2Q 2026 Business Results

Earnings call transcript

July 23, 2026

JB Financial Group

Management Discussion Section

○ **Jinsok Choi,** ***Managing Director of IR - JB Financial Group :*** Hello, everyone! This is Jin-Sok Choi, Head of the IR Dept. First of all, I'd like to thank you for joining our earnings call today. Now, we are ready to give a presentation on JB Financial Group's 2Q26 business results. Please refer to the disclaimer on page 2 of the report of our business results posted on the website of JB Financial Group. Today, I am joined by Group CEO Ki-hong Kim; our CFO and Vice President Jong-geun Song; COO and CAIO and Vice President Jong-choon Park; CRO and Senior Managing Director Seung-guk Lee. On the subsidiaries side, I am joined online by Mr. Eun-ki Yoo, EVP of Jeonbuk Bank's Management Planning Division; Mr. Yong-gyoo Kim, EVP of Kwangju Bank's Management Planning Division; and Mr. Myung-jin Kim, Managing Director of JB Woori Capital's Management Planning Division.

First off, CEO Ki-hong Kim will deliver his opening statement. After that, our CFO will deliver a detailed presentation on our business outcomes for 2Q26, and then we will have a Q&A session with all participants. CEO Kim, would you start with your opening remarks?

○ **Ki-hong Kim,** ***CEO – JB Financial Group :*** Hello. This is Group CEO, Ki-hong Kim. In the first half of this year, financial market volatility remained quite high due to external variables, such as the conflict in Iran. Despite this market uncertainty, our financial group—along with the newly appointed CEOs of our subsidiaries earlier this year—has been highly proactive and continuous in restructuring our business portfolio to strengthen the Group's structural profit base. Our net income attributable to controlling interests for the second quarter reached KRW219.6 bn, demonstrating record-high performance for both the second quarter and the first half of the year. Consequently, we expect to achieve our full-year net income guidance of KRW 750 bn. Although the Group's total assets in the first half increased by 8.6% year-on-year, our common equity tier 1 (CET1) ratio has remained stable above 12.5%, driven by thorough RORWA-focused management control. Backed by solid profitability and stable capital adequacy indicators, the Board of Directors today resolved a quarterly dividend of KRW314 per common share for the second quarter, along with a share buyback and cancellation worth KRW100 bn. Moving forward, our group will continue to fortify our fundamentals through rigorous risk management and quality-focused growth, while seamlessly executing our shareholder return plans. I will now turn the call over to Vice President Jong-geun Song for a detailed review of our financial results, followed by a Q&A session. Thank you.

○ **Jong-geun Song,** ***CFO - JB Financial Group :*** Nice to have you all. This is CFO Jong-geun Song from JB Financial Group. Now, I will deliver a presentation on JBFG's 2Q26 earnings results.

First off, let me go over the key takeaways on page 4. Group's 2Q net income attributable to controlling interest and its cumulative net income for 2026 were KRW 219.6 bn and KRW 385.7 bn, up 5.7% and 4.1% Y-Y, respectively. Driven by the robust growth in both net interest income and non-interest income, which expanded our top-line revenue, we achieved record-breaking performance for both the second quarter and the first half. Coupled with this net income improvement, the continuous effects of share buybacks and cancellations drove our second-quarter earnings per share (EPS) up by 8.9% year-on-year, outperforming the net income growth rate by 3.2 percentage points. In an effort to reinforce RORWA-centric management, we are actively pursuing asset rebalancing strategies and expanding the proportion of our core businesses. As a result, we managed to keep the growth rate of risk-weighted assets (RWA) below the growth rate of KRW-denominated loans. This improved the Group's RORWA by 52 bps quarter-on-quarter, achieving a second-quarter RORWA of 2.29%. At the end of the second quarter, the Group's preliminary Common Equity Tier 1 (CET1) ratio stood at 12.52%, remaining stably managed in the mid-12% range. To enhance shareholder value, the Board of Directors today resolved a quarterly dividend of KRW314 per share, along with a share buyback and cancellation worth KRW100 bn. Moving forward, alongside rigorous capital ratio management, we will faithfully execute the Corporate Value-up Plan announced last February, thereby adhering to our total shareholder return rate target of 50%.

Please turn to page 5 for the profitability section. Driven by robust core earnings capabilities, the Group's net income attributable to controlling interests for the second quarter and the first half reached record-highs, respectively. Most of our major subsidiaries delivered distinct earnings improvements compared to the first quarter. In particular, JB Woori Capital led the Group's overall profitability expansion by achieving a net income of KRW176.8 bn, a 34.2% increase year-on-year. Next, please refer to page 6 for the net interest income and non-interest income section. The Group's total operating income for the second quarter increased by 10.4% year-on-year, propelled by the concurrent growth in both the interest and non-interest sectors. The banks' NIM rose by 1bp in the second quarter. Supported by RORWA-centric qualitative growth, the total KRW-denominated loans of the Group and the banks increased by 3.2% and 3.6% quarter-on-quarter, respectively, driving the growth of the Group's net interest income. The Group's non-interest income increased by 9.3% year-on-year and expanded significantly by more than twofold quarter-on-quarter, fueled by an increase in project financing (PF) fee income and robust gains on securities at JB Woori Capital.

Moving on, I will explain the cost section on page 7. In the first half of 2026, the Group's cost-to-income (CI) ratio was recorded at 36.9%, remaining stable, managed by solid top-line performance and continuous expense reduction efforts. The Group's credit cost ratio for the second quarter was 0.79%, improving by 9bps quarter-on-quarter. Consequently, the cumulative credit cost ratio for the first half stood at 0.83%, tracking below our initial full-year guidance of

0.86% provided at the beginning of the year. Moving forward, we will continue to ensure proactive asset quality management to stably maintain our annual credit cost ratio within our target range.

Please turn to page 8 for the asset quality section. The Group's delinquency ratio and non-performing loan (NPL) ratio stood at 1.64% and 1.43%, respectively, remaining at similar levels to the previous quarter. Although asset quality indicators remain at a somewhat elevated level, the new delinquency ratio—which serves as a practical asset quality management metric factoring in write-offs and loan sales—improved by 6bps for the Group and 3bps for the banks quarter-on-quarter. To look closer, although corporate loan asset quality indicators for both banks rose during the quarter, the impact on earnings is limited due to the high proportion of collateralized loans. Household loan quality maintained a generally stable trend, and JB Woori Capital also saw its asset quality indicators improve slightly quarter-on-quarter. While the rise in corporate loan asset quality indicators has a limited impact on net income, we will proactively and strictly manage corporate loan asset quality by tightening credit screening for cyclical industries and continuing our monitoring focused on large exposures.

Lastly, please refer to page 9 for the capital ratio section. At the end of the second quarter, the Group's preliminary Common Equity Tier 1 (CET1) ratio stood at 12.52%, remaining stably managed in the mid-12% range. To manage our CET1 ratio, which serves as the core foundation for securing loss-absorption capacity and expanding shareholder returns, we are continuing to stick to our quality-focused growth centered around risk-adjusted return. As a result, the Group's RORWA for the second quarter rose by 52bps quarter-on-quarter. Furthermore, "NIM minus CCR" (Net Interest Margin minus Credit Cost Ratio), another risk-adjusted return indicator, recorded 2.31% for the Group and 2.01% for the banks, improving by 7bps and 5 bps quarter-on-quarter, respectively. For more detailed financials and indicators of the Group and its subsidiaries, please refer to the IR information and disclosures posted on our Group's website. Thank you.

Q&A Section

○ **Moderator** ***:*** We would like to begin our Q&A session. Just press the star (*) key and 'one (1)' to pose your questions. If you want to cancel your questions, press the star (*) key and 'two (2)'. The first participant to ask questions is analyst Jae-woong Won from HSBC Securities. Please ask your questions.

○ **Jae-woong Won,** ***Analyst – HSBC Securities :*** Thank you for giving me the opportunity to ask a question. Also, congratulations on delivering such strong financial results. I have two questions regarding shareholder returns and corporate lending. First, on shareholder returns, it appears you have increased your share buybacks much more aggressively than I had initially anticipated. Based on my rough calculations, there are about 109 business days left until the end of the year. If you execute a buyback of around 100 bn KRW, it breaks down to purchasing roughly KRW1 bn worth of shares almost every single day. Last year, you committed to making buyback purchases daily, and you actually followed through with that execution. However, this year, we've seen a more intermittent pattern, where you would buy at times and pause at others. For this newly announced buyback program, do you plan to buy back an equal amount every day moving forward? Or do you intend to manage it more flexibly and strategically, buying more or less depending on market conditions? My second question is about corporate lending. Recently, major memory semiconductor companies like Samsung Electronics and SK Hynix announced massive investment plans in areas like Kwangju and Jeolla province. This is highly anticipated to revitalize the regional economy and significantly boost corporate loan demand, not just for the main factories but also for their downstream suppliers and subcontractors. In light of these developments, could you share whether you have any proactive strategies in place to expand our corporate lending portfolio or manage our risk-weighted assets (RWA) to capture these upcoming opportunities? Thank you.

○ **Jong-geun Song,** ***CFO – JB Financial Group :*** Yes, let me first address your question regarding our share buyback program. The Board of Directors today resolved a total share buyback amount of KRW100 bn, and we intend to manage this amount by dividing it into two separate categories. Based on our target shareholder return rate of 50% and our previously provided net income guidance, the calculated buyback amount required for the second half of this year comes out to approximately KRW82 bn. Accordingly, we plan to fully complete the execution of this KRW82 bn portion by the end of this year. The remaining KRW18 bn is scheduled to be executed during the first quarter of next year. Typically, executing a share buyback in the first quarter poses timing challenges due to the scheduling of the Board of Directors' meetings. Therefore, we decided to secure the board's resolution for that first-quarter portion ahead of time today, so that we can smoothly proceed with the purchases early next year. Regarding your question on whether the execution will be conducted on a regular daily basis or intermittently—our fundamental principle is to purchase a fixed amount regularly and consistently. However, as we previously explained, share buybacks during the period immediately preceding or following the dividend record date can cause unintended market impacts. We therefore deliberately avoid those specific time windows. Aside from those exceptions, we will basically proceed in such a way that a set amount is purchased on a regular schedule.

○ **Ki-hong Kim,** ***CEO – JB Financial Group :*** This is CEO Ki-hong Kim. Regarding your question about the massive semiconductor investment plans announced for Kwangju City, Jeolla Province, only the overarching framework has been disclosed so far. Since the detailed specifics and the exact roadmap are not yet available, it is difficult to provide concrete figures at this stage. However, we have already established an internal task force within Kwangju Bank in that region—the Semiconductor Industry Financial Support TFT—reporting directly to the CEO. This team is currently simulating various scenarios for subsequent business developments and other related projects that will follow the investment, actively identifying the specific roles our banks can play. What is crucial to note here is that just because an investment is channeled into a specific region, it does not automatically guarantee transactions for a regional bank operating in that region; that is an entirely separate matter. Therefore, from our perspective, since the investment decision for Kwangju has already been finalized, our primary focus and immediate priority is to build a strong consensus that enables us to fully deliver our capabilities as a regional bank in that process. Moving on to your question regarding RWA, as no definitive investment plans have been set yet, it is premature to worry about RWA capacity management. However, I can assure you of one clear principle: our Group's RWA management is strictly and thoroughly driven by RORWA (Return on Risk-Weighted Assets). Our underlying principle is absolute—we will not take on any RWA that fails to secure our target profitability. In fact, since the new management teams took over at our subsidiaries earlier this year, RORWA-centric management has been significantly reinforced. I can confidently state that RORWA remains our ultimate guide. Thank you.

○ **Moderator** ***:*** The next person to ask a question is analyst Yong-jin Seol from iM Securities. Please go ahead.

○ **Yong-jin Seol,** ***Analyst – iM Securities :*** Thank you for giving me the opportunity to ask a question. It appears we experienced quite significant asset growth this quarter, and I would like to ask how much of that growth is attributed to the core businesses we are currently pursuing. Secondly, an activist fund recently made a comment regarding mergers among regional banks. If you have any stance or perspective on this matter, it would be extremely helpful if you could share it with us.

○ **Jinsok Choi,** ***Managing Director of IR - JB Financial Group :*** Mr. Seol, due to a poor microphone connection, it was difficult to clearly understand your question. Could you please speak into the microphone again, a bit louder and more clearly? Thank you.

○ **Yong-jin Seol,** ***Analyst – iM Securities :*** Ah, yes. Let me restate my questions. First, we saw a fairly substantial increase in asset growth this quarter. Could you please share what percentage of this growth is accounted for by our core businesses? Second, an activist fund recently shared their proposal with us. I would like to hear management's thoughts or current stance regarding their suggestions. Thank you.

○ **Jong-geun Song,** ***CFO – JB Financial Group :*** Let me provide a broad overview of the asset growth we experienced during the second quarter. As our CEO previously mentioned, the primary objective of our asset growth this quarter was to selectively expand high-profitability assets, strictly driven by a RORWA-centric approach. Consequently, the growth was mainly concentrated in specific segments, including project financing (PF) within our investment banking (IB) sector, strategic loans, as well as high-RORWA products such as interim payment loans, auto-title loans, and Sunshine Loans (government-backed retail loans). Across the entire Group, assets classified under our core businesses portfolio accounted for approximately 42% of the total asset. Thank you.

○ **Ki-hong Kim,** ***CEO – JB Financial Group :*** This is CEO Ki-hong Kim. Regarding the activist shareholder proposal, I assume you are referring to the one submitted by Align Partners. It seems to concern the merger proposal between BNK Financial Group and JB Financial Group. To clarify, the request itself was simply asking if our Board of Directors will formally review the proposal. Currently, our Board is in the process of discussing whether this matter warrants a formal review. Coincidentally, the Board is engaged in that very discussion as we speak. Therefore, once a conclusion of any kind is reached, we promise to share the details with the market through appropriate channels, such as a regulatory disclosure.

○ **Moderator** ***:*** The next person to ask a question is analyst Jae-woong Won from HSBC Securities. Please go ahead.

○ **Jae-woong Won,** ***Analyst – HSBC Securities :*** Since there seem to be no further questions from others, I would like to ask just two more. First, I am curious about the status of JBFG's loans to foreigners. Could you share how much the loan balance has increased up to the second quarter? Also, are we still on track to meet the full-year target we previously laid out? If there are any headwinds preventing us from reaching it, I would appreciate it if you could explain those factors. Second, you are executing a larger-than-expected share buyback and cancellation program. As a result, is there any possibility that major shareholders might liquidate some of their stakes? Specifically, are there any potential overhang risks, and if so, how does management plan to mitigate or monitor them? Thank you.

○ **Ki-hong Kim, *CEO – JB Financial Group :*** This is CEO Ki-hong Kim. First, regarding our loans to foreign customers, we are currently targeting a year-end outstanding balance of approximately KRW900 bn (Jeonbuk Bank). However, during the first half of this year, the growth pace of these loans came in slightly lower than our initial expectations. The primary reason for this slowdown is that starting from the end of last year, the delinquency ratio associated with foreign customer loans rose significantly. Consequently, we dedicated substantial time to comprehensively reviewing our overall portfolio and recalibrating our lending strategies. As you know, in the foreign customer loan market, we are consistently operating without a long-standing, established business track record. As a result, unexpected scenarios do occasionally arise. Based on the perspective that it is more prudent to fortify and solidify our foundation before further expansion, we have focused on strengthening our internal systems and risk management frameworks during the first half. Just to clarify, this was not a simple volume reduction. We have spent the first half thoroughly upgrading our entire operational ecosystem, including our sales methods, distribution channels, training programs for foreign sales representatives, and NPL management. Furthermore, our loans to foreigners have previously focused primarily on E-9 (Non-professional Employment) and E-7 (Foreign National of Ability/Professional Employment) visa holders. However, we recognized that relying solely on E-visa holders posed limitations to our scalability. Consequently, we decided to expand our customer foundation toward F-visa holders, who possess long-term residency status. A significant portion of the first half was dedicated to foundational tasks for this transition, such as developing specialized credit scoring models tailored for F-visa holders, which naturally led to a slight deceleration in our loan growth rate compared to initial forecasts. Nevertheless, I would like to emphasize that we remain firmly committed to the foreign customer loan market. Moving forward, we will continuously pursue this business and diversify our sales channels significantly. We have also deployed more of highly specialized personnel to this segment and are actively executing our upgraded strategy as we speak. We anticipate the year-end loan balance to reach approximately KRW900 bn (Jeonbuk Bank). Furthermore, we expect that a more visible and meaningful leap in market growth will materialize next year when we can crystallize our concrete expansion initiatives. To provide additional context, we are already active in the foreign customer loan market through JB Woori Capital's used car loan program, where we currently command a market share close to 50%. Moreover, JBWC has completed the development of new offerings, including subordinated mortgage loans, and is currently conducting market-testing for their release. In tandem, Kwangju Bank is scheduled to officially launch a similar product under the brand name 'TogetherBiz Loan' starting this August. As such, our primary strategic focus for the second half of this year will center heavily on broadening our target customer base and introducing a freshly structured suite of loan products to the market.

○ **Jong-geun Song, *CFO – JB Financial Group :*** Regarding potential major shareholder overhang risks associated with our share cancellations, our major shareholders have previously liquidated some of their stakes on three occasions during our share cancellation processes but, as you are well aware, they have historically executed these transactions in a manner that minimized any significant impact on the broader market. Moving forward, even if the scale of our share buybacks and cancellations increases to a certain degree—and, of course, the specific execution methods and timing will ultimately be determined by the major shareholders themselves—we expect to have little impact considering our past experiences of them having consistently managed to avoid material market disruptions. Yes. That concludes our response. Thank you.

○ **Moderator *:*** At this time, we have no further questions in the queue. If you would like to ask a question, please press star (*) then one (1) on your telephone keypad. As a reminder, there are currently no participants waiting to ask a question. We will pause for a brief moment to allow for any final inquiries.

○ **Jinsok Choi, *Managing Director of IR - JB Financial Group :*** We will hold for a moment to see if there are any remaining questions. As there are no further questions, we will now conclude today's earnings presentation. If you have any further questions, please feel free to contact our IR department, and we will do our best to provide you with detailed answers. Once again, we would like to express our sincere gratitude to everyone who participated in today’s conference call. Thank you all.

(The End)