



1Q 2026 Business Results

Earnings call transcript

April 23, 2026

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 1Q26 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 1Q26, 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** : This is Group CEO, Ki-hong Kim. Escalating geopolitical tensions between the U.S. and Iran are deepening economic uncertainties and driving high volatility across financial markets. JBFG is also experiencing the impact, specifically through increased volatility in securities valuations and rising funding costs. JBFG has appointed new CEOs at its major subsidiaries, such as Jeonbuk Bank, Kwangju Bank, and JB Woori Capital, and pressed ahead with a generational shift in its executive leadership. We are strongly committed to making this leadership reshuffle a springboard for our next leap forward. In the first quarter, we focused on building a solid foundation to drive our qualitative growth strategy focused on profitability. Accordingly, we have been decisively reducing low-yield assets that underperform from a risk-return perspective. Instead, we are focusing more of our capabilities on identifying new business opportunities and targeting niche markets to secure future growth engines. Furthermore, with the goal of becoming a "Global Fast Follower" and a "Domestic First Mover" in AX (AI Transformation), we are accelerating projects designed not only to reduce costs through process innovation across the Group but also to generate tangible revenue. JB Financial Group's net income attributable to the controlling interest for 1Q26 was KRW 166.1 billion. Despite an increase in ERP expenses and a significant decline in bond valuation due to rising market interest rates, our recurring core interest income maintained robust growth. As a result, we achieved performance that slightly exceeded our initial targets for the first quarter. As a result, our first quarter earnings outperformed our target slightly. Furthermore, we are on track to achieve our annual net income guidance of KRW 750 billion without fail. CET1 capital ratio as of the end of the first quarter was 12.61%, up 3bps from the end of the previous year. The Board of Directors meeting today passed a resolution to make a quarterly dividend of KRW311 per share. This is a dividend almost twice as large as the quarterly dividend payment of KRW 160 we made in 1Q25. Let me emphasize again that JBFG will increase the yearly dividends by more than 10% to meet the requirements for separate taxation on dividend income and keep its promise of returning 50% of annual net income as shareholder return. Now, let me ask Vice President Jong-keun Song to take you through our financial results, and then we will have a Q&A session. Thank you.

- **Jong-geun Song, CFO - JB Financial Group** : Nice to have you all here. This is CFO Jong-keun Song from JB Financial Group. Now, I will deliver a presentation on JBFG's business results for 1Q26.

First off, let me go over the key takeaways on page 4. Group's 1Q net income attributable to controlling interest was KRW 166.1 billion, up 2.1% Y-Y. The improvement in net income was driven by an increase in interest income following the rise in Group NIM, which successfully offset the increase in ERP expenses at both banks and the decline in gains related to marketable securities caused by rising market interest rates. Recurring core income, which combines the relatively less volatile net interest income and fee income, reached KRW 548.6 billion in the first quarter, representing an increase of 8.4% year-over-year and maintaining a robust growth trend. We continue to drive asset rebalancing and qualitative growth through risk-adjusted return-focused management. As a result, the provisional CET1 ratio at the end of the first quarter stood at 12.61%, showing an improvement of 3 bps from the previous quarter and 33 bps year-over-year. Along with the reinforcement of our shareholder return policy, the upward trend in our capital adequacy remains intact. Today, our Board of Directors resolved to pay a first-quarter dividend of KRW311 per share. As pledged to the market through our Corporate Value-up Plan in February, and backed by our stable earnings base, we have resolved a quarterly dividend nearly double that of the previous year's quarterly DPS, thereby initiating an equal quarterly dividend payment. Furthermore, we remain committed to honoring our promises to the market to enhance corporate value, including meeting the requirements for separate taxation on dividend income and achieving a 50% total shareholder return ratio for this year.

Please refer to page 5 of the materials for our profitability performance. In the first quarter of 2026, the Group's ROA and ROE stood at 0.94% and 11.2%, respectively, maintaining a double-digit ROE. While Jeonbuk Bank and Kwangju Bank reported somewhat modest results due to non-recurring factors—such as an increase in ERP expenses and a decline in gains related to marketable securities—JB Woori Capital's first-quarter net profit reached KRW72.7 billion, up 24.3% year-over-year, demonstrating a robust growth trend. Additionally, JB Investment and overseas sub-subsidiary, PPCBank, also achieved improved performance, with net profits increasing by 203.6% and 20.4% year-over-year, respectively.

Now let me turn to the section on net interest income and non-interest income on page 6. In the first quarter of 2026, the Group's total operating income increased by 2.3% Y-Y, driven by growth in interest income. Won-denominated loans for the Group and Banks combined increased by 1.5% and 1.4%, respectively, compared to the previous quarter. For the first quarter, the Group NIM rose by 2 bps, while the Bank NIM declined by 1 bp Q-Q. The Group's non-interest income decreased by 40.8% year-over-year due to a decline in gains related to marketable securities at the banks, resulting from rising market interest rates. However, the valuation losses, which were the primary cause of the decline in bank securities gains, were mainly driven by Repo funds consisting mostly of bonds. Given that the average bond duration is less than one year, we expect the scale of these valuation losses to diminish in the short term.

Next, I will discuss the Expenses section on page 7. In the first quarter of 2026, the Group's Cost-to-Income Ratio stood at 39.8%, an increase of 3.1 percentage points year-over-year. This was largely attributable to an increase in SG&A (Selling, General, and Administrative) expenses due to the implementation of early retirement programs. Excluding these ERP expenses, the Group's CIR would show an increase of only 1.5 percentage points year-over-year. The Group's credit cost

ratio for the first quarter was 0.88%, an improvement of 1 bp quarter-on-quarter. As this is slightly above the guidance level of 0.86% presented earlier in 2026, we will strengthen our asset quality management to ensure it is maintained below our planned targets.

Now, let me take you through the section on Asset Quality on page 8. Although the Group's delinquency ratio and NPL ratio rose by 25 bps and 18 bps, respectively, compared to the previous quarter, the pre write-offs delinquency ratio—a more practical asset quality indicator—rose by only 7 bps. Furthermore, the pre write-offs NPL ratio remained steady at the previous quarter's level. The discrepancy between nominal and underlying indicators is due to a decrease in the volume of write-offs and sales compared to the prior quarter. The variance in the delinquency and NPL ratios is specifically attributed to 35.3 billion won in overdue interim payment loans backed by government agency guarantees. These overdue interim payment loans have been submitted for subrogation payment and are expected to be recovered between June and August of this year. Additionally, the 29 billion won in real estate PF classified as "substandard & below" this quarter is backed by completion guarantees, and we anticipate full recovery. While underlying asset quality indicators (including the new delinquency ratio) remain similar to the previous quarter, they are still at elevated levels. Therefore, we will strengthen our underwriting and management for cycle-sensitive industries and maintain rigorous monitoring of our loans, large exposures in particular, to manage risk proactively.

Next, please refer to page 9 for our Capital Ratios. As of the end of the first quarter of 2026, the Group's preliminary CET1 ratio is estimated at 12.61%, an improvement of 33 bps Y-Y and 3 bps Q-Q. To further enhance the CET1 ratio, which serves as a critical foundation for our shareholder return policy, we will analyze RORWA by subsidiary and product. Based on this, we will optimize capital allocation efficiency and continue to drive qualitative growth centered on risk-adjusted profitability.

For additional details on management indicators for the Group and its subsidiaries, please refer to the IR and disclosure materials available on our website. Thank you for your attention.

Q&A Section

- **Moderator** : We would like to begin our Q&A session. Just press the star (*) key and 'one (1)' to ask your questions. If you want to cancel your questions, press the star (*) key and 'two (2).' The first participant to ask questions is analyst Yong-jin Seol from iM Securities. Please ask your questions.
- **Yong-jin Seol, Analyst – iM Securities** : Thank you for giving me the opportunity to ask. I have two questions. First, I would like to ask about the contribution of strategic loans, such as loans to foreigners, to our overall loan growth this quarter. Second, given the heightened risks arising from the Middle East conflict, I think there could be some risk with this type of loan, so I would like a brief explanation of how you plan to manage credit costs to stay within the management targets you previously presented.
- **Ki-hong Kim, CEO – JB Financial Group** : This is CEO Ki-hong Kim. Regarding the growth in loans to foreigners, the total market balance is steadily increasing with each passing quarter. We project that Jeonbuk Bank's year-end balance for loans to foreigners will reach approximately KRW 1 trillion. Kwangju Bank is also active in the foreign national market, and while their internal target is around KRW 200 billion, we conservatively estimate they will reach about KRW 100 billion by year-end. Additionally, since JB Woori Capital provides auto financing to foreigners, we expect the total combined year-end balance of the loans to foreigners to range between KRW 1.3 trillion and 1.5 trillion.
- **Seung-guk Lee, CRO – JB Financial Group** : This is CRO Seung-guk Lee. I believe your question was regarding our credit cost management for sectors potentially affected by the situation in the Middle East. First, regarding the petrochemical industry, which we are monitoring with particular sensitivity, Kwangju Bank and Jeonbuk Bank have a combined exposure of approximately KRW 300 billion. Upon reviewing the potential for default on an individual company basis, we have identified about 10 companies that show some signs of default. However, as the total amount involved is estimated to be within KRW5 billion, we do not expect this to have a significant impact on our overall credit costs. Thank you.
- **Moderator** : We now have a question from analyst Do-ha Kim at Hanhwa Investment & Securities. Please go ahead.
- **Do-ha Kim, Analyst – Hanhwa Investment & Securities** : Thank you for the opportunity to ask. I have been asking similar questions to other banks as well. It seems to be a common trend this first quarter that NPLs are rising sharply, leading to a significant drop in the NPL coverage ratio. While we have seen the NPL coverage ratio fall below 100% several times in late 2020, and there may not be an absolute threshold, the current delinquency ratio appears to be rising steeply even for items not yet classified as NPLs. Given that the current coverage does not seem ample, there

are concerns about additional provisioning burdens. However, since you are maintaining your annual guidance of credit cost ratio at a level lower than the first-quarter figure, could you provide more specific details? For instance, are you anticipating certain reversals of provisions—whether related to PF or other areas—at a specific point in the year? Understanding your projected outlook would be very helpful. Second, regarding the NIM, the performance of the two banks seems somewhat disappointing. Could you provide a detailed explanation of the trajectory you expect for the NIM throughout the remainder of the year?

- **Seung-guk Lee, CRO – JB Financial Group** : This is CRO Seung-guk Lee. As you see, the NPL Coverage Ratio is calculated by dividing the total allowance for loan losses by the total amount of NPLs. Regarding the NPL coverage ratio you mentioned, I would like to clarify that the decline is not due to a decrease in provisions, but rather an increase in NPLs. The reason is as follows. Unlike household loans, which typically do not transition to NPL status unless they are overdue for more than 90 days, corporate loans are often reclassified as NPLs immediately upon delinquency due to subsequent credit rating downgrades. As you are aware, most of corporate loans are collateralized. When these loans become delinquent and are classified as NPLs, we conduct individual impairment assessments. Since these are secured by collateral, the resulting increase in required provisions is limited. However, because the amount of loans migrating directly to NPL status upon delinquency is large, we are seeing a temporary drop in the NPL coverage ratio. Nevertheless, we understand the concerns regarding the ratio staying below 100%. We are exploring ways to improve this, and we expect the ratio to rise as we take actions such as increasing the volume of write-offs and sales. Thank you.

- **Ki-hong Kim, CEO – JB Financial Group** : This is CEO Ki-hong Kim. CRO Lee, I think, answered your question very well. Regarding the NPL coverage ratio, as previously explained, falling below 100% is quite an exceptional case for us. Therefore, we are currently considering various measures to manage and maintain this ratio at an appropriately high level above 100% over the mid-to-long term. Next, you asked about the Banks' NIM. It is true that the NIM of our Group banks, Jeonbuk Bank and Kwangju Bank, has been significantly higher than that of other banks and remains so in absolute terms. However, relatively speaking, we have experienced a substantial decline in NIM over the past two years. In particular, Kwangju Bank saw a significant drop in its NIM; at one point, despite an increase in loan volume, total interest income decreased because the growth in asset volume could not offset the decline in NIM. This phenomenon persisted for several quarters. However, I can now say that we have addressed this issue extensively through many internal reviews and various strategic adjustments. As a result, we expect next quarter to serve as a pivot point, with Kwangju Bank's NIM beginning to see a turnaround from here on out. This outlook is supported by our rigorous rebalancing efforts over the past two years, during which we aggressively opted not to extend low-margin corporate loans. As these strategic adjustments have accumulated, we anticipate a rebound in NIM starting from next quarter. Jeonbuk Bank, having initiated these measures about three quarters ahead of Kwangju Bank, has already clearly shifted into an upward NIM trend. Consequently, we project a much more favorable trajectory for the Banks' NIM moving forward, which is a critical priority for us. Since this directly impacts net interest income—the very foundation of our Banks' profitability—any failure to secure adequate interest income would lead to increased volatility in net income. We are placing

significant strategic emphasis on this area and, therefore, maintain a positive outlook on the NIM situation following quarter. Thank you.

- **Moderator** : We now have a question from analyst Jae-woong Won of HSBC Securities. Please go ahead.
- **Jae-woong Won, Analyst – HSBC Securities** : Thank you for the opportunity to ask a question. I have one inquiry regarding non-interest income. It appears that significant bond valuation losses were incurred this quarter due to rising interest rates. In the fourth quarter of last year, interest rates also rose quite rapidly, yet we did not see such substantial bond valuation losses recognized at that time. However, the impact this quarter seems larger than expected. I would like to ask if there has been a change in our investment strategy, or if you could explain the reasons behind this different trend compared to last year. Thank you.
- **Jong-geun Song, CFO – JB Financial Group** : This is CFO Jong-keun Song. As summarized in the “Gains related to Marketable Securities” section on page 6, there are two distinct factors: first, a year-over-year decrease in bond trading profits, and second, the reversal of valuation gains into valuation losses. The transition from valuation gains to losses that you pointed out refers to this latter part. A significant portion of the bonds we manage under the FV-PL category is held within Repo funds. While Repo funds essentially carry no interest rate risk because they are exchanged at a pre-agreed rate upon maturity, they are subject to periodic valuation. Consequently, as of the end of March, some valuation losses were recognized in relation to these Repo funds, which marks the difference from the previous quarter. However, as mentioned in our opening remarks, since most of these consist of bonds with a maturity of less than one year, we expect these valuation losses to be resolved rapidly over time. Thank you.
- **Moderator** : The next person to ask a question is analyst Ji-won Kim from DAOL Investment & Securities. Please go ahead.
- **Ji-won Kim, Analyst – DAOL Investment & Securities** : Hello, and thank you for the opportunity to ask a question. According to media reports from yesterday and today, it appears that regional banks have been granted more relaxed household loan growth targets, in the 4~5% range. In light of this, I would like to ask if there are any changes to our annual loan growth guidance. Thank you.
- **Ki-hong Kim, CEO – JB Financial Group** : This is CEO Ki-hong Kim. Regarding the household loan targets, we do not anticipate any impact on our guidance. When we establish our guidance, we forecast net income based on a worst-case scenario concerning total household loan regulations. Since our existing guidance was already predicated on these conservative assumptions, any regulatory changes that emerge in a more favorable direction for us are not expected to result in an adjustment to our current guidance. That is all. 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)

Disclaimer

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