Rakuten Bank, Ltd.
Transcript of the 1H FY2025 Financial Results Presentation
(November 11, 2025)

【Opening Remarks】
Hello everyone. I am Tomotaka Torin of Rakuten Bank, Ltd. Thank you for taking the time to attend Rakuten Bank's earnings briefing today.

【Rakuten Bank's Securities-Backed Loan Balance Has Exceeded JPY10bn Approximately Four Months After the Service Launch】
Before moving to the main agenda, we would like to share at the outset that Rakuten Bank's securities-backed loans exceeded JPY 10 billion as of the end of October.
This milestone was achieved roughly four months after the service launched on June 22 of this year. The product, offered in collaboration with Rakuten Securities, has been well received as a solution that meets needs on both the investment and financing fronts, as it enables customers to obtain financing at competitive interest rates without selling their holdings of marketable securities. As a result, we recognize that the balance has expanded steadily.
We will continue to enhance our lineup of retail loan products to improve customer convenience and expand interest income.

[1H FY2025 Financial Results]
We would now like to present an overview of the 1H FY2025 financial results.
First, the highlights: consolidated ordinary income was JPY 118.3 billion, up 41.4% YoY. Consolidated ordinary profit was JPY 48.2 billion, up 55.3% YoY. The capital adequacy ratio stood at 10.9%, remaining at a healthy level.
ROE on an annualized basis, based on the 1H results, was 21.2%, an increase of 4.9 percentage points YoY.
The number of accounts was 17.3 million, up 6.9% YoY. The number of main accounts was 5.7 million, continuing to outpace the YoY growth rate for total accounts.
Deposit balance was JPY 12.2 trillion, up 10.1% YoY, returning to double-digit growth.
The G&A expense ratio was 32.9%, a decline of 4.7 percentage points YoY.

【Scale of Operation】
Next, we will explain the key KPIs related to our business scale.
As you can see from the bar charts, both the number of accounts and deposit balances have been growing steadily.
For accounts, acquisitions leveraging the Rakuten Group's customer base contributed to growth, resulting in an increase of 1.12 million accounts YoY.

Deposit balances also increased by JPY 1.12 trillion YoY; however, as a special factor in September, we believe outflows from accounts rose due to last-minute demand ahead of the termination of point awards for hometown tax program.
Looking at the current macro environment, including equity market conditions, we recognize that it is becoming more challenging for deposits, particularly ordinary deposits—to grow. Nevertheless, we aim to continue delivering steady growth.

[Our Main Accounts' Growth Momentum]

Next, we will explain the status of main accounts.
As of end-September, the number of main accounts was 5.7 million, up 8.7% YoY, and the main-account ratio was 32.9%. Main accounts continue to grow at a pace exceeding the growth of total accounts.
As main accounts are significantly more profitable than non-main accounts, we will continue to focus on acquiring main accounts.

【Strengthen Deposit Acquisition Initiatives Focusing on Individual Yen Ordinary Deposit】

Effective July 1, we launched the Bonus Interest Rate Program, which offers preferential rates on yen-denominated ordinary deposits, with the aim of acquiring deposits primarily focused on individual yen-denominated ordinary deposits.
As we have previously communicated, we intend to assess the program's effectiveness over roughly six months. However, we currently perceive some challenges regarding awareness, and we will continue our marketing efforts to improve recognition.

【Summary of Consolidated Financial Results】

Next, regarding consolidated results: Driven by higher interest income from the accelerated buildup of interest-earning assets and further improvements in operating efficiency stemming from expansion of our business scale, we have achieved strong growth in consolidated ordinary income, ordinary profit, and net income.
In addition, ordinary income, gross operating profit, ordinary profit, and profit attributable to owners of parent all reached record highs for the1H.

【Consolidated Statements of Income】

Next, we will explain the status of consolidated statements of Income.
Consolidated ordinary income was JPY 118.3 billion, up 41.4% YoY.
Gross operating profit was JPY 77.1 billion, up 35.6% YoY.
Ordinary profit was JPY 48.2 billion, up 55.3% YoY, and profit attributable to owners of parent was JPY 34.0 billion, up 53.5% YoY.
The increase in revenue was driven by steady growth in interest-earning assets and aided by

the Bank of Japan's policy rate hikes, a 62.7% YoY increase in interest income.
Ordinary profit rose from JPY 31.0 billion in the 1H of last fiscal year to JPY 48.2 billion in the 1H of the current fiscal year. This reflects a JPY 20.7 billion increase in net interest income against a JPY 4.0 billion increase in G&A expenses, resulting in a net increase of JPY 17.1 billion.
As the breakdown indicates, we achieved this profit growth while appropriately investing in expenses necessary to expand our business scale.

【Interest Income】
Regarding interest income, the quantitative expansion of a well-diversified portfolio of interest-earning assets led to steady increases in interest on loans and interest on monetary claims bought.
In addition, the Bank of Japan's policy rate hikes contributed to the increase in investment yields.
As a result, total interest income increased by JPY 33.6 billion YoY.
Given that the loan to the Ministry of Finance is largely of a surplus-funds management nature, starting with this presentation we have reclassified it from interest on loans to the "Others" category, the same as interest on deposits.
Following this reclassification, the breakdown of the increase in interest income was: interest on loans +JPY 10.0 billion, interest on monetary claims bought +JPY 6.8 billion, and "Others," positioned as surplus-funds management, +JPY 16.7 billion.

【Breakdown of Loans and Monetary Claims Bought】
Next, regarding the status of our core interest-earning assets, which comprise loans and monetary claims bought:
Overall, execution is progressing in line with our strategy to grow nearly all asset categories in a well-balanced manner.
Our basic strategy to increase interest income remains twofold: continue to expand a diversified portfolio of interest-earning assets in a balanced way, and gradually raise the proportion of mid-risk assets to lift overall yields step by step.
Loan balances rose 18.0% YoY, and the balance of monetary claims bought increased 15.0%YoY; combined, they grew 16.9%.
Excluding the loan to the Ministry of Finance, major interest-earning assets increased 14.4%.
Within this, assets we regard as middle-risk, middle-return grew 22.2%.
Additionally, securitized assets—comprising ABL plus monetary claims bought and others—rose 26.2% YoY, outpacing the growth of our core interest-earning assets overall.
For housing loans, consistent with our prior stance, we are assessing the timing of market normalization, and mortgage balances are gradually declining.
As for the trust beneficiary rights of Rakuten Card, balances continue to build at a double-digit

pace YoY, in line with the expansion of Rakuten Card's business.
As a change from the previous quarter, we have added the outstanding balance of the securities-backed loan launched in June to the "Others" subcategory within loans.

【Expanding Middle- Risk Assets】

Next, we will explain the progress on middle-risk assets.
Within middle-risk assets, there are four categories: personal loans rose 3.4% YoY; investment property loans increased 22.5%; ABL grew 25.5% YoY; and monetary claims bought (Others) increased 27.5% YoY. In total, this category expanded 22.2%, and balances have been growing steadily.
For personal loans, we are capturing funding demand and continue to build balances smoothly.
In securitized assets, we continue to secure a solid pipeline, primarily for transactions backed by real estate.
The total for middle-risk assets is achieving growth that outpaces the combined total of loans and monetary claims bought excluding the loan to the Ministry of Finance.

【Credit Costs】

Regarding credit costs, as we have previously explained, the majority continue to stem from non-guaranteed personal loans. In the current period as well, we have not observed a trend of increasing charge-offs in other products, so our prior explanation remains unchanged.
Although the absolute amount of credit costs has increased as proprietary personal loan balance has steadily grown, purchase the credit cost ratio remains at a low level.
In addition, as repayments on guaranteed personal loans progress, guarantee fee expense is on a declining trend, and effective credit costs—defined as credit costs plus guaranteed fee expense—are decreasing, down JPY 42 million YoY.
Furthermore, with respect to the allowance ratio for loan losses on assets other than proprietary personal loans, there are currently no asset classes at levels that warrant particular attention.

【Balance sheet Summary】

Next, we will outline the balance sheet.
Roughly 80% of our core interest-earning assets—loans and monetary claims bought—are on floating rates, the majority of which are linked to TIBOR.
Deposits at the Bank of Japan, needless to say, link to the policy interest rate.
Accordingly, the Bank of Japan's 25 bps policy rate hike in January has boosted earnings on the asset side through its impact on TIBOR-linked portions of loans and monetary claims bought, new executions of the loan to the Ministry of Finance, and deposits at the BOJ, contributing to higher revenues.

On the funding side, 90% of deposits are on floating rates.
We raised deposit interest rates by 10 bps effective March 1, which increased funding costs; however, the net impact on profit has been positive.
Starting this quarter, we show the loan-to-deposit ratio (LDR) at the lower left.
Given the nature of the underlying assets, we believe it is appropriate to include monetary claims bought in the LDR alongside loans; on this basis, the LDR is 66.1%. Excluding the loan to the Ministry of Finance, the adjusted LDR is 53.1%.
From a liquidity perspective, we still see ample room, and we intend to continue building assets and raise this ratio to roughly 70% over the medium to long term.

【Status of Investment in Marketable Securities】
We will explain the status of surplus funds management in securities and related areas.
For the loan to the Ministry of Finance, as it is an asset that can secure yields above deposits at the Bank of Japan, we have been actively participating in auctions, resulting in a net increase of JPY 228.6 billion in the second quarter.
With the prospect of future interest rate rises, we will continue to respond flexibly while taking interest rate trends into account.
In marketable securities, we executed JPY 94.1 billion of new investments in the second quarter.
These investments are fundamentally intended to be held to maturity, aiming to capture yield enhancement and to benefit from the spread between long- and short-term interest rates, with due consideration to maturities.
Within securities, for corporate bonds, given that the share of credit exposure to corporates is small relative to the size of our balance sheet, we proceeded with selective investments as a complement to corporate lending while closely monitoring market conditions.

【Simulation of Future Net Interest Income】
We have newly added a slide titled "Simulation of Future Net Interest Income," with two key messages.
First, we quantified the annual impact on net interest income of a 25 bps rate hike, which we had previously described in terms of balance-sheet structure.
Using the balance sheet as of end-September 2025, and assuming no asset growth, an immediate pass-through of the 25 bps increase to all of the roughly 80% of assets on variable rates, and on the funding side that roughly 90% is on variable rates with a 50% pass-through to the policy rate, we estimate an annual net interest income impact of JPY 13.5 billion.
Second, regarding the JPY 2.88 trillion in borrowings from the Bank of Japan, as the facility is scheduled to end in March 2028, we schematically illustrate the potential impact.
The message here is that while the gradual run-off of these borrowed money would lead to a

decline in interest generated from corresponding due from banks if no action were taken, we believe the impact can be contained. This is because we are proceeding with funding through deposits and similar means, and aiming to expand interest income by building up main investment assets, particularly middle risk assets.
Please note that both simulations are simplified, indicative estimates built on certain assumptions, given that our balance sheet is currently in an expansion phase.

【Non-Interest Income】
Next, we will explain the status of non-interest income.
Non-interest income for the 1H totaled JPY 26.7 billion, down 1.0% YoY.
Other business income, which is highly sensitive to market movements, declined by JPY 1.1 billion YoY as customer activity remained subdued amid ongoing market uncertainty.
Meanwhile, fees and commissions income increased 3.8% YoY.
In the breakdown, exchange/settlement fees grew 10.0% YoY, continuing to outpace the growth in the number of accounts, driven by increases in both total accounts and main accounts.
Direct debit fees saw steady growth in daily-life-related categories as we promoted primary-account usage; however, leisure-related usage such as publicly operated racing posted only a slight YoY increase, reflecting the absence of last year's one-off tailwinds (e.g., weather).
Debit Card-related fee income declined 2.0% YoY due to a one-off gain booked in the prior year, but the number of debit card transactions continues to grow at a pace exceeding account growth.

【General and Administrative Expenses】
Next, regarding G&A expenses, while standalone G&A expenses increased 18.3% YoY, gross operating profit expanded more than G&A expenses on the back of higher interest income. As a result, The G&A expense ratio decreased by 4.7 percentage points YoY, landing at 32.9%.
As we have consistently explained, we view the G&A expense ratio as an outcome metric rather than a target, and we do not intend to pursue cost reductions solely to manage to this figure.
Looking ahead, to drive near-term business growth, we will continue to invest in marketing aimed at customer acquisition and transaction volume expansion; prepare for future business scale; pursue disciplined technology investment, including UI/UX improvements leveraging AI and the development of advanced services; and make sufficient investments in human capital, which is central to the banking business. While making the investments and expenditures necessary for medium- to long-term growth, we will strive to enhance corporate value.

【ROE】
The annualized Return on Equity (ROE) for the 1H of the FY2025 was 21.2%, an increase of 4.9 percentage points YoY.

This was driven by high-profit margins and a rapid increase in interest income due to rising interest rates.
We plan to further accelerate aggressive investment to achieve future growth.
Please note that ROE should be viewed on a full-year basis.

【Capital Adequacy Ratio】
I would like to explain the capital adequacy ratio.
On a consolidated basis, the capital adequacy ratio stood at 10.9%. While this represents a decline of 0.5 percentage points YoY, it has increased slightly from the beginning of the fiscal year and remains at a sound level.
From the third quarter onward, while maintaining the capital adequacy ratio at a healthy level, we intend to proactively expand interest-earning assets—focusing on middle-risk assets—to scale up our business, improve profitability, and enhance corporate value.

【Dividend Policy】
There is no change from our existing policy regarding dividends.
The capital adequacy ratio is inherently subject to some fluctuations depending on the timing of deposit acquisition, asset build-up, and profit recognition. Although the capital adequacy ratio increased slightly QoQ in the current quarter, we do not view this as having entered a sustained upward trend.
We remain of the view that by deploying the capital entrusted to us by our shareholders effectively, proactively and in a well-balanced manner, growing interest-earning assets, and gradually increasing the proportion of mid-risk assets, we can significantly expand interest income.
We hope to return value to investors through expansion of our business scale, the accompanying enhancement of corporate value, and, as a result, an increase in our share price. Accordingly, we ask for your understanding that we plan to maintain a no-dividend policy for the time being.

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Rakuten Bank, Ltd.
Summary of Q&A at 1H FY2025 Financial Results Presentation
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Q01. Regarding the Bonus Interest Rate Program: At the Q1 earnings presentation, you stated that you aimed for a double-digit increase in deposits through the bonus interest rate program. This time, deposit balances increased by 10% YoY. What is your impression and evaluation of this outcome? Also, are there any notable characteristics among the attributes of the customers to whom this program was applied? Please tell us whether customer acquisition primarily comes from within the Rakuten Group or if there is also customer acquisition from outside the Rakuten Group.

A01. Regarding the Bonus Interest Rate Program, we believe that more effort is needed to raise awareness than initially anticipated. We need a bit more time to determine whether this initiative requires fine-tuning. However, observing customers who are utilizing the bonus interest rate program, we see a trend of increasing deposit balances, leading us to evaluate that the program is achieving the initially expected effects based on customer behavior. Nevertheless, we intend to take a bit more time for thorough consideration, and we may also explore other initiatives if necessary. Furthermore, a detailed analysis of the attributes of the applicable customers is still required, and we are currently in the stage of deepening our analysis as we consider additional measures.

Q02. What is your progress assessment against the plan for both interest income and non-interest income? Also, regarding the potential for an upward revision of the full-year forecast, I would like to confirm if the direction is to make a judgment at the Q3 earnings announcement or similar, taking into account the Bank of Japan's interest rate hike trends. Furthermore, if there is a specific timeline for the announcement of the new medium-term management plan, please let us know.

A02. Regarding our business performance progress, we believe that overall, we are on track and do not currently see a need to revise our earnings forecast. Our own assessment is that we would have liked to have seen a greater increase in deposit balances, and as a result, the top line has progressed somewhat weaker compared to profit. On the other hand, assets we refer to as "middle-risk assets" have progressed better than planned, leading us to evaluate that profit indicators have been favorable relative to the growth of the top line. While we aim to further increase fee and commission income, it's a reasonably good figure excluding special factors, but we feel we could have done even better. As for the new medium-term management plan, it is currently under consideration with the participation of a wide range of employees, also serving as talent development, and we expect it to be announced relatively late in the second half of the fiscal year.

Q03. Regarding the collaboration with JR East: There was a discussion that JR East has allocated 2.6 trillion yen for M&A and is also considering the FinTech sector. Is Rakuten Bank exploring any further avenues for joint collaboration with JR East?

A03. Regarding our collaboration with JR East, we recognize that our current initiatives are progressing very well. We continue to engage in various communications behind the scenes, but at this point, there is nothing that can be publicly announced.

Q04. Regarding the overall approach to deposits: The Bonus Interest Rate Program appears to have contributed to YoY growth in July and August. Beyond just the Bonus Interest Rate Program, could you please explain the current situation regarding your overall approach to deposits?

A04. Regarding our assessment of deposits, we recognize that the current situation has improved compared to the end of the previous quarter. In particular, the increasing trend in deposit balances per account can be positively evaluated. Looking at the September figures compared to July and August, as shown on Slide 6, we believe there was a surge in demand for hometown tax due to the system change at the end of September. We analyze that this led to a significant outflow of funds from accounts.

Q05. Regarding your asset (loans and monetary claims bought) expansion strategy, what specific types of assets are you anticipating? Also, are there any drivers you foresee that would further accelerate this expansion in the future?

A05. We believe that the loan-to-deposit ratio will improve. First, regarding personal loans, we intend to steadily accumulate them as before. We aim to steadily build up our operational assets, which are characterized by being individually small but benefiting from the law of large numbers. Additionally, we plan to expand our operational assets through securitization, such as with ABL (Asset-Based Lending). For securitized assets, we continue to have a pipeline of various underlying assets, primarily real estate, and by steadily capitalizing on these, we aim to expand our operational assets.

Q06. Regarding the collaboration with Mizuho Financial Group, do you foresee any future accumulation or acceleration of assets, or collaboration in other areas?

A06. In asset management, we engage in transactions with various parties, and within that context, we also communicate with Mizuho Financial Group. While there are capital ties between sibling companies, the situation remains unchanged for our bank, meaning there are no capital ties. However, we are naturally discussing on a business basis whether we can build a mutually beneficial relationship.

Q07. You mentioned considering promotions to increase awareness of the Bonus Interest Rate Program. Could you please tell us the estimated cost of these promotions going forward?

A07. Regarding the Bonus Interest Rate Program, we recognize that a key challenge is the insufficient level of customer awareness. Therefore, our primary focus will be on more actively utilizing various web exposure channels than before. While we have historically kept marketing costs from being a large burden, considering the competitive environment, we now intend to aggressively accelerate our efforts under this new environment. However, we will refrain from providing specific numerical information at this time.

Q08. Regarding the interest rate sensitivity on Slide 17, the trial calculation shows a deposit rate pass-through of 50%. If there are further interest rate hikes in the future, are you assuming the deposit rate pass-through will remain around 50%? Also, the statement that the impact of the discontinuation of the BOJ's Fund-Provisioning Measure to Support Lending is limited – can this be understood as you anticipating an expansion of your balance sheet?

A08. Regarding future interest rate sensitivity and the deposit rate pass-through, while the traditional base rate has been 40%, various promotions are being carried out by other banks. Therefore, a deposit rate pass-through of effectively 50% is now visible, and we even anticipate scenarios where it might exceed 50%. As for the borrowings from the Bank of Japan, the current balance of 2.9 trillion yen must be zero by the end of March 2028 due to the system. We aim to accumulate deposits at a level that surpasses this repayment pace, which is visually represented on Slide 17. The limited upper range on the expense side is due to the minimal funding cost relative to the face value of the borrowings.

Q09. Regarding the interest rate sensitivity on Slide 17, I understand that you have borrowed 2.9 trillion yen at a fixed rate from the Bank of Japan, and 2.9 trillion yen of that is held as due from the Bank of Japan. For the 2.9 trillion yen on both the liability and asset sides, is it correct to understand that the estimated 13.5 billion yen in interest rate sensitivity would be roughly halved, given that 2.9 trillion yen multiplied by 25 bp (0.25%) would result in a reduction of approximately 7.25 billion yen?

A09. The logic of your understanding would likely be correct.

Q10. You mentioned that deposits decreased at the end of September due to a surge in demand for hometown tax donations. Can we assume that this temporary factor has been eliminated when looking at the monthly deposit figures for the end of October?

A10. Regarding hometown tax, we recognize that there was a surge in demand at the end of September. However, since actual fund settlements often involve a time lag, we believe this will also impact deposit movements in October.

Q11. Regarding the differentiation and progress of your AI strategy, I assume the main focus will be on improving the efficiency of operational tasks using Rakuten Group's AI. What progress has been observed? Looking ahead to the next fiscal year and over the medium to long term, please explain how Rakuten Bank's AI strategy will be differentiated.

A11. Regarding the promotion of AI utilization, the Rakuten Group as a whole is holding an internal contest with various businesses participating to encourage AI adoption. Rakuten Bank is also making progress in various experimental stages, such as creating and operating a prototype AI concierge within this framework. On the other hand, it is crucial to ensure cost efficiency when utilizing AI. While we have operated a very closed system until now, we are now aiming for high efficiency, assuming the utilization of group resources.

Q12. Regarding the BaaS platform, could you please tell us about the current level of inquiries and any financial contribution targets you might have for the BaaS business in the future?

A12. Regarding BaaS, we have several potential discussions underway, but it's difficult to predict when and in what form we can make an announcement. Therefore, at this time, we have not incorporated any specific figures into our annual business plans or similar documents.

Q13. Regarding the funding yield, the quarterly figures for loan yields and monetary claim bought yields have remained largely flat. Can this be seen as an overall picture where Rakuten Bank's quick adoption of rising interest rates leads to a nearly flat trend QoQ?

A13. Your understanding is correct. The reason why our operating yield has remained largely flat between the first and second quarters is a direct reflection of our asset characteristics: they are variable interest rates linked to TIBOR, which means the effects of policy rate hikes are realized almost immediately.

Q14. Regarding deposit yields, after the introduction of the Bonus Interest Rate Program, there has only been an increase of about 2 bps QoQ. Am I correct in understanding that you initially anticipated a higher level, and the current situation is due to insufficient customer awareness, thus necessitating further promotions?

A14. Your understanding is correct. We had anticipated that the Bonus Interest Rate Program would penetrate at a somewhat faster pace, even for deposit funding costs. However, it has only resulted in an uplift of about 2 bp. We had assumed a greater increase when operating the program, and we intend to further promote it going forward.

Q15. Regarding BaaS and JR East, there was an article in the Nikkei about the introduction of QR code payments. What kind of impact do you expect this to have on Rakuten Bank, and when do you anticipate this impact?

A15. We understand that QR code payments will be introduced, but we have not yet factored this into our financial projections. However, we believe that if this becomes widespread at JR East, it will present an opportunity for our bank to increase its fee income.

Q16. Regarding the borrowed money from the BOJ, what is the current cost of funding?

A16. The interest rate varies depending on the timing of the borrowing, but for those that started a long time ago, the interest rate is zero.

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