

February 28, 2025

Mizuho Bank Limited (Indian Branches): Rating reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Certificates of deposit	500.00	500.00	[ICRA]A1+; reaffirmed
Total	500.00	500.00	

*Instrument details are provided in Annexure I

Rationale

The rating draws comfort from the strength of Mizuho Bank Limited (rated A1/P-1 for bank deposits and senior unsecured debt and base credit assessment (BCA) of Baa1 by Moody's) and the ultimate holding company, Mizuho Financial Group, Inc. (rated A1 by Moody's). Mizuho Bank Limited, which is held by Mizuho Financial Group, is one of the largest banks in Japan in terms of assets. The Group's total assets stood at \$1.8 trillion as on December 31, 2024. Mizuho Bank Limited houses the Group's retail and wholesale banking segments, with over 544 branches and operations in more than 38 countries. ICRA draws comfort from the strong operational linkages of the Indian Branches with the head office (HO) in Japan, which is reflected in the joint involvement in credit sanctions, risk management and liquidity policies.

The business growth of the Indian Branches in FY2024 and 9M FY2025 was supported by the capital infusion of Rs. 4,100 crore by Mizuho Bank Limited in Q3 FY2024. The Indian Branches continue to maintain strong asset quality indicators, given the focus on better-rated corporates (domestic, global as well as corporates with Japanese linkages). The asset quality remains steady with nil slippages in the last several years and no special mention accounts (SMA-1 and 2¹) as on December 31, 2024. The association of the Indian Branches with corporate customers supports the deposit base (including current accounts and term deposits) with a competitive cost of interest-bearing funds, though the branches have high depositor concentration and a short maturity profile. Despite the short tenure of the liabilities, the liquidity of the Indian Branches is supported by the excess holding of Government securities (G-Secs), balances with the Reserve Bank of India (RBI), a committed line of credit from the HO and reciprocal lines of credit in the Indian rupee (INR) from Indian banks to meet any unforeseen liquidity requirements. Further, Mizuho Bank (Indian Branches) reported a liquidity coverage ratio (LCR) of 188.13% for Q4 FY2024.

Mizuho Bank Limited, as a whole, had demonstrated weak profitability in the past because of the low interest rate and the growth environment in Japan, resulting in modest internal capital generation and a modest capital profile even though it has a strong market position in Japan in terms of the deposit and liquidity profile. ICRA will continue to monitor the credit profile of Mizuho Financial Group as well as Mizuho Bank Limited as it will be a key determinant of the rating of the Indian Branches.

Key rating drivers and their description

Credit strengths

High operational and financial linkages of Indian Branches with HO – For the Indian Branches, ICRA draws comfort from Mizuho Bank Limited along with the strong parentage of Mizuho Financial Group (ultimate holding company of Mizuho Bank Limited). ICRA derives further comfort from the high operational linkages between the bank's Indian Branches and the HO; the liquidity management and market risk management policies of the Indian Branches are in line with the policies followed by

¹ SMA is defined as a special mention account (SMA), which is an account exhibiting signs of incipient stress resulting in the borrower defaulting in the timely servicing of their debt obligations though the account has not yet been classified as an NPA as per the extant RBI guidelines; SMA-1 accounts are overdue by 31-60 days while SMA-2 accounts are overdue by 61-90 days

the HO. Moreover, the HO extends help to its Indian Branches by way of liquidity support as well as by approving all the high-value exposures after carrying out due diligence at the global level.

Additionally, Japan-linked exposures and global relationships form a sizeable portion of the depositors and borrowers at the Indian Branches because of their strong relationship with the bank at the global level. The Indian Branches have also been instrumental in originating business from Indian corporates for Mizuho Bank Limited.

Strong capitalisation and liquidity position with sufficient backup lines for Indian Branches – Mizuho Bank Limited (Indian Branches) reported a capital-to-risk weighted assets ratio (CRAR) of 19.19% as on December 31, 2024 compared to 27.26% (largely core equity capital) as on December 31, 2023. The HO had infused ~Rs. 4,100-crore capital in Q3 FY2024, resulting in an improvement in the CRAR and helping the bank grow its advances book. Going forward, the ability to garner a stable deposit base will be a key challenge in scaling up the advances.

The deposit concentration remains elevated, with the top 20 depositors accounting for 46% of the total deposits as on March 31, 2024 compared to 43% as on March 31, 2023, as the depositor base is largely restricted to corporate customers. The concentration of the depositor profile has remained high over the years and is expected to stay elevated. While this could result in volatility in the deposit base, the Indian Branches have strong liquidity with a sizeable balance in reverse repo and liquid investments (~49% of total assets as on December 31, 2024). In addition, the Indian Branches have backup lines of credit to take care of any liquidity requirements through reciprocal lines of credit of ~Rs. 3,400 crore from State Bank of India (rated [ICRA]AAA (Stable) for its Tier II bonds) and Bank of India (rated [ICRA]AA+ (Stable) for its deposits) and can borrow up to 50% of the Tier I capital from the HO.

While the Indian Branches have a strong capital position, Mizuho Bank Limited's (consolidated) capital position is comfortable with an estimated core capital (CET-I) of 13.10% as on December 31, 2024. Despite improving, the profitability remains weak.

Strong asset quality – The overall asset quality has remained strong over the years as a significant share of the outstanding loan book comprises entities with a Japanese association. The asset quality of the Indian Branches remains strong with gross non-performing advances (NPAs) of 0.03% and nil net NPAs as on December 31, 2024. Slippages remained nil during the last seven years. The SMA-1 and 2 also remained nil for the Indian Branches as on December 31, 2024.

The asset quality of Mizuho Bank Limited's global operations is strong with net NPAs of 0.98% as on December 31, 2024.

Credit challenges

Profitability remains modest, given limited scale of operations – Given the moderate scale of operations and the volatile liability profile of the Indian Branches, the profitability is expected to remain modest. Supported by the capital infusion, the net profitability improved in FY2024 on account of higher net interest income but this was offset by the increase in operating costs. The return on assets (RoA) stood at 1.36% in FY2024 (1.17% in FY2023) while the return on equity (RoE) remained modest at 4.20% in FY2024 (4.78% for FY2023) for the Indian Branches.

The profitability Mizuho Bank Limited's global operations remains weak because of the low interest rate environment in Japan and the surplus liquidity (credit-to-deposit ratio of 64% as on December 31, 2024), resulting in an annualised RoA of 0.33% for the nine months ended December 31, 2024.

High concentration of deposits and advances in Indian Branches – The Indian Branches largely depend on wholesale deposits as the retail franchise remains limited. This has resulted in high deposit concentration levels, with the top 20 depositors accounting for ~46% of the total deposits as on March 31, 2024. Moreover, the share of the low-cost current and savings account deposits (CASA) remained small at 21% of total deposits as on December 31, 2024. Given the deposit concentration levels and the short duration, the branch deals in short-tenor advances to prevent any gaps in asset-liability maturities with a limited share of term loans, though the same rose slightly in FY2024. However, access to the interbank market, excess holding of G-Secs and support from the HO mitigate the liquidity risks to an extent.

Globally, Mizuho Bank Limited's deposits accounted for 61% of its total liabilities as on December 31, 2024.

Liquidity position: Strong

The overall liquidity position of the Indian Branches remains strong with positive gaps within 1-year maturity buckets, as per the structural liquidity statement as on March 31, 2024, and an LCR of 188% for Q4 FY2024. This is supported by the short-term nature of the advances, the high level of liquid assets, the committed line of credit from the HO, and the reciprocal lines of credit from domestic banks, which can help meet any funding shortfall.

Rating sensitivities

Positive factors – NA

Negative factors – ICRA could downgrade the rating in case of a deterioration in the credit profile of Mizuho Bank Limited.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	ICRA's Rating Methodology for Banks and Financial Institutions
Parent/Group support	The Indian Branches of Mizuho Bank Limited (Japan) are an integral part of the bank. ICRA expects the Indian Branches to be supported by the HO, which will extend financial support if needed
Consolidation/Standalone	Standalone for Indian Branches

About the company

Mizuho Bank Limited: The Group's retail and corporate banking unit is housed under Mizuho Bank Limited. Mizuho Bank Limited is one of the three so-called Japanese 'megabanks' (along with Mitsubishi UFJ Financial Group and Sumitomo Mitsui Financial Group). It provides financial products and services to a wide range of clients including individuals, small and medium-sized enterprises, large corporations, financial institutions, and public sector entities. Its headquarters are in Tokyo, Japan. Mizuho Bank has over 544 branches and offices in Japan and more than 38 other countries and is the only bank to have branches in every prefecture of Japan.

Mizuho Bank Limited (globally) reported a net profit of \$3.8 billion on total assets of \$1,563 billion in 9M FY2025.

Mizuho Financial Group, Inc.: Headquartered in Tokyo, Mizuho Financial Group, Inc. (Mizuho) is one of the largest financial groups in Japan, with a number of enterprises operating under its umbrella: Mizuho Bank Limited (a retail/wholesale bank, rated Moody's A1 stable), Mizuho Trust & Banking Co., Ltd. (a trust bank, rated Moody's A1 stable) and Mizuho Securities Co., Ltd. (a securities company, rated Moody's A1 stable), as well as a number of other entities that provide a comprehensive array of financial services. The Group's consolidated total assets stood at \$1.8 trillion as of the end of December 31, 2024 and Mizuho Bank Limited accounted for ~88% of the total assets and ~70% of the total net profit of the Group in 9M FY2025.

Key financial indicators

Mizuho Bank Limited (Indian Branches)	FY2023	FY2024
Total income [^]	891	1,321
Profit after tax	283	439
Total assets	27,984	36,446
CET I	17.39%	22.44%
CRAR	18.21%	23.37%
PAT/ATA	1.17%	1.36%
Gross NPA	0.05%	0.03%
Net NPA	0.00%	0.00%

Source: Mizuho Bank Limited (Indian Branches), ICRA Research

Amount in Rs. crore; All ratios as per ICRA's calculations

[^]Total income = Net interest income + Non-interest income (excluding profit on revaluation of investments)

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Current (FY2025)			Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs. crore)	Date & rating in FY2025 Feb 28, 2025	FY2024		FY2023		FY2022	
				Date	Rating	Date	Rating	Date	Rating
Certificates of deposit	Short term	500	[ICRA]A1+	Feb-21-2024	[ICRA] A1+	Feb-20-2023	[ICRA] A1+	Feb-21-2022	[ICRA] A1+

Complexity level of the rated instrument

Instrument	Complexity indicator
Certificates of deposit	Very Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
Unplaced	Certificates of deposit	NA	NA	7-365 days	500.00	[ICRA]A1+

Source: Mizuho Bank Limited (Indian Branches)

Annexure II: List of entities considered for limited consolidated analysis

Not applicable

ANALYST CONTACTS

Karthik Srinivasan
+91 22 6114 3444
karthiks@icraindia.com

Anil Gupta
+91 124 4545 314
anilg@icraindia.com

Sachin Sachdeva
+91 124 4545 307
sachin.sachdeva@icraindia.com

Nikita Garg
+91 22 6114 3465
nikita.garg@icraindia.com

Vaibhav Arora
+91 124 4545 386
vaibhav.arora@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar
+91 22 6114 3406
shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

HELPLESS FOR BUSINESS QUERIES

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)
info@icraindia.com

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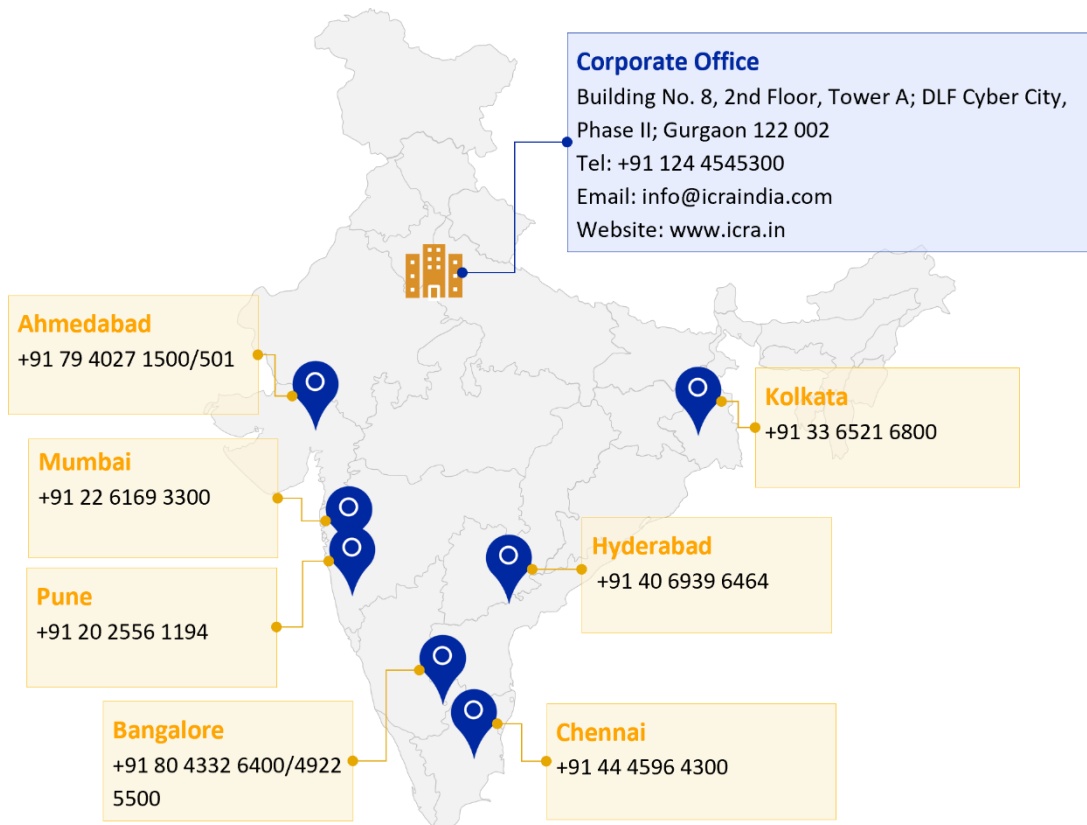
Registered Office

B-710, Statesman House, 148 Barakhamba Road, New Delhi-110001

Tel: +91 11 23357940-45



Branches



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