



# Outline of Business Results for FY2014

Ⓞ 沖縄銀行

# Highlights for FY2014



Ordinary income decreased due to decreases in interest on loans and bills discounted and net gains (losses) on equity securities (decreased revenues)  
 Ordinary profit increased mainly due to an increase in interest on securities and a decrease in credit costs (increased earnings)

(¥ billion)

Non-consolidated	FY14	FY13	YoY change
<b>Ordinary income</b>	<b>36.4</b>	37.1	(0.7)
Gross business profit	30.5	30.0	+0.4
Interest income	27.8	27.3	+0.4
Fees and commissions	2.3	2.5	(0.2)
Fees and commissions (excluding trust fees)	2.0	2.0	(0.0)
Trust account services	0.3	0.4	(0.1)
Other business profit	0.3	0.1	+0.2
Gains (losses) on bond trading	0.2	(0.0)	+0.3
Expenses (excluding non-recurrent items)	19.7	19.9	(0.2)
<b>Business profit on core banking operations</b>	<b>10.6</b>	10.1	+0.4
Provision of general allowance for possible loan losses	(0.3)	0.6	(1.0)
<b>Net business profit</b>	<b>11.2</b>	9.4	+1.7
Non-recurrent items	(1.2)	(0.9)	(0.3)
Net gains (losses) on equity securities	0.1	1.0	(0.8)
Bad debt disposal (non-recurrent items)	1.9	2.2	(0.2)
<b>Ordinary profit</b>	<b>9.9</b>	8.5	+1.3
Extraordinary gains (losses)	(0.1)	(0.0)	(0.0)
Bad debt disposal (reversal of extraordinary losses)	—	—	—
<b>Net income</b>	<b>6.7</b>	4.5	+2.1
Credit costs	1.6	2.8	(1.2)
Non-performing loan ratio	1.61%	1.72%	(0.11)%
Capital ratio	11.13%	11.66%	(0.53)%

## ■ Year-on-year changes

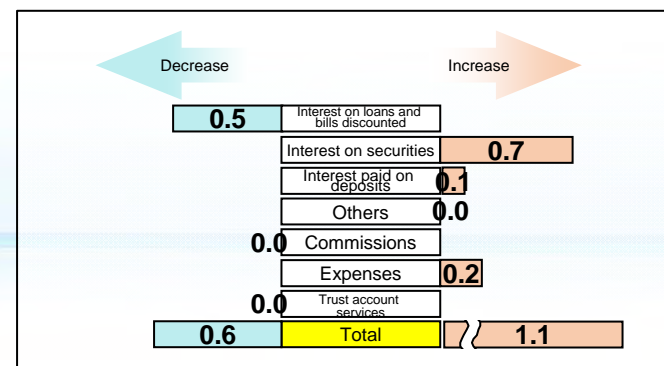
(¥ billion, %)

	Average balance	Yield	Interest
Loans and bills discounted	+54.0 [+52.9]	(0.14) [(0.13)]	(0.5) [(0.5)]
Securities	(15.9)	+0.14	+0.7
Deposits	+77.3 [+67.5]	(0.02) [(0.01)]	(0.1) [(0.1)]
Others	-	-	+0.0 [+0.0]
<b>Total</b>	-	-	<b>+0.4</b> [+0.3]

Note) Figures in square brackets include trust accounts.

**Net gains on securities are posted as +¥0.3 billion**

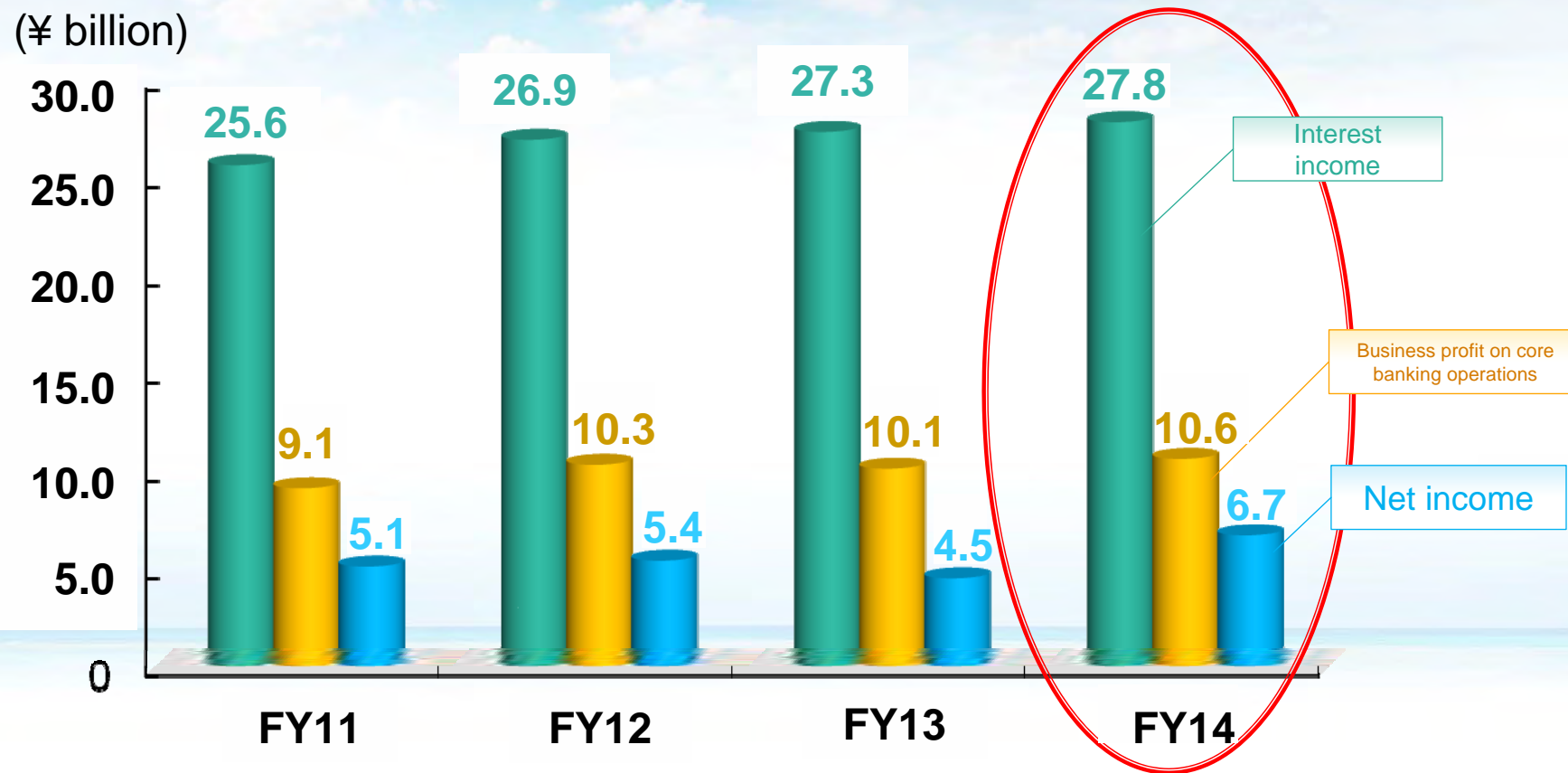
## ■ YoY comparison of business profit on core banking operations



**Business profit on core banking operations was  
¥10.6 billion (The highest level since FY2009)**



Business profit on core banking operations increased due to increases in interest on securities and dividends

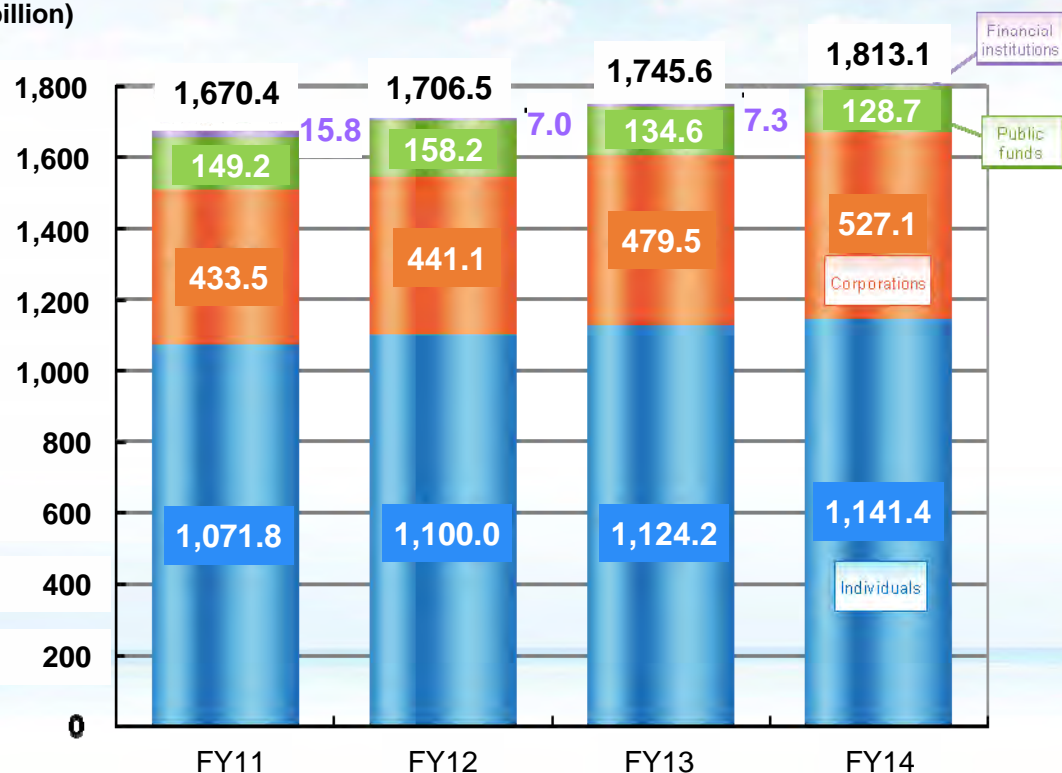


## Deposits (Average Balance)



Deposits by corporations rose by ¥47.5 billion (+9.9%)  
 Deposits by individuals rose by ¥17.1 billion (+1.5%)  
 Total deposits rose by ¥67.5 billion (+3.8%) to ¥1,813.1 billion

(¥ billion)



### Deposits by corporations

Increased liquidity in deposits due to enhanced function to trace funds

### Deposits by individuals

Increased liquidity in deposits due to opening of new salary payment and pension accounts

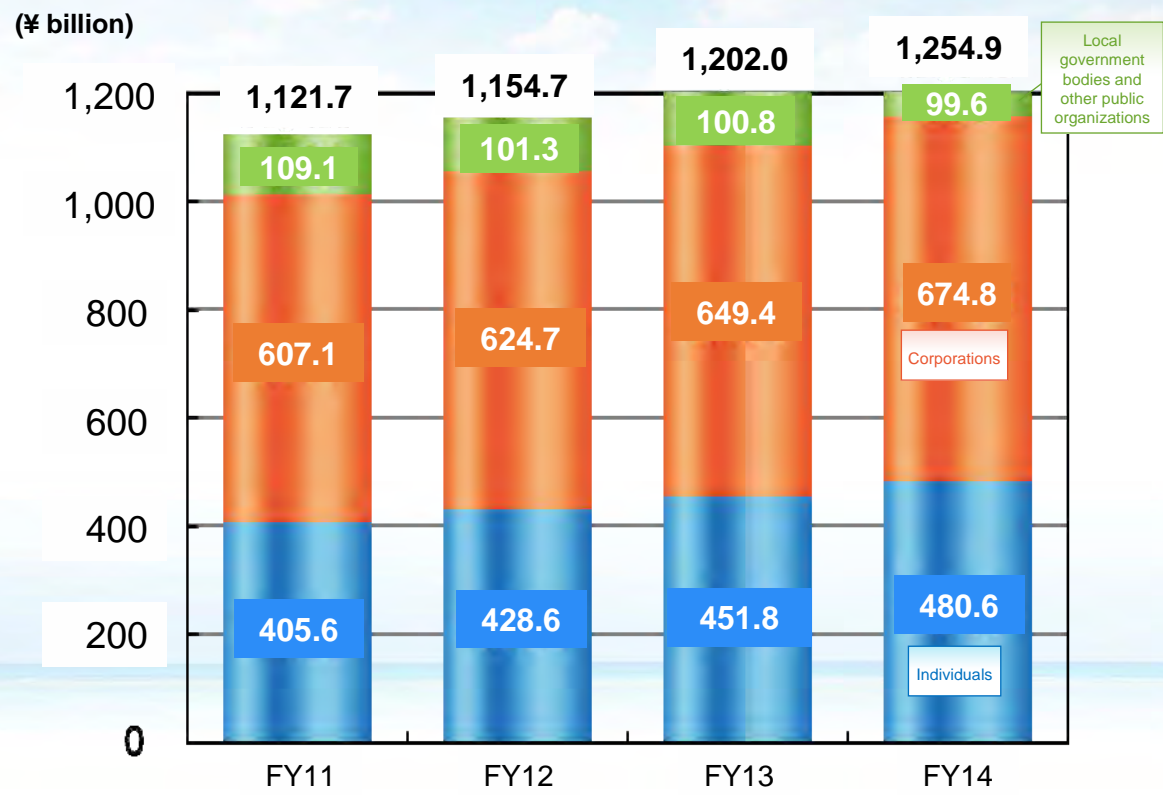
\* Including trust accounts



## Loans (Average Balance)



Business loans rose by ¥25.4 billion, loans to individuals rose by ¥28.7 billion  
 Total loans and bills discounted rose by ¥52.9 billion (+4.4%) to ¥1,254.9 billion



Business loans  
 Factors for increase in loans:  
 Apartment loans

Loans to individuals  
 Factors for increase in loans:  
 Mortgage loans

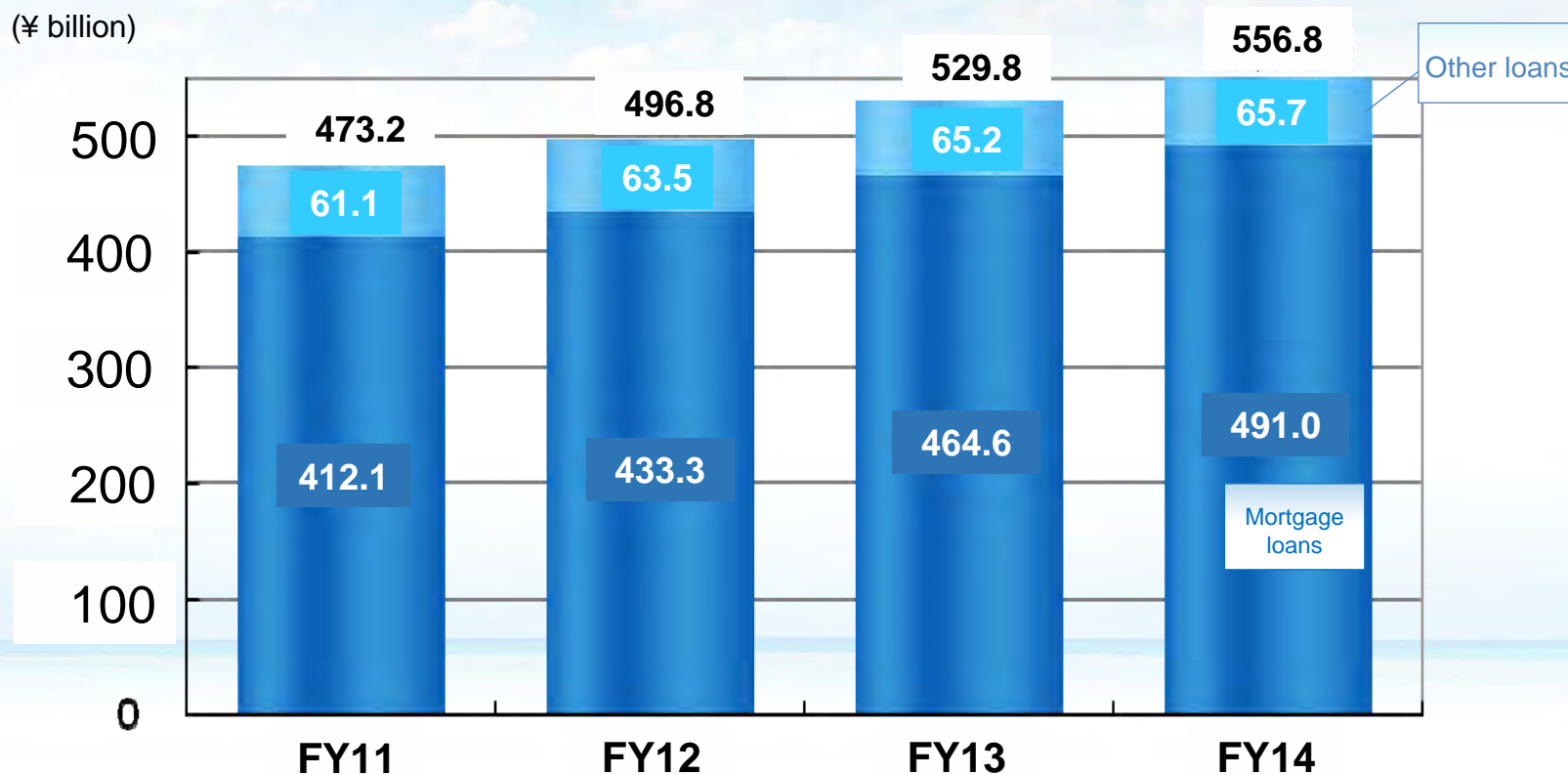
\* Including trust accounts



## Loans to Individuals (Term-End Balance)



Mortgage loans rose by ¥26.4 billion, other loans rose by ¥0.5 billion  
 Loans to individuals rose by ¥27.0 billion (+5.1%) year on year to ¥556.8 billion



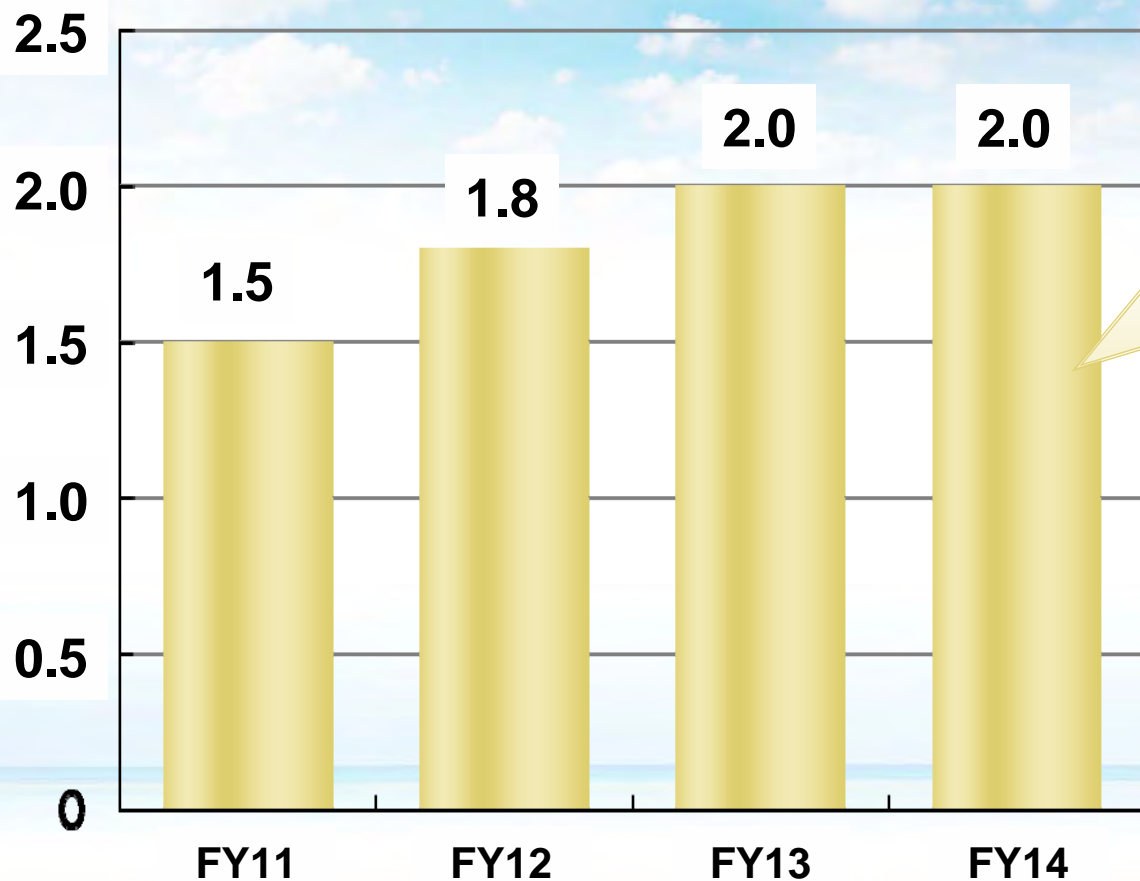
\* Including trust accounts



## Fees and Commissions (Excluding Trust Fees)



(¥ billion)

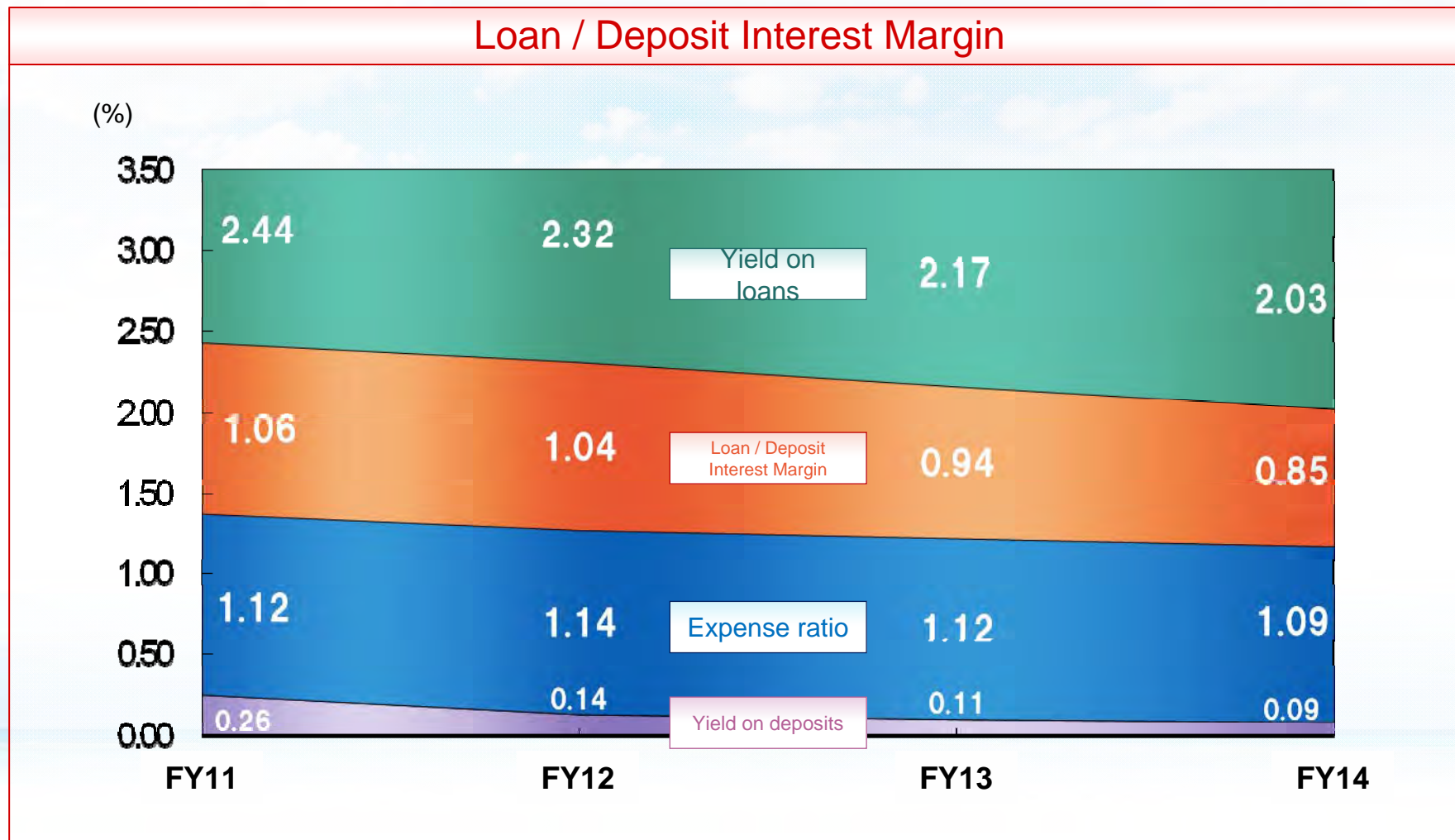


### Fees and commissions remained flat overall

- Increased fees due to increased assets in custody
- Increased premium expense for creditor group insurance due to increased mortgage loans

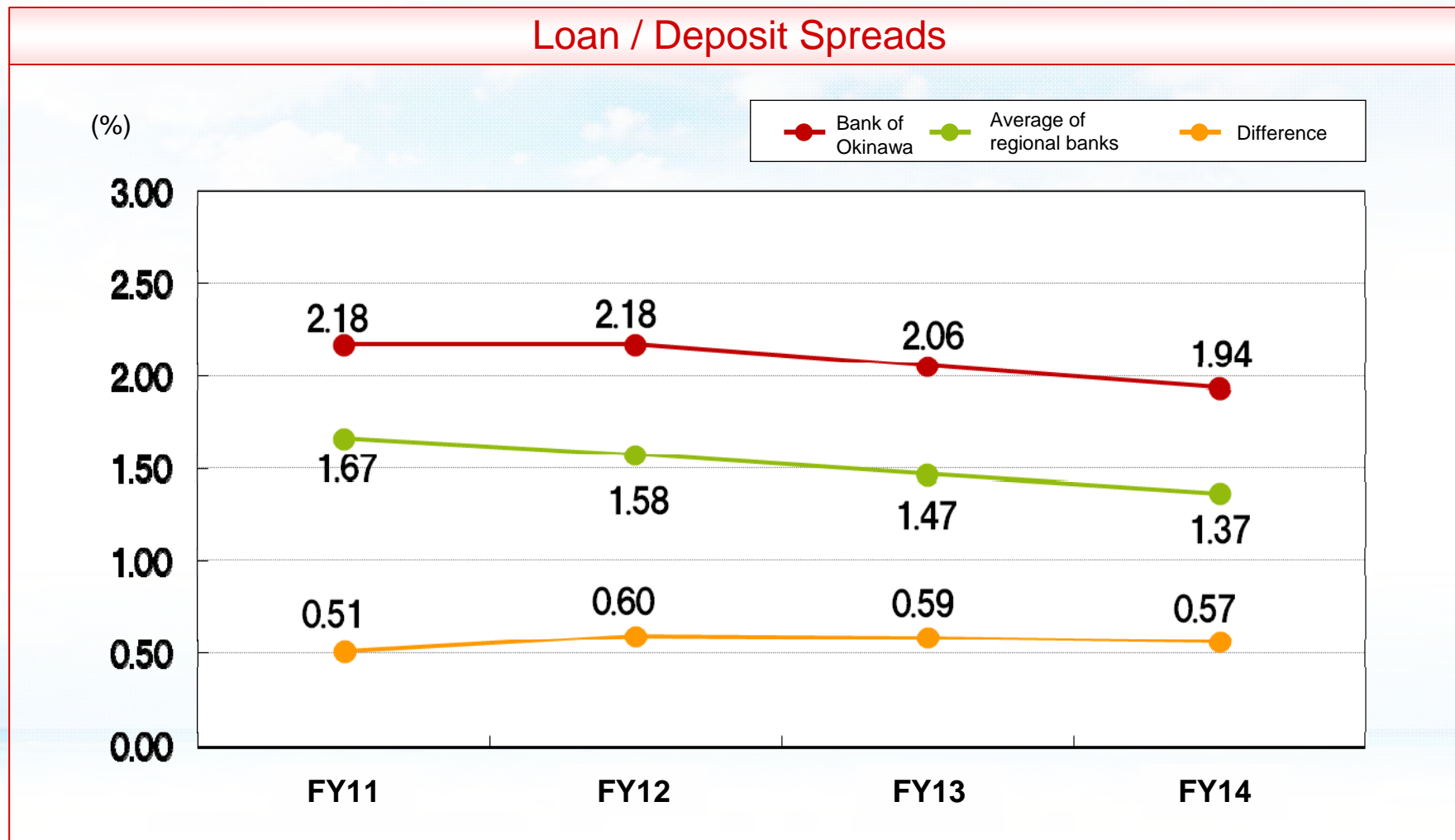


## Loan / Deposit Interest Margin (Domestic)





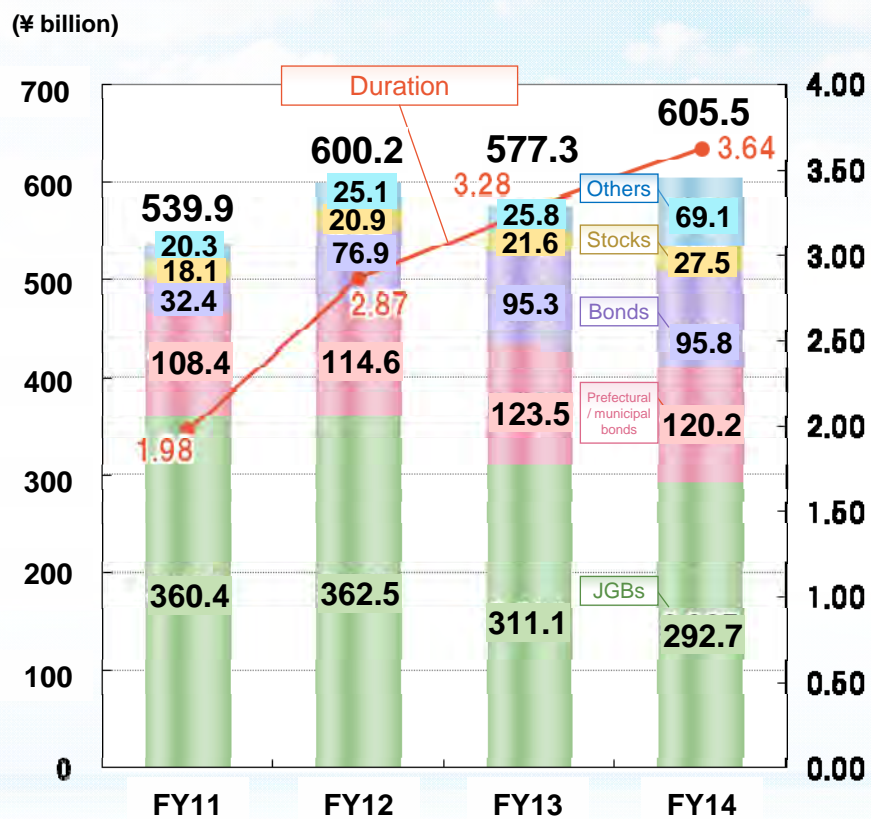
## Loan / Deposit Spreads (Domestic)



# Securities (Term-End Balance)

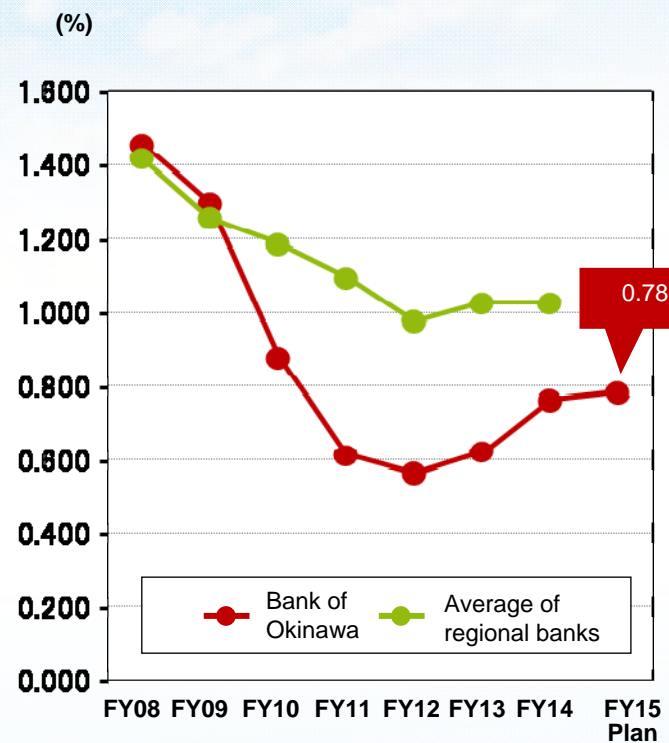


## Term-end balance and average duration



\* The value of duration includes floating rate JGBs

## Yield on securities

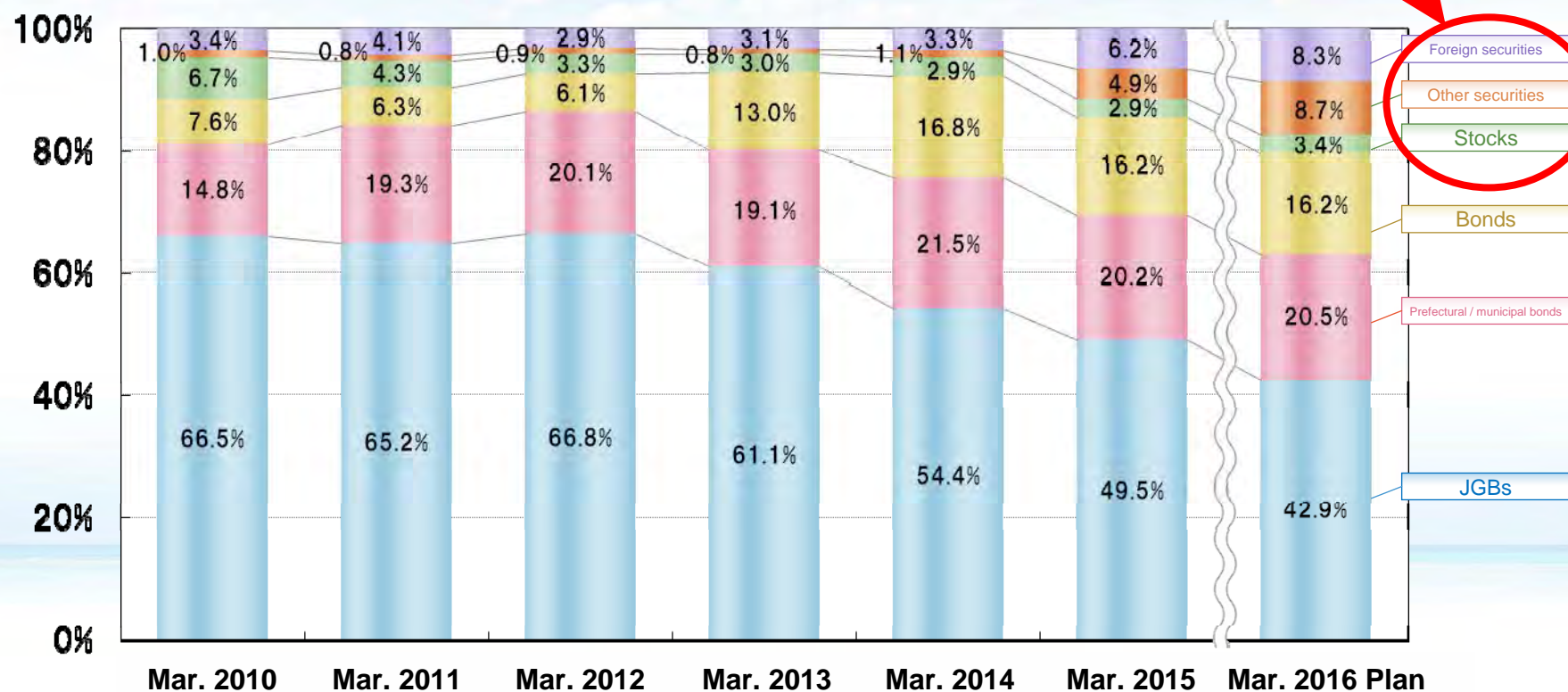


# Securities Allocation



Pursuing higher yields through rebalancing from yen bond holdings (such as JGBs)

Securities composition percentage (carrying value at term-end)



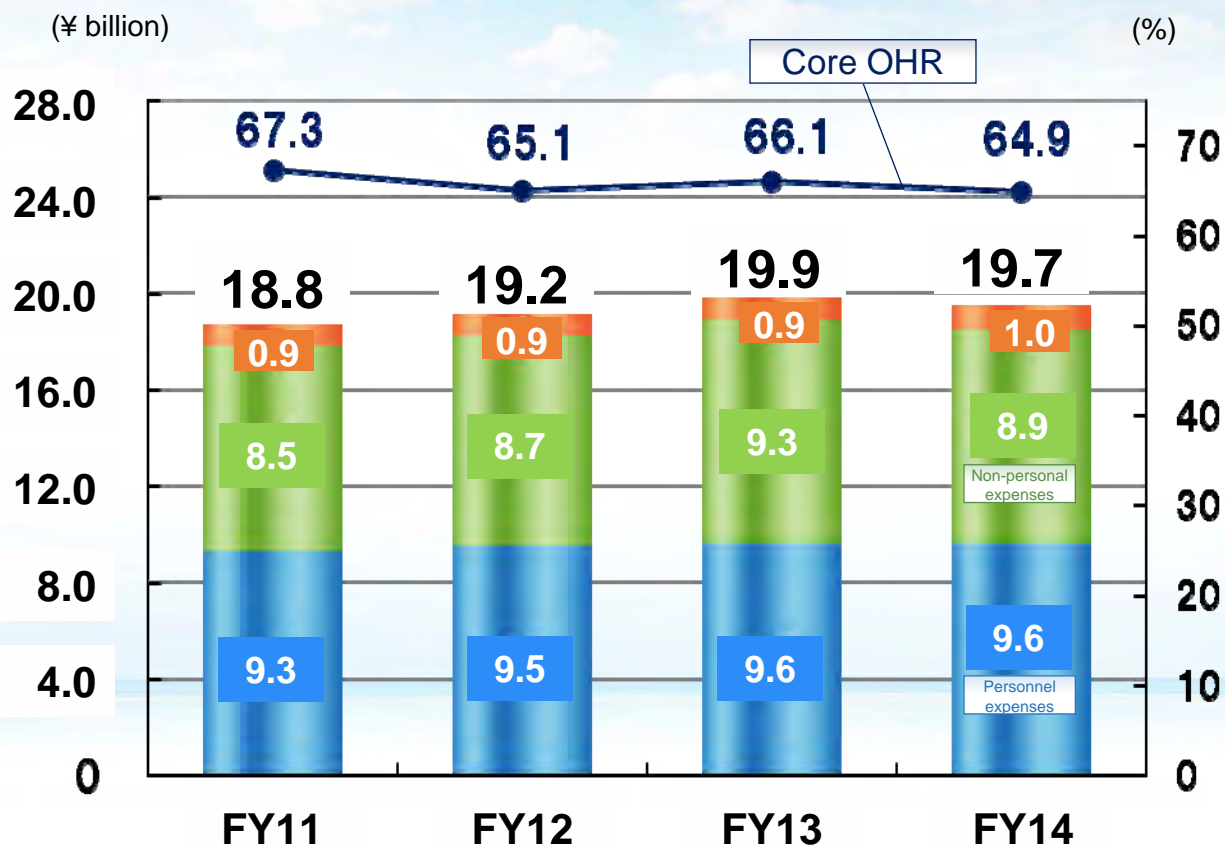
Investments to be emphasized in the future



# Core OHR and Expenses



Increase in gross business profit on core banking operations (¥0.2 billion),  
 decrease in expenses (¥0.2 billion)  
 Core OHR was 64.9%, down 1.2 points



Decrease in business consignment expenses  
 Decrease in depreciation and amortization expenses  
 (down ¥0.4 billion)

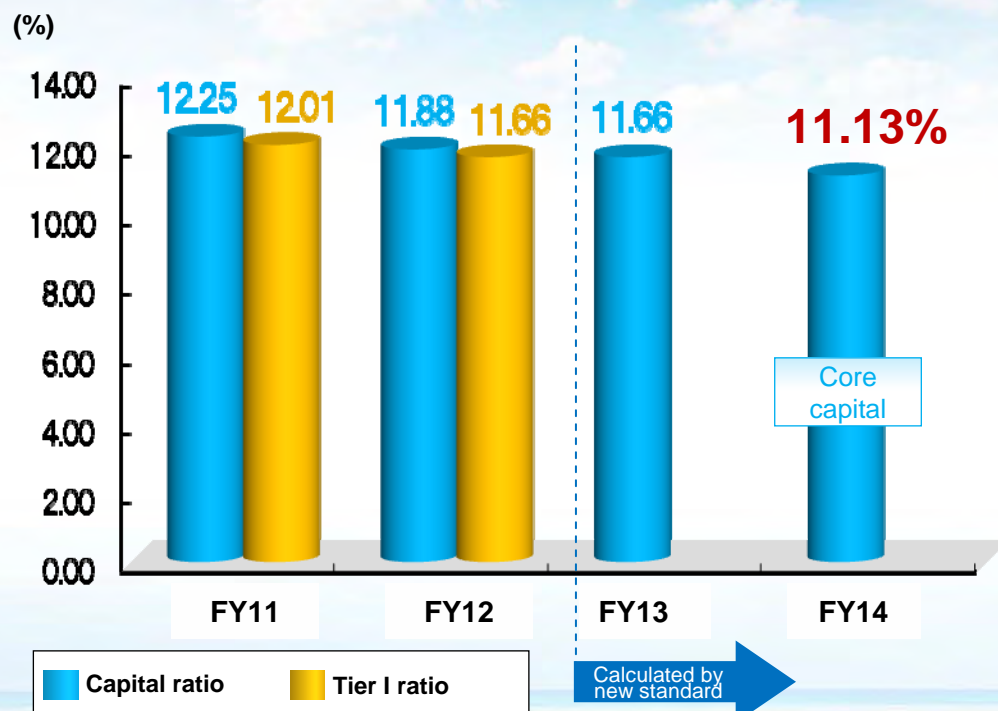
Personnel expenses was flat



# Capital Ratio (Basel III Standard)



Capital ratio (domestic standard) at 11.13%



Average capital ratio of regional banks in the term ended March 2015 (domestic standard): 10.59%

Full application based capital ratio  
(Non-consolidated) 10.93%

### Outlier Ratio

	Total interest rate risk	Outlier ratio
End of March 2015	¥5,321 million	4.44%

Yen: 1 percentile, Foreign currencies: 99 percentile

Core deposits are assumed to be 50% of the term-end balance of liquid deposits.  
The average maturity is assumed to be 2.5 years.

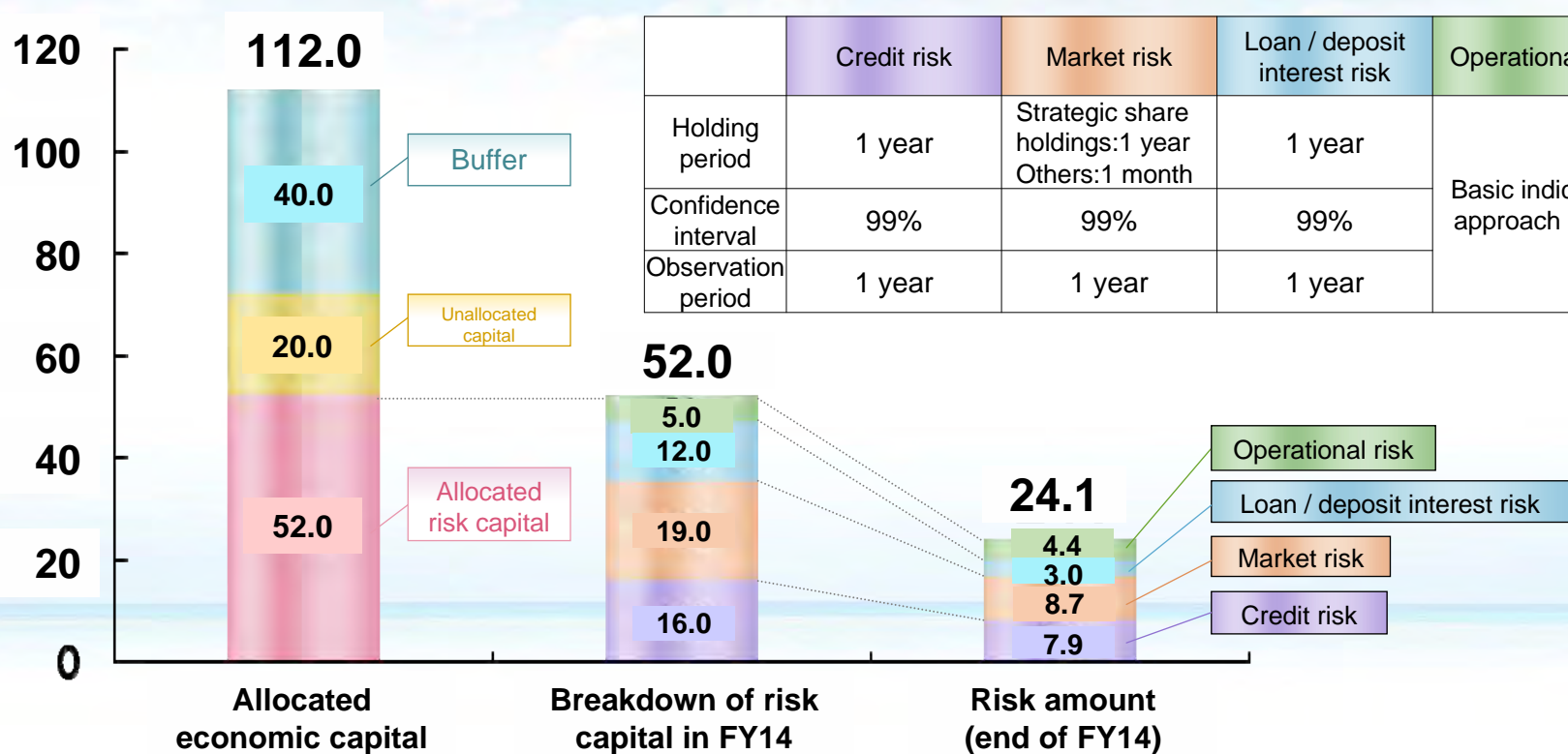
Source: Bank of Okinawa

# Risk Management - Capital Allocation -



Controlling risks within the scope of allocated economic capital

(¥ billion)



■ Basis for risk calculation

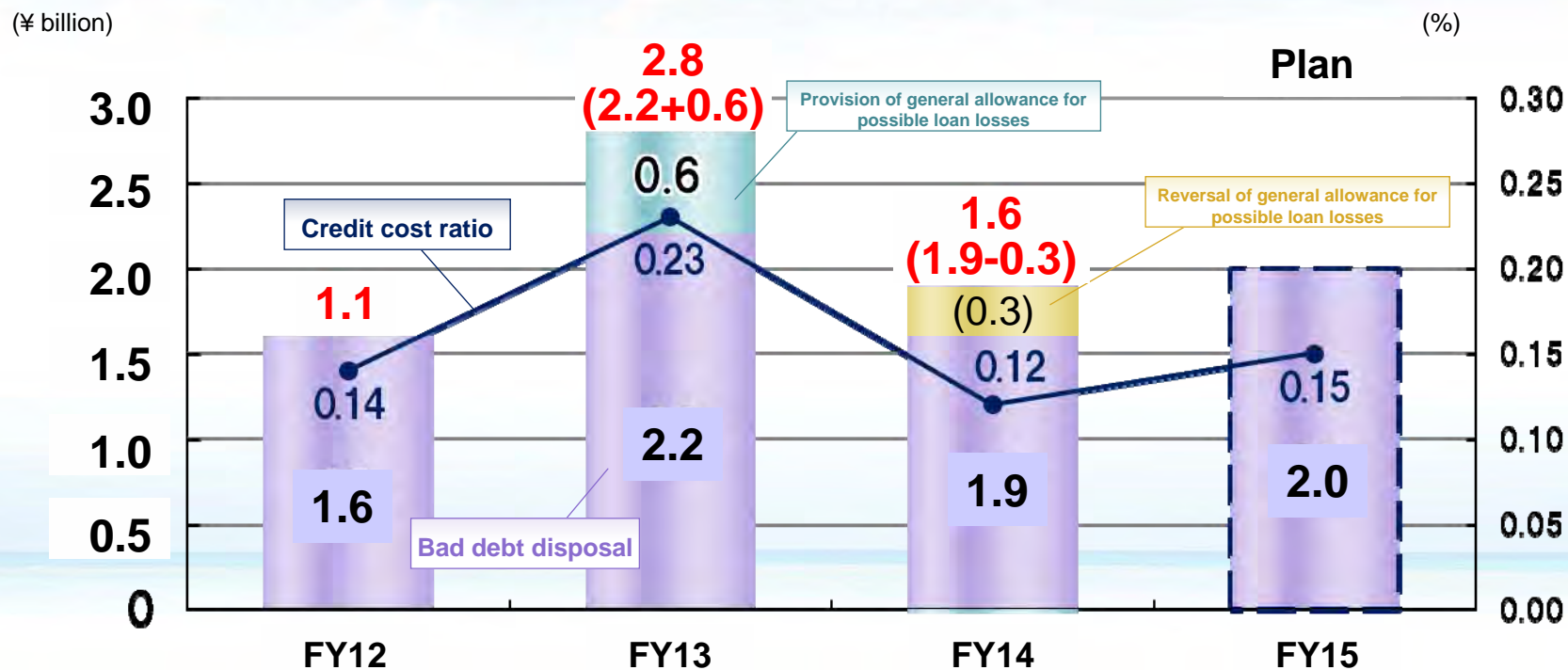
	Credit risk	Market risk	Loan / deposit interest risk	Operational risk
Holding period	1 year	Strategic share holdings: 1 year Others: 1 month	1 year	Basic indication approach (BIA)
Confidence interval	99%	99%	99%	
Observation period	1 year	1 year	1 year	



# Credit Cost



Reflecting a drop in historical loan loss rates, total credit costs amounted to ¥1.6 billion (down ¥1.2 billion YoY)

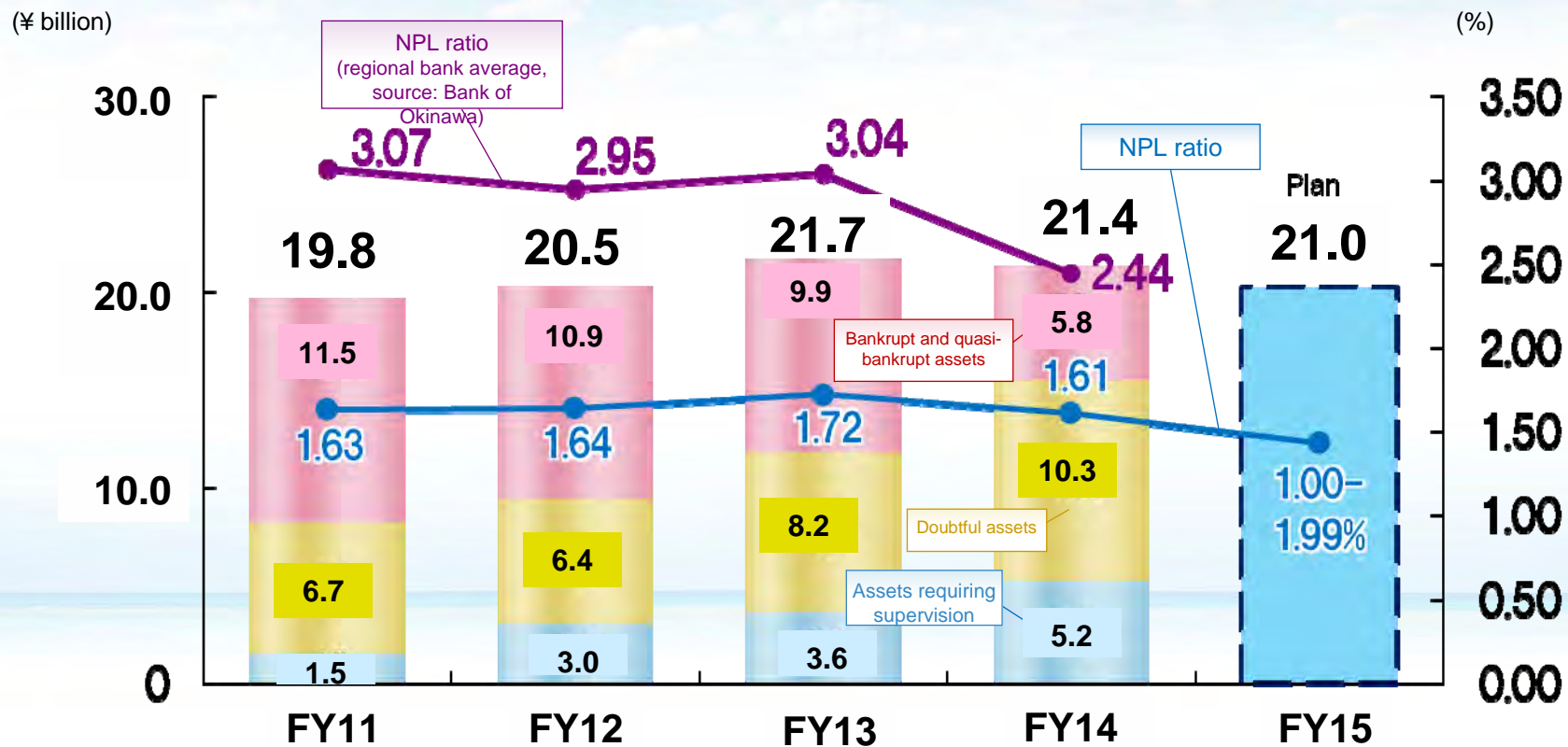


## Mandatory Disclosure of Bad Debt under the Financial Reconstruction Law



¥21.4 billion (1.61%)

Non-performing loan (NPL) ratio down 0.11% reflecting a decrease in bankrupt and quasi-bankrupt assets





# Our Share of the Market Served by the Three Okinawan Regional Banks (FY2014)



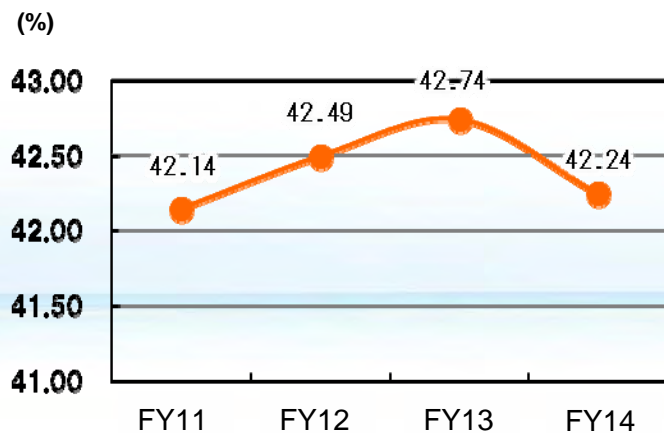
Deterioration in shares of loans; increase in shares of deposits

Loans: 42.24% (down 0.50 points YoY)

Deposits: 42.10% (up 0.13 points YoY)

## Loans

(average balance)



## Deposits

(average balance)

