

Rakuten Bank, Ltd.
Transcript of the Q3 FY2025 Financial Results Presentation
(February 9, 2026)

【Opening Remarks】

Hello everyone, I am Tomotaka Torin from Rakuten Bank.

Thank you very much for taking the time to join us today for the Rakuten Bank's third quarter of fiscal year 2025 financial results briefing.

【Deposit Balance Exceeded 13 Trillion Yen】

As the first topic, regarding our KPIs, we are pleased to announce that our deposit balance surpassed 13 trillion yen as of the end of December 2025. We believe this consistent increase in deposits is a result of our main account strategy and the enhanced convenience of our services. Rakuten Bank intends to continue expanding its business by maintaining its main account strategy for individual deposits, focusing on acquiring ordinary deposits. Simultaneously, recognizing a shift in customer behavior in an environment of rising interest rates, we plan to offer attractive interest rates on time deposits to meet stable savings needs.

【Rakuten Bank Consigns Banking Agency Services to Rakuten Mobile】

The second topic concerns the collaboration with Rakuten Mobile, which commenced on January 19th this year.

We have begun entrusting banking agency services to Rakuten Mobile, and we anticipate an acceleration of customer inflow to Rakuten Bank as a result. At this opportune moment, we have also started offering an additional interest rate benefit for customers subscribing to Rakuten Mobile's "Saikyo Plan" as part of our existing "Bonus Interest Rate Program." Through this collaboration with Rakuten Group's focus on telecommunications, we aim to further acquire customers from the Rakuten Ecosystem.

【Q3 FY2025 Financial Results】

Now, I will provide an overview of our financial results for the third quarter of the fiscal year 2025.

First, let me explain about the highlights of our financial results:

Consolidated Ordinary income is 183.2 billion yen, a 39.1% increase YoY.

Consolidated Ordinary Profit is 75.1 billion yen, a 51.7% increase YoY.

Our Capital Adequacy Ratio remains at a sound level of 10.6%.

ROE, on an annualized basis reflecting the cumulative third quarter performance, stands at 21.5%, marking a 4.6 percentage point increase YoY.

The number of accounts reached 17.6 million, a 7.0% increase YoY.

The number of main accounts is 5.8 million, continuing to grow at a pace exceeding the overall increase in account numbers YoY.

Deposit Balance is 13.2 trillion yen, demonstrating double-digit growth of 10.0% YoY.

The G&A Expense Ratio is 32.4%, a 4.2 percentage point decrease YoY.

【Scale of Operation】

Let me explain the key performance indicators related to our business scale. As you can see from the bar charts, both the number of accounts and deposit balances have shown steady growth.

Regarding the number of accounts, effective marketing strategies leveraging Rakuten Group's customer base contributed to an increase of 1.15 million accounts YoY. The deposit balance increased by 1.2165 trillion yen YoY, primarily due to the expansion of the average deposit balance per account. While we understand that the current macroeconomic environment, including the stock market, is becoming less conducive to deposit growth, especially ordinary deposits, we are committed to steadily increasing them.

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

The "Bonus Interest Rate Program," which was launched as a deposit acquisition strategy centered on individual ordinary deposits, has seen a gradual increase in the number of customers who meet the conditions. Furthermore, starting in February, we began offering preferential interest rates to Rakuten Mobile subscribers. We will continue our marketing efforts to raise awareness and strive not only to increase the number of eligible customers but also to encourage those who have met the conditions to further utilize our cross-use services.

【Our Main Accounts' Growth Momentum】

Next, let's discuss the status of main accounts.

As of the end of December, the number of main accounts reached 5.8 million, a 7.8% increase YoY, and the main account ratio was 32.9%. This clearly shows that the growth rate of main accounts continues to outpace that of total accounts. In addition, an analysis of main account usage trends indicates an increase in the number of direct debit transactions per account YoY, signifying an increase in usage frequency. We will continue our efforts to acquire more main accounts.

【Summary of Consolidated Financial Results】

Next, regarding our consolidated financial results, we have achieved high growth in consolidated ordinary income, ordinary profit, and net income, driven by increased interest income from the accumulation of assets and further improvements in management efficiency due to business expansion. Furthermore, consolidated ordinary income, ordinary profit, and

profit attributable to owners of the parent have all reached record highs for the cumulative third quarter.

【Revisions to the Consolidated Forecast for FY2025】

Given that the performance up to the third quarter, as just explained, has exceeded the progress of the consolidated earnings forecast announced on May 12 of 2025, and considering the policy rate hike in December of last year, we are pleased to announce an upward revision to our full-year earnings forecast. As shown, for the fiscal year 2025, we are revising our ordinary income from 246.8 billion yen to 254.3 billion yen, ordinary profit from 91.2 billion yen to 101.2 billion yen, and net income from 64.3 billion yen to 71.2 billion yen. All of these figures represent new record highs.

【Consolidated Statements of Income】

Next, I will explain the consolidated statements of income. Consolidated ordinary income was 183.2 billion yen, a 39.1% increase YoY. Gross operating profit was 119.9 billion yen, a 36.7% increase YoY. Ordinary profit was 75.1 billion yen, a 51.7% increase YoY, and profit attributable to owners of parent was 53.1 billion yen, a 50.9% increase YoY.

The increase in income was driven by steady growth of assets and a 56.8% YoY rise in interest income resulting from the Bank of Japan's policy rate hike.

Ordinary profit increased from 49.4 billion yen in the previous fiscal year to 75.1 billion yen in the third quarter of this fiscal year. This increase of 25.6 billion yen resulted from 32.1 billion yen increase in interest income and expenses, offsetting 7.0 billion yen increase in G & A expenses. As you can see from the breakdown, this profit growth was achieved while strategically investing in G & A expenses necessary for business expansion.

【Interest Income】

Regarding interest income, both interest on loans and interest on monetary claims bought have steadily increased due to the quantitative expansion of diversified assets. Furthermore, the BOJ's policy rate hike contributed to an increase in investment yields. As a result, the total YoY growth in overall interest income amounted to 49.9 billion yen.

Please note that since the previous briefing, interest on loans to the Ministry of Finance has been reclassified to the others category, similar to interest on due from the BOJ. Based on this classification, the breakdown of the increase in interest income is as follows: interest on loans increased by 15.9 billion yen, interest on monetary claims bought increased by 11.0 billion yen, and the other category, representing surplus fund operations, increased by 22.9 billion yen.

【Loans and Monetary Claims Bought (Main Assets)】

I will explain our main assets. From this time forward, we will refer to the combined assets of loans and monetary claims bought as "Main Assets," and "Core Assets" will refer to Main Assets minus loans to the Ministry of Finance. Regarding the status of Main Assets, you can see that our strategy of balanced growth across almost all asset categories is progressing as planned. Our fundamental strategy for increasing interest income is twofold: first, to continue growing diverse assets in a balanced manner, and second, to gradually increase the proportion of middle-risk assets to incrementally improve investment yields.

Loan balances increased by 17.5% YoY. Monetary claims bought balances increased by 11.5%. The total Main Assets increased by 15.2%, and Core Assets increased by 14.1%. Within these, assets that we classify as middle-risk, middle-return assets achieved high growth of 30.9%. Furthermore, securitized assets, which combine ABL and the other category within monetary claims bought.

increased by 40.3% YoY, both surpassing the growth rate of total Main Assets. As per our previous stance, we are awaiting the normalization of the housing loan market, and housing loan balances have gradually decreased. The balance of securitized assets of Rakuten Card credit card receivables increased by only 2.3% YoY. This is primarily because the year-end surge in hometown tax donation demand, which typically occurs in December, happened in September last year, prior to the October system revision, leading to a slowdown in Rakuten Card's transaction growth in last December.

【Expanding Middle- Risk Assets】

I will explain the progress of middle-risk assets.

As you can see, middle-risk assets consist of four categories: personal loans increased by 3.4% YoY, investment property loans increased by 22.9%, ABL increased by 31.4% YoY, and the other category within monetary claims bought increased by 59.6% YoY. This entire category saw a healthy balance growth of 30.9%. For personal loans, we have been able to capture funding demand and continue to steadily accumulate balances. For securitized assets, we continue to secure a strong pipeline, primarily for real estate-backed projects. The total growth of the middle-risk asset category balance has surpassed the growth of main assets.

【Credit Costs】

Regarding our credit costs, as we have explained previously, the majority are attributed to non-guaranteed personal loans. In this quarter, in addition to that, provision of general allowance for loan loss increased based on the performance of some project transactions in our securitization business.

There is no particular trend indicating an increase in bad debts in securitization projects, and

there are no significant changes to our previous explanations; this is a result of forward-looking monitoring.

While the actual amount of credit costs has increased due to the steady growth in non-guaranteed personal loan balances, the credit cost ratio remains at a low level. As repayments of guaranteed personal loans progress, payment guarantee fees are trending downwards. As a result, as initially intended, even with the increase in personal loan balances, the effective credit cost, which is the sum of credit costs and payment guarantee fees, has been decreasing, resulting in a 109 million yen reduction YoY.

【Balance sheet Summary】

I will outline the balance sheet. Approximately 80% of our main assets are floating rate, with the majority linked to TIBOR. Furthermore, due from the BOJ are, needless to say, linked to the policy rate. As a result, the BOJ's 75 basis point policy rate hike in December will lead to increased profitability on the asset side through: TIBOR-linked assets within main assets, new loans to the Ministry of Finance, and due from the BOJ. On the funding side, 86% of deposits are floating rate.

Rakuten Bank raised deposit interest rates by 10 basis points in February, which will increase funding costs from the fourth quarter onwards. However, we anticipate a net positive effect on profits. The loan-to-deposit ratio is shown in the bottom left. Considering our operating policy, it is appropriate to include monetary claims bought in addition to loans when calculating the loan-to-deposit ratio. The adjusted loan-to-deposit ratio, with main assets as the numerator, is 66.1%. The core loan-to-deposit ratio, with core assets as the numerator, is 53.1%. While borrowings from the BOJ will gradually decrease each quarter due to the termination of the scheme, we will continue to acquire deposits, increase the proportion of core assets, and improve interest margins to extend interest income and expenses.

【Status of Investment in Marketable Securities】

I will explain the status of surplus fund operations, including marketable securities. Loans to the Ministry of Finance are an asset that can secure yields higher than due from the BOJ. Therefore, we have actively participated in tenders, resulting in a net increase of 142.9 billion yen in the third quarter. Regarding these loans, our policy is to continue to respond flexibly, considering interest rate trends, especially as future interest rate increases are anticipated. For marketable securities, we made new investments of 48.0 billion yen in corporate bonds during the third quarter.

These marketable securities investments are primarily held with the premise of holding them to maturity, aiming to benefit from the long and short-term interest rate differential while considering yield enhancement and redemption periods. Furthermore, regarding corporate bonds within securities investments, we selectively invested while controlling duration, with two

main objectives: as a complement to business loans, given that the proportion of corporate credit is still very small relative to our balance sheet size, and opportunistically investing when opportunities arise.

【Simulation of Future Net Interest Income】

Let me explain about a simplified simulation of future interest income and expenses.

The graph on the left shows the annualized impact of a 25-basis point policy rate increase on interest income and expenses, based on the balance sheet as of the end of December 2025. We estimate an annual impact of plus 15.5 billion yen on interest income and expenses. The graph on the right illustrates the projected decrease in the 2.86 trillion yen in borrowings from the BOJ towards the scheme's termination in March 2028, clearly explaining the quarterly impact on the balance sheet. The message here is that while the reduction in borrowings will gradually lead to a decrease in interest generated from corresponding due from the BOJ if no action is taken, we believe that by promoting funding through deposits and other means, we can limit the impact of balance sheet contraction. Simultaneously, by improving yields through the accumulation of core assets, primarily middle-risk assets, we can keep the impact of borrowing repayments on the profit and loss statement limited. Please note that the explanation on the left is a simplified estimate with certain assumptions, as the bank is in a phase of balance sheet expansion.

【Non-Interest Income】

Next, I will explain the status of non-interest income. Cumulative non-interest income for the third quarter increased by 1.1% YoY to 40.7 billion yen. Other operating income, which is highly dependent on market fluctuations, decreased by 1.5 billion yen YoY, as customer activity remained subdued due to ongoing market uncertainty.

On the other hand, fees and commission income increased by 5.9% YoY. Looking at the breakdown, exchange settlement received increased by 10.2% YoY, continuing to grow at a pace exceeding the increase in the total number of accounts and main accounts. While direct debit for living expenses have steadily increased at a pace exceeding account growth due to the promotion of main accounts, recreational usage such as public gambling experienced a rebound after a temporary tailwind last year. Overall, this category saw a 5.7% YoY increase. Debit card-related fees received decreased by 0.2% YoY due to one-off revenue last 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 the actual amount of non-consolidated G&A expenses increased by 21.4% YoY, the gross operating profit expanded more than the increase in expenses, driven by the expansion of interest income. As a result, the G&A expense ratio decreased by 4.2 percentage points YoY, settling at 32.4%. As we have explained before, we

view the expense ratio as merely a result, and we do not intend to set this figure as a target for cost reduction.

【Strategic Investment Direction】

This time, we have added a new slide on "Strategic Investment Direction". While Rakuten Bank has operated with a very lean structure continuously under a negative interest rate environment, with the changing interest rate environment, we position the next few years as a phase of business expansion. We want to reiterate our policy of actively making selective investments with a focus on cost-effectiveness to build a foundation for growth. As a result, we anticipate an increase in actual G&A expenses. However, with the tailwind of the policy rate hike, we aim to expand profits by strengthening the yield enhancement of fund operations. Specifically, we plan to invest in three key areas: acquiring accounts and deposits, improving operational efficiency, and yield enhancement in operations. These investments will be in three categories: marketing investments aimed at acquiring customers and expanding transaction volume to support current business growth, technology investments for improving UI/UX using AI, developing advanced services, and achieving both future business scale expansion and operational efficiency, and human capital investments to support sustainable growth. Through this investment policy, we aim to achieve: a return to 10% account growth and deposit growth exceeding account growth, a 30% improvement in operational efficiency, and further expansion of the funding spread.

【ROE Performance】

The annualized ROE for the third quarter of the fiscal year 2025 was 21.5%, an increase of 4.6 percentage points YoY. From the perspective of the ROE indicator, we believe it is crucial to strengthen ROA through non-interest income growth and interest income growth via yield enhancement of assets, leverage our ample capital base to pursue returns while carefully controlling risks, and balance appropriate investments for medium-to-long-term growth as I mentioned with the cost efficiency that is a strength of a digital bank. Regarding the ROE target, as the bank is in a phase of business expansion and is also dependent on future interest rate trends, we have not set a specific numerical target. However, we consider surpassing the previous fiscal year's ROE as one of our goals.

【Capital Adequacy Ratio】

I will explain the capital adequacy ratio. The consolidated capital adequacy ratio was 10.6%, a decrease of 0.4 percentage points from the previous period, but it continues to maintain a sound level. Going forward, while maintaining a sound capital adequacy ratio, we will actively expand core assets, primarily middle-risk assets, to expand our business, improve profitability, and enhance corporate value.

【Dividend Policy】

Finally, there is no change in our dividend policy. We remain committed to effectively utilizing the capital entrusted to us by our shareholders, actively and in a balanced way increasing our main assets, and gradually raising the proportion of middle-risk assets to significantly boost interest income. We hope to return value to our investors in the form of business expansion, resulting in enhanced corporate value and, ultimately, an increase in stock price. Therefore, we ask for your continued understanding of our current policy of not paying dividends.

This concludes the overview of the third quarter of fiscal year 2025 financial results.

Thank you for your attention.

(Continue to Summary of Q&A at the Q3 FY2025 Financial Results Presentation)

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Q01. Regarding deposit growth, ordinary deposits increased by ¥500 billion YoY, and time deposits increased by ¥700 billion, indicating a significant contribution from time deposits. However, the deposit interest rate only increased by about 1 basis point compared to Q2. Please explain why the deposit interest rate has not increased significantly. Also, given that the number of users benefiting from preferential interest rates was not large as explained previously, I would like to know the contribution of bonus interest rates. Furthermore, as the growth of ordinary deposits has relatively weakened, please share your future campaign strategies.

A01. As of the end of December, the growth in deposits was driven by the strong performance of time deposits due to campaigns. Since time deposits were made closer to the end of December, this interest rate was not significantly reflected in Q3, and as a result, it did not lead to an overall increase in deposit interest rates. A decrease in foreign currency deposits was also a contributing factor. Regarding our future stance on deposit acquisition, our strategy of making the Rakuten Bank account the Main Account for daily use remains unchanged. However, as we have entered a world with interest rates, we conducted the time deposit campaign during the bonus season to meet customers' needs for stable savings. We also aim to acquire time deposits complementarily.

Q02. Please share the management's thoughts behind the upward revision of the earnings forecast. Also, please provide a breakdown of the upward and downward revisions for Ordinary Income and Ordinary Expenses.

A02. We disclosed the forecast as fair as possible, without being overly conservative or aggressive. The revenue reflects increased earnings due to interest rate hikes and the accumulation of assets. Regarding funding interest rates, our initial plan assumed deposit funding with increased funding costs. However, actual results showed that funding interest rates did not rise as much as anticipated. This more realistic perspective led to a reduction in funding expenses.

Q03. On page 19 of the earnings presentation material, the impact of 25 basis points on earnings has been revised upwards. Please explain the changes.

A03. The reason for the higher actual interest rate sensitivity is the larger balance sheet (BS). The previous calculation was based on the BS as of the end of September, whereas this time it was based on the assumption that the BS as of the end of December would continue, which explains the difference in the results.

Q04. Even considering the preferential interest rates with Rakuten Mobile applicable from April, is it possible to control the deposit beta at around 50%? Also, do you have a sense that account growth will approach approximately 10%?

A04. The preferential interest rate for mobile usage has an eligibility period, so customers will benefit from it starting in April. We plan to actively promote this and encourage as many customers as possible to take advantage of the higher interest rates. We understand that this measure alone will not significantly boost deposits amid intensifying deposit acquisition competition. We believe the trend of the beta approaching 50%, which we discussed previously, will continue. Looking back, there were periods of high deposit beta, and we intend to address this while considering the competitive environment.

Q05. When will the next medium-term management plan be announced? General and Administrative (G&A) expenses are currently increasing by about 20%. Should we assume this level will continue? If it becomes clear that ROE will decline, will you immediately pay dividends, or will you wait and see for a certain period?

A05. While we are progressing with the medium-term plan, there are many moving parts in the external environment, such as the competitive landscape, financial policies, and fiscal policies, so we are discussing it carefully. We will announce it when it is ready. We explained that we would actively invest in expenses. We kindly ask for your understanding that we are actively investing at a time when we are generating profits. We want to operate in a way that actively invests when there is a tailwind and reflects a more subdued approach when the market slows down, so that profits do not fluctuate significantly. We have operated leanly until now, and our stance of actively making necessary investments remains unchanged. Regarding ROE, as our bank is in a growth phase, the final ROE is not yet clear. However, even if it were to slightly underperform, we believe growth will continue, so we will not immediately shift significantly towards dividends.

Q06. The growth of middle-risk assets, especially monetary claims bought (others), is strong. What is the background behind this? Additionally, what is the impact of the National Tax Agency's remarks regarding Rakuten Card's securitization on the growth of balances?

A06. The securitized assets are the result of our sales efforts, underwriting both intra-group and external deals. It's not about a single large transaction, but rather the accumulation of various deals. Regarding Rakuten Card's securitization, we cannot foresee the outcome between Rakuten Card and the National Tax Agency. However, our stance on purchasing securitized claims of Rakuten Card's credit card receivables remains unchanged.

Q07. Regarding credit-related expenses, you mentioned an increase in credit-related expenses due to some project deals within securitized assets. What are the details of these? Are there any concerns about other securitized assets going forward?

A07. The credit-related expenses were for individual project-based items that deviated from the initial expected performance at the time of investment, and general loan loss provisions were recorded in advance. This is not something that will structurally spread to other items.

Q08. Confirmation regarding the guidance revision. On page 19, the interest rate sensitivity is ¥15.5 billion annually, and given that your bank reflects interest rate hikes quickly, I anticipate approximately ¥4 billion per quarter. In the upward revision, Ordinary Profit increased by ¥10 billion. Are there any other factors contributing to the increase besides interest rate hikes?

A08. In addition to the reflection of interest rate hikes, the growth of middle-risk assets in our investment portfolio has been more favorable than initially planned.

Q09. Regarding your approach to ROE, you mentioned that there are no clear targets. Do you have any benchmarks?

A09. Regarding ROE, it was 18.0% for the fiscal year ending March 2025, so internally, please understand that we are operating with this as a benchmark.

(Follow-up question) Is it correct to understand that the 18.0% achieved in March 2025 is the minimum benchmark?

Yes. It's not that factors are awaiting to cause a decline to 18.0%. However, please understand that as the fiscal year progresses quarter by quarter, the accumulation of profits will lead to an

increase in equity, which will make the denominator larger, and thus the ROE may slightly decrease by the end of the fiscal year.

Q10. Regarding the revision of the earnings forecast. While it has been revised upwards due to interest rate hikes, the Q4 figures appear to be slightly lower. If there is a background to this conservative view, please share it.

A10. In the latter half of Q3, market interest rates rose, and the effect of interest rate hikes began to appear in investment income. In Q4, the ordinary deposit interest rate hike will be immediately reflected from February, so this is due to the time lag.

Q11. Regarding the deposit acquisition environment, SBI Shinsei Bank is significantly expanding its sweep deposits. Is your bank experiencing any impact from this?

A11. We are not aware of any significant outflow of deposits concentrating towards SBI Shinsei Bank.

Q12. Regarding the concept of "Saikyo Deposit" with Rakuten Mobile. What is the target number of customers for the entire group, and do you expect more customers to choose the 2bps additional or 10bps option?

A12. Please understand that we do not disclose the breakdown of mobile subscribers, including related figures.

Q13. In terms of strategic investment directions, please elaborate on the specific contents of "Investment" and "Yield Enhancement" among the three areas.

A13. In the area of investment, we aim to expand our loan targets and portfolio by actively utilizing AI in credit scoring, which has begun as a trial, and by improving the quality of our screening processes, thereby enhancing yield. Furthermore, in technology investment, as we pursue yield enhancement, we will be taking on more risk. Therefore, we intend to appropriately allocate funds to system investments for risk management in this context.

(end)