<u>FY26 Q1 Results Call</u>

(Speaker: Makoto Samejima, Group CFO)

In reference to 'Summary of Financial Results for the First Quarter of FY2026'

<u>Executive Summary</u>

- (p.3) FY2026 Q1 delivered strong results, with Consolidated Net Business Profits of JPY 575.8B and Profit Attributable to Owners of the Parent of JPY 422.9B, both significant increases YoY and representing 35% and 32% progress respectively against FY26 earnings outlook from May. ROE (past 12 months) improved to 12.5%.
- (p.12) We have revised our FY2026 earnings outlook upward to Consolidated Net Business Profits of JPY 1,750.0B (+JPY 120.0B vs May) and Profit Attributable to Owners of the Parent of JPY 1,400.0B (+JPY 100.0B). This upward revision was decided based on solid earnings progress and the BOJ's policy rate hike last month in June. Barring a significant deterioration in the external environment, we are confident in achieving these targets. However, we believe uncertainties in the external environment, including the Middle East situation, remain.
- (p.12) Regarding shareholder return, in addition to what was announced at the beginning of the fiscal year, we have resolved an additional JPY 100.0B share buyback, bringing the total to JPY 200.0B. Our shareholder return policy to maintain a total payout ratio of 50% or more remains unchanged. Amid strong corporate financing demand, we will continue to monitor RWA trends and act flexibly regarding shareholder returns, balancing our business results and capital adequacy with growth investment opportunities. Following the upward revision to our earnings outlook, EPS is also expected to pass our historical high of JPY 551, but we see this as merely a milestone and will aim for further EPS growth.

<u>FY26 Q1 Results Summary</u>

- (p.3) The expense ratio landed at a favorable 47.7%, as revenue growth outpaced the increase in expenses. This level is somewhat too low, and for the full FY2026, we are aiming for a level slightly below the previous fiscal year's expense ratio. We will continue our disciplined expense management.
- (p.5) In the Customer Groups, RBC and CIBC led performance, with Net Business Profits increasing by JPY 44.4B and JPY 54.3B YoY, respectively. In addition to the effect of rate hikes, fee businesses such as investment banking and real estate also grew, driven by strong financing demand and active corporate actions.
- (p.5) GCIBC: Net Business Profits decreased YoY, mainly because the increase in Gross

Profits was not enough to offset the increase in expenses. While investment banking business grew, net interest income from lending and deposit-taking businesses declined amid a lower interest rate environment, and certain products, such as leveraged finance, showed some softness due to market conditions.

- (p.5) Markets: Banking was exceptionally strong, recording more than double the Net Business Profits YoY. Sales & Trading was also strong, with growth in both fixed income and equities, both in Japan and overseas.
- (p.6) On the balance sheet (B/S), loan balance increased by JPY 3.3T compared to the end of March 2026, mainly driven by strong financing demand in Japan. While total deposits decreased by JPY 2.1T, this is mainly due to a seasonal decrease in corporate deposits and is not a particular concern. Retail deposits increased along with a rise in new account openings.
- (p.7) Domestic loans: The deposit–loan yield spread continued to improve, mainly due to higher lending rates. Loan spreads were solid in RBC and flat in CIBC. We will continue our fucus on improving spreads.
- (p.8) Overseas loans: In Q1, while there were slight movements in both the deposit-loan spread and loan spreads, they were within the trend and there is no significant change.
- (p.9) Non-interest business was strong, with YoY increases in almost all divisions. Investment banking was a key growth driver, performing well both in Japan and overseas. The effects of the Greenhill acquisition in the U.S. are being reflected in our results. In particular, the securities business segment achieved record-high earnings. Real estate and personal wealth management businesses were also generally solid, posting revenue growth.
- (p.10) Credit-related costs were contained at a very low level of JPY -6.1B. Although there were concerns about the external environment, including the Middle East situation, in Q1, the actual impact was limited. We have built up approximately JPY 165.0B in forward-looking provisions and are well-prepared for risks. We will continue to monitor the external environment and respond flexibly as needed.
- (p.11) While our JGB balance has increased, this occurred within normal ALM management, with a focus on short-term instruments. Also, though the balance of the mid-to- long term bonds increased, the majority of bonds have short remaining duration. Thereby the overall average duration remained short at 0.8 years, and our prudent management policy is unchanged.
- (p.11) The sale of cross-shareholdings in Q1 were limited. However, sales negotiations are progressing steadily, and we anticipate an increase in reductions and gains from sales from Q2 onward.

- (p.13) Results by Group Company: BK (on a non-consolidated basis) shows a significant YoY increase, but this includes a one-off factor of approximately JPY 200.0B in dividends from subsidiaries. However, even after considering these factors, the performance trend is strong.