

Mizuho Financial Group (8411 JP)

FUNDAMENTAL VIEW ¹

As of 19 Mar 2025

- Mizuho has emerged as a significantly stronger and more capable institution than it was a decade ago.
- Following the RBS North America business acquisition in 2015, which significantly improved its heft and offerings, Mizuho largely shied away from making investments in its businesses due to low capital levels and a focus on reducing expenses; that has changed over the past couple of years (Greenhill/Rakuten); separately, capital levels are now stronger than SMFG's.
- As one of the three megabanks, Mizuho's credit standing benefits from a strong expectation of government support, if needed.

RISKS & CATALYSTS

As of 19 Mar 2025

- Its plans to recycle assets out of Japanese mortgages and low profitability assets into the Americas is sensible.
- A series of Japan IT system failures in 2021-22 was a distraction, but has fortunately not recurred recently.
- Asset quality is a key strength (but its international loan margins are also lower as a consequence) and credit costs are much lower than its peer megabanks, in part due to not owning a large Japanese personal unsecured loans business.
- The buffer between its CET1 ratio (fully Basel III compliant and ex-security gains) and the 8% regulatory minimum has improved from 170 bp a year ago to 240 bp as of Dec-24.

CREDIT QUALITY SCORE (CQS) ²

As of 07 May 2025

CURRENT CQS

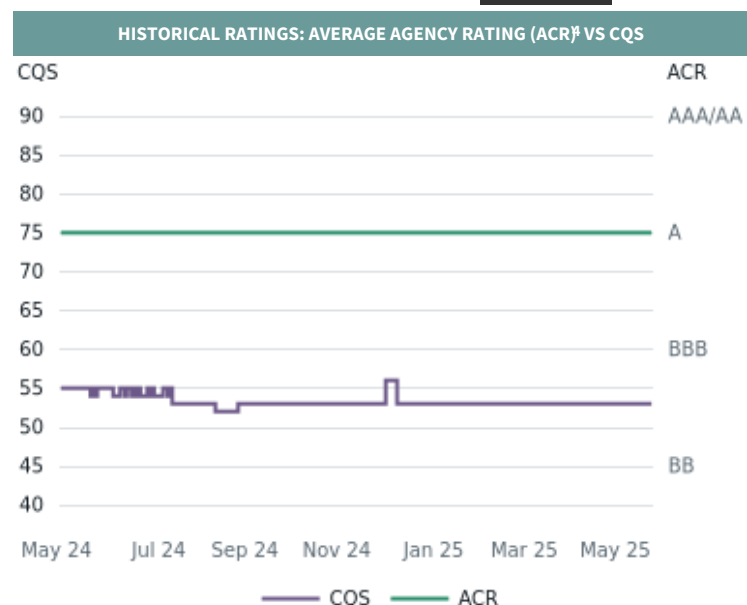
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CQS OUTLOOK ³

NEGATIVE

STABLE

POSITIVE



KEY METRICS

As of 19 Mar 2025

JPY BN	FY21	FY22	FY23	3Q23	3Q24
Net Interest Revenue/Ave Assets	0.44%	0.41%	0.35%	0.35%	0.36%
Operating Income/Average Assets	1.01%	0.96%	1.05%	1.05%	1.11%
Operating Expense/Operating Income	62%	63%	62%	59%	60%
Pre-Impairment Operating Profit / Average Assets	0.38%	0.34%	0.40%	0.43%	0.45%
Loan impairment (charge) or reversal/ave. loans	(0.28%)	(0.10%)	(0.12%)	(0.02%)	0.05%
ROAA	0.24%	0.23%	0.26%	0.34%	0.42%
ROAE	5.8%	6.1%	7.0%	9.0%	11.0%
CET1 Ratio excl. unrealised securities gains in AOCI	11.5%	11.3%	11.8%	n/a	n/a

BUSINESS DESCRIPTION

As of 19 Mar 2025

- Mizuho is the third largest by asset size among Japan's three megabanks. It was formed in 2000 through the merger of the former "City" banks, Fuji and Dai-ichi Kangyo, and the Industrial Bank of Japan, a provider of long-term industrial credit financed by bond issues.
- Its main units are Mizuho Bank and Mizuho Trust & Banking (focusing on asset management and related services). The group's other main business is Mizuho Securities, a leading player in debt capital markets in Japan and the US.
- It expanded in North America in 2015 by acquiring assets and staff from RBS and has successfully captured more markets and commercial banking business in conjunction with its securities arm. It also acquired Greenhill, a boutique M&A firm, in 2023, and owns ~50% of Rakuten Securities and 15% of Rakuten Cards.
- Mizuho is less diversified than its megabank peers by product segment, although its securities arm is large.

GLOSSARY

¹ The **Fundamental View** is our current assessment of credit quality and our expectation of how credit quality will trend over the next year or longer.

² The **Credit Quality Score (CQS)** is a number between 5 and 100. It is a medium-term credit score for corporates and financial institutions that utilizes a combination of sector fundamental scores and equity market signals. Values of CQS above 50 generally indicate investment grade credit quality.

³ The **Credit Quality Score (CQS) Outlook** is the near-term (3 month) outlook for the CQS, based on its trend, volatility and distance from the adjacent CQS risk bucket.

⁴ The **Agency Composite Rating (ACR)** is the average senior unsecured rating from one or more major rating agencies.

Quantitative scores provided by CreditSights Analytics, LLC. Scores are shown are for the lesser of (1) 2 years and (2) date of CreditSights inception of quantitative coverage.

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