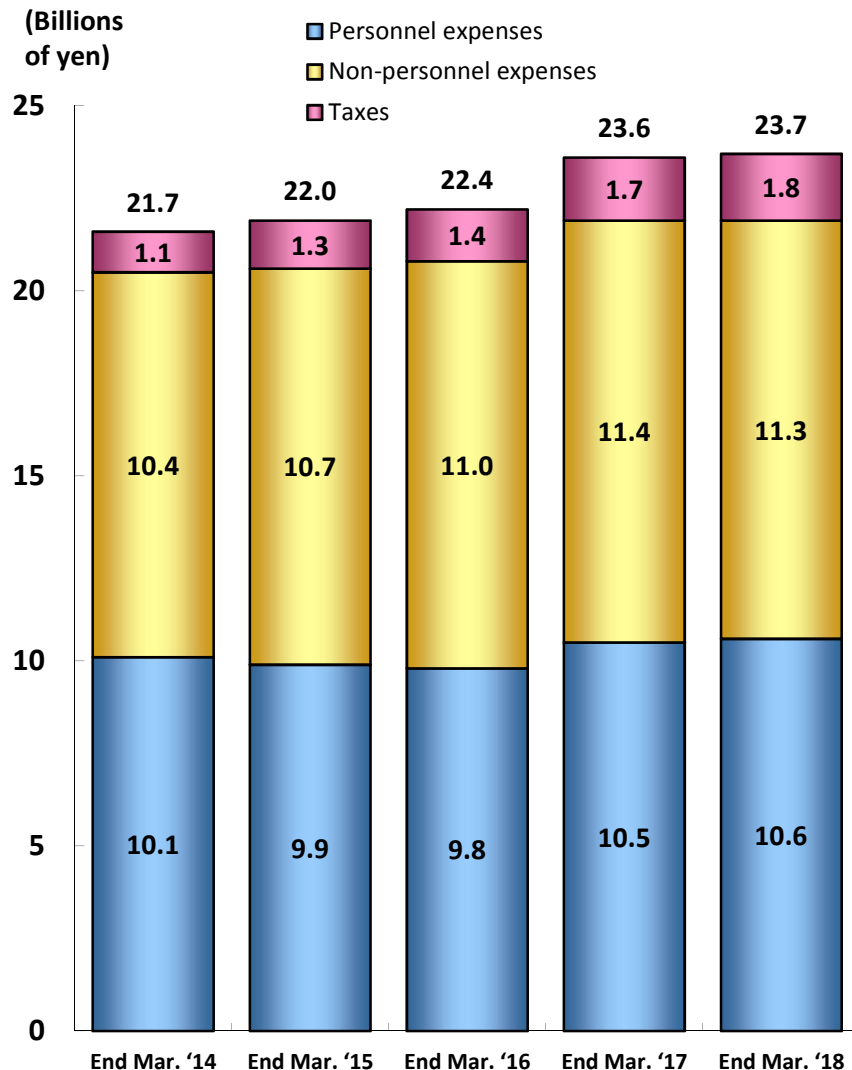


Expenses

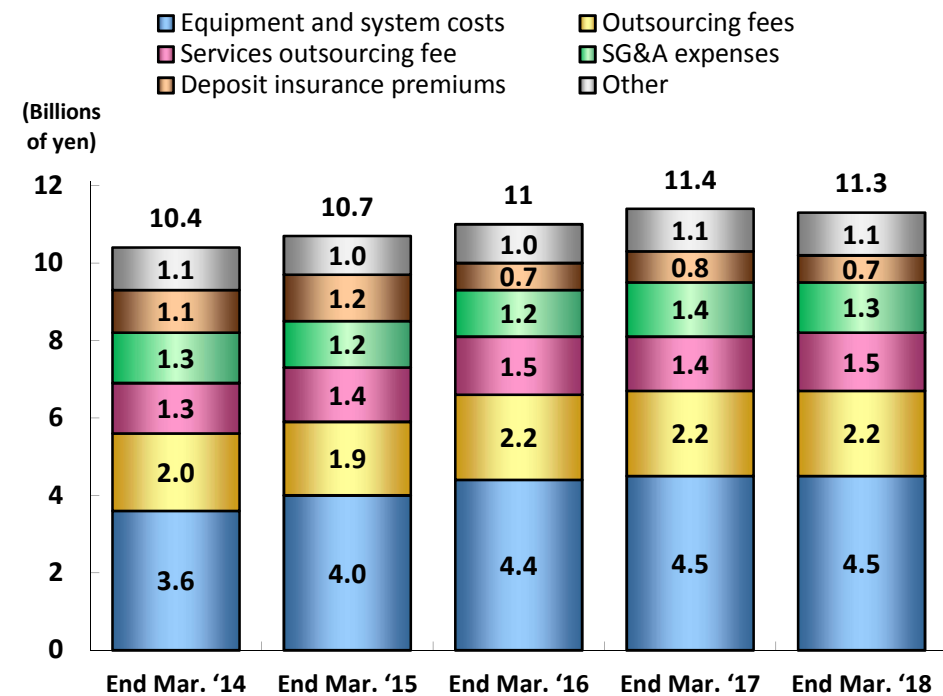


Personnel expenses, non-personnel expenses, and taxes remained roughly the same

Changes in Expenses



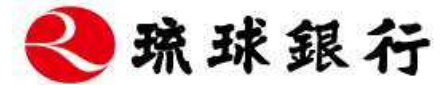
Changes in Non-personnel Expenses Breakdown



Key investments in FY 2017

- Applied to new branches (2 branches, 1 loan center)
- Expand functions of credit card merchant devices
- Expanded functions of the Ryugin VISA Debit Card
- Lending smartphones for work use to all employees and executives

Personnel System Innovations



Initiative to improve motivation and productivity of each employee

Abolition of the position age limit system

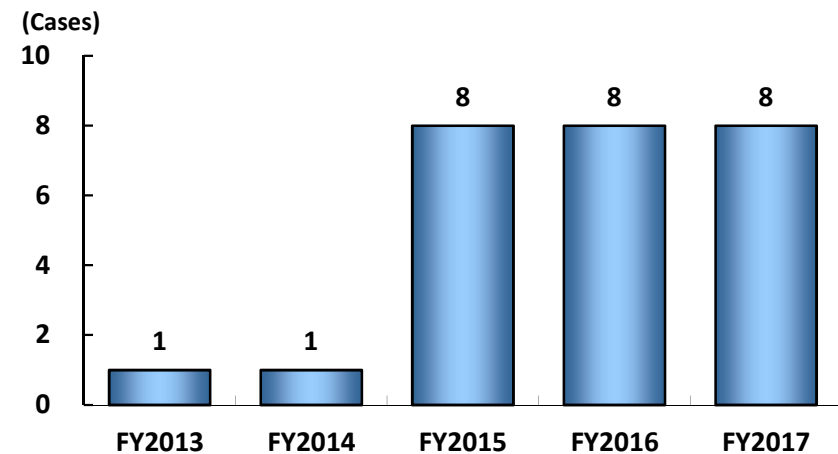
- **Major improvement in compensation for those aged 55 to 60.**
Abolished system lowering pay of clerks at 55 and removing titled employees from the line in principle
- **System to engage employees 60+ in work and maintain/improve their motivation.**
To improve compensation for those continuing past retirement age, we are developing a system for performance-based bonuses and achieve income levels on a par with clerks

Changes in the Personnel Evaluation System

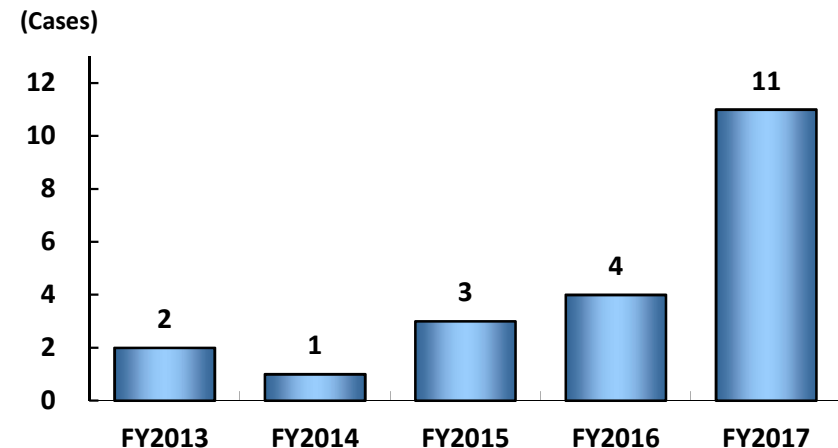
Build a high-quality portfolio of human resources, to establish a sales structure truly geared to clients

- **Set new required knowledge level**
- **Abolished written tests for promotion**
- **Revision of personnel records, etc.**

Results for mid-career employment



Results for promotion of non-regular employees



Events to Celebrate Our 70th Anniversary



The Bank of the Ryukyus celebrated its 70th anniversary on May 1, 2018, thanking its customers for all their support



Aid to students studying abroad

Aiding allowance-based study at high schools or universities overseas



Aid to traditional culture

Intend to start new programs to aid traditional culture



Environmental Conservation Activities



Engaging in coral planting for coral conservation and beachcombing and cleaning



Theme Song

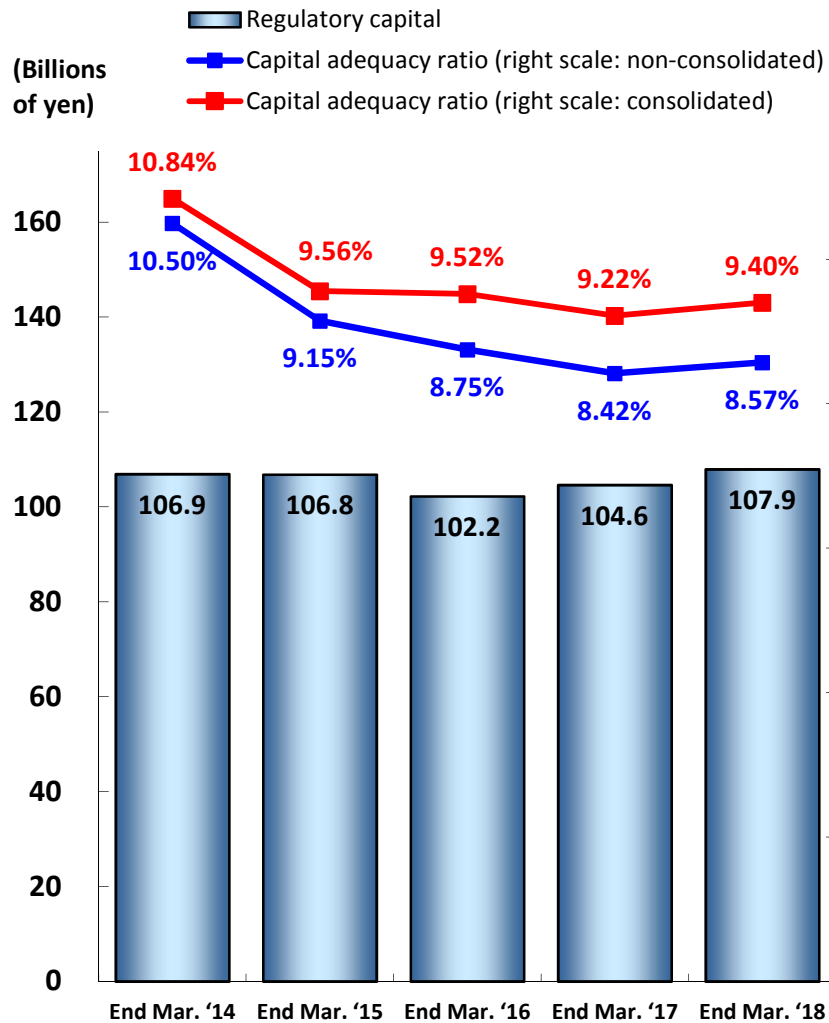
MONGOL800, an Okinawan indie rock band, released "Taiyo Ame (Sun and Rain)," the theme song celebrating the 70th anniversary of the Bank of the Ryukyus

Capital Adequacy Ratio

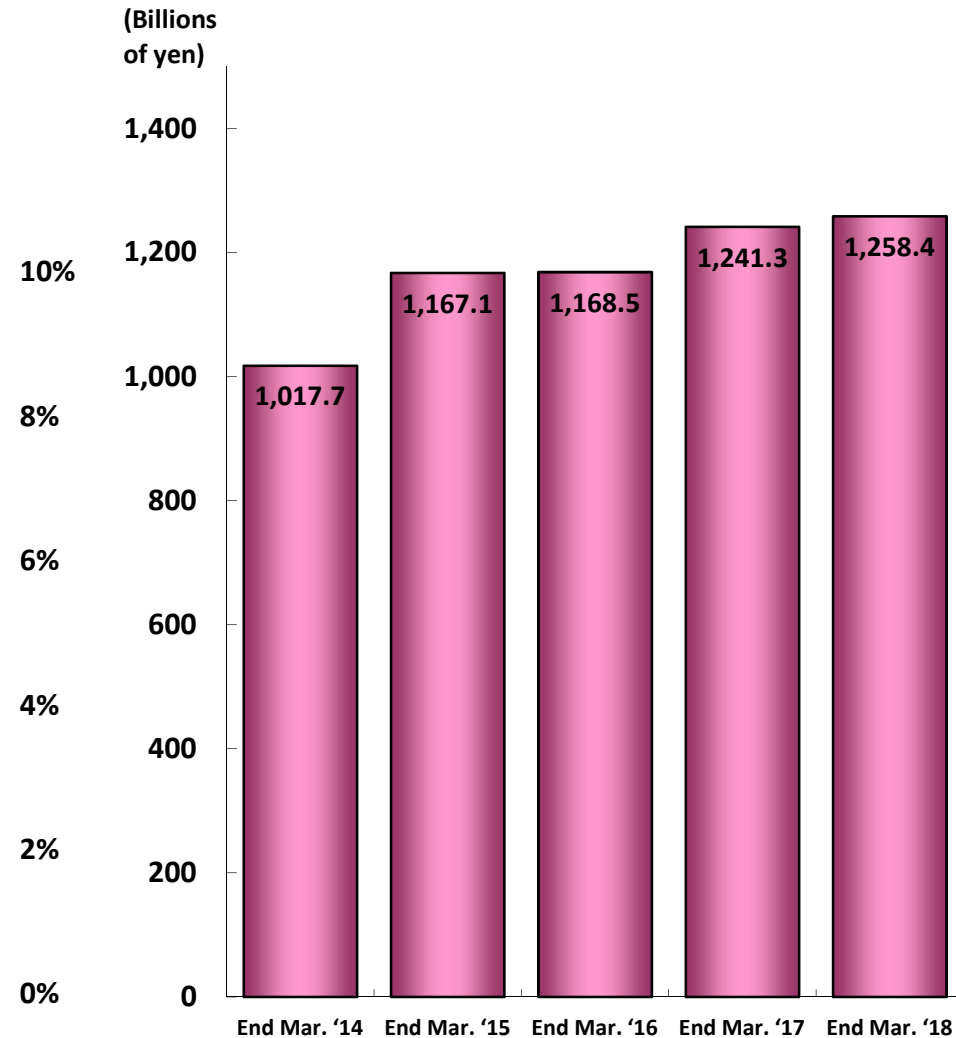


The capital adequacy ratio rose due to a buildup in profit

Changes in Capital Adequacy Ratio

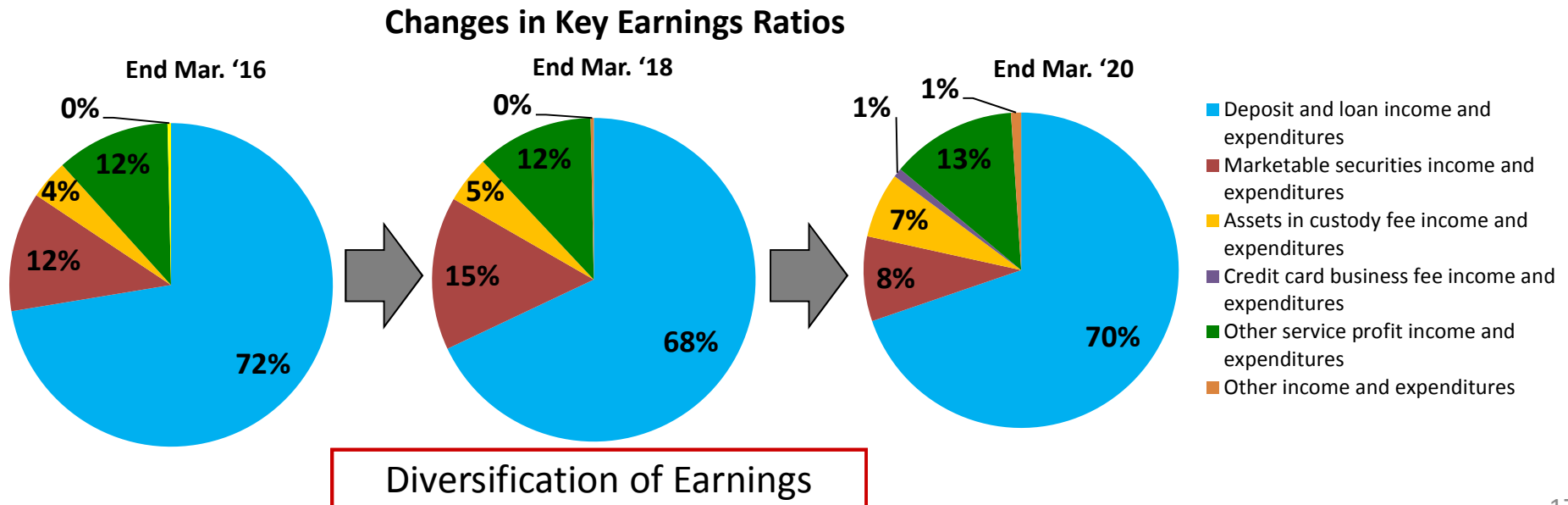
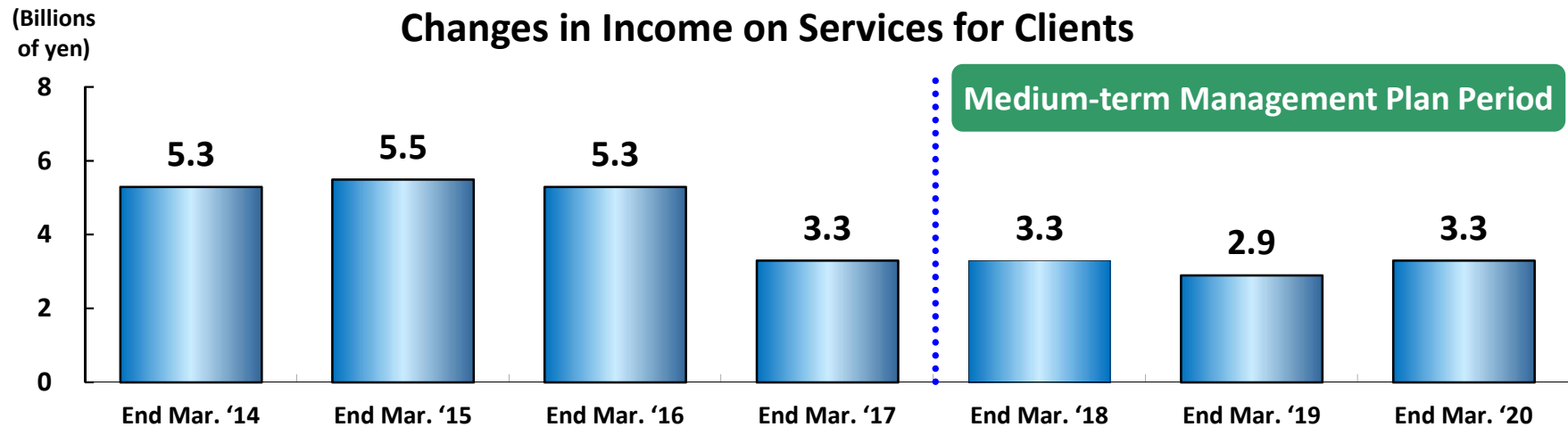


Changes in Risk Assets



Earnings Forecasts for the Midterm Period 珠球銀行

Aim to secure steady earnings by strengthening services revenue



Thank you for supporting the Bank of the Ryukyus

わくわくを広げよう!



About This Presentation



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