

## **FY25 Results Call**

### **Executive Summary**

- FY2025 delivered strong results, with Consolidated Net Business Profits of JPY 1,461.1B, and Profit Attributable to Owners of the Parent of JPY 1,248.6 B, an all-time high, and achieving 108% and 110% versus guidance, respectively. ROE improved to 11.4%.
- FY2026 Earnings Outlook: Profit Attributable to Owners of the Parent is forecast at JPY 1,300.0B. The headline YoY increase is a little over JPY 50B; however, FY25 results were boosted by one-off special factors such as gains from the proceeds from sales of deemed holdings and lower tax-related expenses. On an underlying basis excluding these one-off items, FY25 Profit Attributable to Owners of the Parent is assessed at roughly JPY 1,150.0B (about JPY 100B lower than the reported figure). On this normalized basis, we expect approx. JPY 150B YoY profit growth. Our Outlook assumes a BOJ policy rate of 0.75% and does not incorporate the effects of interest rate hikes.
- Because we achieved our medium-term financial targets set last year—FY27 ROE over 10% and Net Business Profits of JPY 1.4–1.6T—in just one year, we have newly set FY28 targets of ROE of over 12% and Net Business Profits of JPY 1.8–2.0T. We are aiming for ROE above 12% even without further rate hikes, seeking a further improvement in capital efficiency.
- Shareholder Return: in line with our capital policy, we forecast a dividend increase of JPY 5 YoY to JPY 150. A share buyback is also currently resolved of up to JPY 100.0B. Our policy to maintain a Total Payout Ratio of 50% or more remains unchanged; while monitoring external conditions (including the Middle East conflict) and responding to expanding financing demand, we will act flexibly based on our business results, capital adequacy, stock price and opportunities for growth investment.

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- We are delivering growth both in Japan, our home market where we have strong competitive advantages, and in global CIB, giving us confidence for further growth. All inhouse companies/divisions posted increases in both Gross Profits and Net Business Profits.
- RBC and CIBC grew not only in interest income driven by policy rate hikes but also in non-interest businesses such as investment banking and real estate.
- RBC: Net Business Profits increased significantly; however, credit-related costs rose due to forward-looking provisions, and the prior year's one-off gains on disposal of fixed assets did not recur, resulting in a slight decline in net income.

- CIBC: In addition to higher Net Business Profits, increased gains on sales of deemed holdings, leading to a significant increase in net profit.
- GCIBC / Sales & Trading: Gross Profits remained solid. Net Business Profits were roughly flat YoY due to higher expenses. Net Income profit slightly decreased, reflecting higher credit-related costs stemming from certain single-name factors,.
- Banking: Achieved revenue and profit growth while realizing 150.0B of losses.
- The expense ratio improved to 59.4%, below 60%, as we contained expenses while making necessary investments.
- Credit-related costs increased by JPY 81.4 B YoY to JPY 133.0B. The increase was driven by (i) a rebound from the prior year, when costs were unusually low due to reversals, (ii) certain single-name factors, and (iii) additional forward-looking provisions reflecting the Middle East situation. Excluding the Middle East-related forward-looking provisions, costs were broadly at a normal level. We see no common trend across regions or industries and believe there is no issue with the soundness of our credit portfolio.
- Net Gains relating to Stocks, etc. rose JPY 190.8 B YoY to JPY 286.8 B, supported by gains from sales associated with reducing the book value of cross-shareholdings. We are steadily progressing in line with our target to reduce cross-shareholdings by at least JPY 350.0B over the three years from March 2025 to March 2028. We also beat our outlook to reduce deemed shareholdings by JPY 200.0B over the same period within FY25 alone. Unrealized gains improved substantially amid firm equity markets.
- Balance sheet (B/S): Domestic financing demand was particularly strong, and lending tied to corporate actions increased. Deposits were also steadily acquired. Securities balances increased as well, but this was not due to an aggressive shift into JGB investments; rather, it increased within normal ALM management. While foreign-currency loans increased, foreign-currency customer deposits also grew steadily. We increased medium- to long-term funding, including TLAC and senior bond issuance, maintaining a stable funding structure.
- Domestic loans: RBC Retail continued selective actions in certain areas such as residential mortgages, prioritizing profitability. In corporate banking, lending increased against a backdrop of robust capex and active corporate actions. Reflecting the impact of rate hikes, the deposit–loan yield spread improved. Loan spreads solid in RBC, while CIBC loan spreads declined slightly due to a few large individual names; however, this does not indicate a broader downward trend. Rather, it reflects a temporary move within an overall upward trajectory.
- Overseas loans were flat. We continue to operate with a focus on profitability discipline

and foreign-currency liquidity risk, while using the balance sheet to capture non-interest business.

- Non-interest business was exceptionally strong. The integrated group model across banking, trust, and securities is working effectively, and efforts to use the balance sheet to win non-interest business are proving successful.
- CET1 capital: Our CET1 ratio (Basel III finalization fully-effective basis, excluding Net Unrealized Gains/Losses on Other Securities) declined slightly from 10.3% to 9.9%, but remains appropriately managed within the operating range of 9.5%–10.5%. The decline mainly reflects RWA growth from increased lending driven by business expansion. Our baseline is to operate around the midpoint of the range, and we will continue prudent management while gauging financing demand amid uncertainties including the conflict in the Middle East.